



## RW Baird Growth Conference & Non-deal Roadshow Post Q1'14 Earnings Results

Mats Wallin – CFO & VP Finance  
May 7-9, 2014



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# Q1 Highlights

- Record sales drive solid financial performance

## ■ Financial Performance

- Organic sales\* growth ~ 8%, ~ 1 pp better than guidance
- Operating margin\* 8.6%, ~ 60 bps better than guidance
- EPS\* \$1.43, YoY 8% increase driven by sales growth
- Operating cash flow ~ \$185M
- RoCE\* ~ 23%, RoE\* ~ 13%

## ■ Capital Structure

- Returned \$143M to shareholders
  - Record dividend paid \$0.52 per share
  - Repurchased ~ 1M shares
- Private Debt offering of \$1.25B

## ■ Pace Awards for Innovation



📌 Exceeded guidance for both organic\* sales growth and operating margin\*

(\*) Non US GAAP measure, Earnings per share, Return on Capital Employed and Return on Equity excludes costs for capacity alignments and antitrust investigations

# Operational Priorities

- Strong sales growth brings related margin challenges

## ■ Europe

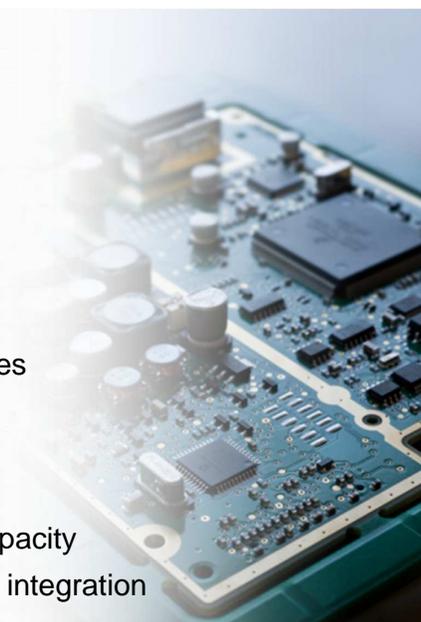
- Operating inefficiencies related to;
  - underutilized capacity
    - capacity alignments
  - steering wheel growth

## ■ Brazil

- Ramp-up for frontal airbags and supply chain issues
- Uncertain market outlook

## ■ Investments for growth

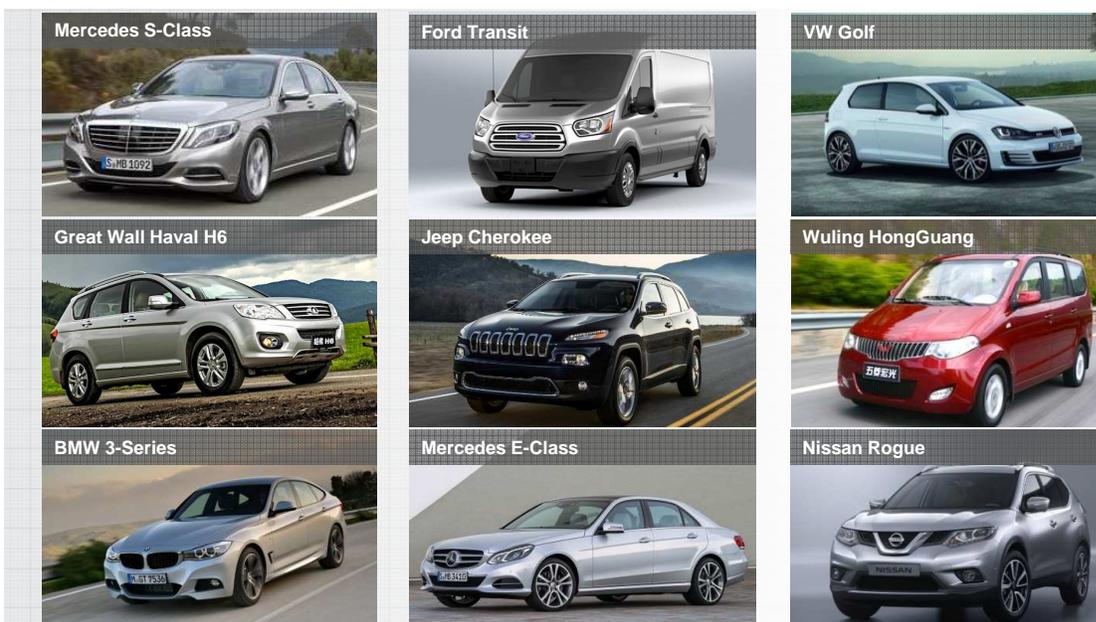
- Higher R,D&E in Active Safety while increasing capacity
- Increasing capacity in growth markets and vertical integration



📌 Adjusting European footprint for the long-term while ramping-up Growth Markets & Active Safety

# Strong Performing Models

- Q1'14



➤ Active Safety organic sales growth ~ 68%

# Strong Organic Growth

- Unit growth exceeds LVP in most product areas

<b>Autoliv Quantities Delivered</b> (Millions unless specified)	<b>Q1'14</b>	<b>vs. PY</b>
<b>Seatbelts</b>	<b>35.9</b>	<b>(1%)</b>
• Pretensioners (of which)	14.6	7%
• Active Seatbelts (of which)	0.6	68%
<b>Frontal airbags</b>	<b>11.4</b>	<b>11%</b>
• Knee airbags (of which)	1.2	27%
<b>Side airbags</b>	<b>20.9</b>	<b>10%</b>
• Chest (Thorax)	11.2	12%
• Head (Curtain)	9.7	8%
<b>Steering Wheels</b>	<b>3.7</b>	<b>5%</b>
<b>Electronic Control Units</b>	<b>4.4</b>	<b>20%</b>
<b>Active Safety Sensors</b>	<b>1.0</b>	<b>79%</b>
<b>LVP* TRIAD</b>	<b>10.2</b>	<b>9.0%</b>
<b>LVP* GLOBAL</b>	<b>21.7</b>	<b>5.3%</b>

➤ Estimated Passive Safety market share ~ 37% in 2013

(\*) Light Vehicle Production, Source IHS @ April 16, 2014, TRIAD (WEU, North America, Japan).

