



Autoliv Q2 2025 Results

Friday, 18th July 2025

Introduction

Anders Trapp

VP, Investor Relations, Autoliv

Welcome

Welcome, everyone, to our Second Quarter 2025 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.

Agenda

During today's earnings call, we will cover several key topics, including our record sales and earnings for the second quarter, an update on the market development and tariffs that are affecting the automotive industry, as well as how our strong balance sheet and asset returns provide financial resilience and the support for a 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.

Disclaimer

Turning to the next slide. We have the safe harbour statement, which is an integrated part of this presentation and includes the Q&A that follows.

During the presentation, we will reference non-US GAAP measures. The reconciliations of historical US GAAP to non-US 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.

Lastly, I should mention that this call is intended to conclude at 15:00 Central European Time. So please follow a limit of two questions per person.

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

Overview

Mikael Bratt

CEO, Autoliv

Q2'25 Key Highlights – Substantial Sales & Margins Expansion

Thank you, Anders. Looking on the next slide. I am proud to present a record second quarter, highlighting our company's resilience and strong market position, fuelled by strong customer relationships and our culture of continuous improvement. This achievement lays a solid foundation for the rest of the year.

However, we remain cautious about the rest of the year as we navigate the complexities of tariffs and other challenging economic factors. It is encouraging that we, based on light vehicle production data from July, outperformed global light vehicle production despite continued significant headwinds from mix shifts.

In China, we saw a clear improvement with the gap between our sales growth and light vehicle production growth narrowing compared to the previous quarters. This positive development was driven by recent product launches with Chinese OEMs. Notably, our sales in June outpaced

the growth of the Chinese light vehicle production. We expect this positive trend to continue through the remainder of the year.

We significantly improved our operating profit and operating margin compared to a year ago. This strong performance was primarily driven by well-executed activities to improve efficiency and costs. We successfully recovered approximately 80% of the tariff costs incurred during the second quarter and expect to recover most of the remaining portion later this year. The combination of not-yet-recovered tariffs and the dilutive effect of the recovered portion resulted in a negative impact of approximately 35 basis points on our operating margin in the quarter.

We also achieved record earnings per share for the second quarter. Over the past five years, we have more than tripled our earnings per share, mainly driven by strong net profit growth, but also supported by a reduced share count.

Our cash flow remained strong despite higher receivables driven by robust sales and tariff compensations late in the quarter. Our solid performance, combined with a healthy debt leverage ratio supports continuous strong shareholder return. We remain committed to our ambition of achieving US\$300 million to US\$500 million annually in stock repurchases as outlined during our Capital Markets Day in June.

Additionally, we are increasing our third quarter dividend to \$0.85 per share, reflecting our confidence in our continued financial strength and long-term value creation.

Looking now on the next slide.

Q2'25 Financial Overview

Second quarter sales increased by 4% year-over-year, driven by strong outperformance relative to light vehicle production in several regions, along with favourable currency effects and tariff-related compensations. This growth was partly off by an unfavourable regional and customer mix.

The adjusted operating income for Q2 increased by 14% to US\$251 million from US\$221 million last year. The adjusted operating margin was 9.3%, 80 basis points better than in the same quarter last year.

Operating cash flow was a solid US\$277 million despite temporary working capital buildup from higher sales and tariff compensations.

Looking now on to the next slide.

Substantial Cost Improvements

We continue to generate broad-based improvements. Our positive direct labour productivity trend continues as we reduced our direct production personnel by 3,200 year-over-year. This is supported by the implementation of our strategic initiatives, including automation and digitalisation.

Our gross margin was 18.5%, an increase of 30 basis points year-over-year. The improvement was mainly the result of direct labour efficiency and headcount reductions. As a result of our structural efficiency initiatives, the positive trend for RD&E continued. Combined with the increased gross margin, this led to 80 basis points improvement in adjusted operating margin.

Looking now on the market development in the second quarter on the next slide.

