Autoliv
January 30, 2026

Corporate Speakers

- Anders Trapp; Autoliv; Vice President, Investor Relations
- Mikael Bratt; Autoliv; President, Chief Executive Officer
- Fredrik Westin; Autoliv; Chief Financial Officer

Participants

- Colin Langan; Analyst; Wells Fargo
- Tom Narayan; Analyst; RBC
- Agnieszka Vilela; Analyst; Nordea
- Winnie Dong; Analyst; Deutsche Bank
- Jairam Nathan; Analyst; Daiwa Capital Markets America
- Hampus Engellau; Analyst; Handelsbanken
- Emmanuel Rosner; Analyst; Wolfe Research

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Autoliv Fourth Quarter 2025 Financial Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Anders Trapp, Vice President, Investor Relations. Please go ahead.

Anders Trapp^ Thank you, Saundra [ph]. Welcome everyone, to our fourth quarter and full year '25 earnings call. On this call we have our President and Chief Executive Officer, Mikael Bratt; our Chief Financial Officer, Fredrik Westin; and me, Anders Trapp, VP, Investor Relations.

During today's earnings call we will highlight several key areas including our record-breaking sales, cash flow and earnings per share. We also provided an update on the latest market development. And finally, we will outline the expected margin improvement in 2026 and how our strong balance sheet and asset returns will support the continued high level of shareholder returns. Following the presentation, we will be available to answer your questions. As usual, the slides are available on autoliv.com.

Turning to the next slide. We have the safe harbor statement which is an integrated part of this presentation. And it includes the Q&A that follows. During the presentation we will reference non-U.S. GAAP measures. The reconciliations of historical use GAAP to non-use GAAP measures are disclosed in our quarterly earnings release available on autoliv.com, and in the 10-K that will be filed with the SEC or at the end of this presentation.

Lastly, I should mention that this call is intended to conclude at 3:00 p.m. Central European Time. So please follow a limit of two questions per person. I now hand it over to our CEO, Mikael Bratt.

Mikael Bratt^ Thank you, Anders. Looking on the next slide. I am very pleased to report another great quarter with strong development in sales, profitability, cash flow and balance sheet. These achievements reflect the performance of the whole Autoliv team and the depth of our customer partnerships and our dedication to ongoing structural cost savings. We achieved record high sales for both the quarter and the full year supported primarily by strong growth in India and with Chinese OEMs.

Sales to rapidly expanding Chinese OEMs surged nearly 40% in the quarter, reinforcing our position in the industry's most dynamic markets. India, again, delivered exceptional growth, representing nearly half of our global organic growth.

Looking ahead, we expect to continue to significantly outperform light vehicle production in both China and India in 2026. As we have guided for, adjusted operating income declined slightly in the quarter, mainly due to lower out-of-period compensation and lower customer RD&E reimbursement. We recovered close to 100% of tariff costs in the fourth quarter. We delivered record operating and free operating cash flow for both the quarter and for the full year.

In 2025, we generated $734 million in free operating cash flow, an increase of over $230 million, driven by higher profitability and disciplined capital management. It is also important to note that we delivered record earnings per share for both the quarter and the full year. During the quarter, we returned $216 million to shareholders while reducing our debt leverage ratio to 1.1 times, reinforcing my confidence in our ability to continue delivering attractive shareholder returns.

We also announced that Autoliv and Tensor have developed the first foldable steering wheel for the Tensor's Robocar, targeted for volume production in late 2026. This innovation enhances safety and design flexibility for autonomous vehicles and marks an important strategic step in expanding our role in the emerging autonomous vehicle ecosystem.

Looking on the next slide. Fourth quarter sales increased by 8% year-over-year, driven by strong outperformance relative to LVP, along with favorable currency effects and tariff-related compensations. This growth was partly offset by an unfavorable regional and market light vehicle production mix. The adjusted operating income for Q4 decreased by 4% to $337 million, compared to an exceptionally strong fourth quarter last year. The adjusted operating margin was 12%, 140 basis points lower than in the same quarter last year. Operating cash flow was $544 million, an increase of $124 million or 30% compared to last year.

Looking now on the next slide. We continue to deliver broad-based improvements with particularly strong progress in direct costs. Our positive direct labor productivity trend continues as we reduce our direct production personnel by almost 700. This is supported by the implementation of our strategic initiatives including automation and digitalization. Gross profit increased by $22 million, while gross margin declined by 70 basis points year-over-year, but improved by sequentially by 100 basis points compared with the third quarter.

RD&E net costs rose year-over-year, primarily on lower engineering income due to timing of specific customer development projects. SG&A costs increased by $12 million, mainly due to higher costs for personnel, as well as negative FX translation effect.

