Creating a stable PLATFORM for Profitable GROWTH

Haldex Capital Markets Day
May 22, 2013 - Stockholm
Haldex Capital Markets Day - Agenda

09.00  Company update and Strategic Direction
       Bo Annvik, President & CEO

10.15  Break

10.30  Commercial Update:
       •  N. America
         Ed Meador, SVP NA Sales
       •  Europe
         Andreas Richter, SVP EU Sales
       •  Emerging Markets
         Pramod Mistry, SVP Business Development

12.00  Lunch

13.00  Sourcing,
       Bjarne Lindblad, SVP Global Sourcing & Logistics

13.30  Financials,
       Andreas Ekberg, CFO

14.00  Q&A

14.30  END
Haldex Group prior to the split

Commercial Vehicle Systems
Brake & Suspension systems

Hydraulics Systems
Hydraulic systems

Traction Systems
AWD system

Garphyttan Wire
Spring wire
Haldex – New structure 2011

Haldex

Division “Commercial Vehicle Systems” from June 16, 2011 to become Haldex AB listed at the Stockholm Stock Exchange

Garphyttan Wire

divested 2009 to Suzuki Metal

Traction Systems

divested January 31, 2011 to Borg Warner Inc

Hydraulic Systems

become publicly traded as Concentric AB June 16, 2011
From Division to Public company

- Contract with Nasdaq OMX
- Governance
- Board of Directors
The Haldex Board of Directors

Göran Carlson
Stefan Charette
Magnus Johansson

New
Staffan Jufors
Arne Karlsson
Annika Sten Pärson
All focus on Commercial Vehicles

Trucks & Buses

Trailers

Aftermarket
First 10 months at Haldex

- "Agenda" from the Board
- Listen and learn
- Facts and figures
- Short term strategic projects
- New strategic direction
- New organization structure and new Management Team
From BUs to one functional organization
New Management Team

Bo Annvik
President & CEO

Andreas Ekberg
CFO

Pramod Mistry
SVP
Business Development

Ed Meador
SVP
Sales NA

Andreas Richter
SVP
Sales EU & ROW

AiChang Li
SVP
Asia Pacific

Per-Erik Kronqvist
SVP
R&D

Bjarne Lindblad
SVP
Global Sourcing & Logistics

Pete Lazar
SVP
HR

Ulf Ahlén
Acting SVP
Global Operations

Tba
Creating a stable platform for profitable growth

Past
• Focus on footprint consolidation

Present
• Improving and stabilizing the Platform

Future
• Profitable growth
Perspective on the past
Past phase
- Consolidation in North America

Monterrey - Mexico
Past phase
– Consolidation in Europe

Szentlörinckata – Hungary
Past phase – Consolidation in Brazil

São José dos Campos - Brazil
Restructuring Program 2012

- Program launched Q1 2012 to optimize Haldex business processes with focus on:
  - Manufacturing
  - Product development
  - Sales
  - Distribution

- Program was finalized during the year and the cost amounted to 60 MSEK

- Yearly cost savings estimated to 35-40 MSEK
Focus at present
Haldex in brief

- Founded in 1887
- Haldex develops, manufactures and distributes brake and air suspension products/components for heavy trucks/buses, trailers and the aftermarket
- Employees (2012): 2,200
- Sales (2012): SEK 3.9 billion
- Listed on NASDAQ OMX STHLM (HLDX)
- Haldex has global presence with sales, development and manufacturing.
Haldex Product Lines

Foundation Brake: Wheel-end products for brake actuation and lining wear adjustment
- Disc Brakes
- Automatic Brake Adjusters (drum brakes)
- Actuators

Air Controls: Products to dehumidify, clean and control compressed air in the brake system
- Air Dryers
- Air Suspension Systems
- Valves
- Electronically regulated subsystems (ABS, EBS, Adv Air Mgmt)
Extensive Product Portfolio

= Air Controls products

= Foundation Brake products
Business Overview (2012)

Sales by Product line
- Air Controls: 55%
- Foundation Brake: 45%

Sales by Segment
- Truck: 44%
- Trailer: 30%
- Aftermarket: 26%

Sales by Region
- North America: 33%
- Europe: 55%
- Asia and the Middle East: 8%
- South America: 4%

