



Innovative Vehicle Solutions

PRESS RELEASE

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Haldex streamlines operations to reach the long-term operating margin objective

Operating margin of 10 per cent, excluding investments in new technology, expected to be achieved in 2022

In parallel with investments in new technology, Haldex is analyzing its business to verify that the long-term objective of a 10 percent operating margin can be achieved. A stable and profitable core business is crucial for Haldex's ability to invest in new technology. Operations will be streamlined and optimized with the aim of reaching a 10 per cent operating margin in 2022, excluding investments in new technology.

“My first year as CEO has been characterized by a technology shift that affects the entire automotive industry and thus placed demand on investment in new technology. It is therefore important to create a profitable core business with positive cash flow.”, says Åke Bengtsson, President and CEO of Haldex. “The work to optimize operations and increase focus on profitability has begun and we are gradually introducing more efficiency measures. I am convinced that Haldex will reach a 10 per cent operating margin, excluding investments in new technology. We are not satisfied until we have reached our profitability target and will optimize the cost base and identify areas for continued growth.”

Review of the product portfolio

During the autumn, a strategy analysis was carried out in which market size and trends for Haldex's future development projects were analyzed and verified together with the consultant firm Roland Berger, who has solid expertise in the automotive industry.

Efforts to streamline the existing product portfolio has begun. With thousand product variants in the portfolio, small-scale products need to be phased out and non-profitable products divested or

discontinued. During January, an agreement was signed regarding the divestment of rotary connectors for construction equipment as part of this scope.

Supply chain optimization

Under the project name "Go India", the supply chain for the brake adjusters, which is Haldex's single largest product, has been optimized. More and more parts are being purchased or manufactured in India to lower the manufacturing cost. The project will continue in 2019 to further optimize the cost levels.

In the aftermarket, a new supply chain for spare parts will be set up. The complementary brands that Haldex launched in 2016 (Midland and Grau) have great potential for profitable growth. A separate purchasing organization will ensure the right quality level at the best price.

Focus on cost control and outsourcing of non-core business

Work is underway to improve the efficiency of Haldex's internal work processes and improve system support to achieve better follow-up. In 2018, a new ERP system was introduced in Europe and in 2019 the same system will be introduced in China and North America. Analyzes have been carried out of what costs Haldex can reduce, for example through outsourcing. Part of the administration has been outsourced in 2018 and outsourcing of IT operations begins in 2019.

New organization with focus on faster decision processes and lower material costs

Starting January 1, 2019, Haldex has started the introduction of a revised matrix organization:

- The geographical regions' responsibility towards customers has been strengthened in order to have a closer dialogue with customers and faster decision-making processes.
- The global functions for purchasing and production have been merged into a Supply chain function. This gives an increased focus on the entire production chain, from purchasing to delivery, and is part of working more efficiently with direct material, which is the cost that increased most during 2018, due to increased raw material prices and tariffs.
- To increase focus on customer satisfaction, a global commercial function has been set up that takes a holistic approach to sales, marketing, service and support to increase profitability and streamline customer transactions.

Optimized working capital and continued focus on return on capital employed

As a part of improving the return on capital employed, projects have been run in 2018 to reduce working capital. This has had a positive effect on inventory levels and the forecasting process, among other areas. The results of the new working methods are gradually introduced throughout Haldex in 2019 and aim to further reduce working capital during the year.

Long-term operating profit target of 10 per cent.

Since earlier, Haldex has communicated that the long-term operating margin target will be difficult to achieve in the short term as the technology shift with, for example, self-driving vehicles that the

industry is facing, will require investments. With the analysis of the business that has now begun, Haldex has again verified that an operating margin of 10 per cent is a realistic long-term goal. By excluding costs specifically linked to the development of new technology areas, the target has been timed to 2022. In future financial reports, Haldex will also report the operating margin excluding costs for new technology, in order to facilitate the follow-up of the operating margin target.

For 2019, the assessment is that the operating margin, including increased investments in new technology, will be in line with or higher than the operating margin excluding one-off items for 2018,

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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 5 billion SEK.

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