Autoliv

Financial Report
July - September 2002

- **Record sales increase, up 17% to $1.1 billion**
- **Earnings before tax up 28% to $66 million**
- **Earnings per share up 35% to $.42**
- **Strong cash generation**

(Stockholm, October 17, 2002) – – Autoliv Inc. (NYSE: ALV and SSE: ALIV) – the worldwide leader in automotive safety systems – reported record sales growth and record-breaking third-quarter earnings per share and cash flow for the three-month period ended September 30.

Consolidated sales rose by 17% to $1.1 billion. This was due to organic growth, the VRE-acquisition and a weaker U.S. dollar. Operating income rose by 21% to $77 million. Income before taxes rose by 28% to $66 million and net income by 37% to $41 million. Earnings per share improved by 35% to $.42. These improvements on a comparable basis were mainly due to strong sales and the restructuring program announced in October 2001.

After investments, the operations generated $67 million in cash during the quarter and $260 million during the last twelve months.

Market Overview

During the period July-September 2002, light vehicle production increased in the Triad (i.e. Europe, North America and Japan) by 5% compared to the same quarter last year.

In *Western Europe*, where Autoliv generates half of its revenues, vehicle production is estimated to have declined by a little more than 1% due to weaker car sales and an unusually strong third quarter last year. Car sales have been unevenly distributed with strong demand for new car models and weak demand for many older car models. The new models include Ford's new Fiesta, Mercedes new E-class and Nissan's new Primera, all vehicles to which Autoliv delivers safety systems. The strong performance of BMW's Mini, to which Autoliv is the exclusive safety system supplier, also continued. Another Autoliv customer showing strong sales is Peugeot/Citroën. In Europe, therefore, the customer mix was favorable to Autoliv.

In *North America*, which accounts for one third of Autoliv's revenues, light vehicle production rose by 12%, from an unusually low level in the corresponding quarter 2001 due to effects from the September 11 attack. The outcome was better than the 9% increase forecasted in July. Light truck production rose by 15%, while production in the passenger car segment, to which Autoliv is more exposed, increased by 8%. In North America, therefore, the vehicle mix was unfavorable to Autoliv.

In *Japan*, which accounts for a tenth of the Company's sales, light vehicle production increased by close to 3%. This was somewhat better than expected mainly due to strong export sales.

In addition to global light vehicle production, Autoliv's market is driven by the growing safety content per vehicle. The main current driver of this trend is the *Inflatable Curtain* for side-impact and rollover protection. The market for this head airbag is expected to grow to approximately 25 million in annual unit sales by 2004, from less than 10 million last year. This strong trend benefits Autoliv, since Autoliv – as the inventor of the product – accounts for 50% of the global market for the curtain airbags.

Sales for the Third Quarter

Autoliv's consolidated net sales during the three-month period ended September 30, 2002, rose by 17% to $1,067 million compared to 13% forecasted in July for the third quarter. The better-than-expected outcome is almost entirely due to the fact that the rate in organic growth, at 7%, was twice as fast as expected. The weaker U.S. dollar and the acquisition in April of VRE (Visteon Restraint Electronics) contributed 6% and 4%, respectively, to reported sales. Autoliv's robust organic growth is a result of higher market shares. This reflects Autoliv's better position in head protection side-curtains and other growth areas of the market. Unit sales for the *Inflatable Curtain* rose by 43%.

The higher market share is also a reflection of new business with customers in Japan and Korea.

Sales in *Europe* rose by 19%. Currency effects added 12% to the revenues, organic growth 5% and the VRE-acquisition 2%. Autoliv's organic sales increase outperformed European car production, which is estimated to have declined by 1% during the same period. Sales performed particularly well in the U.K., Spain and Germany, primarily due to the new Ford Fiesta, the BMW Mini, the new Nissan Primera and the new Mercedes E-class.

Sales in *North America* grew by 9%. The acquisition of VRE added 7%, while the organic sales increase was 2%. The low organic growth in relation to the increase in North American light vehicle production is mainly due to three reasons. In addition to the unfavorable vehicle mix and the expiration of a few seat belt contracts, the organic growth has been affected by the introduction of a new less-expensive passenger airbag. In unit terms, however, sales of frontal airbags – i.e. the major products – rose by 19%, compared to the 12% increase in North American light vehicle production.

Sales in *Japan* continued to rise, as in the second quarter, by over 20% in a relatively flat market. The strong sales performance was led by the *Inflatable Curtain* (especially to Nissan models and Toyota's Camry) and chest side-airbags (to e.g. Nissan models and Honda's CRV). Driver airbag and passenger airbag sales also outperformed the underlying vehicle production.

