

# HALDEX ANNUAL STATEMENT

## JANUARY - DECEMBER 2018

# Q4 2018



### Strong sales growth and improved earnings per share despite weak end to the year

Haldex increased its net sales in all geographic regions in 2018 and has also grown faster than the market. The development in a number of product lines continued to be strong, including brake adjusters and disc brakes. Income in the fourth quarter was negatively affected by higher direct material prices and tariffs in the USA, which contributed to the operating income excluding one-off items for 2018 being lower than the previous year. Investments in R&D continued, which resulted in a concept phase being initiated in the new technology area with a customer. Cash flow from operating activities and earnings per share improved significantly compared to the previous year.

- Net sales for Q4 totalled SEK 1,225 (1,049) m, equivalent to an increase of 17 per cent compared to the previous year. After currency adjustments, net sales increased by 11 per cent. Net sales for FY 2018 totalled SEK 5,119 (4,462) m, which, after currency adjustments, is a 12 per cent increase.
- Operating income excluding one-off items totalled SEK 38 (66) m for Q4 and SEK 305 (292) m for FY 2018. This is the equivalent of an operating margin excluding one-off items of 3.1 (6.3) per cent for Q4 and 6.0 (6.5) per cent for FY 2018. Operating income for FY 2018 including one-off items totalled SEK 255 (149) m, which corresponds to an operating margin of 5.0 (3.3) percent.
- Net income after tax for Q4 totalled SEK -24 (14) m, and earnings per share for Q4 totalled SEK -0.54 (0.25). The corresponding figures for FY 2018 are SEK 153 (79) m for net income after tax and SEK 3.46 (1.67) for earnings per share.
- Cash flow from operating activities totalled SEK 199 (45) m for Q4 and SEK 274 (173) m for FY 2018.
- Breakthrough for Scalable Brake System. A concept phase has been initiated with a world-leading truck manufacturer.
- The long-term operating margin target of 10 per cent is expected to be achieved in year 2022, excluding investments in new technology.
- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 1.15 (0.55) per share, which is in line with Haldex's dividend policy.

Key figures	Oct-Dec 2018	Oct-Dec 2017	Change	Full year 2018	Full year 2017	Change
Net sales, SEK m	1,225	1,049	17%	5,119	4,462	15%
Operating income, SEK m	-12	33	-138%	255	149	71%
Operating income, excl. one-off items, SEK m	38	66	-43%	305	292	4%
Operating margin, %	-1.0	3.1	-4.1	5.0	3.3	1.7
Operating margin, excl. one-off items, %	3.1	6.3	-3.2	6.0	6.5	-0.5
Return on capital employed,% <sup>1</sup>	9.8	6.8	3.0	9.8	6.8	3.0
Return on capital employed, excl. one-off items,% <sup>1</sup>	11.8	13.3	-1.5	11.8	13.3	-1.5
Net income, SEK m	-24	14	-282%	153	79	94%
Earnings per share, SEK	-0.54	0.25	-282%	3.46	1.67	94%
Cash flow, operating activities, SEK m	199	45	154	274	173	101

<sup>1</sup> Rolling twelve months

Haldex AB (publ) is required to publish the above information under the EU Market Abuse Regulation and the Swedish Financial Instruments Trading Act. The information was submitted for publication by the Haldex media contact stated in the release on Thursday, February 14, 2019 at 7:20 CEST.

Haldex AB, Corporate Registration Number 556010-1155, info@haldex.com, www.haldex.com



Innovative Vehicle Solutions

## Comment from the CEO

Haldex is closing the books on a year where we for the first time exceeded SEK 5 billion in net sales. We increased net sales by 12 per cent and won market shares on all markets. Cash flow and earnings per share are greatly improved compared to last year. However, the final quarter of the year was weaker than planned. We had predicted a continued increase in direct material costs and new tariffs, but they increased more than expected in Q4. Costs to meet increased production volumes were also higher than we forecast. We have taken measures to relay the higher raw material prices and tariffs to customers and streamline the cost structure in order to improve the operating margin in 2019. In the autumn, we also conducted an extensive project to secure our future strategy, verify that our technological projects are headed in the right direction and begin to streamline the operations. This gives us a strong platform to stand on as we enter 2019.

### Technology shift in China and North America

Two focus areas in 2018 have been the new legislation requiring automatic brake adjusters in China and the technology shift from drum brakes to disc brakes in North America. In China, net sales grew sharply due to the change in legislation. However, we saw somewhat of a slow-down for Q4. The market is still not fully compliant with the law, and we expect growth to continue but at a slightly slower rate going forward. In North America, the technology shift continues from drum brakes to disc brakes. Work has begun to build up production capacity for disc brake production in North America, and production will begin during the year.

### Breakthrough for Scalable Brake System

In 2018 we worked on presenting and engaging customers in the new technological area for connected, electrified and self-driving vehicles that we call Scalable Break System. We are therefore very proud that we are now able to start a project with a world-leading truck manufacturer. We will together enter a concept phase that is expected to lead to a development contract at the end of the year. This collaboration is strategically very important for Haldex since it verifies our technology, presents us with a partner to further develop the technology and also provides a valuable reference for us for future sales to other customers.

### Long-term operation margin objective of 10 per cent

In parallel to the investments being made in leading technology, Haldex conducted an analysis of the business to verify that the long-term operating margin target of 10 per cent was feasible. A stable and profitable core business with high quality is crucial for our ability to invest in new technology. Operations will be streamlined and optimized with the objective to reach a 10 per cent operating margin in 2022, excluding investments in new technology.

During the fall of 2018, Haldex and the Roland Berger consultant firm, which has extensive competence within the automotive industry, together conducted a strategy project to analyse and verify the market size, market trends and competitiveness of Haldex's future development projects. Work has begun to refine the existing product portfolio. With a few thousand product variations in the portfolio, small-scale products need to be phased out and non-profitable products divested or closed down. In January, as part of this work, an agreement was signed to divest the rotary connector for construction machinery.



Åke Bengtsson, President and CEO

The supply chain for the brake adjusters, which is Haldex's single largest product, continues to be optimised. An increasing number of components are bought from or manufactured in India to lower the manufacturing cost. A new supply chain for spare parts will be established within the aftermarket. The supplemental brands Haldex launched in 2016 (Midland and Grau) have strong potential for profitable growth. A separate purchasing organisation will ensure the right level of quality at the best price.

In addition, we will focus on cost control and outsourcing of non-core activities. We also have a new organisation as of 1 January, where we merged Sourcing and Operations into a single Supply chain function. This leads to greater focus on the entire production chain, from purchasing to delivery, and is part of the efforts to work more effectively with direct material and associated higher raw material prices and new tariffs.

I am convinced that the streamlining measures we introduced and will continue to roll out will enable Haldex to reach a 10 per cent operating margin, excluding investments in new technology. We will not be satisfied until we have reached our profitability target, and we will optimise our cost base and identify areas for continued growth.

### Outlook for 2019

The market in North America is expected to continue to grow in 2019. However, the North American market can fluctuate rapidly, and it is difficult to assess whether the growth will last the entire year. Europe is judged to be stable with order intake in line with 2018. China has a weaker market in 2019. Haldex can partly withstand a downturn given that automatic brake adjusters are currently required by law on heavy vehicles. India is expected to have a weak year with lower production levels, and Brazil is expected to experience cautiously optimistic market growth, although from low levels.

