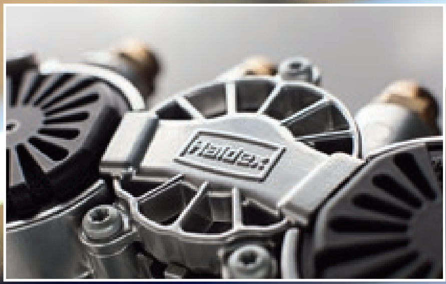
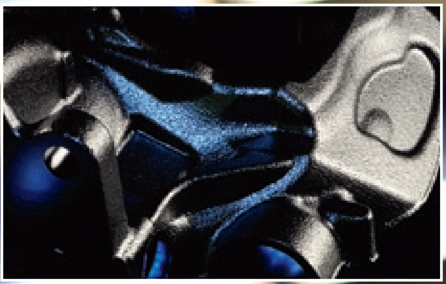
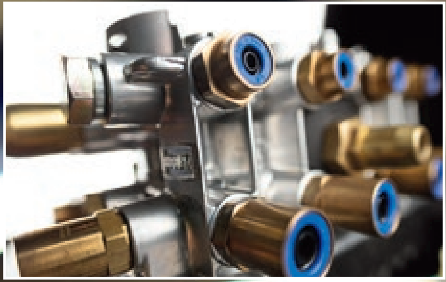


ANNUAL REPORT 2017 WITH SUSTAINABILITY REPORT

A WORLD OF SAFER VEHICLES

Brake solutions for heavy vehicles

Haldex

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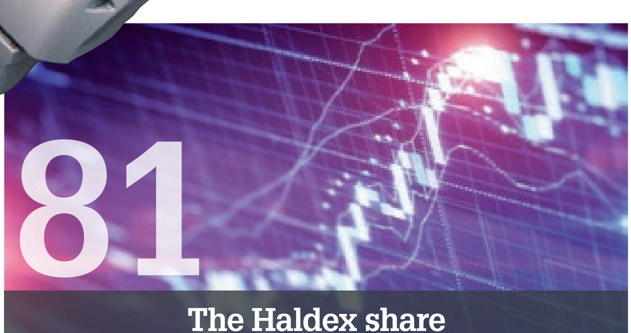

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A world of safer vehicles

Haldex develops and sells brake and air suspension systems, as well as products that improve safety in heavy vehicles. We want to contribute to a sustainable world with a safer traffic environment. Our world is changing rapidly. Development towards electrically powered and self-driving vehicles changes not only our industry, but the whole of society.

ALL MAJOR T MANUFACTU

Our larger custon
Motor Corp, Freig
Navistar, Paccar,
Volvo, Wabash ar
the aftermarket s

WORLD-LEADING PRODUCTS

In several product categories, we lead the market, including brake adjusters for drum brakes, where we have been the global market leaders for a long time. In actuators, we are number one in North America, while we are quickly capturing market share in disc brakes where we are known for our innovative design. These and other wheel-end products comprise the Foundation Brake product group, while air suspension products, such as ABS, EBS, filtration and drying of compressed air and valves comprise the Air Controls product group.

HALDEX AS AN INVESTMENT

- Transport needs are increasing.
- Major technology shift that will change society as a whole.
- Haldex has expertise in the emerging areas.
- Long-term customer relations with all major players.

LONG-TERM, PROFITABLE GROWTH IN A GREEN, SAFE AND ETHICAL HALDEX

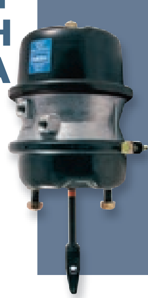
FOUNDATION BRAKE

SEK 2,529 M

BRAKE ADJUSTERS #1

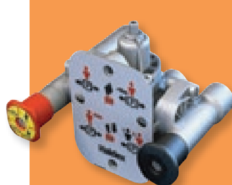
RAPIDLY GROWING

LARGEST IN NORTH AMERICA



AIR CONTROLS

SEK 1,933 M



THE SMARTEST SEPARATOR

TRUCK AND TRAILER
URERS AS CUSTOMERS

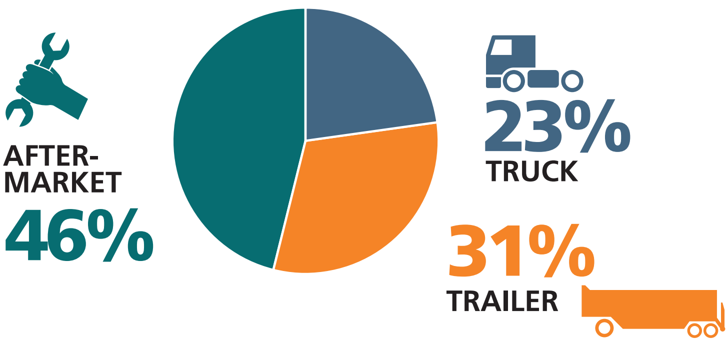
mers around the world include Daimler, Dongfeng
ghtliner, Hendrickson, Krone, Kögel, MAN,
SAF-Holland, Scania, Schmitz Cargobull, Tata,
nd Yutong, as well as a number of distributors in
such as Europart, FleetPride and NAPA.

SALES, SEK M
4,462

MARGIN (EXCLUDING ONE-OFF ITEMS)
6.5%

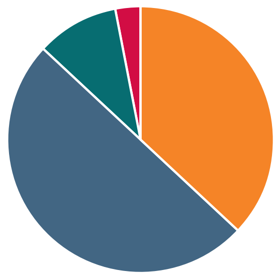
19
COUNTRIES

SALES/CUSTOMER CATEGORY



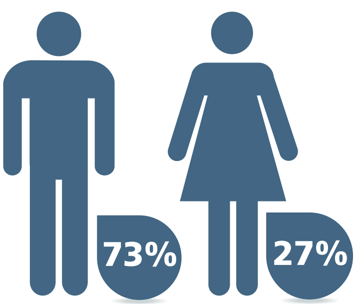
Truck (trucks and Buses), Trailer and Aftermarket (spare parts and service) are our three customer categories. Where infrastructure is better, trailers are used more widely, with the result that sales to this category are greatest in North America and Europe. China is the world's largest producer of trucks and, as the technology content per vehicle increases, it will gradually become an increasingly important market for Haldex.

SALES/REGION, %



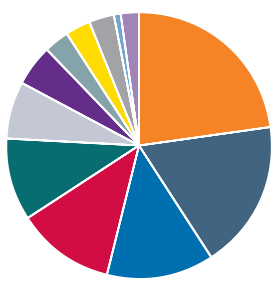
- EUROPE 37%
- NORTH AMERICA 50%
- ASIA 10%
- SOUTH AMERICA 3%

2,176



EMPLOYEES

EMPLOYEES/COUNTRY, %



- USA 23%
- Mexico 18%
- Hungary 13%
- China 12%
- Sweden 10%
- India 7%
- Germany 5%
- Brazil 3%
- France 3%
- UK 3%
- Canada 1%
- Other 2%

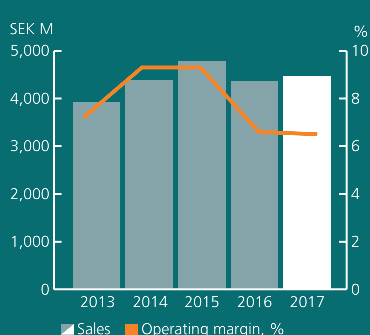
CONNECT
COMMUNICATE
COLLABORATE
COACH
CREATE

2017 in brief

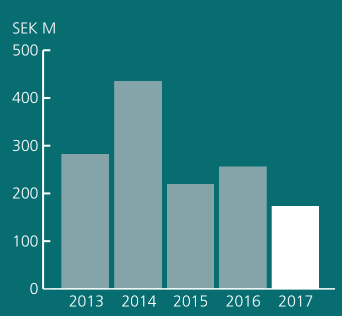
The year ended strongly as the market situation gradually improved. Sales increased slightly while the margin was maintained. The year was largely pervaded by Knorr-Bremse's prolonged public offer process for Haldex, which was withdrawn in September.

- **Currency-adjusted sales increased somewhat compared with the preceding year's sales. Demand improved primarily in North America, a region that began the year very weakly. In the second half of the year, sales increased in all geographical regions.**
- **In product terms, brake adjusters and actuators accounted for the greatest increase. Over the year, the decline in actuators, which has been occurring since 2014, turned to growth. An upgraded version of the relevant actuator model was also launched during the year.**
- **Sales of Haldex's disc brakes continued to grow, although not at the same rate as previously due to contracts being lost during the public offer process. There are, however, signs that the North American transition to disc brakes is gaining momentum, with long-term growth forecasts for disc brakes remaining favorable.**
- **The operating marging, excluding one-off items, of 6.5 percent was in line with the preceding year. Important development projects have been accelerated to safeguard a competitive position in the technology transition to self-driving and electrified vehicles, resulting in higher research and development (R&D) costs.**
- **Cash flow from operating activities was lower than in the preceding year, mainly due to increased inventories for product launches and coming demand.**

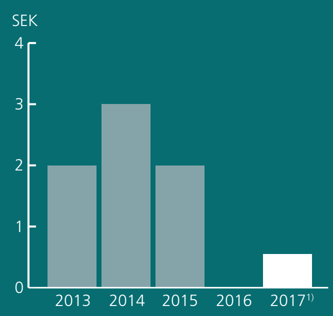
SALES AND OPERATING MARGIN, EXCLUDING ONE-OFF ITEMS



CASH FLOW FROM OPERATING ACTIVITIES



DIVIDEND



[1] Proposed dividend to be approved by the Annual General Meeting, SEK 0,55

KEY FIGURES	2017	2016	Change
Net sales, SEK m	4,462	4,374	+2%
Operating profit excluding one-off items, SEK m	292	291	0%
Operating income, SEK m	149	204	-27%
Operating margin excluding one-off items,%	6.5	6.6	-0.1
Operating margin, %	3.3	4.7	-1.4
Earnings after tax, SEK m	79	91	-13%
Earnings per share, SEK	1.67	2.00	-16%
Dividend, SEK[1)]	0.55	0	+0.55
Return on capital employed, excluding one-off items %[2)]	13.3	13.8	-0.5
Return on capital employed, %[2)]	6.8	9.7	-2.9
Equity/assets ratio, %	45	45	0
Cash flow from operating activities, SEK m	173	256	-83
Employees	2,176	2,045	+6%

1) Proposed dividend for 2017
2) Rolling 12 months

“A stronger Haldex with a clear strategy for the future

Åke Bengtsson took over as President and CEO during one of the company’s most turbulent years. “I will look back on 2017 with pride. Haldex’s employees did a great job of keeping our customers happy and getting them to continue doing business with us, despite everything that happened regarding our ownership situation. In many ways, we entered 2018 with better conditions to build long-term value in the company.”

How would you summarize growth and profitability in 2017?
”The year began with weak demand in North America and, with half of our sales deriving from that region, this had a major impact on us. The market situation gradually improved over the year and we can confirm that the North American market clearly improved. Haldex increased its sales in all regions during the second half of the year, and total sales grew compared with the previous year. In Europe, we gained market share, while in North America, despite growing revenue, we did not manage to match the improvement in the market. Nonetheless, growth helped us achieve higher profitability than we had forecast. We predicted a slightly lower operating margin in 2017 than in 2016. Summing up the books, we see an operating margin in line with the preceding year, largely due to the positive trend in the second half of the year. This was a very strong achievement given the conditions we experienced.”

“Our strategy for Product Leadership is focused on self-driving vehicles.

Sales in 2017 were stronger than in the preceding year, but during the public offer process you communicated that it would affect business.
”In our industry, many customers want to have two suppliers of the same product – known as dual sourcing. With only three brake manufacturers in the market, those with Knorr-Bremse as a supplier would not choose Haldex, as they risked having only one supplier if the bid was completed. This resulted in several opportunities in disc brakes being lost. Lead times for major contracts are long and the development contracts being signed today will only generate income a few years from now. This is why sales for 2017 were relatively unaffected. On the other hand, the lost contracts meant that we missed opportunities to establish ourselves with our disc brakes in the Truck segment during the year.”

What does that entail for the growth forecast for disc brakes?
”Broadening the customer base from Trailer to Truck has had to temporarily take a back seat, although we are seeing instead that the shift from drum brakes to disc brakes in the US is progressing faster than we previously thought. Disc brakes give us higher sales per unit compared with drum brakes, as we only sell the brake adjuster part of a drum brake. The margin is lower as a percentage but higher in absolute terms. A transition to disc brakes will therefore benefit us overall. We are now working intensively to secure contracts with North American customers. Our disc brakes were relaunched in North America two years ago following our previous exclusion from the market for a number of years due to a patent dispute. Accordingly, we have no previous market share to build on in the US with regard to disc brakes, although we do, on the other hand, hold a strong position in disc brakes in Europe, as well as being a global market leader in brake adjusters, which is the central part of a drum brake.”

If disc brakes are growing, will sales of brake adjusters decrease?
”On heavy vehicles, technology maturity differs considerably between the geographical regions. China is leading the development towards the latest technology in electromechanical brakes. At the same time, however, it is the region that also uses technology that Europe left behind many years ago. Since January 1, 2018 all newly manufactured heavy vehicles must be equipped with automatic brake adjusters. This will quadruple the market for automotive brake adjusters and, as a market leader in this product, we predict such a great increase in the number of brake adjusters that it will be difficult for us to meet demand.”

You mentioned electromechanical brakes in China. How are you participating in that development?
”Since 2016, we have a joint venture with Chinese VIE in electromechanical brakes. In order for electric heavy vehicles to be effective, the pneumatic brake system needs to be replaced with something lighter and smoother. An electromechanical brake functions much like a disc brake, but without compressed air. They also have better braking power than an air-driven disc brake, so there are also benefits in terms of safety. We have been knowledgeable in this technology from an early stage and hold a patent on an electromechanical brake now being developed into a commercial product in China. This is happening in China because China decided to switch to electric buses and the market there will grow substantially over a brief period

To develop components as part of a complete brake system, in close collaboration with customers, has been turned into a competetive advantage.

of time. The project is proceeding according to plan and Haldex's sales are expected to accelerate in 2020."

Self-driving vehicles are a topic attracting much attention. What role is Haldex playing in that development?

"Our strategy for Product Leadership is focused on self-driving vehicles, or autonomous vehicles as they also are called. The brake system is an important safety product with its braking function, although it also serves as a backup for the steering system. It was probably the significance of this technology that lay behind the bidding war for Haldex."

"Self-driving vehicles will change not only our industry, but the whole of society. That kind of technological leap requires new ways of thinking. On our roads, there will be a mix of new and old technologies that must work together. We are convinced that the crucial functionality and intelligence will be in the software. The same software can control how an electromechanical brake, disc brake or drum brake behaves, that is, utilizing both existing and emerging technology. We are just as convinced that open standards are needed to get the various components of a vehicle and communication between vehicles to work together. An important third parameter in our product strategy involves modular solutions. We do not believe in selling a 'black box' where the customer only receives the functionality requested for the moment and has no opportunity to influence which features are to be prioritized or to understand how the system is structured. Open and modular systems may seem obvious, but during the competition clearance investigation in connection with the public offer process, it became clear that we are one of only few who think in this way. To develop components as part of a complete brake system, in close collaboration with customers, has been turned into a competetive advantage."

In addition to Product Leadership, what part of your strategy will you be focusing on in the future?

"The second of the strategy's five pillars that can make a real difference to Haldex entails broadening the aftermarket offer. Vehicle owners request different levels of quality in spare parts depending on the remaining life of the vehicle. We have a strong position with established customer relationships and a good reputation, but we have a lot more work to do in terms of product range. It would be possible to speed up this process with some form of acquisition."

"We have also realized that, in many parts of Haldex, we have a way of working better suited to serve OEMs rather than an approach offering aftermarket customers what they want. These customers demand fast delivery and a wide range of products, while OEM customers pursue development projects taking several years in a few selected product areas. In 2018, we will focus more on allocating resources and finding the right partners to achieve the results we want."

One of your strategic areas is Bridge Building. What does that mean?

"For several years, we have been working increasingly with our values and behaviors, and in 2017 we launched two global leadership programs. One focused on particular behaviors and targeted all managers within Haldex. We call our behaviors our 5Cs, since they are represented by five words that start with C – Connect, Communicate, Collaborate, Coach and Create – which lead to a bridge-building culture in which we find ways of working together to solve problems effectively and achieve results. The second program targeted 18 selected talented individuals who, for a year, pursued studies in areas combining strategy and finance with leadership and increased knowledge of Haldex's market. Both programs have been rated very highly by the participants and will continue in the future. Building the prerequisites for good leaders is crucial if we are to succeed with our strategy. With the world changing as quickly as it currently is, people are needed with the willingness to change, learn new things and collaborate."

"Leadership is also the basis for sustainable business. We want to contribute to a better world with our products by selecting suppliers with sound values, by never compromising anyone's safety and by maintaining sustainable operations that do not destroy our planet. Good leadership is largely about creating an environment in which healthy values are prioritized so that individuals make the right decisions and do the right things. Haldex will then be even more competitive in relation to both customers and employers."

What is Haldex's greatest challenge for the future?
"Keeping pace with the rapid technological development currently taking place and choosing the technology that customers actually want is a considerable challenge. Right now, we have a number of development projects that are receiving positive feedback from customers, although we must also keep our minds open regarding what vehicle architecture will look like in the future. For example, an electric car combines driveline and brakes in a completely different manner than a gasoline/diesel fueled car. In a self-driving vehicle, the brake system is used as an additional steering system because you can steer a vehicle by distributing the braking force differently between the wheels. The boundaries between driving, braking and steering may be in the process of being redefined. To remain competitive, we will therefore increase our R&D investment, from 4 percent of sales in 2017 to 5 percent this year. The other major challenge is finding and retaining skilled and motivated employees. We need to recruit skills in areas where there is great competition for labor, and we need to become even better at positioning ourselves as an attractive employer."

What does all of this mean for Haldex in financial terms?
"Our long-term target of a 10 percent operating margin stands firm and we have been nudging this level in certain years, so we are convinced that it is realistic. However, Haldex would not remain competitive unless we took an active part in the rapid technological development that is currently taking place. With increased R&D investment, however, we will not achieve our long-term profitability target in the next few years, and will have to postpone that somewhat."

"We estimate that sales for 2018 will increase compared with 2017. Since we make half of our sales in North America, the increased demand in that market will affect us most. In China, we expect good growth driven by the legal amendment requiring brake adjusters. On the other hand, this growth will occur at lower margins than we are seeing in the western world. In Europe, we hold a strong position in a stable market."

"Increased sales enable higher operating income. This will, however, be offset against greater investment in development projects and expansion costs in North America and China. The operating margin for 2018 is expected to be slightly lower, or in line with, the operating margin excluding one-off items for 2017."

"I would like to extend my warm thanks to our customers, employees, suppliers and shareholders, who backed us up through the turbulen period we have now put behind us. The support we have received is overwhelming and has given us renewed energy and self-confidence. We will continue to work to secure a stable and long-term ownership base as this is an important success factor in an industry with long lead times. We enter 2018 reinforced and with a clear strategy for the future."

Landskrona, Sweden, March 2018

Åke Bengtsson
President and CEO

Haldex as an investment

Underlying demand for Haldex's products has been favorable for a long time, with growing populations and improved infrastructure, leading to increased transportation needs. Demands for increased safety, sustainable solutions and cost-efficiency result in more technologically advanced vehicles, which also benefits Haldex.

Recently, the major technological shift towards self-driving and electrified vehicles has accelerated, creating space for new products and changing market shares. This is an opportunity that Haldex nurtures thanks to its well-developed strategy. The strategy builds on Haldex's strengths, including strong, long-term customer relationships and skills in both new and established areas of technology. The five areas below provide the basis for how Haldex should be assessed as an investment.

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Smarter transports

Needs for smarter transports

Due to global macro trends, from growing transportation needs to more stringent environmental and safety standards, the conditions for our operations are changing. It is more important than ever to have a well-founded understanding of the market changes that affect us. New technologies, such as electrified and self-driving vehicles, will change society as a whole, creating new needs and opportunities.

Transport needs are increasing

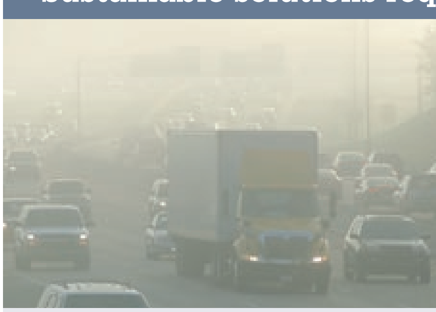
More and more goods are being transported in a world with a soaring population. The UN expects the current world population of 7.6 billion to increase to 9 billion within 12–17 years. Another significant factor is growing prosperity. Between now and the year 2030, the world's middle class will double while absolute poverty is expected to decline. This will lead to increased demand for goods and thus to increased transport needs. Increased transport entails more trucks and trailers being manufactured and demand for these vehicles to be used more intelligently, more efficiently and more safely.

Improved infrastructure

More than 50 percent 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 escalating need for better transportation infrastructure

Increased prosperity also generates conditions for improved infrastructure. Trucks and trailers are most common in countries with roads of a good standard. Major distribution centers function as hubs where trailers can be reloaded or have a new truck assigned. In countries with roads of a poor standard, integrated trucks are more frequently used for shorter distances. With improved road network quality, vehicles are demanded with greater load capacity and a higher technology content per vehicle, opening up for the propagation of new technologies.

Sustainable solutions required



Increased transport will, in turn, lead to growing problems of congestion, noise and air pollution. A sustainable transportation sector must improve fuel efficiency, and find low-carbon alternatives. Road transport accounts for about a fourth of global carbon dioxide emissions. The transport sector is the only major sector in which greenhouse gas emissions in the EU continue to rise. Since 1990, carbon dioxide emissions in the EU have risen by about 20 percent. Accordingly, the forces driving the development of new, sustainable solutions are considerable.

An important area that affects emissions in this regard is the vehicle's weight. A rule of thumb is that a 10 percent drop in truck weight reduces fuel consumption by 5–10 percent. Another area for improvement is the type of fuel used. Vehicle electrification avoids fuels that directly affect carbon dioxide emissions. On the other hand, additional environmentally friendly alternatives are needed for the manufacture and charging of vehicle batteries, to make electric vehicles a sustainable solution in the long term.

For some time, the EU has been working on regulations to change emission levels, with the most recent change, known as Euro 6, being implemented in 2014. In the US, the next level change, called Tier 3, came into effect in 2017. New regulations primarily affect all newly manufactured heavy vehicles, although older vehicles will also be affected in the long term. Euro 6 imposes, for example, specific requirements for vehicles to be driven in urban environments in several countries.

Sources: OECD Yearbook 2012, UN report "World Population Prospects: The 2012 Revision", UN report "World Urbanization Report 2014 Revision Highlights", and the WHO fact sheet No. 358 "Road traffic injuries".

Higher safety requirements

Each year, 1.3 million people die on the world's roads and 50 million are injured 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. The problems are greatest where the resources to combat them are least. As more countries and organizations set ambitious targets for safety, safety systems will increasingly become mandatory for commercial vehicles.

It is clear that safety requirements are increasing in all parts of the world, although differences between regions remain considerable. ABS has been compulsory in Europe and the US for decades, but has only been compulsory on newly manufactured buses and trucks in Brazil since 2014, and in India since 2015. China has the largest number of newly manufactured heavy vehicles in the world, but also a very large number of vehicles with low technology content. Not until January 2018 did new legislation come into effect that makes automatic brake adjusters mandatory in China. This became a requirement in Europe and the US long before ABS became mandatory.

In Europe, more stringent requirements on braking distances for heavy vehicles resulted in a breakthrough for disc brakes in the 1990s. Europe has remained at the forefront of safety requirements for heavy vehicles, imposing a few years ago, for example, ESC (Electronic Stabilization Control), AEB (Autonomous Emergency Braking) and LDW (Lane Departure Warning) on all new vehicles.

The US has lower technology content per vehicle than Europe and permits, for example, longer braking distances than EU regulations allow. This has resulted in drum brakes remaining the dominant technology in the US. However, an increasing number of disc brakes are being mounted on new vehicles and, in 2017, discussions on disc brakes gained new momentum in the US. No legislation is currently proposed making disc brakes compulsory.

Cost-efficient solutions

An additional aspect is that the solutions developed to meet the increased environmental and safety requirements must be cost-effective. With global competition, low cost options can out-compete more expensive alternatives, even if there are different environmental and safety requirements.

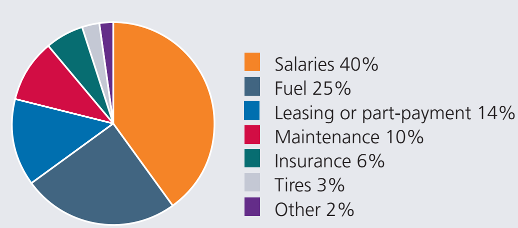
For quite some time, the American Transport Research Institute has analyzed the cost per mile driven for American fleet operators. Fuel costs were, for a long time, the highest cost for fleet operators, accounting for about 30–40 percent of the total cost. About a year ago, there was a break in the trend and personnel costs took over first place as the highest individual cost item. In 2016, personnel costs accounted for approximately 40 percent of the total cost per mile driven for fleet operators, compared to 25 percent for fuel costs. New rules for rest periods and regulated driving distances are the foremost reason for wage costs per mile having risen.

For a long time, the automotive industry has been working to reduce fuel consumption, both by working on smarter fuel consumption, but also by reducing vehicle weight. Reduced vehicle weight also means load capacity can be increased and the vehicle can therefore be used more intelligently and more cost efficiently per mile.

What gathered momentum in earnest in 2017 was the development towards self-driving vehicles. With such a high proportion of personnel-related costs, there are strong economic driving forces to find alternative solutions reducing the number of drivers per loaded unit.

COST DISTRIBUTION

Average cost per mile for US fleet operators



Sources: OECD Yearbook 2012, UN report "World Population Prospects: The 2012 Revision", UN report "World Urbanization Report 2014 Revision Highlights", and the WHO fact sheet No. 358 "Road traffic injuries".

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Smarter vehicles

Major technology shift affecting society as a whole

Combined, new technology, stricter safety and environmental requirements, cost pressure and growing transport needs lead to the development of increasingly intelligent vehicles. All major vehicle manufacturers have extensive development projects in areas including electrification and self-driving vehicles. In 2017, self-driving trucks were presented by companies including Daimler, Volvo, Otto and Peterbilt.

Connected vehicles

A prerequisite for creating smarter vehicles is that the different parts of the vehicle are connected to one another, as well as the vehicle itself being connected to its surroundings. To collect data, sensors will be a natural part of the various parts of the vehicle. However, data from sensors only become valuable when analyzed and put into context. Was that a leaf fluttering past the front of the vehicle or was it a child running across the road? Is the driver trying to overtake the car in front, or is the vehicle switching lane by itself because the driver's attention was distracted.

Technological solutions that the driver of a vehicle will clearly perceive, such as adaptive speed control, lane switching, automatic braking and collision warning could be more noticeable than solutions that operate in the background. The driving characteristics of a vehicle are determined largely by the characteristics of the wheels as the friction is transferred to the road. By measuring and analyzing the behavior of the wheels, such as their speed and resistance, the brake system can act preventively, stabilizing the vehicle. The brake system should not only respond quickly when the vehicle's other systems signal that a collision must be avoided. It should also respond appropriately. Whether the driving surface is wet or dry, affects how the braking effect should be distributed. The brake system can also be used to steer to avoid a potential collision by distributing the braking effect between the various wheels. The brake system can also adjust the behavior of the wheels while driving to make the ride safer and more comfortable. Consequently, a brake system that is connected to the other parts of the vehicle is crucial to the driving experience and vehicle safety.

Another aspect of connected vehicles is how they communicate with their surroundings. Already today, vehicles can transmit signals to one another, although this is mostly used between vehicles of the same brand and to an extremely limited extent in relation to what is possible. If a fully loaded tractor with a trailer brakes, other vehicles from the same manufacturer further behind on the same road are signaled and can adjust their speed early. However, if connected vehicles are to operate on a large scale in society, open standards must be applied on a broad front, with all vehicles communicating with one another to create a safer traffic environment.

Units produced – industry forecast	Change in 2107 comp. w. prev. yr.	Change in 2108 comp. w. prev. yr.
Trucks		
North America	11%	20%
Europe	5%	3%
China	49%	-17%
India	2%	16%
South America	44%	18%
All regions	**26%**	**-4%**
Trailers		
North America	2%	-1%
Europe	0%	-4%
China	49%	-33%
India	6%	0%
South America	21%	5%
All regions	**19%**	**-16%**

Newly produced trucks and trailers are a relevant indicator for the market in which Haldex operates. It is important to remember that Haldex is affected depending on how much of the company's sales are generated in each category and geographic region.

