**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2019**

**Commission File No.: 001-12933**

**AUTOLIV, INC.**

**(Exact name of registrant as specified in its charter)**

|  |  |  |
| --- | --- | --- |
| **Delaware** |  | **51-0378542** |
| **(State or other jurisdiction of** |  | **(I.R.S. Employer** |
| **incorporation or organization)** |  | **Identification No.)** |
|  |  |  |
| **Klarabergsviadukten 70, Section B7** |  |  |
| **Box 70381,** |  |  |
| **Stockholm, Sweden** |  | **SE-107 24** |
| **(Address of principal executive offices)** |  | **(Zip Code)** |

**+46 8 587 20 600**

**(Registrant’s telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title of each class |  | Trading Symbol(s) |  | Name of each exchange on which registered |
| Common Stock (par value $1.00 per share) |  | ALV |  | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes: ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Large accelerated filer |  | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer |  | ☐ | Smaller reporting company | ☐ |
| Emerging Growth Company | | ☐ |  |  |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: ☐ No: ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of July 11, 2019, there were 87,233,587 shares of common stock of Autoliv, Inc., par value $1.00 per share, outstanding.

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Autoliv, Inc. (“Autoliv,” the “Company” or “we”) or its management believes or anticipates may occur in the future. All forward-looking statements are based upon our current expectations, various assumptions and/or data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements.

In some cases, you can identify these statements by forward-looking words such as “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “may,” “likely,” “might,” “would,” “should,” “could,” or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words.

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation: changes in light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier; changes in general industry and market conditions or regional growth or decline; changes in and the successful execution of our capacity alignment: restructuring and cost reduction initiatives and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies, consolidations or restructuring or divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers; successful integration of acquisitions and operations of joint ventures; successful implementation of strategic partnerships and collaborations; our ability to be awarded new business; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto (including the resolution of the Toyota Recall); higher expenses for our pension and other postretirement benefits, including higher funding needs for our pension plans; work stoppages or other labor issues; possible adverse results of pending or future litigation or infringement claims; our ability to protect our intellectual property rights; negative impacts of antitrust investigations or other governmental investigations and associated litigation relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes impacting or limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified in Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q, Item 1A “Risk Factors” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 21, 2019.

For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

2

|  |  |  |  |
| --- | --- | --- | --- |
| **INDEX** | |  |  |
|  | |  |  |
| **PART I - FINANCIAL INFORMATION** | |  |  |
|  | |  |  |
| **ITEM 1.  FINANCIAL STATEMENTS** | |  |  |
|  | |  |  |
| 1. | [Basis of Presentation](#ALV_10Q_20190630_HTM_N1_BASIS_PRESENTATION) |  | 9 |
| 2. | [New Accounting Standards](#ALV_10Q_20190630_HTM_N2_NEW_ACCOUNTING_STARDS) |  | 10 |
| 3. | [Discontinued Operations](#ALV_10Q_20190630_HTM_N3_DISCONTINUED_OPERATIONS) |  | 11 |
| 4. | [Leases](#ALV_10Q_20190630_HTM_N4_LEASES) |  | 12 |
| 5. | [Revenue](#ALV_10Q_20190630_HTM_N3_REVENUE) |  | 13 |
| 6. | [Fair Value Measurements](#ALV_10Q_20190630_HTM_N5_FAIR_VALUE_MEASUREMENTS) |  | 14 |
| 7. | [Income Taxes](#ALV_10Q_20190630_HTM_N6_INCOME_TAXES) |  | 16 |
| 8. | [Inventories](#ALV_10Q_20190630_HTM_N7_INVENTORIES) |  | 16 |
| 9. | [Restructuring](#ALV_10Q_20190630_HTM_N10_RESTRUCTURING) |  | 16 |
| 10. | [Product-Related Liabilities](#ALV_10Q_20190630_HTM_N11_PRODUCTRELATED_LIABILITIES) |  | 17 |
| 11. | [Retirement Plans](#ALV_10Q_20190630_HTM_N12_RETIREMENT_PLANS) |  | 17 |
| 12. | [Contingent Liabilities](#ALV_10Q_20190630_HTM_N14_CONTINGENT_LIABILITIES) |  | 18 |
| 13. | [Stock Incentive Plan](#ALV_10Q_20190630_HTM_N15_STOCK_INCENTIVE_PLAN) |  | 20 |
| 14. | [Earnings Per Share](#ALV_10Q_20190630_HTM_N16_EARNINGS_PER_SHARE) |  | 20 |
| 15. | [Related Party Transactions](#ALV_10Q_20190630_HTM_N15_RELATED_PARTY_TRANSACTIONS) |  | 21 |
| 16. | [Subsequent Events](#ALV_10Q_20190630_HTM_N18_SUBSEQUENT_EVENTS) |  | 21 |
|  | |  |  |
| [**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**](#ALV_10Q_20190630_HTM_ITEM_2_MANAGEMENTS_DISCUSSION_ANALYSIS_F) | |  | 22 |
|  | |  |  |
| [**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**](#ALV_10Q_20190630_HTM_ITEM_3_QUANTITATIVE_QUALITATIVE_DISCLOSU) | |  | 33 |
|  | |  |  |
| [**ITEM 4. CONTROLS AND PROCEDURES**](#ALV_10Q_20190630_HTM_ITEM_4_CONTROLS_PROCEDURES) | |  | 33 |
|  | |  |  |
| [**PART II - OTHER INFORMATION**](#ALV_10Q_20190630_HTM_PART_II_OR_INFORMATION) | |  | 34 |
|  | |  |  |
| [**ITEM 1. LEGAL PROCEEDINGS**](#ALV_10Q_20190630_HTM_ITEM_1_LEGAL_PROCEEDINGS) | |  | 34 |
|  | |  |  |
| [**ITEM 1A. RISK FACTORS**](#ALV_10Q_20190630_HTM_ITEM_1A_RISK_FACTORS) | |  | 34 |
|  | |  |  |
| [**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**](#ALV_10Q_20190630_HTM_ITEM_2_UNREGISTERED_SALES_EQUITY_SECURIT) | |  | 34 |
|  | |  |  |
| [**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**](#ALV_10Q_20190630_HTM_ITEM_3_DEFAULTS_UPON_SENIOR_SECURITIES) | |  | 34 |
|  | |  |  |
| [**ITEM 4. MINE SAFETY DISCLOSURES**](#ALV_10Q_20190630_HTM_ITEM_4_MINE_SAFETY_DISCLOSURES) | |  | 34 |
|  | |  |  |
| [**ITEM 5. OTHER INFORMATION**](#ALV_10Q_20190630_HTM_ITEM_5_OR_INFORMATION) | |  | 34 |
|  | |  |  |
| [**ITEM 6. EXHIBITS**](#ALV_10Q_20190630_HTM_ITEM_6_EXHIBITS) | |  | 35 |

3

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

**(Dollars in millions, except per share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Net sales** |  | **$** | **2,154.7** |  |  | **$** | **2,211.5** |  |  | **$** | **4,328.7** |  |  | **$** | **4,452.4** |  |
| Cost of sales |  |  | (1,755.0 | ) |  |  | (1,771.8 | ) |  |  | (3,550.2 | ) |  |  | (3,552.4 | ) |
| **Gross profit** |  |  | **399.7** |  |  |  | **439.7** |  |  |  | **778.5** |  |  |  | **900.0** |  |
| Selling, general and administrative expenses |  |  | (101.1 | ) |  |  | (99.8 | ) |  |  | (202.5 | ) |  |  | (200.9 | ) |
| Research, development and engineering expenses, net |  |  | (117.0 | ) |  |  | (117.5 | ) |  |  | (224.4 | ) |  |  | (226.0 | ) |
| Amortization of intangibles |  |  | (2.9 | ) |  |  | (2.9 | ) |  |  | (5.7 | ) |  |  | (5.7 | ) |
| Other income (expense), net |  |  | (9.2 | ) |  |  | 9.6 |  |  |  | (3.2 | ) |  |  | 5.1 |  |
| **Operating income** |  |  | **169.5** |  |  |  | **229.1** |  |  |  | **342.7** |  |  |  | **472.5** |  |
| Income from equity method investments |  |  | 0.2 |  |  |  | 1.3 |  |  |  | 1.2 |  |  |  | 2.6 |  |
| Interest income |  |  | 1.0 |  |  |  | 1.1 |  |  |  | 2.0 |  |  |  | 2.8 |  |
| Interest expense |  |  | (17.5 | ) |  |  | (13.7 | ) |  |  | (35.5 | ) |  |  | (27.3 | ) |
| Other non-operating items, net |  |  | (2.4 | ) |  |  | (7.7 | ) |  |  | (6.0 | ) |  |  | (11.6 | ) |
| **Income from continuing operations before income taxes** |  |  | **150.8** |  |  |  | **210.1** |  |  |  | **304.4** |  |  |  | **439.0** |  |
| Income tax expense |  |  | (41.4 | ) |  |  | (16.9 | ) |  |  | (83.5 | ) |  |  | (86.7 | ) |
| **Net income from continuing operations** |  |  | **109.4** |  |  |  | **193.2** |  |  |  | **220.9** |  |  |  | **352.3** |  |
| Loss from discontinued operations, net of income taxes (Note 3) |  |  | — |  |  |  | (159.1 | ) |  |  | — |  |  |  | (195.8 | ) |
| **Net income** |  |  | **109.4** |  |  |  | **34.1** |  |  |  | **220.9** |  |  |  | **156.5** |  |
| Less: Net income from continuing operations attributable to non-     controlling interest |  |  | 0.3 |  |  |  | 0.5 |  |  |  | 0.4 |  |  |  | 0.9 |  |
| Less: Net loss from discontinued operations attributable to non-     controlling interest |  |  | — |  |  |  | (3.6 | ) |  |  | — |  |  |  | (8.3 | ) |
| **Net income attributable to controlling interest** |  | **$** | **109.1** |  |  | **$** | **37.2** |  |  | **$** | **220.5** |  |  | **$** | **163.9** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Amounts attributable to controlling interest:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Income from continuing operations |  | $ | 109.1 |  |  | $ | 192.7 |  |  | $ | 220.5 |  |  | $ | 351.4 |  |
| Net Loss from discontinued operations (Note 3) |  |  | — |  |  |  | (155.5 | ) |  |  | — |  |  |  | (187.5 | ) |
| **Net income attributable to controlling interest** |  | **$** | **109.1** |  |  | **$** | **37.2** |  |  | **$** | **220.5** |  |  | **$** | **163.9** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings per share continuing operations – basic 1)** |  | **$** | **1.25** |  |  | **$** | **2.21** |  |  | **$** | **2.53** |  |  | **$** | **4.03** |  |
| **Loss per share discontinued operations – basic 1)** |  |  | — |  |  |  | (1.78 | ) |  |  | — |  |  |  | (2.15 | ) |
| **Basic earnings per share** |  | **$** | **1.25** |  |  | **$** | **0.43** |  |  | **$** | **2.53** |  |  | **$** | **1.88** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings per share continuing operations – diluted 1)** |  | **$** | **1.25** |  |  | **$** | **2.20** |  |  | **$** | **2.52** |  |  | **$** | **4.02** |  |
| **Loss per share discontinued operations – diluted 1)** |  |  | — |  |  |  | (1.77 | ) |  |  | — |  |  |  | (2.14 | ) |
| **Diluted earnings per share** |  | **$** | **1.25** |  |  | **$** | **0.43** |  |  | **$** | **2.52** |  |  | **$** | **1.88** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Weighted average number of shares outstanding, net of**  **treasury shares (in millions)** |  |  | **87.2** |  |  |  | **87.1** |  |  |  | **87.2** |  |  |  | **87.1** |  |
| **Weighted average number of shares outstanding, assuming**  **dilution and net of treasury shares (in millions)** |  |  | **87.3** |  |  |  | **87.4** |  |  |  | **87.4** |  |  |  | **87.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cash dividend per share – declared** |  | **$** | **0.62** |  |  | **$** | **0.62** |  |  | **$** | **1.24** |  |  | **$** | **1.24** |  |
| **Cash dividend per share – paid** |  | **$** | **0.62** |  |  | **$** | **0.62** |  |  | **$** | **1.24** |  |  | **$** | **1.22** |  |

|  |  |
| --- | --- |
| 1) | Participating share awards with the right to receive dividend equivalents are (under the two class method) excluded from the earnings per share calculation (see Note 14 to the unaudited condensed consolidated financial statements). |

See Notes to unaudited condensed consolidated financial statements.

4

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Net income** |  | **$** | **109.4** |  |  | **$** | **34.1** |  |  | **$** | **220.9** |  |  | **$** | **156.5** |  |
| *Other comprehensive income (loss) before tax:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in cumulative translation adjustments |  |  | 6.1 |  |  |  | (196.3 | ) |  |  | 26.9 |  |  |  | (104.8 | ) |
| Net change in cash flow hedges |  |  | — |  |  |  | 0.7 |  |  |  | — |  |  |  | 1.1 |  |
| Net change in unrealized components of defined benefit plans |  |  | 0.0 |  |  |  | 7.3 |  |  |  | 0.1 |  |  |  | 8.1 |  |
| **Other comprehensive income (loss), before tax** |  |  | **6.1** |  |  |  | **(188.3** | **)** |  |  | **27.0** |  |  |  | **(95.6** | **)** |
| Tax effect allocated to other comprehensive income (loss) |  |  | 0.0 |  |  |  | (2.2 | ) |  |  | 0.0 |  |  |  | (2.4 | ) |
| **Other comprehensive  income (loss), net of tax** |  |  | **6.1** |  |  |  | **(190.5** | **)** |  |  | **27.0** |  |  |  | **(98.0** | **)** |
| **Comprehensive income (loss)** |  |  | **115.5** |  |  |  | **(156.4** | **)** |  |  | **247.9** |  |  |  | **58.5** |  |
| Less: Comprehensive income (loss) attributable to non-controlling     interest |  |  | 0.1 |  |  |  | (3.1 | ) |  |  | 0.5 |  |  |  | (7.4 | ) |
| **Comprehensive income (loss) attributable to controlling interest** |  | **$** | **115.4** |  |  | **$** | **(153.3** | **)** |  | **$** | **247.4** |  |  | **$** | **65.9** |  |

See Notes to unaudited condensed consolidated financial statements.

5

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **December 31, 2018** | |  |
| *Assets* |  |  |  |  |  |  |  |  |
| Cash and cash equivalents |  | $ | 406.4 |  |  | $ | 615.8 |  |
| Receivables, net |  |  | 1,683.1 |  |  |  | 1,652.1 |  |
| Inventories, net |  |  | 736.1 |  |  |  | 757.9 |  |
| Other current assets |  |  | 214.2 |  |  |  | 244.6 |  |
| Related party receivables (Note 15) |  |  | 12.4 |  |  |  | 15.0 |  |
| **Total current assets** |  |  | **3,052.2** |  |  |  | **3,285.4** |  |
| Property, plant and equipment, net |  |  | 1,765.0 |  |  |  | 1,690.1 |  |
| Investments and other non-current assets |  |  | 386.7 |  |  |  | 323.5 |  |
| Operating lease right-of-use assets (Note 4) |  |  | 165.0 |  |  |  | — |  |
| Goodwill |  |  | 1,388.8 |  |  |  | 1,389.9 |  |
| Intangible assets, net |  |  | 27.8 |  |  |  | 32.7 |  |
| **Total assets** |  | **$** | **6,785.5** |  |  | **$** | **6,721.6** |  |
|  |  |  |  |  |  |  |  |  |
| *Liabilities and equity* |  |  |  |  |  |  |  |  |
| Short-term debt |  | $ | 366.8 |  |  | $ | 620.7 |  |
| Accounts payable |  |  | 946.9 |  |  |  | 978.3 |  |
| Accrued expenses |  |  | 795.1 |  |  |  | 935.4 |  |
| Other current liabilities |  |  | 251.4 |  |  |  | 267.4 |  |
| Related party liabilities (Note 15) |  |  | 18.6 |  |  |  | 63.7 |  |
| Operating lease liabilities - current (Note 4) |  |  | 39.6 |  |  |  | — |  |
| **Total current liabilities** |  |  | **2,418.4** |  |  |  | **2,865.5** |  |
| Long-term debt |  |  | 1,850.2 |  |  |  | 1,609.0 |  |
| Pension liability |  |  | 202.8 |  |  |  | 198.2 |  |
| Other non-current liabilities |  |  | 150.5 |  |  |  | 152.1 |  |
| Operating lease liabilities - non-current (Note 4) |  |  | 125.9 |  |  |  | — |  |
| **Total non-current liabilities** |  |  | **2,329.4** |  |  |  | **1,959.3** |  |
| Common stock |  |  | 102.8 |  |  |  | 102.8 |  |
| Additional paid-in capital |  |  | 1,329.3 |  |  |  | 1,329.3 |  |
| Retained earnings |  |  | 2,151.1 |  |  |  | 2,041.8 |  |
| Accumulated other comprehensive loss |  |  | (396.3 | ) |  |  | (423.2 | ) |
| Treasury stock |  |  | (1,162.8 | ) |  |  | (1,167.0 | ) |
| **Total controlling interest** |  |  | **2,024.1** |  |  |  | **1,883.7** |  |
| Non-controlling interest |  |  | 13.6 |  |  |  | 13.1 |  |
| **Total equity** |  |  | **2,037.7** |  |  |  | **1,896.8** |  |
| **Total liabilities and equity** |  | **$** | **6,785.5** |  |  | **$** | **6,721.6** |  |

See Notes to unaudited condensed consolidated financial statements.

6

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Operating activities** |  |  |  |  |  |  |  |  |
| Net income from continuing operations |  | $ | 220.9 |  |  | $ | 352.3 |  |
| Net loss from discontinued operations |  |  | — |  |  |  | (195.8 | ) |
| Depreciation and amortization |  |  | 176.0 |  |  |  | 223.3 |  |
| Net change in operating assets and liabilities |  |  | (54.2 | ) |  |  | (329.4 | ) |
| Other, net |  |  | (209.6 | ) |  |  | 12.6 |  |
| **Net cash provided by operating activities** |  |  | **133.1** |  |  |  | **63.0** |  |
|  |  |  |  |  |  |  |  |  |
| **Investing activities** |  |  |  |  |  |  |  |  |
| Expenditures for property, plant and equipment |  |  | (236.8 | ) |  |  | (306.4 | ) |
| Proceeds from sale of property, plant and equipment |  |  | 1.0 |  |  |  | 2.4 |  |
| Acquisitions of businesses and interest in/additional contributions     to affiliates, net of cash acquired |  |  | — |  |  |  | (72.9 | ) |
| **Net cash used in investing activities** |  |  | **(235.8** | **)** |  |  | **(376.9** | **)** |
|  |  |  |  |  |  |  |  |  |
| **Financing activities** |  |  |  |  |  |  |  |  |
| Net (decrease) increase in short-term debt |  |  | (250.8 | ) |  |  | 410.0 |  |
| Issuance of long-term debt, net of discount |  |  | 245.2 |  |  |  | 582.2 |  |
| Debt issuance cost |  |  | (0.3 | ) |  |  | (2.6 | ) |
| Dividends paid |  |  | (108.5 | ) |  |  | (106.6 | ) |
| Dividends paid to non-controlling interest |  |  | — |  |  |  | (2.0 | ) |
| Common stock options exercised |  |  | 0.2 |  |  |  | 7.6 |  |
| Capital distribution to Veoneer |  |  | — |  |  |  | (979.7 | ) |
| **Net cash used in financing activities** |  |  | **(114.2** | **)** |  |  | **(91.1** | **)** |
| Effect of exchange rate changes on cash and cash equivalents |  |  | 7.5 |  |  |  | (47.0 | ) |
| **Decrease in cash and cash equivalents** |  |  | **(209.4** | **)** |  |  | **(452.0** | **)** |
| Cash and cash equivalents at beginning of period |  |  | 615.8 |  |  |  | 959.5 |  |
| **Cash and cash equivalents at end of period** |  | **$** | **406.4** |  |  | **$** | **507.5** |  |

See Notes to unaudited condensed consolidated financial statements.

7

**CONSOLIDATED STATEMENTS OF TOTAL EQUITY (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Shares**  **outstanding** | |  |  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **income** | |  |  | **Treasury**  **stock** | |  |  | **Total parent**  **shareholders'**  **equity** | |  |  | **Non-**  **controlling**  **interest** | |  |  | **Total**  **equity** | |  |
| **Balances at December 31, 2018** | **87.1** | |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,041.8** |  |  | **$** | **(423.2** | **)** |  | **$** | **(1,167.0** | **)** |  | **$** | **1,883.7** |  |  | **$** | **13.1** |  |  | **$** | **1,896.8** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 111.4 |  |  |  | — |  |  |  |  |  |  |  | 111.4 |  |  |  | 0.1 |  |  |  | 111.5 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 20.5 |  |  |  |  |  |  |  | 20.5 |  |  |  | 0.3 |  |  |  | 20.8 |  |
| Net change in cash flow hedges |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | — |  |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.1 |  |  |  |  |  |  |  | 0.1 |  |  |  | — |  |  |  | 0.1 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  | *111.4* | |  |  | *20.6* | |  |  |  | *—* |  |  |  | *132.0* |  |  |  | *0.4* |  |  |  | *132.4* |  |
| Stock-based compensation |  | 0.1 |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 1.6 |  |  |  | 1.6 |  |  |  | — |  |  |  | 1.6 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.3 | ) |  |  | — |  |  |  |  |  |  |  | (54.3 | ) |  |  | — |  |  |  | (54.3 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | (2.5 | ) |  |  | — |  |  |  |  |  |  |  | (2.5 | ) |  |  | — |  |  |  | (2.5 | ) |
| **Balances at March 31, 2019** |  | **87.2** |  |  |  | **102.8** |  |  |  | **1,329.3** |  |  |  | **2,096.4** |  |  |  | **(402.6** | **)** |  |  | **(1,165.4** | **)** |  |  | **1,960.5** |  |  |  | **13.5** |  |  |  | **1,974.0** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 109.1 |  |  |  | — |  |  |  |  |  |  |  | 109.1 |  |  |  | 0.3 |  |  |  | 109.4 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 6.3 |  |  |  |  |  |  |  | 6.3 |  |  |  | (0.2 | ) |  |  | 6.1 |  |
| Net change in cash flow hedges |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | — |  |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.0 |  |  |  |  |  |  |  | 0.0 |  |  |  | — |  |  |  | 0.0 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  |  | *109.1* |  |  |  | *6.3* |  |  |  | *—* |  |  |  | *115.4* |  |  |  | *0.1* |  |  |  | *115.5* |  |
| Stock-based compensation |  | 0.0 |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 2.6 |  |  |  | 2.6 |  |  |  | — |  |  |  | 2.6 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  | (54.2 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | (0.2 | ) |  |  | — |  |  |  |  |  |  |  | (0.2 | ) |  |  | — |  |  |  | (0.2 | ) |
| **Balances at June 30, 2019** | **87.2** | |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,151.1** |  |  | **$** | **(396.3** | **)** |  | **$** | **(1,162.8** | **)** |  | **$** | **2,024.1** |  |  | **$** | **13.6** |  |  | **$** | **2,037.7** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Shares**  **outstanding** | |  |  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **income** | |  |  | **Treasury**  **stock** | |  |  | **Total parent**  **shareholders'**  **equity** | |  |  | **Non-**  **controlling**  **interest** | |  |  | **Total**  **equity** | |  |
| **Balances at December 31, 2017** |  | **87.0** |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **4,079.2** |  |  | **$** | **(287.5** | **)** |  | **$** | **(1,188.7** | **)** |  | **$** | **4,035.1** |  |  | **$** | **134.3** |  |  | **$** | **4,169.4** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 126.7 |  |  |  | — |  |  |  |  |  |  |  | 126.7 |  |  |  | (4.3 | ) |  |  | 122.4 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 85.7 |  |  |  |  |  |  |  | 85.7 |  |  |  | 5.8 |  |  |  | 91.5 |  |
| Net change in cash flow hedges |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.4 |  |  |  |  |  |  |  | 0.4 |  |  |  | — |  |  |  | 0.4 |  |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.6 |  |  |  |  |  |  |  | 0.6 |  |  |  | — |  |  |  | 0.6 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  | *126.7* | |  |  | *86.7* | |  |  |  | *—* |  |  |  | *213.4* |  |  |  | *1.5* |  |  |  | *214.9* |  |
| Stock-based compensation |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 8.6 |  |  |  | 8.6 |  |  |  | — |  |  |  | 8.6 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  | (54.2 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | — |  |
| Adjustment due to adoption of     ASC 606 |  |  |  |  |  |  |  |  |  |  |  |  |  | 3.3 |  |  |  | — |  |  |  |  |  |  |  | 3.3 |  |  |  | — |  |  |  | 3.3 |  |
| Adjustment due to adoption of     ASU 2018-02 |  |  |  |  |  |  |  |  |  |  |  |  |  | 10.2 |  |  |  | (10.2 | ) |  |  |  |  |  |  | — |  |  |  | — |  |  |  | — |  |
| **Balances at March 31, 2018** |  | **87.0** |  |  |  | **102.8** |  |  |  | **1,329.3** |  |  |  | **4,165.2** |  |  |  | **(211.0** | **)** |  |  | **(1,180.1** | **)** |  |  | **4,206.2** |  |  |  | **135.8** |  |  |  | **4,342.0** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 37.2 |  |  |  | — |  |  |  |  |  |  |  | 37.2 |  |  |  | (3.1 | ) |  |  | 34.1 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | (190.9 | ) |  |  |  |  |  |  | (190.9 | ) |  |  | (5.4 | ) |  |  | (196.3 | ) |
| Net change in cash flow hedges |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.7 |  |  |  |  |  |  |  | 0.7 |  |  |  | — |  |  |  | 0.7 |  |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 5.1 |  |  |  |  |  |  |  | 5.1 |  |  |  | — |  |  |  | 5.1 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  |  | *37.2* |  |  |  | *(185.1* | *)* |  |  | *—* |  |  |  | *(147.9* | *)* |  |  | *(8.5* | *)* |  |  | *(156.4* | *)* |
| Stock-based compensation |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 7.2 |  |  |  | 7.2 |  |  |  | — |  |  |  | 7.2 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  | (54.2 | ) |
| Dividends paid to non-controlling     interest on subsidiary shares |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | (2.0 | ) |  |  | (2.0 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | (2,029.8 | ) |  |  | 13.0 |  |  |  |  |  |  |  | (2,016.8 | ) |  |  | (112.2 | ) |  |  | (2,129.0 | ) |
| **Balances at June 30, 2018** |  | **87.0** |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,118.4** |  |  | **$** | **(383.1** | **)** |  | **$** | **(1,172.9** | **)** |  | **$** | **1,994.5** |  |  | **$** | **13.1** |  |  | **$** | **2,007.6** |  |

See Notes to unaudited condensed consolidated financial statements.

8

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unless otherwise noted, all amounts are presented in millions of dollars, except for per share amounts)**

**June 30, 2019**

**1. BASIS OF PRESENTATION**

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as the prior year audited financial statements and all adjustments considered necessary for a fair presentation have been included in the financial statements. All such adjustments are of a normal recurring nature. The results for the interim period are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2019.

The Condensed Consolidated Balance Sheet at December 31, 2018 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by U.S. GAAP for complete financial statements.

On June 29, 2018 (the “Distribution Date”), Autoliv completed the spin-off of its former Electronics segment (the “spin-off”) through the distribution of all of the issued and outstanding stock of Veoneer, Inc. (“Veoneer”). To effect the spin-off, Autoliv distributed to each Autoliv stockholder one share of Veoneer common stock, par value $1.00 per share, for every one share of Autoliv common stock, par value $1.00 per share, held by such person on the common stock record date, and each Autoliv Swedish Depository Receipt (SDR) holder received one Veoneer SDR for each Autoliv SDR held by such person on the applicable SDR record date. On July 2, 2018, Veoneer’s common stock began regular-way trading on the New York Stock Exchange under the symbol “VNE” and its SDRs began trading on Nasdaq Stockholm under the symbol “VNE SDB.” The Company did not retain any equity interest in Veoneer.

In accordance with U.S. GAAP, the financial position and results of operations of the Electronics business are presented as discontinued operations and, as such, have been excluded from continuing operations for all periods presented. The restated historical financial statements reflecting the spin-off are unaudited, but have been derived from Autoliv’s historical audited annual reports. The sum of the individual earnings per share amounts from continuing operations and discontinued operations may not equal the total company earnings per share amounts due to rounding. The cash flows and comprehensive income related to the Electronics business have not been segregated and are included in the Condensed Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all periods presented. With the exception of Note 3, the Notes to the Unaudited Condensed Consolidated Financial Statements reflect the continuing operations of Autoliv. See Note 3 - Discontinued Operations below for additional information regarding discontinued operations.

