AUTOLIV INC
Form 424B5
March 26, 2009
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Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-158139

CALCULATION OF REGISTRATION FEE

Class of securities offered	Aggregate offering price	Amount of registration fee
Common Stock ($1.00 par value)	$ 235,000,000	$ 13,113

(1) The filing fee of $13,113 is calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated March 23, 2009)

13,352,273 Shares

Common Stock

We are offering 13,352,273 shares of our common stock. Our common stock is traded on the New York Stock Exchange under the symbol ALV. A portion of our common stock may be delivered to a depositary, which will then issue Swedish Depository Receipts, or SDRs, representing our common stock, with each SDR representing one share of our common stock. The SDRs trade on NASDAQ OMX Stockholm under the ticker symbol ALIV SDB. On March 23, 2009, the last sale price of our common stock as reported on the New York Stock Exchange was $18.22 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-10 of this prospectus supplement before you make your investment decision.

	Per Share	Total
Price to public	$ 16.00	$ 213,636,368
Underwriting discount	$ 0.8848	$ 11,814,091
Proceeds, before expenses, to Autoliv, Inc.	$ 15.1152	$ 201,822,277

We have granted the underwriter a 30-day option to purchase up to 1,335,227 additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.

In addition to the common stock offered by this prospectus supplement, we are concurrently offering, by means of a separate prospectus supplement, 6,000,000 equity units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the shares to purchasers on or before March 30, 2009.

Morgan Stanley

The date of this prospectus supplement is March 24, 2009.

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Notices to Investors

Notice to Investors in Sweden

This document is not a prospectus for the purposes of the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) and does not constitute an offering of securities to the public in Sweden. Accordingly, this document has not been approved by the Swedish Financial Supervisory Authority and may not be published or otherwise distributed, in whole or in part, in Sweden.

This document has been prepared on the basis that all offers of securities within Sweden will be made pursuant to an exemption under the Swedish Financial Instruments Trading Act from the requirement to prepare and register a prospectus for offers of securities.

Accordingly, this document may not be made available, nor may the offering otherwise be marketed in Sweden, other than in circumstances which are deemed not to be an offer for which a prospectus is required to be prepared and registered pursuant to the Swedish Financial Instruments Trading Act.

Notice to Investors in the European Economic Area

This prospectus supplement has been prepared on the basis that all offers of shares in the Company s common stock sold in this offering, will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the European Economic Area (**EEA**) from the requirement to produce a prospectus for offers of shares in the Company s common stock. Accordingly, any person making or intending to make any offer within the EEA of shares in the Company s common stock should only do so in circumstances in which no obligation arises for the Company or the underwriter to produce a prospectus for such offer. Neither the Company nor the underwriter have authorized, nor do they authorize, the making of any offer of shares in the Company s common stock through any financial intermediary, other than offers made by the underwriter that constitute the final placement of shares in the Company s common stock contemplated in this prospectus supplement.

In relation to each EEA member state which has implemented the Prospectus Directive (each, a **Relevant Member State**), an offer to the public of any shares in the Company s common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any of the shares in the Company s common stock may be made at any time under the following exemptions from the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

2. to any legal entity which has two or more of (A) an average of at least 250 employees during the last financial year; (B) a total balance sheet of more than EUR 43 million; and (C) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts;

3. to fewer than 100 natural or legal persons (other than qualified investors within the meaning of the Prospectus Directive) subject to obtaining the prior consent of the underwriter for any such offer; or

4. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares in the Company s common stock shall result in a requirement for the publication by the Company or the underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes hereof, the expression an **offer to the public** in relation to any of the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common stock to be offered so as to enable an investor to decide to purchase any of the shares of common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression **Prospectus Directive** includes any relevant implementing measure in each Relevant Member State.

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Notice to Investors in the United Kingdom

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The shares in the Company s common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares in the Company s common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us. We and the underwriter have not authorized anyone else to provide you with different or additional information. We are not, and the underwriter is not, making an offer of these shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date on the front of that document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the SEC, using a shelf registration process. Under the shelf registration process, we may offer from time to time shares of common stock, shares of preferred stock, debt securities, depositary shares (which may include Swedish Depository Receipts representing shares of common stock), warrants, stock purchase contracts, units or any combination of the foregoing securities of which this offering is a part. In the accompanying prospectus, we provide you with a general description of the securities we may offer from time to time under our shelf registration statement. In this prospectus supplement, we provide you with specific information about the shares of our common stock (including shares represented by Swedish Depository Receipts) that we are selling in this offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock (including shares represented by Swedish Depository Receipts) and other information you should know before investing. This prospectus supplement also adds, updates and changes information contained in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under Incorporation of Certain Information by Reference before investing in our common stock.

Unless the context indicates otherwise, the terms we, our, ours, us and the Company in this prospectus supplement refer to Autoliv, Inc. and consolidated subsidiaries, except that in the discussion of the capital stock and related matters, these terms refer solely to Autoliv, Inc. and not to any of our subsidiaries.

AVAILABLE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC s Internet site at http://www.sec.gov and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus and any prospectus supplement. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus or any prospectus supplement to a contract or other document, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C., as well as through the SEC s Internet site.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC s rules allow us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus supplement from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus supplement will automatically update and, where applicable, supersede any information contained in this prospectus supplement or incorporated by reference in this prospectus supplement.

We incorporate by reference into this prospectus supplement the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

our Annual Report on Form 10-K for the fiscal year ended December 31, 2008;

our Current Reports on Form 8-K filed with the SEC on February 2, 2009 and February 20, 2009;

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- our Proxy Statement on Schedule 14A filed with the SEC on March 23, 2009;

- the description of our common stock contained in our Registration Statement on Form S-4 filed on March 24, 1997; and

- all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, on or after the date of this prospectus and before the termination of the applicable offering (except for information furnished to the SEC that is not deemed to be filed for purposes of the Exchange Act).

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all of the information that has been incorporated by reference into this prospectus supplement, excluding exhibits to those documents, unless they are specifically incorporated by reference into those documents. These documents are available on our website at http://www.autoliv.com. You can also request those documents from our Vice President of Corporate Communications at the following address:

World Trade Center,

Klarabergsviadukten 70, SE-111 64

Stockholm, Sweden

+46 8 58 72 06 00

FORWARD LOOKING STATEMENTS

We have included or incorporated by reference herein forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements, other than statements of historical facts, included or incorporated herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as anticipates, believes, estimates, expects, intends, may, plans, projects, will, would, and sim expressions of the negative of these terms. Such statements are only predictions and, accordingly, are subject to substantial risks, uncertainties and assumptions.

All such forward-looking statements, including without limitation, management s examination of historical operating trends and data, are based upon our then-current expectations and various assumptions, data available from third parties and apply only as of the date of this prospectus supplement or as of the date of the document incorporated by reference. Our expectations and beliefs are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control.

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in and the successful execution of our restructuring efforts (our action program discussed in our Annual Report on Form 10-K for the year ended December 31, 2008) and the market reaction thereto, changes in general industry and market conditions, increased competition, higher raw material, fuel and energy costs, changes in consumer preferences for end products, customer losses and changes in regulatory conditions, customers deteriorating financial condition, bankruptcies, consolidations or restructuring, divestiture of customer brands, the economic outlook for our markets, fluctuation of foreign currencies, fluctuation in vehicle production schedules for which we are a supplier, market acceptance of our new products, continued uncertainty in program awards and performance, the financial results of companies in which we have made technology

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investments, pricing negotiations with customers, increased costs, supply issues, product liability, warranty and recall claims and other litigation, possible adverse results of pending or future litigation or infringement claims, tax assessments by governmental authorities, legislative or regulatory changes, political conditions, dependence on customers and suppliers, as well the risks identified in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference.

Except for our ongoing obligation to disclose information under the U.S. federal securities laws, we undertake no obligation to update publicly or revise any forward-looking statements whether as a result of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and we assume no obligation to update any such statements.

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PROSPECTUS SUPPLEMENT SUMMARY

This prospectus supplement summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that you should consider before investing. To understand this offering fully, you should carefully read this entire prospectus supplement, including the Risk Factors section, the accompanying prospectus and the information incorporated by reference in them, including our Consolidated Financial Statements and the accompanying Notes included in our Annual Report on Form 10-K for the year ended December 31, 2008. Unless otherwise indicated, all share information in this prospectus supplement assumes no exercise of the underwriter s over-allotment option.

Our Company

We are the world s leading supplier of automotive safety systems, with a broad range of product offerings, including modules and components for passenger and driver-side airbags, side-impact airbag protection systems, seatbelts, steering wheels, safety electronics, whiplash protection systems and child seats, as well as night vision systems, radar and other active safety systems. We have production facilities in 29 countries and include the world s largest car manufacturers among our customers. Autoliv s sales in 2008 were $6.5 billion, approximately 64% of which consisted of airbags and associated products and approximately 36% of which consisted of seatbelts and associated products. Our most important markets are in Europe, United States, Japan and Asia-Pacific.

Our subsidiary Autoliv AB (AAB) is a leading developer, manufacturer and supplier to the automotive industry of automotive safety systems. Starting with seatbelts in 1956, AAB expanded its product lines to include seatbelt pretensioners (1989), frontal airbags (1991), side-impact airbags (1994), steering wheels (1995) and seat sub-systems (1996).

Our subsidiary Autoliv ASP, Inc. (ASP) pioneered airbag technology in 1968 and has since grown into one of the world s leading producers of airbag modules and inflators. ASP designs, develops and manufactures airbag modules, inflators, airbag cushions, seatbelts, and steering wheels. ASP sells inflators and modules for use in driver, passenger, side-impact, and knee bolster airbag systems for worldwide automotive markets.

Autoliv was created from the merger of AAB and ASP s predecessor, the automotive safety products business of Morton International, Inc. in 1997. Autoliv is a Delaware corporation with its principal executive offices in Stockholm, Sweden and functions as a holding company for AAB and ASP, our principal subsidiaries.

Shares of Autoliv common stock are traded on the New York Stock Exchange under the symbol ALV and Swedish Depository Receipts representing shares of Autoliv common stock trade on NASDAQ OMX Stockholm under the symbol ALIV SDB. Options in Autoliv shares are listed on the Chicago Board Options Exchange under the symbol ALIV. Our fiscal year ends on December 31.

Our head office is located at World Trade Center, Klarabergsviadukten 70, Box 70381, SE-107 24 Stockholm, Sweden. The telephone number there is +46 8 58 72 06 00. We had approximately 34,000 employees at December 31, 2008, and a total headcount, including temporary employees, of 37,300. Our website is www.autoliv.com. Information on our website is not incorporated herein by reference and is not a part of this prospectus supplement.

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Recent Developments

Although global light vehicle production increased in the period from 2005-2008, as a result of the credit crunch, this trend suddenly changed during the middle of 2008 and since the beginning of 2009, global light vehicle production has continued to decrease significantly. In order to adapt, we accelerated the pace of our rationalization efforts significantly and have reduced headcount by 3,000 during the first two months this year, resulting in a headcount reduction of 20% or almost 9,000 since June 2008. Of the reductions this year, 2,600 were permanent employees and 400 temporary personnel.

