**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM** **10-Q**

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

**For the quarterly period ended** **September 30,** **2021**

**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 October 18, 2021, there were 87,478,240 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, competition and the global economy; changes in light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier; supply chain disruptions and component shortages impacting the Company or the automotive industry; 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; 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; our ability to meet our sustainability targets, goals and commitments; 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, 2020 filed with the SEC on February 19, 2021.

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

2

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|  |  |  |  |
| **INDEX** | |  |  |
|  | |  |  |
| [PART I - FINANCIAL INFORMATION](#BKMK_9) | |  | 4 |
|  | |  |  |
| [ITEM 1. FINANCIAL STATEMENTS](#BKMK_10) | |  | 4 |
|  | |  |  |
| 1.‌ | [Basis of Presentation](#BKMK_11) |  | 9 |
| 2.‌ | [New Accounting Standards](#BKMK_12) |  | 9 |
| 3.‌ | [Fair Value Measurements](#BKMK_13) |  | 10 |
| 4.‌ | [Income Taxes](#BKMK_14) |  | 13 |
| 5.‌ | [Inventories](#BKMK_15) |  | 13 |
| 6.‌ | [Restructuring](#BKMK_16) |  | 13 |
| 7.‌ | [Product-Related Liabilities](#BKMK_17) |  | 14 |
| 8.‌ | [Retirement Plans](#BKMK_18) |  | 14 |
| 9.‌ | [Contingent Liabilities](#BKMK_19) |  | 15 |
| 10.‌ | [Stock Incentive Plan](#BKMK_20) |  | 16 |
| 11.‌ | [Earnings Per Share](#BKMK_21) |  | 17 |
| 12.‌ | [Related Party Transactions](#BKMK_22) |  | 17 |
| 13. | [Revenue Disaggregation](#BKMK_23) |  | 18 |
| 14.‌ | [Subsequent Events](#BKMK_24) |  | 18 |
|  | |  |  |
| [ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#BKMK_25) | |  | 19 |
|  | |  |  |
| [ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#BKMK_26) | |  | 32 |
|  | |  |  |
| [ITEM 4. CONTROLS AND PROCEDURES](#BKMK_27) | |  | 32 |
|  | |  |  |
| [PART II - OTHER INFORMATION](#BKMK_28) | |  | 33 |
|  | |  |  |
| [ITEM 1. LEGAL PROCEEDINGS](#BKMK_29) | |  | 33 |
|  | |  |  |
| [ITEM 1A. RISK FACTORS](#BKMK_30) | |  | 33 |
|  | |  |  |
| [ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS](#BKMK_31) | |  | 33 |
|  | |  |  |
| [ITEM 3. DEFAULTS UPON SENIOR SECURITIES](#BKMK_32) | |  | 33 |
|  | |  |  |
| [ITEM 4. MINE SAFETY DISCLOSURES](#BKMK_33) | |  | 33 |
|  | |  |  |
| [ITEM 5. OTHER INFORMATION](#BKMK_34) | |  | 33 |
|  | |  |  |
| [ITEM 6. EXHIBITS](#BKMK_35) | |  | 34 |

3

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Net sales** |  | **$** | **1,847** |  |  | **$** | **2,037** |  |  | **$** | **6,111** |  |  | **$** | **4,931** |  |
| Cost of sales |  |  | (1,546 | ) |  |  | (1,638 | ) |  |  | (4,968 | ) |  |  | (4,186 | ) |
| **Gross profit** |  |  | **301** |  |  |  | **400** |  |  |  | **1,143** |  |  |  | **745** |  |
| Selling, general and administrative expenses |  |  | (101 | ) |  |  | (92 | ) |  |  | (319 | ) |  |  | (284 | ) |
| Research, development and engineering expenses, net |  |  | (98 | ) |  |  | (102 | ) |  |  | (311 | ) |  |  | (292 | ) |
| Amortization of intangibles |  |  | (2 | ) |  |  | (2 | ) |  |  | (8 | ) |  |  | (8 | ) |
| Other income (expense), net |  |  | (1 | ) |  |  | (29 | ) |  |  | (5 | ) |  |  | (86 | ) |
| **Operating income** |  |  | **99** |  |  |  | **175** |  |  |  | **500** |  |  |  | **75** |  |
| (Loss) income from equity method investment |  |  | (0 | ) |  |  | 1 |  |  |  | 2 |  |  |  | 1 |  |
| Interest income |  |  | 1 |  |  |  | 1 |  |  |  | 3 |  |  |  | 4 |  |
| Interest expense |  |  | (14 | ) |  |  | (21 | ) |  |  | (46 | ) |  |  | (53 | ) |
| Other non-operating items, net |  |  | 1 |  |  |  | (7 | ) |  |  | (3 | ) |  |  | (13 | ) |
| **Income before income taxes** |  |  | **87** |  |  |  | **149** |  |  |  | **456** |  |  |  | **13** |  |
| Income tax expense |  |  | (27 | ) |  |  | (50 | ) |  |  | (135 | ) |  |  | (14 | ) |
| **Net income (loss)** |  |  | **60** |  |  |  | **99** |  |  |  | **322** |  |  |  | **(1** | **)** |
| Less: Net income attributable to non-controlling interest |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |  |  | 1 |  |
| **Net income (loss) attributable to controlling interest** |  | **$** | **60** |  |  | **$** | **98** |  |  | **$** | **320** |  |  | **$** | **(2** | **)** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings (loss) per share – basic** 1) |  | **$** | **0.68** |  |  | **$** | **1.13** |  |  | **$** | **3.66** |  |  | **$** | **(0.02** | **)** |
| **Net earnings (loss) per share – diluted** 1) |  | **$** | **0.68** |  |  | **$** | **1.12** |  |  | **$** | **3.65** |  |  | **$** | **(0.02** | **)** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Weighted average number of shares outstanding, net of    treasury shares (in millions)** |  |  | **87.4** |  |  |  | **87.3** |  |  |  | **87.4** |  |  |  | **87.3** |  |
| **Weighted average number of shares outstanding,    assuming dilution and net of treasury    shares (in millions)** |  |  | **87.7** |  |  |  | **87.5** |  |  |  | **87.7** |  |  |  | **87.3** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Cash dividend per share – declared** |  | **$** | **0.62** |  |  | **$** | **—** |  |  | **$** | **1.24** |  |  | **$** | **0.62** |  |
| **Cash dividend per share – paid** |  | **$** | **0.62** |  |  | **$** | **—** |  |  | **$** | **1.24** |  |  | **$** | **0.62** |  |

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).

See Notes to the unaudited Condensed Consolidated Financial Statements.

4

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Net income (loss)** |  | **$** | **60** |  |  | **$** | **99** |  |  | **$** | **322** |  |  | **$** | **(1** | **)** |
| *Other comprehensive income (loss) before tax:* |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Change in cumulative translation adjustments |  |  | (49 | ) |  |  | 56 |  |  |  | (76 | ) |  |  | (19 | ) |
| Net change in unrealized components of defined benefit plans |  |  | 0 |  |  |  | 2 |  |  |  | 2 |  |  |  | 6 |  |
| **Other comprehensive (loss) income, before tax** |  |  | **(49** | **)** |  |  | **58** |  |  |  | **(74** | **)** |  |  | **(13** | **)** |
| Tax effect allocated to other comprehensive loss |  |  | (0 | ) |  |  | (1 | ) |  |  | (1 | ) |  |  | (2 | ) |
| **Other comprehensive (loss) income, net of tax** |  |  | **(49** | **)** |  |  | **57** |  |  |  | **(74** | **)** |  |  | **(15** | **)** |
| **Comprehensive income (loss)** |  |  | **11** |  |  |  | **156** |  |  |  | **248** |  |  |  | **(16** | **)** |
| Less: Comprehensive income attributable to    non-controlling interest |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |  |  | 1 |  |
| **Comprehensive income (loss) attributable to    controlling interest** |  | **$** | **11** |  |  | **$** | **155** |  |  | **$** | **247** |  |  | **$** | **(17** | **)** |

See Notes to the unaudited Condensed Consolidated Financial Statements.

5

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  | **As of** | | | | | |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |
| **Assets** |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 903 |  |  | $ | 1,178 |  |
| Receivables, net |  |  | 1,575 |  |  |  | 1,822 |  |
| Inventories, net |  |  | 922 |  |  |  | 798 |  |
| Prepaid expenses and accrued income |  |  | 242 |  |  |  | 164 |  |
| Other current assets |  |  | 68 |  |  |  | 307 |  |
| **Total current assets** |  |  | **3,710** |  |  |  | **4,269** |  |
| Property, plant and equipment, net |  |  | 1,813 |  |  |  | 1,869 |  |
| Operating lease right-of-use assets |  |  | 123 |  |  |  | 141 |  |
| Goodwill |  |  | 1,389 |  |  |  | 1,398 |  |
| Intangible assets, net |  |  | 9 |  |  |  | 14 |  |
| Other non-current assets |  |  | 467 |  |  |  | 466 |  |
| **Total assets** |  | **$** | **7,511** |  |  | **$** | **8,157** |  |
|  |  |  | |  |  |  | |  |
| **Liabilities and equity** |  |  | |  |  |  | |  |
| Short-term debt |  | $ | 364 |  |  | $ | 302 |  |
| Accounts payable |  |  | 1,076 |  |  |  | 1,254 |  |
| Accrued expenses |  |  | 1,096 |  |  |  | 1,270 |  |
| Operating lease liabilities - current |  |  | 38 |  |  |  | 37 |  |
| Other current liabilities |  |  | 237 |  |  |  | 284 |  |
| **Total current liabilities** |  |  | **2,811** |  |  |  | **3,147** |  |
| Long-term debt |  |  | 1,687 |  |  |  | 2,110 |  |
| Pension liability |  |  | 231 |  |  |  | 248 |  |
| Operating lease liabilities - non-current |  |  | 85 |  |  |  | 103 |  |
| Other non-current liabilities |  |  | 125 |  |  |  | 126 |  |
| **Total non-current liabilities** |  |  | **2,127** |  |  |  | **2,587** |  |
| Common stock |  |  | 103 |  |  |  | 103 |  |
| Additional paid-in capital |  |  | 1,329 |  |  |  | 1,329 |  |
| Retained earnings |  |  | 2,683 |  |  |  | 2,471 |  |
| Accumulated other comprehensive loss |  |  | (421 | ) |  |  | (347 | ) |
| Treasury stock |  |  | (1,135 | ) |  |  | (1,147 | ) |
| **Total controlling interest's equity** |  |  | **2,558** |  |  |  | **2,409** |  |
| Non-controlling interest |  |  | 15 |  |  |  | 14 |  |
| **Total equity** |  |  | **2,573** |  |  |  | **2,423** |  |
| **Total liabilities and equity** |  | **$** | **7,511** |  |  | **$** | **8,157** |  |

See Notes to the unaudited condensed consolidated financial statements.

