INSPERITY, INC.
Form 8-K
September 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): September 5, 2014

Insperity, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-13998	76-0479645
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

19001 Crescent Springs Drive
Kingwood, Texas 77339
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (281) 358-8986

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

[] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[] Pre-commencement communications pursuant to Rule 14d-2(b) under The Exchange Act (17 CFR 240.14d-2(b))

[] Pre-commencement communications pursuant to Rule 13e-4(c) under The Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On September 5, 2014, Insperity, Inc. extended its arrangement with UnitedHealthcare for medical and dental insurance coverage through 2017.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

99.1 - Press release issued by Insperity, Inc. on September 8, 2014.

SIGNATURES

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 hereunto duly authorized.

INSPERITY, INC.

By: /s/ Daniel D. Herink
Daniel D. Herink
Senior Vice President of Legal,
General Counsel and Secretary

Date: September 8, 2014

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by Insperity, Inc. on September 8, 2014.

1.00em; font-size:10pt; font-family:Times New Roman">**Total capital expenditures $115.2 $115.2 $250.0 $208.4**

Depreciation and Amortization	**Three months ended June 30,**		**Six months ended June 30,**	
(Dollars in millions)	**2015**	**2014**	**2015**	**2014**
Passive Safety	$63.7	$64.3	$125.5	$126.2
Electronics	11.1	11.1	21.8	21.5

Corporate and other	1.0	1.4	2.2	2.9
Total depreciation and amortization	**$75.8**	**$76.8**	**$149.5**	**$150.6**

Segment Assets		**As of**
	June 30,	**December 31,**
(Dollars in millions)	**2015**	**2014**
Passive Safety	$ 5,590.8	$ 5,782.3
Electronics	787.8	713.9
Segment assets	**$ 6,378.6**	**$ 6,496.2**
Corporate and other[1)]	1,026.8	946.7
Total assets	**$ 7,405.4**	**$ 7,442.9**

1) Corporate and other assets mainly consist of cash and cash equivalents, income taxes and equity method investments.

14 Subsequent Events

There were no reportable events subsequent to June 30, 2015.

20

Table of Contents

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the United States Securities and Exchange Commission (the SEC) on February 19, 2015. Unless otherwise noted, all dollar amounts are in millions.

Autoliv, Inc. (Autoliv or the Company) is a Delaware corporation with its principal executive offices in Stockholm, Sweden. It was created from the merger of Autoliv AB (AAB) and the automotive safety products business of Morton International, Inc., in 1997. The Company functions as a holding corporation and owns two principal subsidiaries, AAB and Autoliv ASP, Inc.

Autoliv is a leading developer, manufacturer and supplier of automotive safety systems to the automotive industry with a broad range of product offerings, including passive safety systems and active safety systems. Passive safety systems are primarily meant to improve vehicle safety, and include modules and components for passenger and driver-side airbags, side-impact airbag protection systems, seatbelts, steering wheels, passive safety electronics, whiplash protection systems and child seats, and components for such systems. Active safety products include automotive radars, night driving assist, camera-based vision systems, active seatbelts and brake controls.

Autoliv s filings with the SEC, which include this Quarterly Report on Form 10-Q, annual reports on Form 10-K, current reports on Form 8-K, insider transaction reports on Forms 3 and 4 and all related amendments, are made available free of charge on our corporate website at www.autoliv.com and are available as soon as reasonably practicable after they are electronically filed with the SEC.

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.

EXECUTIVE OVERVIEW

The Company s strong organic sales growth (non-U.S. GAAP measure) continued in the second quarter of 2015. The Company s ability to continue to grow even when a growth market such as China slows down, demonstrates its global strength. Europe and North America were the drivers, showing solid, balanced increases for both passive and active safety products.

The Company recently entered into two important agreements. One is a license agreement with Volvo Car Corporation which will enable the Company to broaden its active safety offering and improve its time to market for several important features for active safety and automation. The second is a definitive agreement to acquire the automotive business of MACOM which will expand the Company s capabilities in active safety through the addition of GPS module related products. Together these two initiatives bring further important building blocks for preventive safety and the automated driving system of the future car.

The Company continues to see positive signs in Western Europe, but it is still a long way from the all-time high. The Company is executing on its capacity alignment program and increasing its efforts further in order to create an effective future European footprint. In North America, the total light vehicle production shows only modest growth, however the market seems stable with monthly annualized sales volumes of around 17 million vehicles. This situation is beneficial for the Company as it can optimize production for high capacity utilization.

High interest in active safety products in both Europe and North America led to strong organic growth (non-U.S. GAAP measure) of 28% year to date. To a large extent this was driven by more attractive offerings from car manufacturers and more consumers selecting various active safety packages when buying new vehicles which drives growth.

There is uncertainty regarding the market development in China and the Company is taking action to address the situation. The Company is implementing tight cost controls and at the same time continuing its investment and engineering efforts in China. These measures will enable the Company to fully capitalize on the long term growth which it believes the Chinese light vehicle market will enjoy. In the short term the Company is negatively affected by the slowdown in vehicle production, lower delivery volumes from launches and negative vehicle mix including model transitions.

The recall of defective inflators produced by another supplier continues and the Company is focused on supporting its customers as needed. Currently, the Company estimates that it will deliver up to 20 million inflators mainly in 2015 and 2016, but it is very difficult to determine the final delivery volumes.

