Autoliv

Financial Report
October - December 2000

- **Sales down 2% while organic sales and car production decreased 4%**
- **Income before taxes $35 million vs. $99 million**
- **Earnings per share $.20 - in line with expectations**

(Stockholm, January 25, 2001) – Autoliv Inc. (NYSE: ALV and SSE: ALIV), the worldwide leader in automotive safety systems, reported earnings per share of $.20 for the quarter ended December 31, 2000, which is within the range the Company announced on December 11. Management then estimated earnings for the quarter to be between $.19 and $.29 per share. This compares to $.60 for the corresponding period in 1999, which was Autoliv's best quarter ever.

Global car production was somewhat weaker than expected in December and Autoliv's sales declined by 2% in the fourth quarter to one billion.

Sales

The Quarter

Consolidated net sales decreased by 2% to $1,003 million from $1,026 million. Acquisitions added 11% to sales as a result of the consolidation of Norma and the acquistions of Izumi, NSK's North American seat belt operations and OEA. Currency translation effects reduced Autoliv's reported sales by 9%.

Autoliv's organic sales (i.e. consolidated sales adjusted for currency effects and acquisitions/divestitures) declined by 4% or at the same rate as global light vehicle production. Autoliv's sales were also negatively impacted by an unfavorable country and customer mix. The decline in North American vehicle production was 7%, while the decline for Autoliv's largest customers in North America (GM, Chrysler and Ford) was 10%. European car production decreased by 3%.

Customers' production levels in North America were higher during the fourth quarter than car sales, particularly for Autoliv's largest customers. Consequently, customers' vehicle inventories have risen which will negatively affect Autoliv's sales in the first quarter this year.

Sales of *airbag products* (incl. steering wheels) decreased due to the fall in the U.S. car production by 4% to $704 million from $735 million. Currency effects reduced reported sales by 7%. Acquisitions increased sales by 11%. Consequently, organic sales declined by 8% as a result of the weak car production and the negative country and customer mix. The favorable trends continued for steering wheel and side-impact airbags for head protection.

Sales of *seat belt products* (incl. seat sub-systems) grew by 3% to $299 million from $291 million. Currency effects reduced reported sales by 13%, while acquisitions increased sales by 11%. Consequently, organic sales growth was 5%. The growth was mainly driven by market share gains in the U.S. and breakthroughs in the U.S. for Autoliv's seat belt pretensioners.

The Full Year

Consolidated sales for the 12-month period January through December rose by 8% to $4,116 million, while the organic sales growth was 6%. Autoliv's airbag sales rose by 8% to $2,934 million and seat belt sales by 8% to $1,182 million, while the organic sales growth was 5% and 9%, respectively. This compares favorably with the increase in light vehicle production, which for the same period was less than one percent in both North America and Europe.

Earnings

The Quarter

Gross profit decreased by $66 million to $156 million and the gross margin fell from 21.7% to 15.5%. The reduction was primarily due to the fall in U.S. vehicle production, higher material prices and content, and an unfavorable sales mix. The acquisitions of OEA and NSK's seat belt operations in North America have reduced Autoliv's margins, since these companies have lower gross margins than Autoliv (but also lower overhead costs).

Operating income declined by $57 million to $49 million and the operating margin fell from 10.4% to 4.9%. The decreases are due to the above-mentioned $66 million decline in gross profit. This decline was partially offset by the fact that costs for SG&A and R&D have been reduced as a percentage of sales.

Net financial expenses increased by $6 million to $15 million, mainly as a result of higher debt incurred for acquisitions, the share repurchase program.

The effective tax rate increased from 39.6% to 43.4% since the non-deductible goodwill amortization was unchanged while profits have fallen.

Earnings per share amounted to $.20 compared to $.60 during the corresponding quarter previous year. Of the decline, seven cents are due to currency exchange effects (including both translation and transaction effects). Earnings per share increased by one cent as a result of the stock repurchase program and declined by two cents due to the higher effective tax rate.

The Full Year

During the 12-month period, gross profit declined by $21 million to $786 and gross margin contracted from 21.2% to 19.1% for the reasons mentioned above. Operating income decreased by $29 million to $340 million and operating margin from 9.7% to 8.2%, primarily due to the lower gross margin.

Income before taxes declined by $39 million to $291 million. In addition to the decline in operating income, the decrease was due to higher interest expense from higher debt.

Net income decreased by $31 million to $169 million and earnings per share by 28 cents to $1.67. The stock repurchase program increased the earnings per share by one cent, while currency exchange effects reduced them by 16 cents and a higher effective tax rate by two cents.

