

# **veoneer**

ADMISSION TO TRADING OF THE  
SWEDISH DEPOSITORY RECEIPTS IN  
VEONEER, INC.  
ON NASDAQ STOCKHOLM

## IMPORTANT INFORMATION

This prospectus (this “document”) has been prepared for the listing of Swedish Depository Receipts (“SDRs”) representing shares of common stock in Veoneer, Inc. on Nasdaq Stockholm. In this document, unless the context suggests otherwise, references to “Veoneer” the “Company,” “we,” “us” and “our” refer to Veoneer, Inc.

The figures included in this document have, in certain cases, been rounded off and, consequently, the tables contained in this document do not necessarily add up. All financial amounts are in U.S. dollars (“USD”), unless indicated otherwise, and “MUSD” indicates millions of USD.

The historical combined financial statements of Veoneer included in this document reflects the Company’s historical financial position, results of operations and cash flows, in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Refer to Note 1, Basis of Presentation and Note 2, Summary of Significant Accounting Policies, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, incorporated herein by reference for additional information. Except as expressly stated herein, no financial information in this document has been audited or reviewed by the Company’s auditor. Financial information relating to the Company in this document that is not part of the information audited or reviewed by the Company’s auditor as outlined herein originates from the Company’s internal accounting and reporting systems. This document contains statements that are not historical facts but rather forward-looking statements, see “Cautionary Statement About Forward-Looking Statements”.

This document is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with this document.

This document has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the “SFSA”) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:1980) (Sw. *lagen (1991:980) om handel med finansiella instrument*). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in this document is correct or complete. Pursuant to an exemption from the SFSA in relation to language requirements, this document has only been prepared in English. However, a Swedish summary is available, please see “Summary in Swedish/ *Sammanfattning*”.

This document has been prepared for the admission to trading of the SDRs representing shares of common stock of Veoneer on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in Veoneer, neither in Sweden nor in any other jurisdiction. This document and documents related thereto may not be distributed to or into Canada, Australia, Japan or any other jurisdiction where such distribution would require additional prospectuses, registration or measures in addition to those required by Swedish law or otherwise would be in conflict with applicable regulations in such countries or in such jurisdictions. Recipients of this document are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in violation of applicable securities regulations.

Investing in Veoneer SDRs is associated with risk (see “Risk factors”). When an investor makes an investment decision, he, she or it must rely on his, her or its own analysis of Veoneer, including applicable facts and risks. Investors may only rely on the information in this document and any possible supplements to this document. No person is authorised to provide any information or make any statements other than those made in this document. Should such information or statements be given or made available, such statements should not be considered to have been approved by Veoneer, and Veoneer is not responsible for such information or statements. Neither the publication of this document nor any transaction made in respect of it shall be deemed to imply that the information in this document is accurate or applicable at any time other than the date of the publication of this document or that there have been no changes in Veoneer’s business since this date. If significant changes relating to the information contained in this document occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Swedish Financial Instruments Trading Act.

In connection with the issue of new shares of common stock in Veoneer, Veoneer has filed certain materials with the U.S. Securities and Exchange Commission (the “SEC”), including, among other materials, a Registration Statement on Form S-1 first submitted confidentially on April 19, 2019 and publicly filed on May 20, 2019 (the “Registration Statement”). The Registration Statement is prepared and filed with the SEC pursuant to U.S. requirements and Swedish investors and Veoneer SDR holders are urged to read this document that is approved by the SFSA and any supplement thereto. This document is not intended to be, and is not, a substitute for such documents filed with the SEC or for any other document that Veoneer may file with the SEC or any other competent authority. Such documents are or upon publication will be available free of charge through the EDGAR filing system on the website maintained by the SEC, [www.sec.gov](http://www.sec.gov). Any materials filed by Veoneer with the SFSA, the SEC or any other competent authority that are required to be mailed to stockholders or SDR holders of Veoneer will be mailed to such stockholders or SDR holders. A copy of this document will be available free of charge at the SFSA’s website, [www.fi.se](http://www.fi.se), and on Veoneer’s website, [www.veoneer.com](http://www.veoneer.com).

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### **Financial calendar**

Interim report for the period January – June 2019, Q2 July 26, 2019

### **Important dates**

Estimated first day of trading in new Veoneer SDRs on Nasdaq Stockholm June 17, 2019

### **Other information on Veoneer SDRs**

Ticker: VNE SDB  
ISIN code: SE0011115963

### **Certain definitions**

Euroclear Sweden	Euroclear Sweden AB.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm AB.
SEK	Swedish krona.
USD or \$	U.S. dollar.
Veoneer, “we”, “our”, “us” and the “Company”	Veoneer, Inc., unless the context suggests otherwise.

## SUMMARY IN SWEDISH/ SAMMANFATTNING

Pursuant to an exemption from the SFSA in relation to language requirements, this document has only been prepared in English. However, a Swedish translation of the "Summary" in this document is provided below. In the event of any discrepancies, the English language version of the Summary shall prevail.

*I enlighet med en språkdispens från Finansinspektionen har detta dokument endast upprättats i en engelskspråkig version. Nedan följer dock en svensk översättning av avsnittet "Summary" i dokumentet. Vid eventuell skillnad mellan språkversionerna ska den engelskspråkiga versionen äga företräde.*

*Sammanfattningen ställs upp efter informationskrav i form av ett antal "punkter" som ska innehålla viss information. Dessa punkter är numrerade i avsnitt A-E (A.1-E.7). Denna sammanfattning innehåller alla de punkter som ska ingå i en sammanfattning för denna typ av värdepapper och emittent. Eftersom vissa punkter inte behöver ingå, kan det finnas luckor i numreringen av punkterna. Även om en viss punkt ska ingå i sammanfattningen för denna typ av värdepapper och emittent kan det förekomma att det inte finns någon relevant information att ange beträffande sådan punkt. I sådana fall innehåller sammanfattningen en kort beskrivning av aktuell punkt tillsammans med angivelsen "ej tillämplig".*

AVSNITT A – INTRODUKTION OCH VARNINGAR		
A.1	Introduktion och varningar	Denna sammanfattning bör läsas som en introduktion till detta dokument. Varje beslut om att investera i värdepapperen ska baseras på en bedömning av dokumentet i sin helhet från investerarens sida. Om yrkande avseende information i prospektet anförs vid domstol, kan den investerare som är kärke i enlighet med medlemsstaternas nationella lagstiftning bli tvungen att svara för kostnaderna för översättning av prospektet innan de rättsliga förfarandena inleds. Civilrättsligt ansvar kan endast åläggas de personer som lagt fram sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av prospektet, eller om den inte, läst tillsammans med de andra delarna av prospektet, ger ut nyckelinformation för att hjälpa investerare i övervägandet att investera i de värdepapper som erbjuds.
A.2	Samtycke till finansiella mellanhänders användning av detta dokument	Ej tillämplig. Finansiella mellanhänder har inte rätt att använda detta dokument för efterföljande återförsäljning eller slutlig placering av värdepapper.
AVSNITT B – EMITTENT OCH EVENTUELL GARANTIGIVARE		
B.31	Information om emittenten av de underliggande värdepapperen	<b>Firma och handelsbeteckning (B.1)</b> Veoneer, Inc., med arbetsgivarnummer hos amerikanska skattemyndigheten ( <i>IRS Employer Identification Number</i> ) 82-3720890. <b>Emittentens säte och bolagsform (B.2)</b> Veoneers registrerade adress är i Wilmington, New Castle County, Delaware. Bolaget är bildat i delstaten Delaware, USA, och vars bolagsform och verksamhet regleras av federal lagstiftning i Förenta staterna och <i>General Corporation Law of the State of Delaware</i> . <b>Beskrivning av emittentens verksamhet (B.3)</b> Veoneer är en global ledare inom design, utveckling, försäljning och tillverkning av säkerhetselektronik för fordon. <sup>1</sup>

<sup>1</sup> Bolagets beräkningar är baserade på information om intäkter från konkurrenter inom fordonssäkerhetselektronik, av vilka de största marknadsaktörerna (Aptiv, Bosch, Continental, Denso, Magna, Valeo och ZF) har analyserats med allmänt tillgänglig information såsom deras senaste tillgängliga årsredovisningar, pressmeddelanden samt annan information tillgänglig på företagets hemsidor.

		<p>Innan avknoppningen från Autoliv var Veoneer verksamt som ett operativt segment inom Autoliv under nästan fyra år. Veoneers säkerhetssystem är utformade för att göra körningen säkrare, enklare och mer komfortabel för slutkonsumenten samtidigt som systemen ska ingripa för att förebygga trafikolyckor eller minska skadeeffekterna i de fall en kollision inte går att undvika. Genom vårt konsumentfokus och genom att vara en expertpartner till våra kunder, avser vi att utveckla system som sätter människan i fokus.</p> <p>Veoneers befintliga produktutbud omfattar fordonsradar (<i>automotive radar</i>), mono- och stereokameror (<i>mono- and stereo-vision cameras</i>), system för assistans vid nattkörning (<i>night driving assist systems</i>), positioneringssystem (<i>positioning systems</i>), avancerade förarassistanssystem (<i>Advanced Driver Assistance System, "ADAS"</i>) elektroniska styrenheter (<i>electronic control units</i>), passiv säkerhetselektronik (<i>passive safety electronics</i>) (kontrollenheter för airbags och krocksensorer), bromssystem och ett komplett ADAS-mjukvaruerbjudande för högautomatiserad körning (<i>HAD</i>) och autonom körning (<i>AD</i>). Dessutom erbjuder vi förarkamerasystem, LiDAR-sensorer, RoadScape-positionering och annan teknik som har avgörande betydelse för HAD- och AD-lösningar där vi använder egenutvecklade immateriella tillgångar och vårt nätverk av partners.</p> <p>Inom <i>Restraint Control Systems</i> tillhandahåller vi även elektroniska kontrollenheter och krocksensorer som utlöser krockkuddar och åtdragning av säkerhetsbälten i händelse av kollision. Slutligen tillhandahåller vi genom Veoneer-Nissin Brake Systems ("VNBS"), vårt joint venture med Nissin Kogyo, bromssystem. VNBS har utvecklat en omfattande kompetens inom regenerativ inbromsning och har utvecklat ett uppgraderat elektroniskt bromssystem (<i>Electronic Brake Boost system</i>) som förväntas lanseras mot slutet av 2019. Bromsen består av en box där den hydrauliska bromsmodulen integrerats med den elektroniska bromskontrollenheten och bromsvätskebehållaren. Teknikens skalbarhet och kostnadseffektivitet kvalificerar VNBS för de brake-by-wire-system som krävs för regenerativ inbromsning samtidigt som tekniken levererar överlägsen inbromsningsprestation vilken kan uppfylla det växande behovet av bromsning utan pedal, så som automatiserad nödbromsning (<i>Automated Emergency Braking</i>) och annan funktionalitet.</p> <p>Vår innovation och vår ledande tekniska position, vårt ständiga fokus på kvalitet och säkerhet, tillsammans med en betydande global närvaro och diversifierad kundbas som inkluderar de flesta större globala fordonstillverkarna, är kännetecknande för vårt DNA som stammar ur Autoliv. Fordonstillverkarna strävar ständigt efter att tillverka fordon som möter och överträffar de allt hårdare kraven som ställs i säkerhetstester runt om i världen för att därigenom uppfylla sina slutkonsumenters krav på ökad trafiksäkerhet med hjälp av avancerade förarassistanssystem samt ökad komfort och bekvämlighet med hjälp av AD.</p> <p><b>Trender (B.4)</b></p> <p><b>Autonom körning och anslutning:</b> Vi anser att ADAS är ett av de snabbast växande produktområdena inom fordonsindustrin. För att urskilja sina produkter använder OEMs i allt större</p>
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utsträckning olika ADAS-lösningar som en nyckelkomponent och de strävar efter att vara först på marknaden med dessa lösningar. Utvecklingen drivs av krav från konsumenter att inkludera dessa lösningar samt att OEMs själva är pådrivande för nya innovativa lösningar för att kunna urskilja sig i konkurrensen.

**Ny rörlighet:** AD kommer att väsentligt öka antalet aktiva säkerhetsprodukter och mjukvara, vilket kommer att medföra krav på mer komplexa innovationer inom ADAS.

**Ren rörlighet:** Antalet nya elektriska och hybridfordon kommer att öka väsentligt under de kommande årtiondena då OEMs kommer att införa mer effektiva framdrivningsalternativ än de traditionella inbyggda förbränningsmotorerna.