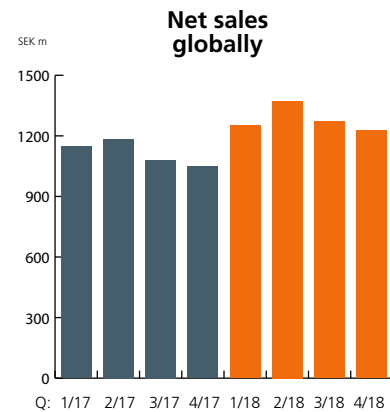
For 2019, we make the assessment that sales will increase in North America, which will be offset by unchanged or lower sales in other regions. As a whole, sales in 2019 are expected to be in line with 2018. Haldex makes the assessment that the operating margin in 2019, including increased investments in new technology, will be in line with or higher than the operating margin excluding one-off items in 2018.

Åke Bengtsson  
President & CEO

## Net sales for the Group

Net sales for Q4 totalled SEK 1,225 (1,049) m, which is equivalent to a 17 per cent increase in absolute terms compared to the same period the previous year. After currency adjustments, net sales increased by 11 per cent. Net sales for FY 2018 totalled SEK 5,119 (4,462) m, which corresponds to a currency-adjusted increase of 12 per cent.

Net sales grew in all regions in 2018, both on a full-year basis and per individual quarter. In terms of products, sales of disc brakes, actuators and brake adjusters increased the most.



## Net sales per product line

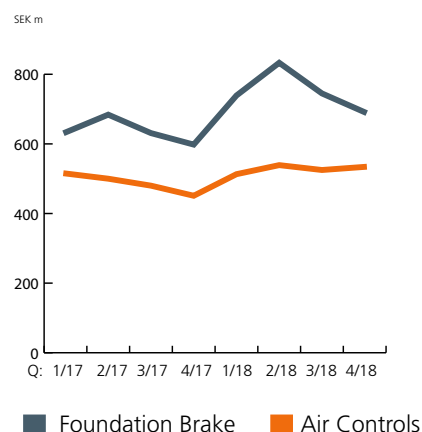
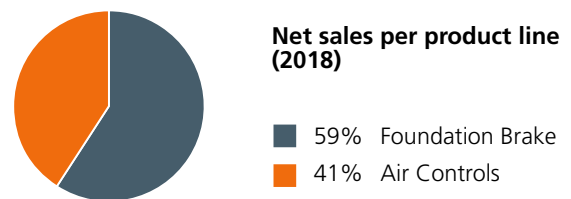
Net sales, SEK m	Oct-Dec 2018	Oct-Dec 2017	Change <sup>1</sup>	Full year 2018	Full year 2017	Change <sup>1</sup>
Foundation Brake	691	598	11%	3,008	2,529	17%
Air Controls	534	451	11%	2,111	1,933	6%
Total	1,225	1,049	11%	5,119	4,462	12%

<sup>1</sup> Currency adjusted

Haldex has two main product lines. Foundation Brake includes brake products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators. Air Controls includes products to improve brake systems' safety and driving qualities, such as treatment and dehumidifying of compressed air, valves, and ABS and EBS.

Net sales within Foundation Brake totalled SEK 691 (598) m in Q4. After currency adjustments, this is an increase of 11 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 3,008 (2,529) m, which is equivalent to a currency-adjusted increase of 17 per cent compared to the previous year. In Q4, sales of disc brakes, actuators and brake adjusters continued to increase. These three product groups have had a positive sales trend for the entire year.

Net sales within Air Controls totalled SEK 534 (451) m in Q4. After currency adjustments, this is an increase of 11 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 2,111 (1,933) m, which is equivalent to a currency-adjusted increase of 6 per cent. Within Air Controls, the air treatment products continued to increase in Q4. ABS also increased in Q4, which on a full-year basis resulted in the product group achieving the same sales as in the previous year. Reman (product remanufacturing), which decreased sharply in 2017, once again experienced an increase in sales for FY 2018.



## Net sales per customer category

Net sales, SEK m	Oct-Dec 2018	Oct-Dec 2017	Change <sup>1</sup>	Full year 2018	Full year 2017	Change <sup>1</sup>
Truck (including buses)	313	264	13%	1,295	1,029	24%
Trailer	350	309	9%	1,593	1,400	11%
Aftermarket	562	476	11%	2,231	2,033	7%
Total	1,225	1,049	11%	5,119	4,462	12%

<sup>1</sup> Currency adjusted

Haldex operates in the market via three customer categories: Truck, Trailer and Aftermarket. Net sales within Truck totalled SEK 313 (264) m in Q4. After currency adjustments, this is an increase of 13 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 1,295 (1,029) m, which is equivalent to a currency-adjusted increase of 24 per cent. Truck was the customer category that increased the most in Q4. Truck sales increased in all regions, but growth was strongest in North America and South America. Truck sales are impacted the most by the sales of brake adjusters and actuators.

Net sales within Trailer totalled SEK 350 (309) m in Q4. After currency adjustments, this is an increase of 9 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 1,593 (1,400) m, which corresponds to a currency-adjusted increase of 11 per cent. Trailer sales increased in Q4 in all regions, with North America showing the greatest growth. Disc brakes and brake adjusters are key drivers behind the growth within Trailer.

Net sales within Aftermarket totalled SEK 562 (476) m in Q4. After currency adjustments, this is an increase of 11 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 2,231 (2,033) m, which is equivalent to a currency-adjusted increase of 7 per cent. Aftermarket sales increased in Q4 in all geographic regions except Europe.



Net sales per customer category (2018)

- 25% Truck
- 31% Trailer
- 44% Aftermarket

## Industry production trends

New heavy trucks and trailers is a good indicator for the market Haldex operates on. It is important to remember that Haldex is affected depending on how large the proportion of sales is in each category.

Produced units Industry forecast <sup>1</sup>	Full year 2018	Change <sup>2</sup>	Full year 2019	Change <sup>2</sup>	Importance for Haldex sales
<b>Truck</b>					Haldex' 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.
North America	318,600	27%	350,000	10%	
Europe	500,378	2%	500,757	0%	
China	1,083,874	-6%	905,874	-16%	
India	291,391	39%	266,121	-9%	
South America	74,536	28%	83,136	12%	
All regions	2,268,779	5%	2,105,888	-7%	
<b>Trailer</b>					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 lower impact on Haldex' total net sales.
North America	348,100	11%	342,600	-2%	
Europe	322,847	2%	294,640	-9%	
China	461,000	-22%	390,000	-15%	
India	54,100	23%	57,440	6%	
South America	52,550	41%	52,400	0%	
All regions	1,238,597	-5%	1,137,080	-8%	

<sup>1</sup> The production statistics comprise a forecast from external sources. Historical figures also pertain to estimated production and not to the actual industrial outcome. Unless otherwise stated, the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.

<sup>2</sup> Change compared with same period previous year in percentage.

## Net sales per region

Net sales, SEK m	Oct-Dec 2018	Oct-Dec 2017	Change <sup>1</sup>	Full year 2018	Full year 2017	Change <sup>1</sup>
Europe	420	403	1%	1,811	1,665	4%
North America	615	479	18%	2,432	2,202	8%
Asia & Middle East	146	136	4%	708	462	50%
South America	44	31	54%	168	133	41%
Total	1,225	1,049	11%	5,119	4,462	12%

<sup>1</sup> Currency adjusted

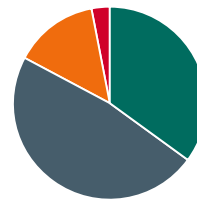
In Europe, Haldex has higher Trailer sales than Truck sales. Aftermarket accounts for a significant percentage of sales. In Europe, net sales totalled SEK 420 (403) m in Q4. After currency adjustments, this is an increase of 1 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 1,811 (1,665) m, which is equivalent to a currency-adjusted increase of 4 per cent. In Europe, net sales in Q4 increased primarily in the disc brake and valve product areas, while net sales for air treatment products decreased.