Looking now on the market development in the fourth quarter on the next slide. Light vehicle production in the fourth quarter of 2025 reached its highest level for any quarter on record. This reflects strong demand across several major markets. The regional production mix has changed significantly in recent years with a large share now coming from lower content per vehicle markets in Asia.

According to S&P Global data from January, global light vehicle production for the fourth quarter increased 1.3% exceeding the expectation from the beginning of the quarter by 4 percentage points. The stronger-than-expected market was primarily driven by China, where light vehicle production came in 8 percentage points above expectations, supported by consumers taking advantage of scrapping and replacement subsidies before their expiration.

India also contributed to better-than-expected light vehicle production growth, supported by significantly reduced taxes on new vehicles. Light Vehicle demand and production in North America have held up better than expected, leading to a small decline in light vehicle production than anticipated.

As many low content markets grow during the quarter, the global regional light vehicle production mix was approximately 150 basis points unfavorable. This was more than 100 basis points worse than expected at the start of the quarter. During the quarter, we experienced increased volatility driven by inventory adjustments in North America early in the period. In December, we also saw production adjustments in Asia including China, in response to rising inventory levels. We view this volatility as temporary and expect conditions to improve in 2026. We will talk about the market development more in detail later in the presentation.

Looking now on our sales growth in more detail on the next slide. Our consolidated sales were over $2.8 billion, the highest for any quarter yet. This was around $200 million higher than last year, driven by volume and positive currency translation effects and $27 million from tariff-related compensation. Excluding currencies, our organic sales grew by 4% including tariff costs compensations. China accounted for 23% of our group sales.
Asia, excluding China, accounted for 20%, Americas for 30%, and Europe for more than 27%. We outlined our organic sales growth compared to LVP on the next slide. Our quarterly sales growth was driven by strong performance across most regions, particularly in the rest of Asia and China. Based on the latest light vehicle production data from S&P Global, we outperformed the market by 3 percentage points globally, despite the unfavorable regional light vehicle production mix. We returned to outperformance in Europe and the Americas.

In rest of Asia, we outperformed the market by 11 percentage points, driven by continued strong sales. Growth in India, where we did outperform in more than 30 percentage points. Our sales to Chinese OEMs grew by almost 40%, exceeding the light vehicle production growth by 34 percentage points. Sales to global customers in China were 8 percentage points below the light vehicle production development.

On the next slide, we see some key model launches from the fourth quarter. The fourth quarter of 2025 saw a relatively high number of new launches, primarily in China with both Chinese and other OEMs. These new China launches reflect strong momentum for Autoliv in this important market. The models displayed here feature Autoliv content per vehicle from $150 to over $400. Higher CPV is driven by front center airbags on three of these vehicles produced in China.

In terms of Autoliv's sales potential, the Mercedes GLB and CLA combined are the most significant. The CLA was the highest scoring car by Euro NCAP in 2025. For 2026, we expect a record number of new product launches, driven by Chinese OEMs.

Now looking at the next slide. 2025 was a challenging year for the industry, marked by tariffs, ongoing supply chain disruptions, the slowdown in EV demand, shift in the OEM, landscape and demand pressure due to concerns of vehicle affordability. Despite these headwinds, Autoliv delivered a record year.

On to the next slide, where we summarize the year. For the year, we met or exceeded all of our full year guidance metrics, sales, adjusted operating margin and cash flow. Our sales reached a new all-time record. Global Light Vehicle Production surpassed 90 million units for the first time since 2018. However the regional mix has shifted significantly with higher volumes in Asia and lower volumes in high content markets, such as Western Europe and North America.

We also reached several other significant milestones Operating income exceeded $1 billion for the first time. Earnings per share rose above $9, and we paid more than $3 per share in dividend.

During our Capital Markets Day in June, we reiterated our medium- and long-term financial targets, and we initiated a new $2.5 billion share repurchase program. Another highlight of the year was the signing of the strategic agreement with CATARC , and we expand further into advanced automotive safety and electronics.

Now looking at next slide. Industry sourcing of new business remained at the low level during 2025 as OEMs continue to reassess their product plans. Amid high geopolitical and technogical uncertainty, our customers are reassessing both what and where to produce future models. At the same time they are navigating a more dynamic and competitive industry landscape with many new players.

We have also experienced notable market mix effect as a shorter program life cycles and Chinese OEMs reduced their average lifetime sales. With these OEMs now representing roughly one third of global industry sourcing, the impact of this shift is increasingly pronounced. Despite these headwinds, our intake remained robust, supporting our current market position. Chinese OEMs remained a strong contributor for us, accounting for over 30% of our global order intake. And importantly, we secured our first order with Chinese OEMs for vehicle production in Europe.