- Truck
- Trailer
- Aftermarket

Air Controls
Foundation Brake

North America
Europe
Asia and the Middle East
South America
Improving and Stabilizing the Platform

- Haldex Way – Lean operations
- CSR
- New Quality organization
- New Sourcing structure – Global category teams
- Product management
- Further restructuring program
Haldex Way

- Program to establish a corporate culture of improvements:
  - By progressing daily activities with the objective to increase effectiveness and precision

- To progress Sites in the “Haldex Way Tier Model” is a means and measure of:
  - Improved working methods
  - Improved and sustained operational results
Improving and Stabilizing the Platform

- Haldex Way – Lean operations
- CSR
- New Quality organization
- New Sourcing structure – Global category teams
- Product management
- Further restructuring program
We have made some progress, however, still large potential for improvement.
CSR

- Business
  - Safety products for Commercial vehicles

- Employees
  - Competence development and work environment

- Footprint
  - Global structure for "local" deliveries

- Buildings
  - Safety and work environment

- Production process
  - Effective use of resources and recyclability

- Energy
  - Effective consumption and usage of surplus

- Emissions
  - Minimize emissions

- Industry
  - Ethics and integrity in the relation to customers and suppliers
Improving and Stabilizing the Platform

- Haldex Way – Lean operations
- CSR
- New Quality organization
- New Sourcing structure – Global category teams
- Product management
- Further restructuring program
70 million Automatic Brake Adjusters

- Global leaders
- Manufacturing in 4 regions
- High volume and leading quality
## Awards - Innovative Vehicle Solutions

<table>
<thead>
<tr>
<th>Year</th>
<th>Award Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Winner Trailer Innovation IAA 2010 Category Safety</td>
</tr>
<tr>
<td>2011</td>
<td>Winner Prix de l’Innovation Solutrans 2011 Category Equipment</td>
</tr>
<tr>
<td>2012</td>
<td>Winner Trailer Innovation IAA 2012 Category Smart Trailer</td>
</tr>
<tr>
<td>2013</td>
<td>Winner Europart award for European collaboration &amp; performance</td>
</tr>
</tbody>
</table>

- **2010**
  - Winner Trailer Innovation IAA 2010 Category Safety

- **2011**
  - Winner Prix de l’Innovation Solutrans 2011 Category Equipment
  - Carat Marketing Award

- **2012**
  - Winner Trailer Innovation IAA 2012 Category Smart Trailer

- **2013**
  - Winner Europart award for European collaboration & performance
Improving and Stabilizing the Platform

- Haldex Way – Lean operations
- CSR
- New Quality organization
- New Sourcing structure – Global category teams
- Product management
- Further restructuring program
New Restructuring Program 2013

- Total annual savings around 100 MSEK
  - total cost - SEK 250 m,
  - cash effect in the range of SEK 150 m
  - headcount reduction > 200 employees
  - rolled out from now until 2015

- Focus areas:
  - Consolidation of key processes and functions
  - Optimization of Sales and G&A costs
  - Product rationalizations
  - Transformation of the European footprint including relocation of operations from West to East

- The costs will be booked as and when projects are approved and implemented during the relevant period
New Restructuring Program 2013

Focus areas:

- Consolidation of key processes and functions
- Optimization of Sales and G&A costs
  - Cost SEK 22 m (cash effect), Saving in excess of SEK 25 m
- Product rationalizations and transformation of European footprint
  - Cost SEK 130 m (cash effect), Saving SEK 75 m
  - Write down SEK 98 m (no cash effect)
  - Disc brake technologies not commercially viable
  - Other product areas, mix of tangible and intangible
Financials
Key Financials 2012 (SEK m)

- Sales 3,933
- Operating income 1) 210
- Operating margin 1) 5.3%

1) Excluding restructuring costs
## Financial Objectives (over a business cycle)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic growth (CAGR)</td>
<td>7%</td>
</tr>
<tr>
<td>Operating margin (EBIT)</td>
<td>7%</td>
</tr>
<tr>
<td>Net debt / Equity</td>
<td>&lt; 1.0</td>
</tr>
<tr>
<td>Dividend</td>
<td>1/3 of the yearly net income over a business cycle</td>
</tr>
</tbody>
</table>
Our basic Management Model