#### **Beskrivning av koncernen och bolagets plats i koncernen (B.5)**

Koncernen består av moderbolaget Veoneer, Inc. och 20 direkt och indirekt ägda dotterbolag.

#### **Större aktieägare och depåbevisinnehavare (B.6)**

Per den 31 december 2018 utgjordes Bolagets största aktieägare som innehade mer än 5 procent av antalet röster av: Cevian Capital II GP Limited (9,59 procent av antalet aktier och röster), Alecta pensionsförsäkring, ömsesidigt (9,40 procent av antalet aktier och röster), AMF Pensionsförsäkring AB (7,04 procent av antalet aktier och röster), Första AP-Fonden (5,61 procent av antalet aktier och röster) och Swedbank Robur Fonder AB (6,44 procent av antalet aktier och röster).

#### **Finansiell information i sammandrag (B.7)**

Nedanstående finansiella information i sammandrag återspeglar den sammanslagna verksamheten i Veoneer. Veoneer har hämtat den finansiella informationen i sammandrag avseende rörelseresultat för räkenskapsåren som avslutades den 31 december 2018, 2017 och 2016 samt den finansiella informationen i sammandrag avseende finansiell ställning per den 31 december 2017 och 2016, som återges i tabellen nedan, från sina reviderade så kallade *combined financial statements* inkluderade i årsredovisningen enligt Form 10-K.

MUSD	Perioden 1 januari – 31 mars		Perioden 1 januari – 31 december		
	2019	2018	2018	2017	2016
<b>Rörelseresultat:</b>					
Nettoomsättning	494	594	2 228	2 322	2 218
Rörelseresultat (förlust) <sup>1</sup>	(128)	(16)	(197)	(283)	(25)
Intäkter, netto (förlust)	(148)	(37)	(294)	(344)	(60)
Intäkter från innehav, netto (förlust)	(137)	(32)	(276)	(217)	(53)
Investeringar	(59)	(31)	(188)	(110)	(103)
Av- och nedskrivningar	29	28	111	119	106
<b>Finansiell ställning:</b>					
Totala tillgångar	2 519	1 761	2 632	1 663	1 739
Total skuld <sup>2</sup>	(60)	(24)	(14)	(62)	(15)

<sup>1</sup> Inkluderar kostnader för nedskrivning av goodwill på \$234 miljoner 2017.

<sup>2</sup> Inkluderar kortfristig skuld och långfristig skuld till närliggande per den 31 december 2018, långfristig skuld till närliggande per den 31 december 2017.

		<p><i>Väsentliga händelser under perioden för den historiska finansiella informationen:</i></p> <ul style="list-style-type: none"> <li>• I april 2016 bildade vi VNBS, ett 51/49 joint venture med Nissin Kogyo, en japansk tillverkare av både traditionella och nya bromssystem.</li> <li>• I april 2017 lanserade vi Zenuity, ett strategiskt joint venture-bolag med Volvo Cars, där båda har 50% ägarandel. Detta joint venture är det första i sitt slag där en OEM och en direktleverantör, vilka båda är erkända för att vara pionjärer inom fordonssäkerhet, bildar ett bolag för att utveckla ADAS-mjukvara för AD.</li> <li>• I juni 2017 tillkännagav vi, tillsammans med Zenuity, ett icke-exklusivt samarbete i tidig fas med NVIDIA för att förse Veoneer och Zenuity med för-access till NVIDIAS AI plattform för autonom körning innan denna är tillgänglig för övriga marknaden.</li> <li>• I juli 2017 tillkännagav vi ett icke-exklusivt samarbete med Velodyne för försäljning av olika LiDAR-sensorer som direktleverantör till OEMs.</li> <li>• I augusti 2017 tillkännagav vi ett icke-exklusivt samarbete med Seeing Machines, en pionjär inom datorbaserade kameraskenare för ögonigenkänning, för att utveckla nästa generations förarövervakningssystem ("DMS") för autonoma fordon.</li> <li>• I september 2017 meddelade Zenuity ett icke-exklusivt samarbete med Ericsson. Målet är att utveckla det Zenuity-anslutna molnet, där Ericsson kommer att bidra med sin acceleratorplattform för Internet of Things, som syftar till att integrera inbyggd programvara och system med säkerhetsdata från andra uppkopplade fordon och infrastrukturer för att potentiellt tillhandahålla Over-the-Air ("OTA") realtidsuppdateringar till fordonsflottan.</li> <li>• I oktober 2017 tillkännagav vi ett icke-exklusivt samarbete med Massachusetts Institute of Technology AgeLab för att utveckla algoritmer för maskininlärning som möjliggör en effektiv kommunikation och överföring av kontroll mellan förare och fordon.</li> <li>• I november 2017 förvärvade vi Fotonic, ett svenskt företag med expertis inom LiDAR och Time of Flight-kameror. Detta förvärv syftar till att ytterligare förstärka vår samarbetspotential med Velodyne som vi påbörjade i juli 2017.</li> <li>• I januari 2018 presenterade Zenuity ett icke-exklusivt samarbete med TomTom för att tillhandahålla arkitektur för referenskartor för "Zenuity Connected Roadview"-systemet för autonoma fordon.</li> <li>• I februari 2018 tillkännagav Zenuity förvärvet av Beyonavs immateriella tillgångar och varumärken, ett teknologiserviceföretag som levererar innovativa platsbaserade lösningar som går utöver den traditionella tillämpningen av navigationsteknik.</li> <li>• I juni 2018 blev Veoneer ett självständigt aktiemarknadsbolag som ett resultat av avknoppningen</li> </ul>
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		<p>från Autoliv, varigenom 100 procent av de utestående stamaktierna i Veoneer delades ut till aktieägarna i Autoliv.</p> <ul style="list-style-type: none"> <li>I juli 2018 togs Veoneers stamaktier upp till handel på New York Stock Exchange ("NYSE").</li> <li>I januari 2019 meddelade bolaget att det ingått ett licens- och distributionsavtal med Velodyne enligt vilket Velodyne ska förse Veoneer med material och särskilda immateriella rättigheter som innehas av Velodyne, vilket möjliggör för Veoneer att sälja, distribuera, marknadsföra, tillverka och modifiera (inklusive tillhörande R&amp;D) vissa LiDAR-produkter baserade på en Velodyneauktoriserad referensdesign.</li> </ul> <p><i>Väsentliga händelser efter 31 mars 2019</i></p> <ul style="list-style-type: none"> <li>Den 28 maj 2019 slutförde Veoneer ett erbjudande till institutionella och andra investerare om totalt 24 000 000 stamaktier innebärande ett kapitaltillskott om 420 miljoner USD. Samtidigt slutförde Veoneer ett erbjudande av konvertibler med ett sammanlagt nominellt belopp om 207 miljoner USD .</li> </ul> <p><b>Resultatprognos (B.9)</b></p> <p>Ej tillämplig. Bolaget har inte presenterat någon resultatprognos.</p> <p><b>Anmärkningar i revisionsberättelsen (B.10)</b></p> <p>Ej tillämplig. Det finns inga anmärkningar i revisionsberättelsen.</p>
<b>B.32</b>	Information om emittenten av depåbevisen	<p>Utgivare av de svenska depåbevisen är Skandinaviska Enskilda Banken AB (publ), organisationsnummer 502032-9081, ett svenskt publikt aktiebolag vars verksamhet bedrivs i enlighet med aktiebolagslagen (2005:551), lagen om bank- och finansieringsrörelse (2004:297) och lagen om värdepappersmarknaden (2007:528).</p>
<b>AVSNITT C – VÄRDEPAPPER</b>		
<b>C.13</b>	Information om de underliggande aktierna	<p><b>Värdepapper som tas upp till handel (C.1)</b></p> <p>Stamaktier i Veoneer, Inc. CUSIP (Committee on Uniform Securities Identification Procedures) nummer: 92336X109. ISIN-nummer: US92336X1090.</p> <p><b>Denominering (C.2)</b></p> <p>Aktierna är denominerade i amerikanska dollar, USD.</p> <p><b>Totalt antal aktier i bolaget (C.3)</b></p> <p>Per den 28 maj 2019 hade vi 111 372 130 emitterade och utestående stamaktier, vardera med ett nominellt värde på 1,00 USD, och vi har inga emitterade och utestående preferensaktier. Alla våra utestående stamaktier är fullt betalda och fritt överlåtbara.</p> <p><b>Rättigheter som sammanhänger med värdepapperen (C.4)</b></p> <p>Varje stamaktie berättigar innehavaren till en röst i alla frågor som tillställs aktieägarna för beslut, inklusive val av styrelseledamöter. Innehavare av stamaktier har inte kumulativ</p>



		<p>rösträtt vid val av styrelseledamöter. Dessutom har innehavare av stamaktier rätt att delta i utdelningar i proportion till sitt aktieinnehav när styrelsen beslutar om utdelning av utdelningsbara medel till stamaktieägare. Varje tidsbegränsning efter vilken rätten till utdelning upphör att gälla, och till vem utdelningen då tillfaller, bestäms utifrån gällande lag för respektive innehavare av värdepapperen. Det finns inga begränsningar avseende rätten till utdelning för aktieägare bosatta utanför USA, med förbehåll för eventuell källskatt i USA. Vid likvidation, upplösning eller avveckling, frivillig eller ofrivillig, kommer innehavare av stamaktier ha rätt till en proportionerlig andel av kvarvarande tillgångar efter att samtliga fordringsägare fått ersättning för sina fordringar och samtliga skulder betalats. Samtliga utestående stamaktier är fullt betalda och fritt överlåtbara. Ingen stamaktie kommer ha någon företrädesrätt, inlösen- eller konverteringsrätt, eller förmånen av en så kallad ”sinking fund”. Rättigheterna, preferenserna och privilegierna för innehavare av stamaktier är efterställda rättigheterna för eventuella innehavare av preferensaktier vilka vi kan komma att godkänna och emittera i framtiden.</p> <p><b>Inskränkningar i den fria överlåtbarheten (C.5)</b></p> <p>Ej tillämplig. Aktierna är inte föremål för inskränkningar i den fria överlåtbarheten.</p> <p><b>Handelsplats (C.6)</b></p> <p>Ej tillämplig. Efter avknoppningen från Autoliv 2018 upptogs Veoneers stamaktier till handel på NYSE under symbolen ”VNE” och svenska depåbevis, eller SDB, representerande våra stamaktier togs upp till handel på Nasdaq Stockholm under symbolen ”VNE SDB”.</p> <p>Detta prospekt har upprättats för upptagandet till handel av upp till 114 972 130 SDB representerande stamaktier i Veoneer på Nasdaq Stockholm och innehåller inget erbjudande om att teckna, eller på annat sätt förvärva aktier eller andra finansiella instrument i Veoneer, i Sverige eller i någon annan jurisdiktion.</p> <p><b>Utdelningspolicy (C.7)</b></p> <p>Vi har inte beslutat om eller lämnat någon kontantutdelning till våra aktieägare. För närvarande avser vi att behålla eventuella framtida intäkter och avser inte att lämna någon kontantutdelning till våra akiteägare under de närmaste åren. Beslut om att i framtiden lämna någon utdelning kommer att fattas av styrelsen enligt gällande lagstiftning och vara beroende av vår finansiella ställning, rörelseresultat, kapitalbehov, generella verksamhetsförhållanden och andra faktorer som vår styrelse anser relevanta.</p>
C.14	Information om depåbevisen	<p><b>Värdepapper som tas upp till handel (C.1)</b></p> <p>De svenska depåbevisen (”SDB”) representerar stamaktier i Veoneer, Inc., ISIN nummer: SE0011115963.</p> <p><b>Denominering (C.2)</b></p> <p>De svenska depåbevisen i Veoneer är denominerade i svenska kronor.</p>

#### **Rättigheter som sammanhänger med värdepapperen (C.4)**

##### *Avstämnings- och utbetalningsdatum*

Skandinaviska Enskilda Banken AB (publ) ("Depåbanken") kommer i samråd med oss att bestämma en avstämningsdag för fastställande av vilka SDB-innehavare i Veoneer som har rätt till utdelning i kontanter, aktier, rätter eller någon annan egendom eller intäkterna därav (om egendomen säljs av Depåbanken i enlighet med de allmänna villkoren), eller för att få relevant information för att kunna närvara och rösta vid bolagsstämma eller på annat sätt utöva rättigheter som kan utövas av våra aktieägare. Depåbanken kommer också att i samråd med oss fastställa datum för utbetalning av utdelning, om sådan beslutas, till SDB-innehavare i Veoneer vilket vi refererar till som utbetalningsdatum.