On April 1, 2018, in preparation for the spin-off, pursuant to the terms of a master transfer agreement entered into between Autoliv and Veoneer, assets related to the Electronics business were transferred to, and liabilities related to the Electronics business were retained or assumed by, Veoneer. However, responsibility for certain product, warranty and recall liabilities for Electronics products manufactured prior to April 1, 2018 was retained by Autoliv as provided in the distribution agreement between Autoliv and Veoneer, which governs certain relationships between the parties following the spin-off.

Certain amounts in the prior year’s condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as a result of the spin-off.

Autoliv has concluded that it has one reportable segment, based on the way the Company currently evaluates its financial performance and manages its operations. The Company will re-evaluate the one reportable segment as the operating model evolves, including management structure. The Company’s single reportable segment includes the Company’s airbag and seatbelt products and components.

Statements in this report that are not of historical fact are forward-looking statements that involve risks and uncertainties that could affect the actual results of the Company. A description of the important factors that could cause Autoliv’s actual results to differ materially from the forward-looking statements contained in this report may be found in this report and Autoliv’s other reports filed with the Securities and Exchange Commission (the “SEC”). For further information, refer to the consolidated financial statements, footnotes and definitions thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 21, 2019.

9

**2. NEW ACCOUNTING STANDARDS**

**Adoption of New Accounting Standards**

In August 2017, the FASB issued ASU 2017-12*, Derivative and Hedging (Topic 815), Targeted improvements to accounting for hedging activities*. The amendments in ASU 2017-12 better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in ASU 2017-12 also include certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The amendments in ASU 2017-12 modify disclosures required in current GAAP. Those modifications include a tabular disclosure related to the effect on the income statement of fair value and cash flow hedges and eliminate the requirement to disclose the ineffective portion of the change in fair value of hedging instruments. The amendments also require new tabular disclosures related to cumulative basis adjustments for fair value hedges. The amendments in ASU 2017-12 are effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the annual period that an entity adopts the amendments in ASU 2017-12. The Company adopted ASU 2017-12 in the annual period beginning January 1, 2019. The adoption of ASU 2017-12 did not have a material impact on the consolidated financial statements since the Company had no cash flow hedges at the date of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations by recognizing lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 affects any entity that enters into a lease, with some specified scope exceptions. For public business entities, the amendments in ASU 2016-02 are effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted. The Company adopted ASU 2016-02 in the annual period beginning January 1, 2019. The Company applied the modified retrospective transition method and elected the transition option to use the effective date January 1, 2019 as the date of initial application. The Company did not adjust its comparative period financial statements for effects of ASU 2016-02, nor has it made the new required lease disclosures for periods before the effective date. The Company has recognized its cumulative effect transition adjustment as of the effective date. In addition, the Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, will allow the Company to carry forward the historical lease classification. The adoption of the new standard resulted in recording operating lease assets and lease liabilities of $155.4 million as of January 1, 2019, which is shown in the table below. No material finance leases were identified as of January 1, 2019. In addition, there was no material impact on the consolidated financial statements where the Company is deemed to be the lessor in an “embedded lease” arrangement.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance Sheet**  *(Dollars in millions)* |  | **Balance at**  **December 31,**  **2018** | |  |  | **Adjustments**  **due to**  **ASU 2016-02** | |  |  | **Balance at**  **January 1,**  **2019** | |  |
| **Assets** |  |  |  |  |  |  |  |  |  |  |  |  |
| Right-of-use asset, operating leases |  | $ | — |  |  | $ | 155.4 |  |  | $ | 155.4 |  |
| **Current liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating lease liabilities - current |  |  | — |  |  |  | 38.7 |  |  |  | 38.7 |  |
| **Non-current liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating lease liabilities - non-current |  |  | — |  |  |  | 116.7 |  |  |  | 116.7 |  |

**Accounting Standards Issued But Not Yet Adopted**

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20), Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in ASU 2018-14 remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendments in ASU 2018-14 are effective for public business entities for annual periods ending after December 15, 2020. Early adoption is permitted. An entity should apply the amendments in ASU 2018-14 on a retrospective basis to all periods presented. The Company is currently evaluating the impact of its pending adoption of ASU 2018-14 on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for annual periods beginning after December 15, 2019, including interim periods within these annual periods. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial annual year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify disclosures upon issuance of ASU 2018-13. The Company believes that the pending adoption of ASU 2018-13 will not have a material impact on the consolidated financial statements.

10

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held and requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses. ASU 2016-13 is effective for public business entities for annual periods beginning after December 15, 2019, and early adoption is permitted for annual periods beginning after December 15, 2018. The Company has a project team that is currently evaluating the impact of its pending adoption of ASU 2016-13 on the consolidated financial statements.

**3. DISCONTINUED OPERATIONS**

As discussed in Note 1. Basis of Presentation above, on June 29, 2018, the Company completed the spin-off of Veoneer and the requirements for the presentation of Veoneer as a discontinued operation were met on that date. Accordingly, Veoneer’s historical financial results are reflected in the Company’s unaudited condensed consolidated financial statements as discontinued operations. The Company did not allocate any general corporate overhead or interest expense to discontinued operations.

The financial results of Veoneer are presented as loss from discontinued operations, net of income taxes in the unaudited Condensed Consolidated Statements of Income. The following table presents the financial results of Veoneer (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |
| **Net sales** |  | **$** | **—** |  |  | **$** | **551.0** |  |  | **$** | **—** |  |  | **$** | **1,122.9** |  |
| Cost of sales |  |  | — |  |  |  | (445.4 | ) |  |  | — |  |  |  | (898.4 | ) |
| **Gross profit** |  |  | — |  |  |  | **105.6** |  |  |  | — |  |  |  | **224.5** |  |
| Selling, general and administrative expenses |  |  | — |  |  |  | (34.0 | ) |  |  | — |  |  |  | (59.7 | ) |
| Research, development and engineering expenses,     net |  |  | — |  |  |  | (118.8 | ) |  |  | — |  |  |  | (224.0 | ) |
| Amortization of intangibles |  |  | — |  |  |  | (5.2 | ) |  |  | — |  |  |  | (10.5 | ) |
| Other income (expense), net |  |  | — |  |  |  | (52.7 | ) |  |  | — |  |  |  | (53.4 | ) |
| **Operating loss** |  |  | — |  |  |  | **(105.1** | **)** |  |  | — |  |  |  | **(123.1** | **)** |
| Loss from equity method investments |  |  | — |  |  |  | (15.9 | ) |  |  | — |  |  |  | (29.9 | ) |
| Interest income |  |  |  |  |  |  | 0.7 |  |  |  |  |  |  |  | 0.7 |  |
| Interest expense |  |  | — |  |  |  | (0.3 | ) |  |  | — |  |  |  | (0.4 | ) |
| Other non-operating items, net |  |  | — |  |  |  | 0.4 |  |  |  | — |  |  |  | 0.5 |  |
| **Loss before income taxes** |  |  | — |  |  |  | **(120.2** | **)** |  |  | — |  |  |  | **(152.2** | **)** |
| Income tax expense |  |  | — |  |  |  | (38.9 | ) |  |  | — |  |  |  | (43.6 | ) |
| **Loss from discontinued operations, net of income**  **taxes** |  |  | — |  |  |  | **(159.1** | **)** |  |  | — |  |  |  | **(195.8** | **)** |
| Less: Net loss attributable to non-controlling     interest |  |  | — |  |  |  | (3.6 | ) |  |  | — |  |  |  | (8.3 | ) |
| **Net loss from discontinued operations** |  | **$** | **—** |  |  | **$** | **(155.5** | **)** |  | **$** | **—** |  |  | **$** | **(187.5** | **)** |

The Company incurred $70.9 million in separation costs related to the spin-off of Veoneer for the six months period ended June 30, 2018 and was reported in Other income (expense), net. These costs were primarily related to professional fees associated with planning the spin-off, as well as spin-off activities within finance, tax, legal and information system functions and certain investment banking fees incurred upon the completion of the spin-off.

In connection with the spin-off, Autoliv entered into definitive agreements with Veoneer that, among other matters, set forth the terms and conditions of the spin-off and provide a framework for Autoliv’s relationship with Veoneer after the spin-off (the “Spin-Off Agreements”). For more detailed information concerning the Spin-off Agreements, see Note 3 to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 21, 2019. No changes have been made to any of the agreements as of June 30, 2019.

*Veoneer Capital Contribution*

In connection with the spin-off, Autoliv capitalized Veoneer with approximately $1 billion of cash. Net assets of $2,129 million, including approximately $1 billion of cash, were transferred to Veoneer on or prior to the Distribution Date, including $13 million of accumulated other comprehensive loss (primarily related to pension and cumulative translation adjustment) and the non-controlling interest of $112 million. This resulted in a $2,030 million reduction to retained earnings. In the second half of 2018 an adjustment to the cash contribution amount of $5 million was made reducing the net assets contributed to Veoneer to $2,123 million. In the second quarter of 2019 an adjustment of $0.2 million was made to true-up the $2.5 million contribution made to Veoneer as an adjustment of deferred tax assets related to Veoneer.

11

The following table presents depreciation, amortization, capital expenditures, acquisition of businesses and significant non-cash items of the discontinued operations related to Veoneer (dollars in millions).

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| Depreciation |  | $ | — |  |  | $ | 44.8 |  |
| Amortization of intangible assets |  |  | — |  |  |  | 10.5 |  |
| Capital expenditures |  |  | — |  |  |  | 71.1 |  |
| Acquisition in affiliate, net |  |  | — |  |  |  | 71.0 |  |
| M/A-COM earn-out adjustment |  |  | — |  |  |  | (14.0 | ) |
| Undistributed loss from equity method investment |  |  | — |  |  |  | 29.9 |  |

**4. LEASES**

The Company has operating leases for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment. The Company’s leases have remaining lease terms of 1-47 years, some of which include options to extend the leases for up to 25 years, and some of which include options to terminate the leases within 1 year.

Finance lease right-of-use assets are presented together with other property, plant and equipment assets and finance lease liabilities are presented together with other short-term and long-term liabilities in the Condensed Consolidated Balance Sheets. However, the Company has not identified any material finance leases as of June 30, 2019.

As of June 30, 2019, the Company has no additional material operating leases that have not yet commenced.

The Company has elected the practical expedient of not separating lease components from non-lease components for all its classes of underlying assets. The Company has also elected to recognize the lease payments for short-term leases in its consolidated statement of income on a straight-line basis over the lease term and recognize the variable lease payments in the period in which the obligation for those payments is incurred.

If the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate. The Company uses its best judgement when determining the incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term to the lease payments in a similar currency.

The following tables provide information about the Company’s leases. Since finance leases are not material the finance lease cost components have not been disclosed in the tables below.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lease cost** |  |  |  |  |  |  |  |  |
| *(in millions)* |  | **Three months ended** | |  |  | **Six months ended** | |  |
|  |  | **June 30 2019** | |  |  | **June 30, 2019** | |  |
| Operating lease cost |  | $ | 12 |  |  | $ | 24 |  |
| Short-term lease cost |  |  | 1 |  |  |  | 3 |  |
| Variable lease cost |  |  | 1 |  |  |  | 2 |  |
| Sublease income |  |  | (1 | ) |  |  | (2 | ) |
| **Total lease cost** |  | **$** | **13.0** |  |  | **$** | **27.0** |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Other information** |  |  |  |  |
| *(in millions)* |  | **Six months ended**  **or as of** | |  |
|  |  | **June 30, 2019** | |  |
| Cash paid for amounts included in the measurement of operating     lease liabilities |  | $ | 24 |  |
| Right-of-use assets obtained in exchange for new operating lease liabilities |  | 30 | |  |
| Weighted-average remaining lease term - operating leases |  | 7 years | |  |
| Weighted-average discount rate - operating leases |  |  | 2.3 | % |

12

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Maturities of operating lease liabilities (undiscounted cash flows) are as follows:** |  |  |  |  |
| *(in millions)* |  |  |  |  |
|  |  | **As of**  **June 30, 2019** | |  |
| 2019 (excluding the six months ended June 30, 2019) |  | $ | 23 |  |
| 2020 |  |  | 37 |  |
| 2021 |  |  | 26 |  |
| 2022 |  |  | 21 |  |
| 2023 |  |  | 18 |  |
| Thereafter |  |  | 56 |  |
| **Total operating lease payments** |  |  | **181** |  |
| Less imputed interest |  |  | (16 | ) |
| **Total operating lease liabilities** |  | **$** | **165** |  |

**5. REVENUE**

Disaggregation of revenue

In the following tables, revenue from the Company’s continuing operations is disaggregated by primary region and products.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Net Sales by Products** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |
| Airbag Products and Other1) |  | $ | 1,435.7 |  |  | $ | 1,437.9 |  |  | $ | 2,883.4 |  |  | $ | 2,877.5 |  |
| Seatbelt Products1) |  |  | 719.0 |  |  |  | 773.6 |  |  |  | 1,445.3 |  |  |  | 1,574.9 |  |
| **Total net sales** |  | **$** | **2,154.7** |  |  | **$** | **2,211.5** |  |  | **$** | **4,328.7** |  |  | **$** | **4,452.4** |  |

|  |  |
| --- | --- |
| 1) | Including Corporate and other sales. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Net Sales by Region** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |  | **June 30,**  **2019** | |  |  | **June 30,**  **2018** | |  |
| China |  | $ | 349.5 |  |  | $ | 385.1 |  |  | $ | 680.0 |  |  | $ | 751.5 |  |
| Japan |  |  | 191.1 |  |  |  | 195.5 |  |  |  | 399.2 |  |  |  | 410.2 |  |
| Rest of Asia |  |  | 217.1 |  |  |  | 211.6 |  |  |  | 429.3 |  |  |  | 422.7 |  |
| Americas |  |  | 758.1 |  |  |  | 682.3 |  |  |  | 1,501.1 |  |  |  | 1,349.5 |  |
| Europe |  |  | 638.9 |  |  |  | 737.0 |  |  |  | 1,319.1 |  |  |  | 1,518.5 |  |
| **Total net sales** |  | **$** | **2,154.7** |  |  | **$** | **2,211.5** |  |  | **$** | **4,328.7** |  |  | **$** | **4,452.4** |  |

Contract balances

The contract assets relate to the Company's rights to consideration for work completed but not billed (generally in conjunction with contracts for which revenue is recognized over time) at the reporting date on production parts and is included in Other current assets on the Condensed Consolidated Balance Sheet. The contract assets are reclassified into the receivables balance when the rights to receive payments become unconditional. The net change in the contract assets balance, reflecting the adjustments needed to align revenue recognition for work completed but not billed, for the three and six months period ended June 30, 2019 is not material.

Certain contracts have resulted in consideration in advance of fulfilling the performance obligations and the amounts received have been classified as contract liabilities within Other current liabilities and Other non-current liabilities on the Condensed Consolidated Balance Sheet. The portion of the contract liabilities recognized as revenue for the three and six months period ended June 30, 2019 is not material.

13

**6. FAIR VALUE MEASUREMENTS**

**Assets and liabilities measured at fair value on a recurring basis**

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities and short-term debt approximate their fair value because of the short-term maturity of these instruments.

The Company uses derivative financial instruments, “derivatives”, as part of its debt management to mitigate the market risk that occurs from its exposure to changes in interest and foreign exchange rates. The Company does not enter into derivatives for trading or other speculative purposes. The Company’s use of derivatives is in accordance with the strategies contained in the Company’s overall financial policy. All derivatives are recognized in the consolidated financial statements at fair value. Certain derivatives are from time to time designated either as fair value hedges or cash flow hedges in line with the hedge accounting criteria. For certain other derivatives hedge accounting is not applied either because non-hedge accounting treatment creates the same accounting result or the hedge does not meet the hedge accounting requirements, although entered into applying the same rationale concerning mitigating market risk that occurs from changes in interest and foreign exchange rates.

The Company’s derivatives are all classified as Level 2 of the fair value hierarchy and there were no transfers between the levels during this or comparable periods (for further information about the hierarchy levels, see the Company’s Annual Report on Form 10-K).

The tables below present information about the Company’s derivative financial assets and liabilities measured at fair value on a recurring basis for the continuing operations. The carrying value is the same as the fair value as these instruments are recognized in the consolidated financial statements at fair value. Although the Company is party to close-out netting agreements (ISDA agreements) with all derivative counterparties, the fair values in the tables below, in the Condensed Consolidated Balance Sheets at June 30, 2019 and December 31, 2018, have been presented on a gross basis. According to the close-out netting agreements, transaction amounts payable to a counterparty on the same date and in the same currency can be netted. The amounts subject to netting agreements that the Company chose not to offset are presented below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2019** | | | | | | | | | |  |  |  |
|  |  |  |  |  |  | **Fair Value**  **Measurements** | | | | | |  |  |  |
| **Description** |  | **Nominal**  **volume** | |  |  | **Derivative**  **asset** | |  |  | **Derivative**  **liability** | |  |  | **Balance sheet location** |
| **Derivatives not designated as hedging**  **instruments** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign exchange swaps, less than     6 months |  | $ | 909.6 |  | 1) | $ | 6.4 |  | 2) | $ | 2.9 |  | 3) | Other current assets/ Other  current liabilities |
| **Total derivatives not designated as**  **hedging instruments** |  | **$** | **909.6** |  |  | **$** | **6.4** |  |  | **$** | **2.9** |  |  |  |

|  |  |
| --- | --- |
| 1) | Net nominal amount after deducting for offsetting swaps under ISDA agreements is $909.6 million. |
| 2) | Net amount after deducting for offsetting swaps under ISDA agreements is $6.4 million. |
| 3) | Net amount after deducting for offsetting swaps under ISDA agreements is $2.9 million. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31, 2018** | | | | | | | | | |  |  |  |
|  |  |  |  |  |  | **Fair Value**  **Measurements** | | | | | |  |  |  |
| **Description** |  | **Nominal**  **volume** | |  |  | **Derivative**  **asset** | |  |  | **Derivative**  **liability** | |  |  | **Balance sheet location** |
| **Derivatives not designated as hedging**  **instruments** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign exchange swaps, less than     6 months |  | $ | 659.1 |  | 1) | $ | 1.9 |  | 2) | $ | 1.1 |  | 3) | Other current assets/ Other  current liabilities |
| **Total derivatives not designated as**  **hedging instruments** |  | **$** | **659.1** |  |  | **$** | **1.9** |  |  | **$** | **1.1** |  |  |  |

|  |  |
| --- | --- |
| 1) | Net nominal amount after deducting for offsetting swaps under ISDA agreements is $659.1 million. |
| 2) | Net amount after deducting for offsetting swaps under ISDA agreements is $1.9 million. |
| 3) | Net amount after deducting for offsetting swaps under ISDA agreements is $1.1 million. |

**Derivatives designated as hedging instruments**

There were no derivatives designated as hedging instruments as of June 30, 2019 and December 31, 2018 related to the continuing operations.

14

**Derivatives not designated as hedging instruments**

Derivatives not designated as hedging instruments relate to economic hedges and are marked to market with all amounts recognized in the Consolidated Statements of Income. The derivatives not designated as hedging instruments outstanding at June 30, 2019 and December 31, 2018 related to the continuing operations were foreign exchange swaps.

For the three months ended June 30, 2019 and June 30, 2018, the gains and losses recognized in other non-operating items, net were a gain of $5.8 million and a loss of $4.4 million, respectively, for derivative instruments not designated as hedging instruments. For the six months ended June 30, 2019 and June 30, 2018, the gains and losses recognized in other non-operating items, net were a gain of $2.6 million and a loss of $5.3 million, respectively, for derivative instruments not designated as hedging instruments.

For the three and six month periods ended June 30, 2019 and June 30, 2018, the gains and losses recognized as interest expense were immaterial.

**Fair Value of Debt**

The fair value of long-term debt is determined either from quoted market prices as provided by participants in the secondary market or for long-term debt without quoted market prices, estimated using a discounted cash flow method based on the Company’s current borrowing rates for similar types of financing. The Company has determined that each of these fair value measurements of debt reside within Level 2 of the fair value hierarchy.

In the table below “Bonds” relates to multiple USPP bonds and Euro denominated bonds. “Loans” relates to utilized long-term loan facilities. In June 2019, the company issued a €100 million bond and utilized a SEK 1,200 million long term loan facility.

The fair value and carrying value of debt for the continuing operations is summarized in the table below (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |  | **December 31,** | |  |  | **December 31,** | |  |
|  |  | **2019** | |  |  | **2019** | |  |  | **2018** | |  |  | **2018** | |  |
|  |  | **Carrying** | |  |  | **Fair** | |  |  | **Carrying** | |  |  | **Fair** | |  |
|  |  | **value1)** | |  |  | **value** | |  |  | **value1)** | |  |  | **value** | |  |
| **Long-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bonds |  | $ | 1,720.3 |  |  | $ | 1,809.3 |  |  | $ | 1,609.0 |  |  | $ | 1,628.9 |  |
| Loans |  |  | 129.4 |  |  |  | 129.4 |  |  |  | — |  |  |  | — |  |
| Other long-term debt |  |  | 0.5 |  |  |  | 0.5 |  |  |  | — |  |  |  | — |  |
| **Total** |  | **$** | **1,850.2** |  |  | **$** | **1,939.2** |  |  | **$** | **1,609.0** |  |  | **$** | **1,628.9** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Short-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Commercial paper |  | $ | 273.4 |  |  | $ | 273.4 |  |  | $ | 342.6 |  |  | $ | 342.6 |  |
| Short-term portion of long-term debt |  |  | 60.0 |  |  |  | 61.2 |  |  |  | 268.1 |  |  |  | 270.4 |  |
| Overdrafts and other short-term debt |  |  | 33.4 |  |  |  | 33.4 |  |  |  | 10.0 |  |  |  | 10.0 |  |
| **Total** |  | **$** | **366.8** |  |  | **$** | **368.0** |  |  | **$** | **620.7** |  |  | **$** | **623.0** |  |

|  |  |
| --- | --- |
| 1) | Debt as reported in balance sheet. |

**Assets and liabilities measured at fair value on a nonrecurring basis**

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company also has assets and liabilities in its balance sheet that are measured at fair value on a nonrecurring basis including certain long-lived assets, including equity method investments, goodwill and other intangible assets, typically as it relates to impairment.

The Company has determined that the fair value measurements included in each of these assets and liabilities rely primarily on Company-specific inputs and the Company’s assumptions about the use of the assets and settlements of liabilities, as observable inputs are not available. The Company has determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy. To determine the fair value of long-lived assets, the Company utilizes the projected cash flows expected to be generated by the long-lived assets, then discounts the future cash flows over the expected life of the long-lived assets.

For the three and six month periods ended June 30, 2019 and June 30, 2018, the Company did not record any impairment charges on its long-lived assets for its continuing operations.

15

**7. INCOME TAXES**

The effective tax rate in the second quarter of 2019 was 27.4% compared to 8.1% in the same quarter of 2018. Discrete tax items, net in the second quarter of 2019 had a favorable impact of 1.3%. In the second quarter of 2018, discrete tax items, net had a favorable impact of 19.2%, principally due to the reversal of valuation allowances against deferred tax assets. The effective tax rate for the first six months of 2019 was 27.4% compared to 19.8% in the same period of 2018. Discrete tax items, net for the first six months of 2019 had a favorable impact of 0.4%. In the same period of 2018, discrete tax items, net had a favorable impact of 7.4%.

The Company files income tax returns in the United States federal jurisdiction, and various states and non-U.S. jurisdictions. At any given time, the Company is undergoing tax audits in several tax jurisdictions covering multiple years. The Company is no longer subject to income tax examination by the U.S. federal income tax authorities for years prior to 2015. With few exceptions, the Company is no longer subject to income tax examination by U.S. state or local tax authorities or by non-U.S. tax authorities for years before 2010.

As of June 30, 2019, the Company is not aware of any proposed income tax adjustments resulting from tax examinations that would have a material impact on the Company’s condensed consolidated financial statements. The conclusion of such audits could result in additional increases or decreases to unrecognized tax benefits in some future period or periods.

During the first six months of 2019, the Company recorded a net increase of $0.6 million to income tax reserves for unrecognized tax benefits based on tax positions related to the current year, including accruing additional interest related to unrecognized tax benefits of prior years. Of the total unrecognized tax benefits of $56.7 million recorded at June 30, 2019, $5.6 million is classified as current tax payable within Other current liabilities and $51.1 million is classified as non-current tax payable within Other non-current liabilities on the Condensed Consolidated Balance Sheet.

**8. INVENTORIES**

Inventories are stated at the lower of cost (FIFO) and net realizable value. The components of inventories for the continuing operations were as follows (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **December 31, 2018** | |  |
| Raw materials |  | $ | 357.2 |  |  | $ | 370.9 |  |
| Work in progress |  |  | 281.4 |  |  |  | 277.4 |  |
| Finished products |  |  | 182.0 |  |  |  | 194.7 |  |
| **Inventories** |  |  | **820.6** |  |  |  | **843.0** |  |
| Inventory valuation reserve |  |  | (84.5 | ) |  |  | (85.1 | ) |
| **Total inventories, net of reserve** |  | **$** | **736.1** |  |  | **$** | **757.9** |  |

**9. RESTRUCTURING**

Restructuring provisions are made on a case-by-case basis and primarily include severance costs incurred in connection with headcount reductions and plant consolidations. The Company expects to finance restructuring programs over the next several years through cash generated from its ongoing operations or through cash available under existing credit facilities. The Company does not expect that the execution of these programs will have a material adverse impact on its liquidity position. The changes in the employee-related reserves have been charged against Other income (expense), net in the Consolidated Statements of Income.

The majority of the reserve balance as of June 30, 2019 pertains to restructuring activities initiated in Western Europe over the past few years. Several restructuring activities were initiated in the second quarter of 2019 and $12.9 million was accrued in the second quarter related to these activities. The Company anticipates that its restructuring activities in Western Europe for a number of plants, none of which are individually or in the aggregate material as of June 30, 2019, will continue through dates ranging from 2019 through 2023. The total amount of costs expected to be incurred in connection with these restructuring activities ranges from approximately $2 million to $31 million for each individual activity. In the aggregate, the cost for these Western European restructuring activities is approximately $110 million and the remaining restructuring liability as of June 30, 2019 is approximately $27 million out of the $40 million total reserve balance.

The table below summarizes the change in the balance sheet position of the employee related restructuring reserves for the continuing operations (dollars in millions). Restructuring costs other than employee related costs are immaterial for all periods presented.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Reserve at beginning of the period** |  | **$** | **28.5** |  |  | **$** | **41.1** |  |  | **$** | **33.4** |  |  | **$** | **39.6** |  |
| Provision - charge |  |  | 12.9 |  |  |  | 1.0 |  |  |  | 13.7 |  |  |  | 4.3 |  |
| Provision - reversal |  |  | — |  |  |  | — |  |  |  | (0.1 | ) |  |  | — |  |
| Cash payments |  |  | (1.4 | ) |  |  | (3.9 | ) |  |  | (6.5 | ) |  |  | (6.8 | ) |
| Translation difference |  |  | 0.3 |  |  |  | (2.2 | ) |  |  | (0.2 | ) |  |  | (1.1 | ) |
| **Reserve at end of the period** |  | **$** | **40.3** |  |  | **$** | **36.0** |  |  | **$** | **40.3** |  |  | **$** | **36.0** |  |

16

**10. PRODUCT-RELATED LIABILITIES**

The Company has reserves for product risks. Such reserves are related to product performance issues including recalls, product liability and warranty issues. For further explanation, see Note 12. Contingent Liabilities below.

For the three and six month periods ended June 30, 2019 and June 30, 2018, provisions and cash paid primarily relate to recall and warranty related issues. The decrease in the reserve balance as of June 30, 2019 compared to the prior year was mainly due to cash payments.

Pursuant to the Spin-Off Agreements, Autoliv is also required to indemnify Veoneer for recalls related to certain qualified Electronics products. At June 30, 2019, the indemnification liabilities are approximately $9 million within Accrued expenses on the Condensed Consolidated Balance Sheets. Insurance receivables are included within Other current assets and Investments and other non-current assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the change in the balance sheet position of the product-related liabilities related to the continuing operations (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Reserve at beginning of the period** |  | **$** | **60.5** |  |  | **$** | **80.5** |  |  | **$** | **62.2** |  |  | **$** | **95.6** |  |
| Change in reserve |  |  | 5.2 |  |  |  | 19.4 |  |  |  | 8.1 |  |  |  | 18.0 |  |
| Cash payments |  |  | (9.9 | ) |  |  | (5.2 | ) |  |  | (14.3 | ) |  |  | (19.7 | ) |
| Translation difference |  |  | 0.1 |  |  |  | (1.4 | ) |  |  | (0.1 | ) |  |  | (0.6 | ) |
| **Reserve at end of the period** |  | **$** | **55.9** |  |  | **$** | **93.3** |  |  | **$** | **55.9** |  |  | **$** | **93.3** |  |

**11. RETIREMENT PLANS**

The Company’s most significant defined benefit plan is the Autoliv ASP, Inc. Pension Plan for which the benefits are based on an average of the employee’s earnings in the years preceding retirement and on credited service. This plan is closed for employees hired after December 31, 2003. In December 2017, the Company decided to amend the U.S. defined pension plan, communicating a benefits freeze that will begin on December 31, 2021.