Table of Contents

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 , Net debt (cash) and Leverage ratio . 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 historical 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, except per share data)

	Three months ended or as of June 30		Six months ended or as of June 30	
	2015	2014	2015	2014
Total parent shareholders equity per share	$ 37.75	$ 42.32	$ 37.75	$ 42.32
Operating working capital 1)	$ 639	$ 640	$ 639	$ 640
Capital employed 6)	$ 3,610	$ 3,647	$ 3,610	$ 3,647
Net debt (cash) 1)	$ 269	$ (296)	$ 269	$ (296)
Net debt to capitalization, % 11)	7	n/a	7	n/a
Gross margin, % 2)	20.1	19.5	19.8	19.4
Operating margin, % 3)	9.1	5.8	6.5	7.1
Return on total equity, % 7)	16.7	8.4	10.3	10.8
Return on capital employed, % 8)	23.7	15.8	16.5	18.9
No. of employees at period-end 9)	52,536	48,613	52,536	48,613
Headcount at period-end 10)	62,018	58,810	62,018	58,810
Days receivables outstanding 4)	72	71	74	72
Days inventory outstanding 5)	31	30	32	30

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) Gross profit relative to sales

3) Operating income relative to sales

4) Outstanding receivables relative to average daily sales

5) Outstanding inventory relative to average daily sales

6) Total equity and net debt

7) Net income relative to average total equity

8) Operating income and equity in earnings of affiliates, relative to average capital employed

9) Employees with a continuous employment agreement, recalculated to full time equivalent heads

10) Employees plus temporary, hourly workers

11) Net debt in relation to capital employed

22

Table of Contents

THREE MONTHS ENDED JUNE 30, 2015 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2014

Market overview

Light Vehicle Production Development

Change vs. same quarter last year

	China	Japan	RoA	Americas	Europe	Total
LVP[1)]	2.2%	(10.8)%	1.3%	(0.9)%	0.5%	(0.3)%

1) Source: IHS July 16, 2015.

During the three month period from April to June 2015, global LVP is estimated by IHS to have been virtually flat compared to the same quarter in 2014. This was down 1pp from IHS s expectation at the beginning of the quarter.

In **China,** which accounts for around 16% of Autoliv s sales, LVP grew by more than 2%, more than 6pp less than the April estimate.

In **Japan,** which accounts for around 7% of Autoliv s sales, LVP declined by close to 11%, more than 2pp worse than the April estimate.

In the **RoA,** which represents 10% of Autoliv s sales, LVP increased by more than 1%, 3pp better than the April estimate.

In the **Americas,** which accounts for around one third of Autoliv s sales, LVP declined by less than 1%, more than 2pp worse than in the April estimate. In North America, LVP increased by more than 2%, which was in line with the April estimate. In South America, the decline was 17%, close to 12pp more than the decline expected in IHS s April estimate.

In **Europe,** where Autoliv currently generates around one third of its sales, LVP increased by less than 1%, which was more than 2pp better than IHS s April estimate. In Western Europe, LVP grew by more than 4%, in Eastern Europe, LVP declined by close to 7%, both 2pp better than the April estimate.

Consolidated Sales

The Company has substantial operations outside the United States and at the present time approximately 75% 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.

Consolidated sales declined by close to 4% to $2,292 million compared to $2,383 million in the same quarter of 2014. Excluding negative currency translation effects of $237 million, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was 6.1%, compared to the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) of around 6% expected at the beginning of the quarter.

Sales by Product

Change vs. same quarter last year	Sales (MUSD)	Reported (U.S. GAAP)	Currency effects[1)]	Organic change[3)]
Airbags[2)]	$ 1,264.0	(2.3)%	(9.4)%	7.1%
Seatbelts[2)]	664.0	(8.3)%	(11.2)%	2.9%
Passive Safety Electronics	231.4	(6.1)%	(6.8)%	0.7%
Active Safety	132.1	12.0%	(13.6)%	25.6%
Total	**$ 2,291.5**	**(3.8)%**	**(9.9)%**	**6.1%**

1) Effects from currency translations. 2) Including Corporate and other sales. 3) Non-GAAP measure, see reconciliation table below.

23

Table of Contents

The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) of **airbag products** (including steering wheels) was mainly driven by driver airbags and inflatable curtains in Europe and North America, steering wheels in Europe and increased replacement inflator sales.

The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) in **seatbelt products** was a result of strong sales growth in North America and Europe, partly offset by lower sales in China and Japan. The trend of higher sales for more advanced and higher value-added seatbelt systems continued globally.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) for **passive safety electronics products** (mainly airbag control modules and remote sensing units) grew strongly in South Korea, offset by a sales decline in Japan. Other markets were virtually flat.

The strong organic sales growth (non-U.S. GAAP measure, see reconciliation table below) for **active safety products** (automotive radars, night vision systems and cameras with driver assist systems) was driven by radar and vision systems. Radar related products particularly contributed, primarily as a result of Mercedes increased demand for driving assistance products. Sales of vision systems to BMW also contributed.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Three months ended June 30, 2015

(Dollars in millions)

	Airbag Products[2)]		**Seatbelt Products[2)]**		**Passive Safety Electronics**		**Active Safety**		**Total**	
	%	$	%	$	%	$	%	$	%	$
Organic change	7.1	$ 92.3	2.9	$ 21.0	0.7	$ 1.6	25.6	$ 30.2	6.1	$ 145.1
Currency effects[1)]	(9.4)	(122.6)	(11.2)	(81.4)	(6.8)	(16.6)	(13.6)	(16.0)	(9.9)	(236.6)
Reported change	**(2.3)**	**$ (30.3)**	**(8.3)**	**$ (60.4)**	**(6.1)**	**$ (15.0)**	**12.0**	**$ 14.2**	**(3.8)**	**$ (91.5)**

1) Effects from currency translations. 2) Including Corporate and other sales.

Sales by Region

Change vs. same quarter last year

		Sales (MUSD)	**Reported (U.S. GAAP)**	**Currency effects[1)]**	**Organic change[2)]**
Asia		$ 758.0	(3.2)%	(5.1)%	1.9%
Whereof:	China	$ 365.7	(2.8)%	0.3%	(3.1)%
	Japan	$ 154.1	(13.9)%	(15.9)%	2.0%

Rest of Asia	$	238.2	4.4%	(5.8)%	10.2%
Americas	$	821.8	3.7%	(4.5)%	8.2%
Europe	$	711.7	(11.8)%	(19.8)%	8.0%
Global	**$**	**2,291.5**	**(3.8)%**	**(9.9)%**	**6.1%**

1) Effects from currency translations. 2) Non-U.S. GAAP measure, see reconciliation table below.

The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) of more than 6% in the quarter was mainly a result of strong growth in Europe and North America, particularly to non-US OEMs, which was partly offset by an organic sales decline in China.

Autoliv s sales in **Asia** in the quarter were $758 million.

