**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2020**

**or**

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

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

**AUTOLIV, INC.**

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

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

**+46 8 587 20 600**

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

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

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

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

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

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

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

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

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

Yes:  ☐    No:  ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of July 10, 2020, there were 87,331,791 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: general economic conditions; the impacts of the coronavirus (COVID-19) pandemic on the Company’s financial condition, business operations, operating costs, liquidity and competition; 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 and efficiency 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, 2019 filed with the SEC on February 21, 2020.

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 June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| **Net sales** |  | **$** | **1,047.6** |  |  | **$** | **2,154.7** |  |  | **$** | **2,893.4** |  |  | **$** | **4,328.7** |  |
| Cost of sales |  |  | (1,033.2 | ) |  |  | (1,755.0 | ) |  |  | (2,548.0 | ) |  |  | (3,550.2 | ) |
| **Gross profit** |  |  | **14.4** |  |  |  | **399.7** |  |  |  | **345.4** |  |  |  | **778.5** |  |
| Selling, general and administrative expenses |  |  | (98.5 | ) |  |  | (101.1 | ) |  |  | (192.0 | ) |  |  | (202.5 | ) |
| Research, development and engineering expenses, net |  |  | (88.0 | ) |  |  | (117.0 | ) |  |  | (190.6 | ) |  |  | (224.4 | ) |
| Amortization of intangibles |  |  | (2.4 | ) |  |  | (2.9 | ) |  |  | (5.1 | ) |  |  | (5.7 | ) |
| Other income (expense), net |  |  | (59.0 | ) |  |  | (9.2 | ) |  |  | (56.9 | ) |  |  | (3.2 | ) |
| **Operating (loss) income** |  |  | **(233.5** | **)** |  |  | **169.5** |  |  |  | **(99.2** | **)** |  |  | **342.7** |  |
| Income from equity method investment |  |  | 0.0 |  |  |  | 0.2 |  |  |  | 0.3 |  |  |  | 1.2 |  |
| Interest income |  |  | 1.4 |  |  |  | 1.0 |  |  |  | 2.6 |  |  |  | 2.0 |  |
| Interest expense |  |  | (15.8 | ) |  |  | (17.5 | ) |  |  | (32.1 | ) |  |  | (35.5 | ) |
| Other non-operating items, net |  |  | 1.3 |  |  |  | (2.4 | ) |  |  | (6.8 | ) |  |  | (6.0 | ) |
| **(Loss) income before income taxes** |  |  | **(246.6** | **)** |  |  | **150.8** |  |  |  | **(135.2** | **)** |  |  | **304.4** |  |
| Income tax benefit (expense) |  |  | 72.3 |  |  |  | (41.4 | ) |  |  | 35.8 |  |  |  | (83.5 | ) |
| **Net (loss) income** |  |  | **(174.3** | **)** |  |  | **109.4** |  |  |  | **(99.4** | **)** |  |  | **220.9** |  |
| Less: Net income attributable to non-controlling interest |  |  | 0.4 |  |  |  | 0.3 |  |  |  | 0.5 |  |  |  | 0.4 |  |
| **Net (loss) income attributable to controlling interest** |  | **$** | **(174.7** | **)** |  | **$** | **109.1** |  |  | **$** | **(99.9** | **)** |  | **$** | **220.5** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net (loss) earnings per share  –  basic 1)** |  | **$** | **(2.00** | **)** |  | **$** | **1.25** |  |  | **$** | **(1.14** | **)** |  | **$** | **2.53** |  |
| **Net (loss) earnings per share  –  diluted 1)** |  | **$** | **(2.00** | **)** |  | **$** | **1.25** |  |  | **$** | **(1.14** | **)** |  | **$** | **2.52** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Weighted average number of shares outstanding, net of**  **treasury shares (in millions)** |  |  | **87.3** |  |  |  | **87.2** |  |  |  | **87.3** |  |  |  | **87.2** |  |
| **Weighted average number of shares outstanding,**  **assuming dilution and net of treasury**  **shares (in millions)** |  |  | **87.3** |  |  |  | **87.3** |  |  |  | **87.3** |  |  |  | **87.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cash dividend per share – declared 2)** |  | **$** | **0.00** |  |  | **$** | **0.62** |  |  | **$** | **0.00** |  |  | **$** | **1.24** |  |
| **Cash dividend per share – paid** |  | **$** | **0.00** |  |  | **$** | **0.62** |  |  | **$** | **0.62** |  |  | **$** | **1.24** |  |

|  |  |
| --- | --- |
| 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 11 to the unaudited condensed consolidated financial statements). |
| 2) | On February 20, the Company declared a dividend of $0.62 per share for the second quarter of 2020. On April 2, 2020, the Company canceled its declared dividend for the second quarter of 2020. |

See Notes to the unaudited Condensed Consolidated Financial Statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| **Net (loss) income** |  | **$** | **(174.3** | **)** |  | **$** | **109.4** |  |  | **$** | **(99.4** | **)** |  | **$** | **220.9** |  |
| *Other comprehensive income (loss) before tax:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in cumulative translation adjustments |  |  | 26.6 |  |  |  | 6.1 |  |  |  | (75.2 | ) |  |  | 26.9 |  |
| Net change in unrealized components of defined benefit plans |  |  | 3.1 |  |  |  | 0.0 |  |  |  | 4.0 |  |  |  | 0.1 |  |
| **Other comprehensive income (loss), before tax** |  |  | **29.7** |  |  |  | **6.1** |  |  |  | **(71.2** | **)** |  |  | **27.0** |  |
| Tax effect allocated to other comprehensive loss |  |  | (0.9 | ) |  |  | 0.0 |  |  |  | (1.2 | ) |  |  | 0.0 |  |
| **Other comprehensive income (loss), net of tax** |  |  | **28.8** |  |  |  | **6.1** |  |  |  | **(72.4** | **)** |  |  | **27.0** |  |
| **Comprehensive (loss) income** |  |  | **(145.5** | **)** |  |  | **115.5** |  |  |  | **(171.8** | **)** |  |  | **247.9** |  |
| Less: Comprehensive income attributable to     non-controlling interest |  |  | 0.4 |  |  |  | 0.1 |  |  |  | 0.3 |  |  |  | 0.5 |  |
| **Comprehensive (loss) income attributable to**  **controlling interest** |  | **$** | **(145.9** | **)** |  | **$** | **115.4** |  |  | **$** | **(172.1** | **)** |  | **$** | **247.4** |  |

See Notes to the unaudited Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
|  |  | **June 30, 2020** | |  |  | **December 31, 2019** | |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Cash and cash equivalents |  | $ | 1,223.2 |  |  | $ | 444.7 |  |
| Receivables, net |  |  | 1,179.5 |  |  |  | 1,626.7 |  |
| Inventories, net |  |  | 757.8 |  |  |  | 740.9 |  |
| Other current assets |  |  | 222.4 |  |  |  | 189.8 |  |
| **Total current assets** |  |  | **3,382.9** |  |  |  | **3,002.1** |  |
| Property, plant and equipment, net |  |  | 1,753.1 |  |  |  | 1,815.7 |  |
| Investments and other non-current assets |  |  | 486.3 |  |  |  | 386.4 |  |
| Operating lease right-of-use assets |  |  | 150.0 |  |  |  | 156.8 |  |
| Goodwill |  |  | 1,385.0 |  |  |  | 1,387.9 |  |
| Intangible assets, net |  |  | 17.2 |  |  |  | 22.3 |  |
| **Total assets** |  | **$** | **7,174.5** |  |  | **$** | **6,771.2** |  |
|  |  |  |  |  |  |  |  |  |
| **Liabilities and equity** |  |  |  |  |  |  |  |  |
| Short-term debt |  | $ | 492.9 |  |  | $ | 368.1 |  |
| Accounts payable |  |  | 615.7 |  |  |  | 950.6 |  |
| Accrued expenses |  |  | 848.0 |  |  |  | 824.7 |  |
| Operating lease liabilities - current |  |  | 36.7 |  |  |  | 37.8 |  |
| Other current liabilities |  |  | 158.7 |  |  |  | 229.0 |  |
| **Total current liabilities** |  |  | **2,152.0** |  |  |  | **2,410.2** |  |
| Long-term debt |  |  | 2,567.0 |  |  |  | 1,726.1 |  |
| Pension liability |  |  | 235.7 |  |  |  | 240.2 |  |
| Operating lease liabilities - non-current |  |  | 114.4 |  |  |  | 119.4 |  |
| Other non-current liabilities |  |  | 150.4 |  |  |  | 152.9 |  |
| **Total non-current liabilities** |  |  | **3,067.5** |  |  |  | **2,238.6** |  |
| Common stock |  |  | 102.8 |  |  |  | 102.8 |  |
| Additional paid-in capital |  |  | 1,329.3 |  |  |  | 1,329.3 |  |
| Retained earnings |  |  | 2,184.2 |  |  |  | 2,283.5 |  |
| Accumulated other comprehensive loss |  |  | (521.1 | ) |  |  | (448.9 | ) |
| Treasury stock |  |  | (1,153.7 | ) |  |  | (1,157.5 | ) |
| **Total controlling interest's equity** |  |  | **1,941.5** |  |  |  | **2,109.2** |  |
| Non-controlling interest |  |  | 13.5 |  |  |  | 13.2 |  |
| **Total equity** |  |  | **1,955.0** |  |  |  | **2,122.4** |  |
| **Total liabilities and equity** |  | **$** | **7,174.5** |  |  | **$** | **6,771.2** |  |

See Notes to the unaudited condensed consolidated financial statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended June 30** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |
| **Operating activities** |  |  |  |  |  |  |  |  |
| Net (loss) income |  | $ | (99.4 | ) |  | $ | 220.9 |  |
| *Adjustments, non-cash items, to reconcile net (loss) income to cash provided by operating*  *activities:* |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 175.3 |  |  |  | 176.0 |  |
| Deferred income taxes |  |  | (101.3 | ) |  |  | (3.8 | ) |
| Other non-cash items, net |  |  | (0.3 | ) |  |  | 1.2 |  |
| *Increase (decrease) in operating capital:* |  |  |  |  |  |  |  |  |
| EC antitrust payment |  |  | — |  |  |  | (203.0 | ) |
| Net change in operating assets and liabilities |  |  | 25.4 |  |  |  | (54.2 | ) |
| Other, net |  |  | 28.1 |  |  |  | (4.0 | ) |
| **Net cash provided by operating activities** |  |  | **27.8** |  |  |  | **133.1** |  |
|  |  |  |  |  |  |  |  |  |
| **Investing activities** |  |  |  |  |  |  |  |  |
| Expenditures for property, plant and equipment |  |  | (153.7 | ) |  |  | (236.8 | ) |
| Proceeds from sale of property, plant and equipment |  |  | 1.6 |  |  |  | 1.0 |  |
| **Net cash used in investing activities** |  |  | **(152.1** | **)** |  |  | **(235.8** | **)** |
|  |  |  |  |  |  |  |  |  |
| **Financing activities** |  |  |  |  |  |  |  |  |
| Net decrease in short-term debt |  |  | (142.0 | ) |  |  | (250.8 | ) |
| Increase of long-term debt |  |  | 1,720.1 |  |  |  | 245.2 |  |
| Repayment of long-term debt |  |  | (629.5 | ) |  |  | — |  |
| Dividends paid |  |  | (54.1 | ) |  |  | (108.5 | ) |
| Common stock options exercised |  |  | 0.2 |  |  |  | 0.2 |  |
| Other, net |  |  | 0.0 |  |  |  | (0.3 | ) |
| **Net cash provided by (used in) financing activities** |  |  | **894.7** |  |  |  | **(114.2** | **)** |
| Effect of exchange rate changes on cash and cash equivalents |  |  | 8.1 |  |  |  | 7.5 |  |
| **Increase (decrease) in cash and cash equivalents** |  |  | **778.5** |  |  |  | **(209.4** | **)** |
| Cash and cash equivalents at beginning of period |  |  | 444.7 |  |  |  | 615.8 |  |
| **Cash and cash equivalents at end of period** |  | **$** | **1,223.2** |  |  | **$** | **406.4** |  |

See Notes to unaudited condensed consolidated financial statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **loss** | |  |  | **Treasury**  **stock** | |  |  | **Total**  **controlling**  **interest's**  **equity** | |  |  | **Non-**  **controlling**  **interest** | |  |  | **Total**  **equity** | |  |
| **Balances at December 31, 2019** | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,283.5** |  |  | **$** | **(448.9** | **)** |  | **$** | **(1,157.5** | **)** |  | **$** | **2,109.2** |  |  | **$** | **13.2** |  |  | **$** | **2,122.4** |  |
| *Comprehensive Income (loss):* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |  |  |  | 74.8 |  |  |  | — |  |  |  |  |  |  |  | 74.8 |  |  |  | 0.1 |  |  |  | 74.9 |  |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  | — |  |  |  | (101.6 | ) |  |  |  |  |  |  | (101.6 | ) |  |  | (0.2 | ) |  |  | (101.8 | ) |
| Pension liability |  |  |  |  |  |  |  |  |  | — |  |  |  | 0.6 |  |  |  |  |  |  |  | 0.6 |  |  |  | — |  |  |  | 0.6 |  |
| *Total Comprehensive Income (loss)* |  | *—* |  |  |  | *—* |  |  | *74.8* | |  |  |  | *(101.0* | *)* |  |  | *—* |  |  |  | *(26.2* | *)* |  |  | *(0.1* | *)* |  |  | *(26.3* | *)* |
| Stock-based compensation |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 1.6 |  |  |  | 1.6 |  |  |  | — |  |  |  | 1.6 |  |
| Cash dividends declared |  |  |  |  |  |  |  |  |  | (53.6 | ) |  |  | — |  |  |  |  |  |  |  | (53.6 | ) |  |  | — |  |  |  | (53.6 | ) |
| **Balances at March 31, 2020** | **$** | **102.8** |  |  | **$** | **1,329.3** |  |  | **$** | **2,304.7** |  |  | **$** | **(549.9** | **)** |  | **$** | **(1,155.9** | **)** |  | **$** | **2,031.0** |  |  | **$** | **13.1** |  |  | **$** | **2,044.1** |  |
| *Comprehensive (Loss) income:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss |  |  |  |  |  |  |  |  |  | (174.7 | ) |  |  | — |  |  |  |  |  |  |  | (174.7 | ) |  |  | 0.4 |  |  |  | (174.3 | ) |
| Foreign currency translation     adjustment |  |  |  |  |  |  |  |  |  | — |  |  |  | 26.6 |  |  |  |  |  |  |  | 26.6 |  |  |  | 0.0 |  |  |  | 26.6 |  |
| Pension liability |  |  |  |  |  |  |  |  |  | — |  |  |  | 2.2 |  |  |  |  |  |  |  | 2.2 |  |  |  | — |  |  |  | 2.2 |  |
| *Total Comprehensive (Loss) income* |  | *—* |  |  |  | *—* |  |  |  | *(174.7* | *)* |  |  | *28.8* |  |  |  | *—* |  |  |  | *(145.9* | *)* |  |  | *0.4* |  |  |  | *(145.5* | *)* |
| Stock-based compensation |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 2.2 |  |  |  | 2.2 |  |  |  | — |  |  |  | 2.2 |  |
| Cash dividends declared1) |  |  |  |  |  |  |  |  |  | 54.2 |  |  |  | — |  |  |  |  |  |  |  | 54.2 |  |  |  | — |  |  |  | 54.2 |  |
| **Balances at June 30, 2020** |  | **102.8** |  |  |  | **1,329.3** |  |  |  | **2,184.2** |  |  |  | **(521.1** | **)** |  |  | **(1,153.7** | **)** |  |  | **1,941.5** |  |  |  | **13.5** |  |  |  | **1,955.0** |  |

|  |  |
| --- | --- |
| 1) | Reversal of canceled dividend declared for the second quarter of 2020 which was announced by the Company on April 2, 2020. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Common**  **stock** | |  |  | **Additional**  **paid-in**  **capital** | |  |  | **Retained**  **earnings** | |  |  | **Accumulated**  **other**  **comprehensive**  **loss** | |  |  | **Treasury**  **stock** | |  |  | **Total**  **controlling**  **interest's**  **equity** | |  |  | **Non-**  **controlling**  **interest** | |  |  | **Total**  **equity** | |  |
| **Balances at December 31, 2018** | **$** | **102.8** |  |  | **$** | **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 |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 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** | **$** | **102.8** |  |  | **$** | **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 |  |  |  |  |  |  |  |  |  | — |  |  |  | — |  |  |  | 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** |  | **102.8** |  |  |  | **1,329.3** |  |  |  | **2,151.1** |  |  |  | **(396.3** | **)** |  |  | **(1,162.8** | **)** |  |  | **2,024.1** |  |  |  | **13.6** |  |  |  | **2,037.7** |  |

See Notes to the unaudited Condensed Consolidated Financial Statements.

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**June 30, 2020**

**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 consolidated financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as the prior year audited consolidated financial statements and all adjustments considered necessary for a fair presentation have been included in the consolidated 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, 2020.

The Condensed Consolidated Balance Sheet at December 31, 2019 has been derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by U.S. GAAP for complete consolidated financial statements.

The Company has one reportable segment, which includes Autoliv’s airbag and seatbelt products and components. The operating results of the operating segment are regularly reviewed by the Company’s chief operating decision maker to assess the performance of the individual operating segment and make decisions about resources to be allocated to the operating segment.

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, 2019, filed with the SEC on February 21, 2020.

**2. NEW ACCOUNTING STANDARDS**

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB’s Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have an immaterial impact on the Company’s consolidated financial statements.

**Adoption of New Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* which requires the measurement and recognition of expected credit losses for financial assets held and enhanced disclosures. The Company’s financial assets in the scope of ASU 2016-13 mainly consists of short-term trade receivables. Historically, the Company’s actual credit losses have not been material. In addition to continuing to individually assess overdue customer balances for expected credit losses, the Company has implemented a new methodology that reflects the expected credit losses on receivables considering both historical experience as well as forward looking assumptions. The method calculates the expected credit loss for a group of customers by using the customer groups’ average short-term default rates based on officially published credit ratings and the Company’s historical experience. These default rates are considered the Company’s best estimate of the customer’s ability to pay. The Company will regularly reassess the customer group’s and the applied customer group’s default rates by using its best judgement when considering changes in customer’s credit ratings, customer’s historical payments and loss experience, current market and economic conditions and the Company’s expectations of future market and economic conditions. ASU 2016-13 was adopted prospectively by the Company on January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40), Customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract*, which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in ASU 2018-15. The amendments in ASU 2018-15 are effective for public business entities for annual periods beginning after December 15, 2019, and interim periods within those annual years. The Company adopted ASU 2018-15 prospectively as of January 1, 2020 and the impact on the consolidated financial statements will depend on the nature of the Company’s future cloud computing arrangements.

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In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The adoption of ASU 2020-04 did not have a material impact on the consolidated financial statements.

**Accounting Standards Issued But Not Yet Adopted**

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes. ASU 2019-12 is effective for public business entities for annual periods beginning after December 15, 2020, and early adoption is permitted. The amendments related to changes in ownership of foreign equity method investments or foreign subsidiaries should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company plans to adopt ASU 2019-12 as of January 1, 2021. The Company has concluded that the pending adoption of ASU 2019-12 will not have a material impact on the Company’s consolidated financial statements.

**3. 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, short-term debt and other current financial assets and liabilities 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. For certain 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 degree of judgment utilized in measuring the fair value of the instruments generally correlates to the level of pricing observability. Pricing observability is impacted by several factors, including the type of asset or liability, whether the asset or liability has an established market and the characteristics specific to the transaction. Instruments with readily active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets rarely traded or not quoted will generally have less, or no, pricing observability and a higher degree of judgment utilized in measuring fair value.

All the Company’s derivatives are classified as Level 2 financial instruments in the fair value hierarchy. Level 2 pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

The tables below present information about the Company’s derivative financial assets and liabilities measured at fair value on a recurring basis (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 June 30, 2020 and December 31, 2019 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.

**Derivatives designated as hedging instruments**

There were no derivatives designated as hedging instruments as of June 30, 2020 and December 31, 2019 related to the 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 June 30, 2020 and December 31, 2019 were foreign exchange swaps.

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For the three month periods ended June 30, 2020 and June 30, 2019, the gains and losses recognized in other non-operating items, net were a gain of $6.8 million and a gain of $5.8 million, respectively, for derivative instruments not designated as hedging instruments. For the six month periods ended June 30, 2020 and June 30, 2019, the gains and losses recognized in other non-operating items, net were a loss of $1.7 million and a gain of $2.6 million, respectively, for derivative instruments not designated as hedging instruments.

