Autoliv

Real Life Safety

Autoliv Capital Markets Day 2015

Financial Strategy for Increasing Shareholder Value

Mats Wallin
CFO

Safe Harbor Statement*

This presentation 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. or its management believes or anticipates may occur in the future. All forward-looking statements, including without limitation, management's examination of historical operating trends and data, as well as estimates of future sales, operating margin, cash flow, effective tax rate or other future operating performance or financial results, are based upon our current expectations, various assumptions and 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. 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, changes in global light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier, changes in general industry and market conditions or regional growth decline, changes in and the successful execution of our capacity alignment, restructuring and cost reduction 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, restructurings or divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers; successful integration of acquisitions and operations of joint ventures; our ability to be awarded new business; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto; higher expenses for our pension and other postretirement benefits including higher funding requirements for our pension plans; work stoppages or other labor issues; possible adverse results of pending or future litigation; our ability to protect our intellectual property rights or infringement claims; 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; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q and any amendments thereto. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events. 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 any such statement.

(*) Non-US GAAP reconciliations are disclosed in our 8-K/10-K/10-Q filings available at www.sec.gov or www.autoliv.com

Autoliv

Financial Strategy
for Increasing Shareholder Value

- **Long Term Targets and Guiding Financial Principles**
- Cash flow Generation
  - Growth
  - Margins
  - EPS
  - Free Cash Flow & RoCE
- Capital Structure
  - Debt Policy & RoE
- Reconciliations

Long Term Targets

Remains unchanged

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 excl. costs related to the antitrust matters.

EPS* growth faster than organic sales growth

…US GAAP excl. costs related to the antitrust matters.

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"

(*) Non US GAAP, Net Debt adjusted to include Pension Liability

Guiding Financial Principles

Remains unchanged

"Cash flow generation" focus	"Strong Investment Grade" credit rating	"Shareholder friendly"
…with a tight cost and capital control to support growth	…financial flexibility for growth in a cyclical industry	…increasing shareholder value through shareholder returns

Value Creating Cash Flow

Financial Strategy
for Increasing Shareholder Value

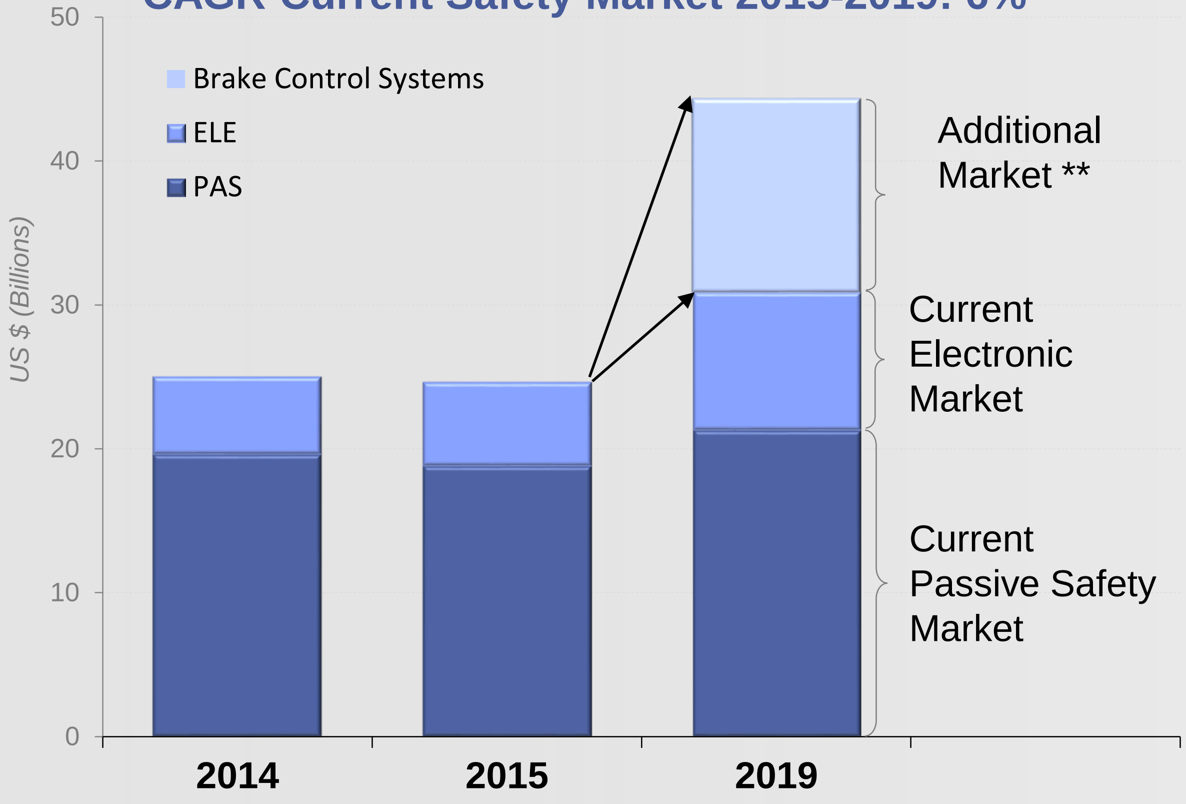
- Long Term Targets and Guiding Financial Principles
- **Cash flow Generation**
  - **Growth**
  - Margins
  - EPS
  - Free Cash Flow & RoCE
- Capital Structure
  - Debt Policy & RoE
- Reconciliations

Autoliv

Growth

Leverage our strong position in a growing safety market

CAGR Current Safety Market 2015-2019: 6%



2014 MARKET SHARE

Brake Control Systems	~0%**
Active Safety***	24%
PAS Electronics	22%
Side Airbags	48%
Frontal Airbags	30%
Steering Wheel	30%
Seatbelts	40%

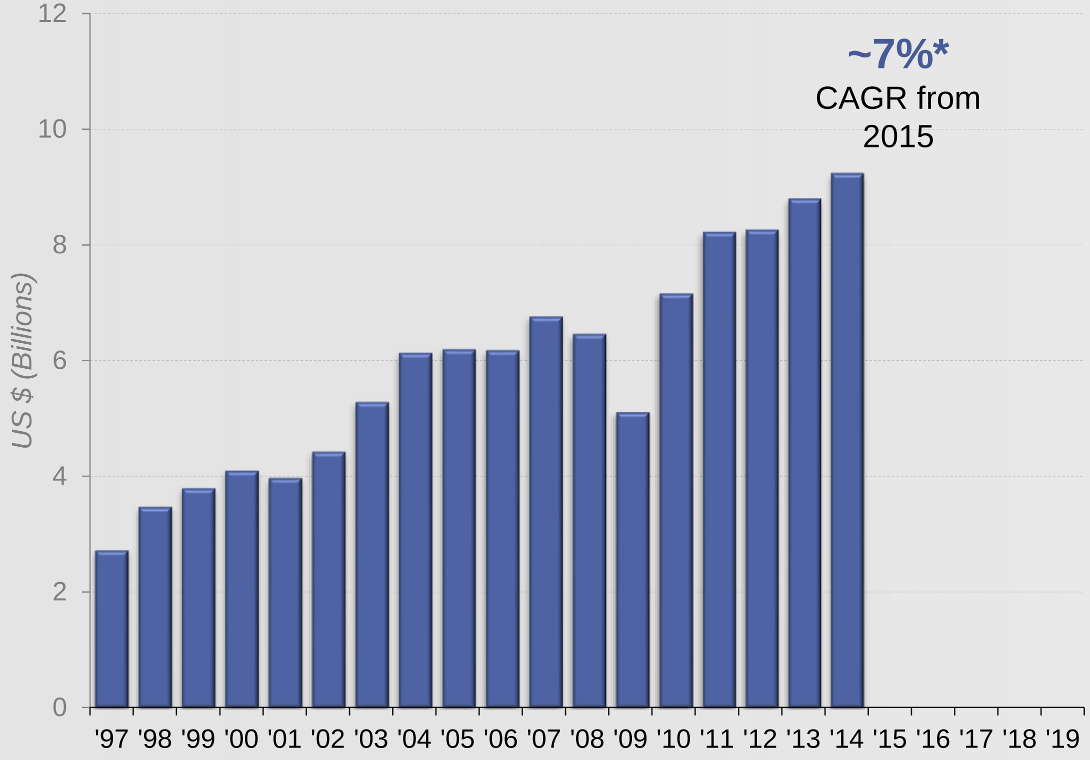
Our safety market is expected to be ~$44B in 2019

(*) Based on August 2015 LVP outlook, FX-rates and estimated pricing trends. (**) Brake Control Systems excluding foundation brakes. (***) Includes automotive radars, night vision systems and cameras with driver assist systems.

Growth Target

Sales of $12B* in 2019, with an ambition to potentially reach up to $15B through 2019

Autoliv Group Sales



Organic:

- May vary period to period due to launch cycles and acquisition effects.

Acquisitions:

- Use to supplement organic growth to grow faster than our market growth.

Passive Safety (PAS):

- Expand on current 39% market share and target $9B* by 2019 (> 4% CAGR).

Electronics (ELE):

- Target to reach $3B* by 2019 (~19% CAGR).

Target is to grow sales in-line with our long-term historical growth rate of around 7%* (2015 to 2019)

(*) Based on August 2015 LVP outlook, FX-rates and estimated pricing trends, including recent MACOM Automotive Solutions acquisition, Joint Venture with Nissin Kogyo subject to closing and Volvo Car Corporation IP license.

