

A white semi-truck with a blue Haldex logo on the side is driving on a multi-lane highway. The scene is set during a dramatic sunset or sunrise, with the sun low on the horizon, casting a golden glow and long shadows across the landscape. The sky is filled with scattered clouds, and a dense forest of evergreen trees is visible in the background. The truck is positioned in the lower-left quadrant of the frame, moving towards the right.

**A world of  
safer vehicles**

**2020 Annual report**

The Haldex logo, consisting of the word "Haldex" in white, bold, sans-serif font, centered within a blue rounded rectangular border.

**Haldex**



An aerial photograph showing a two-lane asphalt road curving through a dense, lush green forest. The road is bordered by a dark, calm body of water on the right side. Three vehicles are visible on the road: a white car in the left lane and two blue cars in the right lane. The text 'Innovative brake specialist' is overlaid in large white font on the upper left portion of the image.

# Innovative brake specialist

Haldex is a leading manufacturer of reliable and innovative brake systems and air suspension solutions that enhance the safety, dynamics and durability of heavy vehicles. Haldex's customers are mainly large manufacturers of trucks, buses and trailers in North America, Europe and Asia. On the aftermarket Haldex offers spare parts and servicing to distributors, workshops and large logistics companies. Haldex was founded in Landskrona in 1887 and has since been notable for innovative research and development work that has created groundbreaking technological vehicle solutions. Development today is focused on safety and the future of electrified and connected heavy vehicles. Haldex's operations are global, with approximately 2,000 employees spread across 19 countries.



# Safety

Products for safer traffic environment and vehicles

# Innovation

Innovative technology that drives change

# Service

High level of service and good availability

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# The year in brief

2020 was a challenging year, but we passed several milestones and ended the year in a positive momentum. The outbreak of the COVID-19 pandemic led to a dramatic decline in demand and new production of trucks and trailers, mainly in North America and Europe, fell sharply. The aftermarket was initially impacted, but the entire transport sector gradually recovered during the second half of the year. OEM production volumes followed, and at the end of the fourth quarter production ended on par with 2019.

Haldex's sales developed in line with or better than the market. A sharp decline in March and April was followed by a gradual recovery. The aftermarket was affected to a somewhat lesser extent and total currency-adjusted sales decreased by 20%.

To respond to the situation, we intensified sales to the trailer segment and aftermarket. We also launched an extensive short- and long-term savings programs to improve profitability and financial stability. The adjusted operating margin of 4.1% was mainly affected from lower sales in North America and Europe while an increased share of sales in the aftermarket had a positive effect on the gross margin. Implemented savings made a strong contribution to the fourth quarter's adjusted operating margin, rising to 6.7%, the highest since 2015 for the corresponding period.

- Agreement signed with a Chinese electric bus manufacturer regarding pre-series production of electromechanical brake system. In addition, strategic agreements regarding test installation were signed with two European global truck manufacturers.
- Agreement signed with Wielton Group, one of Europe's leading trailer manufacturers, for the supply of EBS and air suspension systems. The contract is the first for Haldex's new generation EB+4.0.
- Agreements renewed with two world-leading suppliers of transport solutions in EMEA and South America, and position retained role as sole supplier of Automatic Brake Adjusters (ABA).
- Agreement signed with Gigant GmbH, part of the Krone Group, for the supply of Haldex ModulT disc brake system for trailers.
- Savings programs for production optimization were completed during the year, which meant that production in Heidelberg, Germany, was closed and its R&D operations moved to the United Kingdom and Sweden. In addition, production in Blue Springs, USA, was moved to Monterrey, Mexico. The consolidation of Friction Centers was also successfully completed.
- Three new savings programs were introduced during the year: a short-term program to offset lower sales and two long-term programs with the goal of reducing the cost base.
- Earnings were affected by non-recurring items of net SEK -263m, of which SEK 109m are related to savings programs, and SEK 176m to impairment of intangible assets. Sales of a property in Blue Springs contributed positively with SEK 35m.
- Haldex received government grants related to covid-19 totaling SEK 12m.
- In May, a new directed share issue of SEK 157m was conducted and loan financing was extended.
- At the Annual General Meeting on June 23, 2020 Helene Svahn was re-elected as member of the board. Stefan Charette, Viveka Ekberg, Håkan Karlsson and Catharina Modahl Nilsson were elected as new members of the board. Stefan Charette was elected chairman of the board.
- At an Extraordinary General Meeting on December 29, 2020 two new Board members were elected, Detlef Borghardt and Dzeki Mackinowski.
- Lottie Saks was appointed CFO on 1 June 2020, thus replacing Andreas Larsson.
- The Board proposes that no dividend be paid for 2020.

## Important events after the year-end

- The Board appointed Jean-Luc Desire to succeed Helene Svahn as President and CEO. Jean-Luc Desire to take office no later than July 1, 2021.



# 4,007

Sales (SEKm)

# 1,990

Employees

# 4.1%

Adjusted operating margin

SALES  
Per region



36% Europe  
52% Americas  
12% Asia

SALES  
Per product line



55% Foundation Brake  
45% Air Controls

SALES  
Per customer category



18% Truck  
29% Trailer  
53% Aftermarket

## KEY RATIOS IN 2020

	2020	2019	Change
Net Sales, SEKm	4,007	5,151	-22%
Operating profit, SEKm	-100	105	-195%
Adjusted operating profit, SEKm	163	317	-49%
Operating margin, %	-2.5	2.0	-4.5
Adjusted operating margin, %	4.1	6.1	-2.0
Profit after tax, SEKm	-300	5	n/a
Earnings per share, SEK	-6.44	0.12	n/a
Dividend, SEK <sup>1)</sup>	0	0	0
Return on capital employed, % <sup>2)</sup>	-3.8	3.1	-6.9
Return on capital employed, excluding non-recurring items, % <sup>2)</sup>	5.0	9.4	-4.4
Equity/assets ratio, %	30	35	-5
Cash flow, operating activities, SEKm	215	328	-113
Employees	1,990	2,172	-8%

<sup>1)</sup> Proposed dividend which has to be approved at the AGM.

<sup>2)</sup> Rolling twelve months. The effect of IFRS16 Leases has been excluded.



# Sustainable brake systems

Over 120 years of innovation have provided Haldex with competitive expertise in brake and air suspension systems for heavy trucks, buses, and trailers.

## Trucks

In North America and Europe, there are around fifteen manufacturers of heavy trucks and buses. In Asia, the market is more fragmented with several local manufacturers. The lead times for introducing products in large manufacturers' development programs are about five years.



**18%**  
Share of total sales

## Trailers

The trailer market is concentrated and consists of about ten manufacturers in the dominant markets of North America and Europe. This customer group acts as a springboard toward the more demanding truck customers.



**29%**  
Share of total sales

## Foundation Brakes



**Automatic brake adjusters (ABA)** are used in drum brakes to regulate the distance between the brake shoes and the brake drum. ABA is a market leading component that is gradually being replaced by disc brakes in newly produced vehicles. Haldex's key markets: Trucks and trailers in North America, South America and Asia.



**Actuators** are used for both drum and disc brakes. Available in several versions. A transition is taking place from drum brake to disc brake variants with the same technology. Haldex's key markets: Trucks and trailers in North America.



**Disc brakes** perform better than drum brakes. Haldex manufactures complete disc brake systems for both trucks and trailers. The disc brake dominates in Europe and penetration is increasing in North America and Asia. Haldex's key market: Trailers in Europe.

## Air Controls



**Electronic EBS** controls the braking system electronically. EBS distributes brake pressure so that, in contrast to ABS, there is always optimal braking power on the vehicle. Dominant technology in Europe, with increasing functionality and equipment. Haldex's key market: Trailers in Europe.



**Raising and lowering** of the trailer for adaptation to the loading bay is accomplished with manual control of the air suspension system. Dominant in Europe. Electronic regulation occurs. Haldex's key market: Trailers in Europe.



**Parking brake control** ensures that trailers cannot roll away and cause accidents when parked without a tractor. Standard in Europe with varying degree of integrated functions. Haldex's key market: Trailers in Europe.

## New Technology



**EMB (Electromechanical Braking system)** is a braking system that can be used in all types of vehicles. EMB activates the brakes electronically without using compressed air. The product has been developed by Haldex VIE in China and is being tested by several OEM manufacturers in China and Europe. The product will be manufactured in China starting in 2021. The system has a positive impact on energy consumption, noise level, driving characteristics and stopping distance. The product is in an early market phase. Haldex key market: Buses in China (initially).



## Aftermarket

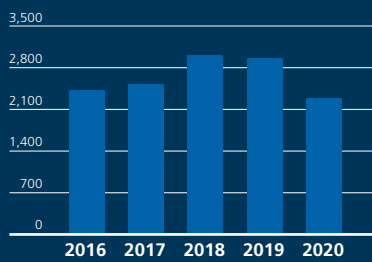


The aftermarket consists of truck and trailer manufacturers' own distributors and independent distributors. Distributors sell on to logistics companies and workshops.

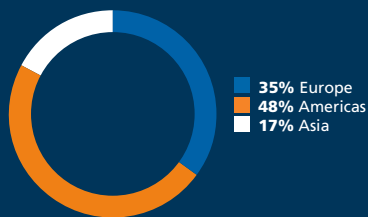
# 53%

Share of total sales

### SALES, SEK m Foundation Brakes



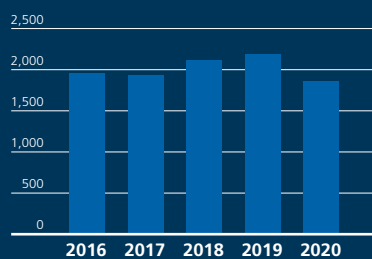
### SALES BY REGION Foundation Brakes



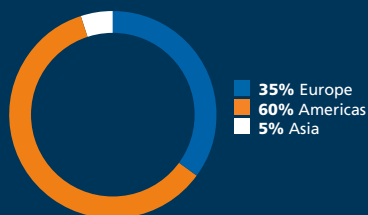
# 55%

Share of total sales

### SALES, SEK m Air Controls



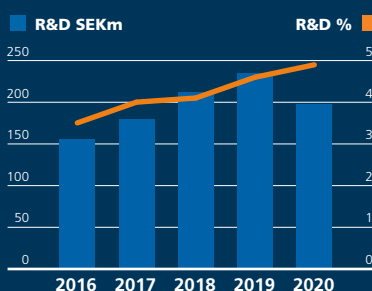
### SALES BY REGION Air Controls



# 45%

Share of total sales

### RESEARCH AND DEVELOPMENT New and existing technology



# 42%

R&D increase since 2016

# 5.4%

R&D of sales



# Major shift creates opportunities

2020 was notable for the COVID-19 pandemic, which had a severe impact on demand in the automotive industry and Haldex's operations. Through restructuring, stabilization and a clearer focus, we set the foundation for future profitability and created scope for investments in the industrialization of brake solutions for electric vehicles.

We began 2020 with the expectation of stable but slightly lower demand in our most important markets. Operationally, we were focused on increasing efficiency while driving innovation in the Scalable Brake System. With the start of the pandemic and the dramatic decline in demand, conditions changed radically. We restructured the business to create safe working conditions and adapted production to the reduced volumes. We also initiated significant savings to reduce costs in both the short and long terms. Our measures had an effect, and we advanced our positions while improving our operating margin during the fourth quarter.

## Advanced positions and intensive market activity

In parallel with the restructuring efforts, the regions, which are responsible for sales and customer service, intensified their dialogue with OEMs, logistics companies and aftermarket customers. A high level of service and technically innovative solutions combined with customer intimacy is a critical factor for success. This work has resulted in a number of new customer agreements with both OEMs and logistics companies as well as strengthened relationships with existing customers.

The market and our sales recovered after the initial decline during the second quarter to gradually approach historically high volumes towards the end of the year. The market outlook for 2021 and 2022 points to a continued recovery for the production of new trucks and trailers in both North America and Europe. We also anticipate positive development in the aftermarket as the global economy recovers.

In terms of individual regions, North America had a challenging year and sales fell by 24%. The decline is explained by customers halting production and closing factories in the wake of the pandemic. We also lost our standard position with one of our large truck OEMs at the beginning of the year, but we managed to keep the profitable aftermarket business. Through intensive cultivation of logistics companies and the aftermarket, we were able to sign several new agreements and strengthen our position in the aftermarket. The North American market recovered strongly towards the end of the year.

Europe was also hit hard by the pandemic, with extensive restrictions from March 2020. Despite this, the drop in sales was limited to 14% for the year. Initially, the decline was very sharp, but our most important customer segment trailers never completely closed down, and we saw a strong recovery in all customer segments during the fourth quarter. We successfully extended several major agreements with leading manufacturers such as Schmitz Cargobull, Gigant and Wielton.

Other markets, accounting for about 15% of sales, were also severely affected by the pandemic but recovered gradually after initial challenges. Overall, the Haldex Group's currency adjusted sales fell by 20%.

## Towards financial stability and improved profitability

There was a high level of uncertainty during the second quarter, and to strengthen the company's financial position, a private placement was completed which added SEK 157m in equity. This also made it possible to extend existing loans until April 2022. The share issue changed the ownership structure, and four new Board members, and a new Chairman were appointed at the AGM in June. An extraordinary general meeting at the end of December 2020 appointed another two Board members. During the fall, the management and the Board worked on a strategic review, which among other things has led to an increased focus of resources on future investments deemed to have the best potential while reflecting our customers' priorities. For example, the industry has clearly prioritized its resources for electrified vehicles, which has led us to make a decision to postpone the development of FABV and shift our focus to the development of the electromechanical braking system (EMB) for heavy vehicles. Work on the strategic review is still ongoing, and we intend to provide an update during the second quarter of 2021.

During the year, we took important steps towards increased profitability by adapting Haldex's organization and working methods to present-day operations. This has resulted in extensive savings programs that reflect previous overcapacity and an excessive cost base. In total, the long-term savings programs will provide about SEK 300m in cost reductions related to these efficiency measures. The programs are expected to take full effect in 2021. Reaching our longterm profitability targets is dependent on the organization continuing on an ongoing basis to identify and prioritize value-creating activities that ensure Haldex's position as a global and relevant supplier.

## Haldex EMB passes major milestone

Despite a challenging situation during the pandemic, we have continued with customer-driven product development. Customers' priorities are mainly driven by stronger CO<sub>2</sub> regulations and demand for more energy efficient solutions and we have seen an increased focus on the development of electric commercial vehicles. Consequently, there has been increased interest in our electromechanical braking system, and we passed several milestones during the year. Among other things, Haldex-VIE signed an agreement on pre-series production with a bus manufacturer in China. The agreement is a major milestone and the development in China is promising, as we have a number of other Chinese bus manufacturers evaluating Haldex EMB in several prototype installations.

There has also been great interest in EMB in Europe. During the year, we entered into strategically important agreements with two European global truck OEMs regarding test installations. The agreements confirm that we have a well positioned offer given a large and increasing global focus on electric vehicles and the need for zero emission transport.





**My work at Haldex has focused on driving the development of new products to secure Haldex's future, and to reduce our cost base while streamlining the organization.**

In addition to future investments such as EMB, we also are driving ongoing product development regarding existing systems. Among other things, we are in the final phase of the launch of the next generation electronic brake control system for trailers, EB+4.0, with sales starting in 2021.

#### **Safety First and sustainability**

During the crisis year of 2020, our global processes and procedures were tested, and we can proudly state that the organization delivered, particularly in terms of safety, coordination and knowledge transfer. Safety First is the basis for our success, and a focus on safety and sustainability is integral to all product development and production processes.

Safety First means a constant drive to develop and manufacture products for a safer and cleaner traffic environment and always prioritizing a safe working environment. In addition, we work consistently to reduce environmentally hazardous emissions and improve resource utilization. We also have high ambitions when it comes to ethics and behavior. Important areas of development in sustainability are leadership and increased diversity and inclusion. During the year, we strove to create as diverse a team as possible in our senior management and we have reached a good balance in terms of gender distribution, but also experience, personality and cultural background. Going forward, we will continue our efforts to increase diversity in all parts of our global organization as we firmly believe that diversified teams increase our chances of success.

#### **Exciting future prospects**

2020 was a challenging year and I would like to thank all employees once again for their commitment and drive to implement the necessary savings without losing focus on safety, quality and creating new business. In terms of sales, it was a weak year, but we passed several important milestones that made us stronger and more cost-effective. Our increased focus on the trailer segment, and our positioning as a trailer system supplier, together with progress in the aftermarket, has strengthened our opportunities in both Europe and North America. I also have a very positive view on the development in China where increasing demand, combined with promising strategic partnerships, strong focus on electrification and conversion to safer vehicles, benefits our business.

My work at Haldex has focused on driving the development of new products to secure Haldex's future, and to reduce our cost base while streamlining the organization. I am proud of what we have accomplished, and the solid results we have delivered so far. As I warmly hand over the helm to my successor Jean-Luc Desire during the first half of 2021, I summarize a very rewarding experience that I will take with me into future assignments.

#### **Helene Svahn**

*President and CEO  
Haldex*





MARKET

# Global transport flows dictate demand

**Size and growth**

The market for brake and air suspension products is global, and total demand is dictated by global transport flows, which in turn are affected by global growth. Haldex operates and monitors business in three regions: Europe, Americas (from 2021), and Asia.

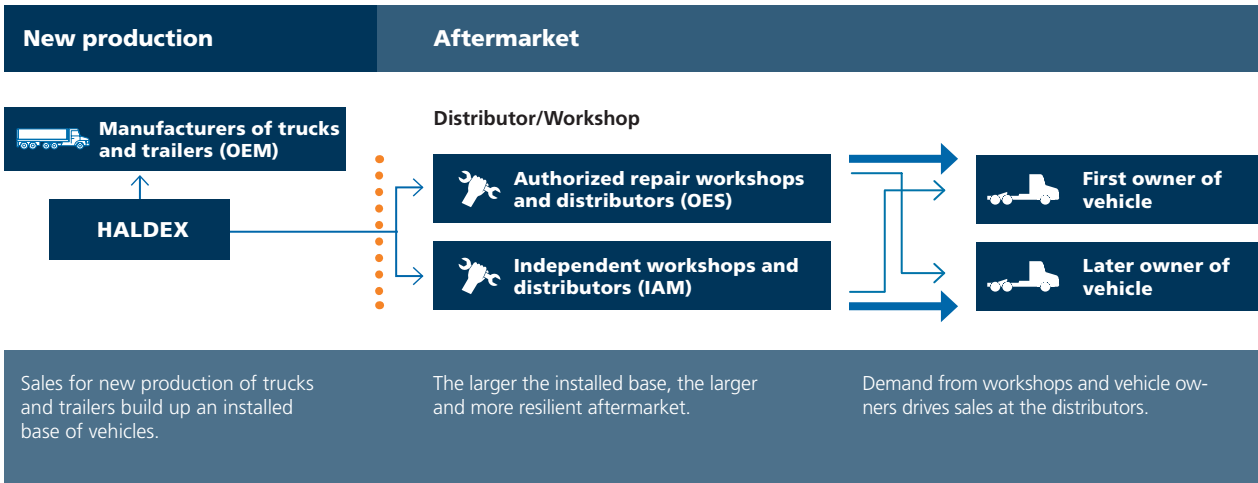
Europe has the most advanced vehicle fleet, with a high technology content per vehicle. Generally, Asia is still at a lower maturity level, but legislation initiatives containing new requirements for brake and suspension systems, for instance in China, are driving vehicle technology more towards EU standards. Haldex, with its product portfolio, is well positioned to meet these new requirements.

**Market channels**

An important success factor for suppliers to the automotive industry is that the OEMs select their products for future vehicle models. By installing the products in new production, conditions are created for achieving large volumes over a long period in the more profitable aftermarket.

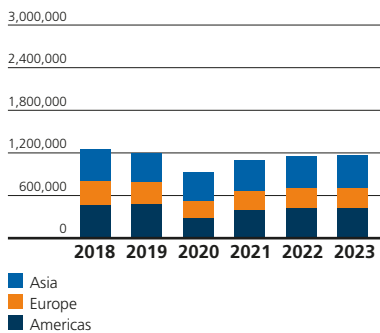
End users have different needs and make different demands on distributors' ranges. Haldex endeavors to influence demand at all stages in order to persuade end-customers, i.e. logistics companies and workshops, to demand Haldex products from the distributors. In North America, for example, fleets can specify different components to the manufacturer of a truck or trailer, making them an important indirect customer.

**MARKET OVERVIEW**



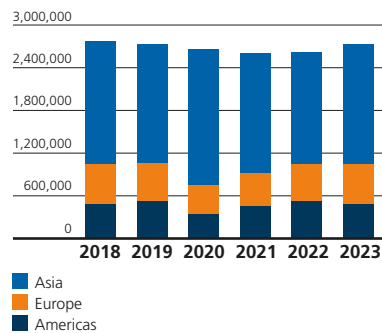
**NEW PRODUCTION, TRAILERS**

Number of trailers



**NEW PRODUCTION, TRUCKS**

Number of trucks



**NEW PRODUCTION**

Although newly produced trucks and trailers are a good indicator of Haldex's market, most sales and profit come from the significantly less volatile aftermarket. The degree to which Haldex is affected depends on how large a share of the company's sales there is in each category and geographical region. The production statistics are a forecast based on external sources. Historical figures also reflect estimated production rather than the industry's actual outcomes. The information relating to trucks is based on statistics from LMC Automotive, unless otherwise stated. The information on the trailer market concerning Europe is based on statistics from CLEAR International Consulting Ltd.



### Competitive situation

Haldex operates in a global market with two powerful players, Knorr-Bremse and ZF (owner of Wabco), both offering a wide range of products and systems used in heavy vehicles.

The German company Knorr-Bremse is listed on the stock exchange and has sales of SEK 63 billion, of which about half is made up of sales for heavy vehicles and half for the rail sector. Wabco with annual sales of approximately SEK 30 billion was fully acquired and consolidated by ZF during 2020.

On the global market, Haldex is the third-largest player and has a more specialized offering focusing on selected products for brake solutions and air suspension systems adapted to heavy vehicles. Due to its focus and smaller size, Haldex can offer a high degree of specialization, fast decision-making processes, a high level of customer service and flexible solutions. Haldex has addressed the upcoming technological shift by investing in open, modular systems that challenge existing technology and ways of building brake solutions.

### Trends and drivers

We are seeing an accelerating trend towards more advanced technology in vehicles to meet future challenges arising from increased population, urbanization and climate change. These societal megatrends impact Haldex's market and drive demand for safer, sustainable and more efficient heavy transports.

### Increased safety

Growing cities and population growth drive the need for more transport and vehicles. When density on the roads increases, vehicle safety becomes more important, which favors more technologically advanced brake systems.

Improvement of traffic safety is an ongoing development and many vehicle manufacturers have established a "vision zero" target in terms of fatal accidents. With increasing demand for road transportation and thereby higher traffic density on the road network, higher demands will be put on the vehicle safety systems such as the brakes and vehicle dynamics control.

### Improved roads and infrastructure

In countries with poor road network quality, trucks without a trailer are safer and most common. However, increased need for transports also drives demand for better and more efficient usage which in turn drives demand for trailers. Increased quality of the road network also leads to different logistic models for transportation and an increased need for trailer combinations. This trend is positive as Haldex has a stronger market position on trailers compared to trucks. Demand for more technically advanced vehicles also benefits Haldex. With increased demands for sustainable and efficient vehicle solutions, Haldex solutions are becoming more attractive. The ratio between Truck/Trailer build rates is 1/1,2 in North America, 1/1 in Europe and 1/0,5 in Asia.

### Environmental requirements

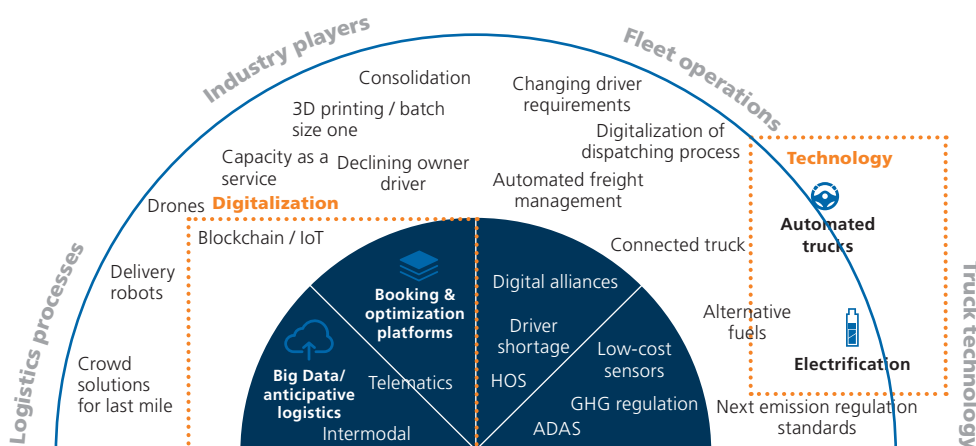
Another strong focus area for the vehicle industry is energy efficiency and CO<sub>2</sub> reductions to meet even stricter emission limits in the coming years. Haldex is working in the front line developing new brake technology to meet these future demands on both trucks and trailers and to support the vehicle manufacturers with an open system architecture approach for optimized performance.

### Technological trends

Technological development in our industry is focused and driven by digitalization, electrification and autonomous driving. These trends will bring major social and environmental benefits while also paving the way towards new potential markets for Haldex. In particular, electrification has risen in importance as all stakeholders currently focus on meeting the need for new emission standards. This technologically driven change opens up the way to new system architectures not only of the driveline but also new types of energy-efficient braking systems.

Electrification also results in a higher technological content per braking system. The opportunities digitalization brings are in turn driving the development of load optimization, increased resource efficiency and enhanced safety. Digitalization is also expected to change the market structure and various roles in the industry by an increased offering of features and service solutions.

## STRONG DEVELOPMENT TRENDS IN THE AUTOMOTIVE INDUSTRY



**Electrification, digitalization and increased focus** on sustainability and climate change are strong global trends that are now transforming the entire automotive industry. All market participants will be affected and challenged.

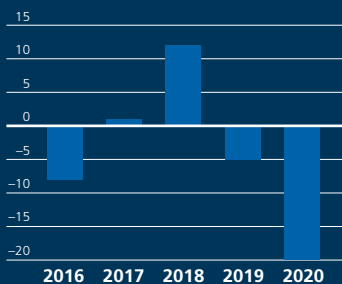


# A world of safer vehicles

Haldex should strengthen its competitiveness by having a clear focus that leads to good cash flows and profitable growth in the short and long terms. The ongoing technological shift makes new demands on product development and investments in Research and Development.

## Financial goals

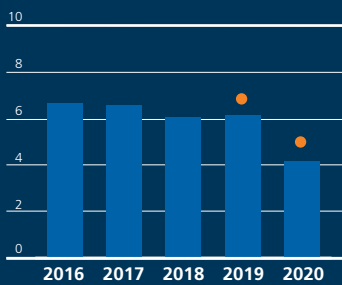
### ORGANIC GROWTH, %



Haldex shall show faster growth than the market, measured as new production of trucks and trailers, through organic growth.

**-20%**  
Organic growth

### ADJUSTED OPERATING MARGIN, %



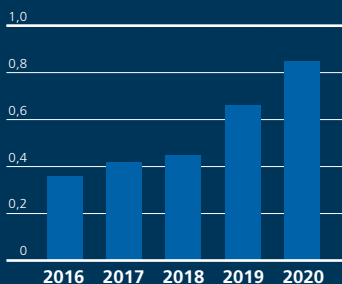
Goal: 10%

Adjusted operating margin, excluding investments in new technology, should amount to 10% in 2022.

**5.0%**  
Adjusted operating margin

● Justerad rörelsemarginal exklusive ny teknik

### NET DEBT/EQUITY RATIO



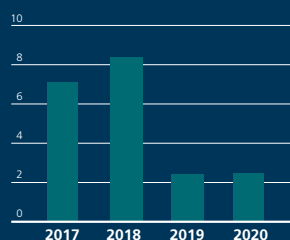
Goal 1,0 (max)

The net debt/equity ratio should be less than 1.0.

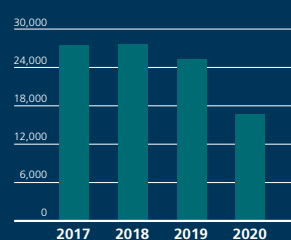
**0.85**  
Net debt excluding IFRS 16

## Sustainability<sup>1)</sup>

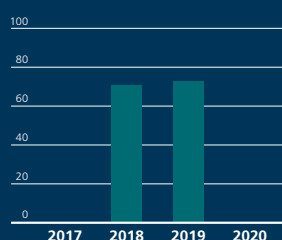
### SAFE HALDEX Number of accidents, per million hours



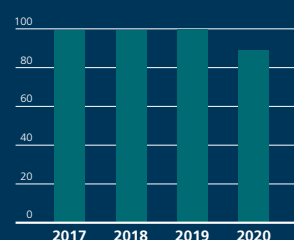
### GREEN HALDEX Carbon dioxide emissions, from production sites, tonnes



### HUMANE HALDEX Satisfaction index <sup>2)</sup>



### ETHICAL HALDEX Employees trained in the Code of Conduct



<sup>1)</sup> The outcome is commented in the sustainability report on pages 20-31.

<sup>2)</sup> No measurements have been made in 2017 and 2020.



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## Vision

Haldex should contribute to a world with a better traffic environment and safer vehicles.

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## Mission

Haldex should make commercial vehicles safer and more environmentally friendly by offering innovative and open systems and components to truck and trailer manufacturers and logistics companies. We should achieve our mission through technological leadership in selected areas, close partnerships with customers and suppliers, and through continuous product development and efficiency.

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## Strategic goal

Haldex should be the leading global supplier of innovative braking systems and components to selected truck and trailer manufacturers.





# Strategy

## Product leadership

Haldex focuses on becoming a market leader as a system supplier in trailers and in selected applications for truck and bus manufacturers. Guiding for product development is to focus on more advanced and adapted products and solutions with high profitability potential.

Product development considers different aspects such as safety, performance, environmental impact, total cost of ownership (TCO), product service life and aftermarket potential. Product leadership requires continuous review of the current product portfolio adapting to new customer requirements as well as future market demands driven by technology trends and regulations.

Haldex balances the development of the current product portfolio with the development of groundbreaking systems for future vehicles. For example, Haldex's EMB (electromechanical braking system), as well as parts of our electronic brake control system (EBS), will eventually become a part of technology for both electrical and autonomous vehicles.

## Attractive aftermarket offering

Haldex will offer a best-quality aftermarket service responding to customers' needs and minimizing the total cost of ownership for logistics companies. Planned and unplanned down-times are material in the calculation.

Customers' needs change over the life of the vehicle and Haldex's offering regarding servicing and spare parts must be adapted to the remaining life of the vehicle.

Recognizing the significant contribution the aftermarket business makes to our overall profitability, Haldex is committed to growing the depth and breadth of our aftermarket product offerings in our effort to bring additional value to our key customers.

## Customer focus

It has to be easy to do business with Haldex. Haldex has always endeavored to create the greatest possible customer benefit by offering innovative solutions that respond to customers' technical challenges and performance requirements. The approach is helping to build healthy and long-lasting relationships with a large number of OEM customers and logistics companies around the world.

Together with our major OEM customers, we often carry out joint development projects where we test new concepts and solutions in the hope that our solution will become part of future serial production.

For the aftermarket customers, the challenge is different. It is about maintaining a high level of service and spare parts being available. TCO is a very important factor for those who own the vehicles, and is an area where we can work on minimizing the occurrence of unplanned downtime due to defective parts and long delivery times.

## Activities 2020

- Further development of EMB together with our JV partner VIE and preparing for industrialization on the Chinese market.
- Finalized the joint concept project with a major truck manufacturer regarding Haldex high-precision compressed air brake systems.
- Increased focus on the strong electrification trend. Intensified efforts to market EMB to European truck manufacturers.
- Verification and validation of the new Trailer EBS platform, EB+4.0.
- Further developed our Air Disc Brake (ADB) ModulT platform.
- Increased focus on aftermarket ensuring we deliver customer value.
- Further developed e-commerce solutions and other digital solutions.
- Developed customer programs and customer-oriented activities.
- Launched recycling programs (remanufacturing) for all brands of Air Disc Brake in the Americas region.
- High activity working on customer relationships through customer and partner meetings at management team level and in R&D.
- Strengthened Haldex position in trailer segment.
- Launched a Global Sales Excellence program to improve customer relationship and developed a KAM model.

## Priorities 2021

- Further develop EMB for the global market, primarily with focus on electric vehicles. Establish commercial production for the Chinese market.
- Launch and sales ramp up for the new global EBS platform, EB+4.0. The modular platform is suitable for both EBS and ABS. Initial launch in Europe.
- Industrialize our ADB ModulT platform for the Americas and Asia regions, addressing both Truck and Trailer applications.
- Increase technology development and collaboration projects with leading truck, bus and trailer manufacturers addressing specific segments and applications.
- Build relationships and strengthen customer intimacy with distributors, workshops and logistics companies, at all levels.
- Continued focus on customer value and strengthening through providing a broader and deeper aftermarket offering.
- Focus on Haldex Academy, a comprehensive multi-lingual platform for commercial and product trainings. Combining e-learning and webinars with face-to-face trainings on the customer sites.
- Position Haldex as an innovative trailer specialist and supplier of entire systems.
- Grow our position as a disc brake supplier of specific applications addressing both trucks and bus OEMs.
- Continued development of the KAM model, mainly towards manufacturers.
- Enhance the sales network and sales process.
- Further development of Haldex Select Partnership, a loyalty program providing services such as technical hotline, remote diagnostics, and online support tools.



## Operational excellence

Haldex works actively to create more flexible processes that free up time and energy to develop existing and new products as well as build customer relationships and provide good service. Safety, precision and quality create the conditions for achieving product leadership and customer focus. The Haldex Way framework helps us drive results through continuous improvements and achieve operational excellence. Through Haldex Way, we are constantly improving our quality and efficiency in processes, tools and evaluation methods.

- Streamlining production through relocation and closed sites in Heidelberg and Blue Springs.
- Launched two long-term savings programs to reduce cost base.

## Bridge-building culture

Haldex should be an attractive workplace that offers professional development and a high level of job satisfaction, where employees feel committed to customers and the business.

We have for some years been engaged in a structured work aiming to build a healthy culture based on clear values and an enhanced leadership. We strive for a culture that inspires, challenges and motivates. Our values: Customer First, Respect for the Individual and Passion for Excellence should permeate everything we do.

To drive this work on culture, we work with a behavioral model that in everyday language we call 5C. This model means that Haldex strives for the organization to strengthen the following five desirable behaviors in its day-to-day operations. 5C gives us a daily reminder to build bridges internally in order to solve problems, understand the big picture and strengthen the sense of belonging.

- Continued to run 5C training for all our employees globally to strengthen a common way of working and company culture.

## HALDEX 5C

### CONNECT

We act with one Haldex approach in mind putting the customer in focus.

### COMMUNICATE

Open, transparent and active communication is key to our success.

### COLLABORATE

We engage and work together, we appreciate diversity.

### COACHING

We aim to create an environment that fosters learning and continuous improvement.

### CREATE

At Haldex, we encourage and develop an entrepreneurial approach, and challenge traditional thinking.

- Continued focus on savings and optimization of organization and processes.
- Enhancing the KAM model and strengthening the global bidding process.
- Simplifying the value chain and reducing direct material cost.
- Continued efforts to increase production efficiency.
- Strengthen our collaboration processes and develop a stimulating feedback culture built on accountability.
- Strengthen leadership and revitalize our values.

# Technology that drives change

As a specialist in brake and suspension systems, Haldex is part of the rapid technology development in the automotive industry. In the long term, this sector is characterized by extensive technological changes such as smarter and connected vehicles and electrification.

The automotive industry is facing a technological revolution in the long term, but the development of current technology is continuing in parallel with a focus on constantly minimizing energy losses and vehicle weight and optimizing performance.

### Electrification in focus for trucks and buses

The automotive industry has a strong focus on electrification of the driveline. Electric buses have been on the market for over 10 years, and in recent years several OEMs have presented electrically powered trucks for distribution, regional and construction transport. The introduction of electric power for this type of transport has a very positive climate impact through lower CO<sub>2</sub>-emissions and reduced noise in the urban and construction environment. Many cities are already requiring zero emission transport today for certain vehicle segments such as city buses. The range for commercial vehicles in regional use is between 200 and 300 kilometres and this segment will be Haldex main focus for electric driveline applications. The industry is working hard to solve challenges regarding battery range, truck loading capacity, charging and finding cost-effective solutions. Important questions that must be solved if we are to see electric-powered transport on the roads.

Despite a challenging year 2020 related to the COVID-19 situation Haldex followed its long-term plan for providing high performing and energy efficient brake system solutions to the market, in particular related to buses and trucks. Haldex has taken important steps in the development of its Electromechanical Braking (EMB) system to support this clear market trend. The expected benefits in terms of braking performance, energy efficiency, noise reduction as well as weight and space savings have been verified with positive results.