For the Company’s non-U.S. defined benefit plans the most significant individual plan resides in the U.K. The Company has closed participation in the U.K. defined benefit plan to exclude all employees hired after April 30, 2003 with few members accruing benefits.

The Net Periodic Benefit Costs from continuing operations related to Other Post-retirement Benefits were not significant to the Condensed Consolidated Financial Statements of the Company for the three and six months ended June 30, 2019 and June 30, 2018 and are not included in the table below.

The components of total Net Periodic Benefit Cost from continuing operations associated with the Company’s defined benefit retirement plans are as follows (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| Service cost |  | $ | 4.5 |  |  | $ | 5.0 |  |  | $ | 9.0 |  |  | $ | 10.0 |  |
| Interest cost |  |  | 5.2 |  |  |  | 4.6 |  |  |  | 10.3 |  |  |  | 9.3 |  |
| Expected return on plan assets |  |  | (3.9 | ) |  |  | (5.6 | ) |  |  | (7.7 | ) |  |  | (11.2 | ) |
| Amortization of prior service cost |  |  | 0.1 |  |  |  | 0.1 |  |  |  | 0.2 |  |  |  | 0.1 |  |
| Amortization of actuarial loss |  |  | 0.6 |  |  |  | 0.8 |  |  |  | 1.2 |  |  |  | 1.6 |  |
| **Net Periodic Benefit Cost** |  | **$** | **6.5** |  |  | **$** | **4.9** |  |  | **$** | **13.0** |  |  | **$** | **9.8** |  |

The Service cost and Amortization of prior service cost components in the table above are reported among other employee compensation costs in the Consolidated Statements of Income. The remaining components - Interest cost, Expected return on plan assets and Amortization of actuarial loss - are reported as Other non-operating items, net in the Consolidated Statements of Income.

The decrease in expected return on plan assets for the three and six months ended June 30, 2019 compared to the same periods of the previous year is due to a lower assumed long-term rate of return on mainly the U.S. plan assets.

17

**12. CONTINGENT LIABILITIES**

**Legal Proceedings**

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters. Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with counsel, and with the exception of losses resulting from the antitrust proceedings described below, it is the opinion of management that the various legal proceedings and investigations to which the Company currently is a party will not have a material adverse impact on the consolidated financial position of Autoliv, but the Company cannot provide assurance that Autoliv will not experience material litigation, product liability or other losses in the future.

**ANTITRUST MATTERS**

Authorities in several jurisdictions have conducted broad, and in some cases, long-running investigations of suspected anti-competitive behavior among parts suppliers in the global automotive vehicle industry. These investigations included, but are not limited to, the products that the Company sells. In addition to concluded and pending matters, authorities of other countries with significant light vehicle manufacturing or sales may initiate similar investigations. It is the Company’s policy to cooperate with governmental investigations.

European Commission (“EC”) Investigations:

On June 7-9, 2011, representatives of the European Commission (“EC”), the European antitrust authority, visited two facilities of a Company subsidiary in Germany to gather information for an investigation of anti-competitive behavior among suppliers of occupant safety systems.

On November 22, 2017, the EC concluded a discrete portion of its investigation and imposed a fine on the Company of €8.1 million (approximately $9.7 million) with respect to this portion of the EC’s overall investigation while it continued the more significant portion of its investigation. The Company paid this amount during the first quarter of 2018, and had previously accrued €8.3 million (approximately $9.9 million) in 2017 with respect to this discrete portion of the investigation.

On March 5, 2019, the EC completed the remaining portion of the investigation and imposed a fine on the Company of €179 million (approximately $203 million). In the fourth quarter of 2018, the Company had previously accrued €184 million (approximately $210 million) with respect to the remaining portion of the investigation. The difference between the actual fine and the accrual is reported in Other income (expense), net in the Consolidated statements of net income. The final payment of the actual fine was made in June 2019.

Civil Litigation: The Company is subject to civil litigation alleging anti-competitive conduct in the U.S. and Canada. As previously reported, the Company, several of its subsidiaries, and its competitors were named as defendants in a total of nineteen purported antitrust class action lawsuits filed between June 2012 and June 2015. Fifteen of these lawsuits were filed in the U.S. and were consolidated in the Automobile Parts Antitrust Litigation, a Multi-District Litigation (MDL) proceeding in the United States District Court for the Eastern District of Michigan. Plaintiffs in the U.S. cases sought to represent four purported classes - direct purchasers, auto dealers, end-payors, and truck and equipment dealers - who purchased occupant safety systems or components directly from a defendant, indirectly through purchases or leases of new vehicles containing such systems, or through purchases of replacement parts.

In May 2014, the Company, without admitting any liability, entered into separate settlement agreements with the direct purchasers, auto dealers, and end-payors, which were granted final approval by the MDL court in 2015 and 2016. In April 2016, the Company entered into a settlement agreement with the truck and equipment dealers’ class, which was granted final approval by the MDL court in 2016. The class settlements do not resolve any claims of settlement class members who opt-out of the settlements or the unasserted claims of any purchasers of occupant safety systems who are not otherwise included in a settlement class, such as states and municipalities. Several individuals and one insurer (and its affiliated entities) opted-out of the end-payor class settlement, including the Company’s settlement.

In September 2016, the insurer (and its affiliated entities) that opted out of the end-payor class settlement filed an antitrust lawsuit in the United States District Court for the Eastern District of Michigan. The Company has accrued an amount that is not material to the Company’s results of operations to resolve this issue.

18

**PRODUCT WARRANTY, RECALLS AND INTELLECTUAL PROPERTY**

Autoliv is exposed to various claims for damages and compensation if its products fail to perform as expected. Such claims can be made, and result in costs and other losses to the Company, even where the product is eventually found to have functioned properly. Where a product (actually or allegedly) fails to perform as expected or is defective, the Company may face warranty and recall claims. Where such (actual or alleged) failure or defect results, or is alleged to result, in bodily injury and/or property damage, the Company may also face product liability and other claims. There can be no assurance that the Company will not experience material warranty, recall or product (or other) liability claims or losses in the future, or that the Company will not incur significant costs to defend against such claims. The Company may be required to participate in a recall involving its products. Each vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. Government safety regulators may also play a role in warranty and recall practices. A warranty, recall or product-liability claim brought against the Company in excess of its insurance may have a material adverse effect on the Company’s business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. A vehicle manufacturer may attempt to hold the Company responsible for some, or all, of the repair or replacement costs of products when the product supplied did not perform as represented by us or expected by the customer. Accordingly, the future costs of warranty claims by the customers may be material. However, the Company believes its established reserves are adequate. Autoliv’s warranty reserves are based upon the Company’s best estimates of amounts necessary to settle future and existing claims. The Company regularly evaluates the adequacy of these reserves, and adjusts them when appropriate. However, the final amounts actually due related to these matters could differ materially from the Company’s recorded estimates.

In addition, as vehicle manufacturers increasingly use global platforms and procedures, quality performance evaluations are also conducted on a global basis. Any one or more quality, warranty or other recall issue(s) (including those affecting few units and/or having a small financial impact) may cause a vehicle manufacturer to implement measures such as a temporary or prolonged suspension of new orders, which may have a material impact on the Company’s results of operations.

The Company carries insurance for potential recall and product liability claims at coverage levels based on our prior claims experience. In addition, a number of the agreements entered into by the Company, including the Spin-off Agreements, require Autoliv to indemnify the other parties for certain claims. Autoliv cannot assure that the level of coverage will be sufficient to cover every possible claim that can arise in our businesses or with respect to other obligations, now or in the future, or that such coverage always will be available should we, now or in the future, wish to extend, increase or otherwise adjust our insurance.

Toyota Recall: On June 29, 2016, the Company announced that it is cooperating with Toyota Motor Corp. in its recall of approximately 1.4 million vehicles equipped with a certain model of the Company’s side curtain airbag (the “Toyota Recall”). Toyota has informed the Company that there have been eight reported incidents where a side curtain airbag has partially inflated without a deployment signal from the airbag control unit. The incidents have all occurred in parked, unoccupied vehicles and no personal injuries have been reported. The root cause analysis of the issue is ongoing. However, at this point in time the Company believes that a compromised manufacturing process at a sub-supplier may be a contributing factor and, as no incidents have been confirmed in vehicles produced by other OEMs with the same inflator produced during the same period as those recalled by Toyota, that vehicle-specific characteristics may also contribute to the issue. The sub-supplier’s manufacturing process was changed in January 2012, and the vehicles now recalled by Toyota represent more than half of all inflators of the relevant type manufactured before the sub-supplier process was changed.

As previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, the Company determined pursuant to ASC 450 that a loss with respect to this issue is reasonably possible. If the Company is obligated to indemnify Toyota for the costs associated with the Toyota Recall, the Company expects that its insurance will generally cover such costs and liabilities and estimates that the Company’s loss, net of expected insurance recoveries, would be less than $20 million. However, the ultimate costs of the Toyota Recall could be materially different. The main variables affecting the ultimate cost for the Company are: the determination of proportionate responsibility (if any) among Toyota, the Company, and any relevant sub-suppliers; the ultimate number of vehicles repaired; the cost of repair per vehicle; and the actual recoveries from sub-suppliers and insurers. The Company’s insurance policies generally include coverage of the costs of a recall, although costs related to replacement parts are generally not covered.

In its products, the Company utilizes technologies which may be subject to intellectual property rights of third parties. While the Company does seek to procure the necessary rights to utilize intellectual property rights associated with its products, it may fail to do so. Where the Company so fails, the Company may be exposed to material claims from the owners of such rights. Where the Company has sold products which infringe upon such rights, its customers may be entitled to be indemnified by the Company for the claims they suffer as a result thereof. Such claims could be material.

The table in Note 10. Product-Related Liabilities above summarizes the change in the balance sheet position of the product related liabilities.

19

**13. STOCK INCENTIVE PLAN**

Eligible employees and non-employee directors of the Company participate in Autoliv, Inc.1997 Stock Incentive Plan (the Plan) and received Autoliv stock-based awards which include stock options (SOs), restricted stock units (RSUs) and performance shares (PSs). In connection with the Veoneer spin-off, each outstanding Autoliv stock-based award as of June 29, 2018 (the Distribution Date) was converted to a stock award that has underlying shares of both Autoliv and Veoneer common shares. For further information about the conversion, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The Company recorded approximately $2.6 million and $3.7 million in stock-based compensation expense in continuing operations related to RSUs and PSs for the three and six month periods ended June 30, 2019, respectively. During the three and six month periods ended June 30, 2018, the Company recorded $2.4 million and $4.7 million, respectively, of stock-based compensation expense in continuing operations related to RSUs and PSs.

**14. EARNINGS PER SHARE**

For the three month period ended June 30, 2019 and June 30, 2018, approximately 53 thousand and 0 thousand shares, respectively, were excluded from the computation of the diluted EPS, since the inclusion of these awards would be antidilutive. For the six month period ended June 30, 2019 and June 30, 2018, approximately 54 thousand and 0 thousand shares, respectively, were excluded from the computation of the diluted EPS.

During the three month periods ended June 30, 2019 and June 30, 2018 approximately 11 thousand and 41 thousand shares of common stock from the treasury stock were utilized by the Plan. During the six month periods ended June 30, 2019 and June 30, 2018 approximately 88 thousand and 159 thousand shares of common stock from the treasury stock were utilized by the Plan.

The computation of basic and diluted EPS under the two-class method were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***(In millions, except per share amounts)*** |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | | |  |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |
| **Numerator:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic and diluted: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income from continuing operations |  | $ | 109.1 |  |  | $ | 192.7 |  |  | $ | 220.5 |  |  | $ | 351.4 |  |
| Net loss from discontinued operations |  |  | — |  |  |  | (155.5 | ) |  |  | — |  |  |  | (187.5 | ) |
| **Net income attributable to controlling**  **interest** |  |  | **109.1** |  |  |  | **37.2** |  |  |  | **220.5** |  |  |  | **163.9** |  |
| Participating share awards with dividend     equivalent rights |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |
| Net income available to common shareholders |  |  | **109.1** |  |  |  | **37.2** |  |  |  | **220.5** |  |  |  | **163.9** |  |
| Earnings allocated to participating share     awards1) |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |
| Net income attributable to common shareholders |  | **$** | **109.1** |  |  | **$** | **37.2** |  |  | **$** | **220.5** |  |  | **$** | **163.9** |  |
| **Denominator: 1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic: Weighted average common stock |  |  | **87.2** |  |  |  | **87.1** |  |  |  | **87.2** |  |  |  | **87.1** |  |
| Add: Weighted average stock options/share     awards |  |  | 0.1 |  |  |  | 0.3 |  |  |  | 0.2 |  |  |  | 0.3 |  |
| **Diluted:** |  |  | **87.3** |  |  |  | **87.4** |  |  |  | **87.4** |  |  |  | **87.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Basic EPS:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Continuing operations |  | $ | 1.25 |  |  | $ | 2.21 |  |  | $ | 2.53 |  |  | $ | 4.03 |  |
| Discontinued operations |  | $ | — |  |  | $ | (1.78 | ) |  | $ | — |  |  | $ | (2.15 | ) |
| **Basic EPS** |  | **$** | **1.25** |  |  | **$** | **0.43** |  |  | **$** | **2.53** |  |  | **$** | **1.88** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Diluted EPS:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Continuing operations |  | $ | 1.25 |  |  | $ | 2.20 |  |  | $ | 2.52 |  |  | $ | 4.02 |  |
| Discontinued operations |  | $ | — |  |  | $ | (1.77 | ) |  | $ | — |  |  | $ | (2.14 | ) |
| **Diluted EPS** |  | **$** | **1.25** |  |  | **$** | **0.43** |  |  | **$** | **2.52** |  |  | **$** | **1.88** |  |

|  |  |
| --- | --- |
| 1) | The Company’s unvested RSUs and PSs, of which some included the right to receive non-forfeitable dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator. |

20

**15. RELATED PARTY TRANSACTIONS**

Throughout the periods covered by the unaudited condensed consolidated financial statements, Autoliv purchased finished goods from Veoneer. Related party purchases from Veoneer amounted to approximately $19 million and $20 million for the three month periods ended June 30, 2019 and June 30, 2018, respectively and to approximately $37 million and $43 million for the six month periods ended June 30, 2019 and June 30, 2018, respectively.

Autoliv also subleases certain office space to Veoneer. However, related party sublease income from Veoneer is not material for the three months ended June 30, 2019.

**Related party balances**

Amounts due to and due from related parties are summarized in the below table:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
| **Related party**  *(Dollars in millions)* |  | **June 30, 2019** | |  |  | **December 31, 2018** | |  |
| Related party receivables |  | $ | 12.4 |  |  | $ | 15.0 |  |
| Related party payables |  |  | 9.7 |  |  |  | 50.7 |  |
| Related party accrued expenses |  |  | 8.9 |  |  |  | 13.0 |  |

Related party receivables primarily relate to an agreement between Autoliv and Veoneer.

The related party payables are mainly driven by Reseller Agreements put in place in connection with the spin-off. The Reseller Agreements are between Autoliv and Veoneer to facilitate the temporary arrangement of the sale of Veoneer products in the interim period post spin-off. For further information, see Note 3. Discontinued Operations above.

**16. SUBSEQUENT EVENTS**

There were no reportable events subsequent to June 30, 2019.

21

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the United States Securities and Exchange Commission (the “SEC”) on February 21, 2019. Unless otherwise noted, all dollar amounts are in millions.*

Autoliv, Inc. (“Autoliv” or the “Company”) is a Delaware corporation with its principal executive offices in Stockholm, Sweden. It was created in 1997 from the merger of Autoliv AB (“AAB”) and the automotive safety products business of Morton International, Inc. The Company functions as a holding corporation and owns two principal operating subsidiaries, AAB and Autoliv ASP, Inc.

Through its operating subsidiaries, Autoliv is a supplier of automotive safety systems with a broad range of product offerings, including modules and components for passenger and driver airbags, side airbags, curtain airbags, seatbelts and steering wheels. Autoliv is also a supplier of anti-whiplash systems, pedestrian protection systems and child seats.

On June 29, 2018 (the “Distribution Date”), Autoliv completed the spin-off of its former Electronics segment (the “spin-off”) through the distribution of all of the issued and outstanding stock of Veoneer, Inc. (“Veoneer”). To effect the spin-off, Autoliv distributed to each Autoliv stockholder one share of Veoneer common stock, par value $1.00 per share, for every one share of Autoliv common stock, par value $1.00 per share, held by such person on the common stock record date, and each Autoliv Swedish Depository Receipt (SDR) holder received one Veoneer SDR for each Autoliv SDR held by such person on the applicable SDR record date. On July 2, 2018, Veoneer’s common stock began regular-way trading on the New York Stock Exchange under the symbol “VNE” and its SDRs began trading on Nasdaq Stockholm under the symbol “VNE SDB.” The Company did not retain any equity interest in Veoneer.

In accordance with U.S. GAAP, the financial position and results of operations of the Electronics business are presented as discontinued operations and, as such, have been excluded from continuing operations for all prior periods presented. The sum of the individual earnings per share amounts from continuing operations and discontinued operations may not equal the total company earnings per share amounts due to rounding. The cash flows and comprehensive income related to the Electronics business have not been segregated and are included in the Condensed Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all prior periods presented. Upon completion of the spin-off, Autoliv concluded that it has one reportable segment, based on the way the Company currently evaluates its financial performance and manages its operations. The Company will re-evaluate the one reportable segment as the operating model evolves, including the management structure. See Note 3 - Discontinued Operations below for additional information regarding discontinued operations.

On April 1, 2018, in preparation for the spin-off, pursuant to the terms of a master transfer agreement entered into between Autoliv and Veoneer, assets related to the Electronics business were transferred to, and liabilities related to the Electronics business were retained or assumed by Veoneer, however, responsibility for certain product, warranty and recall liabilities for Electronics products manufactured prior to April 1, 2018 was retained by Autoliv as provided in the distribution agreement between Autoliv and Veoneer.

Autoliv’s filings with the SEC, including this Quarterly Report on Form 10-Q, annual reports on Form 10-K, current reports on Form 8-K, proxy statements and all of our other reports and statements, and amendments thereto, are available free of charge on our corporate website at www.autoliv.com as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC (generally the same day as the filing).

The primary exchange market for Autoliv’s securities is the New York Stock Exchange (NYSE) where Autoliv’s common stock trades under the symbol “ALV”. Autoliv’s Swedish Depositary Receipts (SDRs) are traded on Nasdaq Stockholm’s list for large market cap companies under the symbol “ALIV SDB”. Options in SDRs trade on Nasdaq Stockholm under the name “Autoliv SDB”. Options in Autoliv shares are traded on Nasdaq OMX PHLX and on NYSE Amex Options under the symbol “ALV”.

Autoliv’s fiscal year ends on December 31.

**EXECUTIVE OVERVIEW**

**Financial highlights in the second quarter of 2019**

|  |  |
| --- | --- |
| • | **$2,155 million** consolidated sales |
| • | **1.5%** organic sales growth (non-U.S. GAAP measure, see reconciliation tables below) |
| • | **7.9%** operating margin |
| • | **8.5%** adjusted operating margin (non-U.S. GAAP measure, see reconciliation tables below) |
| • | **$1.25** EPS - a decline of 43% |
| • | **$1.38** adjusted EPS – a decline of 38% (non-U.S. GAAP measure, see reconciliation tables below) |

22

**Key business developments in the second quarter of 2019**

|  |  |
| --- | --- |
| • | **Organic growth outperformed global light vehicle production by 9.1pp** mainly due to Americas and China. |
| • | **Profitability continued to be impacted by** severe global LVP decline and high raw material costs. |
| • | **Accelerated cost improvement actions.** Total workforce declined by 1,208 in the quarter, mainly direct labor. Initiated actions to reduce indirect headcount by about 5%. Additional restructuring measures are being evaluated. |

The Company experienced another challenging quarter dominated by severe weakness in global light vehicle markets and high raw material costs with reduced profitability as a consequence. The uncertainty remains high in a falling market and the Company currently does not see any signs of a turnaround in light vehicle demand. Therefore, the Company now indicate a lower full year 2019 sales and profitability.

As market weakness has continued in the second quarter, the Company has increased its cost improvement actions, including targeting a reduction of the Company’s indirect workforce by approximately 5% and implementing a sharpened purchasing process. The Company already see the effects from its current cost reduction actions, with total headcount declining by around 1,200 in the second quarter and launch related costs continued to decline compared to the first quarter.

The Company is managing the sharp decline in global LVP by its cost reduction actions already implemented as well as planned. Furthermore, management sees both room and need for further improvements in certain areas.

The Company’s sales continued to develop significantly better than LVP, with organic growth (non-U.S. GAAP measure) outperforming LVP in all regions except Japan, where the Company expects outperformance to begin later this year. In North America and China, the Company’s organic growth (non-U.S. GAAP measure) was 14pp higher than LVP growth, while it was 9pp above global LVP growth.

Order intake continued on a good level, securing a strong order book and a prolonged outperformance compared to LVP.

In addition to near term focused cost reduction actions, the Company accelerated its efforts on building the foundation for improving the entire value chain, including increased flexible automation, digitalization and R,D&E efficiency.

The Company is well positioned to navigate through significant challenges from LVP volatility and geopolitical uncertainty by forcefully implementing necessary near term cost reductions and investing for longer term margin improvement, while, as always having quality as the Company’s first priority.

**Non-U.S. GAAP financial measures**

Some of the following discussions refer to non-U.S. GAAP financial measures: see reconciliations for "Organic sales", "Operating working capital", "Net debt", “Leverage ratio”, “Adjusted operating income”, “Adjusted operating margin” and “Adjusted EPS” provided below. Management believes that these non-U.S. GAAP financial measures provide supplemental information to investors regarding the performance of the Company’s business and assist investors in analyzing trends in the Company's business. Additional descriptions regarding management’s use of these financial measures are included below. Investors should consider these non-U.S. GAAP financial measures in addition to, rather than as substitutes for, financial reporting measures prepared in accordance with U.S. GAAP. These historical non-U.S. GAAP financial measures have been identified as applicable in each section of this report with a tabular presentation reconciling them to the most directly comparable U.S. GAAP financial measures. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

**RESULTS OF OPERATIONS**

**Overview**

The following table shows some of the key ratios management uses internally to analyze the Company's current and future financial performance and core operations as well as to identify trends in the Company’s financial conditions and results of operations. We have provided this information to investors to assist in meaningful comparisons of past and present operating results and to assist in highlighting the results of ongoing core operations. These ratios are more fully explained below and should be read in conjunction with the consolidated financial statements in our Annual Report on Form 10-K and the unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

The results herein present the performance of Autoliv giving effect to the spin-off of Veoneer, Autoliv’s former Electronics segment, on June 29, 2018. Historical financial results of Veoneer are reflected as discontinued operations, with the exception of cash flows, which are presented on a consolidated basis of both continuing and discontinued operations and net income attributable to a controlling interest (Consolidated Autoliv). The focus of management’s discussion and analysis below is on continuing operations. Certain key ratios, as indicated, only reflect continuing operations. The restated historical financial information reflecting the spin-off are unaudited, but have been derived from Autoliv’s historical audited annual reports.

23

**KEY RATIOS**

**(Dollars in millions, except per share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | |  |
|  |  | **or as of June 30** | | | | | |  |  | **or as of June 30** | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  | **2018** | |  |
| Total parent shareholders’ equity per share |  | $ | 23.21 |  |  | $ | 22.90 |  |  | $ | 23.21 |  | $ | 22.90 |  |
| Capital employed 1) |  |  | 3,849 |  |  |  | 3,792 |  |  |  | 3,849 |  |  | 3,792 |  |
| Net debt 2) |  |  | 1,811 |  |  |  | 1,785 |  |  |  | 1,811 |  |  | 1,785 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating working capital 2) |  |  | 645 |  |  |  | 776 |  |  |  | 645 |  |  | 776 |  |
| Operating working capital relative to sales, % 10) |  |  | 7.5 |  |  |  | 9.1 |  |  |  | 7.5 |  |  | 9.1 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross margin, % 3) |  |  | 18.6 |  |  |  | 19.9 |  |  |  | 18.0 |  |  | 20.2 |  |
| Operating margin, % 4) |  |  | 7.9 |  |  |  | 10.4 |  |  |  | 7.9 |  |  | 10.6 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Return on total equity, % 5) |  |  | 21.8 |  |  |  | 24.3 |  |  |  | 22.4 |  |  | 20.1 |  |
| Return on capital employed, % 6) |  |  | 18.3 |  |  |  | 21.2 |  |  |  | 18.9 |  |  | 21.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Headcount at period-end 7) |  |  | 65,670 |  |  |  | 66,193 |  |  |  | 65,670 |  |  | 66,193 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Days receivables outstanding 8) |  |  | 72 |  |  |  | 79 |  |  |  | 72 |  |  | 78 |  |
| Days inventory outstanding 9) |  |  | 35 |  |  |  | 33 |  |  |  | 35 |  |  | 32 |  |

|  |  |
| --- | --- |
| 1) | Total equity and net debt. |
| 2) | See tabular presentation reconciling this non-U.S. GAAP measure to U.S. GAAP below under the heading “Liquidity and Sources of Capital”. |
| 3) | Gross profit relative to sales. |
| 4) | Operating income relative to sales. |
| 5) | Net income from continuing operations relative to average total equity. |
| 6) | Operating income and income from equity method investments, relative to average capital employed. |
| 7) | Employees plus temporary, hourly personnel. |
| 8) | Outstanding receivables relative to average daily sales. |
| 9) | Outstanding inventory relative to average daily sales. |
| 10) | Latest 12 months of net sales. |

**THREE MONTHS ENDED JUNE 30, 2019 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2018**

**Consolidated Sales**

Consolidated sales decreased with 2.6% compared to the second quarter of 2018 with an organic growth of 1.5% (non-US GAAP measure, see reconciliation table below) offset by currency effects of negative 4.1%.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Second quarter** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2019** | |  |  | **2018** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 1,435.7 |  |  | $ | 1,437.9 |  |  |  | (0.2 | )% |  |  | (3.7 | )% |  |  | 3.5 | % |
| Seatbelts 2) |  | 719.0 |  |  |  | 773.6 |  |  |  | (7.1 | )% |  |  | (4.9 | )% |  |  | (2.2 | )% |
| **Total** | **$** | **2,154.7** |  |  | **$** | **2,211.5** |  |  |  | **(2.6** | **)%** |  |  | **(4.1** | **)%** |  |  | **1.5** | **%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 757.7 |  |  | $ | 792.2 |  |  |  | (4.4 | )% |  |  | (4.7 | )% |  |  | 0.3 | % |
| *Whereof:     China* |  | *349.5* |  |  |  | *385.1* |  |  |  | *(9.2* | *)%* |  |  | *(6.6* | *)%* |  |  | *(2.6* | *)%* |
| *Japan* |  | *191.1* |  |  |  | *195.5* |  |  |  | *(2.3* | *)%* |  |  | *(0.9* | *)%* |  |  | *(1.4* | *)%* |
| *Rest of Asia* |  | *217.1* |  |  |  | *211.6* |  |  |  | *2.6* | *%* |  |  | *(4.7* | *)%* |  |  | *7.3* | *%* |
| Americas |  | 758.1 |  |  |  | 682.3 |  |  |  | 11.1 | % |  |  | (0.4 | )% |  |  | 11.5 | % |
| Europe |  | 638.9 |  |  |  | 737.0 |  |  |  | (13.3 | )% |  |  | (6.8 | )% |  |  | (6.5 | )% |
| **Total** | **$** | **2,154.7** |  |  | **$** | **2,211.5** |  |  |  | **(2.6** | **)%** |  |  | **(4.1** | **)%** |  |  | **1.5** | **%** |

|  |  |
| --- | --- |
| 1) | Effects from currency translations. |
| 2) | Including Corporate and Other sales. |
| 3) | Non-U.S. GAAP measure |

**Sales by Product**

**Airbag sales** organic growth (non-U.S. GAAP measure, see reconciliation table above) was mainly driven by strong performance for all types of airbags in North America, steering wheels in North America and frontal airbags, side airbags and inflatable curtains in Rest of Asia. The fastest growing product category was pedestrian safety, from a low base, followed by steering wheels, passenger airbags and knee airbags.