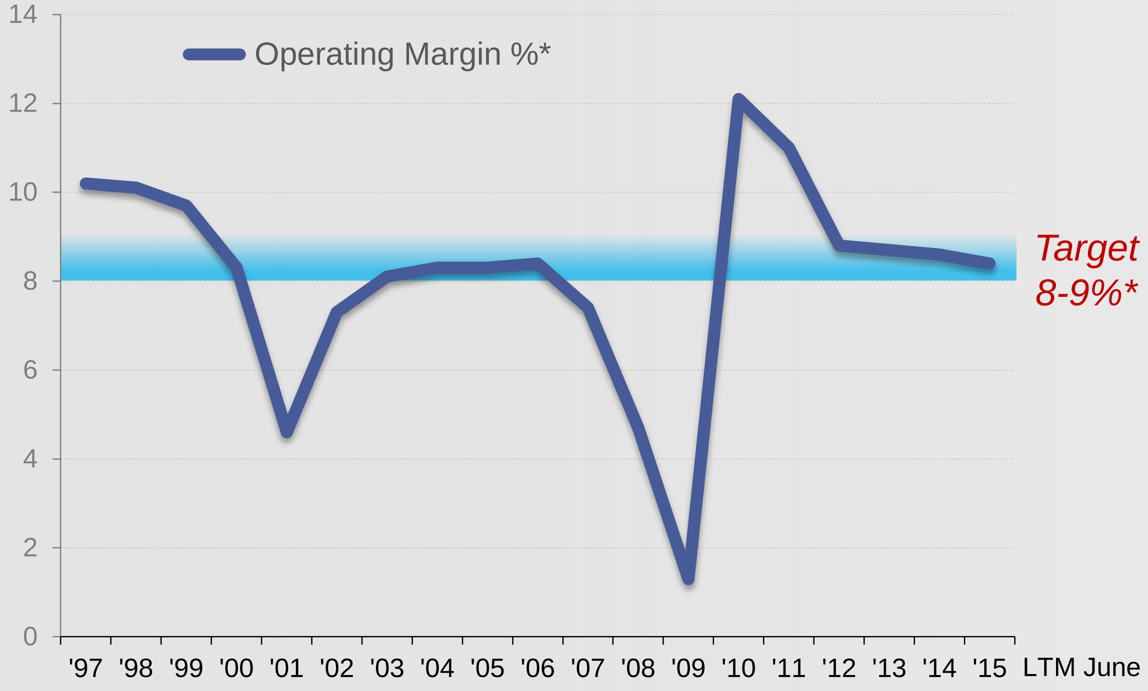
Autoliv

Financial Strategy

for Increasing Shareholder Value

- Long Term Targets and Guiding Financial Principles
- **Cash flow Generation**
  - Growth
  - **Margins**
  - EPS
  - Free Cash Flow & RoCE
- Capital Structure
  - Debt Policy & RoE
- Reconciliations

Financial Strategy for Margins
Long-term operating margin* target



Autoliv (ALV):

- Long-term operating margin target 8-9% over the business cycles

Passive Safety (PAS):

- At least maintain current operating margin levels

Electronics (ELE):

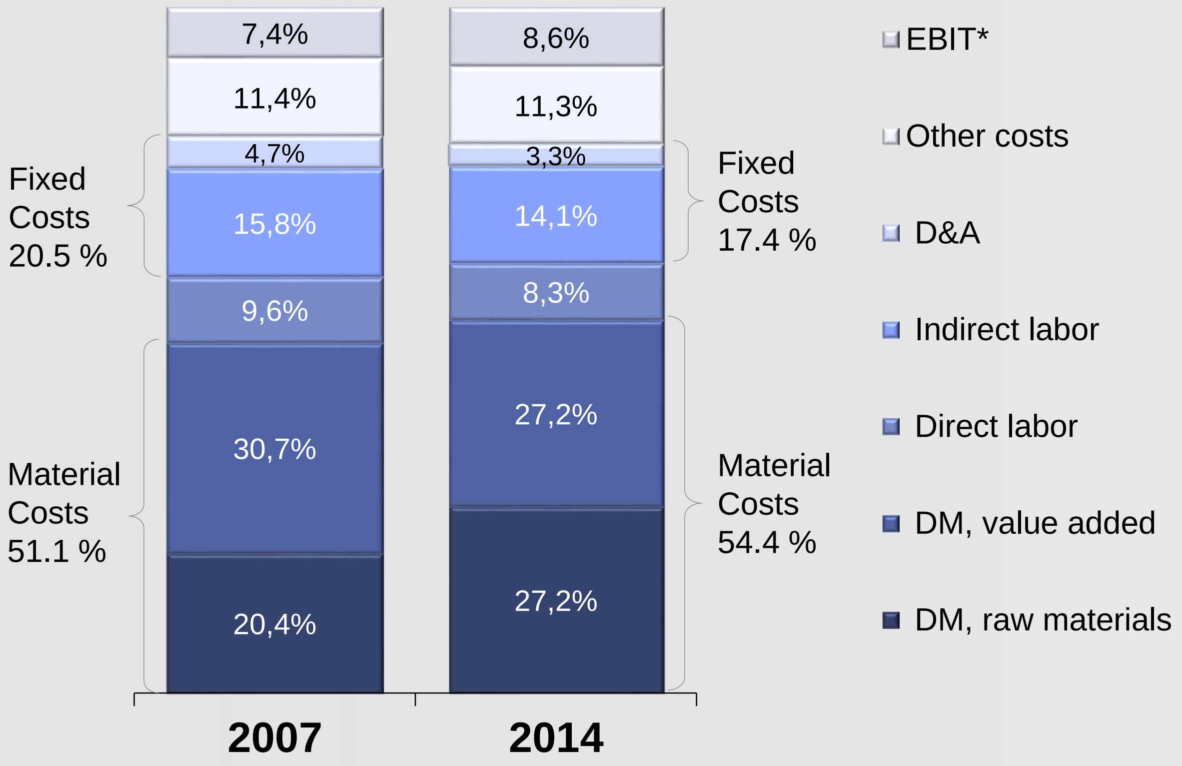
- Improve operating margin to reach of our long-term corporate target range by the end of the decade while investing for growth

Average operating margin since 1997 is in the low end of our long-term target range.

(*) Non-US GAAP excluding costs related to the Antitrust matters

Financial Strategy for Margins

Cost structure (% of sales)



Operational Excellence

- Focus to drive cost savings through 1P1P and other initiatives;
  - Direct Material Savings
  - Vertical Integration
  - Direct Labor Improvements
  - Capacity Alignment

Innovation

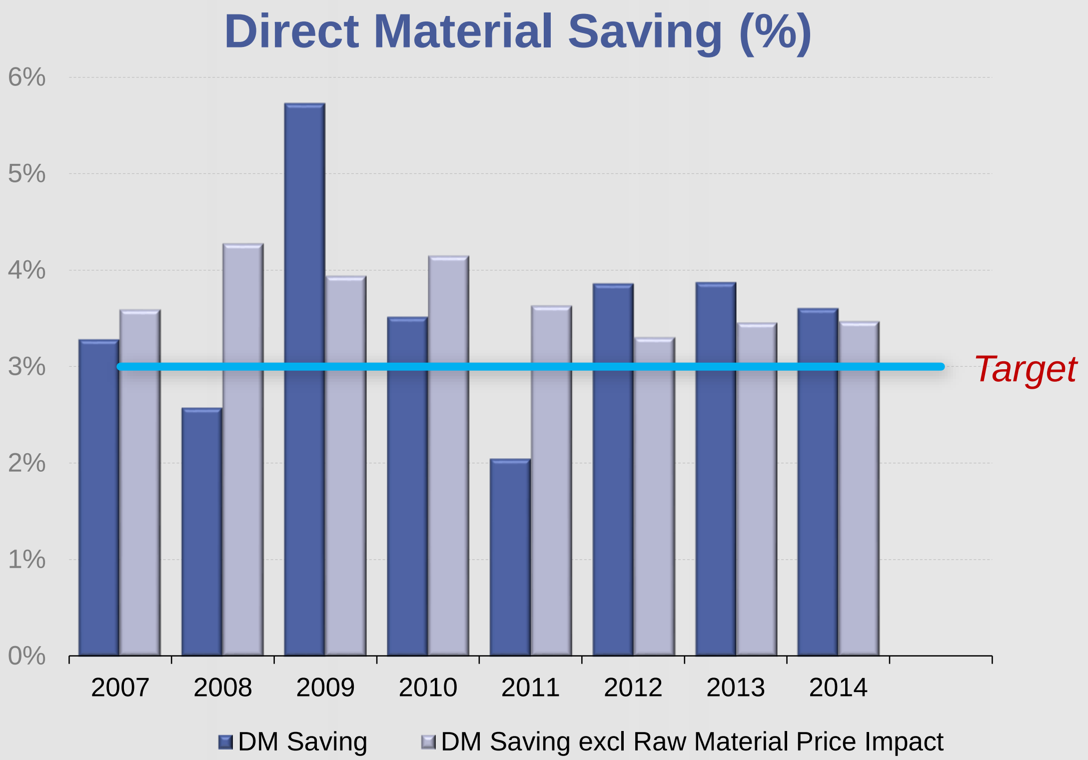
- RD&E Investments for growth.

