



CMD 2021

Tuesday, 16th November 2021

Introductory Video

Speaker: *I had no time to brake. I could not believe how violent the impact was. I am happy I am still here.*

Speaker: *When it is most needed, our contribution is instant. That is why we never stopped being bold and ground-breaking. Because our ideas save lives. For the better part of a century, it has been about peace of mind on the open road. Motion is the essence of how we experience this world. It is how we are able to be with one another or be whatever we want to be. We save lives in motion. When that day comes, when something happens on someone's journey, they will make it, they will be safe, regardless if you are the one travelling or just happen to pass by. In our modern world, opportunity and motion go hand in hand and we want everyone to feel safe taking part in it. That is how we make a difference. That is why we love what we do. Saving lives is more than technical solutions. It is also caring for people and our environment, every step of the way.*

Speaker: *It should be reassuring to us all that there are so many people that commit their careers to improving life safety in the vehicles we drive.*

Speaker: *Going from point A to point B is about more than just travelling. It is about living. This is who we are, and this is how we know that. Saving a life is only part of the story.*

Discussion on the Agenda for CMD

Mikael Bratt

President and CEO, Autoliv

Gabrielle Ekelund: More lives saved; more life lived. That is what we are all about. Autoliv has grown from a 1950s start-up into a 21st century global leader by staying true to our purpose and our vision of saving more lives. Welcome to the Autoliv Capital Markets Day 2021. My name is Gabriella Ekelund, and I am the Senior Vice President for Communications at Autoliv. This is a virtual event. We will be broadcasting for around three hours and there will also be a possibility to ask questions.

By my side I have Anders Trapp, Vice President of Investor Relations. Hi, Anders.

Anders Trapp: Hi, Gabriela.

Gabriella Ekelund: What will we be sharing here today?

Anders Trapp: Today we will talk a lot about the growth opportunities that we have. We will talk about the challenges that we face every day and how we manage them. We will also talk about the profitability opportunities that we see, including how we streamline our operations and the supply chain. And above all, we will talk about how we intend to create shareholder value.

But before that, we will talk about the safe harbour statement, which is an integrated part of the presentations and the Q&A that follows.

Gabriella Ekelund: Great, thank you Anders. And with us today, we also have Mikael Bratt, our President and CEO. Welcome, Mikael.

Mikael Bratt: Thank you very much.

Gabriella Ekelund: It is now two years since our last capital markets day, and quite a lot has happened since, would you not say?

Mikael Bratt: Yes, absolutely. But first, let me also take the opportunity to welcome you all to today's Capital Markets Day. And it is great to be back here and talk about Autoliv journey. When we met in Utah in 2019, we rolled out our new midterm targets, as well as the roadmap connected to them. And a lot of things have happened since then. I think we are making good progress towards our mid-term targets, as well as we have added new ones. And earlier this year, we launched our ambitious sustainability targets for 2030, 2040.

Gabriella Ekelund: Sounds good. Anders, I believe we will be focusing on all of this today, right?

Anders Trapp: Yes, absolutely.

Gabriella Ekelund: I know you have a lot planned for us today. Would you like to kick this off?

Anders Trapp: For sure. So, Mikael, could you please elaborate a little bit on what has happened since we met last time, both for Autoliv and for the automotive industry in general?

Mikael Bratt: Sure. I think the last two years has been very challenging. Both 2020 and 2021 has been impacted by the pandemic that we, to some extent, are still in, especially when you look at the impact it has caused us. We saw, of course, the industry coming to a halt during the second quarter last year; we saw a ramp-up, production increasing during second half of last year. And through 2021, we have entered into new challenges when it comes to supply shortages as a result of the COVID-19 situation, you could say, and I am thinking primarily about the semiconductors. And that is something we are still facing.

But despite these challenges, the automotive industry is still moving forward when it comes to the mega trends that we see impacting the automotive industry.

Gabriella Ekelund: Anders, what would you say? What trends have the largest impact on us?

Anders Trapp: There are several trends that are very, very important, but I think it is clear that sustainability has become one, if not the most important trend that we need to focus on. On top of that, we have electrification; that has been around for a while, but it is now kicking in for real. And of course, ADAS, or advanced driver assist systems.

Mikael Bratt: And sustainability is one of the more important mega trends that is impacting not only the automotive industry, but many industries. And it is definitely one of the most important for Autoliv.

Gabriella Ekelund: And we will shortly be digging deeper into the subject of sustainability and also our climate targets. But what is Autoliv's position on sustainability?

Mikael Bratt: Sustainability and ESG is really the essence of our business. Saving more lives is our business. And I think that fits very well into the overall sustainability and ESG ambitions here. And when we now have launched our new targets here, it fits very well to our long-term strategy here in many ways. And we are also here working very closely with our customers in their transformation into a more sustainable future.

Gabriella Ekelund: So, what does this mean for us in a little bit more detail?

Mikael Bratt: I think it means that we are making sure that we are competitive today. And we are competitive tomorrow. And we will stay ahead of the curve here and leading the work in terms of transforming the automotive industry, and our part of the automotive industry, into more sustainable future. And we will have more details coming through the day today here in later agenda items in our programme here. So, a lot of exciting things is happening there. And we have also established our green bond framework. So, we have that supporting us also for our investments needed in the future.

Anders Trapp: So, Mikael, what can you say about the other mega trends that we need to focus on?

Mikael Bratt: I think the electrification of vehicles is a mega trend that is very important for us, and that is the mega trend that continues to evolve very fast. We see the speed picking up when it comes to new electric vehicles being launched. It is very visible right now. We saw already last year that 4% of all light vehicles produced is pure electrical vehicles. And by 2025 we expect it to be 20% and by 2030, it will be 40% expected. So quite quick ramp-up and a fast speed here. And Autoliv is well positioned in this segment here. We actually have a slightly higher market share when we look at the EV and hybrid portfolio than if we look at the total portfolio; so, well positioned here for the future.

Anders Trapp: Yes, the EV trend is very, very interesting indeed. When we look at the content per vehicle right now, when it comes to comparing electric vehicles with traditional ones, it is a significant difference with a higher content per vehicle in electrical vehicles. So, we are going to talk a bit more about that later today.

And as an indication of how important it already is, already last year, we had about 10% of our sales that went into either fully electric vehicles or plug-in hybrids. And we think that that figure will basically double this year. So, the third trend, ADAS, what can we say about that?

Mikael Bratt: I think, despite some delays in the development towards autonomous vehicles, we see that, still, a lot of things are happening in that space. And we are working very closely with our customer when it comes to the future layouts in the vehicles. And I would say also in, let's call it, existing layouts in the vehicles, there is a lot of relevant development going on there because we see the need, especially on the passenger side in the traditional layout, requiring more advanced solutions in, for example, more reclining seats. So, we are working in parallel here with adapting the layouts of today, together with the layouts with the future here. So still a lot of things going on in that that area.

Gabriella Ekelund: So, would you say, are the mega trends the most important driver for our growth?

Mikael Bratt: I would say the mega trends are positive for our growth, especially looking mid-term, long-term perspective. I think in the short term, it is still very much the traditional growth factors that is taking place. We see emerging markets catching up with more mature markets when it comes to content per vehicle. And also in the mature markets, we see the content increasing with more sophisticated products and more products into the vehicle. And as we touched upon here, the electrical vehicle transformation is also a part of that.

So, when we look at content-per-vehicle growth, we are indicating that we believe around 2% will be the growth going forward to be compared with 1% that we have indicated in past. Actually, we see that figure being doubled here when we look at the combined merging and mature market development when it comes to content per vehicle.

Anders Trapp: We will dig much more into the growth opportunities that we have and what we expect later today, especially beyond 2024. But until then, what can you say more about the growth opportunities?

Mikael Bratt: On top of the core growth that we have mentioned here, we also see opportunities within what we call mobility safety solutions that will add to our future growth. And we talked about adjacent business opportunities in Utah in 2019. That is now formed under the heading of MSS. And we will have Per Lindeberg, Vice President for MSS, coming also here today and talk more about what is included MSS and how do we look upon the opportunities going forward, still building our core competencies inside the company.

Anders Trapp: So, adding MSS to the equation, what does that mean for our growth opportunities and growth targets especially?

Mikael Bratt: Today, we are updating our targets and the growth targets up to 2024 is light vehicle production plus around 4%. And beyond 2024 we are talking about 4% to 6% organic growth. In the 4% to 6% we see a contribution coming from continued content-per-vehicle growth, light vehicle production growth as well as MSS contribution. So, we are looking at quite some exciting years here in terms of growth opportunities for Autoliv.

Anders Trapp: It sounds really that we are quite confident in our own capability of creating growth. Unfortunately, there is an external factor to consider also, in the light vehicle market, so what do you think about that?

Mikael Bratt: We are positive about the light vehicle production outlooks. I think right now we are in a situation where we have supply issues in the industry. Semiconductor I mentioned before, but we also see in some other areas where we have a constraint. But that is an industry challenge. And when that is solved, we believe that we will have a very strong recovery, again, of light vehicle productions. And I would say here that we believe that also in the long term, we have growth drivers coming from GDP growth, as well as the attractiveness of changing into new vehicles. And the whole electrification drives also transition into two new vehicles. And we should also remember that we have had a weakening light vehicle market since 2018, basically, so there is also a pent-up demand to get into light vehicle again and buy new vehicles. And if you look at the US, the pipeline there is at record low levels. So, I think we talk about 2-3 million vehicles just to refill that pipeline to what is a normal level. So once again, we are we are positive when we look at light vehicle production going forward.

Anders Trapp: So, we are pretty confident on the growth situation. And, of course, growth is always nice to have, but what do we do to transfer this into improved profitability, cash flow and ultimately shareholder value?

Mikael Bratt: Our CFO Frederick Westin will come back here later in the programme and talk more in detail about it. But in short, it is all about securing that our growth is profitable, as we move forward here and I think the combination with all the efforts that we are doing

today, but also with what we are adding to our roadmaps here, as we move forward, will contribute to profitable growth, transforming that into liquidity, and then returning that to our shareholders through dividend and buyback programmes here.

Anders Trapp: Yes, already back in 2019, we outlined how we are going to improve our profitability, our margin by 300 basis points through major productivity improvements, through normalisation of the market situation and, of course, to outgrow the light vehicle production by 3% to 4%.

Mikael Bratt: Yes, and we will show today that we are making good progress on those activities that we have outlined here. And I feel very comfortable that we are delivering on what we can control ourselves here. And looking at the growth, we are outperforming the market; last year 2020, we outperformed the market with five percentage points. For 2021, we are expecting to outperform with eight percentage points. So, what we once again, control, we control that well.

Anders Trapp: That is pretty good, of course. What are we doing on the productivity achievements? Are we progressing also there?

Mikael Bratt: Yes, we are delivering well on our programmes here. And we have made a step change when it comes to our productivity. And we will spend more details, go into more details later today here, especially in supply chain, as well as in operations. But we are staying well ahead on the development and doing a good job. And I would say that that is despite the very challenging environment here. So good progress.

Gabriella Ekelund: And speaking of which, Christian Swahn, Executive Vice President Supply Chain Management, and Magnus Jarlegren, Executive Vice President Operations, will come back and show us what we have done and what we continue to do to improve. And Mikael, how is this reflected in our ambitions and our targets?

Mikael Bratt: We are also here updating our targets when it comes to our adjusted operating margin target of around 12%. And we are also talking here about framework to get there and here we are saying that we need at least 85 million vehicles in light vehicle production a year. We are also saying that the raw materials and the raw material cost increases should not go beyond the level it has reached in 2021. So, we are confirming our targets here of what we disclosed in 2019, despite then the headwinds. So, significant difference on the light vehicle production levels; we talked about more than 90 million at the time. And when it comes to raw materials, we had no increases of raw materials included at the time. So that is what we are now absorbing in our target.

Anders Trapp: That is pretty strong target setting, considering that the framework is so much more difficult compared to, what is that two years ago? So how confident are we on reaching these targets?

Mikael Bratt: I think when we look at the progress we are making and the activities we are implementing here, we feel that we can – with that, and the expected recovery of light vehicle production – then introduce a buyback programme of up to \$1.5 billion. So, we have a clear roadmap here.

Anders Trapp: That is also a pretty bold statement to come up with a big buyback programme when the market visibility is still pretty poor.

Mikael Bratt: I think when we look at our performance, when it comes to generating liquidity and cash here, during the last two years, in this very volatile market, we see that we have generated \$1 billion, whereof \$600 million has gone to paying down our debt. We have dividend out, \$220 million of that. And altogether we have restored our balance sheet and we have a leverage ratio that are well within the range and very close to our target of 1X net debt to EBITDA.

Anders Trapp: So, you could say that the progress towards our targets and the buyback programme will go hand in hand.

Mikael Bratt: Yes, you could say that. And we have come a long way here. And we see very clearly here when we look at the opportunities, to continue to deliver on our roadmaps here. And it comes down, of course, to dedicated people and committed people that we have in the organisation, and it makes me very proud to see the dedication that is in organisation here to fight the short-term challenges, at the same time holding on to the more long-term initiatives leading towards our midterm targets. So good work from the whole organisation here.

Anders Trapp: So, when people leave this Capital Markets Day in a few hours, what do you want the main takeaways to be?

Mikael Bratt: I think it is really four things. First of all, growth; growth coming from content per vehicle, light vehicle production, increasing, and we also see the MSS opportunities. And in the short term, we also have our market share growth. And as we have indicated in the past, we are believing that we are heading towards around 45% market share, so good growth opportunities going forward.

Then the second one, I would say is the profitability side, where we are making good progress on the activities that we have laid out, and that we are controlling what we can control. And we do it well, ahead of our time schedule here. And we will, of course, continue to add initiatives here necessary to continue to drive productivity on top of, hence, then the headwinds that we have talked about here.

The third is really the increased return to our shareholders. And we are launching then the buyback programme here of \$1.5 billion in the next three years to come. So, I think that that is a very strong signal.

And fourth, but not least, I will say, is also the sustainability targets that we have committed to, and 2030 and 2040 are very important dates and years to remember here in that ambition there. So fully committed on all four items here.

Anders Trapp: All right, thank you, Mikael. We will spend the next couple hours digging into the details behind this confidence. And at the end of the day, we hope and expect that you are as confident as we are in our ability to reach the targets.

