Autoliv

Financial Report
April - June 2001

- **Reported sales down 4% and organic sales down 1% compared to a 5% drop in car production**
- **The favorable income trend continued from previous quarter**
- **Earnings per share $.31 vs. $.21 in the first quarter**

(Stockholm, July 26, 2001) – Earnings and margins for Autoliv Inc. (NYSE: ALV and SSE: ALIV) continued to recover in the quarter ended June 30, 2001, from the two preceding quarters.

Earnings per share improved to $.31 from $.21 in the first quarter 2001 and from $.20 in the fourth quarter 2000, while net income increased to $30 million from $21 million and $20 million, respectively. Income before taxes rose to $56 million from $40 million and $35 million in the two preceding quarters.

Sales were affected by the decline in global car production and currency effects. As a result, sales declined by 4% from the corresponding quarter last year to just over $1 billion. Adjusted for currency effects and acquisitions, the decline was 1%.

Sales

The Quarter

Consolidated net sales during the three-month period ended June 30, 2001, declined by 4% to $1,033 million compared to the corresponding period 2000. The acquisition of OEA (in May last year) has added 2% to consolidated sales, while currency translation effects have reduced reported sales by 5%. Consequently, Autoliv's organic sales (i.e. consolidated sales adjusted for currency effects and acquisitions/divestitures) declined by 1%.

This compares favorably with the vehicle production in the Triad (North America, Western Europe and Japan) which is estimated to have fallen by 5%.

Autoliv's sales were particularly strong in France and Korea. In local currencies, sales in Europe rose by 6% although European car production was flat. In U.S. dollars, however, the European sales declined by 3% due to the weak Euro. In North America, where light vehicle production fell by nearly 10%, Autoliv's organic sales declined by 9% and the reported sales by 6%.

Autoliv's relatively strong sales performance was mainly driven by the demand for side-impact airbags such as the *Inflatable Curtain*, and a higher market share in the U.S. for seat belts. Consolidated unit sales for side airbags rose by 25% and for seat belts by 10% despite the 5% decline in global vehicle production.

Sales of *airbag products* (incl. steering wheels) declined by 5% to $731 million from $770 million. Currency effects reduced reported sales by 4%. Acquisitions increased sales by 3%. Consequently, organic sales declined by 4% primarily as a result of the 10% decline in the North American vehicle production. As an average, unit sales of airbags grew by 5%. The difference in this growth and the decline in sales reported in dollars is mainly due to the strong increase for side airbags (which are smaller and less expensive than frontal bags) and other shifts in the product mix.

Sales of *seat belt products* (incl. seat sub-systems) declined by 1% to $302 million from $304 million. Currency effects reduced reported sales by 7%, while a divestiture decreased sales by 1%. Consequently, organic sales growth was 7%. This growth was mainly driven by market share gains in the U.S. and breakthroughs in the U.S. for Autoliv's seat belt pretensioners. As a consequence, Autoliv's U.S. seat belt sales improved by 18%, despite the sharp decline in the North American vehicle production.

First Six Months

Consolidated sales for the six-month period January through June declined by 2% to $2,114 million or at the same rate as organic sales. Autoliv's airbag sales declined by 4% to $1,489 million and seat belt sales rose by 3% to $625 million, while the organic sales decline for airbags was 5% and the organic sales growth for seat belts was 7%. Light vehicle production in the Triad fell by 5% during the same six-month period.

Earnings

The Quarter

Gross profit during the quarter decreased by $40 million to $183 million and the gross margin fell to 17.7% compared to 20.8% in the second quarter 2000. However, compared to first quarter 2001 and the fourth quarter 2000, the gross margin improved from 17.2% and 15.5%, respectively. The deterioration from the year-ago period was primarily due to the fall in the North American vehicle production, higher material prices and material content, as well as to continued pricing pressure.

The improvement from the fourth and the first quarters was driven by the implementation of the action program announced at the beginning of the year and by additional moves of production to low-wage countries.

Operating income declined by $39 million to $68 million and the operating margin decreased to 6.5% from 10.0% in the second quarter 2000. The decrease is due to the above-mentioned $40 million decline in gross profit. However, compared to the first quarter 2001 and fourth quarter 2000, the margin rose from 5.5% and 4.9%, respectively.

Compared to the second quarter 2000, net financial expense stood unchanged at $14 million, despite the fact that net debt has increased. Generally falling market interest rates and currency effects have favorably influenced net financial expense.

The effective tax rate increased to 42% from 40%, which reflects the fact that profits have fallen while non-deductible goodwill amortization has remained almost unchanged.

Earnings per share fell by $.23 to $.31 from the corresponding quarter previous year but improved by $.10 from the preceding quarter and by $.11 compared to the fourth quarter 2000. The currency exchange effects (including both translation and transaction effects) are estimated to have had no significant impact.

First Six Months

During the first half of 2001, gross profit decreased by 18% to $368 million from $451 million, operating income by 40% to $127 million from $211 million and earnings per share by 52% to $.52 from $1.08. The tax rate was 42% compared to 41%.