Labor and fixed cost improvement is a direct result of our transformation initiatives

(*) Non-US GAAP excluding costs related to the Antitrust matters

Financial Strategy for Margins

Direct material savings



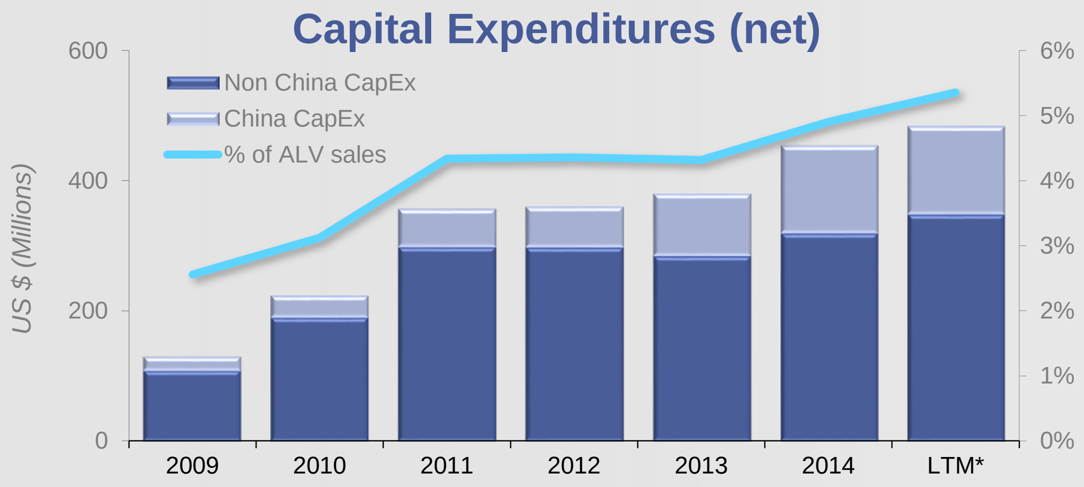
Direct material savings ≥ 3% through:

- Global purchasing organization for managing direct material savings
- Focus on product re-designs, modularization and reducing tail-end products
- Supply base consolidation with local sourcing where appropriate
- Vertical integration in certain key components to ensure better quality control and higher returns

Material reductions ≥ 3% per year over the last business cycle, excluding commodity cost effects

Financial Strategy for Margins

Expanding our vertical integration base into China



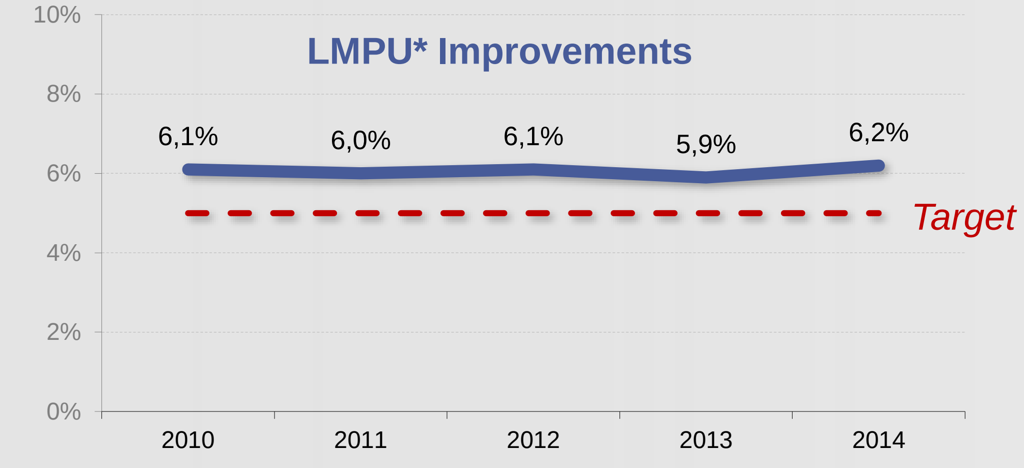
(*) LTM (Last Twelve months June 2015).

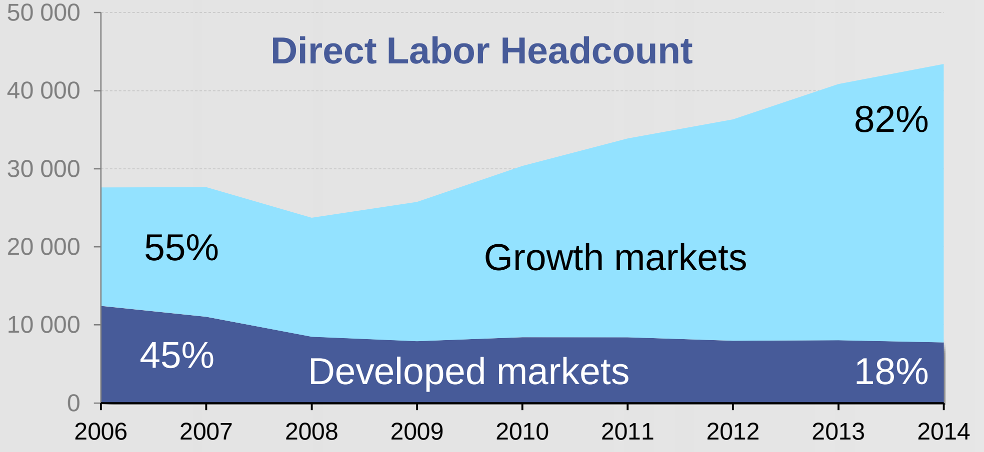
Vertical Integration in textiles, propellant, initiators to support:

- Quality.
- Supply chain management, redundancy and logistics.
- Profitability and natural currency hedging.

Financial Strategy for Margins

Direct labor improvements





*LMPU = Labor Minutes Produced Unit.

Direct labor savings ≥ 5% through:

- Productivity improvements
- Reduce complexity
- Use of standards
- Automation

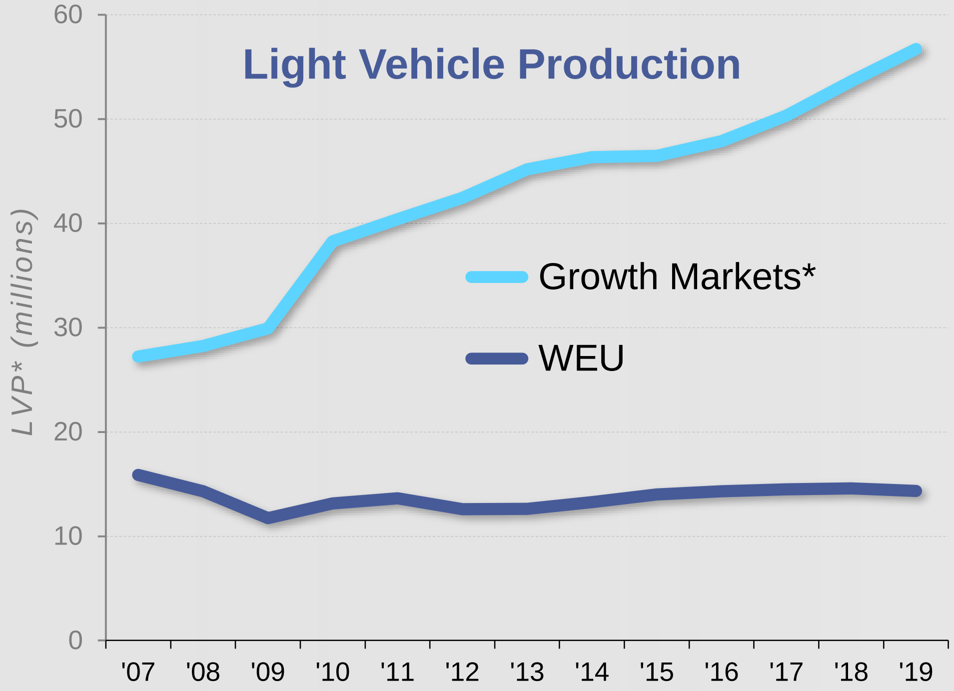
Align footprint to markets:

- Direct labor shift to growth markets
- Align capacity with our customers growth

Autoliv

Financial Strategy for Margins

Aligning our global footprint to our markets



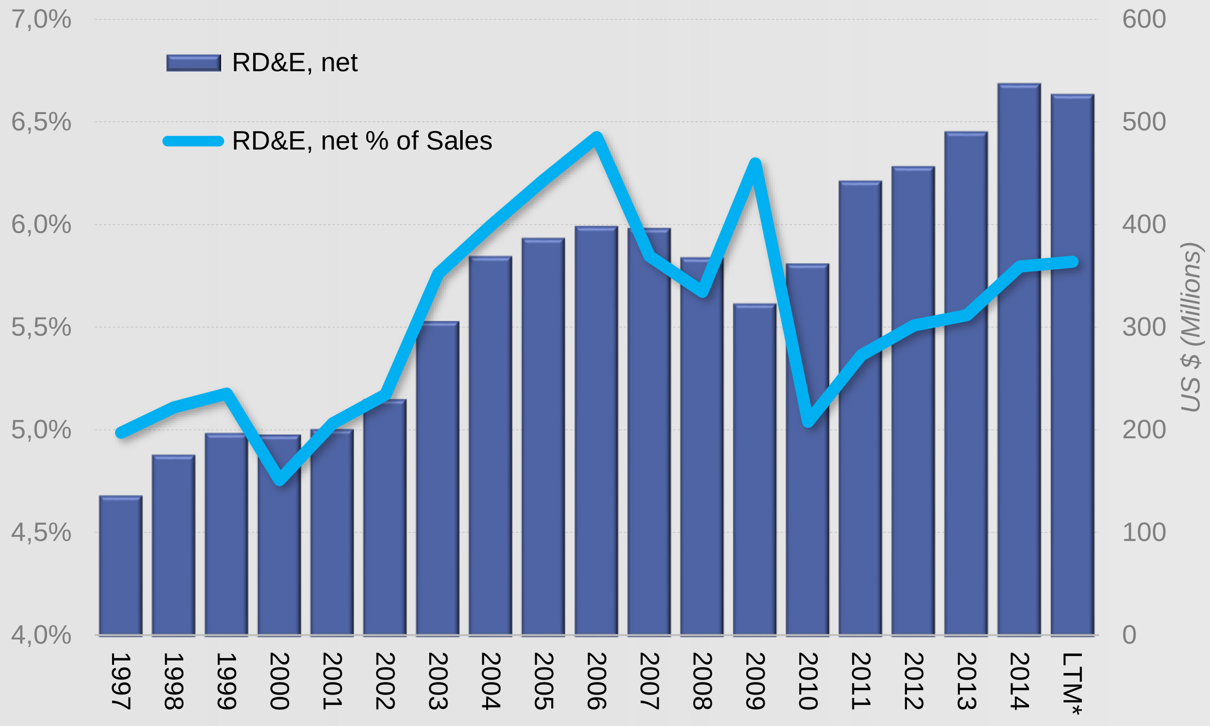
US $ (Millions)	FY14	YTD Q2'15	FY15E
Cost (gross)	$45	$42	> $90
Cash outlay	$44	$33	~ $60
Savings	$6	$5	< $20
Carry forward Balance Sheet	$80	$82	

Beyond 2015 restructuring costs on our current business are estimated to be on average ~30 basis points per year

(*) Growth Markets excludes the Triad, LVP (Light Vehicle Production) according to IHS @ September 16, 2015.

