



Autoliv

*- the global leader in
automotive safety*

Presentation at Financial Analyst Training

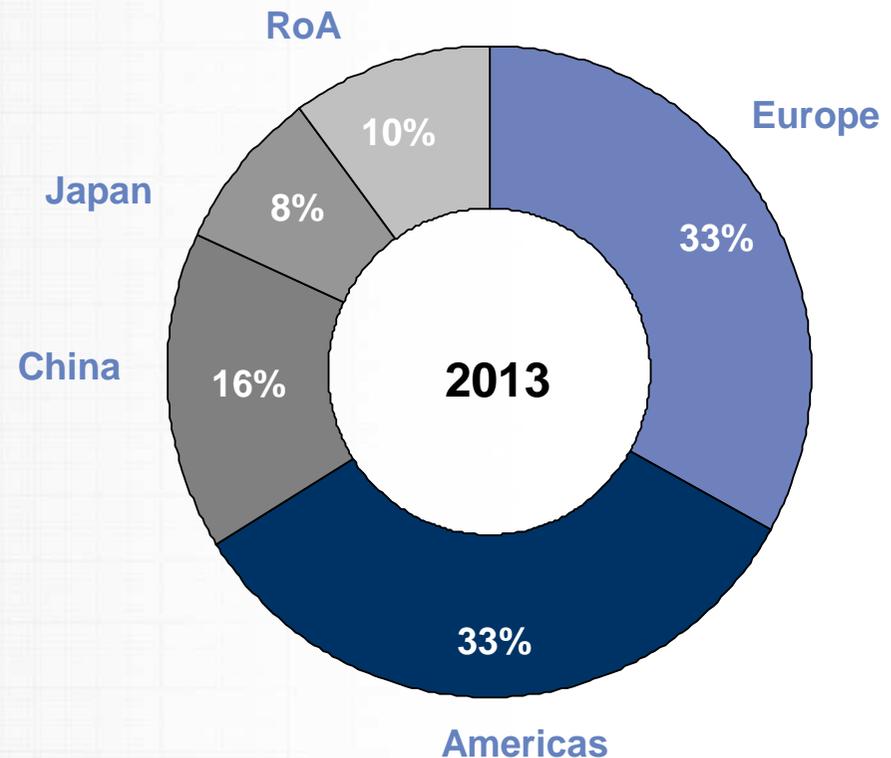
Stockholm June 09, 2014

Thomas Jönsson
Vice President
Corporate Communications

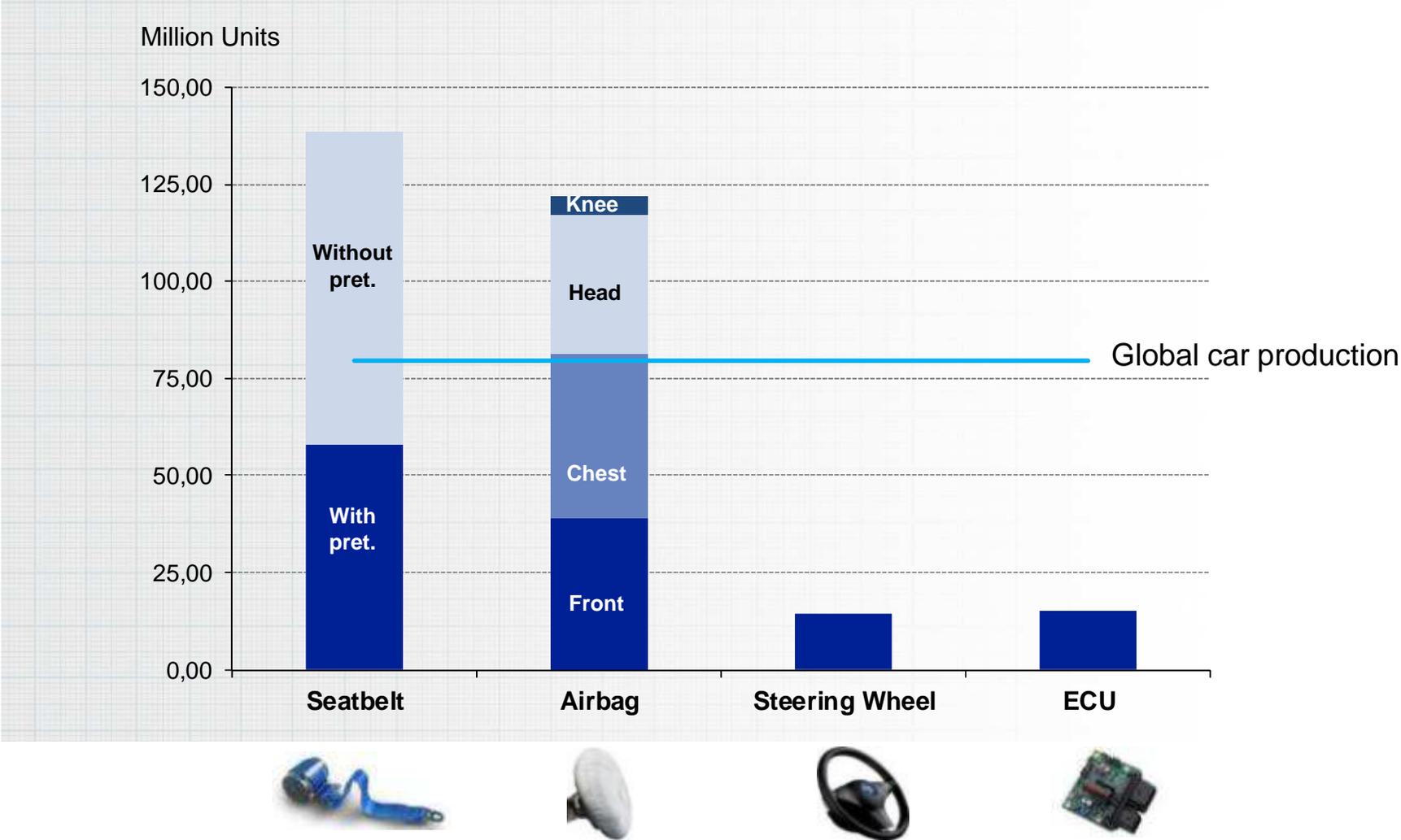


Autoliv in Brief

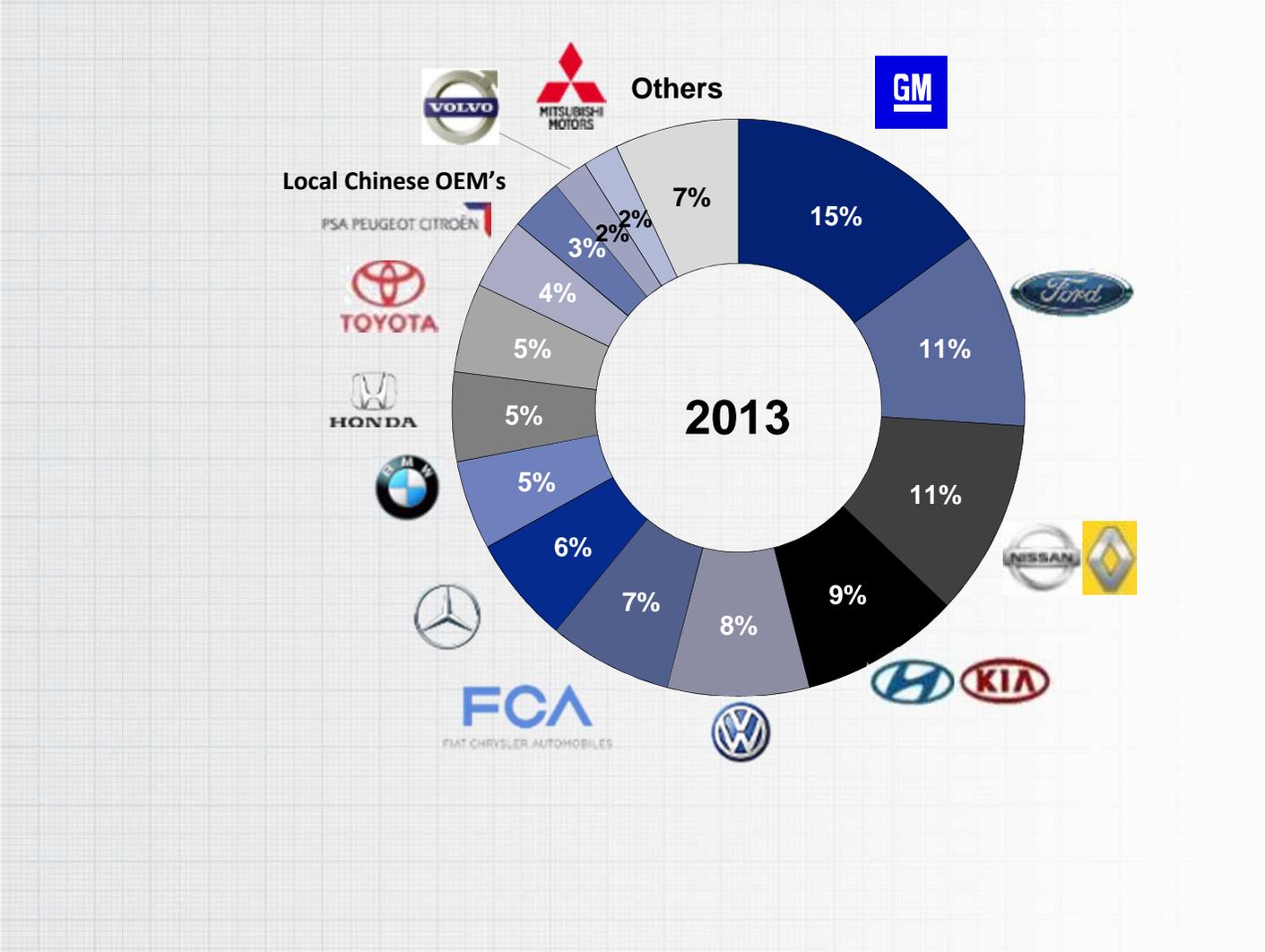
- Sales and technology leader
- Sales US\$8.8 billion
- Sales to all major vehicle manufacturers
- Fortune 500 company with an A- credit rating (S&P)
- ~ 80 facilities in 29 countries
- 18 technical centers and 20 crash test tracks
- ~ 56,000 associates of which ~ 5,000 in R,D&E