For the three and six month periods ended June 30, 2020 and June 30, 2019, the gains and losses recognized as interest expense were immaterial.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | | | | | | | | | |  |  |  | **December 31, 2019** | | | | | | | | | |  |  |
|  |  |  |  |  |  | **Fair Value Measurements** | | | | | |  |  |  |  |  |  |  | **Fair Value Measurements** | | | | | |  |  |
| **Description** |  | **Nominal**  **volume** | |  |  | **Derivative**  **asset**  **(Other**  **current assets)** | |  |  | **Derivative**  **liability**  **(Other**  **current**  **liabilities)** | |  |  |  | **Nominal**  **volume** | |  |  | **Derivative**  **asset**  **(Other**  **current assets)** | |  |  | **Derivative**  **liability**  **(Other**  **current**  **liabilities)** | |  |  |
| **Derivatives not designated as hedging**  **instruments** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign exchange swaps, less     than 6 months |  | $ | 650.1 |  | 1) | $ | 5.2 |  | 2) | $ | 2.6 |  | 3) |  | $ | 934.2 |  | 4) | $ | 6.0 |  | 5) | $ | 1.8 |  | 6) |
| **Total derivatives not designated**  **as hedging instruments** |  | **$** | **650.1** |  |  | **$** | **5.2** |  |  | **$** | **2.6** |  |  |  | **$** | **934.2** |  |  | **$** | **6.0** |  |  | **$** | **1.8** |  |  |

|  |  |
| --- | --- |
| 1) | Net nominal amount after deducting for offsetting swaps under ISDA agreements is $626.0 million. |
| 2) | Net amount after deducting for offsetting swaps under ISDA agreements is $5.2 million. |
| 3) | Net amount after deducting for offsetting swaps under ISDA agreements is $2.6 million. |
| 4) | Net nominal amount after deducting for offsetting swaps under ISDA agreements is $860.6 million. |
| 5) | Net amount after deducting for offsetting swaps under ISDA agreements is $5.8 million. |
| 6) | Net amount after deducting for offsetting swaps under ISDA agreements is $1.6 million. |

**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.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | | | | | |  |  | **December 31, 2019** | | | | | |  |
|  |  | **Carrying**  **value1)** | |  |  | **Fair**  **value** | |  |  | **Carrying**  **value1)** | |  |  | **Fair**  **value** | |  |
| **Long-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bonds |  | $ | 1,323.8 |  |  | $ | 1,363.8 |  |  | $ | 1,597.5 |  |  | $ | 1,671.1 |  |
| Loans |  |  | 1,243.2 |  |  |  | 1,244.9 |  |  |  | 128.6 |  |  |  | 128.6 |  |
| **Total** |  | **$** | **2,567.0** |  |  | **$** | **2,608.7** |  |  | **$** | **1,726.1** |  |  | **$** | **1,799.7** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Short-term debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Commercial paper |  | $ | 26.8 |  |  | $ | 26.8 |  |  | $ | 230.7 |  |  | $ | 230.7 |  |
| Short-term portion of long-term debt |  |  | 387.2 |  |  |  | 390.0 |  |  |  | 112.0 |  |  |  | 112.1 |  |
| Overdrafts and other short-term debt |  |  | 78.9 |  |  |  | 78.9 |  |  |  | 25.4 |  |  |  | 25.3 |  |
| **Total** |  | **$** | **492.9** |  |  | **$** | **495.7** |  |  | **$** | **368.1** |  |  | **$** | **368.1** |  |

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

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

For the three and six month periods ended June 30, 2020 and June 30, 2019, the Company did not record any material impairment charges on its long-lived assets for its operations.

**4. INCOME TAXES**

The effective tax rate in the second quarter of 2020 was 29.3% compared to 27.4% in the same quarter of 2019. Discrete tax items, net in the second quarter of 2020 had a favorable impact of 4.4%. In the second quarter of 2019, discrete tax items, net had a favorable impact of 1.3%. The effective tax rate for the first six months of 2020 was 26.5% compared to 27.4% in the same period of 2019. Discrete tax items, net for the first six months of 2020 had a favorable impact of 7.6%. In the same period of 2019, discrete tax items, net had a favorable impact of 0.4%.

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

As of June 30, 2020, the Company is not aware of any proposed income tax adjustments resulting from tax examinations that would have a material impact on the Company’s condensed consolidated financial statements. The conclusion of such audits could result in additional increases or decreases to unrecognized tax benefits in some future period or periods.

During the first six months of 2020, the Company recorded a net increase of $3.0 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 $68.3 million recorded at June 30, 2020, $1.8 million is classified as current tax payable within Other current liabilities and $66.5 million is classified as non-current tax payable within Other non-current liabilities on the Condensed Consolidated Balance Sheet.

**5. INVENTORIES**

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of** | | | | | |  |
|  |  | **June 30,**  **2020** | |  |  | **December 31,**  **2019** | |  |
| Raw materials |  | $ | 390.6 |  |  | $ | 366.3 |  |
| Work in progress |  |  | 274.9 |  |  |  | 257.4 |  |
| Finished products |  |  | 181.2 |  |  |  | 200.4 |  |
| **Inventories** |  |  | **846.7** |  |  |  | **824.1** |  |
| Inventory valuation reserve |  |  | (88.9 | ) |  |  | (83.2 | ) |
| **Total inventories, net of reserve** |  | **$** | **757.8** |  |  | **$** | **740.9** |  |

**6. RESTRUCTURING**

The restructuring provision charge in the three and six month periods ended June 30, 2020 mainly relate to the structural efficiency program initiated in the second quarter of 2020 in primarily the Americas and Europe. This new program is expected to be concluded in 2021. For the three and six month periods ended June 30, 2020, cash payments mainly relate to the structural efficiency program initiated in 2019.

As of June 30, 2020, approximately $63 million out of the $99.6 million in total reserve balance can be attributed to the structural efficiency program initiated in the second quarter of 2020. The remaining balance mainly relates to the structural efficiency program initiated in 2019, whereof the main part is expected to be concluded in 2020.

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The table below summarizes the change in the balance sheet position of the employee related restructuring reserves (dollars in millions). The changes in the employee-related reserves have been charged against Other income (expense), net in the Consolidated Statements of Income. Restructuring costs other than employee related costs are immaterial for all periods presented.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| **Reserve at beginning of the period** |  | **$** | **52.1** |  |  | **$** | **28.5** |  |  | **$** | **56.1** |  |  | **$** | **33.4** |  |
| Provision - charge |  |  | 69.2 |  |  |  | 12.9 |  |  |  | 70.9 |  |  |  | 13.7 |  |
| Provision - reversal |  |  | (7.3 | ) |  |  | — |  |  |  | (7.4 | ) |  |  | (0.1 | ) |
| Cash payments |  |  | (16.0 | ) |  |  | (1.4 | ) |  |  | (20.4 | ) |  |  | (6.5 | ) |
| Translation difference |  |  | 1.6 |  |  |  | 0.3 |  |  |  | 0.4 |  |  |  | (0.2 | ) |
| **Reserve at end of the period** |  | **$** | **99.6** |  |  | **$** | **40.3** |  |  | **$** | **99.6** |  |  | **$** | **40.3** |  |

**7. PRODUCT-RELATED LIABILITIES**

The Company is exposed to product liability and warranty claims in the event that the Company’s products fail to perform as represented and such failure results, or is alleged to result, in bodily injury, and/or property damage or other loss. 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 9. Contingent Liabilities below.

For the three and six month periods ended June 30, 2020 and June 30, 2019, provisions and cash paid primarily relate to recall and warranty related issues. The decrease in the reserve balance as of June 30, 2020 compared to the beginning of the year was mainly due to cash payments.

Pursuant to the agreements entered into in connection with the spin-off of Veoneer, Inc. on June 29, 2018 (collectively, the “Spin-off Agreements”), Autoliv is required to indemnify Veoneer for recalls related to certain qualified Electronics products. At June 30, 2020, the indemnification liabilities are approximately $6 million within Accrued expenses on the Condensed Consolidated Balance Sheets.

The table below summarizes the change in the balance sheet position of the product-related liabilities (dollars in millions). Insurance receivables are included within Other current assets and Investments and other non-current assets on the Condensed Consolidated Balance Sheets.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |  |
| **Reserve at beginning of the period** |  | **$** | **53.5** |  |  | **$** | **60.5** |  |  | **$** | **72.1** |  |  | **$** | **62.2** |  |  |
| Change in reserve |  |  | 8.2 |  |  |  | 5.2 |  |  |  | 10.7 |  |  |  | 8.1 |  |  |
| Cash payments |  |  | (4.2 | ) |  |  | (9.9 | ) |  |  | (24.5 | ) |  |  | (14.3 | ) |  |
| Translation difference |  |  | 0.4 |  |  |  | 0.1 |  |  |  | (0.4 | ) |  |  | (0.1 | ) |  |
| **Reserve at end of the period** |  | **$** | **57.9** |  |  | **$** | **55.9** |  |  | **$** | **57.9** |  |  | **$** | **55.9** |  |  |

**8. RETIREMENT PLANS**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| Service cost |  | $ | 5.2 |  |  | $ | 4.5 |  |  | $ | 10.5 |  |  | $ | 9.0 |  |
| Interest cost |  |  | 4.7 |  |  |  | 5.2 |  |  |  | 9.5 |  |  |  | 10.3 |  |
| Expected return on plan assets |  |  | (4.5 | ) |  |  | (3.9 | ) |  |  | (8.9 | ) |  |  | (7.7 | ) |
| Amortization of prior service cost |  |  | (0.4 | ) |  |  | 0.1 |  |  |  | (0.9 | ) |  |  | 0.2 |  |
| Amortization of actuarial loss |  |  | 1.1 |  |  |  | 0.6 |  |  |  | 2.3 |  |  |  | 1.2 |  |
| **Net Periodic Benefit Cost** |  | **$** | **6.1** |  |  | **$** | **6.5** |  |  | **$** | **12.5** |  |  | **$** | **13.0** |  |

The Service cost and Amortization of prior service cost components in the table above are reported in Operating Income 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.

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**9. 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 matters, authorities of other countries with significant light vehicle manufacturing or sales may initiate similar investigations.

European Commission Investigations:

In June 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.

In November 2017, the EC concluded a discrete portion of its investigation, and in 2018 the Company paid a fine 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.

In March 2019, the EC completed the remaining portion of the investigation, and in 2019 the Company paid a fine of €179 million (approximately $203 million).

**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.

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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”). The Company continues to cooperate with Toyota regarding the analysis of the root cause of the issue and potential liability and indemnification obligations of the parties. If the Company is obligated to indemnify Toyota for any of the costs associated with the Toyota Recall, the Company expects that its insurance will generally cover such costs and liabilities. The Company’s insurance policies generally include coverage of the costs of a recall, although costs related to replacement parts are generally not covered.

The Company has determined pursuant to ASC 450 that a loss with respect to this issue is probable and therefore has accrued an immaterial amount related to potential costs for replacement parts. The ultimate costs to the Company of the Toyota Recall could be materially different from the amount the Company has accrued. However, the Company continues to believe that the Company’s loss, net of expected insurance recoveries, will be less than $20 million. The main variables affecting the ultimate cost for the Company include: 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.

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

The table in Note 7. Product-Related Liabilities above summarizes the change in the balance sheet position of the product related liabilities.

**10. STOCK INCENTIVE PLAN**

Eligible employees and non-employee directors of the Company participate in the Autoliv, Inc.1997 Stock Incentive Plan, as amended and received Autoliv stock-based awards which include stock options (SOs), restricted stock units (RSUs) and performance shares (PSs).

The Company recorded approximately $2.4 million and $4.1 million in stock-based compensation expense related to RSUs and PSs for the three and six month periods ended June 30, 2020, respectively. During the three and six month periods ended June 30, 2019, the Company recorded $2.6 million and $3.7 million, respectively, of stock-based compensation expense related to RSUs and PSs.

**11. EARNINGS PER SHARE**

For the three month periods ended June 30, 2020 and June 30, 2019, approximately 0.3 million and 0.1 million awards, respectively, were excluded from the computation of the diluted EPS, since the inclusion of these awards would be antidilutive. For the six month periods ended June 30, 2020 and June 30, 2019, approximately 0.3 million and 0.1 million awards, respectively, were excluded from the computation of the diluted EPS, since the inclusion of these awards would be antidilutive.

During the three month periods ended June 30, 2020 and June 30, 2019 approximately 16 thousand and 11 thousand shares of common stock from the treasury stock, respectively, were utilized by the Plan. During the six month periods ended June 30, 2020 and June 30, 2019 approximately 86 thousand and 88 thousand shares of common stock from the treasury stock were utilized by the Plan.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
| ***(In millions, except per share amounts)*** |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| **Numerator:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic and diluted: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income attributable to controlling interest |  | $ | (174.7 | ) |  | $ | 109.1 |  |  | $ | (99.9 | ) |  | $ | 220.5 |  |
| Participating share awards with dividend     equivalent rights |  | - | |  |  | - | |  |  | - | |  |  | - | |  |
| Net income applicable to common     shareholders |  |  | **(174.7** | **)** |  |  | **109.1** |  |  |  | **(99.9** | **)** |  |  | **220.5** |  |
| Earnings allocated to participating     share awards1) |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |  |  | 0.0 |  |
| Net income attributable to common     shareholders |  | **$** | **(174.7** | **)** |  | **$** | **109.1** |  |  | **$** | **(99.9** | **)** |  | **$** | **220.5** |  |
| **Denominator: 1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic: Weighted average common stock |  |  | **87.3** |  |  |  | **87.2** |  |  |  | **87.3** |  |  |  | **87.2** |  |
| Add: Weighted average stock options/     share awards |  |  | 0.0 |  |  |  | 0.1 |  |  |  | 0.0 |  |  |  | 0.2 |  |
| **Diluted: 2)** |  |  | **87.3** |  |  |  | **87.3** |  |  |  | **87.3** |  |  |  | **87.4** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net (loss) earnings per share - basic** |  | **$** | **(2.00** | **)** |  | **$** | **1.25** |  |  | **$** | **(1.14** | **)** |  | **$** | **2.53** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net (loss) earnings per share - diluted2)** |  | **$** | **(2.00** | **)** |  | **$** | **1.25** |  |  | **$** | **(1.14** | **)** |  | **$** | **2.52** |  |

|  |  |
| --- | --- |
| 1) | The Company’s unvested RSUs and PSUs, 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. |
| 2) | Shares in the diluted loss per share calculation for the three and six month periods ended June 30, 2020 represent basic shares due to the net loss. |

**12. RELATED PARTY TRANSACTIONS**

The Company purchases finished goods from Veoneer. For the three month period ended June 30, 2020 and June 30, 2019, related party purchases from Veoneer amounted to $11 million and $19 million, respectively. For the six month period ended June 30, 2020 and June 30, 2019 these related party purchases amounted to $29 million and $37 million, respectively.

Amounts due to and due from related party as of June 30, 2020 and December 31, 2019 were as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Related party** |  | **As of** | | | | | |  |
| *(Dollars in millions)* |  | **June 30, 2020** | |  |  | **December 31, 2019** | |  |
| Related party receivables1) |  | $ | 1.0 |  |  | $ | 2.8 |  |
| Related party payables2) |  |  | 16.9 |  |  |  | 9.7 |  |
| Related party accrued expenses3) |  |  | 5.9 |  |  |  | 7.7 |  |

|  |  |
| --- | --- |
| 1) | Included in Receivables, net in the Condensed Consolidated Balance Sheet. |
| 2) | Included in Accounts payable in the Condensed Consolidated Balance Sheet. |
| 3) | Included in Accrued expenses in the Condensed Consolidated Balance Sheet. |

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**13. REVENUE DISAGGREGATION**

The Company’s disaggregated revenue for the three and six month periods ended June 30, 2020 and June 30, 2019, were as follows.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Net Sales by Products** |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
| *(Dollars in millions)* |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| Airbag Products and Other1) |  | $ | 653.8 |  |  | $ | 1,435.7 |  |  | $ | 1,855.9 |  |  | $ | 2,883.4 |  |
| Seatbelt Products1) |  |  | 393.8 |  |  |  | 719.0 |  |  |  | 1,037.5 |  |  |  | 1,445.3 |  |
| **Total net sales** |  | **$** | **1,047.6** |  |  | **$** | **2,154.7** |  |  | **$** | **2,893.4** |  |  | **$** | **4,328.7** |  |
| 1) Including Corporate and other sales. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Sales by Region** |  | **Three months ended June 30** | | | | | |  |  | **Six months ended June 30** | | | | | |  |
| *(Dollars in millions)* |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| China |  | $ | 366.4 |  |  | $ | 349.5 |  |  | $ | 563.9 |  |  | $ | 680.0 |  |
| Japan |  |  | 104.6 |  |  |  | 191.1 |  |  |  | 307.6 |  |  |  | 399.2 |  |
| Rest of Asia |  |  | 116.9 |  |  |  | 217.1 |  |  |  | 313.6 |  |  |  | 429.3 |  |
| Americas |  |  | 213.4 |  |  |  | 758.1 |  |  |  | 885.5 |  |  |  | 1,501.1 |  |
| Europe |  |  | 246.3 |  |  |  | 638.9 |  |  |  | 822.8 |  |  |  | 1,319.1 |  |
| **Total net sales** |  | **$** | **1,047.6** |  |  | **$** | **2,154.7** |  |  | **$** | **2,893.4** |  |  | **$** | **4,328.7** |  |

Contract balances

Contract assets relate to the Company's rights to consideration for work completed but not billed (generally in conjunction with contracts for which revenue is recognized over time) at the reporting date on production parts and is included in Other current assets on the Condensed Consolidated Balance Sheet. The contract assets are reclassified into the receivables balance when the rights to receive payments become unconditional. The net change in the contract assets balance, reflecting the adjustments needed to align revenue recognition for work completed but not billed, for the three and six month periods ended June 30, 2020 and June 30, 2019, were not material.

**14. SUBSEQUENT EVENTS**

There were no reportable events subsequent to June 30, 2020.

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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 Condensed 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, 2019 filed with the United States Securities and Exchange Commission (the “SEC”) on February 21, 2020. 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. The Company functions as a holding corporation and owns two principal operating subsidiaries, Autoliv AB 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.

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**

The challenges the Company managed in the second quarter were unprecedented. The COVID-19 pandemic is first and foremost a human crisis, where safeguarding health and safety is the Company’s first priority and its global Smart Start Playbook has been instrumental to the Company in safely restarting its operations. The Company has a solid organization that managed to reduce costs and safely restart operations while continuing to execute on the Company’s long-term strategy.

The pace and scope of the demand decline coupled with a volatile ramp-up had a significant impact on the Company’s financial performance in the second quarter. The Company’s largest markets Americas and Europe were virtually standing still in April, followed by a restart and ramp-up in May and June. Daily adjustments were needed to respond to a low and volatile customer demand, including headcount reductions of 3,700 since March, furloughing personnel and significant reductions in capital expenditures and discretionary spending.

It is essential that the Company balance the cost reduction responses against the need for capacity to manage the recovery that started mid-quarter and continues into the first weeks of July. The Company also need to preserve capacity for the new normal market demand and its expected outgrowth. The Company is confident that the actions implemented and planned are positioning it well to benefit from any demand recovery.

The Company’s sales declined slightly more than global LVP, which declined almost 50% in the second quarter compared to the same quarter of the previous year. The Company’s organic sales development was better than LVP in all regions but because high safety content markets declined more than low safety content markets, the sales mix was unfavorable.

Encouragingly, operating cash flow turned positive in June. It is also positive that the Company’s customers´ sourcing activities and model launch plans are close to unchanged. The Company’s engineering support for these activities remains high, even though there are some limited new model launch delays. The order intake for the first half year was in line with last year.

The Structural Efficiency Program (SEP) launched last year was close to complete at the end of the second quarter of 2020. As the next step, the Company has launched a second SEP, or SEP2, during the second quarter of 2020. The Company also seeks to continue the strategic initiatives and structural improvement projects outlined at its Capital Markets Day in 2019. The ambition is to ensure that the Company has an adequate cost structure supporting its medium-term profitability targets in a reduced LVP environment, although the additional challenge could mean more time is needed to reach the Company’s targets.

**Financial highlights in the second quarter of 2020**

**$1,048m** net sales

**48%** organic sales decline (non-U.S. GAAP measure)

18

**(22.3)%** operating margin

**$(2.00)** EPS - a decrease of $3.25

**Key business developments in the second quarter of 2020**

|  |  |
| --- | --- |
| • | **Organic sales (non-U.S. GAAP measure) declined 2.6pp more than the global light vehicle production declined,** with the negative regional mix offsetting the Company’s outperformance within each of the regions. April sales declined year-over-year organically by 65%, May by 55% and June by 20%. Order intake in the first half year was in line with last year and supportive of prolonged sales outperformance. |

|  |  |
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| • | **Profitability and cash flow negatively impacted by customer plant closures and a volatile industry ramp up**, and by continued high engineering activity preparing for future model launches. Our liquidity position remains strong with $1.7 billion in cash and committed, unused loan facilities. Operating cash flow was $128 million negative in the second quarter, but it turned positive in June. |

|  |  |
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| • | **Substantial cost reductions with short- and long-term effects** includes reduction of personnel costs by 25% compared to the first quarter, and launching SEP2, which targets additional annual employee cost reductions of around $65 million. Further potential structural cost reductions, including footprint, remain under evaluation. |

**COVID-19 Pandemic Related Business Update**

Autoliv is navigating the same challenges that many other companies are facing in managing and forecasting the overall impact the COVID-19 pandemic is having on the automotive industry. In this environment, on April 2, 2020, the Company withdrew its previously issued 2020 guidance until the effects of the pandemic can be better assessed.