Sales from Autoliv s companies in **China** declined organically (non-U.S. GAAP measure, see reconciliation table below) by more than 3% in the quarter. The decline was a result of an unfavorable vehicle mix and model transitions with global OEMs, which was partly mitigated by sales growth with Chinese OEMs.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in **Japan** increased by 2% in the quarter. The sales increase was mainly due to inflator replacement sales but also due to strong growth with models from Nissan and Lexus, which was partly mitigated by sales decreases for models from Mitsubishi and Honda.

24

Table of Contents

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in the **Rest of Asia (RoA)** grew by more than 10% in the quarter. This was primarily driven by sales increases in South Korea, particularly for models from Hyundai, Kia and Nissan. In Thailand, models from Mitsubishi and Isuzu also contributed to the growth. The growth was partly mitigated by lower sales for models from Samsung and Chevrolet.

For Autoliv s companies in the **Americas,** the sales development was mixed for the quarter. In North America, strong organic sales growth (non-U.S. GAAP measure) of almost 9% was mainly driven by Asian and European brands, particularly models from Honda, Acura, Kia and Mercedes. Sales of replacement inflators also contributed to the growth. Sales in South America (Brazil) declined due to a 17% drop in LVP mainly affecting Autoliv through lower sales to models from Ford, GM and Fiat.

The strong organic sales growth (non-U.S. GAAP measure, see reconciliation table below) of 8% in the quarter from Autoliv s companies in **Europe** was driven by sales increases for a number of OEMs, positive product mix and active safety products. Primary drivers were models from VW, Mercedes, Fiat and Jeep.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Three months ended June 30, 2015

(Dollars in millions)

	China		**Japan**		**RoA**		**Americas**		**Europe**		**Total**	
	%	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Organic change	(3.1)	$ (11.8)	2.0	$ 3.6	10.2	$ 23.4	8.2	$ 65.2	8.0	$ 64.7	6.1	$ 145.1
Currency effects[1)]	0.3	1.3	(15.9)	(28.5)	(5.8)	(13.3)	(4.5)	(36.2)	(19.8)	(159.9)	(9.9)	(236.6)
Reported change	**(2.8)**	**$ (10.5)**	**(13.9)**	**$ (24.9)**	**4.4**	**$ 10.1**	**3.7**	**$ 29.0**	**(11.8)**	**$ (95.2)**	**(3.8)**	**$ (91.5)**

1) Effects from currency translations.

Earnings

(Dollars in millions, except per share data)	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Change**
Net Sales	$ 2,291.5	$ 2,383.0	(3.8)%
Gross profit	$ 460.0	$ 464.2	(0.9)%
% of sales	*20.1%*	*19.5%*	*0.6pp*

S,G&A	$	(101.2)	$	(104.6)	(3.3)%
% of sales		*(4.4)%*		*(4.4)%*	*0.0pp*
R,D&E net	$	(140.3)	$	(134.8)	4.0%
% of sales		*(6.1)%*		*(5.7)%*	*(0.4)pp*
Operating income	$	208.7	$	139.4	49.7%
% of sales		*9.1%*		*5.8%*	*3.3pp*
Income before taxes	$	194.5	$	122.9	58.3%
Tax rate		29.7%		32.3%	(2.6)pp
Net income	$	136.8	$	83.2	64.4%
Net income attributable to controlling interest	$	136.7	$	82.8	65.0%
Earnings per share, diluted[1)]	$	1.55	$	0.89	74.2%

1) Assuming dilution and net of treasury shares.

The gross profit for the second quarter 2015 was slightly lower than the same quarter 2014, primarily as a result of negative currency translation impacts. However, the gross margin improved by 0.6pp to 20.1%, from 19.5% in the same quarter 2014, mainly as a result of positive product mix, favorable currency effects, and raw material savings. These positive effects were partly offset by costs related to the investments for capacity and growth.

Operating income increased by $69 million to $209 million, or 9.1% of sales. The second quarter of 2014 was negatively affected by around $70 million for costs related to settlements for class actions in the United States.

Selling, General and Administrative (S,G&A) expenses decreased by more than $3 million.

25

Table of Contents

Research, Development & Engineering (R,D&E) expenses, net increased by more than $5 million compared to the same quarter in the prior year. At comparable currency rates the increase in R,D&E, net was almost $20 million or 0.4pp.

Costs of $7 million related to capacity alignments and close to $1 million related to antitrust matters reduced operating margin by 0.4pp in the second quarter, compared to 3.5pp in the same quarter of 2014.

Income before taxes increased by $72 million. Income attributable to controlling interest was $137 million, an increase of $54 million from the second quarter of 2014.

The effective tax rate in the second quarter of 2015 was 29.7% compared to 32.3% in the same quarter of 2014. Discrete items, net decreased the tax rate in the quarter by 4.3pp. In the second quarter of 2014, discrete tax items net and an unfavorable mix increased the tax rate by 2.0pp.

Earnings per share (EPS) was $1.55 compared to $0.89 for the same period one year ago. The EPS was positively affected by 49 cents from lower costs for capacity alignments and antitrust matters, 9 cents by lower number of shares outstanding, 6 cents by higher operating income and 5 cents by lower effective tax rate. These positive effect were partly offset by 7 cents from negative currency translation effects.

The weighted average number of shares outstanding assuming dilution decreased to 88.3 million compared to 93.5 million in the second quarter of 2014 mainly due to the share repurchase program.

SIX MONTHS ENDED JUNE 30, 2015 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2014

Market overview

Light Vehicle Production Development

Year over year change

	China	Japan	RoA	Americas	Europe	Total
LVP[1)]	6.3%	(9.1)%	0.6%	(1.2)%	2.2%	1.3%

1) Source: IHS July 16, 2015.

For the first six months of 2015, global LVP is estimated by IHS to have increased by more than 1% compared to the first six months of 2014. This was in line with IHS s expectation from the beginning of the year.

In **China**, which accounts for around 16% of Autoliv s sales, LVP grew by more than 6%, a decrease of 1pp compared to the January 2015 estimate.

In **Japan**, which accounts for around 7% of Autoliv s sales, LVP declined by more than 9%, over 2pp worse compared to the January 2015 estimate.

In the **RoA**, which accounts for 10% of Autoliv s sales, LVP increased by close to 1%, compared to an increase of close to 2% expected at the beginning of 2015.

