

**2022 Annual Report
with Sustainability
Report**

**Driving Innovation
for a Safer and
Greener World**

Haldex

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Business overview

Haldex in brief

Over 130 years of innovation have provided Haldex with competitive expertise in brake and air suspension systems for commercial vehicles. Haldex is a long-term partner to manufacturers of heavy trucks, trailers and buses, as well as to axle manufacturers. Due to a long history of innovative and competitive products, Haldex has established itself as a trusted, high-quality supplier, catering to a range of market needs. Thanks to its focus and smaller size, Haldex can offer a high degree of specialization, a high level of customer service and flexible solutions. Haldex has addressed the upcoming technological shifts in the commercial vehicle industry by investing in open, modular systems that challenge existing technology and ways of building brake solutions.

Proven business model

The global demand for the Company's products stems from the increased use of commercial vehicles for the transportation of goods, which in turn is driven by global growth.

Haldex's approach is to build long-lasting relationships with a large number of truck and trailer OEM customers and large fleet customers around the world. Generating new sales with vehicle manufacturers is a long process involving several milestones. Qualifying as a supplier to OEM manufacturers requires strong technical innovation capabilities and high-quality products. Price is also a decisive factor in OEM sales, which is why Haldex focuses on selected product and market niches to increase its competitiveness. Success requires close customer collaboration. Haldex often has joint development projects with major OEM customers, where new concepts and solutions are tested with the ultimate aim of Haldex's solutions becoming part of future serial production.

Even when Haldex has not completed this development process and is not the standard supplier, there is still an opportunity to provide products due to the fleet pull-through activities, which then create the demand for the optional position for products at the OEMs. Fleet-pull-through is the practice of a large fleet insisting on a product offering at the vehicle manufacturer that is consistent with their requirements. Haldex's marketing and sales activities are, therefore, not only directed at OEMs but also at fleet operators. This helps build brand awareness and creates demand for Haldex premium products.

Succeeding in the OEM business creates the basis for achieving large volumes over a long period, both in OEM production and in the more profitable aftermarket. Here, vehicle manufacturers have their own service organizations, known as original equipment suppliers (OES). Of equal significance are independent market distributors, who are either workshop chains or independent workshops, that form the independent aftermarket (IAM).

For aftermarket customers, it is important to maintain a high level of service and an availability of spare parts. The total cost of ownership is a very important factor for vehicle owners. Being able to minimize the occurrence of unplanned downtime due to defective parts and long delivery times is of importance to customers. For this reason, Haldex maintains a field service team and a product hotline to assist, instruct and train customers on the use, maintenance and troubleshooting of its products.

Customers' needs change over the life of the vehicle. In the initial years of a vehicle's ownership, parts with high durability are generally in demand. The older the vehicle becomes, the shorter the period it is kept by each owner, and hence affordable products are prioritized to match the remaining period of ownership of the vehicle. Haldex has therefore extended its range of products under different brands to include spare parts of the same high quality, but with a shorter lifetime. Haldex also offers remanufactured, used parts, which is a cost-efficient and eco-friendly way to reuse components.

Product portfolio focuses on brake and air suspension systems

Haldex's sales are divided into two product areas: Foundation Brakes and Air Controls. The product area Foundation Brakes includes brake products for wheel ends, such as disc brakes, brake adjusters for drum brakes and actuators. The Air Controls product area comprises products that improve the safety and driving dynamics of the brake system, such as compressed air dryers, valves, anti-lock braking systems (ABS) and electronic brake systems (EBS). The products are available in a range of versions for different geographic markets.

Three customer segments

Haldex operates in the market via three customer segments: Truck, Trailer and Aftermarket.

The truck market features a relatively high level of concentration, with around fifteen manufacturers of heavy trucks and buses in the Americas and Europe. In Asia, the truck market is more fragmented and features several local manufacturers. Truck manufacturers, including bus manufacturers, generally place larger contracts than trailer customers and accounted for 15% of sales in financial year 2022.

The trailer market consists of several regional manufacturers in the Americas, Europe and Asia. A few larger players act globally. Trailer customers have shorter lead times from project start to production and are thus characterized by faster launch times. Trailer customers accounted for 33% of sales in 2022.

The aftermarket consists of the truck and trailer manufacturers' own distributors as well as independent distributors. Distributors sell to logistics companies and workshops. In financial year 2022, the aftermarket business represented approximately 52% of total sales.

Globally positioned

Although trucks and trailers are available all over the world, there are major differences in vehicle configurations and regulations between geographic regions. The product mix differs significantly due to varying technical developments in the regions' respective vehicle fleets. Haldex operates and monitors business in three regional sales units: Region Americas, Region Europe, and Region Asia.

The Americas is Haldex's largest region (2022: 57% of the Group's total net sales), whereas the US is the Company's largest market and has the largest vehicle fleets. Many vehicles in the US are driven from coast to coast under road conditions that are entirely different to those in urban areas. Drum brakes and ABS continue to dominate the market; however, disc brakes are rapidly gaining in importance for new vehicles. In the US, the major fleets have a greater influence on vehicle design than in Europe. This means that Haldex sells not only to manufacturers but also indirectly to fleets. The focus is on high-quality solutions, optimized weight, long service life and generous warranties. The major technology shift the industry is expecting is the transition to disc brake technology. This shift has already begun, with disc brake technology now the dominant technology on trucks with trailers to follow.

Europe is Haldex's second-largest market, accounting for 36% of the Company's sales in 2022. 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 with a high technology content per vehicle. Disc brakes dominate, and only a minor percentage use drum brakes. Electronic brake systems (EBS) are common. The high level of technology is partly a result of strict safety regulations and high environmental standards. Customers are focused on high-quality solutions, weight optimization and requirements for low maintenance frequency.

Asia is the largest market for commercial vehicles, yet the smallest region for Haldex (2022: 7% of the Group's total net sales). Generally, Asia is still at a lower maturity level, but legislative initiatives containing new requirements for brake and suspension systems, such as those in China, are driving the need for advanced technologies.

One of the market leaders in braking systems

Haldex competes in the 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. Haldex's market share varies by product and geographic market. On a global scale, 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 commercial vehicles.

Automatic brake adjusters are Haldex's main product line in the Americas region, and the Company is the market leader for these products. Haldex also offers automatic brake adjusters under the Midland brand to compete directly with the lower-quality imitation ABA market and to offer alternative solutions to customers in the aftermarket. Haldex ranks second in actuators and third in air suspensions for trucks.

In Europe, Haldex holds a strong position in the trailer segment, while the business with truck OEMs is less significant. Haldex is the market

leader in automatic brake adjusters and air suspension systems for trailers. In addition, Haldex ranks second in disc brakes for trailers and third in EBS for trailers.

In Asia, the main product is the automatic brake adjuster. Haldex is a premium supplier aiming to offer better quality and service than competitors and ranks second in this application. Furthermore, Haldex is the market leader for air suspensions for buses in China.

Global and efficient manufacturing

Haldex has a global and efficient manufacturing and distribution set-up and strives to concentrate and optimize production between production sites. For a player of Haldex's size, it is necessary to streamline production to maximize scale effects in production. At the same time, Haldex differentiates itself by offering high service and flexibility.

Production is located close to the customer, with production units in Brazil, China, Hungary, India, Mexico, the United States and Sweden. By producing within the region where the customer uses the product, Haldex can provide better service, be more flexible, and optimize lead times, while at the same time minimizing the costs of transport and thus CO₂ emissions. Haldex's 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.

Directors' report

The Board of Directors and the Chief Executive Officer of Haldex Aktiebolag, corporate identity number 556010-1155, hereby issue annual accounts and consolidated financial statements for 2022. The Directors' Report comprises information on pages 5–8, with the risks and risk management described on pages 9–12 and the financial information presented on pages 21–50. The Sustainability Report comprises pages 13–20.

The year in summary

The year 2022 was strongly impacted by Russia's war on Ukraine and the ensuing sanctions by Western nations. As a result, energy prices soared, pushing inflation rates worldwide to levels not seen in decades. Bottlenecks in supply chains, which have been witnessed since the COVID-19 pandemic, added further price pressure, especially for materials such as steel and intermediate products and freight.

Nevertheless, demand for trucks and trailers remained strong in most regions, particularly in North America. In full-year 2022, Haldex's sales in the Americas rose organically by 14%. Sales in the regions EMEA and APAC grew moderately at 2% and 4%, respectively. Overall, the Group's organic growth for the full year amounted to 9%.

Sales to all three customer segments increased in 2022. Haldex's clear focus on the Aftermarket and Trailer segments yielded organic sales growth of 9% and 11%, respectively.

Organizationally, the year was marked by the takeover offer by SAF-HOLLAND SE published in June 2022. Based on the opinion of Lerner & Partners according to which the offer was fair to Haldex's shareholders from a financial point of view, the Board of Haldex AB had unanimously recommended that Haldex's shareholders accept the offer. After the extended acceptance period, which ended on 31 August 2022, SAF-HOLLAND announced that it owned 96.14% of the total Haldex shares outstanding.

Significant events in 2022

February	Publication of year-end report for full-year 2021
March	Haldex signs agreement with KRONE for the supply of EB+4.0
April	Publication of the quarterly report for the first quarter
May	Haldex Annual General Meeting is held on 24 May
May	Haldex signs a multi-year contract with a leading trailer manufacturer for the supply of air disc brakes
June	Statement by the Board of Directors of Haldex on the public cash offer of SAF-HOLLAND
July	Publication of the quarterly report for the second quarter
August	Haldex applies for delisting
September	Nasdaq Stockholm decides to delist Haldex from Nasdaq Stockholm

Operations

Haldex offers proprietary and innovative solutions to the global commercial vehicle industry, dedicated to brake products and brake components for heavy trucks, trailers and buses. Haldex Aktiebolag is the parent company of the Haldex Group. "Haldex" refers to the Haldex Group, which consists of Haldex Aktiebolag and its subsidiaries.

Market development in 2022

External market data from ACT Research shows that the production of heavy trucks (Class 8 trucks) in North America increased by almost 20% year-on-year in 2022. Growth was even stronger in the North American trailer market at around 25%. Following strong growth in the previous year, Brazil, the largest market for commercial vehicles in South America, consolidated in 2022, with heavy truck production increasing by 2% (according to ANFAVEA) and trailer production decreasing by 8% (according to ANFIR).

According to S&P Global, production of heavy trucks in Europe declined by 5% in 2022 on the back of continuing supply bottlenecks for key components. According to estimates by the market research institute CLEAR International Consulting, trailer production in Europe increased slightly by 1%. Growth of 6% in Western Europe was offset by a decline in Eastern Europe (-14%), triggered by heavy losses in the markets in Russia and Belarus.

The combination of weak economic growth and lockdowns due to the zero-COVID strategy weighed particularly heavily on the Chinese commercial vehicle market. As a result, production of heavy trucks and trailers fell by 52% and 58% year-on-year in 2022 (according to the China Association of Automobile Manufacturers). Supported by extensive government infrastructure programs, the Indian commercial vehicle market continued its strong growth in 2022. The Society of Indian Automobile Manufacturers reported that 52% more trucks and 97% more trailers came off the production lines in 2022 than in the previous year.

Sales

Group sales for the full year totaled SEK 5,578m (4,612), corresponding to organic growth of 9% compared to the previous year. Including favorable effects from currency translation of SEK 571m, sales increased by 21% year-over-year.

Haldex operates in the market via three customer segments: Truck, Trailer and Aftermarket.

Sales in the Aftermarket segment totaled SEK 2,897m (2,354) for the full year, representing 52% of total sales. Organic growth of the segment of 9% was supported by price increases and mainly driven by the performance in the Americas and APAC regions.

Sales in the Trailer segment totaled SEK 1,844m (1,545) for the full year, representing 33% of total sales. Organic growth of 11% was a result of solid customer demand across all regions which, in some cases, can be explained by catch-up effects following the low level of investment by fleet operators during the COVID-19 pandemic.

Sales in the Truck segment totaled SEK 837m (713) for the full year, which equals year-on-year organic growth of 3%. At 15% of total sales, the Truck segment was the smallest segment of the Group. Sales in 2022 were positively impacted by strong growth in the Region Americas, whereas sales in the Region APAC declined due to the weak Chinese market.