Despite this, looking on the order intake in more detail on the next slide. In 2025, about a third of our total ordering became from new automakers, highlighting the growth in importance of new mobility players. We won multiple awards tied to industry trends, such as autonomous driving. This includes solutions that protects occupants in reclining seating position, addressing critical safety risks in next-generation interiors. We strengthened our mobility safety solution business by winning new orders for our advanced pyro-safety switch supporting the growing segment of 1,000 volt electrical vehicles.

Additionally, awards including an Occupant Safety System Development program from a major premiumautomaker , as well as wins for steering wheel switches with integrated ECUs and rear window inflatable curtain airbags. We continued to expand our safety offering in

India with advanced systems such as seat cushion airbags and front center airbags. We licensed our Human Body Model solution to our first customer a leading automaker, enabling next level virtual crush testing and demonstrating the strength of our digital safety capabilities.

Let's now look at organic sales growth for the full year 2025. For the full year, we grew in line with global light vehicle production. Outperformance came in lower than anticipated earlier in the year as the regional and market light vehicle production mix developed almost 4 percentage points less favorable than expected. We outperformed in rest of Asia by 6 percentage points.

In the Americas by 3 percentage points and in Europe by 2 percentage points. In China, our sales to Chinese OEMs grew by 23% and they accounted for more than 44% of our China sales, doubled our share from three years ago. However the unfavorable market mix still resulted in a 6 percentage points underperformance in China overall. Our global market position remains strong with clear market leadership across all regions and product categories.

In 2025, our global market share was around 44%, almost 5 percentage points higher than in 2018 following the Veoneer spinoff. Supported by new launches, especially with Chinese OEMs and CPV growth, we expect sales to outperform Light Vehicle Production by around 1 percentage points in 2026. Now looking at the next slide. I will now hand over to Fredrik Westin.

Fredrik Westin^ Thank you, Mikael. I will talk about the financials now more in detail on the next few slides. So turning to the next slide. This slide highlights our key figures for the fourth quarter of 2025 compared to the fourth quarter of 2024. The net sales were approximately $2.8 billion, representing an 8% increase. Gross profit increased by $22 million.

The drivers behind the gross profit improvement were mainly improved operational efficiency, with lower cost for logistics and labor, as well as positive effects from higher sales and lower material costs. This was partly offset by lower out-of-period customer compensation, less capitalization to inventories and higher depreciation. The adjusted operating income decreased from $349 million to $337 million, and the adjusted operating margin decreased to 12.0%. The reported operating income of $319 million was $18 million lower, mainly due to costs for recycled accumulated currency translation differences related to the closure of our entities in the Netherlands and Italy.

Despite lower adjusted profit, the adjusted earnings per share diluted increased by $0.14. The main drivers were $0.10 from taxes, $0.11 from lower number of outstanding shares and $0.05 from financial items, partly offset by $0.16 from lower operating income. The adjusted return on capital employed was a solid at 32%, and our adjusted return on equity was 37%. We paid a dividend of $0.87 per share in the quarter and repurchased shares for $150 million and retired 1.3 million shares.

Looking now on the adjusted operating income bridge on the next slide. In the fourth quarter of 2025, our adjusted operating income decreased by $12 million. Operations contributed $41 million, primarily driven by higher organic sales and the successful execution of operational improvement initiatives despite increased call-of volatility. We out-of-period cost compensation was $24 million lower than last year. Costs for RD&E net and SG&A increased by $33 million, mainly due to lower engineering income.

The net currency effect was $7 million positive, mainly from translation effects. The combination of unrecovered tariffs and the dilutive effect of the recovery portion resulted in a negative impact of around 15 basis points on our operating margin in the quarter. Looking now at full year results on the next slide. 2025 was a record year for sales, adjusted operating profit, operating cash flow and adjusted EPS.

Our net sales were $10.8 billion, a 4% increase compared to 2024. The combination of unrecovered tariffs and the dilutive effect of the recovered portion resulted in a negative impact of around 20 basis points on our operating margin for the year. The adjusted operating income increased by 11% to $1.1 billion.

The adjusted operating margin was 10.3% compared to 9.7% in 2024. The operating cash flow was $1.2 billion, about $100 million higher than in 2024. And the adjusted earnings per share rose 18% to $9.85 and reflecting higher net profit and the benefit of a reduced share count from repurchase activities. The earnings per share has grown on average by close to 18% per year since 2021. Dividends of $3.12 per share were paid, an increase of 14%, we repurchased shares for $351 million.

Looking now at the cash flow in more detail on the next slide. The operating cash flow for the fourth quarter totaled $544 million, an increase of $124 million, mainly as a result of positive working capital effects. The positive working capital was primarily driven by lower accounts receivables due to lower sales levels towards the end of the quarter and also from $44 million improvement in inventories mainly due to lower sales levels towards the end of the quarter.