In the **Americas**, which makes up around one third of Autoliv s sales, LVP decreased by more than 1%, a decrease of 3pp compared to IHS s growth expectation of 2% from the beginning of the year. In North America, the increase was 2% compared to close to 3% expected at the beginning of the year. In South America, the decrease was close to 16%, more than 13pp worse than the January 2015 estimate.

In **Europe**, where Autoliv currently generates around one third of its sales, LVP grew by more than 2% which was more than 5pp better than IHS s estimate in January. In Western Europe, LVP grew by more than 4%, more than 4pp better than estimated at the beginning of the year. In Eastern Europe, LVP decreased by close to 2%, an improvement of close to 7pp compared to the January 2015 estimate.

Consolidated Sales

The Company has substantial operations outside the United States and at the present time approximately 75% 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.

Table of Contents

For the first six months of 2015 consolidated sales decreased to $4,466 million from $4,679 million for the same period in 2014. Excluding currency effects, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was 5%. All regions of the Company, except China and Japan, showed organic sales growth (non-U.S. GAAP measure, see reconciliation table below) for the first six months.

Sales by Product

Year over year change	Sales (MUSD)	Reported (U.S. GAAP)	Currency effects[1)]	Organic change[3)]
Airbags[2)]	$ 2,445.1	(4.0)%	(9.1)%	5.1%
Seatbelts[2)]	$ 1,317.4	(7.7)%	(10.8)%	3.1%
Passive Safety Electronics	$ 444.6	(7.4)%	(6.5)%	(0.9)%
Active Safety	$ 258.5	15.0%	(13.4)%	28.4%
Total	**$ 4,465.6**	**(4.6)%**	**(9.6)%**	**5.0%**

1) Effects from currency translations. 2) Including Corporate and other sales. 3) Non-U.S. GAAP measure, see reconciliation table below.

Sales of **airbag products** (including steering wheels) were favorably impacted by higher sales of replacement inflators, steering wheels, and inflatable curtains.

Sales of **seatbelt products** were particularly strong in North America and Europe. The global trend towards more advanced and higher value-added seatbelt systems continued globally.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) for **passive safety electronics products** (mainly airbag control modules and remote sensing units) were virtually flat.

The strong increase in sales of **active safety products** (automotive radars, night vision systems and cameras with driver assist systems) resulted from growth particularly for radar related products primarily as a result of Mercedes increased demand for driving assistance. Sales of vision systems to BMW also contributed.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Six months ended June 30, 2015

(Dollars in millions)

	Airbag Products[2)]		Seatbelt Products[2)]		Passive Safety Electronics		Active Safety		Total	
	%	$	%	$	%	$	%	$	%	$
Organic change	5.1	$ 130.5	3.1	$ 43.9	(0.9)	$ (4.4)	28.4	$ 63.8	5.0	$ 233.8
Currency effects[1)]	(9.1)	(232.0)	(10.8)	(153.9)	(6.5)	(31.0)	(13.4)	(30.1)	(9.6)	(447.0)

Reported change	**(4.0)**	**$ (101.5)**	**(7.7)**	**$ (110.0)**	**(7.4)**	**$ (35.4)**	**15.0**	**$ 33.7**	**(4.6)**	**$ (213.2)**

1) Effects from currency translations. 2) Including Corporate and other sales.

Sales by Region

Year over year change		Sales (MUSD)	Reported (U.S. GAAP)	Currency effects[1)]	Organic change[2)]
Asia		$ 1,479.8	(4.2)%	(5.2)%	1.0%
Whereof:	China	$ 720.1	(1.7)%	(0.9)%	(0.8)%
	Japan	$ 306.7	(16.3)%	(14.8)%	(1.5)%
	Rest of Asia	$ 453.0	1.7%	(4.1)%	5.8%
Americas		$ 1,570.0	1.7%	(4.0)%	5.7%
Europe		$ 1,415.8	(11.0)%	(19.2)%	8.2%
Global		**$ 4,465.6**	**(4.6)%**	**(9.6)%**	**5.0%**

1) Effects from currency translations. 2) Non-U.S. GAAP measure, see reconciliation table below.

27

Table of Contents

For the first six months of 2015, sales in the Americas represent 35% of total sales, Asia (China, Japan, RoA) 33%, and Europe 32%. Sales continue to be balanced across the regions. Growth was particularly strong in Europe and North America.

Sales from Autoliv s companies in **China** declined organically (non-U.S. GAAP measure, see reconciliation table below) by close to 1%. This was the result of a negative model mix combined with unfavorable model transitions, which was partly mitigated by strong sales to certain local OEMs.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in **Japan** declined by close to 2% in the first six months. The decline was primarily driven by the lower vehicle production, which was almost entirely offset by sales of replacement inflators and strong sales of models from Nissan and Lexus.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in the **RoA** grew by close to 6%. The growth was primarily driven by strong sales growth in Thailand, primarily with models from Mitsubishi and Isuzu, along with sales growth in India driven by models from Hyundai.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in the **Americas** increased by close to 6% and were positively impacted by sales growth to non-US OEM s in North America, mainly models from Hyundai/Kia, Mercedes, Honda and Acura, sales of replacement inflators also contributed.

Organic sales (non-U.S. GAAP measure, see reconciliation table below) from Autoliv s companies in **Europe** increased rapidly by more than 8%. Models from VW, Mercedes, Ford, Fiat, Jeep and Jaguar-Land Rover were the strongest growth contributors.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Six months ended June 30, 2015

(Dollars in millions)

	China		**Japan**		**RoA**		**Americas**		**Europe**		**Total**	
	%	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Organic change	(0.8)	$ (6.0)	(1.5)	$ (5.4)	5.8	$ 26.0	5.7	$ 88.1	8.2	$ 131.1	5.0	$ 233.8
Currency effects1)	(0.9)	(6.6)	(14.8)	(54.2)	(4.2)	(18.5)	(4.0)	(61.5)	(19.2)	(306.2)	(9.6)	(447.0)
Reported change	**(1.7)**	**$ (12.6)**	**(16.3)**	**$ (59.6)**	**1.6**	**$ 7.5**	**1.7**	**$ 26.6**	**(11.0)**	**$ (175.1)**	**(4.6)**	**$ (213.2)**

1) Effects from currency translations.

