

## IMPORTANT NOTICE

### **THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE THE UNITED STATES.**

**IMPORTANT:** You must read the following before continuing. The following applies to the Offering Circular following this page (the “**Offering Circular**”) and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES DESCRIBED IN THE OFFERING CIRCULAR MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE OFFERING CIRCULAR.

**Confirmation of your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes described in the Offering Circular, prospective investors must be, or acting on behalf of, non-U.S. persons (as defined in Regulation S) located outside the United States. The Offering Circular is being sent to you at your request, and by accessing the Offering Circular you shall be deemed to have represented to Autoliv, Inc. (the “**Issuer**” or the “**Company**”), Autoliv ASP, Inc. (“**Autoliv ASP**” or the “**Guarantor**”) and the Joint Bookrunners as defined in the Offering Circular that (i) you are not a U.S. person, or acting on behalf of a U.S. person and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction, and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and (ii) you consent to delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Bookrunners that would, or is intended to,

permit a public offering of the securities, or possession or distribution of the Offering Circular or any other offering or publicity material relating to the Notes described in the Offering Circular, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer or the Guarantor in such jurisdiction.

**MiFID II PROFESSIONALS/ECPs** – The manufacturer target market (solely for MiFID II Product Governance purposes) is eligible counterparties and professional clients only (all distribution channels).

This communication is directed only at persons who (a) are outside the United Kingdom or (b) have professional experience in matters relating to investments or (c) are persons falling within Article 49(2)(a) to (d) (“*high net worth companies, unincorporated associations, etc.*”) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as relevant persons). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

This Offering Circular may only be communicated to persons in Ireland in compliance with the Irish Companies Act 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor or the Joint Bookrunners, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.



## AUTOLIV, INC.

*(incorporated as a company with limited liability in the State of Delaware, U.S.A.)*

**€500,000,000 0.750 per cent. Guaranteed Notes due 2023**

**Issue Price: 99.527 per cent.**

**unconditionally and irrevocably guaranteed by**

**AUTOLIV ASP, INC.**

*(incorporated as a company with limited liability in the State of Indiana, U.S.A.)*

The €500,000,000 0.750 per cent. Guaranteed Notes due 2023 (the "Notes") are issued by Autoliv, Inc. (the "Issuer" or the "Company"). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Autoliv ASP, Inc. ("Autoliv ASP" or the "Guarantor").

Prospective investors should have regard to the factors described in the section headed "Risk Factors" herein.

The Issuer may, at its option, redeem all or some only of the Notes as described under "Terms and Conditions of the Notes – Redemption and Purchase – Redemption at the Option of the Issuer". In addition, the Issuer may, at its option, redeem all (but not some only) of the Notes at their principal amount plus accrued interest in the event of certain tax changes as described under "Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons". Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes on 26 June 2023 (the "Maturity Date").

This Offering Circular does not comprise a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended. This Offering Circular has been approved by the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") as listing particulars for the purpose of giving information with regard to the issue of the Notes. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market (the "GEM") of Euronext Dublin. The GEM is not a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "MiFID II").

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The Issuer and Guarantor have each been assigned a long-term debt credit rating of A- by Standard & Poor's Credit Market Services Europe Limited ("S&P"). The Notes are expected to be rated A- by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Standard & Poor's is established in the European Union ("EU") and is registered under Regulation (EC) No 1060/2009 as amended (the "CRA Regulation") and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority ("ESMA").

The Notes will initially be represented by a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited on or about 26 June 2018 (the "Issue Date") with a common safekeeper for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "Permanent Global Note") and, together with the Temporary Global Note, the "Global Notes", without interest coupons, on or after 6 August 2018, upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances. See "Summary of Provisions relating to the Notes while represented by the Global Notes".

**Sole Global Coordinator**

**J.P. Morgan**

**Joint Bookrunners**

**J.P. Morgan**

**SEB**

**Morgan Stanley**

## IMPORTANT INFORMATION

This document constitutes listing particulars in respect of the admission of the Notes to the Official List and to trading on the GEM and for the purpose of giving information with regard to the Issuer and its subsidiaries (including the Guarantor) taken as a whole (the “**Group**”) and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes.

Each of the Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all of the documents which are incorporated by reference here (see “*Information Incorporated by Reference*”). This Offering Circular should be read and construed on the basis that such documents are incorporated in, and form part of, this Offering Circular. This Offering Circular may only be used for the purposes for which it has been published.

The Issuer and the Guarantor have confirmed to the Joint Bookrunners that this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes), that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer and/or the Guarantor. The Joint Bookrunners have not verified the information contained herein.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Bookrunners.

Neither this Offering Circular nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or the Joint Bookrunners that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or the Joint Bookrunners to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is

correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer and the Guarantor when deciding whether or not to purchase any Notes.

The Notes have not been recommended, approved or disapproved by the U.S. Securities and Exchange Commission or any other federal or state securities commission or regulatory authority in the United States, nor has any such commission or regulatory authority passed comment upon the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF THE NOTES GENERALLY**

The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Joint Bookrunners do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Joint Bookrunners which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Joint Bookrunners has represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about and observe any such restrictions. The Notes have not been registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the Kingdom of Sweden, the United Kingdom and the EEA (see “*Subscription and Sale*” below).

## **PRESENTATION OF INFORMATION**

References in this document to “euro”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **STABILISATION**

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “**Stabilisation Manager**”) (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and regulations.

## SUITABILITY OF INVESTMENT

The Notes are complex financial instruments and may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Prospective investors should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains or incorporates by reference forward-looking statements. The words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "likely," "might," "would," "should," "could," or the negative of these terms and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements include those that address activities, events or developments that the Company or its management believes or anticipates may occur in the future. All forward-looking statements, including without limitation, statements regarding management's examination of historical operating trends and data, estimates of future sales, operating margin, cash flow, effective tax rate or other future operating performance or financial results, the completion and timing of the proposed spin-off, the timing and amount of the expected capital injection into Veoneer, the outlook for Veoneer and the remainder of the Group as separate businesses if the spin-off is completed, the expected strategic operational and competitive benefits of the proposed spin-off and the effect of the separation on the Company are based upon current expectations of management, various assumptions and/or data available from third parties. There can be no assurance that such forward-looking statements will materialise or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements. In particular, the statements under the headings "*Risk Factors*" and "*Description of the Business and Information on the Group*", and regarding the Group's strategy and other future events or prospects are forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Group will operate in the future. Forward-looking statements are not guarantees of future performance. The actual results, performance or achievements of the Group, or industry results, may be materially different

from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition, even if actual performance, results of operations, internal rate of return, financial condition and the development of its financing strategies are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods.

Key risks, uncertainties and other factors that could cause actual results to differ from those expected are set out more fully in the section of this Offering Circular headed “*Risk Factors*”. Investors should specifically and carefully consider these factors, which could cause actual results to differ, before making an investment decision.

These forward-looking statements reflect the Issuer’s and/or the Guarantor’s judgement as at the date of and are not intended to give any assurances as to future results. The Issuer and the Guarantor are not obliged, and do not intend, to update or otherwise revise any forward-looking statements, including any projections, forecasts or estimates. This includes revisions to reflect changes in economic conditions or other circumstances arising after the date of this Offering Circular or to reflect the occurrence of unanticipated events. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements.

## PRESENTATION OF FINANCIAL INFORMATION

### ***Financial Information Relating to the Group***

The Group prepares its consolidated financial statements in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and, unless otherwise stated, all financial information relating to the Group contained or incorporated by reference in this Offering Circular has been prepared in accordance with U.S. GAAP.

All financial information relating to the Group contained in this Offering Circular, unless otherwise stated, has been extracted from (i) the audited consolidated financial statements of the Group as of and for the fiscal years ended 31 December 2016 and 31 December 2017, as set out in the Company’s Annual Report for 2017 on Form 10-K and Annual Report for 2016 on Form 10-K, respectively, and (ii) the unaudited interim consolidated financial statements and supplementary data on the Group for the quarter periods ended 31 March 2017 and 2018, as set out in the Company’s Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2018, in each case sections of which are incorporated by reference into this Offering Circular.

Readers should note that the Annual Reports referred to and incorporated by reference into this document provide consolidated financial information on the whole Group including the Electronics business segment which the Company is proposing to spin-off from the Group during 2018. Following the spin-off, investors in the Notes will not have any recourse to the Electronics business segment. See “*Financial Information on Segments; Proposed Spin-Off*” below “*Description of the Group - Proposed Spin-off of the Electronics business*” for further information.

Percentages in tables have been rounded and accordingly may not add up to 100.0 per cent. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this Offering Circular may vary slightly from the actual arithmetic totals of such data.

### ***Financial Information on Segments; Proposed Spin-Off***

The Company considers its products to be components of integrated automotive safety systems. The Company has two operating segments: (i) Passive Safety (airbags, seatbelts and steering wheels) and (ii) Electronics (restraint control systems, brake control systems and active safety products, such as camera-based vision systems, night vision, automotive radars, positioning systems and related software) which the

Company is proposing to spin-off from the Group during 2018 (see “*Description of the Group - Proposed Spin-off of the Electronics business*” below and elsewhere in this document for further information). For financial reporting purposes, these two operating segments are also the Company’s reportable segments in accordance with Accounting Standards Codification (ASC) 280 Segment Reporting. The financial data relating to the Company’s businesses in these segments over the last two fiscal years is contained in consolidated financial statements incorporated into this Offering Circular (see the section headed “*Information Incorporated by Reference*”).



## TABLE OF CONTENTS

	<b>Page</b>
IMPORTANT INFORMATION.....	ii
RISK FACTORS .....	1
INFORMATION INCORPORATED BY REFERENCE.....	27
GENERAL DESCRIPTION OF THE NOTES.....	28
TERMS AND CONDITIONS OF THE NOTES .....	31
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES .....	47
USE OF PROCEEDS.....	50
DESCRIPTION OF THE GROUP.....	51
TAXATION.....	76
SUBSCRIPTION AND SALE.....	81
GENERAL INFORMATION.....	83

## **RISK FACTORS**

*Each of the Company and the Guarantor believe that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and neither the Company nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantor believe to be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*Each of the Company and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Company and/or Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Company or Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantor's ability to fulfil its obligations under the Guarantee**

#### ***Risks related to the Group's business***

#### ***The Company is a holding company and it is wholly dependent on distributions received from its subsidiaries (including from the Guarantor)***

The Company, as a holding company, does not conduct any business other than through its subsidiaries and is dependent on dividends or distributions from its subsidiaries or order to provide the funds necessary to meet its debts and other contractual obligations. The Company would therefore be dependent upon receipt of funds from its subsidiaries, including from Autoliv ASP, in order to fulfil its obligations under the Notes. The obligations of the Company under the Notes are therefore structurally subordinated to any liabilities of the Company's subsidiaries; other than, in the case of any senior unsecured liabilities of Autoliv ASP which, by virtue of the Guarantee provided by Autoliv ASP, would rank equally with Autoliv ASP's payment obligations in respect of the Notes.

All risk factors described below as being applicable to the Group, unless specifically stated otherwise, apply equally to the business of the Company and to that of the Guarantor.

#### ***The cyclical nature of automotive sales and production can adversely affect the Group's business***

Automotive sales and production are highly cyclical and can be affected by general or regional economic or industry conditions, the level of consumer demand, recalls and other safety issues, labour relations issues, technological changes, fuel prices and availability, vehicle safety regulations and other regulatory requirements, governmental initiatives, trade agreements, political volatility, especially in energy producing countries and growth markets, changes in interest rate levels and credit availability and other factors. At various times some regions around the world may be more particularly impacted by these factors than other regions. Economic declines that result in a significant reduction in automotive sales and production by the Group's customers have in the past had, and may in the future have, a material adverse effect on the Group's business, results of operations and financial condition.

The Group's sales are also affected by inventory levels of the Group's customers. The Group cannot predict when the Group's customers will decide to either increase or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. This may exacerbate variability in the Group's sales and financial condition. Uncertainty regarding inventory levels may be exacerbated by consumer financing programs initiated or terminated by the Group's customers or governments as such changes may affect the timing of their sales.

Changes in automotive sales and light vehicle production ("LVP") and/or customers' inventory levels will have an impact on the Group's earnings guidance and estimates and any significant reduction in automotive sales and/or LVP by the Group's customers, whether due to general economic conditions or any other factors relevant to sales or LVP, could have a material adverse effect on the Group's business, results of operations and financial condition.

***Growth rates in safety content per vehicle, which can be impacted by changes in consumer trends and political decisions, could affect the Group's results in the future***

Vehicles produced in different markets may have various safety content values. For now, the Group's products are typically found in vehicles with higher safety content. Because growth in global LVP is highly concentrated in markets such as China and India, the Group's operating results may suffer if the safety content per vehicle ("CPV") remains low in the Group's growth markets. As safety CPV is also an indicator of the Group's sales development, should recent trends continue, the average value of safety systems per vehicle could decline.

***The Group operates in highly competitive markets***

The markets in which the Group operates are highly competitive. The market for occupant restraint systems continues to consolidate while the market for active safety has not yet consolidated. The Group competes with a number of other companies that produce and sell similar products. Among other factors, the Group's products compete on the basis of price, quality, manufacturing and distribution capability, design and performance, technological innovation, delivery and service. Some of the Group's competitors are subsidiaries (or divisions, units or similar) of companies that are larger and have greater financial and other resources than the Group. Some of the Group's competitors may also have a "preferred status" as a result of special relationships or ownership interests with certain customers. The Group's ability to compete successfully depends, in large part, on the Group's success in continuing to innovate and manufacture products that have commercial success with consumers, differentiating the Group's products from those of the Group's competitors, continuing to deliver quality products in the time frames required by the Group's customers, and maintaining best-cost production.

The Group continues to invest in technology and innovation which the Group believes will be critical to long-term growth of the business. The Group's ability to maintain and improve existing products, while successfully developing and introducing distinctive new and enhanced products that anticipate changing customer and consumer preferences and capitalise upon emerging technologies will be a significant factor in the Group's ability to remain competitive. If the Group is unsuccessful or is less successful than the Group's competitors in predicting the course of market development, developing innovative products, processes, and/or use of materials or adapting to new technologies or evolving regulatory, industry or customer requirements, the Group may be placed at a competitive disadvantage. The Group's competitive environment has recently been changing, including because of recent acquisitions and divestitures by the Group's competitors (including Delphi and Takata), creating uncertainty about the Group's ability to compete in the market. The inability to compete successfully could have a material adverse effect on the Group's business, results of operations and financial condition.

The competitive factors noted above are especially present in the field of active safety. This is a developing segment in the automotive industry and inherently includes a higher level of uncertainty than more mature segments of the market. The number of competitors is at risk of increasing as suppliers from outside the traditional automotive industry, such as Microsoft, Google, Uber, Lyft, Samsung, Here, Tesla, Nvidia and other technology companies, consider the business opportunities presented by automated driving. The Group's active safety products may require significant resources to develop both hardware and software solutions, which are of increasing importance in this area. The high development cost in active safety limits the number of technical solutions that can be pursued by most tier 1 suppliers (meaning a company that supplies directly to the automobile manufacturers), leading to risk of exposure to a disruptive technology different than those being developed by the Group.

Autonomous driving involves complex technology and requires a number of different hardware and software competencies and technologies and there is a risk that these competencies or technologies will not develop at a sufficient pace to address marketplace needs. Autonomous driving requires various types of sensor technology, including cameras, radar and LIDAR technology as well as software technology to control such sensors. These technologies are under various stages of development and marketplace acceptance. There is no assurance that these technological solutions will develop at a sufficient pace to gain acceptance with the Group's customers. If the Group is unable to develop its autonomous driving solutions fast enough to keep pace with the market, the Group's future business prospects and results of operations could be materially adversely affected.

There are also challenges to develop autonomous driving solutions that are outside of the Group's control, including regulatory requirements from national, state and federal agencies, cybersecurity and privacy concerns, product liability concerns and perceptions of drivers regarding autonomous driving capabilities and solutions. There can be no assurance that these challenges will be overcome, which could materially adversely affect the Group's business, results of operations and financial condition.

***The discontinuation, lack of commercial success, or loss of business with respect to a particular vehicle model for which the Group is a significant supplier could reduce the Group's sales and harm its profitability***

A number of the Group's customer contracts generally require the Group to supply a customer's annual requirements for a particular vehicle model and assembly facilities, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally four to seven years. These contracts are often subject to renegotiation, sometimes as frequent as on an annual basis, which may affect product pricing, and generally may be terminated by the Group's customers at any time. Therefore, the discontinuation of, the loss of business with respect to, or a lack of commercial success of a particular vehicle model or brand for which the Group is a significant supplier could reduce the Group's sales and harm the Group's profitability.

***The Group may incur material losses and costs as a result of product liability, warranty and recall claims that may be brought against the Group or the Group's customers***

The Group faces risks related to product liability claims, warranty claims and recalls in the event that any of the Group's products actually or allegedly are defective, fail to perform as expected or the use of the Group's products results, or is alleged to result, in bodily injury and/or property damage. For example, the Group is cooperating with Toyota Motor Corp. with respect to its voluntary safety recall of approximately 1.4 million vehicles that are equipped with a certain model of the Group's side curtain airbags (the "**Toyota Recall**"). The Group may not be able to anticipate all of the possible performance or reliability problems that could arise with the Group's products after they are released to the market. Additionally, increasing regulation and reporting requirements regarding potentially defective products, particularly in the United States, may

increase the possibility that the Group becomes involved in additional product liability or recall investigations or claims. See the risk factor below, headed – *“The Group’s business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety market”*. Although the Group carries product liability and product recall insurance, no assurance can be made that such insurance will provide adequate coverage against potential claims, such insurance is available in the appropriate markets or that the Group will be able to obtain such insurance on acceptable terms in the future. Although the Group has invested and will continue to invest in the Group’s engineering, design, and quality infrastructure, it cannot give any assurance that its products will not suffer from defects or other deficiencies or that the Group will not experience material warranty claims or additional product recalls. In the future, the Group could experience additional material warranty or product liability losses and incur significant costs to process and defend these claims.

The Toyota Recall and any additional future recalls from this customer or other customers could result in costs not covered by insurance, further government inquiries, litigation and reputational harm and could divert management’s attention away from other matters. The main variables affecting the costs of a recall are the number of vehicles ultimately determined to be affected by the issue, the cost per vehicle associated with a recall, the determination of proportionate responsibility among the customer, the Group, and any relevant sub-suppliers, and actual insurance recoveries. Every vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers, and the performance and remedial requirements vary between jurisdictions. Due to recent recall activity in the automotive industry, some vehicle manufacturers have become even more sensitive to product recall risks. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. Product recalls in the Group’s industry, even when they do not involve the Group’s products, can harm the reputations of its customers, competitors, and the Group, particularly if those recalls cause consumers to question the safety or reliability of products similar to those the Group produce.

In addition, with global platforms and procedures, vehicle manufacturers are increasingly evaluating the Group’s quality performance on a global basis; any one or more quality, warranty or other recall issue(s) (including issues affecting few units and/or having a small financial impact) may cause a vehicle manufacturer to implement measures which may have a severe impact on the Group’s operations, such as a global, temporary or prolonged suspension of new orders. In addition, as the Group’s products more frequently use global designs and are based on or utilise the same or similar parts, components or solutions, there is a risk that the number of vehicles affected globally by a failure or defect will increase significantly and hence also the Group’s costs. A warranty, recall or product liability claim brought against the Group in excess of the Group’s available insurance may have a material adverse effect on the Group’s business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. A vehicle manufacturer may attempt to hold the Group responsible for some or the entire repair or replacement costs of defective products under new vehicle warranties, when the product supplied did not perform as represented. Accordingly, the future costs of warranty claims by the Group’s customers may be material. However, the final amounts determined to be due related to these matters could differ materially from the Group’s recorded warranty estimates and the Group’s financial results may be materially impacted as a result.

In addition, as the Group adopts new technology, the Group faces an inherent risk of exposure to the claims by third parties that the Group has allegedly violated their intellectual property rights. The Group cannot assure that the Group will not experience any material warranty, product liability or intellectual property claim losses in the future or that the Group will not incur significant costs to defend such claims. See also the risk factor headed *“If the Group’s patents are declared invalid or the Group’s technology infringes on the proprietary rights of others, the Group’s ability to compete may be impaired”*.

### ***Escalating pricing pressures from the Group's customers may adversely affect its business***

The automotive industry experienced increasingly aggressive pricing pressure from customers for many years. This trend is partly attributable to the major automobile manufacturers' strong purchasing power. As with other automotive component manufacturers, the Group is often expected to quote fixed prices or are forced to accept prices with annual price reduction commitments for long-term sales arrangements or discounted reimbursements for engineering work. Price reductions have impacted the Group's sales and profit margins and are expected to continue to do so in the future. The Group's future profitability will depend upon, among other things, the Group's ability to continuously reduce the Group's cost per unit and maintain the Group's cost structure, enabling the Group to remain cost-competitive.

The Group's profitability is also influenced by the Group's success in designing and marketing technological improvements in automotive safety systems, which helps the Group offset price reductions by its customers. If the Group is unable to offset continued price reductions through improved operating efficiencies and reduced expenditures, these price reductions may have a material adverse effect on the Group's business, results of operations and financial condition.

### ***The Group could experience disruption in its supply or delivery chain, which could cause one or more of its customers to halt or delay production***

The Group, as with other component manufactures in the automotive industry, ships its products to customer vehicle assembly facilities throughout the world on a "just-in-time" basis in order for the Group's customers to maintain low inventory levels. The Group's suppliers (external suppliers as well as the Group's own production sites) use a similar method in providing raw materials to the Group. However, this "just-in-time" method makes the logistics supply chain in the Group's industry very complex and vulnerable to disruptions.

Disruptions in the Group's supply chain may arise for many reasons, including closures of one of the Group's own or one of the Group's suppliers' facilities or critical manufacturing lines due to strikes, mechanical failures, electrical outages, fires, explosions, critical pollution levels, critical health and safety and other working conditions issues, natural disasters political upheaval, as well as logistical complications due to labour disruptions, weather or natural disasters, acts of terrorism, mechanical failures and legislation or regulation regarding the transport of hazardous goods. Additionally, the Group may experience disruptions if there are delays in customs processing, including if it is unable to obtain government authorisation to export or import certain of materials, including materials that may be viewed as dangerous such as the propellant used for the Group's inflators. As the Group expands in growth markets, the risk of such disruptions is heightened. The unavailability of even a single small subcomponent necessary to manufacture one of the Group's products, for whatever reason, could force the Group to cease production of that product, possibly for a prolonged period. Similarly, a potential quality issue could force the Group to halt deliveries while the Group validates the products. Even where products are ready to be shipped, or have been shipped, delays may arise before they reach the Group's customers. Also, similar difficulties for other suppliers may force the Group's customers to halt production, which may in turn impact the Group's sales shipments to such customers.

When the Group fails to deliver on a timely basis, the Group may be forced to absorb its own costs for identifying and resolving the ultimate problem as well as expeditiously producing and shipping replacement components or products. Generally, the Group must also carry the costs associated with "catching up," such as overtime and premium freight.

If the Group is the cause of a customer being forced to halt production, the customer may seek to recoup its losses and expenses from the Group. These losses and expenses could be very significant and may include consequential losses such as lost profits. Where a customer halts production because of another supplier failing to deliver on time, the Group may not be fully compensated, if at all.

Thus, any such supply chain disruptions could severely impact the Group's operations and/or those of the Group's customers and force the Group to halt production for prolonged periods of time which could expose the Group to material claims for compensation and have a material adverse effect on the Group's business, results of operations and financial condition.

***Adverse developments affecting one or more of the Group's major suppliers could harm the Group's profitability***

Any significant disruption in the Group's supplier relationships, particularly relationships with single-source suppliers, could harm the Group's profitability. Furthermore, some of the Group's suppliers may not be able to sufficiently manage the currency commodity cost volatility and/or sharply changing volumes while still performing as the Group expects. For example, recalls or field actions from the Group's customers can stress the capacity of the Group's supply chain and may inhibit the Group's ability to deliver order volumes on a timely basis. Over time, more of the Group's suppliers are located in growth markets. As such, there is an increased risk for delivery delays, production delays, production issues or delivery of non-conforming products by the Group's suppliers. Even where these risks do not materialise, the Group may incur costs as the Group seeks to make contingency plans for such risks.

