AUTOLIV INC
Form 10-Q
April 27, 2007

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 March 31, 2007

Commission File No.: 1-12933

AUTOLIV, INC.

(Exact name of registrant as specified in its charter)

Delaware	51-0378542
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
World Trade Center, Klarabergsviadukten 70, Box 70381, SE-107 24 Stockholm, Sweden	N/A
(Address of principal executive offices)	(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: [x] No: [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a

non-accelerated filer.
Large accelerated filer: [x] Accelerated filer: [ ] Non-accelerated filer: [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes: [ ] No: [x]
Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: As of April 24, 2007, there were 79,606,102 shares of common stock of Autoliv, Inc., par value $1.00 per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are not historical facts but forward-looking statements that involve risks and uncertainties that could cause Autoliv, Inc.'s ("Autoliv" or the "Company") results to differ materially from what is projected, including, but not limited to, the following: higher raw material costs or other expenses; a major loss of customers; increased competitive pricing pressure on the Company's business; failure to develop or commercialize successfully new products or technologies; the outcome of pending and future litigation and changes in governmental procedures, laws or regulations, including environmental regulations; plant disruptions or shutdowns due to accidents, natural acts or governmental action; labor disputes; product liability and recall issues; and other difficulties in improving margin or financial performance. In addition, the Company's forward-looking statements could be affected by general industry and market conditions and growth rates, general domestic and international economic conditions, including currency exchange rate fluctuations, and other factors. Except for the Company's ongoing obligation to disclose material information under the federal securities laws, the Company undertakes no obligations to update publicized information and forward-looking statements whether as a result of new information or future events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in millions, except per share data)

	Quarter January - March 2007	2006
Net sales		
- Airbag products	$1,104.3	$1,038.8
- Seatbelt products	594.9	529.1
Total net sales	**1,699.2**	**1,567.9**
Cost of sales	(1,361.8)	(1,237.9)
Gross profit	**337.4**	**330.0**
Selling, general & administrative expenses	(92.3)	(81.7)
Research, development & engineering expenses	(111.6)	(102.9)
Amortization of intangibles	(6.9)	(3.8)
Other income (expense), net	(0.6)	(1.1)
Operating income	**126.0**	**140.5**
Equity in earnings of affiliates	1.3	1.4
Interest income	2.0	2.6
Interest expense	(15.1)	(10.7)
Other financial items, net	(1.0)	(0.7)
Income before income taxes	**113.2**	**133.1**
Income taxes	(37.3)	(34.9)
Minority interests in subsidiaries	(2.7)	(3.6)
Net income	**$73.2**	**$94.6**
Earnings per share - basic	**$0.91**	**$1.13**
Earnings per share - diluted	**$0.91**	**$1.13**
Weighted average number of shares outstanding, assuming dilution and net of treasury shares (in millions)	**80.3**	**84.0**
Cash dividend per share - paid	**$0.37**	**$0.32**

See "Notes to unaudited consolidated financial statements".

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31 2007 (unaudited)	December 31 2006
Assets		
Cash & cash equivalents	$141.3	$168.1
Receivables	1,379.7	1,206.7
Inventories	540.4	545.4
Other current assets	173.7	178.2
Total current assets	**2,235.1**	**2,098.4**
Property, plant & equipment, net	1,167.7	1,160.4
Investments and other non-current assets	179.0	175.7
Goodwill	1,570.6	1,537.1
Intangible assets, net	154.8	139.2
Total assets	**$5,307.2**	**$5,110.8**
Liabilities and shareholders' equity		
Short-term debt	$325.9	$294.1
Accounts payable	792.4	762.5

Accrued expenses	303.1	270.6
Other current liabilities	210.3	204.4
Total current liabilities	**1,631.7**	**1,531.6**
Long-term debt	953.1	887.7
Pension liability	92.2	93.8
Other non-current liabilities	137.1	109.7
Minority interests in subsidiaries	55.5	85.1
Shareholders' equity	2,437.6	2,402.9
Total liabilities and shareholders' equity	**$5,307.2**	**$5,110.8**

See "Notes to unaudited consolidated financial statements."