In North America, the distribution between Truck and Trailer is more even than in Europe. Aftermarket accounts for a significant percentage of sales here as well. In North America, net sales totalled SEK 615 (479) m in Q4. After currency adjustments, this is an increase of 18 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 2,432 (2,202) m, which is equivalent to a currency-adjusted increase of 8 per cent. In Q4, sales of brake adjusters and actuators continued to increase. Disc brake sales in North America also continued to grow, although from low levels.

In Asia, with China and India as the primary markets, trucks without trailers are still the most common type of vehicle combination. This means that Haldex's sales are more focused on Truck than on Trailer. Aftermarket accounts for a smaller percentage of sales. In Asia and the Middle East, net sales totalled SEK 146 (136) m in Q4. After currency adjustments, this is an increase of 4 per cent compared to the equivalent period the previous year. Net sales for FY 2018 totalled SEK 708 (462) m, which is equivalent to a currency-adjusted increase

of 50 per cent. The large increase is primarily due to new legislation in China, which is driving demand for automatic brake adjusters. In China, disc brakes also contributed to the growth.

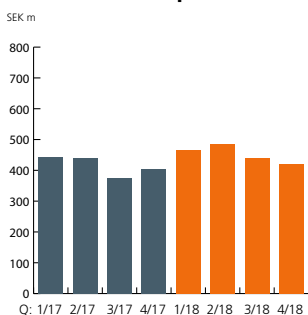
In South America, Truck sales are more significant than Trailer and Aftermarket sales. Net sales totalled SEK 44 (31) m in Q4, which is equivalent to a currency-adjusted increase of 54 per cent. Net sales for FY 2018 totalled SEK 168 (133) m, which is equivalent to a currency-adjusted increase of 41 per cent. The market conditions in Brazil, which is the most important market in South America, improved after several years of weak demand, although from low levels. Sales to all customer categories (Truck, Trailer and Aftermarket) increased in Q4. Brake adjusters were the primary driver behind the increase.



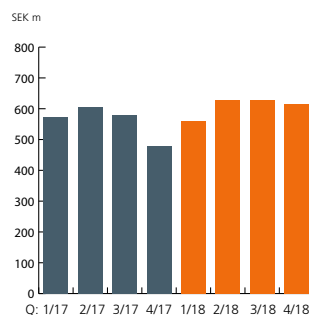
Net sales per region (2018)

35%	Europe
48%	North America
14%	Asia & Middle East
3%	South America

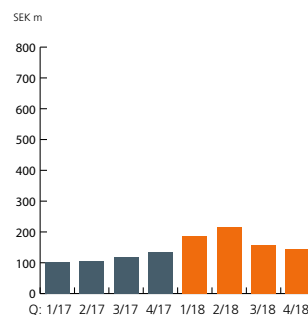
Net sales Europe



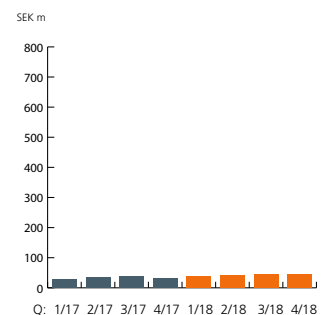
Net sales North America



Net sales Asia & Middle East



Net sales South America



## Earnings

Operating income excluding one-off items for Q4 totalled SEK 38 (66) m, and the operating margin excluding one-off items totalled 3.1 (6.3) per cent. The equivalent figures for FY 2018 were SEK 305 (292) m for operating income and SEK 6.0 (6.5) for the operating margin. Operating income including one-off items totalled SEK -12 (33) m for Q4, which is equivalent to an operating margin of -1.0 (3.1) per cent. The equivalent figures for FY 2018 were SEK 255 (149) m for operating income and SEK 5.0 (3.3) for the operating margin.

Operating income was primarily burdened by costs to meet increased demand and higher raw material prices and tariffs. Price increases for customers to compensate for higher raw material prices and tariffs are delayed due to current agreement terms. The margin was also affected negatively by increased sales to Truck and Trailer since Aftermarket has the highest margins. The investments that Haldex is making in product development are progressing according to plan, and higher costs within R&D are offset in part by capitalisations of product development expenditure for future product launches.

One-off items totalling SEK 50 (33) m impacted net income in Q4. The majority of the one-off items derive from an agreement with a customer for future warranty measures. In 2016, a supplemental agreement was signed with one of Haldex's largest customers for an expanded warranty commitment with a greater portion of goodwill. Haldex opted for early redemption of the agreement in Q4 2018 to avoid risk and receive a pre-determined cost.

Income was negatively affected by a reclassification of the income from Haldex's Chinese joint venture. Given the recent growth in elec-

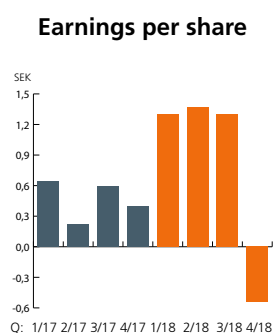
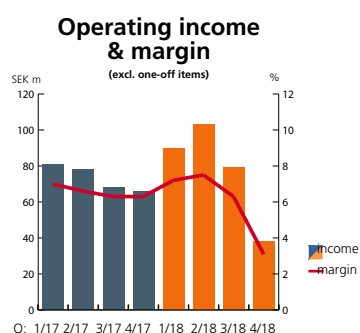


tromechanical brakes in China, the operations were reclassified in Q4 2018 so that income is now reported as a part of the operating activities and not as a financing item. This has a negative impact on operating profit of SEK 5 m in 2018 compared to in 2017.

Financing items in Q4 totalled SEK -10 (-3) m and for the full year SEK -36 (-8) m. The higher costs in the quarter are due to negative translation differences and higher interest rate expenses for pension liabilities. In Q1 of the previous year, there is also a positive translation effect of SEK 13 m.

Net income before tax totalled SEK -22 (26) m for Q4 and SEK 219 (129) m for FY 2018. Net income after tax totalled SEK -24 (14) m for Q4 and SEK 153 (79) m for FY 2018. This corresponded to earnings per share of SEK -0.54 (0.25) for Q4 and SEK 3.46 (1.67) for FY 2018.

Currency fluctuations, including gains or losses from currency hedging and currency translation effects, had a positive impact on consolidated operating income excluding one-off items of SEK 3 (-4) m in Q4 and SEK 39 (2) m for FY 2018. The currency effect in net financial items totalled SEK -7 (2) m in Q4 and SEK -17 (2) m for FY 2018.



### Earnings

	Oct-Dec 2018	Oct-Dec 2017	Change	Full year 2018	Full year 2017	Change
Operating income, SEK m	-12	33	-138%	255	149	71%
Operating income, excl. one-off items, SEK m	38	66	-43%	305	292	4%
Operating margin, %	-1.0	3.1	-4.1	5.0	3.3	1.7
Operating margin, excl. one-off items, %	3.1	6.3	-3.2	6.0	6.5	-0.5
Net income, SEK m	-24	14	-282%	153	79	94%
Earnings per share, SEK	-0.54	0.25	-282%	3.46	1.67	94%

## Financial position

As at December 31, consolidated net debt was SEK 732 (584) m, an increase of SEK 148 m compared to the end of the previous year. In Q4, net debt decreased by SEK 84 m. The change during the quarter is primarily attributable to an increase in cash and cash equivalents as a result of the decrease in working capital.

Financial items totalled SEK -10 (-3) m in Q4, including net interest income and expenses of SEK -2 (-3) m. Shareholders' equity amounted to SEK 1,611 (1,395) m, resulting in an equity/asset ratio of 44 (45) per cent.