Capital expenditures net for the quarter decreased by $22 million. Capital expenditures net in relation to sales was 3.9% versus 5.0% a year earlier. The lower level of capital expenditure net is mainly related to lower footprint CapEx in Europe and Americas and less capacity expansion in Asia. Free operating cash flow for the quarter was $434 million compared to $288 million in the same period the prior year, mainly due to higher operating cash flow and lower CapEx.

For the full year, free operating cash flow was $734 million. Over the past five years, we have delivered average annual free operating cash flow growth of 25%, reflecting improved profitability and capital management discipline. The cash conversion for the full year, defined as free operating cash flow in relation to net income was 100%, exceeding our target of at least 80%.

Now looking at our trade working capital development on the next slide. We continue to advance our capital efficiency program with a target of improving working capital by $800 million. Over the last five years, we have improved working capital by approximately $740 million.

Improved cash conversion supports a stronger balance sheet and supports our ability to deliver attractive shareholder returns. Compared to the prior year, trade working capital increased by $106 million, where the main drivers were $243 million in higher accounts receivables, $208 million in higher accounts payables, and $72 million in higher inventories.

This increase in trade working capital was mainly due to increased sales. In relation to sales, it was virtually unchanged year-over-year at 10.8% despite higher cooler volatility towards the end of the quarter.

Now looking on our shareholder returns on the next slide. Over the years, Autoliv has demonstrated its ability to generate solid cash flow across different market conditions. During 2025, we returned approximately $590 million to shareholders through dividends and share buybacks. Over the past five years, we have improved our debt leverage while returning $2.44 billion directly to shareholders. This includes repurchases totaling nearly $1.4 billion and dividends of almost $1.1 billion.

In 2025, we substantially increased the quarterly dividend from $0.70 to $0.87 per share, representing a 24% increase. Since initiating the previous stock repurchase program in 2022, we have reduced the number of outstanding shares by almost 15%. When executing the program, we consider several factors including our balance sheet, the cash flow outlook, our credit rating and the general business conditions as well as the debt leverage ratio. We always strive to balance what is best for our shareholders in both the short and long term.

Now looking on our debt leverage ratio development on the next slide. Autoliv's balanced leverage strategy reflects prudent financial management, enabling resilience, innovation and sustained stakeholder value over time. Our leverage ratio improved from 1.3 times to 1.1 times during the quarter despite accelerated shareholder returns. Our net debt decreased by over $200 million. The 12-month trailing adjusted EBITDA was $3 million lower in the quarter. Now on to the next slide. And with that, I hand it back to you, Mikael.

Mikael Bratt^ Thank you, Fredrik. I will talk about the outlook for 2026, more in detail on the next few slides. Turning to the next slide. Overall, global light vehicle production in 2026 is expected to be slightly down compared to 2025, with regional gains and losses nearly offsetting each other. European Light Vehicle Production is expected to remain broadly unchanged as improved affordability is likely to be offset by rising imports from China.

Looking to North America, U.S. light vehicle sales in 2025 generally outperformed expectations. However the market is now facing inflationary pressures as automakers seek to recoup at least part of tariff costs. As a result, S&P forecast light vehicle production to decline by 2% in 2026. The North America outlook remains uncertain due to upcoming USMCA negotiations. Despite weaker demand in China, full year production is expected to show only a modest decline, supported by continued strength in exports. Japan short-term outlook has improvedsupported by tax reductions and the reallocation of production from certain vehicles from Mexico to Japan. For the year, S&P is forecasting flat light vehicle production. Korean light vehicle production remained subdued given weaker domestic demand and a tougher export environment.

In the light vehicle production is expected to increase by 8%, driven by a reduction in purchase taxes on new vehicles with disproportionally benefits smaller and lower-priced models. Geopolitical uncertainty including tariffs and other trade restrictions, the USMCA review and industrial policy shifts are expected to be the biggest risk to the 2026 light vehicle production outlook.

Now looking on our way forward on the next slide. For the full year 2026, we expect flat organic sales overall. Growth in China, India and South America is expected to be offset by lower sales in North America and Europe, reflecting a limited number of new product launches in those regions.

Turning to profitabilitywe expect margin expansion supported by higher operational efficiency, ongoing structural cost reductions and improved light vehicle production call-off volatility. At the same time we anticipate headwinds from higher raw material costs, particularly gold and from higher depreciation as recent investments come online.

Finally, we expect continued strong operating and free operating cash flow generation. CapEx is expected to be slightly higher than in 2025, but still below 5% of sales as we invest in new manufacturing capacity to meet increasing demand in fast-growing regions such as India.