Q2'25 Light Vehicle Market Development

According to S&P Global data from July, global light vehicle production for the second quarter increased 270 basis points, exceeding the expectations from the beginning of the quarter by 200 basis points. Supported by the scrapping and replacement subsidy policy, we continue to see strong growth for domestic OEMs in China, while light vehicle production and higher CPV markets in North America and Western Europe declined by around 3% each.

This resulted in an unfavourable regional light vehicle production mix of around 2.5 percentage points in the quarter, a significant negative impact on our overall outperformance.

In the quarter, we did see call-off volatility continuing to improve year-over-year and sequentially from the first quarter. 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.

Q2'25 Higher Sales despite a 2.5pp negative regional LVP mix

Our consolidated net sales were over US\$2.7 billion, the highest for the second quarter so far. It was almost US\$110 million higher than last year, driven by price, volume, positive currency translation effects and \$27 million from tariff-related compensation. Excluding currencies, our organic sales grew by more than 3%, including tariff cost compensations.

China accounted for 18% of our Group sales. Asia, excluding China, accounted for 19%; Americas were 33%; and Europe was slightly more than 30%.

We outlined our organic sales growth compared to light vehicle production on the next slide.

Q2'25 sales growth – organic sales outperforming global LVP by 1pp

Our quarterly sales were robust and slightly exceeded our expectations, driven by strong performance across most regions, particularly in Europe and India. Based on light vehicle production data from July, we outperformed light vehicle production in all regions except Japan and China, fuelled by product launches and tariff compensations.

In Japan, we were negatively affected by an unfavourable light vehicle production mix, resulting from last year's production stop at Daihatsu due to homologation issues. Nevertheless, we outperformed the market by over 2 percentage points in the first half of the year.

In China, our sales to domestic OEMs grew more than 16% aligned with the LVP growth. Our growth for the global customers in China was 2 percentage points higher than their light vehicle production.

While the ongoing light vehicle production mix shift continued to impact our overall performance in China, we saw a clear improvement with the gap between our sales and light vehicle production narrowing compared to the past three quarters.

On the next slide, we show some key model launches.

Q2'25 Key model launches

As shown on this slide, the second quarter of 2025 saw a high number of new launches, primarily in Asia, including China. While some of these new launches in China remain undisclosed here, due to confidentiality, they reflect a strong momentum for Autoliv in this important market.

The models displayed here feature Autoliv content per vehicle from close to US\$100 to over US\$500. We are also pleased to have launched seatbelt on two key small Japanese vehicles known as Kei cars. This is a meaningful step forward as Autoliv has historically had limited exposure to this segment in Japan.

In terms of Autoliv's sales potential, the Deepal S09 from Changan and the Honda new midsize electrical crossover, Ye P7, are the most significant. Higher CPV is driven by front centre airbags on six of these vehicles as well as knee airbags.

Now looking on the next slide.

I will now hand over to Fredrik.

Financials

Fredrik Westin

CFO, Autoliv

Introduction

Thank you, Mikael. I will talk about the financials more in detail now on the next few slides. If we turn to the next slide.

Q2'25 Financial Overview

This slide highlights our key figures for the second quarter of 2025 compared to the second quarter of 2024. Our net sales were approximately \$2.7 billion, representing a 4% year-over-year increase. Gross profit increased by \$27 million, and the gross margin increased by 30 basis points.

The adjusted operating income increased from \$221 million to \$251 million, and the adjusted operating margin increased by 80 basis points to 9.3%. The adjusted earnings per share diluted increased by \$0.33, where the main drivers were \$0.27 from higher operating income and \$0.10 from lower number of shares.

Our adjusted return on capital employed was a solid 24% and our adjusted return on equity was 28%. We paid a dividend of \$0.70 per share in the quarter and we purchased shares for US\$51 million and retired 0.5 million shares.

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

Q2'25 Margin expansion driven by execution of operational improvement plans

In the second quarter of 2025, our adjusted operating income increased by \$30 million. Operations contributed with \$35 million, mainly from higher organic sales and by execution of operational improvement plans supported by better call-off volatility.