6

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| **Operating activities** |  |  | |  |  |  | |  |
| Net income (loss) |  | $ | 322 |  |  | $ | (1 | ) |
| *Adjustments to reconcile net income (loss) to cash provided by operating activities:* |  |  | |  |  |  | |  |
| Depreciation and amortization |  |  | 297 |  |  |  | 268 |  |
| Deferred income taxes |  |  | 5 |  |  |  | (82 | ) |
| Other, net |  |  | (8 | ) |  |  | 32 |  |
| Net change in operating assets and liabilities |  |  | (179 | ) |  |  | 163 |  |
| **Net cash provided by operating activities** |  |  | **437** |  |  |  | **380** |  |
|  |  |  | |  |  |  | |  |
| **Investing activities** |  |  | |  |  |  | |  |
| Expenditures for property, plant and equipment |  |  | (303 | ) |  |  | (232 | ) |
| Proceeds from sale of property, plant and equipment |  |  | 3 |  |  |  | 3 |  |
| **Net cash used in investing activities** |  |  | **(301** | **)** |  |  | **(229** | **)** |
|  |  |  | |  |  |  | |  |
| **Financing activities** |  |  | |  |  |  | |  |
| Net decrease in short-term debt |  |  | (278 | ) |  |  | (198 | ) |
| Increase in long-term debt |  |  | 0 |  |  |  | 1,720 |  |
| Decrease in long-term debt |  |  | (1 | ) |  |  | (630 | ) |
| Dividends paid |  |  | (109 | ) |  |  | (54 | ) |
| Dividends paid to non-controlling interest |  |  | (1 | ) |  |  | (1 | ) |
| Common stock options exercised |  |  | 2 |  |  |  | 0 |  |
| **Net cash (used in) provided by financing activities** |  |  | **(386** | **)** |  |  | **838** |  |
| Effect of exchange rate changes on cash and cash equivalents |  |  | (25 | ) |  |  | 42 |  |
| **(Decrease) increase in cash and cash equivalents** |  |  | **(275** | **)** |  |  | **1,032** |  |
| Cash and cash equivalents at beginning of period |  |  | 1,178 |  |  |  | 445 |  |
| **Cash and cash equivalents at end of period** |  | **$** | **903** |  |  | **$** | **1,477** |  |

See Notes to unaudited condensed consolidated financial statements.

7

**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, 2020** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,471** |  |  | **$** | **(347** | **)** |  | **$** | **(1,147** | **)** |  | **$** | **2,409** |  |  | **$** | **14** |  |  | **$** | **2,423** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 157 |  |  |  | |  |  |  | |  |  |  | 157 |  |  |  | 0 |  |  |  | 157 |  |
| Foreign currency translation    adjustment |  | |  |  |  | |  |  |  | |  |  |  | (64 | ) |  |  | |  |  |  | (64 | ) |  |  | 0 |  |  |  | (64 | ) |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *157* |  |  |  | *(63* | *)* |  |  | *—* |  |  |  | *94* |  |  |  | *0* |  |  |  | *94* |  |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 4 |  |  |  | 4 |  |  |  | |  |  |  | 4 |  |
| **Balances at March 31, 2021** |  | **103** |  |  |  | **1,329** |  |  |  | **2,628** |  |  |  | **(410** | **)** |  |  | **(1,143** | **)** |  |  | **2,507** |  |  |  | **14** |  |  |  | **2,521** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 104 |  |  |  | |  |  |  | |  |  |  | 104 |  |  |  | 1 |  |  |  | 105 |  |
| Foreign currency translation    adjustment |  | |  |  |  | |  |  |  | |  |  |  | 37 |  |  |  | |  |  |  | 37 |  |  |  | 0 |  |  |  | 37 |  |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *104* |  |  |  | *38* |  |  |  | *—* |  |  |  | *142* |  |  |  | *1* |  |  |  | *143* |  |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 5 |  |  |  | 5 |  |  |  | |  |  |  | 5 |  |
| Cash dividends declared1) |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | (54 | ) |
| **Balances at June 30, 2021** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,678** |  |  | **$** | **(372** | **)** |  | **$** | **(1,138** | **)** |  | **$** | **2,600** |  |  | **$** | **15** |  |  | **$** | **2,615** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 60 |  |  |  | |  |  |  | |  |  |  | 60 |  |  |  | 0 |  |  |  | 60 |  |
| Foreign currency translation          adjustment |  | |  |  |  | |  |  |  | |  |  |  | (49 | ) |  |  | |  |  |  | (49 | ) |  |  | (0 | ) |  |  | (49 | ) |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 0 |  |  |  | |  |  |  | 0 |  |  |  | |  |  |  | 0 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *60* |  |  |  | *(49* | *)* |  |  | *—* |  |  |  | *11* |  |  |  | *0* |  |  |  | *11* |  |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 3 |  |  |  | 3 |  |  |  | |  |  |  | 3 |  |
| Dividends paid to non-controlling interest    on subsidiary shares |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | (1 | ) |  |  | (1 | ) |
| Cash dividends declared |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | (54 | ) |
| **Balances at September 30, 2021** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,683** |  |  | **$** | **(421** | **)** |  | **$** | **(1,135** | **)** |  | **$** | **2,558** |  |  | **$** | **15** |  |  | **$** | **2,573** |  |

1) Dividend for the second quarter of 2021 was declared on May 12, 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **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** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,284** |  |  | **$** | **(449** | **)** |  | **$** | **(1,158** | **)** |  | **$** | **2,109** |  |  | **$** | **13** |  |  | **$** | **2,122** |  |
| *Comprehensive Loss:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 75 |  |  |  | |  |  |  | |  |  |  | 75 |  |  |  | 0 |  |  |  | 75 |  |
| Foreign currency translation   adjustment |  | |  |  |  | |  |  |  | |  |  |  | (102 | ) |  |  | |  |  |  | (102 | ) |  |  | (0 | ) |  |  | (102 | ) |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |
| *Total Comprehensive Loss* |  | *—* |  |  |  | *—* |  |  |  | *75* |  |  |  | *(101* | *)* |  |  | *—* |  |  |  | *(26* | *)* |  |  | *(0* | *)* |  |  | *(26* | *)* |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 2 |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |
| Cash dividends declared 1) |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | |  |  |  | (54 | ) |  |  | |  |  |  | (54 | ) |
| **Balances at March 31, 2020** |  | **103** |  |  |  | **1,329** |  |  |  | **2,305** |  |  |  | **(550** | **)** |  |  | **(1,156** | **)** |  |  | **2,031** |  |  |  | **13** |  |  |  | **2,044** |  |
| *Comprehensive Loss:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net (loss) income |  | |  |  |  | |  |  |  | (175 | ) |  |  | |  |  |  | |  |  |  | (175 | ) |  |  | 1 |  |  |  | (174 | ) |
| Foreign currency translation          adjustment |  | |  |  |  | |  |  |  | |  |  |  | 27 |  |  |  | |  |  |  | 27 |  |  |  | (0 | ) |  |  | 27 |  |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |
| *Total Comprehensive Loss* |  | *—* |  |  |  | *—* |  |  |  | *(175* | *)* |  |  | *29* |  |  |  | *—* |  |  |  | *(146* | *)* |  |  | *1* |  |  |  | *(145* | *)* |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | 0 |  |  |  | 2 |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |
| Cash dividends declared1) |  | |  |  |  | |  |  |  | 54 |  |  |  | |  |  |  | |  |  |  | 54 |  |  |  | |  |  |  | 54 |  |
| **Balances at June 30, 2020** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,184** |  |  | **$** | **(521** | **)** |  | **$** | **(1,154** | **)** |  | **$** | **1,941** |  |  | **$** | **14** |  |  | **$** | **1,955** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 98 |  |  |  | |  |  |  | |  |  |  | 98 |  |  |  | 1 |  |  |  | 99 |  |
| Foreign currency translation         adjustment |  | |  |  |  | |  |  |  | |  |  |  | 56 |  |  |  | |  |  |  | 56 |  |  |  | 1 |  |  |  | 56 |  |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |
| *Total Comprehensive Income (loss)* |  | *—* |  |  |  | *—* |  |  |  | *98* |  |  |  | *57* |  |  |  | *—* |  |  |  | *155* |  |  |  | *1* |  |  |  | *156* |  |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 3 |  |  |  | 3 |  |  |  | |  |  |  | 3 |  |
| Dividends paid to non-controlling   interest on subsidiary shares |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | (1 | ) |  |  | (1 | ) |
| Cash dividends declared |  | |  |  |  | |  |  |  | 0 |  |  |  | |  |  |  | |  |  |  | 0 |  |  |  | |  |  |  | 0 |  |
| **Balances at September 30, 2020** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,283** |  |  | **$** | **(464** | **)** |  | **$** | **(1,151** | **)** |  | **$** | **2,100** |  |  | **$** | **14** |  |  | **$** | **2,113** |  |

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

See Notes to the unaudited Condensed Consolidated Financial Statements.

8

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

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

**September 30, 2021**

**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, 2021.

The Condensed Consolidated Balance Sheet at December 31, 2020 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.‌

Certain amounts in the condensed consolidated financial statements and associated notes may not reconcile due to rounding. All percentages have been calculated using unrounded amounts. Certain amounts in prior periods have been reclassified to conform to current year presentation.

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, 2020, filed with the SEC on February 19, 2021.

**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 (“ASC”).

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 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 adopted ASU 2019-12 prospectively as of January 1, 2021, and the adoption did not have a material impact on the Company’s consolidated financial statements.‌

**Accounting standards issued but not yet adopted**

None that are expected to have an impact on the Company.