- Strategic Direction
- Operational Excellence
- People Management
The Strategic analysis

- Understanding of the market position
- What customers are strategic?
- Full cost and capital analysis
Global Truck and Trailer Build Rates

Source:
NA Truck and Trailer = ACT April 13
EU Truck=JD Powers/LMC Automotive 13Q1, Trailer= Clear 1302
AS and SA Truck=JD Powers/LMC Automotive 13Q1, Trailer= Sales Est. 1303
General Market Drivers

- New technology
- Legislation
- Trade/Consumption
- Infrastructure
- Fleet age
Global Legislation Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>ESC / RSC</td>
</tr>
<tr>
<td>2012</td>
<td>ABS</td>
</tr>
<tr>
<td>2013</td>
<td>ESC / RSC</td>
</tr>
<tr>
<td>2014</td>
<td>Euro V</td>
</tr>
<tr>
<td>2015</td>
<td>Euro VI</td>
</tr>
</tbody>
</table>

**Key:**
- ABS – Antilock Brake System
- ADR – Dangerous Good Carriers
- AEBS – Advanced Emergency Braking System
- ESC – Electronic Stability Programme
- LDWS – Lane Departure Warning System
- RSC – Roll Stability Control

**Notes:**
- Greater ABS Enforcement, Euro IV on Buses>6M, HD & MD Trucks
- ABS, ADR / Coach
- Shorter Stopping Distance, Rebates offered by Gov. for Collision Avoidance Fitment
- ABS, Trucks, Buses & Trailers
- ESC / RSC, Fuel Efficiency
Top 10 largest Customers 2012 globally

**Truck**
- Daimler
- Volvo
- PACCAR
- International
- Oshkosh

**Trailer**
- SAF Holland
- Great Dane Trailers
- Schmitz Cargobull

**Aftermarket**
- FleetPride
- NAPA
Strategic direction going forward - HALDEX Business Model

- Manage the OEM business with competitive products/pricing and successfully gain high volume business

- Increase focus on the aftermarket as a key business segment and use the OEM volume as the “engine” for the aftermarket, building a larger “installed base” of replacement/service products

- Deploy business model globally, however, align to the relevant local conditions
HALDEX Business Model
- Serving our customers

Volume build up of installed products providing demand of replacement parts

OEM

Independent Aftermarket Distributors

OES Distribution
Implications for Haldex

- Complement industrial capability with more Business/Commercial/Distribution

- Better balance between OE and Aftermarket in terms of focus and resources

- Business Model will guide investments in Product development
Product program going forward

- Foundation brake is and will be the core Product line
  - Leading market positions for ABA and Actuators
  - Growth potential for Disc brakes
  - 2 products per axle, several axles per vehicle
  - “wear” parts with replacement potential

- Selective focus on Air Controls
  - Exploit niche positions in different markets/segments
  - Regional differences on products
  - More demanding mechatronic technology
  - Less aftermarket potential
More and faster in the Emerging Markets

- Localize further Haldex products
- Localize Product Development capabilities
- Local growth opportunity
  - Export business
  - Internal sourcing
Fundamental Baseline

Quality

Cost
Strategic Direction – 3-step approach

- **STEP 1**: Cost and capital reductions
- **STEP 2**: Product range
- **STEP 3**: Invest in profitable growth
Committed Global Management Team

Photographer: Leo Erdfelt
Thank you!  
– Q&A
North America Sales

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Ed Meador
Senior Vice President, NA Sales
Heavy Truck Build Rates North America

Heavy Truck build rates NA, >15t

Trailer build rates NA

Regardless of the out year – Production of new vehicles remain strong

Note: Apr ACT data – official statistics
Historical Performance North America

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales KSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2100</td>
</tr>
<tr>
<td>2008</td>
<td>1950</td>
</tr>
<tr>
<td>2009</td>
<td>1700</td>
</tr>
<tr>
<td>2010</td>
<td>1900</td>
</tr>
<tr>
<td>2011</td>
<td>2150</td>
</tr>
<tr>
<td>2012</td>
<td>2200</td>
</tr>
</tbody>
</table>
Haldex Manufacturing/Distribution Footprint