Autoliv

Financial Strategy for Margins
RD&E investment for growth



Drivers for RD&E, net:

- Investments to support group sales target
- Near and mid-term mix effect from ELE growth
- Acquisition effects
- Near-term 6 to 6.5%
- Long-term 5 to 6%

RD&E, net is expected to remain in the range of 6 to 6.5% of sales in the near-term

(*) LTM (Last Twelve months June 2015).

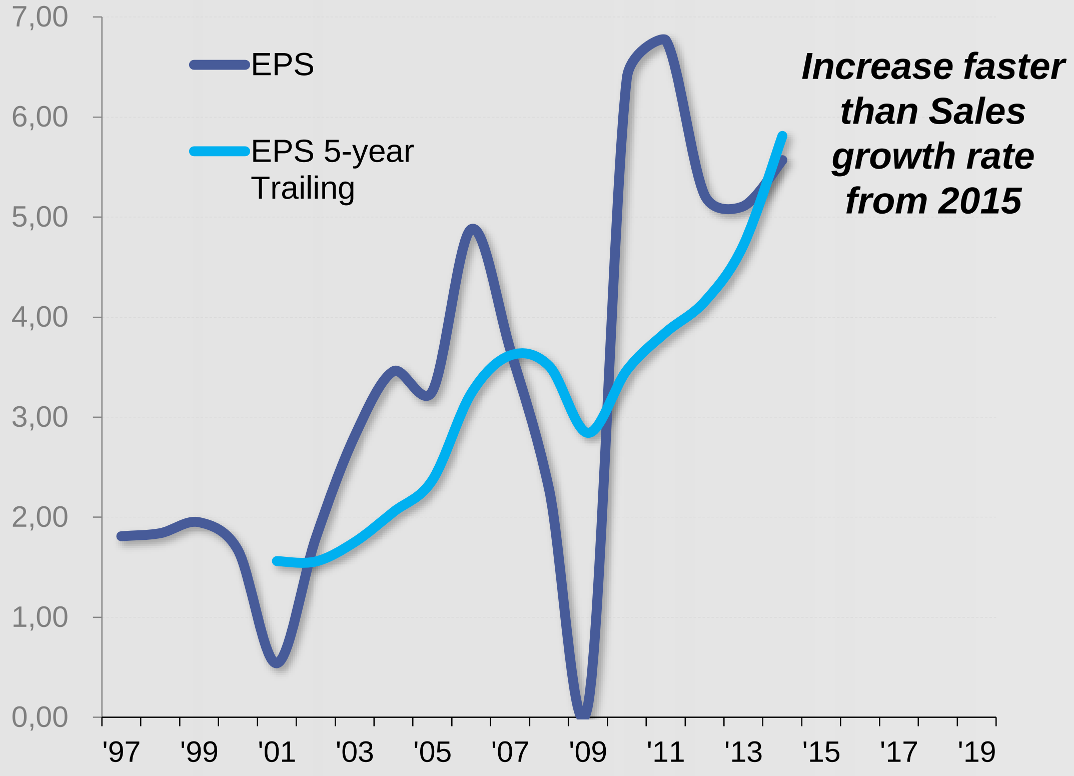
Financial Strategy
for Increasing Shareholder Value

- Long Term Targets and Guiding Financial Principles
- **Cash flow Generation**
  - Growth
  - Margins
  - **EPS**
  - Free Cash Flow & RoCE
- Capital Structure
  - Debt Policy & RoE
- Reconciliations

Autoliv

Financial Strategy for EPS

EPS* target is to increase faster than the sales growth rate through 2019



EPS Growth Target through:

- ~7%* Sales CAGR through 2019
- At least maintaining current margins in PAS & improving margins in ELE
- Share repurchases or M&A

Over time, excess FCF is returned to shareholders through M&A, Dividends and Share Repurchases

(*) Excluding costs related to Antitrust matters, includes planned Nissin Kogyo Joint Venture.

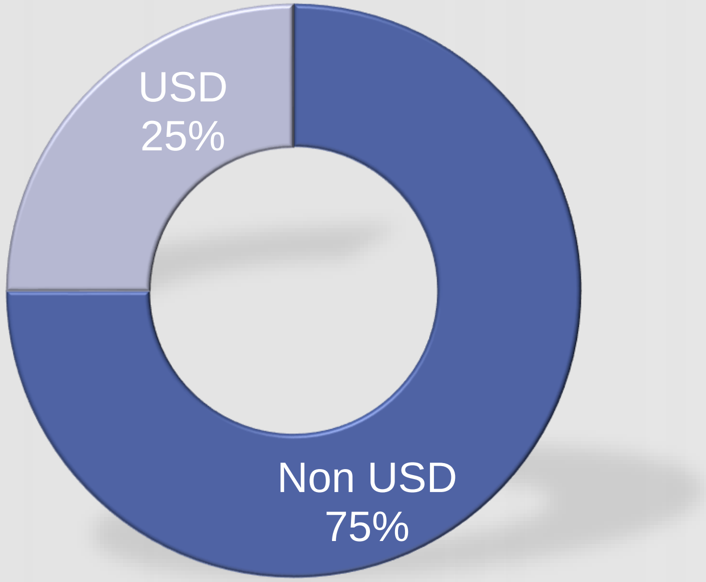
Autoliv

Financial Strategy for EPS

Currency exposure*

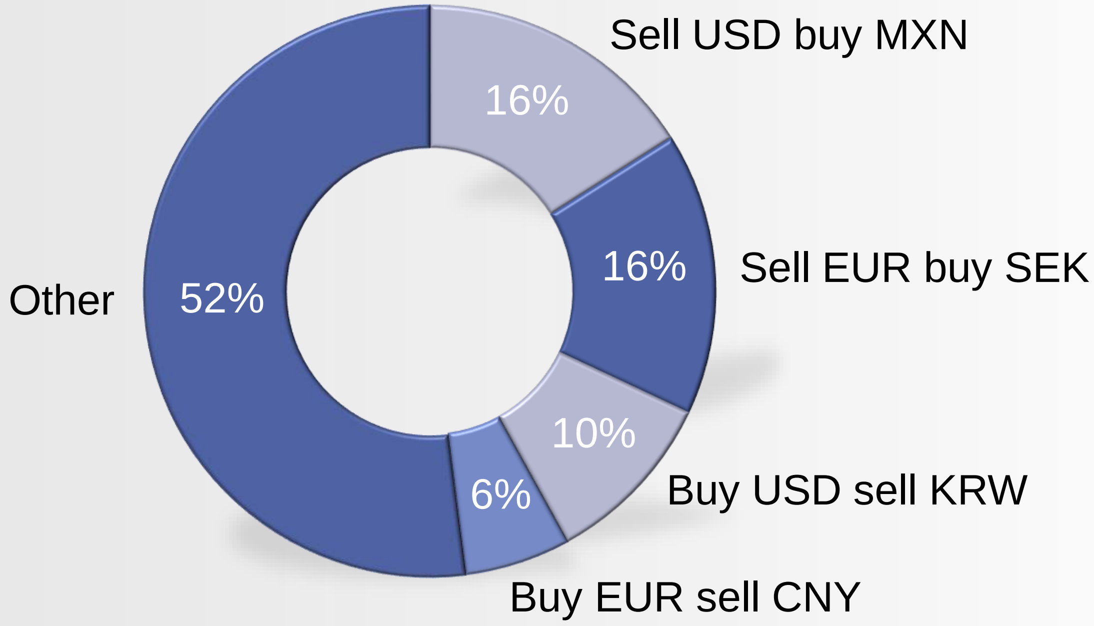
2015E Translation

whereof ~ 75% non-U.S. Sales



2015E Transaction

~ $2.1 B



Natural hedging strategy, total transaction exposure corresponding to ~23% of sales

