Autoliv

Financial Report
July - September 2000

- **Record number of program launches**
- **Sales up 9% and organic sales up 4% while global car production down 2%**
- **Earnings per share declined by $.03 due to currency effects to $.39**

(Stockholm, October 19, 2000) -- Autoliv Inc. (NYSE: ALV and SSE: ALIV), the worldwide leader in automotive safety systems, reported a 9% increase in sales to $955 million for the third quarter ending September 30, 2000. This was achieved despite the fact that the underlying market – i.e. global vehicle production – declined by 2%. Autoliv's above-average growth rate is due to acquisitions and the steady increase in the demand for car safety, which resulted in a 50% increase in the number of program launches during the third quarter this year.

These launches, in combination with supply chain issues, have required significant start-up efforts. At the same time, a substantial fall in the demand from British customers has led to a structural imbalance in Autoliv's U.K. operations. In addition, currency translation effects and newly acquired companies have reduced earnings per share by $.03 each. Earnings per share was $.39 compared to $.42 during the corresponding quarter last year.

Sales

The Quarter

Consolidated net sales grew by 9% to $955 million from $874 million. Acquisitions increased sales by 12%, as a result of the consolidation of Izumi, Norma, NSK's North American seat belt operations and OEA (excluding OEA's Aerospace division which is intended to be sold). Currency translation effects reduced Autoliv's reported sales by 7%.

Autoliv's organic sales (i.e. consolidated sales adjusted for currency effects and acquisitions/divestitures) rose by 4%. This compares favorably with global light vehicle production, which is estimated to have decreased by approximately 2% compared to the corresponding period last year. The fact that Autoliv's revenues rose faster than the underlying market is a reflection of the increasing demand for more – and more advanced – safety systems in each vehicle. It is also a result of Autoliv's market shares gains within the automotive safety industry.

The U.S. market contributed the most to Autoliv's sales increase (mainly due to the acquisition of OEA and NSK's seat belt operation, a doubling in steering wheel sales and a 50% plus increase in seat belt sales). Sales also rose rapidly in Sweden (due to a higher supply value per vehicle) and Australia (incl. export sales). Although France and Spain reported continued strong sales performances in local currencies, the improvements were not enough to offset the negative currency translation effect.

Sales of *airbag products* (incl. steering wheels) rose by 10% to $682 million from $622 million. Currency effects reduced reported sales by 6% and acquisitions increased sales by 13%. Consequently, the organic increase was 3%. Sales were mainly driven by a tripling of steering wheel sales and higher volumes for the *Inflatable Curtain*, Autoliv's new side-impact airbag for head protection.

Sales of *seat belt products* (incl. seat sub-systems) grew by 9% to $273 million from $252 million. Currency effects reduced reported sales by 11%, while acquisitions increased sales at the same rate. Consequently, organic sales growth was the same as reported growth or 9%. The growth is mainly due to substantial market share gains in the U.S. and breakthroughs in the U.S. for Autoliv's seat belt pretensioners.

The Nine-Month Period

Consolidated sales for the nine-month period January through September rose by 12% to $3,113 million, while the organic sales growth was 10%. Autoliv's airbag sales rose by 13% to $2,230 million and seat belt sales by 9% to $883 million, while the organic sales growths was 10% for both product lines.

Global vehicle production increased by less than 3%.

Earnings

The Quarter

Autoliv's gross profit declined by 3% to $180 million from $184 million and operating income by 2% to $79 million from $81 million, partly as a result of a 50% increase in the number of program launches and associated supply chain problems. The results have also been reduced by a substantial fall in demand from UK customers and by development and start-up costs for new electronic systems, such as intelligent airbag systems and post-crash telematics. In addition, Autoliv's cost reduction targets for material costs have not been fully realized due to increased world market prices for plastics, electronic components and raw materials.

The acquisitions of OEA and NSK's seat belt operations in North America ("newly acquired companies") have also reduced Autoliv's margins, since the integration of the new companies has just begun. The newly acquired companies have lower gross profit margin than Autoliv, while they spend relatively less in R&D and SG&A. The performance of these companies is according to plan and is expected to contribute to consolidated earnings next year.

The consolidated gross margin declined to 18.8% from 21.1% and the operating margin to 8.3% from 9.3% during the same period in 1999. Adjusted for newly acquired companies, the margins were 19.6% and 8.7%, respectively.

Net financial expenses increased by $3 million to $14 million, mainly as a result of higher debt following the acquisitions, but also as a result of increased debt due to the effect of Autoliv's share re-purchase program. The effective tax rate was 40% compared to 41% for the third quarter 1999.

Since Autoliv has almost 50% of its business in Europe, the stronger U.S. dollar to the Euro had a negative impact. For the quarter, this factor is estimated to have reduced reported earnings per share by $.03. The combined negative effect from currency translation effects and acquisitions amounted to $.06 per share.

The Nine-Month Period

During the first nine months, gross profit improved by 8% to $631 million from $585 million, operating income by 11% to $291 million from $262 million and earnings per share by 8% to $1.46 from $1.35.