***Changes in the source, cost, availability of and regulations pertaining to raw materials and components may adversely affect the Group's profit margins***

The Group's business uses a broad range of raw materials and components in the manufacture of its products, nearly all of which are generally available from a number of qualified suppliers. The Group's industry may be affected from time to time by limited supplies or price fluctuations of certain key components and materials. Strong worldwide demand for certain raw materials has had a significant impact on prices and short-term availability in recent years. Such price increases could materially increase the Group's operating costs and materially and adversely affect the Group's profit margin, as direct material costs amounted to 54 per cent. of the Group's net sales in 2017, of which approximately half is the raw material cost portion.

Commercial negotiations with the Group's customers and suppliers may not always offset all of the adverse impact of higher raw material, energy and commodity costs. Even where the Group is able to pass price increases along to the Group's customer, there may be a lapse of time before the Group is able to do so such that the Group must absorb the cost increase. In addition, no assurances can be given that the magnitude and duration of such cost increases or any future cost increases could not have a larger adverse impact on the Group's profitability and consolidated financial position than currently anticipated.

The Company manufactures certain products containing certain minerals and their derivatives that are known as "conflict minerals", originating from the Democratic Republic of Congo or adjoining countries; and the Company is accordingly required by applicable rules and regulations to diligence the source of such materials. There are potentially significant resources associated with complying with these requirements, including diligence efforts to determine the sources of conflict minerals used in the Group's products and potential changes to the Group's processes or supplies as a consequence of such diligence efforts. As there may be only a limited number of suppliers offering "conflict free" conflict minerals, there can be no assurance that the Group will be able to obtain necessary conflict free minerals from such suppliers in sufficient quantities or at competitive prices. The Group may face reputational challenges if it determines that certain of its products contain minerals not determined to be conflict free or if the Group is unable to sufficiently verify the origins for all conflict minerals used in its products through the procedures the Group may implement. Accordingly, these rules may adversely affect the Group's business, results of operations or financial condition.

***The Group's business could be materially and adversely affected if it lost any of its largest customers or if they were unable to pay their invoices***

The Group is dependent on a small number of large customers with strong purchasing power. This is the result of customer consolidation during the last few decades. In 2017, the Group's top five customers represented 51 per cent. of the Group's consolidated sales. The Group's largest customer accounted for 13 per cent. of the Group's total fiscal 2017 sales and the related contract expires in 2023. Although business with any given customer is typically split into several contracts (either on the basis of one contract per vehicle model or on a broader platform basis), the loss of business from any of the Group's major customers (whether by lower overall demand for vehicles, cancellation of existing contracts or the failure to award new business to the Group) could have a material adverse effect on the Group's business, results of operations and financial condition.

Customers may put the Group on a "new business hold," which would limit the Group's ability to quote or be awarded all or part of their future vehicle contracts if quality or other issues arise in the vehicles for which the Group is a supplier. Such new business holds range in length and scope and are generally accompanied by a certain set of remedial conditions that must be met before the Group is eligible to bid for new business. Meeting any such conditions within the prescribed timeframe may require additional Group resources. A failure to satisfy any such conditions may have a materially adverse impact on the Group's financial results in the long term.

There is a risk that one or more of the Group's major customers could be unable to pay the Group's invoices as they become due or that a customer will simply refuse to make such payments given its financial difficulties. If a major customer would enter into bankruptcy proceedings or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, or if a major customer otherwise successfully procures protection against the Group legally enforcing its obligations, it is likely that the Group will be forced to record a substantial loss.

Additional information concerning the Group's major customers is included in Note 19 of the Consolidated Financial Statements.

***The Group's inability to effectively manage the timing, quality and costs of new program launches could adversely affect the Group's financial performance***

To compete effectively in the automotive supply industry, the Group must be able to launch new products to meet its customers' timing, performance and quality standards. At times, the Group faces an uneven number of launches, and some launches for various reasons, may have shortened launch lead times. The Group cannot provide assurance that it will be able to install and certify the equipment needed to produce products for new programs in time for the start of production, or that the transitioning of its manufacturing facilities and resources to full production for such new programs will not impact production rates or other operational efficiency measures at the Group's facilities. In addition, the Group cannot provide assurance that its customers will execute on schedule the launch of their new product programs, for which the Group might supply products. Additionally, as a tier 1 supplier (meaning a company that supplies directly to the automobile manufacturers), the Group must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. Given the complexity of new program launches, especially involving new and innovative technologies, the Group may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by the Group's customers. The Group's inability to effectively manage the timing, quality and costs of these new program launches could adversely affect the Group's operating results, cash flows and financial condition.



### ***Changes in the Group's product mix may impact its financial performance***

The Group sell products that have varying profit margins. The Group's financial performance can be impacted depending on the mix of products that it sells during a given period. The Group's earnings guidance and estimates assume a certain geographic sales mix as well as a product sales mix. If actual results vary from this projected geographic and product mix of sales, the Group's results of operations and financial condition could be negatively impacted.

### ***The Group is from time to time involved in legal proceedings and its business may suffer as a result of adverse outcomes of current or future legal proceedings***

The Group is, from time to time, involved in litigation, regulatory proceedings and commercial or contractual disputes that may be significant. These matters may include, without limitation, disputes with the Group's suppliers and customers, intellectual property claims, shareholder litigation, government investigations, class action lawsuits, personal injury claims, environmental issues, antitrust, customs and VAT disputes and employment and tax issues. In such matters, government agencies or private parties may seek to recover from the Group very large, indeterminate amounts in penalties or monetary damages (including, in some cases, treble or punitive damages) or seek to limit the Group's operations in some way. The possibility exists that claims may be asserted against the Group and their magnitude may remain unknown for long periods of time. These types of lawsuits could require significant management time and attention and a substantial legal liability or adverse regulatory outcome and the substantial expenses to defend the litigation or regulatory proceedings may have a material adverse effect on the Group's customer relationships, business prospects, reputation, operating results, cash flows and financial condition. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Group's profitability and consolidated financial position or that its established reserves or the Group's available insurance will mitigate such impact.

### ***The Group is currently undergoing an antitrust investigation by the European Commission and it is probable that its operating results and cash flows will be materially adversely impacted***

The European Commission (the "Commission") is engaged in a long-running investigation into possible anti-competitive behaviour among certain suppliers to the automotive vehicle industry, including the Group. From 7 June to 9 June 2011, representatives of the Commission visited two facilities of Autoliv BV & Co KG, a Group subsidiary in Germany, to gather information for such inquiry. The Commission's investigation is still ongoing. It is the Group's policy to cooperate with governmental investigations. Although the duration or ultimate outcome of the Commission investigation cannot be predicted or estimated, it is probable that the Group's operating results and cash flows will be materially adversely impacted for the reporting periods in which the Commission investigation is resolved or becomes estimable, however, the Group remains unable to estimate the impact the Commission investigation will have or predict the reporting periods in which such impact may be recorded. The Commission investigation will require significant management time and attention and could, in addition to an unfavourable outcome, result in significant expenses as well as unfavourable outcomes that could have a material adverse impact on the Group's customer relationships, business prospects, reputation, operating results, cash flows or financial results, and the Group's insurance may not mitigate such impact. See also the section headed "*Description of the Group – Legal Proceedings, Antitrust and Product Liability – Antitrust matters*" for further information.

### ***The Group may be subject to civil antitrust litigation civil antitrust litigation in the United States or elsewhere that could negatively impact the Group's business***

The Group may be subject to civil antitrust lawsuits in the future in the United States or other countries that permit such civil claims, including lawsuits or other actions by the Group's customers. These types of

lawsuits require significant management time and attention and could result in significant expense as well as unfavourable outcomes that could have a material adverse impact on the Group's customer relationships, business prospects, reputation, operating results, cash flows or financial results, and the Group's insurance may not mitigate such impact.

***The Group is, and have been, subject to investigations by other competition authorities and may be subject to investigations by additional competition authorities that could negatively impact the Group's business***

Competition authorities in Brazil, Canada, South Africa and South Korea have previously initiated investigations of certain suppliers to the automotive vehicle industry, including the Group. Competition authorities in additional countries, including Japan, may initiate similar investigations. These types of investigations require significant management time and attention. These investigations could also result in significant expenses as well as unfavourable outcomes that could have a material adverse impact on the Group's customer relationships, business prospects, reputation, operating results, cash flows or financial results, and the Group's available insurance may not mitigate such impact.

***The Group may have exposure to greater than anticipated tax liabilities***

The determination of the Group's worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, the Group is subject to tax in multiple European, United States and other foreign tax jurisdictions. The Group's determination of the Group's tax liability is always subject to audit and review by applicable domestic and foreign tax authorities, and the Group is currently undergoing a number of investigations, audits and reviews by taxing authorities throughout the world. Any adverse outcome of any such audit or review could have a negative effect on the Group's business and the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. While the Group has established reserves based on assumptions and estimates that the Group believes are reasonable to cover such eventualities, these reserves may prove to be insufficient. In addition, the Group's future income taxes could be adversely affected by earnings being lower than anticipated (or by the incurrence of losses) in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of the Group's deferred tax assets and liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

***Work stoppages or other labour issues at the Group's customers' facilities or at the Group's facilities could adversely affect its operations***

Because the automotive industry relies heavily on "just-in-time" delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of the Group's facilities could have material adverse effects on the business. Similarly, if any of the Group's customers were to experience a work stoppage, that customer may halt or limit the purchase of the Group's products. Similarly, a work stoppage at another supplier could interrupt production at one of the Group's customers' facilities which would have the same effect. While labour contract negotiations at the Group's facilities historically have rarely resulted in work stoppages, no assurances can be given that the Group will be able to negotiate acceptable contracts with these unions or that its failure to do so will not result in work stoppages. A work stoppage at one or more of the Group's facilities or at its customers' facilities could cause the Group to shut down production facilities supplying these products, which could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group's ability to operate its business effectively could be impaired if it fails to attract and retain key personnel***

The Group's ability to operate its business and implement its strategies effectively depends, in part, on the efforts of the Group's executive officers and other key employees. In addition, the Group's future success will depend on, among other factors, the Group's ability to attract and retain other qualified personnel, particularly engineers and other employees with software and technical expertise. The loss of the services of any of the Group's key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on the Group's business.

***Restructuring initiatives and capacity alignments are complex and difficult and at any time additional restructuring steps may be necessary, possibly on short notice and at significant cost***

The Group's restructuring initiatives and capacity alignments include efforts to adjust the Group's manufacturing capacity and cost structure to meet current and projected operational and market requirements, including plant closures, transfer of sourcing to best cost countries, consolidation of the Group's supplier base and standardisation of products, to reduce the Group's overhead costs and consolidate its operational centres. The successful implementation of the Group's restructuring activities and capacity alignments will involve sourcing, logistics, technology and employment arrangements. Because these restructuring initiatives and capacity alignments can be complex, there may be difficulties or delays in the implementation of any such initiatives and capacity alignments or they may not be immediately effective, resulting in an adverse material impact on the Group's performance. In addition, there is a risk that inflation, high-turnover rates and increased competition may reduce the efficiencies now available in best-cost countries to levels that no longer allow for cost-beneficial restructuring opportunities. Therefore, there can be no assurances that any future restructurings or capacity alignments will be completed as planned or achieve the desired results.

***A prolonged recession and/or a downturn in the Group's industry could result in the Group having insufficient funds to continue the Group's operations and external financing may not be available to the Group or available only on materially different terms than what has historically been available***

The Group's ability to generate cash from the Group's operations is highly dependent on automotive sales and LVP, the global economy and the economies of the Group's important markets. If LVP were to remain on low levels for an extended period of time, the Group would experience a significantly negative cash flow. Similarly, if cash losses for customer defaults rise sharply, the Group would experience a negative cash flow. Such negative cash flow could result in the Group's having insufficient funds to continue its operations unless the Group can procure external financing, which may not be possible.

The Group's current credit rating could be lowered as a result of the Group experiencing significant negative cash flows or a dire financial outlook, which may affect the Group's ability to procure financing. The Group may also for the same, or other reasons, find it difficult to secure new long-term credit facilities, at reasonable terms, when the Group's principal credit facility expires in 2022. Further, even the Group's existing unutilised credit facilities may not be available to the Group as agreed, or only at additional cost, if participating banks are unable to raise the necessary funds, where, for instance, financial markets are not functioning as expected or one or more banks in the Group's principal credit facility syndicate were to default. If external financing is unavailable to the Group when necessary, the Group may have insufficient funds to continue its operations.

Information concerning the Group's credit facilities and other financings are included in this Annual Report in the section headed "*Treasury Activities*" and in Note 12 to the Consolidated Financial Statements.

### ***The Group's indebtedness may harm the Group's financial condition and results of operations***

As of 31 December 2017, the Group had outstanding debt of U.S.\$1.3 billion, including U.S.\$60 million in privately placed debt issued in 2007 and U.S.\$1.25 billion in privately placed debt issued in April 2014. The Group may incur additional debt for a variety of reasons. Although the Group's significant credit facilities and debt agreements do not have any financial covenants, the Group's level of indebtedness will have several important effects on the Group's future operations, including, without limitation:

- a portion of the Group's cash flows from operations will be dedicated to the payment of any interest or could be used for principal payments required with respect to outstanding indebtedness;
- increases in the Group's outstanding indebtedness and leverage will increase its vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure;
- depending on the levels of the Group's outstanding debt, its ability to obtain additional financing for working capital, acquisitions, capital expenditures, general corporate and other purposes may be limited; and
- potential future tightening of the availability of capital both from financial institutions and the debt markets may have an adverse effect on the Group's ability to access additional capital.

### ***Governmental restrictions may impact the Group's business adversely***

Some of the Group's customers are (or may be) owned by a governmental entity, receive various forms of governmental aid or support or are subject to governmental influence in other forms, which may impact the Group as a supplier to these customers. As a result, they may be required to partner with local entities or procure components from local suppliers to achieve a specific local content or be subject to other restrictions regarding localised content or ownership. The nature and form of any such restrictions or protections, whatever their basis, is very difficult to predict as is their potential impact. However, they are likely to be based on political rather than economical or operational considerations and may materially impact the Group's business.

### ***Impairment charges relating to the Group's assets, goodwill and other intangible assets could adversely affect its financial performance***

The Group periodically review the carrying value of its assets, goodwill and other intangible assets for impairment indicators. If one or more of the Group's customers' facilities cease production or decrease their production volumes, the assets the Group carries related to the Group's facilities serving such customers may decrease in value because the Group may no longer be able to utilise or realise them as intended. Where such decreases are significant, such impairments may have a materially adverse impact on the Group's financial results. The Group monitor the various factors that impact the valuation of its goodwill and other intangible assets, including expected future cash flow levels, global economic conditions, market price for the Group's stock, and trends with its customers. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in the Group's performance and especially the cash flow performance of these goodwill assets, adverse market conditions and adverse changes in applicable laws or regulations. If there are changes in these circumstances or the other variables associated with the estimates, judgments and assumptions relating to the valuation of goodwill, when assessing the valuation of the Group's goodwill items, the Group may determine that it is appropriate to write down a portion of its goodwill or intangible assets and record related non-cash impairment charges. In the event that the Group determine that the Group is required to write-down a portion of its goodwill items and other intangible assets and thereby record related non-cash impairment charges, the Group's financial position and results of operations would be adversely affected.

For example, in connection with the Group's annual impairment testing, the Group recognised an impairment charge of U.S.\$234 million, pre-tax, which represented the full goodwill amount related to Autoliv Nissin Brake Systems ("ANBS") within the Electronics segment of the Group's business. Since the Group owns 51 per cent. of ANBS, the net loss attributable to its controlling interest in ANBS was approximately U.S.\$100 million. The impairment loss was due to a lower than originally anticipated sales development in ANBS.

***The Group face risks related to its defined benefit pension plans and employee benefit plans, including the need for additional funding as well as higher costs and liabilities***

The Group's defined benefit pension plans or employee benefit plans may require additional funding or give rise to higher related costs and liabilities which, in some circumstances, could reach material amounts and negatively affect the Group's results of operations. The Group is required to make certain year-end assumptions regarding its pension plans. The Group's pension obligations are dependent on several factors, including factors outside the Group's control such as changes in interest rates, the market performance of the diversified investments underlying the pension plans, actuarial data and adjustments and an increase in the minimum funding requirements or other regulatory changes governing the plans. Adverse equity market conditions and volatility in the credit market may have an unfavourable impact on the value of the Group's pension assets and the Group's future estimated pension liabilities. Internal factors such as an adjustment to the level of benefits provided under the plans may also lead to an increase in the Group's pension liability. If these or other internal and external risks were to occur, alone or in combination, the Group's required contributions to the plans and the costs and net liabilities associated with the plans could increase substantially and have a material effect on the Group's business.

***Increases in IT security threats, the sophistication of computer crime and the Group's reliance on global data centres could expose its systems, networks, solutions and services to risks***

The Group relies extensively on information technology ("IT") networks and systems and the use of its global data centres as well as services provided over the internet to process, transmit and store electronic information, and to manage or support a variety of business processes or activities across the Group's facilities worldwide. The secure operation of the Group's information technology networks and systems and the proper processing and maintenance of this information are critical to the Group's business operations. Disruptions and attacks on the Group's IT systems could result in the leakage of its customers' confidential information, including its financial data and intellectual property, improper use of its systems and networks, manipulation and destruction of data, production downtimes and both internal and external supply shortages, which could have an adverse effect on the Group's results of operations.

Additionally, the Group and certain of its third-party vendors collect and store personal information in connection with human resources operations and other aspects of the Group's business. While the Group obtains assurances that any third parties that it provides data to will protect this information and, where the Group believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by the Group and by third parties may be compromised.

The Group rely on third parties to provide or maintain some of its IT systems, data centres and related services and do not exercise direct control over these systems. Despite the implementation of security measures at the Group's own and at third party locations, these IT systems, data centres and cloud services are vulnerable to disruptions, including those resulting from natural disasters, cyber-attacks or failures in third-party-provided services. Cyberattacks have become increasingly frequent and sophisticated and could target software embedded in certain of the Group's products. To the extent that any disruption or security breach results in misappropriation, loss or damage to the Group's data, or an inappropriate disclosure of the Group's confidential or the Group's customer's information, it could cause significant damage to the Group's reputation, affect the Group's relationships with its customers create significant expense for the Group to

investigate and remediate damage, lead to claims against the Group and ultimately harm its business. In addition, the Group may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

***Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact the Group's reputation and results of operations***

Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorised access to IT systems to sophisticated and targeted measures known as advanced persistent threats, directed at the Group, its products, its customers and/or its third-party service providers. The Group seeks to deploy comprehensive measures to prevent, detect, address and mitigate these threats. Despite these efforts, cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (the Group's own or that of third parties) and the disruption of business operations. Cybersecurity incidents aimed at the software imbedded in the Group's products could lead to third party claims that the Group's product failures have caused a similar range of damages to the Group's customers or third parties. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of the Group's investment in research, development and engineering and increased cybersecurity protection and remediation costs, which in turn could adversely affect the Group's competitiveness and results of operations.

There has been an increased level of activity, and an associated level of sophistication, in cyberattacks demonstrated on automotive electronics within the industry. The Group face an inherent business risk of exposure to these attacks in the Group's electronic product segments. Such attacks, even if they do not involve the Group's products, can harm the Group's reputation as well as the reputations of the Group's customers and competitors, particularly if those attacks cause consumers to question the safety of products similar to those the Group produce.

***The Group's business is exposed to risks inherent in international operations***

The Group currently conduct operations in various countries and jurisdictions, including locating certain of the Group's manufacturing and distribution facilities internationally, which subjects the Group to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. Some of these countries are considered growth markets. International sales and operations, especially in growth markets, subject the Group to certain risks inherent in doing business abroad, including:

- exposure to local economic conditions;
- foreign tax consequences;
- inability to collect, or delays in collecting, value-added taxes and/or other receivables associated with remittances and other payments by subsidiaries;
- exposure to local political turmoil;
- expropriation and nationalisation;
- enforcing legal agreements or collecting receivables through foreign legal systems;
- wage inflation in emerging markets;
- currency controls, including lack of liquidity in foreign currency due to governmental restrictions, trade protection policies and currency controls, which may create difficulty in repatriating profits or making other remittances;

- investment restrictions or requirements; and
- the imposition of product tariffs and the burden of complying with a wide variety of international and United States export laws.

The Group is subject to taxation in the U.S. and numerous foreign jurisdictions. On 22 December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “**Tax Act**”). The changes included in the Tax Act are broad and complex. The final impacts of the Tax Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilised to calculate the transition impacts, including impacts from changes to current year earnings estimates, forecasts, and foreign exchange rates of foreign subsidiaries.

Additionally, changes in tax laws or policies by foreign jurisdictions could result in a higher effective tax rate on the Group’s worldwide earnings and such change could have a material adverse effect the Group’s business, cash flows, results of operations and financial condition.

In addition, the current U.S. presidential administration has created uncertainty about the future relationship between the United States and certain of its trading partners, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade between the United States and other nations. These developments may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Changes in policy or continued uncertainty could depress economic activity and restrict the Group’s access to suppliers or customers and have a material adverse effect on the Group’s cash flows, results of operations and financial condition.

Increasing the Group’s manufacturing footprint in the growth markets and the Group’s business relationships with automotive manufacturers in these markets are particularly important elements of the Group’s strategy. As a result, the Group’s exposure to the risks described above may be greater in the future, and the Group’s exposure to risks associated with developing countries, such as the risk of political upheaval and reliability of local infrastructure, may increase.

***The Group’s foreign operations may subject the Group to risks relating to laws governing international relations***

Due to the Group’s global operations, the Group is subject to many laws governing international relations (including, but not limited to, the Foreign Corrupt Practices Act, and other anti-bribery regulations in foreign jurisdictions where the Group does business), which prohibit improper payments to government officials and restrict where and how the Group can do business, what information or products the Group can supply to certain countries and what information the Group can provide to authorities in governmental authorities. The Group also export components and products that are subject to certain trade-related U.S. laws, including the U.S. Export Administration Act and various economic sanctions programs administered by the U.S. Treasury’s Office of Foreign Assets Control.

Although the Group has procedures and policies in place that should mitigate the risk of any violations of these laws, there is no guarantee that they will be sufficiently effective. If and when the Group acquires new businesses, the Group may not be able to ensure that the pre-existing controls and procedures meant to prevent violations of these laws were effective, and violations may occur if the Group is unable to timely implement corrective and effective controls and procedures when integrating newly acquired businesses. Any allegations of noncompliance with these laws could harm the Group’s reputation, divert management attention

and result in significant expenses, and could therefore materially harm the Group's business, results of operations or financial condition.

***The Group's business in China is subject to aggressive competition and is sensitive to economic and market conditions***

The Group operates in the highly competitive automotive supply market in China and faces competition from both international and smaller domestic manufacturers. The Group anticipates that additional competitors, both international and domestic, may seek to enter the Chinese market resulting in increased competition. Increased competition may result in price reductions, reduced margins and the Group's inability to gain or hold market share. There have been periods of increased market volatility and moderation in the levels of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced. If the Group is unable to maintain the Group's position in the Chinese market, the pace of growth slows or vehicle sales in China decrease, the Group's business, results of operations and financial condition could be materially adversely affected.

***Global integration may result in additional risks***

Because of the Group's efforts to manage costs by integrating the Group's operations globally, the Group faces the additional risk that, should any of the other risks discussed herein materialise, the negative effects could be more pronounced. For example, while supply delays of a component have typically only affected a few customer vehicle models, such a delay could now affect several vehicle models of several customers in several geographic areas. Similarly, any recall or warranty issue the Group faces due to a product defect or failure is now more likely to involve a larger number of units in several geographic areas.

***Exchange rate risks***

As a result of the Group's global presence, a significant portion of the Group's revenues and expenses are denominated in foreign currencies. The Group is therefore subject to foreign currency risks and foreign exchange exposure. Such risks and exposures include:

- transaction exposure, which arises because the cost of a product originates in one currency and the product is sold in another currency;
- revaluation effects, which arise from valuation of assets denominated in other currencies than the reporting currency of each unit;
- translation exposure in the income statement, which arises when the income statements of non-U.S. subsidiaries are translated into U.S. dollars upon consolidation;
- translation exposure in the balance sheet, which arises when the balance sheets of non-U.S. subsidiaries are translated into U.S. dollars; and
- changes in the reported U.S. dollar amounts of cash flows.

