Autoliv in China Presentation

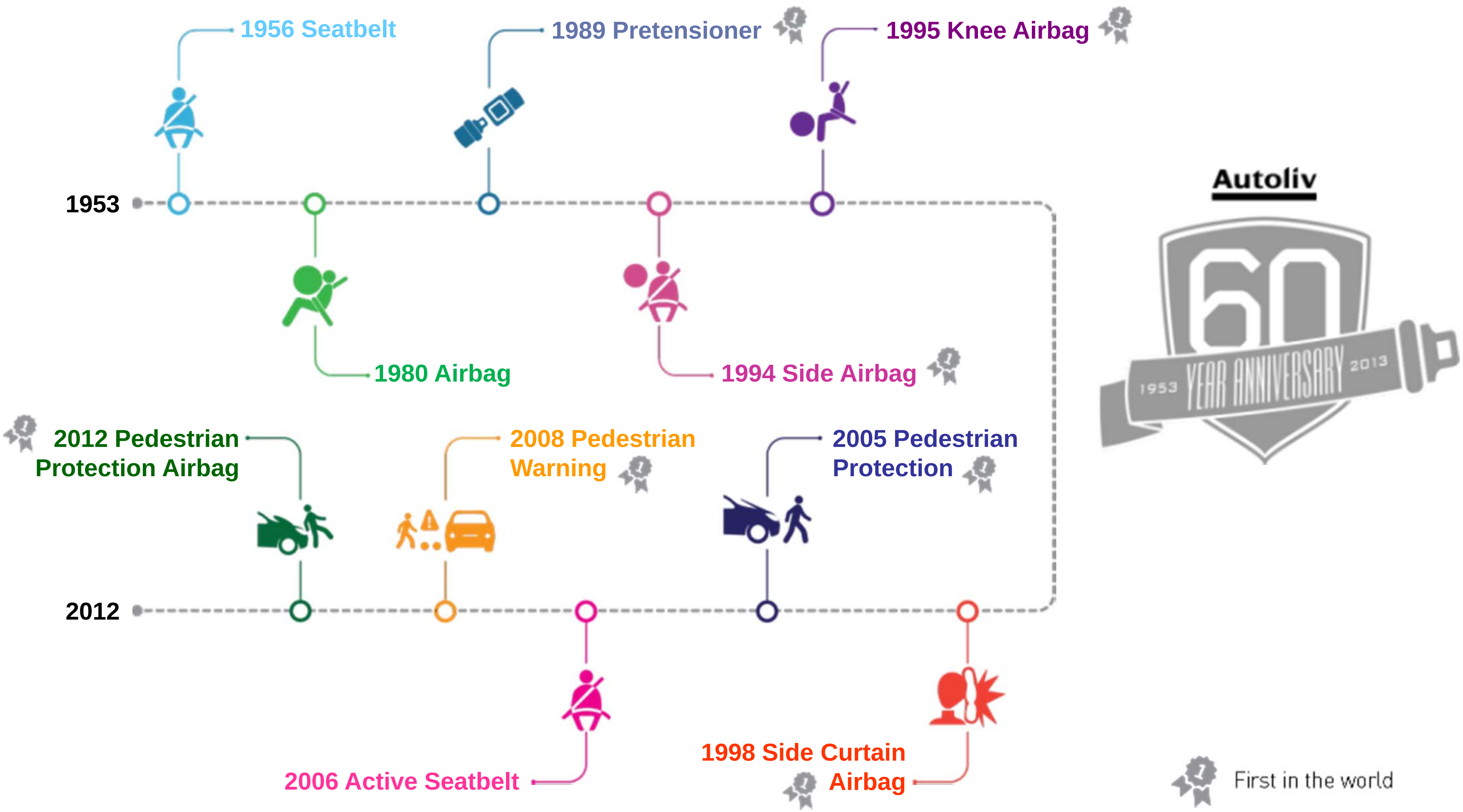
Autoliv China President
Arthur Blanchford
June 4th, 2014

Autoliv

Every year our products save over 30,000 lives

and prevent ten times as many severe injuries

60 Years of Innovation

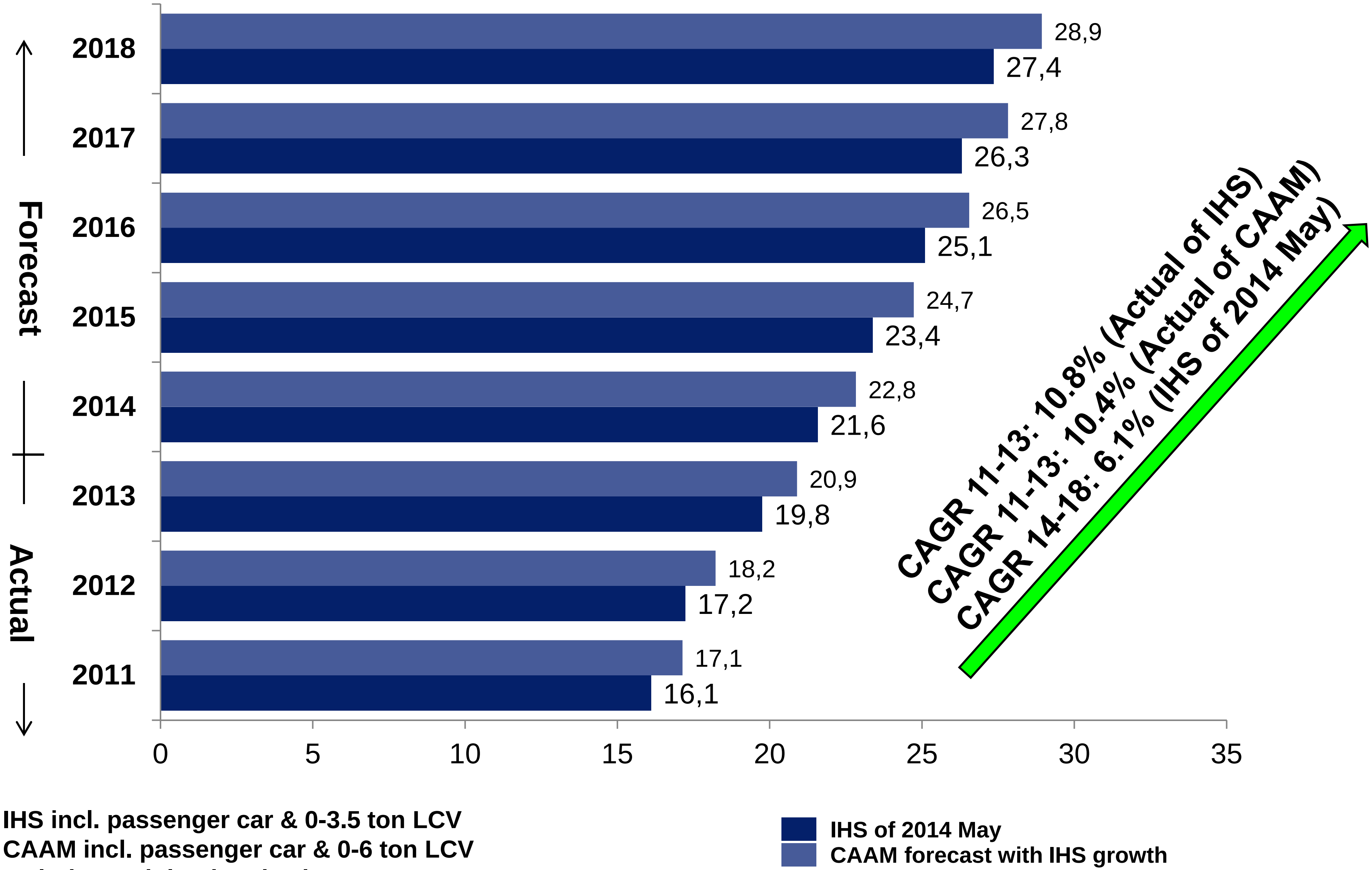


China Economy Overview

- **2014 Q1 Economy**
  - **GDP growth slowing down but still roughly meeting expectations**
    - ✓ **GDP growth is 7.4% for 2014 Q1 (2011: 9.3%; 2012: 7.8%; 2013: 7.7%)**
    - ✓ **FY GDP growth is forecasted at 7.5% by government**
  - **Inflation is currently not a concern**
    - ✓ **CPI for 2014 Q1 is 2.4% (2013: 2.5%)**
  - **PMI: HSCB outlook for Apr is 48.3 a slight raise after continuously falling for 5 months (2013: 50.8)**
- **Monetary Policy**
  - **Central bank tighten the money supply in Q1. Market 6 months interest rate is 7%-8%.**
  - **It is not expected that the central bank will loosen monetary policy significantly in the coming month, but may not be as tight as in Q1.**
- **Auto Registration policy**
  - **6 cities have policy to control auto increase. There may be more cities in 2014 and onwards.**
  - **Central Gov't has agreed to take ~6m older, more polluting vehicles off the roads this year through incentives**

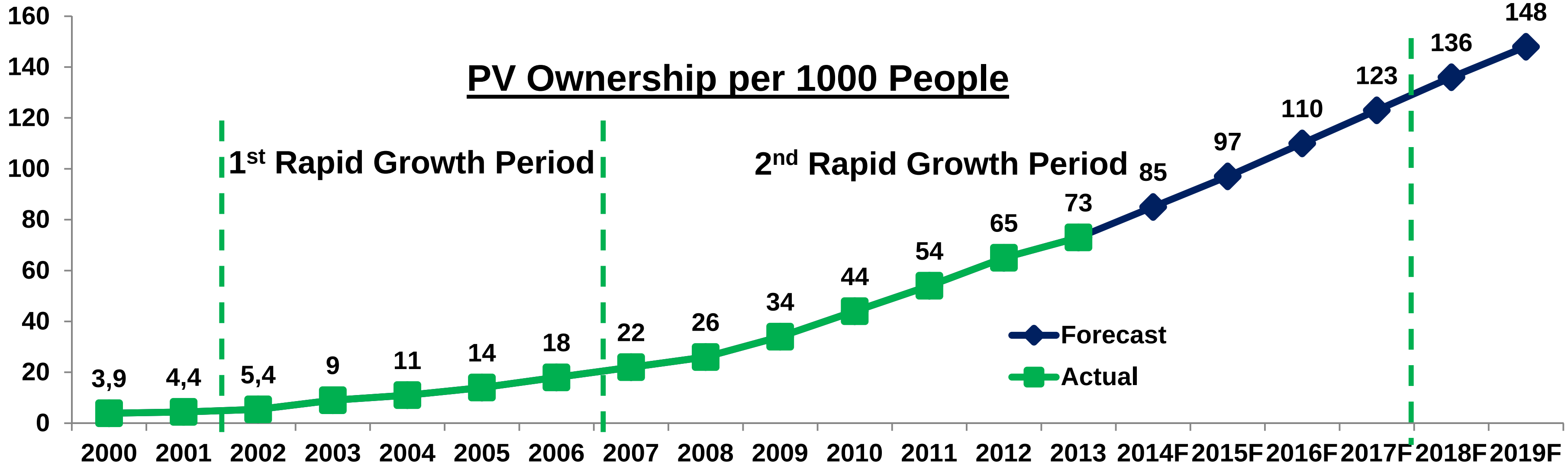
China LVP Development Trend (Million)

- IHS & CAAM



* IHS incl. passenger car & 0-3.5 ton LCV
* CAAM incl. passenger car & 0-6 ton LCV
* Includes mainland and Taiwan.