The gross margin declined to 17.4% from 20.9% and the operating margin to 6.0% from 9.8% during the same period 2000.

Cash Flow and Balance Sheet

During the quarter, the operations generated $22 million in cash compared to $81 million during the same quarter of 2000. Cash generation has been negatively effected by an increase in receivables from customers and a lower net income.

Net capital expenditures amounted to $53 million and $44 million, respectively. The depreciation amounted to $54 million and $50 million, respectively. The largest capital expenditures were additional production capacity for inflators, initiators and for airbag assembly in Europe and for seat belt assembly in the U.S.

After operating and investing activities, the operations used $31 million in cash. During the corresponding period in 2000, $179 million was used.

Net debt increased during the quarter by $44 million to $1,046 million and gross interest-bearing debt increased by $1 million to $1,112 million.

The net debt to capitalization ratio remained unchanged at 35% during the quarter. The equity has been reduced by currency translation effects as a result of the stronger U.S. dollar and slightly improved by the new U.S. accounting principle FAS 133.

Headcount

The total headcount (employees plus temporary hourly workers) increased by 400 to 32,800 during the quarter. A reduction of 300 in high-cost countries was offset by an increase of 700 in low labor-cost countries.

During the first half of 2001, almost 1,000 jobs have been added in low-cost countries at the same time as 600 have been reduced in high-cost countries.

The headcount reduction program in the U.S. has been successfully implemented. Consequently, the headcount in the U.S. has been reduced during the last nine months by 13% or more than 1,200.

Significant Events

• A 5-year bond amounting to Euro 300 million has been issued as part of improving Autoliv's debt structure. The proceeds were used to re-pay short-term loans mainly in U.S. dollars.

• As a preparation of the planned decision to close Autoliv's plant in Växjö, Sweden, an agreement according to Swedish law has been reached with the local trade union. The plant in Växjö has 300 employees. Most of the production will be integrated with Autoliv's other facility for seat sub systems. The closure of the plant in Växjö is the first result of the general review of Autoliv's global manufacturing that started in the first quarter.

• At the leading safety conference "Enhanced Safety of Vehicles" Autoliv presented the test results of a new system for pedestrian protection. Since 7,000 pedestrians in Europe are killed each year by vehicles, a committee in the European Commission has proposed a compulsory pedestrian protection test for all new vehicles in Europe.

• Autoliv has acquired the remaining 10% of the shares in Autoliv Romania S.A.

• Professor Yngve Håland, Autoliv's Vice President of Research has been awarded with NHTSA's (National Highway Traffic Safety Administration in the U.S.) *Safety Engineering Excellence Award*. He received the award "for unique innovations and visionary leadership in crash safety development".

• At the Annual General Meeting of Stockholders on April 24, 2001, Mr. Per-Olof Aronson, Professor Walter Kunerth and Mr. Lars Westerberg were re-elected as directors. Mr. Gunnar Bark retired from the Board and was succeeded as Chairman by Mr. S. Jay Stewart. Mr. Tetsuo Sekiya from Japan was elected new member of the Board.

Prospects

Assuming that the average exchange rate as of June for the Euro prevails for the remaining six months, Autoliv's sales will be negatively impacted by about 1% during the remaining six months of the year. The supply value of safety systems per vehicle is expected to continue to grow.

Due to the de-stocking that has taken place over the past six months, U.S. light vehicle inventories are now considered to be at normal levels. U.S. vehicle production is nevertheless expected by market analysts to fall by 4-5% during the remaining six months due to lower car sales than in the previous year. In Europe the decline in vehicle production is estimated to be approximately 3-4% during the latter part of the year.

Material prices are still high, but most commodity prices have started to fall and are expected to continue to fall. Provided that these price reductions feed through to the manufactured components that Autoliv buys, the potential to reduce costs should improve.

Dividend and Next Report

A dividend of 11 cents per share will be paid on September 6 to Shareholders of record as of August 9. The ex-date, when the shares will trade without the right to the dividend, is August 7. The next quarterly report for the period July 1 through September 30 will be published on October 18, 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 April – June 2001	Quarter April – June 2000	Six months Jan. – June 2001	Six months Jan. – June 2000	Latest 12 months July 00 – June 01	Full Year 2000
Earnings per share [1]	$.31	$.54	$.52	$1.08	$1.11	$1.67
Equity per share	19.43	19.38	19.43	19.38	19.43	19.49
Working capital, $ in millions	454	334	454	334	454	365
Capital employed, $ in millions	2 947	2 923	2 947	2 923	2 947	2 919
Net debt, $ in millions	1 046	941	1 046	941	1 046	1 009
Net debt to equity, %	55	47	55	47	55	53
Net debt to capitalization, % [2]	35	32	35	32	35	35
Gross margin, % [3]	17.7	20.8	17.4	20.9	17.3	19.1
EBITDA-margin, % [4]	13.5	16.2	12.9	15.9	13.2	14.8
Operating/EBIT margin, % [5]	6.5	10.0	6.0	9.8	6.3	8.2
Return on equity, %	6.3	11.3	5.3	11.3	5.7	8.7
Return on capital employed, %	9.5	15.1	8.9	15.9	8.9	12.4
Average number of shares in millions [1]	97.9	102.3	97.9	102.3	98.7	100.9
Number of shares at period-end in millions	97.8	101.9	97.8	101.9	97.8	97.8
Number of employees at period-end	28 300	27 200	28 300	27 200	28 300	28 000
Headcount at period-end	32 800	31 200	32 800	31 200	32 800	32 400

