

Autoliv (Q3 2026 Results)
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Corporate Speakers

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

Participants

- Gautam Narayan; RBC; Analyst
- Emmanuel Rosner; Wolfe Research; Analyst
- Chris McNally; Evercore ISI; Analyst
- Winnie Dong; Deutsche Bank; Analyst
- Jose Asumendi; JPM; Analyst
- Agnieszka Vilela; Nordea; Analyst
- Hampus Engellau; Handelsbanken; Analyst
- Stephen Benhamou; Bank of America; Analyst
- Itay Michaeli; TD Cowen; Analyst

PRESENTATION

Operator^ Good day. Thank you for standing by. Welcome to the Autoliv, Inc. Third Quarter 2026 Financial Results Webcast and 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, Madalene.

So welcome everyone to our Third Quarter 2026 Earnings Call.

On this call we have our President and Chief Executive Officer, Mikael Bratt; our Chief Financial Officer, Monika Grama; and me, Anders Trapp, Investor Relations.

During today's earnings call we will highlight some - several key areas including our strong performance in a challenging market environment, ongoing mitigation actions to offset cost headwinds.

We're going to give an update on the latest market developments and our shareholder returns and our full year guidance and the potential impact of ongoing geopolitical and market challenges.

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 includes the Q&A that follows.

During the presentation, we will reference non-U.S. GAAP measures. The reconciliations of historical U.S. GAAP to non-U.S. GAAP measures are disclosed in our quarterly earnings release available on autoliv.com and in the 10-Q that will be filed with the SEC and at the end of this presentation.

Lastly, I should mention that this call is intended to conclude at 3:00 p.m. Central European Daylight Saving Time.

So please follow a limit of two questions per person.

I will now hand over to our CEO, Mikael Bratt.

Mikael Bratt^ Thank you, Anders.

Looking on the next slide.

We delivered a strong third quarter in a tough environment with adjusted operating margin exceeding our earlier indications and reflecting disciplined execution across the business. The progress we achieved during the quarter reinforces our confidence in further profitability improvement through year-end. Together with strong customer partnerships and ongoing efficiency initiatives, we believe we are well positioned to continue delivering value for our stakeholders.

Our positive sales momentum in Asia continued during the quarter.

In China, we once again outperformed light vehicle production, driven by strong growth with Chinese OEMs, where our sales outperformed by almost 20 percentage points.

In India, we grew sales by nearly 30% organically, reflecting mainly the trend of increased safety content in vehicles in India. Adjusted operating margin reached 9.7%, ahead of earlier indication, reflecting strong operational execution and higher engineering income.

I am pleased that our cash flow was strong despite working capital buildup due to strong sales in September.

In the quarter, we repurchased over 1.2 million shares for \$150 million and paid dividends of \$63 million.

Based on what we know today we reiterate our full year 2026 guidance of flat organic sales with continued significant outperformance of light vehicle production, both with Chinese OEMs and in India. Following the first nine months of the year and continued raw material headwinds and higher logistic costs, we have narrowed down our adjusted operating margin guidance to be around 10.5%, which is at the low end of the range of around 10.5% to 11%. This reflects the effectiveness of the mitigation actions outlined later in the presentation.

Operating cash flow guidance remains unchanged. CapEx is now expected to be around 4% of sales compared with the previous expectations of less than 5% of sales.

We also have several positive developments to highlight from the quarter, both in terms of our footprint and our product offering. Expanding in China is key to strengthening Autoliv's innovation, global competitiveness and long-term growth. To support this and our growing partnerships with Chinese OEMs, we have opened our second R&D center in China.

We also launched the human body Model Safety Suite, a virtual safety development platform that helps automakers evaluate occupant protection through advanced crash simulations.

By helping customers improve safety performance earlier and shorten development time it strengthens Autoliv's value proposition and growth opportunities.

Looking now on the next slide.

Third quarter sales were virtually unchanged despite light vehicle production declining. This was due to outperformance relative to light vehicle production including tariff-related compensations and favorable currency effects. Adjusted operating income for the third quarter decreased by 3% to \$262 million.

The decline reflects a \$15 million supplier compensation which benefited the third quarter of last year. The adjusted operating margin was 9.7%, 30 basis points lower than last year.

Operating cash flow was \$239 million, a decrease of \$19 million.

Looking now on the next slide.

We continue to deliver broad-based operational improvements.

Our positive direct labor productivity trend continued during the quarter, supported by the execution of our strategic initiatives including automation and digitalization. Gross profit decreased by \$26 million with the gross margin declining from 19.3% to 18.4%. Approximately

half of the year-over-year decline was attributable to the noted supplier compensation recognized in the prior year.