Sales of *airbag products* (incl. steering wheels) increased by 18% to $762 million. The VRE acquisition added 7% to sales, currency translation effects added 5% and organic growth 6%, compared to the 5% increase in the Triad's light vehicle production. Passenger airbags and side-curtain airbags drove Autoliv's organic sales. Volkswagen's decision to make side-curtain airbags standard in the Golf has contributed to the sales of the *Inflatable Curtain.*

Sales of *seat belt products* (incl. seat sub-systems) increased by 16% to $305 million. The organic increase was 9%, while currency effects added 7% to reported sales. Organic sales growth was twice as fast as the increase in light vehicle production. Sales were driven by new business in Korea and market share gains in Europe, mainly as a result of strong sales of pretensioners.

Sales for Jan. – Sept.

For the nine-month period January through September, sales rose by 8% to $3,265 million. Acquisitions, net of divestitures, added 3% and currency effects 1%. Organic growth was 4% compared to a 2% increase in the Triad's light vehicle production.

Reported sales of airbags rose by 9% to $2,320 million and of seat belts by 7% to $945 million. The organic growth rates were 4% and 5%, respectively.

Earnings for the Third Quarter
– On a Comparable Basis
Thanks to the strong sales performance and the restructuring program announced last year, Autoliv's earnings improved at all levels of the income statement – even after adjusting for the effect of the new accounting principle (SFAS 142) which abolishes the requirement for annual amortization of goodwill. On a quarterly basis, the change means a reduction in Autoliv's amortization by $13 million. For comparability, the new accounting principle has been applied, in the discussions below, to both the reporting periods this year and the reference periods last year. For the same reason, the effect of a $65 million charge for Unusual Items that was reported in the third quarter 2001 is also disregarded.

During the third quarter 2002, reported gross profit increased by 19% to $193 million. Currency translation effects added 6% to gross profit. Gross margin improved to 18.0% from 17.9% during last year's third quarter. The positive effect of a minor reclassification of a few cost items compared to last year's presentation has been offset by a similar dilutive effect from VRE.

Operating income rose by 21% to $77 million. Excluding currency translation effects, the increase was 13%. Operating margin improved to 7.2% compared to 7% expected in July for the quarter and achieved during the third quarter last year. Profits improved in Japan as a result of booming sales, and recovered in North America from the 9/11 effect. In Europe, earnings performance varied from country to country.

Net interest expense stood almost unchanged at $13 million.

Income before taxes improved by 28% to $66 million. Better operating income added 17% to the pre-tax income, currency translation effects 9% and lower net financial expenses another 2%.

Net income amounted to $41 million and earnings per share to 42 cents, an increase of 37% and 35%, respectively. The average number of shares outstanding (assuming dilution) increased to 98.2 million for the quarter from 98.0 million in last year's third quarter. The positive impact of currency exchange effects (including both translation and transaction effects) was approximately 1 cent.

The effective tax rate has been further reduced to 33% from 33.5% previously estimated for the year. Adjusting the year's previous quarters to the new estimated tax rate has resulted in a one-time catch-up effect of less than one cent in earnings per share.

Earnings for the Third Quarter
– Comparison on the Originally Reported Basis
Including the $13 million in goodwill amortization and the $65 million in Unusual Items reported in the corresponding quarter 2001, operating income increased by $91 million from a loss of $15 million to a profit of $77 million. Income before taxes improved by $93 million from a loss of $27 million to a profit of $66 million. Net income rose by $71 million from a loss of $30 million to an income of $41 million and earnings per share from a loss of 30 cents to an income of 42 cents per share.

The operating margin improved from a negative of 1.6% to positive margin of 7.2%.

Earnings for the first Nine Months
On a comparable basis, operating income improved by 12% to $242 million and the operating margin to 7.4% from 7.2% during the first nine months of 2001. Income before taxes rose by 22% to $210 million, while net income and earnings per share rose by 24% to $133 million and $1.35, respectively. The improvement was mainly due to higher sales and the restructuring program.

On the originally reported basis (i.e. including, for 2001, $39 million in goodwill amortization and Unusual Items of $65 million), operating income improved by $129 million, income before taxes increased by $142 million, net income by $112 million and earnings per share by $1.13.

Cash Flow and Balance Sheet
Due to higher earnings, cash flow from operations improved to $114 million from $34 million during the third quarter 2001. This was the fourth consecutive quarter with more than $100 million in positive cash flow before investments.

