Earnings conference call
Q3 2017
Åke Bengtsson, President & CEO
Andreas Ekberg, Acting CFO
October 25, 2017
Agenda

- Business Summary
- Market Update
- Sales
- Financials
- Way forward
Revenue growth and improved market climate

- Revenue growth in all geographic regions.
- Disc brake sales continued to increase.
- First quarter with actuator growth.
- Growth for brake adjusters. New legislation in China will have a positive impact.
- Operating margin of 6.3% excluding one-offs.
- Knorr-Bremse’s bid withdrawn. New customer contracts signed.
Market update
North America official build rates increased with 33% in Q3 2017. The North American market is expected to increase with 9% in 2017.

Europe official build rates increased with 6% in Q3 2017. The European market is expected to grow with 5% in 2017.

India is expected to decrease in 2017 while China and Brazil will show two digit growth.

Source: the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.
North America official build rates increased with 3% in Q3 2017. The North American market is expected to be on par in 2017.

European build rates decreased with 1% in Q3 2017. The European market is also expected to be on par in 2017.

India, China and Brazil are expected to grow in 2017.

Source: the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.
Sales
Sales, Haldex Group

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q3/16</th>
<th>9M/17</th>
<th>9M/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales, SEK million</td>
<td>1,081</td>
<td>1,076</td>
<td>3,413</td>
<td>3,320</td>
</tr>
<tr>
<td>Growth, currency adjusted</td>
<td>3%</td>
<td>-10%</td>
<td>0%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

2014
2015
2016
2017
Sales per product line

**Foundation Brake:** Disc brake sales continued to increase. Major increase for actuators and brake adjusters. First quarter of growth for actuators since the recall.

**Air Controls:** ABS was declining. The Reman sales has stabilized after previous year’s decline.

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q3/16</th>
<th>change¹</th>
<th>9M/17</th>
<th>9M/16</th>
<th>change¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Brake</td>
<td>614</td>
<td>580</td>
<td>9%</td>
<td>1,931</td>
<td>1,843</td>
<td>3%</td>
</tr>
<tr>
<td>Air Controls</td>
<td>467</td>
<td>496</td>
<td>-3%</td>
<td>1,482</td>
<td>1,477</td>
<td>-2%</td>
</tr>
</tbody>
</table>

¹ currency adjusted
Disc brake contract in North America

- The disc brake was re-introduced in the USA at the beginning of last year.
- Haldex disc brake has been selected as an option of one of the large axle manufacturers in the US.
- The technology shift from drum brakes to disc brakes is becoming more evident.
Trend reversal for actuators

- Lower actuator sales since end of 2014 when the product recall was done.
- Trend broken and slow-down in the decline in actuator sales in Q2. In Q3 actuator sales had two digit growth.
- Re-design of the product in order to re-launch a new version. To not damage our reputation, we have applied incredibly rigid tests and requirements on the product’s quality. Launch in Q3.
New legislation drives demand for brake adjusters

- New legislation in China from 1 January 2018.
- All new heavy vehicles must have automatic brake adjusters.
- Manual brake adjusters are widely used today.
### Sales per region

**Europe**: Sales of disc brakes and actuators have increased while sales of EBS have decreased.

**North America**: Largest increase from sales of actuators. ABS sales have decreased. Disc brake sales is growing, but from low levels.

**Asia**: Sales in both India and China increased. Sales of brake adjusters and ABS have increased while sales of an older version of the disc brake has declined.

**South America**: In Brazil, revenue increased with largest increase in sales to the aftermarket.

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q3/16</th>
<th>change$^1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>377</td>
<td>372</td>
<td>1%</td>
</tr>
<tr>
<td>North America</td>
<td>552</td>
<td>573</td>
<td>1%</td>
</tr>
<tr>
<td>Asia &amp; Middle East</td>
<td>115</td>
<td>96</td>
<td>24%</td>
</tr>
<tr>
<td>South America</td>
<td>37</td>
<td>35</td>
<td>7%</td>
</tr>
</tbody>
</table>

$^1$ currency adjusted
Sales per customer category

**Truck:** Sales have increased in all geographic regions.

**Trailer:** Continued success for the disc brake in Europe. Trailer sales in North America has decreased while it has increased in Asia.