The effective tax rate was 40.9% during 2000 and 40.6% during 1999.

Cash Flow and Balance Sheet

During the quarter, the operations generated $69 million in cash compared to $156 million during the same quarter of 1999. Net capital expenditures amounted to $65 million and $49 million, respectively. The largest capital expenditures were expansion of the production capacity for inflators and expansions of the tech centers in France and the U.S.

After operating and investing activities operations generated $13 million in cash compared to $89 million during the corresponding quarter 1999.

Net debt fell since the third quarter by $4 million to $1,009 million and the gross interest-bearing debt was reduced by $34 million to $1,091 million. During the quarter, $14 million was used to buy back stock.

The net debt to capitalization ratio stood unchanged during the quarter at 35%. The equity has been reduced by currency effects and the share buy-back program.

Employees
The number of employees rose by 500 during the quarter and by 5,400 during the year to 28,000. Of the annual increase, 3,300 was due to acquisitions, net of divestitures. The remaining increase, which corresponds to 9% of the number of employees at the beginning of the year, compares favorably with Autoliv's unit sales increase.

The number of employees in low labor-cost countries rose from 1,900 to 5,200. Consequently, Autoliv currently has 19% of its employees in these countries, compared to 8% a year ago.

Significant Events
• Following the record order increase in 1999, Autoliv's order intake continued during 2000 to grow at a double-digit rate and the Company recorded a number of break-through orders, such as its first contract for rollover sensors in North America, the first electronics order from BMW and a major contract for a new weight sensing system for advanced airbags. This contract is estimated to be the largest production contract awarded for such a system, since the new U.S. airbag regulations were adopted in May.

• As of December 31, Autoliv had acquired 4.5 million of its shares following the authorization in May of the Board of Directors to repurchase up to 10 million shares. Since the program commenced, $103 million has been used to buy back shares. The buy-backs have improved earnings per share by one cent, both in the quarter and for the full year.

• Substantially all of the assets of OEA Aerospace, Inc., have been sold. The operations (which were part of OEA that Autoliv acquired in May) were not related to Autoliv's core business. The transaction had no effect on earnings.

• An agreement has been established with Mando Corporation, a leading Korean auto parts supplier, to form a joint venture. The new company, Autoliv Mando Corporation, in which Autoliv will have 65% of the shares, is expected to reach annual sales, in a few years' time, of approximately $200 million, almost 5% of Autoliv's current sales. Presently, Korea is supported by export from Autoliv companies in other countries.

• The Annual General Meeting of Stockholders will be held in Chicago on April 24, 2001. Holders of record on February 26, 2001 will be entitled to be present and vote at the Meeting. Notice of the Meeting, the Annual Report and the Proxy Statement will be mailed to the stockholders at the end of March.

Prospects
Assuming that the January currency exchange rates prevail for the rest of the year, Autoliv's sales will be negatively impacted by 3% during the year's first quarter, while the effect for the full year will be up 1%. Acquisitions are expected to add 7% to sales in the quarter and 2% for the full year. The supply value of safety systems per vehicle is expected to continue to grow.

In order to cut inventories and adjust to expected lower demand during 2001, the U.S. vehicle manufacturers have announced even steeper production cuts for the first quarter than published in early December when Autoliv commented on the year 2001 profit outlook. The plans for GM, Chrysler and Ford now call for a reduction of more than 20% in the current quarter. Consequently, Autoliv's earnings for the first quarter 2001 will be lower than foreseen in December.

Autoliv's management has begun implementing a comprehensive action program to reduce costs, eliminate unutilized capacity and improve cash flow. The program includes reduction of headcount by more than 1,000 or approximately 12% in the U.S. and consolidation of manufacturing by closing, phasing-out and down-sizing of plants in both U.S. and Europe, as well as further transfers of high-labor content jobs to low cost countries. A quarter of the U.S. headcount reduction will take place during this quarter and the remaining reduction will become effective in the following quarters.

Dividend and Report
A dividend of 11 cents per share will be paid on March 1 to Stockholders of record as of February 1. The ex-date will be January 30.