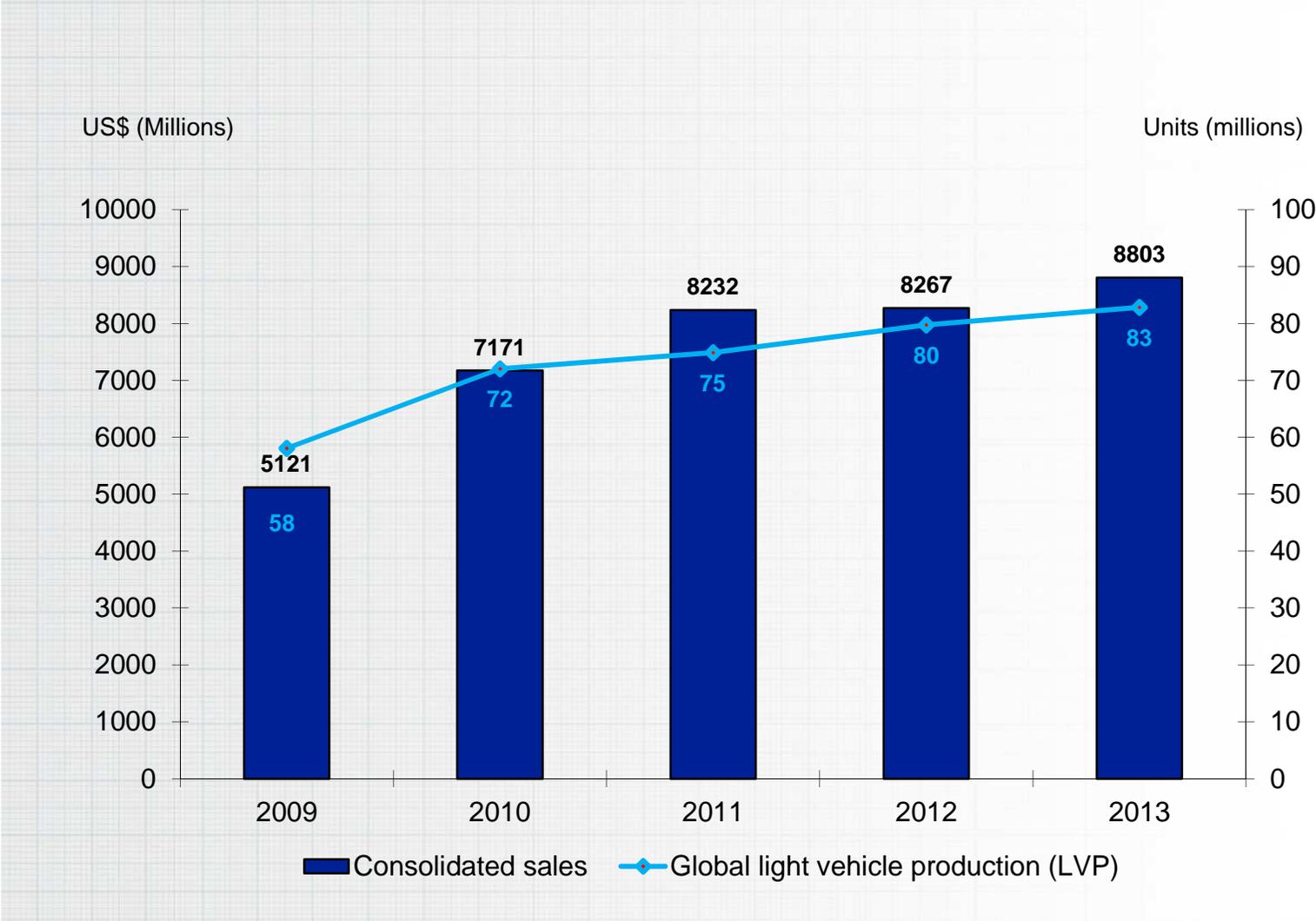
Autoliv Production Volumes 2013



Sales by Customer - 2013

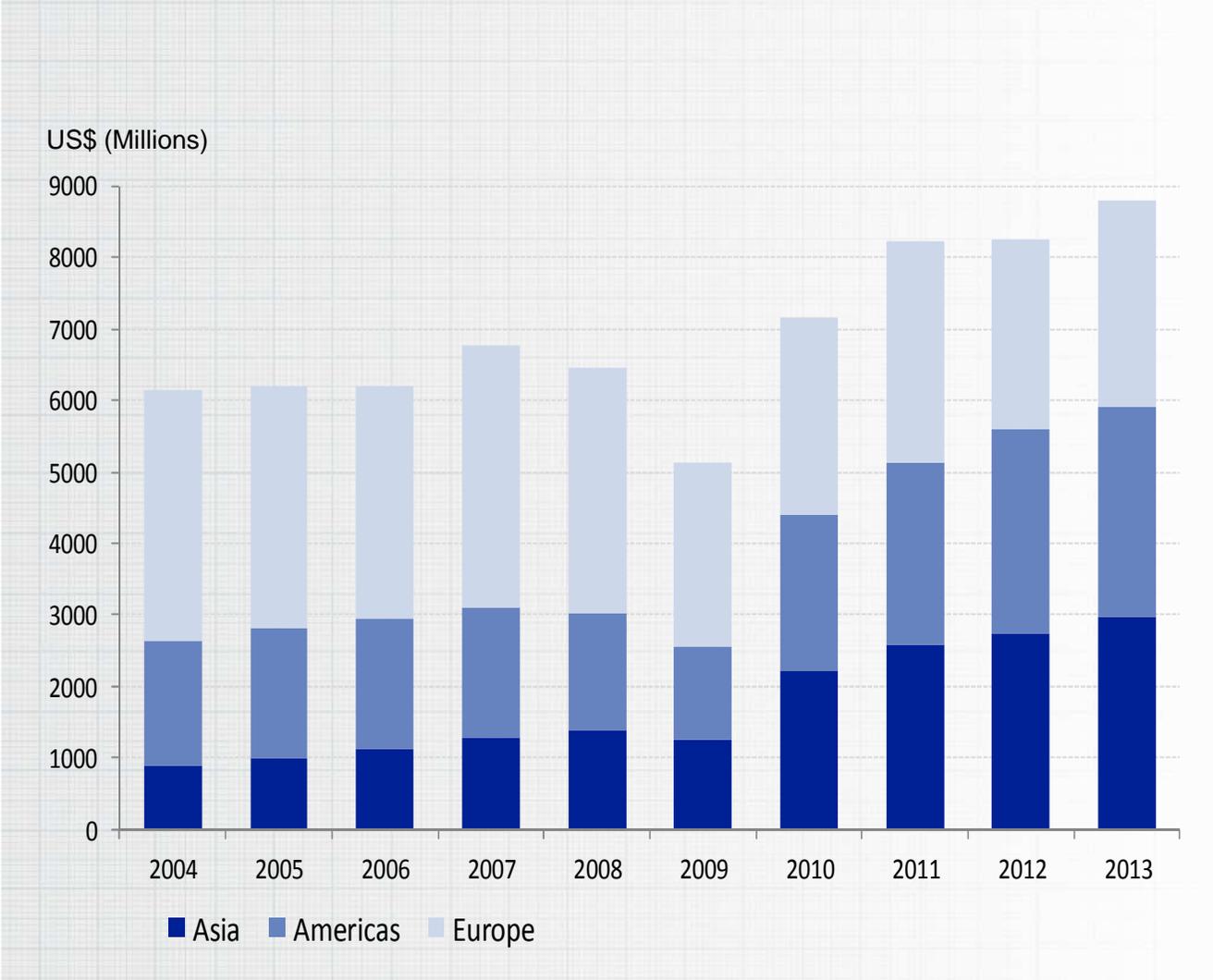


Net Sales and Light Vehicle Production



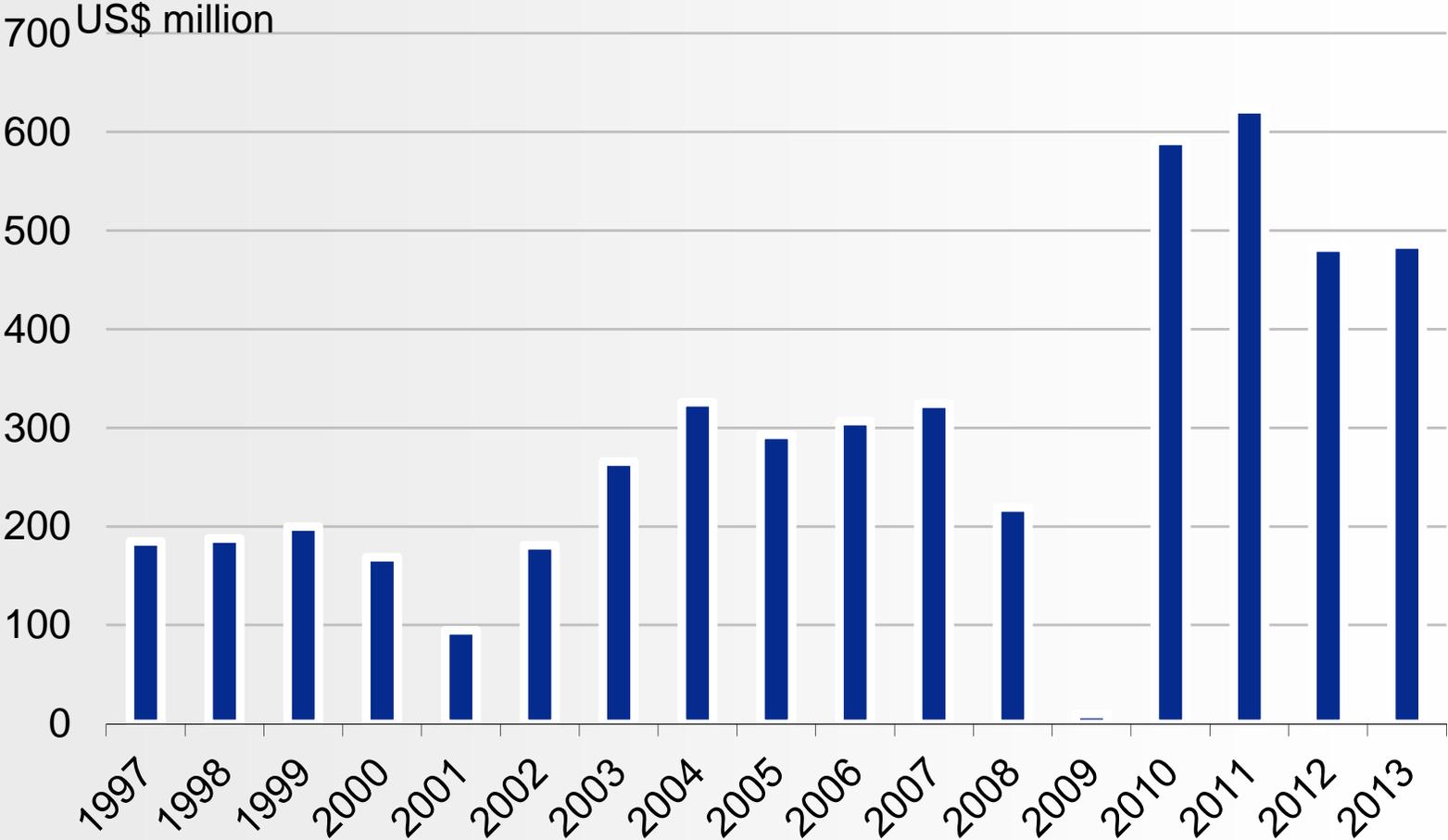
Source: IHS @ January 16, 2014

Strong Sales Growth



■ In 2013, **consolidated sales** were \$8,803 million with a 7% organic sales growth, marking the fourth year of consecutive sales growth.

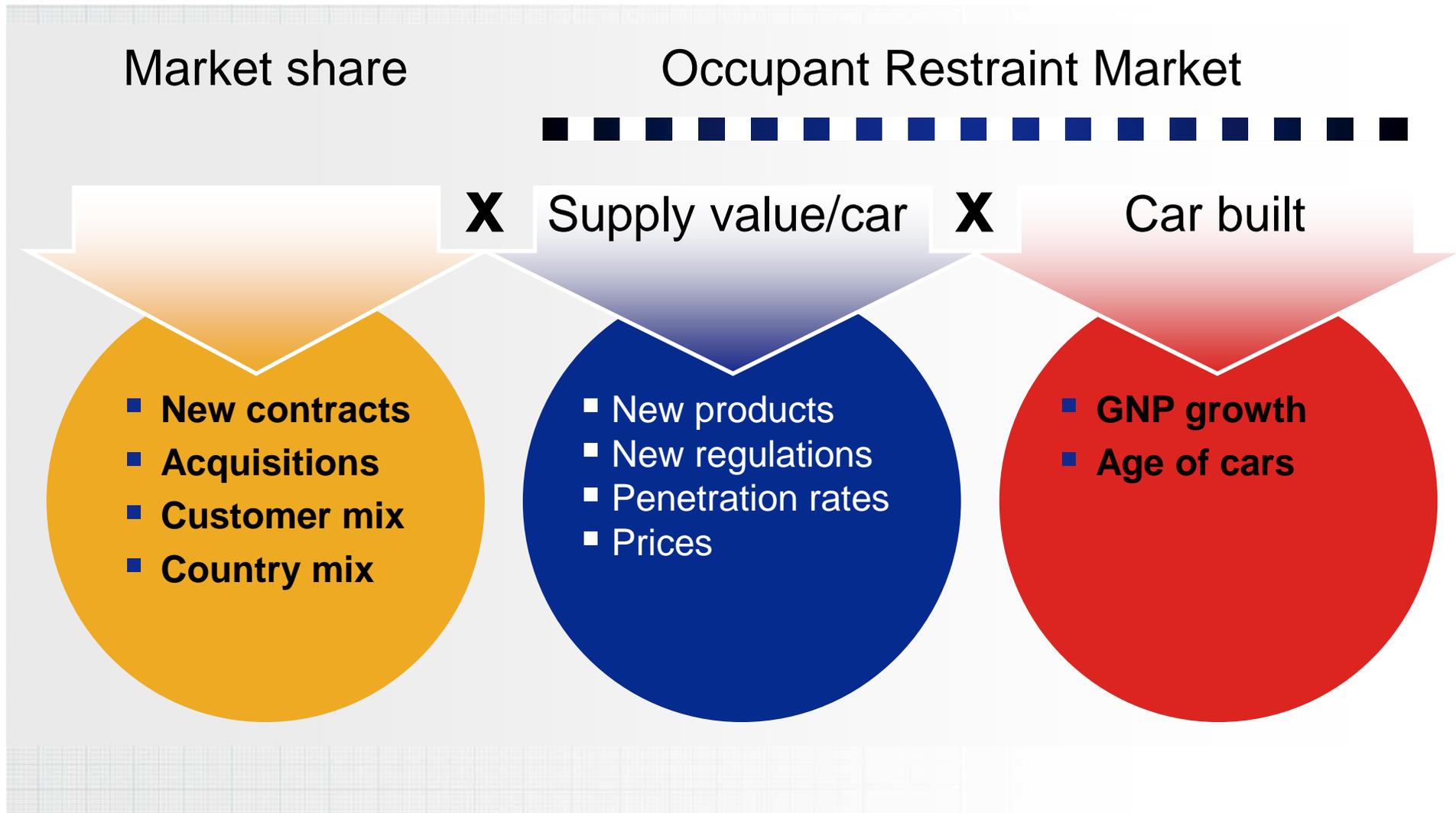
Net Income



2006 Excl. favorable one-time tax effects of \$95 million, 2009 Incl. \$96 million for restructuring
 2012 Incl. \$71 million for capacity alignments, 2013 incl. \$33 million for capacity alignments and increase in the valuation allowance related to deferred tax assets of \$39 million