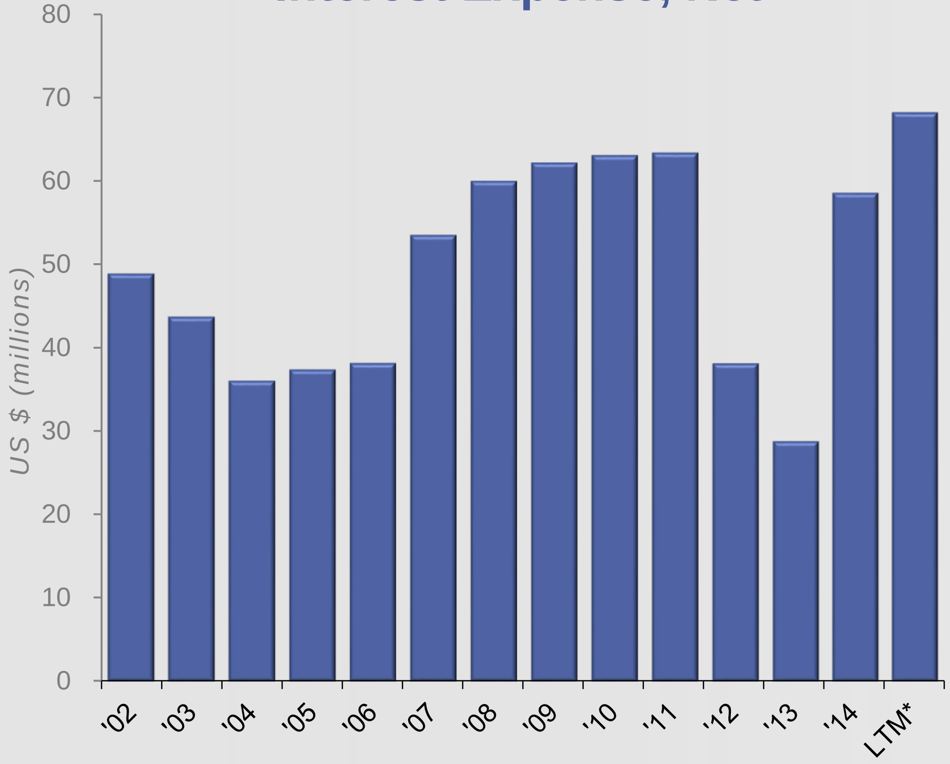
(*) Based on Q2 2015 currency rates and assumptions

Autoliv

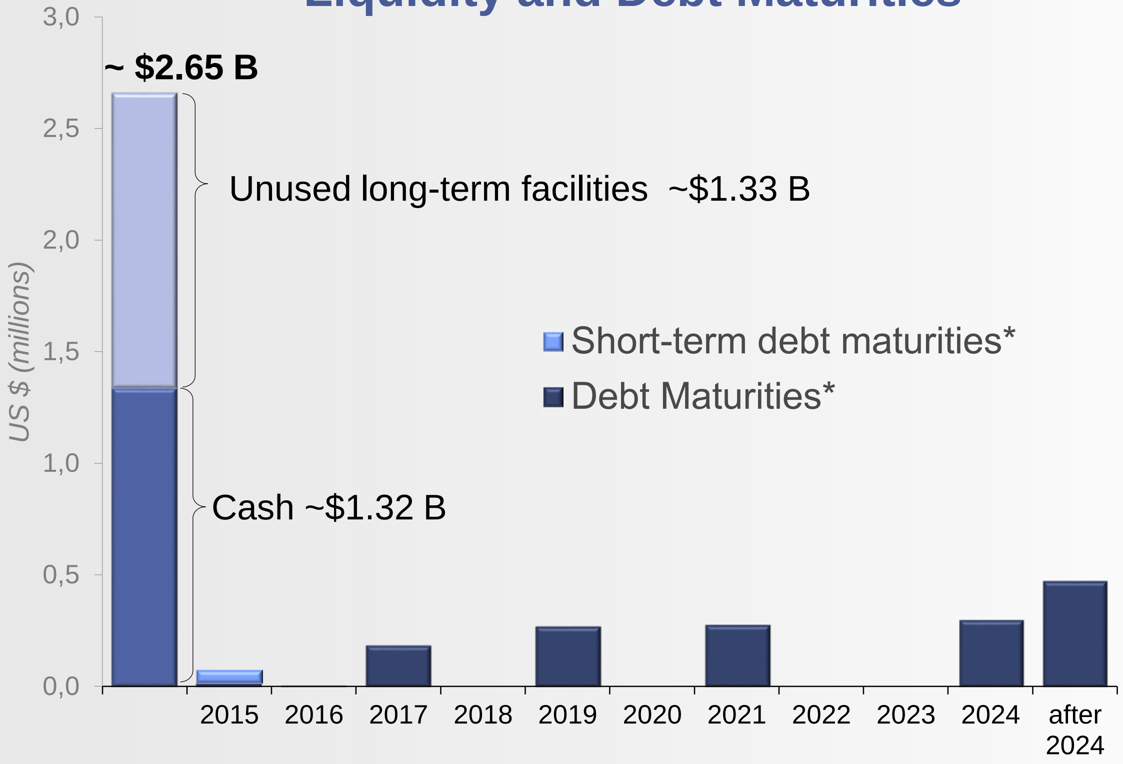
Financial Strategy for EPS

Interest, net, liquidity and debt maturities

Interest Expense, Net



Liquidity and Debt Maturities

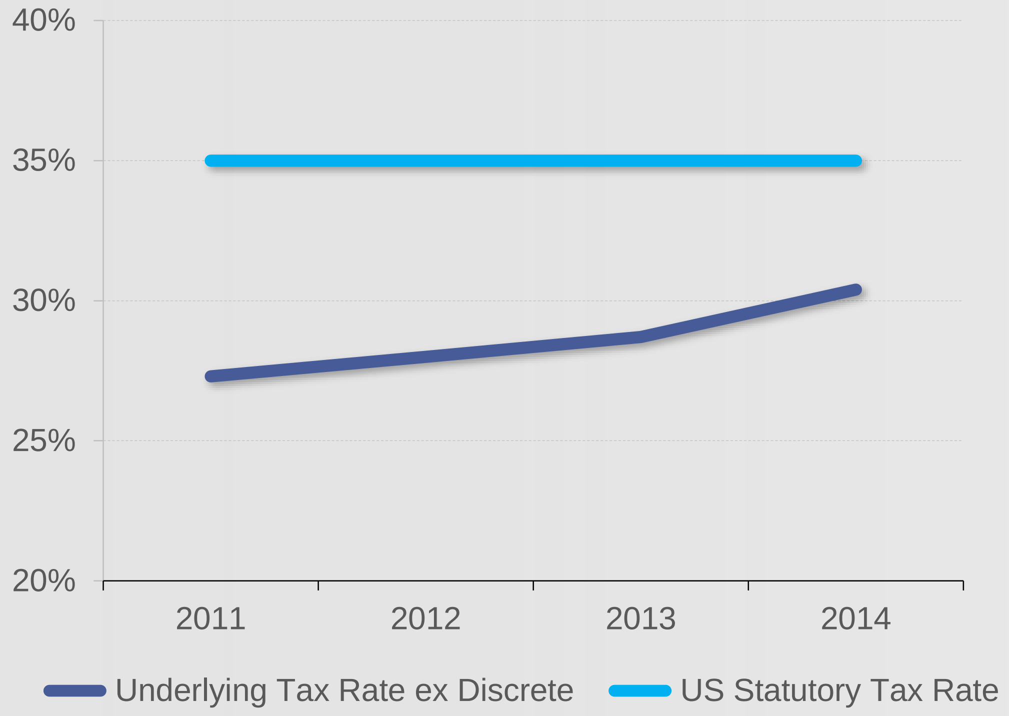


Q2 2015 interest expense, net run-rate ~ $16M, net debt position of $0.3B

(*) None of the credit facilities are subject to financial covenants, LTM (Last Twelve months June 2015).

Financial Strategy for EPS

Factors affecting the underlying Tax Rate



Factors include:

- Change in country mix
- New or increased start up losses
- Write off of Deferred Tax Assets
- Antitrust settlements/penalties
- New tax legislation
- Use of Capital
- Reduction of start up losses or using old losses

Effective tax rate* is expected to move to the low 30's % over the next few years

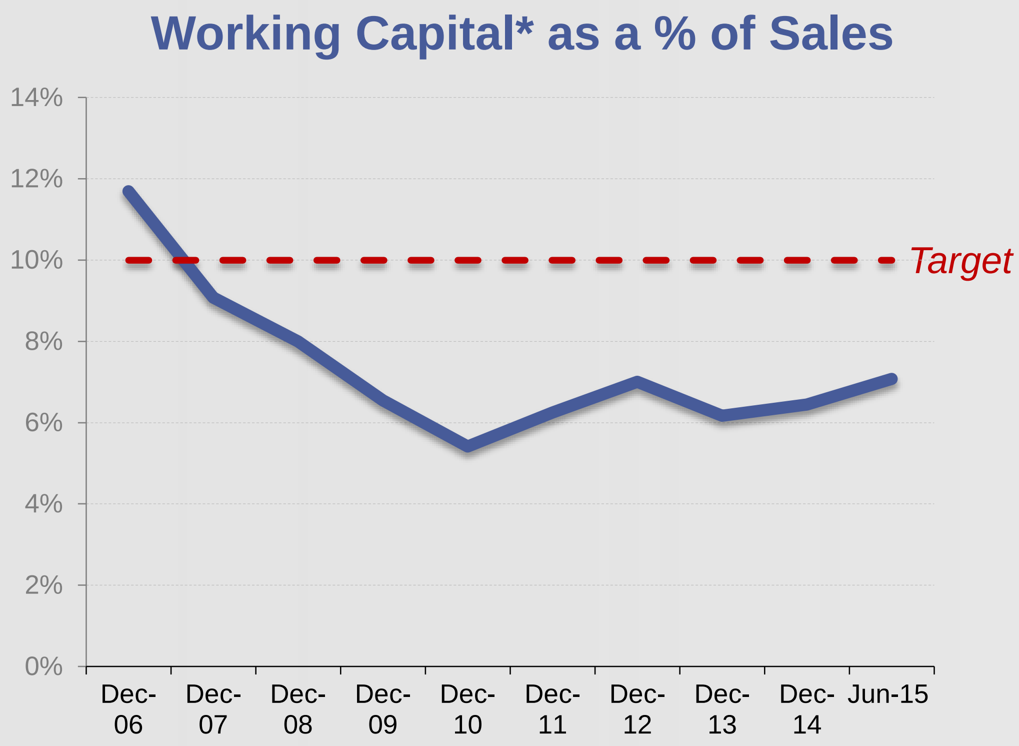
(*) Non US GAAP measure see reconciliation