Discussion on Sustainability Framework and Climate Targets

Per Ericson

Executive Vice President HR and Sustainability, Autoliv

Kaisa Tarna-Mani

Vice President, Sustainability, Autoliv

Gabriella Ekelund: Thank you Anders. And today we also announced in our press release an update on our sustainability framework and our climate targets. And as Mikael said, this is a strategic pillar for us. So, I am now joined by Per Ericson, Executive Vice President, HR and Sustainability; and Kaisa Tarna-Mani, Vice President of Sustainability. So, having just heard about, we described sustainability as a key strategic area for us, Per, can you tell us a little bit more about Autoliv's approach and our way forward here?

Per Ericson: Well, it starts with who we are and what we do. And saving more lives is what we do. That is the overall vision. It is the guiding beacon, and it is the true North in everything that we do, and thereby, also the starting point and the very foundation for our sustainability agenda.

We know that our products, every year, save more than 30,000 lives and prevent more than 300,000 severe injuries. Obviously, very proud over that, however, we set out a goal to save 100,000 lives by 2030. And then move beyond that and expand from that.

We know that road traffic accident is the leading cause of death among young people, globally; obviously tremendous harm, tragedies to people impacted, to humans. But also, a substantial burden on society. And we can and we are, through our expertise, through our ideas, our products, our solutions, we are contributing to cutting the road traffic accidents by half, which, by the way, is the overall ambition also set by the United Nations.

So, we provide safety to our customers. They pass that on to the user of the vehicle and send them off on a safe ride. And we are very proud of the contribution all this work brings to the society as a whole. So, saving more lives, that is our core business. And we were very passionate about it and what it brings.

Now, our sustainability agenda goes beyond that. So, saving more lives is obviously the core. But we also focus on creating a safe, inclusive and attractive workplace for our employees, as well as for other stakeholders that we interact with. We also manage our resources, reducing impact on the environment, and aligning up our climate actions accordingly. And we conduct our business in a responsible, compliant and respectful manner. And in all these areas, we have targets set up, we have actions in motions and acknowledging obviously that our responsibility goes beyond our own operations.

Gabriella Ekelund: For sure, thank you. Kaisa, earlier this year, we announced our ambitious climate targets. Could you elaborate a little bit on what they are and how we intend to reach them?

Kaisa Tarna-Mani: Sure. So, first of all, our new long-term targets are a significant step-up in the ambition level, compared to earlier, shorter term targets. So why are we doing this? Our operational environment is really changing fast. We see a clear shift in our customers'

and our investors' expectations and requirements, and we want to make sure that we will meet or even exceed those expectations going forward.

Referring back to what our CEO Mikael Bratt earlier said, so in essence, for us, this is really about positioning ourselves as a supplier of choice, also for those most ambitious customers in this area, and thus securing our long-term competitiveness. So, during the year, in addition to setting our targets, we have also carried out an extensive assessment of our value chain emissions. And we have also elaborated a number of company-wide initiatives which will help us to meet our new targets.

Gabriella Ekelund: Perhaps you can shed even more light on that.

Kaisa Tarna-Mani: Sure. So let us start with the first target. So, carbon neutral in our own operations by 2030. We do have a good understanding what we need to do here as we have been measuring and working with these so-called Scope 1 and 2 emissions already for several years. And by far, the most important measure we can take is to transition to use low carbon electricity in our operations, as the electricity use represents 75% of our total Scope 1 and 2 footprints. In addition, we will continue working with the energy efficiency, which naturally is also good from the cost perspective. And we also need to replace the remaining fossil-fuelled equipment, such as natural gas furnaces at our facilities, with electrical options.

Gabriella Ekelund: Great. So, Per, when it comes to the supply chain, what are Autoliv's long-term ambitions?

Per Ericson: So, we have set the ambition to be net zero throughout the whole supply chain already by 2040. And this is over and above what we have achieved to date and built on what Kaisa just described. We know that the climate challenge is a challenge that we all face, and the decarbonisation and the transformation of the supply chain is a challenge for the whole industry, but also an opportunity for us. And we believe that we can add value both to our customers as well as to our suppliers in making this happen.

Obviously, that will require collaboration, it will require partnership. And yesterday, our announcement, I think, is a good example of that type of collaboration; we announced that we are going to, together with SSAB, the global steel company, develop fossil-free steel components that can go into our products. And this is just only one example of the number of areas that we need to address in order to achieve net zero across the supply chain. So drastically reduce emission from our products – may that be steel, as just mentioned, but may that be plastic, textile, magnesium – and increase the components of recycled, reused and bio-based material.

It is also about continuing the transition to low carbon electricity, also, with our suppliers. It is about optimising and adopting low carbon footprint solutions in our logistic chain. And last but not least, it is about providing green products, green products that not only add low weight, but also the better material, and thereby supporting our customers in their transition.

Gabriella Ekelund: Right. So, we have been talking about our financial targets here today. Will these initiatives make it harder for us to reach our financial targets?

Per Ericson: It should not. This is value creation, is it not? And I think this will also help us position ourselves as a driving force in making this happen across the whole industry. And it

will strengthen our position as a preferred supplier and a preferred partner in the whole supply chain.

Gabriella Ekelund: So again, then, how will this work be concretised to break these targets down for management, for our operations, and also for communications around this?

Per Ericson: Well, if we start with internal, so these targets, these activities that we have talked about here, they are already cascaded throughout our organisation, actions are in motion. And we will now follow this up to our normal course of business and any target achievements will obviously also influence our incentives.

Kaisa Tarna-Mani: And when it comes to our communications to the market, so earlier this year in June, we announced that we will commit to elaborate science-based targets and also join the business ambition to be for 1.5 degrees coalition[?]. Since then, we have submitted our science-based targets for validation and are waiting for approval. In terms of transparency, we are also stepping up; in this year's sustainability report, we will have a much broader climate risk disclosure which is aligned with the TCFD recommendations. We will also disclose our Scope 3 emissions and naturally we will continue reporting to CBB[?]. And at last, I would also still like to mention the example of that we have published today our sustainable financing framework and you will hear more about it later today with our CFO Frederick Weston's presentation.

Gabriella Ekelund: Thank you, Kaisa. Thank you, Per, for outlining our sustainability agenda and our climate targets and how we aim to turn that into our future competitiveness. And we now move from one cornerstone to the other, growth.

Discussion on Growth

Scott Dershem,

Vice President of Development and Innovation, Autoliv

Megan Fisher

Senior Vice President of Sales, Autoliv

Anders Trapp: Thank you. Thank you, Gabriella. So, you heard Mikael earlier today talking about that we actually expect a higher growth rate in content per vehicle going forward than what we did expect just recently. And we are going to spend quite some time now drilling into why this is the case. But first, let us begin at the beginning, why we are here.

[VIDEO]

Cecilia Sunnevang: *The 17 UN Sustainable Development Goals are put in place to ensure that our future society is good for our economy, for our society, and for our planet. A healthy economy is dependent on a good society, and a good society is dependent on a healthy planet. One target, the target 3.6, is to halve the global burden of road traffic fatalities; that is to reduce the 1.35 million fatalities by 50% from the year 2021 to 2030. This decade of action requires more than business as usual. It requires that we work on creating a safety culture and also to work with a safe system approach to ensure a safe, sustainable and attractive transport system.*

Enablers for these new transport systems are electrification, automation, connectivity, and transport on demand, and the new transport system will be multimodal. Another thing that is important to develop this transport system is data: we need more data to understand how people are injured in the road traffic system. We need data on road user behaviour and also data on how to follow up the improvements that are made. Another important aspect is policymaking, and we see a push to take larger responsibility for the private sector. This can be done with voluntary standards, as well as safety footprint. And there are new updates with UNECE regulations as well as customer rating.

Anders Trapp: So, I have here with me Scott Dershem, Vice President of Development and Innovation, who is standing in for Jordi, who could not make it to join us here today, and Megan Fisher, Senior Vice President of Sales. Welcome.

Megan Fisher: Thank you.

Scott Dershem: Thank you very much. Cecilia just showed how important saving lives is for Autoliv and our society. And she also highlighted how important it is that we develop safety for the new modes of transportation. In this area that we are not alone. For instance, the United Nations is also driving goals to reduce injuries or fatalities by 50% by the year 2030.

Anders Trapp: So how are we at Autoliv supporting this?

Scott Dershem: Autoliv has always been very active in collaborating with several organisations, including the Indian government, crash testing institutions, the global NCAP and insurance companies to promote traffic safety.

Anders Trapp: So how this will affect future crash safety vehicles near term, let us hear what Cecilia has to say.

[VIDEO]

Cecilia Sunnevang: *Even in modern vehicles, we observe serious and fatal injuries. And we need to increase the robustness of the safety systems to protect for a more diverse population and no matter if you are seated in the front seat or in the rear seat. This will be driven, of course, from real life safety but also with regulation and rating. In the upcoming ratings, there will be a bigger need for as well as adaptivity and also virtual testing to increase robustness. We already see today upgrades when it comes to the IHS front load case where there is a rear seat dummy that will drive load limiters and pretensioners in the rear seat. We also have upgrades in the China NCAP and in Euro NCAP on pedestrian safety that will drive piston hood lifters and also pedestrian protection airbags.*

There is also a drive for minimum safety standards in vehicles. And for instance, India is one example where in addition to the driver airbag, the passenger airbag will be mandatory from 2022 and there is an ambition to go to six airbags inside every new vehicle. We see the same trend for all the emerging markets. So, in addition to the consumer testing in developed countries, we see the introduction of a minimum standard requirement in emerging markets.

Scott Dershem: As you just saw, we continue to provide technical evidence and support to influence the upgrades to the new government regulations in the test conditions.

Anders Trapp: So historically, what has this cooperation led to?

Scott Dershem: Historically, our initiatives have been very well received by governments in these test facilities, which also makes us confident in a continued growth for both new products like front centre airbags, and an increased penetration of our existing products.

Megan Fisher: Yes, you talked about increased penetration. But perhaps the greatest driver that we see is that the content in our existing products is becoming more advanced. For example, steering wheels and seatbelts in more developed markets are certainly seeing this trend.

Scott Dershem: Yes, so let us talk a little bit more about the growth markets. In markets such as Brazil, China and India, we see that there is a main driver or a push or a desire for a global standardisation or global harmonisation of the standards, with this goal of having equal safety or same safety for all the vehicles around the world.

Anders Trapp: And I guess South America is a particularly interesting example.

Scott Dershem: Yes, South America, mainly Brazil, we have seen significant increases in the content per vehicle in the last few years; penetration rates for side airbags and curtains have increased rapidly.

Anders Trapp: This has had a major effect on the content per vehicle in South America. It has gone up by more than \$40 in the last three years. And last year, it was up about \$160, which is pretty impressive.

Megan Fisher: Yes, it is. And you talked about Brazil and South America. But another area and another country that has developed a long way with content per vehicle and safety products is China. So, when you look at China, as you know, Anders, there are two groups of OEMs that we have there. So, we have global OEMs that are producing vehicles in China. And then we have domestic OEMs. And if you separate the two, the global OEMs, when we look at the content per vehicle on their vehicles, it is actually right in line with what we see as the global average, which is around \$240.

And then looking over to the domestic OEMs, it is significantly further behind. But we are starting to see some trends there as well in a positive way. So, some of the domestic OEMs actually have ambitions to export their vehicles to other markets. And where we see this, their content per vehicle is actually increasing as well. A few examples there like Geely and Great Wall.

Scott Dershem: In India, we also see major opportunities. Five years ago, the only safety content in their vehicles was a basic seat belt programme, that probably was not even a three-point belt system. A number of years ago, we started an initiative to work with the Government of India to promote more road safety. And as noted earlier, the driver airbag now is mandatory on 100% of all new vehicles in India. And starting next year, the passenger airbag will also be mandatory for all their vehicles. And looking forward in India, we also see more take rates and more interest for side airbags and inflatable curtains.

Anders Trapp: Yes, so we have good progress in many more growth markets. And if you look at them combined, I think we can say that we expect a pretty good growth between now and 2024. And we have very good visibility into this because most of these sales is already secured business. And looking in totality, we are expecting about \$14 of increase in content per vehicle in the growth markets, reaching about \$216 by 2024. And that is actually more

than 2% per year in growth in content per vehicle. And it is mainly due to higher airbag penetration, but it is also more advanced seat belts and steering wheels.

Megan Fisher: Yes, that is interesting you talk about that for growth markets. But we actually see a very similar trend in the more developed markets. So, when we look at North America, Western Europe, Japan and South Korea, they are seeing that same 2% in the timeframe that you talked about. So, by the time we get to 2024, their content per vehicle is reaching upwards of \$340.

Scott Dershem: Yes, so we are seeing that because of increased take rates for knee airbags in North America, and more interest in front centre airbags in Europe. We are also seeing increases in advanced seatbelts, mostly in the rear seating positions. And, of course, we are seeing a lot more content in the steering wheel.

Anders Trapp: So, we have 2%, or slightly more than 2% growth in growth markets. We have slightly more than 2% in more developed markets. And that of course means that we are going to have a little bit more than 2% on the global market as well. And 2% is pretty impressive, at least compared to what we expected earlier, which was basically 1%. So, it is a big increase.

Scott Dershem: Yes, broadly speaking, this increase of 2% growth is mainly coming from our higher content markets, the developed markets and this is mostly due to the need or desire for more advanced systems and the changing and improved crash conditions.

Megan Fisher: Yes, it is really encouraging because it tells us that safety is a top priority not only for vehicle manufacturers, but also for consumers as well around the world.

Anders Trapp: So, we have been talking a little bit earlier today about the mega trends. And one of them is, of course, electrification. So, what the impact does that have on us, Scott?

Scott Dershem: Yes, electrification is and will remain an important impact on our business. The electric vehicle is a very quiet vehicle, and that drives our products to have to be more quiet inside the vehicle as well. Along with that, we will also have to continue to make our products much lighter for the EV segment. Our battery safety products also provide a necessary added safety for high energy content batteries. So, what we see with the EV trend is it is a positive driver for us going forward. But so far, we also see that there has been limited specific safety product development in the EV market. But over time, we expect this to change and start to take off for us a little bit more, leading to new and exciting products for us in the future.