Haldex Group

Net sales per customer segment, SEKm	2022	2022 currency-adjusted	2021	YoY ¹
Aftermarket	2,897	2,563	2,354	9%
Trailer	1,844	1,708	1,545	11%
Truck	837	737	713	3%
Total	5,578	5,008	4,612	9%

¹ Organic – currency-adjusted

Net sales for Region Americas amounted to SEK 3,202m (2,376) in 2022, corresponding to organic growth of 14% compared to the previous year. The strongest percentage growth in the region was achieved in the Trailer segment, reporting an organic sales increase of 17%. Sales of air disc brakes increased sharply from low levels, compared to the previous year. The Truck segment reported organic growth of 16%. During the year, an agreement was signed for the delivery of disc brakes to a Truck OEM in Brazil. Growth in the Aftermarket business of 13 percent was positively impacted by the overall industry growth and price increases to customers.

Region Americas

Net sales, SEKm	2022	2022 currency-adjusted	2021	YoY ¹
Aftermarket	1,990	1,692	1,497	13%
Trailer	702	596	508	17%
Truck	510	429	371	16%
Total	3,202	2,718	2,376	14%

¹ Organic – currency-adjusted

Net sales for Region EMEA amounted to SEK 2,011m (1,920) in 2022, corresponding to organic growth of 2% compared to the previous year. Growth in Region EMEA was mainly supported by the Trailer segment, where build rates remained at high levels despite supply chain constraints and rising costs for raw materials and energy. Sales in the Aftermarket segment was up 1% year-on-year. Market share gains in the United Kingdom helped to compensate for the loss in sales in Russia following Haldex's decision to stop all commercial activities in the country in the first quarter. Sales of second-brand products increased at an above-average rate. Demand in the Truck business continued to be impacted by supply chain issues, mainly regarding electronic components.

Region EMEA

Net sales, SEKm	2022	2022 currency-adjusted	2021	YoY ¹
Aftermarket	836	805	801	1%
Trailer	1,023	1,005	971	4%
Truck	152	151	149	2%
Total	2,011	1,961	1,920	2%

¹ Organic – currency-adjusted

Net sales for Region APAC amounted to SEK 366m (316) in 2022, corresponding to organic growth of 4% compared to the previous year. Sales development was very varied in 2022. The Trailer segment recorded organic growth of 59% on the back of a solid development from EBS and Disc-brake ModulT in China. In contrast, sales in the Truck segment fell organically by 19%. A long-term agreement was signed with one of the leading customers in Korea, which will help strengthen Haldex's leading market position for ABA in the region. Still coming from a relatively low basis, sales in the Aftermarket business grew organically by 18%.

Region APAC

Net sales, SEKm	2022	2022 currency-adjusted	2021	YoY ¹
Aftermarket	72	66	56	18%
Trailer	119	106	67	59%
Truck	175	156	193	-19%
Total	366	329	316	4%

¹ Organic – currency-adjusted

Haldex operates in two main product areas, Foundation Brakes and Air Controls. Foundation Brakes focuses on wheel-end braking products, while Air Controls consists of products that improve the safety and driving dynamics of the brake system. Sales in the Foundation Brakes product area totaled SEK 3,145m (2,548) in 2022, which organically equaled a 12% increase compared to the previous year. Sales in the Air Controls product area totaled SEK 2,433m (2,064) in 2022, representing year-on-year organic growth of 5%.

Net sales per product area

SEKm	2022	2022 currency-adjusted	2021	YoY ¹
Foundation Brakes	3,145	2,841	2,548	12%
Air Controls	2,433	2,167	2,064	5%
Total	5,578	5,008	4,612	9%

¹ Organic – currency-adjusted

Profit

Operating profit, excluding non-recurring items, totaled SEK 277m (391) for the full year of 2022, which is equivalent to an adjusted operating margin of 5.0% (8.5%).

The lower year-on-year adjusted operating margin was due to several factors. First, the gross margin declined to 26.4% (28.1%) as a result of higher purchase prices of raw materials and components in combination with increased costs for freight and energy. These adverse effects could only be partially offset by price increases to customers. Additionally, the gross margin was also affected by impairments of inventories. Product development expenses rose sharply in 2022 by 81% to SEK 217m (120), mainly as a result of lower capitalized R&D expenses due to the launch of the EBS Gen4 product in Q1 2022. Accordingly, product development expenses as a percentage of sales increased by 1.3 percentage points. Selling expenses rose by 23% to SEK 606m (491) mainly due to higher warranty and trade fair costs, while administrative expenses rose by 21% to SEK 379m (310) due to the build-up of a shared service center in Hungary for Region EMEA. The increase in both expense items was roughly in line with the increase in net sales.

Including non-recurring items totaling SEK 227m (146), the reported operating profit amounted to SEK 50m (245) in full-year 2022.

The main items affecting comparability in 2022 were impairment expenses on intangible assets and financial assets. Impairment of intangible assets totaling SEK 94m relates, for one, to a development project for electromechanical brakes. At year-end 2022, the Company applied a more cautious approach with regard to the assessment of the still required development time and, in turn, the current status of the development project. This more conservative interpretation of the accounting policies led to the assessment that the requirements for capitalization according to IAS 38 were not met. This resulted in the impairment of previously capitalized development expenses in the amount of SEK 80m. Additionally, the ongoing costs related to the project were fully recognized as an expense in the reporting year. Furthermore, impairment of intangible assets includes the impairment of an Enterprise Resource Planning software license following the decision to stop its implementation in the amount of SEK 14m. Haldex also recognized an

impairment expense of SEK 38m on its Chinese joint venture Haldex VIE (China) Electro Mechanical Brake Systems Co. Ltd. to reflect the deteriorated financial position and business outlook of the entity. Expenses related to the acquisition process amounted to SEK 31m in 2022 and mainly consisted of legal fees and costs for external consultants. Restructuring expenses and severance payments, mainly to senior management, came to SEK 28m and SEK 32m, respectively.

In the 2021 financial year, Haldex retroactively recorded an impairment loss of SEK 130m on capitalized product development costs in the context of the correction of the incorrect valuation of a R&D project. For further details, see Note 2.

Financial income and expenses totaled SEK -116m (-55). Whereas interest income was nearly unchanged at SEK 3m (4), interest expenses rose to SEK 67m (31), mainly due to higher interest expenses for financial liabilities with variable interest rates. Other financial items of SEK -52m (-28) include currency effects of SEK -23m (-20) and other financial income and expenses of SEK -28m (-8).

Profit before tax was SEK -67m (190). After-tax expenses of SEK 99m (31), the profit after tax for the year was SEK -165m (158).

Transactions and partnership

In 2022, Haldex succeeded in securing a number of deals in both strategic partnerships and larger-volume transactions.

In March 2022, Haldex announced it had signed a long-term agreement with KRONE Commercial Vehicle Group, a leading trailer manufacturer, for the supply of the fourth-generation electronic brake system (EBS) platform for trailers. The new generation EBS, the EB+4.0, brings parking brake control into electronic management and offers a new modular and customizable approach to customer-specific functions. This agreement extends a long-existing partnership with KRONE and is an important step to expand Haldex's market share within this segment. With this product offer, Haldex contributes to improved road safety and an increased level of digitalization of the industry. As a multi-voltage platform that can be used as both ABS and EBS with significant weight reduction and a lower estimated CO2 footprint of up to 30% compared to the previous generation, this new platform is aligned with market needs.

In May 2022, Haldex entered into an agreement with Schmitz Cargobull, a leading trailer manufacturer in Europe, for the supply of ModulT disc brakes. The Haldex ModulT program is an innovative air disc brake platform developed specifically to meet increased customer demands on performance, robustness, service up-time, weight and total cost of ownership. The agreement includes the supply of both 22" and 19" ModulT versions. The deal is an important milestone to continue to grow in this segment and further strengthens Haldex's already strong market position for air disc brakes for trailers in Europe. This is an important and strategic deal for Haldex, even though the estimated order value is not significant in relation to the total sales of the Haldex Group.

On 8 June 2022, SAF-HOLLAND SE announced a public cash offer to Haldex's shareholders to transfer their shares in Haldex to SAF-HOLLAND. Under the terms of the offer, SAF-HOLLAND offered SEK 66 per Haldex share in cash, which valued the issued share capital of Haldex at approximately SEK 3.2 billion. The Board of Haldex AB had unanimously recommended that Haldex's shareholders accept the offer. At the Board's request, Lenner & Partners Corporate Finance AB ("Lenner & Partners") issued an opinion stating that the offer was fair to Haldex's shareholders from a financial point of view. The acceptance period of the offer expired on 16 August 2022. After the extended acceptance period, which ended on 31 August 2022, SAF-HOLLAND announced it owned 96.14% of the total Haldex shares outstanding.

Cashflow

Cash flow from operating activities before changes in working capital decreased by SEK 209m year-over-year to SEK 251m (460). The decline was mainly due to the lower operating profit for the year of SEK 50m (245) and higher interest paid of SEK 88m (35).

The change in working capital resulted in a cash outflow in the reporting year of SEK 326m (164), which was primarily triggered by the build-up in inventories of SEK 135m (75) and a reduction in current liabi-

lities of SEK 155m (increase of SEK 73m). Consequently, the cash flow from operating activities for 2022 totaled SEK -76m (296).

Investments, including capitalized development expenses, amounted to SEK 186m (226). Of the total, SEK 136m (136) was attributable to investments in property, plant and equipment and SEK 50m (90) to investments in intangible assets. As a result, cash flow after investments was SEK -295m (123). Total cash flow for 2022 totaled SEK -148m (111).

Financial position

In financial year 2022, the Group's net debt increased by SEK 133m to SEK 1,489m (1,356). This increase was the result of the negative cash flow from operating activities (SEK -76m) and the negative cash flow from investing activities (SEK -219m). In contrast, net debt was positively impacted by a remeasurement of pension liability, principally due to higher interest rates, which reduced net debt by SEK 183m. Debt attributable to IFRS 16 decreased by SEK 46m.

The Group's net debt as of 31 December 2022 totaled 1,489m (1,354), of which SEK 1,382m (1,129) relate to interest-bearing liabilities, SEK 315m (361) to lease commitments under IFRS 16 and SEK 280m (463) to pension liabilities.

Following the successful acquisition of the Company in 2022, Haldex took out a bilateral loan from SAF-HOLLAND SE amounting to SEK 1,224m to redeem its outstanding bilateral loans and syndicated credit facility. The bilateral loan from SAF-HOLLAND SE has a term until 31 December 2024.

Net debt

SEKm	2022	2021
Asset items in net debt:		
Cash and cash equivalents	488	597
Liability items in net debt:		
Interest-bearing liabilities, including derivative instruments	-1,382	-1,129
Pension liabilities	-280	-463
Total net debt, excl. IFRS 16 – leasing	-1,174	-995
Debt attributable to IFRS 16	-315	-361
Total net debt, incl. IFRS 16 – leasing	-1,489	-1,356

Despite the net loss for the year of SEK 165m, the Group's equity rose by SEK 146m in the 2022 financial year to SEK 1,673m (1,527). Equity was positively impacted by foreign currency translation effects of SEK 142m and the remeasurement of pension obligation of SEK 172m (after tax). Consequently, the equity/assets ratio was SEK 36% (34) at the end of the year.

Seasonal effects

Haldex's business does not have any significant seasonal variations. Sales however 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 2022 financial year, there were 1,882 (2,003) employees, amounting to a decline of 6% compared to the end of 2021. The decrease in the number of employees was mainly due to a reduction in employees in administrative areas following the acquisition by SAF-HOLLAND SE.

Haldex shares

Haldex's share capital totals SEK 243m, divided into 48,637,567 shares, with each share having a quotient value of SEK 5. There is only one class of Haldex shares, and each share represents one vote. On 18 August 2022, the Board resolved to apply for the delisting of the Company's

shares from the Nasdaq Stockholm stock exchange. The last day of trading in the Company's shares on Nasdaq Stockholm was 19 September 2022.

Parent Company

Haldex Aktiebolag, corporate identity number 556010-1155, is a registered limited liability company with its registered office in Landskrona, Sweden. The parent company fulfills the head office functions, including the corporate finance function. The net sales of the parent company totaled SEK 158m (110) in 2022. Profit after tax was SEK –25m (–187).

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 brakes to disc brakes 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 of Europe and the Americas, 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.

Haldex's vision and strategy

At the end of 2021, a new vision was launched – Driving Innovation for a Safer and Greener World – with a renewed strategy spanning to 2025. Haldex drives innovation within braking systems, actively moving ahead of the industry. Haldex's solutions are safer in terms of braking stability and greener in terms of energy efficiency. Through strategic partnerships, Haldex challenges existing technology while remaining an independent partner in the value chain.

The 2025 strategy consists of three pillars: optimizing current operations, capturing strategic opportunities and integrating sustainability into the business model. By implementing strategic activities under each pillar, Haldex will achieve a sustainable market position and profitability level, while contributing to a sustainable environment.