Haldex's primary sources of loan financing comprise:

- A bond loan of SEK 270 m maturing in January 2020.
- A syndicated credit facility in the amount of EUR 90 m, maturing in April 2021. EUR 29 m of this facility had been used at the end of the quarter.

### Pledged assets and contingent liabilities

There were no changes to the Group's pledged assets or contingent liabilities during the quarter. The Group has, from time to time, other warranty provisions and customer commitments for which a reliable estimate can not be made. See also the section "Significant risks and uncertainties".

Net debt and Net interest, SEK m	Dec 31 2018	Dec 31 2017	Change
<i>Assets as part of the net debt:</i>			
Cash and cash equivalents <sup>1</sup>	305	194	57%
<i>Liabilities as part of the net debt:</i>			
Interest-bearing liabilities including derivative instruments	-582	-335	74%
Pension liabilities <sup>2</sup>	-455	-443	3%
Net debt in total	-732	-584	25%
Net of interest during the year	-15	-13	15%

<sup>1</sup> For a definition of cash and cash equivalents, see note 28 in the annual report.

<sup>2</sup> The change of pension liabilities are primarily related to variations in actuarial assumptions (changes in market interest rates).

## Cash flow

Cash flow from operating activities totalled SEK 199 (45) m in Q4 and SEK 274 (173) m for FY 2018. Cash flow from operating activities for Q4 was positively impacted by a decrease in the amount of working capital, primarily through a reduction in stock levels and decreased accounts receivables. The reduction in stock levels is primarily a result of good volume planning around the end of the year and more streamlined handling of deliveries in North America. Accounts receivable have decreased as a result of discounted bank drafts in China and a generally good ability to be paid prior to the new year.

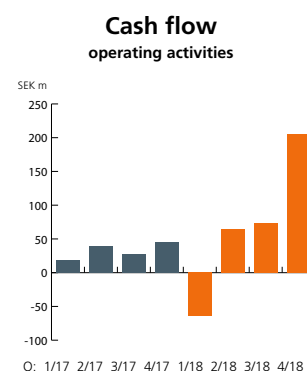
Investments, including capitalised development expenditure, totalled SEK -126 (-43) m in Q4, and cash flow after investments totalled SEK 73 (2) m. Total cash flow totalled SEK 86 (-72) m in Q4 and SEK 104 (-93) m for FY 2018.

Cash flow and cash equivalents, SEK m	Oct-Dec 2018	Oct-Dec 2017	Change	Full year 2018	Full year 2017	Change
Cash flow, operating activities	199	45	154	274	173	101
Cash flow after investment activities	73	2	71	-107	-58	-49
Cash and cash equivalents (at end of period)	305	194	111	305	194	111

## Taxes

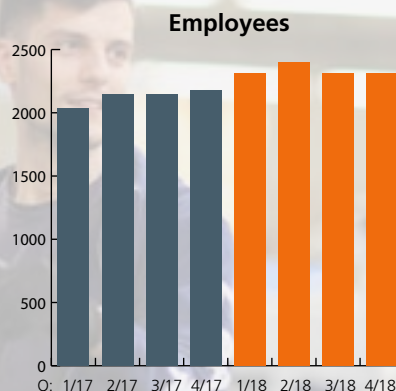
Tax expense for FY 2018 totalled SEK 66 (50) m, which is equivalent to a tax rate of 30 (39) per cent. The tax rate for FY 2018 was positively impacted by the new tax rules in the US.

Deferred tax assets for tax loss carry-forwards are recognised to the extent it is probable that they can be offset against taxable profit.



## Employees

At the end of the year, Haldex had 2,309 (2,176) employees, which is 4 fewer than at the end of Q3 and 133 more than at the end of the previous year. The greatest increase in personnel occurred in Asia due to the increase in production volumes.



## Parent Company

Haldex AB (publ), Corporate Registration Number 556010-1155, is a registered limited liability corporation with its registered office in Landskrona, Sweden. Haldex AB's shares are listed on Nasdaq Stockholm, Mid Cap. The Parent Company performs corporate office functions, including the corporate finance function. Net sales for the Parent Company totalled SEK 26 (93) m in Q4 and SEK 96 (102) m for FY 2018. Net income after tax totalled SEK -134 (-48) m for Q4 and SEK -43 (-27) m for FY 2018.

## Annual General Meeting

Haldex will hold its Annual General Meeting on 9 May 2019 at 4:00 p.m. at Haldex in Landskrona, Sweden. It is estimated that the annual report will be available on the company's website no later than three weeks before the meeting.

Under the company's Articles of Association, notice of the meeting must be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice will be given by announcement in Post- and Inrikes tidningar as well as Svenska Dagbladet. Shareholders who wish to attend the Annual General Meeting must register their attendance with the company no later than on the date listed in the notice and be registered in the share register maintained by Euroclear Sweden AB for the Annual General Meeting. Information about the forms and deadlines applicable to registration for the Annual General Meeting will be provided in conjunction with the Meeting notice.

Shareholders who wish to have an item added to a Meeting agenda must send a written request to the Board of Directors. This request must be received by Haldex at least seven weeks prior to the Meeting to enable the agenda item to be incorporated into the Meeting notice.

## Dividends

The Board of Directors of Haldex proposes a dividend of SEK 1.15 (0.55) per share to the Annual General Meeting, which is in line with the policy that one-third of the annual net income shall be distributed.

## Significant risks and uncertainties

Haldex is exposed to risks of a financial and operational nature. The Group has a process for risk identification and risk management that is

described in Haldex's 2017 Annual Report and Corporate Governance Report on pages 30-33 and 71-79. As described in the Annual Report, the consolidated financial statements contain some assessments and assumptions about the future that are based on both historical experience and future expectations. Goodwill, development projects, taxes and pensions are the areas representing considerable risk of future adjustments to recognized values.

Warranty provisions and customer commitments have been identified as the areas where the uncertainty for future adjustments to estimated values is the highest. The management team continuously assesses the need to make provisions for individual events as well as the development in the general warranty commitments. These assessments include estimates of the probability of various scenarios, customer behaviour and costs associated with the measures. Haldex makes provisions for product-related customer commitments from previous years based on an assessment of the outstanding costs. Current customer commitments are settled in advance in order to reduce risk and uncertainty; this could result in the cost exceeding the provision amount at any given time. The best assessment of the cost to settle the existing commitment in advance is not specified since this can be expected to have a detrimental impact on the company's impact on the company's state of negotiations.

## New organisation and management team

As of 1 January, Haldex has adopted a new matrix organisation that will strengthen the closeness of the geographic regions to their customers and at the same time lead to an improved focus on the supply chain and create opportunities for both existing and new technology. Andreas Larsson has assumed the role of CFO. Two new members also joined Group management: Richard Illingsworth and Fredrik Fogelklou. Read more about the new organisation and Group management at <http://corporate.haldex.com/en/abouthaldex/organization>.

## Objectives and outlook

### Long-term financial objectives

- Grow organically faster than the market (weighted volume per segment).
- From year 2022, consistently achieve an operating margin of 10 per cent or more, excluding investments in new technology.
- Net debt/equity ratio below 1.
- Distribute one-third of the net profit for the year over an economic cycle to shareholders.



## Miscellaneous

### Forward-looking information

This report includes forward-looking information with statements concerning the future outlook for Haldex's operations. This information is based on the current expectations, estimates and forecasts of Haldex's management. Actual future outcomes may vary significantly from the forward-looking information presented in this report. This may be due to changes in assumptions concerning economic factors, markets and competition.

### Transactions with related parties

No transactions occurred between Haldex and its related parties.