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Electrification

Electric trucks, tractors and buses have been on the market for several years. The challenge lies in getting batteries to last for long distances, especially for a fully loaded truck with trailer. Part of this challenge involves the design of the brake system. Heavy vehicles have pneumatic brake systems operated by compressed air. Passenger cars and lighter trucks have oil-based hydraulic brake systems. One of the advantages of pneumatic systems is the brake force, since hydraulic systems are not adequate to brake a fully loaded tractor with trailer. However, pneumatic brake systems require certain components to make the compressed air function, such as compressors. Today's electric heavy vehicles have smaller pneumatic systems installed to operate the brakes. This is complicated, however, and adds weight. Electric brakes would be preferable. The solution is electromechanical brakes, built on the same principles as pneumatic brakes for heavy vehicles, but without compressed air. There are currently no commercial electromechanical brakes in the market and, in most countries, legislation prevents such brakes from being used. Considerable research is being conducted in the area, however, with Haldex being among the companies with a patented solution under development.

Self-driving vehicles

The degree to which a vehicle is self-driving is indicated according to the levels 0 to 5. The cars sold commercially today are of level 3 at most, with level 2 still being most common and including, for example, automatic parking or correction of the vehicle's position between lane lines. Level 5 vehicles are currently being tested on our roads and in special test environments.

Self-driving vehicles offer many advantages. Safety is one of them. Every day, an average 3,287 people die in car accidents, about 1,000 of them being under the age of 25. A clear majority of these car accidents are attributable to driver error. Self-driving vehicles would make the traffic environment safer.

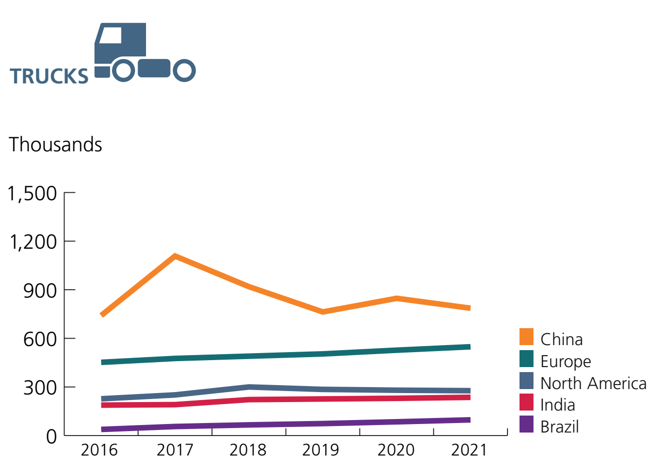
Another advantage is that self-driving vehicles free up time for the driver. This entails major savings for the transport sector, since personnel costs represent the largest cost item per mile driven for fleet operators.

For society, there are several advantages. With self-driving vehicles, the road network can be utilized when there is less traffic on the roads, such as at night. Self-driving vehicles have shorter reaction times and can therefore be positioned closer to one another on the road. With new designs that optimize space, vehicles can be made smaller. Individual commuters need only sufficient space for themselves. The same vehicle can be used to pick up another commuter with different working hours. A truck convoy can consist of one truck with a driver at the front, followed by a row of driverless freight pods. This would mean a more intelligent utilization of our roads while increasing safety.

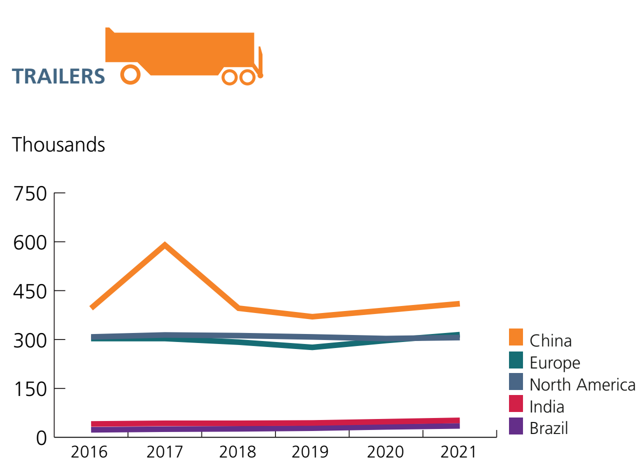
Self-driving vehicles also raise questions and issues in new areas. Software will be a key component of the vehicle, in many cases distinguishing vehicles from one another. Who bears the legal responsibility if something goes wrong? The vehicle manufacturer, software manufacturer or the subcontractor that manufactured the component? What should vehicle manufacturers develop in-house and what should be purchased by subcontractors to still be able to offer unique and competitive vehicles? How open must each system then be for the vehicle manufacturer to be certain that it has sufficient influence and can assume legal responsibility? What business models will emerge when it is no longer mechanical products that are sold but software-controlled features?

The automotive industry does not yet have answers to all of these questions, but in 2017 it was clear that the trend towards self-driving vehicles took a substantial step forward. Both Haldex and our customers invested more in development projects to keep pace with the very rapid development taking place in this area. We are headed towards a very exciting change in society, which will affect all of us.

Source text: The United Nations Population Fund, the European Commission, the World Health Organization, Direct, Transport & Environment, American Transport Research Institute and the National Highway Traffic Safety Administration (NHTSA).



Haldex's sales to Truck customers in North America is larger than Truck sales in other regions. Changes in the production trends in North America are thus impacting Haldex' sales much more than changes in other regions. Changes in Europe and Asia have in turn slightly higher impact than changes of production trends in South America.



Within Trailer, sales in Europe is more significant than sales in North America. Other regions in Asia and South America have lower sales and, as a result, a change in production trends in these regions has lower impact on Haldex's total net sales.

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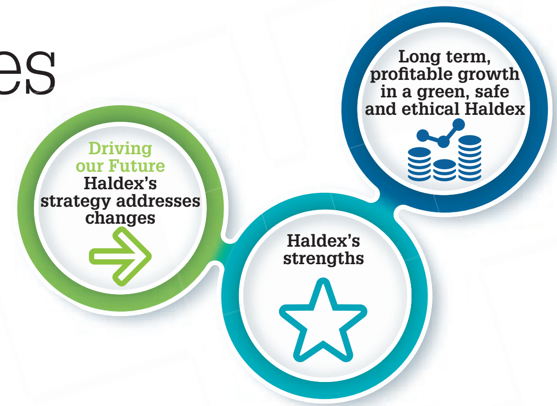
A world of safer vehicles

Haldex is guided by its long-term vision of creating a world with safer vehicles. The strategy is designed to meet the changes taking place in the market and the ever-increasing pace of technological development. The strategy forms the basis of our action plan, which leads, in turn, to long and short-term targets.



Vision

Haldex's vision is to contribute to a world with safer vehicles and thus a better traffic environment. Our product development serves to improve braking capacity and contribute to a more sustainable society by, for example, reducing carbon dioxide emissions and preventing accidents. Nothing may go wrong when we manufacture our products. Everyone, from supplier to assembler, must understand the importance of the product meeting all quality requirements as it can affect people's lives and health. We are one of many players contributing to safer vehicles, and our solutions must work optimally together, providing drivers the best possible experience and allowing vehicles to be operated sustainably, safely and comfortably.

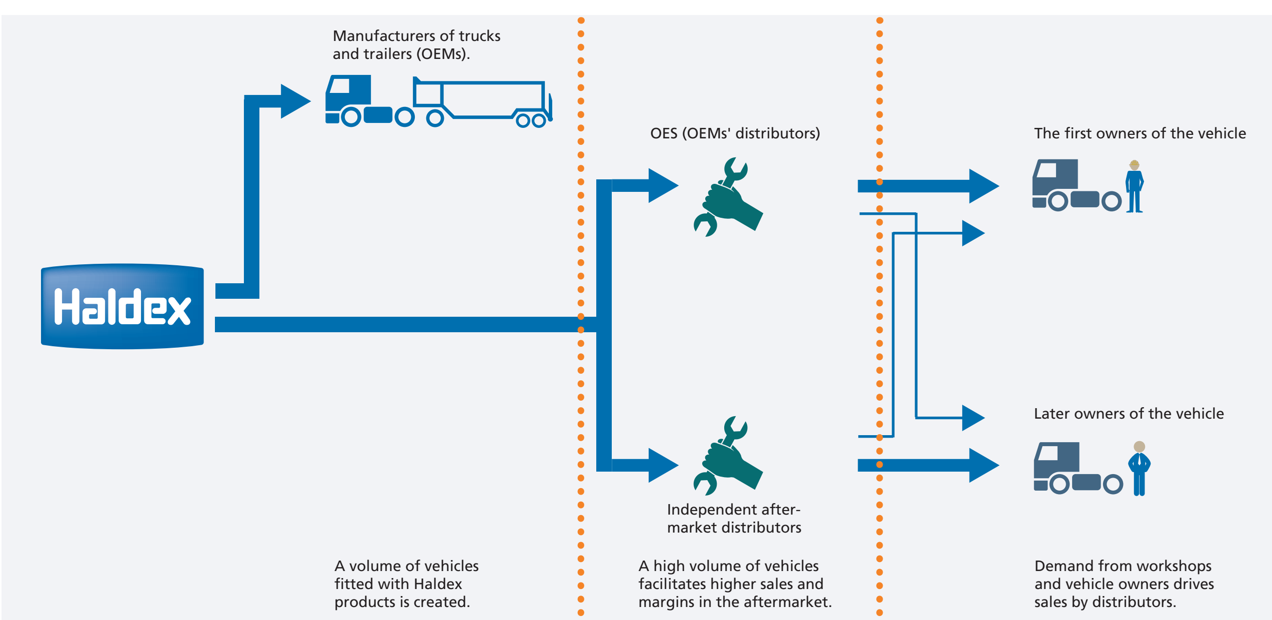
Revenue model

Haldex sells to manufacturers of trucks and trailers (OEMs) and distributors. Distributors can be divided into OES (OEM's own suppliers) and independent distributors. By ensuring high volumes of vehicles with Haldex products installed by OEMs from the outset, high volumes are generated on the more profitable aftermarket. In turn, the distributors sell products on to workshops and fleet operators. The OESs often have customers who are early owners of the vehicle, while the independent distributors often have clients who are later owners of the vehicle.

These end-users impose different needs and different requirements on the distributors' product ranges. Haldex seeks to generate demand at all levels, so that fleet operators and workshops demand Haldex products from distributors, even though we do not sell directly to workshops or fleets. In North America, for example, fleets can specify various components for a truck/trailer to the manufacturer, which means fleets are important indirect customers.

New electronic solutions raise questions about how the business model will evolve over time. Will manufacturers like Haldex sell directly to workshops and fleet operators? Even today, a large proportion of spare parts is sold through web-based services like Amazon. Haldex monitors development in the area and seeks to continue working through the distributors, identifying solutions offering improved service to all parties and building on the long-term relationships that already exist.

HALDEX REVENUE MODEL



Haldex's revenue model: Haldex sells both to manufacturers of trucks and trailers (OEMs) and distributors, who can be divided between OESs (OEM's distributors) and independent distributors. By ensuring high volumes of vehicles with Haldex products installed by OEMs from the outset, high volumes are generated on the more profitable aftermarket. In turn, the distributors sell products on to workshops and fleets. The picture above is highly simplified to illustrate the principles of the revenue model.

STRATEGIC OBJECTIVES

- Profitable growth
- Ethical Haldex
- Green Haldex
- Safe Haldex

PRODUCT LEADERSHIP

- Innovative product development
- Value-driving product properties
- R&D capabilities
- Product/technology roadmaps

CUSTOMER FOCUS

- Entrepreneurship
- Customer service
- Key account approach
- Commercial excellence program

AFTERMARKET EXPANSION

- Lifecycle offering approach
- Second brand and Reman offerings
- E-commerce
- M&A driven capability growth
- Digitalized offerings

OPERATIONAL EXCELLENCE

- Safety #1
- Quality – 0 defects
- Manage cost
- Standardized work
- Continuous improvement

BRIDGE-BUILDING CULTURE

- Ethics
- 5C behaviors
- Leadership
- Competence

Haldex's strategy is based on strengths identified in dialogue with customers, suppliers and employees. The strategy has been named "Driving our future" and is based on five strategic pillars. The strategy is intended to show the way for the next five years and is followed up internally by a number of targets, activities and indicators.

Strategy

Haldex's strategy is based on strengths identified in dialogue with customers, suppliers and employees. The strategy has been named "Driving our future" and is based on five strategic pillars. The strategy is intended to show the way for the next five years and is followed up internally by a number of targets, activities and performance indicators.

Product leadership

Every single product that Haldex develops or includes in its customer portfolio shall have the potential to be the market leader in its segment. It should also have an attractive aftermarket offering, to keep sales being generated for many years. Becoming a market leader requires innovation and deep insight into the customer's business. Safety, environmental impact and total cost over the lifetime of the product are areas prioritized by customers.

In the short term, the strategy includes continued development of disc brakes, for which a model for trucks was presented in 2017. There have previously been several models for trailers, since that has been an important customer group for Haldex and acted as a springboard in targeting truck customers, who are more demanding. Another major, ongoing development project is a new EBS platform that will be scalable. This has already been presented to a number of selected customers, and the response has been favorable.

With the long lead times that exist in the automotive industry, future technology trends are of great interest. What happens in the automotive industry 10–15 years from now can have direct consequences on how product development looks today.

A positive effect of the extensive competition review conducted while Haldex was subject to a public offer by Knorr-Bremse were the dialogues that took place with customers and competitors through the authorities' inquiries. It became evident that Haldex's development philosophy and thoughts on how the technology will develop in the future were not always shared by our competitors. On the other hand, the feedback from customers was very positive.

With the technological advances currently being made, new and old technologies will work in parallel for a very long time. Vehicles beginning to be developed today will roll on our roads in about 2030. By then, self-driving vehicles will probably have been launched with very advanced technology under the hood. At the same time, trucks that have just begun being sold today will be in service for another 20–30 years. This means that new and old technologies must work side by side. Haldex is convinced that the decisive functionality will be in the software that then controls the hardware. Whatever hardware is selected will be an effect of the function the customer wants to achieve. The same software can control how an electromechanical brake, disc brake or drum brake behaves. Many of the solutions being developed today do not build on the concept of having the software layer disconnected from the hardware. The softare is linked closely to the actual hardware, i.e. the brake, limiting the freedom of action of an OEM and resulting in higher costs.

Another important principle in Haldex's development work is open standards. To create a world of safer vehicles, all vehicles must interact. It may be tempting to sell a "black box" to the customer whereby we, as a supplier, control all parts, and the customer is provided with the functionality requested at that time. But we do not believe in that solution in the long term. Even today, products are developed in close partnership with customers. They want open systems in which they can choose

what features are to be prioritized and that generate unique values for their end customers. With self-driving vehicles, they bear an even greater legal responsibility than previously and a "black box" does not afford them the control they need. Instead, we believe in distributed intelligence, whereby software is, in part, disconnected from the hardware and is, in part, module-based (compared with the trend away from central computers to distributed systems) and based entirely on open systems able to communicate securely and efficiently with all other necessary systems.

We also have an open mind regarding what the vehicle's architecture will look like in the future. For example, an electric vehicle combines propulsion and braking in a completely different manner than a gasoline/diesel fueled car. In a self-driving vehicle, the brake system is used as a backup system for steering, as the vehicle can be steered by distributing the driving and braking force differently between the wheels. The boundaries between propulsion, braking and steering are being redefined and we cannot hold on to old solutions if we are to be competitive in the long run.

One of Haldex's major advantages in product leadership is that we are knowledgeable about both compressed air and electricity. The joint venture we formed with Chinese VIE regarding electromechanical brakes in 2016 was probably one of the reasons behind the substantial interest in Haldex among potential buyers. We have been knowledgeable in this technology from an early stage and hold a patent on an electromechanical brake being developed into a commercial product in China. The choice fell on China because electromechanical brakes are expected to gain ground there as China has already begun transitioning to electric buses, with a second generation now being introduced. Sales of Haldex's electromechanical brakes are expected to commence in 2020.

Customer focus

The target is to grow faster than the market, but with increased customer satisfaction. It should be easy to do business with Haldex. Customers are met by people who understand their business, who want to contribute to their success and build sound and long-lasting relationships. We use our size to our advantage. By being a fast-moving and flexible organization, we can adapt to our customers, providing that extra degree of service that distinguishes Haldex.

With our OEM customers, we are building personal and strategic relationships. Joint development projects are conducted with the largest customers, and we need to work in close proximity to their operations. Aftermarket customers have other needs and demand a wide range of products and high availability. We must therefore apply different strategies and internal tools for different customers to facilitate doing business with us for all customer groups, while we use our own resources in an efficient manner.

Broadened aftermarket offering

In the aftermarket, the customers' needs change over the lifetime of their vehicles. During the first few years, parts with high durability are generally in demand. The older the vehicle becomes, the shorter the period it is kept by each owner, and affordable products are prioritized, matching the remaining period of ownership of the vehicle.

Haldex's quality philosophy and knowledge can be

Other players in the market

In the global market, there are primarily two companies that can compete with Haldex. Knorr-Bremse is a privately owned German company with annual sales of approximately SEK 61 billion. Wabco is a public company based in the Netherlands with annual sales of approximately SEK 27 billion. Both of these companies have broad, global product ranges similar to Haldex's. In addition, US listed company Meritor, with approximately SEK 27 billion in turnover, is an axle manufacturer that also offers disc brakes. Meritor's strongest position is in the North American market. In addition, there are a number of regional companies that manufacture individual products. China is an example of a market with many local players.

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extended to include products of the same high quality, but with a shorter lifetime. We are working to broaden our product offering to be attractive over a longer portion of the vehicle's lifespan and have introduced a number of products under the Midland and Grau brands as part of this strategy. In addition, the product range is complemented with remanufactured products under the Reman brand, as an environmentally friendly and cost-efficient alternative.

Acquisitions are high priority as a way of bringing in additional complementary products and several acquisition targets have been discussed without yet having resulted in any completed acquisitions.

As a step in simplifying the offering to aftermarket customers, e-commerce solutions were introduced in Europe and North America. Based on the amount of data that can be collected from our products, other digital services can be developed. These could include preventive maintenance services whereby a fleet operator is notified that part of the vehicle requires service or replacement within a certain time interval.

Operational excellence

Efficiency, skills, a high level of safety, precision and quality are prerequisites for achieving product leadership and customer focus. Effective processes free up resources and energy for developing products, building customer relationships and providing good service. Continuous efficiency improvements and cost savings are a matter of survival in an industry under price pressure. The Haldex Way is the framework for our continuous improvement efforts (see separate box).

Bridge-building culture

The goal is to create a better workplace with high level of job satisfaction and openness to change. Over the past few years, we have intensified our efforts with regard to culture, values and leadership in the workplace. High standards in terms of ethics and morals are essential in developing a better workplace. A sound culture that inspires, challenges and motivates employees has been complemented with five behaviors that we call the 5Cs – Connect (understanding the big picture/making contact), Communicate, Collaborate, Coach (help yourself and others) and Create (build opportunities). These behaviors act as a daily reminder to build bridges internally to solve problems, understand the bigger picture and strengthen the sense of community.

The role of our leaders is to create opportunities for everyone to reach their full potential and work toward Haldex's shared targets. Since 2015, we have introduced a joint framework for how we want to develop and evaluate our managers, the Haldex Leadership Framework.

We must also ensure that our employees have the right skills, both to understand and develop the products currently in the market, but also to anticipate and develop products for the future.

New technologies also allow different working environments to be created that adapt to employees' wishes and circumstances. This is even more important in a global environment where cooperation between countries and time zones is necessary.

The Haldex Way – achieving business excellence

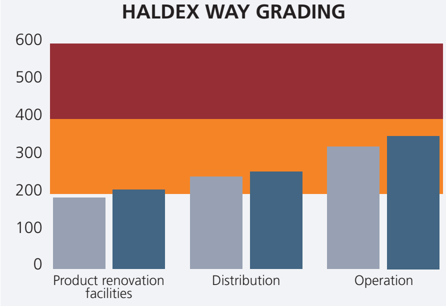
The Haldex Way is our philosophy for achieving results-driven, continuous improvements. The Haldex Way can be described as a system comprising attitudes, processes, tools and evaluation methods to continuously increase quality and efficiency.

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 manufacturing 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 personnel 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 Haldex Way House (above) illustrates the overall framework of the concept, based on our core values. The Strategy arrow shows the direction in which the efforts should progress. The circle illustrates a ball being rolled up the arrow to continuously reach new, improved results by systematically assessing working methods. The wedge illustrates standardized methods that prevent the ball from slipping back down the arrow.

The working method of each production or distribution unit is evaluated annually, and the results are monitored by Group Management on a monthly basis. In the latest version of the Haldex Way, the measurement model has been changed. The target scenario is continuously modified to achieve continuous improvements. The scale progresses from copper to gold, but since the targets change as soon as the unit has achieved them, a unit can only hold gold status for a short period.

HALDEX WAY GRADING



Average level for each facility category in 2016 and 2017.

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Our vision
A world of safer vehicles.

Our mission
We offer innovative brake and vehicle control solutions to the global commercial automotive industry, focusing on improved safety, the environment and vehicle dynamics.

Our objectives
Haldex's strategy is based on a business model in which generating value for people and the environment is just as important as growth and profitability. This builds a sustainable and successful business for the short and long term.

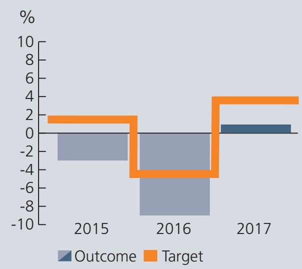
FINANCIAL OBJECTIVES

Organic growth

Target: **4%**

Outcome: **1%**

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, growth is weighted by region and customer segment based on volumes. Year 2017 ended strongly with growth in all regions in the second half of the year. For the full year, Haldex grew faster than the European market, although growth in the second half of the year could not offset a weak start to the year in other regions. Accordingly, Haldex's total sales did not grow faster than the market.

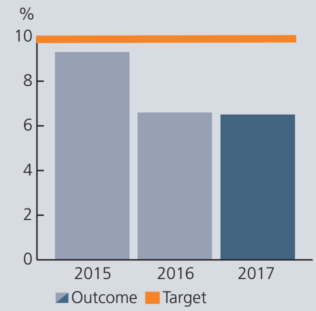


Operating margin

Target: **>10%**

Outcome: **6.5%**

Growth shall be achieved with profitability to generate value. The objective is to sustainably achieve an operating margin of not less than 10 percent. In 2017, a margin of 6.5 percent was achieved excluding one-off items, which is in line with the preceding year. R&D investment in response to the demand for rapid technological development and to build long-term competitiveness, as well as increased costs for rapid production increases have affected the margin. Continued R&D investment will be prioritized over the next few years and will continue to affect the margin.



OBJECTIVES FOR PEOPLE AND THE ENVIRONMENT

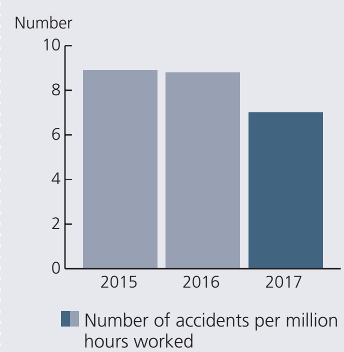
Haldex's sustainability vision is to contribute to society by improving vehicle safety and efficiency with its products' performance and optimization of resources. Three areas were identified as key to making a real difference – safety, ethics and the environment.

See a more detailed description of Haldex's sustainability work on pages 16–19.

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 changed attitudes.

The objective is to reduce the number of accidents, which was achieved in 2017.



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.

5Cs – Our way of building bridges
CONNECT – connect the dots, i.e understanding the bigger picture.

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.

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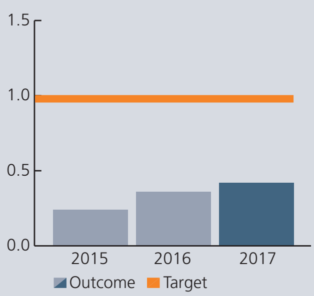
Net debt/equity ratio

Target: **<1**

Outcome: **0.42**

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. This is an objective we have achieved for several years, including in 2017.

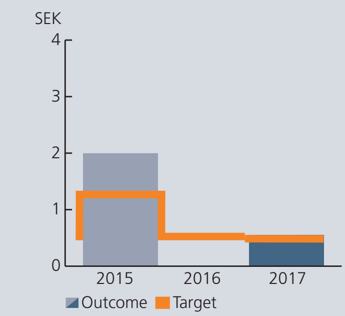


Dividend

Acc. to policy: **SEK 0.55**

Outcome: **SEK 0.55**

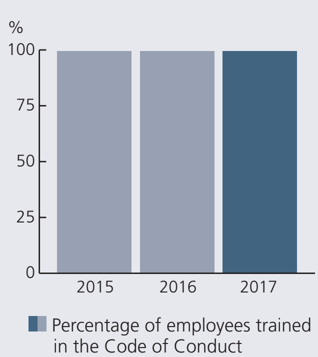
We aim to provide stable and predictable shareholder returns. According to our dividend policy, one-third of annual net profit over a business cycle should be distributed to shareholders. The Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.55 per share, which is in line with the policy.



Ethical Haldex

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

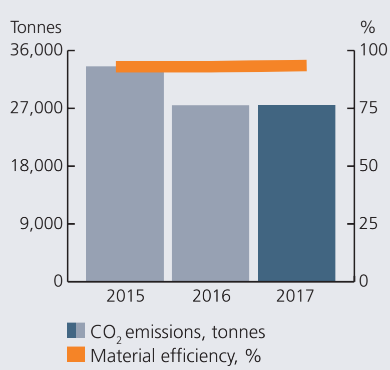
The objective is for 100 percent of employees to have undergone training in the Code of Conduct. With an outcome of 99.6 percent, we are close to what is practically possible at any given time.



Green Haldex

With eight production plants and a number of facilities for product renovation, Haldex's management of environmental issues achieves noticeable effects. Haldex targets reducing CO_2 emissions and maintaining or increasing material efficiency.

In 2017, CO_2 emissions were at the same level as in the preceding year, although with higher production volume. Material efficiency increased slightly.



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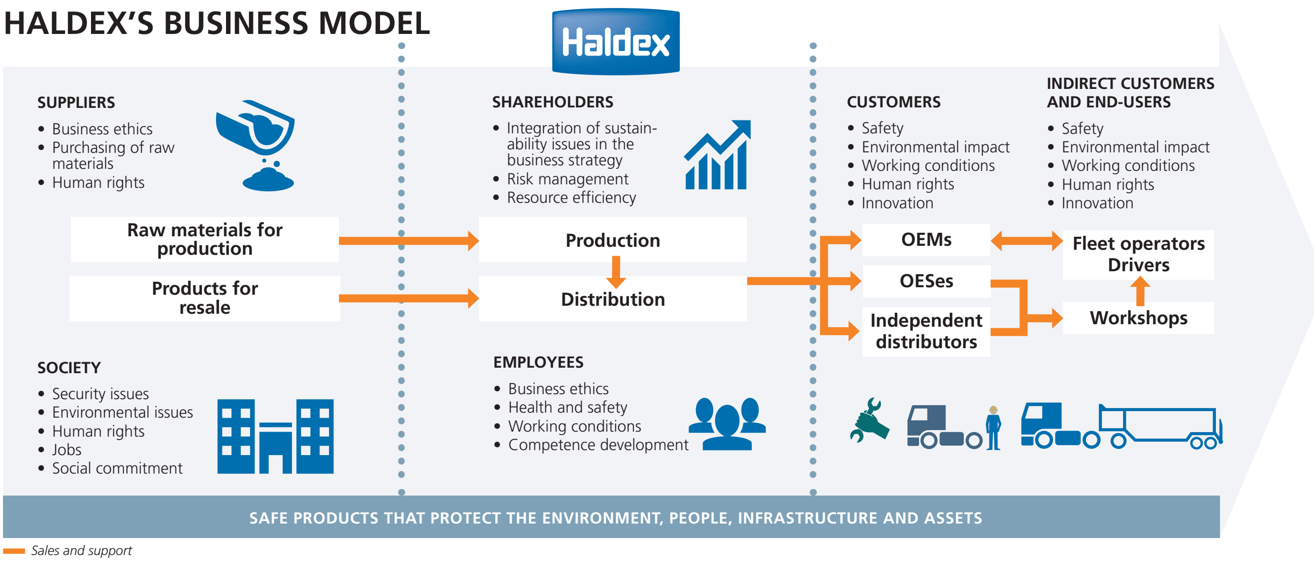
Sustainable operations

Haldex's sustainability vision is to contribute to society by improving vehicle safety and efficiency with its products' performance and optimization of resources. Three areas have been identified as key to making a real difference and, in these three areas, we have drawn up global objectives and policies – Safe Haldex, Ethical Haldex and Green Haldex.

HALDEX'S BUSINESS MODEL



Haldex's sustainability work 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.

In 2013, we raised our level of ambition for corporate social responsibility and established a CSR function that reports directly to Group Management. The strategy and sustainability objectives are translated into specific targets and actions in close collaboration with other parts of the organization. Risks related to sustainability are analyzed continuously by Group Management and measures are adopted.