Several customer installations were initiated and evaluated in China, which is expected to be the first market to launch the EMB system. Production is expected to start on a small scale in China during 2021.

There has also been a strong interest for the EMB in Europe. During the year we signed strategically important agreements with two

Europe-based global truck manufacturers regarding test installation. The agreements confirm that we have an attractive position given a large and growing global focus on electric vehicles and the need for emission-free transport.

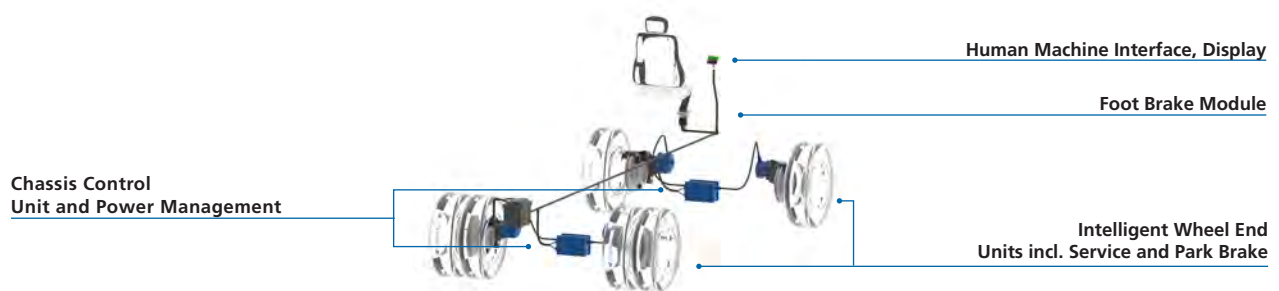
### Improved trailer functionality and efficiency

To further optimize the utilization of trailers in terms of uptime and availability, connectivity between systems on a trailer as well as to remote fleet management systems is under constant development. A broad variety of such systems exists on the market today but the level of standardization in the industry is still relatively low. To meet different market requirements both in terms of level of functionality and also interfaces being used, Haldex has taken the approach of an open system architecture to achieve maximum flexibility and customer value.

Historically, a vehicle OEM would develop a specification and send it out to the tier one suppliers. Now there are more collaborations; more companies working together to jointly develop technological based systems. That is where Haldex fits in, working with manufacturers as a true development partnership. Our fourth generation trailer EBS development EB+4.0, primarily developed for the European market, allows with its open architecture the development of customer specific features and the ability for multiple systems to communicate with each other to monitor data, transmit data or act upon data.

In North America, Haldex has been able to support customer efficiency and safe vehicle operation by integrating brake control devices, such as the Intelligent Trailer Control Module (or ITCM) to other sensors to provide a robust, real-time view of vehicle performance. This scalable technology along with the demonstration of object detection and mitigation platforms for trailers facilitates safe vehicle operation in highly congested yard environments. These technologies and their ability to connect and integrate with Autonomous Drive platforms on tractors will work to support the future of commercial vehicle development.

## ELECTROMECHANICAL BRAKING SYSTEM



The **electromechanical braking system** is a virtually silent brake system, primarily intended for electric vehicles. The system provides better braking controls and performance than existing pneumatic systems. In addition to improved performance, the system is significantly more energy efficient than conventional pneumatic air brake systems and also reduces weight, space and number of components in the Brake system.





# Business model

Haldex's products are marketed globally through three regional sales units: Region Americas, Region Europe, and Region Asia. The product mix differs significantly due to different technical developments in the regions' respective vehicle fleets. Production is located at production units in Brazil, China, Hungary, India, Mexico, United States and Sweden.

Haldex creates value for customers throughout the lifetime of the vehicle. Innovative products and solutions are offered to the truck and trailer OEM market followed by an attractive aftermarket offering including sales directly to fleets.

## Market

Haldex sells brake and air suspension components for heavy commercial vehicles such as trucks, buses and trailers. Approximately 47% of Haldex's revenue relates from sales to OEM production, and 53% relates to the aftermarket.

New sales to vehicle manufacturers is a long process with several milestones to pass. Success requires a long-term strategy, significant investments and close customer collaboration.

Haldex regional strategic sales address OEM customers to fit Haldex products, in either standard or optional position, into their future vehicle models. When successful, Haldex becomes a supplier for many years to come, both for OEM production and the aftermarket.

Competition is fierce, but contracts apply to large volumes over time, and the aftermarket is particularly attractive. A critical success factor is a growing base of vehicles with Haldex products installed. Marketing and sales are also directed at fleets building brand awareness and creating demand for Haldex premium products and competitive TCO.

Price is a decisive factor in OEM sales. There are substantial economies of scale in production, and production costs therefore have to be continuously optimized. Haldex competes with global and leading suppliers. To qualify as a supplier for OEM manufacturers, high technical innovation capacity and high-quality products are required. So too are competitive prices, which require high production volumes as development costs and investments are significant.

Haldex focuses on selected product and market niches to increase its competitiveness. The purpose of Haldex production optimization program was to reduce the cost base through optimized factories optimally located, thus minimizing the costs of transport and CO<sub>2</sub>-emissions.

## Customer segment

Truck manufacturers, including bus manufacturers, account for 17% of sales and generally place larger contracts than trailer customers. Trailer customers, 29% of sales, on the other hand, have shorter lead times from project start to production and are thus characterized by faster launch times for Haldex and aftermarket sales. Aftermarket, 53% of sales, have a higher margin than OEM sales. For the distributors owned by OEMs, which are called OES (Original Equipment Supplier), in many cases the agreements are linked to those signed with the OEM customer.





## Products

Products in the start-up phase have higher fixed costs than established products. However, the life cycles of Haldex's products span many years. From new production, first owner and then to the aftermarket. Haldex is balancing profitable sales of older products such as the ABA against development and introduction of new technology such as ADB, EBS and EMB that eventually will lead to lasting sales volumes many years to come.

## Production

Haldex currently has production in Brazil, China, Hungary, India, Mexico, United States and Sweden. By producing close to or within the region where the product is required, Haldex can provide better service, be more flexible, and optimize lead times. Some products travel between regions provided it is economically favorable and environmentally acceptable to do so. Haldex production sites focus on safety, quality, on time delivery and cost optimization. KPIs are set around these areas and are regularly tracked to ensure continuous improvement.

Haldex strives to concentrate and optimize production between production sites. For a player of our size, it is necessary to streamline production thus maximizing scale effects in production, while in relation to the customer we must differentiate ourselves by offering better service and high flexibility.

## Direct material

Haldex's largest cost item is direct materials, which accounts for more than half of the Group's costs. A saving of 1% of the material cost thus has a major impact on Haldex. Direct material is a variable cost. Haldex sources with a global focus, but implementation is often local within the regions. Haldex selects suppliers based on total cost of ownership for vehicle owners. Haldex's purchases come from a combination of local and global suppliers. Through collaboration with suppliers Haldex reduces the cost of material year over year. Initiatives include negotiation and design optimization.

## Other production costs

Other production costs are investments in machinery, rental costs, property maintenance and depreciation. Including the production personnel, other production costs make up about a quarter of the total costs.

## Personnel

Personnel costs make up approximately one-fifth of the Group's costs and are partly regarded as indirect production costs and partly as operating expenses. About 40% of the employees are salaried employees and 60% work in production. Haldex has most of its employees in Mexico, Hungary, the US, and China. Our code of conduct ensures good working conditions in all 19 countries in which we operate.

Haldex also invests approximately 5% of sales corresponding to SEK 200m in R&D, which mainly consists of personnel costs.

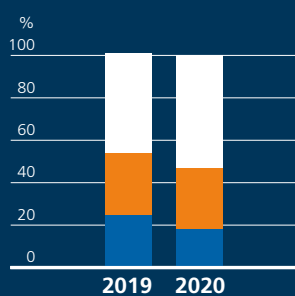
## Operating expenses

Operating expenses are mainly related to cost associated with the sales force, product development and supporting functions such as human resources, finance and IT.

## Value creation

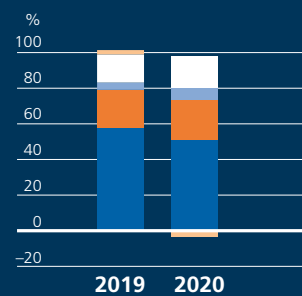
Another way to break down costs is to see who is the recipient. For the employees, Haldex creates value by offering jobs. Also purchases from subcontractors create jobs, often in developing countries that need it most. Social security contributions, pensions and taxes are paid to society. Finally, Haldex should create value for the shareholders through dividends and value development in the share. In addition, part of the profit is reinvested to create long-term value for Haldex.

### REVENUES



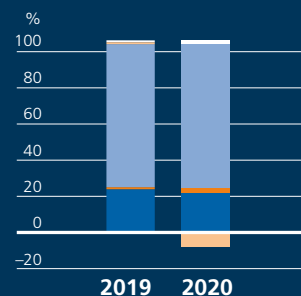
■ Aftermarket  
■ Trailer  
■ Truck

### SHARE OF REVENUE



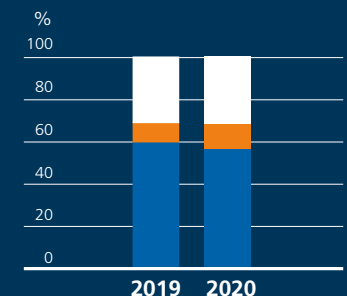
■ Others  
■ Non-recurring items  
■ Personnel  
■ Direct materials  
■ Operating profit

### VALUE CREATION



■ To lenders (interest)  
■ To suppliers  
■ To community (taxes and fees)  
■ To employees  
■ Reinvested profits

### DIRECT AND INDIRECT COST



■ Operating expenses  
■ Other production costs  
■ Direct material



# Safe, ethical, green and humane



## FOUR FOCUS AREAS

In a materiality analysis, Haldex, in dialogue with customers and other stakeholders, has identified opportunities and challenges in safety, ethics, the environment and HR, which form the basis for specific goals and activities for all groups. Risks related to sustainability are continuously analyzed.

### ▶ SAFE HALDEX

Haldex manufactures products to create a safer traffic environment. Haldex works in several dimensions to ensure the safety of both customers and end users, as well as a safe working environment for Haldex employees.

### ▶ ETHICAL HALDEX

Haldex has high aspirations to run an ethically sustainable business and has zero tolerance of bribery, corruption, child labor and discrimination.

### ▶ GREEN HALDEX

The environmental area is a major and important part of Haldex's sustainability efforts. Haldex makes active efforts to reduce its environmental impact, which includes reducing environmentally hazardous emissions, and sustainable use of resources.

### ▶ HUMANE HALDEX

Haldex strives to continuously develop our organization for excellence – through strong, sustainable leadership, competent and dedicated employees and an empowering culture – and always with diversity & inclusion in focus.

### Major areas

- |  |  |  |  |
|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Safety first</li> <li>• Product quality</li> <li>• Working environment</li> </ul> | <ul style="list-style-type: none"> <li>• Business ethics</li> <li>• Supply chain management</li> </ul> | <ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Production</li> <li>• Transport</li> <li>• Product lifecycle</li> </ul> | <ul style="list-style-type: none"> <li>• Skilled and dedicated employees</li> <li>• Diversity and inclusion</li> <li>• Leadership</li> </ul> |
|--|--|--|--|

### Key ratios and outcomes 2020

- |   |  |   |   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>• Work-related accidents per million hours worked. Outcome: 2.5 (target: max 3).</li> <li>• Work-related safety incidents per million hours worked. Outcome: 136 (target: &gt; 10 times higher than accidents).</li> <li>• Work-related safety risks observed per million hours worked. Outcome: 1,297 (target: &gt; 10 times higher than incidents).</li> </ul> | <ul style="list-style-type: none"> <li>• Number of employees trained in the Code of Conduct. Outcome: 89% (target: 100%).</li> <li>• Number of investigations regarding breaches of the Code of Conduct that are completed. Outcome: 100% (target: 100% measurement survey started in 2020).</li> <li>• All new suppliers must be reviewed by NQC before being approved as suppliers.</li> </ul> | <ul style="list-style-type: none"> <li>• Material use efficiency. Outcome: 93.3% (2019: 94.1%).</li> <li>• Carbon dioxide emissions. Outcome: 30,324 tonnes CO<sub>2</sub> (2019: 37,502 tonnes CO<sub>2</sub>). Haldex global CO<sub>2</sub> target will be defined during 2021.</li> <li>• Carbon dioxide emissions per unit. Outcome: 1.56 kg per unit. (measurement started in 2020).</li> <li>• Product lifecycle and requirements on material choice is taken care of at the design of the products in the IMDS (International Material Data System) database.</li> </ul> | <ul style="list-style-type: none"> <li>• Percentage of female managers. Outcome: 24% (target: at least 30%).</li> <li>• Healthy attendance. Outcome: 98% (target: at least 98%).</li> <li>• Employee satisfaction index. Outcome: n.a. no survey in 2020 (target: at least 70%).</li> <li>• Proportion of vacancies filled with internal candidates. Outcome: 67% (target: at least 30% of all vacancies should be filled internally).</li> <li>• Development plans for all employees. Outcome: 94% (target: 100%).</li> <li>• Employee turnover. Outcome: 16% (target: 8%).</li> </ul> |
|---|--|---|---|

### Priorities in 2021

- |  |   |   |   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>• Behavior based safety, and establishing "Haldex Safety framework" together with reinforcing and refining our methods for a safe workplace.</li> </ul> | <ul style="list-style-type: none"> <li>• Minimize unethical and unlawful behavior. Encourage greater reporting when they do occur.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduce scrap and increase re-use and recycling.</li> <li>• Further reduce consumption and use more sustainable electricity.</li> </ul> | <ul style="list-style-type: none"> <li>• Culture &amp; Leadership development.</li> <li>• Ensure future skills supply, through both competence development and competence based recruitment.</li> </ul> |
|--|---|---|---|

### Selected UN goals



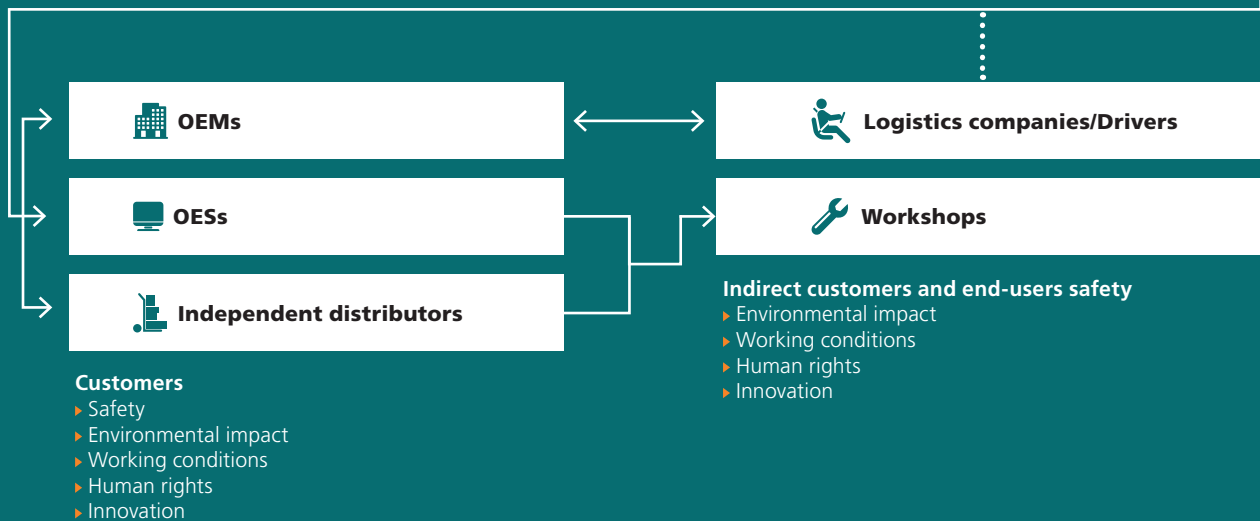
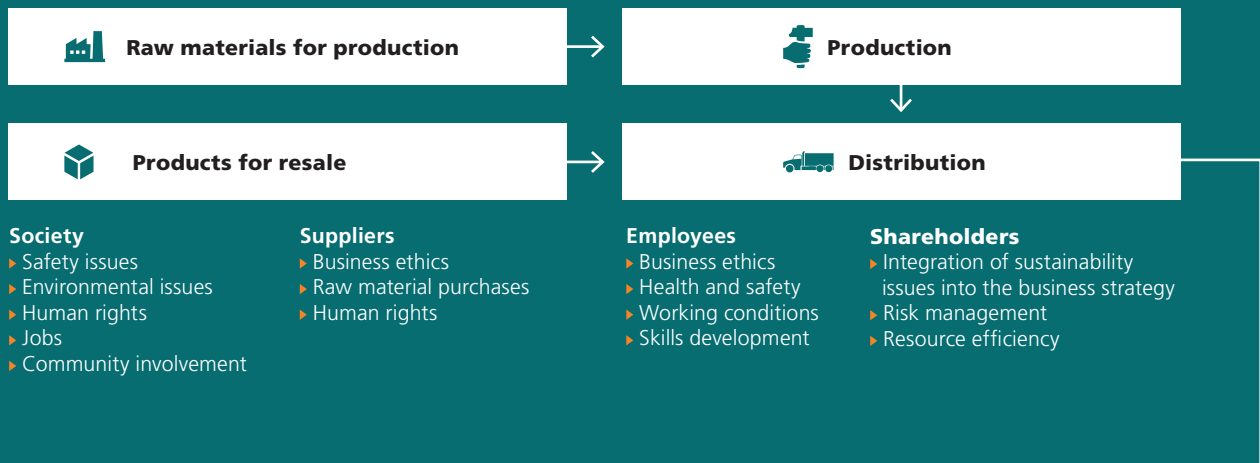
# Four pillars of sustainability

Sustainability is an integral part of Haldex’s operations, which makes various aspects of sustainability relevant in all parts of the value chain. Sustainability is noted and managed within the scope of the concepts Safe, Ethical, Green and Humane Haldex.

In its sustainability work, Haldex has analyzed the value chain and the effects of the company’s activities in society and on various stakeholders in the course of the process. Direct control is exercised over the company’s own operations. Other links in the chain are affected by agreements, Code of Conduct, dialogues, training, opinion shaping and follow-up.

Haldex has identified significant sustainability issues by selecting a number of significant areas in which the company’s operations have a major impact on society and which stakeholders also consider to be significant.

## HALDEX VALUE CHAIN





## FOUR FOCUS AREAS

In a materiality analysis, Haldex, in dialogue with customers and other stakeholders, has identified opportunities and challenges in safety, ethics, the environment and employees, which form the basis for specific goals and activities for all groups. Risks related to sustainability are continuously analyzed.



### Safety

Safety comprises both the quality of the products, which is crucial for people's safety in traffic, and the working environment, where there is a zero tolerance vision for accidents. Innovations contribute greatly to improved road safety, while the company's major improvements to workplace safety are the result of solid and methodical efforts, not least in terms of leadership and behavior in the workplace.



### Environment

In relation to the environment, the focus is on carbon dioxide emissions and material efficiency. Here too, the importance of developing new products contributes to a more environmentally friendly vehicle fleet.



### Ethics

Work towards sound ethics is largely based on the company's Code of Conduct, which is fundamental to all operations.



### Employees

Employees should be offered a safe and stimulating working environment at Haldex.

## NQC

Haldex is evaluated as a supplier with the assistance of the independent third party NQC in sustainability surveys. NQC is a global insight company that is engaged worldwide by both governments and businesses.

In the latest NQC survey, the 4.0 version from 2020, an average index of 74 was recorded for assessed Haldex locations. 60% of the locations had results above 75 which is a high international level. The areas with better results were company management, business ethics, environment and responsible sourcing of raw materials. The topics with more opportunities for development were working conditions, human rights, health, safety and supplier management.

## CDP

2020 is the first year when Haldex has decided to participate in CDP in the climate change focus area. Disclosure is the first step to drive environmental action, and CDP is a highly recognized international standard for corporate environmental reporting. At this first attempt we score D, which means that we are transparent about climate issues. The obtained score is identical to the transportation equipment sector average. The assessed categories show that Haldex has a result above the transportation equipment sector for defined targets, scope 1 & 2 emissions and value chain engagement. Governance and risk disclosure are the categories in which results are below the transportation equipment sector average and are key areas to focus on in the near future.

## STAKEHOLDERS

The following five stakeholder groups have been identified: customers, suppliers, employees, shareholders, and the surrounding community.

Customers demand accountability and transparency, and Haldex is constantly working towards more sustainable production methods. The customer expectations include specific material requirements, certificates, external assessments and screening of Haldex's work on sustainability.

Suppliers' operations, including transport, are essential to Haldex's overall impact on the environment and society. Relevant efforts include a Code of Conduct adapted for suppliers, prioritisation of local suppliers, sustainability screening and certification requirements to ISO 14001. Haldex's selection criteria for suppliers include clear requirements for sustainability in the supply chain and requirements for compliance with the Code of Conduct.

Employees demand a well-developed safety approach at the workplace, work on values, Code of Conduct, a whistleblower hotline, skills development, etc.

For shareholders, Haldex's integrated view of sustainability is of overarching significance for the company's long-term development. Increasing sustainability requirements drive technological development and resource efficiency and make demands on risk management.

Related to the surrounding community are the relevant focus areas of road safety, environmental issues, human rights and local involvement.

### Framework provides guidance

At an overarching level, international frameworks form the basis for Haldex's sustainability work. These include the UN Sustainable Development Goals, the UN Universal Declaration of Human Rights, the UN Global Compact, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the EU's sustainability areas and the OECD Guidelines for Multinational Enterprises.

# Safe Haldex

We put safety first and we care about our people. It should be safe to work at Haldex, and it should be safe to drive or encounter a vehicle that uses Haldex products. The principle guiding our internal safety work, Safety #1, is that if you can't do it safely, don't do it!

## Safety in society

The safety of customers, end-users and other road users guides Haldex's actions as a major supplier of brake systems for broad use in the world's fleet of heavy vehicles.

In the company's internal processes, the focus is on the products being of high quality and meeting Haldex's strict functional requirements. Its own production is guided by extensive processes for how products are to be manufactured and tested. The Haldex Way framework has evolved from Lean Production system to a framework for strategy deployment and result-driven improvements. Part of the Haldex Way is a standardized way of working, which in addition to productivity is fundamental for quality and a safe workplace.

The quality of the products is ensured by adopting established performance requirements in the affected markets as well as following up on the proportion of products subject to complaints and the number of warranty claims issued.

Quality, measured as the number of returned products per million delivered (ppm), has shown a positive trend, moving from 150 ppm in 2013 to 11 ppm in 2020.

There is an interplay between technological development, efficiency measures and digitalization, and the development of autonomous vehicles and logistics, making Haldex's operations and products increasingly safe. Innovations contribute, for example, to increased stability and road safety.

## Employee safety – Safety First

The Group-wide effort on safety is called Safety First (Safety #1). Haldex has a zero-vision for workplace accidents. There has long been a sharp focus on employee safety and established procedures to ensure this. However, this work has been considerably stepped up in recent years, with a focus on leadership and on changing behavior from reactive to active and reciprocal. Employees are trained to take responsibility not just for themselves, but also for each other and to observe and act on potential safety risks. In 2020 all locations completed the Safety framework deployment using a train-the-trainer approach.

Processes and procedures for how each task can be performed safely and according to regulations are continuously developed in each work element. The same applies to guidelines for instance regarding alcohol and drugs, violence and social problems.

Haldex has far-reaching criteria for reporting and acting on safety deficiencies. Every accident is communicated globally together with corrective and preventive actions, incidents and safety risk observations locally and addressed with pro-active preventive actions.

An accident is an injury that has resulted in more than two hours of absence from normal work, which is a stricter definition than is commonly used. An incident is an event that could have resulted in an accident, but did not do. Safety risk observations are unsafe conditions or behaviors.

## Attitudes, behaviors and leadership

In addition to measures relating to the physical environment, safety measures also include training and influencing attitudes, behaviors and leadership. Safety in the workplace improves significantly as work and responsibility for safety are integrated into the line organization and employees take greater individual responsibility for themselves and their colleagues.

### Measures to improve safety:

- All staff have been trained in Safety #1 framework, and leaders have trained their employees in the Safety #1 framework to further develop their competence, and to integrate a strong leadership and mutual commitment to safety in the organization.
- Accidents are reported on the intranet together with preventive measures, which means that other parts of the organization with similar risks can prevent the same types of accidents from occurring. A special safety committee with representatives from all sites contributes to and ensures the transfer of skills within the Group.
- Following the example of other manufacturing companies prominent in safety, safety risks observation sessions are carried out in which employees in a group teach each other how to identify risky behavior.

## IDENTIFIED RISKS/OBJECTIVES

Unsafe behaviors or conditions are safety risks, and observed risks together with safety incidents and accidents are managed by the policies and working methods devised in the Safety #1 framework.

The objective is to eliminate work-related accidents. For incidents and risk observations the objective is to have a high propensity to reporting, at least 10-100 and 100-1000 times the accident rate, to assure pro-active measures to improve the workplace safety.

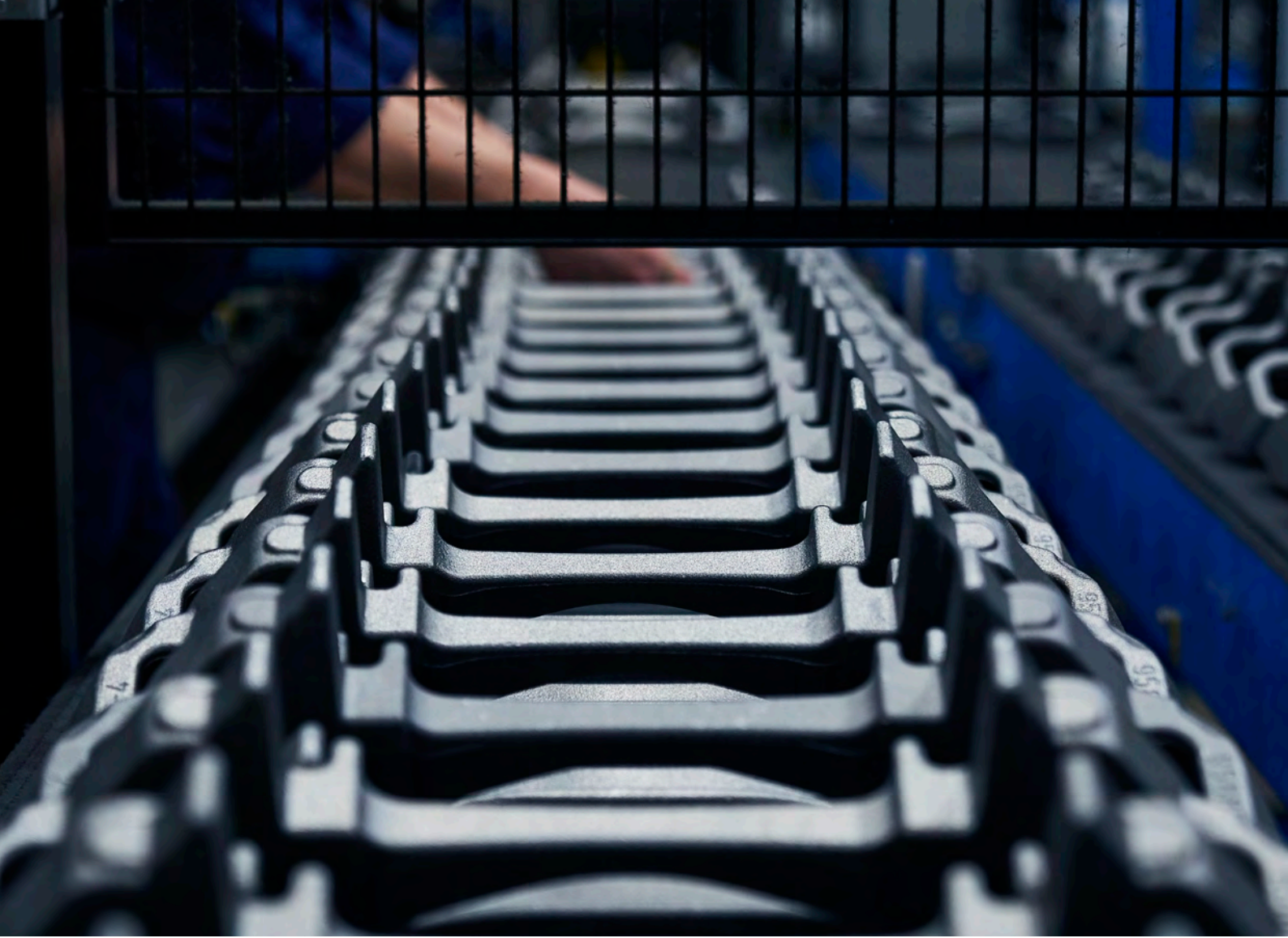
The result and propensity to report incidents and accidents increased in line with the increased focus on safety during the period 2016 to 2018, validating the step change towards an actual safer workplace in 2019 and 2020.

## KEY RATIO SAFETY

Per million hours worked	2020	2019	2018	2017
Number of accidents	2.5	2.4	8.4	7.1
Number of incidents	136	259	306	242
Risk observations <sup>1)</sup>	1,297	-	-	-

<sup>1)</sup>First measured in 2020





## Haldex will never jeopardize safety

PETER SAMMON / MATERIALS ENGINEER / ENVIRONMENTAL, HEALTH & SAFETY ADVISOR  
/ NUNEATON, GREAT BRITAIN



The business of Haldex is to design, develop, and produce equipment to make heavy goods vehicles safer. Customer safety, and safety of performance, are among the main issues considered during the design and development phase, which partly takes place at the Haldex R&D facility within MIRA Technology Park in Nuneaton, England.

"One of our main product lines is antilock braking systems, which have developed into electronic braking systems (EBS). The electronic systems operate much faster and are therefore even safer than earlier ABS systems," explains Peter Sammon, Materials Engineer and Environmental, Health & Safety Advisor at Haldex MIRA.

But safety begins in the workplace, which is why Haldex has formed a joint global program for safety. A Group Global Safety Committee was formed two years ago, and Peter is one of the appointed members.

"The committee is working to harmonize the whole Haldex Group safety systems, to ensure that we are not overlooking any

important aspects of health or safety in our workplaces. A very useful tool is the Global Accidents Reporting System, which gives each facility the chance to learn from other sites' errors, and subsequent experience, with the aim to prevent accidents from happening in the first place," says Peter.

MIRA is a very low incident site, due to the nature of the work carried out, but there is always room for improvement, so the site makes use of the Haldex Safety Framework to further enhance its safety performance.

"If we cannot do it safely, we do not do it. A good example of the commitment of the management to safety at MIRA occurred recently. We are currently working on the R & D of the fourth generation EBS system. When a new testing machine was introduced into the project, I was asked to do a thorough risk assessment of the equipment in spite of the fact that this would take a few weeks and could possibly delay the project. It feels good to work in a company that will never jeopardize safety," says Peter.

# Ethical Haldex

Haldex's ethical work must be permeated by our basic values: Customer First, Respect for the Individual and Passion for Excellence. The values are put into practical form and reinforced within our 5C concept, which aims to promote increased cooperation within the Group and relationship building with employees in different parts of the company. 5C stands for Connect, Communicate, Collaborate, Coach and Create.

## Code of Conduct

Haldex's Code of Conduct is fundamental to all operations. Each employee is trained in it and signs it to confirm that they have understood and intend to follow the code.

In the 'Customer First' area, the Code of Conduct addresses areas such as bribery, corruption, gifts, conflicts of interest, competitive situations, business-critical information and business entertainment. There is zero tolerance of bribery, corruption, child labor and discrimination.

In the 'Respect for the Individual' area, the Code is about creating a good workplace with 1) respect for employees' private lives, 2) reasonable working conditions only, 3) zero tolerance of discrimination and harassment, 4) equal opportunities regardless of gender, religion, sexual orientation, ethnicity, age or disability. The company also strives for diversity among its employees.

For example, the Code of Conduct contains descriptions of where employees should turn if they discover irregularities or feel harassed or discriminated against.

In addition to the Code of Conduct, there are more detailed policies, for example for procurement and finance, the purpose of which is to ensure proper management when approving investments and purchasing materials and when certifying costs.

In 2019, a digital platform for training in the Code of Conduct was introduced. Its purpose is to strengthen the code and ensure a greater level of dissemination and compliance with it in all units at the company.

## Measures against harassment

Haldex decided not to conduct an employee survey in 2020. But the latest employee survey in 2019 revealed there were several cases of harassment in 2019. An outcome totally unacceptable according to Haldex's values, its Code of Conduct and 5C. Haldex took the situation very seriously and high priority was given to strengthening and following up the code internally, work that has continued in 2020.

Haldex immediately established a 'whistleblower hotline' which was fully implemented during 2020. The hotline received 11 complaints, which were all investigated and closed during the year.

## Evaluation of suppliers

Haldex's large number of suppliers poses an ethical risk and challenge, as they operate in many cases in countries where there are problems with the working environment, business ethics, safety and the environment. Haldex has initiated efforts to reduce the number of suppliers from the current 900. This is expected to lead to efficiency improvements as well as better conditions for analyzing the supply chain from a sustainability point of view.

A special version of the Code of Conduct has been introduced for suppliers that clarifies the requirements Haldex places on its partners. Existing suppliers are evaluated through planned audits and these also include questions relating to the Code of Conduct. Haldex has also started applying screening and rating according to

NQC of its largest suppliers, of existing suppliers ahead of new partnerships, and of all potential suppliers to cover the entire supply chain in a consistent manner.

## Community involvement

Haldex endeavors to contribute to the local community in its markets. Giving back to the areas where the company operates is important.

In India, we offer scholarships to persuade girls to choose engineering as a profession and arrange study visits.

Globally, Haldex has initiated a network for female leaders within the company. Haldex has also been involved in road safety for school students and in the project Smart Maths to raise the level of interest in technology among high school students.

## IDENTIFIED RISKS/OBJECTIVES

Identified risks in ethics are deficiencies in working or supplier relationships, unethical behavior in our own or customers' operations, and breaches of trading rules. Haldex's Code of Conduct covers these areas and both policies and follow-up mechanisms have been implemented.

The objective is for 100% of staff to be trained in the Code of Conduct, but for practical reasons a key ratio of over 99.5% is good. Training in the Code is an indicator that preventive measures in these areas is being implemented.

For supplier partnerships, the objective is to discover all breaches of the Code of Conduct. A key ratio is the number of supplier partnerships terminated due to breaches of the Code of Conduct with regard to human rights and social conditions.

KEY RATIOS ETHICS	2020	2019	2018	2017
Employees trained in the Code of Conduct, %	89	99.8	99.6	99.5
Terminated supplier partnerships due to breach of the Code of Conduct	0	0	2	2
Investigation of employee breaches of the Code, ended after full investigation, %	100	97.5	N/A	N/A





## A working environment where everyone is respected

FREYJA WANG / SENIOR CHANGE PROGRAM MANAGER, R&D / SHANGHAI, CHINA

“One of Haldex’s most important strengths is the focus on inclusiveness, which is a part of our Code of Conduct. We have a working environment where everyone is respected, and teams work together to reach a goal,” says Freyja Wang, Senior Change Program Manager, in charge of the Haldex ABA platform changes governance, China application changes governance and China Project Management.

Working with Research & Development, R&D, Freyja is part of a complex environment. It is crucial to reach consensus within the Haldex team to be able to create innovation to meet customer demands, and also smoothly implement changes at all sites within Haldex.

“Our resources are limited, and we need to prioritize. On this, and other aspects of change, we might have different views. However, everybody is able to speak out their perspective and still feel safe in their working environment. There is transparency within our organization. Also, our leaders are open for discussions and willing

to take in other perspectives than their own,” Freyja explains.

Being a leader herself, Freyja Wang aims to offer an inclusive space, where integrity is a priority and every team member is able to contribute and make use of his or her skills. She also practices and appreciates the part of the corporate culture that allows for equal opportunities. Freyja is part of the global network “Women for Leaders at Haldex”.

“This is a group of many women leaders where we share experiences, which is a bridge for everyone to connect the others,” she says.

The network was initiated at the beginning of 2020 to strengthen and motivate young female leaders, and to provide them with a common platform. Some of the issues that are discussed refer to challenges that might occur to female leaders in a male-dominated industry. The objective is also to attract more women to Haldex.



# Green Haldex

Demands from the world at large for reduced emission levels are increasing every year, and the entire automotive sector is under great pressure to adjust in order to reduce emissions, principally of carbon dioxide, during transport. Haldex can influence its environmental footprint by reducing its own emissions in connection with production, transport and deliveries. Haldex can also influence emission levels by developing new braking solutions that consume less energy, weigh less, take up less space and reduce the level of noise emissions.

## Direct environmental impact

Haldex's production sites, distribution centers, remanufacturing sites and friction centers have a major environmental impact, and the management of environmental issues has notable effects. Transport, together with electricity consumption, are the parts of Haldex's process that have the greatest carbon footprint.

