

AUTOLIV INC
Form 10-Q
October 23, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2012

Commission File No.: 001-12933

AUTOLIV, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

51-0378542
(I.R.S. Employer

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incorporation or organization)

Identification No.)

Vasagatan 11, 7th floor, SE-111 20,

Box 70381,

SE-107 24 Stockholm, Sweden
(Address of principal executive offices)

N/A
(Zip Code)

+46 8 587 20 600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days. Yes: ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer: ☒

Accelerated filer: ☐

Non-accelerated filer: ☐

Smaller reporting company: ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: ☐ No: ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of October 17, 2012, there were 95,455,806 shares of common stock of Autoliv, Inc., par value \$1.00 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are those that address activities, events or developments that Autoliv, Inc. (Autoliv , the Company or we) or its management believes or anticipates may occur in the future, including statements relating to industry trends, business opportunities, sales contracts, sales backlog and on-going commercial arrangements and discussions, as well as any statements about future operating performance or financial results.

In some cases, you can identify these statements by forward-looking words such as estimates, expects, anticipates, projects, plans, intends, believes, might, will, should, or the negative of these terms and other comparable terminology, although not all forward-looking statements are so identified.

All such forward-looking statements, including without limitation, management's examination of historical operating trends and data, are based upon our current expectations, various assumptions and data available from third parties and apply only as of the date of this report. Our expectations and assumptions 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 risks and 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 and cost reduction initiatives discussed herein and the market reaction thereto, changes in general industry and market conditions, increased competition, higher raw material, fuel and energy costs, changes in consumer and customer preferences for end products, customer losses, customer bankruptcies, consolidations or restructuring, divestiture of customer brands, fluctuation in currencies or interest rates, fluctuation in vehicle production schedules for which the Company is a supplier, component shortages, market acceptance of our new products, costs or difficulties related to the integration of any new or acquired businesses and technologies, continued uncertainty in program awards and performance, the financial results of companies in which Autoliv has made technology investments or joint venture arrangements, pricing negotiations with customers, our ability to be awarded new business, increased costs, supply issues, product liability, warranty and recall claims and other litigation and customer reactions thereto, possible adverse results of pending or future litigation or infringement claims, negative impacts of governmental investigations and litigation relating to the conduct of our business, tax assessments by governmental authorities, dependence on key personnel, legislative or regulatory changes, political conditions, dependence on customers and suppliers, as well as the risks identified in Item 1A Risk Factors in this quarterly report and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012. Except for the Company's ongoing obligation to disclose information under the U.S. federal securities laws, the Company undertakes 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 statement.

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(Dollars in millions, except per share data)

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net sales	\$ 1,947.1	\$ 2,017.6	\$ 6,214.8	\$ 6,187.7
Cost of sales	(1,559.5)	(1,606.4)	(4,964.0)	(4,888.9)
Gross profit	387.6	411.2	1,250.8	1,298.8
Selling, general & administrative expenses	(88.8)	(91.5)	(276.3)	(277.5)
Research, development & engineering expenses, net	(96.8)	(103.7)	(350.0)	(335.7)
Amortization of intangibles	(4.8)	(4.2)	(14.5)	(13.5)
Other income (expense), net	(9.8)	(6.9)	(78.9)	(7.0)
Operating income	187.4	204.9	531.1	665.1
Equity in earnings of affiliates, net of tax	1.8	2.0	5.3	5.2
Interest income	0.9	1.4	2.4	3.4
Interest expense	(10.9)	(16.2)	(32.6)	(47.1)
Loss on extinguishment of debt		0.1		(6.2)
Other financial items, net	(4.1)	0.4	(7.6)	(3.0)
Income before income taxes	175.1	192.6	498.6	617.4
Income tax expense	(57.1)	(53.5)	(153.0)	(150.1)
Net income	\$ 118.0	\$ 139.1	\$ 345.6	\$ 467.3
Less: net income attributable to non-controlling interests	0.5	0.7	1.2	2.4
Net income attributable to controlling interest	\$ 117.5	\$ 138.4	\$ 344.4	\$ 464.9
Net earnings per share basic	\$ 1.23	\$ 1.55	\$ 3.71	\$ 5.21
Net earnings per share diluted	\$ 1.23	\$ 1.48	\$ 3.63	\$ 4.95
Weighted average number of shares outstanding, net of treasury shares (in millions)	95.4	89.3	92.8	89.2
Weighted average number of shares outstanding, assuming dilution and net of treasury shares (in millions)	95.7	93.5	94.9	93.8
Number of shares outstanding, excluding dilution and net of treasury shares (in millions)	95.4	89.3	95.4	89.3
Cash dividend per share declared	\$ 0.50	\$ 0.45	\$ 1.44	\$ 1.33
Cash dividend per share paid	\$ 0.47	\$ 0.45	\$ 1.39	\$ 1.28

See Notes to unaudited condensed consolidated financial statements .

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)****(Dollars in millions)**

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net income	\$ 118.0	\$ 139.1	\$ 345.6	\$ 467.3
Foreign currency translation adjustments	45.5	(60.7)	24.3	(1.4)
Defined benefit pension plan	2.0	0.9	5.6	1.6
Other comprehensive income, before tax	47.5	(59.8)	29.9	0.2
Income tax expense related to defined benefit pension plan	(0.7)	(0.3)	(2.0)	(0.5)
Other comprehensive income, net of tax	46.8	(60.1)	27.9	(0.3)
Comprehensive income	\$ 164.8	\$ 79.0	\$ 373.5	\$ 467.0
Less: comprehensive income attributable to non-controlling interest	0.8	0.8	1.3	2.8
Comprehensive income attributable to controlling interest	\$ 164.0	\$ 78.2	\$ 372.2	\$ 464.2

See Notes to unaudited condensed consolidated financial statements .

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

	September 30, 2012 (unaudited)	As of December 31, 2011
<i>Assets</i>		
Cash & cash equivalents	\$ 908.2	\$ 739.2
Receivables, net	1,577.4	1,457.8
Inventories, net	623.4	623.3
Other current assets	193.3	180.0
Total current assets	3,302.3	3,000.3
Property, plant & equipment, net	1,194.9	1,121.2
Investments and other non-current assets	293.0	279.6
Goodwill	1,610.3	1,607.0
Intangible assets, net	101.7	109.2
Total assets	\$ 6,502.2	\$ 6,117.3
<i>Liabilities and equity</i>		
Short-term debt	\$ 158.1	\$ 302.8
Accounts payable	1,055.2	1,083.9
Accrued expenses	561.8	465.9
Other current liabilities	196.9	233.3
Total current liabilities	1,972.0	2,085.9
Long-term debt	497.4	363.5
Pension liability	199.5	193.1
Other non-current liabilities	131.7	125.8
Total non-current liabilities	828.6	682.4
Total parent shareholders' equity	3,685.5	3,333.4
Non-controlling interests	16.1	15.6
Total equity	3,701.6	3,349.0
Total liabilities and equity	\$ 6,502.2	\$ 6,117.3

See Notes to unaudited condensed consolidated financial statements .

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	Nine months ended	
	September 30, 2012	September 30, 2011
Operating activities		
Net income	\$ 345.6	\$ 467.3
Depreciation and amortization	204.0	197.9
Other, net	13.4	36.8
Changes in operating assets and liabilities	(115.7)	(236.9)
Net cash provided by operating activities	447.3	465.1
Investing activities		
Expenditures for property, plant and equipment	(264.2)	(263.0)
Proceeds from sale of property, plant and equipment	2.9	6.4
Acquisitions and divestitures of businesses and other, net	3.5	(1.4)
Net cash used in investing activities	(257.8)	(258.0)
Financing activities		
Net (decrease) increase in short-term debt	(26.6)	116.2
Issuance of long-term debt	32.5	47.1
Repayments and other changes in long-term debt	(8.9)	(214.3)
Dividends paid	(129.9)	(114.1)
Cash paid for extinguishment of debt		(6.3)
Common stock issue, net	106.3	
Common stock options exercised	12.1	12.1
Other	(1.8)	(5.7)
Net cash used in financing activities	(16.3)	(165.0)
Effect of exchange rate changes on cash and cash equivalents	(4.2)	0.9
Increase in cash and cash equivalents	169.0	43.0
Cash and cash equivalents at beginning of period	739.2	587.7
Cash and cash equivalents at end of period	\$ 908.2	\$ 630.7

See Notes to unaudited condensed consolidated financial statements .

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise noted, all amounts are presented in millions of dollars, except for per share amounts)

September 30, 2012

1 Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, unaudited condensed consolidated financial statements have been prepared on the same basis as the prior year audited financial statements and all adjustments considered necessary for a fair presentation have been included in the financial statements. All such adjustments are of a normal recurring nature. The result for the interim period is not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2012. Certain prior-year amounts have been reclassified to conform to current year presentation.

The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements.

Statements in this report that are not of historical fact are forward-looking statements that involve risks and uncertainties that could affect the actual results of the Company. A description of the important factors that could cause Autoliv's actual results to differ materially from the forward-looking statements contained in this report may be found in this report and Autoliv's other reports filed with the Securities and Exchange Commission (the "SEC"). For further information, refer to the consolidated financial statements, footnotes and definitions thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012.

The Company's filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, proxy statements, management certifications, current reports on Form 8-K and other documents, can be obtained free of charge from Autoliv at the Company's address. These documents are also available at the SEC's web site at www.sec.gov and at the Company's corporate website at www.autoliv.com.

2 New Accounting Pronouncements

The following accounting guidance has been issued and are effective for the Company in or after fiscal year 2012:

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*, which defers the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income (AOCI) in both net income and other comprehensive income (OCI) on the face of the financial statements. The effective dates of ASU 2011-12 are consistent with the effective dates of ASU 2011-05, which is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of ASU No. 2011-12 had no impact on the Company's consolidated financial statements, other than presentation of comprehensive income.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*, which requires disclosure of financial instruments and derivatives that are either offset on the balance sheet in accordance with ASC 210-20-45 or ASC 815-10-45, or subject to a master netting arrangement, irrespective of whether they are offset on the balance sheet. ASU No. 2011-11 is effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. Entities should provide the disclosures required by this ASU retrospectively for all comparative periods presented. The adoption of ASU 2011-11 will have an impact on the Company's disclosures about its financial instruments to the consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which updates Accounting Standards Codification ("ASC") Topic 220. The adoption of ASU No. 2011-05 eliminates the ability of reporting entities to present changes in other comprehensive income as a component of stockholder's equity, and requires that changes in other comprehensive income be shown either in a continuous statement of comprehensive income or as a statement immediately following the statement of earnings. ASU No. 2011-05 is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU No. 2011-05 had no impact on the Company's consolidated financial statements, other than presentation of comprehensive income.

