

# Financial Report

## April - June 1999

### Increasing Market Shares

**(Stockholm, July 22, 1999) -- Consolidated net sales for Autoliv Inc. (NYSE: ALV and SSE: ALIV) grew by 11% to \$977 million during the three-month period ended June 30, 1999, compared to the corresponding quarter 1998. This means that Autoliv has continued to increase its global market share. In addition, the order intake during the first six months has increased by more than 30%.**

**The operating margin improved from 8.9% during the first quarter this year to 10.0% during the second quarter. Compared to the year-ago quarter, operating income improved by 5% to \$98 million, income before taxes by 3% to \$87 million and net income by 1% to \$51 million. Earnings per share was unchanged at \$.50.**

**Sales**

Consolidated net sales for the second quarter 1999 grew by 11% to \$977 million from \$878 million during the corresponding period 1998, while sales adjusted for currency translation effects grew by 13%. Since approximately 60% of Autoliv's business is in Europe, the weakening of the Euro had a negative impact of 2%. The effect of acquisitions was insignificant.

The production of light vehicles is estimated to have grown by 2% in Europe and by 11% in North America. In Japan, however, the production is estimated to have fallen by 4% from an already low level. The average increase in the Triad was 4%.

Sales of airbag products (incl. steering wheels) rose by 16% to \$698 million from \$600 million during the second quarter 1998. The underlying sales adjusted for currency effects increased by 18% and unit sales rose by almost 30%. This means that Autoliv continues to increase its market share.

Sales of seat belts (incl. seat sub-systems) were almost unchanged at \$279 million, while sales excluding currency effects and acquisitions increased by 3%.

For the six-month period January through June, both consolidated sales and sales adjusted for currency effects increased by 12% to \$1,912 million. Airbag sales rose by 15% to \$1,357 million and seat belt sales by 4% to \$555 million.

The order intake has been strong during the last two quarters and represents an increase of more than 30% over the corresponding period 1998. These multi-year contracts will result in sales beginning in 2001.

**Earnings**

The Company's action program improved the gross margin from 20.4% during the first quarter to 21.4%, which was only 0.6 percentage points below the record margin recorded in the second quarter 1998. The operating margin improved from 8.9% during the first quarter to 10.0%, also 0.6 percentage points below the operating margin for the comparable quarter 1998.

Compared to the year-ago quarter, gross profit improved by 8% to \$209 million and operating income by 5% to \$98 million. Income before taxes increased by 3% to 87 million. Income from affiliated companies fell as some joint ventures have become wholly owned. Net income increased by 1% to \$51 million. Earnings per share stood unchanged at \$.50.

The effective tax rate stood unchanged at 41% from the first quarter, but increased from 40% recorded during the year-ago period. Excluding non-deductible amortization, the tax rate was 36%.

For the six-month period ended June 30 1999, net income improved by 2% to \$95 million. Earnings per share increased from \$.91 to \$.93.

**Cash Flow and Balance Sheet**

Cash generated by operations increased by 11% from \$96 million to \$107 million or to \$1.05 per share. Capital expenditures amounted to \$64 million compared to \$68 million during the corresponding quarter 1998. The most important capital expenditures were higher inflator production capacity, new plants in Turkey and Brazil, and a technical center in Japan.

Net debt stood unchanged at \$703 million from the beginning of the year, despite acquisitions totaling \$34 million. Net debt to equity was 38%, both at period-end and at the beginning of the year.

**Employees**

The number of employees increased by 600 during the quarter and by 1 000 during the year to 21 700, mainly due to the new production plants, higher production volumes and transfer of jobs to low labor-cost countries.

**Significant Events**

- Autoliv has made IsoDelta wholly owned by exercising its option to acquire the remaining 23% of the shares in the European steering wheel company.
- A plant for labor-intensive production has been opened in Poland. The number of employees will be increased from 200 to 600 by the end of next year.
- A memorandum of understanding has been reached to acquire close to 50% of the shares in the Estonian company Norma AS, the dominant seat belt supplier to the Russian vehicle industry. A definitive agreement, which is expected to be concluded during the fall, would improve Autoliv's possibilities to sell new safety technologies in Eastern Europe and provide yet another possibility to move production to low labor-cost countries.
- Construction of a new plant in Romania has begun. The new facility will both replace the existing plant and provide additional manufacturing capacity, especially for the rapidly expanding contract work for Autoliv's companies in high-cost countries.
- The Shareholders Annual General Meeting re-elected Wilhelm Kull, S. Jay Stewart and Roger W. Stone to the Company's Board of Directors, approved the Amendment to the Autoliv 1997 Stock Incentive Plan and ratified Ernst & Young as the independent auditing firm.