The Group cannot predict when, or if, exchange rate volatility will cease or the extent of its impact on the Group's future financial results. The Group typically denominates foreign transactions in foreign currencies to achieve a natural hedge. However, a natural hedge cannot be achieved for all the Group's currency flows therefore a net transaction exposure remains within the Group. The net exposure can be significant and creates a transaction exposure risk for the Group. The Group's electronics business which is being spun-off from the Group is particularly vulnerable to a strong U.S. dollar as certain raw materials and components are sourced in U.S. dollars while sales are also currently in other currencies, like the Euro. The Group does not hedge



translation exposure. However, the Group does engage in foreign exchange rate hedging from time to time related to foreign currency transactions.

### ***The Group faces risks in connection with acquisitions and joint ventures***

The Group's growth has been enhanced through strategic opportunities, including acquisitions of businesses, products and technologies, and joint development agreements that the Group believes will complement the Group's business. The Group regularly evaluate acquisition opportunities, frequently engage in acquisition discussions, conduct due diligence activities in connection with possible acquisitions, and, where appropriate, engage in acquisition negotiations. The Group may not be able to successfully identify suitable acquisition and joint venture candidates or complete transactions on acceptable terms, integrate acquired operations into the Group's existing operations or expand into new markets. The Group's failure to identify suitable strategic opportunities may restrict its ability to grow its business.

These strategic opportunities also involve numerous additional risks to the Group and the Group's investors, including:

- risks related to retaining acquired management and employees;
- difficulties in integrating acquired technologies, products, operations, services and personnel with the Group's existing businesses;
- diversion of the Group's management's attention from other business concerns;
- assumption of contingent liabilities;
- adverse financial impacts from the amortisation of expenses related to intangible assets;
- adverse financial impacts from potential impairment of goodwill;
- incurrence of indebtedness; and
- potential adverse financial impacts.

In the future, the Group's best growth opportunities may be in passive safety electronics and active safety systems markets, which include, and are likely to include, other and often larger companies than the Group's traditional competitors. The Group may also pursue acquisitions of businesses or products that are complementary to the Group's business but for which the Group has historically had little or no direct experience. These transactions can involve significant challenges and risks as well as significant time and resources that may divert management's attention from other business activities. If the Group fail to adequately manage these risks, the acquisitions may not result in revenue growth, operational synergies or service or technology enhancements, which could adversely affect the Group's financial results.

### ***Risks associated with joint venture partnerships and other collaborations may adversely affect the Group's business and financial results***

Certain of the Group's operations are currently conducted through joint ventures and joint development agreements, and the Group may enter into additional joint ventures and collaborations in the future. The Group conducts certain research and product development in collaboration with other companies and organisations. The Group's joint venture and collaboration partners may at any time have economic, business or legal interests or goals that are inconsistent with the Group's goals or with the goals of the joint venture. Disagreements with the Group's business partners may impede the Group's ability to maximise the benefits of its partnerships. The Group's research and development collaborations may not be successful in developing the intended product or technology. The Group's joint venture arrangements may require the Group, among other matters, to pay certain costs or to make certain capital investments or to seek the Group's joint venture

partner's consent to take certain actions. In addition, the Group's joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and the Group may be required to either fulfil those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. Also, the Group's ability to sell the Group's interest in a joint venture may be subject to contractual and other limitations. The above risks, if realised, could adversely affect the Group's business and financial results.

***If the Group's patents are declared invalid or the Group's technology infringes on the proprietary rights of others, the Group's ability to compete may be impaired***

The Group has developed a considerable amount of proprietary technology related to automotive safety systems and rely on a number of patents to protect such technology. The Group's intellectual property plays an important role in maintaining the Group's competitive position in a number of the markets the Group serves. At present, the Group holds approximately 6,900 patents covering a large number of innovations and product ideas, mainly in the fields of seatbelt and airbag technologies. In addition to the Group's in-house research and development efforts, the Group seeks to acquire rights to new intellectual property through corporate acquisitions, asset acquisitions, licensing and joint venture arrangements. The Group's patents and licenses expire on various dates during the period from 2018 to 2037. The Group does not expect the expiration of any single patent or license to have a material adverse effect on its business, results of operations and financial condition.

Developments or assertions by or against the Group relating to intellectual property rights could negatively impact the Group's business. The Group typically seeks to protect its innovations with patents and vigorously protects and defends its patents, trademarks and know-how against infringement and unauthorised use. If the Group is not able to protect its intellectual property and its proprietary rights and technology, the Group could lose those rights and incur substantial costs policing and defending those rights. The Group also generates license revenue from these patents, which it may lose if the Group does not adequately protect its intellectual property and proprietary rights. The Group's means of protecting its intellectual property, proprietary rights and technology may not be adequate, and the Group's competitors may independently develop technologies that are similar or superior to the Group's proprietary technologies, duplicate the Group's technologies, or design around the patents the Group owns or licenses. In addition, the laws of some foreign countries do not protect the Group's proprietary rights to as great an extent as the laws of Europe or the U.S.

***The Group may not be able to protect the Group's proprietary technology and intellectual property rights, which could result in the loss of its rights or increased costs***

Although the Group believe that its products and technology do not infringe the proprietary rights of others, third parties may assert infringement claims against the Group in the future. Additionally, the Group and the Group's joint ventures license from third parties' proprietary technology covered by patents, and the Group cannot be certain that any such patents will not be challenged, invalidated or circumvented. Such licenses may also be non-exclusive, meaning the Group's competition may also be able to access such technology. Further, the Group expect to continue to expand its products and services and expand into new businesses, including through acquisitions, joint ventures and joint development agreements, which could increase its exposure to patent and other intellectual property claims from competitors and other parties. If claims alleging patent, copyright or trademark infringement are brought against the Group and are successfully prosecuted against the Group, they could result in substantial costs. If a successful claim is made against the Group and the Group fails to develop non-infringing technology, the Group's business, results of operation and financial condition could be materially adversely affected. In addition, certain of the Group's products utilise components that are developed by third parties and licensed to the Group or the Group's joint ventures. If claims alleging patent, copyright or trademark infringement are brought against such licensors and

successfully prosecuted, they could result in substantial costs, and the Group may not be able to replace the functions provided by these licensors. Alternate sources for the technology currently licensed to the Group or the Group's joint ventures may not be available in a timely manner, may not provide the same functions as currently provided or may be more expensive than products currently used.

The Group may develop proprietary information through the Group's in-house research and development efforts, consulting arrangements or research collaborations with other entities or organisations. The Group may seek to protect this proprietary information by entering into confidentiality agreements or consulting, services or employment agreements that contain non-disclosure and non-use provisions with the Group's employees, consultants, scientific advisors and other third parties. However, the Group may fail to enter into the necessary agreements, and even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of the Group's proprietary information.

The Group may not be able to respond quickly enough to changes in technology and technological risks and to develop the Group's intellectual property into commercially viable products

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of the Group's products obsolete or less attractive to the Group's customers. The Group currently license certain proprietary technology to third parties and, if such technology becomes obsolete or less attractive, those licensees could terminate the Group's license agreements, which could adversely affect the Group's results of operations. The Group's ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis will be a significant factor in the Group's ability to remain competitive. The Group cannot provide assurance that the Group will be able to achieve the technological advances that may be necessary for the Group to remain competitive or that certain of the Group's products will not become obsolete. The Group is also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly. As part of the Group's business strategy, the Group may from time to time seek to acquire businesses or assets that provide the Group with additional intellectual property. The Group may experience problems integrating acquired technologies into the Group's existing technologies and products, and such acquired intellectual property may be subject to known or contingent liabilities such as infringement claims.

***Some of the Group's products and technologies may use "open source" software, which may restrict how the Group uses or distributes its products or require that the Group releases the source code of certain products subject to those licenses***

Some of the Group's products and technologies may incorporate software licensed under so-called "open source" licenses. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Additionally, open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject to the open source license. If the Group combines its proprietary software in such ways with open source software, the Group could be required to release the source code of its proprietary software. The Group take steps to ensure that the Group's proprietary software is not combined with, and does not incorporate, open source software in ways that would require the Group's proprietary software to be subject to an open source license. However, few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty.

***The Group's business may be adversely affected by laws or regulations, including environmental, occupational health and safety or other governmental regulations***

The Group is subject to various local and foreign laws and regulations, including those related to the requirements of environmental, occupational health and safety, financial and other matters. The Group cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretations thereof, could increase the costs of doing business for the Group or the Group's customers or suppliers or restrict the Group's actions and adversely affect our, operating results, cash flows and financial condition. The Group's operations are subject to environmental and safety laws and regulations governing, among other things, emissions to air, discharges to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. The operation of automotive parts manufacturing facilities entails risks in these areas, and the Group cannot assure that the Group will not incur material costs or liabilities as a result. Additionally, environmental laws, regulations, and permits and the enforcement thereof change frequently and have tended to become increasingly stringent over time, which may necessitate substantial capital expenditures or operating costs or may require changes of production processes. Although the Group have no known pending material environmental issues, there is no assurance that the Group will not be adversely impacted by any environmental costs, liabilities or claims in the future either under present laws and regulations or those that may be adopted or imposed in the future. The Group's costs, liabilities, and obligations relating to environmental matters may have a material adverse effect on the Group's business, operating results and financial condition.

The Group's facilities in the U.S. are subject to regulation by the Occupational Safety and Health Administration ("OSHA"), which regulates the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that the Group maintain information about hazardous materials used or produced in the Group's operations and that the Group provide this information to employees, state and local governmental authorities and local residents. The Group is also subject to occupational safety regulations in other countries. The Group's failure to comply with government occupational safety regulations, including OSHA requirements, or general industry standards relating to employee health and safety, keep adequate records or monitor occupational exposure to regulated substances could expose the Group to liability, enforcement, and fines and penalties, and could have a material adverse effect on the Group's business, operating results and financial condition.

Although the Group employ safety procedures in the design and operation of the Group's facilities, there is a risk that an accident or injury to one of the Group's employees could occur in one of the Group's facilities. Any accident or injury to the Group's employees could result in litigation, manufacturing delays and harm to its reputation, which could negatively affect the Group's business, financial condition or results of operations.

***The Group's business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety market***

Government vehicle safety regulations are a key driver in the Group's business. Historically, these regulations have imposed ever more stringent safety regulations for vehicles. Safety regulations have a positive impact on driver awareness and acceptance of active safety products and technology. These more stringent safety regulations often require vehicles to have more safety CPV and more advanced safety products, which has thus been a driver of growth in the Group's business.

However, these regulations are subject to change based on a number of factors that are not within the Group's control, including new scientific or medical data, adverse publicity regarding the industry recalls and safety risks of airbags or seatbelts (for instance, to children and small adults), domestic and foreign political developments or considerations, and litigation relating to the Group's products and the Group's competitors'

products. Changes in government regulations in response to these and other considerations could have a severe impact on the Group's business. Although the Group believe that over time safety will continue to be a regulatory priority, if government priorities shift and the Group is unable to adapt to changing regulations, the Group's business may suffer material adverse effects.

The regulatory obligation of complying with safety regulations could increase as federal and local regulators impose more stringent compliance and reporting requirements in response to product recalls and safety issues in the Group's industry. The Group is subject to existing stringent requirements under the National Traffic and Motor Vehicle Safety Act of 1966 (the "**Vehicle Safety Act**"), including a duty to report, subject to strict timing requirements, safety defects with the Group's products. The Vehicle Safety Act imposes potentially significant civil penalties for violations including the failure to comply with such reporting actions. The Group is also subject to the existing U.S. Transportation Recall Enhancement, Accountability and Documentation ("**TREAD**") Act, which requires equipment manufacturers, such as the Group, to comply with "Early Warning" requirements by reporting certain information to the National Highway Traffic Safety Administration ("**NHTSA**") such as: information related to defects or reports of injury related to the Group's products. TREAD imposes criminal liability for violating such requirements if a defect subsequently causes death or bodily injury. In addition, the National Traffic and Motor Vehicle Safety Act authorises NHTSA to require a manufacturer to recall and repair vehicles that contain safety defects or fail to comply with U.S. federal motor vehicle safety standards. Sales into foreign countries may be subject to similar regulations.

Due to the recent record recall of airbag inflators of one of the Group's competitors, additional legislation has been proposed in the U.S. Congress regarding the reporting requirements for product recalls. NHTSA has also become more active in requesting information from suppliers and vehicle manufactures regarding potential product defects. For example, in connection with the Toyota Recall, the Group, in connection with Toyota, have informed NHTSA of the reported incidents and Toyota has discussed with NHTSA what action it will take to address the issue.

The U.S. Department of Transportation issued regulations in 2016 that require manufacturers of certain autonomous vehicles to provide documentation covering specific topics to regulators, such as how automated systems detect objects on the road, how information is displayed to drivers, what cybersecurity measures are in place and the methods used to test the design and validation of autonomous driving systems. If the regulatory obligation of complying with safety regulations increases, it could require increased resources and have a material impact on the Group's business.

***Negative or unexpected tax developments could adversely affect the Group's effective tax rate, operating results and financial condition***

The Group's annual tax rate is based on the Group's income and the tax laws in the jurisdictions in which the Group operates. Because of the Group's global operations, it faces uncertainties and judgments in the application of complex tax regulations in a multitude of jurisdictions. Significant judgment is required in determining the Group's effective tax rate and in evaluating the Group's tax positions. Although the Group believe that its tax estimates are reasonable, the final determination of its tax liability may be different from what is reflected in its historical income tax provisions and accruals.

The Group is regularly examined by tax authorities around the world and the Group is currently under examination in a number of jurisdictions, which examinations are inherently uncertain. Although the Group periodically assess the likelihood of adverse outcomes, negative or unexpected results from one or more of such reviews and audits, including any related interest or penalties by governmental authorities, could increase the Group's effective tax rate and adversely impact its operating results.

The effective tax rates used for interim reporting are based on the Group's projected full-year geographic earnings mix and consideration of the Group's cash repatriation plans. Changes in currency exchange rates,

earnings mix by taxing jurisdiction or in cash repatriation plans could impact the Group's reported effective tax rates, or cause fluctuations in the tax rate from quarter to quarter. Any anti-trust judgements or settlements may not be tax deductible, which could have a material negative impact to the Group's annual tax rate. A number of other factors may also increase the Group's effective tax rate, which could have an adverse impact on the Group's profitability and results of operations. Due to the Group's numerous foreign operations, the Group's tax rate may be impacted by the Group's global mix of earnings if the Group's pre-tax income is lower than anticipated in countries with lower statutory tax rates and/or is higher than anticipated in countries with higher statutory tax rates. Based on U.S. regulatory rules, the Group do not record current or deferred tax liabilities on permanent investments in the Group's foreign subsidiaries and the Group's foreign earnings that are indefinitely reinvested. However, if the Group's non-U.S. subsidiaries were to distribute cash to the Group's U.S. parent or make a cash outlay, such transactions may result in an increase to the Group's effective tax rate. However, based on the Tax Act, a substantial liability has been recorded. Changes in, or changes in the application of, U.S. or foreign tax laws, regulations or accounting principles with respect to matters such as tax rates, transfer pricing, dividends and restrictions on certain forms of tax relief or limitations on favourable tax treatment could affect the carrying value of the Group's deferred tax assets and/or the Group's effective tax rate.

### **The Group may not be able to fully realise the Group's deferred tax assets**

The Group currently carry deferred tax assets, net of valuation allowances, resulting from deductible temporary differences and tax loss carry-forwards, both of which will reduce taxable income in the future. However, deferred tax assets may only be realised against taxable income. The amount of the Group's deferred tax assets could be reduced, from time to time, due to adverse changes in the Group's operations or in estimates of future taxable income from operations during the carry-forward period as a result of a deterioration in market conditions or other circumstances. Any such reduction would adversely affect the Group's income in the period of the adjustment.

Additional information on the Group's deferred tax assets is included in Note 4 to the Consolidated Financial Statements.

### **The audited consolidated financial information included in this Offering Circular includes both the Guarantor and non-guarantor companies**

The audited consolidated financial information incorporated by reference and/or appearing herein includes and consolidates both Guarantor and non-guarantor companies and, accordingly, the financial information may be of limited use in assessing the financial position of the Guarantor. See "*General Information – Information relating to Autoliv ASP*" for further information.

### ***Risks Related to the Spin-Off***

**Investors in the Notes will not have any recourse to the Electronics business segment following the proposed spin-off which is due to complete during the third quarter of 2018. See the section of this Offering Memorandum headed "*Description of the Group - Proposed Spin-off of the Electronics business*" for further information.**

***The plan to separate the Group's Electronics business segment into an independent, publicly traded company is subject to various risks, uncertainties and conditions, and may not be completed on the currently contemplated timeline, or at all, and may not achieve the intended benefits***

On 12 December 2017, the Group announced its intention to pursue a separation of its Electronics business segment through a spin-off to the Group's stockholders following a strategic review of its operating structure. The separation, which is currently targeted to be completed during the third quarter of 2018, is subject to approval by the Group's Board of Directors as to the final terms of the separation and market, regulatory and certain other conditions. Unanticipated developments, including changes in market conditions, possible delays in obtaining various tax opinions or rulings, regulatory approvals or clearances, the uncertainty of the financial markets and challenges in executing the separation, could delay or prevent the completion of the proposed separation, or could cause the proposed separation to occur on terms or conditions that are different or less favourable than expected. Therefore, the Group cannot be certain that it will be able to complete the separation on the terms or on the timeline that the Group have announced, if at all.

The Group expects that the process of completing the proposed separation will be time-consuming and involve significant costs and expenses, which may be significantly higher than what the Group currently anticipates and may not yield a discernible benefit if the separation is not completed. Executing the proposed separation will require significant time and attention from the Group's senior management and employees. The Group may also experience increased difficulties in attracting, retaining and motivating employees during the pendency of the separation and following its completion, which could harm the Group's businesses.

The Group may not be successful in managing these or any other significant risks that it encounters in working towards completion of the separation and following its completion, which could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group may not achieve some or all of the expected benefits of the separation, and the separation could harm the Group's business, financial condition and results of operations***

Although the Group believes that separating the Passive Safety business and the Electronics business by means of a spin-off will provide financial, operational, managerial and other benefits to the Group, the separation may not provide results on the scope or scale the Group anticipates, or such benefits may be delayed or not occur at all. As independent, publicly-traded companies, the Group and the new spin-off company will be smaller, less diversified companies, each with a narrower business focus and each may be more vulnerable to changing market conditions, which could materially adversely affect the Group's remaining business, results of operations and financial condition. The Group may experience negative reactions from financial markets if it does not complete the separation in a reasonable time-period.

***The proposed separation may result in disruptions to, and negatively impact the Group's relationships with, its customers and other parties***

Uncertainty related to the proposed separation may lead customers and other parties with which the Group currently does business, or may do business in the future, to terminate or attempt to negotiate changes in existing business relationships or to consider entering into business relationships with parties other than the Group. These disruptions could have a material and adverse effect on the Group's businesses, results of operations, financial condition, and prospects. The effect of such disruptions could be worsened by any delays in the completion of the separation.

### ***The proposed separation could result in substantial tax liability***

The Group intends to obtain an opinion of outside counsel to the effect that, for U.S. federal income tax purposes, the separation will qualify as a reorganisation of the Group within the meaning of Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended. The opinion will be based on and rely on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings of the Group and the new spin-off company, including those relating to the past and future conduct of the Group and the new spin-off company. If any of these facts, assumptions, representations, statements or undertakings are, or become, inaccurate or incomplete, reliance on the opinion may be affected. An opinion of outside counsel represents their legal judgment but is not binding on the IRS or any court. Accordingly, there can be no assurance that the IRS will not challenge the conclusions reflected in the opinion or that a court would not sustain such a challenge. In addition, the Group may incur certain tax costs in connection with the separation, including non-U.S. tax expense resulting from separations in multiple non-U.S. jurisdictions that do not legally provide for tax-free separations, which may be material.

### **Factors which are material for the purpose of assessing the market risks associated with the Notes**

#### **Risks related to the Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

#### ***The Conditions contain provisions which may permit their modification without the consent of all investors***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### ***Redemption prior to maturity***

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 21 June 2018 (as more fully set out in Condition 7.2 (*Redemption for Taxation Reasons*)), or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 7.3 (*Redemption at the Option of the Issuer*)), and the Issuer may choose to redeem the Notes at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Investors who purchase Notes in denominations that are not an integral multiple in excess of €100,000 may be adversely affected if definitive Notes are subsequently required to be issued***

The Notes have denominations consisting of a minimum of €100,000 and integral multiples of €1,000 in excess thereof up to and including denominations of €199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than €100,000 in their account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be



printed) and would need to purchase a principal amount of Notes such that its holding amounts to the €100,000 (as applicable).

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

***Since the Notes bear interest at a fixed interest rate, movements in market interest rates can adversely affect the value of the Notes***

The Notes bear interest on its outstanding principal amount at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the value of such security could fall as a result of changes in the market interest rate. While the nominal compensation rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate increases, the value of such a security typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate falls, the value of a security with a fixed interest rate typically increases, until the yield of such a security is approximately equal to the market interest rate. Consequently, the Noteholders should be aware that movements of the market interest rate can adversely affect the value of the Notes and can lead to losses for the Noteholders if they sell their Notes.

**Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and legal risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes***

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes in the secondary market (in which case the market or trading price and liquidity may be adversely affected) or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

***The value of the Notes depends on a number of economic, financial and political factors***

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in the United States or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

***If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings may not reflect all risks***

The Issuer's and Guarantor's credit ratings are an assessment by the relevant rating agencies of their respective abilities to pay their debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. The Notes are expected to be rated A- (senior unsecured rating) by S&P. On 30 May 2018, S&P announced that they were affirming their long-term debt rating of A- (senior unsecured rating) with a stable outlook on both the Issuer and the Guarantor.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Notes and additional factors discussed in this Offering Circular or any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

***Laws and practices applicable to the Notes may change***

The Notes are issued under the laws of England in force on the issue date. Any new statutes, ordinances and regulations, amendments to the legislation or changes in application of the law (including any amendments to or changes in application of tax laws or regulations) after the issue date may affect the Notes and/or have a material adverse effect on the Issuer's and/or the Guarantor's business, financial condition, results of operations and future prospects, and, thereby, on the Issuer's and/or the Guarantor's ability to fulfil its obligations under the Notes as well as the market price and value of the Notes.

***The Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, meaning investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Notes, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such Noteholders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular provided however that any statement contained in any document incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such statement:

1. the audited annual consolidated financial statements of the Company for each of the fiscal years ended 31 December 2016 and 31 December 2017, in each case together with the audit reports thereon, which respectively appear on pages 58 to 86 of the Company's Annual Report on Form 10-K for the year ended 31 December 2016 and pages 59 to 101 of the Company's Annual Report on Form 10-K for the year ended 31 December 2017;
2. the unaudited interim consolidated financial statements of the Company for the three months ended 31 March 2017 and 31 March 2018, which appear of pages 9 to 20 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2018; and
3. the appendix to the press release published by the Company on 31 May 2018 (the "**Appendix to the 31 May 2018 Press Release**") showing the following unaudited selected financial information related to the Company's continuing operations after giving effect to the discontinued operations associated with the proposed spin-off of the Electronics business: (i) Consolidated Statements of Operations from Continuing Operations for the years ended 31 December 2016 and 31 December 2017; (ii) Consolidated Balance Sheets from Continuing Operations at 31 December 2016 and 31 December 2017; and (iii) Consolidated Statements of Cash Flow from Continuing Operations for the years ended 31 December 2016 and 31 December 2017,

(together, the "**Documents Incorporated by Reference**")

The Documents Incorporated by Reference are available to view electronically at: <https://www.autoliv.com/investors/reports-presentations-transcripts> or, in the case of the Appendix to the 31 May 2018 Press Release, at <https://www.autoliv.com/news-and-media/press-releases>

Any documents themselves incorporated by reference in the Documents Incorporated by Reference shall not form part of this Offering Circular. The Documents Incorporated by Reference have been filed with Euronext Dublin and are incorporated by reference herein.