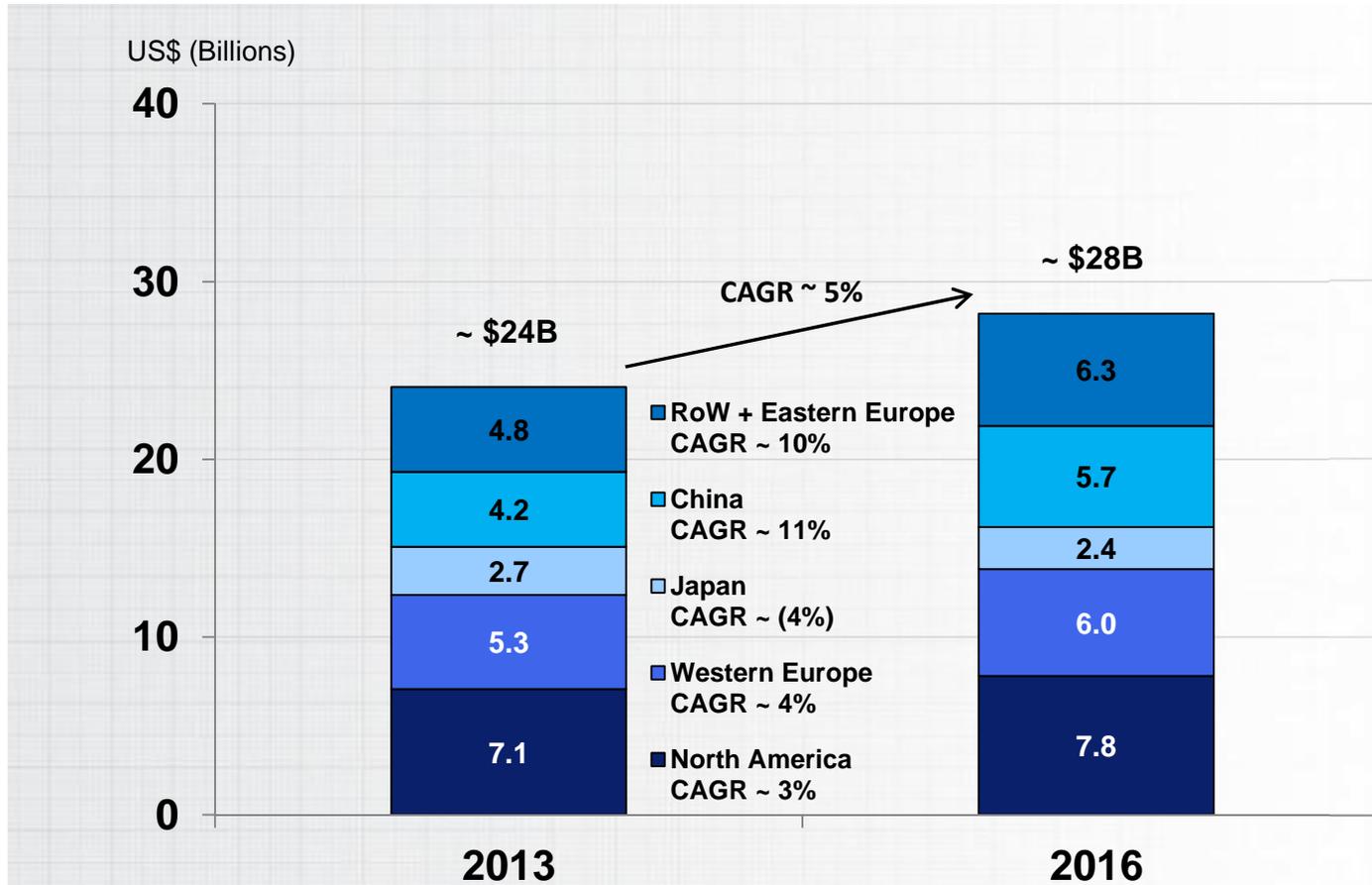


Market Growth Drivers



Growth Drivers by Region

- Strong presence in growth markets *

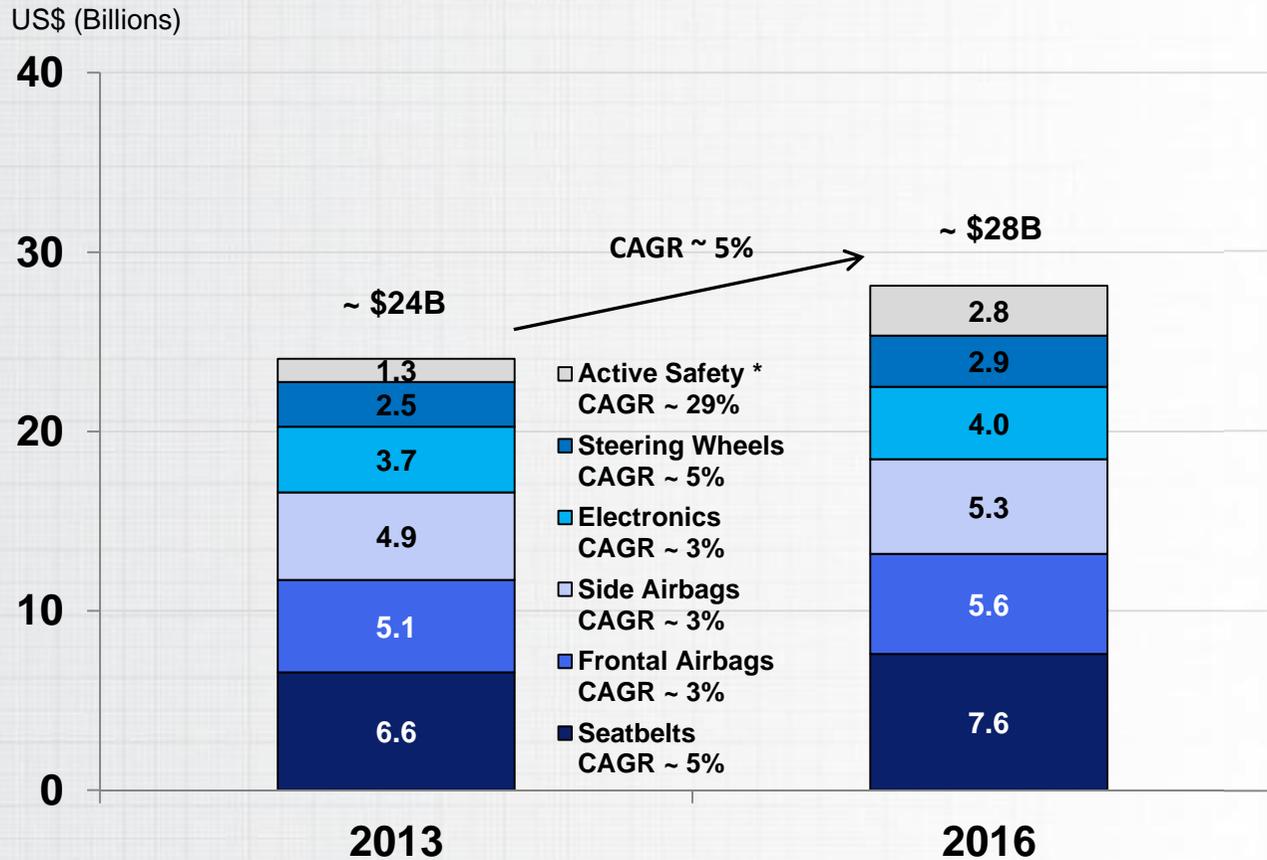


🌐 Growth markets* combined CAGR increase ~4pp faster than the LVP in those markets

(*) Growth Markets (Eastern Europe, Asia excluding Japan, South America, Middle East/Africa). CAGR = Compound Annual Growth Rate

Growth Drivers by Product

- Strong presence in product growth segments

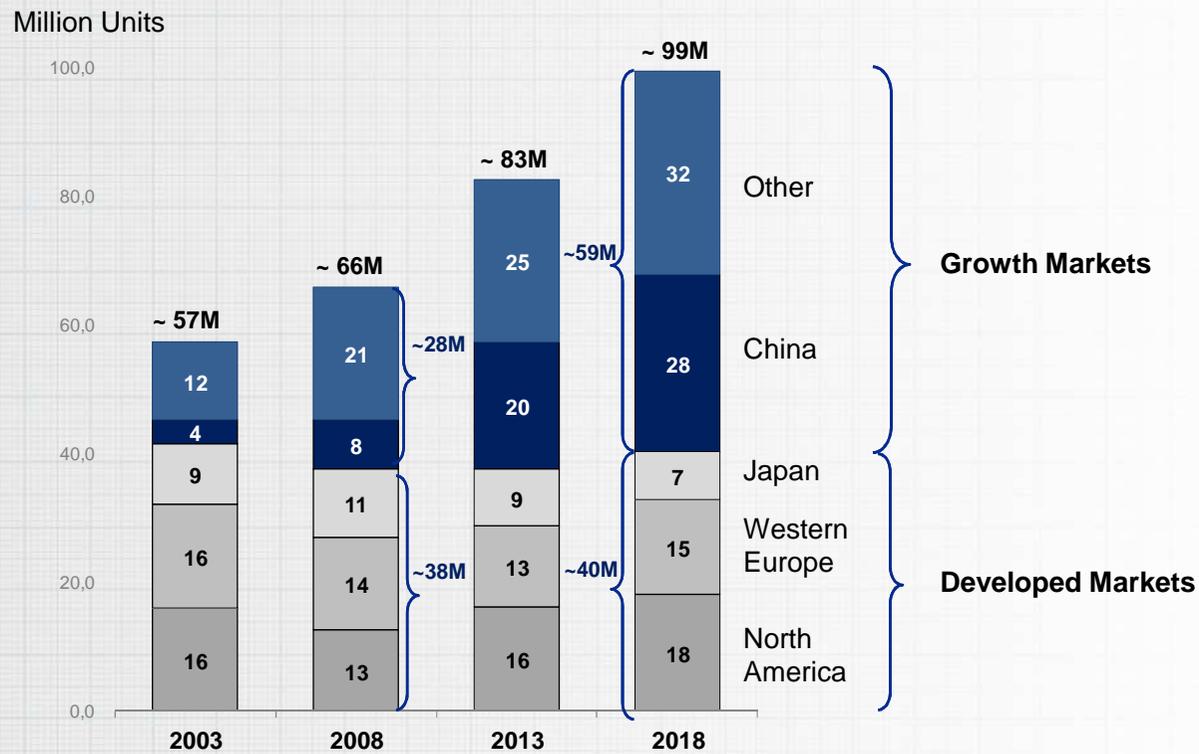


🌐 Airbag products growing slower than the overall market

(*) Includes radar, front-view camera, night driving assist. CAGR = Compound Annual Growth Rate

Light Vehicle Production Growth

- 2002 thru 2018



🌐 Expect the LVP increase from 2013-18 to be ~32% in the Growth Markets and ~7% in the TRIAD *

Source: IHS @ April 17, 2013, TRIAD (Japan, Western Europe, North America)

Light Vehicle Production

- FY

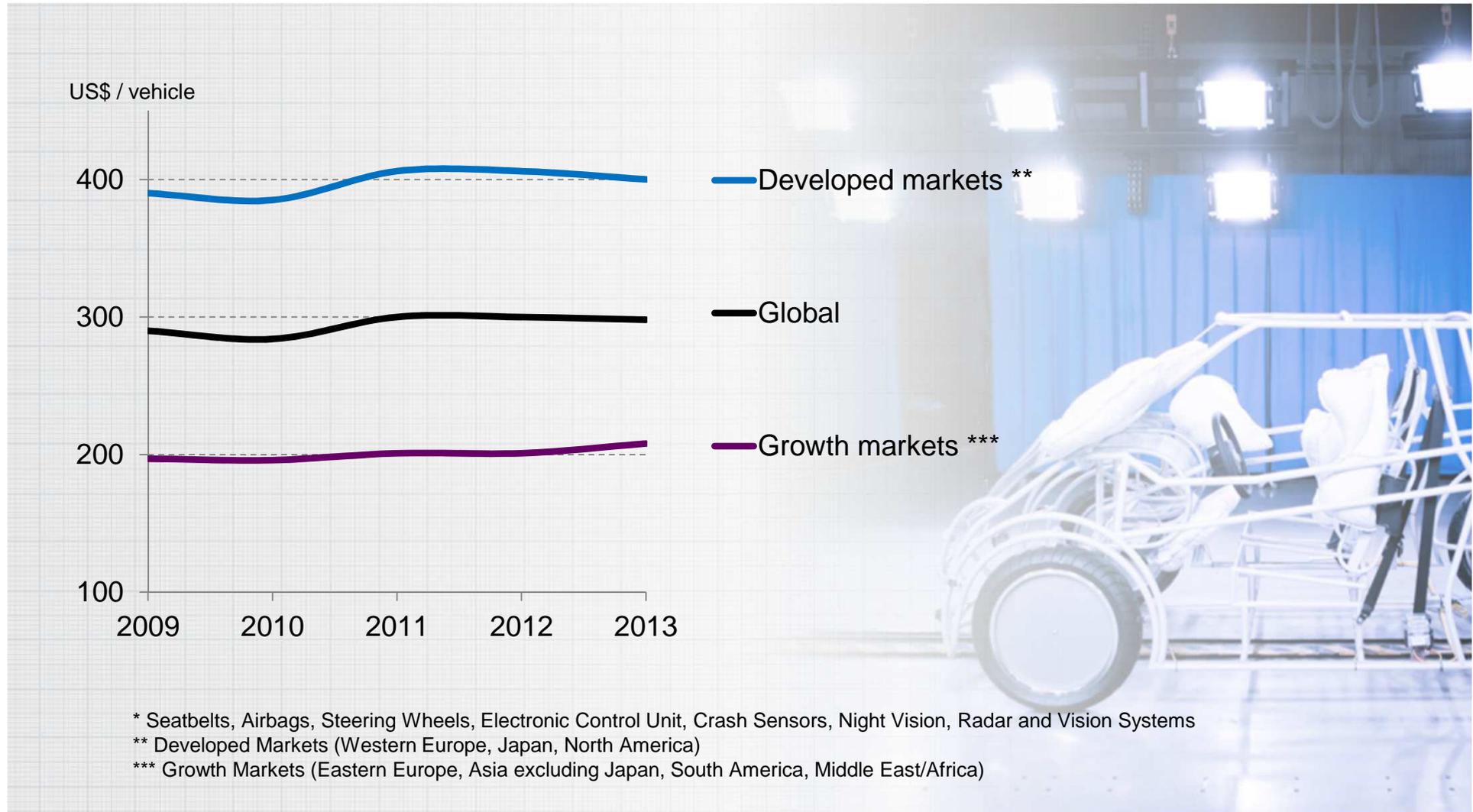
Vehicles in millions	2014	2013	2014 vs. 2013		ALV YoY Org. Growth
			@ Apr 16	@ Jan 16	
Americas	20.8	20.7	0%	4%	
- North America	16.8	16.2	4%	4%	
- South America	4.0	4.5	(11%)	2%	
Europe	19.5	19.5	1%	1%	
- WEU	12.8	12.7	2%	1%	
- EEU	6.7	6.8	(2%)	1%	
Japan	8.4	8.8	(5%)	(8%)	
China	21.6	19.8	9%	10%	
RoA	12.7	12.5	1%	3%	
Other *	1.8	1.5	19%	21%	
Total Global	84.8	82.8	2.5%	3.5%	> 5%

📌 New record global LVP in 2014

Source: IHS @ April 16 & January 16, 2014 (*) Middle East/ Africa

Content per Vehicle *

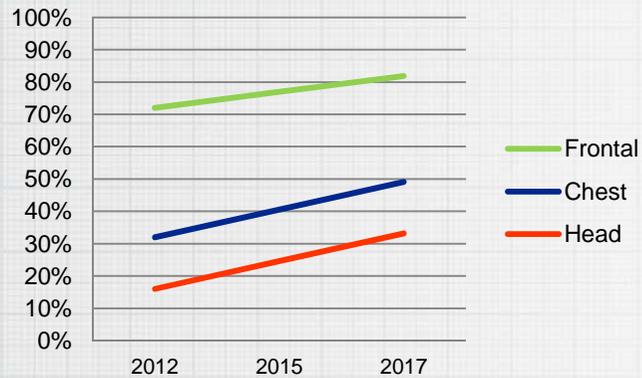
- Active and Passive Safety (incl. steering wheels)



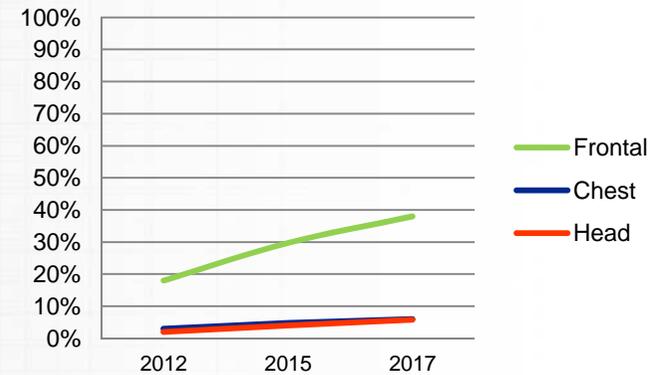
Market Drivers:

- Increasing penetration in growth markets

China



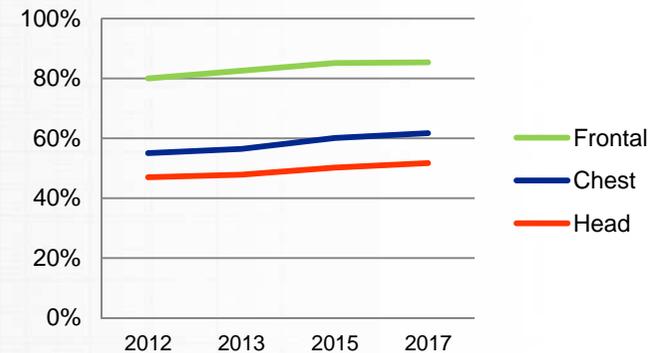
India



South America



Global



Side and frontal airbag penetration grows by up to 20% in key markets

Rating and Regulations

- Strong growth driver for vehicle safety



Market Drivers:

- Rating programs evolution

EuroNCAP

- **2014**
 - Active Safety weighting increases from 10% to 20%
 - Active Safety required to achieve 5 Star
- **2015**
 - Revision of passive safety side impact test
- **2017**
 - Active Safety required to achieve 4 Star



