

A photograph of two male technicians in blue work shirts working on a large, white industrial robotic arm in a factory. The technician on the left is smiling and looking towards the camera, while the one on the right is focused on adjusting a component of the arm. The background shows a complex industrial environment with various machinery and safety railings.

ANNUAL REPORT 2018 WITH SUSTAINABILITY REPORT

A WORLD OF SAFER VEHICLES

Brake solutions for heavy vehicles

Haldex

A world with smarter and s

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.

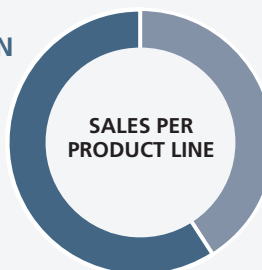


ALL MAJOR TRUCK AND TRAILER MANUFACTURERS AS CUSTOMERS



FOUNDATION
BRAKE

59%



AIR
CONTROLS

41%


Margin
(excluding one-off items)

6%

**Listed since 1960 on
Nasdaq Stockholm,
Mid Cap (HLDX)**


44%
AFTER-
MARKET

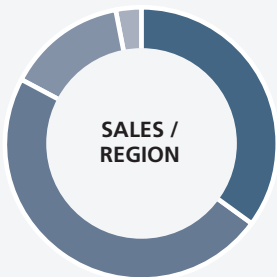



25%
TRUCK

31%
TRAILER 

safer vehicles

Haldex was founded in 1887 and has its headquarters in Sweden with sales operations, development labs and production in 19 countries.



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



Established products and long-term customer relationships

New technology that challenges how the vehicles of the future are built

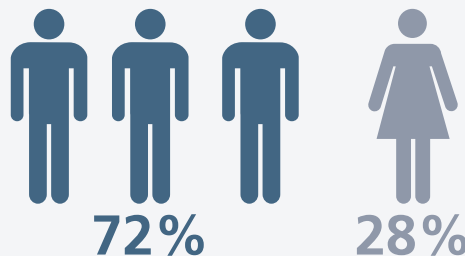
CONNECT
COMMUNICATE
COLLABORATE
COACH
CREATE



The green, ethical and safe Haldex

Number of employees

2,309



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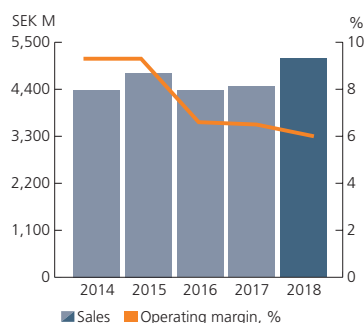
- Haldex Sustainability Report, pages 18–23.
- Audited directors' report and financial statements, pages 25–70.
- Attested Corporate Governance Report, pages 75–83.

2018 in brief

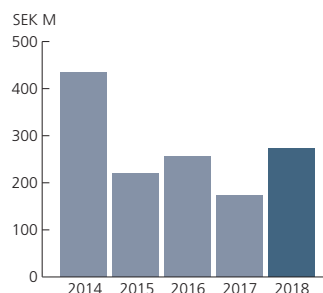
Sales increased in all geographic regions. Several product areas continued to develop strongly, including brake adjusters and disc brakes. The year ended on a weak note, which meant that the operating margin excluding one-off items was lower than the previous year. Cash flow from operating activities and earnings per share improved.

- Currency adjusted sales increased by 12 percent compared with the preceding year. All geographic regions increased their sales and took market shares. China accounted for the largest increase during the year.
- In terms of products, brake adjusters, actuators and disc brakes accounted for the largest sales increase. New legislation in China has driven demand for automatic brake adjusters. The shift from drum brakes to disc brakes in North America is continuing, but has only had a minor impact on disc brake sales so far, and it is increased demand in Europe that has mainly driven disc brake sales.
- Breakthrough for the new area of technology for connected, electric and self-driving vehicles called the "Scalable Brake System". The concept phase has begun with a world-leading truck manufacturer. Research and development costs are at a higher level to ensure a competitive position in the ongoing technology shift to self-driving and electric vehicles.
- The operating margin excluding one-off items of 6.0 percent is somewhat lower than the previous year. Higher raw material prices, increased costs to meet growing demand and recently implemented tariffs in the US. were the main contributing factors to the lower operating margin.
- Cash flow from operating activities and earnings per share improved significantly compared with the preceding year.

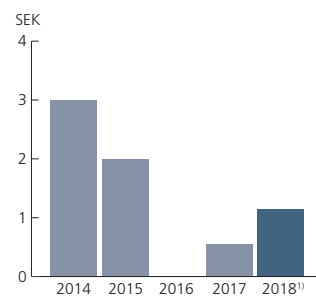
**SALES AND OPERATING MARGIN,
EXCLUDING ONE-OFF ITEMS**



**CASH FLOW FROM
OPERATING ACTIVITIES**



DIVIDEND



¹⁾ Proposed dividend to be approved by The Annual General Meeting, SEK 1,15

KEY FIGURES	2018	2017	Change
Net sales, SEK m	5,119	4,462	15%
Operating income, SEK m	255	149	71%
Operating profit excluding one-off items, SEK m	305	292	4%
Operating margin, %	5.0	3.3	1.7
Operating margin excluding one-off items, %	6.0	6.5	-0.5
Net income, SEK m	153	79	94%
Earnings per share, SEK	3.46	1.67	94%
Dividend, SEK ²⁾	1.15	0.55	109%
Return on capital employed, % ³⁾	9.8	6.8	3.0
Return on capital employed, excluding one-off items, % ³⁾	11.8	13.3	-1.5
Equity/assets ratio, %	44	45	-1
Cash flow from operating activities, SEK m	274	173	101
Employees	2,309	2,176	6%

²⁾ Proposed dividend for 2018, to be decided by the Annual General Meeting

³⁾ Rolling 12 months

“Haldex combines an established product portfolio with new technical development

Self-driving and electric vehicles, and the shift in society they will entail, have made the automotive industry a hot industry with extensive development projects and exciting future prospects, but at the same time also high investment levels. Åke Bengtsson, President and CEO of Haldex, is facing new challenges compared with what it was like to lead a company in the automotive industry previously.

2018 was a year with a high market growth in several geographic regions. How did it affect Haldex?

“High demand is a pleasant challenge, but it also creates quite a few new issues. Several regions, with North America as the largest region, had a high level of newly manufactured heavy vehicles, which created pressure on increased production from our side. It is a balancing act to increase production at a pace that does not entail lower profitability per produced unit, such as by introducing a night shift, which costs more in remuneration. At the same time that too low production means that we can not satisfy the need in the more profitable aftermarket. We succeeded in increasing sales in all regions and grew faster than the market, which meant that we took market shares. But we also took on too high costs, which negatively impacted the operating margin. However, we are taking with us the larger market shares into the future and we are now focusing on optimizing the core business to increase profitability.”

Haldex communicated both an increase in the operating margin and increased investments in new technologies. How will it all fit together?

“There are few companies that, like Haldex, both have a stable core business with established customer relationships and market-leading products, and a new growth area that is challenging the entire market structure. Our objective is to optimize the core business and ensure that it reaches a 10-percent operating margin within three years. This is fully possible by streamlining the business within a number of areas. We have a very large part of our costs that come from purchasing and production also has room for optimization when demand stabilizes. We also still have unutilized potential in the aftermarket where we have now created our own purchasing organization to increase the product range and thereby broaden our aftermarket offering. The aftermarket has higher margins than sales to vehicle manufacturers and the total market is also far larger than the share we are addressing today. We can do even more in terms of our own product range. We have many variants of the same product and need to become more commercial regarding what products we produce ourselves and what we outsource, and how products with low

“There are few companies that, like Haldex, both have a stable core business with established customer relationships and market-leading products, and a new growth area that is challenging the entire market structure.

volumes are to be handled and priced. The level of technology in heavy vehicles varies widely between the geographic regions and commercial decisions must therefore be moved closer to the customer at the same time that economies of scale are achieved by defining global working methods and purchasing. The core business is measured on increased efficiency and higher profitability, but also on growth since our costs are benefited by the company getting larger. A profitable core business with positive cash flows makes it possible to continue to invest in the technology shift in the industry.”

Tell us more about your new technology. How do you view the potential for success?

“The entire industry is undergoing a technology shift and we don’t yet know what technology will be most established at the end of the day. Haldex’s technology choices with the ‘Scalable Brake System’ build on a number of well-conceived principles for where we think the industry is headed, such as open standards where data is shared between manufacturers, technology that can live side by side with existing solutions as vehicles have a long lifetime, and that the software must be separated from the hardware. We also have the advantage of having few products that are threatened by the new technology. Companies with product portfolios broader than Haldex will probably struggle with new technologies leading to lower sales of old products and then a built-in resistance is created. When we were in the public offer process and went through the associated competitive investigation a bit more than a year ago, we got positive feedback from customers to an extent that we didn’t dare hope for. Our way of viewing the brake system of the future is perceived as innovative thinking and as an attractive way forward. As with all new technology, there is a



“Driving the technical development and at the same time delivering a 10-percent operating margin on the core business are our greatest challenges, but it's completely doable.”

risk that our particular choice of route will not be the most successful, but there is also very large potential when somebody similar to Haldex challenges the established way of thinking. We have extensive experience, a high level of expertise and the financial strength to implement our plans. With Haldex, as an investor, you get both a stable core business and an a new growing business area with potential to be something big.”

A lot of technical changes are also taking place in the short term. How will Haldex address these and how do they fit into your long-term plans?

“That’s right. There are a lot of technical changes that will be happening in the next few years. In North America, there is the shift from drum brake technology to disc brake technology at an increasing pace. We are on the threshold of putting our disc brakes for trucks into production, which will further improve our competitiveness. In Europe, we have been successful in only offering a disc brake for trailers, but having a complete offering in this area for both trucks and trailers will make a difference. Within brake technology for EBS, we have had a development project for several years that is getting closer to launch. It will not only entail a new generation of EBS in Europe, but will also give ABS, which is the dominant technology in North America, improved functions. There are also several parts of the software in the project that will be part of our future technology for the ‘Scalable Brake System’ that give us a very good platform to work from. Another project that is approaching commercial production is our electromechanical brake. Electric vehicles are growing forth strongly, but for heavy vehicles, the manufacturers are still struggling with the range due to the vehicle’s

weight. The technology used today requires compressed air and thereby becomes unnecessarily heavy. Entirely electric brakes are not permitted on heavy vehicles in Europe and North America. However, this is not the case in China and there is also a state-financed project to transition to electric buses. Our joint venture in China therefore has tailwind in developing and testing our electromechanical brake on electric buses. All competitors are for explicable reasons very tight-lipped about exactly how far they have come, but we have not seen any of our competitors that have come as far as we have with tests on actual vehicles. The electromechanical brake builds on the same basic principles as today’s disc brakes and can be seen as a new generation for electric vehicles. It is one of the first products in the ‘Scalable Brake System’ that will enter production.”

Haldex has announced that you have had a breakthrough for the “Scalable Brake System” with a world-leading truck manufacturer. What does this mean for the company?

“It means a lot on several levels. It verifies that our technology is in demand and at the same time, gives us a close cooperation with a leading actor in the market where we are jointly developing the technology to the next level. It also means that we do not need to take on the entire development cost ourselves, which is of major significance. We now have an agreement on a concept phase for the Fast Acting Brake Valve (FABV), which is yet another part of the ‘Scalable Brake System’. FABV is actually a very simple construction that is based on an ingenious design. It is a component that is installed in the existing brake system and then the stopping distance improves by 15 percent at the same time that it stabilizes the vehicle and makes its path more

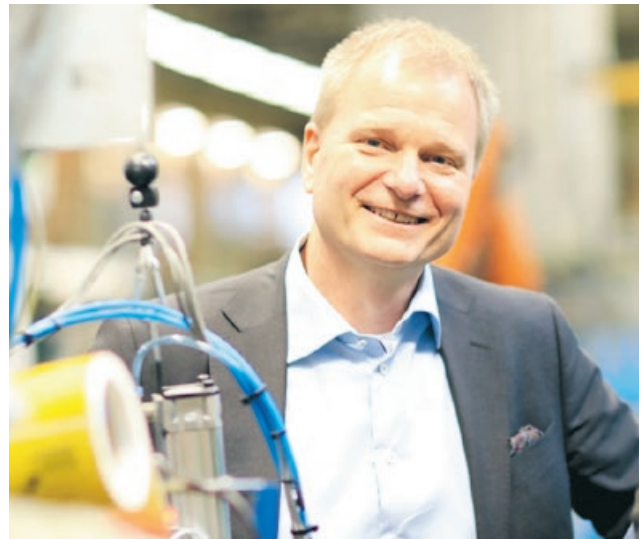
predictable. These are incredibly important attributes for self-driving vehicles. Through FABV, we have a product that fits with today's technology, but also with the technology of the future. It also opens doors for discussions with our customers about other parts of the 'Scalable Brake System', such as the electromechanical disc brakes."

With so many exciting technology projects in the works, why don't you have a higher growth forecast?

"The automotive industry has long development cycles. What we are developing today will enter production in five years or more. And then production most often starts with small volumes. We have a few years ahead of us where we cannot benefit in terms of sales from most of the technical projects we are running right now. In the short term, it's the transition from drum brakes to disc brakes in North America and the increasing technology value per vehicle that is taking place in low-cost countries, which will impact growth. The new legislation in China last year where newly manufactured heavy vehicles by law must have automatic and not manual brake adjusters is one example. This meant that our sales of automatic brake adjusters doubled in 2018, even if many Chinese companies are still not complying with the law. We can see that the value of a brake system in Asia is one sixth of the value of a brake system in Europe. This will gradually increase and be driven by new legislation. Even North America is behind Europe with a value per vehicle of half the level of Europe. When this value increases, Haldex can continue to take market shares and thereby create growth. But it's important to understand that Haldex is dependent on how many new vehicles that are produced in each market and that the growth will vary in the next few years depending on the economy."

Haldex's future is strongly linked to new technology. How do you view ensuring the right expertise to make your plans a reality?

"The culture and value work we began a few years ago has become very much appreciated. We have also clearly shown how we want to build a sustainable company that in turn builds sustainable communities. We notice a difference both in internal attitudes and that it has become easier to recruit when we have a clearer profile as an employer. It's important to



remember that we not only need technical expertise. Right now, Haldex is challenging old ways of working. We need employees with courage, who dare testing new approaches, who aren't afraid of jumping in where needed and who prioritize cooperation and learning from each other. It's not enough for Haldex to be good; we have to be great. This is the attitude we are working towards right now."

You mentioned sustainability. This is a topic that is discussed often. What does it mean to Haldex?

"What's hard about sustainability is getting it to happen 'for real' in the entire business. Here too, it's about attitude. It cannot become just a policy somewhere on the intranet or a checklist we review once a year. I'm proud of how far Haldex has come in terms of sustainability. We have sustainability integrated into our daily work in a natural way and, for example, during the year, we increased the share of women both among the employees and on the Board, increased the activities around our environmental efforts, introduced more methods to increase safety and increased the pressure on the suppliers to improve their sustainability work. Sustainability is also something that is prioritized by our major customers and gives us another competitive advantage."

What is Haldex's greatest challenge in the future?

"Driving the technical development and at the same time delivering a 10-percent operating margin on the core business are our greatest challenges, but it's completely doable. In turn, this demands that we succeed in attracting the right expertise and that we can motivate our employees to do that little extra to take us to another level."

"2018 was the first year after the bid process. We were able to initiate many improvement projects and accelerated our technology projects. This is now beginning to yield results and I am confidently looking forward to a challenging, but very rewarding 2019."

Landskrona, Sweden, March 2019

Åke Bengtsson
President & 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 opportunities for new products and changing market share. 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 could be assessed as an investment.





Global macro trends create new needs and opportunities



TRANSPORT NEEDS ARE INCREASING



By 2030, the world population is expected to grow by:

1.4 billion



The middle class will double in size and absolute poverty will decrease by 2030.

×2



Sharply increased demand for goods.



Increased transports.

This results in more trucks and trailers produced, which increases Haldex's total market.




IMPROVED INFRASTRUCTURE



2 of 3

Share of the world's population expected to live in cities by 2050.

The population increase, improved prosperity and urbanization result in better infrastructure and more distribution hubs.

USD 3,000 

USD 1,500 

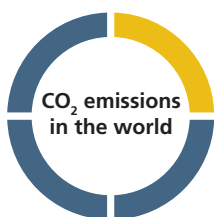
USD 500 

This in turn leads to better vehicles with increasing technical content per vehicle and to more trailers.

This entails ever higher potential sales value per vehicle. This also increases the number of produced trailers, which is a customer group Haldex is strong in.



SUSTAINABLE SOLUTIONS REQUIRED



One fourth from road transports.



+20%

Increase in carbon dioxide emissions in the EU since 1990:

Development is driven by ever stricter legislation.



It means requirements on products that are – adapted to electric vehicles, – weight-optimized to reduce fuel consumption and increase load capacity.

HIGHER SAFETY REQUIREMENTS

Every year, 50 million people are injured in traffic worldwide.



Number of traffic fatalities every year worldwide:

1.3 million

Portion of accidents that occur in low- or middle-income countries:



Requirements for safer vehicles are increasing. Advanced technology is becoming more accessible and development is in some cases driven by new legislation.

The shift from drum brakes to disc brakes in the United States is continuing.



Law requiring automatic brake adjusters in China.

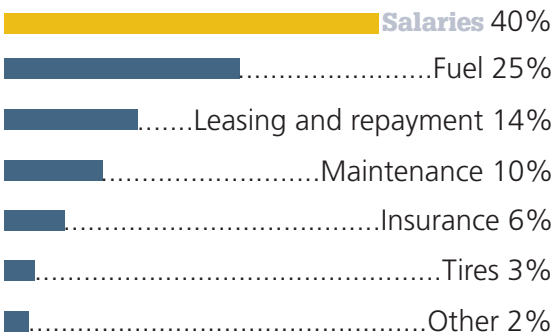


This results in a higher demand for advanced safety products that Haldex offers. It also requires that old and new technology must work side by side since a complete transition takes time.

MORE COST-EFFECTIVE SOLUTIONS

The fuel cost used to be the highest cost for a fleet operators. Today, the salary cost is the largest cost item.

Percentage of cost per km driven (fleet operators in the US):



The salary cost is a strong incentive for the development of self-driving vehicles.



Development towards self-driving vehicles and associated advanced technology has accelerated in recent years. The entire industry is facing a technology shift that is happening quickly and creating new opportunities, but also requires different approaches.

MARKET SIZE

The potential size of Haldex's market can be estimated by multiplying the number of vehicles produced per region by the value of the brake system per vehicle. This varies from around SEK 5,000 per vehicle in China to around SEK 30,000 per vehicle in Europe. This provides a global market size of around SEK 25 billion for brake systems on newly manufactured heavy vehicles. In addition to this, there is the value of air suspension products that are not included in the value stated for the brake system. The value of the aftermarket is also estimated at 8 to 10 times more than the market for newly manufactured vehicles. The value per vehicle will gradually increase in low-cost countries at the same time that Haldex's new technical solutions provide an opportunity to take larger market shares. Altogether, this entails an extensive potential market and good growth opportunities for Haldex.

Major
technology shift
affecting society
as a whole



The road to smarter vehicles

Development towards smarter vehicles has accelerated in recent years. All major vehicle manufacturers have extensive development projects in areas including electrification and self-driving vehicles. The same applies to Haldex where the “Scalable Brake System” is under development to meet the new requirements that connected, electric and self-driving trucks and trailers set on the brake systems of the future.



Vision

Haldex's vision is to contribute to a world of safer vehicles and thus a better traffic environment. Haldex's 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 the products are made. Everyone, from supplier to installer, must understand the importance of the product meeting all quality requirements as it can affect people's lives and health. Haldex is one of several players building safer and smarter vehicles, and the solutions must work optimally together, providing drivers the best possible experience and allowing vehicles to be operated sustainably, safely and comfortably.

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 change warning, emergency 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. Even 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 and 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 widely applied, with all vehicles communicating with one another to create a safer traffic environment.

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 tractor and 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 and 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 and adds weight. Electric brakes is preferable. The solution is electromechanical brakes, built on the same principles as pneumatic brakes for heavy vehicles, but without compressed air. In North America and Europe, legislation does not yet allow the use of such brakes since the legislation stipulates that a pneumatic system must be used. In China, however, electromechanical solutions are permitted since the legislation there focuses on brake force and not on a chosen technology. China is therefore the country where electromechanical brakes are expected to be used on electric heavy vehicles first.

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 the level 2 still being the most common-place 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.

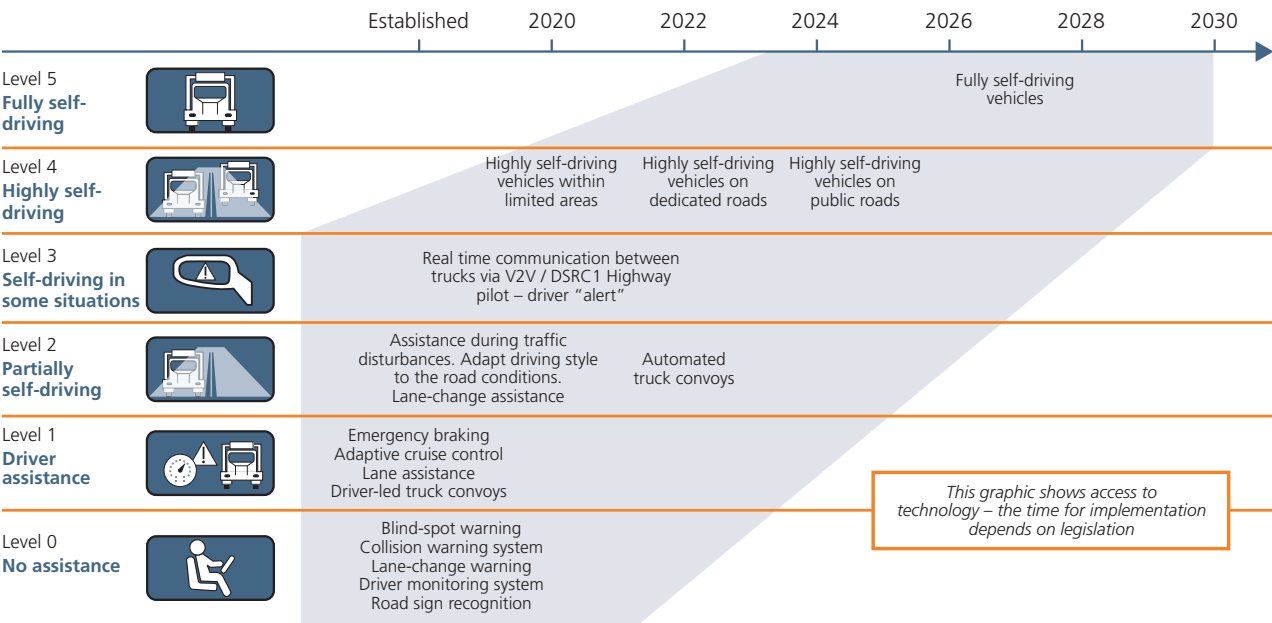
Self-driving vehicles offer many advantages. Safety is one of

them. Every year, around 1.3 million people die in car accidents globally; about one third of them are 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. It entails major savings for the transport sector, since personnel costs represent the largest cost item per kilometer 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 then 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. What should vehicle manufacturers develop in-house and what should be purchased from 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 features? The industry has begun addressing these issues and the major manufacturers of trucks have made varying progress in their work, where the European manufacturers stand out the most.