Electronic copies of the Documents Incorporated by Reference may be inspected, free of charge, during usual business hours at the Issuer's office, World Trade Center Klarabergsviadukten 70, Sec E, 107 24 Stockholm, Sweden and at the specified office of the Fiscal Agent. Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or covered elsewhere in this Offering Circular.

## GENERAL DESCRIPTION OF THE NOTES

*This overview is a general description of the Notes and does not purport to be complete. It is taken from, and is qualified in its entirety by, the remainder of this Offering Circular. For a more complete description of the Notes, including definitions of capitalised terms used but not defined in this section, please see the Conditions.*

*Capitalised terms used and not defined in this section shall have the meaning given in the Conditions, as the context admits, and references to a numbered Condition shall be construed accordingly.*

<b>Issuer</b>	Autoliv, Inc.
<b>Issuer Legal Entity Identifier (LEI)</b>	A23RUXWKASG834LTMK28
<b>Guarantor</b>	Autoliv ASP, Inc., a wholly owned subsidiary of the Issuer
<b>Joint Bookrunners</b>	J.P. Morgan Securities plc Morgan Stanley & Co. International plc Skandinaviska Enskilda Banken AB (publ)
<b>Notes</b>	€500,000,000 0.750 per cent. Guaranteed Notes due 2023
<b>Issue Price</b>	99.527 per cent.
<b>Form of Notes</b>	Bearer
<b>Issue Date</b>	26 June 2018
<b>Maturity Date</b>	26 June 2023
<b>Use of Proceeds</b>	The net proceeds of the issue of the Notes will be applied by the Issuer towards the Group's general corporate purposes, which may include forming part of a cash transfer to Veoneer ahead of the proposed spin-off transaction.
<b>Interest</b>	The Notes bear interest on their outstanding principal amount, from and including the Issue Date, to but excluding the Maturity Date, at the rate of 0.750 per cent. per annum. Interest shall be payable annually in arrear on 26 June of each year, with the first such payment being made on 26 June 2019.
<b>Status/Ranking of the Notes</b>	The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> , without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations and unsubordinated obligations of the Issuer.
<b>Status/Ranking of the Guarantee</b>	The Notes are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee are direct, unconditional and (subject to the provisions of Condition 4 ( <i>Negative Pledge</i> )) unsecured obligations of the Guarantor and rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor.
<b>Form and Denomination</b>	The Notes will be issued in bearer form in the denomination of

€100,000 and integral multiples of €1,000 in excess thereof up to and including denominations of €199,000.

<b>Final Redemption</b>	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on the Maturity Dates.
<b>Early Redemption at the option of the Issuer</b>	The Issuer may, subject to and in accordance with Condition 7.3 ( <i>Redemption at the Option of the Issuer</i> ), on giving notice to the Noteholders, redeem all or some of the Notes.
<b>Early Redemption for taxation reasons</b>	The Issuer may, subject to and in accordance with Condition 7.2 ( <i>Redemption for Taxation Reasons</i> ), on giving notice to the Noteholders, redeem all, but not some only, of the Notes at any time at their principal amount together with interest accrued to but excluding the date of redemption if, on the occasion of the next payment of interest in respect of the Notes, the Issuer has or will become obliged to pay additional amounts (as provided in Condition 8 ( <i>Taxation</i> )) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 8 ( <i>Taxation</i> )) or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 21 June 2018 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts.
<b>Change of Control Put Option</b>	If a Change of Control Put Event occurs (as defined in Condition 7.5 ( <i>Redemption at the Option of the Holders</i> )), Noteholders shall have the option to require the Issuer to redeem or purchase their Notes at their principal amount together with interest accrued to but excluding the date fixed for redemption.
<b>Purchase</b>	The Issuer or Guarantor or any other member of the Group may at any time purchase Notes in any manner and at any price.
<b>Taxation</b>	All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 8 ( <i>Taxation</i> )), unless such withholding or deduction is required by law. If such a withholding or deduction is required by law, the Issuer or, as the case may be, the Guarantor will be required to gross-up payments to the Noteholders under certain circumstances, subject as provided in Condition 8 ( <i>Taxation</i> ).
<b>Rating</b>	Each of the Issuer and the Guarantor have been assigned a long-term debt credit rating of A- (senior unsecured debt) by S&P. The Notes are expected to be rated A- by S&P.
<b>Governing Law</b>	The Agency Agreement, the Deed of Covenant, the Deed of

Guarantee, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English Law.

**Listing and Trading**

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market.

**Clearing Systems**

Euroclear and Clearstream, Luxembourg.

**Risk Factors**

Investing in the Notes involves risks. See “*Risk Factors*” for a discussion of certain risks you should carefully consider before investing in the Notes.

**Selling Restrictions**

There are restrictions in relation to the offer and sale of the Notes in certain jurisdictions. See “*Subscription and Sale*”.

**ISIN**

XS1713462585

**Common Code**

171346258

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes (as defined above in this Offering Circular) which (subject to modification) will be endorsed on each Note in definitive form:*

The €500,000,000 0.750 per cent. Guaranteed Notes due 2023 (the “**Notes**”), which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the Notes of Autoliv, Inc. (the “**Issuer**”) are issued subject to and with the benefit of an Agency Agreement dated 26 June 2018 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) made between the Issuer, Autoliv ASP, Inc. (the “**Guarantor**”) as guarantor and HSBC Bank plc as fiscal agent and principal paying agent (the “**Fiscal Agent**”) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the “**Paying Agents**”). The holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**” respectively) are entitled to the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 26 June 2018 and made by the Issuer. The original of the Deed of Covenant is held by the Common Safekeeper for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with Coupons attached on issue.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer, the Guarantor and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.



### 3. GUARANTEE

#### 3.1 Guarantee

The payment of the principal and interest in respect of the Notes has been unconditionally and irrevocably guaranteed by the Guarantor under a deed of guarantee (the “**Guarantee**”) dated 26 June 2018 and executed by the Guarantor.

#### 3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The original of the Guarantee is held by the Fiscal Agent on behalf of, and copies are available during normal business hours for inspection by, the Noteholders and Couponholders at its specified office.

### 4. NEGATIVE PLEDGE

#### 4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) neither Issuer nor the Guarantor will, and each will procure that none of its Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon, or with respect to, any of its or their present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer or the Guarantor, as the case may be, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that (a) all amounts payable by it under the Notes and the Coupons (and/or the Guarantee, as the case may be) are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) shall be provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; provided that, the foregoing provisions shall not apply to any Security Interest (i) arising by operation of law or (ii) created by an entity which becomes a Subsidiary after the date of creation of such Security Interest where the Security Interest was not created in connection with or in contemplation of such entity becoming a Subsidiary and does not extend to or cover any undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any of their respective other Subsidiaries.

#### 4.2 Interpretation

For the purposes of these Conditions:

“**Relevant Indebtedness**”: means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being or are or are intended by the issuer thereof to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness; and

“**Subsidiary**” means in relation to any person (the “**first person**”) at any particular time, any other person (the “**second person**”):

- (x) whose affairs and policies the first person controls or has power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (y) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

## **5. INTEREST**

### **5.1 Interest Rate and Interest Payment Dates**

The Notes bear interest on their outstanding principal amount from and including 26 June 2018 at the rate of 0.750 per cent. per annum (the “**Rate of Interest**”), payable annually in arrear on 26 June (each an “**Interest Payment Date**”). The first payment (representing a full year’s interest) (for the period from and including 26 June 2018 to but excluding 26 June 2019 and amounting to €7.50 per €1,000 principal amount of Notes) shall be made on 26 June 2019.

### **5.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

### **5.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the Rate of Interest to each €1,000 principal amount of Notes (the “**Calculation Amount**”) and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

## **6. PAYMENTS**

### **6.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

## 6.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

## 6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

## 6.4 Payments subject to applicable laws

All payments in respect of the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to the U.S. Internal Revenue Code 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 to 1474 (inclusive) of the Code, any United States Treasury Regulations or agreements thereunder, any official interpretations thereof, any successor, substitute or similar legislation or law or any law implementing an intergovernmental approach thereto.

## 6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 9 (*Prescription*)):

- (x) is or falls after the relevant due date;
- (y) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (z) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, “**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

## 6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having a specified office in the place (if any) required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent (which may be the Fiscal Agent) in a jurisdiction within Europe.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 26 June 2023 (the “**Maturity Date**”).

### **7.2 Redemption for Taxation Reasons**

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 21 June 2018, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in the making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices to the Noteholders (i) a certificate signed by two authorised signatories of the Issuer or, as the case may be, two authorised signatories of the Guarantor stating the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment.

### **7.3 Redemption at the Option of the Issuer**

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (*Notices*); and
- (b) notice to the Fiscal Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes, in whole or in part, at any time at the Relevant Early Redemption Amount.

In this Condition, “**Relevant Early Redemption Amount**” means:

- (i) in relation to any date fixed for redemption which falls in the period up to and including the date falling three months prior to the Maturity Date, such amount as is equal to the greater of the amounts in subparagraphs (A) and (B) below together with interest accrued to but excluding the date fixed for redemption:
  - (A) the principal amount outstanding of the Notes; and
  - (B) an amount (as reported in writing to the Issuer and the Fiscal Agent by the Determination Agent) which is equal to the sum of the present values of the principal amount outstanding of the Notes at the date fixed for redemption and the Remaining Term Interest (exclusive of interest accrued to the date fixed for redemption) discounted to the date fixed for redemption on an annual basis at the Reference Bond Rate plus 0.20 per cent.

In this Condition:

“**Calculation Date**” means the date which is the second TARGET2 Settlement Day prior to the date fixed for redemption;

“**Determination Agent**” means an investment bank or financial institution of international standing selected by the Issuer and notified to the Fiscal Agent and the Noteholders;

“**Reference Bond**” means the DBR 1.5% 15/05/2023 (ISIN: DE0001102317) (or, where the Determination Agent advises the Issuer and the Fiscal Agent that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other government bond as the Determination Agent may recommend);

“**Reference Bond Price**” means, with respect to any date fixed for redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date fixed for redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

“**Reference Bond Rate**” means, with respect to any date fixed for redemption, the rate per annum equal to the annual yield to maturity or interpolated yield to maturity on an Actual/Actual (ICMA) basis of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date fixed for redemption;

“**Reference Government Bond Dealer**” means each of the five banks selected by the Issuer after consultation with the Determination Agent, or their affiliates, which are (A) primary government securities dealers, or (B) market makers experienced in pricing corporate bond issues;

“**Reference Government Bond Dealer Quotations**” means, with respect to each Reference Government Bond Dealer and any Calculation Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at 11 a.m. (Central European time) on the Calculation Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

“**Remaining Term Interest**” means the aggregate amount of scheduled payment(s) of interest on the Notes for the remaining term of the Notes determined on the basis of the Rate of Interest from and including the date fixed for redemption; and

- (ii) in relation to any date fixed for redemption which falls in the period from, but excluding, the date falling three months prior to the Maturity Date to but excluding the Maturity Date, such amount as is equal to the principal amount outstanding of the Notes together with interest accrued to but excluding the date fixed for redemption.

#### **7.4 Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected individually by lot in such place and in such manner as the Fiscal Agent may decide not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

#### **7.5 Redemption at the Option of the Holders**

If a Change of Control Put Event (as defined below) occurs, each Noteholder shall have the option (unless, prior to the giving of the Change of Control Notice (as defined below), the Issuer shall have given notice under Condition 7.2 (*Redemption for Taxation Reasons*) or Condition 7.3 (*Redemption at the Option of the Issuer*) (if applicable)) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Noteholder’s Notes at their principal amount together with interest accrued to but excluding the Change of Control Settlement Date (as defined below). Such option (the “**Change of Control Put Option**”) shall operate as set out below.

If a Change of Control Put Event occurs then, within 14 days of the Issuer becoming aware that such Change of Control Put Event has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 12 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Notes must deliver at the specified office of any Paying Agent on any Business Day (as defined in Condition 6.5 (*Payment only on a Presentation Date*)) at the place of such specified office falling within the period of 30 days after the Change of Control Notice is given by the Issuer (the “**Change of Control Put Period**”), a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held through Euroclear Bank SA/NV (“**Euroclear**”) or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), be any form acceptable to and delivered in a manner acceptable to Euroclear or Clearstream, Luxembourg, as applicable) obtainable from any specified office of any Paying Agent (a “**Change of Control Exercise Notice**”) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this Condition 7.5 accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Change of Control Exercise Notice, be held to its order or under its control. A Change of Control Exercise Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by

notice to the Issuer in accordance with Condition 12 (*Notices*) to withdraw the Change of Control Exercise Notice.

If 80 per cent. or more in nominal amount for the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.5, the Issuer may, on giving not less than 30 nor more than 60 days' notice to Noteholders (such notice being given within 30 days after the Change of Control Settlement Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount together with interest (if any) accrued to (but excluding) the date fixed for such redemption or purchase.

Any Note which is the subject of a Change of Control Exercise Notice which has been delivered to a Paying Agent prior to the expiry of the Change of Control Put Period shall be redeemed or, as the case may be, purchased by (or on behalf of) the Issuer on the date which is the seventh day immediately following the last day of the Change of Control Put Period (the "**Change of Control Settlement Date**").

A **Change of Control Put Event** will be deemed to occur if:

- (i) a person or persons, acting together, other than a holding company whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, acquire (i) the beneficial ownership (directly or indirectly) of more than 50 per cent. of the total voting rights represented by shares of the Issuer, or (ii) have the power to appoint or remove the majority of the members of the board of directors of the Issuer (each such event being, a "**Change of Control**");
- (ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (as defined below) (if any) the Notes have been assigned:
  - (A) an investment grade credit rating (*Baa3/BBB-/BBB- or equivalent or better*) from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Issuer) and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (*Ba1/BB+/BB+ or equivalent or worse*) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
  - (B) a non-investment grade credit rating (*Ba1/BB+/BB+ or equivalent or worse*) from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Issuer) and such rating from any Rating Agency is, within the Change of Control Period, downgraded by one or more notches (*for illustration, Ba1/BB+/BB+ to Ba2/BB/BB being one notch*) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
  - (C) no credit rating from any Rating Agency and a Negative Rating Event also occurs within the Change of Control Period,

*provided that*, if at the time of the occurrence of the Change of Control the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and

- (iii) in making any decision(s) referred to above the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement (whether or not the Change of Control shall have occurred at the time such rating is downgraded and/or withdrawn).

In these Conditions:

“**Change of Control Period**” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Issuer is under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

“**Fitch**” means Fitch Ratings Limited;

“**Moody's**” means Moody's Investors Services Limited;

“**Negative Rating Event**” shall be deemed to have occurred, if at any time there is no rating assigned to the Notes by any Rating Agency (at the invitation or with the consent of the Issuer), either (i) the Issuer does not, prior to or not later than 21 days after the occurrence of the relevant Change of Control, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or (ii) if the Issuer does so seek and use all such reasonable endeavours, it is unable to obtain such rating of at least investment grade (*Baa3/BBB-/BBB- or equivalent or better*) by the end of the Change of Control Period and the relevant Rating Agency announces publicly or confirms in writing to the Issuer and/or the Guarantor that the failure to issue a rating of at least investment grade (*Baa3/BBB-/BBB- or equivalent or better*) was as a result, in whole or in part, of the Change of Control or the Relevant Potential Change of Control Announcement (whether or not the Change of Control had occurred at such time);

“**Rating Agency**” means Moody's, S&P, Fitch or any of their respective successors or any other internationally recognised rating agency (a “**Substitute Rating Agency**”) substituted for any of them by the Issuer from time to time;

“**Relevant Potential Change of Control Announcement**” means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs; and

“**S&P**” means Standard & Poor's Credit Market Services Europe Limited.

## 7.6 Purchases

The Issuer, the Guarantor or any of the Issuer's other Subsidiaries (as defined above) may at any time purchase Notes (provided that, if they should be cancelled under Condition 7.7 below, all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer or Guarantor, surrendered to the Fiscal Agent for cancellation.

## 7.7 Cancellations

All Notes which are purchased pursuant to Condition 7.5 or which are to be redeemed will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.



## 7.8 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2 or Condition 7.3 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

## 8. TAXATION

### 8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note or Coupon; or
- (b) presented for payment in the United States; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by satisfying any statutory or procedural requirements (including, without limitation, the provision of information on a Internal Revenue Service Form W-8 or Form W-9 (or a successor form)); or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 6 (*Payments*)).

Notwithstanding the foregoing, no additional amounts shall be payable for or on account of (i) any taxes, duties, assessments or governmental charges that are imposed otherwise than by deduction or withholding from payments made under or with respect to the Notes, (ii) any taxes, duties, assessments or governmental charges that are imposed on or with respect to any payment on an Notes to an Noteholder who is a fiduciary, partnership, limited liability company, or person other than the Beneficial Owner of such payment to the extent that the Beneficial Owner with respect to such payment (or portion thereof) would not have been entitled to the additional amounts had the payment (or the relevant portion thereof) been made directly to such Beneficial Owner and (iii) any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States of America and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement). As used in clause (ii) above, “**Beneficial Owner**” means the person who is required by the laws of the relevant tax jurisdiction to include the payment in income for tax purposes.

## 8.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12 (*Notices*); and
- (b) **Relevant Jurisdiction** means United States or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having the power to tax to which the Issuer or the Guarantor, as the case may be, to which payments of principal and interest on the Notes and Coupons or payments made under the Guarantee become generally subject to tax.

## 8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments*).

## 10. EVENTS OF DEFAULT

### 10.1 Events of Default

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (“**Events of Default**”) shall have occurred and be continuing:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Guarantee and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by any Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any originally applicable grace period; or (iii) any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due or, as the case may be, within any originally applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that, the aggregate amount of the relevant

Indebtedness for Borrowed Money in respect of which one or more of the events mentioned above in this Condition 10.1(c) have occurred and are continuing exceeds €40 million or its equivalent in any other currency; or

- (d) if any final order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary save for the purposes of reorganisation (i) on terms previously approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (e) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially all of its business (except a cessation (i) for the purposes of reorganisation or similar arrangement on terms previously approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, in connection with the transfer of all or the major part of its business to the Issuer, the Guarantor or any other Subsidiary of either of them which thereby becomes a Material Subsidiary, and provided that a *bona fide* disposal for full value on an arm's length basis of the whole or substantially all of the business of the Issuer, the Guarantor or a Material Subsidiary shall be deemed not to be a cessation for the purposes of this paragraph) or the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is adjudicated bankrupt or insolvent by a court of competent jurisdiction; or
- (f) if (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or substantially all of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of any of them (except in any such case for the purpose of a reconstruction, merger, consolidation, amalgamation or other similar arrangement the terms of which have previously been approved by an Extraordinary Resolution of Noteholders or, in the case of a Material Subsidiary, in connection with the transfer of all or the major part of its business, undertaking and assets to the Issuer, Guarantor or another Subsidiary of either of them which thereby becomes a Material Subsidiary), and (ii) in any such case is not discharged within 45 days; or
- (g) if the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or convenes a meeting to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

## 10.2 Interpretation

For the purposes of this Condition:

- (a) “**Indebtedness for Borrowed Money**” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities;
- (b) “**Material Subsidiary**” means each Subsidiary of the Issuer (or the Guarantor, as the case may be) the EBITDA of which (on an unconsolidated basis) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those financial statements relate accounts for 10 per cent. or more of the Consolidated EBITDA (all as calculated by reference to the latest audited consolidated financial statements of the Issuer), provided that if a Subsidiary has been acquired since the date as at which the latest audited consolidated financial statements of the Issuer were prepared, the financial statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by the auditors as representing an accurate reflection of the Consolidated EBITDA of the Issuer); and
- (c) “**Consolidated EBITDA**” means, for any financial period, the consolidated profit or loss of the Issuer and its Subsidiaries (the “**Group**”), as shown in the income statement:
- (i) *before deducting* any income tax expense, as shown in the income statement;
  - (ii) *before deducting* any finance costs and excluding any finance income, as shown in the income statement;
  - (iii) *after adding back* any amount attributable to the amortisation or depreciation of assets of the Group or any members of the Group;
  - (iv) *before taking into account* any exceptional items of a one-off or non-recurring nature (including, without limitation, the costs associated with any restructuring programme or with any disposal not made in the ordinary course of business);
  - (v) *after adding back or deducting*, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising on any upward or downward revaluation of any asset (including without limitation any impairment of goodwill);
  - (vi) *before taking in to account* any unrealised gains or loss on any derivative instrument;
  - (vii) *after deducting* the amount of profit (or adding back the amount of any loss) of any member of the Group which is attributable to non-controlling interests; and
  - (viii) *after excluding* any amortisation or gains or losses under IAS 39 arising from the discontinuation of hedging agreements,

where, for the purposes of this definition, the exchange rate to be used shall be the exchange rate used in the financial statements of the Group for the relevant financial period.

Consolidated EBITDA shall be adjusted by including (or excluding), on a *pro-forma* basis, EBITDA attributable to companies or businesses acquired (or divested) during the relevant financial period as if they had been acquired (or divested) on the first day of the relevant financial period; and

### **10.3 Reports**

A report by any two authorised signatories of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

## **11. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

### **12.1 Notices to the Noteholders**

Notices required to be given to the Holders of the Notes pursuant to these Conditions shall be valid if published in a leading English language daily newspaper (which is expected to be the *Financial Times*) or, if such publication is not practicable, in an English language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication (or if published more than once or on different dates, on the first date on which publication shall have been made). Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 12.

### **12.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **13. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **13.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or the Guarantee or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a Basic Terms Modification, including the modification of the Guarantee or certain of these Conditions (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding

or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

## **13.2 Modification**

The Fiscal Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of, the Notes, the Coupons or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes, the Coupons or the Agency Agreement which is not materially prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

## **14. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

## **15. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **15.1 Governing Law**

The Agency Agreement, the Guarantee, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and construed in accordance with English law.

### **15.2 Submission to Jurisdiction**

- (a) Subject to Condition 15.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a “**Dispute**”) and each of the Issuer, the Guarantor and any Noteholders and Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, each of the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **15.3 Appointment of Process Agent**

The Issuer irrevocably appoints Airbags International Limited at Viking Way, Congleton, Cheshire CW12 1TT as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Airbags International Limited being unable or unwilling for any reason so to act, it will promptly appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

### **15.4 Other Documents**

Each of the Issuer and the Guarantor (in each case where applicable) has in the Agency Agreement, the Deed of Covenant and the Guarantee submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

### **15.5 Waiver of Trial by Jury**

Without prejudice to Condition 15.2 the Issuer waives any right it may have to a jury trial or any claim or cause of action in connection with the Notes and the Coupons. These Conditions may be filed as a written consent to a bench trial.

## **16. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES**

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the “Global Notes”) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### **1 Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 10 (*Events of Default*) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **2 Payments**

On and after 6 August 2018, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3 Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.



Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

#### 4 Interest Calculation

For so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the Rate of Interest to the principal sum for the time being outstanding of the Global Note and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the Accrual Date) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

#### 5 Exchange and benefits

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if (each of the following being an “**Exchange Event**”):

- (a) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. Thereupon, in the case of (a) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (b) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in Luxembourg. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

In the event that (a) the Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer, or (b) following an Exchange Event, the Permanent Global Note is not duly exchanged for definitive Notes by the day provided in the Permanent Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms of the Deed of Covenant executed by the Issuer on 26 June 2018 in respect of the Notes and the bearer will have no further rights under the Global Note (but without prejudice to the rights any person may have under the Deed of Covenant).

## **6 Prescription**

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

## **7 Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by instruction to Euroclear and Clearstream, Luxembourg to make appropriate entries in their records in respect of all Notes which are cancelled.

## **8 Put Option**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.5 (*Redemption at the Option of the Holders*) may be exercised by an Accountholder giving notice to the Fiscal Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Fiscal Agent by electronic means) of the principal amount of the Notes in respect of which such option is and the Issuer shall procure that the portion of the principal amount of the relevant Global Note so redeemed shall be entered in the records of Euroclear and/or Clearstream Luxembourg.

