**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 September 30, 2019**

**OR**

|  |  |
| --- | --- |
|  |  |
| ☐ | **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934** |

**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 October 22, 2019, there were 87,234,327 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.

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Net sales** |  | **$** | **2,027.7** |  |  | **$** | **2,033.0** |  |  | **$** | **6,356.4** |  |  | **$** | **6,485.4** |  |
| Cost of sales |  |  | (1,648.6 | ) |  |  | (1,646.9 | ) |  |  | (5,198.8 | ) |  |  | (5,199.3 | ) |
| **Gross profit** |  |  | **379.1** |  |  |  | **386.1** |  |  |  | **1,157.6** |  |  |  | **1,286.1** |  |
| Selling, general and administrative expenses |  |  | (97.7 | ) |  |  | (90.0 | ) |  |  | (300.2 | ) |  |  | (290.9 | ) |
| Research, development and engineering expenses, net |  |  | (99.1 | ) |  |  | (101.9 | ) |  |  | (323.5 | ) |  |  | (327.9 | ) |
| Amortization of intangibles |  |  | (2.9 | ) |  |  | (2.8 | ) |  |  | (8.6 | ) |  |  | (8.5 | ) |
| Other income (expense), net |  |  | (25.6 | ) |  |  | 1.1 |  |  |  | (28.8 | ) |  |  | 6.2 |  |
| **Operating income** |  |  | **153.8** |  |  |  | **192.5** |  |  |  | **496.5** |  |  |  | **665.0** |  |
| Income from equity method investments |  |  | 0.4 |  |  |  | 0.2 |  |  |  | 1.6 |  |  |  | 2.8 |  |
| Interest income |  |  | 0.7 |  |  |  | 1.3 |  |  |  | 2.7 |  |  |  | 4.1 |  |
| Interest expense |  |  | (17.1 | ) |  |  | (18.9 | ) |  |  | (52.6 | ) |  |  | (46.2 | ) |
| Other non-operating items, net |  |  | (3.4 | ) |  |  | (3.8 | ) |  |  | (9.4 | ) |  |  | (15.4 | ) |
| **Income from continuing operations before income taxes** |  |  | **134.4** |  |  |  | **171.3** |  |  |  | **438.8** |  |  |  | **610.3** |  |
| Income tax expense |  |  | (48.4 | ) |  |  | (53.3 | ) |  |  | (131.9 | ) |  |  | (140.0 | ) |
| **Net income from continuing operations** |  |  | **86.0** |  |  |  | **118.0** |  |  |  | **306.9** |  |  |  | **470.3** |  |
| Loss from discontinued operations, net of income taxes (Note 3) |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (195.8 | ) |
| **Net income** |  |  | **86.0** |  |  |  | **118.0** |  |  |  | **306.9** |  |  |  | **274.5** |  |
| Less: Net income from continuing operations attributable to non-     controlling interest |  |  | 0.6 |  |  |  | 0.5 |  |  |  | 1.0 |  |  |  | 1.4 |  |
| Less: Net loss from discontinued operations attributable to non-     controlling interest |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (8.3 | ) |
| **Net income attributable to controlling interest** |  | **$** | **85.4** |  |  | **$** | **117.5** |  |  | **$** | **305.9** |  |  | **$** | **281.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Amounts attributable to controlling interest:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Income from continuing operations |  | $ | 85.4 |  |  | $ | 117.5 |  |  | $ | 305.9 |  |  | $ | 468.9 |  |
| Net Loss from discontinued operations (Note 3) |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (187.5 | ) |
| **Net income attributable to controlling interest** |  | **$** | **85.4** |  |  | **$** | **117.5** |  |  | **$** | **305.9** |  |  | **$** | **281.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings per share continuing operations – basic 1)** |  | **$** | **0.98** |  |  | **$** | **1.35** |  |  | **$** | **3.51** |  |  | **$** | **5.38** |  |
| **Loss per share discontinued operations – basic 1)** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **(2.15** | **)** |
| **Basic earnings per share** |  | **$** | **0.98** |  |  | **$** | **1.35** |  |  | **$** | **3.51** |  |  | **$** | **3.23** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Earnings per share continuing operations – diluted 1)** |  | **$** | **0.98** |  |  | **$** | **1.34** |  |  | **$** | **3.50** |  |  | **$** | **5.37** |  |
| **Loss per share discontinued operations – diluted 1)** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **(2.15** | **)** |
| **Diluted earnings per share** |  | **$** | **0.98** |  |  | **$** | **1.34** |  |  | **$** | **3.50** |  |  | **$** | **3.22** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **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** |  |  |  | **87.3** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cash dividend per share – declared** |  | **$** | **0.62** |  |  | **$** | **0.62** |  |  | **$** | **1.86** |  |  | **$** | **1.86** |  |
| **Cash dividend per share – paid** |  | **$** | **0.62** |  |  | **$** | **0.62** |  |  | **$** | **1.86** |  |  | **$** | **1.84** |  |

|  |  |
| --- | --- |
| 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.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Net income** |  | **$** | **86.0** |  |  | **$** | **118.0** |  |  | **$** | **306.9** |  |  | **$** | **274.5** |  |
| *Other comprehensive loss before tax:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in cumulative translation adjustments |  |  | (71.6 | ) |  |  | (30.0 | ) |  |  | (44.7 | ) |  |  | (134.8 | ) |
| Net change in cash flow hedges |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 1.1 |  |
| Net change in unrealized components of defined benefit plans |  |  | 0.0 |  |  |  | 0.5 |  |  |  | 0.1 |  |  |  | 8.0 |  |
| **Other comprehensive loss, before tax** |  |  | **(71.6** | **)** |  |  | **(29.5** | **)** |  |  | **(44.6** | **)** |  |  | **(125.7** | **)** |
| Tax effect allocated to other comprehensive loss |  |  | 0.0 |  |  |  | (0.1 | ) |  |  | 0.0 |  |  |  | (1.9 | ) |
| **Other comprehensive  loss, net of tax** |  |  | **(71.6** | **)** |  |  | **(29.6** | **)** |  |  | **(44.6** | **)** |  |  | **(127.6** | **)** |
| **Comprehensive income** |  |  | **14.4** |  |  |  | **88.4** |  |  |  | **262.3** |  |  |  | **146.9** |  |
| Less: Comprehensive income (loss) attributable to     non-controlling interest |  |  | 0.1 |  |  |  | (0.6 | ) |  |  | 0.6 |  |  |  | (7.6 | ) |
| **Comprehensive income attributable to controlling**  **interest** |  | **$** | **14.3** |  |  | **$** | **89.0** |  |  | **$** | **261.7** |  |  | **$** | **154.5** |  |

See Notes to unaudited condensed consolidated financial statements.

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**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
|  |  | **September 30, 2019** | |  |  | **December 31, 2018** | |  |
| *Assets* |  |  |  |  |  |  |  |  |
| Cash and cash equivalents |  | $ | 334.4 |  |  | $ | 615.8 |  |
| Receivables, net |  |  | 1,653.5 |  |  |  | 1,652.1 |  |
| Inventories, net |  |  | 731.8 |  |  |  | 757.9 |  |
| Other current assets |  |  | 185.4 |  |  |  | 244.6 |  |
| Related party receivables (Note 15) |  |  | 3.7 |  |  |  | 15.0 |  |
| **Total current assets** |  |  | **2,908.8** |  |  |  | **3,285.4** |  |
| Property, plant and equipment, net |  |  | 1,747.9 |  |  |  | 1,690.1 |  |
| Investments and other non-current assets |  |  | 371.1 |  |  |  | 323.5 |  |
| Operating lease right-of-use assets (Note 4) |  |  | 154.1 |  |  |  | — |  |
| Goodwill |  |  | 1,383.3 |  |  |  | 1,389.9 |  |
| Intangible assets, net |  |  | 24.3 |  |  |  | 32.7 |  |
| **Total assets** |  | **$** | **6,589.5** |  |  | **$** | **6,721.6** |  |
|  |  |  |  |  |  |  |  |  |
| *Liabilities and equity* |  |  |  |  |  |  |  |  |
| Short-term debt |  | $ | 289.9 |  |  | $ | 620.7 |  |
| Accounts payable |  |  | 890.4 |  |  |  | 978.3 |  |
| Accrued expenses |  |  | 839.6 |  |  |  | 935.4 |  |
| Other current liabilities |  |  | 228.3 |  |  |  | 267.4 |  |
| Related party liabilities (Note 15) |  |  | 18.9 |  |  |  | 63.7 |  |
| Operating lease liabilities - current (Note 4) |  |  | 37.7 |  |  |  | — |  |
| **Total current liabilities** |  |  | **2,304.8** |  |  |  | **2,865.5** |  |
| Long-term debt |  |  | 1,815.1 |  |  |  | 1,609.0 |  |
| Pension liability |  |  | 199.9 |  |  |  | 198.2 |  |
| Other non-current liabilities |  |  | 153.4 |  |  |  | 152.1 |  |
| Operating lease liabilities - non-current (Note 4) |  |  | 117.0 |  |  |  | — |  |
| **Total non-current liabilities** |  |  | **2,285.4** |  |  |  | **1,959.3** |  |
| Common stock |  |  | 102.8 |  |  |  | 102.8 |  |
| Additional paid-in capital |  |  | 1,329.3 |  |  |  | 1,329.3 |  |
| Retained earnings |  |  | 2,182.3 |  |  |  | 2,041.8 |  |
| Accumulated other comprehensive loss |  |  | (467.4 | ) |  |  | (423.2 | ) |
| Treasury stock |  |  | (1,160.3 | ) |  |  | (1,167.0 | ) |
| **Total controlling interest** |  |  | **1,986.7** |  |  |  | **1,883.7** |  |
| Non-controlling interest |  |  | 12.6 |  |  |  | 13.1 |  |
| **Total equity** |  |  | **1,999.3** |  |  |  | **1,896.8** |  |
| **Total liabilities and equity** |  | **$** | **6,589.5** |  |  | **$** | **6,721.6** |  |

See Notes to unaudited condensed consolidated financial statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30, 2019** | |  |  | **September 30, 2018** | |  |
| **Operating activities** |  |  |  |  |  |  |  |  |
| Net income from continuing operations |  | $ | 306.9 |  |  | $ | 470.3 |  |
| Net loss from discontinued operations |  |  | — |  |  |  | (195.8 | ) |
| *Adjustments to reconcile net income to net cash provided by operating activities:* |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 260.1 |  |  |  | 308.4 |  |
| Separation costs |  |  | — |  |  |  | 11.5 |  |
| Other, net |  |  | 2.2 |  |  |  | 19.7 |  |
| *Net change in:* |  |  |  |  |  |  |  |  |
| EC antitrust payment |  |  | (203.0 | ) |  |  | — |  |
| Net change in operating assets and liabilities |  |  | (37.8 | ) |  |  | (312.9 | ) |
| **Net cash provided by operating activities** |  |  | **328.4** |  |  |  | **301.2** |  |
|  |  |  |  |  |  |  |  |  |
| **Investing activities** |  |  |  |  |  |  |  |  |
| Expenditures for property, plant and equipment |  |  | (360.0 | ) |  |  | (425.2 | ) |
| Proceeds from sale of property, plant and equipment |  |  | 1.9 |  |  |  | 3.8 |  |
| Acquisitions of businesses and interest in/additional contributions     to affiliates, net of cash acquired |  |  | — |  |  |  | (72.9 | ) |
| **Net cash used in investing activities** |  |  | **(358.1** | **)** |  |  | **(494.3** | **)** |
|  |  |  |  |  |  |  |  |  |
| **Financing activities** |  |  |  |  |  |  |  |  |
| Net (decrease) increase in short-term debt |  |  | (309.4 | ) |  |  | 374.9 |  |
| Issuance of long-term debt, net of discount |  |  | 243.5 |  |  |  | 582.2 |  |
| Debt issuance cost |  |  | (0.3 | ) |  |  | (2.6 | ) |
| Dividends paid |  |  | (162.7 | ) |  |  | (160.7 | ) |
| Dividends paid to non-controlling interest |  |  | (1.1 | ) |  |  | (2.0 | ) |
| Common stock options exercised |  |  | 0.3 |  |  |  | 8.2 |  |
| Capital distribution to Veoneer |  |  | — |  |  |  | (971.8 | ) |
| **Net cash used in financing activities** |  |  | **(229.7** | **)** |  |  | **(171.8** | **)** |
| Effect of exchange rate changes on cash and cash equivalents |  |  | (22.0 | ) |  |  | (60.9 | ) |
| **Decrease in cash and cash equivalents** |  |  | **(281.4** | **)** |  |  | **(425.8** | **)** |
| Cash and cash equivalents at beginning of period |  |  | 615.8 |  |  |  | 959.5 |  |
| **Cash and cash equivalents at end of period** |  | **$** | **334.4** |  |  | **$** | **533.7** |  |

See Notes to unaudited condensed consolidated financial statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Shares**  **outstanding** | |  |  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **loss** | |  |  | **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 |  |
| 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 |  |
| 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** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 85.4 |  |  |  | — |  |  |  |  |  |  |  | 85.4 |  |  |  | 0.6 |  |  |  | 86.0 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | (71.1 | ) |  |  |  |  |  |  | (71.1 | ) |  |  | (0.5 | ) |  |  | (71.6 | ) |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.0 |  |  |  |  |  |  |  | 0.0 |  |  |  | — |  |  |  | 0.0 |  |
| *Total Comprehensive Income (loss)* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  |  | *85.4* |  |  |  | *(71.1* | *)* |  |  | *—* |  |  |  | *14.3* |  |  |  | *0.1* |  |  |  | *14.4* |  |
| Stock-based compensation |  | 0.0 |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 2.5 |  |  |  | 2.5 |  |  |  | — |  |  |  | 2.5 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  |  |  |  |  | (54.2 | ) |  |  | — |  |  |  | (54.2 | ) |
| Dividends paid to non-controlling     interest on subsidiary shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | (1.1 | ) |  |  | (1.1 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | — |  |
| **Balances at September 30, 2019** | **87.2** | |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,182.3** |  |  | **$** | **(467.4** | **)** |  | **$** | **(1,160.3** | **)** |  | **$** | **1,986.7** |  |  | **$** | **12.6** |  |  | **$** | **1,999.3** |  |

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Shares**  **outstanding** | |  |  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **loss** | |  |  | **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 | ) |
| 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 (loss)* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  |  | *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** |  |
| *Comprehensive Income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  |  |  |  |  | 117.5 |  |  |  | — |  |  |  |  |  |  |  | 117.5 |  |  |  | 0.5 |  |  |  | 118.0 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | (28.9 | ) |  |  |  |  |  |  | (28.9 | ) |  |  | (1.1 | ) |  |  | (30.0 | ) |
| Pension liability |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.4 |  |  |  |  |  |  |  | 0.4 |  |  |  | — |  |  |  | 0.4 |  |
| *Total Comprehensive Income (loss)* |  | *—* |  |  |  | *—* |  |  |  | *—* |  |  |  | *117.5* |  |  |  | *(28.5* | *)* |  |  | *—* |  |  |  | *89.0* |  |  |  | *(0.6* | *)* |  |  | *88.4* |  |
| Stock-based compensation |  |  |  |  |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 3.1 |  |  |  | 3.1 |  |  |  | — |  |  |  | 3.1 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  |  |  |  |  | (54.1 | ) |  |  | — |  |  |  |  |  |  |  | (54.1 | ) |  |  | — |  |  |  | (54.1 | ) |
| Distribution to Veoneer |  |  |  |  |  |  |  |  |  |  |  |  |  | 7.9 |  |  |  | — |  |  |  |  |  |  |  | 7.9 |  |  |  | 0.5 |  |  |  | 8.4 |  |
| **Balances at September 30, 2018** |  | **87.0** |  |  | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,189.7** |  |  | **$** | **(411.6** | **)** |  | **$** | **(1,169.8** | **)** |  | **$** | **2,040.4** |  |  | **$** | **13.0** |  |  | **$** | **2,053.4** |  |

See Notes to unaudited condensed consolidated financial statements.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**September 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.

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**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 believes that the pending adoption of ASU 2018-14 will have a minor impact on the disclosures to 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 disclosures to the consolidated financial statements.

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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. The Company believes that the pending adoption of ASU 2016-13 will not have a material impact 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 Consolidated Statements of Income. The following table presents the financial results of Veoneer (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Net sales** |  | **$** | **—** |  |  | **$** | **—** |  |  | **$** | **—** |  |  | **$** | **1,122.9** |  |
| Cost of sales |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (898.4 | ) |
| **Gross profit** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **224.5** |  |
| Selling, general and administrative expenses |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (59.7 | ) |
| Research, development and engineering     expenses, net |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (224.0 | ) |
| Amortization of intangibles |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (10.5 | ) |
| Other income (expense), net |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (53.4 | ) |
| **Operating loss** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **(123.1** | **)** |
| Loss from equity method investments |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (29.9 | ) |
| Interest income |  |  |  |  |  |  | — |  |  |  |  |  |  |  | 0.7 |  |
| Interest expense |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (0.4 | ) |
| Other non-operating items, net |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 0.5 |  |
| **Loss before income taxes** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **(152.2** | **)** |
| Income tax expense |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (43.6 | ) |
| **Loss from discontinued operations, net of**  **income taxes** |  |  | — |  |  |  | — |  |  |  | — |  |  |  | **(195.8** | **)** |
| Less: Net loss attributable to non-controlling     interest |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (8.3 | ) |
| **Net loss from discontinued operations** |  | **$** | **—** |  |  | **$** | **—** |  |  | **$** | **—** |  |  | **$** | **(187.5** | **)** |

The Company incurred $70.9 million in separation costs related to the spin-off of Veoneer for the nine months period ended September 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 September 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.

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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).

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 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 September 30, 2019.

As of September 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** | |  |  | **Nine months ended** | |  |
|  |  | **September 30, 2019** | |  |  | **September 30, 2019** | |  |
| Operating lease cost |  | $ | 12 |  |  | $ | 36 |  |
| Short-term lease cost |  |  | 2 |  |  |  | 5 |  |
| Variable lease cost |  |  | 1 |  |  |  | 3 |  |
| Sublease income |  |  | (1 | ) |  |  | (2 | ) |
| **Total lease cost** |  | **$** | **14** |  |  | **$** | **42** |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Other information** |  |  |  |  |
| *(in millions)* |  | **Nine months ended**  **or as of** | |  |
|  |  | **September 30, 2019** | |  |
| Cash paid for amounts included in the measurement of operating     lease liabilities |  | $ | 35 |  |
| Right-of-use assets obtained in exchange for new operating lease liabilities |  | 34 | |  |
| Weighted-average remaining lease term - operating leases |  | 7 years | |  |
| Weighted-average discount rate - operating leases |  |  | 2.4 | % |

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Maturities of operating lease liabilities (undiscounted cash flows) are as follows:** |  |  |  |  |
| *(in millions)* |  |  |  |  |
|  |  | **As of**  **September 30, 2019** | |  |
| 2019 (excluding the nine months ended September 30, 2019) |  | $ | 12 |  |
| 2020 |  | $ | 38 |  |
| 2021 |  | $ | 26 |  |
| 2022 |  | $ | 21 |  |
| 2023 |  | $ | 18 |  |
| Thereafter |  | $ | 55 |  |
| **Total operating lease payments** |  | **$** | **170** |  |
| Less imputed interest |  | $ | (15 | ) |
| **Total operating lease liabilities** |  | **$** | **155** |  |

**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** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| Airbag Products and Other1) |  | $ | 1,349.3 |  |  | $ | 1,357.4 |  |  | $ | 4,232.7 |  |  | $ | 4,234.9 |  |
| Seatbelt Products1) |  |  | 678.4 |  |  |  | 675.6 |  |  |  | 2,123.7 |  |  |  | 2,250.5 |  |
| **Total net sales** |  | **$** | **2,027.7** |  |  | **$** | **2,033.0** |  |  | **$** | **6,356.4** |  |  | **$** | **6,485.4** |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Net Sales by Region** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Three months ended** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| China |  | $ | 381.7 |  |  | $ | 351.9 |  |  | $ | 1,061.7 |  |  | $ | 1,103.5 |  |
| Japan |  |  | 202.4 |  |  |  | 196.3 |  |  |  | 601.6 |  |  |  | 606.4 |  |
| Rest of Asia |  |  | 193.6 |  |  |  | 200.9 |  |  |  | 622.8 |  |  |  | 623.6 |  |
| Americas |  |  | 713.1 |  |  |  | 684.8 |  |  |  | 2,214.2 |  |  |  | 2,034.3 |  |
| Europe |  |  | 536.9 |  |  |  | 599.1 |  |  |  | 1,856.1 |  |  |  | 2,117.6 |  |
| **Total net sales** |  | **$** | **2,027.7** |  |  | **$** | **2,033.0** |  |  | **$** | **6,356.4** |  |  | **$** | **6,485.4** |  |

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 nine months period ended September 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 nine months period ended September 30, 2019 is not material.