Looking ahead, we expect fourth quarter gross margin to develop favorably compared to Q4 2025. RD&E net expenses decreased year-over-year, driven by higher engineering income.

As previously communicated, the increase in engineering income was primarily related to the timing of specific customer development projects.

SG&A expense remained virtually unchanged, both year-over-year and sequentially. Turning to the light vehicle market development in the third quarter, let's move to the next slide.

According to Mobility Global's October forecast, global light vehicle production declined by 1.9% in the third quarter, approximately 20 basis points below the expectations in July. The weaker-than-expected production environment was primarily driven by lower volumes in China among global OEMs as well as softer production in North America and Japan.

This was partly offset by stronger-than-expected performance in India and South America. The regional mix of global light vehicle production was approximately 90 basis points unfavorable during the quarter, mainly reflecting stronger production growth in lower content markets relative to other regions.

Despite these market headwinds, our sales remained virtually unchanged year-over-year, supported by our continued outperformance relative to light vehicle production, favorable currency effects and tariff-related compensation.

We will talk about the expected market development in the fourth quarter more in detail later in the presentation. Call-off accuracy has deteriorated somewhat compared with the beginning of the year, driven mainly by China, while other regions have returned to almost normal levels.

Maintaining high call-off accuracy remains critical as it enables efficient production planning, inventory management and optimal capacity utilization across our operations.

Looking now on our sales growth in more detail on the next slide.

Our consolidated quarterly net sales was virtually unchanged despite market headwinds. Excluding currencies, our organic sales decreased \$30 million or by 1%. Based on the latest light vehicle production data from Mobility Global, we underperformed the market by almost 1 percentage point globally.

In Asia, excluding China, we outperformed the market by almost 3 percentage points, driven by continued strong sales growth in India, where we outperformed by 11 percentage points.

Japan also contributed to the outperformance as we outperformed in Japan by almost 4 percentage points.

In China, we delivered outperformance of around 1 percentage point, mainly because our sales growth to Chinese OEMs exceeded the light vehicle production growth by almost 20 percentage points.

As a result, Chinese OEMs accounted for 58% of our sales in China in the quarter compared to 46% for the same period last year.

While performance in Americas overall was in line with light vehicle production, North America delivered stronger results, outperforming light vehicle production by 2 percentage points. Globally, Chery, Suzuki and NIO were the largest drivers of sales during the quarter.

Despite light vehicle production decline in China, China accounted for 20% of sales Asia, excluding China, accounted for 20%, Americas for 34% and EMEA for only 26% due to summer shutdowns.

Moving on to the next slide.

The third quarter of 2026 saw a high number of new launches, primarily in China, but also in Americas. The strong launch activity in China reflects Autoliv's continued momentum in this strategically important market and supports our ongoing outperformance relative to the market.

Higher content per vehicle was driven in part by the adaptation of front center airbags across many of these new vehicles as well as pedestrian protection systems. From a sales potential perspective, the BMW X5 and iX5 were the most significant launches during the quarter.

Looking ahead, we expect a substantially higher number of launches in the fourth quarter compared with the same period last year, making 2026 a record year in terms of launch activity. This record will not stand for long as we expect a new record launch year again in 2027.

Let's continue with the next slide.

I will now hand over to Monika.

Monika Grama^ Thank you, Mikael.

I will talk about the financials more in detail on the next few slides. Turning to the next slide.

This slide highlights our key figures for the third quarter of 2026 compared to the same quarter of 2025.

Our net sales were \$2.7 billion, representing an 0.5% decrease.

Gross profit decreased by \$26 million and gross margin decreased by 90 basis points. The driver behind the lower gross profit was mainly the \$12.5 million supplier compensation in 2025, as Mikael mentioned, as well as higher costs for raw materials. This was partly offset by positive FX effects and supplier cost reduction. The adjusted operating income decreased from \$271

million to \$262 million and the adjusted operating margin decreased from 10.0% to 9.7% - the reported operating income of \$254 million was \$8 million lower than the adjusted operating income, mainly related to capacity alignment activities. The adjusted earnings per share diluted decreased by \$0.13 to \$2.19.

The main drivers were \$0.16 from higher taxes, \$0.09 from lower operating income, partly offset by \$0.11 from lower number of outstanding shares diluted.

Our adjusted return on capital employed and adjusted return on equity were solid, 24% and 25%, respectively.

We repurchased shares for \$150 million and paid a dividend of \$0.87 per share.

Looking now on the adjusted operating income bridge on the next slide.