##### *Rösträtt*

Depåbanken kommer så snart som möjligt efter mottagandet av information om att bolagsstämma ska hållas se till att en SDB-innehavare i Veoneer som finns registrerad i avstämningsregistret på avstämningsdagen blir försedd med information om sådan bolagsstämma. Informationen ska innehålla följande:

- tid och plats för bolagsstämman och de frågor som ska behandlas på stämman,
- en hänvisning till instruktioner som finns tillgängliga via vår webbplats om vilka åtgärder som måste vidtas av varje SDB-innehavare i Veoneer för att innehavaren ska kunna utöva sin rösträtt vid bolagsstämman, och
- hänvisning till det material inför bolagsstämman som finns tillgängligt via vår hemsida.

##### *Utdelning*

En SDB-innehavare i Veoneer har rätt att delta i utdelningar proportionellt i förhållande till antalet innehavda SDB om och när vår styrelse beslutar om utdelning på våra stamaktier på samma sätt som om de vore stamaktieinnehavare, även om en kontantutdelning kommer att omräknas till kronor.

#### **Inskränkningar i den fria överlåtbarheten (C.5)**

Ej tillämplig. Depåbevisen i Veoneer är inte föremål för inskränkningar i den fria överlåtbarheten.

#### **Faktiska fördelar förenade med de underliggande aktierna**

För rättigheter knutna till de underliggande aktierna, se ovan under "Rättigheter som sammanhänger med värdepapperen (C.4)".

En SDB-innehavare i Veoneer har inte likvärdiga rättigheter som stamaktieinnehavare. Stamaktieinnehavares aktieägar rättigheter regleras av federal lagstiftning i Förenta staterna och *General Corporation Law of the State of Delaware*. Eftersom Depåbanken kommer att vara den aktieägare som är registrerad i avstämningsregistret för stamaktierna som representerar samtliga utestående depåbevis kommer aktieägar rättigheterna tillfalla Depåbanken. Rättigheterna för en SDB-innehavare i Veoneer härrör från de allmänna villkoren. Bolaget ska vidta åtgärder så att SDB-innehavarna i Veoneer får möjlighet att utöva vissa

		<p>rättigheter gentemot bolaget som skulle kunna utövas av sådana innehavare om de hade ägt aktier direkt och inte depåbevis.</p> <p><b>Garantier</b></p> <p>Ej tillämplig. Det finns inga bankgarantier eller andra garantier för depåbevisen.</p>
<b>AVSNITT D – RISKER</b>		
<b>D.4</b>	Huvudsakliga risker relaterade till emittenten av de underliggande aktierna	<p><b>Huvudsakliga risker relaterade till emittenten (D.2)</b></p> <p>En investering i värdepapper är förknippad med risk. Innan ett eventuellt investeringsbeslut är det viktigt att noggrant analysera de riskfaktorer som anses vara viktiga i förhållande till Veoneer och de underliggande aktiernas framtida utveckling. Dessa risker omfattar följande huvudrisker relaterade till branschen och Veoneers verksamhet och finansiella ställning:</p> <p><i><b>Den konjunkturmässiga karaktären av bilförsäljning och produktion kan påverka vår verksamhet negativt.</b></i> Vår verksamhet är direkt relaterad till lätt fordonstillverkning (light vehicle production, ”LVP”) på den globala marknaden och hos våra kunder, och bilförsäljning och LVP är de viktigaste drivkrafterna för vår försäljning. Ekonomiska nedgångar som resulterar i en betydande minskning av bilförsäljning och produktion hos våra kunder har tidigare haft, och kan i framtiden ha, en väsentligt negativ inverkan på vår verksamhet, resultat och finansiella ställning.</p> <p><i><b>Tillväxttakten i säkerhetsinnehåll per fordon, vilken kan påverkas av förändringar i konsumenttrender och politiska beslut, kan påverka våra resultat i framtiden.</b></i> Fordon som tillverkas på olika marknader kan ha olika krav på säkerhetsinnehåll. För närvarande finns våra produkter typiskt sett i fordon med högre säkerhetsinnehåll. Eftersom säkerhetsinnehåll per fordon även är en indikator på vår försäljningsutveckling, förutsatt att de senaste trenderna fortsätter, kan medelvärde av säkerhetssystem per fordon minska.</p> <p><i><b>Vi är verksamma på mycket konkurrensutsatta marknader.</b></i> Marknaderna vi är verksamma på är mycket konkurrensutsatta. Vi konkurrerar med ett flertal företag som designar, producerar och säljer liknande produkter. Våra produkter konkurrerar bland annat på basis av pris, kvalitet, tillverkning och distributionskapacitet, design och utförande, teknisk innovation, leverans och service. Oförmågan att konkurrera framgångsrikt kan ha en väsentligt negativ inverkan på vår verksamhet, resultat och finansiella ställning.</p> <p><i><b>Vi är verksamma på en utvecklingsmarknad som kan bli föremål för större osäkerhet och fluktuationer i konkurrenshänseende jämfört med en mer mogen marknad.</b></i> Området för aktiv säkerhet är ett segment under utveckling inom bilindustrin. Antalet konkurrenter riskerar att öka i takt med att leverantörer utanför den traditionella fordonsindustrin, såsom Google, Argo, Uber, Lyft, Samsung, Panasonic, Here, Tesla, Intel, NVIDIA och andra teknikföretag, överväger de affärsmöjligheter som finns inom autonom körning. Om vi misslyckas med att utveckla och leverera innovativa och</p>

	<p>konkurrenskraftiga produkter, kan vår verksamhet, resultat och finansiella ställning, påverkas väsentligt negativt.</p> <p><b><i>Autonom körning innefattar en komplex teknologi och kräver ett antal olika hårdvaru- och mjukvarukompetenser och tekniker och det finns risk för att dessa kompetenser eller tekniker inte utvecklas i tillräcklig takt för att möta marknadens behov.</i></b> Autonom körning kräver olika typer av sensorteknik, inklusive kameror, radar och LIDAR-teknik samt mjukvara för att kontrollera sådana sensorer. Dessa teknologier är under olika utvecklingsstadier och har nått olika nivåer av marknadsacceptans. Det finns en risk att dessa tekniska lösningar inte utvecklas i tillräckligt snabb takt för att accepteras av våra kunder. Om vi inte kan utveckla våra autonoma körlösningar i tillräckligt snabb takt för att hålla jämna steg med marknaden, kan våra framtida affärsmöjligheter, resultat och finansiella ställning påverkas väsentligt negativt.</p> <p><b><i>Vi kanske inte kan skydda vår patenterade teknologi och immateriella rättigheter, vilket kan leda till att vi förlorar våra rättigheter eller får ökade kostnader.</i></b> Vi är beroende av ett antal patenterade teknologier och immateriella rättigheter för att utveckla våra produkter. Det finns en risk att våra produkter och teknologier gör intrång i andras immateriella rättigheter, och att tredje man kan väcka intrångstalan mot oss i framtiden. Dessutom använder vi och våra joint venture-företag licenser till teknik som patenterats av tredje man, och det finns en risk för att sådana patent ifrågasätts, ogiltigförklaras eller kringgås. Risker relaterade till vår patenterade teknologi kan ha en väsentligt negativ inverkan på vår verksamhet, resultat och finansiella ställning.</p> <p><b><i>Upphörandet, bristen på kommersiell framgång eller förlust av verksamhet med avseende på en viss fordonsmodell för vilken vi är en betydande leverantör, kan minska vår försäljning och skada vår lönsamhet.</i></b> Ett antal av våra kundkontrakt kräver att vi levererar kundens årliga behov för en viss fordonsmodell och monteringsanläggningar, och inte tillverkning av en specifik kvantitet av produkter. Därför kan upphörandet av, förlusten av verksamhet med avseende på, eller brist på kommersiell framgång av en viss fordonsmodell eller ett visst varumärke för vilken vi är en betydande leverantör, minska vår försäljning och skada vår lönsamhet.</p> <p><b><i>Risker hänförliga till våra joint venture-samarbeten och andra samarbeten kan ha en negativ effekt på vår verksamhet och finansiella resultat.</i></b> En del av vår verksamhet bedrivs för närvarande genom joint ventures och gemensamma utvecklingsavtal, och vi kan komma att ingå i ytterligare joint ventures och samarbeten i framtiden. Våra joint venture- och samarbetspartners kan komma att ha ekonomiska, affärsmässiga eller legala intressen eller mål som skiljer sig från våra mål eller målen för det aktuella samarbetet. Eventuella meningsskiljaktigheter mellan oss och våra samarbetspartners kan hämma vår förmåga att maximera fördelarna av vårt samarbete. Våra forsknings- och utvecklingssamarbeten kanske inte lyckas utveckla den tänkta produkten eller teknologin. Om någon av ovanstående risker materialiseras kan det ha en väsentligt negativ inverkan på vår verksamhet, resultat och finansiella ställning.</p>
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<p><b>D.5</b></p>	<p>Risker relaterade till depåbevisen</p>	<p><b>Huvudsakliga risker relaterade till värdepapperen (D.3)</b></p> <p>Samtliga investeringar i värdepapper är förknippade med risker. De huvudsakliga riskerna avseende distributionen och Bolagets SDB och de underliggande aktierna utgörs av:</p> <p><i>Vår styrelse kan ändra betydande bolagsstyrningspolicier utan godkännande från aktieägare.</i> Vår styrelse kommer att besluta om vår finansierings-, upplånings- och utdelningspolicy och våra policier med avseende på alla övriga aktiviteter, inklusive tillväxt, skuld, kapitalisering och verksamhetsaktiviteter. Dessa policier kan ändras eller revideras när som helst, oavsett tidpunkt, enligt vår styrelses självständiga bedömning, utan omröstning från våra aktieägare. En ändring av dessa policier kan ha en väsentligt negativ inverkan på vår verksamhet, resultat, finansiella ställning, aktiekursen per stamaktie och vår förmåga att uppfylla våra skuldförpliktelser och att betala utdelning till våra aktieägare.</p> <p><i>Anti takeover-bestämmelser i våra bolagshandlingar och i lagstiftning i Delaware kan avskräcka eller försena förvärvsförsök av oss som du kanske anser är förmånliga.</i> Vår stiftelseurkund (<i>certificate of incorporation</i>) och vår bolagsordning (<i>bylaws</i>) kommer att innehålla bestämmelser som kan göra sammanslagning eller förvärv av Bolaget svårare utan styrelsens godkännande. I egenskap av att vara ett Delaware-bolag är vi dessutom föremål för bestämmelser i lagstiftningen i Delaware vilket kan försvåra takeover-försök som våra aktieägare anser vara gynnsamma. Dessa anti-takeover-bestämmelser och andra bestämmelser i lagstiftningen i Delaware kan avskräcka, försena eller förhindra en transaktion som innebär en förändring av kontrollen av Bolaget, inklusive åtgärder som våra aktieägare kan bedöma som gynnsamma, eller negativt påverka aktiekursen på våra stamaktier. Dessa bestämmelser kan även avskräcka så kallade <i>proxy contests</i> och göra det svårare för dig och andra aktieägare att välja styrelseledamöter och få oss att vidta andra bolagsåtgärder som du önskar.</p> <p><i>SDB-innehavare i Veoneer har inte samma rättigheter som våra aktieägare.</i> En SDB-innehavare i Veoneer har inte aktieägarrättigheter motsvarande rättigheterna för en stamaktieägare, vars aktieägarrättigheter regleras av federal amerikansk lag och Delaware General Corporation Law. Rättigheterna för SDB-innehavare i Veoneer framgår av och beskrivs i de allmänna villkoren för svenska depåbevis i Veoneer. SDB-innehavare i Veoneer har inte samma möjlighet att nominera styrelseledamöter för val eller lägga fram förslag till våra årsstämmor i den utsträckning som föreskrivs i våra bolagshandlingar eller enligt gällande amerikansk delstats- eller federal rätt. Dessutom kan SDB-innehavare i Veoneer inte genomdriva sina rättigheter enligt de allmänna villkoren i förhållande till deras SDB:er på samma sätt som våra aktieägare av stamaktier.</p> <p><i>Marknaden för SDB:er i Veoneer kan vara begränsad i framtiden.</i> Det finns en risk för att en handel i SDB:er i Veoneer inte kommer att utvecklas eller finnas kvar i framtiden. Avsaknaden av en aktiv handel kan göra det svårare för dig att sälja dina SDB:er i Veoneer och kan leda till att kursen på SDB:er i Veoneer blir nedpressad eller mer volatil.</p>
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AVSNITT E – ERBJUDANDE		
<b>E.1</b>	Emissionsbelopp och emissionskostnader	Ej tillämplig. Ingen emission av nya värdepapper kommer att ske i samband med upptagandet till handel och det kommer således inte att uppstå några intäkter eller kostnader hänförliga till någon emission av värdepapper.
<b>E.2 a</b>	Motiv och användning av emissionslikviden	Ej tillämplig. Detta dokument avser inte något erbjudande av värdepapper.
<b>E.3</b>	Erbjudandets former och villkor	Ej tillämplig. Detta dokument avser inte något erbjudande av värdepapper.
<b>E.4</b>	Intressen av betydelse för erbjudandet	Ej tillämplig. Detta dokument avser inte något erbjudande av värdepapper.
<b>E.5</b>	Lock up-avtal	<p>Vi och våra styrelseledamöter och ledande befattningshavare har åtagit oss att, förutsatt att det inte finns skriftligt föregående samtycke av Morgan Stanley &amp; Co. LLC för underwriters räkning, under en period om 180 dagar från datumet för detta prospekt (den ”förbjudna perioden”) avstå ifrån att:</p> <ul style="list-style-type: none"> <li>• erbjuda, pantsätta, sälja, ingå avtal om att sälja någon option eller avtal om att sälja, ställa ut någon option, rättighet eller teckningsoption eller garantera att få köpa, låna eller på annat sätt överföra eller avyttra, direkt eller indirekt, några stamaktier eller värdepapper som kan konverteras till eller är utbytbara mot stamaktier;</li> <li>• registrera något registreringsdokument hos SEC med anledning av ett erbjudande av stamaktier eller värdepapper som kan konverteras till eller är utbytbara mot stamaktier; eller</li> <li>• ingå swap-avtal eller annat arrangemang som, helt eller delvis, överför någon av de ekonomiska konsekvenserna av ägande av stamaktier,</li> </ul> <p>oavsett om sådan transaktion som beskrivs ovan genomförs genom utbyte mot stamaktier eller andra värdepapper, kontant eller annat.</p>
<b>E.6</b>	Utspädningseffekt	Ej tillämplig. Detta dokument avser inte något erbjudande av värdepapper.
<b>E.7</b>	Kostnader som åläggs investerare	Ej tillämplig. Detta dokument avser inte något erbjudande av värdepapper. Inga kostnader belastas aktieägarna i samband med upptagande till handel av de svenska depåbevisen.

