**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,** **2022**

**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 17, 2022, there were 86,836,590 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, including inflation; the impacts of the coronavirus (COVID-19) pandemic on the Company’s financial condition, business operations, operating costs, liquidity, competition and the global economy; disruptions and impacts relating to the ongoing conflict between Russia and Ukraine; changes in light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier; global supply chain disruptions, including port, transportation and distribution delays or interruptions; 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 alignments: 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 and other 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, civil judgements or financial penalties 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 and the availability of insurance with respect to such matters; 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, 2021 filed with the SEC on February 22, 2022.

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

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| **Net sales** |  | **$** | **2,302** |  |  | **$** | **1,847** |  |  | **$** | **6,507** |  |  | **$** | **6,111** |  |
| Cost of sales |  |  | (1,918 | ) |  |  | (1,546 | ) |  |  | (5,510 | ) |  |  | (4,968 | ) |
| **Gross profit** |  |  | **383** |  |  |  | **301** |  |  |  | **998** |  |  |  | **1,143** |  |
| Selling, general and administrative expenses |  |  | (105 | ) |  |  | (101 | ) |  |  | (333 | ) |  |  | (319 | ) |
| Research, development and engineering expenses, net |  |  | (106 | ) |  |  | (98 | ) |  |  | (325 | ) |  |  | (311 | ) |
| Amortization of intangibles |  |  | (0 | ) |  |  | (2 | ) |  |  | (2 | ) |  |  | (8 | ) |
| Other (expense) income, net1) |  |  | (1 | ) |  |  | (1 | ) |  |  | 91 |  |  |  | (5 | ) |
| **Operating income** |  |  | **171** |  |  |  | **99** |  |  |  | **429** |  |  |  | **500** |  |
| Income from equity method investment |  |  | 1 |  |  |  | (0 | ) |  |  | 3 |  |  |  | 2 |  |
| Interest income |  |  | 2 |  |  |  | 1 |  |  |  | 4 |  |  |  | 3 |  |
| Interest expense |  |  | (15 | ) |  |  | (14 | ) |  |  | (41 | ) |  |  | (46 | ) |
| Other non-operating items, net |  |  | (6 | ) |  |  | 1 |  |  |  | (5 | ) |  |  | (3 | ) |
| **Income before income taxes** |  |  | **153** |  |  |  | **87** |  |  |  | **389** |  |  |  | **456** |  |
| Income tax expense |  |  | (47 | ) |  |  | (27 | ) |  |  | (121 | ) |  |  | (135 | ) |
| **Net income** |  |  | **106** |  |  |  | **60** |  |  |  | **268** |  |  |  | **322** |  |
| Less: Net income attributable to non-controlling interest |  |  | 1 |  |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |
| **Net income attributable to controlling interest** |  | **$** | **105** |  |  | **$** | **60** |  |  | **$** | **267** |  |  | **$** | **320** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings per share – basic**2) |  | **$** | **1.21** |  |  | **$** | **0.68** |  |  | **$** | **3.06** |  |  | **$** | **3.66** |  |
| **Net earnings per share – diluted2**) |  | **$** | **1.21** |  |  | **$** | **0.68** |  |  | **$** | **3.06** |  |  | **$** | **3.65** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Weighted average number of shares outstanding, net of    treasury shares (in millions)** |  |  | **87.0** |  |  |  | **87.4** |  |  |  | **87.2** |  |  |  | **87.4** |  |
| **Weighted average number of shares outstanding,    assuming dilution and net of treasury    shares (in millions)** |  |  | **87.2** |  |  |  | **87.7** |  |  |  | **87.4** |  |  |  | **87.7** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Cash dividend per share – declared** |  | **$** | **0.64** |  |  | **$** | **0.62** |  |  | **$** | **1.92** |  |  | **$** | **1.24** |  |
| **Cash dividend per share – paid** |  | **$** | **0.64** |  |  | **$** | **0.62** |  |  | **$** | **1.92** |  |  | **$** | **1.24** |  |

1) The nine months period ending September 30, 2022, includes a gain on sale of property of $80 million in Japan in March 2022 and a gain of $21 million from a patent litigation settlement in June 2022.

2) 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.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| **Net income** |  | **$** | **106** |  |  | **$** | **60** |  |  | **$** | **268** |  |  | **$** | **322** |  |
| *Other comprehensive loss before tax:* |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Change in cumulative translation adjustments |  |  | (98 | ) |  |  | (49 | ) |  |  | (214 | ) |  |  | (76 | ) |
| Net change in unrealized components of defined benefit plans |  |  | (1 | ) |  |  | 0 |  |  |  | 14 |  |  |  | 2 |  |
| **Other comprehensive loss, before tax** |  |  | **(99** | **)** |  |  | **(49** | **)** |  |  | **(200** | **)** |  |  | **(74** | **)** |
| Tax effect allocated to other comprehensive loss |  |  | 0 |  |  |  | 0 |  |  |  | (4 | ) |  |  | (1 | ) |
| **Other comprehensive loss, net of tax** |  |  | **(99** | **)** |  |  | **(49** | **)** |  |  | **(203** | **)** |  |  | **(74** | **)** |
| **Comprehensive income** |  |  | **7** |  |  |  | **11** |  |  |  | **65** |  |  |  | **248** |  |
| Less: Comprehensive income attributable to    non-controlling interest |  |  | 0 |  |  |  | 0 |  |  |  | (0 | ) |  |  | 1 |  |
| **Comprehensive income attributable to    controlling interest** |  | **$** | **7** |  |  | **$** | **11** |  |  | **$** | **65** |  |  | **$** | **247** |  |

See Notes to the unaudited Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  | **As of** | | | | | |  |
|  |  | **September 30, 2022** | |  |  | **December 31, 2021** | |  |
| **Assets** |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 483 |  |  | $ | 969 |  |
| Receivables, net |  |  | 1,893 |  |  |  | 1,699 |  |
| Inventories, net |  |  | 924 |  |  |  | 777 |  |
| Prepaid expenses and accrued income |  |  | 218 |  |  |  | 164 |  |
| Other current assets |  |  | 69 |  |  |  | 65 |  |
| **Total current assets** |  |  | **3,587** |  |  |  | **3,675** |  |
| Property, plant and equipment, net |  |  | 1,795 |  |  |  | 1,855 |  |
| Operating lease right-of-use assets |  |  | 116 |  |  |  | 132 |  |
| Goodwill |  |  | 1,364 |  |  |  | 1,387 |  |
| Intangible assets, net |  |  | 5 |  |  |  | 8 |  |
| Other non-current assets |  |  | 467 |  |  |  | 481 |  |
| **Total assets** |  |  | **7,334** |  |  |  | **7,537** |  |
|  |  |  | |  |  |  | |  |
| **Liabilities and equity** |  |  | |  |  |  | |  |
| Short-term debt |  |  | 692 |  |  |  | 346 |  |
| Accounts payable |  |  | 1,503 |  |  |  | 1,144 |  |
| Accrued expenses |  |  | 965 |  |  |  | 996 |  |
| Operating lease liabilities - current |  |  | 35 |  |  |  | 38 |  |
| Other current liabilities |  |  | 263 |  |  |  | 297 |  |
| **Total current liabilities** |  |  | **3,458** |  |  |  | **2,821** |  |
| Long-term debt |  |  | 1,037 |  |  |  | 1,662 |  |
| Pension liability |  |  | 149 |  |  |  | 197 |  |
| Operating lease liabilities - non-current |  |  | 81 |  |  |  | 94 |  |
| Other non-current liabilities |  |  | 118 |  |  |  | 115 |  |
| **Total non-current liabilities** |  |  | **1,385** |  |  |  | **2,067** |  |
| Common stock |  |  | 102 |  |  |  | 103 |  |
| Additional paid-in capital |  |  | 1,315 |  |  |  | 1,329 |  |
| Retained earnings |  |  | 2,797 |  |  |  | 2,742 |  |
| Accumulated other comprehensive loss |  |  | (610 | ) |  |  | (408 | ) |
| Treasury stock |  |  | (1,125 | ) |  |  | (1,133 | ) |
| **Total controlling interest's equity** |  |  | **2,478** |  |  |  | **2,633** |  |
| Non-controlling interest |  |  | 13 |  |  |  | 15 |  |
| **Total equity** |  |  | **2,491** |  |  |  | **2,648** |  |
| **Total liabilities and equity** |  | **$** | **7,334** |  |  | **$** | **7,537** |  |

See Notes to the unaudited condensed consolidated financial statements.

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

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |
| **Operating activities** |  |  | |  |  |  | |  |
| Net income |  | $ | 268 |  |  | $ | 322 |  |
| *Adjustments to reconcile net income to cash provided by operating activities:* |  |  | |  |  |  | |  |
| Depreciation and amortization |  |  | 273 |  |  |  | 297 |  |
| Gain on divestiture of property |  |  | (80 | ) |  |  | — |  |
| Deferred income taxes |  |  | (29 | ) |  |  | 5 |  |
| Other, net |  |  | (15 | ) |  |  | (8 | ) |
| Net change in operating assets and liabilities |  |  | (168 | ) |  |  | (179 | ) |
| **Net cash provided by operating activities** |  |  | **251** |  |  |  | **437** |  |
|  |  |  | |  |  |  | |  |
| **Investing activities** |  |  | |  |  |  | |  |
| Expenditures for property, plant and equipment |  |  | (418 | ) |  |  | (303 | ) |
| Proceeds from sale of property, plant and equipment |  |  | 98 |  |  |  | 3 |  |
| **Net cash used in investing activities** |  |  | **(319** | **)** |  |  | **(301** | **)** |
|  |  |  | |  |  |  | |  |
| **Financing activities** |  |  | |  |  |  | |  |
| Net decrease in short-term debt |  |  | (110 | ) |  |  | (278 | ) |
| Decrease in long-term debt |  |  | (51 | ) |  |  | (1 | ) |
| Dividends paid |  |  | (167 | ) |  |  | (109 | ) |
| Dividends paid to non-controlling interest |  |  | (1 | ) |  |  | (1 | ) |
| Stock repurchased |  |  | (60 | ) |  |  | — |  |
| Common stock options exercised |  |  | 0 |  |  |  | 2 |  |
| **Net cash used in financing activities** |  |  | **(389** | **)** |  |  | **(386** | **)** |
| Effect of exchange rate changes on cash and cash equivalents |  |  | (28 | ) |  |  | (25 | ) |
| **Decrease in cash and cash equivalents** |  |  | **(486** | **)** |  |  | **(275** | **)** |
| Cash and cash equivalents at beginning of period |  |  | 969 |  |  |  | 1,178 |  |
| **Cash and cash equivalents at end of period** |  | **$** | **483** |  |  | **$** | **903** |  |

