Autoliv

Financial Report
January - March 2001

- **Sales stable despite global car production down 7%**
- **Income before taxes $40 million**
- **Net income $21 million**
- **Earnings per share $.21**

(Stockholm, April 19, 2001) – Autoliv Inc. (NYSE: ALV and SSE: ALIV), the worldwide leader in automotive safety systems, reported better-than-expected sales and earnings for the quarter ended March 31, 2001, despite the fact that the negative trends from the fourth quarter last year (i.e. falling car production and higher material costs) have continued.

Sales improved by 8% compared to the most recent quarter and stood unchanged at $1.1 billion compared to the first quarter previous year. Income before taxes improved by 12%, net income by 7% and earnings per share by 5% from the most recent quarter. Compared to the year-ago quarter, income before taxes declined by 58% to $40 million, net income by 62% to $21 million and the earnings per share by 61% to $.21.

Sales
Consolidated net sales during the three-month period ended March 31, 2001, amounted to $1,081 million. This was the same level as recorded in the first quarter last year, which was the best sales quarter ever. Compared to the preceding quarter sales rose by 8%.

Sales of newly acquired companies (net of divestitures) added 8% to consolidated sales in the first quarter primarily as a result of the acquisitions of OEA and NSK's North American seat belt operations in the second quarter last year. Currency translation effects reduced consolidated reported sales by 5%. Consequently, Autoliv's organic sales (i.e. consolidated sales adjusted for currency effects and acquisitions/divestitures) declined by 3%.

This compares favorably with global light vehicle production, which is estimated to have fallen by 7%. Autoliv's sales were particularly strong in Europe, where sales rose by 7% in local currencies although European car production did not increase. In U.S. dollars, Autoliv's European sales declined, however, by 1% due to the weak Euro. In North America, Autoliv's organic sales declined by 12% while light vehicle production fell by 16%. For Autoliv's most important customers in North America (Chrysler, Ford and General Motors) the reduction was over 20%. Including acquisitions, Autoliv's North American sales increased slightly.

Autoliv's relatively strong sales performance was mainly driven by the stronger-than-expected car production in Europe and the introduction of side-impact airbags such as the *Inflatable Curtain*, as well as by market share gains in the U.S. seat belt market and the global steering wheel market.

Sales of *airbag products* (incl. steering wheels) declined by 3% to $757 million from $779 million. Currency effects reduced reported sales by 4%. Acquisitions increased sales by 8%. Consequently, organic sales declined by 7% as a result of the weak U.S. car production and negative customer mix. The negative factors have been partly offset by Autoliv's strong performance in side airbag and steering wheel products, where consolidated sales rose by 30% and 15%, respectively. Even in the depressed U.S. market, sales of these products rose.

Sales of *seat belt products* (incl. seat sub-systems) grew by 6% to $324 million from $305 million. Currency effects reduced reported sales by 7%, while acquisitions increased sales by 7%. Consequently, organic sales growth was 6%. This growth in sales was mainly driven by market share gains in the U.S. and breakthroughs in the U.S. for Autoliv's seat belt pretensioners. Including the acquisition of NSK's North American seat belt business, Autoliv's seat belt sales in North America doubled.

Earnings
Gross profit during the quarter decreased by $43 million to $186 million and the gross margin fell to 17.2% from 21.0%. Compared to the fourth quarter 2000, however, the gross margin improved from 15.5% and the gross profit improved by $30 million or by 19%. The deterioration from the previous year was primarily due to the fall in U.S. vehicle production, higher material prices and material content, as well as to an unfavorable product mix. The acquisitions of OEA and NSK's seat belt operations in North America have also reduced Autoliv's gross margin.

The improvement from the fourth quarter was driven by sales performance that has been better than expected. The implementation of the action program that Autoliv announced at the beginning of this year has been faster than originally anticipated. Most of the benefits will materialize gradually later in the year. A reduction in the number of supply chain issues has also contributed to the gross profit and margin improvements.

Operating income declined by $45 million to $60 million and the operating margin fell to 5.5% from 9.6%. Compared to the fourth quarter 2000, however, the margin rose from 4.9% and operating income improved by $11 million or by 22%. The decrease from previous year is principally due to the above-mentioned $43 million decline in gross profit. The R&D expenditures were unchanged in relation to sales from the first quarter 2000 despite last year's strong order intake. The operating margin of the newly acquired companies was the same as for the rest of the group.

Compared to the first quarter 2000, net financial expense doubled to $21 million, mainly as a result of higher debt incurred for acquisitions and the share repurchase program but also due to higher interest rates. The financial net was also impacted by a $3 million charge for the devaluation of the Turkish Lira.

The effective tax rate increased to 42% from 41% in the first quarter 2000. This increase reflects the fact that profits have fallen while non-deductible goodwill amortization remained almost unchanged.