All production sites are controlled according to environmental management systems that are certified to the international standard ISO 14001. Systematic programs and environmental policies also contribute towards utilizing resources effectively.

Haldex's analyses show that carbon dioxide emissions and material efficiency are the factors in the company's operations that have the greatest impact on the environment. These key ratios are measured and followed up.

The environmental impact of all units is analyzed quarterly, resulting in a Green Performance Map per site. This is a survey of the volumes of material, energy and other resources that are supplied to the production site, and the volumes of emissions and waste the production site generates. The survey includes results for two key ratios: total material efficiency and carbon dioxide emissions.

Since 2018, there has been an environmental committee with representatives of all production sites who jointly follow up targets and discuss improvements.

Coordination between different units and projects meant that carbon dioxide emissions could be reduced in 2020, primarily through more sustainable electricity consumption. Haldex's focus on seeking more environmentally friendly energy sources will lead to a continued decline in levels.

Material efficiency is the ratio between all direct and indirect material entering Haldex, compared to what is delivered to our customers. It is improved through improving components, packaging material, internal processes, reducing scrap and recycling or reusing waste material.

In 2020 an environmental framework including methods and initiatives to improve Haldex environmental impact was defined. Environmental observations is one initiative, where employees report deviations that cause or could have a negative impact. Our ambition is to increase awareness, to act and to further reduce our environmental impact.

## Environmental impact through product quality and use

An important part of Haldex's environmental work is product development, in which sustainability is an integrated parameter.

An environmental assessment – Green Product Assessment – is included early on in the project as a mandatory input when products are changed or developed from scratch.

Historically, compressed air has been used in braking systems for heavy vehicles, but Haldex was early in exploring electromechanical brakes, which are lighter than present-day brakes and use significant less energy than a compressed air-based system, which contributes in a positive way to the overall CO<sub>2</sub> reduction. This new and

revolutionary system also reduces the noise level on vehicles and contributes thereby to higher demands for noise emission in urban areas.

Another benefit of electromechanical brakes is that they provide increased control over the vehicle. This makes these products well adapted to autonomous vehicles, which in combination with an increasing number of electric vehicles will make the traffic environment safer and the use of resources more efficient. The braking systems of tomorrow contribute to a more sustainable society.

## IDENTIFIED RISKS/OBJECTIVES

Identified risks within the environmental area are incorrect or inefficient management of materials and processes that lead to environmental impact. Haldex's environmental policy and the comprehensive follow-up provide the tools needed to manage the environmental area.

The objective is to reduce carbon dioxide emissions and improve material efficiency.

In 2020, the operations in Blue Springs were transferred to Monterey which significantly reduced CO<sub>2</sub> emissions from electricity, and reduced transportation also had a positive impact.

In addition to general improvement and reduction in electricity, there is an increase in sustainable options for electricity offered in various Haldex locations.

Carbon dioxide emissions for 2020 totalled 30,324 tonnes and 93.3% material efficiency including production sites, distribution centres, restoration units and friction centers. The level of CO<sub>2</sub> emissions in 2020 represents a 19% reduction from the 2019 level, 37,502 tonnes. A new intensity KPI for CO<sub>2</sub> emissions was introduced in 2020 to measure the emissions per produced unit and the total result for the year was 1.56 kg/unit. The table below shows only production sites, to make the figures comparable between years. For suppliers, the objective is for the proportion with certification to the environmental management standard ISO 14001 to increase. In 2020 the proportion was 40%.

KEY RATIOS ENVIRONMENT	2020	2019	2018	2017
Material efficiency, % <sup>1)</sup>	93.1	94.1	92.8	93.5
Carbon dioxide emissions, tonnes <sup>1)</sup>	16,665	25,381	27,651	27,491
Koldioxidutsläpp per enhet <sup>1)2)</sup>	0.94	N/A	N/A	N/A
Proportion of suppliers who conform to ISO 14001, %	40	39	39	42

<sup>1)</sup> Production sites, <sup>2)</sup> First measured in 2020.





## Environment and safety benefits from global process



KISHOR SHEJWAL, ASSISTANT MANAGER (QUALITY ASSURANCE) GOPAL POTE / MANAGER MAINTENANCE / NASHIK, INDIA

Haldex is implementing environmental observations globally, making use of the best practices from the company's sites around the world. The observations are often associated with safety as well as environmental issues, and also with quality aspects.

Haldex India in Nashik is one of the local organizations that during 2020 introduced local performance indicators to meet global target levels.

"This year, we have trained employees to identify environmental and safety issues. The person that works closest to the machinery is responsible for making these observations," says Kishor Shejwal, Assistant manager (Quality Assurance).

Every morning, there is a short meeting called daily Cell LDMS

where the operating engineers brief the team leaders and supervisors about the observations that have been made. These are also registered, to facilitate monitoring and action. Monthly meetings are held to review action taken and monitor effectiveness.

"A number of actions have been taken for optimizing energy uses. Out of many actions some of the examples are introduction of energy efficient lighting and automatic shutdown of machines when in idle conditions," says Gopal Pote, Manager Maintenance.

Since the new observation process was implemented, Haldex India has had zero accidents. Carbon dioxide emissions have decreased, and there has also been an increase in material efficiency and productivity.

# Humane Haldex

Haldex is characterized by a strong engineering culture, passion for the product and the vision to help make the roads safer. Its employees offer a wide range of skills. They work on sales, strategy, product development, supply of goods, production/assembly, marketing and customer support.

Haldex has its own staff in 19 countries and a total of 1,990 employees, around 29% of whom are women. Approximately 60% of the employees work in production, while the remaining 40% are office-based staff. In a small global group like Haldex, work based on common values, a clear Code of Conduct and a joint concept for how we should act within the company is a definite success factor.

## 5C – how Haldex acts

Haldex's 5C concept, that is, Connect, Communicate, Collaborate, Coach and Create, has been developed as a guideline for desired behavior and how we ought to work in order to make Haldex a better, more efficient and more pleasant place to work.

Training and workshops are regularly arranged to develop employee behavior skills in 5C. New leaders spend one day per C to improve their knowledge, develop better methods and learn from each other about how they, their team and the company can improve. In the annual employee dialogue, 5C forms the basis for the discussion.

## Leadership development

Leadership is important for employees to thrive and for the business to achieve its goals, especially in these volatile times. Haldex would like to foster leaders who inspire, challenge and motivate. At the same time, leaders must be given the necessary conditions to achieve their potential.

Haldex holds different kinds of leadership development activities on different levels, based on the needs for the specific target group and this is continuously developed and updated over time. During 2020 we converted not all, but most of this training to be digital.

The Haldex Way framework is also one of our tools for creating a common way of working and consequently forms part of leadership development. Procedures and results are monitored at each facility by 'assessors' from other production sites. They propose improvement measures while deepening and broadening their own skills by evaluating the activities of others.

In the light of the changes going on in the automotive industry the skills set also needs to change. For Haldex it is, and will continue to be, a priority to understand what competences we need for the future, and what gaps we have to fill and how we fill them in order to reach and continue to maintain the competence level we need going forward.

## Employee surveys

In 2018, the company initiated a three-year employee project to strengthen employee engagement. The project includes annual employee surveys as well as regular pulse service of the various units. The key ratio Employer Satisfaction Index was measured here at 71. Based on the results of the survey, workshops were held around the world to capture more detailed views from employees. Based on this information, management teams decided upon glo-

bal and local efforts. The investigation revealed problems with harassment within the company, which led to action being taken by the company (see Ethical Haldex).

A follow-up employee survey was conducted at the end of 2019, producing an index of 73, which is an improvement over the previous measurement. However, the results are not entirely comparable between years. The next survey is scheduled for 2021.

## New health indicator

Since 2019, Haldex uses healthy attendance as an indicator of employee well-being.

## Brand can benefit recruitment

A strong brand is important in the labor market in order to recruit qualified employees that take Haldex forward. The plan for the coming 2 years is to update the Employer Branding Strategy and communication platform, so that it is well aligned with future competence needs as well as what Haldex stands for and the employer we have the vision to be.

## IDENTIFIED RISKS/OBJECTIVES

Identified risks: Haldex's values or the 5C concept not being embedded or complied within the organization. A lack of leadership undermining our common values and the strong commitment of our employees, which are important for job satisfaction, motivation and the success of the company.

The objective is for us all to share and live according to Haldex's common culture and values and to have strong leadership with a clear strategy. If this is clear, it will enhance the commitment of our employees and ensure that we are all working towards common objectives.

KEY RATIO EMPLOYEES	2020	2019	2018	2017
Employee satisfaction index	N/A <sup>1</sup>	73	71	N/A
Healthy attendance	98%	97.9%	N/A	N/A

<sup>1</sup>Planned for 2021





### HALDEX VALUES

Haldex's three values form the basis for behavior towards colleagues, customers and suppliers.

#### Customer first

We understand our customers' requirements. Customer success is our success.

#### Passion for excellence

We are determined to constantly improve.

#### Respect for the individual

Our success depends on responsible individuals working together effectively.

## Collective efforts to put safety first during COVID-19

OMAR GARCIA / HR MANAGER MEXICO AND BRAZIL / MONTERREY, MEXICO



Haldex has two labor-intensive production sites in Mexico and Brazil with a total of about 600 employees.

"The COVID situation has been and still is very challenging, but our deeply rooted mantra 'Safety First' in every aspect has helped us keep our facilities open, while not compromising the safety and health of our employees," says HR Manager Omar Garcia.

The top priority, keeping employees away from COVID-19, required a number of changes.

"Social distancing was especially challenging. A lot of effort had to be directed to communication and education. We also made special arrangements for our employees to be able to avoid public transportation."

Production lines were rearranged to create a safer distance, an ex-

tra shift was implemented, and face masks were introduced as mandatory. In total, we have implemented 84 measures, many of which we learned from our colleagues in China, where the virus hit first.

The Haldex site in Mexico was almost shut down by the authorities, but the local team was successful in arguing that they should be able to continue operations, being a critical part of the supply chain for food, medicine and other necessities.

The measures to protect the employees have resulted in higher costs and lower productivity, but they also built trust, as deliveries to customers have continued throughout the pandemic.

"Internally, the crisis has brought a different perception of Haldex. We have been able to build trust among our employees, too," says Omar.

# Increased focus on aftermarket

## Important events in 2020

- ➔ Streamlining of operations
- ➔ COVID-19 mitigation and adjustments
- ➔ Closed a number of important new sales in Trailer OEM and aftermarket segments.
- ➔ Retained significant aftermarket business with major OEM.

## Operations

2020 began with Haldex Americas in full execution of its planned streamlining of the company's operations in the region. All projects were completed on or ahead of schedule despite the COVID-19 pandemic. We successfully moved the 2 million plus unit ABA production operation from Blue Springs, Missouri (USA) to Monterrey (Mexico). Additionally, we completed the final phase of friction reline centers consolidation and eliminated one distribution center while maintaining full production within the business, these measures reduced the number of friction centers from seven to two.

Commercially, 2020 had a challenging start due to a loss of a standard position with a large truck OEM (ABA and Gold Seal Actuators). However, we retained the more profitable aftermarket business. Then the market collapsed due to the COVID-19 pandemic. However, by re-grouping sales and increasing our focus on customer intimacy we managed to strengthen our aftermarket position and also sign a number of new OEM customers such as major trailer OEM manufacturer, CIE, with our ABA and Gold Seal actuator product line. Additionally, we were awarded standard position with a trailer axle manufacturer for our ABA and we signed on CIMC Reefer division with our Self-Setting Brake Adjuster while a large OEM agreed to take on our Gemini Air Dryer on their truck platform. During most of 2020 we worked with a large global axle manufacturer to become optional position on the Haldex Air Disc Brake; the year finished strong when this manufacturer agreed to provide the Haldex air disc brake as an option to their standard from early 2021. This availability will permit the highly effective fleet pull-through model of securing new business in North America to continue to be successful.

## Position and products

The Americas region remains Haldex's largest single market and accounts for about 52% of the company's sales and a majority of the profit. Throughout 2020, Haldex in the Americas continued to leverage its strong aftermarket product position and key relationships

despite the impact of the pandemic. North and South America both have strong aftermarket presence and brand recognition which account for 68% of the region's total revenue, which is up in 2020 from the usual range of 60% due to the negative impact of the pandemic on new vehicle production.

The major technology trends remain products and services that minimize vehicle downtime and help lower lifetime operating costs; this includes the continued transition from drum brakes to air disc brakes. Haldex provides both a truck and trailer air disc brake and is positioned to serve the market with a lower weight and lifetime cost benefits.

In North America, air disc brake introduction is well underway with about 35% of new trucks equipped with this product and 12% of new trailers; in South America, the road conditions and a desire to maintain the existing technology level will delay the introduction of air disc brake.

## Market development

The year on year reduction in vehicle production from 2019 was exacerbated in Q2 and Q3 of 2020 by the impact of the pandemic. At its peak, several of the major OEM customers were shut down and not building vehicles at all. From 2019 levels, OEM truck and trailer revenue experienced a 39% and 36% decline respectively, while the aftermarket only saw a 7% reduction. Because of the stronger aftermarket sales vs new equipment sales, Haldex saw its profitability improve due to the change in market mix.

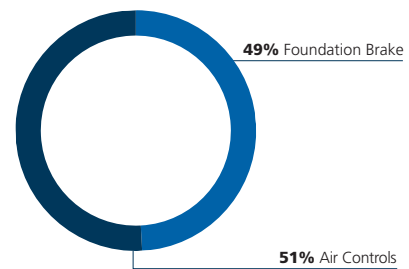
## Future outlook

The pandemic led to a shortfall in new vehicle sales in 2020 which are forecasted to shift into the first half of 2021. The outlook for 2021 is positive. Both new truck and trailer production are projected to increase by 39% and 34% respectively from 2020 levels in North America. In South America truck production is forecasted to rise by 26% and trailer by 14% compared to 2020.

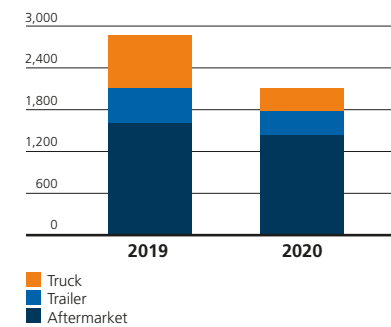
The aftermarket is a key focus area for Haldex and new product introductions will enable the aftermarket to see higher growth than its competitors in what is considered a very mature market. Overall, we are anticipating a strong recovery of the aftermarket in the entire Americas region and to organically growing our aftermarket penetration through targeted activities with the fleets, distributors as well as OEMs in the region.

## AMERICAS

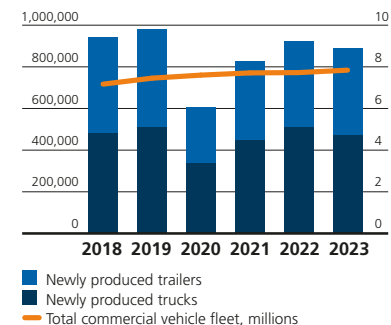
### PROPORTION OF SALES Per product line



### SALES, SEKm Per customer segment



### NEWLY PRODUCED VEHICLES AND TOTAL VEHICLE FLEET



### MARKET SHARES AND POSITION IN 2020

	Haldex	Other	Total	Rank
ABA <sup>1)</sup>	66%	34%	100%	1
Actuators <sup>1)</sup>	55%	45%	100%	1
Air suspension <sup>1)</sup>	20%	80%	100%	3

<sup>1)</sup> Truck in North America





■ AMERICAS

## Haldex customer-centric model serves as a growth engine



AGNALDO COLUCCI, COUNTRY  
MANAGER FOR HALDEX IN BRAZIL

In South America, Haldex has focused on developing a highly customer-centric model to serve as a growth engine for our profitable aftermarket business. Haldex supplies large distributors in the region, such as DiGilio and Pacaembu. In the past years, we have been able to increase customer intimacy and thus to address their greatest concerns: cost, product availability, and technical support.

“Our relationship with DiGilio is important as they provide extended reach for Haldex into the Argentine and Chilean markets, in which we have no other presence,” says Agnaldo Colucci, Country Manager for Haldex in Brazil. “We are able to provide benefits to DiGilio with product, and training activity that they in turn can pass on to the key customers who buy the Haldex products.”

■ AMERICAS

## “We are extremely proud of our partnership with Haldex.”

TINA HUBBARD PRESIDENT AND CHIEF EXECUTIVE OFFICER HDA TRUCK PRIDE



Haldex has revitalized its market philosophy by focusing on the aftermarket, value creation and building customer relationships with its key customer groups. The transformation work has put Haldex into a growth mode after a period when lack of focus jeopardized the business relationship.

“HDA Truck Pride spans back to 1982, and one of our first supplier partnerships was with Haldex. We have struggled together and grown together. Today, we are extremely proud of our partnership with Haldex”, says President and Chief Executive Officer HDA Truck Pride. Tina explains: “Our network of HD distributors is North America’s largest independent provider of parts and services to repair facilities, fleet maintenance managers, and

service operations on the commercial vehicle aftermarket. We have over 700 distribution locations and 400 service facilities. And our commitment to providing our customers with exceptional products and services begins with a strong partner, such as Haldex, who is willing to listen to our needs and take action to support them. Putting your customers first keeps you ahead both for your business and customer experience.”

“2020 has certainly proven to be challenging for all of us, but a new perspective came into play the moment our industry was deemed to be ‘essential’. Our entire supply chain network has gained a renewed focus and sense of purpose: suppliers, members and end user customers.”

# Strengthened position

## Important events in 2020

- ➔ Streamlining of operations
- ➔ COVID-19 mitigation
- ➔ Important contracts signed with trailer and axle manufacturers and within the aftermarket segment.

## Operations

2020 sales were initially strongly impacted by the COVID-19 pandemic, but recovered during the year. We managed to keep operations going at a reduced but stable level except for two weeks in March when we had to close our distribution center in Weyersheim. In the summer our production line for Air Suspension and EBS was moved from Heidelberg to Szentlőrincáta, Hungary. Production started in September. The successful move to Hungary has improved capacity utilization and lowered overhead cost. We encountered some delivery problems during the second half of the year but these were primarily related to supply chain congestion due to COVID-19.

Commercially we won several important customer contracts in 2020, the most important being an extended ADB supplier agreement with Gigant. We also signed a contract with a leading trailer OEM for the delivery of our latest Actuator; Life Seal. We were also pleased to announce a sales agreement with Wielton Group regarding our new EB+4.0 and air suspension systems. Finally, a continuation of a long-term supplier contract with one of our largest customers was secured.

## Position and products

The European market is Haldex's second largest market after North America, and accounts for 36% of the company's sales. Haldex holds a strong position in the trailer segment, which accounts for 44% of European sales. Truck OEM sales volumes are less significant. Haldex's goal is to become a full systems supplier for the trailer segment while we focus on ADB and EMB for the truck segment.

Aftermarket accounts for 45% of the regional sales.

The European customer requirements are very strict due to regulations and fierce competition among innovative and global brands. This environment has created, in global terms, the safest and most technologically advanced vehicles. Disc brakes dominate, and only a small number of players use drum brakes. EBS, electronic braking

systems, are common.

During the year Haldex has developed its regional product offering with a trailer EB+4.0 and a new generation of Actuator Life Seal, a high quality and robust product produced in Europe.

## Market development

The European market was initially hit hard by the global pandemic that began at the end of the first quarter of 2020. The COVID-19 pandemic and related containment measures have plunged the European economy into its deepest recession since World War II. EU GDP fell by 6.4% in 2020, but is expected to recover by 4.2% in 2021. Commercial vehicle output on the European continent is expected to increase during 2021.

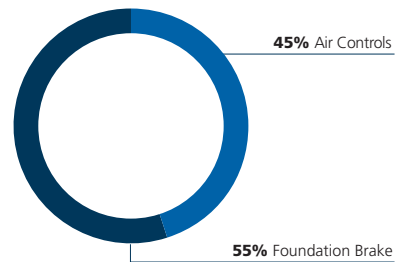
## Future outlook

Haldex will continue to focus on increased sales and profitability in Europe. These efforts involve launching more cost-effective products and making the organization more efficient. Thanks to the prototype nominations for the EMB from two main Truck OEMs and the market launch of the new electronic braking system EB+4.0 we are well positioned for continued growth.

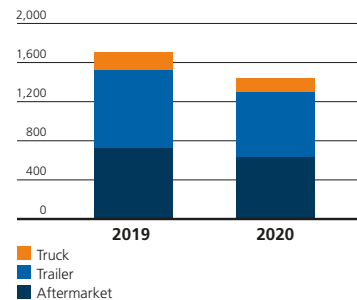
The customers' focus are on future-oriented solutions with high quality, optimized weight and low maintenance frequency. These expectations correspond well with Haldex's development of the next generation EBS: EB+4.0 and the development of the Electromechanical Brake EMB. The new EBS generation meets all requirements. The weight reduction is expected to be 33% thanks to the use of new materials, and an open software architecture. This allows intensive cooperation with a focus on mobility of the future and thanks to permanent monitoring options, the costs for vehicle maintenance are reduced.

## EUROPE

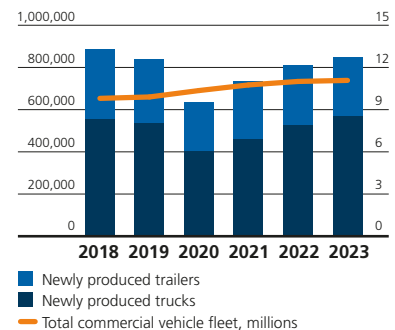
### PROPORTION OF SALES Per product line



### SALES, SEKm Per customer segment



### NEWLY PRODUCED VEHICLES AND TOTAL VEHICLE FLEET



### MARKET SHARES AND POSITION IN 2020

	Haldex	Other	Total	Rank
ABA <sup>1)</sup>	99%	1%	100%	1
Disc Brake <sup>2)</sup>	30%	70%	100%	3
Air suspension <sup>2)</sup>	50%	50%	100%	1

<sup>1)</sup> Truck, <sup>2)</sup> Trailer





■ EUROPE

## Well positioned

Haldex Europe has identified clear growth potential in all segments, and looks forward to future sales. Region Europe has made significant changes over the past year. We implemented a new strategy with a focus on collaboration, efficiency and innovation. Our new approach brought us positive feedback from customers and colleagues. The nomination of the EMB (electromechanical brake) prototype by two leading European truck manufacturers is an important recognition of our technology being at the forefront of technology trends within the industry, where e-mobility, autonomous and connected vehicles dominate. In addition, we are working relentlessly to achieve our goal of becoming a Trailer Full System supplier.

# Increased presence and strengthened position

## Important events in 2020

- Setting up assembly line to cater for EMB pre-series production in China
- Commercial agreement signed with one Chinese bus OEM.
- Exceptional efforts to resume production amid COVID-19, despite Chinese lockdown.

## Operations

Amid the COVID-19 lockdown in China, Haldex's Suzhou plant made exceptional efforts and managed to resume production on February 10, 2020. We were one of the first plants to re-open after the pandemic began. The quick recovery ensured delivery to all customers.

Haldex has initiated a localization process for the new generation of Disc Brakes, offering a weight optimized solution to the customers in the region. The production line and supply chain are expected to be localized in 2022. For the main products ABA, Haldex has focused on the high value market and does not intend to compete with low cost suppliers.

Haldex extended its offering of Air Suspension product solutions in 2020. Pilot installations in major Trailer air suspension customers have been accomplished, paving the way for growth in 2021.

Our joint venture with VIE related to the electromechanical braking system is progressing steadily. Assembly line and test equipment have been set up and a commercial contract with one bus customer has been signed. At present, the first pre-series delivery is planned in December 2021.

## Position and products

In Asia Pacific region, the main product is still the Automatic Brake Adjuster (ABA). Haldex is a premium supplier for ABA, offering better quality and service. ABA penetration continued to decline mainly due to lower installation in the Trailer segment. However, we expect ABA to grow in the next few years before the Disc Brake finally takes over. Haldex is one of the leading suppliers of Air Suspension products in the Bus segment.

Thanks to a legislative upgrade, market demand for advanced technology is continuously increasing. Safer and more environment friendly solutions are welcomed by vehicle producers and end customers. Disc brakes are mandatory for certain types

of vehicles, while weight optimized technology is expected by fleet owners. Demand for air suspension is also rising, for example in the trailer segment. Thanks to enforced regulation for dangerous goods transportation and enhanced safety awareness of the public, the EBS penetration rate keeps increasing in commercial vehicle segments.

## Market development

2020 was an exceptionally dynamic year. COVID-19 hit all the major markets in the region, but the impact varied from country to country.

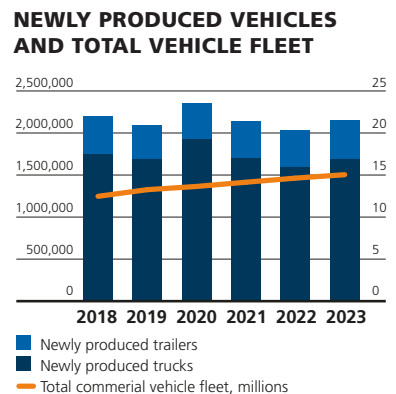
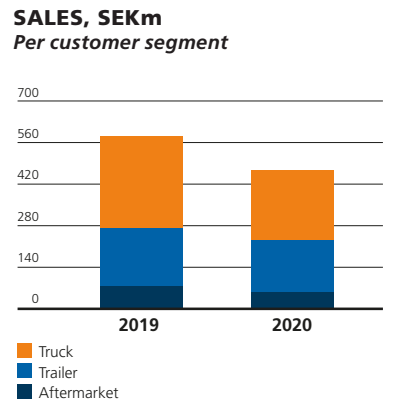
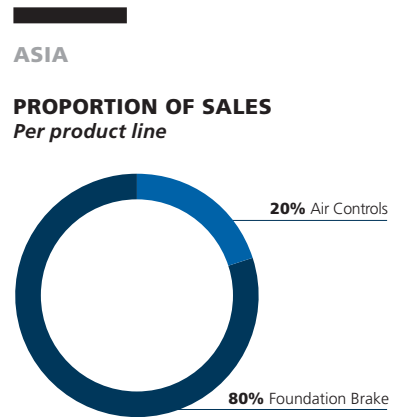
China, which was the first impacted country, had record low vehicle output in Q1, but recovered strongly from Q2 onwards. Due to government incentives on infrastructure and policy measures aimed at phasing-out State III trucks, China exceeded 1.65 million heavy duty truck production in 2020, corresponding to 39% year-on-year growth, a historic high. However, bus production was negatively impacted because of reduced public transportation and low export volumes.

Though COVID-19 hit other markets in Asia Pacific at a later stage, the impact lasted longer and was more severe. In Q4, South Korea and Japan had still not fully recovered while India and Australia were just back to pre-pandemic levels in November.

2020 was also characterized by more intensive competition especially from low cost players. On the other side, we have observed a growing demand for more advanced technology providing better safety, comfort and efficiency. Replacement of MBA by ABA, Drum Brake by Disc Brake, ABS by EBS, Steel Suspension by Air Suspension is happening and we believe that it will continue over the next few years. This offers significant opportunities for technology leading suppliers such as Haldex.

## Future outlook

We expect vehicle output to be relatively weak because of the return to normal of the heavy-duty market in China. Technological development of vehicles and braking systems will continue to be positive for Haldex.



## MARKET SHARES AND POSITION IN 2020

	Haldex	Other	Total	Rank
ABA <sup>1)</sup>	27%	73%	100%	2
Disc Brake <sup>1)</sup>	6%	94%	100%	4
Air suspension <sup>1)</sup>	30%	70%	100%	2

<sup>1)</sup>Truck, China





■ ASIA PACIFIC

## Significant agreement signed in China for EMB

Commercial agreement with a customer in China was signed in 2020, marking a milestone for Haldex electromechanical brake systems. The agreement is confirmation of growing interest in EMB on the huge Chinese market.

Electromechanical brake systems (EMB) control and activate electronically without using compressed air. The system has a positive impact on energy consumption, sound levels and stopping distance, while also meeting vehicle driving regulations.

This product has been developed by Haldex VIE in China, within the joint venture of Haldex and Zhejiang VIE Science and Technology. Electric buses in China are the natural platform on which to launch Haldex electromechanical braking technology, and EMB will initially be manufactured in China for the Chinese bus market. EMB assembly lines and test equipment have been installed and tested in Suzhou (Shanghai). Production is expected to start in Q4 2021.

Several vehicles from leading Chinese bus manufacturers are now running tests with the electromechanical braking system. Technical development of the system has progressed well in 2020. Significant improvement in vehicle stability control and development of additional functions have been achieved.

The new EMB agreement for series installation and selling to an additional bus company does not imply large volumes to start with, and will not make a substantial contribution to the interest of Haldex's shareholders. Nevertheless, the agreement is a stepping stone to growth in China.

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# Directors' report

The Board of Directors and the Chief Executive Officer of Haldex AB (publ), corporate identity number 556010-1155, hereby issue annual accounts and consolidated financial statements for 2020. The directors' report covers information on pages 39-41 and the financial information is presented on pages 48-79. The corporate governance report with additional disclosures can be found on pages 90-94. The sustainability report covers pages 20-31 as well as the sustainability risks on page 46.

## The year in summary

The strong 2019 initially continued in 2020, but by the middle of the first quarter the effects of COVID-19 were starting to be felt, initially in China and then other regions. In the first and second quarters, our sales consequently fell in currency-adjusted terms by 14% and 37%, respectively, compared to the same periods in the previous year. The second half of the year improved slightly, and currency-adjusted sales increased by 3% in the second half compared to the first half of the year, which is unusual as the second half of the year tends to be weaker due to a lower number of shipping days. COVID-19 mainly affected sales to our OEM customers in Truck and Trailer, while Aftermarket was more resilient and increased our aftermarket share, which had a positive impact on our gross margin and consequently our operating margin.

The work that was started in 2019 to streamline the organization continued to be an important focus area in 2020. Firstly the production transfers announced in fall 2019 were implemented during the year and secondly a strategic review was carried out, resulting in both cost-cutting programs and more focused product development work toward electrification.

Balanced finances and a drive to become more self-sufficient were another important area of focus over the year. Increased focus, combined with a private placement of SEK 157m in the second quarter, has enabled us to break the trend of continuously increasing net debt. During the year, the financing was renegotiated and runs until April 2022.

## Operations

Haldex offers proprietary and innovative solutions to the global automotive industry, focusing on brake products and brake components for heavy trucks, trailers and buses. Haldex AB (publ) is the parent company of the Haldex Group. 'Haldex' refers to the Haldex Group, which consists of Haldex AB (publ) and its subsidiaries.

## Sales

Sales for the full year totaled SEK 4,007m (5,151), a decline of 22% compared with the previous year. In currency-adjusted terms, sales fell by 20%.

Currency-adjusted sales in North America decreased by 24% compared with the previous year, while sales in Europe decreased by 14%. Sales in Asia also decreased, falling by 18%, while sales in South America decreased by 14% compared to the previous year.

Haldex operates in the market via three customer categories: Truck, Trailer and Aftermarket. Sales in the customer category Truck totaled SEK 701m (1,252) for the full year, which in currency-adjusted terms is a 41% decrease compared to the previous year. The decrease mainly originates in North America, where sales in the customer category decreased by 58%.

Sales in the customer category Trailer totaled SEK 1,174m (1,502) for the full year, which in currency-adjusted terms is a decrease of 20% compared to the previous year. The decrease in sales is mainly explained by reduced demand in Europe; sales in Europe represent a large proportion of the Group's Trailer sales and decreased by 17%. The decrease in North America was larger in percentage terms (-30%), but sales to the Trailer segment are lower there.

Sales in the customer category Aftermarket totaled SEK 2,132m (2,397) for the full year, which after current adjustment is equivalent to a decline of 8%. The aftermarket is by far the customer category that

has coped best during the pandemic and in 2020 accounted for 53% of sales, compared to 47% in 2019.

Sales in the Foundation Brake product line totaled SEK 2,200m (2,966) in 2020, which in currency-adjusted terms is 23% down on the equivalent period of the previous year. Sales in the Air Controls product line totaled SEK 1,807m (2,185) in 2020, which in currency-adjusted terms is 15% down on the previous year. Foundation Brake accounted for 55% of total sales and Air Controls for 45%.

## Profit

Operating income excluding non-recurring items totaled SEK 163m (317) for the full year, which is equivalent to an operating margin of 4.1% (6.1).

Operating profit in 2020 was greatly affected by the decrease in sales due to COVID-19; sales decreased in currency-adjusted terms by 20%, which is equivalent to an effect on operating profit of approximately SEK 335m. As COVID-19 mainly affected new production, Haldex's aftermarket share increased, which had a positive impact on our gross margin, which improved from 26.0% in 2019 to 27.3% in 2020. The gross margin was also positively impacted by the production transfers carried out during the year and slightly lower material expenses.

A major focus area in 2020 was our strategic review, which has resulted in a number of savings programs, partly to counteract the negative impact of COVID-19 but above all because Haldex has historically had too large a cost base for the business the company is engaged in. In 2020, these savings totaled SEK 161m and have obviously been the main reason why we have managed to achieve an adjusted operating margin of 4.1% (6.1) despite the much lower level of sales.

As part of the strategic review, investments in product development have also been concentrated, with a strong focus on electrification and the electromechanical disc brake. Haldex's investments in product development lead to higher expenditure that is not fully charged to earnings as they are regarded as investments for future product launches and are thus capitalized as intangible assets.

Development expenses linked to the electromechanical brake system developed together with Zhejiang VIE, in a joint venture in China, increased to SEK 24m (21). Development is progressing in a positive way, and we have now also started to build production capacity to enable series production.

SEK 263m (212) was charged to operating profit in 2020 in the form of non-recurring items. Most of the non-recurring items arise from impairment of SEK 176m of intangible fixed assets in the form of capitalized development expenses related to disc brakes and Fast Acting Brake Valve, and capitalized assets related to the implementation of business systems. In addition to these, restructuring expenses of SEK 109m have been incurred in respect of the savings programs communicated during the year. The remaining non-recurring items consist of external expenses related to the ownership structure. The profit from the sale of the property in Blue Springs USA is also included as a non-recurring item and totals SEK 35m.

Profit before tax was SEK -189m (61) for the year. Profit after tax was SEK -300, (5) for the year, equivalent to earnings per share of SEK -6.44 (0.12).

Currency fluctuations, including gains or losses on currency hedging and currency translation effects, had a negative impact on consolidated operating income excluding non-recurring items of SEK -16m (+24) for 2020. The currency effect in net financial income/expense was SEK -42m (-2).

## Streamlining of production

In fall 2019 Haldex announced streamlining of the production of brake adjusters, EBS and air suspension products. The production of brake adjusters for the North American market in Blue Springs, United States, was transferred in 2020 to the Haldex plant in Monterrey, Mexico. The move was completed during the year and is estimated to result in savings of the order of SEK 25m per year with full-year effect from 2021. In total, about 150 Blue Springs employees were affected by this move. Production of EBS and air suspension products in Heidelberg, Germany, was also transferred in 2020 to the Haldex factory in Hungary. The transfer was carried out in two stages during the summer, and the cost savings are estimated to total approximately SEK 50m per full year from 2021. A total of around 80 employees in Heidelberg are affected by the transfer.

## Transactions and partnerships

In 2020, Haldex succeeded in securing a number of deals in both strategic partnerships and larger volume transactions.

At the beginning of the year, the agreements with two major truck manufacturers to supply automatic brake adjusters were renewed and Haldex consequently retains its position as the exclusive subcontractor of the product to the two world-leading suppliers of transport solutions. During the year, the company also renewed its agreements with the two largest disc brake customers in Europe and expanded its partnership with one of Europe's leading trailer manufacturers by signing a three-year agreement for the supply of brake components, including the new-generation EBS system.

In China, an agreement was signed with a Chinese bus manufacturer for pre-series production of electromechanical braking systems in the fourth quarter.

At the start of 2021, an important entry-level contract was signed with one of the largest garbage carriers in the United States. This contract is very positive for Haldex and strengthens our position in the aftermarket. The initiatives in the aftermarket should have a clear impact in 2021 and are based on our established relationships with many distributors and operators of vehicle fleets.

## Development of new technology

Work on the development of the electromechanical brake system also continued with favorable results in the Haldex joint venture with Zheijang VIE in China. Haldex VIE has concluded agreements with several different Chinese bus manufacturers regarding test installations of electromechanical braking systems on their vehicles, which together with the signed agreement with a Chinese bus manufacturer on pre-series production is very positive.

## Cash flow

Cash flow from operating activities for 2020 totaled SEK 215m (328). The deterioration is mainly due to the decrease in operating profit for the year and cash flow from operating activities before working capital change decreased by SEK 139 million compared to the previous year. Cash flow from operating activities was substantially better in the second half of the year compared to the first half, mainly due to less capital tied-up.