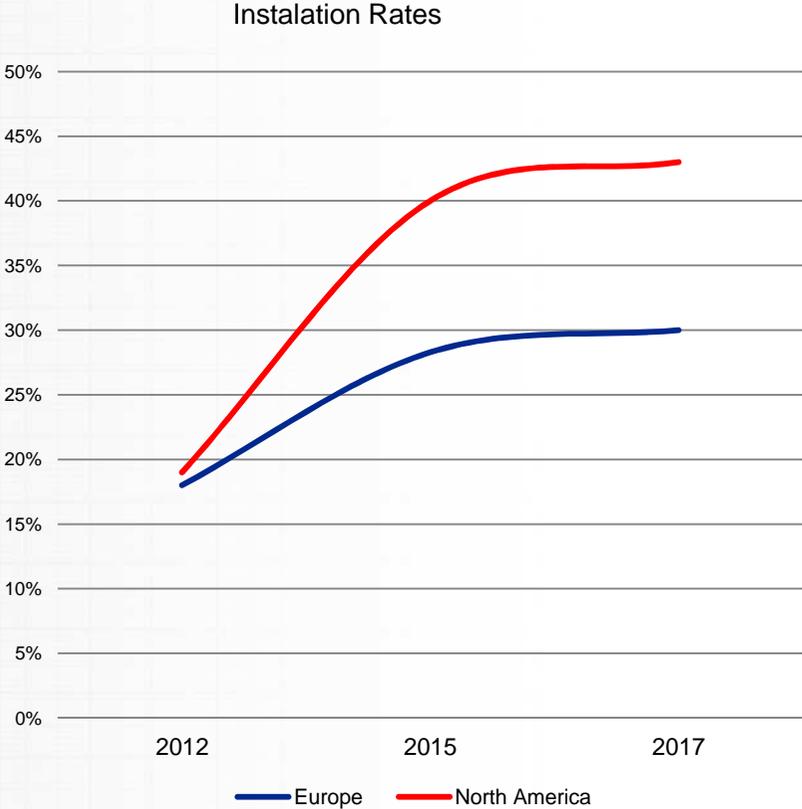
Other NCAP programs

- ChinaNCAP upgrade in 2013, benchmarks EuroNCAP
- Active safety inclusion in “NCAP’s: US, Japan, Korea and Australia starting 2014
- LatinNCAP and ASEAN NCAP under implementation
 - Frontal airbags mandatory from 2014 in Brazil

● Active Safety technologies are under evaluation by NHTSA for the new US NCAP

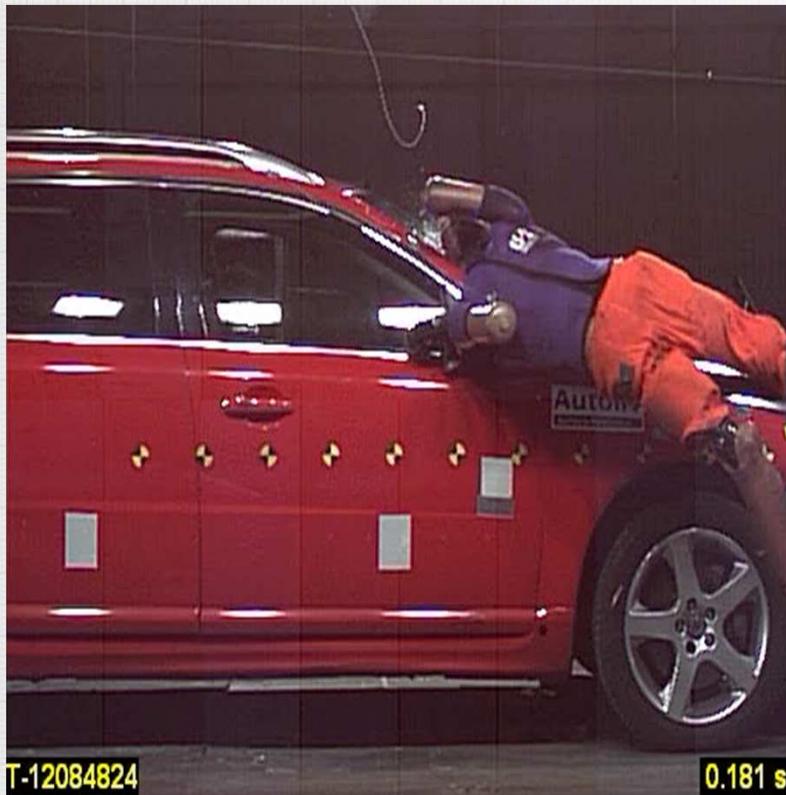
Rating and Regulations

- knee airbags to prevent long-term disabling injuries



Rating and Regulations

- Pedestrian Airbag



Rating and Regulations

- Rear Seat Safety

Bag-in-Belt:



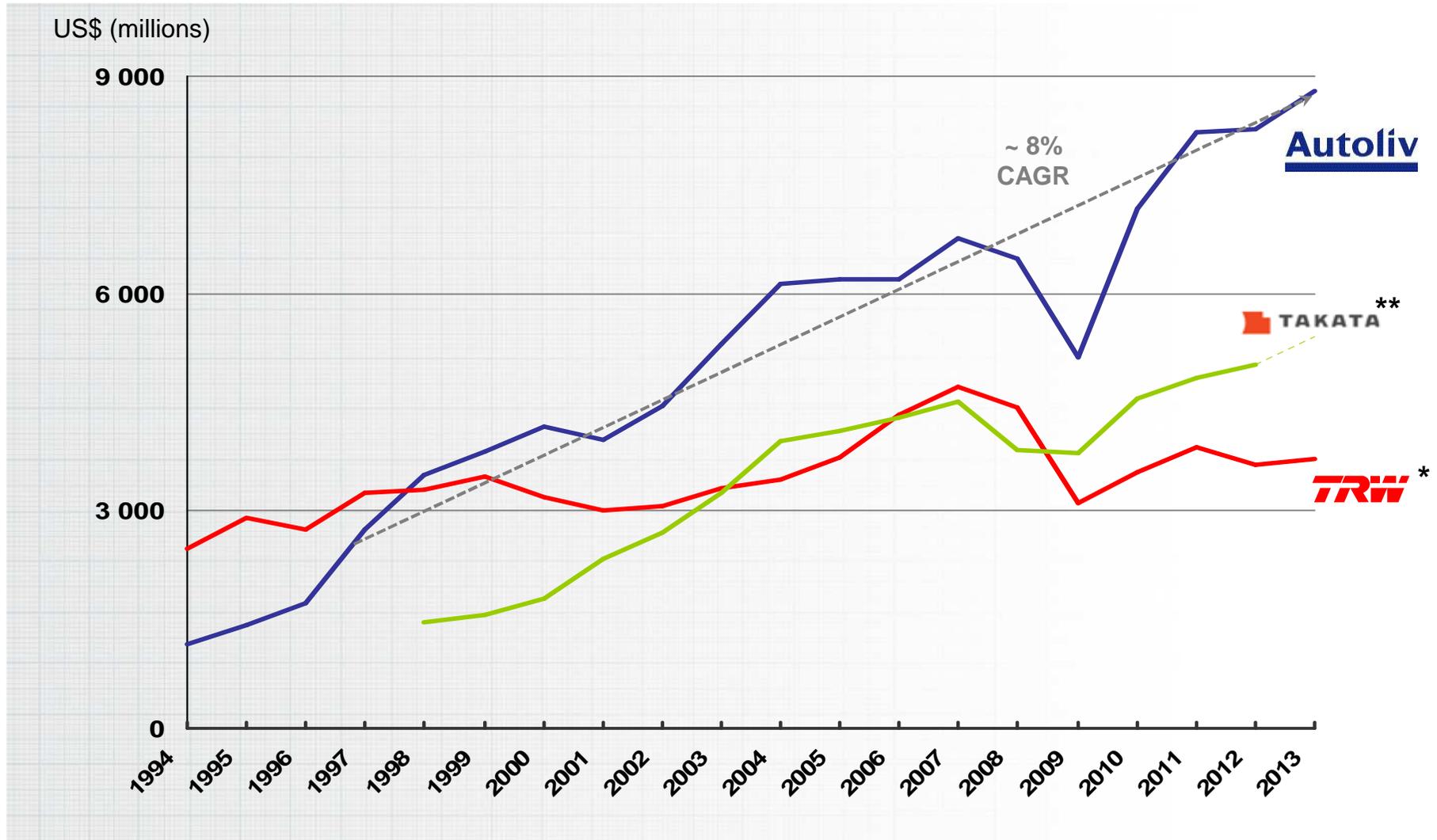
- A combination of a seatbelt and an airbag
- Distributes the crash force over a three time larger surface

New smart retractor:



- For all occupants (adaptivity)
- Fully mechanical solution to reduce system cost

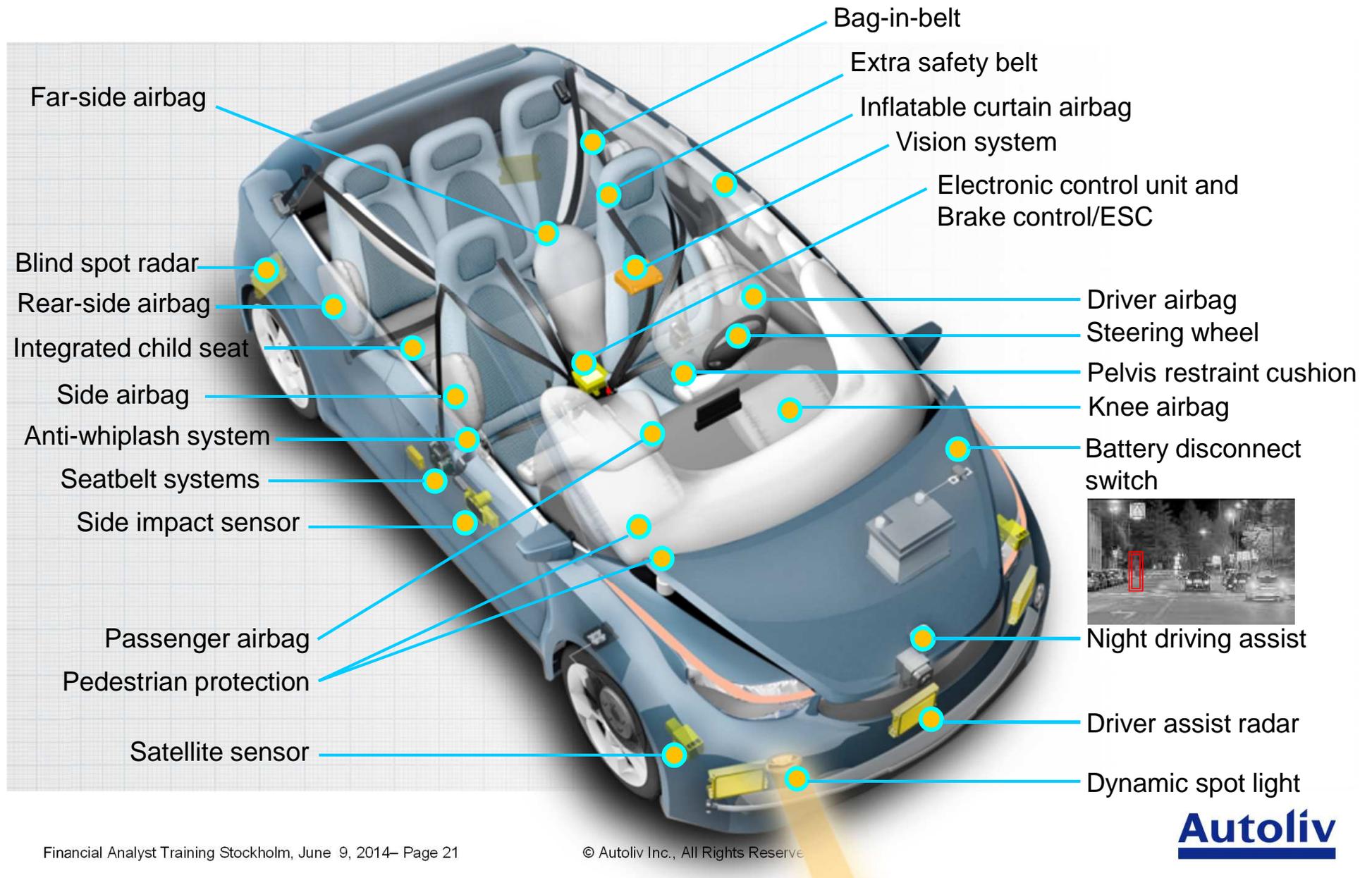
How to continue to outperform the market?



(*) TRW OSS, estimate \$300M in 2011, \$350M in 2012, \$400 in 2013 safety electronics and driver assist systems.

(**) DIR estimate. Takata Guidance for FY2014 period ending March 2014.