Blue Springs/ABA
Monterrey MX/Actuators/MX Distribution Center
Marion NC/Reman
KCDC/Distribution Center
CDC/Canadian Distribution Center
9 NA Friction Centers
Market Drivers

- New Housing Starts improve in US
- Overall economic recovery slow – but recovering
- New Emissions regulations slated for 2016
- Hours of Service (HOS) impact on vehicle utilization/fleet vehicle expansion
- Overall vehicle utilization remains strong
  - Little change over during recent years
- North America Fleet Age continues to increase:
  - Trucks= 10.6 years and Trailer=9.8 years
  - Aftermarket parts demand will likely continue to increase until fleet age decreases
Market Position

- Market share leader in ABA’s and Actuators (Truck/Trailer)
- Improving market position in Valves, Suspension and trailer ABS
- Approximately 50% of North America sales attributed to Aftermarket Segment
Top 10 NA Customers

**Truck**
- PACCAR
- INTERNATIONAL
- FREIGHTLINER
- VOLVO
- OSHKOSH

**Trailer**
- Great Dane Trailers
- WABASH
- VANGUARD
- HYUNDAI
- Translead

**Aftermarket**
- FleetPride
- NAPA
- HDA
- VIPAR

Diversified Sales Distribution – No single customer above 9%
Customer Buying Trends

- Fleet Specifications drive Vehicle component content
- Seasonal sales peaks due to Spring/Fall maintenance schedules
- Fleet Specifications also drive aftermarket parts purchasing

Component Supplier Support Critical to NA Fleets
Path to Market

NA vs. EU product selection: Fleet can specify product from the OEM's vs. OEM's selecting product and fleet has no choice.
Comprehensive solutions

- Brake Performance System Solution Provider
- Suspension System component bundling
- Full Service Reman Capabilities
- Company owned Brake Reline Operations (NA 9 Service Centers)
- Complete Product Development/Testing/Validation facilities
- NA Fleet Training Staff
Recent Highlights

- Growing friction business at two largest Aftermarket footprint operations
- New valve business with two major OEM’s as a Tier II partner
- Added: New business standard position on actuators 2013 with a Mexican based Truck OEM
- Signed new 3 year LTA Actuators/Brake Adjusters with two major Truck OEM’s
- Signed an LTA: Standard position on ABS and Brake Adjusters with a major Trailer OEM
NA Sales actions to contribute to profitable growth

- Strengthen and grow the aftermarket footprint
- Continue development of Lean Culture within NA operations
- Promote growth with the Right Customer/Right Product/Right Margin Strategy
Thank you!
– Q&A
European Sales

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Andreas Richter
SVP Sales Europe & RoW
Heavy Truck Build Rates Europe

Heavy Truck build rates EU, >15t

Vehicle Build (000)


-66% 41% 13% 13% 9% 9%

Trailer build rates EU

Vehicle Build (000)


-63% 46% 14% 0% 9% -11%

Source: Truck=JD Powers/LMC Automotive 13Q1, Trailer-Clear 1302

Note: Apr ACT data – official statistics
Historical performance in Europe

Sales KSEK

- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
European Footprint

Landskrona/ ABA/DiscBrake

Heidelberg/ AirControl Products

Weyersheim/ Distribution Center

Szentlőrinckáta/ AirControl Products/Actuators/ DiscBrake

Redditch/R&D
The Market

- **Comfort in Europe**
  - Used equipment prices remain elevated
  - Replacement demand of vehicles is driving the business
  - Financing possibilities improving

- **Transport capacity**
  - Capacity balance tightening for carriers
  - Freight rates starting to recover
Market trends

- Environment aspects getting more important
- Safety thinking opens new niches
- Germany continually growing as the dominant European country in the Trailer and Axle sector.
  - Consolidation of customers cross Europe
- Eastern Europe starts to have a more market driven approach and steady growth
  - Western Europe producers grow in Eastern part
Top 10 EU Customers