**First half of 2020**

The COVID-19 pandemic had a substantial impact on our operations already in the first quarter, particularly in China, where most of our customers’ plants were closed for several weeks in February and operated at low levels in March. In Europe and North America, sales declined substantially in the second half of March as the pandemic led to customer plant closures. A large number of customer plants were closed in April and parts of May, followed by a ramp-up in June. According to IHS, global light vehicle production (LVP) declined by 22% in Q1 2020 compared to Q1 2019, and by 45% in Q2 2020 compared to Q2 2019. In addition to the decline in global LVP, the slow and volatile restart and ramp-up of production had a significant impact on our sales and profitability in the first half of 2020.

**Liquidity and management actions to manage this challenging period**

|  |  |
| --- | --- |
| • | In response to ongoing volatility and uncertainty, the Company canceled the dividend in Q2 2020 and suspended future dividends; although, the Board of Directors will review such suspension on a quarterly basis. In addition, the Company drew down $1.1 billion of cash on its existing Revolving Credit Facility (RCF) in two tranches in March and April and secured SEK 6 billion ($0.6 billion) in loans from Swedish Export Credit Corporation in May, which was primarily used to pay down $0.5 billion of the RCF. The cash balance and unutilized, committed credit facilities amounted to approximately $1.7 billion as of June 30, 2020, which provides the Company with a healthy liquidity position as debt maturities are $218 million in 2020 and $275 million in 2021. Capital expenditures were also reduced year-over-year by 50% in Q2 2020. |
| • | The Company’s executives voluntarily agreed to reduce their base salaries by 20% for Q2 2020 and non-employee board members agreed to reduce their cash compensation by 20% for Q2 2020. |
| • | The Company reduced headcount by 5.6% during Q2 2020 compared to Q1 2020. The Company also instituted strict inventory control, close monitoring of receivables and close collaboration with suppliers to navigate the ongoing volatility due to COVID-19. In addition, the Company adjusted production and work week hours due to rapid changes in demand, reduced or suspended discretionary spending that was not critical for daily operations and accelerated cost saving initiatives and furloughed personnel, many in government supported programs. |
| • | The Structural Efficiency Program I (SEP1) was close to complete at the end of Q2 2020 and the Company launched SEP2 in Q2 2020. SEP1 was launched in Q2 2019 and reduced the indirect workforce by around 800 employees. SEP1 cost the Company approximately $52 million; however, annual savings from SEP1 are approximately $60 million. SEP2 targets an additional reduction of approximately 900 indirect workers and $65 million in annual savings for the Company. SEP2 is targeted to be completed in 2021 and is estimated to cost the Company approximately $65 million. The costs for SEP1 and SEP2 are included in our capacity alignment adjustments. |
| • | Based on the Company’s Smart Start Playbook, developed for its ramp-up following COVID-19 related shutdowns, the Company has invested in employee safety equipment, re-designed production lines and work places as necessary, and adapted new processes for interactions with its suppliers and customers to safely manage the restart and ramp-up of the Company’s |

19

|  |  |
| --- | --- |
|  | operations. Direct COVID-19 related costs, such as personal protective equipment, temporary supplier support and premium freight was approximately $10 million in Q2 2020. |

**Second half of 2020**

In all regions around the world, the automotive industry, including Autoliv, are in different stages of ramp-up of operations. This is a positive trend, but with certain challenges, as global LVP is expected to still be below 2019 levels and there is still high volatility in customer call-offs. The high volatility and thus low volume predictability have a negative impact on operational efficiency, including cost and capital efficiency. The volatility has gradually declined but is still higher than normal in all regions. As communicated earlier, the Company also expects second half 2020 profitability headwinds from lower inflator replacement sales, costs relating to investments in the factory of the future and higher depreciation and amortization. The Company expects profitability tailwinds in the second half year from cost reduction actions such as the Structural Efficiency Programs and strategic initiatives outlined at the Capital Markets Day in 2019, execution of the strong order book and lower raw material costs.

**Next steps**

While we continue to focus on cost reduction actions, we are ramping up production in coordination with our customers and suppliers. Although visibility is limited, below is a summary of our current view of our three most important regions.

**China**: OEMs returned to pre-crisis production levels in the second quarter, with 7% year-over-year growth in LVP according to IHS. China Association of Automotive Manufacturers reported that Q2 2020 retail sales were 7.1% above Q2 2019.

**Europe**: LVP improved gradually from April’s year-over-year decline of 93% to 61% in May and 29% in June. Car registrations in Western Europe improved during the quarter but June was still around 22% below a year earlier, as dealers in large parts of Europe did not re-open until late May or in June. The production rate will likely continue to be volatile for the next few months at least, with reduced shifts to adapt to uncertain demand and component availability.

**North America**: LVP improved gradually from April’s year-over-year decline of 99% to 85% in May and 26% in June. Light vehicle sales improved during the quarter from a SAAR of 8.6 million in April to 12.3 million in May and 13.1 million in June. Retail sales were significantly stronger than fleet sales, as large fleet buyers such as rental companies are not yet buying in large volumes. Dealer inventories at the end of June were low, at 2.6million, or 59 days of supply, and there is scope for demand support from inventory build-up in the next few months.

**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.

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**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.

**KEY RATIOS**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended** | | | | | |  |  | **Six months ended** | | | | |  |
|  |  | **or as of June 30** | | | | | |  |  | **or as of June 30** | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  | **2019** | |  |
| Total parent shareholders’ equity per share |  | $ | 22.24 |  |  | $ | 23.21 |  |  | $ | 22.24 |  | $ | 23.21 |  |
| Capital employed 1) |  |  | 3,793 |  |  |  | 3,849 |  |  |  | 3,793 |  |  | 3,849 |  |
| Net debt 2) |  |  | 1,838 |  |  |  | 1,811 |  |  |  | 1,838 |  |  | 1,811 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating working capital 2) |  |  | 498 |  |  |  | 645 |  |  |  | 498 |  |  | 645 |  |
| Operating working capital relative to sales, % 10) |  |  | 7.0 |  |  |  | 7.5 |  |  |  | 7.0 |  |  | 7.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross margin, % 3) |  |  | 1.4 |  |  |  | 18.6 |  |  |  | 11.9 |  |  | 18.0 |  |
| Operating margin, % 4) |  |  | (22.3 | ) |  |  | 7.9 |  |  |  | (3.4 | ) |  | 7.9 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Return on total equity, % 5) |  |  | (34.9 | ) |  |  | 21.8 |  |  |  | (9.7 | ) |  | 22.4 |  |
| Return on capital employed, % 6) |  |  | (25.0 | ) |  |  | 18.3 |  |  |  | (5.3 | ) |  | 18.9 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Headcount at period-end 7) |  |  | 61,800 |  |  |  | 65,700 |  |  |  | 61,800 |  |  | 65,700 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Days receivables outstanding 8) |  |  | 104 |  |  |  | 72 |  |  |  | 75 |  |  | 72 |  |
| Days inventory outstanding 9) |  |  | 74 |  |  |  | 35 |  |  |  | 53 |  |  | 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 (loss) income relative to sales. |
| 5) | Net (loss) income relative to average total equity. |
| 6) | Operating (loss) 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. For 2019 excluding EC antitrust non-cash provision. |

**THREE MONTHS ENDED JUNE 30, 2020 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2019**

**Consolidated Sales**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three months ended June 30** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2020** | |  |  | **2019** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 653.8 |  |  | $ | 1,435.7 |  |  |  | (54.5 | )% |  |  | (3.4 | )% |  |  | (51.1 | )% |
| Seatbelts 2) |  | 393.8 |  |  |  | 719.0 |  |  |  | (45.2 | )% |  |  | (4.1 | )% |  |  | (41.1 | )% |
| **Total** | **$** | **1,047.6** |  |  | **$** | **2,154.7** |  |  |  | **(51.4** | **)%** |  |  | **(3.6** | **)%** |  |  | **(47.8** | **)%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 587.9 |  |  | $ | 757.7 |  |  |  | (22.4 | )% |  |  | (2.4 | )% |  |  | (20.0 | )% |
| *Whereof:     China* |  | *366.4* |  |  |  | *349.5* |  |  |  | *4.8* | *%* |  |  | *(3.7* | *)%* |  |  | *8.5* | *%* |
| *Japan* |  | *104.6* |  |  |  | *191.1* |  |  |  | *(45.3* | *)%* |  |  | *2.1* | *%* |  |  | *(47.4* | *)%* |
| *Rest of Asia* |  | *116.9* |  |  |  | *217.1* |  |  |  | *(46.2* | *)%* |  |  | *(4.5* | *)%* |  |  | *(41.7* | *)%* |
| Americas |  | 213.4 |  |  |  | 758.1 |  |  |  | (71.9 | )% |  |  | (5.3 | )% |  |  | (66.6 | )% |
| Europe |  | 246.3 |  |  |  | 638.9 |  |  |  | (61.4 | )% |  |  | (3.1 | )% |  |  | (58.3 | )% |
| **Total** | **$** | **1,047.6** |  |  | **$** | **2,154.7** |  |  |  | **(51.4** | **)%** |  |  | **(3.6** | **)%** |  |  | **(47.8** | **)%** |

|  |  |
| --- | --- |
| 1) | Effects from currency translations. |

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|  |  |
| --- | --- |
| 2) | Including Corporate and Other sales. |
| 3) | Non-U.S. GAAP measure. |

**Sales by product - Airbags**

Sales of all our different airbag products except textiles declined organically (non-U.S. GAAP measure) by between 40% and 80% in the second quarter. Textiles increased organically by 40%, reflecting new sales of textiles for manufacturing of personal protection equipment.  Inflator sales declined organically by around 75%.

**Sales by product - Seatbelts**

Seatbelt sales organic decline (non-U.S. GAAP measure) broadly reflected the regional sales declines, with seatbelt sales in China growing organically by 12% while organic seatbelt sales in all other regions declined by between 17% and 76%.

**Sales by Region**

The Company’s global organic sales (non-U.S. GAAP measure) declined by 47.8% compared to the LVP decline of 45.2% (according to IHS). Sales declined organically in all regions except China, which was up by 8.5%. The largest organic sales decline drivers were Americas and Europe, followed by Japan and Rest of Asia. Our organic sales development outperformed LVP in all regions - by almost 11pp in Asia excluding China, by more than 5pp in Americas, by around 3pp in Europe and by 1.6pp in China. Despite outperforming in all regions, our sales did not outperform on a global level because markets with high safety content per vehicle such as North America and Europe, declined significantly more than markets with lower safety content per vehicles such as China which lead to the automotive safety market declining significantly more than LVP.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Q2 2020 Organic growth**1) |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| Autoliv |  |  | (66.6 | )% |  |  | (58.3 | )% |  |  | 8.5 | % |  |  | (47.4 | )% |  |  | (41.7 | )% |  |  | (47.8 | )% |
| Main growth drivers |  | Textiles | |  |  | Inflators | |  |  | VW, Ford, Toyota, Mazda, Honda | |  |  | Honda, Suzuki | |  |  | Renault | |  |  | BYD, Textiles | |  |
| Main decline drivers |  | FCA, Honda, Nissan, Ford, GM, Inflators | |  |  | VW, Renault, Daimler, PSA, BMW, Ford, FCA | |  |  | Nissan, Inflators | |  |  | Mitsubishi, Toyota, Mazda, Nissan, Subaru | |  |  | Hyundai/Kia, Suzuki, Toyota, Mitsubishi, Isuzu | |  |  | FCA, Nissan, Honda, Ford, VW, Toyota, Hyundai/Kia, GM, Renault | |  |

|  |  |
| --- | --- |
| 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) |  |  | (71.8 | )% |  |  | (61.2 | )% |  |  | 6.9 | % |  |  | (47.4 | )% |  |  | (60.7 | )% |  |  | (45.2 | )% |
| 1) Source: IHS July 2020. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) |  | **2020** | |  |  | **2019** | |  |  | **Change** | |  |
| Net Sales |  | $ | 1,047.6 |  |  | $ | 2,154.7 |  |  |  | (51.4 | )% |
| Gross profit |  |  | 14.4 |  |  |  | 399.7 |  |  |  | (96.4 | )% |
| *% of sales* |  |  | *1.4* | *%* |  |  | *18.6* | *%* |  |  | *(17.2* | *)pp* |
| S, G&A |  |  | (98.5 | ) |  |  | (101.1 | ) |  |  | (2.6 | )% |
| *% of sales* |  |  | *(9.4* | *)%* |  |  | *(4.7* | *)%* |  |  | *4.7* | *pp* |
| R, D&E, net |  |  | (88.0 | ) |  |  | (117.0 | ) |  |  | (24.8 | )% |
| *% of sales* |  |  | *(8.4* | *)%* |  |  | *(5.4* | *)%* |  |  | *3.0* | *pp* |
| Other income (expense), net |  |  | (59.0 | ) |  |  | (9.2 | ) |  |  | 541.3 | % |
| Operating (loss) income |  |  | (233.5 | ) |  |  | 169.5 |  |  |  | (237.8 | )% |
| *% of sales* |  |  | *(22.3* | *)%* |  |  | *7.9* | *%* |  |  | *(30.2* | *)pp* |
| Adjusted operating (loss) income1) |  |  | (171.4 | ) |  |  | 183.2 |  |  |  | (193.6 | )% |
| *% of sales* |  |  | *(16.4* | *)%* |  |  | *8.5* | *%* |  |  | *(24.9* | *)pp* |
| Financial and non-operating items, net |  |  | (13.1 | ) |  |  | (18.7 | ) |  |  | (29.9 | )% |
| (Loss) income before taxes |  |  | (246.6 | ) |  |  | 150.8 |  |  |  | (263.5 | )% |
| Tax rate |  |  | 29.3 | % |  |  | 27.4 | % |  |  | *1.9* | *pp* |
| Net (loss) income |  |  | (174.3 | ) |  |  | 109.4 |  |  |  | (259.3 | )% |
| (Loss) earnings per share, diluted2) |  |  | (2.00 | ) |  |  | 1.25 |  |  |  | (260.0 | )% |
| Adjusted (loss) earnings per share, diluted1),2) |  |  | (1.40 | ) |  |  | 1.38 |  |  |  | (201.4 | )% |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure, excluding costs for capacity alignment and antitrust related matters. |
| 2) | Assuming dilution, when applicable, 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. |

**Second quarter 2020 development**

**Gross profit** decreased by $385 million and the gross margin decreased by 17.2pp compared to the same quarter 2019. The gross margin decline was primarily driven by lower sales and lower utilization of our assets from the decline in LVP. The sharp sales decline in April coupled with a volatile restart and ramp-up in May and June with limited visibility and predictability had a significant effect on our gross margin, despite major reductions in costs for material and labor. Direct COVID-19 costs amounted to around $10 million in Q2 2020.

**S,G&A** declined by $3 million, or 3%, compared to the prior year, mainly due to lower personnel costs.

**R,D&E, net** declined by $29 million compared to the prior year, mainly due to positive year-over-year effects from lower personnel costs due to reduced headcount and furloughing.

**Other income (expense), net** declined by $50 million compared to a year earlier, mainly due to capacity alignment accruals of $62 million in Q2 2020 compared to $13 million a year earlier. The Q2 accruals are mainly related to future reductions of our indirect workforce under the Structural Efficiency Program II.

**Operating (loss) income** decreased by $403 million compared to the same period in 2019, as a consequence of the lower gross profit and other income (expense), net being partly offset by lower costs for S,G&A and R,D&E, net.

**Adjusted operating (loss) income** (non-U.S. GAAP measure)decreased by around $355 million compared to the prior year, mainly due to lower gross profit partly offset by lower S,G&A and R,D&E, net.

**Financial and non-operating items, net** improved by$6 million, mainly due to lower interest rates on debt and foreign currency gains.

**(Loss) income before taxes** decreased by $397 million compared to the prior year, mainly due to the lower operating income.

**Tax rate** was 29.3% compared to 27.4% the same quarter last year, impacted by unfavorable country mix with some losses without tax benefit.

**(Loss) earnings per share, diluted** decreased by $3.25 compared to a year earlier, where the main drivers were $5.70 from lower operating income partly mitigated by $2.37 from lower tax.

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**SIX MONTHS ENDED JUNE 30, 2020 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2019**

**Consolidated Sales**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Six months ended June 30** | | | | | |  |  |  |  |  |  | **Components of change in net sales** | | | | | |  |
|  | **2020** | |  |  | **2019** | |  |  | **Reported change** | |  |  | **Currency effects 1)** | |  |  | **Organic** 3) | |  |
| Airbags and other 2) | $ | 1,855.9 |  |  | $ | 2,883.4 |  |  |  | (35.6 | )% |  |  | (2.6 | )% |  |  | (33.0 | )% |
| Seatbelts 2) |  | 1,037.5 |  |  |  | 1,445.3 |  |  |  | (28.2 | )% |  |  | (3.3 | )% |  |  | (24.9 | )% |
| **Total** | **$** | **2,893.4** |  |  | **$** | **4,328.7** |  |  |  | **(33.2** | **)%** |  |  | **(2.9** | **)%** |  |  | **(30.3** | **)%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asia | $ | 1,185.1 |  |  | $ | 1,508.5 |  |  |  | (21.4 | )% |  |  | (2.1 | )% |  |  | (19.3 | )% |
| *Whereof:     China* |  | *563.9* |  |  |  | *680.0* |  |  |  | *(17.1* | *)%* |  |  | *(3.5* | *)%* |  |  | *(13.6* | *)%* |
| *Japan* |  | *307.6* |  |  |  | *399.2* |  |  |  | *(22.9* | *)%* |  |  | *1.7* | *%* |  |  | *(24.6* | *)%* |
| *Rest of Asia* |  | *313.6* |  |  |  | *429.3* |  |  |  | *(26.9* | *)%* |  |  | *(3.6* | *)%* |  |  | *(23.3* | *)%* |
| Americas |  | 885.5 |  |  |  | 1,501.1 |  |  |  | (41.0 | )% |  |  | (3.3 | )% |  |  | (37.7 | )% |
| Europe |  | 822.8 |  |  |  | 1,319.1 |  |  |  | (37.6 | )% |  |  | (3.0 | )% |  |  | (34.6 | )% |
| **Total** | **$** | **2,893.4** |  |  | **$** | **4,328.7** |  |  |  | **(33.2** | **)%** |  |  | **(2.9** | **)%** |  |  | **(30.3** | **)%** |

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

**Sales by Product - Airbags**

Sales of all our different airbag products except textiles declined organically (non-U.S. GAAP measure) by between 27% and 65% in the first half of the year. Textiles increased by 18%, reflecting new sales of textiles for manufacturing of personal protection equipment. Inflator sales declined organically by around 65%.

**Sales by Product - Airbags**

Japan showed a slight organic (non-U.S. GAAP measure) seatbelt sales growth, while all other regions showed organic sales declines between 12% and 45%.

**Sales by Region**

The global organic sales decline (non-U.S. GAAP measure) of 30.3% was 3.3pp better than LVP (according to IHS). Sales declined organically in all regions. The largest organic sales decline drivers were Americas and Europe, followed by Rest of Asia, Japan and China. Our organic sales development outperformed LVP in all regions - by 9.4pp in Asia excluding China, by 7.3pp in China, by 4.7pp in Europe and by 4.5pp in Americas.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **First six months 2020 Organic growth**1) |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| Autoliv |  |  | (37.7 | )% |  |  | (34.6 | )% |  |  | (13.6 | )% |  |  | (24.6 | )% |  |  | (23.3 | )% |  |  | (30.3 | )% |
| Main growth drivers |  | Tesla, Textiles, Mazda | |  |  | Inflators | |  |  | BYD, Ford, Mazda | |  |  | Honda, Suzuki | |  |  | Renault, GM | |  |  | Tesla, BYD | |  |
| Main decline drivers |  | FCA, Honda, Nissan, Ford, GM, Inflators | |  |  | Daimler, VW, Renault, BMW, Ford, PSA, FCA, Volvo | |  |  | Nissan, Great Wall, Honda, Geely, VW | |  |  | Mitsubishi, Toyota, Mazda, Nissan, Subaru | |  |  | Hyundai/Kia, Suzuki, Toyota, Mitsubishi, Isuzu | |  |  | FCA, Honda, Nissan, VW, Ford, Daimler, Hyundai/Kia, Toyota, Inflators | |  |

**Light Vehicle Production Development**

*Change vs. same period last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| LVP1) |  |  | (42.2 | )% |  |  | (39.3 | )% |  |  | (20.9 | )% |  |  | (26.6 | )% |  |  | (38.3 | )% |  |  | (33.6 | )% |
| 1) Source: IHS July 2020. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Six months ended June 30** | | | | | |  |  |  |  |  |
| (Dollars in millions, except per share data) | **2020** | |  |  | **2019** | |  |  | **Change** | |  |
| Net Sales | $ | 2,893.4 |  |  | $ | 4,328.7 |  |  |  | (33.2 | )% |
| Gross profit |  | 345.4 |  |  |  | 778.5 |  |  |  | (55.6 | )% |
| *% of sales* |  | *11.9* | *%* |  |  | *18.0* | *%* |  |  | *(6.1* | *)pp* |
| S, G&A |  | (192.0 | ) |  |  | (202.5 | ) |  |  | (5.2 | )% |
| *% of sales* |  | *(6.6* | *)%* |  |  | *(4.7* | *)%* |  |  | *1.9* | *pp* |
| R, D&E, net |  | (190.6 | ) |  |  | (224.4 | ) |  |  | (15.1 | )% |
| *% of sales* |  | *(6.6* | *)%* |  |  | *(5.2* | *)%* |  |  | *1.4* | *pp* |
| Other income (expense), net |  | (56.9 | ) |  |  | (3.2 | ) |  |  | 1,678.1 | % |
| Operating (loss) income |  | (99.2 | ) |  |  | 342.7 |  |  |  | (128.9 | )% |
| *% of sales* |  | *(3.4* | *)%* |  |  | *7.9* | *%* |  |  | *(11.3* | *)pp* |
| Adjusted operating (loss) income1) |  | (35.4 | ) |  |  | 349.6 |  |  |  | (110.1 | )% |
| *% of sales* |  | *(1.2* | *)%* |  |  | *8.1* | *%* |  |  | *(9.3* | *)pp* |
| Financial and non-operating items, net |  | (36.0 | ) |  |  | (38.3 | ) |  |  | (6.0 | )% |
| (Loss) income before taxes |  | (135.2 | ) |  |  | 304.4 |  |  |  | (144.4 | )% |
| Tax rate |  | 26.5 | % |  |  | 27.4 | % |  |  | *(0.9* | *)pp* |
| Net (loss) income |  | (99.4 | ) |  |  | 220.9 |  |  |  | (145.0 | )% |
| (Loss) earnings per share, diluted2) |  | (1.14 | ) |  |  | 2.52 |  |  |  | (145.2 | )% |
| Adjusted (loss) earnings per share, diluted1),2) |  | (0.53 | ) |  |  | 2.57 |  |  |  | (120.6 | )% |

|  |  |
| --- | --- |
| 1) | Non-U.S. GAAP measure, excluding costs for capacity alignment and antitrust related matters. |
| 2) | Assuming dilution, when applicable, 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. |

**First six months 2020 development**

**Gross profit** declined by $433 million and the gross margin declined by 6.1pp compared to the same period 2019. The gross margin decline was primarily driven by lower sales and lower utilization of our assets from the decline in LVP. The sharp sales decline followed by a volatile restart and ramp-up with limited visibility and predictability had a significant effect on our gross margin, despite significant reductions in costs for material and labor.