# Q1 Financial Overview

## - Solid financial performance

(US\$ Mil's unless specified)	2014	2013
<b>Sales</b>	<b>\$2,296</b>	<b>\$2,135</b>
<b>Gross Profit</b>	<b>\$445</b> 19.4%	<b>\$414</b> 19.4%
<b>Operating Income*</b>	<b>\$198</b> 8.6%	<b>\$187</b> 8.8%
<b>EPS*</b> (assuming dilution)	<b>\$1.43</b>	<b>\$1.32</b>
<b>RoCE*</b>	<b>23%</b>	<b>22%</b>
<b>RoE*</b>	<b>13%</b>	<b>14%</b>
<b>Operating Cash flow</b>	<b>\$185</b>	<b>\$141</b>
<b>Dividend**</b>	<b>\$0.52</b>	<b>\$0.50</b>
<b>GLVP***</b> (annual run rate)	<b>~ 86.7M</b>	<b>~ 82.3M</b>

📌 Record sales and operating cash flow for a 1<sup>st</sup> Quarter

(\*) Non US GAAP, Earnings per share, Return on Capital Employed and Return on Equity excludes costs for capacity alignments and antitrust investigations  
 (\*\*) Dividend per share paid (\*\*\*) IHS Global Light Vehicle Production @ April 16, 2014.

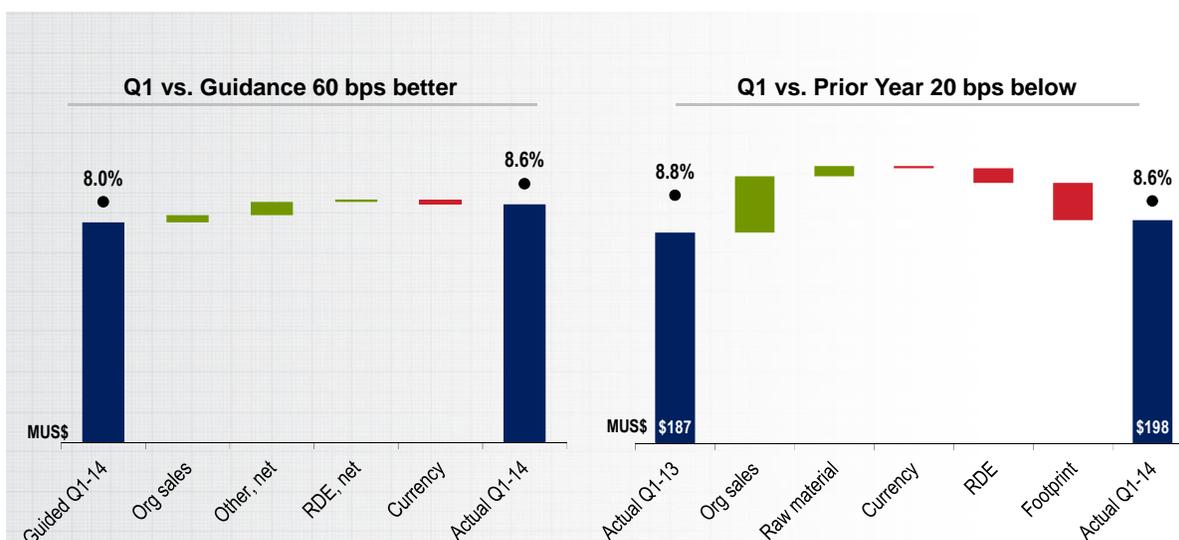
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# Q1 2014

## - Operating Income\* Bridge vs. Guidance and Prior Year



📌 Operating Margin\* 8.6%

(\*) Non US GAAP measure, excludes costs for capacity alignments and antitrust investigations.

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# Capacity Alignment Program

(US\$ Million's unless otherwise specified)	FY13	Q1'14	FY14E
<b>Cost (gross)</b>	\$40	~ \$5	\$20 to 40
<b>Cash outlay</b>	\$20	~ \$5	\$20 to 40
<b>Savings</b>	~ \$12	~ \$1	~ \$9
<b>Balance Sheet*</b>	\$94	~ \$94	

➤ Expected payback 2-3 years from the cash outlay

(\*) Employee Related

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## Cash Flow

- Investments for growth in CapEx and shareholder returns

(US \$ Mil's unless specified)	Q1 2014	Q1 2013	FY 2013	FY 2012	FY 2011	FY 2010
Net Income	131	125	490	486	627	596
Depreciation & Amortization	74	70	286	273	268	282
Other, net	(6)	14	43	10	38	57
Change in operating WC*	(14)	(68)	19	(80)	(175)	(11)
<b>Operating cash flow</b>	<b>185</b>	<b>141</b>	<b>838</b>	<b>689</b>	<b>758</b>	<b>924</b>
Capital Expenditures, net	(93)	(86)	(379)	(360)	(357)	(224)
<b>Free cash flow**</b>	<b>92</b>	<b>55</b>	<b>459</b>	<b>329</b>	<b>401</b>	<b>700</b>
<b>Dividend payment</b>	<b>49</b>	<b>48</b>	<b>191</b>	<b>178</b>	<b>154</b>	<b>58</b>
<b>Share repurchase</b>	<b>94</b>	<b>0</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>0</b>

➤ Returned \$143M to our shareholders in Q1'14 through dividends and share repurchases

(\*) Non US GAAP measure, (\*\*) Before acquisitions, Non US GAAP measure, reconciliation to free cash flow is provided above.