24

**Seatbelt sales** organic decline (non-U.S. GAAP measure, see reconciliation table above) was mainly driven by weaker sales in Europe, but also to a smaller degree in China, partly mitigated by better performance in North America, Japan and Rest of Asia. The trend of higher sales of more advanced and higher value-added seatbelt systems continued, especially in China and Japan, partly offset by weaker sales in North America.

**Sales by Region**

Growing globally by 1.5% organically (non-U.S. GAAP measure, see reconciliation table above), the Company grew faster than light vehicle production (according to IHS) by more than 9pp. The largest contributor to overall growth was North America, supported by South America, South Korea and Thailand, partly offset by declines in Europe, China and Japan. The Company grew sales organically (non-U.S. GAAP measure) by around 14pp more than LVP in North America and China while the Company’s 6.5% organic (non-U.S. GAAP measure) sales decline in Europe was 0.2pp better than LVP. In South America the Company grew organically (non-U.S. GAAP measure) around 22pp more than LVP, in Japan the Company underperformed LVP by about 7pp while the Company outgrew LVP by around 11pp in Rest of Asia.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Organic growth**1) |  | **Americas** |  | **Europe** |  | **China** |  | **Japan** |  | **Rest of Asia** |  | **Global** |
| Autoliv |  | 11.5% |  | (6.5)% |  | (2.6)% |  | (1.4)% |  | 7.3% |  | 1.5% |
| Main growth drivers |  | Honda, Nissan, GM, Tesla, FCA |  | Volvo |  | Honda, VW, Toyota |  | Honda, Subaru |  | South Korea and Thailand |  | Americas, Rest of Asia |
| Main decline drivers |  | Daimler |  | Daimler, Renault, BMW, Ford, JLR |  | Geely, Baojun Great Wall |  | Mitsubishi, Nissan |  | Mitsubishi, Tata |  | Europe, Domestic OEMs in China |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure |

**Light Vehicle Production Development**

*Change vs. same quarter last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **RoA** | |  |  | **Total** | |  |
| LVP1) |  | (2.4 | )% |  |  | (6.7 | )% |  |  | (16.5 | )% |  |  | 5.7 | % |  |  | (3.5 | )% |  |  | (7.6 | )% |

|  |  |
| --- | --- |
| 1) | Source: IHS July 2019. |

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **Change** | |  |
| Net Sales |  | $ | 2,154.7 |  |  | $ | 2,211.5 |  |  |  | (2.6 | )% |
| Gross profit |  |  | 399.7 |  |  |  | 439.7 |  |  |  | (9.1 | )% |
| *% of sales* |  |  | *18.6* | *%* |  |  | *19.9* | *%* |  |  | *(1.3* | *)pp* |
| S, G&A |  |  | (101.1 | ) |  |  | (99.8 | ) |  |  | 1.3 | % |
| *% of sales* |  |  | *(4.7* | *)%* |  |  | *(4.5* | *)%* |  |  | *0.2* | *pp* |
| R, D&E, net |  |  | (117.0 | ) |  |  | (117.5 | ) |  |  | (0.4 | )% |
| *% of sales* |  |  | *(5.4* | *)%* |  |  | *(5.3* | *)%* |  |  | *0.1* | *pp* |
| Other income (expense), net |  |  | (9.2 | ) |  |  | 9.6 |  |  |  | 195.8 | % |
| Operating income |  |  | 169.5 |  |  |  | 229.1 |  |  |  | (26.0 | )% |
| *% of sales* |  |  | *7.9* | *%* |  |  | *10.4* | *%* |  |  | *(2.5* | *)pp* |
| Adjusted operating income1) |  |  | 183.2 |  |  |  | 230.2 |  |  |  | (20.4 | )% |
| *% of sales* |  |  | *8.5* | *%* |  |  | *10.4* | *%* |  |  | *(1.9* | *)pp* |
| Financial and non-operating items, net |  |  | (18.7 | ) |  |  | (19.0 | ) |  |  | (1.6 | )% |
| Income before taxes |  |  | 150.8 |  |  |  | 210.1 |  |  |  | (28.2 | )% |
| Tax rate |  |  | 27.4 | % |  |  | 8.1 | % |  |  | *19.3* | *pp* |
| Net income from continuing operations |  |  | 109.4 |  |  |  | 193.2 |  |  |  | (43.4 | )% |
| Earnings per share from continuing operations, diluted2) |  |  | 1.25 |  |  |  | 2.20 |  |  |  | (43.2 | )% |
| Adjusted earnings per share, diluted1),2) |  |  | 1.38 |  |  |  | 2.22 |  |  |  | (37.8 | )% |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure, excluding costs for capacity alignment and antitrust related matters. |
| 2) | Assuming dilution and net of treasury shares. Participating share awards with right to receive dividend equivalents are under the two-class method excluded from the EPS calculation. |

25

**Gross profit** declined by $40 million and the gross margindeclined by 1.3pp compared to the same quarter 2018. The gross margin was adversely impacted by the sharp decline in global light vehicle production resulting in a lower utilization ofthe Company’sproduction assets and raw material headwinds. This was offset to some degree by organic growth(non-U.S. GAAP measure)from launches of new products, which have a lower margin contribution in the early phase of the ramp-up.

**S,G&A** was close to unchanged in USD terms, but increased slightly as percent of sales due to the sales decline.

**R,D&E, net** was close to unchanged in USD terms, but increased slightly as percent of sales due to the sales decline.

**Other income (expense), net** of negative $9 million in the second quarter of 2019 was $19 million lower than in the prior year, mainly due to accruals in second quarter 2019 relating to future reductions of the Company’s indirect workforce and lower government income in China.

**Operating income** decreased by $60 million, as a consequence of the decline in gross profit and other income (expense), net.

**Adjusted operating income** (non-U.S. GAAP measure, see reconciliation table below) decreased by $47 million, mainly due to the lower gross profit.

**Financial and non-operating items, net** wasclose to unchanged at $19 million compared to the prior year.

**Income before taxes** decreased by $59 million, mainly as a consequence of the lower operating income.

**Effective tax rate** of 27.4% was 19.3 pp higher than last year primarily because the second quarter 2018 was positively affected by the reversal of certain valuation allowances as a consequence of the Veoneer spin-off.

**Earnings per share from continuing operations, diluted** decreased by 95 cents primarily due to 44 cents from unusual tax items, 39 cents from lower operating income and 11 cents from costs related to capacity alignment and antitrust related matters.

**SIX MONTHS ENDED JUNE 30, 2019 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2018**

**Consolidated Sales**

Consolidated sales decreased with 2.8% compared to the first six months of 2018 with an organic growth of 1.6% (non-US GAAP measure, see reconciliation table below) offset by currency effects of negative 4.4%.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Six months** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2019** | |  |  | **2018** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 2,883.4 |  |  | $ | 2,877.5 |  |  |  | 0.2 | % |  |  | (4.0 | )% |  |  | 4.2 | % |
| Seatbelts 2) |  | 1,445.3 |  |  |  | 1,574.9 |  |  |  | (8.2 | )% |  |  | (5.2 | )% |  |  | (3.0 | )% |
| **Total** | **$** | **4,328.7** |  |  | **$** | **4,452.4** |  |  |  | **(2.8** | **)%** |  |  | **(4.4** | **)%** |  |  | **1.6** | **%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 1,508.5 |  |  | $ | 1,584.4 |  |  |  | (4.8 | )% |  |  | (4.5 | )% |  |  | (0.3 | )% |
| *Whereof:     China* |  | *680.0* |  |  |  | *751.5* |  |  |  | *(9.5* | *)%* |  |  | *(6.2* | *)%* |  |  | *(3.3* | *)%* |
| *Japan* |  | *399.2* |  |  |  | *410.2* |  |  |  | *(2.7* | *)%* |  |  | *(1.4* | *)%* |  |  | *(1.3* | *)%* |
| *Rest of Asia* |  | *429.3* |  |  |  | *422.7* |  |  |  | *1.6* | *%* |  |  | *(4.6* | *)%* |  |  | *6.2* | *%* |
| Americas |  | 1,501.1 |  |  |  | 1,349.5 |  |  |  | 11.2 | % |  |  | (0.9 | )% |  |  | 12.1 | % |
| Europe |  | 1,319.1 |  |  |  | 1,518.5 |  |  |  | (13.1 | )% |  |  | (7.4 | )% |  |  | (5.7 | )% |
| **Total** | **$** | **4,328.7** |  |  | **$** | **4,452.4** |  |  |  | **(2.8** | **)%** |  |  | **(4.4** | **)%** |  |  | **1.6** | **%** |

|  |  |
| --- | --- |
| 1) | Effects from currency translations. |
| 2) | Including Corporate and Other sales. |
| 3) | Non-U.S. GAAP measure |

**Sales by Product**

**Airbag sales** organic growth (non-U.S. GAAP measure, see reconciliation table above) of 4.2% was mainly driven by strong performance for airbags in North America, steering wheels in North America and airbags in Rest of Asia. Of the $121 million in organic growth, almost 60% came from the steering wheels category with airbags contributing almost 30% of the organic growth in the first six months.

**Seatbelt sales** organic decline (non-U.S. GAAP measure, see reconciliation table above) of 3% was mainly driven by weaker sales in Europe, but also to a smaller degree in China, partly mitigated by better performance in North America, Japan and ASEAN. The trend of higher sales of more advanced and higher value-added seatbelt systems continued, especially in China and Japan.

26

**Sales by Region**

For the first six months of 2019 the Company grew organically (non-U.S. GAAP measure, see reconciliation table above) by 1.6% against the prior corresponding period, outperforming the LVP significantly with 8.5pp during the period. The contributors to the organic growth (non-U.S. GAAP measure) were the Americas and Rest of Asia, mainly ASEAN and India, with offsetting effects from Europe and China. The organic growth (non-U.S. GAAP measure) in the Americas was 12%, mainly driven by Honda, Nissan, FCA, Tesla and GM.

Growth in Rest of Asia was mainly driven by Hyundai/Kia in South Korea, Suzuki and Honda in India and Toyota in ASEAN.

Europe declined organically (non-U.S. GAAP measure) by close to 6%, in line with the LVP. The decline is from an array of customers such as Renault, BMW, JLR, Daimler and Ford.

Augmenting the offsetting effects is China declining organically (non-U.S. GAAP measure) by more than 3%, a result of weak sales from the domestic Chinese OEMs in the region, partly mitigated by the global OEMs growing close to 3% organically. The COEMs are primarily driven by a continued headwind from Baojun, Great Wall and Wuling. The growth with the GOEMs has been mainly through Honda and VW.

Overall the Company’s growth was largely driven by steering wheels (FCA and GM) and frontal airbags (Honda and VW). The inflator replacement business has a negligible effect on overall organic growth (non-U.S. GAAP measure), increasing in North America offset by China and Japan.

**Light Vehicle Production Development**

*Change vs. same period last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **RoA** | |  |  | **Total** | |  |
| LVP1) |  | (2.9 | )% |  |  | (5.6 | )% |  |  | (14.2 | )% |  |  | 3.0 | % |  |  | (2.3 | )% |  |  | (6.9 | )% |

|  |  |
| --- | --- |
| 1) | Source: IHS July 2019. |

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Six months ended** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **Change** | |  |
| Net Sales | $ | 4,328.7 |  |  | $ | 4,452.4 |  |  |  | (2.8 | )% |
| Gross profit |  | 778.5 |  |  |  | 900.0 |  |  |  | (13.5 | )% |
| *% of sales* |  | *18.0* | *%* |  |  | *20.2* | *%* |  |  | *(2.2* | *)pp* |
| S, G&A |  | (202.5 | ) |  |  | (200.9 | ) |  |  | 0.8 | % |
| *% of sales* |  | *(4.7* | *)%* |  |  | *(4.5* | *)%* |  |  | *0.2* | *pp* |
| R, D&E, net |  | (224.4 | ) |  |  | (226.0 | ) |  |  | (0.7 | )% |
| *% of sales* |  | *(5.2* | *)%* |  |  | *(5.1* | *)%* |  |  | *0.1* | *pp* |
| Other income (expense), net |  | (3.2 | ) |  |  | 5.1 |  |  |  | 162.7 | % |
| Operating income |  | 342.7 |  |  |  | 472.5 |  |  |  | (27.5 | )% |
| *% of sales* |  | *7.9* | *%* |  |  | *10.6* | *%* |  |  | *(2.7* | *)pp* |
| Adjusted operating income1) |  | 349.6 |  |  |  | 474.8 |  |  |  | (26.4 | )% |
| *% of sales* |  | *8.1* | *%* |  |  | *10.7* | *%* |  |  | *(2.6* | *)pp* |
| Financial and non-operating items, net |  | (38.3 | ) |  |  | (33.5 | ) |  |  | 14.3 | % |
| Income before taxes |  | 304.4 |  |  |  | 439.0 |  |  |  | (30.7 | )% |
| Tax rate |  | 27.4 | % |  |  | 19.8 | % |  |  | *7.6* | *pp* |
| Net income from continuing operations |  | 220.9 |  |  |  | 352.3 |  |  |  | (37.3 | )% |
| Earnings per share from continuing operations, diluted2) |  | 2.52 |  |  |  | 4.02 |  |  |  | (37.3 | )% |
| Adjusted earnings per share, diluted1),2) |  | 2.57 |  |  |  | 4.04 |  |  |  | (36.4 | )% |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignment and antitrust related matters. |
| 2) | Assuming dilution and net of treasury shares. Participating share awards with right to receive dividend equivalents are under the two-class method excluded from the EPS calculation. |

**Gross profit** declined by $122 million and the gross margin declined by 2.2pp compared to the same period 2018. The gross margin was adversely impacted by the sharp decline in global light vehicle production resulting in a lower utilization of the Company’s production assets, costs due to a labor conflict in Mexico, raw material headwinds and elevated launch related costs. This was offset to some degree by organic growth (non-U.S. GAAP measure) from launches of new products, which have a lower margin contribution in the early phase of the ramp-up.

27

**Operating income** decreased by $130 million, as a consequence of the decline in gross profit and other income(expense), net.

**Other income (expense), net** was $8 million lower mainly due to accruals in second quarter 2019 relating to global cost improvement actions and lower government income in China, partly offset by the European Community (EC) antitrust fine adjustment as disclosed in our first quarter 10-Q.

**Financial and non-operating items, net** was close to $5 million more negative compared to the same period last year, mainly due to higher net debt.

**Income before taxes** decreased by $135 million, mainly as a consequence of the lower operating income. Effective tax rate of 27.4% was 7.6 pp higher than last year primarily because the first six months of 2018 was positively affected by the reversal of certain valuation allowances as a consequence of the Veoneer spin-off.

**Earnings per share, diluted** decreased by 150 cents primarily due to 104 cents from lower operating income, 35 cents from unusual tax items, 8 cents from interest income and expense, and 3 cents from costs related to capacity alignment and antitrust matters.

**LIQUIDITY AND SOURCES OF CAPITAL**

Cash flow items for the first six months of 2018 are presented on a consolidated basis including both Continuing and Discontinued Operations, except when stated otherwise.

Net cash provided by operating activities amounted to $133 million compared to $63 million for the first six months of 2019 and 2018, respectively. The increase in cash flow from operations can mainly be attributed to the change in operating assets.

Net cash used in investing activities amounted to $236 million compared $377 million for the first six months of 2019 and 2018, respectively. The first six months of 2018 included significant activity from discontinued operations. Excluding discontinued operations investing activities amounted to approximately $235 million in 2018.

Net cash used in financing activities amounted to $(114) million compared $(91) million for the first six months of 2019 and 2018, respectively. During the first six months of 2019 financing activities were primarily related to improving the Company’s debt maturity profile, replacing short-term debt with long-term as noted in the Contractual Obligations section below. 2018 financing activities were primarily driven by the spin-off of Veoneer.

**Non-U.S. GAAP measures**

**Reconciliation of U.S. GAAP financial measures to “Adjusted operating income” and “Adjusted operating margin”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30, 2019** | | | | | | | | | |  |  | **Three months ended June 30, 2018** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating income |  | $ | 169.5 |  |  | $ | 13.7 |  |  | $ | 183.2 |  |  | $ | 229.1 |  |  | $ | 1.1 |  |  | $ | 230.2 |  |
| Operating margin, % |  |  | 7.9 |  |  |  | 0.6 |  |  |  | 8.5 |  |  |  | 10.4 |  |  |  | 0.0 |  |  |  | 10.4 |  |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignment and antitrust related matters. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended June 30, 2019** | | | | | | | | | |  |  | **Six months ended June 30, 2018** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating income |  | $ | 342.7 |  |  | $ | 6.9 |  |  | $ | 349.6 |  |  | $ | 472.5 |  |  | $ | 2.3 |  |  | $ | 474.8 |  |
| Operating margin, % |  |  | 7.9 |  |  |  | 0.2 |  |  |  | 8.1 |  |  |  | 10.6 |  |  |  | 0.1 |  |  |  | 10.7 |  |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignment and antitrust related matters. |

28

**Items included in Non-U.S. GAAP adjustments**

**(Dollars in millions, except per share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Second quarter 2019** | | | | | |  |  | **Second quarter 2018** | | | | | |  |
|  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment | $ | 13.2 |  |  | $ | 0.15 |  |  | $ | — |  |  | $ | — |  |
| Antitrust related matters | 0.5 | |  |  | 0.01 | |  |  | 1.1 | |  |  | 0.02 | |  |
| **Total adjustments to operating income** | **13.7** | |  |  | **0.16** | |  |  | **1.1** | |  |  | **0.02** | |  |
| Tax on non-U.S. GAAP adjustments1) |  | (2.7 | ) |  |  | (0.03 | ) |  |  | (0.1 | ) |  |  | 0.00 |  |
| **Total adjustments to net income** | **$** | **11.0** |  |  | **$** | **0.13** |  |  | **$** | **1.0** |  |  | **$** | **0.02** |  |

1) The tax is calculated based on the tax laws in the respective jurisdiction(s) of the adjustment(s).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **First six months of 2019** | | | | | |  |  | **First six months of 2018** | | | | | |  |
|  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment | $ | 13.1 |  |  | $ | 0.15 |  |  | $ | 1.2 |  |  | $ | 0.0 |  |
| Antitrust related matters |  | (6.2 | ) |  |  | (0.07 | ) |  | 1.1 | |  |  | 0.01 | |  |
| **Total adjustments to operating income** | **6.9** | |  |  | **0.08** | |  |  | **2.3** | |  |  | **0.02** | |  |
| Tax on non-U.S. GAAP adjustments1) |  | (2.7 | ) |  |  | (0.03 | ) |  |  | (0.6 | ) |  |  | 0.00 |  |
| **Total adjustments to net income** | **$** | **4.2** |  |  | **$** | **0.05** |  |  | **$** | **1.7** |  |  | **$** | **0.02** |  |

1) The tax is calculated based on the tax laws in the respective jurisdiction(s) of the adjustment(s).

The non-GAAP adjustment for the three months ended June 30, 2019 primarily consisted of capacity alignment amounting to $13.2 million. The non-GAAP adjustment for the six months ended June 30, 2019 primarily consisted of capacity alignment noted above offset by the $6.7 million antitrust accrual adjustment as reporting in the Company’s first quarter 10-Q.

The Company uses the non-U.S. GAAP measure “Operating working capital,” as defined in the table below, in its communications with investors and for management’s review of the development of the working capital cash generation from operations. The reconciling items used to derive this measure are, by contrast, managed as part of the Company’s overall cash and debt management, but they are not part of the responsibilities of day-to-day operations’ management. The historical periods in the table have been restated to only reflect continuing operations.

**Reconciliation of U.S. GAAP financial measure to “Operating working capital”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **December 31, 2018** | |  |
| Total current assets continuing operations |  | $ | 3,052.2 |  |  | $ | 3,373.8 |  |  | $ | 3,285.4 |  |
| Total current liabilities continuing operations 1) |  |  | (2,418.4 | ) |  |  | (2,753.3 | ) |  |  | (2,655.5 | ) |
| **Working capital** |  |  | **633.8** |  |  |  | **620.5** |  |  |  | **629.9** |  |
| Cash and cash equivalents |  |  | (406.4 | ) |  |  | (507.5 | ) |  |  | (615.8 | ) |
| Short-term debt |  |  | 366.8 |  |  |  | 605.6 |  |  |  | 620.7 |  |
| Derivative (asset) and liability, current |  |  | (3.5 | ) |  |  | 2.9 |  |  |  | (0.8 | ) |
| Dividends payable |  |  | 54.1 |  |  |  | 54.0 |  |  |  | 54.0 |  |
| **Operating working capital** |  | **$** | **644.8** |  |  | **$** | **775.5** |  |  | **$** | **688.0** |  |

|  |  |
| --- | --- |
| 1) | December 31, 2018, excluding the EC antitrust accrual. |

**Operating working capital** (non-U.S. GAAP measure, see reconciliation table above) was 7.5% of sales compared to 9.1% of sales a year earlier, where the improvement mainly was a consequence of reduced account receivables. The Company targets that operating working capital in relation to the last 12-month sales should not exceed 10%.

Creditors and credit rating agencies use net debt adjusted for DRD in their analyses of the Company's debt and therefore we provide this non-U.S. GAAP measure. DRD are fair value adjustments to the carrying value of the underlying debt. Also included in the DRD is the unamortized fair value adjustment related to a discontinued fair value hedges, which will be amortized over the remaining life of the debt. By adjusting for DRD, the total financial liability of net debt is disclosed without grossing debt up with currency or interest fair values.

29

**Reconciliation of U.S. GAAP financial measure to “Net debt”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **December 31, 2018** | |  |
| Short-term debt |  | $ | 366.8 |  |  | $ | 605.6 |  |  | $ | 620.7 |  |
| Long-term debt |  |  | 1,850.2 |  |  |  | 1,678.0 |  |  |  | 1,609.0 |  |
| **Total debt** |  |  | **2,217.0** |  |  |  | **2,283.6** |  |  |  | **2,229.7** |  |
| Cash and cash equivalents |  |  | (406.4 | ) |  |  | (507.5 | ) |  |  | (615.8 | ) |
| Debt issuance cost/Debt-related derivatives, net |  |  | 0.3 |  |  |  | 8.6 |  |  |  | 4.9 |  |
| **Net debt** |  | **$** | **1,810.9** |  |  | **$** | **1,784.7** |  |  | **$** | **1,618.8** |  |

**Net debt** (non-U.S. GAAP measure, see reconciliation table above)amounted to $1,811 million as of June 30, 2019, which was close to unchanged compared to a year earlier. As disclosed in the Contractual Obligation further down below, the Company obtained new long-term funding in the second quarter to improve its debt maturity profile paying down its short-term debt.

The non-U.S. GAAP measure net debt is also used in the non-U.S. GAAP measure “Leverage ratio”. Management uses this measure to analyze the amount of debt the Company can incur under its debt policy. Management believes that this policy also provides guidance to credit and equity investors regarding the extent to which the Company would be prepared to leverage its operations. For details on leverage ratio refer to the table.

**Calculation of “Leverage ratio”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2019** | |  |  | **June 30, 2018** | |  |  | **December 31, 2018** | |  |
| Net debt1) |  | $ | 1,810.9 |  |  | $ | 1,784.7 |  |  | $ | 1,618.8 |  |
| Pension liabilities |  |  | 202.8 |  |  |  | 203.8 |  |  |  | 198.2 |  |
| **Debt per the Policy** |  |  | **2,013.7** |  |  |  | **1,988.5** |  |  |  | **1,817.0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income2) |  |  | 248.1 |  |  |  | 189.1 |  |  |  | 183.7 |  |
| Less: Net loss from discontinued operations2) |  |  | (2.0 | ) |  |  | 466.8 |  |  |  | 193.8 |  |
| **Net income continuing operations2)** |  |  | **246.1** |  |  |  | **655.9** |  |  |  | **377.5** |  |
| Income taxes 2) |  |  | 231.7 |  |  |  | 174.6 |  |  |  | 234.9 |  |
| Interest expense, net2,3) |  |  | 68.2 |  |  |  | 50.8 |  |  |  | 59.2 |  |
| Depreciation and amortization of intangibles2) |  |  | 349.9 |  |  |  | 325.2 |  |  |  | 342.0 |  |
| Antitrust related matters and capacity alignment2) |  |  | 221.4 |  |  |  | 43.2 |  |  |  | 216.5 |  |
| **EBITDA per the Policy** |  | **$** | **1,117.3** |  |  | **$** | **1,249.7** |  |  | **$** | **1,230.1** |  |
| **Leverage ratio** |  |  | **1.8** |  |  |  | **1.6** |  |  |  | **1.5** |  |

|  |  |
| --- | --- |
| 1) | Net debt (non-U.S. GAAP measure) is short- and long-term debt and debt-related derivatives, less cash and cash equivalents. |
| 2) | Latest 12-months. |
| 3) | Interest expense, net is interest expense including cost for extinguishment of debt, if any, less interest income. |

**Leverage ratio** (non-U.S. GAAP measure, see calculation in table above). Autoliv’s policy is to maintain a leverage ratio commensurate with a strong investment grade credit rating. The Company measures its leverage ratio as net debt (non-U.S. GAAP measure) adjusted for pension liabilities in relation to EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for antitrust related matters and capacity alignment. The long-term target is to maintain a leverage ratio of around 1x within a range of 0.5x to 1.5x. As of June 30, 2019, the Company had a leverage ratio of 1.8x, compared to 1.6x at March 31, 2019. The increase is primarily related to the payment of the EC antitrust fine.

**Total equity** increased in the quarter by $64 million compared to March 31, 2019 mainly due to $109 million from net income, partly offset by $54 million from dividends.Total equity increased by $141 million in the six months period 2019, mainly due to $221 million from net income, $27 million from currency translation effects, partly offset by $109 million from dividends.

**Headcount**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2019** | |  |  | **March 31, 2019** | |  |  | **June 30, 2018** | |  |
| Headcount |  |  | 65,700 |  |  |  | 66,900 |  |  |  | 66,200 |  |
| Whereof: |  |  |  |  |  |  |  |  |  |  |  |  |
| Direct workers in manufacturing |  |  | 71 | % |  |  | 71 | % |  |  | 71 | % |
| Best cost countries |  |  | 80 | % |  |  | 80 | % |  |  | 80 | % |
| Temporary personnel |  |  | 10 | % |  |  | 12 | % |  |  | 13 | % |

30

Compared to March 31, 2019, total headcount (permanent employees and temporary personnel) decreased by approximately 1,200. The decrease was driven by a reduction of temporary direct workers in manufacturing. Compared to a year ago, headcount decreased by approximately 500. The headcount reduction reflects the balance of cost reduction efforts to offset the decline in light vehicle markets and to support the growth in organic sales (non-U.S. GAAP measure) driven by new vehicle program launches.

**Outlook 2019**

The Company’s sales growth and adjusted operating margin (non-U.S. GAAP measure) outlook ranges for 2019 reflects the continuing high level of uncertainty in the automotive markets and is based today on global LVP production declining by 4% to 6% in full year 2019 compared to full year 2018.

|  |  |  |
| --- | --- | --- |
| **Financial measure** |  | **Full year indication** |
| Organic sales growth |  | 1% to 3% |
| Consolidated sales growth |  | (1)% to 1% |
| Adjusted operating margin 1) |  | 9% to 9.5% |
| R,D&E, net % of sales |  | Lower than in 2018 |
| Tax rate 2) |  | Around 28% |
| Operating cash flow excl. EC antitrust payment2) |  | $700-800 million |
| Capital expenditures, net % of sales |  | Lower than in 2018 |
| Leverage ratio at year end |  | Within 0.5x-1.5x range |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignments and anti-trust related matters. 2) Excluding unusual items. |

The forward-looking non-U.S. GAAP financial measures above are provided on a non-U.S. GAAP basis. The Company has not provided a U.S. GAAP reconciliation of these measures because items that impact these measures, such as costs related to capacity alignments and antitrust matters cannot be reasonably predicted or determined. As a result, such reconciliation is not available without unreasonable efforts and the Company is unable to determine the probable significance of the unavailable information.

**New Lease Standard**

The Company adopted ASU 2016-02 - *Leases,* effective January 1, 2019. The adoption of the new lease standard had a material impact on the Company’s balance sheet. For further information see Note 2, New Accounting Standards and Note 4, Leases to our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on its financial position, results of operations or cash flows.

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

Except as set forth below, as of June 30, 2019, the Company’s future contractual obligations have not changed materially from the amounts reported in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 21, 2019.

On June 24, 2019, Autoliv entered into a SEK 1,200 million bilateral loan agreement with Svensk Exportkredit. The full loan amount was utilized on June 27, 2019 and is due for repayment on June 27, 2022.