Now looking more specifically on the first quarter 2026. The first quarter is expected to be the weakest of the year which is consistent with the normal seasonal pattern for our industry. China is facing near-term demand headwind due to the reduced scrappage and new energy vehicle incentives, alongside elevated inventories of new vehicles.

As a result, light vehicle production in the Chinese market is expected to decline by more than 10% in the first quarter. As a result, Q1 global light vehicle production is expected to decline by nearly 1 million units or 4% compared with the same period last year. Sequentially versus Q4 2025, LVP is expected to fall by 3.3 million units or 14%, about twice the normal sequential decline.

We expect adjusted operating margin in the first quarter to decline significantly compared to Q1 2025, primarily due to lower light vehicle production, lower engineering income high depreciation and amortization in relation to sales. It's also worth noting that Q1 operating income last year included $12 million positive impact from the sale of our Russia operations.

Turning to the next slide. This slide shows our full year 2026 guidance which excludes effects from capacity alignment and antitrust-related matters. It is based on no material changes to tariffs or trade restrictions that are in effect as of January 23, 2026, as well as no significant changes in the macroeconomic environment for changes in customer call or volatility or significant supply chain disruptions.

We expect to outperform light vehicle production by around 1 percentage points as our organic sales is expected to be flat, while global light vehicle production is expected to decline by 1%. The net currency translation effect on sales is expected to be around 1% positive. The guidance for adjusted operating margin is around 10.5% to 11%. Operating cash flow is expected to be around $1.2 billion. We expect CapEx to be below 5% of sales.

Our positive cash flow and strong balance sheet supports our continued commitment to a high level of shareholder return. We expect a tax rate of around 28%. And now looking on the next slide. This concludes our formal comments for today's earnings call and we would like to open the line for questions from analysts and investors. Now I hand it back to our operating operator, Saundra

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We will now take the first question from the line of Colin Langan from Wells Fargo. Please go ahead.

Colin Langan^ Great thank you for taking my question. Is there a way to frame some of the major puts and takes when you talk about margins on Slide 25, in particular. I think you mentioned it was about $30 million in cost savings. Is that the structural bucket? How large is the raw material drag? Any way to quantify that? And then two things not mentioned on the puts and takes. Engineering was a drag last year. Is that good news in '26? And is there any FX or peso impact that we should be worried about?

Fredrik Westin^ Yes. Thanks for the question. So the puts and takes, if I tried to quantify the more explain a bit more in detail. So on the raw material side, we had about $10 million in headwinds in '25 for the full year, and we expect that to be a larger headwind in '26, so more around $30 million headwind. So that's mainly related to nonferrous metals. And here, the largest headwind is from gold actually.

Then on the RD&E part, for the full year, we expect the RD&E cost as a percent of sales to be more or less flat. And that was also the case in 2025. It's just the timing in '25 was different compared to 2024. But if you look at the full year cost as a percent of sales, it was more or less unchanged. And that's also what we expect for '26 in terms of percent of sales.

Then FX, that had about $20 million positive impact in '25 million, and we expect that the current or the rates that we have included in the forecast which they've changed a little bit since then on our guidance. It would indicate a similar positive effect of around maybe $20 million for '26 million, again which is - as in '25. And then lastly, the structural cost savings, so we have now achieved about $100 million of the $130 million that we set out or detailed out when we announced the plan.

So it's about $30 million left, of which we expect to get $20 million here in this year and then the remaining $10 million next year. So that's maybe some more quantifications there on the puts and takes for '26.

Colin Langan^ Yes. That was very helpful. Just as a follow-up, there was media reports earlier this week that Hyundai has an airbag recall and I think the reports are saying that you were a supplier? Is that quantified in the guidance? Any color you could provide there? I guess a lot of investors are always a little worried when there's recalls. Yes. Is there - or is that very specific to those models that were recall? Thank you.

Mikael Bratt^ Thank you for the question. I think as I said, it just came out here. And I mean we're working together with the customer here, but at this point, there is no indication really towards our products and so forth. But we continue to work with them there to support them, but there are nothing more really to say at this point on that. So right now at this point, no indication towards us.

Colin Langan^ Got it. All right thanks for taking my questions.

Mikael Bratt^ Thank you.

Operator^ Thank you. We will now take the next question from the line of Tom Narayan from RBC. Please go ahead.

Tom Narayan^ Hi yes thank you for taking the question. The first one is on the 2026 guidance, you're calling for a 1% outperformance versus the market. In the last quarter, Q4, you did, I think, a 3% outperformance. Just wanted to know if we could just better understand why the outperformance is only 1%. I know the market items you called out, the launch delays in North America and Europe, those are kind of impacting LVP is this perhaps worse for you guys? Just trying to understand the Autoliv's specific why the outperformance, I guess, is only 1%. And then I have a follow-up.

