

# Well-positioned to Manage New Business Conditions



As the market leader, we are well-positioned to sustainably adapt to and manage new business conditions. Our actions have built an even more competitive position for Autoliv, despite a challenging macro environment. Commercial excellence, efficiency, cost control, and a focus on innovation, quality and climate action defined 2022.

## Market development

We continued to strengthen our position as the market leader in 2022 through our strong sales growth and the profitability and cash flow performance, especially in the second half of the year.

2022 was marked by direct and indirect effects of the COVID-19 pandemic, particularly related to the lockdowns in China in the early part of the year and the country's reopening towards the end of the year. Component shortages (primarily for semiconductors), unstable supply chains, increased costs for raw materials, and significantly increased inflation all challenged the global economy and our industry.

The direct impact of the tragic war in Ukraine on our business has been relatively limited. Since the war began in February 2022, we suspended both our Russian operations and our presence in Russia. The indirect effects of the war include supply chain disruptions and significant energy price increases in Europe. My sympathies go to all of those affected by the war.

As a result of these challenges, part of the automotive industry continued to operate at, or near, recessionary levels. For example, due to supply constraints, European registrations in 2022 were approximately 30% lower than in 2009 during the financial crisis. The component shortages not only limited the industry output, they also created a situation with unpredictable and volatile light vehicle production (LVP) that substantially affected our operational efficiency.

During the year, we faced the worst cost inflation seen in three decades, which initially significantly impacted our profitability. Through price adjustments, we managed to gradually offset the raw material cost inflation and profitability was restored towards the end of the year.

The continued high level of product launches and relentless cost control were the foundation for our strong performance. Our performance was also supported by price adjustments that compensated for the high raw material cost inflation, which was a result of the extensive discussions we initiated early in the year with our customers.

In 2022 our sales grew organically\* by 14%, outperforming LVP growth in all major regions, mainly due to pricing and product launches. Order win rates for new electrical vehicle (EV) platforms were high, both with new EV makers and traditional car manufacturers.

## Quality and innovation – At the heart of what we do

Autoliv exists to Save More Lives. Our relentless focus on innovation and quality has made us a preferred partner and established our market-leading position.

While the automotive landscape is constantly changing, quality expectations are only increasing. This requires us to always focus on quality across the value chain, and as part of our product lifecycle management program, we are building a proactive end-to-end approach to achieve zero defects and reduce total non-quality cost.

Our innovation agenda supports our continued evolution to include safety for mobility and society, and our focus on key current industry technology and product development. We continue to develop our products based on real world data to ensure their benefit for our customers and the end user.

Autoliv's Mobility Safety Solutions (MSS) develops products and services for businesses adjacent to Autoliv's core areas of airbags, steering wheels, and seatbelts for light passenger vehicles. Such adjacent products and services include powered two-wheelers, connected safety services, and offerings to customers beyond passenger vehicle manufacturers.

A major focus area for us is new passive safety solutions driven by the evolution of global automotive market trends. Our development teams constantly challenge and redefine the standards of mobility safety to deliver solutions for future development such as autonomous cars and advanced driver-assistance systems.

## Creating a positive societal and environmental impact

Sustainability is firmly rooted in our business and, as a market leader in our field, our efforts are aligned with society's broader agenda. We are committed to leading the way and being an active contributor to sustainable mobility and society. Our products save close to 35,000 lives and reduced more than 450,000 injuries every year. We want to do more, and our ambition is to save 100,000 lives per year. Our business contributes to the realization of several UN Sustainable Development Goals (SDGs), and we are a signatory of the UN Global Compact principles.

Autoliv is firmly committed to supporting the United Nations Road Safety Fund (UNRSF) and its mission to increase awareness and availability of life-saving products where they are most needed. Supporting the UNRSF is a way for Autoliv to share our expertise while gaining additional insights into the main road safety challenges facing the world today. Autoliv will contribute knowledge and experience regarding global traffic safety challenges. In 2022, Autoliv joined the UNSRF Advisory Board, whose objective is to provide strategic direction to the Fund.

We have a strong commitment to climate action. Back in June 2021, Autoliv became the first automotive safety supplier, a frontrunner among suppliers to the automotive industry, to commit to become carbon neutral in our own operations by 2030 and aim for net-zero emissions across the supply chain by 2040. In 2022, our detailed and ambitious climate targets were approved by the Science Based Targets initiative (SBTi).

To reach our ambitious science-based climate targets, we need to collaborate across the value chain. Autoliv will reduce its greenhouse gas emissions through the use of renewable electricity in our own and suppliers' operations, improve energy and materials efficiency, adopt low-carbon logistics and low-carbon materials, and develop attractive low-carbon product offerings to support our customers in their transformation to zero-emission vehicles.

We are well-positioned to continue to support our partners and customers in achieving their sustainability goals. Examples of our collaborations include the green steel collaboration with SSAB and our collaborations with Piaggio and POC that push the boundaries of safety to include vulnerable road users. Together, we are researching and developing technology aimed at finding climate-neutral solutions and innovations related to mobility safety.

## Outstanding employee efforts

Autoliv employees are actively redefining the standards of mobility safety to sustainably deliver leading solutions. Inspired from the beginning by our vision of Saving More Lives, the 69,100 members of our global team are passionate about creating innovations and collaborations that best meet safety needs in both the current and new mobility.

During a year focused on managing new business conditions, I am proud to have witnessed the resilience of our colleagues and the commitment of our global Autoliv community when it comes to supporting those in need – affected by Typhoon Rai in the Philippines, COVID-19, and the tragic war in Ukraine. Through the strong engagement of our local teams, we maintained direct contact with our colleagues and provided support when it was needed.

We have a strong foundation that we continue to build on. In turbulent times, collaborative learning and sharing best practices allow us to become better and better. Autoliv Production System is our foundation for continuous improvement. I am convinced that we will continue to grow even stronger as we move beyond the challenges of the past few years.

*“I am proud of what the Autoliv team has done and continues to achieve in a challenging environment.”*

## Going forward

We will continue to leverage our market-leading position to build an even more competitive position going forward. Customer focus, innovation, quality, efficiency, and cost control will continue to guide our path as Autoliv succeeds by creating value for our customers, our shareholders, and other stakeholders.

In 2023, Autoliv turns 70 years old. The Autoliv story began in 1953 when two brothers, Lennart and Stig Lindblad, founded a small automotive parts and service company in Vårgårda, Sweden, beginning a long tradition of a relentless focus on innovation, quality, and customer focus.

Autoliv's vision of Saving More Lives guides our work every day. Sustainability is an integral part of our business and a fundamental driver for market differentiation and stakeholder value creation, helping to ensure that our business will continue to thrive and contribute to sustainable development. This is our responsibility – to our shareholders, customers, business partners and employees. We welcome you to join us on our continuing journey.

**Mikael Bratt**  
President and CEO  
Stockholm, February 2023