Megan Fisher: Yes, that is also interesting you say that, and we have seen limited new products for EVs. But when we take a look at the EV production that we have today, the products that we saw on EVs versus non-EVs, we actually do see that there is an increased content per vehicle based on that. Of course, we are still early in the in the growth trend on electric vehicles, so we have to see how that how that develops going forward, and what products come in, as you mentioned. But what we can clearly see is that right now it is a positive driver for our content per vehicle.

Anders Trapp: Yes, absolutely. The EV trend is really taking off as we speak, basically. As mentioned earlier here today that last year, 10% of sales went to vehicles that were either fully EVs or plug-in hybrids, and that figure will double this year.

Megan Fisher: Yes, I would expect that to continue in that way as well. And did you have a chance to see the electric vehicle behind me in the studio today?

Anders Trapp: I noticed it.

Megan Fisher: It is hard to miss, let us go take a look at it.

So, it is pretty nice. This is the brand new 2022 model year Mercedes EQS. And some people in the industry consider that this vehicle is the flagship of electric vehicles. And, of course, Autoliv has safety products on this vehicle. We are producing the driver airbag, the steering wheel, as well as some of the seat belts in this vehicle. And the seat belts are somewhat unique. The seat belts are what we call a 'bag and belts', and it has an airbag that is integrated into the webbing of the seatbelt in the rear seats.

Anders Trapp: Yes. I am told that this is one of the most technically advanced vehicles ever made. And I would not know that, but I think I can clearly say that this is one of the more beautiful cars I have ever seen. And this was launched second quarter this year, so very recently. And I think this is a great example of a well-established OEM that really takes electrification seriously.

Megan Fisher: Yes, it definitely is. And when we look at the other end of the spectrum, so maybe a less established OEM, a new entrant to the market, we have Rivian in North America that just recently launched the electric pick-up truck for that market.

Scott Dershem: And we monitor those new start-up OEMs. And we try to make sure that they are working on the right types of products, and they are working on products that have passed the PowerPoint portion of their product development themselves.

Megan Fisher: Yes, that is not always easy to do. But I think we have been quite successful with that. If we look around the world, all of the new EV production manufacturing companies today, we do have product on most of those vehicles. So, this has definitely been a positive for us. And when I reflect back, I just mentioned the Rivian electric pick-up truck. As you know, Scott, we have the entire safety package on that vehicle. So, we supply them the steering wheel, all of the airbags as well as all of the seat belts.

Anders Trapp: So, if we look at other areas with great long-term growth potential, what can we say about that?

Scott Dershem: Looking a little bit farther out there, I think even beyond 2024, we believe that we have a good reason to expect that the current CPV growth will continue into the future.

Anders Trapp: So, I think Cecilia has something to say to that.

[VIDEO]

Cecilia Sunnevang: *With our research on the development of advanced driver assist systems and their implementation, we know that a few load cases will represent most of the crashes where you can sustain a serious or fatal injury. What we are now doing is that we are looking into these load cases and trying to understand what are the biomechanical*

consequences in case you are seated in a different way than today. Because we know with automated vehicles, there is an expectation that you perhaps can recline your seat to be more comfortable, or you can be in a social configuration. So, what we are doing is that we are developing test methods and tools and new injury criteria to really understand the biomechanical consequences and how we will address these biomechanical consequences when designing our future restraint systems.

Another important area is the user experience and comfort. As we have products that are close to the driver, for instance, the seat belt and the steering wheel, we also have an opportunity to have driver monitoring, for instance, fatigue detection through vital signs in the seatbelt, we also have hands-on detection in the steering wheel. And these are essential features for these automated vehicles. With that, we can see that you are fit to drive, and we can also ensure that you have a good user experience and also added value.

Scott Dershem: Cecilia just showed that we are researching new products to protect occupants in these new interiors that that allow for different seating positions. Let us see what this can mean in real practice.

[VIDEO]

Christian Svensson: *One important area for Autoliv is future course and flexible interior. And we are looking into this to create new products for the future. And we are looking into three areas. One is the seat belt side for the upper body. One is of course, the airbags, and also have protection for the pelvis side. And the most obvious area first is what they call the reclined position, meaning that the driver can actually be in this position. And then we are creating a seatbelt system that are integrated in the seat to meet the safety and the comfort for the future.*

And the second part is the airbag side. And you can see this is what we call the live[?] cell to protect in frontal crashes and side crashes. And for the pelvis side, we are announcing a seatbelt, [inaudible] potential, where I actually pull down the seatbelt to keep the occupant in the position. And the second part is an airbag that you have under the seat to lift up your legs to have a better safety.

Scott Dershem: As you just saw, we are developing systems that provide protection for these interiors that are much more flexible and have more options for people to sit in, like reclined and swivel seating.

Megan Fisher: Yes, the lifestyle airbag that we just saw Christian sit in in that video is actually just a dummy model. As you know, we are not quite ready to reveal the real models to the public yet.

Anders Trapp: We have other products that is developed or is being developed for this new market. One of them is the pedestrian airbag, which we have showed many times before. That is now being developed into a product that also protects cyclists and in the future ADAS world, I think that these kinds of products will be in good demand. And so far, we have talked a lot about the growth opportunities here and why we expect this to lead to a solid CBD growth going forward. Also, beyond 2024, maybe we could try and start to summarise it.

Scott Dershem: Well, one of the things is that the interior of the car will most likely change more than it ever has in the next decade, even significantly more than it has in prior decades. This is driven by automotive mega trends, and these mega trends are creating new design opportunities and needs for our products.

Megan Fisher: Yes, and in addition to the interiors of the cars changing as we go forward, we also know that there will be continued updates to government regulations, as well as some of the crash test ratings that will drive upgrades to our existing safety products and potentially new safety products. There is no doubt that safety continues to be a top priority for society as well as for the automotive industry. So, this is really exemplified by the World Health Organisation target to reduce fatalities and injuries on the roads by half – we talked about that earlier – as well as some of the governments around the world having zero fatality visions.

Anders Trapp: Absolutely. And ticking in the background, we have the strong correlation that we know there is between GDP per capita and content per vehicle. So, with the continued growth in GDP, I think that is likely to support many more years of good growth of content per vehicle as well.

If you summarise the summary, I think we can say that we are expecting a solid market growth, medium term, long term. To be a little bit more specific on the long term beyond 2024, we are expecting between 1% and 2% in content per vehicle growth, which is pretty good in a historical context. And we are also going to continue to be the preferred partner to our customers we have been so far for a long time. And it is very important to continue to be that now because our customers, as you know, have some major challenges that are facing them for quite some long time to come, and to be then a reliable partner is more important than ever.

Scott Dershem: And one of those ways to make sure that we are a preferred partner, is to make sure that we are staying on the forefront of sustainability. And to that end, we are developing new products that have significantly lower carbon footprints. We have actually been working on sustainable products for quite a few years. We have an inflator that when it deploys, it only produces water vapour. And we also have airbag module concepts that utilise significantly less oil-based products, oil-based fabrics. Now, going forward, we are going to be intensifying this work and you should be expecting new innovations in this area.

Anders Trapp: Looking forward to that. So, thank you, Scott, and thank you for being here and coming here and sharing your insights into our growth opportunities for both the short and long term, especially on the core product area.

I think it is time to move over now to look at our new and exciting area, MSS. So, Gabriella, take it away.

Mobility Safety Solutions

Per Lindeberg

Vice President MSS, Autoliv

Gabriella Ekelund: Thank you. And we are not limited to our core automotive safety areas' we are making inroads into adjacencies as well. And one recent example that we have shared lately is how we protect riders of powered two-wheelers, like motorcycles and electrical scooters. Have a look at this.

[VIDEO]

Speaker: *In the western world, more the developed world, we use motorcycles, like I do it, for enjoyment, for happiness for, you know, you can choose. While in other parts of the world, motorcycles are used for basic transportation. It is a cheap, is economic, is light and basically, that is why in some places the use is so big. And that is why when we are thinking in solutions, how to improve that, we always need to keep in mind affordability and practicality.*

Cecilia Sunnevång: *We think it is important to start acting now. And to actually do the same developments in terms of safety that we have done for car occupants during the last years.*

Jolyon Carroll: *Here he is coming in, head is going to go forward...*

Jolyon Carroll: *So, this is the reference test. And so, the first thing that we need to do is to check how the computer simulations, the computer models of this work in comparison with real life. And that is vital for us because we are going to use those, and we run the simulations over and over again to understand how we can influence things. So, we learn what happens to the bike, how it moves in the collision, what happens to the car and how that moves in the collision, where deformation appears on it. We also find out about how the rider comes off the motorcycle. Now that is going to be important because that point when they leave the motorcycle is where we need to do something with them, where we need to intervene, perhaps, in their safety.*

Cecilia Sunnevång: *To improve motorcyclists' safety, there are several ways of doing so. Taking the safe system approach thinking about safer roads, safe vehicle and safe rider, you can have, for instance, protective clothing on the rider – helmet is a perfect example, that is one of the most important countermeasures. And we are talking about the roads, is also to make sure you have a traffic environment that is as safe as possible for motorcyclists. Then when we talk about safe rider, it is also one way that you perhaps can educate and coach the riders of being more safety aware, but also informing them when there are hazards, in terms of dangerous roads or malfunctions in the vehicle.*

Jolyon Carroll: *I think that we have not got to the bottom of what can be done in the crash. We are looking after the in-crash behaviour of the rider and really taking care of what then happens. Whilst pre-crash safety may stop some collisions from happening, reduce their speed, collisions will still happen for a long time to come. I think the systems that we can potentially put on the bike or on the rider can really do something good there.*

Jordi Lombarte: *In Autoliv, we estimate that the lives that we save today with our products is about 30,000-35,000 lives per year. We believe that with focus on vulnerable road users, this number can increase to 130,000 easily. This is strategic for us in our Vision Zero, in terms of fatalities, which means that, basically, one casualty in traffic safety is too much.*

Gabriella Ekelund: You have heard us talk about our adjacencies in the past and we are now collecting all of these opportunities in our new business, Mobility Safety Solutions, MSS. This is where we look at opportunities, where we look at our product and product competencies and how that can be applied for additional growth.

I am really happy to introduce to you Per Lindeberg, our new Head of MSS.

Per Lindeberg: Thank you, Gabriella. I am very excited to join the strong Autoliv team, towards our strong vision of saving more lives.

Gabriella Ekelund: Great. It would be good to hear a little bit more about your background, Per.

Per Lindeberg: Yes. I have an entrepreneurial and international background, working more than 20 years with start-ups and fast-growing technology companies, and as co-founder and CEO, developing business in US, Europe. I recently moved back to Europe after 12 years in Asia, living in India, China and Singapore. I also worked seven years as entrepreneur, driving innovation within a large organisation, Sonepar, a €24 billion turnover company.

Gabriella Ekelund: Great. It sounds like a very fitting background to head up MSS. In the film here earlier, we saw some more details around the opportunities in powered two-wheelers. Could you tell us a little bit more about Autoliv's investment into this area?

Per Lindeberg: Yes. We are working with several OEMs on vehicle solutions, bag on bike being one. As you also know, two weeks ago, we announced an exciting cooperation with Piaggio of developing this further.

We are also pursuing the powered two-wheeler in a multi-solution approach, so looking at how to best protect the rider with inflatable personal protective equipment, so in the best way protect head and body for a rider. Here, we combine our core competence and developing products for new markets and in collaborations to enter the market also.

Our main focus is motorcycles and scooters. However, in the powered two-wheeler, we also include electric bikes and e-scooters.

Gabriella Ekelund: Interesting. Are there any other areas of potential business interest that you could share with us?

Per Lindeberg: Yes. Let us hear what Cecilia has to say about one.

Gabriella Ekelund: Great.

[VIDEO]

Cecilia Sunnevang: *Approximately 700,000 people die from falls, on a global level, every year. A majority of these people are 60 years and above, so it is a public health issue for the elderly population and therefore, also, a growing problem as our global population is getting older.*

We are developing countermeasures, ranging from digital services into an inflatable hip protection airbag. To do so, we are utilising our expertise in biomechanics and [inaudible].

Per Lindeberg: Personalised wearables can greatly reduce the consequences of a fall accident. Here in my hand, I have our hip protection. It is basically an airbag that you put around your hip, and you put it on like this. Then, with the inflatable airbag and the system with algorithms and connectivity, we are developing a very exciting solution and new technology for elderly.

The exact market potential for this product is difficult to pinpoint, but we expect it to be sizable, even though it is long time before we see revenue in this area.

Gabriella Ekelund: Very stylish as well, if I may say. How do you see us gaining a competitive edge in this area?

Per Lindeberg: We are leveraging our core competence and our core technologies, including research, including our deep safety expertise, data and algorithms related to human body modelling. We have a very good understanding how to best protect a human in an accident and crash.

Another competitive edge that we have – and a great growth formula – is also where we can leverage our regulation and rating function to proactively define requirements in this area. As a safety leader with global reach and global scale, we have many sizable business opportunities to develop and capture outside light vehicles.

Gabriella Ekelund: What is a good way to start or kick this off then?

Per Lindeberg: We start close to core, understanding the customer requirements, and complementing and adapting our best products, for example, as we do in the powered two-wheeler case together with Piaggio, but also with other customers.

Gabriella Ekelund: I guess here we are approaching new customers and even consumers. How do we go to market?

Per Lindeberg: Growing into adjacent markets is a powerful approach of tapping new revenues. We stay close to core. Based on our strength, including our safety expertise, we define our ecosystem. We select strategic partners that are already in the markets that we collaborate with, and we learn. Together with them, we establish a clear understanding of the end customer requirements.

Gabriella Ekelund: How do we move on from here?

Per Lindeberg: As we gradually learn, we also add new capabilities. We grow our business, and we expand our addressable markets. My job in MSS is to drive innovation in a systematic way, making a thorough assessment of requirements to win. Based on that, we prioritise the attractive, high-growth, profitable markets and where we have a strong ability to win.

Gabriella Ekelund: You mentioned a key word here, 'addressable market'. Could you estimate the addressable market for these products?

Per Lindeberg: We have a very attractive, big, combined addressable markets in providing safety solutions in different mobility modes, including the powered two-wheeler, that is large enough to make a difference for Autoliv's long-term growth.

Gabriella Ekelund: How does MSS affect our short- and medium-term profitability and CAPEX?