## **9 Redemption at the Option of the Issuer**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under Condition 7.4 (*Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 7.3 (*Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, selection of the interests in the Global Note(s) for redemption will be made in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

## **10 Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

## **11 Eurosystem Eligibility**

The Global Notes will be issued in New Global Note (NGN) form. This means that the Notes are intended upon issue to be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg (each acting in its capacity as International Central Securities Depository) and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be applied by the Company towards the Group's general corporate purposes, which may include forming part of a cash transfer to Veoneer ahead of the proposed spin-off transaction. See "*Description of the Group*" for further information on the proposed spin-off transaction and Veoneer.

## DESCRIPTION OF THE GROUP

### General

Autoliv, Inc. (“**Issuer**” or the “**Company**”) is a State of Delaware incorporated company with its principal executive offices in Stockholm, Sweden. The Company functions as a holding corporation and owns three principal subsidiaries, Autoliv Holding AB, Autoliv ASP, Inc. and Veoneer Inc. The Group was created in 1997 from the merger of Autoliv AB and the automotive safety products business of Morton International, Inc.

The Group is a leading developer, manufacturer and supplier of automotive safety systems to the automotive industry with a broad range of product offerings, including passive safety systems and active safety systems. As described further below, the Group is proposing to spin-off its Electronics business segment (held by, and including, Veoneer Inc.) during the third quarter of 2018. In 2017, the Electronics business segment had U.S.\$2.3 billion in sales while the Passive Safety business had U.S.\$8.1 billion in sales.

The Company’s common shares are traded on the New York Stock Exchange. Swedish depository receipts representing the Company’s common shares trade on Nasdaq Stockholm.

The Company was incorporated in the State of Delaware on 1 October 1996 under the General Corporation Law of the State of Delaware with file number 2668672. The address of the Company is Klarabergsviadukten 70, Section B, 7th Floor, Box 70381, SE-107 24, Stockholm, Sweden and its telephone number is +46 8 587 20 600. The address of the Company’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange St, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

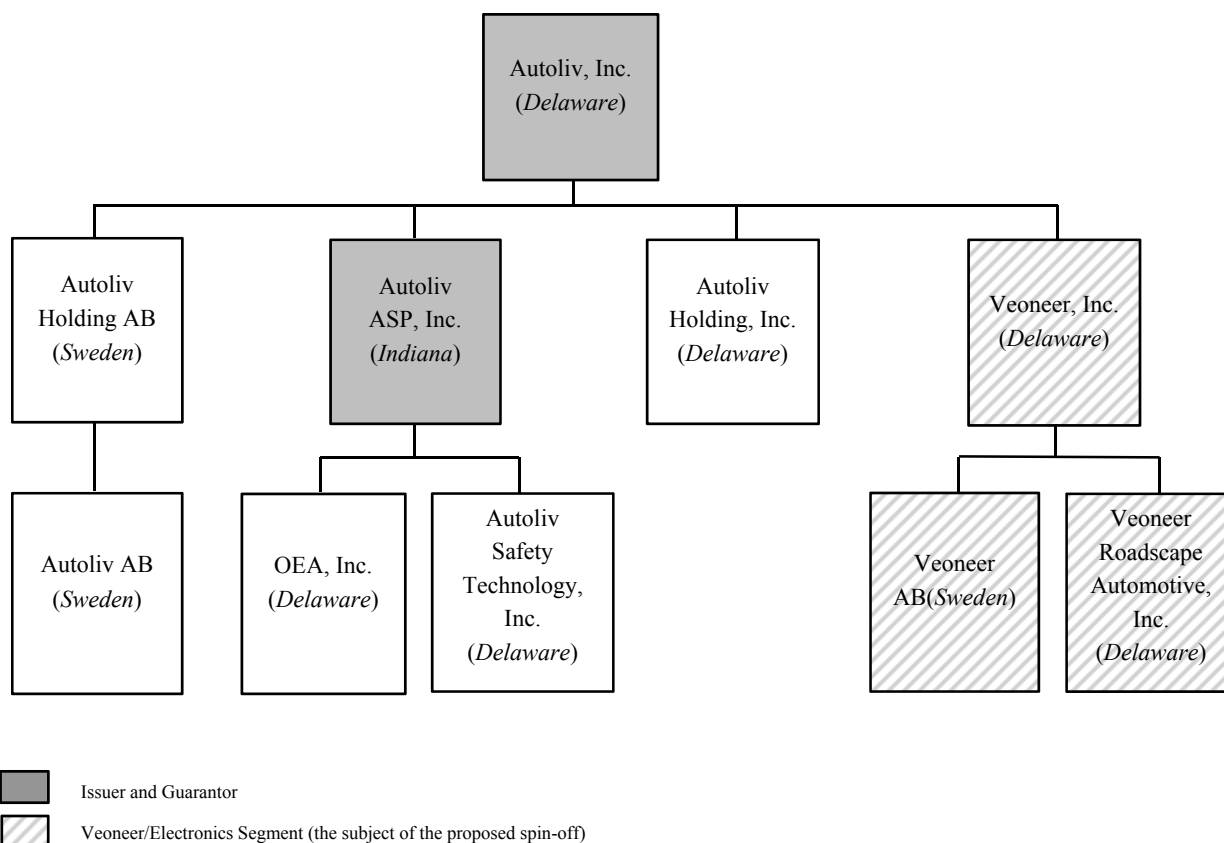
Autoliv ASP, Inc. (“**Autoliv ASP**” or the “**Guarantor**”) is a State of Indiana incorporated entity with its principal offices in Ogden, Utah. Autoliv ASP was incorporated on 4 April 1989 under the laws of the State of Indiana with file number 1989040123. The address of Autoliv ASP is 3350 Airport Road, Ogden, Utah 84405 and its telephone number is +1 801 625 8200. The address of Autoliv ASP’s registered office in the State of Indiana is 150 West Market Street, Suite 800, Indianapolis, IN, 46204. The name of its registered agent at such address is CT Corporation System.

The Company is currently assigned a credit rating of A- (senior unsecured rating) by S&P. The underlying objective of the Company is to retain a strong investment grade rating after the proposed spin-off. On 30 May 2018, S&P announced that they were affirming their long-term debt rating of A- (senior unsecured rating) with a stable outlook on both the Issuer and the Guarantor.

At the date of this Offering Circular the Group has two operating segments, each as described in more detail under the heading “*Business Segments*” below: (i) Passive Safety (airbags, seatbelts and steering wheels) and (ii) Electronics (restraint control systems, brake control systems and active safety products, such as camera-based vision systems, night vision systems, automotive radars, positioning systems and related software) which is the subject of the proposed spin-off. For financial reporting purposes, these two operating segments are also the Group’s reportable segments in accordance with Accounting Standards Codification (ASC) 280 Segment Reporting. The financial data relating to the Group’s businesses in these segments over the last two fiscal years is contained in consolidated financial statements incorporated into this Offering Circular (see the section headed “*Information Incorporated by Reference*”).

## Group Structure chart

The following diagram shows the Company’s key subsidiaries, including depicting the Guarantor’s structural position within the Group and also where Veoneer, Inc. sits within the Group as at the date of this Offering Circular (i.e. prior to the proposed spin-off described under “Proposed spin-off of the Electronics business” below). See the table under the heading “Manufacturing and Production” below for further detail on the various other operating subsidiaries which are owed by the subsidiaries depicted in this structure diagram:



## Shareholders

	Number of shares	% of total
<b>Company’s three largest shareholders</b>		
Cevian <sup>1</sup> .....	8,376,924	9.62
Alecta <sup>2</sup> .....	8,262,500	9.49
AMF <sup>3</sup> .....	5,529,279	6.35

<sup>1</sup> The number of shares owned was provided by Cevian Capital II GP Limited (“Cevian”) pursuant to Amendment No. 2 to its Schedule 13D filed with the SEC on 4 April 2018, indicating beneficial ownership as of 2 April 2018. Cevian reported sole power to vote and dispose of all such shares. The ownership percentage for Cevian used in its Schedule 13D/A is calculated based upon 87,091,262 shares of Common Stock outstanding as of 29 March 2018.

<sup>2</sup> The number of shares owned was provided by Alecta pensionsförsäkring, ömsesidigt ("Alecta") pursuant to Amendment No. 7 to its Schedule 13G filed with the SEC on 7 February 2018, indicating beneficial ownership as of 31 December 2017.

<sup>3</sup> The number of shares owned was provided by AMF Pensionsförsäkring AB ("AMF"), pursuant to Amendment No. 5 to its Schedule 13G filed with the SEC on 7 February 2018, indicating beneficial ownership as of 31 December 2017.

The proposed spin-off (see "*Proposed Spin-off of the Electronics business*" below) is expected to be effected by way of a *pro rata* distribution of the common stock of Veoneer, the Group's Electronics business segment, to the holders of common shares and Swedish Depository Receipts representing common shares (SDRs) of the Company as of a certain designated record date. Accordingly, the spin-off is not expected to have any impact on the major shareholdings in the Company.

### ***Proposed Spin-off of the Electronics business***

On 12 December 2017, the Group announced that its Board of Directors concluded its strategic review of its operating structure and decided to prepare for a spin-off of the Group's Electronics business segment, intending to create a new, independent publicly traded company called Veoneer, Inc. ("**Veoneer**"), during the third quarter of 2018. See further description of the Electronics business segment under "*Products, Market and Competition*" below. Through the proposed spin-off, the Company is seeking to create additional value for shareholders by better addressing two distinct, growing markets with leading product offerings (Electronics, which will leave the Group, and Passive Safety, which will remain). The Group's Passive Safety business segment will continue to operate under the Autoliv name after the spin-off.

On 24 May 2018, the Group announced that its Board of Directors had approved a *pro rata* distribution to the Company's stockholders of all of the outstanding shares of Veoneer. In the distribution, the Company's stockholders (including holders of shares represented by Swedish Depository Receipts ("**SDRs**")) will receive one share of Veoneer common stock for each share of Autoliv, Inc. common stock held as of the close of business on 12 June 2018, being the common stock record date for the distribution. The record date for the distribution to holders of Autoliv SDRs is 2 July 2018. The spin-off is expected to be completed on 29 June 2018 and Veoneer is expected to begin "regular way" trading on the New York Stock Exchange under the symbol "VNE" and on Nasdaq Stockholm under the symbol "VNE SDB" on 2 July 2018. The distribution remains subject to satisfaction of certain customary conditions, including the SEC having declared effective Veoneer's Form 10 registration statement and the Swedish Financial Supervisory Authority approving Veoneer's Swedish prospectus.

Investors in the Notes will not have any recourse to the Electronics business segment following the proposed spin-off.

The Appendix to the 31 May 2018 Press Release (referred to under the section headed "*Information Incorporated by Reference*" above) sets out certain continuing operations financial information of the Company as at, and in respect of the years ended, 31 December 2016 and 31 December 2017 after giving effect to the proposed spin-off. The financial information appearing in the Appendix to the 31 May 2018 Press Release has been prepared in accordance with U.S. GAAP and has not been audited.

The key drivers for the proposed spin-off include the different pace of technology advancement in the two business segments, different skill sets of people throughout the organisations (e.g. leadership, engineering and sales), different market needs driving investments for growth and innovation (RD&E) and different sales growth rates over the near and long term with limited customer or operational synergies. There is also a potentially different shareholder profile due to the timing of returns.

In connection with the spin-off of Veoneer, the initial capitalisation of Veoneer is expected to be provided through a capital contribution of approximately U.S.\$1.0 billion from the Company. The Company intends to

raise the majority of the needed capital through new external funding, while the remaining amount of the capital will be provided by cash on hand.

In assessing the proposed capitalisation of Veoneer, the Company's overriding objective is to retain a strong investment grade credit rating after the proposed spin-off. On 30 May 2018, S&P announced that they were affirming their long-term debt rating of A- (senior unsecured rating) with a stable outlook on both the Issuer and the Guarantor.

In addition, the Group believes the total project costs, mainly related to accounting, finance, legal, IT and listing, are estimated to be up to U.S.\$70 million, the majority of which is not expected to be tax deductible. These project costs will be booked in the quarter in which they occur.

Tax related costs associated with the internal reorganisation of the Group's businesses, which occurred on 1 April 2018 and which was completed to prepare for the proposed spin-off, are estimated to be up to U.S.\$80 million.

The proposed spin-off of Veoneer is expected to lead to a re-distribution of certain assets and costs, mainly relating to intellectual property and group funded research and development, which are expected to have a net positive impact on Passive Safety operating income and a corresponding net negative impact on Veoneer's operating income as compared to the Group's current segment reporting.

As described in more detail under "*Description of The Group – Proposed Spin-off of the Electronics business*" below, on 24 May 2018, the Company, as borrower, and Autoliv ASP, as guarantor, entered into a Bridge Facility, with J.P. Morgan Securities plc and Skandinaviska Enskilda Banken AB (publ) as coordinators and bookrunners and Skandinaviska Enskilda Banken AB (publ) as facility agent, for the purpose of financing a cash injection into Veoneer in preparation for the spin-off.

## **Business Segments**

The Group is the world's leading supplier of automotive safety systems (*source*: Company data), with a broad range of product offerings, including passive safety, restraint control systems, active safety and brake control systems that are currently sold within its two operating segments, its Passive Safety segment and its Electronics segment.

Passive safety systems ("**Passive Safety**") are primarily intended to improve vehicle safety. Passive safety products include modules and components for frontal-impact airbag protection systems, side-impact airbag protection systems, seatbelts, steering wheels, inflator technologies, battery cable cutters, pedestrian protection systems and child seats.

The Group has combined all of its electronics resources and expertise in safety electronics systems within the electronics business segment ("**Electronics**") that is the subject of the proposed spin-off. These systems include restraint control electronics and crash sensors for deployment of airbags and seatbelt pretensioners, active safety sensors and software for both advanced driver assistance systems ("**ADAS**") and autonomous driving ("**AD**") solutions and brake control systems.

Including joint venture operations, the Group has approximately 78 production facilities in 27 countries and its customers include the world's largest car manufacturers. The Group's sales in 2017 were U.S.\$10.4 billion, of which 51 per cent. consisted of airbag and steering wheel products, 27 per cent. consisted of seatbelt products, 10 per cent. consisted of restraint control products, 7 per cent. of which consisted of active safety products and 5 per cent. of which consisted of brake control system products. The Group's business is conducted in the following geographical regions, Europe, the Americas, China, Japan and the Rest of Asia.

The Group's head office is located in Stockholm, Sweden, where 87 people were employed as at 31 December 2017. As at 31 December 2017, the Group had approximately 72,000 employees worldwide, of

which 9,000 were temporary personnel. Approximately 7,500 employees are expected to leave the Group as part of the spin-off of the Electronics segment.

## **Products, Market and Competition**

### ***Products***

The Group's organisational structure and management reporting support the management of the following core product lines as at the date of this document:

#### *Passive Safety*

The Passive Safety segment encompasses systems such as seatbelts and airbags designed to mitigate human consequences of traffic accidents.

The airbag module is designed to inflate extremely rapidly then quickly deflate during a collision or impact. It consists of the container, airbag cushion and an inflator. The purpose of the airbag is to provide the occupants a cushioning and restraint during a crash event to prevent any impact or impact-caused injuries between the occupant and the interior of the vehicle.

#### *Electronics*

The Electronics segment offers a wide range of electronic safety hardware and software in the areas of active safety and drive assist.

As described under "*Description of the Group – Proposed Spin-off of the Electronics business*" above, the Company intends to spin-off this segment of the Group's business in the third quarter of 2018.

### ***Market and Competition***

Significant trends are likely to have a positive influence on overall safety content per vehicle. These include:

- society becoming increasingly focused on Vision Zero, which includes reducing traffic fatalities and associated costs;
- demographic trends of increased urbanisation, aging driver populations and increased safety focus in the growth markets;
- evolving government regulations and test rating systems to improve the safety of vehicles in various markets, such as the new Euro NCAP; and
- ongoing evolution of collision avoidance technologies and an industry focused on achieving ADAS, highly automated driving ("**HAD**") and, ultimately, some form of AD.

The automotive safety market is driven by two primary factors: light vehicle production ("**LVP**") and safety content per vehicle ("**CPV**").

The first growth driver, LVP, has increased at an average annual growth rate of around 2.8 per cent. over the last two decades despite the typically cyclical nature of the automotive industry. LVP is expected to grow to more than 98 million in 2020 from approximately 92 million in 2017, according to IHS Markit. Almost all of this expansion will be in growth markets, predominantly in China, India, Southeast Asia and Eastern Europe.

Unlike LVP, where the Group can only aim to be on the best-selling platforms, the Group can influence CPV more directly by continuously developing and introducing new technologies with higher value-added features.



Over the long term, the increase in average safety CPV has made a more significant contribution to the Group's markets growth than LVP has.

### ***Passive Safety***

Since the Group began operations in 1997, the Group's sales compounded annual growth rate ("CAGR") for passive safety has been 5.6 per cent. compared to the market rate of around 3.2 per cent. (*source*: Company data) which includes an LVP of around 2.8 per cent. The Group's outperformance is a result of a steady flow of new passive safety technologies, strong focus on quality and a superior global footprint both in products and engineering. These factors have enabled the Group to increase its market share from 27 per cent. in 1997 to 38 per cent. in 2017.

In Western Europe, North America, Japan and South Korea, CPV remains around U.S.\$270. CPV growth in these regions will mainly come from new passive safety systems such as active seatbelts, knee airbags, far-side impact airbags along with improved protection for pedestrians and rear-seat occupants like bag-in-belt.

Despite a negative LVP mix effect from higher growth in low CPV markets, the Group expects the passive safety market (seatbelts and airbags including steering wheels) to grow at a CAGR of 4.5 per cent. until 2020, up to around U.S.\$24 billion, based on the current macro-economic outlook and the Group's internal market intelligence and estimates. The highest growth rate is expected in steering wheels, where the Group has global market share of more than 30 per cent., generated by the trend toward higher-value steering wheels with leather and additional features.

Growth markets are expected to outgrow developed markets by a factor of two for the period between 2017 and 2020, as the growth markets are supported by a higher LVP and increasing CPV resulting from higher penetration of airbags and more advanced seatbelt products.

In seatbelts, the Group has reached a global market share of around 40 per cent., primarily due to being the technology leader with several important innovations such as pretensioners and active seatbelts. The Group's strong market position is also a reflection of its superior global footprint. Seatbelts are the primary life-saving safety product and are also an important requirement in low-end vehicles for the growth markets.

The market for airbags, where the Group has a market share of around 40 per cent., is expected to grow slightly slower than the total passive safety market. This is related to the dilutive effect from new low-end vehicles in the growth markets, with relatively low installation rates for airbags.

In passive safety, the Group's major competitors have historically been Takata and ZF.

During 2017, Takata, a family-controlled Japanese company whose shares were listed on the Tokyo Stock Exchange, filed for bankruptcy protection in the U.S. and Japan. The bankruptcy came after accumulation of recall costs and liabilities related to malfunctioning airbag inflators. U.S.-based Key Safety Systems ("KSS"), owned by Chinese company Joyson, subsequently announced its intention to acquire Takata's assets. The transaction was completed in April 2018. Combined, Takata and KSS is estimated to hold a global market share of 26 per cent.

ZF is a global leader in driveline and chassis technology, as well as in passive safety technologies and is the second largest global automotive supplier and has an estimated global market share of 16 per cent.

In Japan, Brazil, South Korea and China there are a number of local suppliers that have close ties with the domestic vehicle manufacturers. For example, Toyota uses "keiretsu" (in-house) suppliers Tokai Rika for seatbelts and Toyoda Gosei for airbags and steering wheels. These suppliers generally receive most of the Toyota business in Japan, in the same way, Mobis, a major supplier to Hyundai/Kia in South Korea generally receives around half of their business.

Other passive safety system competitors include Nihon Plast and Ashimori of Japan, Jinheng of China, Samsung in South Korea and Chris in South America. Collectively, these competitors account for the majority of the remaining 20 per cent. global market share in passive safety.

### ***Electronics***

The Group's total addressable market, including brake control systems, active safety and passive safety electronics grew by 4 per cent. in 2017, to around U.S.\$20 billion. This can be compared to the more than 2 per cent. increase seen in LVP globally. The majority of the growth came from the active safety market as the Group's customers seek to manufacture vehicles that meet and exceed increasingly stringent safety test ratings around the world and to satisfy consumer demands for increased safety through more advanced driver assist features and enhanced comfort and convenience towards autonomous driving.

The Group currently expects the total addressable market for the Electronics segment that is being spun-off and disposed of (active safety, restraint controls systems and brake control systems) to grow by a CAGR of around 11 per cent. between 2017 and 2020, with the segment's highest growth rate expected to be for active safety products.

Active Safety (LiDAR, radar, night vision, front-view mono and stereo vision cameras and ADAS ECUs) is one of the fastest growing areas of vehicle equipment and is expected to grow at an annual rate of around 30 per cent. between 2017 and 2020.

The active safety market remains relatively fragmented with more and larger competitors, than in the passive safety market. Key competitors include Aptiv, Bosch, Continental, Denso, Magna, Valeo and ZF.

The current leader in camera based mono vision algorithms, Mobileye was acquired during 2017 by the computer chip maker Intel. Intel is both a supplier to and competitor of the Electronics business segment. In addition, new potential industry entrants like Nvidia, Qualcomm, Baidu, Apple, Uber and Google are testing solutions to enter the field of autonomous driving.

Continental and Bosch are the largest competitors in restraint control systems.

In brake control market, the Electronics business segment's main competitors include ADVICS, Bosch, Continental, Mando, and ZF.

### **Manufacturing and Production**

Including its joint venture operations, the Group currently has approximately 78 production facilities located in 27 countries, consisting of both component factories and assembly factories. The component factories manufacture inflators, propellant, initiators, textile cushions, webbing, electronics, pressed steel parts, springs and overmoulded steel parts used in seatbelt and airbag assembly, steering wheels and the Group's safety electronic systems. The assembly factories source components from a number of parties, including the Group's own component factories, and assemble complete restraint systems for "just-in-time" delivery to customers. The products manufactured by the Group's consolidated subsidiaries in 2017 consisted of approximately 152 million complete seatbelt systems (of which approximately 78 million were fitted with pretensioners), approximately 99 million side airbags (including curtain airbags), approximately 53 million frontal airbags, approximately 18 million steering wheels, approximately 19 million restraint control units, approximately 2 million brake control units and approximately 10 million active safety units.

The Group's "just-in-time" delivery systems have been designed to accommodate the specific requirements of each customer for low levels of inventory and rapid stock delivery service. "Just-in-time" deliveries require final assembly or, at least, distribution centres in geographic areas close to customers to facilitate rapid delivery. The fact that the major automobile manufacturers are continually expanding their production activities into more countries and require the same or similar safety systems as those produced in Europe,

Japan or the United States increases the importance for suppliers to have assembly capacity in several countries. Consolidation among the Group's customers also supports this trend.

The Group's assembly operations generally are not constrained by capacity considerations unless there is a disruption in the supply of raw materials and components. When dramatic shifts in LVP occur, the Group can generally adjust capacity in response to any changes in demand within a few days by adding or removing work shifts and within a few months by adding or removing standardised production and assembly lines. Most of the Group's assembly factories can make sufficient space available to accommodate additional production lines to satisfy foreseeable increases in capacity. As a result, the Group can usually adjust its manufacturing capacity faster than its customers can adjust their capacity as a result of fluctuations in the general demand for vehicles or in the demand for a specific vehicle model, provided that customers promptly notify the Group when they become aware of such changes in demand.

When dramatic shifts in LVP occur or when there is a shift in regional LVP, the capacity adjustments can take more time and be costlier. Additionally, when there is a significant demand for a given product due to a major recall of a competitor's product, of the sort that certain of the Group's customers have experienced, capacity adjustments may take time.

The Group could experience disruption in its supply or delivery chain at any time, which could cause one or more of the Group's customers to halt or delay production.

All of the facilities which list only "Electronics" in the Reporting Segment column have been transferred to Veoneer as part of an internal reorganisation of the Group undertaken in preparation of the planned spin-off. Of the facilities which list both "Passive Safety and Electronics" in the Reporting Segment column, Vårgårda, Sweden and Shanghai, China have been transferred to Veoneer as part of the internal reorganisation in preparation for the spin-off, and Dachau, Germany, Bangalore, India, and Seoul, South Korea will remain as Group facilities.