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in millions)

	Quarter January - March	
	2007	**2006**
Operating activities		
Net income	$73.2	$94.6
Depreciation and amortization	80.0	73.0
Deferred taxes and other	(0.2)	(0.3)
Changes in operating assets and liabilities	(63.2)	(28.8)
Net cash provided by operating activities	**89.8**	**138.5**
Investing activities		
Capital expenditures	(75.3)	(83.9)
Proceeds from sale of property, plant and equipment	0.8	22.8
Acquisitions of businesses and other, net	(78.0)	(1.4)
Net cash used in investing activities	**(152.5)**	**(62.5)**
Financing activities		
Net increase (decrease) in short-term debt	25.2	(23.5)
Issuance of long-term debt	73.7	128.3
Repayments and other changes in long-term debt	-	(93.1)
Dividends paid	(29.6)	(26.8)
Shares repurchased	(40.2)	(55.9)
Stock options exercised	3.8	4.1
Minority interests and other, net	1.5	(0.2)
Net cash used in financing activities	**34.4**	**(67.1)**
Effect of exchange rate changes on cash	1.5	11.1
Increase (decrease) in cash and cash equivalents	**(26.8)**	**20.0**
Cash and cash equivalents at period-start	168.1	295.9
Cash and cash equivalents at period-end	**$141.3**	**$315.9**

See "Notes to unaudited consolidated financial statements."

KEY RATIOS (UNAUDITED)

	Quarter January - March	
	2007	**2006**
Earnings per share - basic[1)]	$0.91	$1.13
Earnings per share - diluted[1)]	$0.91	$1.13
Equity per share	30.62	27.91
Cash dividend per share - paid	0.37	0.32
Operating working capital, $ in millions [3)]	819	552
Capital employed, $ in millions	3,570	3,209

Net debt, $ in millions [3]	1,133	895
Net debt to capitalization, % [3][4]	31	27
Gross margin, % [5]	19.9	21.0
Operating margin, % [6]	7.4	9.0
Return on shareholders' equity, %	12.1	16.3
Return on capital employed, %	14.6	17.7
Weighted average no. of shares in millions [1][2]	80.3	84.0
No. of shares at period-end in millions [7]	79.6	82.9
No. of employees at period-end	35,500	34,100
Headcount at period-end	42,000	39,300
Days receivables outstanding [8]	74	75
Days inventory outstanding [9]	31	30

1) Net of treasury shares.
2) Assuming dilution.
3) See tabular presentation reconciling this non-GAAP measure to GAAP in the Management's Discussion & Analysis of Financial Condition and Results of Operations.
4) Net debt in relation to net debt, minority and equity.
5) Gross profit relative to sales.
6) Operating income relative to sales.
7) Net of treasury shares and excluding dilution.
8) Outstanding receivables relative to average daily sales.
9) Outstanding inventory relative to average daily sales.

See "Notes to unaudited consolidated financial statements."

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2007

1.1 Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, 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 Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN-48"), on January 1, 2007. Therefore the method of determining the liability recorded for the unrecognized tax benefits has changed and is not comparable between first quarter 2007 and 2006. For further information see footnote 1.9 Income Taxes.

The consolidated balance sheet at December 31, 2006 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

The Company's reporting periods in this report consist of thirteen-week periods, ending on the Friday closest to the last day of the calendar month. For convenience, the accompanying financial statements have been shown as ending on the last day of the calendar month.

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 Autoliv's 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 Autoliv, Inc. annual report on Form 10-K/A for the year ended December 31, 2006, filed with the SEC on February 28, 2007.

The filings with the SEC of 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 also be obtained free of charge from Autoliv at the Company's address. These documents are also available at the SEC's website at www.sec.gov and at the Company's corporate website at www.autoliv.com.

1.2 Receivables

During the first quarter of 2007, the Company sold receivables relating to selected customers to various external financial institutions without recourse. These factoring agreements have the effect of reducing short-term debt, accounts receivable and days sales outstanding. At March 31, 2007 and December 31, 2006, $90 million and $98 million, respectively, of sold receivables remained outstanding under these agreements.

1.3 Inventories

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

	March 31, 2007	December 31, 2006
Raw materials	$198.6	$196.4
Work in progress	235.3	234.5
Finished products	106.5	114.5
Total	$540.4	$545.4

1.4 Restructuring

2006

In 2006, the employee-related restructuring provisions mainly related to headcount reductions in high-cost countries. The cash payments mainly related to Europe and Australia for plant consolidation initiated in 2006, as well as in 2005. The change in liability during 2006 includes a resolution of a legal dispute resulting in cash payments. The changes in the reserves have been charged against "Other income (expense), net" in the income statement. The table below summarizes the change in the balance sheet position of the restructuring reserves from December 31, 2005 to December 31, 2006.