No single customer in Europe represents more than approx. 10%
Market drivers

- Clear trend that customers demand dual sourcing

- The selection of suppliers becomes more important and the rewarded business cycle longer
  - Financial stability
  - Future innovation capability

- The economical uncertainty in the market drives shorter and more flexible order cycles

- Replacement demand of vehicles is driving the business
Path to Market - Channel Chart

Haldex

OEM / OES

Captive or franchised dealer

Fleet

Independent Aftermarket

National distribution
Regional wholesaler
Local wholesaler
Independent operator

Workshops
Recent highlights in the region

- OE preference for Haldex Automatic Brake Adjuster confirmed
- Launching the 19,5” ModulT Disc Brake completes the Disc Brake program
- Launching the single button Safe Parking TEM®
- Rewarded the Trailer Innovation Award for a vehicle diagnostic tool “Fleet+”
- Rewarded the “European collaboration & performance” price from Europart
Providing revenue opportunities

- **Next generation ABA**
  - Cementing the dominant leadership product position

- **Disc Brake**
  - New platform well received in the market with a broad end customer base
  - ModulT 19,5” introduction completes the product platform
  - Wear parts drives after market sales

- **EBS for trailer**
  - Gen3 introduction featuring edge technology
  - EBS also drives product sales of connecting products

- **Safe Parking**
  - Haldex provides a unique product family for safe parking and handling of vehicles
EU Sales actions to contribute to profitable growth

- Comprehensive Aftermarket Product support
  - Hot-line support & Online diagnostics
  - Training material and product trainings
  - Supporting OES service stations with all-OE products
  - On-line product catalogue

- Complementary “Buy&Sell” products
  - Supports customers through comprehensive offering
  - Market recognition of by Haldex selected products
Thank you!
– Q&A
Emerging Markets

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Pramod Mistry
SVP Business Development
Emerging Markets for Haldex

Brazil

China

India
Heavy Truck and Trailer Build Rates South America

- Official build rates indicate a 21% increase in Truck in 2013 and 9% in Trailer which is similar to the previous forecast in Q1 2013

- Truck demand has increased due to the latest government stimulus packages and new financing options made available

Source:
Truck JD Powers / LMC Automotive 13Q1 and Trailer internal sales
Official build rates indicate a 8% decrease in Truck in 2013 and 21% increase in Trailer which is similar to the previous forecast in Q1 2013.

Demand down due to the increasingly uncertain macro economic, mining bans in certain states, poor freight rates and stalled infrastructure projects.

Source:
Truck JD Powers / LMC Automotive 13Q1 and Trailer internal sales
Heavy Truck and Trailer Build Rates China

- Official build rates indicate a 12% increase in Truck in 2013 and 14% in Trailer which is similar to the previous forecast in Q1 2013.

- Truck demand still remains buoyant and new emissions regulations expected later this year will stimulate demand

Source:
Truck JD Powers / LMC Automotive 13Q1 and Trailer internal sales
Sales per market
Brazil

- Inaugurated in Jan 2012
- Located in São José dos Campos
- 7400 sq mtrs
- 116 employees
- Strategic partnership with Master in 2012
China

- Located in Suzhou and inaugurated in 2006
- 9500 sq mtrs
- 150 Employees
- New R&D Centre
- Certified as a High technology enterprise
- Several key customer contracts secured
India

- Located in Nashik
- JV with Anand Group established in 1997
- 155 Employees
- Localization air suspension products
- New R&D facility to be opened in Pune
## The Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Brazil</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Size - Truck (000's units) - 2012</strong></td>
<td>118</td>
<td>709</td>
<td>131</td>
</tr>
<tr>
<td><strong>Market Size - Trailer (000's units) - 2012</strong></td>
<td>58</td>
<td>213</td>
<td>26</td>
</tr>
<tr>
<td><strong>Attributes - Truck &amp; Bus</strong></td>
<td>European Braking Standards Large Bus Fleets Harsh road conditions</td>
<td>Purchase price v lifecycle cost Open to new technologies</td>
<td>High price sensivity Open to new technologies Reliability requirements</td>
</tr>
<tr>
<td><strong>Attributes – Trailer</strong></td>
<td>European Braking Standards Unique vehicle configurations</td>
<td>Low trailer volumes Dominated by CIMC</td>
<td>Low trailer volumes Legislation being introduced</td>
</tr>
<tr>
<td><strong>Legislation</strong></td>
<td>100% ABS 2014 / ABA 2014</td>
<td>ADB &amp; ABS for buses Jan 13, stricter enforcement</td>
<td>ABS</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Large EU Truck and Bus Fleets Top 5 trailer = 70% of market</td>
<td>Large local OEM's</td>
<td>Dominated by top 3</td>
</tr>
<tr>
<td><strong>Major Infrastructure Projects</strong></td>
<td>World CUP 2014, Olympics 2016</td>
<td>Stimulative fiscal policy, road network, urbanisation</td>
<td>Road network, construction sector</td>
</tr>
</tbody>
</table>
Technology trends