Earnings

(Dollars in millions, except per share data)	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**	**Change**
Net Sales	$ 4,465.6	$ 4,678.8	(4.6)%
Gross profit	$ 883.4	$ 909.5	(2.9)%
% of sales	*19.8%*	*19.4%*	*0.4pp*
S,G&A	$ (201.8)	$ (207.1)	(2.6)%
% of sales	*(4.5)%*	*(4.4)%*	*(0.1)pp*
R,D&E net	$ (266.8)	$ (277.0)	(3.7)%
% of sales	*(6.0)%*	*(5.9)%*	*(0.1)pp*
Operating income	$ 288.7	$ 331.1	(12.8)%
% of sales	*6.5%*	*7.1%*	*(0.6)pp*
Income before taxes	$ 259.0	$ 307.2	(15.7)%
Tax rate	33.4%	30.2%	3.2pp
Net income	$ 172.5	$ 214.3	(19.5)%
Net income attributable to controlling interest	$ 172.4	$ 213.1	(19.1)%
Earnings per share, diluted[1)]	$ 1.95	$ 2.27	(14.1)%

1) Assuming dilution and net of treasury shares.

28

Table of Contents

Gross profit for the first six months 2015 decreased by $26 million, primarily as a result of negative currency translation impact. Gross margin increased by 0.4pp compared to the same period 2014, mainly as a result of positive currency effects and positive product mix partly offset by costs related to the investments for capacity and growth.

Operating income decreased by $42 million to $289 million. Operating margin was 6.5% for the first half of the year, a decline of 0.6pp compared to the same period prior year. The lower operating margin was primarily a result of higher costs related to the ongoing capacity alignment and for settlements of antitrust related matters, as well as increased R,D&E costs. The negative effects were partly offset by favorable currency effects, as well as lower raw material prices.

Selling, General and Administrative (S,G&A) expenses decreased by more than $5 million.

R,D&E expenses, net decreased by more than $10 million compared to the same period prior year. At comparable currency rates the increase in R,D&E, net was more than $10 million mainly driven by increases in Electronics.

Income before taxes decreased by $48 million to $259 million, $6 million more than the decrease in operating income, mainly due to higher interest expense.

Net income attributable to controlling interest amounted to $172 million compared to $213 million for the first six months of 2014. Income tax expense was $87 million compared to $93 million in 2014. The effective tax rate was 33.4% compared to 30.2% for the same six month period last year. Discrete tax items, net, decreased the tax rate in 2015 by 0.7pp, compared to the same period in 2014 when discrete tax items, net increased the tax rate by 0.7pp.

EPS amounted to $1.95 assuming dilution compared to $2.27 for 2014. EPS assuming dilution was negatively affected by capacity alignments and legal costs by 48 cents. This negative effect was mainly offset by lower number of shares outstanding by 11 cents.

The weighted average number of shares outstanding assuming dilution decreased to 88.4 million compared to 92.4 million for the full year 2014.

LIQUIDITY AND SOURCES OF CAPITAL

Cash flow from operations during the second quarter amounted to $154 million compared to $86 million in the same quarter of 2014. The increase was primarily related to the payment of antitrust settlement amounts in the second quarter of 2014 affecting the year over year comparison. Cash flow from operations less net cash used in investing activities for the second quarter 2015 was $39 million compared to negative $29 million during the same quarter of 2014, a difference of $68 million. Capital expenditures, net, of $109 million were $33 million more than depreciation and amortization expense in the quarter and $5 million less than capital expenditures during the second quarter of 2014.

Operations in the first six months of 2015 generated $238 million in cash. For the first six months of 2015 cash flow from operations less net cash used in investing activities was negative $8 million. This compares to $271 million and $62 million, respectively, for the same period in 2014. The decrease was mainly due to the higher payment of antitrust and capacity alignment related costs. Capital expenditures net, amounted to $237 million and depreciation and amortization totalled $150 million for the first six months of 2015 compared to $207 million and $151 million, respectively, for the same period in 2014.

The Company uses the non-U.S. GAAP measure Operating working capital, as defined in the table below, in its communications with investors and for management s 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)

	June 30, 2015	December 31, 2014
Total current assets	$ 4,044.1	$ 4,136.2
Total current liabilities	(2,225.3)	(2,138.6)
Working capital	**1,818.8**	**1,997.6**
Cash and cash equivalents	(1,323.3)	(1,529.0)
Short-term debt	93.2	79.6
Derivative (asset) and liability, current	1.2	(0.8)
Dividends payable	49.3	47.9
Operating working capital	**$ 639.2**	**$ 595.3**

29

Table of Contents

During the second quarter, operating working capital (non-U.S. GAAP measure, see reconciliation table above) increased to 7.1% of sales from 6.3% on March 31, 2015. The increase was due to timing of payments. The Company targets that working capital in relation to the last 12-month sales should not exceed 10%.

Account receivables decreased in relation to sales to 72 days outstanding from 76 days outstanding on March 31, 2015, but increased from 71 days outstanding on June 30, 2014. Days inventory outstanding was 31 days, unchanged from March 31, 2014, but up from 30 days on June 30, 2014.

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. DRD are fair value adjustments to the carrying value of the underlying debt. Included in the DRD is also the unamortized fair value adjustment related to a discontinued fair value hedge which will be amortized over the remaining life of the debt. By adjusting for DRD, the total financial liability of net debt is disclosed without grossing debt up with currency or interest fair values.

Reconciliation of Net debt to GAAP financial measure

(Dollars in millions)

	June 30, 2015	March 31, 2015	December 31, 2014
Short-term debt	$ 93.2	$ 124.3	$ 79.6
Long-term debt	1,505.6	1,511.0	1,521.2
Total debt	**1,598.8**	**1,635.3**	**1,600.8**
Cash and cash equivalents	(1,323.3)	(1,364.1)	(1,529.0)
Debt-related derivatives	(7.0)	(7.2)	(10.0)
Net debt	**$ 268.5**	**$ 264.0**	**$ 61.8**

The Company s net debt position (non-U.S. GAAP measure, see reconciliation table above) increased by $5 million during the quarter to $269 million at June 30, 2015. Gross interest-bearing debt decreased by $36 million to $1,599 million. Autoliv s net debt (non-U.S. GAAP measure, see reconciliation table above) increased by $207 million to $269 million compared to December 31, 2014.