	December 31 2005	Cash payments	Change in reserve	Translation difference	December 31 2006
Restructuring - employee related	$7.8	$(15.2)	$13.2	$0.6	$6.4
Liability	9.5	(4.5)	(5.3)	0.3	-
Total reserve	$17.3	$(19.7)	$7.9	$0.9	$6.4

During 2006, 938 employees covered by the restructuring reserves left the Company. As of December 31, 2006, 217 employees remained who are covered by the restructuring reserves.

2007

Q1
The increase in the employee-related restructuring provisions in the quarter mainly related to operations in high-cost countries. The cash payments mainly related to Europe, USA and Australia for restructuring activities initiated in 2006, as well as in 2005. The change in the reserve has been charged against "Other income (expense), net" in the income statement. The table below summarizes the change in the balance sheet position of the restructuring reserves from December 31, 2006 to March 31, 2007.

	December 31 2006	Cash payments	Change in reserve	Translation difference	March 31 2007
Restructuring - employee related	$6.4	$(1.6)	$0.6	$0.0	$5.4

During the quarter, 71 employees covered by the reserves left the Company. As of March 31, 2007, 179 employees remained who are covered by the restructuring reserves.

1.5 Product-Related Liabilities

The Company has reserves for product risks. Such reserves relate to product performance issues, including recall, product liability and warranty issues. The Company records liabilities for product related risks when probable claims are identified and it is possible to reasonably estimate costs. Provisions for warranty claims are estimated based on prior experience and likely changes in performance of newer products and the mix and volume of the products sold. The provisions are recorded on an accrual basis. Cash payments have been made for recall and warranty-related issues in connection with a variety of different products and customers. For further explanation, see section 1.11 "Contingent Liabilities" below.

The table below summarizes the change in the balance sheet position of the product-related liabilities for the quarter.

	Quarter January - March	
	2007	**2006**
Reserve at beginning of the period	**$22.8**	**$33.3**
Change in reserve	0.5	(0.5)
Cash payments	(3.2)	(4.7)
Translation difference	0.1	0.6
Reserve at end of the period	**$20.2**	**$28.7**

1.6 Comprehensive Income

Comprehensive income includes net income for the year and items charged directly to equity.

	Quarter January - March	
	2007	**2006**

Net income	**$73.2**	**$94.6**
Pension liability[1)]	0.2	-
Fair value of derivatives	(0.1)	(0.4)
Translation of foreign operations	16.4	6.3
Other comprehensive income	**16.5**	**5.9**
Comprehensive income	**$89.7**	**$100.5**

1) In March 2006, prior to the implementation of FAS-158 on pensions accounting at December 31, 2006, the adjustment charged directly to equity was related to minimum pension liability.

1.7 Business Acquisitions

On January 15, 2007, Autoliv Inc. acquired the remaining 35% of the shares in the Company's Korean subsidiary Autoliv-Mando, which had already been consolidated, for $80 million. The purchase price allocation is preliminary.

1.8 New Accounting Pronouncements

New accounting pronouncements which have been issued but are effective on or after April 1, 2007, are the following:

Statement No.157, Fair Value Measurements ("FAS-157"), establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. FAS-157 was issued in September 2006 and is effective for fiscal years beginning after November 15, 2007. The Company has not yet evaluated the effects on earnings and financial position of the application of FAS-157.

Statement No.159, The Fair Value Option for Financial Assets and Financial Liabilities ("FAS-159"), provides companies with an option to report selected financial assets and liabilities at fair value. The objective of FAS-159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. FAS-159 was issued in February 2007 and is effective for fiscal years beginning after November 15, 2007. The Company has not yet evaluated the effects on earnings and financial position of the application of FAS-159.

1.9 Income Taxes

The effective tax rate for the first quarter of 2007 was 33%, compared to 26.2% in the first quarter of 2006. During the first quarter of 2006, several subsidiaries completed studies of R&D tax credit eligibility and recorded a 2005 catch-up effect entirely in that quarter. This catch-up effect caused an approximately 6% reduction to the effective tax rate for the first quarter 2006.