See Notes to unaudited condensed consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF TOTAL EQUITY (UNAUDITED) (Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Common stock** | |  |  | **Additional paid-in capital** | |  |  | **Retained earnings** | |  |  | **Accumulated other comprehensive loss** | |  |  | **Treasury stock** | |  |  | **Total controlling interest's equity** | |  |  | **Non- controlling interest** | |  |  | **Total equity** | |  |
| **Balances at December 31, 2021** | **$** | **103** |  |  | **$** | **1,329** |  |  | **$** | **2,742** |  |  | **$** | **(408** | **)** |  | **$** | **(1,133** | **)** |  | **$** | **2,633** |  |  | **$** | **15** |  |  | **$** | **2,648** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 83 |  |  |  | |  |  |  | |  |  |  | 83 |  |  |  | 0 |  |  |  | 83 |  |
| Foreign currency translation    adjustment |  | |  |  |  | |  |  |  | |  |  |  | 6 |  |  |  | |  |  |  | 6 |  |  |  | 0 |  |  |  | 6 |  |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 8 |  |  |  | |  |  |  | 8 |  |  |  | |  |  |  | 8 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *83* |  |  |  | *14* |  |  |  | *—* |  |  |  | *97* |  |  |  | *0* |  |  |  | *98* |  |
| Stock repurchased and retired |  | (0 | ) |  |  | (4 | ) |  |  | (13 | ) |  |  | |  |  |  | |  |  |  | (18 | ) |  |  | |  |  |  | (18 | ) |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 2 |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |
| Cash dividends declared |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | (56 | ) |
| **Balances at March 31, 2022** | **$** | **103** |  |  | **$** | **1,325** |  |  | **$** | **2,755** |  |  | **$** | **(393** | **)** |  | **$** | **(1,131** | **)** |  | **$** | **2,659** |  |  | **$** | **15** |  |  | **$** | **2,674** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 79 |  |  |  | |  |  |  | |  |  |  | 79 |  |  |  | 0 |  |  |  | 79 |  |
| Foreign currency translation    adjustment |  | |  |  |  | |  |  |  | |  |  |  | (121 | ) |  |  | |  |  |  | (121 | ) |  |  | (1 | ) |  |  | (122 | ) |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 3 |  |  |  | |  |  |  | 3 |  |  |  | |  |  |  | 3 |  |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *79* |  |  |  | *(119* | *)* |  |  | *—* |  |  |  | *(40* | *)* |  |  | *(1* | *)* |  |  | *(40* | *)* |
| Stock repurchased and retired |  | (0 | ) |  |  | (6 | ) |  |  | (16 | ) |  |  | |  |  |  | |  |  |  | (22 | ) |  |  | |  |  |  | (22 | ) |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 2 |  |  |  | 2 |  |  |  | |  |  |  | 2 |  |
| Cash dividends declared |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | (56 | ) |
| **Balances at June 30, 2022** | **$** | **102** |  |  | **$** | **1,319** |  |  | **$** | **2,762** |  |  | **$** | **(512** | **)** |  | **$** | **(1,128** | **)** |  | **$** | **2,544** |  |  | **$** | **15** |  |  | **$** | **2,558** |  |
| *Comprehensive Income:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 105 |  |  |  | |  |  |  | |  |  |  | 105 |  |  |  | 1 |  |  |  | 106 |  |
| Foreign currency translation          adjustment |  | |  |  |  | |  |  |  | |  |  |  | (98 | ) |  |  | |  |  |  | (98 | ) |  |  | (1 | ) |  |  | (99 | ) |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | (1 | ) |  |  | |  |  |  | (1 | ) |  |  | |  |  |  | (1 | ) |
| *Total Comprehensive Income* |  | *—* |  |  |  | *—* |  |  |  | *105* |  |  |  | *(98* | *)* |  |  | *—* |  |  |  | *7* |  |  |  | *0* |  |  |  | *7* |  |
| Stock repurchased and retired |  | (0 | ) |  |  | (4 | ) |  |  | (15 | ) |  |  | |  |  |  | |  |  |  | (20 | ) |  |  | |  |  |  | (20 | ) |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 3 |  |  |  | 3 |  |  |  | |  |  |  | 3 |  |
| Dividends paid to non-controlling interest    on subsidiary shares |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | (1 | ) |  |  | (1 | ) |
| Cash dividends declared |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | |  |  |  | (56 | ) |  |  | |  |  |  | (56 | ) |
| **Balances at September 30, 2022** | **$** | **102** |  |  | **$** | **1,315** |  |  | **$** | **2,797** |  |  | **$** | **(610** | **)** |  | **$** | **(1,125** | **)** |  | **$** | **2,478** |  |  | **$** | **13** |  |  | **$** | **2,491** |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **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 Loss:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| 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 Loss:* |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income |  | |  |  |  | |  |  |  | 104 |  |  |  | |  |  |  | |  |  |  | 104 |  |  |  | 1 |  |  |  | 105 |  |
| Foreign currency translation          adjustment |  | |  |  |  | |  |  |  | |  |  |  | 37 |  |  |  | |  |  |  | 37 |  |  |  | (0 | ) |  |  | 37 |  |
| Pension liability |  | |  |  |  | |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |  |  | |  |  |  | 1 |  |
| *Total Comprehensive Loss* |  | *—* |  |  |  | *—* |  |  |  | *104* |  |  |  | *38* |  |  |  | *—* |  |  |  | *142* |  |  |  | *1* |  |  |  | *143* |  |
| Stock-based compensation |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | 5 |  |  |  | 5 |  |  |  | |  |  |  | 5 |  |
| Cash dividends declared |  | |  |  |  | |  |  |  | (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 (loss)* |  | *—* |  |  |  | *—* |  |  |  | *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** |  |

See Notes to the unaudited Condensed Consolidated Financial Statements.

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

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

**September 30, 2022**

**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, 2022.

The Condensed Consolidated Balance Sheet as of December 31, 2021 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, 2021 filed with the SEC on February 22, 2022.

**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”).

**Adoption of new accounting standards**

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance,* which increases the transparency of government assistance, including the disclosure of (1) the types of assistance, (2) an entity’s accounting for the assistance, and (3) the effect of the assistance on an entity’s financial statements. ASU 2021-10 is effective for business entities for annual periods beginning after December 15, 2021, and early adoption is permitted. The amendments in this update should be applied either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions. The Company adopted this standard prospectively on January 1, 2022 and the adoption of this standard did not have a material impact on our Consolidated Financial Statements or related disclosures.

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**Accounting standards issued but not yet adopted**

In September 2022, the FASB issued ASU 2022-04, *Liabilities-Supplier Finance Programs (Subtopic 405-50), Disclosure of Supplier Finance Program Obligations*, which requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs. The amendments in this update do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. During the fiscal year of adoption, the information on the key terms of the programs and the balance sheet presentation of the program obligations, which are annual disclosure requirements, should be disclosed in each interim period. The amendments in this update should be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. The Company is currently assessing the impact that ASU 2022-04 will have on its consolidated financial statements and will adopt the amendments in this update upon the effective dates.

**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 as of September 30, 2022 and December 31, 2021 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, 2022 or December 31, 2021 related to the Company's operations.

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**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 as of September 30, 2022 and December 31, 2021 were foreign exchange swaps.‌

For the three months period ended September 30, 2022 and 2021, the gains (losses) recognized in other non-operating items, net were $(9) million and $(2) million, respectively, for derivative instruments not designated as hedging instruments. For the nine months period ended September 30, 2022 and 2021, the gains (losses) recognized in other non-operating items, net were $(24) million and $(40) million, respectively. The realized part of the losses referred to above is reported under financing activities in the statement of cash flows.

For the three and nine months periods ended September 30, 2022 and September 30, 2021, 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, 2022** | | | | | | | | | |  |  |  | **December 31, 2021** | | | | | | | | | |  |  |
|  |  |  | |  |  | **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 |  | $ | 2,258 |  | 1) | $ | 11 |  | 2) | $ | 51 |  | 3) |  | $ | 1,348 |  | 4) | $ | 5 |  | 5) | $ | 16 |  | 6) |
| **Total derivatives not designated    as hedging instruments** |  | **$** | **2,258** |  |  | **$** | **11** |  |  | **$** | **51** |  |  |  | **$** | **1,348** |  |  | **$** | **5** |  |  | **$** | **16** |  |  |

1) Net nominal amount after deducting for offsetting swaps under ISDA agreements is $2,258 million.

2) Net amount after deducting for offsetting swaps under ISDA agreements is $11 million.

3) Net amount after deducting for offsetting swaps under ISDA agreements is $51 million.

4) Net nominal amount after deducting for offsetting swaps under ISDA agreements is $1,326 million.

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

6) Net amount after deducting for offsetting swaps under ISDA agreements is $16 million.

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**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, 2022** | | | | | |  |  | **December 31, 2021** | | | | | |  |
|  |  | **Carrying value1)** | |  |  | **Fair value** | |  |  | **Carrying value1)** | |  |  | **Fair value** | |  |
| **Long-term debt** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Bonds |  | $ | 767 |  |  | $ | 737 |  |  | $ | 1,330 |  |  | $ | 1,400 |  |
| Loans |  |  | 270 |  |  |  | 274 |  |  |  | 332 |  |  |  | 347 |  |
| **Total long-term debt** |  |  | **1,037** |  |  |  | **1,011** |  |  |  | **1,662** |  |  |  | **1,747** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Short-term debt** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Short-term portion of long-term debt |  |  | 491 |  |  |  | 479 |  |  |  | 332 |  |  |  | 333 |  |
| Overdrafts and other short-term debt |  |  | 202 |  |  |  | 202 |  |  |  | 14 |  |  |  | 14 |  |
| **Total short-term debt** |  | **$** | **692** |  |  | **$** | **681** |  |  | **$** | **346** |  |  | **$** | **348** |  |

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, 2022 and September 30, 2021, the Company did not record any material impairment charges on its long-lived assets for its operations.

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**4. INCOME TAXES**

The effective tax rate for the three months period ended September 30, 2022 was 30.8% compared to 30.9% for the three months period ended September 30, 2021. Discrete tax items, net for the three months period ended September 30, 2022 had an unfavorable impact of 1.4%. Discrete tax items, net for the three months period ended September 30, 2021 had an unfavorable impact of 5.7%.‌

The effective tax rate for the nine months period ended September 30, 2022 was 31.1% compared to 29.5% for the nine months period ended September 30, 2021. Discrete tax items, net for the nine months period ended September 30, 2022 had an unfavorable impact of 1.2%. Discrete tax items, net for the nine months period ended September 30, 2021 had an unfavorable impact of 1.0%.

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, 2022, 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, 2022, the Company recorded a net increase of $7 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 $56 million recorded as of September 30, 2022, $17 million is classified as current tax payable within Other current liabilities and $39 million is classified as non-current tax payable within Other non-current liabilities on the Condensed Consolidated Balance Sheet.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (“IRA”) into law. The IRA contains a number of revisions to the Internal Revenue Code, including a 15% corporate alternative minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on our results of operations going forward, we will continue to evaluate its impact as further information becomes available.