The net currency effect was \$12 million positive, mainly from revaluation effects. The impact from raw materials was around \$4 million negative. Out of period cost compensation was \$6 million lower than last year. The combination of unrecovered tariffs and the dilutive effect of the recovered portion resulted in a negative impact of approximately 35 basis points on our operating margin in the quarter.

Looking now at the cash flow on the next slide.

Cash Flow

Operating cash flow for the second quarter of 2025 totalled \$277 million, a decrease of \$63 million compared to the same period last year despite a \$29 million increase in net income. The decline was primarily driven by higher receivables, reflecting strong sales and tariff compensations toward the end of the quarter.

Capital expenditures net decreased by \$32 million. Capital expenditures net in relation to sales was 4.2% versus 5.6% a year earlier. The lower level of capital expenditures net is mainly related to lower footprint CAPEX in Europe and Americas and less capacity expansion in Asia.

The free operating cash flow was \$163 million compared to \$194 million in the same period in the prior year as the lower operating cash flow was partly offset by lower CAPEX. The cash conversion in the last 12 months, defined as free operating cash flow in relation to our net income, was around 65%, somewhat below our target of 80%.

Now looking at our trade working capital development on the next slide.

Trade working capital in relation to sales

Our trade working capital increased by \$185 million compared to the prior year, where the drivers were \$251 million in higher accounts receivables and \$21 million in higher inventories, partly mitigated by \$87 million in higher accounts payables.

In relation to sales, the trade working capital increased from 11.2% to 12.5%. We view the increase in trade working capital as temporary as our multiyear improvement programme continues to deliver results. Additionally, enhanced customer call of accuracy can enable a more efficient inventory management.

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

Debt leverage ratio

Autoliv has consistently prioritised maintaining a balanced leverage ratio, reflecting our prudent financial management and commitment to a strong balance sheet. This approach has enabled the company to navigate economic fluctuations, invest in innovation and continue to deliver value to stakeholders over time.

In the quarter, we refinanced a SEK3 billion loan from Swedish Export Credit Corporation with a new one year SEK2 billion loan. Our leverage ratio remained strong at 1.3 times, well below our target limit of 1.5 times and has remained stable compared to both the end of the first quarter and the same period last year. This comes despite returning US\$550 million to shareholders over the past 12 months.

Our net debt decreased by \$31 million while the 12 months trailing adjusted EBITDA increased by \$34 million in the quarter.

Now looking at the tariff situation on the next slide.

US tariffs – We are well positioned with our footprint and broad customer

We are closely monitoring the evolving tariff situation. Thanks to our well-diversified customer portfolio and strong manufacturing footprint across the USMCA region, we are well positioned to navigate these challenges.

Customs and duties have long been a part of doing business, even before the current wave of tariffs. Last year, we paid approximately US\$100 million in such costs on a global level, and they are reflected in the sales price. Currently, we estimate that our total gross exposure to tariffs could roughly double to around \$200 million. However, we are actively engaging with our customers to mitigate the impact through measures such as adjusting shipping points, enhancing USMCA compliance and exploring compensation mechanisms.

In the second quarter, due to timing, customer compensation booked during the quarter covered approximately 80% of the tariffs paid. Most of the remaining charges are expected to be recovered later in the year. Despite the uncertainty, we continue to believe that the net effect on our adjusted operating income for 2025 would be around 20 basis points on our operating margin due to the dilution effect.

We remain vigilant, particularly in assessing how these developments may influence end customer demand in the US.

With that, I hand it back to you, Mikael.

Summary & Outlook

Mikael Bratt

CEO, Autoliv

Light vehicle production outlook

Thank you, Fredrik. On to the next slide.

The outlook for global light vehicle production in 2025 continues to be uncertain with regional variations influenced by tariffs, slowing economic growth and other factors. S&P now forecast global light vehicle production to grow by 0.4% in 2025, following growth of over 3% in the first half of the year. However, their outlook for the second half has weakened considerably with light vehicle production now expected to decline by more than 2%.

In North America, the production outlook has been significantly downgraded due to the trade risks and higher vehicle prices from import tariffs, especially for the fourth quarter. This reduction is likely to affect vehicles produced in Mexico and Canada more severely.