The Company files income tax returns in the United States federal jurisdiction, and various states and foreign jurisdictions. The Company is no longer subject to income tax examination by the U.S. federal tax authorities for years prior to 2003. With few exceptions, the Company is also no longer subject to income tax examination by state or local tax authorities for tax years prior to 2003. In addition, with few exceptions, the Company is no longer subject to income tax examinations by non-U.S. tax authorities for years before 2001. The Internal Revenue Service ("IRS") began an examination of the Company's 2003-2005 U.S. income tax returns in the second quarter of 2006 that is anticipated to be completed in early 2008. In addition, the Company is undergoing tax audits in several non-U.S. jurisdictions covering multiple years. As of March 31, 2007, as a result of those tax examinations, the Company is not aware of any material proposed income tax adjustments. The Company expects the completion of certain tax audits in the near term and believes that it is reasonably possible that some portion of reserves could be released into income in some future period or periods.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN-48"), on January 1, 2007. As a result of the implementation of FIN-48, the Company recognized a decrease of $9.9 million in the liability recorded for unrecognized tax benefits as a cumulative effect of a change in accounting principle, which was accounted for as an increase to the January 1, 2007 balance in retained earnings. The Company recognizes interest and potential penalties accrued related to unrecognized tax benefits in tax expense. The Company had approximately $4 million accrued for the payment of interest and penalties as of March 31, 2007. As of January 1, 2007, the Company had recorded approximately $39.6 million for unrecognized tax benefits, including accrued interest and penalties, related to prior years. During the first quarter 2007, the Company accrued an additional $1.5 million of additional unrecognized tax benefits based on tax positions related to the current year and interest accrued related to unrecognized tax benefits of prior years. Substantially all of these reserves would impact the effective tax rate if released into income. Of the total unrecognized tax benefits recorded at March 31, 2007, $19.9 million is classified as current tax payable and $21.2 million is classified as non-current tax payable on the balance sheet. Prior to the adoption of FIN-48, at December 31, 2006, all unrecognized tax benefits were classified as current tax payable.

1.10 Retirement Plans

The Company has non-contributory defined benefit pension plans covering employees at most operations in the United States. Benefits are based on an average of the employee's earnings in the years preceding retirement and on credited service. Certain supplemental 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 Company's main non-U.S. defined benefit plan is the plan in the United Kingdom.

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 months ended March 31, 2007.

The Net Periodic Benefit Cost increased by $2.1 million (excluding payroll tax) during the first quarter 2007 due to pension benefits that became fully accrued when Mr. Lars Westerberg retired as President and Chief Executive Officer of Autoliv Inc. on April 1, 2007, instead of June 2008 as originally planned. These pension costs are reported as Special Termination Benefit Cost in the table below.

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 for the year ended December 31, 2006.

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

	Quarter January - March	
	2007	**2006**
Service cost	$4.0	$3.8
Interest cost	3.4	2.9
Expected return on plan assets	(2.9)	(2.8)
Amortization of net (gain) loss	0.5	0.6
Special termination benefit	2.1	-
Net periodic benefit cost	$7.1	$4.5

1.11 Contingent Liabilities

Product Warranty and Recalls
Autoliv is exposed to product liability and warranty claims in the event that our products fail to perform as expected and such failure results, or

is alleged to result, in bodily injury and/or property damage. The Company cannot assure that it will not experience any material warranty or product liability losses in the future or that it will not incur significant costs to defend such claims. In addition, if any of the products are or are alleged to be defective, Autoliv may be required to participate in a recall involving such 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 recall claim or a product liability claim brought against Autoliv in excess of available insurance may have a material adverse effect on the Company's business, financial condition and results of operations. 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 Autoliv responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties, when the product supplied did not perform as represented. Accordingly, the future costs of warranty claims by customers may be material. However, we believe our 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.

The table in section 1.5 "Product-Related Liabilities" above summarizes the change in the balance sheet position of the product related liabilities from December 31, 2006 to March 31, 2007.

For information on legal proceedings, see Part II - Other Information, Item 1.

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 2006 Annual Report on Form 10-K/A filed with the SEC on February 28, 2007. Unless otherwise noted, all dollar amounts are in millions.

Autoliv is the world's largest automotive safety system supplier with sales to all the leading vehicle manufacturers in the world. Autoliv develops, markets and manufactures airbags, seatbelts, safety electronics, steering wheels, anti-whiplash systems, child safety as well as night vision systems and other active safety systems. Autoliv accounts for more than one third of its market. Autoliv has manufacturing facilities in 28 vehicle-producing countries.