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**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 rates 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 rates 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 (dollars in millions). 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 and in the Condensed Consolidated Balance Sheets at September 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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 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 |  | $ | 864.2 |  | 1) | $ | 1.4 |  | 2) | $ | 7.3 |  | 3) | Other current assets/ Other  current liabilities |
| **Total derivatives not designated as**  **hedging instruments** |  | **$** | **864.2** |  |  | **$** | **1.4** |  |  | **$** | **7.3** |  |  |  |

|  |  |
| --- | --- |
| 1) | Net nominal amount after deducting for offsetting swaps under ISDA agreements is $849.6 million. |
| 2) | Net amount after deducting for offsetting swaps under ISDA agreements is $1.3 million. |
| 3) | Net amount after deducting for offsetting swaps under ISDA agreements is $7.3 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. |

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**Derivatives designated as hedging instruments**

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

**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 September 30, 2019 and December 31, 2018 were foreign exchange swaps.

For the three months ended September 30, 2019 and September 30, 2018, the gains and losses recognized in other non-operating items, net were a loss of $9.5 million and a gain of $1 million, respectively, for derivative instruments not designated as hedging instruments. For the nine months ended September 30, 2019 and September 30, 2018, the gains and losses recognized in other non-operating items, net were a loss of $6.9 million and a loss of $4.3 million, respectively, for derivative instruments not designated as hedging instruments.

For the three and nine month periods ended September 30, 2019 and September 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).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30,** | |  |  | **September 30,** | |  |  | **December 31,** | |  |  | **December 31,** | |  |
|  |  | **2019** | |  |  | **2019** | |  |  | **2018** | |  |  | **2018** | |  |
|  |  | **Carrying**  **value1)** | |  |  | **Fair**  **value** | |  |  | **Carrying**  **value1)** | |  |  | **Fair**  **value** | |  |
| **Long-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bonds |  | $ | 1,692.1 |  |  | $ | 1,788.1 |  |  | $ | 1,609.0 |  |  | $ | 1,628.9 |  |
| Loans |  |  | 122.5 |  |  |  | 122.3 |  |  |  | — |  |  |  | — |  |
| Other long-term debt |  |  | 0.5 |  |  |  | 0.5 |  |  |  | — |  |  |  | — |  |
| **Total** |  | **$** | **1,815.1** |  |  | **$** | **1,910.9** |  |  | **$** | **1,609.0** |  |  | **$** | **1,628.9** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Short-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Commercial paper |  | $ | 172.4 |  |  | $ | 172.4 |  |  | $ | 342.6 |  |  | $ | 342.6 |  |
| Short-term portion of long-term debt |  |  | 60.0 |  |  |  | 61.6 |  |  |  | 268.1 |  |  |  | 270.4 |  |
| Overdrafts and other short-term debt |  |  | 57.5 |  |  |  | 57.5 |  |  |  | 10.0 |  |  |  | 10.0 |  |
| **Total** |  | **$** | **289.9** |  |  | **$** | **291.5** |  |  | **$** | **620.7** |  |  | **$** | **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 nine month periods ended September 30, 2019 and September 30, 2018, the Company did not record any impairment charges on its long-lived assets for its continuing operations.

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**7. INCOME TAXES**

The effective tax rate in the third quarter of 2019 was 36.0% compared to 31.1% in the same quarter of 2018. Discrete tax items, net in the third quarter of 2019 had an unfavorable impact of 0.2%. In the third quarter of 2018, discrete tax items, net had an unfavorable impact of 0.2%. The effective tax rate for the first nine months of 2019 was 30.1% compared to 23.0% in the same period of 2018. Discrete tax items, net for the first nine months of 2019 had a favorable impact of 0.2%. In the same period of 2018, discrete tax items, net had a favorable impact of 5.3%.

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 September 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 nine 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 $57.3 million recorded at September 30, 2019, $0 million is classified as current tax payable within Other current liabilities and $57.3 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** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **December 31,**  **2018** | |  |
| Raw materials |  | $ | 372.2 |  |  | $ | 370.9 |  |
| Work in progress |  |  | 259.9 |  |  |  | 277.4 |  |
| Finished products |  |  | 183.3 |  |  |  | 194.7 |  |
| **Inventories** |  |  | **815.4** |  |  |  | **843.0** |  |
| Inventory valuation reserve |  |  | (83.6 | ) |  |  | (85.1 | ) |
| **Total inventories, net of reserve** |  | **$** | **731.8** |  |  | **$** | **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 provisions in the three and nine month periods ended September 30, 2019 of $27.7 million and $41.4 million, respectively, mainly relate to a global reduction in indirect labor pursuant to the Company’s restructuring program initiated in the second quarter of 2019 and is expected to be concluded in the second quarter of 2020. The majority of reduction and expense to date relates to restructuring activities in Europe and the Americas. For the three and nine month periods ended September 30, 2019, cash payments of $15.2 and $21.7 million, respectively, mainly relate to restructuring activities initiated over the past few years in Western Europe.

As of September 30, 2019, approximately $36 million out of the $50.8 million total reserve balance can be attributed to the indirect labor reduction program. The remaining balance relates to older restructuring programs, primarily in Western Europe, which is expected to be settled in 2021.

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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** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Reserve at beginning of the period** |  | **$** | **40.3** |  |  | **$** | **36.0** |  |  | **$** | **33.4** |  |  | **$** | **39.6** |  |
| Provision - charge |  |  | 27.7 |  |  |  | 0.5 |  |  |  | 41.4 |  |  |  | 4.8 |  |
| Provision - reversal |  |  | (0.2 | ) |  |  | — |  |  |  | (0.3 | ) |  |  | — |  |
| Cash payments |  |  | (15.2 | ) |  |  | (4.0 | ) |  |  | (21.7 | ) |  |  | (10.8 | ) |
| Translation difference |  |  | (1.8 | ) |  |  | 0.0 |  |  |  | (2.0 | ) |  |  | (1.1 | ) |
| **Reserve at end of the period** |  | **$** | **50.8** |  |  | **$** | **32.5** |  |  | **$** | **50.8** |  |  | **$** | **32.5** |  |

**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 nine month periods ended September 30, 2019 and September 30, 2018, provisions and cash paid primarily relate to recall and warranty related issues. The decrease in the reserve balance as of September 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 September 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** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Reserve at beginning of the period** |  | **$** | **55.9** |  |  | **$** | **93.3** |  |  | **$** | **62.2** |  |  | **$** | **95.6** |  |
| Change in reserve |  |  | 9.4 |  |  |  | 1.8 |  |  |  | 17.5 |  |  |  | 19.8 |  |
| Cash payments |  |  | (10.5 | ) |  |  | (12.9 | ) |  |  | (24.8 | ) |  |  | (32.6 | ) |
| Translation difference |  |  | (0.6 | ) |  |  | (0.1 | ) |  |  | (0.7 | ) |  |  | (0.7 | ) |
| **Reserve at end of the period** |  | **$** | **54.2** |  |  | **$** | **82.1** |  |  | **$** | **54.2** |  |  | **$** | **82.1** |  |

**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 nine months ended September 30, 2019 and September 30, 2018 and are not included in the table below.

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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** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| Service cost |  | $ | 4.5 |  |  | $ | 4.9 |  |  | $ | 13.5 |  |  | $ | 14.8 |  |
| Interest cost |  |  | 5.1 |  |  |  | 4.6 |  |  |  | 15.4 |  |  |  | 13.9 |  |
| Expected return on plan assets |  |  | (3.9 | ) |  |  | (5.6 | ) |  |  | (11.6 | ) |  |  | (16.8 | ) |
| Amortization of prior service cost |  |  | 0.1 |  |  |  | 0.1 |  |  |  | 0.3 |  |  |  | 0.2 |  |
| Amortization of actuarial loss |  |  | 0.6 |  |  |  | 0.8 |  |  |  | 1.8 |  |  |  | 2.5 |  |
| **Net Periodic Benefit Cost** |  | **$** | **6.4** |  |  | **$** | **4.8** |  |  | **$** | **19.4** |  |  | **$** | **14.6** |  |

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 nine months ended September 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.

**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.

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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.

**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.

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

**13. STOCK INCENTIVE PLAN**

Eligible employees and non-employee directors of the Company participate in the 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 stock. 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 million and $5.6 million of stock-based compensation expense in continuing operations related to RSUs and PSs for the three and nine month periods ended September 30, 2019, respectively. During the three and nine month periods ended September 30, 2018, the Company recorded $2.3 million and $6.9 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 September 30, 2019 and September 30, 2018, approximately 50 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 nine month period ended September 30, 2019 and September 30, 2018, approximately 54 thousand and 0 thousand shares, respectively, were excluded from the computation of the diluted EPS.

During the three month period ended September 30, 2019 and September 30, 2018 approximately 2 thousand and 9 thousand shares of common stock from the treasury stock, respectively, were utilized by the Plan. During the nine month period ended September 30, 2019 and September 30, 2018 approximately 90 thousand and 175 thousand shares of common stock from the treasury stock, respectively, 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** | | | | | |  |  | **Nine months ended** | | | | | |  |
|  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |
| **Numerator:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic and diluted: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income from continuing operations |  | $ | 85.4 |  |  | $ | 117.5 |  |  | $ | 305.9 |  |  | $ | 468.9 |  |
| Net loss from discontinued operations |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (187.5 | ) |
| **Net income attributable to controlling**  **interest** |  |  | **85.4** |  |  |  | **117.5** |  |  |  | **305.9** |  |  |  | **281.4** |  |
| Participating share awards with dividend     equivalent rights |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |
| Net income available to common shareholders |  |  | **85.4** |  |  |  | **117.5** |  |  |  | **305.9** |  |  |  | **281.4** |  |
| Earnings allocated to participating share     awards1) |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |
| Net income attributable to common     shareholders |  | **$** | **85.4** |  |  | **$** | **117.5** |  |  | **$** | **305.9** |  |  | **$** | **281.4** |  |
| **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 |  |  |  | 0.2 |  |
| **Diluted:** |  |  | **87.3** |  |  |  | **87.4** |  |  |  | **87.4** |  |  |  | **87.3** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Basic EPS:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Continuing operations |  | $ | 0.98 |  |  | $ | 1.35 |  |  | $ | 3.51 |  |  | $ | 5.38 |  |
| Discontinued operations |  | $ | — |  |  | $ | — |  |  | $ | — |  |  | $ | (2.15 | ) |
| **Basic EPS** |  | **$** | **0.98** |  |  | **$** | **1.35** |  |  | **$** | **3.51** |  |  | **$** | **3.23** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Diluted EPS:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Continuing operations |  | $ | 0.98 |  |  | $ | 1.34 |  |  | $ | 3.50 |  |  | $ | 5.37 |  |
| Discontinued operations |  | $ | — |  |  | $ | — |  |  | $ | — |  |  | $ | (2.15 | ) |
| **Diluted EPS** |  | **$** | **0.98** |  |  | **$** | **1.34** |  |  | **$** | **3.50** |  |  | **$** | **3.22** |  |

|  |  |
| --- | --- |
| 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. |

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**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 $17 million and $30 million for the three month periods ended September 30, 2019 and September 30, 2018, respectively, and to approximately $54 million and $73 million for the nine month periods ended September 30, 2019 and September 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 September 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)* |  | **September 30,**  **2019** | |  |  | **December 31,**  **2018** | |  |
| Related party receivables |  | $ | 3.7 |  |  | $ | 15.0 |  |
| Related party payables |  |  | 9.9 |  |  |  | 50.7 |  |
| Related party accrued expenses |  |  | 9.0 |  |  |  | 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 September 30, 2019.

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**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 third quarter of 2019**

**$2,028 million** in net sales

**1.2%** organic sales growth (non-U.S. GAAP measure, see reconciliation table below)

**7.6%** operating margin

**9.0%** adjusted operating margin (non-U.S. GAAP measure, see reconciliation table below)

**$0.98** EPS - a decline of 27%

**$1.30** adjusted EPS - a decline of 4% (non-U.S. GAAP measure, see reconciliation table below)

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

|  |  |
| --- | --- |
| • | **Organic growth outperformed global light vehicle production by 4.6pp** mainly due to China and Americas. |
| • | **Profitability still impacted by global LVP decline and high raw material costs**, although less than previous quarter, partly offset by total workforce decline of 800 compared to a quarter ago, or by 1,600 compared to a year ago. |
| • | **Established new customer collaborations**; a North American road safety center with Great Wall Motor and presented next generation passenger airbag in cooperation with Honda. |

The Company experienced continued challenging market conditions in the quarter. Although the rate of decline in light vehicle production slowed down slightly, uncertainty remains high, market outlook by IHS continues to be revised down and the Company does not see a turnaround in LVP in the near term.

The Company continued to outperform light vehicle production, growing organically (non-U.S. GAAP measure) about 4.6pp more than LVP in the third quarter, driven mainly by strong development in China and Americas.

The Company’s business cycle management actions are taking effect and the adjusted operating margin (non-U.S. GAAP measure) decline year over year was substantially less than in recent quarters, and it improved sequentially. LVP has continued to slide however, and the Company now assumes 6-7% global LVP decline for 2019, which moderates the Company’s outlook to around 1% for organic sales growth and to around 9% for adjusted operating margin.

Although the Company is not pleased with this profit level, it is achieved in the context of LVP expectations declining by 7-8pp in just 9 months. The cost improvement actions which enabled this performance will continue relentlessly.

The Company reduced its workforce by an additional 800 in the quarter, or by 1,600 compared to a year ago, despite growing its sales organically (non-U.S. GAAP measure) by 1.2%. The Company’s program to reduce indirect labor costs by 5% is developing as planned and the Company expects it to impact its cost base meaningfully as of the fourth quarter 2019.

In addition to LVP and raw material headwinds, the strike at General Motors in North America is also affecting the Company’s sales.

Being close to its customers supports the Company’s short- and long-term business opportunities and this quarter the Company announced two new customer collaborations - the North American road safety research lab together with Great Wall Motor and the next generation passenger airbag in cooperation with Honda. The Company’s order intake share remained on a good level in the quarter, supporting a prolonged sales growth outperformance.

As always, it is of utmost importance to focus on quality and execution to secure a strong long-term performance for the Company.

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**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.

**KEY RATIOS**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Nine months ended** | | | | |  |
|  |  | **or as of September 30** | | | | | |  |  | **or as of September 30** | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  | **2018** | |  |
| Total parent shareholders’ equity per share |  | $ | 22.78 |  |  | $ | 23.42 |  |  | $ | 22.78 |  | $ | 23.42 |  |
| Capital employed 1) |  |  | 3,781 |  |  |  | 3,778 |  |  |  | 3,781 |  |  | 3,778 |  |
| Net debt 2) |  |  | 1,781 |  |  |  | 1,724 |  |  |  | 1,781 |  |  | 1,724 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating working capital 2) |  |  | 620 |  |  |  | 759 |  |  |  | 620 |  |  | 759 |  |
| Operating working capital relative to sales, % 10) |  |  | 7.2 |  |  |  | 8.8 |  |  |  | 7.2 |  |  | 8.8 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross margin, % 3) |  |  | 18.7 |  |  |  | 19.0 |  |  |  | 18.2 |  |  | 19.8 |  |
| Operating margin, % 4) |  |  | 7.6 |  |  |  | 9.5 |  |  |  | 7.8 |  |  | 10.3 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Return on total equity, % 5) |  |  | 17.1 |  |  |  | 23.2 |  |  |  | 20.7 |  |  | 20.0 |  |
| Return on capital employed, % 6) |  |  | 16.2 |  |  |  | 20.4 |  |  |  | 18.0 |  |  | 20.9 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Headcount at period-end 7) |  |  | 64,868 |  |  |  | 66,479 |  |  |  | 64,868 |  |  | 66,479 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Days receivables outstanding 8) |  |  | 75 |  |  |  | 80 |  |  |  | 72 |  |  | 76 |  |
| Days inventory outstanding 9) |  |  | 37 |  |  |  | 38 |  |  |  | 35 |  |  | 35 |  |

|  |  |
| --- | --- |
| 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. |

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

**Consolidated Sales**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Third quarter** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2019** | |  |  | **2018** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 1,349.3 |  |  | $ | 1,357.4 |  |  |  | (0.6 | )% |  |  | (1.2 | )% |  |  | 0.6 | % |
| Seatbelts 2) |  | 678.4 |  |  |  | 675.6 |  |  |  | 0.4 | % |  |  | (1.9 | )% |  |  | 2.3 | % |
| **Total** | **$** | **2,027.7** |  |  | **$** | **2,033.0** |  |  |  | **(0.3** | **)%** |  |  | **(1.5** | **)%** |  |  | **1.2** | **%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 777.7 |  |  | $ | 749.1 |  |  |  | 3.8 | % |  |  | (0.4 | )% |  |  | 4.2 | % |
| *Whereof:     China* |  | *381.7* |  |  |  | *351.9* |  |  |  | *8.5* | *%* |  |  | *(2.7* | *)%* |  |  | *11.2* | *%* |
| *Japan* |  | *202.4* |  |  |  | *196.3* |  |  |  | *3.1* | *%* |  |  | *4.2* | *%* |  |  | *(1.1* | *)%* |
| *Rest of Asia* |  | *193.6* |  |  |  | *200.9* |  |  |  | *(3.6* | *)%* |  |  | *(0.7* | *)%* |  |  | *(2.9* | *)%* |
| Americas |  | 713.1 |  |  |  | 684.8 |  |  |  | 4.1 | % |  |  | (0.7 | )% |  |  | 4.8 | % |
| Europe |  | 536.9 |  |  |  | 599.1 |  |  |  | (10.4 | )% |  |  | (3.7 | )% |  |  | (6.7 | )% |
| **Total** | **$** | **2,027.7** |  |  | **$** | **2,033.0** |  |  |  | **(0.3** | **)%** |  |  | **(1.5** | **)%** |  |  | **1.2** | **%** |

|  |  |
| --- | --- |
| 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 driver and knee airbags in North America, steering wheels in Americas and passenger airbags in China. Offsetting declines came mainly from most types of airbags in Europe and from inflators in North America and Japan.

**Seatbelt sales** organic growth (non-U.S. GAAP measure, see reconciliation table above) was mainly driven by strong performance in China and to a lesser degree in Americas, partly offset by declines in Europe and India. The trend of higher sales of more advanced and higher value-added seatbelt systems continued, especially in China and Rest of Asia.