On the whole, the Board of Directors takes the view that Haldex maintains a good level in its own processes in areas such as environmental impact, human resources, social conditions, human rights and counteracting corruption. By 2017, efforts to safeguard a corresponding level among our suppliers have been intensified.

Haldex's stakeholders and business model

A key step in our sustainability work is to analyze and identify who Haldex's various stakeholders are and what they want to achieve. Among the stakeholders, five groups have been identified as particularly significant: shareholders, customers, employees, suppliers and the communities in which we operate. The issues relevant to each stakeholder, and how these interact, are presented in the illustration above.

Safe Haldex

Haldex manufactures products serving to create a safer traffic environment, which gives safety at Haldex several dimensions – our customers' and end-customers' safety and a safe working environment. Safe Haldex is part of the EU's defined sustainability areas for personnel and social conditions.

Our customers' and end-customers' safety represents key features of the products we develop, and the focus of the internal processes is thus on products maintaining a high level of quality and meeting Haldex's ambitious functional requirements. Our own manufacturing process is governed by extensive processes regarding how products are to be manufactured and tested. Applying the Haldex Way, we are always considering how we can continuously improve every detail of what we do.

To safeguard our employees' safety, Haldex has a shared, global safety program called Safety#1, meaning that safety is our top priority. We have zero tolerance for workplace accidents. To achieve our target, we work with safer environments, training and attitude changing. A comprehensive improvement process has been in progress since 2014, under the motto "If you can't do it safely, don't do it." Processes and procedures have been developed for how each task can be performed safely without circumventing the requirements of each order. In addition, we have policies regarding alcohol and drugs, violent behavior and social difficulties, to be able to prevent problems at an early stage, thus creating a safe workplace.

As part of Safety#1, we have provided training for all production personnel. Joint global guidelines for visitors and information material has been produced. New measurement methods have been introduced since 2015, including more nuanced measurement of incidents that often warn of the possibility of more serious accidents. Reinforcing positive behaviors is also important, and showing why all incidents should be reported, no matter how insignificant they seem. The number of incidents has increased, which, in this case, is positive because we are aiming at having all incidents being reported, to better prevent accidents. Since 2017, all accidents have been reported globally on the intranet, along with preventive measures so that we can learn from one another and avoid incidents being repeated. Haldex defines an accident as an injury that leads to more than two hours of absence, which is a stricter definition than that normally applied. An incident is defined as an event that could result in an accident.

Identified risks in this area are health and safety injuries, which are managed by the policies and working methods that are addressed within the Safety#1-program.

The target for safety is for the number of accidents to decrease each year. The target for incidents is for the number of incidents reported to be in line with the number of actual incidents, thus providing a precautionary warning system. However, it is difficult to know when this target has been achieved. As incident reporting has yet to achieve full implementation within Haldex, this key figures is expected to continue rising.

KEY FIGURES – SAFETY

per million hours worked	2017	2016	2015
Number of incidents	242.0	156.0	107.6
Number of accidents	7.1	8.8	8.9

Ethical Haldex

Haldex has zero tolerance for bribery, corruption, child labor and discrimination. Ethical Haldex represents part of the EU's defined human rights areas, anti-corruption and personnel.

We have had a revised Code of Conduct since 2015. All employees are trained in the Code of Conduct and sign that they have understood it and aim to follow it. Haldex's Code of Conduct is based on our three values. The Code of Conduct also explains clearly where employees should turn if they witness any irregularities or feel harassed or discriminated against.

The value "Customer first" covers areas such as bribery, corruption, gifts, conflicts of interest, competitive situations, business-critical information and entertainment.

In the Code of Conduct, the value "Respect for the individual" describes a good workplace with regard to employee privacy, unreasonable working conditions (including child labor), zero tolerance for discrimination and harassment, and equal opportunities regardless of gender, religion, sexual orientation, geographic origin, age or physical/mental difficulties. To achieve a dynamic corporate culture, we work to attract people with different backgrounds, personalities, perspectives and knowledge. It is thanks to our diversity that Haldex is where it is today. Among other things, during 2017, we increased the proportion of women in the company from 25 percent to 27 percent.

Finally, the value "Passion for excellence" covers areas such as safety and the work environment, including drug-related problems and violence in the workplace.

As a complement to the Code of Conduct, there are also more detailed policies for those working with purchasing and finance, so that investments and purchases of materials are correctly implemented and approved.

A challenge for companies like Haldex is the large number of suppliers in many cases operating in countries where there are problems with the work environment, business ethics, safety and the environment. For many years, Haldex has been working to continuously assess suppliers through both planned and unannounced visits. In 2017, a version of the Haldex Code of Conduct was introduced for suppliers, detailing even more clearly what levels a supplier needs to achieve to be part of the Haldex network. During the year, partnerships were terminated with suppliers whom we felt could not prove future compliance with the established requirements. Historically too, partnerships have been terminated on suspicion of irregularities, even where not proven.

Our local community commitment is also included in the

"Safety is about changing attitudes."

Haldex has been working intensively in recent years to improve safety throughout the company. Staffan Olsson, who is globally responsible for Haldex's production facilities, where we have the main safety risks, says: "Truly achieving change takes time. We began by analyzing the accidents that had occurred, and one way of obtaining valuable information is to look at incidents or mistakes that almost led to an accident. We have gradually changed the resistance that existed to reporting such events. At the same time, we launched a global campaign involving training, information materials and new protective equipment. At our daily meetings, safety has become an agenda item. All events leading to more than two hours of sick leave are also reviewed by the Group Management on a monthly basis. This all gave quick results and we have increasingly been able to shift our focus towards even more preventive safety efforts. In 2017, for example, we performed an extensive fire inspection (Blue Rating) with the help of external inspectors, and this will now be repeated every second year in the future. When maintenance is to be performed on machines, we use 'Take 5', a method of stopping and performing a risk assessment before work commences. We have also visited companies that are accomplished in the area of safety to learn more about what methods are most effective. Next on the agenda are sessions where people visit each other's work areas to identify risky behaviors. Safety is all about what attitude you have. It is only when everyone has safety awareness in their blood that we truly have a chance of achieving our zero vision. And as a manufacturer of security products, that is clearly what we are aiming for."

5C OUR WAY OF BUILDING BRIDGES

CONNECT – connect the dots, i.e. understanding the bigger picture

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

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.

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.

area of ethics. Giving back to the communities where we operate is important to us. This may be expressed in different ways depending on the level a country has currently attained. In India, where one of our largest production facilities is located, substantial initiatives are necessary. There, we have, for example, adopted schools, where we finance teaching positions. We offer scholarships to encourage girls to choose engineering as their profession and arranging study visits. Investments in infrastructure, such as bridges and dams are another way of supporting the local region. In Sweden, different efforts are needed. We have, for example, partnered with the Landskrona BoIS soccer club to run a soccer school, and participated in the Smart Matte (Smart Math) project to interest lower-secondary school students in math and technical subjects.

Identified risks in the field of ethics include shortcomings in working or supplier conditions, unethical behavior in our own operations or those of our customers and infractions against trade rules. Haldex's Code of Conduct covers these areas, and both policies and follow-up mechanisms have been implemented. **The objective** is for 100 percent of personnel to be trained in the Code of Conduct, but for practical reasons a key figure of more than 99.5 percent is good. For supplier collaborations, the objective is to detect all breaches of the Code of Conduct. A key figure that can provide a rough indication of how work is progressing is the number of supplier collaborations terminated due to failure to comply with the Code of Conduct, although it is difficult to set a target for how many anomalies should be discovered when the vision is to have no anomalies at all.

KEY FIGURES – ETHICS

	2017	2016	2015
Percentage of employees trained in the Code of Conduct	99.6	99.5	99.5
Terminated supplier collaborations due to breach of the Code of Conduct.	2	NDA	NDA

Green Haldex

Environmental issues play a major role in our sustainability work and environmental impact constitutes a specific section in the EU's sustainability reporting. With eight production plants and a number of remanufacturing facilities, Haldex's environmental management achieves noticeable effects. All of our production plants around the world comply with ISO 14001 requirements for their Environmental Management Systems as a minimum. Systematic programs and environmental policies are in place to use resources efficiently and eliminate waste. The environmental impact of all units is analyzed, resulting in a "Green Performance Map" for each facility. This 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. In analyzing the data, Haldex has concluded that the most important key figures to monitor and set targets for are CO_2 emissions and material efficiency, since they have the greatest impact on the environment.

An equally important part of our environmental efforts is product development. Environmental issues and sustainability are key parameters taken into account in the development process. Since 2015, this has been 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.

Identified risks in the area of the environment are inappropriate or inefficient handling, resulting in environmental impacts. Haldex's Environmental Policy and the extensive follow-up in the Green Performance Map provide us with the tools we need to manage the area of the environment.

> "86 percent of our employees are proud or very proud to work at Haldex.

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The objective is to reduce CO_2 emissions annually, as well as maintaining or increasing material efficiency. In 2017, the measuring of CO_2 emissions was extended to include distribution centers and amounted to 34,790 tonnes. In the table below, however, only production facilities are reported, to make the figures comparable. The objective is to increase the number of ISO14001-certified suppliers each year.

KEY FIGURES – ENVIRONMENT

	2017	2016	2015
Material efficiency, %	93.5	93.0	93.0
CO_2 emissions, tonnes	27,491	27,414	33,490
Proportion of suppliers meeting ISO 14001, %	42	41	34

Haldex's culture and 5Cs

Processes and policies help achieve some progress but cannot cover all possible situations. To build sustainable operations, we must have a corporate culture and everyday behaviors that support a green, safe and ethical Haldex.

Our three values – Customer first, Respect for the Individual and Passion for excellence – play an important role in laying the groundwork for how we seek to behave towards our colleagues, customers and suppliers. Our values are not something on which we compromise. They are not attitudes that we can teach someone, but are values employees must bring with them into the company.

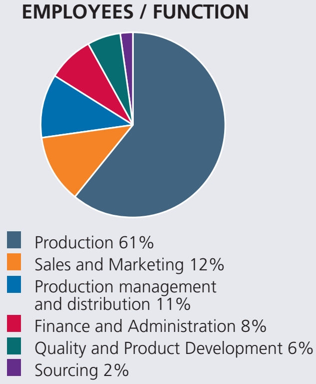
We call our behaviors the 5Cs (see page 18). We view the 5Cs as a daily reminder of how we can make Haldex a better, more efficient and more enjoyable place in which to work. We offer employees regular training in each of the Cs. The 5Cs form the basis of the dialogue in our annual performance reviews.

Leadership is an important area if employees are to thrive and if the operations are to achieve their targets. Haldex shall have leaders who can inspire, challenge and motivate. Our leaders are to create the conditions on which all can reach their full potential. Since 2015, we have introduced a common framework for how we seek to develop and assess our managers, which we call the Bridge Leadership Framework. Haldex's 70 most senior managers make up the Bridge Leadership Team. These managers hold quarterly video conferences to discuss the business situation and strategic issues. Every second year, the members of the group are invited to a conference over several days, at which strategy, future product plans, leadership issues and similar topics are discussed.

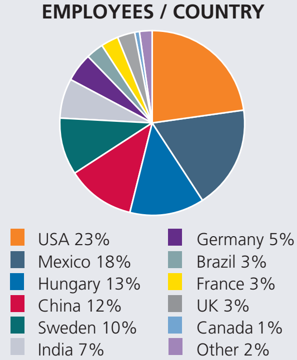
Landskrona, Sweden, March 14, 2018
Board of Directors

Our 2,176 employees are based in 19 countries. Those countries with the most employees are the US and Mexico, followed by Hungary, China and Sweden. About 60 percent work in production, while 40 percent are white-collar employees. Women account for 27 percent of the Group's employees. In the most recent employee survey, some 86 percent of respondents claimed they were proud, or very proud, to be working at Haldex.

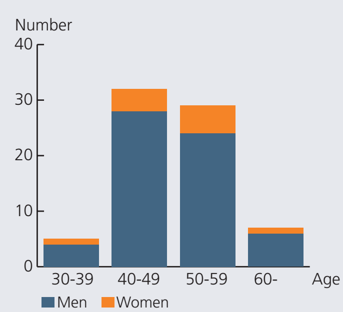
EMPLOYEES / FUNCTION

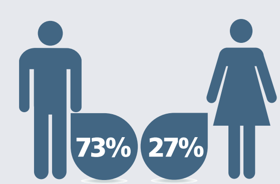


EMPLOYEES / COUNTRY



MANAGERS / AGES





Auditor's statement regarding the statutory Sustainability Report

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

Assignments and responsibilities
The Board of Directors is responsible for the Sustainability Report for 2017 on pages 16–19 and for it having been prepared in accordance with the Annual Accounts Act.

The focus and scope of the review
Our review has been conducted in accordance with FAR's statement RevR 12 Auditor's opinion on the statutory Sustainability Report. This means that our review of the Sustainability 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 view, this review provides us sufficient basis for our statement.

Statement
A Sustainability Report has been prepared.

Malmö, Sweden, March 20, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant

Carl Fogelberg
Authorized PublicAccountant

Haldex's Sustainability Report comprises the description of the Safe, Ethical and Green Haldex on pages 16–19, as well as the description of sustainability risks on pages 32–33.

Sustainability-related content is also included as part of the CEO statement, Market trends, Strategies and Objectives but does not belong to the formal part of the Sustainability Report.

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Cost structure

One way of better understanding what affects Haldex's sales and profitability is to break down both revenues and expenses to see how the operations are structured. At the same time, Haldex's costs are a way of returning value to employees, suppliers, shareholders and society.

Business model and profitability

Truck, Trailer and Aftermarket

The largest portion of Haldex's sales (46 percent) consist of sales to the aftermarket. However, these sales could not be made if a large number of vehicles were not manufactured with Haldex products installed on them from the outset.

Volumes are built up by signing large-scale contracts with OEM's (Original Equipment Manufacturers, that is, manufacturers of trucks and trailers). These contracts are subject to intense price pressure since the volumes procured are sizable. OEM sales can, in turn, be divided between truck and bus manufacturers (Truck), who account for 23 percent of sales and trailer manufacturers (Trailer), who account for 31 percent of total sales. Truck manufacturers generally sign larger contracts than trailer customers. On the other hand, trailer customers have shorter lead times from projects being initiated to the commencement of production, so aftermarket sales start sooner than with contracts signed with truck manufacturers.

Aftermarket sales generally have higher margins than OEM sales. For distributors owned by OEMs – known as OESes (Original Equipment Suppliers) – contracts are, in many cases, linked to those signed with the OEM customer. See also the model on page 10.

Products

Products in a start-up phase incur higher fixed costs than those that have been on the market for a long time. For Haldex, this means, in the current situation, that brake adjusters have a higher margin than disc brakes, although the difference is expected to even out as disc brake volumes rise and aftermarket sales get underway. Since disc brakes are most common in Europe, this region's profitability is lower than that of North America where drum brakes (of which brake adjusters are a part) are still most common.

Costs

Direct materials

Haldex's largest cost item consists of direct materials, which account for more than half of the Group's costs. Consequently, a saving of 1 percent on material costs has a considerable impact on Haldex. Direct materials are a variable cost. With a total of about 850 suppliers globally, many job opportunities are generated among suppliers.

Personnel

Personnel costs account for about a fifth of the Group's costs and are considered to be partly fixed costs and partly variable costs. About 40 percent of employees are white-collar workers, while 60 percent work in production. Haldex has most employees in US, Mexico, Hungary and China. Our Code of Conduct ensures that working conditions are good in all 19 countries where we operate. We also invest SEK 179 m in R&D, which primarily involves personnel costs, corresponding to 4 percent of sales.

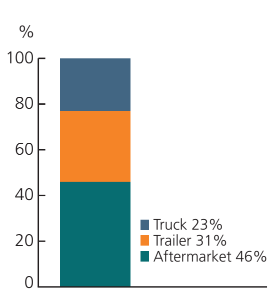
Fixed costs

Haldex's other costs involve investments in machinery, rental costs, property maintenance, depreciation and financial costs. Including fixed personnel costs, fixed costs represent approximately one-fourth of total costs.

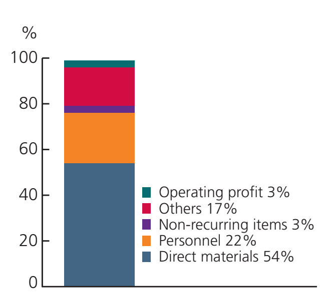
Value creation

Another way of breaking down costs is to look at who is the recipient. For our employees, we create value by offering jobs. Our purchasing from suppliers creates jobs, often in developing countries that need them most. Social security contributions, pensions and taxes are paid to the community. Haldex does not pursue aggressive tax planning with subsidiaries in tax havens. Finally, we have shareholders, for whom we create value through dividends and by developing the value of the shares. In addition, some of the profits are reinvested to generate long-term value for Haldex.

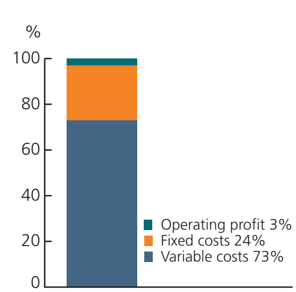
REVENUES



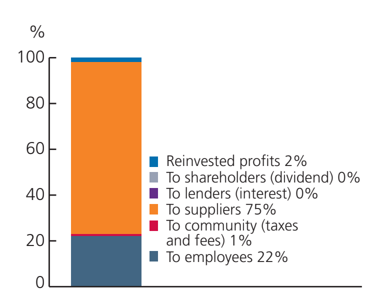
COST TYPE



FIXED AND VARIABLE COSTS



VALUE CREATION



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 2017. The Directors' Report includes the information on pages 21–33 and the financial information presented on pages 34–66. The Corporate Governance Report containing further information is presented on pages 71–79. The Sustainability Report comprises pages 16–19 and the sustainability risks on pages 32–33.

The year in brief

Market conditions gradually improved over the year and so did Haldex's growth. In the second half of the year, Haldex continued to increase its sales in all geographical regions, resulting in growth for the year as a whole. Several product areas have developed strongly, including disc brakes and brake adjusters. Furthermore, sales of actuators showed growth for the first time since the product recall of 2014. Operating income excluding one-off items developed better in the second half of the year, reaching the same level for the full-year as in the preceding year. The year was burdened by the acquisition process, which distracted focus and resources from the core operations, and which was concluded in September when the final offer was withdrawn.

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 the full-year amounted to SEK 4,462 (4,374) m, which in absolute terms represents an increase of 2 percent compared with the preceding year. Sales rose 1 percent after currency adjustments.

Currency-adjusted sales in Europe increased by 5 percent compared with the preceding year. North American sales declined by 2 percent despite ending the year strongly. Asian sales rose by 4 percent, while South American sales improved following several weak years, showing improvement of 3 percent compared with the preceding year.

Actuators were the fastest growing product over the year, representing a trend shift, with sales having declined following the product recall in 2014. Over the year, sales of disc brakes and brake adjusters also increased.

Currency-adjusted sales to all customer groups have increased. Truck increased by 2 percent and Trailer by 1 percent. Both of these categories experienced weak development, primarily in North America, early in the year, but returned to growth in the second half of 2017. Aftermarket sales increased in all geographical regions and by 2 percent overall.

Earnings

Operating income excluding one-off items amounted to SEK 292 (291) m for the full-year. This corresponds to an operating margin excluding one-off items of 6.5 (6.6) percent. Higher costs for R&D, temporary inventory increases ahead of product launches and increased costs for rapid production increases have been offset by higher sales. In addition, since customers considered the probability of contracts not being fulfilled as too high, during the public offer process, Haldex assumed a greater share of the risk in development projects rather than adhering to the traditional division of cost between Haldex and the customer.

Including one-off items, operating income and the operating margin amounted to SEK 149 (204) m and 3.3 (4.7) percent, respectively. Operating income including one-off items was affected by costs associated with the acquisition process, guarantee provisions and restructuring costs. The underlying cost structure and overall cost control have remained favorable.

Earnings before tax amounted to SEK 129 (165) m and earnings after tax to SEK 79 (91) m for the full-year. That corresponded to earnings per share of SEK 1.67 (2.00).

Excluding one-off items, currency fluctuations, including the results of currency hedging and currency translation effects, had a positive effect of SEK 2 (negative 23) m on the Group's operating income.

One-off costs

One-off costs were incurred in the second half of 2016 and continued to be incurred in 2017, partly due to uncertainty regarding the ownership situation, to secure transactions, maintain good customer relations and to assist in the competition investigation:

- Increased warranty provisions due to more extensive guarantee undertakings.
- Costs for retaining and motivating staff. Recruitment of new staff has become increasingly difficult.
- Significantly higher legal costs associated with review of the competitive situation in connection with the public offer, with reviews in both Europe and the US demanding considerable resources.

Acquisition process

On July 14, 2016, an public offer process for Haldex was initiated with three bidders. After a period of time, Knorr-Bremse was the only remaining bidder. Following a lengthy process to obtain relevant clearances from the competition authorities, Haldex announced on June 29, 2017 that the Board of Directors no longer supported the offer from Knorr-Bremse, due to the very low probability of approval from the competition authorities. On September 19, 2017, Knorr-Bremse announced that it had withdrawn its public offer for Haldex. Haldex incurred substantial costs, as well as lost and delayed customer commitments due to the process. Information about the public offer process is available at http://corporate.haldex.com.

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Since July 2016, when the public offer process commenced, costs related to the public offer process amounted to SEK 83 m, of which SEK 68 m were incurred in 2017.

Since the third quarter of 2016, costs have been recognized for customer commitment programs, replacing older product models with new ones offering improved performance. Currently in progress are three extended Commitments, including the product recall of actuators from 2014. For 2017, the cost was SEK 56 m. Provisions for customer commitments and product guarantees are associated with significant uncertainty factors. On December 31, 2017, the provision amounted to SEK 86 m.

During 2017, costs of SEK 19 m burdened earnings in the form of one-off items incurred when transferring production capacity from Sweden to Hungary.

Total one-off costs for 2017 amounted to SEK 143 (87) m.

Cash flow

For the full-year, cash flow from operating activities totaled SEK 173 (256) m. Cash flow from operating activities during the year was adversely affected, primarily by increased inventories prior to product launches and in response to increased demand in the Chinese market. Cash flow during the year was negatively affected by one-off costs of SEK 122 (52) m.

Investments for the full-year amounted to SEK 231 (222) m and cash flow after investments was negative in the amount of SEK 58 (positive 34) m. Consolidated cash flow from financing activities was negative in the amount of SEK 25 (52) m. Total cash flow for the full-year was negative in the amount of SEK 93 (18) m.

Financial position

At December 31, 2017, consolidated net debt totaled SEK 584 (490) m, a net increase of SEK 94 m compared with the preceding year. The change is due primarily to reduced liquid funds and an increase in pension liabilities. Financial items in 2017 totaled a negative SEK 20 (39) m, of which the net interest expense amounted to SEK 9 (18) m. Shareholders' equity amounted to SEK 1,395 (1,374) m, giving an equity/assets ratio of 45 (45) percent.

Haldex's loan financing consists primarily of a bond loan of SEK 271 m, maturing 2020, and a syndicated credit facility of EUR 90 m, maturing in 2021. At year-end, no part of the syndicated facility had been utilized.

Seasonal effects

Haldex has no significant seasonal variations. However, sales are affected by customers' production schedules, which means lower sales during vacation periods and when customers are closed due to public holidays, such as at the end of the year.

Employees

At year-end Haldex had 2,176 (2,045) employees, which is 131 more than at the end of 2016. The greatest personnel changes took place in the US, Hungary, Sweden, China and India.

The Haldex Share

The Haldex share is listed on Nasdaq Stockholm. The share capital amounts 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. The single largest shareholding on December 31, 2017 amounted to 20.1 percent and was held by ZF. At December 31, 2017, Haldex held 11,705 of its own shares in treasury. No purchases or sales of treasury shares occurred during the fiscal year. For more information, refer to The Haldex share section on pages 81–83.

Sustainability Report

Haldex's sustainability vision is to contribute to society by improving vehicle safety and efficiency with its products' performance and optimization of resources. Three areas have been identified as crucial in making a real difference – Safe Haldex, Ethical Haldex and Green Haldex.

Haldex is strong advocate for sustainability permeating the entire operations and has, accordingly, described its sustainability work in several places in the Annual Report. Formally, Haldex's Sustainability Report comprises the description of the Safe, Ethical and Green Haldex on pages 16–19, as well as the description of sustainability risks on pages 32–33, although sustainability content is also to be found in the CEO statement on pages 2–4, Market trends on pages 5–9, Strategies on pages 10–13 as well as in Objectives and target fulfillment on pages 14–15.

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.

Significant events 2017

JANUARY

New leadership training on the Haldex 5Cs is launched.

FEBRUARY

Launch of ITCM (Intelligent Trailer Control Module), an ABS related product for the North American market.

The ModulT disc brake is awarded the "Top 20 Award" by North American magazine Heavy Duty Trucking.

An American axle manufacturer approves ModulT as an option.

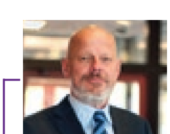
MARCH

Åke Bengtsson is appointed Acting President and CEO.

APRIL

The Swedish Securities Council approves the extension of Knorr-Bremse's offer.

MAY



Jörgen Durban becomes the new Chairman of the Board. Johan Giléus and Ulf Ahlén are elected as new members of the Board.

Andreas Ekberg is appointed as Acting CFO.

An American fleet operator places an order for ModulT disc brakes.

JUNE

Haldex's Board of Directors withdraws its support for Knorr-Bremse's offer.

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Guidelines for the determination of remuneration for senior executives

Remunerations for senior executives were temporarily adjusted in 2017, as Haldex was subject to a public offer situation. In the guidelines proposed for adoption at the 2018 Annual General Meeting are updated in certain respects compared with the guidelines adopted by the 2017 Annual General Meeting. For more information about the remuneration of senior executives, see notes 9 and 10 on pages 47–48.

Parent Company

Haldex AB (publ), corporate identity number 556010-1155, is a limited company with registered offices in Landskrona, Sweden. Haldex AB is listed on the Nasdaq Stockholm, Mid Cap. The Parent Company performs head office functions, including the central finance function. The Parent Company's net sales for the full-year amounted to SEK 102 (91) m and the loss after tax was SEK 27 (139) m. Full-year earnings included dividends of SEK 22 (3) m from Group companies.

Management changes

Haldex's former CEO, Bo Annvik, stepped down on February 28, 2017. The CFO at the time, Åke Bengtsson, was appointed as Acting President and CEO until September 19, 2017 when he was appointed President and CEO.

Andreas Ekberg returned to Haldex in the capacity of Acting CFO effective from June 1, 2017. He is not employed by the company but contracted in as a consultant.

SVP Human Resources, Lena Nordin, left her employment on December 31, 2017. Her successor, Frida Wahlgren will take up office in May 2018.

Future trends

In addition to the number of vehicles produced, Haldex's market is also affected by demands from customers and regulators. In 2017, the development of technologies for electrified, self-driving vehicles accelerated. Other examples of technological trends include increased emphasis on safety and environmental awareness, coupled with the increasing importance of vehicle dynamics and lighter vehicles to reduce fuel consumption. In 2018, the shift from drum brakes to disc brakes in North America and new legislation in China for automatic brake adjusters on newly manufactured vehicles will have a certain positive impact on Haldex. 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.

Outlook for 2018

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 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 recovered and is expected to reach a higher level than the previous year. It is difficult, though, to assess how quickly the shift to disc brakes will occur and how much of the market share Haldex will take when sales increase.

Europe is considered to be stable with slightly higher order intake in 2018.

China has a weak market according to the analyst institutes, but is estimated to grow in the parts of the market that are relevant for Haldex. This is primarily due to greater demand for the brake adjuster, which will have lower margins than in other regions.

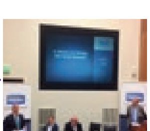
India is expected to return to growth in 2018.

Brazil's signs of a recovery have persisted, and the market is expected to grow, although from very low levels.

This means that, as a whole, net sales for 2018 will increase compared to 2017. Higher sales enable higher operating income. This will be offset against greater investment in development projects and costs for expansion in North America and China. The operating margin for 2018 is expected to be slightly lower than or in line with the operating margin excluding one-off items in 2017.

PROPOSED DISTRIBUTION OF EARNINGS

	2017
Share premium reserve	378,276,231
Profit brought forward	605,585,938
Total	**983,862,169**
To be distributed to the shareholders	24,312,346
To be carried forward	959,549,823
Total	**983,862,169**



AUGUST

Extraordinary General Meeting at the request of Knorr-Bremse. Haldex's Board of Directors did not implement the Meeting's resolution.

Wabash National, a US trailer manufacturer, presents Haldex with its "Top-performing supplier" award.

SEPTEMBER

The first tests of Haldex's electro-mechanical brake are performed with positive results.

The Swedish Securities Council rejects the extension of Knorr-Bremse's offer and the offer is withdrawn.