**Dividend**

A dividend of 11 cents per share will be paid on September 2 to Autoliv stockholders of record as of August 5. Ex-date will be August 3.

**Report**

This report has not been examined by the Company's auditors. The next quarterly report for the period July 1 through September 30 will be published on October 21.

### KEY RATIOS (UNAUDITED)

|   | Quarter Apr. - June |        | Six Months Jan. - June |        | 12 months           |                   |
|---|---------------------|--------|------------------------|--------|---------------------|-------------------|
|   | 1999                | 1998   | 1999                   | 1998   | July 98-<br>June 99 | Full Year<br>1998 |
| Earnings per share                          | \$ .50              | \$ .50 | \$ .93                 | \$ .91 | \$1.86              | \$1.84            |
| Equity per share                            | 18.23               | 17.25  | 18.23                  | 17.25  | 18.23               | 18.04             |
| Net debt, \$ in millions                    | 703                 | 653    | 703                    | 653    | 703                 | 703               |
| Net debt to equity, %                       | 38                  | 37     | 38                     | 37     | 38                  | 38                |
| Gross margin, % 1)                          | 21.4                | 22.0   | 20.9                   | 21.9   | 21.0                | 21.4              |
| EBITDA-margin %, 2)                         | 16.4                | 17.0   | 16.2                   | 16.7   | 16.4                | 16.7              |
| Operating margin, % 3)                      | 10.0                | 10.6   | 9.5                    | 10.3   | 9.8                 | 10.2              |
| Return on equity, %                         | 11                  | 12     | 10                     | 11     | 10                  | 11                |
| Return on capital employed, %               | 14                  | 15     | 14                     | 15     | 14                  | 14                |
| Return on total capital, %                  | 11                  | 10     | 10                     | 10     | 10                  | 10                |
| Number of employees at period-end           | 21 700              | 19 200 | 21 700                 | 19 200 | 21 700              | 20 700            |
| Number of shares outstanding, (in millions) | 102.3               | 102.2  | 102.3                  | 102.2  | 102.3               | 102.3             |

1) Gross profit relative to sales

2) Income before interest, taxes, depreciation and amortization relative to sales

3) Operating income relative to sales

### CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in millions, except per share data)

|   | Quarter Apr. - June |               | Six Months Jan. - June |                 | 12 months           |                   |
|---|---------------------|---------------|------------------------|-----------------|---------------------|-------------------|
|   | 1999                | 1998          | 1999                   | 1998            | July 98-<br>June 99 | Full Year<br>1998 |
| Net sales                                 |                     |               |                        |                 |                     |                   |
| - Airbag products                         | \$698.0             | \$599.9       | \$1 357.2              | \$1 183.5       | \$2 590.4           | \$2 416.4         |
| - Seat belt products                      | <u>279.0</u>        | <u>278.0</u>  | <u>555.2</u>           | <u>532.3</u>    | <u>1 094.9</u>      | <u>1 072.0</u>    |
| <b>Total net sales</b>                    | <b>977.0</b>        | <b>877.9</b>  | <b>1 912.4</b>         | <b>1 715.8</b>  | <b>3 685.3</b>      | <b>3 488.7</b>    |
| Cost of sales                             | <u>-767.8</u>       | <u>-684.9</u> | <u>-1 512.0</u>        | <u>-1 340.0</u> | <u>-2 913.2</u>     | <u>-2 741.2</u>   |
| <b>Gross profit</b>                       | <b>209.2</b>        | <b>193.0</b>  | <b>400.4</b>           | <b>375.8</b>    | <b>772.1</b>        | <b>747.5</b>      |
| Selling, general & administrative expense | -44.8               | -39.1         | -87.7                  | -78.6           | -167.7              | -158.5            |
| Research & development                    | -50.3               | -45.5         | -99.2                  | -91.7           | -183.8              | -176.2            |
| Amortization of intangibles               | -16.1               | -15.3         | -32.4                  | -30.4           | -63.4               | -61.5             |
| Other income, net                         | <u>0.1</u>          | <u>0.1</u>    | <u>0.4</u>             | <u>0.9</u>      | <u>2.4</u>          | <u>2.8</u>        |
| <b>Operating income</b>                   | <b>98.1</b>         | <b>93.2</b>   | <b>181.5</b>           | <b>176.0</b>    | <b>359.6</b>        | <b>354.1</b>      |
| Equity in earnings of affiliates          | -0.4                | 2.4           | 0.8                    | 4.2             | 3.0                 | 6.4               |
| Interest income                           | 2.4                 | 3.1           | 5.1                    | 4.7             | 8.4                 | 8.0               |
| Interest expense                          | <u>-13.6</u>        | <u>-14.4</u>  | <u>-28.0</u>           | <u>-29.9</u>    | <u>-54.1</u>        | <u>-56.0</u>      |
| <b>Income before taxes</b>                | <b>86.5</b>         | <b>84.3</b>   | <b>159.4</b>           | <b>155.0</b>    | <b>316.9</b>        | <b>312.5</b>      |
| Income taxes                              | -35.6               | -33.5         | -65.0                  | -61.7           | -127.1              | 123.9             |
| Minority interests in subsidiaries        | <u>0.3</u>          | <u>-0.2</u>   | <u>0.9</u>             | <u>-0.2</u>     | <u>0.8</u>          | <u>-0.3</u>       |
| <b>Net income</b>                         | <b>51.2</b>         | <b>50.6</b>   | <b>95.3</b>            | <b>93.1</b>     | <b>190.6</b>        | <b>188.3</b>      |
| Earnings per share                        | <b>\$0.50</b>       | <b>\$0.50</b> | <b>\$0.93</b>          | <b>\$0.91</b>   | <b>\$1.86</b>       | <b>\$1.84</b>     |