Outlook for 2023

External new production forecasts provide insight into how the market is expected to develop. However, because Haldex's sales are not evenly distributed between the two customer segments, Truck and Trailer, the Company does not necessarily share forecasters' further outlook. Haldex therefore provides its own combined view of how the Company sees each market developing.

Haldex anticipates growing more rapidly in terms of sales than the rate of growth in demand for newly produced heavy vehicles and trucks in each market. Market data indicates that the OEM market in 2023 is expected to be moderately weaker in the Americas and EMEA regions, whereas Region APAC is expected to record growth primarily in China and India. Market data on the aftermarket is lacking, but Haldex's assessment is that it follows the general economic trend in each market. According to the International Monetary Fund (IMF), overall economic

growth is expected to slow in 2023 and remain below the long-term trend.

Following the military attack on Ukraine, Haldex has suspended trade with Russia and Belarus. This situation may affect the future prospects of both the Company and its customers and lead to further raw material price increases and supply chain challenges. Haldex will continue to closely monitor developments and the related impact on operations and employees and take the necessary action.

Significant events after the balance sheet date

On 21 February 2023, the acquisition of Haldex AB by SAF-HOLLAND SE was formally completed with the receipt of merger control clearance from the Polish antitrust authority.

On 3 March 2023, SAF-HOLLAND SE announced that as of 1 March 2023 it holds 100 percent of the shares in Haldex AB following the successful completion of a compulsory redemption procedure under the Swedish Companies Act (squeeze out).

Appropriation of earnings

Unrestricted funds in the company, that are available for appropriation by the Annual General Meeting in accordance with the balance sheet, amount to:

SEK	
Net loss for the year	-24,934,148
Profit brought forward	622,317,504
	597,383,356

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	0
Profit to be carried forward	597,383,356
	597,383,356

Risks and risk management

Risk	Policy/Action
STRATEGIC RISKS	
Economy	
<p>Demand for Haldex's products is dependent on demand for transport, which, in turn, is driven by global trade trends, infrastructure needs, environmental and safety legislation, and economic growth. Although Haldex does business in several segments, products and markets, revenue and profitability are heavily dependent on the aftermarket.</p>	<p>Haldex mitigates economic impact by operating in a number of geographic markets. Haldex balances demand, to a certain extent, by operating in both the OEM market (Truck and Trailer customer segments) 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 the aftermarket. Haldex monitors official production statistics closely to ensure early detection of fluctuations in demand and thus adapt production volumes.</p> <p>Strategic initiatives are defined and potential acquisitions are considered to ensure growth in the aftermarket segment.</p>
Product development	
<p>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 to continuously develop new products or improve existing products that meet these demands, so that market share is not lost to competitors.</p>	<p>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.</p> <p>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.</p> <p>The Group's total product development expenditure (excluding depreciation) was SEK 221m (184) in 2022, of which capitalized development expenses were SEK 37m (87) at December 31, 2022.</p>
Intellectual property rights and patents	
<p>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 to the Group.</p>	<p>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 Haldex products has increased in recent years, particularly in the Asian markets.</p>
EXTERNAL RISKS	
Global risks	
<p>Haldex's global operations entail a risk that Haldex will be affected by world events outside its direct control, for example in the event of a global pandemic or changing geopolitical situations.</p>	<p>Exercising contractual rights and enforcing contractual obligations can be difficult in global crises. Monitoring events in the outside world in order to be able to react quickly to situations that may have a significant impact on the company is therefore high on the agenda of both management and the Board.</p> <p>Haldex has implemented significant savings programs, both long-term and short-term (including workforce reductions, relocation of production, reduced travel and material savings) to mitigate the impact of lower demand. Haldex has been able to manage the turbulent situation caused by the pandemic well, with only limited disruption to operations as a whole.</p> <p>Since the first quarter, Haldex has suspended trade with Russia and Belarus. Haldex's sales in Russia are limited and therefore the direct impact is minimal. Haldex is closely monitoring developments and the impact on both the business and employees and will continue to take necessary measures.</p>
Legislation	
<p>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.</p>	<p>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 identified future changes.</p> <p>Regulatory changes could impact the Group's operations, both positively and negatively. One example of regulatory change with a positive impact on Haldex's operations 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.</p>
Environment	
<p>Haldex's production sites consume large amounts of energy, and handle raw materials and, in certain cases, hazardous waste. Incorrect or inefficient handling poses a risk to the environment.</p>	<p>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 in to 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 escapes or faulty handling of hazardous substances.</p>

Risk	Policy/Action
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OPERATIONAL RISKS

Production

In Haldex's production and remanufacturing facilities, fires, breakdowns and other types of incidents can result in damage to the facility and injury to 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. Warehousing 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.

Raw materials

Component shortages and higher raw material spot prices risk negatively impacting Haldex's profitability.

Raw material market prices are monitored, analyzed and reported on a monthly basis. Where possible, customer contracts include raw material price clauses to pass on price increases from supplier to customer. In cases where price clauses are not included, Haldex renegotiates the agreements if the price trend for raw materials has significantly changed.

IT and infrastructure

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:

- Disruption of 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 database security and governance control as well as increasing service levels and improving opportunities for producing reports from these systems. By increasing efficiency and integrating with customers and suppliers with modern technology, the risk of cyberattacks decreases. The geographic 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 in the 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 of great significance to 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. In recent 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 enable employees to be recruited and retained. The area in which recruitment is most challenging is software development.

With the implemented changes in the organization (closing of 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. The reinforcements that are continuously made in terms of communication, leadership development and other culture-strengthening activities should reduce this risk in the long term.

Health and safety

Accidents and inadequate safety at Haldex's facilities could result in injuries or fatalities.

The physical safety of staff is a top priority, and systematic efforts to prevent accidents are made daily, particularly at the Haldex production sites where the risks are highest. Safety observations are carried out where employees teach each other in groups to identify work posing a risk. Haldex gives every employee a 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.

Observed risks together with safety incidents and accidents are managed by the policies and working methods devised in the Safety First framework. All relevant staff are trained in the Safety First framework.

Health risks also include mental illness due to harassment, high stress levels and poor working conditions.

For a number of years, Haldex has intensified its efforts in the area of a good working environment by addressing its values, behavior and leadership training. Haldex values, 5C principles and Code of Conduct are reviewed by all employees on a regular basis to ensure continued awareness and to uphold guiding principles. Haldex also has a whistleblower hotline where employees can alert the company to potential wrongdoing.

Risk	Policy/Action
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BUSINESS-RELATED RISKS

Competition

The commercial vehicle industry is highly competitive, with tight margins. Due to Haldex's size and the intense competition it faces, there is a risk of entering into agreements with customers and suppliers that are unfavorable to Haldex.

Before entering into significant and/or strategically important customer contracts or submitting quotations, they are carefully reviewed through a Bid Board process, which includes a review of pricing, bill of materials, volume, R&D and global product profitability, as well as a comparison of the offering with competition, market prices and market shares. An assessment of the contractual exposures is part of the review and approval process.

There are economies of scale in the industry in which Haldex operates. On the other hand, a smaller company, such as Haldex, has greater opportunities for rapid decision-making and flexibility towards customers.

Customers

There are only a few large 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 10 largest customers account for around 46% of sales. The 20 largest customers account for around 59% 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.

Haldex has been collectively affected by the global pandemic as many customers in the same market have responded to the pandemic in much the same 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.

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. Geographic balance is considered in combination with dual sourcing. Haldex continuously assesses all key suppliers to ensure that they meet the specified requirements.

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.

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. 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.

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 make 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. 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.

Compliance with trade rules and sanctions

With global operations and handling of raw materials in production, there is a risk that Haldex will infringe international trade rules, including sanctions.

The regulatory framework for international trade is complex and Haldex has dedicated staff working full-time to check and monitor, ensuring that Haldex complies with current regulations, including sanctions.

Risk	Policy/Action
Business ethics and regulatory compliance*	
<p>Infringements of corruption and competition laws can have serious negative consequences for the business, including damage to the Group's reputation, legal proceedings, fines or imprisonment for employees. The Group may also be affected by claims brought by persons or companies affected by alleged non-compliance.</p>	<p>The Haldex Code of Conduct is fundamental to all operations, and it is clear that unethical behavior is not acceptable. 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. A digital training course was introduced in 2019. The aim is to train 100% of employees in the Code of Conduct. 100% (100) were trained in the Code of Conduct in 2022.</p> <p>All unethical behavior in the form of bribery, corruption or fraud is reported to the police without exception, in accordance with Haldex's policy.</p> <p>Whistleblower procedures are in place to enable employees to raise 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.</p>
<p>Haldex's reputation could be affected if customers become engaged in dubious activities or do business in countries with human rights issues.</p>	<p>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.</p>
<p>There is a risk of suppliers causing problems for Haldex if they do not comply with applicable laws or otherwise behave in an unethical manner.</p>	<p>Haldex has developed a special Code of Conduct for suppliers that clarifies the requirements Haldex places on its partners. The aim is for all suppliers to have signed the Code of Conduct. 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.</p> <p>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.</p>

Financial risks consist of currency risk, credit risk and interest rate risk. All financial risks are described in detail in Note 4 together with a presentation of the Group's use of financial instruments.

* See the Sustainability Report and the section Ethical Haldex on page 16 for more information.

Safe, Ethical, Green and Humane Haldex

Haldex's work within sustainability is divided into the concepts of Safe, Ethical, Green and Humane Haldex. Haldex has a culture that promotes commitment, responsibility, good ethics in business relationships and positive interaction with the community in which the Group conducts operations.

Sustainability considerations

Raw materials

The Group's most important raw materials comprise various types of metals, mainly steel, aluminum and cast iron.

Energy and climate

The Group's energy consumption and climate impact mainly relate to its own production purposes (direct energy/direct emissions) and to purchased electricity or district heating (indirect energy/indirect emissions).

Impact on people and the environment

Haldex's manufacturing and the materials used impact people and the environment in several ways. Examples include occupational accidents and illnesses, waste and carbon dioxide emissions.

Upstream in the value chain

The production of raw material and components by suppliers upstream in the value chain has itself a significant environmental impact. Moreover, the environment is affected by transport activities.

Circularity in production and business

A more comprehensive circular approach is emphasized in internal processes, products and business models. Haldex's aftermarket offering, including the remanufacturing and friction business, supports a reduction in carbon footprint and promotes a circular economy.

Science Based Targets initiative

In 2021, Haldex committed through the Science Based Targets initiative (SBTi) to set company-wide emissions targets in line with climate science. The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The decision to be part of the SBTi shows Haldex's alignment to the Paris Agreement and the ambition to reduce greenhouse gas emissions across the entire value chain.

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.

Sustainability is an integral part of Haldex's operations and important in all parts of the value chain.

Disclosure is the first step to drive environmental action, which is why Haldex has worked with CDP since 2020 to obtain a score for corporate environmental reporting. In 2022, Haldex obtained a score C.

According to CDP, this means that the organization has knowledge of impacts on, and of, climate issues. Key focus areas for Haldex in 2022 that supported the result were risk management process, scope 1 and 2 emissions reporting (included for the first time external verification by KPMG) emissions reduction initiatives, energy and business strategy.



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 human resources, which form the basis for specific goals and activities for all groups. Risk related to sustainability are continuously analyzed.

▶ SAFE HALDEX	▶ ETHICAL HALDEX	▶ GREEN HALDEX	▶ HUMANE HALDEX
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MAJOR AREAS

<ul style="list-style-type: none"> » Health and safety » Production quality 	<ul style="list-style-type: none"> » Anticorruption » Compulsory labor » Child labor 	<ul style="list-style-type: none"> » Fuel efficiency » Emissions and climate change » Energy management » Recyclable and reusable materials » Waste management 	<ul style="list-style-type: none"> » Employees practices » Training
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KEY RATIOS AND OUTCOMES 2022

<ul style="list-style-type: none"> » Work-related accidents per million hours worked (target: max 2.0). Outcome: 4.1 (3.2). » Work-related safety incidents per million hours worked (target: > 20). Outcome: 132 (128). » Work-related safety risks observed per million hours worked (target: > 2,450). Outcome: 2,681 (2,206). 	<ul style="list-style-type: none"> » Number of employees trained in the Code of Conduct (target: 100%). Outcome: 100% (100). » Number of investigations regarding breaches of the Code of Conduct that are completed (target: 100%). Outcome: 100% (100). » Terminated supplier partnerships due to breach of the Code of Conduct (target: 0). Outcome: 0 (0). 	<ul style="list-style-type: none"> » Material efficiency (target: 93.7%) Outcome: 94.1% (95.0). » Carbon dioxide emissions, Scope 1 and 2. Outcome: 9,067 tons CO₂ (9,416). » Carbon dioxide emissions per unit. Outcome: 1.84 kg per unit (1.61). » 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. 	<ul style="list-style-type: none"> » Percentage of female managers (target: at least 24%). Outcome: 23% (23). » Healthy attendance (target: at least 98%). Outcome: 98% (98). » Development plans for all employees (target: 100%). Outcome: 100% (100).
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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.