Per Lindeberg: Some of our businesses in MSS, like commercial vehicles, powered safety switches, are already revenue-generating and profitable, so, basically, funding our early-stage initiatives. With our position on the market and also with attractive value proposition, I do not see any issue of further funding a proven and growing business model that is ready to scale, either directly or a joint venture with an attractive partner or a spinoff.

Gabriella Ekelund: That is reassuring. We have heard about digital products quite a few times today. Let us listen to Cecilia one more time.

[VIDEO]

Cecilia Sunnevång: *The increased trend of connectivity as well as on-demand transport and also the availability and implementation of sensors means that we are generating more data today than ever before. Our products are to some extent already connected today and they will be in the future and generate data that we can use to develop services and also add value to the OEMs as well as the end users.*

We are collecting data today to understand road user behaviour, identify critical events, as well as then understand how we can use our core competence in order to create this safety awareness and also play a part in educating people on safety. We have developed a data innovation platform where we can use AI and machine learning in order to develop new algorithms suitable for our core products as well as additional products.

Gabriella Ekelund: We are gaining the capacity to upgrade and update our core products for our core markets, but we also collect and analyse data to create new products.

Per Lindeberg: Yes, that is correct. Let us have a look on our exciting Connected Safety Score business.

Gabriella Ekelund: Great.

[VIDEO]

Christoffer Malm: *Autoliv has built an app called Driving Avatar. Driving Avatar focuses on two main things: it is showing your safety score and, thereby, your driving behaviour and your areas of weakness and strengths; but also on DARCY, which is our coaching companion, that messages you and teaches you and works with you to learn new safety principles.*

When you enter the app, it is all about seeing where you are, seeing where you have been, but also how you can progress, what you can work on, and listening to that coaching companion, and seeing how you can progress throughout your journey of becoming a safer driver.

Co-creation is fundamental to everything we do with our customers. With that, of course, we use safety as a guide in all of our discussions and dialogues. Also, we aim to always find the piece that will differentiate our customers to their market offering and making sure that safety can highlight that piece.

Marcus Lindholm (Riksförbundet M Sverige): *There are other solutions out there, but when we came across Autoliv, it was an instant connection. Our goals and ambitions regarding road safety align 100%.*

Peter Graham (Kudo Insurance): *At Kudo, the partnership with Autoliv is absolutely key. The crash detection is one of the major advantages that Kudo will have over other insurers.*

Per Lindeberg: This is a good example where we can use our unique competence and special experience to enter into new markets. And the market potential here for the Connected Safety Score, we cannot exactly pinpoint, but we expect it to be sizable and large, long term. We work with potential customers like commercial fleet, ridesharing services and also insurance companies, where they can actually have a great value out of this product. This also adds to the growth opportunities within MSS.

Gabriella Ekelund: You mentioned size. What would you say the size of the MSS business is today and what can be expected tomorrow?

Per Lindeberg: MSS annual sales is already a \$100 million business. Our long-term target is to develop businesses and grow a sizable business to more than \$1 billion in annual turnover and also, long term, contribute to Autoliv's long-term growth with 1% to 2%.

Gabriella Ekelund: Great. Thank you, Per, for outlining what MSS is in a little bit more detail and what it can mean for Autoliv's development.

By that, back to Anders and Megan.

Discussion on Growth Opportunities

Megan Fisher

Senior Vice President of Sales, Autoliv

Anders Trapp: Thank you, Gabriella and Per. Megan, we have been talking now at length about the growth opportunities that we create ourselves. However, we are not alone in this world. There is a light vehicle market also that we are dependent on. What do you think about that market and its development?

Megan Fisher: Great question. Difficult question. I think it is always difficult to predict these types of things and how things will develop into the future. However, one thing that we know for sure right now is that the level of light vehicle sales and the corresponding production that the OEMs are having is far below what the market demand is for new vehicles. There are several different factors that you can look at to come to this conclusion.

The first one was mentioned earlier by Mikael Bratt when he was talking about the low levels of inventory that we see in the North American market. They continue to be at this historical low. That is one area. Then, if you go over to Europe, the wait times that people are experiencing or consumers are experiencing when they go to purchase a new vehicle are significantly longer than what we would consider a norm. Finally, when we look at the used vehicle market, the prices continue to be at a high level.

If you put all of these things together, you can easily conclude that our demand is really outperforming our ability to supply at this point, as an industry.

Anders Trapp: When do you think that we can see a better balance between supply and demand then?

Megan Fisher: Also, difficult to predict. However, I think, and I hope that we can look at some of the positive indications that we are seeing recently. We are starting to look at a near-term stabilisation of supply, which will help us in the near term. Then, following that stabilisation of supply, we should see gradual improvement over the next coming years as the industry comes back. This is really in line with what we see from the IHS Markit predictions that came out in October.

Anders Trapp: Yes. I think, actually, there was a new one out today which basically repeats, more or less, what they thought before. I think they are still looking at 11% growth for next year for light vehicle production globally. Now, I think they are saying 9% for 2023 and still 7% for 2024. Still a pretty good recovery and let us hope that that happens.

I agree, of course, with what you say that the uncertainty is substantial. It seems to be new areas of concern popping up from time to time, just as some other areas are improving. I know that the steel supply has improved in certain parts of the world. Semiconductor is very difficult to predict, definitely. However, there are some small signs in some areas that it might begin to stabilise. Let us see if that actually will happen. Then, of course, we have magnesium that a couple of months ago popped up as a potential concern for anyone who uses magnesium or aluminium in any large quantities, which the automotive world is.

Megan Fisher: Right.

Anders Trapp: We will talk, of course, more about the global supply chain situation in a few minutes when we go into the supply chain management part of the Capital Markets Day.

Megan Fisher: Yeah, it has definitely kept the supply chain busy with all of these different shortages. However, really, at Autoliv, we will continue to focus on what we can control ourselves. That is really what we have done that has brought us to the good market situation that we have and that we have developed over the last few decades.

Anders Trapp: Yeah. It is a strategy and a focus that has worked really well for the last 25 years or so, since we merged with Morton back in 1997. Our market position has improved considerably, and also almost year by year. However, about five years ago, we basically took a step change up in the win rates on orders and have kept it at close to around 50% since then. Of course, that will add to our growth for the coming years.

Megan Fisher: Yeah. I think that is really evident that our customers see us having some really strong attributes that we are able to provide to them.

Anders Trapp: Yeah. What do you think is the main attributes that our customers like?

Megan Fisher: First and foremost, I think what we can look to is the product robustness that we have that we offer to our customers, as well as our quality performance. Those are really the main pillars of what we are able to provide our customers.

We also support our customers with a really high level of technical expertise and a high level of innovation in our products as well as our processes. When you talk to our customers, perhaps something that always comes up is really the level of customisation that we are able to supply in all of the products. We have a broad product offering for our customers. Of course, last but not least, our size, our scale and the efficiency that we have in our operations, as well as in our processes, really provides us the opportunity to be competitive in a commercial arena.

Anders Trapp: That is really reassuring to hear. With that, I will say thank you to you, Megan, for your insights into our growth opportunities and our expectations going forward.

Megan Fisher: Thank you.

Anders Trapp: To conclude, we do see and expect strong growth in our core products, both in growth markets and in developed markets, and both in the medium term and the longer term.

Talking about the medium term, between 2022 and 2024, we expect to grow around 4% more per year than the light vehicle production development. Since we have a good visibility into this, because most of this business is already secured, we think this will have a fairly high likelihood of actually happening. Around half of this incremental growth comes from content per vehicle and the other half from market share gains.

A little bit further into the future, beyond 2024, we are targeting 4% to 6% growth for the company, as a whole. In that growth or the growth factors is content-per-vehicle growth, it is light vehicle production growth, and it is contributions from MMS. Year by year, the size of the contribution from these different factors will vary. However, over time, on average, we think that they will be roughly similar.

With that, I think it is over to you, Gabriella.

Transforming Growth Opportunities into Profitability

Fredrik Westin

CFO, Autoliv

Gabriella Ekelund: Yes. Thank you. Let us now turn our attention to how we intend to transform these growth opportunities into improved profitability. By that, we have just the man for it, our CFO, Fredrik Westin.

Fredrik Westin: Thank you, Gabriella. Welcome to this session. We will spend roughly the next 45 minutes talking about the main building blocks to reach our profitability target of 12% that we have set here for the timeframe 2022 to 2024. We will start with engineering, and then continue with quality, supply chain management and operations.

Anders Trapp: Let us start with engineering then. You know that we have been talking for a long time about RD&E efficiency as an important tool for improving our profitability and also for creating room for growth. We will now hear from Maria Malagrada to outline what we are focussing on to make this happen.

[VIDEO]

Maria Malagrada: *Engineering represents about 80% of our RD&E cost. An efficient management of our engineering cost is key for our success for both, to free up resources for growth opportunities and also to reduce cost. Therefore, in Autoliv, we are transforming the way we do engineering.*

In order to transform the way, we do engineering, we launched, in 2018, Engineering 4.0. The Engineering 4.0 Mission Statement can be summarised in three steps: to simplify, to automate, and to connect. Complex process is the cause of many inefficiencies.

The first step is to simplify or, in other words, to streamline our engineering processes. Once we have simplified, we can start to automate. We identify areas with manual work, and we develop tools which can do that work. Then, the engineers are going to have more time to be more productive and add value activities. All these tools that we have developed cannot work isolated. The last step is going to be to connect them in order to provide to our engineers a more continuous and efficient work process.

Let us show you an example of an Engineering 4.0 tool which has really transformed the way we do engineering. The tool is the Product Builder. It is an amazing tool which is adding a lot of value to our Engineering teams.

Now, with the Product Builder, we have been able to reduce the time that we need to configure a complete seatbelt assembly by up to 50%. This is because now, with the Product Builder, we are able to configure a product in just a few clicks. At the same time, we are able to guide the engineer to identify the best component which is going to perform according to customer requirements at the best cost.

However, the Product Builder is not only doing the product configuration. It is doing much more than that. The Product Builder is holding the hands of the engineer during the entire product development, guiding them to develop the most robust products by sharing the lessons learned and also simulation tools. With these simulation tools now, the engineer is going to be able to anticipate if the product will pass customer requirements without the need to build prototypes or to do any physical testing, which is reducing the time from weeks to just a few hours.

The Product Builder is helping the Engineering team to identify and mitigate risks from very early in the design phase, which is leading to high confidence on the design, first-time quality at launch and, ultimately, a shorter development time. This is why we say the Product Builder, it is an amazing tool. It is one of our best achievements and it is really transforming the way we do engineering.

Another key driver of efficiencies is to identify the best country to perform each task with the right competencies at the best cost, while still keeping the customer technical contact close to the OEM. For example, in India, in the last five years, we have developed a Centre of Excellence for Virtual Engineering. Working with India as a Centre of Excellence, for steering wheels, we have been able to reduce the design validation loops from five down to two loops.

Especially challenging, the steering wheel complexity is growing every day with more electronics. This is a huge achievement. As you can imagine, it is significantly reducing the development time, but also has multiple effects on cost.

First, we are moving to India, so it is lower cost. Second, we reduced the design looks. We also reduce the need of prototype and testing, so it is lower cost. Last, by increasing virtual engineering, we increase the product optimisation. Our final steering wheel has lower weight, so it is lower cost.

In addition to lead time and cost benefits, introducing more virtual engineering has further increased our focus on robustness now very early on the design phases. We have many more projects and all of them are bringing high benefits. So far, with Engineering 4.0 projects, we

have already achieved 170,000 engineering hours reduction. In 2023, we expect to double this quantity, almost reaching 400,000 hours.

Engineering 4.0 is a journey. It has started in 2018. At that moment, we had just identified ten projects. At this moment now, three years later, we have already implemented 27 projects. We are in process to roll out 28 more projects and 19 projects are coming up very soon. The great news is that our pipeline is full of new ideas, and we start new projects every month.

We will continue to transform the way we do engineering. Soon, we will share more with you.

Anders Trapp: That was quite inspiring, I would say, both the achievements and the potential in engineering efficiency, would you not say?

Fredrik Westin: Absolutely. I think there are two key points here. The first one is to really stay at the forefront here. It gives us a competitive edge with our customers. Secondly, our engineering costs, our RD&E costs are about 5% of sales. To make significant improvements here can actually make a difference also to the totality of our cost base.

Anders Trapp: Yeah. Another very important area in Autoliv is the quality culture, which, together with the methods of Q5 and Zero Defect mentalities, is really what has taken us to where we are now.

[VIDEO]

Question: *What has our quality record been over the past years and how does it support the business?*

Svante Mogefors: *I think one of major things is we have been a part of 2% of the recalls in airbag seat belts and steering wheels over the ten last years. That I think we can be pretty proud about in Autoliv. However, it is not enough. Of course, we are working towards the zero recalls and so on. That is our ultimate target, and we are working hard to get there. We have also initiatives behind that.*

When it comes to the other question about what benefits it gives us, of course, quality is more and more important to the customers. The new order intake, for example, it is very, very – a key point is that we have good quality to the customers.

I would like to mention also a third thing here, actually. That is that quality and productivity goes hand in hand. Normally, and I would say in all the times I know of it, it is that when you have good quality and quality improvement, you also have automatically, more or less, productivity improvement. These two things goes hand in hand, which is also a benefit, working with quality.

Question: *What is unique in Autoliv's quality management?*

Svante Mogefors: *I think one of the key things absolutely is our quality culture in the company. I think we have a unique quality culture, I think, in Autoliv.*

Question: *Can you shortly explain the Autoliv quality culture?*

Svante Mogefors: *Leading by example, I would say, is one thing. Being a role model from the leadership, listening to the organisation, I think that is one thing. The other thing is to*

get the whole engagement of the whole company – all the 65,000 employees – getting these people engaged with quality, I think that is one of the things.

In that respect, we have also been very keen on having 'Raise Your Hand'. It is important for us that if we see a problem, independent on where you are in the organisation, you can raise your hand. You can stop the line. You can stop anything and go and fix, when you are [inaudible], when you stop things. Really, 'Raise Your Hand', if you want to ask me, that is one of the key points.

Question: *What have the key initiatives been to become a leader in quality?*

Svante Mogefors: *In addition, I guess then, to fostering a culture all the time – we call it Q5 (Quality in all Dimensions) – I think there are things in that, let us say, work that is Zero Defect mind-set. Always think and believe and work as any problem can be solved. The root cause can be there, and you can eliminate root cause. That is the Zero Defect mind-set, I think, in the company, which is one of the most important things here.*

I think also in the way we do when we have a quality – I talk about the quality culture. We have also a method to measure the culture. There is the Quality Culture Survey.