**Aftermarket:** Sales growth in North America, South America and Asia, while decline in Europe.

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q3/17</th>
<th>Q3/16</th>
<th>change(^1)</th>
<th>9M/17</th>
<th>9M/16</th>
<th>change(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck</td>
<td>247</td>
<td>233</td>
<td>9%</td>
<td>765</td>
<td>770</td>
<td>-3%</td>
</tr>
<tr>
<td>Trailer</td>
<td>335</td>
<td>343</td>
<td>0%</td>
<td>1,091</td>
<td>1,049</td>
<td>2%</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>499</td>
<td>500</td>
<td>3%</td>
<td>1,557</td>
<td>1,501</td>
<td>1%</td>
</tr>
</tbody>
</table>

\(^1\) currency adjusted
Financials
Earnings

Operating income & margin*

Sales & Margins*

Earnings per share

<table>
<thead>
<tr>
<th>Q3/17</th>
<th>Q3/16</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin, %</td>
<td>27.3</td>
<td>28.6</td>
</tr>
<tr>
<td>Operating income (excl one-off items), SEK million</td>
<td>68</td>
<td>80</td>
</tr>
<tr>
<td>Operating income, SEK million</td>
<td>48</td>
<td>68</td>
</tr>
<tr>
<td>Operating margin (excl. one-off items), %</td>
<td>6.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>4.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Net income, SEK million</td>
<td>26</td>
<td>37</td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>0.59</td>
<td>0.82</td>
</tr>
</tbody>
</table>

* Excluding one-off items

19 (12) MSEK in one-offs in Q3 of which SEK 7 m related to restructuring activities and SEK 12 m related to the bidding process.
## Operating margin analysis

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q3/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales mix</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Product mix</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Volume</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Exchange rates</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross margin</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Restructuring program</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
Cash Flow

Working Capital & Cash Conversion Days

Cash flow operating activities

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q2/17</th>
<th>Q1/17</th>
<th>Q4/16</th>
<th>Q3/16</th>
<th>Q2/16</th>
<th>Q1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK m</td>
<td>27</td>
<td>39</td>
<td>19</td>
<td>88</td>
<td>65</td>
<td>61</td>
<td>42</td>
</tr>
</tbody>
</table>

Cash flow after net investments*

<table>
<thead>
<tr>
<th></th>
<th>Q3/17</th>
<th>Q2/17</th>
<th>Q1/17</th>
<th>Q4/16</th>
<th>Q3/16</th>
<th>Q2/16</th>
<th>Q1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13</td>
<td>4</td>
<td>92</td>
<td>27</td>
<td>25</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

* excluding one-off items
## Financial Key Figures
### Q3 2017 vs. Q2 2017

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2017</th>
<th>Jun 30 2017</th>
<th>Quarterly change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Working capital</strong></td>
<td>734</td>
<td>645</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>524</td>
<td>513</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Capital employed</strong></td>
<td>2,207</td>
<td>2,119</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,120</td>
<td>3,155</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>1,361</td>
<td>1,339</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>-572</td>
<td>-512</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Return on capital employed</strong> (excl. one-off items)*</td>
<td>12.6</td>
<td>12.2</td>
<td>+0.4</td>
</tr>
<tr>
<td><strong>Return on capital employed</strong>*</td>
<td>4.2</td>
<td>4.6</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Equity ratio, %</strong></td>
<td>44</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td><strong>Net debt/Equity ratio, %</strong></td>
<td>42</td>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>

*) Rolling twelve months
Way forward
STRATEGIC OBJECTIVES

- Profitable growth
- Ethical Haldex
- Green Haldex
- Safe Haldex

DRIVING OUR FUTURE 2016 - 2021

PRODUCT LEADERSHIP

- Innovative product development
- Value driving product properties
- R&D capabilities
- Product/technology roadmaps

CUSTOMER FOCUS

- Entrepreneurship
- Customer service
- Key account approach
- Commercial excellence program

AFTERMARKET EXPANSION

- Lifecycle offering approach
- Second brand and reman offerings
- E-commerce
- M&A driven capability growth
- Digitalized offerings

OPERATIONAL EXCELLENCE

- Safety #1
- Quality – 0 defects
- Manage cost
- Standardized work
- Continuous improvement

BRIDGE BUILDING CULTURE

- Ethics
- 5C behaviors
- Leadership
- Competence

STRATEGIC OBJECTIVES

- Profitable growth
- Ethical Haldex
- Green Haldex
- Safe Haldex
Market outlook 2017

- **North America**
  Has recovered and will be on a higher level than previous year.

- **Europe**
  Stable development with a slight increase.

- **China**
  A positive 2017 is forecasted but we have difficulty defending our market share.

- **India**
  Expected to show negative market growth in 2017, on market segments relevant for Haldex.

- **Brazil**
  Showing some signs of recovery from very low levels.
Haldex in 2017

The production volumes can improve over previous year but the unexpected and fast change of demand will not let us fully take advantage of the situation.

Our ambition is to continue to ensure good profitability, but due to higher costs from the bidding process, the operating margin for 2017 is forecasted to be slightly lower than in 2016.