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 commercial vehicles.

In the internal processes, the focus is on the products being of high quality and meeting Haldex's strict functional requirements. Production is guided by extensive processes for how products are to be manufactured and tested. The Haldex Way framework has evolved from a 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.

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 behaviors from being reactive to being active. Employees are trained to take responsibility not just for themselves, but also for each other and to observe and act on potential safety risks.

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 breaches. Haldex uses the concept of a safety pyramid, which is a theo-

ry that there is a direct relationship between accidents, near misses and safety risk observations. All accidents are communicated throughout the company. Corrective and preventive measures are implemented locally in combination with proactive prevention of incidents and observations of safety risks.

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. A near miss or incident is an event that could have resulted in an accident. 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. Workplace safety improves significantly when work and responsibility for safety is integrated into the line organization and employees take greater individual responsibility for both themselves and their colleagues.

Measures to improve safety:

- » Accidents are reported on the intranet together with preventive measures, which allows for other parts of the organization with similar risks to learn from each other and prevent the same types of accidents from occurring. A Global Safety Committee with representatives from all sites contributes to and ensures the transfer of skills within the Group.
- » During the year, a behavior-based safety initiative was implemented to bring attention to the behaviors employees can change to reduce risk exposure. The initiative encourages an open dialogue among employees with regards to both safe and unsafe behaviors, with the ambition to raise awareness about safety and to promote employees actively contributing to a safer culture.
- » A safety compliance KPI was introduced to measure the accomplishment of safety activities, eg. audits, risk assessments and feedback sessions. Safety activities encourages the organization to identify safety risks, and implement actions to eliminate them.

KEY RATIOS SAFETY

Per million hours worked	2022	2021	2020	2019
Number of accidents	4.1	3.2	2.5	2.4
Number of incidents	132	128	136	259
Risk observations ¹⁾	2,681	2,206	1,297	–

¹⁾ First measured in 2020.

IDENTIFIED RISKS/OBJECTIVES

Unsafe behaviors or conditions are safety risks, and observed risks together with safety near misses 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 near misses, the objective is to have at least ten times the number of accidents. In 2022, a new goal was set to have at least 2,450 risk observations identified per million worked hours.

Ethical Haldex

Haldex's ethics is permeated by the basic values: Customer First, Respect for the Individual and Passion for Excellence. The values are put into practical form and reinforced within the Group's work with behaviors, which aims to promote increased cooperation within the Group and relationship building with employees in different parts of the company.

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 in regards to:

1. respect for employees' private lives
2. reasonable working conditions
3. zero tolerance of discrimination and harassment
4. equal opportunities regardless of gender, religion, sexual orientation, ethnicity, age or disability

Haldex of course strives for diversity among its employee. The Code of Conduct includes information regarding where employees should turn if they discover irregularities, feel harassed or feel discriminated.

As a complement to the Code of Conduct, there are more detailed policies. As an example, there is a procurement and finance policy in place to ensure proper management when approving investments, purchasing materials and when approving invoices.

In 2019, a digital platform for training in the Code of Conduct was introduced. The purpose of the training is to strengthen the code and ensure a greater level of understanding and compliance within the company.

Ensuring no harassment

Harassment is unacceptable according to Haldex's values, its Code of Conduct and the 5C Framework. Haldex has established a 'whistle-blower hotline' which was fully implemented during 2020. In 2022 the hotline received 1 (2) complaints, which were all investigated and closed. The employee survey tool that was implemented in 2021 also pro-

vides opportunities for employees to give feedback and raise concerns anonymously. The tool includes discrimination and harassment as separate areas to ask questions about and follow up continuously.

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 deploys efforts to reduce the number of suppliers, which is expected to lead to efficiency improvements as well as better conditions for analyzing the supply chain from a sustainability point of view.

Haldex has implemented a Code of Conduct for suppliers that clarifies the requirements Haldex places on its partners. Existing suppliers are evaluated through planned audits, which include questions relating to the Code of Conduct. Haldex also applies 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.

Since 2020, Haldex has a global network for female leaders within the company. Haldex has also been involved in road safety for school students and in the project Smart Math's to raise the level of interest in technology among high school students.

KEY RATIOS ETHICS

	2022	2021	2020	2019
Employees trained in the Code of Conduct, %	100	100	89	99.8
Terminated supplier partnerships due to breach of the Code of Conduct	0	0	0	0
Proportion of investigated breaches of the Code of Conduct, %	100	100	100	97.5

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 percent of staff to be trained in the Code of Conduct, but for practical reasons a key ratio of over 99.5 percent is deemed 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.

Green Haldex

Haldex actively works on reducing its environmental footprint in connection with production, transport, and deliveries. Haldex focuses on developing new braking solutions that consume less energy, weigh less, take up less space and reduce the level of noise emissions. Haldex plans to significantly reduce scope 1 and 2 emissions over the next years.

Direct environmental impact

The management of environmental risks within Haldex's production sites, distribution centers, remanufacturing sites and friction centers has a notable effect on Haldex environmental footprint. Transport, together with electricity consumption, are the parts of Haldex's process that have the greatest carbon footprint. 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 throughout the organization.

Haldex's Environmental framework includes methods and initiatives to improve Haldex's environmental impact. This work was further strengthened during 2021 when was decided to significantly reduce scope 1 and 2 emissions over the next years.

Haldex has an environmental committee with representatives of all production sites and distribution centers who jointly follow up targets and discuss improvements. Coordination between different units and projects have resulted in a decreased carbon dioxide emissions for scope 1 and 2 over the latest years, primarily through more sustainable electricity consumption. Haldex's focus on seeking more environmentally friendly energy sources will lead to a continued decline in levels.

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.

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.

Material efficiency, defined as the ratio between all direct and indirect material entering Haldex, compared to what is delivered to custo-

mers, is an important metric for Haldex. Focus is to continue evaluating components used, packaging material, internal processes, reducing scrap and recycling or reusing waste material to ensure high efficiency.

Environmental impact through product quality and use

Sustainability and the environmental impact of Haldex's products are an important parameter in product development. An environmental assessment, Green Product Assessment, is included early in the project as a mandatory input when products are changed or developed from scratch. Weight reductions and a higher proportion of sustainable materials used are key aspects considered.

The braking systems of tomorrow contribute to a more sustainable society. 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 CO₂ 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.

Haldex has had a remanufacturing and friction business since the 1980's. Remanufacturing is a cost-efficient and eco-friendly way to reuse components, which reduces the consumption of natural resources, energy, and the emission of greenhouse gases. As such, this business promotes a circular economy. Haldex has released the next generation of brake pads for its Air Disc brakes, in order to comply with new requirements on copper free brake friction material in the US market.

KEY RATIOS ENVIRONMENT

	2022	2021	2020	2019
Material efficiency, %	94.1	95.0	93.3	94.1
Carbon dioxide emissions, tonnes	35,915	35,843	30,324	37,502
Carbon dioxide emissions Scope 1 and 2, tons	9,067	9,416	10,181	15,666
Carbon dioxide emissions Scope 3, tons	26,848	26,627	20,981	22,336
Carbon dioxide emissions per unit, kg/unit ¹⁾	1.84	1.61	1.56	–

¹⁾ First measured in 2020.

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

For suppliers, the objective is for the proportion with certification to the environmental management standard ISO 14001 to increase.

Haldex and the EU taxonomy for sustainable investments

The taxonomy for environmentally sustainable investments is one of the measures included in the EU's plan of action for financing sustainable growth. The taxonomy makes it possible to identify and compare investments that are necessary in achieving a sustainable economy.

Sustainability and the environmental impact of products are an important parameter in Haldex's product development. Much of Haldex's product development is towards braking systems of tomorrow, which contribute to a more sustainable society. Haldex's assessment of the first delegated act is that Haldex has economic activities that are eligible to the environmental objective of climate change mitigation and climate change adaptation.

Full disclosure relating to the remaining environmental objectives will be made in the Annual Report 2022 following the adoption of the second delegated act.

Assessment of taxonomy compliance

Haldex has determined that it has economic activities that are eligible for the environmental objective of climate change mitigation, in accordance with Article 2 points (5) and (6) of Regulation (EU) 2020/852 of the European Parliament and of the Council.

Haldex product categories were used to label economic activities based on NACE codes. In total a list of 22 product categories were identified that include all different Haldex products. Haldex economic activities were assessed in accordance with Article 10 of Regulation (EU) 2020/852 of the European Parliament and of the Council to review if they contribute to the reduction of greenhouse gas emissions and consequently to climate change mitigation including through process innovations or product innovations, by:

- » improving energy efficiency;
- » increasing clean or climate-neutral mobility; or
- » switching to the use of sustainably sourced renewable materials.

After it became apparent that, due to the Haldex product portfolio, there were no production activities in the group that would correspond to economic activities 3.1 to 3.5, we looked for products that could be used in other sectors - for example at our customers and their customers - to create a significant reduction in CO2 reductions could be associated.

A total of three product categories were identified to be associated with a significant CO2 reduction in other sectors and as a result qualify

for classification in terms of taxonomy under economic activity 3.6 or 9.1 of Delegated Act Annex I:

- » Air Disc Brake (ADB)
- » Electronic Brake System (EBS)
- » Electromechanical Brake (EMB)

Description of products

Air Disc Brakes: The Haldex ModulT program is an innovative air disc brake platform developed specifically for the purpose of meeting increased customer demands on performance, robustness, service up-time, weight and total cost.

Electronic Brake System (EBS): The EBS controls the braking system electronically and distributes brake pressure so that there is optimal braking power in the vehicle.

Friction / Remanufacturing: Haldex Friction Centers is progressive within brake shoe remanufacturing. This business reduces the consumption of natural resources, energy, and the emission of greenhouse gases.

Electromechanical Brake (EMB): Haldex is a pioneer in electro-mechanical brake technology which significantly improves the high energy consumption of the current pneumatic brake systems. EMB represents up to 90 percent saving in brake energy consumption, 50 percent less components and connections, 15 percent reduced stopping distances, 50 percent weight saving, 65 percent noise reduction and 50 percent reduction of components.

The conclusion of the qualitative assessment of all product categories is that four Haldex product categories meet the assessment of being eligible for the environmental objective 1 of climate change mitigation (Delegated Act Annex I) and 12 economic activities meet the assessment of being eligible for the environmental objective 2 of climate change adaptation (Delegated Act Annex II).

Annex I	Annex II	Activity number	Economic activity	Product category	Included in EU taxonomy calculations
Yes	No	3.6	Manufacture of other low carbon technologies	EBS, EDB	Yes
Yes	Yes	5.1	Construction, extension and operation of water collection, treatment and supply systems	Not applicable	No
Yes	Yes	5.3	Construction, extension and operation of waste water collection and treatment	Not applicable	No
Yes	Yes	5.5	Collection and transport of non-hazardous waste in source segregated fractions	Not applicable	No
Yes	Yes	5.9	Material recovery from non-hazardous waste	Not applicable	No
Yes	Yes	6.4	Operation of personal mobility devices, cycle logistics	Not applicable	No
Yes	Yes	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	Not applicable	No

Annex I	Annex II	Activity number	Economic activity	Product category	Included in EU taxonomy calculations
Yes	Yes	7.2	Renovation of existing buildings	Not applicable	No
Yes	Yes	7.3	Installation, maintenance and repair of energy efficiency equipment	Not applicable	No
Yes	Yes	7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Not applicable	No
Yes	Yes	7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Not applicable	No
Yes	Yes	7.6	Installation, maintenance and repair of renewable energy technologies	Not applicable	Yes
Yes	Yes	7.7	Acquisition and ownership of buildings	Not applicable	Yes
Yes	No	9.1	Close to market research, development and innovation	EMB	Yes

OUTCOME 2022

Outcome of the economic activities are presented below and consist of turnover, capital expenditure and operating expenses. Turnover and capital expenditure are based on actual transactions from the accounting related to the respective activities below. For operating expenses, the outcome is based on a combination of actual transactions and

more general allocations to the activities, based on local knowledge of the business and history. Haldex's external financial statements are not reported at this level and therefore it is difficult to link the outcome below to the external financial statements.