**S,G&A** decreased by $10 million, or by 5%, due to lower personnel costs.

**R,D&E, net** declined by $34 million, or by 15%, mainly due to positive year over year effects from lower personnel costs due to reduced headcount and furloughing.

**Other income (expense), net** declined by $54 million compared to a year earlier, mainly due to capacity alignment accruals of $64 million in first half of 2020 compared to $13 million a year earlier. The accruals mainly related to future reductions of our indirect workforce under the Structural Efficiency Programs.

**Operating (loss) income** decreased by $442 million, mainly as a consequence of the declines in gross profit and other income (expense), net, partly offset by lower costs for S,G&A and R,D&E, net.

**Adjusted operating (loss) income** (non-U.S. GAAP measure)decreased by $385 million, mainly due to the lower gross profit, partly offset by lower costs for S,G&A and R,D&E, net.

**Financial and non-operating items, net** improved by around $2 million to $36 million, mainly due to lower interest rate on debt.

**(Loss) income before taxes** decreased by $440 million, mainly as a consequence of lower operating income.

**Tax rate** was 26.5% compared to 27.4% last year, impacted by unfavorable country mix with some losses without tax benefit.

**(Loss) earnings per share, diluted** decreased by $3.66 where the main drivers were $6.20 from lower operating income partly mitigated by $2.50 from lower tax.

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**LIQUIDITY AND SOURCES OF CAPITAL**

**Second quarter 2020 development**

**Operating working capital** (non-U.S. GAAP measure, see reconciliation table below) was 7.0% of sales compared to 7.5% of sales a year earlier, mainly due to accounts receivable declining more than accounts payable. The Company targets that operating working capital in relation to the last 12-month sales should not exceed 10%.

**Operating cash flow** was $128 million negative, compared to $21 million negative a year earlier, mainly due to the lower net income, partly offset by the payment of the EC antitrust payment of $203 million in the second quarter of 2019, and by positive effects from changes in operating assets and liabilities in second quarter of 2020.

**Capital expenditure, net** of $64 million was $64 million lower than a year earlier, reflecting our efforts to reduce capital expenditure to support cash flow. Capital expenditure, net in relation to sales was 6.1% vs. 5.9% a year earlier.

**Net debt** (non-U.S. GAAP measure, see reconciliation table below)amounted to $1,838 million as of June 30, 2020, which was $27 million higher than a year earlier and $188 million higher compared to December 31, 2019.

**Liquidity position** At June 30, 2020 our cash balance was $1.2 billion, and including committed, unused loan facilities, our liquidity position was $1.7 billion. Debt maturing in 2020 is $218 million, with another $275 million maturing in 2021.

**Leverage ratio** (non-U.S. GAAP measure, see calculation table below) 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 adjusted EBITDA (see calculation table below). The long-term target is to maintain a leverage ratio of around 1x within a range of 0.5x to 1.5x. As of June 30, 2020, the Company had a leverage ratio of 2.9x, compared to 1.8x at June 30, 2019. The increase is due to a lower adjusted EBITDA in the current period compared to a year earlier. At December 31, 2019, the leverage ratio was 1.7x.

**Total equity** decreased by $83 million compared to June 30, 2019 mainly due to $108 million in dividends and $100 million from negative foreign currency effects partly offset by $141 million in net income.

**First six months 2020 development**

**Operating cash flow** was $28 million compared to $133 million a year earlier. The decline of $105 million was primarily due to the lower net income, partly offset by the EC antitrust payment of $203 million in the second quarter of 2019, and by positive effects from changes in operating assets and liabilities in first half of 2020.

**Capital expenditure, net** of $152 million was 36% lower than a year earlier, reflecting our efforts to reduce capital expenditure to support cash flow. Capital expenditure, net in relation to sales was 5.3% compared to 5.4% in the same period 2019.

**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 June 30, 2020** | | | | | | | | | |  |  | **Three months ended June 30, 2019** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating (loss) income |  | $ | (233.5 | ) |  | $ | 62.1 |  |  | $ | (171.4 | ) |  | $ | 169.5 |  |  | $ | 13.7 |  |  | $ | 183.2 |  |
| Operating margin, % |  |  | (22.3 | ) |  |  | 5.9 |  |  |  | (16.4 | ) |  |  | 7.9 |  |  |  | 0.6 |  |  |  | 8.5 |  |
| (Loss) earnings per share, diluted |  |  | (2.00 | ) |  |  | 0.60 |  |  |  | (1.40 | ) |  |  | 1.25 |  |  |  | 0.13 |  |  |  | 1.38 |  |

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

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended June 30, 2020** | | | | | | | | | |  |  | **Six months ended June 30, 2019** | | | | | | | | | |  |
|  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |  | **Reported U.S.**  **GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S.**  **GAAP** | |  |
| Operating (loss) income |  | $ | (99.2 | ) |  | $ | 63.8 |  |  | $ | (35.4 | ) |  | $ | 342.7 |  |  | $ | 6.9 |  |  | $ | 349.6 |  |
| Operating margin, % |  |  | (3.4 | ) |  |  | 2.2 |  |  |  | (1.2 | ) |  |  | 7.9 |  |  |  | 0.2 |  |  |  | 8.1 |  |
| (Loss) earnings per share, diluted |  |  | (1.14 | ) |  |  | 0.61 |  |  |  | (0.53 | ) |  |  | 2.52 |  |  |  | 0.05 |  |  |  | 2.57 |  |

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended June 30, 2020** | | | | | |  |  | **Three months ended June 30, 2019** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 61.9 |  |  | $ | 0.71 |  |  | $ | 13.2 |  |  | $ | 0.15 |  |
| Antitrust related matters |  |  | 0.2 |  |  |  | 0.00 |  |  |  | 0.5 |  |  |  | 0.01 |  |
| **Total adjustments to operating income** |  |  | **62.1** |  |  |  | **0.71** |  |  |  | **13.7** |  |  |  | **0.16** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (9.9 | ) |  |  | (0.11 | ) |  |  | (2.7 | ) |  |  | (0.03 | ) |
| **Total adjustments to net income** |  | **$** | **52.2** |  |  | **$** | **0.60** |  |  | **$** | **11.0** |  |  | **$** | **0.13** |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended June 30, 2020** | | | | | |  |  | **Six months ended June 30, 2019** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 63.6 |  |  | $ | 0.73 |  |  | $ | 13.1 |  |  | $ | 0.15 |  |
| Antitrust related matters |  |  | 0.2 |  |  |  | 0.00 |  |  |  | (6.2 | ) |  |  | (0.07 | ) |
| **Total adjustments to operating income** |  |  | **63.8** |  |  |  | **0.73** |  |  |  | **6.9** |  |  |  | **0.08** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (9.9 | ) |  |  | (0.12 | ) |  |  | (2.7 | ) |  |  | (0.03 | ) |
| **Total adjustments to net income** |  | **$** | **53.9** |  |  | **$** | **0.61** |  |  | **$** | **4.2** |  |  | **$** | **0.05** |  |

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

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

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | |  |  | **June 30, 2019** | |  |  | **December 31, 2019** | |  |
| Total current assets |  | $ | 3,382.9 |  |  | $ | 3,052.2 |  |  | $ | 3,002.1 |  |
| Total current liabilities |  |  | (2,152.0 | ) |  |  | (2,418.4 | ) |  |  | (2,410.2 | ) |
| **Working capital** |  |  | **1,230.9** |  |  |  | **633.8** |  |  |  | **591.9** |  |
| Cash and cash equivalents |  |  | (1,223.2 | ) |  |  | (406.4 | ) |  |  | (444.7 | ) |
| Short-term debt |  |  | 492.9 |  |  |  | 366.8 |  |  |  | 368.1 |  |
| Derivative (asset) and liability, current |  |  | (2.6 | ) |  |  | (3.5 | ) |  |  | (4.2 | ) |
| Dividends payable 1) |  |  | 0.0 |  |  |  | 54.1 |  |  |  | 54.1 |  |
| **Operating working capital** |  | **$** | **498.0** |  |  | **$** | **644.8** |  |  | **$** | **565.2** |  |

|  |  |
| --- | --- |
| 1) | On April 2, 2020, the Company canceled its declared dividend for the second quarter of 2020. |

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | |  |  | **June 30, 2019** | |  |  | **December 31, 2019** | |  |
| Short-term debt |  | $ | 492.9 |  |  | $ | 366.8 |  |  | $ | 368.1 |  |
| Long-term debt |  |  | 2,567.0 |  |  |  | 1,850.2 |  |  |  | 1,726.1 |  |
| **Total debt** |  |  | **3,059.9** |  |  |  | **2,217.0** |  |  |  | **2,094.2** |  |
| Cash and cash equivalents |  |  | (1,223.2 | ) |  |  | (406.4 | ) |  |  | (444.7 | ) |
| Debt issuance cost/Debt-related derivatives, net |  |  | 1.2 |  |  |  | 0.3 |  |  |  | 0.3 |  |
| **Net debt** |  | **$** | **1,837.9** |  |  | **$** | **1,810.9** |  |  | **$** | **1,649.8** |  |

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

**Calculation of “Leverage ratio”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | |  |  | **June 30, 2019** | |  |  | **December 31, 2019** | |  |
| Net debt1) |  | $ | 1,837.9 |  |  | $ | 1,810.9 |  |  | $ | 1,649.8 |  |
| Pension liabilities |  |  | 235.7 |  |  |  | 202.8 |  |  |  | 240.2 |  |
| **Debt per the Policy** |  |  | **2,073.6** |  |  |  | **2,013.7** |  |  |  | **1,890.0** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income2) |  |  | 142.5 |  |  |  | 248.1 |  |  |  | 462.8 |  |
| Less; Net loss from discontinued operations2) |  |  | – |  |  |  | (2.0 | ) |  |  | – |  |
| **Net income continuing operations2)** |  |  | **142.5** |  |  |  | **246.1** |  |  |  | **462.8** |  |
| Income taxes 2) |  |  | 66.3 |  |  |  | 231.7 |  |  |  | 185.6 |  |
| Interest expense, net2,3) |  |  | 61.9 |  |  |  | 68.2 |  |  |  | 65.9 |  |
| Depreciation and amortization of intangibles2) |  |  | 349.9 |  |  |  | 349.9 |  |  |  | 350.6 |  |
| Antitrust related matters, capacity alignment and separation costs2 |  |  | 105.5 |  |  |  | 221.4 |  |  |  | 48.6 |  |
| **EBITDA per the Policy** |  | **$** | **726.1** |  |  | **$** | **1,117.3** |  |  | **$** | **1,113.5** |  |
| **Leverage ratio** |  |  | **2.9** |  |  |  | **1.8** |  |  |  | **1.7** |  |

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

**Headcount**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30, 2020** | |  |  | **March 31, 2020** | |  |  | **June 30, 2019** | |  |
| Headcount |  |  | 61,800 |  |  |  | 65,500 |  |  |  | 65,700 |  |
| Whereof: |  |  |  |  |  |  |  |  |  |  |  |  |
| Direct workers in manufacturing |  |  | 70 | % |  |  | 71 | % |  |  | 71 | % |
| Best cost countries |  |  | 81 | % |  |  | 81 | % |  |  | 80 | % |
| Temporary personnel |  |  | 6 | % |  |  | 8 | % |  |  | 10 | % |

Compared to March 31, 2020, total headcount (permanent employees and temporary personnel) decreased by 3,697. The decrease in the second quarter of 2020 was driven by a reduction of around 7% of the direct workforce while the indirect workforce decreased by around 2%. Our responses to manage the demand declines in Europe and Americas also include furloughing employees and shorter work weeks to reduce wage and salary costs. Our operations in almost all regions are currently in different stages of ramp-up, as customer demand gradually increased in May and June. Compared to a year ago, total headcount decreased by 3,903, driven by a reduction of around 7% of the direct workforce and a reduction of 4% of the indirect workforce.

**Outlook 2020**

No full year 2020 indications will be provided until effects of COVID-19 pandemic can be better assessed.

**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.

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**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

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, 2019 filed with the SEC on February 21, 2020.

**OTHER RECENT EVENTS**

**Key launches in the Second Quarter of 2020**

Below are some of the key models which were launched in the second quarter of 2020.

|  |  |  |
| --- | --- | --- |
|  | • | **Chevrolet Suburban/Tahoe & GMC Yukon/Yukon XL:** Steering Wheel, Driver/Passenger airbags. |
|  | • | **Fiat 500:** Steering Wheel, Driver/Passenger airbags, Side airbags, Head/Inflatable Curtain airbags. |
|  | • | **Audi 3 Limousine:** Steering Wheel, Driver/Passenger airbags, Front Center Airbag, Seatbelts. |
|  | • | **Xpeng P7:** Steering Wheel, Driver/Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts. |
|  | • | **Lynk & Co 06:** Driver/Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts. |
|  | • | **Buick Envision S:** Steering Wheel, Driver/Passenger airbags, Side airbags, Head/Inflatable Curtain airbags. |
|  | • | **Kia Sorento:** Side airbags, Head/Inflatable Curtain airbags, Front Center Airbag, Seatbelts. |
|  | • | **VW Polo Sedan:** Steering Wheel, Driver/Passenger airbags, Seatbelts. |
|  | • | **VW Tayron X:** Steering Wheel, Driver/Passenger airbags, Side airbags, Head/Inflatable Curtain airbags, Seatbelts. |

**Other Items**

|  |  |
| --- | --- |
| • | On May 29, Autoliv provided a market and business update, including measures taken by the Company to manage the automotive industry downturn caused by the COVID-19 pandemic. Measures announced included reduction in capex and employee related costs and a strengthening of the liquidity position and credit resources through entering a lending facility of approximately $0.6 billion with the Swedish Export Credit Corporation. |
| • | On June 9, 2020, Autoliv announced its promotion of Kevin Fox from the position as Vice President Brazil to the position of President, Americas and a member of Autoliv’s Executive Management Team, effective on June 15th. Mr. Fox has extensive experience leading large-scale operations and driving positive results over nearly two decades. He began his career at Autoliv in 1996, and has experience from leadership roles in Engineering, Operations and Quality as well as being a Plant Manager. |
| • | On July 1, 2020, Per Ericson joined Autoliv as Executive Vice President Human Resources and Sustainability and member of Autoliv’s Executive Management Team, succeeding Sherry Vasa who decided to leave her position in Sweden to move back to the United States. Mr. Ericson has held senior Human Resources roles in Stora Enso, Haldex and most recently as Senior Vice President, Head of Group Business Development at Husqvarna. |

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

As of June 30, 2020, 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, 2019, filed with the SEC on February 21, 2020.

**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 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 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 9 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**

Except as set forth below, as of June 30, 2020, 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, 2019 filed with the SEC on February 21, 2020.

**We face risks related to the novel coronavirus (COVID-19) pandemic that have, and are expected to continue to have, an adverse impact on our business and financial performance**

The COVID-19 pandemic has created significant volatility in the global economy and led to significant reduced economic activity and employment and has disrupted, and may continue to disrupt, the global automotive industry and customer sales, production volumes and purchases of light vehicles by end-consumers. The spread of COVID-19 has also caused disruptions in the manufacturing, delivery and overall supply chains of automobile manufacturers and suppliers. Global light vehicle production has decreased significantly and some vehicle manufacturers have slowed down, completely shutdown manufacturing operations for a period of time and/or restarted production in some countries and regions. As a result, we have modified our production schedules and have experienced, and may continue to experience, delays in the production and distribution of our products and a decline in sales to our customers. As production resumes by us and our customers, production volumes have been and may continue to be volatile. We have also taken protective measures to modified our production environment to ensure the health and safety of our workers which has had an impact on our productivity. Additionally, if the global economic effects caused by the pandemic continue or increase, overall customer demand may continue to decrease, which could have a material and adverse effect on our business, results of operations and financial condition. In addition, if a significant portion of our workforce or our customers’ workforce is affected by COVID-19 either directly or due to government closures or otherwise, associated work stoppages or facility closures would halt or delay production.

The full extent of the effect of the pandemic on us, our customers, our supply chain and our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak or subsequent outbreaks. We may continue to experience the effects of the pandemic even after it has waned, and our business, results of operations and financial condition could continue to be affected. In particular, if COVID-19 continues to spread or re-emerges, particularly in the United States, Europe and China where our operations are most concentrated, resulting in a prolonged period of travel, commercial, social and other similar restrictions, we could experience, among other things:

|  |  |  |
| --- | --- | --- |
|  | • | Adverse impacts on our operations and financial results caused by government and regulatory measures to contain or mitigate the spread of the virus, temporary closures of our facilities or the facilities of our customers or suppliers, which could impact our ability to timely meet our customers’ orders or negatively impact our supply chain; |
|  | • | The failure of third parties on which we rely, including our suppliers, customers, contractors, commercial banks and external business partners, to meet their respective obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties including bankruptcy or default; |
|  | • | Disruptions or restrictions on our employees’ ability to work effectively, due to illness, quarantines, travel bans, shelter-in-place orders or other limitations; |
|  | • | Interruptions to the operations of our business if the health of our executives, management personnel and other employees are affected, particularly if a significant number of individuals are impacted; |
|  | • | Any accident, COVID-19 illness, or injury to our employees could result in litigation, manufacturing delays and harm to our reputation, which could negatively affect our business, results of operations and financial condition; |
|  | • | Changes in prices of tooling and services may be impacted by worldwide demand and by the ongoing COVID-19 pandemic. Such price increases could materially increase our operating costs and adversely affect our profit margin; |
|  | • | Governments and regulators may choose to delay new automobile safety regulations which could impact the average global content of passive safety systems per light vehicle in the near term; |
|  | • | Some of our competitors are (or may be) owned by a governmental entity and/or receive various forms of governmental aid or support, which we may not be eligible for, and which may put us at a competitive disadvantage; |

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| --- | --- | --- |
|  | • | Increased cybersecurity and privacy risks and risks related to the reliability of technology to support remote operations; |
|  | • | Sudden and/or severe declines in the market price of our common stock; and |
|  | • | Costs incurred and revenues lost during and from the effects of the COVID-19 pandemic likely will not be recoverable. |

In addition to the risks specifically described above, the impact of COVID-19 is likely to implicate and exacerbate other risks disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019.

**You should not anticipate or expect the payment of cash dividends on our common stock**

Our dividend policy is subject to the discretion of our Board of Directors and depends upon a number of factors, including our earnings, financial condition, cash and capital needs, indebtedness and leverage, and general economic or business conditions. On April 2, 2020 our Board of Directors suspended our quarterly dividend after determining that a suspension was necessary in light of the evolving global COVID-19 pandemic, decline in global LVP, the uncertainty surrounding the recession at that time and the inherent risk of customer defaults. There can be no assurance that our Board of Directors will declare dividends in the future.