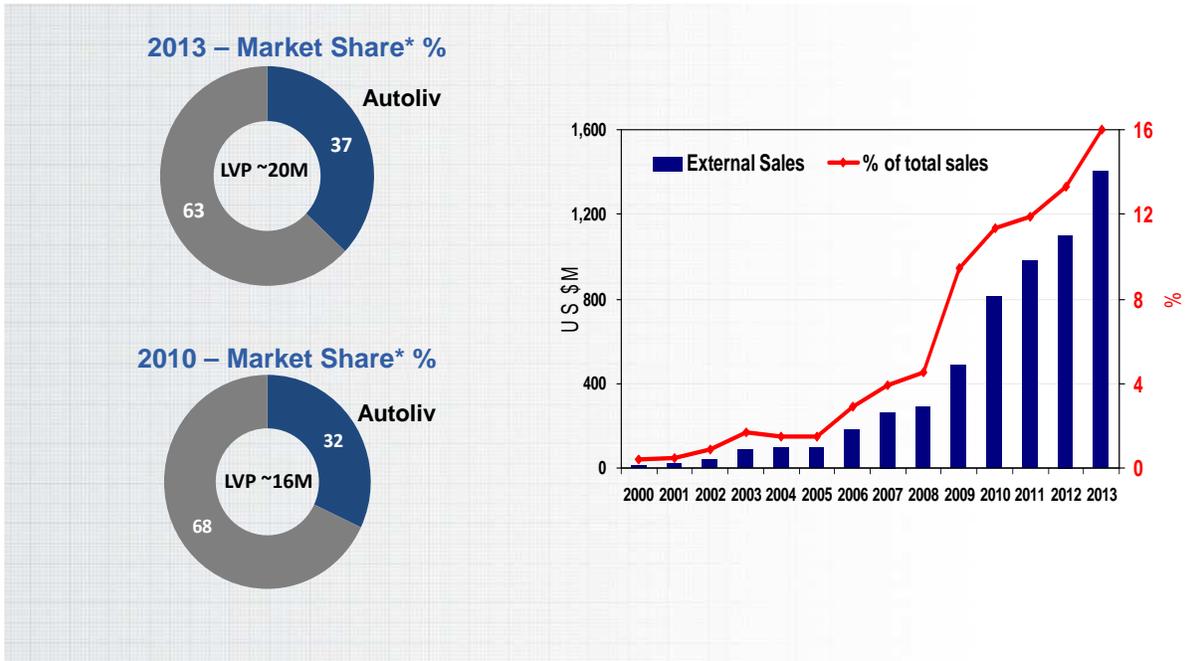
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# Executing our Growth Strategies

- China organic growth ~ 26% in 2013



\* Seatbelts and Airbags only

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# Leading thru Innovation

- 2014 Pace Awards

Winner – “Innovative Partnership” with Volvo

**THE WORLD'S FIRST Pedestrian Protection Airbag**

The main cause of death: Pedestrians and cyclists are 1.2 million road fatalities in the world. In order to better protect the head of a pedestrian, Autoliv has developed the first outside the head of a pedestrian vehicle. Studies show that Autoliv can help.

**“GREEN” Airbag Inflator**

Autoliv has developed a completely new concept for inflating airbags that is more environmentally friendly and cost-efficient than traditional inflator technologies. The new inflator uses hydrogen and oxygen with inert gas to inflate the airbag, instead of pyrotechnic substances. The only side product after inflation is a regular vapor which becomes just a few drops of 100 percent pure water — making the inflator extremely eco-friendly and reducing its weight by 20 percent. The lower weight enables better vehicle fuel economy at a lower cost.

Autoliv — saving lives through engineering excellence and innovative design solutions.

Autoliv  
Airbags • Seatbelts

➔ Improving automotive safety for vehicle occupants, vulnerable road users and the environment

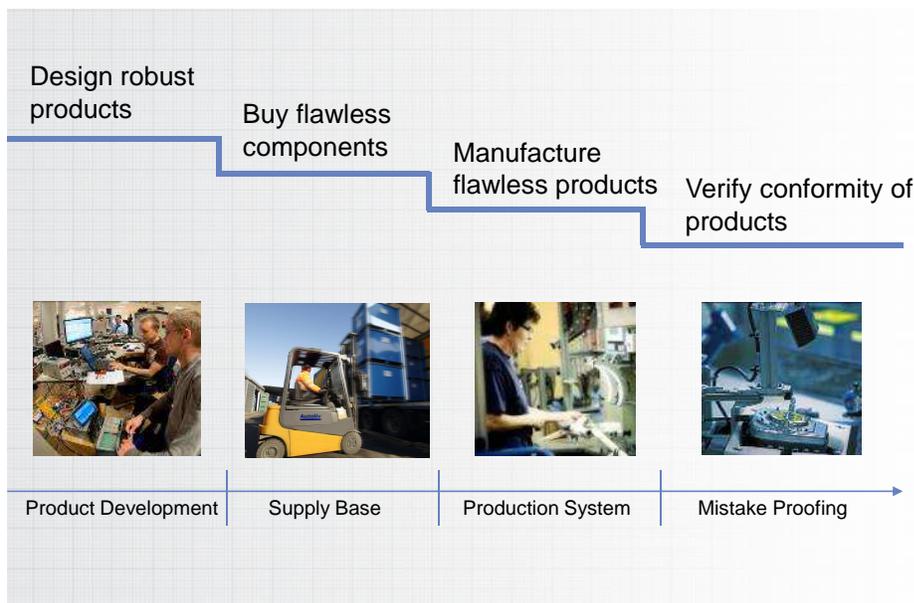
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# An Industry with a heightened focus on Quality

## - Our Zero-Defect Policy



➤ Quality focus in all dimensions of our business

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## Market Conditions

### - Update post Q1'14

#### ■ Asia

- Growth rate is slowing in China, expect FY'14 LVP growth ~ 9%
- Strong Q1 in Japan due to the increase in the consumption tax in April
- RoA combined is expected to show moderate growth ~ 1% YoY

#### ■ Americas

- Steady US SAAR, inventories remain stable
- Slow start in Brazil in Q1, expect ~ 11% LVP decline in FY'14 for South America