Still Higher Growth Expected in Coming Years



1st Rapid Growth Period

- Over 5 years
- Annual average growth rate by sales = 30%
- PV ownership/1000 people = 5

		Annually Average Sales Growth Rate
Japan	1960-1964	*35.8%*
Korea	1981-1985	*25.0%*
China	2001-2007	*28.9%*

2nd Rapid Growth Period

- Over 10 years
- Annual average growth rate by sales = 20%
- PV ownership/1000 people = 130

		Annually Average Sales Growth Rate
Japan	1965-1973	*22.2%*
Korea	1986-1997	*20.0%*
China	2008-2018	*12-14%*

**Data sources: State Information Center*

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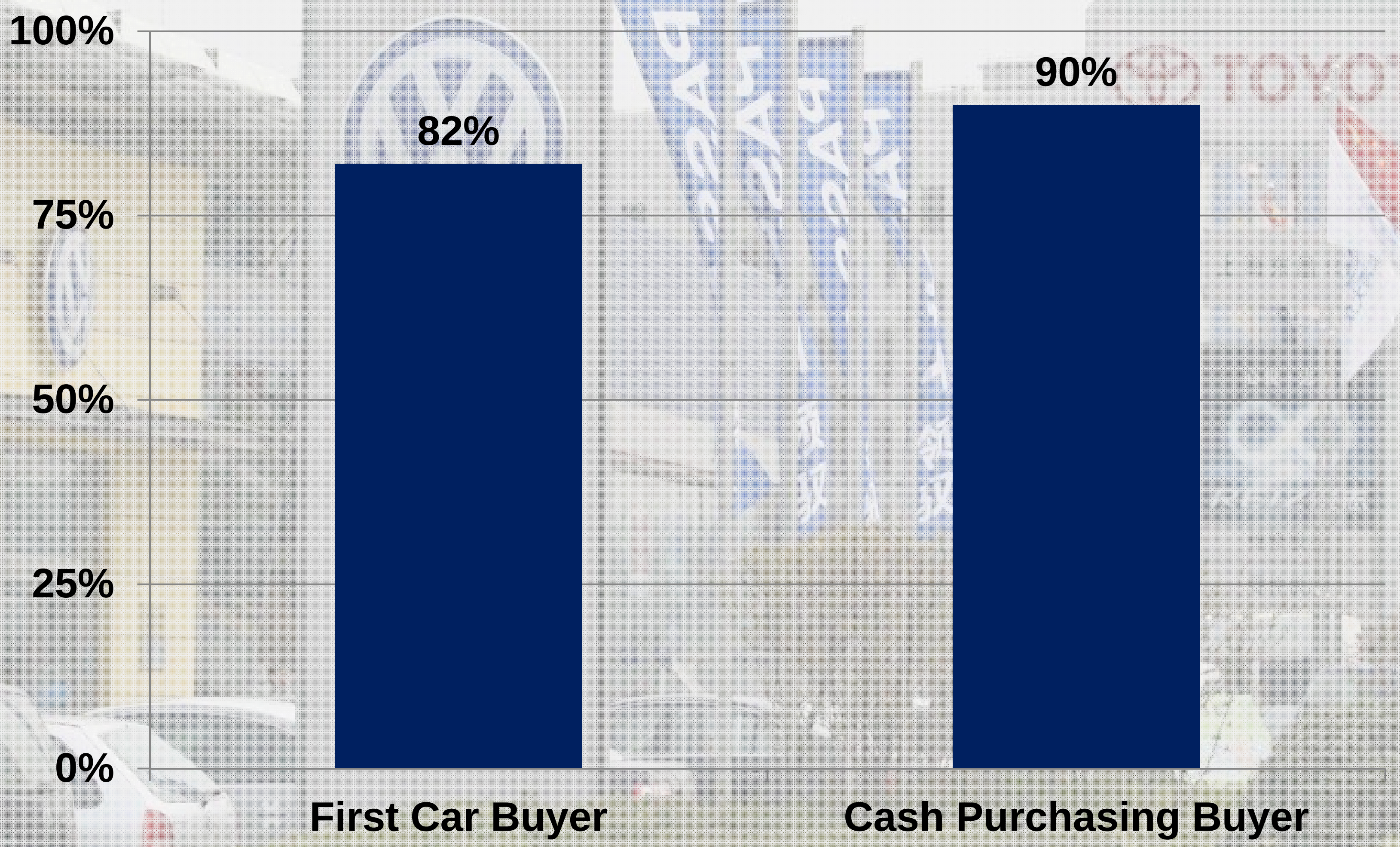
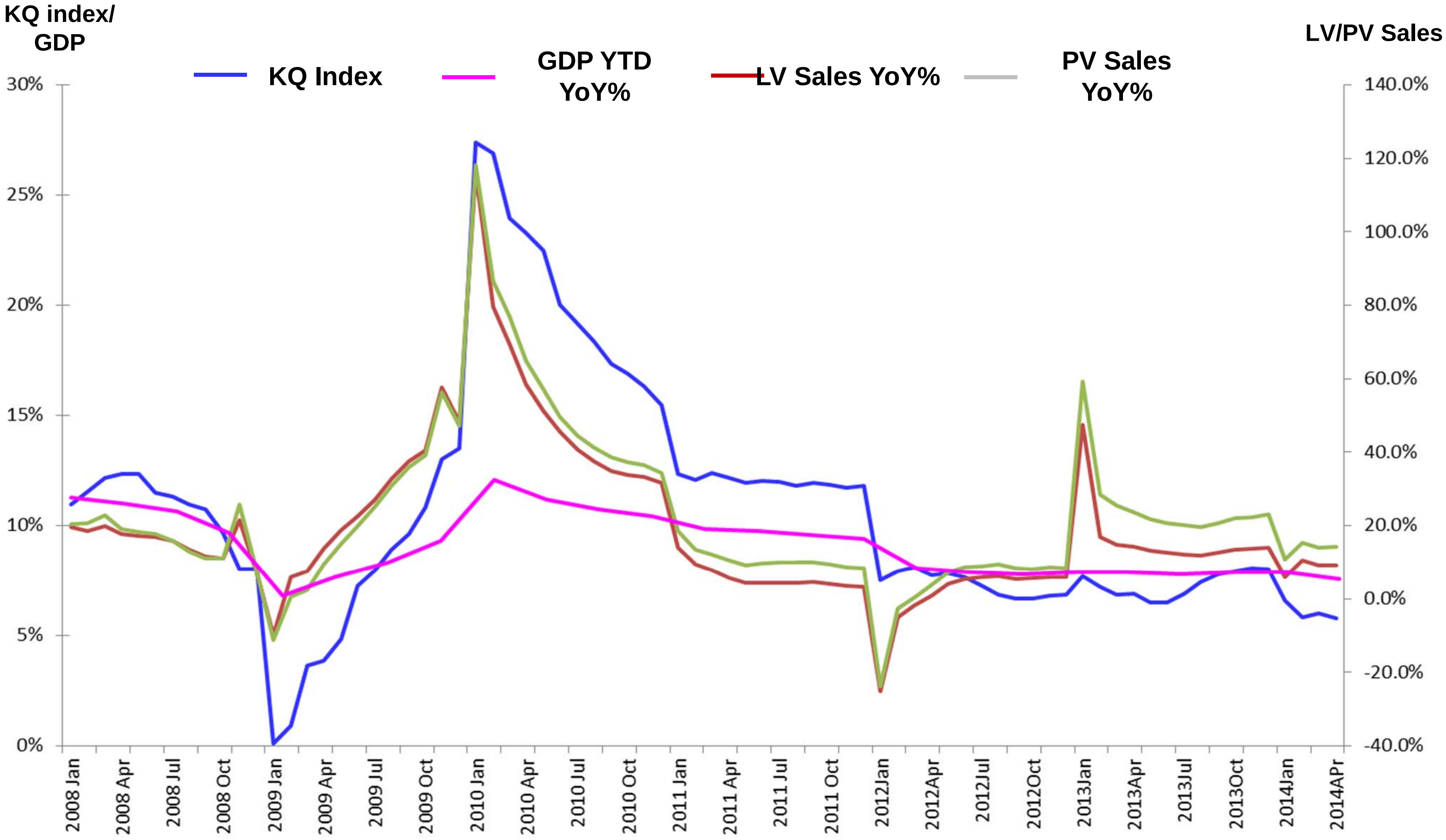
End-Users Purchasing Behaviors



*Data resource: LMC Automotive in AN China, May 24, 2014

LKQ Index vs. LV Sales vs. GDP

	2014 Jan	2014 Feb	2014 Mar	2014 Apr
KQ Index	6.6%	5.8%	6.0%	5.8%
GDP YTD YoY%			7.4%	
LV Sales YTD YoY%	6.0%	10.6%	9.2%	9.2%
PV sales YTD YoY%	10.8%	15.2%	14.1%	14.1%

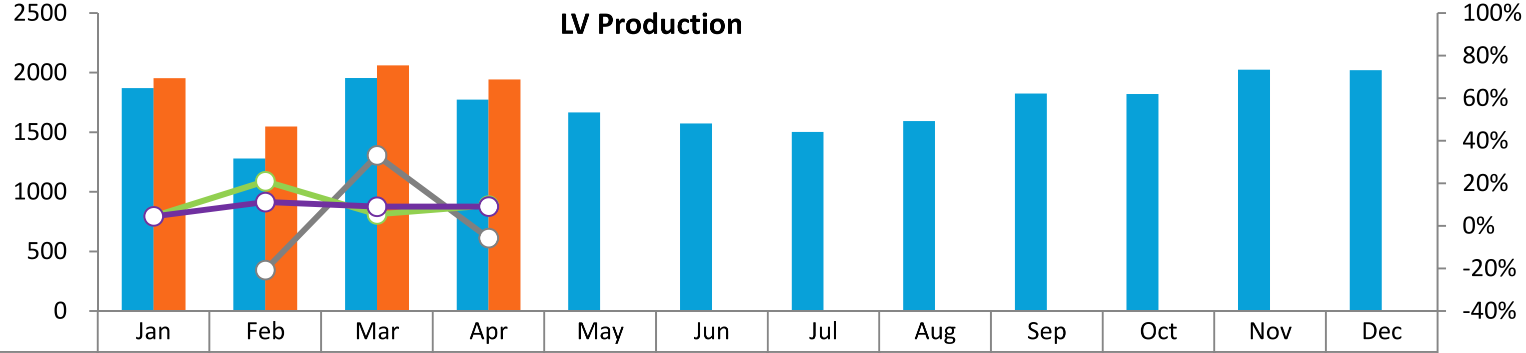


- *KQ Index = 25% railway **delivery** YTD YoY% + 40% Industrial power consumption YTD YoY% +35% **Loan balance** YTD YoY%*
- *Data source: National statistics bureau and CAAM.*

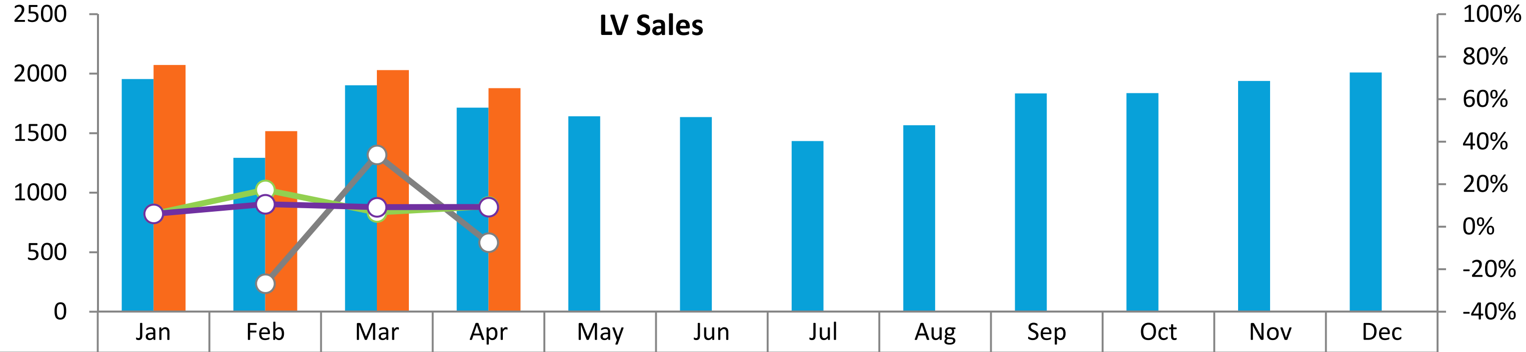
2014 Apr Production & Sales (Unit: '000)