**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, 2022** | |  |  | **December 31, 2021** | |  |
| Raw materials |  | $ | 450 |  |  | $ | 395 |  |
| Work in progress |  |  | 321 |  |  |  | 283 |  |
| Finished products |  |  | 238 |  |  |  | 190 |  |
| **Inventories** |  |  | **1,009** |  |  |  | **868** |  |
| Inventory valuation reserve |  |  | (85 | ) |  |  | (91 | ) |
| **Total inventories, net of reserve** |  | **$** | **924** |  |  | **$** | **777** |  |

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**6. RESTRUCTURING**

As of September 30, 2022, approximately $7 million out of the $34 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 $15 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 cash payments for the three months period ended September 30, 2022 relate to restructuring activities in Europe. The majority of the cash payments for the nine months period ended September 30, 2022 relate to footprint optimization activities in Asia.

The table below summarizes the change in the balance sheet position of the employee-related restructuring reserves (dollars in millions). The restructuring reserve balances are included within Accrued expenses in the Condensed Consolidated Balance Sheets. 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,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| **Reserve at beginning of the period** |  | **$** | **45** |  |  | **$** | **107** |  |  | **$** | **88** |  |  | **$** | **126** |  |
| Provision - charge |  |  | 2 |  |  |  | 10 |  |  |  | 14 |  |  |  | 11 |  |
| Provision - reversal |  |  | (1 | ) |  |  | (5 | ) |  |  | (1 | ) |  |  | (6 | ) |
| Cash payments |  |  | (9 | ) |  |  | (7 | ) |  |  | (59 | ) |  |  | (23 | ) |
| Translation difference |  |  | (3 | ) |  |  | (3 | ) |  |  | (8 | ) |  |  | (6 | ) |
| **Reserve at end of the period** |  | **$** | **34** |  |  | **$** | **102** |  |  | **$** | **34** |  |  | **$** | **102** |  |

**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, 2022, provisions and cash payments primarily relate to warranty related issues. 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. As of September 30, 2022, the reserve for product related liabilities mainly relates to recall related issues.

The table below summarizes the change in the balance sheet position of the product-related liabilities (dollars in millions). The reserve for product related liabilities is included in accrued expenses and Other non-current liabilities on the Condensed Consolidated Balance Sheets. A majority of the Company’s product-related liabilities as of September 30, 2022 are covered by insurance. Insurance receivables are included within Other current assets and Other non-current assets on the Condensed Consolidated Balance Sheets. As of September 30, 2022, the Company had total insurance receivables of $149 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,** | | | | | |  |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |  |
| **Reserve at beginning of the period** |  | **$** | **145** |  |  | **$** | **103** |  |  | **$** | **144** |  |  | **$** | **341** |  |  |
| Change in reserve |  |  | 5 |  |  |  | 18 |  |  |  | 17 |  |  |  | 23 |  |  |
| Cash payments |  |  | (3 | ) |  |  | (1 | ) |  |  | (12 | ) |  |  | (243 | ) |  |
| Translation difference |  |  | (2 | ) |  |  | (1 | ) |  |  | (3 | ) |  |  | (1 | ) |  |
| **Reserve at end of the period** |  | **$** | **146** |  |  | **$** | **120** |  |  | **$** | **146** |  |  | **$** | **120** |  |  |

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**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,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| Service cost |  | $ | — |  |  | $ | 2 |  |  | $ | — |  |  | $ | 6 |  |
| Interest cost |  |  | 3 |  |  |  | 3 |  |  |  | 9 |  |  |  | 7 |  |
| Expected return on plan assets |  |  | (7 | ) |  |  | (4 | ) |  |  | (11 | ) |  |  | (13 | ) |
| Amortization of actuarial loss |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |  |  | 1 |  |
| Settlement loss |  |  | 2 |  |  |  | 3 |  |  |  | 3 |  |  |  | 3 |  |
| **Net Periodic (Benefit) Cost** |  | **$** | **(2** | **)** |  | **$** | **3** |  |  | **$** | **1** |  |  | **$** | **4** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Non-U.S. Plans** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| Service cost |  | $ | 2 |  |  | $ | 3 |  |  | $ | 7 |  |  | $ | 9 |  |
| Interest cost |  |  | 1 |  |  |  | 1 |  |  |  | 4 |  |  |  | 4 |  |
| Expected return on plan assets |  |  | (0 | ) |  |  | (1 | ) |  |  | (1 | ) |  |  | (1 | ) |
| Amortization of actuarial loss |  |  | 1 |  |  |  | 0 |  |  |  | 1 |  |  |  | 1 |  |
| Settlement gain |  |  | — |  |  |  | — |  |  |  | (3 | ) |  |  | — |  |
| Curtailment gain |  |  | — |  |  |  | — |  |  |  | (2 | ) |  |  | — |  |
| **Net Periodic Cost** |  | **$** | **4** |  |  | **$** | **4** |  |  | **$** | **6** |  |  | **$** | **13** |  |

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

Settlement accounting has been triggered for the U.S. pension plans in the third quarter of 2022 because the lump-sum payments made during the third quarter exceeded the sum of service cost and interest cost for these U.S. plans. Due to the settlement accounting, the obligation and plan assets for these U.S. plans have been re-measured as of September 30, 2022, which resulted in a higher net pension liability of $2 million compared to June 30, 2022. The discount rate used to determine the U.S. net periodic benefit cost because of the re-measurement was changed from 4.76% in the second quarter to 5.56% in the third quarter. The expected long-term rate of return on plan asset is unchanged at 5.05%.

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**9. CONTINGENT LIABILITIES**

**Legal Proceedings**

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters. Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with counsel, 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.

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Product Liability:

On September 18, 2014, Jamie Andrews filed a wrongful death products liability suit against several Autoliv entities stemming from a fatal car accident in 2013 where the plaintiff’s husband was fatally injured. The lawsuit alleges that Autoliv should be liable for a defectively-designed driver seatbelt. The case was removed to the United States District Court for the Northern District of Georgia. The suit originally included Bosch and Mazda entities as well, but these entities were dismissed pursuant to confidential settlement agreements with the plaintiff, and all of the Autoliv entities except Autoliv Japan Ltd. were also dismissed. On January 10, 2017, the District Court entered an order granting summary judgment in favor of Autoliv, concluding that Autoliv was not actively involved in the design of Mr. Andrews’s seatbelt and, therefore, should not be liable for plaintiff’s claims as a matter of law. However, on appeal, the Eleventh Circuit Court of Appeals reversed the decision, holding that, under Georgia’s products liability statute, Autoliv could be liable for a design defect associated with the seatbelt, regardless of its level of involvement in the seatbelt’s ultimate design, because Autoliv manufactured it. On October 4, 2021, the case proceeded to a bench trial before the United States District Court for the Northern District of Georgia. On December 31, 2021, the District Court entered a Final Order and Judgment concluding that Mr. Andrews’s seatbelt was defectively designed and Autoliv was strictly liable for the design. In doing so, the District Court concluded that Mr. Andrews had incurred $27,019,343 in compensatory damages, but only ordered Autoliv to pay 50 percent of that amount, $13,509,671 after finding that 50 percent of the fault for Mr. Andrews’s damages should be apportioned to Mazda. The Court declined to apportion any fault for Mr. Andrews’s damages to Mr. Andrews or Bosch. The District Court also entered an award of punitive damages against Autoliv in the amount of $100,000,000.‌

Subsequently, on September 30, 2022, the District Court awarded pre-judgement interest on the compensatory damages award of approximately $4,734,350. The Company believes the District Court's verdict was in error, including the grossly high punitive damages award, and is appealing the verdict.

The Company has determined that a loss with respect to this litigation is probable and in the fourth quarter of 2021 accrued $14 million pursuant to ASC 450. The Company accrued an additional $5 million for the pre-judgement interest in the third quarter of 2022. The total accrual is reflected in the total product liability accrual. This amount reflects the low end of the range of a probable loss of $18 million to $118 million. The accrual reflects the Company’s best estimate of the probable loss based on currently available information and does not include any amount for the punitive damages. It is reasonably possible that the Company may have to pay the entire damages awarded by the District Court. The Company believes that its insurance should cover all of the types of damages awarded by the District Court, and has therefore recognized a receivable, included within Other non-current assets on the Consolidated Balance Sheets for the expected insurance proceeds. However, the extent of the Company's insurance coverage for punitive damages in this matter is uncertain and may be less than all of such punitive damages ultimately awarded. The Company will continue to engage with our insurance carriers and aggressively pursue all potential recoveries. The ultimate loss to the Company of the litigation matter could be materially different from the amount the Company has accrued. The Company cannot predict or estimate the duration or ultimate outcome of this matter.

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.

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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 receive 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, 2022, the Company recorded approximately $3 million and $7 million, respectively, in stock-based compensation expense related to RSUs and 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.

During the three and nine months periods ended September 30, 2022, approximately 5 thousand and 144 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, 2021, approximately 15 thousand and 132 thousand shares, respectively, of common stock from the treasury stock were utilized by the Plan.

**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.‌

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
| ***(In millions, except per share amounts)*** |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| **Numerator:** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Basic and diluted: |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net income attributable to controlling interest |  | $ | 105 |  |  | $ | 60 |  |  | $ | 267 |  |  | $ | 320 |  |
| Participating share awards with dividend    equivalent rights |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |
| Net income applicable to common    shareholders |  |  | **105** |  |  |  | **60** |  |  |  | **267** |  |  |  | **320** |  |
| Earnings allocated to participating    share awards1) |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |  |  | 0 |  |
| Net income attributable to common    shareholders |  | **$** | **105** |  |  | **$** | **60** |  |  | **$** | **267** |  |  | **$** | **320** |  |
| **Denominator:** **1)** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Basic: Weighted average common stock |  |  | **87.0** |  |  |  | **87.4** |  |  |  | **87.2** |  |  |  | **87.4** |  |
| Add: Weighted average stock options/    share awards |  |  | 0.2 |  |  |  | 0.3 |  |  |  | 0.2 |  |  |  | 0.3 |  |
| **Diluted:** |  |  | **87.2** |  |  |  | **87.7** |  |  |  | **87.4** |  |  |  | **87.7** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings per share - basic** |  | **$** | **1.21** |  |  | **$** | **0.68** |  |  | **$** | **3.06** |  |  | **$** | **3.66** |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net earnings per share - diluted** |  | **$** | **1.21** |  |  | **$** | **0.68** |  |  | **$** | **3.06** |  |  | **$** | **3.65** |  |

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.

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**12. RELATED PARTY TRANSACTIONS**

Veoneer, Inc., was a related party until April 1, 2022. During the three months period ended March 31, 2022, when Veoneer was a related party, the Company's related party purchases from Veoneer amounted to $17 million. For the three and nine months periods ended September 30, 2021, the Company's related party purchases from Veoneer amounted to $15 million and $56 million, respectively.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  | **As of** | |  |
|  |  | **December 31, 2021** | |  |
| Related party receivables1) |  | $ | 1 |  |
| Related party payables2) |  |  | 15 |  |
| Related party accrued expenses3) |  |  | 9 |  |

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.