**Sales by Region**

We grew globally by 1.2% organically (non-U.S. GAAP measure, see reconciliation table above), which is 4.6pp more than light vehicle production (according to IHS). The largest contributor to overall growth was China, followed by North America and South America. The largest organic sales decline was in Europe, followed by India, South Korea and Japan. Our organic sales growth outperformed LVP by around 17pp in China and by 4.5pp in North America while we underperformed LVP by 7.5pp in Europe and by around 8pp in Japan. In South America we grew organically around 35pp more than LVP, while we outgrew LVP by around 8pp in Rest of Asia.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Organic growth**1) |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| Autoliv |  |  | 4.8 | % |  |  | (6.7) | % |  |  | 11.2 | % |  |  | (1.1) | % |  |  | (2.9) | % |  |  | 1.2 | % |
| Main growth drivers |  | Honda, GM, Nissan, BMW, Tesla | |  |  | VW, Renault | |  |  | Honda, VW, GM | |  |  | Mazda, Honda, Subaru | |  |  | Mitsubishi, Renault, Nissan | |  |  | Honda, VW, GM | |  |
| Main decline drivers |  | Daimler, Hyundai/Kia | |  |  | Daimler, JLR, BMW, Toyota | |  |  | Geely, Ford, PSA | |  |  | Mitsubishi, Toyota, Inflators | |  |  | Hyundai/Kia, Isuzu, Tata, Toyota | |  |  | Daimler, Hyundai/Kia, Toyota | |  |

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

**Light Vehicle Production Development**

*Change vs. same quarter last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| LVP1) |  |  | (1.6 | )% |  |  | 0.8 | % |  |  | (5.6 | )% |  |  | 6.8 | % |  |  | (10.5 | )% |  |  | (3.4 | )% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1) Source: IHS October 2019. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) |  | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **Change** | |  |
| Net Sales |  | $ | 2,027.7 |  |  | $ | 2,033.0 |  |  |  | (0.3 | )% |
| Gross profit |  |  | 379.1 |  |  |  | 386.1 |  |  |  | (1.8 | )% |
| *% of sales* |  |  | *18.7* | *%* |  |  | *19.0* | *%* |  |  | *(0.3* | *)pp* |
| S, G&A |  |  | (97.7 | ) |  |  | (90.0 | ) |  |  | 8.6 | % |
| *% of sales* |  |  | *(4.8* | *)%* |  |  | *(4.4* | *)%* |  |  | *0.4* | *pp* |
| R, D&E, net |  |  | (99.1 | ) |  |  | (101.9 | ) |  |  | (2.7 | )% |
| *% of sales* |  |  | *(4.9* | *)%* |  |  | *(5.0* | *)%* |  |  | *(0.1* | *)pp* |
| Other income (expense), net |  |  | (25.6 | ) |  |  | 1.1 |  |  | n/a | |  |
| Operating income |  |  | 153.8 |  |  |  | 192.5 |  |  |  | (20.1 | )% |
| *% of sales* |  |  | *7.6* | *%* |  |  | *9.5* | *%* |  |  | *(1.9* | *)pp* |
| Adjusted operating income1) |  |  | 182.5 |  |  |  | 193.6 |  |  |  | (5.7 | )% |
| *% of sales* |  |  | *9.0* | *%* |  |  | *9.5* | *%* |  |  | *(0.5* | *)pp* |
| Financial and non-operating items, net |  |  | (19.4 | ) |  |  | (21.2 | ) |  |  | (8.5 | )% |
| Income before taxes |  |  | 134.4 |  |  |  | 171.3 |  |  |  | (21.5 | )% |
| Tax rate |  |  | 36.0 | % |  |  | 31.1 | % |  |  | *4.9* | *pp* |
| Net income from continuing operations |  |  | 86.0 |  |  |  | 118.0 |  |  |  | (27.1 | )% |
| Earnings per share from continuing operations, diluted2) |  |  | 0.98 |  |  |  | 1.34 |  |  |  | (26.9 | )% |
| Adjusted earnings per share, diluted1),2) |  |  | 1.30 |  |  |  | 1.35 |  |  |  | (3.7 | )% |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure, excluding costs for capacity alignment, antitrust related matters and separation of our business segments. |
| 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 $7 million and the gross margin declined by 0.3pp compared to the same quarter 2018. The gross margin was adversely impacted by the decline in global light vehicle production, resulting in a lower utilization of our production 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** increased by $8 million, mainly driven by bonus accrual reversals prior year and a mix of minor expense items incurred in the current quarter.

**R,D&E, net** was close to unchanged in USD terms as well as in percent of sales.

**Other income (expense), net** of negative $26 million was $27 million lower than in the prior year, mainly due to accruals relating to future reductions of our indirect workforce.

**Operating income** decreased by $39 million, as a consequence of the declines in other income (expense), net and gross profit.

**Adjusted operating income** (non-U.S. GAAP measure, see reconciliation table below)decreased by $11 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 $37 million, mainly as a consequence of the lower operating income.

**Effective tax rate** of 36.0% was 4.9 pp higher than last year primarily due to costs accrued in the quarter related to the indirect workforce reduction program that are not fully tax deductible.

**Earnings per share, diluted** decreased by 36 cents where the main drivers were 31 cents from higher costs for capacity alignment and 8 cents from lower adjusted operating income.

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**NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2018**

**Consolidated Sales**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Nine months** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2019** | |  |  | **2018** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 4,232.7 |  |  | $ | 4,234.9 |  |  |  | (0.1 | )% |  |  | (3.2 | )% |  |  | 3.1 | % |
| Seatbelts 2) |  | 2,123.7 |  |  |  | 2,250.5 |  |  |  | (5.6 | )% |  |  | (4.2 | )% |  |  | (1.4 | )% |
| **Total** | **$** | **6,356.4** |  |  | **$** | **6,485.4** |  |  |  | **(2.0** | **)%** |  |  | **(3.5** | **)%** |  |  | **1.5** | **%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 2,286.1 |  |  | $ | 2,333.5 |  |  |  | (2.0 | )% |  |  | (3.2 | )% |  |  | 1.2 | % |
| *Whereof:     China* |  | *1,061.7* |  |  |  | *1,103.5* |  |  |  | *(3.8* | *)%* |  |  | *(5.1* | *)%* |  |  | *1.3* | *%* |
| *Japan* |  | *601.6* |  |  |  | *606.4* |  |  |  | *(0.8* | *)%* |  |  | *0.4* | *%* |  |  | *(1.2* | *)%* |
| *Rest of Asia* |  | *622.8* |  |  |  | *623.6* |  |  |  | *(0.1* | *)%* |  |  | *(3.3* | *)%* |  |  | *3.2* | *%* |
| Americas |  | 2,214.2 |  |  |  | 2,034.3 |  |  |  | 8.8 | % |  |  | (0.8 | )% |  |  | 9.6 | % |
| Europe |  | 1,856.1 |  |  |  | 2,117.6 |  |  |  | (12.4 | )% |  |  | (6.4 | )% |  |  | (6.0 | )% |
| **Total** | **$** | **6,356.4** |  |  | **$** | **6,485.4** |  |  |  | **(2.0** | **)%** |  |  | **(3.5** | **)%** |  |  | **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) of 3.1% was mainly driven by strong performance for airbags in North America, steering wheels in Americas and Europe, and airbags in Rest of Asia. Of the $129 million in organic growth, around 67% came from the steering wheels category with airbags contributing almost 28% of the organic growth in the first nine months.

**Seatbelt sales** organic decline (non-U.S. GAAP measure, see reconciliation table above) of 1.4% was mainly driven by weaker sales in Europe, India and South Korea, partly mitigated by organic growth in China, North America, South America and Japan. The trend of higher sales of more advanced and higher value-added seatbelt systems continued, especially in China and Rest of Asia, partly offset by Europe.

**Sales by Region**

For the first nine months of 2019 Autoliv grew organically (non-U.S. GAAP measure, see reconciliation table above) by 1.5% against the prior corresponding period, outperforming the LVP significantly with 7.5pp during the period. The contributors to the organic growth were the Americas, Rest of Asia, mainly ASEAN, and China, with offsetting effects from Europe and Japan. The organic growth in the Americas was close to 10%, mainly driven by Honda, Nissan, GM, FCA and Tesla.

Growth in Rest of Asia was mainly driven by Suzuki in India, Honda in Thailand and India and Hyundai/Kia in South Korea, Organic growth (non-U.S. GAAP measure, see reconciliation table above) in China of 1.3% is mainly a result of strong sales to the global OEMs in the region, partly offset by domestic OEMs decreasing substantially. The growth with the GOEMs has been mainly through Honda and VW. Sales to domestic OEMs are primarily impacted by a continued headwind from Geely, Baojun and Great Wall.

Sales in Europe declined organically (non-U.S. GAAP measure, see reconciliation table above) by 6%. The decline is from several OEMs such as Daimler, BMW, JLR, Renault and Ford.

**Light Vehicle Production Development**

*Change vs. same period last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| LVP1) |  |  | (2.8 | )% |  |  | (3.8 | )% |  |  | (12.1 | )% |  |  | 4.0 | % |  |  | (5.3 | )% |  |  | (6.0 | )% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1) Source: IHS October 2019. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Nine months ended** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) | **September 30,**  **2019** | |  |  | **September 30,**  **2018** | |  |  | **Change** | |  |
| Net Sales | $ | 6,356.4 |  |  | $ | 6,485.4 |  |  |  | (2.0 | )% |
| Gross profit |  | 1,157.6 |  |  |  | 1,286.1 |  |  |  | (10.0 | )% |
| *% of sales* |  | *18.2* | *%* |  |  | *19.8* | *%* |  |  | *(1.6* | *)pp* |
| S, G&A |  | (300.2 | ) |  |  | (290.9 | ) |  |  | 3.2 | % |
| *% of sales* |  | *(4.7* | *)%* |  |  | *(4.5* | *)%* |  |  | *0.2* | *pp* |
| R, D&E, net |  | (323.5 | ) |  |  | (327.9 | ) |  |  | (1.3 | )% |
| *% of sales* |  | *(5.1* | *)%* |  |  | *(5.1* | *)%* |  |  | *0.0* | *pp* |
| Other income (expense), net |  | (28.8 | ) |  |  | 6.2 |  |  |  | 564.5 | % |
| Operating income |  | 496.5 |  |  |  | 665.0 |  |  |  | (25.3 | )% |
| *% of sales* |  | *7.8* | *%* |  |  | *10.3* | *%* |  |  | *(2.5* | *)pp* |
| Adjusted operating income1) |  | 532.1 |  |  |  | 668.3 |  |  |  | (20.4 | )% |
| *% of sales* |  | *8.4* | *%* |  |  | *10.3* | *%* |  |  | *(1.9* | *)pp* |
| Financial and non-operating items, net |  | (57.7 | ) |  |  | (54.7 | ) |  |  | 5.5 | % |
| Income before taxes |  | 438.8 |  |  |  | 610.3 |  |  |  | (28.1 | )% |
| Tax rate |  | 30.1 | % |  |  | 23.0 | % |  |  | *7.1* | *pp* |
| Net income from continuing operations |  | 306.9 |  |  |  | 470.3 |  |  |  | (34.7 | )% |
| Earnings per share from continuing operations, diluted2) |  | 3.50 |  |  |  | 5.37 |  |  |  | (34.8 | )% |
| Adjusted earnings per share, diluted1),2) |  | 3.87 |  |  |  | 5.40 |  |  |  | (28.3 | )% |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure, excluding costs for capacity alignment, antitrust related matters and separation of our business segments. |
| 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 $129 million and the gross margin declined by 1.6pp 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 our 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.

**Other operating income (expense), net**, was $35 million lower than the prior year, mainly due to accruals relating to future reductions of our indirect workforce.

**Operating income** decreased by $169 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 around $136 million, mainly due to the lower gross profit.

**Income before taxes** decreased by $172 million, mainly as a consequence of the lower operating income.

**Effective tax rate** of 30.1% was 7.1 pp higher than last year primarily because the first nine months of 2018 was positively affected by the reversal of certain valuation allowances.

**Earnings per share**, diluted decreased by 187 cents primarily due to 113 cents from lower operating income, 44 cents from tax items and 34 cents from costs related to capacity alignment, anti-trust matters and the separation of our business areas.

**LIQUIDITY AND SOURCES OF CAPITAL**

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

Net cash provided by operating activities amounted to $328 million compared to $301 million for the first nine months of 2019 and 2018, respectively. The increase in cash flow from operations can mainly be attributed to that the first six months of 2018 included loss making discontinued operation activities compared to no such operations in 2019. Also, 2019 was significantly impacted by the EC antitrust payment made in the second quarter amounting to$203 million.

Net cash used in investing activities amounted to $358 million compared $494 million for the first nine months of 2019 and 2018, respectively. The first nine months of 2018 included significant activity from discontinued operations. Excluding discontinued operations, investing activities in continuing operations amounted to approximately $352 million in 2018.

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Net cash used in financing activities amounted to $(230) million compared $(172) million for the first nine months of 2019 and 2018, respectively. During the first nine 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”, “Adjusted operating margin” and “Adjusted EPS”**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended September 30, 2019** | | | | | | | | | |  |  | **Three months ended September 30, 2018** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating income |  | $ | 153.8 |  |  | $ | 28.7 |  |  | $ | 182.5 |  |  | $ | 192.5 |  |  | $ | 1.1 |  |  | $ | 193.6 |  |
| Operating margin, % |  |  | 7.6 |  |  |  | 1.4 |  |  |  | 9.0 |  |  |  | 9.5 |  |  |  | 0.0 |  |  |  | 9.5 |  |
| EPS continuing operations, diluted |  |  | 0.98 |  |  |  | 0.32 |  |  |  | 1.30 |  |  |  | 1.34 |  |  |  | 0.01 |  |  |  | 1.35 |  |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignment, antitrust related matters and separation of our business segments. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months ended September 30, 2019** | | | | | | | | | |  |  | **Nine months ended September 30, 2018** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating income |  | $ | 496.5 |  |  | $ | 35.6 |  |  | $ | 532.1 |  |  | $ | 665.0 |  |  | $ | 3.3 |  |  | $ | 668.3 |  |
| Operating margin, % |  |  | 7.8 |  |  |  | 0.6 |  |  |  | 8.4 |  |  |  | 10.3 |  |  |  | 0.0 |  |  |  | 10.3 |  |
| EPS continuing operations, diluted |  |  | 3.50 |  |  |  | 0.37 |  |  |  | 3.87 |  |  |  | 5.37 |  |  |  | 0.03 |  |  |  | 5.40 |  |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignment, antitrust related matters and separation of our business segments. |

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Third quarter 2019** | | | | | |  |  | **Third quarter 2018** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 27.4 |  |  | $ | 0.31 |  |  | $ | (0.2 | ) |  | $ | (0.00 | ) |
| Antitrust related matters |  | 0.1 | |  |  |  | 0.00 |  |  | 0.2 | |  |  |  | 0.00 |  |
| Separation costs |  | $ | 1.2 |  |  | 0.01 | |  |  |  | 1.1 |  |  | 0.01 | |  |
| **Total adjustments to operating income** |  | **$** | **28.7** |  |  |  | **0.32** |  |  | **$** | **1.1** |  |  |  | **0.01** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (0.4 | ) |  |  | 0.00 |  |  |  | (0.3 | ) |  |  | (0.00 | ) |
| **Total adjustments to net income** |  | **$** | **28.3** |  |  | **$** | **0.32** |  |  | **$** | **0.8** |  |  | **$** | **0.01** |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **First nine months of 2019** | | | | | |  |  | **First nine months of 2018** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 40.5 |  |  | $ | 0.46 |  |  | $ | 1.0 |  |  | $ | 0.01 |  |
| Antitrust related matters |  |  | (6.1 | ) |  |  | (0.07 | ) |  | 1.2 | |  |  | 0.01 | |  |
| Separation costs |  |  | 1.2 |  |  |  | 0.01 |  |  | 1.1 | |  |  | 0.01 | |  |
| **Total adjustments to operating income** |  | **$** | **35.6** |  |  | **$** | **0.40** |  |  | **$** | **3.3** |  |  | **$** | **0.03** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (3.0 | ) |  |  | (0.03 | ) |  |  | (0.7 | ) |  |  | (0.00 | ) |
| **Total adjustments to net income** |  | **$** | **32.6** |  |  | **$** | **0.37** |  |  | **$** | **2.6** |  |  | **$** | **0.03** |  |

|  |  |
| --- | --- |
| 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 September 30, 2019 primarily consisted of capacity alignment amounting to $27.4 million. The non-GAAP adjustment for the nine months ended September 30, 2019 primarily consisted of capacity alignment amounting to $40.5 million offset by the $6.7 million antitrust accrual adjustment as reported in the Company’s 10-Q for the period ended March 31, 2019.

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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)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | |  |  | **September 30, 2018** | |  |  | **December 31, 2018** | |  |
| Total current assets continuing operations |  | $ | 2,908.8 |  |  | $ | 3,348.1 |  |  | $ | 3,285.4 |  |
| Total current liabilities continuing operations 1) |  |  | (2,304.8 | ) |  |  | (2,683.8 | ) |  |  | (2,655.5 | ) |
| **Working capital** |  |  | **604.0** |  |  |  | **664.3** |  |  |  | **629.9** |  |
| Cash and cash equivalents |  |  | (334.4 | ) |  |  | (533.7 | ) |  |  | (615.8 | ) |
| Short-term debt |  |  | 289.9 |  |  |  | 573.0 |  |  |  | 620.7 |  |
| Derivative (asset) and liability, current |  |  | 5.9 |  |  |  | 1.8 |  |  |  | (0.8 | ) |
| Dividends payable |  |  | 54.1 |  |  |  | 54.0 |  |  |  | 54.0 |  |
| **Operating working capital** |  | **$** | **619.5** |  |  | **$** | **759.4** |  |  | **$** | **688.0** |  |

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

**Operating working capital** (non-U.S. GAAP measure, see reconciliation table above) was 7.2% of sales compared to 8.8% of sales a year earlier, where the change mainly was a consequence of a new accounting standard for operating leases and accruals related to future reductions of our indirect workforce. 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.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | |  |  | **September 30, 2018** | |  |  | **December 31, 2018** | |  |
| Short-term debt |  | $ | 289.9 |  |  | $ | 573.0 |  |  | $ | 620.7 |  |
| Long-term debt |  |  | 1,815.1 |  |  |  | 1,677.5 |  |  |  | 1,609.0 |  |
| **Total debt** |  |  | **2,105.0** |  |  |  | **2,250.5** |  |  |  | **2,229.7** |  |
| Cash and cash equivalents |  |  | (334.4 | ) |  |  | (533.7 | ) |  |  | (615.8 | ) |
| Debt issuance cost/Debt-related derivatives, net |  |  | 10.7 |  |  |  | 7.6 |  |  |  | 4.9 |  |
| **Net debt** |  | **$** | **1,781.3** |  |  | **$** | **1,724.4** |  |  | **$** | **1,618.8** |  |

**Net debt** (non-U.S. GAAP measure, see reconciliation table above) amounted to $1,781 million as of September 30, 2019, which was close to unchanged compared to a year earlier.

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.

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**Calculation of “Leverage ratio”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | |  |  | **September 30, 2018** | |  |  | **December 31, 2018** | |  |
| Net debt1) |  | $ | 1,781.3 |  |  | $ | 1,724.4 |  |  | $ | 1,618.8 |  |
| Pension liabilities |  |  | 199.9 |  |  |  | 204.3 |  |  |  | 198.2 |  |
| **Debt per the Policy** |  |  | **1,981.2** |  |  |  | **1,928.7** |  |  |  | **1,817.0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income2) |  |  | 216.1 |  |  |  | 218.9 |  |  |  | 183.7 |  |
| Less: Net loss from discontinued operations2) |  |  | (2.0 | ) |  |  | 448.8 |  |  |  | 193.8 |  |
| **Net income continuing operations2)** |  |  | **214.1** |  |  |  | **667.7** |  |  |  | **377.5** |  |
| Income taxes 2) |  |  | 226.8 |  |  |  | 183.4 |  |  |  | 234.9 |  |
| Interest expense, net2,3) |  |  | 67.0 |  |  |  | 54.8 |  |  |  | 59.2 |  |
| Depreciation and amortization of intangibles2) |  |  | 348.8 |  |  |  | 332.6 |  |  |  | 342.0 |  |
| Antitrust related matters, capacity alignment and separation costs2) |  |  | 254.5 |  |  |  | 6.7 |  |  |  | 216.5 |  |
| **EBITDA per the Policy** |  | **$** | **1,111.2** |  |  | **$** | **1,245.2** |  |  | **$** | **1,230.1** |  |
| **Leverage ratio** |  |  | **1.8** |  |  |  | **1.5** |  |  |  | **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, capacity alignment and separation costs. The long-term target is to maintain a leverage ratio of around 1x within a range of 0.5x to 1.5x. As of September 30, 2019, the Company had a leverage ratio of 1.8x, compared to 1.8x at June 30, 2019 and 1.5x at September 30, 2018.

**Total equity** decreased in the quarter by $38 million compared to June 30, 2019 mainly due to $54 million from dividends and $71 million in currency translation effects partly offset by $86 million in net income. Total equity increased by $103 million in the nine months period, mainly due to $307 million from net income, partly offset by $45 million from currency translation effects, and $163 million from dividends.