9

**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 each hedge is 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 carrying value is the same as the fair value as these instruments are recognized in the consolidated financial statements at fair value. Although the Company is party to close-out netting agreements (“ISDA agreements”) with all derivative counterparties, the fair values in the tables below and in the Condensed Consolidated Balance Sheets at September 30, 2021 and December 31, 2020 have been presented on a gross basis. According to the ISDA 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 September 30, 2021 and December 31, 2020 related to the operations.

10

**Derivatives not designated as hedging instruments**

Derivatives not designated as hedging instruments relate to economic hedges and are marked to market with all amounts recognized in the Consolidated Statements of Income. The derivatives not designated as hedging instruments outstanding at September 30, 2021 and December 31, 2020 were foreign exchange swaps.‌

For the three months period ended September 30, 2021 and 2020, the losses recognized in other non-operating items, net were $(2) million and $(18) million, respectively, for derivative instruments not designated as hedging instruments. For the nine months period ended September 30, 2021 and 2020, the losses recognized in other non-operating items, net were $(40) million and $(19)million, respectively, for derivative instruments not designated as hedging instruments. The realized part of the losses referred to above are reported under financing activities in the statement of cash flows.

For the three and nine months periods ended September 30, 2021 and September 30, 2020, respectively, the gains/(losses) recognized as interest expense were immaterial.‌

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).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **As of** | | | | | | | | | | | | | | | | | | | | | | |  |  |
|  |  | **September 30, 2021** | | | | | | | | | |  |  |  | **December 31, 2020** | | | | | | | | | |  |  |
|  |  |  | |  |  | **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 |  | $ | 1,379 |  | 1) | $ | 2 |  | 2) | $ | 19 |  | 3) |  | $ | 1,463 |  | 4) | $ | 25 |  | 5) | $ | 3 |  | 6) |
| **Total derivatives not designated    as hedging instruments** |  | **$** | **1,379** |  |  | **$** | **2** |  |  | **$** | **19** |  |  |  | **$** | **1,463** |  |  | **$** | **25** |  |  | **$** | **3** |  |  |

1) Net nominal amount after deducting for offsetting swaps under ISDA agreements is $1,343 million.

2) Net amount after deducting for offsetting swaps under ISDA agreements is $2 million.

3) Net amount after deducting for offsetting swaps under ISDA agreements is $19 million.

4) Net nominal amount after deducting for offsetting swaps under ISDA agreements is $1,463 million.

5) Net amount after deducting for offsetting swaps under ISDA agreements is $25 million.

6) Net amount after deducting for offsetting swaps under ISDA agreements is $3 million.

11

**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).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **As of** | | | | | | | | | | | | | |  |
|  |  | **September 30, 2021** | | | | | |  |  | **December 31, 2020** | | | | | |  |
|  |  | **Carrying value1)** | |  |  | **Fair value** | |  |  | **Carrying value1)** | |  |  | **Fair value** | |  |
| **Long-term debt** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Bonds |  | $ | 1,345 |  |  | $ | 1,441 |  |  | $ | 1,377 |  |  | $ | 1,483 |  |
| Loans |  |  | 341 |  |  |  | 358 |  |  |  | 732 |  |  |  | 753 |  |
| Other long-term debt |  |  | 1 |  |  |  | 1 |  |  |  | 1 |  |  |  | 1 |  |
| **Total long-term debt** |  |  | **1,687** |  |  |  | **1,800** |  |  |  | **2,110** |  |  |  | **2,237** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Short-term debt** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Short-term portion of long-term debt |  |  | 341 |  |  |  | 344 |  |  |  | 275 |  |  |  | 278 |  |
| Overdrafts and other short-term debt |  |  | 23 |  |  |  | 23 |  |  |  | 27 |  |  |  | 27 |  |
| **Total short-term debt** |  | **$** | **364** |  |  | **$** | **367** |  |  | **$** | **302** |  |  | **$** | **305** |  |

1) Debt as reported in balance sheet.

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

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

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

For the three and nine months periods ended September 30, 2021 and for three and nine months periods ended September 30, 2020, the Company did not record any material impairment charges on its long-lived assets for its operations.

12

**4. INCOME TAXES**

The effective tax rate for the three months period ended September 30, 2021 was 30.9% compared to 33.5% for the three months period ended September 30, 2020. Discrete tax items, net for the three months period ended September 30, 2021 had an unfavorable impact of 5.7%. Discrete tax items, net for the three months period ended September 30, 2020 had a favorable impact of 9.9%.‌

The effective tax rate for the nine months period ended September 30, 2021 was 29.5% compared to 104.4% for the nine months period ended September 30, 2020. Discrete tax items, net for the nine months period ended September 30, 2021 had an unfavorable impact of 1.0%. Discrete tax items, net for the nine months period ended September 30, 2020, had a favorable impact of 187.5%.

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

As of September 30, 2021, 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 nine months period ended September 30, 2021, the Company recorded a net increase of $8 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 from prior years. Of the total unrecognized tax benefits of $54 million recorded at September 30, 2021, $9 million is classified as current tax payable within Other current liabilities and $45 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** | | | | | |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |
| Raw materials |  | $ | 428 |  |  | $ | 379 |  |
| Work in progress |  | $ | 340 |  |  |  | 292 |  |
| Finished products |  | $ | 244 |  |  |  | 220 |  |
| **Inventories** |  |  | **1,011** |  |  |  | **891** |  |
| Inventory valuation reserve |  | $ | (89 | ) |  |  | (93 | ) |
| **Total inventories, net of reserve** |  | **$** | **922** |  |  | **$** | **798** |  |

**6. RESTRUCTURING**

As of September 30, 2021, approximately $46 million out of the $102 million in total reserve balance can be attributed to the structural efficiency program initiated in the second quarter of 2020 and mainly relates to Europe. This program is expected to be concluded in 2022. Approximately $37 million of the total reserve balance can be attributed to footprint optimization activities in Europe initiated in the third quarter of 2020. These activities are expected to be concluded in 2023.

The table below summarizes the change in the balance sheet position of the employee related restructuring reserves (dollars in millions). The restructuring reserve balance is included within Accrued expenses in the Condensed Consolidated Balance Sheet. 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 September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Reserve at beginning of the period** |  | **$** | **107** |  |  | **$** | **100** |  |  | **$** | **126** |  |  | **$** | **56** |  |
| Provision - charge |  |  | 10 |  |  |  | 33 |  |  |  | 11 |  |  |  | 104 |  |
| Provision - reversal |  |  | (5 | ) |  |  | (2 | ) |  |  | (6 | ) |  |  | (9 | ) |
| Cash payments |  |  | (7 | ) |  |  | (12 | ) |  |  | (23 | ) |  |  | (32 | ) |
| Translation difference |  |  | (3 | ) |  |  | 4 |  |  |  | (6 | ) |  |  | 4 |  |
| **Reserve at end of the period** |  | **$** | **102** |  |  | **$** | **123** |  |  | **$** | **102** |  |  | **$** | **123** |  |

13

**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 nine months periods ended September 30, 2021, provisions primarily related to recall related issues. Cash payments in the nine months period ended September 30, 2021 mainly related to the recall by Toyota Motor Corp. of vehicles equipped with a certain model of the Company’s side curtain airbag that was settled and resolved in April 2021. For the three and nine months periods ended September 30, 2020, provisions and cash paid primarily related to recall and warranty related issues. As of September 30, 2021, the reserve for product related liabilities mainly related to recall related issues.

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. As of September 30, 2021, the indemnification liabilities are approximately $9 million and included within Accrued expenses on the Condensed Consolidated Balance Sheet.

The table below summarizes the change in the balance sheet position of the product-related liabilities (dollars in millions). A majority of the Company’s recall related issues as of September 30, 2021 are covered by insurance. Insurance receivables are included within Other current assets and Other non-current assets on the Condensed Consolidated Balance Sheet. As of September 30, 2021, the Company had total insurance receivables related to recall issues of $137 million. The total product liability reserve currently is less than the product liability insurance receivable because the timing of insurance recoveries does not match the timing of our product liability.‌

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |  |
| **Reserve at beginning of the period** |  | **$** | **103** |  |  | **$** | **58** |  |  | **$** | **341** |  |  | **$** | **72** |  |  |
| Change in reserve |  |  | 18 |  |  |  | 5 |  |  |  | 23 |  |  |  | 16 |  |  |
| Cash payments |  |  | (1 | ) |  |  | (6 | ) |  |  | (243 | ) |  |  | (31 | ) |  |
| Translation difference |  |  | (1 | ) |  |  | 1 |  |  |  | (1 | ) |  |  | 0 |  |  |
| **Reserve at end of the period** |  | **$** | **120** |  |  | **$** | **58** |  |  | **$** | **120** |  |  | **$** | **58** |  |  |

**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):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **U.S. Plans** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Service cost |  | $ | 2 |  |  | $ | 1 |  |  | $ | 6 |  |  | $ | 6 |  |
| Interest cost |  |  | 3 |  |  |  | 3 |  |  |  | 7 |  |  |  | 9 |  |
| Expected return on plan assets |  |  | (4 | ) |  |  | (4 | ) |  |  | (13 | ) |  |  | (12 | ) |
| Amortization of actuarial loss |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |  |  | 2 |  |
| Settlement loss |  |  | 3 |  |  |  | 4 |  |  |  | 3 |  |  |  | 4 |  |
| **Net Periodic Benefit Cost** |  | **$** | **3** |  |  | **$** | **5** |  |  | **$** | **4** |  |  | **$** | **9** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Non-U.S. Plans** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Service cost |  | $ | 3 |  |  | $ | 3 |  |  | $ | 9 |  |  | $ | 9 |  |
| Interest cost |  |  | 1 |  |  |  | 1 |  |  |  | 4 |  |  |  | 4 |  |
| Expected return on plan assets |  |  | (1 | ) |  |  | (0 | ) |  |  | (1 | ) |  |  | (1 | ) |
| Amortization of actuarial loss |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |  |  | 2 |  |
| **Net Periodic Benefit Cost** |  | **$** | **4** |  |  | **$** | **5** |  |  | **$** | **13** |  |  | **$** | **14** |  |

The Service cost and Amortization of prior service cost components in the tables above are reported in Operating Income in the Consolidated Statements of Income. The remaining components - Interest cost, Expected return on plan assets, Amortization of actuarial loss and Settlement loss - are reported as Other non-operating items, net in the Consolidated Statements of Income.