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

The Company’s disaggregated revenue for the three and nine months periods ended September 30, 2022 and September 30, 2021, were as follows (dollars in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Sales by Products** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| Airbag Products and Other1) |  | $ | 1,510 |  |  | $ | 1,199 |  |  | $ | 4,226 |  |  | $ | 3,973 |  |
| Seatbelt Products1) |  |  | 792 |  |  |  | 647 |  |  |  | 2,281 |  |  |  | 2,139 |  |
| **Total net sales** |  | **$** | **2,302** |  |  | **$** | **1,847** |  |  | **$** | **6,507** |  |  | **$** | **6,111** |  |
| 1) Including Corporate and other sales. |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Net Sales by Region** |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| China |  | $ | 537 |  |  | $ | 414 |  |  | $ | 1,347 |  |  | $ | 1,228 |  |
| Japan |  |  | 175 |  |  |  | 160 |  |  |  | 496 |  |  |  | 546 |  |
| Rest of Asia |  |  | 243 |  |  |  | 204 |  |  |  | 701 |  |  |  | 675 |  |
| Americas |  |  | 794 |  |  |  | 596 |  |  |  | 2,225 |  |  |  | 1,903 |  |
| Europe |  |  | 552 |  |  |  | 473 |  |  |  | 1,738 |  |  |  | 1,760 |  |
| **Total net sales** |  | **$** | **2,302** |  |  | **$** | **1,847** |  |  | **$** | **6,507** |  |  | **$** | **6,111** |  |

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, 2022 and September 30, 2021, were not material in any period.

**14. SUBSEQUENT EVENTS**

There were no reportable events subsequent to September 30, 2022.‌

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

*The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the United States Securities and Exchange Commission (the “SEC”) on February 22, 2022. 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.

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

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**EXECUTIVE OVERVIEW**

As the market leader, the Company is building resilience and strength in turbulent times. The Company believes these actions enable it to build an even more competitive position. Despite the challenging macro environment, the third quarter performance enables the Company to update its full year 2022 adjusted operating margin indication towards the upper end of the 6.0-7.0% range. The Company's actions initiated earlier in the year are now delivering results, especially the Company's price adjustments to compensate for the inflationary pressures and its cost reduction activities.‌

The Company achieved a strong recovery in the third quarter, delivering record sales for a third quarter and increasing the adjusted operating margin to 7.5% despite adverse foreign currency effects of almost 2pp and challenges from inflationary pressure and high call-off volatility. This is an important step towards the Company's medium-term targets. The Company also achieved another strong organic sales outperformance versus LVP, despite an unfavorable regional LVP mix development.‌

During the quarter, the Company retained a strong balance sheet, the Company's operating cash flow recovered compared to recent quarters and its leverage ratio improved compared to the previous quarter. The Company has reached agreements in more than 90% of the raw material related price adjustment discussions that the Company initiated earlier this year. Price adjustment discussions with the Company's customers for cost increases related to labor, logistics and utilities are progressing.‌

The Company expects continued sequential margin improvement in the fourth quarter, due to positive seasonal effects, price increases, cost and headcount activities and somewhat lower volatility in customer call-offs. The gradual improvement in the Company's performance throughout the year underlines the Company's confidence in reaching its medium-term targets. In addition, the Company expects that its balance sheet and positive cash flow trend will allow for increasing shareholder returns.

**Financial highlights in the third quarter of 2022**

*Change figures below compare to the same period of the previous year, except when stated otherwise.*

•**$2,302** net sales•**25%** net sales increase•**32%** organic sales increase (Non-U.S. GAAP measure, see reconciliation table below)•**7.4%** operating margin•**$1.21** EPS - 78% increase

**Key business developments in the third quarter of 2022**

*Change figures below compare to the same period of the previous year, except when stated otherwise.*

•Sales increased organically (Non-U.S. GAAP measure, see reconciliation table below) by 32.5%, which was 3.7pp better than global LVP growth of 28.8% (S&P Global Oct 2022). The Company outperformed in all regions except Rest of Asia, mainly due to price increases and new product launches. Net sales of $2,302 million was a new third quarter record for the Company's passive safety business.•Profitability improved significantly, driven by successful execution of price increase negotiations, LVP recovery and the Company's cost reduction activities. Operating income improved by 72% and operating margin improved to 7.4% from 5.4% with adjusted operating margin (Non-U.S. GAAP measure, see reconciliation table below) improving to 7.5%, despite continued adverse market conditions including inflationary pressure, volatile LVP and adverse currency effects. Return on capital employed was 18.0%.•Operating cash flow increased to $232 million, driven by higher net income and positive working capital effects while free cash flow (Non-U.S. GAAP measure, see reconciliation table below) decreased to $68 million, impacted by higher capex. Leverage ratio (Non-U.S. GAAP measure, see reconciliation table below) improved to 1.6x from 1.7x in the second quarter. A dividend of $0.64 per share was paid and 0.26 million shares were repurchased in the quarter.

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**Business update relating to COVID-19, the war in Ukraine and other market conditions**

**COVID-19**

The COVID-19 pandemic continued to impact the Company's business in the third quarter of 2022 through limited LVP by the Company's customers caused by global semiconductor shortage and other industry supply chain disruptions. Third quarter of 2022 saw global LVP growth year over year by around 29% (according to S&P Global, October 2022). Supply chain disruptions that led to low customer demand visibility and material changes to customer call-offs with short notice negatively impacted our production efficiency and profitability in the quarter. Rising raw material costs amounted to more than 4pp in operating margin headwind in the third quarter, of which a large part was offset by commercial customer recoveries, including retroactive compensations.

Direct COVID-19 related costs, such as personal protective equipment, quarantine costs and similar items, were around $1 million in the third quarter of 2022. Governmental support in connection with furloughing, short-term work weeks, and other similar activities were less than $1 million in the quarter.‌

The Company expects the current industry-wide semiconductor supply shortage to be a limiting factor for the global LVP recovery in 2022. The Company also expects that the current price environment could lead to raw material costs of up to 5pp in operating margin headwind for the full year of 2022. The Company has reached agreements in more than 90% of the raw material related price adjustment discussions that the Company initiated earlier this year. Price adjustment discussions with the Company's customers for cost increases related to labor, logistics and utilities are progressing. The Company believes product price increases will continue to gradually offset raw material cost inflation.‌

In response to the increased challenging market conditions, the Company continue with strict hiring and cost control measures, and accelerated cost savings and footprint activities. The situation is monitored closely, and further actions are being evaluated.

**The war in Ukraine**

The direct impact of the war in Ukraine on the Company's business has been relatively limited. In 2021, sales in Russia were less than 1.0% of total sales. Autoliv has one facility with fewer than 100 employees in Russia. The operations are currently idled. Autoliv net assets in Russia, mainly USD cash items, amount to around $11 million. Autoliv has no operations in Ukraine.

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**RESULTS OF OPERATIONS**

**Overview**

The following table shows some of the key ratios management uses internally to analyze the Company's current and future financial performance and core operations as well as to identify trends in the Company’s financial conditions and results of operations. The Company has 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 the Company's Annual Report on Form 10-K and the unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

The Company's management uses the Return on capital employed (ROCE) and Return on total equity (ROE) measures for purposes of comparing its financial performance with the financial performance of other companies in the industry and providing useful information regarding the factors and trends affecting the Company’s business. As used by the Company, ROCE is annualized operating income and income from equity method investments, relative to average capital employed. The Company believes ROCE is a useful indicator of long-term performance both absolute and relative to the Company's peers as it allows for a comparison of the profitability of the Company’s capital employed in its business relative to that of its peers.

ROE is the ratio of annualized income (loss) relative to average total equity for the periods presented. The Company’s management believes that ROE is a useful indicator of how well management creates value for its shareholders through its operating activities and its capital management.

**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,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| Total parent shareholders’ equity per share |  | $ | 28.53 |  |  | $ | 29.26 |  |  | $ | 28.53 |  |  | $ | 29.26 |  |
| Capital employed 1) |  |  | 3,779 |  |  |  | 3,738 |  |  |  | 3,779 |  |  |  | 3,738 |  |
| Net debt 2) |  |  | 1,288 |  |  |  | 1,165 |  |  |  | 1,288 |  |  |  | 1,165 |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Trade working capital8) |  |  | 1,314 |  |  |  | 1,421 |  |  |  | 1,314 |  |  |  | 1,421 |  |
| Trade working capital relative to sales, %9) |  |  | 14.3 | % |  |  | 19.2 | % |  |  | 14.3 | % |  |  | 19.2 | % |
| Receivables outstanding relative to sales, %10) |  |  | 20.6 | % |  |  | 21.3 | % |  |  | 20.6 | % |  |  | 21.3 | % |
| Inventory outstanding relative to sales, %11) |  |  | 10.0 | % |  |  | 12.5 | % |  |  | 10.0 | % |  |  | 12.5 | % |
| Payables outstanding relative to sales, %12) |  |  | 16.3 | % |  |  | 14.6 | % |  |  | 16.3 | % |  |  | 14.6 | % |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Gross margin, % 3) |  |  | 16.7 | % |  |  | 16.3 | % |  |  | 15.3 | % |  |  | 18.7 | % |
| Operating margin, % 4) |  |  | 7.4 | % |  |  | 5.4 | % |  |  | 6.6 | % |  |  | 8.2 | % |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Return on total equity, % 5) |  |  | 16.8 | % |  |  | 9.3 | % |  |  | 13.8 | % |  |  | 16.9 | % |
| Return on capital employed, % 6) |  |  | 18.0 | % |  |  | 10.5 | % |  |  | 15.3 | % |  |  | 18.1 | % |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Headcount at period-end 7) |  |  | 67,800 |  |  |  | 62,000 |  |  |  | 67,800 |  |  |  | 62,000 |  |

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.‌

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**THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022** **COMPARED WITH** **THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

**Consolidated Sales Development**

*(dollars in millions)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  |  | |  |  | **Components of change in net sales** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **Reported change** | |  |  | **Currency effects** **1)** | |  |  | **Organic** 3) | |  |
| Airbag products and Other2) |  | $ | 1,510 |  |  | $ | 1,199 |  |  |  | 25.9 | % |  |  | (7.6 | )% |  |  | 33.5 | % |
| Seatbelt products 2) |  |  | 792 |  |  |  | 647 |  |  |  | 22.4 | % |  |  | (8.2 | )% |  |  | 30.6 | % |
| **Total** |  | **$** | **2,302** |  |  | **$** | **1,847** |  |  |  | **24.7** | **%** |  |  | **(7.8** | **)%** |  |  | **32.5** | **%** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Asia |  | $ | 955 |  |  | $ | 778 |  |  |  | 22.9 | % |  |  | (9.7 | )% |  |  | 32.6 | % |
| *Whereof: China* |  |  | *537* |  |  |  | *414* |  |  |  | *29.7* | *%* |  |  | *(5.7* | *)%* |  |  | *35.4* | *%* |
| *Japan* |  |  | *175* |  |  |  | *160* |  |  |  | *9.7* | *%* |  |  | *(20.0* | *)%* |  |  | *29.7* | *%* |
| *Rest of Asia* |  |  | *243* |  |  |  | *204* |  |  |  | *19.3* | *%* |  |  | *(9.7* | *)%* |  |  | *29.0* | *%* |
| Americas |  |  | 794 |  |  |  | 596 |  |  |  | 33.3 | % |  |  | (0.3 | )% |  |  | 33.7 | % |
| Europe |  |  | 552 |  |  |  | 473 |  |  |  | 16.7 | % |  |  | (14.2 | )% |  |  | 30.8 | % |
| **Total** |  | **$** | **2,302** |  |  | **$** | **1,847** |  |  |  | **24.6** | **%** |  |  | **(7.8** | **)%** |  |  | **32.5** | **%** |

1) Effects from currency translations.