Åke Bengtsson is appointed as the President and CEO.

OCTOBER

An upgraded version of the actuator LifeSeal is launched in North America.

NOVEMBER

Haldex brake adjusters becomes the premier option on Navistar class 8 tractors.

DECEMBER

A second test of the electromechanical brake, mounted on the customer's vehicle, has been performed with positive results.

The Swedish Shareholders Association has the decision of the Extraordinary General Meeting declared invalid in court.

Market-leading 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.

Sales per product line

In 2017, sales in Foundation Brake amounted to SEK 2,529 (2,420) m, representing a currency-adjusted increase of 4 percent compared with the year-earlier period. Sales in Air Controls amounted to SEK 1,933 (1,954) m in 2017, representing a currency-adjusted decline of 2 percent compared with the preceding year. Foundation Brake accounted for 57 percent of total sales, and Air Controls 43 percent.

Growth products

Over the year, sales of disc brakes, brake adjusters and actuators increased most. Within Air Controls, ABS sales decreased over the year.

Remanufacturing of products (Reman)

Haldex also offers remanufacturing of used parts, which is a costefficient and eco-friendly way to reuse components. This is

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 brake adjusters, which are only a component of drum brakes, Haldex manufactures complete disc brakes for both trucks and trailers.

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

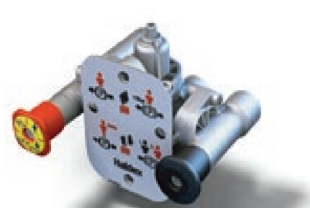
AIR CONTROLS

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

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.

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

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



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

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

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only available in the North American market at present, but discussions are underway regarding expansion of this service to more geographic regions. In total, this part accounts for about 3 percent of total revenues and reported as part of Air Controls. In 2017, sales in Reman decreased slightly.

Market-leading position

Haldex's market share varies by product and geographic market. In general, the Group's position is stronger for Trailers than Trucks, and stronger for Foundation Brake than Air Controls. Haldex's 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 and development

Every product innovation from Haldex can be traced back to a customer need. Ideas are usually developed and discussed with customers throughout the process, from concept to launch. 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, the Group has access to testing facilities with dedicated teams. 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.

In 2017, investment in product development intensified and this will continue on an even larger scale in the future. In 2017, R&D investments amounted to 4 percent of sales, and the target for 2018 is to increase this to 5 percent of sales. Rapid technological development in electrified and self-driving vehicles is opening up opportunities for new technology, where Haldex holds a favorable position on which to build. The major product development projects encompass platforms for EBS and ABS, as well as additional disc brake models for both Truck and Trailer.

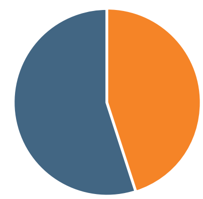
MARKET POSITION BY PRODUCT GROUP

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

1) Trailer 2) Bus

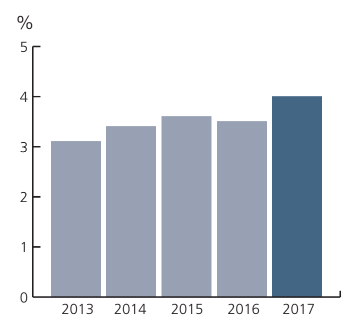
Source: Official statistics and Haldex's own assessment.

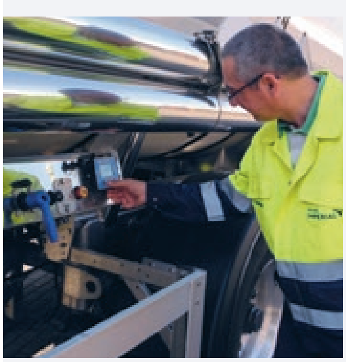
SALES PER PRODUCT LINE



Foundation Brake 57% Air Controls 43%

INVESTMENT IN R&D / SALES





Stefan Bentkowski, a driver at Imperial, appreciates Haldex systems. For example, he can control trailer tyre pressure and temperature via the EB+ Info Centre.

On the move – safely

Handling hazardous goods is a sensitive matter. Tim Gödde, Fleet Manager at Imperial Chemical Transport in Duisburg, knows the rules of the game like the back of his hand. He explains: "We mainly drive cargoes such as methanol, caustic soda and nitric acid. 'Of course our tankers are specially designed for their respective cargoes. In addition, Imperial relies on maximum active and passive safety. The tractors include not only the latest emergency braking system with a turn-off assistant, but also an 'alcohol lock".

The common denominator for new acquisitions of trailers: EBS equipment from Haldex, including EB+ Info Centre and TPMS tyre pressure control, as well as EB+ Soft Docking and TEM Safe Parking systems. "Since the start of our cooperation with Haldex about five years ago, our experience has been completely positive and we now require that trailer manufacturers install the systems" explains Tim Gödde.

"The Safe Parking system clearly creates additional safety when coupling and uncoupling. And Haldex was the first manufacturer to offer us an internal solution for tyre pressure control, i.e. with the sensor on the wheel rim and not on the valve. The Haldex solution is much less susceptible to damage and offers numerous control options".

Long-term and stable customer relationships

Haldex is a long-term partner to manufacturers of heavy trucks, trailers and buses, as well as to axle manufacturers for these types of vehicles. Due to a long history of innovative and competitive products, the Group has carved out 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), There are an estimated 10–15 truck manufacturers, and 5–10 trailer manufacturers, in North America and Europe. All of these are Haldex's 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. Haldex's customers also include manufacturers of special vehicles and agricultural machinery. 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. Aftermarket customers include Europart, Winkler, FleetPride and NAPA.

Close collaboration and a long-term approach required

Introducing a new product into one of 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 on the production orders placed by customers every week, which is common practice in the sector. Accordingly, although customers aim to meet the agreed volumes, Haldex cannot be guaranteed 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

"The major truck and trailer manufacturers are Haldex's customers.

Gert Timmer and Marlon Lewandowsky are a perfect team. Bohnenkamp stocks a wide range of goods, from coupling heads to entire axles.

All under one roof

Gert Timmer, head of the Original Parts Division at Bohnenkamp, sum up the evolution of the group: "We've been active in the market for over 65 years, and have grown from a small parts-dealer to one of Europe's leading suppliers. We have over 114,000 square metres of storage space, process around 4,000 shipments a day and our large stock operates on a just-in-time basis". In total, there are over 500 employees, and 25 logistics and distribution centres in Europe and Asia.

When it comes to the company's long, close partnership with Haldex, he soberly focuses on quality: "It's simply very good. We receive virtually no complaints, which speaks for itself. Beyond that, everything works smoothly, from technical support to delivery deadlines. Quite simply, Haldex is a good and reliable partner".

Marlon Lewandowsky, Technical Consultant at Bohnenkamp, values another aspect apart from quality: "Haldex's contact persons are always reachable, and we are very pleased with the partnership. We also do braking calculations with Haldex, which means we can request the calculations and pass them on to customers. This is an excellent service, and Haldex has experts who can answer any questions. If we had this kind of partnership with all our suppliers, life would be a lot easier".

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An example of how a dialogue with an OEM customer can progress through a number of typical phases

INITIAL DISCUSSION → RFI → RFQ → DEVELOPMENT CONTRACT → VALIDATION → SUPPLIER CONTROL → START OF PRODUCTION

A continuous dialogue is maintained with major customers to keep them, and us, abreast of current and future projects.

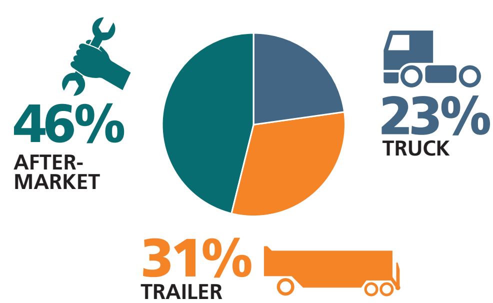
When a customer intends to procure a new product, it requests an RFI – Request for information – from multiple vendors. An RFI is a type of technical request. What can Haldex offer in terms of technology and products to solve the customer's problems? When the RFIs have been reviewed, a number of vendors are chosen, who receive an RFQ – request for quotation. This is a request to submit a complete offer with prices and other undertakings but also a supplement with more in-depth technical information about the proposed solution. The subsequent negotiation, in which price is generally a central element, results in two to three suppliers being selected.

Development contracts are signed with the selected suppliers, meaning that the parties agree to conduct a joint development project in which the intended product is tailored to the customer's needs. During development projects, the parties generally cover their own costs for development and testing. A development phase may extend over several years to include, among other things, two periods of winter testing and extensive validation.

Subcontractors and the quality of supplied materials must also be checked before the customer is finally willing to place a production order.

The whole process usually takes 4–5 years. Early in production, volumes may be low, so most revenue is generated only after another year or so.

companies like Haldex, since the customer can test a new 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 higher.



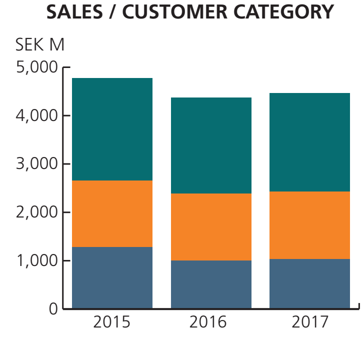
Sales per customer category

Haldex operates in the market via the three customer categories: Truck, Trailer and Aftermarket. Sales in Truck amounted to SEK 1,029 (1,006) m for the full-year, representing a currency-adjusted increase of 2 percent compared with the preceding year. Following weak sales in North America, Truck improved and ended the full-year positively. In product terms, actuators and brake adjusters increased sales in the Truck category.

Sales in Trailer amounted to SEK 1,400 (1,383) m for the full-year, representing a currency-adjusted increase of 1 percent compared with the preceding year. Success for disc brakes in Europe, for example, have been offset by decreased sales in North America.

Sales in Aftermarket amounted to SEK 2,033 (1,985) m for the full-year, representing a currency-adjusted increase of 2 percent. Sales to the aftermarket increased in all regions over the year.

SALES / CUSTOMER CATEGORY



Global operations 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.

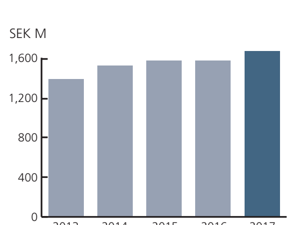
Europe has the most technologically advanced vehicles. Disc brakes dominate and only a minor percentage use drum brakes. Electronic Brake Systems (EBS) are common. The high level of technology is partly a result of strict safety regulations and high environmental standards. Customers are focused on high-quality solutions, weight optimization and requirements for low maintenance frequency. The European market experienced a slightly positive trend in 2017. The number of trucks produced increased while the number of trailers produced remained at the same level as in the preceding year. No major changes in market conditions are anticipated in the future.

IN EUROPE, Haldex has higher sales in Trailer than in Truck. Aftermarket also accounts for a significant proportion of sales. In Europe, sales amounted to SEK 1,665 (1,571) m, corresponding to a currency-adjusted increase of 5 percent. In Europe, sales of disc brakes, actuators and brake adjusters in particular showed growth, while ABS sales decreased.

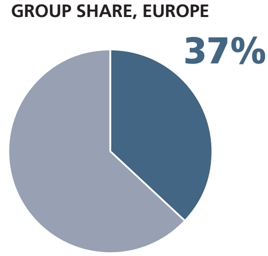
The North American market has the largest vehicle fleets. Many vehicles are driven from coast to coast under road conditions completely different to those of vehicles driven in urban areas. Drum brakes and ABS continue to dominate the market. The major fleets have greater influence over vehicle design than in Europe. This means that Haldex sells not only to manufacturers, but also indirectly to the fleets. The focus is on high-quality solutions, optimized weight, long service life and generous warranties. The North American market began 2017 weakly, but turned over the year and ended with growth. The major technology shift that the industry is waiting for is the transition to disc brake technology, which has only occurred on a small scale so far.

IN NORTH AMERICA, Haldex's distribution between Trucks and Trailers was more even than in Europe. Aftermarket also accounts for a significant proportion of sales here. In North America, sales amounted to SEK 2,202 (2,238) m, corresponding to a currency-adjusted decline of 2 percent. After declining for a long time, the trend in actuator sales was broken in 2017, and sales ended the year in line with 2016. Disc brake sales in the region continue to grow, albeit from low levels. The Reman business declined somewhat over the year.

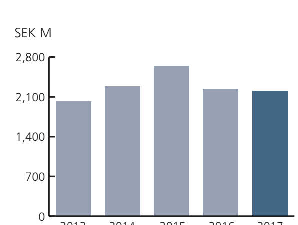
SALES EUROPE



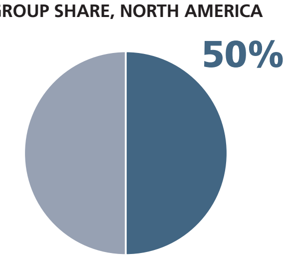
GROUP SHARE, EUROPE



SALES NORTH AMERICA



GROUP SHARE, NORTH AMERICA



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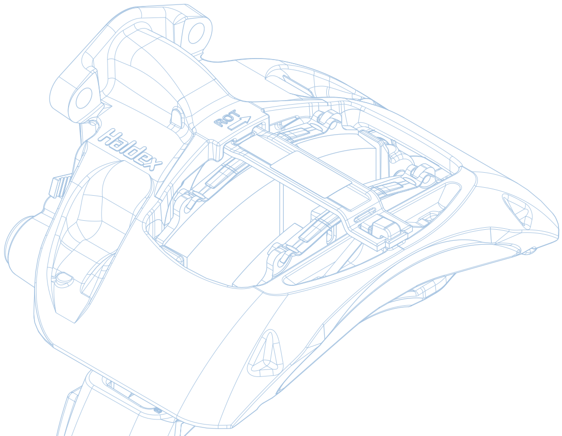
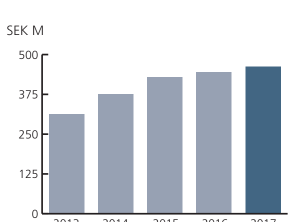


Asia

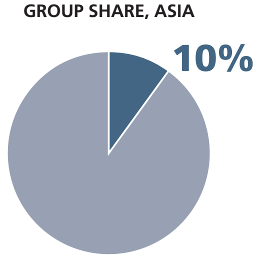
Asia is the largest market for commercial vehicles and it accounts for 60 percent of all trucks purchased. Although the region has rapidly increasing transport needs, infrastructure remains underdeveloped. This leads to low technology content per vehicle and to more trucks than trailers. However, increased demand for advanced technologies can be noted, which benefits Haldex in the long term. In China, new legislation took effect on January 1, 2018 requiring all newly manufactured heavy vehicles to have automatic brake adjusters. The Chinese market grew sharply in 2017, although a negative trend is expected in 2018. Nonetheless, the new law causes Haldex to predict growth in China in the next coming years. The Indian market experienced weak growth in 2017 but shows signs of improvement.

IN ASIA, trucks without trailers are still the most common vehicle configuration. For this reason, Haldex focuses its sales more on Trucks than Trailers. Aftermarket accounts for a minor proportion of sales. In Asia and the Middle East, sales amounted to SEK 462 (445) m, corresponding to a currency-adjusted increase of 4 percent. Both the Indian and Chinese operations increased their sales over the year. Sales of brake adjusters, ABS and air suspension products increased, while sales of an older generation of disc brakes decreased.

SALES ASIA



GROUP SHARE, ASIA

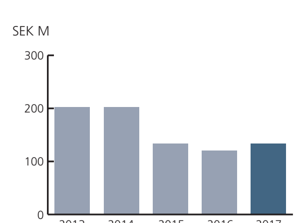


South America

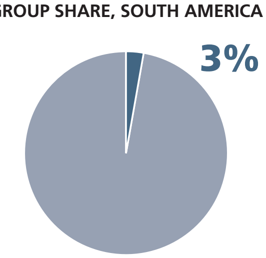
From a market perspective, Brazil is the single most important country in South America. Like Asia, Brazil has more trucks than trailers, but the technology content per vehicle is higher. Many European manufacturers are represented in Brazil, making the product range more like Europe's. Brazilian legislation 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 overall market has declined for a couple of years but began to recover in 2017, although from low levels.

IN SOUTH AMERICA, sales in Truck are greater than sales in Trailer and Aftermarket. For the full-year, sales amounted to SEK 133 (120) m, which, adjusted for currency effects, represents an increase of 3 percent compared with the preceding year. In Brazil, which is the most important market in South America, the market situation remains weak but with positive signs in the second half of the year. On the other hand, aftermarket sales were able to withstand the decline throughout 2017 and contributed strongly to full-year sales growing.

SALES SOUTH AMERICA



GROUP SHARE, SOUTH AMERICA



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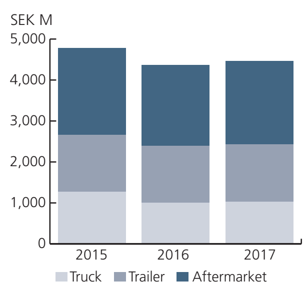
Risks and risk management

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 governance 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
Economy 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.	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 upswing, sales in Truck and Trailer usually increase. During a recession, owners keep their vehicles longer and demand for spare parts grows in Aftermarket. Haldex monitors official production statistics closely to ensure early detection of fluctuations in demand and thus adapt production volumes. **SALES / CUSTOMER CATEGORY** 
Competition The automotive market is highly competitive with tight margins. Haldex has significantly lower sales than the two largest players in the market	There are certain 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 smaller 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 page 26) 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.
Customers There are only a few major truck and trailer manufacturers and all of them are customers of Haldex.	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 54 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.
Suppliers 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.	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 850 suppliers worldwide.
Physical injury 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, thus causing delivery problems.	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.

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OPERATIONAL RISKS

Risk	Policy/Action

Quality

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.

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 insurance cover for complete product recalls. The assessment is that the cost of such insurance is not proportionate to the insured risk. The Group regularly assesses its risk exposure relating to product, customer and warranty commitments and assesses cases on an ongoing basis, judging the need to implement provisions for outflows of resources based on the best possible estimates and assessments. Each incoming case is classified in one of the three categories: minor cases, moderate cases and product recalls. Product recalls refer to cases where an entire production series or major part thereof must be recalled from customers for rectification of deficiencies. Haldex, which has not suffered any major recalls historically, implemented a product recall, commencing in 2014 and expected, to all intents and purposes, to end in 2018. The costs incurred by the recall amounted to approximately USD 20 m (~ SEK 170 m).

The total warranty expenses for 2017 amounted to SEK 110 (141) m, equivalent to 2.5 (3.2) percent of sales.

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.

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.

Raw materials

The Group is dependent on a number of raw materials and intermediate products.

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.

Annual volumes	SEK m
Steel	800
Aluminum	170

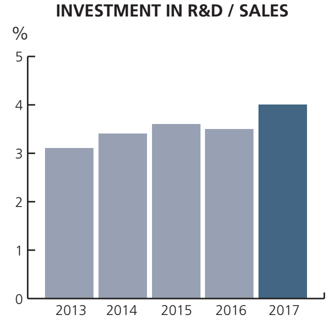
To limit the risk of an adverse impact on earnings, certain contracts include price clauses relating to raw materials. In cases where price clauses are not included, Haldex renegotiates the agreements if the price trend for raw materials has significantly changed. To a large extent, the short-term impact of price increases for raw materials is limited by the fact that price agreements with Haldex's raw materials suppliers have an average duration of six months.

Product development

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 to continuously develop new products or improve existing products that meet these demands, to avoid losing market share to competitors.

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 keeping up with developement and, in some areas, for leading development.

INVESTMENT IN R&D / SALES



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 test.

Haldex's total costs for product development (excluding amortization and depreciation amounted to SEK 179 (150) m, and capitalized development costs amounted to SEK 64 (33) m as per December 31, 2017.

Information and IT

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:
– Disrupted critical information systems.
– Disclosure of sensitive information to unauthorized parties.
– Strategic or sensitive information being modified or tampered with.

Haldex has a central unit for global control of IT/IS that is responsible for information security and system stability.

Haldex is currently working to upgrade existing ERP systems to improve service levels, improve opportunities to produce reports from those systems, assure operating time, and generally increase data security in and between systems, which temporarily increases the risk of interruptions at a unit when the new system is deployed there. The geographic spread of the Group enables a diversification of risk, whereby a potential disruption would have a limited impact.

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OPERATIONAL RISKS

Risk	Policy/Action
Employees The ability to attract talented employees and retain key individuals is highly significant for Haldex's continued success.	To create favorable conditions for attracting and retaining employees, Haldex's HR work focuses on three areas: knowledge development, leadership and corporate culture. In recent years, Haldex has redoubled its efforts in leadership development and values as part of its work to be 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. The area in which recruitment is most challenging is software development. During much of 2017, the public offer process temporarily increased the risk of not attracting and retaining staff.

LEGAL RISKS

Risk	Policy/Action
Legislation 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.	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. Haldex carefully monitors how changed trade agreements could affect operations such as discussions between the US and Mexico and American raw material tariffs.
Intellectual property rights and patents 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.	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 Haldex's products has increased in recent years, particularly in the Asian markets.

SUSTAINABILITY-RELATED RISKS

Read more about sustainability work on pages 16-19.

Risk	Policy/Action
Health and safety Accidents and inadequate safety at Haldex's facilities could result in injury or death. Health risks also include mental ill health due to harassment, high stress levels and poor working conditions.	The physical security of staff is a top priority and systematic efforts to prevent accidents are conducted daily, particularly at the Haldex production sites where the risks are the highest. For a number of years, Haldex has intensified its efforts in the area of favorable working environment by addressing its values, behavior and leadership training.
Environment Haldex's production facilities consume large amounts of energy, and handle raw materials and, in certain cases, hazardous waste. Improper or ineffective handling poses a risk to the environment.	For many years, Haldex has applied a comprehensive environmental program with strict policies and regulations. For a couple of years, these efforts at all production facilities have been followed up within the so-called "Green Performance Map" that charts the entire process, from the raw materials brought in, to the amount of energy consumed and the resulting waste. Targets for reducing the various component processes are set at each site and measured both centrally and locally. Haldex has invested in several new systems to reduce environmental impact and has not had any incidents involving spills or improper handling of hazardous substances.
Working conditions With operations in 19 countries that differ considerably in terms of both legislation and attitudes regarding treatment of staff, there is a risk that employees will suffer discrimination and that labor laws will not be followed.	Since 2015, all employees have been regularly trained in Haldex's global Code of Conduct and sign that they understand the Code of Conduct and will comply with it. Whistleblower procedures are in place to enable employees to sound the alarm if an irregularity is detected. Haldex has elected a more ambitious level in its Code of Conduct than the legislation in some countries requires.
Supplier relationships Haldex has hundreds of suppliers, many of whom operate in countries with legislation that is less strict with regard to staff working conditions.	Haldex has developed a new Code of Conduct for suppliers and the suppliers are required to sign this. Although not all suppliers have signed the Code at this time, the work is progressing steadily and the suppliers have been informed that they may only deliver to Haldex if they comply with the Code of Conduct. All major suppliers are paid visits on an ongoing basis and to some extent smaller suppliers too. If anomalies are detected, a visit is always immediately made and partnerships have been discontinued merely on suspicion of anomalies. Haldex's Code of Conduct represents a higher level than local legislation in many of the countries where suppliers are based.
Customer operations Haldex's reputation could be negatively affected if customers become engaged in dubious activities or business in countries with human rights issues.	Haldex's customers are typically companies with a good reputation who has have established policies and handling with regard to ethical issues.

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SUSTAINABILITY-RELATED RISKS

Read more about sustainability work on pages 16–19

Risk	Policy/Action
Compliance with trade rules With global operations and handling of raw materials in production, there is a risk that Haldex will violate international trade rules.	The regulatory framework for international trade is complex and Haldex has dedicated staff working full-time to monitor and follow up, ensuring that Haldex complies with current regulations.
Unethical behavior With more than 2,000 employees with different cultures and values, there is a risk that a Haldex's employees will be involved in unethical behavior in terms of bribery, corruption or fraud.	Haldex's Code of Conduct makes it clear that unethical behavior is not acceptable. Checks are carried out continuously and procedures are well established so that the attestation of costs and disbursements, choice of suppliers and approval of recruitments cannot be made by single individuals. Although fraud has been detected within Haldex, this has been on a smaller scale, because control procedures have worked. All unethical behavior in the form of bribery, corruption or fraud is reported to the police without exception, in accordance with Haldex's policy.

FINANCIAL RISKS

Risk	Policy/Action
Currency Haldex is exposed to currency risks due to its international operations. Currency fluctuations impact Haldex's income statement and balance sheet in the form of both transaction risks and translation risks.	In 2017, the net inflow of foreign currencies amounted to approximately SEK 388 (171) 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 by 10 percent is estimated to impact net profit prospectively in accordance with the below: (see tables below)

SEK m	December 31, 2017	December 31, 2016
EUR/SEK	-/+ 31	-/+ 17
USD/CAD	+/- 10	+/- 9
EUR/GBP	-/+ 14	-/+ 16

The above figures are prior to accounting for Haldex's currency hedges in accordance with the Group's Treasury Policy.

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 Haldex's capital structure. At the end of 2017, the value of Haldex's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,395 (1,374) m and comprised the following currencies:

SEK M	December 31, 2017	December 31, 2016
SEK	446	496
USD	314	344
EUR	143	115
GBP	-55	-69
Others	547	488

In terms of sensitivity, the value of Haldex's net assets in each currency would be affected as shown below, if the SEK were to weaken by 5 percentage points in relation to the following currencies:

SEK m	December 31, 2017	December 31, 2016
USD	+/- 16	+/- 17
EUR	+/- 7	+/- 6
GBP	-/+ 3	-/+ 3

The above is a summary of currency risks and provides no complete description of the transaction and translation risks. Refer to note 4 for a more detailed description.

Risk	Policy/Action
Credit risk Credit risk arises when a party fails to fulfill its financial obligations, thereby causing a financial loss for the other party.	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, 2017, Haldex's accounts receivable amounted to a net SEK 597 (603) m and are recognized at the amounts expected to be paid. Haldex's bad debt losses usually amount to less than 0.1 percent of sales.

>>> All financial risks, and a more detailed description of these and an account of the Group's use of financial instruments, are presented in note 4 on pages 44–45.