14

**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, 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.‌

**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 or other loss, 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 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 existing and future 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 adverse impact on the Company’s results of operations.

The Company maintains a program of insurance, which may include commercial insurance, self-insurance, or a combination of both approaches, for potential recall and product liability claims in amounts and on terms that it believes are reasonable and prudent based on our prior claims experience. The Company’s insurance policies generally include coverage of the costs of a recall, although costs related to replacement parts are generally not covered. In 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.

15

Specific Recalls:‌

In the fourth quarter of 2020, the Company was made aware of a potential recall by one of its customers (the “Unannounced Recall”). The Company continues to evaluate this matter with its customer. The Company has determined pursuant to ASC 450 that a loss with respect to the Unannounced Recall is probable and has accrued an amount that is reflected in the total product liability accrual in the fourth quarter of 2020. The amount by which the product liability accrual exceeds the product liability insurance receivable with respect to the Unannounced Recall is $26 million and includes self-insurance retention costs and deductibles. The ultimate loss to the Company of the Unannounced Recall could be materially different from the amount the Company has accrued.

Volvo Car USA, LLC ( together with its affiliates, “Volvo”) has recalled approximately 762,000 vehicles relating to the malfunction of inflators produced by ZF (the “ZF Inflator Recall”). The recalled ZF inflators were included in airbag modules supplied by the Company only to Volvo. The recall commenced in November 2020 and later expanded in September 2021. Because the Company’s airbags were involved with the ZF Inflator Recall, the Company has determined pursuant to ASC 450 that a loss is reasonably possible with respect to the ZF Inflator Recall. The Company continues to evaluate this matter with Volvo and ZF and no accrual has been made. Although the Company currently estimates a range of $0 to $43 million with respect to this potential loss, the Company anticipates that any losses net of insurance claims and claims against ZF will be immaterial.‌

Intellectual Property:‌

The Company utilizes technologies in its products, 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 that 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 (“the Plan”), as amended and received Autoliv stock-based awards which include stock options (“SOs”), restricted stock units (“RSUs”) and performance stock units (“PSUs”).‌

For the three and nine months periods ended September 30, 2021, the Company recorded approximately $3 million and $10 million, respectively, in stock-based compensation expense related to RSUs and PSUs. For the three and nine months periods ended September 30, 2020, the Company recorded approximately $3 million and $7 million, respectively, in stock-based compensation expense related to RSUs and PSUs.

During the three and nine months periods ended September 30, 2021, approximately 15 thousand and 132 thousand shares, respectively, of common stock from the treasury stock were utilized by the Plan. During the three and nine months periods ended September 30, 2020, approximately 6 thousand and 92 thousand shares, respectively, of common stock from the treasury stock were utilized by the Plan.‌

16

**11. EARNINGS PER SHARE**

The computation of basic and diluted EPS under the two-class method is set forth in the table below. Anti-dilutive shares outstanding were immaterial for all periods presented below. For the nine months period ended September 30, 2020, shares in the diluted loss per share calculation represent basic shares due to the net loss.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
| ***(In millions, except per share amounts)*** |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Numerator:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Basic and diluted: |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income (loss) attributable to controlling interest |  | $ | 60 |  |  | $ | 98 |  |  | $ | 320 |  |  | $ | (2 | ) |
| Participating share awards with dividend    equivalent rights |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |
| Net income (loss) applicable to common    shareholders |  |  | **60** |  |  |  | **98** |  |  |  | **320** |  |  |  | **(2** | **)** |
| Earnings allocated to participating    share awards1) |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |
| Net income (loss) attributable to common    shareholders |  | **$** | **60** |  |  | **$** | **98** |  |  | **$** | **320** |  |  | **$** | **(2** | **)** |
| **Denominator:** **1)** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Basic: Weighted average common stock |  |  | **87.4** |  |  |  | **87.3** |  |  |  | **87.4** |  |  |  | **87.3** |  |
| Add: Weighted average stock options/    share awards |  |  | 0.3 |  |  |  | 0.2 |  |  |  | 0.3 |  |  |  | 0.0 |  |
| **Diluted:** |  |  | **87.7** |  |  |  | **87.5** |  |  |  | **87.7** |  |  |  | **87.3** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings (loss) per share - basic** |  | **$** | **0.68** |  |  | **$** | **1.13** |  |  | **$** | **3.66** |  |  | **$** | **(0.02** | **)** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings (loss) per share - diluted** |  | **$** | **0.68** |  |  | **$** | **1.12** |  |  | **$** | **3.65** |  |  | **$** | **(0.02** | **)** |

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.

**12. RELATED PARTY TRANSACTIONS**

The Company purchases finished goods from Veoneer. For the three and nine months periods ended September 30, 2021, related party purchases from Veoneer amounted to $15 million and $56 million, respectively. For the three and nine months periods ended September 30, 2020, related party purchases from Veoneer amounted to $19 million and $48 million, respectively.

Amounts due to and due from related party as of September 30, 2021 and December 31, 2020 were as follows (dollars in millions).

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  | **As of** | | | | | |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |
| Related party receivables1) |  | $ | 1 |  |  | $ | 2 |  |
| Related party payables2) |  |  | 18 |  |  |  | 27 |  |
| Related party accrued expenses3) |  |  | 9 |  |  |  | 10 |  |

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.

17

**13. REVENUE** **DISAGGREGATION**

The Company’s disaggregated revenue for the three and nine months periods ended September 30, 2021 and three and nine months periods ended September 30, 2020 were as follows (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Sales by Products** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Airbag Products and Other1) |  | $ | 1,199 |  |  | $ | 1,332 |  |  | $ | 3,973 |  |  | $ | 3,188 |  |
| Seatbelt Products1) |  |  | 647 |  |  |  | 706 |  |  |  | 2,139 |  |  |  | 1,743 |  |
| **Total net sales** |  | **$** | **1,847** |  |  | **$** | **2,037** |  |  | **$** | **6,111** |  |  | **$** | **4,931** |  |
| 1) Including Corporate and other sales. |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net Sales by Region** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| China |  | $ | 414 |  |  | $ | 425 |  |  | $ | 1,228 |  |  | $ | 989 |  |
| Japan |  |  | 160 |  |  |  | 180 |  |  |  | 546 |  |  |  | 488 |  |
| Rest of Asia |  |  | 204 |  |  |  | 201 |  |  |  | 675 |  |  |  | 514 |  |
| Americas |  |  | 596 |  |  |  | 693 |  |  |  | 1,903 |  |  |  | 1,579 |  |
| Europe |  |  | 473 |  |  |  | 538 |  |  |  | 1,760 |  |  |  | 1,361 |  |
| **Total net sales** |  | **$** | **1,847** |  |  | **$** | **2,037** |  |  | **$** | **6,111** |  |  | **$** | **4,931** |  |

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 in the Condensed Consolidated Balance Sheet. The contract assets are reclassified into the receivables balance when the rights to receive payments become unconditional. The net change in the contract assets balance, reflecting the adjustments needed to align revenue recognition for work completed but not billed, for the three and nine months periods ended September 30, 2021 and for the three and nine months periods ended September 30, 2020 were not material in any period.

**14. SUBSEQUENT EVENTS**

There were no reportable events subsequent to September 30, 2021.‌

18

**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, 2020 filed with the United States Securities and Exchange Commission (the “SEC”) on February 19, 2021. 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, steering wheels and pedestrian protection systems.

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 adverse business trends from earlier in the year accelerated in the third quarter. Supply shortages of semiconductors and other components led to a third quarter global LVP decline of 20% vs. a year earlier, which was 17pp lower than what was expected at the beginning of the quarter (according to IHS Markit, October 2021). The decline in LVP, unpredictable changes in customer call-offs and higher raw material costs resulted in reduced profitability despite significant cost control measures, including headcount reductions.‌

The Company outperformed the global LVP by almost 8pp, significantly reducing the impact of the 20% drop in LVP. The Company had a record number of new launches in the quarter and expects a full year record as well. This includes products to a large number of electrified vehicles, a market that amounted to around 10% of the Company's total sales last year. The Company expects an almost doubling of sales to this market in 2021.

The Company is satisfied with its order intake for the first nine months of the year and that the Company continues to implement the projects and actions needed to support its growth opportunities and journey to reach the next level of profitability as expressed by the Company's medium term targets.

Despite the challenging environment, the Company's leverage ratio (Non-U.S. GAAP measure) remains well within its target range and the Company declared and paid a dividend of $0.62 per share in the quarter.

Through successful mitigation efforts, the raw materials headwind in the third quarter was slightly lower than expected. However, the Company sees new raw material headwinds, including higher magnesium and resin costs, which means it still expects a full year operating margin headwind from raw materials of around 130 basis points. The Company expects supply disruptions to continue to impact LVP negatively in the fourth quarter, and although there are some indications of moderate improvement in semiconductor availability in Asia and North America, visibility remains poor.

19

The Company is planning and implementing stricter measures to mitigate the current adverse business headwinds, including capacity alignments in Europe and the US. However, as a result of the significantly reduced LVP outlook for the year, the Company is adjusting its full year indication. Based on an assumption of around 0% global LVP growth for the full year 2021, the Company expects an organic sales growth (Non-U.S. GAAP measure) of around 8% and an adjusted operating margin (Non-U.S. GAAP measure) of around 8%.