#### ■ Europe

- EU27 LTM\* registrations slowly recovering with a strong Q1
- Still no real signs of an economic recovery or cyclical rebound
- FY'14 LVP is expected to slightly improve YoY

➤ Expect record production in 2014 ~ 85M light vehicles

(\*) Last Twelve Months, Light Vehicle Production according to IHS @ April 16, 2014

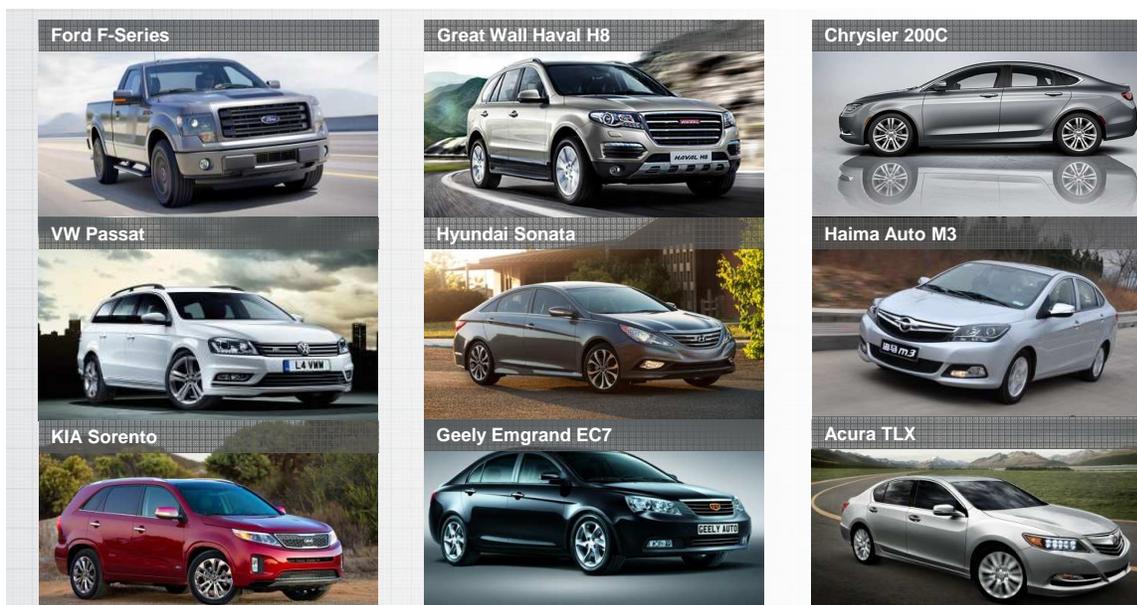
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# Key Model Launches

- FY2014



➤ China will continue to show strong growth in 2014

# Light Vehicle Production

- FY

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

➤ New record global LVP in 2014

# Looking Ahead

- Q2 2014

## ■ Sales

- **YoY organic\* sales increase ~ 5%**
  - mainly due to China and Active Safety
- **Sequential organic\* sales increase ~ 2%**
  - mainly due to China and the Americas

## ■ Operating Margin\* ~ 9%

- **YoY**
  - RD&E net and ramping-up capacity for growth and vertical integration offset the benefit from organic\* sales, commodity costs and currency
- **Sequential**
  - Net change mainly due to currency

➔ **Strong organic\* sales growth continues**

(\*) Non US GAAP measure, excludes costs for capacity alignments and antitrust investigations

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# Looking Ahead

- FY 2014 indication

## ■ Sales

- **YoY organic\* sales increase > 5%**
  - mainly related to Active Safety, China and the Americas

## ■ EBIT\* Margin ~ 9%

- **YoY**
  - RD&E net and ramping-up capacity for growth and vertical integration offset the benefit from organic\* sales, decreasing margin challenges and commodity costs

➔ **Organic\* sales growth is expected to be at least in-line with our market in 2014**

(\*) Non US GAAP measure, Earnings Before Interest and Taxes excludes costs for capacity alignments and antitrust investigations

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# Financial Outlook

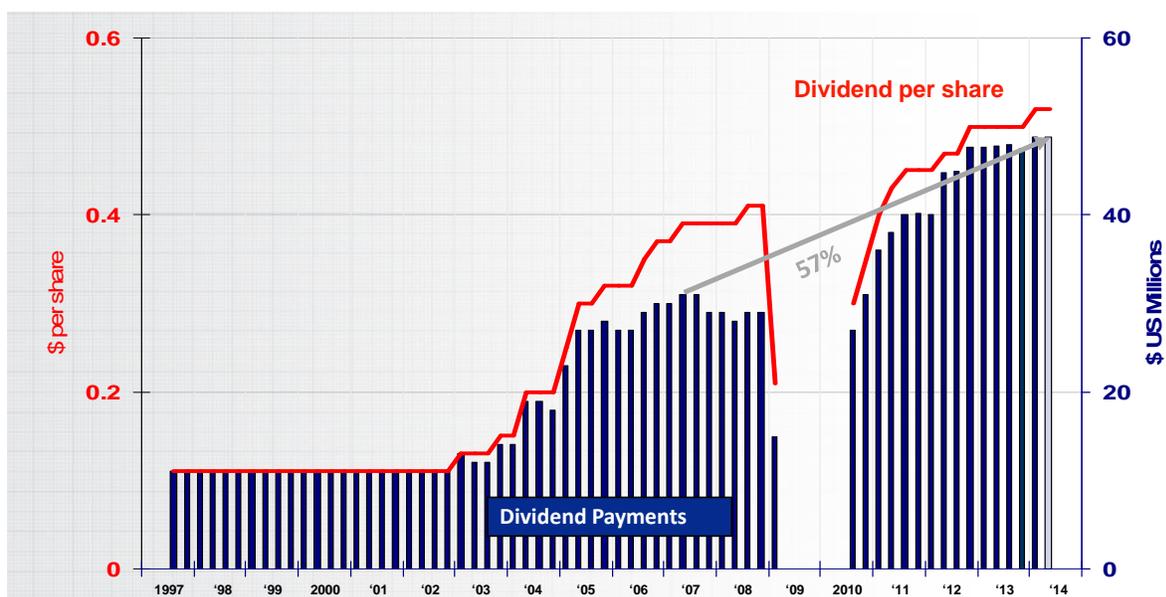
	Q2 2014	FY2014
<b>Sales</b>		
<b>Organic*</b>	~ 5%	> 5%
Acquisitions / (Divestitures)	-	-
Fx**	~ 1%	~ 1%
<b>Consolidated Sales</b>	~ 6%	> 6%
<b>Operating Margin*</b>	~ 9%	~ 9%