Haldex's competitive advantages

In the global market, there are primarily two companies that can compete with Haldex. Knorr-Bremse is a public German company with around SEK 65 billion in sales, of which around half is in sales to heavy vehicles and half is to railways. Wabco is a public company based in Belgium, but listed in the US, with annual sales of approximately SEK 34 billion. Both of these companies have broad, global product ranges similar to Haldex's. Haldex, Knorr-Bremse and Wabco have chosen different ways of addressing the technology shift taking place. Haldex is the smallest actor of the three companies and want to use its size to an advantage. Fast decision-making processes, a high level of customer service and flexible solutions distinguish Haldex from the rest. There is no large product portfolio with existing technology where current revenues can be threatened by new technology, but rather new technology that can be taken on fully. Haldex has chosen to invest in open, scalable systems that also challenge the old ways of building brake solutions. Read more about our technical philosophy and about the "Scalable Brake System" to the right.

The fact that Haldex's way of developing future solutions is appreciated has been confirmed, among other things, by a world-leading manufacturer of trucks choosing to begin a concept phase where Haldex's technology will be evaluated. The feedback from customers was also very positive during the extensive competitive analysis done during the time that Haldex was subject to a buyout bid from Knorr-Bremse (2016-2017). The authorities then conducted a close dialog with customers to investigate the attitude to Haldex and competing solutions. It became evident that Haldex's development philosophy and thoughts on how the technology will develop were not always shared by our competitors. However, the feedback from the customers on Haldex's way of developing future solutions was positive.

Units produced	Production 2018	Change 2018	Forecast 2019
Trucks			
North America	318,600	27%	10%
Europe	500,378	2%	0%
China	1,083,874	-6%	-16%
India	291,381	39%	-9%
South America	74,536	28%	12%
All regions	2,267,779	5%	-7%
Trailers			
North America	348,100	11%	-2%
Europe	322,847	2%	-9%
China	461,000	-22%	-15%
India	54,100	23%	6%
South America	52,550	41%	0%
All regions	1,238,597	-5%	-8%

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.

The production statistics are a forecast from external sources. Historical figures also refer to estimated production and not actual outcomes from the industry. The information that pertains to trucks is based on statistics from JD Powers unless otherwise stated. The information on the trailer market related to Europe is based on statistics from CLEAR, the information on 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.

HALDEX'S TECHNOLOGY PHILOSOPHY

What the vehicle's architecture will look like in the future can change radically. For example, an electric vehicle combines power train and brakes in a completely different manner than a gas/diesel powered car. In a self-driving vehicle, the brake system can be used as an additional steering system because the vehicle can be steered by distributing the driving force and braking force differently between the wheels. The boundaries between driving, braking and steering are being redefined and Haldex cannot stick to old solutions if to be competitive in the long run.

With the technological advances currently being made, new and old technologies will work in parallel for a very long time. Things 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. By making the application scalable, i.e. the vehicle manufacturer can choose how much of the new technology will be used and has the possibility to use new and old technology side by side, the development cost is reduced and flexibility increases. Many of the solutions being developed today do not build on the concept of having a software layer disconnected from the hardware, but are linked much more closely to the actual hardware, i.e. the brake, limiting the freedom of action of a vehicle manufacturer and resulting in a need for more variants to be developed. However, for Haldex, it is a fundamental principle to have a scalable software solution that can handle many different areas of technology so that both today's and tomorrow's technology is supported in the same solution.

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 solution to the customer where we continue to own the data. But Haldex does not believe in that solution in the long term. The vehicle manufacturers want open systems where they can get every part of the vehicle to interact, where data is shared and can be analyzed to achieve optimal roadholding, where no misun-

derstandings occur because data is not available and where it is the vehicle manufacturer that decides what is important in their vehicle, not Haldex as a sub-supplier. Open systems may seem to be a given considering how far development has come in many other industries, but is still in its infancy in terms of heavy vehicles.

One of Haldex's major advantages is that we are knowledgeable about both compressed air and electricity. This has

been developed further in the joint venture that was formed with Chinese VIE on electromechanical brakes in 2016.

Early on, Haldex held a patent on an electromechanical brake that is now being developed into a commercial product in China. In 2018, electromechanical brakes were installed on test buses in China and in 2020, sales of Haldex's electromechanical brake are expected to begin.

HALDEX'S "SCALABLE BRAKE SYSTEM"

The Scalable Brake System is an entirely new brake solution that is under development. The Scalable Brake System distinguishes itself from other solutions in the market through:

- advanced vehicle dynamics where Haldex uses sensors and algorithms to get the truck and trailer to brake and follow the desired direction of travel in an optimal way,
- open and integratable interfaces to the vehicle manufacturer's VMM (Vehicle Motion Management) where the vehicle manufacturer keeps control of the VMM and at the same time gets access to all vehicle data,
- a system that functions with both pneumatic brake systems and electric brake systems,
- and that it provides an architecture that is modular and scalable.

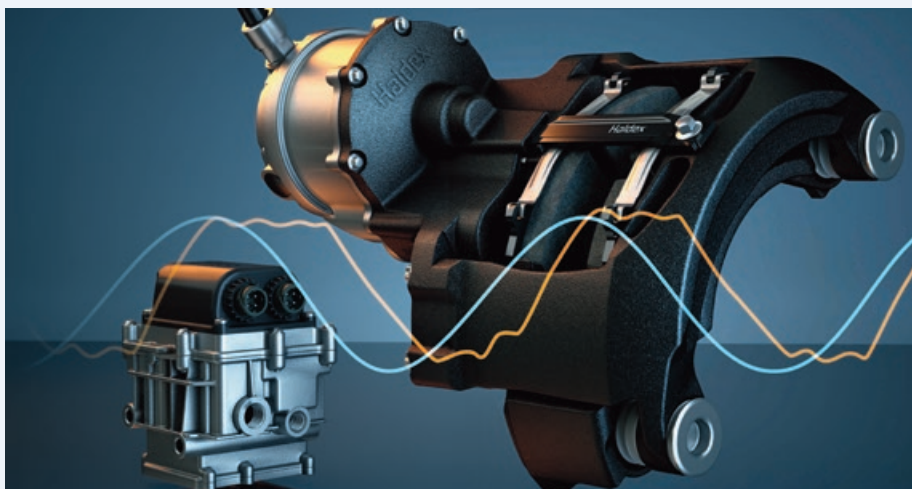
Two products have already been presented as part of the development project:

Fast Acting Brake Valve (FABV) is one of the new products from Haldex that fits in today's pneumatic brake system. It leads to 15 percent shorter stopping distances, compared with established systems. With FABV, the vehicle

also keeps the track as intended, with a stability and predictability that other technology available today does not offer. The vehicle's path being predictable is very important in all traffic situations, but above all for self-driving vehicles, such as in curve handling or on slippery road conditions.

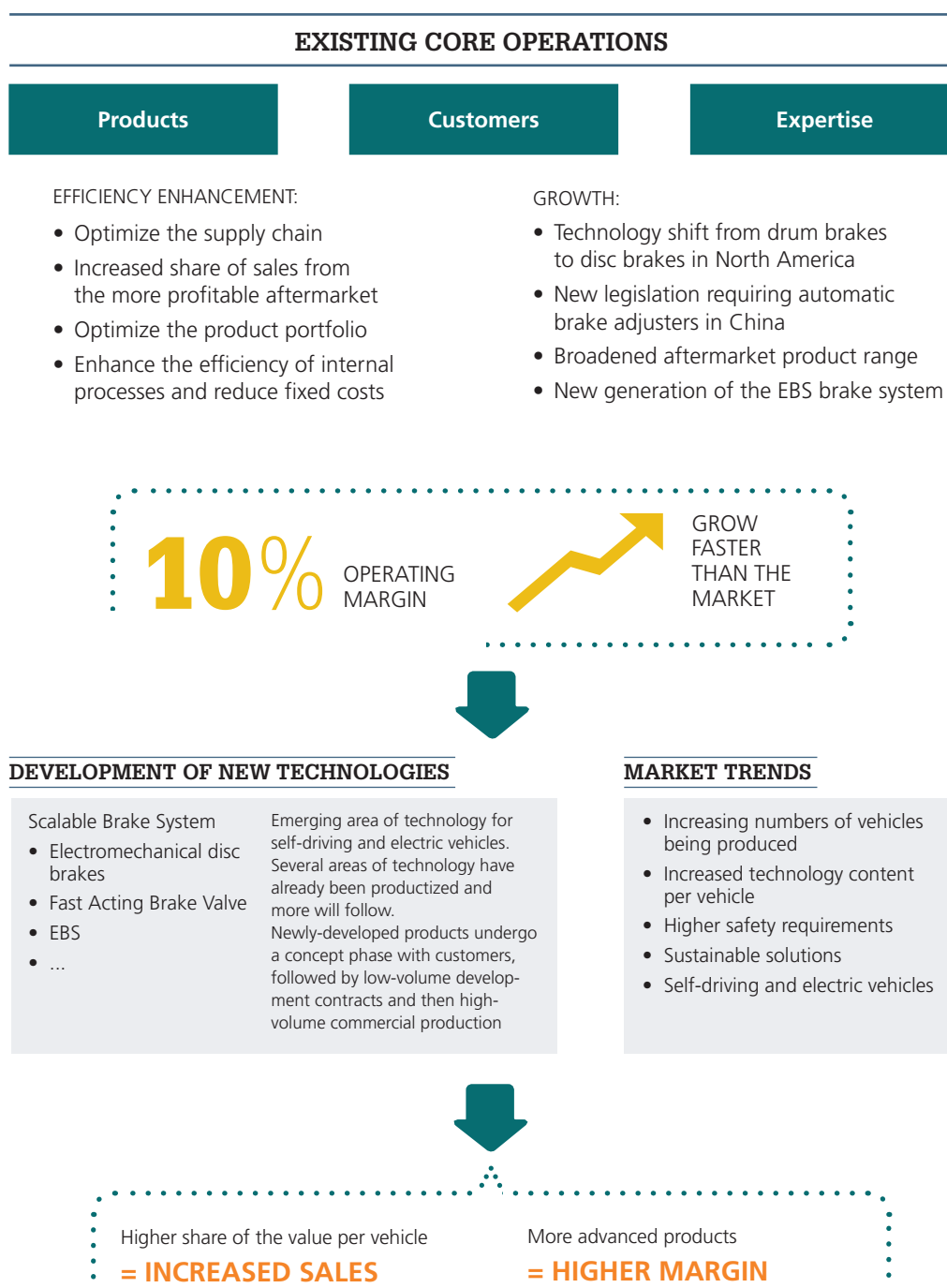
Another product that is part of the Scalable Brake System and that also provides a 15 percent shorter stopping distance is the **Electromechanical disc brake (EMB)** from Haldex. It also has the same improved properties in terms of predicting and controlling the vehicles direction as FABV. The advantage of the electromechanical disc brake is not just its improved performance compared with today's pneumatic disc brakes, but also the energy improvements achieved when the pneumatic brake system is replaced with a fully electric brake system. It is currently being tested on electric buses with positive results.

The Scalable Brake System will continue to be developed for a number of years and Haldex will thereby have research and development costs that amount to 4–5 percent of sales. A concept phase is currently under way with a world-leading truck manufacturer in terms of FABV. Haldex's electromechanical brake is installed on test vehicles in China.



How Haldex generates durable value

Haldex's core business encompass a high-quality product portfolio and delivery precision. Long-term customer relationships have qualified Haldex to partner with the major automotive manufacturers on new technologies. The company also brings expertise in pneumatic and electrical brake systems. This provides a stable platform on which to continue building value. In the existing core business, sales will increase and efficiency will be enhanced. This cash flow finances development of new technologies, which, combined with the major technological shift the industry is undergoing, will open up a larger market, of which Haldex can also capture a larger market share.



Strategy focused on Haldex's strengths

The technology shift the industry is undergoing places new demands on product development and on investments in R&D. To ensure Haldex's competitiveness in the long and short term, today's business must have a clear focus that leads to profitable growth and strong cash flows.



Haldex's strategy and revenue model is based on strengths identified in dialog with customers, suppliers and employees. The revenue model is the foundation for how Haldex conducts its business and how revenues and profits are to be generated. The strategy shows the way in the next five years and builds on five strategic areas with underlying activities and targets.

Revenue model

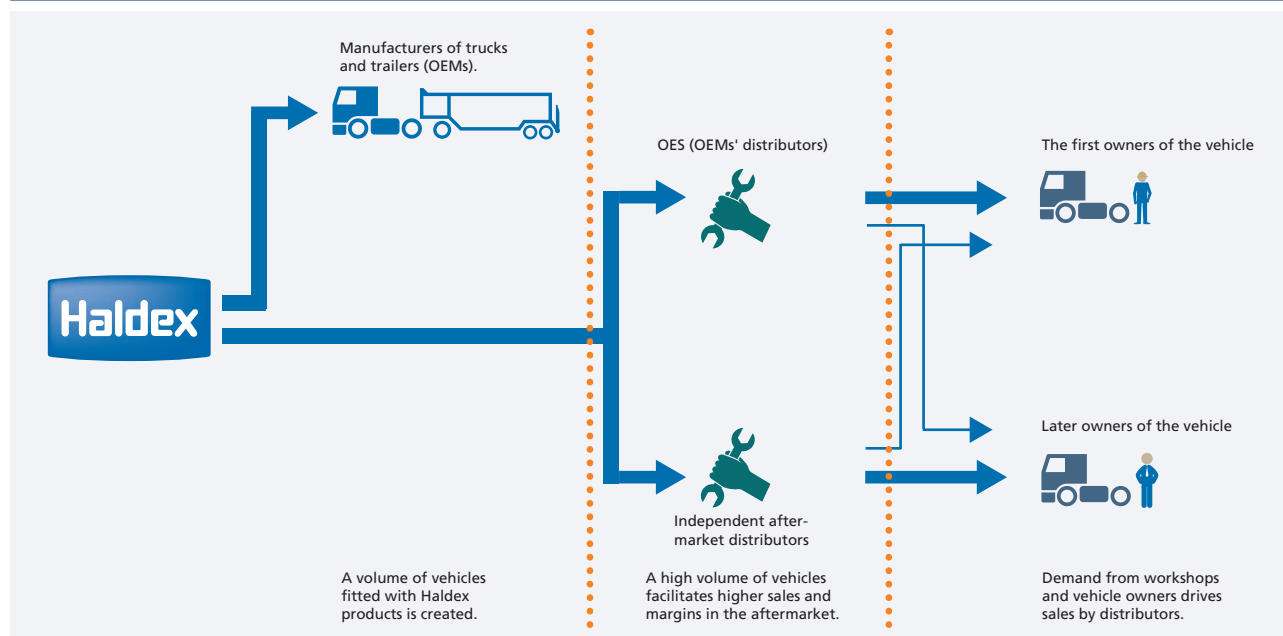
Haldex sells to manufacturers of trucks and trailers (OEMs) and distributors. Distributors can be divided into OES (OEM's own suppliers) and independent distributors. By ensuring high volumes of vehicles with Haldex products installed by OEMs from the outset, high volumes are generated on the more profitable 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 customers 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 sales are not made directly to workshops or fleet operators. In North America, for example, fleet operators can specify various components for a truck/trailer to the manufacturer, which means fleet operators are important indirect customers.

Product leadership

Product leadership is the first of the strategy's five areas. 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 income 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 of ownership are areas prioritized by customers.

HALDEX REVENUE MODEL



Haldex 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 fleet operators. The picture above is highly simplified to illustrate the principles of the business model.

In the short term, the strategy includes continued development of disc brakes in a variant for trucks. There were previously 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. The disc brake technology has also been further developed together with Chinese VIE in a joint venture, to form the basis of electro-mechanical brakes that in an initial phase will be installed in Chinese electric buses. Another major, ongoing development project is a new EBS platform that will be module-based. This has already been presented to a number of selected customers, and the response has been favorable. Haldex balances improvements of the current product portfolio with the development of products that are included in the Scalable Brake System. The electromechanical brake, FABV, and parts of EBS will, for example, be able to achieve commercial status in the next few years, but also be included as part of future technology for self-driving vehicles.

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. Haldex's size will be used as an advantage. By being a fast-moving and flexible organization, solutions can be adapted to the customers, providing that extra degree of service that distinguishes Haldex.

Personal and strategic relationships are built with vehicle manufacturers. Joint development projects based on close cooperation are conducted with the largest customers. Aftermarket customers have other needs and demand a wide range of products and high availability.

Aftermarket expansion

In the aftermarket, the customers' needs change over the lifetime of their vehicles. During the first 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 extended to include products of the same high quality, but with a shorter lifetime. The product offering has been broadened to be attractive over a longer portion of the vehicle's lifespan and a number of products have been introduced under the Midland and Grau brands as part of this strategy. In addition, the product range is complemented with refurbished products under the Like-Nu brand, as an environmentally friendly and cost-effective alternative.

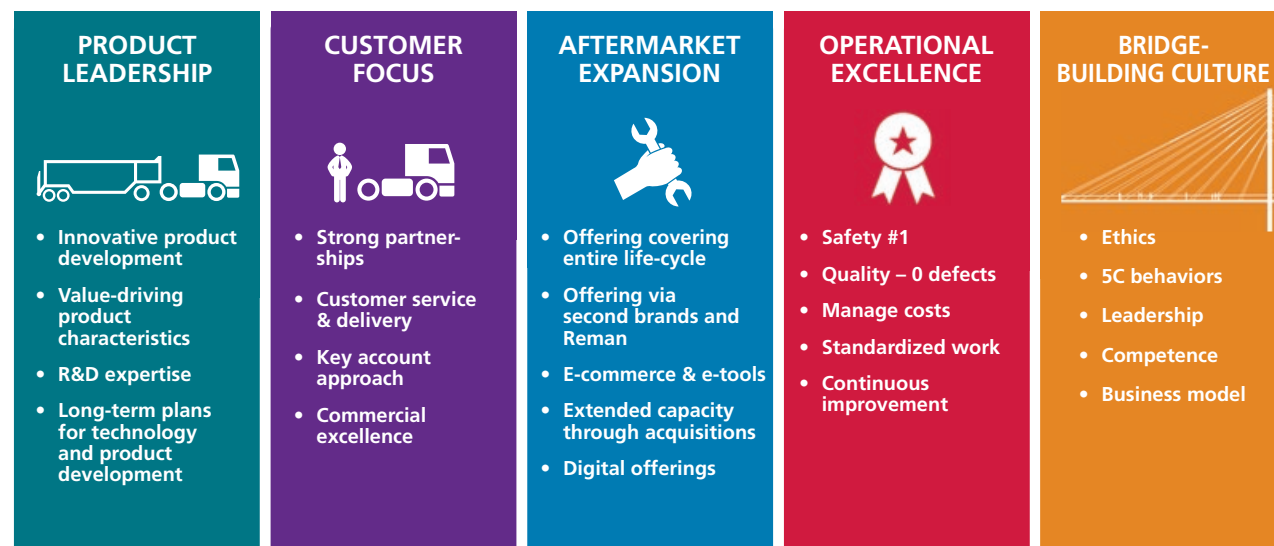
Acquisitions are high priority as a way of bringing in additional complementary products and several acquisition targets have been discussed without yet having resulted in any completed acquisitions.

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 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

STRATEGIC OBJECTIVES: PROFITABLE GROWTH ■ SAFE HALDEX ■ ETHICAL HALDEX ■ GREEN HALDEX



Haldex's strategy is based on strengths identified in dialog 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.

and cost savings are a matter of survival in an industry under price pressure. The Haldex Way is the framework for continuous improvement efforts.

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, efforts were redoubled 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 are called the 5Cs – Connect, Communicate, Collaborate, Coach and Create. These behaviors act as a daily reminder to build bridges internally to solve problems, understand the bigger picture and strengthen the sense of community.

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 role of Haldex's leaders is to create opportunities for everyone to reach their full potential and work toward Haldex's shared targets. It must also be ensured that 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. All of Haldex's managers undergo training in 5C where they receive tools to improve themselves and their teams in the respective area and conduct discussion exercises to identify development areas and help each other improve. Since 2017, Haldex also has a management program called the Haldex Executive Leadership Program (HELP) for around 20 selected managers per year, which is similar to an MBA program, but with a Haldex profile.

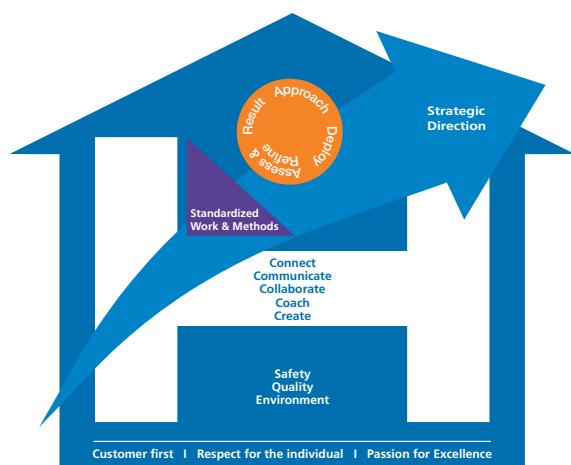
THE HALDEX WAY – ACHIEVING BUSINESS EXCELLENCE

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.

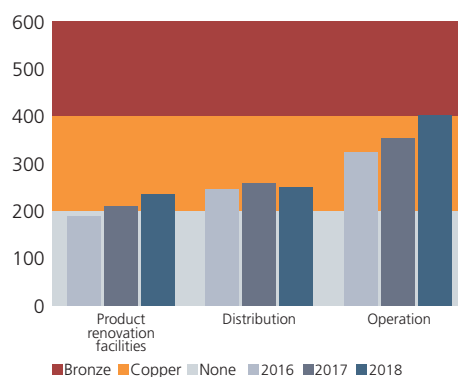
The Haldex Way was introduced in the late 1990s and is based on our core values and the basic principles of "lean production". The Haldex Way was originally focused on improving productivity in production. The Haldex Way has since evolved to include other parts of the supply chain, such as distribution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

The Haldex Way House (below) illustrates the overall framework of the concept, based on the 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 the Group management team on a monthly basis. The target scenario is continuously modified to achieve continuous improvements. The scale extends from copper to gold, but since the targets change as soon as the unit has achieved them, a unit can only hold gold for a short period of time.



HALDEX WAY GRADING



Average level for the respective category of facilities for 2016, 2017 and 2018.

Vision

A world of safer vehicles.

Business concept

Haldex offers innovative brake and vehicle control solutions to the global commercial automotive industry, focusing on improved safety, the environment and vehicle dynamics.

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

OBJECTIVES FOR PEOPLE AND THE ENVIRONMENT

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 – Haldex's way of building bridges

CONNECT – connect the dots, or understand 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.