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In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which updates ASC Topic 820. ASU No. 2011-04 clarifies the intent of ASC 820 around the highest and best use concept being relevant only to nonfinancial assets, the fair value of instruments in shareholders' equity should be measured from the perspective of a market participant holding the instrument as an asset, and the appropriate usage of premiums and discounts in a fair value measurement. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU No. 2011-04 did not have an impact on the Company's consolidated financial statements, other than disclosures related to fair value measurements.

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3 Fair Value Measurement

Assets and liabilities measured at fair value on a recurring basis

The Company uses derivative financial instruments, derivatives, as part of its debt management to mitigate the market risk that occurs from its exposure to changes in interest and foreign exchange rates. The Company does not enter into derivatives for trading or other speculative purposes. The Company's use of derivatives is in accordance with the strategies contained in the Company's overall financial policy. The derivatives outstanding at September 30, 2012 are either interest rate swaps or foreign exchange swaps. All swaps principally match the terms and maturity of the underlying debt and no swaps have a maturity beyond 2019. All derivatives are recognized in the consolidated financial statements at fair value. Certain derivatives are from time to time designated either as fair value hedges or cash flow hedges in line with the hedge accounting criteria. For certain other derivatives hedge accounting is not applied either because non hedge accounting treatment creates the same accounting result or the hedge does not meet the hedge accounting requirements, although entered into applying the same rationale concerning mitigating market risk that occurs from changes in interest and foreign exchange rates.

When a hedge is classified as a fair value hedge, the change in the fair value of the hedge is recognized in the Consolidated Statement of Income along with the off-setting change in the fair value of the hedged item. When a hedge is classified as a cash flow hedge, any change in the fair value of the hedge is initially recorded in equity as a component of Other Comprehensive Income, (OCI), and reclassified into the Consolidated Statement of Income when the hedge transaction affects net earnings. There were no material reclassifications from OCI to the Consolidated Statement of Income during the three and nine months ended September 30, 2012 and, likewise, no material reclassifications are expected for the next twelve months. Any ineffectiveness has been immaterial.

The Company records derivatives at fair value. Any gains and losses on derivatives recorded at fair value are reflected in the Consolidated Statement of Income with the exception of cash flow hedges where an immaterial portion of the fair value is reflected in other comprehensive income. The degree of judgment utilized in measuring the fair value of the instruments generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of asset or liability, whether the asset or liability has an established market and the characteristics specific to the transaction. Derivatives with readily active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets rarely traded or not quoted will generally have less, or no, pricing observability and a higher degree of judgment utilized in measuring fair value.

Under existing GAAP, there is a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by the hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 - Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

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The following tables summarize the valuation of the Company's derivatives by the above noted pricing observability levels:

Description	Total carrying amount in Consolidated Balance Sheet September 30, 2012	Fair Value Measurements at September 30, 2012 Using		
		Level 1	Level 2	Level 3
Assets				
Derivatives	\$ 21.2		\$ 21.2	
Total Assets	\$ 21.2		\$ 21.2	
Liabilities				
Derivatives	\$ 9.2		\$ 9.2	
Total Liabilities	\$ 9.2		\$ 9.2	

Description	Total carrying amount in Consolidated Balance Sheet December 31, 2011	Fair Value Measurements at December 31, 2011 Using		
		Level 1	Level 2	Level 3
Assets				
Derivatives	\$ 19.7		\$ 19.7	
Total Assets	\$ 19.7		\$ 19.7	
Liabilities				
Derivatives	\$ 0.6		\$ 0.6	
Total Liabilities	\$ 0.6		\$ 0.6	

The tables below present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011. Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables below and in the Consolidated Balance Sheets at September 30, 2012 and December 31, 2011, have been presented on a gross basis.

Description	Nominal volume	Fair Value Measurements at September 30, 2012		Balance sheet location
		Derivative asset	Derivative liability	
Derivatives designated as hedging instruments				
Interest rate swaps, less than 8 years (fair value hedge)	\$ 60.0	\$ 16.6	\$	Other non-current asset

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Total derivatives designated as hedging instruments	\$ 60.0	\$ 16.6	\$	
Derivatives not designated as hedging instruments				
Foreign exchange swaps, less than 6 months	\$ 1,272.8	\$ 4.6	\$ 9.2	Other current assets/ liabilities
Total derivatives not designated as hedging instruments	\$ 1,272.8	\$ 4.6	\$ 9.2	
Total derivatives	\$ 1,332.8	\$ 21.2	\$ 9.2	

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Description	Nominal volume	Fair Value Measurements at December 31, 2011		Balance sheet location
		Derivative asset	Derivative liability	
Derivatives designated as hedging instruments				
Interest rate swaps, less than 8 years (fair value hedge)	\$ 60.0	\$ 15.1	\$	Other non-current asset
Total derivatives designated as hedging instruments	\$ 60.0	\$ 15.1	\$	
Derivatives not designated as hedging instruments				
Foreign exchange swaps, less than 6 months	\$ 845.2 ¹⁾	\$ 4.6	\$ 0.6	Other current assets/ liabilities
Total derivatives not designated as hedging instruments	\$ 845.2	\$ 4.6	\$ 0.6	
Total derivatives	\$ 905.2	\$ 19.7	\$ 0.6	

- ¹⁾ The nominal value is netted for offsetting swaps with a counterpart with which Autoliv has a master netting agreement. The gross nominal value is \$1,241.9 million.

Amount of gain (loss) recognized in Consolidated Statement of Income Three months ended September 30, 2012						
					Amount of gain (loss) recognized in OCI on derivative effective portion	Amount of gain (loss) reclassified from accumulated OCI into interest expense
Description	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income		
Derivatives designated as hedging instruments						
Interest rate swap, less than 8 years (fair value hedge)	\$ 60.0	\$	\$ 0.6	\$	\$	\$
Hedged item (fair value hedge)						
Fixed rate private placement debt due 2019	\$ 60.0	\$	\$ (0.6)	\$	\$	\$
Total gain(loss) in Consolidated Statement of Income			\$ 0.0			

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Amount of gain (loss) recognized in Consolidated Statement of Income Nine months ended September 30, 2012						
					Amount of gain (loss) recognized in OCI on derivative effective portion	Amount of gain (loss) reclassified from accumulated OCI into interest expense
Description	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income		
Derivatives designated as hedging instruments						
Interest rate swap, less than 8 years (fair value hedge)	\$ 60.0	\$	\$ 1.5	\$	\$	\$
Hedged item (fair value hedge)						
Fixed rate private placement debt due 2019	\$ 60.0	\$	\$ (1.5)	\$	\$	\$
Total gain(loss) in Consolidated Statement of Income			\$ 0.0			

Amount of gain (loss) recognized in Consolidated Statement of Income Three months ended September 30, 2011						
Description	Nominal volume	Other financial items, net	Interest expense	Interest income	Amount of gain (loss) recognized in OCI on derivative effective portion	Amount of gain (loss) reclassified from accumulated OCI into interest expense
Derivatives designated as hedging instruments						
Interest rate swap, less than 9 years (fair value hedge)	\$ 60.0	\$	\$ 5.0	\$	\$	\$
Total derivatives designated as hedging instruments	\$ 60.0					
Hedged item (fair value hedge)						
Fixed rate private placement debt due 2019	\$ 60.0	\$	\$ (5.0)	\$	\$	\$
Total gain(loss) in Consolidated Statement of Income			\$ 0.0			

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Amount of gain (loss) recognized in Consolidated Statement of Income						
Nine months ended September 30, 2011						
					Amount of gain (loss) recognized in OCI on derivative effective portion	Amount of gain (loss) reclassified from accumulated OCI into interest expense
Description	Nominal volume	Other financial items, net	Interest expense	Interest income		
Derivatives designated as hedging instruments						
Interest rate swap, less than 9 years (fair value hedge)	\$ 60.0	\$	\$ 6.0	\$	\$	\$
Total derivatives designated as hedging instruments	\$ 60.0					
Hedged item (fair value hedge)						
Fixed rate private placement debt due 2019	\$ 60.0	\$	\$ (6.0)	\$	\$	\$
Total gain(loss) in Consolidated Statement of Income			\$ 0.0			

Description	Amount of gain (loss) recognized in Consolidated Statement of Income			
	Three months ended September 30, 2012			
	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income
Derivatives not designated as hedging instruments				
Foreign exchange swaps	\$ 1,272.8	\$ 1.4	\$ 0.0	\$
Total derivatives not designated as hedging instruments	\$ 1,272.8			

Description	Amount of gain (loss) recognized in Consolidated Statement of Income			
	Nine months ended September 30, 2012			
	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income
Derivatives not designated as hedging instruments				
Foreign exchange swaps	\$ 1,272.8	\$ (8.5)	\$ (0.0)	\$
Total derivatives not designated as hedging instruments	\$ 1,272.8			

Description	Amount of gain (loss) recognized in Consolidated Statement of Income			
	Three months ended September 30, 2011			
	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income
Derivatives not designated as hedging instruments				
Cross currency interest rate swaps, less than 1 year	\$ 40.3	\$ (3.8)	\$ 0.0	\$

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Foreign exchange swaps	\$ 976.2	\$ 28.2	\$ (0.9)	\$
Total derivatives not designated as hedging instruments	\$ 1,016.5			

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		Amount of gain (loss) recognized in Consolidated Statement of Income Nine months ended September 30, 2011		
Description	Nominal Volume	Other Financial Items, net	Interest Expense	Interest Income
Derivatives not designated as hedging instruments				
Cross currency interest rate swaps, less than 1 year	\$ 40.3	\$ (0.4)	\$ 0.1	\$
Foreign exchange swaps	\$ 976.2	\$ 15.2	\$ (0.2)	\$

Total derivatives not designated as hedging instruments**\$ 1,016.5**

All amounts recognized in the Consolidated Statement of Income related to derivatives, not designated as hedging instruments, relate to economic hedges and thus have been materially off-set by an opposite Consolidated Statement of Income effect of the related financial liabilities or financial assets.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities and short-term debt approximate their fair value because of the short term maturity of these instruments. The fair value of long-term debt is determined either from quoted market prices as provided by participants in the secondary market or for long-term debt without quoted market prices, estimated using a discounted cash flow method based on the Company's current borrowing rates for similar types of financing. The fair value of derivatives is estimated using a discounted cash flow method based on quoted market prices. The fair value and carrying value of debt is summarized in the table below. The Company has determined that each of these fair value measurements of debt reside within Level 2 of the fair value hierarchy. The discount rates for all derivative contracts are based on bank deposit or swap interest rates. Credit risk has been considered when determining the discount rates used for the derivative contracts, which when aggregated by counterparty, are in a liability position.