Autoliv is a Delaware holding corporation with principal executive offices in Stockholm, Sweden, which owns two principal subsidiaries, Autoliv AB ("AAB") and Autoliv ASP, Inc. ("ASP"). AAB, a Swedish corporation, is a leading developer, manufacturer and supplier to the automotive industry of automotive safety systems. Starting with seatbelts in 1956, AAB expanded its product lines to include seatbelt pretensioners (1989), frontal airbags (1991), side-impact airbags (1994), steering wheels (1995) and seat sub-systems (1996). ASP, an Indiana corporation, pioneered airbag technology in 1968 and has since grown into one of the world's leading producers of airbag modules and inflators. ASP designs, develops and manufactures airbag inflators, modules and airbag cushions, seatbelts and steering wheels. It sells inflators and modules for use in driver, passenger, side-impact and knee bolster airbag systems for worldwide automotive markets.

Shares of Autoliv common stock are traded on the New York Stock Exchange under the symbol "ALV" and Swedish Depositary Receipts representing shares of Autoliv common stock trade on the OM Stockholm Stock Exchange under the symbol "ALIV". Options in Autoliv shares are traded in Philadelphia and AMSE under the symbol "ALV".

Non-GAAP Financial Measures

Some of the following discussions refer to non-GAAP financial measures: see "Organic sales", "Operating working capital", "Net debt", "Leverage ratio" and "Interest coverage ratio". Management believes that these non-GAAP financial measures assist investors in analyzing trends in the Company's business. Investors should consider these non-GAAP financial measures in addition to, rather than as a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures have been identified as applicable in each section of this report with a tabular presentation reconciling them to 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

THREE MONTHS ENDED MARCH 31, 2007 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2006

Market Overview

During the three-month period January through March 2007, light vehicle production in the Triad (i.e. Europe, North America and Japan) is estimated to have decreased by almost 2% compared to the same quarter 2006. The decline was concentrated in North America and Western Europe.

In **Europe**, (including Eastern Europe), where Autoliv generates more than half of its revenues, light vehicle production rose by 1% due to the fact that East European production rose by 12%, twice as much as expected. In Western Europe, light vehicle production declined by 2%, which was less than the 3% expected.

In **North America**, which accounts for approximately one quarter of Autoliv's consolidated revenues, light vehicle production dropped by 8%, which was nearly 3 percentage points worse than expected. GM, Ford and Chrysler ("the Detroit 3") cut production in line with their plans or by a combined average of 12%. The Asian and European vehicle manufacturers increased their production in North America by less than 1% and not by 6% as expected. Since Autoliv has a higher sales value per vehicle with the Asian and European manufacturers than with an average "Detroit 3" vehicle, this deviation in vehicle production was negative for Autoliv.

In **Japan**, which accounts for nearly one tenth of Autoliv's consolidated sales, light vehicle production increased by 2%.

Autoliv's market is driven not only by vehicle production but also by the fact that new vehicle models are being equipped with more airbags and other safety systems in response to consumer demand, new crash test programs and regulations that increase the overall safety content per vehicle. Starting in September of this year, the United States will introduce the "Stars on Cars" program, which requires crash test ratings of a vehicle model to be displayed on the price tag, which will help to highlight the safety content per vehicle.

Consolidated Sales

During the quarter, Autoliv's consolidated net sales rose by just over 8% to $1,699 million compared to the first quarter 2006. Excluding currency effects of almost 5%, organic sales (i.e. sales excluding translation currency effects, and acquisitions/divestitures) grew by 3.5%. At the beginning of the quarter, organic sales were expected to grow by 1%. However, European vehicle production as well as Autoliv's performance were stronger than expected in all regions except North America.

Sales grew organically in all regions except North America where sales were negatively affected by the sharp decline in the region's light vehicle production. Autoliv's organic growth was primarily driven by sales of seatbelts due to the strong vehicle production in emerging markets as well as by the introduction of curtain airbags and other side airbags in an increasing number of new vehicle models. Market share gains in steering wheels also contributed to the growth in organic sales. These favorable factors more than offset the negative effects from continued pricing pressure from customers and fierce competition especially in frontal airbags.