### Seasonal effects

Haldex does not have any significant seasonal variations. However, sales are affected by the production schedules of Haldex's customers, which results in lower sales during holiday periods and when customers are closed for public holidays, for example at the end of the year.

### Acquisitions and disposals

There were no acquisitions or disposals in 2018.

### Accounting principles

This interim report is presented in accordance with IAS 34 Interim Financial Reporting. The interim information on pages 1-20 form an integral part of this financial report. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Parent Company's financial statements were prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 "Financial Reporting for Legal Entities" and the Swedish Annual Accounts Act (Årsredovisningslagen). The accounting policies are thus unchanged from those presented in the 2017 Annual Report on pages 39-43. Holdings in associated companies are reported in accordance with the equity method; the Group's share of the associated company's income is reported on a separate line in the income statement. In 2017, the underlying development project was in a first stage of research and therefore the Group's share was reported as a financial item. In 2018, the decision was made to proceed with the development and therefore the Group's share of the result from this joint venture is transferred to the Group's operating profit.

Haldex has previously communicated that the operating margin target has been postponed due to the technology shift that the industry is facing with, among other things, self-driving vehicles. By excluding costs linked to the development of new technology areas, the target has now been timed to 2022. In future financial reports, Haldex will also report the operating margin excluding costs for new technology, in order to facilitate follow-up of the operating margin target.

### Objective fulfilment in 2018

- According to official production statistics, restated for Haldex's weighting in each segment, Haldex's net sales for 2018 grew faster than the market in all regions.
- With an operating margin excluding one-off items of 6.0 per cent, the target of an operating margin of at least 10 per cent has not been achieved.
- The net debt/equity ratio of 0.45 is well below the target of a net debt/equity ratio below 1.
- Haldex's Board of Directors proposes a dividend for 2018 in line with the long-term goal for development.

### Outlook for 2019

The official production forecasts provide insight into how the market is expected to perform. However, Haldex does not have an even distribution of income between the Truck and Trailer categories and does not necessarily share the view of the future espoused by the forecasters.

### Changed estimates and judgements

Actuarial assumptions for the measurement of the pension liability are determined on an ongoing basis. In Q4 2018, this resulted in a change to the pension liability of SEK -2 (-23) m. The change to the pension liability is primarily related to lower discount rates and the valuation of the Group's pension provisions.

### Changed accounting principles for 2018

The implementation of IFRS 9 has not had an impact on Haldex's accounts, and IFRS 15 has had a very limited impact on the current classification in the income statement. Since the effects are immaterial, the transition to the opening balance for 2018 has not been affected. The transition entails only gross accounting of amounts previously reported net. The full-year effect in 2017 is negligible both for net sales and the operating margin since Haldex only reports the change as of 1 January 2018.

### Changed accounting principles for 2019

On January 1, 2019, IFRS 16 Leasing agreements entered into force. Haldex will implement the standard according to a simplified method. The standard means that all leases in the future will be reported in the balance sheet, with the sum of the rights of use reduced by depreciation and any other adjustments as an asset, and discounted acquisition value less lease payments as debt. In Haldex's calculations, contracts with shorter leasing periods than 12 months and agreements where the underlying asset has a value of less than USD 5,000 are exempted. The majority of the value of the leasing agreements in the Group relates to leases for properties. When discounting, Haldex has used marginal loan interest for each currency and also taken into account the length of each leasing agreement.

Commitments for leasing agreements as of December 31, 2018 in the Group amounted to SEK 274 m. After Haldex individually analyzed options to extend or terminate agreements, these commitments are adjusted by SEK 182 m. When discounting, Haldex has used a weighted average loan rate of 3.19%, which reduces the commitment by SEK 31 m. The increase in total assets, according to IFRS 16 Leasing agreements, thus amounts to SEK 426 m as of January 1, 2019.

Therefore, Haldex provides its own overall view of how the company sees each market performing.

**North America** is expected to continue to increase its production levels in 2019. However, the North American market can fluctuate rapidly, and it is difficult to assess whether the growth will last the entire year.

**Europe** is considered to be stable with order intake in line with 2018.

**China** will have a weaker market in 2019. Haldex can partly withstand a downturn given that automatic adjusters are currently required by law on heavy vehicles.

**India** is expected to have a weak year with lower production levels.

**Brazil** will experience cautiously optimistic market growth, although from low levels.

We therefore make the assessment that sales will increase in North America in 2019, but this will be offset by unchanged or lower sales in other regions. As a whole, this will lead to sales in 2019 that are expected to be in line with 2018. Haldex's assessment is that the operating margin in 2019, including increased investment in new technology, will be in line with or higher than the operating margin excluding one-off items in 2018.

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Landskrona, February 14, 2019

Board of directors

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

## Consolidated income statement

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	1,225	1,049	5,119	4,462
Cost of goods sold	-938	-774	-3,813	-3,237
Gross income	287	275	1,306	1,225
<i>Gross margin</i>	23.4%	26.2%	25.5%	27.5%
Selling, admin, and product development costs	-268	-218	-1,025	-955
Other operating income and expenses	-31	-24	-21	-121
Share of result from joint venture	-	-	-5	-
Operating income <sup>1</sup>	-12	33	255	149
Financial income and expenses	-10	-3	-36	-8
Share of result from joint venture	-	-4	-	-12
Income before tax	-22	26	219	129
Tax	-2	-12	-66	-50
Net income	-24	14	153	79
<i>attributable to non-controlling interests</i>	3	2	5	5
Earnings per share, before and after dilution, SEK	-0.54	0.25	3.46	1.67
Average No. of shares, thousands	44,204	44,204	44,204	44,204

## Operating income, by nature of expenses

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	1,225	1,049	5,119	4,462
Direct material costs	-708	-576	-2,895	-2,425
Personnel costs	-256	-242	-1,057	-973
Depreciation and amortization	-34	-32	-136	-132
Other operating income and expenses	-239	-166	-776	-783
Operating income <sup>1</sup>	-12	33	255	149

### 1) One-off items included in the operating income

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Operating income, including one-off items	-12	33	255	149
Restructuring costs	-	-11	-	-19
Product related warranty	-49	-	-54	-56
Costs related to the bidding process	-1	-22	4	-68
Operating income, excluding one-off items	38	66	305	292

## Consolidated statement of comprehensive income

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net income	-24	14	153	79
<b>Other comprehensive income/loss</b>				
<i>Items not to be reclassified to the income statement:</i>				
Remeasurement of pension obligation, after tax	9	-6	6	-12
Total	9	-6	6	-12
<i>Items that may be reclassified subsequently to the income statement:</i>				
Currency translation differences	8	28	73	-42
Changes in financial instruments at fair value, after tax	2	-	4	-2
Total	10	28	77	-44
Total other comprehensive income/loss	19	22	83	-56
Total comprehensive income	-5	36	236	23
<i>attributable to non-controlling interests</i>	3	2	5	5

## Consolidated statement of financial position

SEK m	Dec 31 2018	Dec 31 2017
Goodwill	419	398
Other intangible assets	245	151
Tangible assets	753	586
Financial assets	23	41
Deferred tax assets	145	173
Total non-current assets	1,585	1,349
Inventories	709	585
Current receivables	1,068	924
Derivative instruments	22	26
Cash and cash equivalents	305	194
Total current assets	2,104	1,729
Total assets	3,689	3,078
Equity	1,611	1,395
Pension and similar obligations	455	443
Deferred tax liabilities	26	26
Non-current interest-bearing liabilities	572	271
Other non-current liabilities	19	35
Total non-current liabilities	1,072	775
Derivative instruments	15	31
Current interest-bearing liabilities	10	61
Current liabilities	981	816
Total current liabilities	1,006	908
Total equity and liabilities	3,689	3,078