The next quarterly report for the period January 1 through March 31 will be published on April 19, 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 Oct. – Dec. 2000	Quarter Oct. – Dec. 1999	12 Months Jan. – Dec. 2000	12 Months Jan. – Dec. 1999
Earnings per share [1]	$.20	$.60	$1.67	$1.95
Equity per share	19.49	18.86	19.49	18.86
Working capital, $ in millions	365	202	365	202
Capital employed, $ in millions	2 919	2 527	2 919	2 527
Net debt, $ in millions	1 009	596	1 009	596
Net debt to equity, %	53	31	53	31
Net debt to capitalization, % [2]	35	24	35	24
Gross margin, % [3]	15.5	21.7	19.1	21.2
EBITDA-margin, % [4]	11.8	16.6	14.8	16.3
Operating/EBIT margin, % [5]	4.9	10.4	8.2	9.7
Return on equity, %	4.1	12.8	8.7	10.6
Return on capital employed, %	6.9	16.8	12.4	14.6
Average number of shares in millions [1]	98.0	102.4	100.9	102.4
Number of shares at period-end in millions [1]	97.8	102.3	97.8	102.3
Number of employees at period-end	28 000	22 600	28 000	22 600

[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 Oct. – Dec. 2000	Quarter Oct. – Dec. 1999	12 Months Jan. – Dec. 2000	12 Months Jan. – Dec. 1999
Net sales				
- Airbag products	$704.0	$735.4	$2 934.3	$2 714.9
- Seat belt products	299.1	290.6	1 181.8	1 097.3
Total net sales	**1 003.1**	**1 026.0**	**4 116.1**	**3 812.2**
Cost of sales	-847.6	-803.8	-3 330.0	-3 005.4
Gross profit	**155.5**	**222.2**	**786.1**	**806.8**
Selling, general & administrative expense	-46.7	-48.1	-190.0	-176.8
Research & development	-45.2	-52.4	-195.7	-197.3
Amortization of intangibles	-15.7	-15.4	-66.7	-64.1
Other income, net	1.0	-0.1	5.8	0.0
Operating income	**48.9**	**106.2**	**339.5**	**368.6**
Equity in earnings of affiliates	1.3	1.6	4.3	4.6
Interest income	6.3	3.6	13.7	11.3
Interest expense	-21.1	-12.9	-66.9	-54.8
Income before taxes	**35.4**	**98.5**	**290.6**	**329.7**
Income taxes	-14.8	-38.4	-117.2	-132.0
Minority interests in subsidiaries	-1.1	1.3	-4.7	2.2
Net income	**19.5**	**61.4**	**168.7**	**199.9**
Earnings per share	**$.20**	**$.60**	**$1.67**	**$1.95**

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	December 31 2000	September 30 2000	December 31 1999
Assets			
Cash & cash equivalents	$82.2	$111.5	$119.2
Accounts receivable	835.4	808.8	709.6
Inventories	333.5	321.5	274.0
Other current assets	97.9	139.9	78.7
Total current assets	**1 349.0**	**1 381.7**	**1 181.5**
Property, plant & equipment, net	867.2	900.4	834.6
Intangible assets, net (mainly goodwill)	1 739.3	1 700.3	1 595.7
Other assets	112.3	84.2	34.7
Total assets	**$4 067.8**	**$4 066.6**	**$3 646.5**
Liabilities and shareholders' equity			
Short-term debt	$353.8	$279.5	$244.5
Accounts payable	540.3	507.3	453.4
Other current liabilities	361.8	386.2	406.7
Total current liabilities	**1 255.9**	**1 173.0**	**1 104.6**
Long-term debt	737.4	845.0	470.4
Other non-current liabilities	142.4	135.9	131.5
Minority interest in subsidiaries	22.0	17.5	9.0
Shareholders' equity	1 910.1	1 895.2	1 931.0
Total liabilities and shareholders' equity	**$4 067.8**	**$4 066.6**	**$3 646.5**
Working capital, $ in millions	365	377	202
Capital employed, $ in millions	2 919	2 908	2 527
Net debt, $ in millions	1 009	1 013	596

SELECTED CASH-FLOW ITEMS
(Dollars in millions)

	Quarter Oct. – Dec.		12 Months Jan. – Dec.	
	2000	**1999**	**2000**	**1999**
Net income	$19.5	$61.4	$168.7	$199.9
Depreciation and amortization	69.3	64.0	269.1	253.4
Deferred taxes and other	18.9	10.9	19.7	51.1
Change in working capital	-39.2	19.2	-191.7	-68.3
Net cash provided by operations	**68.5**	**155.5**	**265.8**	**436.1**
Capital expenditures, net	-64.6	-49.0	-216.5	-211.7
Acquisitions of businesses, net	8.9	-17.3	-211.4	-43.7
Net cash after operating and investing activities	**$12.8**	**$89.2**	**$-162.1**	**$180.7**

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