The Company has substantial operations outside the United States and currently, approximately 75% of the 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 the U.S dollar exchange rates. The measure "Organic sales" presents the increase or decrease in our overall U.S. dollar net sales on a comparative basis, allowing separate discussion of the impacts of acquisitions/divestments and exchange rate fluctuations. 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)
Quarter January - March, 2007

(Dollars in millions)

	Europe		N. America		Japan		RoW		Total	
	%	$	%	$	%	$	%	$	%	$
Organic sales change	4.4	36.3	(0.5)	(2.4)	2.2	3.2	12.0	18.0	3.5	55.1
Impact of acquisitions/divestments	-	-	-	-	-	-	-	-	-	-
Effect of exchange rates	9.1	75.1	(0.4)	(1.5)	(2.3)	(3.3)	4.0	5.9	4.9	76.2
Reported net sales change	**13.5**	**111.4**	**(0.9)**	**(3.9)**	**(0.1)**	**(0.1)**	**16.0**	**23.9**	**8.4**	**131.3**

Reconciliation of "Operating working capital" to GAAP Financial Measure

(Dollars in millions)

	March 31, 2007	December 31, 2006	March 31, 2006
Total current assets	$2,235,1	$2,098.4	$2,309.4
Total current liabilities	(1,631.7)	(1,531.6)	(1,866.9)
Working capital	**603.4**	**566.8**	**442.5**
Cash and cash equivalents	(141.3)	(168.1)	(315.9)
Short-term debt	325.9	294.1	499.3
Derivative asset and liability, current	(0.3)	1.2	(100.9)
Dividends payable	31.2	29.6	26.5
Operating working capital	**$818.9**	**$723.6**	**$551.5**

Reconciliation of "Net debt" to GAAP Financial Measure

(Dollars in millions)

	March 31, 2007	December 31, 2006	March 31, 2006
Short-term debt	$325.9	$294.1	$499.3
Long-term debt	953.1	887.7	812.3
Total debt	**1,279.0**	**1,181.8**	**1,311.6**
Cash and cash equivalents	(141.3)	(168.1)	(315.9)
Debt-related derivatives	(5.0)	(3.3)	(101.0)
Net debt	**$1,132.7**	**$1,010.4**	**$894.7**

Reconciliation of "Leverage ratio" to GAAP Financial Measure

March 31, 2007

(Dollars in millions)

Net debt 2)	$1,132.7
Pension liabilities	92.2
Net debt per the policy	**$1,224.9**
Income before income taxes 3)	461.5
Plus: Interest expense, net 1)3)	43.3
Depreciation and amortization of intangibles (incl. impairment write-offs)3)	309.6
EBITDA per the Policy3)	**$814.4**

Net debt to EBITDA ratio	1.5

Reconciliation of "Interest coverage ratio" to GAAP Financial Measure
First 3 months 2007

(Dollars in millions)

Operating income[3)]	$505.5
Amortization of intangibles (incl. impairment write-offs)[3)]	18.2
Operating profit per the Policy[3)]	**$523.7**
Interest expense, net [1)3)]	43.3
Interest coverage ratio	12.1

- **BMW's 1-series:** Side airbags and seatbelts with pretensioners
- **Chrysler's new Sebring convertible:** Driver airbag, passenger airbag, steering wheel and seatbelts with pretensioners
- **Ford's new Escape/Tribute:** Driver airbag, passenger airbag, steering wheel and seatbelts with pretensioners
- **Ford's new Mondeo:** Passenger airbag, side airbags, *Inflatable Curtains*, knee airbag and seatbelts with pretensioners
- **Mazda's CX7:** Safety electronics
- **Mercedes' new C-class:** Side airbags, *Inflatable Curtains* and seatbelts with pretensioners
- **SAIC's new Roewe 750:** Driver airbag, passenger airbag and seatbelts
- **Toyota's new Auris:** Driver airbag and steering wheel