Fair Value of Debt

	September 30, 2012 Carrying value ¹⁾	September 30, 2012 Fair value	December 31, 2011 Carrying value ¹⁾	December 31, 2011 Fair value
Long-term debt				
U.S. Private placement	\$ 306.6	\$ 337.3	\$ 305.1	\$ 331.9
Medium-term notes	46.0	44.9	43.3	40.6
Notes	107.9	108.9		
Other long-term debt	36.9	36.9	15.1	15.1
Total	\$ 497.4	\$ 528.0	\$ 363.5	\$ 387.6
Short-term debt				
Overdrafts and other short-term debt	\$ 33.9	\$ 33.9	\$ 63.2	\$ 63.2
Short-term portion of long-term debt	124.2	127.1	132.4	136.5
Notes			107.2	109.9
Total	\$ 158.1	\$ 161.0	\$ 302.8	\$ 309.6

1) Debt as reported in balance sheet.

Assets and liabilities measured at fair value on a non-recurring basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company also has assets and liabilities in its balance sheet that are measured at fair value on a non-recurring basis. Assets and liabilities that are measured at fair value on a non-recurring basis include long-lived assets, including investments in affiliates, and restructuring liabilities (see Note 6).

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The Company has determined that the fair value measurements included in each of these assets and liabilities rely primarily on Company-specific inputs and the Company's assumptions about the use of the assets and settlements of liabilities, as observable inputs are not available. The Company has determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy. To determine the fair value of long-lived assets, the Company utilizes the projected cash flows expected to be generated by the long-lived assets, then discounts the future cash flows over the expected life of the long-lived assets. For restructuring obligations, the amount recorded represents the fair value of the payments expected to be made, and such provisions are discounted if the payments are expected to extend beyond one year.

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As of September 30, 2012 the Company had \$73.3 million of restructuring reserves which were measured at fair value upon initial recognition of the associated liability (see Note 6). For the three and nine months ended September 30, 2012, the Company did not record any impairment charges on its long-lived assets.

4 Income Taxes

For the first nine months of 2012, the effective tax rate was 30.7%, compared with an effective tax rate of 24.3% in the first nine months of 2011. In the first nine months of 2012, the net impact of discrete tax items caused a 1.7% increase to the effective tax rate. The net impact of discrete tax items in the first nine months of 2011 caused a 3.1% decrease to the effective tax rate. In the third quarter of 2012, the net impact of discrete tax items, principally due to law changes, caused a 4.1% increase to the effective tax rate for the quarter. The net impact of discrete tax items in the third quarter of 2011 caused a 1.1% increase to the effective tax rate for the quarter.

The Company files income tax returns in the United States federal jurisdiction, various state jurisdictions and foreign jurisdictions. At any given time, the Company is undergoing tax audits in several tax jurisdictions covering multiple years. The Company is effectively no longer subject to income tax examination by the U.S. Federal tax authorities for years prior to 2009. In addition, with few exceptions, the Company is also no longer subject to income tax examination by U.S. state and local and non-U.S. tax authorities for years prior to 2003.

The Company is undergoing tax audits in several non-U.S. jurisdictions covering multiple years. As of September 30, 2012, as a result of those tax examinations, the Company is not aware of any proposed income tax adjustments that would have a material impact on the Company's financial statements. The conclusion of such audits could result in additional increases or decreases to unrecognized tax benefits in some future period or periods.

During the third quarter of 2012, the Company recorded a net decrease of \$0.2 million to income tax reserves for unrecognized tax benefits based on tax positions related to the current and prior years, including accruing additional interest related to unrecognized tax benefits of prior years. Of the total unrecognized tax benefits of \$16.3 million recorded at September 30, 2012, \$1.6 million is classified as current tax payable and \$14.7 million is classified as non-current tax payable on the Condensed Consolidated Balance Sheet.

5 Inventories

Inventories are stated at the lower of cost (principally FIFO) or market. The components of inventories were as follows:

	September 30, 2012	As of December 31, 2011
Raw materials	\$ 297.9	\$ 295.5
Work in progress	226.6	219.9
Finished products	179.2	184.0
Inventories	703.7	699.4
Inventory valuation reserve	(80.3)	(76.1)
Total inventories, net of reserve	\$ 623.4	\$ 623.3

6 Restructuring

Restructuring provisions are made on a case-by-case basis and primarily include severance costs incurred in connection with headcount reductions and plant consolidations. The Company expects to finance restructuring programs over the next several years through cash generated from its ongoing operations or through cash available under existing credit facilities. The Company does not expect that the execution of these activities will have a material adverse impact on its liquidity position.

Third quarter of 2012

The employee-related restructuring provisions and the cash payments in the third quarter mainly relate to headcount reductions in Europe. The changes in the employee-related reserves were charged against Other income (expense), net in the Consolidated Statements of Income. The table below summarizes the change in the balance sheet position of the restructuring reserves from June 30, 2012 to September 30, 2012.

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	June 30, 2012	Provision/ Charge	Provision/ Reversal	Cash payments	Translation difference	September 30, 2012
Restructuring employee-related	\$ 66.6	\$ 9.8	\$ (0.6)	\$ (5.3)	\$ 2.3	\$ 72.8
Other	0.8		(0.3)	(0.0)	0.0	0.5
Total reserve	\$ 67.4	\$ 9.8	\$ (0.9)	\$ (5.3)	\$ 2.3	\$ 73.3

Second quarter of 2012

The cash payments in the second quarter mainly relate to high-cost countries in Europe. The changes in the employee-related reserves were charged against Other income (expense), net in the Consolidated Statements of Income. The table below summarizes the change in the balance sheet position of the restructuring reserves from March 31, 2012 to June 30, 2012.

	March 31, 2012	Provision/ Charge	Provision/ Reversal	Cash payments	Translation difference	June 30, 2012
Restructuring employee-related	\$ 78.1	\$ 0.1	\$ (0.1)	\$ (7.8)	\$ (3.7)	\$ 66.6
Other	0.9			(0.1)	0	0.8
Total reserve	\$ 79.0	\$ 0.1	\$ (0.1)	\$ (7.9)	\$ (3.7)	\$ 67.4

First quarter of 2012

The employee-related restructuring provisions in the first quarter of 2012 mainly relate to headcount reductions in Europe. The cash payments mainly relate to high-cost countries in Europe. The changes in the employee-related reserves were charged against Other income (expense), net in the Consolidated Statements of Income. The table below summarizes the change in the balance sheet position of the restructuring reserves from December 31, 2011 to March 31, 2012.

	December 31, 2011	Provision/ Charge	Provision/ Reversal	Cash payments	Translation difference	March 31, 2012
Restructuring employee-related	\$ 31.4	\$ 48.1	\$ (0.1)	\$ (3.1)	\$ 1.8	\$ 78.1
Other	0.9				0	0.9
Total reserve	\$ 32.3	\$ 48.1	\$ (0.1)	\$ (3.1)	\$ 1.8	\$ 79.0

2011

In 2011, the employee-related restructuring provisions relate mainly to headcount reductions throughout Europe and North America. Reversals in 2011 mainly relate to restructuring reserves in Europe and were due to capacity reduction that was not as severe as originally planned and communicated. The cash payments mainly relate to high-cost countries in Europe and in Australia. The changes in the employee-related reserves have been charged against Other income (expense), net in the Consolidated Statements of Income. The table below summarizes the change in the balance sheet position of the restructuring reserves from December 31, 2010 to December 31, 2011.

	December 31, 2010	Provision/ Charge	Provision/ Reversal	Cash payments	Translation difference	December 31, 2011
Restructuring employee-related	\$ 48.4	\$ 10.1	\$ (4.9)	\$ (22.2)	\$ (0)	\$ 31.4
Other	0.2	0.8		(0.1)		0.9
Total reserve	\$ 48.6	\$ 10.9	\$ (4.9)	\$ (22.3)	\$ (0)	\$ 32.3

7 Product-Related Liabilities

The Company has reserves for product risks. Such reserves are related to product performance issues including recall, product liability and warranty issues.

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The Company records liabilities for product-related risks when probable claims are identified and when it is possible to reasonably estimate costs. Provisions for warranty claims are estimated based on prior experience, likely changes in performance of newer products and the mix and volume of the products sold. The provisions are recorded on an accrual basis. For further explanation, see Note 11 Contingent Liabilities below.

The table below summarizes the change in the balance sheet position of the product-related liabilities. The provisions and cash paid for the three and nine months ended September 30, 2012 mainly relate to warranty related issues. The provisions and cash paid for the three months ended September 30, 2011 mainly related to recall related issues. The provisions for the nine months ended September 30, 2011 mainly relates to warranty related issues. The cash paid for the nine months ended September 30, 2011 mainly related to recall related issues.

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	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Reserve at beginning of the period	\$ 31.6	\$ 37.4	\$ 33.0	\$ 39.2
Change in reserve	3.5	6.0	13.3	8.5
Cash payments	(4.5)	(9.4)	(15.3)	(15.4)
Translation difference	0.7	(1.2)	0.3	0.5
Reserve at end of the period	\$ 31.3	\$ 32.8	\$ 31.3	\$ 32.8

8 Retirement Plans

The Company has contributory and non-contributory defined benefit pension plans covering employees at most operations in the United States and in certain other countries. The main plan is the U.S. plan for which the benefits are based on an average of the employee's earnings in the years preceding retirement and on credited service. Certain supplemental funded and unfunded plan arrangements also provide retirement benefits to specified groups of participants.

The Company has frozen participation in the U.S. pension plans to include only those employees hired as of December 31, 2003. The U.K. defined benefit plan is the most significant individual non-U.S. pension plan and the Company has frozen participation to include only those employees hired as of April 30, 2003.

The Net Periodic Benefit Costs related to Other Post-retirement Benefits were not significant to the Consolidated Financial Statements of the Company for the three and nine months ended September 30, 2012 and September 30, 2011.

For further information on Pension Plans and Other Post-retirement Benefits, see Note 18 to the Consolidated Financial Statements of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012.