Earnings per share fell by $.33 to $.21 from the corresponding quarter previous year but improved by $.01 from the preceding quarter. Of the decline, five cents is due to currency exchange effects (including both translation and transaction effects). Earnings per share declined by one cent due to the higher effective tax rate.

Cash Flow and Balance Sheet
During the quarter, the operations generated $66 million in cash compared to $70 million during the same quarter of 2000. Net capital expenditures amounted to $66 million and $48 million, respectively. The largest capital expenditures were expansion of the production capacity for inflators, airbag assembly and weaving capacity for the *Inflatable Curtain*.

After operating and investing activities, operations used $14 million in cash. Investments in shares accounted for $18 million. During the corresponding period in 2000, operations generated $17 million in cash.

Net debt fell during the quarter by $7 million to $1,002 million and gross interest-bearing debt increased by $20 million to $1,111 million.

The net debt to capitalization ratio stood unchanged during the quarter at 35%. The equity has been reduced by currency translation effects as a result of the stronger U.S. dollar.

Employees
The number of employees remained unchanged 28,000 during the quarter. A reduction of 200 in high-cost countries was offset by a similar increase in low labor-cost countries. The headcount reduction program in the U.S. has been successfully implemented. Consequently, the total headcount in the U.S. has been reduced during the last six months by more than 900 (approx. 10%), including temporary hourly workers. In addition, nearly 100 employees are currently on furlough.

Significant Events
• Autoliv has exercised one of its options and increased its holding in the European inflator company Livbag to 83% from 66% for approximately $12 million. Autoliv has also invested $6 million in the new joint venture Autoliv-Mando Corporation in Korea.

• The machined parts business in Utah, which manufactures steel components for inflators, has been sold as a result of Autoliv's strategy to divest non-core businesses. Last year the business had $11 million in sales and 60 employees. Over the last two years, Autoliv has sold or closed nine non-core business units with 1,300 employees. In addition to reducing costs, these transactions have released over $60 million that was tied up in the operations and their buildings.

• In the new European crash test program, Euro NCAP, Renault's new Laguna, to which Autoliv is the exclusive supplier of safety systems, became the first vehicle to receive the highest possible rating. The vehicle has Autoliv's patented *Inflatable Curtain* for head protection in side impacts, Autoliv's new frontal airbag system (for which Autoliv received the Annual Award of the British Automobile Association) and Autoliv's side airbags for chest protection also in the back seats. This car is also the first vehicle in the world in which the driver's seat belt has two pretensioners. The safety electronics and the related software program are also supplied by Autoliv.

• Magnus Lindquist has been appointed new Chief Financial Officer and Vice President Finance of Autoliv Inc. Currently, he holds the same position at Perstorp AB, a public Swedish-based chemistry and materials technology corporation. He will assume his new position in July.

• The Annual General Meeting of Stockholders will be held in Chicago on April 24, 2001. Holders of record on February 26, are entitled to be present and vote at the Meeting. Stockholders are urged to return their proxy cards whether or not they plan to attend the meeting. In conjunction with the meeting, the Chairman of the Board, Mr. Gunnar Bark, will retire from the Board. Mr. S. Jay Stewart has been elected new Chairman.

Prospects
Assuming that the current exchange rate for the U.S. dollar prevails for the rest of the year, Autoliv's sales will be negatively impacted by 4% and 2% during the second quarter and the rest of the year, respectively. Acquisitions are expected to add 2% to sales in the second quarter. The supply value of safety systems per vehicle is expected to continue to grow.

After the cuts in car inventories during the first quarter, North American vehicle production is expected to recover (according to market institutes) by 8% during the second quarter, but it will still be 10% below the level recorded for the second quarter last year. During the remaining nine months, it is expected to be 6% below the corresponding level last year. For Autoliv's main U.S. customers the discrepancy is expected to be somewhat greater. In Europe, vehicle production has been expected to be flat in the second quarter (which would imply a 2% decrease from the first quarter 2001) and increase by 2% in the second half of the year. Recent events, however, indicate that car production in Europe may start to weaken.

Material prices have remained high, but on the spot markets the prices for several commodities have fallen. Provided that these price reductions feed through to the manufactured components that Autoliv buys, the potential to reduce costs should increase later this year. Autoliv's costs will also be reduced by transferring production to low labor-cost countries and by further implementing the action program that was announced at the beginning of the year. The program includes a reduction of the headcount by more than 1,000 in the U.S. or approximately 12% and consolidation of the manufacturing structure.

Dividend and Next Report
A dividend of 11 cents per share will be paid on June 7 to Shareholders of record as of May 10. The ex-date, when the shares will trade without the right to the dividend, is May 8. The next quarterly report for the period April 1 through June 30 will be published on July 26, 2001.

"Safe Harbor Statement"
Statements in this report that are not statements of historical fact may be forward-looking statements, which involve risks and uncertainties, including – but not limited to – continued fluctuation of foreign currencies, fluctuations in vehicle production schedules for which the company is a supplier, continued uncertainty in program awards and performance, the financial results of companies in which Autoliv has made technology investments, and other factors discussed in Autoliv's filings with the Securities and Exchange Commission.