OTHER SIGNIFICANT EVENTS

- On April 1, Mr. Lars Westerberg retired as President and Chief Executive Officer of Autoliv, Inc. to become Chairman of the Board. Former Chairman, Mr. S. Jay Stewart, remains on the Board and continues to be Lead Director for the meetings of the independent board members. Mr. Westerberg was succeeded by Mr. Jan Carlson, whose experience during his nearly eight year with Autoliv includes; President of Autoliv Europe, Vice President Engineering of Autoliv, Inc. and President Autoliv Electronics.
- In accordance with the general terms of the Autoliv Stock Incentive Plan, Mr. Westerberg's restricted stock units and 2007 stock options vested upon his retirement. In the first quarter, the Company therefore made a provision of $1.4 million for equity-based compensation (including $0.5 million for payroll taxes and other statutory employer fees). The Company also made a provision of $2.6 million (including a $0.5 million payroll tax) for pension fees that became payable immediately instead of gradually had he remained as CEO until June 2008 as originally planned.
- During the quarter, the Company repurchased 694,000 shares for $40 million at an average cost of $57.95 per share. Since the repurchasing program was adopted in 2000, the Company has bought back 24.7 million shares for $960 million at an average cost of $38.91 per share compared to the share price at the end of the quarter of $57.11. This 47% increase in the potential market value of the investment is almost twice as much as expected from the 24% reduction in the number of shares outstanding due to the share repurchases. Under the existing authorizations, an additional 5.3 million shares can be repurchased.
- Autoliv has received five different awards from Toyota, four awards from Ford, two from General Motors, and one each from Honda and Hyundai/Kia. Thus, Autoliv has recently received a record-breaking number of customer awards for its performance during 2006.
- Autoliv's plant in Queretaro, Mexico, that makes textile cushions for airbags, has received the Shingo Prize for Excellence in Manufacturing which is "the Nobel Prize in Manufacturing" according to Business Week magazine

DIVIDEND AND NEXT REPORT

The Company has declared a 5% increase in its quarterly dividend to 39 cents per share. This dividend for the second quarter will be paid on June 7 to shareholders of record as of May 10, 2007. The ex-date, when the stock trades without the right to the dividend is May 8, 2007.

The dividend was also raised in May 2006 for the third quarter by 9% and by another 6% in August for the fourth quarter 2006. In total, the quarterly dividend to shareholders has been tripled during the last four years through nine increases resulting in an average annual compounded growth rate in excess of 30%.

Autoliv intends to publish the quarterly report for the second quarter on Thursday July 26, 2007.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders (the "Meeting") will be held in Chicago on May 3, 2007. Shareholders of record at the close of business on March 6, 2007 are entitled to be present and vote at the Meeting.

Notice of the General Meeting, the Annual Report, the Proxy Statement and the Proxy Card were mailed in March, 2007 to Autoliv's shareholders.

Shareholders are urged to return their proxy cards whether or not they plan to attend the Meeting.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of March 31, 2007, the Company's future contractual obligations, have not changed significantly from the amounts reported in the 2006 Annual Report on Form 10-K/A filed with the SEC on February 28, 2007. The adoption of FIN-48 did not have a material impact on the table of contractual obligations.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As or March 31, 2007, 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 2006 Annual Report on Form 10-K/A filed with the SEC on February 28, 2007.

ITEM 4 CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Autoliv's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's 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 (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 effectively recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

(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.

ITEM 4T CONTROLS AND PROCEDURES

Not applicable

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.

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, but the Company cannot provide assurance that Autoliv will not experience any material product liability or other losses in the future.

In December 2003, a United States Federal District Court awarded a supplier of Autoliv ASP, Inc. approximately $27 million plus pre-judgment interest of $7 million in connection with a commercial dispute that relates to purchase commitments. Autoliv appealed the verdict and the supplier cross-appealed in regard to the calculation of the amount of pre-judgment interest. The United States Court of Appeals for the Federal Circuit on August 7, 2006, affirmed the judgment of the district court on certain appeal issues, vacated the district court's decision on certain other appeal issues and remanded the case for the district court to reconsider, and finally adjusted the district court's calculations of pre-judgment interest. On November 29, 2006, the United States Federal District Court amended the judgment on pre-judgment interest and denied Autoliv's motion for vacatur. Autoliv has appealed the decision. While legal proceedings are subject to inherent uncertainty, Autoliv believes that it has meritorious grounds for appeal, which would result in a new trial, and that it is possible that the judgment could be eliminated or substantially altered. Consequently, in the opinion of the Company's management, it is not possible to determine the final outcome of this litigation at this time. The final outcome of this litigation may result in a loss that will have to be recorded by the Company.

The Company believes that it is currently adequately insured against product and other liability risks, at levels sufficient to cover potential claims, but Autoliv cannot be assured that the level of coverage will be sufficient in the future or that such coverage will be available on the market.