The components of total Net Periodic Benefit Cost associated with the Company's defined benefit retirement plans are as follows:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Service cost	\$ 4.9	\$ 4.6	\$ 14.6	\$ 13.7
Interest cost	4.7	4.3	14.1	12.8
Expected return on plan assets	(3.5)	(3.6)	(10.5)	(10.8)
Amortization prior service credit	(0.3)	(0.2)	(0.7)	(0.7)
Amortization of actuarial loss	2.3	1.2	6.7	3.7
Net Periodic Benefit Cost	\$ 8.1	\$ 6.3	\$ 24.2	\$ 18.7

9 Equity and Equity Units Offering

On March 30, 2009, the Company sold, in an underwritten registered public offering, approximately 14.7 million common shares from treasury stock and 6.6 million equity units (the Equity Units), listed on the NYSE as Corporate Units, for an aggregate stated amount and public offering price of \$235 million and \$165 million, respectively. Equity Units is a term that describes a security that is either a Corporate Unit or a Treasury Unit, depending upon what type of note is used by the holder to secure the forward purchase contract (either a Note or a Treasury Security, as described below). The Equity Units initially consisted of a Corporate Unit which is (i) a forward purchase contract obligating the holder to purchase from the Company for a price in cash of \$25, on the purchase contract settlement date of April 30, 2012, subject to early settlement in accordance with the terms of the Purchase Contract and Pledge Agreement, a certain number (at the Settlement Rate outlined in the Purchase Contract and Pledge Agreement) of shares of Common Stock; and (ii) a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount of the Company's 8% senior notes due 2014 (the Senior Notes).

The Settlement Rate was based on the applicable market value of the Company's common stock on the purchase contract settlement date. Because the applicable market value of the Company's common stock was higher than \$19.20, the final settlement rate on April 30, 2012 was 1.3607 shares of common stock per Equity Unit, giving effect to the dividends paid in 2010, 2011 and first quarter of 2012, and the exchange of

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Equity Units discussed below. On April 30, 2012, the Company issued approximately 5.8 million shares of common stock to settle the outstanding purchase contracts.

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The Company allocated proceeds received upon issuance of the Equity Units based on relative fair values at the time of issuance. The fair value of the purchase contract at issuance was \$3.75 and the fair value of the note was \$21.25. The discount on the notes is amortized using the effective interest rate method. Accordingly, the difference between the stated rate (i.e. cash payments of interest) and the effective interest rate is credited to the value of the notes. Thus, at the end of the three years, the notes were stated on the balance sheet at their face amount. The Company allocated 1% of the 6% of underwriting commissions paid to the debt as deferred charges based on commissions paid for similar debt issuances, but including factors for market conditions at the time of the offering and the Company's credit rating. The deferred charges were being amortized over the life of the note (until the remarketing settlement date on March 15, 2012) using the effective interest rate method. The remaining underwriting commissions of 5% were allocated to the equity forward and recorded as a reduction to paid-in capital. The fees associated with the remarketing (described below) were allocated the same way and the deferred charges will be similarly amortized over the life of the notes until April 30, 2014.

In the second quarter of 2010, pursuant to separately negotiated exchange agreements with holders representing an aggregate of approximately 2.3 million Equity Units, the Company issued an aggregate of approximately 3.1 million shares of Autoliv's common stock from its treasury and paid an aggregate of approximately \$7.4 million in cash to these holders in exchange for their Equity Units. Following these accelerated exchanges, 4,250,920 Equity Units remained outstanding prior to settlement on April 30, 2012.

The Company successfully completed the remarketing of the Senior Notes in March 2012, pursuant to which the interest rate on the Senior Notes was reset and certain other terms of the Senior Notes were modified. On March 15, 2012, the coupon was reset to 3.854% with a yield of 2.875% per annum which will be applicable until final maturity on April 30, 2014. Autoliv did not receive any proceeds from the remarketing until the settlement of the forward stock purchase contracts on April 30, 2012. On April 30, 2012, Autoliv settled the purchase contracts by issuing approximately 5.8 million shares of common stock in exchange for \$106,273,000 in proceeds generated by the maturity of the U.S. Treasury securities purchased following the remarketing. The settlement of the purchase contracts concluded Autoliv's equity obligations under the Equity Units.

10 Non-Controlling Interest

	July-September 2012 Equity attributable to			July-September 2011 Equity attributable to		
	Parent	Non- controlling interest	Total	Parent	Non- controlling interest	Total
Balance at beginning of period	\$ 3,565.6	\$ 15.3	\$ 3,580.9	\$ 3,247.3	\$ 13.5	\$ 3,260.8
Total Comprehensive Income:						
Net income	117.5	0.5	118.0	138.4	0.7	139.1
Foreign currency translation	45.2	0.3	45.5	(60.8)	0.1	(60.7)
Defined benefit pension plan	1.3		1.3	0.6		0.6
<i>Total Comprehensive Income</i>	<i>164.0</i>	<i>0.8</i>	<i>164.8</i>	<i>78.2</i>	<i>0.8</i>	<i>79.0</i>
Common Stock incentives	3.6		3.6	2.5		2.5
Cash dividends declared	(47.7)		(47.7)	(40.2)		(40.2)
Common stock issuance, net						
Dividends paid to non-controlling interests on subsidiary shares						
Balance at September 30	\$ 3,685.5	\$ 16.1	\$ 3,701.6	\$ 3,287.8	\$ 14.3	\$ 3,302.1

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	January-September 2012 Equity attributable to			January-September 2011 Equity attributable to		
	Parent	Non- controlling interest	Total	Parent	Non- controlling interest	Total
Balance at beginning of period	\$ 3,333.4	\$ 15.6	\$ 3,349.0	\$ 2,927.3	\$ 11.9	\$ 2,939.2
Total Comprehensive Income:						
Net income	344.4	1.2	345.6	464.9	2.4	467.3
Foreign currency translation	24.2	0.1	24.3	(1.8)	0.4	(1.4)
Defined benefit pension plan	3.6		3.6	1.1		1.1
<i>Total Comprehensive Income</i>	<i>372.2</i>	<i>1.3</i>	<i>373.5</i>	<i>464.2</i>	<i>2.8</i>	<i>467.0</i>
Common Stock incentives	12.5		12.5	15.0		15.0
Cash dividends declared	(137.4)		(137.4)	(118.7)		(118.7)
Common stock issuance, net	104.8		104.8			
Dividends paid to non-controlling interests on subsidiary shares		(0.8)	(0.8)		(0.4)	(0.4)
Balance at September 30	\$ 3,685.5	\$ 16.1	\$ 3,701.6	\$ 3,287.8	\$ 14.3	\$ 3,302.1

11 Contingent Liabilities**Legal Proceedings**

Various claims, lawsuits and enforcement proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to compliance with laws as well as commercial, product liability and other matters.

Litigation and such related proceedings are subject to many uncertainties, and the outcome of any litigation or proceeding cannot be assured. However, after discussions with counsel, and with the exception of the matters addressed under *Antitrust Matters* below, management does not expect that any of the various lawsuits and proceedings to which the Company currently is a party will have a material adverse impact on the consolidated financial position of Autoliv. However, the Company cannot assure that Autoliv will not experience material litigation, product liability or other losses or fines in the future, whether with respect to current or future litigations or proceedings.

In 2009, Autoliv initiated a closure of its Normandy Precision Components (NPC) plant located in France. Most of the former NPC-employees that were not protected (i.e. not union representatives) filed claims in a French court claiming damages in an aggregate amount of 12 million (approximately \$15 million) and/or other remedies. In February 2012, the French court ruled in favor of plaintiffs in an aggregate amount of 5.6 million (approximately \$7.1 million), while rejecting certain other claims. Both sides have appealed the decision as far as not in their favor. As required under French Law, Autoliv has paid the 5.6 million award pending the appeal.

In May 2008, a French court placed Eric Molleux Technologies Composants (EMT) into receivership, and liquidation proceedings were initiated in July 2009. As a result of Autoliv's previous relationship with EMT, in March 2012 the liquidator initiated proceedings against Autoliv France and requested payment of 16.3 million (approximately \$20.5 million), which represents the total amount of debt owed by EMT to its creditors (including Autoliv). The liquidator also requested an additional 4 million (approximately \$5 million) corresponding to the debts of Autoliv Turkey towards EMT. Autoliv disputes the claims.

On April 19, 2010, SEVA Technologies SA (SEVA) initiated actions against several employees and wholly-owned subsidiaries of Autoliv, Inc. In the actions, SEVA alleges that the defendants misappropriated confidential information disclosed under a non-disclosure agreement and used such information to obtain a patent. SEVA has indicated that it may seek damages of 22 million (approximately \$28 million) but a formal claim for financial compensation has not yet been made. Autoliv has made no accruals for any penalties or expenses relating thereto. In March 2012, the court of first instance rejected SEVA's patent claims. SEVA has appealed this decision.

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Antitrust Matters

Autoliv ASP Inc., a Company subsidiary, received a grand jury subpoena from the Antitrust Division of the United States Department of Justice (DOJ) on February 8, 2011. The subpoena requested documents and information as part of a broad and long-running investigation into possible anti-competitive behavior among suppliers to the automotive vehicle industry, including the Company. On June 7-9, 2011, representatives of the European Commission (EC), the European antitrust authority, visited two facilities of Autoliv BV & Co KG, a Company subsidiary in Germany, to gather information for a similar inquiry. The Company may become subject to further inquiries and investigations directly or indirectly related to the matters investigated by the DOJ and EC in additional jurisdictions. Notably, as the DOJ plea agreement described below involved a Japanese subsidiary of Autoliv, management expects Japanese authorities to commence an investigation. Also, on October 3, 2012, the Company received a letter from the Competition Bureau of Canada related to the subject matters investigated by the DOJ and EC seeking the voluntary production of certain corporate records and information related to the sale of certain automotive parts subject to Canadian jurisdiction. It is the Company's policy to cooperate with governmental investigations.

On June 6, 2012, the Company entered into a plea agreement with the DOJ that was approved by the United States District Court for the Eastern District of Michigan on June 21, 2012. Under the terms of the agreement, the Company pled guilty to two counts of antitrust law violations involving a Japanese subsidiary and paid a fine of \$14.5 million in July 2012, an amount equal to the accruals made for such purpose in the first quarter of 2012. The DOJ will not otherwise prosecute Autoliv or any of its subsidiaries or present or former directors, officers or employees for the matters investigated. Three employees in the sales organization are excluded from the non-prosecution provision of the agreement, but no final decision has been communicated by the DOJ to the Company regarding these employees. The Company will continue to cooperate with the DOJ in the DOJ's investigation of other suppliers to the automotive vehicle industry.