- Improving infrastructure will allow for increased trailer freight
- Rising demand for technically more sophisticated and higher value trucks

- Trend to 3 truck segments
  - Low Cost Segment
    - Technically simple and cheap trucks
  - Modern Domestic Segment
    - Further developed, robust and still extremely favorably priced
  - Premium Segment
    - Technically high-quality and high value trucks
## Market position on selective products

<table>
<thead>
<tr>
<th>Product</th>
<th>Brazil</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABA (Truck)</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Disc Brake (Bus)</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>ABS / EBS (Trailer &amp; Bus)</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Air Suspension (Bus &amp; Trailer)</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

The number indicates Haldex’s market position
Top customers in respective market

China
- CIMC
- Yutong
- Shaanxi

Brazil
- Randon
- Daimler
- Scania

India
- Tata
- Ashok Leyland
- Volvo
- Eicher
Emerging Markets actions to contribute to profitable growth

Brazil
- The Master partnership
- Capitalize on the new ABS legislation
- Increase capacity

China
- Expanding market share in key products
- Localization projects
- R&D presence

India
- New R&D facility
  - Broaden our product portfolio to meet local demands
Thank you!
– Q&A
Global Sourcing & Logistics

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Bjarne Lindblad
SVP Global Sourcing & Logistics
The market place where we act

- Key drivers in the Supplier Market:
  - Fragmented supplier market
  - Raw material fluctuation
  - Transportation cost is increasing
  - Increasing labor cost in the “Low cost countries”
Sourcing within Haldex

2010

- Business unit organization
- Acting independently
- Local sourcing
- Local site focus
- No group leverage
- Price focus
- 1100 direct material suppliers
- Day-to-day work in silos
- Down-stream supplier quality work
- ~1800 PPM
- High non-quality cost
Sourcing within Haldex

- 2010
- 2011
- 2012

- Business Unit 1
- Business Unit 2
- Business Unit 3
- Business Unit 4
- Business Unit 5
- Business Unit 6

- Foundation Brake
- Air Control

One Haldex Sourcing Organization
Focus shifted from local to global

**From**
- Business unit organization
- Local sourcing
- Local site focus
- No group leverage
- Price focus
- 1100 direct material suppliers
- Day-to-day work in silos
- Down-stream supplier quality work
- ~1800 PPM
- High non-quality cost

**To**
- "One Haldex" organization
- Global sourcing
- Global category focus
- Full group leverage
- Total cost focus
- More consolidated supplier base
- Cross functional working
- Up-stream supplier quality work
- Below 50 PPM
- Zero defects principle

The overall objective is to create a stable platform for profitable growth
The strategy has been organized into six focus areas

- Improve Supplier Quality
- Accelerate supplier consolidation
- Increase VA/VE² cost reduction activities
- Increase LCC¹ sourcing
- Optimize Global Logistics
- Implement Category Management

¹ Low Cost Country (LCC)
² Value Analysis (VA) / Value Engineering (VE)
# Strategy to close critical gaps