Environmental objective	Economic activity	Turnover, %	Capital expenditure, %	Operating expenses %
Climate change mitigation	Sum Taxonomy-eligible activities	22.8	23.1	28.9
	Sum Taxonomy-non-eligible activities	77.2	76.9	71.1
Climate change adaptation	Sum Taxonomy-eligible activities	0	0.4	22.9
	Sum Taxonomy-non-eligible activities	100	99.6	77.1

Humane Haldex

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

Haldex has staff in 18 countries and a total of 1,882 employees, around 31 percent of whom are women. Approximately 60 percent of the employees work in production, while the remaining 40 percent are office-based staff. In a small global group like Haldex, the work to have common values, a clear Code of Conduct and a joint concept for how we should act within the company is a definite success factor.

Behaviour concept – how Haldex acts

Haldex's 5C behavioral concept has been developed as a guideline for desired behaviors and how we ought to work in order to make Haldex a better, more efficient and more pleasant place to work.

As a result of the work that was initiated by the Group Management team, a new Behavior Framework: 4 C's (challenge, collaborate, commit & deliver, celebrate) was introduced in 2022 to ensure that Haldex's culture develops in the right direction to support the revised strategy. The concept was successfully launched in June 2022 and all managers completed a 4-module training to develop the required skills in line with the new behaviors. Training and workshops are regularly arranged to develop employee behavior skills. 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, our behaviors form 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.

The Haldex Way framework is also one of the tools implemented to create a common way of working, and consequently forms part of the leadership development. Procedures and results are monitored at each facility by 'assessors' from other production sites. They propose impro-

vement 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 are needed for the future, and what gaps have to be filled and how to fill them in order to reach and continue to maintain the competence level needed going forward.

Employee surveys

Haldex has previously worked with a traditional annual employee survey. In 2020, no traditional measurement was carried out following covid-19. In 2021, a new tool for regular "pulse" measurement was implemented where employees answer a few questions each week. The results are aggregated and reported monthly. This new way of measuring aims to get an idea of the "temperature" within Haldex in real time, in order to be able to quickly act upon areas in need of development.

In 2022 the focus turned on the utilization of the data in the survey tool: managers used the data to initiate discussions with their teams and agree on improvement actions that they follow-up on regularly. With this process in place an average 7% improvement was achieved in employee satisfaction and thus exceeded the industry benchmark, while the response rate also significantly improved.

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 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.

KEY RATIOS EMPLOYEES

	2022	2021	2020	2019
Percentage of female managers, %	23	23	24	26
Healthy attendance, %	98	98	98	98
Development plans for all employees, %	100	100	94	88

IDENTIFIED RISKS/OBJECTIVES

An identified risks is that Haldex's values are not embedded or followed within the organization. Another risk is a lack of leadership undermining the common values and the strong commitment of employees, which are important for job satisfaction, motivation and the success of the company. The objective is for everyone 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 level of commitment and ensure that all employees are working towards common objectives.

Consolidated income statement

Amounts in SEKm	Note	2022	2021 ¹
Net sales	5	5,578	4,612
Cost of goods sold	11	-4,104	-3,318
Gross profit		1,474	1,294
Selling expenses	11	-606	-491
Administrative expenses	10,11	-379	-310
Product development expenses	11	-217	-120
Share of profit from joint venture		-18	-20
Other operating income and operating expenses	6	-205	-108
Operating profit	6, 7, 8, 9, 16	50	245
Interest income	12	3	4
Interest expense	12	-67	-31
Other financial items	12	-52	-28
Profit before tax		-67	190
Tax	13	-99	-31
Net profit for the year		-165	158
Net profit attributable to:			
Parent Company shareholders		-170	156
Non-controlling interests		5	2

¹ Adjusted according to IAS 8.42. For more information see Note 2.

Consolidated statement of comprehensive income

Amounts in SEKm	Note	2022	2021
Net profit for the year		-165	158
Other comprehensive income			
Items not to be reclassified to the income statement			
Remeasurement of pension obligation, after tax	13, 28	172	118
Total		172	118
Items that may be reclassified to the income statement			
Change in hedging reserve, after tax	13	-2	2
Translation of foreign currency		142	91
Total		140	93
Total other comprehensive income		312	211
Total comprehensive income		147	369
Total comprehensive income attributable to:			
Parent Company shareholders		140	364
Non-controlling interests		7	5

Consolidated balance sheet

Amounts in SEKm	Note	2022	2021 ¹
ASSETS			
Non-current assets			
Goodwill	14	465	422
Other intangible fixed assets	14	176	242
Right-of-use assets	15	267	316
Other property, plant and equipment	15	800	791
Financial assets	17, 20	66	86
Deferred tax assets	18	24	107
Total non-current assets	21	1,798	1,964
Current assets			
Inventories	24	1,038	794
Accounts receivable	4, 23	832	735
Other current receivables	25	434	407
Derivative instruments	19, 20, 23	9	32
Cash and cash equivalents	26	488	597
Total current assets	21	2,801	2,565
TOTAL ASSETS		4,599	4,529
EQUITY AND LIABILITIES			
Equity			
Share capital		243	243
Other paid-in capital		626	626
Reserves		147	9
Retained earnings		618	617
Attributable to shareholders of the Parent Company		1,634	1,495
Attributable to non-controlling interests		39	32
Total equity		1,673	1,527
Non-current liabilities			
Non-current interest-bearing liabilities	16, 23, 27	1,469	1,314
Pensions and similar obligations	28	280	463
Deferred tax liabilities	18	1	21
Other non-current liabilities		32	31
Total non-current liabilities	22	1,782	1,829
Current liabilities			
Current interest-bearing liabilities	16, 23	150	67
Accounts payable	23	550	662
Derivative instruments	19, 20, 23	8	42
Provisions	29	60	42
Other current liabilities	30	376	360
Total current liabilities	22	1,144	1,172
TOTAL EQUITY AND LIABILITIES		4,599	4,529

¹ Adjusted according to IAS 8.42. For more information see Note 2.

Changes in Group equity

Amounts in SEKm	Group report on changes in equity							
	Share capital	Capital contributions	Translation reserve ¹	Hedging and fair value reserve	Other retained earnings ¹	Total	Non-controlling interests	Total equity
Opening balance at January 1, 2021	243	626	-81	0	343	1,131	27	1,158
Net profit for the year	-	-	-	-	156	156	2	158
Other comprehensive income								
Translation of foreign currency	-	-	88	-	-	88	3	91
Remeasurement of pension obligation, after tax	-	-	-	-	118	118	-	118
Change in hedging reserve, after tax	-	-	-	2	-	2	-	2
Total other comprehensive income	0	0	88	2	118	208	3	211
Total comprehensive income	0	0	88	2	274	364	5	369
Closing balance at December 31, 2021	243	626	7	2	617	1,495	32	1,527
Opening balance at January 1, 2022 (as previously reported)	243	626	40	2	687	1,598	32	1,630
Effect of the retroactive adjustment ¹	-	-	-33	-	-70	-103	-	-103
Opening balance at January 1, 2022	243	626	7	2	617	1,495	32	1,527
Net profit for the year	-	-	-	-	-170	-170	5	-165
Other comprehensive income								
Translation of foreign currency	-	-	140	-	-	140	2	142
Remeasurement of pension obligation, after tax	-	-	-	-	172	172	-	172
Change in hedging reserve, after tax	-	-	-	-2	-	-2	-	-2
Total other comprehensive income	0	0	140	-2	172	310	2	312
Total comprehensive income	0	0	140	-2	2	140	7	147
Closing balance at December 31, 2022	243	626	147	0	618	1,634	39	1,673

¹ Adjusted according to IAS 8.42. For more information see Note 2.

Consolidated statement of cash flow

Amounts in SEKm	2022	2021 ¹
Cash flow from operating activities		
Operating profit	50	245
Reversal of non-cash items*	319	295
Interest paid	-88	-35
Tax paid	-29	-45
Cash flow from operating activities before changes in working capital	251	460
Change in working capital		
Current receivables	-37	-162
Inventories	-135	-75
Current liabilities	-155	73
Change in working capital	-326	-164
Cash flow from operating activities	-76	296
Cash flow from investing activities		
Investments in joint venture	-37	-
Investments in intangible assets	-50	-90
Investments in property, plant and equipment	-136	-136
Disposal of property, plant and equipment	4	53
Cash flow from investing activities	-219	-173
Cash flow from financing activities		
Change in interest-bearing liabilities	146	-12
Cash flow from financing activities	146	-12
Changes in cash and cash equivalents and bank balances, excluding foreign currency translation	-148	111
Cash and cash equivalents, opening balance	597	440
Translation of foreign currencies in cash and cash equivalents	38	46
Cash and cash equivalents, closing balance	488	597
* Reversal of non-cash items:		
Depreciation and amortization	248	212
Share of profit from joint venture	18	-
Exchange-rate differences	-95	-34
Gain/loss from disposal of non-current assets	17	-
Non-recurring items	132	117
Total	319	295

Cash and cash equivalents includes an amount of SEK 432m (362) which cannot be used by the Group without paying withholding tax.

¹ Adjusted according to IAS 8.42. For more information see Note 2.

Notes

Note 1. General information

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 limited company with registered office in Landskrona in Sweden. The address of the head office is Haldex AB, Box 507, 261 24 Landskrona.

Note 2. Summary of significant accounting policies

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 in accordance with IAS 1, which reflects the internal reporting and presents a true and fair view of the Group's profit or loss.

The totals in tables and statements in the annual report may not always reconcile due to rounding. The aim is for each line item to correspond to the source and therefore rounding differences may arise in totals.

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 controlling 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 ventures

Joint ventures are recognized according to the equity method, which means that they are initially recognized in the consolidated balance sheet at cost. The carrying amount is then increased or reduced to take account of the Group's share of profit after the acquisition date.

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 financial 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.

Revenue recognition

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. 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, or when there is an indication of an impairment requirement, 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 combinations are recognized at fair 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. Expenditure consists of both internally accumulated hours and external costs in the form of materials, equipment and consultants. 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 ten 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

Leases that are in scope for IFRS 16 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 ter-

Note 2 cont. Summary of significant accounting policies

mination 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 an implicit interest rate 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 regarding financial instruments.

Classification

The Group's 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 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

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.

Impairment of receivables

The Group measures the future expected credit losses related to investments in debt instruments recognized at amortized cost based on prospective information. The Group monitors and reserves based on the estimated credit risk. 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 include cash and bank balances. 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 recog-

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Note 2 cont. Summary of significant accounting policies

nized 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 using 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.

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.

Restatement of the comparative figures

Haldex Group made a retrospective adjustment of the comparative figures in accordance with IAS 8.42 relating to the valuation of intangible

assets and to the accounting treatment of foreign exchange effects arising from intercompany transactions.

More specifically, this means that the carrying amounts of the intangible assets arising from capitalized development costs were adjusted due to an incorrect valuation of an R&D project, which effected the comparative figures as of 31 December 2021.

Further, due to an incorrect application of IAS 21 with regard to the foreign exchange effects arising from intercompany transactions which were previously incorrectly recognized in other comprehensive income instead being recognized in the consolidated income statement, the comparative figures for 2021 were adjusted.

Due to the adjustment pursuant to IAS 8.42 the figures in the consolidated balance sheet as of December 31, 2021 have changed and were adjusted retroactively as follows:

SEKm	2021 Before adjustments	Adjustments	2021 After adjustments
Net profit for the year	228	-70	158
Thereof			
Cost of goods sold	-3,352	-33	-3,318
Other operating income and operating expenses	22	-130	-108
Tax	-58	27	-31

SEKm	2021 Before adjustments	Adjustments	2021 After adjustments
Total non-current assets	2,067	-103	1,964
Thereof			
Other intangible fixed assets	372	-130	242
Deferred tax assets	80	27	107
Total equity	1,630	-103	1,527
Thereof			
Reserves	42	-33	9
Retained earnings	687	-70	617

Note 3. Critical accounting estimates and judgments

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 judgments 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 2021, and totaled SEK 465m (422) 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 testing of goodwill is based on the strategy established by Haldex's Board of Directors for the first three years and which has been calculated thereafter. The most important performance measures are sales, gross margin, operating income and changes in working capital. 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 1% (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 11.0% (10.7). WACC before tax is 13.9% (13.4). 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: 8.8% (9.7)
- » Beta: Determined beta for Haldex based on the corresponding information for the listed peer companies
- » 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 Sweden

The impairment testing of goodwill carried out in 2021 and 2022 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 27% (25) of equity at December 31, 2022.

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 2022, a WACC of 12.9% (12.3) after tax was used for all product development projects. The equivalent WACC before tax is 16.3% (15.5). The Group's carrying amount for capitalized product development projects is SEK 190m (313), which is equivalent to approximately 7% (19) of equity at December 31, 2022. 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.