**Headcount**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | |  |  | **June 30, 2019** | |  |  | **September 30, 2018** | |  |
| Headcount |  |  | 64,900 |  |  |  | 65,700 |  |  |  | 66,500 |  |
| Whereof: |  |  |  |  |  |  |  |  |  |  |  |  |
| Direct workers in manufacturing |  |  | 71 | % |  |  | 71 | % |  |  | 71 | % |
| Best cost countries |  |  | 80 | % |  |  | 80 | % |  |  | 80 | % |
| Temporary personnel |  |  | 9 | % |  |  | 10 | % |  |  | 14 | % |

Compared to June 30, 2019, total headcount (permanent employees and temporary personnel) decreased by approximately 800. The decrease in the quarter was driven by a reduction of both direct and indirect workforce. Compared to a year ago, headcount decreased by approximately 1,600, with close to 80% of the reduction being in the direct workforce. The headcount reductions reflect the balancing 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 indications for 2019 reflects the continuing high level of uncertainty in the automotive markets and are based on the assumption that global light vehicle production declines by 6-7% in full year 2019 compared to full year 2018.

|  |  |  |
| --- | --- | --- |
| **Financial measure** |  | **Full year indication** |
| Net sales growth |  | Around (2)% |
| Organic sales growth |  | Around 1% |
| Adjusted operating margin 1) |  | Around 9% |
| R,D&E, net % of sales |  | Around 2018 level |
| Tax rate 2) |  | Around 28% |
| Operating cash flow excl. EC antitrust payment2) |  | $700-800 million |
| Capital expenditures, net % of sales |  | Around 2018 level |
| Leverage ratio at year end |  | Around 1.7x range |

|  |  |
| --- | --- |
| 1) | Excluding costs for capacity alignments, anti-trust related matters and separation of our business segments. 2) Excluding unusual items. |

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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 September 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.

**OTHER RECENT EVENTS**

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

Below are some of the key models which were launched in the third quarter of 2019.

**Subaru Legacy:** Side airbags, Seatbelts.

**Land Rover Defender:** Driver and/or Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts.

**BMW 1-Series:** Side airbags, Seatbelts

**Peugeot 208:** Steering Wheel, Driver and/or Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts.

**Chevrolet Trailblazer:** Steering Wheel, Driver and/or Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts.

**Cadillac CT5:** Steering Wheel, Driver and/or Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts.

**Ford Puma:** Steering Wheel, Driver and/or Passenger airbags, Side airbags.

**BYD Song Pro:** Steering Wheel, Driver and/or Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts.

**Subaru Outback:** Side airbags, Seatbelts.

**Other Items**

|  |  |
| --- | --- |
| • | On September 5, 2019, Autoliv announced the signing of a joint research declaration with Great Wall Motor on the project of North American road safety evaluation in Baoding, China. Autoliv and Great Wall Motor will jointly set up a North America road safety research lab. The lab will combine the global technical and testing resources of both parties and focus on the North American market, at the same time, align with the regulations from road safety authorities, thus to support the implementation of the strategies of Great Wall Motor. |

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|  |  |
| --- | --- |
| • | On September 16, 2019, Autoliv announced that it strengthened the insights in biomechanics, epidemiology and public health as John Bolte IV and Maria Segui-Gomez joined the Autoliv Research Advisory Board. Maria Segui-Gomez is an acknowledged expert in the field of epidemiology and public health. She is full Professor in Public Health in Spain while holding visitor professorships in the US as Adjunct Associate Professor at Johns Hopkins University, School of Public Health, and as Visiting Professor at University of Virginia School of Medicine. John Bolte IV is Professor at The Ohio State University and Director of the Injury Biomechanics Research Center. |
| • | On September 23, 2019, Autoliv announced that its interim CFO, Christian Hanke, notified the Company of his intent to resign as the Interim Chief Financial Officer and Vice President Corporate Control to pursue another opportunity outside of Autoliv. Mr. Hanke’s resignation will be effective no later than March 18, 2020. Until the time Mr. Hanke’s resignation becomes effective, he will continue to serve as the Interim Chief Financial Officer and Vice President Corporate Control. The Company expects that Mr. Hanke will remain with the Company through the filing of the Company’s 2019 annual report. The Company is continuing its search for a permanent replacement for the Chief Financial Officer position. |
| • | On September 27, 2019, S&P Global Ratings announced its downgrade of Autoliv Inc., from A- to BBB+ with outlook negative. |

**Dividend**

On August 19, 2019, the Company declared a quarterly dividend to shareholders of 62 cents per share for the fourth quarter of 2019, with the following payment schedule:

|  |  |
| --- | --- |
| Ex-date (common stock) | November 19, 2019 |
| Ex-date (SDRs) | November 19, 2019 |
| Record Date | November 20, 2019 |
| Payment Date | December 5, 2019 |

**Next Report**

Autoliv intends to publish the quarterly earnings report for the fourth quarter of 2019 on Tuesday, January 28, 2020.

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

As of September 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.

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**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 September 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 September 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.

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**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+ |  | [Mutual Separation Agreement, dated July 1, 2019, between Autoliv, Inc. and Mike Hague, incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 19, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-025291.html?hash=f0549274c5fdc475f178f4818954b62e0a0ec546a1a9e34fd2f09591beaea4bb&dest=ALV-EX104_485_HTM) |
|  |  |  |
| 10.2\*+ |  | [Employment Agreement, dated July 14, 2016, between Autoliv, Inc. and Christian Hanke.](#ALV_EX102_269_HTM) |
|  |  |  |
| 10.3\*+ |  | [Employment Agreement, dated April 23, 2019, between Autoliv, Inc. and Frithjof Oldorff.](#ALV_EX103_268_HTM) |
|  |  |  |
| 10.4\*+ |  | [Employment Agreement, dated March 18, 2019, between Autoliv, Inc. and Christian Swahn.](#ALV_EX104_266_HTM) |
|  |  |  |
| 10.5\*+ |  | [Employment Agreement, dated February 15, 2019, between Autoliv, Inc. and Magnus Jarlegren.](#ALV_EX105_267_HTM) |
|  |  |  |
| 10.6\* |  | [Form of Indemnification Agreement between Autoliv, Inc. and its directors and certain of its executive officers.](#ALV_EX106_270_HTM) |
|  |  |  |
| 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_7_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_6_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_9_HTM) |
|  |  |  |

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| --- | --- | --- |
| **Exhibit No.** |  | **Description** |
|  |  |  |
| 101.INS\* |  | Inline XBRL Instance Document – The instance document does not appear in the Interactive Date File because its XBRL tags are embedded within the inline XBRL document. |
|  |  |  |
| 101.SCH\* |  | Inline XBRL Taxonomy Extension Schema Document. |
|  |  |  |
| 101.CAL\* |  | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
|  |  |  |
| 101.DEF\* |  | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
|  |  |  |
| 101.LAB\* |  | Inline XBRL Taxonomy Extension Label Linkbase Document. |
|  |  |  |
| 101.PRE\* |  | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
|  |  |  |
| 104\* |  | Cover Page Interactive Data File (embedded within the inline XBRL document). |

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

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**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: October 25, 2019

AUTOLIV, INC.

(Registrant)

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

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Exhibit 10.2

**Employment Agreement**

The following employment agreement has been entered into by and between Autoliv AB, hereinafter referred to as the "Company", and Christian Hanke, hereinafter referred to as the "Employee".

|  |  |  |
| --- | --- | --- |
|  | **1.** | **General Provisions** |

**Employment**

The Employee shall be employed for an undetermined period of time by Autoliv AB as Vice President Corporate Control commencing on January 14, 2017. The parties may agree on an earlier start date.

The position is full-time and governed by the Swedish Employment Protection Act.

The Employee's place of work is Stockholm where all duties will be carried out, except for ordinary business trips.

In the event of a transfer to any other assignment within the Company or significant change of position, the employment conditions will be reviewed.

**Duties and Area of Responsibility**

The Employee undertakes to carry out such duties as the Company from time to time may impose on the Employee and as are naturally related to the Employee’s position.

**General Obligations**

The employment relationship shall be based on mutual loyalty and the promotion of the interests of the Company and, the Employee shall, during the term of employment and thereafter hold in complete confidence information concerning the Company’s products, business relationships, and other matters, which are not intended for any third party.

The employee shall perform his duties acknowledging the Company’s Code of Conduct.

**Prohibition of misuse of insider information**

The employee has received the Company’s insider dealing rules and has acquainted himself with them, and he undertakes to follow these rules.

**Intellectual property rights**

All intellectual property rights (including future rights, the right to assign and the right to modify) to the results of the Employee’s work shall be assigned by this contract to the Company within the limits of applicable law without separate compensation, unless agreed in writing.

Initials of the parties

|  |  |  |
| --- | --- | --- |
|  | **2.** | **Side-line Occupation** |

**Competing Activities**

The Employee may not, during the term of employment, be employed by, or have an assignment for, or in any other way, directly or indirectly, conduct any business within the field of activities of the Company or in any other manner be active within an area relating to such field.

**Other Activities**

The Employee may not, without the written consent of his direct manager accept any other position or assignment for which he receives compensation.

|  |  |  |
| --- | --- | --- |
|  | **3.** | **Compensation and Benefits** |

**Base Salary**

The Employee shall receive a fixed annual salary of SEK 1.500.000 in 2017 year’s salary level.

Compensation for travelling time and overtime shall be included in the fixed salary.

A review of the fixed salary shall be made annually, the first time in January 2018.

**Bonus**

Bonus is paid according to each time applicable rules and principles within the company for employees at equivalent level. Until otherwise changed the target bonus shall be 25% with a cap of 50% of the employees’ base salary.

The employee will be entitled to participate in the above mentioned bonus program for the full year 2016 (not pro-rated for the time worked), to compensate for any potential loss with the previous company (If a bonus is paid by the previous company for the year 2016, it will be deducted from the bonus payment from Autoliv for the year 2016, given the employee has started his employment with Autoliv earlier than December 1, 2016.)

**Equity Incentive program**

The employee will be eligible to participate in Autoliv’s Stock Incentive Plan 2017, provided that the plan has been approved by the Board of Directors.

**Health care**

The company will provide the employee with a yearly health examination according to the company’s policy for health care applicable from time to time.

|  |  |  |
| --- | --- | --- |
|  | **4.** | **Other Employment Terms** |

**Holiday**

The Employee shall be entitled to 30 days holiday per calendar year.

Initials of the parties

**Pension**

The employee is covered by an occupational pension plan (Industrins Tilläggspension, ITP2) according to applicable collective agreement.

|  |  |  |
| --- | --- | --- |
|  | **5.** | **Termination** |

**Notice of termination**

The period of notice of termination is six *(6)* months when given by the Employee and six *(6)* when given by the Company.

**Conditions during the notice period**

During the notice period or any part thereof, the Company shall be entitled, with immediate effect, to release the Employee from his duties concerning Company affairs. If the Employee is released from his duties during the notice period the Employee is entitled, by written consent by his direct manager to take up employment with another Employer or start his own business.

|  |  |  |
| --- | --- | --- |
|  | **6.** | **Miscellaneous** |

In relation to those aspects which are not governed by this contract, the terms and conditions for the Employee's employment correspond to the terms and conditions set forth in the collective agreements and regulations applicable to the Company.

The contents of this employment agreement, or any part thereof, may not be disclosed to any third party unless otherwise required by law or where the parties agree thereto.

All material, including copies, in possession of the Employee as a consequence of his employment with the Company shall be returned to the Company upon termination of the employment, or when the Employee resigns from his position during the period of notice of termination.

Benefits pursuant to this employment agreement may be deemed to be taxable benefits pursuant to tax legislation applicable from time to time. The Company shall not pay compensation in respect of any amendment to the tax legislation.

This employment agreement has been executed in two originals, identical counterparts of whom each party has received one.

|  |  |  |
| --- | --- | --- |
| Stockholm, July 14, 2016 |  | Stockholm, July 14, 2016 |

**Autoliv AB**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Mats Backman |  | Christian Hanke |
| CFO, Group VP Finance |  |  |

Initials of the parties

Exhibit 10.3

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on April 23, 2019 by and between Autoliv Inc. (the “Company”), and Frithjof Oldorff (the “Executive”), to be effective as of the Effective Date, as defined in Section 1. References herein to the “Company” shall, as applicable, be deemed to include the Company’s affiliates.

BACKGROUND

The Company desires to engage the President, Europe of the Company from and after the Effective Date, in accordance with the terms of this Agreement. The Executive is willing to serve as such in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1.Effective Date. The effective date of this Agreement (the “Effective Date”) shall be September 1, 2019 or such other date to which the parties agree.

2.Employment. The Executive is hereby employed on the Effective Date as the President, Europe of the Company. In this capacity, the Executive shall have the duties, responsibilities and authority commensurate with such position as shall be assigned to his by the Chief Executive Officer and President of the Company (the “Chief Executive Officer”). The principal workplace for the Executive shall be Dachau, Germany. Further, as requested by the Company, in his capacity as the President, Europe, the Executive will take the position as a Managing Director of subsidiaries or associated companies of the Company, in particular as a Managing Director of the German subsidiary Autoliv B.V. & Co. KG and will perform all necessary activities to execute these positions.

3.Employment Period. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company from the Effective Date and thereafter unless and until terminated by the Company or the Executive (the “Employment Period”); *provided*, *however*, that (i) the Company must give the Executive written notice of termination of the Executive’s employment not less than six (6) calendar months prior to such date of termination, and (ii) the Executive must give the Company written notice of termination of his employment not less than six (6) calendar months prior to such date of termination; *provided*, *further*, *however*, that in the event of a termination by the Company for Cause pursuant to Section 10(b) hereof, the 6-month notice requirement provided in clause (i) of the foregoing provision shall not apply and the Executive’s termination of employment shall be effective immediately. The right of the Company and the Executive to terminate the employment for good cause (termination in the meaning of section 626 of the German Civil Code (BGB)) with immediate effect remains unaffected. Notwithstanding the foregoing, the Executive’s employment shall automatically terminate at the latest upon expiry of the month in which the Executive reaches the applicable statutory retirement age or his complete reduction in earning capacity is determined (“Retirement”).

4.Extent of Service. During the Employment Period, the Executive shall use his best efforts to promote the interests of the Company and those of any parent, subsidiary and associated company of the Company, and shall devote his full time and attention during normal business hours to the business and affairs of the Company and any parent, subsidiary and associated company. In addition, the Executive shall devote as much time outside normal business hours to the performance of his duties as may in the interests of the Company be reasonably necessary; *provided*, *however*, that the Executive shall not receive any remuneration in addition to that set out in Section 5 hereof in respect of his work during such time. During the Employment Period, the Executive shall not, without the consent of the Chief Executive Officer, directly or indirectly, either alone or jointly with or as a director, manager, agent or servant of any other person, firm or company, be engaged, concerned or interested in any business in a manner that would conflict with the Executive’s duties under this Section 4 (including holding any shares, loan, stock or any other ownership interest in any competitor of the Company), *provided* that nothing in this Section 4 shall preclude the Executive from holding shares, loan, stock or any other ownership interest in an entity other than a competitor of the Company as an investment.

5.Compensation and Benefits.

(a)Base Salary. During the Employment Period, the Executive shall receive a gross salary at the rate of EURO 525,000 per year (“Base Salary”), less normal withholdings, payable in equal monthly or other installments as are or become customary under the Company’s payroll practices for its employees from time to time. The Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) shall review the Executive’s Base Salary annually during the Employment Period. Any adjustments to the Executive’s annual base salary shall become the Executive’s Base Salary for purposes of this Agreement.

(b)Bonus. During the Employment Period, the Executive shall be eligible to participate in the Company’s bonus plan for executive officers, if any, pursuant to which he will have an opportunity to receive an annual bonus based upon the achievement of performance goals established from year to year by the Compensation Committee (such bonus earned at the stated “target” level of achievement being referred to herein as the “Target Bonus”). Until otherwise changed by the Compensation Committee, the Executive’s Target Bonus shall be forty-five percent (45%) of his Base Salary.

(c)Equity Incentive Compensation. During the Employment Period, the Executive shall be eligible for equity grants under the Autoliv, Inc. Amended and Restated 1997 Stock Incentive Plan or any successor plan or plans, having such terms and conditions as awards to other peer executives of the Company, as determined by the Compensation Committee in its sole discretion, unless the Executive consents to a different type of award or different terms of such award than are applicable to other peer executives of the Company. Nothing herein requires the Compensation Committee to grant the Executive equity awards or other long-term incentive awards in any year. For the year 2019, the Company intends to award the Executive with a stock incentive grant in the form of Restricted Stock Units (“2019 RSUs”) as of the Effective Date with a full year grant value of 200,000 USD. The actual grant value will be calculated based on proration of the period between the Effective Date and December 31, 2019 to full calendar year 2019. The 2019 RSUs will vest on the third (3rd) anniversary of the 2019 RSUs Grant Date, provided that the Executive remains employed by the Company or a designated assignee on such date. The 2019

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RSUs shall have such other terms and conditions as provided in the Company’s standard form of restricted stock unit agreement. The Autoliv, Inc. Amended and Restated 1997 Stock Incentive Plan, or any successor plan or plans, may be terminated, adjusted or altered by the Company at its reasonably exercised discretion (in the meaning of “nach billigem Ermessen” according to section 315 of the German Civil Code (BGB)).

(d)Retention Stock Incentive Grant. In addition to 2019 RSUs, the Executive shall be eligible to receive a grant of restricted stock units (the “Retention RSUs”) having a value on the grant date equal to 400,000 USD (the “Retention Grant Value”). The grant will be made on the Effective Date (the “Retention RSU Grant Date”), pursuant to, and subject to the terms and conditions of the 1997 Plan. Fifty percent (50%) of the Retention RSUs will vest on the first (1st) anniversary of the Retention RSU Grant Date, and the remaining fifty percent (50%) will vest on the second (2nd) anniversary of the Retention RSU Grant Date, provided that the Executive remains employed by the Company or a designated assignee on each vesting date. The Retention RSUs shall have such other terms and conditions as provided in the Company’s standard form of restricted stock unit agreement.

(e)Expenses. The Executive shall be entitled to receive payment or reimbursement for all reasonable traveling, hotel and other expenses incurred by him in the performance of his duties under this Agreement, in accordance with the policies, practices and procedures of the Company as in effect from time to time. The Executive shall provide the Company with receipts, vouchers or other evidence of actual payment of the expenses to be reimbursed, as requested by the Company.

(f)Conditions of Employment. Normal conditions of employment as issued by the Company apply to the receipt of benefits under this Section 5.

Payments and Benefits Provided by Third Parties. The Company and the Executive agree that all payments and benefits owed by the Company to the Executive with regard to this Agreement can be provided by subsidiaries of the Company, in particular the German subsidiary Autoliv B.V. & Co. KG to the Executive and shall be deemed as performance of this Agreement by the Company vis-à-vis the Executive.

6.Holidays. The Executive shall be entitled to yearly holidays amounting to 30 days.

7.Benefits.

(a)Automobile. During the Employment Period, the Company shall provide the Executive with a company car. The Executive and his immediate family may also use the company car for personal purposes. The Company shall bear all petrol, maintenance and repair costs, as well as insurance costs and vehicle tax related to the Company car. The Executive shall, however, be liable for the payment of tax on the taxable benefit resulting from the right to use the company car for personal purposes.

(b)Pension Contribution. The Company shall pay pension premiums for defined contribution pension insurance with an amount equal to ten percent (10%) of the Executive’s Base Salary. The insurance shall be taken out at a reputable insurance company, to be approved of in advance by the Company.

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(c)Additional Benefits. The Company shall provide the Executive with an appropriate accident insurance and an annual health check-up in line with the Company policies.

(d)Social Security Contributions. The parties assume that the Executive’s services are subject to social security under German law. Given that, the Company will bear the respective statutory employer’s contributions. If the Executive chooses a private health insurance and/or a private nursing care insurance, the Company, against presentation of proof, pays up to half of the amount of which it would have to bear as its contribution to statutory health insurance and/or a nursing care insurance for the Executive, but limited to half of what the Executive pays.