OPERATING MARGIN

Long-term target by 2022:

10%

A higher operating margin is important, not just to create long-term shareholder value, but rather to drive the cash flow and the possibility of investing in new technology. Haldex's core business can be streamlined and optimized. This can take place through more efficient handling of the supply chain, which also includes raw material prices and tariffs, higher growth on the aftermarket, reduction of the fixed costs and review of the product portfolio to ensure focus on the most profitable products. The objective is to achieve an operating margin of 10 percent by 2022, excluding investments in new technology. The cost of R&D will continue to be at a higher level than earlier years and will affect the total margin for the company.

Haldex had an operating margin of 6.0 percent in 2018, excluding one-off items. This was somewhat lower than 2017 due to costs for meeting higher demand and higher raw material prices and tariffs.



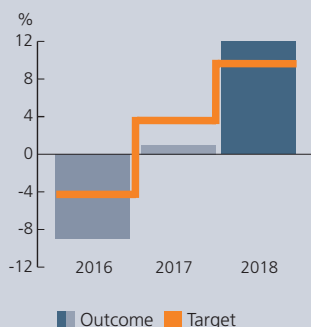
Haldex's sustainability vision is to contribute to society by improving vehicle safety and efficiency with its products' performance and optimization of resources. Three areas were identified as key to making a real difference – safety, ethics and the environment.

See a more detailed description of Haldex's sustainability work on pages 18–23.

GROWTH

Target: **>8%** Outcome: **12%**

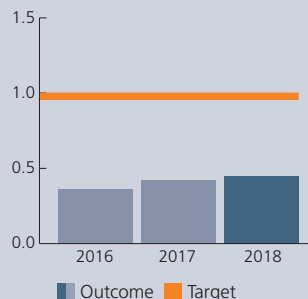
Growth creates economies of scale. This is crucial for a company like Haldex, which invests substantial amounts in product development each year. Haldex aims to outperform the market through organic growth. For 2018, Haldex grew faster than the market in all geographic regions and Haldex has thereby taken market shares.



NET DEBT/EQUITY RATIO

Target: **<1** Outcome: **0.45**

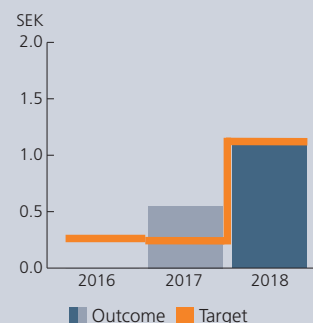
A low net debt/equity ratio means a strong balance sheet. This provides the scope to make acquisitions and invest in future projects. The objective is to achieve a net debt/equity ratio of less than 1. With a net debt/equity ratio of 0.45 for 2018, the target was achieved by a large margin.



DIVIDEND

According to policy: **SEK 1.15** Outcome: **SEK 1.15**

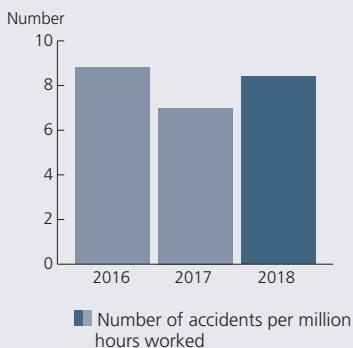
Haldex aims to provide stable and predictable shareholder returns. Haldex's dividend policy states that one-third of annual net profit over a business cycle should be distributed to shareholders. The Board of Directors proposes to the Annual General Meeting a dividend of SEK 1.15 per share, which is in line with the policy.



SAFE HALDEX

Haldex has zero tolerance for workplace accidents. With the Safety #1 program, Haldex works systematically to prevent accidents and incidents through training, safer workplace environments and attitude changing.

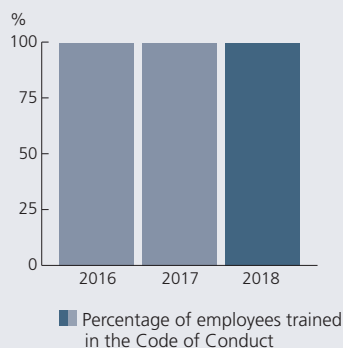
The objective is to reduce the number of accidents, which was not achieved in 2018. However, the accidents were of a less serious nature than in earlier years.



ETHICAL HALDEX

Haldex has zero tolerance for bribery, corruption, child labor and discrimination. Haldex's employees are continuously trained in the Code of Conduct and suppliers are continuously assessed to ensure they adhere to the applicable sections of the Code of Conduct.

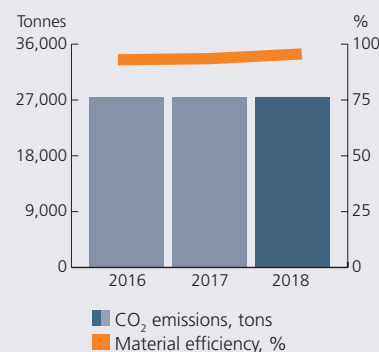
The objective is for 100 percent of employees to have undergone training in the Code of Conduct. With an outcome of 99.6 percent, it is close to what is practically possible at any given time.



GREEN HALDEX

With eight production plants and a number of facilities for refurbishment of products, Haldex's environmental management achieves noticeable effects. Haldex targets reducing CO₂ emissions and maintaining or increasing material efficiency.

In 2018, CO₂ emissions were at the same level as in the preceding year, although with higher production volume. Material efficiency increased slightly.

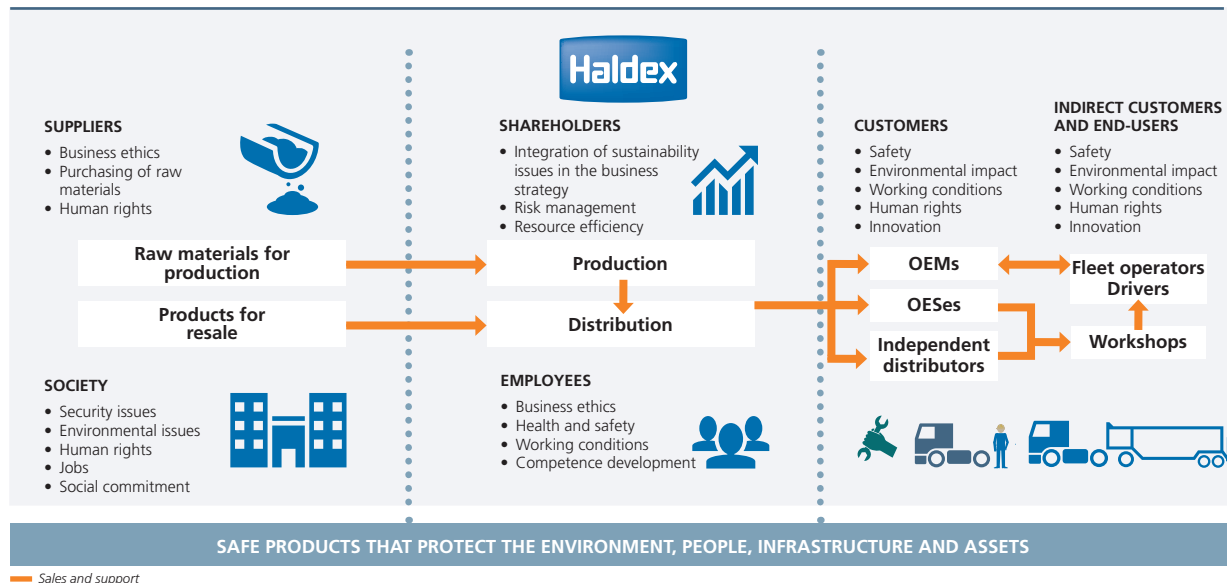


The Board of Directors and the President of Haldex AB (publ), Corp. Reg. No. 556010-1155, hereby issue the Sustainability Report for 2018. Haldex's Sustainability Report comprises the description of the Safe, Ethical and Green Haldex on pages 18-23, as well as the description of sustainability risks on pages 36-37. Sustainability-related content is also included as part of the CEO statement, Market trends, Strategies and Objectives, but does not form the formal part of the Sustainability Report.

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, global objectives and policies have been drafted – 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.

The strategy and sustainability objectives are translated into specific targets and actions in close collaboration with the functions. Risks related to sustainability are analyzed continuously by Group Management and measures are adopted.

On the whole, the Board considers 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. Since 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. Five groups have been identified among the stake-



UN sustainable development goals

The UN has 17 global sustainable development goals with set levels of ambition for 2030. Through its sustainability work and its investments, Haldex can contribute to achieving the UN sustainable development goals in various ways. Haldex works for a better working environment and greater gender equality in both its own operations and among suppliers. By creating a world of safer vehicles, Haldex wants to create more sustainable communities where production and consumption are as efficient and environmentally friendly as possible. This in turn creates a better environment on both land and in water.

holders as particularly significant: shareholders, customers, employees, suppliers and the community we work in. The issues relevant to the respective stakeholder and how they interact are presented in the figure above.

Safe Haldex

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

The safety of road users, meaning customers and end-users, represents key features of the products developed, and the focus of the internal processes is thus on products maintaining a high level of quality and meeting Haldex's ambitious functional requirements. Haldex's own manufacturing process is governed by extensive processes regarding how products are to be manufactured and tested. Applying the Haldex Way, it is constantly being analyzed how every detail of the production process can be improved.

To safeguard employees' safety, Haldex has a shared, global safety program called Safety#1, meaning that safety is the top priority. Haldex has zero tolerance for workplace accidents. To achieve this, safer environments are being created, training is being done and extensive work is under way to change attitudes. 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 further developed for how each task can be performed safely without circumventing the requirements. In addition, policies have been improved 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, Haldex has provided training for all production personnel. Joint global guidelines for visitors and information material have 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 an attitude change is strived for whereby all incidents are reported to better prevent accidents. Since 2017, all accidents have been reported globally on the intranet, along with preventive measures to learn from one another and avoid incidents being repeated. In 2018, a safety committee was introduced with representatives from all of the production plants. The committee follows up on targets, shares ideas and learns from each other about how safety can be improved. During the year, safety observations were also introduced where employees help each other identify risky behavior.

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 there are health and safety injuries, which are managed by the policies and working methods drafted 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 should 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

"SAFETY IS ABOUT CHANGING ATTITUDES."

Haldex has been working intensively in recent years to improve security 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 in the production plants, 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. All of this quickly yielded results and we have been able to increasingly shift focus to even more preventive

safety work. For example, we performed an extensive fire inspection (Blue Rating) with the help of external inspectors, and this will now be repeated every two years 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 leaders in the area of safety to learn more about what methods are most effective. We have also introduced exercises where people visit each other's work areas to identify risky behaviors. Safety is largely about your attitude. 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 safety products, that is clearly what we are aiming for."



continue rising. In 2018, the number of accidents increased somewhat compared with 2017. For every accident, thorough analysis work is done on how it can be avoided in the future.

KEY FIGURES – SAFETY

per million hours worked	2018	2017	2016
Number of incidents	305.8	242.0	156.0
Number of accidents	8.4	7.1	8.8

Ethical Haldex

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

Haldex has had a revised Code of Conduct since 2015. All employees are trained in the Code and sign that they have understood it and aim to follow it. Haldex's Code of Conduct is based on the company's three values. The Code of Conduct also contains clear descriptions of where employees should turn if they discover 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, having solely reasonable working conditions, 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, Haldex works to attract people with different backgrounds, personalities, perspectives and knowledge. It is thanks to diversity that Haldex is where it is today. Among other things, during 2018, Haldex achieved 40 percent of the AGM-elected Board members to be women and

increased the share of women in the company from 27 percent to 28 percent. Finally, the value "Passion for excellence" covers areas such as safety and the 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. In recent years, partnerships have been 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.

The local community commitment is also included in the area of ethics. Giving back to the communities where Haldex operates 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 Haldex's largest production facilities is located, community support initiatives are greatly needed. There, Haldex has, for example, adopted schools, where teaching positions are financed. Haldex offers scholarships to encourage girls to choose engineering as their profession and is 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. Haldex has, for example, partnered on traffic safety for school students, and participated in the Smart Matte (Smart Math) project to interest students in technical subjects.



HALDEX CONTRIBUTES TO A MORE SUSTAINABLE SOCIETY

Edo Drenth is the VP Global Vehicle Dynamics at Haldex. This means that he is continuously thinking about how vehicles can be optimized and made more efficient. The brake system is an important component for creating a safer traffic environment, but Edo explains that the brake system of tomorrow also contributes to a more sustainable society. “Historically, compressed air has been used in brake systems for heavy vehicles. Haldex was among the first to explore electromechanical brakes. As early as the 1990s, we began developing a system, long before the market was ready to accept this technology. Electro-mechanical brakes are lighter than today’s brakes and use less energy than a pneumatic system.”

Another advantage of both electromechanical brakes and

one of Haldex’s other products, the Fast Acting Brake Valve, is that they provide more control over the vehicle. “Being able to have full control over the vehicle makes these products ideal for self-driving vehicles. Self-driving vehicles combined with growing numbers of electric vehicles will make our traffic environment safer and resource use more efficient. Self-driving vehicles will also improve logistics and efficient usage of our roads. We do not know exactly what the future transport solutions will look like, but we know that they will be smarter and more sustainable than today.”



Identified risks in the field of ethics include shortcomings in working or supplier conditions, unethical behavior in Haldex’s operations or those of customers and violations of 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. The Code covers areas such as bribery and corruption and training in the Code is thus a good indicator of preventive work in this area. 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 due to breach of human rights and social misconducts. It is although difficult to set a target for how many anomalies should be discovered when the vision is to have no anomalies.

KEY FIGURES – ETHICS

	2018	2017	2016
Percentage of employees trained in the Code of Conduct	99.6	99.6	99.5
Completed supplier collaborations due to breach of the Code of Conduct.	2	2	NDA

Green Haldex

Environmental issues play a major role in Haldex’s sustainability work and environmental impact constitutes a specific section in the EU’s sustainability reporting. With eight production plants and a number of facilities for refurbishment of products, Haldex’s environmental management achieves noticeable effects.

All of Haldex’s 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 CO2 emissions and material efficiency, since they have the greatest impact on the environment. In 2018, an environmental committee was established that consists of representatives for all of the production plants, who jointly follow up targets and discuss improvements.

An equally important part of the environmental efforts for Haldex is product development. Environmental issues and sustainability are key parameters taken into account in the development process. 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 the tools needed to manage the area of the environment.

The objective is to reduce CO₂ emissions annually, as well as maintaining or increasing material efficiency. The measuring of CO₂ emissions was extended to include distribution centers and amounted to 36,604 tons. In the table below, however, only production facilities are reported, to make the figures comparable. CO₂ emissions increased slightly due to an overall production increase, but decreased per unit produced. For suppliers, the target is for the share with ISO 14001 certification to increase, which was not achieved in 2018 as the mix of suppliers changed. However, a prioritized target is to return to a higher share as soon as possible.

KEY FIGURES – ENVIRONMENT

	2018	2017	2016
Material efficiency, %	95.6	93.5	93.0
CO ₂ emissions, tons	27,651	27,491	27,414
Proportion of suppliers meeting ISO 14001, %	39	42	41

Motivated employees with a strong Haldex culture

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

Haldex's values

Haldex's three values – Customer first, Respect for the Individual and Passion for excellence – play an important role in laying the groundwork for desired behavior towards colleagues, customers and suppliers. Values are not attitudes Haldex can teach some-

one, but are values employees must bring with them into the company.

Haldex 5C (see section below) are behaviors. The 5Cs serve as a daily reminder of how Haldex can become a better, more efficient and more enjoyable place in which to work. Haldex offers employees regular training in each of the Cs. Since 2017, a training program has been under way where all managers in the company spend one day per C to improve knowledge and methods and learn from each other about how they themselves, their team and the company can improve. The 5Cs form the basis of the dialog in our annual performance review.

Leadership is an important area if employees are to thrive and if the operations are to achieve their targets. Haldex shall



“Haldex's employees are more likely to recommend the company than the average.”

CODE OF CONDUCT

Haldex's 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.

5CS – BUILDING BRIDGES

CONNECT – connect the dots, or understand 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

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.

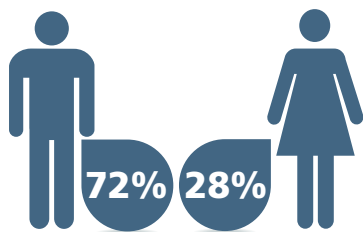
Passion for excellence:

We are committed to continuous improvement.

have leaders who can inspire, challenge and motivate. As leaders, the conditions on which all can reach their full potential must be created. Besides the 5C training program, Haldex has a management program for around 20 selected managers per year since 2017. It is called the Haldex Executive Leadership Program (HELP) and is a brief MBA program with ties to Haldex. Haldex's 80 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 28, 2019
Board of Directors

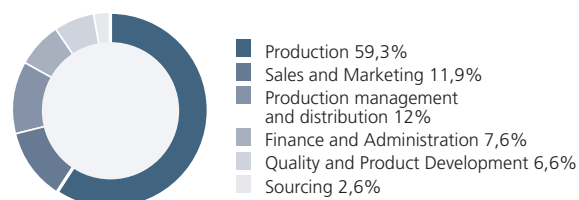
Haldex's 2,309 employees are based in 19 countries. Those countries with the most employees are the US and Mexico, followed by Hungary, China and Sweden. About 60 percent work in production, while 40 percent are white-collar employees. Women account for 28 percent of the employees.



EMPLOYEES BY COUNTRY

Country	% of total number of employees	Number of full-time employees	% of women
Sweden	10%	231	26%
USA	22%	506	29%
Mexico	17%	397	31%
Hungary	13%	296	43%
China	12%	286	16%
India	9%	203	14%
Germany	5%	103	22%
France	3%	77	38%
UK	3%	75	17%
Brazil	3%	65	34%
Canada	1%	25	24%
Poland	0.4%	9	22%
Italy	0.3%	8	50%
Spain	0.3%	7	43%
South Korea	0.3%	7	14%
Austria	0.2%	5	40%
Belgium	0.2%	5	20%
Russia	0.1%	3	33%
Australia	0.0%	1	0%
Total	100%	2,309	28%

EMPLOYEES / FUNCTION



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 2018 on pages 18–23 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, April 5, 2019


Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorized Public Accountant

Carl Fogelberg

Authorized Public Accountant



EBS controls the brake system electronically. An EBS forms the central hub of the brake system, to which various functions are connected. EBS also ensures that the braking force is always optimal for all wheels, reducing the braking distance compared with systems that only have ABS.

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 2018. The directors' report includes the information on pages 25–37 and the financial information presented on pages 38–73. The Corporate Governance Report containing further information is presented on pages 75–83. The Sustainability Report covers pages 18–23 and the sustainability risks on pages 36–37.

The year in brief

Haldex increased sales in all geographic regions in 2018 and also grew faster than the market. Several product areas continued to develop strongly, including brake adjusters and disc brakes. The fourth quarter's profit was negatively impacted by higher raw material prices and tariffs in the US, which contributed to the operating margin excluding one-off items for 2018 being lower than the previous year. Cash flow from operating activities and earnings per share improved significantly compared with the preceding year.

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 5,119 (4,462) m, which in absolute terms represents an increase of 15 percent compared with the preceding year. Sales rose 12 percent after currency adjustments.

Currency adjusted sales in Europe increased by 4 percent compared with the preceding year. Sales in North America increased by 8 percent. Asia's sales grew by 50 percent, mainly due to new legislation requiring automatic brake adjusters on newly manufactured heavy vehicles. South America increased sales by 41 percent compared with the previous year, after a number of years with low sales.

In terms of products, brake adjusters, actuators and disc brakes accounted for the largest sales increase.

Currency-adjusted sales to all customer groups have increased. Truck increased by 24 percent and Trailer by 11 percent. Both of the customer groups had their largest growth in North America and China. Aftermarket sales increased in all geographical regions and by 7 percent overall.

Earnings

Operating income excluding one-off items amounted to SEK 305 (292) m for the full-year. This corresponds to an operating margin excluding one-off items of 6.0 (6.5) percent.

Operating income was mainly impacted by costs to meet greater demand and higher raw material prices and tariffs. Price increases to customers to compensate for higher raw material prices and tariffs have a delay due to existing contracts. The operating margin was also negatively affected by higher sales to Truck and Trailer as the Aftermarket is the customer segment with the highest margins. The investments Haldex is making in product development lead to higher costs, but do not have a full effect on the profit due to capitalization of product development expenditures for future product launches.

In 2018, SEK 50 (143) m was charged to operating income in the form of one-off items. The majority of the one-off items originate from an agreement with a customer on future warranty obligations. In 2016, a supplemental agreement was signed with one of Haldex's largest customers on an extended warranty commitment with a large element of goodwill. Haldex chose to redeem the

agreement early during the fourth quarter of 2018 to avoid risk and receive a predetermined cost.

Operating income was negatively impacted by a reclassification of the profit from Haldex's Chinese joint venture. In connection with the recent positive development of electromechanical brakes in China, a reclassification of the business was made in the fourth quarter of 2018 so that the profit is now recognized as a part of operating activities and not as a financial item. This negatively impacted operating income by SEK 5 m in 2018 compared with 2017. Financial items amounted to an expense of SEK 36 (8) m for the full-year.

For the full-year, profit before tax totaled SEK 219 (129) m. For the full-year, profit after tax totaled SEK 153 (79) m. That corresponded to earnings per share of SEK 3.46 (1.67).

Excluding non-recurring effects, currency fluctuations, including the results of currency hedging and currency translation effects, had a positive effect of SEK 39 (2) m on the Group's operating income for 2018. The currency effects in net financial items was negative at SEK 17 (positive: 2) m.

Technology shift in China and North America

In 2018, the new legislation that requires automatic brake adjusters in China and the technology shift from drum brakes to disc brakes in North America were two focus areas. In China, sales grew strongly due to the legislative change. The law is not being fully complied with. Development is expected to continue to be positive but the sales of automatic brake adjusters in China for 2019 are expected to be somewhat lower than in 2018. In North America, the technology shift from drum brakes to disc brakes is continuing. The work of building up production capacity for disc brake manufacturing in North America has begun and will be brought into operation during the year.

Breakthrough for "Scalable Brake System"

In 2018, Haldex has worked to present and engage customers in the new technology area for connected, electric and self-driving vehicles that Haldex calls the "Scalable Brake System". At the beginning of 2019, Haldex announced that a project with a world-leading truck manufacturer has begun. Haldex and the customer will jointly enter a concept phase that is expected to lead to a development contract at the end of the year. This cooperation is strategically important for Haldex as it verifies the technology, gives a cooperative partner to further develop the technology, and is also a valuable reference for further business sales to other customers.

Cash flow

For the full-year, cash flow from operating activities totaled SEK 274 (173) m. Cash flow from operating activities was negatively impacted during the year by increased inventories and increased accounts receivable partly driven by the higher sales. At the end of the year (in the fourth quarter), a clear improvement of working capital was clearly seen, mainly through reduced inventory levels in North America and a reduction of accounts receivable as a result of discounted bank notes in China and a generally good ability to receive payment before year-end.