In Europe, production in the first half of the year continued to exceed expectations, leading to the overall upgrade by S&P's full year forecast. However, the outlook for the second half of 2025 remains unchanged as S&P expects inventory reductions to take effect after a strong first half of production versus rather subdued vehicle sales.

China is also growing, driven by government policies supporting the new energy vehicle market and relaxed outdoor loan policies. Japan and South Korea are potentially facing declines due to the impact of lower exports to the US.

Overall, while some regions are still expecting growth, the global auto industry remains cautious navigating the complexities of tariffs and other economic factors.

Now looking on our way forward on the next slide.

Our way forward

At our Capital Markets Day in June, we outlined our strategic road map for sustainable growth and long-term value creation. We emphasised our medium and long-term growth opportunities, particularly through deepening partnerships with leading global and Chinese OEMs, positioning Autoliv as the clear market leader also in the future.

We showcased innovations across our core safety systems, airbags, seatbelts and steering wheels, as well as new mobility safety solutions. Global growth outlook for automotive safety overall is supported by light vehicle production growth, driven by positive GDP trends in emerging markets and by continued increases in safety content per vehicle.

Our strong performance culture is driven by clear key behaviours to guide us, a clear mandate and expectations end-to-end, continuous improvement mindset, partnerships across the value chain, both with customers and suppliers. Operationally, we demonstrated progress that contributes to improved profitability, especially through productivity improvements, automation and digitalisation, footprint optimisation and commercial excellence.

We reaffirmed our commitment to strong shareholder return with an ambition of US\$300 million to US\$500 million in annual stock repurchases and maintaining a healthy leverage ratio not above 1.5 times.

Now looking on the business outlook on the next slide.

H2 2025 business outlook – margin expansion expected

We expect the second half of 2025 to be challenging for the automotive industry with lower light vehicle production year-over-year. However, our ongoing focus on efficiency is expected to further enhance our profitability. We anticipate a significant improvement in our sales performance in China.

Additionally, our strong cash conversion and solid balance sheet provide financial resilience and a robust foundation for maintaining high shareholder returns. We successfully navigated the new tariff environment in the first half of the year. This gives us confidence that it is possible to continue on that course, but there is significant uncertainty.

Contrary to the past three years, we do not anticipate the gradual quarter-by-quarter adjusted operating margin increase as the inflation environment differs from recent years. We expect cadence more in line with our historic normal seasonality with the fourth quarter anticipated to be the strongest of the year, while the third quarter anticipated to be the weakest quarter in the year.

Notably, global light vehicle production is expected to drop by one million units or nearly 5% in Q3, making the weakest quarter of the year.

Turning to the next slide.

Full year 2025 guidance and assumptions

This slide shows our full year 2025 guidance, which excludes effects from capacity alignment, antitrust-related matters, and is based on no material changes to tariffs or trade restrictions that are in effect as of 10th July 2025, as well as no significant changes in the macroeconomic environment or changes in customer call-off volatility or significant supply chain disruptions.

Based on the strong first half year performance and the impact from tariff compensation, we expect our 2025 organic sales to grow around 3%. We expect an adjusted operating margin of around 10% to 10.5%. Operating cash flow is expected to be around US\$1.2 billion.

Our positive cash flow and strong balance sheet supports our continued commitment to a high level of shareholder returns. Our full year guidance is based on a global light vehicle production decline of around negative 0.5%, a tax rate of around 28% and that the net currency translation effects on sales will be around zero. We are monitoring the situation closely and we are prepared to be as agile as we can to adjust to any changes.

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.

I will now hand it back to Raaz.

Q&A

Tom Narayan (RBC Capital Markets): I have two. The first one is on the China domestic performance. I think in your prepared remarks, you said that you performed with the market in the second quarter, but in June it looks like you outpaced the market. Just curious how we should think about the progression here. Is that something that you think continues to outpace the market, or is this specific to June? I know you mentioned this China was potentially helping drive your expectation for improvement in H2. That is my first question, and I have a follow-up.