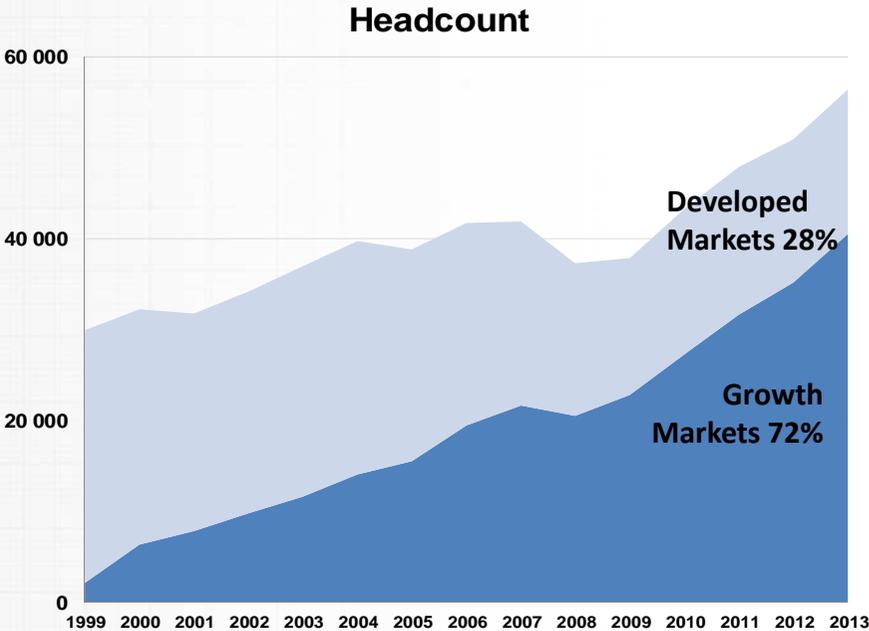
Complete Safety System Supplier



Superior Global Presence

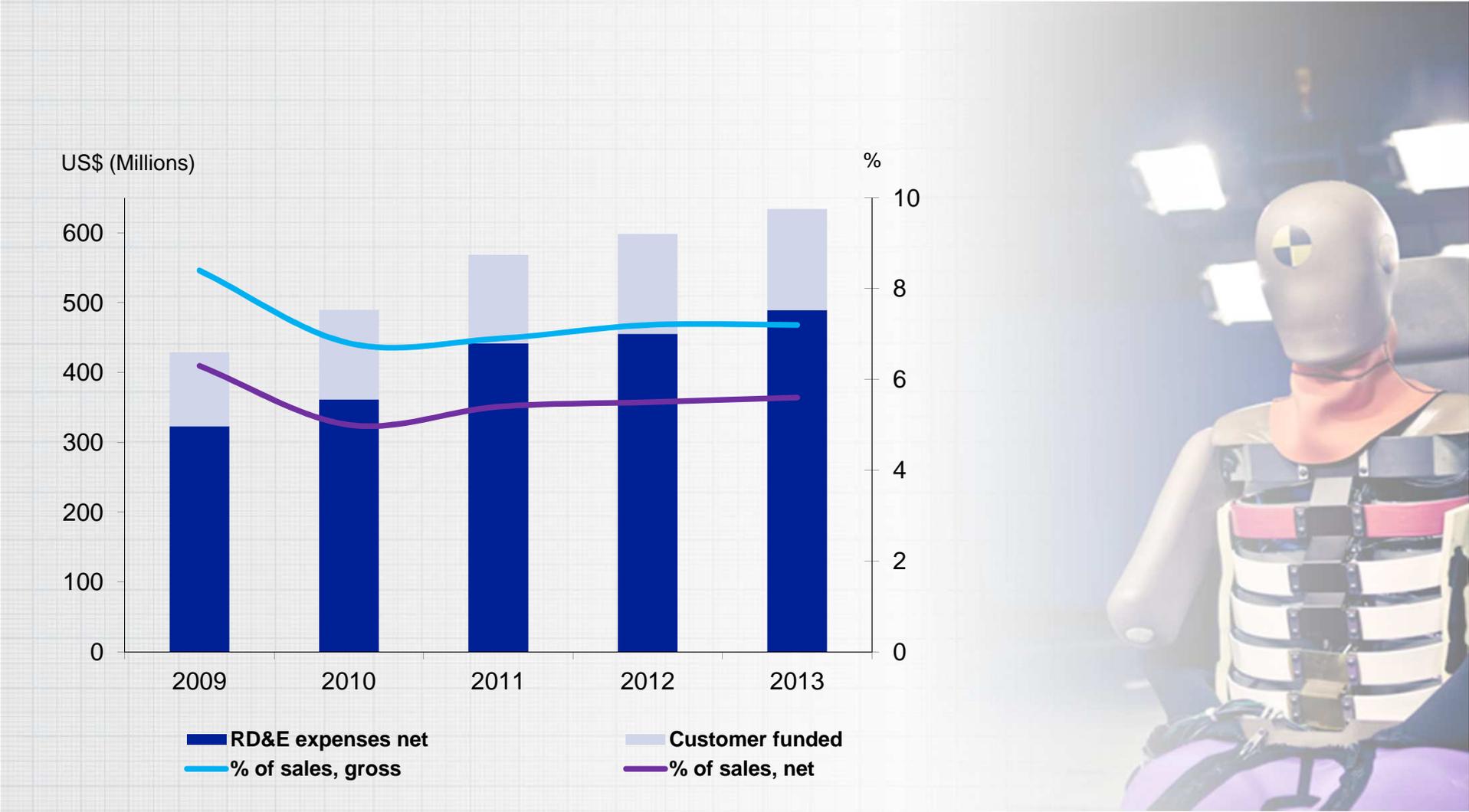
- Long-term expansion in the growth markets

Autoliv Manufacturing Facilities	Seatbelts	Airbags	Steering Wheels	Electronics	Active Safety
North America	●	●	●	●	●
South America	●	●	●		●
Europe	●	●	●	●	●
Japan	●	●	●		
China	●	●	●	●	●
Korea	●	●			
India	●	●	●		
Asia other	●	●	●		



📍 Aligning our capacity footprint to the future market environment

Investment in R,D&E



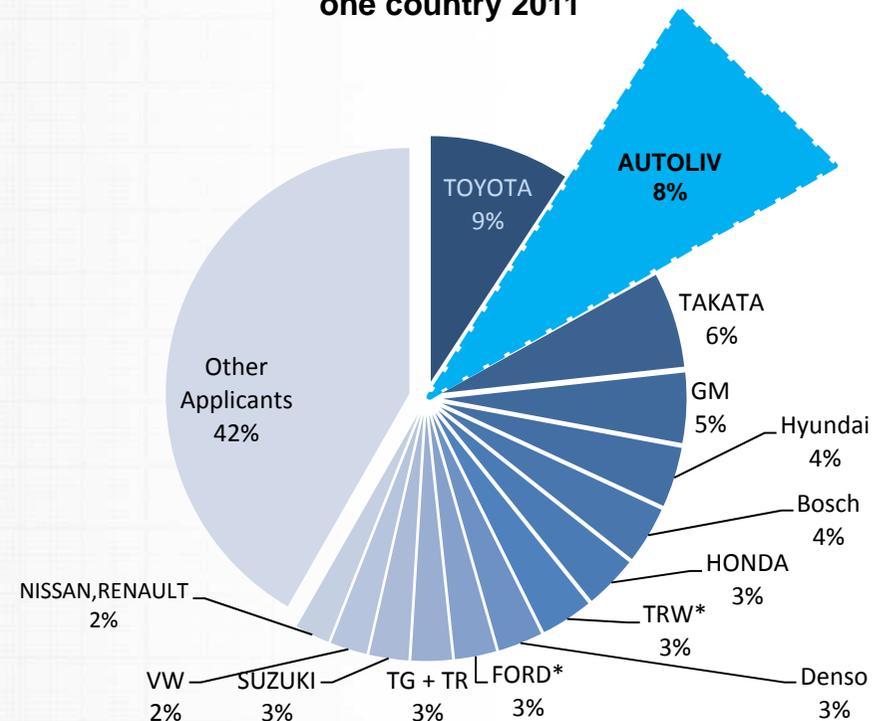
Technology Leadership

- through early lead-to-market and intellectual property

Customer World's Firsts where Autoliv has contributed;

- **Mercedes** – Sensor Fusion NIR/FIR for night driving assist (2013)
- **Volvo** - External pedestrian protection airbag (2012)
- **BMW** - Pedestrian warning for night driving (2009)
- **Ford** - Integrated inertia motion control ECU into the airbag ECU (2008)
- **Renault** - Adaptive Multi-Volume cushion airbag (2007)
- **Chrysler** - Safety-Vent passenger airbag (2006)
- **Jaguar** - Pedestrian protection pop-up hood (2005)
- **BMW** - Seatbelts with adaptive load limiters (2002)
- **Renault** - First company to receive “Five Stars” in the EuroNCAP (2002)
- **Ford** - Integrated gyro-rollover sensor into the airbag ECU (2002)
- **Volvo and Mercedes** - Side curtain airbags (1998)
- **BMW** - Side airbags for head protection (1997)
- **Kia** - Knee airbags(1995)
- **Volvo** - Side airbags (1994)

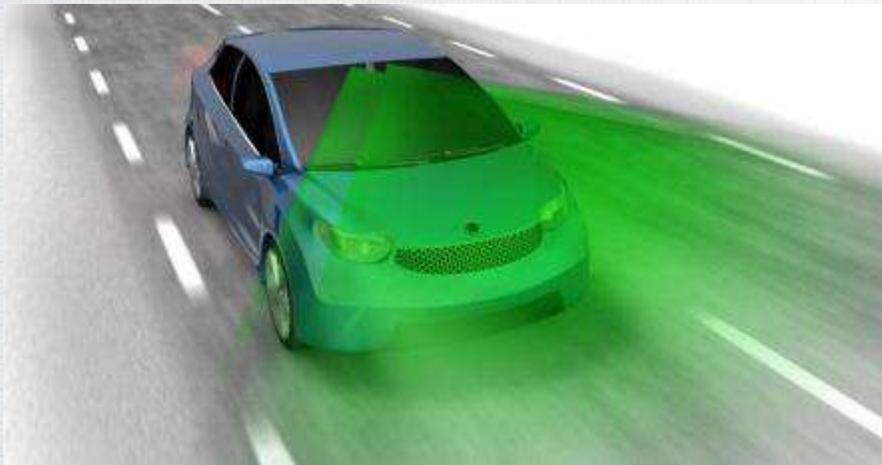
Passive safety patent filings in more than one country 2011



Lead through Innovation and Technology

with another strong year of new product introductions

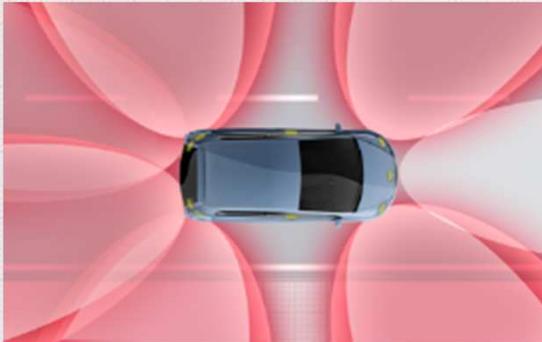
INNOVATIONS 2013



Active Safety Sensors

Radar

- Detects vehicles and objects
- Measures distances
- Is not sensitive to light conditions



Vision

- Detects visible shapes, markings, objects
- "Reads" lane markings, light sources, traffic signs
- Classifies objects as vehicles and pedestrians



Infrared Sensing

- Does not need visible light
- Classifies pedestrians and animals



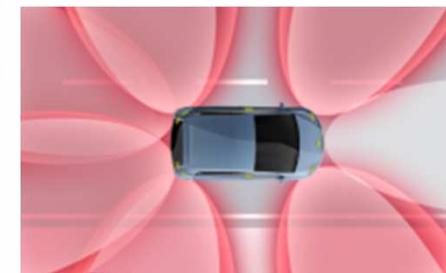
Active Safety Sensors

- Short Range and Multi-Mode Radar

Radar Functions

- Forward Collision Warning
- Autonomous Emergency Braking
- Blind Spot Detection
- Rear Cross Traffic Alert
- Rear Collision Warning

(Launched in 2013)



Active Safety Sensors

- Stereo Vision

New Vision system and Algorithms for

- Autonomous Emergency Braking
- Intelligent Speed Assist
- Road/Lane Departure Assist
- Pedestrian Avoidance
- Adaptive Cruise Control
- Queue Assist
- Light Source Recognition
- Road Surface Monitoring

(First Launch in 2015)



Active Safety Sensors

- Dynamic Spot Light and Fusion

Night Vision Function:

- Dual camera system with high definition (HD) display and enhanced pedestrian and animal detection
- Detected pedestrians and/or animals illuminated by a “spotlight”



(Launched in 2013)

The Right Partners

- Our Development Partners

Vision Systems



Radar

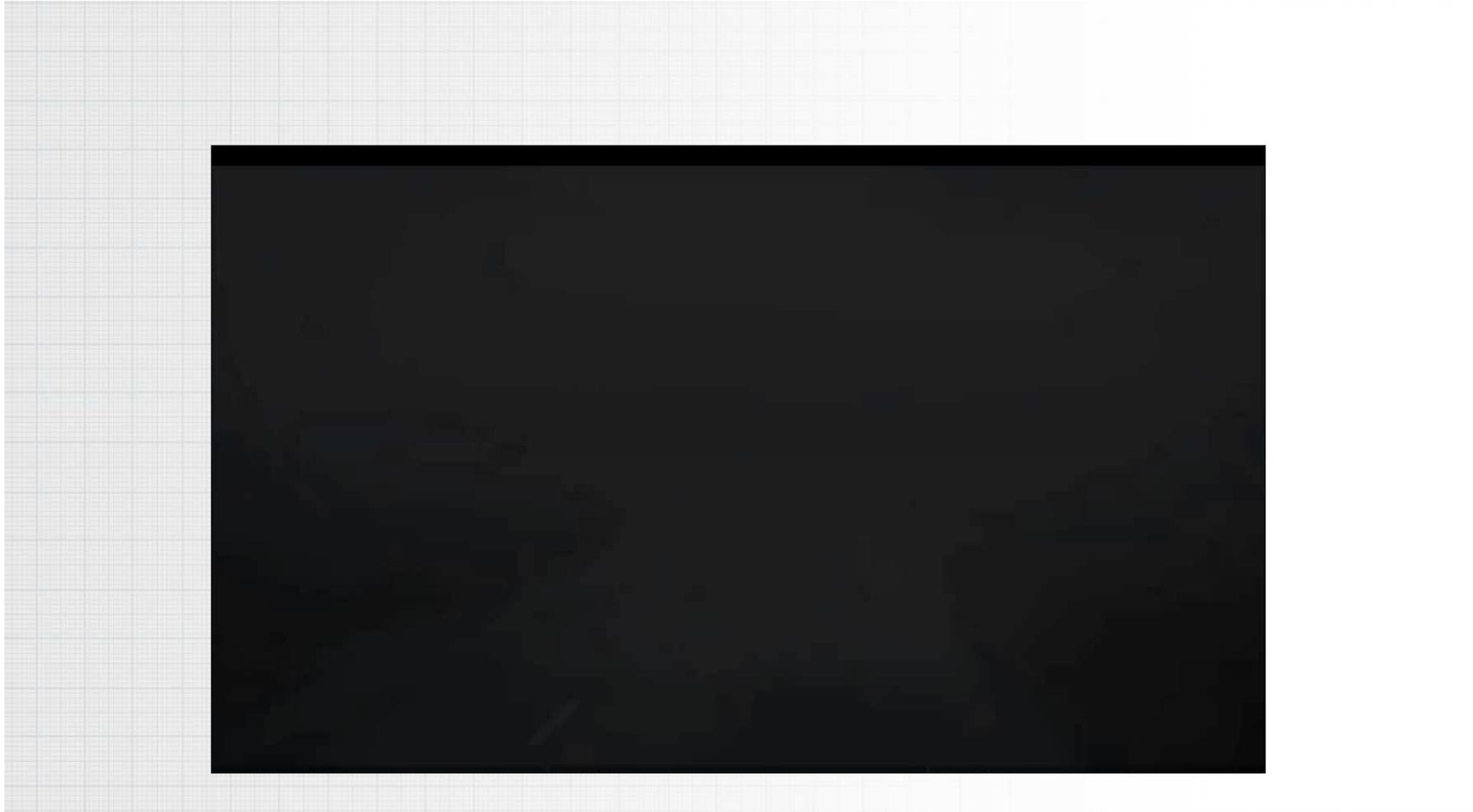


Night Vision



Co-development

-Mercedes' Collision Prevention Assist (CPA)