The investments, including capitalized development expenses, amounted to SEK 381 (231) m and cash flow after investments was negative at SEK -107 (-58) m. Total cash flow for the full-year was positive in the amount of SEK 104 (negative: 93) m.

Financial position

At December 31, 2018, consolidated net debt totaled SEK 732 (584) m, a net increase of SEK 148 m compared with the preceding year-end. The change was primarily due to an increase in working capital due to higher inventories. Financial items amounted to an expense of SEK 36 (8) m, of which the net interest expense amounted to SEK 15 (13) m. Shareholders' equity amounted to SEK 1,611 (1,395) m, resulting in an equity/asset ratio of 44 (45) percent.

Loan financing for Haldex primarily consists of a bond loan of SEK 271 m (which matures in 2020) and a syndicated credit facility of EUR 90 m, maturing in 2021. At year-end, EUR 29 m of the 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 2,309 (2,176) employees, which is 133 more than at the end of 2017. The largest personnel changes took place in Asia due to higher production volumes.

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 shareholder's holding at December 31, 2018 amounted to 20.1 percent and was held by ZF, a large component manufacturer in the automotive industry, which entered as an owner in Haldex in connection with the bid they made for the company in 2016. At December 31, 2018, 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 on pages 85–87.

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 to be a natural part of 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 18–23, as well as the description of sustainability risks on pages 36–37, although sustainability content is also to be found in the CEO statement on pages 2–4, Market trends on pages 6–11, Strategies on pages 13–15 as well as in Objectives and target fulfillment on pages 16–17.

Guidelines for the determination of remuneration for senior executives

Remuneration of senior executives was temporarily adjusted in 2017 since Haldex was under a bid situation, but returned to a normal level in 2018. The Board's proposed guidelines for remuneration of senior executives for the 2019 AGM will be in line with earlier proposals. For more information about the remuneration of senior executives, see Notes 9 and 10 on pages 51–52.

IMPORTANT EVENTS IN 2018

JANUARY



New legislation in China requiring automatic brake adjusters on newly produced heavy vehicles.

MARCH

Capital market day held where the "Scalable Brake System" was presented.



ITCM (Intelligent Trailer Control Module) received the Top 20 Award for its product innovation.

Frida Wahlgren begins as SVP Human Resources.



APRIL



A major North American axle manufacturer offers Haldex disc brakes as an option.

Haldex in Brazil wins the Mercedes Benz award in the logistics category.



MAY

Helene Svahn and Ulrika Hagdahl were elected to the Board.



Haldex in Hungary and the US. received quality awards from Paccar.



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 list. 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 96 (102) m and the loss after tax was SEK 43 (27) m.

Management changes

As of 1 January 2019, Haldex has a new matrix organization that strengthens the sales regions' proximity to the customers and at the same time entails a greater focus on the supply chain and creates conditions for both new and existing technology.

Andreas Larsson took office as the CFO on 1 January 2019. New members of Group Management are Richard Illingsworth as SVP Quality, Frida Wahlgren as SVP HR, Fredrik Fogelklou as SVP Parts & Sales support and Göran Jarl as SVP Europe (from 1 March 2019). Read more about the new organization and Group Management at <http://corporate.haldex.com/en/abouthaldex/organization>.

Future trends

In addition to the number of vehicles produced, Haldex's market is also affected by demands from customers and regulators. In 2018, 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 2019, the shift from drum brakes to disc brakes in North America and legislation in China for automatic brake adjusters on newly manufactured vehicles (which entered into effect in 2018) continued to have a 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.

Long-term operating margin target of 10 percent

In parallel with investments in future technology, an analysis of the business was done to verify that the long-term operating margin target of 10 percent can be achieved. A stable and profitable core business that delivers high quality is crucial for the ability to invest in

new technology. The operations will be streamlined and optimized with the goal of achieving an operating margin of 10 percent by 2022, excluding investments in new technology.

Outlook for 2019

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 is expected to continue increase its production levels in 2019. Fluctuations in the North American market take place rapidly, however, and it is difficult to determine if the positive development will last for the whole year.

Europe is deemed to be stable with an order intake in line with 2018.

China has a further weak market in 2019. Haldex can partly withstand the decline in that automatic adjusters are now required by law on heavy vehicles.

India is deemed to have a weak year with reduced production levels.

Brazil has a cautiously optimistic market growth, although from low levels.

This leads to the assessment that sales for 2019 will increase in North America, which is counteracted by unchanged or lower sales in the other regions. Altogether, this leads to sales for 2019 that are expected to be in line with 2018. Haldex's assessment is that the operating margin for 2019, including increasing investments in new technology, will be in line with or higher than the operating margin excluding one-off items for 2018.

PROPOSED DISTRIBUTION OF EARNINGS

SEK	2018
Share premium reserve	378,276,231
Profit brought forward	546,756,744
Total	925,032,975
Dividend to shareholders (SEK 1.15 per share)	50,834,905
To be carried forward	874,198,070
Total	925,032,975

JUNE



Haldex in Mexico received a health and safety award from the Mexican Ministry of Labor and Social Welfare.

SEPTEMBER



CV Logix named Haldex "Supplier of the Year".

Haldex in Brazil celebrated 1,000 days without accidents.

Richard Illingsworth appointed SVP Quality.



OCTOBER

A North American trailer manufacturer chose Haldex's disc brakes.

20-year anniversary for the Haldex sales office and distribution center in Weyersheim, France.



DECEMBER

The electromechanical brake is tested on an electric bus on a test track in China.



5 million brake adjusters were made in 2018, a new record.



Market-leading product portfolio

Haldex develops, produces 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 2018, sales in Foundation Brake amounted to SEK 3,008 (2,529) m, representing a currency-adjusted increase of 17 percent compared with the year-earlier period. Sales in Air Controls amounted to SEK 2,111 (1,933) m in 2018, representing a currency-adjusted increase of 6 percent compared with the preceding year. Foundation Brake accounted for 59 percent of total sales, and Air Controls 41 percent.

Growth products

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

Refurbishment of products (Reman)

Haldex also offers remanufactured used parts, which is a cost-efficient and eco-friendly way to reuse components. At present, this is only done in the North American market. In total, this part accounts for about 3 percent of total revenues and reported as part of Air Controls. In 2018, sales in Reman increased after having decreased in 2017.

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 are 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 entire 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 recent years, investments in product development were intensified due to the rapid development of connected, electric

and self-driving vehicles. In 2018, R&D investments amounted to 4.1 percent of sales, and the target is to maintain or increase this level in the next few years. Rapid technological development is opening up opportunities for new technology, where Haldex holds a favorable position on which to build. The major product development projects encompass a new scalable and open brake solution, which among other things includes technologies such as EBS and ABS, as well as additional disc brakes versions 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	–

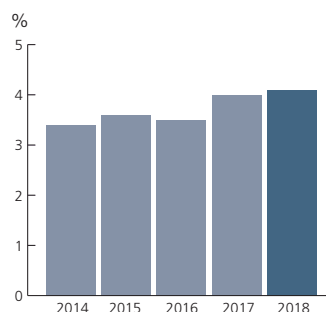
¹⁾ Trailer ²⁾ Bus

Source: Official statistics and Haldex's own assessment

SALES PER PRODUCT LINE



INVESTMENT IN R&D / SALES AS PERCENT OF SALES



A selection of Haldex's products

FOUNDATION BRAKE



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



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



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

AIR CONTROLS



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



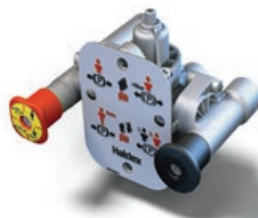
RAISING AND LOWERING of vehicles with the help of the suspension system. A handle allows the driver to raise or lower the vehicle to the correct height at the loading bay.



THE CONCEPT 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.

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, Haldex has created 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 that are 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

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

DFDS PROVIDES END-TO-END SERVICE OVER LAND AND SEA



Hundreds of trailers, in long rows, are ready to be loaded or picked up, truck drivers and port workers in tractors are busy keeping the load moving. "Time is the deciding factor in RoRo traffic," explains Tigran van der Linden. "A ship like Britannia Seaways, which is currently being processed, is completely unloaded and re-loaded within four hours. We are talking about 260 trailers on 3,600 lane meters." Fast turnaround is the major advantage compared with container ships. The abbreviation RoRo says it all: Roll on/Roll off. For example, DFDS conducts RoRo transports between the Netherlands and England in 8 to 12 hours. Tigran van der Linden in Vlaardingen is

among other things, responsible for technology and workshops. DFDS' pool encompasses more than 5,000 containers and trailers. "Weight is always an issue for trailers, but the main thing is simple and sturdy," continues Tigran van der Linden. Harsh conditions at sea, especially salt water, increase physical wear. Nearly all trailers that DFDS uses include air suspension products and EBS from the COLAS and EB+ series from Haldex. "In our experience, Haldex's systems are the most reliable and easy to use and maintain," summarizes Tigran van der Linden. "The EBS error recording and diagnostics are especially appreciated by drivers and mechanics."



AN EXAMPLE OF HOW A DIALOGUE WITH AN OEM CUSTOMER CAN PROGRESS THROUGH A NUMBER OF TYPICAL PHASES



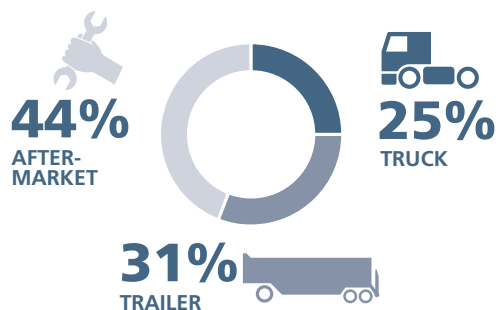
sourcing". This often proves advantageous for smaller companies like Haldex, since the customer can try taking in a supplier on a smaller scale to see whether it works. If the customer had only engaged a single supplier, the barriers to entry would have been far higher.

Sales per customer category

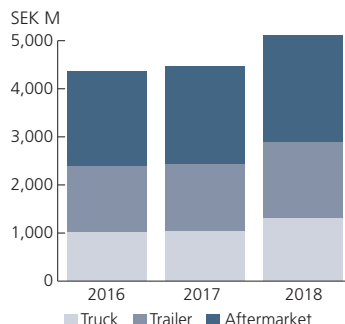
Haldex operates in the market via the three customer categories: Truck, Trailer and Aftermarket. Sales in Truck amounted to SEK 1,295 (1,029) m for the full-year, representing a currency-adjusted increase of 24 percent compared with the preceding year. It is primarily a strong development in North America and China that drove growth in Truck. In product terms, actuators and brake adjusters increased sales in the Truck category.

Sales in Trailer amounted to SEK 1,593 (1,400) m for the full-year, representing a currency-adjusted increase of 11 percent compared with the preceding year. Successes for disc brakes in Europe and higher sales of brake adjusters in China are two of the growth factors.

Sales in Aftermarket amounted to SEK 2,231 (2,033) m for the full-year, representing a currency-adjusted increase of 7 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 improvement 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.

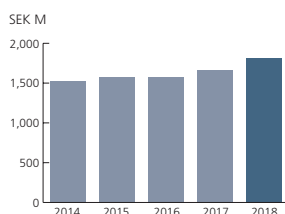


EUROPE

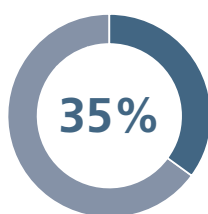
Europe has the most technologically advanced vehicles. Disc brakes dominate and only a minor percentage use drum brakes. Electronic Brake Systems (EBS) are common. The high level of technology is partly a result of strict safety regulations and high environmental standards. Customers are focused on high-quality solutions, weight optimization and requirements for low maintenance frequency. The European market experienced a slightly positive trend in 2018. Both the number of trucks and trailers produced increased compared with the previous year. For 2019, the number of trucks produced is forecast to increase somewhat while the number of trailers produced is expected to decrease.

IN EUROPE, Haldex has higher sales for Trailers than for Trucks. Aftermarket accounts for a significant proportion of sales. In Europe, sales amounted to SEK 1,811 (1,665) m, corresponding to a currency-adjusted increase of 4 percent. In Europe, sales of disc brakes and valves have increased in particular, while brake adjuster sales decreased.

SALES EUROPE



GROUP SHARE, EUROPE

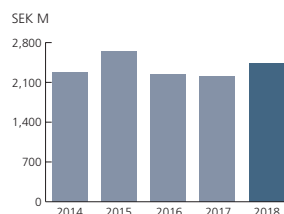


NORTH AMERICA

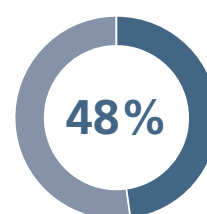
The North American market has the largest vehicle fleets. Many vehicles are driven from coast to coast under road conditions completely different to those of vehicles driven in urban areas. Drum brakes and ABS continue to dominate the market. The major fleets have greater influence over vehicle design 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 had a very strong year and is expected to grow somewhat in 2019 as well. The major technology shift the industry is expecting is the transition to disc brake technology, which has begun but not become the dominant technology.

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 2,432 (2,202) m, corresponding to a currency-adjusted increase of 8 percent. Sales of brake adjusters, brake actuators, air treatment products and Reman increased during the year. Disc brake sales in the region continue to grow, albeit from low levels.

SALES NORTH AMERICA



GROUP SHARE, NORTH AMERICA





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. A new law came into effect in China on 1 January 2018 that all newly manufactured heavy vehicles must have automatic brake adjusters, which strongly increased demand for brake adjusters during the year, even if the market otherwise developed weakly. For 2019, the number of brake adjusters sold in China is expected to continue to be at the same level as in 2018. The Indian market experienced strong growth in 2018, but shows signs of slowing in 2019.

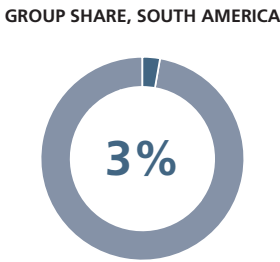
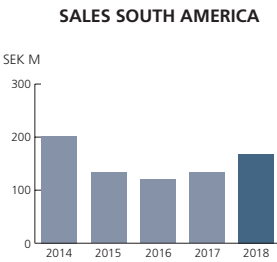
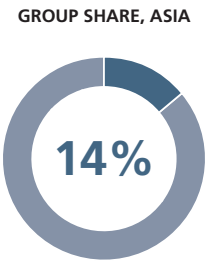
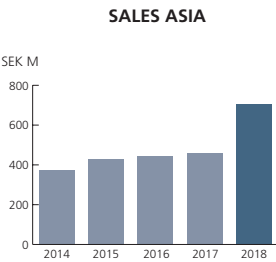
IN ASIA, trucks without trailers are still the most common vehicle configuration. For this reason, Haldex focuses its sales more on Trucks than Trailers. Aftermarket accounts for a minor proportion of sales. In Asia and the Middle East, sales amounted to SEK 708 (462) m, corresponding to a currency-adjusted increase of 50 percent. It is above all the sales of brake adjusters that drove growth during the year, but the sales of brake actuators and disc brakes also increased.



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 showed strong growth in 2018, although from low levels. For 2019, a weak positive trend is expected.

IN SOUTH AMERICA, sales in Truck are greater than sales in Trailer and Aftermarket. For the full year, sales amounted to SEK 168 (133) m, which, adjusted for currency effects, represents an increase of 41 percent compared with the preceding year. Sales of brake adjusters and valves are the product groups that increased the most during the year.



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.

<h3>Economy</h3> <p>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.</p> <p>The automotive industry usually follows a cyclical pattern.</p>	<p>Haldex reduces economic impact by operating in a number of geographic markets that do not normally develop at the same pace. Haldex also balances demand, to a certain extent, by operating in both the OEM market (Truck and Trailer customer categories) and Aftermarket. During an economic upswing, sales in Truck and Trailer usually increase. During a recession, owners keep their vehicles longer and demand for spare parts the aftermarket is growing.</p> <p>Haldex monitors official production statistics closely to ensure early detection of fluctuations in demand and thus adapt production volumes.</p> <div><p>SALES / CUSTOMER CATEGORY</p><table><thead><tr><th>Year</th><th>Truck</th><th>Trailer</th><th>Aftermarket</th></tr></thead><tbody><tr><td>2016</td><td>1,000</td><td>1,500</td><td>1,500</td></tr><tr><td>2017</td><td>1,000</td><td>1,500</td><td>1,500</td></tr><tr><td>2018</td><td>1,000</td><td>1,500</td><td>2,500</td></tr></tbody></table></div>	Year	Truck	Trailer	Aftermarket	2016	1,000	1,500	1,500	2017	1,000	1,500	1,500	2018	1,000	1,500	2,500
Year	Truck	Trailer	Aftermarket														
2016	1,000	1,500	1,500														
2017	1,000	1,500	1,500														
2018	1,000	1,500	2,500														
<h3>Competition</h3> <p>The automotive market is highly competitive with tight margins. Haldex has significantly lower sales than the two largest players in the market</p>	<p>There are some economies of scale in the industry in which Haldex operates. A large company may, for example, be able to present more extensive testing results for new products than Haldex can. On the other hand, a small company has more opportunities for fast decision-making, flexibility towards customers and less bureaucracy. Although competitors may initially have larger volumes, customers that apply dual sourcing (described on page 30) 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.</p>																
<h3>Customers</h3> <p>There are only a few major truck and trailer manufacturers and all of them are customers of Haldex.</p>	<p>Despite having large companies in the customer portfolio, no single customer accounts for more than 10 percent of sales. Haldex's 20 largest customers account for 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.</p>																
<h3>Suppliers</h3> <p>Haldex is dependent on a large number of suppliers. The loss of a key supplier could lead to additional costs and problems in manufacturing. Suppliers may also cause problems if they do not comply with applicable laws or otherwise behave in an unethical manner.</p>	<p>To reduce risk, every supplier is carefully assessed and visits are made to the largest suppliers before agreements are signed. For selected components, more than one supplier can be used. Haldex continuously assesses all key suppliers to ensure that they meet the specified requirements.</p> <p>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.</p>																
<h3>Physical injury</h3> <p>In Haldex's production and remanufacturing facilities, fires, breakdowns and other types of incidents can damage the facility and injure the employees who work there, and thus cause delivery problems.</p>	<p>Since Haldex has production at several facilities for most products in the same product line, the consequences of a disruption can be minimized by increasing production at other facilities.</p>																

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.	<p>Product 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. Haldex, which has not suffered any major recalls historically, implemented a product recall, commencing in 2014 and ending in 2018. The costs incurred by the recall amounted to approximately USD 20 m (~ SEK 170 m).</p> <p>The total warranty expenses for 2018 amounted to SEK 83 (110) m, equivalent to 1.6 (2.5) percent of sales. Of the total warranty expenses, SEK 54 (56) million is recognized as non-recurring expenses.</p> <p>Should a product cause injury to a person or property, the Group may be held liable. Haldex is insured against such product liability. Over the past decade, no substantial product liability claims have been lodged.</p> <p>Haldex strives to minimize risks regarding complaints, product recalls and product liability through extensive long-term testing during the development process, and through quality checks and controls in the production process.</p>												
Raw materials The Group is dependent on a number of raw materials and intermediate products.	<p>Haldex has defined its exposure to raw materials in terms of both the Group's purchasing of raw materials, and Haldex's sub-contractors' purchasing of raw materials. Exposure to various types of metal is greatest.</p> <table border="1"> <thead> <tr> <th>Annual purchasing</th><th>SEK m</th></tr> </thead> <tbody> <tr> <td>Steel</td><td>920</td></tr> <tr> <td>Aluminum</td><td>180</td></tr> </tbody> </table> <p>To limit the risk of an adverse impact on earnings, certain contracts include price clauses relating to raw materials. In cases where price clauses are not included, Haldex renegotiates the agreements if the price trend for raw materials has significantly changed. To a large extent, the short-term impact of price increases for raw materials is limited by the fact that price agreements with the Haldex's raw materials suppliers have an average duration of six months.</p>	Annual purchasing	SEK m	Steel	920	Aluminum	180						
Annual purchasing	SEK m												
Steel	920												
Aluminum	180												
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, in order to avoid losing market share to competitors.	<p>A key part of Haldex's strategy involves the development of new products in areas that the Group considers important for continued growth and/or to maintain market share. Every year, Haldex invests a considerable amount in research and development, which is expected to provide good opportunities for monitoring and also, in some areas, for leading development.</p> <p>INVESTMENT IN R&D / SALES</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Investment in R&D / Sales (%)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3.4</td> </tr> <tr> <td>2015</td> <td>3.6</td> </tr> <tr> <td>2016</td> <td>3.5</td> </tr> <tr> <td>2017</td> <td>4.0</td> </tr> <tr> <td>2018</td> <td>4.1</td> </tr> </tbody> </table> <p>When developing new products, there is always a risk that a product launch will fail for some reason. Since the Group capitalizes expenditure for major development programs, a failed launch could give rise to an impairment requirement. In the fourth quarter of 2018, the capitalization of product development expenditures began for the "Scalable Brake System". During the quarter, SEK 12 m was capitalized and the capitalization is expected to continue at the same pace for 2019.</p> <p>The Group's total costs for product development (excluding amortization and depreciation) amounted to SEK 212 (179)m, and capitalized development costs amounted to SEK 68 (43) m as per December 31, 2018.</p>	Year	Investment in R&D / Sales (%)	2014	3.4	2015	3.6	2016	3.5	2017	4.0	2018	4.1
Year	Investment in R&D / Sales (%)												
2014	3.4												
2015	3.6												
2016	3.5												
2017	4.0												
2018	4.1												
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: <ul style="list-style-type: none"> – Disrupted critical information systems. – Disclosure of sensitive information to unauthorized parties. – Strategic or sensitive information is modified or tampered with. 	<p>Haldex has a central unit for global control of IT/IS that is responsible for information security and system stability.</p> <p>Haldex is currently working to upgrade existing ERP systems to improve efficiency, 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.</p>												

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.

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 can affect the business, such as discussions between the US and Mexico, China and American tariffs on raw materials.
Intellectual property rights and patent 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 18–23.

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 and will comply with it. Whistleblower procedures are in place to enable employees to sound the alarm when 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. All major suppliers are paid visits on an ongoing basis and to some extent smaller suppliers too. If anomalies are suspected, 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 have established policies and handling with regard to ethical issues. The connection between Haldex and customers is also not so visible that the risk for negative impact on Haldex's reputation is considered high.