Investments, including capitalized development expenses, totaled SEK 245m (381) and cash flow after investments was SEK -30m (-53). Total cash flow was SEK 158m (6) for the full year.

## Financial position

At December 31, 2020, consolidated net debt totaled SEK 1,360m (1,438), and net debt adjusted for IFRS16 was SEK 1,026m (1,015), equivalent to an increase in net debt of SEK 11m compared with the previous year. The change during the year consists mainly of increased pension liabilities as the changes in cash and cash equivalents and interest-bearing liabilities largely cancel each other out.

Financial items totaled SEK -89m (-44) during the year, including net interest income/expense of SEK -41m (-36). Shareholders' equity totaled SEK 1,203m (1,537), resulting in an equity/assets ratio of 30% (35).

During the year, an agreement was reached with the company's lenders, which, among other things, means that extends the maturity under the existing syndicated credit facility of EUR 90m and the existing short-term loan of SEK 270m is extended to April 2022 and that certain

adjustments to the loan terms will be made regarding the financial ratios and interest rates. These financial key ratios consist of net debt / EBITDA, net debt / share capital and minimum liquidity. They are monitored on an ongoing basis and Haldex has not violated any of these. In addition, approximately 4.4 million shares were issued in a private placement in favor of AMF Pension Insurance and AFA Försäkring, bringing the company approximately SEK 157m. The loan financing for Haldex consists primarily of a syndicated credit facility of EUR 90m, which matures in 2022. EUR 65m of this facility had been utilized at the end of the year. In addition, there is a short-term loan of SEK 270m replacing the bond that expired on January 20, 2020.

## Seasonal effects

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

## Employees

At the end of the year, there were 1,990 (2,172) employees, 182 fewer than at the end of 2019. The fall in the number of employees is principally due to the closure of production in Heidelberg in Germany and Blue Springs in the United States. In addition, we are seeing effects from the cost saving programs in the number of office-based employees in high-cost countries such as Sweden, the United States and France.

## Haldex shares

Haldex shares are listed on Nasdaq Stockholm. Share capital totals SEK 243m, divided into 48,637,567 shares, each individual share having a quotient value of SEK 5. There is only one class of shares in Haldex and all shares represent one vote. The single largest shareholding at December 31, 2020 was 9.3% and is held by Knorr-Bremse, a global brake and vehicle steering manufacturer in the railway and automotive industry, as well as being Haldex's largest competitor. Knorr-Bremse became a shareholder in Haldex in connection with the public takeover offer that the company submitted in 2016. At December 31, 2020, Haldex held 11,705 treasury shares. No purchases or sales of treasury shares were made during the financial year. For more information, see the section on Shares on page 95-96.

## Sustainability report

Haldex's sustainability vision is to contribute to society by improving the safety and efficiency of vehicles with the performance of its products and optimization of resources. Four areas have been identified as being key to making a real difference – Safe, Ethical, Green and Human Haldex.

Sustainability permeates the business, and the Group's sustainability work is commented on and described in several places in the annual report. Haldex's sustainability report formally consists of a description of the safe, ethical, green and humane Haldex on page 20-31 as well as sustainability risks on page 46, but content related to sustainability can also be found in the CEO's statement on page 8-9, market trends on page 10-11, strategies on page 14-15 and technology development on page 16.

## Guidelines for remuneration of senior executives

Remuneration of senior executives is primarily dealt with by the Board's remuneration committee. In 2020, remuneration consisted solely of salary when the Board decided to abolish the variable parts as an element in mitigating the negative effects of COVID-19 on earnings. For more information on remuneration of senior executives, see Notes 9 and 10 on pages 60-61.

## Parent company

Haldex AB (publ), corporate identity number 556010-1155, is a registered limited liability company with its registered office in Landskrona, Sweden. Haldex AB shares are listed on Nasdaq Stockholm, Mid Cap. The parent company fulfils head office functions, including the corporate finance function. Net sales for the Parent Company totaled SEK 104m (125) in 2020. Profit after tax was SEK -248m (-50).



## Board changes

At the Annual General Meeting in June 23, 2020, Helene Svahn was re-elected as member of the board.

Stefan Charette, Viveka Ekberg, Håkan Karlsson and Catharina Modahl Nilsson were elected as new members of the board. Stefan Charette was elected chairman of the board.

An Extraordinary General Meeting held on December 29, 2020, elected two new members of the board, Detlef Borghardt and Dzeki Mackinowski.

## Management team changes

A number of changes to the Haldex management team took place in 2020:

- Stephan Kulle joined as new EVP EMEA in January 2020, replacing Göran Jarl in the management team. Göran Jarl has taken up a new position in Haldex's EMEA organization.
- Staffan Olsson, Deputy CEO and EVP Supply Chain, left the company in June and was replaced by Nicola Gregory.
- Daniel Gustafsson, EVP Business Development, left the company in June as part of the announced savings program.
- Andreas Larsson, CFO, left the company in July and was replaced by Lottie Saks (external).
- Frida Wahlgren, EVP HR, left the company in September and was replaced by Jeanna Tällberg (external).
- Andreas Jähnke, EVP R&D, left the company and was replaced by Fredrik Seglö.
- Feng Yin (external) took on the role of EVP APAC in November, replacing Fredrik Seglö in this role.

Read more about the Group Management at <https://corporate.haldex.com/en/omhaldex/organisation>.

## Future trends

In addition to the number of newly manufactured vehicles, Haldex's market is also affected by the requirements of customers and legislation. Technological development towards electrified vehicles has accelerated. Other examples of technological trends are increased focus on safety and environmental awareness, combined with the increasing importance of vehicle dynamics and lighter vehicles to reduce fuel consumption. The technology shift from drum brake to disc brake in both North America and China as well as legislation in China for automatic brake adjusters on newly manufactured vehicles will continue to have a positive impact on Haldex's business. In markets outside Europe and North America, there is a clear trend towards customers increasingly demanding solutions at a more advanced technical level. This is especially true in large markets such as India and China.

## Long-term operating margin target of 10%

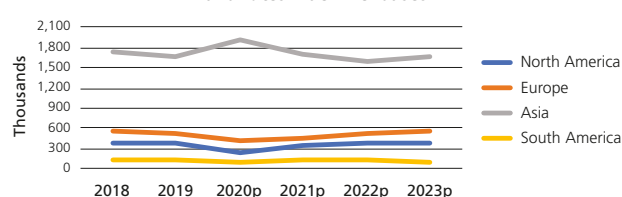
Alongside investments in future technology, an analysis has been made of the business to verify that the long-term adjusted operating margin target of 10% can be achieved. A stable and profitable core business that delivers high quality is crucial to our ability to invest in new technology. The business will be streamlined and optimized with the objective of achieving an adjusted operating margin of 10% in 2022, excluding investments in new technology.

## Outlook for 2021

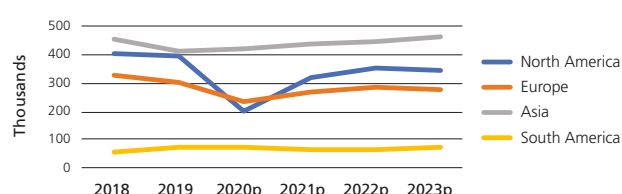
The official production forecasts provide insight into how the market is expected to develop. However, Haldex does not have an even distribution of revenue between the Truck and Trailer business areas and does not necessarily share the view of the future espoused by the forecasters. Haldex therefore provides its own combined view of how the company sees each market developing.

We anticipate tracking the rate of growth in demand in terms of sales for newly produced heavy vehicles and trucks in each market. Market data show that the OEM market is expected to recover gradually during in 2021 and then in 2022 to approach the levels that prevailed prior to the start of the pandemic.

Build rates Truck incl buses



Build rates Trailer



The supply chain is strained due to higher raw material costs and component shortages, which means that production disruptions and associated temporary cost increases cannot be ruled out in the first half of 2021 in particular. Market data on the aftermarket is lacking, but Haldex's assessment is that it is following the general economic trend in each market. We anticipate economic recovery and increased utilization of capacity in heavy road transport for 2021.

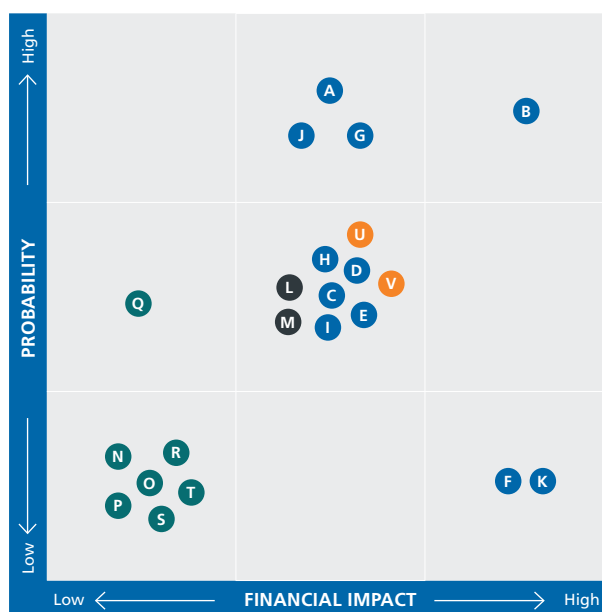
## Significant events in 2020

<b>January</b>	<ul style="list-style-type: none"> <li>• Stephan Kulle appointed EVP EMEA.</li> <li>• Haldex renewed contracts with two major truck manufacturers to supply automatic brake adjusters. The company consequently retains its position as the exclusive subcontractor of the product to the two world-leading suppliers of transport solutions.</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• A formal antitrust complaint was submitted to the European Commission against the largest shareholder Knorr-Bremse.</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>• Haldex postponed the Annual General Meeting until June 23, 2020 due to the uncertainty surrounding COVID-19.</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>• To deal with the adverse effects of COVID-19, Haldex decided on a general savings program to ensure profitability given the prevailing circumstances.</li> <li>• A long-term structural savings program was implemented to generate savings of an estimated SEK 100m per year.</li> <li>• Haldex expanded its partnership with one of Europe's leading trailer manufacturers and signed a three-year agreement for the supply of brake components.</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>• Conducted a private placement of SEK 157m, issuing 4.4 million shares to AMF Pension Insurance and AFA Försäkring.</li> <li>• Extended the maturity of the existing syndicated credit facility and the existing short-term loan to April 2022.</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>• Staffan Olsson, EVP Supply Chain, left the company and was replaced by Nicola Gregory.</li> <li>• Andreas Larsson, CFO, left the company and was replaced by Lottie Saks.</li> <li>• AGM on June 23 re-elected Helene Svahn as board member while Stefan Charette, Håkan Karlsson, Viveka Ekberg and Catharina Modahl Nilsson were elected as new members of the Board of Directors. Stefan Charette was elected chairman.</li> <li>• Haldex signed a contract with one of the company's largest global disc brake customers for the next three years.</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>• Daniel Gustafsson, EVP Business Development, left the company.</li> </ul>
<b>August</b>	<ul style="list-style-type: none"> <li>• Haldex signed a contract with Gigant GmbH, a German trailer axles manufacturer. Haldex will supply Gigant with disc brake systems for heavy trailers. The agreement involves enhanced cooperation between the parties.</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>• Frida Wahlgren, EVP HR, left the company and was replaced by Jeanna Tällberg.</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>• Andreas Jähnke, EVP Product Development, left the company and was replaced by Fredrik Seglö.</li> <li>• Yin Feng was appointed EVP APAC.</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>• An Extraordinary General Meeting held on December 29, elected two new Board members: Detlef Borghardt and Dzeki Mackinowski.</li> </ul>

# Risks and risk management

Uncertainty about future events is a natural feature of all business operations. The ability to identify, evaluate, manage and monitor risks plays a key role in the governance of Haldex. The objective is to implement the Group's strategy with a thought-through and well-balanced risk level.

Operational risks	Sustainability-related risks
<b>A</b> Economy	<b>N</b> Health and safety
<b>B</b> Competition	<b>O</b> Environment
<b>C</b> Customers	<b>P</b> Working conditions
<b>D</b> Suppliers	<b>Q</b> Supplier relationships
<b>E</b> Production	<b>R</b> Customer operations
<b>F</b> Quality and warranty	<b>S</b> Compliance with trade rules
<b>G</b> Raw materials	<b>T</b> Unethical behavior
<b>H</b> Product development	
<b>I</b> Information and IT	Financial Risks
<b>J</b> Employees	<b>U</b> Currency and interest
<b>K</b> Global pandemic	<b>V</b> Credit
Legal risks	
<b>L</b> Legislation	
<b>M</b> Intellectual property rights and patent	



## Sensitivity analysis

Haldex's earnings are affected by several factors. The table below shows the estimated effects on operating profit (SEKm) of changes in selected variables and the sensitivity for changes in these variables.

Type of risk	Change (+/-)	Impact +/- in SEKm 2020	Impact +/- in SEKm 2019	Sensitivity
Price adjustment	5%	200	250	High
Sales volume	5%	55	63	Medium
Raw material prices	5%	109	145	High
Euro rate	10%	9	20	Low



## OPERATIONAL RISKS

Risk	Policy/Action
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### Economy

Demand for Haldex's products is dependent on demand for transport, which, in turn, is driven by global trade trends, infrastructure needs, increased awareness of traffic safety, environmental and safety legislation, as well as economic growth. The automotive industry usually follows a cyclical pattern.

Haldex reduces economic impact by operating in a number of geographical 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 the Aftermarket. During an economic upturn, sales in Truck and Trailer usually increase. During a downturn, owners keep their vehicles longer and demand for spare parts grows in Aftermarket. Haldex monitors official production statistics closely to ensure early detection of fluctuations in demand and thus adapt production volumes.

SEKm	2020	2019	2018
Truck	701	1,252	1,295
Trailer	1,174	1,502	1,593
Aftermarket	2,132	2,397	2,231
<b>Total</b>	<b>4,007</b>	<b>5,151</b>	<b>5,119</b>

%	2020	2019	2018
Truck	17%	24%	25%
Trailer	29%	29%	31%
Aftermarket	53%	47%	44%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Competition

The automotive market is highly competitive, with tight margins. Haldex has significantly lower sales than the two largest players in the market.

There are economies of scale in the industry in which Haldex operates. A large company may, for example, obtain better terms and conditions on sourced parts and components and consequently increase its competitiveness. 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. On the other hand, a small company has more opportunities for fast decision-making, flexibility towards customers and less bureaucracy. It has become evident that vehicle manufacturers are not satisfied with the current highly consolidated supplier base which leads to less options and reduced negotiating power, and many of them have clearly expressed the need for a third global brake system player.

### Customers

There are only a few major truck and trailer manufacturers, and all of them are customers of Haldex.

Despite having large companies in the customer portfolio, no single customer accounts for more than 10% of sales. Haldex's 20 largest customers account for 44% 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 and/or product line.

The global pandemic caused by the corona virus has created an aggregate impact on Haldex's business as customers in one market are all affected by the pandemic and behave in a very similar way. This has caused more volatile market and demand, thus reducing the benefit of balanced customer portfolio.

### Suppliers

Haldex is dependent on a large number of suppliers. The loss of a key supplier could lead to additional costs and problems in manufacturing. Suppliers may also cause problems if they do not comply with applicable laws or otherwise behave in an unethical manner.

To reduce risk, every supplier is carefully assessed, and visits are normally made to the largest suppliers before agreements are signed. For selected components, more than one supplier can be used. Geographical balance is considered in combination with dual sourcing. Haldex continuously assesses all key suppliers to ensure that they meet the specified requirements. During the pandemic, remote assessments have been created and used to assess suppliers. Defaulted or delayed deliveries cause production problems. The risk is reduced by balancing delivery time against the cost of stocking components and, where economically feasible, by purchasing components and raw materials from the geographic region in which the production facility is located. Haldex has approximately 900 suppliers worldwide.

Risk	Policy/Action
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## Production

In Haldex's production and reman facilities, fires, breakdowns and other types of incidents can damage the facility and injure the employees who work there, thus causing delivery problems.

Since Haldex has production at several sites for most products in the same product line, the consequences of a disruption can be minimized by increasing production at other facilities. Inventory is available through Haldex distribution centers to minimize the impact of short-term delays in production. An external risk consultant assesses each site at least every second year with regard to fire prevention. In addition, each site has a contingency plan which is regularly updated.

## Quality and warranty

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.

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, only access and restoration insurance. 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.

Warranty expenses for 2020 totaled SEK 32m (37), equivalent to 0.8% (0.7) of sales. Of total warranty expenses, 0 SEK m (0) is recognized as non-recurring expenses.

Should a product cause injury to a person or property, the Group may be held liable. Haldex is insured against such product liability. Over the past decade, no substantial product liability claims have been lodged.

Haldex strives to minimize risks regarding complaints, product recalls and product liability through extensive long-term testing during the development process, and through quality checks and controls in the production process.

## Raw materials

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

Haldex has defined its exposure to raw materials in terms of both the Group's purchasing of raw materials, and Haldex's sub-contractors' purchasing of raw materials. Exposure to various types of metal is greatest.

Annual volumes	SEKm
Steel	700
Aluminum	160

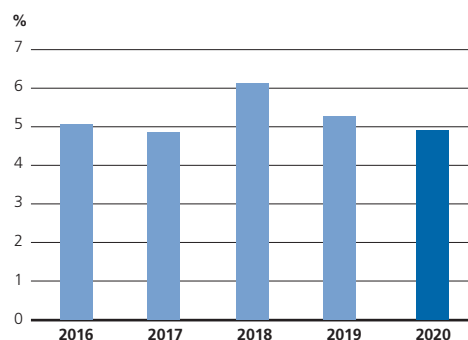
To limit the risk of an adverse impact on earnings, certain customer contracts include price clauses relating to raw materials. In cases where price clauses are not included, Haldex renegotiates the agreements if the price trend for raw materials has significantly changed. To a large extent, the short-term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

## Product development

Demands from users and regulators for increased safety and improved environmental and vehicle dynamic performance are leading to new demands for, and requests regarding, the products offered by Haldex. It is therefore essential that the Group continuously develops new products or improves existing products that meet these demands, to avoid losing market share to competitors.

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.

### INVESTMENTS IN R&D, SHARE OF TOTAL SALES



When developing new products, there is always a risk that a product launch will fail for some reason. Since the Group capitalizes expenditure for major development programs, a failed launch could give rise to an impairment requirement.

The Group's total costs for product development (excluding depreciation) were SEK 224m (240) in 2020 and capitalized investments in development were SEK 109m (107) on 31 December 2020.



Risk	Policy/Action
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## Information and IT

Effective information management, enabling the operations to share and process information, both internally and externally with customers and suppliers, is important. The primary risks are:

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

Haldex has a central unit for global control of IT/IS that is responsible for information security and system stability. Haldex continues to work for a global ERP cloud solution with the aim of increasing DB security and governance control as well as increase service levels and improving opportunities for producing reports from these systems. By increasing the efficiency and integrate with customers and suppliers with modern technique, the risk of cyberattacks decreases. The geographical spread of the Group enables a diversification of risk, where potential disruption would have a limited impact. In order to further secure infrastructure availability and stability short term, Haldex has moved all critical servers to a professional service provider.

## 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. For a number of years, Haldex has strengthened its work in leadership development 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.

With the recently communicated changes in the organization (closing sites, restructuring and cost-saving initiatives) the risk in retaining and recruiting employees has increased as insecurity about the company's future organization has increased. However, the reinforcements that continuously are made in terms of communication, leadership development and other culture-strengthening activities 2020/2021 should reduce this risk in the long term.

The COVID-19 pandemic during 2020 has to some extent paused the regular movement on the labor market and there is a risk that this movement will increase to higher level than normal when the situation in society moves back towards a more normal situation. To mitigate this risk as far as possible Haldex will continue to focus on retaining key talent through the activities mentioned above, and also highlight those activities when attracting new competences.

## Global Pandemic

The COVID-19 outbreak has led to a turbulent situation with lower demand and disruptions for parts of the business. Both sales and operating margin have been negatively impacted by the global pandemic. Haldex has experienced a decreasing demand from customers and difficulties for the suppliers to deliver parts and components. It has also become evident that it is difficult to exercise contractual rights and enforce performance of contractual duties in a global pandemic which has hit almost all companies and nations worldwide. In spite of this, Haldex has managed the turbulent situation caused by the pandemic well, with only limited disruptions to the business in total.

## LEGAL RISKS

### 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 identify future changes.

Regulatory changes could impact the Group's operations, both positively and negatively. One example of regulatory change with a positive impact on Haldex's business is the shift towards electromechanical brakes. 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. The ongoing discussions regarding international trade agreements are being monitored carefully to assess how they will affect Haldex.

### Intellectual property rights and patents

Haldex is entitled to use patents and trademarks 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 patents currently owned by other parties. The risk of unlicensed copies of the Group's products has increased in recent years, particularly in the Asian markets.

Risk	Policy/Action
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## SUSTAINABILITY-RELATED RISKS

### 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 safety 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 highest. Haldex gives every employee the mandate to stop an activity or process that they judge to be unsafe. Haldex encourages ongoing feedback through safety observations involving the majority of employees.

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 sites 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 few years, these efforts at all production sites have been followed up within the 'green performance map' that charts the entire process, from the raw materials brought into 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 to confirm that they understand the Code and will comply with it. To ensure that employees also understand the contents of the Code of Conduct correctly, the company has recently launched an e-learning Code of Conduct training course in which employees have to answer questions correctly to pass. The training course is held annually.

Whistleblower procedures are in place to enable employees to sound the alarm when an irregularity is detected. Haldex has opted for a more ambitious level in its Code of Conduct than the legislation in some countries requires.

The COVID-19 pandemic has put extra pressure on the organization during 2020 in terms of securing good working conditions. Haldex has monitored the situation closely in all countries, put needed safety measures in place, always following local national law and regulations.

### 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 Code of Conduct for suppliers that they are required to sign. Although not all suppliers have yet signed the Code, 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 extents so too are smaller suppliers. 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 the suppliers are based.

The COVID-19 pandemic has prevented regular visits to suppliers and remote audits and video calls have been used in place of physical visits. Additional efforts have been deployed by the Supply Chain team to secure supplier capacity to cope with the fluctuation in demand.

### Customer operations

Haldex's reputation could be affected if customers become engaged in dubious activities or do business in countries with human rights issues.

Haldex's customers are typically companies with a good reputation who have established policies and processes with regard to ethical issues. The risk of negative impact on Haldex's reputation due to dealings with customers is considered quite low.

### 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 almost 2,000 employees with different cultures and values, there is a risk that 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 occasionally has been detected within the Group, 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. Haldex values, 5c principles and Code of Conduct are reviewed by all employees on a regular basis to secure continued awareness and to keep our guiding principles top of mind.



Risk	Policy/Action
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## FINANCIAL RISKS

### Currency

Haldex is exposed to currency risks due to its international operations. Currency fluctuations impact the Group's income statement and balance sheet in the form of both transaction risks and translation risks.

In 2020, the net inflow of foreign currencies totaled approximately SEK 24m (161). The currency pairs with the greatest potential impact on earnings in flows are EUR/SEK, USD/CAD and EUR/GBP. A change in the exchange rate of 10% is estimated to impact net profit prospectively as follows:

Currency fluctuations impact on earnings (+/- 10%) SEKm	31 Dec. 2020	31 Dec. 2019
EUR/SEK	-/+ 9	-/+ 20
USD/CAD	+/- 9	+/- 11
EUR/GBP	-/+ 12	-/+ 16

The above figures are prior to taking account of Haldex's currency hedges in accordance with the Group's Treasury Policy.

The net assets (i.e. equity) of foreign subsidiaries represent investments in foreign currencies which, when translated to SEK, give rise to a translation difference. The Treasury Policy has a framework for how the translation exposure that arises should be managed in order to control the effect of the translation differences on the Group's capital structure. At the end of 2020, the value of the Group's net assets, meaning the difference between capital employed and net indebtedness, was SEK 1,203m (1,537) and comprised the following currencies:

Currency fluctuations impact on earnings (+/- 10%) SEKm	31 Dec. 2020	31 Dec. 2019
SEK	335	493
USD	334	416
EUR	26	25
GBP	-87	-77
INR	53	54
CNY	305	317
Others	241	309

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

Currency fluctuations impact on earnings (+/- 10%) SEKm	31 Dec. 2020	31 Dec. 2019
USD	+/- 34	+/- 34
EUR	+/- 2	+/- 2
GBP	-/+ 8	-/+ 8

The above is a summary of currency risks and does not provide a complete description of the transaction and translation risks. Refer to Note 4 on page 57 for a more detailed description.

### Credit risk

Credit risk arises when a party fails to fulfil its financial obligations, in so doing causing a financial loss for the other party.

The risk of customers defaulting on payments for delivered products is minimized by carefully monitoring new customers, by strict routines for following up the payment behavior of existing customers and by taking out credit insurance, in accordance with the Treasury Policy. At 31 December 2020, the Group's net accounts receivable totaled SEK 619m (648) and are recognized at the amounts expected to be paid. The Group's bad debt losses usually represent less than 0.1% of sales.

### Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on the group's result.

Because the group had no significant holdings in interest-bearing assets as of December 31, 2020 the cash flow from operating activities is in all material respects unaffected by changes in market interest rates. As of December 31, 2020, 920 (841) MSEK of the loan debt had an average variable interest rate of 2.40% (1.61). A change in the interest rate by one percentage point would affect the cost of the Group's borrowing of approximately SEK 9 (6) million after tax.

**Financial risks are described in detail in Note 4 on page 57, together with a presentation of the Group's use of financial instruments.**

# Consolidated income statement

Amounts in SEKm	Note	2020	2019
Net sales	5	4,007	5,151
Cost of goods sold	13	-2,914	-3,812
<b>Gross profit</b>		<b>1,093</b>	<b>1,339</b>
Selling expenses	13	-455	-539
Administrative expenses	12, 13	-350	-355
Product development expenses	13	-131	-158
Share of profit from joint venture		-24	-21
Other operating income and operating expenses	6,9	-233	-161
<b>Operating profit</b>	6, 7, 9, 10, 11, 18	<b>-100</b>	<b>105</b>
Interest income	14	0	14
Interest expense	14	-42	-56
Other financial items	14	-47	-2
<b>Profit before tax</b>		<b>-189</b>	<b>61</b>
Tax	15	-111	-56
<b>Net profit for the year</b>		<b>-300</b>	<b>5</b>
<i>Net profit attributable to:</i>			
Parent Company shareholders		-304	1
Non-controlling interests		4	4
Earnings per share, SEK (basic and diluted)		-6.44	0.12
Average number of shares, thousands		47,152	44,204

# Consolidated statement of comprehensive income

Amounts in SEKm	Note	2020	2019
Net profit for the year		-300	5
<b>Other comprehensive income</b>			
<i>Items not to be reclassified to the income statement</i>			
Remeasurement of pension obligation, after tax	15, 30	-36	-47
<b>Total</b>		<b>-36</b>	<b>-47</b>
<i>Items that may be reclassified to the income statement</i>			
Change in hedging reserve, after tax	15	0	-3
Translation of foreign currency		-153	24
<b>Total</b>		<b>-153</b>	<b>21</b>
<b>Total other comprehensive income</b>		<b>-189</b>	<b>-26</b>
<b>Total comprehensive income</b>		<b>-489</b>	<b>-21</b>
<i>Total comprehensive income attributable to:</i>			
Parent Company shareholders		-493	-25
Non-controlling interests		4	4



# Consolidated balance sheet

Amounts in SEKm	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	16	385	436
Other intangible fixed assets	16	296	364
Finance leases	17	327	412
Other property, plant and equipment	17	763	861
Right-of-use assets	19, 22	41	23
Deferred tax assets	20	74	131
<b>Total non-current assets</b>	23	<b>1,886</b>	<b>2,227</b>
<b>Current assets</b>			
Inventories	26	717	815
Accounts receivable	4, 25	619	648
Other current receivables	27	320	361
Derivative instruments	21, 22, 25	81	47
Cash and cash equivalents	28	440	315
<b>Total current assets</b>	23	<b>2,177</b>	<b>2,186</b>
<b>TOTAL ASSETS</b>	5	<b>4,063</b>	<b>4,413</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		243	221
Capital contributions		626	491
Reserves		64	64
Retained earnings		243	730
Attributable to shareholders of the Parent Company		1,176	1,506
Attributable to non-controlling interests		27	31
<b>Total equity</b>		<b>1,203</b>	<b>1,537</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	18, 25, 29	1,197	749
Pensions and similar obligations	30	578	562
Deferred tax liabilities	20	16	12
Other non-current liabilities		18	23
<b>Total non-current liabilities</b>	24	<b>1,809</b>	<b>1,346</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	18, 25	62	449
Accounts payable	25	572	518
Derivative instruments	21, 22, 25	46	34
Provisions	31	71	204
Other current liabilities	32	300	325
<b>Total current liabilities</b>	24	<b>1,051</b>	<b>1,530</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,063</b>	<b>4,413</b>

# Changes in Group equity

Amounts in SEKm	Group report on changes in equity							Non-controlling interests	Total equity
	Share capital	Capital contributions	Translation reserve	Hedging and fair value reserve	Other retained earnings	Total			
<b>Opening balance at January 1, 2019</b>	<b>221</b>	<b>491</b>	<b>41</b>	<b>3</b>	<b>827</b>	<b>1,583</b>	<b>28</b>	<b>1,611</b>	
Net profit for the year	-	-	-	-	1	1	4	5	
<i>Other comprehensive income</i>									
Translation of foreign currency	-	-	23	-	-	23	1	24	
Remeasurement of pension obligation, after tax	-	-	-	-	-47	-47	-	-47	
Change in hedging reserve, after tax	-	-	-	-3	-	-3	-	-3	
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>-3</b>	<b>-47</b>	<b>-27</b>	<b>1</b>	<b>-26</b>	
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>-3</b>	<b>-46</b>	<b>-26</b>	<b>5</b>	<b>-21</b>	
<i>Transactions with shareholders</i>									
Cash dividend	-	-	-	-	-51	-51	-2	-53	
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-51</b>	<b>-51</b>	<b>-2</b>	<b>-53</b>	
<b>Closing balance at December 31, 2019</b>	<b>221</b>	<b>491</b>	<b>64</b>	<b>0</b>	<b>730</b>	<b>1,506</b>	<b>31</b>	<b>1,537</b>	
<b>Opening balance at January 1, 2020</b>	<b>221</b>	<b>491</b>	<b>64</b>	<b>0</b>	<b>730</b>	<b>1,506</b>	<b>31</b>	<b>1,537</b>	
Net profit for the year	-	-	-	-	-304	-304	4	-300	
<i>Other comprehensive income</i>									
Translation of foreign currency	-	-	-147	-	-	-147	-6	-153	
Remeasurement of pension obligation, after tax	-	-	-	-	-36	-36	-	-36	
Change in hedging reserve, after tax	-	-	-	0	-	0	-	0	
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-147</b>	<b>0</b>	<b>-36</b>	<b>-183</b>	<b>-6</b>	<b>-189</b>	
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-147</b>	<b>0</b>	<b>-340</b>	<b>-487</b>	<b>-2</b>	<b>-489</b>	
<i>Transactions with shareholders</i>									
New share issue	22	-	-	-	135	157	-	157	
Cash dividend	-	-	-	-	-	0	-2	-2	
<b>Total transactions with shareholders</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>135</b>	<b>157</b>	<b>-2</b>	<b>155</b>	
<b>Closing balance at December 31, 2020</b>	<b>243</b>	<b>491</b>	<b>-83</b>	<b>0</b>	<b>525</b>	<b>1,176</b>	<b>27</b>	<b>1,203</b>	



# Consolidated statement of cash flow

Amounts in SEKm	2020	2019
<b>Cash flow from operating activities</b>		
Operating profit	-100	105
Reversal of non-cash items <sup>1)</sup>	490	427
Interest paid	-46	-42
Tax paid	-34	-41
<b>Cash flow from operating activities before changes in working capital</b>	<b>310</b>	<b>449</b>
<i>Change in working capital</i>		
Current receivables	0	77
Inventories	5	-84
Current liabilities	-100	-114
<i>Change in working capital</i>	-95	-121
<b>Cash flow from operating activities</b>	<b>215</b>	<b>328</b>
<b>Cash flow from investing activities</b>		
Investments in intangible assets	-109	-135
Investments in property, plant and equipment	-197	-246
Disposal of property, plant and equipment	61	-
<b>Cash flow from investing activities</b>	<b>-245</b>	<b>-381</b>
<b>Cash flow from financing activities</b>		
Dividend to Haldex shareholders	-	-51
Dividend to non-controlling interests	-2	-2
New share issue Haldex AB	157	-
Change in interest-bearing liabilities	33	112
<b>Cash flow from financing activities</b>	<b>188</b>	<b>59</b>
<b>Changes in cash and cash equivalents and bank balances, excluding foreign currency translation</b>	<b>158</b>	<b>6</b>
Cash and cash equivalents, opening balance	315	305
Translation of foreign currencies in cash and cash equivalents	-33	4
<b>Cash and cash equivalents, closing balance</b>	<b>440</b>	<b>315</b>
Reversal of non-cash items <sup>1)</sup>		
Depreciation and amortization (including effect of IFRS 16)	224	237
Share of profit from joint venture	24	21
Non-recurring items	242	169
<b>Total</b>	<b>490</b>	<b>427</b>

<sup>1)</sup> Cash and cash equivalents includes an amount of SEK 272m (237) which cannot be used by the Group without paying withholding tax.

# Notes

## Note 1. General information

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Haldex AB (parent company) and its subsidiaries comprise the Haldex Group. Haldex provides proprietary and innovative brake and air suspension systems to the automotive industry worldwide. The main focus is on products linked to vehicle dynamics, safety and the environment. Haldex

AB (publ), corp. ID no. 556010-1155, is a Swedish public limited company with its registered office in Landskrona in Sweden. The address of the head office is Haldex AB, Box 507, 261 24 Landskrona. Haldex shares are listed on Nasdaq Stockholm, MidCap.

## Note 2. Summary of significant accounting policies

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

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 all amounts in the report are recognized in millions of SEK (SEKm) unless otherwise stated. Assets and liabilities are recognized at cost, with the exception of available-for-sale financial assets and certain financial assets and liabilities (including derivatives), which are recognized at fair value. The income statement follows a breakdown by function according to IAS 1, which reflects the internal reporting and presents a true and fair view of the Group's results.

### Consolidated financial statements

#### *Subsidiaries*

The consolidated financial statements include the Parent Company and the companies over which the parent company exercises direct or indirect control. Control is defined as the ability to directly or indirectly control activities with an impact on return in an owned/part-owned company and exposure or rights to variable returns from its involvement in the company. The current definition of control and controlling influence is based on IFRS 10, which came into force on January 1, 2014. Subsidiaries are consolidated from the date on which control is transferred to the Group. Divested companies are deconsolidated from the date on which control ceases.

The acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of subsidiaries consists of the fair value of transferred assets, liabilities and the shares the Group issues. The purchase price also includes the fair value of all assets/liabilities resulting from any agreed contingent consideration. The identifiable assets and liabilities that are taken over in a business acquisition are initially measured at fair value at the acquisition date. For each acquisition, the Group determines whether any non-controlling interest in the acquired company should be recognized at fair value or at the holding's proportionate share of the acquired company's identifiable net assets. Holdings without control influence are recognized as a separate item in equity.

Acquisition-related costs are expensed as incurred.

If business combinations take place in several stages, the previously owned equity shares in the acquired company are remeasured to their acquisition-date fair value. Any gain or loss arising from the remeasurement is recognized in the income statement.

Goodwill is initially measured as the amount by which the total purchase price and fair value of non-controlling interests exceed the fair value of identifiable assets and liabilities assumed. In the event that the purchase price 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, revenue and expenses on transactions between Group companies are eliminated in the consolidated accounts. Gains and losses that result from intra-Group transactions and which are recognized in assets are also eliminated. The accounting policies for subsidiaries have been changed where necessary to ensure consistent application of the Group's policies.

#### *Joint venture*

Haldex has entered into two Chinese joint ventures with VIE in which the parties each own 50%. These joint ventures are recognized according to the equity method, which means that they are initially recognized in the consolidated balance sheet at cost of acquisition. The carrying amount is then increased or reduced to take account of the Group's share of profit after the acquisition date. The joint development company has no revenue, and the development project has not progressed sufficiently far to justify capitalization of development expenses. In 2017, the profit from this JV was recognized in net financial items, but with the recent positive trend in electromechanical brakes in China, a reclassification of the business was carried out during the fourth quarter of 2018 so that the profit is reported as part of ongoing operations. The value of the share of equity at the end of 2020 is 22 (0).

#### *Transactions with non-controlling interests*

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

## Translation of foreign currency

### Functional currency and presentation currency

Items included in the financial statements for the various units within Haldex are measured in the currency used in the economic environment in which the companies concerned are primarily active (functional currency). In the consolidated financial statements, Swedish kronor (SEK) is used, which is the Group's presentation currency.