On June 27, 2019, Autoliv issued Floating Rate Notes due December 2020 in a principal amount of EUR 100 million under its Euro Medium Term Note Programme, commenced as of April 11, 2019 (the “Notes”). The Notes were issued at an issue price of 100.168% of the aggregate nominal amount of the Notes, and carry a coupon rate of the three-month Euro Interbank Offered Rate (EURIBOR) plus 0.50% per annum.

31

**OTHER RECENT EVENTS**

**Key launches in the Second Quarter of 2019**

The models below are some of the key models which were launched in the second quarter of 2019.

**Nissan Versa**: Head/Inflatable Curtain airbags, Driver and/or Passenger airbags, Seatbelts, Side airbags and Knee airbag.

**Audi Q3 Sportback**: Steering Wheel, Driver and/or Passenger airbags and Seatbelts.

**Lincoln Corsair**: Steering Wheel, Driver and/or Passenger airbags, Seatbelts, Side airbags and Knee airbag.

**Jeep Gladiator**: Steering Wheel, Driver and/or Passenger airbags and Seatbelts.

**Ford Escape**: Driver and/or Passenger airbags, Seatbelts, Side airbags and Knee airbag.

**Chevrolet Silverado HD**: Steering Wheel and Driver and/or Passenger airbags.

**Mazda CX-30**: Steering Wheel, Driver and/or Passenger airbags and Head/Inflatable Curtain airbags.

**Cadillac XT6**: Steering Wheel, Driver and/or Passenger airbags and Seatbelts.

**Nissan Sylphy**: Seatbelts.

**Other Items**

|  |  |
| --- | --- |
| • | On May 3, 2019, Autoliv announced it became a Signatory of United Nations Global Compact. Global Compact is the world’s largest corporate sustainability initiative, calling companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take action that advance societal goals. |
| • | On May 7, 2019, Autoliv announced the appointment of Frithjof Oldorff as President of Autoliv Europe and member of Autoliv’s Executive Team. He is expected to join Autoliv no later than September 2019. Mr. Oldorff has extensive experience leading development and change management in global automotive and engineering businesses. He is currently employed by Gentherm, Inc. as President of the Automotive Business Unit. His work at Gentherm follows a multi-year career with various positions at Faurecia, an Operations role with Freudenberg and the role of COO of W.E.T. Automotive Systems. |
| • | During the second quarter 2019, Autoliv refinanced certain portion of its short-term debt, resulting in an improved debt maturity profile.  An 18-month EUR 100 million bond was issued under the newly established EMTN program and a SEK 1,200 million 3-year bilateral loan was raised with Swedish Export Credit Corporation. |

**Dividend**

On May 7, 2019, the Company declared a quarterly dividend to shareholders of 62 cents per share for the third quarter of 2019, with the following payment schedule:

|  |  |
| --- | --- |
| Ex-date (common stock) | August 20, 2019 |
| Ex-date (SDRs) | August 20, 2019 |
| Record Date | August 21, 2019 |
| Payment Date | September 5, 2019 |

**Next Report**

Autoliv intends to publish the quarterly earnings report for the third quarter of 2019 on Friday, October 25, 2019.

32

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of June 30, 2019, there have been no material changes to the information related to quantitative and qualitative disclosures about market risk that was provided in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 21, 2019.

**ITEM 4. CONTROLS AND PROCEDURES**

|  |  |
| --- | --- |
| (a) | Evaluation of Disclosure Controls and Procedures |

An evaluation has been carried out, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Interim Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

|  |  |
| --- | --- |
| (b) | Changes in Internal Control over Financial Reporting |

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

33

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

In the ordinary course of our business, we are subject to legal proceedings brought by or against us and our subsidiaries.

See Part I, Item 1, "Financial Statements, Note 12 Contingent Liabilities" of this Quarterly Report on Form 10-Q for a summary of certain ongoing legal proceedings. Such information is incorporated into this Part II, Item 1—"Legal Proceedings" by reference.

**ITEM 1A. RISK FACTORS**

As of June 30, 2019, there have been no material changes to the risk factors that were previously disclosed in Item 1A in the Company’s Form 10-K for the year ended December 31, 2018 filed with the SEC on February 21, 2019.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Stock repurchase program**

During the quarter ended June 30, 2019, the Company made no stock repurchases. The Company is authorized to purchase up to 47.5 million shares of common stock under its stock repurchase program, which was first approved by the board of directors of the Company on May 9, 2000. Under the existing authorization, 2,986,288 shares may be repurchased. The stock repurchase program does not have an expiration date.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

34

**ITEM 6. EXHIBITS**

|  |  |  |
| --- | --- | --- |
| **Exhibit**  **No.** |  | **Description** |
|  |  |  |
| 3.1 |  | [Autoliv’s Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 22, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-141900.html?hash=ebacd3660aaccd0a9648f38caf3db3d462f54618669d76c84f987a7fbe3aadae&dest=D896012DEX31_HTM) |
|  |  |  |
| 3.2 |  | [Autoliv’s Third Restated By-Laws incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-12933, filing date December 18, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-407851.html?hash=5f2b0eef8c3d9ba9f6092247e58a2b95b2cea455a2f91545263a0a3a45dc884a&dest=D32830DEX31_HTM) |
|  |  |  |
| 4.1 |  | [Indenture, dated March 30, 2009, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to Autoliv’s Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-09-067376.html?hash=d91a455f4843471b53257740e8ddbbaa8fc92ac69c148aeff63029bce97dea6b&dest=DEX41_HTM) |
|  |  |  |
| 4.2 |  | [Second Supplemental Indenture (including Form of Global Note), dated March 15, 2012, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-12933, filing date March 15, 2012).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-12-117495.html?hash=19e1a3eee5e6b21b919d6d1c2173125fc12e3e5b7f1077e16b3443fd7d0f8e2b&dest=D316612DEX41_HTM) |
|  |  |  |
| 4.3 |  | [Form of Note Purchase and Guaranty Agreement dated April 23, 2014, among Autoliv ASP, Inc., Autoliv, Inc. and the purchasers named therein, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 25, 2014).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-14-158776.html?hash=56650ce4ee2d4acb325844e56bfe381b0c46f7c198cbc32ee8e100a95d0ac765&dest=D694785DEX46_HTM) |
|  |  |  |
| 4.4 |  | [Amendment and Waiver 2014 Note Purchase and Guaranty Agreement, dated May 24, 2018, among Autoliv, Inc., Autoliv ASP, Inc. and the noteholders named therein, incorporated herein by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX44_502_HTM) |
|  |  |  |
| 4.5 |  | [General Terms and Conditions for Swedish Depository Receipts in Autoliv, Inc. representing common shares in Autoliv, Inc., effective as of May 30, 2018, with Skandinaviska Enskilda Banken AB (publ) serving as a custodian, incorporated herein by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX45_318_HTM) |
|  |  |  |
| 4.6 |  | [Agency Agreement dated June 26, 2018 among Autoliv, Inc., Autoliv ASP, Inc. and HSBC Bank PLC, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX46_329_HTM) |
|  |  |  |
| 4.7 |  | [Base listing particulars Agreement, dated April 11, 2019, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein., incorporated herein by reference to Exhibit 4.7 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 26, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-013244.html?hash=ee9207804422598ddb3678cb89ca1c6dd6b30fbd11742ad0643d5cbea9a284db&dest=ALV-EX47_609_HTM) |
|  |  |  |
| 4.8 |  | [Programme Agreement, dated April 11, 2019, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.8 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 26, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-013244.html?hash=ee9207804422598ddb3678cb89ca1c6dd6b30fbd11742ad0643d5cbea9a284db&dest=ALV-EX48_335_HTM) |
|  |  |  |
| 4.9 |  | [Agency Agreement, dated April 11, 2019, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.9 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 26, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-013244.html?hash=ee9207804422598ddb3678cb89ca1c6dd6b30fbd11742ad0643d5cbea9a284db&dest=ALV-EX49_336_HTM) |
|  |  |  |
| 10.1\*+ |  | [Addendum, dated April 24, 2019, to the International Assignment Agreement, dated March 21, 2018, between Autoliv, Inc. and Brad Murray.](#ALV_EX101_240_HTM) |
|  |  |  |
| 10.2\* |  | [SEK Facility Agreement dated June 24, 2019 between Autoliv, Inc., Autoliv ASP, Inc. and AB Svensk Exportkredit (Publ).](#ALV_EX102_241_HTM) |
|  |  |  |
| 10.3\*+ |  | [Supplement to Employment Agreement, dated June 20, 2019, between Autoliv, Inc. and Daniel Garceau.](#ALV_EX103_484_HTM) |
|  |  |  |
| 10.4\*+ |  | [Mutual Separation Agreement, dated July 1, 2019, between Autoliv, Inc. and Mike Hague.](#ALV_EX104_485_HTM) |

35

|  |  |  |
| --- | --- | --- |
| **Exhibit**  **No.** |  | **Description** |
|  |  |  |
| 31.1\* |  | [Certification of the Chief Executive Officer of Autoliv, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.](#ALV_EX311_6_HTM) |
|  |  |  |
| 31.2\* |  | [Certification of the Interim Chief Financial Officer of Autoliv, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.](#ALV_EX312_8_HTM) |
|  |  |  |
| 32.1\* |  | [Certification of the Chief Executive Officer of Autoliv, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#ALV_EX321_10_HTM) |
|  |  |  |
| 32.2\* |  | [Certification of the Interim Chief Financial Officer of Autoliv, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#ALV_EX322_7_HTM) |
|  |  |  |
| 101\* |  | The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Condensed Consolidated Balance Sheets; (iv) the Condensed Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Total Equity; and (vi) the Notes to the Condensed Consolidated Financial Statements. |

|  |  |
| --- | --- |
| \* | Filed herewith. |
| + | Management contract or compensatory plan |

36

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 19, 2019

AUTOLIV, INC.

(Registrant)

|  |  |  |
| --- | --- | --- |
| By: |  | /s/ Christian Hanke |
|  |  | Christian Hanke |
|  |  | Interim Chief Financial Officer |
|  |  | (Duly Authorized Officer and Principal Financial Officer) |

37

**Exhibit 10.1**

Addendum to International Assignment Agreement

April 24, 2019

Brad Murray (“the Executive”) and Autoliv, Inc., a Delaware corporation, (“the Company”), together referred to as (“the Parties”), have entered into an International Assignment Agreement (“the Agreement”) on March 21, 2018.

This addendum (“the Addendum”) to the Agreement is made between the Parties.

|  |  |  |
| --- | --- | --- |
| **1.** | **Termination Date** | |
| 1.1 | The Agreement will cease automatically on March 31, 2020, (“the Termination Date”), if the Parties do not agree on prolonging the Assignment at least six months prior to the Termination Date or if the Agreement is not terminated on an earlier date by either of the Parties. | |
| **2.** | **Treatment of Outstanding Stock Incentive Grants** | |
| 2.1 | If the employment terminates on or after March 31, 2020, or if the employment is terminated by the Company before March 31, 2020, any outstanding stock incentive grant made to the executive in 2018 and 2019, but not yet vested before the Termination Date will be forfeited. Instead; | |
|  | 2.1.1 | the Company shall pay a lump sum cash payment, equivalent to the value of forfeited Autoliv and Veoneer Restricted Stock Units within a month following the Termination Date, calculated based on share prices of respective companies on the Termination Date. |
|  | 2.1.2 | the Company shall pay a lump sum cash payment, equivalent to the value of forfeited Autoliv Performance Shares within a month following the original vesting date, calculated based on the share price of the Company on the vesting date and based on the approved performance outcome for the program by the Leadership Development and Compensation Committee of the Board of Directors. |

If the termination is made by the Company for cause, as defined in associated Grant Agreements, no lump sum cash payment will be made.

|  |  |
| --- | --- |
| 2.2 | If the employment is terminated by the Executive before March 31, 2020, any outstanding stock incentive grant made to the executive in 2018 and 2019 but not yet vested before the Termination Date will be forfeited with no additional consequences. |
| **3.** | **Other Conditions** |

Other conditions linked to the Agreement remain unchanged.

This agreement has been duly executed in two original copies, of which each of the parties has taken one copy.

|  |  |  |
| --- | --- | --- |
| Place; Stockholm, Sweden |  |  |
| On behalf of Autoliv, Inc. |  | The Executive |
| Mikael Bratt |  | Brad Murray |
| President and CEO |  |  |

Exhibit 10.2

**SEK 1,200,000,000**

**FACILITY AGREEMENT**

dated \_\_\_\_ June 2019

for

**Autoliv Inc**

as Borrower

and

**Autoliv ASP Inc**

as Guarantor

with

**AB SVENSK EXPORTKREDIT (PUBL)**

acting as Lender



2(61)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contents** | | | | |
| **Clause** | | |  | **Page** |
| 1. |  | Definitions and Interpretation |  | 4 |
| 2. |  | The Facility |  | 14 |
| 3. |  | Purpose |  | 14 |
| 4. |  | Conditions of Utilisation |  | 14 |
| 5. |  | Utilisation |  | 14 |
| 6. |  | Repayment |  | 15 |
| 7. |  | Prepayment and Cancellation |  | 15 |
| 8. |  | Interest |  | 18 |
| 9. |  | Interest Periods |  | 19 |
| 10. |  | Changes to the Calculation of Interest |  | 19 |
| 11. |  | Fees |  | 19 |
| 12. |  | Tax Gross Up and Indemnities |  | 19 |
| 13. |  | Increased Costs |  | 23 |
| 14. |  | Other Indemnities |  | 24 |
| 15. |  | Costs and Expenses |  | 25 |
| 16. |  | Guarantee and Indemnity |  | 26 |
| 17. |  | Representations |  | 30 |
| 18. |  | Information Undertakings |  | 35 |
| 19. |  | General Undertakings |  | 38 |
| 20. |  | Events of Default |  | 44 |
| 21. |  | Changes to the Lender |  | 48 |
| 22. |  | Changes to the Obligors |  | 49 |
| 23. |  | Payment Mechanics |  | 49 |
| 24. |  | Set-Off |  | 51 |
| 25. |  | Notices |  | 51 |
| 26. |  | Day count convention |  | 53 |
| 27. |  | Partial Invalidity |  | 53 |
| 28. |  | Remedies and Waivers |  | 53 |
| 29. |  | Amendments and Waivers |  | 54 |
| 30. |  | Confidential Information |  | 54 |
| 31. |  | Counterparts |  | 56 |
| 32. |  | Force majeure and limitation of liability |  | 57 |
| 33. |  | Governing Law |  | 57 |
| 34. |  | Jurisdiction |  | 57 |

3(61)

|  |  |  |
| --- | --- | --- |
| **Schedule** | | |
| Schedule 1. | Conditions Precedent | 58 |
| Schedule 2. | Form of Utilisation Request | 60 |
| Schedule 3. | Form of Compliance Certificate | 61 |

4(61)

**THIS AGREEMENT** (the “**Agreement**”)is dated\_\_\_\_ June 2019and made between:

|  |  |
| --- | --- |
| (1) | **AUTOLIV, INC.** (incorporated under the laws of the State of Delaware, USA) (the “**Borrower**”); |
| (2) | **AUTOLIV ASP, INC.** (incorporated under the laws of the State of Indiana, USA) (the “**Guarantor**”); |
| (3) | **AB SVENSK EXPORTKREDIT (publ)** (the “**Lender**”). |

IT IS AGREED as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **1.** | | **Definitions and Interpretation** | |
|  | **1.1** | | **Definitions** |

In this Agreement:

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means the period from and including the date of this Agreement to and including the period falling five (5) Business Days after the date of this Agreement.

“**Available Commitment**” means the Commitment minus:

|  |  |  |
| --- | --- | --- |
|  | (a) | the amount of any outstanding Loans; and |
|  | (b) | in relation to any proposed Utilisation, the amount of any Loans that are due to be made on or before the proposed Utilisation Date. |

“**Benchmark Rate**” means, in relation to any Loan:

|  |  |  |
| --- | --- | --- |
|  | (a) | STIBOR; or |
|  | (b) | as otherwise determined pursuant to Clause 10.1 (*Unavailability of Screen Rate*), |

and if, in either case, that rate is less than zero, the Benchmark Rate shall be deemed to be zero.

“**Board**” means the Board of Governors of the Federal Reserve System of the United States of America or any successor thereof.

“**Break Costs**” means the amount (if any) by which:

5(61)

|  |  |  |
| --- | --- | --- |
|  | (a) | the interest (other than the part attributable to the Margin) which the Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period; |

exceeds:

|  |  |  |
| --- | --- | --- |
|  | (b) | the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period. |

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Stockholm and New York.

“**Change of Control**” means a person or group of persons acting in concert at any time after the date of this Agreement acquires more than 50 per cent. of the shares which carry the right to vote in the Borrower.

“**Commitment**” means: SEK 1,200,000,000.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 3 (*Form of Compliance Certificate*).

“**Confidential Information**” means all information relating to the Borrower, any Obligor, the Group, the Finance Documents or the Facility of which the Lender becomes aware in its capacity as, Lender under, the Finance Documents or the Facility from any member of the Group or any of its advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (i) | | information that: | |
|  | | (A) | | is or becomes public information other than as a direct or indirect result of any breach by the Lender of Clause 30 (*Confidential Information*); or |
|  | | (B) | | is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or |
|  | | (C) | | is known by the Lender before the date the information is lawfully obtained by the Lender after that date, from a source which is, as far as the Lender is aware, unconnected with the Group and which, in either case, as far as the Lender is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality. |

“**Corruption**” means the offering, promising or giving of any pecuniary or other advantages to a public official, to influence the official to act or refrain from acting in relation to official duties with the purpose of obtaining or retaining business or other improper advantage.

6(61)

“**Dangerous Substance**” means any radioactive emissions and any natural or artificial substance (whether in solid or liquid form or in the form of a gas or vapour and whether alone or in combination with any other substance) capable of causing harm to man or any other living organism or damaging the environment or public health or welfare including but not limited to any controlled, special, hazardous, toxic, radioactive or dangerous waste.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 20 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Disruption Event**” means either or both of:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (a) | | a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or | |
|  | (b) | | the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party: | |
|  | | (i) | | from performing its payment obligations under the Finance Documents; or |
|  | | (ii) | | from communicating with other Parties in accordance with the terms of the Finance Documents, |

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“**Environmental Claim**” means any claim by any person as a result of or in connection with any violation of Environmental Law or any Environmental Contamination which could give rise to any remedy or penalty (whether interim or final) or liability for any Obligor or the Lender which could reasonably be expected to have a Material Adverse Effect.

“**Environmental Contamination**” means each of the following and their consequences:

|  |  |  |
| --- | --- | --- |
|  | (a) | any release, emission, leakage, or spillage of any Dangerous Substance into any part of the environment; or |
|  | (b) | any accident, fire, explosion or sudden event which is directly or indirectly caused by or attributable to any Dangerous Substance; or |
|  | (c) | any other pollution of the environment. |

“**Environmental Law**” means any national or supranational law, regulation or directive concerning the protection of human health or the environment or concerning Dangerous Substances.

7(61)

“**Environmental License**” means any authorisation by any Environmental Law.

“**ERISA**” means the United States Employee Retirement Income Security Act of 1974, as amended.

“**ERISA Affiliate**” means each trade or business, whether or not incorporated, that would be treated as a single employer with any Obligor under section 414 of the US Code. When any provision of this Agreement relates to a past event, the term ERISA Affiliate includes any person that was an ERISA Affiliate of an Obligor at the time of that past event.

“**Event of Default**” means any event or circumstance specified as such in Clause 20 (*Events of Default*).

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**FATCA**” means:

|  |  |  |
| --- | --- | --- |
|  | (a) | sections 1471 to 1474 of the Code or any associated regulations; |
|  | (b) | any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or |
|  | (c) | any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction. |

“**FATCA Application Date**” means:

|  |  |  |
| --- | --- | --- |
|  | (a) | in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or |
|  | (b) | in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA. |

“**FATCA Deduction**” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“**FATCA Exempt Party**” means a Party that is entitled to receive payments free from any FATCA Deduction.

“**Finance Document**” means this Agreement and any other document designated as such by the Lender and the Borrower.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

|  |  |  |
| --- | --- | --- |
|  | (a) | monies borrowed; |

8(61)

|  |  |  |
| --- | --- | --- |
|  | (b) | any debenture, bond, note, loan stock or other security; |
|  | (c) | any acceptance credit; |
|  | (d) | receivables sold or discounted (otherwise than on a non-recourse basis); |
|  | (e) | the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset; |
|  | (f) | any lease entered into primarily as a method of raising finance or financing the acquisition of the asset leased; |
|  | (g) | any currency swap or interest swap, cap or collar arrangement or other derivative instrument (and when calculating the value of any such transaction, only the marked-to-market value shall be taken into account); |
|  | (h) | any amount raised under any other transaction having the commercial effect of a borrowing or raising of money; or |
|  | (i) | any guarantee, indemnity or similar assurance against financial loss of any person. |

“**GAAP**” means generally accepted accounting principles, standards and practices in the US.

“**Group**” means the Borrower and its Subsidiaries.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Loan**” means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

“**Margin**” means 0.54 per cent. per annum.

“**Margin Stock**” has the meaning assigned to such term in Regulation U of the Board.

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

|  |  |  |
| --- | --- | --- |
|  | (a) | the consolidated financial condition or business of the Group as a whole; or |
|  | (b) | the ability of the Borrower or the Guarantor to perform its payment obligations under this Agreement. |

“**Material Subsidiary**” means any Subsidiary of the Borrower:

|  |  |  |
| --- | --- | --- |
|  | (a) |  |

9(61)

|  |  |  |
| --- | --- | --- |
|  | (i) | the book value of whose assets (consolidated if it itself has Subsidiaries) equals or exceeds ten per cent. of the book value of the consolidated total assets of the Group; or |
|  | (ii) | whose revenues (consolidated if it itself has Subsidiaries) equal or exceed ten per cent. of the revenues of the Group taken as a whole; or |
|  | (iii) | whose trading profits (consolidated if it itself has Subsidiaries) before interest and tax equal or exceed ten per cent. of the trading profits before interest and tax of the Group as a whole, |

as determined by reference to the most recent accounts of the Subsidiary and the most recent consolidated accounts of the Group; or

|  |  |  |
| --- | --- | --- |
|  | (b) | any Subsidiary of the Borrower which becomes a member of the Group after the date of the latest consolidated accounts of the Group at the time of determination and which would fulfil any of the tests in (a)(i), (ii) or (iii) above if tested on the basis of its latest accounts (consolidated if it itself has Subsidiaries) and those latest accounts of the Group; or |
|  | (c) | prior to the delivery of each set of accounts pursuant to Clause 18.1 (*Financial information*), any Subsidiary of the Borrower to which has been transferred (whether by one transaction or a series of transactions, related or not) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transaction or any of such transactions was a Material Subsidiary. |

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

|  |  |  |
| --- | --- | --- |
|  | (a) | (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; |
|  | (b) | if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and |
|  | (c) | if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end. |

The above rules will only apply to the last Month of any period.

“**Moody's**” means Moody's Investors Services Limited, or any successor to its rating business.

“**Multiemployer Plan**” means a “multiemployer plan” within the meaning of section 3(37) or 4001(a)(3) of ERISA.

“**Obligor**” means the Borrower or the Guarantor.

10(61)

“**Original Financial Statements**” means:

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|  | (a) | in relation to the Borrower, the audited consolidated financial statements of the Group for the financial year ended 31 December 2018; and |
|  | (b) | in relation to each Obligor other than the Borrower, its audited financial statements for its financial year ended 31 December 2018. |

“**Party**” means a party to this Agreement.

“**Plan**” means an “employee benefit plan” within the meaning of section 3(3) of ERISA maintained by an Obligor or any ERISA Affiliate currently or at any time within the last five years, or to which the an Obligor or any ERISA Affiliate is required to make payments or contributions or has made payments or contributions within the past five years.

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the Stockholm interbank market in which case the Quotation Day will be determined by the Lender in accordance with market practice in that interbank market (and if quotations would normally be given by leading banks in that interbank market on more than one day, the Quotation Day will be the last of those days).

“**Rating Agency**” means Moody's or Standard & Poor's.

“**Reference Banks**” means the principal Stockholm offices of three banks as may be appointed by the Lender after consultation with the Borrower.

“**Reference Bank Rate**” means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Lender at its request by the Reference Banks.

“**Relevant Market**” means the Stockholm interbank market.

“**Reportable Event**” means any of the events set forth in section 4043 of ERISA or the related regulations as to which the notice requirement has not been waived by the PBGC.

“**Representative**” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“**Restricted Margin Stock**” means Margin Stock owned by any Obligor or any member of the Group, which represents not more than 33⅓ per cent. of the aggregate value (determined in accordance with Regulation U of the Board), on a consolidated basis, of the assets of each Obligor and all members of the Group (other than Margin Stock) that are subject to the provisions of Clause 19 (*General* *Undertakings*) (including, without limitation, Clauses 19.4 (*Negative* *pledge*) and 19.5 (*Transactions* *similar* *to* *security*)).

11(61)

“**Restricted Party**” means a person:

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|  | (a) | that is listed on any Sanctions List (whether designated by name or by reason of being included in a class of person or a country or territory that is subject to nationwide or territory wide Sanctions which directly apply to that person); |
|  | (b) | that is directly or indirectly owned or controlled by or, acting on behalf of, a person referred to in [(a) above](#ALV_EX102_241_HTM_BOOKMARK18); or |

with whom a national of any country that is subject to the jurisdiction of, or otherwise bound by the prescriptions of, a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities.

“**Sanctions**” means the economic or financial sanctions laws and/or sanctions regulations, sanctions-related trade embargoes and/or restrictive measures, or sanctions-related prohibitions imposed, administered, enacted or enforced from time to time by any Sanctions Authority.

“**Sanctions Authority**” means:

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|  | (a) | the US Government, including the US Department of the Treasury (including its Office of Foreign Assets Control), the US Department of State, and the US Department of Commerce; |
|  | (b) | the United Nations Security Council; |
|  | (c) | the European Union (including sanctions imposed against certain states, organisations and individuals under the European Union’s Common Foreign and Security Policy); |
|  | (d) | the United Kingdom (including Her Majesty’s Treasury); |
|  | (e) | Japan; or |
|  | (f) | the Swedish Government, |

and any authority acting for on behalf of any of such entity in connection with administering and enforcing the Sanctions.

“**Sanctions List**” means any list of persons or entities published in connection with Sanctions or public announcements of Sanctions or public designation or public identification made by or on behalf of any Sanctions Authority (including, providing such lists and information are publicly available, in the case of Her Majesty’s Treasury, the “Consolidated List of Financial Sanctions Targets and the Investment Ban List”, and, in the case of the Office of Foreign Assets Control of the United States Department of the Treasury, the “Specially Designated Nationals and Blocked Persons” list and the “Foreign Sanctions Evaders” list); or, providing such lists and information are publicly available, by any national authority implementing at a national level the published lists prescribed by the United Nations Security Council or the European Union, provided that the scope of any such national implementation shall not exceed the scope of such published lists.

12(61)

“**Screen Rate**” means the Stockholm interbank offered rate administered by the Swedish Banker’s Association (or any other person which takes over the administration of that rate) for the relevant period, displayed on the SIDE page of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate). If the agreed page is replaced or service ceases to be available, the Lender may specify another page or service displaying the appropriate rate after consultation with the Borrower.

“**Security**” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security.

“**Standard & Poor's**” means Standard & Poor's Credit Market Services Limited, or any successor to its rating business.

“**STIBOR**” means, in relation to any Loan or Unpaid Sum

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|  | (a) | the applicable Screen Rate; or |
|  | (b) | (if no Screen Rate is available for SEK for the Interest Period of that Loan or Unpaid Sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Lender at its request quoted by the Reference Banks to leading banks in the Stockholm interbank market, |

as of 11.00 a.m. (Stockholm time) on the Quotation Day for the offering of deposits in SEK for a period comparable to the Interest Period of that Loan or Unpaid Sum, and if, in either case that rate is less than zero, STIBOR shall be deemed to be zero.

“**Subsidiary**” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than fifty per cent. (50%) of the share capital or similar right of ownership.

“**Swedish Kronor**” or “**SEK**” means the lawful currency of Sweden.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Termination Date**” means the date falling three (3) year after the date of the first Utilisation.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor under the Finance Documents.

“**Unrestricted Margin Stock**” means any Margin Stock owned by either Obligor or any member of the Group which is not Restricted Margin Stock.

“**US**” means the United States of America.