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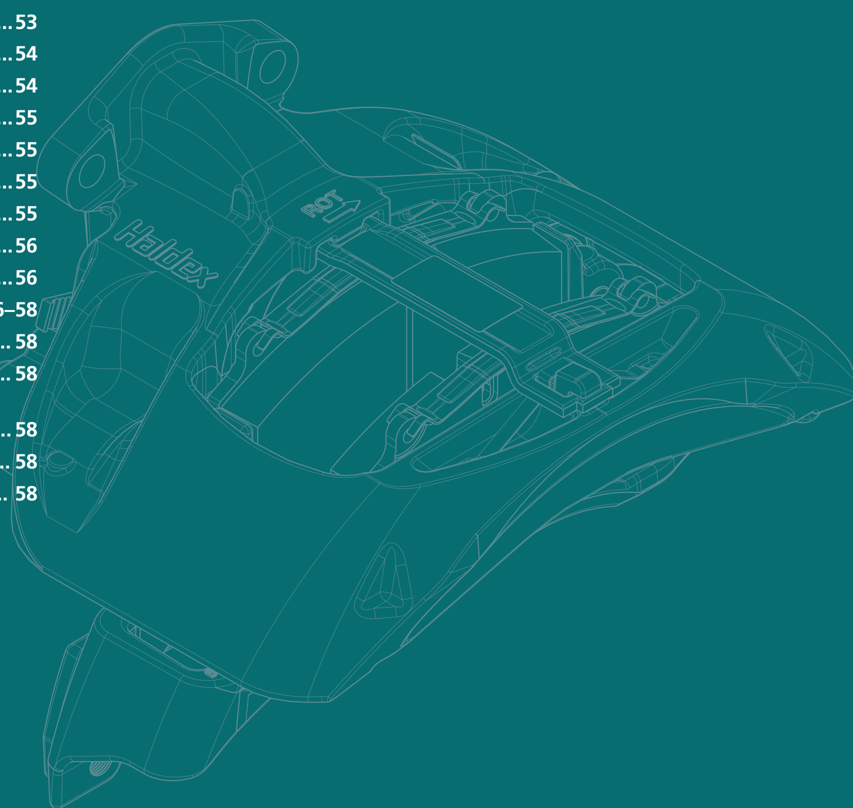

Consolidated income statement

Amounts in SEK m	Note	2017	2016
Net sales	5	4,462	4,374
Cost of goods sold	13	-3,237	-3,155
Gross income		**1,225**	**1,219**
Selling expenses	13	-464	-480
Administrative expenses	12, 13	-333	-293
Product development expenses	13	-158	-177
Other operating income and expenses	6,9	-121	-65
Operating income	6, 7, 9, 10, 11, 18	**149**	**204**
Interest income	14	4	2
Interest expenses	14	-17	-20
Other financial items	14	5	-21
Share in profits of joint venture	19	-12	-
Income before tax		**129**	**165**
Tax	15	-50	-74
Net income		**79**	**91**
Attributable to:			
Shareholders of the Parent Company		74	88
Non-controlling interests		5	3
Earnings per share, SEK (before and after dilution)		1.67	2.00
Average number of shares, thousands		44,204	44,204

Consolidated statement of comprehensive income

Amounts in SEK m	Note	2017	2016
Net income		79	91
Other comprehensive income			
Items not to be reclassified to the income statement:			
Remeasurement of pension obligation, after tax	15, 30	-12	-62
Total		**-12**	**-62**
Items that may be reclassified subsequently to the income statement:			
Change in hedging reserves, after tax	15	-2	1
Change in financial assets available for sale, after tax	15, 22	0	0
Currency translation differences		-42	26
Total		**-44**	**27**
Total other comprehensive income		**-56**	**-35**
Total comprehensive income		**23**	**56**
Attributable to:			
Shareholders of the Parent Company		18	55
Non-controlling interests		5	1

Consolidated statement of financial position

Amounts in SEK m	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Goodwill	16	398	422
Other intangible assets	16	151	90
Tangible fixed assets	17	586	557
Financial assets	19, 22	41	71
Deferred tax assets	20	173	166
Total non-current assets	23	**1,349**	**1,306**
Current assets			
Inventories	26	585	524
Accounts receivables	4, 25	597	603
Other current receivables	27	327	306
Derivate instruments	21, 22, 25	26	21
Cash and cash equivalents	28	194	297
Total current assets	23	**1,729**	**1,751**
TOTAL ASSETS	5	**3,078**	**3,057**
EQUITY AND LIABILITIES			
Equity			
Share capital		221	221
Additional paid in capital		491	491
Reserves		-33	11
Retained earnings		691	629
Attributable to shareholders of the Parent Company		1,370	1,352
Attributable to non-controlling interests		25	22
Total equity		**1,395**	**1,374**
Non-current liabilities			
Non-current interest-bearing liabilities	25, 30	271	270
Pensions and similiar obligations	30	443	422
Deferred tax liabilities	20	26	30
Other non-current liabilities		35	35
Total non-current liabilities	24	**775**	**757**
Current liabilities			
Current interest-bearing liabilities	25	61	79
Account payables	25	374	401
Derivative instruments	21, 22, 25	31	32
Provisions	31	95	124
Other current liabilities	32	347	290
Total current liabilities	24	**908**	**926**
TOTAL EQUITY AND LIABILITIES		**3,078**	**3,057**

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
Opening balance January 1, 2016	**221**	**491**	**-15**	**0**	**691**	**1,388**	**19**	**1,407**
Net income					88	88	3	91
Other comprehensive income								
Currency translation differenses			25			25	1	26
Remeasurement of pension obligation, after tax					-62	-62		-62
Change in hedging reserve, after tax				1		1		1
Total other comprehensive income	**0**	**0**	**25**	**1**	**-62**	**-36**	**1**	**-35**
Total comprehensive income	**0**	**0**	**25**	**1**	**26**	**52**	**4**	**56**
Transactions with shareholders								
Dividend					-88	-88	-1	-89
Value of employee services/incentive programs					-	-		-
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-88**	**-88**	**-1**	**-89**
Closing balance December 31, 2016	**221**	**491**	**10**	**1**	**629**	**1,352**	**22**	**1,374**
Opening balance January 1, 2017	**221**	**491**	**10**	**1**	**629**	**1,352**	**22**	**1,374**
Net income					74	74	5	79
Other comprehensive income								
Currency translation differenses			-42			-42	0	-42
Remeasurement of pension obligation, after tax					-12	-12		-12
Change in hedging reserve, after tax				-2		-2		-2
Total other comprehensive income	**0**	**0**	**-42**	**-2**	**-12**	**-56**	**0**	**-56**
Total comprehensive income	**0**	**0**	**-42**	**-2**	**62**	**18**	**5**	**23**
Transactions with shareholders								
Dividend						-	-2	-2
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**	**-2**	**-2**
Closing balance December 31, 2017	**221**	**491**	**-32**	**-1**	**691**	**1,370**	**25**	**1,395**

Consolidated statement of cash flow

Amounts in SEK m	2017	2016
Cash flow from operating activities		
Operating income	149	204
Reversal of non-cash items	181	136
Interest paid	-23	-40
Tax paid	-45	-62
Cash flow from operating activities before changes in working capital	**262**	**238**
Change in working capital		
Current receivables	-40	-66
Inventories	-89	85
Current liabilities	40	-1
Change in working capital	-89	18
Cash flow from operating activities	**173**	**256**
Cash flow from investment activities		
Investments in intangible assets	-73	-40
Investments in tangible assets	-183	-184
Divestment of tangible assets	25	2
Cash flow from investment activities	**-231**	**-222**
Cash flow from financing activities		
Dividend to Haldex' shareholders	-	-88
Dividend to non-controlling interests	-2	-1
Change of interest-bearing liabilities	-23	37
Cash flow from financing activities	**-25**	**-52**
Change in cash and cash equivalents, excl. currency translation differences	**-93**	**-18**
Cash and cash equivalents, opening balance	297	304
Currency translation difference in cash and cash equivalents	-10	11
Cash and cash equivalents, closing balance	**194**	**297**

Cash and current deposits of SEK 66 (206) m are subject to local regulations and cannot be used by the Group without paying a tax on withdrawals, see note 28.

		C ash items		Non-cash items	
	2016	Cash flow	Currency change		2017
Non-current liabilities	270	0	-	-	271
Currrent liabilities	79	-17	-	-	61
Pension liability	422	-18	3	36	443
Leasing liability	1	0	-	0	1
Position in derivative financial flows (liability)	13	12	-	-25	0
Position in derivative operational flows (liability)	-2	6	-	1	5
Total	**783**	**-17**	**3**	**12**	**781**

NOTE 1 GENERAL INFORMATION

Haldex AB 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, Sweden.

Haldex AB's shares are listed on 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 the years presented.

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 amendment of the standard in 2014 led to no change in the Group's accounting and reporting 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. It is worth mentioning that specific group-internal transactions in 2015, partly involved the relocation of production from Germany to Hungary in connection with the adopted restructuring program, and the group-internal restructuring of intangible assets with a view to better reflecting the assumed footprint of the operations.

Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's accounting policies.

Associated companies

Associated companies are all the entities over which Haldex has significant but not dominant influence, which normaly applies when Haldex holds between 20 percent and 50 percent of the voting power. Holding of associates companies are accounted for using the equity method.

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Distributions received from an investee reduce the carrying amount of the investment.

If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognizing its share of further losses, a liability is recognized only to the extent that the investor or joint venture has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream (associate to investor, or joint venture to joint venturer) and downstream (investor to associate, or joint venturer to joint venture) transactions are eliminated to the extent of the investor's interest in the associate or joint venture. However, unrealized losses are not eliminated to the extent that the transaction provides evidence of a reduction in the net realizable value or in the recoverable amount of the assets transferred. 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

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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 46.

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 djudged 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.

The balance of goodwill is primarily attributable to the Group's earlier acquisitions of Midland-Grau and Neway/Anchorlok. These acquisitions have been integrated into the Group's operations for many years, and, as per the balance sheet date, the value of goodwill at the lowest cash-generating unit is tested. For Haldex, this means that the impairment test is performed for the entire Group, that is, at the 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 possible to complete the asset so it can be commercialized.
- The Group intends to complete the asset and there are opportunities to use/sell it.
- The Group can demonstrate how the asset is expected to generate probable future economic benefits; based on business plans, budgets and/or forecasts of estimated future revenues.
- There are available adequate technical, financial and other resources to complete the development and to use/sell the asset.
- The Group is able to reliably calculate the expenditure attributable to the intangible asset during its development, which is achieved through project reporting and feedback on the phase to which a specific project has progressed.

The basis for capitalization of product development expenditures can consist of business plans, budgets or Group forecasts of future income.

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 normally not 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

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NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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 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 sales are recognized in other comprehensive income.

On the balance sheet date an assessment is made regarding whether any financial instruments have been impaired. Financial instruments are derecognized from the balance sheet when the benefits and risks have 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. 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.

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 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. For Haldex, these assets are primarily related to goodwill and the value of capitalized development projects.

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.

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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.

An assessment is also conducted on the balance sheet date to conclude wether 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, is 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 is 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. The provisions recognized in Haldex's balance sheet are primarily attributable to product-related warranty provisions and restructuring reserves. Warranty provisions consist partly of an initial reserve based on experience, as well as specific reserves based on the best estimate of costs for measures of identified product deviations. 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.

Provisions are reviewed regularly and adjusted as soon as further information is available or circumstances change. For additional information concerning warranty provisions, refer to note 3.

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 decline 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 to 2016 Annual General Meetings resolved to introduce incentive programs LTI2013, LTI2014, LTI2015 and LTI2016 for senior executives and key individuals. The programs are based on whether certain performance targets are achieved during the financial year in question. If so, the participants in the programs are awarded a variable remuneration at the start of the following year, 60 percent of which is to be distributed in cash and 40 percent in the form of employee stock options. These options are designed as conditional, non-transferable deferred rights to receive, free of charge, one ordinary share in Haldex for each performance right, automatically after four years.

The terms of the LTI2013 and LTI2014 programs are four years respectively, with vesting occurring during the performance year. After the end of the performance year, any cash amount in variable remuneration is paid and any share amounts are allotted. Subsequent to the allotment of any share amount, performance rights will be awarded to participants, after which a deferral period of three years ensues, before the final transfer of performance shares to the participants is made. LTI2013 was settled finally in 2017 and LTI2014 is expected to be settled following the 2018 Annual General Meeting and before the end of June.

LTI2015 and LTI2016 have not generated any outcome. For more information, see note 10 on page 48.

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 standards, amendments and interpretations that became effective for the fiscal year commencing on January 1, 2017 have had no material impact on the Group's financial statements.

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NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

New standards and interpretations of existing standards not yet adopted by the Group

A number of new standards and interpretations enter into force for fiscal years beginning after January 1, 2017 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 replaces the components of IAS 39 that regulate the classification and measurement of financial instruments. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is to apply to fiscal years beginning on or after January 1, 2018. Haldex has not applied IFRS 9 pre-emptively. Haldex's assessment is that the standard will not have a material impact on the Group's balance sheet or income statement, although the standard does entail additional disclosure requirements.

IFRS 15 – "Revenue from contracts with customers" replaces current standards and interpretations on revenue recognition in IFRS. The standard contains revised principles for revenue recognition and also requires considerably more disclosures compared to existing requirements in IFRS. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The effective date for IFRS 15 is January 1, 2018. The standard will not have any material impact on the Group's balance sheet or income statement, but will only result in reclassifications of immaterial amounts. The standard will be applied retroactively.

FRS 16 – "Leases" sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date. However, Haldex does not plan to apply IFRS 16 before the effective date. IFRS 16 replaces the previous leases Standard, IAS 17 "Leases", and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

On the closing date, the Haldex Group's non-terminable operating leases amounted to SEK 241 m, see note 18, the purchase value regarding the Group operating leasing contracts at December 31, 2017 amounts to approwimately SEK 186 m. Haldex has started to analyze the effects upon transitioning to IFRS 16 but does not yet have sufficient data to present a quantitative impact analysis.

No other IFRS or IFRIC interpretations have yet come into effect that are expected to have a material impact on the Group.

NOTE 3 IMPORTANT ESTIMATIONS AND ASSESSMENTS

The consolidated financial statements contain estimations and assessments about the future, which are based on both historical experience and expectations about the future. These estimations and assessments 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 2017, the Group's total goodwill, which amounted to SEK 398 (422) 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 strategies 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 vehicle units produced. Accordingly, the official forecasts of future vehicle manufacturing form the foundation of the business plans, in which factors including Haldex's historical financial performance and chosen strategies 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 Haldex's case, 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 8.9 (9.0) percent. WACC before tax is equivalent to 13.1 (13.2) 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: 7.4 (7.5) 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 2017 and 2016 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 29 (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 and/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 2017, an WACC of 9.8 (9.9) percent after tax was used. WACC before tax is equivalent to 14.6 (14.7) percent.

Net value of capitalized development costs represents SEK 64 (33) m, approximately 5 (2) 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

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NOTE 3 CONTINUED, IMPORTANT ESTIMATIONS AND ASSESSMENTS

fair value of taxable assets may diverge in the future depending on changes in adopted earnings and/or tax regulations.

At December 31, 2017, the capitalized value of deferred tax assets was SEK 173 (166) m, equivalent to 12 (12) percent of the Group's equity.

Warranty provisions

Complaints and warranty issues occur as a natural part of operations. The Group regularly assesses its risk exposure relating to product, customer and warranty commitments and assesses cases on an ongoing basis, judging the need to implement provisions for outflows of resources based on the best possible estimates and assessments.

Each incoming case is classified in one of the three categories: minor cases, moderate cases and product recalls.

Product recalls refer to cases where an entire production series or major part thereof must be recalled from customers for rectification of deficiencies. In 2014, Haldex performed a product recall that continued in 2015, 2016 and 2017. At the end of 2017, the provision amounted to SEK 10 (35) m. No further expenses as a consequence of the product recall were charged in 2017.

Provisions for commitments regarding other categories are based partly on historical outcomes, but also include assumptions and estimates regarding future developments, where the most significant assumptions are the future trend in the return rate and the expense of replacing the product. In these cases, provisions are based on an assessment of various risk scenarios, encompassing a high degree of uncertainty, and where the actual outcome may differ from these estimates.

As of December 31, 2017, warranty provisions totaled SEK 86 (110) m. The total warranty expenses for 2017 amounted to SEK 110 (141) m, equivalent to 2.5 (3.2) percent of sales. Of the total warranty expenses, SEK 56 (59) m is recognized as non-recurring expense. as it relates to a significant commitment regarding a specific product and is an item affecting comparibility in the ongoing business.

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 56–58. A 0.25 percentage point change in the utilized discount rate for each particular country affects the present value of the Group's pension obligations by approximately SEK 32 (28) 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 part in the form of transaction risks and in part translation risks.

Transaction risks

The Group's net flows of payments in foreign currencies give rise to transaction risk. In 2017, the value of net flows in foreign currencies totaled approximately SEK 388 (171) m. The currency flows with the largest potential impact on earnings are the flows of EUR/SEK, EUR/GBP and USD/CAD. An exchange rate difference of 10 percent in these currency flows have approximately the below specified effect. All presented numbers are pre consideration of hedges done in accordance with the Treasury policy.

SEK m	December 31, 2017	December 31, 2016
EUR/SEK	-/+ 31	-/+ 17
USD/CAD	+/- 10	+/- 9
EUR/GBP	-/+ 14	-/+ 16

The translation effect on operating receivables and liabilities as well as on financial assets and liabilities, to a currency other than the respective local functional currency, is SEK 5 (7) m at a weakening/strengthening of 10 percent of the underlying currency. Equity would be SEK 19 (12) m higher/lower by a strengthening/weakening of 10 percent of the underlying rates on cash flow hedges.

In accordance with the 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, 2017, 50 (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 2017 to hedge invoiced and forecasted currency flows. At December 31, 2017, these contracts had a nominal value of SEK 193 (87) m net and had a negative market value of SEK -5 (2) m.

Translation risks

The net assets (i.e. equity) of the non-Swedish subsidiaries represent investments in foreign currencies which, when translated into SEK, give rise to a translation difference. In its 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 loans considered to serve as effective hedging of translation differences are recognized directly in other comprehensive income, while gains and losses on loans that cannot be considered to be effective hedging are recognized in profit and loss as a financial item. At the close of 2017, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,395 (1,374) m and was represented by the following currencies:

SEK m	December 31, 2017	December 31, 2016
SEK	446	496
USD	314	344
EUR	143	115
GBP	-55	-69
Other	547	488

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NOTE 4 CONTINUED, FINANCIAL RISKS

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, 2017, 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 2017 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, 2017, SEK 421 (349) m of the loan liability was subject to an average variable interest rate of 1.73 (1.55) percent. A change of one percentage point in the interest rate would affect the cost of the Group's borrowing by approximately SEK 2 (2) m after tax.

Credit risk

Credit risk arises when a party to a transaction cannot fulfill its obligations and thereby creates a loss for the other party. The risk that customers will default on payment for delivered products is minimized by conducting thorough checks of new customers and following up with payment behavior reviews of existing customers, combined with credit insurance, according to the Treasury policy.

The Group's accounts receivable totaled SEK 597 (603) m on December 31, 2017, and are recognized at the amounts expected to be paid. Haldex's 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 2017, no single customer accounted for more than 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, as well as by maximizing the amount invested with specific counterparties and by checking credit ratings. To additionally reduce the risk, framework agreements governing offsetting rights are entered into with most of the counterparties. The credit risk in foreign currency and interest rate derivatives corresponds to their positive market value, i.e. potential gains on these contracts. The credit risk for foreign exchange contracts corresponded to SEK 23 (19) m at December 31, 2017. The credit risk after considering netting agreements amounts to SEK -9 (-14) m. The corresponding risk for investments in credit institutions was SEK 287 (297) m, without taking possible offsetting opportunities into account.

Accounts receivable	December 31, 2017	December 31, 2016
Not due or impaired	514	542
Due by 1–30 days and not impaired	77	59
Due by 30–60 days and not impaired	12	10
Due > 60 days and not impaired	11	10
Impaired accounts receivable, gross value	-17	-18
Accounts receivable, gross value	**597**	**603**

The provisions for doubtful account receivables changed as follows:

Provision for doubtful accounts receivable	2017	2016
January 1	-18	-14
Impairment/provisions recognized in the income statement	-1	-2
Utilization of reserves attributable to identified bad debt losses	1	0
Reversal recognized in the income statement	-	-
Exchange-rate differences	1	-2
December 31	**-17**	**-18**

Financing risk

The Group's financing risk is the risk that the company will be unable to raise new loans or to finance existing loans. This risk is reduced by a stipulation in the Treasury policy stating that the loans raised must have a long maturity. The total liability must have an average remaining maturity of at least one year. On December 31, 2017, 100 (100) percent of borrowing had a maturity longer than one year. The maturity structure was as follows: 2020 24 percent, 2021 76 percent, see note 29, page 56.

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 percent of net sales. These funds totaled SEK 1,168 (1,058) m at year-end on December 31, 2017, corresponding to 24 (24) percent of net sales. The loans are connected with customary conditions where the certain key ratios shall be fulfilled.

Haldex's main sources of financing

Nominal value	December 31, 2017	December 31, 2016
Syndicated loan	EUR 90 M	EUR 90 M
Bond loans	SEK 270 M	SEK 270 M

Capital risk

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

	December 31, 2017						December 31, 2016				
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 2017	85	41	66	28	225	Year of maturity 2017	47	25	57	22	80
Average exchange rate	8.34	0.0314	6.55	10.86	9.72	Average exchange rate	8.26	0.0309	6.56	11.13	9.54
Hedging of flows > 12 months	-	-	-	-	-	Hedging of flows > 12 months	-	-	-	-	-
Average exchange rate	-	-	-	-	-	Average exchange rate	-	-	-	-	-

NOTE 5 SEGMENT REPORTING

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

Haldex's operations represent a single reporting segment and financial data is analyzed and reviewed by the senior executive decision makers as a single segment in assessing Haldex's performance.

Air Controls and Foundation Brake are the Group's two major product lines. Air Controls developes and manufactures products to improve brake systems' safety and driving qualities, such as the treatment and dehumidification of compensated air, valves and ABS and EBS. Foundation Brake developes 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 a 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. The 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

	2017	2016	Change, nominal	Change, currency adjusted
Air Controls	1,933	1,954	-1%	-2%
Foundation Brake	2,529	2,420	5%	4%
Total	**4,462**	**4,374**	**2%**	**1%**

Breakdown by geographic area

2017	North America[1]	Europe	Asia and the Middle East	South America	Total
Net sales	2,202	1,665[2]	462	133	**4,462**
Assets	1,113	1,469[3]	404	92	**3,078**
Investments	76	100	39	3	**218**

2016	North America[1]	Europe	Asia and the Middle East	South America	Total
Net sales	2,238	1,571[2]	445	120	**4 374**
Assets	1,283	1,246[3]	419	109	**3 057**
Investments	84	125	11	3	**223**

[1] Mostly USA.
[2] Of which net sales to Sweden amounts to SEK 64 (57) m.
[3] Of which total assets in Sweden amounts to SEK 613 (422) m.

NOTE 6 ONE-OFF ITEMS

Operating income includes below presented one-off items. All one-off items are accounted for as other operating income and expenses in the income statement classified by function.

	2017	2016
Operating income, including one-off items	**149**	**204**
Restructuring costs	-19	-13
External services related to public offer process	-68	-15
Product related warranty (note 3)	-56	-59
Operating income, excluding one-off items	**292**	**291**

NOTE 7 EXPENSES BY NATURE

	2017	2016
Direct material costs incl. inventory changes	2,425	2,370
Personnel costs	973	894
Depreciation (see note 16 and 17)	132	136
Other operating income and expenses	783	770
Total	4,313	4,170

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NOTE 8 GOVERNMENT GRANTS

	2017	2016
Government grants	0	1
Total	**0**	**1**

Grant from Vinnova (2016)

NOTE 9 INFORMATION ON REMUNERATION OF SENIOR EXECUTIVES

	2017			2016		
Amounts in SEK k	Fixed remuneration incl. benefits/ Director fees	Variable remuneration	Pension	Fixed remuneration incl. benefits/ Director fees	Variable remuneration	Pension
Board of Directors						
(6 members, of whom 1 woman)						
Jörgen Durban (Chairman from May 2017)	856	-	-	-	-	-
Göran Carlson (Chairman until May 2017, thereafter other member)	682	-	-	603	-	-
Magnus Johansson	1,015	-	-	300	-	-
Ulf Ahlén (from May 2017)	380	-	-	-	-	-
Annika Sten Pärson	477	-	-	243	-	-
Johan Giléus (from May 2017)	430	-	-	-	-	-
Staffan Jufors (until May 2017)	123	-	-	243	-	-
Carina Olsson (until May 2017)	160	-	-	293	-	-
Anders Nielsen (from April 2016 until May 2017)	135	-	-	135	-	-
Total	**4,258**	**-**	**-**	**1,816**	**-**	**-**
President						
Åke Bengtsson (from March 2017)	2,517	2,038	865	-	-	-
Bo Annvik (until March 2017)	2,277	77	422	4,742	391	1,166
Total	**4,794**	**2,115**	**1,287**	**4,742**	**391**	**1,166**
Other senior executives (Group Management)						
10 (10) people, of whom 2 (2) were women at 2017	16,583	9,853	3,684	14,194	1,058	3,089
Total	**21,377**	**11,968***	**4,971**	**18,936**	**1,449***	**4,255**

*Costs related to share-based remuneration are included in the amount of SEK 707 (558) k. SEK 8,715 (500) k is variable remuneration related to a "stay-on bonus" as explained under the headline "Guidelines" (see below).

Where Board members are responsible for paying their own social security contributions, they are compensated for this by Haldex.

Remuneration to the Board of Directors

The Annual General Meeting in 2017 resolved to increase the remuneration paid to the Board of Directors. The remuneration was decided to be SEK 831 k for the Chairman and SEK 330 k each for the other members. The annual remuneration for members of the Audit Commitee was decided to be SEK 100 k for the commitee chairman and SEK 50 k for the other commitee members. For the Remuneration Commitee, remuneration was set at SEK 50 k for the chairman and SEK 25 k for the other committee members. It was also decided that these remunerations should be payed in full immediately following the Annual General Meeting even if the Board of Directors were not to be re-elected at a possible Extraordinary General Meeting held before next Annual General Meeting. The Annual General Meeting decided that additional remuneration of SEK 500 k should be paid to Magnus Johansson as compensation for extensive additional work during 2016/2017 in connection with the public offer from Knorr-Bremse.

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, serevance pay is

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NOTE 9 CONTINUED, INFORMATION ON REMUNERATION OF SENIOR EXECUTIVES

provided in accordance with the guidelines established by the Board of Directors for remuneration of senior executives. If there is a termination of employment by the Group, the notice period for the President and CEO is 12 months and for other senior executieves up to six months. In addition the CEO has the right to a severance pay of 12 months' salary.

In connection with the public offerings for Haldex, the Board of Directors identified an increased risk that the senior executives would leave the company. Since the Board concluded that the bid process would be lengthy and there was significant risk that Haldex's operations would be adversely affected, senior executives were offered a loyalty program in November 2016. In brief, the agreement entailed that the period of notice was extended to 12 months if notice was served before June 30, 2017. As compensation, an additional six months' salary was received if the person was employed on December 31, 2017. There will be a compensation of 12 months' salary if notice is served before December 31, 2018, due to change of control or due to appointement of new CEO,

Incentive program

The Annual General Meeting resolves to implement incentive programs for senior executives and key personnel, the incentive programs that has been ongoing during 2016 and 2017 are LTI 2013 and LTI2014. In brief, LTI means that if certain performance targets are achieved during the financial year, the LTI participants are awarded by a variable remuneration in the beginning of next year, of which 60 percent will be awarded in cash and 40 percent will be awarded 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 and free of charge. The term of LTI 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 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 Annual General Meeting when the program expires and before the end of June the same year. The LTI 2013 was concluded during 2017. Due to the bid process in Haldex it was decided that LTI 2017 should not contain any share based remuneration. Deferred variable remuneration under LTI is not a pensionable income.

For more information about performance rights and share based remuneration, see note 10 on page 48.

NOTE 10 SHARE-BASED REMUNERATION

The Annual General Meeting resolves to implement share-based incentive programs for senior executives and key personnel. the share-based remuneration programs that have been ongoing during 2016 and 2017 are LTI 2013 and LTI2014. The programs are based on the attainment of certain performance targets during the fiscal years, following which the participants are to receive variable remuneration in beginning of the following year, with 60 percent in cash, that was due for payment in 2014 respectively 2015, 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. The LTI2013 program has been closed in 2017 and the LTI2014 will be closed in 2018. Thus, the term of the share-based component is four years; however, vesting in accordance with the cash portion is related to the performance year.

The outcome for LTI2013 and LTI2014 was determined in the spring of 2014 and 2015 respectively, 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 Annual General Meeting, 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 LTI programs, with the third party holding these shares in its own name until distribution is made to the qualified LTI participants in 2017 respectively 2018.

Programs were introduced by the 2015 and 2016 Annual General Meetings (LTI2015 and LTI2016) whose design was essentially equivalent to the earlier incentive programs. These programs did not, however, generate any outcome for the senior executives and key personnel, who were included in the program. The incentive program LTI2017 does not consist of any share-based remuneration, for further information see note 9.

The net total cost, which is recognized in the income statement, for share-based remuneration for the resolved incentive programs amounted to SEK 0 (1) m and refers to the actual allotted options. See note 9 for information regarding the total cost for the year of incentive programs allotted to senior executives.

LTI2013 – No. of option rights	Opening balance Januari 1, 2017	Alotted option rights	Cancelled	Transfered option rights 2017	Distribution year
President	13,694	-	-13,694		
Other senior executives (Group Management)	16,871	-	-	-16,871	2017
Other key personnel	16,158	-	-	-16,158	2017
Total	**46,723**	**-**	**-13,694**	**-33,029**	

LTI2014 – No. of option rights	Opening balance Januari 1, 2017	Allotted option rights	Cancelled	Closing balance December 31,2017	Distribution year
President	5,216	-	-5,216	-	
Other senior executives (Group Management)	9,634	-	-749	8,052	2018
Other key personnel	12,162	-	-1,123	12,973	2018
Total	**27,012**	**-**	**-7,088**	**19,924**	

NOTE 11 EMPLOYEES AND EMPLOYEE REMUNERATION

	Women	Men	Total 2017	Women	Men	Total 2016
Sweden	53	172	225	64	213	277
USA	141	364	505	117	336	453
Mexico	110	274	384	66	324	390
China	40	212	252	41	166	207
Germany	23	82	105	26	85	111
Hungary	123	158	281	101	121	222
India	16	144	160	15	110	125
Brazil	17	42	59	18	45	63
France	30	44	74	25	46	71
UK	10	52	62	10	49	59
Canada	5	19	24	6	17	23
Italy	4	3	7	5	3	8
Poland	3	7	10	2	6	8
Spain	3	4	7	3	5	8
South Korea	1	6	7	1	6	7
Austria	2	3	5	1	4	5
Belgium	1	4	5	1	4	5
Russia	1	2	3	1	2	3
Australia	0	1	1	0	1	1
Total	**590**	**1,586**	**2,176**	**503**	**1,543**	**2,046**

	2017			2016		
	Salaries and remuneration	Social security costs	Of which pension costs	Salaries and remuneration	Social security costs	Of which pension costs
Haldex	695	219	39	675	219	25

For information about remuneration to senior executives, see note 9 on page 47.
Of the total pension costs accounted for in operating income, SEK 34 (18) m relates to defined contribution plans and SEK 5 (7) m is attributable to defined benefit plans. For more information about Haldex's defined benefit plans, see note 30, page 56.