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Dollars in millions)

|   | June 30<br>1999  | Dec. 31<br>1998  |
|---|------------------|------------------|
| <b>Assets</b>                                     |                  |                  |
| Cash & cash equivalents                           | \$106.2          | \$118.5          |
| Accounts receivable                               | 716.4            | 664.2            |
| Inventories                                       | 252.3            | 264.9            |
| Other current assets                              | 80.6             | 84.2             |
| <b>Total current assets</b>                       | <b>1 155.5</b>   | <b>1 131.8</b>   |
| Property, plant & equipment, net                  | 850.7            | 868.6            |
| Intangible assets, net (mainly goodwill)          | 1 630.7          | 1 649.1          |
| Other assets                                      | 16.4             | 18.6             |
| <b>Total assets</b>                               | <b>\$3 653.3</b> | <b>\$3 668.1</b> |
| <b>Liabilities and shareholders' equity</b>       |                  |                  |
| Short-term debt                                   | \$247.1          | \$192.6          |
| Accounts payable                                  | 441.3            | 457.1            |
| Other current liabilities                         | 424.8            | 413.0            |
| <b>Total current liabilities</b>                  | <b>1 113.2</b>   | <b>1 062.7</b>   |
| Long-term debt                                    | 561.7            | 628.6            |
| Other non-current liabilities                     | 110.7            | 116.2            |
| Minority interest in subsidiaries                 | 2.3              | 14.6             |
| Shareholders' equity                              | 1 865.4          | 1 846.0          |
| <b>Total liabilities and shareholders' equity</b> | <b>\$3 653.3</b> | <b>\$3 668.1</b> |

## SELECTED CASH-FLOW ITEMS (UNAUDITED)

(Dollars in millions)

|  | Quarter Apr. - June |               | Six Months Jan. - June |               | 12 months           |                   |
|--|---------------------|---------------|------------------------|---------------|---------------------|-------------------|
|  | 1999                | 1998          | 1999                   | 1998          | July 98-<br>June 99 | Full Year<br>1998 |
| Net income   | \$51.2              | \$50.6        | \$95.3                 | \$93.1        | \$190.6             | \$188.3           |
| Depreciation and amortization                            | 64.3                | 55.7          | 131.0                  | 110.0         | 249.0               | 228.0             |
| Deferred taxes and other                                 | 12.8                | -3.4          | 18.5                   | -0.8          | 60.9                | 41.6              |
| Change in working capital                                | -21.0               | -6.5          | -40.1                  | -45.9         | -137.9              | -143.6            |
| <b>Net cash provided by operations</b>                   | <b>107.3</b>        | <b>96.4</b>   | <b>204.7</b>           | <b>156.4</b>  | <b>362.6</b>        | <b>314.3</b>      |
| Capital expenditures                                     | -63.5               | -67.6         | -126.0                 | -121.4        | -283.8              | -279.2            |
| Acquisitions of businesses                               | -9.3                | -6.9          | -34.1                  | -10.2         | -53.4               | -29.5             |
| <b>Net cash after operating and investing activities</b> | <b>\$34.5</b>       | <b>\$21.9</b> | <b>\$44.6</b>          | <b>\$24.8</b> | <b>\$25.4</b>       | <b>\$5.6</b>      |

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