<u>Country/ Company</u>	<u>Location of Facility</u>	<u>Reporting Segment(s)</u>	<u>Items Produced at Facility</u>	<u>Owned/ Leased</u>
<b>Brazil</b>				
Autoliv do Brasil Ltda.	Taubaté	Passive Safety	Seatbelts, airbags, steering, wheels and seatbelt webbing	Owned
<b>Canada</b>				
Autoliv Canada, Inc.	Tilbury	Passive Safety	Airbag cushions	Owned
Autoliv Electronics Canada, Inc.	Markham	Electronics*	Airbag electronics, radar, sensors	Leased
VOA Canada, Inc.	Collingwood	Passive Safety	Seatbelt webbing	Owned
<b>China</b>				
Autoliv (Baoding) Vehicle Safety Systems Co., Ltd.	Baoding	Passive Safety	Airbags	Leased
Autoliv (Changchun) Vehicle Safety Systems Co., Ltd.	Changchun	Passive Safety	Airbags and seatbelts	Owned
Autoliv (China) Electronics Co., Ltd.	Shanghai	Electronics*	Airbag electronics	Owned
Autoliv (China) Steering Wheel Co., Ltd.	Shanghai	Passive Safety	Steering wheels	Owned
Autoliv (Guangzhou) Vehicle Safety Systems Co., Ltd.	Guangzhou	Passive Safety	Airbags and seatbelts	Owned
Autoliv (Nanjing) Vehicle Safety Systems Co., Ltd.	Nanjing	Passive Safety	Seatbelts	Owned
Autoliv Shenda (Nanjing) Automotive Components Co., Ltd.	Nanjing	Passive Safety	Seatbelt webbing	Owned
Autoliv (Shanghai) Vehicle Safety Systems Co., Ltd.	Shanghai	Passive Safety	Airbags	Owned
Autoliv Shenda (Tai Cang) Automotive Safety Systems Co., Ltd.	Shanghai	Passive Safety	Seatbelt webbing	Owned
Autoliv (Jiangsu) Automotive Safety Components Co., Ltd.	Jintan	Passive Safety	Propellant, Airbag initiators and Airbag inflators	Owned

<u>Country/ Company</u>	<u>Location of Facility</u>	<u>Reporting Segment(s)</u>	<u>Items Produced at Facility</u>	<u>Owned/ Leased</u>
Autoliv (China) Automotive Safety Systems Co., Ltd.	Nantong	Passive Safety	Airbag cushions	Owned
Mei-An Autoliv Co., Ltd.	Taipei	Passive Safety	Seatbelts and airbags	Leased
Autoliv Nissin Brake Systems (Zhongshan) Co., Ltd	Zhongshan	Electronics*	Brake control systems	Owned
<b>Estonia</b>				
AS Norma	Tallinn	Passive Safety	Seatbelts and belt components	Owned
<b>France</b>				
Autoliv Electronic SAS	Saint-Etienne du Rouvray	Electronics*	Airbag electronics	Owned
Autoliv France SNC	Gournay-en-Bray	Passive Safety	Seatbelts and airbags	Owned
Autoliv Isodelta SAS	Chiré-en-Montreuil	Passive Safety	Steering wheels and covers	Owned
Livbag SAS	Pont-de-Buis	Passive Safety	Airbag inflators	Owned
N.C.S. Pyrotechnie et Technologies SAS	Survilliers	Passive Safety	Airbag initiators and seatbelt micro gas generators	Owned
<b>Germany</b>				
Autoliv B.V. & Co. KG	Dachau	Passive Safety	Airbags	Leased
	Elmshorn	Passive Safety	Seatbelts	Owned
<b>Hungary</b>				
Autoliv Kft.	Sopronkövséd	Passive Safety	Seatbelts	Owned
<b>India</b>				
Autoliv India Private Ltd.	Bangalore	Passive Safety	Seatbelts, airbags and steering wheels	Leased
	Mysore	Passive Safety	Seatbelt webbing	Owned
	Delhi	Passive Safety	Seatbelts, airbags and steering wheels	Leased
	Chennai	Passive Safety	Seatbelts	Leased
	Rudrapur	Passive Safety	Seatbelts	Leased
<b>Indonesia</b>				
P.T. Autoliv Indonesia	Jakarta	Passive Safety	Seatbelts and steering wheels	Owned
<b>Japan</b>				
Autoliv Japan Ltd.	Atsugi	Passive Safety	Steering wheels	Owned
	Hiroshima	Passive Safety	Airbags and steering wheels	Owned
	Taketoyo	Passive Safety	Airbag inflators	Owned
	Tsukuba	Passive Safety	Airbags and seatbelts	Owned
Autoliv Nissin Brake Systems Japan Co., Ltd	Ueda	Electronics*	Brake control system	Leased
	Shimo-Muroga	Electronics*	Brake control systems	Leased
	Saku City	Electronics*	Brake control systems	Leased
<b>Malaysia</b>				
Autoliv-Hirota Sdn Bhd	Kuala Lumpur	Passive Safety	Seatbelts, airbags and steering wheels	Owned
<b>Mexico</b>				
Autoliv Mexico East S.A. de C.V.	Matamoros	Passive Safety	Steering wheels	Owned
Autoliv Mexico S.A. de C.V.	Lerma	Passive Safety	Seatbelts	Owned
Autoliv Safety Technology de Mexico S.A. de C.V.	Tijuana	Passive Safety	Seatbelts	Leased
	Querétaro	Passive Safety	Airbag cushions	Leased
<b>Philippines</b>				
Autoliv Cebu Safety Manufacturing, Inc.	Cebu	Passive Safety	Steering wheels	Owned
<b>Poland</b>				
Autoliv Poland Sp.zo.o.	Olawa	Passive Safety	Airbag cushions	Owned
	Jelcz-Laskowice	Passive Safety	Airbags and seatbelts	Owned

<u>Country/ Company</u>	<u>Location of Facility</u>	<u>Reporting Segment(s)</u>	<u>Items Produced at Facility</u>	<u>Owned/ Leased</u>
<b>Romania</b>				
Autoliv Romania S.R.L.	Brasov	Passive Safety	Seatbelts, seatbelt webbing, airbags, airbag inflators, springs for retractors and seatbelt components	Owned
	Lugoj	Passive Safety	Airbag cushions	Owned
	Sfantu Georghe	Passive Safety	Steering wheels	Owned
	Onesti	Passive Safety	Steering wheels	Leased
<b>Russia</b>				
OOO Autoliv	Togliatti	Passive Safety	Airbags, seatbelts and steering wheels	Leased
<b>South Africa</b>				
Autoliv Southern Africa (Pty) Ltd.	Krùgersdorp	Passive Safety	Seatbelts and airbags	Owned
<b>South Korea</b>				
Autoliv Corporation	Hwasung	Passive Safety	Airbags	Owned
	Wonju	Passive Safety	Seatbelts	Owned
<b>Spain</b>				
Autoliv BKI S.A.U.	Valencia	Passive Safety	Airbags	Owned
<b>Sweden</b>				
Autoliv Sverige AB	Vårgårda	Passive Safety and Electronics*	Airbag inflators and airbag electronics, vision cameras and radar	Owned
<b>Thailand</b>				
Autoliv Thailand Ltd.	Chonburi	Passive Safety	Seatbelts	Owned
	Chonburi	Passive Safety	Airbags, airbag cushions, steering wheels	Leased
<b>Tunisia</b>				
SWT1 SARL	El Fahs	Passive Safety	Leather wrapping of steering wheels	Owned & Leased
ASW3 SARL	Nadhour	Passive Safety	Leather wrapping of steering wheels	Owned
<b>Turkey</b>				
Autoliv Cankor Otomotiv Emniyet Sistemleri Sanayi Ve Ticaret A.S.	Gebze-Kocaeli	Passive Safety	Airbags and seatbelts	Owned
Autoliv Teknoloji Urunleri Sanayi ve Ticaret Ltd. Sti.	Gebze-Kocaeli	Passive Safety	Steering wheels	Leased
Autoliv Metal Pres Sanayi ve Ticaret A.S.	Gebze-Kocaeli	Passive Safety	Seatbelt components	Owned
<b>United Kingdom</b>				
Airbags International Ltd	Congleton	Passive Safety	Airbag cushions	Owned
<b>USA</b>				
Autoliv ASP, Inc.	Brigham City	Passive Safety	Airbag inflators	Owned
	Goleta	Electronics*	Night vision	Leased
	Ogden	Passive Safety	Airbags	Owned
	Ogden	Passive Safety	Airbags and service parts	Leased
	Promontory	Passive Safety	Propellant	Owned
	Tremonton	Passive Safety	Airbag initiators and seatbelt micro gas generators	Owned
Autoliv Nissin Brake Systems America LLC	Findlay	Electronics*	Brake control systems	Leased

*Technical centres and crash test tracks:*

<u>Country / Company</u>	<u>Location</u>	<u>Reporting Segment(s)</u>	<u>Product(s) Supported</u>
<b>China</b>			
Autoliv (Shanghai) Vehicle Safety System Technical Centre Co., Ltd.	Shanghai	Passive Safety and Electronics*	Airbags and seatbelts customer applications and platform development with full-scale test laboratory
<b>France</b>			
Autoliv France SNC	Gournay-en-Bray	Passive Safety	Airbags and seatbelts customer applications and platform development with full-scale test laboratory
Autoliv Electronics SAS	Cergy-Pontoise	Electronics*	Electronics platform development and customer applications
Livbag SAS	Pont-de-Buis	Passive Safety	Inflator and pyrotechnic development
<b>Germany</b>			
Autoliv B.V. & Co. KG	Dachau	Passive Safety and Electronics*	Electronics customer applications and platform development, airbags with full-scale test laboratory
	Elmshorn Holzgerlingen	Passive Safety Electronics*	Seatbelts with full-scale test laboratory Electronics customer application
<b>India</b>			
Autoliv India Private Ltd.	Bangalore	Passive Safety and Electronics*	Electronics, airbags and seatbelts with sled testing
<b>Japan</b>			
Autoliv Japan Ltd	Tsukuba	Passive Safety	Airbags and seatbelts customer applications and platform development with sled test laboratory
	Hiroshima	Electronics*	Electronics platform development
	Yokohama	Electronics*	Electronics platform development
Autoliv Nissin Brake Systems Japan Co., Ltd.	Tochigi	Electronics*	Brake systems
<b>Poland</b>			
Autoliv Poland Sp.z.o.o.	Olawa	Passive Safety	Airbags platform development
<b>Romania</b>			
Autoliv Romania S.R.L.	Brasov	Passive Safety	Seatbelts with sled test laboratory
	Timisora	Electronics*	Electronics for passive and active safety
<b>South Korea</b>			
Autoliv Corporation	Seoul	Passive Safety and Electronics*	Electronics, airbags and seatbelts customer applications and platform development with sled test laboratory
<b>Sweden</b>			
Autoliv Development AB	Vårgårda	Passive Safety and Electronics*	Research centre
Autoliv Sverige AB	Linköping	Electronics*	Electronics platform development
	Vårgårda	Passive Safety	Airbags customer applications and platform development with full-scale test laboratory

<u>Country / Company</u>	<u>Location</u>	<u>Reporting Segment(s)</u>	<u>Product(s) Supported</u>
	Göteborg	Electronics*	Electronics customer application
<b>USA</b>			
Autoliv ASP Inc.	Auburn Hills	Passive Safety	Airbags, steering wheels, and seatbelts customer applications and platform development with full-scale test laboratory
	Ogden	Passive Safety	Airbags, inflators and pyrotechnics customer applications and platform development
	Southfield	Electronics*	Brake systems, electronics customer application and platform development
	Lowell	Electronics*	Electronics platform development
	Goleta	Electronics*	Electronics customer application

\* Asterisks in the reporting segment column denote that relevant facilities were transferred to Veoneer in the internal reorganisation in preparation for the proposed spin-off of the Electronics business segment. See the paragraph immediately preceding the above table for further information.

## Quality Management

The Group believes that superior quality is a prerequisite to being considered a leading global supplier of automotive safety systems and is key to its financial performance, because quality excellence is critical for winning new orders, preventing recalls and maintaining low scrap rates. The Group has for many years emphasized a “zero-defect” proactive quality policy and continues to strive to improve its working methods. This means both that the Group’s products are expected to always meet performance expectations, and that the Group’s products are expected to be delivered to its customers at the right times and in the right amounts. Furthermore, the Group believes that its continued quality improvements further enhance the Group’s reputation among customers, employees and governmental authorities.

Although quality has always been paramount in the automotive industry, especially for safety products, automobile manufacturers have become increasingly focused on quality with even less tolerance for any deviations. This intensified focus on quality is partially due to an increase in the number of vehicle recalls for a variety of reasons (not just safety), including a few high-profile vehicle recalls. This trend is likely to continue as automobile manufacturers introduce even stricter quality requirements and regulating agencies and other authorities increase the level of scrutiny given to vehicle safety issues. The Group has not been immune to the recalls that have been impacting the automotive industry.

The Group continues to drive its quality initiative called “Q5” which was initiated in the summer of 2010. It is an integral part of the Group’s strategy of shaping a proactive quality culture of zero defects. It is called “Q5” because it addresses quality in five dimensions: products, customers, growth, behaviour and suppliers. The goal of Q5 is to firmly tie together quality with value within all of the Group’s processes and for all of the Group’s employees, thereby leading to the best value for the Group’s customers. Since 2010, the Group has continually expanded this quality initiative to provide additional skills training to more employees and suppliers. These activities have made a significant contribution to the reduction in occurrences of non-conforming events.

In the Group’s pursuit of excellence in quality, the Group has developed a chain of four “defence lines” seeking to protect against potential quality issues. These defence lines consist of seeking to achieve: (1) robust product designs, (2) flawless components from suppliers and the Group’s own in-house component

companies, (3) manufacturing flawless products with a system for verifying that its products conform with specifications and (4) an advanced traceability system in the event of a recall.

The Group's pursuit of excellence extends from the earliest phases of product development to the proper disposal of a product following many years of use in a vehicle. The Group's comprehensive Product Development System includes several key check points during the process of developing new products that are designed to ensure that such products are well-built and have no hidden defects. Throughout this process, the Group works closely with its suppliers and customers to set clear standards that help to ensure robust component design and lowest cost for function in order to proactively prevent problems and ensure the Group delivers only the best designs to the market.

The Group Production System ("APS"), based on the goals of improving quality and efficiency, is at the core of the Group's manufacturing philosophy. APS integrates essential quality elements, such as mistake proofing, statistical process control and operator involvement, into the manufacturing processes so all the Group associates are aware of and understand the critical connection between themselves and the Group's lifesaving products. This "zero-defect" principle extends beyond the Group to the entire supplier base. All of the Group's suppliers must accept the strict quality standards in the global the Group Supplier Manual, which defines the Group's quality requirements and focuses on preventing bad parts from being produced by its suppliers and helps eliminate defective intermediate products in the Group's assembly lines as early as possible. In addition, the Group's One Product One Process ("1PIP") initiative is its strategy for developing and managing standardisation of both core products and customer-specific features, leading not only to improved quality, but also greater cost efficiency and more efficient supply chain management.

The Group continues to execute its plan to have all of its facilities shipping to OEMs certified according to the current most rigorous global automotive quality requirements - IATF 16949:2016.

## **Raw Materials**

54 per cent. of the Group's revenues are spent on direct materials from external suppliers. The Group mainly purchases manufactured components, and 50 per cent. of the component costs are comprised of raw materials. The Group takes several actions to mitigate higher commodity prices, such as re-design of products to reduce material content and weight, components standardisation to reduce complexity and gain cost advantages.

## **Intellectual Property**

The Group has developed a considerable amount of proprietary technology related to automotive safety systems and it relies on many patents to protect such technology. The Group's intellectual property plays an important role in maintaining its competitive position in a number of the markets that the Group serves. For information on the Group's use of intellectual property and its importance to the business, see "*Risk Factors – If the Group's patents are declared invalid or the Group's technology infringes on the proprietary rights of others, its ability to compete may be impaired*".

## **Seasonality and Backlog**

The Group's business is not subject to significant seasonal fluctuations. The Group has frame contracts with automobile manufacturers and such contracts are typically entered into up to three years before the start of production of the relevant car model or platform and provide for a term covering the life of such car model or platform including service parts after a vehicle model is no longer produced. However, typically these contracts do not provide minimum quantities, firm prices or exclusivity but instead permit the automobile manufacturer to resource the relevant products at given intervals (or at any time) from other suppliers.



## Dependence on Customers

In 2017, the Group's top five customers represented 51 per cent. of sales and the ten largest represented 81 per cent. This reflects the concentration in the automotive industry. The five largest vehicle manufacturers ("OEMs") in 2017 accounted for 49 per cent. of global LVP and the ten largest for 74 per cent. A delivery contract is typically for the lifetime of a vehicle model, which is normally between 4 and 6 years depending on customer platform sourcing preferences and strategies.

Customer	% of Group Sales	% of Passive Safety Sales	% of Electronics Sales	% of Global LVP <sup>1</sup>
Nissan/Renault/Mitsubishi	13%	15%	8%	11%
Ford	10%	10%	12%	6%
Honda	10%	7%	21%	6%
Hyundai/Kia	10%	9%	12%	8%
Daimler	8%	6%	17%	3%
VW	8%	9%	1%	12%
FCA	6%	7%	3%	5%
GM	6%	5%	8%	7%
Toyota	6%	7%	0%	11%
BMW	4%	4%	5%	3%

## Customer sales trends

Asian vehicle producers have steadily become increasingly more important to the Group, and now represent around 45 per cent. of global sales compared to 35 per cent. five years ago. Of the Asian OEMs, the Japanese OEMs represent 30 per cent. of the Group's sales compared to 23 per cent. in 2012. This reflects their increasing share of the global LVP and the Group's stronger market position based on the Group's local presence in Japan. European OEMs have remained relatively constant at 33 per cent. in 2017 versus 34 per cent. in 2012. The Detroit-3 now account for 21 per cent. of the Group's global sales, down from 28 per cent. in 2012 this is in part due to the lingering effects of new business hold back in 2011 and 2012.

For information on the Group's dependence on customers, see "*Risk Factors – the Group's business could be materially and adversely affected if it lost any of its largest customers or if they were unable to pay their invoices*".

## Research, Development and Engineering

No single customer project accounted for 2 per cent. of the Group's total Research, Development & Engineering spending during 2017. To fuel the Group's product portfolio, additional expertise is brought in-house *via* technology partnerships, licensing agreements as well as mergers and acquisitions.

---

<sup>1</sup> IHS Markit, 16 January 2018

In addition to having the Group's own researchers, the Group provides funding for a number of scientists at universities and independent research institutes to work on special projects, such as researchers in the Advanced Vehicle Technologies Consortium led by MIT.

Expenses incurred for research, development and engineering activities, net were U.S.\$741 million, U.S.\$651 million and U.S.\$524 million for the years ended 31 December 2017, 2016 and 2015, respectively.

## **Regulatory Costs**

The fitting of seatbelts in most types of motor vehicles is mandatory in almost all countries and many countries have strict laws regarding the use of seatbelts while in vehicles. In addition, most developed countries require that seats in intercity buses and commercial vehicles be fitted with seatbelts. In the United States, federal legislation requires frontal airbags on the driver-side and the passenger-side of all new passenger cars and in all new light vehicles, which are defined as vehicles with an unloaded vehicle weight of approximately 7,700 pounds or less.

For information concerning the material effects on the Group's business relating to the Group's compliance with government safety regulations, see *"Risk Factors – 'the Group's business may be adversely affected by laws or regulations, including environmental, occupational health and safety or other governmental regulations' and 'the Group's business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety market'"*.

## **Group Personnel**

As of 31 December 2017, the Group and its subsidiaries had approximately 72,000 employees of which 9,000 were temporary personnel. Approximately 7,500 employees are expected to leave the Group as part of the spin-off of the Electronics segment. The Group considers its relationship with its personnel to be good. While there have been a small number of minor labour disputes during the year, such disputes have not had a significant or lasting impact on the Group's relationship with its employees, customer perception of the Group's employee practices or the Group's business results.

Major unions to which some of the Group's employees belong in Europe include: IG Metall in Germany; Unite the union in the United Kingdom; Confédération Générale des Travailleurs, Confédération Française Démocratique du Travail, Confédération Française de l'Encadrement Confédération Générale des cadres, Force Ouvrière and Confédération Française des Travailleurs Chrétiens and Union Syndicale Solidaires in France; Union General de Trabajadores (UGT), Union Sindical Obrera (USO), Comisiones Obreras (CCOO) and Confederacion General de Trabajadores (CGT) in Spain; If Metall, Unionen, Sveriges Ingenjörer and Akademikerföreningen in Sweden; Industriaal- ja Metallitöötajate Ametiühingute Liit (IMTAL) in Estonia, Vasas Szakszervezeti Szövetség (Hungarian Metallworkers' Federation) in Hungary, Samorządny Niezależny Związek Zawodowy Pracowników and Zakáadowa Organizacja Zwiázkowa NSZZ Solidarność in Poland, Union Générale des Travailleurs Tunisiens (UGTT) and Union des travailleurs Tunisiens (UTT) in Tunisia; and Türk Metal Sendikası in Turkey.

In addition, the Group's employees in other regions are represented by the following unions: Unifor and the International Association of Machinists and Aerospace Workers (IAM) in Canada; Sindicato de Jornaleros y Obreros Industriales y de la Industria Maquiladora; Sindicato Nacional de Trabajadores de la Industria Metalúrgica y Similares (CTM); Sindicato Industrial de Trabajadores de la Pequeña y Mediana Industria, Talleres, Maquiladoras, Negociaciones Mercantiles y Comercios, Similares, Anexos y Conexos del Estado de Querétaro (CTM); "Nueva Cultura Laboral" "de trabajadores de la fabricación, manufactura, ensamble de partes y componentes de la industria Automotriz de la Republica Mexicana"; Sindicato Industrial de Trabajadores de la Pequeña y Mediana Industria, Talleres, Maquiladoras, Negociaciones Mercantiles y Comercios, Similares, Anexos y Conexos del Estado de Querétaro (CTM) in Mexico; Sindicato dos

Metalúrgicos de Taubaté e Região in Brazil; the Group India Employees Association, Bangalore; the Korean Metal Workers Union (FKTU) in Korea; and the Group Japan Roudou Kumiai in Japan; and the Group Nissin Brake Systems Roudou Kumiai in Japan.

In many European countries, Canada, Mexico, Brazil and Korea, wages, salaries and general working conditions are negotiated with local unions and/or are subject to centrally negotiated collective bargaining agreements. The terms of the Group's various agreements with unions typically range between 1-3 years. Some of the Group's subsidiaries in Europe, Canada, Brazil and Korea must negotiate with the applicable local unions with respect to important changes in operations, working and employment conditions. Twice a year, members of the Company's management conduct a meeting with the European Works Council (EWC) to provide employee representatives with important information about the Company and a forum for the exchange of ideas and opinions.

In many Asia Pacific countries, the central or regional governments provide guidance each year for salary adjustments or statutory minimum wage for workers.

The Group's employees may join associations in accordance with local legislation and rules, although the level of unionisation varies significantly throughout the Group's operations.

### **The Group's Joint Ventures**

An important element of the Group's strategy has been to establish joint ventures to promote its geographical expansion and technology development and to gain assistance in marketing its full product line to automobile manufacturers. Traditionally in its joint ventures for passive safety systems, the Group contributes design and production knowledge to joint ventures, with the joint venture partner providing sales support and manufacturing facilities. Some of these local joint venture partners for passive safety systems manufacture and sell standardised seatbelt systems, and will, through their joint ventures with the Group, be able to upgrade their technology to meet specific customer demands and/or expand their product offerings.

For any future joint venture projects, the Group will expect to utilise its global customer network relationships, technical competence, lean production expertise and focus, while gaining from its joint venture partner engineering and technological know-how, manufacturing insights and employees, including engineers.

See also the risk factor headed, "*Risk Factors – Risks associated with joint venture partnerships and other collaborations may adversely affect the Group's business and financial results*".

The Group's material joint ventures, ANBS and Zenuity, are each related to the Electronics business and will leave the Group as part of the spin-off of Veoneer.

