



PRESS RELEASE

Landskrona, August 2, 2017

The Haldex Board adheres to its decision not to support Knorr-Bremse regardless of the outcome at the EGM

Application to the Swedish Securities Council to promptly stop an extension

The Haldex Board has unanimously resolved to adhere to its previous decision not to support the takeover offer by Knorr-Bremse, irrespective of which resolution the EGM passes. Additional time would not increase the possibilities for Knorr-Bremse to obtain approval from the competition authorities. Additional time would instead continue to seriously harm Haldex. It would reduce the value of the company and impair the possibility for the shareholders to either receive a new bid for the company or to benefit from the creation of long-term shareholder value on a standalone basis. The Board has determined that it is prevented from executing a resolution by the EGM in accordance with the proposal by Knorr-Bremse, as it would contravene both the Swedish Companies Act and the obligations of the Board pursuant to the Takeover Rules to act in the best interest of the shareholders.

Background to the decision by the Board

After extensive criticism by the European Competition Authority (the EU Commission), the Haldex Board announced on 29 June, 2017 that it no longer supported the bid by Knorr-Bremse. Subsequently, the Board's view has been further reinforced by the feedback received from the U.S. Competition Authority (the DOJ) and the fact that the EU Commission has confirmed its criticism by resolving on a so-called in-depth competition investigation (phase II). The probability of the offer being cleared is very low also after a continued competition investigation.

The duties and responsibilities of the Board

The fundamental purpose of the operations of a company is to generate profits to its owners. The Board may not take or execute resolutions which clearly harm the company or which may provide an undue advantage to one shareholder to the detriment of the company or other shareholders. This constitutes part of the minority shareholder protection set out in the Swedish Companies Act.

The Board is also under an obligation to execute instructions by the general meeting. However, the Board is required to independently assess whether an instruction from the general meeting would be in breach of the Swedish Companies Act, e.g. because it would materially harm the company.

Pursuant to the Takeover Rules, the Board is also required to act in the best interest of the shareholders. Another fundamental principle in the Takeover Rules is that the target company may not be prevented from conducting its business for a period that is longer than reasonable. This principle is reflected in a rule that requires a bid not stay open for a longer period than nine months. Except for the present case concerning Haldex, it has been possible to observe this deadline in previous bids.

Harm to Haldex' business operations

Since the launch of the offer by Knorr-Bremse, Haldex' business has been materially harmed. The harm has included:

- Haldex has not been able to enter into long-term customer contracts. Within the commercial vehicle industry, platforms are developed within 5 to 10 year intervals. When developing a new vehicle platform, companies such as Haldex have the opportunity to enter as possible suppliers in the procurement processes. Such processes remain open for a certain period of time and are then closed until a new procurement takes place. The customers' products have a lifecycle reaching over tens of years and it is key to the customer to understand the future of Haldex. If the manufacturer has planned on purchasing a number of products from Haldex and these products were to be divested to different purchasers, as part of the process to manage the criticism from the competition authorities, the conditions would change and the manufacturer would no longer receive an integrated offer. Further, many customers use so called dual sourcing which means that they purchase the same product from more than one manufacturer in order to reduce the risks of manufacturing problems. Knorr-Bremse, being the market leader within a number of product segments, is already a supplier to several of Haldex' customers. Placing an order with Haldex will then not be an option as the customer faces the risk of only having one supplier in the future. The safest option will accordingly be to place the order with another supplier.
- Overall, Haldex has identified eight major contracts where Haldex was initially invited to participate in the procurement, but where the customer has expressly stated that any orders may not be placed until the ownership situation of Haldex has been resolved. These contracts represent a potential future yearly value exceeding MSEK 500. Three contracts relate to

European customers while five relate to US customers. For some of these contracts, Haldex has chosen to finance the development itself as a means of remaining in the procurement process. Two of these contracts, relating to two major truck and trailer manufacturers with an annual contract value of MSEK 139 and MSEK 65 respectively, have now been lost without possibility to re-enter the process.

- Haldex has not been able to enter into or commence strategic development projects with business partners.
- Specialists and key employees have left the company. Several engineers in the R&D department, which are difficult to replace, have terminated their employments, which in turn has delayed ongoing development projects. Further, Bo Annvik, former President & CEO, has terminated his employment.
- Haldex has not been able to recruit specialists or other qualified work force.
- The management and key employees of Haldex have devoted a significant part of their time to assist Knorr-Bremse instead of focusing on the business.
- Haldex has incurred material costs in the form of fees to advisors and other consultants. Only a small portion of the costs incurred by Haldex have been born by Knorr-Bremse. The costs which have to be paid by Haldex currently amount to more than MSEK 45.

Very low probability for competition clearance

- Even if the Board would support the bid, and recommend the Swedish Securities Council to grant a dispensation for an extension of the acceptance period, the probability of approval of the bid by the authorities would still be very low. A continued process would in other words not result in a successful bid or the shareholders receiving any cash.
- The Board's conclusion that the bid will not be approved is based on feedback from the competition authorities in Europe and the U.S.:
 - Six out of eight product areas are affected. This would require extensive and complex divestments.
 - The criticism of the bid by market participants has been extensive. It is expected that this criticism will become even more extensive during a continued investigation of the transaction.
 - There are currently no purchasers in respect of which the EU Commission has not expressed serious question marks.
 - Ten months have passed and Knorr-Bremse is yet to present a package of remedies for the DOJ to consider.
 - The structure of Haldex, with global functions and integrated production facilities, complicates divestments and makes it difficult for purchasers of divested product areas to assess whether they would acquire the necessary know-how and production capacity. This difficulty has been identified by potential purchasers during the discussions.