Depreciation of $57 million continued, for the third consecutive quarter, to be higher than net capital expenditures. These expenditures amounted in the third quarter to $49 million, a reduction by $12 million from the same quarter last year. The reduction reflects a reduced requirement for geographical expansion and additional crash test facilities following past years' investments. In addition, as a result of the move of more production to low-labor-cost countries, there is less need for expensive, automated manufacturing machinery.

Due to the lower capital expenditures and the strong operational cash flow, $67 million in cash was generated after investments. This is an improvement of $94 million. Over the last 12 months, Autoliv has generated $260 million in cash after investments (incl. acquisitions).

Net debt and gross interest-bearing debt decreased during the quarter by $57 million to $896 million and by $23 million to $1,045 million, respectively, as of September 30. Within a year net debt has been reduced by close to $200 million.

The net debt to capitalization ratio declined by one percentage point during the quarter to 31%. Working capital has been reduced by 14% over the last twelve months despite the acquisition of VRE and the move of production to low-labor-cost countries, and the resulting higher inventories. During the quarter, working capital was reduced by 5%, to 9.4% in relation to sales, thereby achieving Autoliv's target of less than 10% of sales.

Equity increased by $12 million despite an $11 million negative effect from translating local currencies into U.S. dollars. Equity was also reduced by the payment of the quarterly dividend of $11 million. The U.S. accounting principle SFAS 133 relating to cash flow hedging had a negative effect of $8 million.

Headcount
Total headcount (employees plus temporary hourly workers) increased by nearly 600 during the quarter, despite a decline in high-labor-cost countries. Consequently, the headcount increase was entirely concentrated in low-labor-cost countries, in accordance with Autoliv's policy.

Prospects
The increase in light vehicle production was unusually strong in the third quarter as a result of the recovery from the 9/11 effect last year. As a consequence, the growth in vehicle production is expected to ease and amount to approximately 3% in both North America and Europe. Assuming that the mid-October exchange rates prevail, Autoliv's sales will also be favorably affected by approximately 5% during the fourth quarter. The acquisition of VRE is expected to add 4% to consolidated sales. Including the higher market share trend for Autoliv, these assumptions indicate for the fourth quarter that sales will grow at almost the same rate as in the third quarter and that the operating margin will remain at approximately the same level as in the third quarter.

Launches
Some important new Autoliv programs during the recent months have been:

- *Ford's new Fusion*: Smart frontal airbags with leather steering wheel, side airbags, *Inflatable Curtains* and seat belts.
- *Ford's new Falcon Barra*: Smart frontal airbags with steering wheel, side airbags, seat belts and electronics.
- *Ford's new Explorer Sport Trac*: Airbag electronics.
- *GM's new Holden Commodore:* Frontal airbags, side airbags and seat belts.
- *GM's new Saturn SL/SC: Inflatable Curtains.*
- *Jaguar's new XJ8*: Airbag electronics.
- *Porsche's new Cayenne:* Seat belts.
- *Renault's new Mégane*: Smart frontal airbags with steering wheel, anti-sliding bags, side airbags, *Inflatable Curtains,* seat belts (with dual pretensioners for the driver) and electronics.
- *Renault's new Espace:* Smart frontal airbags with steering wheel, side airbags, *Inflatable Curtains,* seat belts (with dual pretensioners for the driver) and electronics.
- *Samsung's new SM3:* Frontal airbags, side airbags and seat belts.
- *Toyota's Land Cruiser and Lexus LX470*: *Inflatable Curtains.*
- *Toyota's new Hilux Surf:* Passenger airbag, and *Inflatable Curtains.*
- *VW's new Touareg*: Seat belts.

Other Significant Events
- Autoliv has introduced the world's first anti-sliding bag, which prevents occupants from sliding under the seat belt. The bag also improves protection offered by the frontal airbag by keeping the occupant in a more up-right position, so the entire bag catches the occupant. In addition, the new bag offers better knee protection. The bag has been developed in cooperation with Renault, which is launching the anti-sliding bag in its new 2- and 3-door Mégane.

- A plant for airbags and seat belts has been opened near Seoul in South Korea. The facility will provide much-needed capacity for Autoliv's booming Korean business. Sales are expected to skyrocket from $40 million this year to $150 million in two years' time. Half of that growth will be organic, and the other half will be existing production that will be moved to the new plant from Autoliv companies in other countries.