During 2022, an overvaluation of capitalized product development costs of SEK 130 million was discovered as a result of incorrect cash flows. For more information on correcting this error see note 2.

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.

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, 2022 was SEK 49m (35). Total warranty expense for 2022 was SEK 35m (39), equivalent to 0.6% (0.8) of net sales. Of total warranty expenses, SEK 0m (0) is recognized as a non-recurring expense.

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 28. A 0.75% 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 70m.

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 2022 totaled approximately SEK 115m (216). 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, 2022	Dec. 31, 2021
EUR/SEK	-/+22	-/+ 24
GBP/EUR	-/+13	+/- 13
USD/CAD	-/+6	+/- 11

According to 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, 2022, 35% (50) 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 2022 to hedge invoiced and forecast currency flows. At December 31, 2022 these contracts had a nominal value of SEK -136m (-112) net and a market value of SEK 0m (-0).

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 2022, the value of the Group's net assets, i.e. the difference between capital employed and net debt, was SEK 1,673m (1,527) and was made up of the following currencies:

SEKm	Dec. 31, 2022	Dec. 31, 2021
SEK	941	1 154
CNY	204	238
MXN	143	109
USD	96	-31
CAD	96	66
KRW	82	72
INR	73	56
Other	37	-136

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, 2022, 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, 2022, SEK 1,224m (1,020) of the loan debt had an average variable interest rate of 3.36% (1.80). 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 12m (10) after tax.

Currency hedging of invoiced and projected currency flows

SEKm	Dec. 31, 2022					Nominal amount	Dec. 31, 2021				
	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 2023	8	25	35	123	11	Falling due in 2022	96	42	76	71	103
Average exchange rate	10.44	0.028	7.71	12.58	11.13	Average exchange rate	8.87	0.028	7.06	12.0	10.26
Hedging of flows	-	-	-	-	-	Hedging of flows	-	-	-	-	-
Falling due after 2023	-	-	-	-	-	Falling due after 2022	-	-	-	-	-
Average exchange rate	-	-	-	-	-	Average exchange rate	-	-	-	-	-

Note 4 cont. Financial risks

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 832m (735) at December 31, 2022, 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 geographic distribution of accounts receivable largely corresponds to sales per region. In 2022, 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.

	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable		
Accounts receivable not overdue or impaired	703	617
Overdue 1–30 days and not impaired	95	77
Overdue 31–60 days and not impaired	17	16
Overdue > 60 days and not impaired	37	45
Accounts receivable subject to impairment	–20	–20
Accounts receivable	832	735

Provisions for bad debts have changed as follows:

	2022	2021
Provision for bad debts		
Provision at January 1	–20	–23
Impairments for expected losses	–	–
Realization of impairment against loss recorded	–	3
Reversed impairments	–	–
Translation of foreign currency	–	–
Provision at December 31	–20	–20

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 9m (32) at December 31, 2022. After taking into account netting agreements, the credit risk is SEK 9m (-). The equivalent risk for investments in credit institutions was SEK 488m (597), 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, 2022, 100% (100) of the loans had a maturity of more than one year. The maturity structure was as follows: 100% in 2024. See Note 27.

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 683m (767) at year-end, equivalent to 12% (17) of net sales.

Haldex's main sources of funding

	Dec. 31, 2022	Dec. 31, 2021
Nominal value		
Bilateral loan	110 EUR m	SEK 270m
Syndicated loan	–	EUR 90m

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

2022	2022	2021
America	3,201	2,376
Europe	2,011	1,920
Asia	366	316
Total	5,578	4,612

Comparison figures from 2021 have been restated following the transfer of sales in the Middle East from region Asia to region Europe.

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.

	2022	2021
Operating profit, excl. non-recurring items	277	391
Impairment expenses intangible assets	-94	-130
Impairment expenses joint ventures	-38	-
Severance payments	-32	-
Expenses related to the acquisition process	-31	-
Restructuring expenses	-28	-28
Other	-4	12
Operating profit, incl. non-recurring items	50	245

Note 7. Expenses by nature

	2022	2021
Direct material expenses including change in stocks	3,392	2,662
Employee benefit expenses	932	863
Depreciation, amortization and impairment (see Notes 6, 14 and 15)	379	343
Other operating income and operating expenses	825	499
Total	5,528	4,367

Note 8. Employees and remuneration

Number	Total 2022	of whom men	Total 2021	of whom men
Sweden	223	173	235	183
Mexico	537	321	572	338
Hungary	283	151	323	170
United States	264	196	255	186
India	165	147	150	132
China	161	119	203	157
Brazil	74	57	79	60
France	61	37	62	37
United Kingdom	55	45	59	51
Canada	17	11	15	9
Germany	12	12	20	19
Poland	10	7	9	7
South Korea	6	4	7	5
Italy	6	3	4	2
Spain	4	3	4	3
Belgium	2	2	2	2
Russia	1	1	2	1
Australia	1	1	1	1
Austria	0	0	1	1
Total	1,882	1,290	2,003	1,364

	2022			2021		
	Salaries and benefits	Social security contributions	Of which pension expenses	Salaries and benefits	Social security contributions	Of which pension expenses
Haldex Group	732	152	38	690	144	39

Remuneration of senior executives. Basic salary incl. benefits SEK 37m (28), variable remuneration SEK 5m (4) and pension remuneration SEK 3m (3). Of Group pension expenses in operating profit, SEK 32m (34) is

related to defined-contribution plans and SEK 6m (5) is related to defined-benefit plans. For more information on Haldex defined-benefit pension plans, see Note 28.

Note 9. Share-related remuneration

The Annual General Meeting resolves on incentive programs for senior executives and key personnel. The Annual General Meeting 2022 resolved, in accordance with the Board's proposal, to adopt a long-term incentive (LTI) program for the senior executives and CEO. This LTI program replaced the LTIP 2021 for the CEO. The outcome of the program is based on the Haldex Group's return on capital employed and earnings before interest and taxes for 2022. Vesting period is 2022–2023.

Participation in the LTI program required personal investment in Haldex shares. Initially. After Haldex was acquired by SAF-Holland, the requirement to invest in Haldex shares became irrelevant, the bonus payment is made in cash.

As of December 31, 2022, the provision for the LTI program amounted to SEK 9.8 million. 17 people were included in the program at the year-end 2022.

Note 10. Remuneration of auditors

	2022	2021
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	10	7
– of which Öhrlings PricewaterhouseCoopers AB	5	3
Auditing activities in addition to auditing engagements	0	0
Tax advice	0	0
– of which Öhrlings PricewaterhouseCoopers AB	0	0
Other services	3	1
– of which Öhrlings PricewaterhouseCoopers AB	0	0
Total	13	8

Note 11. Depreciation and amortization

	2022	2021
Cost of goods sold	142	119
Selling expenses	24	23
Administrative expenses	49	48
Product development expenses	33	23
Total	248	213

Note 12. Financial income and expenses

	2022	2021
Interest income	3	4
Interest expense	–39	–17
Interest on pension liabilities (see Note 28)	–14	–11
Interest on lease liability (see Note 16)	–9	–9
Currency translation	–28	–14
Other financial income and expenses	–28	–8
Total	–116	–55

Note 13. Tax

	2022	2021
Current tax	–60	–45
Deferred tax	–39	14
Total	–99	–31

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	2022	2021
Profit before tax	–67	190
Tax according to current tax rate in Sweden	20.6%	–20.6%
Differences in tax rates in different countries of operation	–21.2%	16.3%
Non-deductible expenses	–50.0%	–12.1%
Non-taxable income	5.2%	–0.9%
Tax attributable to previous years	–17.7%	1.5%
Use of previous unrecognized loss carry-forwards	–	5.3%
Revaluation of activated losses	–104.7%	–
Other taxes	19.1%	–6.2%
Effective tax rate	–148.5%	–16.4%

The Group's tax expense totaled SEK 99m (31). The underlying tax rate for the year is 148.5%, compared with a tax rate of 16.4% for the previous year.

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

Deferred tax	2022	2021
Remeasurement of pension obligation	–13	–3
Change in hedging reserve	1	0
Exchange rate differences	–3	2
Total	–15	–1

Note 14. Intangible assets

	Goodwill	Patents and other intangible assets	Capitalized development expenses ¹	Total
January 1, 2021				
Cost of acquisition	385	72	591	1,048
Accumulated depreciation	–	–70	–297	–367
Carrying amount	385	2	294	681
January 1–December 31, 2021				
Opening carrying amount	385	2	294	681
Translation of foreign currency	37	–	3	40
Investments	–	0	1	1
Capitalized expenses	–	–	87	87
Reclassifications	–	–	1	1
Amortization	–	0	–16	–16
Impairments	–	–	–130	–130
Closing carrying amount	422	2	240²	664
December 31, 2021				
Cost of acquisition	422	72	684	1,178
Accumulated depreciation	–	–70	–444	–514
Carrying amount	422	2	240²	664
January 1–December 31, 2022				
Opening carrying amount	422	2	240	664
Translation of foreign currency	43	0	2	45
Investments	–	2	24	26
Capitalized expenses	–	–	24	24
Reclassifications	–	0	5	5
Amortization	–	0	–29	–29
Impairments	–	–	–94	–94
Closing carrying amount	465	4	172²	641
December 31, 2022				
Cost of acquisition	465	74	739	1,278
Accumulated depreciation	–	–70	–567	–637
Carrying amount	465	4	172²	641

¹ Adjusted according to IAS 8.42. For more information see Note 2.

² Capitalized development expenses consist of product development at SEK 115m (180) and development of IT systems at SEK 57m (60).

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 11.

Note 15. 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	Right-of-use assets	Total
January 1, 2021							
Cost of acquisition	200	15	1,505	838	166	433	3,157
Accumulated depreciation and amortization	-150	-6	-1,103	-702	0	-106	-2,067
Carrying amount	50	9	402	136	166	327	1,090
January 1–December 31, 2021							
Opening carrying amount	50	9	402	136	166	327	1,090
Translation of foreign currency	1	0	22	7	11	16	57
Investments	2	0	44	13	76	67	202
Sales/disposals	-7	-4	-2	0	0	-31	-44
Reclassification	0	-	35	3	-39	0	0
Depreciation	-4	-	-82	-48	-	-63	-197
Impairments	-	-	0	-	-	0	0
Closing carrying amount	42	5	419	111	214	316	1,107
December 31, 2021							
Cost of acquisition	115	7	1,440	854	214	483	3,113
Accumulated depreciation and impairment	-73	-2	-1,021	-743	0	-167	-2,006
Carrying amount	42	5	419	111	214	316	1,107
January 1–December 31, 2022							
Opening carrying amount	42	5	419	111	214	316	1,107
Translation of foreign currency	3	0	25	8	15	11	62
Investments	3	0	64	49	20	10	146
Sales/disposals	-	-	-14	-1	-5	-3	-23
Reclassification	0	-	144	1	-151	0	-6
Depreciation	-5	0	-102	-45	-	-67	-219
Impairments	-	-	0	-	-	0	0
Closing carrying amount	43	5	536	123	93	267	1,067
December 31, 2022							
Cost of acquisition	129	7	1,731	915	93	512	3,387
Accumulated depreciation and impairment	-86	-2	-1,195	-792	0	-245	-2,320
Carrying amount	43	5	536	123	93	267	1,067

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 11.

Note 16. Leases

Recognized amounts in the balance sheet

	2022	2021
Assets with right of use		
Buildings	255	301
Vehicles	11	13
Others	1	2
Total assets with right of use	267	316
Lease liabilities		
Current lease liabilities (included in Current interest-bearing liabilities)	70	67
Non-current lease liabilities (included in Non-current interest-bearing liabilities)	245	294
Total lease liabilities	315	361
Additional rights of use during the year totaled	10	67

Recognized amounts in the income statement

	2022	2021
Depreciation of right-of-use assets		
Buildings	-57	-53
Vehicles	-9	-9
Others	-1	-1
Total depreciation of right-of-use assets	-67	-63
Other expenses in the income statement		
Interest expenses (included in Interest expenses)	-9	-9
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)	-3	-2
Total other expenses in the income statement	-12	-11
Total cash flow for lease contracts	-75	-70

For information on the Group's accounting policies for leases, see Note 2. For information on the opening and closing asset values and changes during the year, see Note 15. The impact of lease liabilities on liquidity is shown in Note 23.