8.Business or Trade Information. The Executive shall not during or after the termination of his employment hereunder disclose to any person, firm of company whatsoever or use for his own purpose or for any purposes other than those of the Company any information relating to the Company (including any parent, subsidiary or associated company of the Company) or its business or trade secrets of which he has or shall hereafter become possessed. These restrictions shall cease to apply to any information which may come into the public domain (other than by breach of the provisions hereof). In the event that the Executive does not comply with this Section 8, the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the preceding twelve (12) months, if the Executive continues to be employed, or during the last twelve (12) months prior to his Date of Termination, if the Executive’s employment has terminated; *provided*, *however*, that nothing in this Section 8 shall preclude the Company from pursuing arbitration in accordance with Section 16 herein and seeking additional damages from the Executive in the event that the Company is able to demonstrate to the arbitrators that the value of the damages incurred by the Company due to the Executive’s violation of this Section 8 exceed the aggregate value of the damages paid by the Executive to the Company pursuant to the foregoing provision.

9.Company Property. The Executive shall upon the termination of his employment hereunder for whatever reason immediately deliver to the Company all designs, specifications, correspondence and other documents, papers, the car provided hereunder and all other property belonging to the Company or any of its affiliated companies or which may have been prepared by him or have come into his possession in the course of his employment.

10.Termination of Employment.

(a)Death; Retirement. The Executive’s employment shall terminate automatically upon his death or Retirement.

(b)Termination by the Company. The Company may terminate the Executive’s employment during the Employment Period with or without Cause. “Cause” for termination by the Company of the Executive’s employment shall mean (i) willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board of Directors of the Company (the “Board”), which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially

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injurious to the Company, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Chief Executive Officer and Executive Vice President Human Resources establishes to the Board by clear and convincing evidence that Cause exists, subject to Section 10(f) hereof.

(c)Termination by the Executive. The Executive may terminate his employment during the Employment Period with Good Reason or without Good Reason. “Good Reason” shall mean the occurrence, without the Executive’s express written consent, of any of the following “Good Reason Events”:

(i)the assignment to the Executive of any duties inconsistent with the Executive’s status as an executive officer of the Company or a substantial adverse alteration in the nature or status of the Executive’s responsibilities from those in effect on the Effective Date other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(ii)a reduction by the Company in the Executive’s annual base salary as in effect on the Effective Date or as the same may be increased from time to time;

(iii)the failure by the Company to pay to the Executive any portion of the Executive’s current compensation within seven (7) days of the date such compensation is due;

(iv)the failure by the Company to continue in effect any compensation plan in which the Executive participates on the Effective Date which is material to the Executive’s total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive’s participation relative to other participants, as existed on the Effective Date; or

(v)the failure by any successor to the business of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

A termination by the Executive shall not constitute termination for Good Reason unless the Executive shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than 90 days after the initial occurrence of such event), and there shall have passed a reasonable time (not less than 30 days) within which the Company may take action to correct, rescind or otherwise substantially reverse the

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occurrence supporting termination for Good Reason as identified by the Executive. The Executive’s termination for Good Reason must occur within a period of 160 days after the occurrence of an event of Good Reason. The Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. Good Reason shall not include the Executive’s death.

(d)Notice of Termination. Any termination by the Company or the Executive of the Executive’s employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto. For purposes of this Agreement, a “Notice of Termination” shall mean a written notice which shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and (iii) specifies the termination date. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail. The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company’s rights hereunder.

(e)Date of Termination. Date of Termination. “Date of Termination” means (i) if the Executive’s employment is terminated other than by reason of death or Retirement, the end of the notice period specified in Section 3 hereof (if applicable), or (ii) if the Executive’s employment is terminated by reason of death, the Date of Termination shall be the date of death of the Executive, or (iii) if the Executive’s employment is terminated by reason of Retirement, the Date of Termination shall be the date of Retirement.

(f)Dispute Concerning Termination. Any disputes regarding the termination of the Executive’s employment shall be settled in accordance with Section 16 hereof (including, without limitation, the provisions regarding costs and expenses related to arbitration). If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 10(f)), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of the arbitrators (which is not appealable or with respect to which the time for appeal there from has expired and no appeal has been perfected); *provided*, *however*, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

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(g)Compensation During Dispute. If the Date of Termination is extended in accordance with Section 10(f) hereof, the Company shall continue to provide the Executive with the compensation and benefits specified in Section 5 hereof until the Date of Termination, as determined in accordance with Section 10(f) hereof. Amounts paid under this Section 10(g) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement; *provided, however*, that in the event that the arbitration results in a determination that the Executive is not entitled to the severance payments set forth in Section 11(a) hereof, then the Executive shall be obligated to promptly repay to the Company the compensation received by the Executive during the extended period pursuant to this Section 10(g).

Revocation of the Appointment as Managing Director. Notwithstanding the terms regarding the termination of employment, the appointment as Managing Director of a German subsidiary (GmbH), in particular of the Autoliv B.V. & Co. KG , can be revoked at any time by resolution of the shareholders´ of the applicable German subsidiary.

11.Obligations of the Company Upon Termination of Employment.

(a)Termination by the Company Other Than for Cause; Termination by the Executive for Good Reason. If, during the Employment Period, the Company shall terminate the Executive’s employment other than for Cause, or the Executive shall terminate employment for Good Reason, then, and only if within forty-five (45) days after the Date of Termination the Executive shall have executed a separation agreement containing a full general release of claims and covenant not to sue, in the form provided by the Company, and such separation agreement shall not have been revoked within such time period, within sixty (60) days after the Date of Termination (or such later date as may be required pursuant to Section 21(c) herein), the Company shall pay to the Executive a lump sum severance payment, in cash, equal to one and a half times (1.5x) the Executive’s Base Salary as in effect immediately prior to the Date of Termination.

(b)Death. If the Executive’s employment is terminated by reason of the Executive’s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive or the Executive’s legal representatives under this Agreement, other than such death benefits he or they would otherwise be entitled to receive under any plan, program, policy or practice or contract or agreement of the Company or its affiliated companies.

(c)Retirement. If the Executive’s employment is terminated in connection with his Retirement during the Employment Period, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

(d)Cause; Voluntary Resignation. If the Executive’s employment is terminated by the Company for Cause during the Employment Period, or the Executive voluntarily resigns his employment without Good Reason, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

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12.Non-Duplication of Benefits. Notwithstanding anything to contrary in this Agreement, the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein shall be offset and reduced to the extent necessary by any other compensation or benefits of the same or similar type, including those payable under local laws of any relevant jurisdiction, so that such other compensation or benefits, if any, do not augment the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein. It is intended that this Agreement not duplicate compensation or benefits the Executive is entitled to under country “redundancy” laws, the Company’s severance policy, if any, any related or similar policies, or any other contracts, agreements or arrangements between the Executive and the Company.

13.Non-Competition Covenant; Payment for Non-Competition Covenant.

(a)Except as provided in Section 13(b), during the twelve (12) months immediately following the termination of his employment with the Company, the Executive shall not (i) accept employment with a competitor of the Company in a capacity in which such competitor can make use of the confidential information relating to the Company that the Executive has obtained in his employment with the Company, (ii) engage as a partner or owner in such competitor of the Company, nor (iii) act as an advisor to such competitor (the “Non-Competition Covenant”).

(b)The Non-Competition Covenant shall not apply:

(i)in the event the Executive’s employment is terminated by the Company other than for Cause (pursuant to Section 10(b) hereof) or other than for good cause (in the meaning of section 626 of the German Civil Code (BGB)); or

(ii)in the event the Executive resigns for Good Reason.

(c)If the Executive does not comply with the Non-Competition Covenant when applicable, then (i) the Executive shall not be entitled to any benefits pursuant to Section 13(d) below during the period in which the Executive is not in compliance with such Non-Competition Covenant, and (ii) the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the last twelve (12) months prior to the Date of Termination.

(d)If the Non-Competition Covenant becomes operative, then the Company shall pay to the Executive, as compensation for the inconvenience of such Non-Competition Covenant, up to twelve (12) monthly payments equal to the Executive’s monthly Base Salary as in effect on the Date of Termination, less the monthly salary earned during such month by the Executive in a subsequent employment, if any; *provided*, *however*, that the aggregate monthly payments from the Company pursuant to this Section 13(d) shall not exceed sixty percent (60%) of the Executive’s annual Base Salary as in effect on the Date of Termination, and once the 60% aggregate amount has been paid, no further payments will be made under this Section 13(d). As a condition to the receipt of such payments, the Executive must inform the Company of his base salary in his new employment on a monthly basis. No payments shall be made under this Section 13 if the Executive’s employment is terminated in connection with his Retirement.

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14.Inventions.

(a)The general nature of any discovery, invention, secret process or improvement made or discovered by the Executive during the period of the Executive’s employment by the Company (hereinafter called “the Executive’s Inventions”) shall be notified by the Executive to the Company forthwith upon it being made or discovered.

(b)The entitlement as between the Company and the Executive to the Executive’s Inventions shall be determined in accordance with the current Act (1949:345) on the Right to Inventions made by Employees and the Executive acknowledges that because of the nature of his duties and the particular responsibilities arising therefrom he has a special obligation to further the interests of the Company’s undertaking.

(c)Where the Executive’s Inventions are to be assigned to the Company, the Executive shall make a full disclosure of the same to the Company and if and whenever required to do so shall at the expense of the Company apply, singly or jointly with the Company or other persons as required by the Company, for letters patent or other equivalent protection in Sweden and in any other part of the world of the Executive’s Inventions.

15.Disputes. Disputes regarding this Agreement (including, without limitation, disputes regarding the existence of Cause, good cause or Good Reason) shall be settled by arbitration in accordance with the rules of arbitration of the Deutsche Institution für Schiedsgerichtsbarkeit e.V. (DIS) (DIS-Schiedsgerichtsordnung) under exclusion from the system of ordinary courts. The arbitration shall take place in Munich and, unless otherwise agreed to by both parties, there shall be three (3) arbitrators. Each party has the right to name one of the arbitrators, the third arbitrator has to be named by the arbitrators, named by the parties. All costs and expenses for the arbitration, whether initiated by the Company or by the Executive, including the Executive’s costs for solicitor, shall be borne by the Company, unless the arbitrators determine the Executive’s claim(s) to be frivolous and in bad faith, in which case the arbitrators may allocate costs as they deem fit. Any payments due to the Executive pursuant to the preceding sentence shall be made within fifteen (15) business days after delivery of the Executive’s written request for payment accompanied with such evidence of costs and expenses incurred as the Company reasonably may require.

16.Governing Law. This Agreement shall be governed by and construed in accordance with German law.

17.Amendment. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board.

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18.Notices. All notices and other communications hereunder shall be in writing and shall be given by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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| --- | --- | --- |
| If to the Executive: |  | Frithjof Oldorff |
|  |  | Am Weinberg 20, 85241 Hebertshausen, Germany. |
|  |  |  |
| If to the Company: |  | Autoliv Inc. |
|  |  | WTC, Klarabergsviadukten 70 |
|  |  | 111 64 Stockholm, Sweden |

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

19.U.S. Tax Code Section 409A. This Section 19 shall apply only in the event that the Executive is or becomes a taxpayer under the laws of the United States at any time during the Employment Period.

(a)General. This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Nevertheless, the tax treatment of the benefits provided under the Agreement is not warranted or guaranteed. Neither the Company nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Executive as a result of the application of Section 409A of the Code.

(b)Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of the Executive’s termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to the Executive, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such termination of employment, as the case may be, meet any description or definition of or “separation from service,” as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the vesting of any Non-Exempt Deferred Compensation upon a termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant “separation from service,” as the case may be, or such later date as may be required by subsection (c) below. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

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(c)Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of the Executive’s separation from service during a period in which he is a “specified employee” (as defined in Code Section 409A and the final regulations thereunder), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A‑3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes), (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following the Executive’s separation from service will be accumulated through and paid or provided on the first day of the seventh month following the Executive’s separation from service (or, if the Executive dies during such period, within thirty (30) days after the Executive’s death) (in either case, the “Required Delay Period”); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

(d)Treatment of Installment Payments. Each payment of termination benefits under this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A‑2(b)(2), for purposes of Section 409A of the Code.

(e)Timing of Release of Claims. Whenever in this Agreement a payment or benefit is conditioned on the Executive’s execution and non-revocation of a release of claims, such as the separation agreement referenced in Section 11(a) hereof, such release must be executed and all revocation periods shall have expired within 60 days after the Date of Termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, subject to subsection (c) above, such payment or benefit (including any installment payments) that would have otherwise been payable during such 60-day period shall be accumulated and paid on the 60th day after the Date of Termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 60-day period.

(f)Timing of Reimbursements and In-kind Benefits. If the Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement and if such payments or reimbursements are includible in the Executive’s federal gross taxable income, the amount of such expenses payable or reimbursable in any one calendar year shall not affect the amount payable or reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. The right to any reimbursement for expenses incurred or provision of in-kind benefits is limited to the lifetime of the Executive, or such shorter period of time as is provided with respect to each particular right to reimbursement in-kind benefits pursuant to the preceding provisions of this Agreement. No right of the Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(*signatures on following page*)

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IN WITNESS whereof this Agreement has been executed the day and year first above written.

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|  |
| Frithjof Oldorff |
|  |
|  |
| Autoliv Inc. |
|  |
|  |
| Mikael Bratt |
| Chief Executive Officer and President |
|  |
|  |
| Sherry Vasa |
| EVP, Human Resources and Sustainability |

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Exhibit 10.4

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on March 18, 2019 by and between Autoliv Inc., a Delaware corporation (the “Company”), and Christian Swahn, personal code number [ ] (the “Executive”), to be effective as of the Effective Date, as defined in Section 1. References herein to the “Company” shall, as applicable, be deemed to include the Company’s affiliates.

BACKGROUND

The Company desires to engage the Executive as the Executive Vice President, Supply Chain Management of the Company from and after the Effective Date, in accordance with the terms of this Agreement. The Executive is willing to serve as such in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1.Effective Date. The effective date of this Agreement (the “Effective Date”) shall be latest September 20, 2019, or any other earlier date to which the parties agree.

2.Employment. The Executive is hereby employed on the Effective Date as the Executive Vice President, Supply Chain Management 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 President and CEO of the Company (the “President and CEO”). The principal workplace for the Executive shall be Stockholm, Sweden.

3.Employment Period. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company from the Effective Date and thereafter unless and until terminated by the Company or the Executive (the “Employment Period”); *provided*, *however*, that (i) the Company must give the Executive written notice of termination of the Executive’s employment not less than six (6) calendar months prior to such date of termination, and (ii) the Executive must give the Company written notice of termination of his employment not less than six (6) calendar months prior to such date of termination; *provided*, *further*, *however*, that in the event of a termination by the Company for Cause pursuant to Section 10(b) hereof, the 6-month notice requirement provided in clause (i) of the foregoing provision shall not apply and the Executive’s termination of employment shall be effective immediately. Notwithstanding the foregoing, the Executive’s employment shall automatically terminate on the earlier occurrence of the last day of the month preceding the Executive’s 65th birthday (“Retirement”).

4.Extent of Service. During the Employment Period, the Executive shall use his best efforts to promote the interests of the Company and those of any parent, subsidiary and associated company of the Company, and shall devote his full time and attention during normal business hours to the business and affairs of the Company and any parent, subsidiary and associated company. In addition, the Executive shall devote as much time outside normal business hours to the performance of his duties as may in the interests of the Company be reasonably necessary; *provided*, *however*, that the Executive shall not receive any remuneration in addition to that set out in Section 5 hereof in respect of his work during such time. During the Employment Period, the Executive shall not, without the consent of the President and CEO, directly or indirectly, either alone or jointly with or as a director, manager, agent or servant of any other person, firm or company, be engaged, concerned or interested in any business in a manner that would conflict with the Executive’s duties under this Section 4 (including holding any shares, loan, stock or any other ownership interest in any competitor of the Company), *provided* that nothing in this Section 4 shall preclude the Executive from holding shares, loan, stock or any other ownership interest in an entity other than a competitor of the Company as an investment.

5.Compensation and Benefits.

(a)Base Salary. During the Employment Period, the Executive shall receive a gross salary at the rate of SEK 3,000,000 per year (“Base Salary”), less normal withholdings, payable in equal monthly or other installments as are or become customary under the Company’s payroll practices for its employees from time to time. The Leadership Development and Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) shall review the Executive’s Base Salary annually during the Employment Period. Any adjustments to the Executive’s annual base salary shall become the Executive’s Base Salary for purposes of this Agreement. In addition to Base Salary, the Executive shall be entitled to the vacation supplement (currently 0.8 percent (0.8%) of 1/12 of Base Salary per vacation day).

(b)Bonus. During the Employment Period, the Executive shall be eligible to participate in the Company’s bonus plan for executive officers, if any, pursuant to which he will have an opportunity to receive an annual bonus based upon the achievement of performance goals established from year to year by the Compensation Committee (such bonus earned at the stated “target” level of achievement being referred to herein as the “Target Bonus”). Until otherwise changed by the Compensation Committee, the Executive’s Target Bonus shall be thirty-five percent (35%) of his Base Salary.

(c)Equity Incentive Compensation. During the Employment Period, the Executive shall be eligible for equity grants under the Autoliv, Inc. Amended and Restated 1997 Stock Incentive Plan or any successor plan or plans, having such terms and conditions as awards to other peer executives of the Company, as determined by the Compensation Committee in its sole discretion, unless the Executive consents to a different type of award or different terms of such award than are applicable to other peer executives of the Company. Nothing herein requires the Compensation Committee to grant the Executive equity awards or other long-term incentive awards in any year. For the year 2019, the Company intends to award the Executive with a stock incentive grant in the form of Restricted Stock Units (“2019 RSUs”) as of the Effective Date with a full year grant value of 175,000 USD. The actual grant value will be calculated based on proration of the period between the Effective Date and December 31, 2019 to full calendar year 2019. The 2019 RSUs will vest on the third (3rd) anniversary of the 2019 RSU Grant Date, provided that the Executive remains employed by the Company or a designated assignee on such date. The 2019 RSUs shall have such other terms and conditions as provided in the Company’s standard form of restricted stock unit agreement.

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(d)Automobile. The Company shall provide the Executive with a company car. The Executive and his immediate family may also use the company car for personal purposes. The Company shall bear all petrol, maintenance and repair costs, as well as insurance costs and vehicle tax related to the Company car. The Executive shall, however, be liable for the payment of tax on the taxable benefit resulting from the right to use the company car for personal purposes.

(e)Medical Benefits. The Executive and his spouse or significant other is entitled to a medical care insurance made available by the Company to the Executive.

(f)Expenses. The Executive shall be entitled to receive payment or reimbursement for all reasonable traveling, hotel and other expenses incurred by him in the performance of his duties under this Agreement, in accordance with the policies, practices and procedures of the Company as in effect from time to time. The Executive shall provide the Company with receipts, vouchers or other evidence of actual payment of the expenses to be reimbursed, as requested by the Company.

(g)Conditions of Employment. Normal conditions of employment as issued by the Company apply to the receipt of benefits under this Section 5.

6.Holidays. The Executive shall be entitled to yearly holidays amounting to 30 days.

7.Pension. The Company shall pay pension premiums for defined contribution pension insurance in Sweden, with an amount equal to thirty-five percent (35%) of the Executive’s Base Salary. The pension premiums shall include premiums under the ITP plan, giving the Executive certain benefits in the event of his temporary or permanent illness. The insurance shall be taken out at a reputable insurance company, to be approved of in advance by the Company.

8.Business or Trade Information. The Executive shall not during or after the termination of his employment hereunder disclose to any person, firm of company whatsoever or use for his own purpose or for any purposes other than those of the Company any information relating to the Company (including any parent, subsidiary or associated company of the Company) or its business or trade secrets of which he has or shall hereafter become possessed. These restrictions shall cease to apply to any information which may come into the public domain (other than by breach of the provisions hereof). In the event that the Executive does not comply with this Section 8, the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the preceding twelve (12) months, if the Executive continues to be employed, or during the last twelve (12) months prior to his Date of Termination, if the Executive’s employment has terminated; *provided*, *however*, that nothing in this Section 8 shall preclude the Company from pursuing arbitration in accordance with Section 16 herein and seeking additional damages from the Executive in the event that the Company is able to demonstrate to the arbitrators that the value of the damages incurred by the Company due to the Executive’s violation of this Section 8 exceed the aggregate value of the damages paid by the Executive to the Company pursuant to the foregoing provision.

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9.Company Property. The Executive shall upon the termination of his employment hereunder for whatever reason immediately deliver to the Company all designs, specifications, correspondence and other documents, papers, the car provided hereunder and all other property belonging to the Company or any of its affiliated companies or which may have been prepared by him or have come into his possession in the course of his employment.