In the third quarter of 2026, adjusted operating income decreased by \$9 million year-over-year.

Operational contributed \$34 million despite slightly lower sales, primarily driven by cost reduction activities. RD&E and SG&A net had a \$17 million positive effect, mainly reflecting \$26 million higher RD&E reimbursement. This includes \$2 million of unfavorable foreign exchange translation effect.

This was partly offset by the \$15 million supplier compensation that positively impacted last year's results.

Raw material costs had a gross negative impact of \$42 million in the quarter with nonferrous metals and oil-related components accounting for the majority of the increase.

During the quarter, we achieved customer compensation covering more than 80% of tariff costs.

However tariff-related headwinds still reduced our adjusted operating margin by around 35 basis points including dilutive effects.

Looking now at cash flow on the next slide.

Operating cash flow decreased by \$19 million to \$239 million compared to the prior year, mainly because of lower net income.

Trade working capital in relation to sales was 13.5% at the end of the quarter compared to 13.9% a year ago. The improvement was mainly driven by higher payable in relation to sales, while inventories and receivables to sales were relatively unchanged.

Free operating cash flow was positive \$124 million compared to positive \$153 million in the prior year. Capital expenditure net increased by \$9 million year-over-year. Capital expenditure as a percentage of sales rose to 4.3% compared with 3.9% in the prior year, mainly reflecting increased investments in production and RD&E equipment. The cash conversion was 80%, in

line with our target of at least 80%. Year-to-date, operating cash flow decreased by \$15 million to \$598 million compared to the prior year.

Now looking on the next slide.

Over the years, Autoliv has consistently demonstrated its ability to generate strong cash flow across a variety of market conditions.

Over the last 12 months, we returned approximately \$760 million to shareholders through dividends and share repurchases.

Looking at the past five years, we have returned a total of \$2.9 billion directly to shareholders, while at the same time strengthening our balance sheet and improving our leverage profile.

This includes more than \$1.7 billion in share repurchases and nearly \$1.2 billion in dividends.

During this 5-year period, we reduced our outstanding share numbers of approximately 18%.

As of quarter end, approximately \$1.9 billion remained available for repurchase under the current Board authorized share repurchase program out of the total of \$2.5 billion original authorization.

Our capital allocation decisions are guided by a disciplined assessment of our balance sheet, cash flow outlook, leverage, credit ratings and market conditions with a continued focus on delivering long-term shareholder value.

Now looking on our debt leverage ratio development on the next slide.

Autoliv's balanced leverage strategy reflects our prudent financial management, enabling resilience, innovation and sustained stakeholder value over time.

Our leverage ratio was 1.3x at quarter end compared with 1.2x a quarter ago. The increase was driven by a roughly \$64 million increase in net debt during the quarter, combined with a modest \$6 million decrease in trailing 12-month adjusted EBITDA.

Despite the quarter-over-quarter increase, our leverage remains at a low level and well within our targeted capital structure.

On to the next slide.

I will now hand it back to Mikael.

Mikael Bratt^ Thank you, Monika.

I will talk about the outlook for the remaining of 2026 more detail on the next few slides. Turning to the next slide.

Mobility Global now expects global light vehicle production to decline by 1.9% in 2026, almost 2 percentage points downgrade from its January forecast, primarily driven by weaker outlooks for China and the Middle East.

As we enter Q4, the industry continues to face the effects of the conflict in the Middle East and soft demand in China, partly offset by resilient vehicle sales in other markets.

For the fourth quarter, Mobility Global forecast global light vehicle production to decline by approximately 4.5% year-over-year.

The expected decline is largely driven by lower production in China, where softer domestic demand is only partially offset by continued strength in exports.

As a result, Mobility Global has reduced its fourth quarter outlook for Chinese light vehicle production to a 9% decline.

In the Americas, light vehicle production is expected to decline by approximately 2%, reflecting inventory adjustments in North America.

In Europe, production is expected to decrease by around 1% as automakers continue to face increasing competitive pressure from Chinese manufacturers.

In contrast, Mobility Global has significantly upgraded its Japan outlook to 2% growth from 12% decline - this is driven by production recovery following Q3 plant disruptions caused by natural disasters and continued strong exports of fuel-efficient hybrid vehicles to the U.S. and Europe. Despite the expected year-over-year decline in global light vehicle production in Q4, production is forecast to increase sequentially by more than 1 million units or approximately 5%.

Now looking on the fourth quarter development more in detail on the next slide.

As we look ahead to the remainder of the year, we remain focused on managing a dynamic external environment.