## SUMMARY

*The summary is drawn up in accordance with information requirements in the form of a number of “paragraphs” which should include certain information. The paragraphs are numbered in sections A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification “not applicable”.*

<b>SECTION A – INSTRUCTION AND WARNINGS</b>		
<b>A.1</b>	Introduction and warnings	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on an assessment of the document in its entirety by the investor. Where statements in respect of information contained in a prospectus are challenged in a court of law, the plaintiff investor may, in accordance with member states’ national legislation, be forced to pay the costs of translating the prospectus before legal proceedings are initiated. Under civil law, only those individuals, who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the prospectus or if it does not, together with other parts of the prospectus, provide key information to help investors when considering whether to invest in the securities.
<b>A.2</b>	Consent for use of this document by financial intermediaries	Not applicable. Financial intermediaries are not entitled to use this document for subsequent trading or final placement of securities.
<b>SECTION B – ISSUER AND ANY GUARANTOR</b>		
<b>B.31</b>	Information about the issuer of the underlying shares	<p><b>Company and trading name (B.1)</b></p> <p>Veoneer, Inc., IRS Employer Identification Number 82-3720890.</p> <p><b>Issuer’s registered office and corporate form (B.2)</b></p> <p>Veoneer’s registered address is in Wilmington, New Castle County, Delaware. The Company is a corporation incorporated in the State of Delaware, United States of America, and which association as well as operations are governed by U.S. federal law and the General Corporation Law of the State of Delaware.</p> <p><b>Description of the issuer’s operations (B.3)</b></p> <p>Veoneer is a global leader in the design, development, sale and manufacture of automotive safety electronics,<sup>2</sup> Prior to the spin-off, Veoneer operated for almost four years as an operating segment within Autoliv. Veoneer’s safety systems are designed to make driving safer and easier, more comfortable and convenient for the end consumer and to intervene before a collision. Veoneer endeavours to prevent vehicle accidents or reduce the severity of impact in the event a crash is unavoidable. Through our customer focus, being an expert partner with our customers, we intend to develop human centric systems that benefit vehicle occupants.</p>

<sup>2</sup> The Company’s calculations are based on information on revenues of automotive safety electronics competitors, of which the largest market participants (Aptiv, Bosch, Continental, Denso, Magna, Valeo and ZF) have been analysed with publicly available information, such as the latest available annual reports, press releases and other information available on company websites.

	<p>Veoneer’s current product offering includes automotive radars, mono-and stereo-vision cameras, night driving assist systems, positioning systems, ADAS (advanced driver assist systems) electronic control units, passive safety electronics (airbag control units and crash sensors), brake control systems and a complete ADAS software offering towards highly automated driving (HAD) and eventually autonomous driving (AD). In addition, we offer driver monitoring systems, LiDAR sensors, RoadScape positioning and other technologies critical for HAD and AD solutions by leveraging our partnership network and internally developed intellectual property.</p> <p>We also provide Restraint Control Systems such as ECUs and crash sensors for deployment of airbags and seatbelt pretensioners in the event of a collision. Lastly, Veoneer-Nissin Brake Systems (“VNBS”), our joint venture with Nissin Kogyo, provides brake control and actuation systems, and has developed strong capabilities in regenerative braking and has developed an upgraded Electronic Brake Boost system for market introduction expected towards the end of 2019 which integrates the hydraulic brake modulator with the electronic brake control unit and the brake fluid reservoir into a single unit (so called “one box” design). Scalability and cost competitiveness of this technology qualifies VNBS to participate in the growth of brake-by-wire systems needed for regenerative braking while delivering superior braking performance to support the growing need for external brake requests such as Automated Emergency Braking and other functionalities.</p> <p>Our innovation and technology leadership, relentless focus on quality and safety along with a strong global footprint and diversified customer base, including most major global automotive Original Equipment Manufacturers (“OEMs”), are all trademarks of our Autoliv DNA. OEMs are seeking to manufacture vehicles that meet and exceed increasingly stringent safety test ratings around the world to satisfy consumer demands for increased vehicle safety through more advanced driver assist features and enhanced comfort and convenience towards AD.</p> <p><b>Trends (B.4)</b></p> <p><i>Automated Driving and Connectivity:</i> We believe ADAS is one of the fastest growing product areas within the automotive industry. OEMs are increasingly using ADAS as a key differentiator by being early to market with different ADAS solutions. This development is driven by consumer demand for these new solutions as well as the OEM’s drive for new innovations as a competitive differentiator.</p> <p><i>New Mobility:</i> AD will significantly increase the number of active safety products and software, requiring ADAS technology innovations of higher complexity.</p> <p><i>Clean Mobility:</i> The number of new electric and hybrid vehicles will increase significantly over the upcoming decades as OEMs implement more efficient vehicle propulsion drivetrain alternatives to traditional Internal Combustion Engines (“ICE”).</p>
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**Description of the Group and the issuer's position within the Group (B.5)**

The Group comprises the parent company Veoneer, Inc. and 20 directly and indirectly owned subsidiaries.

**Major shareholders and holders of SDBs (B.6)**

As of December 31, 2018, the company's largest shareholders which beneficially own more than 5 % of our common stock were Cevian Capital II GP Limited (9.59 % of the shares and votes), Alecta pensionsförsäkring, ömsesidigt (9.40 % of the shares and votes), AMF Pensionsförsäkring AB (7.04 % of the shares and votes), Första AP-Fonden (5.61 % of the shares and votes) and Swedbank Robur Fonder AB (6.44 % of the shares and votes).

**Financial information in summary (B.7)**

The following statement of operations, statement of cash flows and balance sheet data were derived from the Company's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 and the selected combined balance sheet data as of December 31, 2018 and 2017 as set forth below, from its audited combined financial statements included in its annual report on Form 10-K.

MUSD	As of and for the three months ended March 31		As of and for the Year Ended December 31		
	2019	2018	2018	2017	2016
<b>Operating Results:</b>					
Net sales	494	594	2,228	2,322	2,218
Operating income / (loss) <sup>1</sup>	(128)	(16)	(197)	(283)	(25)
Net income / (loss)	(148)	(37)	(294)	(344)	(60)
Net income / (loss) attributable to controlling interest	(137)	(32)	(276)	(217)	(53)
Capital Expenditures	(59)	(31)	(188)	(110)	(103)
Depreciation and Amortization	29	28	111	119	106
<b>Financial Position:</b>					
Total Assets	2,519	1,761	2,632	1,663	1,739
Total Debt <sup>2</sup>	(60)	(24)	(14)	(62)	(15)

<sup>1</sup> Includes costs for goodwill impairment of \$234 million in 2017.

<sup>2</sup> Includes related party short-term debt and related party long-term debt as of December 31, 2018, related party long-term debt as of December 31, 2017.

*Significant events during the period of the historical financial information:*

- In April 2016, we formed VNBS, a 51/49 joint venture with Nissin Kogyo, a Japanese supplier of both traditional and new brake systems.
- In April 2017, we launched Zenuity, a strategic 50/50 joint venture with Volvo Cars. This JV is an industry first where an OEM and Tier-1 supplier, both recognized as pioneers in automotive safety, formed a company to develop ADAS software towards AD.
- In June 2017, we announced a non-exclusive early stage collaboration with NVIDIA, in combination with Zenuity, providing Veoneer and Zenuity with pre-commercial access to NVIDIA's AI computing platform for autonomous driving.