With the Company's relentless focus on quality and execution as well as mitigating near term headwinds, the Company continues to drive forward towards its medium term targets. This and more will be explored at the Company's virtual CMD on November 16, 2021.‌

**Financial highlights in the third quarter of 2021**

**$1,847 million** net sales

**12%** organic sales decline (Non-U.S. GAAP measure)

**5.4%** operating margin

**5.6%** adjusted operating margin (Non-U.S. GAAP measure)

**$0.68** EPS - a decrease of $0.44

**$0.73** adjusted EPS (Non-U.S. GAAP measure) - a decrease of $0.75

**Key business developments in the third quarter of 2021**

·**Significant organic sales decline (Non-U.S. GAAP measure)** as global LVP declined by 20% vs. Q3 last year (according to IHS Markit October 2021). Sales decreased organically by 12%, yet outperformed global LVP by almost 8pp, mainly due to product launches and positive vehicle mix effects and despite negative geographical mix effects. All regions outperformed LVP by 6-16pp.·**Profitability declined** due to the lower sales and higher raw material costs. Adjusted operating margin (Non-U.S. GAAP measure) declined by 4.5pp to 5.6%. Return on capital employed declined to 10.5% and return on equity declined to 9.3%.·**Strong balance sheet and leverage ratio well within target range.** Operating cash flow of $188 million and operating cash flow less capital expenditure, net of $77 million support continued balance sheet improvement. A dividend of $0.62 per share was declared and paid in the quarter. Net debt (Non-U.S. GAAP measure) declined, resulting in a leverage ratio (Non-U.S. GAAP measure) of 1.1x.

20

**Business update relating to COVID-19 pandemic and other matters**

The COVID-19 pandemic continued to impact the Company's business in the third quarter 2021 indirectly through limited LVP by its customers caused by global semiconductor shortage and other industry supply chain disruptions. Third quarter 2021 global LVP was around 17% lower than expected at the beginning of the quarter (according to IHS Markit October 2021). The lower than anticipated LVP negatively impacted the Company's sales and profitability. Supply chain disruptions leading to low customer demand visibility and material changes to call-offs with short notice also negatively impacted the Company's production efficiency and profitability in the quarter.

Direct COVID-19 related costs, such as personal protective equipment, quarantine costs, premium freight and other items, were around $3 million in Q3 2021 and around $11 million for the first nine months of 2021. Governmental support in connection with furloughing, short-term work weeks, and other similar activities was not material to the Company's financial results in Q3 2021 or in the first nine months of 2021.

The Company expects the current industry-wide semiconductor supply shortage will continue to negatively impact LVP, and hence its sales and profitability, in the fourth quarter of 2021. A stabilization of such supply may not emerge until in 2022. The Company also expects adverse cost development from rising raw material prices through the remainder of 2021 and into 2022.

Volvo Cars has recalled a large number of vehicles globally, relating to the malfunction of inflators produced by ZF. The recalled ZF inflators were included in airbag modules supplied by Autoliv to Volvo Cars. The ZF inflator in question uses a different formula of gas generant than the formula that Autoliv uses in its inflators. No liability accrual has been made. Autoliv anticipates that any losses net of insurance claims and claims against ZF will be immaterial.

In response to ongoing challenging market conditions, Autoliv management continued to implement strict cost control measures in the third quarter 2021, including the capacity alignments of certain production operations in Europe and the US. The Company continues to monitor the situation closely and further actions are being evaluated.‌

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

Some of the following discussions refer to non-U.S. GAAP financial measures: see reconciliations for “Organic sales”, “Trade 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.

21

**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** | | | | | |  |  | **Nine Months Ended** | | | | | |  |
|  |  | **or As of September 30,** | | | | | |  |  | **or As of September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Total parent shareholders’ equity per share |  | $ | 29.25 |  |  | $ | 24.05 |  |  | $ | 29.25 |  |  | $ | 24.05 |  |
| Capital employed 1) |  |  | 3,738 |  |  |  | 3,686 |  |  |  | 3,738 |  |  |  | 3,686 |  |
| Net debt 2) |  |  | 1,165 |  |  |  | 1,573 |  |  |  | 1,165 |  |  |  | 1,573 |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Trade working capital8) |  |  | 1,421 |  |  |  | 1,418 |  |  |  | 1,421 |  |  |  | 1,418 |  |
| Trade working capital relative to sales, %9) |  |  | 19.2 |  |  |  | 17.4 |  |  |  | 19.2 |  |  |  | 17.4 |  |
| Receivables outstanding relative to sales, %10) |  |  | 21.3 |  |  |  | 19.8 |  |  |  | 21.3 |  |  |  | 19.8 |  |
| Inventory outstanding relative to sales, %11) |  |  | 12.5 |  |  |  | 8.8 |  |  |  | 12.5 |  |  |  | 8.8 |  |
| Payables outstanding relative to sales, %12) |  |  | 14.6 |  |  |  | 11.2 |  |  |  | 14.6 |  |  |  | 11.2 |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Gross margin, % 3) |  |  | 16.3 |  |  |  | 19.6 |  |  |  | 18.7 |  |  |  | 15.1 |  |
| Operating margin, % 4) |  |  | 5.4 |  |  |  | 8.6 |  |  |  | 8.2 |  |  |  | 1.5 |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Return on total equity, % 5) |  |  | 9.3 |  |  |  | 19.4 |  |  |  | 16.9 |  |  |  | 0.0 |  |
| Return on capital employed, % 6) |  |  | 10.5 |  |  |  | 18.7 |  |  |  | 18.1 |  |  |  | 2.7 |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Headcount at period-end 7) |  |  | 62,000 |  |  |  | 65,300 |  |  |  | 62,000 |  |  |  | 65,300 |  |

1) Total equity and net debt.‌

2) Net debt adjusted for pension liabilities in relation to EBITDA. See tabular presentation reconciling this non-U.S. GAAP measure to U.S. GAAP below.‌

3) Gross profit relative to sales.

4) Operating income relative to sales.‌

5) Net income relative to average total equity.

6) Operating income and income from equity method investments, relative to average capital employed.

7) Employees plus temporary, hourly personnel.

8) Outstanding receivables and outstanding inventory less outstanding payables. See calculation of this non-U.S. GAAP measure in the table below.

9) Outstanding receivables and outstanding inventory less outstanding payables relative to annualized quarterly sales.

10) Outstanding receivables relative to annualized quarterly sales.‌

11) Outstanding inventory relative to annualized quarterly sales.

12) Outstanding payables relative to annualized quarterly sales.‌

22

**THREE MONTHS ENDED SEPTEMBER 30, 2021** **COMPARED WITH** **THREE MONTHS ENDED SEPTEMBER 30, 2020**

**Consolidated Sales Development**

*(dollars in millions)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  |  | |  |  | **Components of change in net sales** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **Reported change** | |  |  | **Currency effects** **1)** | |  |  | **Organic** 3) | |  |
| Airbag products and Other2) |  | $ | 1,199 |  |  | $ | 1,332 |  |  |  | (9.9 | )% |  |  | 2.2 | % |  |  | (12.1 | )% |
| Seatbelt products 2) |  |  | 647 |  |  |  | 706 |  |  |  | (8.3 | )% |  |  | 3.3 | % |  |  | (11.6 | )% |
| **Total‌** |  | **$** | **1,847** |  |  | **$** | **2,037** |  |  |  | **(9.3** | **)%** |  |  | **2.6** | **%** |  |  | **(11.9** | **)%** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Asia |  | $ | 778 |  |  | $ | 806 |  |  |  | (3.5 | )% |  |  | 3.3 | % |  |  | (6.9 | )% |
| *Whereof: China* |  |  | *414* |  |  |  | *425* |  |  |  | *(2.5* | *)%* |  |  | *7.4* | *%* |  |  | *(10.0* | *)%* |
| *Japan* |  |  | *160* |  |  |  | *180* |  |  |  | *(11.4* | *)%* |  |  | *(3.2* | *)%* |  |  | *(8.3* | *)%* |
| *Rest of Asia* |  |  | *204* |  |  |  | *201* |  |  |  | *1.4* | *%* |  |  | *0.5* | *%* |  |  | *0.9* | *%* |
| Americas |  |  | 596 |  |  |  | 693 |  |  |  | (14.1 | )% |  |  | 2.2 | % |  |  | (16.3 | )% |
| Europe |  |  | 473 |  |  |  | 538 |  |  |  | (12.0 | )% |  |  | 1.9 | % |  |  | (13.9 | )% |
| **Total** |  | **$** | **1,847** |  |  | **$** | **2,037** |  |  |  | **(9.3** | **)%** |  |  | **2.6** | **%** |  |  | **(11.9** | **)%** |

1) Effects from currency translations.

2) Including Corporate and Other sales.

3) Non-U.S. GAAP measure.

**Sales by product - Airbags**

All major product categories within Airbags declined organically (Non-U.S. GAAP measure) in the quarter except knee airbags and front center airbags. The largest contributor to the decline was inflatable curtains and side airbags followed by steering wheels.

**Sales by product - Seatbelts**

The main contributor to Seatbelt products organic decline (Non-U.S. GAAP measure) was Europe and Americas. Seatbelt products declined organically in all regions except South America and India.‌

**Sales by region**

The Company's global organic sales declined by 12% (Non-U.S. GAAP measure, see reconciliation table above) compared to the LVP decline of 20% (according to IHS Markit October 2021). The almost 8pp outperformance was largely due to product launches, partly offset by negative geographical mix effects as LVP in higher content per vehicle markets such as Europe and North America declined more than lower CPV markets such as China and Rest of Asia. All regions outperformed LVP by 6-16pp. LVP in all major regions declined by between 13 and 30%.

**Third quarter of 2021 organic growth**1)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| Autoliv |  |  | (16 | )% |  |  | (14 | )% |  |  | (10 | )% |  |  | (8 | )% |  |  | 0.9 | % |  |  | (12 | )% |
| Main growth drivers |  | Toyota, Ford | |  |  | Hyundai/Kia | |  |  | Xpeng, Ford, Chery | |  |  | Mitsubishi, Nissan | |  |  | Mitsubishi, Toyota, Tata | |  |  | Mitsubishi, Tata, Mahindra | |  |
| Main decline drivers |  | Honda, Nissan, GM | |  |  | Stellantis, VW, Renault | |  |  | VW, Great Wall, Honda | |  |  | Honda, Toyota, Mazda | |  |  | Hyundai/Kia, SsangYong, GM | |  |  | Honda, VW, Stellantis | |  |

1) Non-U.S. GAAP measure.

23

**Light Vehicle Production Development**

*Change third quarter of 2021 vs. third quarter of 2020*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| LVP1) |  |  | (23 | )% |  |  | (30 | )% |  |  | (16 | )% |  |  | (24 | )% |  |  | (4.8 | )% |  |  | (20 | )% |

1) Source: IHS Markit October 2021.