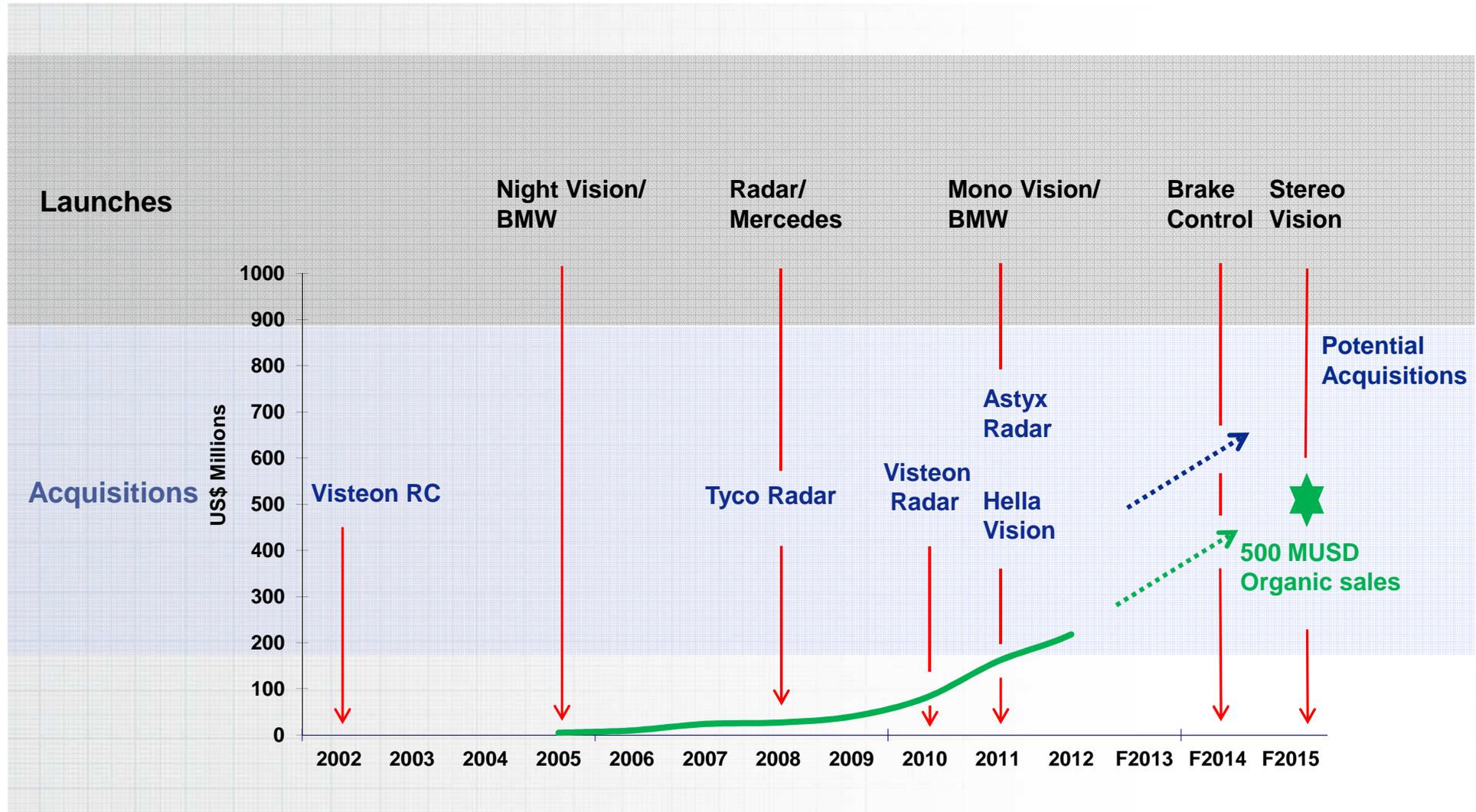
Night Vision Gen-3

- with Animal Detection and Warning

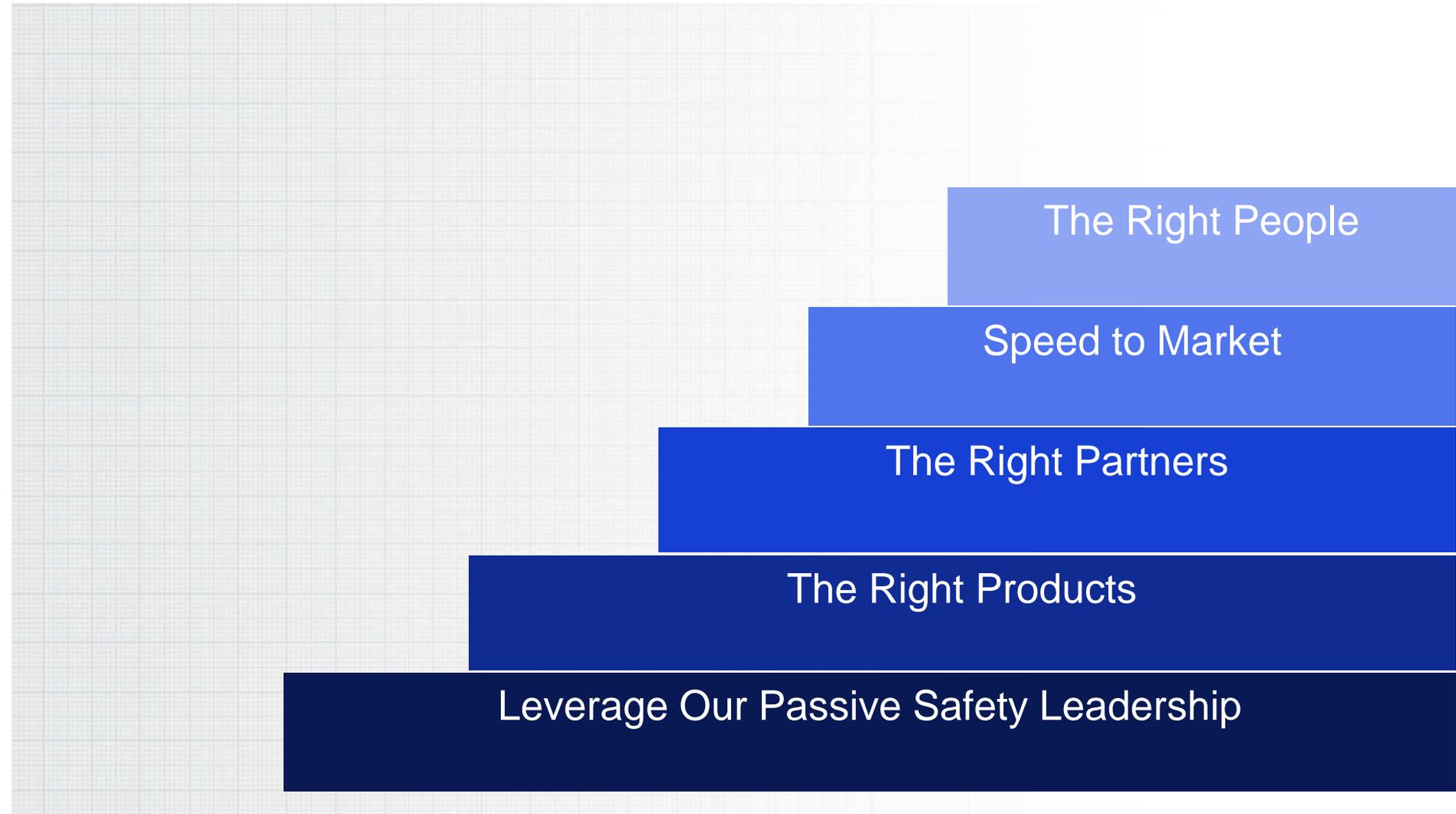


Active Safety - a Strategic Journey

- On track to reach 500 MUSD sales target



How ALV will Capture the Lead in Integrated Safety?



The Right Products

- Active Safety Sensors

Supplier	Vision		Radar			Night Vision		Potential Market		
	Mono	Stereo	77 Radar	24 NB Radar	25 UWB Radar	Far Infrared	Near Infrared	Rear View	Surround View	Stability Control
Autoliv	•	•	•	•	•	•				2014
Continental	•	•	•	•	•			•	•	•
Bosch	•	•	•				•	•	•	•
Delphi	•		•					•		
Magna	•							•	•	
Valeo	•			•				•	•	
Denso	•		•				•	•	•	•
Gentex	•									
Hella				•				•		
Calsonic										
TRW	•		•	•						•
Takata	•	•								

Key Focus Areas



Savings lives and safety around the automobile



Lead through innovation and technology

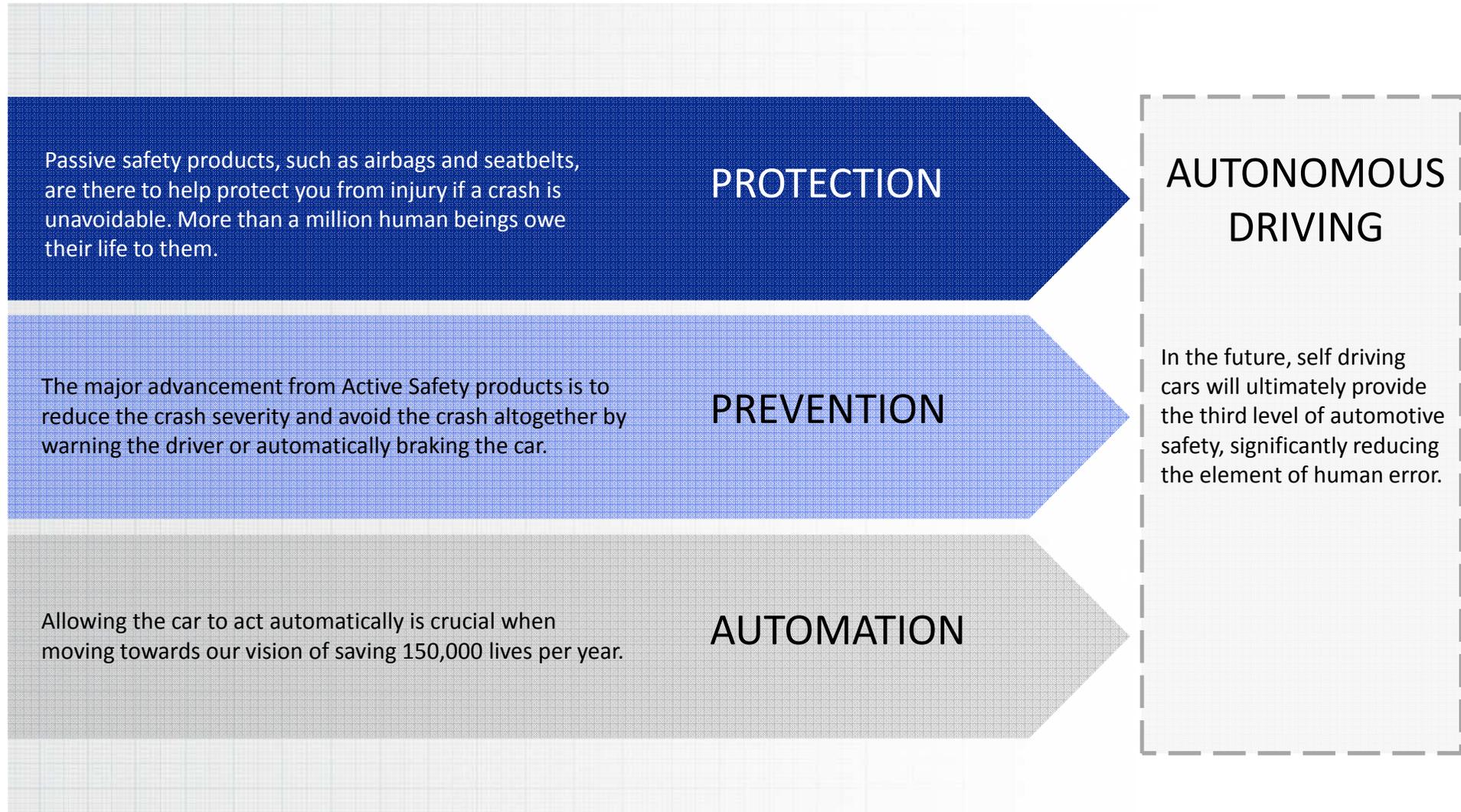


Leverage global footprint and talented-skilled people



Zero defects and customer focus

The Road to Saving More Lives



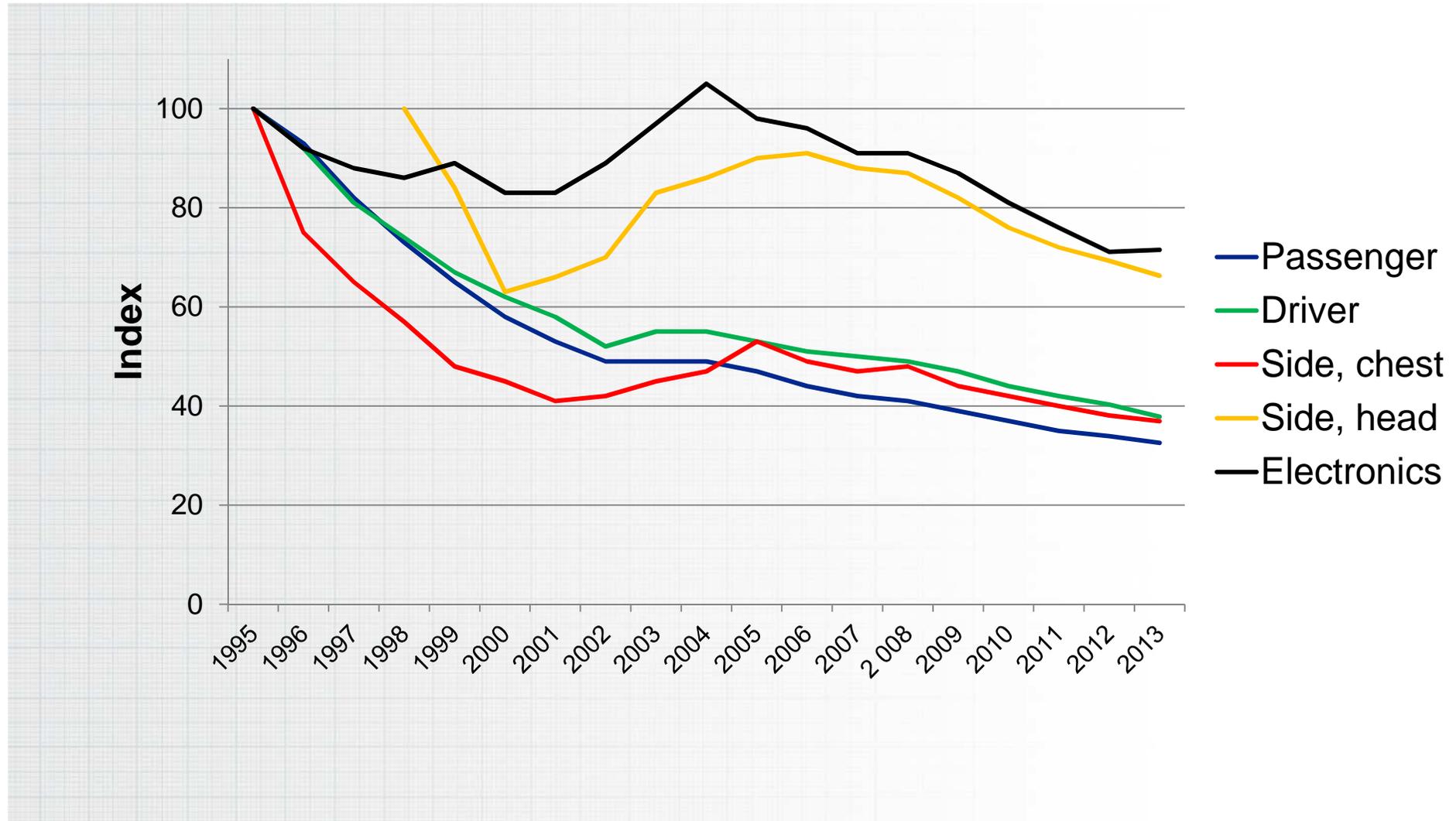
Long-Term Targets*

- Grow organic sales at least in line with our market
- Net Debt/EBITDA around one times
- Operating margin 8-9% over the business cycles
- Grow EPS faster than organic sales

*Long-term targets exclude potential costs and expenses from on-going antitrust investigations, and currency effects. Includes non US GAAP measures, see Autoliv forms 10K and 10Q.