Question: *What is the next step in our quality journey?*

Svante Mogefors: *I think working in the daily work in all aspects of the company. However, we are focusing more now than we maybe did in the past on the quality upstream, meaning upstream in the development chain. When we do products and processes and we develop parts and processes, we are working very much intensively with the robustness and so on and take that earlier and earlier in the development of product and processes.*

Of course, our partners are very, very important. For the robustness of our products, it requires robustness in our supplier components that they ship to us. We work very much in collaboration with the suppliers.

Question: *Can you share examples on working with quality upstream?*

Svante Mogefors: *I think we are prepared. Some of my friends working in Engineering – Alexander Gulde, in an interview, he is talking about how we try to make real-time data from the process, from the production, into the new development projects. As a product development engineer, he can then have real-time data on things that is lessons learned from the ongoing production. I think that is one of the keys, which is also part of what we talk about in digitalisation, going forward here.*

Alexander Gulde: *Looking at big data, in Autoliv, we have a system called PLM (Product Life Management System), which contains all information about products, processes, and the performance. This is a very big data source.*

This brings me to the next question, how to access this tremendous amount of information. If I would read it, I would need 750,000 years, 24/7. Mission impossible. The main questions are: how to access this information, how to bring it smart together, how to compile it.

Autoliv has started to develop a new tool or philosophy called 3P. 3P stands for Product, Process and Performance. These three pillars will be combined in a smart way throughout the entire supply chain.

Our next step of the 3P dashboard is to use artificial intelligence and machine learning. This will enable us to get into this unknown area where we find not new answers, we even find new questions. This will enrich us to find new innovations.

Question: *How can we take advantage of digitalisation to improve even further?*

Svante Mogefors: *Sometimes, you think digitalisation is specifically maybe in manufacturing. It is, really, because we are working very much in collaboration: quality, manufacturing, engineering. We also heard about this; Alexander Gulde has talked about this. I think that is a good example.*

We are also working in parallel with Manufacturing 4.0. A lot of that work is really aiming at anticipating problems before they really enter into a recall or before they even enter into a scrap and so on, so early warning from the process. Here, we use Auto SPCE and various tools, which is, of course, our way, really, to improve further and further on also the operational part of the quality side.

Question: *Where are we on this journey?*

Svante Mogefors: *Some more steps to go but, of course, we are well into our journey. I think we are in a very good shape in Autoliv.*

Anders Trapp: I think Svante and Alexander showed very clearly here in this video that in addition to Q5 and Zero Defect mentality, we are moving on and looking at how to secure upstream quality as early as possible in the process, deploying digitalisation and big data and data analytics.

Fredrik Westin: Yes. I am convinced that the strong sales growth and then the market share gains that we have had since the formation of Autoliv Inc in 1997 are rooted in our quality culture and our engineering capabilities. It is really about being the preferred partner for our customers.

Anders Trapp: Yes. I think this has also contributed to many of the world's first innovations that we have produced over the years. I think we should talk a little bit about supply chain management as well. The world has been pretty volatile over the last few years and that, of course, has a big impact on any company's supply chain.

Fredrik Westin: Yes. Direct material makes up 50% of sales for our company, so to have a good performance here is critical for us.

Anders Trapp: Over to you, Gabriella.

Discussion on Supply Chain Management

Christian Swahn

Head of Supply Chain Management, Autoliv

Gabriella Ekelund: Great. I am now joined on stage by our Head of Supply Chain Management, Christian Swahn. Welcome, Christian. You will help us understand what we do in supply chain management, and how we manage the global turbulence in the supply chains, and also how we reduce purchasing costs in the supply chain, so welcome.

Christian Swahn: Thank you very much, Gabriella. Happy to be here.

Gabriella Ekelund: Great. When it comes to managing our supply chains, it has been an interesting period the last couple of years, would you not say?

Christian Swahn: Yes, it has. Certainly, it has, in the last two years with COVID. However, not only COVID, with supply chain disruptions and also volatility in the supply chain not only hampering the automotive industry, I would say all industries, the last two years.

Gabriella Ekelund: Would you be able to comment on a few of these, please?

Christian Swahn: Yes, certainly. If we start with the semiconductors, which is the word on everybody's lips these days, it is, of course, challenging for the automotive industry. We have been quite successfully working with this supplier base, together with our suppliers, and also taking measures in changing suppliers when appropriate, and also look for other solutions and other products together with our stakeholders.

However, not only semiconductors. It has been also other areas, like the logistics, like the container shortages and what have you and also, of course, other commodities as well that has been under huge pressure these past two years, I would say.

Also, of course, hampering our customers because like us, our customers have also been impacted. They impact us; when they are then lowering their volumes, we get impacted. Also, quite often in short-term notice, which also gives some stress to our supplier base.

However, as I said, we have been successfully working together with our supplier base, mitigating all these risks.

Gabriella Ekelund: How do we manage the situation with supply chain issues or supply issues, I should say, in some raw materials?

Christian Swahn: Yeah. The last two years, I would say, the raw material industry and the raw material pricing, as we can see here on the slide, has actually been hampering the industry quite a lot. As we can see here, this is one example of steel in North America, where the development has been quite dramatic. As we can see, here on the slide, not only for steel, many, many commodities have actually been looking like this for the past two years.

Then, we talk about price, Gabriella. However, it is not only pricing. We have the winter storms. We had a lot of different supply issues with containers, etc. The challenges have been many. However, I would say we have been successfully mitigating them, working very transparently in our company, but also with our suppliers and stakeholders.

Gabriella Ekelund: With all of these fluctuations, how do you manage to optimise operations?

Christian Swahn: Yeah. We have a structure process in Autoliv, which we call SIOP (Sales, Inventory, and Operational Planning). That is a cross-functional tool working with all the different functions within Autoliv, coming from the customer needs, taking that into our company, transferring those needs to our supply base. That is a transparent and very structured way in dealing with the fluctuations we have had. We have been successful in using that.

Gabriella Ekelund: It is not only enough to secure supply, we also have to be more efficient. We have to reduce cost. After all, as Fredrik also mentioned, purchasing is around half of our

sales. Also, a key lever in our business model is to offset price deflation and labour cost inflation over time, right?

Christian Swahn: Yes, definitely. This year, we have been actually taking out 3% of our total purchasing cost also in a tough year in 2021. This is, of course, excluding raw material impact, but even though so, we have a net cost reduction in our purchasing cost, which is a quite good achievement in a year like this. We have been doing this by taking out cost by commercial activities, but also using a process that we call 'value engineering'.

Gabriella Ekelund: Value engineering? What is that?

Christian Swahn: Yeah. Value engineering is a very cross-functional, again, concept that we use, working with all the functions in Autoliv, but also using our customers and taking them in the boat and also helping us in doing what we need to do in our products. But also bringing the supplier base on board, taking their knowledge and their expertise into our changes that we need to do. This is a process that is not new to us, but we are actually focusing even more in the last two years on this process, and we will do so, also, going forward.

Gabriella Ekelund: That means that these savings are not just something that we will see this year, but...

Christian Swahn: Correct. It is a process that is built in now and very focused. We have dedicated teams working with this process, which will enable us to be safeguarding that is not only a one-off for this year.

Gabriella Ekelund: What is the trend in savings in supply chain management in these recent years?

Christian Swahn: Yeah. It is a good question. When you have actions in place, it is always good to make sure that this gives results as well. If you look on the chart here, we can clearly see that the actions we have had in place has really taken off and really taken us to new levels year by year. The 3% reduction that we have in 2021 is actually translated into 150 basis points of improvement of EBIT this year.

If we take into account the raw material that has been hampered[?] us with 130 basis points, we have actually, yet again, a net saving this year, which is actually an achievement, I would say. The purchasing portion out of our sales has actually also been decreasing this year.

Gabriella Ekelund: However, we are not just doing this on our own, are we? We are involving the whole value chain.

Christian Swahn: We are involving the whole value chain and, of course, all functions in Autoliv. We are involving our customer and our suppliers in an end-to-end approach of taking out cost.

Gabriella Ekelund: Great. Then, I think you have an example here from a supplier conference that we had last year, last couple of months, right?

Christian Swahn: Yes, we did. We had actually a supplier conference just the other month and involving 700 of our suppliers. Let us have a look at what they had to say and what we said on that conference together. Let us have a look.

[VIDEO]

Christian Swahn: *Welcome to the Autoliv Supplier Quality Conference in 2021 broadcasting to all of our supplier partners out there in the world.*

Mikael Bratt: *We need to drive quality forward here and doing it together with the supplier base.*

Svante Mogefors: *We need to emphasise internally in Autoliv Zero Defect mind-set as well as in the supply base.*

Magnus Jarlegren: *It is really impressive that we managed to take it down by 50% previously. However, we really need to take the same journey again.*

Christian Swahn: *It is about having carbon-neutral operations in all manufacturing. It is about having an aim of having net-zero-based emissions in our supply chain.*

Speaker: *How did the Zero Defect journey start and how did you get the momentum and understanding of the importance of continuous improvements?*

Speaker: *We went to Zero Defect workshop at Autoliv, and we got trained. At that moment, I knew what I wanted to do. I wanted to be similar or as good as Autoliv.*

Christian Swahn: *We are on a journey for perfection. I want all of us together – you, our suppliers and partners, together with us – to take on that journey for perfection.*

Gabriella Ekelund: That is great. Speaking about cooperation with our suppliers, Autoliv recently launched our climate ambition of becoming net zero or have net zero emissions across our supply chain by 2040, right?

Christian Swahn: Yes, we did. That means that we will work with our suppliers, reducing CO₂ footprint in an extensive way. We will find structures to do that. We will also, of course, upgrade our sourcing requirements so that when we are working in a daily life, we will be doing that in another way. Also, we will look into recycled components. We can recycle material in a better way, but also to use other type of materials. This would be an interesting journey ahead.

Gabriella Ekelund: However, when it comes to this journey, I know that you also have some more news to share, right?

Christian Swahn: Yes, we have. Actually, yesterday, we launched a cooperation with the steel company, SSAB. As you can see on the slide here, the two CEOs of the company shaking hands for bright future. We will work together with SSAB to look into our products together, to make them carbon neutral, and gradually upgrade all our products into a carbon-neutral free steel. We will also be the first player in the world, actually, bringing automotive safety product to the market with carbon-neutral steel.

Gabriella Ekelund: Great. We are working hard to reduce cost and CO₂. Another key factor for supply chain management is working capital optimisation. We do this under the capital efficiency programme.

Christian Swahn: Yes, definitely. We have been working on two parameters. First of all, the accounts payable. As we can see here, the programme that we launched in 2019 has really been successful for us. We have released \$200 million in cash, year-to-date. We will release yet another \$100 million for the years to come, next year. Then, in 2023 onwards, we will release even more cash.

Second element, the inventory. We have been implementing really solid and good initiatives on the inventory side. Of course, in the volatile environment we are in now, this has hampered us to see those activities really biting. However, when we come out of this volatile climate, we are confident that this will really help us, taking out inventory in a meaningful way.

Gabriella Ekelund: You have mentioned volatility quite a few times here today and that is understandable, given the recent situation and turbulence that we have seen in the world. However, how do we work with risks in the supply chain, given this situation that we see around us and that is likely to continue in one way or another?

Christian Swahn: Yes. Risk management is definitely a really, really crucial area. We have been working with that area using cloud-based tools and using artificial intelligence to really have data hands-on. Instantly when things are happening out there, we can get access to data. That brings us in a situation where we can mitigate with actions straight away, but also that we can see financial risks at suppliers, really hands-on, straightforward, and also mitigate them very quickly.

Also, cyber risks, we will be able to detect with these tools. We have actually been successful in taking out cyber risks lately.

Gabriella Ekelund: Is there any way for you to show us how this looks in practice?

Christian Swahn: Yes. We have actually a short movie that displays how this works for us. Let us have a look.

[VIDEO]

Speaker: *A primary objective of Autoliv's Supply Chain Risk Management function is to provide the organisation with industry-leading tools to help identify, evaluate, monitor, and mitigate risks across the supply chain. Our Supply Chain Risk Management solution provides comprehensive coverage ranging from early identification of supplier financial instability to immediate notification of regulatory violations to a port delay. All the risks for monitored suppliers are considered: natural hazards, supply disasters, regulatory risks, cyber security, political instability, and financial risks, to name a few.*

The integrated Risk Management platform covers risks from many sources and can flag breaches within compliance, suppliers that are part of sanction lists, and even financial health of unlisted companies. The AI-powered software automates and accelerates threat detection so we can be even more risk-aware, react faster, and manage risks more proactively. We gain visibility into our supply network by digitally mapping out our entire supply chain.

All of it comes together in our Risk Dashboard, a centralised view highlighting where we need to address negative trends. We detect vulnerabilities among all our suppliers and take the necessary measures to decrease the impact of risk.

Christian Swahn: That was an example of how we work with supplier risk management and also an example of how that will give us instant information in order for us to act [inaudible] and fast. We also believe that this will give us a competitive advantage because if we can do this faster than our competitors, it will actually bring us a very good upside in being faster than the other companies out there.

Gabriella Ekelund: Sounds impressive. However, do you have any concrete examples of how this state-of-the-art Risk Management System has really led to risks avoided?

Christian Swahn: Yeah. Yes, we do, actually. A month ago, we had one of our suppliers having a cyber risk attack towards them. We were able to identify that risk very, very early on so that we could mitigate, first of all, to safeguard that this risk was not being posed to Autoliv; and, secondly, early on to work with that supplier so that they could find solutions to get out of the situation; and also, of course, for us to see if there were other sources to use. That is a good example of how this is really becoming a competitive advantage for us by using these tools.

Gabriella Ekelund: Sounds great. If you were to summarise how supply chain management contributes to Autoliv's business value, how would it sound?

Christian Swahn: Yeah. First of all, we have a very good and experienced Supply Chain management team that is really dedicated to take on the challenges we have had the last two years. We have managed that in a couple of areas that we worked really diligently with. Cost management is one area: risk management, another one. Of course, the accounts payable area, extremely important for us. And, of course, product quality. The quality in our products is core. Not at least, availability of components is, of course, of really, really huge importance for us also, going forward.