SUSTAINABILITY-RELATED RISKS

Read more about sustainability work on pages 18–23

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 authorization 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.	<p>In 2018, the net inflow of foreign currencies amounted to approximately SEK 288 (388) 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:</p> <table><tr><th>SEK m</th><th>December 31, 2018</th><th>December 31, 2017</th></tr><tr><td>EUR/SEK</td><td>-/+ 31</td><td>-/+ 31</td></tr><tr><td>USD/CAD</td><td>+/- 11</td><td>+/- 10</td></tr><tr><td>EUR/GBP</td><td>-/+ 14</td><td>-/+ 14</td></tr></table> <p>The above figures are prior to accounting for Haldex's currency hedges in accordance with Haldex's Treasury Policy.</p> <p>The net assets (i.e. equity) of foreign subsidiaries represent investments in foreign currencies which, when translated into SEK, give rise to a translation difference. The Treasury Policy has a framework for how the translation exposure that arises should be managed in order to control the effect of the translation differences on Haldex's capital structure. At the end of 2018, the value of Haldex's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,611 (1,395) m and comprised the following currencies:</p> <table><tr><th>SEK m</th><th>December 31, 2018</th><th>December 31, 2017</th></tr><tr><td>SEK</td><td>497</td><td>446</td></tr><tr><td>USD</td><td>365</td><td>314</td></tr><tr><td>EUR</td><td>166</td><td>143</td></tr><tr><td>GBP</td><td>-40</td><td>-55</td></tr><tr><td>INR</td><td>48</td><td>39</td></tr><tr><td>CNY</td><td>301</td><td>256</td></tr><tr><td>Others</td><td>275</td><td>251</td></tr></table> <p>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:</p> <table><tr><th>SEK m</th><th>December 31, 2018</th><th>December 31, 2017</th></tr><tr><td>USD</td><td>+/- 6</td><td>+/- 16</td></tr><tr><td>EUR</td><td>+/- 8</td><td>+/- 7</td></tr><tr><td>GBP</td><td>-/+ 1</td><td>-/+ 3</td></tr></table> <p>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.</p>	SEK m	December 31, 2018	December 31, 2017	EUR/SEK	-/+ 31	-/+ 31	USD/CAD	+/- 11	+/- 10	EUR/GBP	-/+ 14	-/+ 14	SEK m	December 31, 2018	December 31, 2017	SEK	497	446	USD	365	314	EUR	166	143	GBP	-40	-55	INR	48	39	CNY	301	256	Others	275	251	SEK m	December 31, 2018	December 31, 2017	USD	+/- 6	+/- 16	EUR	+/- 8	+/- 7	GBP	-/+ 1	-/+ 3
SEK m	December 31, 2018	December 31, 2017																																															
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EUR	+/- 8	+/- 7																																															
GBP	-/+ 1	-/+ 3																																															
Credit risk Credit risk arises when a party fails to fulfill its financial obligations, thereby causing a financial loss for the other party.	<p>The risk of customers defaulting on payments for delivered products is minimized by carefully monitoring new customers, by following up the payment behavior of existing customers and by taking out credit insurance, in accordance with the Treasury Policy. At December 31, 2018, Haldex's accounts receivable amounted to a net SEK 699 (597) 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.</p>																																																

>>> All financial risks, and a more detailed description of these and an account of Haldex's use of financial instruments, are presented in Note 4 on pages 48–49.

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Consolidated income statement

Amounts in SEK m	Note	2018	2017
Net sales	5	5,119	4,462
Cost of goods sold	13	-3,813	-3,237
Gross income		1,306	1,225
Selling expenses	13	-509	-464
Administrative expenses	12, 13	-355	-333
Product development expenses	13	-162	-158
Other operating income and expenses	6, 9	-20	-121
Shares of joint venture		-5	-
Operating income	6, 7, 9, 10, 11, 18	255	149
Interest income	14	7	4
Interest expenses	14	-22	-17
Share of joint venture		-	-12
Other financial items	14	-21	5
Income before tax		219	129
Tax	15	-66	-50
Net income		153	79
<i>Attributable to:</i>			
Shareholders of the Parent Company		148	74
Non-controlling interests		5	5
Earnings per share, SEK (before and after dilution)		3.46	1.67
Average number of shares, thousands		44 204	44 204

Consolidated statement of comprehensive income

Amounts in SEK m	Note	2018	2017
Net income		153	79
Other comprehensive income			
<i>Items not to be reclassified to the income statement:</i>			
Remeasurement of pension obligation, after tax	15,30	6	-12
Total		6	-12
<i>Items that may be reclassified subsequently to the income statement:</i>			
Change in hedging reserves, after tax	15	4	-2
Currency translation differences		73	-42
Total		77	-44
Total other comprehensive income		83	-56
Total comprehensive income		236	23
<i>Attributable to:</i>			
Shareholders of the Parent Company		231	18
Non-controlling interests		5	5

Consolidated statement of financial position

Amounts in SEK m	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Goodwill	16	419	398
Other intangible assets	16	245	151
Tangible fixed assets	17	753	586
Financial assets	19, 22	23	41
Deferred tax assets	20	145	173
Total non-current assets	23	1,585	1,349
Current assets			
Inventories	26	709	585
Accounts receivables	4, 25	700	597
Other current receivables	27	368	327
Derivate instruments	21, 22, 25	22	26
Cash and cash equivalents	28	305	194
Total current assets	23	2,104	1,729
TOTAL ASSETS	5	3,689	3,078
EQUITY AND LIABILITIES			
Equity			
Share capital		221	221
Additional paid in capital		491	491
Reserves		44	-33
Retained earnings		827	691
Attributable to shareholders of the Parent Company		1,583	1,370
Attributable to non-controlling interests		28	25
Total equity		1,611	1,395
Non-current liabilities			
Non-current interest-bearing liabilities	25, 29	572	271
Pensions and similiar obligation	30	455	443
Deferred tax liabilities	20	26	26
Other non-current liabilities		19	35
Total non-current liabilities	24	1,072	775
Current liabilities			
Current interest-bearing liabilities	25	10	61
Account payables	25	595	374
Derivative instruments	21, 22, 25	15	31
Provisions	31	80	95
Other current liabilities	32	306	347
Total current liabilities	24	1,006	908
TOTAL EQUITY AND LIABILITIES		3,689	3,078

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, 2017	221	491	10	1	629	1,352	22	1,374
Net income					74	74	5	79
<i>Other comprehensive income</i>								
Currency translation differences			-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
<i>Transactions with shareholders</i>								
Dividend						0	-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
Opening balance January 1, 2018	221	491	-32	-1	691	1,370	25	1,395
Net income					148	148	5	153
<i>Other comprehensive income</i>								
Currency translation differences			73			73	0	73
Remeasurement of pension obligation, after tax					6	6		6
Change in hedging reserve, after tax				4		4		4
Total other comprehensive income	0	0	73	4	6	83	0	83
Total comprehensive income	0	0	73	4	154	231	5	236
<i>Transactions with shareholders</i>								
Dividend					-24	-24	-2	-26
Value of employee services/incentive programs					6	6		6
Total transactions with shareholders	0	0	0	0	-18	-18	-2	-20
Closing balance December 31, 2018	221	491	41	3	827	1,583	28	1,611

Consolidated statement of cash flow

Amounts in SEK m	2018	2017
Cash flow from operating activities		
Operating income	255	149
Reversal of non-cash items*	170	181
Interest paid	-19	-23
Tax paid	-33	-45
Cash flow from operating activities before changes in working capital	373	262
<i>Change in working capital</i>		
Current receivables	-105	-40
Inventories	-85	-89
Current liabilities	91	40
Change in working capital	-99	-89
Cash flow from operating activities	274	173
Cash Flow from investment activities		
Investments in intangible assets	-99	-73
Investments in tangible assets	-282	-183
Divestment of tangible assets	-	25
Cash Flow from investment activities	-381	-231
Cash flow from financing activities		
Dividend to Haldex' shareholders	-24	-
Dividend to non-controlling interests	-2	-2
Share swap incentive program	6	-
Change of interest-bearing liabilities	231	-33
Cash flow from financing activities	211	-35
Change in cash and cash equivalents, excl. currency translation differences	104	-93
Cash and cash equivalents, opening balance	194	297
Currency translation difference in cash and cash equivalents	7	-10
Cash and cash equivalents, closing balance	305	194
<i>*Reversal of non-cash items</i>		
Depreciations	136	132
Share of joint venture	5	-
One-off items	29	49
Total	170	181

*Cash and current deposits of SEK 222 (66) m are subject to local regulations and can not be used by the Group without paying a tax of withdrawal.

NOTE 1 GENERAL INFORMATION

Haldex AB (Parent Company) and its subsidiaries constitute the Haldex Group. Haldex provides proprietary and innovative brake and suspension systems to the global vehicle industry. The main focus is on products related to vehicle dynamics, safety and the environment. Haldex AB (publ), Corp. Reg. No. 556010-1155, is a registered limited liability

corporation with its registered office in Landskrona, Sweden. The address of the Head Office is Haldex AB, Box 507, SE-261 24 Landskrona. Haldex AB's shares are listed on the Nasdaq OMX Exchange in 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 previous years.

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

Consolidated financial statements

Subsidiaries

The consolidated financial statements include the Parent Company and those companies over which the Parent Company exercises direct or indirect control. Controlling influence entails an ability to exert power over the investee in order to affect the investee's returns, and to be exposed/entitled to variable return from the involvement in the investee. The definition of controlling influence is in accordance with IFRS 10, which came into effect on January 1, 2014. The amendment of the standard in 2014 led to no change in the company'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 normally applies when Haldex holds between 20 percent and 50 percent of the voting power. Holdings in associates companies are accounted for using the equity method.

The equity method is a method of accounting whereby the investment is initially recognised 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 recognising its share of further losses, a liability is recognised 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, unrealised losses are not eliminated to the extent that the transaction provides evidence of a reduction in the net realisable 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.

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

Transactions and balance sheet items

Transactions in foreign currency are translated into functional currency using the exchange rates from the date of the transaction. Exchange gains and losses resulting from these transactions and the translation of monetary assets and liabilities at the closing rate are recognized in the consolidated income statement. An exception is made when transactions fulfill the requirements for hedge accounting, whereby gains and losses are recognized against other comprehensive income after adjustment for deferred taxes.

Subsidiaries

The balance sheets and income statements of subsidiaries, using another functional currency than the presentation currency of the Group, are translated into SEK in the consolidated financial statements. This is carried out by translating assets and liabilities at the closing rate and income and expenses at the average rate during the year. Translation differences arising from translations are recognized as separate items in other comprehensive income. Exchange rate differences on loans and other currency instruments, that are recognized as hedges for net investments in foreign currency, are recognized directly in the translation reserves in other comprehensive income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting presented to the chief operating decision maker of the Group. The chief operating decision maker is the function responsible for the allocation of resources and the assessment of the segments' earnings. For Haldex, this function has been identified as the President. For further information about the segment reporting of Haldex, see Note 5, page 46.

Revenue recognition

The Group applies IFRS 15 for the first time from January 1, 2018. According to IFRS 15, revenue is recognized when the customer receives control of the goods or services. To determine the time of transfer of control, ie. at a certain time or over time, judgments are required. The transition to IFRS 15 has only resulted in minor reclassification effects in the income statement. Revenue from the sale of goods and services is recognized when the goods / services are delivered according to the terms of delivery and the customer has thus gained control of the goods. Revenue is recognized at fair value excluding VAT and, if applicable, is reduced by the amount of discounts granted and returned goods. All of the Group's revenue is reported on one occasion and no part is reported over time.

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.

For further disclosures regarding the testing of deferred tax assets and unrealized taxes attributable to tax-loss carryforwards, please refer to Note 3 on page 43 and Note 20 on page 53.

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. For additional information on goodwill and its impairment testing, please refer to Note 3 on page 43.

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 Group applies a concrete project management model, in which a development project undergoes certain specific activities and assessments to qualify to the next level. In all, a project is assessed at six different qualifying levels and, at each level, a specific assessment is made of all identified requirements, before a decision is made regarding whether the project should proceed. In terms of capitalization, a project to develop a new product meets the above criteria when it has reached Gate 2 (level 3).

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.

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

Software and IT systems

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

Tangible assets

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

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

Scheduled depreciation is based on the acquisition value and estimated useful life of the assets. The depreciations are straight-line and based on the following useful life: Buildings are depreciated over 25–50 years, machinery and equipment are usually depreciated over 3–10 years, while heavier machinery has an economic life of up to 20 years. Land is not depreciated.

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

Leasing

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

A requirement for the reporting of financial leasing is that the leased asset shall be posted as an asset item in the balance sheet at the inception of the lease period, and that the leasing obligation shall be recognized as a liability in the balance sheet. The assets are depreciated according to plan over their useful life, while lease payments are recognized as interest expenses and amortization of debt. No asset or liability items are recognized in the balance sheet in the case of 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 balance sheet date there is an assessment whether any financial instrument has been impaired. Financial instruments are derecognized from the balance sheet when the benefits and risks has been transferred to a counterparty or when the obligations have been met.

Calculation of fair value

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

Classification

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities valued at fair value through profit or loss, loans and accounts receivable, financial assets available for sale and financial liabilities at amortized cost. The classifications are based on the purpose of the acquired instrument. Management determines the classification of the instruments when they are first recognized and reassess the classification on each reporting occasion.

Financial instruments measured at fair value through profit or loss

This category has two sub-categories: financial instruments held for sale and instruments that are initially attributed to the category measured at fair value through profit or loss. 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.

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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.

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

Inventories

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

Accounts receivable

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

Cash and cash equivalents

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

Accounts payable

Accounts payable 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. LTI2014 and LTI2017 were concluded in 2018.

LTI2015 and LTI2016 have not generated any outcome. For more information, see Note 11 on page 53.

NOTE 2 CONTINUED, SUMMARY OF IMPORTANT ACCOUNTING POLICIES

Cash flow statement

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

Government grants

Government grants are recognized at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants connected to the acquisition of non current assets have reduced the acquisition value of the particular assets. This means that the asset has been recognized at a net acquisition value, on which the size of depreciation has been based. Government grants providing compensation for expenses are, when possible, recognized in the same period as the expenses they offset.

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The following standards are applied by the Group for the first time for financial years beginning January 1 2018

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

The following amended standards have been applied but have not or have had only insignificant effects in the accounting

- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The following amended standards are not considered relevant to the Group's current operations

- The annual improvement cycle 2014–2016 for IFRS standards
- Change in the use of an investment property (Amendments to IAS 40)
- Classification and valuation of share-based remuneration (Amendment of IFRS 2)

The Group has changed its accounting principles for the application of IFRS 15. This only gives minor reclassification effects in the Income Statement.

The introduction of IFRS 9 has primarily entailed changed terminology since the amended rules on impairment are not considered to have had any material effect.

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

A number of new standards and interpretations come into force for fiscal years beginning after January 1, 2018 and have not been applied in the preparation of this financial report.

These new standards and interpretations are expected to affect the Group's financial reports as follows:

During the year 2018, the Group reviewed the Group's leasing agreements due to the new rules in IFRS 16. The standard will primarily affect the reporting of the Group's operating leases.

No other of the IFRS or IFRIC interpretations that have not yet entered into force is expected to have any significant impact on the Group.

NOTE 3 IMPORTANT ESTIMATIONS AND ASSUMPTIONS

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 2018, the Group's total goodwill, which amounted to SEK 419 (398) 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 8.1 (8.9) percent. WACC before tax is equivalent to 10.3 (11.4) 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: 7.2 (7.4) 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 2018 and 2017 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 26 (28) percent of the Group's equity per December 31.

Product development projects

Haldex capitalizes the costs of its product 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 2018, an WACC of 9.1 (9.8) percent after tax was used. WACC before tax is equivalent to 11.5 (12.6) percent.

Net value of capitalized product development costs represents SEK 125 (64) m, approximately 8 (5) percent of the Group's equity per December 31. A change in the discount rate by 1 percent or reduction

NOTE 3 CONTINUED, IMPORTANT ESTIMATIONS AND ASSUMPTIONS

of cash flow by 10 percent would entail no significant impairment requirements in the group.

Income taxes

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

Tax assets are carefully assessed in order to estimate the Group's ability to realize these, particularly when it comes to deferred tax assets and the possibility to utilize them for settlement against future taxable gains. The fair value of taxable assets may diverge in the future depending on changes in adopted earnings and/or tax regulations.

At December 31, 2018, the capitalized value of deferred tax assets was SEK 145 (173) m, equivalent to 9 (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.

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, 2018, warranty provisions totaled SEK 74 (86) m. The total warranty expenses for 2018 amounted to SEK 83 (110) m, equivalent to 1.6 (2.5) percent of sales. Of the total warranty expenses, SEK 54 (56) m is recognized as non-recurring expense, as it relates to a significant commitment regarding a specific product and is an item affecting comparability 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 61–62. 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 30 (32) 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 2018, the value of net flows in foreign currencies totaled approximately SEK 288 (388) 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, 2018	December 31, 2017
EUR/SEK	-/+ 31	-/+ 31
USD/CAD	+/- 11	+/- 10
EUR/GBP	-/+ 14	-/+ 14

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 15 (5) m at a weakening/strengthening of 10 percent of the underlying currency. Equity would be SEK 18 (19) 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, 2018, 46 (50)

percent were hedged via derivative instruments. The Group's Treasury policy governs the types of derivative instruments that can be used for hedging purposes as well as counterparties with whom contracts may be signed. Currency forward contracts were used in 2018 to hedge invoiced and forecasted currency flows. At December 31, 2018, these contracts had a nominal value of SEK 132 (193) m net and had a negative market value of SEK 3 (-5) 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 2018, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, corresponded to SEK 1,611 (1,395) m and was represented by the following currencies:

SEK m	December 31, 2018	December 31, 2017
SEK	497	446
USD	365	314
EUR	166	143
GBP	-40	-55
INR	48	39
CNY	301	256
Övriga	275	251

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, 2018, 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 2018 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, 2018, SEK 670 (349) m of the loan liability was subject to an average variable interest rate of 1.64 (1.73) percent. A change of one percentage point in the interest rate would affect the cost of the Group's borrowing by approximately SEK 5 (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 700 (597) m on December 31, 2018, 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

Accounts receivable	December 31, 2018	December 31, 2017
Not due or impaired	584	514
Due by 1–30 days and not impaired	103	77
Due by 30–60 days and not impaired	13	12
Due > 60 days and not impaired	19	11
Impaired accounts receivable, gross value	-19	-17
Accounts receivable, gross value	700	597

The provisions for doubtful account receivables changed as follows:

Provision for doubtful accounts receivable	2018	2017
January 1	-17	-18
Impairment/provisions recognized in the income statement	-	-1
Utilization of reserves attributable to identified bad debt losses	-	1
Reversal recognized in the income statement	-	-
Exchange-rate differences	-2	1
December 31	-19	-17

December 31, 2018						December 31, 2017					
SEK m	USD	HUF	CAD	GBP	EUR	USD	HUF	CAD	GBP	EUR	
	Net purchased	Net purchased	Net sold	Net sold	Net sold	Net purchased	Net purchased	Net sold	Net sold	Net sold	
Nominal amount											
Year of maturity 2018	94	54	64	28	188	Year of maturity 2017	85	41	66	28	225
Average exchange rate	8,91	0,0315	6,87	11,46	10,29	Average exchange rate	8,34	0,0314	6,55	10,86	9,72
Hedging of flows > 12 months	-	-	-	-	-	Hedging of flows > 12 months	-	-	-	-	-
Average exchange rate	-	-	-	-	-	Average exchange rate	-	-	-	-	-

2018, 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 14 (23) m at December 31, 2018. The credit risk after considering netting agreements amounts to SEK+7 (-9) m. The corresponding risk for investments in credit institutions was SEK 305 (194) m, without taking possible offsetting opportunities into account.

Financing risk

The Group's financing risk is the risk that the company will be unable to raise new loans or to finance existing loans. This risk is reduced by a stipulation in the Treasury policy stating that the loans raised must have a long maturity. The total liability must have an average remaining maturity of at least one year. On December 31, 2018, 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 60.

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 1,072 (1,168) m at year-end on December 31, 2018, corresponding to 21 (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, 2018	December 31, 2017
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.

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.

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

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

and dehumidifying of compensated air, valves and ABS and EBS.

Foundation Brake develops and manufactures products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators.

However, since the two product lines have similar businesses, customers and long-term operational margins the two product lines are reported and assessed as one segment.

The top ten customers accounts for about a third of the 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

	2018	2017	Change, nominal	Change, currency adjusted
Air Controls	2,111	1,933	9%	6%
Foundation Brake	3,008	2,529	19%	17%
Total	5,119	4,462	15%	12%

Breakdown by geographic area

2018	North America ¹⁾	Europe	Asia and the Middle East	South America	Total
Net sales	2,432	1,811 ²⁾	708	168	5,119
Assets	1,373	1,622 ³⁾	590	104	3,689
Investments	62	157	91	3	313

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

¹⁾ Mostly USA.

²⁾ Of which net sales to Sweden amounts to SEK 54 (64) m.

³⁾ Of which total assets in Sweden amounts to SEK 1,078 (613) 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.

	2018	2017
Operating income, including one-off items	255	149
Restructuring costs		-19
External services related to bidding process	4	-68
Product related warranty (see Note 3)	-54	-56
Operating income, excluding one-off items	305	292

NOTE 7 EXPENSES BY NATURE

	2018	2017
Direct material costs incl. inventory changes	2,895	2,425
Personnel costs	1,057	973
Depreciation (see Note 16 and 17)	136	132
Other operating income and expenses	776	783
Total	4,864	4,313

NOTE 8 GOVERNMENT GRANTS

	2018	2017
Government grants ¹⁾	10	2
Total	10	2

¹⁾ Whereof SEK 5(2) m is grant for development work and SEK 5(0) m is grant for export from India.

NOTE 9 INFORMATION ON REMUNERATION OF SENIOR EXECUTIVES

Amounts in SEK k	2018			2017		
	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 2 women)						
Jörgen Durban (Chairman from May 2017)	750	-	-	856	-	-
Helene Svahn (from May 2018)	375	-	-	-	-	-
Ulrika Hagdahl (from May 2018)	375	-	-	-	-	-
Ulf Ahlen (from May 2017)	350	-	-	380	-	-
Johan Gileus (from May 2017)	400	-	-	430	-	-
Göran Carlson (to May 2018)	-	-	-	682	-	-
Magnus Johansson (to May 2018)	-	-	-	1,015	-	-
Annika Sten Pärson (to May 2018)	-	-	-	477	-	-
Staffan Jufors (to May 2017)	-	-	-	123	-	-
Carina Olsson (to May 2017)	-	-	-	160	-	-
Anders Nielsen (to May 2017)	-	-	-	135	-	-
Total	2,250	-	-	4,258	-	-
President						
Åke Bengtsson (from March 2017)		672	3,438	2,517	2,038	865
Bo Annvik (to March 2017)		-	-	2 277	77	422
Total	3,606	672	3,438	4,794	2,115	1,287
Other senior executives (Group Management)						
11 (8) people, of whom 2 (2) (women at year end 2018)	20,268	5,566	5,194	16,583	9,853	3,684
Total	23,874	6,238	8,632	21,377	11,968	4,971

* **A decrease of costs related to share-based remuneration is included in the amount of SEK 172 k. Costs related to share-based remuneration are included in the amount of SEK 707 k in 2017 numbers. SEK 8,715 k is variable remuneration related to "stay-on bonus" in 2017 numbers as explained under the headline "Guidelines" (see below).