### Transactions and balance sheet items

Foreign currency transactions are translated into functional currency at the exchange rate prevailing on the transaction date. Exchange rate gains and losses as a result of these transactions as well as the translation of monetary assets and liabilities in foreign currencies at the balance sheet date are recognized in the consolidated income statement. The exception is when the transactions constitute hedges and fulfil the requirements for hedge accounting, where profits and losses are recognized under other comprehensive income after adjustment for deferred tax.

### Subsidiaries

Financial position and earnings for subsidiaries which have a different functional currency than the Group's presentation currency are translated into Swedish kronor (SEK) in the consolidated financial statements. This is done by translating assets and liabilities at the closing date rate, while revenue and expenses are translated at the average exchange rate during the year. Translation differences that arise are recognized in a separate item under other comprehensive income. Exchange rate differences on loans and other currency instruments that are recognized as hedges of net investments in foreign currency are recognized directly in the translation reserve in other comprehensive income.

## Segment reporting

Operating segments are recognized in a manner consistent with the internal reporting provided to the highest executive decision maker in the Group. The highest executive decision maker is the function responsible for allocating resources and assessing the performance of the operating segments. Within Haldex, this function has been identified as the CEO. For segment reporting, see also Note 5, page 59.

## Revenue recognition

The Group applies IFRS 15 with effect from 1 January 2018. According to IFRS 15, revenue is recognized when the customer gains control of the goods or services. Determining the timing of transfer of control, i.e., at a particular time or over time, requires assessments. The transition to IFRS 15 has led to only a minor reclassification effect in the income statement. Revenue from the sale of goods and services is recognized when the goods/services are delivered in accordance with the terms of delivery and the customer has consequently gained control of the goods. Revenue is recognized at fair value excluding VAT and, where applicable, is reduced by the amount of discounts granted and returned goods. All of the Group's revenue is recognized on a single occasion, and no portion is recognized over time.

## Taxes

Income tax is made up of current tax and deferred tax. Taxes are recognized in the income statement, except when the underlying transaction is recognized in other comprehensive income or directly in equity. In these cases, the attributable tax effect is also recognized in other comprehensive income and equity.

Current tax is 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 in this category. Deferred tax is recognized and calculated on the basis of temporary differences between Group-recognized and tax values of assets and liabilities. The measurement of deferred tax is based on how the carrying values of assets and liabilities are expected to be realized or adjusted. A measurement is performed based on tax rates and tax regulations that have been decided or announced at

the end of the year. Deferred tax assets for tax loss carry-forwards are recognized to the extent it is probable that they can be offset against future tax.

## Intangible assets

### Goodwill

Goodwill refers to the amount by which the acquisition value of an asset exceeds the fair value of identifiable acquired net assets. Goodwill arising in connection with the acquisition of a subsidiary is recognized as an intangible asset. The value of goodwill is tested annually to determine where any impairment is needed, and the asset is recognized at cost less accumulated impairment. Any impairment of goodwill is not reversed. Gains or losses on the divestment of a unit include the remaining carrying amount of the goodwill relating to the divested unit.

The value of goodwill is tested on the lowest cash-generating unit. For Haldex, this means that impairment testing is performed for the entire Group, i.e. at segment level.

### Trademarks, licenses and patents

Trademarks, licenses and patents are recognized at cost less accumulated amortization and any impairment. Trademarks, licenses and patents acquired in business acquisitions are recognized at finite value at the acquisition date. These intangible assets have a definable useful life over which straight-line amortization is applied to allocate the expense in the income statement. The useful life of licenses and patents is estimated to be 3-15 years, and the expected useful life of trademarks is estimated to be 20 years.

### Product development

Research and development expenses are expensed as they arise. To the extent that, and from the time when, a development project of a new product meets all the following criteria, the prospective cost of acquisition is capitalized as an asset in the balance sheet:

- It is technically feasible to complete the asset so that it can be used/sold.
- The Group intends to complete the asset and use/sell it.
- The necessary conditions exist to use/sell the intangible asset.
- The Group can demonstrate how the asset will generate probable future economic benefits.
- There are adequate technical, financial and other resources to complete development and to use/sell the asset.
- The Group can reliably calculate the expenses attributable to the intangible asset during its development.

The basis for capitalizing product development expenses may consist of business plans, budgets or the Group's forecasts of future revenue.

Capitalized product development assets are recognized at cost less accumulated amortization taking into account any impairment. Amortization begins when the asset can be used and takes place based on the estimated useful life and in relation to the expected economic benefits that product development is expected to generate. The useful life is normally not expected to exceed five years.

### Software and IT systems

Acquired software licenses and the costs of developing software that is expected to generate future financial benefits for the Group for over three years are capitalized and amortized on a straight-line basis over the expected useful life (3-5 years).

## Property, plant and equipment

Property, plant and equipment consists of buildings (offices, factories, warehouses), land and land improvements, machinery, tools, fixtures and fittings and equipment. These assets are recognized at cost less accumulated depreciation and any impairment.

The cost of acquisition initially includes expenses that can be directly attributed to the acquisition of an asset. Subsequent expenses relating to property, plant and equipment increase its carrying amount or are



recognized as a separate asset, depending on which is appropriate and only if it is probable that financial benefits associated with the asset will flow to the Group. The carrying amount of any replaced parts is derecognized from the balance sheet. All other forms of repairs and maintenance of property, plant and equipment are recognized as expenses in the income statement during the period in which they arise.

Depreciation according to plan is based on the cost of the assets and the estimated economic useful life. Straight-line depreciation is applied and the depreciation periods are as follows: 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 residual values and useful lives of assets are estimated on each balance sheet date and adjusted if necessary. The carrying amount is immediately written down to the recoverable amount if the carrying value of the asset exceeds the estimated recoverable amount. See also the section on impairment.

## Leases

IFRS 16 Leases entered into force on January 1, 2019. With effect from 2019, IFRS 16 Leases supersedes existing IFRS standards relating to the accounting of leases, such as IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 primarily affects lessees, and the key effect is that all lease contracts that are currently recognized as operating leases are to be recognized in a manner similar to the current recognition of finance leases. This means that an asset and a liability are also recognized for operating leases, with associated recognition of depreciation and interest expenses, unlike in the previous year, when leased assets and related liability were not recognized, and when the lease payments were accrued on a straight-line basis as a lease expense. The standard primarily affects the recognition of the Group's operating leases. Haldex has implemented the standard in accordance with the simplified approach. Under this standard, all leases are recognized in the balance sheet, with the sum of the rights-of-use less depreciation and any other adjustments as asset and discounted cost less lease payments as liability.

The rights-of-use are measured at cost, which includes any initial expenses as well as expenses for restoring access to the condition prescribed in the terms of the lease. Lease payments include fixed and any variable index-linked charges. The Group has also taken account of any residual value guarantees, penalty charges payable in the event of termination and the exercise price for any purchase option, in those cases where it is reasonably certain that the Group will make use of such an option. Haldex has not included in its calculations leases that are shorter than 12 months and contracts where the underlying asset has a value of less than USD 5,000. The greater part of the value of leases in the Group pertains to lease contracts for property. Terms are negotiated separately for each lease and leased assets are not used as collateral for loans. In discounting, Haldex has used the interest rate implicit in the lease where this can be determined. In other cases, the incremental borrowing rate, is used taking into account the currency and country concerned and terms and length of each lease. The interest rate is fixed over the life of the lease.

## Financial instruments

The Group applies IFRS 9, issued by IASB in July 2014, from January 1, 2018. This application has resulted in changes in accounting policies. The Group has not applied IFRS 9 early in previous periods. The Group has chosen to continue to apply the hedge accounting rules in IAS 39 in applying IFRS 9. As permitted by the rules on transition to IFRS 9, the Group has chosen not to restate comparatives.

### Classification

The Group's new policies for classification and measurement of financial assets are based on an assessment of both (i) the company's business model for the management of financial assets, and (ii) the characteristics of the contractual cash flows from the financial asset.

Financial assets are initially measured at fair value plus, in the event that the asset is not recognized at fair value through profit or loss, transaction expenses directly attributable to the purchase. Transaction expenses attributable to financial assets that are recognized at fair value through profit or loss are recognized directly in the income statement.

### Assets measured at amortized cost

The Group classifies its financial assets as assets measured at amortized cost only when the following criteria are met:

- The asset is held within a business model whose objective is to collect contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following financial assets are recognized at amortized cost:

Financial assets, Other receivables, Accrued income, Accounts receivable and Cash and cash equivalents.

These assets were also recognized at amortized cost in accordance with previous policies.

### Assets measured at fair value through profit or loss

Other than derivative instruments, the Group has no financial assets at fair value through profit or loss.

### Assets measured at fair value through other comprehensive income

Other than hedge-accounted derivative instruments, the Group has no financial assets at fair value through other comprehensive income.

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

Other than derivative instruments, the Group has no financial liabilities at fair value through profit or loss.

### Other financial liabilities

Non-current and current interest-bearing liabilities, as well as other financial liabilities, e.g. Accounts payable and accrued expenses are included in this category. The liabilities are measured at amortized cost. Accounts payable are obligations to pay for goods or services that have been acquired in ongoing operations from suppliers. Accounts payable are classified as current liabilities if they fall due within one year. Non-current and current liabilities are recognized at amortized cost, and any difference between the amount received (net after transaction expenses) and the repayment amount is recognized in the income statement distributed over the loan period, using the effective interest method in cases where it is material.

### Derivative instruments

Derivative instruments are recognized in the balance sheet as of the trade date and are measured at fair value, both at the initial recognition date and in subsequent measurements. The method used to recognize the gain or loss arising on each remeasurement depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the hedged item. The Group identifies particular derivatives as either: Hedging of fair value of assets or liabilities; hedging of forecast cash flows or hedging of a net investment in a foreign operation. In order to fulfil the requirements for hedge accounting, particular documentation is required regarding the hedging instrument and the relationship to the hedged item. The Group also documents goals and strategies for risk management and hedging measures, as well as an assessment of the effectiveness of the hedging relationship with regard to offsetting changes in fair value or cash flow for hedged items, both at the beginning of the hedge and on an ongoing basis.

### *Hedging of cash flow*

Cash flow hedging is used for future flows in operational activity. The proportion of changes in the fair value of derivatives that meet the conditions for hedge accounting is recognized in other comprehensive income. Any ineffective portion of profit or loss is recognized directly in the income statement, under financial items. The unrealized profit that accumulates in equity is reversed and recognized in profit when the hedged item affects the income statement (for example, when the forecast sales that have been hedged actually occur). If a derivative instrument no longer qualifies for hedge accounting, or is sold or terminated, the cumulative gain or loss in equity is recognized in profit or loss when the forecast transaction is finally recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss that has been recognized in equity is transferred directly to the income statement.

### *Hedging of net investment*

Accumulated gain and loss from the remeasurement of hedges of net investments, which fulfil the conditions for hedge accounting, are recognized in other comprehensive income. When operations are divested, the accumulated effects are transferred to profit and affect the company's net profit from the divestment.

### *Impairment of receivables*

As of 1 January 2018, the Group measures the future expected credit losses related to investments in debt instruments recognized at amortized cost or fair value with changes recognized in other comprehensive income based on prospective information. The Group chooses a reservation method based on whether there has been a significant increase in credit risk or not. In accordance with the rules of IFRS 9, the Group applies a simplified method for impairment testing of accounts receivable. The simplification means that the reserve for expected credit losses is calculated based on the loss risk for the entire term of the receivable and is recognized on initial recognition of the receivable.

### *Calculation of fair value*

The fair value of financial instruments traded on an active market (for example, derivative instruments that are listed publicly, financial assets held for trading and available-for-sale financial assets) is based on the quoted market price on the balance sheet date. The quoted market prices used for the Group's financial assets are the actual purchase prices, and the quoted market prices used for financial liabilities are the actual selling prices. The instruments held by the Group are traded on an active or observable market.

### *Derecognition of financial assets and liabilities*

Financial instruments are derecognized from the balance sheet when all benefits and risks have been transferred to another party or when obligations have been fulfilled.

## **Inventories**

Inventories are valued at the lower of cost according to the 'first in, first out' principle and net realizable value. Cost of finished goods and work in progress consists of raw materials, direct wages and salaries, other direct expenses and associated indirect manufacturing expenses (based on normal operating capacity). Net realizable value is the estimated sales price less applicable variable selling expenses.

## **Accounts receivable**

Accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method, less any provision for impairment.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balances, current investment falling due within three months and bank overdraft facilities. Bank overdraft facilities are recognized in the balance sheet as current interest-bearing liabilities.

## **Accounts payable**

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

## **Receivables and liabilities**

Receivables and liabilities in foreign currency are measured at the closing day rate. Exchange rate gains and losses related to operating flows are recognized in operating profit, while currency effects on financial receivables and liabilities are recognized among financial items in the income statement. Current and non-current interest-bearing liabilities are recognized at nominal amounts in the balance sheet.

## **Provisions**

Provisions are recognized in the balance sheet when the Group has a legal or constructive future obligation as a result of an event which is likely to result in an outflow of resources and a reliable estimate of the amount can be made. Provisions for restructuring expenses are recognized when the Group has presented a plan for the measures and the plan has been made widely known to all affected parties. For more information on provisions for warranty reserves, see Note 3.

## **Employee benefits**

### *Pension commitments*

There are both defined-contribution and defined-benefit pension plans in the Group.

Defined-contribution plans mainly comprise retirement pensions, sickness pensions and family pensions and mean that a fixed contribution, usually expressed as a percentage of current salary, is paid to an external legal entity. The employee is responsible for the inherent risk in these plans and the Group has no further obligations if the external legal entity's assets decrease in value. No liability is recognized in the balance sheet. Defined-benefit pension plans indicate the 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 Group's pension obligations for defined-benefit pensions are covered by pension funds, through an insurance solution or through provision in the balance sheet. The value of the defined-benefit obligation is calculated annually by independent actuaries according to what is known as the Projected Unit Credit Method. The assumptions made in the calculations are shown in the note Pensions and similar obligations. All changes in net pension provision are recognized when they occur, either as a cost of service and financing cost in the income statement or in other comprehensive income regarding the effects of actuarial revaluations of both pension obligations and plan assets.

## **Cash flow statement**

The cash flow statement is prepared using the indirect method.

This means that operating income is adjusted for transactions that have not resulted in incoming or outgoing payments during the period, and for any income and expenses attributable to cash flows for investing or financing activities.

## **Government grants**

Government grants are recognized at fair value when it is probable that the conditions associated with the grants will be fulfilled and the grants will be received. Support in connection with the acquisition of non-current assets has reduced the cost of acquisition of those assets. The grants are recognized as income over the period necessary to match them with the related cost, for which they are intended to compensate.

### Changes in accounting policies and disclosures

*New and amended standards that have been applied by the Group*

No new or amended standards have affected the Group's accounting. ESMA's statement on the effects of COVID-19 has affected the accounting of government grants, which has become more detailed.

*New standards, amendments and interpretations of existing standards that have not been applied early by the Group*

None of the IFRS standards or IFRIC interpretations that have not yet come into force are expected to have a material impact on the Group.

## Note 3. Significant estimates and assumptions

The consolidated financial statements contain estimates and assumptions about the future which are based on both historical experience and expectations about the future. These estimates and assumptions affect the recognized values of assets and liabilities as well as revenue and expenses. Actual outcomes may deviate from these judgments if different estimates are made or if changed conditions arise. The areas where the risk of future adjustments of carrying amounts is greatest are included in this note.

### Goodwill

The impairment requirement for the Group's total goodwill was tested in 2020, and totaled SEK 385m (436) at December 31. Impairment testing is carried out by discounting expected future cash flows as determined in business plans and strategies, which gives a value. This value is compared with the carrying amount of the Group's goodwill. Haldex's sales and returns have historically been very closely linked to the number of vehicles manufactured. The official forecasts of vehicle production therefore form the actual basis of the business plans, which include Haldex's historical economic development, expected future benefits of current improvement programs and selected strategic orientations.

The forecast period for testing goodwill consists of five years and, after the explicit forecast period, is assigned a residual value which is intended to correspond to the value of the business after the last year of the forecast period. The residual value has been calculated on the basis of an assumption of a sustainable level of free cash flow (after the forecast period) and its growth, which in Haldex's case is 2% (2). In this context, the residual value corresponds to all cash flows after the forecast period.

When discounting expected future cash flows, a weighted average cost of capital (WACC) after tax has been used, currently 9.7% (8.9). WACC before tax is 12.2% (11.3). The average cost of capital has been based on the following assumptions:

- Risk-free interest rate corresponding to ten-year return on government bonds
- Market risk premium: 7.6% (7.4)
- Beta: Determined beta for Haldex
- Interest expense, calculated as a weighted interest rate based on the Group's financing structure in different currencies, taking into account a loan premium
- Tax rate: According to the prevailing tax rate in particular countries

The impairment testing of goodwill carried out in 2019 and 2020 did not indicate any need for impairment. A change in the discount rate of 1% or a decrease in cash flow of 10% would not change the outcome of the testing. The Group's recognized goodwill value is equivalent to approximately 32% (28) of equity at December 31, 2020.

### Product development projects

Haldex capitalizes the expenses of product development projects, which is considered to be a natural part of the company's operations. Haldex has engaged in development over a long period and has a prepared procedure regarding this and when the costs of a project should start to be capitalized. In order for the expenses to be capitalized, they must be identifiable, Haldex must have control over the asset, it must probably provide economic benefits and it must be possible for the expenses to be predicted reliably. The need for impairment of these capitalized product

development projects is tested each year or when there is an indication of a decrease in value.

The test is based on a forecast of future cash flows and equivalent manufacturing costs. In the event of a future strategy being changed or future volumes, prices and/or expenses deviating negatively from the forecasts, a need for impairment may arise. For product development projects that are considered to be a normal part of Haldex's day-to-day operations, testing for any impairment is usually based on the same assumptions (WACC) as when the need for impairment of goodwill is tested. However, given that individual risk assessments show different risks in different projects, the discount factor is adjusted based on the estimated risk in the different projects.

Product development projects that are considered to have a higher risk are tested with a higher discount factor than those considered to have a lower risk. In 2020, a WACC of 11.6% (9.9) after tax was used for all product development projects.

The equivalent WACC before tax is 14.6% (12.4). The Group's carrying amount for capitalized product development projects is SEK 223m (224), which is equivalent to approximately 19% (15) of equity at December 31. During the year, impairment of product development expenses totaled SEK 110m (0). A change in discount rate of 1% or a decrease in cash flow of 10% would not imply any need for impairment in the Group balance sheet at year-end.

### Income taxes

The Group pays taxes in many different countries. Detailed calculations of future tax liabilities are performed for each tax subject within the Group. Haldex recognizes liabilities for expected tax audit issues based on estimates of whether additional taxes are to be paid. When the outcome of these tax issues differs from the amounts originally recognized such differences will affect current and deferred tax assets/tax liabilities for the period in which the determination was made.

Regarding tax receivables, special assessments are made to estimate the Group's ability to realize these, in particular regarding deferred tax receivables and the possibility of these being used to offset future taxable profits. The fair value of these assets may deviate in the future if assumed earning capacity differs or changes in tax rules arise. As of the end of December, the Group has deferred tax assets totaling SEK 74m (131), i.e., approximately 6% (9) of the Group's equity.

### Warranty reserves

Complaints and warranty cases arise as a natural part of the business. The Group continuously assesses its risk exposure regarding product, customer and guarantee commitments and continuously assesses cases and the need for provisions for outflow of resources based on best estimates and assessments.

Each case received is classified in one of the three categories of minor cases, medium cases and product recalls.

Product recall refers to those cases where an entire product series or a large part thereof must be recalled from the customers for rectification of the deficiencies.

The provision for guarantee commitments is partly based on historical outcomes, but also includes assumptions and estimates of future development, where the most significant assumptions are future trend in rate of return and costs of replacement of the product.



The provision in these cases is based on a weighting of various risk scenarios, which contains a high degree of uncertainty and where actual outcome may deviate from these assessments.

Total warranty provision at December 31, 2020 was SEK 28m (36). Total warranty expense for 2020 was SEK 32m (37), equivalent to 0.8% (0.7) of net sales. Of total warranty expenses, SEK 0m (0) is recognized as a non-recurring expense.

## 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 take place continuously in each company and at Group level.

### Exchange rate risk

Haldex is exposed to exchange rate risks through its international operations. Exchange rate changes have an impact on the consolidated income statement and balance sheet in the form of both transaction risks and translation risks.

#### Transaction risk

The Group's net flows of payments in foreign currencies give rise to transaction risks. Net inflow of foreign currencies in 2020 totaled approximately SEK 161m (161). The currency pairs with the largest potential impact on earnings are flows in EUR/SEK, USD/CAD and EUR/GBP. A change in exchange rate of 10% is estimated to have an impact on net profit going forward as shown below for these largest flows. All figures are before taking account of currency hedging conducted in accordance with Haldex's financial policy.

SEKm	Dec. 31, 2020	Dec. 31, 2019
EUR/SEK	-/+ 9	-/+ 20
USD/CAD	9	+/- 11
EUR/GBP	-/+ 12	-/+ 16

The effect on translating operating receivables and liabilities, financial assets and liabilities, to currencies other than each company's local functional currency would be SEK 6m (7) in the event of a 10% weakening/strengthening of the underlying currency. Equity would be SEK 0m (5) higher/lower in the event of a 10% strengthening/weakening of the underlying rates in cash flow hedges.

According to the current financial policy, 70% of expected net flows for estimated volumes is hedged during the coming six-month period and 30% in the next 7-12 months with a permitted deviation of +/-10%. At December 31, 2020, 48% (47) was hedged with derivative instruments. The Group's financial policy dictates the types of derivative instruments that can be used for hedging and with which counterparties contracts can be concluded. Currency futures were used in 2020 to hedge invoiced and forecast currency flows. At December 31, these contracts had a nominal value of SEK 11m (76) net and a market value of SEK 0m (-1).

### Pensions

The pension liabilities recognized in the balance sheet have been calculated by actuaries and are based on annual assumptions. These assumptions are described in more detail in Note 30 on pages 69-70. A 0.25% change in the discount rate for each particular country has an impact on the present value of the Group's pension liabilities of approximately SEK 38m (39).

#### Translation risk

Net assets (i.e., equity) in foreign subsidiaries represent investments in foreign currencies that give rise to a translation difference when converted to SEK. In the financial policy, the Group has established a framework for how this translation exposure that arises should be managed to enable Haldex to control the effect of the translation differences on the Group's capital structure. According to the financial policy, the Group's net debt is to be distributed in proportion to capital employed per currency. Where required, this objective is achieved by taking loans in the various currencies that are functional currencies for the subsidiaries.

Gains or losses on loans that are considered effective hedges of translation differences are recognized directly in other comprehensive income, while gains or losses on loans that are not considered effective hedges are recognized in the income statement as a financial item.

At the end of 2020, the value of the Group's net assets, i.e. the difference between capital employed and net debt, was SEK 1,208m (1,546) and was made up of the following currencies:

SEKm	Dec. 31, 2020	Dec. 31, 2019
SEK	335	493
USD	334	416
EUR	26	25
GBP	-87	-77
INR	53	54
CNY	305	317
Others	241	309

#### Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's earnings. As the Group did not have any significant holdings in interest-bearing assets at December 31, 2019, cash flow from operating activities in all material respects is independent of changes in market interest rates. The Group's interest rate risk arises from its loans. According to the financial policy, the average fixed interest term is between 1 and 12 months. The risk must also be spread over time so that the interest rate on only a small part of the total debt is renegotiated at the same time. The average fixed interest term was two months at the end of the year, which means that most of the Group's financial liabilities had a variable interest rate, i.e., a new interest rate is determined within one year. At December 31, 2020, SEK 920m (841) of the loan debt had an average variable interest rate of 2.40% (1.61). A change in the interest rate of one percentage point would have an impact on the cost of the Group's borrowing of approximately SEK 9m (6) after tax.

## Currency hedging of invoiced and forecasted currency flows

SEKm	Dec. 31, 2020						Dec. 31, 2019				
	USD	HUF	CAD	GBP	EUR		USD	HUF	CAD	GBP	EUR
Nominal amount	Net bought	Net bought	Net sold	Net sold	Net sold	Nominal amount	Net bought	Net bought	Net sold	Net sold	Net sold
Falling due in 2021	72	36	60	40	19	Falling due in 2020	66	44	75	54	60
Average exchange rate	8.63	0.0289	6.40	11.08	10.34	Average exchange rate	9.63	0.0322	7.29	12.17	10.60
Hedging of flows	-	-	-	-	-	Hedging of flows	-	-	-	-	-
Falling due after 2021	-	-	-	-	-	Falling due after 2020	-	-	-	-	-
Average exchange rate	-	-	-	-	-	Average exchange rate	-	-	-	-	-

### Credit risk

Credit risk arises when one party to the transaction is unable to fulfill its obligations and consequently causes a loss to the other party. The risk of customers defaulting on payment for delivered products is minimized by thorough checking of new customers and monitoring of payment practice among existing customers as well as any credit insurance.

The Group's accounts receivable totaled SEK 619m (648) at December 31, 2020, and are recognized in the amounts expected to be paid. Haldex's customers consist primarily of vehicle manufacturers, other system and component manufacturers and aftermarket distributors in the automotive industry. The geographical distribution of accounts receivable largely corresponds to sales per region. In 2020, no individual customer accounted for more than 10% of sales. The Group's bad debt losses usually amount to less than 0.1% of sales.

Accounts receivable	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable not overdue or impaired	603	579
Overdue 1-30 days and not impaired	66	71
Overdue 31-60 days and not impaired	19	12
Overdue > 60 days and not impaired	20	5
Accounts receivable subject to impairment	-23	-18
<b>Accounts receivable</b>	<b>619</b>	<b>648</b>

Provisions for bad debts have changed as follows:

Provision for bad debts	2020	2019
Provision at January 1	-18	-19
Impairments for expected losses	-	-
Realization of impairment against loss recorded	-	-
Reversed impairments	-	-
Translation of foreign currency	-5	1
<b>Provision at December 31</b>	<b>-23</b>	<b>-18</b>

The credit risk associated with financial assets is managed in accordance with the financial policy. The risk is minimized by measures such as limiting investments to interest-bearing instruments with low risk and high liquidity, and by having a maximum limit for the amount invested with particular counterparties and checking credit ratings. In order to further reduce risk, framework agreements on offsetting rights are entered into with most counterparties. The credit risk for derivatives in foreign

currencies and interest-rate derivatives corresponds to their positive market values, i.e. potential gains on these contracts. The credit risk for foreign exchange contracts, before taking into account netting agreements, was equivalent to SEK 78m (35) at December 31, 2020. After taking into account netting agreements, the credit risk is SEK +37m (+8). The equivalent risk for investments in credit institutions was SEK 440m (315), without taking any offsetting opportunities into account.

### Financing risk

The Group's financing risk is the risk that Haldex will not be able to raise new loans or finance existing loans. This risk is reduced by the fact that the financial policy specifies that raised loans must have long maturities. The total liability must have an average remaining maturity of at least one year. At December 31, 2020, 100% (76) of the loans had a maturity of more than one year. The maturity structure was as follows: 100% in 2022. See Note 29, page 68.

### Liquidity risk

Liquidity risk, that is to say the risk of the Group's immediate capital needs not being possible to meet, is limited by sufficient cash and cash equivalents and granted but unused credit facilities that can be used without conditions. The target according to the financial policy is for cash and cash equivalents and available long-term credit facilities to total at least 5% of net sales. These funds totaled SEK 693m (929) at year-end, equivalent to 17% (18) of net sales.

Haldex's main sources of funding

Nominal value	Dec. 31, 2020	Dec. 31, 2019
Syndicated loan	EUR 90m	EUR 90m
Bond loan	SEK 270m	SEK 270m

### Capital risk

The Group's goal in terms of capital structure is to secure Haldex's ability to continue to operate, enabling the company to generate return to shareholders and value for other stakeholders, and to maintain an optimal capital structure so that the cost of capital can be reduced. In order to manage the capital structure, the Group may change the dividend paid to the shareholders, repay capital to the shareholders, issue new shares or sell assets to reduce liabilities.

## Note 5. Segment reporting

Haldex is a group organized by function. The functional structure provides more focused support for the business, and services are shared between the different product lines as well as sales and distribution channels.

Haldex's operations are a reporting segment, and the financial information is analyzed and reviewed by the chief operating decision maker as a segment in assessing the Group's results.

Air Controls and Foundation Brake are the Group's two major product lines. Air Controls develops and manufactures products to improve the safety and driving characteristics of brake systems, such as treatment and dehumidifying of compressed 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 operations, customers and long-term operating margins, the two product lines are presented and evaluated as a single segment.

The ten largest customers account for around a third of sales, but no individual customer accounts for more than 10%. The location of customers is the basis for sales classified by geographical area. Information regarding the assets in the segment and investments for the period is based on geographical areas that are grouped according to where the assets are located.

### Classification by geographical area

2020	North America <sup>1)</sup>	South America	Americas Subtotal	Europe <sup>2,3)</sup>	Asia and Middle East	Total
Net sales	1,965	136	2,101	1,438	468	4,007
Assets	1,360	98	1,458	2,007	598	4,063
Investments	43	1	44	135	17	196

2019	North America <sup>1)</sup>	South America	Americas Subtotal	Europe <sup>2,3)</sup>	Asia and Middle East	Total
Net sales	2,659	208	2,867	1,698	586	5,151
Assets	1,623	114	1,737	2,004	672	4,413
Investments	117	3	120	127	26	273

<sup>1)</sup> Largely made up of the United States.

<sup>2)</sup> Of which net sales to Sweden total SEK 23m (32).

<sup>3)</sup> Of which total assets in Sweden total SEK 1,376m (1,305).

### Sales per customer category

	2020	2019	Change nominal	Change currency adjusted
Truck - heavy trucks and buses	701	1,252	-44%	-41%
Trailer - trailers	1,174	1,502	-22%	-20%
Aftermarket	2,132	2,397	-11%	-8%
<b>Total</b>	<b>4,007</b>	<b>5,151</b>	<b>-22%</b>	<b>-20%</b>

### Net sales per product line

	2020	2019	Change nominal	Change currency adjusted
Air Controls	1,807	2,185	-17%	-15%
Foundation Brake	2,200	2,966	-26%	-23%
<b>Total</b>	<b>4,007</b>	<b>5,151</b>	<b>-22%</b>	<b>-20%</b>

## Note 6. Non-recurring items

Operating profit includes non-recurring items presented below. All are recognized under the heading Other operating income and operating expenses in the income statement classified by function.

	2020	2019
<b>Operating profit, including non-recurring items</b>	<b>-100</b>	<b>105</b>
Restructuring expenses	-109	-204
Impairment of asset	-176	-
Capital gain on property Blue Springs	35	-
Dispute India	-1	-
External services related to the ownership situation	-12	-8
<b>Operating profit, excl. non-recurring items</b>	<b>163</b>	<b>317</b>

## Note 7. Expenses by nature

	2020	2019
Direct material expenses incl. change in stocks	2,178	2,871
Employee benefit expenses	937	1,155
Depreciation and amortization (see Notes 16 and 17)	400	237
Other operating income and operating expenses	592	783
<b>Total</b>	<b>4,107</b>	<b>5,046</b>



## Note 8. Government grants

	2020	2019		2020
Compensation for development work	6	7	<b>Breakdown by line in the balance sheet</b>	
Compensation for COVID-19	12	-	Other current receivables	6
Compensation for exports from India	0	8	<b>Total</b>	<b>6</b>
<b>Total</b>	<b>18</b>	<b>15</b>		
			<b>Contingent assets</b>	<b>2020</b>
<b>Breakdown by line in the income statement</b>	<b>2020</b>		Hungary	10
Cost of goods sold	9		Conditions not yet met linked to contingent assets: Hungary: government audit approving the application.	
Product development expenses	1			
Selling expenses	1		<b>Contingent liabilities</b>	<b>2020</b>
Administrative expenses	2		None	
Other operating income and operating expenses	6			
<b>Total</b>	<b>18</b>			

## Note 9. Information on remuneration of senior executives

Amounts in thousands of SEK	2020			2019		
	Basic salary incl. benefits/Board fees	Variable remuneration	Pension remuneration	Basic salary incl. benefits/Board fees	Variable remuneration	Pension remuneration
<b>Board of Directors</b>						
(5 members, of whom 3 women)	-	-	-	-	-	-
Stefan Charette (Chairman from June 2020)	438	-	-	-	-	-
Håkan Karlsson (from June 2020)	350	-	-	-	-	-
Catharina Modahl Nilsson (from June 2020)	190	-	-	-	-	-
Viveka Ekberg (from June 2020)	233	-	-	-	-	-
Helene Svahn (CEO)	-	-	-	100	-	-
Jörgen Durban (Chairman until June 2020)	354	-	-	800	-	-
Bernd Gottschalk (until June 2020)	97	-	-	233	-	-
Markus Gustafsson (until June 2020)	125	-	-	200	-	-
Mikael Thunved (until June 2020)	167	-	-	233	-	-
Ulf Ahlén (until May 2019)	-	-	-	117	-	-
Johan Giléus (until May 2019)	-	-	-	133	-	-
Ulrika Hagdahl (until May 2019)	-	-	-	125	-	-
<b>Total</b>	<b>1,954</b>	<b>-</b>	<b>-</b>	<b>1,941</b>	<b>-</b>	<b>-</b>
<b>Chief Executive Officer</b>						
Helene Svahn (from July 2019)	4,393	36 <sup>1)</sup>	824	1,895	200	972
Åke Bengtsson (until May 2019)	-	-	-	1,480	-	493
<b>Total</b>	<b>4,393</b>	<b>36</b>	<b>824</b>	<b>3,375</b>	<b>200</b>	<b>1,465</b>
<b>Other senior executives (Group Management)</b>						
8 (9) persons, of whom 4 (2) women at December 31, 2020	19,753	649 <sup>1)</sup>	2,545	23,200	3,551	4,612
<b>Total</b>	<b>24,146</b>	<b>685</b>	<b>3,369</b>	<b>26,575</b>	<b>3,751</b>	<b>6,077</b>

<sup>1)</sup> Amount for variable remuneration 2020 refers to the part of the 2019 bonus that has been expensed during 2020.

### Remuneration of the Board

The 2020 Annual General Meeting resolved that a fee of SEK 700 thousand be paid to the Chairman Stefan Charette, SEK 500 thousand to the Deputy Chairman Håkan Karlsson and SEK 300 thousand to each of the other members who are not employees of the company. As remuneration for committee work, the chairman of the audit committee, Viveka

Ekberg, will receive SEK 100 thousand and members Stefan Charette and Håkan Karlsson SEK 50 thousand each. Chairman of the Remuneration Committee Håkan Karlsson will receive SEK 50 thousand and member Catharina Modahl Nilsson SEK 25 thousand. For more information on board members committee work, see page 87.

## Guidelines

Remuneration for senior positions at Haldex is based on two main portions. One portion is fixed monthly salary and the other part is variable salary. The variable portion is divided into a one-year plan, Short Term Incentive (STI), and a three-year plan, Long Term Incentive (LTI).

The decision-making process for establishing, reviewing and implementing the guidelines is managed through the Remuneration Committee. In order to manage and avoid conflicts of interest regarding remuneration, the CEO and EVP HR must approve all adjustments.

Fixed salary is based on what responsibility and impact the position has with regard to finance, decisions, strategy, global or local organization. Salary level is compared with the external market median for equivalent positions to ensure that the salary is market-based. All employees follow the same pay-setting, i.e. through valuation of service and a market-based salary is then set.

The purpose of variable salary is to create motivation to achieve the set targets and fulfil the business strategy. The structure of the STI and LTI plans is decided by the Board and the Remuneration Committee. The LTI plan also has to be approved by the AGM.

For 2020, the Board decided not to pay any variable remuneration in accordance with STI. Variable salary on a three-year basis (LTI) is based solely on ROCE. The maximum outcome for this portion is 50% of annual salary.

In the latest LTI plan, LTI 2018, which has been a three-year plan 2018-2020, the target in the LTI plan was not met, and there is therefore no outcome. A dialogue is currently under way in the Remuneration Committee on a new LTI plan from 2021 onward.

For members of Group Management, severance pay is paid in accordance with the guidelines for remuneration of senior executives that have been adopted by the AGM. This means that the notice period for the President and CEO, and for other senior executives is 6 months. In addition, in the event of termination by the company, the CEO and senior executives are entitled to severance pay equivalent to 6 months' salary. Upon termination by the CEO and other senior executives no severance payment is made.

## Incentive programs

The AGM decides on incentive programs for senior executives and key personnel. The program that ran in 2020 is LTI 2018. In brief, LTI 2018 means that if certain performance targets are achieved over a three-year period, participants in LTI may be awarded variable remuneration at the beginning of 2021 that will be paid in cash. Deferred variable remuneration according to LTI is not pensionable. For information on accounting for share-related remuneration in the form of performance rights, see Note 10 on page 61.

## Note 10. Share-related remuneration

The Annual General Meeting resolves on incentive programs for senior executives and key personnel. The 2019 AGM did not adopt any

resolution on a new active LTI plan for 2019. Nor was any resolution adopted at the 2020 AGM on a new active LTI plan for 2020.