We really have a committed team to work on these areas, going forward, Gabriella.

Gabriella Ekelund: Great. I think this sounds very good in my ears. It would be interesting to hear what our CFO has to say about it. Do you not think?

Christian Swahn: Yes, very much so.

Gabriella Ekelund: Fredrik?

Fredrik Westin: Thank you, Gabriella. Thank you, Christian. I know that the Supply Chain management team has done a tremendous job ever since the early days of the pandemic in the first quarter of last year. However, we also know that it is all about continuous improvement. We cannot rest on our laurels. It all about what we can also deliver in the future. It has been supply savings, but also continued efforts on working capital, where we have even higher expectations, going forward.

Do you not agree, Christian?

Christian Swahn: Yes, Fredrik, definitely agree. With the plans and roadmaps and activities we have in our plans, we are confident we will be able to deliver on these, going forward. Fully agree with you, Fredrik, and happy to be contributing to Autoliv's success, going forward.

Gabriella Ekelund: Thank you very much, Christian.

Christian Swahn: Thank you, Gabriella.

Anders Trapp: It is very good to hear that we have solid plans and high expectations on continued improvements in our supply chain.

I think it is time now to look at what we are doing in Operations and what improvements that we have achieved and can expect, going forward, there.

Back to you, Gabriella.

Discussion on Operations

Magnus Jarlegren

Head of Operations, Autliv

Gabriella Ekelund: Thank you, Anders. Now, I am joined on stage by Magnus Jarlegren, our Head of Operations. It is now two years ago since our last Capital Markets Day. Could you elaborate a little bit about what has happened since?

Magnus Jarlegren: Sure, and excited to be here. Back then, we talked about several different things that we identified of improvements that we can do. One of the areas that we have outlined is that we had very scattered performance among our different plants. Through that, really looking at what we can do for those plants. However, we also have identified that that particular point actually hampered us some driving automation and digitalisation. What we saw is that we had low-performing plants and we had high-performing plants. That is really where we started the journey.

Gabriella Ekelund: I know that you have a medicine or a recipe for this, right?

Magnus Jarlegren: At least we had the tactics for it. What you see here on back is really our APS (Autoliv Production System) assessment, where we can categorise our plants. We identified at that point in time that there were different medicines to take, dependent on where you are.

We have an ambition of taking all our plants up to gold or above level. As you can see here on the screen, on the red line, that is the population of plants that we had back in quarter three 2019. You can see they are coming all the way down from basic. We had a few ones performing up on gold, but it is a fairly directed picture downwards, you could say.

It is really a question around taking the plants that are on the low-performing area, making sure that they increase and create the journey of improvements up towards gold level. That was the focus and that is where we started the year, really.

Gabriella Ekelund: How did it continue?

Magnus Jarlegren: Yeah. That is the question, right? If you look on the next line here, which is the green one, this is the quarter three results of where we are today. I am especially proud to show this picture because what you really see here is two things. One is, of course, that we have moved upwards in the level or in the performance. However, you can also see that we have a much smaller reach or spread for the plant. We have a more dense population performing better altogether. I think it is super important from the point that you need to be up on this level in order to drive automation or digitalisation.

We actually now have more than 83% of our plants performing on gold or above level. It is interesting because this is an internal assessment. I am also happy to say that the last month, we have assessed six of our higher performing plants with an external validator or auditor. We are actually getting a slightly better score from an external perspective versus what we are getting in our internal ones. I can proudly say that when we have plants up on this level, they are actually amongst the better ones in the industry.

Gabriella Ekelund: I think this is a fantastic achievement. Is there anything left to do?

Magnus Jarlegren: Yes, of course, there are many things left to do. I think the saying is that 'The better you get on operational excellence, the more you understand how much you can improve.' However, I am very confident that we still have a lot of opportunities here, going forward. In order to instil some confidence in the audience here today, maybe I would like to talk a little bit more about the automation, digitalisation journey because that is really where we have positioned ourselves now to be able to do that, going forward.

Gabriella Ekelund: I am sure that will be highly appreciated. Why do you not start with automation?

Magnus Jarlegren: Let us do that. If you look on automation and if you look on how automated we are, we can see here that from an airbag textile perspective, we have a bit more than 60% of our processes being manual. Then, if we move over to the next one in the airbag side, where you have the modules, it is even more potential for us to tap into; 69% of our processes are manual. Moving on, in the seatbelts, even more again; 76% of our processes are manual. Then, I think we have one which is relatively good. It is in the inflator area; only 19% really to tap into. Then, last but not least, we have the steering wheel, where we have up to 94% of our process being manual, which is maybe not so strange because it is leather wrapping, and it is manual sewing and so forth.

This is really where we start. Of course, we are focussing on where we have most of the potential. What you see here is an example from China, where automation has been done in more of a serial production. It is really connecting the different steps, which have been manual before. I am making sure that this is done in a way where we can secure both quality as well as getting rid of labour in those processes and driving productivity. That is very good.

I also mentioned before that inflator is a relatively good area. We are maybe not focussing there, but the journey continues there.

However, I would also like to draw the attention to this one because this is the exact same slide, I showed in Capital Markets Day 2019. On the left-hand side here, you see our inflatable curtain process and how it looks in terms of how manual it is. I also then talked about taking that to an automated process, which you see on the right-hand side here. Then, going from 12 people down to zero, to one. You have someone to take care of the loading, unloading and so forth. That is where we started the level. This has now been done.

I would like to show a clip of what we actually have achieved here. What you see on the screen here is the concept of automation in airbag. This is especially done for inflatable curtain, where we have connected all the processes more or less in one flow. It is also, of course, all done by equipment or robots taking care of the different process steps.

I think this is an interesting one. It is a modularised plug-and-play setup. You can quite easily install. Here, we have 50 more capacity by adding in the same process with one more. However, the same can also be done in the flow, meaning that you can put in other process steps, making it flexible for more programmes. However, you can also expand it in the totality, which means that, again here, you have 50% more capacity of an output in this one.

What you see here is actually the real line. It is not as long as the full concept, but this is the first one which is fully built and now in production, where we are running production of

inflatable curtains in exactly this setup. I am extremely proud to say that this has now been done. It is in our plants and the journey has really started.

Gabriella Ekelund: Nice line. How scalable would you say that it is?

Magnus Jarlegren: It is very scalable. The exact line we saw here is eligible for around 30 lines around the globe, which is more or less equivalent of somewhere around 1,000 FTEs in productivity.

I should also mention, when we do this, we do this also with the design from manufacturing aspect in mind, which actually has proven that when we go this full way, we do this automising of the processes as well as changing small parts of the product, we get roughly 20-30% more effect out of it, not to mention the quality area of it as well.

Gabriella Ekelund: If you consider all of these different components that you have now talked about here today and take it to a total level, what would that mean for Autoliv?

Magnus Jarlegren: In a way, it is a transformation. We are taking big steps of changing and automising our products, of course, and all processes. It will definitely reduce the dependency we have on labours. We have a retention in one of our countries where we really need to have access to the labour, but also, we have the cost inflation.

But then also it should be mentioned that quality is extremely important in these areas. The more automated we have, the more you can drive secured quality out of it. Also, I should mention something about the investments because when we go for automation, we actually achieve a reduced CAPEX per unit set-up, for two reasons mainly. One is with an automated process; we get more output; and the second one is really that we have a longer lifetime and a flexible asset, and we can run more programmes in it.

So, it is really scalable. We have several hundreds of projects for automation in our pipeline. We are looking to have an equivalent productivity improvement of 5,000 FTEs before 2023, but we also have a pipeline of activities which will take us all the way up to 10,000 beyond 2023. So, there is a pretty packed agenda for what we are doing with automation and, as I mentioned, it has only really started.

Gabriella Ekelund: Some great examples from APS, some great examples from automation, but you also mentioned digitalisation as an important tool.

Magnus Jarlegren: Yes, and I think it has also been mentioned here, both from Svante as well as Christian. I think that is important to note with digitalisation that it is not only in manufacturing or production. It actually cuts across all our different disciplines, from RD&E through all the way up to supply chain and also the admin processes. And especially for the admin processes, I should mention that we right now have somewhere around 140 processes automated with RPAs – robotic process automations – and that is also looking to be doubled here in the years to come.

If we take a step back then and talk about operations, where we also do a lot of digitalisations, right now we have more than 20 use cases that are proven to be very effective and valid for us, which are now in implementation. Each one of them is roughly eligible for 30 plants, so not everyone will hit everyone, but roughly 30 plants, which means that right now we have around 600 implementations or actually more than 600 implementations ongoing of

digitalisation. And you have more or less two to eight months of implementation for each one of those, dependent on the complexity of it.

The use cases span from perhaps relatively simpler ones, which can be digitalised dashboard or automation of logistics flow and so forth, but we also have quite advanced image analytics, as well as having some applications spearheaded with AI and trying out that as well. So, we have a broad agenda of what we are doing in digitalisation going forward.

Gabriella Ekelund: It sounds like we have a good momentum, both in APS, automation and digitalisation. Taking this again now to a consolidated level, what does it mean for us?

Magnus Jarlegren: That is the right question and I relate back to something Winston Churchill actually said once, 'No matter how good the strategy, you should at least occasionally look at the results.' So, let us do that, and I think we have it on the screen here. I think with all the things that we have done now the last two years; we have realised \$140 million. That is coming from the APS improvement we have done as well as the digitalisation and of course the automation. We know very prudently how we are going to get another \$160 million within two years, which is in our implementation, and we also have a good plan to reach another \$200 million on top of this for the next five years. So, \$140 million realised, \$160 million planned and \$200 million more to come. So, we have a lot more to do and it is full speed on this.

Gabriella Ekelund: So, pretty impressive to see what we have achieved to date, but also a lot of potential going forward, right?

Magnus Jarlegren: Absolutely, but we should also be fully aware that when we do this, we obviously have all the cost inflation that we need to address, as well as the inflation and the labour rates that we need to address. So, we need to have this pace of improvements, and I think we have significantly increased the pace of improvements over the last two years. And that level that we have now, we are going to continue to have for several more years. So, it is really something that is needed but we are well on the way.

Gabriella Ekelund: Great for our profitability targets. What do you say, should we get the CFO point of view on it?

Magnus Jarlegren: Let us do that.

Fredrik Westin: Thank you, Gabriella. Thank you, Magnus. I think it is great to see the progress that we have made to date, even better to see the progress that we have ahead of us and that we are picking up speed on delivering this. We should never be satisfied, and our ambition should be to always find a better way. Also, here continuous improvement is really what it is about, and I am very confident also here, Magnus, that you and your team will bring home the additional savings that you are highlighting.

Magnus Jarlegren: Yes, sure. To put it in other terms, all the things that we are doing right now equate to 25% productivity improvements that we have in the plan here for the next five years, so well said, Fredrik. The challenge is taken, and we are well on the way.

Discussion on Footprint Optimisation

Fredrik Westin

CFO, Autoliv

Anders Trapp: 25%. It really sounds like a lot of things are going to happen in the next few years. With that, thank you very much, Magnus, for your insights into the development that has happened and is expected in operations.

Now, we need to talk a little bit about our footprint optimisations also.

Fredrik Westin: Yes, footprint is in addition to what we have discussed here, so footprint is longer term in nature, when you look at the paybacks of those initiatives. We have already communicated initiatives or projects in Germany, Sweden, Mexico, and just last week further optimisations in Japan, so we are also very active here. But as I said, they are more longer term in their payback structure, so they will generate savings more in the outer years and there is more to come here as well. It is really a continuous process that we are following to look for also continuous improvements through our plant network, both from an efficiency point of view and also from a logistics point of view.

Anders Trapp: Very, very good. So, to try and summarise the profitability segment that we have had heard about now today, I think the one thing to say is that the pace of change is very high. We have seen some great results over the last two years and there is no intention at all of slowing down this process. With that, over to you, Gabriella.

Discussion on Shareholder Value Creation

Fredrik Westin

CFO, Autoliv

Gabriella Ekelund: Great to hear that the activity level is high and getting higher. We are coming closer to shareholder value creation in our agenda. It is going to be interesting to see what all of this means in terms of opportunities for shareholder value creation, so back again to Anders and Fredrik.

Anders Trapp: Thank you, Gabriella. Fredrik, what do you think about today's discussions?

Fredrik Westin: I think we show great progress with everything that we have showed here today and definitely there is a lot more to come.

Anders Trapp: Yes, as Gabriella said, very high activity level going on.

Fredrik Westin: Yes, and then putting this a bit into perspective and putting it in numbers, we can actually see that we are, to a certain extent, even above the targets that we set ourselves. In particular, when I look at the organic growth, above the LVP level, that has come in higher than we expected for 2019, 2020 and 2021. Secondly, on the cash conversion, we are also above the targets that we set ourselves. Lastly, on the net debt to EBITDA level, we have now converged down to a level of 1.1, which is well within the range that we set ourselves.

Anders Trapp: So, beating the targets so far, you say. It could be a little bit difficult to see that, considering the margin development. We are for this year guiding about 1 percentage points below where we were two years ago.

Fredrik Westin: Yes, Anders, you are absolutely right, but we also have to factor in the massive headwinds that we have been facing, both from the underlying LVP development with the shortages on semiconductors that have impacted 2021 here significantly. And then on top of that the raw material price development we saw on some components even at record levels.

Anders Trapp: You are saying that the headwinds are impacting the profitability significantly?

Fredrik Westin: Massively. When you look at again the volume development, we have a LVP that is 14 million units lower than when we set the targets in 2019. That is around 16%. If you look at the incremental margin on that, we guide typically for a range of between 20% and 30%. And if we take the mid-point of that, around 25%, this alone is a headwind of around 300 basis points from this volume development.

Anders Trapp: You are saying that without the hard work and the mitigation actions, the LVP would have cost us 300 basis points compared to the starting point of 9%?

Fredrik Westin: Yes. It is a theoretical exercise. The most important thing is that we focus on what we can control, but it is nevertheless important to understand the magnitude of headwinds that we have had from this component.

Anders Trapp: Yes, and the second major headwind, what can you say about that?