2) Including Corporate and Other sales.

3) Non-U.S. GAAP measure.

**Sales by product - Airbags, Steering Wheels and Other**

All major product categories increased organically (Non-U.S. GAAP measure) in the quarter. The largest contributor to the increase was inflatable curtains and steering wheels, followed by passenger airbags and side airbags.

**Sales by product - Seatbelts**

The main contributor to Seatbelt products organic growth (Non-U.S. GAAP measure) was China, followed by Europe and Americas.‌

**Sales by region**

The Company's global organic sales (Non-U.S. GAAP measure, see reconciliation table below) increased by 32.5% compared to the global LVP increase of 28.8% (according to S&P Global, Oct 2022). The 3.7pp outperformance was driven by price increases and new product launches, partly offset by negative geographical mix effects. Autoliv outperformed LVP by around 11pp in Europe, by around 7pp in Americas, by around 6pp in Japan and by around 1pp in China. The Company underperformed by around 2pp in Rest of Asia.

**Third quarter of 2022 organic growth**1)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** |  | **Europe** |  | **China** |  | **Japan** |  | **Rest of Asia** |  | **Global** |
| Autoliv |  | 34% |  | 31% |  | 35% |  | 30% |  | 29% |  | 32% |
| Main growth drivers |  | GM, Honda, Stellantis |  | VW, Stellantis, Toyota |  | VW, Honda, Toyota |  | Toyota, Subaru, Mazda |  | Hyundai, Suzuki, Tata |  | VW, Toyota, Stellantis |
| Main decline drivers |  | BMW, Traton |  | Mitsubishi, Nissan |  | Mazda, Hyundai, Ford |  | - |  | Nissan, Mitsubishi, Ssangyong |  | Ssangyong |

1) Non-U.S. GAAP measure.

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**Light Vehicle Production Development**

*Change third quarter of 2022 versus third quarter of 2021*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** |  | **Europe** |  | **China** |  | **Japan** |  | **Rest of Asia** |  | **Global** |
| LVP1) |  | 27 % |  | 20 % |  | 34 % |  | 23 % |  | 31 % |  | 29 % |

1) Source: S&P Global, October 2022.

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  |  | |  |
| (Dollars in millions, except per share data) |  | **2022** | |  |  | **2021** | |  |  | **Change** | |  |
| Net Sales |  | $ | 2,302 |  |  | $ | 1,847 |  |  |  | 24.6 | % |
| Gross profit |  |  | 383 |  |  |  | 301 |  |  |  | 27.5 | % |
| *% of sales* |  |  | *16.7* | *%* |  |  | *16.3* | *%* |  |  | *0.4* | *pp* |
| S, G&A |  |  | (105 | ) |  |  | (101 | ) |  |  | 4.3 | % |
| *% of sales* |  |  | *(4.6* | *)%* |  |  | *(5.5* | *)%* |  |  | *0.9* | *pp* |
| R, D&E, net |  |  | (106 | ) |  |  | (98 | ) |  |  | 8.4 | % |
| *% of sales* |  |  | *(4.6* | *)%* |  |  | *(5.3* | *)%* |  |  | *0.7* | *pp* |
| Amortization of Intangibles |  |  | (0 | ) |  |  | (2 | ) |  |  | (83.5 | )% |
| Other income (expense), net |  |  | (1 | ) |  |  | (1 | ) |  | n/a | |  |
| Operating income |  |  | 171 |  |  |  | 99 |  |  |  | 72.4 | % |
| *% of sales* |  |  | *7.4* | *%* |  |  | *5.4* | *%* |  |  | *2.1* | *pp* |
| Adjusted operating income1) |  |  | 173 |  |  |  | 103 |  |  |  | 67.4 | % |
| *% of sales* |  |  | *7.5* | *%* |  |  | *5.6* | *%* |  |  | *1.9* | *pp* |
| Financial and non-operating items, net |  |  | (18 | ) |  |  | (12 | ) |  |  | 46.7 | % |
| Income before taxes |  |  | 153 |  |  |  | 87 |  |  |  | 76.1 | % |
| Income taxes |  |  | (47 | ) |  |  | (27 | ) |  |  | 75.3 | % |
| Tax rate |  |  | 30.8 | % |  |  | 30.9 | % |  |  | (0.1)pp |  |
| Net income |  |  | 106 |  |  |  | 60 |  |  |  | 76.4 | % |
| Earnings per share, diluted2) |  |  | 1.21 |  |  |  | 0.68 |  |  |  | 78.0 | % |
| Adjusted earnings per share, diluted1),2) |  |  | 1.23 |  |  |  | 0.73 |  |  |  | 68.4 | % |

1) Non-U.S. GAAP measure, excluding costs for capacity alignment and gain on sale of property.

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 2022 development**

**Gross profit** increased by $83 million and the gross margin increased by 0.4pp compared to the same quarter 2021. The gross profit increase was primarily driven by price increases and volume growth, partly offset by higher costs for raw materials, unfavorable foreign currency translation effects and higher costs for premium freight.

**S,G&A** costs increased by $4 million compared to the prior year, mainly due to increased costs for personnel and IT expenses partly offset by positive currency translation effects. S,G&A costs in relation to sales decreased from 5.5% to 4.6%.

**R,D&E, net** costs increased by around $8 million compared to the prior year, mainly due to higher costs for personnel, prototypes and tools partly offset by higher engineering income. R,D&E, net, in relation to sales decreased from 5.3% to 4.6%.

**Other income (expense), net** was unchanged compared to the prior year.

**Operating income** increased by $72 million compared to the same period in 2021, mainly as a consequence of the higher gross profit, partly offset by the higher costs for S,G&A and R,D&E, net.

**Adjusted operating income** (Non-U.S. GAAP measure, see reconciliation table below**)** increased by $70 million compared to the prior year, mainly due to higher gross profit, partly offset by the higher costs for S,G&A and R,D&E, net.

**Financial and non-operating items, net**, was $6 million more negative compared to a year earlier, mainly due to adverse currency translation effects.

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**Income before taxes** increased by $66 million compared to the prior year, mainly due to the higher operating income partly offset by higher costs for financial and non-operating items, net.

**Tax rate** was 30.8%, almost unchanged compared to 30.9% in the same period last year. Discrete tax items, net, increased the tax rate this quarter by 1.4pp. Discrete tax items increased the tax rate by 5.6pp in the same period last year.‌

**Earnings per share, diluted** increased by $0.53 compared to a year earlier, where the main driver was $0.59 from higher adjusted operating income (Non-U.S. GAAP measure, see reconciliation table below) partly offset by $0.06 from financial and non-operating items.

**NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022 COMPARED WITH NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

**Consolidated Sales Development**

*(dollars in millions)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |  |  | |  |  | **Components of change in net sales** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **Reported change** | |  |  | **Currency effects** **1)** | |  |  | **Organic** 3) | |  |
| Airbag products and Other 2) |  | $ | 4,226 |  |  | $ | 3,973 |  |  |  | 6.4 | % |  |  | (5.4 | )% |  |  | 11.8 | % |
| Seatbelt products 2) |  |  | 2,281 |  |  |  | 2,139 |  |  |  | 6.6 | % |  |  | (6.0 | )% |  |  | 12.6 | % |
| **Total** |  | **$** | **6,507** |  |  | **$** | **6,111** |  |  |  | **6.5** | **%** |  |  | **(5.6** | **)%** |  |  | **12.1** | **%** |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Asia |  | $ | 2,544 |  |  | $ | 2,449 |  |  |  | 3.9 | % |  |  | (6.4 | )% |  |  | 10.3 | % |
| *Whereof: China* |  |  | *1,347* |  |  |  | *1,228* |  |  |  | *9.7* | *%* |  |  | *(2.0* | *)%* |  |  | *11.7* | *%* |
| *Japan* |  |  | *496* |  |  |  | *546* |  |  |  | *(9.2* | *)%* |  |  | *(14.3* | *)%* |  |  | *5.1* | *%* |
| *Rest of Asia* |  |  | *701* |  |  |  | *675* |  |  |  | *4.0* | *%* |  |  | *(8.1* | *)%* |  |  | *12.0* | *%* |
| Americas |  |  | 2,225 |  |  |  | 1,903 |  |  |  | 16.9 | % |  |  | 0.0 | % |  |  | 16.9 | % |
| Europe |  |  | 1,738 |  |  |  | 1,760 |  |  |  | (1.2 | )% |  |  | (10.6 | )% |  |  | 9.4 | % |
| **Total** |  | **$** | **6,507** |  |  | **$** | **6,111** |  |  |  | **6.5** | **%** |  |  | **(5.6** | **)%** |  |  | **12.1** | **%** |

1) Effects from currency translations.

2) Including Corporate and Other sales.

3) Non-U.S. GAAP measure.

**Sales by product - Airbags, Steering Wheels and Other**

The largest contributors to the organic growth (Non-U.S. GAAP measure) was steering wheels and inflatable curtains, followed by passenger airbags and side airbags.

**Sales by product - Seatbelts**

The main contributors to Seatbelt products organic growth (Non-U.S. GAAP measure) was China and Europe, followed by Rest of Asia and Americas.‌

**Sales by region**

The Company's global organic sales (Non-U.S. GAAP measure, see reconciliation table below) increased by around 12% compared to the LVP increase of around 8% (according to S&P Global, Oct 2022). The 3.8pp outperformance was driven by new product launches and price increases partly offset by negative geographical mix. Autoliv outperformed LVP by around 13pp in Europe, by around 8pp in Japan, and by around 6pp in Americas. The Company underperformed by around 2pp in China and by around 5pp in Rest of Asia.‌

**First nine months 2022 organic growth**1)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** |  | **Europe** |  | **China** |  | **Japan** |  | **Rest of Asia** |  | **Global** |
| Autoliv |  | 17 % |  | 9.4% |  | 12 % |  | 5.1% |  | 12 % |  | 12 % |
| Main growth drivers |  | Stellantis, Ford, GM |  | Stellantis, VW, Toyota |  | Toyota, Geely, Mercedes |  | Mitsubishi, Subaru, Honda |  | Tata, Suzuki, Honda |  | Stellantis, Ford, Toyota |
| Main decline drivers |  | Nissan, Traton |  | Volvo, Nissan |  | Great Wall, Hyundai, Mazda |  | Toyota, Nissan |  | Nissan, Mitsubishi |  | Nissan, Great Wall, Volvo |

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1) Non-U.S. GAAP measure.

**Light Vehicle Production Development**

*Change first nine months 2022 versus first nine months 2021*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Americas** |  | **Europe** |  | **China** |  | **Japan** |  | **Rest of Asia** |  | **Global** |
| LVP1) |  | 11 % |  | (3.4)% |  | 14 % |  | (3.3)% |  | 17 % |  | 8.3 % |

1) Source: S&P Global, October 2022.

**Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | |  |  |  | |  |
| (Dollars in millions, except per share data) |  | **2022** | |  |  | **2021** | |  |  | **Change** | |  |
| Net Sales |  | $ | 6,507 |  |  | $ | 6,111 |  |  |  | 6.5 | % |
| Gross profit |  |  | 998 |  |  |  | 1,143 |  |  |  | (12.7 | )% |
| *% of sales* |  |  | *15.3* | *%* |  |  | *18.7* | *%* |  |  | *(3.4)pp* |  |
| S, G&A |  |  | (333 | ) |  |  | (319 | ) |  |  | 4.1 | % |
| *% of sales* |  |  | *(5.1* | *)%* |  |  | *(5.2* | *)%* |  |  | *0.1* | *pp* |
| R, D&E, net |  |  | (325 | ) |  |  | (311 | ) |  |  | 4.5 | % |
| *% of sales* |  |  | *(5.0* | *)%* |  |  | *(5.1* | *)%* |  |  | *0.1* | *pp* |
| Amortization of Intangibles |  |  | (2 | ) |  |  | (8 | ) |  |  | (71.0 | )% |
| Other income (expense), net |  |  | 91 |  |  |  | (5 | ) |  | n/a | |  |
| Operating income |  |  | 429 |  |  |  | 500 |  |  |  | (14.2 | )% |
| *% of sales* |  |  | *6.6* | *%* |  |  | *8.2* | *%* |  |  | *(1.6)pp* |  |
| Adjusted operating income1) |  |  | 365 |  |  |  | 506 |  |  |  | (27.8 | )% |
| *% of sales* |  |  | *5.6* | *%* |  |  | *8.3* | *%* |  |  | *(2.7)pp* |  |
| Financial and non-operating items, net |  |  | (40 | ) |  |  | (44 | ) |  |  | (9.4 | )% |
| Income before taxes |  |  | 389 |  |  |  | 456 |  |  |  | (14.7 | )% |
| Income taxes |  |  | (121 | ) |  |  | (135 | ) |  |  | (10.2 | )% |
| Tax rate |  |  | 31.1 | % |  |  | 29.5 | % |  |  | 1.6 | pp |
| Net income |  |  | 268 |  |  |  | 322 |  |  |  | (16.6 | )% |
| Earnings per share, diluted2) |  |  | 3.06 |  |  |  | 3.65 |  |  |  | (16.4 | )% |
| Adjusted earnings per share, diluted1),2) |  |  | 2.58 |  |  |  | 3.72 |  |  |  | (30.5 | )% |

1) Non-U.S. GAAP measure, excluding costs for capacity alignment and gain on sale of property.

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 2022 development**

**Gross profit** decreased by $146 million, and the gross margin decreased by 3.4pp compared to the same period 2021. The gross profit decrease was primarily driven by adverse effects from higher costs for raw material and premium freight, adverse foreign currency translation effects partly offset by price increases.

**S,G&A** costs increased by $13 million compared to the prior year, mainly relating to investments in personnel and IT and improvement projects partly offset by positive currency translation effects.

**R,D&E, net** costs increased by $14 million, mainly due to lower engineering income. R,D&E, net, in relation to sales was close to unchanged at 5.0%.

**Other income (expense), net** improved by $96 million compared to the prior year, mainly due to around $80 million gain from the sale of a property in Japan and around $20 million from a patent litigation settlement partly offset by around $10 million in capacity alignment provision for the closure of a plant in South Korea.

**Operating income** decreased by $71 million compared to the same period in 2021, mainly as a consequence of the lower gross profit, partly offset by the improved Other income (expense).

**Adjusted operating income** (Non-U.S. GAAP measure, see reconciliation table below) decreased by $141 million compared to the prior year, mainly due to lower gross profit.‌

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**Financial and non-operating items, net**, improved by $4 million, mainly due to lower interest expenses due to lower debt in 2022 compared to 2021.

**Income before taxes** decreased by $67 million compared to the prior year, mainly due to the lower operating income partly offset by improved financial and non-operating items, net.

**Tax rate** was 31.1%, compared to 29.5% in the same period last year, mainly due to unfavorable country mix. In addition, discrete tax items, net, increased the tax rate this year by 1.2pp. Discrete tax items, net increased the tax rate by 1.0pp in the same period last year.

**Earnings per share, diluted** decreased by $0.60 compared to a year earlier, where the main driver was $1.15 from lower adjusted operating income (Non-U.S. GAAP measure, see reconciliation table below) partly mitigated by $0.53 from capacity alignment.

**LIQUIDITY AND CAPITAL RESOURCES**

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. 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, 2021 filed with the SEC on February 22, 2022.

**Third quarter of 2022 development‌**

**Trade working capital** (Non-U.S. GAAP measure, see reconciliation table below) was reduced by $107 million compared to the same period last year, where the main driver was related to $427 million in higher accounts payables, partly offset by $318 million in higher receivables.

**Operating cash flow** increased by $43 million to $232 million compared to the same period last year, mainly due to higher net income and positive working capital effects, partly offset by adverse effects from changes in deferred income taxes.

**Capital expenditure, net** increased by $52 million, which mainly was due to investments related to footprint and capacity expansions. The higher level reflects a temporary catch up of investments that were delayed during the pandemic. Capital expenditure, net in relation to sales was 7.1% vs. 6.0% a year earlier.

**Free cash flow** (Non-U.S. GAAP measure, see reconciliation table below) was $68 million, compared to $77 million a year earlier. The decline was due to the higher capital expenditure, net, partly offset by the higher operating cash flow.‌

**Net debt** (Non-U.S. GAAP measure, see reconciliation table below) was $1,288 million as of September 30, 2022, which was $123 million higher than a year earlier.

**Liquidity position**. As of September 30, 2022, the Company's cash balance was around $0.5 billion, and including committed, unused loan facilities, its liquidity position was around $1.6 billion.

**Leverage ratio** (Non-U.S. GAAP measure, see reconciliation table below). As of September 30, 2022, the Company had a leverage ratio of 1.6x, compared to 1.1x as of September 30, 2021, as the net debt (Non-U.S. GAAP measure) increased and the 12 months trailing adjusted EBITDA (Non-U.S. GAAP measure) decreased.

**Total equity** decreased by $82 million compared to September 30, 2021. This was mainly due to $225 million in adverse currency translation effects, dividends paid of $224 million and $60 million from share repurchases partly offset by $384 million from net income.

**First nine months 2022 development**

**Operating cash flow** decreased by $186 million to $251 million compared to the same period last year, mainly due to lower net income and adverse effects from changes in deferred income taxes.

**Capital expenditure, net** increased by $19 million, which mainly reflects increased investments related to footprint and capacity expansions partly offset by $95 million in proceeds from the sale of property, plant and equipment. Capital expenditure, net in relation to sales was unchanged at 4.9%.

**Free cash flow** (Non-U.S. GAAP measure, see reconciliation table below) was negative $69 million, compared to positive $136 million a year earlier. The decline was due to the lower operating cash flow and higher capital expenditure, net.

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

The Company believes that comparability between periods is improved through the exclusion of certain items. To assist investors in understanding the operating performance of Autoliv's business, it is useful to consider certain U.S. GAAP measures exclusive of these items. Accordingly, the tables below reconcile from U.S. GAAP to the equivalent non-U.S. GAAP measure.

**Reconciliation of U.S. GAAP financial measures to “Adjusted operating income”, “Adjusted operating margin” and “Adjusted Earnings per share, diluted”**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2022** | | | | | | | | | |  |  | **Three Months Ended September 30, 2021** | | | | | | | | | |  |
|  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |
| Operating income |  | $ | 171 |  |  | $ | 2 |  |  | $ | 173 |  |  | $ | 99 |  |  | $ | 4 |  |  | $ | 103 |  |
| Operating margin, % |  |  | 7.4 | % |  |  | 0.1 | % |  |  | 7.5 | % |  |  | 5.4 | % |  |  | 0.2 | % |  |  | 5.6 | % |
| Earnings per share, diluted |  | $ | 1.21 |  |  | $ | 0.02 |  |  | $ | 1.23 |  |  | $ | 0.68 |  |  | $ | 0.05 |  |  | $ | 0.73 |  |

1) Costs for capacity alignments.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2022** | | | | | | | | | |  |  | **Nine Months Ended September 30, 2021** | | | | | | | | | |  |
|  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |  | **Reported U.S. GAAP** | |  |  | **Adjustments1)** | |  |  | **Non-U.S. GAAP** | |  |
| Operating income |  | $ | 429 |  |  | $ | (64 | ) |  | $ | 365 |  |  | $ | 500 |  |  | $ | 6 |  |  | $ | 506 |  |
| Operating margin, % |  |  | 6.6 | % |  |  | (1.0 | )% |  |  | 5.6 | % |  |  | 8.2 | % |  |  | 0.1 | % |  |  | 8.3 | % |
| Earnings per share, diluted |  | $ | 3.06 |  |  | $ | (0.47 | ) |  | $ | 2.58 |  |  | $ | 3.65 |  |  | $ | 0.06 |  |  | $ | 3.72 |  |

1) Costs for capacity alignments and gain on sale of property in Japan in 2022.

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2022** | | | | | |  |  | **Three Months Ended September 30, 2021** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignments |  | $ | 2 |  |  | $ | 0.02 |  |  | $ | 4 |  |  | $ | 0.05 |  |
| **Total adjustments to operating income** |  |  | **2** |  |  |  | **0.02** |  |  |  | **4** |  |  |  | **0.05** |  |
| Tax on non-U.S. GAAP adjustments1) |  |  | (0 | ) |  |  | (0.01 | ) |  |  | — |  |  |  | — |  |
| **Total adjustments to net income** |  | **$** | **2** |  |  | **$** | **0.02** |  |  | **$** | **4** |  |  | **$** | **0.05** |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2022** | | | | | |  |  | **Nine Months Ended September 30, 2021** | | | | | |  |
|  |  | **Millions** | |  |  | **Per share** | |  |  | **Millions** | |  |  | **Per share** | |  |
| Capacity alignments1) |  | $ | (64 | ) |  | $ | (0.73 | ) |  | $ | 6 |  |  | $ | 0.06 |  |
| **Total adjustments to operating income** |  |  | **(64** | **)** |  |  | **(0.73** | **)** |  |  | **6** |  |  |  | **0.06** |  |
| Tax on non-U.S. GAAP adjustments2) |  |  | 23 |  |  |  | 0.26 |  |  |  | — |  |  |  | — |  |
| **Total adjustments to net income** |  | **$** | **(41** | **)** |  | **$** | **(0.47** | **)** |  | **$** | **6** |  |  | **$** | **0.06** |  |

1) Whereof gain on sale of property in Japan of $80 million in March 2022.