The DOJ settlement does not impact the ongoing investigation by the EC, the latter being a separate matter that involves the application of different legal standards. The Company remains unable to estimate the financial impact the EC investigation will have or predict the reporting periods in which such financial impact may be recorded. Similarly, the duration or ultimate outcome of the Canadian inquiry or the anticipated Japanese inquiry cannot be predicted or estimated. Consequently, with respect to these matters, the Company has not recorded a provision for loss as of September 30, 2012. Although the duration or ultimate outcome of the EC investigation cannot be predicted or estimated, it is probable that the Company's operating results and cash flows will be materially adversely impacted for the reporting periods in which the EC investigation is resolved or becomes estimable.

The Company is also subject to civil litigation alleging anti-competitive conduct. Notably, the Company, several of its subsidiaries and its competitors are defendants in a total of ten purported antitrust class actions in the United States District Court for the Eastern District of Michigan. Those cases are: *Brad Zirulnik v. Autoliv, Inc. et al.* filed on June 6, 2012; *AIA Airport & Limousine Service, Inc. v. Autoliv, Inc. et al.* and *Frank Cosenza v. Autoliv, Inc. et al.* each filed on June 8, 2012; *Meetesh Shah v. Autoliv, Inc., et al.* filed on June 12, 2012; *Martens Cars of Washington, Inc., et al. v. Autoliv, Inc., et al.* and *Richard W. Keifer, Jr. v. Autoliv, Inc. et al.* each filed on June 26, 2012; *Findlay Industries, Inc. v. Autoliv, Inc.* filed on July 12, 2012; *Beam's Industries, Inc. v. Autoliv, Inc., et al.* filed on July 21, 2012; *Melissa Barron et al. v. Autoliv, Inc. et al.* filed on July 24, 2012; and *Stephanie Kaleuha Petras v. Autoliv, Inc. et al.* filed on August 14, 2012. Additional related cases may be filed in the future.

Plaintiffs in the cases allege generally that the defendants have engaged in long-running global conspiracies to fix the prices of occupant restraint systems or components thereof in violation of federal and state antitrust laws and various unfair or deceptive trade practice statutes. Plaintiffs seek to recover, on behalf of themselves and various purported classes of direct and indirect purchasers of occupant restraint systems and purchasers or lessees of vehicles in which such systems have been installed, injunctive relief, treble damages and attorneys' fees. The plaintiffs in these cases make allegations that extend significantly beyond the plea discussed above. The Company denies these overly broad allegations and intends to actively defend itself against the same. While it is probable that the Company will incur certain expenses as a result of these cases, the duration or ultimate outcome of these cases currently cannot be predicted or estimated and no provision for a loss has been recorded as of September 30, 2012.

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Product Warranty, Recalls and Intellectual Property

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

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

The Company believes that it is currently reasonably insured against recall and product liability risks, at levels sufficient to cover potential claims that are reasonably likely to arise in our businesses based on past experience. Autoliv cannot assure that the level of coverage will be sufficient to cover every possible claim that can arise in our businesses, now or in the future, or that such coverage always will be available should we, now or in the future, wish to extend or increase insurance.

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

The table in Note 7 Product-Related Liabilities above summarizes the change in the balance sheet position of the product related liabilities for the three and nine months ended September 30, 2012 and September 30, 2011, respectively.

12 Earnings per share

The Company calculates basic earnings per share (EPS) by dividing net income attributable to controlling interest by the weighted-average number of common shares outstanding for the period (net of treasury shares). When it would not be antidilutive (such as during periods of net loss), the diluted EPS also reflects the potential dilution that could occur if common stock were issued for awards under the Stock Incentive Plan.

For the three and nine months ended September 30, 2012, 0.0 million and 1.8 million shares, respectively, were included in the dilutive weighted average share amount related to the Equity Units. The number of shares that issued on April 30, 2012, related to the final settlement of the Equity Units, was approximately 5.8 million. This reflects the issuance of shares at the minimum settlement rate, since the applicable market value, as calculated pursuant to the agreement governing the Equity Units, was above \$19.20. This includes giving effect to the exchange of Equity Units discussed in Note 9 and taking into account all previously paid dividends, including the dividend paid in the first quarter 2012.

For the three and nine months ended September 30, 2012, approximately 0.5 million and 0.4 million common shares, respectively, were not included in the computation of the diluted EPS, which could potentially dilute basic EPS in the future.

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During the first nine months of 2012 and 2011 approximately 0.4 million and 0.3 million shares, respectively, from the treasury stock have been utilized by the Stock Incentive Plan.

Actual weighted average shares used in calculating earnings per share were:

(In millions)	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Weighted average shares basic	95.4	89.3	92.8	89.2
Effect of dilutive securities:				
- stock options/share awards	0.3	0.4	0.3	0.5
- equity units	0	3.8	1.8	4.1
Weighted average shares diluted	95.7	93.5	94.9	93.8

Table of Contents**13 Subsequent Events**

There were no reportable events subsequent to September 30, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2011 Annual Report on Form 10-K filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012. Unless otherwise noted, all dollar amounts are in millions.

Autoliv is a Delaware corporation with principal executive offices in Stockholm, Sweden. The Company functions as a holding corporation and owns two principal subsidiaries: Autoliv AB ("AAB") and Autoliv ASP, Inc. ("ASP").

Autoliv, through AAB and ASP, is 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, including components for such systems, as well as night vision systems, radar and other active safety systems. Autoliv has approximately 80 production facilities in 27 countries and our customers include the world's largest car manufacturers.

Shares of Autoliv common stock are traded on the New York Stock Exchange under the symbol "ALV". Swedish Depository Receipts representing shares of Autoliv common stock ("SDRs") trade on NASDAQ OMX Stockholm under the symbol "ALIV SDB", and options in SDRs trade on the same exchange under the name "Autoliv SDB". Options in Autoliv shares are traded on NASDAQ OMX Philadelphia and NYSE Amex Options under the symbol "ALV". Our fiscal year ends on December 31.

Non-U.S. GAAP financial measures

Some of the following discussions refer to non-U.S. GAAP financial measures: see "Organic sales", "Operating working capital" and "Net (cash) debt". Management believes that these non-U.S. GAAP financial measures assist investors in analyzing trends in the Company's business. Additional descriptions regarding management's use of these financial measures are included below. Investors should consider these non-U.S. GAAP financial measures in addition to, rather than as a substitute for, financial reporting measures prepared in accordance with U.S. GAAP. These non-U.S. GAAP financial measures have been identified as applicable in each section of this report with a tabular presentation reconciling them to U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

RESULTS OF OPERATIONS**Overview**

The following table shows some of the key ratios. Management uses these measures internally as a means of analyzing the Company's current and future financial performance and our core operations as well as identifying trends in our financial conditions and results of operations. We have provided this information to investors to assist in meaningful comparisons of past and present operating results and to assist in highlighting the results of ongoing core operations. These ratios are more fully explained in our MD&A discussion below and should be read in conjunction with the consolidated financial statements in our annual report and the unaudited condensed consolidated financial statements in this quarterly report.

KEY RATIOS

(Dollars in millions)

Three months ended		Nine months ended	
or as of September 30		or as of September 30	
2012	2011	2012	2011

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Total parent shareholders' equity per share	\$ 38.63	\$ 36.82	\$ 38.63	\$ 36.82
Operating working capital ¹⁾	\$ 633	\$ 576	\$ 633	\$ 576
Capital employed ⁷⁾	\$ 3,437	\$ 3,343	\$ 3,437	\$ 3,343
Net (cash) debt ¹⁾	\$ (265)	\$ 41	\$ (265)	\$ 41
Net debt to capitalization, % ²⁾	N/A	1	N/A	1
Gross margin, % ³⁾	19.9	20.4	20.1	21.0
Operating margin, % ⁴⁾	9.6	10.2	8.5	10.7
Return on total equity, % ⁸⁾	13.0	17.0	13.1	19.8
Return on capital employed, % ⁹⁾	22.5	24.6	21.4	27.4
No. of employees at period-end ¹⁰⁾	40,213	37,937	40,213	37,937
Headcount at period-end ¹¹⁾	50,413	47,695	50,413	47,695
Days receivables outstanding ⁵⁾	73	72	69	70
Days inventory outstanding ⁶⁾	32	33	31	32

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- 1) *See tabular presentation reconciling this non-U.S.GAAP measure to U.S.GAAP below under the heading Liquidity and Sources of Capital*
- 2) *Net (cash)debt in relation to net (cash)debt and total equity (including non-controlling interest)*
- 3) *Gross profit relative to sales*
- 4) *Operating income relative to sales*
- 5) *Outstanding receivables relative to average daily sales*
- 6) *Outstanding inventory relative to average daily sales*
- 7) *Total equity and net debt*
- 8) *Net income relative to average total equity*
- 9) *Operating income and equity in earnings of affiliates, relative to average capital employed*
- 10) *Employees with a continuous employment agreement, recalculated to full time equivalent heads*
- 11) *Employees plus temporary, hourly workers*

THREE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2011

Market overview

During the quarter July-September 2012, global light vehicle production (LVP) is estimated by IHS to have increased by 2% compared to the same quarter in 2011. Stronger-than-expected LVP in North America offset weaker-than-expected LVP in mainly South Korea.

In **Europe**, where Autoliv generates approximately 30% of its sales, LVP is estimated to have decreased by 6% compared to the third quarter in 2011. In Western Europe, LVP decreased by 8% and in Eastern Europe by 1%.

In the **Americas**, which accounts for approximately 35% of Autoliv's sales, LVP increased by 11%. This was due to a 14% increase in North America which was 6 percentage points (pp) higher than IHS expected in July. The Asian and European vehicle manufacturers increased their North American production by 24%, rebounding from last year's component shortages following the tsunami in Japan. Ford, GM and Chrysler (The Detroit 3 or D3) increased their North American LVP by 7%.

In **China**, which accounts for almost 15% of Autoliv's sales, LVP grew by 7%, which was slightly less than expected.

In **Japan**, which accounts for about 10% of Autoliv's sales, LVP increased by 4% due to the rebound from an unusually low level last year due to component shortages following the earthquake/tsunami in Japan (the tsunami rebound effect). However, the LVP increase was nearly 4 pp lower than expected by IHS in July.

In the **Rest of Asia (RoA)**, which accounts for less than one tenth of Autoliv's sales, LVP was flat. LVP dropped by 15% in the important South Korean market (instead of increasing by 2% as expected) due to a seven-week strike at vehicle manufacturer sites in South Korea. However, the decline in South Korea was offset by strong LVP elsewhere in the region, mainly in Thailand.