- A divestment of the product areas would split up the company's turnover, R&D teams and plants. It would be very difficult to recreate the competitive pressure exercised by Haldex if the company were to be split up in such a way.
 - There can be no strategic or commercial rationale for Knorr-Bremse to pursue the bid in this case, in case of a divestment of this many product areas.
- The competition filings have been handled slowly by Knorr-Bremse. Ever since the bid was made, Knorr-Bremse has stated that it has a plan for getting the deal approved. Haldex has on several occasions requested to be provided with a plan without Knorr-Bremse responding to Haldex' requests - despite expressing the opposite in external communication. In January, Haldex informed Knorr-Bremse in writing that they were acting slowly. Haldex also questioned why the process was not progressing and why no plan had been developed. It was only after this that Knorr-Bremse developed a plan. However, during the discussions with the EU Commission, the plan was considered insufficient with proposed buyers that would risk not being approved. Consequently, Knorr-Bremse's continued statements concerning the existence of a plan for approval are not credible.
- The investigation that was made to develop the plan which was presented to the EU Commission at the end of June was very extensive, and Haldex gave due diligence access to potential purchasers. A continued process would only result in Haldex sharing more confidential information with additional companies - not to Knorr-Bremse reaching a better understanding of the company or a higher probability for approval of the bid. Set out below are examples of what Haldex has contributed to the process, which has comprised tens of thousands of hours:
 - Haldex has provided the DOJ with 307,000 documents.
 - Haldex has answered extensive requests for information from the EU Commission.
 - Haldex has participated in meetings with the EU Commission and the DOJ.
 - Haldex has assisted Knorr-Bremse in the preparation of its filing with the EU Commission.
 - Haldex has prepared and provided Knorr-Bremse's "clean-team" with access to a virtual data room made up of more than 1,000 documents.
 - Haldex has facilitated on site visits at Haldex' plants for Knorr-Bremse's advisers.
 - Haldex has assisted Knorr Bremse's advisers in the preparation of carve out design documents, i.e. a written analysis describing the divestment of product areas. This analysis comprises several hundreds of pages.
 - Haldex has facilitated several expert sessions where employees of Haldex has answered questions from Knorr Bremse's advisers.
 - Haldex has facilitated Q&A meetings, where Haldex' management has answered questions form KB's advisers (approximately 125 hours).
 - Haldex has participated in meetings with potential purchasers of assets from Haldex.
 - Haldex has provided potential purchasers access to a virtual data room with extensive information about the product areas of interest to each specific buyer.

- It would have been perfectly possible for Knorr-Bremse to complete a phase I and phase II investigation within the nine-month time frame stipulated in Sweden. To date, no other bid process has required more than nine months to reach a decision by the competition authorities, notwithstanding the complexity of the transaction. Knorr-Bremse filed its formal application with the EU Commission as late as 1 June, i.e. approximately at the same time as both the phase I and phase II investigations should have been completed.
- The EU Commission has now decided to initiate a phase II investigation and Knorr-Bremse has stated that it intends to apply for an extension until February 2018. If an extension is granted, Knorr-Bremse's bid would have lasted for 17 months, i.e. twice as long as any other bid in Sweden.

Additional time would not increase the possibilities for Knorr-Bremse to obtain approval from the competition authorities. Additional time would instead continue to seriously harm Haldex. It would reduce the value of the company and impair the possibility for the shareholders to either receive a new bid for the company or to benefit from the creation of long-term shareholder value on a standalone basis.

The Board has therefore determined that it cannot continue to support the bid by Knorr-Bremse without setting aside its obligations towards both Haldex as well as large and small shareholders. The very low probability of the deal being cleared cannot offset the material harm that would be caused. As a result, the Board will ask the Swedish Securities Council to promptly address the matter of the extension, despite the fact that Knorr-Bremse so far only has announced its intention to eventually apply for an extension, without submitting a formal application.

The Board has determined that it is prevented from executing a resolution by the EGM in accordance with the proposal by Knorr-Bremse, as such an execution would contravene both the Swedish Companies Act and the obligations of the Board pursuant to the Takeover Rules to act in the interests of the shareholders.

An EGM in Haldex will take place on August 17, 2017 at the request of Knorr-Bremse. Knorr-Bremse has proposed that the EGM resolve to instruct the board to change its decision and to recommend the Swedish Securities Counsel to approve an extension of the acceptance period until February 2018.

For further information please visit <http://corporate.haldex.com/sv> or contact

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About Haldex

With more than 100 years of intensely focused innovation, Haldex holds unrivalled expertise in brake systems and air suspension systems for heavy trucks, trailers and buses. We live and breathe our business delivering robust, technically superior solutions born from deep insight into our customers' reality. By concentrating on our core competencies and following our strengths and passions, we combine both the operating speed and flexibility required by the market. Collaborative innovation is not only the essence of our products – it is also our philosophy. Our 2,140 employees, spread on four continents, are constantly challenging the conventional and strive to ensure that the products we deliver create unique value for our customers and all end-users. We are listed on the Nasdaq Stockholm Stock Exchange and have net sales of approximately 4.4 billion SEK.

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