ITEM 1A RISK FACTORS

As of March 31, 2007, there have been no material changes in the information that was provided in the Company's 2006 Annual Report on Form 10-K/A filed with the SEC on February 28, 2007.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Stock repurchase program

During the first quarter of 2007, Autoliv repurchased 694,400 shares for $40.2 million at an average price of $57.86. Since the repurchasing program was adopted in 2000, Autoliv has bought back 24.7 million shares at an average price of $38.84 per share. Under the existing authorizations, another 5.3 million shares could be repurchased. Below is a summary of Autoliv's common stock repurchases by month for the quarter ended March 31, 2007:

	Stockholm Stock Exchange ("SSE")		New York Stock Exchange ("NYSE")		SSE + NYSE		
Date	Total No. of Shares Purchased	Average Price in USD Paid per Share	Total No. of Shares Purchased	Average Price in USD Paid per Share	Total No. of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price in USD Paid per Share	Maximum No. of Shares that may yet be Purchased under the Plans or Programs
Jan 1-							

Jan 31 **Total**	-	-	-	-	-	-	6,023,100
Feb 1- Feb 28 **Total**	150,000	58.4262	135,000	58.2475	285,000	58.3416	5,738,100
Mar 1- Mar 31 **Total**	206,500	57.5526	202,900	57.5112	409,400	57.5321	5,328,700
Total	356,500	57.9202	337,900	57.8054	694,400	57.8643	5,328,700

1) Announcement of share buyback program with authorization to buy back 10 million shares made on May 9, 2000.
2) Announcement of expansion of existing share buyback program from 10 million shares to 20 million shares made on April 30, 2003.
3) Announcement of expansion of existing share buyback program from 20 million shares to 30 million shares made on December 15, 2005.
4) The share buyback program does not have an expiration date.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5 OTHER INFORMATION

Not applicable.

ITEM 6 EXHIBITS

Exhibit No.	Description
3.1	Autoliv's Restated Certificate of Incorporation incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form S-4 (File No. 333-23813, filing date June 13, 1997) (the "Registration Statement").
3.2	Autoliv's Restated By-Laws incorporated herein by reference to Exhibit 3.2 to the Registration Statement.
4.1	Rights Agreement, dated as of December 4, 1997, between Autoliv and First Chicago Trust Company of New York incorporated herein by reference to Exhibit 3 to Autoliv's Registration Statement on Form 8-A (File No. 1-12933, filing date December 4, 1997).
10.1	Facilities Agreement, dated November 13, 2000, among Autoliv, Inc. and the lenders named therein, as amended by amendment dated November 5, 2001, as further amended by amendment dated December 12, 2001, and as further amended by amendment dated June 6, 2002, is

	incorporated herein by reference to Exhibit 10.1 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.2	Autoliv, Inc. 1997 Stock Incentive Plan, incorporated herein by reference to Autoliv's Registration Statement on Form S-8 (File No. 333-26299, filing date May 1, 1997).
10.3	Amendment No. 1 to Autoliv, Inc. Stock Incentive Plan, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.4	Form of Employment Agreement between Autoliv, Inc. and its executive officers, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.5	Form of Supplementary Agreement to the Employment Agreement between Autoliv and certain of its executive officers, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.6	Employment Agreement, dated November 11, 1998, between Autoliv, Inc. and Lars Westerberg, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.7	Form of Severance Agreement between Autoliv and its executive officers, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.8	Pension Agreement, dated November 26, 1999, between Autoliv AB and Lars Westerberg, is incorporated herein by reference to Exhibit 10.3 on Form 10-K (File No. 1-12933, filing date July 2, 2002).
10.9*	Form of Amendment to Employment Agreement - notice.
10.10*	Form of Amendment to Employment Agreement - pension.
10.11*	Form of Agreement - additional pension.
10.12**	Amendment No.2 to the Autoliv, Inc. 1997 Stock Incentive Plan.
11	Information concerning the calculation of Autoliv's earnings per share is included in Note 1 of the Consolidated Notes to Financial Statements contained in the Company's Annual Report on Form 10-K (File No. 1-12933, filing date March 10, 2005) and is incorporated herein by reference.
31.1***	Certification of the Chief Executive Officer of Autoliv, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the 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 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.

*Filed in 10-K for the fiscal year ended 2002.
** Filed in 10-K for the fiscal year ended 2003.
*** Filed herewith.

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: April 27, 2007

AUTOLIV, INC.
(Registrant)

By: /s/ Magnus Lindquist

____
Magnus Lindquist
Vice President
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)