## Note 11. Employees and remuneration

	Women	Men	Total 2020	Women	Men	Total 2019
Sweden	38	179	217	52	193	245
Mexico	191	313	504	117	255	372
Hungary	158	171	329	113	149	262
United States	71	192	263	130	320	450
China	41	182	223	45	203	248
India	15	135	150	26	161	187
Germany	1	23	24	22	78	100
United Kingdom	13	76	89	14	78	92
Brazil	18	54	72	19	59	78
France	27	38	65	30	45	75
Canada	11	7	18	6	16	22
Poland	2	7	9	2	7	9
Italy	4	4	8	4	4	8
Spain	2	4	6	3	4	7
South Korea	2	4	6	2	5	7
Austria	0	2	2	0	3	3
Belgium	0	2	2	0	3	3
Russia	0	2	2	1	2	3
Australia	0	1	1	0	1	1
<b>Total</b>	<b>594</b>	<b>1,396</b>	<b>1,990</b>	<b>586</b>	<b>1,586</b>	<b>2,172</b>

	2020			2019		
	Salaries and benefits	Social security contributions	Of which pension expenses	Salaries and benefits	Social security contributions	Of which pension expenses
Haldex	729	173	45	859	249	43

For remuneration of senior executives, see Note 9 on page 60. Of Group pension expenses in operating profit, SEK 32m (36) is related to defined-contribution plans and SEK 13m (7) is related to defined-benefit plans. For more information on Haldex defined-benefit pension plans, see Note 30, page 69-70.

## Note 12. Remuneration of auditors

	2020	2019
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	7	6
- of which Öhrlings PricewaterhouseCoopers AB	4	4
Auditing activities in addition to auditing engagements	0	0
Tax advice	1	1
- of which Öhrlings PricewaterhouseCoopers AB	0	0
Other services	2	2
- of which Öhrlings PricewaterhouseCoopers AB	2	2
<b>Total</b>	<b>10</b>	<b>9</b>

## Note 13. Depreciation

	2020	2019
Cost of goods sold	128	141
Selling expenses	26	25
Administrative expenses	45	41
Product development expenses	25	30
<b>Total</b>	<b>224</b>	<b>237</b>

## Note 14. Financial income and expenses

	2020	2019
Interest income	0	14
Interest expense	-24	-25
Interest on pension liabilities (see Note 30)	-7	-11
Interest on lease liability (see Note 18)	-10	-13
Currency translation	-42	-2
Other financial income and expenses	-6	-2
<b>Total</b>	<b>-89</b>	<b>-44</b>

## Note 15. Tax

	2020	2019
Current tax	-34	-41
Deferred tax	-77	-15
<b>Total</b>	<b>-111</b>	<b>-56</b>

Tax on the Group's profit before tax differs from the theoretical amount that would result from a weighted average tax rate on profit for the Group companies, as follows:

Reconciliation of effective tax rate	2020	2019
Profit before tax	-189	61
Tax according to current tax rate in Sweden	21%	21%
Differences in tax rates in different countries of operation	-27%	27%
Non-deductible expenses	2%	10%
Non-taxable income	-2%	-7%
Tax attributable to previous years	-27%	26%
Use of previous unrecognized loss carry-forwards	0%	0%
Remeasurement of deferred tax/unrecognized tax assets attributable to loss carry-forwards	0%	0%
Restructuring in Germany	0%	32%
Other taxes	-26%	-18%
<b>Effective tax rate</b>	<b>-59%</b>	<b>91%</b>

The Group's tax expense totaled SEK 111m (56). The underlying tax rate for the year is -59%, which is to be compared with a tax rate of 91% for the previous year.

The income tax that is recognized directly against other comprehensive income/equity during the year is as follows:

Deferred tax	2020	2019
Remeasurement of pension obligation	9	14
Change in hedging reserve	3	-3
Exchange rate differences	4	2
<b>Total</b>	<b>16</b>	<b>13</b>



## Note 16. Intangible assets

	Goodwill	Patents and other intangible assets	Capitalized development expenses	Total
<b>January 1, 2019</b>				
Cost of acquisition	419	72	504	995
Accumulated amortization	-	-70	-261	-331
<b>Carrying amount</b>	<b>419</b>	<b>2</b>	<b>243</b>	<b>664</b>
<b>January 1-December 31, 2019</b>				
Opening carrying amount	419	2	243	664
Translation of foreign currency	17	-	-3	14
Investments	-	0	28	28
Capitalized expenses	-	-	107	107
Sales/disposals	-	-	-1	-
Reclassifications	-	-	-	-
Depreciation	-	-	-12	-12
<b>Closing carrying amount</b>	<b>436</b>	<b>2</b>	<b>362</b>	<b>800</b>
<b>December 31, 2019</b>				
Cost of acquisition	436	72	526	1,034
Accumulated amortization	-	-70	-164	-234
<b>Carrying amount</b>	<b>436</b>	<b>2</b>	<b>362</b>	<b>800</b>
<b>January 1-December 31, 2020</b>				
Opening carrying amount	436	2	362	800
Translation of foreign currency	-51	-	8	-43
Investments	-	0	7	7
Capitalized expenses	-	-	109	109
Sales/disposals	-	-	0	-
Reclassifications	-	-	0	-
Depreciation	-	0	-16	-
Impairments	-	-	-176	-176
<b>Closing carrying amount</b>	<b>385</b>	<b>2</b>	<b>294<sup>1)</sup></b>	<b>681</b>
<b>December 31, 2020</b>				
Cost of acquisition	385	72	591	1,048
Accumulated amortization	-	-70	-297	-367
<b>Carrying amount</b>	<b>385</b>	<b>2</b>	<b>294<sup>1)</sup></b>	<b>681</b>

Goodwill and intangible assets that are subject to amortization are measured in accordance with the policies described in Notes 2 and 3. For a description of the breakdown of amortization by function in the income statement, see Note 13.

<sup>1)</sup> Capitalized development expenses consist of product development at SEK 223m (224) and development of IT systems at SEK 71m (138).

## Note 17. Property, plant and equipment

	Buildings	Land and land improvements	Machinery and other technical investments	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total excluding Right-of-use assets	Right-of-use assets	Total
<b>January 1, 2019</b>								
Cost of acquisition	208	18	1,433	845	199	2,703	-	2,703
Accumulated depreciation	-150	-6	-1,054	-737	-3	-1,950	-	-1,950
<b>Carrying amount</b>	<b>58</b>	<b>12</b>	<b>379</b>	<b>108</b>	<b>196</b>	<b>753</b>	<b>-</b>	<b>753</b>
<b>January 1-December 31, 2019</b>								
Opening carrying amount	58	12	379	108	196	753	413	1,166
Translation of foreign currency	1	-	5	3	4	13	14	27
Investments	9	0	80	48	108	245	77	322
Sales/disposals	-	-	-1	0	0	-1	-17	-18
Reclassification	-	-	79	8	-87	-	0	0
Amortization	-9	-	-86	-54	-	-149	-75	-224
Impairments	-	-	0	-	-	-	0	0
<b>Closing carrying amount</b>	<b>59</b>	<b>12</b>	<b>456</b>	<b>113</b>	<b>221</b>	<b>861</b>	<b>412</b>	<b>1,273</b>
<b>December 31, 2019</b>								
Cost of acquisition	223	18	1,621	801	225	2,888	483	3,371
Accumulated depreciation and impairment	-164	-6	-1,165	-688	-4	-2,027	-71	-2,098
<b>Carrying amount</b>	<b>59</b>	<b>12</b>	<b>456</b>	<b>113</b>	<b>221</b>	<b>861</b>	<b>412</b>	<b>1,273</b>
<b>January 1 - December 31, 2020</b>								
Opening carrying amount	59	12	456	113	221	861	412	1,273
Translation of foreign currency	-7	-1	-34	-10	-17	-69	-25	-94
Investments	66	0	69	33	21	189	110	299
Sales/disposals	-61	-2	-6	0	-7	-76	-105	-181
Reclassification	0	-	3	49	-52	-	0	0
Amortization	-7	-	-86	-49	-	-142	-65	-207
Impairments	-	-	0	-	-	-	0	0
<b>Closing carrying amount</b>	<b>50</b>	<b>9</b>	<b>402</b>	<b>136</b>	<b>166</b>	<b>763</b>	<b>327</b>	<b>1,090</b>
<b>December 31, 2020</b>								
Cost of acquisition	200	15	1,505	838	166	2,724	433	3,157
Accumulated depreciation and impairment	-150	-6	-1,103	-702	0	-1,961	-106	-2,067
<b>Carrying amount</b>	<b>50</b>	<b>9</b>	<b>402</b>	<b>136</b>	<b>166</b>	<b>763</b>	<b>327</b>	<b>1,090</b>

Group property, plant and equipment is depreciated and measured in accordance with the policies described in Note 2. For information on the breakdown of depreciation by function, see Note 13.

## Note 18. Leases

### Recognized amounts in the balance sheet

	2020	2019
<b>Assets with right of use</b>		
Buildings	312	392
Vehicles	14	19
Other	1	1
<b>Total assets with right of use</b>	<b>327</b>	<b>412</b>
<b>Lease liabilities</b>		
Current lease liabilities (included in Current interest-bearing liabilities)	58	125
Non-current lease liabilities (included in Non-current interest-bearing liabilities)	276	298
<b>Total lease liabilities</b>	<b>334</b>	<b>423</b>
Additional rights of use in 2019 totaled	110	78

### Recognized amounts in the income statement

	2020	2019
<b>Depreciation of rights-of-use assets</b>		
Buildings	-55	-61
Vehicles	-8	-13
Other	-2	-1
<b>Total depreciation of rights-of-use assets</b>	<b>-65</b>	<b>-75</b>
<b>Other expenses in the income statement</b>		
Interest expenses (included in Interest expenses)	-10	-13
Expenses attributable to short-term lease contracts and lease contracts for which the underlying asset is of low value (included in Selling expenses and Administrative expenses)	-2	-1
<b>Total other expenses in the income statement</b>	<b>-12</b>	<b>-14</b>
Total cash flow for lease contracts	-63	-76

For adjustments recognized on transition to IFRS 16 at January 1, 2019, as well as information on the Group's accounting policies regarding leases, see Note 2 Summary of significant accounting policies.

## Note 19. Financial assets

	Dec. 31, 2020	Dec. 31, 2019
Participating interests in associated companies	22	-
Other participating interests	-	-
Other non-current receivables	19	23
<b>Total</b>	<b>41</b>	<b>23</b>

## Note 20. Deferred income tax

Deferred tax assets and tax liabilities are offset when there is a legal right of offset for current taxes and when these relate to taxes charged by a single tax authority and pertain to either the same or different taxpayers, where there is an intention to settle the balances through net payments.

Gross changes in deferred taxes are as follows:

	2020	2019
January 1	119	119
Recognition in the income statement (Note 15)	-77	-14
Tax recognized in equity (Note 15)	-	-3
Tax recognized in other comprehensive income (Note 15)	12	14
Translation of foreign currency	4	3
<b>December 31</b>	<b>58</b>	<b>119</b>

Deferred tax assets and tax liabilities, without taking account of offsets made within the same tax jurisdiction, are shown below:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Loss carry-forwards	90	103	0	0	90	103
Provisions	19	19	0	0	19	19
Pensions and similar obligations	18	67	0	0	18	67
Acquisition-related surplus values	0	0	7	9	-7	-9
Leases	2	2	0	0	2	2
Others	-15	-12	49	51	-64	-63
<b>Deferred tax assets/tax liabilities, net</b>	<b>114</b>	<b>179</b>	<b>56</b>	<b>60</b>	<b>58</b>	<b>119</b>
Offsetting of tax receivables/tax liabilities	-40	-48	-40	-48	-	-
<b>Total</b>	<b>74</b>	<b>131</b>	<b>16</b>	<b>12</b>	<b>58</b>	<b>119</b>

Deferred tax assets are recognized only for tax loss carry-forwards to the extent that it is likely that they can be utilized against future taxable profits. On the balance sheet date, there are also tax loss carry-forwards, for which a deferred tax asset is not recognized. The potential of these loss carry-forwards is equivalent to a deferred tax asset of approximately SEK 78m (20). All recognized loss carry-forwards fall due after more than ten years.



## Note 21. Derivative instruments

	Dec. 31, 2020		Dec. 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Currency futures - cash flow hedges	3	4	2	3
Currency futures - at fair value through profit or loss	0	1	1	0
Currency swaps - at fair value through profit or loss	78	41	44	31
<b>Total derivative instruments according to the balance sheet</b>	<b>81</b>	<b>46</b>	<b>47</b>	<b>34</b>
Financial instruments that are covered by a framework agreement on offset but are not recognized net	-46	-46	-29	-29
<b>Total, net</b>	<b>35</b>	<b>0</b>	<b>18</b>	<b>5</b>

Gains and losses in equity on short-term currency futures will be transferred to the income statement at various times during 2021. Gains and losses in equity on current currency forward contracts that are recognized in other comprehensive income during 2019 have been reversed to the income statement in 2020. Financial instruments that are recognized at fair value in the balance sheet belong to level 2 of the fair value hierarchy, which means that their fair value is determinable, directly or indirectly, from observable market prices. There are no inefficiencies in recognizing cash flow hedges.

## Note 22. Financial instruments at fair value

The Group holds both derivative instruments and financial assets that can be sold, which are measured at fair value. The financial instruments that are classified as available-for-sale financial assets are recognized at fair value according to level 1 of the fair value hierarchy, i.e. at prices quoted on an active market. Derivative instruments are recognized at fair value in the balance sheet based on level 2 of the fair value hierarchy, which means that their fair value is determined, directly or indirectly, from observable market inputs. No transfer occurred between levels in the measurement hierarchy during the year.

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

	Dec. 31, 2020			Dec. 31, 2019		
	Measurement based on quoted prices on an active market (Level 1)	Measurement based on observable market prices (Level 2)	Measurement based on non-observable market prices (Level 3)	Measurement based on quoted prices on an active market (Level 1)	Measurement based on observable market prices (Level 2)	Measurement based on non-observable market prices (Level 3)
Derivative instruments	-	37	-	-	13	-
<b>Total</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>

With regard to the Group's other financial instruments, these are recognized as follows: Haldex currency credit agreements and bond loans are subject to a variable interest rate of 1–6 months, and fair value therefore corresponds to book value. With regard to other financial assets and liabilities, e.g. accounts receivable, other current receivables, cash and cash equivalents and accounts payable, fair value is considered to correspond to book value.

## Note 23. Assets in the balance sheet

	Dec. 31, 2020					Dec. 31, 2019						
	Non-financial assets	Assets at amortized cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Assets at fair value through other comprehensive income	Total	Non-financial assets	Assets at amortized cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Assets at fair value through other comprehensive income	Total
<b>Non-current assets</b>												
Intangible assets and Property, plant and equipment	1,771	-	-	-	-	1,771	2,073	-	-	-	-	2,073
Financial assets												
Deferred tax assets	74	-	-	-	-	74	131	-	-	-	-	131
Other financial assets	-	41	-	-	0	41	-	23	-	-	0	23
<b>Current assets</b>												
Inventories	717	-	-	-	-	717	815	-	-	-	-	815
Current receivables												
Accounts receivable	-	619	-	-	-	619	-	648	-	-	-	648
Other current receivables	91	229	-	-	-	320	149	212	-	-	-	361
Derivative instruments	-	-	78	-	-	78	-	-	47	-	-	47
Derivative instruments - hedge accounting	-	-	-	3	-	3	-	-	-	0	-	0
Cash and cash equivalents	-	440	-	-	-	440	-	315	-	-	-	315
<b>Total</b>	<b>2,653</b>	<b>1,329</b>	<b>78</b>	<b>3</b>	<b>0</b>	<b>4,063</b>	<b>3,168</b>	<b>1,198</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>4,413</b>

Haldex's accounts receivable and other current receivables run at variable interest rates with a maturity of 1-6 months, which means that book values correspond essentially to fair values. The book value of non-current receivables is in agreement with fair value.

## Note 24. Liabilities in the balance sheet

	Dec. 31, 2020					Dec. 31, 2019				
	Non-financial liabilities	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Total	Non-financial liabilities	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Total
<b>Non-current liabilities</b>										
Deferred tax liabilities	16	-	-	-	16	12	-	-	-	12
Pensions and similar obligations	578	-	-	-	578	562	-	-	-	562
Interest-bearing liabilities	-	1,197	-	-	1,197	-	749	-	-	749
Other non-current liabilities	-	18	-	-	18	-	23	-	-	23
<b>Current liabilities</b>										
Interest-bearing liabilities	-	62	-	-	62	-	449	-	-	449
Accounts payable	-	572	-	-	572	-	518	-	-	518
Derivative instruments	-	-	42	-	42	-	-	31	-	31
Derivative instruments - hedge accounting	-	-	-	4	4	-	-	-	-	3
Other provisions	71	-	-	-	71	204	-	-	-	204
Other current liabilities	139	161	-	-	300	157	168	-	-	325
<b>Total</b>	<b>804</b>	<b>2,010</b>	<b>42</b>	<b>4</b>	<b>2,860</b>	<b>935</b>	<b>1,907</b>	<b>31</b>	<b>3</b>	<b>2,876</b>

Haldex's current and non-current liabilities, credit facilities and bond loans are subject to variable interest rates with a maturity of 1-6 months, which means that book values essentially correspond to fair values.

## Note 25. Liquidity

	Dec. 31, 2020			Dec. 31, 2019		
	<1 year	>1< 2 years	> 2 years	<1 year	>1< 2 years	> 2 years
Non-current interest-bearing liabilities incl. interest	-22	-927	-	-6	-452	-
Current interest-bearing liabilities including interest	0	-	-	-323	-	-
Lease liabilities, non-discounted	-63	-57	-249	-77	-64	-277
Accounts payable	-572	-	-	-518	-	-
Derivative instruments	-46	-	-	-34	-	-
<b>Total</b>	<b>-703</b>	<b>-984</b>	<b>-249</b>	<b>-958</b>	<b>-516</b>	<b>-277</b>
Accounts receivable	619	-	-	648	-	-
Derivative instruments	81	-	-	47	-	-
<b>Net flow</b>	<b>-3</b>	<b>-984</b>	<b>-249</b>	<b>-263</b>	<b>-516</b>	<b>-277</b>
Derivative instruments						
-outflow	2,498	-	-	3,041	-	-
-inflow	2,506	-	-	3,043	-	-

Haldex's credit facilities and bond loans run at variable interest rates with a maturity of 1-6 months, which means that book values essentially correspond to fair values. Available unused credit facilities at year-end totaled SEK 435m (616). Estimated interest consists of the equivalent value in SEK based on the exchange rates as of 31 December and the future-oriented current interest rates for the liability.

## Note 26. Inventories

	Dec. 31, 2020	Dec. 31, 2019
Raw materials	479	540
Semi-finished products	9	22
Finished products	229	253
<b>Total</b>	<b>717</b>	<b>815</b>

## Note 27. Other current receivables

	Dec. 31, 2020	Dec. 31, 2019
Tax receivables	106	128
<i>Prepaid and accrued income expenses</i>		
Rents and insurance	15	18
Other prepaid expenses	28	1
Collateral receivable	34	42
Other current receivables	137	172
<b>Total</b>	<b>320</b>	<b>361</b>

## Note 28. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Bank balances and cash	440	315
<b>Total</b>	<b>440</b>	<b>315</b>

Cash and short-term deposits of SEK 256m (294) are held in Brazil, China and Korea and are subject to local currency control regulations. These local currency control regulations impose restrictions on moving capital from the country, other than through normal distribution.

## Note 29. Non-current interest-bearing liabilities

	Dec. 31, 2020	Dec. 31, 2019
Syndicated loan	650	450
Bilateral loan	270	-
<b>Total</b>	<b>920</b>	<b>450</b>

Liabilities pertaining to IFRS16 Leases have been excluded in an amount of SEK 276m (298).

	2020		2019	
	Nominal	Maturity	Nominal	Maturity
Syndicated loan	EUR 90m	21-04-22	EUR 90m	21.04.21
Bilateral loan	SEK 270m	21-04-22	-	-



## Note 30. Pensions and similar obligations

Haldex has defined-benefit pension plans for certain units, and this relates primarily to Sweden, Germany, France and the United Kingdom. The defined-benefit pension plans are mainly based on final salary. There are also defined-contribution plans in these countries. Subsidiaries in other countries within the Group mainly use defined-contribution plans. The UK pension system has a minimum funding requirement. Based on a financing valuation carried out every three years, the company and the fund managers agree on a plan for financing up to the minimum requirement.

### Reconciliation of interest-bearing pension liabilities

	2020	2019
<b>Defined-benefit obligations at January 1</b>	<b>889</b>	<b>746</b>
Reclassification of opening balance	32	-
Vested pensions during the period	13	7
Interest on obligations	15	20
Benefits paid	-29	-22
Reduced commitment through transfer to defined-contribution plan	0	0
Contributed funds	0	0
Effects of curtailments and settlements	-1	0
Revaluations due to changes in demographic assumptions	14	-3
Remeasurements due to changes in financial assumptions	58	130
Experience-based remeasurements	-14	-4
Translation of foreign currency	-51	15
<b>Defined-benefit commitments at December 31</b>	<b>926</b>	<b>889</b>
<b>Fair value of plan assets at January 1</b>	<b>357</b>	<b>295</b>
Expected return on plan assets	7	9
Payment from assets	-16	-11
Effects of curtailments and settlements	0	1
Contributed funds	10	9
Measurement gains/losses on plan assets	20	36
Translation of foreign currency	-30	18
<b>Fair value of plan assets at December 31</b>	<b>348</b>	<b>357</b>

### Reconciliation of interest-bearing pension liabilities

	2020	2019
<b>Pension liability (net) at January 1</b>	<b>562</b>	<b>455</b>
Pension expense	21	18
Benefits paid	-29	-22
Reduced liability through transfer to defined-contribution plan	0	0
Contributed funds	-10	-9
Payment from assets	16	11
Effects of curtailments and settlements	-1	-1
Actuarial gains/losses recognized in other comprehensive income	38	98
Translation of foreign currency	-19	12
<b>Net amount recognized in the balance sheet at December 31</b>	<b>578</b>	<b>562</b>

### Amounts recognized in the income statement

	2020	2019
Vested pensions during the period	-13	-7
Interest on obligations	-15	-20
Expected return on plan assets	7	9
<b>Total</b>	<b>-21</b>	<b>-18</b>

### Amounts recognized in other comprehensive income

	2020	2019
Remeasurements of pension obligation		
of which changes in demographic assumptions	-14	3
including changes in financial assumptions	-58	-130
of which experience-based adjustments	14	4
Measurement gains (losses) on plan assets	20	36
<b>Total</b>	<b>-38</b>	<b>-87</b>

## Defined-benefit pension commitments and plan assets by country

2020	Sweden	Germany	United Kingdom	Others	Total
Defined-benefit obligation	331	129	452	14	926
Plan assets	40	-	302	6	348
of which shares	4	-	-	-	4
including interest-bearing securities	25	-	73	-	98
of which diversified growth funds	-	-	228	-	228
including properties	-	-	-	-	-
including cash and cash equivalents	9	-	1	2	12
<b>Net amount recognized in the balance sheet</b>	<b>291</b>	<b>129</b>	<b>150</b>	<b>8</b>	<b>578</b>

2019	Sweden	Germany	United Kingdom	Others	Total
Defined-benefit obligation	313	137	453	16	919
Plan assets	43	-	306	8	357
of which shares	5	-	-	-	5
including interest-bearing securities	35	-	64	-	99
of which diversified growth funds	-	-	241	-	241
including properties	-	-	-	-	-
including cash and cash equivalents	3	-	1	8	12
<b>Net amount recognized in the balance sheet</b>	<b>270</b>	<b>137</b>	<b>147</b>	<b>8</b>	<b>562</b>

## Life expectancy after retirement at age 65

	Sweden	Germany	United Kingdom
Male	22	20	22
Female	24	24	23

## Actuarial assumptions

2020, %	Sweden	Germany	United Kingdom
Discount rate and expected return on plan assets, January 1, 2020	1.5	1.1	2.0
Discount rate and expected return on plan assets, December 31, 2020	1.0	1.0	1.4
Salary and wage increase	2.0	0.0	3.1
Inflation	2.0	1.8	2.8

2019, %	Sweden	Germany	United Kingdom
Discount rate and expected return on plan assets, January 1, 2019	2.5	2.0	2.9
Discount rate and expected return on plan assets, December 31, 2019	1.5	1.1	2.0
Salary and wage increase	2.0	0.0	2.8
Inflation	2.0	1.8	3.5

## Average remaining maturity on the pension plan

	Sweden	Germany	United Kingdom
Year	19	14	19

The discount rate is based on first-class corporate bonds, or Swedish government bonds with a maturity corresponding to the estimated maturity of pension obligations. All pension plans consist of listed investments. A change in the discount rate of +/- 0.25% for each individual country has an impact on the present value of the Group's pension obligation of approximately SEK 38m (39).

## Note 31. Other provisions

	2020			2019		
	Warranty provisions	Restructuring provisions	Total	Warranty provisions	Restructuring provisions	Total
<b>January 1</b>	<b>36</b>	<b>168</b>	<b>204</b>	<b>74</b>	<b>7</b>	<b>81</b>
Provisions	34	89	123	39	177	216
Utilization	-39	-213	-252	-78	-19	-97
Translation of foreign currency	-3	-1	-4	1	3	4
<b>December 31</b>	<b>28</b>	<b>43</b>	<b>71</b>	<b>36</b>	<b>168</b>	<b>204</b>

Warranty and restructuring provisions are made in accordance with the principles described in Note 3.

## Note 32. Other current liabilities

	2020	2019
Tax liabilities	8	25
<i>Accrued expenses and deferred income</i>		
Employee benefit expenses	77	106
Accrued interest	12	10
Accrued discounts	8	7
Mortgage	57	65
Other accrued expenses	82	92
Other current liabilities	56	20
<b>Total</b>	<b>300</b>	<b>325</b>

## Note 33. Pledged assets and contingent liabilities

	2020	2019
Pledged assets	0	53
Contingent asset in Hungary, government grant	10	-
	2020	2019
Bankers' bills China	24	24
Pension guarantee United Kingdom	97	126
Other contingent liabilities	3	3
<b>Total contingent liabilities</b>	<b>124</b>	<b>153</b>

## Note 34. Acquisitions

No acquisitions in 2020.

## Note 35. Transactions with related parties

The parent company is a related party to its subsidiaries. Transactions with subsidiaries take place on market terms. Remuneration of senior executives is recognized in Note 9 on page 60.



## Parent Company income statement

SEKm	Note	2020	2019
Net sales		104	125
Administrative expenses	4, 5, 13	-102	-107
<b>Operating profit</b>		<b>2</b>	<b>18</b>
Dividends from Group companies		19	55
Impairment of shares in subsidiaries		-250	-
Interest income	6	92	87
Interest expense	6	-30	-33
Other financial items		-29	-10
<b>Income after financial items</b>		<b>-195</b>	<b>117</b>
Group contributions		-43	-67
<b>Profit before tax</b>		<b>-238</b>	<b>50</b>
Tax	12	-10	0
<b>Net profit for the year</b>		<b>-248</b>	<b>50</b>

## Parent Company statement of comprehensive income

SEKm	Note	2020	2019
Net profit for the year		-248	50
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-248</b>	<b>50</b>

# Parent Company balance sheet

SEKm	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets			
Shares in subsidiaries	7	1,721	1,721
Other shares and participating interests			
Non-current receivables subsidiaries	8	1,029	1,181
Other non-current receivables	8	14	28
<b>Total non-current assets</b>		<b>2,764</b>	<b>2,930</b>
<b>Current assets</b>			
Receivables from subsidiaries		1,206	1,133
Other current receivables	9	27	29
Derivative instruments	10	88	51
Cash and cash equivalents	11	137	0
<b>Total current assets</b>		<b>1,459</b>	<b>1,213</b>
<b>TOTAL ASSETS</b>		<b>4,222</b>	<b>4,143</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital (48,637,567 shares with a quotient value of SEK 5)		243	221
<i>Unrestricted equity</i>			
Share premium reserve		589	378
Retained profits		468	496
Net income for the year		-248	50
<b>Total equity</b>		<b>1,052</b>	<b>1,144</b>
<b>Provisions</b>			
Pensions and similar obligations	13	36	35
Other provisions		14	18
<b>Total provisions</b>		<b>50</b>	<b>53</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	14	920	450
Liabilities to subsidiaries		345	338
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>1,265</b>	<b>788</b>
<b>Current liabilities</b>			
Accounts payable		22	4
Liabilities to subsidiaries		1,719	1,657
Derivative instruments	10	50	37
Other current liabilities	15	64	461
<b>Total current liabilities</b>		<b>1,855</b>	<b>2,158</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,222</b>	<b>4,143</b>
Pledged assets		None	None
Contingent liabilities	16	361	397

## Changes in the Parent Company's equity

SEKm	Restricted equity		Unrestricted equity		Total
	Share capital	Share premium reserve	Retained earnings		
<b>Opening balance at January 1, 2019</b>	<b>221</b>	<b>378</b>	<b>547</b>		<b>1,146</b>
Net income for the year	-	-	50		50
Cash dividend	-	-	-51		-51
Share swap incentive program	-	-	-		0
<b>Closing balance at December 31, 2019</b>	<b>221</b>	<b>378</b>	<b>545</b>		<b>1,144</b>
<b>Opening balance at January 1, 2020</b>	<b>221</b>	<b>378</b>	<b>545</b>		<b>1,144</b>
Net income for the year	-	-	-248		-248
Cash dividend	-	-	-		0
New share issue	22	135	-		157
<b>Share swap incentive program</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>0</b>
<b>Closing balance at December 31, 2020</b>	<b>243</b>	<b>513</b>	<b>297</b>		<b>1,053</b>



# Parent Company cash flow statement

SEKm	2020	2019
<b>Cash flow from operating activities</b>		
Profit before tax	-238	50
Reversal of non-cash items <sup>1)</sup>	256	74
<b>Cash flow from operating activities before changes in working capital</b>	<b>18</b>	<b>124</b>
<i>Change in working capital</i>		
Current receivables	-72	-52
Current liabilities	-409	125
<i>Change in working capital</i>	<i>-481</i>	<i>73</i>
<b>Cash flow from operating activities</b>	<b>-463</b>	<b>197</b>
<b>Cash flow from investing activities</b>		
Investment in financial assets	-	-
Change in non-current receivable	166	-32
Disposal of shares and participating interests	0	0
<b>Cash flow from investing activities</b>	<b>166</b>	<b>-32</b>
<b>Cash flow from financing activities</b>		
Change in interest-bearing liabilities	470	-120
Change in other liabilities	7	6
Dividend to shareholders	0	-51
Paid shareholder contributions	-200	-
New share issue	157	-
<b>Cash flow from financing activities</b>	<b>434</b>	<b>-165</b>
<b>Changes in cash and bank balances</b>	<b>137</b>	<b>0</b>
Cash and cash equivalents, opening balance	0	0
<b>Cash and cash equivalents, closing balance</b>	<b>137</b>	<b>0</b>
<sup>1)</sup> Reversal of non-cash items:		
Dividend, non-cash	-	-
Unpaid Group contribution	43	9
Impairment of shares in subsidiaries	250	67
Other	-37	-2
	<b>256</b>	<b>74</b>

# Notes

## Note 1. General information

Haldex AB is the Parent Company of the Haldex Group. The head office functions, including the central financial functions, are fulfilled by the Parent Company. Haldex AB (publ), corporate identity number 556010-1155, is a Swedish public limited company with its registered

office in Landskrona in Sweden. The address of the head office is Haldex AB, Box 507, 261 24 Landskrona. Haldex shares are listed on the Nasdaq OMX Exchange Stockholm Stock Exchange, on the MidCap list.

## Note 2. Summary of significant accounting policies

The Parent Company's annual financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2.1 - Accounting for legal entities from the Swedish Financial Reporting Board. According to the provisions of RFR 2.1, the Parent Company must apply all EU-approved IFRS principles in the legal entity's financial statements as far as possible within the framework of the Annual Accounts Act and taking into account the relationship between tax expense and

accounting profit. This recommendation specifies what exceptions to IFRS are allowed. It also contains the necessary supplementary information. The Parent Company applies the same accounting policies as the Group, with the exceptions set out below. The Parent Company reports pension obligations in accordance with the Pension Obligations Vesting Act. Adjustments in accordance with IFRS are made at Group level. Group contributions are recognized as appropriations.

## Note 3. Average number of employees

	2020			2019		
	Women	Men	Total	Women	Men	Total
Sweden	8	9	17	9	13	22

## Note 4. Salaries and other benefits

	2020				2019			
	Salaries and benefits	Of which Board of Directors, CEO and senior executives	Social security contributions	Of which pension expenses	Salaries and benefits	Of which Board of Directors, CEO and senior executives	Social security contributions	Of which pension expenses
Sweden	40	14	7	3	43	13	15	6

The Board consists of nine members (6), two of whom are employee representatives. For information on individual remuneration paid to them and to the CEO, see Note 9 in the consolidated financial statements. Remuneration of other senior executives, 8 persons (5), totaled SEK 10m (10), of which variable remuneration totaled SEK 1m (1). For further information on remuneration of senior executives, see Note 9 on page 60. Pension payments for other senior executives were SEK 3m (4) of the total pension expenses.

## Note 5. Remuneration of auditors

	2020	2019
<i>Öhrlings PricewaterhouseCoopers AB and network</i>		
Auditing engagements	4	4
Tax advice	0	1
Other advice	2	2
<b>Total</b>	<b>6</b>	<b>7</b>

## Note 6. Interest income and interest expenses

	2020	2019
<i>Interest income</i>		
External interest income	0	11
Interest income Group companies	92	76
<b>Total</b>	<b>92</b>	<b>87</b>
<i>Interest expense</i>		
External interest expenses	-22	-26
Interest expenses Group companies	-8	-7
<b>Total</b>	<b>-30</b>	<b>-33</b>

## Note 7. Shares and participating interests

At December 31, 2020, Haldex AB had direct ownership interests in the subsidiaries listed in Note 7. JSB Hesselman AB is the parent company of the wholly owned UK subsidiary Haldex Ltd. and the US subsidiary Haldex Inc. Haldex Ltd. is the parent company of the wholly owned UK subsidiary Haldex Brake Products Ltd., which in turn is the parent company of Haldex España SA. Haldex Inc. is a holding company for the wholly owned US subsidiaries Haldex Brake Products Corp and Haldex Acquisition Corp, which in turn is the parent company of the Mexican subsidiary Haldex Products de Mexico S.A. de C.V. Haldex Hong Kong Co. Ltd. is a holding company for the wholly owned Chinese company Haldex Vehicle Products Co. Ltd.

Shares in subsidiaries	Corp. ID no.	Registered office	Participating interests	%	Dec. 31, 2020	Dec. 31, 2019
Haldex Brake Products AB	556068-2758	Landskrona	127,500	100	93	93
Haldex Halmstad AB	556053-6780	Landskrona	30,000	100	4	4
Haldex GmbH		Germany		100	51	51
Haldex Europe 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 Vehicle 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
<b>Total</b>					<b>1,721</b>	<b>1,721</b>

Change in shares and participating interests	Opening balance	Impairment	Closing balance
<b>2020</b>	<b>1,721</b>	<b>0</b>	<b>1,721</b>
2019	1,721	0	1,721



## Note 8. Non-current receivables

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets	0	10
Non-current receivables subsidiaries	1,029	1,181
Other non-current receivables	14	18
<b>Total</b>	<b>1,043</b>	<b>1,209</b>

## Note 9. Other non-current receivables

	Dec. 31, 2020	Dec. 31, 2019
Tax receivables	1	3
Prepaid expenses	6	-
Other current receivables	20	26
<b>Total</b>	<b>27</b>	<b>29</b>

## Note 10. Derivative instruments

	Dec. 31, 2020		Dec. 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Currency futures – at fair value through profit or loss	10	10	7	7
Currency swaps – at fair value through profit or loss	78	41	44	30
<b>Total</b>	<b>88</b>	<b>51</b>	<b>51</b>	<b>37</b>

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

## Note 11. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash and bank balances	137	0
<b>Total</b>	<b>137</b>	<b>0</b>

## Note 12. Taxes

	2020	2019
Current tax for the year	-9	-14
Tax on Group contributions	9	14
Tax for non-deductible expenses	-10	1
Tax attributable to previous years	0	-1
Deferred tax on temporary differences	0	0
<b>Total</b>	<b>-10</b>	<b>0</b>

## Note 13. Pensions and similar obligations

### Pension obligations attributable to defined-benefit plans

	2020	2019
Vested pensions during the period	0	0
Interest on obligations	-1	-1
<b>Total pension expense</b>	<b>-1</b>	<b>-1</b>

In addition to the pension expenses above, the Parent Company has income of SEK -0.3 million (-2). This relates to funding in a pension fund related to pension commitments to former senior executives.