### **Group Financing**

The Group uses derivative financial instruments as part of its debt management to mitigate the market risk that occurs from its exposure to changes in interest and foreign exchange rates. From time to time, the Group may enter into derivatives to economically hedge these exposures or the Group may enter into derivatives to achieve special hedge accounting according to the requirements of ASC 815. The Group does not enter into derivatives for trading or other speculative purposes. In this Offering Circular, short-term debt and long-term debt are discussed including Debt-Related Derivatives ("**DRD**"), i.e. debt is reflected as including the fair value adjustments relating to hedges terminated in a prior period. DRD is amortised over the remaining life of the debt.

#### *Short-term debt*

As of 31 March 2018, total short-term debt of the Group was U.S.\$84 million (compared to U.S.\$20 million as of 31 December 2017), in each case including DRD.

The Company's subsidiaries also have credit agreements, principally in the form of overdraft facilities with a number of local banks. Total available short-term facilities of the Company as of 31 December 2017, excluding commercial paper facilities as described below, amounted to U.S.\$321 million, of which U.S.\$20 million was utilised. The aggregate amount of unused short-term lines of credit at 31 December 2017 was U.S.\$301 million, compared with U.S.\$266 million at 31 December 2016.

On 24 May 2018, the Company, as borrower, and Autoliv ASP, as guarantor, entered into a U.S.\$800 million bridge facility agreement with J.P. Morgan Securities plc and Skandinaviska Enskilda Banken AB (publ) as coordinators and bookrunners and Skandinaviska Enskilda Banken AB (publ) as facility agent, for the purpose of financing a cash injection into Veoneer in preparation for the spin-off (the "**Bridge Facility**"). The Bridge Facility matures on 24 November 2018, but, subject to the lending banks' approval, can be extended by the Company for an additional six months to mature on 24 May 2019. The Bridge Facility is subject to certain mandatory prepayment provisions, which require the Company to utilise the net proceeds from capital market issuances towards prepayment of the Bridge Facility.

#### *Long-term debt – outstanding loans*

As of 31 December 2017, total long-term debt, including DRD, was U.S.\$1,321.7 million.

On 25 April 2014, the Company issued and sold U.S.\$1.25 billion of long-term debt securities in a U.S. Private Placement pursuant to a Note Purchase and Guaranty Agreement dated 23 April 2014. The U.S.\$1.25 billion in senior notes consist of: U.S.\$208 million aggregate principal amount of 5-year senior notes; U.S.\$275 million aggregate principal amount of 7-year senior notes; U.S.\$297 million aggregate principal amount of 10-year senior notes; U.S.\$285 million aggregate principal amount of 12-year senior notes; and U.S.\$185 million aggregate principal amount of 15-year senior notes.

In addition to the U.S.\$1.25 billion senior notes issued in 2014, long-term debt of U.S.\$71 million (including DRD) consist of: U.S.\$60 million of senior notes issued in 2007 as private placements by the Guarantor. The notes issued in 2007 were guaranteed by the Company and consist of one remaining long-term tranche maturing in 2019. The Company entered into swap arrangements with respect to part of the proceeds of the notes offering and in 2013, the interest rate swap on the remaining U.S.\$60 million U.S. private placement note issued in 2007, with a nominal value of U.S.\$60 million, was cancelled.

The remaining other Group long-term debt of U.S.\$11 million, consists primarily of U.S.\$11 million equivalent of a capital lease arrangements at ANBS (a 51 per cent. owned subsidiary).

#### *Long-term debt – loan facilities*

In July 2016, the Company refinanced its existing revolving credit facility of U.S.\$1,100 million. The facility is syndicated among 14 banks and matures in 2021. It also had two extension options where by the Company can request the banks to extend the maturity to 2022 and 2023 respectively, on the first and second anniversaries of the initial maturity of the July 2016 loan facility, a so called 5+1+1 structure. The Company utilised the first extension option in July 2017 and therefore extended the maturity until 2022. Financing costs are amortized over the expected life of the facility. Borrowings under this facility are unsecured and bear interest based on the relevant LIBOR or IBOR rate. The commitment is available for general corporate purposes. Borrowings are repayable at any time and in their entirety at the expiration date. As of 31 December 2017, the facility was unutilised.

The Company has two commercial paper programs: one SEK 7 billion (approx. U.S.\$850 million) Swedish program and one U.S.\$1.0 billion U.S. program. Both programs were unutilized at 31 December 2017 and 31 December 2016.

## **Legal Proceedings, Antitrust and Product Liability**

Various claims, lawsuits and proceedings are pending or threatened against the Company or other members of the Group, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial matters, product liability matters and other matters. Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with legal counsel, and with the exception of losses resulting from the antitrust matters described below, it is the opinion of management that the various legal proceedings and investigations to which the Group currently is a party will not have a material adverse impact on the consolidated financial position of the Group, but the Company cannot provide assurance that the Group will not experience material litigation, product liability or other losses in the future.

### *Legal Proceedings*

In October 2014, one of the Company's Brazilian subsidiaries received a notice of deficiency from the state tax authorities from the state of São Paulo, Brazil which, primarily, alleged violations of ICMS (VAT) payments and improper warehousing documentation. The aggregate assessment for all alleged violations was R\$81 million (approximately U.S.\$24 million), inclusive of fines, penalties and interest. The Company believed that a loss was probable with respect to at least a portion of the assessed amount and accrued an amount in 2015, which amount remains accrued as of 31 March 2018, that was not material to the Company's results of operations. During the first quarter of 2018, the Brazilian authorities offered an amnesty period which would allow taxpayers to reduce the penalties associated with eligible tax matters by up to 85 per cent. During the second quarter of 2018 the Company applied to participate in the amnesty protocol which, if accepted by the Brazilian authorities, would result in the Company paying an amount to resolve this matter that is immaterial to the Company's consolidated financial statements.

In March 2015, the Company was informed of an investigation being conducted in Turkey by the Directorate of Kocaeli Customs Custody, Smuggling and Enquiry into the Company's import and customs payment structure and the associated import taxes and fees for the period of 2006–2012. The Company cannot predict the duration, scope or ultimate outcome of this investigation and is unable to estimate the financial impact it may have, or predict the reporting periods in which any such financial impacts may be recorded. Consequently, the Company has made no provision as of 31 March 2018 with respect to this investigation.

### *Antitrust matters*

Authorities in several jurisdictions are currently conducting or have conducted broad, and in some cases, long-running investigations of suspected anti-competitive behaviour among parts suppliers in the global automotive vehicle industry. These investigations include, but are not limited to, segments in which the Company operates. In addition to concluded and pending matters, authorities of other countries with significant light vehicle manufacturing or sales may initiate similar investigations. It is the Company's policy to cooperate with governmental investigations.

On 7-9 June 2011, representatives of the European Commission (the "**Commission**"), the European antitrust authority, visited two facilities of a Company subsidiary in Germany to gather information for an investigation of anti-competitive behaviour among suppliers of occupant safety systems.

On 22 November 2017, the Commission concluded a discrete portion of its investigation and imposed a fine on the Company of €8.1 million (approximately U.S.\$9.7 million) with respect to this portion of the Commission's overall investigation while it continues the more significant portion of its investigation. The Company paid this amount during the first quarter of 2018 and had previously accrued €8.3 million (approximately U.S.\$9.9 million) in 2017 with respect to this discrete portion of the investigation.

The Company does not believe the outcome of this discrete portion of the Commission's investigation provides an indication of the total probable loss associated with the Commission investigation as a whole. The Company remains unable to estimate the financial impact of what the Company believes to be the

substantially more significant, continuing portion of the investigation or predict the reporting periods in which such financial impact may be recorded. Consequently, the Company has not recorded a provision for loss as of 31 March 2018 other than as noted above for the discrete portion of the investigation. However, management believes it is probable that the Company's operating results and cash flows will be materially adversely impacted for the reporting periods in which the continuing portion of the investigation is resolved or becomes estimable. See also the risk factor under the heading "*Risk Factors – Risks Relating to the Group's Business - The Group is currently undergoing an antitrust investigation by the European Commission and it is probable that its operating results and cash flows will be materially adversely impacted*".

In August 2014, the Competition Commission of South Africa (the "CCSA") contacted the Company regarding an investigation into the Company's sales of occupant safety systems in South Africa. In September 2017, the Company entered into a settlement agreement with the CCSA in which the Company agreed to pay an administrative penalty of R\$150 million (approximately U.S.\$11 million), which the Competition Tribunal in South Africa confirmed on 22 November 2017. The Company had previously accrued a total of approximately U.S.\$6 million in 2016 for this matter and accrued an additional amount of approximately U.S.\$5 million in 2017 with respect to the proposed settlement, and final payment of the settlement amount was made in February 2018.

In November 2016, the Company entered into a settlement agreement with the General Superintendence of the Administrative Council for Economic Defence in Brazil with respect to an investigation of an alleged cartel involving sales in Brazil of seatbelts, airbags and steering wheels by the Company's Brazilian subsidiary and the Brazilian subsidiary of a competitor for an amount that is not material to the Company's results of operations. Settlement amounts were accrued for this matter during the periods ended 31 December 2015 and 31 December 2016, and final payment of the accrued amounts was made in 2017.

The Company is also subject to civil litigation alleging anti-competitive conduct in the U.S. and Canada. Specifically, the Company, several of its subsidiaries and its competitors were named as defendants in a total of nineteen purported antitrust class action lawsuits filed between June 2012 and June 2015. Fifteen of these lawsuits were filed in the U.S. and were consolidated in the Occupant Safety Systems ("OSS") segment of the Automobile Parts Antitrust Litigation, a Multi-District Litigation ("MDL") proceeding in the United States District Court for the Eastern District of Michigan. Plaintiffs in the U.S. cases sought to represent four purported classes - direct purchasers, auto dealers, end-payors, and truck and equipment dealers who purchased in the U.S. occupant safety systems or components directly from a defendant, indirectly through purchases or leases of new vehicles containing such systems, or through purchases of replacement parts.

In May 2014, the Company, without admitting any liability, entered into separate settlement agreements with the direct purchasers, auto dealers, end-payors plaintiff classes, which were granted final approval by the MDL court in 2015 and 2016. The total settlement amount of U.S.\$65 million (later reduced to approximately U.S.\$60.5 million as a result of opt outs from the direct purchaser settlement) was expensed in 2014. In April 2016, the Company entered into a settlement agreement with the truck and equipment dealers' class, which was granted final approval by the MDL court in 2016, for an amount that is not material to the Company's results of operations. The class settlements do not resolve any claims of settlement class members who opt-out of the settlements or the unasserted claims of any purchasers of occupant safety systems who are not otherwise included in a settlement class, such as states and municipalities. Two direct purchasers opted out of the Company's direct purchaser class settlement and several individuals and one insurer (and its affiliated entities) opted-out of the end-payor class settlements, including the Company's settlement.

In September 2016, the insurer (and its affiliated entities) that opted out of the end-payor class settlement filed an antitrust lawsuit in the United States District Court for the Eastern District of Michigan, the venue for the MDL, against the Company and the other settling defendants in the end-payor class settlements. The defendants' motion to dismiss the complaint on various grounds is pending. The Company cannot predict or estimate the duration or ultimate outcome of this matter.

In March 2015, the Company, without admitting any liability, reached agreements regarding additional settlements to resolve certain direct purchasers' global (including U.S.) or non-U.S. antitrust claims that were not covered by the direct purchaser class settlement. The total amount of these additional settlements was U.S.\$81 million. The Group expensed during the first quarter of 2015 approximately U.S.\$77 million as a result of these additional settlements, net of existing amounts that had been accrued in 2014.

The remaining four antitrust class action lawsuits were filed in Canada asserting claims on behalf of putative classes of both direct and indirect purchasers of occupant safety systems. In February 2017, the Company entered into, and the courts subsequently approved, a settlement agreement with plaintiffs in three of the four class actions to settle on a nationwide class basis for an amount that is not material to the Company's results of operations. Settlement amounts were accrued for this matter during the period ended 31 December 2016 and final payment of the accrued amounts was made in 2017. This national settlement includes the claims of the putative members of the fourth class action.

#### *Product warranty, recalls and intellectual property*

The Group is exposed to various claims for damages and compensation if its products fail to perform as expected. Such claims can be made, and result in costs and other losses to the Company, even where the product is eventually found to have functioned properly. Where a product (actually or allegedly) fails to perform as expected or is defective, the Company may face warranty and recall claims. Where such (actual or alleged) failure or defect results, or is alleged to result, in bodily injury and/or property damage, the Company may also face product liability and other claims. There can be no assurance that the Company will not experience material warranty, recall or product (or other) liability claims or losses in the future, or that the Company will not incur significant costs to defend against such claims. The Company may be required to participate in a recall involving its products. Each vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. Government safety regulators may also play a role in warranty and recall practices. A warranty, recall or product-liability claim brought against the Company in excess of its insurance may have a material adverse effect on the Company's business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. A vehicle manufacturer may attempt to hold the Company responsible for some, or all, of the repair or replacement costs of products when the product supplied did not perform as represented by us or expected by the customer. Accordingly, the future costs of warranty claims by the customers may be material. However, the Company believes its established reserves are adequate. The Company's warranty reserves are based upon the Company's best estimates of amounts necessary to settle future and existing claims. The Company regularly evaluates the adequacy of these reserves, and adjusts them when appropriate. However, the final amounts actually due related to these matters could differ materially from the Company's recorded estimates.

In addition, as vehicle manufacturers increasingly use global platforms and procedures, quality performance evaluations are also conducted on a global basis. Any one or more quality, warranty or other recall issue(s) (including those affecting few units and/or having a small financial impact) may cause a vehicle manufacturer to implement measures such as a temporary or prolonged suspension of new orders, which may have a material impact on the Company's results of operations.

The Company carries insurance for potential recall and product liability claims at coverage levels based on our prior claims experience. The Company cannot assure that the level of coverage will be sufficient to cover every possible claim that can arise in our businesses, now or in the future, or that such coverage always will be available should we, now or in the future, wish to extend, increase or otherwise adjust our insurance.

On 29 June 2016, the Company announced that it is cooperating with Toyota Motor Corp. in its recall of approximately 1.4 million vehicles equipped with a certain model of the Company's side curtain airbag (the "**Toyota Recall**"). Toyota has informed the Company that there have been eight reported incidents where a side curtain airbag has partially inflated without a deployment signal from the airbag control unit. The incidents have all occurred in parked, unoccupied vehicles and no personal injuries have been reported. The root cause analysis of the issue is ongoing. However, at this point in time the Company believes that a compromised manufacturing process at a sub-supplier may be a contributing factor and, as no incidents have been confirmed in vehicles produced by other OEMs with the same inflator produced during the same period as those recalled by Toyota, that vehicle-specific characteristics may also contribute to the issue. The sub-supplier's manufacturing process was changed in January 2012, and the vehicles now recalled by Toyota represent more than half of all inflators of the relevant type manufactured before the sub-supplier process was changed.

The Company determined pursuant to ASC 450 that a loss with respect to this issue is reasonably possible. If the Company is obligated to indemnify Toyota for the costs associated with the Toyota Recall, the Company expects that its insurance will generally cover such costs and liabilities and estimates that the Company's loss, net of expected insurance recoveries, would be less than U.S.\$20 million. However, the ultimate costs of the Toyota Recall could be materially different. The main variables affecting the ultimate cost for the Company are: the determination of proportionate responsibility (if any) among Toyota, the Company, and any relevant sub-suppliers; the ultimate number of vehicles repaired; the cost of repair per vehicle; and the actual recoveries from sub-suppliers and insurers. The Company's insurance policies generally include coverage of the costs of a recall, although costs related to replacement parts are generally not covered.

In its products, the Company utilizes technologies which may be subject to intellectual property rights of third parties. While the Company does seek to procure the necessary rights to utilize intellectual property rights associated with its products, it may fail to do so. Where the Company so fails, the Company may be exposed to material claims from the owners of such rights. Where the Company has sold products which infringe upon such rights, its customers may be entitled to be indemnified by the Company for the claims they suffer as a result thereof. Such claims could be material.

## **Management**

### ***The Company's Board of Directors***

The Company has an 11-member board of directors. All of the directors, except for Mr. Carlson, are independent directors.

Brief details of each Company board member as of the date of this Offering Circular, including a description of their relevant outside interests and activities, is as follows:

**Robert W. Alspaugh**, age 71, has been a director of the Company since June 2006 and is the Chairman of the Audit Committee and a member of the Risk and Compliance Committee. Prior to becoming a director of the Company, Mr. Alspaugh had a 36-year career with KPMG, including serving as the senior partner for a diverse array of companies across a broad range of industries. He has worked with global companies in Europe and Japan, in addition to those headquartered in the U.S. Between 2002 and 2005, when he served as Chief Executive Officer of KPMG International, he was responsible for implementing the strategy of this global organization, which includes member firms in nearly 150 countries with more than 100,000 employees. Prior to this position, he served as Deputy Chairman and Chief Operating Officer of KPMG's U.S. practice. Mr. Alspaugh also serves on the Boards of Directors of Ball Corporation, Verifone Systems, Inc., and Triton International Ltd, which are all public companies, and DSGI Technologies, Inc., a private company. He graduated summa cum laude from Baylor University in Texas in 1970.



**Jan Carlson**, age 58, was appointed a director of the Company in May 2007 after becoming President and Chief Executive Officer of the Company on 1 April 2007, and has been Chairman of the Board since May 2014. Mr. Carlson joined the Group in 1999 as President of Autoliv Electronics and held that position until April 2005, when he became Vice President of Engineering of Autoliv and a member of the Company's Executive Committee. Since July 2010, Mr. Carlson has served on the board of directors and compensation committee of BorgWarner Inc., a product leader in highly engineered components and systems for vehicle powertrain applications worldwide. Since 2010, Mr. Carlson has also served on the board of Teknikföretagen (the Association of Swedish Engineering Industries) and Svenskt Näringsliv (the Confederation of Swedish Enterprise). Mr. Carlson will not stand for re-election to the boards of Teknikföretagen or Svenskt Näringsliv in 2018. Mr. Carlson was elected to the Board of Telefonaktiebolaget LM Ericsson in February 2017, and serves on its Technology and Science Committee. In addition, Mr. Carlson served on the board of Trelleborg AB from 2013 through 2017, and has served on the board of directors of Zenuity AB, a private joint venture half owned by the Group and Volvo Car Corporation, since April 2017. Prior to joining the Group, Mr. Carlson was President of Saab Combitech, a division within the Saab aircraft group specializing in commercializing military technologies. Mr. Carlson has a Master of Science degree in Physics and Electrical Engineering from the University of Linköping in Sweden.

**Hasse Johansson**, age 68, was appointed a director of the Company in March 2018. Since 2010, Mr. Johansson has been managing director of Johansson Teknik & Form AB, a technology consulting company which he founded. From 2001 to 2009, Mr. Johansson was the Executive Vice President of Research & Development at Scania, a major automotive industry manufacturer of heavy trucks, buses and other commercial vehicles. Prior to his time at Scania, Mr. Johansson worked for nearly 20 years at Mecel AB, an automotive software and systems development company he founded. Mr. Johansson currently serves as a member of the boards of directors of Electrolux AB and DevPort AB, which are both Swedish public companies. Additionally, Mr. Johansson is a member of the Business Executives Council of the Royal Swedish Academy of Engineering Sciences. Mr. Johansson holds a Master of Science in Electrical Engineering from Chalmers University of Technology in Gothenburg, Sweden and holds more than 20 patents in combustion engine control and automotive electronics.

**Leif Johansson**, age 66, has been a director of the Company since February 2016, and is a member of the Leadership Development and Compensation Committee and Chairman of the Nominating and Corporate Governance Committee. From 1997 to 2011, Mr. Johansson served as President and Chief Executive Officer of The Volvo Group. Before joining Volvo, Mr. Johansson held various positions at AB Electrolux, and served as its President and Chief Executive Officer from 1994 to 1997. Mr. Johansson has served as Chairman of the Board of Telefonaktiebolaget LM Ericsson since 2011 and Chairman of the Board of Astra Zeneca PLC since 2012. Mr. Johansson's service as Chairman of the Board at Ericsson is expected to conclude at its 2018 annual meeting of stockholders. In addition to his service on public company boards, Mr. Johansson is a board member of Ecolean AB, the Chairman of the Royal Swedish Academy of Engineering Science, a board member of the European Round Table of Industrialists, a board member of The Confederation of Swedish Enterprise, a Delegate of the China Development Forum, a member of the Board of the Boao Forum for Asia and a member of the Advisory Boards of the Mayor of Beijing and of the Governor of Jiangsu. Mr. Johansson holds a Master of Science in Engineering from Chalmers University of Technology in Gothenburg, Sweden.

**David E. Kepler**, age 65, has been a director of the Company since February 2015 and is a member of the Audit Committee and Chairman of the Risk and Compliance Committee. Mr. Kepler was an Executive Vice President of the Dow Chemical Company, a multinational specialty chemical, advanced materials, agrosociences and plastics company, from March 2008 through January 2015, and in this position held the role of Chief Sustainability Officer and Chief Information Officer. Mr. Kepler joined Dow in 1975 and was appointed its Vice President and CIO in 1998, Corporate Vice President in 2001, assumed responsibility for Business Services in 2004, and was appointed Senior Vice President in 2006. He has also been a member of the boards of directors of TD Bank Group since December 2013 and Teradata Corporation since November

2007. Mr. Kepler graduated from the University of California, Berkeley with a bachelor's degree in Chemical Engineering, and serves as a trustee of the University.

**Franz-Josef Kortüm**, age 67, has been a director of the Company since March 2014 and is a member of the Nominating and Corporate Governance Committee. Prior to joining the Group, Mr. Kortüm was Chief Executive Officer of Webasto SE, a producer of automobile roof systems and climate control systems for automobiles, boats and other vehicles, from 1998 to 2012, after joining the company in 1994. Mr. Kortüm was Chief Executive Officer of Audi AG from 1993 to 1994 and, prior to joining Audi, had a 16-year career with what is today Daimler AG in a variety of positions. In addition to his extensive management experience, Mr. Kortüm has served as Vice Chairman of the Supervisory Board of Webasto since 2013, as a Member of the Advisory Board of Brose Fahrzeugteile GmbH & Co. KG since 2005 and as its Chairman since 2013, as a Member of the Supervisory Board of Wacker Chemie since 2003, and as a Member of the Supervisory Board of Schaeffler AG from 2010 to March 2014. From 2004 to 2012, Mr. Kortüm was a Member of the Managing Board of the VDA (German Association of the Automotive Industry). Mr. Kortüm has an MBA-equivalent degree in Business Administration from the University of Regensburg in Germany.

**Xiaozhi Liu**, age 62, has been a director of the Company since November 2011 and is a member of the Leadership Development and Compensation Committee and the Nominating and Corporate Governance Committee. Dr. Liu began her career in the automotive industry in General Motor's ("GM") Delphi operations and has since worked in various executive positions in Germany, China and the U.S., where she rose to the position of Director of Electronics, Controls & Software for GM in Detroit, Chief Engineer and Chief Technology Officer of GM in China and Chairman and Chief Executive Officer of GM Taiwan. Between 2005 and 2006, she was the Chief Executive Officer and Vice Chairman of Fuyao Glass Industry Group Co. Ltd., a public company listed in Shanghai, and was elected as an independent director of Fuyao Glass Industry Group in October 2013. In 2007, she became the President and Chief Executive Officer of NeoTek China, a supplier of automotive chassis and transmission parts, and served as Chairman of the company's board of directors from 2008 through 2011. In 2009, she founded, and is the Chief Executive Officer of, her own company, ASL Automobile Science & Technology (Shanghai) Co., Ltd., which introduces and implements globally advanced technologies to Chinese companies. She has a Ph.D. and master's degree in Chemical Engineering and Electrical Engineering from Friedrich-Alexander University in Erlangen-Nuremberg, Germany and a bachelor's degree in Electrical Engineering from the Jiaotong University in Xian, China.