Calculation of Leverage ratio

(Dollars in millions)

	June 30, 2015	December 31, 2014
Net debt [1)]	$ 268.5	$ 61.8
Pension liabilities	229.4	232.5
Debt per the Policy	**$ 497.9**	**$ 294.3**

Income before income taxes [2)]	$ 618.8	$ 667.0
Plus: Interest expense, net [2,3)]	68.3	58.6
Depreciation and amortization of intangibles [2,4)]	304.3	305.4
EBITDA per the Policy	**$ 991.4**	**$ 1,031.0**
Leverage ratio	**0.5**	**0.3**

1) Net debt is short- and long-term debt and debt-related derivatives less cash and cash equivalents.

2) Latest 12-months.

3) Interest expense, net is interest expense including cost for extinguishment of debt, if any, less interest income.

4) Including impairment write-offs, if any.

Autoliv s policy is to maintain a leverage ratio (non-U.S. GAAP measure, see calculation in the table above) commensurate with a strong investment grade credit rating. The Company measures its leverage ratio as net debt (non-U.S. GAAP measure, see reconciliation table above) adjusted for pension liabilities in relation to EBITDA (earnings before interest taxes depreciation and amortization). The long-term target is to maintain a leverage ratio of around 1x within a range of 0.5x to 1.5x. As of June 30, 2015 the Company had a leverage ratio of 0.5x.

30

Table of Contents

During the second quarter of 2015, total equity increased by $115 million to $3,341 million due to $137 million from net income, $20 million from positive currency effects and $6 million from common stock incentives. These positive effects were partly offset by $49 million for dividends in the second quarter of 2015. Total parent shareholders equity was $3,326 million corresponding to $37.75 per share as of June 30, 2015. Total equity decreased by $101 million during the first six months of 2015 compared to December 31, 2014, due to $104 million from repurchased shares, $98 million from dividends and around $91 million from negative currency effects. These unfavorable effects were offset by net income of $172 million and common stock incentives of $17 million.

Headcount

	June 30, 2015	March 31, 2015	June 30, 2014
Headcount	62,018	61,056	58,810
Whereof: Direct workers in manufacturing	72%	72%	72%
Low Cost Countries	74%	74%	72%
Temporary personnel	15%	15%	17%

Compared to March 31, 2015 total headcount (permanent employees and temporary personnel) increased by around 1,000 people. Close to 300 of these people were in high cost countries.

SEGMENT DATA

Commencing with the period starting January 1, 2015, the Company reports its results under two new segments, Passive Safety and Electronics. Passive Safety includes Autoliv s airbag and seatbelt businesses, while Electronics integrates all of Autoliv s electronics resources and expertise in both passive safety electronics and active safety in one organization. Corporate sales and income, capital expenditure and depreciation and amortization for the reportable segments can be found in Note 13 Segment Reporting to this report.

Passive Safety

(Dollars in millions)	Three months ended June 30, 2015	Three months ended June 30, 2014	Change	Organic change1)
Segment sales	$ 1,925.3	$ 2,013.8	(4.4)%	5.7%
Segment operating income	$ 195.7	$ 110.3	77.5%	
Segment operating margin	10.2%	5.5%	4.7pp	

1) Non-U.S. GAAP measure, see reconciliation table below.

Consolidated sales declined by more than 4% to $1,925 million compared to $2,014 million in the same quarter of 2014. Excluding negative currency translation effects of $203 million, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was close to 6%. All regions except China showed organic growth in the quarter. The higher margin was a result of benefits from the higher organic sales, positive product mix and favorable raw material prices as well as lower costs for antitrust related matters compared to the same quarter last year.

(Dollars in millions)	Change

	Six months ended June 30, 2015	Six months ended June 30, 2014		Organic change1)
Segment sales	$ 3,755.7	$ 3,965.3	(5.3)%	4.4%
Segment operating income	$ 258.9	$ 266.0	(2.7)%	
Segment operating margin	6.9%	6.7%	0.2pp	

Consolidated sales declined by more than 5% to $3,756 million compared to $3,965 million in the same period of 2014. Excluding negative currency translation effects of $384 million, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was more than 4%. The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was primarily driven by higher sales in Europe and North America. The reported operating margin for the segment was negatively affected by the antitrust related settlement costs and restructuring costs, primarily related to the on-going European capacity alignment program

31

Table of Contents

Electronics

(Dollars in millions)	Three months ended June 30, 2015	Three months ended June 30, 2014	Change	Organic change1)
Segment sales	$ 377.1	$ 380.5	(0.9)%	8.3%
Segment operating income	$ 11.9	$ 18.1	(34.3)%	
Segment operating margin	3.2%	4.8%	(1.6)pp	

1) Non-U.S. GAAP measure, see reconciliation table below.

Consolidated sales were slightly negative compared to the same quarter of 2014. Excluding negative currency translation effects of $35 million, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was more than 8%. The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) in electronics was a result of the 26% organic sales growth (non-U.S. GAAP measure, see reconciliation table below) in active safety coming from Europe and North America, particularly from premium brands. Sales for passive safety electronics was virtually flat as a result of an increase with Hyundai/Kia in South Korea offset by a decrease in Japan. The lower margin was a result of higher R,D&E costs, and negative currency transaction effects.

(Dollars in millions)	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	Organic change1)
Segment sales	$ 728.3	$ 735.3	(1.0)%	8.0%
Segment operating income	$ 20.9	$ 36.8	(43.3)%	
Segment operating margin	2.9%	5.0%	(2.1)pp	

Consolidated sales declined by 1% compared to the same period 2014. Excluding negative currency translation effects of $66 million, the organic sales growth (non-U.S. GAAP measure, see reconciliation table below) was 8%. The organic sales growth (non-U.S. GAAP measure, see reconciliation table below) in electronics was a result of the 28% organic sales growth (non-U.S. GAAP measure, see reconciliation table below) in active safety coming mainly from radar system sales to Mercedes and vision system sales to BMW. Organic sales (non-U.S. GAAP measure) of passive safety electronics declined by almost 1%. The lower margin was a result of higher R,D&E costs, and negative currency transaction effects.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Three months ended June 30, 2015

(Dollars in millions)

	Passive Safety		Electronics		Other and eliminations	Total	
	%	$	%	$	$	%	$
Organic change	5.7	$ 114.3	8.3	$ 31.7	$ (0.9)	6.1	$ 145.1
Currency effects1)	(10.1)	(202.9)	(9.2)	(35.1)	1.4	(9.9)	(236.6)
Reported change	**(4.4)**	**$ (88.6)**	**(0.9)**	**$ (3.4)**	**$ 0.5**	**(3.8)**	**$ (91.5)**

1) Effects from currency translations.