We are closely monitoring the potential impact of geopolitical developments in the Middle East which continues to affect supply chains, raw material costs and overall vehicle demand. Despite this uncertainty, we expect our financial performance to strengthen in the fourth quarter versus the third quarter.

Margin expansion is supported by higher sales volumes, increased engineering income and customer compensation related to raw material inflation.

In addition, our ongoing cost efficiency initiatives including greater automatization and digitalization across our operations are expected to further enhance profitability and operating leverage. Combined, these actions are expected to result in a meaningful stronger margin profile by year-end. Despite market headwinds, we expect strong free cash flow generation to continue

throughout the year, supporting the ongoing execution of our share repurchase program and dividends.

Looking at our full year guidance, there are several factors expected to weigh on the adjusted operating margin throughout the year, we have taken proactive measures to mitigate the additional headwinds impact in 2026. These are presented in more detail on the next slide. When our original full year 2026 guidance was set in January, our assumptions reflected a significantly more favorable cost environment than what we see now.

Since then, the business has faced additional headwinds amounting to approximately 170 to 180 basis points. To address these headwinds, we have taken a broad range of commercial, operational and cost efficiency actions including improving direct labor productivity through optimization, digitalization and continuous improvement initiatives, accelerating value engineering and value analysis initiatives, implementing SG&A cost reduction measures and tighter spending controls, securing raw material recovery through customer negotiations and indexation, delivering savings through commercial negotiations with suppliers.

Through disciplined execution of these initiatives, we expect to offset most of the incremental headwinds.

As a result, the net impact on our full year adjusted operating margin is expected to be limited, demonstrating the resilience of our business model and our ability to proactively manage a challenging cost environment.

Looking now on the next slide.

This slide shows our full year 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 October 15, 2026, as well as no significant challenges in the macroeconomic environment or changes in customer call-off volatility or significant supply chain disruptions.

We expect to outperform light vehicle production by around 2 percentage points as our organic sales is expected to be flat, while global light vehicle production is expected to decline by 2% - the currency translation effect on sales is expected to be around 2.5% positive.

While market headwinds have prompted a slight adjustment to our outlook, the change is relatively minor. The guidance for adjusted operating margin is now narrowed to around 10.5%, the low end of our range of around 10.5% to 11%.

Operating cash flow is expected to be around \$1.2 billion.

We expect CapEx to be around 4% of sales compared to previous guidance of less than 5% - our strong cash flow generation and disciplined capital spending support our continued commitment to delivering attractive shareholder returns.

We expect a tax rate of around 30%.

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.

But before I do that, I would like to make a small correction then to my comments when it comes to the sales growth and regional sales split in the Q3.

I accidentally said that we underperformed the market by almost 1%.

It should, of course be we outperformed the market by almost 1percentage points globally in the third quarter.

So with that correction, I would like to hand it over to Madeline, our operator.

QUESTIONS AND ANSWERS

Operator^ (Operator instructions) We are now going to take our first question.

This question comes from Tom Narayan from RBC.

Gautam Narayan^ First one is on the EMEA underperformance versus the market.

I know you mentioned there were some summer shutdowns there, but I guess I would think that would have impacted the market as a whole, not just Autoliv, perhaps it was related to the exports into Europe.

I'm not sure what your indexation is to those, but just some color on the EMEA underperformance in the quarter?

Then I have a follow-up.

Mikael Bratt^ Sure. Thank you for your question. No. I think first of all, I would say that I mean yes, Europe is a challenging market. And here, we have some swings between the different OEMs.

So, I mean there are elements of customer mix from our point of view.

I think we have said before here that our market share ambition globally is to protect the market share we have.

And if you come to the more - I mean mature markets, you have more of a stable situation there.

Then when you see some shifts between the customers, of course you get a bigger impact than normally if you're in a growth mode or so.

So I should not read into much into those swings you see there.

I would also say that, of course you are impacting this also when you see exports from China coming into Europe.

But since we are on most of those vehicles also, you have maybe seemingly a minus in the European business, but we have a plus in China.

And that doesn't come through when you look at the numbers region by region like that.

And that's why I would say it's not that wide, but it's one reason why maybe we emphasize more the overall market share development and outperformance here than the regional shifts.

But of course key here is to grow for us with the OEMs that are growing and taking market shares globally which we are doing here.

I think the strong outperformance with Chinese OEMs in the quarter here is another evidence of (inaudible) India.

Gautam Narayan^ And for my follow-up, you described the raw material cost increase resulting in the '26 guidance cut.

I believe it was a \$10 million impact to the '26 numbers.