“**US Tax Obligor**” means:

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|  | (a) | a Borrower which is resident for tax purposes in the US; or |

13(61)

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|  | (b) | an Obligor some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes. |

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

“**VAT**” means:

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|  | | (a) | | any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and | |
|  | | (b) | | any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere. | |
|  | **1.2** | | | | **Construction** |
| 1.2.1 | | | Unless a contrary indication appears, any reference in this Agreement to: | | |
|  | | (a) | | the “**Lender**”, any “**Obligor**” or any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Finance Documents; | |
|  | | (b) | | “**assets**” includes present and future properties, revenues and rights of every description; | |
|  | | (c) | | a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated; | |
|  | | (d) | | “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent; | |
|  | | (e) | | a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality); | |
|  | | (f) | | a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; | |
|  | | (g) | | a provision of law is a reference to that provision as amended or re-enacted; and | |
|  | | (h) | | a time of day is a reference to Stockholm time. | |

14(61)

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| 1.2.2 | The determination of the extent to which a rate is “for a period equal in length” to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement. |
| 1.2.3 | Section, Clause and Schedule headings are for ease of reference only. |
| 1.2.4 | Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement. |
| 1.2.5 | A Default (other than an Event of Default) is “continuing” if it has not been remedied or waived and an Event of Default is “continuing” if it has not been remedied or waived. |
| **2.** | **The Facility** |

Subject to the terms of this Agreement, the Lender makes available to the Borrower a term loan facility in an aggregate amount equal to the Commitment.

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| **3.** | **Purpose** |

The Borrower shall apply all amounts borrowed by it under the Facility towards general corporate purposes.

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| **4.** | | **Conditions of Utilisation** | |
|  | **4.1** | | **Initial conditions precedent** |

The Borrower may not deliver a Utilisation Request unless the Lender has received all of the documents and other evidence listed in Schedule 1 (*Conditions precedent*) in form and substance satisfactory to the Lender.

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|  | **4.2** | **Further conditions precedent** |

The Lender will only be obliged to make a Loan available if on the date of the Utilisation Request and on the proposed Utilisation Date:

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|  | | (a) | no Default is continuing or would result from the proposed Loan; and | |
|  | | (b) | the representations in Clause 17.27 (*Repetition)* to be made by each Obligor are true in all material respects. | |
|  | **4.3** | | | **Maximum number of Loans** |

The Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation more than one (1) Loan would be outstanding.

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| **5.** | | **Utilisation** | |
|  | **5.1** | | **Delivery of a Utilisation Request** |

The Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 10.00 a.m. two (2) Business Days before the proposed utilisation.

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|  | **5.2** | | | | **Completion of a Utilisation Request** |
| 5.2.1 | | | Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless: | | |
|  | | (a) | | the proposed Utilisation Date is a Business Day within the Availability Period; | |
|  | | (b) | | the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and | |
|  | | (c) | | the proposed Interest Period complies with Clause 9 (*Interest Periods*). | |
| 5.2.2 | | | Only one Loan may be requested in each Utilisation Request. | | |
|  | **5.3** | | | | **Currency and amount** |
| 5.3.1 | | | The currency specified in a Utilisation Request must be SEK. | | |
| 5.3.2 | | | The amount of the proposed Loan must be an amount which is not more than the Available Commitment and which is a minimum of SEK 1,200,000,000 or, if less, the Available Commitment. | | |
|  | **5.4** | | | | **Cancellation of Commitment** |

The Commitment which, at that time, is unutilised shall be immediately cancelled at the end of the Availability Period.

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| **6.** | | **Repayment** | |
|  | **6.1** | | **Repayment of Loans** |

The Borrower shall repay the Loan in full, on the Termination Date.

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|  | **6.2** | **Reborrowing** |

The Borrower may not reborrow any part of the Facility which is repaid, or has been cancelled.

16(61)

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| **7.** | | **Prepayment and Cancellation** | |
|  | **7.1** | | **Illegality** |

If, in any applicable jurisdiction, it becomes unlawful for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

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|  | | (a) | the Lender shall promptly notify the Borrower upon becoming aware of that event; | |
|  | | (b) | upon the Lender notifying the Borrower, the Commitment will be immediately cancelled; and | |
|  | | (c) | the Borrower shall repay the Loans made to the Borrower on the last day of the Interest Period for each Loan occurring after the Lender has notified the Borrower or, if earlier, the date specified by the Lender (being no earlier than the last day of any applicable grace period permitted by law) and the Commitment shall be cancelled in the amount of the participations repaid. | |
|  | **7.2** | | | **Voluntary cancellation** |

The Borrower may, if it gives the Lender not less than three (3) Business Days' prior notice, cancel the whole or any part (being a minimum amount of SEK 50,000,000) of the Available Commitment. Any cancellation under this Clause 7.1 (*Voluntary cancellation*) shall reduce the Commitment.

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|  | **7.3** | | **Voluntary prepayment of Loans** |
| 7.3.1 | | The Borrower may, if it gives the Lender not less than three (3) Business Days' prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of SEK 50,000,000). | |
| 7.3.2 | | A Loan may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the Available Commitment is zero). | |
|  | **7.4** | | **Additional right of prepayment and cancellation** |

If:

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|  | (a) | any sum payable to the Lender by an Obligor is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); |
|  | (b) | the Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*); |

then, without prejudice to the obligations of the Borrower under those Clauses, the Borrower may, whilst the relevant circumstances continue, serve a notice of prepayment and cancellation on the Lender. On the date falling five (5) Business Days after the date of service of the notice:

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|  | (i) | the Borrower shall prepay the Loan; and |
|  | (ii) | the Commitment shall be cancelled. |

17(61)

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|  | **7.5** | | | | **Mandatory Prepayment** | |
|  | | (a) | | If, at any time after the date of this Agreement: | | |
|  | | | (i) | | | it is or becomes unlawful for any Obligor to perform any of its material obligations under the Finance Documents; or |
|  | | | (ii) | | | the guarantee of the Guarantor is not effective or is alleged to be ineffective for any reason, |

then the Lender may:

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|  | | | | (A) | | cancel the Commitment; and/or |
|  | | | | (B) | | demand that all or part of the Loan, together with accrued interest and all other amounts accrued under the Finance Documents, be repaid forthwith, whereupon they shall be repaid forthwith. |
|  | (b) | | If, at any time after the date of this Agreement: | | | |
|  | | (i) | | | a representation or warranty made, repeated or deemed to be repeated under Clause 17.26 (*Sanctions*) is incorrect in any material respect when made, repeated or deemed to be repeated; or | |
|  | | (ii) | | | an Obligor does not comply with Clause 19.18 (*Sanctions*), | |

the Lender may, by notice to the Borrower:

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|  | (A) | reduce the Commitments to zero; and |
|  | (B) | demand that all or part of the Loans, together with accrued interest and all its other amounts accrued and owing to it under the Finance Documents, be repaid forthwith, whereupon they shall be repaid immediately. |

Any such notice will take effect in accordance with its terms.

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|  | | (c) | | If a Change of Control occurs, the Borrower shall promptly notify the Lender upon becoming aware of that Change of Control and the Lender shall have the right, within one month (or such longer period as the Borrower and the Lender may agree) of the Lender receiving notice of the Change of Control under this Clause 7.5 (c) (*Change of Control*), to by notification to the Borrower (a “**Notification of Reduction**”), the Commitment under this Agreement to zero. Thirty (30) days following receipt of a Notification of Reduction the Commitment will be cancelled in full and the Borrower shall repay the Loan together with accrued interest and all other amounts accrued under the Finance Documents. | |
|  | **7.6** | | | | **Restrictions** |
| 7.6.1 | | | Any notice of cancellation or prepayment given by any Party under this Clause 7 (*Prepayment and Cancellation*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant | | |

18(61)

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|  | | cancellation or prepayment is to be made and the amount of that cancellation or prepayment. | |
| 7.6.2 | | Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty. | |
| 7.6.3 | | If any part of the Commitment is cancelled the Borrower shall within five (5) Business Days of the Lender’s demand (including calculations in reasonable detail) compensate the Lender for any costs that the Lender reasonably incurs (including but not limited to costs related to the unwinding of swaps) due to the fact that the Lender’s funding of the Commitment (or part thereof) is not being utilised by the Borrower. | |
| 7.6.4 | | The Borrower may not reborrow any part of the Facility which is prepaid. | |
| 7.6.5 | | The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement. | |
| **8.** | | **Interest** | |
|  | **8.1** | | **Calculation of interest** |

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

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|  | | (a) | Margin; and | |
|  | | (b) | the Benchmark Rate. | |
|  | **8.2** | | | **Payment of interest** |

The Borrower shall pay accrued interest on that Loan on the last day of each Interest Period.

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|  | **8.3** | | | | **Default interest** | |
|  | | (a) | | If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 1 per cent. per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan. Any interest accruing under this Clause 8.3 (*Default interest*) shall be immediately payable by the Obligor on demand by the Lender. | | |
|  | | (b) | | If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan: | | |
|  | | | (i) | | | the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and |

19(61)

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|  | | | (ii) | | | the rate of interest applying to the overdue amount during that first Interest Period shall be 1 per cent. per annum higher than the rate which would have applied if the overdue amount had not become due. |
|  | | (c) | | Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable. | | |
| **9.** | | | **Interest Periods** | | | |
|  | **9.1** | | | | **Selection of Interest Periods** | |
|  | | (a) | | The Interest Period for the Loan is three (3) Months or any other period agreed between the Borrower and the Lender. | | |
|  | | (b) | | An Interest Period for a Loan shall not extend beyond the Termination Date. | | |
|  | | (c) | | Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period. | | |
|  | **9.2** | | | | **Non-Business Days** | |

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar Month (if there is one) or the preceding Business Day (if there is not).

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| **10.** | | **Changes to the Calculation of Interest** | |
|  | **10.1** | | **Unavailability of Screen Rate** |

If no Screen Rate is available for the Benchmark Rate for the Interest Period of a Loan, the Lender may, with the consent of the Obligors, provide for another benchmark rate to apply in relation to SEK in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate).

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|  | **10.2** | **Break Costs** |

The Borrower shall, within three (3) Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.

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| **11.** | **Fees** |

The Borrower shall on the date of this Agreement pay to the Lender an arrangement fee of 0.12 per cent. of the Commitment.

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| **12.** | | | **Tax Gross Up and Indemnities** | | |
|  | **12.1** | | | | **Definitions** |
|  | | (a) | | In this Agreement: | |

“**Tax** **Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means either the increase in a payment made by an Obligor to the Lender under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

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|  | | (b) | Unless a contrary indication appears, in this Clause 12 (*Tax gross up and indemnities*) a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination. | |
|  | **12.2** | | | **Tax gross-up** |
|  | | (a) | Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law. | |
|  | | (b) | The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. | |
|  | | (c) | If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. | |
|  | | (d) | If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law. | |
|  | | (e) | Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority. | |
|  | **12.3** | | | **Tax indemnity** |
|  | | (a) | The Borrower shall (within three (3) Business Days of demand by the Lender) pay to the Lender an amount equal to the loss, liability or cost which the Lender determines will be or has been (directly or indirectly) suffered for or on account of Tax by the Lender in respect of a Finance Document. | |
|  | | (b) | Paragraph (a) above shall not apply: | |

21(61)

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|  | | (i) | | | with respect to any Tax assessed on the Lender: | |
|  | | | | (A) | | under the law of the jurisdiction in which the Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Lender is treated as resident for tax purposes; or |
|  | | | | (B) | | if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Lender; or |
|  | | (ii) | | | to the extent a loss, liability or cost: | |
|  | | | | (A) | | is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or |
|  | | | | (B) | | relates to a FATCA Deduction required to be made by a Party. |
|  | **12.4** | | **Tax Credit** | | | |

If an Obligor makes a Tax Payment and the Lender determines that:

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|  | (a) | a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and |
|  | (b) | the Lender has obtained and utilised that Tax Credit, |

the Lender shall pay an amount to the Obligor which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

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|  | **12.5** | **Stamp taxes** |

The Borrower shall pay and, within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

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|  | **12.6** | | | **VAT** |
|  | | (a) | All amounts expressed to be payable under a Finance Document by any Party to the Lender which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, if VAT is or becomes chargeable on any supply made by the Lender to any Party under a Finance Document and the Lender is required to account to the relevant tax authority for the VAT, that Party must pay to the Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and the Lender must promptly provide an appropriate VAT invoice to that Party). | |
|  | | (b) | Where a Finance Document requires any Party to reimburse or indemnify the Lender for any cost or expense, that Party shall reimburse or indemnify (as the case may be) the Lender for the full amount of such cost or expense, including such part thereof as | |

22(61)

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|  | |  | | represents VAT, save to the extent that the Lender reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority. | | | | |
|  | **12.7** | | | | **FATCA information** | | | |
|  | | (a) | | Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party: | | | | |
|  | | | (i) | | | | confirm to that other Party whether it is: | |
|  | | | | | | (A) | | a FATCA Exempt Party; or |
|  | | | | | | (B) | | not a FATCA Exempt Party; |
|  | | | (ii) | | | | supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and | |
|  | | | (iii) | | | | supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime. | |
|  | | (b) | | If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly. | | | | |
|  | | (c) | | Paragraph (a) above shall not oblige the Lender to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of: | | | | |
|  | | | (i) | | | | any law or regulation; | |
|  | | | (ii) | | | | any fiduciary duty; or | |
|  | | | (iii) | | | | any duty of confidentiality. | |
|  | | (d) | | If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (a)(ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information. | | | | |
|  | **12.8** | | | | **FATCA Deduction** | | | |
|  | | (a) | | Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA | | | | |

23(61)

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|  | |  | | Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction. | |
|  | | (b) | | Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Lender. | |
| **13.** | | | **Increased Costs** | | |
|  | **13.1** | | | | **Increased costs** |
|  | | (a) | | Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Lender, pay the amount of any Increased Costs incurred by the Lender as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement. | |
|  | | (b) | | In this Agreement: | |

“**Increased Costs**” means:

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|  | (i) | a reduction in the rate of return from the Facility or on the Lender’s overall capital; |
|  | (ii) | an additional or increased cost; or |
|  | (iii) | a reduction of any amount due and payable under any Finance Document, |

which is incurred or suffered by the Lender to the extent that it is attributable to the Lender having entered into or funding or performing its obligations under any Finance Document.

“**Basel III**” means:

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|  | | (i) | | the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated; |
|  | (ii) | | the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011 as amended, supplemented or restated; and | |
|  | (iii) | | any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”. | |

“**CRD IV**” means:

24(61)

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|  | | (i) | | Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and |
|  | | (ii) | | Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC. |
|  | **13.2** | | **Increased cost claims** | |

If the Lender intends to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Borrower of the event giving rise to the claim.

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|  | **13.3** | | | | **Exceptions** | |
|  | | (a) | | Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is: | | |
|  | | | (i) | | | attributable to a Tax Deduction required by law to be made by an Obligor; |
|  | | | (ii) | | | attributable to a FATCA Deduction required to be made by a Party; |
|  | | | (iii) | | | compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied); |
|  | | | (iv) | | | attributable to the gross negligence or wilful misconduct of the Lender of this Agreement or any law or regulation; |
|  | | | (v) | | | attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III and CRD IV) (“**Basel II**”) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, the Lender or any of its affiliates). |
|  | | (b) | | In this Clause 13.3 (*Exceptions*), a reference to a “Tax Deduction” has the same meaning given to that term in Clause 12.1 (*Definitions*). | | |
| **14.** | | | **Other Indemnities** | | | |
|  | **14.1** | | | | **Currency indemnity** | |
|  | | (a) | | If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of: | | |
|  | | | (i) | | | making or filing a claim or proof against that Obligor; |

25(61)

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|  | (ii) | obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, |

that Obligor shall as an independent obligation, within three (3) Business Days of demand, indemnify the Lender to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

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|  | | (b) | Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable. | |
|  | **14.2** | | | **Other indemnities** |

The Borrower shall (or shall procure that an Obligor will), within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability reasonably incurred by the Lender as a result of:

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|  | | (a) | | the occurrence of any Event of Default; | |
|  | | (b) | | funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone); or | |
|  | | (c) | | a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower. | |
| **15.** | | | **Costs and Expenses** | | |
|  | **15.1** | | | | **Transaction expenses** |

The Borrower shall promptly on demand pay the Lender the amount of all costs and expenses (including legal fees) reasonably incurred by the Lender in connection with the negotiation, preparation, printing, execution and syndication of:

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|  | | (a) | this Agreement and any other documents referred to in this Agreement; and | |
|  | | (b) | any other Finance Documents executed after the date of this Agreement. | |
|  | **15.2** | | | **Amendment costs** |

If an Obligor requests an amendment, waiver or consent, the Borrower shall, within three (3) Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

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|  | **15.3** | **Enforcement costs** |

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in

26(61)

connection with the enforcement of, or the preservation of any rights under, any Finance Document.

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| **16.** | | **Guarantee and Indemnity** | |
|  | **16.1** | | **Guarantee and indemnity** |

The Guarantor irrevocably and unconditionally:

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|  | | (a) | guarantees to the Lender punctual performance by the Borrower of all its obligations under the Finance Documents; | |
|  | | (b) | undertakes with the Lender that, whenever the Borrower does not pay any amount when due under any Finance Document, the Guarantor must immediately on demand by the Lender pay that amount as if it were the principal obligor (*proprieborgen*); and | |
|  | | (c) | indemnifies the Lender immediately on demand against any loss or liability suffered by the Lender if any payment obligation guaranteed by it is or becomes unenforceable, invalid or illegal; the amount of the loss or liability under this indemnity will be equal to the amount the Lender would otherwise have been entitled to recover. | |
|  | **16.2** | | | **Continuing guarantee** |

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

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|  | **16.3** | **Reinstatement** |

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by the Lender in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantor under this Clause 16 (*Guarantee and indemnity*) will continue or be reinstated as if the discharge, release or arrangement had not occurred.

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|  | **16.4** | **Waiver of defences** |

The obligations of the Guarantor under this Clause 16 (*Guarantee and indemnity*) will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 16 (*Guarantee and indemnity*) (without limitation and whether or not known to it or the Lender) including:

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|  | (a) | any time, waiver or consent granted to, or composition with, any Obligor or other person; |
|  | (b) | the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group; |

27(61)

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|  | | (c) | the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security; | |
|  | | (d) | any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person; | |
|  | | (e) | any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security; | |
|  | | (f) | any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or | |
|  | | (g) | any insolvency or similar proceedings. | |
|  | **16.5** | | | **Immediate recourse** |

The Guarantor waives any right it may have of first requiring the Lender (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 16 (*Guarantee and indemnity*). This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

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|  | **16.6** | **Appropriations** |

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, the Lender (or any trustee or agent on its behalf) may:

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|  | | (a) | refrain from applying or enforcing any other moneys, security or rights held or received by the Lender (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and | |
|  | | (b) | hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 16 (*Guarantee and indemnity*). | |
|  | **16.7** | | | **Deferral of Guarantor's rights** |

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Lender otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 16 (*Guarantee and indemnity*):

28(61)

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|  | (a) | to be indemnified by an Obligor; |
|  | (b) | to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents; |
|  | (c) | to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents; |
|  | (d) | to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under Clause 16.1 (*Guarantee and indemnity*); |
|  | (e) | to exercise any right of set-off against any Obligor; and/or |
|  | (f) | to claim or prove as a creditor of any Obligor in competition with the Lender. |

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Lender by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Lender and shall promptly pay or transfer the same to the Lender or as the Lender may direct for application in accordance with Clause 23 (*Payment mechanics*).

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|  | **16.8** | **Additional security** |

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Lender.

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|  | **16.9** | | | | **Consideration and enforceability** | |
|  | | (a) | | The Guarantor represents, warrants and agrees that: | | |
|  | | | (i) | | | it will receive valuable direct and indirect benefits as a result of the transactions financed by the Loans; and |
|  | | | (ii) | | | these benefits will constitute "reasonably equivalent value" and "fair consideration" as those terms are used in the fraudulent transfer laws. |
|  | | (b) | | The Guarantor acknowledges and agrees that the Lender have acted in good faith in connection with the guarantee granted under this Clause 16 (*Guarantee and Indemnity*), and the transactions contemplated by this Agreement. | | |
|  | | (c) | | This Clause 16 (*Guarantee and Indemnity*) shall be enforceable against the Guarantor to the maximum extent permitted by the fraudulent transfer laws. | | |
|  | | (d) | | The Guarantor's liability under this Clause 16 (*Guarantee and Indemnity*) shall be limited so that no obligation of, or transfer by, a Guarantor under this Clause 16 (*Guarantee and Indemnity*) is subject to avoidance and turnover under the fraudulent transfer laws. | | |

29(61)

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|  | | (e) | For the purposes of this Clause, “**fraudulent transfer laws**” means applicable United States bankruptcy and state fraudulent transfer and conveyance statutes and the related case law. | |
|  | **16.10** | | | **US regulation relating to the Guarantor** |
|  | | (a) | In this Agreement: | |

“**fraudulent transfer law**” means any applicable United States bankruptcy and State fraudulent transfer and conveyance statute and any related case law;

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|  | (b) | | The Guarantor acknowledges that: | |
|  | | (i) | | it will receive valuable direct or indirect benefits as a result of the transactions financed by the Finance Documents; |
|  | | (ii) | | those benefits will constitute reasonably equivalent value and fair consideration for the purpose of any fraudulent transfer law; and the Lender has acted in good faith in connection with the guarantee given by the Guarantor and the transactions contemplated by the Finance Documents. |
|  | (c) | | The Lender agrees the Guarantor's liability under this Clause is limited so that no obligation of, or transfer by, the Guarantor under this Clause is subject to avoidance and turnover under any fraudulent transfer law. | |
|  | (d) | | The Guarantor represents and warrants that: | |
|  | | (i) | | the aggregate amount of its debts (including its obligations under the Finance Documents) is less than the aggregate value (being the lesser of fair valuation and present fair saleable value) of its assets; |
|  | | (ii) | | its capital is not unreasonably small to carry on its business as it is being conducted; |
|  | | (iii) | | it has not incurred and does not intend to incur debts beyond its ability to pay as they mature; and |
|  | | (iv) | | it has not made a transfer or incurred any obligation under any Finance Document with the intent to hinder, delay or defraud any of its present or future creditors. |
|  | (e) | | Each representation and warranty in this subclause: | |
|  | | (i) | | is made by the Guarantor on the date of this Agreement; and |
|  | | (ii) | | is deemed to be repeated on the date of each Utilisation Request and the first day of each Interest Period; and |

is, when repeated, applied to the circumstances existing at the time of repetition.

30(61)

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| **17.** | **Representations** |

Each Obligor makes the representations and warranties set out in this Clause 17 (*Representations*) to the Lender on the date of this Agreement.

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|  | **17.1** | | | **Status** |
|  | | (a) | It is a corporation, duly incorporated and validly existing under the laws of the jurisdiction of its incorporation. | |
|  | | (b) | Each Material Subsidiary has the power to own its assets and carry on its business as it is being conducted. | |
|  | **17.2** | | | **Powers and authority** |

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, the Agreement to which it is or will be a party and the transactions contemplated by the Agreement.

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|  | **17.3** | **Binding obligations** |

Each Finance Document to which it is or will be a party constitutes, or when executed in accordance with its terms will constitute, its legal, valid and binding obligation enforceable in accordance with its terms.

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|  | **17.4** | **Non-conflict with other obligations** |

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

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|  | | (a) | any law or regulation applicable to it; | |
|  | | (b) | its or any of its Subsidiaries' constitutional documents; or | |
|  | | (c) | any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets in a manner which could reasonably be expected to have a Material Adverse Effect. | |
|  | **17.5** | | | **Validity and admissibility in evidence** |

All Authorisations required or desirable:

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|  | (a) | to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and |
|  | (b) | to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, |

have been obtained or effected and are in full force and effect.

31(61)

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|  | **17.6** | | | **No default** |
|  | | (a) | No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation. | |
|  | | (b) | No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect. | |
|  | **17.7** | | | **Authorisations** |
|  | | (a) | All authorisations which would reasonably be considered to be required in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Finance Documents to which it is a party have been obtained or effected (as appropriate) and are in full force and effect. | |
|  | | (b) | All acts, conditions and things required to be done, fulfilled and performed under the laws of the United States of America in order to make the Finance Documents admissible in evidence in the United States of America have been done, fulfilled and performed. | |
|  | **17.8** | | | **No misleading information** |

No information has been given or withheld that results in the information given to the Lender being untrue or misleading in any material respect.

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|  | **17.9** | **Corruption** |

Neither it, and to the best of its knowledge and belief after due and careful enquiry any member of the Group nor any person acting on its or their behalf, is engaged in any action which is characterised as Corruption.

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|  | **17.10** | | | **Environment** |
|  | | (a) | No claim (including any order, judgement or administrative proceedings of any governmental authority) against any member of the Group is current, pending or to its knowledge threatened in connection with (i) a breach or alleged breach of Environmental Laws, (ii) a fire, explosion or other event of any type involving a hazardous emission or substance, or (iii) any other environmental contamination, which, if adversely determined, is reasonably likely to have a Material Adverse Effect. | |
|  | | (b) | There are no conditions or circumstances associated with a member of the Group which could be subject to an order, judgement or administrative proceedings of any governmental authority resulting from or involving (i) a breach of Environmental Laws, (ii) a hazardous emission or substance, or (iii) any other environmental contamination, which is reasonably likely to have a Material Adverse Effect. | |

32(61)

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|  | **17.11** | | | | **Financial statements** | |
|  | | (a) | | In the case of the Borrower, the audited consolidated accounts of the Group most recently delivered to the Lender (which, at the date of this Agreement, are the Original Financial Statements): | | |
|  | | | (i) | | | have been prepared in accordance with GAAP consistently applied; and |
|  | | | (ii) | | | fairly represent the consolidated financial condition of the Group as at the date to which they were drawn up. |
|  | | (b) | | In the case of the Guarantor, its audited accounts most recently delivered to the Lender: | | |
|  | | | (i) | | | have been prepared in accordance with GAAP consistently applied; and |
|  | | | (ii) | | | fairly represent its financial condition as at the date to which they were drawn up. |
|  | **17.12** | | | | **Pari passu ranking** | |

Its obligations under the Finance Documents will rank at least *pari passu* with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

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|  | **17.13** | | | **No proceedings** |
|  | | (a) | No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened, which are reasonably to be expected to be adversely determined, and which might, if adversely determined, have a Material Adverse Effect. | |
|  | | (b) | In respect of any litigation, arbitration or administrative proceedings disclosed to the Lender prior to the date of this Agreement, there has been no development in the conduct of those proceedings which might have a Material Adverse Effect. | |
|  | **17.14** | | | **Taxes on payments** |

It will not be required to make any deduction or withholding from any payment it may make to the Lender under the Finance documents.

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|  | **17.15** | **No immunity** |

In any proceedings taken in Sweden, the United States of America or any other relevant state or jurisdiction, in each case in relation to the Agreement, it will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

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|  | **17.16** | **Winding up: re-organisation etc.** |

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started or (to the best of its knowledge and belief) threatened

33(61)

against it for its winding-up, dissolution, administration or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of it or of any or all of its assets or revenues.

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|  | **17.17** | **Environmental Law** |

Each Obligor is and has been in compliance with all applicable Environmental Laws and Environmental Licenses in all material respects and, so far as it is aware, there are no circumstances that may at any time prevent or interfere with continued compliance by it with all applicable Environmental Laws and Environmental Licenses in all material respects. No Environmental Claim is pending or, to the best of its knowledge, threatened against it or any of its properties.

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|  | **17.18** | **ERISA** |

Each Plan of the Obligors and their respective ERISA Affiliates complies in all material respects with all applicable requirements of law and regulation. No Reportable Event has occurred with respect to any Plan which might have a Material Adverse Effect, and no steps have been taken to terminate any Plan. No Obligor or any Subsidiary or ERISA Affiliate of an Obligor has had a complete or partial withdrawal from any Multiemployer Plan or initiated any steps to do so.

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|  | **17.19** | **Other regulation** |

No Obligor is subject to regulation under any US Federal or State statute or regulation that limits its ability to incur or guarantee indebtedness.

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|  | **17.20** | | | | **Margin Stock** | |
|  | | (a) | | The proceeds of the Loans have been and will be used only for the purposes described in Clause 3 (*Purpose*). | | |
|  | | (b) | | No Obligor is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations U and X of the Board of Governors of the United States Federal Reserve System). | | |
|  | | (c) | | None of the transactions contemplated in this Agreement (including, without limitation, the borrowings hereunder and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934 (or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X). | | |
|  | **17.21** | | | | **Solvency** | |
|  | | (a) | | The Borrower has not incurred and does not intend to incur or believe it will incur debts beyond its ability to pay as they mature. | | |
|  | | (b) | | The Borrower has made no transfer or incurred any obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors. | | |
|  | | (c) | | For purposes of this Clause 17.21 (*Solvency*): | | |
|  | | | (i) | | | “**debt**” means any liability on a claim; |

34(61)

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|  | | (ii) | | “**claim**” means (A) any right to payment, whether or not that right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (B) any right to an equitable remedy for breach of performance if that breach gives rise to payment, whether or not the right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and |
|  | | (iii) | | terms used in this Clause 17.21 (*Solvency*) shall be construed in accordance with the applicable United States bankruptcy and New York fraudulent conveyance statutes and the related case law. |
|  | **17.22** | | **Stamp duties** | |

No stamp or registration duty or similar taxes or charges are payable in respect of any Finance Document.