Fredrik Westin: Yes, it is, as I said, the raw material development. We have some commodities that are at record high levels. Again, if we compare to when we set out the targets in 2019, we have since then faced a headwind of around 100 basis points. In combination, if you take the 300 basis points from the volume development and then the incremental 100 basis points from the raw material side, we are talking about a combined effect here of 400 basis points.

Anders Trapp: So, 400 basis points in headwinds compared to the 100 basis points around that we are behind on the margin? That is a 300 basis point difference. How do you explain that difference?

Fredrik Westin: It is a combination of what we have discussed here during this day. It is our ability to take out cost, but also then our growth above the light vehicle production. We have again set out a significant number of improvement projects and initiatives that we have embedded in our roadmap, but we have adjusted to the volume development, so we have even added further projects to that. The Structured Efficiency Programme 2 is just one example. So, the cost reductions are also a key factor in this ability to mitigate the margin erosion to only 100 basis points.

Anders Trapp: Okay, it is good cost reduction actions. What about the outgrowth over light vehicle production?

Fredrik Westin: Yes, it is really our ability here to grow organically over LVP and it is a combination of the higher content per vehicle and the market share gains, meaning that we

have close to cover or covered or re-covered the sales drop on the underlying LVP due to this strong outperformance. But as a company, we are set up, on an industrial set-up, for a volume in the range of 85 million to 90 million. So, for that reason, even if we flex the cost on the direct labour side, we cannot fully mitigate the underlying volume effect from the underlying LVP.

Anders Trapp: And you could almost say that there is a third major headwind also with the higher volatility in call-offs[?].

Fredrik Westin: Absolutely. We have not quantified that; it is very difficult, and it gets very theoretical. So, if we focus on the main pillars, on the profitability development from 9.1% on here to 8%, it is really the volume development or the underlying LVP decline with 300 basis points, the additional raw material, 100 basis points, and then our self-help on both the organic growth, but then also on the cost side, that then lead to the 8% that we are guiding for this current year.

Anders Trapp: So, despite the negative margin development, we can clearly say that we are on track towards our targets?

Fredrik Westin: Yes. Definitely. As I said, it is the 100 basis points from the raw materials side, the 300 basis points from volume, that we have been able to mitigate to a very, very large extent through the, again, organic growth and the cost mitigating actions. And this makes us very, very confident that we are in a position to grow into the 12% margin target that we have set ourselves. It is to some extent even ahead of the roadmap that we had identified back in 2019, so all in all, it makes us very confident that the 12% is achievable based on a certain framework that we have defined more narrowly here.

Anders Trapp: Yes. I think an indication of that is also that if you look at the second half of 2020, when the light vehicle production was sat around 85 million and there was no raw material headwind yet, we did generate more than 11% margin that second half-year. Speaking of raw materials, how are we managing that?

Fredrik Westin: Yes, we have talked about this very often. We buy mainly value-added components, so our direct exposure to a raw material is through our suppliers to a large extent. Through that, we are able to both delay and then mitigate the impacts from the increased raw material prices, and we have seen only very limited amount coming through during the first half of this year, whereas the raw material prices started to increase towards the second half of last year. However, we are still guiding for 130 basis points as a full-year effect, with an increased impact here during the second half, running up to close to 300 basis points in the fourth quarter.

Anders Trapp: Yes. Looking at this chart with a 300-basis-point headwind in the fourth quarter, one could assume that there will be some carryover effect into the beginning of 2022, but I guess it would to some extent be offset by commercial recoveries.

Fredrik Westin: Yes, but taking it all together, we do expect that the full impact will be larger in 2022 than it was in 2021, so even though our recovery efforts will increase, and our recovery will increase also year-over-year, they will not be sufficient to fully offset the impact from raw materials that we also will have into next year.

Anders Trapp: I think it is time to recap and reiterate what we actually expect in terms of growth going forward.

Fredrik Westin: Yes, as mentioned earlier, we do see very strong growth in our core products, and this is both in growth markets and in developed markets. Over the next three years, we expect to grow by around 4% over light vehicle production, and this is a combination of the continued market share gains that we are expecting and the content-per-vehicle growth that we have now also upgraded to a level of around 2%.

Anders Trapp: And looking beyond 2024, we are targeting an average annual organic growth of 4-6%.

Fredrik Westin: Correct. So then, beyond 2024, we are again saying 4-6% – a bit different composition. It is here about MSS driving the growth, the underlying light vehicle production, and then a continued content-per-vehicle growth. The composition of these three components might vary per year or over time, but we expect them to contribute between 1% and 2% per component and that is how the 4-6% are made up.

Anders Trapp: Yes, and as we heard earlier today, the CPV growth will come from continued updates of regulations and ratings, increases in GDP per capita and also a safety-focused society and new vehicle designs that offer exciting opportunities.

Fredrik Westin: Yes, and in the long term, we are still optimistic about the prospects for light vehicle production. This might seem optimistic to some but basically, it is based on the fact that for a large part of the world population, there is still no real alternative to owning a vehicle. And that is where we see this coming from.

Anders Trapp: Yes. I think it is fair to say that for most people the reason to buy a car is basically the same as it has always been. It is about productivity for yourself and for your family, it is about convenience, of course, and it is also about joy and pride, and in some cases also about presence and status.

Fredrik Westin: Yes. So, then in addition, in the developed markets, we believe that the addition here of fossil-free drive trains and driver support systems will also continue to support a good demand level there, by making the acquisition or buying of a car also then an attractive proposal.

Anders Trapp: We have heard a little bit about capital efficiency during the day. I know that there is a high activity level. Could you talk a little bit about that?

Fredrik Westin: Absolutely. This is a topic very close to my heart and we have several initiatives ongoing here. It is aiming at releasing around \$800 million in working capital from our balance sheet. The most progress we have made to date has been on the payables side, where we have already released around \$200 million from the balance sheet and already identified and secured an incremental \$100 million to come through the rest of this and next year.

Anders Trapp: We do this by negotiating improved payment terms and improving our own internal processes, and we can already see this in improved DPOs, for instance.

Fredrik Westin: Yes, and in addition to the accounts payables, we are also focusing of course on inventories and receivables. On the inventory side, of course, the current market

environment, with the high volatility in the call-offs and extended lead times on many, many components, it is not so visible in the balance sheet, but we believe that we have very good progress also on this topic. And as the market should continue to stabilise and normalise, we expect also to see a significant improvement here also on the inventory side then as we come into a more stable environment.

Anders Trapp: Structurally, internally, what do we do to improve the inventory management?

Fredrik Westin: It is really looking at several topics. It is looking at our plant network, so optimising flows across the network, but also not only internal but external flows. And then on top of that, looking at how we work with call-offs and also looking at, for example, safety stock levels and so on. So, some projects are ongoing here, and we believe we are in a very, very good track here to also secure further improvements going forward.

Anders Trapp: There have been quite a few announcements over the last year maybe when it comes to footprint activities, and I assume that that also helps in improving the inventory management.

Fredrik Westin: Absolutely. It is really about optimising the entire network here and on the footprint side, we have already announced a number of activities and it is a continuous process for us. In addition to that, I would also like to mention that if you look at our current cash position, we are at fairly high levels, also, historically. In an, again, normal, stable environment, and at the size that we are as a company right now, we would only see a need for around \$300 million of cash as a minimum position, and that also gives further opportunity to optimise the balance sheet going forward.

Anders Trapp: During today, we have heard a lot about the pace of automation that we see and that it is increasing. So, is Magnus asking for a lot more money?

Fredrik Westin: Automation, and especially footprint, is leading to a somewhat higher investment level at the moment, but over time our target is to get this in line with our depreciation ratio, so to have a re-investment ratio of around 1. One benefit that will help us here is that the automation that we are putting in place is more flexible and that will allow us to both have more carryover investments from one product generation to the next, and also have longer lifetimes of the equipment. So, it should, over time, also help us to structurally maybe even improve our investment levels.

Anders Trapp: That is very reassuring, Fredrik. Over time, this should mean that we approach the 5% CAPEX to sales ratio that we have been focusing on and talking about for quite some time. Combined with the capital efficiency programme that is progressing well, that makes us pretty confident of the 80% or more cash conversion target that we have. But what is the end result of all of this?

Fredrik Westin: It is really putting the different components here together. If you do that, you can easily come to an operating cash flow that is above \$1 billion that the company would be able to generate, and also a free cash flow of above \$600 million. It is important to stress here that these cash flow numbers are not targets in themselves, but they are really an outcome or a result of achieving the other targets that we have defined.

Anders Trapp: They are pretty impressive numbers, which should be miracles with our leverage ratio. That begs the question, of course, of the capital allocation priorities.

Fredrik Westin: Yes, and here clearly our priorities have not changed. M&A is not a significant part or is not top of our agenda. It is really focusing on continuing to deliver shareholder value, and over the past two years, we have been able to generate liquidity and then cash of around \$1 billion in a very, very challenging environment, of which \$600 million have been used to pay down our net debt and \$220 million has been paid out in terms of dividend to the shareholders. Being very confident here about our future, we can also then set out this new buyback programme of \$1.5 billion for the timeframe of 2022 to 2024.

Anders Trapp: Could you summarise the opportunities that we have for shareholder value creation?

Fredrik Westin: Yes. It is really our high confidence in all the different components again of the targets, from our sales outperformance over profitability development, opportunities on capital efficiency and cash conversion that we believe can offer very, very attractive opportunities to create further shareholder value. In addition to that, the agenda that we have set out regarding sustainability and ESG and, not the least, also our sustainable finance framework that we also published today is equally important. With that, it really goes to the core of our company, of saving more lives, and we have set out I think a very, very strong position here that we can build on for the next couple of years.

Anders Trapp: Thank you, Fredrik. I am really looking forward to the next three years. With that, we conclude the shareholder value creation segment of the Capital Markets Day. Over to you, Gabriella.

Gabriella Ekelund: Thank you. That concludes the presentations in today's Capital Markets Day. We will now be moving into a Q&A session. So over to you Anders.

Q&A

Anders Trapp: Thank you, Gabriella. Thank you.

Mattias Holmberg (DNB Markets): Hi. Thanks for the question. On your long-term organic growth target of 4-6% beyond 2024, you have specified roughly 2% to come from increased content per vehicle, leaving 2-4% to underlying light vehicle production and Mobility Safety Solutions. Could you please elaborate a bit on how the 2-4% is split between LVP and MSS?

Mikael Bratt: Yes, thank you for your question. You could say that simply put, it is about a third from each area there. One-third content per vehicle, one-third light vehicle production growth and one-third MSS contribution over time. As Anders mentioned in the presentations earlier today, it is of course not equal every year here, but over time that is about the distribution between the different contributing factors there.

Mattias Holmberg: That is very clear, thank you. One more question from me, if I may. On the \$800 million in working capital release that you expect, just to be clear, can you repeat

how much of this has already been achieved and by when you expect the entire \$800 million to have come out of the working capital, please?

Fredrik Westin: Yes, sure. Of the \$800 million, we have achieved roughly \$200 million already that we have released from the balance sheet and that is in the accounts payable part of the balance sheet. You can see that if you look at our days of payables outstanding, the basis for all of this also, as with other targets, is 2019. We have not given a real timeframe for this, but they are also in conjunction with the 2022-2024 timeframe, so the latest by 2024 we envision achieving that target.

Mattias Holmberg: Perfect. Thank you.

Colin Langan (Wells Fargo): Great. Thanks for taking my questions. You mentioned a pretty large \$160 million in savings over the next two years and then I believe it is \$500 million over the further period. Are there any incremental offsets we should be thinking about there, because that seems to be quite a material margin help over the next few years, or are there some other key drivers we should think about that mitigates that full impact?

Fredrik Westin: No, it is a saving that we are looking at, but also, you have to keep in mind how these savings are calculated. There are volume assumptions behind these, and they are of course based on our forecast for how volumes are expected to develop, but they are then the net saving that we are talking about. So, we will have costs that will come in in order to be able to facilitate these initiatives, and also investments, but this is really the net amount that we are looking at here and that we are presenting.

Colin Langan: Okay, that is great. Your automation seems quite impressive. How does that compare to a lot of your competitors? Obviously, they are doing the same things and it has to be passed down in margins. Are you well ahead of them? Any sense on how the competitor landscape looks on that automation front?

Mikael Bratt: I think it is difficult to compare to our immediate competitors here, as we have no insights into their operations, of course, but I think we are really ambitious in the way we want to progress with our automisation plans here. And, as Magnus alluded to, we have come a long way since we talked about this in 2019, when we really actively launched this programme, and we have more in the pipeline here. I do not know, Magnus, if you would like to elaborate a little bit more around our programme here, but I feel definitely that we are on the forefront here.

Magnus Jarlegren: Yes, sure. As you said, Mikael, we have an extensive portfolio of activities that we are doing. I think in some areas we are really trying to be in the forefront on what we automate. Other automations that we are doing are common automations that you would see in the industry, but really, it is hard to say because we do not have the insights. However, our agenda, I am very, very confident of what we are doing there.

Colin Langan: Okay, thanks for taking my questions.

Emmanuel Rosner (Deutsche Bank): Thank you very much and thank you for hosting a very helpful event today. Three quick ones, if I may. The first one is on the mid-term growth, LVP plus 4%, and it is helpful to understand that 2 points of that comes from market share gain. Would you be able to tie this to some market share expectations as you have in the past? How have the win rates been trending? How do they give you confidence in terms

of these market share gains? And maybe, what is your view as the ultimate Passive[?] Safety share[?] that you can achieve over this mid-term period?

Mikael Bratt: I think when it comes to the near-term growth here, as we have talked about leading up to 2024, it is of course a combination of our expected market share gains, as we have alluded to in the past. Here we have said that we expect to grow into a market share of around 45%, and that is still valid. We also see here that we have stronger content growth than what we indicated in the past, where we have talked about around 1% growth on a yearly basis for content, and that is now double. So, they are really the two main contributors here to the outperformance of light vehicle production. And the last two years, meaning 2020 with 5 percentage points, together with the expected 8% for this year, is I would say a good way towards the growth that we are talking about here, and we are gaining good traction there. We of course continue to fight for the market share that we can get, but our ambition is to protect the market share of around 45%, which we are expecting to get to.

Emmanuel Rosner: Great. Then on the margin front, can you just please clarify what the target is exactly over the near term? Do you expect 12% average over the three-year period, 2022 to 2024? Are you saying that you can get to 12% at some point within that period? Then just specifically looking at next year with your other comments around raw materials being a higher net headwind in 2021, what is your ability to expand margin?