		<ul style="list-style-type: none"> <li>• In July 2017, we announced a non-exclusive collaboration with Velodyne to sell various LiDAR sensors as the Tier-1 supplier to the OEMs.</li> <li>• In August 2017, we announced a non-exclusive collaboration with Seeing Machines, a pioneer in computer vision based human sensing technologies, to develop next generation Driver Monitoring Systems (“DMS”) for autonomous vehicles.</li> <li>• In September 2017, Zenuity announced a non-exclusive collaboration with Ericsson. The aim is to develop the Zenuity connected cloud, where Ericsson will contribute its “Internet of Things” accelerator platform, aiming to integrate in-vehicle software and systems with connected safety data from other vehicles and infrastructure to potentially provide Over-the-Air (“OTA”) real time updates across the vehicle fleet.</li> <li>• In October 2017, we announced a non-exclusive collaboration with Massachusetts Institute of Technology AgeLab to develop deep learning algorithms that enable effective communication and transfer of control between driver and vehicle.</li> <li>• In November 2017, we acquired Fotonic, a Swedish company with expertise in LiDAR and Time of Flight cameras, building on our collaboration with Velodyne that was established in June 2017.</li> <li>• In January 2018, Zenuity announced a non-exclusive collaboration with TomTom, to provide reference map architecture for the “Zenuity Connected Roadview” system for autonomous vehicles.</li> <li>• In February 2018, Zenuity announced the acquisition of Beyonav intellectual property and trademarks, a technology services company delivering innovative location-based solutions that go beyond traditional applications of navigation technology.</li> <li>• In June 2018, Veoneer became an independent, publicly-traded company as a result of the distribution by Autoliv, Inc. of 100 % of the outstanding common stock of Veoneer to the stockholders of Autoliv.</li> <li>• In July 2018, Veoneer common stock began regular trading on the New York Stock Exchange (the “NYSE”)</li> <li>• In January 2019, the Company announced entry into a license and supply agreement with Velodyne whereby Velodyne will provide Veoneer with materials and rights to certain Velodyne intellectual property which would enable Veoneer to sell, distribute, promote, manufacture and modify (including related R&amp;D) certain LiDAR products based on a Velodyne-authorized reference design.</li> </ul> <p><i>Significant events after March 31, 2019</i></p> <ul style="list-style-type: none"> <li>• On May 28, 2019, Veoneer completed a public offering to institutional and other investors of 24,000,000 shares of common stock with \$420 million in proceeds. Veoneer has concurrently completed a public offering of Convertible Senior Notes with an aggregate principal amount of \$207 million.</li> </ul>
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		<p><b>Profit/loss forecast (B.9)</b></p> <p>Not applicable. The Company has not presented any profit/loss forecast.</p> <p><b>Audit remarks (B.10)</b></p> <p>Not applicable. There are no remarks in the audit reports.</p>
<b>B.32</b>	Information about the issuer of the depository receipts	<p>Issuer of the Swedish Depository Receipts is Skandinaviska Enskilda Banken AB (publ), reg. no. 502032-9081, a Swedish public limited liability company, which business is conducted in accordance with the Swedish Companies Act (2005:551)), the Swedish Banking and Financing Business Act (2004:297) and the Swedish Securities Market Act (2007:528).</p>
<b>SECTION C – SECURITIES</b>		
<b>C.13</b>	Information about the underlying shares	<p><b>Underlying shares admitted to trading (C.1)</b></p> <p>Shares of common stock in Veoneer, Inc. CUSIP (Committee on Uniform Securities Identification Procedures) number: 92336X109. ISIN number: US92336X1090.</p> <p><b>Denomination (C.2)</b></p> <p>The shares are denominated in USD.</p> <p><b>Total number of shares in the Company (C.3)</b></p> <p>May 28, 2019 111,372,130 shares of our common stock were issued and outstanding and no shares of preferred stock were issued and outstanding, each with a par value of \$1.00. All shares of our common stock that are outstanding are fully paid and non-assessable and are freely transferable.</p> <p><b>Rights associated with the securities (C.4)</b></p> <p>Each share of our common stock entitles the holder to one vote on all matters submitted to a vote of our stockholders, including the election of directors. The holders of our common stock do not have cumulative voting rights in the election of directors. In addition, the holders of shares of our common stock are entitled to participate in dividends ratably on a per share basis when our board of directors declares dividends on our common stock out of legally available funds. Any time limit after which entitlement to dividend lapses, and the person in whose favor any such lapse operates, is determined based on the law applicable to the holder of such securities. There are no restrictions on the right to dividends for stockholders domiciled outside the U.S., subject to the withholding tax, if any, levied in the U.S. In the event of our liquidation, dissolution or winding up, voluntarily or involuntarily, holders of our common stock will have the right to a ratable portion of the assets remaining after satisfaction in full of the prior rights of our creditors and of all liabilities. All outstanding shares are fully paid and non-assessable. No shares of our common stock will have any preemptive, redemption or conversion rights, or the benefits of any sinking fund. The rights, preferences and privileges of holders of our common stock are subject to those of the holders of any shares of our preferred stock which we may authorize and issue in the future.</p>

		<p><b>Restrictions in free transferability (C.5)</b></p> <p>Not applicable. The shares are not subject to any restrictions on transferability.</p> <p><b>Admission to trading (C.6)</b></p> <p>Not applicable. Following the spin-off from Autoliv in 2018, Veoneer’s shares of common stock were listed on the NYSE, under the symbol “VNE”, and Swedish Depositary Receipts (“SDRs”) representing our common stock were listed on Nasdaq Stockholm under the ticker symbol VNE SDB.</p> <p>This prospectus has been prepared for the admission to trading of up to 114,972,130 SDRs representing shares of common stock of Veoneer on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in Veoneer, neither in Sweden nor in any other jurisdiction.</p> <p><b>Dividend policy (C.7)</b></p> <p>We have not declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors considers relevant.</p>
<p><b>C.14</b></p>	<p>Information about the depository receipts</p>	<p><b>Securities admitted to trading (C.1)</b></p> <p>SDRs representing shares of common stock in Veoneer, Inc., ISIN number: SE0011115963.</p> <p><b>Denomination (C.2)</b></p> <p>The Veoneer SDRs are denominated in Swedish krona, SEK.</p> <p><b>Rights associated with the securities (C.4)</b></p> <p><i>Record and Payment Date</i></p> <p>Skandinaviska Enskilda Banken AB (publ) (the “Custodian”) will in consultation with us, fix a record date for the determination of Veoneer SDR holders entitled to dividends in cash, shares, rights, or any other property or the proceeds thereof (if the property is sold by the Custodian in accordance with the General Terms and Conditions), receive applicable information to attend and vote at a stockholders’ meeting or certain other rights that may be exercised by our stockholders. The Custodian will also, in consultation with us, fix the date for payment of any dividend to Veoneer SDR holders, if any dividends are paid, which we refer to as the payment date.</p> <p><i>Voting Rights</i></p> <p>The Custodian will, as soon as possible after receipt of information of any general meeting of our stockholders, cause a Veoneer SDR holder registered in the SDR Register on the record date, to be furnished with information regarding such general meeting of stockholders. The information shall include the following:</p> <ul style="list-style-type: none"> <li>• the time and location of the general meeting of stockholders and the matters intended to be considered by the meeting;</li> </ul>

		<ul style="list-style-type: none"> <li>• reference to instructions available through our website as to the actions that must be taken by each Veoneer SDR holder to be able to exercise his, her or its voting rights at the general meeting; and</li> <li>• reference to materials for the general meeting available through our website.</li> </ul> <p><i>Dividends</i></p> <p>A Veoneer SDR holder is entitled to participate in dividends ratably on a per SDR basis if and when our board of directors declares dividends on our common stock in the same manner a holder of common stock would be, although a cash dividend will be converted into SEK.</p> <p><b>Restrictions in free transferability (C.5)</b></p> <p>Not applicable. The Veoneer SDRs are not subject to any restrictions on transferability.</p> <p><b>Benefits from the rights attaching to the underlying shares</b></p> <p>For the rights attaching to the underlying shares, please see above under “Rights associated with the securities (C.4)”.</p> <p>However, a Veoneer SDR holder does not have equivalent rights as our holders of common stock, whose rights are governed by U.S. federal law and the Delaware General Corporation Law. Because the Custodian is the stockholder of record for the shares of our common stock represented by all outstanding Veoneer SDRs, stockholder rights will rest with such record holder. A Veoneer SDR holder’s rights will derive from the General Terms and Conditions. The Company shall establish arrangements such that Veoneer SDR holders shall have the opportunity to exercise certain rights with respect to the Company as would be exercisable by such holders if they had owned shares directly and not SDRs.</p> <p><b>Guarantees</b></p> <p>Not applicable. There is no bank or other guarantees attached to the SDRs.</p>
<b>SECTION D – RISKS</b>		
<b>D.4</b>	Main risks related to the issuer of the underlying shares	<p><b>Main risks related to the issuer (D.2)</b></p> <p>An investment in securities is associated with risk. Before a potential investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Veoneer and the future performance of the underlying shares. These risks include the following main risks related to the industry and Veoneer’s operations and financial condition:</p> <p><i>The cyclical nature of automotive sales and production can adversely affect our business.</i> Our business is directly related to light vehicle production (“LVP”) in the global market and by our customers, and automotive sales and LVP are the most important drivers for our sales. Economic declines that result in a significant reduction in automotive sales and production by our customers have in the past had, and may in the future have, a material adverse effect on our business, results of operations and financial condition.</p>

	<p><b><i>Growth rates in safety content per vehicle, which may be impacted by changes in consumer trends and political decisions, could affect our results in the future.</i></b> Vehicles produced in different markets may have various safety content values. For now, our products are typically found in vehicles with higher safety content. As safety content per vehicle is also an indicator of our sales development, should recent trends continue, the average value of safety systems per vehicle could decline.</p> <p><b><i>We operate in highly competitive markets.</i></b> The markets in which we operate are highly competitive. We compete with a number of companies that design, produce and sell similar products. Among other factors, our products compete on the basis of price, quality, manufacturing and distribution capability, design and performance, technological innovation, delivery and service. The inability to compete successfully could have material adverse effect on our business, results of operations and financial condition.</p> <p><b><i>We operate in a developing market that may be subject to greater uncertainty and fluctuations in levels of competition than a more mature market.</i></b> The field of active safety is a developing segment in the automotive industry. The number of competitors shows risk of increasing as suppliers from outside the traditional automotive industry, such as Google, Argo, Uber, Lyft, Samsung, Panasonic, Here, Tesla, Intel, NVIDIA and other technology companies, consider the business opportunities presented by autonomous driving. If we fail to develop and deliver innovative and competitive products, our business, results of operations and financial condition could be materially adversely affected.</p> <p><b><i>Autonomous driving involves complex technology and requires a number of different hardware and software competencies and technologies and there is a risk that these competencies or technologies will not develop at a sufficient pace to address marketplace needs.</i></b> Autonomous driving requires various types of sensor technology, including cameras, radar and LIDAR technology as well as software technology to control such sensors. These technologies are under various stages of development and marketplace acceptance. There is a risk that these technological solutions will not develop at a sufficient pace to gain acceptance with our customers. If we are unable to develop our autonomous driving solutions fast enough to keep pace with the market, our future business prospects, results of operations and financial condition could be materially adversely affected.</p> <p><b><i>We may not be able to protect our proprietary technology and intellectual property rights, which could result in the loss of our rights or increased costs.</i></b> We depend on a number of proprietary technologies and intellectual property to develop our products. There is a risk that our products and technology infringe the proprietary rights of others, and that third parties may assert infringement claims against us in the future. Additionally, we and our joint ventures license from third parties proprietary technology covered by patents, and there is a risk that any such patents will be challenged, invalidated or circumvented. Risks related to our proprietary technology could have a material adverse effect on our business, results of operations and financial condition.</p>
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		<p><i>The discontinuation, lack of commercial success, or loss of business with respect to a particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability.</i> A number of our customer contracts require us to supply a customer’s annual requirements for a particular vehicle model and assembly facilities, rather than for manufacturing a specific quantity of products. Therefore, the discontinuation of, the loss of business with respect to, or a lack of commercial success of a particular vehicle model or brand for which we are a significant supplier could reduce our sales and harm our profitability.</p> <p><i>Risks associated with joint venture partnerships and other collaborations may adversely affect our business and financial results.</i> Certain of our operations are currently conducted through joint ventures and joint development agreements, and we may enter into additional joint ventures and collaborations in the future. Our joint venture and collaboration partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. Our research and development collaborations may not be successful in developing the intended product or technology. The above risks, if realized, could have a material adverse effect on our business, results of operations and financial condition.</p>
<p><b>D.5</b></p>	<p>Main risks about the depository receipts</p>	<p><b>Main risks related to the securities (D.3)</b></p> <p>All investments in securities are associated with risks. The main risks relating to the distribution and the Company’s SDRs and the underlying shares consist of:</p> <p><i>Our board of directors may change significant corporate policies without stockholder approval.</i> Our financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of our board of directors without a vote of our stockholders. A change in these policies could have a material adverse effect on our business, results of operations, financial condition, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders.</p> <p><i>Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.</i> Our certificate of incorporation and bylaws will contain provisions that may make the merger or acquisition of the Company more difficult without the approval of our board of directors. Further, as a Delaware corporation, we are subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.</p>

		<p><b><i>Veoneer SDR holders do not have the same rights as our stockholders.</i></b> A Veoneer SDR holder does not have equivalent rights as our holders of common stock, whose rights are governed by U.S. federal law and the Delaware General Corporation Law. The rights of Veoneer SDR holders is set forth and described in the General Terms and Conditions for Veoneer SDRs (the “General Terms and Conditions”). Veoneer SDR holders do not have the ability to nominate directors for election or bring proposals before our annual meeting to the extent provided for in our governing documents or by applicable U.S state or federal law. Additionally, Veoneer SDR holders may not be able to enforce their rights under the General Terms and Conditions in relation to their SDRs in the same manner as one of our stockholders could with respect to our shares of common stock.</p> <p><b><i>The trading market for Veoneer SDRs may be limited in the future.</i></b> There is a risk that a trading market for Veoneer SDRs will not develop or be sustained in the future. The lack of an active trading market may make it more difficult for you to sell your Veoneer SDRs and could lead to the price of Veoneer SDRs being depressed or more volatile.</p>
<b>SECTION E – OFFERING</b>		
<b>E.1</b>	Issue proceeds and issue costs	Not applicable. No issue of new securities will be made in connection with the admission to trading and will thus not receive any proceeds or have any expenses attributable to an issuance of securities.
<b>E.2 a</b>	Motive and use of proceeds	Not applicable. This document is not ascribed to any offering of securities.
<b>E.3</b>	Offering forms and conditions	Not applicable. This document is not ascribed to any offering of securities.
<b>E.4</b>	Interests and conflict of interests	Not applicable. This document is not ascribed to any offering of securities.
<b>E.5</b>	Lock-up agreements	<p>We and our directors and officers have agreed that, without the prior written consent of Morgan Stanley &amp; Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the “restricted period”):</p> <ul style="list-style-type: none"> <li>• offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;</li> <li>• file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or</li> <li>• enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,</li> </ul>



		whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.
<b>E.6</b>	Dilution effect	Not applicable. This document is not ascribed to any offering of securities.
<b>E.7</b>	Costs imposed on investors by the issuer	Not applicable. This document is not ascribed to any offering of securities. No expenses are charged to the stockholders in connection with the admission to trading of the SDRs.