Mikael Bratt^ Yes. Thank you. I mean first of all, I think this is very much in line with what we have talked about for quite some while here about our organic growth components where we have the 4% to 6% breaking up into three pieces, you could say, our contributors.

And light vehicle production there stands for the first 1% to 2% and then our content or yes, the safety market as such, 1% to 2% and then our Mobility Safety Solutions 1% to 2%. And here, we've been also clear that the 1% to 2% related to mobility Safety Solutions is more towards the 2030 time horizon which leaves us with the LVP and the content there. And LVP, as we mentioned, is negative.

So the 1% that we outperformed here is the consistent with the 1% to 2% CPV contributor here, even though it's the lower end of the range here. And as we have indicated here, I think we have faced headwinds during 2025 due to the mix, mix effect where the, let's say, the lower-end vehicles with lower content has been the ones that really have been growing.

And for 2026, we expect a neutral mix effect, meaning that the mix structure we have now is moving into 2026 and then the lower end of the range of 1% for content growth. So I think it hangs very well together with what we have communicated in the past and our expectation as well here. Of course, we would like to have seen some more positive mix effects coming through here, but we don't see that right now here for 2026. But it will come further down the road here, I believe.

Tom Narayan^ Got it. Understood. Thanks for that that's actually very helpful. My follow-up is, we've all seen the registration data in Europe in the recent months with obviously the Chinese OEMs really gaining share very quickly in certain countries. Maybe you could just -- I know you talked about this a little in the prepared commentary, but maybe just give a little more detail on how you guys are performing with exports and also prospective production in Europe from the Chinese OEMs. Thanks.

Mikael Bratt^ Yes. Thank you. No. I think, I mean as we have indicated here, I think our overall ambitions here to grow with the Chinese OEMs, in general, is progressing very well. And we basically have, I said, double our decision here in the last couple of years here. And have a very strong position in China as the market leader there.

And one of the, I think, strength we have here is really that we can support our Chinese customers as they move outside their home market. And as we reported here, we are happy to share that we have on, first, very important quote here with one of the Chinese customers setting up production in Europe, and we are the only external supplier to that platform which, of course, is really good indication of where we are at.

However, I mean right, so far, it's not the massive localization taking place right now. We are on many of the vehicles that are exported into Europe, of course. But I think it's still some way to go until we see really high volumes of localized Chinese production going forward here.

Tom Narayan^ Understood. Thank you.

Mikael Bratt^ Bottom line is we are well position for that.

Tom Narayan^ Yes. Thanks.

Operator^ Thank you. We will now take the next question from the line of Agnieszka Vilela from Nordea. Please go ahead.

Agnieszka Vilela^ thank you. I have two questions. Maybe starting with your orders progress. Can you tell us what is your estimation of your current market share in the industry? And also, as I understand, you are making progress with the China OEM, but are you keeping your position with the Western OEs?

Mikael Bratt^ Yes. I mean we had a market share of 44% in 2024. We can also report -- we are reporting a market share of 44% in 2025. So yes, we are defending our market share position globally here. And an important part of that, of course, is that we see such a strong growth also with the Chinese OEMs here. And continue to be in focus.

But we shouldn't forget also our strong position in India which we also mentioned here, where we -- with 60 -- roughly 60% market share in the Indian market, see strong CPV growth and also light vehicle production growth. And I think also India is growing its importance as a global hub as well. So of course, with our position there and that growth. We're also well positioned there to continue to build on our market position globally here. Yes.

Agnieszka Vilela^ Thank you. Yes, understood. And then the second question is on the raw material headwind that you assumed for 2026 of $30 million or about $30 million. How did you calculate the -- calculate that headwind? Did you use any kind of spot prices that you see? And if in that case, from what to date? Or are you using some contract prices that you have?

Fredrik Westin^ It's a mix of both. So in some cases, we have some long-term agreements with our suppliers, that's mostly related to steel in Europe. But then we also have contracts which are updated, yes, anywhere between quarterly up to annually. And then we based the forecast here on different index forecast that we have available. And it's -- we lock this forecast at say, late November. We lock the prices and that's what the $30 million is estimated or based on. So we see a headwind from steel. But as I said, the largest impact we see from gold ??

Agnieszka Vilela^ And just to understand that this is net of any potential compensations that you would be getting for that ?

Fredrik Westin^ This is a gross impact we're talking about -- so this is only how our costs will be impacted. This is not the net impact on our P&L.

Agnieszka Vilela^ Okay. Thank you.

Operator^ Thank you. We will now take the next question from the line of Winnie Dong from Deutsche Bank. Please go ahead.

Winnie Dong^ Hi and thank you so much for taking my question. I wanted to just go back to the order intake lifetime sales chart. Just wanted to ask what part of this do you think is structural and what part of it is more temporary. I would just take a step back. We've been talking about that we're in the phase of OEMs reconsidering their future offerings due to many different market factors. And then like where are we do you think is in this phase of uncertainty? And then I have a follow-up. Thank you.