Remuneration to the Board of Directors

The Annual General Meeting 2018 decided the remuneration to be SEK 700 k for the chairman and SEK 300 k for other members not employed by the company. The annual remuneration for members of the Board Audit Committee was decided to be SEK 100 k for the Committee Chairman and SEK 50 k for other committee members. For the Technology Committee, if such committee were to be formed, the chairman's remuneration was decided to be SEK 75 k and for other committee members SEK 75 k.

Guidelines

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

NOTE 9 CONTINUED, INFORMATION ON REMUNERATION OF SENIOR EXECUTIVES

For members in the Group Management, severance pay is provided in accordance with the guidelines established by the Board of Directors for remuneration of senior executives. If there is a termination of employment by the Group, the notice period for the President and CEO is 12 months and for other senior executives up to 12 months. For more information about severance pay to the President and CEO, see Remuneration of the Board of Directors and Senior Executives on page 51.

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 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.

Incentive program

The Annual General Meeting 2013 and 2014 resolves to implement incentive programs for senior executives and key personnel, the incentive programs that has been ongoing during 2018 are LTI 2014, LTI2017 and LTI2018. In brief, LTI means that if certain performance targets are achieved during a period of three years, the LTI participants are awarded by a variable remuneration in the beginning of 2021, which will be awarded in cash. LTI2014 and LTI2017 were concluded in 2018. 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 below.

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 2017 and 2018 are LTI 2014 and LTI2017. LTI2014 is 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 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 LTI2014 and LTI2017 programmes have been 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 LTI2014 was determined in the spring of 2015, 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 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 (0) 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.

LTI2014 – No. of option rights	Opening balance Januari 1, 2018	Allotted option rights	Cancelled	Distribution year	Closing balance December 31, 2018
President	-	-	-		-
Other senior executives (Group Management)	8,052	-	-8,052	2018	-
Other key personnel	12,973	-	-12,973	2018	-
Total	19,924	-	-19,924		-

NOTE 11 EMPLOYEES AND EMPLOYEE REMUNERATION

	Women	Men	Total 2018	Women	Men	Total 2018
Sweden	60	171	231	53	172	225
US	149	357	506	141	364	505
Mexico	122	275	397	110	274	384
Hungary	127	169	296	123	158	281
China	47	239	286	40	212	252
India	28	175	203	16	144	160
Germany	23	80	103	23	82	105
France	29	48	77	30	44	74
UK	13	62	75	10	52	62
Brazil	22	43	65	17	42	59
Canada	6	19	25	5	19	24
Poland	2	7	9	3	7	10
Italy	4	4	8	4	3	7
Spain	3	4	7	3	4	7
South Korea	1	6	7	1	6	7
Austria	2	3	5	2	3	5
Belgium	1	4	5	1	4	5
Russia	1	2	3	1	2	3
Australia	0	1	1	0	1	1
Total	640	1,669	2,309	583	1,593	2,176

	2018			2017		
	Salaries and remuneration	Social security costs	Of which pension costs	Salaries and remuneration	Social security costs	Of which pension costs
Haldex	783	241	36	695	219	39

For information about remuneration to senior executives, see Note 9 on page 51.

Of total pension cost accounted for in operating income is SEK 30 (34) m related to defined contribution plans and SEK 6 (5) m attributable to defined benefit plans. For more information about defined benefit plans of Haldex, see Note 30, page 60.

NOTE 12 AUDITOR'S REMUNERATION

	2018	2017
<i>Öhrlings PricewaterhouseCoopers AB and network</i>		
Audit assignments	5	4
-whereof Öhrlings PricewaterhouseCoopers AB	2	2
Audit activities other than audit assignment	-	-
Tax consultancy services	2	2
-whereof Öhrlings PricewaterhouseCoopers AB	-	-
Other services	-	-
Total	7	6

NOTE 14 FINANCIAL INCOME AND EXPENSES

	2018	2017
Interest income	7	4
Interest expenses	-10	-13
Share of joint venture	-	-12
Interest on pension liabilities (net) (see Note 30)	-12	-4
Other financial income and expenses	-21	5
Total	-36	-20

NOTE 13 AMORTIZATION AND DEPRECIATION

	2018	2017
Cost of goods sold	95	91
Selling expenses	3	2
Administrative expenses	20	16
Product development expenses	18	23
Total	136	132

NOTE 15 TAXES

	2018	2017
Current tax	-33	-44
Deferred tax	-33	-6
Total	-66	-50

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	2018	2017
Income before tax	219	129
Tax at applicable tax rate in Sweden	21%	22%
Differences in tax rates of different countries of operation	9%	8%
Non-deductible expenses	7%	2%
Non-taxable revenues	-8%	-2%
Tax attributable to prior years	-3%	4%
Utilization of losses carried forward not recognized before	-5%	0%
Revaluation of losses carried forward/not recognized deferred tax assets due to tax loss carry-forwards	2%	-8%
Effects from US tax reform	6%	10%
Other taxes	1%	3%
Effective tax rate	30%	38%

The Group's tax expense amounts to SEK 67 (50) m. The underlying tax rate for 2018 amounts to 30 percent, compared to 38 percent in the preceding year.

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

	2018	2017
<i>Deferred tax</i>		
Remeasurement of pension obligation	6	10
Change in hedge reserve	-4	0
Change in assets available for sale	0	0
Currency translation differences	5	8
Total	7	18

NOTE 16 INTANGIBLE ASSETS

	Goodwill	Patent and other intangible assets	Capitalized development costs	Total
January 1, 2017				
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
Depreciation	-	-	-12	-12
Closing carrying amount	398	1	150	549
December 31, 2018				
Acquisition value	398	71	403	872
Accumulated depreciation	-	-70	-253	-323
Carrying amount	398	1	150	549
January 1 – December 31, 2018				
Opening carrying amount	398	1	150	549
Currency translation differences	21	-	-	21
Investment	-	1	29	30
Capitalized costs *	-	-	69	69
Depreciation	-	-	-5	-5
Closing carrying amount	419	2	243	664
December 31, 2018				
Acquisition value	419	72	504	995
Accumulated depreciation	-	-70	-261	-331
Carrying amount	419	2	243*	664

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 125 (64) m and development of IT systems in the amount of SEK 118 (86) m.

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, 2017						
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	-	-	-	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
January 1 – December 31, 2018						
Opening carrying amount	61	9	297	100	119	586
Currency translation differences	3	-	12	3	5	23
Investment	3	3	186	66	25	283
Divestment	-	-	- 1	- 1	- 6	- 8
Depreciation	- 9	-	- 83	- 39	-	- 131
Impairment	-	-	0	-	-	-
Closing carrying amount	58	12	411	129	143	753
December 31, 2018						
Acquisition value	208	18	1,465	866	146	2,703
Accumulated depreciation	- 150	- 6	-1,054	- 737	- 3	-1,950
Carrying amount	58	12	411	129	143	753

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 77 (53) m. The future aggregated minimum lease payments under non-cancellable operating leases fall due as follows:

	December 31, 2018			December 31, 2017		
	Premises	Machinery and other equipment	Total	Premises	Machinery and other equipment	Total
Year 1	65	12	77	43	11	54
Year 2–5	139	11	150	142	13	155
Later than 5 years	67	0	67	32	0	32

NOTE 19 FINANCIAL FIXED ASSETS

	December 31, 2018	December 31, 2017
Shares in joint ventures	-	5
Other non current receivables	23	36
Total	23	41

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:

	2018	2017
January 1	147	136
Tax attributable to the Income statement (see Note 15)	-33	-6
Tax attributable to equity (see Note 15)	-1	8
Tax attributable to other comprehensive income (see Note 15)	0	10
Reclassification within the balance sheet	-	-
Currency translation differences	7	-1
December 31	119	147

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

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Tax loss carry-forwards	94	87	0	0	94	87
Tangible assets		3	0	0	0	3
Provisions	12	25	0	0	12	25
Pensions and similar obligations	50	54	0	0	50	54
Acquisition-related surplus values	0	0	9	9	-9	-9
Other	14	14	42	27	-28	-13
Net deferred tax assets/tax liability	170	183	51	36	119	147
Offsetting of deferred tax assets/tax liabilities	-25	-10	-25	-10	-	-
Total	145	173	26	26	119	147

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. There are non recognized tax losses carryforwards at December 31 with a potential deferred tax asset of approximately SEK 7 (35) m. All recognized tax loss carryforwards have an expiry date exceeding ten years.

NOTE 21 DERIVATIVE INSTRUMENTS

	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Skulder
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
Total derivatives as recognized in the balance sheet	22	15	26	31
Derivatives subject to offsetting, enforceable master netting arrangements	-13	-13	-10	-10
Net amount	9	2	16	21

Equity gains and losses in short-term currency forward contracts will be transferred to income statement at different points during 2019. All equity gains and losses in short-term currency forward contracts recognized in 2017 has been transferred to the income statement in 2018. 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. to a price quoted in an active market. The derivatives are recognized to fair value in the balance sheet according to Tier 2, meaning that the fair value is determinable, directly or indirectly, from observable market data. There were no transfers the different Tier levels during the year.

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

	December 31, 2018			December 31, 2017		
	Measured to quoted prices in an active market (Tier 1)	Measured to observable market data (Tier 2)	Measured to non observable market data (Tier 3)	Measured to quoted prices in an active market (Tier 1)	Measured to observable market data (Tier 2)	Measured to non observable market data (Tier 3)
Derivative instruments	-	7	-	-	-5	-
Total	-	7	-	-	-5	-

The other financial instruments of the Group are accounted for as follows: Haldex multicurrency revolving credit facility and bond loans are subject to variable interest rate of 1–6 months, thus the fair values correspond to the carrying amounts. 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 value are considered to correspond to the carrying amounts.

NOTE 23 ASSETS AS PER BALANCE SHEET

	December 31, 2018						December 31, 2017					
	Non financial instruments	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Assets available for sales	Total	Non Financial instruments	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	1 417					1,417	1,135					1,135
Financial assets						0						
Deferred tax assets	145					145	173					173
Other financial assets		23			0	23	5	36				41
Current assets						0						
Inventory	709					709	585					585
Current receivables						0						
Accounts receivable		699				699		597				597
Other current receivables	114	255				369	69	258				327
Derivative instruments			18			18			25			25
Derivative instruments - hedged				4		4				1		1
Cash and cash equivalents		305				305		194				194
Total	2,385	1,282	18	4	0	3,689	1,967	1,085	25	1		3,078

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 values.

NOTE 24 LIABILITIES AS PER BALANCE SHEET

	December 31, 2018					December 31, 2017				
	Non financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Non Financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total
Non-current liabilities										
Deferred tax liabilities	16				16	26				26
Pension and similar obligation	455				455	443				443
Interest-bearing liabilities		572			572		270			270
Other non-current liabilities		19			19		36			36
Current liabilities										
Interest-bearing liabilities		10			10		61			61
Accounts payables		595			595		374			374
Derivative instruments			14		14			26		26
Derivative instruments – hedged				1	1				5	5
Provisions	67				67	95				95
Other current liabilities	155	163			318	210	137			347
Total	693	1,359	14	1	2,067	774	878	26	5	1,683

Haldex short and long term loans, 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.

NOTE 25 LIQUIDITY

The table below is showing liquidity inflow and outflow for Haldex based on the balance sheet at year end. The liquidity inflow and outflow is specified in intervals within a year, 1–2 years and more than 2 years.

	31 december 2018			31 december 2017		
	< 1 år	1–2 år	> 2 år	< 1 år	1–2 år	> 2 år
Non-current credit facilities incl. Int.	-6	-273	-303	-3	-3	-270
Current interest-bearing liabilities incl. Interest	-64			-154		
Account payables	-595			-374		
Derivative instruments	-15			-31		
Total	-680	-273	-303	-562	-3	-270
Account receivables	699	-	-	597	-	-
Derivative instruments	22	-	-	26	-	-
Net flow	41	-273	-303	61	-3	-270
Derivative instruments						
-outflow	3,341	-	-	1,939	-	-
-inflow	3,332	-	-	1,936	-	-

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. Available unused credit facilities at year-end totaled SEK 767 (974) m. Calculated interest comprised the the counter-value in SEK based on exchange rates at December 31, 2018 and the future current interest rates on the liability.

NOTE 26 INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	419	339
Semi-manufactured products	21	21
Finished products	269	225
Total	709	585

NOTE 27 OTHER CURRENT RECEIVABLES

	December 31, 2018	December 31, 2017
Tax receivables	126	25
<i>Prepaid expenses and accrued income</i>		
Rents and insurance	0	11
Other prepaid expenses	1	32
Lien claim ^{*)}	109	116
Other current receivables	132	143
Total	368	327

^{*)} Claim for used parts that are being remanufactured.

NOTE 28 CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Bank accounts and cash	305	194
Total	305	194

Cash and current deposits of SEK 222 (66) m are held in Brazil, China and Korea and are subject to local currency control regulations. These local currency control regulations entail limitations to the transfer of capital from the country other than through normal dividends.

NOTE 29 NON-CURRENT INTEREST-BEARING LIABILITIES

	December 31, 2018	December 31, 2017
Multicurrency Revolving Credit Facility	300	-
Bond loans	270	270
Total	570	270

	December 31, 2018		December 31, 2017	
	Facility limit	Maturity date	Facility limit	Maturity date
Multicurrency Revolving Credit Facility	EUR 90 m	Apr 21, 2021	EUR 90 m	Apr 21, 2021
Bond loans	SEK 270 m	Jan 20, 2020	SEK 270 m	Jan 20, 2020

NOTE 30 PENSIONS AND SIMILAR OBLIGATIONS

Haldex has defined-benefit pension plans for certain units in Sweden, Germany, France, the UK and the US. The defined-benefit pension plans for the units in USA have been closed during 2017 and transferred 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 use mainly defined-contribution plans. The pension scheme in the UK has a minimum funding requirement. Based on a funding valuation, that is performed every third year, the company and the trustees agree upon a recovery plan to fund the obligation to the minimum requirements.

Amount recognized in the Balance Sheet

	2018	2017
Defined benefit obligation January 1	742	794
Pensions vested during the period	7	5
Interest on obligation	18	17
Benefits paid	-22	-21
Decreased obligation due to transfer to defined-contribution plan	0	-78
Contributions	0	-
Effects of reductions and settlements	0	-
Remeasurements due to changes in demographical assumptions	2	1
Remeasurements due to changes in financial assumptions	-18	36
Experienced based remeasurements	3	-8
Currency translation differences	14	-4
Defined benefit obligation December 31	746	742
Fair value of plan assets January 1	306	377
Expected return on plan assets	8	8
Payment from assets	-16	-78
Effects of reductions and settlements	0	-3
Contributions	9	4
Valuation gains/losses on plan assets	-18	6
Currency translation differences	6	-8
Fair value of plan assets December 31	295	306

Reconciliation of interest bearing pension liabilities

	2018	2017
Pension liability (net) January 1	443	422
Pension cost	17	15
Benefits paid	-22	-21
Contributions	0	-78
Payment from assets	-9	-4
Decrease of liability due to transfer to defined-contribution plan	16	78
Effects of reductions and settlements	0	3
Actuarial gains/losses recognised in other comprehensive income	-2	23
Currency translation differences	12	5
Net amount recognized in the balance sheet December 31	455	443

NOTE 30 CONTINUED, PENSIONS AND SIMILAR OBLIGATIONS**Amounts recognized in the Income Statement**

	2018	2017
Pensions vested during the period	-7	-5
Interest on obligation	-18	-17
Expected return on plan assets	8	8
Total	-17	-14

Amounts recognized in other comprehensive income

	2018	2017
Remeasurments of pension obligation		
where of, demographic assumption	-2	-1
where of, due to changes in actuarial assumptions	25	-36
where of, experience adjustments	-3	8
Valuation gains (losses) on plan assets	-18	6
Total	2	-23

Defined pension obligation and plan asset per country

2018	Sweden	Germany	UK	Other	Total
Defined benefit obligation	250	128	355	16	749
Plan assets	42	-	244	8	294
where of, equities	5	-	-	-	5
where of, interest bearing securities	34	-	34	-	68
where of, diversified growth funds	-	-	206	-	206
where of, properties	-	-	-	-	-
whereof cash and cash equivalents	3	-	4	8	15
Net amount recognized in the balance sheet	208	128	111	8	455

Defined pension obligation and plan asset per country

2017	Sweden	Germany	UK	Other	Total
Defined benefit obligation	243	129	364	10	746
Plan assets	53	-	247	3	303
where of, equities	8	-	-	-	8
where of, interest bearing securities	43	-	24	-	67
where of, diversified growth funds	-	-	223	-	223
where of, properties	0	-	-	-	-
where of, cash and cash equivalents	2	-	-	3	5
Net amount recognized in the balance sheet	190	129	117	7	443

Assumed life expectancy after retirement at the age of 65

	Sweden	Germany	UK
Male	22	19	21
Female	24	23	23

Actuarial assumptions 2018

Percent	Sweden	Germany	UK
Discount rate and expected return on plan assets, January 1, 2018	2.7	1.6	2.6
Discount rate and expected return on plan assets, December 31, 2018	2.5	2.0	2.9
Expected salary increase	2.0	0.0	2.8
Expected inflation	2.0	2.0	3.5

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

NOTE 30 CONTINUED, PENSIONS AND SIMILAR OBLIGATIONS

Average remaining of the pension plan

	Sweden	Germany	UK
Year	17	13	19

The discount rate is based on high quality corporate bonds, in Sweden mortgage-backed bond, with a maturity time corresponding to the estimated maturity of the obligations for post benefit employment. All the pension plans are listed investments. A change to the discount rate of +/- 0,25 percent, for each particular country affects the present value of the Group's pension obligation with approximately SEK 30 (32) m.

NOTE 31 OTHER PROVISIONS

	2018			2017		
	Warranty reserves	Restructuring reserves	Total	Warranty reserves	Restructuring reserves	Total
January 1	86	9	95	110	14	124
Provisions	71	0	71	54	18	72
Requisitions	-86	-2	-88	-73	-23	-96
Translation differences	3	0	3	-5	0	-5
December 31	74	7	80	86	9	95

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

NOTE 32 OTHER CURRENT LIABILITIES

	2018	2017
Tax liabilities	13	4
<i>Accrued expenses and deferred income</i>		
Personnel costs	109	124
Other accrued expenses	171	137
Other current liabilities	13	82
Total	306	347

NOTE 33 ASSETS PLEDGED AS COLLATERAL AND CONTINGENT LIABILITIES

	December 31, 2018	December 31, 2017
Assets pledged as collateral	52	89
Bank notes China	146	0
Pension guarantee Great Britain	139	0
Other contingent liabilities	3	3
Total contingent liabilities	288	3

NOTE 34 CORPORATE ACQUISITIONS

No acquisitions during 2018.

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 51.

Parent Company – income statement

Amounts in SEK m	Note	2018	2017
Net sales		96	102
Administrative costs	4, 5	-76	-114
Operating income		20	-12
Dividends from Group companies		50	22
Write-down of shares in subsidiaries		-100	-40
Interest income	6	73	73
Interest expenses	6	-21	-14
Other financial items		-2	-3
Income after financial items		20	26
Group contribution		-59	-50
Income before tax		-39	-24
Taxes	12	-4	-3
Net income		-43	-27

Parent Company – comprehensive income report

Amounts in SEK m	2018	2017
Net income	-43	-27
Other comprehensive income	-	-
Total comprehensive income	-43	-27

Parent Company – balance sheet

Amounts in SEK m	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	7	1,721	1,721
Other shares and participations			
Non-current receivables subsidiaries	8	1,149	1,018
Other non-current receivables	8	28	43
Total non-current assets		2,898	2,782
Current assets			
Receivables from subsidiaries		1,084	976
Other current receivables	9	26	6
Derivative instruments	10	24	34
Cash and cash equivalents	11	0	0
Total current assets		1,134	1,016
TOTAL ASSETS		4,032	3,798
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		590	633
Net income		-43	-27
Total equity		1,146	1,205
Provisions			
Pensions and similar obligations	13	36	32
Other provisions		18	23
Total provisions		54	55
Non-current liabilities			
Non-current interest-bearing liabilities	14	570	270
Debts to subsidiaries		332	326
Other non-current liabilities		-	8
Total non-current liabilities		902	604
Current liabilities			
Account payables		4	-
Debts to subsidiaries		1,776	1,712
Derivative instruments	10	21	35
Other current liabilities	15	129	187
Total current liabilities		1,930	1,934
TOTAL EQUITY AND LIABILITIES		4,032	3,798
Collateral pledged		None	None
Contingent liabilities	16	378	366

Parent Company – changes in equity

Amounts in SEK m	Restricted equity	Unrestricted equity		Total
	Share capital	Share premium reserve	Retained earnings	
Opening balance at January 1, 2017	221	378	633	1,232
Net income			-27	-27
Closing balance at December 31, 2017	221	378	606	1,205
Opening balance at January 1, 2018	221	378	606	1,205
Net income			-43	-43
Dividend, cash			-24	-24
Value of employee services/incentive programs			8	8
Closing balance at December 31, 2018	221	378	547	1,146

Parent Company – cash flow statement

Amounts in SEK m	2018	2017
Cash flow from operating activities		
Income before tax	-39	-24
Reversal of non-cash items*	158	91
Cash flow from operating activities before change in working capital	119	67
<i>Change in working capital</i>		
Current receivables	-63	-595
Current liabilities	-221	414
Change in working capital	-284	-181
Cash flow from operating activities	-165	-114
Cash flow from investment activities		
Investments in shares and participations		
Change in non-current receivables	-116	86
Divestment of shares and participations	0	23
Cash flow from investment activities	-116	109
Cash flow from financing activities		
Change in interest-bearing liabilities	300	-
Change in other liabilities	-3	5
Dividend to shareholders	-24	-
Share swap incentive program	8	-
Cash flow from financing activities	281	5
Change in cash and cash equivalents	0	0
Cash and cash equivalents, opening balance	0	0
Cash and cash equivalents, closing balance	0	0
*Reversal of non-cash items		
Group contribution - not paid	59	50
Write-down of shares in subsidiaries	100	40
Other	-1	1
Total	158	91

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 the Nasdaq OMX Exchange in 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 exceptions 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

	2018			2017		
	Women	Men	Total	Women	Men	Total
Sweden	4	8	12	4	8	12

NOTE 4 SALARIES AND OTHER REMUNERATION

	2018				2017			
	Salaries and remuneration	Of which Board of Directors, CEO and Senior Executives	Social security costs	Of which pension costs	Salaries and remuneration	Of which Board of Directors, CEO and Senior Executives	Social security costs	Of which pension costs
Sweden	22	14	17	9	39	22	16	5

The Board of Directors consists of 7 members (8), 2 of whom are employee representatives. For information on individual remuneration paid to them and the CEO, see Note 9 in the consolidated financial statements. Remuneration to other senior executives, 4 persons (4),

amounted to SEK 10 m (11), of which variable remuneration amounted to SEK 1 m (4). More information on remuneration to senior executives can be found in Note 9 on pages 51–52. Pension payments for other senior executives amounted to SEK 4 m (4) of the total pension costs.