	2014 Apr Production		2014 Apr Sales		2014 Apr YTD Production		2014 Apr YTD Sales	
	Volume	YoY%	Volume	YoY%	Volume	YoY%	Volume	YoY%
Total Vehicle Market	2,068	8.8%	2,004	8.8%	7,953	9.0%	7,925	9.1%
Light Vehicle	1,943	9.5%	1,878	9.5%	7,501	9.0%	7,498	9.2%
Passenger Vehicle	1,529	14.1%	1,479	14.3%	5,945	13.5%	5,950	14.1%
Sedan	1,061	5.4%	1,031	5.6%	4,104	3.8%	4,146	4.9%
MPV	152	50.5%	137	54.3%	651	62.1%	625	56.9%
SUV	316	36.5%	311	36.4%	1190	35.1%	1179	36.9%
Light Commercial Vehicle	414	-4.6%	399	-5.2%	1556	-5.1%	1548	-6.3%

Light Vehicle (Unit: ‘000)



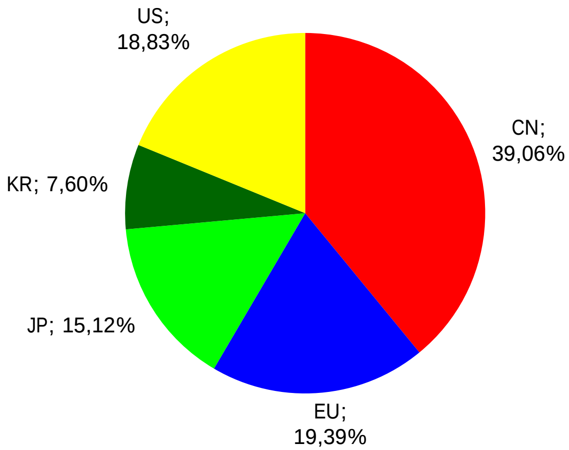
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013 Monthly	1871	1280	1955	1773	1666	1574	1502	1594	1825	1821	2025	2021
2014 Monthly	1954	1548	2061	1943								
2014 MoM%		-20,8%	33,1%	-5,7%								
2014 Monthly YoY%	4,5%	21,0%	5,4%	9,5%								
2014 YTD YoY%	4,5%	11,2%	9,0%	9,0%								



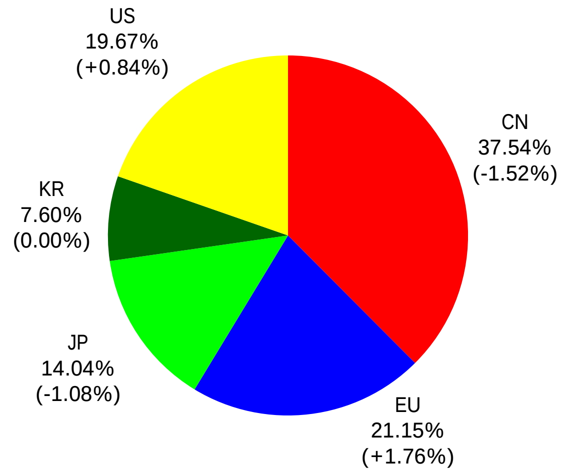
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013 Monthly	1955	1293	1902	1715	1642	1635	1434	1566	1835	1837	1938	2010
2014 Monthly	2073	1517	2030	1878								
2014 MoM%		-26,8%	33,8%	-7,5%								
2014 Monthly YoY%	6,0%	17,3%	6,7%	9,5%								
2014 YTD YoY%	6,0%	10,6%	9,2%	9,2%								

LV MS% - By Brand Region

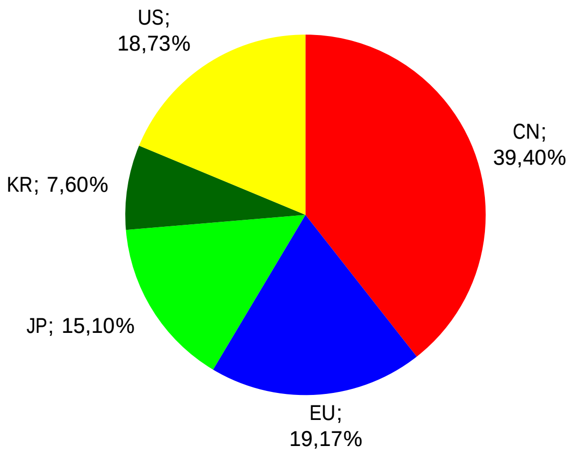
Production
2013 FY



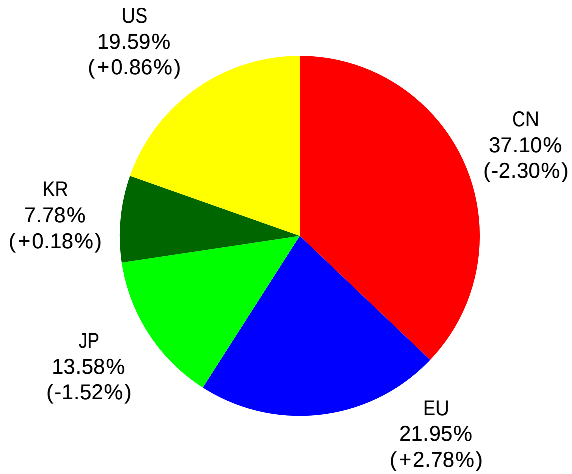
Production
2014 Apr YTD



Sales
2013 FY

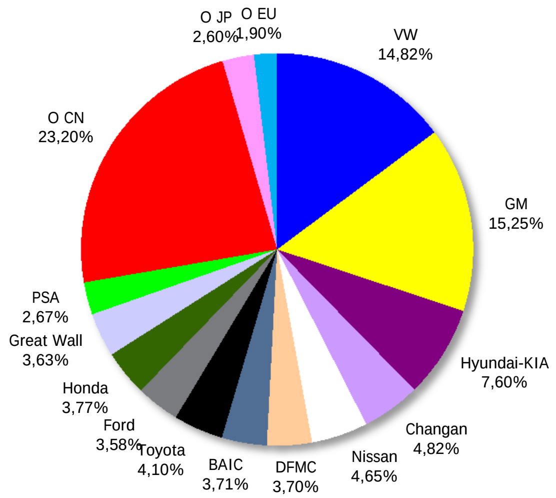


Sales
2014 Apr YTD

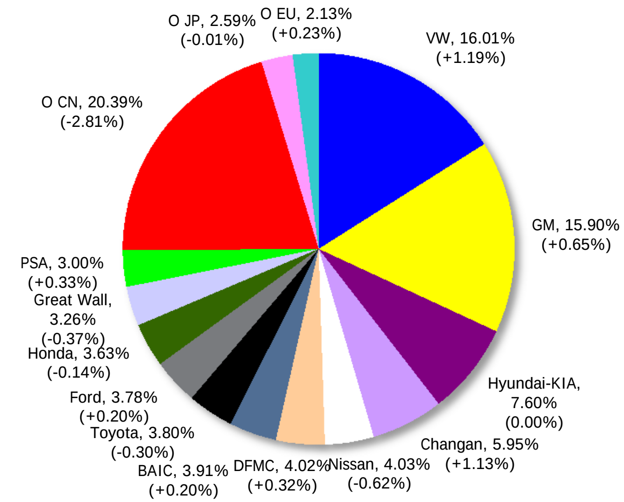


LV MS% - By OEM

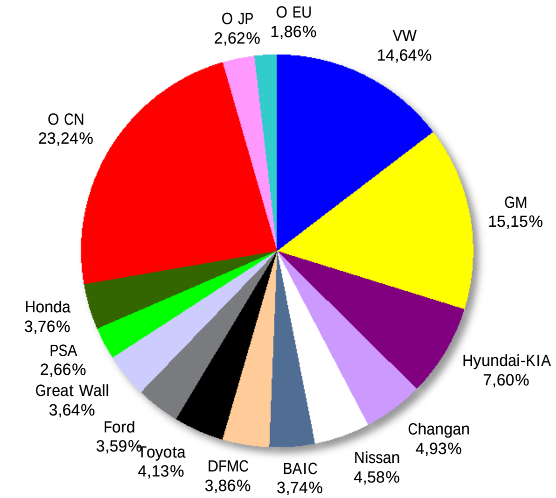
Production
2013 FY



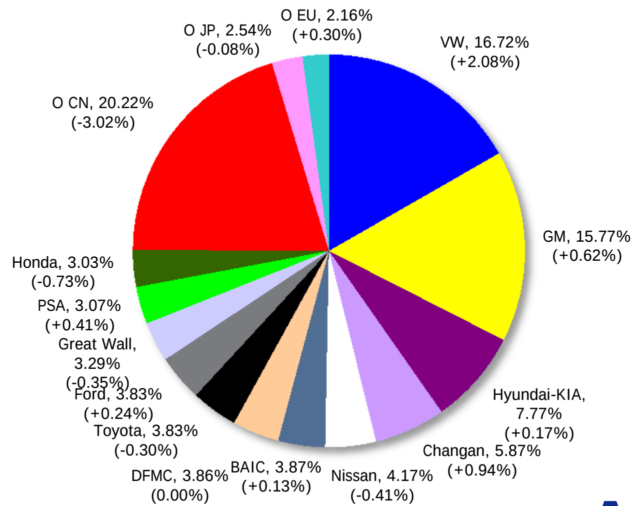
Production
2014 Apr YTD



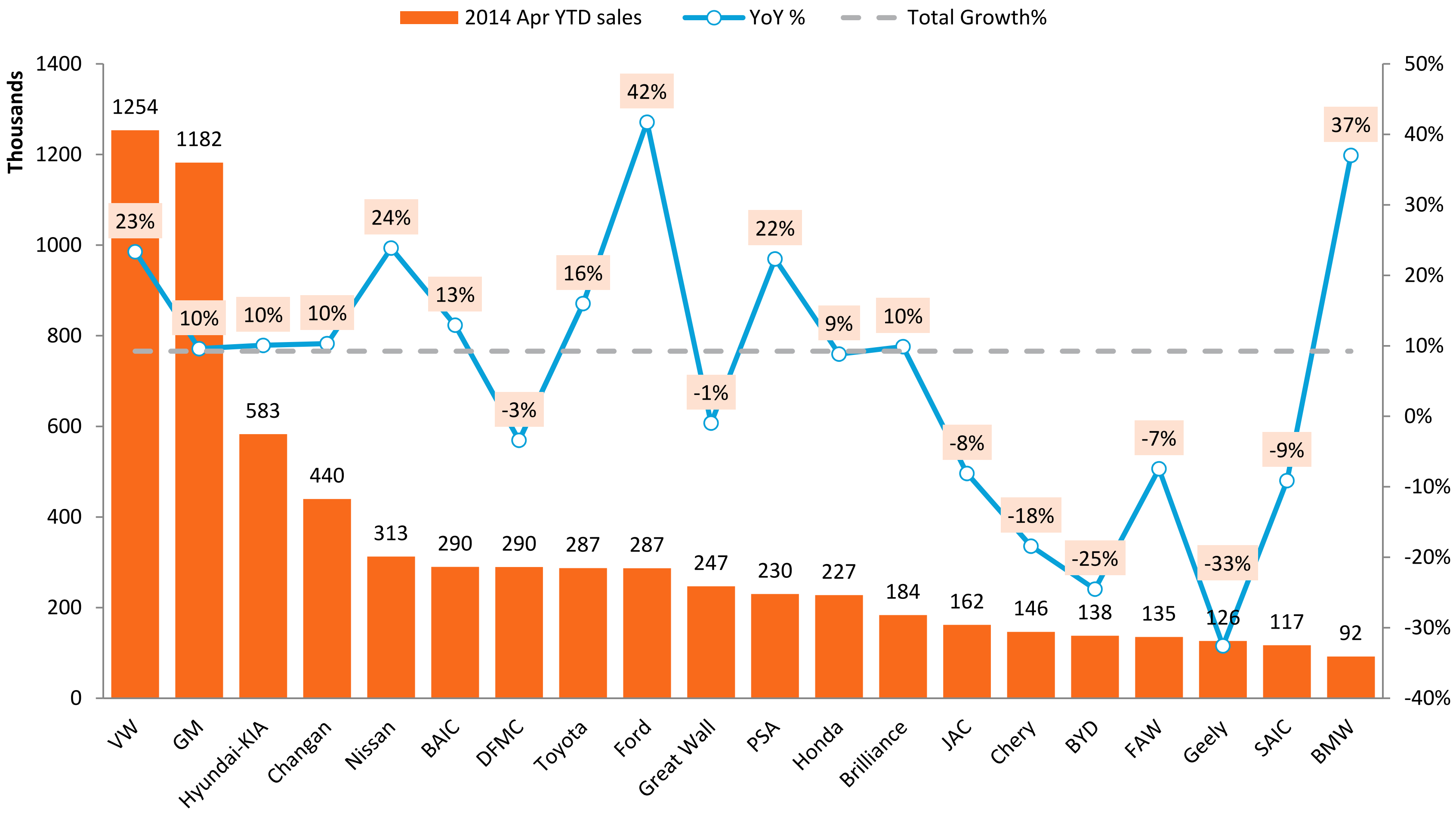
Sales
2013 FY



Sales
2014 Apr YTD



Key OEM LV Sales (Unit: '000)