Mikael Bratt: Okay. Thank you. Yes, I think what we are trying to say here with our description of the development in China is that we are progressing in line with what we have indicated before that through the growth of our business with the Chinese OEMs, we are closing the gap that we have seen over the last couple of quarters here.

I would say that towards the end of the quarter, we saw this, I would say, turning the corner here and starting to catch up the underperformance that we have seen over the last three quarters here. So we feel that we are on the right track, and we expect this to continue and that we should be in an outperformance situation in China towards the end of this year.

Tom Narayan: My second one might be a somewhat naive question, so apologies. There is a slide that has product volumes. I think it has like knee airbags down 9% versus LVP chest, side up 8%. My sense is this just might be lumpy based on mix is just seeing what kind of swing. Just curious how that works? Why there would be such big swings? Is that just function of launch activity and mix dynamics?

Fredrik Westin: Yes, it is that. Even if it is one of these product categories, the sales price can still be quite different. So yes, it is the mix effect within there that kind of sometimes look disconnected from the sales development, if you then take airbags and steering wheels combined or seatbelts combined.

Colin Langan (Wells Fargo): Just to follow up on the tariff commentary. I mean, you recovered most of it in Q1. Any reason why only 80%? Actually, you had a few more months. It was actually pretty impressive in Q1, you got so much recovered. Any reason why it is a little slower in Q2?

Just to be clear, you still expect by the end of the year to get 100% of all your tariff costs. Or is it going to be a little bit of a lag that gets recovered into next year?

Mikael Bratt: No, I think, as you said, I mean, we had some tariffs hitting us in the first quarter here, but it was really in March that started. And then, of course, we have a full quarter here now with high level. And as we are accruing this every day when we ship the products, of course, when you get towards the end of the quarter and the closing, you have some outstandings that are still in negotiation mode. It is a pure timing effect. That is why we feel confident that we will regain that towards the end and next quarter here. It is a pure, I would say, calendar question here in my mind here.

Of course, Q1 lower amount, less of an impact. Q2 bigger. And with the pace we have on a day-to-day operations here, we have the timing towards the end of the quarter. So pretty straightforward in that regard.

Colin Langan: Okay. Got it. Then just as we think about the margin guide unchanged, FX a little bit better, I would assume on a percent basis, that does not affect the margin, as usually FX converts an average margin. You also highlight the raw material costs. Is that worse? Any quantification of how much worse that is? Or what is the offset to keep the percent margin guidance in check?

Fredrik Westin: Yes. On the guidance, the impact of tariffs, if that was your first part of the question. That is the main reason for the increase in the organic growth from 2-3%. That is the tariff component there that we expect to be able to pass on to the customer and then the impact of that on our top line.

Then we expect a 20 basis point dilution effect on the full year from tariffs, which is a combination of just the pure dilution effect that we have the compensation on the sales line but you have no EBIT effect from it. So that is one part of the dilution effect, but we also expect that there will always be at the quarter end some costs that we need to absorb first before we can pass it on to the customer.

Then on your raw material question. We actually expect that raw materials have improved. We see that the raw material situation has improved slightly versus Q1, so that we now expect a headwind of close to \$20 million which is then a drop from around \$40 million that we were expecting after the first quarter. But it has slightly improved actually for this year.

Edison Yu (Deutsche Bank): First of all, I want to come back on the margin. I know you are looking for 3Q to be weakest. Can you just maybe walk us through the main drivers of that relative to the second quarter?

Fredrik Westin: Yes. It is basically the volume that Mikael mentioned during the presentation. If you look at S&P Global, that indicates a roughly one million unit drop between Q2 and Q3, which is not so different from the typical seasonality. Q3 is typically the weakest LVP quarter. Then we still continue to expect that the fourth quarter will be the strongest quarter, both in terms of volumes but also then with the regular seasonality that we have higher engineering income in the fourth quarter.

More return to the more traditional seasonality that we had pre-inflation.

Edison Yu: Understood. Just more generally, we have seen reports that some of the big OEMs are trying to be a bit more stringent on some of the terms with the suppliers. Have you seen

any of that come up in your discussions or at least potentially any impact of that happening later in the year?