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|  | **17.23** | **No Security** |

Other than as permitted by the provisions of Clause 19.4 ([*Negative pledge*](#ALV_EX102_241_HTM_BOOKMARK138)), no Security exists over all or any of its present or future revenues or assets.

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|  | **17.24** | **Material adverse change** |

There has been no material adverse change in the condition (financial or otherwise) of the Borrower or the Group as a whole since the date of the Original Financial Statements.

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|  | **17.25** | **Anti-corruption law** |

Each member of the Group maintains policies designed to promote compliance with applicable anticorruption laws and, to the best of its knowledge and belief, having made due and careful enquiry, each such member has conducted its business in accordance, and is in compliance, with those laws.

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|  | **17.26** | **Sanctions** |

Neither the Borrower, nor any of its Subsidiaries, nor to its knowledge any of its joint ventures, the Borrower or Subsidiaries’ or joint ventures’ respective directors, officers or employees:

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|  | (a) | is a Restricted Party; or |
|  | (b) | is, to the extent it is or should be aware, subject to or involved in any action, claim, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority; |
|  | (c) | has, to the best of its knowledge and belief, having made due and careful inquiry, directly or indirectly engaged in transactions on behalf of the Group or any Obligor with a Restricted Party save to the extent that such a transaction is expressly permitted by the relevant Sanctions; or |

35(61)

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|  | (d) | has directly or indirectly has engaged in or engages in transactions on behalf of the Group that evade or violate, are intended to evade or violate or attempt to evade or violate, any Sanctions. |

The representations and warranties above shall not be made by nor apply to any Obligor in so far as they would violate or expose any Party (including such Obligor) or any of its Subsidiaries or any director, officer or employee thereof to any liability under any anti-boycott or blocking law, regulation or statute that is in force from time to time and applicable to such entity (including without limitation EU Regulation (EC) 2271/96 and Section 7 of the German Foreign Trade Ordinance (*Verordnung zur Durchführung des Außenwirtschaftsgesetzes (Außen¬wirtschafts¬veror dnung –* *AWV*)).

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|  | **17.27** | **Repetition** |

The representations and warranties set out in this Clause 17 (*Representations*):

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|  | (a) | | are made on the date of this Agreement; and |
|  | (b) | | (with the exception of Clause 17.14 ([Taxes on payments](#ALV_EX102_241_HTM_BOOKMARK123)), Clause 17.22 (*Stamp duties*) and Clause 17.24 ([Material adverse change](#ALV_EX102_241_HTM_BOOKMARK125))) are deemed to be repeated by each Obligor on the date of each Utilisation Request and the first day of each Interest Period, in each case with reference to the facts and circumstances then existing. |
| **18.** | | **Information Undertakings** | |

The undertakings in this Clause 18 (*Information Undertakings*) remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

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|  | **18.1** | **Financial information** |

The Borrower shall supply to the Lender:

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|  | (a) | | as soon as the same are available (and in any event within one hundred eighty (180) days of the end of each of its financial year): | |
|  | | (i) | | its audited consolidated accounts for that financial year; and |
|  | | (ii) | | the audited accounts of each Borrower for that financial year; |
|  | (b) | | as soon as the same are available (and in any event within ninety (90) days of the end of the first half- year of each of its financial years): | |
|  | | (i) | | its unaudited consolidated accounts for that half-year; and |
|  | | (ii) | | the unaudited accounts of the Guarantor. for that half-year. |
|  | (c) | | as soon as the same are available (and in any event within sixty (60) days of the end of each financial quarter): | |
|  | | (i) | | its unaudited consolidated accounts for that financial quarter; and |

36(61)

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|  | | | (ii) | | | | subject to paragraph (d) below, the unaudited accounts of the Guarantor for that financial quarter. | |
|  | | (d) | | as soon as the same are available (and in any event within one hundred twenty (120) days of the end of that financial quarter) the unaudited accounts of the Guarantor for the fourth quarter of that financial year. | | | | |
|  | **18.2** | | | | **Compliance Certificate** | | | |
|  | | (a) | | The Borrower shall supply to the Lender: | | | | |
|  | | | (i) | | | | within five (5) Business Days of delivery of the accounts specified in paragraph [(a)(i),](#ALV_EX102_241_HTM_BOOKMARK129) [(b)(i)](#ALV_EX102_241_HTM_BOOKMARK130) and [(c)(i)](#ALV_EX102_241_HTM_BOOKMARK131) of Clause 18.1 ([Financial information](#ALV_EX102_241_HTM_BOOKMARK128)); and | |
|  | | | (ii) | | | | promptly at any other time, if the Lender so requests, a Compliance Certificate signed by one of its senior officers on its behalf: | |
|  | | | | | | (A) | | setting out computations as to compliance with Clause 19.17 ([Subsidiary](#ALV_EX102_241_HTM_BOOKMARK148) Borrowings[) as at the date at which the accounts referred to in paragraph](#ALV_EX102_241_HTM_BOOKMARK148) (i) above were drawn up; |
|  | | | | | | (B) | | confirming the credit ratings which currently apply to the Borrower's long term unsecured and unsubordinated debt; and |
|  | | | | | | (C) | | certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it. |
|  | | (b) | | The Borrower does not need to supply a Compliance Certificate (the **First Certificate**) with the audited consolidated accounts delivered in accordance with paragraph (a)(i) of Clause 18.1 (*Financial information*) if that First Certificate would be the same as the Compliance Certificate (the **Second Certificate**) supplied with the unaudited consolidated accounts delivered in accordance with paragraph (c)(i) of Clause 18.1 (*Financial information*) in respect of the fourth financial quarter of that financial year. The Borrower must instead confirm in writing to the Lender that the First Certificate would be the same as the Second Certificate. | | | | |
|  | **18.3** | | | | **Requirements as to financial statements** | | | |

Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial information*) shall be certified by a director of the Borrower as fairly presenting its financial condition as at the date as at which those financial statements were drawn up.

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|  | **18.4** | **Information: miscellaneous** |

The Borrower shall supply to the Lender:

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|  | (a) | any press release issued by the Borrower and any information in the possession or control of any member of the Group regarding its financial condition and operations about matters which are reasonably likely to affect the Lender’s rights under the Finance Documents; and |

37(61)

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|  | | (b) | (unless already provided to the Lender) promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which might, if adversely determined, have a Material Adverse Effect on the financial condition of any Material Subsidiary or on the Group as a whole or on the ability of any Obligor to perform its obligations under this Agreement; and | |
|  | | (c) | promptly, such further information in the possession or control of any member of the Group regarding its financial condition and operations as the Lender may reasonably request; | |
|  | | (d) | immediately upon its occurrence, details of any change in the credit rating assigned to the Borrower 's long term unsecured and unsubordinated debt by either or both of the Rating Agencies; | |
|  | | (e) | promptly upon becoming aware of them, the details of any claim, action, suit, proceeding or investigation pursuant to Sanctions by any Sanctions Authority against it, any of its direct or indirect owners or any other member of the Group or any of their respective directors, officers or employees as well as information on what steps are being taken with regards to answer or oppose such; and | |
|  | | (f) | promptly upon becoming aware that it, any of its direct or indirect owners or any other member of the Group or any of their respective directors, officers or employees has become or is likely to become a Restricted Party. | |
|  | **18.5** | | | **Notification of default** |

Each Obligor shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon its occurrence.

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|  | **18.6** | | | | **“Know your customer” checks** |
|  | | (a) | | Each Obligor must promptly on the request of the Lender supply to the Lender documentation or other evidence which is reasonably requested by the Lender (whether for itself or on behalf of any prospective new Lender) to enable the Lender or prospective new Lender to carry out and be satisfied with the results of all applicable know your customer requirements. | |
|  | | (b) | | Each Lender agrees that any information it receives under this Clause [18.6](#ALV_EX102_241_HTM_BOOKMARK152) *(“Know your customer requirements”*[) shall be kept confidential in accordance with Clause](#ALV_EX102_241_HTM_BOOKMARK152) 30 ([Confidential Information](#ALV_EX102_241_HTM_BOOKMARK217)). | |
| **19.** | | | **General Undertakings** | | |

The undertakings in this Clause 19 (*General Undertakings*) remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

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|  | **19.1** | **Authorisations** |

Each Obligor shall promptly:

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|  | (a) | obtain, maintain and comply with the terms of; and |

38(61)

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|  | (b) | supply certified copies to the Lender of, |

any authorisation required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, any Finance Document.

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|  | **19.2** | **Compliance with laws** |

Each Obligor shall comply in all material respects with all laws to which it may be subject.

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|  | **19.3** | **Pari passu ranking** |

Each Obligor shall procure that its obligations under the Finance Documents do and will rank at least *pari passu* with all its other present and future unsecured obligations, except for obligations mandatorily preferred by law applying to companies generally.

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|  | **19.4** | | | | **Negative pledge** | | | |
|  | | (a) | | No Obligor shall, and the Borrower shall procure that no other member of the Group will, create or permit to subsist any Security on any of its assets (other than Unrestricted Margin Stock). | | | | |
|  | | (b) | | Paragraph [(a)](#ALV_EX102_241_HTM_BOOKMARK139) does not apply to: | | | | |
|  | | | (i) | | | | any lien arising by operation of law in the ordinary course of business and securing amounts not more than thirty (30) days overdue; | |
|  | | | (ii) | | | | any Security disclosed in writing to the Lender prior to the execution of this Agreement which secures Financial Indebtedness outstanding at the date of this Agreement; | |
|  | | | (iii) | | | | any Security arising in relation to set-off arrangements between cash balances and bank borrowings with the same bank which arise in the ordinary course of business; | |
|  | | | (iv) | | | | any Security existing at the time of acquisition on or over any asset acquired by a member of the Group after the date of this Agreement which was not created in contemplation of or in connection with that acquisition, provided that the principal amount secured by such Security and outstanding at the time of acquisition is not subsequently increased and the Security is discharged within three months; | |
|  | | | (v) | | | | in the case of any company which becomes a member of the Group after the date of this Agreement, any Security existing on or over its assets when it becomes a member of the Group which was not created in contemplation of or in connection with it becoming a member of the Group, provided that: | |
|  | | | | | | (A) | | the principal amount secured by such Security and outstanding when the relevant company became a member of the Group is not increased; |

39(61)

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|  | | | | | | (B) | | no amount is secured by any such Security which is not secured by the relevant Security when the relevant company becomes a member of the Group; and |
|  | | | | | | (C) | | the Security is discharged within three months; |
|  | | | (vi) | | | | any Security replacing any of the Security permitted by paragraphs [(iv)](#ALV_EX102_241_HTM_BOOKMARK141) and [(v),](#ALV_EX102_241_HTM_BOOKMARK142) provided that the amount secured by any replacement Security shall not exceed the amount outstanding and secured by the original Security at the time of the creation of the replacement Security , the value of the replacement asset over which the replacement Security is created does not exceed the value of the asset over which the original Security was held, the replacement Security secures the same obligations as the original Security and such replacement Security is discharged within the original three-month period specified in paragraphs [(iv)](#ALV_EX102_241_HTM_BOOKMARK141) and [(v)](#ALV_EX102_241_HTM_BOOKMARK142); and | |
|  | | | (vii) | | | | any other Security provided that at the time that the Security is created, the aggregate amount of indebtedness secured by all Security permitted under this [(b)(vii)](#ALV_EX102_241_HTM_BOOKMARK140) of Clause 19.4 (other than those permitted by subparagraphs [(b)(i)](#ALV_EX102_241_HTM_BOOKMARK140) to [(b)(vi) above](#ALV_EX102_241_HTM_BOOKMARK140) of this Clause 19.4), when taken together with the aggregate value of financing raised or the amount involved in the financing of an asset in transactions described in Clause 19.5 ([Transactions similar to security](#ALV_EX102_241_HTM_BOOKMARK143)), does not exceed five per cent. of the book value of the consolidated total assets of the Group, as determined by reference to the most recent consolidated accounts of the Group delivered pursuant to Clause 18.1 ([Financial](#ALV_EX102_241_HTM_BOOKMARK128) information[).](#ALV_EX102_241_HTM_BOOKMARK128) | |
|  | **19.5** | | | | **Transactions similar to security** | | | |
|  | | (a) | | No Obligor shall, and the Borrower shall procure that no other Material Subsidiary will: | | | | |
|  | | | (i) | | | | sell, transfer or otherwise dispose of a material part of its assets (either in one transaction or a series of transactions, whether related or not) on terms whereby it is or may be leased to or re-acquired or acquired by a member of the Group or any of its related entities; or | |
|  | | | (ii) | | | | sell, transfer or otherwise dispose of any of its receivables on recourse terms, except for the discounting of bills or notes in the ordinary course of trading, | |
|  | | (b) | | in each case, in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset, save where the aggregate of (a) financing raised or the amount involved in the financing of the acquisition of an asset in transactions described in this Clause 19.5 ([Transactions similar to security](#ALV_EX102_241_HTM_BOOKMARK143)) and (b) the Security permitted by sub- paragraph (b)(vii) of Clause 19.4 ([Negative pledge](#ALV_EX102_241_HTM_BOOKMARK138)), does not exceed five per cent. of the book value of the consolidated total assets of the Group, as determined by reference to the most recent consolidated accounts of the Group delivered pursuant to Clause 18.1 ([Financial information](#ALV_EX102_241_HTM_BOOKMARK128)). | | | | |

Paragraph [(a) above](#ALV_EX102_241_HTM_BOOKMARK144) does not apply to Unrestricted Margin Stock.

40(61)

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|  | **19.6** | | | | **Disposals** | | | |
|  | | (a) | | No Obligor shall, and the Borrower shall procure that no other Material Subsidiary will, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of all or any substantial part of its assets. | | | | |
|  | | (b) | | Paragraph [(a)](#ALV_EX102_241_HTM_BOOKMARK146) does not apply to: | | | | |
|  | | | (i) | | | | disposals made in the ordinary course of business of the disposing entity; or | |
|  | | | (ii) | | | | disposals of assets in exchange for other assets comparable or superior as to type, value and quality; or | |
|  | | | (iii) | | | | disposals made on an arms length basis for full market consideration; or | |
|  | | | (iv) | | | | disposals made with the prior written consent of the Lender; or | |
|  | | | (v) | | | | any disposal of assets from: | |
|  | | | | | | (A) | | an Obligor to another Obligor; or |
|  | | | | | | (B) | | a Material Subsidiary (other than an Obligor) to an Obligor or any other Subsidiary; or |
|  | | | | | | (C) | | any other Subsidiary of the Borrower to any member of the Group, |

provided that all such disposals in this paragraph [(v)](#ALV_EX102_241_HTM_BOOKMARK147) are made for full market consideration,

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|  | **19.7** | **Merger** |

The Borrower shall not, without the prior written consent of the Lender, finalise or effectuate any amalgamation, demerger, merger or reconstruction.

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|  | **19.8** | **Change of business** |

The Borrower shall procure that no substantial change is made to the general nature or scope of the business of the Borrower or of the Group from that carried on at the date of this Agreement.

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|  | **19.9** | **Insurance** |

Each Obligor shall, and the Borrower will procure that the Group taken as a whole will, effect and maintain such insurance over and in respect of its property, assets and business with reputable underwriters or insurance companies and in such a manner and to such extent as is reasonable and customary for a business enterprise engaged in the same or similar businesses and in the same or similar localities.

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|  | **19.10** | **Third party guarantees** |

No Obligor shall, and will ensure that no other member of the Group shall, without the prior consent of the Lender, grant any guarantee, bond, indemnity, counter-

41(61)

indemnity or similar instrument in respect of any material obligation of a person other than a member of the Group, save for:

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|  | | (a) | on the terms of the Finance Documents; or | |
|  | | (b) | any guarantee related to the purchase or supply of goods and/or services by such Obligor or a member of the Group or a consortium or a group of companies of which such Obligor or a member of the Group is a party, which guarantee is given in the ordinary course of business. | |
|  | **19.11** | | | **Notice requirements** |

Each Obligor will give the Lender prompt notice of the occurrence of any of the following events:

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|  | (a) | non-compliance in any material respect with any Environmental Law or Environmental License of which it is aware; |
|  | (b) | any Environmental Claim or any other claim, notice or other communication served on it in respect of any alleged breach of any Environmental Law or Environmental License which could reasonably be expected to have a Material Adverse Effect; |
|  | (c) | any actual or suspected Environmental Contamination which might have a Material Adverse Effect; |
|  | (d) | any Reportable Event; |
|  | (e) | termination of any Plan maintained, or contributed to, by the Obligor or any ERISA Affiliate or any action that might result in termination of a Plan; or |
|  | (f) | complete or partial withdrawal from any Multiemployer Plan by the Obligor or any ERISA Affiliate or any action that might result in complete or partial withdrawal from any Multiemployer Plan. |

In each notice delivered under this Clause 19.11 (*Notice requirements*), the relevant Obligor will include reasonable details concerning the occurrence that is the subject of the notice as well as the Obligor's proposed course of action, if any. Delivery of a notice under this Clause 19.11 (*Notice requirements*) will not affect the Obligor's obligations to comply with any other provision of this Agreement.

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|  | **19.12** | **Investment Company Act** |

No Obligor will, either by act or omission, become, or permit any other Obligor to become, an "investment company" or a company "controlled" by an "investment company", within the meaning of the United States Investment Company Act of 1940, as amended.

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|  | **19.13** | **Public utility status** |

No Obligor will, either by act or omission, become or permit any other Obligor or, as a result of its obligations under this Agreement, the Lender to become subject to regulation under the United States Federal Power Act of 1920, as amended.

42(61)

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|  | **19.14** | **ERISA** |

No Obligor will take any action or omit to take any action or permit any Subsidiary or ERISA Affiliate to take any action or omit to take any action with respect to any Plan that might result in the imposition of a lien or other Security on any property of the Obligor or any Subsidiary or otherwise have a Material Adverse Effect.

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|  | **19.15** | **Margin Stock** |

The Obligors will use the proceeds of the Loans only for the purpose described in Clause 3 ([*Purpose*](#ALV_EX102_241_HTM_BOOKMARK39)). No Obligor will engage in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations U and X issued by the Board of Governors of the United States Federal Reserve System). The Obligors shall procure that none of the proceeds of the Loans will be used for any purpose that will violate or result in the violation of Section 7 of the Securities Exchange Act of 1934 (or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X). If requested by the Lender, the Borrower will furnish to the Lender in connection with any Loan hereunder a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U.

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|  | **19.16** | **Solvency** |

The Borrower will, at all times, maintain sufficient capital to conduct its current and proposed business and operations, maintain its ability to pay its debts as they become due, and continue to own property having a value – both at fair valuation and at present fair saleable value – greater than the total amount of the probable liability of the Borrower on its debts and obligations (including this Agreement).

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|  | **19.17** | | | **Subsidiary Borrowings** |
|  | | (a) | The Borrower shall procure that Subsidiary Borrowings shall at no time exceed US$600,000,000 (or its equivalent in another currency). | |
|  | | (b) | In this Clause 19.17 (*Subsidiary Borrowings*): | |

“**Borrowings**” means:

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|  | (i) | the outstanding principal amount of any monies borrowed; |
|  | (ii) | the outstanding principal amount of any debenture, bond, note, loan stock or other security; |
|  | (iii) | the outstanding principal amount of any acceptance under any acceptance credit opened by a bank or other financial institution and not attributable to goods or documents of title to goods in the ordinary course of documentary credit transactions; |
|  | (iv) | the principal amount, outstanding for more than ninety (90) days on its original terms and created in connection with the payment of the acquisition price of any asset before or after the time of acquisition or possession by the party liable, where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of an asset; |

43(61)

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|  | (v) | any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in subparagraph (b) above; and |
|  | (vi) | the outstanding principal amount of any indebtedness of any person of a type referred to in subparagraphs [(a)](#ALV_EX102_241_HTM_BOOKMARK149) - [(e) above](#ALV_EX102_241_HTM_BOOKMARK151) which is the subject of a guarantee indemnity and/or other form of assurance against financial loss. |

For the avoidance of doubt, the amount of any provision for pension liabilities made in the accounts delivered in accordance with Clause 18.1 ([*Financial information*](#ALV_EX102_241_HTM_BOOKMARK128)) shall not constitute Borrowings for the purposes of this definition.

“**Subsidiary Borrowings**” means, at any time, the aggregate amount of all Borrowings of the Borrower's Subsidiaries at that time (without double counting in relation to intra-Group Borrowings or guarantees given by one Subsidiary in relation to the Borrowings of another).

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|  | | (c) | | For the purposes of this Clause 19.17 (*Subsidiary Borrowings*) figures shall be expressed in US Dollars and, where any currency has to be converted into US Dollars for this purpose, such conversion shall be made at the rate of exchange applied in the relevant financial accounts delivered under Clause 18.1 ([Financial](#ALV_EX102_241_HTM_BOOKMARK128) information[).](#ALV_EX102_241_HTM_BOOKMARK128) | | |
|  | **19.18** | | | | **Sanctions** | |
|  | | (a) | | Each Obligor shall ensure that none of them, nor any of their respective Subsidiaries or their (or their respective Subsidiaries’) directors, officers or employees when acting on behalf of the Group or any Obligor: | | |
|  | | | (i) | | | is or will become a Restricted Party; |
|  | | | (ii) | | | require the Lender to take any action that would cause it to violate any Sanctions, it being understood that the Lender can refuse to honour any such request otherwise validly made by a Borrower under this Agreement; and |
|  | | | (iii) | | | breach any Sanctions. |
|  | | (b) | | No Obligor will (and each Obligor shall ensure that none of their respective Subsidiaries will) directly or indirectly use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to, or for the benefit of, any person who, at the time at which such proceeds are used, lent, contributed or otherwise made available to, or for the benefit of, that person, is a Restricted Party. | | |
|  | | (c) | | Each Obligor will maintain policies designed to promote compliance by it and their respective Subsidiaries with Sanctions applicable to the Obligors and their respective Subsidiaries and the business of each Obligor and their respective Subsidiaries. | | |
|  | **19.19** | | | | **Anti-Corruption** | |
|  | | (a) | | Each Obligor shall ensure that it, and each of its Subsidiaries: | | |
|  | | | (i) | | | maintains policies designed to promote compliance with applicable anti-corruption laws; and |

44(61)

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|  | | | (ii) | | | complies at all times (to the best of its knowledge and belief, having made due and careful enquiry) with those laws. |
|  | | (b) | | No Obligor will (and each Obligor shall ensure that none of their respective Subsidiaries will) directly or indirectly use the proceeds of the Loans for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other applicable jurisdictions. | | |
|  | **19.20** | | | | **Environmental compliance** | |

Each Obligor that directly or indirectly owns, leases, occupies or uses real property in the United States shall, in all material respects, comply with:

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|  | (a) | all applicable Environmental Law; and |
|  | (b) | the terms and conditions of all Environmental Licenses applicable to it, |

and for this purpose will implement procedures to monitor compliance with and to prevent any liability under Environmental Law.

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| **20.** | **Events of Default** |

Each of the events or circumstances set out in Clause 20 (*Events of Default*) is an Event of Default (whether or not caused by any reason whatsoever outside the control of an Obligor or any other person) (save for Clause 20.14 (*Acceleration*)).

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|  | **20.1** | **Non-payment** |

An Obligor does not pay on the due date any amount payable by it under the Finance Documents at the place at and in the currency in which it is expressed to be payable and, if the non-payment is caused solely by administrative or technical error, or relates solely to non-payment of interest or fees, it is not remedied within three (3) Business Days.

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|  | **20.2** | **Other obligations** |

An Obligor does not comply with any provision of the Finance Documents (other than Clause 19.18 (*Sanctions*)) and those referred to in Clause 20.1 ([*Non-payment*](#ALV_EX102_241_HTM_BOOKMARK158))), provided that, if such non- compliance is capable of remedy, such non-compliance remains unremedied for a period of fourteen (14) days.

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|  | **20.3** | **Misrepresentation** |

A representation, warranty or statement made or repeated or deemed to be repeated in or in connection with any Finance Document or in any document delivered by or on behalf of an Obligor under or in connection with any Finance Document (other than the representations and warranties in Clause 17.26 (*Sanctions*)) is incorrect in any material respect when made or repeated or deemed to be repeated.

45(61)

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|  | **20.4** | | | **Cross default** |
|  | | (a) | Any Financial Indebtedness of a member of the Group is not paid when due or within any applicable grace period provided for in the relevant documentation. | |
|  | | (b) | An event of default howsoever described occurs under any document relating to Financial Indebtedness of a member of the Group. | |
|  | | (c) | Any Financial Indebtedness of a member of the Group becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness. | |
|  | | (d) | Any commitment for, or underwriting of, any Financial Indebtedness of a member of the Group is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness. | |
|  | | (e) | Any Security securing Financial Indebtedness over any asset of a member of the Group becomes enforceable. | |
|  | | (f) | No Event of Default shall occur under this Clause 20.4 (*Cross default)* unless the aggregate amount of all the Financial Indebtedness with respect to which an event or events under paragraphs (a) to (e) above occurs or occur is at least US$80,000,000 (or its equivalent in other currencies). | |
|  | **20.5** | | | **Insolvency** |
|  | | (a) | An Obligor or any Material Subsidiary is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, or admits inability to pay its debts as they fall due. | |
|  | | (b) | An Obligor or any Material Subsidiary suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness. | |
|  | | (c) | An Obligor or any Material Subsidiary, by reason of financial difficulties, begins negotiations with one or more of its creditors (excluding the Lender) with a view to the readjustment or rescheduling of any of its indebtedness. | |
|  | **20.6** | | | **Insolvency proceedings** |
|  | | (a) | Any step (including petition, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any creditors of an Obligor or any Material Subsidiary. | |
|  | | (b) | A meeting of an Obligor or any Material Subsidiary is convened for the purpose of considering any resolution for (or to petition for) its winding-up or for its administration or any such resolution is passed. | |
|  | | (c) | Any person presents a petition for the winding-up or for the administration of an Obligor or any Material Subsidiary, other than a petition which is frivolous or vexatious, or which is dismissed within thirty (30) days. | |

46(61)

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|  | (d) | An order for the winding-up or administration of an Obligor or any Material Subsidiary is made. |
|  | (e) | Any other step (including petition, proposal or convening a meeting) is taken with a view to the rehabilitation, administration, custodianship, liquidation, winding-up or dissolution of an Obligor or |

any Material Subsidiary or any other insolvency proceedings involving an Obligor or any Material Subsidiary, unless such step is taken by a third party and is frivolous or vexatious.

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|  | **20.7** | | | **Appointment of receivers and managers** |
|  | | (a) | Any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like is appointed in respect of an Obligor or any Material Subsidiary or any part of its assets. | |
|  | | (b) | The directors of an Obligor or any Material Subsidiary requests the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like. | |
|  | | (c) | Any other steps are taken to enforce any Security over any part of the assets of an Obligor or any Material Subsidiary, unless such steps are considered (in the reasonable opinion of the Lender) to be frivolous or vexatious. | |
|  | **20.8** | | | **Creditors' process** |

Any attachment, sequestration, distress or execution affects any asset of an Obligor or any Material Subsidiary and is not discharged within fourteen (14) days.

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|  | **20.9** | **Analogous proceedings** |

There occurs, in relation to an Obligor or any Material Subsidiary, any event anywhere which appears to correspond with any of those mentioned in Clauses 20.5 ([*Insolvency*](#ALV_EX102_241_HTM_BOOKMARK163)) to 20.8 ([*Creditors'*](#ALV_EX102_241_HTM_BOOKMARK164) process[)](#ALV_EX102_241_HTM_BOOKMARK164) (inclusive).

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|  | **20.10** | **Cessation of business** |

An Obligor or any Material Subsidiary ceases, or threatens to cease, to carry on all or a substantial part of its business.