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  |  | |  |
| (Dollars in millions, except per share data) |  | **2021** | |  |  | **2020** | |  |  | **Change** | |  |
| Net Sales |  | $ | 1,847 |  |  | $ | 2,037 |  |  |  | (9.3 | )% |
| Gross profit |  |  | 301 |  |  |  | 400 |  |  |  | (24.8 | )% |
| *% of sales* |  |  | *16.3* | *%* |  |  | *19.6* | *%* |  |  | *(3.3)pp* |  |
| S, G&A |  |  | (101 | ) |  |  | (92 | ) |  |  | 9.9 | % |
| *% of sales* |  |  | *(5.5* | *)%* |  |  | *(4.5* | *)%* |  |  | *(1.0)pp* |  |
| R, D&E, net |  |  | (98 | ) |  |  | (102 | ) |  |  | (4.0 | )% |
| *% of sales* |  |  | *(5.3* | *)%* |  |  | *(5.0* | *)%* |  |  | *(0.3)pp* |  |
| Amortization of Intangibles |  |  | (2 | ) |  |  | (2 | ) |  |  | (0.6 | )% |
| Other income (expense), net |  |  | (1 | ) |  |  | (29 | ) |  |  | (98.2 | )% |
| Operating income |  |  | 99 |  |  |  | 175 |  |  |  | (43.2 | )% |
| *% of sales* |  |  | *5.4* | *%* |  |  | *8.6* | *%* |  |  | *(3.2)pp* |  |
| Adjusted operating income1) |  |  | 103 |  |  |  | 206 |  |  |  | (49.7 | )% |
| *% of sales* |  |  | *5.6* | *%* |  |  | *10.1* | *%* |  |  | *(4.5)pp* |  |
| Financial and non-operating items, net |  |  | (12 | ) |  |  | (26 | ) |  |  | (52.5 | )% |
| Income before taxes |  |  | 87 |  |  |  | 149 |  |  |  | (41.5 | )% |
| Tax rate |  |  | 30.9 | % |  |  | 33.5 | % |  |  | *(2.6)pp* |  |
| Net income |  |  | 60 |  |  |  | 99 |  |  |  | (39.3 | )% |
| Earnings per share, diluted2) |  |  | 0.68 |  |  |  | 1.12 |  |  |  | (39.4 | )% |
| Adjusted earnings per share, diluted1),2) |  |  | 0.73 |  |  |  | 1.48 |  |  |  | (50.7 | )% |

1) Non-U.S. GAAP measure, excluding costs for capacity alignment and in 2020 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.

**Third quarter of 2021 development**

**Gross profit** decreased by $99 million and the gross margin decreased by 3.3pp compared to the same quarter 2020. The gross margin decrease was primarily driven by the lower sales and higher raw material costs, partly offset by positive FX effects.

**S,G&A** costs increased by $9 million compared to the prior year, mainly relating to IT and improvement projects.

**R,D&E, net** costs decreased by $4 million compared to the prior year, mainly relating to currency translation effects. In relation to sales, R,D&E costs increased from 5.0% to 5.3%.

**Other income (expense), net** improved by $28 million compared to prior year, mainly due to lower capacity alignment accruals.

**Operating income** decreased by $76 million compared to the same period in 2020, mainly as a consequence of the lower gross profit partly offset by lower capacity alignment accruals.

**Adjusted operating income** (Non-U.S. GAAP measure, see reconciliation table below) decreased by $103 million compared to the prior year, mainly due to lower gross profit.

**Financial and non-operating items, net**, improved by $14 million, mainly due to lower interest expense, net, but also due to positive effects from currency translations and other financial items.

**Income before taxes** decreased by $62 million compared to the prior year, mainly due to the lower operating income partly offset by improved financial and non-operating items, net.

24

**Tax rate** was 30.9%, compared to 33.5% in the same period last year, where last year was impacted by unfavorable country mix.

**Earnings per share, diluted** decreased by $0.44 compared to a year earlier, where the main drivers were $1.17 from lower adjusted operating income (Non-U.S. GAAP measure, see reconciliation table below) partly mitigated by $0.31 from lower costs for capacity alignment costs and antitrust related matters, $0.26 from lower tax and $0.16 from financial items.‌

**NINE MONTHS ENDED SEPTEMBER 30, 2021** **COMPARED WITH** **NINE MONTHS ENDED SEPTEMBER 30, 2020**

**Consolidated Sales Development**

*(dollars in millions)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |  |  | |  |  | **Components of change in net sales** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **Reported change** | |  |  | **Currency effects** **1)** | |  |  | **Organic** 3) | |  |
| Airbag products and Other 2) |  | $ | 3,973 |  |  | $ | 3,188 |  |  |  | 24.6 | % |  |  | 3.6 | % |  |  | 21.1 | % |
| Seatbelt products 2) |  |  | 2,139 |  |  |  | 1,743 |  |  |  | 22.7 | % |  |  | 5.1 | % |  |  | 17.6 | % |
| **Total‌** |  | **$** | **6,111** |  |  | **$** | **4,931** |  |  |  | **23.9** | **%** |  |  | **4.1** | **%** |  |  | **19.8** | **%** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Asia |  | $ | 2,449 |  |  | $ | 1,991 |  |  |  | 23.0 | % |  |  | 4.7 | % |  |  | 18.3 | % |
| *Whereof: China* |  |  | *1,228* |  |  |  | *989* |  |  |  | *24.2* | *%* |  |  | *8.2* | *%* |  |  | *16.0* | *%* |
| *Japan* |  |  | *546* |  |  |  | *488* |  |  |  | *11.9* | *%* |  |  | *(0.8* | *)%* |  |  | *12.7* | *%* |
| *Rest of Asia* |  |  | *675* |  |  |  | *514* |  |  |  | *31.2* | *%* |  |  | *3.3* | *%* |  |  | *27.9* | *%* |
| Americas |  |  | 1,903 |  |  |  | 1,579 |  |  |  | 20.5 | % |  |  | 1.6 | % |  |  | 18.9 | % |
| Europe |  |  | 1,760 |  |  |  | 1,361 |  |  |  | 29.4 | % |  |  | 6.1 | % |  |  | 23.2 | % |
| **Total** |  | **$** | **6,111** |  |  | **$** | **4,931** |  |  |  | **23.9** | **%** |  |  | **4.1** | **%** |  |  | **19.8** | **%** |

1) Effects from currency translations.

2) Including Corporate and Other sales.

3) Non-U.S. GAAP measure.

**Sales by product - Airbags**

All major product categories within Airbags grew strongly organically (Non-U.S. GAAP measure) in the first nine months with exception of inflators. The largest contributor to growth was steering wheels and inflatable curtains, followed by passenger airbags, driver airbags and side airbags.‌

**Sales by product - Seatbelts**

Seatbelts showed strong organic (Non-U.S. GAAP measure) growth with largest contributing markets being Europe, the Americas and China. The only area with a negative growth was Japan.

**Sales by region**

The global organic sales growth of 20% (Non-U.S. GAAP measure, see reconciliation table above) was 10pp better than LVP (according to IHS Markit October 2021). Sales increased organically in all regions. The largest organic sales increase drivers were Europe and Americas, followed by China, Rest of Asia and Japan. The Company's organic sales development outperformed LVP in all regions - by 18pp in Europe, by 11pp in Japan, by 9pp in Americas, by 7pp in China and by 3pp in Rest of Asia.

**First nine months 2021 Organic growth**1)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| Autoliv |  |  | 19 | % |  |  | 23 | % |  |  | 16 | % |  |  | 13 | % |  |  | 28 | % |  |  | 20 | % |
| Main growth drivers |  | Toyota, Stellantis, Ford | |  |  | VW, Stellantis, Daimler | |  |  | GM, Great Wall, Xpeng | |  |  | Mitsubishi, Toyota, Nissan | |  |  | Mitsubishi, Suzuki, Tata | |  |  | Toyota, Stellantis, GM | |  |
| Main decline drivers |  | Subaru | |  |  | n/a | |  |  | VW, Hyundai/Kia, BYD | |  |  | Honda | |  |  | SsangYong | |  |  | BYD, SsangYong | |  |

1) Non-U.S. GAAP measure.

25

**Light Vehicle Production Development**

*Change vs. same period last year*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** | |  |  | **Europe** | |  |  | **China** | |  |  | **Japan** | |  |  | **Rest of Asia** | |  |  | **Global** | |  |
| LVP1) |  |  | 9.6 | % |  |  | 5.5 | % |  |  | 8.7 | % |  |  | 1.2 | % |  |  | 25 | % |  |  | 9.7 | % |

1) Source: IHS Markit October 2021.

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |  |  | |  |
| (Dollars in millions, except per share data) |  | **2021** | |  |  | **2020** | |  |  | **Change** | |  |
| Net Sales |  | $ | 6,111 |  |  | $ | 4,931 |  |  |  | 23.9 | % |
| Gross profit |  |  | 1,143 |  |  |  | 745 |  |  |  | 53.4 | % |
| *% of sales* |  |  | *18.7* | *%* |  |  | *15.1* | *%* |  |  | *3.6* | *pp* |
| S, G&A |  |  | (319 | ) |  |  | (284 | ) |  |  | 12.6 | % |
| *% of sales* |  |  | *(5.2* | *)%* |  |  | *(5.8* | *)%* |  |  | *0.6* | *pp* |
| R, D&E, net |  |  | (311 | ) |  |  | (292 | ) |  |  | 6.4 | % |
| *% of sales* |  |  | *(5.1* | *)%* |  |  | *(5.9* | *)%* |  |  | *0.8* | *pp* |
| Amortization of Intangibles |  |  | (8 | ) |  |  | (8 | ) |  |  | 0.0 | % |
| Other income (expense), net |  |  | (5 | ) |  |  | (86 | ) |  |  | (94.5 | )% |
| Operating income |  |  | 500 |  |  |  | 75 |  |  |  | 564 | % |
| *% of sales* |  |  | *8.2* | *%* |  |  | *1.5* | *%* |  |  | *6.7* | *pp* |
| Adjusted operating income1) |  |  | 506 |  |  |  | 170 |  |  |  | 197 | % |
| *% of sales* |  |  | *8.3* | *%* |  |  | *3.5* | *%* |  |  | *4.8* | *pp* |
| Financial and non-operating items, net |  |  | (44 | ) |  |  | (62 | ) |  |  | (29.1 | )% |
| Income before taxes |  |  | 456 |  |  |  | 13 |  |  | n/a‌ | |  |
| Tax rate |  |  | 29.5 | % |  |  | 104.4 | % |  |  | *(74.9)pp* |  |
| Net income (loss) |  |  | 322 |  |  |  | (1 | ) |  | n/a‌ | |  |
| Earnings (loss) per share, diluted2) |  |  | 3.65 |  |  |  | (0.02 | ) |  | n/a‌ | |  |
| Adjusted earnings per share, diluted1),2) |  |  | 3.72 |  |  |  | 0.95 |  |  |  | 291 | % |

1) Non-U.S. GAAP measure, excluding costs for capacity alignment and in 2020 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 nine months 2021 development**

**Gross profit** increased by $398 million and the gross margin increased by 3.6pp compared to the same period 2020. The gross margin increase was primarily driven by higher sales and direct material and labor productivity.