<table>
<thead>
<tr>
<th>Critical gaps identified</th>
<th>As-Is</th>
<th>To-Be</th>
<th>Critical gaps identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Supplier quality</td>
<td>Above 1800 PPM</td>
<td>Below 50 PPM</td>
<td>Supplier development program to be improved</td>
</tr>
<tr>
<td>2 Supplier consolidation</td>
<td>1100 suppliers</td>
<td>Significant reduction</td>
<td>Tail with low volume</td>
</tr>
<tr>
<td>3 VA/VE activities</td>
<td>–</td>
<td>Supplier Driven VA/VE</td>
<td>Program to encourage suppliers to get involved</td>
</tr>
<tr>
<td>4 LCC countries sourcing</td>
<td>40%</td>
<td>50%</td>
<td>Increase in Eastern Europe and Mexico is needed</td>
</tr>
<tr>
<td>5 Logistics costs</td>
<td>–</td>
<td>Logistics cost 20%</td>
<td>Logistics agreement to be established with suppliers, freight negotiations</td>
</tr>
<tr>
<td>6 Category management</td>
<td>Valid for some categories</td>
<td>Fully implemented</td>
<td>Develop category expertise</td>
</tr>
</tbody>
</table>

**Legend:**
- **As-Is:** Current state
- **To-Be:** Targeted state
Requirement on World Class Supplier

Right Quality
- Zero defect attitude
- PPM target compliance
- ISO/TS16949 or timeline in place
- ISO 14001 or timeline in place

Right Value
- Financial strength
- Meet the Payment Terms
- Continuous Improvement Program
- Proposal of new technologies
- Cost Transparency

Right Delivery
- Local Supply or Consignment stock
- 100 % Delivery performance
- Approved packaging
- Logistic Agreement

Right Support
- Haldex as a preferred Customer
- Business ethics, Code of Conduct
- Social Responsibility Policy compliance
- Knowledge about Haldex Products
- Commercial Agreement Compliance
1,100 suppliers, of which 155 suppliers make up 80% of total purchase spend

- Keep the majority of our biggest suppliers
- Based on low volume we are looked-in with some suppliers
- Using the mid-field for consolidation
Haldex expects its suppliers to continually improve and initiate ideas that increases our competitive advantage

**VA / VE Ideas**

**Expectation from the Suppliers:**
- Submit improvement ideas based on operation and design efficiencies gained through process maturity
- Cost savings of X% in terms of supplier’s annual sales to Haldex

**Case Study: Melt Loss Improvement**

**Expectation from the Supplier:**
- Provide best-in-class service and performance to Haldex
- Achieve peer benchmark average of ~4%

<table>
<thead>
<tr>
<th>Melt Loss Benchmark</th>
<th>Actual suppl</th>
<th>Supplier A</th>
<th>Supplier B</th>
<th>Supplier C</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>5,75%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>
To grow our purchase in Low Cost Countries from current 40% to 50%
Cost reduction of 20% by optimizing the logistics solutions

- Increase the ocean freights
- Deployment of Transportation Management System
- Order consolidation

% of shipped weight per transport mode during 2012
Category Management deployment

- Successful Supplier Day targeted the supplier base in North America in November 2012
  - Similar Supplier Days are planned in Europe May 29th and in China Sept 19th 2013

- Sourcing Excellence training performed in 3 different work shops
  - Roll out the strategy
  - Implementation of Category management
  - Creating source plans
Sourcing actions to contribute to profitable growth

- Sourcing is identified as a key function
- One Haldex Sourcing organization
  - to leverage economy of scale
- Our sourcing strategy
  - Six focus areas
- To improve the supplier quality
  - Consolidate the supplier base
Thank you! – Q&A
### Financial Summary

#### January - March 2013

<table>
<thead>
<tr>
<th>Amounts in SEK m</th>
<th>Jan - March 2013</th>
<th>Jan - March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>951</td>
<td>1,073</td>
</tr>
<tr>
<td>Operating income</td>
<td>55</td>
<td>64</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>5.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Earnings after tax</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>0.61</td>
<td>0.75</td>
</tr>
</tbody>
</table>

- Sales of SEK 951 m (1,073), -7% adjusted for exchange rate movements
- Operating income of SEK 55 m (64) with an operating margin of 5.8% (6.0)
- Earnings after tax of SEK 28 m (35)
- Earnings per share of SEK 0.61 (0.75)
Financial overview
Sales Overview
2012 FY

Sales by Product line

- Air Controls – Sales SEK 1,783 m
- Foundation Brake – Sales SEK 2,150 m
- Global presence in all regions with Sales, Development and Production