10.Termination of Employment.

(a)Death; Retirement. The Executive’s employment shall terminate automatically upon his death or Retirement.

(b)Termination by the Company. The Company may terminate the Executive’s employment during the Employment Period with or without Cause. “Cause” for termination by the Company of the Executive’s employment shall mean (i) willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board of Directors of the Company (the “Board”), which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Chairman of the Board establishes to the Board by clear and convincing evidence that Cause exists, subject to Section 10(f) hereof.

(c)Termination by the Executive. The Executive may terminate his employment during the Employment Period with Good Reason or without Good Reason. “Good Reason” shall mean the occurrence, without the Executive’s express written consent, of any of the following “Good Reason Events”:

(i)the assignment to the Executive of any duties inconsistent with the Executive’s status as an executive officer of the Company or a substantial adverse alteration in the nature or status of the Executive’s responsibilities from those in effect on the Effective Date other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(ii)a reduction by the Company in the Executive’s annual base salary as in effect on the Effective Date or as the same may be increased from time to time;

(iii)the relocation of the Executive’s principal place of employment to a location more than 45 kilometers from the Executive’s principal place of employment on the Effective Date or the Company’s requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company’s business to an extent substantially consistent with the Executive’s present business travel obligations;

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(iv)the failure by the Company to pay to the Executive any portion of the Executive’s current compensation within seven (7) days of the date such compensation is due;

(v)the failure by the Company to continue in effect any compensation plan in which the Executive participates on the Effective Date which is material to the Executive’s total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive’s participation relative to other participants, as existed on the Effective Date; or

(vi)the failure by any successor to the business of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

A termination by the Executive shall not constitute termination for Good Reason unless the Executive shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than 90 days after the initial occurrence of such event), and there shall have passed a reasonable time (not less than 30 days) within which the Company may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by the Executive. The Executive’s termination for Good Reason must occur within a period of 160 days after the occurrence of an event of Good Reason. The Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. Good Reason shall not include the Executive’s death.

(d)Notice of Termination. Any termination by the Company or the Executive of the Executive’s employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto. For purposes of this Agreement, a “Notice of Termination” shall mean a written notice which shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and (iii) specifies the termination date. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail. The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company’s rights hereunder.

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(e)Date of Termination. “Date of Termination” means (i) if the Executive’s employment is terminated other than by reason of death or Retirement, the end of the notice period specified in Section 3 hereof (if applicable), or (ii) if the Executive’s employment is terminated by reason of death, the Date of Termination shall be the date of death of the Executive, or (iii) if the Executive’s employment is terminated by reason of Retirement, the Date of Termination shall be the date of Retirement.

(f)Dispute Concerning Termination. Any disputes regarding the termination of the Executive’s employment shall be settled in accordance with Section 16 hereof (including, without limitation, the provisions regarding costs and expenses related to arbitration). If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 10(f)), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of the arbitrators (which is not appealable or with respect to which the time for appeal there from has expired and no appeal has been perfected); *provided*, *however*, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

(g)Compensation During Dispute. If the Date of Termination is extended in accordance with Section 10(f) hereof, the Company shall continue to provide the Executive with the compensation and benefits specified in Section 5 hereof until the Date of Termination, as determined in accordance with Section 10(f) hereof. Amounts paid under this Section 10(g) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement; *provided, however*, that in the event that the arbitration results in a determination that the Executive is not entitled to the severance payments set forth in Section 11(a) hereof, then the Executive shall be obligated to promptly repay to the Company the compensation received by the Executive during the extended period pursuant to this Section 10(g).

11.Obligations of the Company Upon Termination of Employment.

(a)Termination by the Company Other Than for Cause; Termination by the Executive for Good Reason. If, during the Employment Period, the Company shall terminate the Executive’s employment other than for Cause, or the Executive shall terminate employment for Good Reason, then, and only if within forty-five (45) days after the Date of Termination the Executive shall have executed a separation agreement containing a full general release of claims and covenant not to sue, in the form provided by the Company, and such separation agreement shall not have been revoked within such time period, within sixty (60) days after the Date of Termination (or such later date as may be required pursuant to Section 21(c) herein), the Company shall pay to the Executive a lump sum severance payment, in cash, equal to one and a half times (1.5x) the Executive’s Base Salary as in effect immediately prior to the Date of Termination. In addition, the Company shall pay all relevant social costs attributable to such lump sum severance payment, in accordance with relevant Swedish law.

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(b)Death. If the Executive’s employment is terminated by reason of the Executive’s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive or the Executive’s legal representatives under this Agreement, other than such death benefits he or they would otherwise be entitled to receive under any plan, program, policy or practice or contract or agreement of the Company or its affiliated companies.

(c)Retirement. If the Executive’s employment is terminated in connection with his Retirement during the Employment Period, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

(d)Cause; Voluntary Resignation. If the Executive’s employment is terminated by the Company for Cause during the Employment Period, or the Executive voluntarily resigns his employment without Good Reason, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

12.Non-Duplication of Benefits. Notwithstanding anything to contrary in this Agreement, the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein shall be offset and reduced to the extent necessary by any other compensation or benefits of the same or similar type, including those payable under local laws of any relevant jurisdiction, so that such other compensation or benefits, if any, do not augment the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein. It is intended that this Agreement not duplicate compensation or benefits the Executive is entitled to under country “redundancy” laws, the Company’s severance policy, if any, any related or similar policies, or any other contracts, agreements or arrangements between the Executive and the Company.

13.Non-Competition Covenant; Payment for Non-Competition Covenant.

(a)Except as provided in Section 13(b), during the twelve (12) months immediately following the termination of his employment with the Company, the Executive shall not (i) accept employment with a competitor of the Company in a capacity in which such competitor can make use of the confidential information relating to the Company that the Executive has obtained in his employment with the Company, (ii) engage as a partner or owner in such competitor of the Company, nor (iii) act as an advisor to such competitor (the “Non-Competition Covenant”).

(b)The Non-Competition Covenant shall not apply:

(i)in the event the Executive’s employment is terminated by the Company other than for Cause; or

(ii)in the event the Executive resigns for Good Reason.

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(c)If the Executive does not comply with the Non-Competition Covenant when applicable, then (i) the Executive shall not be entitled to any benefits pursuant to Section 13(d) below during the period in which the Executive is not in compliance with such Non-Competition Covenant, and (ii) the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the last twelve (12) months prior to the Date of Termination.

(d)If the Non-Competition Covenant becomes operative, then the Company shall pay to the Executive, as compensation for the inconvenience of such Non-Competition Covenant, up to twelve (12) monthly payments equal to the Executive’s monthly Base Salary as in effect on the Date of Termination, less the monthly salary earned during such month by the Executive in a subsequent employment, if any; *provided*, *however*, that the aggregate monthly payments from the Company pursuant to this Section 13(d) shall not exceed sixty percent (60%) of the Executive’s annual Base Salary as in effect on the Date of Termination, and once the 60% aggregate amount has been paid, no further payments will be made under this Section 13(d). As a condition to the receipt of such payments, the Executive must inform the Company of his base salary in his new employment on a monthly basis. No payments shall be made under this Section 13 if the Executive’s employment is terminated in connection with his Retirement.

14.Inventions.

(a)The general nature of any discovery, invention, secret process or improvement made or discovered by the Executive during the period of the Executive’s employment by the Company (hereinafter called “the Executive’s Inventions”) shall be notified by the Executive to the Company forthwith upon it being made or discovered.

(b)The entitlement as between the Company and the Executive to the Executive’s Inventions shall be determined in accordance with the current Act (1949:345) on the Right to Inventions made by Employees and the Executive acknowledges that because of the nature of his duties and the particular responsibilities arising therefrom he has a special obligation to further the interests of the Company’s undertaking.

(c)Where the Executive’s Inventions are to be assigned to the Company, the Executive shall make a full disclosure of the same to the Company and if and whenever required to do so shall at the expense of the Company apply, singly or jointly with the Company or other persons as required by the Company, for letters patent or other equivalent protection in Sweden and in any other part of the world of the Executive’s Inventions.

15.Entire Agreement. This Agreement supersedes the Prior Agreement and any other previous agreements and arrangements whether written, oral or implied between the Company or Autoliv and the Executive relating to the employment of the Executive, without prejudice to any rights accrued to the Company or the Executive prior to the commencement of his employment under this Agreement.

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16.Disputes. Disputes regarding this Agreement (including, without limitation, disputes regarding the existence of Cause or Good Reason) shall be settled by arbitration in accordance with the Swedish Arbitration Act. The arbitration shall take place in Stockholm and, unless otherwise agreed to by both parties, there shall be three (3) arbitrators. The provisions on voting and cumulation of parties and claims in the Swedish Procedural Code shall be applied in the arbitration. All costs and expenses for the arbitration, whether initiated by the Company or by the Executive, including the Executive’s costs for solicitor, shall be borne by the Company, unless the arbitrators determine the Executive’s claim(s) to be frivolous and in bad faith, in which case the arbitrators may allocate costs as they deem fit. Any payments due to the Executive pursuant to the preceding sentence shall be made within fifteen (15) business days after delivery of the Executive’s written request for payment accompanied with such evidence of costs and expenses incurred as the Company reasonably may require.

17.Governing Law. This Agreement shall be governed by and construed in accordance with Swedish law and, where applicable, the laws of any applicable local jurisdictions.

18.Amendment. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board.

19.Notices. All notices and other communications hereunder shall be in writing and shall be given by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

|  |  |  |
| --- | --- | --- |
| If to the Executive: |  | Christian Swahn |
|  |  | Jojos Väg 9 |
|  |  | 439 31 Onsala |
|  |  |  |
| If to the Company: |  | Autoliv Inc. |
|  |  | WTC, Klarabergsviadukten 70, |
|  |  | 111 64 Stockholm, Sweden |
|  |  | Attention: Secretary |

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

20.U.S. Tax Code Section 409A. This Section 21 shall apply only in the event that the Executive is or becomes a taxpayer under the laws of the United States at any time during the Employment Period.

(a)General. This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Nevertheless, the tax treatment of the benefits provided under the Agreement is not warranted or guaranteed. Neither the Company nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Executive as a result of the application of Section 409A of the Code.

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(b)Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of the Executive’s termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to the Executive, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such termination of employment, as the case may be, meet any description or definition of “separation from service,” as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the vesting of any Non-Exempt Deferred Compensation upon a or termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant “separation from service,” as the case may be, or such later date as may be required by subsection (c) below. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

(c)Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of the Executive’s separation from service during a period in which he is a “specified employee” (as defined in Code Section 409A and the final regulations thereunder), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A‑3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes), (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following the Executive’s separation from service will be accumulated through and paid or provided on the first day of the seventh month following the Executive’s separation from service (or, if the Executive dies during such period, within thirty (30) days after the Executive’s death) (in either case, the “Required Delay Period”); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

(d)Treatment of Installment Payments. Each payment of termination benefits under this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A‑2(b)(2), for purposes of Section 409A of the Code.

(e)Timing of Release of Claims. Whenever in this Agreement a payment or benefit is conditioned on the Executive’s execution and non-revocation of a release of claims, such as the separation agreement referenced in Section 11(a) hereof, such release must be executed and all revocation periods shall have expired within 60 days after the Date of Termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, subject to subsection (c) above, such payment or benefit (including any installment payments) that would have otherwise been payable during such 60-day period shall be accumulated and paid on the 60th day after the Date of Termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 60-day period.

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(f)Timing of Reimbursements and In-kind Benefits. If the Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement and if such payments or reimbursements are includible in the Executive’s federal gross taxable income, the amount of such expenses payable or reimbursable in any one calendar year shall not affect the amount payable or reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. The right to any reimbursement for expenses incurred or provision of in-kind benefits is limited to the lifetime of the Executive, or such shorter period of time as is provided with respect to each particular right to reimbursement in-kind benefits pursuant to the preceding provisions of this Agreement. No right of the Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(*signatures on following page*)

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IN WITNESS whereof this Agreement has been executed the day and year first above written.

|  |
| --- |
|  |
| Christian Swahn |
|  |
|  |
| Autoliv, Inc. |
|  |
|  |
| Mikael Bratt |
| President and CEO |
|  |
|  |
| Sherry Vasa |
| EVP, Human Resources and Sustainability |

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Exhibit 10.5

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on February 15, 2019 by and between Autoliv Inc., a Delaware corporation (the “Company”), and Magnus Jarlegren, personal code number [ ] (the “Executive”), to be effective as of the Effective Date, as defined in Section 1. References herein to the “Company” shall, as applicable, be deemed to include the Company’s affiliates.

BACKGROUND

The Company desires to engage the Executive as the Executive Vice President, Operations of the Company from and after the Effective Date, in accordance with the terms of this Agreement. The Executive is willing to serve as such in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1.Effective Date. The effective date of this Agreement (the “Effective Date”) shall be latest August 15, 2019, or any other earlier date to which the parties agree.

2.Employment. The Executive is hereby employed on the Effective Date as the Executive Vice President, Operations 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 President and CEO of the Company (the “President and CEO”). The principal workplace for the Executive shall be Stockholm, Sweden.

3.Employment Period. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company from the Effective Date and thereafter unless and until terminated by the Company or the Executive (the “Employment Period”); *provided*, *however*, that (i) the Company must give the Executive written notice of termination of the Executive’s employment not less than six (6) calendar months prior to such date of termination, and (ii) the Executive must give the Company written notice of termination of his employment not less than six (6) calendar months prior to such date of termination; *provided*, *further*, *however*, that in the event of a termination by the Company for Cause pursuant to Section 10(b) hereof, the 6-month notice requirement provided in clause (i) of the foregoing provision shall not apply and the Executive’s termination of employment shall be effective immediately. Notwithstanding the foregoing, the Executive’s employment shall automatically terminate on the earlier occurrence of the last day of the month preceding the Executive’s 65th birthday (“Retirement”).

4.Extent of Service. During the Employment Period, the Executive shall use his best efforts to promote the interests of the Company and those of any parent, subsidiary and associated company of the Company, and shall devote his full time and attention during normal business hours to the business and affairs of the Company and any parent, subsidiary and associated company. In addition, the Executive shall devote as much time outside normal business hours to the performance of his duties as may in the interests of the Company be reasonably necessary;

*provided*, *however*, that the Executive shall not receive any remuneration in addition to that set out in Section 5 hereof in respect of his work during such time. During the Employment Period, the Executive shall not, without the consent of the President and CEO, directly or indirectly, either alone or jointly with or as a director, manager, agent or servant of any other person, firm or company, be engaged, concerned or interested in any business in a manner that would conflict with the Executive’s duties under this Section 4 (including holding any shares, loan, stock or any other ownership interest in any competitor of the Company), *provided* that nothing in this Section 4 shall preclude the Executive from holding shares, loan, stock or any other ownership interest in an entity other than a competitor of the Company as an investment.

5.Compensation and Benefits.

(a)Base Salary. During the Employment Period, the Executive shall receive a gross salary at the rate of SEK 2,960,000 per year (“Base Salary”), less normal withholdings, payable in equal monthly or other installments as are or become customary under the Company’s payroll practices for its employees from time to time. The Leadership Development and Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) shall review the Executive’s Base Salary annually during the Employment Period. Any adjustments to the Executive’s annual base salary shall become the Executive’s Base Salary for purposes of this Agreement. In addition to Base Salary, the Executive shall be entitled to the vacation supplement (currently 0.8 percent (0.8%) of 1/12 of Base Salary per vacation day).

(b)Bonus. During the Employment Period, the Executive shall be eligible to participate in the Company’s bonus plan for executive officers, if any, pursuant to which he will have an opportunity to receive an annual bonus based upon the achievement of performance goals established from year to year by the Compensation Committee (such bonus earned at the stated “target” level of achievement being referred to herein as the “Target Bonus”). Until otherwise changed by the Compensation Committee, the Executive’s Target Bonus shall be thirty-five percent (35%) of his Base Salary.

(c)Equity Incentive Compensation. During the Employment Period, the Executive shall be eligible for equity grants under the Autoliv, Inc. Amended and Restated 1997 Stock Incentive Plan or any successor plan or plans, having such terms and conditions as awards to other peer executives of the Company, as determined by the Compensation Committee in its sole discretion, unless the Executive consents to a different type of award or different terms of such award than are applicable to other peer executives of the Company. Nothing herein requires the Compensation Committee to grant the Executive equity awards or other long-term incentive awards in any year. For the year 2019, the Company intends to award the Executive with a stock incentive grant in the form of Restricted Stock Units (“2019 RSUs”) as of the Effective Date with a full year grant value of 175,000 USD. The actual grant value will be calculated based on proration of the period between the Effective Date and December 31, 2019 to full calendar year 2019. The 2019 RSUs will vest on the third (3rd) anniversary of the 2019 RSU Grant Date, provided that the Executive remains employed by the Company or a designated assignee on such date. The 2019 RSUs shall have such other terms and conditions as provided in the Company’s standard form of restricted stock unit agreement.

(d)Sign-on Bonus. The Executive shall be eligible to receive a sign-on bonus equal to 1,000,000 SEK within a month following the Effective Date.

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(e)Retention Stock Incentive Grant. In addition to 2019 RSUs, the Executive shall be eligible to receive a grant of restricted stock units (the “Retention RSUs”) having a value on the grant date equal to 1,800,000 SEK (the “Retention Grant Value”). The grant will be made on the Effective Date (the “Retention RSU Grant Date”), pursuant to, and subject to the terms and conditions of, the 1997 Plan. Fifty percent (50%) of the Retention RSUs will vest on the first (1st) anniversary of the Retention RSU Grant Date, and the remaining fifty percent (50%) will vest on the second (2nd) anniversary of the Retention RSU Grant Date, provided that the Executive remains employed by the Company or a designated assignee on each vesting date. The Retention RSUs shall have such other terms and conditions as provided in the Company’s standard form of restricted stock unit agreement.

(f)Automobile. The Company shall provide the Executive with a company car. The Executive and his immediate family may also use the company car for personal purposes. The Company shall bear all petrol, maintenance and repair costs, as well as insurance costs and vehicle tax related to the Company car. The Executive shall, however, be liable for the payment of tax on the taxable benefit resulting from the right to use the company car for personal purposes.

(g)Medical Benefits. The Executive and his spouse or significant other is entitled to a medical care insurance made available by the Company to the Executive.

(h)Expenses. The Executive shall be entitled to receive payment or reimbursement for all reasonable traveling, hotel and other expenses incurred by him in the performance of his duties under this Agreement, in accordance with the policies, practices and procedures of the Company as in effect from time to time. The Executive shall provide the Company with receipts, vouchers or other evidence of actual payment of the expenses to be reimbursed, as requested by the Company.

(i)Conditions of Employment. Normal conditions of employment as issued by the Company apply to the receipt of benefits under this Section 5.

6.Holidays. The Executive shall be entitled to yearly holidays amounting to 30 days.

7.Pension. The Company shall pay pension premiums for defined contribution pension insurance in Sweden, with an amount equal to thirty-five percent (35%) of the Executive’s Base Salary. The pension premiums shall include premiums under the ITP plan, giving the Executive certain benefits in the event of his temporary or permanent illness. The insurance shall be taken out at a reputable insurance company, to be approved of in advance by the Company.

8.Business or Trade Information. The Executive shall not during or after the termination of his employment hereunder disclose to any person, firm of company whatsoever or use for his own purpose or for any purposes other than those of the Company any information relating to the Company (including any parent, subsidiary or associated company of the Company) or its business or trade secrets of which he has or shall hereafter become possessed. These restrictions shall cease to apply to any information which may come into the public domain (other than by breach of the provisions hereof). In the event that the Executive does not comply with this Section 8, the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the preceding twelve (12) months, if the Executive continues to be employed, or during the last twelve (12) months prior to his Date of Termination,

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if the Executive’s employment has terminated; *provided*, *however*, that nothing in this Section 8 shall preclude the Company from pursuing arbitration in accordance with Section 16 herein and seeking additional damages from the Executive in the event that the Company is able to demonstrate to the arbitrators that the value of the damages incurred by the Company due to the Executive’s violation of this Section 8 exceed the aggregate value of the damages paid by the Executive to the Company pursuant to the foregoing provision.