[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 April – June 2001	Quarter April – June 2000	Six months Jan. – June 2001	Six months Jan. – June 2000	Latest 12 months July 00 – June 01	Full Year 2000
Net sales						
- Airbag products	$731.4	$769.8	$1 488.5	$1 548.5	$2 874.3	$2 934.3
- Seat belt products	301.5	304.4	625.0	609.7	1 197.1	1 181.8
Total net sales	**1 032.9**	**1 074.2**	**2 113.5**	**2 158.2**	**4 071.4**	**4 116.1**
Cost of sales	-850.3	-851.2	-1 745.3	-1 707.1	-3 368.2	-3 330.0
Gross profit	**182.6**	**223.0**	**368.2**	**451.1**	**703.2**	**786.1**
Selling, general & administrative expense	-49.0	-51.0	-98.9	-100.2	-188.7	-190.0
Research & development	-51.6	-49.6	-110.7	-108.5	-197.9	-195.7
Amortization of intangibles	-17.0	-17.1	-34.1	-33.0	-67.8	-66.7
Other income, net	2.6	1.6	2.6	1.8	6.6	5.8
Operating income	**67.6**	**106.9**	**127.1**	**211.2**	**255.4**	**339.5**
Equity in earnings of affiliates	2.1	0.7	3.0	1.4	5.9	4.3
Financial income	5.4	2.5	7.9	5.3	12.2	9.6
Financial expense	-19.5	-16.8	-42.8	-29.3	-76.3	-62.8
Income before taxes	**55.6**	**93.3**	**95.2**	**188.6**	**197.2**	**290.6**
Income taxes	-23.3	-37.6	-40.0	-76.4	-80.8	-117.2
Minority interests in subsidiaries	-2.3	-0.6	-4.4	-1.9	-7.2	-4.7
Net income	**30.0**	**55.1**	**50.8**	**110.3**	**109.2**	**168.7**
Earnings per share	**$.31**	**$.54**	**$.52**	**$1.08**	**$1.11**	**$1.67**

CONSOLIDATED BALANCE SHEET

(Dollars in millions)

	June 30 2001	March 31 2001	December 31 2000
Assets			
Cash & cash equivalents	$66.4	$109.5	$82.2
Accounts receivable	928.7	886.0	835.4
Inventories	322.5	322.3	333.5
Other current assets	94.4	88.6	97.9
Total current assets	**1 412.0**	**1 406.4**	**1 349.0**
Property, plant & equipment, net	837.6	852.9	867.2
Intangible assets, net (mainly goodwill)	1 703.0	1 723.9	1 739.3
Other assets	111.4	113.0	112.3
Total assets	**$4 064.0**	**$4 096.2**	**$4 067.8**
Liabilities and shareholders' equity			
Short-term debt	$131.6	$387.5	$353.8
Accounts payable	518.2	529.6	540.3
Other current liabilities	373.7	394.7	361.8
Total current liabilities	**1 023.5**	**1 311.8**	**1 255.9**
Long-term debt	981.0	723.7	737.4
Other non-current liabilities	138.2	139.9	142.4
Minority interest in subsidiaries	20.6	21.7	22.0
Shareholders' equity	1 900.7	1 899.1	1 910.1
Total liabilities and shareholders' equity	**$4 064.0**	**$4 096.2**	**$4 067.8**
Working capital, $ in millions	454	373	365
Capital employed, $ in millions	2 947	2 901	2 919
Net debt, $ in millions	1 046	1 002	1 009

SELECTED CASH-FLOW ITEMS

(Dollars in millions)

	Quarter April – June 2001	Quarter April – June 2000	Six months Jan. – June 2001	Six months Jan. – June 2000	Latest 12 months July 00 – June 01	Full Year 2000
Net income	$30.0	$55.1	$50.8	$110.3	$109.2	$168.7
Depreciation and amortization	71.4	67.3	144.5	132.9	280.7	269.1
Deferred taxes and other	3.4	0.0	-0.6	-1.9	21.0	19.7
Change in working capital	-82.8	-41.9	-106.3	-90.6	-207.4	-191.7
Net cash provided by operations	**22.0**	**80.5**	**88.4**	**150.7**	**203.5**	**265.8**
Capital expenditures, net	-52.9	-43.6	-118.8	-91.9	-243.8	-216.9
Acquisitions of businesses, net	-0.3	-215.6	-15.2	-220.2	-6.0	-211.0
Net cash after operating and investing activities	**$-31.2**	**$-178.7**	**$-45.6**	**$-161.4**	**$-46.3**	**$-162.1**

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