Mikael Bratt^ Yes. I think when you look at that number, as I said, it's in lifetime slightly low compared to historic but in line with the previous year. And I would say the structural part is the effect you get from the more higher turnover of platforms. So I mean as we take the Chinese here, for example, with the high pace of renewal of their model programs, then you get that effect. And I think that will continue.

I think there will continue to be a high pace of new models coming out, meaning that you have end of life also coming quicker here for the models here. So I think that at least for a period of time here, I think that's a long-term effect. I think the short-term effect here is the cancellation of programs that were intended to launch here as the uncertainty around the driveline question here is prominent here and now. That should, of course, be of a temporary nature. So we get more -- to more certain product planning that has cleared out. So you have a little bit of both here in these numbers for 2025.

Yan Dong^ Okay. Got it. That's very helpful. My second question is on the foldable steering wheels that you guys unbilled for autonomous driving. Will this be essentially like the first of many products to come potentially for autonomous driving? And then, just curious on the -- any potential customer feedback that you might have? And when do you foresee for this to take off? And if you can also comment on content versus traditional steering wheels. Thanks.

Mikael Bratt^ I think, I mean in general, starting with last question, I think in general, with more advanced product is a good thing from a growth point of view, for sure. And I think the whole autonomous, even if it's still early days when it comes to volume. We see a lot of interesting and attractive innovation opportunities here where the foldable steering wheel is one. Then, of course, zero gravity seats, even if that's applicable also on the traditional vehicles is for sure, becoming even more interesting in an autonomous vehicle.

So comfort is one driver thereand I think as we said, we will launch this together with our customer here towards the end of 2026. So of course, volume-wise, it's not big in 2026. And then it depends on, of course, the ramp-up of autonomous vehicles going forward here. So I think it's more a long-term and a medium-term play at least here.

But the important thing here is that I think we see great opportunities in the changing of vehicles going forward here, both when we talk to drivelines as well as autonomous vehicle is positive from a content point of view. And also on the reactions you asked about here, is very positive here, and we have had several approaches and discussions after that presentation there at CES. So very positive response on the steering wheel.

Winnie Dong^ Awesome thank you so much for taking my question.

Mikael Bratt^ Thank you.

Operator^ Thank you. We will now take the next question from the line of Jairam Nathan from Daiwa Capital Markets America. Please go ahead.

Jairam Nathan^ Hi thanks for taking my question. I just -- you mentioned how the mix or the regional mix is changing. And I just wanted to understand if there is -- it offers more opportunities in terms of structural efficiencies or footprint rationalizations going forward?

Mikael Bratt^ Yes. I think, I mean we are, of course, extremely focused on continuing to sharpen our abilities here to drive efficiency and productivity and all those things, and that we will continue with. I don't think the mix changes that we have talked about here, the mix changes temporary mix composition here is something that has a major impact on our need to do this. I think what we do and what we drive here to improve the company fits well into also manage that, of course.

So I don't see any drama in it in terms of our possibilities here to generate earnings growth and cash flow, et cetera, but it's more from, as we said, and the light vehicle production outperformance measurement. But it's is more of a temporary point of view, I think.

Jairam Nathan^ Okay. And my follow-up was on when you initially announced a 12% medium-term goal for margins, I think there was $85 million or over $85 million LVP. I'm just trying to understand, given that the mix changes again and higher mix of lower content regions, would that -- would you need to update that $85 million and you might need to maybe increase it to hit that 12%.

Mikael Bratt^ No. I mean we are very firm and committed on the 12%. I think what we have said here that the 85% is -- it's also a mix effect, as you mentioned here. And also we have markets here that has disappeared since we talked about that certain regions that we can't operate in any longer, as well as -- we have some customers that have taken a large share of the growth here that has their own domestic and, of course, thinking about BYD and SAIC that stands for a large portion of the difference there in between that is more of a captive solution. So of course, we see that we can continue to drive our own controllable activities here to support our growth. So we are not hesitating on our ability to get there.

Jairam Nathan^ Thank you

Operator^ Thank you. We will now take the next question from the line of Hampus Engellau from Handelsbanken. Please go ahead.

Hampus Engellau^ Thank you very much. Just two questions for me. Just a question on this domestic Chinese OEM that you got business in Europe with. Is that an already existing client to you guys in China? Or is it a new client? And fundamentals behind this, is this basically transportation cost if it's not the client in China? And second question is just to get a sense of your margin guidance for the full year, the upper range, the 11%,s that within your control? Or is it just -- is it the stability in customer call-offs is that the denominator there? Thank you.