Financial Strategy
for Increasing Shareholder Value

- Long Term Targets and Guiding Financial Principles
- **Cash flow Generation**
  - Growth
  - Margins
  - EPS
  - **Free Cash Flow & RoCE**
- Capital Structure
  - Debt Policy & RoE
- Reconciliations

Financial Strategy for Cash Flow

Operating working capital*



Working Capital Management:

Long-term target < 10% of sales

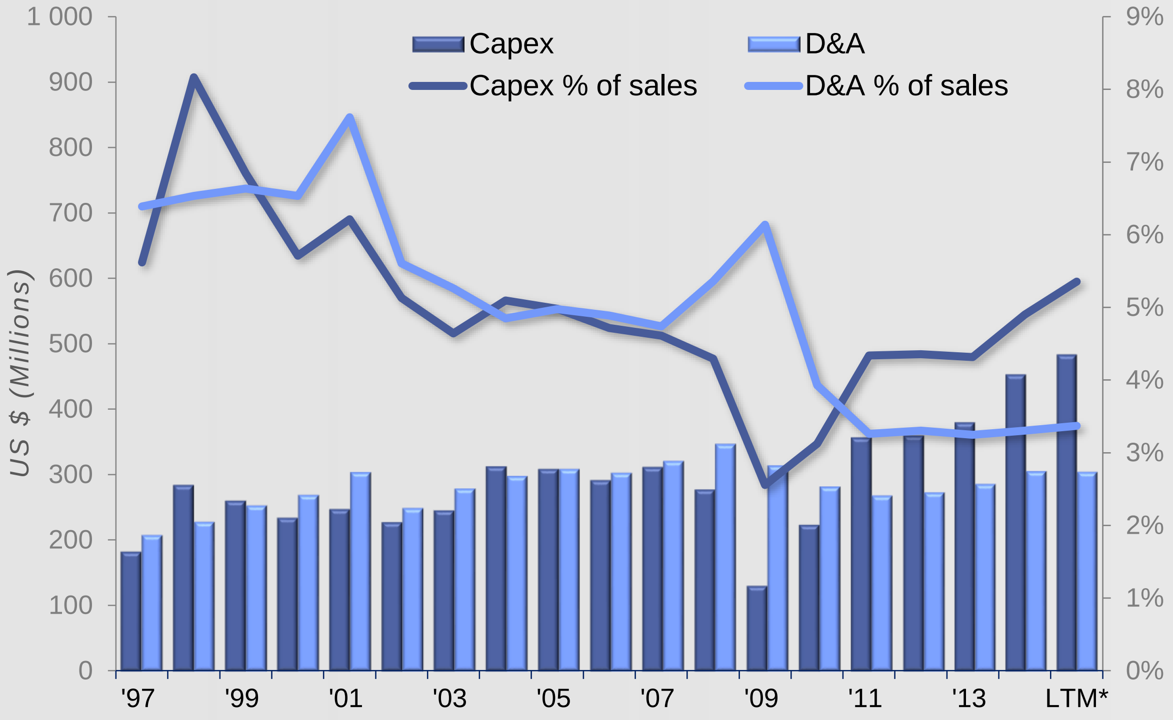
- Supplier Terms to match our customers
- Campus Facility Concept
- Global Products and Process
- Local Sourcing

Operating working capital* target remains < 10% of sales

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

Financial Strategy for Cash Flow

Capital expenditures, depreciation and amortization



Capital Management:

LT trend of increasing capital efficiency

- Source CapEx from low cost countries
- Campus Facilities
- Global Products and Process
- Vertical Integration
- Acquisitions

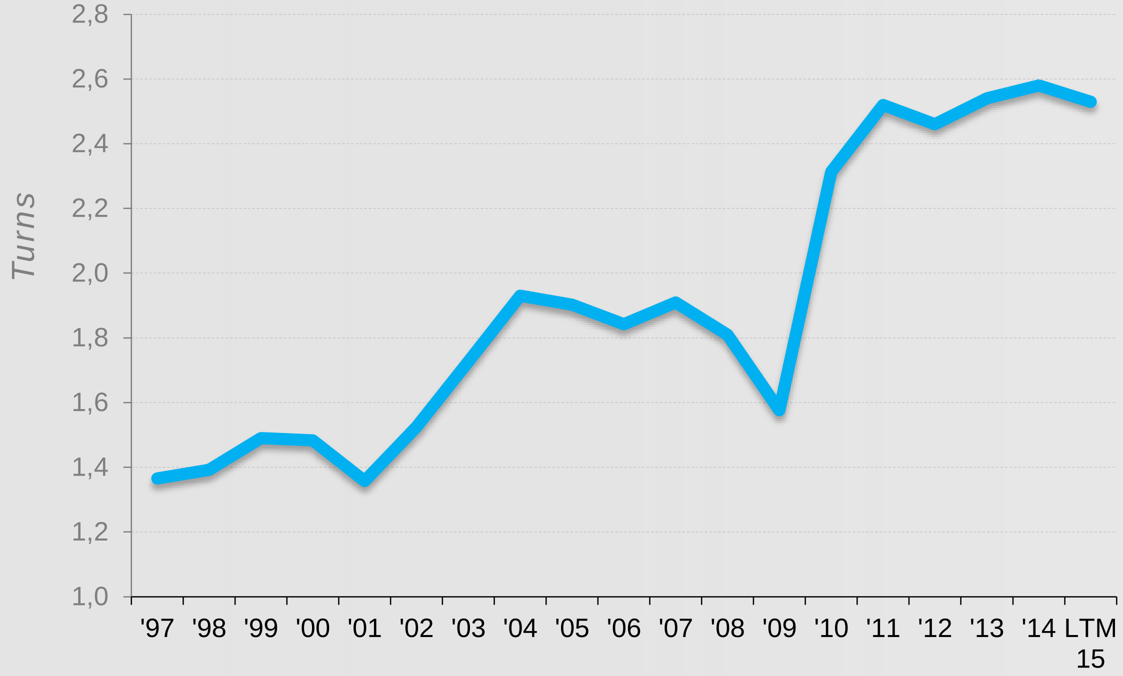
CapEx is expected to be in the high end of the range of 4 to 5% of sales over the mid-term to support the $12B sales target

(*) Non US GAAP measure, see Annual Reports for reconciliation, LTM (Last Twelve months June 2015).

Financial Strategy for RoCE

Increasing capital employed turnover*

Capital Employed Turns



Capital Management:

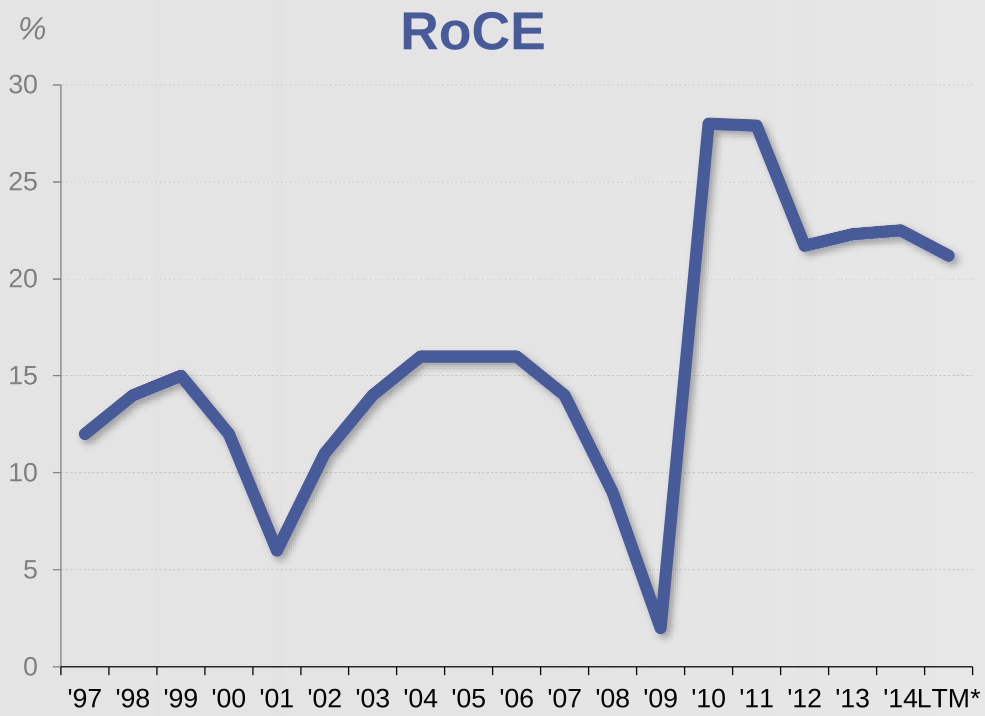
- Supplier terms to match our customers
- Source CapEx from low cost countries
- Campus Facility Concept
- Global Products and Processes
- Local Sourcing
- Value Creating Acquisitions