I know you're not giving '27 guidance today but just curious how we should think about the raw material cost increase bleeding into '27.

Is the expectation that you could get all of that with recoveries in the year?

Or is it a similar dynamic that there's kind of a bleeding that happens to forward periods?

So I guess how should we think about this cost increase?

Mikael Bratt^ I mean as a comment here, I mean we don't give any details around 2027 yet.

It's in connection with the earnings call for Q4.

But I would say that, I mean, when it comes to raw materials, I would say that we expect it to be as challenging in 2027 as it has been in 2026.

So I would say that's as much as we can comment really on that specifically.

So I would say no headwind or tailwind coming from that.

But of course we are seeing 2026 as a very challenging year that translates and moves into 2027 when we get there, but more details to come.

Operator^ We are now going to take our next question - and this question comes from Emmanuel Rosner^ from Wolfe Research.

Emmanuel Rosner^ Maybe first question, focusing on the implied fourth quarter outlook implied by your guidance.

So this would obviously be a very high margin around 14% or so.

Can you maybe give us some sort of sense of how much visibility and confidence you have in some of these drivers of margin step-up and in particular, to the extent the recoveries there, are those already secured?

Is that -- where are you, I guess in that negotiation process?

Mikael Bratt^ So, I think first of all, I mean Q4 is the stronger quarter in the year, as you know.

I think with full-year guidance here, we are confirming that that's also the case this year.

Of course, one part that makes it stronger is the engineering income that will be a part also this year.

We have alluded to the higher sales and also as Mobility Global sales here now also another 1 million units in Q4 compared to Q3.

So it supports us in the sequential development there.

Otherwise, I mean it is to really drive here the customer compensation and tariff recovery in line with what we have done throughout the year here.

I think we have a good momentum there.

We - I would say the difference maybe this year compared to other years is that - and which is a part of the guidance, of course it's nothing on top of there.

But as you understand the full year impact here is, of course that this cost pressure continues throughout the year here and makes it very tight to also fix the full effect in the year, which more speaks to that we are on the lower end of the range than anywhere else in the range there.

But I mean we move into the fourth quarter here with confidence.

I think the Autoliv team has done a great job maneuvering through this. And as you saw here, I mean the additional headwind on top of what we expected in the beginning of the year, I mean

1.8 percentage points more is quite meaningful, I would say that we have a large absorbed here through price compensations and also our own cost-out activities here.

That also includes material cost optimization with the suppliers also, of course that we do there.

So I think we have a good activity plan for the fourth quarter.

Emmanuel Rosner^ Okay. I appreciate the color. Then as a second question, maybe focusing on China.

So I appreciate the color on the breakdown between - on your performance between global and Chinese local OEMs.

Can you maybe comment on what is - what portion of your business in China is geared towards exports?

And any thoughts on to the extent there are some measures being put around the world to sort of limit some of these exports, whether that would be a good thing for you or on a relative basis or a bad thing, something that we should focus on?

Mikael Bratt^ Yes. I think first of all, I think as a starting point, the export vehicles tend to - I mean we don't have a separate supply chain for the export vehicles or the domestic vehicles for our respective customer in China.

It's the same models and then the specification may differ, but in most circumstances, I mean it's the same type of product.

So we don't really see that difference which vehicle goes where in that regard.

But as I said, we are managing these dynamics in a good way thanks to our global presence and high market share in the total market. And we have talked about that before that we have a fairly strong diversified portfolio with a wide spread representation among the different customers.

So if it moves in between, we are on the platforms that also are gaining, some traditional are losing, you could say in all this.

If there will be more, let's say restrictions coming up between the regions and you can't export, you need to localize.

With our footprint, we can support a customer that wants or are forced to localize rather than to export from another region.

So I think that's really the strength with Autoliv here is that we can offer our customers a lot of flexibility.

I mean if you talk specifically about the Chinese OEMs exporting from China versus Europe and if you need to localize in Europe.

I mean today we are already part of the China supply chain for them if they have that set up with CKD, for example, or if they want to localize, then we can support them with local production.

So I would say we're well prepared for whatever comes in terms of that dynamic.

Operator^ We are now going to take our next question this question comes from Chris McNally^ from Evercore ISI.

Chris McNally^ I just wanted to follow on to Emmanuel's question, maybe just put some numbers to it.

We're all trying to figure out this Chinese algorithm, right which kind of gets a little bit more - the numbers just become less dramatic Q4 and next year.

So for the implied Q4, are you expecting that China organic growth will go sort of back to positive?

Then again for 2027, it's early, but we all kind of know that the exports will be up, whether that's 10% or 20%, we all can debate.