## Statement of changes in equity

SEK m	Full year 2018	Full year 2017
Opening balance	1,395	1,374
Net income	153	79
Other comprehensive income/loss	83	-56
Total comprehensive income	236	23
<b>Transactions with shareholders:</b>		
Dividend to Haldex' shareholders	-24	-
Dividend to non-controlling interests	-2	-2
Value of employee services/incentive programs	6	-
Total transactions with shareholders	-20	-2
Closing balance	1,611	1,395
<i>attributable to non-controlling interests</i>	28	25

## Consolidated statement of cash flow

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Operating income	-12	33	255	149
Reversal of non-cash items	63	44	170	181
Interest paid	2	-9	-19	-23
Tax paid	26	-15	-33	-45
Cash flow from operating activities before change in working capital	79	53	373	262
Change in working capital	120	-8	-99	-89
Cash flow from operating activities	199	45	274	173
Investments, incl. capitalized R&D expenses	-126	-43	-381	-231
Cash flow from investment activities	-126	-43	-381	-231
Dividend to Haldex' shareholders	-	-	-24	-
Dividend to non-controlling interests	-	-1	-2	-2
Change of interest-bearing liabilities	6	-	6	-
Cash flow from financing activities	7	-73	231	-33
	13	-74	211	-35
Net cash flow	86	-72	104	-93
Cash and cash equivalents, opening balance				
Currency translation diff. in cash and cash equivalents	214	255	194	297
Cash and cash equivalents, closing balance	5	11	7	-10
	305	194	305	194

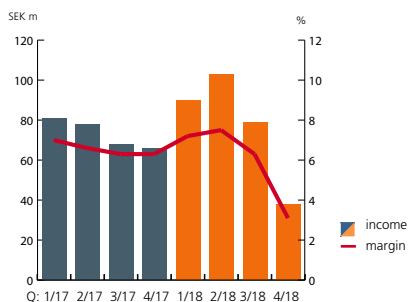
## Key figures

	Full year 2018	Full year 2017
Operating margin, excl. one-off items, %	6.0	6.5
Operating margin, %	5.0	3.3
Cash flow, operating activities, SEK m	274	173
Cash flow after investment activities, SEK m	-107	-58
Return on capital employed, % <sup>1</sup>	9.8	6.8
Return on capital employed, excl. one-off items, % <sup>1</sup>	11.8	13.3
Investments (excl. capitalized R&D expenses), SEK m	313	218
R&D, %	4,1	4.0
Number of employees	2,309	2,176
Return on shareholders' equity, % <sup>1</sup>	9,8	5.4
Interest coverage ratio	11.8	9.1
Equity ratio, %	44	45
Net debt/equity ratio, %	45	42
<b>Share data:</b>		
Earnings per share, before dilution, SEK	3.46	1.67
Earnings per share, after dilution, SEK	3.46	1.67
Equity per share, SEK	35.80	30.98
Cash flow, operating activities, SEK	6.20	3.91
Share price, SEK	69.00	87.25
Average No. of shares, thousands	44,216	44,216
Total No. of shares at end of period, thousands	44,216	44,216
<i>of which is treasury shares, thousands</i>	<i>12</i>	<i>12</i>

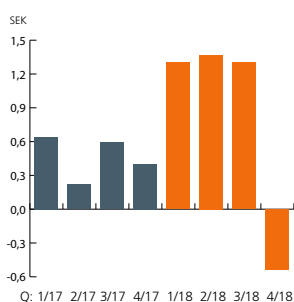
<sup>1</sup> Rolling twelve months

### Operating income & margin

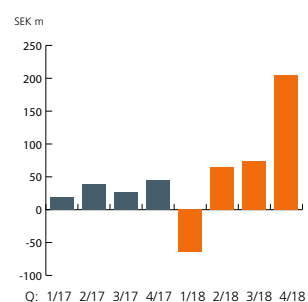
(excl. one-off items)



### Earnings per share



### Cash flow operating activities



**Parent company's income statement**

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	26	93	96	102
Administrative costs	-31	-97	-76	-114
Operating income	-5	-4	20	-12
Dividend from Group companies	3	1	50	22
Impairment shares in subsidiaries	-100	-	-100	-40
Financial income and expenses	15	8	50	56
Income after financial items	-87	5	20	26
Group contribution	-59	-50	-59	-50
Income before tax	-146	-45	-39	-24
Tax	12	-3	-4	-3
Net income	-134	-48	-43	-27

**Parent company's statement of comprehensive income**

SEK m	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net income	-134	-48	-43	-27
Other comprehensive income	-	-	-	-
Total comprehensive income	-134	-48	-43	-27

**Parent company's statement of financial position**

SEK m	Dec 31 2018	Dec 31 2017
Non-current assets	2,898	2,782
Current assets	1,089	1,016
Total assets	3,987	3,798
Shareholders' equity	1,146	1,205
Provisions	36	55
Interest-bearing liabilities, external	2,506	270
Other liabilities	299	2,268
Total equity and liabilities	3,987	3,798

**Financial instruments by category - Group**

SEK m	Dec 31, 2018		Dec 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts - cash flow hedges	4	1	1	5
Forward exchange contracts- at fair value through profit or loss	1	1	1	2
Currency swaps - at fair value through profit or loss	17	13	24	24
Financial assets available for sale	22	15	26	31
Total				

Financial instruments categorized as financial assets available for sale are recognized at fair value in the statement of financial position according to Tier 1 in the fair value hierarchy, i.e. to a price quoted in an active market. Other financial instruments are recognized at fair value in the statement of financial position according to Tier 2 in the fair value hierarchy, meaning that the fair value is determinable, directly or indirectly, from observable market data. No transit has taken place between the different Tier levels during the year. Haldex multicurrency revolving credit facility and bond loan are subject to a variable interest term of 1-6 months, thus the fair values correspond to the carrying amounts. In regard of other financial assets and liabilities such as accounts receivables, other current receivables, cash and cash equivalents and debt to suppliers, the fair values are considered to correspond to the carrying amounts.