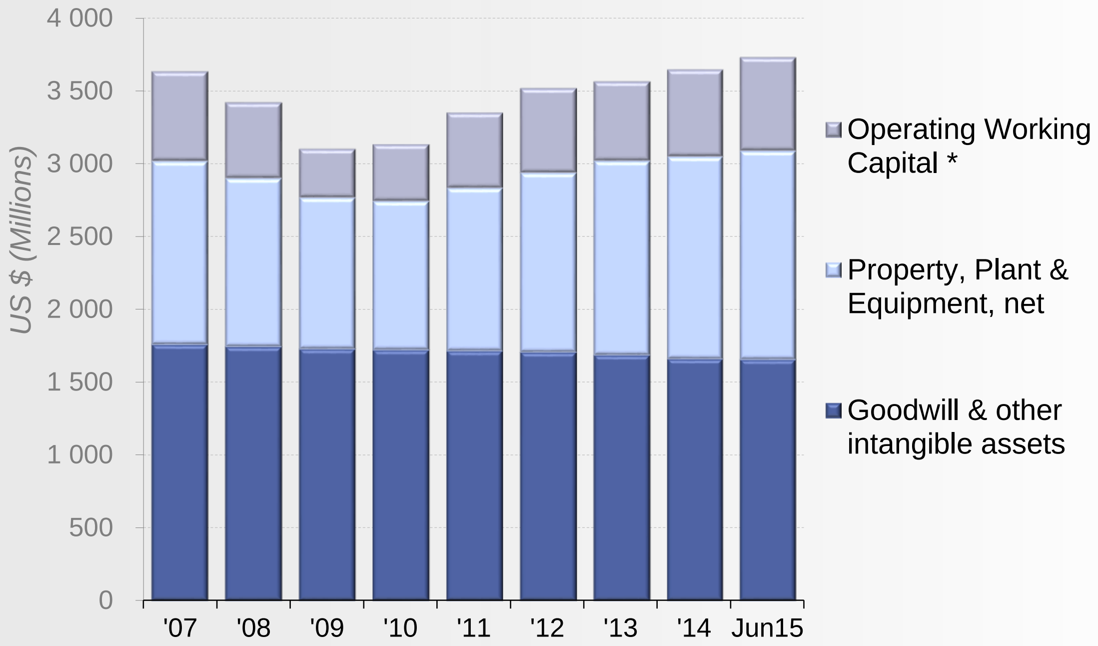
Since 1997 Capital Employed has increased only ~ 0.4 times while sales has increased > 3 times

(*) Sales in relation to capital employed at period end, LTM (Last Twelve months June 2015).

Return on Capital Employed*

Among industry leading returns, well above our pre-tax WACC**





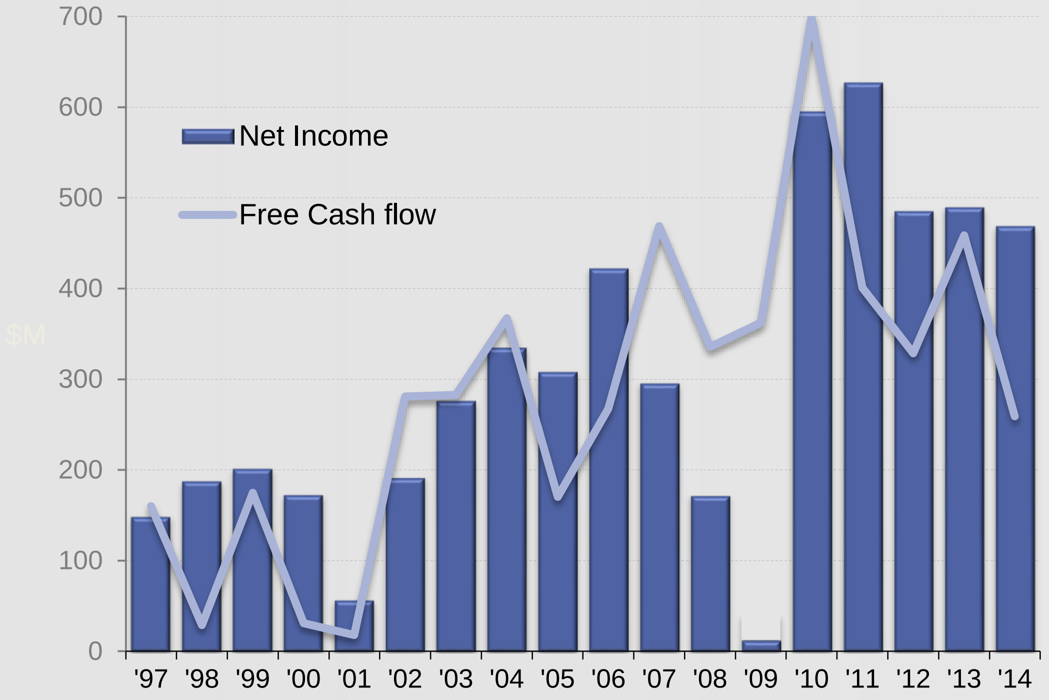
Goodwill represents ~ 50% of Capital Employed

(*) Non US GAAP excluding costs related to Antitrust matters, LTM (Last Twelve months June 2015). (**) Weighted average cost of capital.

Financial Strategy for Free Cash Flow*

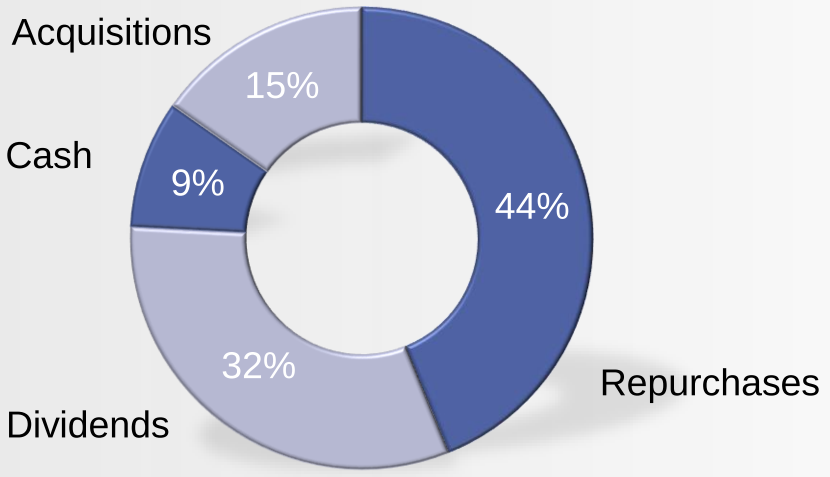
Free cash flow vs. net income and use of free cash flow

Free Cash Flow



Use of Free Cash flow

1997 - 2014



~ 90% of Free Cash flow has been returned to Shareholders or used for acquisitions

Over the business cycles free cash flow conversion is > 90% of net income

(*) Non US GAAP measure see reconciliation

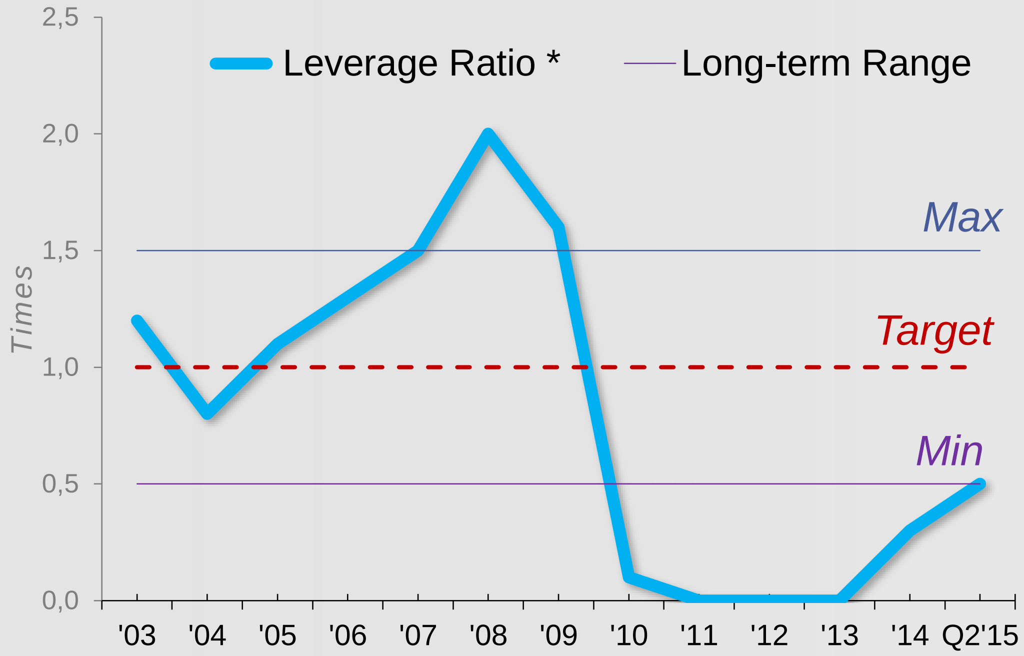
Autoliv

Financial Strategy
for Increasing Shareholder Value

- Long Term Targets and Guiding Financial Principles
- Cash flow Generation
  - Growth
  - Margins
  - EPS
  - Free Cash Flow & RoCE
- **Capital Structure**
  - Debt Policy & RoE
- Reconciliations