9.Company Property. The Executive shall upon the termination of his employment hereunder for whatever reason immediately deliver to the Company all designs, specifications, correspondence and other documents, papers, the car provided hereunder and all other property belonging to the Company or any of its affiliated companies or which may have been prepared by him or have come into his possession in the course of his employment.

10.Termination of Employment.

(a)Death; Retirement. The Executive’s employment shall terminate automatically upon his death or Retirement.

(b)Termination by the Company. The Company may terminate the Executive’s employment during the Employment Period with or without Cause. “Cause” for termination by the Company of the Executive’s employment shall mean (i) willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board of Directors of the Company (the “Board”), which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Chairman of the Board establishes to the Board by clear and convincing evidence that Cause exists, subject to Section 10(f) hereof.

(c)Termination by the Executive. The Executive may terminate his employment during the Employment Period with Good Reason or without Good Reason. “Good Reason” shall mean the occurrence, without the Executive’s express written consent, of any of the following “Good Reason Events”:

(i)the assignment to the Executive of any duties inconsistent with the Executive’s status as an executive officer of the Company or a substantial adverse alteration in the nature or status of the Executive’s responsibilities from those in effect on the Effective Date other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(ii)a reduction by the Company in the Executive’s annual base salary as in effect on the Effective Date or as the same may be increased from time to time;

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(iii)the relocation of the Executive’s principal place of employment to a location more than 45 kilometers from the Executive’s principal place of employment on the Effective Date or the Company’s requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company’s business to an extent substantially consistent with the Executive’s present business travel obligations;

(iv)the failure by the Company to pay to the Executive any portion of the Executive’s current compensation within seven (7) days of the date such compensation is due;

(v)the failure by the Company to continue in effect any compensation plan in which the Executive participates on the Effective Date which is material to the Executive’s total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive’s participation relative to other participants, as existed on the Effective Date; or

(vi)the failure by any successor to the business of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

A termination by the Executive shall not constitute termination for Good Reason unless the Executive shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than 90 days after the initial occurrence of such event), and there shall have passed a reasonable time (not less than 30 days) within which the Company may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by the Executive. The Executive’s termination for Good Reason must occur within a period of 160 days after the occurrence of an event of Good Reason. The Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. Good Reason shall not include the Executive’s death.

(d)Notice of Termination. Any termination by the Company or the Executive of the Executive’s employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto. For purposes of this Agreement, a “Notice of Termination” shall mean a written notice which shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and (iii) specifies the termination date. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative

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vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail. The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company’s rights hereunder.

(e)Date of Termination. “Date of Termination” means (i) if the Executive’s employment is terminated other than by reason of death or Retirement, the end of the notice period specified in Section 3 hereof (if applicable), or (ii) if the Executive’s employment is terminated by reason of death, the Date of Termination shall be the date of death of the Executive, or (iii) if the Executive’s employment is terminated by reason of Retirement, the Date of Termination shall be the date of Retirement.

(f)Dispute Concerning Termination. Any disputes regarding the termination of the Executive’s employment shall be settled in accordance with Section 16 hereof (including, without limitation, the provisions regarding costs and expenses related to arbitration). If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 10(f)), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of the arbitrators (which is not appealable or with respect to which the time for appeal there from has expired and no appeal has been perfected); *provided*, *however*, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

(g)Compensation During Dispute. If the Date of Termination is extended in accordance with Section 10(f) hereof, the Company shall continue to provide the Executive with the compensation and benefits specified in Section 5 hereof until the Date of Termination, as determined in accordance with Section 10(f) hereof. Amounts paid under this Section 10(g) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement; *provided, however*, that in the event that the arbitration results in a determination that the Executive is not entitled to the severance payments set forth in Section 11(a) hereof, then the Executive shall be obligated to promptly repay to the Company the compensation received by the Executive during the extended period pursuant to this Section 10(g).

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11.Obligations of the Company Upon Termination of Employment.

(a)Termination by the Company Other Than for Cause; Termination by the Executive for Good Reason. If, during the Employment Period, the Company shall terminate the Executive’s employment other than for Cause, or the Executive shall terminate employment for Good Reason, then, and only if within forty-five (45) days after the Date of Termination the Executive shall have executed a separation agreement containing a full general release of claims and covenant not to sue, in the form provided by the Company, and such separation agreement shall not have been revoked within such time period, within sixty (60) days after the Date of Termination (or such later date as may be required pursuant to Section 21(c) herein), the Company shall pay to the Executive a lump sum severance payment, in cash, equal to one and a half times (1.5x) the Executive’s Base Salary as in effect immediately prior to the Date of Termination. In addition, the Company shall pay all relevant social costs attributable to such lump sum severance payment, in accordance with relevant Swedish law.

(b)Death. If the Executive’s employment is terminated by reason of the Executive’s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive or the Executive’s legal representatives under this Agreement, other than such death benefits he or they would otherwise be entitled to receive under any plan, program, policy or practice or contract or agreement of the Company or its affiliated companies.

(c)Retirement. If the Executive’s employment is terminated in connection with his Retirement during the Employment Period, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

(d)Cause; Voluntary Resignation. If the Executive’s employment is terminated by the Company for Cause during the Employment Period, or the Executive voluntarily resigns his employment without Good Reason, this Agreement shall terminate without further obligations to the Executive; *provided*, *however*, that the Executive shall nonetheless be subject to the covenants set forth in Section 13 herein.

12.Non-Duplication of Benefits. Notwithstanding anything to contrary in this Agreement, the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein shall be offset and reduced to the extent necessary by any other compensation or benefits of the same or similar type, including those payable under local laws of any relevant jurisdiction, so that such other compensation or benefits, if any, do not augment the aggregate of any amounts payable to the Executive by the Company pursuant to Section 5 (including any compensation and benefits paid pursuant to such section during any applicable termination notice period pursuant to Section 3), Section 10(g) or Section 11 herein. It is intended that this Agreement not duplicate compensation or benefits the Executive is entitled to under country “redundancy” laws, the Company’s severance policy, if any, any related or similar policies, or any other contracts, agreements or arrangements between the Executive and the Company.

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13.Non-Competition Covenant; Payment for Non-Competition Covenant.

(a)Except as provided in Section 13(b), during the twelve (12) months immediately following the termination of his employment with the Company, the Executive shall not (i) accept employment with a competitor of the Company in a capacity in which such competitor can make use of the confidential information relating to the Company that the Executive has obtained in his employment with the Company, (ii) engage as a partner or owner in such competitor of the Company, nor (iii) act as an advisor to such competitor (the “Non-Competition Covenant”).

(b)The Non-Competition Covenant shall not apply:

(i)in the event the Executive’s employment is terminated by the Company other than for Cause; or

(ii)in the event the Executive resigns for Good Reason.

(c)If the Executive does not comply with the Non-Competition Covenant when applicable, then (i) the Executive shall not be entitled to any benefits pursuant to Section 13(d) below during the period in which the Executive is not in compliance with such Non-Competition Covenant, and (ii) the Company shall be entitled to damages equal to six (6) times the average monthly Base Salary that the Executive received during the last twelve (12) months prior to the Date of Termination.

(d)If the Non-Competition Covenant becomes operative, then the Company shall pay to the Executive, as compensation for the inconvenience of such Non-Competition Covenant, up to twelve (12) monthly payments equal to the Executive’s monthly Base Salary as in effect on the Date of Termination, less the monthly salary earned during such month by the Executive in a subsequent employment, if any; *provided*, *however*, that the aggregate monthly payments from the Company pursuant to this Section 13(d) shall not exceed sixty percent (60%) of the Executive’s annual Base Salary as in effect on the Date of Termination, and once the 60% aggregate amount has been paid, no further payments will be made under this Section 13(d). As a condition to the receipt of such payments, the Executive must inform the Company of his base salary in his new employment on a monthly basis. No payments shall be made under this Section 13 if the Executive’s employment is terminated in connection with his Retirement.

14.Inventions.

(a)The general nature of any discovery, invention, secret process or improvement made or discovered by the Executive during the period of the Executive’s employment by the Company (hereinafter called “the Executive’s Inventions”) shall be notified by the Executive to the Company forthwith upon it being made or discovered.

(b)The entitlement as between the Company and the Executive to the Executive’s Inventions shall be determined in accordance with the current Act (1949:345) on the Right to Inventions made by Employees and the Executive acknowledges that because of the nature of his duties and the particular responsibilities arising therefrom he has a special obligation to further the interests of the Company’s undertaking.

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(c)Where the Executive’s Inventions are to be assigned to the Company, the Executive shall make a full disclosure of the same to the Company and if and whenever required to do so shall at the expense of the Company apply, singly or jointly with the Company or other persons as required by the Company, for letters patent or other equivalent protection in Sweden and in any other part of the world of the Executive’s Inventions.

15.Entire Agreement. This Agreement supersedes the Prior Agreement and any other previous agreements and arrangements whether written, oral or implied between the Company or Autoliv and the Executive relating to the employment of the Executive, without prejudice to any rights accrued to the Company or the Executive prior to the commencement of his employment under this Agreement.

16.Disputes. Disputes regarding this Agreement (including, without limitation, disputes regarding the existence of Cause or Good Reason) shall be settled by arbitration in accordance with the Swedish Arbitration Act. The arbitration shall take place in Stockholm and, unless otherwise agreed to by both parties, there shall be three (3) arbitrators. The provisions on voting and cumulation of parties and claims in the Swedish Procedural Code shall be applied in the arbitration. All costs and expenses for the arbitration, whether initiated by the Company or by the Executive, including the Executive’s costs for solicitor, shall be borne by the Company, unless the arbitrators determine the Executive’s claim(s) to be frivolous and in bad faith, in which case the arbitrators may allocate costs as they deem fit. Any payments due to the Executive pursuant to the preceding sentence shall be made within fifteen (15) business days after delivery of the Executive’s written request for payment accompanied with such evidence of costs and expenses incurred as the Company reasonably may require.

17.Governing Law. This Agreement shall be governed by and construed in accordance with Swedish law and, where applicable, the laws of any applicable local jurisdictions.

18.Amendment. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board.

19.Notices. All notices and other communications hereunder shall be in writing and shall be given by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

|  |  |  |
| --- | --- | --- |
| If to the Executive: |  | Magnus Jarlegren |
|  |  | Kippholmsvägen 40 |
|  |  | 42363 Torslanda, Sweden |
|  |  |  |
| If to the Company: |  | Autoliv Inc. |
|  |  | WTC, Klarabergsviadukten 70, |
|  |  | 111 64 Stockholm, Sweden |
|  |  | Attention: Secretary |

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

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20.U.S. Tax Code Section 409A. This Section 21 shall apply only in the event that the Executive is or becomes a taxpayer under the laws of the United States at any time during the Employment Period.

(a)General. This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Nevertheless, the tax treatment of the benefits provided under the Agreement is not warranted or guaranteed. Neither the Company nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Executive as a result of the application of Section 409A of the Code.

(b)Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of the Executive’s termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to the Executive, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such termination of employment, as the case may be, meet any description or definition of “separation from service,” as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the vesting of any Non-Exempt Deferred Compensation upon a or termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant “separation from service,” as the case may be, or such later date as may be required by subsection (c) below. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

(c)Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of the Executive’s separation from service during a period in which he is a “specified employee” (as defined in Code Section 409A and the final regulations thereunder), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A‑3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes), (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following the Executive’s separation from service will be accumulated through and paid or provided on the first day of the seventh month following the Executive’s separation from service (or, if the Executive dies during such period, within thirty (30) days after the Executive’s death) (in either case, the “Required Delay Period”); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

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(d)Treatment of Installment Payments. Each payment of termination benefits under this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A‑2(b)(2), for purposes of Section 409A of the Code.

(e)Timing of Release of Claims. Whenever in this Agreement a payment or benefit is conditioned on the Executive’s execution and non-revocation of a release of claims, such as the separation agreement referenced in Section 11(a) hereof, such release must be executed and all revocation periods shall have expired within 60 days after the Date of Termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, subject to subsection (c) above, such payment or benefit (including any installment payments) that would have otherwise been payable during such 60-day period shall be accumulated and paid on the 60th day after the Date of Termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 60-day period.

(f)Timing of Reimbursements and In-kind Benefits. If the Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement and if such payments or reimbursements are includible in the Executive’s federal gross taxable income, the amount of such expenses payable or reimbursable in any one calendar year shall not affect the amount payable or reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. The right to any reimbursement for expenses incurred or provision of in-kind benefits is limited to the lifetime of the Executive, or such shorter period of time as is provided with respect to each particular right to reimbursement in-kind benefits pursuant to the preceding provisions of this Agreement. No right of the Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(*signatures on following page*)

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IN WITNESS whereof this Agreement has been executed the day and year first above written.

|  |
| --- |
|  |
| Magnus Jarlegren |
|  |
| Autoliv, Inc. |
|  |
| Mikael Bratt |
| President and CEO |
|  |
| Sherry Vasa |
| EVP, Human Resources and Sustainability |

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Exhibit 10.6

**DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT**

This Director and Officer Indemnification Agreement, dated as of , 2019 (this “***Agreement***”), is made by and between Autoliv, Inc., a Delaware corporation (the “***Company***”), and , (“***Indemnitee***”).

**RECITALS**:

A. Section 141 of the Delaware General Corporation Law provides that the business and affairs of a corporation shall be managed by or under the direction of its board of directors. Section 142 of the Delaware General Corporation Law authorizes the appointment of persons to serve as officers of a corporation.

B. By virtue of the managerial prerogatives vested in the directors and officers of a Delaware corporation, directors and officers act as fiduciaries of the corporation and its stockholders.

C. Thus, it is critically important to the Company and its stockholders that the Company be able to attract and retain the most capable persons reasonably available to serve as directors and officers of the Company.

D. In recognition of the need for corporations to be able to induce capable and responsible persons to accept positions in corporate management, Delaware law authorizes (and in some instances requires) corporations to indemnify their directors and officers, and further authorizes corporations to purchase and maintain insurance for the benefit of their directors and officers.

E. The Delaware courts have recognized that indemnification by a corporation serves the dual policies of (1) allowing corporate officials to resist unjustified lawsuits, secure in the knowledge that, if vindicated, the corporation will bear the expense of litigation, and (2) encouraging capable individuals to serve as corporate directors and officers, secure in the knowledge that the corporation will absorb the costs of defending their honesty and integrity.

F. The number of lawsuits challenging the judgment and actions of directors and officers of Delaware corporations, the costs of defending those lawsuits and the threat to directors’ personal assets have all materially increased over the past several years, chilling the willingness of capable individuals to undertake the responsibilities imposed on corporate directors and officers.

G. Recent federal legislation and rules adopted by the Securities and Exchange Commission and the national securities exchanges have exposed such directors and officers to new and substantially broadened civil liabilities.

H. Under Delaware law, a director’s or officer’s right to be reimbursed for the costs of defense of criminal actions, whether such claims are asserted under state or federal law, does not depend upon the merits of the claims asserted against the director or officer and is separate and distinct from any right to indemnification the director or officer may be able to establish.

I. Indemnitee is, or will be, a director and/or officer of the Company and his willingness to serve in such capacity is predicated, in substantial part, upon the Company’s willingness to indemnify him in accordance with the principles reflected above, to the fullest extent permitted by the laws of the State of Delaware, and upon the other undertakings set forth in this Agreement.

J. Therefore, in recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee’s continued service as a director of the Company and to enhance Indemnitee’s ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to the Company’s certificate of incorporation or bylaws (collectively, the “***Constituent Documents***”), any change in the composition of the Company’s Board of Directors (the “***Board***”) or any change-in-control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of Expenses to Indemnitee as set forth in this Agreement and for the continued coverage of Indemnitee under the Company’s directors’ and officers’ liability insurance policies.

K. In light of the considerations referred to in the preceding recitals, it is the Company’s intention and desire that the provisions of this Agreement be construed liberally, subject to their express terms, to maximize the protections to be provided to Indemnitee hereunder.

**AGREEMENT**:

NOW, THEREFORE, the parties hereby agree as follows:

**1.Certain Definitions.** In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a)“***Change in Control***” shall have occurred at such time, if any, Incumbent Directors cease for any reason to constitute a majority of Directors. For purpose of this Section 1(a), “***Incumbent Directors***” means the individuals who, as of the date hereof, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company’s stockholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); *provided*, that an individual shall not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Securities Exchange Act of 1934, as amended) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(b)“***Claim***” means (i) any threatened, asserted, pending or completed claim, demand, action, suit, arbitration, alternate dispute resolution mechanism, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), and whether made pursuant to federal, state or other law; or (ii) any inquiry or investigation, whether made, instituted or conducted, by or in the right of the Company or any other Person, including any federal, state or other governmental entity, that Indemnitee determines might lead to the institution of any such claim, demand, action, suit, arbitration, alternate dispute resolution mechanism, administrative hearing or any other proceeding. For the avoidance of doubt, the Company intends indemnity to be provided hereunder in respect of acts or failure to act prior to, on or after the date hereof.

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(c)“***Controlled Affiliate***” means any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit, that is directly or indirectly controlled by the Company. For purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity or enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise; *provided*, that direct or indirect Beneficial Ownership of capital stock or other interests in an entity or enterprise entitling the holder to cast 15% or more of the total number of votes generally entitled to be cast in the election of directors (or persons performing comparable functions) of such entity or enterprise shall be deemed to constitute control for purposes of this definition.

(d)“***Disinterested Director***” means a director of the Company who is not and was not a party to the Claim in respect of which indemnification is sought by Indemnitee.

(e)“***Expenses***” means attorneys’ and experts’ fees and expenses and all other costs and expenses paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in (including on appeal), any Claim. Expenses shall include expenses incurred in connection with any appeal resulting from any Claim, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f)“***Indemnifiable Claim***” means any Claim based upon, arising out of or resulting from (i) any actual, alleged or suspected act or failure to act by Indemnitee related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company or is or was a director, officer, employee, member, manager, trustee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit, as to which Indemnitee is or was serving at the request of the Company, (ii) any actual, alleged or suspected act or failure to act by Indemnitee in respect of any business, transaction, communication, filing, disclosure or other activity of the Company or any other entity or enterprise referred to in clause (i) of this sentence, or (iii) Indemnitee’s status as a current or former director, officer, employee or agent of the Company or as a current or former director, officer, employee, member, manager, trustee or agent of the Company or any other entity or enterprise referred to in clause (i) of this sentence or any actual, alleged or suspected act or failure to act by Indemnitee in connection with any obligation or restriction imposed upon Indemnitee by reason of such status. In addition to any service at the actual request of the Company, for purposes of this Agreement, Indemnitee shall be deemed to be serving or to have served at the request of the Company as a director, officer, employee, member, manager, agent, trustee or other fiduciary of another entity or enterprise if Indemnitee is or was serving as a director, officer, employee, member, manager, agent, trustee or other fiduciary of such entity or enterprise and (A) such entity or enterprise is or at the time of such service was a Controlled Affiliate, (B) such entity or enterprise is or at the time of such service was an employee benefit plan (or related trust) sponsored or maintained by the Company or a Controlled Affiliate, or (C) the Company or a Controlled Affiliate (by action of the Board, any committee thereof or the Company’s Chief Executive Officer (“***CEO***”) (other than as the CEO him or herself)) caused or authorized Indemnitee to be nominated, elected, appointed, designated, employed, engaged or selected to serve in such capacity.

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(g)“***Indemnifiable Losses***” means any and all Losses relating to, arising out of or resulting from any Indemnifiable Claim; *provided*, that Indemnifiable Losses shall not include Losses incurred by Indemnitee in respect of any Indemnifiable Claim (or any matter or issue therein) as to which Indemnitee shall have been adjudged liable to the Company in a final non-appealable adjudication by a court of competent jurisdiction, unless and only to the extent that the Delaware Court of Chancery or the court in which such Indemnifiable Claim was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses as the Delaware Court of Chancery or such other court shall deem proper.

(h)“***Independent Counsel***” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company (or any Subsidiary) or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements) or (ii) any other named (or, as to a threatened matter, reasonably likely to be named) party to the Indemnifiable Claim giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(i)“***Losses***” means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other) and amounts paid or payable in settlement, including all interest, assessments any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement and other charges paid or payable in connection with or in respect of investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Claim.

(j)“***Person***” means any individual, entity, or group, within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended.