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

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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, 2022** | |  |  | **December 31, 2021** | |  |  | **September 30, 2021** | |  |
| Receivables, net |  | $ | 1,893 |  |  | $ | 1,699 |  |  | $ | 1,575 |  |
| Inventories, net |  |  | 924 |  |  |  | 777 |  |  |  | 922 |  |
| Accounts payable |  |  | (1,503 | ) |  |  | (1,144 | ) |  |  | (1,076 | ) |
| **Trade working capital** |  | **$** | **1,314** |  |  | **$** | **1,332** |  |  | **$** | **1,421** |  |

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, 2022** | |  |  | **December 31, 2021** | |  |  | **September 30, 2021** | |  |
| Short-term debt |  | $ | 692 |  |  | $ | 346 |  |  | $ | 364 |  |
| Long-term debt |  |  | 1,037 |  |  |  | 1,662 |  |  |  | 1,687 |  |
| **Total debt** |  |  | **1,729** |  |  |  | **2,008** |  |  |  | **2,051** |  |
| Cash and cash equivalents |  |  | (483 | ) |  |  | (969 | ) |  |  | (903 | ) |
| Debt issuance cost/Debt-related derivatives, net |  |  | 42 |  |  |  | 13 |  |  |  | 18 |  |
| **Net debt** |  | **$** | **1,288** |  |  | **$** | **1,052** |  |  | **$** | **1,165** |  |

Management uses the non-U.S. GAAP measure “Leverage Ratio” 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. The Company's long-term target for the leverage ratio (sum of net debt plus pension liabilities divided by EBITDA) is 1.0x with the aim to operate within the range of 0.5x to 1.5x. For details and calculation of leverage ratio, refer to the table below.

**Calculation of “Leverage ratio”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2022** | |  |  | **December 31, 2021** | |  |  | **September 30, 2021** | |  |
| Net debt1) |  | $ | 1,288 |  |  | $ | 1,052 |  |  | $ | 1,165 |  |
| Pension liabilities |  |  | 149 |  |  |  | 197 |  |  |  | 231 |  |
| **Debt per the Policy** |  |  | **1,437** |  |  |  | **1,248** |  |  |  | **1,396** |  |
|  |  |  | |  |  |  | |  |  |  | |  |
| Net income2) |  |  | 384 |  |  |  | 437 |  |  |  | 511 |  |
| Income taxes 2) |  |  | 163 |  |  |  | 177 |  |  |  | 224 |  |
| Interest expense, net2,3) |  |  | 51 |  |  |  | 57 |  |  |  | 62 |  |
| Other non-operating items, net2) |  |  | 9 |  |  |  | 7 |  |  |  | 14 |  |
| Income from equity method investments2) |  |  | (4 | ) |  |  | (3 | ) |  |  | (3 | ) |
| Depreciation and amortization of intangibles2) |  |  | 370 |  |  |  | 394 |  |  |  | 400 |  |
| Capacity alignments and antitrust related matters2) |  |  | (61 | ) |  |  | 8 |  |  |  | 10 |  |
| **EBITDA per the Policy (Adjusted EBITDA)** |  | **$** | **912** |  |  | **$** | **1,077** |  |  | **$** | **1,217** |  |
| **Leverage ratio** |  |  | **1.6** |  |  |  | **1.2** |  |  |  | **1.1** |  |

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.

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Management uses the non-U.S. GAAP measure free cash flow to analyze the amount of cash flow being generated by the Company’s operations after capital expenditure, net. This measure indicates the Company’s cash flow generation level that enables strategic value creation options such as dividends or acquisitions. For details on the calculation of free cash flow, see the table below.

**Calculation of “Free Cash Flow”**

**(Dollars in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2022** | |  |  | **2021** | |  |  | **2022** | |  |  | **2021** | |  |
| **Net income** |  | **$** | **106** |  |  | **$** | **60** |  |  | **$** | **268** |  |  | **$** | **322** |  |
| Changes in operating working capital |  |  | 89 |  |  |  | 35 |  |  |  | (168 | ) |  |  | (179 | ) |
| Depreciation and amortization |  |  | 87 |  |  |  | 98 |  |  |  | 273 |  |  |  | 297 |  |
| Gain on divestiture of property |  |  | — |  |  |  | — |  |  |  | (80 | ) |  |  | — |  |
| Other, net |  |  | (51 | ) |  |  | (5 | ) |  |  | (44 | ) |  |  | (3 | ) |
| **Operating cash flow** |  |  | **232** |  |  |  | **188** |  |  |  | **251** |  |  |  | **437** |  |
| Capital expenditure, net |  |  | (164 | ) |  |  | (112 | ) |  |  | (319 | ) |  |  | (301 | ) |
| **Free cash flow1)** |  | **$** | **68** |  |  | **$** | **77** |  |  | **$** | **(69** | **)** |  | **$** | **136** |  |
| 1) Operating cash flow less Capital expenditures, net. |  |  | |  |  |  | |  |  |  | |  |  |  | |  |

**Headcount**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2022** | |  |  | **December 31, 2021** | |  |  | **September 30, 2021** | |  |
| Total headcount |  |  | 67,800 |  |  |  | 60,600 |  |  |  | 62,000 |  |
| Whereof: |  |  | |  |  |  | |  |  |  | |  |
| Direct personnel in manufacturing |  |  | 49,600 |  |  |  | 43,000 |  |  |  | 44,200 |  |
| Indirect personnel |  |  | 18,300 |  |  |  | 17,600 |  |  |  | 17,900 |  |
| Temporary personnel |  |  | 10.5 | % |  |  | 7.8 | % |  |  | 7.7 | % |

By September 30, 2022, total headcount increased by 5,800 compared to a year earlier. The indirect workforce increased by 2.2% while the direct workforce increased by 12.2%, as sales grew organically (Non-U.S. GAAP measure, see reconciliation table above) by 32% compared to a year earlier. The increase also reflects preparations for the expected strong sales growth in the fourth quarter. Compared to June 30, 2022, total headcount increased by around 3,100, direct workforce increased by almost 3,100 and the indirect workforce increased by around 50.

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**Full year 2022 indications**

The Company's outlook indications for 2022 reflect continuing uncertainty in the automotive markets and are mainly based on its customer call-offs, a full year 2022 global LVP growth of around 6%, that the Company achieves its targeted cost compensation effects and some market stabilization.

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Financial measure** |  | **Full year indication** |
| Organic sales growth |  | Around 15% |
| Foreign currency impact on net sales |  | Around 6% negative |
| Adjusted operating margin 1) |  | Upper end of around 6%-7% |
| Tax rate 2) |  | Around 30% |
| Operating cash flow 3) |  | Around $700-750 million |
| Capex, net % of sales |  | Around 5.5% |
| 1) Excluding costs for capacity alignments, antitrust related matters and other discrete items. | | |
| 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.

**Other recent events**

**Key launches in the third quarter of 2022**

•**Ford Lightning:** Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags•**BMW 7-series/i7:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Seatbelts, Front Center Airbag•**Haval A08:** Side Airbags, Head/Inflatable Curtain Airbags, Seatbelts•**Xpeng G9:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags, Seatbelts, Front Center Airbag•**Toyota Sequoia:** Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags•**Nio ET5:** Side Airbags, Head/Inflatable Curtain Airbags, Front Center Airbag•**Hyundai IONIQ 6:** Side Airbags, Head/Inflatable Curtain Airbags, Front Center Airbag•**Hyundai Stargazer:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags•**Honda CR-V:** Steering Wheel, Driver/Passenger Airbags, Side Airbags, Head/Inflatable Curtain Airbags, Seatbelts, Front Center Airbag

**Other Items**

•On August 18, 2022, Autoliv announced the appointment of Gustav Lundgren to its Board of Directors, pursuant to the previously disclosed agreement with Cevian Capital II GP Limited. Gustav Lundgren is a partner of Cevian Capital. Mr. Lundgren replaced Min Liu, Cevian’s previously designated director, who resigned from the Board on August 18, 2022. The Board determined that Gustav Lundgren is an independent director and appointed him as a member of the Audit and Risk Committee.•Under Autoliv’s 2022-2024 stock purchase program, purchases of common stock and SDRs may be made in open market purchases, privately negotiated transactions, block purchase techniques, 10b5-1 trading plans or a combination of the foregoing in accordance with applicable law and the rules and regulations of both the NYSE and Nasdaq Stockholm. During the third quarter 2022, Autoliv repurchased 0.26 million shares of common stock at an average price of $78.04 per share.

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

As of September 30, 2022, there have been no material changes to the information related to quantitative and qualitative disclosures about market risk that were provided in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 22, 2022.‌

**ITEM 4. CONTROLS** **AND PROCEDURES**

(a)Evaluation of Disclosure Controls and Procedures

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

(b)Changes in Internal Control over Financial Reporting

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

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**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL** **PROCEEDINGS**

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

See Part I, Item 1, "Financial Statements, Note 9 Contingent Liabilities" of this Quarterly Report on Form 10-Q for a summary of certain ongoing legal proceedings. Such information is incorporated into this Part II, Item 1—"Legal Proceedings" by reference.

**ITEM 1A. RISK FACTORS**

Except as set forth below, as of September 30, 2022, 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, 2021 filed with the SEC on February 22, 2022.

**We are currently operating in a period of significant macro-economic uncertainty, including global disruption of LVP due to supply-chain disruptions and COVID-related lockdowns and increasing inflationary pressures and commodity costs. Although we have minimum operations in Russia, the war in Ukraine and the current COVID-related lockdowns in China are exacerbating commodity cost increases, supply chain challenges and volatility with our customers’ production schedules. If the war in Ukraine continues for a lengthy period or spreads or the COVID-related lockdowns in China continue for a lengthy period or spread, it may have a materially negative impact on our business and results of operations.‌**

The macro-economic uncertainty has been exacerbated by the war in Ukraine. Although the length and impact of the ongoing war is highly unpredictable, it exacerbated volatility in commodity prices, inflationary pressures, credit markets, foreign exchange rates and supply chain disruptions. Furthermore, governments in the United States, United Kingdom, Canada and European Union have each imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Existing or additional sanctions could further adversely affect the global economy further disrupt the global supply chain. Inflation is also currently high world-wide and may continue for an unforeseen time.

Due in part to the negative impact of the war in Ukraine and the current COVID lock-downs in China, we have experienced exacerbated increases in raw materials and increased costs for transportation, energy, and commodities. Although we are negotiating with our customers with respect to these additional commodity costs increases, commercial negotiations with our customers may not be successful or may not offset all of the adverse impact of higher transportation, energy and commodity costs. Additionally, even if we are successful with respect to negotiations with customers relating to commodity cost increases, there may be delay before we recover any increased costs. These may have a material negative impact on our business and results of operations.

For additional information see Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 22, 2022.

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

**Stock repurchase program**

The following table provides information with respect to common stock repurchases by the Company during the three months period ended September 30, 2022.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **New York Stock Exchange (NYSE)** | | | | | |  |  |  | |  |
| **Period** |  | **Total Number of Shares Purchased (1)** | |  |  | **Average Price Paid per Share (USD) (2)** | |  |  | **Maximum Number of Shares that May Yet Be Purchased Under the Program (3)** | |  |
| July 1-31, 2022 |  |  | 23,895 |  |  | $ | 83.71 |  |  |  | 16,441,552 |  |
| August 1-31, 2022 |  |  | 96,980 |  |  | $ | 82.50 |  |  |  | 16,344,572 |  |
| September 1-30, 2022 |  |  | 135,463 |  |  | $ | 73.85 |  |  |  | 16,209,109 |  |

(1) The repurchases are being executed from time to time, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. For‌

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accounting purposes, shares repurchased under our stock repurchase programs are recorded based upon the settlement date of the applicable trade.‌

(2) Average price paid per share includes costs associated with the repurchases.