**James M. Ringler**, age 72, has been a director of the Company since January 2002 and is the Chairman of the Leadership Development and Compensation Committee and a member of the Nominating and Corporate Governance Committee. Mr. Ringler has also been the Lead Independent Director since May 2017. He was, prior to his retirement, Vice Chairman of Illinois Tool Works Inc. between 1999 and 2004. Prior to joining Illinois Tool Works, Mr. Ringler was Chairman, President and Chief Executive Officer of Premark International, Inc., which merged with Illinois Tool Works in 1999. Mr. Ringler joined Premark in 1990 and served as its Executive Vice President and Chief Operating Officer prior to becoming the Chief Executive Officer in 1996. He serves on the Boards of Directors of DowDuPont Inc., TechnipFMC plc and JBT Corporation, and he is the Chairman of the Board of Teradata Corporation. Mr. Ringler holds a Bachelor of Science degree in Business Administration and an M.B.A. degree in Finance from the State University of New York.

**Kazuhiko Sakamoto**, age 72, has been a director of the Company since August 2007 and is a member of the Risk and Compliance Committee. During 2016, Mr. Sakamoto was appointed to as an outside auditor of Zenitaka Corporation, a mid-sized construction company listed on the Tokyo Stock Exchange. Since 2012, Mr. Sakamoto has been an advisor at Pasona Inc., a leading human resources provider in Japan. Mr. Sakamoto was previously a Counselor of Marubeni Construction Material Lease Co. Ltd., a company affiliated with Marubeni Corporation, which is one of Japan's leading general trading houses, operating import, export, offshore trading and investment activities in various business fields. He was Senior Executive Vice President

of Marubeni Corporation from 2006 through 2008. During his nearly 40-year career with Marubeni Corporation, Mr. Sakamoto has held several key positions such as President and Chief Executive Officer of Marubeni America Cooperation. Mr. Sakamoto previously served on the Boards of Directors of Marubeni-Itochu Steel Inc. and Helena Chemical Company. He graduated from the Keio University in 1968 and attended the Harvard University Research Institute for International Affairs in 1991-1992.

**Thaddeus J. “Ted” Senko**, age 62, was appointed a director of the Company in March 2018. Prior to becoming a director of the Company, Mr. Senko had an extensive career at KPMG LLP from 1978 to 2017, providing enterprise risk management, compliance and audit services to various public companies. At KPMG, he served as Audit Partner and SEC Reviewing Partner for eight years, Chief Audit Executive for four years, Global and National Partner in Charge of Internal Audit, Risk & Compliance Services for eight years and Global Engagement Partner and Client Services Partner for seven years. Mr. Senko served on the Board of Duquesne University, a private university with approximately 10,000 students, from 2007 to 2016, chairing the Audit and Finance Committee and serving on the Executive and University Advancement Committee. Mr. Senko continues to serve on the university’s Business Advisory Council. Mr. Senko received a bachelor’s degree in business administration from Duquesne University.

**Wolfgang Ziebart**, age 68, has been a director of the Company since December 2015, and is a member of the Audit Committee and the Risk and Compliance Committee. Dr. Ziebart was previously a director of the Company from December 2008 through August 2013, at which time he resigned in order to focus on a new position as Director Group Engineering with Jaguar Land Rover, a multinational automotive company, a role he held until March 2015. Dr. Ziebart had a distinguished career within BMW beginning in 1977 which took him to the Board of Management, where he was responsible for R&D and Purchasing. In 2000, he became a Member of the Management Board of Continental AG, a major automotive supplier listed on the Frankfurt Stock Exchange. Between 2004 and 2008, he was President and CEO of Infineon Technologies AG, a global semiconductor and system solutions provider listed on the Frankfurt Stock Exchange. Dr. Ziebart is presently employed by Jaguar Land Rover in a consulting role related to vehicle development. Dr. Ziebart also serves on the Supervisory Board of ASML and is the Chairman of the Supervisory Board of Nordex SE. Dr. Ziebart holds a doctorate degree in mechanical engineering from the Technical University of Munich in Germany.

The business address of each director is Klarabergsviadukten 70, Section B, 7<sup>th</sup> Floor, Box 70381, SE-107 24, Stockholm, Sweden.

There are no potential conflicts of interest between any duties to the Company of the directors named above and their private interests or other duties.

It is currently expected that five current members of the Company’s Board will serve on Veoneer’s board following completion of the proposed spin-off. Those members are Robert W. Alspaugh, Jan Carlson, James M. Ringler, Kazuhiko Sakamoto and Wolfgang Ziebart.

It is currently expected that Mr. Alspaugh, Mr. Sakamoto and Mr. Ziebart will resign from the Company’s Board in connection with the completion of the spin-off and the size of the Company’s Board will be reduced accordingly. Mr. Ringler and Mr. Carlson intend to continue to serve on the Company’s Board after the completion of the spin-off.

#### ***ASP’s Board of Directors***

The Guarantor has a three-member board of directors, namely:

**Dan Garceau**, President of Autoliv Americas.

**Anthony Nellis**, Vice President (Legal Americas) of the Group.

**Christian Hanke**, Vice President (Corporate Control) of the Group.

The business address of each director of the Guarantor is Klarabergsviadukten 70, Section B, 7<sup>th</sup> Floor, Box 70381, SE-107 24, Stockholm, Sweden.

There are no potential conflicts of interest between any duties to the Guarantor of the directors named above and their private interests or other duties. The directors of the Guarantor do not have any relevant outside interests and activities.

## TAXATION

The statements below in relation are general in nature and neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person purchasing, selling or otherwise dealing in Notes. Prospective holders of the Notes and holders of the Notes who are in doubt about their tax position should consult their own professional advisers.

### United States

The following is a general discussion of certain material U.S. federal income tax consequences of the ownership and disposition of the Notes offered and sold pursuant to this Offering Circular. Except where noted, this discussion addresses only those beneficial owners of the Notes who hold the Notes as capital assets for U.S. federal income tax purposes. This discussion does not address all aspects of U.S. federal income taxation that may be applicable to beneficial owners of the Notes in light of their particular circumstances, or to a class of beneficial owners subject to special treatment under U.S. federal income tax law, such as brokers, dealers or traders in securities or currencies, financial institutions, tax-exempt entities or qualified retirement plans, governmental entities, insurance companies, persons liable for alternative minimum tax, U.S. persons whose “functional currency” is not the U.S. dollar, grantor trusts, entities that are treated as partnerships for U.S. federal income tax purposes, certain U.S. expatriates, persons deemed to sell the Notes under the constructive sale provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, controlled foreign corporations, passive foreign investment companies and regulated investment companies and shareholders of such corporations, and persons holding Notes as part of a straddle, hedging, conversion or other integrated transaction. The following summary does not address U.S. state or local tax consequences or other U.S. federal tax consequences, such as estate and gift taxes.

This discussion is based on provisions of the Code, the U.S. Federal Income Tax Regulations promulgated thereunder (“**Treasury Regulations**”), and judicial interpretations and current administrative rulings and practice, all as in effect as of the date of this prospectus supplement and all of which are subject to change, possibly with retroactive effect. This discussion does not address tax consequences of the purchase, ownership, or disposition of the Notes to beneficial owners of the Notes other than those beneficial owners that acquired their Notes in this offering at the respective offering price for their Notes. There can be no assurance that the Internal Revenue Service (“**IRS**”) will not challenge the conclusions stated below, and no ruling from the IRS has been (or is expected to be) sought on any of the matters discussed below. No representation with respect to the consequences to any particular purchaser of the Notes is made. Prospective purchasers should consult their independent tax advisors with respect to their particular circumstances.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner of such partnership will generally depend upon the status of such partner, the activities of such partnership and certain determinations made at the partner level. Partnerships that hold the Notes and partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of purchasing, owing and disposing of the Notes.

### U.S. Holders

The following discussion is limited to a beneficial owner of the Notes that is a “U.S. holder.” As used in this prospectus supplement, the term “U.S. holder” means a beneficial owner of the Notes that is any one of the following:

- an individual who is a citizen or resident of the United States,
- a corporation (or other entity classified as a corporation for U.S. federal income tax purposes) created or organized in or under the law of the United States, any State thereof or the District of Columbia,

- any estate the income of which is included in gross income for U.S. tax purposes regardless of its source, or
- a trust, if (1) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in place to be treated as a United States person.

Each U.S. holder should consult its tax advisor regarding the particular U.S. federal income and other U.S. federal tax consequences to such holder and the ownership and disposition of the Notes, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

If you are not a U.S. holder, this section does not apply to you, and you should see “Non-U.S. Holders” below for information that applies to you.

#### *Interest on the Notes*

It is expected, and this discussion assumes, that the Notes will be issued with no, or no more than a *de minimis* amount of (as defined in the relevant Treasury Regulations), original issue discount. In such a case, the gross amount of stated interest payable on the Notes generally will be included in the gross income of a U.S. holder as ordinary interest income at the time such interest is accrued or received, in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes. However, if the Notes are issued for an amount less than their principal amount and the difference is more than *de minimis*, a U.S. holder will be required to include the difference in income as original issue discount as it accrues in accordance with a constant-yield method, based on compounding of interest before the receipt of cash attributable to such income.

#### *Sale, Exchange and Retirement of Notes*

A U.S. holder’s tax basis in its Notes will generally be equal to their cost. Upon the sale, redemption, exchange, retirement, or other taxable disposition of the Notes, a U.S. holder generally will recognize capital gain or loss equal to the amount realized by such holder on the disposition (excluding any amount attributable to accrued but unpaid interest, which will be taxable as ordinary interest income, to the extent not previously included in the U.S. holder’s gross income, in the manner described above), less such holder’s tax basis in the Notes. A U.S. holder’s gain or loss will be capital gain or loss. The capital gain or loss will be long-term capital gain or loss if at the time of the disposition such U.S. holder held the Notes for more than one year. A U.S. holder’s ability to deduct capital losses may be limited.

#### *Medicare Tax on Unearned Income*

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8 per cent. tax on the lesser of (1) such holder’s “net investment income” for the relevant taxable year and (2) the excess of such holder’s modified adjusted gross income for such taxable year over a certain threshold (which in the case of individuals will be between U.S.\$125,000 and U.S.\$250,000, depending on the individual’s circumstances). A U.S. holder’s net investment income will generally include its interest income and its net gains from the disposition of the Notes, unless such interest payments or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. holders that are individuals, estates or trusts, should consult their tax advisors regarding the applicability of the Medicare tax to such holder’s income and gains in respect of an investment in the Notes.

#### *Backup Withholding and Information Reporting*

In general, information reporting requirements will apply to payments of principal and interest on the Notes and to the proceeds of the sale of Notes other than payments to certain exempt recipients, such as corporations. Backup withholding will apply to such payments if the U.S. holder is not otherwise exempt and fails to provide a taxpayer identification number on a Form W-9, furnishes an incorrect taxpayer identification number, fails to certify exempt status from backup withholding or receives notification from the IRS that the U.S. holder is subject to backup withholding as a result of a failure to report all interest or dividends.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a U.S. holder under the backup withholding rules will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

#### *Certain Reporting Requirements*

Legislation enacted in 2010 generally requires U.S. holders who are individuals (and to the extent specified in temporary Treasury regulations, certain U.S. holders that are entities) that own "specified foreign financial assets," whose aggregate value exceeds U.S.\$50,000 on the last day of the taxable year, or U.S.\$75,000 at any other time during the taxable year, to file a report on IRS Form 8938 with information relating to the assets for each such taxable year. These thresholds are increased to U.S.\$100,000 and U.S.\$150,000 for filers of joint returns and are further increased for taxpayers living outside the United States. The Notes will constitute "specified foreign financial assets" unless held in an account maintained by a U.S. "financial institution" (as defined), such as a bank or brokerage firm. Substantial penalties apply to any failure to timely file a required Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event a person that is required to file IRS Form 8938 fails to do so in a timely fashion or omits information, the statute of limitations on assessment of U.S. federal income taxes for such a person for the related tax year generally would not close until three years after the date that the required information is ultimately filed. U.S. holders should consult their own tax advisors regarding their Form 8938 reporting obligations.

#### **Non-U.S. Holders**

The following discussion is limited to a beneficial owner of the Notes that is a "non-U.S. holder." As used in this Offering Circular, the term "non-U.S. holder" means a beneficial owner of Notes that for U.S. federal income tax purposes is not a U.S. holder and is not an entity or arrangement classified as a partnership for U.S. federal income tax purposes. If you are a U.S. holder this section does not apply to you.

Each non-U.S. holder should consult its tax advisor regarding the particular U.S. federal income and other potential U.S. federal tax consequences to such holder of the ownership and disposition of the Notes, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local or other taxing jurisdiction.

#### *Interest on the Notes*

Subject to the discussion below regarding backup withholding and FATCA, stated interest payable on the Notes that is derived by a non-U.S. holder will generally be exempt from U.S. federal income taxation, including U.S. withholding tax pursuant to the "portfolio interest" exemption, assuming such non-U.S. holder timely provides an accurate and complete IRS withholding tax form (e.g., an applicable IRS Form W-8 or W-9) and unless such interest income is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if an income tax treaty applies, such interest is also attributable to a U.S. permanent establishment of the non-U.S. holder).

#### *Sale, Exchange and Retirement of Notes*

Subject to the discussion below regarding backup withholding and FATCA, upon the sale, redemption, exchange, retirement or other taxable disposition of the Notes, a non-U.S. holder will generally be exempt

from U.S. federal income taxation, including U.S. withholding tax, unless (i) any gain from such taxable disposition is effectively connected with the conduct of a trade or business in the United States (and if a tax treaty applies, such gain is also attributable to a U.S. permanent establishment of the non-U.S. holder), or, (ii) the non-U.S. holder is an individual that is present in the United States for 183 days or more during the taxable year in which such sale, redemption, exchange, retirement or other taxable disposition occurs (and certain other conditions are met), in which case the gain may be subject to U.S. federal income tax. Each non-U.S. holder should consult its tax advisor regarding the particular tax consequences to such holder.

#### *Backup Withholding and Information Reporting*

Generally, the amount of interest paid to non-U.S. holders and the amount of tax, if any, withheld with respect to those payments must be reported annually to the IRS and to non-U.S. holders. Copies of the information returns reporting such interest and withholding may also be made available to the tax authorities in the country in which a non-U.S. holder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. holder will not be subject to backup withholding with respect to payments of interest on the Notes, provided the necessary certification establishing it is not a United States person has been provided and the applicable withholding agent does not have actual knowledge or reason to know that the holder is a United States person, as defined under the Code, that is not an exempt recipient. In addition, a non-U.S. holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale, exchange, redemption, repurchase by us or other taxable disposition of a Note within the United States or conducted through certain U.S.-related financial intermediaries, unless such certification has been received, and the payor does not have actual knowledge or reason to know that a holder is a United States person, as defined under the Code, that is not an exempt recipient, or the non-U.S. holder otherwise establishes an exemption. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

#### *Foreign Account Tax Compliance Act*

Pursuant to Sections 1471 through 1474 of the Code, and the Treasury Regulations and administrative guidance issued thereunder (commonly referred to as the “**Foreign Account Tax Compliance Act**” or “**FATCA**”) a 30 per cent. U.S. federal withholding tax may apply to interest income paid on Notes, and the gross proceeds from a disposition of Notes occurring in 2019, in each case paid to (i) a “foreign financial institution” (as specifically defined in the Code), whether such foreign financial institution is the beneficial owner or an intermediary, unless such foreign financial institution agrees to verify, report and disclose its “United States account” holders (as specifically defined in the Code) and meets certain other specified requirements or (ii) a “non-financial foreign entity” (as specifically defined in the Code), whether such non-financial foreign entity is the beneficial owner or an intermediary, unless such non-financial foreign entity provides a certification that the beneficial owner of the payment does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and certain other specified requirements are met. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Further, foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Holders should consult their own tax advisors regarding these rules and whether they may be relevant to their ownership and disposition of Notes.

#### **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal,



Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Skandinaviska Enskilda Banken AB (publ) (each a “**Joint Bookrunner**”, and together the “**Joint Bookrunners**”) have, pursuant to a Subscription Agreement dated 21 June 2018 between the Issuer, the Guarantor and the Joint Bookrunners, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at an issue price equal to 99.527 per cent. of their principal amount, less fees. In addition, the Issuer (failing which, the Guarantor) will pay certain costs incurred by it and the Joint Bookrunners in connection with the issue of the Notes. The Joint Bookrunners are entitled to terminate the Subscription Agreement in certain limited circumstances prior to the issue of the Notes.

### **United States**

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities law of any U.S. state, and may not be offered or sold, directly or indirectly, in the United States of America or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. The Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance upon an exemption from registration under the Securities Act pursuant to Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

Each of the Joint Bookrunners has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons; and
- (ii) it will have sent to each distributor or Joint Bookrunner to which it sells Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph and not otherwise defined in this Offering Circular have the meanings given to them in Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a Joint Bookrunner that is not participating in the offering may violate the registration requirements of the Securities Act.

### **Kingdom of Sweden**

This Offering Circular is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lag (1991:980) om handel med finansiella instrument*). Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Circular or will examine, approve or register this offering circular.

Each Joint Bookrunner has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell any Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances

that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act, nor any other Swedish enactment.

### **United Kingdom**

Each of the Joint Bookrunners has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Prohibition of Sales to EEA Retail Investors**

Each of the Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **General**

Each of the Joint Bookrunners has agreed to observe, to the best of its knowledge and belief, all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Notes or has in its possession or distribute this Offering Circular or any other offering material relating to the Notes.

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, Offering Circular, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 18 April 2018 and a resolution of a committee of the Board of Directors of the Issuer dated 14 June 2018; and the giving of the Guarantee was duly authorised by a written resolution of the Board of Directors of the Guarantor dated 23 May 2018.

### Listing

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM. It is expected that listing of the Notes will take place and that dealings in the Notes on the GEM will commence on or about 26 June 2018. The Issuer estimates that the expenses related to the admission of the Notes to trading on the GEM are expected to be €6,540.

LEI Number of the Company: A23RUXWKASG834LTMK28.

### Listing Agent

Walker Listing Services Limited is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List and trading on the GEM.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The International Securities Identification Number (ISIN) for the Notes is XS1713462585 and the Common Code is 171346258.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg.

### Documents Available

For so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on GEM, copies of the following documents may be inspected in physical form during normal business hours at the registered office of the Company at Klarabergsviadukten 70, Section B, 7<sup>th</sup> Floor, Box 70381, SE-107 24, Stockholm, Sweden and from the specified office of the Fiscal Agent in London:

- (i) the constitutional documents of the Issuer and the constitutional documents of the Guarantor;
- (ii) the Documents Incorporated by Reference;
- (iii) the Agency Agreement;
- (iv) the Deed of Covenant;
- (v) the Deed of Guarantee; and
- (vi) a copy of this Offering Circular together with any supplements to this Offering Circular.

## **Yield**

On the basis of the issue price of the Notes of 99.527 per cent. of their principal amount, the yield on the Notes is 0.847 per cent. on an annual basis.

The yield is calculated on the Issue Date on the basis of the issue price of the Notes. It is not an indication of future yield.

## **U.S. Tax**

The Notes and any coupons appertaining thereto will bear a legend to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since 31 March 2018 and no material adverse change in the prospects of the Issuer, the Guarantor or the Group since 31 December 2017.

## **Material Contracts**

There are, at the date of this Offering Circular, no material contracts that are not entered into in the ordinary course of the Issuer or the Guarantor’s business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer or the Guarantor’s ability to meet its obligations to Noteholders in respect of the Notes being issued.

## **Legal and Administrative Proceedings**

Save as disclosed in this Offering Circular under the heading “*Description of the Group - Legal Proceedings, Antitrust and Product Liability*”, neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

## **Information relating to Autoliv ASP**

The Guarantor, a wholly-owned subsidiary of the Issuer, was incorporated on 4 April 1989 under the laws of the State of Indiana with registered number 1989040123. The address of the Guarantor is 3350 Airport Road, Ogden, Utah 84405 and its telephone number is +1 801 625 8200. The address of the Guarantor’s registered office in the State of Indiana is 150 West Market Street, Suite 800, Indianapolis, IN, 46204.

The Guarantor is an operating company within the Group owning certain assets and subsidiaries comprising part of the Group’s Passive Safety business segment, and the Guarantor contributes in excess of 20 per cent. of both consolidated EBITDA and total consolidated assets of the Group (as illustrated in the following paragraphs).

The Guarantor will, pursuant to the Deed of Guarantee, unconditionally and fully guarantee, the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and the Trust Deed. The financial information presented in the Offering Circular is the audited consolidated financial information of the Issuer, which includes both Guarantor and non-guarantor subsidiaries.

Based on the consolidated financial information of the Group for and as of the year ended 31 December 2017:

- (i) the Guarantor recorded an EBITDA of U.S.\$234.6 million and total assets of U.S.\$3,307.4 million, representing 19.2 per cent. and 38.7 per cent., respectively, of the Group's EBITDA and total consolidated assets;
- (ii) the members of the Group other than the Issuer and Guarantor (the “**Non-obligors**”) collectively recorded an aggregate EBITDA of U.S.\$1,085.7 million and total assets of U.S.\$5,214.4 million, representing 89 per cent. and 61 per cent., respectively, of the Group's EBITDA and total consolidated assets;
- (iii) the Guarantor recorded total liabilities of U.S.\$1,940.2 million, representing 44.3 per cent. of the Group's total consolidated liabilities;
- (iv) the Non-obligors collectively recorded total liabilities of U.S.\$2,381.2 million, representing 54.4 per cent. of the Group's total consolidated liabilities;
- (v) the Issuer recorded a EBITDA of U.S.\$-99.9 million and total assets of U.S.\$28.1 million, representing -8.2 per cent. and 0.3 per cent., respectively, of the Group's EBITDA and total consolidated assets; and
- (vi) the Issuer recorded total liabilities of U.S.\$59.1 million, representing 1.3 per cent. of the Group's total consolidated liabilities.

Other than as disclosed in this Offering Circular, there are currently no encumbrances on the Guarantor's assets that could materially affect its ability to meet its obligations under the Guarantee. Although the Guarantor may be affected by some or all the general risks set out in “*Risk Factors—Risks Relating to the Group's Business*”, the Issuer and the Guarantor do not believe there are any risks specific to the Guarantor that could adversely impact on its Guarantee.

### **Auditors**

The auditors of the Company are Ernst & Young AB (independent auditors, authorised and regulated by the Supervisory Board of Public Accountants — *Revisorsnämnden*), with Erik Sandström (member of FAR, the institute for the accountancy profession in Sweden) as the auditor-in-charge, who have audited the Company's accounts, without qualification, in accordance with PCAOB (Public Company Accounting Oversight Board) Standards for the fiscal years ended on 31 December 2016 and 31 December 2017. Ernst & Young AB has no financial interest in the Group.

### **Conflicts**

The Joint Bookrunners and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and/or the Guarantor and their respective affiliates in the ordinary course of business. The Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The Joint Bookrunners or their affiliates that have a lending relationship with the Issuer and the Guarantor routinely hedge their credit exposure to the Issuer and the Guarantor consistent with their customary risk management policies. Typically, the Joint Bookrunners and

their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**ISSUER**

**Autoliv, Inc.**  
World Trade Center  
Klarabergsviadukten 70, Sec E  
107 24 Stockholm  
Sweden

**GUARANTOR**

**Autoliv ASP, Inc.**  
3350 Airport Road  
Ogden  
Utah

**FISCAL AGENT**

**HSBC Bank plc**  
8 Canada Square  
London, E14 5HQ  
United Kingdom

**JOINT BOOKRUNNERS**

**J.P. Morgan Securities plc**  
25 Bank Street  
London, E14 5JP  
United Kingdom

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA

**Skandinaviska Enskilda Banken AB (publ)**

Kungsträdgårdsgatan 8  
106 40 Stockholm  
Sweden

**LEGAL ADVISER**

*To the Issuer and the Guarantor as to English law*

**Linklaters Advokatbyrå Aktiefbolag**  
Regeringsgatan 67  
Box 7833  
SE-103 98 Stockholm  
Sweden

*To the Joint Bookrunners as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To the Issuer and the Guarantor as to United States laws*

**Alston & Bird LLP**  
The Atlantic Building  
950 F Street, NW  
Washington, DC20004-1404  
United States

**AUDITORS TO THE ISSUER**

**Ernst & Young AB**  
Adolf Fredriks Kyrkogata 2  
103 62 Stockholm  
Sweden

**LISTING AGENT**

**Walker Listing Services Limited**  
5th Floor, The Exchange  
George's Dock, IFSC  
Dublin 1  
Ireland