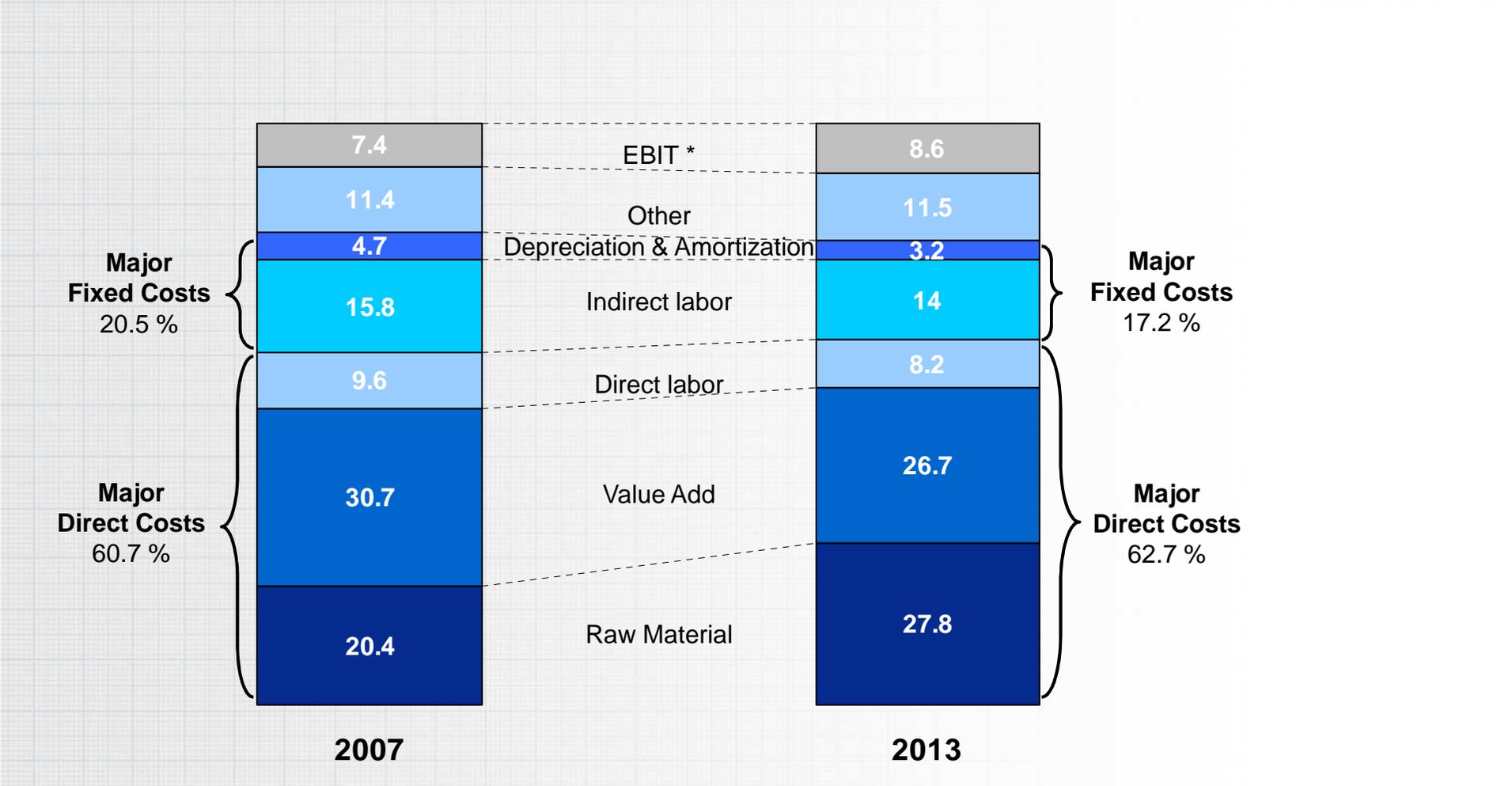


Average Selling Price Index



Cost Structure Transformation

- % of sales

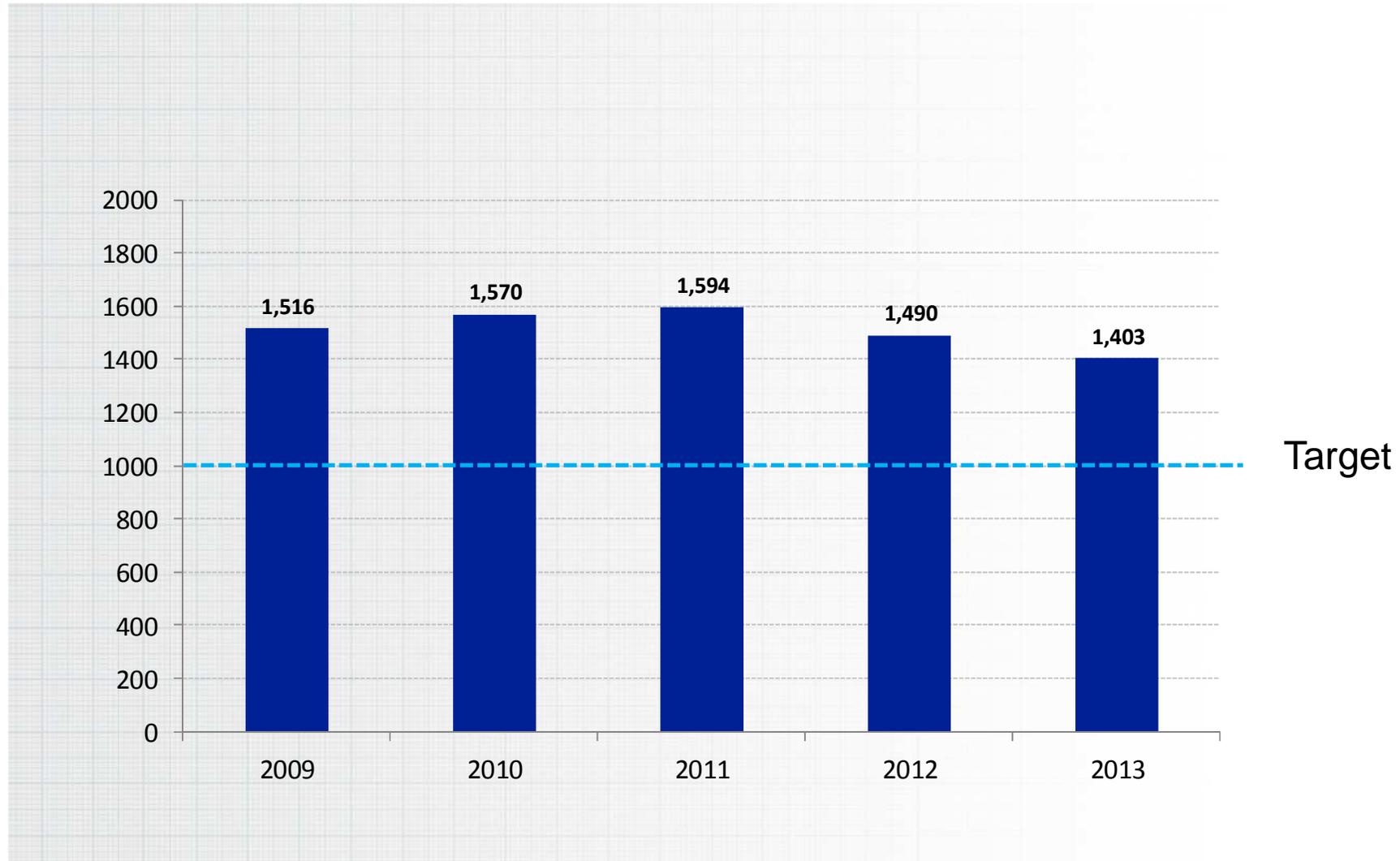


📌 Lower fixed cost base

(*) US GAAP reported

Number of Suppliers

- Target=1000

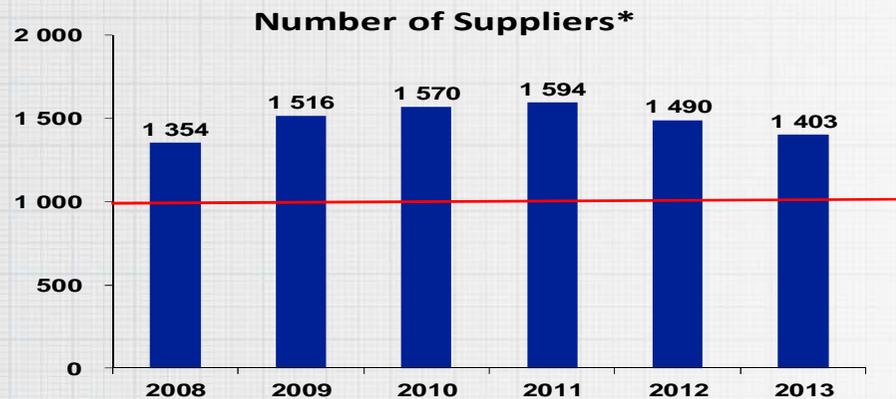
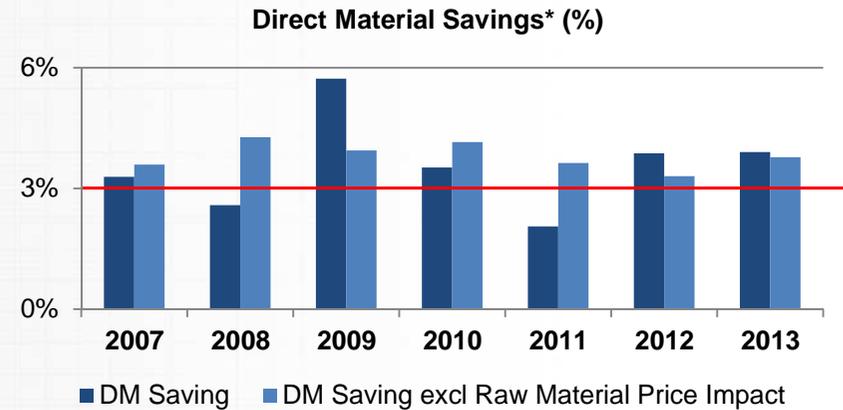


Financial Strategy for Margins

- Direct Material

Direct material savings $\geq 3\%$ thru:

- Supply base consolidation
- Product re-designs and reduce tail-end products
- Vertical integration in certain key components

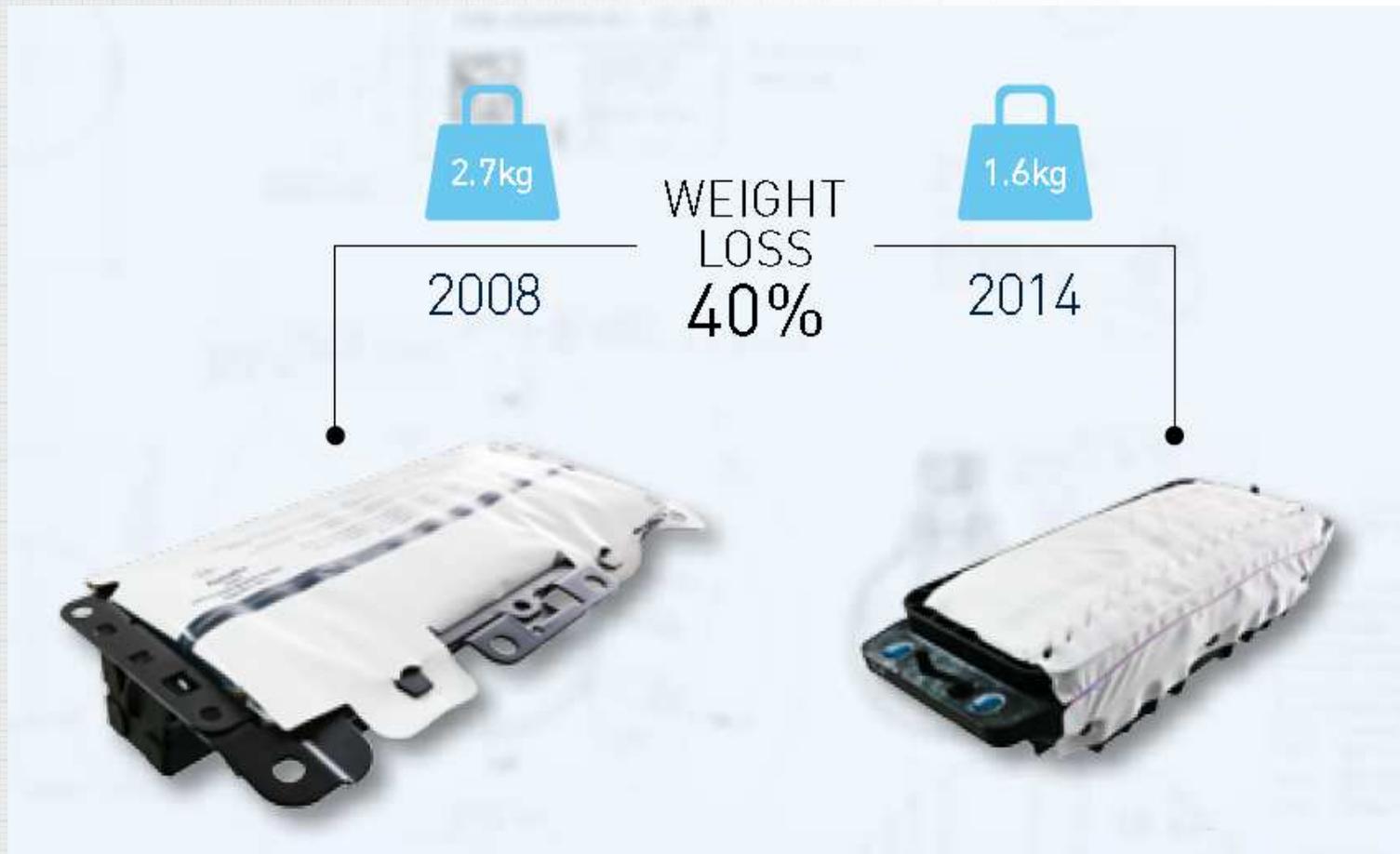


🔍 Material reductions > 3% per year net of commodity increases over the last business cycle