Commentary

Sales by Segment

- Haldex has a significant aftermarket position in Europe and North America. Strong position in aftermarket sales mitigates cyclical dependence

Sales by Region

- Significant presence in North America
- Europe is a third of sales with good participation in all three market segments
- Emerging markets penetration increasing sales
Haldex has reached a higher margin level through cost rationalization and lean initiatives rather than relying on higher volumes.
• Over the past 3 years the share of investments in emerging markets has increased and was close to 25% of the total

• The strategy is to have a stable investment plan 2013-2014. Haldex will then act on decisions in the next two years for expansion into the next stage
Cash Conversion Cycle

<table>
<thead>
<tr>
<th>Amounts in SEK m</th>
<th>Q1 2013</th>
<th>Q1 2012</th>
<th>Q2 2012</th>
<th>Q3 2012</th>
<th>Q4 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow *</td>
<td>40</td>
<td>65</td>
<td>49</td>
<td>55</td>
<td>108</td>
</tr>
<tr>
<td>Cash Flow after net investments*</td>
<td>20</td>
<td>42</td>
<td>22</td>
<td>23</td>
<td>72</td>
</tr>
</tbody>
</table>
## Net debt & Shareholders equity

### March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>March 31 2013</th>
<th>March 31 2012</th>
<th>December 31 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt, SEK m</td>
<td>566</td>
<td>519</td>
<td>572</td>
</tr>
<tr>
<td>Shareholders equity, SEK m</td>
<td>1,149</td>
<td>1,282</td>
<td>1,129</td>
</tr>
<tr>
<td>Net debt/equity ratio, %</td>
<td>49</td>
<td>40</td>
<td>51</td>
</tr>
<tr>
<td>Equity ratio, %</td>
<td>43</td>
<td>44</td>
<td>43</td>
</tr>
</tbody>
</table>

- The change to the principles of pension accounting, affects Net Debt and Equity
- The pension obligation itself as well as the cash flow is unaffected by this change
Financing
March 31, 2013

<table>
<thead>
<tr>
<th>Financing source</th>
<th>Amount</th>
<th>Maturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Loan</td>
<td>SEK 270 m</td>
<td>2015</td>
</tr>
<tr>
<td>Syndicated Credit Facility</td>
<td>EUR 75 m</td>
<td>2014</td>
</tr>
</tbody>
</table>

- As per March 31 the Group Net debt amounted to SEK 566 m (519)

- Total syndicated credit facility of EUR 75 m, as per March 31 EUR 39 m of the credit facility had been utilized

- Syndicated Credit Facility matures in 2014, Haldex has initiated discussions for a new credit facility
Focus Areas
3 Main Focus Areas

Margin
- Improved operational structure

Working Capital
- Inventory focus

Restructuring
- Continued optimization
**Improved Operational Structure**

**2007-2012**

- Substantial changes to operational structure with regard to headcount and production footprint

- Headcount has decreased almost a 1,000 from 2007 to 2012

- Low cost countries headcount has increased by 14% since 2007 and high cost countries headcount has nearly halved since 2007

- Haldex will continue to change its footprint and the next steps will focus on further optimizations

- Until 2015, Haldex will take additional steps to adapt the structure and move from “West to East”
Working Capital

• Focused initiative on Inventory with a long term objective of reaching 50 days of inventory

• Dedicated projects targeting several sites, primarily Mexico and Brazil

• Process focus on forecasting and planning

• Cash flow is a main focus area within Haldex and working capital is one important component

• Since 2011, working capital has decreased in the amount of 14% and cash conversion days from 76 to 62 days
New Restructuring Program 2013

- Total annual savings around 100 MSEK
  - total cost - SEK 250 m,
  - cash effect in the range of SEK 150 m
  - rolled out from now until 2015

- Focus areas:
  - Headcount reduction > 200 employees
  - Consolidation of key processes and functions
  - Optimization of Sales and G&A costs
  - Transformation of the European footprint including relocation of operations from West to East
  - Product rationalizations

- The costs will be booked as and when projects are approved and implemented during the relevant period
Thank you! – Q&A