**Our business is exposed to risks inherent in international operations**

We currently conduct operations in various countries and jurisdictions, including locating certain of our manufacturing and distribution facilities internationally, which subjects us to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. Some of these countries are considered growth markets and emerging markets. International sales and operations, especially in growth markets, subject us to certain risks inherent in doing business abroad, including:

|  |  |  |
| --- | --- | --- |
|  | • | exposure to local economic conditions; |
|  | • | unexpected changes in laws, regulations, trade, or monetary or fiscal policy, including interest rates, foreign currency exchange rates, and changes in the rate of inflation in the emerging markets and countries in which we do business; |
|  | • | foreign tax consequences; |
|  | • | inability to collect, or delays in collecting, value-added taxes and/or other receivables associated with remittances and other payments by subsidiaries; |
|  | • | exposure to local political turmoil and challenging labor conditions; |
|  | • | changes in general economic and political conditions in countries where we operate, particularly in emerging markets; |
|  | • | expropriation and nationalization; |
|  | • | enforcing legal agreements or collecting receivables through foreign legal systems; |
|  | • | wage inflation in growth markets; |
|  | • | currency controls, including lack of liquidity in foreign currency due to governmental restrictions, trade protection policies and currency controls, which may create difficulty in repatriating profits or making other remittances; |
|  | • | compliance with the requirements of an increasing body of applicable anti-bribery laws; |
|  | • | reduced intellectual property protection in various markets; |
|  | • | investment restrictions or requirements; and |
|  | • | the imposition of product tariffs and the burden of complying with a wide variety of international and U.S. export laws. |

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. The Organization for Economic Co-operation and Development (“OECD”) continues its base erosion and profit shifting (“BEPS”) project begun in 2015 with new proposals for a global minimum tax, further development of a coordinated set of rules for taxation and the allocation of taxing rights between jurisdictions. These proposals, if adopted by countries in which we operate, could result in changes to tax policies, including transfer pricing policies, that could ultimately impact our tax liabilities. The timing or impact of these proposals and recommendations is unclear at this point. Changes in tax laws or policies by the U.S. or foreign jurisdictions could result in a higher effective tax rate on our worldwide earnings, and any such change could have a material adverse effect on our business prospects, cash flows, operating results and financial condition.

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Our international operations also depend upon favorable trade relations between the U.S. and those foreign countries in which our customers and suppliers have operations. The current U.S. presidential administration has created uncertainty about the future relationship between the U.S. and certain of its trading partners, including with respect to the trade policies and agreements, treaties, government regulations and tariffs that could apply to trade between the U.S. and other nations. These developments may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the U.S. It could also impact importing certain foreign-produced vehicles into the U.S. Similarly, the political situations in certain countries, specifically Brazil, China, France, Russia, Turkey, and the United Kingdom, make it difficult to predict the near-term stability of trade costs with these nations. Meanwhile, the U.S. presidential election in November 2020 could result in a shift in U.S. trade policy that is impossible to predict at this time. Changes in national policy or continued uncertainty could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our cash flows, operating results and financial condition.

Increasing our manufacturing footprint in the growth markets and our business relationships with automotive manufacturers in these markets are particularly important elements of our strategy. As a result, our exposure to the risks described above may be greater in the future, and our exposure to risks associated with developing countries, such as the risk of political upheaval and reliability of local infrastructure, may increase.

**Significant changes to international trade policy, including the recently enacted USMCA could adversely affect our financial performance**

In October 2018, the U.S., Mexico and Canada agreed to a trade deal that would replace NAFTA known as The United States Mexico Canada Agreement (“USMCA”). The USMCA has been ratified by Mexico, the U.S. and Canada. The USMCA was entered into on July 1, 2020. As adopted, the USMCA changes the automotive rules of origin that dictate what percentage of an automobile must be built from parts that originated from countries in the North American region. Reflective of the automotive industry, our vehicle parts manufacturing facilities in the U.S., Mexico and Canada are highly dependent on duty-free trade within the USMCA free trade region. As a result of these policy changes and other proposals of the Trump Administration, there may be greater restrictions and economic disincentives on international trade. New tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries. Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof, including our industry and the global demand for our products and, as a result, could negatively impact our financial performance.

**Our business in Asia is subject to aggressive competition and is sensitive to economic and market conditions**

We operate in the automotive supply market throughout Asia including the highly competitive markets in China, Korea, and India. In each of these markets we face competition from both international and smaller domestic manufacturers. Due to the significance of the Asian markets for our profit and growth, we are exposed to risks in China, Korea, and India. We anticipate that additional competitors, both international and domestic, may seek to enter the Chinese, Korean, and/or Indian markets resulting in increased competition. Increased competition may result in price reductions, reduced margins and our inability to gain or hold market share. There have been periods of increased market volatility and moderation in the levels of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced. Our business in Asia is sensitive to economic and market conditions that drive automotive sales volumes in China, Korea, and India and may be impacted if there are reductions in vehicle demand in those markets. If we are unable to maintain our position in these Asian markets, the pace of growth slows, or vehicle sales in these markets decrease, our business prospects, operating results and financial condition could be materially adversely affected.

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

**Stock repurchase program**

During the quarter ended June 30, 2020, 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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;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&amp;dest=ALV-EX49_336_HTM) |
|  |  |  |
| 4.10 |  | [Base Listing Particulars Agreement, dated February 21, 2020, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.10 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 24, 2020).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-20-018358.html?hash=f3ef27b304ce883b05b1cabe8d7d739471e4ba836366704226a08ccee0b18285&amp;dest=ALV-EX410_441_HTM) |
|  |  |  |
| 4.11 |  | [Amended and Restated Programme Agreement, dated February 21, 2020, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.11 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 24, 2020).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-20-018358.html?hash=f3ef27b304ce883b05b1cabe8d7d739471e4ba836366704226a08ccee0b18285&amp;dest=ALV-EX411_439_HTM) |
|  |  |  |
| 4.12 |  | [Amended and Restated Agency Agreement, dated February 21, 2020, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.11 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 24, 2020).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-20-018358.html?hash=f3ef27b304ce883b05b1cabe8d7d739471e4ba836366704226a08ccee0b18285&amp;dest=ALV-EX412_440_HTM) |
|  |  |  |
| 10.1\* |  | [Facility Agreement, dated May 28, 2020, by and among Autoliv AB, as borrower, Autoliv, Inc. and Autoliv ASP, as guarantors, and AB Svensk Exportkredit, as lender.](#ALV_EX101_300_HTM) |
|  |  |  |
| 10.2\*+ |  | [Form of Non-Employee Directors 2020 restricted stock units grant agreement under the Autoliv, Inc 1997 Stock Incentive Plan, as amended and restated](#ALV_EX102_81_HTM). |
|  |  |  |
| 10.3\*+ |  | [Employment Agreement, dated May 20, 2020 and effective as of July 1, 2020, between Autoliv, Inc. and Per Ericson.](#ALV_EX103_82_HTM) |
|  |  |  |
| 10.4\*+ |  | [Employment Agreement, dated June 8, 2020 and effective as of June 15, 2020, between Autoliv, Inc. and Kevin Fox.](#ALV_EX104_83_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_8_HTM) |
|  |  |  |

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|  |  |  |
| --- | --- | --- |
| **Exhibit No.** |  | **Description** |
| 31.2\* |  | [Certification of the 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_9_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_7_HTM) |
|  |  |  |
| 32.2\* |  | [Certification of the 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_6_HTM) |
|  |  |  |
| 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: July 17, 2020

AUTOLIV, INC.

(Registrant)

|  |  |  |
| --- | --- | --- |
| By: |  | /s/ Fredrik Westin |
|  |  | Fredrik Westin |
|  |  | Chief Financial Officer |
|  |  | (Duly Authorized Officer and Principal Financial Officer) |

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Exhibit 10.1

Execution version

**SEK 6,000,000,000**

**FACILITY AGREEMENT**

dated 28 May 2020

for

**Autoliv AB**

as Borrower

and

**Autoliv ASP Inc and Autoliv Inc**

as Guarantors

with

**AB SVENSK EXPORTKREDIT (PUBL)**

acting as Lender



Exhibit 10.1

**Contents**

|  |  |  |  |  |
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**THIS AGREEMENT** (the “**Agreement**”) is dated28May2020 and made between:

|  |  |
| --- | --- |
| (1) | **AUTOLIV AB** (incorporated under the laws of Sweden) (the “**Borrower**”); |
| (2) | **AUTOLIV, INC.** (incorporated under the laws of the State of Delaware, USA) (the “**Autoliv**”) |
| (3) | **AUTOLIV ASP, INC.** (incorporated under the laws of the State of Indiana, USA) (the “**Autoliv ASP**”); |
| (4) | **AB SVENSK EXPORTKREDIT (publ)** (the “**Lender**”). |

IT IS AGREED as follows:

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

In this Agreement:

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

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

“**Availability Period**” means the period from and including the date of this Agreement to and including the period falling forty-five (45) days after the date of this Agreement.

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

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

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

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

|  |  |  |
| --- | --- | --- |
|  | (a) | the Lender’s cost of funds which the Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the Termination Date in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the Termination Date; |

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exceeds:

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

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

“**Change of Control**” means (i) a person or group of persons acting in concert at any time after the date of this Agreement acquires more than 50 per cent. of the shares which carry the right to vote in Autoliv or the Borrower; and (ii) any event upon which Autoliv ASP ceases to be a fully owned subsidiary of Autoliv.

“**Commitment**” means the Tranche A Commitment and the Tranche B Commitment.

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

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

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

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

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

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

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

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

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

“**EKN**” means Exportkreditnämnden, operating as the official export credit agency in Sweden, whose postal address is P.O. Box is 3064, SE-103 61, Stockholm, Sweden.

“**EKN Offer**” means offers (in form and substance satisfactory to the Lender) with EKN reference numbers 2020-10447-1 and 2020-10375-1 from EKN addressed to the Lender in which EKN extends binding offers to issue the EKN Guarantee in favour of the Lender.

“**EKN Documents**” means the EKN Offer and the EKN Guarantee.

“**EKN Guarantee**” means the credit guarantees granted or to be granted by EKN pursuant to the EKN Offer in favour of the Lender in connection with the Facility, incorporating the EKN conditions and guaranteeing 75 per cent. of the principal amount of the Loans and scheduled interest arising under this Agreement.

“**EKN Mandatory Prepayment Event**” means each of the following events or circumstances:

|  |  |  |
| --- | --- | --- |
|  | (a) | it is or becomes unlawful for EKN to perform or comply with any of its obligations under the EKN Documents or for the Lender to receive the benefit of the EKN Documents; |
|  | (b) | any obligation or obligations of EKN under the EKN Documents are not or cease to be legal, valid, binding or enforceable or the EKN Documents is not or ceases to be in full force and effect; |

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|  |  |  |
| --- | --- | --- |
|  | (c) | EKN avoids, rescinds, repudiates, suspends, cancels or terminates all or any material part of the EKN Documents or evidences an intention to or purports to avoid, rescind, repudiate, suspend, cancel or terminate all or part of the EKN Documents; or |
|  | (d) | any event or circumstance arises which (in the opinion of the Lender) could reasonably be expected to jeopardise the validity of the EKN Documents or otherwise means that the conditions of or to the EKN Documents are not being complied with.*.* |

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

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

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

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

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

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

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

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

“**Existing Facility Agreement**” means the SEK 1,200,000,000 credit agreement dated 24 June 2019 and made between Autoliv, Autoliv ASP and the Lender.

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

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“**FATCA**” means:

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

“**FATCA Application Date**” means:

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

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

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

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

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

|  |  |  |
| --- | --- | --- |
|  | (a) | monies borrowed; |
|  | (b) | any debenture, bond, note, loan stock or other security; |
|  | (c) | any acceptance credit; |
|  | (d) | receivables sold or discounted (otherwise than on a non-recourse basis); |
|  | (e) | the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset; |
|  | (f) | any lease entered into primarily as a method of raising finance or financing the acquisition of the asset leased; |

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|  |  |  |
| --- | --- | --- |
|  | (g) | any currency swap or interest swap, cap or collar arrangement or other derivative instrument (and when calculating the value of any such transaction, only the marked-to-market value shall be taken into account); |
|  | (h) | any amount raised under any other transaction having the commercial effect of a borrowing or raising of money; or |
|  | (i) | any guarantee, indemnity or similar assurance against financial loss of any person. |

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

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

“**Guarantor**” means Autoliv and Autoliv ASP.

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

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

“**Interpolated Screen Rate**” means, in relation to STIBOR for a Loan or any part of it, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

|  |  |  |
| --- | --- | --- |
|  | (a) | (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the relevant Interest Period; and |
|  | (b) | the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the relevant Interest Period, |

each at or about 11:00 a.m. Stockholm time on the Quotation Day.

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

“**Margin**” means the Tranche A Margin or the Tranche B Margin.

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

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

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

8

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (a) | |  | |
|  | | (i) | | the book value of whose assets (consolidated if it itself has Subsidiaries) equals or exceeds ten per cent. of the book value of the consolidated total assets of the Group; or |
|  | | (ii) | | whose revenues (consolidated if it itself has Subsidiaries) equal or exceed ten per cent. of the revenues of the Group taken as a whole; or |
|  | | (iii) | | whose trading profits (consolidated if it itself has Subsidiaries) before interest and tax equal or exceed ten per cent. of the trading profits before interest and tax of the Group as a whole, as determined by reference to the most recent accounts of the Subsidiary and the most recent consolidated accounts of the Group; or |
|  | (b) | | any Subsidiary of the Borrower which becomes a member of the Group after the date of the latest consolidated accounts of the Group at the time of determination and which would fulfil any of the tests in (a)(i), (ii) or (iii) above if tested on the basis of its latest accounts (consolidated if it itself has Subsidiaries) and those latest accounts of the Group; or | |
|  | (c) | | prior to the delivery of each set of accounts pursuant to Clause Financial information (*Financial information*), any Subsidiary of the Borrower to which has been transferred (whether by one transaction or a series of transactions, related or not) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transaction or any of such transactions was a Material Subsidiary. | |

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

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

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

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

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

9

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

“**Original Financial Statements**” means:

|  |  |  |
| --- | --- | --- |
|  | (a) | in relation to Autoliv, the audited consolidated financial statements of the Group for the financial year ended 31 December 2019; and |
|  | (b) | in relation to each Obligor other than Autoliv, its audited financial statements for its financial year ended 31 December 2019. |

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

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

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

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

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

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

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

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

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

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

10

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

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

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

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

“**Sanctions Authority**” means:

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

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

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

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

“**Screen Rate Replacement Event**” means, in relation to the Screen Rate:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (a) | | the methodology, formula or other means of determining the Screen Rate has, in the opinion of the Lender, materially changed; or | |
|  | (b) | | either: | |
|  | | (i) | | the administrator of the Screen Rate or its supervisor publicly announces that such administrator is insolvent; or |
|  | | (ii) | | information is published in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of the Screen Rate is insolvent, |

provided that, in each case, at that time, there is no successor administrator to continue to provide the Screen Rate; or

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (c) | | the administrator of the Screen Rate publicly announces that it has ceased or will cease, to provide the Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide the Screen Rate; or | |
|  | (d) | | the supervisor of the administrator of the Screen Rate publicly announces that the Screen Rate has been or will be permanently or indefinitely discontinued; or | |
|  | (e) | | the administrator of the Screen Rate or its supervisor announces that the Screen Rate may no longer be used; or | |
|  | (f) | | the administrator of the Screen Rate determines that the Screen Rate should be calculated in accordance with its reduced submissions or other contingency or fall-back policies or arrangements and either: | |
|  | | (i) | | the circumstances or events leading to such determination are not (in the opinion of the Lenders and the Borrower) temporary; or |
|  | | (ii) | | the Screen Rate is calculated in accordance with any such policy or arrangement for a period no less than 6 months; or |

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|  |  |  |
| --- | --- | --- |
|  | (g) | in the opinion of the Lender and the Borrower, the Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement. |

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

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

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

|  |  |  |
| --- | --- | --- |
|  | (a) | the applicable Screen Rate; or |
|  | (b) | (if no Screen Rate is available for SEK for the Interest Period of that Loan or Unpaid Sum) the Interpolated Screen Rate for the relevant Interest Period; or |
|  | (c) | (if no Screen Rate is available for SEK and it is not possible to calculate an Interpolated Screen Rate for the Interest Period of that Loan or Unpaid Sum) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Lender at its request quoted by the Reference Banks to leading banks in the Stockholm interbank market, |

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

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

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

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

“**Termination Date**” means Tranche A Termination Date or Tranche B Termination Date .

“**Tranche A Commitment**” means SEK 3,000,000,000.

“**Tranche A Loan**” means a loan made or to be made by utilisation of the Tranche A Commitment or the principal amount outstanding for the time being of that loan.

“**Tranche A Margin**” means 1,35 per cent. per annum.

“**Tranche A Termination Date**” means the date falling two (2) years after the date of this Agreement.

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“**Tranche B Commitment**” means SEK 3,000,000,000.

“**Tranche B Loan**” means a loan made or to be made by utilisation of the Tranche B Commitment or the principal amount outstanding for the time being of that loan.

“**Tranche B Margin**” means 1,85 per cent. per annum.

“**Tranche B Termination Date**” means the date falling five (5) years after the date of this Agreement.

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

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

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

“**US Tax Obligor**” means:

|  |  |  |
| --- | --- | --- |
|  | (a) | a Borrower which is resident for tax purposes in the US; or |
|  | (b) | an Obligor some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes. |

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

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

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

“**VAT**” means:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | (a) | | any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and |
|  | | (b) | | any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere. |
|  | **1.2** | | **Construction** | |

Unless a contrary indication appears, any reference in this Agreement to:

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|  | (a) | the “**Lender**”, “**EKN**”, any “**Obligor**” or any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Finance Documents; |
|  | (b) | “**assets**” includes present and future properties, revenues and rights of every description; |

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|  | (c) | An “**EKN Document**”, a “**Finance Document**” or any other agreement or instrument is a reference to that EKN Document, Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated; |
|  | (d) | “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent; |
|  | (e) | a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality); |
|  | (f) | a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; |
|  | (g) | a provision of law is a reference to that provision as amended or re-enacted; and |
|  | (h) | a time of day is a reference to Stockholm time. |

The determination of the extent to which a rate is “for a period equal in length” to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement.

Section, Clause and Schedule headings are for ease of reference only.

Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

A Default (other than an Event of Default) is “continuing” if it has not been remedied or waived and an Event of Default is “continuing” if it has not been remedied or waived.

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|  | **1.3** | | **EKN override** | | | |
|  | | (a) | | | Notwithstanding anything to the contrary in any Finance Document, nothing in any Finance Document shall oblige the Lender to act (or omit to act) in a manner that is inconsistent with any requirement of EKN under or in connection with the EKN Documents and, in particular, the Lender shall: | |
|  | | | | (i) | | be authorised to take all such actions as it may consider necessary to ensure that all requirements of EKN under or in connection with the EKN Documents are complied with in all respects (whether or not such requirements are inconsistent with any terms of any Finance Documents) and take such action as may be reasonably necessary, to ensure that the EKN Documents continues in full force and effect; and |

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|  | | | | | (ii) | | not be obliged to do anything if, in its opinion, to do so could (A) result in a breach of any requirement of EKN under or in connection with the EKN Documents, (B) affect the validity of the EKN Documents or (C) otherwise result in an EKN Mandatory Prepayment Event. |
|  | **1.4** | | | **Instructions from EKN** | | | |
|  | | | (a) | | | The Parties acknowledge and agree that, in accordance with the terms of the EKN Documents, EKN may, at any time, instruct the Lender to suspend or to cease to perform any or all of its obligations under this Agreement or any other Finance Document. The Lender will be required to comply with any such instruction. The Borrower agrees that it will not hold the Lender responsible for complying with any such instruction. | |
|  | | | (b) | | | The Borrower acknowledges and agrees that: | |
|  | | | | | (i) | | The Lender may be required to exercise, or to refrain from exercising, its rights, powers, authorities and discretions under, and performing its obligations under, or in connection with, the Finance Documents, in accordance with any instructions given to it by EKN in accordance with the provisions of the EKN Documents; and |
|  | | | | | (ii) | | The Lender will not be acting or making any determination unreasonably if such action or such determination is made in accordance with the EKN Documents or any instructions given to it by EKN in accordance with the provisions of the EKN Documents. |
| **2.** | | **The Facility** | | | | | |

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

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

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

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

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

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

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

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

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|  | | (a) | | no Default is continuing or would result from the proposed Loan; |
|  | | (b) | | the representations in Clause 17.27 (*Repetition)* to be made by each Obligor are true in all material respects; |
|  | | (c) | | no EKN Mandatory Prepayment Event has occurred or would result from the proposed Loan; |
|  | | (d) | | the Lender has not received a notice from EKN requesting that any advances be suspended or terminated under this Agreement; and |
|  | | (e) | | the Lender is satisfied that the EKN Guarantee is or will be in full force and effect and provides cover, in accordance with its terms. |
|  | **4.3** | | **Maximum number of Loans** | |

The Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation more than two (2) Loans would be outstanding.

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

The Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 10.00 a.m. five (5) Business Days before the proposed Utilisation Date.

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|  | **5.2** | **Completion of a Utilisation Request** |

A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

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|  | (a) | the proposed Utilisation Date is a Business Day within the Availability Period; |
|  | (b) | the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and |
|  | (c) | the proposed Interest Period complies with Clause 9 (*Interest Periods*). |

Only one Loan may be requested in each Utilisation Request.

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|  | **5.3** | **Currency and amount** |

The currency specified in a Utilisation Request must be SEK.

The amount of the proposed Loan must be an amount which is not more than the Available Commitment and which is a minimum of SEK 3,000,000,000 or, if less, the Available Commitment.