(*) Target ———

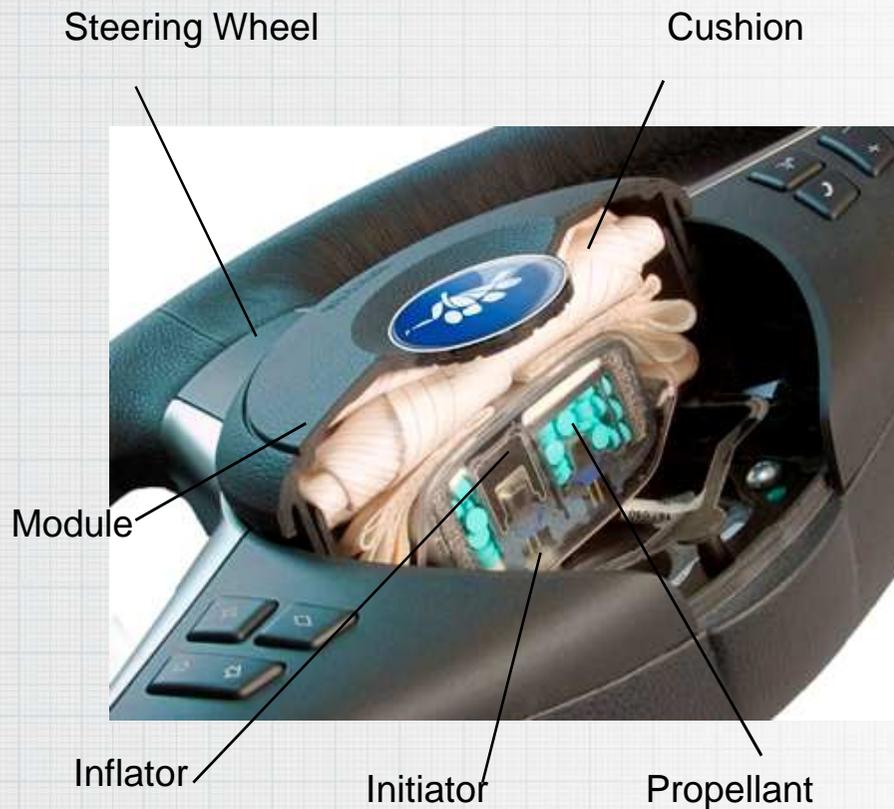
Re-design

- Saves Both Costs and the Environment



Financial Strategy for Margins

- Vertical Integration



Why Vertical Integration?

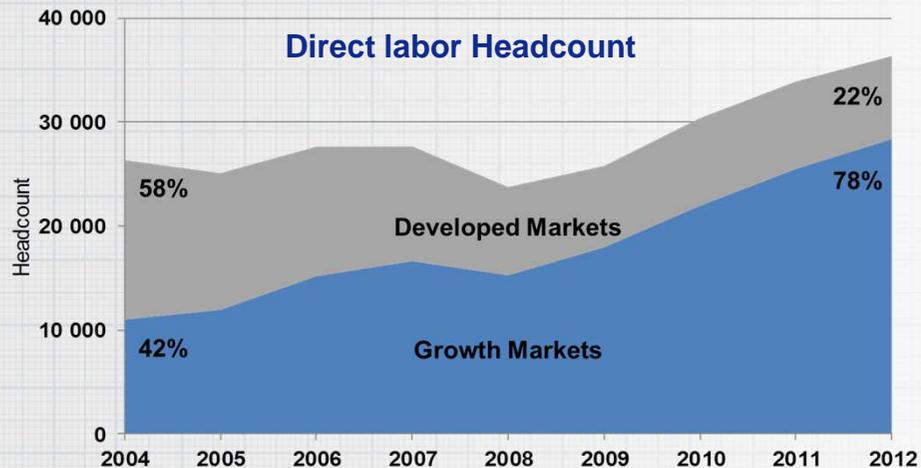
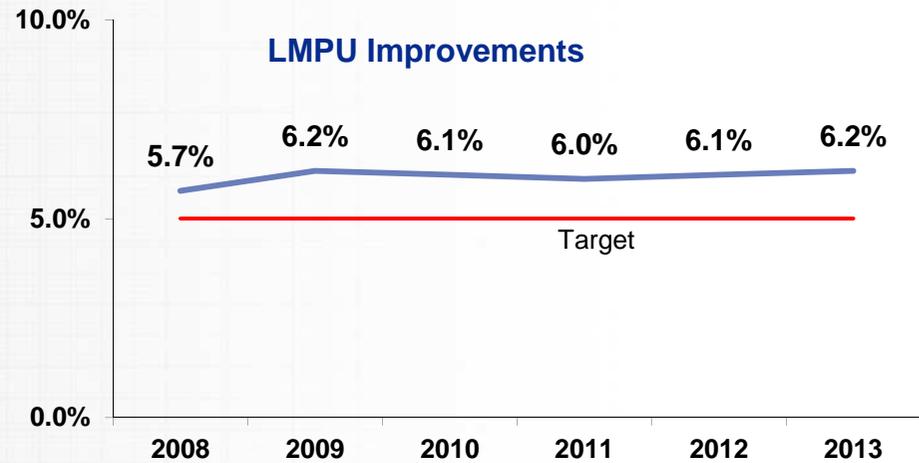
- Margins
- Process flow
- Supply Chain Management
- Quality

Financial Strategy for Margins

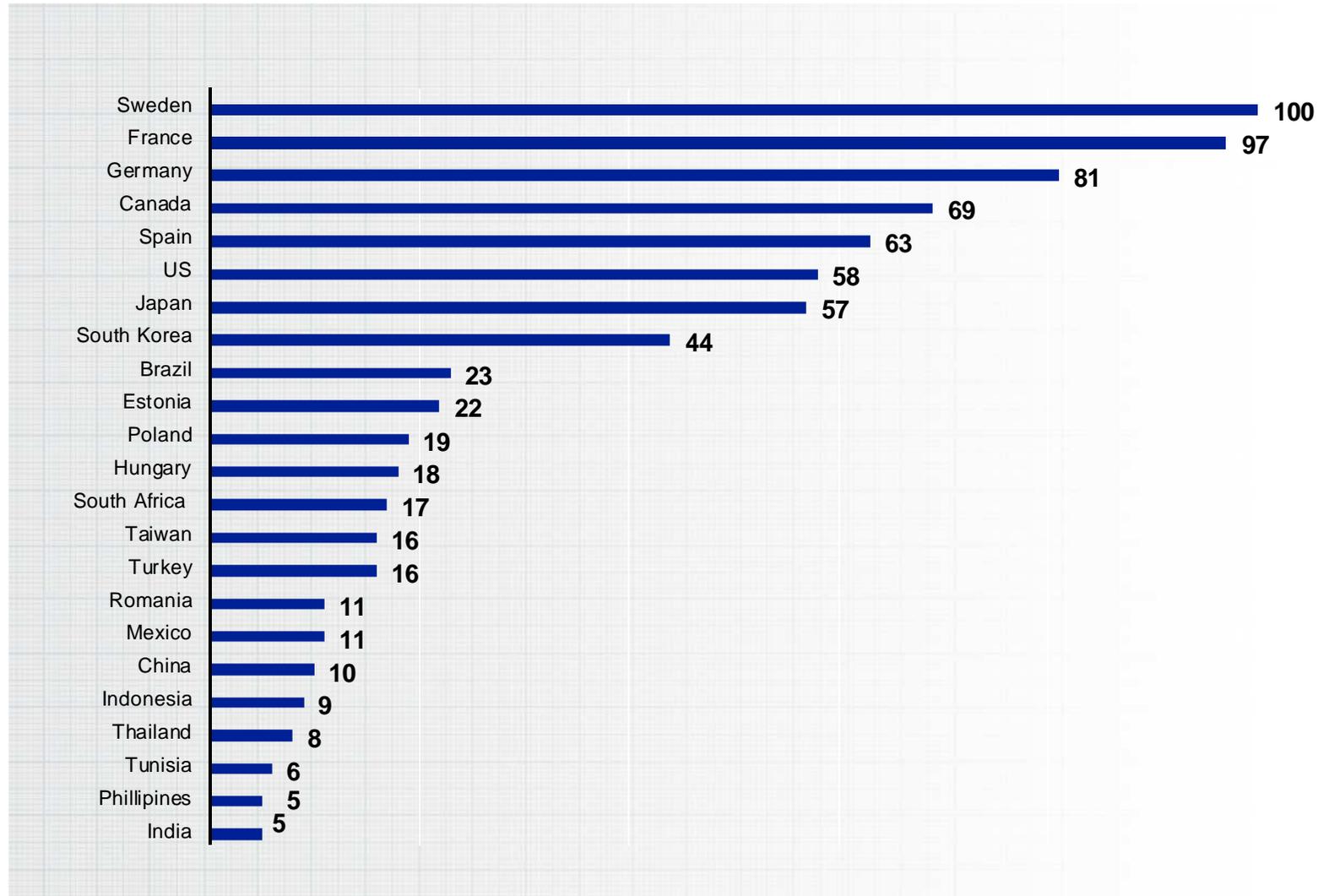
- Direct Labor

Direct labor savings $\geq 5\%$ thru:

- Productivity
- Adapting our global footprint
- Automation
- One Product, One Process

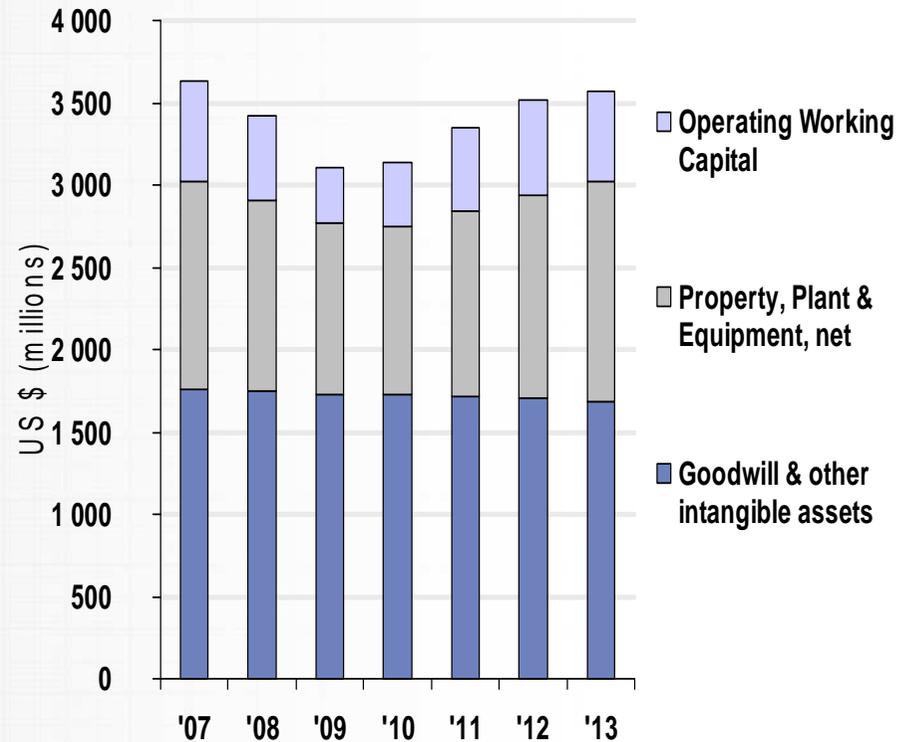
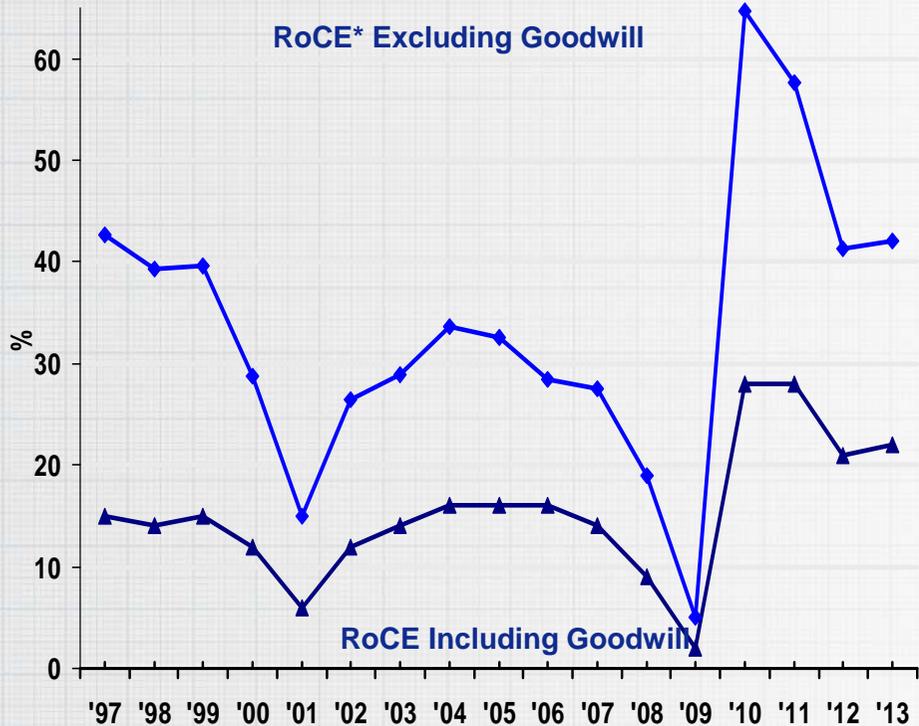


Direct Labor Cost Index per Country - 2013



Return on Capital Employed

- Among industry leading returns



📌 Goodwill represents ~ 50% of Capital Employed

Capital Structure

- Debt Limitation Policy



Effects of Revised Policy

- \$1.3B headroom available for acquisitions, shareholder returns and others
- Share buy-backs since October 2013: \$90 million
- We aim to be within the range during 2014
- Incremental improvement in RoE, excluding effects of antitrust

📍 Along with Autoliv's refinancing risk policy of a long-term credit facility target of 1.5 x's net debt

(*) Non US GAAP measure see Annual Reports for Reconciliation

2013 in Summary

■ Growth

- 7% organic sales growth
- 57% organic sales growth in Active Safety
- 26% organic sales growth in China
- 37% market share in the global automotive safety market

■ Capital Structure

- \$838 million in operational cash flow
- \$379 million of CAPEX, supporting growth
- \$339 million in shareholder returns

Autoliv in Summary



- Sustainable growth
- Above industry margins
- Solid balance sheet and cash flow
- Historically strong returns to shareholders

 Basis for a **sound investment**

Financial Outlook



	Q2 2014	FY2014
<u>Sales</u>		
Organic*	~ 5%	> 5%
Acquisitions / (Divestitures)	-	-
Fx**	~ 1%	~ 1%
Consolidated Sales	~ 6%	> 6%
Operating Margin*	~ 9%	~ 9%

📌 Expect another year of solid financial performance in 2014

Autoliv - Safety Systems

**Active
Safety**



**Passive
Safety**

Autoliv

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