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|  | **20.11** | | | **US Bankruptcy Laws** |
|  | | (a) | Any Obligor makes a general assignment for the benefit of creditors. | |
|  | | (b) | Any Obligor commences a voluntary case or proceeding under the United States Bankruptcy Code or under any other United States Federal or State bankruptcy, insolvency or other similar law (collectively **US Bankruptcy** **Law**). | |
|  | | (c) | An involuntary case under any US Bankruptcy Law is commenced against any Obligor and the petition is not controverted within thirty (30) days and is not dismissed or stayed within ninety (90) days after commencement of the case. | |

47(61)

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|  | | (d) | A custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official is appointed under any US Bankruptcy Law for or takes charge of, all or substantial part of the property of any Obligor. | |
|  | | (e) | An order for relief or other order approving any case or proceeding is entered under any US Bankruptcy Law. | |
|  | **20.12** | | | **ERISA** |
|  | | (a) | Any event or condition occurs that presents a material risk that any Obligor or any ERISA Affiliate may incur a material liability to a Plan or, with respect to any Plan, to the United States Internal Revenue Service or to the United States Pension Benefit Guaranty Corporation. | |
|  | | (b) | Any failure by any Plan to satisfy the minimum funding requirements of section 412 or 430 of the US Code, as amended, or section 302 of ERISA applicable to such Plan, whether or not waived, where such failure could reasonably be expected to result in a Material Adverse Effect. | |
|  | **20.13** | | | **Unlawfulness** |

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

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|  | **20.14** | | | | **Acceleration** | |
|  | | (a) | | Upon the occurrence of an Event of Default described in Clause 20.11 ([US Bankruptcy Laws](#ALV_EX102_241_HTM_BOOKMARK165)): | | |
|  | | | (i) | | | the Total Commitments will, if not already cancelled under this Agreement, immediately and automatically be cancelled; and |
|  | | | (ii) | | | the Loans, together with accrued interest, and all other amounts outstanding under the Finance Documents, will be immediately due and payable, without the requirement of notice or any other formality. |
|  | | (b) | | On and at any time after the occurrence of an Event of Default for as long as such Event of Default is continuing (other than an Event of Default described in Clause 20.11 ([US Bankruptcy Laws](#ALV_EX102_241_HTM_BOOKMARK165))) the Lender may: | | |
|  | | | (i) | | | cancel the Total Commitments; and/or |
|  | | | (ii) | | | demand that all or part of the Loans, together with accrued interest and all other amounts accrued under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or |
|  | | | (iii) | | | demand that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender. |

48(61)

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| **21.** | | **Changes to the Lender** | |
|  | **21.1** | | **Assignments and transfers by the Lender** |

Subject to this Clause 21 (*Changes to the Lender*), the Lender (the “**Existing Lender**”) may:

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|  | (a) | assign any of its rights; or |
|  | (b) | transfer by novation any of its rights and obligations, |

to another bank or financial institution or to a trust, fund, insurance provider or other entity which is regularly engaged in or established for the purpose of making, purchasing, securing, guaranteeing or investing in loans, securities or other financial assets (the “**New Lender**”).

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|  | **21.2** | | | | **Borrower consent** | |
|  | | (a) | | The consent of the Borrower is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is made at a time when an Event of Default is continuing. | | |
|  | | (b) | | The consent of the Borrower to an assignment or transfer must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its consent ten (10) Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time. | | |
|  | **21.3** | | | | **Limitation of responsibility of Existing Lender** | |
|  | | (a) | | Unless expressly agreed to the contrary, the Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for: | | |
|  | | | (i) | | | the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents; |
|  | | | (ii) | | | the financial condition of any Obligor; |
|  | | | (iii) | | | the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or |
|  | | | (iv) | | | the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document, |

and any representations or warranties implied by law are excluded.

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|  | (b) | | Each New Lender confirms to the Existing Lender that it: | |
|  | | (i) | | has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and |

49(61)

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|  | | (ii) | | will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force. |
|  | (c) | | Nothing in any Finance Document obliges an Existing Lender to: | |
|  | | (i) | | accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 21 (*Changes to the Lender*); or |
|  | | (ii) | | support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise. |
| **22.** | | **Changes to the Obligors** | | |

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

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| **23.** | | **Payment Mechanics** | |
|  | **23.1** | | **Payments to the Lender** |

On each date on which an Obligor is required to make a payment under this Agreement, the Obligor shall make the same available to the Lender for value on the due date and all payments shall be made to such account and with such bank as the Lender specifies.

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|  | **23.2** | **Partial payments** |

If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under this Agreement, the Lender shall apply that payment towards the obligations of the Obligor under this Agreement in any order it deems fit.

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|  | **23.3** | **No set-off by Obligors** |

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

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|  | **23.4** | | | **Business Days** |
|  | | (a) | Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar Month (if there is one) or the preceding Business Day (if there is not). | |
|  | | (b) | During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date. | |

50(61)

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|  | **23.5** | | | **Currency of account** |
|  | | (a) | Subject to paragraphs (b) and (c) below, SEK is the currency of account and payment for any sum due from an Obligor under any Finance Document. | |
|  | | (b) | Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred. | |
|  | | (c) | Any amount expressed to be payable in a currency other than SEK shall be paid in that other currency. | |
|  | **23.6** | | | **Disruption to payment systems etc.** |

If either the Lender determines (in its discretion) that a Disruption Event has occurred or the Lender is notified by the Borrower that a Disruption Event has occurred:

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|  | (a) | | the Lender may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facility as the Lender may deem necessary in the circumstances; |
|  | (b) | | the Lender shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; |
|  | (c) | | any such changes agreed upon by the Lender and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 29 (*Amendments and Waivers*); and |
|  | (d) | | the Lender shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Lender) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 23.6 (*Disruption to payment systems etc.*). |
| **24.** | | **Set-Off** | |

The Lender may set off any matured obligation due from an Obligor under the Finance Documents against any matured obligation owed by the Lender to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

51(61)

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| **25.** | | **Notices** | |
|  | **25.1** | | **Communications in writing** |

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by e-mail or letter.

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|  | **25.2** | **Addresses** |

The address and e-mail address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication, notice or document to be made or delivered under or in connection with this Agreement is:

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|  | (i) | in the case of the Borrower: |

Autoliv Inc.  
Box 70381  
SE-107 24 Stockholm  
Sweden  
Attention:Treasurer

With a copy to:  
Attention:VP for Legal Affairs, General Counsel and Secretary

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|  | (ii) | in the case of the Guarantor: |

Autoliv ASP, Inc.  
3350 Airport Road  
Ogden  
Utah 84405  
Attention:Director of Finance

With a copy to:  
Attention:VP for Legal Affairs, General Counsel and Secretary

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|  | (iii) | in the case of the Lender: |

AB Svensk Exportkredit (publ)  
Box 194  
101 23 Stockholm  
E-mail: creditadministration@sek.se  
Attention: Credit Administration

or any substitute address or e-mail address (or department or officer) as the relevant Party may notify to the other Party by not less than five (5) Business Days' notice.

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|  | **25.3** | | | **Delivery** |
|  | | (a) | Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective: | |

52(61)

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|  | | | (i) | | | if by way of e-mail, when received in legible form; or |
|  | | | (ii) | | | if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address; |
|  | | (b) | | and, if a particular department or officer is specified as part of its address details provided under Clause 25.2 (*Addresses*), if addressed to that department or officer. | | |
|  | | (c) | | Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with the Lender’s signature below (or any substitute department or officer as the Lender shall specify for this purpose). | | |
|  | | (d) | | Any communication or document made or delivered to the Borrower in accordance with this Clause 25.3 (*Delivery*) will be deemed to have been made or delivered to each of the Obligors. | | |
|  | | (e) | | Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day. | | |
|  | **25.4** | | | | **Notification of address and e-mail address** | |

Promptly upon changing its address or e-mail address, the relevant Party shall notify the other Parties.

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|  | **25.5** | | | | **English language** | |
|  | | (a) | | Any notice given under or in connection with any Finance Document must be in English. | | |
|  | | (b) | | All other documents provided under or in connection with any Finance Document must be: | | |
|  | | | (i) | | | in English; or |
|  | | | (ii) | | | if not in English, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document. |
| **26.** | | | **Day count convention** | | | |

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Market differs, in accordance with that market practice.

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| **27.** | **Partial Invalidity** |

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality,

53(61)

validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

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| **28.** | **Remedies and Waivers** |

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any Finance Document on the part of the Lender shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

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| **29.** | | **Amendments and Waivers** | |
|  | **29.1** | | **Required consents** |

Any term of the Finance Documents may be amended or waived only if made in writing.

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|  | **29.2** | **Replacement of Screen Rate** |

If the Screen Rate is not available for SEK, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to SEK in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made by the Lender, with the consent of the Obligors.

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| **30.** | | **Confidential Information** | |
|  | **30.1** | | **Confidentiality** |

The Lender agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 30.2 (*Disclosure of Confidential Information*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

|  |  |  |
| --- | --- | --- |
|  | **30.2** | **Disclosure of Confidential Information** |

The Lender may disclose:

|  |  |  |
| --- | --- | --- |
|  | (a) | to any of its officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as the Lender shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is |

54(61)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | otherwise bound by requirements of confidentiality in relation to the Confidential Information; | |
|  | (b) | | to any person: | |
|  | | (i) | | to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Lender and, in each case, to any of that person's Affiliates, Representatives and professional advisers; |
|  | | (ii) | | with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Representatives and professional advisers; |
|  | | (iii) | | appointed by the Lender or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf; |
|  | | (iv) | | who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above; |
|  | | (v) | | to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation; |
|  | | (vi) | | to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; |
|  | | (vii) | | who is a Party; or |
|  | | (viii) | | with the consent of the Borrower; |

in each case, such Confidential Information as the Lender shall consider appropriate if:

|  |  |  |
| --- | --- | --- |
|  | (A) | in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a confidentiality undertaking except that there shall be no requirement for a confidentiality undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information; |
|  | (B) | in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive |

55(61)

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| --- | --- | --- | --- | --- |
|  | | |  | and is informed that some or all of such Confidential Information may be price-sensitive information; and |
|  | | | (C) | in relation to paragraphs (b)(v), (b)(vi) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Lender, it is not practicable so to do in the circumstances. |
|  | **30.3** | **Entire agreement** | | |

This Clause 30 (*Confidential Information*) constitutes the entire agreement between the Parties in relation to the obligations of the Lender under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

|  |  |  |
| --- | --- | --- |
|  | **30.4** | **Inside information** |

The Lender acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Lender undertakes not to use any Confidential Information for any unlawful purpose.

|  |  |  |
| --- | --- | --- |
|  | **30.5** | **Notification of disclosure** |

The Lender agrees (to the extent permitted by law and regulation) to inform the Borrower:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | (a) | of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 30.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and | |
|  | | (b) | upon becoming aware that Confidential Information has been disclosed in breach of this Clause 30 (*Confidential Information*). | |
|  | **30.6** | | | **Continuing obligations** |

The obligations in this Clause 30 (*Confidential Information*) are continuing and, in particular, shall survive and remain binding on the Lender for a period of twelve Months from the earlier of:

|  |  |  |
| --- | --- | --- |
|  | (a) | the date on which all amounts payable by the Obligors under or in connection with this Agreement have been paid in full and the Commitment have been cancelled or otherwise cease to be available; and |
|  | (b) | the date on which the Lender otherwise ceases to be the Lender. |

56(61)

|  |  |
| --- | --- |
| **31.** | **Counterparts** |

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

|  |  |  |  |
| --- | --- | --- | --- |
| **32.** | | **Force majeure and limitation of liability** | |
|  | (a) | | The Lender shall not be held responsible for any damage arising out of any Swedish or foreign legal enactment, or any measure undertaken by a Swedish or foreign public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Lender takes such measures, or is subject to such measures. |
|  | (b) | | Any damage that may arise in other cases shall not be indemnified by the Lender unless and to the extent that the loss or liability is directly caused by its negligence or wilful misconduct. The Lender shall not in any case be held responsible for any indirect damage, consequential damage or loss of profit. |
|  | (c) | | Should there be an obstacle as described in paragraph (a) above for the Lender to take any action in compliance with the Finance Documents, such action may be postponed until the obstacle has been removed. |
| **33.** | | **Governing Law** | |

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by Swedish law.

|  |  |  |  |
| --- | --- | --- | --- |
| **34.** | | **Jurisdiction** | |
|  | (a) | | Subject to section (b) below, the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement). The District Court of Stockholm (*Stockholms tingsrätt*) shall be court of first instance. |
|  | (b) | | Section (a) above is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings in any other courts with jurisdiction over the Borrower or any of its assets. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions. |

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

57(61)

**SCHEDULE 1  
CONDITIONS PRECEDENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **1.** | | **THE OBLIGORS** | | |
|  | (a) | | A copy of the constitutional documents of each Obligor. | |
|  | (b) | | A copy of a resolution of the board of directors of each Obligor: | |
|  | | (i) | | approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party; |
|  | | (ii) | | authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and |
|  | | (iii) | | authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party. |
|  | (c) | | A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above. | |
|  | (d) | | A certificate of the Borrower (signed by a director) confirming that borrowing or guaranteeing, as appropriate, the Commitment would not cause any borrowing, guaranteeing or similar limit binding on any Obligor to be exceeded. | |
|  | (e) | | A certificate of an authorised signatory of the relevant Obligor certifying that each copy document relating to it specified in this Clause 1 of Schedule 1 (*Conditions Precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement. | |
| **2.** | | **LEGAL OPINIONS** | | |
|  | (a) | | A legal opinion of Richards Layton & Finger PA, legal advisers to the Borrower in Delaware, substantially in the form distributed to the Lender prior to signing this Agreement. | |
|  | (b) | | A legal opinion of Ice Miller LLP, legal advisers to the Borrower in Indiana, substantially in the form distributed to the Lender prior to signing this Agreement. | |
| **3.** | | **OTHER DOCUMENTS AND EVIDENCE** | | |
|  | (a) | | A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document. | |
|  | (b) | | The Original Financial Statements of each Obligor. | |

58(61)

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| --- | --- | --- |
|  | (c) | Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 15 (*Costs and Expenses*) have been paid or will be paid by the first Utilisation Date. |

59(61)

**SCHEDULE 2  
FORM OF UTILISATION REQUEST**

|  |  |  |
| --- | --- | --- |
| From: |  | Autoliv Inc. |
| To: |  | AB Svensk Exportkredit (publ) |

Dated: [•]

Dear Sirs and/or Madams,

**Autoliv Inc. – SEK 1,200,000,000 Facility Agreement  
dated** \_\_\_\_ **June 2019 (the “Agreement”)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. | | We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request. | | |
|  | 2. | | We wish to borrow a Loan on the following terms: | | |
|  | |  |
| Proposed Utilisation Date: | | [•] (or, if that is not a Business Day, the next Business Day) |
| Currency of Loan: | | [•] |
| Amount: | | [•] or, if less, the Available Commitment |
| Interest Period: | | [•] |
|  | 3. | | We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) of the Agreement is satisfied on the date of this Utilisation Request. | | |
|  | 4. | | The proceeds of this Loan should be credited to [*account*]. | | |
|  | 5. | | This Utilisation Request is irrevocable. | | |

Yours faithfully

authorised signatory for

Autoliv Inc.

60(61)

**SCHEDULE 3  
FORM OF COMPLIANCE CERTIFICATE**

|  |  |  |
| --- | --- | --- |
| To: |  | AB Svensk Exportkredit (publ) as Lender |
| From: |  | Autoliv Inc*.* |

Dated: [•]

Dear Sirs and/or Madams,

**Autoliv Inc. – 1,200,000,000 Facility Agreement  
dated** \_\_\_\_ **June 2019 (the “Agreement”)**

|  |  |  |
| --- | --- | --- |
|  | 1. | We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate. |
|  | 2. | We confirm that [Subsidiary Borrowings does not exceed US$600,000,000 (or its equivalent in another currency).] |
|  | 3. | We confirm that: the credit rating which currently apply to our long term unsecured and unsubordinated debt is [•] |
|  | 4. | [We confirm that no Default is continuing.]¬ |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Signed: |  |  |  |  |
|  |  | Director |  | Director |
|  |  | of |  | of |
|  |  | *Autoliv Inc.* |  | *Autoliv Inc.* |

[*insert applicable certification language*]\*\*

for and on behalf of

[*name of auditors of the Borrower*]\*\*\*

|  |  |  |
| --- | --- | --- |
|  | | |
|  | | |
| ¬ | If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it. | |
| \* | \*To be agreed with the Borrower's auditors and the Lender prior to signing the Agreement. | |
| \* | \*\*Only applicable if the Compliance Certificate accompanies the audited financial statements and is to be signed by the auditors. To be agreed with the Borrower's auditors prior to signing the Agreement. | |

61(61)

**SIGNATORIES**

**The Borrower**

**AUTOLIV INC.**

|  |  |  |
| --- | --- | --- |
| Name: |  | Name: |

**The Guarantor**

**AUTOLIV ASP INC.**

|  |  |  |
| --- | --- | --- |
| Name: |  | Name: |

**The Lender**

**AB SVENSK EXPORTKREDIT (PUBL)**

|  |  |  |
| --- | --- | --- |
| Name: |  | Name: |



**Exhibit 10.3**

**Supplement to Employment Agreement**

June 20, 2019

This SUPPLEMENT is made to the employment agreement (the “Agreement”) by and between Autoliv, Inc., a Delaware corporation (the “Company”), and Daniel Garceau (the “Executive”), that was entered on March 21, 2018.

|  |  |
| --- | --- |
| 1. | Section 2 of the the Agreement will be changed as follows: |

*Employment. The Executive is hereby employed on the Effective Date as the President, Americas of the Company. In this capacity, the Executive shall have the duties, responsibilities and authority commensurate with such position as shall be assigned to him by the Chief Executive Officer and President of the Company (the “Chief Executive Officer”). The principal workplace for the Executive shall be Ogden Utah, United States.*

|  |  |
| --- | --- |
| 2. | The change made to Section 2 above will not constitute a Good Reason upon signing this supplement to the Agreement as defined in Article 10-(c)-(iii) of the Agreement. |
| 3. | Article 10-(c)-(iii) of the Agreement will be changed as follows: |

*(iii) the relocation of the Executive’s principal place of employment by the Company to a location more than 30 miles from the Executive’s any of the principal places of employment mentioned in Section 2, as modified with this Supplement to Employment Agreement, except for required travel on the Company’s business to an extent substantially consistent with the Executive’s present business travel obligations;*

|  |  |
| --- | --- |
| 4. | Other terms and conditions of the Employment Agreement remain unchanged. |

IN WITNESS WHEREOF this Supplement has been executed the day and year first above written.

AUTOLIV, INC

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Sherry Vasa |  | Daniel Garceau |
| EVP Human Resources & Sustainability |  |  |



Exhibit 10.4

MUTUAL SEPARATION AGREEMENT

This agreement regarding termination of employment, “the Agreement”, is entered into

BETWEEN:

|  |  |
| --- | --- |
| (1) | Autoliv Inc. and its affiliates and subsidiaries, referred to as “the Company”; |
| (2) | Mike Hague, referred to as “the Employee”; together referred to as “the Parties”. |
| **1-** | **Background** |
| 1.1 | The Employee is employed by the Company pursuant to the terms and conditions outlined in the Employee’s employment agreement dated March 21, 2018, “the Employment Agreement.” |

|  |  |
| --- | --- |
| 1.2 | The Company and the Employee have agreed that the employment of the Employee shall cease on the terms set out in this agreement. This agreement will take effect on April 12, 2019 “the Agreement Effective Date”. |

The Employee shall be released from all duties linked to the Company on April 12, 2019 “the Release Date”, except for being reasonably available over the phone and email to answer any questions that the Company may have. Apart from what is explicitly stated below, the agreement supersedes all earlier oral and written agreements between the Company, or any associated company, and the Employee, relating to the employment of the Employee. For the purpose of this agreement, “associated company” means a legal entity directly or indirectly controlling or controlled by or under common control with the Company, irrespective of the country of registration of such legal entity.

The provisions of this Separation Agreement, including the avoidance of doubt section 5.6 below, shall not waive or terminate any rights to indemnification the Employee may have under the Company’s Restated Certificate of Incorporation, Re-stated Bylaws or the Indemnification Agreement between the Employee and the Company.

|  |  |
| --- | --- |
| **2-** | **Termination of the Employment** |
| 2.1 | The Employee’s employment with the Company shall cease on November 30, 2019, “the Termination Date”. Any change to be requested by the Employee to apply an earlier termination date due to new employment is subject to the written approval of the Company. |
| **3-** | **Compensation** |
| 3.1 | The Employee shall be entitled to his current base salary (543,160 USD gross per annum), pension replacement allowance (25% of base salary), retirement related 401(k) contribution and other current perquisites until the Termination Date. |
| 3.2 | If an early termination is granted according to section 2.1 the Company agrees to pay a lump sum payment equivalent to the base salary for the remaining notice period between the new termination date and November 30, 2019.  This payment will be made no later than one month after the termination date. |
| 3.3 | Not later than January 31,2020, the Company shall pay a severance payment in the amount of USD 814,740 gross. |
| 3.4 | The Company shall withhold income tax for all the compensation components and in addition thereto pay any statutory social security charges, as applicable. |

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| --- | --- |
| 3.5 | Not later than one month following the Termination Date, the Company shall pay any vacation pay accrued until the Termination Date. |
| 3.6 | In the event that the Executive returns to his home country before the end of 2019, the Company will pay travel and moving cost for the Executive. |
| 3.7 | The Employee is responsible for the reporting and payment of any and all income taxes levied on him for all remuneration, allowances and benefits provided by the Company pursuant to this agreement or otherwise, in accordance with the laws of the USA and Germany. Such remuneration, benefits, reimbursements and allowances shall be includible in the taxable income of the assignee in accordance with the laws of the USA and Germany and subject to normal payroll deductions to the extent required by law. |

The Company will provide the Employee with assistance to prepare and file the annual tax return for 2019 in USA and Germany.

The Employee’s income will continue to be tax equalized until the Termination Date as defined in the Employment Agreement. A reconciliation of the amount of taxes paid will determine that the Employee and the Company pay the correct amount of taxes respectively and that the assignee has not suffered a higher tax burden from having his employment income taxed in Germany. A third party as appointed by the company (and the cost associated with such determination shall be borne by the company) determines the grounds for the division of the amount of taxes between the parties. The third party will assist the parties with this tax reconciliation. Based on the reconciliation, either party may be required to repay the owed balance to the other party as calculated by the third party.

|  |  |
| --- | --- |
| **4-** | **Undertakings** |
| 4.1 | The Employee has an obligation of loyalty that follows by an employment relationship. Accordingly, the Employee has a duty to be loyal to the Company until the Termination Date and thus carry out, inter all, the remaining tasks and assignments the Employee is instructed to carry out as well as not being engaged in any business competing with the Company or its associated companies. |
| 4.2 | The Employee will continue to be bound by the confidentiality undertaking under section 8 of the Employment Agreement. The Employee is thereby not allowed to in any way disclose sensitive or otherwise confidential information regarding the Company or any of its associated companies to any other company or individual not employed by the company or its associated companies. This confidentiality undertaking is not limited in time and ramifications are as described in the Employment Agreement. |
| 4.3 | The Parties agree that the Non-Competition Covenant as described in section 13 of the Employment Agreement will be terminated with immediate effect. |
| **5-** | **Mutual Non-disparagement.** |
| 5.1 | Employee agrees that Employee will not make or cause to be made any statements that disparage or damage the reputation of the Company Parties (or any of their officers, directors or employees), including but not limited to making such statements to the media, public interest groups, publishing companies, and/or through internet posting.  Employee also agrees that Employee will not encourage or incite other current or former employees of the Company Parties to disparage or damage the reputation of any of the Company Parties (or any of their officers, directors or employees). |
| 5.2 | Company agrees that Employee’s supervisors and any of the officers or directors of Company or its affiliates will not make or cause to be made any statements that disparage or damage the reputation of Employee, including but not limited to making such statements to the media, public interest groups, publishing companies, and/or through internet posting.  Company also agrees that Employee’s supervisors and any of the officers or directors of Company or its affiliates will not encourage or incite other current or former employees of Company or its affiliates to disparage or damage the reputation of Employee. |

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| --- | --- |
| **6-** | **Other Issues and Final Settlement** |
| 6.1 | The Employee participates in Autoliv, Inc. 1997 Stock Incentive Plan (“Incentive Plan”). The Parties agree that the Employee’s entitlement under the Incentive Plan will be handled in accordance with the rules and regulations prescribed by the Incentive Plan and the associated grant agreements. |
| 6.2 | The separation between the Employee and the Company is based on mutual trust and the Parties agree that they shall use their best endeavors to act in a fair and considerate way regarding all issues relating to this separation, including internal and external communication and other practical matters that have to be resolved as consequence of separation. The Parties have further agreed to keep the contents of this agreement confidential other than such disclosures that are required to comply with applicable laws. |
| 6.3 | The Company shall provide a positive reference letter on behalf of the Employee.  The Employee will have the opportunity to review the reference letter prior to providing to any third party. |
| 6.4 | As noted above in paragraph 1.2, the Employee is released from all duties as of April 12, 2019, and shall immediately return the Company all keys, credit cards, documents, laptop computer and all other property the Employee may have in his possession and which belongs to the Company or its associated Companies.  The employee may continue to use the Company car and cell phone until the termination date at which time both shall be returned to the Company. |
| 6.5 | The Employee shall resign from all board of director, similar directorship and Managing Director roles in the Company or in any of the associated companies. The Employee acknowledges that he has no claim whatsoever outstanding against either the Company, its associated companies or any of their respective officers, directors and employees in connection with the position as a director. To the extent that any such claim exists or may exist, the Employee irrevocably waive such claim and release the Company, its associated companies and each of their respective officers, directors and employees from any liability whatsoever in respect of such claim. |
| 6.6 | Through the signing of this agreement and fulfillment of the provisions herein, all unsettled matters between the Parties shall be deemed to be finally settled and the Employee shall have no claims against the Company or any of its associated companies as regards to salary, vacation pay, incentives, pension contributions, damages or otherwise. |
| **7-** | **Governing Law and Disputes** |

This agreement shall be governed by and construed in accordance with the laws of Germany.

This agreement has been duly executed in two original copies, of which each of the Parties has taken a copy.

Stockholm, Sweden

|  |  |  |
| --- | --- | --- |
| July 1, 2019 |  |  |
|  |  |  |
| On behalf of Autoliv Inc. |  | The Employee |
|  |  |  |
| Sherry Vasa |  | Mike Hague |
| EVP Human Resources & Sustainability |  |  |

3(3)

**Exhibit 31.1**

**CERTIFICATION of**

**the Chief Executive Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mikael Bratt, certify that:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. | | I have reviewed this quarterly report on Form 10-Q of AUTOLIV, INC.; | |
|  | 2. | | Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; | |
|  | 3. | | Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; | |
|  | 4. | | The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a -15(f) and 15d-15(f)) for the registrant and have: | |
|  | | a. | | Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; |
|  | | b. | | Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; |
|  | | c. | | Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and |
|  | | d. | | Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and |
|  | 5. | | The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions): | |
|  | | a. | | All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and |
|  | | b. | | Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting. |

|  |
| --- |
| July 19, 2019 |
|  |
| /s/ Mikael Bratt |
| Mikael Bratt |
| President and Chief Executive Officer |

**Exhibit 31.2**

**CERTIFICATION of**

**the Interim Chief Financial Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Christian Hanke, certify that:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. | | I have reviewed this quarterly report on Form 10-Q of AUTOLIV, INC.; | |
|  | 2. | | Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; | |
|  | 3. | | Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; | |
|  | 4. | | The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a -15(f) and 15d-15(f)) for the registrant and have: | |
|  | | a. | | Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; |
|  | | b. | | Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; |
|  | | c. | | Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and |
|  | | d. | | Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and |
|  | 5. | | The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions): | |
|  | | a. | | All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and |
|  | | b. | | Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting. |

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| July 19, 2019 |
|  |
| /s/ Christian Hanke |
| Christian Hanke |
| Interim Chief Financial Officer |

**Exhibit 32.1**

**Certification of Chief Executive Officer**

**Pursuant to 18 U.S.C. Section 1350,**

**as Adopted Pursuant to**

**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of Autoliv, Inc. (the “Company”) for the period ended June 30, 2019, filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mikael Bratt, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

|  |  |  |
| --- | --- | --- |
|  | 1. | The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and |
|  | 2. | The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. |

July 19, 2019

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| /s/ Mikael Bratt |
| Mikael Bratt |
| President and Chief Executive Officer |

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**Certification of Interim Chief Financial Officer**

**Pursuant to 18 U.S.C. Section 1350,**

**as Adopted Pursuant to**

**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of Autoliv, Inc. (the “Company”) for the period ended June 30, 2019, filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christian Hanke, Interim Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

|  |  |  |
| --- | --- | --- |
|  | 1. | The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and |
|  | 2. | The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. |

July 19, 2019

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| --- |
| /s/ Christian Hanke |
| Christian Hanke |
| Interim Chief Financial Officer |

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.