In our annual report on Form 10-K, we stated that we expected capital expenditures, net to decline from $279 million in 2008 to a range of $200-$250 million in 2009. Since then capital expenditures have been adjusted to the lower vehicle production and the estimated annualized run rate is approximately $160 million during the first quarter.

Upcoming capital market debt maturities during the remainder of 2009 amount to $279 million compared to $892 million in cash and in unutilized long-term credit facilities on February 28, 2009. There are no financial covenants (i.e. performance related restrictions) for these credit facilities. As planned, we drew an additional $300 million in March from our revolving credit facility primarily for debt maturing in March and April.

At the end of February 2009, our accounts receivable in North America with General Motors and Chrysler were approximately $20 million each.

The Offering

Common stock offered by us	13,352,273 shares
Common stock to be outstanding after the offering	83,726,789 shares
Net proceeds	The net proceeds from this offering, after deducting underwriter s discounts and estimated expenses of the offering, are expected to be approximately $201.2 million (or approximately $221.3 million if the underwriter s over-allotment option is exercised in full).
Use of proceeds	We plan to use the net proceeds from this offering for general corporate purposes. We may also use the net proceeds to finance possible acquisitions. See Use of Proceeds.
New York Stock Exchange Symbol	ALV

The number of shares of common stock that will be outstanding after this offering includes shares outstanding as of March 20, 2009. The number of shares of common stock offered and to be outstanding after this offering does not include:

- up to 1,335,227 additional shares of common stock that the underwriter has a right to purchase from us upon exercise of the underwriter s option within 30 days of this prospectus supplement;

- up to 20,812,800 shares issuable upon settlement of the contracts underlying the equity units that we are concurrently offering under a separate prospectus supplement, assuming no exercise of the underwriter s option to purchase additional equity units;

- as of December 31, 2008, approximately 1,448,236 shares issuable upon the exercise of outstanding stock options having a weighted average exercise price of $45.05 per share, or the conversion of outstanding restricted stock units; and

- as of March 9, 2009, 333,350 additional shares available for issuance under our stock incentive plans.

A portion of our common stock may be delivered to a depositary, which will then issue Swedish Depository Receipts, or SDRs, representing our common stock, with each SDR representing one share of our common stock.

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Concurrent Offering

In addition to the common stock offered by this prospectus supplement, we are concurrently offering, by means of a separate prospectus supplement, 6,000,000 equity units for an aggregate offering price of $150,000,000, plus up to an additional 600,000 equity units for an aggregate offering price of $165,000,000, if the underwriter for that offering exercises its option to purchase additional equity units. The completion of this offering of common stock is subject to the completion of the equity units offering.

Risk Factors

Before investing, you should carefully consider the matters set forth under Risk Factors beginning on page S-10 of this prospectus supplement for a discussion of risks related to an investment in our common stock.

Summary Consolidated Financial Data

The following table sets forth summary historical consolidated financial data and other information at and for the periods indicated. You should read this data in conjunction with our Consolidated Financial Statements and Notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus from our Annual Report on Form 10-K for the year ended December 31, 2008. See Management s Discussion and Analysis on page S-27 in this prospectus supplement and Where You Can Find Additional Information and Incorporation of Certain Information by Reference on pages 3 and 13 of the accompanying prospectus. The financial information presented in the table below is not necessarily indicative of the financial condition or results of operations of any other period.

(Dollars in millions, except as indicated)	2008[1]	2007[1,2]	2006[1,3]
Net sales	$ 6,473	$ 6,769	$ 6,188
Operating income	306	502	520
Income before taxes	249	446	481
Net income	165	288	402
Earnings per share in $[4]	2.28	3.68	4.88
Operating margin (%)	4.7	7.4	8.4
Cash flow from operations	614	781	560
Return on shareholders equity (%)	7.1	12.0	17.1
Dividends paid	115	121	112
Share repurchases	$ 174	$ 380	$ 221

(1) In 2008, 2007 and 2006, severance and restructuring costs reduced operating income by $80, $24 and $13 million and net income by $55, $16 and $9 million. This corresponds to 1.2%, 0.4% and 0.2% on operating margins and 0.8%, 0.2% and 0.1% on net margins. The impact on earnings per share was $0.76, $0.21 and $0.11, while return on equity was reduced by 2.3%, 0.6% and 0.4% for the same three-year period (see Note 10 to the Consolidated Financial Statements).

(2) In 2007, a court ruling reduced operating income by $30 million, net income by $20 million, operating margin by 0.5%, net margin by 0.3%, earnings per share by $0.26 and return on equity by 0.8% (see page S-31 in this prospectus supplement).

(3) In 2006 a release of tax reserves and other discrete tax items boosted net income by $95 million, net margin by 1.5%, earnings per share by $1.15 and return on equity by 3.9% (see page S-31 in this prospectus supplement).

(4) Assuming dilution.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference in them. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Industry

The cyclical nature of automotive sales and production can adversely affect our business

Our business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales and production are highly cyclical and depend on general economic conditions as well as other factors, including consumer spending and preferences and changes in interest rate levels and credit availability, consumer confidence and fuel costs. In addition, automotive sales and production can be affected by our customers labor relations issues, regulatory requirements, trade agreements and other factors. Any significant (adverse) change in any of these factors, including general economic conditions, may result in a reduction in automotive sales and production by our customers, and thus have a material adverse effect on our business, results of operations and financial condition.

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

Again, any significant reduction in automotive sales and/or production by our customers, whether due to general economic conditions or any other fact(s) relevant to automotive production, will likely have a material adverse effect on our business, results of operations and financial condition.

Change in consumer trends and political decisions affecting vehicle sales could adversely affect our results in the future

While global light vehicle production increased between 2005 and 2008, global production of premium cars and light vehicles declined. This mix shift had a negative impact on our market as the value of safety systems in premium vehicles is often more than twice as high as in an average vehicle for the markets in North America and Western Europe. In vehicles for the emerging markets the difference is even more significant. Car consumer trends such as this could accelerate in the future, especially as a result of political initiatives aimed at (or having the effect of) directing demand more towards smaller cars. Should the current trends continue, the average value of safety systems per vehicle could decline and negatively affect our sales and margins.

The discontinuation of, the loss of business with respect to, or a lack of commercial success of, a particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability

Although we have frame contracts with many of our customers, these frame contracts generally provide for the supply of a customer s annual requirements for a particular model and assembly plant, renewable on a year-to-year basis, rather than for the purchase of a specific quantity of products. Therefore, the discontinuation

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of, the loss of business with respect to, or a lack of commercial success of a particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability. While we believe this risk is mitigated by the fact that our sales are split over several hundred contracts covering at least as many vehicle platforms or vehicle models, a significant disruption in the industry, a significant decline in overall demand, or a dramatic change in vehicle preferences, could have a material adverse effect on our sales.

We operate in highly competitive markets

The markets in which we operate are highly competitive. We compete with a number of other manufacturers that produce and sell similar products. Our products primarily compete on the basis of price, manufacturing and distribution capability, product design, product quality, product delivery and product service. Some of our competitors are subsidiaries (or divisions, units or similar) of companies that are larger and have greater financial and other resources than we do. Some of our competitors may also have a preferred status as a result of special relationships with certain customers. Our products may not be able to compete successfully with the products of our competitors. In addition, our competitors may foresee the course of market development more accurately than we do, develop products that are superior to our products, have the ability to produce similar products at a lower cost than we can, or adapt more quickly than we do to new technologies or evolving regulatory, industry or customer requirements. We may also encounter increased competition in the future from existing competitors or new competitors. As a result, our products may not be able to compete successfully with their products. Should this happen, we will suffer material adverse effects on our business, results of operations and financial condition.

Risks Related to Our Business

Escalating pricing pressures from our customers may adversely affect our business

The automotive industry has been characterized by very tough 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, we are often expected to quote fixed prices or are forced to accept prices with annual price reduction commitments for long-term sales arrangements. Our future profitability will depend upon, among other things, our ability to continuously reduce our cost per unit and maintaining a cost structure, enabling us to remain cost-competitive.

Our profitability is also influenced by our success in designing and marketing technological improvements in automotive safety systems. If we are unable to offset continued price reductions through improved operating efficiencies and reduced expenditures, these price reductions may have a material adverse effect on our business, results of operations and financial condition. For further information on pricing pressures, see Management s Discussion and Analysis Risks and Risk Management Operational Risks.

We could experience disruption in our supply or delivery chain which could cause one or more of our customers to halt production

As with other component manufacturers in the automotive industry, we ship products to the vehicle assembly plants so they are delivered on a just in time basis in order to maintain low inventory levels. Our suppliers also use a similar method. However, the just in time method makes the logistics supply chain in our industry very vulnerable to disruptions.

Such disruptions could be caused by any one of a myriad of potential problems, such as closures of one of our or our suppliers plants or critical manufacturing lines due to strikes, mechanical breakdowns, electrical outages, fires, explosions, as well as logistical complications due to weather, mechanical failures, delayed customs processing and more. The lack of even a small single subcomponent necessary to manufacture one of our products, for whatever reason, could force us to cease production, even for a prolonged period. Similarly, a potential quality issue could force us to halt deliveries while we validate the products. Even where products are ready to be shipped, or have been shipped, delays may arise before they reach our customer.

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When we cease timely deliveries, we have to carry our own costs for identifying and solving the root cause problem as well as expeditiously producing replacement components or products. We must also carry the costs associated with catching up, such as over-time and premium freight.

Additionally, if we are unable to deliver our components to our customers, it could force our customers to cease production in which case the customer may seek to recoup all of its losses from us. These losses could be very significant, and may include consequential losses such as lost profits. Thus, any supply-chain disruption, however small, could potentially cause the complete shutdown of an assembly line of one of our customers, and any such shutdown could expose us to material claims of compensation. For further information on supply chain disruptions, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks.

Changes in the source, cost and availability of raw materials and components may adversely affect our profit margins

Our business uses a broad range of raw materials and components in the manufacture of our products, nearly all of which are generally available from a number of qualified suppliers. Strong worldwide demand for certain raw materials has had a significant impact on raw material prices and availability in recent years. Our business has not generally experienced significant or long-term difficulty in obtaining raw materials but increases in the price of the raw materials and components in our products could materially increase our operating costs, and materially and adversely affect our profit margin, as direct materials amounted to approximately 52% of our net sales in 2008.

We have developed and implemented strategies to mitigate or partially offset the impact of higher raw material, energy and commodity costs. However, these strategies, together with commercial negotiations with our customers and suppliers, could not always offset all of the adverse impact. 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 our profitability and consolidated financial position than currently anticipated.