## Quarterly data

SEK m, if not otherwise stated	2018				2017				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Income statement:</b>									
Net sales	1,225	1,270	1,372	1,252	1,049	1,081	1,184	1,148	1,054
Cost of goods sold	-938	-934	-1,014	-927	-774	-786	-853	-824	-774
Gross income	287	336	358	325	275	295	331	324	280
Selling, admin. and product development costs	-268	-260	-260	-237	-218	-229	-257	-251	-253
Share of result from joint venture	-	-	-1	-4	-	-	-	-	-
Other operating income and expenses	-31	3	5	2	-24	-18	-43	-36	-52
Operating income	-12	79	102	86	33	48	31	37	-25
<i>Operating income, excl. one-off items</i>	38	79	102	86	66	68	78	81	-25
Financial income and expenses	-10	-11	-11	-4	-3	1	-13	8	-27
Share of result from joint venture	-	-	-	-	-4	-4	-4	-1	-
Income before tax	-22	68	91	82	26	45	14	44	-52
Tax	-2	-10	-30	-24	-12	-19	-4	-15	-4
Net income/loss	-24	58	61	58	14	26	10	29	-56
<b>Statement of financial position:</b>									
Non-current assets	1,585	1,526	1,497	1,436	1,349	1,259	1,274	1,291	1,306
Current assets	2,104	2,207	2,272	2,095	1,729	1,861	1,881	1,813	1,751
Total assets	3,689	3,733	3,769	3,531	3,078	3,120	3,155	3,104	3,057
Equity	1,611	1,617	1,581	1,502	1,395	1,361	1,339	1,386	1,374
Non-current liabilities	1,072	974	975	884	775	749	797	774	757
Current liabilities	1,006	1,142	1,213	1,145	908	1,010	1,019	944	926
Total equity and liabilities	3,689	3,733	3,769	3,531	3,078	3,120	3,155	3,104	3,057
<b>Statement of cash flow:</b>									
Cash flow from operating activities before change in working capital	79	111	96	87	53	75	85	49	-29
Cash flow from operating activities	199	74	65	-64	58	42	52	21	88
Cash flow from investment activities	-126	-85	-89	-81	-51	-74	-57	-49	-81
Cash flow from financing activities	13	14	42	142	-79	35	2	7	11
Net cash flow	86	3	18	-3	-72	3	-3	-21	18
<b>Key figures:</b>									
Operating margin, %	-1.0	6.3	7.4	6.9	3.1	4.5	2.6	3.2	-2.4
Operating margin, excl. one-off items, %	3.1	6.3	7.4	6.9	6.3	6.3	6.6	7.0	4.6
Earnings per share, before and after dilution, SEK	-0.54	1.30	1.37	1.30	0.25	0.59	0.22	0.64	-1.27
Equity per share, SEK	35.80	36.57	35.76	33.97	30.98	30.3	29.83	30.85	30.63
Cash flow, operating activities, per share, SEK	3.20	1.67	1.47	-0.14	1.98	0.62	0.88	0.43	1.99
Share price, SEK	69.00	87.20	89.00	85.40	87.25	100.75	106.00	119.25	116.50
Return on capital employed, % <sup>1</sup>	9.8	12.5	11.7	9.0	6.8	4.2	4.6	7.7	9.7
Return on capital employed excl. one-off items, % <sup>1</sup>	11.8	13.8	14	13.5	13.3	12.6	12.2	13.8	13.8
Return on equity, %	-1.7	3.7	3.9	4.0	0.8	2.1	0.7	2.1	-4.7
Equity ratio, %	44	43	42	43	45	44	42	45	45
Net debt/equity ratio, %	45	50	51	50	42	42	38	39	36
External investments	99	74	74	66	43	59	69	47	81
R&D, %	4.9	3.9	3.9	3.7	4.5	3.7	3.4	4	3.6
Number of employees	2,309	2,313	2,403	2,315	2,176	2,149	2,150	2,033	2,045

<sup>1</sup> Rolling twelve months

## 5 year in summary

SEK m, if not otherwise stated	2018	2017	2016	2015	2014
<b>Income statement:</b>					
Net sales	5,119	4,462	4,374	4,777	4,380
Cost of goods sold	-3,813	-3,237	-3,155	-3,418	-3,142
Gross income	1,306	1,225	1,219	1,359	1,238
Selling, admin. and product development costs	-1,025	-955	-950	-942	-857
Other operating income and expenses	-21	-121	-65	-92	-148
Share of result from joint venture	-5	-	-	-	-
Operating income	255	149	204	325	233
<i>Operating income, excl. one-off items</i>	305	292	291	444	408
Financial income and expenses	-36	-8	-36	-54	-28
Share of result from joint venture	-	-12	-3	-	-
Income before tax	219	129	165	271	205
Tax	-66	-50	-74	-80	-98
Net income	153	79	91	191	107
<b>Statement of financial position:</b>					
Non-current assets	1,585	1,349	1,306	1,177	1,148
Current assets	2,104	1,729	1,751	1,678	1,788
Total assets	3,689	3,078	3,057	2,855	2,936
Equity	1,611	1,395	1,374	1,407	1,278
Non-current liabilities	1,072	775	757	692	718
Current liabilities	1,006	908	926	756	940
Total equity and liabilities	3,689	3,078	3,057	2,855	2,936
<b>Statement of cash flow:</b>					
Cash flow from operating activities before change in working capital	373	262	238	349	356
	274	173	256	220	435
Cash flow from operating activities	-381	-231	-222	-174	-151
Cash flow from investment activities	211	-35	-222	-174	-151
Cash flow from financing activities	104	-93	-18	-133	68
Net cash flow					
<b>Key figures:</b>					
Operating margin, %	5.0	3.3	4.7	6.8	5.3
Operating margin, excl. one-off items, %	6.0	6.5	6.6	9.3	9.3
Earnings per share, before and after dilution, SEK	3.46	1.67	2.00	4.28	2.32
Equity per share, SEK	35.80	30.98	30.63	31.46	28.48
Cash flow, operating activities, per share, SEK	6.20	3.91	5.80	4.99	9.84
Dividend, SEK	1.15 <sup>2</sup>	0.55	0.00	2.00	3.00
Share price, SEK	69.00	87.25	116.50	79.50	101.75
Return on capital employed, % <sup>1</sup>	9.8	6.8	9.7	15.9	12.2
Return on capital employed excl. one-off items, % <sup>1</sup>	11.8	13.3	13.8	21.7	21.4
Return on equity, %	9.8	5.4	13.1	14.1	8.7
Equity ratio, %	44	45	45	49	44
Net debt/equity ratio, %	45	42	36	24	21
External investments	313	218	222	174	147
R&D, %	4.1	4.0	3.5	3.6	3.4
Number of employees	2,309	2,176	2,045	2,140	2,235

<sup>1</sup>Rolling twelve months <sup>2</sup> Proposed by the board of directors



## Haldex in short

Haldex develops, manufactures and distributes products for brake and suspension systems for commercial vehicles. Our customers include manufacturers of heavy trucks, buses and trailers, and axle manufacturers for these types of vehicles as well as workshops serving the aftermarket. Other applications as agriculture and special vehicles are also served. The product portfolio comprises all of the main components and sub-systems included in a complete brake or suspension system. Haldex has a global presence in terms of sales, research, development, technical service and production. Manufacturing takes place in Sweden, Germany, Hungary, China, India, Brazil, Mexico and the USA.

Haldex is listed on the Nasdaq Stockholm Mid Cap list. The main owners are ZF (20%), and Knorr-Bremse (10-15%, unconfirmed owner share).

### Vision

A world of safer vehicles.

### Mission

We develop and provide reliable and innovative brake solutions that improve safety, vehicle dynamics and environmental sustainability in the global, commercial vehicle industry.

### Business model

Our business model is based on strong sales to the OEMs that then serves as a volume

engine; an increased installed base of Haldex products on trucks, busses and trailers results in a great potential for aftermarket sales of service and spare parts.

### Strategy

Haldex will offer a world-class, focused product range for OEM customers. Products within the portfolio should have market leading potential with features standing out among the competition. For the aftermarket, the product offering, service level, pricing and channel distribution will be adapted over the vehicles lifecycle, with the ambition to offer support during the vehicle's main lifetime. Products within the Foundation Brake product family will continue to serve as the base complemented with selected product investments in the Air Controls product family.

### Financial targets

- Organically grow faster than the market (weighted segment volume).
- Sustainable operating margin of 10% or above.
- Net debt/equity ratio less than 1.
- 1/3 of the yearly net income over a business cycle in dividend.

### Value drivers

- Number of heavy vehicles being produced.
- Development of a competitive product offering.

## Financial definitions and glossary

### FINANCIAL DEFINITIONS

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 business. No new key figures has been added in the period relative to the previous quarter. If the base for the calculations of alternative key figures are not stated in the report, please refer to the appendix for additional information.

**Return on equity<sup>1</sup>:** 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<sup>1</sup>:** 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<sup>1</sup>:** Total equity attributable to the owners of the parent Company, divided by the average No of shares.