- Autoliv has started its sixth company in China. The new company is focusing on production for vehicle manufacturers in Manchuria in Northern China. Autoliv owns 59% of the shares in the new company and Maw Hung Industrial Corporation in the city of Changchun the remaining 41%.
At the beginning of next year, the new joint venture will acquire the existing assets and the seat belt business of Changchun Engley (formerly Harbin Engley). Later, the new company will also offer airbags and a range of sophisticated safety systems. Initial contracts are for seat belts for the Audi A6, the Volkswagen Jetta A2 and for local Chinese vehicle manufacturers.

Dividend
A dividend of 11 cents per share will be paid on December 5, 2002 to Shareholders of record as of November 7. The ex-date, when the shares will trade without the right to the dividend, is November 5.

The next quarterly report, which covers the period October 1 through December 31, will be published on January 23, 2003.

"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 – the economic outlook for the Company's markets, fluctuation of foreign currencies, fluctuation 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 July – September			Nine months January – September		
	2002 Reported	2001 Comparable[1)]	2001 Reported[2)]	2002 Reported	2001 Comparable[1)]	2001 Reported[2)]
Earnings per share [3)]	$.42	$.31	$(.30)	$1.35	$1.09	$.22
Equity per share	20.33	19.11	19.11	20.33	19.11	19.11
Net debt to equity, %	45	58	58	45	58	58
Net debt to capitalization, %	31	37	37	31	37	37
Gross margin, % [4)]	18.0	17.9	12.8	18.3	17.6	16.0
EBITDA-margin, % [5)]	13.0	13.1	8.5	12.9	12.9	11.6
Operating/EBIT margin, % [6)]	7.2	7.0	(1.6)	7.4	7.2	3.7
Return on equity, %	8.3	6.4	(6.2)	9.1	7.5	1.5
Return on capital employed, %	10.8	8.8	(1.8)	11.3	10.0	5.3
Average no. of shares in millions [3)]	98.2	98.0	98.0	98.2	98.0	98.0
No. of shares at period-end in millions [7)]	98.0	97.9	97.9	98.0	97.9	97.9
No. of employees at period-end	29,300	28,300	28,300	29,300	28,300	28,300
Headcount at period-end	33,600	32,200	32,200	33,600	32,200	32,200

[1)]Highlighted figures exclude Unusual Items and are adjusted to reflect new accounting principle [2)]According to old accounting principle and including Unusual Items [3)]Assuming dilution [4)]Gross profit relative to sales [5)]Income before interest, taxes, depreciation and amortization relative to sales [6)]Operating income relative to sales [7)]Net of treasury shares

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions)

	Quarter July – September			Nine months January – September		
	2002 Reported	2001 Comparable[1)]	2001 Reported[2)]	2002 Reported	2001 Comparable[1)]	2001 Reported[2)]
Net sales						
- Airbag products	$761.5	$645.5	$645.5	$2,319.9	$2,134.2	$2,134.2
- Seat belt products	305.0	262.2	262.2	944.7	887.0	887.0
Total net sales	**1,066.5**	**907.7**	**907.7**	**3,264.6**	**3,021.2**	**3,021.2**
Cost of sales	(874.0)	(745.5)	(791.6)	(2,668.0)	(2,490.8)	(2,536.9)
Gross profit	**192.5**	**162.2**	**116.1**	**596.6**	**530.4**	**484.3**
Selling, general & administrative expenses	(54.8)	(46.7)	(46.7)	(161.6)	(145.6)	(145.6)
Research, development & engineering expenses	(55.5)	(47.4)	(47.4)	(174.1)	(158.1)	(158.1)
Amortization of intangibles	(4.9)	(4.2)	(22.8)	(14.6)	(12.5)	(56.9)
Other income, net	(0.5)	(0.2)	(13.7)	(4.3)	2.4	(11.1)
Operating income	**76.8**	**63.7**	**(14.5)**	**242.0**	**216.6**	**112.6**
Equity in earnings of affiliates	1.7	1.2	1.2	3.9	4.2	4.2
Interest income	1.1	1.5	1.5	4.2	4.6	4.6
Interest expense	(13.9)	(14.6)	(14.6)	(40.8)	(50.5)	(50.5)
Other financial items	0.0	(0.5)	(0.5)	0.7	(2.6)	(2.6)
Income before taxes	**65.7**	**51.3**	**(26.9)**	**210.0**	**172.3**	**68.3**
Income taxes	(21.0)	(18.8)	(0.3)	(69.3)	(58.8)	(40.3)
Minority interests in subsidiaries	(3.3)	(2.3)	(2.3)	(7.8)	(6.6)	(6.6)
Net income	**41.4**	**30.2**	**(29.5)**	**132.9**	**106.9**	**21.4**
Earnings per share	**$.42**	**$.31**	**$(.30)**	**$1.35**	**$1.09**	**$.22**