Adverse developments affecting one or more of our major suppliers could harm our profitability

Certain of our suppliers are financially distressed or may become financially distressed. Any significant disruption in our supplier relationships, including certain relationships with sole-source suppliers, could harm our profitability. Furthermore, our suppliers may not be able to handle the commodity cost increases and/or sharply declining volumes while still performing as we expect. The unstable condition of some of our suppliers or their failure to perform has led to higher costs for us and to an increased risk of delivery delays and production issues. The overall condition of our supply base increases the risk for delivery delays, production issues or delivery of non-conforming products by our suppliers. Even where these risks do not materialize, we may incur costs as we try to make contingency plans for such risks. For further information on developments that could affect our suppliers, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks.

Our business could be materially and adversely affected if we lost any of our largest customers

We are dependent on a relatively small number of automobile manufacturers with strong purchasing power, as a result of high market concentration, that has developed due to customer consolidation during the last couple of decades. Our five largest customers represented 54% of our combined sales for 2008. Our largest contract accounted for 5% of our total fiscal 2008 sales. Although business with any given customer is typically split into several contracts (usually one contract per vehicle model), the loss of all of the business of any of our primary customers could have a material adverse effect on our business, results of operations and financial condition. For further information on our dependence on customers, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks.

We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position

We are involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes, including disputes with our suppliers, intellectual property matters, personal injury claims, environmental issues, tax matters and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse impact on our profitability and consolidated financial position or that reserves or insurance will mitigate such impact. For further information on tax matters, see Management s Discussion and Analysis Liquidity, Resources and Financial Position Income Taxes.

We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us

We face an inherent business risk of exposure to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims.

In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall involving such products. Every 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. A recall claim or a product liability claim brought against us in excess of our available insurance may have a material adverse effect on our 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 us 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 our customers may be material. However, we believe our established reserves are adequate to cover potential warranty settlements. Our warranty reserves are based upon our best estimates of amounts necessary to settle future and existing claims. Although we regularly evaluate the appropriateness of these reserves, and adjust them when appropriate, the final amounts determined to be due related to these matters could differ materially from our recorded estimates. For further information on product warranty and recall claims, see Management s Discussion and Analysis Risks and Risk Management Operational Risks.

Work stoppages or other labor issues at our customers facilities or at our facilities could adversely affect our operations

The severe conditions in the automotive industry and actions taken by our customers and other suppliers to address negative industry trends may have the side effect of causing labor relations problems at those companies. If any of our customers experience a material work stoppage, that customer may halt or limit the purchase of our products. Similarly, a work stoppage at another supplier could interrupt production at one of our customers plants which would have the same effect. This could cause us to shut down production facilities supplying these products, which could have a material adverse effect on our business, results of operations and financial condition. While labor contract negotiations at our locations historically have rarely resulted in work stoppages, we cannot assure you that we will be able to negotiate acceptable contracts with these unions or that our failure to do so will not result in work stoppages. A work stoppage at one or more of our plants, or our customers facilities could have a material adverse effect on our business.

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Our ability to operate our company effectively could be impaired if we fail to attract and retain key personnel

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

Although we instituted an action program to manage the current upheaval in the automotive and financial industry, we cannot assure the successful implementation and results of our action program and additional steps may be necessary

In July of 2008, we announced an action program to address the dramatic change in the markets and its effects on the demand for our products. The Action Program includes efforts to adjust our manufacturing capacity, including plant closures, accelerate the move of sourcing to low-cost countries, consolidate our supplier base and standardization of products, and to reduce our overhead costs, including consolidation of tech centers. The successful implementation of the Action Program will require us to involve sourcing, logistics, technology and employment arrangements. While we continue to evaluate individual components of the Action Program, the complex nature of our Action Program could cause difficulties or delays in the implementation of the program or it may not be immediately effective, resulting in an adverse material impact on our performance. In addition, the Action Program may be extended to mitigate the effects of further production cuts by our customers. This would likely result in additional costs, the amount of which cannot currently be calculated. Moreover, if these actions are insufficient to mitigate the effects of our customers production cuts, further restructuring efforts may be required resulting in additional costs. If additional actions are required, our earnings could decrease and if we cannot respond to a changing market fast enough our earnings could be adversely effected. For further information on our action program, see Management s Discussion and Analysis Liquidity, Resources and Financial Position Personnel.

A prolonged recession could result in us having insufficient funds to continue our operations without additional financing activities

Our ability to generate cash from our operations is highly dependent on sales and therefore on light vehicle production and the global economy. If light vehicle production would remain on current levels for an extended period of time, or fall even more, this would result in a significantly higher negative cash flow than we are currently projecting. Similarly, if cash losses for customer defaults rise sharply this would also result in a significantly higher negative cash flow than we are currently projecting. Any such higher negative cash flow could result in us having insufficient funds to continue our operations unless we can procure external financing, which may not be possible. For further information on our sales dependence, see Management s Discussion and Analysis Risks and Risk Management Operational Risks.

A prolonged recession and/or a continued downturn in our industry could result in external financing not being available to us or on materially different terms than what has historically been available

Traditionally, we have had access to the capital markets for financing our operations. Our existing credit facilities have no covenants (i.e. performance-related clauses), and our long term credit rating from Standard and Poor s was lowered from BBB+ to BBB- on February 19.

The lower credit rating will affect our ability to issue commercial paper or otherwise procure financing. Our current credit rating could also be lowered further as a result of us experiencing significant negative cash flows, or a worsening financial outlook. This may further affect our ability to procure financing. We may also for the same, or other reasons, find it difficult or even impossible to secure new long-term credit facilities, at reasonable terms or at all, when the existing facility expires in 2012. Further, even our existing unutilized credit facilities

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may not be available to us as agreed, or only at additional cost, if participating banks are unable to raise the necessary funds, for instance where financial markets are not functioning properly or one or more banks in our revolving credit facility syndicate were to default. Thus, for various reasons, external financing may not be available to us if and when necessary, and we may as a result have insufficient funds to continue our operations. For further information on external financing, see Management s Discussion and Analysis Risks and Risk Management Financial Risks.

Our customers may be unable to pay our invoices

There is a significant risk that one or more of our major customers will be unable to pay our invoices as they become due, or that a customer will simply refuse to make such payments given its financial difficulties. The probability that this will occur has dramatically increased during the last year as more customers have (ever increasingly) faced significant financial difficulties.

We seek to limit our customer payment risks through several means, including by invoicing major customers through their local subsidiaries in each country, even for global contracts. We thus try to avoid having all of our receivables with a single multinational customer group exposed to the risk that a bankruptcy or similar event in one country puts all receivables with the customer group at risk. In each country, we also monitor invoices becoming overdue and take legal action to enforce such obligations where possible and prudent.

Even so, 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 procure protection against us legally enforcing its obligations, it is likely that we will be forced to record a substantial loss. For further information on customer inability to make payments, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks.

Governmental restrictions may impact our business adversely

Several of our major customers have recently sought, and some have received, various forms of governmental aid or support. Such aid may come with restrictions, for instance requiring the recipient only to procure components from local suppliers or prohibiting the use of such aid to make payments to foreign suppliers. The aid or support may also come with protections, for instance against enforcement of obligations. The nature and form of any such restrictions or protections, whatever their basis, is very difficult to predict as is their potential impact. However, if introduced, they are likely to be based on political rather than economic or operational considerations, and may severely impact the global automotive industry, and its suppliers, and thus our business. The implementation of such restrictions or protections could cause us to suffer material losses.

We periodically review the carrying value of our goodwill and other intangible assets for possible impairment; if future circumstances indicate that goodwill or other intangible assets are impaired, we could be required to write down amounts of goodwill or other intangible assets and record impairment charges

We monitor the various factors that impact the valuation of our goodwill and other intangible assets, including expected future cash flow levels, global economic conditions, market price for our stock, and trends with our customers. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance and especially the cash-flow performance of these goodwill assets, adverse market conditions, and adverse changes in applicable laws or regulations. It is possible that if there are changes in these circumstances, or the other variables associated with the estimates, judgments and assumptions relating to the assessment of the correct evaluation of goodwill, in assessing the valuation of our goodwill items, we may determine that it is appropriate to write down a portion of our goodwill or intangible assets and record related non-cash impairment charges. In the event that we determine that we were required to write-down a portion of our goodwill items and other intangible assets, and thereby record related non-cash impairment charges, our financial position and results of operations would be adversely affected. For further information on goodwill impairment, see Management s Discussion and Analysis Accounting Policies Goodwill Impairment.

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We may be forced to make additional funding of our U.S. defined benefit pension plan

In light of recent market developments, our underfunded U.S. defined benefit pension plan may require additional funding which, in some circumstances, could amount to material amounts. For further information on our U.S. defined benefit pension plans, see Management s Discussion and Analysis Liquidity, Resources and Financial Position Pension Arrangements or Accounting Policies Defined Benefit Pension Plans.

Risks Related to International Operations

Our business is exposed to risks inherent in global operations

Due to our global operations, we are subject to many laws governing international relations (including but not limited to the Foreign Corrupt Practices Act and the U.S. Export Administration Act), which prohibit improper payments to government officials and restrict where and how we can do business, what information or products we can supply to certain countries, and what information we can provide to a non-U.S. government.

Although we have procedures and policies in place that should mitigate the risk of violations of these laws, there is no guarantee that they will be sufficiently effective. If and when we acquire new businesses we may not be able to ensure that the pre-existing controls and procedures meant to prevent violations of the rules and laws were effective and we may not be able to implement effective controls and procedures to prevent violations quickly enough when integrating newly acquired businesses.

We also have manufacturing and distribution facilities in many countries. Some of these countries are emerging markets. International operations, especially in emerging markets, are subject to certain risks inherent in doing business abroad, including:

- Exposure to local economic conditions;
- Expropriation and nationalization;
- Withholding and other taxes on remittances and other payments by subsidiaries;
- Investment restrictions or requirements; and
- Export and import restrictions.

Increasing our manufacturing footprint in the emerging markets and our business relationships with automotive manufacturers in these markets are particularly important elements of our strategy. As a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential impact on us vary from country to country and are unpredictable.

Global integration may result in additional risks

Because of our efforts to integrate our operations globally to manage cost, we face the additional risk that should any of the other risks discussed herein materialize, the negative effects could be more pronounced. For example, while supply delays of a component historically typically only affect a few customer models, such a delay could now affect several models of several customers in several geographic areas. Similarly, should we face a recall or warranty issue due to a defective product, such a recall or warranty issue is now more likely to involve a larger number of units in several geographic areas.

We face exchange rate risks in connection with our international operations

In addition, as a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the U.S. dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. For further information on exchange rate risks, see Management s Discussion and Analysis Risks and Risk Management Financial Risks.

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Risks Related to Acquisitions

We face risks in connection with completed or potential acquisitions

Our growth has been enhanced through acquisitions of businesses, products and technologies that we believe will complement our business. We 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. We may not be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired operations into our existing operations or expand into new markets.