Mikael Bratt: I mean the terms and condition is, I would say, a regular business to go through and it is a negotiation around those also. I would not like to point out that as a specific topic here. I think it is a natural part of us interacting with our customers here. It is a negotiation around that as well.

Emmanuel Rosner (Wolfe Research): Just on tariffs again. Just a quick one of maybe housekeeping or clarification. Would it be your expectation that in the third quarter, you will therefore over-recover tariffs so like you will have the 20% under-recover from Q2 and then the full Q3 tariffs? Or that every single quarter will likely have a little bit of a lag, and therefore, you could also end the year not fully recover?

Mikael Bratt: Yes. As Fredrik already mentioned here, when it comes to full year here that we expect, of course, there will be some calendar effects there that you have spillover, so to speak, from what is not in a timely fashion, being able to conclude before you close the books. I mean, the size of it, I would not like to speculate. But of course, you had some calendar effect there as well.

Emmanuel Rosner: I guess that is also true from a quarter point of view as you do not expect to over-recover?

Mikael Bratt: No, no. That is my point. I mean, every closing in the quarter, I mean, be it Q3, Q2 or Q4, ultimately, you have this time effect, yes.

Emmanuel Rosner: Understood. Thanks for clarification. Then I guess longer term, so you had your Capital Markets Day recently. 12% margin is still very much the target. Holistically, how much of the drivers to get there are things that are generally under your control in terms of headcount reduction, efficiencies, automation, etc.? And how much of it is really things that would require essentially a more stable market or different industry conditions?

Mikael Bratt: Yes, I think we have tried to frame it here, I mean, around the stable and reasonable LVP level here, and we are talking about \$85 million here and call-offs stability back to pre-pandemic here. I mean, that is still valid for sure. But as you can see here in the quarter here, we are delivering well on what is in our control. I think that is really our focus here to make sure that we have good traction on our different levers that we have identified within our own control, so to speak.

Hampus Engellau (Handelsbanken Capital Markets): Two questions from me. Just some clarification on China. Given the price competition we see there among the domestic OEMs, has that in any way changed your pricing situation? Has it become tougher for you guys in terms of negotiations? That is my first question.

Second question is India. If you maybe could update us on the situation in maybe market share? And also how much contribution of growth you had from India this year?

Mikael Bratt: Hampus, I can start with China and then Fredrik can jump in on India there. But I mean, first, as you know, automotive industry is very focused on cost and has always been. I think we have shown that we have the capability to be price competitive wherever we are operating also in China where we are the market leader in the China local market.

What we have talked about here is the mix effects that we have been impacted by. But we are regaining that. I would say, my view here and feeling here is that we are able to meet the cost pressure that you have in the China market and also elsewhere here. Hence, our focus here on continuing to drive efficiency and I would say, cost out in the whole system here.

Fredrik Westin: Yes. Then answer on your question regarding India. We have significantly outperformed the underlying LVP growth in the first half of the year. We have around 60% market share in India. For the full year 2025, we expect that India will make up around 5% of our Group sales. That is adding around \$100 million top line.

Vijay Rakesh (Mizuho Securities): Just a quick question. If you look at global LVP, you mentioned second half might be some risk with the tariff and pull-ins. Do you still expect to see the same seasonality as you go into December for you guys, given some of the overall market trends there on LVP? And I have a follow-up.

Mikael Bratt: Sorry, could you repeat that? The line was pretty bad there.

Vijay Rakesh: Just given the second half risk in LVP with the pull-ins and tariffs, do you still expect the same seasonality in the December quarter for Autoliv?

Fredrik Westin: We do expect that the second half will be weaker in relation to the first half. I mean you saw LVP in the first half was up 3.1% year-over-year. S&P thinks or says it would be down 2.3% year-over-year. Yes, the impact on the end consumer has been limited in the first half and the expectations that, that will increase in the second half of the year. But then in terms of that impact on us is then, as I explained before, that leads to a lower Q3 volume LVP by roughly \$1 million sequentially quarter-over-quarter.