**S,G&A** increased by $35 million, mainly relating to higher personnel costs due to extensive furloughing the prior year, adverse FX effects and increased IT and project costs.‌

**R,D&E, net** increased by $19 million mainly due to higher personnel costs due to extensive furloughing the prior year and adverse FX effects. In relation to sales, R,D&E costs declined from 5.9% to 5.1%.

**Other income (expense), net** improved by $81 million compared to a year earlier, mainly due to $94 million in lower capacity alignment accruals, partly offset by adverse effects from FX effects and lower government income.

**Operating income** improved by $425 million, mainly as a consequence of the improvement of gross profit and other income (expense), net, partly offset by higher costs for S,G&A and R,D&E, net.

**Adjusted operating income** (Non-U.S. GAAP measure, see reconciliation table below) improved by $336 million, mainly due to the higher gross profit, partly offset by higher costs for S,G&A and R,D&E, net.

**Financial and non-operating items, net** improved by around $18 million, mainly due to lower interest expense, net, but also due to positive effects from currency translations and other financial items.

26

**Income before taxes** improved by $443 million, mainly as a consequence of higher operating income.

**Tax rate** was 29.5%, compared to 104.4% the prior year when last year was impacted by unfavorable country mix.

**Earnings (loss) per share, diluted** increased by $3.67 where the main drivers were $3.85 from higher adjusted operating income (Non-U.S. GAAP measure, see reconciliation table below), $1.02 from lower costs for capacity alignment costs and antitrust related matters and $0.19 from financial items, offset by $1.38 from higher tax.

**LIQUIDITY AND CAPITAL RESOURCES**

**Third quarter of 2021 development**

**Trade working capital** (Non-U.S. GAAP measure, see calculation below) was almost unchanged compared to the same period last year, where the main drivers were mainly related to $208 million in increased inventories as a consequence the low demand visibility and supply chain challenges, offset by $41 million reduction of receivables and $164 million in increased accounts payables.

**Operating cash flow** decreased by $164 million to $188 million compared to the same period last year, mainly due to lower net income and less positive effects from changes in operating working capital.‌

**Capital expenditure, net** increased by 46%, which mainly reflects that the level in the prior year was still low due to the pandemic. Capital expenditure, net in relation to sales was 6.0% vs. 3.8% a year earlier.

**Operating cash flow less capital expenditure, net** was $77 million, compared to $276 million a year earlier. The decline was due to the lower operating cash flow and higher capital expenditure, net.

**Net debt** (Non-U.S. GAAP measure, see reconciliation table below) was $1,165 million as of September 30, 2021, which was $408 million lower than a year earlier and $35 million lower compared to June 30, 2021.

**Liquidity position.** At September 30, 2021, our cash balance was $0.9 billion, and including committed, unused loan facilities, our liquidity position was $2.0 billion.

**Leverage ratio** (Non-U.S. GAAP measure, see calculation below). As of September 30, 2021, the Company had a leverage ratio of 1.1x, compared to 2.4x at September 30, 2020 as the net debt decreased substantially and the 12 months trailing adjusted EBITDA (Non-U.S. GAAP measure) increased substantially.

**Total equity** increased by $460 million compared to September 30, 2020 mainly due to $511 million from net income and $40 million from currency translation effects partially offset by dividend payments of $110 million.

**First nine months 2021 development**

**Operating cash flow** was $437 million compared to $380 million a year earlier. The increase of $57 million was primarily due to positive effects from the higher net income, partly offset by negative effects from changes in operating working capital.

**Capital expenditure, net** of $301 million was 32% higher than a year earlier, which mainly reflects that the level in the prior year was still low due to the pandemic. Capital expenditure, net in relation to sales was 4.9% compared to 4.6% in the same period 2020.

**Operating cash flow less capital expenditure, net** amounted to $136 million compared to $152 million a year earlier, driven by a higher capital expenditure, net partly offset by the improvement in operating cash flow.

27

**NON-U.S. GAAP MEASURES**

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2021** | | | | | | | | | |  |  | **Three Months Ended September 30, 2020** | | | | | | | | | |  |
|  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |
| Operating income |  | $ | 99 |  |  | $ | 4 |  |  | $ | 103 |  |  | $ | 175 |  |  | $ | 31 |  |  | $ | 206 |  |
| Operating margin, % |  |  | 5.4 |  |  |  | 0.2 |  |  |  | 5.6 |  |  |  | 8.6 |  |  |  | 1.5 |  |  |  | 10.1 |  |
| Earnings per share, diluted |  |  | 0.68 |  |  |  | 0.05 |  |  |  | 0.73 |  |  |  | 1.12 |  |  |  | 0.36 |  |  |  | 1.48 |  |

1) Including costs for capacity alignment and in 2020 antitrust related matters.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2021** | | | | | | | | | |  |  | **Nine Months Ended September 30, 2020** | | | | | | | | | |  |
|  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |
| Operating income |  | $ | 500 |  |  | $ | 6 |  |  | $ | 506 |  |  | $ | 75 |  |  | $ | 95 |  |  | $ | 170 |  |
| Operating margin, % |  |  | 8.2 |  |  |  | 0.1 |  |  |  | 8.3 |  |  |  | 1.5 |  |  |  | 2.0 |  |  |  | 3.5 |  |
| Earnings (loss) per share, diluted |  |  | 3.65 |  |  |  | 0.06 |  |  |  | 3.72 |  |  |  | (0.02 | ) |  |  | 0.97 |  |  |  | 0.95 |  |

1) Including costs for capacity alignment and in 2020 antitrust related matters.

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2021** | | | | | |  |  | **Three Months Ended September 30, 2020** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 4 |  |  | $ | 0.05 |  |  | $ | 31 |  |  | $ | 0.36 |  |
| Antitrust related matters |  | -‌ | |  |  | -‌ | |  |  |  | 0 |  |  |  | 0.00 |  |
| **Total adjustments to operating income** |  |  | **4** |  |  |  | **0.05** |  |  |  | **31** |  |  |  | **0.36** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | 0 |  |  |  | 0.00 |  |  |  | (0 | ) |  |  | (0.00 | ) |
| **Total adjustments to net income** |  | **$** | **4** |  |  | **$** | **0.05** |  |  | **$** | **31** |  |  | **$** | **0.36** |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2021** | | | | | |  |  | **Nine Months Ended September 30, 2020** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignment |  | $ | 6 |  |  | $ | 0.06 |  |  | $ | 94 |  |  | $ | 1.08 |  |
| Antitrust related matters |  | -‌ | |  |  | -‌ | |  |  |  | 0 |  |  |  | 0.01 |  |
| **Total adjustments to operating income** |  |  | **6** |  |  |  | **0.06** |  |  |  | **95** |  |  |  | **1.09** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (0 | ) |  |  | (0.00 | ) |  |  | (10 | ) |  |  | (0.12 | ) |
| **Total adjustments to net income** |  | **$** | **6** |  |  | **$** | **0.06** |  |  | **$** | **85** |  |  | **$** | **0.97** |  |

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

28

The Company uses the non-U.S. GAAP measure “Trade working capital,” as defined in the table below, in its communications with investors and for management’s review of the development of the trade 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.

**Calculation of “Trade working capital”‌**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |  | **September 30, 2020** | |  |
| Receivables, net |  | $ | 1,575 |  |  | $ | 1,822 |  |  | $ | 1,616 |  |
| Inventories, net |  |  | 922 |  |  |  | 798 |  |  |  | 714 |  |
| Accounts payable |  |  | (1,076 | ) |  |  | (1,254 | ) |  |  | (912 | ) |
| **Trade working capital** |  | **$** | **1,421** |  |  | **$** | **1,366** |  |  | **$** | **1,418** |  |

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 below.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |  | **September 30, 2020** | |  |
| Short-term debt |  | $ | 364 |  |  | $ | 302 |  |  | $ | 1,026 |  |
| Long-term debt |  |  | 1,687 |  |  |  | 2,110 |  |  |  | 2,007 |  |
| **Total debt** |  |  | **2,051** |  |  |  | **2,411** |  |  |  | **3,033** |  |
| Cash and cash equivalents |  |  | (903 | ) |  |  | (1,178 | ) |  |  | (1,477 | ) |
| Debt issuance cost/Debt-related derivatives, net |  |  | 18 |  |  |  | (19 | ) |  |  | 17 |  |
| **Net debt** |  | **$** | **1,165** |  |  | **$** | **1,214** |  |  | **$** | **1,573** |  |

In 2021, the EBITDA calculation was redefined to exclude other non-operating items and income from equity method investments. EBITDA and Leverage ratio in prior periods have been recalculated resulting in minor adjustments. The Company'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 adjusted for pension liabilities in relation to adjusted EBITDA. The long-term target is to maintain a leverage ratio of around 1.0x within a range of 0.5x to 1.5x.