Consolidated Sales

The Company has substantial operations outside the United States and at the present time nearly 80% of its sales are denominated in currencies other than the U.S. dollar. This makes the Company and its performance in regions outside the United States sensitive to changes in U.S. dollar exchange rates when translated. The measure "Organic sales" presents the increase or decrease in the Company's overall U.S. dollar net sales on a comparative basis, allowing separate discussion of the impacts of acquisitions/divestments and exchange rate fluctuations and our ongoing core operations and results. The tabular reconciliation below presents the change in "Organic sales" reconciled to the change in the total net sales as can be derived from our unaudited financial statements.

Reconciliation of the change in Organic sales to GAAP financial measure

Components of net sales increase (decrease)

Three months ended September 30, 2012

(Dollars in millions)

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	Europe		Americas		Japan		China		RoA		Total	
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Organic sales change	(7.1)	\$ (50.9)	13.0	\$ 81.5	(3.7)	\$ (7.7)	11.9	\$ 29.8	(5.6)	\$ (11.8)	2.0	\$ 40.9
Effect of exchange rates	(10.5)	(75.9)	(2.4)	(14.8)	(1.0)	(2.1)	1.0	2.6	(6.2)	(13.0)	(5.1)	(103.2)
Impact of acquisitions/divestments	(1.1)	(8.2)									(0.4)	(8.2)

Reported net sales change (18.7) \$ (135.0) 10.6 \$ 66.7 (4.7) \$ (9.8) 12.9 \$ 32.4 (11.8) \$ (24.8) (3.5) \$ (70.5)

Consolidated sales decreased by slightly more than 3% to \$1,947 million compared to the third quarter in 2011. Excluding negative currency effects of 5% and the effect of a small divestiture, organic sales (non-U.S. GAAP measure, see reconciliation table above) increased by 2% compared to an expected increase of nearly 4%. This variance from expectations is primarily due to many unexpected temporary plant closures among European vehicle manufacturers, the strike in South Korea and weaker demand in China for Japanese vehicles stemming from the political tension between China and Japan.

Autoliv's organic sales (non-U.S. GAAP measure, see reconciliation table above) growth was mainly driven by the North American LVP growth, continued strong performance in China and rapidly growing sales for active safety systems, especially radar systems for Mercedes and GM.

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Sales by Product

Sales of **airbag products** (including steering wheels and passive safety electronics) decreased by 4% to \$1,269 million. Excluding negative currency effects of 5%, organic sales (non-U.S. GAAP measure, see reconciliation table above) of airbag products grew by 1% compared to the 2% increase in global LVP. Sales of knee airbags almost doubled due to their further integration into more vehicle models, which partially offset the effects from the strike in South Korea and the decline in European LVP.

Sales of **seatbelt products** declined by 6% to \$621 million, due to negative currency effects of 7% and a 1% divestiture effect from the sale of Klippan Ltd last year. Organic sales (non-U.S. GAAP measure, see reconciliation table above) growth of 2% was in line with the increase in global LVP despite the sharp decline in West European LVP. However, sales continued to be strong in North America, China and the Rest of Asia, partially as a result of the global trend towards more advanced and higher value-added seatbelt systems.

Sales of **active safety products** (automotive radars, night vision systems and cameras with driver assist systems) increased by 43% to \$57 million and organically (non-U.S. GAAP measure, see reconciliation table above) by 47% compared to the third quarter in 2011. This increase was mainly due to new radar business for Mercedes *B-*, *E-* and *M-classes* and Cadillac *s ATS*, *XTS* and *SRX* models, as well as due to new camera business for BMW *s 1-* and *3-series*.

Sales by Region

Sales from Autoliv *s European* companies decreased by 19% to \$587 million. Excluding negative currency and divestiture effects of 11% and 1%, respectively, organic sales (non-U.S. GAAP measure, see reconciliation table above) declined by 7% which was primarily due to the 8 % LVP decline in Western Europe, the dominant automotive safety market in Europe. In addition to the depressed demand in Europe, Autoliv *s sales* were negatively affected by the model change-over for Volkswagen *s Golf*. These negative effects were partially offset by the new Renault *Clio* and the new Peugeot *208*, as well as by continued strong demand from Mercedes and BMW. Sales of active safety systems also continued to grow rapidly.

Sales from Autoliv *s companies* in the **Americas** increased by 11% to \$692 million. Excluding negative currency effects of 2%, organic sales (non-U.S. GAAP measure, see reconciliation table above) grew by 13%, 2 pp higher than the increase in the region *s LVP* despite the fact that Autoliv provides less safety content for the Japanese vehicles that accounted for most of the increase in North American LVP. This negative mix effect was offset by sales for such vehicle models as the new Dodge *Dart* and the Ford *Fusion*, as well as by strong demand from Mercedes (for the *M-Class*), Volkswagen (for the *Beetle* and the *Passat*) and Audi the *A6*.

Sales from Autoliv *s companies* in **China** increased by 13% to \$283 million, including favorable currency effects of 1%. Organic sales (non-U.S. GAAP measure, see reconciliation table above) growth of 12% was 5 pp better than the Chinese LVP growth. Autoliv *s strong* performance in China is due to the Company *s long-term* investments and many new vehicle models that were launched in the third quarter. Sales were mainly driven by Great Wall *s Haval H6*, Audi *s A6* and Ford *s Focus*.

Sales from Autoliv *s companies* in **Japan** declined by 5% to \$200 million, including negative currency effects of 1%. The organic sales (non-U.S. GAAP measure, see reconciliation table above) decline of 4% was 8 pp lower than the increase in Japanese LVP due to the tsunami rebound effect . Excluding this temporary effect, sales were driven by strong demand from Toyota (the *Aqua/Prius c* and the *Alphard*) and the new Honda *N-Box* .

Sales from Autoliv *s companies* in the **Rest of Asia (RoA)** decreased to \$185 million or by 12%, half of which was due to negative currency effects. The 6% decline in organic sales (non-U.S. GAAP measure, see reconciliation table above) was mainly due to the strike by workers at Hyundai/Kia and GM sites in South Korea. The negative effects were partially offset by strong demand in Thailand, especially for Isuzu *s D-Max*, the new Mitsubishi *Mirage* and the Chevrolet *Colorado*, all of which are vehicle models with high safety content.

Earnings

For the third quarter 2012, gross profit declined by \$24 million to \$388 million compared to the third quarter in 2011. The decline reflects the combined effect of several factors, such as an \$18 million negative currency translation impact, a plant fire, uneven capacity utilization due to weak demand in certain markets along with overtime expenses from strong demand in other markets. Depreciation and start-up costs have also increased from last year. Some of this additional manufacturing capacity is not fully utilized yet, primarily in China and Eastern Europe, which affected gross margin. This margin declined to 19.9% from 20.4% in the third quarter 2011. The plant fire had a 0.2 pp negative margin effect.

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Operating income declined by \$18 million to \$187 million. The \$24 million decline in gross profit was partially offset by a \$7 million improvement in Research, Development and Engineering (R,D&E) expense, net and a \$3 million improvement in Selling, General and Administrative (S,G&A) expense. R,D&E expense, net declined despite a \$10 million increase in the gross R,D&E expense due to a temporary positive effect in engineering income. In relation to sales R,D&E expense, net declined by 0.1 pp to 5.0%. Operating margin declined to 9.6% from 10.2%, primarily due to the 0.5 pp decline in gross margin. The capacity alignment costs, which amounted to \$9 million, and legal costs related to the antitrust investigations, which amounted to less than \$1 million, had a combined negative margin effect of 0.5 pp.

Income before taxes declined in line with the \$18 million decline in operating income and amounted to \$175 million. Lower interest expense, net of \$5 million was offset by an unrealized negative foreign currency effect on financial assets of the same magnitude.

Net income attributable to controlling interest amounted to \$117 million compared to \$138 million in the third quarter of 2011. The effective tax rate was 32.6% compared to 27.8% in the same quarter of 2011. Discrete tax items increased the effective tax rate by 4.1 pp, principally due to new tax laws in France. In the third quarter of 2011, discrete tax items net had a favorable impact of 1.1 pp.

Earnings per share (EPS) assuming dilution declined by \$0.25 to \$1.23. Earnings per share was reduced mainly by 9 cents due to the higher effective tax rate, 6 cents due to negative currency translation effects, 3 cent due to more shares outstanding and 2 cents due to capacity alignment and antitrust investigation costs. The weighted average number of shares outstanding, assuming dilution, increased to 95.7 million from 93.5 million during the same quarter in 2011.

NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2011

Market overview

During the nine-month period January - September 2012, global LVP is estimated to have increased by almost 8%.

In **Europe**, LVP decreased by 4%. In Western Europe the decrease was 7%, while LVP in Eastern Europe increased by 1% from the corresponding period 2011.

In the **Americas**, LVP rose by 13% primarily due to a 36% increase in the North American LVP of Asian and European vehicle manufacturers. Chrysler, Ford and GM increased their North American LVP by 9%.

In **Japan**, LVP rebounded from the effects of the tsunami last year and rose by 35%.

In **China** LVP grew by 8% and in the **Rest of Asia (RoA)** by almost 7%.

Consolidated Sales

The Company has substantial operations outside the United States and at the present time nearly 80% of its sales are denominated in currencies other than the U.S. dollar. This makes the Company and its performance in regions outside the United States sensitive to changes in U.S. dollar exchange rates when translated. The measure **Organic sales** presents the increase or decrease in the Company's overall U.S. dollar net sales on a comparative basis, allowing separate discussion of the impacts of acquisitions/divestments and exchange rate fluctuations and our ongoing core operations and results. The tabular reconciliation below presents the change in **Organic sales** reconciled to the change in the total net sales as can be derived from our unaudited financial statements.

Reconciliation of the change in **Organic sales** to GAAP financial measure

Components of net sales increase (decrease)

Nine months ended September 30, 2012

(Dollars in millions)

	Europe		Americas		Japan		China		RoA		Total	
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Organic sales change	(6.5)	\$ (155.3)	14.1	\$ 272.6	19.0	\$ 102.9	10.8	\$ 76.2	0.7	\$ 4.6	4.8	\$ 301.0
Effect of exchange rates	(8.5)	(203.8)	(2.5)	(49.1)	1.3	7.0	2.5	17.9	(5.0)	(31.3)	(4.2)	(259.3)

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Impact of acquisitions/divestments	(0.5)	(11.6)						(0.5)	(3.0)	(0.2)	(14.6)
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Reported net sales change **(15.5)** **\$ (370.7)** **11.6** **\$ 223.5** **20.3** **\$ 109.9** **13.3** **\$ 94.1** **(4.8)** **\$ (29.7)** **0.4** **\$ 27.1**

For the year's first nine months, consolidated sales amounted to \$6,215 million. This was about the same level as for the corresponding period in 2011 despite negative currency effects of slightly more than 4% and the effect of a small divestiture. The organic sales (non-U.S. GAAP measure, See reconciliation table above) increase of 5% was 3 pp less than the increase in global LVP. This temporary underperformance was due to the tsunami rebound effect.