Reconciliation of the change in Organic sales to U.S. GAAP financial measure

Components of net sales increase (decrease)

Six months ended June 30, 2015

(Dollars in millions)

	Passive Safety		Electronics		Other and eliminations	Total	
	%	$	%	$	$	%	$
Organic change	4.4	$ 174.4	8.0	$ 58.7	$ 0.7	5.0	$ 233.8
Currency effects1)	(9.7)	(384.0)	(9.0)	(65.7)	2.7	(9.6)	(447.0)
Reported change	**(5.3)**	**$ (209.6)**	**(1.0)**	**$ (7.0)**	**$ 3.4**	**(4.6)**	**$ (213.2)**

1) Effects from currency translations.

Table of Contents

Headcount

	June 30, 2015	March 31, 2015	December 31, 2014	June 30, 2014
Headcount Passive Safety segment	58,112	57,316	56,327	55,177
Headcount Electronics segment	3,770	3,607	3,570	3,518

The growth in passive safety headcount was in direct labor, which was needed to handle the sales growth. In Electronics the headcount increase from December 31, 2014 as well as from March 31, 2015 came mainly from the planned hiring of electronics engineers, which will continue throughout the year.

Outlook

Mainly based on our customer call-offs we expect organic sales for the third quarter of 2015 to grow by more than 7% compared to the same quarter of 2014. Currency translations are expected to have a negative effect of more than 9%, resulting in a consolidated sales decline of less than 2%. The adjusted operating margin, excluding acquisitions and costs for capacity alignments, antitrust and related matters, is expected to be around 9%.

The indication for the full year is for an organic sales growth of more than 6%. Consolidated sales are expected to decline by close to 2% as effects from currency translations are expected to be negative by more than 8%. The indication for the adjusted operating margin is around 9.5%, excluding acquisitions and costs for capacity alignments antitrust and related matters.

Autoliv has agreements with several OEMs for supply of replacement airbag inflators for delivery. Based on customer agreements and our own expectations we now expect delivery volumes of up to 20 million units mainly in 2015 and 2016. It remains too early in this evolving situation to be able to estimate final volumes.

Our capacity alignment program continues and the Company now expects the costs for the program to be more than $90 million for the full year 2015 due to increased activities compared to the previous estimate.

The projected tax rate, excluding any discrete items, for the full year 2015 is currently expected to be around 31% and is subject to change due to any other discrete or nonrecurring events that may occur.

Operational cash flow for the full year is expected to remain strong and to be around $0.8 billion excluding antitrust related matters and any other discrete items. Capital expenditures in support of our growth strategy are expected to be 5-6% of sales for the full year, which is an increase from the normal level of 4-5% of sales mainly due to the replacement inflator business.

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.

OTHER RECENT EVENTS

Launches in the Second Quarter 2015

Honda s new Pilot

Inflatable curtains, side airbags, seatbelts with pretensioners and radar system.

Haval s new H8

Driver airbag with steering wheel, passenger airbag, inflatable curtains, side airbags, safety electronics and seatbelts with pretensioners.

Mercedes new GLC

Active seatbelts with pretensioners and radar system.

VW s new Touran

Passenger airbag, side airbags and active seatbelts with pretensioners.

Ford s new Taurus

Passenger airbag, inflatable curtains, side airbags and safety electronics.

Table of Contents

Renault s new Kadjar

Driver airbag with steering wheel, inflatable curtains, side airbags and safety electronics.

Haima s new M6

Driver airbag with steering wheel, passenger airbag, inflatable curtains, side airbags, safety electronics and seatbelts with pretensioners.

Jaguar s new XF

Seatbelts with pretensioners and hood lifter for pedestrian protection.

Kia s new Optima/K5

Active seatbelts with pretensioners.

Other Events

On June 4, Autoliv announced that it had earned Ford Motor Company s 2014 Safety Supplier of the Year and 2014 Gold Supplier of the Year for its facility in La Pobla de Vallbona, Spain.

Autoliv will hold its Capital Markets Day on October 1-2, 2015.

On July 6, 2015, the Brazilian antitrust authority (CADE) announced an investigation of an alleged cartel involving sales in Brazil of seatbelts, airbags and steering wheels by the Company s Brazilian subsidiary and the Brazilian subsidiary of a competitor. The Company s policy is to cooperate with governmental investigations. We cannot predict the duration, scope or ultimate outcome of this matter.

On July 16, 2015 Autoliv and Volvo Car Corporation (VCC) signed a license agreement for advanced driver assistance algorithms. Autoliv will pay a license fee to VCC in order to get access to certain active safety features.

Among the advanced driver assistance algorithms included in the agreement are Automatic Emergency Braking for both pedestrian and vehicles, meeting EuroNCAP 2016 requirements, Lane Keep Assist, Automatic Cruise Control, Pilot Assist, Rear Collision Warning and Mitigation, Distance alert and Road sign information.

Together with Autoliv s own algorithms sensors and control systems, the license agreement with a world leading car manufacturer strengthens the Company s active safety offering to all automotive manufacturers.

On July 16, 2015, Autoliv ASP entered into a Stock Purchase Agreement (the Purchase Agreement) with M/A-COM Technology Solutions Inc. (Seller), M/A-COM Auto Solutions Inc. (M/A-COM Auto) and, for the limited purposes set forth therein, M/A-COM Technology Solutions Holdings, Inc. (Holdings), pursuant to which Autoliv ASP will purchase all of the common stock of M/A-COM Auto from Seller. Prior to the closing and pursuant to a separate Contribution Agreement, Seller and Holdings will transfer to M/A-COM Auto all of the assets and certain liabilities of the automotive module business of Seller and Holdings, which designs, develops and sells integrated global positioning system modules and electronic horizon control units for commercial automotive applications.