The tax rate was approximately 41% in both periods. Excluding non-deductible goodwill amortization, the tax rate was 35%.

The gross margin was 20.3% compared to 21.0% and operating margin 9.3% compared to 9.4%. Adjusted for newly acquired companies the margins were 20.8% and 9.5%, respectively.

Cash Flow and Balance Sheet
The operations generated $47 million in cash compared to $76 million during the same quarter of 1999. Capital expenditures, net amounted to $60 million and $37 million, respectively, and acquisitions to $0million and $8 million. Last year's capital expenditures, net were reduced by disposals of fixed assets. The largest capital expenditures were capacity expansions for the *Inflatable Curtain*, other airbag products and inflators, as well as expansions of the tech centers in the U.S. and France. OEA's capital expenditures added $12 million to the consolidated capital expenditures.

The net cash flow after operating and investing activities declined by $60 million to a deficit of $13 million.

Net debt increased during the third quarter by $72 to $1,013 million and the gross interest-bearing debt by $89 million to $1,125 million. The share buy-back program increased the net debt during the quarter by $78 million.

The net debt-to-equity ratio increased during the quarter to 53% from 47%. The equity has been reduced by currency effects and the share-buy-back program.

Employees
The number of employees increased by 300 during the quarter to 27,500. The increase was entirely in low labor-cost countries where the number of employees increased by nearly 500 people.

Significant Events
• Autoliv has received its first order for electronics in North America. It is a development and production contract for Autoliv's new high-performance, silicon based rollover sensor, which will be installed in over 1.2 million North American vehicles starting with the 2004 model year. The contract calls for the use of Autoliv's new patented decision making software program, which is integrated with the sensor.

• One of the world's first post-crash systems - *Volvo On Call* – has been introduced in cooperation with Volvo Car Corporation. It is a crash-robust system that automatically calls the Emergency Medical Service Center immediately after a crash and gives the rescue team the exact location of the accident.

• As of September 30, Autoliv had repurchased 3.9 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, nearly $90 million has been used to buy back Autoliv shares. The buy-backs have improved earnings per share by less than one cent in the third quarter.

• In October, Autoliv sold its leadwire business in the U.S. The divestiture follows the sale and closure over the last two years of seven other non-core units with a total of 1,000 employees. In addition to reducing costs, these transactions and the sales of two properties have released close to $60 million. The sale of the leadwire business will not have a material effect on Autoliv's earnings.

• Autoliv Inc. is replacing its current credit agreement with a new syndicated multi-currency credit facility amounting to $800 million, arranged by Bank One in the U.S. and SEB in Sweden. The transaction will be split into a $300 million 364-day renewable credit line and a $500 million credit facility running for five years. The agreement replaces both the $850 million credit facility from 1997 associated with the ASP merger and the $300 million loan used for the acquisition of OEA this year.

• The dispute with Simula Inc. about a licensing agreement for the head side airbag ITS has been settled and Simula has granted Autoliv a non-exclusive license to the ITS and some other products. Together with other considerations in the settlement, the agreement should secure a productive cooperation in the future.

Prospects
According to market analyst institutes, light vehicle production in North America and Europe is expected to decline compared to the fourth quarter 1999. At the same time, Autoliv's sales will be negatively impacted by approximately 9%, if today's exchange rates prevail for the rest of the year. Autoliv's sales will be favorably impacted, on the other hand, by acquisitions, which are expected to add approximately 11% to sales, and by the increasing supply value of safety systems per vehicle. This value is estimated to have grown – in local currencies – in the magnitude of 5% annually over the last few years.

The negative effect on Autoliv's earnings from the newly acquired companies is expected to be negligible during the fourth quarter. Start-up costs for program launches and the related supply chain issues are also expected to diminish. At the same time, actions are being taken to address the problems in the UK operations and to reduce the effect from increasing materials prices, but these actions will not have time to yield full effect in the fourth quarter. Using current exchange rates, it is estimated that currency translation effects would reduce earnings per share by approximately $.05.

Dividend
A dividend of 11 cent per share will be paid on December 7 to Stockholders of record as of November 9. The ex-date when Autoliv's shares and depositories will trade without the right to the dividend will be November 7.

Report
The next quarterly report for the period October 1 through December 31 will be published on January 25, 2001.