In addition, we compete for acquisitions and expansion opportunities with companies that have substantially greater resources, and competition with these companies for acquisition targets could result in increased prices for possible targets. Acquisitions also involve numerous additional risks to us and our investors, including:

- risk in retaining acquired management and employees;
- difficulties in the assimilation of the operations, services, and personnel of the acquired company;
- diversion of our management s attention from other business concerns;
- assumption of known and unknown or contingent liabilities;
- adverse financial impact from the amortization of expenses related to intangible assets;
- incurrence of indebtedness;
- potential adverse financial impact from failure of acquisitions to meet internal revenue and earnings expectations;
- integration of internal controls;
- entry into markets in which we have little or no direct prior experience; and
- potentially dilutive issuances of equity securities.

If we fail to adequately manage these acquisition risks, the acquisitions may not result in revenue growth, operational synergies or service or technology enhancements, which could adversely affect our financial results. For further information on acquisitions, see Management s Discussion and Analysis Liquidity, Resources and Financial Position Acquisitions.

Risks Related to Intellectual Property

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

We have developed a considerable amount of proprietary technology related to automotive safety systems and rely on a number of patents to protect such technology. At present, we hold approximately 4,800 patents covering a large number of innovations and product ideas, mainly in the fields of seatbelt and airbag technologies. We utilize, and have access to, the patents of our joint ventures. Our patents expire on various dates during the period 2009 to 2028. We do not expect the expiration of any single patent to have a material adverse effect on our business, results of operations and financial condition. Although we believe that our products and technology do not infringe the proprietary rights of others, third parties may assert infringement claims against us in the future. Also, any patents now owned by us may not afford protection against competitors that develop similar technology.

We primarily protect our innovations with patents, and vigorously protect and defend our patents, trademarks and know-how against infringement and unauthorized use. If we are not able to protect our intellectual property and our proprietary rights and technology, we could lose those rights and incur substantial costs policing and defending those rights. Our means of protecting our intellectual property, proprietary rights and technology may not be adequate, and our competitors may independently develop similar or competitive technologies. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the U.S. We may not be able to protect our proprietary technology and intellectual property rights, which could result in the loss of our rights or increased costs. If claims alleging patent, copyright or trademark infringement are brought against us and successfully prosecuted against us, they could result in substantial costs. If a successful claim is made against us and we fail to develop non-infringing technology, our business, financial condition and results of operation could be materially adversely affected. For further information on patents and proprietary technology, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks.

We may not be able to respond quickly enough to changes in technology and technological risks, and to develop our intellectual property into commercially viable products

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive. Our 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 our ability to remain competitive. We cannot provide assurance that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete. We are 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.

To compete effectively in the automotive supply industry, we must be able to launch new products to meet our customers demand in a timely manner. We cannot provide assurance, however, that we will be able to install and certify the equipment needed to produce products for new product programs in time for the start of production, or that the transitioning of our manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at our facilities. In addition, we cannot provide assurance that our customers will execute on schedule the launch of their new product programs, for which we might supply products. Our failure to successfully launch new products, a delay by our customers in introducing our new products, or a failure by our customers to successfully launch new programs, could adversely affect our results.

Risks Related to Government Regulations

Our business may be adversely affected by environmental and occupational health regulations or concerns

We are subject to the requirements of environmental and occupational safety and health laws and regulations in the United States and other countries.

Although we have no known pending material environmental related issues, we have made and will continue to make capital and other expenditures to comply with environmental requirements. To reduce our exposure to environmental risk, we implemented an environmental plan in 1996 based on our environmental policy. According to the plan, we sought to certify according to ISO 14001, an international standard for environmental management systems, all our plants and units. To date, 65 of our facilities, representing almost 100% of our consolidated sales, have been certified according to ISO 14001. However, we cannot assure you that we have been or will be at all times in complete compliance with all of these requirements, or that we will not incur material costs or liabilities in connection with these requirements in excess of amounts that we, at each time, may have reserved.

In addition, environmental and health related requirements are complex, subject to change and have tended to become more and more stringent. Accordingly, such requirements may change or become more stringent in the future. Any material environmental issues or changes in environmental regulations may have an adverse impact on our business. For further information on environmental and occupational health regulations, see Management s Discussion and Analysis Risks and Risk Management Operational Risks.

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Our business may be adversely affected by environmental and safety regulations or concerns

Government safety regulations are a key driver in our business. Historically, these regulations have imposed ever more stringent safety regulations for vehicles and have thus been a driver of growth in our business.

However, these regulations are subject to change based on a number of factors that are not within our control, including new scientific or medical data, adverse publicity regarding the safety risks of airbags or seatbelts, for instance to children and small adults, domestic and foreign political developments or considerations, and litigation relating to our products and our competitors products, and more. Changes in government regulations in response to these and other considerations could very severally impact our business.

Additionally, governments have different regulatory agendas at different times. An increased focus on environmental regulations relating to automobiles such as green-house gas emissions or gas mileage instead of safety regulations may impact the safety content of vehicles. Although we believe that over time safety will continue to be a regulatory priority, if government priorities shift and we are unable to adapt to changing regulations our business may suffer material adverse effects. For further information on environmental and occupational health regulations, see Management s Discussion and Analysis Risks and Risk Management Strategic Risks or Important Trends Safety Content per Vehicle.

Risks Related to an Investment in Our Common Stock

Our stock price could be volatile and could decline following this offering, resulting in a substantial loss on your investment

An active trading market in our common stock may not continue and the trading price of our common stock may fluctuate widely as a result of a number of factors that are beyond our control, including our perceived prospects, changes in analysts recommendations or projections, and changes in overall market valuation. The stock market has experienced extreme price and volume fluctuations that have affected the market prices of the stocks of many companies. These broad market fluctuations could adversely affect the market price of our common stock. For example, during the year ending on December 31, 2008, the closing price of our common stock ranged from a high of $62.63 to a low of $14.50. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this Risk Factors section of this prospectus supplement and others such as:

- our operating performance and the performance of other similar companies;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication of research reports about us or our industry by securities analysts;
- speculation in the press or investment community;
- resolutions of new or pending litigation;
- perceptions about the auto industry generally; and
- general market conditions, including economic factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation against us could result in substantial costs and divert our management s attention and resources.

Our anti-takeover provisions and Delaware law could prevent or delay a change in control of our company, even if such a change of control would be beneficial to our stockholders

Provisions of our Restated Certificate of Incorporation and Restated By-Laws, as well as provisions of Delaware law, could discourage, delay or prevent an acquisition or other change in control of our company, even if such a change in control would be beneficial to our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a price above the then current market price for our common stock. These provisions include:

- a Board of Directors that is classified such that only one-third of directors is elected each year;
- authorization of blank check preferred stock that our Board of Directors could issue to thwart a takeover attempt;
- limitations on the ability of stockholders to call special meetings of stockholders;
- limitations on stockholder action by written consent; and
- advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

We are also subject to certain provisions of the Delaware General Corporation Law, which limit our ability to enter into business combination transactions with 15% or greater stockholders that our Board of Directors has not approved. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation with our Board of Directors. These provisions may apply even if some stockholders may consider the transaction beneficial. See Description of Capital Stock in the accompanying prospectus.

In addition to the provisions of the Delaware General Corporation Law and our Restated Certificate of Incorporation, our executives have change of control provisions in their employment and severance agreements that could discourage a potential acquisition proposal or tender offer. These provisions entitle our executives to certain benefits if, during the two-year period following a change of control, the executive terminates his or her employment for good reason or, during the 30-day period commencing one year after the change of control, for any reason, or we terminate the executive s employment without cause. In addition, upon the occurrence of a change of control, outstanding stock options and restricted stock units will become fully vested.

Future issuances of our common stock and our issuance of equity units, which will result in future issuances of common stock, may adversely affect our stock price

Sales of a substantial number of shares of our common stock after this offering, or the perception by the market that those sales could occur, could cause the market price of our common stock to decline or could make it more difficult for us to raise funds through the sale of equity in the future. As of March 20, 2009, we had 70,374,516 shares of common stock outstanding, and as of December 31, 2008, approximately 1,448,236 shares of our common stock are issuable upon the exercise of outstanding stock options having a weighted average exercise price of $45.05 per share, or the conversion of outstanding restricted stock units. As of March 9, 2009, 333,350 additional shares are available for issuance under our stock incentive plans. All of these shares will be freely tradable in the public market once issued, unless such shares are held by our affiliates.

Concurrently with this common stock offering, we are offering equity units with an aggregate offering price of $150 million, plus up to an additional 600,000 equity units for an aggregate offering price of $165 million, if the underwriter for that offering exercises in full its option to purchase additional equity units. We cannot predict accurately how or whether investors in our equity units will resell shares of our common stock. Any market that develops for our equity units is likely to influence and be influenced by the market for our common stock. For example, investors anticipation that, when the purchase contracts that are a component of the equity units become due, we may deliver a number of shares of our common stock within the range of 11.10% (based on the minimum settlement rate for the equity units and assuming the underwriter does not exercise the over-allotment option) to 14.65% (based on the maximum settlement rate for the equity units and assuming the underwriter does exercise the over-allotment option) of the currently outstanding shares of our common stock, could cause the price of our common stock to be unstable or decline. The following factors could also affect the price of our common stock:

sales of our common stock by investors who prefer to invest in us by investing in our equity units;

hedging an investment in our equity units by selling our common stock; and

arbitrage trading activity between our equity units and our common stock.

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We have broad discretion to use the proceeds of this offering

We have broad discretion in spending the net proceeds generated by this offering of common stock. We may spend most of the net proceeds from this offering in ways that ultimately prove unsuccessful. Our failure to apply these funds effectively could have a material adverse effect on our business, results of operations and financial condition, and may also require further funding, which could dilute stockholders ownership and cause a decline in the share price of our common stock.

You should not anticipate or expect the payment of cash dividends on our common stock

Our dividend policy is subject to the discretion of our Board of Directors and depends upon a number of factors, including our earnings, financial condition, cash and capital needs and general economic or business conditions. Although we have previously used dividends as a way to return value to our stockholders, our Board of Directors determined that a suspension of our quarterly dividend for the second quarter of 2009 was necessary in light of the decline in global light vehicle production, the uncertainty surrounding the current recession and the inherent risk of customer defaults. In the future, there can be no assurance that the Board of Directors will declare a dividend.

Risks Related to an Investment in the SDRs

SDR holders do not have the same rights as our stockholders

An SDR holder is not treated as one of our stockholders and does not have any stockholder rights, which are governed by U.S. federal law and the Delaware General Corporation Law. An SDR holder should refer to the General Terms and Conditions for Swedish Depository Receipts in Autoliv, Inc., or the General Terms and Conditions, for a description of their rights. Although the General Terms and Conditions generally allow SDR holders to participate as if they held our common shares directly, the rights of SDR holders differ in some instances from the rights of our stockholders. Additionally, SDR holders may not be able to enforce their rights under the General Terms and Conditions with respect to our shares of common stock in the same manner as one of our stockholders could.

The trading market for SDRs may be limited in the future

Although the SDRs are listed and traded on NASDAQ OMX Stockholm, we cannot be certain that any trading market for the SDRs will be sustained. Although the SDRs are traded in Stockholm, they are not equivalent to a Swedish security being traded on NASDAQ OMX Stockholm.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of our common stock in this offering will be approximately $201.2 million after deducting the underwriting discount and our estimated offering expenses. If the underwriter exercises its over-allotment option in full, we estimate that our net proceeds will be approximately $221.3 million.