➔ Expect another year of solid financial performance in 2014

(\*) Non US GAAP measure, excludes costs for capacity alignments and antitrust investigations, (\*\*) 1 Euro = 1.38 US\$, 1 US\$ = 98 JPY for Q2'14 & FY2014

## Dividend Trend

- Per share and cash payments\*



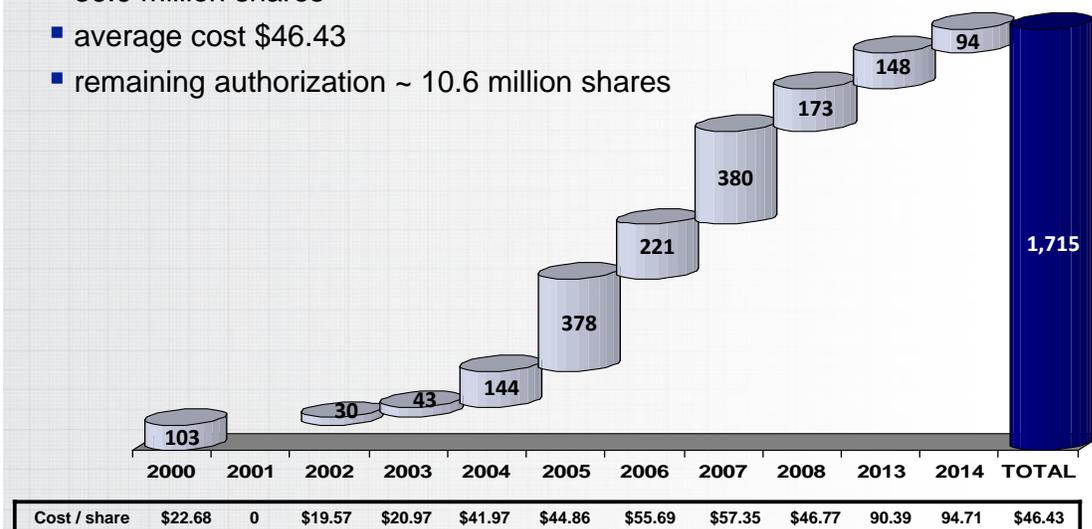
➔ Annualized dividend \$2.08 per share

(\*) Estimated dividend payment for Q1 2014 based on share count at the end of the 4<sup>th</sup> quarter 2013

# Share Repurchase Program\*

- Re-initiated in October 2013

- 36.9 million shares
- average cost \$46.43
- remaining authorization ~ 10.6 million shares



🔍 Limited “open window” each quarter to repurchase shares

(\*) Millions US\$ except where specified

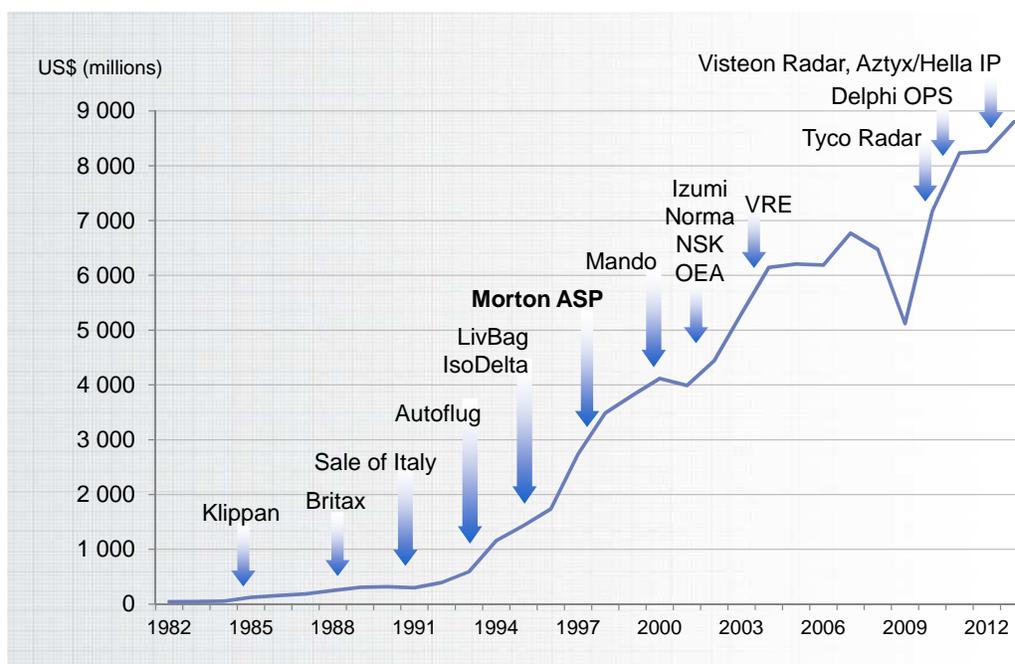
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# Strong Acquisition Track Record