## **RISK FACTORS**

*An investment in our securities involves a high degree of risk. Prior to making a decision about investing in our securities, you should carefully consider the risk factors described below, together with all of the risks, uncertainties and assumptions discussed under Item 1A, "Risk Factors," in our 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019. If any of the risks set forth below occurs, our business, operations and financial condition could suffer significantly. As a result, you could lose some or all of your investment in our securities. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, operations and financial condition, or cause the value of our securities to decline.*

### **Risks Related to the Offering of Common Stock**

***We have broad discretion to use the net proceeds from the recently completed offering of common stock and the convertible notes offering, which we may not use in ways that increase the value of your investment.***

Our management has broad discretion in the application of the net proceeds from the recently completed offering and the concurrent convertible notes offering. If we do not use the net proceeds effectively, our business, financial condition, results of operations, and prospects could be harmed, and the market price of our common stock could decline. Pending their use, we may invest the net proceeds from such offering of common stock and convertible notes offering in short-term, interest-bearing obligations, investment-grade instruments, money market accounts, certificates of deposit, or direct or guaranteed obligations of the U.S. government that may not generate a high yield to our stockholders. You will not have the opportunity to influence our decisions on how to use our net proceeds from these offerings.

***Our ability to raise capital in the future may be limited, which could limit our business plan or adversely affect your investment.***

We anticipate that the recently completed offering of common stock and the concurrent convertible notes offering will address our capital raising needs for the foreseeable future, but we cannot assure you that this will be the case. Our operating environment is increasingly challenging, and our business and strategic plans may consume resources faster than we presently anticipate. In the future, should this be the case, we may need to raise additional funds through additional financings, including the issuance of new equity securities, debt or a combination of both. Such additional financings may not be available on favorable terms, or at all. If adequate funds are not available through additional financings on acceptable terms, we may be forced to consider alternative transactions (including sales of non-core / non-active safety assets on terms our existing security holders may perceive as unattractive) in order to fund our operations, repay debt or make new investments, or we may be unable to do so. If we issue new debt securities to meet such additional financing needs, the debt holders could have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities to meet such additional financing needs, existing stockholders could experience dilution and the price of our common stock may decline, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

***Sales of a substantial amount of shares of our common stock in the public market, including sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.***

We and our executive officers and directors have entered into lock-up agreements with the underwriters under which they have agreed, subject to certain exceptions, not to sell, directly or indirectly, any shares of common stock without the permission of Morgan Stanley & Co. LLC, as representative of the underwriters, for a period of 180 days following the date of this prospectus. We refer to such period as the lock-up period. When the lock-up period expires, we and our executive officers and directors subject to a lock-up agreement will be able to sell our shares in the public market. In addition, Morgan Stanley & Co. LLC may, in its sole discretion, release all or some portion of the shares subject to lock-up agreements at any time and for any reason. Sales of a substantial number of such shares upon expiration of the lock-up agreements, the perception that such sales may occur, or early release of these agreements, could cause our market price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

***Future sales of our common stock or equity-linked securities in the public market, could lower the market price for our common stock.***

In the future, we may sell additional shares of our common stock or equity-linked securities to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon the exercise of stock options, vesting of restricted stock units and upon conversion of the notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock or equity-linked securities, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities.

***Our ability to take certain actions is restricted to avoid jeopardizing the tax-free status of the spin-off, and the transaction further restricts our ability to take such actions.***

To preserve the tax-free treatment of the spin-off, for the initial two-year period following the spin-off, we are prohibited, except in limited circumstances, from taking or failing to take certain actions that would prevent the spin-off and related transactions from being tax-free. In addition, if we take, or fail to take, actions that prevent the spin-off and related transactions from being tax-free (including any actions involving our equity, as described below), we could be liable under our Tax Matters Agreement with Autoliv for the adverse tax consequences resulting from such actions.

Under Section 355(e) of the Code, the spin-off will be taxable to Autoliv if there are (or have been) one or more acquisitions (including issuances) of our stock or the stock of Autoliv, representing 50% or more, measured by vote or value, of the stock of any such corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the spin-off. The issuance of equity securities and securities that could be converted into our equity in accordance with this offering and the concurrent convertible notes offering, as well as any acquisition of our common stock within two years before or after the spin-off (with exceptions, including public trading by less-than-5% stockholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted.

Although the recently completed offering of common stock and the concurrent convertible notes offering will not result in an acquisition of 50% or more of our stock for purposes of these rules, or, consequently, result in the spin-off failing to qualify for tax-free treatment, the issuance of equity securities pursuant to such offering of common stock and the concurrent convertible notes offering will reduce the amount of equity securities and securities that could be converted into equity securities that we could issue in the future during the initial two year period referred to above, including issuances to meet our future funding needs or pursue other strategic objectives.

### **Risks Related to the Concurrent Convertible Notes Offering**

***Conversion of the convertible notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.***

The conversion of some or all of the convertible notes issued in the convertible notes offering may dilute the ownership interests of our stockholders. Upon conversion of the convertible notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the convertible notes may encourage short selling by market participants because the conversion of the convertible notes could be used to satisfy short positions, or anticipated conversion of the convertible notes into shares of our common stock could depress the price of our common stock.

***The accounting method for convertible debt securities that may be settled in cash, such as the convertible notes, could have a material effect on our reported financial results.***

In May 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the convertible notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic

interest cost. The effect of ASC 470-20 on the accounting for the convertible notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at issuance, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the convertible notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the convertible notes to their face amount over the term of the convertible notes. We will report larger net losses or lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's non-convertible coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the convertible notes.

In addition, under certain circumstances, convertible debt instruments (such as the convertible notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of such convertible notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such convertible notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the convertible notes, then the "if converted" method of accounting would be applied and accordingly, the full number of shares that could be issued would be included in the calculation of diluted earnings per share, which would adversely affect our diluted earnings per share.

***The conditional conversion feature of the convertible notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the convertible notes is triggered, holders of convertible notes will be entitled to convert the convertible notes at any time during specified periods at their option. If one or more holders elect to convert their convertible notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the convertible notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***Certain provisions in the indenture governing the convertible notes may delay or prevent an otherwise beneficial takeover attempt of the Company.***

Certain provisions in the indenture governing the convertible notes may make it more difficult or expensive for a third party to acquire us. For example, the indenture governing the convertible notes will require us to repurchase the convertible notes for cash upon the occurrence of a fundamental change (as defined in the indenture governing the convertible notes) and, in certain circumstances, to increase the conversion rate for a holder that converts its convertible notes in connection with a make-whole fundamental change. A takeover of the Company may trigger the requirement that we repurchase the convertible notes and/or increase the conversion rate, which could make it more costly for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

## **Risks Related to Our Industry**

***The cyclical nature of automotive sales and production can adversely affect our business.***

Our business is related to LVP in the global market and by our customers, and automotive sales and LVP are critical drivers for our sales. Automotive sales and production are highly cyclical and can be affected by general or regional economic or industry conditions or uncertainty, the level of consumer demand, recalls and other safety issues, labor relations issues, technological changes, fuel prices and availability, vehicle safety regulations and other regulatory requirements, governmental initiatives, trade agreements, political volatility, especially in energy producing countries and growth markets, changes in interest rate levels and credit

availability and other factors. At various times some regions around the world may be more particularly impacted by these factors than other regions. Economic declines that result in a significant reduction in automotive sales and production by our customers have in the past had, and may in the future have, a material adverse effect on our business, results of operations and financial condition.

Our sales are also affected by inventory levels of our customers. We cannot predict when our customers will decide to either increase or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. This may exacerbate variability in our order intake and, as a result, our revenues and financial condition. Uncertainty regarding inventory levels may be exacerbated by consumer financing programs initiated or terminated by our customers or governments as such changes may affect the timing of their sales.

Most of our products are technologically complex and innovative and there can be a significant amount of time between design and production. Development delays resulting from the challenges of integrating new functionality into vehicles and the evolution of our customers' performance requirements during the development cycle subject us to the risk that our customers cancel or postpone a contract in the time period that it takes us to begin production of a particular product.

Changes in automotive sales and LVP and/or customers' inventory levels will have an impact on our longterm targets, earnings guidance and estimates. In addition, we base our growth projections in part on business awards, or order intake, made by our customers. However, actual production orders from our customers may not approximate the awarded business or our estimated order intake. Any significant reduction in automotive sales and/or LVP by our customers, whether due to general economic conditions or any other factors relevant to sales or LVP, will likely have a material adverse effect on our business, results of operations and financial condition.

***Order intake and the dollar amount of the order intake are not necessarily indicative of future net sales revenues and are subject to a number of uncertainties. If order intake fails to translate into future net sales revenue it may adversely affect our business.***

We monitor order intake to make certain predictions related to our capital needs and expenditures and in providing long-term targets, earnings guidance and estimates. Our order intake is the estimated future average annual sales attributable to documented new business awarded based on estimated average annual product volumes, average annual sales price for such products over their anticipated life, and exchange rates. Order intake is not recorded as revenue until the order is completed. The aggregate value of order intake is considered our "order book" and is part of it until the products are manufactured and delivered to customers and we realize net sales revenue from such orders. Since the general lead time from an "order" to the start of production is two to four years and it may take several months for production of a certain vehicle model to fully ramp up, the assumptions we use to determine order intake may no longer be accurate at the time production begins or the order is completed. For example, active safety and restraint control systems order intake from 2013 to 2015 is reflected in sales in 2017 to 2019.

To determine our estimated order intake, we make several assumptions related to vehicle production in a particular year of a particular model, annual product values, sales prices for such products and exchange rates. If any of the inputs to these assumptions fail to materialize as we expect, the net sales revenue actually realized may be adversely impacted. We cannot predict when our customers will decide to either increase or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. Our customers generally do not guarantee order volumes. Additionally, the commercial success of the vehicle models which include our products will also impact whether our order intake translates into net sales revenue. Finally, any significant reduction in automotive sales and/or LVP by our customers, whether due to general economic conditions or any other factors relevant to sales or LVP, will likely have a material adverse effect on whether net sales revenue is ultimately realized from our estimated order book.

***Growth rates in safety content per vehicle, which may be impacted by changes in consumer trends and political decisions, could affect our results in the future.***

Vehicles produced in different markets may have various safety content values. For now, our products are typically found in vehicles with higher safety content. Because growth in global LVP is highly concentrated in markets such as China and India, our operating results may suffer if the safety content per vehicle remains low in our growth markets. As safety content per vehicle is also an indicator of our sales development, should this trend continue, the average safety systems per vehicle could decline.

***Our estimate of total addressable market is subject to numerous uncertainties. If we have overestimated the size of our total addressable market, our future growth rate may be limited.***

The Company's estimates of total addressable market, or TAM, are based on a variety of inputs, including production estimates per product group (which are based in significant part on LVP data and estimates from IHS), and in particular in relation to content per vehicle, or CPV, estimates, the Company's own market insights, estimates as to the pace and extent of standard-setting and regulatory change, internal market intelligence on prices and penetration/adoption rates of each expected product group and the Company's history operating in the market (including, among other things, its order and bid experience).