We intend to use the net proceeds from this offering for general corporate purposes, including possible future acquisitions. Although our growth strategy contemplates future acquisitions, we have no present agreements or definitive plans relating to any acquisitions.

Our management will retain broad discretion in the allocation of the net proceeds of this offering. Until we designate the use of net proceeds, we will invest them temporarily in liquid short term securities. The precise amounts and timing of our use of the net proceeds will depend upon market conditions and the availability of other funds, among other factors. From time to time, we may engage in additional capital financings as we determine appropriate based upon our needs and prevailing market conditions. These additional capital financings may include the sale of other securities.

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PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND INFORMATION

Our common stock trades on the New York Stock Exchange under the symbol ALV. The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as quoted on the New York Stock Exchange, and the cash dividends paid and declared per share:

	High	Low	Cash Dividends Per Share Paid	Cash Dividends Per Share Declared
2009				
First quarter*	$ 23.52	$ 12.01	$ 0.21	$ 0.00
2008				
Fourth quarter	$ 33.19	$ 14.50	$ 0.41	$ 0.21
Third quarter	47.03	32.91	0.41	0.41
Second quarter	62.63	46.45	0.39	0.41
First quarter	53.77	44.00	0.39	0.39
2007				
Fourth quarter	$ 65.09	$ 52.50	$ 0.39	$ 0.39
Third quarter	60.29	51.32	0.39	0.39
Second quarter	61.83	56.04	0.39	0.39
First quarter	62.12	55.50	0.37	0.39
2006				
Fourth quarter	$ 61.00	$ 54.29	$ 0.37	$ 0.37
Third quarter	57.74	51.74	0.35	0.37
Second quarter	60.19	52.00	0.32	0.35
First quarter	58.04	46.51	0.32	0.32

* Through March 23, 2009

We had approximately 70,000 beneficial owners of our common stock on December 31, 2008, which includes approximately 3,500 record holders. The closing price of our common stock as reported by the New York Stock Exchange on March 23, 2009 was $18.22.

Since we use both dividend payments and share repurchases to create shareholder value, we have no set dividend policy. Instead, the Board of Directors regularly analyzes which method is most efficient, at a given time, to create shareholder value. Management believes that such recurring analyses have the potential to generate more value for our shareholders than a pre-defined dividend policy.

In 2008, we increased our common stock dividend from 39 cents per share for the second quarter to 41 cents per share for the third and fourth quarters, resulting in a total amount of $115 million for the year. In December, our Board of Directors decided to reduce the dividend for the first quarter 2009 to 21 cents per share, and in February, decided to suspend further dividend payments to preserve cash in response to the deteriorating vehicle production outlook for 2009, continued constraints on the credit market, and the increased risk of customer and supplier defaults. For a discussion of share repurchases, see page S-41 of this prospectus supplement.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2008, and as adjusted to give effect to:

- the sale of 13,352,273 shares of our common stock in this offering, assuming no exercise of the underwriter s option to purchase additional shares of common stock; and

- the issuance of 6,000,000 equity units in the concurrent equity units offering, assuming no exercise of the underwriter s option to purchase additional equity units.

This table should be read in conjunction with Management s Discussion and Analysis and our Consolidated Financial Statements and the Notes to those Consolidated Financial Statements incorporated by reference in this prospectus supplement and the accompanying prospectus.

($ in millions) (unaudited)	As of December 31, 2008 Actual	As Adjusted for this Offering	As Further Adjusted for this Offering and the Concurrent Offering of Equity Units
Cash and cash equivalents[1]	$ 488.6	$ 702.2	$ 852.2
Short-term debt	$ 270.0	$ 270.0	$ 270.0
Long-term debt:			
8% senior notes due 2014[2]			127.5
Other	1,401.1	1,401.1	1,401.1
Total long-term debt	**1,401.1**	**1,401.1**	**1,528.6**
Shareholders equity			
Preferred stock, $1.00 par value per share	0	0	0
Common stock, $1.00 par value per share	102.8	102.8	102.8
Capital in excess of par value	1,954.3	1,592.3	1,614.8
Retained earnings	1,402.8	1,402.8	1,402.8
Treasury stock, at cost: 32,421,627 shares actual, and 19,069,354 shares as adjusted and as further adjusted	(1,397.7)	(822.1)	(822.1)
Accumulated other comprehensive income	54.3	54.3	54.3
Total shareholders equity	**2,116.5**	**2,330.1**	**2,352.6**
Total capitalization (including short-term debt)	**$ 3,787.6**	**$ 4,001.2**	**$ 4,151.2**

(1) The as adjusted cash and cash equivalents amount represents gross proceeds of $213,600,000 from this offering and would be $235,000,000 if the underwriter in this offering exercises its over-allotment option in full. The as further adjusted cash and cash equivalents amount represents gross proceeds of $213,600,000 from this offering and $150,000,000 from the concurrent equity units offering (in each case assuming no exercise of the respective over-allotment options), and would be $400,000,000 in the aggregate if the underwriter in this offering and the underwriter in the equity unit offering both exercise their over-allotment options in full.

(2)

The 8% senior notes due 2014 are a component of the concurrent equity units offering. The as further adjusted amount would be $165,000,000 if the underwriter in the concurrent equity units offering exercises its over-allotment option in full.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected historical consolidated financial data and other information at and for the periods indicated. You should read this data in conjunction with our Consolidated Financial Statements and Notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus from our Annual Report on Form 10-K for the year ended December 31, 2008. See Management s Discussion and Analysis on page S-27 in this prospectus supplement and Where You Can Find Additional Information and Incorporation of Certain Information by Reference on pages 3 and 13 of the accompanying prospectus. The financial information presented in the table below is not necessarily indicative of the financial condition or results of operations of any other period.

(Dollars in millions, except per share data)	**2008[1]**	**2007[1,2]**	**2006[1,3]**	**2005[4]**	**2004**
Sales and Income					
Net sales	$ 6,473	$ 6,769	$ 6,188	$ 6,205	$ 6,144
Operating income	306	502	520	513	513
Income before income taxes	249	446	481	482	485
Net income	165	288	402	293	326
Financial Position					
Current assets excluding cash	1,598	1,941	1,930	1,867	1,962
Property, plant and equipment	1,158	1,260	1,160	1,081	1,160
Intangible assets (primarily goodwill)	1,745	1,760	1,676	1,679	1,709
Non-interest bearing liabilities	1,361	1,552	1,441	1,418	1,678
Capital employed	3,312	3,531	3,413	3,193	3,236
Net debt	1,195	1,182	1,010	877	599
Shareholders equity	2,117	2,349	2,403	2,316	2,636
Total assets	5,206	5,305	5,111	5,065	5,354
Long-term debt	1,401	1,040	888	757	667
Share data					
Earnings per share (US$) basic	2.29	3.70	4.90	3.28	3.49
Earnings per share (US$) assuming dilution	2.28	3.68	4.88	3.26	3.46
Equity per share (US$)	30.11	31.83	30.00	27.67	28.66
Cash dividends paid per share (US$)	1.60	1.54	1.36	1.17	0.75
Cash dividends declared per share (US$)	1.42	1.56	1.41	1.24	0.85
Share repurchases	174	380	221	378	144
Number of shares outstanding (million)[5]	70.3	73.8	80.1	83.7	92.0
Ratios					
Gross margin (%)	17.4	19.7	20.4	20.4	19.9
Operating margin (%)	4.7	7.4	8.4	8.3	8.4
Pretax margin (%)	3.8	6.6	7.8	7.8	7.9
Return on capital employed (%)	9	15	16	16	16
Return on shareholders equity (%)	7	12	17	12	13
Equity ratio (%)	41	44	47	46	49
Net debt to capitalization (%)	36	33	29	27	18
Days receivables outstanding	49	64	70	71	73
Days inventory outstanding	39	33	34	32	31
Other data					
Airbag sales[6]	4,130	4,377	4,085	4,116	4,028
Seatbelt sales[7]	2,343	2,392	2,103	2,089	2,116
Net cash provided by operating activities	614	781	560	479	680
Capital expenditures	293	324	328	315	324
Net cash used in investing activities	(328)	(431)	(288)	(303)	(303)
Net cash provided by (used in) financing activities	105	(375)	(438)	(86)	(261)
Number of employees, December 31	34,000	35,300	35,700	34,100	34,500

(1) In 2008, 2007 and 2006, severance and restructuring costs reduced operating income by $80, $24 and $13 million and net income by $55, $16 and $9 million. This corresponds to 1.2%, 0.4% and 0.2% on operating margins and 0.8%, 0.2% and 0.1% on net margins. The impact on earnings per share was $0.76, $0.21 and $0.11, while return on equity was reduced by 2.3%, 0.6% and 0.4% for the same three-year period (see Note 10 to the Consolidated Financial Statements).

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(2) In 2007, a court ruling reduced operating income by $30 million, net income by $20 million, operating margin by 0.5%, net margin by 0.3%, earnings per share by $0.26 and return on equity by 0.8%.
(3) In 2006, a release of tax reserves and other discrete tax items boosted net income by $95 million, net margin by 1.5%, earnings per share by $1.15 and return on equity by 3.9%.
(4) In 2005, the Jobs Creation Act reduced net income by $13 million, net margin by 0.2%, earnings per share by $0.15 and return on equity by 0.5%.
(5) At year end, net of treasury shares.
(6) Includes electronics, steering wheels, inflators and initiators.
(7) Includes seat components.

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MANAGEMENT S DISCUSSION AND ANALYSIS

Important Trends

We provide advanced technology products for the automotive market. In the three-year period 2006-2008 (the time period required by the SEC to be reviewed in this analysis), a number of trends have influenced our operations. The most significant trends have been in:

Changes in global light vehicle production

Pause in growth of the average safety content per vehicle

Costs for raw materials and distressed suppliers

Action program started in 2008 and other restructuring activities

Increased financial turmoil

Years ended Dec. 31

(U.S. Dollars)	2008[2]		2007[2,3]		2006[2,4]	
Consolidated net sales (million)	$ 6,473	(4)%	$ 6,769	+9%	$ 6,188	0%
Global light vehicle production (in thousands)	66,090	(4)%	68,876	+6%	65,242	+5%
Gross profit (million)[1]	$ 1,124	(16)%	$ 1,331	+5%	$ 1,265	0%
Gross margin	17.4%	(2.3)%	19.7%	(0.7)%	20.4%	0%
Operating income (million)	$ 306	(39)%	$ 502	(3)%	$ 520	+1%
Operating margin	4.7%	(2.7)%	7.4%	(1.0)%	8.4%	+0.1%
Net income (million)	$ 165	(43)%	$ 288	(28)%	$ 402	+37%
Net margin	2.5%	(1.8)%	4.3%	(2.2)%	6.5%	+1.8%
Earnings per share	$ 2.28	(38)%	$ 3.68	(25)%	$ 4.88	+50%
Return on equity	7%	(5)%	12%	(5)%	17%	+5%

(1) In 2008, affected by $8 million for fixed asset impairment associated with restructuring (see Note 10 to the Consolidated Financial Statements).