NOTE 5 AUDITOR'S REMUNERATION

	2018	2017
Öhrlings PricewaterhouseCoopers AB och nätverk		
Audit assignment	2	1
Tax consultancy services	0	0
Total	2	1

NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2018	2017
<i>Interest income</i>		
External interest income	0	0
Interest income Group companies	73	73
Total	73	73
<i>Interest expense</i>		
External interest expense	-14	-8
Interest expenses Group companies	-7	-6
Total	-21	-14

NOTE 7 SHARES AND PARTICIPATIONS

At December 31, 2018, Haldex AB held direct ownership interests in the subsidiaries listed in the specification in Note 7. JSB Hesselman AB is the parent company of the wholly owned UK subsidiary Haldex Ltd and the US subsidiary Haldex Inc. Haldex Ltd is the parent company of the wholly owned UK subsidiary Haldex Brake Products Ltd, which 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, 2018	December 31, 2017
Haldex Brake Prod AB	556068-2758	Landskrona	127,500	100	93	93
Haldex Halmstad AB	556053-6780	Landskrona	30,000	100	4	4
Haldex GmbH		Germany		100	51	51
Haldex Europé S.A		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 Int 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 Kft		Hungary		100	74	74
Haldex Wien Ges mbH		Austria		100	7	7
Haldex India Ltd.		India		60	7	7
JSB Hesselman AB	556546-1844	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		100	0	0
Total					1,721	1,721

Change in shares and participations

	Opening balance	Write-down	Closing balance
2018	1,721	0	1,721
2017	1,721	0	1,721

NOTE 8 CURRENT RECEIVABLES

	December 31, 2018	December 31, 2017
Deferred tax assets	9	11
Non-current receivables subsidiaries	1,149	1,018
Other non-current receivables	19	32
Total	1,177	1,061

NOTE 9 OTHER CURRENT RECEIVABLES

	December 31, 2018	December 31, 2017
Tax assets	12	-
Prepaid expenses	-	6
Other current receivables	14	-
Total	26	6

NOTE 10 DERIVATIVE INSTRUMENTS

	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts – at fair value through profit or loss	7	7	10	11
Currency swaps – at fair value through profit or loss	17	14	24	24
Total	24	21	34	35

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, 2018	December 31, 2017
Cash and bank balances	0	0
Total	0	0

NOTE 12 TAX

	2018	2017
Current tax expense for year	-12	-6
Tax attributable to previous years	12	11
Tax effect dividend	-3	-5
Tax on non-deductible expenses	-1	-5
Deferred tax related to temporary differences	0	2
Total	-4	-3

NOTE 13 PENSIONS AND SIMILAR OBLIGATIONS

Pension obligations attributable to defined-benefit plans

	2018	2017
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 3 (5) m. This relates to the funding of a pension fund related to pension obligations to former senior executives.

Reconciliation of interest-bearing pension liabilities

	31 december 2018	31 december 2017
Opening balance, pension liabilities	32	30
Benefits paid	-3	-2
Pension costs	7	4
According to balance sheet	36	32

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, 2018	December 31, 2017
Credit Facility	300	-
Bond loans	270	270
Total	570	270

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. Available unused credit facilities at year-end totaled SEK 767 (880) m. Calculated interest comprises the counter-value in SEK based on exchange rates at December 31, 2018 and the current interest rates on the liability.

Maturity structure, years

	Total	0–1	1–3	3–5	> 5 years	Average rate
SEK m	570	-	570	-	-	1.11
Total	570	-	570	-	-	1.11
Calculated interest	9	6	3	-	-	-
Total	579	6	573	0	0	-

NOTE 15 OTHER CURRENT LIABILITIES

	December 31, 2018	December 31, 2017
Liability to financial institution	62	60
Accrued personnel costs	13	21
Write-down of current receivables	42	-
Other accrued expenses	6	106
Other current liabilities	6	-
Total	129	187

NOTE 16 ASSETS PLEDGED AS COLLATERAL AND CONTINGENT LIABILITIES

	December 31, 2018	December 31, 2017
Securities and guarantees on behalf of subsidiaries	378	366

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 28 2019

Jörgen Durban
Chairman of the Board

Ulf Ahlén
Board member

Johan Giléus
Board member

Ulrika Hagdahl
Board member

Helene Svahn
Board member

Fredrik Hudson
Employee representative

Per Holmqvist
Employee representative

Åke Bengtsson
President and CEO

Our audit report was issued on April 5, 2019
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 2018. The annual accounts and consolidated accounts of the company are included on pages 25–69 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 2018 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 2018 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 5.1 to the 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.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–24 and 70–93. The Board of Directors and the Managing Director 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.

Key audit matter	How the key audit matter was addressed in our audit
<p>Provisions for warranties and obligations to customers <i>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).</i></p> <p>At 31 December 2018, Haldex reported provisions of 74 MSEK for warranties and other obligations to customers. In 2018, a total of 83 MSEK attributable to warranties and obligations to customers was charged to earnings, of which 54 MSEK was recognized as non-recurring items.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>We have assessed the parameters used for the provisions, such as unit costs and product return rates, against actual outcomes.</p> <p>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 2018.</p>
<p>Deferred tax <i>For information on deferred tax, see note 2 (summary of significant accounting policies), note 3 (Significant estimates and judgements) and note 20 (Deferred tax).</i></p> <p>At December 31, 2018, Haldex had deferred tax assets of 145 MSEK of which 98 MSEK is attributable to unutilized tax losses.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Through random sampling, we have assessed the mathematical accuracy of the calculations made by management in determining the value of deferred taxes.</p> <p>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.</p> <p>In this context, we have compared historical forecasts with outcomes to determine the reliability of the forecasts made by management.</p> <p>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 2018.</p>
<p>Capitalized development costs <i>For information on capitalized development costs, see note 2 (summary of significant accounting policies), note 3 (Significant estimates and judgements) and note 16 (intangible and tangible assets).</i></p> <p>Haldex yearly invest significant resources in research and development. To the extent and from the time a development project meets the criteria in IAS 38 development costs are capitalized as an asset. Booked value of capitalized development costs amounts to SEK 243 million and is tested annually or when there is an indication for an impairment.</p> <p>Both the decision on the date of activation and the basis for the impairment test are based on the management's assessments of probable future economic benefits, which is associated with uncertainty, which makes it a focus area in our audit.</p>	<p>We have taken note of Haldex's internal policies and guidelines for capitalization of development costs and tested these against accounting standards.</p> <p>We have in a sample evaluated Haldex's management accounting regarding the accuracy and allocation of internal and external costs to each development project</p> <p>We have tested and challenged the management's judgment of the timing of capitalization and the management's calculation of future economic benefits associated with the capitalized asset.</p> <p>We have reviewed the impairment tests that been made for capitalized development costs.</p>

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 2018 and 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 3, 2018 and have been the company's auditors since July 9, 2003.

Malmö, Sweden, April 5, 2019
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant
Auditor in charge

Carl Fogelberg
Authorized Public Accountant



“Haldex can seriously challenge how the brake system of the future is designed.”

Haldex is a company with an exciting dynamic. As the Chairman of the Board, I get to participate in this journey towards a technology shift that will challenge how you and I think about the vehicles of the future. Our traffic environment and thereby our communities will be changed forever when today's development projects are rolled out in full scale. Haldex has a potential that has become increasingly clear to me. The way that Haldex wants to take on the new technology is much appreciated by customers. Haldex can also combine this potential with a stable core business, making it a multifaceted company with a promising future.

In 2018, we ensured our competitiveness in the new technical areas. The Board gained two new members who have extensive technical backgrounds in different areas. It was a bonus that they also evened out the balance between men and women on the Board. The question on future technical development is so important that we formed a technology committee, like the audit committees and compensation committees that many boards have. During the year, with external help, we verified our choices of technologies and the market potential for these solutions with positive results. Haldex can seriously challenge how the brake system of the future is designed.

In order to do so fully, the company deserves long-term owners who share our vision of the future and actively support the strategy. The Board is working on the long-term ownership strategy and does not believe that the current ownership structure benefits the company. A changed ownership structure will continue to be a highly prioritized area for 2019.

The Board would like to thank all of our employees and customers who have helped us stay focused on the business and continue to drive strategic projects forward in 2018. We are confidently looking forward to the next years and the revolutionary development taking place in our industry.

Landskrona, March 28, 2019

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 in the Nordic Mid Cap segment. Haldex applies the Swedish Corporate Governance Code and hereby presents its 2018 Corporate Governance Report. The Report has been reviewed by the company'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 2018, Haldex compiled with the Swedish Corporate Governance Code 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 ownership situation, no shareholders have volunteered for the Nomination Committee for the 2018 Annual General Meeting. 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 8,420. The largest shareholders were ZF with 20.1 percent (divided between several holdings) followed by Knorr-Bremse with an estimated holding of 10.1 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 13.8 percent at year-end. Each share carries entitlement to one vote at the AGM. For

more information about the share and ownership, see pages 85–87 and <http://corporate.haldex.com>.

2018 Annual General Meeting

The 2018 AGM was held on May 3, 2018 at Haldex in Landskrona, Sweden. 113 shareholders attended the Meeting in person and a number of others through representatives, as well as several assistants and visitors. The shareholders in attendance represented 36.48 percent of the total voting rights. Jörgen Durban was elected the chair of the Meeting. Board members who stood for election and re-election were present at the Meeting.

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

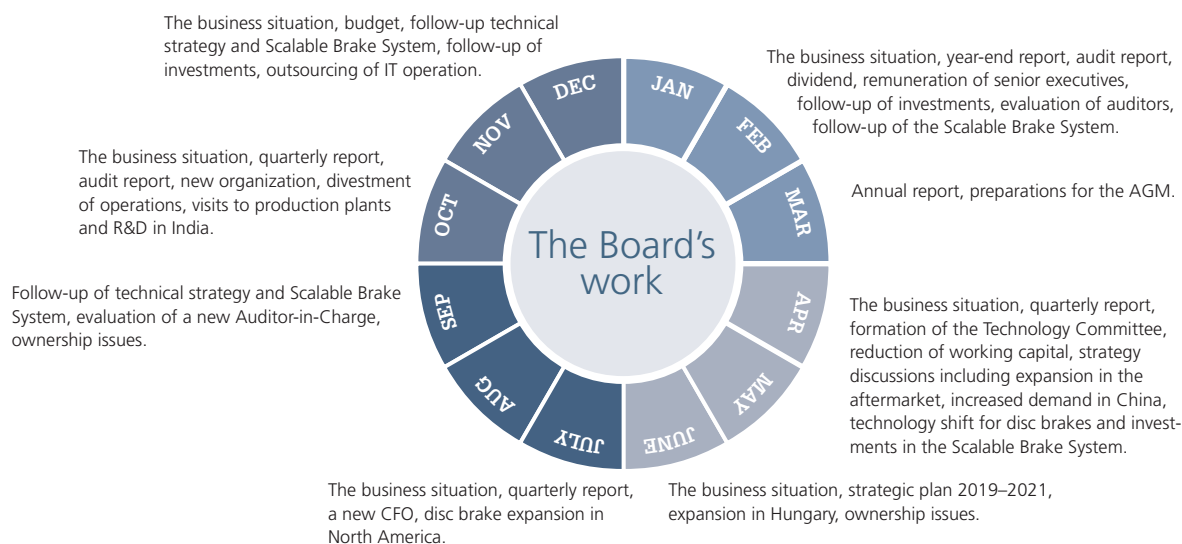
- SEK 0.55 per share in dividend for the 2017 fiscal year.
- Re-election of Board members Ulf Ahlén, Jörgen Durban and Johan Gileus.
- Helene Svahn and Ulrika Hagdahl were elected as new Board members.
- Re-election of Jörgen Durban as Chairman of the Board.
- Re-election of the auditors Öhrlings PricewaterhouseCoopers.
- Determination of remuneration for the Board and auditors.
- Adoption of the Board's proposed guidelines for remuneration of senior executives.

Owners representing a majority of the shares in the company voted to grant the members of the Board and the company's CEO discharge from liability for the 2017 fiscal year. Knorr-Bremse, representing 10.1 percent of the shares in the company, voted against discharge from liability for Ulf Ahlén, Jörgen Durban, Johan Gileus, Per Holmqvist, Fredrik Hudson, Magnus Johansson and Annika Sten Pärsson.

2019 Annual General Meeting

Haldex will hold its AGM on Thursday, May 9, 2019 at 2.00 p.m. at Hotell Öresund, Sofia Albertinas plats 5 in Landskrona, Sweden.

The Board's work in 2018



Nomination Committee

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

The Nomination Committee's proposal is usually presented in the convening notice to the Annual General Meeting. 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.

At the 2018 Annual General Meeting, no nomination committee was established and new guidelines for how the Nomination Committee should be appointed was decided, since no proposal was submitted. On the publication of the Annual Report, no shareholders had announced their representatives on the Committee for the Annual General Meeting 2019.

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 2018, the Board consisted of five 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 78–79 and Notes 9 and 10 to the consolidated accounts on pages 51–52.

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 11 meetings (17) in 2018. The principal issues discussed during the Board meetings were the business situation, strategy, investments, quality assurance, product development, personnel and organizational issues, as well as the budget and long-term business plan. Attendance at Board and Committee meetings is presented on pages 78–79.

Evaluation of the Board's work

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

Board Committees

The Board has established two internal committees – the Audit Committee and Technology 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 bases its decision.

Up to the AGM in May 2018, the Board had a Compensation Committee and an Audit Committee. The Board elected at the AGM decided to discontinue the Compensation Committee and instead establish a Technology Committee considering the major technology shift the industry and Haldex are facing.

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 2018, the Audit Committee comprised, until the AGM, Ulf Ahlén, Göran Carlson, Johan Giléus and thereafter Ulf Ahlén, Jörgen Durban, Johan Giléus and Fredrik

Hudson. Johan Giléus was the committee chair in 2018. The Audit Committee held four (six) meetings during the year.

Technology Committee

The Technology Committee was established after the 2018 AGM. The objective of the Committee is to analyze and evaluate the company's technical strategy and recommend choices of technology. In 2018, after the AGM, the Technology Committee consisted of Helene Svahn, Ulrika Hagdahl and Per Holmqvist from the Board and Andreas Jähnke, SVP R&D, as an adjunct member from company management. Helene Svahn was the Chairman of the Committee. The Technology Committee held two meetings in 2018.

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. Until the 2018 AGM, the Compensation Committee consisted of Jörgen Durban, Magnus Johansson and Annika Sten Pärson. Magnus Johansson was the Chairman of the Committee. After the AGM, the Compensation Committee was dissolved. The Compensation Committee held one (three) meeting in 2018. During the remainder of the time, compensation issues were addressed by the Board as a whole.

Remuneration of Board members

Remuneration of Board members elected by the AGM is approved by the AGM based on a proposal by ZF. In 2018/19, remuneration has been paid in accordance with an AGM resolution, as set out in the table on pages 78–79. Decided remuneration for 2018 is reported in Notes 9 and 10 for the Group on pages 51–52. 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 Annual General Meeting appoints auditors who examine annual reports, accounting and consolidated financial statements, and the management of the Board and the President.

Öhrlings PricewaterhouseCoopers AB was elected as the company's auditors for the period until the end of the 2019 AGM. The auditor primarily responsible is Bror Frid. Bror Frid is an Authorized Public Accountant and the elected auditor of, for example, Chalmers, Elos, Medtech and Julia.

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 2018, the management team consisted of 11 people. As of 1 January 2019, a new organization has been introduced, which entailed that Group Management amounts to 12 people, with a smaller executive group consisting of five people. In 2018,

AUDITORS

Öhrlings PricewaterhouseCoopers AB



Bror Frid
Authorized Public Accountant
Auditor primarily responsible



Carl Fogelberg
Authorized Public Accountant

REMUNERATION TO AUDITORS, SEK M

PwC	2018	2017
Auditing services	5	4
Audit activities in addition to the audit assignment	-	-
Tax advice	2	4
Other services	0	-
Total	7	6

Group Management held 17 meetings, of which 12 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 80–81.

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
- The Board may propose that the AGM resolve on long-term incentive programs.
- 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.
- 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, 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

Continued on page 82

Board of Directors



Jörgen Durban



Ulf Ahlén



Johan Giléus



Ulrika Hagdahl

Name	Jörgen Durban	Ulf Ahlén	Johan Giléus	Ulrika Hagdahl
Role on the board	Chairman of the Board since 2017 Member of the Audit Committee	Board member Member of the Audit Committee	Board member Chairman of the Audit Committee	Board member Member of the Technology Committee
Current occupation	Attorney and Chairman of Board of the Anoto Group.	Board work	Financial adviser focusing on M&A and stock market issues. CFO of InDex Pharmaceuticals Holding AB.	Board work
Education	Bachelor of Laws	Upper-secondary economist	Economics studies at Stockholm University.	Master of Science in Engineering Physics
Elected, year	2017	2017	2017	2018
Born	1956	1948	1965	1962
Resident in	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.	-	Member of the Boards of Beijer Electronics AB, HIQ International AB, Invisio AB and Sectra AB.
Dependent	No	No	No	No
Previous experience	Managing partner at Linklaters Sweden.	Senior executive at Haldex, including Acting CEO in 2012. Various positions in BorgWarner, Volvo Cars and Opcon.	Partner at Deloitte. Board member of the Deloitte.	Founder and former CEO of Orc Software.
Shareholding (individually and with related parties)	0	1,000	1,500	0
Attendance at Board meetings	11/11	11/11	11/11	8/8
Audit Committee	3/3	4/4	4/4, chairman	-
Technology Committee	-	-	-	2/2
Compensation Committee	1/1	-	-	-
Remuneration 2018/19¹	SEK 750,000	SEK 350,000	SEK 400,000	SEK 375,000
<i>of which, Board work</i>	SEK 700,000	SEK 300,000	SEK 300,000	SEK 300,000
<i>of which, Committee work</i>	SEK 50,000	SEK 50,000	SEK 100,000	SEK 75,000

¹ Pertains to AGM-approved remuneration for Board work until the next AGM.
All shareholdings are as of Thursday, March 28, 2019.



Helene Svahn



Per Holmqvist



Fredrik Hudson

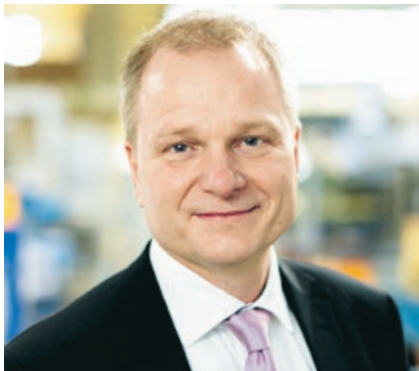


Michael Collin

Name	Helene Svahn	Per Holmqvist	Fredrik Hudson	Michael Collin
Role on the board	Board member Chair of the Technology Committee	Employee representative for PTK-klub-barna	Employee representative for IF Metall Member of the Audit Committee	Employee representative for IF Metall, deputy
Current occupation	Professor of Nano Biotechnology at the KTH Royal Institute of Technology and Senior Vice President Research and Innovation at Permobil.	Global responsibility for production technology issues.	Tooling engineer	Power coater
Education	Master of Science in Molecular Biotechnology and PhD in Electrical Engineering	Technical high school	Technical high school, electromechanics	Economic high school
Elected, year	2018	2014	2011	2013–2017, 2018–
Born	1974	1961	1974	1974
Resident in	Sweden	Sweden	Sweden	Sweden
Other assignments	Member of the Boards of the Swedish Foundation for Strategic Research, Nobel Center Foundation, Mindforce Labs, SwedNanoTech and Forskning & Framsteg.	-	-	-
Dependent	No	-	-	-
Previous experience	Marketing Director, Silex Microsystems, CEO of Picovitro.	-	-	-
Shareholdings (individually and with related parties)	0	900	0	0
Attendance at Board meetings	8/8	11/11	11/11	6/8
Audit Committee	-	-	3/3	-
Technology Committee	2/2	2/2	-	-
Compensation Committee	-	-	-	-
Remuneration 2018/19¹	SEK 375,000	-	-	-
<i>of which, Board work</i>	SEK 300,000	-	-	-
<i>of which, Committee work</i>	SEK 75,000	-	-	-

¹ Pertains to AGM-approved remuneration for Board work until the next AGM.
All shareholdings are as of Thursday, March 28, 2019.

Group Management



Åke Bengtsson



Andreas Larsson



Walter Frankiewicz



Andreas Jähnke



Staffan Olsson



Catharina Paulcén

EXECUTIVE MANAGEMENT TEAM

Name	Åke Bengtsson	Andreas Larsson	Walter Frankiewicz	Andreas Jähnke	Staffan Olsson	Catharina Paulcén
Current position	President and CEO	CFO	Executive Vice President North America	Executive Vice President R&D	Executive Vice President Operations & Supply chain	Executive Vice President Marketing & Commercial support
Education	MBA	B.Sc Business Administration	B.Sc. Electrical Engineering	Officer training	Master of Science in Industrial Engineering and Management	B.Sc., Business Administration.
Born	1963	1973	1959	1977	1967	1973
Resident in	Sweden	Sweden	USA	Sweden	Sweden	Sweden
Other assignments	-	-	-	-	-	Deputy Board member Compilator AB
Previous experience	CFO at Haldex AB 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 Heatex Group 2017–2018, Director Business Control ASSA ABLOY Entrance Systems Industrial Doors and Docking 2011–2017, Senior Business Controller Cardo Entrance Solutions 2007–2011, Nicorette Plant Johnson & Johnson McNeil, Finance Director 2005–2007, Production Controller 1999–2005.	SVP North America Sales at Haldex 2016–2018, Extensive experience of international management roles from the vehicle and manufacturing industry. 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.	SVP R&D, Haldex 2016–2018, Global Project Director R&D, Haldex. Manager Program Management, BorgWarner. Various positions in R&D within Haldex, focusing on validation, quality and project management	SVP Global Operations at Haldex 2014–2018, 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.	SVP Corporate Communications at Haldex 2014–2018, 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.
Shareholding (individually and with related parties)	6,000	0	0	0	0	2,000
Employed	2015	2019	2016	2015	2014	2014
In current position since	2017	2019	2019	2019	2019	2019

All shareholdings are as of Thursday, March 28, 2019.

In 2018, Andreas Richter was a member of Group Management in the role of Senior Vice President EMEA sales and Andreas Ekberg as the acting CFO.