We have not independently verified any third-party information, including LVP estimates by IHS, and cannot assure you of its accuracy or completeness. While we believe our market size estimates are reasonable, such information is inherently imprecise. For example, IHS's May 2019 estimates of LVP over the time period from 2019 to 2022 are reduced by approximately 26 million vehicles compared to forecasts in June 2018 (around the time of the completion of our spin-off from Autoliv). Compared to forecasts in June 2018, the current global LVP forecast is 8% lower for 2019, 7% lower for 2020 and 5% lower for 2022. In Western Europe, the current forecast is 6% lower for 2019, 6% lower for 2020 and 2% lower for 2022. In North America, the current forecast is 5% lower for 2019, 6% lower for 2020 and 4% lower for 2022. In China, the current forecast is 15% lower for 2019, 13% lower for 2020 and 7% lower for 2022. In the first quarter of 2019, LVP declined by approximately 7%. Compared to forecasts in July 2018, soon after our spin-off, the current global LVP forecast is 8% lower for 2019, 7% lower for 2020 and 5% lower for 2022. In Western Europe, the current forecast is 6% lower for 2019, 6% lower for 2020 and 2% lower for 2022. In North America, the current forecast is 5% lower for 2019, 6% lower for 2020 and 4% lower for 2022. In China, the current forecast is 15% lower for 2019, 13% lower for 2020 and 7% lower for 2022. If IHS or other third-party or internally generated data that is used in our estimates proves to be inaccurate or we make errors in our assumptions based on that data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market meets our size estimates and experiences growth, we may not continue to grow our share of the market. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the estimates of our total addressable market included in this filing should not be taken as indicative of our ability to grow our business.

***We operate in highly competitive markets.***

The markets in which we operate are highly competitive. We compete with a number of companies that design, produce and sell similar products. Among other factors, our products compete on the basis of price, quality, manufacturing and distribution capability, design and performance, technological innovation, delivery and service. Some of our competitors are subsidiaries (or divisions, units or similar) of companies that are larger than we are and have greater financial and other resources than us. Some of our competitors as well as some of our customers have strategic relationships with outside partners, enabling them to pool resources. Additionally, some of our competitors may also have "preferred status" as a result of special relationships or ownership interests with certain customers. Our ability to compete successfully depends, in large part, on our ability to innovate and manufacture products that have commercial success with consumers, differentiating our products from those of our competitors, delivering quality products in the time frames required by our customers, and achieving best-cost production.

Our ability to maintain and improve existing products, while successfully developing and introducing distinctive new and enhanced products that anticipate changing customer and consumer preferences and capitalize upon emerging technologies will be a significant factor in our ability to be competitive. If we are unsuccessful or are less successful than our competitors in predicting the course of market development, developing innovative products, processes, and/or use of materials or adapting to new technologies or evolving regulatory, industry or customer requirements, we will suffer from a competitive disadvantage. There is a risk that our investments in research and development initiatives will not lead to successful new products and a corresponding increase in revenue. We may also encounter increased competition in the future from existing or new competitors. The inability to compete successfully could have a material adverse effect on our business, results of operations and financial condition.

***We operate in a developing market that may be subject to greater uncertainty and fluctuations in levels of competition than a more mature market.***

The field of active safety is a developing segment in the automotive industry and is expected to act as a basis for and enable the development and introduction of commercially viable autonomous vehicles. The number

of competitors may increase as suppliers from outside the traditional automotive industry, such as Google, Argo, Uber, Lyft, Cruise, Samsung, Panasonic, Here, Tesla, Intel, NVIDIA and other technology companies, consider the significant business opportunities presented by autonomous driving. Some of our customers are also partnering together to develop autonomous driving solutions. The evolving nature of the competitive landscape creates greater uncertainty than the traditional automotive market.

Products and services provided by companies outside the automotive industry may also reduce demand for our products, which require substantial investment in research and development. For example, there has been an increase in consumer preferences for mobility on demand services, such as car- and ride-sharing, as opposed to automobile ownership, which may result in a long-term reduction in the number of vehicles per capita. Today, in most markets, active safety products are considered to be premium equipment rather than standard automotive safety items, which can create significant volatility in demand for certain of our products.

***The high development costs of active safety and autonomous driving products increases the risk that we will be unable to effectively compete in the market.***

Our products may require significant resources to develop both hardware and software solutions, which are of increasing importance in our market. There is an increasing trend towards partnerships between companies with complementary hardware and software solutions that are able to pool resources to support development. The high development cost in active safety limits the number of technical solutions that can be pursued by most “Tier 1” automotive suppliers (meaning companies that supply directly to the automobile manufacturers), leading to risk of exposure to a disruptive technology different than those being developed by us.

In addition, a significant part of our business is focused on developing autonomous driving technology, which requires significant amounts of resources devoted to researching and developing innovative products and processes. For example, we have invested significant resources in developing Zenuity, our joint venture with Volvo Cars, which is aimed at developing software solutions for autonomous driving. There is a risk that Zenuity or our other autonomous driving projects will not be able to deliver a competitive product.

If we are unable to develop and deliver innovative and competitive products, or unable to do so before our competitors, our business, results of operations and financial condition could be materially adversely affected.

***Autonomous driving involves complex technology and requires a number of different hardware and software competencies and technologies and there is a risk that these competencies or technologies will not develop at a sufficient pace to address marketplace needs.***

Autonomous driving requires various types of sensor technology, including cameras, radar and LiDAR technology as well as software technology to control such sensors. These technologies are under various stages of development and marketplace acceptance. There is a risk that these technological solutions will not develop at a sufficient pace to gain acceptance with our customers. If we are unable to develop our autonomous driving solutions fast enough to keep pace with the market, our future business prospects, results of operations and financial condition could be materially adversely affected.

There are also challenges to develop autonomous driving solutions that are outside of our control, including regulatory requirements from state and federal agencies, cybersecurity and privacy concerns, product liability concerns and perceptions of drivers regarding autonomous driving capabilities and solutions. We may need to adjust our strategy and projected timelines based on how these challenges, and others, evolve over time. There is a risk that these challenges will not be overcome, which could have a material adverse effect on our business, results of operations and financial condition.

***The inability to effectively manage the timing, quality and costs of new program launches could adversely affect our financial performance.***

To compete effectively in the automotive supply industry, we must be able to launch new products to meet our customers’ timing, performance and quality standards. Our inability to do so may result in the loss of awarded business as well as significant liabilities and/penalties. Certain state of the art products we launch may need to be developed on an especially accelerated time frame for speed-to-market. There is a risk that we will not be able to install and certify the equipment needed to produce products for new programs in time for the start of production, or that the transitioning of our manufacturing facilities and resources to full production for such new programs will not impact production rates or other operational efficiency measures at our facilities. In addition, there is a risk that our customers will not execute on schedule the launch of their new product programs, for

which we might supply products. Additionally, as a Tier 1 automotive supplier, we must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. Given the complexity of new program launches, especially involving new and innovative technologies, we may experience difficulties managing product quality, timeliness and associated costs. These risks with new technologies are increased when the customer relationship is new and the customer is subject to the same pressures on product quality and timeliness. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by our customers. Furthermore, if it becomes necessary to request that our customers cover or share in these costs due to the complexities and changes requested by the customers, this could impact our relationships with our customers and the development of these programs. These negotiations can take considerable time and effort and risk deterioration of our relationships with our customers, and there can be no assurances that any specific negotiations will result in amendments that are beneficial to us on a timely basis. Our inability to effectively manage the timing, quality and costs of these new program launches could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to Our Business**

***A prolonged recession and/or a downturn in our industry or deteriorating performance of our business, or further decreases in our market capitalization, could adversely affect our business and require impairments or restructuring actions or require us to seek additional sources of financing to continue our operations, which may not be available to us or be available only on materially different terms than what has historically been available.***

Our ability to generate cash from our operations is highly dependent on regional and global economic conditions, automotive sales and LVP. A prolonged downturn in or uncertainty relating to global or regional economic conditions, a downturn in the automotive industry or LVP are conditions that could adversely impact our business. Such adverse impacts could require us to shut down plants or result in impairment charges, restructuring actions or changes in our valuation allowances against deferred tax assets, which could be material to our financial condition and results of operations. If global economic conditions deteriorate or economic uncertainty increases, our customers and potential customers may experience deterioration of their businesses, which may result in the delay or cancellation of plans to purchase our products. Deteriorating global economic conditions and/or deteriorating performance of our business may also result in a negative impact on our market capitalization, which could also result in impairment charges. For example, given our market capitalization, further decreases in our market capitalization may necessitate additional impairment testing. If it is determined that an impairment has occurred this could have a material adverse effect on our financial results.

A prolonged downturn in global economic conditions or LVP would likely result in us experiencing a significantly negative cash flow. Similarly, if cash losses from customer defaults rise sharply, we would experience a negative cash flow. Such negative cash flow could result in our having insufficient funds to continue our operations unless we can procure external financing, which may not be possible. These risks could be exacerbated by instability in the global credit markets and global economic pressure. If external financing is unavailable to us when necessary, we may have insufficient funds to continue our operations.

***We may not have sufficient resources to fund all future research and development and capital expenditures or possible acquisitions or joint ventures.***

In order to remain competitive, we must make substantial investments in research and development of new or enhanced products. Our products may require significant resources to develop both hardware and software solutions. Challenges of integrating new functionality into vehicles and the evolution of our customers' performance requirements during development may also increase research and development costs. Customer demands for changes to our products to meet such performance requirements are difficult to predict both in terms of timing and cost. Since our revenue is largely based on sales over time, new customer demands can delay payment for our products which can make it difficult for us to fund these critical up-front investments. We may be unable to fund all of our research and development and capital investment needs or possible acquisitions or joint ventures, and we may have to pass on valuable long-term opportunities that arise. Our ability to raise additional capital will depend on a variety of factors, some of which will not be within our control, including the existence of a public offering market, investor perceptions of us, our businesses and the industries in which we operate, and general economic conditions. Failure to successfully raise needed capital on a timely or cost effective basis could have a material adverse effect on our business, results of operations and financial condition.



***We may not be able to secure additional financing to meet our future capital needs.***

We anticipate needing additional capital to execute our business plan and fund the demand for increased RD&E investment to support our continued strong order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio until the Company reaches positive cash flow.

Without adequate access to capital, we may be forced to adjust our strategic and business plans to prioritize more essential funding needs. This could result in delaying certain research or development initiatives, which could impact our ability to develop innovative products and technologies. If capital is not available, or is not available on acceptable terms if and when needed, our ability to fund our operations, take advantage of market opportunities, develop or enhance our products, or otherwise respond to market changes or competitive pressures could be limited.

Although we believe we have sufficient funds to currently operate our business, we now expect short term deteriorating business conditions and lower than expected light vehicle production, along with the demand for increased RD&E investment to support our continued strong order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio will result in a need to raise capital until the Company reaches positive cash flow. While we continue to develop and implement efficiency and prioritization initiatives we do not expect to realize the full benefits of such initiatives within the next twelve months. We may finance future cash needs through public or private equity offerings and may also use debt financings or strategic collaborations and licensing arrangements. We may be unable to secure debt or equity financing on terms acceptable to us, or at all, at the time when we need such funding, and we may be forced to consider alternative transactions (including assets sales on terms our existing security holders perceive as unattractive) in order to do so.

Moreover, even if we are successful in raising any required funds through additional financings, this may adversely impact our existing security holders. For example, if we raise funds by issuing additional securities, the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, we may be subject to debt covenants, which could place limitations on our operations. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition and results of operations. Our inability to raise additional funds on a timely basis would make it difficult for us to achieve our business objectives and would have a material adverse impact on our business, results of operations and financial condition.

***We may not be able to protect our proprietary technology and intellectual property rights, which could result in the loss of our rights or increased costs.***

We have developed a considerable amount of proprietary technology related to our products and rely on a number of patents to protect our intellectual property rights in such technology. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets we serve. In addition to our in-house research and development efforts, we have acquired and may continue to seek to acquire rights to new intellectual property through corporate acquisitions, asset acquisitions, licensing and joint venture arrangements. Developments or assertions by or against us relating to our intellectual property rights could negatively impact our business. If claims alleging patent, copyright or trademark infringement are brought against us and are successfully prosecuted against us, they could result in substantial costs.

If we are not able to protect our patents, trademarks, or other intellectual property rights, either owned or licensed by us, against infringement and unauthorized use, we could lose those rights and/or incur substantial costs policing and defending those rights. We also generate license revenue from our intellectual property, which we may lose if we do not adequately protect our intellectual property and proprietary rights. Our means of protecting our intellectual property may not be adequate, and our competitors may independently develop technologies that are similar or superior to our proprietary technologies, or design around the patents we own or license. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the U.S. If we cannot protect our proprietary technology, we could experience a material adverse effect on our business, results of operations and financial condition.

In addition, certain of our products utilize components that are developed by third parties and licensed to us or our joint ventures. If claims alleging patent, copyright or trademark infringement are brought against such

licensors and successfully prosecuted, they could result in substantial costs, and we may not be able to replace the functions provided by these licensors. Alternate sources for the technology currently licensed to us or our joint ventures may not be available in a timely manner, may not provide the same functions as currently provided or may be more expensive than products currently used. Additionally, there is a risk that any patents owned or licensed by us may be challenged, invalidated or circumvented, limiting competitive advantage of affected products or technologies.