Autoliv ASP will pay in cash a purchase price of $100 million, subject to adjustments for working capital, outstanding indebtedness of M/A-COM Auto and certain other expenses related to the transaction. In addition to the purchase price, Autoliv ASP agreed to pay Seller an earn-out payment of up to a total of $30 million based on the achievement of revenue-based benchmark amounts for electronic horizon control units through September 30, 2019 as specified in the Purchase Agreement. In addition, Seller has agreed to perform consulting services for Autoliv ASP over a 2-year period for up to a total of $15 million in fees pursuant to a separate consulting agreement.

The entire amount paid for the Company, including the base purchase price and any amounts paid as part of the earn-out pursuant to the Purchase Agreement and any amounts paid pursuant to the Consulting Agreement, will be treated as part of the purchase price for accounting purposes.

The consummation of the transactions contemplated by the Stock Purchase Agreement, which is subject to customary closing conditions (including expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended), is expected to occur during the third quarter of 2015.

Dividend

On May 5, 2015, the Company declared a quarterly dividend to shareholders of 56 cents per share for the third quarter 2015 with the following payment schedule:

Ex-date (common stock)	August 18, 2015
Ex-date (SDRs)	August 19, 2015
Record Date	August 20, 2015
Payment Date	September 3, 2015

Next Report

Autoliv intends to publish the quarterly earnings report for the third quarter of 2015 on Friday, October 23, 2015.

Table of Contents

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2015, the Company s future contractual obligations have not changed materially from the amounts reported in the Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 19, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than as noted below, as of June 30, 2015, 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 Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 19, 2015.

Transaction Exposure and Revaluation Effects.

Transaction exposure arises when transactions have terms which are denominated in a currency other than the entity s functional currency. Revaluation effects come from the valuation of assets and liabilities of each unit denominated in other currencies other than the functional currency. The Company s gross transaction exposure forecasted for 2015 is approximately $2.7 billion. A part of the currency flows have counter-flows in the same currency pair, which reduces the net exposure to approximately $2.1 billion per year. In the four largest net exposures, Autoliv expects to sell U.S. dollars against the Mexican Peso (16% of total net exposure), Euros against the Swedish Krona (16% of total net exposure), U.S. dollars against Korean won (10% of total net exposure) and buy Euros against the Chinese Renminbi (6% of total net exposure). Together these currencies are expected to account for almost 50% of the Company s net currency transaction exposure. Since the Company can only effectively hedge these currency flows in the short term, periodic hedging would only reduce the impact of fluctuations temporarily. Over time, periodic hedging would postpone but not reduce the impact of fluctuations. In addition, the net exposure is limited to less than one quarter of net sales and is made up of more than 40 different currency pairs with exposures in excess of $1 million each. Autoliv does not hedge these net transaction flows. However, the Company may, from time to time, hedge certain specific transaction flows. At June 30, 2015 there were foreign exchange forward contracts outstanding, designated as cash flow hedges, with a nominal value of $89 million. There were no such contracts outstanding at March 31, 2015.

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 to our unaudited condensed consolidated financial statements 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

Except as set forth below, as of June 30, 2015, there have been no material changes to the risk factors that were previously disclosed in Item 1A in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 19, 2015.

Exchange rate risks

In addition, as a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the U.S. dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Such risks and exposures include

- transaction exposure, which arises because the cost of a product originates in one currency and the product is sold in another currency;

- revaluation effects, which arises from valuation of assets denominated in other currencies than the reporting currency of each unit;

- translation exposure in the income statement, which arises when the income statements of non-U.S. subsidiaries are translated into U.S. dollars;

- translation exposure in the balance sheet, which arises when the balance sheets of non-U.S. subsidiaries are translated into U.S. dollars; and

- changes in the reported U.S. dollar amounts of cash flows.

For example, the financial crisis during 2008-2009 caused extreme and unprecedented volatility in foreign currency exchange rates. More recently, there has been significant volatility in certain currency pairs during 2012-2015, and particularly in the early part of 2015. Such fluctuations may occur again and may impact our financial results. We cannot predict when, or if, this volatility will cease or the extent of its impact on our future financial results. We typically denominate foreign transactions in foreign currencies to achieve a natural hedge. However, a natural hedge cannot be achieved for all our currency flows therefore a net transaction exposure remains within the group. The net exposure can be significant and creates a transaction exposure risk for the Company. We may engage in hedging transactions from time to time in the future relating to foreign currency exchange rates.

Additionally, our electronics business is particularly vulnerable to a strong U.S. dollar as raw materials and components are sourced in U.S. dollars while sales are also currently in other currencies, like the Euro. The Company does not hedge translation exposure. Furthermore, growth markets are more likely to utilize foreign currency restrictions that govern the transfer of funds out of such countries.

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

Stock repurchase program

During the second quarter of 2015, Autoliv made no stock repurchases. The Company is authorized to purchase up to 47.5 million shares of common stock under the stock repurchase program, which was first approved by the board of directors of the Company on May 9, 2000 and reactivated during the fourth quarter of 2013. Under the existing authorizations, another 4.4 million shares may be repurchased. The share repurchase program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Autoliv s Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 22, 2015).
3.2	Autoliv s Second Restated By-Laws incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K (File No. 001-12933, filing date May 6, 2014).
4.1	Senior Indenture, dated March 30, 2009, between Autoliv, Inc. 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, Inc. 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, Inc. 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 herein 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, Inc. 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).
4.6	Note Purchase and Guaranty Agreement dated April 23, 2014, among Autoliv ASP, Inc., Autoliv, Inc. and the purchasers named therein, incorporated herein by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q (File No. 001-12933, filing date April 25, 2014).
10.1	Amendment, dated January 27, 2015 to the Finance Contract, dated July 16, 2013, among European Investment Bank, Autoliv AB (publ) and Autoliv, Inc., incorporated herein by reference to Exhibit 10.36 to the Annual Report on Form 10-K (File No. 001-12933, filing date February 19, 2015).
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 June 30, 2015, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Statements of Net Income; (ii) the Condensed Consolidated Statements of Comprehensive Income: (iii) the Condensed Consolidated Balance Sheets; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

Table of Contents

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: July 17, 2015

AUTOLIV, INC.

(Registrant)

By: /s/ Mats Wallin

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

38