KEY RATIOS

	Quarter Jan. – March 2001	Quarter Jan. – March 2000	Latest 12 months April 00 – March 01	Full Year 2000
Earnings per share [1]	$.21	$.54	$1.35	$1.67
Equity per share	19.42	19.16	19.42	19.49
Working capital, $ in millions	373	272	373	365
Capital employed, $ in millions	2,901	2,581	2,901	2,919
Net debt, $ in millions	1,002	619	1,002	1,009
Net debt to equity, %	53	33	53	53
Net debt to capitalization, % [2]	35	24	35	35
Gross margin, % [3]	17.2	21.0	18.1	19.1
EBITDA-margin, % [4]	12.3	15.7	13.9	14.8
Operating/EBIT margin, % [5]	5.5	9.6	7.2	8.2
Return on equity, %	4.4	11.4	7.0	8.7
Return on capital employed, %	8.3	15.4	10.5	12.4
Average number of shares in millions [1]	97.8	102.4	99.8	100.9
Number of shares at period-end in millions [1]	97.8	102.3	97.8	97.8
Number of employees at period-end	28,000	24,600	28,000	28,000

[1]Assuming dilution [2]Net debt in relation to net debt and equity [3]Gross profit relative to sales [4]Income before interest, taxes, depreciation and amortization relative to sales [5]Operating income relative to sales

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share data)

	Quarter Jan. – March 2001	Quarter Jan. – March 2000	Latest 12 months April 00 – March 01	Full Year 2000
Net sales				
- Airbag products	$757.1	$778.7	$2,912.7	$2,934.3
- Seat belt products	323.5	305.3	1,200.0	1,181.8
Total net sales	1,080.6	1,084.0	4,112.7	4,116.1
Cost of sales	-895.0	-855.9	-3,369.1	-3,330.0
Gross profit	**185.6**	**228.1**	**743.6**	**786.1**
Selling, general & administrative expense	-49.9	-49.2	-190.7	-190.0
Research & development	-59.1	-58.9	-195.9	-195.7
Amortization of intangibles	-17.1	-15.9	-67.9	-66.7
Other income, net	0.0	0.2	5.6	5.8
Operating income	**59.5**	**104.3**	**294.7**	**339.5**
Equity in earnings of affiliates	0.9	0.7	4.5	4.3
Financial income	2.5	2.8	9.3	9.6
Financial expense	-23.3	-12.5	-73.6	-62.8
Income before taxes	**39.6**	**95.3**	**234.9**	**290.6**
Income taxes	-16.7	-38.8	-95.1	-117.2
Minority interests in subsidiaries	-2.1	-1.3	-5.5	-4.7
Net income	**20.8**	**55.2**	**134.3**	**168.7**
Earnings per share	**$.21**	**$.54**	**$1.35**	**$1.67**

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	March 31 2001	December 31 2000
Assets		
Cash & cash equivalents	$109.5	$82.2
Accounts receivable	886.0	835.4
Inventories	322.3	333.5
Other current assets	88.6	97.9
Total current assets	**1,406.4**	**1,349.0**
Property, plant & equipment, net	852.9	867.2
Intangible assets, net (mainly goodwill)	1,723.9	1,739.3
Other assets	113.0	112.3
Total assets	**4,096.2**	**4,067.8**
Liabilities and shareholders' equity		
Short-term debt	387.5	353.8
Accounts payable	529.6	540.3
Other current liabilities	394.7	361.8
Total current liabilities	**1,311.8**	**1,255.9**
Long-term debt	723.7	737.4
Other non-current liabilities	139.9	142.4
Minority interest in subsidiaries	21.7	22.0
Shareholders' equity	1,899.1	1,910.1
Total liabilities and shareholders' equity	**$4,096.2**	**$4,067.8**
Working capital, $ in millions	373	365
Capital employed, $ in millions	2,901	2,919
Net debt, $ in millions	1,002	1,009

SELECTED CASH-FLOW ITEMS
(Dollars in millions)

	Quarter Jan. – March 2001	Quarter Jan. – March 2000	Latest 12 Months April 00 – March 01	Full Year 2000
Net income	$20.8	$55.2	$134.3	$168.7
Depreciation and amortization	73.1	65.6	276.6	269.1
Deferred taxes and other	-4.0	-1.9	17.6	19.7
Change in working capital	-23.5	-48.7	-166.5	-191.7
Net cash provided by operations	**66.4**	**70.2**	**262.0**	**265.8**
Capital expenditures, net	-65.9	-48.3	-234.1	-216.5
Acquisitions of businesses, net	-14.9	-4.6	-221.7	-211.4
Net cash after operating and investing activities	**$-14.4**	**$17.3**	**$-193.8**	**$-162.1**

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