And then with that, we would expect the third quarter to be our weakest in the year in terms of profitability. Then the fourth quarter will have also due to seasonality, the highest LVP support. Then on top of that, the regular cadence here of the higher engineering income in the fourth quarter. I hope that answers your question.

Vijay Rakesh: Yes. Very good. Then on the EV versus ICE, what is the content on EV vehicles versus ICE? I guess what is the mix for you now EV versus ICE overall for the Group sales?

Fredrik Westin: Yes. I mean it is not a large change. I mean, as we said, our market share is pretty similar on EVs as it is on the regular ICE vehicles and then we did not see any change on that here in the second quarter.

Michael Aspinall (Jefferies): Just a kind of follow-up on tariffs. Can you give us some context as to the competitive positioning of some of the other safety providers in terms of production in the US?

Mikael Bratt: No. I think we are, I would say, well positioned to navigate through this. I think first of all, we are very regionalised. So the different regions or taking care of its own value chain to a very large extent. Of course, Americas is one region here. For us, it is then primarily a question about the US, Mexico tariffs that is in place there. But also there, we have a very strong industrial footprint relative to, I would say, industry and competition here, with our five plants in Utah.

In all this, we are working with our customers, of course, to see how we can leverage and optimise our footprint in the best possible way there in the short term. Yes, I think we are in a good position there.

Michael Aspinall: Okay. Then kind of a related question. Outside of the discussions you are obviously having with your customers about recovering tariffs, has the conversation changed with your customers? Because I could imagine with that local footprint, I mean they may be coming to you, although they probably do not want to pay the tariffs and asking you to help them with more volumes, say, for example?

Mikael Bratt: Yes, I think, I mean, of course, we are working with them, as I mentioned here, to find the solution in both activities short term that can limit the impact there. But I mean, long term, we can do a lot of things here. But I think what we need to do and have in order to take next steps here is to have clarity on how tariffs actually will play out here. I mean, at what level and that they are there for foreseeable future.

I mean, nothing is forever here, but we need to have some until further notice, at least in place sustainably in order to take any potential CAPEX decisions in all that. But right now, it feels like we are sometime away from that point.

Mattias Holmberg (DNB Carnegie): Just a quick follow-up on the 10-10.5% margin guidance in the context of the 20 bps tariff dilution. Should we think of the underlying performance as absorbing this tariff headwind? In other words, that there is some underlying improvement and that the tariff drag is what is effectively holding back what would be a very small upgrade. I am just trying to understand how best to frame the guidance in relation to this impact?

Mikael Bratt: I mean, you are absolutely right. The tariff impact that Fredrik mentioned before is included in our guidance, and we are working, as I said, here very hard to improve and take out costs, etc., to manage the headwind that we see, then this is definitely a headwind that we have to absorb within the guidance here.

Agnieszka Vilela (Nordea): Perfect. I have two questions. Starting with the capital distribution. At the CMD, you said that you have the ambition to return \$300 million to \$500 million through buybacks. But now you are running at about \$50 million buyback per quarter in the last two quarters. Can you tell us what is the reason behind a somewhat smaller buyback base? Also, what should we expect for the remainder of the year?

Mikael Bratt: I mean, first of all, we are fully committed to what we have stated there to have around \$300 million to \$500 million in annual repurchase level. That is correct. Then, of course, we cannot guide on how and when that will be distributed and so on. But that still holds.

I think, I mean, why has it only been 50 per quarter so far? I would say, I mean, it is a discussion we have here internally on what level to place ourselves. I mean, it has been quite a volatile first half year here, and I think some prudence is always good when you enter into a new period here. Nothing dramatic in that. It is just a part of the overall assessment from time to time, but our commitment still holds, absolutely.

Agnieszka Vilela: Great. Thank you for the colour. Then the second question, I guess is to Fredrik. Currencies supported your EBIT in the quarter with \$13 million. Assuming the current

currency rates, could you help us understand what impact could we expect for H2 when you look at the translation and transaction effects for you?

