AUTOLIV INC
Form 10-Q
April 23, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report

Pursuant to Section 13 or 15 (d) of the

Securities Exchange Act of 1934

For the quarterly period ended March 31, 2009

Commission File No.: 1-12933

AUTOLIV, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0378542**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the proceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: ¨ No: ¨

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

Large accelerated filer: x	Accelerated filer: ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: ¨ No: 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 17, 2009, there were 85,082,016 shares of common stock of Autoliv, Inc., par value $1.00 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

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

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

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

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety or reasons, including without limitation, the successful execution of any restructuring activities discussed herein and the market reaction thereto, changes in general industry and market conditions, increased competition, higher raw material, fuel and energy costs, changes in consumer preferences for end products, customer losses and changes in regulatory conditions, customer bankruptcies, consolidations or restructuring, divestiture of customer brands, the economic outlook for the Company s markets, fluctuation of foreign currencies, fluctuation in vehicle production schedules for which the Company is a supplier, continued uncertainty in program awards and performance, the financial results of companies in which Autoliv has made technology investments, pricing negotiations with customers, increased costs, supply issues. product liability, warranty and recall claims and other litigations, possible adverse results of pending or future litigation or infringement claims, legislative or regulatory changes, tax assessments by governmental authorities, political conditions, dependence on customers and suppliers, as well the risks identified in Item 1A Risk Factors in this report. Except for the Company s ongoing obligation to disclose information under the U.S. federal securities laws, the Company undertakes no obligation to update publicity any forward-looking statements whether as a result of new information or future events.

For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Dollars in millions, except per share data)

	Quarter January-March 2009	Quarter January-March 2008
Net sales		
- Airbag products	$ 586.5	$ 1,159.4
- Seatbelt products	340.2	668.3
Total net sales	**926.7**	**1,827.7**
Cost of sales	(846.4)	(1,478.1)
Gross profit	**80.3**	**349.6**
Selling, general & administrative expenses	(72.0)	(102.9)
Research, development & engineering expenses	(75.2)	(112.9)
Amortization of intangibles	(5.8)	(6.2)
Other income (expense), net	(16.0)	(0.3)
Operating (loss) income	**(88.7)**	**127.3**
Equity in earnings of affiliates	0.9	1.1
Interest income	2.9	1.6
Interest expense	(18.4)	(16.3)
Other financial items, net	(0.2)	(0.2)
(Loss) income before income taxes	**(103.5)**	**113.5**
Income tax benefit (expense)	39.4	(30.0)
Net (loss) income	**$ (64.1)**	**$ 83.5**
Less: Net (loss) income attributable to non-controlling interest	(0.7)	2.0
Net (loss) income attributable to controlling interest	**$ (63.4)**	**$ 81.5**
Net (loss) earnings per share basic	**$ (0.90)**	**$ 1.11**
Net (loss) earnings per share diluted[1)]	**$ (0.90)**	**$ 1.11**
Weighted average number of shares outstanding, net of treasury shares (in millions)	**70.5**	**73.4**
Weighted average number of shares outstanding, assuming dilution and net of treasury shares (in millions)	**70.6**	**73.7**
Number of shares outstanding, excluding dilution and net of treasury shares (in millions)	**85.1**	**72.7**
Cash dividend per share declared	**$**	**$ 0.39**
Cash dividend per share paid	**$ 0.21**	**$ 0.39**

1) No dilution first quarter 2009. The difference between basic and dilutive per share amounts is less than one percent for each period.

See Notes to unaudited consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Cash & cash equivalents	$ 935.4	$ 488.6
Receivables	771.7	838.5
Inventories	456.2	592.4
Other current assets	207.8	166.8
Total current assets	**2,371.1**	**2,086.3**
Property, plant & equipment, net	1,092.9	1,158.2
Investments and other non-current assets	220.7	215.9
Goodwill	1,600.5	1,607.8
Intangible assets, net	134.0	137.4
Total assets	**$ 5,419.2**	**$ 5,205.6**
Liabilities and equity		
Short-term debt	$ 207.8	$ 270.0
Accounts payable	438.1	613.4
Accrued expenses	352.8	324.3
Other current liabilities	146.1	173.0
Total current liabilities	**1,144.8**	**1,380.7**
Long-term debt	1,748.1	1,401.1
Pension liability	109.4	111.0
Other non-current liabilities	130.7	139.0
Total non-current liabilities	**1,988.2**	**1,651.1**
Total parent shareholders equity	2,241.5	2,116.5
Non-controlling interest	44.7	57.3
Total equity	**2,286.2**	**2,173.8**
Total liabilities and equity	**$ 5,419.2**	**$ 5,205.6**

See Notes to unaudited consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(Dollars in millions)