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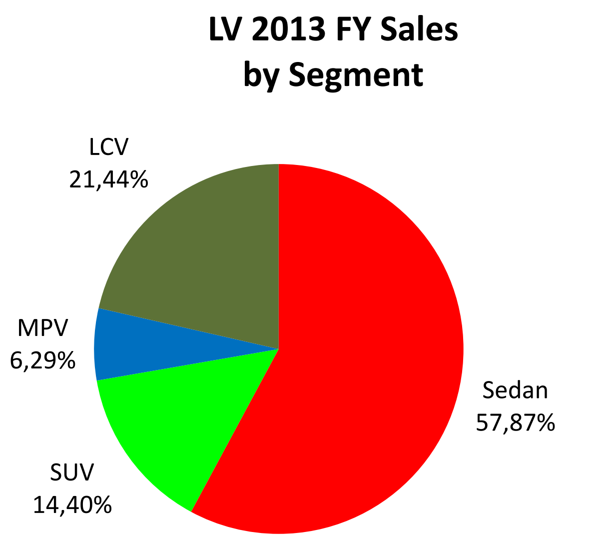
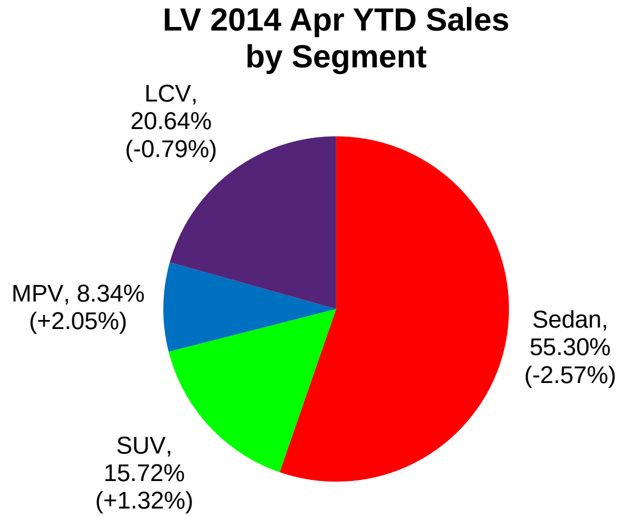
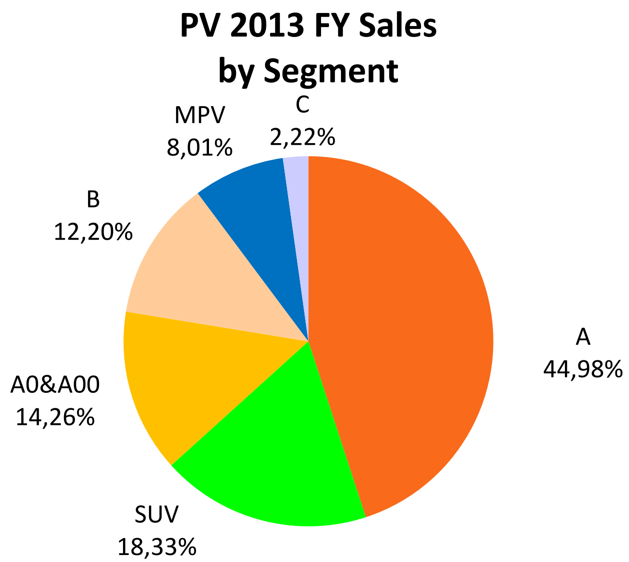
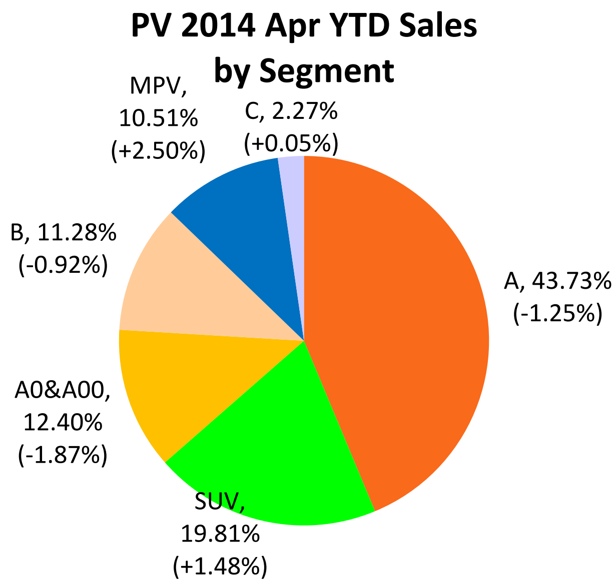
MS% - By Segment









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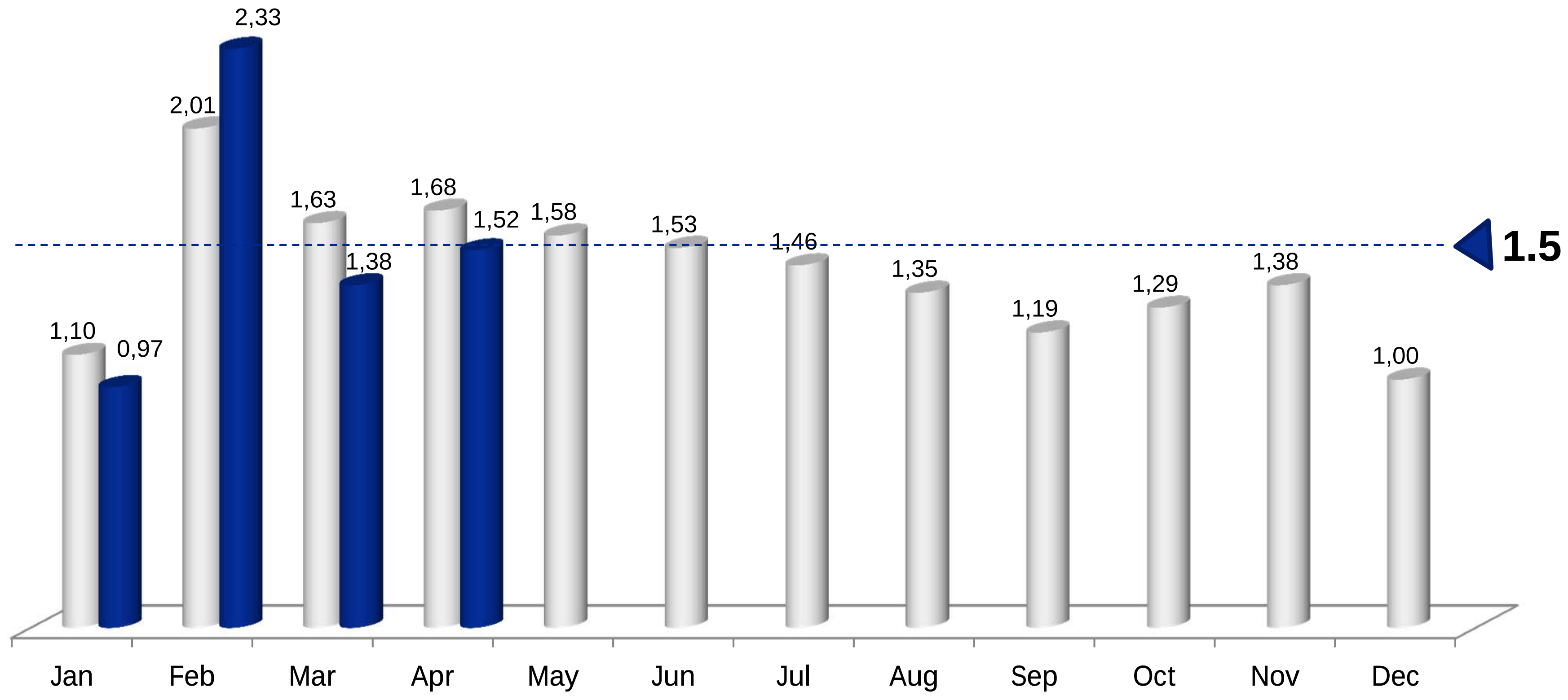
2014 Inventory Index