But is the expectation that we will still have Chinese organic growth given your sort of customer mix?

Mikael Bratt^ I don't know if I would like to give a number there.

But what - I mean as we said, I mean the light vehicle production according to Mobility Global is negative in China.

But with that said, I have great confidence in our, I would say future development of continuing to grow with the Chinese OEMs as we move forward.

So yes, I think we are on the right trajectory here.

It's the LVP that gives the delta, so to speak, at the end of the day here.

But that - I think we have to wait and see what the net number is.

But we are on a good trajectory with the Chinese OEMs and expect it to continue to grow. That's my comment to that.

Chris McNally^ Yes. So sorry, sort of a paraphrase that the growth over market should remain a significant driver, but you're focused on the light vehicle which is obviously pretty negative in Q4.

So maybe that's an unfair question.

Then '27 is a little bit easier. Okay. Perfect.

Then if we could just zone in on the inflation, right?

The 180 basis points, you have so many pass-throughs, right?

The timing we all know that will be somewhat of a pressure into next year.

But I was curious of the 180 basis points, how much was actually the Thailand flooding and logistics, right?

We heard from GM this week that logistics was a headwind in Q3, Q4.

Because typically, those would not be compensated.

So just curious if you can call out either or as a bucket sort of those two because those are kind of one-offs.

Monika Grama^ Connected to the Thailand flooding, we see - we can call it not material impact in our results in Q4.

Of course, this is considering coverage from our property damage and business interruption insurance.

Then connected to the logistics cost, we see indeed in some of the divisions, double-digit cost increases, especially in the North America. To offset this, we have taken logistic optimization initiatives to reduce the mileage. That is partly compensating the cost.

As you well know this is a cost very difficult to pass on.

So there is a limited impact that to a large extent, we are looking on other compensating effects to recover and not per se one-to-one in the same area.

Operator^ We are now going to take our next question.

This one comes from Winnie Dong from Deutsche Bank.

Winnie Dong^ I wanted to just follow up on the year's guide.

I understand that you've narrowed the margin to the lower end. Was there anything that's more specific?

I think you've talked a lot about costs already, but anything specific that pushes you to the low end of that range.

Then - to a certain extent, what sort of like do you think carries you into 2027?

Mikael Bratt^ Yes. I think - I mean as we have alluded to here is the higher-than-expected cost pressure that we have seen across the board here.

I mean we have had on one of the slides.

I think the team has done a great job to offset such a large portion of it that we still can be in the range.

So good job there.

I think what is more moving into '27 is really what we talked about here before connected to the raw materials, I would say that we expect that to continue to be some headwinds.

So I think that slide is really a good summary of why it's the lower end and the upper end.

Winnie Dong^ Got it.

Separately, I kind of want to ask about mobility safety solutions and specifically, I think there's a product in terms of safety switch outside of vehicles. You're kind of marketing them for battery energy storage, etcetera which seems like one of the few ways to get growth that's not tied to LVP.

So just any initial takes on how to frame the opportunities there?

Mikael Bratt^ No. I think it's, as you say an interesting opportunity here in the light of the electrification that is going on in society.

So we are having a dedicated team here, of course to develop that business. And here, we're talking about both high voltage and low voltage, etcetera, to see what we are doing there.

I mean we have interesting leads, and we are also growing this business as we speak.

Then we have decided and elected not to give too much details and numbers at this point in view point in time because we believe that it's more meaningful to come back to you when we have meaningful volumes around that and talk more in great detail.

It's a little bit of a - you could say a start-up phase right now but interesting opportunities in the midterm for sure.

Operator^ We are now going to take our next question.

This one comes from Jose Asumendi from JPM.

Jose Asumendi^ Two quick questions, please. Can you talk about the level of activity in '27 versus '26, just broadly, if you see more product launches coming up in '27 versus '26?

And related to this, whether you are seeing any substantial production stoppages in Europe in the month of November?

And question two, it's just simply a confirmation that when you think about the raw material negotiations you're having that you are not in the camp of seeing spillover and negotiations of raw materials going into '27 that you're confident with the raw material discussions in '26.

We heard from our suppliers that we see some spillover of these discussions into 2027, whether you're confirming that '26 raw materials will be negotiated and closed.

Mikael Bratt ^ Thank you for your question.

I think 2027 and launches here, we expect to see a higher number of launches in 2027.

So we see that, that continues to increase.

I would say we have high activity level when it comes to closing new orders and new deals here that gives us this effect.

So that's a positive, I think when we look out for next year and especially then, I guess in combination with the LVP outlook that Mobility Global have indicated for next year as well.