(k)“***Standard of Conduct****”* means the standard for conduct by Indemnitee that is a condition precedent to indemnification of Indemnitee hereunder against Indemnifiable Losses relating to, arising out of or resulting from an Indemnifiable Claim. The Standard of Conduct is (i) good faith and reasonable belief by Indemnitee that his action was in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, that Indemnitee had no reasonable cause to believe that his conduct was unlawful, or (ii) any other applicable standard of conduct that may hereafter be substituted under Section 145(a) or (b) of the Delaware General Corporation Law or any successor to such provision(s).

**2.Services to the Company.** Indemnitee agrees to serve or continue to serve as a director or officer of the Company for so long as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation or is no longer serving in such capacity. This Agreement shall not be deemed an employment agreement between the Company and Indemnitee.

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**3.Indemnification Obligation.** Subject only toSection 8, the exclusions set forth in Section 13and to the proviso in thisSection, the Company shall indemnify, defend and hold harmless Indemnitee, to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against any and all Indemnifiable Claims and Indemnifiable Losses;*provided*, that, except as provided inSections 5and 22, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim. The Company acknowledges that the foregoing obligation is substantially broader than that now provided by applicable law and the Company’s Constituent Documents and intends that it be interpreted consistently with thisSectionand the recitals to this Agreement.

**4.Advancement of Expenses.** Indemnitee shall have the right to advancement by the Company prior to the final disposition of any Indemnifiable Claim of any and all Expenses relating to, arising out of or resulting from any Indemnifiable Claim paid or incurred by Indemnitee or which Indemnitee determines in good faith are reasonably likely to be paid or incurred by Indemnitee and as to which Indemnitee’s counsel provides supporting documentation. Without limiting the generality or effect of any other provision hereof, Indemnitee’s right to such advancement is not subject to the satisfaction of any Standard of Conduct. Without limiting the generality or effect of the foregoing, within ten business days after any request by Indemnitee that is accompanied by supporting documentation for specific Expenses to be reimbursed or advanced, the Company shall, in accordance with such request (but without duplication), (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnitee for such Expenses;*provided*, that Indemnitee shall repay, without interest any amounts actually advanced to Indemnitee that, at the final disposition of the Indemnifiable Claim to which the advance related, were in excess of amounts paid or payable by Indemnitee in respect of Expenses relating to, arising out of or resulting from such Indemnifiable Claim. In connection with any such payment, advancement or reimbursement, at the request of the Company, Indemnitee shall execute and deliver to the Company an undertaking, which need not be secured and shall be accepted without reference to Indemnitee’s ability to repay the Expenses, by or on behalf of the Indemnitee, to repay any amounts paid, advanced or reimbursed by the Company in respect of Expenses relating to, arising out of or resulting from any Indemnifiable Claim in respect of which it shall have been determined, following the final disposition of such Indemnifiable Claim and in accordance with Section 8, that Indemnitee is not entitled to indemnification hereunder.

**5.Indemnification for Additional Expenses.** Without limiting the generality or effect of the foregoing, the Company shall indemnify, defend and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within ten business days of such request accompanied by supporting documentation for specific Expenses to be reimbursed or advanced, any and all Expenses paid or incurred by Indemnitee or which Indemnitee determines in good faith are reasonably likely to be paid or incurred by Indemnitee in connection with any Claim made, instituted or conducted by Indemnitee for (a) indemnification or reimbursement or advance payment of Expenses by the Company under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Indemnifiable Claims, and/or (b) recovery under any directors’ and officers’ liability insurance policies maintained by the Company, regardless in each case of whether Indemnitee ultimately is determined to be entitled to such indemnification, reimbursement, advance or insurance recovery, as the case may be;*provided*, that Indemnitee shall return, without interest, any such advance of Expenses (or portion thereof) which remains unspent at the final disposition of the Claim to which the advance related.

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**6.Partial Indemnity.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss but not for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

**7.Procedure for Notification**. To obtain indemnification under this Agreement in respect of an Indemnifiable Claim or Indemnifiable Loss, Indemnitee shall submit to the Company a written request therefor, including a brief description (based upon information then available to Indemnitee) of such Indemnifiable Claim or Indemnifiable Loss. If, at the time of the receipt of such request, the Company has directors’ and officers’ liability insurance in effect under which coverage for such Indemnifiable Claim or Indemnifiable Loss is potentially available, the Company shall give prompt written notice of such Indemnifiable Claim or Indemnifiable Loss to the applicable insurers in accordance with the procedures set forth in the applicable policies. The Company shall provide to Indemnitee a copy of such notice delivered to the applicable insurers and, upon Indemnitee’s request, copies of all subsequent correspondence between the Company and such insurers regarding the Indemnifiable Claim or Indemnifiable Loss, in each case substantially concurrently with the delivery thereof by the Company. The failure by Indemnitee to timely notify the Company of any Indemnifiable Claim or Indemnifiable Loss shall not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not otherwise learn of such Indemnifiable Claim or Indemnifiable Loss and such failure results in forfeiture by the Company of substantial defenses, rights or insurance coverage.

**8.Determination of Right to Indemnification**.

(a)To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim in accordance with Section 3 and no Standard of Conduct Determination (as defined in Section 8(b)) shall be required. To the extent that Indemnitee’s involvement in a Claim relating to an Indemnifiable Event is to prepare to serve and/or serve as a witness, and not as a party, the Indemnitee shall be indemnified against all Losses incurred in connection therewith to the fullest extent allowable by law and no Standard of Conduct Determination shall be required.

(b)To the extent that the provisions of Section 8(a) are inapplicable to an Indemnifiable Claim that shall have been finally disposed of, any determination of whether Indemnitee has satisfied the applicable Standard of Conduct (a “***Standard of Conduct Determination***”) shall be made as follows: (i) if a Change in Control shall not have occurred, or if a Change in Control shall have occurred but Indemnitee shall have requested that the Standard of Conduct Determination be made pursuant to this clause (i), (A) by a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (B) if such Disinterested Directors so direct, by a majority vote of a committee of Disinterested Directors designated by a majority vote of all Disinterested Directors, or (C) if there are no such Disinterested Directors, or if a majority of the Disinterested Directors so direct, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee; and (ii) if a Change in Control shall have occurred and Indemnitee shall not have requested that the Standard of Conduct Determination be made pursuant to clause (i), by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee. Indemnitee shall cooperate with reasonable

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requests of the individual or firm making such Standard of Conduct Determination, including providing to such Person documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination without incurring any unreimbursed cost in connection therewith. The Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within ten business days of such request accompanied by supporting documentation for specific costs and expenses to be reimbursed or advanced, any and all costs and expenses (including attorneys’ and experts’ fees and expenses) incurred by Indemnitee in so cooperating with the Person making such Standard of Conduct Determination.

(c)The Company shall use its reasonable efforts to cause any Standard of Conduct Determination required under Section 8(b) to be made as promptly as practicable. If (i) the Person empowered or selected under Section 8 to make the Standard of Conduct Determination shall not have made a determination within 30 calendar days after the later of (A) receipt by the Company of written notice from Indemnitee advising the Company of the final disposition of the applicable Indemnifiable Claim (the date of such receipt being the “***Notification Date***”) and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, that is permitted under the provisions of Section 8(e) to make such determination, and (ii) Indemnitee shall have fulfilled his/her obligations set forth in the second sentence of Section 8(b), then Indemnitee shall be deemed to have satisfied the applicable Standard of Conduct; *provided*, that such 30-day period may be extended for a reasonable time, not to exceed an additional 30 calendar days, if the Person making such determination in good faith requires such additional time for the obtaining or evaluation or documentation and/or information relating thereto.

(d)If (i) Indemnitee shall be entitled to indemnification hereunder against any Indemnifiable Losses pursuant to Section 8(a), (ii) no determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, or (iii) Indemnitee has been determined or deemed pursuant to Section 8(b) or (c) to have satisfied the applicable Standard of Conduct, then the Company shall pay to Indemnitee, within ten business days after the later of (x) the Notification Date in respect of the Indemnifiable Claim or portion thereof to which such Indemnifiable Losses are related, out of which such Indemnifiable Losses arose or from which such Indemnifiable Losses resulted and (y) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) above shall have been satisfied, an amount equal to the amount of such Indemnifiable Losses. Nothing herein is intended to mean or imply that the Company is intending to use Section 145(f) of the Delaware General Corporation Law to dispense with a requirement that Indemnitee meet the applicable Standard of Conduct where it is otherwise required by such statute.

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(e)If a Standard of Conduct Determination is required to be, but has not been, made by Independent Counsel pursuant to Section 8(b)(i), the Independent Counsel shall be selected by the Board or a Board Committee, and the Company shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. If a Standard of Conduct Determination is required to be, or to have been, made by Independent Counsel pursuant to Section 8(b)(ii), the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either case, Indemnitee or the Company, as applicable, may, within five business days after receiving written notice of selection from the other, deliver to the other a written objection to such selection; *provided*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not satisfy the criteria set forth in the definition of “Independent Counsel” in Section 1(h), and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the Person so selected shall act as Independent Counsel. If such written objection is properly and timely made and substantiated, (i) the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit and (ii) the non-objecting party may, at its option, select an alternative Independent Counsel and give written notice to the other party advising such other party of the identity of the alternative Independent Counsel so selected, in which case the provisions of the two immediately preceding sentences and clause (i) of this sentence shall apply to such subsequent selection and notice. If applicable, the provisions of clause (ii) of the immediately preceding sentence shall apply to successive alternative selections. If no Independent Counsel that is permitted under the foregoing provisions of this Section 8(e) to make the Standard of Conduct Determination shall have been selected within 30 calendar days after the Company gives its initial notice pursuant to the first sentence of this Section 8(e) or Indemnitee gives its initial notice pursuant to the second sentence of this Section 8(e), as the case may be, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware for resolution of any objection which shall have been made by the Company or Indemnitee to the other’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person or firm selected by the Court or by such other person as the Court shall designate, and the person or firm with respect to whom all objections are so resolved or the person or firm so appointed will act as Independent Counsel. In all events, the Company shall pay all of the actual and reasonable fees and expenses of the Independent Counsel incurred in connection with the Independent Counsel’s determination pursuant to Section 8(b).

**9.Presumption of Entitlement.**

(a)In making a determination of whether Indemnitee has been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, the Company acknowledges that a resolution, disposition or outcome short of dismissal or final judgment, including outcomes that permit Indemnitee to avoid expense, delay, embarrassment, injury to reputation, distraction, disruption or uncertainty, may constitute such success. In the event that any Indemnifiable Claim or any portion thereof or issue or matter therein is resolved or disposed of in any manner other than by adverse judgment against Indemnitee (including any resolution or disposition thereof by means of settlement with or without payment of money or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in defense of such Indemnifiable Claim or portion thereof or issue or matter therein. The Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary.

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(b)Notwithstanding any other provision hereof, in making any Standard of Conduct Determination, the Person making such determination shall presume that Indemnitee has satisfied the applicable Standard of Conduct, and the Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary. Any Standard of Conduct Determination that Indemnitee has satisfied the applicable standard of conduct shall be final and binding in all respects, including with respect to any litigation or other action or proceeding initiated by Indemnitee to enforce his or her rights hereunder. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by the Indemnitee in the Court of Chancery of the State of Delaware. No determination by the Company (including by its directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct shall be a defense to any Claim by Indemnitee for indemnification or reimbursement or advance payment of Expenses by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

(c)Without limiting the generality or effect of Section 9(b), (i) to the extent that any Indemnifiable Claim relates to any entity or enterprise (other than the Company) referred to in clause (i) of the first sentence of the definition of “Indemnifiable Claim,” Indemnitee shall be deemed to have satisfied the applicable standard of conduct if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the interests of such entity or enterprise (or the owners or beneficiaries thereof, including in the case of any employee benefit plan the participants and beneficiaries thereof) and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful, and (ii) in all cases, any belief of Indemnitee that is based on the records or books of account of the Company, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company in the course of their duties, or on the advice of legal counsel for the Company, the Board, any committee of the Board or any director, or on information or records given or reports made to the Company, the Board, any committee of the Board or any director by an independent certified public accountant or by an appraiser or other expert selected by or on behalf of the Company, the Board, any committee of the Board or any director shall be deemed to be reasonable.

**10.No Other Presumption.** For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of*nolo contendere*or its equivalent, will not create a presumption that Indemnitee did not meet any applicable Standard of Conduct or that indemnification hereunder is otherwise not permitted.

**11.Non‑Exclusivity.** The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Constituent Documents, or the substantive laws of the Company’s jurisdiction of incorporation, any other contract or otherwise (collectively, “***Other Indemnity Provisions***”);*provided*, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will without further action be deemed to have such greater right hereunder, and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The Company may not, without the consent of Indemnitee, adopt any amendment to any of the Constituent Documents the effect of which would be to deny, diminish or encumber Indemnitee’s right to indemnification under this Agreement.

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**12.Liability Insurance and Funding.** For the duration of Indemnitee’s service as a director and/or officer of the Company and forso long as Indemnitee shall be subject to any pending Claim relating to an Indemnifiable Claim thereafter, the Company shall use commercially reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors’and officers’liability insurance providing coverage for Indemnitee that is at least as favorable in scope and amount to that provided by the Company’s current policies of directors’and officers’liability insurance. Upon request, the Company shall provide Indemnitee or his or her counsel with a copy of all directors’and officers’liability insurance applications, binders, policies, declarations, endorsements and other related materials. In all policies of directors’and officers’liability insurance obtained by the Company, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company’s directors and officers most favorably insured by such policy. Notwithstanding the foregoing, (i) the Company may, but shall not be required to, create a trust fund, grant a security interest or use other means, including a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance expenses pursuant to this Agreement and (ii) in renewing or seeking to renew any insurance hereunder, the Company will not be required to expend more than 3.0 times the premium amount of the immediately preceding policy period (equitably adjusted if necessary to reflect differences in policy periods).

**13.Exclusions from Indemnification.** Notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated to:

(a)indemnify Indemnitee if a final non-appealable adjudication by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law;

(b)indemnify Indemnitee for the disgorgement of profits arising from the purchase or sale by Indemnitee of securities of the Company in violation of Section 16(b) of the Exchange Act, or any similar successor statute; or

(c)indemnify or advance funds to Indemnitee for Indemnitee’s reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

**14.Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the related rights of recovery of Indemnitee against other Persons (other than Indemnitee’s successors), including any entity or enterprise referred to in clause (i) of the definition of “Indemnifiable Claim” in Section 1(f). Indemnitee shall execute all papers reasonably required to evidence such rights (all of Indemnitee’s reasonable Expenses, including attorneys’ fees and charges, related thereto to be reimbursed by or, at the option of Indemnitee, advanced by the Company).

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**15.No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment to Indemnitee in respect of any Indemnifiable Losses to the extent Indemnitee has otherwise already actually received payment (net of Expenses incurred in connection therewith) under any insurance policy, the Constituent Documents and Other Indemnity Provisions or otherwise (including from any entity or enterprise referred to in clause (i) of the definition of“Indemnifiable Claim”inSection 1(f)) in respect of such Indemnifiable Losses otherwise indemnifiable hereunder.

**16.Defense of Claims.** Subject to the provisions of applicable policies of directors’ and officers’ liability insurance, the Company shall be entitled to participate in the defense of any Indemnifiable Claim or to assume or lead the defense thereof with counsel reasonably satisfactory to the Indemnitee;*provided*, that if Indemnitee determines, after consultation with counsel selected by Indemnitee, that (a) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (b) the named parties in any such Indemnifiable Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company, (c) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, or (d) Indemnitee has interests in the claim or underlying subject matter that are different from or in addition to those of other Persons against whom the Claim has been made or might reasonably be expected to be made, then Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Indemnifiable Claim for all indemnitees in Indemnitee’s circumstances) at the Company’s expense. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Indemnifiable Claim effected without the Company’s prior written consent. The Company shall not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending Indemnifiable Claim which the Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on any claims that are the subject matter of such Indemnifiable Claim. Neither the Company nor Indemnitee shall unreasonably withhold its consent to any proposed settlement;*provided*, that Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee.

**17.Successors and Binding Agreement.**

(a)The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including any Person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the “***Company***” for purposes of this Agreement), but shall not otherwise be assignable or delegable by the Company.

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(b)This Agreement shall inure to the benefit of and be enforceable by the Indemnitee’s personal or legal representatives, executors, administrators, heirs, distributees, legatees and other successors.

(c)This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 17(a) and 17(b). Without limiting the generality or effect of the foregoing, Indemnitee’s right to receive payments hereunder shall not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by the Indemnitee’s will or by the laws of descent and distribution, and, in the event of any attempted assignment or transfer contrary to this Section 17(c), the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

**18.Notices.** For all purposes of this Agreement, all communications, including notices, consents, requests or approvals, required or permitted to be given hereunder must be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the Company (to the attention of the Secretary of the Company) and to Indemnitee at the applicable address shown on the signature page hereto, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt

**19.Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the Chancery Court of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement, waive all procedural objections to suit in that jurisdiction, including objections as to venue or inconvenience, agree that service in any such action may be made by notice given in accordance with Section 18 and also agree that any action instituted under this Agreement shall be brought only in the Chancery Court of the State of Delaware.

**20.Validity.** If any provision of this Agreement or the application of any provision hereof to any Person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other Person or circumstance shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent, and only to the extent, necessary to make it enforceable, valid or legal. In the event that any court or other adjudicative body shall decline to reform any provision of this Agreement held to be invalid, unenforceable or otherwise illegal as contemplated by the immediately preceding sentence, the parties thereto shall take all such action as may be necessary or appropriate to replace the provision so held to be invalid, unenforceable or otherwise illegal with one or more alternative provisions that effectuate the purpose and intent of the original provisions of this Agreement as fully as possible without being invalid, unenforceable or otherwise illegal.

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**21.Miscellaneous.** No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. This Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee’s service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

**22.Legal Fees and Expenses.** It is the intent of the Company that Indemnitee not be required to incur legal fees and or other Expenses associated with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should reasonably appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other Person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to improperly deny, or to improperly recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of Indemnitee’s choice, at the expense of the Company as hereafter provided, to advise and represent Indemnitee in connection with any such interpretation, enforcement or defense, including the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other Person affiliated with the Company, in any jurisdiction. Without limiting the generality or effect of any other provision hereof or respect to whether Indemnitee prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys’ and related fees and expenses actually and reasonably incurred by Indemnitee in connection with any of the foregoing.

**23.Certain Interpretive Matters.** Unless the context of this Agreement otherwise requires, (a) ”it” or “its” or words of any gender include each other gender, (b) words using the singular or plural number also include the plural or singular number, respectively, (c) the terms “hereof,” “herein,” “hereby” andderivativeor similar words refer to this entire Agreement, (d) the terms “Article,” “Section,” “Annex” or “Exhibit” refer to the specified Article, Section, Annex or Exhibit of or to this Agreement, (e) the terms “include,” “includes” and “including” will be deemed to be followed by the words “without limitation” (whether or not so expressed), and (f) the word “or” is disjunctive but not exclusive. Whenever this Agreement refers to a number of days, such number will refer to calendar days unless business days are specified and whenever action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time or by a particular date that ends or occurs on a non-business day, then such period or date will be extended until the immediately following business day. As used herein, “business day” means any day other than Saturday, Sunday or a United States federal holiday.

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**24.Entire Agreement**. This Agreement and the Constituent Documents constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter of this Agreement. Any prior agreements or understandings between the parties hereto with respect to indemnification are hereby terminated and of no further force or effect.

**25.Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together shall constitute one and the same agreement.

*[signature page follows]*

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IN WITNESS WHEREOF, Indemnitee has executed and the Company has caused its duly authorized representative to execute this Agreement as of the date first above written.

|  |  |  |
| --- | --- | --- |
| **AUTOLIV, INC.** | | |
|  |  |  |
| By: |  |  |
|  |  |  |
| Name: |  |  |
|  |  |  |
| Title: |  |  |
|  |  |  |
|  |  |  |
| **INDEMNITEE** | | |
|  |  |  |
|  |  |  |
|  |  |  |
| Name: |  |  |
|  |  |  |
| Address: |  |  |
|  | | |
|  | | |

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**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. |

|  |
| --- |
| October 25, 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. |

|  |
| --- |
| October 25, 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 September 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. |

October 25, 2019

|  |
| --- |
| /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 September 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. |

October 25, 2019

|  |
| --- |
| /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.