Data Source: CADA

Normal Level: 0.8~1.2
Critical Level: 1.5



**** Inventory Index = Auto Dealers monthly Inventory/Sales***

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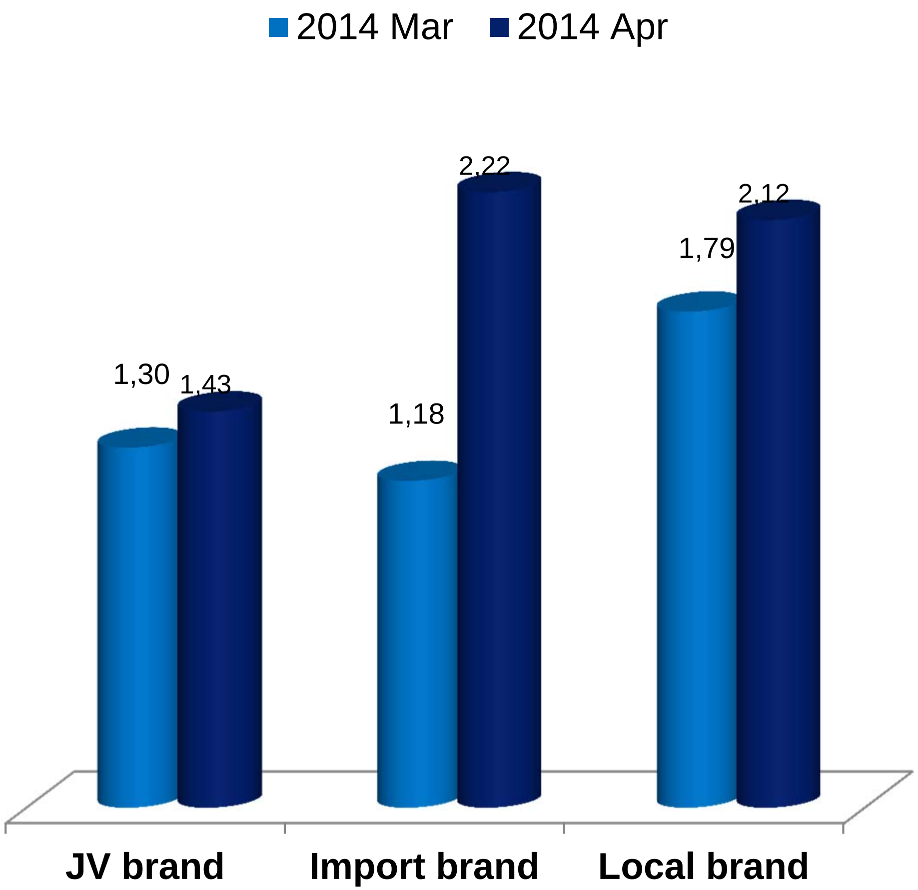
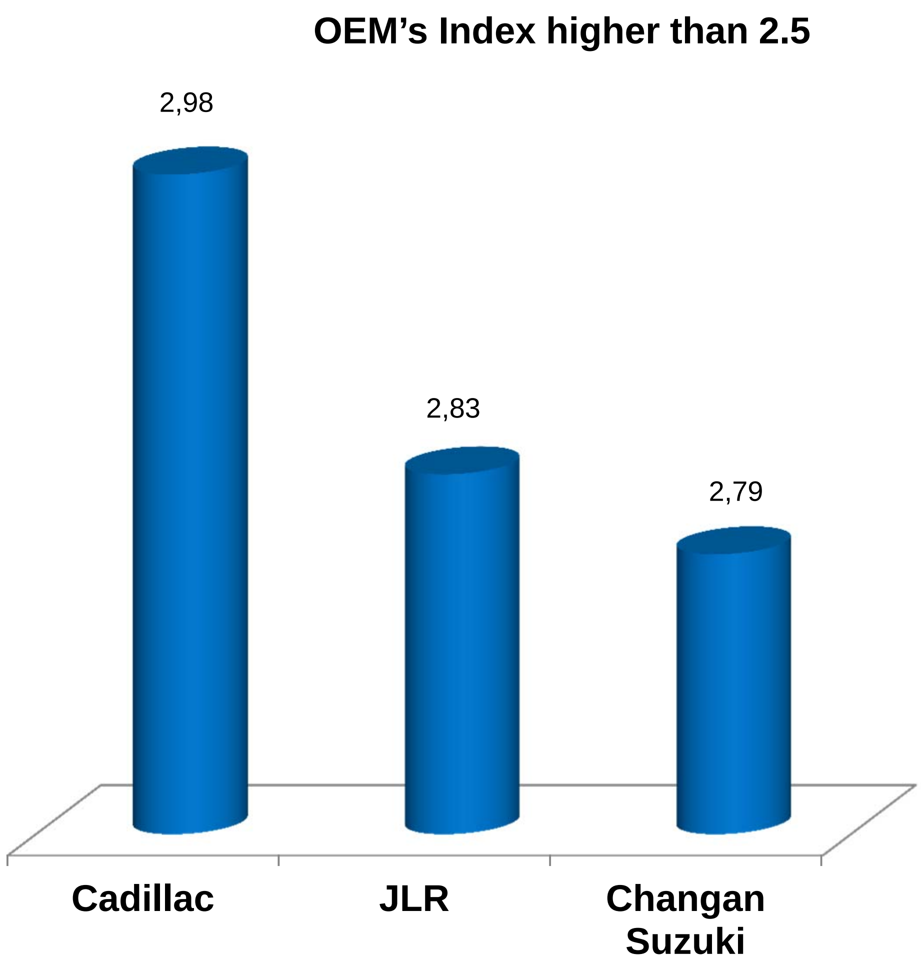
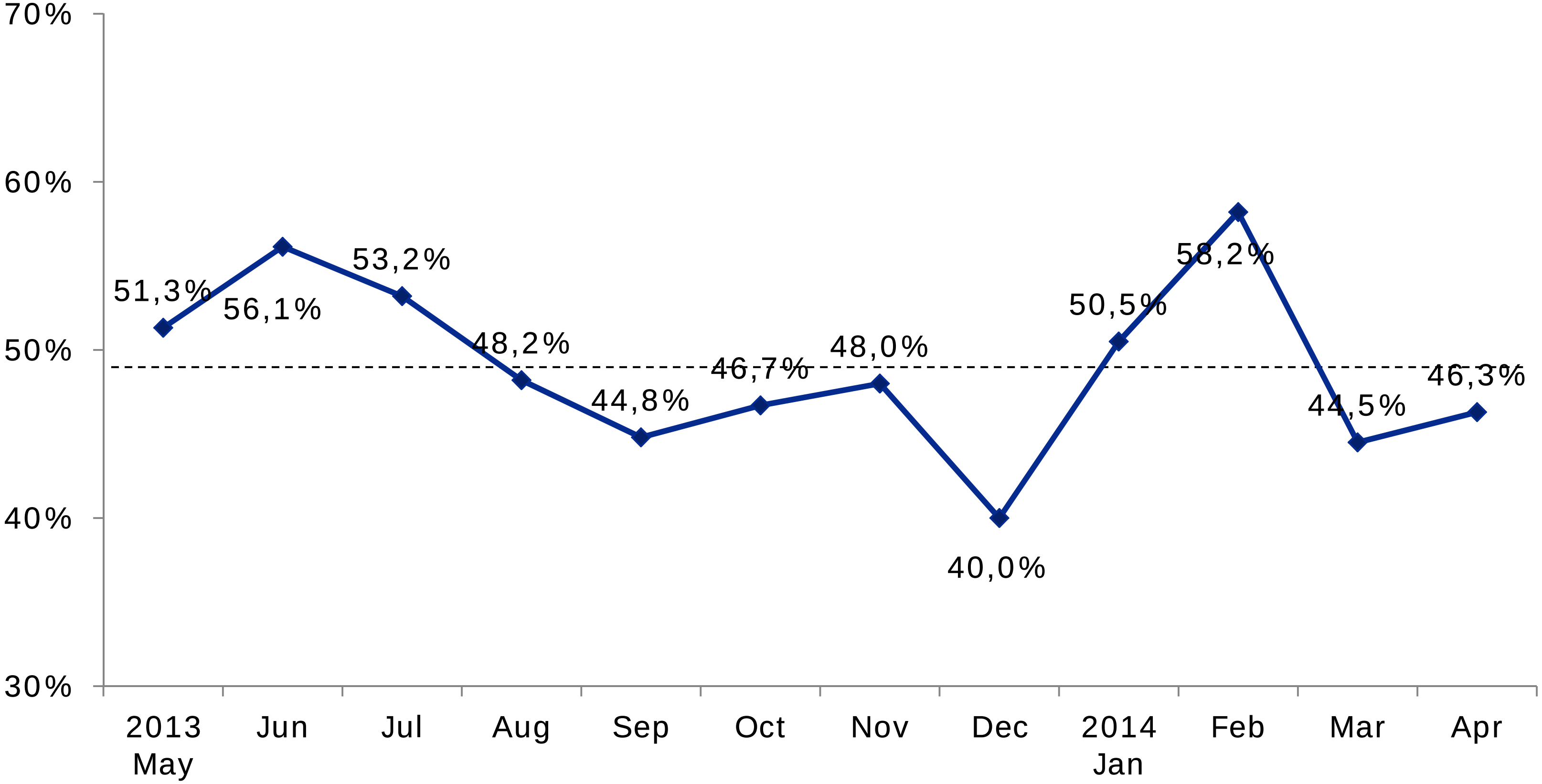
2014 Inventory Index by Customer Segment





Vehicle Inventory Alert Index
- 12-month round

Normal Level: Below 50%
Critical Level: Above 50%



Data Source: CADA (China Automobile Dealers Association)


Aspiration for Autoliv China 2017
Autoliv China, the best choice
The most attractive company to work for
The first choice for our customers
The best partner to stakeholders
The benchmark in Autoliv and China
Working together as one Autoliv
TO SAVE
MORE LIVES

Autoliv in China

History

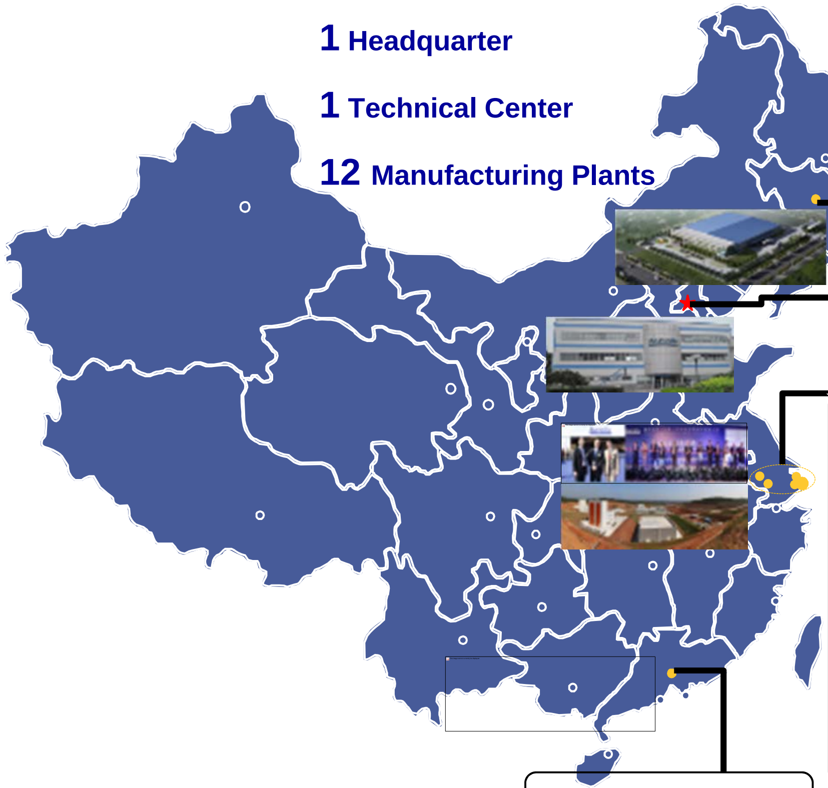
2013 CNF/CNC – Autoliv Texile & Cushion plant
2013 ACP - Autoliv China Propellent Campus
2012 ACC new plant inaugurated
2011 NHA new plant inaugurated
2010 In-House Airbag Cushion
2009 ACH, ACS, CTC new building/plant
Nanjing plant (NHA) JV became Autoliv wholly owned
2008 China Headquarter in Shanghai (ACH)
2007 Changchun plant JV became Autoliv wholly owned
2006 Shanghai steering wheel plant (ACW)
Shanghai webbing plant capacity expansion (ACX)
2005 In-house restraint system development capability
Guangzhou seat belt & airbag plant established (ACG)
2004 Autoliv China Purchasing Office launched
3 new wholly owned companies in Shanghai
- Seat belt/retractor (ACS)
- Inflator (ACI)
- Safety electronics (ACE)
Shanghai airbag co. became Autoliv wholly owned
2002 Airbag & seat belt JV in Changchun (ACC)
1999 1st airbag JV in Shanghai (ACR)
1995 Seat belt webbing JV in Shanghai (VOS)
1994 2nd seat belt JV in Changchun (CHA)
1990 Established 1st seat belt JV in Nanjing (NHA)

Autoliv Operations in China

1 Headquarter

1 Technical Center

12 Manufacturing Plants



Changchun
ACC (Seatbelts, Airbags)

Beijing
ACB (Seatbelts)

Central Production Locations in Shanghai & Jiangsu

Shanghai
ACH (Headquarter)
CTC (Test Center)
ACS (Airbags)
ACW (Steering Wheels)
ACI (Inflators)
ACE (Electronics)

Jiangsu
CNF (Fabrics)
CNC (Cushions)
ACX (Webbings)
ACP (Propellants)
NHA (Seatbelts)

Guangzhou
ACG (Seatbelts,

Turnover 2013: $1.41B
Locations: Shanghai, Nanjing, Nantong, Taicang, Jintan, Guangzhou, Changchun, Beijing, Xushui, Taiwan