I think when it comes to the challenge around raw material negotiations here, I wouldn't maybe say specifically raw materials alone.

It's in general, the cost pressure that we see right now that has been throughout the year also continuing into Q4.

But that's a part of the guidance we have for the full year.

So the answer to your question is not changing that picture. That's important to remember.

But that's a part of, as I said, the lower end of the range here is also the fact that it's difficult to finishing those negotiations with the cost pressure that we see coming now in November and October, November to finish that before the year-end.

But that's because it's continuing to increase.

So it's no indication on more difficult or complicated negotiations.

It's just that the regular time between the impact and the closure becomes shorter this year as it continues.

But it is, once again it's embedded in what we have indicated for the full year.

So nothing on top of very important.

Jose Asumendi^ That's super helpful.

On any major production stoppages in Europe, you're not seeing anything.

Or are you seeing any evidence there?

Mikael Bratt ^ No. Nothing - no, nothing to point out.

I think of course we are always watchful for any activities there and as we come closer to the year and depending on inventory levels and so on with the OEMs, but we have no visibility or indications at this point in time.

I think also looking at the inventory levels in Europe, as far as we can see, it's quite in balance.

So there is no indication for any abnormal things there.

So yes, we should be in good shape as an industry.

Operator^ We are now going to take our next question.

This one comes from Agnieszka Vilela from Nordea.

Agnieszka Vilela^ Just one question from me, and that's on R&D.

I think you mentioned that you received somewhat more engineering income in the quarter than what you expected.

Can you quantify by how much?

And also do you still expect a positive contribution from engineering income in Q4?

Then maybe in relation to that, looking forward, what kind of net R&D costs do you expect into 2027, either in relation to sales or on an absolute level?

Monika Grama^ Thank you, Agnieszka, for the question. Connected to Q4, as we guided, we expect a sequential improvement compared to Q3 and engineering income increase is one of the drivers of this improvement.

So yes, it is a positive contributor further in Q4.

On the long-term range, we expect pretty similar RD&E net of sales as we had in the previous period.

So it's no major change that we can announce at this point.

This is pretty the trend that we want to maintain and in line with our expectations.

Agnieszka Vilela^ And on the kind of delta that you saw in Q3 specifically, I think you mentioned that it was a bit better than what you expected on the engineering income side.

Monika Grama^ As mentioned, it was better compared to prior year.

In the first quarter this year, we suffered a negative impact compared to prior year, and it was part of the phasing of that we anticipated to a large extent.

Operator^ We are now going to take the next question.

This one comes from Hampus Engellau from Handelsbanken.

Hampus Engellau^ Just one question from me.

That's maybe if, Mikael, if you could just share some, if you know of course the launches for 2027, are they like back-end loaded?

Are they front-end loaded?

Or should we like expect them like gradually throughout the year?

If you have any view on that, that would be helpful.

Mikael Bratt^ Yes. I think it's not any dramatic phasing on it.

It's, of course, not equally distributed between the quarter. There are some quarters.

I don't have exactly on top of my head the distribution there.

But it's no dramatic it's not like it's half of them in Q1 or something that.

It's, I would say normal fluctuation as you see in the previous year.

So very normal, I would expect it to be.

Operator^ We are now going to take the next question.

This one comes from Stephen Benhamou from Bank of America.

Stephen Benhamou^ I have two questions, please. The first one is on your guidance for Q4.

So your full year guidance implies around 400 bps of outperformance for the last quarter, well above the outperformance delivered in your previous quarters and despite a tougher comp base.

So what gives you confidence into this acceleration?

This is my first question.

And my second question is about your full year guidance adjustment.

So now you're expecting around 10.5% versus between 10.5% to 11%.

So should we read that as a floor?

Or is there any scenario where the - yes, the full year performance could be below 10.5% this is my second question.

Mikael Bratt^ No. I think when it comes to the guidance for the fourth quarter, I just would like to come back to basically what I said earlier here which is that I mean we enter now Q4 with, I should say the confidence of the fact that we have a clear activities lined up here for the fourth quarter to support the numbers here.

I mean, starting - what we see here is on the sequential - I mean first of all, Q4 is the stronger quarter.

It's always the stronger compared to the previous quarters, also this year because there is a seasonality to it.

What we see now also sequentially here is that, I mean, despite the, I would say very challenging quarter that we have been in, the team managed to deliver slightly better than what we expected into the quarter when we were here in July.

And that is because we're delivering well on our improvement activities that we have as an incremental part of our strategy to have an earnings growth altogether.