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|  | **5.4** | **Cancellation of Commitment** |

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

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| **6.** | | **Repayment** | | | |
|  | **6.1** | | | **Repayment of Loans** | |
|  | | | (a) | | The Borrower shall repay the Tranche A Loan in full, on the Tranche A Termination Date. |
|  | | | (b) | | Any amounts outstanding in respect of Tranche A or the Tranche A Loan on the Tranche A Termination Date shall be repaid on the Tranche A Termination Date. |
|  | | | (c) | | The Borrower shall repay the Tranche B Loan in full, on the Tranche B Termination Date. |
|  | | | (d) | | Any amounts outstanding in respect of Tranche B or the Tranche B Loan on the Tranche B Termination Date shall be repaid on the Tranche B Termination Date. |
|  | **6.2** | | | **Reborrowing** | |

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

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

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

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

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|  | **7.2** | **EKN Mandatory Prepayment Event** |

If an EKN Mandatory Prepayment Event occurs:

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|  | | (a) | | The Lender shall promptly notify the Borrower upon becoming aware of that event; |
|  | | (b) | | the Lender shall not be obliged to fund a Utilisation; and |
|  | | (c) | | the Lender shall, by not less than three Business Days' notice to the Borrower, cancel the Commitment and declare the whole or a part of the outstanding Loans, together with accrued interest, and all other amounts due and payable under the Finance Documents, immediately due and payable, whereupon the Commitment will be cancelled and the whole or a part of the outstanding Loans and all other amounts will become immediately due and payable. |
|  | **7.3** | | **Voluntary cancellation** | |

The Borrower may, if it gives the Lender not less than three (3) Business Days' prior notice, cancel the whole or any part (being a minimum amount of SEK 50,000,000) of the Available Commitment. Any cancellation under this Clause 7.3 (*Voluntary cancellation*) shall reduce the Commitment.

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|  | **7.4** | **Voluntary prepayment of Loans** |

The Borrower may, if it gives the Lender not less than three (3) Business Days' prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the amount of the Loans by a minimum amount of SEK 200,000,000).

A Loan may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the Available Commitment is zero).

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|  | **7.5** | **Additional right of prepayment and cancellation** |

If:

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

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

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

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|  | **7.6** | | **Mandatory Prepayment** | | | |
|  | | (a) | | | If, at any time after the date of this Agreement: | |
|  | | | | (i) | | it is or becomes unlawful for any Obligor to perform any of its material obligations under the Finance Documents; or |
|  | | | | (ii) | | the guarantee of the Guarantors is not effective or is alleged to be ineffective for any reason, |

then the Lender may:

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

the Lender may, by notice to the Borrower:

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

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

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|  | (c) | If a Change of Control occurs, the Borrower shall promptly notify the Lender upon becoming aware of that Change of Control and the Lender shall have the right, within one month (or such longer period as the Borrower and the Lender may agree) of the Lender receiving notice of the Change of Control under this Clause 7.5 (c) (*Change of Control*), to by notification to the Borrower (a “**Notification of Reduction**”), the Commitment under this Agreement to zero. Thirty (30) days following receipt of a Notification of Reduction the Commitment will be cancelled in full and the Borrower shall repay the Loans together with accrued interest and all other amounts accrued under the Finance Documents. |

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|  | **7.7** | | | **Restrictions** | | | |
|  | | | (a) | | | Any notice of cancellation or prepayment given by any Party under this Clause 7 (*Prepayment and Cancellation*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment. | |
|  | | | (b) | | | Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty. | |
|  | | | (c) | | | If any part of the Commitment is cancelled the Borrower shall within five (5) Business Days of the Lender’s demand (including calculations in reasonable detail) compensate the Lender for any costs that the Lender reasonably incurs (including but not limited to costs related to the unwinding of swaps) due to the fact that the Lender’s funding of the Commitment (or part thereof) is not being utilised by the Borrower. | |
|  | | | (d) | | | If the Lender receives a notice under this Clause 7 (*Prepayment and Cancellation*) it shall promptly forward a copy of that notice to the Borrower, Guarantors and EKN, as appropriate. | |
|  | | | (e) | | | The Borrower may not reborrow any part of the Facility, which is prepaid. | |
|  | | | (f) | | | The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement. | |
| **8.** | | **Interest** | | | | | |
|  | **8.1** | | | **Calculation of interest** | | | |
|  | | | (a) | | | The rate of interest on each Tranche A Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable: | |
|  | | | | | (i) | | Tranche A Margin; and |
|  | | | | | (ii) | | STIBOR. |
|  | | | (b) | | | The rate of interest on each Tranche B Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable: | |
|  | | | | | (i) | | Tranche B Margin; and |
|  | | | | | (ii) | | STIBOR. |
|  | **8.2** | | | **Payment of interest** | | | |

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

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|  | **8.3** | | | **Default interest** | | | |
|  | | | (a) | | | If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 1 per cent. per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan. Any interest accruing under this Clause 8.3 (*Default interest*) shall be immediately payable by the Obligor on demand by the Lender. | |
|  | | | (b) | | | If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan: | |
|  | | | | | (i) | | the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and |
|  | | | | | (ii) | | the rate of interest applying to the overdue amount during that first Interest Period shall be 1 per cent. per annum higher than the rate which would have applied if the overdue amount had not become due. |
|  | | | (c) | | | Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable. | |
| **9.** | | **Interest Periods** | | | | | |
|  | **9.1** | | | **Selection of Interest Periods** | | | |
|  | | | (a) | | | The Interest Period for a Loan is three (3) Months or any other period agreed between the Borrower and the Lender. | |
|  | | | (b) | | | An Interest Period for a Loan shall not extend beyond the Termination Date. | |
|  | | | (c) | | | Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period. | |
|  | **9.2** | | | **Non-Business Days** | | | |

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

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

If a Screen Rate Replacement Event occurs and the Lender and the Borrower so require, the Lender and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest for a Loan. Any alternative basis so agreed shall, with the prior consent of the Borrower and the Lender, be binding on all of the Parties. In the absence of such agreement, the rate of interest on that Loan for an Interest Period shall be the percentage rate per annum which is the sum of the applicable Margin and the rate notified to the Borrower by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Lender of funding that Loan from whatever source it may reasonably select, provided that the Borrower shall have the right, upon giving 30 Business Days' notice to the Lender, to prepay the whole of that Loan, subject to Break Costs.

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

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

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| **11.** | | **Fees** | |
|  | **11.1** | | **Arrangement Fee** |

The Borrower shall pay to the Lender an arrangement fee of SEK 2,000,000. The arrangement fee shall be paid within five (5) Business Days from the date of this Agreement.

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|  | **11.2** | **Commitment fee** |

The Borrower shall pay to the Lender a fee computed at the rate of 40 per cent. of the applicable Margin per annum on the unutilised Commitment for a period starting on and including day which is 21 days after the date of this Agreement and ending on and including a day which is the last day of the Availability Period.

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

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

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

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

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

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|  | | | (ii) | to the extent a loss, liability or cost: | |
|  | | | | (A) | is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or |
|  | | | | (B) | relates to a FATCA Deduction required to be made by a Party. |
|  | **12.4** | **Tax Credit** | | | |

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

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

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

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

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

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

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

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

“**Increased Costs**” means:

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

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

“**Basel III**” means:

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

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“**CRD IV**” means:

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

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

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|  | **13.3** | | **Exceptions** | | | |
|  | | (a) | | | Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is: | |
|  | | | | (i) | | attributable to a Tax Deduction required by law to be made by an Obligor and compensated for in accordance with Clause 12.3 (Tax gross-up) such; |
|  | | | | (ii) | | attributable to a FATCA Deduction required to be made by a Party; |
|  | | | | (iii) | | compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied); |
|  | | | | (iv) | | attributable to the gross negligence or wilful misconduct of the Lender under this Agreement or any law or regulation; |
|  | | | | (v) | | attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III and CRD IV) (“**Basel II**”) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, the Lender or any of its affiliates). |
|  | | (b) | | | In this Clause 13.3 (*Exceptions*), a reference to a “Tax Deduction” has the same meaning given to that term in Clause 12.1 (*Definitions*). | |

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| **14.** | | **Other Indemnities** | | | | | |
|  | **14.1** | | | **Currency indemnity** | | | |
|  | | | (a) | | | If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of: | |
|  | | | | | (i) | | making or filing a claim or proof against that Obligor; |
|  | | | | | (ii) | | obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, |

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

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

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

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|  | (a) | the occurrence of any Event of Default; |
|  | (b) | funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone); |
|  | (c) | a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower; or |
|  | (d) | any costs, charges, fees, or expenses payable to EKN under the Finance Documents from time to time including, without limitation, in connection with the issuance, extension or amendment of any EKN Document, but excluding, for the avoidance of doubt, the EKN Guarantee premium. |

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| **15.** | | **Costs and Expenses** | |
|  | **15.1** | | **Transaction expenses** |

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

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

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

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

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

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

Each Guarantor irrevocably and unconditionally:

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

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

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

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

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

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

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

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

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

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

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

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

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|  | (a) | to be indemnified by an Obligor; |
|  | (b) | to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents; |
|  | (c) | to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents; |
|  | (d) | to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under Clause 16 (*Guarantee and indemnity*); |
|  | (e) | to exercise any right of set-off against any Obligor; and/or |
|  | (f) | to claim or prove as a creditor of any Obligor in competition with the Lender. |

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

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

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

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|  | **16.9** | | **Consideration and enforceability** | | | |
|  | | (a) | | | Each Guarantor represents, warrants and agrees that: | |
|  | | | | (i) | | it will receive valuable direct and indirect benefits as a result of the transactions financed by the Loans; and |
|  | | | | (ii) | | these benefits will constitute "reasonably equivalent value" and "fair consideration" as those terms are used in the fraudulent transfer laws. |
|  | | (b) | | | Each Guarantor acknowledges and agrees that the Lender has acted in good faith in connection with the guarantee granted under this Clause 16 (*Guarantee and Indemnity*), and the transactions contemplated by this Agreement. | |
|  | | (c) | | | This Clause 16 (*Guarantee and Indemnity*) shall be enforceable against each Guarantor to the maximum extent permitted by the fraudulent transfer laws. | |
|  | | (d) | | | A Guarantor's liability under this Clause 16 (*Guarantee and Indemnity*) shall be limited so that no obligation of, or transfer by, that Guarantor under this Clause 16 (*Guarantee and Indemnity*) is subject to avoidance and turnover under the fraudulent transfer laws. | |
|  | | (e) | | | For the purposes of this Clause, “**fraudulent transfer laws**” means applicable United States bankruptcy and state fraudulent transfer and conveyance statutes and the related case law. | |
|  | **16.10** | | **US regulation relating to the Guarantor** | | | |
|  | | (a) | | | In this Agreement: | |

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

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|  | (b) | | Each Guarantor acknowledges that: | |
|  | | (i) | | it will receive valuable direct or indirect benefits as a result of the transactions financed by the Finance Documents; |
|  | | (ii) | | those benefits will constitute reasonably equivalent value and fair consideration for the purpose of any fraudulent transfer law; and the Lender has acted in good faith in connection with the guarantee given by the Guarantor and the transactions contemplated by the Finance Documents. |
|  | (c) | | The Lender agrees that each Guarantor's liability under this Clause is limited so that no obligation of, or transfer by, each Guarantor under this Clause is subject to avoidance and turnover under any fraudulent transfer law. | |

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|  | | (d) | | Each Guarantor represents and warrants that: | |
|  | | | (i) | | the aggregate amount of its debts (including its obligations under the Finance Documents) is less than the aggregate value (being the lesser of fair valuation and present fair saleable value) of its assets; |
|  | | | (ii) | | its capital is not unreasonably small to carry on its business as it is being conducted; |
|  | | | (iii) | | it has not incurred and does not intend to incur debts beyond its ability to pay as they mature; and |
|  | | | (iv) | | it has not made a transfer or incurred any obligation under any Finance Document with the intent to hinder, delay or defraud any of its present or future creditors. |
|  | | (e) | | Each representation and warranty in this subclause: | |
|  | | | (i) | | is made by the Guarantor on the date of this Agreement; and |
|  | | | (ii) | | is deemed to be repeated on the date of each Utilisation Request and the first day of each Interest Period; and is, when repeated, applied to the circumstances existing at the time of repetition. |
| **17.** | **Representations** | | | | |

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

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

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

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

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

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

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

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

All Authorisations required or desirable:

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

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

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

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

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

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

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|  | **17.10** | | **Environment** | | | |
|  | | (a) | | | No claim (including any order, judgement or administrative proceedings of any governmental authority) against any member of the Group is current, pending or to its knowledge threatened in connection with (i) a breach or alleged breach of Environmental Laws, (ii) a fire, explosion or other event of any type involving a hazardous emission or substance, or (iii) any other environmental contamination, which, if adversely determined, is reasonably likely to have a Material Adverse Effect. | |
|  | | (b) | | | There are no conditions or circumstances associated with a member of the Group which could be subject to an order, judgement or administrative proceedings of any governmental authority resulting from or involving (i) a breach of Environmental Laws, (ii) a hazardous emission or substance, or (iii) any other environmental contamination, which is reasonably likely to have a Material Adverse Effect. | |
|  | **17.11** | | **Financial statements** | | | |
|  | | (a) | | | In the case of Autoliv, the audited consolidated accounts of the Group most recently delivered to the Lender (which, at the date of this Agreement, are the Original Financial Statements): | |
|  | | | | (i) | | have been prepared in accordance with GAAP consistently applied; and |
|  | | | | (ii) | | fairly represent the consolidated financial condition of the Group as at the date to which they were drawn up. |
|  | | (b) | | | In the case of each Obligor, other than Autoliv, its audited accounts most recently delivered to the Lender: | |
|  | | | | (i) | | have been prepared in accordance with GAAP consistently applied; and |
|  | | | | (ii) | | fairly represent its financial condition as at the date to which they were drawn up. |
|  | **17.12** | | **Pari passu ranking** | | | |

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

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

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

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

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

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

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started or (to the best of its knowledge and belief) threatened against it for its winding-up, dissolution, administration or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of it or of any or all of its assets or revenues.

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

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

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

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

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

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

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|  | **17.20** | | **Margin Stock** | | | |
|  | | (a) | | | The proceeds of the Loans have been and will be used only for the purposes described in Clause 3 (*Purpose*). | |
|  | | (b) | | | No Obligor is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations U and X of the Board of Governors of the United States Federal Reserve System). | |
|  | | (c) | | | None of the transactions contemplated in this Agreement (including, without limitation, the borrowings hereunder and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934 (or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X). | |
|  | **17.21** | | **Solvency** | | | |
|  | | (a) | | | No Obligor has incurred and does not intend to incur or believe it will incur debts beyond its ability to pay as they mature. | |
|  | | (b) | | | No Obligor has made transfer or incurred any obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors. | |
|  | | (c) | | | For purposes of this Clause 17.21 (*Solvency*): | |
|  | | | | (i) | | “**debt**” means any liability on a claim; |
|  | | | | (ii) | | “**claim**” means (A) any right to payment, whether or not that right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (B) any right to an equitable remedy for breach of performance if that breach gives rise to payment, whether or not the right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and |
|  | | | | (iii) | | terms used in this Clause 17.21 (*Solvency*) shall be construed in accordance with the applicable United States bankruptcy and New York fraudulent conveyance statutes and the related case law. |
|  | **17.22** | | **Stamp duties** | | | |

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

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

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

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

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

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

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

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

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

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

The representations and warranties above shall not be made by nor apply to any Obligor in so far as they would violate or expose any Party (including such Obligor) or any of its Subsidiaries or any director, officer or employee thereof to any liability under any anti-boycott or blocking law, regulation or statute that is in force from time to time and applicable to such entity (including without limitation EU Regulation (EC) 2271/96 and Section 7 of the German Foreign Trade Ordinance (*Verordnung zur Durchführung des Außenwirtschaftsgesetzes (Außen¬wirtschafts¬veror dnung –* *AWV*) and the Swedish Law on EU Regulation (EC) 2271/96 (*Lag (1997:825) om EG:s förordning om skydd mot extraterritoriell lagstiftning som antas av ett tredje land*)).

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

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

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

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

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

Autoliv shall supply to the Lender:

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|  | (a) | | as soon as the same are available (and in any event within one hundred eighty (180) days of the end of each of its financial year): | |
|  | | (i) | | its audited consolidated accounts for that financial year; and |
|  | | (ii) | | the audited accounts of Autoliv, the Borrower and Autoliv ASP for that financial year; |
|  | (b) | | as soon as the same are available (and in any event within ninety (90) days of the end of the first half- year of each of its financial years): | |
|  | | (i) | | its unaudited consolidated accounts for that half-year; and |
|  | | (ii) | | the unaudited accounts of the Borrower and Autoliv ASP for that half-year. |
|  | (c) | | as soon as the same are available (and in any event within sixty (60) days of the end of each financial quarter): | |
|  | | (i) | | its unaudited consolidated accounts for that financial quarter; and |
|  | | (ii) | | subject to paragraph [(d) below,](#ALV_EX101_300_HTM_BOOKMARK132) the unaudited accounts of  the Borrower and Autoliv ASP for that financial quarter. |
|  | (d) | | as soon as the same are available (and in any event within one hundred twenty (120) days of the end of that financial quarter) the unaudited accounts of the Borrower and Autoliv ASP for the fourth quarter of that financial year. | |

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|  | **18.2** | | **Compliance Certificate** | | | | |
|  | | (a) | | | Autoliv shall supply to the Lender: | | |
|  | | | | (i) | | within five (5) Business Days of delivery of the accounts specified in paragraph [(a)(i),](#ALV_EX101_300_HTM_BOOKMARK129) [(b)(i)](#ALV_EX101_300_HTM_BOOKMARK130) and [(c)(i)](#ALV_EX101_300_HTM_BOOKMARK131) of Clause 18.1 ([*Financial information*](#ALV_EX101_300_HTM_BOOKMARK128)); and | |
|  | | | | (ii) | | promptly at any other time, if the Lender so requests, a Compliance Certificate signed by one of its senior officers on its behalf: | |
|  | | | | | | (A) | setting out computations as to compliance with Clause 19.17 ([*Subsidiary*](#ALV_EX101_300_HTM_BOOKMARK148) *Borrowings*[) as at the date at which the accounts referred to in paragraph (i) above](#ALV_EX101_300_HTM_BOOKMARK148) [were drawn up;](#ALV_EX101_300_HTM_BOOKMARK137) |
|  | | | | | | (B) | confirming the credit ratings which currently apply to the Autoliv's long term unsecured and unsubordinated debt; and |
|  | | | | | | (C) | certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it. |
|  | | (b) | | | Autoliv does not need to supply a Compliance Certificate (the **First Certificate**) with the audited consolidated accounts delivered in accordance with paragraph (a)(i) of Clause 18.1 (*Financial information*) if that First Certificate would be the same as the Compliance Certificate (the **Second Certificate**) supplied with the unaudited consolidated accounts delivered in accordance with paragraph (c)(i) of Clause 18.1 (*Financial information*) in respect of the fourth financial quarter of that financial year. Autoliv must instead confirm in writing to the Lender that the First Certificate would be the same as the Second Certificate. | | |
|  | **18.3** | | **Requirements as to financial statements** | | | | |

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

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

Each Obligor shall supply to the Lender:

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|  | (a) | any press release issued by that Obligor and any information in the possession or control of any member of the Group regarding its financial condition and operations about matters which are reasonably likely to affect the Lender’s rights under the Finance Documents; and |
|  | (b) | (unless already provided to the Lender) promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which might, if adversely determined, have a Material Adverse Effect on the financial condition of any Material Subsidiary or on the Group as a whole or on the ability of any Obligor to perform its obligations under this Agreement; and |

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|  | | (c) | | promptly, such further information in the possession or control of any member of the Group regarding its financial condition and operations as the Lender may reasonably request; |
|  | | (d) | | immediately upon its occurrence, details of any change in the credit rating assigned to the Autoliv's long term unsecured and unsubordinated debt by either or both of the Rating Agencies; |
|  | | (e) | | promptly upon becoming aware of them, the details of any claim, action, suit, proceeding or investigation pursuant to Sanctions by any Sanctions Authority against it, any of its direct or indirect owners or any other member of the Group or any of their respective directors, officers or employees as well as information on what steps are being taken with regards to answer or oppose such; and |
|  | | (f) | | promptly upon becoming aware that it, any of its direct or indirect owners or any other member of the Group or any of their respective directors, officers or employees has become or is likely to become a Restricted Party. |
|  | **18.5** | | **Notification of default** | |

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

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|  | **18.6** | | | **“Know your customer” checks** | |
|  | | | (a) | | Each Obligor must promptly on the request of the Lender supply to the Lender documentation or other evidence which is reasonably requested by the Lender (whether for itself or on behalf of any prospective new Lender) to enable the Lender or prospective new Lender to carry out and be satisfied with the results of all applicable know your customer requirements. |
|  | | | (b) | | Each Lender agrees that any information it receives under this Clause [18.6](#ALV_EX101_300_HTM_BOOKMARK152) *(“Know your customer* [*requirements”*) shall be kept confidential in accordance with Clause 30 (](#ALV_EX101_300_HTM_BOOKMARK152)[*Confidential Information*](#ALV_EX101_300_HTM_BOOKMARK217)). |
| **19.** | | **General Undertakings** | | | |

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

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

Each Obligor shall promptly:

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|  | (a) | obtain, maintain and comply with the terms of; and |
|  | (b) | supply certified copies to the Lender of, |