NOT 12 AUDITOR'S REMUNERATION

	2017	2016
Öhrlings PricewaterhouseCoopers AB and network		
Audit assignments	4	5
– whereof Öhrlings PricewaterhouseCoopers AB	2	2
Audit activities other than audit assignment	-	-
Tax consultancy services	2	3
– whereof Öhrlings PricewaterhouseCoopers AB	0	0
Other services	0	-
Total	**6**	**8**

NOTE 13 AMORTIZATION AND DEPRECIATION

	2017	2016
Cost of goods sold	91	92
Selling expenses	2	2
Administrative expenses	16	21
Product development expenses	23	21
Total	**132**	**136**

NOTE 14 FINANCIAL INCOME AND EXPENSES

	2017	2016
Interest income	4	2
Interest expenses	-13	-20
Interest on pension liabilities (net) (see note 30)	-4	-19
Other financial income and expences	5	-
Share of result joint venture	-12	-2
Total	**-20**	**-39**

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NOTE 15 TAXES

	2017	2016
Current tax	-44	-58
Deferred tax	-6	-16
Total	**-50**	**-74**

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

Reconciliation of effective tax rate	2017	2016
Income before tax	129	165
Tax at applicable tax rate in Sweden	22%	22%
Differences in tax rates of various countries of operation	8%	8%
Non-deductible expenses	2%	4%
Non-taxable revenues	-2%	-1%
Tax attributable to prior years	4%	4%
Effects of US tax reform	10%	0%
Revaluation of losses carried forward/not recognized deferred tax assets due to tax loss carry-forwards	-8%	3%
Other taxes	3%	2%
Effective tax rate	**39%**	**42%**

The Group's tax expense amounts to SEK 50 (74) m. The tax rate is affected negatively by the tax reform in the US that came into force as of 1 January 2018, this negatively effect is however decreased by revaluation of losses carried forward. The underlying tax rate for 2017 amounts to 31 percent, compared with 37 percent in the preceding year.

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

	2017	2016
Deferred tax		
Remeasurement of pension obligation	10	14
Change in hedge reserve	0	1
Change in assets available for sale	0	-1
Currency translation differences	8	-
Total	**18**	**14**

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NOTE 16 INTANGIBLE ASSETS

	Goodwill	Capitalized development costs	Patent and other intagible assets	Total
January 1, 2016				
Acquisition value	418	70	291	779
Accumulated depreciation	-	-70	-227	-297
Carrying amount	**418**	**0**	**64**	**482**
January 1 – December 31, 2016				
Opening carrying amount	418	0	64	482
Currency translation differences	4	-	-	4
Investment	-	-	40	40
Divestment	-	-	-	-
Depreciation	-	-	-14	-14
Closing carrying amount	**422**	**0**	**90**	**512**
December 31, 2016				
Acquisition value	422	70	331	823
Accumulated depreciation	-	-70	-241	-311
Carrying amount	**422**	**0**	**90**	**512**
January 1 – December 31, 2017				
Opening carrying amount	422	0	90	512
Currency translation differences	-24	-	-	-24
Investment	-	1	29	30
Capitalized costs		-	43	43
Divestment	-	-	-	-
Depreciation	-	-	-12	-12
Closing carrying amount	**398**	**1**	**150**	**549**
December 31, 2017				
Acquisition value	398	71	403	872
Accumulated depreciation	-	-70	-253	-323
Carrying amount	**398**	**1**	**150***	**549**

Goodwill and intangible assets that are subject to amortization are valued in accordance with the accounting principles described in note 2 and 3. For allocation of amortization per function in the income statement, see note 13.

*Capitalized development costs consist of product development in the amount of SEK 64 (33) m and development of IT systems in the amount of SEK 86 (57) m.

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NOTE 17 TANGIBLE FIXED ASSETS

	Buildings	Land and land improvements	Machinery and other technological investments	Equipment, tools and installations	Construction in progress and advances to suppliers	Total
January 1, 2016						
Acquisition value	165	14	1,127	682	92	2,080
Accumulated depreciation	-114	-4	-889	-591	-3	-1,601
Carrying amount	**51**	**10**	**238**	**91**	**89**	**479**
January 1 – December 31, 2016						
Opening carrying amount	51	10	238	91	89	479
Currency translation differences	2	1	8	2	2	15
Investment	6	-	97	23	57	183
Divestment	-	-	-3	-1	-	-4
Internal transfer	-	-	4	-	2	6
Depreciation	-9	-1	-74	-38	-	-122
Closing carrying amount	**50**	**10**	**270**	**77**	**150**	**557**
December 31, 2016						
Acquisition value	181	15	1,247	718	153	2,314
Accumulated depreciation	-131	-5	-977	-641	-3	-1,757
Carrying amount	**50**	**10**	**270**	**77**	**150**	**557**
January 1 – December 31, 2017						
Opening carrying amount	50	10	270	77	150	557
Currency translation differences	- 1	-	-8	-2	-3	-14
Investment	22	-	129	36	1	188
Divestment	-	-	-5	0	-	-5
Internal transfer	-	-	8	24	-29	-5
Depreciation	-10	-1	-74	-35	-	-120
Impairment	-	-	-15	-	-	-15
Closing carrying amount	**61**	**9**	**297**	**100**	**119**	**586**
December 31, 2017						
Acquisition value	191	15	1,265	796	122	2,389
Accumulated depreciation	-130	-6	-968	-696	-3	-1,803
Carrying amount	**61**	**9**	**297**	**100**	**119**	**586**

The tangible assets of Haldex are depreciated and valued in accordance with the accounting principles described in note 2 and 3. For allocation of depreciation per function in the income statement, see note 13.

NOTE 18 OPERATIONAL LEASES

Expensed leasing fees for assets held under operating lease contracts totaled SEK 53 (32) m. The future aggregated minimum lease payments under non-cancellable operating leases fall due as follows.

	December 31, 2017			December 31, 2016		
	Premises	Machinery and other equipment	Total	Premises	Machinery and other equipment	Total
Year 1	43	11	**54**	25	6	**31**
Year 2–5	142	13	**155**	70	9	**79**
Later than 5 years	32	0	**32**	34	0	**34**

No material variable dues or special terms exist for purchasing assets or prolonging arrangements.

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NOTE 19 FINANCIAL FIXED ASSETS

	December 31, 2017	December 31, 2016
Shares in joint ventures	5	17
Other shares	-	18
Other non current receivables	36	36
Total	**41**	**71**

Shares in joint ventures

Shares in joint ventures amount to SEK 5 m and are accounted for using the equity method, the shares refers to Haldex Brake Product AB's 50 percent share of Haldex VIE EMB Ltd. The activities of the company are research activities, the material posts in the balance sheet are Intangible fixed assets SEK 44 m, Cash SEK 49 m and Equity SEK 96 m. The acquision value of the shares are SEK 73 m and this year's change in value refers in its entirety to Haldex's part of the net income of SEK -12 m, the net income is mostly related to research and development costs that cannot be capitalised. The company has not had any income yet. Haldex has no obligations towards the company, such as guarantees regarding loans or liquidity.

NOTE 20 DEFERRED INCOME TAXES

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

The gross changes of deferred income tax account was as follows:

	2017	2016
January 1	136	137
Tax attributable to the Income statement (see note 15)	-6	-16
Tax attributable to equity (see note 15)	8	-
Tax attributable to other comprehensive income (see note 15)	10	14
Reclassification within the balance sheet	-	-
Currency translation differences	-1	1
December 31	**147**	**136**

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

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Tax loss carryforwards	87	55	-	-	87	55
Tangible assets	3	6	-	-	3	6
Provisions	25	29	-	-	25	29
Pensions and similar obligations	54	46	-	-	54	46
Acquisition-related surplus values	-	-	9	9	-9	-9
Other	14	30	27	21	-13	9
Net deferred tax assets/tax liability	**183**	**166**	**36**	**30**	**147**	**136**
Offsetting of deferred tax assets/tax liabilities	-10		-10			
Total	**173**	**166**	**26**	**30**	**147**	**136**

All tax-loss carryforwards are not capitalized, deferred tax assets are only recognized for tax-loss carryforwards to the extent that it is probable that they can be utilized by future taxable profit. As per December 31, there were unrecognized tax-loss carryforwards comprising a potential deferred tax asset of approximately SEK 35 (11) m. All recognized tax-loss carryforwards have an expiry date exceeding ten years.

NOTE 21 DERIVATIVE INSTRUMENTS

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts - cash flow hedges	1	5	5	3
Forward exchange contracts - at fair value through profit or loss	1	2	3	3
Currency swaps - at fair value through profit or loss	24	24	13	26
Total derivatives as recognized in the balance sheet	**26**	**31**	**21**	**32**
Derivatives subject to offsetting, enforceable master netting arrangements	-10	-10	-33	-33
Net amount	**16**	**21**	**-12**	**-1**

Equity gains and losses in short-term currency forward contracts will be transferred to income statement at different points during 2018. All equity gains and losses in short-term currency forward contracts recognized in 2016 have been transferred to the income statement in 2017. 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, meaning that the fair value is determinable, directly or indirectly, from observable market data. No transfers have been made between the different Tiers during the year.

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

	December 31, 2017			December 31, 2016		
	Measured at quoted prices in an active market (Tier 1)	Measured on observable market data (Tier 2)	Measured on non-observable market data (Tier 3)	Measured at quoted prices in an active market (Tier 1)	Measured on observable market data (Tier 2)	Measured on non-observable market data (Tier 3)
Financial assets available for sale	-	-	-	18	-	-
Derivative instruments	-	-5	-	-	-11	-
Total	**-**	**-5**	**-**	**18**	**-11**	**-**

The other financial instruments of the Group are accounted for as follows: Haldex's multi-currency revolving credit facility and bond loans are subject to a 1–6-month variable interest rate. Accordingly, the fair values correspond to the carrying amounts. In regards of the other financial assets and liabilities, such as accounts receivable, other current receivables, cash and cash equivalents and debt to suppliers, the fair values are considered to correspond to the carrying amounts.

NOTE 23 ASSETS AS PER BALANCE SHEET

	December 31, 2017						December 31, 2016					
	Non financial instru-ments	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Assets available for sales	Total	Non financial instru-ments	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Assets available for sales	Total
Non-current assets												
Intangible and tangible assets	1,135					1,135	1,069					1,069
Financial assets												
Deferred tax assets	173					173	166					166
Other financial assets	5	36				41		36			35	71
Current assets												
Inventory	585					585	524					524
Current receivables												
Accounts receivable		597				597		603				603
Other current receivables	69	258				327	125	181				306
Derivative instruments			25	1		26			16	5		21
Cash and cash equivalents		194				194		297				297
Total	**1,967**	**1,085**	**25**	**1**	**-**	**3,078**	**1,884**	**1,117**	**16**	**5**	**35**	**3,057**

Haldex accounts receivables and other current receivables are subject to a variable interest term of 1–6 months, thus 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, 2017					December 31, 2016				
	Non-financial liabilities	Other financial liabilities	Liabilites at fair value through profit or loss	Derivatives used for hedging	Total	Non-Financial liabilities	Other financial liabilities	Liabilites at fair value through profit or loss	Derivatives used for hedging	Total
Non-current liabilities										
Deferred tax liabiliteis	26				26	30				30
Pensions and similar obligations	443				443	422				422
Interest-bearing liabilities		270			270		270			270
Other non-current liabilities		36			36		35			35
Current liabilities										
Interest-bearing liabilities		61			61		79			79
Accounts payable		374			374		401			401
Derivative instruments			26	5	31			29	3	32
Provisions	95				95	124				124
Other current liabilities	210	137			347	290				290
Total	**774**	**878**	**26**	**5**	**1,683**	**866**	**785**	**29**	**3**	**1,683**

Haldex's short and long-term loans, multi-currency 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, 2017			December 31, 2016		
	< 1 year	1–2 years	> 2 years	< 1 year	1–2 years	> 2 years
Non-current credit facilities including interest	-3	-3	-270	-3	-3	-273
Current interest-bearing liabilities including interest	-154			-79		
Accounts payable	-374			-401		
Derivative instruments	-31			-32		
Total	**-562**	**-3**	**-270**	**-515**	**-3**	**-273**
Accounts receivable	597	-	-	603	-	-
Derivative instruments	26	-	-	21	-	-
Net flow	**61**	**-3**	**-270**	**109**	**-3**	**-273**
Derivative instruments						
-outflow	1,939	-	-	3,048	-	-
-inflow	1,936	-	-	3,035	-	-

Haldex's multi-currency 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 974 (979) m. The interest calculated comprised the the counter-value in SEK, based on exchange rates at December 31, 2017, and the future current interest rates on the liability.

NOTE 26 INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials	339	320
Semi-manufactured products	21	11
Finished products	225	193
Total	**585**	**524**

See note 2 for details of the accounting policies regarding valuation of inventories.

NOTE 27 OTHER CURRENT RECEIVABLES

	December 31, 2017	December 31, 2016
Tax receivables	25	73
Prepaid expenses and accrued income		
Rents and insurance	11	14
Other prepaid expenses	32	38
Other current receivables	259	181
Total	**327**	**306**

NOTE 28 CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Bank accounts and cash	194	297
Total	**194**	**297**

Cash and current deposits of SEK 66 (206) m are held in Brazil, China and Korea and are subject to local currency control regulations. These local currency control regulations entail limitations on the transfer of capital from the country other than through normal dividends. In order to use part of the cash, Haldex has made a deposit of SEK 89 m in a blocked account in China, and a corresponding value has been lent out to the Parent Company by the Swedish office of the bank.

NOTE 29 NON-CURRENT INTEREST-BEARING LIABILITIES

	31 december 2017	31 december 2016
Multi-currency revolving credit facility	-	-
Bond loans	270	270
Total	**270**	**270**

	December 31, 2017		December 31, 2016	
	Facility limit	Maturity date	Facility limit	Maturity date
Multi-currency revolving credit facility	EUR 90 m	April 21, 2021	EUR 90 m	April 21, 2021
Bond loans	SEK 270 m	January 20, 2020	SEK 270 m	January 20, 2020

NOTE 30 PENSIONS AND SIMILAR OBLIGATIONS

Haldex has defined-benefit pension plans for certain units in Sweden, Germany, France and the UK. The defined-benefit pension plans for the units in US have been closed during 2017 and transfered to defined-contribution plans. The pensions under the defined-benefit pension plans are mainly based on final salary. Defined-contribution plans are also found in these countries. Subsidiaries in other countries within the Group mainly use defined-contribution plans. The pension scheme in the UK has a minimum funding requirement. Based on a funding valuation performed every third year, the company and the trustees agree upon a recovery plan to secure financing in accordance with the minimum requirements.

Amount recognized in the Balance Sheet

	2017	2016
Defined benefit obligation, January 1	**794**	**737**
Pensions vested during the period	5	7
Interest on obligation	17	24
Benefits paid	-21	-35
Decreased obligation due to transfer to defined-contribution plan	-78	-
Contributions	-	-
Effects of reductions and settlements	-	-
Remeasurements due to changes in demografical assumptions	1	-4
Remeasurements due to changes in financial assumptions	36	88
Experienced based remeasurements	-8	-
Currency translation differences	-4	-23
Defined benefit obligation, December 31	**742**	**794**
Fair value of plan assets, January 1	**377**	**369**
Expected return on plan assets	8	13
Payment from assets	-78	-24
Effects of reductions and settlements	-3	-
Contributions	4	18
Valuation gains/losses on plan assets	6	19
Currency translation differences	-8	-18
Fair value of plan assets, December 31	**306**	**377**

Reconciliation of interest bearing pension liabilities

	2017	2016
Pension liability (net), January 1	**422**	**368**
Pension cost	15	17
Benefits paid	-21	-35
Contributions	-78	-
Payment from assets	-4	-18
Decrease of liability due to transfer to defined-contribution plan	78	24
Effects of reductions and settlements	3	5
Actuarial gains/losses recognized in other comprehensive income	23	64
Currency translation differences	5	-3
Net amount recognized in the balance sheet, December 31	**443**	**422**

NOTE 30 CONTINUED, PENSIONS AND SIMILAR OBLIGATIONS

Amounts recognized in the Income Statement

	2017	2016
Pensions vested during the period	-5	-7
Interest on obligation	-17	-24
Expected return on plan assets	8	13
Total	**-14**	**-18**

Amounts recognized in other comprehensive income

	2017	2016
Remeasurements of pension obligation		
whereof demographic assumption	-1	4
whereof due to changes in actuarial assumptions	-36	-88
whereof experience adjustments	8	-
Valuation gains (losses) on plan assets	6	20
Total	**-23**	**-64**

Defined pension obligation and plan asset per country

2017	Sweden	Germany	US	Other	Total
Defined benefit obligation	243	129	364	10	746
Plan assets	53	-	247	3	303
whereof equities	8	-	-	-	8
whereof interest-bearing securities	43	-	24	-	67
whereof diversified growth funds	-	-	223	-	223
whereof properties	-	-	-	-	-
whereof cash and cash equivalents	2	-	-	3	5
Net amount recognized in the balance sheet	**190**	**129**	**117**	**7**	**443**

Defined pension obligation and plan asset per country

2016	Sweden	Germany	UK	US	Other	Total
Defined benefit obligation	215	125	372	72	10	794
Plan assets	57	-	240	68	7	372
whereof equities	9	-	108	11	-	128
whereof interest bearing securities	43	-	84	57	-	184
whereof properties	-	-	8	-	-	8
whereof cash and cash equivalents	5	-	40	-	7	52
Net amount recognized in the balance sheet	**158**	**125**	**132**	**4**	**3**	**422**

Assumed life expectancy after retirement at the age of 65

	Sweden	Germany	UK
Male	22	19	21
Female	24	23	23

Actuarial assumptions 2017

Percent	Sweden	Germany	UK
Discount rate and expected return on plan assets, January 1, 2017	2.8	1.8	2.7
Discount rate and expected return on plan assets, December 31, 2017	2.7	1.6	2.6
Expected salary increase	2.0	2.3	2.6
Expected inflation	2.0	1.5	2.8

Actuarial assumptions 2016

Percent	Sweden	Germany	UK	US
Discount rate and expected return on plan assets, January 1, 2016	3.8	2.3	3.8	4.2
Discount rate and expected return on plan assets, December 31, 2016	2.8	1.8	2.7	3.7
Expected salary increase	2.0	2.0	2.0	0.0
Expected inflation	1.5	1.5	3.5	2.0

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NOTE 30 CONTINUED, PENSIONS AND SIMILAR OBLIGATIONS

Average remaining of the pension plan

	Sweden	Germany	UK
Year	17	15	19

The discount rate is based on high-quality corporate bonds, in Sweden mortgage-backed bonds with maturity corresponding to the estimated maturity of the obligations for post-employment benefits. All pension plans are listed investments. A change in the discount rate of +/- 0.25 percent in each country affects the present value of the Group's pension obligation by approximately SEK 32 (28) m.

NOTE 31 OTHER PROVISIONS

	2017			2016		
	Warranty reserves	Restructuring reserves	Total	Warranty reserves	Restructuring reserves	Total
January 1	110	14	124	129	37	166
Provisions	54	18	72	82	-	82
Requisitions	-73	-23	-96	-106	-24	-130
Translation differences	-5	0	-5	5	1	6
December 31	**86**	**9**	**95**	**110**	**14**	**124**

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

NOTE 32 OTHER CURRENT LIABILITIES

	2017	2016
Tax liabilities	4	39
Accrued expenses and deffered income		
Personnel costs	124	89
Other accrued expenses	137	111
Other current liabilities	82	51
Total	**347**	**290**

NOTE 33 ASSETS PLEDGED AS COLLATERAL AND CONTINGENT LIABILITIES

Amounts in SEK m	December 31, 2017	December 31, 2016
Assets pledged as collateral	89	None
Contingent liabilities	3	3

NOTE 34 CORPORATE ACQUISITIONS

No acquisitions were made in 2017 or 2016.

NOTE 35 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 9 on page 47.

Parent Company – income statement

Amounts in SEK m	Note	2017	2016
Net sales		102	91
Administrative costs	4, 5, 13	-114	-84
Operating income		**-12**	**7**
Dividends from subsidiaries		22	3
Impairment of shares in subsidiaries		-40	-139
Interest income	6	73	78
Interest expenses	6, 13	-14	-15
Other financial items		-3	10
Income after financial items		**26**	**-56**
Group contribution		-50	-84
Income before tax		**-24**	**-140**
Taxes	12	-3	1
Net income		**-27**	**-139**

Parent Company – comprehensive income report

Amounts in SEK m	2017	2016
Net income	-27	-139
Other comprehensive income	-	-
Total comprehensive income	**-27**	**-139**

Parent Company – balance sheet

Amounts in SEK m	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	7	1,721	1,721
Other shares and participations			19
Non-current receivables subsidiaries	8	1,018	1,103
Other non-current receivables	8	43	44
Total non-current assets		**2,782**	**2,887**
Current assets			
Receivables from subsidiaries		976	386
Other current receivables	9	6	8
Derivative instruments	10	34	27
Cash and cash equivalents	11	0	0
Total current assets		**1,016**	**421**
TOTAL ASSETS		**3,798**	**3,308**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (44,215,970 shares with a quota value of SEK 5)		221	221
Unrestricted equity			
Share premium reserve		378	378
Retained earnings		633	772
Net income		-27	-139
Total equity		**1,205**	**1,232**
Provisions			
Pensions and similar obligations	13	32	30
Other provisions		23	24
Total provisions		**55**	**54**
Non-current liabilities			
Non-current interest-bearing liabilities	14	270	270
Debts to subsidiaries		326	321
Other non-current liabilities		8	8
Total non-current liabilities		**604**	**599**
Current liabilities			
Account payables		0	2
Debts to subsidiaries		1,712	1,302
Derivative instruments	10	35	41
Other current liabilities	15	187	78
Total current liabilities		**1,934**	**1,423**
TOTAL EQUITY AND LIABILITIES		**3,798**	**3,308**

Parent Company – changes in equity

Amounts in SEK m	Restricted equity	Unrestricted equity		
	Share capital	Share premium reserve	Retained earnings	Total
Opening balance at January 1, 2016	**221**	**378**	**861**	**1,460**
Net income			-139	-139
Dividend, cash			-88	-88
Closing balance at December 31, 2016	**221**	**378**	**633**	**1,232**
Opening balance at January 1, 2017	**221**	**378**	**633**	**1,232**
Net income			-27	-27
Dividend, cash			0	0
Closing balance at December 31, 2017	**221**	**378**	**606**	**1,205**

Parent Company – statement of cash flow

Amounts in SEK m	2017	2016
Cash flow from operating activities		
Income before tax	-24	-140
Reversal of non-cash items*	91	143
Cash flow from operating activities before change in working capital	**67**	**3**
Change in working capital		
Current receivables	-595	-37
Current liabilities	414	123
Change in working capital	**-181**	**86**
Cash flow from operating activities	**-114**	**89**
Cash flow from investment activities		
Investments in shares and participations	-	-90
Change in non-current receivables	86	-
Divestment of shares and participations	23	10
Cash flow from investment activities	**109**	**-80**
Cash flow from financing activities		
Change in interest-bearing liabilities	-	-
Change in other liabilities	5	
Dividend to shareholders	-	-88
Share swap incentive program	-	-
Cash flow from financing activities	**5**	**-88**
Change in cash and cash equivalents	**0**	-79
Cash and cash equivalents, opening balance	0	79
Cash and cash equivalents, closing balance	**0**	**0**
*Reversal of non-cash items		
Group contribution – not paid	50	**-**
Write-down of shares in subsidiaries	40	139
Other	1	4
Total	**91**	**143**

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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, Mid Cap.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

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

The Parent Company reports its pension obligations in accordance with the Pension Obligations Vesting Act. In accordance with IFRS, adjustments are made at the consolidated level. Group contributions are reported as appropriations.

NOTE 3 AVERAGE NUMBER OF EMPLOYEES

	2017			2016		
	Women	Men	Total	Women	Men	Total
Sweden	4	8	**12**	4	9	**13**

NOTE 4 SALARIES AND OTHER REMUNERATION

	2017				2016			
	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	39	22	16	5	20	16	14	5

The Board Directors consists of 6 members (6); for information on the individual remuneration paid to them and the President, refer to note 9 on the consolidated financial statements. Remuneration to other senior executives, 5 people (6) amounted to SEK 11 (9) m, of which variable remuneration amounted SEK 4 (0) m. Pension payments for other senior executives accounted for SEK 4 (4) m of total pension costs.

NOTE 5 AUDITOR'S REMUNERATION

	2017	2016
PwC		
Audit assignment	1	1
Tax consultancy services	0	1
Total	**1**	**2**

NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2017	2016
Interest income		
External interest income	0	0
Interest income Group companies	73	78
Total	**73**	**78**
Interest expenses		
External interest expenses	-8	-8
Interest expenses Group companies	-6	-7
Total	**-14**	**-15**

NOTE 7 SHARES AND PARTICIPATIONS

At December 31, 2017, Haldex AB held direct ownership interests in the subsidiaries listed in the specification in note 7. JSB Hesselman AB is 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 is, in turn, 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, 2017	December 31, 2016
Haldex Brake Products AB	556068-2758	Landskrona	127,500	100	93	93
Haldex Halmstad AB	556053-6780	Landskrona	30,000	100	4	4
Haldex GmbH		German		100	51	51
Haldex Europe SA		France	625,000	100	75	75
Haldex Ltd.		Canada		100	0	0
Haldex do Brasil Indústria e Comércio Ltda		Brazil		100	0	0
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	Landskrona	1,000	100	0	0
Haldex Hungary Ktf		Hungary		100	74	74
Haldex Wien Ges mbH		Austria		100	7	7
Haldex India Ltd.		India		60	7	7
JSB Hesselman AB	556546-1844	Landskrona	1,000	100	855	855
Haldex Russia		Russia		100	0	0
Haldex Holding AB	556560-8220	Landskrona	23,079,394	100	458	458
Haldex Hong Kong Co Ltd.		Hong Kong		100	85	85
Haldex Brake Products Pty		Australia		100	0	0
Haldex Traction Holding II AB	556819-2271	Landskrona	500	100	0	0
Total					**1 721**	**1 721**

Change in shares and participations

	Opening balance	Write-down	Closing balance
2017	**1,721**	**0**	**1,721**
2016	**1,771**	**-50**	**1,721**

NOTE 8 NON-CURRENT RECEIVABLES

	December 31, 2017	December 31, 2016
Deferred tax assets	11	11
Non-current receivables subsidiaries	1,018	1,103
Other non-current receivables	32	33
Total	**1,061**	**1,147**

NOTE 9 OTHER CURRENT RECEIVABLES

	December 31, 2017	December 31, 2016
Tax assets	-	1
Prepaid expenses	6	4
Other current receivables	-	5
Total	**6**	**10**

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NOTE 10 DERIVATIVE INSTRUMENTS

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts – at fair value through profit or loss	10	11	14	15
Currency swaps – at fair value through profit or loss	24	24	13	26
Total	**34**	**35**	**27**	**41**

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, 2017	December 31, 2016
Cash and bank balances	0	0
Total	**0**	**0**

NOTE 12 TAX

	2017	2016
Current tax expense for year	-6	31
Tax attributable to previous years	-5	-
Tax on dividends	11	-
Tax on non-deductible expenses	-5	-31
Deferred tax related to temporary differences	2	1
Total	**-3**	**1**

NOTE 13 PENSIONS AND SIMILAR OBLIGATIONS

Pension obligations attributable to defined-benefit plans

	2017	2016
Pensions vested during the period	0	0
Interest on obligation	-1	-1
Total pension cost	**-1**	**-1**

In addition to the pension costs above, the Parent Company has a cost of SEK 5 (5) m. This relates to the funding of a pension fund related to pension obligations to former senior excecutives.

Reconciliation of interest-bearing pension liabilities

	December 31, 2017	December 31, 2016
Opening balance, pension liabilities	30	25
Benefits paid	-2	0
Pension costs	4	5
According to balance sheet	**32**	**30**

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

NOTE 14 LONG-TERM INTEREST-BEARING LIABILITIES

	December 31, 2017	December 31, 2016
Multi-currency revolving credit facility	-	-
Bond loans	270	270
Total	**270**	**270**

Haldex's multi-currency revolving credit facility and bond loan are subject to a variable interst term of 1–6 months. Accordingly, the fair values correspond to the carrying amounts. Available unused credit facilities at year-end totaled SEK 880 (861) m. The interest calculated comprises the counter-value in SEK based on exchange rates as per December 31, 2017 and the current interest rates on the liability.