[1)]Highlighted figures exclude Unusual Items and are adjusted to reflect new accounting principle related to goodwill amortization [2)]According to old accounting principle and including Unusual Items

CONSOLIDATED BALANCE SHEET

(Dollars in millions)

	September 30 2002	June 30 2002	March 31 2002	December 31 2001	September 30 2001
Assets					
Cash & cash equivalents	$149.6	$115.8	$83.9	$84.2	$68.8
Accounts receivable	970.9	1,059.6	932.3	837.2	893.0
Inventories	362.3	337.5	315.7	329.5	335.5
Other current assets	73.5	68.5	98.9	114.7	108.7
Total current assets	**1,556.3**	**1,581.4**	**1,430.8**	**1,365.6**	**1,406.0**
Property, plant & equipment, net	873.0	890.2	829.5	845.0	846.5
Intangible assets, net (mainly goodwill)	1,690.3	1,697.4	1,679.9	1,685.4	1,685.9
Other assets	114.2	120.7	112.0	108.3	110.2
Total assets	**$4,233.8**	**$4,289.7**	**$4,052.2**	**$4,004.3**	**$4,048.6**
Liabilities and shareholders' equity					
Short-term debt	$92.2	$35.0	$40.4	$70.2	$158.4
Accounts payable	567.1	604.5	507.2	481.3	484.0
Other current liabilities	442.7	443.5	416.7	362.9	393.3
Total current liabilities	**1,102.0**	**1,083.0**	**964.3**	**914.4**	**1,035.7**
Long-term debt	953.1	1,033.4	1,006.1	1,037.1	990.4
Other non-current liabilities	151.8	159.2	153.1	150.7	127.1
Minority interest in subsidiaries	34.7	33.8	28.5	26.8	24.7
Shareholders' equity	1,992.2	1,980.3	1,900.2	1,875.3	1,870.7
Total liabilities and shareholders' equity	**$4,233.8**	**$4,289.7**	**$4,052.2**	**$4,004.3**	**$4,048.6**
Days receivables outstanding [1)]	80	83	84	79	82
Days inventory outstanding [2)]	31	28	29	32	32
Working capital, $ in millions	397	418	423	437	460
Capital employed, $ in millions	2,888	2,933	2,863	2,898	2,951
Net debt, $ in millions	896	953	963	1,023	1,080

[1)]Outstanding receivables at average exchange rates relative to average daily sales [2)]Outstanding inventory at average exchange rates relative to average daily sales.

CONSOLIDATED STATEMENT OF CASHFLOW

(Dollars in millions)

	Quarter July – September 2002	Quarter July – September 2001	Nine months Jan. – Sept. 2002	Nine months Jan. – Sept. 2001	Oct. 2001 – Sept. 2002	Full year 2001
Net income	$41.4	$(29.5)	$132.9	$21.4	$159.4	$47.9
Depreciation and amortization	62.3	68.2	180.4	212.7	248.1	280.4
Deferred taxes and other	13.7	13.0	11.9	11.6	31.8	31.5
Unusual items	-	44.6	-	44.6	-	44.6
Change in working capital	(3.0)	(62.5)	33.5	(168.8)	64.1	(138.2)
Net cash provided by operations	**114.4**	**33.8**	**358.7**	**121.5**	**503.4**	**266.2**
Capital expenditures, net	(49.3)	(61.4)	(145.1)	(180.2)	(200.6)	(235.7)
Acquisitions of businesses, net	1.4	-	(24.5)	(15.2)	(22.4)	(13.1)
Investment in intangibles	-	-	-	-	(20.8)	(20.8)
Net cash after investing activities	**66.5**	**(27.6)**	**189.1**	**(73.9)**	**259.6**	**(3.4)**
Increase (decrease) in debt	(12.8)	37.7	(94.2)	92.9	(135.1)	52.0
Dividend payments	(10.8)	(10.8)	(32.3)	(32.3)	(43.0)	(43.0)
Shares issued and options exercised	0.6	-	0.8	-	1.7	0.9
Other, net	(8.6)	0.9	(7.7)	2.9	(10.2)	0.4
Effect of exchange rate changes on cash	(1.1)	2.2	9.7	(3.0)	7.8	(4.9)
Increase (decrease) in cash	**33.8**	**2.4**	**65.4**	**(13.4)**	**80.8**	**2.0**
Cash at beginning of period	115.8	66.4	84.2	82.2	68.8	82.2
Cash at end of period	**$149.6**	**$68.8**	**$149.6**	**$68.8**	**$149.6**	**$84.2**