Mikael Bratt^ Thank you, Hampus. Regarding the customer there, it's a customer we interact with already. So it's established relationships. So it's not a completely new customer for us. And then on the second question, I don't know if you would like to take it further here. But I would say, I mean this is, as always, a guidance best on our best knowledge about the future. And what we see here in terms of the external environment, et cetera, is what we have taken into this.

So I mean within this range, of course, is within our own control, then of course, where you can end up a little bit depends on many things, of course, as always. So I think the range is there as it has been now for also last year, is because of the high level of uncertainty in the world around us here. But of course, we feel comfortable on our road here road ahead here to have earnings growth and also the new guidance of $1.2 billion in cash flow here. So that's within lot of our own control. And what we can see also -- just as a reference there, I mean when we talk about last year's results, is primarily, if not all, coming from our own internal activities

Hampus Engellau^ And just -- I know we need to, but the customer call -offs are you getting indications that it's kind of resuming to the trend --

Mikael Bratt^ Sorry -- no, on the call off here, I mean that we dropped in the fourth quarter here, we see as a temporary thing. So we expect that to least come back to the 95-ish that we talked about. And I'm still a strong believer that over time we will get back to pre-pandemic levels when we get presuming more stable external environment here as an industry. But for sure, getting back to where we were before Q4 here, because the volatility here was very much related to some OEMs deciding to -- with very short notice or no noticeat all to stop production to manage the inventory situations. We also had some cases with some customers have had some supply issues inventory management and supply chain issues

Hampus Engellau^ Thank you.

Mikael Bratt^ Thank you.

Operator^ Thank you. We will now take the last question from the line of Emmanuel Rosner from Wolfe Research. Please go ahead.

Emmanuel Rosner^ All right thank you so much for taking the question. I wanted to ask you again about the margin walk and improvement for this year. So on basically stable organic growth, you're still planning to achieve pretty meaningful margin expansion. And you gave some of the puts and takes and you -- very helpfully quantified some of them before.

But I was wondering if there's a couple that we can come back to. In particular, currency, looks like the peso has moved quite a bit. So I've been surprised that it's not a little bit more of a headwind. So maybe you have some other offsets that you could talk about? And then on the positive side, I think you quantified for us the structural cost reduction, but curious about how do you think about the operational efficiency and the call-off benefit, I guess, the positive pieces of the equation.

Fredrik Westin^ Yes. On the FX part, we do expect, as in 2025, a larger part of the positive development here from the translational effect. I mean we saw actually on the transactional part, we also saw a net or a negative effect in '25, and that could also continue as to imply here in '26. But the overall results were impacted then expect to be slightly positive.

On the structural cost savings, as I said, $20 million of the $30 million remaining coming in we do then expect also further improvements from our operational improvement programs. I mean automation digitalization. Those contributed quite significantly here in '25 already. and we expect further improvements also from that year in '26. So I hope that answers your question a bit better then.

Emmanuel Rosner^ Yes. I didn't quite catch the FX piece of it, though. Would you mind just going back over this?

Fredrik Westin^ Yes. So as I said, in '25, we actually -- on the transactional part which then includes our exposure to the peso, mostly, we had a negative effect year-over-year for the full year. But the major -- or the positive part was from translational effects and that we expect to continue also in '26 with a similar picture as we stand today. I mean now the dollar has depreciated a bit further versus the assumptions we have based our guidance on. So that could also then have a larger or more positive impact on the top line and potentially also on the bottom line.

Emmanuel Rosner^ Understood. And then also just following up on the raw materials piece, if you could give some good color for what the growth it would be. Just curious if you can give a little bit more in terms of which of the specific materials, I guess, are most impactful within that and how things have essentially been evolving in terms of input costs?

Fredrik Westin^ Yes. So as I said, it's -- we expect a gross headwind of a little bit less than $30 million. And then basically, half of that we expect from gold alone of that headwind or closer to two-thirds actually. Then the second largest headwind we expect from steel. And then behind that copper, whereas we expect yarn actually to be a tailwind for us at the current pricing levels.

Emmanuel Rosner^ Undertsood. Thank you.

Fredrik Westin^ Thank you.

Operator^ Thank you. That is all the time we have for questions today. I would now like to turn the conference back to Mikael Bratt for closing remarks.

Mikael Bratt^ Thank you, Sandra Before we conclude today's call I would like to say that I'm confident that our strong market position and growth momentum in Asia, especially in China and India, sets us up well for continued success. Combined with our proven ability to strengthen profitability also in a low growth environment.

We have a solid foundation for delivering attractive shareholder return and a clear path towards achieving our 12% adjusted operating margin target. Our first quarter call is scheduled for Friday, April 17, 2026. Thank you for your attention. Until next time stay safe.