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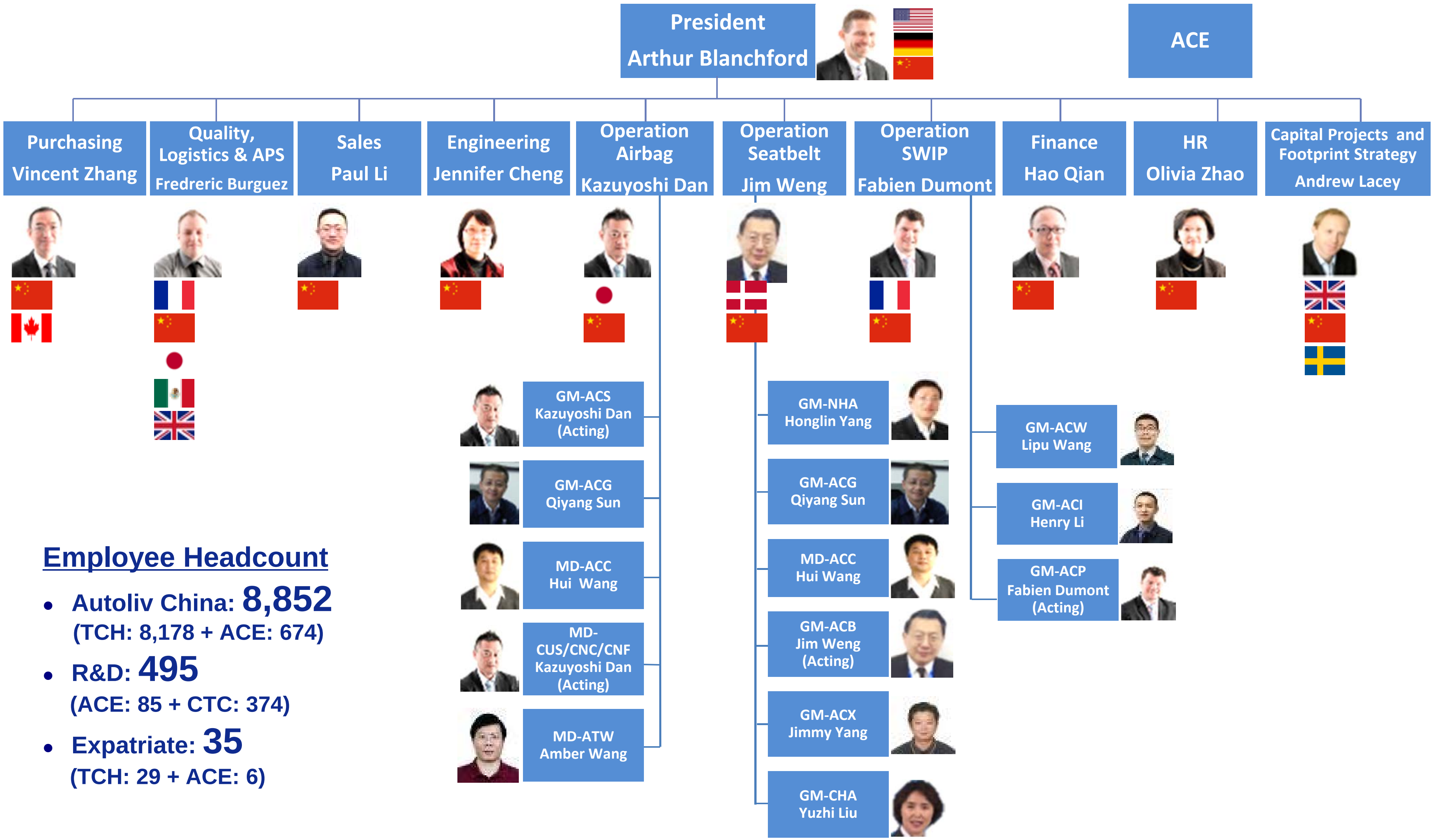
Autoliv China Organization



Employee Headcount

- **Autoliv China: 8,852**
  (TCH: 8,178 + ACE: 674)
- **R&D: 495**
  (ACE: 85 + CTC: 374)
- **Expatriate: 35**
  (TCH: 29 + ACE: 6)

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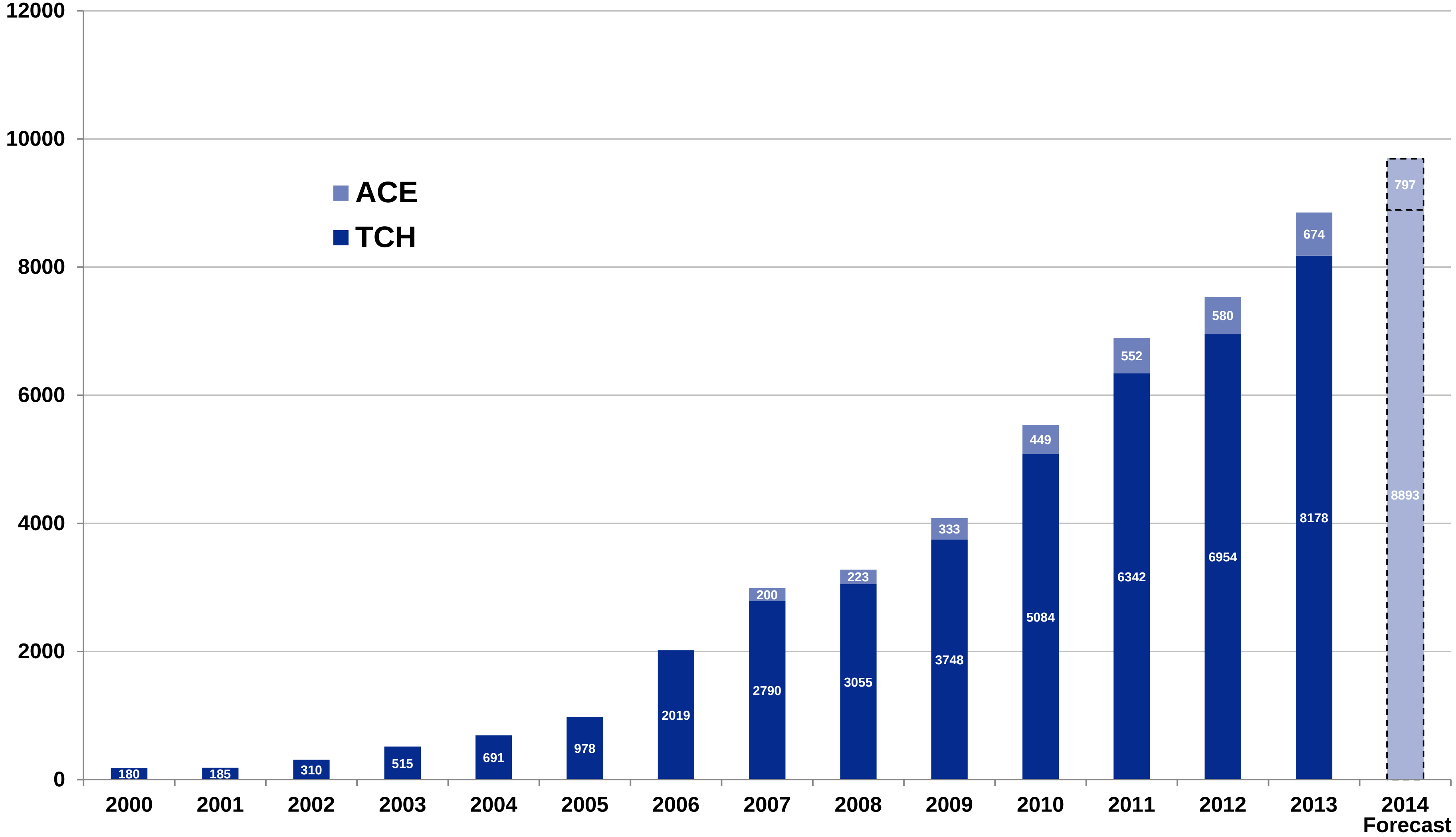
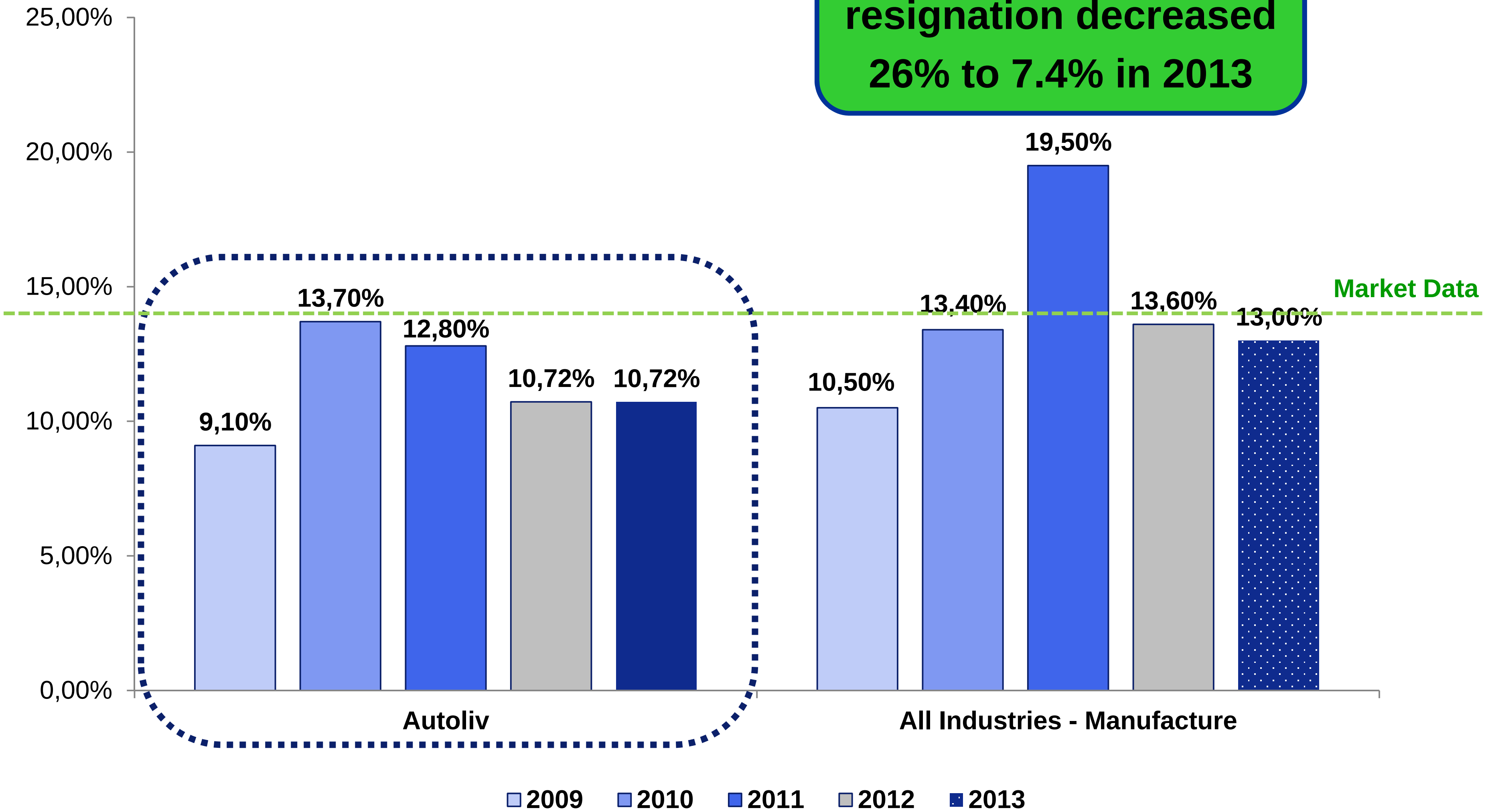
Headcounts Development