(2) In 2008, 2007 and 2006, severance and restructuring costs reduced operating income by $80, $24 and $13 million and net income by $55, $16 and $9 million. This corresponds to 1.2%, 0.4% and 0.2% on operating margins, and 0.8%, 0.2% and 0.1% on net margins. The impact on earnings per share was $0.76, $0.21 and $0.11, while return on equity was reduced by 2.3%, 0.6% and 0.4% for the same three-year period (see Note 10 to the Consolidated Financial Statements).

(3) In 2007, a court ruling reduced operating income $30 million, net income $20 million, operating margin by 0.5%, net margin by 0.3%, earnings per share by $0.26 and return on equity by 0.8% (see page S-31 in this prospectus supplement).

(4) In 2006, a release of tax reserves and other discrete tax items boosted net income by $95 million, net margin by 1.5%, earnings per share by $1.15 and return on equity by 3.9% (see page S-31 in this prospectus supplement).

Light Vehicle Production

The most important growth driver for our sales is global light vehicle production (LVP).

Both during 2006 and 2007, the long-term trend of increasing global LVP continued. The growth rates recorded were approximately 5% and 6%, respectively. However, in the second half of 2008 this trend came to a sudden pause due to the credit crunch. This resulted in a decline in global LVP of 2% in the third quarter and of 21% in the fourth quarter, leading to an overall decline of 4% for the full year.

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The declines were particularly severe in Western Europe and North America where we generate more than 70% of our sales. In Western Europe, LVP declined by 9% in 2008 after having increased by 3% in 2007 and declined by 2% in 2006. In North America, LVP dropped by 16% in 2008, significantly more than the declines of 2% in 2007 and of 3% in 2006.

There has also been an accelerating decline in production of premium cars and light trucks. During these years, global production for these vehicle segments has dropped by 20% from the 2005 level compared to an overall increase of global LVP of almost 6%. Since premium cars and light trucks generally have more safety systems and more advanced safety systems than the global average safety value per vehicle of $275, the effect of the mix shift was significant.

In addition, the global market share for General Motors, Ford and Chrysler, which accounted for 22% (excluding Volvo s 4%) of our net sales in 2008, has shrunk to 21% in 2008 from 27% in 2005.

In response to these trends we have, for many years, strengthened our position globally with the Japanese and other Asian vehicle manufacturers which have increased their output by 16% from the 2005 levels. As a result, these customers accounted for 29% of consolidated sales in 2008 compared to 27% in 2005. For additional information on our dependence on certain customers and vehicle models, see page S-45 in this prospectus supplement.

We have also made substantial investments in Korea, Thailand, China and India as well as in Eastern Europe to take advantage of strong LVP growth in emerging markets. In our Rest of the World Region (RoW) which includes, for instance, Korea and the Asian emerging markets, LVP has risen by 32% since 2005, which has primarily driven demand for seatbelts. As a result, the Rest of the World accounted for 12% of net sales in 2008 compared to 9% in 2005, and seatbelt sales accounted for 36% of our total net sales in 2008 compared to 34% in 2005.

These investments in emerging markets, along with growing business with Asian customers and strong demand for side curtain airbags, enabled us to keep our organic sales (non-U.S. GAAP measure, see page S-53 in this prospectus supplement) at the 2005 level both in 2006 and 2007 despite pricing pressure from customers and weak LVP in our major markets in North America and Western Europe. However, in the second half of 2008, the outbreak of the credit crisis caused organic sales to drop by 7% in the third quarter and by 26% in the fourth quarter, resulting in an overall decline of 10% for the year.

Safety Content per Vehicle

Historically, safety content per vehicle has increased by 3% per year since 1997. However, during the last three years, the average safety value has stood virtually unchanged at approximately $270 per vehicle despite the introduction of new safety technologies, regulations and various rating programs of crash performance. This stagnation is caused by the combined effects of pricing pressure in the automotive industry and of the above-mentioned mix changes in global LVP towards smaller, less-equipped vehicles, often for the emerging markets.

However, the safety standards of vehicles in the emerging markets are improving. China, for instance, introduced in 2006 a rating program for crash performance of new vehicles. In addition, both the National Highway and Safety Administration (NHTSA) in the U.S. and the Euro NCAP are currently in the process of upgrading their crash-test rating programs. The growth in the average global value of safety systems is, therefore, expected to resume, albeit at a lower rate than historically.

Cost Challenges

During 2006, we were forced to absorb $20 million in higher costs due to increasing raw material prices and, in 2007, an additional $20 million. In 2008, these costs accelerated and increased by another $59 million from 2007, primarily due to higher steel and magnesium prices (see page S-43 in this prospectus supplement).

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These increasing raw material prices have, in combination with the pricing pressure in the automotive industry and, in 2008, the credit crisis caused severe problems for some of our suppliers. As a result, we had to absorb approximately an extra $14 million in 2008 in higher costs for financially distressed suppliers. This was $2 million more than in 2007 which, in turn, was $12 million more than in 2006. In response to these trends, we have further expanded our global sourcing programs, consolidated our supplier base, phased-out unprofitable products and increased component sourcing in low-cost countries.

However, the underlying commodity inflation has been so strong during the last few years that the former positive trend of lower direct material costs in relation to sales reversed and, as a consequence, direct material cost rose to 52.4% of net sales in 2008 from 51.0% in 2007 and 49.6% in 2006.

Restructuring

In response to the sudden LVP cuts by customers and accelerating cost for raw materials, we announced in July 2008 an action program (The Action Program) that stepped up our restructuring efforts significantly. Restructuring costs therefore increased to $80 million for 2008 (i.e. 1.2% of net sales), from $24 million in 2007 (i.e. 0.4% of net sales) and $13 million in 2006 (i.e. 0.2% of net sales).

Of the 2008 restructuring cost, $74 million was specifically related to The Action Program, of which $33 million was recorded in the third quarter and the rest in the fourth quarter.

During the fall 2008, the combined effect of The Action Program as well as of other activities in response to the market development reduced headcount by nearly 5,900. The Action Program and other actions taken in response to the market turmoil, generated estimated cost savings of nearly $30 million. See also Note 10 to the Consolidated Financial Statements for further information on restructuring and The Action Program.

Labor Cost Improvements

The previously mentioned expansion in emerging markets has also enabled us to move production and take advantage of lower costs in these low-cost countries (LCC).

In high-cost countries (HCC), headcount has been cut by nearly 6,500 or 28% during the three-year period to 16,900 at the end of 2008, while headcount in LCC increased by 4,900 or 32% since 2005 to 20,400. These shifts of production are estimated to have generated labor cost savings in the magnitude of $20 million in 2008, $120 million in 2007, and $100 million in 2006 or approximately one quarter of a billion dollars during the full three-year period 2006 through 2008.

As a result, cost for direct labor has been reduced, despite annual wage increases to our employees, to 9.6% of sales in 2008 from levels above 10% in the previous three-year period. This improvement also reflects annual productivity improvements of 6% in 2008, 7% in 2007 and 8% in 2006, well in line with our target of at least 5% per year.

However, there was also a temporary negative impact on margins from the expansion in emerging markets, primarily in China. This was due to costs for training new line operators as well as for depreciation of new buildings and manufacturing equipment since capacity in these new facilities was not planned to reach full utilization until 2009, at the earliest. As a result, in 2007, start-up costs jumped to $23 million and remained above the $20 million level during 2008. This corresponds to a negative margin effect of 0.3% for both years.

Increased Financial Turmoil

During 2008, the credit markets became increasingly tighter resulting in a liquidity crisis in the fall. Towards the end of the year, General Motors, and Chrysler announced that they were approaching the minimum liquidity levels required for continuing operations and asked for government financial assistance. Also Ford said it might need such assistance, though not immediately. Both GM and Chrysler received temporary financial assistance to enable them to develop and submit restructuring plans by mid-February 2009 for a final decision on federal assistance. Our two commercial paper programs were also affected by the credit crisis during the fall of 2008 in terms of higher interest rate margins, shorter terms and less available volume.

In response to these trends, we have increased our focus on preserving cash and strengthening our cash position. After the Lehman Brothers bankruptcy and in response to the market uncertainties, we raised SEK 1,950 million (U.S. $250 million) in credit facilities and notes (both medium-term), drew $500 million from our existing revolving credit facility (RCF) and suspended buying back shares. As with the existing RCF, the new facilities and notes were made available to us without any financial covenants i.e. no performance related restrictions (see Note 12 to the Consolidated Financial Statements).

Due to these precautionary measures and continued strong cash flow in 2008, we had $489 million in cash on hand at December 31, 2008. We currently believe that this cash position, plus $664 million in unutilized credit facilities, should be adequate to cover upcoming capital market debt maturities during 2009 of $399 million, expected negative cash flows during the beginning of the year, and potential customer defaults during 2009 (see page S-46 in this prospectus supplement). These funds and credit lines should be adequate, we currently believe, even if our major short-term refinancing source i.e. commercial paper market does not provide us with adequate refinancing during 2009. However, as an additional precaution, our Board of Directors decided on December 16, 2008 to reduce the quarterly dividend to 21 cents per share for the first quarter 2009 from 41 cents for the previous quarter and, on February 17, 2009 to suspend further dividend payments in order to preserve cash.

One way for us to maintain a stable financial position stems from our flexible way of returning funds to shareholders. During 2006, when cash flow from operations amounted to $560 million, we returned $222 million to shareholders through share repurchases (in addition to $112 million through dividends). In 2007, when cash flow improved to $781 million, we raised the return through share buybacks to $380 million (plus $121 million in dividends), while we reduced the buyback return to $174 million during 2008 (plus $115 million in dividends) when cash flow from operations shrunk to $614 million.

At the end of 2008, we were in compliance with all of our financial policies.

Selected Consolidated Data for Autoliv Inc. in Swedish Krona (SEK)

	2008	Change 2008/2007	2007	Change 2007/2006	2006
Net sales (million)	42,637	(6.8)%	45,748	0.2 %	45,647
Income before income taxes (million)	1,638	(46)%	3,014	(15)%	3,552
Net income (million)	1,085	(44)%	1,946	(34)%	2,968
Earnings per share	15.02	(40)%	24.87	(31)%	35.97

(Average exchange rates: $1 = SEK 6.59 for 2008; $1 = SEK 6.76 for 2007; and $1 = SEK 7.38 for 2006)

Items Affecting Comparability

The following items have affected the comparability of reported results from year to year. We believe that, to assist in understanding trends in our operations, it is useful to consider certain U.S. GAAP measures exclusive of these items. Accordingly, the accompanying tables reconcile from U.S. GAAP numbers to the equivalent non-U.S. GAAP measure.