### Reconciliation of interest-bearing pension liabilities

	Dec. 31, 2020	Dec. 31, 2019
Opening balance, pension liabilities	35	36
Benefits paid	-5	-4
Pension expenses	6	3
<b>Closing balance, pension liabilities</b>	<b>36</b>	<b>35</b>

Of the pension liability, SEK 24m (22) is attributable to PRI/FPG and is covered by the Pension Obligations Vesting Act.

## Note 14. Non-current interest-bearing liabilities

	Dec. 31, 2020	Dec. 31, 2019
Syndicated loan	650	450
Bond loan	270	-
<b>Total</b>	<b>920</b>	<b>450</b>

Haldex's credit facilities and bond loans run at variable interest rates with a maturity of 1-6 months, which means that book values essentially correspond to fair values. Available unused long-term credit facilities at year-end totaled SEK 253 million (880). Estimated interest consists of the equivalent value in SEK based on the exchange rates at December 31, 2020 and the prospective current interest rates for the liability.

### Maturity structure, years

	Total	0 – 1	1 – 3	3 – 5	> 5 years	Average interest rate
SEKm	920	-	920	-	-	2,40
<b>Total</b>	<b>920</b>	<b>-</b>	<b>920</b>	<b>-</b>	<b>-</b>	<b>2,40</b>
Calculated interest	29	22	7	-	-	-
<b>Total</b>	<b>949</b>	<b>22</b>	<b>927</b>	<b>0</b>	<b>0</b>	<b>-</b>

## Note 15. Other current liabilities

	Dec. 31, 2020	Dec. 31, 2019
Liability to credit institutions	0	370
Accrued employee benefit expenses	12	19
Impairment of current receivables	36	45
Other accrued expenses	12	9
Other current liabilities	4	18
<b>Total</b>	<b>64</b>	<b>461</b>

## Note 16. Pledged assets and contingent liabilities

	Dec. 31, 2020	Dec. 31, 2019
Guarantees and warranties for subsidiaries	351	397

The Board of Directors and the CEO hereby confirm that the annual accounts have been prepared in accordance with generally accepted accounting principles, that the consolidated accounts have been prepared in accordance with the international financial reporting standards as defined 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 present a true and fair view of the company's and the Group's financial position and results, and that the Directors' Report for the Company and the Group, provides a true and fair view of the development of the Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties faced by the Company and Group companies.

Landskrona, March 26, 2021.

Stefan Charette  
*Chairman of the Board*

Håkan Karlsson  
*Deputy Chairman*

Detlef Borghardt  
*Board member*

Viveka Ekberg  
*Board member*

Dzeki Mackinovski  
*Board member*

Catharina Modahl Nilsson  
*Board member*

Per Holmqvist  
*Employee representative*

Jahad Shako  
*Employee representative*

Helene Svahn  
*President and CEO*

Our audit report was submitted on March 26, 2021.  
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors  
*Authorized public accountant  
Auditor in charge*

Carl Fogelberg  
*Authorized public accountant*



# Audit report

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

### Opinions

We have audited the annual accounts and consolidated accounts of Haldex AB for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 39-79 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 and the Group at December 31, 2020 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 December 31, 2020 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 statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

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

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the contents of the supplementary report submitted to the Parent Company's and the Group's Audit Committee in accordance with Article 11 of the Audit Regulation (537/2014).

### 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 generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and beliefs, no prohibited services referred to in Article 5(1) of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies in the EU.

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

### Our audit approach

#### *Focus and scope of the audit*

We designed our audit by determining the materiality level and assessing the risk of material misstatement in the financial statements. In particular, we considered where the President and CEO and Board of Directors have made subjective judgments; 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 management override of internal controls, including among other matters 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 consolidated 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.

Based on 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 thirty reporting units of which ten 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 Group team has also conducted the audit of Haldex's operations in the United States. The activities of the local audit team are governed and monitored by the central team.

The Group audit team has also performed an audit of the parent company, the consolidation, the annual accounts, and material assumptions and judgments.

### 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 period concerned. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

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**Key audit matter****How our audit took into account the particularly important area**

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**Deferred tax**

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For information on deferred tax, see Note 2 (Summary of significant accounting policies), Note 3 (Significant estimates and assumptions) and Note 20 (Deferred tax).

At December 31, 2020, Haldex had deferred tax assets of SEK 114m, of which SEK 90m is attributable to unutilized loss carry-forwards.

Haldex operates in several countries with differing tax laws, which adds to the complexity of assessing deferred tax assets. Local tax rules and extensive intra-Group deliveries of goods and services require correct pricing between entities.

The recognition of deferred tax assets is based on assumptions and estimates of future earnings performance and taxable income in different countries, which is subject to uncertainty. The carrying amounts of deferred tax assets are also significant, and this item is, therefore, a natural focus area for our audit.

We have studied the company's documentation for underlying temporary differences, which constitutes the basis for deferred tax assets and deferred tax liabilities, and have, as part of the Group audit, obtained the necessary audit evidence.

Through random sampling, we have assessed the mathematical accuracy of the calculations made by management in determining the value of deferred taxes.

With regard to deferred tax assets whose value depends on future taxable profits, we have examined management's forecasts and have challenged the assumptions made.

In this context, we have compared historical forecasts with outcomes to determine reliability.

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 judgments made in measuring the items as at December 31, 2020.

**Capitalized development costs**

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For information on capitalized development costs, see Note 2 (summary of significant accounting policies), Note 3 (Significant estimates and judgments) and Note 16 (intangible assets)

Haldex invests significant resources in research and development annually. To that extent and from the time a development project meets the criteria of IAS 38, development costs are capitalized as an asset. Book values of capitalized development costs total SEK 294 million and are tested every year or when there is an indication for an impairment.

Both the decision on the date of capitalization and the basis for the impairment test are based on the management's estimates of probable future economic benefits. As these are associated with uncertainty, they are a focus area in our audit.

We have taken note of Haldex's internal policies and guidelines for capitalization of development expenses and tested these against accounting standards.

We have in a sample evaluated Haldex's management's accounting regarding the accuracy and allocation of internal and external expenses to each development project.

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.

We have reviewed the impairment tests that have been prepared, where appropriate, for fixed assets in the form of capitalized development expenses.

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## Information other than the annual accounts and consolidated financial statements

This document also contains information other than the annual accounts and consolidated financial statements which can be found on pages 1-39 and 85-103. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements 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 financial statements. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated financial statements and for them giving a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors must, without prejudice to the Board's other responsibilities and tasks, monitor, among other things, the company's financial reporting.

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements 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 Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the audit report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion or adverse opinion

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and the Managing Director of Haldex AB for the year 2020 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.

### 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 generally accepted auditing standards 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 Managing Director

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 checked in a reassuring manner. The Managing Director must manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill 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 Managing Director 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 a 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 audit of the administration is available on the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description is part of the audit report.

Öhrlings PricewaterhouseCoopers AB was appointed as auditor of Haldex AB (publ) by the Annual General Meeting held on June 23, 2020 and has been the company's auditor since April 9, 2003.

Malmö, March 26, 2021

Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**

*Authorized public account  
Auditor in charge*

**Carl Fogelberg**

*Authorized public accountant*

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## AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

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

### Engagement and allocation of responsibilities

The Board of Directors is responsible for the Sustainability Report for 2020 on pages 22-31 and for it having been prepared in accordance with the Annual Accounts Act.

### 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 has a different focus and is 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 with a sufficient basis for our statement.

### Statement

A sustainability report has been prepared.

Malmö, March 26, 2021

Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**

*Authorized public account  
Auditor in charge*

**Carl Fogelberg**

*Authorized public accountant*

A photograph of a modern building facade. The building is primarily dark grey or blue. A prominent feature is a large, curved, blue sign with the word "Haldex" written in white, bold, sans-serif capital letters. To the right of the sign, a white, rectangular outdoor light fixture is mounted on the wall. Below the sign, there is a curved glass entrance area with a dark frame. The foreground is filled with out-of-focus green foliage, suggesting the building is surrounded by trees or bushes. The sky is a pale, overcast blue.

Haldex

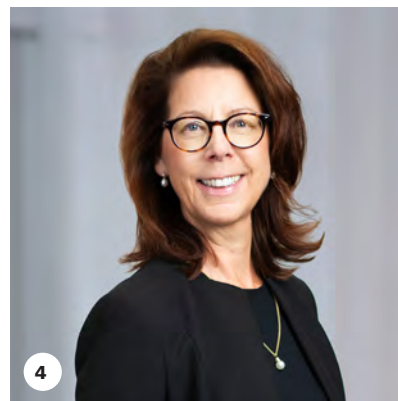
# Board



**1 Stefan Charette**  
**Chairman of the Board, member of the Audit Committee**  
**Year elected:** 2020  
**Current employment:** Chairman of the Board of investment company  
**Other appointments:** Chairman of the Board of Distt AB, Board member of Alcadon AB, Zutec AB and ACTIC AB  
**Born:** 1972  
**Resident in:** Cayman Islands  
**Dependent:** No  
**Shareholding:** 2,642,800 through Athanase Industrial Partner  
**Education:** M.Sc. Finance, B.Sc. Electrical Engineering  
**Previous experience:** Board member of 14 listed companies, of which Chairman of the Board in five. CEO of Creades AB, Investment AB Öresund, AB Custos and Brokk AB.



**2 Håkan Karlsson**  
**Deputy Chairman, Chairman of the Remuneration Committee, member of the Audit Committee**  
**Year elected:** 2020  
**Current employment:** Business advisor  
**Other appointments:** Board member of TitanX  
**Born:** 1961  
**Resident in:** Sweden  
**Dependent:** No  
**Shareholding:** 0  
**Education:** M.Sc.  
**Previous experience:** Member of Volvo Group's Group Management for 17 years with senior positions in most of the business areas: CEO Volvo Buses, EVP Non truck Business (Volvo CE, Volvo Bus, Volvo Penta and Group military business), President Group Trucks Asia & JVs, Chairman Volvo-Eicher Trucks & Buses, Vice Chairman Dongfeng Trucks.



**4 Viveka Ekberg**  
**Board member, Chairman of the Audit Committee**  
**Year elected:** 2020  
**Current employment:** Non-Executive Director & Chairman in public and private companies.  
**Other appointments:** Board member of Lindab, Magnolia Bostad, Svolder, Dellner, Iver Apotea and Centrum for Justice. Chairman of the Board CAAM Fund Services.  
**Born:** 1962  
**Resident in:** Sweden  
**Dependent:** No  
**Shareholding:** 15,000  
**Education:** M.Sc. in Business and Economics, Stockholm School of Economics  
**Previous experience:** Has previously been CEO at PP Pension, Head of Nordics at Morgan Stanley Investment Management, Associate Partner at Brummer & Partners, Head of SEB Institutional Management and equity analyst at Alfred Berg Fondkommission and Business World.



**3 Catharina Modahl Nilsson**  
**Board member, member of Remuneration Committee**  
**Year elected:** 2020  
**Current employment:** EVP R&D Permobil  
**Other appointments:** Member of the Board of Knightec, Chairman of the Royal Swedish Academy of Engineering Sciences, Department Mechanical Engineering.  
**Born:** 1963  
**Resident in:** Sweden  
**Dependent:** No  
**Shareholding:** 0  
**Education:** M.Sc. in Vehicle Engineering from KTH  
**Previous experience:** Nearly 30 years of experience in the international automotive industry, a large part of which was in several different managerial positions at Scania and Traton.



**5 Dzeki Mackinovski**  
**Board member, member of Remuneration Committee**  
**Year elected:** 2020  
**Current employment:** Executive Vice President Global Purchasing Kongsberg Automotive Zurich, Switzerland  
**Other appointments:** Chairman of the board of directors in Kongsberg Automotive, Mullsjö site, Sweden.  
**Born:** 1965  
**Resident in:** Switzerland  
**Dependent:** No  
**Shareholding:** 0  
**Education:** Upper secondary education, Business administration  
**Previous experience:** More than 25 years of experience in purchasing in the commercial automotive industry, much of this time in various managerial positions, most recently as Senior Vice President Global Purchasing at Knorr-Bremse AG in Germany and before that Vice President Purchasing Projects & Operations Asia Pacific at Volvo GTT, Shanghai.





6

**6 Detlef Borghardt**

**Board member**

**Year elected:** 2020

**Current employment:** Independent consultant

**Other appointments:** Board member of TIP Europe BV.

**Born:** 1963

**Resident in:** Germany

**Dependent:** No

**Shareholding:** 0

**Education:** Engineer, University of Hamburg of Automotive Engineering.

**Previous experience:** 30 years of experience in the global commercial automotive industry. Most recently as CEO and Board member of SAF-HOLLAND between 2011 and 2019 and before that in several different managerial positions within SAF-HOLLAND since 2000. Prior to that, 10 years of experience in the aluminum industry in the Aluisse Group.

**7 Helene Svahn**

**Board member, President & CEO Haldex**

**Year elected:** 2018

**Current employment:** President and CEO of Haldex, Professor of Nanobiotechnology at the Royal Institute of Technology.

**Other appointments:** Member of the Board of Axel Johnson International

**Born:** 1974

**Resident in:** Sweden

**Dependent:** Yes

**Shareholding:** 1,160

**Education:** M.Sc. Molecular Biotechnology and Doctorate in Electrical Engineering.

**Previous experience:** Senior Vice President Research and Innovation at Permobil. Marketing Director, Silex Microsystems, CEO of Picovtro.



8

**8 Per Holmqvist**

**Employee representative for the PTK union branches**

**Year elected:** 2014

**Current employment:** Global responsibility for production engineering issues.

**Born:** 1961

**Resident in:** Sweden

**Shareholding:** 1,500

**Education:** Technical upper secondary school.

**9 Jahad Shako**

**Employee representative of IF Metall union**

**Year elected:** 2019

**Current employment:** Deputy chair of the local IF Metall union branch and works in spare parts production.

**Born:** 1960

**Resident in:** Sweden

**Shareholding:** 0

**Education:** Technical upper secondary school.



10

**10 Per-Olof Bjällstål**

**Employee representative for the PTK union branches, deputy**

**Year elected:** 2019

**Current employment:** Project manager

**Born:** 1971

**Resident in:** Sweden

**Shareholding:** 0

**Education:** Automation technology

**11 Jimmy Emilsson**

**Employee representative of IF Metall, deputy**

**Year elected:** 2019

**Current employment:** Chair of the local IF Metall union branch

**Born:** 1973

**Resident in:** Sweden

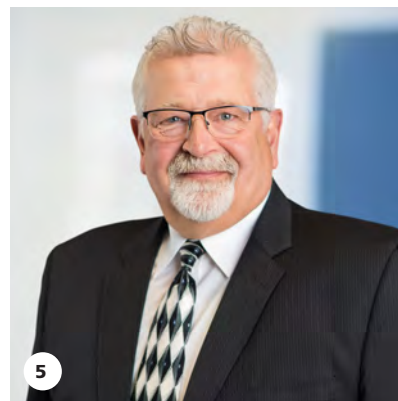
**Shareholding:** 0

**Education:** Social sciences specialization, upper secondary school.

Name	Member/deputy on the Board	Board meetings	Audit Committee	Rem. Committee
Jörgen Durban	Jan 1 - Jun 23, 2020	10	4	1
Markus Gustafsson	Jan 1 - Jun 23, 2020	7	-	-
Bernd Gottschalk	Jan 1 - Jun 23, 2020	11	-	1
Mikael Thunved	Jan 1 - Jun 23, 2020	11	4	1
Helene Svahn	Jan 1 - Dec 31, 2020	17	7	-
Stefan Charette	Jun 23 - Dec 31, 2020	7	3	-
Håkan Karlsson	Jun 23 - Dec 31, 2020	7	3	1
Viveka Ekberg	Jun 23 - Dec 31, 2020	7	3	-
Catharina Modahl Nilsson	Jun 23 - Dec 31, 2020	7	-	1
Dzeki Mackinowski	Dec 29 - Dec 31, 2020	0	-	0
Detlef Borghardt	Dec 29 - Dec 31, 2020	0	-	-
Per Holmqvist	Jan 1 - Dec 31, 2020	17	-	-
Per-Olof Bjällstål	Jan 1 - Dec 31, 2020	10	-	-
Jahad Shako	Jan 1 - Dec 31, 2020	16	-	-
Jimmy Emilsson	Jan 1 - Dec 31, 2020	10	-	-



# Group Management



**1 Helene Svahn**  
**President and CEO**  
**Education:** M.Sc. Molecular Biotechnology and Doctorate in Electrical Engineering.  
**Born:** 1974  
**Resident in:** Sweden  
**Other appointments:** Member of the Board of Axel Johnson International.  
**Shareholding:** 1,160  
**Outstanding shares LTI program:** -  
**Employed:** 2019  
**In current position since:** 2019  
**Previous experience:** Professor of Nanobiotechnology at the Royal Institute of Technology, Senior Vice President Research and Innovation at Permobil. Marketing Director, Silex Microsystems, CEO of Picovitro.

**2 Lottie Saks**  
**CFO**  
**Education:** M.Sc. in Business and Economics, Uppsala University  
**Born:** 1967  
**Resident in:** Sweden  
**Other appointments:** Board member of Silvers Semiconductors AB.  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 2020  
**In current position since:** 2020  
**Previous experience:** CFO at Cint, CFO OneMed, CFO Telenor Connexion, Head of Business Control OMX Technology Financial Markets, Finance Director Johnson & Johnson Nordics.

**3 Fredrik Seglö**  
**Executive Vice President Product & Technology**  
**Education:** B.Sc. Mechanical Engineering  
**Born:** 1969  
**Resident in:** Sweden  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares in LTI program:** 3,027  
**Employed:** 1993  
**In current position since:** 2020  
**Previous experience:** Acting SVO Asia and other various roles in R&D and product management within Haldex.

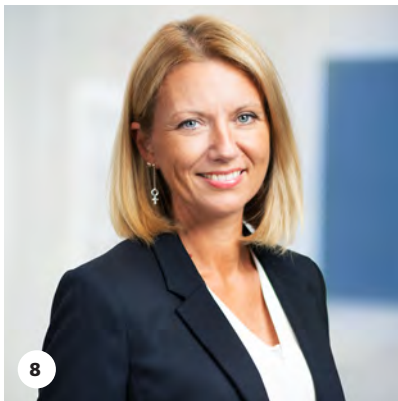
**4 Nicola Gregory**  
**Executive Vice President Supply Chain & Operations**  
**Education:** Master's degree in business and economics  
**Born:** 1974  
**Resident in:** Hungary  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 1998  
**In current position since:** 2020  
**Previous experience:** Plant Manager Haldex Hungary, Change Agent Haldex Global, Sourcing Director, Global Purchasing Manager, Supply Chain Manager, Buyer Haldex.

**5 Walter Frankiewicz**  
**Executive Vice President Americas**  
**Education:** B.Sc. Electrical Engineering  
**Born:** 1959  
**Resident in:** United States  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares in LTI program:** -  
**Employed:** 2016  
**In current position since:** 2019  
**Previous experience:** Extensive experience of leading international roles in the automotive and manufacturing industries. He has been CEO of Bendix Spicer Foundation Brake LLC and Vice President and GM, Strategy and Business Planning and Global Chassis Systems for Meritor, to name some of the roles directly related to the industry in which Haldex operates.

**6 Stephan Kulle**  
**Executive Vice President EMEA**  
**Education:** Master of Business Administration, University of Dortmund  
**Born:** 1967  
**Resident in:** Germany  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 2020  
**In current position since:** 2020  
**Previous experience:** Extensive leadership experience in leading international innovation-driven companies in the automotive industry. Head of Automotive Division at Con-Pearl GmbH, light commercial vehicles (LCV) 2017 - 2019, Head of Sales for various global OEM & Tier 1/Truck customers (Benteler Automobiltechnik GmbH, Engine & Exhaust Products Division) 2011- 2016, Knorr-Bremse für Nutzfahrzeuge GmbH: Lead Account Executive Manager 2006 - 2011, Account & Project Manager Commercial Vehicles at Hella KGaA Hueck & Co 2000 - 2006, Mannesmann VDO (now: Continental AG) Account Manager Commercial Vehicles 1996 - 2000.



**7 Feng Yin**  
**Executive Vice President APAC**  
**Education:** Master of Business Administration, SDA Bocconi  
**Born:** 1972  
**Resident in:** China  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 2020  
**In current position since:** 2020  
**Previous experience:** Various leadership positions in the automotive and energy industry. 2013-2019 General Manager for automotive lubricant business sector at Shell in China. 2012-2013 Vice President Sales and Project Management Chassis Division at Bosch In China.



**8 Jeanna Tällberg**  
**Executive Vice President Human Resources**  
**Education:** Bachelor's degree in HR and social work  
**Born:** 1975  
**Resident in:** Sweden  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 2020  
**In current position since:** 2020  
**Previous experience:** HR Director at Volkswagen Group Sweden 2015-2020, before that twelve years in various positions in Human Resources at Scania.



**9 Therese Jönsson**  
**Executive Vice President Legal**  
**Education:** LL.M., Örebro University  
**Born:** 1985  
**Resident in:** Sweden  
**Other appointments:** -  
**Shareholding:** -  
**Outstanding shares LTI program:** -  
**Employed:** 2019  
**In current position since:** 2019  
**Previous experience:** Senior Associate/Attorney, Law Firm Delphi 2011-2019.

# Corporate Governance Report

Haldex AB (publ) ('Haldex' or 'the company') is a Swedish public limited company with registered office in Landskrona, listed on Nasdaq Stockholm, Mid Cap. Corporate governance in Haldex is based upon the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Haldex herewith submits the 2020 Corporate Governance Report in accordance with the Annual Accounts Act and the Code. The company's auditors have conducted a statutory review of the report.

## Swedish Code of Corporate Governance

In accordance with good stock market practice, Haldex applies the Swedish Code of Corporate Governance. The current code is available on the Swedish Corporate Governance website, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). However, during the 2020 financial year, Haldex deviated from the rules on nomination committees under Part III, paragraph 2 of the Code. The reason for the deviation is that the Annual General Meeting did not appoint a formal nomination committee. However, at the Annual General Meeting 2020, four shareholders (AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden), who together represent approximately 24% of the number of shares and votes in the company, submitted joint proposals regarding Board members, auditors and fees and have in principle created an informal Nomination Committee. The same shareholder majority also nominated two additional Board members who were elected at an Extraordinary General Meeting shortly before the end of the financial year. The Company has been informed that the four shareholders will submit proposals ahead of the 2021 Annual General Meeting to adopt instructions for the composition of the Nomination Committee and its work.

on principles for remuneration and terms of employment for the CEO and other senior executives. Haldex's Annual General Meeting is usually held in April or May.

## Ownership

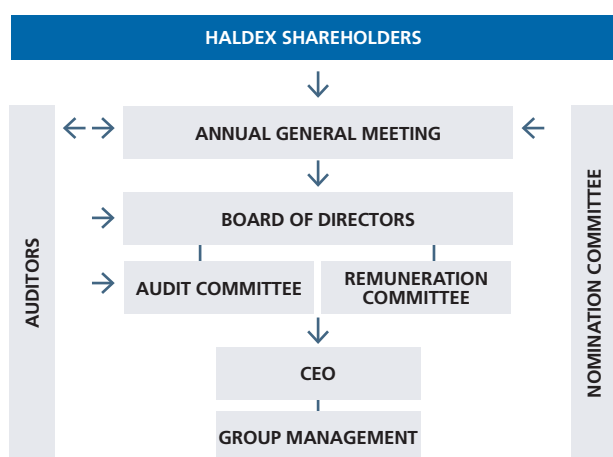
The number of shareholders at year-end was 11,957. The largest shareholder was Knorr-Bremse, with an estimated holding of 9.25%. A large proportion of Haldex's shareholders are registered abroad and are therefore not shown under their own name in the list of shareholdings. Knorr-Bremse has declined to confirm its precise participating interest. Swedish shareholdings totaled 56.9% at the end of the year. Each share carries one vote at the AGM. For more information about shares and shareholdings, see page 95-96 and <https://www.haldex.com/sv/corporate/>.

## Annual General Meeting

The 2020 Annual General Meeting was held on June 23, 2020 at Strandvägen 7A in Stockholm. The meeting was attended by 63 shareholders in person or through representatives, as well as a number of assistants and visitors. Shareholders present represented 37.5% of the total number of votes. At the meeting, the members of the Board were to some degree present, in person and online. However, the Chairman of the Board did not attend due to illness. A few of the Board members who were standing for re-election also attended.

Among other things, the meeting resolved on:

- No dividend for the financial year 2019 and that earnings for the year be carried forward.
- Discharging of the members of the Board of Directors and the company's Chief Executive Officer from liability for the financial year 2019 with the exception of the former Chief Executive Officer Åke Bengtsson.
- Re-election of the Board member Helene Svahn.
- New election of Stefan Charette, Viveka Ekberg, Håkan Karlsson and Catharina Modahl Nilsson.
- Re-election of the auditors Öhrlings PricewaterhouseCoopers AB with Magnus Willfors as auditor in charge.
- Adoption of remuneration for the Board of Directors and auditors.
- Adoption of the guidelines proposed by the Board for remuneration of senior executives.
- Amended articles of association, whereby the articles of association were adapted to proposed amendments to the Swedish Companies Act and updated to prevailing terminology.
- No authorization for the Board of Directors to resolve on new issues of shares during the period until the 2021 Annual General Meeting.



Responsibility for management and control of the Haldex Group is divided between shareholders, the Board of Directors, its elected committees and the CEO as illustrated above.

## Shareholders and Annual General Meeting

The shareholders of Haldex exercise their right to decide on the company's affairs at the Annual General Meeting. The Annual General Meeting is Haldex's highest decision-making body. The General Meeting decides on the articles of association, elects the Board of Directors and auditors, and makes decisions on their fees.

The General Meeting further decides on adoption of the accounts, on the appropriation of the company's profit or loss and on discharge from liability for the Board of Directors and the CEO. The General Meeting also decides on the appointment and work of the Nomination Committee, and decides

## Extraordinary General Meeting

An extraordinary general meeting of Haldex was held on December 29, 2020. Due to COVID-19, the meeting was held without presence in person, and shareholders were allowed to exercise their voting rights only by digital advance voting ('postal voting'). 51 shareholders attended the meeting, in person or by proxy. Shareholders present represented 36.2% of the total number of votes. The meeting resolved to elect two additional members to the existing Board.

In accordance with the joint proposal from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden, the meeting resolved to appoint Detlef Borghardt and Dzeki Mackinowski as new Board members.

The Board of Directors subsequently consists of a total of seven members elected by the General Meeting; Stefan Charette (Chairman), Helene Svahn (Member and CEO), Viveka Ekberg, Håkan Karlsson, Catharina Modahl Nilsson, Detlef Borghardt and Dzeki Mackinowski.

Full minutes and information on the AGM can be found at <https://corporate.haldex.com>.

## Nomination Committee

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

It is the General Meeting of Shareholders that has to appoint the members of the Nomination Committee or specify how the members are to be appointed and adopt instructions for the Nomination Committee.

In accordance with the Swedish Code of Corporate Governance, the Nomination Committee must submit proposals for the Chairman and other members of the Board as well as fees and other remuneration for Board assignments for each of the Board members. The Nomination Committee also has to submit proposals for the election and remuneration of the auditor. The Nomination Committee's proposals are to be presented in the notice of the annual general meeting. No remuneration is paid to the members of the Nomination Committee. The Chairman of the Board is responsible for informing the Nomination Committee of the Board's future expertise profile and working methods and of the outcome of the assessment of the Board's work. The company's shareholders have an opportunity to submit comments and proposals to the Nomination Committee by e-mail or phone.

Prior to the 2020 Annual General Meeting no Nomination Committee had been appointed, and at the 2020 Annual General Meeting neither was one appointed nor was a decision made on any new guidelines regarding how the Nomination Committee should be appointed when no proposal has been submitted by for the general meeting of shareholders to decide upon. At the time of publication of this corporate governance report, the Company has been informed that the four shareholders who constituted an informal Nomination Committee, i.e., AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden will submit proposals to the general meeting of shareholders to adopt instructions for the composition of the Nomination Committee and its work ahead of the 2021 Annual General Meeting.

## Board of Directors

*The Board is responsible for Haldex's organization and administration of Haldex's affairs. According to the Articles of Association, the Board has to consist of not fewer than three and not more than eight members with a maximum of three deputies. The Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.*

### Composition of the Board

In 2020, until the Extraordinary General Meeting, the Board of Directors consisted of five members elected by the Annual General Meeting, and after the by-election of two more members on the Extraordinary General Meeting on December 29, 2020, the Board of Directors consisted of a total of seven members elected by the Annual General Meeting for the last days of the financial year. The employees appointed two representatives and two deputy representatives to the Board. Haldex's President and CEO, Helene Svahn, attended the Board meetings. Other salaried employees attended as needed during the meetings as rapporteurs on particular issues. For further information on the Board members, see pages 86-87 and Note 9.

### Independence of the Board

The Swedish Code of Corporate Governance states that a majority of the members elected by the AGM must be independent in relation to the company and company management, and that at least two of these must also be independent in relation to major shareholders. All members elected by the AGM to Haldex's Board of Directors are judged to be independent in relation both to the company/company management and to major shareholders, however with the exception of Helene Svahn who, due to her position as President and CEO, is considered to be dependent in relation to the company.

### The work of the Board

The Board held 18 (13) meetings in 2020. The main issues addressed during the Board meetings were the business situation, strategy, investments, quality work, product development, personnel and organizational issues and budget and the long-term business plan. Attendance at board and committee meetings is reported on pages 86-87.

### Evaluation of the Board's work

Each year, an evaluation is made of the Board's combined work. For the Chairman, there are additional questions about ability to prepare and direct the work of the Board, as well as ability to motivate and collaborate with the CEO. The evaluation of the Board's overall work is done through a joint internal review of the Board's work. The outcome of the evaluation process is available to a future nomination committee.

## Board committees

*The Board has set up two committees within itself – the Audit Committee and the Remuneration Committee. The work of the committees cannot be delegated from the Board, and is viewed instead as preparation of matters that the Board as a whole then decides upon.*

### Audit Committee

The Audit Committee prepares matters relating to accounting, financial reporting, auditing and internal control. The committee reviews the principles of accounting and financial control and establishes guidelines for the purchase of services other than auditing of the company's auditors. During 2020, the Audit Committee consisted until the 2020 Annual General Meeting of Jörgen Durban (Chair), Mikael Thunved and Helene Svahn and Andreas Larsson, CFO, as co-opted members from Group management. Following the 2020 Annual General Meeting, the Audit Committee consisted of Viveka Ekberg (Chair) Stefan Charette and Håkan Karlsson, with Helene Svahn, CEO, and Lottie Saks, CFO as co-opted members from Group management. The Audit Committee held 7 (8) meetings in 2020.

### Remuneration Committee

Based on the guidelines adopted by the Annual General Meeting, the Remuneration Committee submits proposals to the Board regarding salary and other terms of employment for the CEO and for other senior executives, based on proposals from the CEO, as well as the EVP Human Resources. During 2020 the Remuneration Committee consisted up to the 2020 Annual General Meeting of Jörgen Durban, Mikael Thunved and Bernd Gottschalk, as well as Frida Wahlgren, EVP Human Resources, as a co-opted member from Group management. Following the 2020 Annual General Meeting, the Remuneration Committee consisted of Håkan Karlsson (chair) and Catharina Modahl Nilsson and was supplemented by Dzeki Mackinowski after the Extraordinary General Meeting. Co-opted members from Group management since the 2020 Annual General Meeting have been Helene Svahn, CEO, and Lottie Saks, CFO. Jeanna Tällberg, newly appointed to the role of EVP Human Resources, was co-opted from September 2020. The Remuneration Committee held 2 (1) meetings in 2020.



### Remuneration of Board members

Remuneration of the members of the Board elected by the Annual General Meeting was resolved by the Annual General Meeting on a proposal from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden. During 2019/20, remuneration for the Group has been paid in accordance with Note 9 on page 60. The remuneration paid to the Board consists solely of a fixed portion (there is no variable remuneration). No remuneration is paid to members who are also employees of the Group.

### Auditors

The AGM appoints auditors who review the annual financial statements, accounting and consolidated accounts, the Board of Directors and the CEO's administration.

Öhrlings PricewaterhouseCoopers AB was elected as audit firm by the Annual General Meeting for the period up to the 2021 AGM. The auditor in charge is Magnus Willfors, who is an authorized public accountant.

The Board as a whole meets with the auditors once a year, at a Board meeting during the spring when the auditors report their findings directly to the Board without the CEO or CFO being present. At least one auditor attends the Annual General Meeting and briefly describes the audit work and summarizes his or her recommendations in the audit report for the shareholders.

#### REMUNERATION OF AUDITORS

SEKm	2020	2019
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	7	6
Auditing activities in addition to auditing engagements	0	0
Tax advice	1	1
Other services	2	2
<b>Total</b>	<b>10</b>	<b>9</b>

#### AUDITORS

Öhrlings PricewaterhouseCoopers AB



**Magnus Willfors**  
Authorized public accountant  
Auditor in charge



**Carl Fogelberg**  
Authorized public accountant

### Group Management

The President and CEO manages the ongoing administration of Haldex's operations within the limits set by the Board. The CEO is assisted by a Group management team consisting of heads of business areas and basic functions within the company, i.e., HR, finance and law.

The composition and size of the Group management underwent organizational changes during the course of 2020. At the end of 2020, Group management consisted of the CEO and a further eight people. The Group Management holds regular meetings chaired by the CEO. The meetings are focused on the Group's strategic and operational development and follow-up of results. For further information on the Group management, see pages 88-89.

### Remuneration of senior executives

The Annual General Meeting adopts principles for remuneration of senior executives and approves the report on paid and outstanding remuneration that the Board of Directors is required to prepare for each financial year.

In June 2019, new rules in the Swedish Companies Act came into force, which, among other things, require listed companies to develop and decide on remuneration guidelines and remuneration reports for certain senior executives. The new, more detailed provisions on guidelines for remuneration of senior executives were first applied at the time of the 2020 Annual General Meeting, and the new provisions on remuneration reports will be applied for the first time at the time of the 2021 Annual General Meeting.

Principles for remuneration of senior executives resolved by the 2020 Annual General Meeting can be read on the company's website <https://corporate.haldex.com>.

More information on remuneration of senior executives can be found in Notes 9 and 10 for the Group on pages 60-61.

### Remuneration in 2020

#### Chief Executive Officer

In 2020, President and CEO Helene Svahn received fixed and variable salary in accordance with the table on page 93. In addition to a mutual notice period of 6 months, the CEO, in the event of termination by the company, is entitled to severance pay equivalent to 6 months' salary. Upon termination by the CEO, no severance payment is made. The CEO's pension benefits are premium-based and consists of an ITP plan and an annual allocation of 30% of the portion of the fixed salary that exceeds 20 base amounts. The retirement age is 65. More information about remuneration of the CEO will also be given in the remuneration report that the company will present at the time of the Annual General Meeting and make available on the company's website <https://corporate.haldex.com>.

## REMUNERATION OF GROUP MANAGEMENT 2020

SEK 000	Basic salary incl. benefits	Variable remuneration <sup>1)</sup>	Pension
<b>Chief Executive Officer</b>			
Helene Svahn	4,393	36	824
<b>Other senior executives (Group Management)</b>			
8 (11) persons, of whom 4 (2) women at December 31	19,753	649	2,545
<b>Total</b>	<b>24,146</b>	<b>685</b>	<b>3,369</b>

<sup>1)</sup> Amount for variable remuneration 2020 refers to the part of the 2019 bonus that has been expensed during 2020.

### Other senior executives

In accordance with the guidelines adopted by the AGM, the principles for remuneration matters regarding Group management must be prepared by the CEO in consultation with the Board of Directors for decision by the AGM. The compensation consists of a fixed and a variable salary component. The variable part is based on the annual targets set by the CEO and the Remuneration Committee and can amount to maximum 50% of fixed annual salary. All members of Group Management have a mutual notice period of up to 6 months and, in the event of termination by the company, severance pay equivalent to between 6 and 12 months' salary. Pension benefits are regulated in pension plans that are adapted to practice in the country in question, with a retirement age of 65 up.

### Incentive programs

The 2015 and 2016 Annual General Meetings resolved on an incentive program called LTI (Long-Term Incentive) for senior executives and key individuals, LTI 2015 and LTI 2016. In brief, LTI means that if certain performance targets are achieved during the financial year, the participants in LTI may be awarded variable remuneration at the beginning of the following year, of which 60% will be allocated in cash and 40% in the form of employee stock options that are conditional non-transferable deferred rights to receive one ordinary share in Haldex free of charge and automatically after four years for each performance right. The term of LTI is four years. After the end of the performance year, any amount of stock due will be allocated.