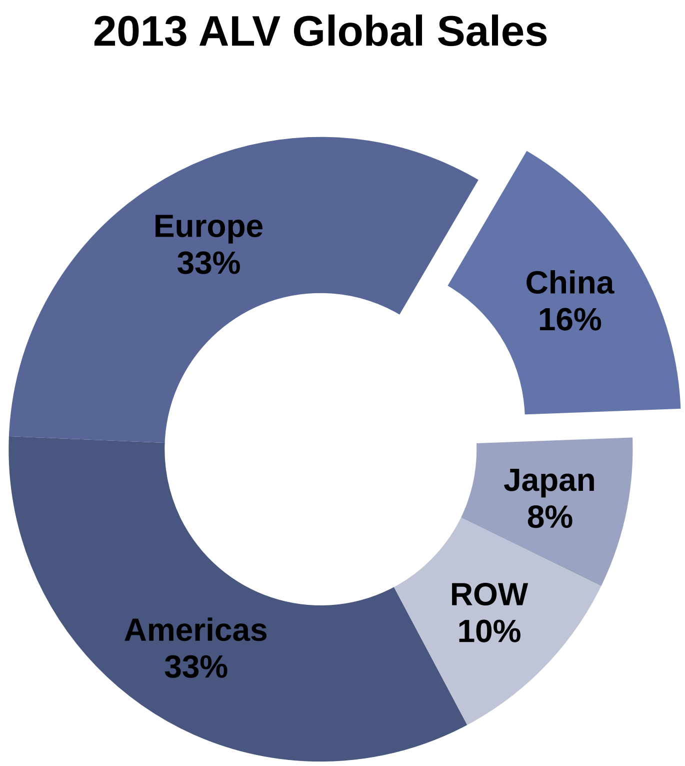


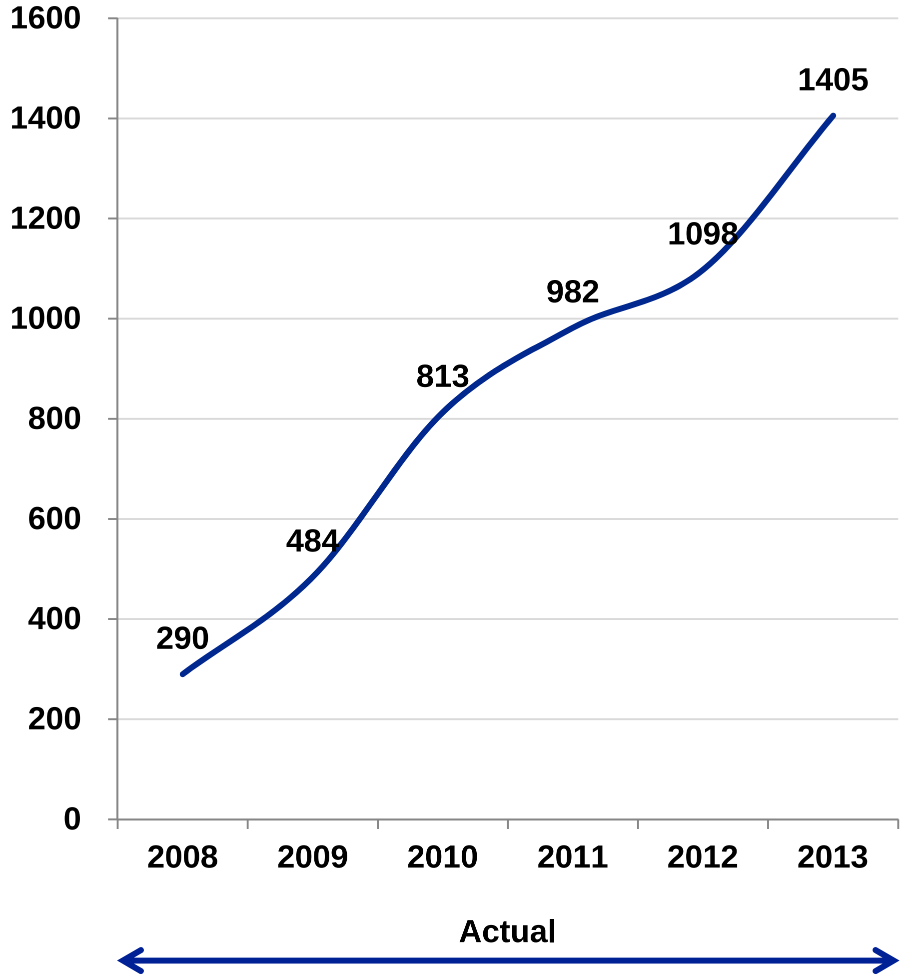
Yearly Employee Resignation

Professional staff resignation decreased 26% to 7.4% in 2013



Autoliv China Sales (MUSD)





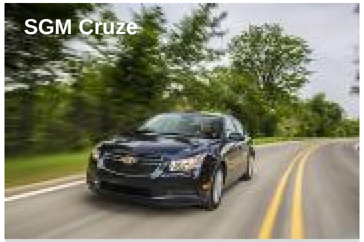
2013 Best Selling Models with Autoliv Products

(1) / AB, SB, SW, EL

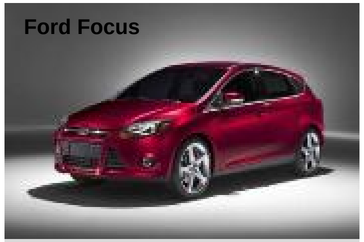
(2) / SB

(5) / SB

(6) / SB

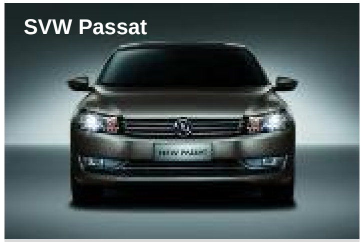


(7) / AB, SB, EL



(8) / AB, SB

(9) / SB



(10) / SB

(11) / AB, SB, SW, EL

(13) / AB

(14) / AB

(15) / AB, SB, SW, EL

(#): Position No. by volume sold in 2013

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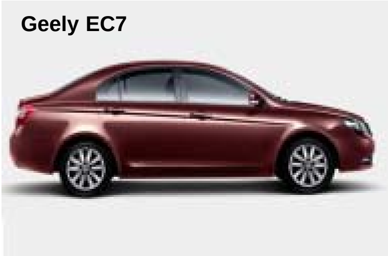
2014 Major Launches

Geely EC7



AB, SB, SW, EL

Haval H8

AB, SB, SW, EL

SGM Cruze

AB, SB, EL

Nissan X-Trail

AB, EL

SGMW CN200

AB, SB, SW, EL

DPCA 2008

AB, SB, SW, EL

Honda Odyssey

AB, EL

SVW Octavia MQB

SB

Ford Focus

AB

* All model pictures are only for reference here and the final pictures subject to the official release of OEMs

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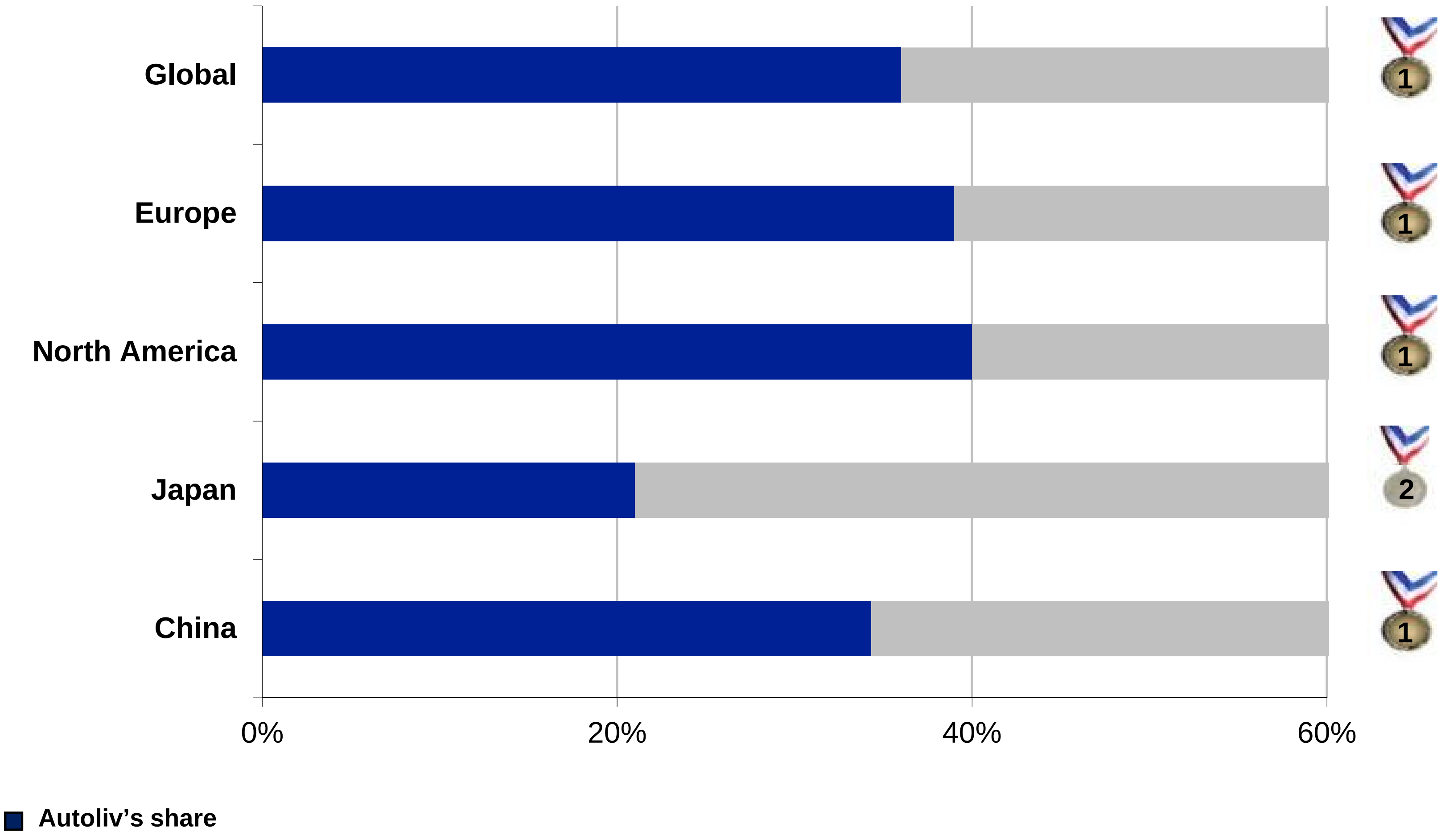
Leading Market Position in Passive Safety



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CTC State-of-the-Art Testing Capabilities

- **Complete development capability and experience of restraint system and products**
  - **CAD & CAE**
  - **Sled test**
  - **Full scale crash test**
  - **Restraint system products test**
- **Part of Autoliv global research and development capabilities**




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China Technical Center (CTC)

- Largest tech center (TC) in ALV by projects and customers
- Now leading global projects and first launch of new designs
- China: Unique market requirements for VOC, odor, ELV, horn durability and noise
- Fastest (9 mo.) SW development time and only one developing switches
- 1st in China industry to enroll a Chinese person for accident research
- 1st to study the car-to-E-bike safety using Chinese accidents
- Published 1st paper at SAE congress on China accident research
- Established Asia textile engineering center and building global one