supports organic growth strategy



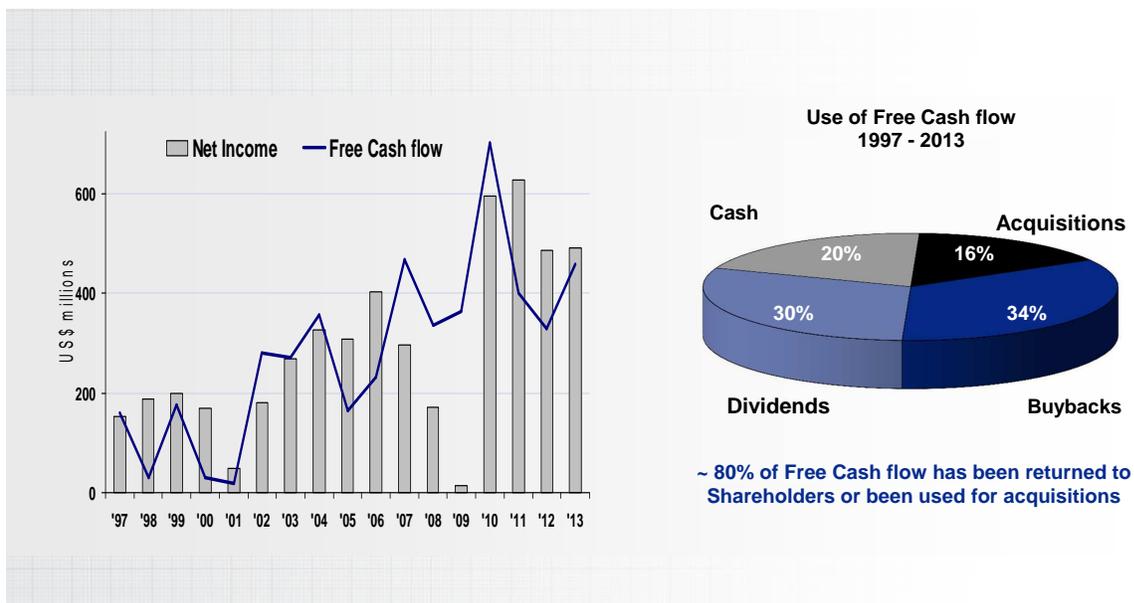
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# Financial Strategy for Free Cash flow \*

- Free Cash flow, Net Income and Use of Free Cash flow

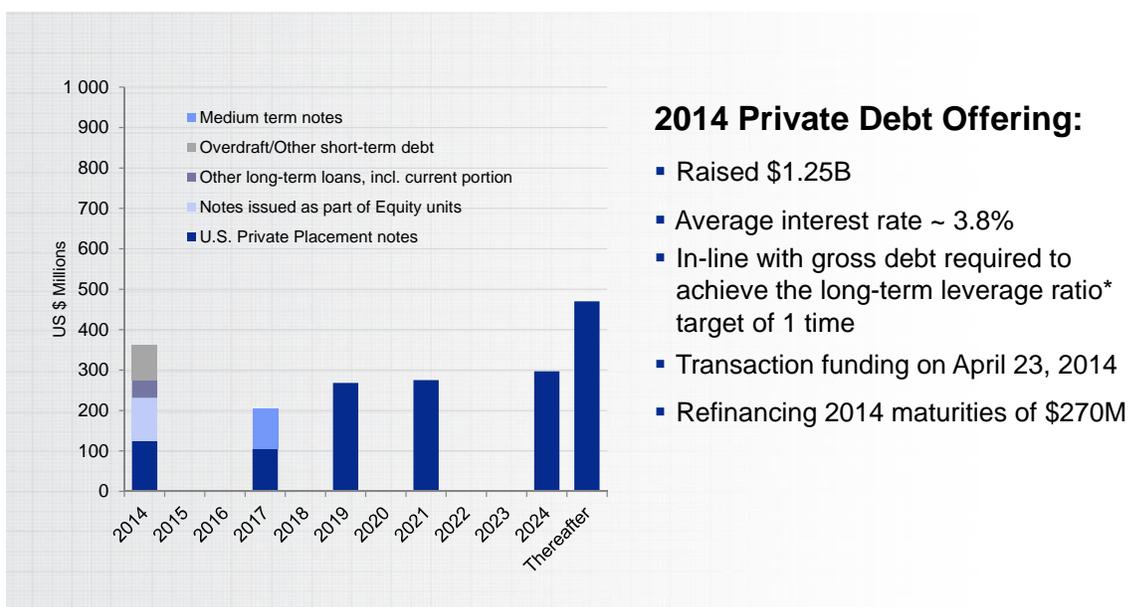


➤ Over the business cycles Free Cash flow conversion is ~ 97% of net income

(\*) Non US GAAP measure

# Capital Structure

- Debt Maturity Profile



➤ To support our long-term strategy to grow our company

(\*) Non US GAAP measure, (Net Debt + Pension Liability) / EBITDA

# Financial Strategy for RoCE

- Increasing Capital Employed Turnover \*



## Capital Management:

- Supplier terms to match our customers
- Source CapEx from low cost countries
- Campus Facility Concept
- Global Products and Processes
- Local Sourcing
- Value creating Acquisitions

⬇ Since 1997 capital employed has increased only ~ 0.4 times while sales has increased > 3 times

(\*) Sales in relation to capital employed at the end of the period

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## Long-Term Targets

- Creating long-term shareholder value

- **Organic sales growth at least in line with our market**
  - and faster than our market including acquisitions
- **Operating margin range 8-9% over the business cycles**
  - US GAAP excluding costs related to the antitrust investigations
- **EPS growth faster than organic sales growth**
  - excluding the effects of currency
- **Net Debt\*/EBITDA around one times (Debt Limitation Policy)**
  - and within the range of .5 and 1.5 times



⬇ Underlying Debt Policy is to remain “strong investment grade”