Court Ruling

Following a ruling in the second quarter 2007 by the U.S. Court of Appeals for the Federal Circuit, we increased our legal reserves by $30 million to cover damages and interest expense to a former supplier. An amount of $36 million, including the original reserve of $6 million, was paid in the fourth quarter for this commercial dispute that was finally closed in 2008 (see Note 16 to the Consolidated Financial Statements) without any additional damages or interest expenses for us.

The unexpected incremental cost in 2007 of $30 million reduced operating margin by 0.5 percentage points, net income by $20 million, earnings per share (assuming dilution) by 26 cents, operating working capital (non-U.S. GAAP measure, see page S-53 in this prospectus supplement) by $20 million and return on equity by 0.8 percentage points. Cash flow was reduced by $36 million. All figures are approximates.

Effects in 2007 of Court Ruling

	Reported	Effects	Adjusted
Operating income (million)	$ 502	$ 30	$ 532
Operating margin	7.4%	0.5%	7.9%
Income before taxes (million)	$ 446	$ 30	$ 476
Net income (million)	$ 288	$ 20	$ 308
Capital employed	$ 3,531	$ 20	$ 3,551
Earning per share (assuming dilution)	$ 3.68	$ 0.26	$ 3.94
Equity per share	$ 31.83	$ 0.28	$ 32.11
Return on equity	12.0%	0.8%	12.8%

Discrete Tax Items

The third and the fourth quarters of 2006 were affected by a total of $95 million from releases of tax reserves and other discrete items (see Note 4 to the Consolidated Financial Statements).

Consequently, as shown in the table below, the effective tax rate was reduced by 19.7 percentage points, which boosted net income by $95 million, earnings per share (assuming dilution) by $1.15 and return on equity by 3.9 percentage points. In addition, operating working capital was boosted by 1.4 percentage points in relation to sales.

In 2007, our effective tax rate was 33.7%, and was negatively impacted by 1.8 percentage points for discrete tax items. In 2008, our effective tax rate was 30.7%, and the impact of discrete tax items was not material.

Effects in 2006 of Discrete Tax Items

	Reported	Effects	Adjusted
Net income (million)	$ 402	$ 95(1)	$ 307
Net margin	6.5%	1.5%	5.0%
Operating working capital/sales	11.7%	1.4%	10.3%
Earnings per share (assuming dilution)	$ 4.88	$ 1.15	$ 3.73
Return on equity	17.1%	3.9%	13.2%
Effective tax rate	12.2%	19.7%	31.9%

(1) Consisting of $69 million from release of tax reserves and $26 million from other discrete tax items.

Year Ended December 31, 2008 Versus Year Ended December 31, 2007

Component of Change in Net Sales in 2008	Airbag Products(1)	Seatbelt Products	Total
Organic sales growth	(9.9)%	(8.8)%	(9.5)%
Effect of exchange rates	4.1%	5.0%	4.4%
Impact of acquisitions	0.2%	1.8%	0.7%
Reported net sales change	**(5.6)%**	**(2.0)%**	**(4.4)%**

(1) Includes safety electronics, steering wheels, inflators and initiators.

Net Sales

Net sales for 2008 decreased by 4% or by $296 million to $6,473 million due to a $646 million decline in organic sales (non-U.S. GAAP measure, see page S-53 in this prospectus supplement), partly offset by currency effects of $300 million or 4% and acquisitions (see page S-37 in this prospectus supplement) which added $50 million or less than 1% of net sales.

Organic sales declined by 9.5%, in line with the overall decline in North American and European LVP of 9.4%. Organic sales decreased by 3% in the first quarter compared to the same period in 2007, by 1% in the second, by 7% in the third and by 26% in the fourth quarter when the credit crisis hit vehicle demand. Organic sales of *airbag products* decreased by 10%, primarily due to a 16% drop in North American and a 9% decline in Western European LVP. Despite the tough market, sales of side curtain airbags continued to increase organically through introductions of the product into an increasing number of vehicle models globally.

Organic sales of *seatbelt products* declined by 9% despite market share gains in North America and strong LVP during most of the year in emerging markets. However, this was not enough to offset the LVP declines in established markets throughout the year, exacerbated by a sudden drop in LVP in the emerging markets towards the end of the year. There was also a negative vehicle model mix shift due to the sharp decline in Western European LVP.

In *Europe*, where we generate more than half of net sales, organic sales declined by 12%, which was due to the 9% decline in LVP in Western Europe where we generate 90% of our European revenues. Sales were also affected by a negative vehicle model mix due to the change-over of some important vehicle models such as the Renault Megane and the Volkswagen Golf. Sales to Eastern Europe (e.g. Avtovaz in Russia) and with respect to small cars (e.g. BMW s Mini and Ford s Kuga) performed well until demand succumbed to the credit crisis in the fall.

In *North America*, which accounts for almost one quarter of net sales, organic sales declined by 12%. This was less than the 16% decrease in North American LVP due to our relatively low exposure to SUVs and other light trucks which dropped by 25% in production volumes. Instead, we benefited from increasing demand for some smaller cars such as Chevrolet s Malibu and Traverse; Buick s Enclave; and Saturn s Aura.

In *Japan*, which accounts for just over one tenth of net sales, organic sales grew by 3% compared to the Japanese light vehicle production that declined by 1%. Our strong performance reflects rapidly growing installation rates for side curtain airbags.

In the *Rest of the World (RoW)*, which generates more than one tenth of net sales, organic sales declined by 2% primarily due to a 6% decrease in LVP in Korea, which is the dominant market for airbags and other safety systems in our RoW region.

Gross Margin

In 2008, gross profit decreased by 15% or $206 million to $1,124 million and gross margin to 17.4% from 19.7% in 2007. This was due to several reasons, primarily lower sales caused by the sharp LVP cuts, especially towards the end of the year. Gross profit and margin were also negatively affected by continued pricing pressure from customers, higher raw material prices in the supply chain, costs related to financially distressed suppliers and $12 million in fixed asset impairment write-offs.

These negative effects were partially offset by the move of production to LCC and by other benefits of our cost reduction programs.

Operating Income

Operating income amounted to $306 million compared to $502 million in 2007 and operating margin to 4.7% compared to 7.4%. In 2007, operating income and margin were affected by a $30 million cost for a court ruling (see page S-31 in this prospectus supplement).

The declines in 2008 were primarily due to $206 million lower gross profit and $56 million higher severance and restructuring costs totaling $80 million, partly offset by $29 million lower R,D&E expense and $6 million lower S,G&A expenses. These improvements reflect primarily higher engineering income and our cost-savings actions.

Interest Expense, Net

Interest expense, net increased by 12% or $7 million to $60 million in 2008 as a result of an 11% higher average net debt (non-U.S. GAAP measure, see page S-50 in this prospectus supplement).

Interest expense, net also increased as a result of precautionary borrowing in the latter part of 2008 which also raised the level of cash. This cash was primarily invested in Swedish and U.S. government notes which carry interest rates that are significantly lower than our cost of funds. The weighted annual average interest rate, net increased to 5.0% in 2008 from 4.9% in 2007.

Average net debt increased by $122 million to $1,213 million during 2008 from $1,091 million during the previous year. However, net debt at the end of 2008 increased by only $13 million to $1,195 million from $1,182 million at December 31, 2007, despite capital expenditures net of $279 million, share repurchases of $174 million, dividend payments of $115 million and acquisitions of $49 million (including a $7 million cash payment related to acquisitions in 2007). The modest increase in net debt was due to strong operating cash flow of $614 million.

In the fourth quarter, the refinancing of a major part of our U.S. commercial paper (see page S-40 in this prospectus supplement) increased interest expense by approximately $1 million due to temporary elevated LIBOR interest rates.

Income Taxes

Income before taxes amounted to $249 million compared to $446 million in 2007. The effective tax rate decreased to 30.7% from 33.7% in 2007 when the tax rate was increased by 1.8 percentage points for discrete tax items. In 2008, discrete tax items were not material.

Net Income and Earnings per Share

Net income amounted to $165 million compared to $288 million in 2007 and net margin to 2.5% compared to 4.3%. The declines were primarily due to a $197 million lower income before taxes, partly offset by a $7 million favorable effect from a lower effective tax rate.

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Earnings per share (assuming dilution) amounted to $2.28 compared to $3.68 in 2007. Lower pre-tax income had a $1.69 negative effect on earnings per share, including 76 cents due to severance and restructuring costs which were 30 cents more than in 2007 including the increase in legal reserves.

Earnings per share was favorably impacted by 21 cents from currency effects, 24 cents from the stock repurchase program and 14 cents from the lower effective tax rate.

The weighted average number of shares outstanding decreased by 8% to 72.1 million.

Year Ended December 31, 2007 Versus Year Ended December 31, 2006

Component of Change in Net Sales in 2007	Airbag Products(1)	Seatbelt Products	Total
Organic sales growth	2.5%	7.1%	4.0%
Effect of exchange rates	4.6%	6.3%	5.3%
Impact of acquisitions		0.4%	0.1%
Reported net sales change	**7.1%**	**13.8%**	**9.4%**

(1) Includes safety electronics, steering wheels, inflators and initiators.

Net Sales

Net sales for 2007 increased by 9% or by $581 million to $6,769 million, including currency effects of $323 million or 5% and $9 million from an acquisition in India (see page S-37 in this prospectus supplement).

Consequently, organic sales (non-U.S. GAAP measure, see page S-53 in this prospectus supplement) grew by 4% or by $250 million, despite price reductions to customers. The sales increase was mainly due to strong performance in seatbelts and higher global vehicle production. Sales were also driven by strong demand for curtain airbags and higher market shares for safety electronics and steering wheels.

Organic sales increased by 4% in the first quarter compared to the same period in 2006, by 3% in the second, by 6% in the third and by 4% in the fourth quarter.

Organic sales of *airbag products* increased by 2%, mainly due to the introduction of side curtain airbags into an increasing number of vehicle models. Airbag product sales were also driven by higher market share for safety electronics and steering wheels. Sales were negatively affected by price erosion and the expiration of certain frontal airbag contracts. Organic sales of *seatbelt products* rose by 7% due to strong vehicle production in the Rest of the World and strong demand for upgraded seatbelt systems with pretensioners.

In *Europe*, where we generate approximately 50% of net sales, organic sales rose by 4% compared to a 2% increase in light vehicle production in Western Europe which accounts for 90% of our European revenues. Eastern Europe also contributed to the growth of the safety market and our sales, despite a lower average safety value per vehicle, by raising its light vehicle production rapidly or by 18%.

In *North America*, which generates nearly a quarter of net sales, organic sales declined by less than 1% due to a 1.5% decline in light vehicle production. Our relatively strong performance was due to rapidly increasing demand for curtain airbags, and market share gains in safety electronics and steering wheels. These effects were partially offset by price erosion and the expiration of certain frontal airbag contracts.

In *Japan*, which accounts for almost 10% of net sales, organic sales grew by 13% which was significantly faster than the 1% growth in Japanese light vehicle production. Organic sales growth was recorded in all product lines and was particularly strong in seatbelt.