**Calculation of “Leverage ratio”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |  | **September 30, 2020** | |  |
| Net debt1) |  | $ | 1,165 |  |  | $ | 1,214 |  |  | $ | 1,573 |  |
| Pension liabilities |  |  | 231 |  |  |  | 248 |  |  |  | 239 |  |
| **Debt per the Policy** |  |  | **1,396** |  |  |  | **1,462** |  |  |  | **1,812** |  |
|  |  |  | |  |  |  | |  |  |  | |  |
| Net income2) |  |  | 511 |  |  |  | 188 |  |  |  | 155 |  |
| Income taxes 2) |  |  | 224 |  |  |  | 103 |  |  |  | 68 |  |
| Interest expense, net2,3) |  |  | 62 |  |  |  | 68 |  |  |  | 66 |  |
| Other non-operating items, net2) |  |  | 14 |  |  |  | 25 |  |  |  | 17 |  |
| Income from equity method investments2) |  |  | (3 | ) |  |  | (2 | ) |  |  | (1 | ) |
| Depreciation and amortization of intangibles2) |  |  | 400 |  |  |  | 371 |  |  |  | 359 |  |
| Capacity alignments and antitrust related matters2) |  |  | 10 |  |  |  | 99 |  |  |  | 108 |  |
| **EBITDA per the Policy (Adjusted EBITDA)** |  | **$** | **1,217** |  |  | **$** | **852** |  |  | **$** | **771** |  |
| **Leverage ratio** |  |  | **1.1** |  |  |  | **1.7** |  |  |  | **2.4** |  |

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 including cost for extinguishment of debt, if any, less interest income.

29

**Headcount**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2021** | |  |  | **June 30, 2021** | |  |  | **September 30, 2020** | |  |
| Total headcount |  |  | 62,000 |  |  |  | 64,500 |  |  |  | 65,300 |  |
| Whereof: |  |  | |  |  |  | |  |  |  | |  |
| Direct personnel in manufacturing |  |  | 44,200 |  |  |  | 46,400 |  |  |  | 47,300 |  |
| Indirect personnel |  |  | 17,900 |  |  |  | 18,000 |  |  |  | 18,000 |  |
| Temporary personnel |  |  | 7.7 | % |  |  | 9.1 | % |  |  | 8.8 | % |

By September 30, 2021, total headcount decreased by 3,300 compared to a year earlier, reflecting a lower production. The indirect workforce decreased by around 0.6% while the direct workforce decreased by around 6.6%. Compared to June 30, 2021, total headcount decreased by around 3.9%. This was driven by a decrease of around 4.7% of the direct workforce reflecting a lower LVP, while the indirect workforce decreased by 0.6%.

**Full year 2021 indications**

The Company's outlook indications for 2021 reflect continuing uncertainty in the automotive markets and are mainly based on the Company's customer call-offs and global LVP outlook according to IHS Markit, indicating a full year 2021 global LVP growth of around 0%.

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Financial measure** |  | **Full year indication** |
| Net sales growth |  | Around 11% |
| Organic sales growth |  | Around 8% |
| Adjusted operating margin 1) |  | Around 8% |
| R,D&E, net % of sales |  | Around 5% |
| Tax rate 2) |  | Around 30% |
| Operating cash flow 3) |  | Around USD 700m |
| Capex, net % of sales |  | Below 6% |
| Organic growth vs LVP growth |  | Around +8pp |
| 1) Excluding costs for capacity alignments and antitrust related matters.‌ | | |
| 2) Excluding unusual tax items. | | |
| 3) Excluding unusual items. | | |

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

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

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, 2020 filed with the SEC on February 19, 2021.

30

**OTHER RECENT EVENTS**

**Key launches in the third quarter of 2021**

**Jeep Grand Wagoneer:** Driver/Passenger Airbags, Side Airbags, Knee Airbag and Seatbelts.

**Kia Sportage:** Driver/Passenger Airbags, Seatbelts and Head/Inflatable Curtain Airbags.

**Toyota Corolla Cross:** Steering Wheel, Driver/Passenger Airbags, Side Airbags and Seatbelts.

**VW Taigo:** Steering Wheel, Driver/Passenger Airbags, Front Center Airbag and Seatbelts.‌

**Fiat Pulse:** Steering Wheel, Driver/Passenger Airbags, Side Airbags and Seatbelts.

**Rivian R1T:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags, Seatbelts and Knee Airbag.

**Nissan Frontier:** Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags and Knee Airbag.

**Wey Latte:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags, Front Center Airbag, Seatbelts, Knee Airbag and Pyrotechnical Safety Switch.

**Toyota Aqua:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags and Seatbelts.

**Other Items**

·On August 19, 2021, Autoliv announced that its Board of Directors declared a quarterly dividend of $0.62 per share for the third quarter of 2021, which was paid on September 24, 2021 to the Company stockholders of record on the close of business on Thursday, September 9, 2021.·On September 22, 2021, Autoliv announced that it strengthened its insights in automotive safety and the wider mobility safety arena, as Bryan Reimer and Hasse Johansson joined the Autoliv Research Advisory Board. Bryan Reimer, Ph.D., is a Research Scientist in the MIT Center for Transportation and Logistics, a researcher in the AgeLab, and the Associate Director of The New England University Transportation Center at MIT. Bryan’s research seeks to develop theoretical and applied insights into driver behavior, an area that is highly important for Autoliv. Hasse Johansson is a member of the Audit and Risk Committee at Autoliv and a member of the Board of Directors at the Company since 2018. He has a background as EVP Research & Development at Scania and experience of transformational innovation relating to automation, electrification, and connectivity, which are all vital areas for Autoliv.

31

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

As of September 30, 2021, 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, 2020 filed with the SEC on February 19, 2021.‌

**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.

32

**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 September 30, 2021, 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, 2020 filed with the SEC on February 19, 2021.

**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. On May 12, 2021, we announced that our Board of Directors reinstated our quarterly dividend for the second quarter of 2021, and on August 19, 2021, we announced that our Board of Directors declared a quarterly dividend for the third quarter of 2021. There can be no assurance that our Board of Directors will declare dividends in the future.

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

**Stock repurchase program**

During the nine months period ended September 30, 2021, 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.

33

**ITEM 6. EXHIBITS**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Exhibit No.** |  | **Description** |
|  |  |  |
| 3.1 |  | [Autoliv’s Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 22, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-141900.html?hash=ebacd3660aaccd0a9648f38caf3db3d462f54618669d76c84f987a7fbe3aadae&dest=D896012DEX31_HTM) |
|  |  |  |
| 3.2‌ |  | [Autoliv’s Third Restated By-Laws incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-12933, filing date December 18, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-407851.html?hash=5f2b0eef8c3d9ba9f6092247e58a2b95b2cea455a2f91545263a0a3a45dc884a&dest=D32830DEX31_HTM) |
|  |  |  |
| 4.1‌ |  | [Indenture, dated March 30, 2009, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to Autoliv’s Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-09-067376.html?hash=d91a455f4843471b53257740e8ddbbaa8fc92ac69c148aeff63029bce97dea6b&dest=DEX41_HTM) |
|  |  |  |
| 4.2 |  | [Second Supplemental Indenture (including Form of Global Note), dated March 15, 2012, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-12933, filing date March 15, 2012).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-12-117495.html?hash=19e1a3eee5e6b21b919d6d1c2173125fc12e3e5b7f1077e16b3443fd7d0f8e2b&dest=D316612DEX41_HTM)‌ |
|  |  |  |
| 4.3 |  | [Form of Note Purchase and Guaranty Agreement dated April 23, 2014, among Autoliv ASP, Inc., Autoliv, Inc. and the purchasers named therein, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 25, 2014).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-14-158776.html?hash=56650ce4ee2d4acb325844e56bfe381b0c46f7c198cbc32ee8e100a95d0ac765&dest=D694785DEX46_HTM) |
|  |  |  |
| 4.4 |  | [Amendment and Waiver 2014 Note Purchase and Guaranty Agreement, dated May 24, 2018, among Autoliv, Inc., Autoliv ASP, Inc. and the noteholders named therein, incorporated herein by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX44_502_HTM) |
|  |  |  |
| 4.5 |  | [General Terms and Conditions for Swedish Depository Receipts in Autoliv, Inc. representing common shares in Autoliv, Inc., effective as of May 30, 2018, with Skandinaviska Enskilda Banken AB (publ) serving as a custodian, incorporated herein by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX45_318_HTM) |
|  |  |  |
| 4.6 |  | [Agency Agreement dated June 26, 2018 among Autoliv, Inc., Autoliv ASP, Inc. and HSBC Bank PLC, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&dest=ALV-EX46_329_HTM) |
|  |  |  |
| 4.7 |  | [Base Listing Particulars Agreement, dated April 11, 2019, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein., incorporated herein by reference to Exhibit 4.7 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 26, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-013244.html?hash=ee9207804422598ddb3678cb89ca1c6dd6b30fbd11742ad0643d5cbea9a284db&dest=ALV-EX47_609_HTM) |
|  |  |  |
| 4.8 |  | [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&dest=ALV-EX410_441_HTM) |
|  |  |  |
| 4.9 |  | [Base Listing Particulars Agreement, February 19, 2021, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.13 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 23, 2021).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-21-020223.html?hash=c368b00469bebefa783c729edcd3164c0b9c9d0f59543abfce86815d931355b6&dest=ALV-EX413_274_HTM) |
|  |  |  |
| 4.10 |  | [Amended and Restated Programme Agreement, dated February 19, 2021, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.14 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 23, 2021).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-21-020223.html?hash=c368b00469bebefa783c729edcd3164c0b9c9d0f59543abfce86815d931355b6&dest=ALV-EX414_272_HTM) |
|  |  |  |
| 4.11 |  | [Amended and Restated Agency Agreement, dated February 19, 2021, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein. incorporated herein by reference to Exhibit 4.15 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 23, 2021).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-21-020223.html?hash=c368b00469bebefa783c729edcd3164c0b9c9d0f59543abfce86815d931355b6&dest=ALV-EX415_273_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.](#BKMK_114) |
|  |  |  |
| 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.](#BKMK_115) |
|  |  |  |
| 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.](#BKMK_116) |
|  |  |  |
| 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.](#BKMK_117) |
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34

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| 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.

35

**SIGNATURE**

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

Date: October 22, 2021

AUTOLIV, INC.

(Registrant)

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

36

**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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|  |
| October 22, 2021 |
|  |
| /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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|  |
| October 22, 2021 |
|  |
| /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 September 30, 2021, filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mikael Bratt, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 22, 2021

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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 Chief Financial Officer**

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

**as Adopted Pursuant to**

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

In connection with the quarterly report on Form 10-Q of Autoliv, Inc. (the “Company”) for the period ended September 30, 2021, 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.

October 22, 2021

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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.