Capital Structure

Debt limitation policy



Policy

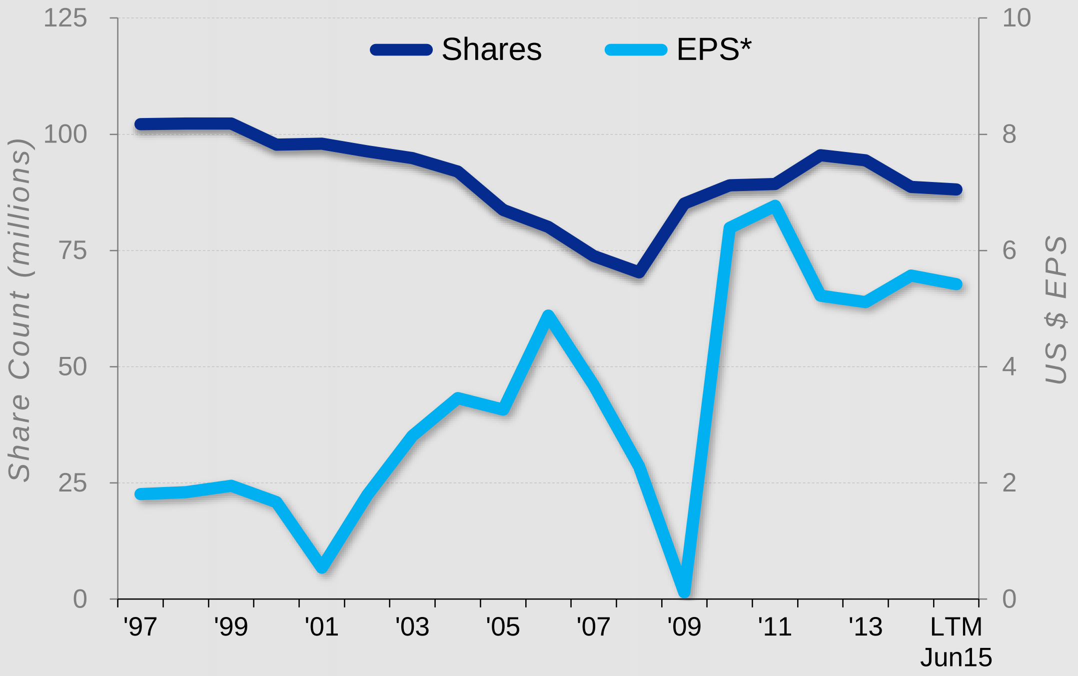
- Maintain a “strong investment grade” credit rating
- Long-term target of around 1.0x within the range of 0.5x to 1.5x
- Provides financial flexibility for acquisitions, shareholder returns and other requirements

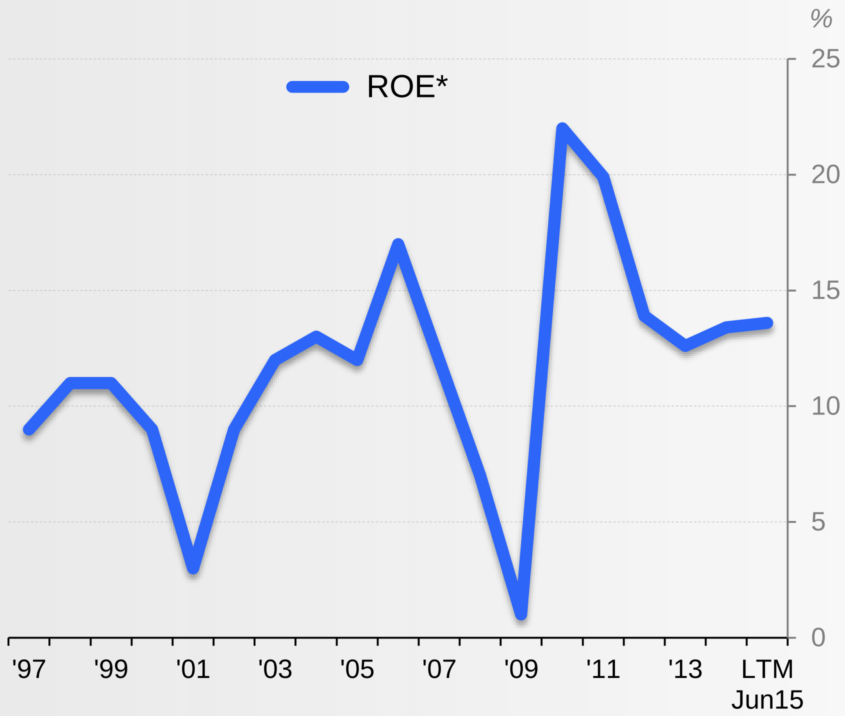
Financial flexibility for a cyclical industry, growth through opportunistic M&A and shareholder returns

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

Capital Structure

Share count vs. earnings per share and RoE*





EPS* growth faster than sales growth target thru 2019

(*) Non US GAAP excluding costs related to Antitrust matters, Return on Equity

Capital Structure
M&A transaction effects

	MACOM	VOLVO	NISIN
	Automotive Solutions Acquisition	License Agreement	Joint Venture
Sales	FY2015 ~$90M	N/A	FY2016 ~$600M
Operating Margin*	Accretive	N/A	in-line with LT range of 8-9%
Operating Income	100%	N/A	100%
Net Income / EPS	100%	N/A	51%
Goodwill** (combined)	~ $0.3B		
Intangibles** amortization (combined)	in the range of 20–30 bps per year		

M&A Effects

- Sales
- Margins
- Synergies
- Goodwill
- Intangibles

(*) Non US GAAP excluding intangible amortization. (**) Subject to final Purchase Price Allocation for recently announced M&A transactions.

A Sound Investment

- Strong long-term top-line growth
- Among industry leading margins and return on capital
- Strong balance sheet and free cash flow generation over the cycles
- Shareholder returns over time

Thank you!

Autoliv

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

and prevent ten times
as many severe injuries

Reconciliations

Operating Margin	2011	2012	2013	2014	LTM June 2015
Reported U.S. GAAP	10.8%	8.5%	8.6%	7.8%	7.5%
Adjustments for antitrust matters	0.2%	0.3%	0.1%	0.8%	0.9%
Non-U.S. GAAP	11.0%	8.8%	8.7%	8.6%	8.4%

EPS, diluted	2011	2012	2013	2014	LTM June 2015
Reported U.S. GAAP	$6.65	$5.08	$5.07	$5.06	$4.76
Adjustments for antitrust matters	$0.12	$0.14	$0.04	$0.51	$0.66
Non-U.S. GAAP	$6.77	$5.22	$5.11	$5.57	$5.42

Capital Turn-over rate	2011	2012	2013	2014	LTM June 2015
Reported U.S. GAAP	2.53	2.46	2.54	2.60	2.55
Adjustments for antitrust matters	(0.01)	0.00	0.00	(0.02)	(0.02)
Non-U.S. GAAP	2.52	2.46	2.54	2.58	2.53

RoE	2011	2012	2013	2014	LTM June 2015
Reported U.S. GAAP	19.6%	13.6%	12.5%	12.3%	12.1%
Adjustments for antitrust matters	0.3%	0.3%	0.1%	1.1%	1.5%
Non-U.S. GAAP	19.9%	13.9%	12.6%	13.4%	13.6%

RoCE	2011	2012	2013	2014	LTM June 2015
Reported U.S. GAAP	27.5%	21.3%	22.1%	20.5%	19.2%
Adjustments for antitrust matters	0.4%	0.4%	0.2%	2.0%	2.0%
Non-U.S. GAAP	27.9%	21.7%	22.3%	22.5%	21.2%

For periods prior to 2011 Autoliv did not incur any costs related to antitrust matters.

Autoliv

Free Cash flow Reconciliation

$USD	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net cash provided by operating activities	343	314	436	266	266	509	529	680	479	560	781	614	493	924	758	689	838	713
capex, net	-183	-285	-261	-235	-248	-228	-246	-313	-309	-292	-312	-279	-130	-224	-357	-360	-379	-453
Free cash-flow	**160**	**29**	**175**	**31**	**18**	**281**	**283**	**367**	**170**	**268**	**469**	**336**	**363**	**700**	**401**	**329**	**459**	**259**

Autoliv

Items Affecting the Tax Rate

	2011	2012	2013	2014
Reported Pre-Tax Income	828.3	668.6	734.0	667.0
U.S. Federal Income Tax Rate	**35.0%**	**35.0%**	**35.0%**	**35.0%**
R&D and Other tax credits	-3.0%	-3.2%	-3.8%	-4.1%
Foreign rate variance ex. holidays	-6.3%	-5.8%	-8.2%	-8.5%
Withholding Taxes	1.9%	1.6%	1.5%	0.6%
Cost of Double Taxation	0.7%	0.9%	0.6%	2.1%
State taxes and Other-net	0.4%	0.2%	-0.6%	-0.8%
Rate excluding holidays and losses*	28.7%	28.7%	24.5%	24.3%
Tax holidays	-1.2%	-1.8%	0.0%	0.0%
Spain recapture - Brazil/Argentina	-1.4%	-2.3%	0.0%	0.0%
Tax losses with no benefit	1.0%	3.0%	9.3%	5.9%
Antitrust Settlement	0.0%	0.9%	0.0%	0.0%
Reclassifications to Discrete	0.2%	-0.5%	(5.0%)	0.2%
Underlying Tax Rate Trend*	27.3%	28.0%	28.7%	30.4%
Tax reserves, Other discrete	-3.0%	-0.6%	4.5%	-0.7%
Reported Effective Income Tax Rate	**24.3%**	**27.4%**	**33.2%**	**29.7%**

Non-US GAAP measures