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Loss carry-forwards	58	85	-	0	58	85
Provisions	1	6	-	0	1	6
Pensions and similar obligations	-	18	-	0	-	18
Acquisition-related surplus values	-	-	7	7	-7	-7
Leases	3	2	-	0	3	2
Other	12	5	44	50	-32	-45
Deferred tax assets/tax liabilities, net	74	116	51	57	23	86
Offsetting of tax receivables/tax liabilities	-50	-36	-50	-36	-	-
Total	24	107	1	21	23	86

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 in the country concerned. On the balance sheet date, there are also tax loss carry-forwards, for which a deferred tax asset is not recog-

Note 17. Financial assets

	Dec. 31, 2022	Dec. 31, 2021
Participating interests in associated companies ¹	36	54
Other non-current receivables	30	32
Total	66	86

¹ Participating interests in associated companies consist of Haldex's three Chinese joint ventures, all of which are recognized using the equity method. The associated companies are owned to 49 or 50%.

Note 18. 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:

	2022	2021
January 1	86	73
Recognition in the income statement (Note 13)	-39	14
Tax recognized in equity (Note 13)	-	-
Tax recognized in other comprehensive income (Note 13)	-15	-3
Translation of foreign currency	-9	2
December 31	23	86

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

nized. The potential of these loss carry-forwards is equivalent to a deferred tax asset of approximately SEK 112m (126). None of the recognized loss carry-forwards have an expiry date.

Note 19. Derivative instruments

	Dec. 31, 2022		Dec. 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Currency futures – cash flow hedges	–	–	2	1
Currency futures – at fair value through profit or loss	9	9	1	1
Currency swaps – at fair value through profit or loss	0	0	29	40
Total derivative instruments according to the balance sheet	9	8	32	42
Financial instruments that are covered by a framework agreement on offset but are not recognized net	–	–	–32	–32
Total, net	9	8	–	10

Gains and losses in equity on current currency forward contracts that are recognized in other comprehensive income during 2021 have been reversed

to the income statement in 2022. Financial instruments that are recognized at fair value belong to Level 2 of the fair value hierarchy, which means that their fair value is determinable, directly or indirectly, from observable market prices.

Note 20. Financial instruments at fair value

The Group holds financial instruments that are measured at fair value. Derivative instruments are recognized at fair value 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, 2022			Dec. 31, 2021		
	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 – assets	–	9	–	–	32	–
Derivative instruments – liabilities	–	–8	–	–	–42	–

With regard to the Group's other financial instruments, these are recognized as follows: Haldex currency credit agreements and bilateral 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 as-

sets 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 21. Assets per category

	Dec. 31, 2022					Dec. 31, 2021						
	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
Non-current assets												
Intangible and tangible	1,708	–	–	–	–	1,708	1,771	–	–	–	–	1,771
Deferred tax assets	24	–	–	–	–	24	107	–	–	–	–	107
Other financial assets	–	66	–	–	–	66	–	86	–	–	–	86
Current assets												
Inventories	1,038	–	–	–	–	1,038	794	–	–	–	–	794
Accounts receivable	–	832	–	–	–	832	–	735	–	–	–	735
Other current receivables	159	276	–	–	–	434	145	262	–	–	–	407
Derivative instruments	–	–	9	–	–	9	–	–	30	–	–	30
Derivative instruments – hedge accounting	–	–	–	–	–	–	–	–	–	2	–	2
Cash and cash equivalents	–	488	–	–	–	488	–	597	–	–	–	597
Total	2,929	1,661	9	–	–	4,599	2,817	1,680	30	2	–	4,529

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 22. Liabilities per category

	Dec. 31, 2022					Dec. 31, 2021				
	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
Non-current liabilities										
Deferred tax liabilities	1	–	–	–	1	21	–	–	–	21
Pensions and similar obligations	280	–	–	–	280	463	–	–	–	463
Interest-bearing liabilities	–	1,469	–	–	1,469	–	1,314	–	–	1,314
Other non-current liabilities	–	32	–	–	32	–	31	–	–	31
Current liabilities										
Interest-bearing liabilities	–	150	–	–	150	–	67	–	–	67
Accounts payable	–	550	–	–	550	–	662	–	–	662
Derivative instruments	–	–	8	–	8	–	–	40	–	40
Derivative instruments – hedge accounting	–	–	–	–	–	–	–	–	2	2
Other provisions	60	–	–	–	60	42	–	–	–	42
Other current liabilities	210	166	–	–	376	175	185	–	–	360
Total	550	2,368	8	–	2,926	701	2,258	40	2	3,001

Haldex's current and non-current liabilities, credit facilities and bilateral 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 23. Liquidity

	Dec. 31, 2022			Dec. 31, 2021		
	<1 year	>1< 2 years	>2 years	<1 year	>1< 2 years	>2 years
Non-current interest-bearing liabilities incl. interest	-81	-1,305		-18	-1,026	
Current interest-bearing liabilities including interest	-151					
Lease liabilities, non-discounted	-75	-63	-203	-70	-66	-249
Accounts payable	-550			-662		
Derivative instruments	-8			32		
Total	-785	-1,368	-203	-718	-984	-249
Accounts receivable	832			735		
Derivative instruments	9			42		
Net flow	56	-1,368	-203	59	-984	-249
Derivative instruments						
– outflow	88			3,759		
– inflow	-165			3,708		

Haldex's credit facilities and bilateral 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

totalled SEK 195m (324). Estimated interest consists of the equivalent value in SEK based on the exchange rates at December 31 and the future-oriented current interest rates for the liability.

Note 24. Inventories

	Dec. 31, 2022	Dec. 31, 2021
Raw materials	712	542
Semi-finished products	24	18
Finished products	302	234
Total	1,038	794

Note 25. Other current receivables

	Dec. 31, 2022	Dec. 31, 2021
Tax receivables (incl. VAT)	183	166
Prepaid expenses and accrued income		
Rents and insurance	15	11
Other prepaid expenses	117	79
Collateral receivable	17	13
Other current receivables	103	136
Total	434	407

Note 26. Cash and cash equivalents

	Dec. 31, 2022	Dec. 31, 2021
Bank balances and cash	488	597
Total	488	597

Cash and short-term deposits of SEK 432m (362) are held in Canada, China and South Korea and are subject to local currency control regulations that impose restrictions on moving capital from the country, other than through normal distribution.

Note 27. Non-current interest-bearing liabilities

	Dec. 31, 2022	Dec. 31, 2021
Bilateral loan	1,224	270
Syndicated loan	–	750
Total	1,224	1,020

Liabilities pertaining to IFRS16 Leases have been excluded in an amount of SEK 245m (294).

	2022		2021	
	Nominal	Maturity	Nominal	Maturity
Bilateral loan	110	Dec 31, 2024	SEK 270m	Apr. 21, 2023
Syndicated loan	–	–	EUR 90m	Apr. 21, 2023

Note 28. 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

	2022	2021
Defined-benefit obligations at January 1	876	926
Reclassification of opening balance	–	–4
Vested pensions during the period	6	5
Interest on obligations	14	11
Benefits paid	–26	–32
Reduced commitment through transfer to defined-contribution plan	–	0
Contributed funds	–	0
Effects of curtailments and settlements	–	–1
Revaluations due to changes in demographic assumptions	4	–1
Remeasurements due to changes in financial assumptions	–308	–65
Experience-based remeasurements	34	–11
Translation of foreign currency	24	48
Defined-benefit commitments at December 31	624	876
Fair value of plan assets at January 1	413	348
Expected return on plan assets	9	5
Payment from assets	–14	–21
Effects of curtailments and settlements	–	0
Contributed funds	10	9
Measurement gains/losses on plan assets	–85	41
Translation of foreign currency	11	31
Fair value of plan assets at December 31	344	413

Reconciliation of interest-bearing pension liabilities

	2022	2021
Pension liability (net) at January 1	463	578
Pension expense	11	7
Benefits paid	–26	–32
Reduced liability through transfer to defined-contribution plan	–	0
Contributed funds	–10	–9
Payment from assets	14	21
Effects of curtailments and settlements	–	–1
Actuarial gains/losses recognized in other comprehensive income	–185	–118
Translation of foreign currency	13	17
Net amount recognized in the balance sheet at December 31	280	463

Amounts recognized in the income statement

	2022	2021
Vested pensions during the period	–6	–5
Interest on obligations	–14	–11
Expected return on plan assets	9	5
Total	–11	–11

Amounts recognized in other comprehensive income

	2022	2021
Remeasurements of pension obligation		
of which changes in demographic assumptions	–4	1
including changes in financial assumptions	308	65
of which experience-based adjustments	–34	11
Measurement gains (losses) on plan assets	–85	41
Total	185	118

Defined-benefit pension commitments and plan assets by country

2022	Sweden	Germany	United Kingdom	Other	Total
Defined-benefit obligation	204	107	300	13	624
Plan assets	37	–	300	7	344
of which shares	5	–	–	–	5
including interest-bearing securities	29	–	100	–	129
of which diversified growth funds	–	–	200	–	200
including properties	–	–	–	–	–
including cash and cash equivalents	3	–	0	7	10
Net amount recognized in the balance sheet	167	107	0	6	280

2021	Sweden	Germany	United Kingdom	Other	Total
Defined-benefit obligation	283	126	454	14	877
Plan assets	39	–	368	7	413
of which shares	8	–	–	–	8
including interest-bearing securities	28	–	122	–	150
of which diversified growth funds	–	–	241	–	241
including properties	–	–	–	–	–
including cash and cash equivalents	3	–	5	7	14
Net amount recognized in the balance sheet	245	126	86	7	463

Life expectancy after retirement at age 65

	Sweden	Germany	United Kingdom
Male	21	20	22
Female	24	24	24

Actuarial assumptions

2022, %	Sweden	Germany	United Kingdom
Discount rate and expected return on plan assets, January 1, 2021	1,8	0,9	1,7
Discount rate and expected return on plan assets, December 31, 2021	3,9	3,7	4,9
Salary and wage increase	2,5	0,0	3,0
Inflation	2,0	2,0	2,7

2021, %	Sweden	Germany	United Kingdom
Discount rate and expected return on plan assets, January 1, 2020	1.0	1.0	1.4
Discount rate and expected return on plan assets, December 31, 2020	1.8	0.9	1.7
Salary and wage increase	2.5	0.0	3.3
Inflation	2.0	1.8	3.0

Average remaining maturity on the pension plan

	Sweden	Germany	United Kingdom
Year 2022	17	12	14

The discount rate is based on first-class corporate 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 +/- 0.75% for each individual country has an impact on the present value of the Group's pension obligation of approximately SEK 70m

Note 29. Other provisions

	2022			2021		
	Warranty provisions	Restructuring provisions	Total	Warranty provisions	Restructuring provisions	Total
January 1	35	7	42	28	43	71
Provisions	32	10	43	37	13	50
Utilization	-21	-8	-29	-32	-49	-81
Translation of foreign currency	3	1	4	2	0	2
December 31	49	11	60	35	7	42

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

Note 30. Other current liabilities

	2022	2021
Tax liabilities	16	22
Accrued expenses and deferred income		
Employee benefit expenses	109	94
Accrued interest	9	6
Accrued discounts	14	12
Mortgage	74	62
Other accrued expenses	136	113
Other current liabilities	19	51
Total	376	360

Note 31. Pledged assets, contingent assets and contingent liabilities

	2022	2021
Pledged assets	–	–
	2022	2021
Pension guarantee United Kingdom	277	182
Overdraft facility	73	–
Other contingent liabilities	7	12
Total contingent liabilities	357	194

Note 32. 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 described in Note 8.

Haldex is generally very restrictive in involving Board members in operational tasks, but in the event of exceptional tasks not considered part of regular Board work, consideration may be given to engaging a Board member as a consultant for a limited period of time, provided that the remuneration is market-based and in line with the remuneration of Haldex's senior executives.

Note 33. Significant events after the balance sheet date

On 21 February 2023, the acquisition of Haldex AB by SAF-HOLLAND SE was formally completed with the receipt of merger control clearance from the Polish antitrust authority.

On 3 March 2023, SAF-HOLLAND SE announced that as of 1 March 2023 it holds 100 percent of the shares in Haldex AB following the successful completion of a compulsory redemption procedure under the Swedish Companies Act (squeeze out).