Mikael Bratt: The margin target of around 12% adjusted operating income is connected to the previous communication we have had here, and it is within the same timeframe. So, we are not giving a year for when that would be achieved, other than within this timeframe that we have talked about, i.e., between now and 2024. But it is important to remember then the framework in which that target is given, and here we are talking about that we need at least 85 million vehicles in global light vehicle production and that we do not see that raw materials continue to increase from 2021 level. So, that is really the framework for this guidance and the timeframe.

Emmanuel Rosner: Okay. Then just a quick maths question, if I may. Would you be able to just give us the quick maths behind the \$600 million in free cash flow? When I was doing a back-of-the-envelope at 12% margin, I was maybe getting closer to \$700 million or more. Can you just give us the large pieces again?

Fredrik Westin: No, we said above \$600 million, so I think your calculation is not contradicting the number that we are talking about either here.

Emmanuel Rosner: Okay. Thank you very much.

Joseph Spak (RBC Capital Markets): Thank you very much, everyone. It is obviously very clearly impressive that you are able to hold this 12% despite significantly lower LVP. I think last time you were looking more like in the mid-90s, and now you say you can do 85 million, and the higher commodity base. Just two questions off of that, and maybe building on from Emmanuel's prior question. For 2022, are you saying that if LVP was around 85 million, 12% would be achievable? Because I know you are saying commodities do not move higher from here, but even if they hold from here, there would still be I think somewhat of a year-over-year headwind in 2022 versus 2021, just to annualise it, so I just want to clarify that.

Then, LVP I think, as you indicate, is not going to stay at 85 million here, so as we think further out, are these cost benefits you have been able to realise sustainable, or are there other costs that are going to have to come back in the system as volume moves higher?

Mikael Bratt: I think on the timing question there, we do not comment on 2022, more than what we have said here around the framework. It is the way forward here that we feel comfortable with our internal activities that are progressing well, which I hope you all have got a good picture on how we are doing there. Then, we need a stable and improving external environment, and I think that is very much in line with what we have communicated in the past here. As I said here, we are absorbing the additional headwind compared to the original outlook that we had in 2019, where we expected to be above 90 million vehicles per year within this timeframe here, together with actually no impact expected from raw materials. I think that speaks for the fact that we feel that we are controlling what we should control in a good way and making good progress. Then, when that target is reached within this timeframe, we will have to come back to you.

Joseph Spak: Okay. Then just in terms of sustainability of the lower costs you have been able to keep out, I am assuming some of that is going to need to come back as volumes move higher. But it sounds like you feel like you have enough internal initiatives to keep the margin margin higher towards 13%?

Mikael Bratt: The net effect of all the activities that we are implementing as we speak here is of course there to give a sustainable lift to our profitability. The short-term activities we have done to reduce cost as a consequence of the dramatic decrease in the global light vehicle production coming from the pandemic and semi-conductor shortage, etc., of course, some of that cost needs to come back. But it does not change the underlying picture on the trajectory we have going forward here. So, it is more the timing effects here, but once again, an underlying improvement is there to be sustainable of course.

Joseph Spak: Okay. Maybe just one on the buyback and the leverage, because even based on the free cash flow commentary, it basically seems like just if you think of your free cash flow generation over 2022 to 2024, or potential generation, that is all going to the buyback. So, your leverage, it does not really change that much, and it seems like if we recover by 2024, you will be more into the automotive cycle, which I think historically you have been thinking you are more comfortable at the lower end of that range. So, is there potential to do even more with the cash? I know you have mentioned M&A is not really an option, but what else could you potentially do with that cash? Is there more organic investment you could potentially do?

Mikael Bratt: No, I think, as you said, we are being clear also that M&A is not a top priority for us, but of course if opportunity comes our way and it looks interesting, we will take a look at it, but it is not something we are actively pursuing at this point in time. So, our focus now is to make sure that the growth we are expecting to see here coming out of the supply shortage that we see in the automotive industry should translate into profitable growth and profitability improvements, resulting in cash flow, together with initiatives that are being made also in improving our balance sheet. And generating cash from that should be a good basis for us to deliver on the buyback programme that we have communicated today, together with the general dividend that we have, and we expect to be, and plan to be stable and improving over time as a base scenario here. So, that is our priorities with this, but it

ties together from growth, profitability improvement, cash flow generation, and then shareholder-friendly approach here when it comes to return on liquidity.

Joseph Spak: Okay. Thank you very much.

Anders Trapp: I think in the meantime we can actually take some questions that have come through the chat. We have one to start with Sascha Gommel: You said that EV tend to have a higher content per vehicle. Why is that and will this be sustainable going forward?

Mikael Bratt: I think on the sustainable going-forward part there, it is probably too early to say, but what we see from the launches coming through here now with new EVs is that they have a higher content. And you could say the level of sophistication in electrical vehicles is very high, there is a lot of new technology going in there, meaning that our products also can speak with the vehicle in a different way, and we can adjust our products to signals we get from the car. Not 'We are now going to crash' but 'We are potentially going to crash,' etc. And all those features are common in the new vehicles.

Right now, also we see a lot of premium electric vehicles coming through, like the one we saw here earlier today. But also, the electric pick-up truck also mentioned today here is a good example of high-level content vehicles. So, we will see as we move forward here, but I think the overall trend with increased content definitely supports what we see in the electrical vehicle space.

Anders Trapp: Hampus has been busy. He has sent some questions also through the chat, so let us do them instead of on the phone. He asks: What need do you see for in-house sensing technologies and knowledge to develop intelligent airbags and ADAS functionality change the way occupants sit and behave in the car?

Mikael Bratt: I think of course we need to secure that we have the right competence for our future products. And here we have a great team built up around electrical and mechatronics competencies and we have several sites around the world now where we are staffing up and increasing the knowledge in these areas. Of course, that is knowledge that is needed in all our different product families. So, that is something that we are securing.

Anders Trapp: Hampus's second question was: What is the market potential that Autoliv sees for the body protection for bicycle riders, and is that a potential market for Autoliv?

Mikael Bratt: Per, maybe a question for you there on MSS side?

Per Lindeberg: Yes, sure. Long term, of course, in the power two-wheeler area, we include motorcycles and scooters and electrical bikes and even e-kick scooters, but as we see the urbanisation and the micro-mobility trend growing stronger, of course, long term we see a sizeable market in this area. Right now, today, it is a bit difficult to pinpoint exactly how big it can be.

Anders Trapp: Right. Let us look at another question from Jairam from Daiwa. He asks like this: IHS has an LVP reaching 85 million units already in 2023. Does that mean that the 12% EBIT margin goal is likely to be reached already by 2023 in that background?

Mikael Bratt: I think it is basically the same answer as previously here, that that is a part of our framework, together with the raw material development. So, it is between now and

2024. If these circumstances are right, we believe that we would meet our targets here. So, we will come back when we are getting closer to the numbers.

Anders Trapp: Let us pick another one. Sascha again asks: Can you please talk a bit about the timing of share buybacks?

Mikael Bratt: We are communicating this buyback programme today and that is in effect as of January 2022 and stretches for three years. And as always, when we do something, we will communicate accordingly. So, we will come back when we have more to tell in that question.

Anders Trapp: Right. I will try and summarise this question from Victoria Greer. It is a very long-term question. Over time, we know that the OEMs are looking for scale to mitigate the high investment needs that they have. R&D costs for you to integrate products into a model that makes say 100,000 units per year versus a platform that might make 500,000 units per year might not be so much different for Autoliv. So, would you say that that is a revenue risk or a cost opportunity as the platforms get bigger and more vehicles per platform?

Mikael Bratt: Of course. The number of vehicles included in a programme is of course supportive for us to be supportive to our customers, so of course scale is important in all of this. So, we see a benefit of that, absolutely, for both the customer and ourselves when we have bigger platforms.

Anders Trapp: Here is an interesting question from Stephan Sirdevay[?]. What will decide if mobility safety solutions will be part of core business in the future, or a spin-off like Veoneer?

Mikael Bratt: I think, as we have explained here, our mobility safety solutions business is built on our core competence and knowledge, and we are really in the beginning of this and we have, as I say, good traction already, just two years into our focus here around the adjacency, as we call it, in 2019. So, I think we have a lot of opportunities here still very close to our core and our plan is of course that it should be part of our core going forward. So, right now, there are no other plans than that.

Hampus Engellau (Handelsbanken): I actually had a question on the growth outlook beyond 2024. I know this is market share gains and, if I remember correctly, I think you have been running order intakes of around 50% market share since 2015, when we had [inaudible] collapse. Should you not be running at around 45% or maybe slightly above that by 2024? Do you expect additional market share from new products? What is the thinking behind market share as being one of the drivers for the 4-6% growth long term?

Mikael Bratt: Thank you. As we stated here before, our expectation is around 45% market share in the next coming years. And once again, we do not have a market share target per se, but we will, for sure, not give away any market share. It is something we will continue to focus on. But the important thing here is that we see as a total picture here that we have a profitable growth in front of us and I think with what we have in the pipeline here in terms of growth and profitability improvement activities, is ending up where we now have communicated our target to be. So, that is really where we are and we will see where we are heading beyond that later stage, but this is where we are now, and this is what we are focusing on.

Hampus Engellau: Fair enough. Thank you.

Sascha Gommel (Jefferies): Yes, good afternoon. Thanks for taking my question. I actually have a follow-up on the near- to mid-term outperformance of 400 basis points. I am trying to just reconcile that number a little bit here, because you initially you had 3-4% in your 2019 plan and then you upgraded to 4-5% I think a year later. And now we are talking about 400 basis points, despite very good order intake and very good success on content and everything. I am just trying to understand this 400 basis point. Is that an average over [inaudible] years? Is that higher initially and then going down? I am just trying to really understand here why you became a bit more cautious from the 4-5% now down to 400 only.

Mikael Bratt: Compared to the indication in 2019, where we talked about a 3-4% in this mid-term target range, we are now looking at around 4% from today up to 2024. So, if you go back and use the same time horizon as we were when we talked about this in 2019, it is actually about 1 percentage point higher than what we talked about at that time. So, compared to the regional growth here, we see a stronger outperformance today than what we said in 2019.

Sascha Gommel: Okay. Understood. Then my second question would be on the working capital improvement programme. Because the number looks quite sizeable, with \$600 million still to go, is there any factoring or reverse factoring included in that number, and if so, how much of that incremental \$600 million would that be?

Fredrik Westin: No, it is zero out of the incremental \$600 million that would be from components or instruments like you are referring to here. So, it is really what we have already secured with our supply base, the additional \$100 million that Christian was talking about, that we expect to come through over the next couple of quarters, and then further potential that we see on the accounts payable side. But then what we have done also on the inventory side, and you can see that. It is difficult to see an underlying improvement due to the volatility in the market environment, and the extended lead times on components and also safety stock levels that we need to operate on. But we are confident that as markets stabilise you will see a significant inventory improvement when the volatility comes down on then the inventory side. And then we are also working on activities on the receivables side. It is mostly process related and overdue related. But overall, those are the main drivers for it, so it is real hard work and not using those type of instruments that you were referring to.

Sascha Gommel: That is very clear. Thank you so much.

Jairam Nathan (Daiwa): Yes. Hi. Thanks for taking my question. The automation slides are very informative. A lot of what you talked about seems to come from visualisation software that seem to be available in auto markets and might be available for your competitors as well. I just wanted to understand is there anything that is more specific to Autoliv that you are doing on the automation front which would separate you from the competition?

Mikael Bratt: Maybe Magnus, you could take that question.

Magnus Jarlegren: Yes. As I mentioned previously, a part of the automation we do are common automation that is available for the industry, but we are also investing in innovation in automation and obviously when we do that, we are also looking to get the IPs for the processes that we develop. So, I think we are running a balance of doing both, so in totality we will see big-ticket moves where we can do things, but of course a lot of the expertise and

also the capabilities are available in the market. So, we are running both tactics there, I would say.

Jairam Nathan: Okay, thank you. I just want to also follow up on the working capital. It looks like if you talk to the OEMs, they seem to talk about holding less inventories, and it seems like they probably will be shifting some of their inventory into the suppliers as they expect faster turnarounds. So, I just wanted to understand what you are seeing. Are you seeing any sourcing changes? Is that in your \$800 million number? Thank you.

Fredrik Westin: No, we have not really seen any fundamental changes of any significant magnitude that you are referring to. For us, it is really to optimise our end-to-end supply chain and then there are opportunities on both ends of that. But no, the element that you are talking about is not really what we are seeing.

Jairam Nathan: Okay. No, the only reason I am asking is like Ford or GM, [inaudible] about how now that they have lower inventory levels, they are not going to go back to the inventory levels they had. I am guessing that implies that they would expect more inventory to be held by the supplier base, but I understand it. Thank you.

Fredrik Westin: But overall, of course, the inventory levels across the value chain are not at normal levels at the moment, and you can see that also on our balance sheet but also when you look at both our customers and our suppliers. So, there is certainly a significant amount of normalisation that needs to happen here across the whole supply chain.

Jairam Nathan: Right. Understood, thank you.

Anders Trapp: That ends the Q&A session. For the last time today, back to you, Gabriella.

Gabriella Ekelund: Thank you, Anders, and thank you for all of your questions and thank you for joining the Q&A here today. Before we conclude the Autoliv Capital Markets Day 2021, let us go to some concluding remarks from our President and CEO, Mikael Bratt.

Concluding Remarks

Mikael Bratt

President and CEO, Autoliv

Let me conclude today's Capital Markets Day 2021 by thanking you all for your participation and your interest in Autoliv. I hope you have a good picture of our progress when it comes to our activities and initiatives across the company and our value chain. Near- and long-term growth through content per vehicle, light vehicle production and market share growth, as well as our MSS opportunities. Profitability improvement through a broad number of initiatives across the value chain. Ambitious climate targets to support our customers and taking responsibility for the environment and society. I have great confidence in our team to continue to fight through the current market conditions and at the same time, stay focused on our roadmap initiatives, leading to our updated targets presented here today. We will stay focused and control what we can control and do that well. I and the full Autoliv team are fully committed to continue our journey towards our targets to create shareholder value and save more lives. Thank you and stay safe.

[END OF TRANSCRIPT]