(3) On November 16, 2021, the Company announced that its Board of Directors approved a new stock repurchase program that authorizes the Company to repurchase up to $1.5 billion or up to 17 million common shares, whichever comes first, between January 2022 and the end of 2024.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER** **INFORMATION**

Not applicable.

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**ITEM 6. EXHIBITS**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Exhibit No.** |  | **Description** |
|  |  |  |
| 3.1 |  | [Autoliv’s Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 22, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-141900.html?hash=ebacd3660aaccd0a9648f38caf3db3d462f54618669d76c84f987a7fbe3aadae&amp;dest=d896012dex31_htm) |
|  |  |  |
| 3.2‌ |  | [Autoliv’s Third Restated By-Laws, incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-12933, filing date December 18, 2015).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-15-407851.html?hash=5f2b0eef8c3d9ba9f6092247e58a2b95b2cea455a2f91545263a0a3a45dc884a&amp;dest=d32830dex31_htm) |
|  |  |  |
| 4.1‌ |  | [Indenture, dated March 30, 2009, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to Autoliv’s Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-09-067376.html?hash=d91a455f4843471b53257740e8ddbbaa8fc92ac69c148aeff63029bce97dea6b&amp;dest=dex41_htm) |
|  |  |  |
| 4.2 |  | [Second Supplemental Indenture (including Form of Global Note), dated March 15, 2012, between Autoliv, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-12933, filing date March 15, 2012).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-12-117495.html?hash=19e1a3eee5e6b21b919d6d1c2173125fc12e3e5b7f1077e16b3443fd7d0f8e2b&amp;dest=d316612dex41_htm)‌ |
|  |  |  |
| 4.3 |  | [Form of Note Purchase and Guaranty Agreement dated April 23, 2014, among Autoliv ASP, Inc., Autoliv, Inc. and the purchasers named therein, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 25, 2014).](https://content.edgar-online.com/ExternalLink/EDGAR/0001193125-14-158776.html?hash=56650ce4ee2d4acb325844e56bfe381b0c46f7c198cbc32ee8e100a95d0ac765&amp;dest=d694785dex46_htm) |
|  |  |  |
| 4.4 |  | [Amendment and Waiver 2014 Note Purchase and Guaranty Agreement, dated May 24, 2018, among Autoliv, Inc., Autoliv ASP, Inc. and the noteholders named therein, incorporated herein by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&amp;dest=alv-ex44_502_htm) |
|  |  |  |
| 4.5 |  | [General Terms and Conditions for Swedish Depository Receipts in Autoliv, Inc. representing common shares in Autoliv, Inc., effective as of May 30, 2018, with Skandinaviska Enskilda Banken AB (publ) serving as a custodian, incorporated herein by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&amp;dest=alv-ex45_318_htm) |
|  |  |  |
| 4.6 |  | [Agency Agreement dated June 26, 2018 among Autoliv, Inc., Autoliv ASP, Inc. and HSBC Bank PLC, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date July 27, 2018).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-18-017723.html?hash=9a183ecb9208e003d3a8e92171667dc675ffe5d95ef0b917d5631654b4690ecd&amp;dest=alv-ex46_329_htm) |
|  |  |  |
| 4.7 |  | [Base Listing Particulars Agreement, dated April 11, 2019, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.7 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 26, 2019).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-19-013244.html?hash=ee9207804422598ddb3678cb89ca1c6dd6b30fbd11742ad0643d5cbea9a284db&amp;dest=alv-ex47_609_htm) |
|  |  |  |
| 4.8 |  | [Base Listing Particulars Agreement, dated February 21, 2020, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.10 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 24, 2020).](https://content.edgar-online.com/ExternalLink/EDGAR/0001564590-20-018358.html?hash=f3ef27b304ce883b05b1cabe8d7d739471e4ba836366704226a08ccee0b18285&amp;dest=alv-ex410_441_htm) |
|  |  |  |
| 4.9 |  | [Base Listing Particulars Agreement, dated 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&amp;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&amp;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&amp;dest=alv-ex415_273_htm) |
|  |  |  |
| 4.12 |  | [Base Listing Particulars Agreement, dated February 22, 2022, among Autoliv, Inc., Autoliv ASP, Inc. and the dealers named therein, incorporated herein by reference to Exhibit 4.12 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 22, 2022).](https://content.edgar-online.com/ExternalLink/EDGAR/0000950170-22-005989.html?hash=de546f741b95b7b742ef8be71b7dad335a61b3d39cebbcb6760a06f859ff2818&amp;dest=alv-ex4_12_htm) |
|  |  |  |
| 4.13 |  | [Amended and Restated Programme Agreement, dated February 22, 2022, 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 22, 2022).](https://content.edgar-online.com/ExternalLink/EDGAR/0000950170-22-005989.html?hash=de546f741b95b7b742ef8be71b7dad335a61b3d39cebbcb6760a06f859ff2818&amp;dest=alv-ex4_13_htm) |
|  |  |  |
| 4.14 |  | [Amended and Restated Agency Agreement, dated February 22, 2022, 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 22, 2022).](https://content.edgar-online.com/ExternalLink/EDGAR/0000950170-22-005989.html?hash=de546f741b95b7b742ef8be71b7dad335a61b3d39cebbcb6760a06f859ff2818&amp;dest=alv-ex4_14_htm) |
|  |  |  |

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|  |  |  |
| --- | --- | --- |
|  |  |  |
| 10.1\* |  | [Autoliv, Inc. Non-Employee Director Compensation Policy, effective November 1, 2022.](#BKMK_120) |
|  |  |  |
| 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_121) |
|  |  |  |
| 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_122) |
|  |  |  |
| 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_123) |
|  |  |  |
| 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_124) |
|  |  |  |
| 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.

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**SIGNATURE**

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

Date: October 21, 2022

AUTOLIV, INC.

(Registrant)

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

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Exhibit 10.1

**AUTOLIV, INC.**

**NON-EMPLOYEE DIRECTOR COMPENSATION POLICY**

Effective November 1, 2022

I. Adoption Date; Effective Date. On September 12, 2022 (the “Adoption Date”), the Board adopted this Non-Employee Director Compensation Policy, to be effective November 1, 2022.

II. Retainers. The following retainers, subject to proration as described below, shall remain in effect until changed by the Board:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Cash** | **RSUs**  **(Grant Date Value)** | **Total Retainer** |
| *Annual Base Retainer* | | | |
| All Non-Employee Directors | $127,500 | $147,500 | $275,000 |
| *Annual Supplemental Retainers* | | | |
| Non-Executive Chairman | $85,000 | $85,000 | $170,000 |
| Lead Independent Director | $40,000 | - | $40,000 |
| Audit and Risk Committee Chair | $30,000 | - | $30,000 |
| Leadership Development and Compensation Committee Chair | $20,000 | - | $20,000 |
| Nominating and Corporate Governance Committee Chair | $20,000 | - | $20,000 |

III. Payment Schedule

*Annual Base Retainer*

1)Payment in Cash. The cash portion of the applicable retainer will be paid (a) bi-annually, (b) at the end of each 6-month period to cover services during such periods and (c) prorated as described below.

|  |  |
| --- | --- |
|  |  |
| **“Bi-Annual Service Period”** | **Payment Date\*** |
| June 1 to November 30 | November 30 |
| December 1 to May 31 | May 31 |

•If a non-employee director is newly appointed or elected to the Board at the AGM, then his or her first bi-annual cash payment will take place at the end of November to cover the 6-month period during June-November.

•If a non-employee director is newly appointed or elected to the Board at any time other than at an AGM, then his or her first bi-annual cash payment will be prorated to reflect the number of full calendar months of service between the effective date of the non-employee director’s appointment and the last day of the respective bi-annual service period (e.g., if a non-employee director is appointed to the Board on July 15, then his or her first quarterly cash payment will be with respect to service during August-November of such bi-annual service period)

•If a non-employee director is not re-elected at the AGM, then he or she will receive any cash payment for services during the month of such AGM.

Exhibit 10.1

•If a non-employee director leaves the Board of Directors at any time other than at an AGM, the cash payment for the respective bi-annual service period will be prorated to reflect the number of full calendar months of service between the beginning of such bi-annual service period and the termination date.

\*If the payment date is not a business day, then the applicable payment shall be made on the first business day immediately following the payment date.

2)Payment in Stock. Subject to share availability under the amended and restated Autoliv, Inc. 1997 Stock Incentive Plan, as the same may be amended from time to time (the “Plan”), a portion of the applicable retainer(s) may be paid in the form of restricted stock units (the “Annual RSU Award”) granted on the date that the AGM is held (or, if the person becomes a non-employee director at any time other than at an AGM, the first business day following the effective date on which the person becomes a non-employee director) (in either case, a “RSU Grant Date”). The Annual RSU Awards will be granted under, and subject to the terms and conditions of, the Plan, and will vest on the earlier of (i) date of the next AGM, or (ii) the one-year anniversary of the RSU Grant Date (the “RSU Vesting Date”), subject to the non-employee director’s continued service on the Board on the RSU Vesting Date. If a non-employee director’s service on the Board terminates for any reason prior to the RSU Vesting Date, then he or she will forfeit the Annual RSU Award. The number of RSUs granted pursuant to the Annual RSU Award will be determined by (A) dividing the RSU Grant Date Value amount in the table above by the closing price of a share of Common Stock on the RSU Grant Date and (B) rounding to the nearest whole number. If a non-employee director is newly appointed or elected to the Board at any time other than at an AGM, then the dollar value of his or her Annual RSU Award will be prorated based on the number of full calendar months between the effective date of the non-employee director’s appointment or election through the month in which the next AGM will be held.

*Lead Director and Committee Chair Retainers*

Lead Director and Committee Chair annual supplemental retainers will be paid in cash bi-annually at the end of each 6-month service period, as set forth in the table for cash payments above, and subject to proration as described under the “Annual Base Retainer” section above. In the event a non-employee director is serving as Committee Chair during a Quarterly Service period and leaves such appointment to be appointed as a Committee Chair with a higher retainer or as Lead Director during the same Quarterly Service Period, the quarterly retainer for such director will be re-calculated pro-rated for days of service in each role during the quarter and the difference is paid on the third business day following his or her appointment.

Stock Ownership Policy. Non-employee directors are required to hold shares of Common Stock granted pursuant to the Annual Stock Grants until he or she has met the ownership requirements set forth in the Autoliv, Inc. Stock Ownership Policy for Non-Employee Directors. Compliance with this policy is monitored by the Nominating and Corporate Governance Committee.

**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 21, 2022 |
|  |
| /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 21, 2022 |
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| /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, 2022, 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 21, 2022

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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, 2022, 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 21, 2022

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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.