Fredrik Westin: As we indicated, the main positive effect we had was revaluation effect from the balance sheet through the P&L. That was around \$7 million. The transactional FX impact was around \$3 million positive and then the translation effect was around \$2 million positive in the quarter. The main currency pairs that impacted this was on the positive side was the Mexican peso versus the US dollar on a year-over-year basis and also the euro against the Turkish lira. Those were the two most favourable currency pairings for us or their movements.

Then this was offset on the negative side by the peso against the euro as we import US-denominated products into Mexico and then also the appreciation of the SEK against the US dollar was a negative hit for us. The only thing I can say on the guidance is that we expect that the translation effect for the full year will be around zero.

Dan Levy (Barclays): First question is just on the pricing dynamics. Because if we look at the bridge, you are still getting implied positive year-over-year pricing. Wondering if you could talk to the ongoing trajectory of pricing and how that is, if any way, impacted by your ongoing tariff negotiations?

Mikael Bratt: I mean, of course, we continue with our price negotiations when it comes to the tariffs, no doubt about that, and that is what we have talked a lot about today here. Then, of course, we still have some inflationary impacts even though significantly smaller than what we have seen in the past years, but it is still over and above what we have as normal. That is dynamic there.

Then, of course, we get new price points when we have new products and new businesses there. But other than that, it is still the same dynamics here when it comes to expectation of a price down of the 2-4% that we have had historically here on running programmes. So no change when it comes to, I would say, the model and the dynamics there.

Dan Levy: Second question is around the GOM dynamics. Specifically, I think we have seen strong GOM in Americas and Europe. But in Americas specifically, we do have tariffs, I think there is some question on launch activity going forward. There is clearly a question on EV uptake. Maybe you can remind us to what extent your GOM in Americas has been driven by EVs; and to what extent any slowdowns in launch activity, EV uptake could impact GOM for you in the second half and into 2026?

Mikael Bratt: I would say in Americas, the EV component has not been significant. It is very minor. I do not see that impacting our position at all actually.

Dan Levy: Tariffs. Any other launches that are at risk because of tariffs for you?

Mikael Bratt: I think, I mean, the tariffs as such, of course, is a part of creating uncertainty about the outlook here when it comes to people willing to invest in affordability and those kind of questions. Of course, I think you can see, and we have seen that the activities for us for new models is pushed out in time. As we indicated also we see a little bit lower numbers than expected and more in line with last year here.

I think in short, the uncertainty in general and, of course, tariff important part of that is creating uncertainty on where to invest with new models, etc. So we see more of the existing models running longer and new models being pushed out in time in general regardless if it is EV or not.

Karl Bokvist (ABG Sundal Collier): Just a question on the comments regarding an expectation of getting into outperformance in China during the second half. I understand this is fully including both the effect of volume, but despite the negative mix headwinds. So the question is if you expect this outperformance, for how long do you think that the mix will still be a headwind?

Mikael Bratt: I mean, that is very difficult to have a very clear answer on. I think so far, we have seen, of course, that you have the low-end vehicles, if we call them that being the main driver of the volume in China so far. I think it goes hand-in-hand also a little bit with the overall economic situation as such.

But I think the important thing here is that we are gaining market share with that segment where we maybe have been a little bit underrepresented in the past, and that gap is closing, and we expect to outperform going forward. The [inaudible] can be discussed, but that depends on the more model mix effect, which is very hard to have a clear opinion about more speculation in that case.

Thank you, Raaz. Before we conclude today's call, I want to emphasise our commitment to achieving our financial targets. Our focus remains on our structural cost reductions, innovation, quality, sustainability and on tariff mitigation efforts.

Despite significant market challenges in key markets, we expect to continue to perform strongly. We remain vigilant about the risk associated with tariffs and geopolitical challenges, which could impact our cost structure and market dynamics. Navigating these complexities as well as we did in the first half of the year will be instrumental in maintaining our momentum throughout the year.

Finally, our products help save an estimate of 37,000 lives and reduced around 600,000 injuries last year, underscoring our vision of saving more lives. Our third quarter call is scheduled for Friday, 17th October 2025.

Thank you for your attention. Until next time, stay safe.

[END OF TRANSCRIPT]