KEY RATIOS

	Quarter July – Sept. 2000	Quarter July – Sept. 1999	Nine months Jan. – Sept. 2000	Nine months Jan. – Sept. 1999	Latest 12 months 00/99	Full Year 1999
Earnings per share (assuming dilution)	$.39	$.42	$1.46	$1.35	$2.06	$1.95
Equity per share	19.26	18.70	19.26	18.70	19.26	18.86
Net debt, $ in millions	1 013	683	1 013	683	1 013	596
Net debt to equity, %	53	36	53	36	53	31
Working capital, $ in millions	377	230	377	230	377	202
Capital employed, $ in millions	2 908	2 595	2 908	2 595	2 908	2 527
Gross margin, % [1]	18.8	21.1	20.3	21.0	20.6	21.2
EBITDA-margin, % [2]	15.3	15.9	15.8	16.2	16.0	16.3
Operating/EBIT margin, % [3]	8.3	9.3	9.3	9.4	9.6	9.7
Return on equity, %	8.0	9.1	10.2	9.9	10.9	10.6
Return on capital employed, %	11.1	12.9	14.3	13.8	14.8	14.6
Average number of shares in millions [4]	100.9	102.3	101.9	102.3	102.2	102.4
Number of shares at period-end in millions [4]	98.4	102.3	98.4	102.3	98.4	102.3
Number of employees at period-end	27 500	22 100	27 500	22 100	27 500	22 600

[1]Gross profit relative to sales [2]Income before interest, taxes, depreciation and amortization relative to sales [3]Operating income relative to sales 4) [4]Assuming dilution

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share data)

	Quarter July – Sept. 2000	Quarter July – Sept. 1999	Nine months Jan. – Sept. 2000	Nine months Jan. – Sept. 1999	Latest 12 months 00/99	Full Year 1999
Net sales						
- Airbag products	$681.8	$622.3	$2 230.3	$1 979.5	$2 965.7	$2 714.9
- Seat belt products	273.0	251.5	882.7	806.7	1 173.3	1 097.3
Total net sales	**954.8**	**873.8**	**3 113.0**	**2 786.2**	**4 139.0**	**3 812.2**
Cost of sales	-775.3	-689.6	-2 482.4	-2 201.6	-3 286.2	-3 005.4
Gross profit	**179.5**	**184.2**	**630.6**	**584.6**	**852.8**	**806.8**
Selling, general & administrative expense	-43.1	-41.0	-143.3	-128.7	-191.4	-176.8
Research & development	-42.0	-45.7	-150.5	-144.9	-202.9	-197.3
Amortization of intangibles	-18.0	-16.3	-51.0	-48.7	-66.4	-64.1
Other income, net	3.0	-0.3	4.8	0.1	4.7	0.0
Operating income	**79.4**	**80.9**	**290.6**	**262.4**	**396.8**	**368.6**
Equity in earnings of affiliates	1.6	2.2	3.0	3.0	4.6	4.6
Interest income	2.1	2.6	7.4	7.7	11.0	11.3
Interest expense	-16.5	-13.9	-45.8	-41.9	-58.7	-54.8
Income before taxes	**66.6**	**71.8**	**255.2**	**231.2**	**353.7**	**329.7**
Income taxes	-26.0	-28.6	-102.4	-93.6	-140.8	-132.0
Minority interests in subsidiaries	-1.7	0	-3.6	0.9	-2.3	2.2
Net income	**38.9**	**43.2**	**149.2**	**138.5**	**210.6**	**199.9**
Earnings per share	**$.39**	**$.42**	**$1.46**	**$1.35**	**$2.06**	**$1.95**

CONSOLIDATED BALANCE SHEET

(Dollars in millions)

	September 30 2000	December 31 1999
Assets		
Cash & cash equivalents	$111.5	$119.2
Accounts receivable	808.8	709.6
Inventories	321.5	274.0
Other current assets	139.9	78.7
Total current assets	**1 381.7**	**1 181.5**
Property, plant & equipment, net	900.4	834.6
Intangible assets, net (mainly goodwill)	1 700.3	1 595.7
Other assets	84.2	34.7
Total assets	**$4 066.6**	**$3 646.5**
Liabilities and shareholders' equity		
Short-term debt	$279.5	$244.5
Accounts payable	507.3	453.4
Other current liabilities	386.2	406.7
Total current liabilities	**1 173.0**	**1 104.6**
Long-term debt	845.0	470.4
Other non-current liabilities	135.9	131.5
Minority interest in subsidiaries	17.5	9.0
Shareholders' equity	1 895.2	1 931.0
Total liabilities and shareholders' equity	**$4 066.6**	**$3 646.5**

SELECTED CASH-FLOW ITEMS

(Dollars in millions)

	Quarter July – Sept.		Nine months Jan. – Sept.		Latest 12 months	Full Year
	2000	1999	2000	1999	00/99	1999
Net income	$38.9	$43.2	$149.2	$138.5	$210.6	$199.9
Depreciation and amortization	66.9	58.4	199.8	189.4	263.8	253.4
Deferred taxes and other	2.7	21.7	0.8	40.2	11.7	51.1
Change in working capital	-61.9	-47.4	-152.5	-87.5	-133.3	-68.3
Net cash provided by operations	**46.6**	**75.9**	**197.3**	**280.6**	**352.8**	**436.1**
Capital expenditures, net	-60.0	-36.7	-151.9	-162.7	-200.9	-211.7
Acquisitions of businesses, net	0.0	7.7	-220.2	-26.4	-237.5	-43.7
Net cash after operating and investing activities	**$-13.4**	**$46.8**	**$-174.8**	**$91.5**	**$-85.6**	**$180.7**

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