Maturity structure, year

	Total	0 – 1	1 – 3	3 – 5	> 5 years	Average rate, %
	270	-	270	-	-	1,16
Total	**270**	**-**	**270**	**-**	**-**	**1,16**
Calculated interest	6	3	3	-	-	-
Total	**276**	**3**	**273**	**-**	**-**	**-**

NOTE 15 OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
Liability to financial institution	60	-
Accrued personnel costs	21	13
Other accrued expenses	106	65
Total	**187**	**78**

NOTE 16 ASSETS PLEDGED AS COLLATERAL AND CONTINGENT LIABILITIES

	December 31, 2017	December 31, 2016
Securities and guarantees on behalf of subsidiaries	366	170

The Board of Directors and the President and CEO certify that the annual accounts have 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 July 19, 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, March 14 2018

Jörgen Durban
Chairman of the Board

Ulf Ahlen
Board member

Göran Carlson
Board member

Johan Giléus
Board member

Magnus Johansson
Board member

Annika Sten Pärson
Board member

Fredrik Hudson
Employee representative

Per Holmqvist
Employee representative

Åke Bengtsson
President and CEO

Our audit report was issued on March 20, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant
Auditor in charge

Carl Fogelberg
Authorized Public Accountant

Auditor's report

To the meeting of shareholders in Haldex AB, Corporate Identity Number 556010-1155

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Haldex AB (publ) for the financial year 2017. The annual accounts and consolidated accounts of the company are included on pages 21–66 in this document.

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 Parent Company as of 31 December 2017 and its financial performance and cash flow 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been presented to the Audit Committee of the Parent Company and the Group in accordance with the Auditors Ordinance (537/2014), Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes, based on our best knowledge and conviction, the provision of no prohibited services as stipulated in the Auditors Ordinance (537/2014) Article 5.1tothe audited companies or, as applicable, to the Parent Company or its controlled companies located within the EU.

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

Our audit activities

Overview

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the President and CEO and Board of Directors have made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board of Directors' and President and CEO's override of internal controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. On the basis of this, we determined the companies within the Group deemed to be significant and determined the audit activities to be performed as regards these companies. The Haldex Group is comprised of some 30 reporting units of which 15 units have been deemed, in varying degrees, to be significant. The units in the Group which are not seen to be significant have been audited by the Group audit team via a review. The majority of the units not included in the audit of the consolidated accounts are subject to a statutory audit in their respective countries.

The Haldex Group operates mainly outside Sweden, and we obtain reports from each local audit team in the global PwC network over the course of the year and in connection with our audit of the annual accounts. Each year, the Group audit team makes an assessment of the scope and focus that are required to ensure that an adequate and appropriate audit is performed from a Group perspective. The activities of the local audit team are governed and monitored by the central team. As part of this work, the Group audit team has visited Haldex's businesses in the United States, Germany and France for discussions with local management and PwC auditors.

The Group audit team has also performed an audit of the Parent Company, the consolidation, the annual accounts, and material assumptions and judgements.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in our audit
Provisions for warranties and obligations to customers *For information on provisions for warranties and obligations to customers, see note 2 (summary of significant accounting policies), note 3 (significant estimates and judgements) and note 31 (Provisions)* At 31 December 2017, Haldex reported provisions of SEK 86 m for warranties and other obligations to customers. In 2017, a total of SEK 110 m attributable to warranties and obligations to customers was charged to earnings, of which SEK 56 m was recognized as non-recurring items. On the sale of products, Haldex recognizes an estimated provision for warranties that is intended to cover future warranty claims. The provision for general product warranties is based essentially on historical outcomes. Historical outcomes are considered by management to constitute a reliable basis for this assessment. From time to time, Haldex incurs warranty claims and claims resulting from obligations to customers that are of a non-recurring nature. Occasionally, the company also needs to recall a product. Individual provisions are made in the accounts for these obligations. The measurement and recognition of provisions for warranties and obligations to customers are based on assumptions and estimates of unit costs and product return rates, which are subject to considerable uncertainty. The provisions made are also significant and therefore constitute a key audit matter in our audit.	We have examined and assessed the adequacy of Haldex's internal process for identifying and measuring events which could entail an increased risk of future warranty costs. We have studied the minutes and documentation that are produced in this process. We have also studied the data and calculations used as a basis for provisions for warranties and obligations to customers, and have performed spot checks against relevant data. We have assessed the parameters used for the provisions, such as unit costs and product return rates, against actual outcomes. We have assessed whether the Group has satisfactorily described its policies for recognition of warranties and obligations to customers in its annual report, including the estimates and judgements made in measuring the items as at 31 December 2017.
Deferred tax *For information on deferred tax, see note 2 (summary of significant accounting policies), note 3 (Significant estimates and judgements) and note 20 (Deferred tax)* At December 31, 2017, Haldex had deferred tax assets of SEK 173 m, of which SEK 87 m is attributable to unutilized tax losses. Haldex also has deferred tax liabilities of SEK 26 m. Haldex operates in several countries with differing tax laws, which adds to the complexity of assessing deferred tax assets. Local tax rules and extensive intra-Group deliveries of goods and services require correct pricing between entities. The recognition of deferred tax assets is based on assumptions and estimates of future earnings performance, which is subject to uncertainty. The carrying amounts of deferred tax assets are also significant, and this item is, therefore, a natural focus area for our audit.	We have studied the company's documentation for underlying temporary differences, which constitutes the basis for deferred tax assets and deferred tax liabilities, and have, as part of the Group audit, obtained the necessary audit evidence. Through random sampling, we have assessed the mathematical accuracy of the calculations made by management in determining the value of deferred taxes. With regard to deferred tax assets whose value depends on future taxable profits, we have examined management's forecasts and have challenged the assumptions made. In this context, we have compared historical forecasts with outcomes to determine the reliability of the forecasts made by management. We have assessed whether Haldex has satisfactorily described its policies for recognition of deferred tax assets and tax liabilities in its annual report, including the estimates and judgements made in measuring the items as at 31 December 2017.
Pension liability *For information on pension obligations, see note 2 (summary of significant accounting policies), note 3 (Significant estimates and judgements) and note 30 (Pensions and similar obligations)* Haldex operates in several countries with differing parameters for calculating pension liabilities in accordance with IAS 16, such as life expectancy assumptions, wage growth, inflation rates and interest rates. The rules governing determining the manner in which defined benefit pension plans are to be secured under the applicable agreements also differ from one country to another. The actual calculations are made by independent actuaries in each country. Due to the complexity and degree of judgement involved, the recognition of pension liabilities is a key audit matter in our audit.	We have assessed the appropriateness of the method employed by management and how consistently this method has been applied. We have assessed the interest rate used by Haldex against externally available information concerning an appropriate discount rate for the duration of the liabilities held by Haldex. We have examined the other judgements made by management and have formed our own opinion on these judgements. We have tested, on a random sample basis, the data sent by Haldex to the actuaries engaged to calculate the liability. We have checked the data used by Haldex in preparing its accounts against reports received from each actuary. We have assessed the agreements which Haldex has concluded with local actuaries with regard to any terms and conditions that could affect their objectivity. We have assessed whether Haldex has satisfactorily described its policies for recognition of pension liabilities in its annual report, including the estimates and judgements made as at 31 December 2017.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and this information is found on pages 1–21 and 80–94. This information, in addition to the sustainability report and our statement regarding this report, do not comprise annual financial statements. The Board of Directors and the President and CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President and CEO are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President and CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President and CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President and CEO of Haldex AB (publ) for the financial year 2017and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 President and CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President and CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President and CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the management audit is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, SE-405 32 Göteborg, Sweden, were appointed as auditors of Haldex AB (publ) by the shareholders' meeting on May 4, 2017 and have been the company's auditors since July 7, 2003.

Malmö, Sweden, March 20, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant
Auditor in charge

Carl Fogelberg
Authorized Public Accountant

"In most ways, Haldex is a better company today than when the public offers were presented in the summer of 2016.

During the spring, I joined the Board to complete the offer from Knorr-Bremse that was in progress. The Board was faced with a very difficult decision during the summer. Was it in Haldex's best interests to continue the process despite the warning signals we perceived? Or would it be better for the company to discontinue the process and take control of the business? The decision to stop supporting the process emerged gradually during talks with the competition authorities. And, looking back, it was the right decision. The conditions were not in place for the offer from Knorr-Bremse to be completed.

One of a Board's most important tasks is to secure the long-term competitiveness of a company. Two years ago, an updated strategy was presented with a well-developed plan for product leadership. During the competition clearance investigation in connection with the public offer process, we received clear signals from customers that we are on the right track and that we have solutions only offered by us. Today, we have customer projects in progress involving newly developed technology that paves the way for self-driving vehicles. The combination of rapid technological development, re-drawing the playing field, and Haldex's innovative product plans, gives the company a potential we did not have a few years ago. In most ways, Haldex is a better company today than when the public offers were presented in the summer of 2016.

To further secure Haldex's competitiveness, the Board will continue to work actively with the long-term ownership structure. With the long lead times in our industry, Haldex deserves stable, long-term owners who actively support our strategy and share our vision of the future.

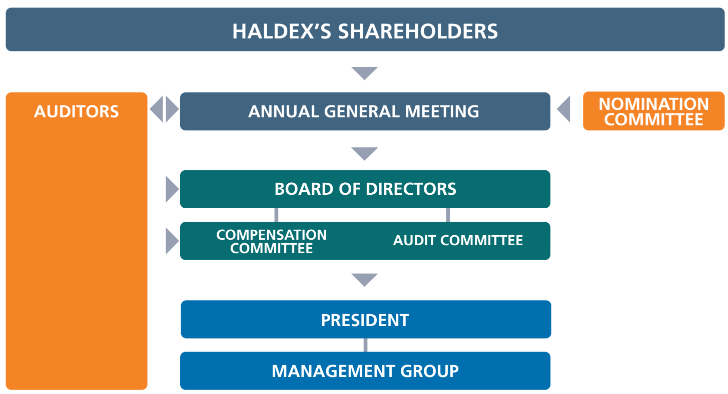
The Board wishes to thank the employees and customers who helped us remain focused on the business and to continue pursuing strategic projects in 2017. We look forward to the next few years and the revolutionary development taking place in our industry.

Landskrona, Sweden, March 14, 2018

Jörgen Durban
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, Mid Cap. Haldex applies the Swedish Corporate Governance Code and hereby presents its 2017 Corporate Governance Report. The Report has been reviewed by Haldex's auditors.



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

Deviations from the Code

In 2017, Haldex complied with the Swedish Code of Corporate Governance in all respects except for items 2.1, 2.3 and 2.4, which concern the composition of the Nomination Committee. The Swedish Corporate Governance Code stipulates that the Nomination Committee shall have at least three members and that the names of the members shall be published six months prior to the Annual General Meeting. Due to the public offer situation, no shareholders volunteered to sit on the Nomination Committee. In the end, ZF, as the largest shareholder, assumed responsibility for proposing a chairman, members and remuneration to the Annual General Meeting. No proposal as to how a new Nomination Committee should be appointed was presented.

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 or May.

At year-end, the number of shareholders was 8,688. The largest shareholders were ZF with 20.1 percent (divided between several holdings) followed by Knorr-Bremse with an estimated holding of 10–14.9 percent. A large proportion of Haldex's shareholders are registered abroad and do not therefore appear under their own names in the list of shareholders. Knorr-Bremse has refrained from confirming its precise shareholding. Swedish ownership totaled 13.7 percent at year-end. Each share carries entitlement to one vote at the AGM. For more information about the share and ownership, see pages 81–83 and http://corporate.haldex.com.

2017 Annual General Meeting

The 2017 AGM was held on May 3, 2017 at Hotell Öresund in Landskrona, Sweden. Some 67 shareholders attended the Annual General Meeting in person and a number of others through representatives, as well as several assistants and visitors. Shareholders in attendance represented 42.69 percent of the total voting rights. However, Knorr-Bremse let it be known already when registering to attend that it did not intend to vote. Knorr-Bremse represented 14.9 percent of the total number of votes. Adjunct Professor Svante Johansson was elected to chair the AGM. The board members who had announced their availability for re-election were present, while those who had declined re-election were not.

The full minutes and information about the AGM are available on corporate.haldex.com/en/investors. The AGM adopted resolutions on:

- No dividend being paid for the 2016 fiscal year.
- Re-election of Board members Göran Carlson, Magnus Johansson and Annika Sten Pärson.
- New election of Ulf Ahlén, Jörgen Durban and Johan Giléus.
- New election of Jörgen Durban as Chairman of the Board.
- Re-election of the auditors Öhrlings PricewaterhouseCoopers.
- Determination of remuneration for the Board and auditors in accordance with ZF's proposal.
- Adoption of the Board's proposed guidelines for remuneration of senior executives.

2017 Extraordinary General Meeting

At the request of Knorr-Bremse, an Extraordinary General Meeting was convened on August 17, 2017. The purpose of the Meeting was to approve an instruction to the Board of Directors to support Knorr-Bremse's application to the Swedish Securities Council for an extension of the acceptance period in the ongoing public offer, as well as to support and cooperate with competition authorities to secure approval of Knorr-Bremse's acquisition of Haldex.

At the meeting, 106 shareholders were present either in person or via a representative. Shareholders in attendance represented 54.0 percent of the total voting rights. ZF and Knorr-Bremse refrained from voting, corresponding to 35.0 percent of the total votes. The

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The Board's work in 2017

proposal was approved by the equivalent of 18.1 percent of the total votes. Prior to the Extraordinary General Meeting, the Board of Directors of Haldex announced that it did not intend to comply with the resolution of the Meeting since it considered that to be in contravention of the Companies Act. In December 2017, the Swedish Shareholders Association had the decision of the Extraordinary General Meeting declared invalid in court.

2018 Annual General Meeting

Haldex will hold its AGM on Thursday, May 3, 2018 at 4:00 p.m. in Haldex's premises at Instrumentgatan 15 in Landskrona, Sweden A tour of the plant and presentations will commence at 3:00 pm.

Nomination Committee

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

At the 2017 Annual General Meeting, no new guidelines were adopted for how the Nomination Committee should be appointed, since no proposal was submitted at the AGM. On the publication of the Annual Report, no shareholders had announced their representatives on the Committee.

Normally, 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.

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.

In 2017, the Board consisted of six members elected by the AGM. The employees appointed two representatives and one deputy to the Board. The Group's President and CEO, Åke Bengtsson, and Acting 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 74–75 and notes 9 and 10 for the Group on pages 47–48.

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 these members should also be independent in relation to major shareholders. All members of Haldex's Board are considered independent.

The Board's work

The Board of Directors held 17 meetings (25) in 2017. During both 2016 and 2017, the Board held a larger number of meetings then normally as a direct result of the three public offers made for Haldex that progressed from 2016 and onwards. The principal issues discussed during the meetings were the company's financial position and market position, its strategy, quality assurance, product development, brand platform, personnel and organizational issues, as well as the public offer process in which Haldex found itself and related matters. Attendance at Board and Committee meetings is presented on pages 74–75.

Evaluation of the Board's work

Annual evaluations are conducted of the Board's collective work. The Chairman is also 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 2017 were discussed in conjunction with the Board meeting in December 2017.

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.

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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 2017, the Audit Committee comprised, until the AGM, of Göran Carlson, Carina Olson and Anders Nielsen and, after that, of Göran Carlson, Johan Giléus and Ulf Ahlén. Carina Olson chaired the committee until May, when Johan Giléus took over. The Audit Committee held six (six) meetings in 2017.

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 2017, the Compensation Committee consisted, until the AGM, of Magnus Johansson, Staffan Jufors and Annika Sten Pärson and, after that, of Jörgen Durban, Magnus Johansson and Annika Sten Pärson. Magnus Johansson was the Chairman of the Committee. The Compensation Committee held three (two) meetings in 2017.

Remuneration of Board members

Remuneration of Board members elected by the AGM is approved by the AGM based on a proposal by ZF. In 2017/18, remuneration has been paid in accordance with an AGM resolution, as set out in the table on pages 74–75. Disbursement for 2017 is reported in notes 9 and 10 for the Group on pages 47–48. 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.

Öhrlings PricewaterhouseCoopers AB was elected as the company's auditors for the period until the end of the 2018 AGM. The auditor in charge is Bror Frid. Bror Frid is an Authorized Public Accountant and the elected auditor of, for example, Chalmers, Elos, Medtech and Jula.

The Board of Directors, in its entirety, meets the auditors once a year, at the Board meeting in February, where the auditor's 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.

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 2016, the management team consisted of 11 people. In July 2017, Lena Nordin, SVP Human Resource resigned but remained in her position until December 31, 2017. In 2017, Group Management held 12 meetings, of which eight were telephone meetings. The meetings focus on the Group's strategic and operational development and monitoring performance. For further information on Group Management, see pages 76–77.

AUDITORS

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorized Public Accountant

Auditor in charge

Carl Fogelberg

Authorized Public Accountant

REMUNERATION TO AUDITORS, SEK M

PwC	2017	2016
Auditing services	4	5
Audit activities in addition to the audit assignment	-	-
Tax advice	2	3
Other services	0	-
Total	**6**	**8**

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. In 2017, the Board of Directors chose to depart from the adopted guidelines to introduce a retention program. For further information, see page 78 under the heading "Temporary supplement to employment agreement". For more information about the remuneration of senior executives, see notes 9 and 10 for the Group on pages 47–48.

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Board of Directors

Jörgen Durban

Ulf Ahlén

Johan Giléus

Göran Carlson

Magnus Johansson

Name	Jörgen Durban	Ulf Ahlén	Göran Carlson	Johan Giléus	Magnus Johansson
Role on the board	Chairman of the Board since 2017 Member of the Compensation Committee	Board member Member of the Audit Committee	Board member Member of the Audit Committee	Board member Chairman of the Audit Committee	Board member Chairman of the Compensation Committee
Current employment	Attorney and Chairman of Board of the Anoto Group	Board work	Investor	Financial adviser focusing on M&A and stock market issues. CFO of InDex Pharmaceuticals Holding AB.	Adviser and Director, Mejex AB.
Education	Bachelor of Laws	Upper-secondary school economics program	MBA	Business administration studies at Stockholm University	BA Behavioral Science Degree
Elected, year	2017	2017	2010	2017	2010
Born	1956	1948	1957	1965	1955
Resident in	Sweden	Sweden	Sweden	Sweden	Sweden
Other assignments	Chairman of the Board of the Anoto Group.	Chairman of the Boards of Culinarum, Inxide and JLT Mobile Computers, as well as Board member of Autokaross and TechROi Fuel.	Vice Chairman of Svenskt Tenn AB.	-	Chairman of the Board of Elektroautomatik AB and EA Group. Board member of Fristad Bygg AB.
Dependent	No	No	No	No	No
Previous experience	Previously managing partner at Linklaters Sweden.	Previously, senior executive at Haldex, including Acting CEO in 2012. Various positions in BorgWarner, Volvo Cars and Opcon.	Chairman of the Board of Haldex, 2011–2017. Former CEO of Ur & Penn, CEO and owner of c/o Departments & Stores and founder of the pharmacy chain Medstop AB.	Partner at Deloitte. Board member of the Deloitte.	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.
Shareholding (individually and with related parties)	0	0	0	1,500	0
Attendance at Board meetings	12/12	11/12	11/17[1]	12/12	17/17
Audit Committee	-	4/4	5/6	4/4, chairman	-
Compensation Committee	2/2	-	-	-	3/3, chairman
Remuneration 2017/18	SEK 856,000	SEK 380,000	SEK 380,000	SEK 430,000	SEK 380,000
of which, Board work	SEK 831,000	SEK 330,000	SEK 330,000	SEK 330,000	SEK 330,000
of which, Committee work	SEK 25,000	SEK 50,000	SEK 50,000	SEK 100,000	SEK 50,000

[1)] Göran Carlson was not permitted to attend Board meetings concerning the public offer situation following the sale of his shares to ZF.
All shareholdings are as of December 31, 2017.


Annika Sten Pärson


Per Holmqvist


Jahad Shako


Fredrik Hudson

Name	Annika Sten Pärson	Per Holmqvist	Fredrik Hudson	Jahad Shako
Role on the board	Board member Member of the Compensation Committee	Employee representative Employee representative for Federation of Salaried Employees in Industry and Service clubs	Employee representative for IF Metall	Employee representative for IF Metall, deputy
Current employment	Executive director, Seleni Institute. Advisor to digital media start-ups in the US.	Global responsibility for technical production issues.	Tooling engineer	Local chairman of IF Metall.
Education	Degree in Strategic Marketing from Berghs School of Communication	Technical high school	Technical high school, electromechanics	Technical high school
Elected, year	2012	2014	2011	2017
Born	1963	1961	1974	1960
Resident in	USA	Sweden	Sweden	Sweden
Other assignments	-	-	-	-
Dependent	No	-	-	-
Previous experience	Previously Sales and Marketing Director and head of the consumer division of ComHem, commercial head of Coop Forum. Board member of Svensk Bilprovning.	-	-	-
Shareholding (individually and with related parties)	0	0	0	0
Attendance at Board meetings	17/17	16/17	17/17	9/12
Audit Committee	-	-	-	-
Compensation Committee	3/3	-	-	-
Remuneration 2017/18	SEK 355,000	-	-	-
of which, Board work	SEK 330,000	-	-	-
of which, Committee work	SEK 25,000	-	-	-

Group Management

Åke Bengtsson

Andreas Ekberg

Andreas Jähnke

Walter Frankiewicz

AiChang Li

Name	**Åke Bengtsson**	**Andreas Ekberg**	**Walter Frankiewicz**	**Andreas Jähnke**	**AiChang Li**
Current position	President and CEO	Acting CFO	Senior Vice President North American Sales	Senior Vice President R&D	Senior Vice President Asia Pacific
Education	MBA	M.Sc, Business and Economics	B.Sc., Electrical Engineering	Officer training	M.Sc., mechanical engineering
Born	1963	1969	1959	1977	1960
Resident in	Sweden	Sweden	USA	Sweden	China
Other assignments	-	-	-	-	-
Previous experience	CFO at Haldex 2015–2017, CFO at Partnertech 2011–2015, CFO at Cardo Entrance Solutions, a division of Cardo AB 2005–2011, CFO for the Nordic operations of Rexam Beverage Can.	CFO at Titan X 2015–2017, CFO at Haldex 2013–2015, Business Unit Manager, Haldex Foundation Brake 2008–2012, and Division Controller, Haldex CVS 2005–2008. Controller at Tarkett.	Extensive experience in leading international roles in the automotive and manufacturing sectors. He has been President of Bendix Spicer Foundation Brake LLC and Vice President and GM, Strategy and Business Planning and Global Chassis Systems for Meritor, to mention just a few of the roles he has held that have been directly related to the sector in which Haldex operates.	Global Project Director R&D, Haldex. Manager Program Management, BorgWarner. Various positions in R&D within Haldex, focusing on validation, quality and project management.	President of NORMA in China 2006, President of WABCO in China 1996–2006.
Shareholding (individually and with related parties)	6,000	0	0	0	0
Accrued shares in LTI programs	0	0	0	0	2,158
Employed	2015	2008–2015, 2017[1]	2016	2015	2006
In current position since	2017	2017	2016	2016	2011

All shareholdings are as of December 31, 2017.
[1] Andreas Ekberg has been contracted as a consultant effective from 2017 and forwards.

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Andreas Richter


Staffan Olsson


Bjarne Lindblad


Fredrik Seglö


Catharina Paulcén

Name	Bjarne Lindblad	Lena Nordin[1]	Staffan Olsson	Catharina Paulcén	Andreas Richter	Fredrik Seglö
Current position	Senior Vice President Global Sourcing & Logistics	Senior Vice President Human Resources	Senior Vice President Global Operations	Senior Vice President Corporate Communications	Senior Vice President Europe and ROW sales	Senior Vice President Product Management
Education	Business administration	Business administration, organization and leadership	M.Sc. Industrial Engineering and Management	B.Sc., Business Administration	Degree in Mechanical Engineering	Graduate engineer
Born	1956	1964	1967	1973	1965	1969
Resident in	Sweden	Sweden	Sweden	Sweden	Sweden	Sweden
Other assignments	-	-	-	Deputy Board member Compilator AB	Ålabodarnas Hamnaktiebolag Chairman and President.	-
Previous experience	Sourcing director Nolato AB 2002–2003, President Nolato Gejde AB 1995–2001, CFO Nolato AB 1987–1994. Controller Haldex AB 1984–1986.	VP Talent Management at Haldex 2014–2015. Vice President Human Resources at Gambro 2006–2014. Previously Manager Competence Development at Ericsson.	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, EVP Marketing & Communications at Telelogic 2004–2008.	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.	Different roles in R&D and product management within Haldex
Shareholding (individually and with related parties)	0	0	0	1,000	1,000	0
Accrued shares in LTI programs	1,490	0	1,949	1,001	1,477	809
Employed	2004	2014	2014	2014	1993	1993
In current position since	2012	2015	2014	2014	2012	2016

[1]Lena Nordin left her position on December 31, 2017.

REMUNERATION OF GROUP MANAGEMENT 2017, SEK K

	Fixed salary incl. benefits	Variable remunera-tion	Pension
Åke Bengtsson, President	2,517	2,038	815
Bo Annvik, former President			
Other senior executives (Group Management) 10 persons	16,583	9,853	3,684
Total	**21,377**	**11,969**	**4,971**

Remuneration in 2017

President

In 2017, the President and CEO received fixed and variable salary as detailed in the table on page 78. The former President and CEO Bo Annvik received salary until the end of his employment in April 2017. 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, 2014, 2015 and 2016 resolved to implement incentive programs, called LTI (long-term incentive) for senior executives and key personnel – LTI2013, LTI2014, LTI2015 and LTI2016. 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. Final transfer of performance shares to the participant is expected to occur after the AGM, at the end of the term (2017–2020 depending on the program), and before the end of June in the same year. Deferred variable remuneration under LTI is not pensionable income.

Temporary amendment for senior executives – deviation from resolution at Annual General Meeting

In connection with the public offerings for Haldex, the Board of Directors identified an increased risk that senior executives would leave the company. Since the Board concluded that the bid process would be lengthy and there was significant risk that Haldex's operations would be adversely affected, senior executives were offered a retention program in November 2016. In brief, the agreement entailed the period of notice being extended to 12 months if notice was served before June 30, 2017. As compensation, an additional six months' salary was received if the person was employed on December 31, 2017. If notice is served prior to December 31, 2018, due to a change of ownership or appointment of a new CEO, compensation equivalent to 12 months' salary is payable. In accordance with the agreement, the retention program was disbursed in January 2018 in the amount of KSEK 8,715.

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 2013 and its 17 principles

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 present 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 an updated assessment of the risks faced by the Group, risks that are documented in a Group-wide document and on pages 30–33.

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

Haldex has a system for information and communication that is intended to result in complete and correct financial reporting. Haldex 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

Haldex'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.

Internal audit

Each year, the Board of Directors evaluates the need to establish a special internal audit function. In 2017, 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.

Board of Directors
Landskrona, Sweden, March 14, 2018

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 2017 Corporate Governance Report on pages 71–79, 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.

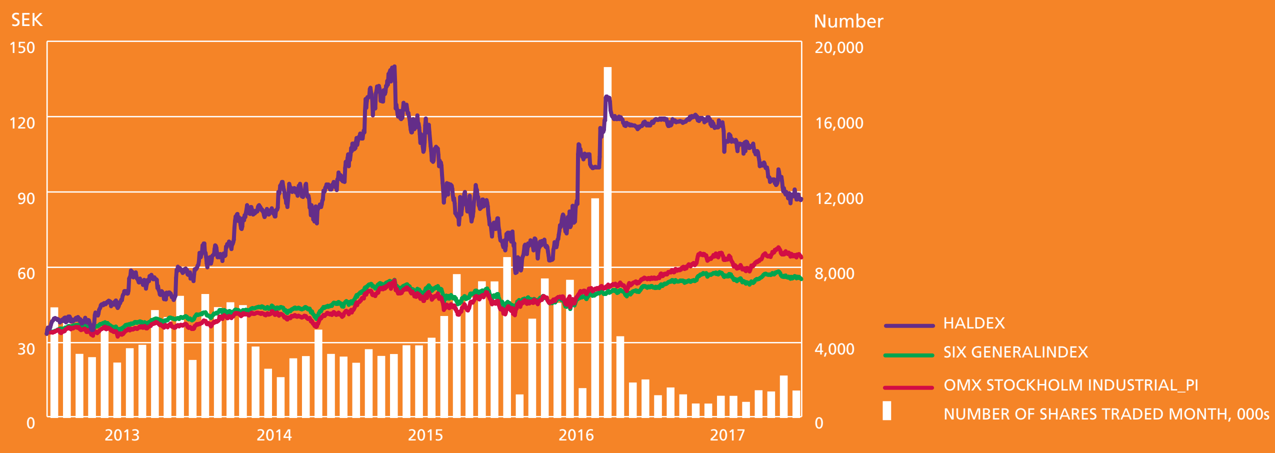
Malmö, Sweden, March 20, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid	Carl Fogelberg
Authorized Public Accountant	*Authorized Public Accountant*
Auditor in charge	

The Haldex share

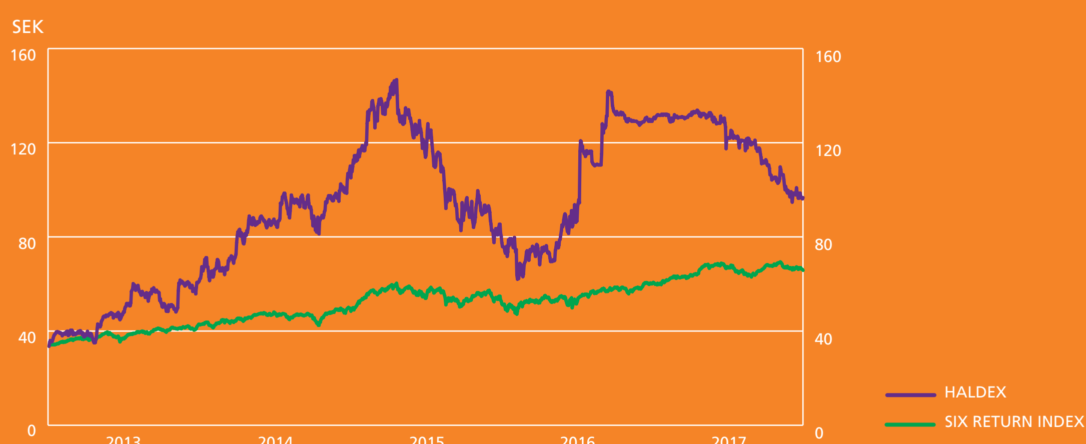
The Haldex share has been listed since 1960. Today, the share is quoted on Nasdaq Stockholm Mid Cap, under the ticker symbol HLDX. The share capital in Haldex amounts to SEK 221 m distributed among 44,215,970 shares, each with a par value of SEK 5.00 as per December 31, 2017.