Payment of any cash amount is expected to take place during the spring of the new financial year. After the allocation of any share amount, the participant will be granted performance rights, after which a three-year lock-in period will follow before final transfer of performance shares to the participant is expected to take place the year after the AGM when the term has expired (from 2018-2020 depending on program) and before the end of June in the same year. Deferred variable remuneration according to LTI is not pensionable. However, the programs LTI 2015 and LTI 2016 have not generated any outcome for the senior executives and key individuals who have been included in this program. Since 2017, no incentive programs have been decided upon that include shares or share price-related elements. The long-term incentive program, which has since been implemented, has only cash remuneration where the measurement period for fulfillment of the targets extends over a three-year period.

Neither has this program generated any outcome for the participants. At the time of publication of this corporate governance report, discussions are in progress in the Remuneration Committee on proposals to establish a new LTI program that will apply from 2021 onwards.

## Internal control

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. Internal control within Haldex is a process that is controlled by the Board of Directors and the Audit Committee and is carried out by the CEO and Group Management.

Internal control has been designed to ensure, as far as possible, that Haldex has appropriate and reliable reporting and compliance with applicable laws and other statutory instruments. The process is based on a control environment that creates a structure for other parts of the process, such as risk assessment, control activities, information and communication and follow-up. This report on internal control and risk management has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance, and is thus limited to a description of the most important elements of Haldex's system for internal control and risk management with regard to financial reporting. The Board monitors and ensures the quality of external financial reporting in the manner documented in the Board's rules of procedure, in the instruction for the CEO and in the Group's financial policy. The CEO is responsible, together with the CFO, for review and quality assurance of all external financial reporting such as interim reports, year-end reports, annual reports, press releases with financial content and presentation material in connection with meetings with mass media, shareholders and financial institutions. The CEO and CFO provide all interim reports, year-end reports and annual reports for review by the Audit Committee. The Board is responsible for ensuring that the company's financial reports are prepared in accordance with applicable laws, accounting standards and other requirements for listed companies. The Board's instructions to the CEO also contain a requirement to continuously provide the Board with internal summary reports on economic conditions. These reports are to include results and balance sheets, valuation issues, assessments, forecasts and any changes and the consequences thereof, any changes regarding accounting rules, legal matters and disputes and are to be reviewed by the Audit Committee and subsequently submitted to the Board.

### Control environment

The Board of Directors has established a number of policy documents for the company's internal control and governance. The Board has an Audit Committee. The Audit Committee, which prepares matters for the Board, deals with issues such as the internal control process, follows up reporting matters and discusses accounting policies and the consequences of changes to these policies. In addition, the Audit Committee maintains continuous contact with the external auditors. The committee is responsible for the evaluation of the audit work as well as the auditors' efficiency, qualifications, fees and independence. The Audit Committee also normally assists the Nomination Committee in proposals for the election of auditors and procurement of audit services.

### Risk assessment

Haldex's risk assessment regarding financial reporting, that is, identification and evaluation of the most significant risks in the Group's companies and processes regarding financial reporting, constitutes the basis for risk management. Risk can be managed by accepting or reducing the risks or eliminating them, with requirements for controls and control levels within the limits established by the Board of Directors, the Audit Committee, the CEO and the Group Management. During the year, Haldex carried out an updated assessment of the risks it faces, risks that are documented in a Group-wide document and on pages 42-47.

### *Instruments of governance*

The instruments that form the basis of corporate governance in Haldex consist mainly of the Companies Act, the Annual Accounts Act, applicable regulations for companies listed on Nasdaq Stockholm, the Swedish Code of Corporate Governance and other relevant legislation and relevant provisions. The internal binding instruments of governance include the articles of association adopted by the general meeting of shareholders and the documents adopted by the Board for the Board of Directors of Haldex, instructions for remuneration and audit committees, instructions for the CEO of Haldex, information and insider policy and financial 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 Board's rules of procedure regulate the Board's division of work, the decision-making process within the Board, the Board's meeting schedule and the Chairman's duties. The work of the Board follows a set routine that aims to ensure that the Board's information requirements are met. The instructions to the CEO set out the CEO's responsibility for day-to-day administration, forms of reporting to the Board and the contents thereof, requirements for internal control instruments and questions that require the Board's decision or are to be communicated to the Board.

### *Control activities*

The work on further developing internal control and governance is ongoing, with regular documentation, evaluation and introduction of new controls and improvement of existing controls.

### *Information and communication*

Haldex has a system for informing and communicating in order to provide complete and accurate financial reporting. Haldex has a reporting system where all the Group's companies report monthly in a fixed format and according to specified accounting policies. In connection with the reporting, the reporting units make risk assessments and comment on current valuation issues and provisions. The central finance department prepares reports from the common system structured according to the Group's established report format. Responsible managers and controllers at various levels in the Group have access to information related to their particular areas of responsibility in this system. All the Group's governance documents for internal control and governance can be found on the Group's intranet.

### *Follow-up*

Haldex's financial reporting is followed up on an ongoing basis, by management at various levels of the company as well as by the financial organization and controllers in the various business units. The follow-up is done monthly in connection with reporting, through analyses and reviews by responsible controllers and by business managers holding meetings with reporting units. The Audit Committee regularly communicates with the Company's external auditors and the Company's CFO, both during and between meetings. The Board receives a monthly report on developments in the company's operations. More detailed reporting is primarily done by the CEO at all Board meetings. The Board regularly assesses the risks associated with the financial reporting based on significant and qualitative factors.

### *Internal audit*

Each year, the Board evaluates the need to set up a special function for internal auditing. In 2020, the Board considered that no such need existed. The Board made the assessment that internal control is mainly exercised:

- By the operational managers at various levels,
- By the local financial functions and the central financial function,
- Through the Group Management's supervisory control.

During the year, a self-assessment process was introduced where the companies evaluate their control activities. The self-assessment will be reviewed and evaluated by internal resources.

The Board assesses that the scope of its own organization for internal control and the external audit combined mean that there is currently no need for an internal audit function. The decision is reviewed annually.

The Board of Directors, March 26, 2021

## **THE AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE REPORT**

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

It is the Board of Directors that is responsible for the Corporate Governance Report for 2020 on pages 90-94 and for it being prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that a corporate governance report has been prepared and that its statutory information is consistent with the annual financial statements and the consolidated financial statements.

Malmö, March 29, 2021

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors  
*Authorized public accountant  
Auditor in charge*

Carl Fogelberg  
*Authorized public accountant*

# Haldex shares

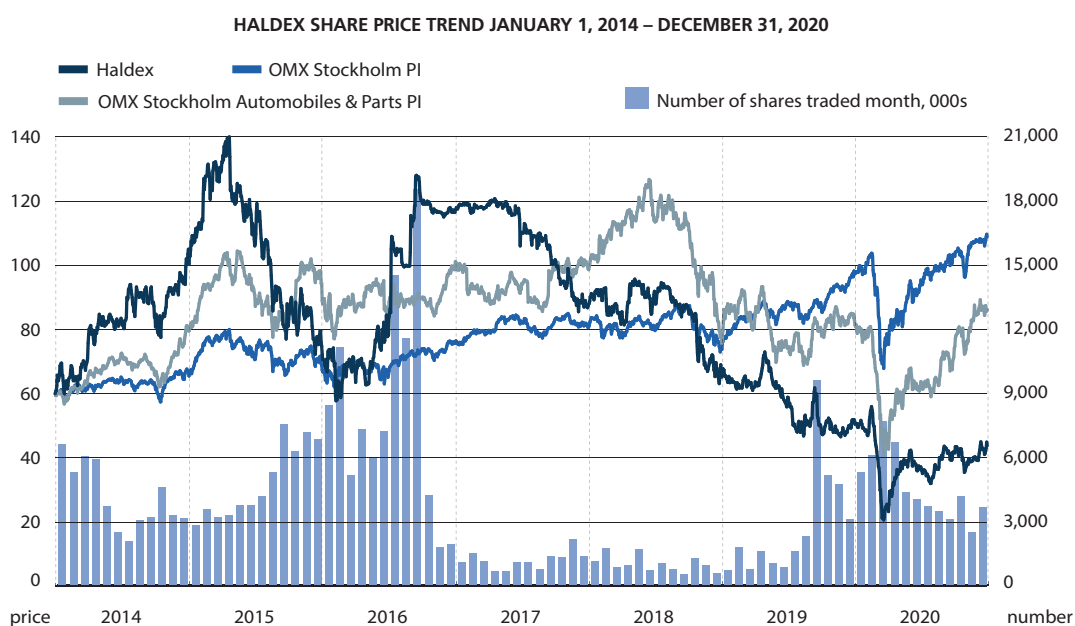
Haldex shares have been listed since 1960. Today the shares are listed on the Nasdaq Stockholm Mid Cap under the ticker symbol HLDX. Haldex's share capital totals SEK 243m, made up of 48,637,567 shares with a quotient value of SEK 5.00 per share on December 31, 2020.

## Price trend and turnover

The highest closing price during the year was recorded on February 19, at SEK 56.00 and the lowest on March 23, at SEK 20.65. Altogether, Haldex's share price fell by 14% (26) in 2020. This can be compared with the Nasdaq Stockholm general index, which rose by 15% (31) and the Nasdaq Stockholm Automobiles & Parts Index (which includes Haldex), which rose by around 3% (7) over the same period. The closing price of

Haldex shares at the end of the financial year was SEK 43.75 (51.00). The total market capitalization at year-end was SEK 2,128m (2,255).

A total of 54.3 million (32.9) Haldex shares were traded in 2020, which is equivalent to an average turnover of 215,312 (132,064) shares per day. The turnover rate rose to 111% (74) during the year.



## Total return

The total return on Haldex shares in 2020 was -14% (-26).

## Incentive programs

The 2018 Annual General Meeting resolved on an incentive program known as LTI (Long-Term Incentive) for senior executives.

In brief, LTI 2018 means that if certain performance targets are achieved during a three-year period (2018-2020), participants in LTI at the beginning of 2021 can be awarded variable remuneration that will be paid in cash.

The 2020 AGM did not adopt any resolution on a new active LTI plan for 2020.

## Dividend and dividend policy

The Board's policy for distributing unrestricted equity to the shareholders is to transfer at least one third of the annual profit after tax over a business cycle to the shareholders through the distribution and repurchase of shares, taking into account the expected financial position. For the financial year 2020, the Board of Directors intends to propose to the Annual General Meeting a dividend of SEK 0 (0) per share, which is in line with Haldex's dividend policy as net profit has been negative for the year.

## Shareholders

The number of shareholders in Haldex increased by 10% in 2020 to a total of 11,957 at the end of the year. The ten largest shareholders accounted for 52.7% (47.4) of the capital and an equal percentage of the voting rights. Knorr-Bremse is the largest shareholder with 9.3% of the votes. A large proportion of Haldex's shareholders are registered through custodians and are therefore not shown under their own name in the list of shareholdings.

At year-end, foreign ownership had fallen sharply to 43.6% (61.8) compared with 2019. The main reason for the decrease is related to the shares issued during the year to Swedish investors.

## Communication with the market

Representatives of Haldex meet analysts, lenders and shareholders on a regular basis to provide an overview of developments during the financial year. The published interim reports and the annual report are distributed to the shareholders upon request. The documents can also be downloaded in PDF format from the Haldex website and via external operators, for example from the Cision website. Press releases, interim reports and year-end reports are published on the website in Swedish and English. It is also possible to subscribe to these documents on the website.



## Key ratios per share

	2020	2019	2018	2017	2016
Earnings, SEK	-6.44	0.12	3.46	1.67	2.00
Dividend, SEK (for 2020, the dividend is proposed to the AGM)	0	0	1.15	0.55	0
Share price at year-end, SEK	43.75	51.00	69.00	87.25	116.50
Equity, SEK	24.10	34.78	35.80	30.98	30.63
EBIT multiple	21	12	12	13	19
P/E ratio	-7	425	20	52	58
Dividend share, %	-	-	45	33	-
Dividend yield, %	-	-	2.2	0.6	-
Total return, %	-14	-26	-20.3	-25.1	147
Share price/equity, %	182	147	193	282	380

## Shareholders and number of shares

	2020	2019	2018	2017	2016
Number of shareholders	11,957	10,847	8,416	8,688	8,533
Average number of shares, thousands	47,152	44,216	44,216	44,216	44,216
<b>Total number of shares at year-end, thousands</b>	<b>48,638</b>	<b>44,216</b>	<b>44,216</b>	<b>44,216</b>	<b>44,216</b>

### The ten largest shareholders at December 30, 2020

Shareholder	Number of shares	% of votes and capital
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GCS)	4,523,100	9.3%
AFA Försäkring	3,261,234	6.7%
AMF - Försäkring och Fonder	3,170,000	6.5%
UBS AG LONDON BRANCH, W8IMY	2,918,226	6.0%
ATHANASE INDUSTRIAL PARTNER	2,642,800	5.4%
Fjärde AP-FONDEN	2,462,222	5.1%
CLEARSTREAM BANKING S.A., W8IMY	2,380,508	4.9%
BANK OF AMERICA N.A.	1,636,184	3.4%
BNY MELLON SA/NV (FORMER BNY), W8IMY	1,442,330	3.0%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1,179,826	2.4%
<b>Total ten largest</b>	<b>25,616,430</b>	<b>52.7%</b>
Haldex AB	11,705	0.0%
Others	23,009,432	47.3%
<b>Total</b>	<b>48,637,567</b>	<b>100.0%</b>

Sources: Euroclear and Haldex

### Ownership structure at December 30, 2020

Holding	Number of shareholders	Number of shares	Holding, %
1 – 500	8,439	34,338,122	70.6%
501 – 1,000	1,587	6,468,796	13.3%
1,001 – 5,000	1,491	6,079,696	12.5%
5,001 – 10,000	210	875,476	1.8%
10,001 – 15,000	60	243,188	0.5%
15,001 – 20,000	44	145,913	0.3%
20,001 –	126	486,376	1.0%
<b>Total</b>	<b>11,957</b>	<b>48,637,567</b>	<b>100.0%</b>

#### HALDEX AS INVESTMENT

- Transportation needs are increasing.
- Large technological change that is changing the whole of society where Haldex has promising new technology under development.
- A stable core business that can be further streamlined.
- Long-term customer relationships with all large operators.

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

# Quarterly data

SEKm unless otherwise stated	2020				2019				2018 <sup>3)</sup>
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Income statement</b>									
Net sales	989	964	875	1,180	1,141	1,283	1,389	1,339	1,225
Cost of goods sold	-706	-695	-647	-867	-849	-928	-1,031	-1,005	-938
<b>Gross profit</b>	<b>283</b>	<b>269</b>	<b>228</b>	<b>313</b>	<b>292</b>	<b>355</b>	<b>358</b>	<b>334</b>	<b>287</b>
Product development expenses	-32	-28	-35	-37	-43	-43	-39	-33	-37
Selling and administrative expenses	-189	-185	-195	-237	-215	-227	-229	-223	-231
Share of profit from joint venture	-2	-7	-8	-7	-7	-7	-7	-	-
Other operating income and expenses	-16	-73	-142	-1	-160	-10	-10	19	-31
<b>Operating profit</b>	<b>44</b>	<b>-23</b>	<b>-151</b>	<b>30</b>	<b>-133</b>	<b>68</b>	<b>73</b>	<b>97</b>	<b>-12</b>
<i>Operating profit excl. non-recurring items</i>	66	58	-3	43	44	85	91	97	38
Financial items	-46	-6	-12	-26	-12	-16	-8	-7	-10
<b>Profit before tax</b>	<b>-2</b>	<b>-29</b>	<b>-163</b>	<b>4</b>	<b>-145</b>	<b>52</b>	<b>65</b>	<b>90</b>	<b>-22</b>
Tax	-59	-75	24	-1	-4	-15	-16	-22	-2
<b>Profit/loss for the period</b>	<b>-61</b>	<b>-104</b>	<b>-139</b>	<b>3</b>	<b>-149</b>	<b>37</b>	<b>49</b>	<b>68</b>	<b>-24</b>
<b>Balance sheet</b>									
Non-current assets	1,886	1,964	2,158	2,319	2,227	2,178	2,131	2,086	1,585
Current assets	2,177	2,326	2,142	2,401	2,186	2,283	2,243	2,291	2,104
<b>Total assets</b>	<b>4,063</b>	<b>4,290</b>	<b>4,300</b>	<b>4,720</b>	<b>4,413</b>	<b>4,461</b>	<b>4,374</b>	<b>4,377</b>	<b>3,689</b>
<b>Equity</b>	<b>1,203</b>	<b>1,300</b>	<b>1,437</b>	<b>1,602</b>	<b>1,537</b>	<b>1,745</b>	<b>1,675</b>	<b>1,708</b>	<b>1,611</b>
Non-current liabilities	1,809	1,870	1,873	1,458	1,346	1,358	1,356	1,566	1,072
Current liabilities	1,051	1,119	990	1,661	1,530	1,358	1,343	1,103	1,006
<b>Total equity and liabilities</b>	<b>4,063</b>	<b>4,290</b>	<b>4,300</b>	<b>4,720</b>	<b>4,413</b>	<b>4,461</b>	<b>4,374</b>	<b>4,377</b>	<b>3,689</b>
<b>Cash flow</b>									
Cash flow from operating activities	123	231	-96	-43	239	76	97	-84	199
Cash flow from investing activities	-40	1	-76	-130	-136	-82	-97	-66	-126
Cash flow from financing activities	-88	-21	165	132	1	21	-77	114	13
<b>Cash flow for the period</b>	<b>-5</b>	<b>211</b>	<b>-7</b>	<b>-41</b>	<b>104</b>	<b>15</b>	<b>-77</b>	<b>-36</b>	<b>86</b>
<b>Key performance indicator</b>									
Gross margin, %	28.6	27.9	26.1	26.5	25.6	27.6	25.7	24.9	25.6
Operating margin, %	4.5	-2.4	-17.2	2.5	-11.6	5.3	5.3	7.2	-1.0
Operating margin excluding non-recurring items, %	6.7	6.0	-0.3	3.6	3.8	6.6	6.5	7.2	3.1
Adjusted operating margin excl. investment in new technology, %	8.0	6.6	0.7	4.4	4.9	7.4	7.4	7.5	-
Earnings per share, basic and diluted, SEK	-1.27	-2.15	-2.95	0.04	-3.36	0.83	1.11	1.54	-0.49
Equity per share, SEK	24.10	26.08	28.93	36.24	34.78	39.48	37.89	38.64	35.80
Cash flow, operating activities, per share, SEK	2.53	4.75	-2.04	-0.97	5.41	1.72	2.19	-1.90	3.20
Share price, SEK	43.75	41.80	37.50	25.55	51.00	50.20	57.00	62.00	69.00
Return on capital employed, % <sup>1), 2)</sup>	-3.8	-9.5	-6.4	1.2	3.1	7.5	8.2	9.7	9.8
Return on capital employed excluding non-recurring items, % <sup>1), 2)</sup>	5.0	4.3	5.2	8.6	9.4	10.5	10.6	11.5	11.8
Return on equity, %	-5.0	-7.8	-9.3	0.1	-9.3	2.1	2.9	4.1	-1.7
Equity/assets ratio, %	30	30	33	34	35	39	38	39	44
Net debt/equity ratio, % <sup>2)</sup>	85	84	91	76	66	62	62	55	45
External investments, SEKm	25	26	49	97	103	64	69	37	99
R&D, %	4.9	5.1	6.3	5.3	5.9	4.1	4.3	4.2	4.9
Number of employees	1,990	1,962	2,055	2,183	2,172	2,212	2,283	2,315	2,309

<sup>1)</sup> Rolling twelve months.

<sup>2)</sup> The effect of IFRS16 Leases has been excluded.

<sup>3)</sup> Not adjusted in accordance with IFRS16

# 5-year summary

SEKm unless otherwise stated	2020	2019	2018	2017	2016
<b>Income statement</b>					
Net sales	4,007	5,151	5,119	4,462	4,374
Cost of goods sold	-2,914	-3,812	-3,813	-3,237	-3,155
<b>Gross profit</b>	<b>1,093</b>	<b>1,339</b>	<b>1,306</b>	<b>1,225</b>	<b>1,219</b>
Product development expenses	-131	-158	-162	-158	-177
Selling and administrative expenses	-805	-894	-863	-797	-773
Share of profit from joint venture	-24	-21	-5	-	-
Other operating income and expenses	-233	-161	-21	-121	-65
<b>Operating profit</b>	<b>-100</b>	<b>105</b>	<b>255</b>	<b>149</b>	<b>204</b>
<i>Operating profit excl. non-recurring items</i>	<i>163</i>	<i>317</i>	<i>305</i>	<i>292</i>	<i>291</i>
Financial items	-89	-44	-36	-8	-36
Share of profit from joint venture	-	-	-	-12	-3
<b>Profit before tax</b>	<b>-189</b>	<b>61</b>	<b>219</b>	<b>129</b>	<b>165</b>
Tax	-111	-56	-66	-50	-74
<b>Net income for the year</b>	<b>-300</b>	<b>5</b>	<b>153</b>	<b>79</b>	<b>91</b>
<b>Balance sheet</b>					
Non-current assets	1,886	2,227	1,585	1,349	1,306
Current assets	2,177	2,186	2,104	1,729	1,751
<b>Total assets</b>	<b>4,063</b>	<b>4,413</b>	<b>3,689</b>	<b>3,078</b>	<b>3,057</b>
<b>Equity</b>	<b>1,203</b>	<b>1,537</b>	<b>1,611</b>	<b>1,395</b>	<b>1,374</b>
Non-current liabilities	1,809	1,346	1,072	775	757
Current liabilities	1,051	1,530	1,006	908	926
<b>Total equity and liabilities</b>	<b>4,063</b>	<b>4,413</b>	<b>3,689</b>	<b>3,078</b>	<b>3,057</b>
<b>Cash flow</b>					
Cash flow from operating activities	215	328	274	173	256
Cash flow from investing activities	-245	-381	-381	-231	-222
Cash flow from financing activities	188	59	211	-35	-52
<b>Cash flow for the year</b>	<b>158</b>	<b>6</b>	<b>104</b>	<b>-93</b>	<b>-18</b>
<b>Key ratios</b>					
Gross margin, %	27.3	26.0	25.5	27.5	27.9
Operating margin, %	-2.5	2.0	5.0	3.3	4.7
Operating margin excluding non-recurring items, %	4.1	6.1	6.0	6.5	6.6
Earnings per share, basic and diluted, SEK	-6.44	0.12	3.46	1.67	2.00
Equity per share, SEK	24.10	34.78	35.80	30.98	30.63
Cash flow, operating activities, per share SEK	4.56	7.42	6.20	3.91	5.80
Dividend, SEK	0.00 <sup>3)</sup>	0.00	1.15	0.55	0.00
Share price, SEK	43.75	51.00	69.00	87.25	116.50
Return on capital employed, % <sup>1), 2)</sup>	-3.8	3.1	9.8	6.8	9.7
Return on capital employed excluding non-recurring items, % <sup>1), 2)</sup>	5.0	9.4	11.8	13.3	13.8
Return on equity, %	-21.9	0.1	9.8	5.4	13.1
Equity/assets ratio, %	30	35	44	45	45
Net debt/equity ratio, % <sup>2)</sup>	85	66	45	42	36
Investments	197	273	313	218	222
R&D, %	5.4	4.6	4.1	4.0	3.5
Number of employees	1,990	2,172	2,309	2,176	2,045

<sup>1)</sup> Rolling twelve months.

<sup>2)</sup> The effect of IFRS16 Leases has been excluded.

<sup>3)</sup> Proposed dividend.

# Numerical basis for alternative performance indicators

SEKm	Recognized sales Oct-Dec 2020	Currency adjustment to previous annual rates	Currency-adjusted sales Oct-Dec 2020	Change	Recognized sales full year 2020	Currency adjustment to previous annual rates	Currency-adjusted sales full year 2020	Change
<b>SALES</b>								
Group	989	87	1,076	9%	4,007	133	4,140	3%
<b>Total</b>	<b>989</b>	<b>87</b>	<b>1,076</b>	<b>9%</b>	<b>4,007</b>	<b>133</b>	<b>4,140</b>	<b>3%</b>
<b>SALES PER REGION</b>								
Europe	368	12	381	3%	1,438	19	1,457	1%
North America	459	53	512	11%	1,965	58	2,023	3%
Asia and Middle East	123	6	129	5%	468	13	481	3%
South America	39	16	55	42%	136	43	179	32%
<b>Total</b>	<b>989</b>	<b>87</b>	<b>1,076</b>	<b>9%</b>	<b>4,007</b>	<b>133</b>	<b>4,140</b>	<b>3%</b>
<b>SALES PER PRODUCT LINE</b>								
Foundation Brake	549	48	597	9%	2,200	79	2,279	4%
Air Controls	440	39	479	9%	1,807	54	1,861	3%
<b>Total</b>	<b>989</b>	<b>87</b>	<b>1,076</b>	<b>9%</b>	<b>4,007</b>	<b>133</b>	<b>4,140</b>	<b>3%</b>
<b>SALES PER CUSTOMER CATEGORY</b>								
Truck - heavy trucks and buses	178	22	200	12%	701	40	741	6%
Trailer - trailers	288	15	303	5%	1,174	23	1,197	2%
Aftermarket	523	50	573	10%	2,132	70	2,202	3%
<b>Total</b>	<b>989</b>	<b>87</b>	<b>1,076</b>	<b>9%</b>	<b>4,007</b>	<b>133</b>	<b>4,140</b>	<b>3%</b>



# Numerical basis for alternative performance indicators – quarterly data

SEKm unless otherwise stated	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Non-recurring items</b>								
- Restructuring expenses	-48	-8	-46	-7	-175	-12	-17	0
- Impairment of asset	-5	-70	-101	-	-	-	-	-
- Capital gain Blue Springs	35	-	-	-	-	-	-	-
- Dispute India	-	-1	-	-	-	-	-	-
- Expenses related to the ownership structure	-4	-2	-1	-6	-2	-5	-1	0
- Product-related warranty costs	-	-	-	0	0	0	0	0
<b>Total non-recurring items</b>	<b>-22</b>	<b>-81</b>	<b>-148</b>	<b>-13</b>	<b>-177</b>	<b>-17</b>	<b>-18</b>	<b>0</b>
<b>Research and development expenses excluding depreciation</b>	<b>-48</b>	<b>-50</b>	<b>-55</b>	<b>-63</b>	<b>-67</b>	<b>-54</b>	<b>-59</b>	<b>-56</b>
<b>Product development expenses for new technology</b>	<b>-10</b>	<b>-10</b>	<b>-12</b>	<b>-12</b>	<b>-14</b>	<b>-10</b>	<b>-12</b>	<b>-11</b>
Joint venture EMB	-2	-7	-8	-7	-7	-7	-7	-
Scalable Brake Systems	-11	1	0	-2	-5	-2	-6	-4
<b>Total operating expenses for new technology</b>	<b>-13</b>	<b>-6</b>	<b>-8</b>	<b>-9</b>	<b>-12</b>	<b>-9</b>	<b>-13</b>	<b>-4</b>
<b>Net interest income and financial items</b>								
Interest income	-1	1	0	1	2	4	4	3
Interest expense	-13	-17	-6	-6	-13	-14	-13	-9
<b>Total net interest income/expense</b>	<b>-14</b>	<b>-16</b>	<b>-6</b>	<b>-5</b>	<b>-11</b>	<b>-10</b>	<b>-9</b>	<b>-6</b>
Financial exchange rate effect	-33	13	-4	-19	0	-6	4	0
Other financial items	-2	-3	-2	-1	-1	-1	-3	-1
<b>Total financial items</b>	<b>-46</b>	<b>-6</b>	<b>-12</b>	<b>-25</b>	<b>-12</b>	<b>-17</b>	<b>-8</b>	<b>-7</b>
<b>Net debt</b>								
- Interest-bearing assets	440	466	260	294	315	217	196	280
- Interest-bearing liabilities including derivative instruments	-888	-904	-920	-949	-768	-761	-731	-724
- Pension liabilities	-578	-658	-651	-571	-562	-540	-511	-498
<b>Total net debt <sup>1)</sup></b>	<b>-1,026</b>	<b>-1,096</b>	<b>-1,311</b>	<b>-1,226</b>	<b>-1,015</b>	<b>-1,084</b>	<b>-1,046</b>	<b>-942</b>
<b>Capital employed</b>								
Total assets	4,063	4,290	4,300	4,720	4,413	4,461	4,374	4,377
Non-interest-bearing liabilities and provisions	-1,024	-1,070	-965	-1,235	-1,116	-1,048	-1,062	-1,043
<b>Total capital employed</b>	<b>3,039</b>	<b>3,220</b>	<b>3,335</b>	<b>3,485</b>	<b>3,297</b>	<b>3,413</b>	<b>3,312</b>	<b>3,334</b>
<b>Average capital employed</b>	<b>3,311</b>	<b>3,381</b>	<b>3,417</b>	<b>3,403</b>	<b>3,366</b>	<b>3,198</b>	<b>2,941</b>	<b>2,699</b>
<b>Net profit attributable to the shareholders in the Parent Company</b>								
Profit/loss for the period	-61	-104	-139	3	-149	37	49	68
Profit attributable to non-controlling interests	1	1	0	1	0	1	2	1
<b>Total net profit attributable to the Parent Company's owners</b>	<b>-62</b>	<b>-105</b>	<b>-139</b>	<b>2</b>	<b>-149</b>	<b>36</b>	<b>47</b>	<b>67</b>
<b>Equity attributable to shareholders in the Parent Company</b>								
Equity	1,203	1,300	1,437	1,602	1,537	1,745	1,675	1,708
Equity attributable to non-controlling interests	27	31	30	34	32	33	33	31
<b>Total equity attributable to the Parent Company's owners</b>	<b>1,176</b>	<b>1,269</b>	<b>1,407</b>	<b>1,568</b>	<b>1,505</b>	<b>1,712</b>	<b>1,642</b>	<b>1,677</b>
<b>Average equity attributable to the Parent Company's owners</b>	<b>1,385</b>	<b>1,492</b>	<b>1,567</b>	<b>1,621</b>	<b>1,624</b>	<b>1,641</b>	<b>1,610</b>	<b>1,577</b>
<b>Average number of shares</b>	<b>48,638</b>	<b>48,638</b>	<b>47,164</b>	<b>44,216</b>	<b>44,216</b>	<b>44,216</b>	<b>44,216</b>	<b>44,216</b>

<sup>1)</sup> The effect of IFRS16 Leases has been excluded.

# Financial definitions

## General

As a result of the European Securities and Markets Authority's new guidelines for alternative performance measures, the list of financial definitions has been expanded. The purpose of the alternative performance measures is to achieve enhanced understanding and promote the usability of the financial information and provide the reader with a more nuanced and in-depth picture of the business.

No new performance measures have been added during the period compared with the preceding year.

## Return on equity

Net profit for the year attributable to the shareholders in the parent company in % of average equity attributable to the shareholders in the parent company.

## Return on capital employed

Operating income plus interest income in % of average capital employed.

## Gross margin

Gross profit, i.e. net sales less cost of goods sold, divided by net sales.

## Equity per share

Equity attributable to the parent company shareholders divided by average number of shares.

## Non-recurring items

Income statement items which are of a non-recurring nature in normal business operations. Non-recurring items may, for example, include restructuring costs, impairments and product-related warranties attributable to specific customer commitments. The purpose of specifying these is to be able to demonstrate the trend in the underlying business.

## R&D, %

Total research and development expenditure excl. depreciation, divided by net sales.

## Cash flow per share

Cash flow from operating activities divided by average number of shares.

## Net debt

Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables.

## 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

Net profit for the year attributable to parent company shareholders divided by weighted average number of shares.

## Net interest income/expense

Difference in absolute terms between recognized interest income for financial assets and interest expenses for interest-bearing liabilities and provisions.

## Interest coverage ratio

Operating profit excluding non-recurring items plus interest income divided by interest expenses.

## Operating margin

Operating profit in % of net sales for the period.

## Adjusted operating margin

Operating profit excluding non-recurring items in % of net sales for the period.

## Adjusted operating margin excluding investment in new technology

Operating profit excluding product development expenses for new technology and non-recurring items, % of net sales for the period.

## Operating profit

Profit from operations before financial items and tax.

## Adjusted operating profit

Profit from operations before financial items and tax, adjusted for non-recurring items.

## Adjusted operating income, excluding new technology

Profit from operations before financial items and tax, adjusted for non-recurring items and development expenses for new technology.

## Equity/assets ratio

Equity including non-controlling interests in % of total capital.

## Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions.

## Currency-adjusted information

Financial figure converted at the same exchange rate as in the comparison period. The purpose is to show how the business operation would have developed without the impact of changes in exchange rates in the consolidation of foreign units.

# Glossary

## **ABA**

Haldex's automatic brake adjuster, which is used in drum brakes in heavy vehicles.

## **ABS**

A system that prevents the wheels from locking during braking. ABS stands for Anti-lock Braking System.

## **ADB**

Compressed air disc brake.

## **Air Controls**

Haldex product line for products that improve the safety and driving dynamics of the brake system, such as treatment and dehumidifying of compressed air, valves, ABS and EBS.

## **EBS**

Electronically controlled brake system. EBS acts as a key part of pneumatic brake systems and can monitor and control the brake system. In brake systems without EBS, the braking force on the wheels is the same at all times, while in vehicles with EBS the braking force is distributed differently depending on need.

## **Aftermarket**

The selling of spare parts, training and services to the workshops which repair and service vehicles that have entered service.

## **EMB**

Electromechanical brakes. These are part of an electronic braking system, i.e. the pneumatic brake system is replaced by an electronic brake system. Electromechanical brakes are currently approved in China, but not in North America and Europe.

## **FABV**

Fast Acting Brake Valve, one of the products in new technology. FABV is a valve that is used in brake systems based on compressed air to reduce braking distance and improve control of the vehicle's path.

## **Foundation Brake**

Haldex product line for brake products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators.

## **New technology**

New technology means the Scalable Brake Systems, which includes EMB and FABV. These are developed partly in-house at Haldex and partly via the Haldex joint venture with VIE in China.

## **OEM**

Original Equipment Manufacturer, i.e. manufacturer of vehicles.

## **TOC**

Total cost of ownership is an estimate of all the direct and indirect costs involved in acquiring and operating a vehicle or system over its lifetime.

## **Truck**

Heavy goods vehicles and buses.

## **Trailer**

Towed vehicles attached to a tractor (goods vehicle).

## Haldex Annual General Meeting 2021

Haldex Annual General Meeting will be conducted by postal ballot on May 26, 2021. For more information see <https://www.haldex.com>.

## Reporting dates in 2021

Interim report January – March	April 22
Annual General Meeting	May 26
Interim report January – June	July 16
Interim report January – September	October 21
Year-end report	February, 2022

Financial reports, presentation materials and webcast recordings are available on the Haldex website: <https://www.haldex.com/financialreports>

## Communication with the market

Our communication with the financial market is characterized by open, relevant and accurate information to shareholders, investors and analysts, in order to increase knowledge about the Group's operations and shares. We communicate information in the form of interim reports, annual reports and press releases and provide in-depth information on our IR pages on the website. Shareholders and other stakeholders can subscribe to press releases, financial reports and the closing price of shares by e-mail. On the website, the general information on the IR pages and lists of shareholders are updated on a monthly basis. In the case of major changes, the website is updated immediately.

No communication with the financial market takes place for 30 days prior to a financial report.

**Haldex AB** is a public limited liability company. Corporate identity 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 takes precedence over the English if interpretation of the translation should differ from the original. All values are expressed in Swedish kronor. Kronor is abbreviated as SEK and millions of kronor as SEKm. Figures in brackets refer to the previous year 2019 unless otherwise stated. The Swedish annual report is the binding version. This report contains forward-looking information based on Haldex's current expectations. Although the management believes that the expectations stated in such forward-looking information are reasonable, no guarantee can be given that these expectations will prove to be correct. Consequently, future outcomes may vary materially from what is stated in the forward-looking information, due for example to changed conditions regarding economics, the market and competition, changes in legal requirements and other policy measures, exchange rate fluctuations and other factors.

This annual report is produced in collaboration with Oxenstierna Kommunikation in Stockholm.

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

We see our social media channels as complementing press releases and financial reports. There we provide more insights into what is happening in the company.



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

On LinkedIn you will find slightly longer summaries of product news, customer cases and financial news.



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

On YouTube, you can watch videos that describe and demonstrate our product range. Short and long videos are mixed from product demonstrations and training.



# Haldex

More than 100 years of vigorously focused innovation gives Haldex unmatched expertise in brake systems and air suspension systems for heavy trucks, trailers and buses. We live and breathe our business with the goal of delivering robust and technologically superior solutions, which are based on a deep insight into the reality of our customers. By focusing on our core competencies and the passion we all share, we achieve the speed and flexibility the market demands.

Innovation cooperation is at the heart of not only our products, but also our philosophy. Our 2,000 employees, spread across four continents, challenge convention daily to ensure that the products we deliver create a unique value for our customers and all end-users.

We are listed on Nasdaq Stockholm, and in 2020 had turnover of approximately SEK 4 billion.

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