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Sales by Product

Sales of **airbag products** were unchanged \$4,062 million. Excluding negative currency effects, organic sales (non-U.S. GAAP measure, see reconciliation table above) grew by 4% which was half as much as the increase in global LVP due to the tsunami rebound effect.

Sales of **seatbelt products** declined by nearly 1% to \$1,999 million. Currency effects reduced sales by more than 5%. Organic sales (non-U.S. GAAP measure, see reconciliation table above) growth of more than 5% was 3 pp less than the increase in global LVP due to the tsunami rebound effect.

Sales of **active safety products** rose by 33% to \$154 million and grew organically (non-U.S. GAAP measure, see reconciliation table above) by 36%.

Sales by Region

Sales from Autoliv's **European** companies decreased by 16% to \$2,015 million, including negative currency effects of nearly 9% and the effect of a small divestiture in the second quarter. The organic sales (non-U.S. GAAP measure, see reconciliation table above) decline of almost 7% was nearly 3 pp higher than the decrease in European LVP due to the 7% LVP decline in the important West European market.

Sales from Autoliv's companies in the **Americas** rose by close to 12% to \$2,155 million, despite negative currency effects of slightly more than 2%. The organic sales (non-U.S. GAAP measure, see reconciliation table above) increase of 14% was 1 pp higher than the increase in LVP. Autoliv's sales were driven by strong performance with GM and Ford along with sales of active safety systems for Mercedes.

Sales from Autoliv's companies in **China** rose by slightly more than 13% to \$799 million, including positive currency effects of almost 3%. The organic sales (non-U.S. GAAP measure, see reconciliation table above) growth of nearly 11% was 3 pp higher than the increase in Chinese LVP and was mainly due to recently launched models by Great Wall (the *Haval H6*) and Ford (the *Focus*).

Sales from Autoliv's companies in **Japan** increased by 20% to \$651 million including positive currency effects of 1%. The organic sales (non-U.S. GAAP measure, see reconciliation table above) increase of 19% was 16 pp lower than the increase in Japanese LVP and reflects the temporary tsunami rebound effect.

Sales from Autoliv's companies in the **RoA** declined by 5% to \$595 million due to negative currency effects of 5% and a small divestiture last year. The organic sales (non-U.S. GAAP measure, see reconciliation table above) increase of nearly 1% was 6 pp less than the growth in LVP. This was due to the tsunami rebound effect and to the expiration of a few contracts in South Korea.

Earnings

Gross profit declined by \$48 million to \$1,251 million, primarily due to negative currency translation effects of \$46 million. Gross margin declined to 20.1% from 21.0% mainly due to higher raw material prices and new manufacturing capacity that is not yet fully utilized.

Operating income declined by \$134 million to \$531 million and operating margin by 2.2 pp to 8.5%, primarily due to \$67 million higher costs for capacity alignments and the antitrust investigations, 0.9 pp decline in gross margin and \$14 million higher R,D&E expense, net that reduced the margin by 0.2 pp.

Income before taxes decreased by \$119 million to \$499 million. This was \$15 million less than the decline in operating income, primarily due to \$14 million lower interest expense, net.

Net income attributable to controlling interest amounted to \$344 million compared to \$465 million for the same period in 2011. Income tax expense was \$153 million, including discrete tax items, net of \$9 million that boosted the rate by 1.7 pp. The effective tax rate was 30.7% compared to 24.3% for the nine-month period last year, when discrete tax items reduced the rate by 3.1 pp.

Earnings per share amounted to \$3.63 assuming dilution compared to \$4.95 for the same period in 2011. Earnings per share was reduced mainly by 51 cents due to higher costs for the capacity alignments and the antitrust investigations, by 34 cents due to the higher effective tax rate, by 14 cents due to negative currency translation effects and by 4 cents due to more shares outstanding, but was partially offset by 14 cents from lower interest expense, net. The average number of shares outstanding increased by 1% to 94.9 million.

LIQUIDITY AND SOURCES OF CAPITAL

Cash flow from operations for the third quarter 2012 amounted to \$131 million compared to \$192 million in the same quarter of 2011. The lower cash flow this year is partially due to a payment of approximately \$15 million in July for the settlement in the second quarter of the antitrust investigation with the U.S. Department of Justice. In addition, cash flow was temporarily affected by strong cash flow in the second quarter. For the first nine months, operations generated \$447 million in cash compared to \$465 million during the first nine months of 2011.

Cash flow from operations, less cash used in investing activities, for the third quarter 2012 amounted to \$32 million compared to \$104 million during the same quarter of 2011. For the first nine months, cash flow from operations, less cash used in investing activities, generated \$189 million compared to \$207 million during the first nine months of 2011.

Capital expenditures, net of \$98 million were \$29 million more than depreciation and amortization expense in the third quarter 2012 and \$12 million more than capital expenditures during the third quarter of 2011. For the first nine months 2012, capital expenditures, net amounted to \$261 million and depreciation and amortization to \$204 million compared to \$257 million and \$198 million, respectively, in the same nine months period last year.

The Company uses the non-U.S. GAAP measure **Operating working capital** as defined in the table below in its communication with investors and for management review of the development of the working capital cash generation from operations. The reconciling items used to derive this measure are, by contrast, managed as part of the Company's overall cash and debt management, but they are not part of the responsibilities of day-to-day operations management.

Reconciliation of Operating working capital to GAAP financial measure**(Dollars in millions)**

	September 30, 2012	June 30, 2012	December 31, 2011	September 30, 2011
Total current assets	\$ 3,302.3	\$ 3,282.6	\$ 3,000.3	\$ 2,943.3
Total current liabilities	(1,972.0)	(2,033.4)	(2,085.9)	(1,983.5)
Working capital	1,330.3	1,249.2	914.4	959.8
Cash and cash equivalents	(908.2)	(917.3)	(739.2)	(630.7)
Short-term debt	158.1	171.3	302.8	221.8
Derivative (asset) and liability, current	4.6	6.0	(4.0)	(15.5)
Dividends payable	47.7	44.8	40.2	40.2
Operating working capital	\$ 632.5	\$ 554.0	\$ 514.2	\$ 575.6

During the third quarter 2012, operating working capital (non-U.S. GAAP measure, see reconciliation table above) increased to 7.7% of sales from 6.7% on June 30, 2012. The Company has a policy that working capital in relation to last 12-month sales should not exceed 10%.

Account receivables increased in relation to sales to 73 days outstanding from 69 days on June 30, 2012 and from 72 days outstanding a year ago, on September 30, 2011. Days inventory outstanding increased during the quarter to 32 days from 30 days but decreased from 33 days outstanding a year ago.

As part of efficiently managing the Company's overall cost of funds, we routinely enter into debt-related derivatives (DRD) as part of our debt management. Creditors and credit rating agencies use net debt adjusted for DRD in their analyses of the Company's debt. By adjusting for DRD (see table below), the total economic liability of net debt is disclosed without grossing it up with currency or interest fair market values that are offset by DRD reported in other balance sheet captions.

Reconciliation of Net (cash) debt to GAAP financial measure**(Dollars in millions)**

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	September 30, 2012	June 30, 2012	December 31, 2011	September 30, 2011
Short-term debt	\$ 158.1	\$ 171.3	\$ 302.8	\$ 221.8
Long-term debt	497.4	472.9	363.5	480.2
Total debt	655.5	644.2	666.3	702.0
Cash and cash equivalents	(908.2)	(917.3)	(739.2)	(630.7)
Debt-related derivatives	(12.1)	(10.1)	(19.1)	(30.8)
Net (cash) debt	\$ (264.8)	\$ (283.2)	\$ (92.0)	\$ 40.5

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The Company's net cash position (non-U.S. GAAP measure, see reconciliation table above) declined by \$18 million during the third quarter to \$265 million at September 30, 2012. The quarterly dividend payment reduced net cash by \$45 million. Gross interest-bearing debt increased by \$11 million to \$656 million. The Company's net cash position increased to \$265 million on September 30, 2012 from \$92 million nine months earlier, mainly due to the receipt of \$106 million from the settlement in the second quarter of the purchase contracts underlying the equity units. Gross interest-bearing debt decreased by \$11 million to \$656 million during the nine months period.

During the third quarter, total equity increased by \$121 million to \$3,702 million due to \$118 million from net income, \$46 million from favorable currency effects and \$4 million from common stock incentives. These increases were partially offset by a \$48 million accrual for the declared dividend which will be paid in the fourth quarter. Total parent shareholders' equity was \$3,686 million corresponding to \$38.63 per share. For the first nine months 2012, total equity increased by \$353 million mainly due to \$346 million from net income, \$106 million from the settlement of the purchase contracts related to the equity units, \$24 million from positive currency effects and \$12 million from common stock incentives. These favorable effects were partially offset by dividends of \$138 million.

For the first nine months 2012, return on equity amounted to 13% and return on capital employed to 21% compared to 20% and 27%, respectively, for the corresponding period 2011.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on its financial position, results of operations or cash flows.

Headcount

Total headcount (permanent employees and temporary personnel) increased by 600 during the quarter to 50,400 and by 2,500 during the first nine months of the year. The increase during the quarter was concentrated in low-cost countries (LCC), while headcount in high-cost countries (HCC) was reduced by 400, despite the strong sales growth in North America.

Currently, 71% of total headcount are direct workers in manufacturing, 68% are in LCC and 20% are temporary personnel. A year ago, these ratios were 71%, 65% and 20%, respectively.

Outlook

Based on Autoliv's call-offs from customers, we expect the Company's organic sales to grow in the range of 0-2% in the fourth quarter. This lower growth than indicated in July, based on IHS' data at the time, is primarily due to the accelerated European LVP deterioration and slower than expected growth in China (partially due to the political tension between Japan and China affecting the Japanese vehicle manufacturers in China). Currency effects and a small divestiture are expected to reduce sales by an aggregate of 1%, provided that the mid-October exchange rates prevail. As a result, consolidated sales are expected to be virtually flat compared to the fourth quarter of 2011.

An operating margin of around 9% is expected for the quarter, excluding costs for capacity alignments and the antitrust investigations and related class action suits. This lower margin than indicated in July is mainly due to the lower sales growth expectation mentioned above.