In the *Rest of the World*, which generates nearly 15% of net sales, organic sales rose by 10% driven by a 13% increase in the Region s light vehicle production.

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Gross Margin

Gross profit increased by 5% or $65 million to $1,331 million as a result of currency effects and higher organic sales. However, gross margin declined to 19.7% in 2007 from 20.4% in 2006 due to pricing pressure from customers in combination with higher raw material prices in the supply chain, costs related to financially distressed suppliers and exceptionally high start-up activities, primarily in China.

These negative effects were partially offset by the move of production to LCC and by other benefits of the Company s cost reduction programs.

Operating Income

Operating income declined by $18 million to $502 million, and operating margin to 7.4% from 8.4% in 2006.

The decline in operating income was entirely due to a $30 million cost for a court ruling (see page S-31 in this prospectus supplement), which had 0.5 percentage point negative margin effect. Excluding the cost for the court ruling, operating income in 2007 would have been $532 million and operating margin 7.9% (non-U.S. GAAP measure, see page S-53 in this prospectus supplement).

Operating margin was negatively impacted by the 0.7 percentage points decline in gross margin, partially offset by R,D&E expense declining to 5.8% of net sales from 6.4% due to better utilization of R,D&E resources and moves of certain R,D&E activities to LCC.

Interest Expense, Net

Interest expense, net increased by 40% or $15 million to $54 million in 2007 from $38 million in 2006 as a result of a 17% higher average net debt (non-U.S. GAAP measure, see page S-53 in this prospectus supplement) and higher floating market interest rates.

Higher average net debt primarily reflects the return of $501 million to shareholders during 2007 (see page S-38 in this prospectus supplement) and acquisitions for $121 million.

The weighted annual average interest rate, net increased to 4.9% in 2007 from 4.1% in 2006.

Average net debt increased by $159 million to $1,091 million at December 31, 2007 from $932 million one year earlier. Net debt was affected by $380 million from the share repurchase program, $314 million from capital expenditures, $121 million from quarterly dividends and by $121 million for acquisitions, partly offset by cash flow from operations of $781 million.

We refinanced $400 million of U.S. commercial paper with a $400 million U.S. private placement with no material effect on interest expense (see page S-40 in this prospectus supplement). Higher expenses, partly due to factoring agreements, caused other financial items net to rise to $9 million from $6 million.

Income Taxes

Income before taxes amounted to $446 million compared to $481 million.

The effective tax rate increased to 33.7% in 2007 from 12.2% in 2006 due to a favorable 19.7 percentage point impact of discrete tax items in 2006 and a negative 1.8 percentage point impact in 2007.

Net Income and Earnings per Share

Net income declined by $114 million to $288 million in 2007 from $402 million in 2006 when net income was boosted by $95 million of discrete tax items, while the cost for the court ruling had a negative after-tax impact of $20 million in 2007. Excluding these effects, net income would have been $308 million compared to $307 million in 2006 (see Items Affecting Comparability on page S-30 in this prospectus supplement), despite the stock repurchase program that resulted in higher interest expense.

Primarily due to acquisitions (see page S-37 in this prospectus supplement), income allocated to minority interest in subsidiaries was reduced by $12 million.

Earnings per share (assuming dilution) declined to $3.68 from $4.88 in 2006 when discrete tax items added $1.15, while earnings per share was reduced by $0.26 in 2007 by the cost for the court ruling. Excluding these effects, earnings per share would have risen by 21 cents or 6% to $3.94 from $3.73 (non-U.S. GAAP measures, see page S-31 in this prospectus supplement). Currency effects had a favorable impact of 18 cents, the share repurchase program of 17 cents and the 2007 discrete tax items of 10 cents.

Net income in 2007 of $288 million represented 4.3% of sales, including a 0.3% negative effect from the cost for the court ruling. In 2006, net income of $402 million represented 6.5% of sales, of which 1.5 percentage points were due to discrete tax items.

Liquidity, Resources and Financial Position

Cash from Operations

Cash flow from operations, together with available financial resources and credit facilities, are expected to be adequate to fund our anticipated working capital requirements, capital expenditures, potential strategic acquisitions and dividend payments.

Cash provided by operating activities was $614 million in 2008, $781 million in 2007, and $560 million in 2006.

While management of cash and debt is important to the overall business, it is not part of the responsibilities of operations day-to-day management. We therefore focus on operationally derived working capital and have set the target that this key ratio should not exceed 10% of the last 12-month net sales. At December 31, 2008, operating working capital (non-U.S. GAAP measure, see page S-53 in this prospectus supplement) stood at $518 million corresponding to 8.0% of net sales compared to $614 million or 9.1% at December 31, 2007, and $724 million and 11.7% at the end of 2006 when this ratio was boosted by 1.8 percentage points from the release of tax reserves and tax payments made before year-end. The 2008 number was favorably impacted by the sales of $104 million worth of receivables due to factoring agreements. For 2007, this impact was $116 million and for 2006, $95 million.

Days receivables outstanding decreased to 49 at December 31, 2008 from 64 one year earlier due to the sharp sales drop in December 2008. Factoring agreements did not have any material effect on days receivables outstanding for 2008 or 2007.

Days inventory on-hand increased to 39 days at December 31, 2008 from 33 at December 31, 2007. The increase was due to higher raw material prices, higher safety stock for distressed suppliers and more products in transit as a reflection of production moves to low-cost countries.

See Notes 10 and 11 to Consolidated Financial Statements for information concerning cash payments associated with restructuring and product-related liabilities.

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Capital Expenditures

In 2008, cash generated by operating activities was adequate to cover capital expenditures for property, plant and equipment.

Capital expenditures, gross, were $293 million in 2008, $324 million in 2007, and $328 million in 2006, corresponding to 4.5% of net sales in 2008, 4.8% in 2007, and of 5.3% in 2006.

In 2008 capital expenditures, net of $279 million were $68 million less than depreciation and amortization of $323 million and $24 million, respectively. This difference is due to three reasons: First, active decisions to reduce manufacturing capacity expansion in response to lower LVP-levels. Second, most of the depreciation stems from capital expenditures in high-cost countries, while current capital expenditures are to a higher degree focused in emerging markets where construction costs and cost for machinery are generally lower. Third, in LCC it is possible to use less automation, which reduces capital expenditures for manufacturing lines even more.

After a strong capacity build-up during the last few years, especially in China and India, capital expenditures during 2009 were expected to continue to decline and stay within the range of $200 million to $250 million. See Recent Developments for an update on this expectation.

Acquisitions

From time to time, we make acquisitions. The cost of acquisitions (including cash acquired) amounted to $42 million in 2008 (excluding cash outlays of $7 million for an acquisition in 2007), $130 million in 2007 and to $3 million in 2006.

As of September 26, 2008, we acquired a part of the automotive radar sensors business of Tyco Electronics for $42 million. This acquisition added $7 million to our consolidated sales in 2008.

In December 2007, we acquired the remaining 41% of the shares in the consolidated Chinese subsidiary Autoliv (Changchun) Maw Hung Vehicle Safety Systems for nearly $14 million.

As of October 31, 2007, we acquired the remaining 50.01% of the shares in Autoliv IFB Private Ltd for $36 million and began to consolidate this Indian seatbelt company. This added $9 million during the two remaining months of 2007 or 0.1% to consolidated sales and $43 million in 2008 (corresponding to 0.7% of sales).

At the beginning of 2007, we acquired the remaining 35% of the shares in Autoliv-Mando in Korea for $80 million. This strategic acquisition increased amortization related to additional intangibles by $4 million, but reduced cost for minority interests by $12 million.

In 2006, we increased our holding to 70% from 50% in Nanjing Hongguang Autoliv Safety Systems, which was already consolidated, for approximately $3 million.

Financing Activities

Cash provided by financing activities amounted to $105 million during 2008. Cash and cash equivalents increased by $335 million to $489 million at December 31, 2008 from December 31, 2007. This was the result of precautionary borrowing (see page S-40 in this prospectus supplement) due to the financial turmoil in the fall of 2008.

Net debt (non-U.S. GAAP measure, see page S-50 in this prospectus supplement) increased by $13 million to $1,195 million and net-debt-to-capitalization ratio increased to 36% at December 31, 2008, from 33% at

December 31, 2007. The marginally higher net debt was a result of stock repurchases and dividend payments totaling $289 million, capital expenditures, net of $279 million and acquisitions totaling $49 million which was almost fully offset by our operating cash generation in 2008 of $614 million.

In line with our conservative debt policy and in response to the financial turmoil, short-term debt to total debt was reduced to 16% during 2008 from 23% at December 31, 2007 (see page S-49 in this prospectus supplement).

Income Taxes

We have reserves for taxes that may become payable in future periods as a result of tax audits.

At any given time, we are undergoing tax audits in several tax jurisdictions and covering multiple years. Ultimate outcomes are uncertain but could, in future periods, have a significant impact on our cash flows. On March 2, 2009, the IRS field examination team that is auditing us issued notices of proposed adjustment in which the examination team stated that it is considering adjustments to increase U.S. taxable income by approximately $294.4 million due to alleged incorrect transfer pricing in transactions between a U.S. subsidiary and other subsidiaries during the period 2003 through 2005. We believe, after consultation with tax counsel, that the examination team s proposed adjustments are based on errors in fact and law. We expect that, after the conclusion of the applicable administrative procedures and review within the IRS, including the mutual agreement procedure of income tax treaties to which the U.S. is a party, and/or a judicial determination of the facts and applicable law, any adjustment with respect to the transfer pricing in these transactions will not produce a material increase to our consolidated income tax liability. See discussions of income taxes under Accounting Policies on page S-51 in this prospectus supplement, and also Note 4 to the Consolidated Financial Statements.

Pension Arrangements

We have non-contributory defined benefit pension plans covering most U.S. employees, although we have frozen participation in the U.S. plans for all employees hired after December 31, 2003.

Our non-U.S. employees are also covered by pension arrangements. See Note 18 to the Consolidated Financial Statements for further information about retirement plans.

At December 31, 2008, our recognized liability (i.e. the actual funded status) for our U.S. plans was $54 million and the U.S. plans had a net unamortized actuarial loss of $65 million recorded in Accumulated other comprehensive income (loss) in the Equity Statement. The amortization of this loss is not expected to have any material impact for any of the nine-year estimated remaining service lives of the plan participants.

Pension expense associated with these plans was $4 million in 2008 and is expected to be $13 million in 2009. We contributed $15 million to our U.S. defined benefit plan in 2008 and $9 million in 2007.

We expect to contribute $6 million to our plans in 2009 and are currently projecting a yearly funding at the same level in the years thereafter.

Dividends

The dividend paid in the first and the second quarters of 2008 was 39 cents per share. The dividend for the third quarter was raised by 5% to 41 cents per share and remained at 41 cents for the fourth quarter.

Total cash dividends of $115 million were paid in 2008 and $121 million in 2007. In addition, we returned $174 million to shareholders in 2008 and $380 million in 2007 through repurchases of shares.

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We reduced the dividend to 21 cents per share for the fi