Zero-Defect Policy

Design robust products

Buy flawless components

Manufacture flawless products

Verify conformity of products

Product Development

Supply Base

Production System

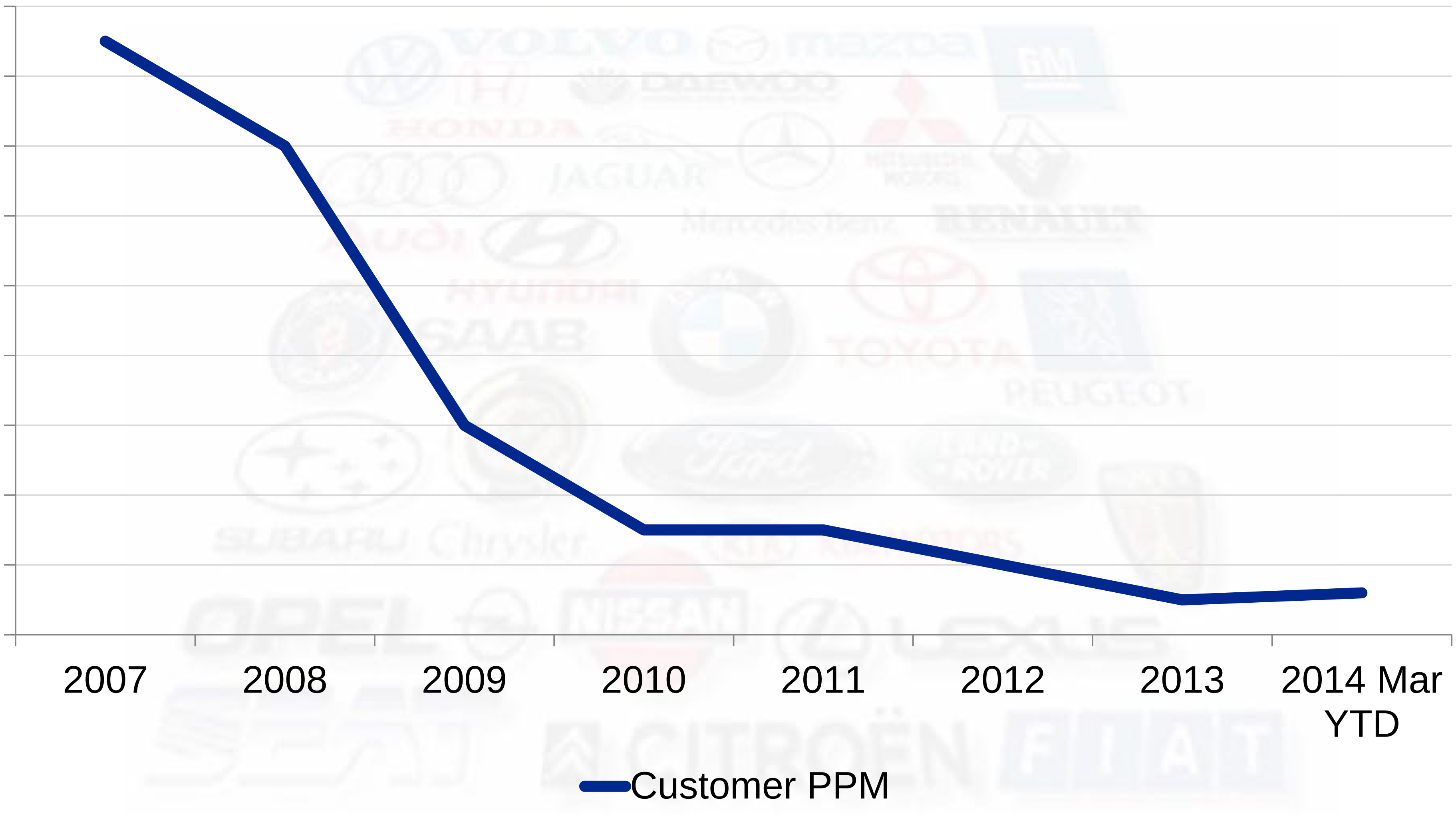
Mistake Proofing

Zero Defect means no customer PPM, no rework, no reprocess, no reject, no bad component reaching the production lines

- ***# of 0 defect workshops opened so far :** 144*
- ***# of workshops closed so far (more than 26 days without defects) :** 52*
- ***Current best streak :**ACC/F18 PAB/ 183 days*
- ***Best ever streak :** ACG/SAA5 / 212 days*
- ***Average days without defects(SUM of all zero defects days/ total number of lines):** 1949/491=4.0*
- ***# of lines in Autoliv China:** 491*
- ***# of lines more than 15 days without defect:** 40*
- ***% of lines that is keeping zero defect more than 15 days:** 40/491= 8.1%*

(all figures updated by 2014 WK19)

Excellent Customers PPM



14 Major Customer Awards for 2013 (And a Shingo Prize)

Customer name	Award name	When	Where
SGMW	Excellent supplier	19th Dec. 2013	Guilin, Guangxi
BYD	Quality Assurance	2014.3.18	ACI
ZNA郑州日产 (Nissan)	Best logistics	2014.1	Guangzhou
NCIC日产中国 (Nissan)	Best logistics	2014.2	Shanghai
NCIC日产中国 (Nissan)	Best quality	2014.2	Shanghai
GWM	Sincere Partner	2014.03.12	Baoding
ChangAn Mazda	Excellent Supplier Award	2013.12	Yunnan
GMMC (Mistubishi)	Excellent Supplier Award	2013.12	Hunan
SFTMCF (Toyota)	Excellent Quality Supplier Award	2014.3	Tianjin
GTMC (Toyota)	Excellent Quality Supplier Award	2014.3	Guangdong
GTMC (Toyota)	Quality Cooperation Award	2014.3	Guangdong
GTMC (Toyota)	Quality Cooperation Award	2014.3	Guangdong
SGM Norsom	Quality Excellent Award	Dec. 2013	Shengyang
SGM Norsom	Change Point Control Award	Dec. 2013	Shengyang

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Q5
- Autoliv Employees with Quality in Focus

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Current Focus and Challenges

Developing Sustainable Capacity – Top issue and focus

- **Human Capital**
  - **Working on hiring needed workers and management**
  - **1.1 Jobs for every worker in China today and cost increasing 10-15% p.a.**

- **Current Capital Investments**
  - **Several New Plants and Major Expansions this year**

- **Supply Base**
  - **Automated tool tracking system**
  - **Only sourcing ~10% of production suppliers in China**

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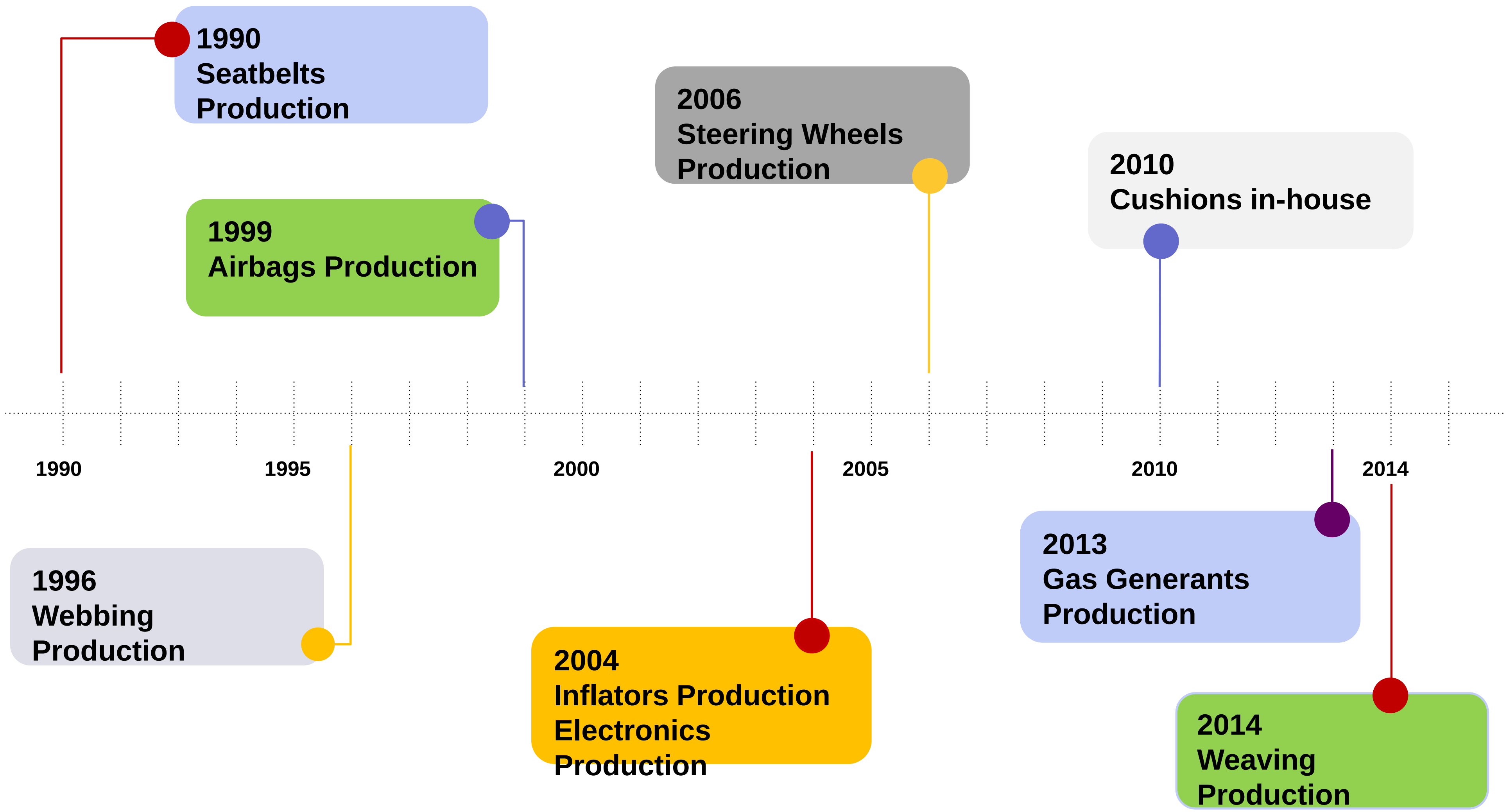
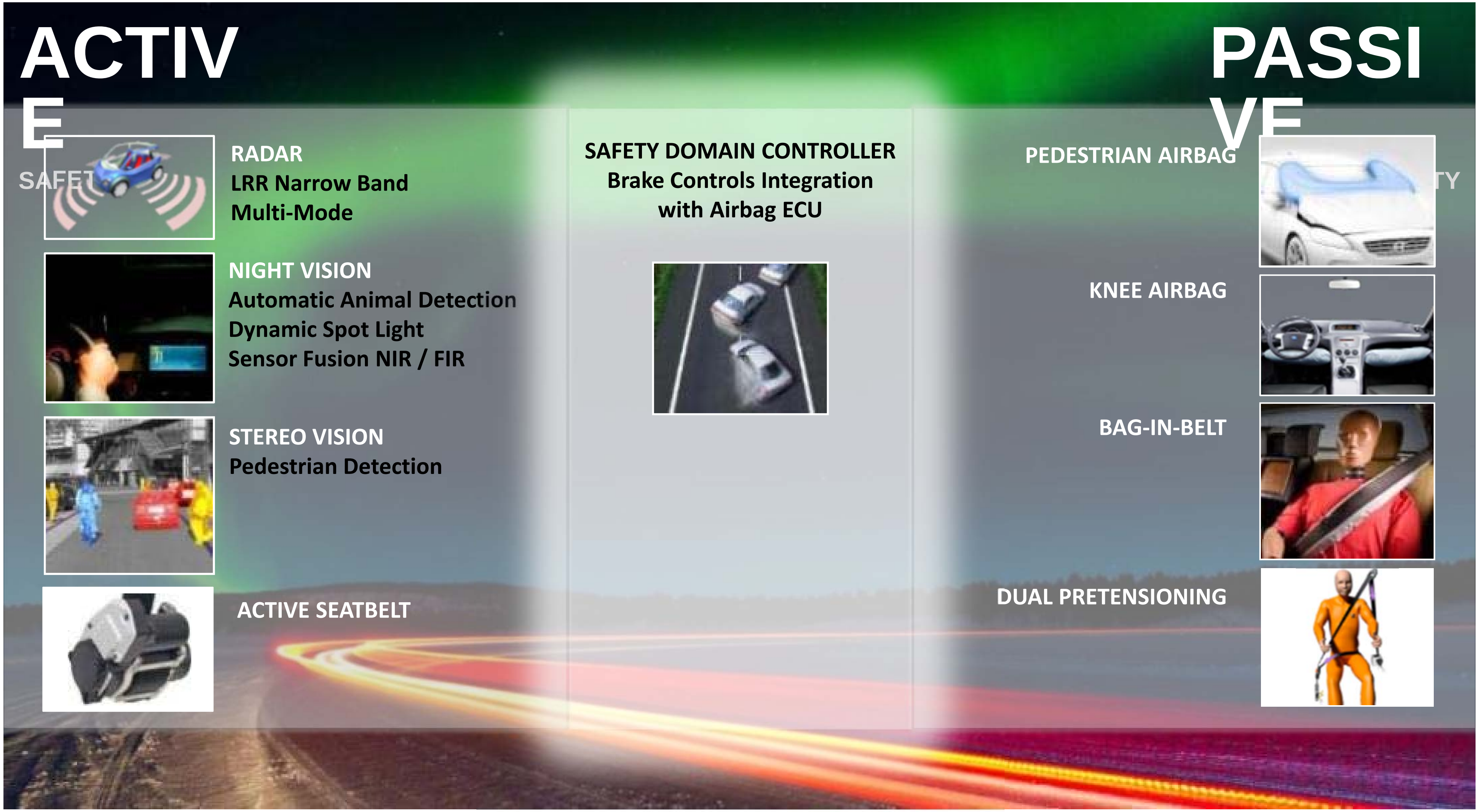
Growth in China
- Vertical Integration for Sustainable Capacity



Investments for Growth -
- Fusion of Active and Passive Safety Technologies



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Every year, Autoliv's products save over 30,000 lives