	Quarter January-March 2009	Quarter January-March 2008
Operating activities		
Net (loss) income	$ (64.1)	$ 83.5
Depreciation and amortization	71.0	84.4
Other	10.8	(1.4)
Changes in operating assets and liabilities	(26.5)	(1.6)
Net cash (used in) provided by operating activities	**(8.8)**	**164.9**
Investing activities		
Capital expenditures	(35.4)	(62.8)
Proceeds from sale of property, plant and equipment	1.7	3.9
Acquisitions of businesses, investments in affiliated companies and other, net	(2.7)	(6.2)
Net cash used in investing activities	**(36.4)**	**(65.1)**
Financing activities		
Net (decrease) increase in short-term debt	(90.9)	228.9
Issuance of long-term debt	440.0	19.0
Repayments and other changes in long-term debt	(79.1)	(191.1)
Dividends paid	(14.8)	(28.7)
Shares repurchased		(63.2)
Common stock issue, net	238.6	
Common stock options exercised	0.1	0.2
Other, net	(0.2)	(0.2)
Net cash provided by (used in) financing activities	**493.7**	**(35.1)**
Effect of exchange rate changes on cash	(1.7)	7.9
Increase in cash and cash equivalents	**446.8**	**72.6**
Cash and cash equivalents at period-start	488.6	153.8
Cash and cash equivalents at period-end	**$ 935.4**	**$ 226.4**

See Notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF TOTAL EQUITY (UNAUDITED)

(Dollars and Shares in millions)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Non-controlling interest	Total Equity
Balance at December 31, 2008	**102.8**	**$ 102.8**	**$ 1,954.3**	**$ 1,402.8**	**$ 54.3**	**$ (1,397.7)**	**$ 57.3**	**$ 2,173.8**
Common Stock incentives						1.2		1.2
Cash dividend paid to non-controlling interest on subsidiary stock							(0.2)	(0.2)
Purchase of non-controlling interest			(1.3)				(9.7)	(11.0)
Common stock issue, net of fees			(409.8)			630.7		220.9
Fair value purchase contracts, net of fees			15.4					15.4
Total Comprehensive Loss:								
Net loss				(63.4)			(0.7)	(64.1)
Net change in cash flow hedges					(0.1)			(0.1)
Foreign currency translation					(48.6)		(2.0)	(50.6)
Pension liability					0.9			0.9
Total Comprehensive Loss								*(113.9)*
Balance at March 31, 2009	**102.8**	**$ 102.8**	**$ 1,558.6**	**$ 1,339.4**	**$ 6.5**	**$ (765.8)**	**$ 44.7**	**$ 2,286.2**

During the first quarter 2009 the Company sold approximately 14.7 million common shares from treasury stock. In addition, approximately 0.1 million shares from the treasury stock have been utilized by the Stock Incentive Plan during the first quarter 2009.

See Notes to unaudited consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise noted, all amounts are presented in millions of

dollars, except for per share amounts)

March 31, 2009

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 condensed consolidated balance sheet at December 31, 2008 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.

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 Company s Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 24, 2009.

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

1.2 Receivables

During the first quarter of 2009, the Company sold receivables related to selected customers with high credit worthiness as a means of saving interest cost, net of discounts. The receivables were sold to various external financial institutions without recourse and in accordance with FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (FAS-140). Since the Company uses the cash received to repay debt, these factoring agreements have the effect of reducing debt and accounts receivable. At March 31, 2009 and December 31, 2008 receivables would have been higher by $41 million and $104 million, respectively, if these agreements had not been entered into. The discount cost is recognized in Other financial items, net in the Statement of Operations.

1.3 Inventories

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

	March 31, 2009	December 31, 2008
Raw materials	$ 185.8	$ 227.5
Work in progress	176.2	236.6
Finished products	94.2	128.3
Total	**$ 456.2**	**$ 592.4**

1.4 Restructuring

The Company defines restructuring expense to include costs directly associated with exit or disposal activities accounted for in accordance with FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (FAS-146) and employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with FASB Statement No. 88 *Employers Accounting for Settlements and*

Curtailments of Defined Benefit Plans and for Termination Benefits (FAS-88) and FASB Statement No. 112, *Employers Accounting for Postemployment Benefits* (FAS-112). Impairment charges directly associated with exit or disposal activities are accounted for in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS-144).

Estimates of restructuring charges are based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a timeframe such that significant changes to the exit plan are not likely. Due to inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated.

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The tables below summarize the change in the balance sheet position of the restructuring reserves from December 31, 2007 to March 31, 2009.

2009

The Action Program initiated in July 2008 was finalized as of December 31, 2008. The cost in 2008 for this Action Program was $74 million (for further information, see Note 10 in the 2008 Annual Report) and the remaining reserves at the end of 2008 will substantially become payments during 2009. The Company will not initiate additional restructuring activities under this program. From January 2009 and onwards new provisions for restructuring activities will be made on a case by case basis and no individual plan is expected to be material to the Company s consolidated financial statements.

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