Parent Company income statement

SEKm	Note	2022	2021
Net sales		158	110
Administrative expenses	4, 5, 13	-144	-78
Operating profit		14	32
Dividends from Group companies		-	0
Impairment of shares in subsidiaries		-	-200
Financial income	6	100	98
Financial expense	6	-102	-26
Other financial items		-37	-5
Income after financial items		-25	-101
Group contributions		-	-76
Profit before tax		-25	-177
Tax	12	-	-10
Net profit for the year		-25	-187

Parent Company statement of comprehensive income

SEKm	Note	2022	2021
Net profit for the year		-25	-187
Other comprehensive income		-	-
Total comprehensive income		-25	-187

Parent Company balance sheet

SEKm	Note	2022	2021
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	7	1,719	1,721
Non-current receivables subsidiaries	8	586	1,123
Other non-current receivables	8	24	27
Total non-current assets		2,330	2,871
Current assets			
Receivables from subsidiaries		1,687	1,464
Other current receivables	9	7	24
Derivative instruments	10	7	35
Cash and cash equivalents	11	–	121
Total current assets		1,701	1,644
TOTAL ASSETS		4,031	4,515
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (48,637,567 shares with a quotient value of SEK 5)		243	243
Unrestricted equity			
Share premium reserve		590	590
Retained earnings		32	220
Net income for the year		–25	–187
Total equity		841	866
Provisions			
Pensions and similar obligations	13	37	35
Other provisions		24	29
Total provisions		61	64
Non-current liabilities			
Non-current interest-bearing liabilities	14	1,224	1,020
Liabilities to subsidiaries		16	353
Total non-current liabilities		1,240	1,373
Current liabilities			
Liabilities to credit institutions		71	–
Accounts payable		2	5
Liabilities to subsidiaries		1,764	2,094
Derivative instruments	10	7	46
Other current liabilities	15	45	68
Total current liabilities		1,889	2,213
TOTAL EQUITY AND LIABILITIES		4,031	4,515

Changes in the Parent Company's equity

SEKm	Restricted equity		Unrestricted equity		Total
	Share capital	Share premium reserve	Retained earnings		
Opening balance at January 1, 2021	243	590	220		1,053
Net income for the year	–	–	–187		–187
Closing balance at December 31, 2021	243	590	33		866
Opening balance at January 1, 2022	243	590	33		866
Net income for the year	–	–	–25		–25
Closing balance at December 31, 2022	243	590	8		841

Parent Company cash flow statement

SEKm	2022	2021
Cash flow from operating activities		
Profit before tax	-25	-177
Reversal of non-cash items ¹	-3	227
Cash flow from operating activities before changes in working capital	-28	50
Change in working capital		
Current receivables	23	-241
Current liabilities	-385	376
Change in working capital	-362	135
Cash flow from operating activities	-390	185
Cash flow from investing activities		
Change in non-current receivable	290	-109
Cash flow from investing activities	290	-109
Cash flow from financing activities		
Change in interest-bearing liabilities	-21	100
Change in other liabilities	-	8
Paid shareholder contributions	-	-200
New share issue	-	-
Cash flow from financing activities	-21	-92
Changes in cash and bank balances	-121	-16
Cash and cash equivalents, opening balance	121	137
Cash and cash equivalents, closing balance	0	121
¹ Reversal of non-cash items:		
Unpaid Group contribution	-	76
Impairment of shares in subsidiaries	-	200
Others	-3	-49
Total	-3	227

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 limited company with registered office in Landskrona

in Sweden. The address of the head office is Haldex AB, Box 507, 261 24 Landskrona.

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 policies 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 account-

ing and taxation. 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 recognizes 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

	2022			2021		
	Women	Men	Total	Women	Men	Total
Sweden	5	9	14	6	7	13

Note 4. Salaries and other benefits

	2022				2021			
	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	54	48	22	8	47	18	8	3

The Board consists of three members (8, two of whom were employee representatives).

Note 5. Remuneration of auditors

	2022	2021
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	4	2
Tax advice	0	–
Other advice	–	0
Total	4	2

Note 6. Interest income and interest expense

	2022	2021
Interest income		
External interest income	1	2
Interest income Group companies	99	96
Total	100	98
Interest expense		
External interest expenses	–38	–18
Interest expenses Group companies	–64	–8
Total	–102	–26

Note 7. Shares and participating interests

At December 31, 2022, 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, 2022	Dec. 31, 2021
Haldex Brake Prod AB	556068-2758	Landskrona	127,500	100	92	93
Haldex Halmstad AB	556053-6780	Landskrona	30,000	100	4	4
Haldex GmbH	HRB 336254	Germany		100	51	51
Haldex Europe S.A	320814882	France	625,000	100	75	75
Haldex Ltd.	1160940814	Canada		100	0	0
Haldex do Brasil Indústria e Comércio Ltda	68987841000500	Brazil		100	0	0
Haldex Sp.z.o.o.	0000106067	Poland	30,000	100	3	3
Haldex N.V.	0463012573	Belgium	4,399	100	1	1
Haldex Int Trading Co Ltd	91310115607353136P	China		100	0	0
Haldex Italia Srl	13443400158	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	01-09-718891	Hungary		100	74	74
Haldex Wien Ges.m.b.H.		Austria		100	7	7
Haldex ANAND India Ltd.	U99999MH1998PTC118876	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.	1092814	Hong Kong		100	84	85
Haldex Brake Products Pty Ltd	606385942	Australia		100	0	0
Haldex Traction Holding II AB	556819-2271	Landskrona		100	0	0
Total					1,719	1,721

Change in shares and participating interests	Opening balance	Impairment	Closing balance
2022	1,721	-2	1,719
2021	1,721	-	1,721

Note 8. Non-current receivables

	Dec. 31, 2022	Dec. 31, 2021
Non-current receivables subsidiaries	586	1,123
Other non-current receivables	24	27
Total	611	1,150

Note 9. Other current receivables

	Dec. 31, 2022	Dec. 31, 2021
Tax receivables	1	6
Prepaid expenses	3	7
Other current receivables	4	11
Total	7	24

Note 10. Derivative instruments

	Dec. 31, 2022		Dec. 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Currency futures – at fair value through profit or loss	7	7	6	6
Currency swaps – at fair value through profit or loss	0	0	29	40
Total	7	7	35	46

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, 2022	Dec. 31, 2021
Cash and bank balances	–	121
Total	–	121

Note 12. Taxes

	2022	2021
Current tax for the year	5	23
Tax on Group contributions	–	16
Tax for non-deductible expenses	–1	–39
Tax on non-taxable income	4	–
Increase of deficit for which deferred tax has not been calculated	–8	–
Tax attributable to previous years	–	–10
Total	–	–10

Note 13. Pensions and similar obligations

Pension obligations attributable to defined-benefit plans

	2022	2021
Vested pensions during the period	0	0
Interest on obligations	–1	–1
Total pension expense	–1	–1

In addition to the pension expenses above, the Parent Company has income of SEK 3.1m (1,1). This relates to funding in a pension fund related to pension commitments to former senior executives.

Reconciliation of interest-bearing pension liabilities

	Dec. 31, 2022	Dec. 31, 2021
Opening balance, pension liabilities	35	36
Benefits paid	–1	–6
Pension expenses	3	5
Closing balance, pension liabilities	37	35

Of the pension liability, SEK 30m (25) is attributable to PRI/FPG and is covered by the Pension Obligations Vesting Act.

Note 14. Non-current interest-bearing liabilities

	Dec. 31, 2022	Dec. 31, 2021
Syndicated loan	–	750
Bilateral loan	1,224	270
Total	1,224	1,020

Haldex's credit facilities and bilateral 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 77m (170). Estimated interest consists of the equivalent value in SEK based on the exchange rates at December 31, 2022 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	1,224	–	1,224	–	–	3.4
Total	1,224	–	1,224	–	–	3.4
Calculated interest	81	–	81	–	–	
Total	1,305	–	1,305	–	–	–

Note 15. Other current liabilities

	Dec. 31, 2022	Dec. 31, 2021
Accrued employee benefit expenses	33	25
Impairment of current receivables	–	39
Other accrued expenses	11	0
Other current liabilities	0	4
Total	45	68

Note 16. Pledged assets and contingent liabilities

	Dec. 31, 2022	Dec. 31, 2021
Guarantees and warranties for subsidiaries	410	383
Guarantees FPG/PRI	1	0
Total	411	383

Note 17. Appropriation of earnings

Unrestricted funds in the company, that are available for appropriation by the Annual General Meeting in accordance with the balance sheet, amount to:

SEK	
Net loss for the year	-24,934,148
Profit brought forward	622,317,504
	597,383,356

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	0
Profit to be carried forward	597,383,356
	597,383,356

The Board of Directors 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, May 29, 2023

Andreas Richter
Chairman of the Board

Alexander Geis
Board member

Frank Lorenz-Dienz
Board member

Our audit report was submitted on May 29, 2023
Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorized public accountant
Auditor in charge

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Haldex AB, corporate identity number 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 2022 except for the sustainability report on pages 13–20. The annual accounts and consolidated accounts of the company are included on pages 5–50 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 as of 31 December 2022 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 31 December 2022 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. Our opinions do not cover the sustainability report on pages 13–20. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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 professional ethics for accountants 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.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and can be found on pages 1–4 and 53–56. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts 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 accounts. 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 we, based on the work performed concerning this information, 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 accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, 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.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Directors of Haldex AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

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 professional ethics for accountants 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 controlled in a reassuring manner. The Managing Director shall 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 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 Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Remark

Without impacting our opinion, we wish to make note that taxes and social security contributions were not paid within the prescribed time periods on a number of occasions.

Auditor's report on the statutory sustainability report

It is the Board of Directors who is responsible for the statutory sustainability report on pages 13–20 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Malmö 29 May 2023
Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorized Public Accountant
Auditor in charge

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.

Aftermarket

The selling of spare parts, training and services to the workshops which repair and service vehicles that have entered service.

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.

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.

Foundation Brake

HalDEX product line for brake products for wheel ends such as disc brakes, brake adjusters for drum brakes and actuators.

OEM

Original Equipment Manufacturer, i.e. manufacturer of vehicles.

TOC

Total cost of ownership is an estimate of all the direct and indirect costs of acquiring and operating a vehicle or system over its lifetime.

Truck

Heavy goods vehicles and buses.

Trailer

Towed vehicles attached to a tractor (truck).

Financial definitions

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 percent (%) of average capital employed.

Gross margin

Gross profit, i.e. net sales less cost of goods sold, divided by net sales.

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.

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.

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 percent (%) of net sales for the period.

Adjusted operating margin

Operating profit excluding non-recurring items in percent (%) 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, percent (%) 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.

5-year summary

SEKm unless otherwise stated	2022	2021	2020	2019	2018
Income statement					
Net sales	5,578	4,612	4,007	5,151	5,119
Cost of goods sold	-4,104	-3,318	-2,914	-3,812	-3,813
Gross profit	1,474	1,294	1,093	1,339	1,306
Product development expenses	-217	-120	-131	-158	-162
Selling and administrative expenses	-985	-801	-805	-894	-863
Share of profit from joint venture	-18	-20	-24	-21	-5
Other operating income and expenses	-205	-108	-233	-161	-21
Operating profit	50	245	-100	105	255
<i>Operating profit excl. non-recurring items</i>	276	391	163	317	305
Financial items	-116	-55	-89	-44	-36
Share of profit from joint venture	-	-	-	-	-
Profit before tax	-67	189	-189	61	219
Tax	-99	-31	-111	-56	-66
Net income for the year	-165	158	-300	5	153
Balance sheet					
Non-current assets	1,798	1,964	1,901	2,227	1,585
Current assets	2,801	2,565	2,117	2,186	2,104
Total assets	4,599	4,529	4,018	4,413	3,689
Equity					
Non-current liabilities	1,782	1,829	1,809	1,346	1,072
Current liabilities	1,144	1,172	1,051	1,530	1,006
Total equity and liabilities	4,599	4,529	4,018	4,413	3,689
Cash flow					
Cash flow from operating activities	-76	296	215	328	274
Cash flow from investing activities	-219	-173	-245	-381	-381
Cash flow from financing activities	146	-12	188	59	211
Cash flow for the year	-148	111	158	6	104
Key ratios					
Gross margin, %	26.4	28.1	27.3	26.0	25.5
Operating margin, %	0.9	5.3	-2.5	2.0	5.0
Operating margin excluding non-recurring items, %	5.0	8.5	4.1	6.1	6.0
Return on capital employed, % ^{1), 2)}	1.1	9.1	-3.9	3.1	9.8
Return on capital employed excluding non-recurring items, % ^{1), 2)}	7.6	13.0	5.1	9.4	11.8
Return on equity, %	-8.5	11.0	-22.7	0.1	9.8
Equity/assets ratio, %	36	34	29	35	44
Net debt/equity ratio, % ²⁾	65	61	89	66	45
Investments	162	136	197	273	313
R&D, %	4.0	4.0	5.4	4.6	4.1
Number of employees	1,882	2,003	1,990	2,172	2,309

¹⁾ Rolling twelve months.

²⁾ The effect of IFRS 16 Leases has been excluded.

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.



www.haldex.com