**One-off items<sup>1</sup>:** 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 customer obligations. The purpose of specifying this is to demonstrate the underlying business performance. For numerical data, see page 10 and the appendix.

**R&D, %<sup>1</sup>:** Research and development cost excluding depreciations and capitalized expenditure, divided by net sales.

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

**Net debt<sup>1</sup>:** Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities and provisions. For numerical data, see page 7 and the appendix.

**Net debt/equity ratio<sup>1</sup>:** Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing receivables divided by equity including non-controlling interests.

**Earnings per share<sup>1</sup>:** 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<sup>1</sup>:** 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<sup>1</sup>:** 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<sup>1</sup>:** Operating income before financial items and tax. For numerical data, see page 10 and the appendix.

**Operating income excluding one-off items:** Operating income before financial items and tax, adjusted for one-off items. For numerical data, see page 10.

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

**Capital employed<sup>1</sup>:** Total assets less non-interest bearing liabilities and non-interest bearing provisions.

**Currency adjusted information<sup>1</sup>:** 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' product line for products to improve brake systems' safety and driving qualities, such as treatment and dehumidifying of compressed air, valves and ABS & EBS.

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

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

**OEM:** Original equipment manufacturer.

**Truck:** Heavy trucks and busses.

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

<sup>1</sup> Additional financial information is presented in an appendix.

## Haldex' product range

The Foundation Brake product line includes brake products for wheel ends such as disc brakes, brake adjusters and actuators. Air Controls comprises products to improve brake systems' safety and driving qualities, such as treatment of compressed air, valves and ABS and EBS.

A selection of our products in each product group:

### 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** have higher braking performance. As opposed to brake adjusters, which are a part of a drum brake, Haldex manufactures complete air disc brakes.



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

### AIR CONTROLS



**EBS** controls the braking system electronically. The system ensures that the brake power is always optimal for all brakes on a trailer including stability control.



The **SEPARATOR** Consep separates dirt, water and oil before compressed air is passed on to the air dryer, which reduces the need for maintenance in the air system.



**PARKING BRAKE CONTROL** for trailers ensures that the trailer can be manoeuvred and safely parked.



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



**ABS**, in combination with the ITCM modul, results in added intelligence which enables some functions found in EBS, such as stability control and lift axle control valve.



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

**HALDEX TECHNOLOGY:****Haldex has initiated a concept phase with brake solutions for autonomous vehicles with world-leading truck manufacturer**

In a close dialogue with a world-leading manufacturer of trucks, Haldex has been selected to start a concept phase where Haldex's solution "Scalable Brake System" will be evaluated, which is expected to lead to a development contract at the end of the year.

Haldex presented its future projects on connected, autonomous and electrified vehicles, "Scalable Brake System", in the spring of 2018. Subsequently, a number of customer dialogues have been initiated where one of them has now resulted in Haldex being selected for a concept phase, with the goal of signing a development contract at end of the year. A development contract means that the manufacturer and Haldex in close collaboration will develop a solution that is expected to go into production 4-5 years later.

"We have worked closely with the customer during the fall and have conducted a number of tests where our test results have been far better than the other solutions presented. We therefore, with confidence, look forward to prove this under the concept phase that is now initiated," says Åke Bengtsson, President and CEO of Haldex. "We are very happy for the breakthrough this cooperation entails. It is proof that our technology is innovative and that our solutions are world-leading."

"Scalable brake systems" stand out against other solutions in the market by:

- advanced vehicle dynamics where Haldex uses sensors and algorithms to get the tractor and trailer to brake and follow the desired direction in an optimal way,
- open and integrable interface with the vehicle manufacturer's VMM (vehicle motion management), where the vehicle manufacturer maintains control of the VMM and at the same time gets access to all vehicle data,
- a system that works with both pneumatic brake systems and electrified brake systems,
- and an architecture that is modular and scalable.

With the development of autonomous driving, the vehicle system architecture is about to be re-written. Today, the driver does the integration of propulsion, braking and steering. To reach full autonomy, the subsystems need to control accurately and communicate back, for the system to be able to analyze the data and make correct decisions. System integration is thus the key for autonomous driving to become successful.

"System integration requires open communication. Today, only selected data of the wheel end performance is shared in the system, even though most of a vehicle's behavior is determined by the wheel end performance. Haldex wants to change that. We fully believe in open systems where the OEM gets full access to the data from the wheel end.", says Andreas Jähnke, SVP R&D at Haldex. "By developing the brake systems jointly with OEMs, we re-shape the principles for the vehicle system architecture. We know that new and old technology will live side by side for many years. By separating the software from the hardware, you can use the same software functionality to execute different mechanical tasks, hence you can have a vehicle structure which can run both pneumatic and electromechanical brakes.

One of the new products from Haldex that is based on this concept is the Fast Acting Brake Valve (FABV). It results in 15% less stopping distance, but also the ability to ensure that the vehicle runs in the path it intended to, with a stability and predictability you don't see with other technology that is available today. Another product in development that also provides 15% improvement of the stopping distance, compared to air disc brakes, is the Electromechanical disc brake from Haldex. It's currently being tested on electric buses with positive results. The benefit of the electromechanical brake is not only its improved performance compared to today's air disc brakes, but the energy gains you get when you can replace the pneumatic brake system with a full electrical brake system.

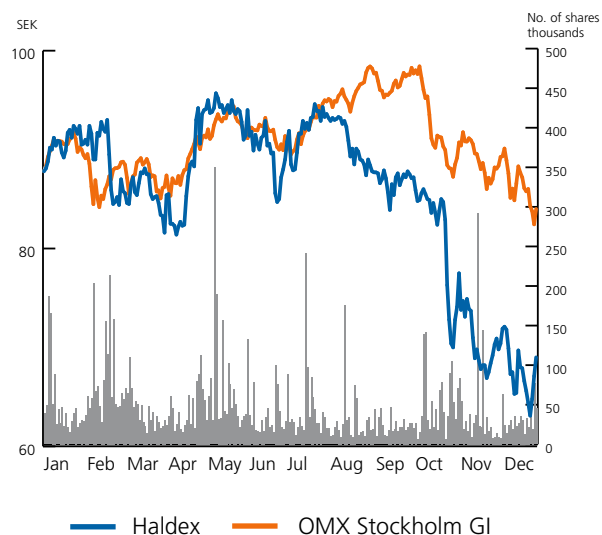


# Haldex share

Jan-Dec 2018

Change in share price	-27%
Share price (Dec 31)	69.00 SEK
Market capital (Dec 31)	3,051 SEK m
Highest share price	95.70 SEK
Lowest share price	63.10 SEK
Average No. of traded shares/day	46,818
Total No. of shares (Dec 31)	44,215,970

*This document is essentially a translation of Swedish language original thereof. In the event of any discrepancies between this translation and the original Swedish document the latter shall be deemed correct.*



## Press and analyst meeting

Media and analysts are invited to a telephone conference at which the report will be presented with comments by Åke Bengtsson, President and CEO and Andreas Larsson, CFO. The presentation will also be webcasted live and you can participate with questions by telephone.

Date & Time: Thursday, February 14 at 11.00 CEST

The press conference is broadcasted at:  
<https://tv.streamfabriken.com/haldex-q4-2018>

To join the telephone conference:

SE: +46 8 566 42 706  
UK: +44 33 33 00 92 64  
US: +1 64 67 22 49 03

The webcast will also be available afterwards and you can download the Interim report and the presentation from Haldex website:  
<http://www.haldex.com/financialreports>

### Financial calendar 2019

Interim report, Jan-Mar	April 25
Annual general meeting	May 9
Interim report, Apr-Jun	July 18
Interim report, Jul-Sep	October 24

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