So of course when we have all these headwinds, those activities are helping us.

So the higher sales is one. The tariff compensation and customer compensation is other cornerstones that is critical here, of course where we have a good momentum in this as we have seen.

We have the higher sales of the 1 million vehicles, once again, on the sequential development here.

And that makes us see that we should be able to deliver on what we have indicated before. And actually, it has strengthened the case for Q4 compared to July since we delivered so stronger in Q3.

So the momentum carries through into Q4 is our expectations here, and that's why we have the confidence, as we said here, to make this step here. Then, of course I mean we don't guide for the future years here more than to say that - I mean the range for this year was a reflection of the uncertainty in the market and the volatility in the market that we see.

But I'm really happy that we are able to stay within this range.

I think that's really a sign of strength here.

So when we move forward here, I mean our ambition is still - and target is still to get to the 12%.

So our earnings growth is something we're working on very hard with the different levers that we have identified and communicated before.

So that still laid as the foundation. Then of course if you come is this the floor or not, I mean it depends, I would say of course on the external circumstances here.

I mean, if you have a pandemic year again I mean who knows.

So it's a very difficult question to answer rather than to say that we believe that we have an earnings growth built into our activity plans under normal circumstances.

Stephen Benhamou^ Maybe if I can just add a follow-up question regarding the top line. Coming back to China, can you please clarify why China turned negative organically in Q3 because - so you delivered outperformance.

But when I look at Q1 and Q2, the market was very challenging, and you've delivered positive organic growth.

So why you turned negative in Q3 and why you are more optimistic for Q4?

Mikael Bratt^ No. I think I mean what all that is referring to is the light vehicle production development that is quite significant.

I think so far, we have been compensated with the exports.

I mean the domestic sales gone down, global export has gone up and offset the large part of that.

I think we see that the export opportunities limits that offsetting factor, and that's really the LVP growth.

I think as I said before our own ability to continue to grow and outperform with the Chinese OEMs continues.

So we feel comfortable in our own, I would say activities and outcome that.

Operator^ We have time for one last quick question.

This question comes from Itay Michaeli from TD Cowen.

Itay Michaeli^ Just two quick questions. You've done a really good job of mitigating the 180 basis points or mostly mitigating the impact this year.

But I'm curious to what degree, if any, are some of these mitigation actions a pull forward from initiatives you are planning for subsequent years?

And could that affect the kind of trajectory towards your 12% margin target?

Mikael Bratt ^ I would say no.

I mean, what we do is, I mean we take - I mean you saw in the last quarter here - well Q2 here, we announced in Turkey which is an effort also to continue to strengthen our midterm and long term.

So I mean we constantly work with our activities plan to make sure that we have enough activities to secure our growth journey as well as making sure that we can offset new headwinds that comes our way.

So it's never done.

It's a constant work on all that.

So I would say what we have done now here to offset this is really, as we said before, even more strictly control SG&A activity, enhancing the productivity in our plants and applying new technology.

I think that's also very, I would say interesting and inspiring is also that when we are on this journey, I mean with continuous improvements, you're never done, it's always another 20%, 25% potential there.

But with the new technologies, we see that we also can take more leaps, bigger leaps in productivity here, supplying things that were not available technically maybe two years ago, but today it is.

So the whole optimization journey, potential growth as we move forward.

That's really the focus here to keep up a high pace on that to manage the headwinds and our own growth journey.

Itay Michaeli^ That's very, very helpful.

As a super quick follow-up, maybe just talk through the drivers of the lower CapEx to sales guidance this year and how sustainable that might be into next year?

Monika Grama^ So as mentioned, we are narrowing our guidance for CapEx to around 4% it's a phasing of activities.

We prefer to prioritize activities that have a higher payback, and we continue to invest now more accelerated in Q3.

But it's pretty just phasing related to our investments and the prioritization to the higher payback projects.

Operator^ That was the last question for today.

I will now hand the call back to Mikael Bratt, President and CEO, for closing remarks.

Mikael Bratt^ Thank you, Madalene.

Looking on the next slide.

Before we conclude today's call I would like to invite you to Autoliv's Investor Day taking place on 26th and 27th of April next year, 2027 in Shanghai, China. The event will feature management presentations and visits to our operations, combined with a full day at Shanghai Auto Show 2027, the world's leading automotive exhibition.

Attendees will also have the opportunity to experience Autoliv's latest safety innovations and technologies showcased at the event.

We look forward to welcome you to Shanghai for an insightful and exciting two days.

Finally, our fourth quarter call is scheduled for Friday January 29, 2027.

Thank you for your attention until next time stay safe.