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

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

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

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

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

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|  | **19.4** | | **Negative pledge** | | | | |
|  | | (a) | | | No Obligor shall, and the Borrower shall procure that no other member of the Group will, create or permit to subsist any Security on any of its assets (other than Unrestricted Margin Stock). | | |
|  | | (b) | | | Paragraph [(a)](#ALV_EX101_300_HTM_BOOKMARK139) does not apply to: | | |
|  | | | | (i) | | any lien arising by operation of law in the ordinary course of business and securing amounts not more than thirty (30) days overdue; | |
|  | | | | (ii) | | any Security disclosed in writing to the Lender prior to the execution of this Agreement which secures Financial Indebtedness outstanding at the date of this Agreement; | |
|  | | | | (iii) | | any Security arising in relation to set-off arrangements between cash balances and bank borrowings with the same bank which arise in the ordinary course of business; | |
|  | | | | (iv) | | any Security existing at the time of acquisition on or over any asset acquired by a member of the Group after the date of this Agreement which was not created in contemplation of or in connection with that acquisition, provided that the principal amount secured by such Security and outstanding at the time of acquisition is not subsequently increased and the Security is discharged within three months; | |
|  | | | | (v) | | in the case of any company which becomes a member of the Group after the date of this Agreement, any Security existing on or over its assets when it becomes a member of the Group which was not created in contemplation of or in connection with it becoming a member of the Group, provided that: | |
|  | | | | | | (A) | the principal amount secured by such Security and outstanding when the relevant company became a member of the Group is not increased; |
|  | | | | | | (B) | no amount is secured by any such Security which is not secured by the relevant Security when the relevant company becomes a member of the Group; and |
|  | | | | | | (C) | the Security is discharged within three months; |

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|  | | | | (vi) | | any Security replacing any of the Security permitted by paragraphs (iv) and (v), provided that the amount secured by any replacement Security shall not exceed the amount outstanding and secured by the original Security at the time of the creation of the replacement Security , the value of the replacement asset over which the replacement Security is created does not exceed the value of the asset over which the original Security was held, the replacement Security secures the same obligations as the original Security and such replacement Security is discharged within the original three-month period specified in paragraphs (iv) and (v); [and](#ALV_EX101_300_HTM_BOOKMARK142) |
|  | | | | (vii) | | any other Security provided that at the time that the Security is created, the aggregate amount of indebtedness secured by all Security permitted under this [(b)(vii)](#ALV_EX101_300_HTM_BOOKMARK140) of Clause 19.4 (other than those permitted by subparagraphs [(b)(i)](#ALV_EX101_300_HTM_BOOKMARK140) to [(b)(vi) above](#ALV_EX101_300_HTM_BOOKMARK140) of this Clause 19.4), when taken together with the aggregate value of financing raised or the amount involved in the financing of an asset in transactions described in Clause 19.5 ([*T*r*ansactions similar to security*](#ALV_EX101_300_HTM_BOOKMARK143)), does not exceed five per cent. of the book value of the consolidated total assets of the Group, as determined by reference to the most recent consolidated accounts of the Group delivered pursuant to Clause 18.1 ([*Financial*](#ALV_EX101_300_HTM_BOOKMARK128) *information*[).](#ALV_EX101_300_HTM_BOOKMARK128) |
|  | **19.5** | | **Transactions similar to security** | | | |
|  | | (a) | | | No Obligor shall, and the Borrower shall procure that no other Material Subsidiary will: | |
|  | | | | (i) | | sell, transfer or otherwise dispose of a material part of its assets (either in one transaction or a series of transactions, whether related or not) on terms whereby it is or may be leased to or re-acquired or acquired by a member of the Group or any of its related entities; or |
|  | | | | (ii) | | sell, transfer or otherwise dispose of any of its receivables on recourse terms, except for the discounting of bills or notes in the ordinary course of trading, |
|  | | (b) | | | in each case, in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset, save where the aggregate of (a) financing raised or the amount involved in the financing of the acquisition of an asset in transactions described in this Clause 19.5 ([*Transactions similar to security*](#ALV_EX101_300_HTM_BOOKMARK143)) and (b) [the Security permitted by sub- paragraph (b)](#ALV_EX101_300_HTM_BOOKMARK145)[(vii)](#ALV_EX101_300_HTM_BOOKMARK140) of Clause 19.4 ([*Negative pledge*](#ALV_EX101_300_HTM_BOOKMARK138)), does not exceed five per cent. of the book value of the consolidated total assets of the Group, as determined by reference to the most recent consolidated accounts of the Group delivered pursuant to Clause 18.1 ([*Financial information*](#ALV_EX101_300_HTM_BOOKMARK128)). | |

Paragraph [(a) above](#ALV_EX101_300_HTM_BOOKMARK144) does not apply to Unrestricted Margin Stock.

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

provided that all such disposals in this paragraph [(v)](#ALV_EX101_300_HTM_BOOKMARK147) are made for full market consideration,

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

Neither the Borrower (to the extent it is not a surviving entity) nor Autoliv shall, without the prior written consent of the Lender, finalise or effectuate any amalgamation, demerger, merger or reconstruction.

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

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

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

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

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

No Obligor shall, and will ensure that no other member of the Group shall, without the prior consent of the Lender, grant any guarantee, bond, indemnity, counter-indemnity or similar instrument in respect of any material obligation of a person other than a member of the Group, save for:

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

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

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

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

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

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

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

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

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

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

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

The Obligors will use the proceeds of the Loans only for the purpose described in Clause 3 ([*Purpose*](#ALV_EX101_300_HTM_BOOKMARK39)). No Obligor will engage in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations U and X issued by the Board of Governors of the United States Federal Reserve System). The Obligors shall procure that none of the proceeds of the Loans will be used for any purpose that will violate or result in the violation of Section 7 of the Securities Exchange Act of 1934 (or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X). If requested by the Lender, the Borrower will furnish to the Lender in connection with any Loan hereunder a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U.

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

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

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

“**Borrowings**” means:

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|  | (i) | the outstanding principal amount of any monies borrowed; |
|  | (ii) | the outstanding principal amount of any debenture, bond, note, loan stock or other security; |
|  | (iii) | the outstanding principal amount of any acceptance under any acceptance credit opened by a bank or other financial institution and not attributable to goods or documents of title to goods in the ordinary course of documentary credit transactions; |

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|  | (iv) | the principal amount, outstanding for more than ninety (90) days on its original terms and created in connection with the payment of the acquisition price of any asset before or after the time of acquisition or possession by the party liable, where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of an asset; |
|  | (v) | any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in subparagraph [(b) above](#ALV_EX101_300_HTM_BOOKMARK150); and |
|  | (vi) | the outstanding principal amount of any indebtedness of any person of a type referred to in subparagraphs [(a)](#ALV_EX101_300_HTM_BOOKMARK149) - [(e) above](#ALV_EX101_300_HTM_BOOKMARK151) which is the subject of a guarantee indemnity and/or other form of assurance against financial loss. |

For the avoidance of doubt, the amount of any provision for pension liabilities made in the accounts delivered in accordance with Clause 18.1 ([*Financial information*](#ALV_EX101_300_HTM_BOOKMARK128)) shall not constitute Borrowings for the purposes of this definition.

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

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|  | | (c) | | | For the purposes of this Clause 19.17 (*Subsidiary Borrowings*) figures shall be expressed in US Dollars and, where any currency has to be converted into US Dollars for this purpose, such conversion shall be made at the rate of exchange applied in the relevant financial accounts delivered under Clause 18.1 ([*Financial*](#ALV_EX101_300_HTM_BOOKMARK128) *information*[).](#ALV_EX101_300_HTM_BOOKMARK128) | |
|  | **19.18** | | **Sanctions** | | | |
|  | | (a) | | | Each Obligor shall ensure that none of them, nor any of their respective Subsidiaries or their (or their respective Subsidiaries’) directors, officers or employees when acting on behalf of the Group or any Obligor: | |
|  | | | | (i) | | is or will become a Restricted Party; |
|  | | | | (ii) | | require the Lender to take any action that would cause it to violate any Sanctions, it being understood that the Lender can refuse to honour any such request otherwise validly made by a Borrower under this Agreement; and |
|  | | | | (iii) | | breach any Sanctions. |
|  | | (b) | | | No Obligor will (and each Obligor shall ensure that none of their respective Subsidiaries will) directly or indirectly use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to, or for the benefit of, any person who, at the time at which such proceeds are used, lent, contributed or otherwise made available to, or for the benefit of, that person, is a Restricted Party. | |

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|  | | (c) | | | Each Obligor will maintain policies designed to promote compliance by it and their respective Subsidiaries with Sanctions applicable to the Obligors and their respective Subsidiaries and the business of each Obligor and their respective Subsidiaries. | |
|  | | (d) | | | None of the undertakings set out in this Clause 19.18 (*Sanctions*) shall apply to any Obligor in so far as they would violate or expose any Party (including such Obligor) or any of its Subsidiaries or any director, officer or employee thereof to any liability under any anti-boycott or blocking law, regulation or statute that is in force from time to time and applicable to such entity (including without limitation EU Regulation (EC) 2271/96 and Section 7 of the German Foreign Trade Ordinance (*Verordnung zur Durchführung des Außenwirtschaftsgesetzes (Außen¬wirtschafts¬veror dnung –* *AWV*) and the Swedish Law on EU Regulation (EC) 2271/96 (*Lag (1997:825) om EG:s förordning om skydd mot extraterritoriell lagstiftning som antas av ett tredje land*)). | |
|  | **19.19** | | **Anti-Corruption** | | | |
|  | | (a) | | | Each Obligor shall ensure that it, and each of its Subsidiaries: | |
|  | | | | (i) | | maintains policies designed to promote compliance with applicable anti-corruption laws; and |
|  | | | | (ii) | | complies at all times (to the best of its knowledge and belief, having made due and careful enquiry) with those laws. |
|  | | (b) | | | No Obligor will (and each Obligor shall ensure that none of their respective Subsidiaries will) directly or indirectly use the proceeds of the Loans for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other applicable jurisdictions. | |
|  | **19.20** | | **Environmental compliance** | | | |

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

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

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

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

Each of the events or circumstances set out in Clause 20 (*Events of Default*) is an Event of Default (whether or not caused by any reason whatsoever outside the control of an Obligor or any other person) (save for Clause 20.16 (*Acceleration*)).

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|  | **20.1** | **Breach of Purpose** |

The proceeds of the Loans have been used for other purposes than set out in Clause 3 (*Purpose*).

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|  | **20.2** | **Non-payment** |

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

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|  | **20.3** | **Other obligations** |

An Obligor does not comply with any provision of the Finance Documents (other than Clause 19.18 (*Sanctions*)) and those referred to in Clause 20.2 ([*Non-payment*](#ALV_EX101_300_HTM_BOOKMARK158))), provided that, if such non- compliance is capable of remedy, such non-compliance remains unremedied for a period of fourteen (14) days.

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|  | **20.4** | **Misrepresentation** |

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

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|  | **20.5** | | **Cross default** | |
|  | | (a) | | Any Financial Indebtedness of a member of the Group is not paid when due or within any applicable grace period provided for in the relevant documentation. |
|  | | (b) | | An event of default howsoever described occurs under any document relating to Financial Indebtedness of a member of the Group. |
|  | | (c) | | Any Financial Indebtedness of a member of the Group becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness. |
|  | | (d) | | Any commitment for, or underwriting of, any Financial Indebtedness of a member of the Group is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness. |
|  | | (e) | | Any Security securing Financial Indebtedness over any asset of a member of the Group becomes enforceable. |
|  | | (f) | | No Event of Default shall occur under this Clause 20.5 (*Cross default)* unless the aggregate amount of all the Financial Indebtedness with respect to which an event or events under paragraphs (a) [to (e) above](#ALV_EX101_300_HTM_BOOKMARK161) [occurs or occur is at least US$80,000,000 (or its equivalent in other currencies).](#ALV_EX101_300_HTM_BOOKMARK162) |

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|  | **20.6** | | **Insolvency** | |
|  | | (a) | | An Obligor or any Material Subsidiary is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, or admits inability to pay its debts as they fall due. |
|  | | (b) | | An Obligor or any Material Subsidiary suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness. |
|  | | (c) | | An Obligor or any Material Subsidiary, by reason of financial difficulties, begins negotiations with one or more of its creditors (excluding the Lender) with a view to the readjustment or rescheduling of any of its indebtedness. |
|  | **20.7** | | **Insolvency proceedings** | |
|  | | (a) | | Any step (including petition, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any creditors of an Obligor or any Material Subsidiary. |
|  | | (b) | | A meeting of an Obligor or any Material Subsidiary is convened for the purpose of considering any resolution for (or to petition for) its winding-up or for its administration or any such resolution is passed. |
|  | | (c) | | Any person presents a petition for the winding-up or for the administration of an Obligor or any Material Subsidiary, other than a petition which is frivolous or vexatious, or which is dismissed within thirty (30) days. |
|  | | (d) | | An order for the winding-up or administration of an Obligor or any Material Subsidiary is made. |
|  | | (e) | | Any other step (including petition, proposal or convening a meeting) is taken with a view to the rehabilitation, administration, custodianship, liquidation, winding-up, reorganisation, bankruptcy or dissolution of an Obligor or |

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

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

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|  | **20.9** | **Creditors' process** |

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

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|  | **20.10** | **Analogous proceedings** |

There occurs, in relation to an Obligor or any Material Subsidiary, any event anywhere which appears to correspond with any of those mentioned in Clauses 20.6 (*Insolvency*) to 20.9 ([*Creditors'*](#ALV_EX101_300_HTM_BOOKMARK164) *process*[) (inclusive).](#ALV_EX101_300_HTM_BOOKMARK164)

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|  | **20.11** | **Cessation of business** |

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

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|  | **20.12** | | **US Bankruptcy Laws** | |
|  | | (a) | | Any Guarantor makes a general assignment for the benefit of creditors. |
|  | | (b) | | Any Guarantor commences a voluntary case or proceeding under the United States Bankruptcy Code or under any other United States Federal or State bankruptcy, insolvency or other similar law (collectively **US Bankruptcy** **Law**). |
|  | | (c) | | An involuntary case under any US Bankruptcy Law is commenced against any Guarantor and the petition is not controverted within thirty (30) days and is not dismissed or stayed within ninety (90) days after commencement of the case. |
|  | | (d) | | A custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official is appointed under any US Bankruptcy Law for or takes charge of, all or substantial part of the property of any Guarantor. |
|  | | (e) | | An order for relief or other order approving any case or proceeding is entered under any US Bankruptcy Law. |
|  | **20.13** | | **ERISA** | |
|  | | (a) | | Any event or condition occurs that presents a material risk that any Guarantor or any ERISA Affiliate may incur a material liability to a Plan or, with respect to any Plan, to the United States Internal Revenue Service or to the United States Pension Benefit Guaranty Corporation. |
|  | | (b) | | Any failure by any Plan to satisfy the minimum funding requirements of section 412 or 430 of the US Code, as amended, or section 302 of ERISA applicable to such Plan, whether or not waived, where such failure could reasonably be expected to result in a Material Adverse Effect. |

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|  | **20.14** | | **Unlawfulness** | |
|  | | (a) | | It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents. |
|  | | (b) | | Any obligation or obligations of an Obligor under any Finance Document are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively has or is reasonably likely to have a Material Adverse Effect. |
|  | **20.15** | | **Material litigation** | |

Any litigation, arbitration, administration, governmental, regulatory or other investigations, proceedings or disputes are commenced in relation to the Finance Documents or the transactions contemplated in the Finance Documents or against an Obligor or any of its assets, in each case which have or are reasonably likely to have a Material Adverse Effect.

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|  | **20.16** | | **Acceleration** | | | |
|  | | (a) | | | Upon the occurrence of an Event of Default described in Clause 20.12 ([*US Bankruptcy* *Laws*](#ALV_EX101_300_HTM_BOOKMARK165)): | |
|  | | | | (i) | | the Commitment will, if not already cancelled under this Agreement, immediately and automatically be cancelled; and |
|  | | | | (ii) | | the Loans, together with accrued interest, and all other amounts outstanding under the Finance Documents, will be immediately due and payable, without the requirement of notice or any other formality. |
|  | | (b) | | | Upon the occurrence of an Event of Default and for as long as such Event of Default is continuing (other than an Event of Default described in Clause 20.12 ([*US Bankruptcy* *Laws*](#ALV_EX101_300_HTM_BOOKMARK165)) without prejudice to any of the rights and remedies of the Lender under any of the other Finance Documents or otherwise the Lender may: | |
|  | | | | (i) | | cancel the Commitment; and/or |
|  | | | | (ii) | | demand that all or part of the Loans, together with accrued interest and all other amounts accrued under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or |
|  | | | | (iii) | | demand that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender. |

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|  | **20.17** | | | **Subrogation** | |
|  | | | (a) | | The Borrower acknowledges that EKN may be subrogated to the rights of the Lender to the extent of any payment made by or on behalf of EKN under the EKN Guarantee. |
|  | | | (b) | | Nothing in any Finance Document shall prejudice the right of EKN to be subrogated, pursuant to any EKN Guarantee or applicable law, to the rights of the Lender under this Agreement and each other Finance Document. |
| **21.** | | **Changes to the Lender** | | | |
|  | **21.1** | | | **Assignments and transfers by the Lender** | |

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

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

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

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

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and any representations or warranties implied by law are excluded.

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|  | | (b) | | | Each New Lender confirms to the Existing Lender that it: | |
|  | | | | (i) | | has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and |
|  | | | | (ii) | | will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force. |
|  | | (c) | | | Nothing in any Finance Document obliges an Existing Lender to: | |
|  | | | | (i) | | accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 21 (*Changes to the Lender*); or |
|  | | | | (ii) | | support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise. |
|  | **21.4** | | **Security over Lender's rights** | | | |

In addition to the other rights provided to Lenders under this Clause 21, the Lender may without consulting with or obtaining consent from the Borrower but subject to the consent of EKN, if applicable, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of the Lender including, without limitation:

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|  | (a) | | any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and | |
|  | (b) | | any charge, assignment or other Security granted to any holders (or trustees or representatives of holders) of obligations owed, or securities issued, by the Lender as security for those obligations or securities, except that no such charge, assignment or Security shall: | |
|  | | (i) | | release the Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or |
|  | | (ii) | | require any payments to be made by the Borrower other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents. |

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| **22.** | **Changes to the Obligors** |

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

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

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

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

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

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

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

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|  | **23.4** | | **Business Days** | |
|  | | (a) | | Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar Month (if there is one) or the preceding Business Day (if there is not). |
|  | | (b) | | During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date. |
|  | **23.5** | | **Currency of account** | |
|  | | (a) | | Subject to paragraphs (b) and (c) below, SEK is the currency of account and payment for any sum due from an Obligor under any Finance Document. |
|  | | (b) | | Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred. |
|  | | (c) | | Any amount expressed to be payable in a currency other than SEK shall be paid in that other currency. |

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|  | **23.6** | **Disruption to payment systems etc.** |

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

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

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

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

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

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

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

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

Autoliv AB

Box 70381  
SE-107 24 Stockholm, Sweden  
Attention: Treasurer

E-mail:  par-ola.wirenlind@autoliv.com

|  |  |  |
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|  | (b) | in the case of the Guarantors: |

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

E-mail:  par-ola.wirenlind@autoliv.com

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

E-mail: anthony.nellis@autoliv.com

Autoliv ASP, Inc.  
3350 Airport Road  
Ogden  
Utah 84405  
Attention: Chief Financial Officer

E-mail: william.campbell@autoliv.com

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

E-mail:  anthony.nellis@autoliv.com

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

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

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

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

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

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

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| **26.** | **Day count convention** |

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

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

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

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

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

|  |  |
| --- | --- |
| **29.** | **Amendments and Waivers** |

Any term of the Finance Documents may be amended or waived only with the consent of the Lender and the Borrower and EKN, as applicable, and any such amendment or waiver will be binding on all Parties. Any term of the Finance Documents may be amended or waived only if made in writing.