Fredrik Fogelklou



Richard Illingworth



Göran Jarl



AiChang Li



Bjarne Lindblad



Fredrik Seglö



Frida Wahlgren

EXPANDED MANAGEMENT TEAM

Name	Fredrik Fogelklou	Richard Illingworth	Göran Jarl	AiChang Li	Bjarne Lindblad	Fredrik Seglö	Frida Wahlgren
Current position	Senior Vice President Parts & Sales support	Senior Vice President Quality	Senior Vice President EMEA	Senior Vice President Asia Pacific	Senior Vice President Global Sourcing & Logistics	Senior Vice President Business Development	Senior Vice President Human Resources
Education	M.Sc. Business Administration	B.Eng. (Hons) Technology with Business Management	M.Sc. Electrical Engineering	M.Sc. Mechanical Engineering	MBA	B.Sc. Mechanical Engineering	B.Sc. Psychology
Born	1985	1974	1961	1960	1956	1969	1978
Resident in	Sweden	USA	France	China	Sweden	Sweden	Sweden
Other assignments	-	-	-	-	-	-	-
Previous experience	2015-2018 Haldex business development. 2008-2015 Sandvik business development and product management for the aftermarket.	VP R&D NA – Haldex, Director Powertrain – Brose, Engineering Director – Brose, various positions in R&D, test, projects, production and quality at Brose, Rover Group, Rolls Royce and Bentley & Plaxton Coach and Bus.	VP Europe Aftermarket Sales, VP South America Sales & Marketing at Haldex do Brasil, Site Manager and Aftermarket Manager Europe at Haldex Europe SA, Sales Director at Garphyttan Haldex France S.A., Business Controller and IT Manager at Garphyttan Haldex AB.	CEO of NORMA in China 2006, CEO of WABCO in China 1996-2006.	Sourcing director Nolato AB 2002-2003, President Nolato Gejde AB 1995-2001, CFO Nolato AB 1987-1994, Controller Haldex AB 1984-1986.	Different roles in R&D and product management within Haldex	Management positions in Human Resources at SCA/Essity Hygien, CG Drives and Automation, JBT Foodtech and Saab Automobile Powertrain.
Shareholding (individually and with related parties)	0	0	0	0	0	0	0
Employed	2015	2016	1988	2006	2004	1993	2018
In current position since	2019	2018	2019	2011	2012	2019	2018

All shareholdings are as of Thursday, March 28, 2019.

In 2018, Andreas Richter was a member of Group Management in the role of Senior Vice President EMEA sales and Andreas Ekberg as the acting CFO.

REMUNERATION OF GROUP MANAGEMENT 2018, SEK K

	Fixed salary incl. benefits	Variable remunera- tion	Pension
Åke Bengtsson, CEO	3,606	672	3,438
Other senior executives (Group Management) 11 persons	20,268	5,566	5,194
Total	23,874	6,238	8,632

cases. For more information about the remuneration of senior executives, see Notes 9 and 10 for the Group on pages 51–52.

Remuneration in 2018*President*

In 2018, the President and CEO received fixed and variable salary as detailed in the table on page 82. 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, prepares remuneration issues concerning Group Management, which are subject to resolution by the AGM. Compensation 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 2015 and 2016 resolved to implement incentive programs, called LTI (long-term incentive) for senior executives and key personnel – 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, before final transfer of performance shares to the participant is expected to occur after the AGM at the end of the term (2018–2020 depending on the program), and before the end of June in the same year. Deferred variable remuneration under LTI is not pensionable income.

However, the LTI2015 and LTI2016 programs have not

generated any outcome for the senior executives and key individuals included in the programs.

Since 2017, no incentive programs were adopted that include shares or share price-related components. The long-term incentive program that has been applied since only has cash compensation where the measurement period for fulfillment of the targets extends over a three-year period.

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).

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

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

It is the responsibility of the President together with the CFO to review and quality-assure all external financial reporting, such as interim reports, year-end reports, annual reports, press releases containing financial information and presentation material in conjunction with meetings with the media, shareholders and financial institutions. The President and CFO presents all interim reports, year-end reports and annual reports to the Audit Committee for review. The Board is responsible for ensuring that the company's financial statements are prepared in accordance with applicable laws, accounting standards and other requirements for listed companies.

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

Control environment

The Board has adopted a number of governance documents for the company's internal control and governance. Within the Board of Directors, there is an Audit Committee. The Audit Committee, which prepares matters for the Board considers such issues as the internal control process, monitors reporting issues and discusses accounting policies and the consequences of changes in these policies. Furthermore, the Audit Committee maintains regular contact with the external auditors. The Committee is responsible for evaluation of the audit process and the auditors' efficiency,

qualifications, fees and independence. In addition, the Audit Committee normally 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 Haldex, risks that are documented in a Group-wide document and on pages 34–37.

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 listed 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 2018, 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, March 28, 2019

Auditor's 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 2018 Corporate Governance Report on pages 75–83, 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, April 5, 2019
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant
Auditor primarily responsible

Carl Fogelberg
Authorized Public Accountant



Disc brakes provide shorter braking distances than drum brakes. A disc brake consists of a rotating disc and a brake caliper with two brake pads. By pressing the brake pads against the disc, friction is generated, and the wheel brakes.

The Haldex share

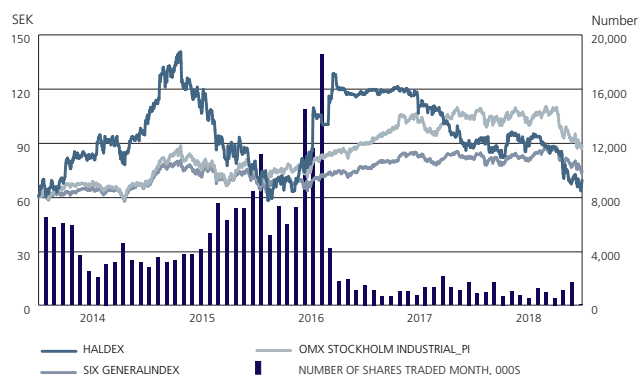
The Haldex share has been listed since 1960. Today, the share is quoted on the Nasdaq Stockholm Mid Cap list, under the ticker symbol HLDX. The share capital in Haldex amounts to SEK 221 m distributed among 44,215,970 shares, each with a par value of SEK 5.00 as per December 31, 2018.

Share price trend and turnover

The highest closing price paid during the year was SEK 95.70 on May 8 and the lowest was SEK 63.10 on December 20. In total, Haldex's share price fell by 26.4 (-33.5) percent in 2018. This can be compared with the Nasdaq Stockholm General Index, which decreased by 8 (+6) percent and the Nasdaq Stockholm Industrial Index (the sector that includes Haldex), which decreased by 14 (+13.5) percent over the same period. The closing price for the Haldex share at the end of the fiscal year was SEK 69.00 (87.25). At year-end, total market capitalization was SEK 3,051 (3,858) m.

In 2018, a total of 11.7 (13.7) million Haldex shares were traded, representing an average turnover of 48,818 (54,707) shares per day. The turnover rate fell to 26 (31) percent over the year.

Haldex share price trend, January 1, 2014 – December 31, 2018



Haldex, total return, January 1, 2014 – December 31, 2018



Total return

The total return on Haldex share's in 2018 was a negative 20.5 (positive 151) percent, which can be compared with the SIXRX1 index, which dropped by 4 percent. Over the past five years, the Haldex share has had a total return of 25.2 percent. The corresponding figure for the SIXRX is 46.7 percent and for the SX2000 Stockholm Industrials (the sector that includes Haldex), 46.9 percent.

Incentive programs

The 2015 and 2016 Annual General Meetings resolved to introduce long-term incentive (LTI) programs for senior executives and key personnel, 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, before final transfer of performance shares to the participant is expected to occur after the AGM at the end of the term (2018-2020 depending on the program), and before the end of June in the same year. Deferred variable remuneration under LTI is not pensionable income.

However, the LTI2015 and LTI2016 programs have not generated any outcome for the senior executives and key individuals included in the programs.

Since 2017, no incentive programs have been established that contain shares or share price-related components.

Shareholders

The number of shareholders in Haldex fell by 3 percent in 2018 to a total of 8,416 by the end of the year. Combined, the ten largest shareholders held 64.9 (60.5) percent of the capital and the same proportion of votes. ZF is the largest shareholder with 20.1 percent of the votes (divided on several holdings), followed by Knorr-Bremse with an estimated ownership of 10.1 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.

At the end of the year, foreign ownership was essentially unchanged at 86.2 (86.3) percent compared with 2017. The largest foreign shareholdings are in the Netherlands and the US.

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 2018 fiscal year, the Board of Directors intends to propose to the Annual General Meeting that a dividend of SEK 1.15 (0.55) per share be paid, which is in line with Haldex's dividend policy. The preliminary record date of is May 13 with payment on May 16.

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 actors, for example, Cision's website. Press releases, interim and annual reports are published 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.

THE MOST COMMON QUESTIONS FROM ANALYSTS AND INVESTORS:

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

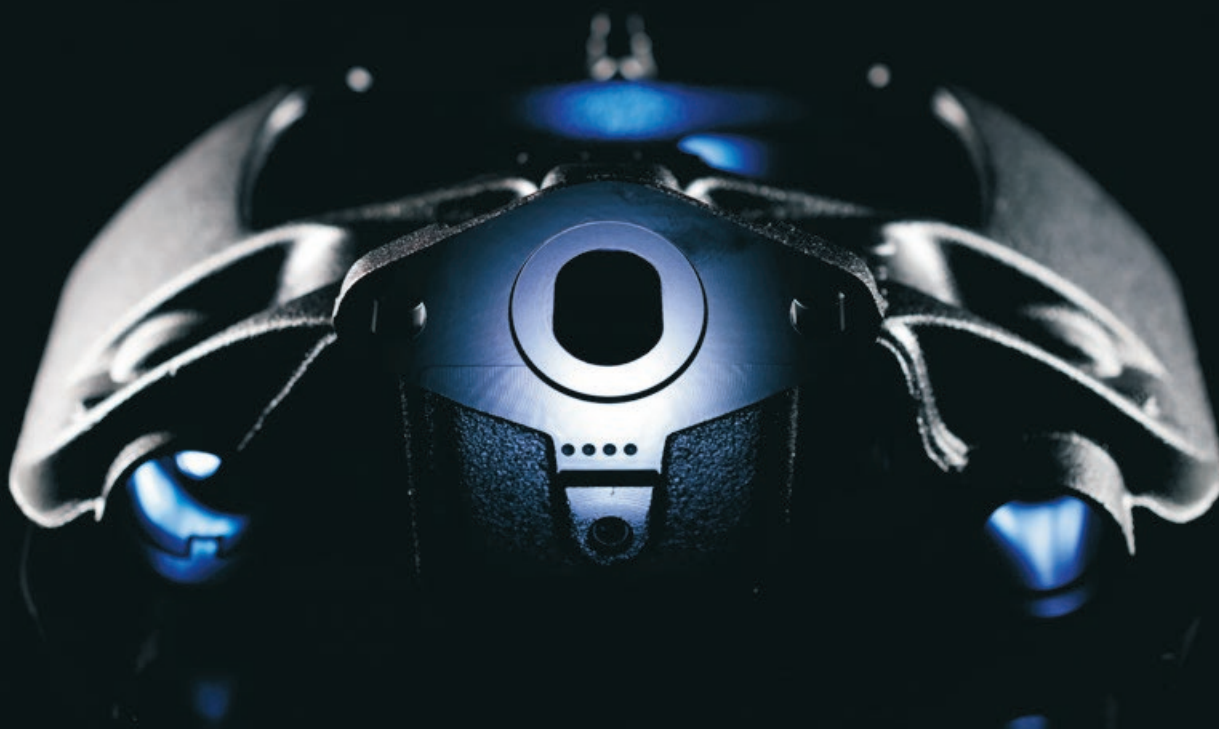
In 2018, we could see that the pace increased. There is already a high proportion of transit buses with disc brakes and other segments are gradually following at a pace indicating that a shift will occur within the next few years.

How are the negotiations on future disc brake contracts progressing?

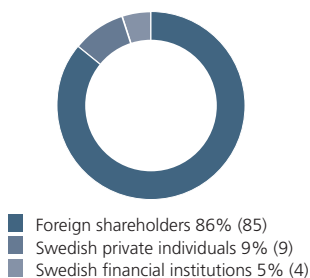
During the year, we won some contracts including optional position at an axle manufacturer and standard position at a trailer manufacturer. We are continuing to negotiate for disc brake contracts for our disc brakes for trucks that will enter production soon. A contract with a truck manufacturer would be an important breakthrough for Haldex.

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 growing strongly. However, we see that everyone does not follow the law so the market did not grow as much as initially estimated.

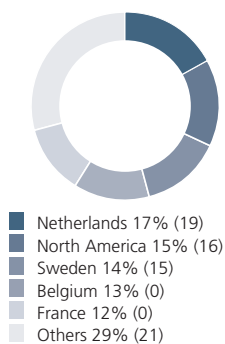


OWNERSHIP STRUCTURE



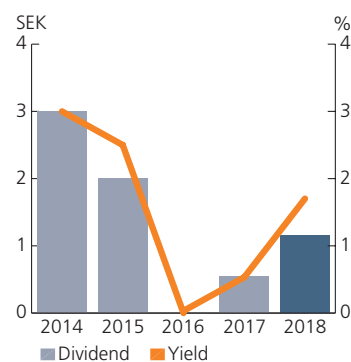
Source: Euroclear

GEOGRAPHIC DISTRIBUTION OF OWNERSHIP



Source: Euroclear

DIVIDEND PER SHARE INCLUDING DIVIDEND YIELD



KEY FIGURES PER SHARE

	2018	2017	2016	2015	2014
Earnings, SEK	3.46	1.67	2.00	4.28	2.32
Dividend, SEK (for 2018, the dividend has been proposed to the Annual General Meeting)	1.15	0.55	0.00	2.00	3.00
Share price at year-end, SEK	69.00	87.25	116.50	79.50	101.75
Equity, SEK	35.80	30.98	30.63	31.46	28.48
EBIT multiple	12	13	19	9	12
P/E ratio	20	52	58	18	42
Dividend ratio, %	45	33	-	47	129
Yield, %	2.2	0.6	-	2.5	3.0
Total return, %	-20.3	-25.1	147	80	175
Share price/equity, %	193	282	380	253	357

SHAREHOLDERS AND NUMBER OF SHARES

	2018	2017	2016	2015	2014
Number of shareholders	8,416	8,688	8,533	18,179	13,821
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

THE TEN LARGEST SHAREHOLDERS AS PER DECEMBER 31, 2018

Shareholder	Number of shares	% of votes and capital
ZF INTERNATIONAL B.V CUSTODY ACC	7,542,481	17.1
BNP PARIBAS SEC SERVICES PARIS, Q8IMY (GCS)	4,920,002	11.1
EUROCLEAR BANK S.A/N.V. W8-IMY	2,918,464	6.6
BNY MELLON SA/NV (FORMER BNY), W8IMY	2,822,574	6.4
CLEARSTREAM BANKING S.A., W8IMY	2,414,743	5.5
UBS AG LONDON BRANCH, W8IMY	2,153,969	4.9
MORGAN STANLEY & CO INTL PLC, W8IMY	1,727,527	3.9
DEUTSCHE BANK AG, W8IMY	1,419,806	3.2
MORGAN STANLEY AND CO LLC, W9	1,398,766	3.2
CBNT-MORGES BANK	1,323,731	3.0
Total, ten largest shareholders	28,642,063	64.9
Others	15,562,202	35.1
Haldex AB	11,705	0.0
Total	44,215,970	100.0

OWNERSHIP STRUCTURE AS PER DECEMBER 31, 2018

Holding	Number of shareholders	Number of shares	Holding, %
1 – 500	6,439	1,022,776	2.31
501 – 1,000	1,002	838,991	1.90
1,001 – 5,000	777	1,712,453	3.87
5,001 – 10,000	73	545,850	1.23
10,001 – 15,000	24	303,429	0.69
15,001 – 20,000	18	321,739	0.73
20001 –	83	39,470,732	89.27
Total	8,416	44,215,970	100.00

HALDEX AS AN INVESTMENT

- Transport needs are increasing.
- Major technology shift that is changing society as a whole, where Haldex has promising new technology under development.
- A stable core business that can be further streamlined.
- Long-term customer relations with all major players.

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

Sources: Euroclear and Haldex

Quarterly data

SEK m, unless otherwise stated	2018				2017				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income statement:									
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, administrative 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 excluding one-off items</i>	<i>38</i>	<i>79</i>	<i>102</i>	<i>86</i>	<i>66</i>	<i>68</i>	<i>78</i>	<i>81</i>	<i>-25</i>
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
Statement of financial position:									
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
Statement of cash flow:									
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	-56	-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
Key figures:									
Operating margin, excluding one-off items, %	3.1	6.3	7.4	6.9	6.3	6.3	6.6	7	4.6
Operating margin, %	-1.0	6.3	7.4	6.9	3.1	4.5	2.6	3.2	-2.4
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 from 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	119.25	116.50
Return on capital employed excluding one-off items, % ¹⁾	11.8	13.8	14	13.5	13.3	12.6	12.2	13.8	13.8
Return on capital employed, % ¹⁾	9.8	12.5	11.7	9.0	6.8	4.2	4.6	7.7	9.7
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	4.0	3.6
Number of employees	2,309	2,313	2,403	2,315	2,176	2,149	2,150	2,033	2,045

¹⁾ Rolling twelve months

Five-year summary

SEK m, unless otherwise stated	2018	2017	2016	2015	2014
Income statement:					
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, administrative 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 excluding one-off items</i>	305	292	291	444	408
Financial income and expenses	-36	-20	-39	-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
Statement of financial position:					
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
Statement of cash flow:					
Cash flow from operating activities before change in working capital	373	262	238	349	356
Cash flow from operating activities	274	173	256	220	435
Cash flow from investment activities	-381	-231	-222	-174	-151
Cash flow from financing activities	211	-25	-52	-179	-216
Net cash flow	104	-93	-18	-133	68
Key figures:					
Operating margin, excluding one-off items, %	6.0	6.5	6.6	9.3	9.3
Operating margin, %	5.0	3.3	4.7	6.8	5.3
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 from operating activities, per share, SEK	6.20	3.91	5.8	4.99	9.84
Dividend, SEK	1.15 ¹⁾	0.55	0.00	2.00	3.00
Share price, SEK	69.00	87.25	116.5	79.50	101.75
Return on capital employed excluding one-off items, % ²⁾	11.8	13.3	13.8	21.7	21.4
Return on capital employed, % ²⁾	9.8	6.8	9.7	15.9	12.2
Return on equity, %	10.5	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	327	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

¹⁾ Proposed by the board of directors ²⁾ Rolling twelve month

Financial data for alternative key figures

SEK m	Reported sales, Oct-Dec 2018	Currency-adjustment to preceding year's prices	Currency-adjusted sales, Oct-Dec 2018	Change	Reported sales, full-year 2018	Currency-adjustment to preceding year's prices	Currency-adjusted sales, full-year 2018	Change
SALES								
Group	1,225	-64	1,161	-5%	5,119	-118	5,001	-2%
Total	1,225	-64	1,161	-5%	5,119	-118	5,001	-2%
SALES PER PRODUCT LINE								
Foundation Brake	691	-31	660	-4%	3,008	-46	2,962	-2%
Air Controls	534	-33	501	-6%	2,111	-72	2,039	-3%
Total	1,225	-64	1,161	-5%	5,119	-118	5,001	-2%
SALES BY CUSTOMER CATEGORY								
Truck	313	-15	298	-5%	1,295	-19	1,276	-1%
Trailer	350	-15	335	-4%	1,593	-41	1,552	-3%
Aftermarket	562	-34	528	-6%	2,231	-58	2,173	-3%
Total	1,225	-64	1,161	-5%	5,119	-118	5,001	-2%
SALES BY REGION								
Europe	420	-14	406	-3%	1,811	-74	1,737	-4%
North America	615	-49	566	-8%	2,432	-43	2,389	-2%
Asia & Middle East	146	-5	141	-3%	708	-19	689	-3%
South America	44	4	48	9%	168	18	186	11%
Total	1,225	-64	1,161	-5%	5,119	-118	5,001	-2%

Financial data for alternative key figures

SEK m, unless otherwise stated	2018				2017				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
One-off items:									
Restructuring costs	0	0	0	0	-11	-7	0	-1	-
Acquisition costs	-1	0	5	0	-22	-10	-12	-24	-3
Others	0	0	0	0	0	0	0	0	-12
Product related warranty	-49	0	-5	0	0	-2	-35	-19	-59
Total one-off items	-50	0	0	0	-33	-19	-47	-44	-74
Research and development costs excluding depreciation/amortization:	-60	-51	-54	-47	-47	-41	-45	-46	-37
Net interest and financial items:									
Interest income	5	0	1	1	1	1	2	0	2
Interest expenses	-7	-2	-8	-5	-4	-2	-6	-5	-7
Total net interest	-2	-2	-7	-4	-3	-1	-4	-5	-5
Other financial items	-8	-9	-3	3	-4	-2	-13	12	-22
Total financial items	-10	-11	-11	-4	-7	-3	-17	7	-27
Net debt:									
Interest-bearing assets	305	214	216	195	194	255	261	279	297
Interest-bearing liabilities including derivative instruments	582	-572	-554	-481	-335	-406	-313	-372	-365
Pension liabilities	-455	-458	-470	-460	-443	-421	-460	-448	-422
Total net debt	-732	-816	-808	-746	-584	-572	-512	-541	-490
Capital employed:									
Total assets	3,689	3,733	3,769	3,531	3,078	3,120	3,155	3,104	3,057
Non-interest-bearing liabilities and provisions	-1,042	-1,124	-1,187	-1,081	-909	-913	-1,037	-893	-928
Total capital employed	2,647	2,609	2,582	2,450	2,169	2,213	2,118	2,211	2,129
Average capital employed¹⁾:	2,571	2,449	2,336	2,239	2,193	2,158	2,133	2,122	2,089
Net income attr. to owners of Parent Company:									
Net income	-24	58	61	58	14	26	10	29	-56
Net income attributable to non-controlling interests	3	1	1	0	2	1	1	1	0
Total net income attr. to owners of Parent Company	-27	57	60	58	12	25	9	28	-56
Equity attr. to owners of Parent Company:									
Equity	1,611	1,617	1,581	1,502	1,395	1,361	1,339	1,386	1,374
Equity attributable to non-controlling interests	28	24	27	25	25	23	24	25	23
Total equity attr. to owners of Parent Company	1,583	1,593	1,554	1,477	1,370	1,338	1,315	1,361	1,351
Average equity attributable to owners of Parent Company:	1,515	1,466	1,419	1,370	1,347	1,342	1,340	1,351	1,357
Average no. of shares:	44,216	44,216	44,216	44,216	44,216	44,216	44,216	44,216	44,216

¹⁾ Rolling twelve months

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.

Scalable Brake System: Haldex overall concept for new technology and products for electrical and self-driving vehicles.

Truck: Heavy trucks and busses.

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

Haldex 2019 Annual General Meeting

The Annual General Meeting of Haldex AB (publ) will be held on Thursday, May 9 at 2:00 pm at Hotell Öresund, Sofia Albertinas plats 5 in Landskrona, Sweden.

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 Friday, May 3, 2019, 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 Friday, May 3, 2019.

Report dates in 2019

Interim report, January-March	April 25
Annual General Meeting	May 9
Interim report, January-June	July 18
Interim report, January-September	October 24
Year-end report	February, 2020

Financial statements, performance materials and recordings of the webcasts are available on Haldex's website: <http://www.haldex.com/finansiarapporter>

External communication

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

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 version is the original version and applies ahead of the English if the interpretation of the translation were to differ from the original. 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, 2017, 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.



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.



<https://se.linkedin.com/company/haldex>

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



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.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.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.

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 2,300 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 and generated sales of approximately SEK 5.1 billion in 2018.

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