Haldex share price trend, January 1, 2013 – December 31, 2017



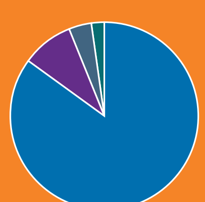
Source: SIX Financial Information

Haldex, total return, January 1, 2013 – December 31, 2017



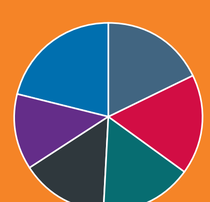
Source: SIX Financial Information

OWNERSHIP STRUCTURE



- Foreign shareholders 85% (83)
- Swedish private individuals 9% (9)
- Swedish financial institutions 4% (6)
- Government, municipalaties and stakeholder organizations >0% (0)
- Other Swedish legal entities 2% (2)

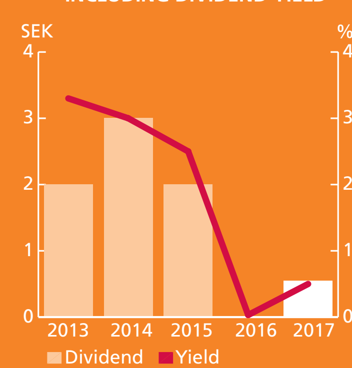
GEOGRAPHIC DISTRIBUTION OF OWNERSHIP



- UK 18% (25)
- Netherlands 17% (19)
- North America 16% (14)
- Sweden 15% (17)
- Germany 13% (20)
- Others 21% (6)

Source: Euroclear

DIVIDEND PER SHARE INCLUDING DIVIDEND YIELD



Share price trend and turnover

The price trend for Haldex's shares was pervaded by the public offer process begun in 2016 and withdrawn in September 2017. The highest closing price paid during the year was SEK 122.20 on April 4 and the lowest was SEK 85.00 on December 1. In total, Haldex's share price fell by 33.5 (46.5) percent in 2017. This can be compared with the Nasdaq Stockholm General Index, which rose by 5.8 (5.6) percent and the Nasdaq Stockholm Industrial Index (the sector that includes Haldex), which rose by 13.5 (18.5) percent over the same period. The closing price for the Haldex share at the end of the fiscal year was SEK 87.25 (116.50). At year-end, total market capitalization was SEK 3,858 (5,151) m.

In 2017, a total of 13.7 (97.4) million Haldex shares were traded, representing an average turnover of 54,707 (384,854) shares per day. The turnover rate fell to 31 (220) percent over the year.

Total return

The total return on Haldex share's in 2017 was a negative 25.1 (positive 151) percent, which can be compared with the SIXRX[1)] index, which rose by 9.5 percent. Over the past five years, the Haldex share has had a total return of 188.6 percent. The corresponding figure for the SIXRX is 96.4 percent and for the SX2000 Stockholm Industrials (the sector that includes Haldex), 119.0 percent.

Incentive programs

The 2013 to 2016 Annual General Meetings resolved to introduce incentive programs, called LIT (long-term incentive), for senior executives and key individuals – LTI2013, LTI2014, LTI2015 and LTI2016. The programs are based on whether certain performance targets are achieved during the fiscal year in question. If so, the participants in the programs are awarded a variable remuneration at the start of the following year, 60 percent of which is to be distributed in cash and 40 percent in the form of employee stock options. These options are designed as conditional, non-transferable deferred rights to receive, free of charge, one ordinary share in Haldex for each performance right, automatically after four years.

The duration of the LTI programs totals four years. Subsequent to the allotment of any share amount, performance rights will be awarded to participants, after which a deferral period of three years ensues, before the final transfer of performance shares to the participants is made. Performance shares for LTI2013 were transferred in 2017. The corresponding for LTI2014 is expected to occur following the 2018 Annual General Meeting, and before the end of June the year in question.

LTI2015 and LTI2016 have not generated any outcome.

Shareholders

The number of shareholders in Haldex rose by 2 percent in 2017 to a total of 8,688 by the end of the year. Combined, the ten largest shareholders held 60.5 (58.7) percent of the capital and the same proportion of votes. ZF is the largest owner with 20.1 percent of the votes (divided between several holdings) followed by Knorr-Bremse with an estimated 10–14.9 percent. A large proportion of Haldex's shareholders are registered abroad and do not therefore appear under their own names in the list of shareholders. Knorr-Bremse has refrained from confirming its precise shareholding.

In 2017, foreign ownership increased to a total of 86.3 (83.2) percent at year-end. The largest foreign shareholdings are in the UK and the Netherlands.

Dividends and dividend policy

The Board of Directors' policy for the distribution of unrestricted capital to shareholders is to transfer at least a third of annual earnings after tax over a business cycle to shareholders through dividends and share repurchases, taking the forecast financial position into account. For the 2017 fiscal year, the Board of Directors intends to propose to the Annual General Meeting

KEY FIGURES PER SHARE

	2017	2016	2015	2014	2013
Earnings, SEK	1.67	2.00	4.28	2.32	0.80
Dividend, SEK (for 2017, the dividend has been proposed to the Annual General Meeting)	0.55	0.00	2.00	3.00	2.00
Share price at year-end, SEK	87.25	116.50	79.50	101.75	60.00
Equity, SEK	30.98	30.63	31.46	28.48	26.06
EBIT multiple	13	19	9	12	11
P/E ratio	52	58	18	42	70
Dividend ratio,%	33	-	47	129	250
Yield, %	0.6	-	2.5	3.0	3.3
Total return, %	-25.1	147	80	175	185
Share price/equity, %	282	380	253	357	230

SHAREHOLDERS AND NUMBER OF SHARES

	2017	2016	2015	2014	2013
Number of shareholders	8,688	8,533	18,179	13,821	13,546
Average no. of shares, thousands	44,216	44,216	44,216	44,216	44,216
Total number of shares at year-end, thousands	44,216	44,216	44,216	44,216	44,216

that a dividend of SEK 0.55 (0.00) per share be paid, which is in line with Haldex's dividend policy. The preliminary record date of is May 7 with payment on May 12.

External communication

Representatives from Haldex regularly meet with analysts, lenders and shareholders to provide an ongoing overview of developments over the fiscal year. The published interim and annual reports are sent to shareholders on request. These documents can also be downloaded in PDF format from Haldex's website and via external sources, for example, Cision's website. Press releases, interim and annual reports are publis-hed on Haldex's website in Swedish and English. The website also offers subscription for these documents. In March 2018, Haldex organized a capital market day in Stockholm.

Public offer

On July 14, 2016, a public offer process for Haldex commenced with bids being made by three players, including ZF and Knorr-Bremse, which remain among the largest shareholders. On September 19, 2017, the final offer from Knorr-Bremse was withdrawn. The necessary approval by the authorities had not been received for the Knorr-Bremse offer.

THE TEN LARGEST SHAREHOLDERS AS PER DECEMBER 31, 2017

Shareholder	Number of shares	% of votes and capital
ZF INTERNATIONAL B.V CUSTODY ACC	7,542,481	17.1
BPSS PAR/JOH BERENBERG GOSSLER&CO	6,495,039	10.2
CLEARSTREAM BANKING S.A., W8IMY	2,077,433	4.7
BNYMSANV RE GCLB RE BNY GCM CLIENT	2,023,707	4.6
UBS AG LDN BRANCH A/C CLIENT	1,972,980	4.5
CBNY-NORGES BANK	1,440,803	3.3
CLIENTS ACCOUNT-DCS	1,417,752	3.2
MORGAN STANLEY AND CO LLC, W9	1,412,453	3.2
JPMC:ESCROW SWISS RESIDENT ACCOUNT	1,186,761	2.7
CBNY-DFA-INT SML CAP V	1,162,884	2.6
Total, ten largest shareholders	**26,732,293**	**60.5**
Others	17,471,972	39.5
Haldex AB	11,705	0.0
Total	**44,215,970**	**100.0**

Source: Euroclear and Haldex

OWNERSHIP STRUCTURE AS PER DECEMBER 31, 2017

Holding	Number of shareholders	Number of shares	Holding, %
1 – 500	6,665	1,056,390	2.38
501 – 1,000	1,040	864,960	1.96
1,001 – 5,000	747	1,661,074	3.76
5,001 – 10,000	86	651,853	1.47
10,001 – 15,000	26	323,602	0.73
15,001 – 20,000	19	334,463	0.76
20,001 –	105	39,325,628	88.94
Total	**8,688**	**44,215,970**	**100.00**

Source: Euroclear

The most common questions from analysts and investors:

How is the transition from drum brakes to disc brakes progressing in North America?

In 2017, we could see that the pace increased. There is already a high proportion of transit buses with disc brakes and other segments are gradually following, indicating that a shift will occur within the next few years.

How are the negotiations on future disc brake contracts progressing?

Negotiations with a number of major truck manufacturers were lost due to the uncertain ownership situation during the public offer process. As the pace of the transition from drum brakes to disc brakes in North America increases, it is possible to offset some of the lost revenue.

What does the Chinese market look like with the new legislation?

The new legislation that requires automatic brake adjusters on newly manufactured heavy vehicles from January 1, 2018, which is very positive for Haldex. We hold a large market share that we seek to retain, while the overall market for automatic brake adjusters is quadrupled.

ANALYSTS WHO MONITOR HALDEX REGULARLY

Investment bank	Analyst/s
Carnegie	Kenneth Toll Johansson
Kepler Cheuvreux (Swedbank)	Mats Liss

<<CONTENTS

Quarterly data

SEK m, unless otherwise stated	2017				2016				2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income statement:									
Net sales	1,049	1,081	1,184	1,148	1,054	1,076	1,147	1,097	1,052
Cost of goods sold	-774	-786	-853	-824	-774	-768	-824	-789	-772
Gross income	275	295	331	324	280	308	323	308	280
Selling, administrative and product development expenses	-218	-229	-257	-251	-253	-217	-241	-236	-216
Other operating income and expenses	-24	-18	-43	-36	-52	-23	5	5	5
Operating income	33	48	31	37	-25	68	87	77	69
Operating income excluding one-off items	*66*	*68*	*78*	*81*	*-25*	*80*	*87*	*77*	*76*
Financial income and expenses	-7	-3	-17	7	-27	-12	3	-5	-7
Income before tax	26	45	14	44	-52	56	90	72	62
Tax	-12	-19	-4	-15	-4	-19	-28	-24	-14
Net income	14	26	10	29	-56	37	62	48	48
Statement of financial position:									
Non-current assets	1,349	1,259	1,274	1,291	1,306	1,195	1,178	1,162	1,177
Current assets	1,729	1,861	1,881	1,813	1,751	1,709	1,744	1,723	1,678
Total assets	3,078	3,120	3,155	3,104	3,057	2,904	2,922	2,885	2,855
Equity	1,395	1,361	1,339	1,386	1,374	1,374	1,340	1,389	1,407
Non-current liabilities	775	749	797	774	757	786	761	717	692
Current liabilities	908	1,010	1,019	944	926	744	821	779	756
Total equity and liabilities	3,078	3,120	3,155	3,104	3,057	2,904	2,922	2,885	2,855
Cash flow:									
Cash flow from operating activities before change in working capital	53	75	85	49	-29	66	102	99	57
Cash flow from operating activities	88	27	39	19	88	65	61	42	111
Cash flow from investment activities	-56	-59	-69	-47	-81	-50	-44	-47	-52
Cash flow from financing activities	-94	35	27	7	11	0	-46	-17	-29
Cash flow	-72	3	-3	-21	18	15	-29	-22	30
Key figures:									
Operating margin, excl. one-off items, %	6.3	6.3	6.6	7	4.6	7.4	7.6	7.0	7.3
Operating margin, %	3.1	4.5	2.6	3.2	-2.4	6.3	7.6	7.0	6.6
Earnings per share, before and after dilution, SEK	0.25	0.59	0.22	0.64	-1.27	0.82	1.39	1.08	1.08
Equity per share, SEK	30.98	30.3	29.83	30.85	30.63	31.08	29.94	31.07	31.46
Cash flow from operating activities, per share, SEK	1.02	0.62	0.88	0.43	1.99	1.47	1.38	0.95	2.52
Share price, SEK	87.25	100.75	106	119.25	116.50	120.00	80.25	71.50	79.50
Return on capital employed excl. one-off items, %[1]	13.3	12.6	12.2	13.8	13.8	14.6	17.3	19.6	21.7
Return on capital employed, %[1]	6.8	4.2	4.6	7.7	9.7	14.1	11.7	13.9	15.9
Return on equity, %	0.8	2.1	0.7	2.1	-4.7	2.7	4.5	3.5	3.6
Equity/assets ratio, %	45	44	42	45	45	47	46	48	49
Net debt/equity ratio, %	42	42	38	39	36	37	38	27	24
External investments excluding capitalized development costs	43	59	69	47	81	50	44	47	52
R&D, %	4.5	3.7	3.4	4.0	3.6	3.4	3.6	3.5	3.9
No. of employees	2,176	2,149	2,150	2,033	2,045	2,051	2,140	2,114	2,140

[1] *Rolling 12 months*

Five-year summary

SEK m, unless otherwise stated	2017	2016	2015	2014	2013
Income statement:					
Net sales	4,462	4,374	4,777	4,380	3,920
Cost of goods sold	-3,237	-3,155	-3,418	-3,142	-2,827
Gross income	1,225	1,219	1,359	1,238	1,093
Selling, administrative and product development expenses	-955	-950	-942	-857	-839
Other operating income and expenses	-121	-65	-92	-148	-101
Operating income	149	204	325	233	153
Operating income excluding one-off items	292	291	444	*408*	*281*
Financial income and expenses	-20	-39	-54	-28	-43
Income before tax	129	165	271	205	110
Tax	-50	-74	-80	-98	-72
Net income	79	91	191	107	38
Statement of financial position:					
Non-current assets	1,349	1,306	1,177	1,148	1,047
Current assets	1,729	1,751	1,678	1,788	1,439
Total assets	3,078	3,057	2,855	2,936	2,486
Equity	1,395	1,374	1,407	1,278	1,152
Non-current liabilities	775	757	692	718	728
Current liabilities	908	926	756	940	606
Total equity and liabilities	3,078	3,057	2,855	2,936	2,486
Cash flow:					
Cash flow from operating activities before change in working capital	262	238	349	356	249
Cash flow from operating activities	173	256	220	435	282
Cash flow from investment activities	-231	-222	-174	-151	-71
Cash flow from financing activities	-25	-52	-179	-216	-230
Cash flow	-93	-18	-133	68	-19
Key figures:					
Operating margin, excl. one-off items, %	6.5	6.6	9.3	9.3	7.2
Operating margin, %	3.3	4.7	6.8	5.3	3.9
Earnings per share, before and after dilution, SEK	1.67	2.00	4.28	2.32	0.80
Equity per share, SEK	30.98	30.63	31.46	28.48	26.06
Cash flow from operating activities, per share, SEK	2.94	5.8	4.99	9.84	6.38
Dividend, SEK	0,55[2)]	0.00	2.00	3.00	2.00
Share price, SEK	87.25	116.5	79.50	101.75	60.00
Return on capital employed, excluding non-recurring items %[1)]	13.3	13.8	21.7	21.4	14.6
Return on capital employed, %[2)]	6.8	9.7	15.9	12.2	7.8
Return on equity, %	5.4	13.1	14.1	8.7	3.1
Equity/assets ratio, %	45	45	49	44	46
Net debt/equity ratio, %	42	36	24	21	33
External investments excluding capitalized development costs	218	222	174	147	94
R&D, %	4.0	3.5	3.6	3.4	3.5
No. of employees	2,176	2,045	2,140	2,235	2,135

[1)] *Rolling 12 months* [2)] *Proposed dividend*

Financial data for alternative key figures

SEK m	Reported sales, Oct-Dec 2017	Currency-adjustment to preceding year's prices	Currency-adjusted sales, Oct-Dec 2017	Change	Reported sales, full-year 2017	Currency-adjustment to preceding year's prices	Currency-adjusted sales, full-year 2017	Change
SALES								
Group	1,049	52	1,101	5%	4,462	-27	4,435	-1%
Total	1,049	52	1,101	5%	4,462	-27	4,435	-1%
SALES PER PRODUCT LINE								
Foundation Brake	598	30	628	5%	2,529	-13	2,516	-1%
Air Controls	451	22	473	5%	1,933	-14	1,919	-1%
Total	1,049	52	1,101	5%	4,462	-27	4,435	-1%
SALES BY CUSTOMER CATEGORY								
Trucks	264	15	279	6%	1,029	-5	1,024	0%
Trailers	309	11	320	4%	1,400	-7	1,393	-1%
Aftermarket	476	26	502	5%	2,033	-15	2,018	-1%
Total	1,049	52	1,101	5%	4,462	-27	4,435	-1%
SALES BY REGION								
Europe	403	-1	402	0%	1,665	-20	1,645	-1%
North America	479	46	525	10%	2,202	1	2,203	0%
Asia & Middle East	136	5	141	4%	462	2	464	0%
South America	31	2	33	6%	133	-10	123	-8%
Total	1,049	52	1,101	5%	4,462	-27	4,435	-1%

Financial data for alternative key figures – quarterly data

SEK m, unless otherwise stated	2017				2016				2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
One-off items:									
Restructuring costs	-11	-7	0	-1	-	-	-	-	-7
Acquisition costs	-22	-10	-12	-24	-3	-12	-	-	-
Others	0	0	0	0	-12	-1	-	-	-
Product related warranty	0	-2	-35	-19	-59	-	-	-	-
Total one-off items	-33	-19	-47	-44	-74	-13	-	-	-7
Research and development costs excluding depreciation/amortization:	-47	-41	-45	-46	-37	-37	-42	-39	-41
Net interest and financial items:									
Interest income	1	1	2	0	2	0	0	0	0
Interest expenses	-4	-2	-6	-5	-7	-4	-5	-5	-9
Total net interest	-3	-1	-4	-5	-5	-4	-5	-5	-9
Other financial items	-4	-2	-13	12	-22	-8	8	0	2
Total financial items	-7	-3	-17	7	-27	-12	3	-5	-7
Net debt:									
Interest-bearing assets	194	255	261	279	297	272	256	277	304
Interest-bearing liabilities including derivative instruments	-335	-406	-313	-372	-365	-311	-317	-257	-271
Pension liabilities	-443	-421	-460	-448	-422	-468	-443	-397	-368
Total net debt	-584	-572	-512	-541	-490	-507	-504	-377	-335
Capital employed:									
Total assets	3,078	3,120	3,155	3,104	3,057	2,904	2,922	2,885	2,885
Non-interest-bearing liabilities and provisions	-909	-913	-1,037	-893	-928	-783	-835	-824	-837
Total capital employed	2,169	2,207	2,118	2,211	2,129	2,121	2,087	2,061	2,048
Average capital employed:	2,193	2,157	2,133	2,122	2,089	2,069	2,054	2,067	2,047
Net income attr. to owners of Parent Company:									
Net income	14	26	10	29	-56	37	62	48	48
Net income attributable to non-controlling interests	2	1	1	1	0.2	1	1	0	0
Total net income attr. to owners of Parent Company	12	25	9	28	-56	36	61	48	48
Equity attr. to owners of Parent Company:									
Equity	1,395	1,361	1,339	1,386	1,374	1,374	1340	1,389	1,407
Equity attributable to non-controlling interests	25	23	24	25	23	22	19	18	19
Total equity attr. to owners of Parent Company	1,370	1,338	1,315	1,361	1,351	1,352	1,321	1,371	1,388
Average equity attributable to owners of Parent Company:	1,347	1,343	1,340	1,351	1,357	1,347	1,346	1,361	1,338
Average no. of shares:	44,204	44,204	44,204	44,204	44,216	44,216	44,216	44,216	44,204

Definitions of key figures

Following the European Securities and Markets Authority's new guidelines for alternative key figures, the list of financial definitions have been expanded. The purpose of the added terms is to create an enhanced understanding and promote the usefulness of the financial information and provide the reader with a more nuanced and deeper picture of the operations. If the base for the calculations of alternative key figures is not stated in the report, please refer to pages 86-87 for additional information.

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.

Return on capital employed: Operating income plus interest income as a percentage of average capital employed.

Gross margin: Gross profit i.e net sales minus cost of goods sold, divided by net sales.

Equity per share: Total equity attributable to the owners of the Parent Company, divided by the average number of shares.

One-off items: Income statement items, which are of non-recurring nature in normal operations. One-off items may for example include restructuring costs, impairment and product related warranties related to a specific product recall. The purpose of specifying these is to demonstrate the development of the underlying operations.

R&D %: Research and development cost excluding depreciation and amortization divided by net sales

Cash flow per share: Cash flow from operating activities divided by the average number of shares.

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.

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.

Net of interest: The economical difference in absolute terms between the reported interest income for financial assets and interest expense on interest-bearing liabilities and provisions.

Interest coverage ratio: Operating income excluding one-off items plus interest income divided by interest expenses.

Operating margin: Operating income as a percentage of net sales for the year.

Operating income: Operating income before financial items and tax.

Operating income excluding one-off items: Operating income before financial items and tax, adjusted for one-off items.

Equity/assets ratio: Equity including non-controlling interests as a percentage of total assets.

Capital employed: Total assets less non-interest bearing liabilities and non-interest bearing provisions.

Currency adjusted information: Financial figures converted to the same exchange rate as in the comparative period. The aim is to show how the business has developed without the impact of currency fluctuations.

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.

CSR: Corporate Social Responsibility, i.e. matters concerning sustainability.

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

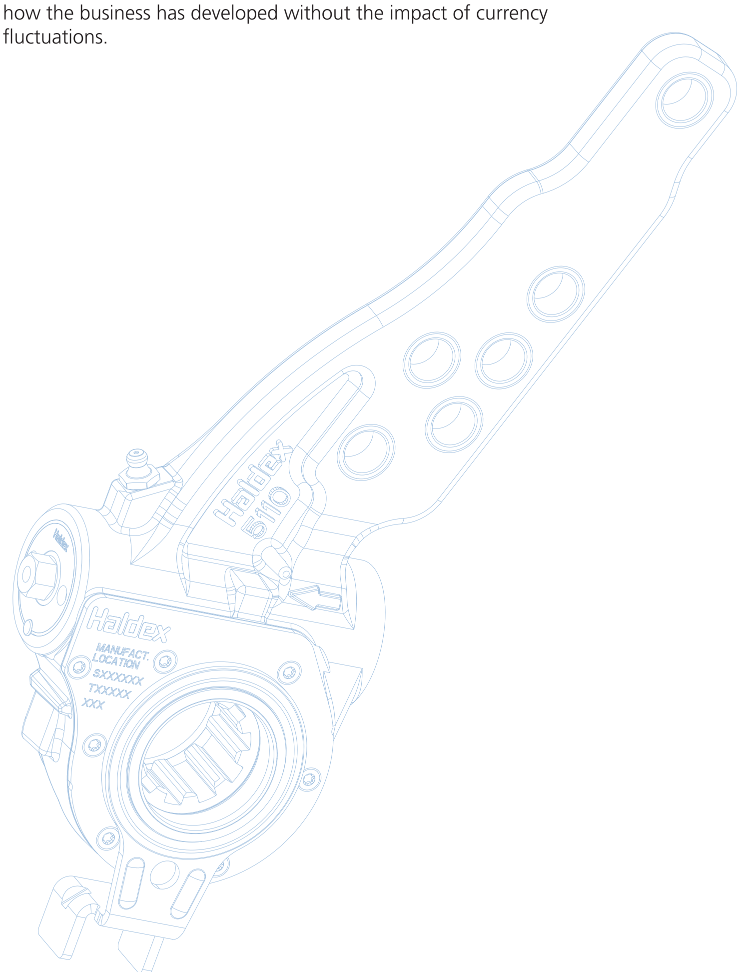
Foundation Brake: Haldex's product line for brake products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators.

OEM: Original Equipment Manufacturer.

OES: Original Equipment Supplier, a distributor owned by an OEM.

Trucks: Heavy trucks and busses.

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



Haldex 2018 Annual General Meeting

The Annual General Meeting of Haldex AB (publ) will be held on Thursday, May 3 at 4:00 pm at Haldex's, Instrumentgatan 15 in Landskrona, Sweden. A tour of the plant and presentations will be available, starting at 3:00 pm.

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 Thursday, April 26, 2018, and notify the company of their intention to participate by letter to Haldex AB, Wiveca Kivi, Box 507, SE-261 24, Landskrona, Sweden, by telephone to +46 418 47 60 00, or by e-mail to anmalan.stamma@Haldex.com, not later than Thursday, April 26, 2018.

Report dates in 2018

Interim report, January–March	April 25
Annual General Meeting	May 3
Interim Report, January–June	July 18
Interim report, January–September	October 25
Year-end report	February, 2019

The financial reports, presentation materials and recordings of webcasts are available on Haldex's website: 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 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 in the IR section of the website on a monthly basis. In the event of major changes, the website is updated immediately.

During the Annual General Meeting, shareholders are normally invited 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 the publication of a financial report.

Haldex AB is a registered limited liability corporation. Corporate registration number 556010-1155. Registered office in Landskrona, Sweden. The Annual Report is published in Swedish and English. The Swedish language version is the original and in the case of this discrepancies between the versions, the Swedish version shall prevail. All values are expressed in Swedish kronor. Kronor is abbreviated as SEK and millions of kronor as SEK m. Figures in brackets refer to the previous year, 2016, unless otherwise stated. The Swedish Annual Report is the legally binding version. This report contains forward-looking information based on Haldex's current expectations. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that these expectations will prove correct. Consequently, future outcomes could vary considerably compared to what is stated in the forward-looking information depending, among other things, on changed economic, market and competitive conditions, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

This Annual Report was produced in collaboration with RHR/CC in Malmö, Sweden.

Follow Haldex at – www.haldex.se

We view our social media channels as a complement to press releases and financial reports. This is where we can provide a better insight into what is happening within the company in a less formal way. Since we use the channels in slightly different ways, you can choose which one suits you best.

www.facebook.com/Haldex
Our Facebook page presents a mix of short business news items with fun facts and Haldex-specific events.

https://www.linkedin.com/company/haldex/
On LinkedIn, you can read more detailed summaries of new products, customer cases and financial news.

www.youtube.com/user/HaldexTV
On YouTube, you will find videos that describe and demonstrate our product range. Short video clips and longer presentations are included, with everything from product demonstrations to training courses.

www.twitter.com/HaldexAB
The Group's Twitter account is perfect for those who want to stay up-to-date on financial news from Haldex on an ongoing basis. We publish press releases, information about activities, as well as quotes and summaries from our financial presentations.

www.twitter.com/Haldexbrake
On our second Twitter account, we communicate market and product news that we believe will be of interest to you as a customer.

www.instagram.com/haldexglobal/
On Instagram, you can get a glimpse of everyday life at Haldex. Employees around the world publish photos from trade fairs and customer events, but also from internal meetings and everyday situations.

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Haldex

More than 100 years of highly focused innovation has given Haldex unrivaled expertise in 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 an in-depth understanding of our customers' reality. By focusing on our core skills and the passion we all share, we achieve the speed and flexibility that the market demands.

Partnership in innovation is at the core, not only of our products, but also of our philosophy. Each day, our 2,176 employees, spread across four continents, challenge conventional thinking to ensure that the products we supply generate unique value for our customers and all end-users.
We are listed on the Nasdaq Stockholm exchange and generated sales of approximately SEK 4.5 billion in 2017.

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