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

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

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

The Lender may disclose:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (a) | | to any of its officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as the Lender shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information; | |
|  | (b) | | to any person: | |
|  | | (i) | | to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Lender and, in each case, to any of that person's Affiliates, Representatives and professional advisers; |
|  | | (ii) | | with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Representatives and professional advisers; |
|  | | (iii) | | appointed by the Lender or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf; |
|  | | (iv) | | who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above; |
|  | | (v) | | to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation; |
|  | | (vi) | | to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; |
|  | | (vii) | | who is a Party; or |
|  | | (viii) | | with the consent of the Borrower; in each case, such Confidential Information as the Lender shall consider appropriate if: |

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| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | (A) | in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a confidentiality undertaking except that there shall be no requirement for a confidentiality undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information; |
|  | | | | | (B) | in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information; and |
|  | | | | | (C) | in relation to paragraphs (b)(v), (b)(vi) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Lender, it is not practicable so to do in the circumstances. |
|  | | (c) | | to EKN (and any of its officers, directors, employees, professional advisers, auditors, reinsurers, reinsurance brokers, partners and representatives) such Confidential Information the Lender shall consider appropriate or any other information relating to the Borrower, any Guarantor, the Group, or their other facilities, loans or debt instruments of which the Lender becomes aware from whatever sources (including without limitation any member of the Group or any of its advisers, in whatever form). | | |
|  | **30.3** | | **Entire agreement** | | | |

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

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

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

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

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

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| --- | --- | --- |
|  | (a) | of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 30.2 (*Disclosure of Confidential In* |

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | | (a) | the date on which all amounts payable by the Obligors under or in connection with this Agreement have been paid in full and the Commitment have been cancelled or otherwise cease to be available; and |
|  | | (b) | the date on which the Lender otherwise ceases to be the Lender. |
| **31.** | **Counterparts** | | |

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **34.** | **Jurisdiction** | | |
|  | | (a) | Subject to section (b) below, the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement |

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

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

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**SCHEDULE 1  
CONDITIONS PRECEDENT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1.** | **THE OBLIGORS** | | | | |
|  | | (a) | | A copy of the constitutional documents of each Obligor. | |
|  | | (b) | | A copy of a resolution of the board of directors of each Obligor: | |
|  | | | (i) | | approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party; |
|  | | | (ii) | | authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and |
|  | | | (iii) | | authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party. |
|  | | (c) | | A specimen of the signature (to the extent not included in the identification document) and copy of identification document of each person authorised by the resolution referred to in paragraph (b) above. | |
|  | | (d) | | A certificate of each Guarantor (signed by a director) confirming that borrowing or guaranteeing, as appropriate, the Commitment would not cause any borrowing, guaranteeing or similar limit binding on any Obligor to be exceeded. | |
|  | | (e) | | A certificate of an authorised signatory of the relevant Obligor certifying that each copy document relating to it specified in this Clause 1 of Schedule 1 (*Conditions Precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement. | |
| **2.** | **EKN DOCUMENTS** | | | | |

A copy of the EKN Offer validly and effectively issued, and on terms satisfactory to the Lender together with evidence that all conditions contained in the EKN Offer have been satisfied and the Lender is satisfied that the EKN Guarantee has been issued or will be issued pursuant to the EKN Offer.

|  |  |  |  |
| --- | --- | --- | --- |
| **3.** | **LEGAL OPINIONS** | | |
|  | | (a) | A legal opinion of Richards Layton & Finger PA, legal advisers to Autoliv in Delaware, substantially in the form distributed to the Lender prior to signing this Agreement. |
|  | | (b) | A legal opinion of Ice Miller LLP, legal advisers to Autoliv ASP in Indiana, substantially in the form distributed to the Lender prior to signing this Agreement. |

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| --- | --- | --- | --- |
| **4.** | **OTHER DOCUMENTS AND EVIDENCE** | | |
|  | | (a) | A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document. |
|  | | (b) | The Original Financial Statements of each Obligor. |
|  | | (c) | An organisational chart of the Group. |
|  | | (d) | Evidence, in form and substance satisfactory to the Lender, that the whole loan amount outstanding, together with accrued interest, and all other amounts due and payable under the Existing Facility Agreement have been or will be repaid and paid on the first Utilisation Date, at the latest. |
|  | | (e) | Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 15 (*Costs and Expenses*) have been paid or will be paid by the first Utilisation Date. |

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**SCHEDULE 2  
FORM OF UTILISATION REQUEST**

|  |  |
| --- | --- |
| To: | Autoliv AB |
| From: | AB Svensk Exportkredit (publ) |
| Dated: [•] |  |

Dear Sirs and/or Madams,

**Autoliv AB – SEK 6,000,000,000 Facility Agreement  
dated 28 May 2020 (the “Agreement”)**

|  |  |
| --- | --- |
| 1. | We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request. |
| 2. | We wish to borrow a Loan on the following terms: |

|  |  |
| --- | --- |
| Proposed Utilisation Date: | [•] (or, if that is not a Business Day, the next Business Day) |
| Currency of Loan: | SEK |
| Amount: | [•] or, if less, the Available Commitment |
| Interest Period: | 3 months |

|  |  |
| --- | --- |
| 3. | We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) of the Agreement is satisfied on the date of this Utilisation Request. |
| 4. | The proceeds of this Loan should be credited to [*name of the bank and* *account number*]. |
| 5. | This Utilisation Request is irrevocable. |

**AUTOLIV AB**

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

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**SCHEDULE 3  
FORM OF COMPLIANCE CERTIFICATE**

|  |  |
| --- | --- |
| To: | AB Svensk Exportkredit (publ) as Lender |
| From: | Autoliv Inc |
| Dated: [•] |  |

Dear Sirs and/or Madams,

**Autoliv AB – SEK 6,000,000,000 Facility Agreement  
dated 28 May 2020 (the “Agreement”)**

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

**AUTOLIV INC.**

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  |  |  |
| Name: |  | Name: |
| [*insert applicable certification language*]\*\* | | |
| [*name of auditors of the Borrower*]\*\*\* | | |
|  |  |  |
|  |  |  |
| Name: |  | Name: |

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

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**SIGNATORIES**

|  |  |  |
| --- | --- | --- |
| **The Borrower** |  |  |
|  |  |  |
| **AUTOLIV AB** |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Name: |  | Name: |
|  |  |  |
|  |  |  |
|  |  |  |
| **The Guarantors** |  |  |
|  |  |  |
| **AUTOLIV INC.** |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Name: |  | Name: |
|  |  |  |
|  |  |  |
|  |  |  |
| **AUTOLIV ASP INC.** |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Name: |  | Name: |
|  |  |  |
|  |  |  |
|  |  |  |
| **The Lender** |  |  |
|  |  |  |
| **AB SVENSK EXPORTKREDIT (PUBL)** |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Name: |  | Name: |

Exhibit 10.2



**2020 RESTRICTED STOCK UNITS GRANT AGREEMENT**

**For Non-Employee Directors**

***Applicable to Restricted Stock Units promised under the Autoliv, Inc. 1997 Stock Incentive***

***Plan***

***(as amended and restated)***

Your above-described grant of restricted stock units (“RSUs”) is subject to the following provisions in addition to those set forth in the attached Notice of Grant (the “Grant Notice”) and the Autoliv, Inc. 1997 Stock Incentive Plan, as amended and restated (the “Plan”):

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1. | Defined Terms: Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2. | Vesting: The RSUs have been credited to a bookkeeping account (“Account”) on your behalf as of the grant date specified in the Grant Notice (the “Grant Date”). Your Account will reflect the number of RSUs awarded to you as set forth in the Grant Notice, as well as any additional RSUs credited as a result of dividend equivalents, as described in Section 9 below. Each RSU represents an unfunded, unsecured right to receive Common Stock, subject to the terms and conditions stated in the Plan and this Grant Agreement. Your RSUs will vest and become non-forfeitable on the earliest to occur of the following (each, a “Date of Vesting”): |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (a) | as to all of the RSUs, on the Date of Vesting specified in the Grant Notice, provided that you are then still providing services as a member of the Board of Directors of the Company (the “Board”); or |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (b) | as to all of the RSUs, upon the occurrence of a Change in Control as described in Section 5 below, provided that you are then still providing services as a member of the Board. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (c) | as to all of RSUs, upon death or disability. |  |

If your service on the Board terminates for any reason other than death, disability, or a Change-in-Control as described in Section 5, you will forfeit all right, title and interest in and to the unvested RSUs as of the date of such termination, and the unvested RSUs will be re-conveyed to the Company without further consideration or any act or action by you.

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Exhibit 10.2

|  |  |  |  |
| --- | --- | --- | --- |
|  | 3. | Conversion to Shares of Common Stock; Procedure at Date of Vesting: |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | a. | Unless the RSUs are forfeited prior to the Date of Vesting as provided in Section 2 above, the RSUs will be converted on the Date of Vesting to actual shares of Common Stock. The shares of Common Stock to be issued pursuant to this Grant Agreement shall be issued in the form of book-entry shares of Common Stock in your name as the beneficial owner as of the Date of Vesting. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | b. | You will, if requested, within the specified time set forth in any such request (not to exceed 30 days), deliver to the Company such written representations and undertakings as may, in the opinion of the Company’s legal counsel, be necessary or desirable to comply with tax and securities laws. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 4. | Securities Law Restrictions; Insider Trading Policy: |  |

You may not offer, sell or otherwise dispose of any shares of Common Stock in a manner which would violate any applicable laws, including, without limitation, the  laws  of Sweden, U.S. federal and state securities laws, U.S. federal law, the requirements of any stock exchange or quotation system upon which the Common Stock may then be listed or quoted and any laws of any other country or jurisdiction that may be applicable to you.

In connection with receipt of this Grant Agreement, you acknowledge that you are subject to the Company’s AS 314 Insider Trading Policy which may be found in the “Director Library” within the board information portal (currently BoardVantage) and is also available upon request to the Legal department of the Company.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 5. | Change in Control of the Company: |  |

Notwithstanding any provision herein to the contrary, your RSUs shall immediately vest in full under the following situations:

|  |  |  |  |
| --- | --- | --- | --- |
|  | a. | If (i) a Change in Control occurs prior to the Date of Vesting and while you are an Autoliv Board member, and (ii) the surviving entity is not a public company with shares listed on a public stock exchange, then as of the effective date of the Change in Control, RSUs shall immediately vest in full. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | b. | If (i) a Change in Control occurs prior to the Date of Vesting and while you are an Autoliv Board member, (ii) the RSUs are assumed and equitably converted by the surviving entity which is a publicly traded company with shares listed on a public stock exchange, and (iii) you will be asked to leave the Board by the Company without cause before the date of vesting, then as of your date of termination, your equitably converted RSUs shall immediately vest in full if they have not vested by that date. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6. | Non-Transferability: |  |

Your RSUs are personal to you and shall not be transferable by you otherwise than by will or the laws of descent and distribution.

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Exhibit 10.2

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| --- | --- | --- | --- |
|  | 7. | Conformity with Plan: |  |

Your RSUs are intended to conform in all respects with the Plan, including any future amendments thereto. Inconsistencies between this Grant Agreement and the Plan shall be resolved in accordance with the terms of the Plan. All definitions stated in the Plan shall be fully applicable to this Grant Agreement.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 8. | Service and Successors: |  |

Nothing herein or in the Grant Notice or in the Plan confers any right or obligation on you to continue providing services to the Company or shall affect in any way your right or the right of the Company or any subsidiary, as the case may be, to terminate your service at any time. This Grant Agreement, the Grant Notice and the Plan, including any future amendments thereto, shall be binding upon you, your estate, any person succeeding to your rights hereunder and any successor or successors of the Company. The RSUs do not confer to you or any person succeeding to your rights hereunder any rights of a shareholder of the Company unless and until shares of Common Stock are in fact issued to you or such person in connection with the settlement of the RSUs.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 9. | Dividend Equivalent Rights: |  |

Subject to share availability under the Plan, any cash dividend paid with respect to the Common Stock for which the record date occurs on or after the Grant Date and the payment date occurs on or before the Date of Vesting will result in a credit to your Account of additional RSUs equal to (a) the dollar amount of the dividend per share of Common Stock multiplied by the number of RSUs credited to your Account as of the applicable record date, divided by (b) the closing price per share of the Common Stock on the New York Stock Exchange on the applicable dividend payment date. The additional RSUs credited pursuant to this Section 9 will be subject to the same vesting schedule, forfeiture and other terms that apply to the original RSUs. On the Date of Vesting, the aggregate number of any additional RSUs credited pursuant to this Section 9 over time shall be rounded down to the nearest whole share. RSUs that, at the relevant dividend payment date, previously have been settled or forfeited will not be eligible to receive dividend equivalents pursuant to this Section 9.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 10. | Tax: |  |

You are totally responsible for paying all taxes that you incur in respect of this Grant Agreement. The Company has the authority and the right to deduct or withhold, or require you to remit, an amount sufficient to satisfy all applicable taxes required by law to be withheld with respect to any taxable event arising as a result of vesting or settlement of the RSUs.  The withholding requirement may be satisfied, in whole or in part, by withholding from the settlement of the RSUs, shares of Common Stock having a fair market value on the date of withholding equal to the minimum amount (and not any greater amount unless such other withholding rate will not cause an adverse accounting consequence or cost) required to be withheld for tax purposes, all in accordance with such procedures as the Company establishes. The obligations of the Company hereunder will be conditional on such payment, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to you.

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Exhibit 10.2

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| --- | --- | --- | --- |
|  | 11. | Governing Law: |  |

This Grant Agreement, the Grant Notice and the Plan shall be construed in accordance with and governed by the laws of the State of Delaware, USA, and, to the extent relevant, the local laws of your home country.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 12. | Severability: |  |

If any one or more of the provisions contained in this Grant Agreement are invalid, illegal or unenforceable, the other provisions of this Grant Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 13. | Director Stock Ownership Requirements: |  |

In connection with receipt of this Grant Agreement, you acknowledge that you are subject to the Company’s policy regarding “Stock Ownership Policy for Directors”.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 14. | Fractional Shares: |  |

No fractional shares of Common Stock, nor the cash value of any fractional shares of Common Stock, will be issuable or payable to you pursuant to this Agreement.

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Exhibit 10.3

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on May 20, 2020 by and between Autoliv Inc., a Delaware corporation (the “Company”), and Per Ericson, personal 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, Human Resources and Sustainability 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 July 1, 2020. |
|  | 2. | Employment.  The Executive is hereby employed on the Effective Date as the Executive Vice President, Human Resources and Sustainability 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”). |

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|  | 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 4,000,000 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, the first review to take place as of January 1, 2022.  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. |

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|  | (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 2020, the Company shall award the Executive the annual grant upon joining (“2020 Grant”) in the form of Restricted Stock Units (“RSUs”). The annual stock incentive grant value for the 2020 Grant will be 175,000 USD. The actual grant value of 2020 Grant will be calculated based on proration of the period between the Effective Date and December 31, 2020 to full calendar year 2020. The 2020 Grant shall have such terms and conditions of the Company’s stock incentive grant as provided to other executives. |
|  | (d) | Retention Stock Incentive Grant. In addition to 2020 Grant, 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 2,000,000 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.  The Retention RSUs will vest annually over a three-year period, in three equal installments on each 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) | 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. |
|  | (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. |

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|  | | (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, 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. | |

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|  | 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.

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|  | (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 |

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|  |  | 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. |
|  | (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. |

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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). |
|  | 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. |

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|  | | (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. |

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|  | 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: |

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| If to the Executive: |  | Per Ericson |
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|  |  | SE-112 20 Stockholm, Sweden |
| If to the Company: |  | Autoliv Inc. |
|  |  | WTC, Klarabergsviadukten 70, |
|  |  | 111 64 Stockholm, Sweden |
|  |  | Attention: Secretary |

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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 20 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. |

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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 |

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|  |  | 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. |

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

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|  |
| Per Ericson |

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|  |
| Mikael Bratt |
| President and CEO |

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Exhibit 10.4

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on June 8, 2020 by and between Autoliv Inc., a Delaware corporation (the “Company”), and Kevin Fox, (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 President, Autoliv Americas 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:

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|  | 1. | Effective Date.  The effective date of this Agreement (the “Effective Date”) shall be latest June 15, 2020, or any other earlier date to which the parties agree. |
|  | 2. | Employment.  The Executive is hereby employed on the Effective Date as the President, Autoliv Americas of the Company.  In this capacity, the Executive shall have the duties, responsibilities and authority commensurate with such position as shall be assigned to him by the President and CEO of the Company (the “President and CEO”). The principal workplace for the Executive shall be Auburn Hills, MI, USA. |
|  | 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. |
|  | 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*, |

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|  |  | | 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 as an investment in an entity that is not a competitor, customer, or supplier of the Company. | |
|  | 5. | | Compensation and Benefits. | |
|  | | (a) | | Base Salary.  During the Employment Period, the Executive shall receive a gross salary at the rate of $300,000 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, and shall determine, in its sole discretion, whether to add the Allowance (as defined in Section 5(d) hereof) to his Base Salary effective January 1, 2022.  Any adjustments to the Executive’s annual base salary approved by the Compensation Committee 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 the sum of his Base Salary and Allowance (as defined in Section 5(d) hereof). |
|  | | (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. |

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|  | | (d) | | | Allowance.  During the Employment Period, the Executive shall receive an allowance at the rate of $150,000 per year (“Allowance), 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.  For the avoidance of doubt, the Allowance shall not be considered pensionable earnings for purposes of the Company’s qualified or non-qualified defined benefit or defined contribution plans. The Compensation Committee shall review the Allowance annually during the Employment Period and shall determine, in its sole discretion, whether to increase his Base Salary effective January 1, 2022 and thereafter discontinue the Allowance.  Any adjustments to the Executive’s annual allowance approved by the Compensation Committee shall become the Executive’s Allowance for purposes of this Agreement. | |
|  | | (e) | | | Automobile.  The Company shall provide the Executive with a company car allowance consistent with local policies where the Executive is based.  the Executive will be provided a fuel credit card to be utilized for all petrol, maintenance, repair costs.  The Executive shall be liable for the payment of tax on the car allowance or on the taxable benefit resulting from the right to use the company car for personal purposes. | |
|  | | (f) | | | Medical Benefits.  The Executive and his family are entitled to a medical care insurance made available by the Company to the Executive, per the benefit plan eligibility guidelines. | |
|  | | (g) | | | 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. | |
|  | | (h) | | | Housing.  The Executive shall be entitled to receive temporary housing for up to 12-months in Michigan. | |
|  | | | | (i) | | Conditions of Employment.  Normal conditions of employment as issued by the Company apply to the receipt of benefits under this Section 5. |
|  | 6. | | Vacation Days.  The Executive shall be entitled to yearly vacation days amounting to twenty-five (25) days annually. | | | |

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|  | 7. | Retirement Plans and Benefits.  During the Employment Period, the Executive shall be eligible to participate in any non-qualified deferred compensation plan and/or qualified retirement plan of the Company (collectively, the “U.S. Savings Plans”) and any additional welfare benefit plans, practices, policies and programs provided by the Company, if any, to the extent available to similarly-situated employees in the United States and subject to eligibility requirements and terms and conditions of each such plan; *provided, however*, that nothing herein shall limit the ability of the Company to amend, modify or terminate any such benefit plans, policies or programs at any time and from time to time. Employee, if eligible, remains eligible for vested benefits in accordance with existing Defined Benefit retiree plan benefits in accordance with those established policies, plans and procedures. |
|  | 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 sum of the average monthly Base Salary and monthly Allowance (as defined in Section 5(d) hereof) 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. |

Anything herein to the contrary notwithstanding, Executive shall not be restricted from: (a) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided*,* however, that in the event such disclosure is required by law, the Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Executive; or (b) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and the Executive shall not need the prior authorization of the Company to make any such reports or disclosures and shall not be required to notify the Company that the Executive has made such reports or disclosures.  In addition, and anything herein to the contrary notwithstanding, the Executive is hereby given notice that Executive shall not be criminally or civilly liable under any federal or state trade secret law for: (c) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (d) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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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. For purposes of this Agreement, “Retirement” means the Executive’s voluntary resignation (i.e., other than for Good Reason) at any time following the Executive’s 65th birthday (“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

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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 30 miles 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.

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|  | (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. |
|  | (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. |

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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). |
|  | 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 20(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 sum of the Executive’s Base Salary and Allowance (as defined in Section 5(d) hereof) 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. |

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|  | | (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; or |

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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 sum of the average monthly Base Salary and average monthly Allowance 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 and monthly Allowance (as defined in Section 5(d) hereof) 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 sum of the Executive’s annual Base Salary and Allowance (as defined in Section 5(d) hereof) 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 or if the situation described in Section 13(b)(iii) occurs. |
|  | | (e) | | The Company may unilaterally waive the Non-Competition Covenant in its sole discretion.  If the Company waives the Non-Competition Covenant, then the Executive shall not be entitled to any payments pursuant to Section 13(d). |
|  | 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  American Arbitration Association rules and procedures.  The arbitration shall take place in Detroit and, unless otherwise agreed to by both parties, there shall be three (3) arbitrators.  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 Michigan 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. | |

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|  | 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: |

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| If to the Executive: |  |  |
|  |  | Kevin Fox |
|  |  | ………………. |
|  |  | West Haven, UT 84401 |
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|  |  |  |
| 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 20 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 |

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|  |  | 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. |

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

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| Kevin Fox |

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|  |
| Mikael Bratt |
| President and CEO |

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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. |

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| July 17, 2020 |
|  |
| /s/ Mikael Bratt |
| Mikael Bratt |
| President and Chief Executive Officer |

**Exhibit 31.2**

**CERTIFICATION of**

**the Chief Financial Officer**

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

I, Fredrik Westin, certify that:

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

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| July17, 2020 |
|  |
| /s/ Fredrik Westin |
| Fredrik Westin |
| Chief Financial Officer |

**Exhibit 32.1**

**Certification of Chief Executive Officer**

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

**as Adopted Pursuant to**

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

In connection with the quarterly report on Form 10-Q of Autoliv, Inc. (the “Company”) for the period ended June 30, 2020, filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mikael Bratt, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

July 17, 2020

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

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

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

**Exhibit 32.2**

**Certification of Interim Chief Financial Officer**

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

**as Adopted Pursuant to**

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

In connection with the quarterly report on Form 10-Q of Autoliv, Inc. (the “Company”) for the period ended June 30, 2020, filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fredrik Westin, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

July 17, 2020

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| /s/ Fredrik Westin |
| Fredrik Westin |
| 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.