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# Key Focus Areas



Savings lives and safety around the automobile



Lead thru innovation and technology

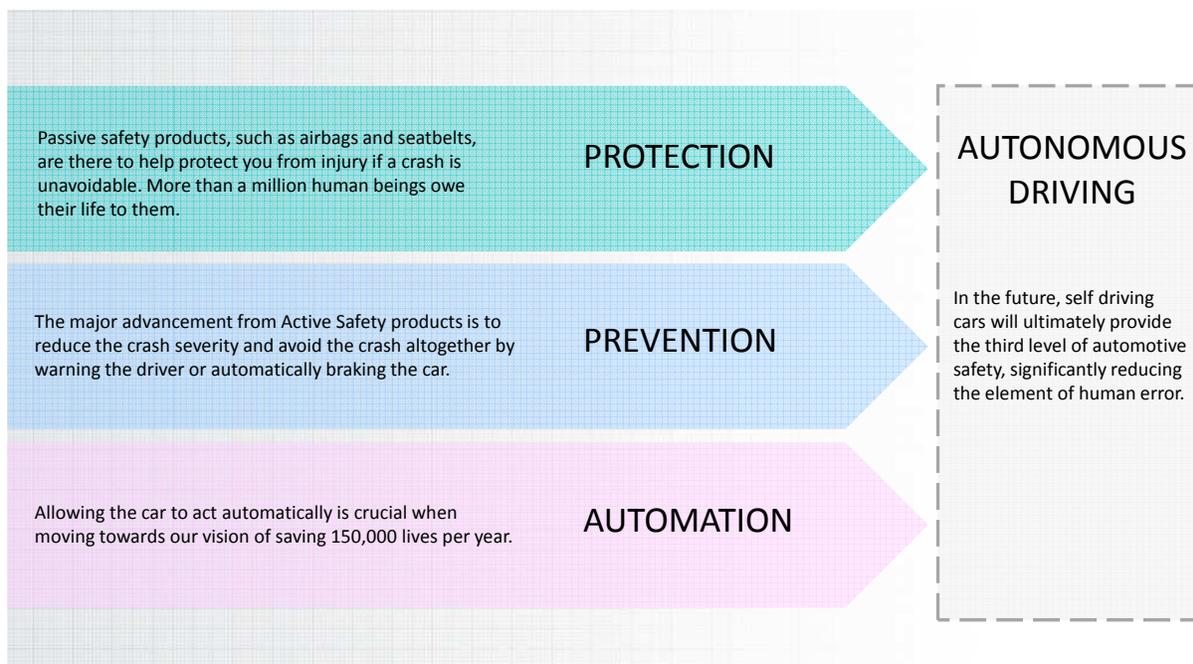


Leverage global footprint and talented-skilled people



Zero defects and customer focus

# The Road to Saving More Lives



# 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

- Active safety inclusion in “NCAP’s: US, Japan, Korea and Australia starting 2014
- ChinaNCAP upgrade in 2015, benchmarks EuroNCAP
- 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

## - US NCAP migration to Active Safety and Adaptive

### ■ IIHS Ratings:

- **New IIHS Small Overlap test** – Integrated into Top Safety Pick “Plus” for 2013.
- **FCW and/or AEB** – “Availability” of FCW required for Top Safety Pick “Plus” for 2014.

### ■ NHTSA - USNCAP:

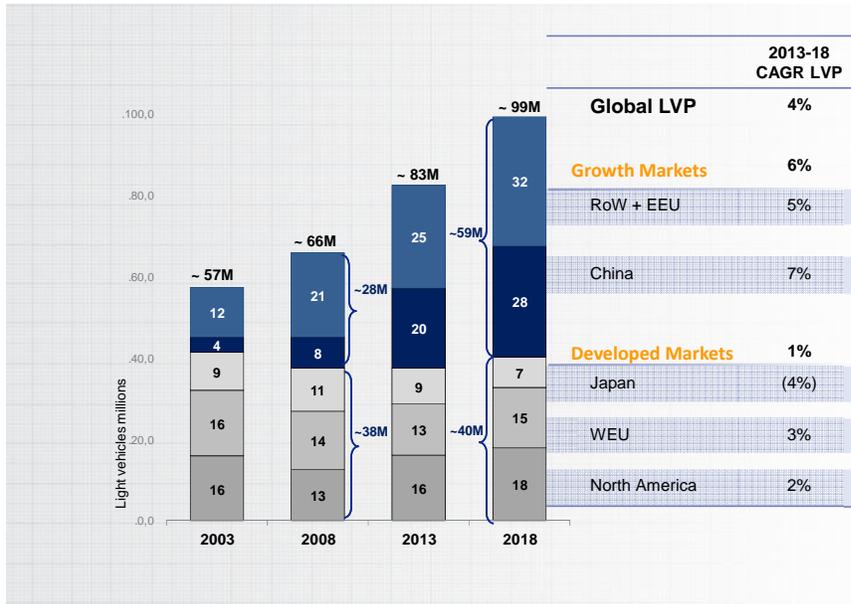
- **Back-over Safety** – ESC recognition replaced by rearview video systems to prevent back-over
- **Active Safety Areas Under Consideration**
  - ✓ Crash Avoidance and Post-Crash Technology Areas Under Consideration
  - ✓ Features: Blind Spot Detection, Advanced Lighting, Lane Departure Prevention, Crash Imminent Braking, Dynamic Brake Support, Automatic Pedestrian Detection and Braking (Frontal & Rear)
- **Passive Safety Areas Under Consideration**
  - ✓ Improved Rating of Rear Seat Safety
  - ✓ Rating of Safety for Older Occupants
  - ✓ Rating of Pedestrian Protection
  - ✓ Improved Test Dummies and Injury Criteria
  - ✓ New Test Protocols for Electric Vehicles
  - ✓ Alcohol Sensing



➤ NHTSA estimates the US “annual cost to society of traffic accidents” is several hundred billion \$’s