Due to the uncertain market conditions in Europe, it is still unclear how long the holiday shutdowns will be this year among the vehicle manufacturers. Consequently, our sales and margin guidance is more uncertain than usual.

In response to this uncertain situation and the accelerating drop in European LVP, we expect our capacity alignment costs for the full year 2012 to reach the higher end of the \$60-80 million range we communicated in July. This cost has increased from more than \$50 million originally estimated at the beginning of the year.

These expectations would yield an organic sales growth of approximately 4% for the full year 2012 with a flat consolidated sales due to negative currency effects and a small divestiture. It would also yield an operating margin of more than 9.5% for the year excluding costs for capacity alignments and the antitrust investigations and related class action suits.

In response to continued strong order intake, capital expenditures will be approximately 4.5% of sales in 2012. Operations are expected to continue to generate a strong cash flow in the magnitude of \$0.7 billion for the full year 2012.

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The projected effective tax rate for the full year 2012, excluding discrete items, is expected to be around 28%.

OTHER RECENT EVENTS

Launches in the 3rd quarter 2012

Cadillac's new ATS: Passenger airbag, side airbags, inflatable curtains, safety electronics and radar system.

Dacia's new Logan: Seatbelts.

Ford's new Transit: Driver airbag with steering wheel, side airbags, seatbelts with pretensioners and safety electronics.

Honda's new Accord: Side airbags.

KIA's new Forte: Seatbelts with pretensioners.

Nissan's new Sentra: Seatbelts with pretensioners and safety electronics.

Renault's new Clio: Driver airbag with steering wheel, passenger airbag, side airbags, seatbelts with pretensioners.

Renault's new Zoe: Driver airbag with steering wheel, passenger airbag, side airbags, seatbelts with pretensioners.

VW's new Golf: Driver airbag with steering wheel and seatbelts with pretensioners.

Other Events

This report has been affected by the divestiture in June of the non-core business of Autoliv Mekan AB. The nine-month comparisons have also been affected by the divestiture of Klippan Ltd in the second quarter last year.

In October, Autoliv announced its single largest capital expenditure of \$33 million. The expenditure relates to a new plant in China that will manufacture propellants for airbags to help satisfy the strong long-term demand for automotive safety products in Asia. The new plant, Autoliv's twelfth manufacturing facility in China, will increase the Company's global propellant capacity by approximately 25%, thereby enabling Autoliv to increase its annual airbag production capacity by 25-30 million when the propellant capacity is fully utilized.

Autoliv also decided to expand its tech center in Shanghai. The floor space of the tech center building will increase by 20%, which will allow Autoliv to expand its engineering resources in China by 25% from currently slightly more than 400 employees in product development, application engineering and crash testing.

Dividend

As previously announced, the Company has decided to raise its quarterly dividends to shareholders to 50 cents per share, a 6% increase from the third quarter dividend.

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The fourth quarter dividend will be payable on Thursday, December 6, 2012 to Autoliv shareholders of record on the close of business on Wednesday, November 21.

The ex-date when the shares will trade without the right to the dividend will be Monday, November 19, 2012.

Next Report

Autoliv intends to publish the quarterly report for the fourth quarter 2012 on Thursday, January 31, 2013.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2012, the Company's future contractual obligations have not changed materially from the amounts reported in the 2011 Annual Report on Form 10-K filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2012, there have been no material changes to the information related to quantitative and qualitative disclosures about market risk that was provided in the Company's 2011 Annual Report on Form 10-K filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation has been carried out, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters.

For further discussion of legal proceedings, see Note 11 Contingent Liabilities - Legal Proceedings included in this quarterly report on Form 10-Q.

Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with counsel, it is the opinion of management that the litigation to which the Company is currently a party will not have a material adverse impact on the consolidated financial position of Autoliv. The Company may, however, experience material product liability or other losses in the future.

The Company believes that it is currently adequately insured against product and other liability risks at levels sufficient to cover potential claims. The level of coverage may, however, be insufficient in the future or unavailable on the market.

ITEM 1A. RISK FACTORS

The risk factors set forth below are in addition to the risk factors previously disclosed in Part I, Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 23, 2012, as amended by our Form 10-K/A filed with the SEC on March 7, 2012, which includes a detailed discussion of risk factors that could materially affect our business, financial condition or results of operations, and is herein incorporated by reference.

We are currently undergoing an antitrust investigation by the European Commission and it is probable that the Company's operating results and cash flows will be materially adversely impacted

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The European Commission (the "EC") is engaged in a long-running investigation into possible anti-competitive behavior among certain suppliers to the automotive vehicle industry, including Autoliv. On June 7-9, 2011, representatives of the EC visited two facilities of Autoliv BV & Co KG, a Company subsidiary in Germany, to gather information for such inquiry. The EC's investigation is still ongoing. It is the Company's policy to cooperate with governmental investigations. Although the duration or ultimate outcome of the EC investigation cannot be predicted or estimated, it is probable that the Company's operating results and cash flows will be materially adversely impacted for the reporting periods in which the EC investigation is resolved or becomes estimable. The Company remains unable to estimate the impact the EC investigation will have or predict the reporting periods in which such impact may be recorded. The Company's recent settlement with the DOJ does not impact the EC's ongoing investigation, as the EC investigation is a separate matter that involves the application of different legal standards.

We are currently subject to civil litigation, and may become subject to further litigation, as a result of the antitrust investigations, which may result in adverse outcomes

As a result of the antitrust investigations, the Company is currently subject to civil litigation alleging anti-competitive conduct. The Company may be investigated by other competition authorities, and may be subject to further such litigation in the future.

These types of claims and actions require significant management time and attention and could result in significant expenses as well as unfavorable outcomes that could have a material adverse impact on our customer relationships, business prospects, reputation, operating results, cash-flows or financial results.

We may be subject to investigations by other competition authorities that could negatively impact our business

Any additional governmental investigations could, as the EC and DOJ investigations already have, require significant management time and attention. Any additional governmental investigations could also result in significant expenses as well as unfavorable outcomes that could have a material adverse impact on our customer relationships, business prospects, reputation, operating results, cash flows or financial results.

Our business may be adversely affected by environmental, occupational health and safety or other governmental regulations

We are subject to the requirements of environmental, occupational health and safety and other governmental 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 of our plants and units. As of December 31, 2011, 86% of our facilities representing 97% 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 occupational health and safety and other 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 or other governmental regulations may have an adverse impact on our operating results and financial condition.

Negative or unexpected tax consequences could adversely affect our operating results and financial condition

We are subject to tax audits by governmental authorities in the U.S. and numerous non-U.S. jurisdictions, which are inherently uncertain. Negative or unexpected results from one or more such tax audits in jurisdictions in which we operate could adversely affect our operating results and financial condition.

In addition, changes in tax laws, regulations or accounting principles or in their application with respect to matters such as tax rates, transfer pricing, dividends, restrictions on certain forms of tax relief or limitations on favorable tax treatment could affect our effective tax rate in the United States or abroad and, as a result, have a negative effect on our operating results and financial condition. For example, our ability to take advantage of expected favorable tax treatment (including those associated with R&D credits and loss carry forwards) may be significantly impaired as a result of changes to the conditions associated with such favorable treatments. Such changes may be the result of general attempts to remedy fiscal deficits or implement shifts in social policies, such as discouraging headcount reductions or similar actions.

The Public Company Accounting Oversight Board, or PCAOB, is currently unable to inspect the audit work of auditors working in Sweden, including our auditor

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Because we are a public company in the U.S. our auditor is required to undergo regular PCAOB inspections to assess compliance with U.S. law and professional standards in connection with its audit of our financial statements filed with the SEC. The PCAOB, however, is currently unable to inspect the audit work and practices of auditors in Sweden, where our head office is located, even if they are, as our auditors, part of a major U.S.-based international accounting firm. As a result, investors who rely on our auditor's audit reports are deprived of the benefits of PCAOB inspections of our auditor. Management of the Company expects our auditor to adhere to the highest applicable standards and to take measures to ensure that these standards are consistent with the requirements of the PCAOB. However, we cannot exclude the possibility that PCAOB inspections could strengthen the adherence to such standards and/or detect failures to do so.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock repurchase program

Autoliv has made no share repurchases in the last several years. Since the repurchase program was adopted in 2000, Autoliv has repurchased 34.3 million shares of its common stock at an average cost of US \$42.93 per share. Under the existing authorizations, approximately another 3.2 million shares may be repurchased. Although we suspended our share repurchases in the fall of 2008 to preserve cash in order to maintain a strong cash position and to possibly take advantage of potential market opportunities, we may from time to time repurchase our shares in the open market under the existing share repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Autoliv's Restated Certificate of Incorporation incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q, filed on May 14, 1997.
3.2	Autoliv's Restated By-Laws incorporated herein by reference to Exhibit 3.2 on Form 10-K (File No. 001-12933, filing date February 23, 2012).
4.1	Senior Indenture, dated March 30, 2009, between Autoliv and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to Autoliv's Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).
4.2	First Supplemental Indenture, dated March 30, 2009, between Autoliv and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.2 to Autoliv's Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).
4.3	Purchase Contract and Pledge Agreement, dated March 30, 2009, among Autoliv and U.S. Bank National Association, as Stock Purchase Contract Agent, and U.S. Bank National Association, as Collateral Agent, Custodial Agent and Securities Intermediary, incorporated herein by reference to Exhibit 4.3 to Autoliv's Registration Statement on Form 8-A (File No. 001-12933, filing date March 30, 2009).
4.4	General Terms and Conditions for Swedish Depository Receipts in Autoliv, Inc. representing common shares in Autoliv, Inc., effective as of August 1, 2011, with Skandinaviska Enskilda Banken AB (publ) serving as custodian, incorporated by reference to Exhibit 4.11 to Autoliv's Registration Statement on Form S-3 (File No. 333-179948, filing date March 7, 2012).
4.5	Second Supplemental Indenture (including Form of Global Note), dated March 15, 2012, between Autoliv and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-12933, filing date March 15, 2012).
31.1 *	Certification of the Chief Executive Officer of Autoliv, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2 *	Certification of the Chief Financial Officer of Autoliv, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1 *	Certification of the Chief Executive Officer of Autoliv, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of the Chief Financial Officer of Autoliv, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 *	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2012, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Statements of Income; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to the Consolidated Financial Statements.

* Filed herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 23, 2012

AUTOLIV, INC.

(Registrant)

By: /s/ Mats Wallin

Mats Wallin
Chief Financial Officer
(Duly Authorized Officer and Principal Financial
Officer)