# Light Vehicle Production Outlook

## - 2003 thru 2018

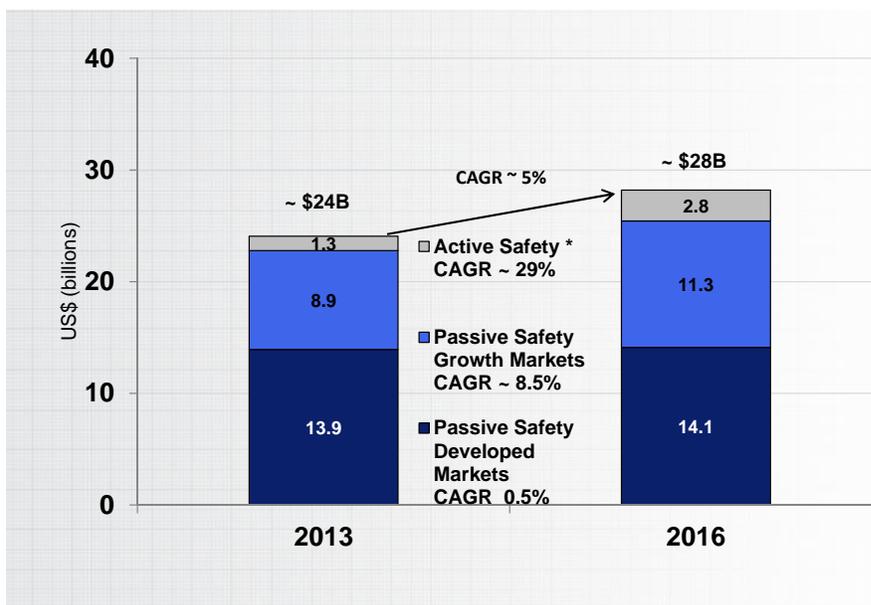


➡ Expect the LVP increase from 2013-18 to be ~32% in the Growth Markets and ~7% in the TRIAD \*

Source: IHS @ January 16, 2014, (\*) TRIAD (Japan, Western Europe, North America)

# Market Outlook

## - Our current market

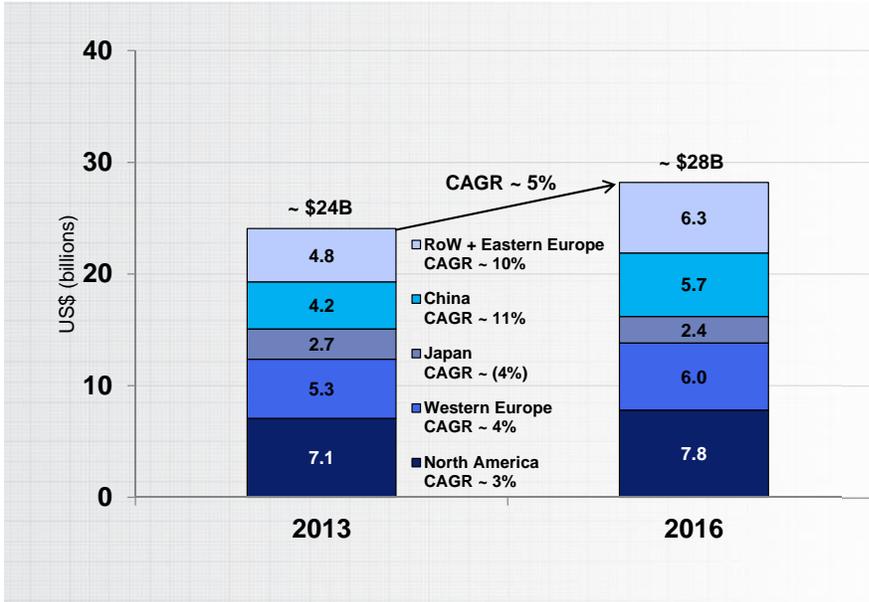


➡ During this period our market is expected to grow ~1% faster than the light vehicle production

(\*) Includes radar, front-view vision and night driving assist

# Growth Drivers by Region

- Strong presence in growth markets \*

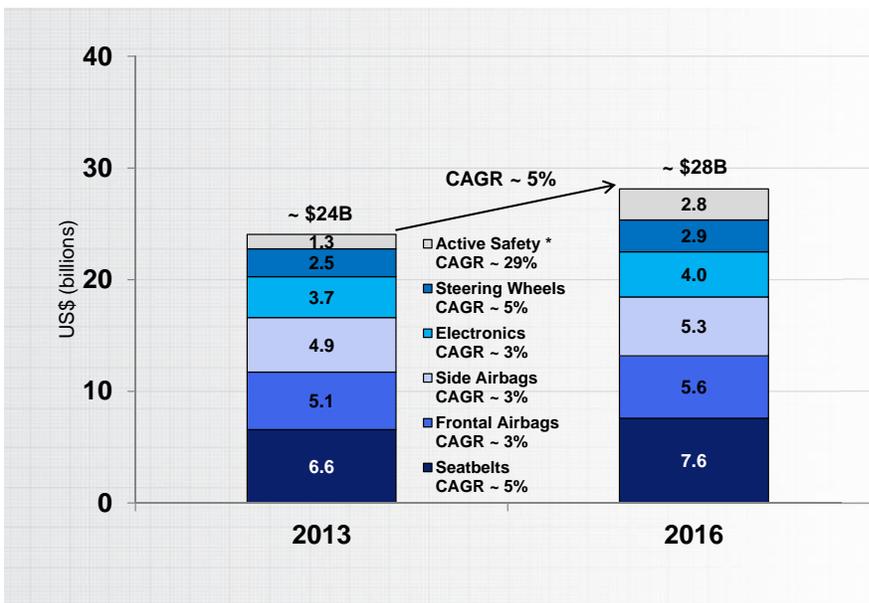


➤ Growth markets\* combined CAGR increase ~4pp faster than the LVP in those markets

(\*) Growth Markets (China, Rest of World, Eastern Europe)

# 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

# Key Investment Considerations

- Industry technology leader with attractive product mix
- Diverse customer base and global presence
- Solid track record of steady growth and cost control
- Strong cash flow generation and debt protection measures
- Experienced management team committed to quality



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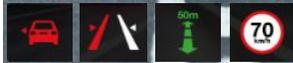
## Thank you!

**Autoliv - Safety Systems**

**Active Safety**



**Passive Safety**



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

...and prevent more than ten times as many severe injuries

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