Because we develop proprietary information through our in-house research and development efforts, consulting arrangements and research collaborations with other entities or organizations, there is also a risk that our attempts to protect this proprietary information by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions, with our employees, consultants, contractors, scientific advisors and third parties are unsuccessful. Even if agreements are entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. If we develop an increasing amount of our intellectual property through collaborations and development agreements, more of the technology we depend on could be subject to risks related to protecting these rights. Any of the risks related to the protection of our proprietary technology described above could have a material adverse effect on our business, results of operations and financial condition.

***Some of our products and technologies may use “open source” software, which may restrict how we use or distribute our products or require that we release the source code of certain products subject to those licenses.***

Some of our products and technologies may incorporate software licensed under so-called “open source” licenses. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Additionally, open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject to the open source license. If we combine our proprietary software in such a way with open source software, we could be required to release the source code of our proprietary software. Few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty.

If these risks materialize, they could have a material adverse effect on our business, results of operations and financial condition.

***The discontinuation, lack of commercial success, or loss of business with respect to a customer or particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability.***

A number of our customer contracts require us to supply a customer’s annual requirements for a particular vehicle model and assembly facilities, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally four to seven years. These contracts are often subject to renegotiation, sometimes as frequent as on an annual basis, which may affect product pricing, and generally may be terminated by our customers at any time. The unpredictable nature of such customer contracts has made, and may continue to make, our sales variable. Furthermore, the discontinuation of, the loss of business with respect to, or a lack of commercial success of a customer or particular vehicle model or brand for which we are a significant supplier could reduce our sales and harm our profitability.

Scaling our business has become increasingly critical to our success as OEMs have adopted global vehicle platforms and sought to increase standardization, reduce per unit cost and increase capital efficiency. We are investing in technologies that are intended to become the architecture for other products. If we are not able to scale according to our current expected timelines and needs of our current and prospective customers, we will lose the trust of our customers and our customer relationships may suffer.

***We may incur material losses and costs as a result of product liability, warranty and recall claims that may be brought against us or our customers.***

We face risks related to product liability claims, warranty claims and recalls in the event that any of our products actually or allegedly are defective, fail to perform as expected or the use of our products results, or is

alleged to result, in bodily injury and/or property damage. We may not be able to anticipate all of the possible performance or reliability problems that could arise with our products after they are released to the market. Additionally, increasing regulation and reporting requirements regarding potentially defective products, particularly in the U.S., may increase the possibility that we become involved in additional product liability or recall investigations or claims. There is a risk that our product liability and product recall insurance will not provide adequate coverage against potential claims, such insurance will not be available in the appropriate markets or that we will not be able to obtain such insurance on acceptable terms in the future. There is also a risk that Autoliv or one of our customers may be unable or unwilling to indemnify us for product liability, warranty or recall claims although they are contractually obligated to do so or we may be required to indemnify Autoliv or such customer for such claims, which may significantly increase our exposure and potential loss with respect to any such claims. There is a risk that our current and future investments in our engineering, design, and quality infrastructure will be insufficient and that our products could suffer from defects or other deficiencies or that we will experience material warranty claims or additional product recalls. In the future, we could experience additional material warranty or product liability losses and incur significant costs to process and defend these claims.

***Escalating pricing pressures from our customers may adversely affect our business.***

The automotive industry continues to experience increasingly aggressive pricing pressure from customers. This trend is partly attributable to the major automobile manufacturers' strong purchasing power. As an automotive component manufacturer, we may be expected to quote fixed prices or be forced to accept prices with annual price reduction commitments for long-term sales arrangements or discounted reimbursements for engineering work. Price reductions may impact our sales and profit margins. Our future profitability will depend upon, among other things, our ability to continuously reduce our cost per unit and maintain our cost structure. Our profitability is also influenced by our success in designing and marketing technological improvements in automotive safety systems. If we are unable to offset continued price reductions, these price reductions could have a material adverse effect on our business, results of operations and financial condition.

***We could experience disruption in our supply or delivery chain, which could cause one or more of our customers to halt or delay production.***

We, as with other component manufactures in the automotive industry, ship our products to customer vehicle assembly facilities throughout the world on a "just-in-time" basis in order for our customers to maintain low inventory levels. Our suppliers (external suppliers as well as our own production sites) use a similar method in providing raw materials to us. This "just-in-time" method makes the logistics supply chain in our industry very complex and vulnerable to disruptions. Disruptions in our supply chain, such as large recalls or field actions impacting our suppliers, facility closures, strikes, electrical outages, natural disasters or other logistical or mechanical failures, could inhibit our ability to timely deliver on orders. We may experience disruptions if there are delays in customs processing, including if we are unable to obtain government authorization to export or import certain materials. When we fail to timely deliver, we may have to absorb our own costs for identifying and resolving the ultimate problem as well as expeditiously producing and shipping replacement components or products. Generally, we must also carry the costs associated with "catching up," such as overtime and premium freight.

Additionally, if we are the cause of a customer being forced to halt production, the customer may seek to recoup all of its losses and expenses from us. These losses and expenses could be very significant and may include consequential losses such as lost profits. Where a customer halts production because of another supplier failing to deliver on time, we may not be fully compensated, if at all. Thus, any such supply chain disruptions could severely impact our operations and/or those of our customers and force us to halt production for prolonged periods of time which could expose us to material claims for compensation and have a material adverse effect on our business, results of operations and financial condition.

***We are subject to risks associated with the development and implementation of new manufacturing process technology.***

We may not be successful or efficient in developing or implementing new production processes. We are continually engaged in the transition from our existing process to the next-generation process technology. This consistent innovation involves significant expense and carries inherent risks, including difficulties in designing and developing next-generation process technologies, development and production timing delays, lower than anticipated manufacturing yields, and product defects and errors. Production issues can lead to increased costs and may affect our ability to meet product demand, which could have a material adverse effect on our business, results of operations and financial condition.

***Work stoppages or other labor issues at our customers' facilities or at our facilities could adversely affect our operations.***

Because the automotive industry relies heavily on “just-in-time” delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of our facilities could have material adverse effects on our business. Similarly, if any of our customers were to experience a work stoppage, that customer may halt or limit the purchase of our products, or a work stoppage at another supplier could interrupt production at one of our customers' facilities which would have the same effect. A work stoppage at one or more of our facilities or our customers' facilities could cause us to shut down production facilities supplying these products, which could have a material adverse effect on our business, results of operations and financial condition.

***Changes in the source, cost, availability of and regulations pertaining to raw materials and components may adversely affect our profit margins.***

Our business uses a broad range of raw materials and components in the manufacture of our products, many of which are generally available from a number of qualified suppliers. Our industry may be affected from time to time by limited supplies or price fluctuations of certain key components and materials. Price fluctuations may intensify or occur with greater frequency as demand for our principal raw materials and components is significantly impacted by demand in emerging markets. Commercial negotiations with our customers and suppliers may not offset the adverse impact of higher raw material, energy and commodity costs. Even where we are able to pass price increases along to our customer, there may be a lapse of time before we are able to do so such that we must absorb the cost increase. Some of our suppliers may not be able to handle the volatility in commodity costs, which could cause them to experience supply disruptions resulting in delivery or production delays by our suppliers. Risks associated with the cost and availability of raw materials and components could have a material adverse effect on our business, results of operations and financial condition.

The SEC requires companies that manufacture products containing certain minerals and their derivatives that are, known as “conflict minerals,” originating from the Democratic Republic of Congo or adjoining countries to diligence and report the source of such materials. There are significant consequences associated with complying with these requirements, including diligence efforts to determine the sources of conflict minerals used in our products, changes to our processes or supplies as a result of such diligence and our ability to source “conflict free” materials. Accordingly, these rules could have a material adverse effect on our business, results of operations and financial condition.

***Our business could be materially and adversely affected if we lost our largest customers or if they were unable to pay their invoices.***

We are dependent on a few large customers with strong purchasing power. Business with any given customer is typically split into several contracts (either on the basis of one contract per vehicle model or on a broader platform basis). The loss of business from any of our largest customers (whether by lower overall demand for vehicles, cancellation of existing contracts or the failure to award us new business) could have a material adverse effect on our business, results of operations and financial condition.

Customers may put us on a “new business hold,” which limits our ability to quote or be awarded all or part of their future vehicle contracts if quality or other issues arise in the vehicles for which we were a supplier. Such new business holds range in length and scope and are generally accompanied by a certain set of remedial conditions that must be met before we are eligible to bid for new business. Meeting any such conditions within the prescribed timeframe may require additional Company resources. A failure to satisfy any such conditions may have a materially adverse impact on our financial results in the long term. Additionally, we have no fixed volume commitments from our customers. Thus, even if we have won a bid for business from a customer there are no guaranteed purchase volumes.

There is a risk that one or more of our largest customers could be unable to pay our invoices as they become due or that a customer will simply refuse to make such payments, for reasons such as financial difficulties. If one of our largest customers would enter into bankruptcy proceedings or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, or if one of our largest customers otherwise successfully procures protection against us legally enforcing its obligations, it is likely that we will be forced to record a substantial loss.

***Changes in our product mix may impact our financial performance.***

We sell products that have varying profit margins. Our financial performance can be impacted depending on the mix of products we sell during a given period. Our earnings guidance and estimates assume a certain geographic sales mix as well as a product sales mix. There is a risk that the mix of offerings by our customers and demand for such offerings could change. If actual results vary from this projected geographic and product mix of sales, it could have an unfavorable impact on our revenue and our results of operations and financial condition could be materially adversely affected.

***We may be involved from time to time in legal proceedings and our business may suffer as a result of adverse outcomes of future legal proceedings.***

We may be from time to time involved in litigation, regulatory proceedings and commercial or contractual disputes that may be significant. These matters may include, without limitation, disputes with our suppliers and customers, intellectual property claims, stockholder litigation, government investigations, class action lawsuits, personal injury claims, environmental issues, customs and value added tax (VAT) disputes and employment and tax issues. In such matters, government agencies or private parties may seek to recover from us very large, indeterminate amounts in penalties or monetary damages (including, in some cases, treble or punitive damages) or seek to limit our operations in some way. There is a risk that claims may be asserted against us and their magnitude may remain unknown for long periods of time. These types of lawsuits could require significant management time and attention, and a substantial legal liability or adverse regulatory outcome and the substantial expenses to defend the litigation or regulatory proceedings may have a material adverse effect on our customer relationships, business prospects, reputation, operating results, cash flows and financial condition. There is a risk that such proceedings and claims will have a material adverse impact on our profitability and consolidated financial position or that our established reserves or our available insurance will not be adequate to mitigate such impact.

***We may have exposure to greater than anticipated tax liabilities.***

The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. As a multinational corporation, we are subject to tax in multiple U.S. and foreign tax jurisdictions. Our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Although we are currently under audit in a jurisdiction, we are indemnified by Autoliv, Inc. for any tax settlements for tax periods prior to April 1, 2018. Any adverse outcome of any such audit or review for tax periods after April 1, 2018 could have a negative effect on our business and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. There is a risk that our established reserves, which are based on assumptions and estimates that we believe are reasonable to cover such eventualities, may prove to be insufficient. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated (or by the incurrence of losses) in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

***Our ability to operate our company effectively could be impaired if we fail to attract and retain executive officers and other key personnel.***

We compete in a market that involves rapidly changing technological and other developments, which requires us to attract and employ a workforce with broad expertise and intellectual capital. Our ability to operate our business and implement our strategies effectively depends, in part, on the efforts of our executive officers and other key employees. In addition, our future success will depend on, among other factors, our ability to attract, develop and retain other qualified personnel, particularly engineers and other employees with software and technical expertise. The loss of the services of any of our senior executives or other key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on our business.

***Impairment charges relating to our assets, goodwill and other intangible assets could adversely affect our financial performance.***

If one or more of our customers' facilities cease production or decrease their production volumes, the assets we carry related to our facilities serving such customers may decrease in value because we may no longer be able

to utilize or realize them as intended. Where such decreases are significant, such impairments may have a materially adverse impact on our financial results. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance and especially the cash flow performance of these goodwill assets, adverse market conditions (including a resulting decline in our market capitalization from such adverse market conditions or deteriorating performance) and adverse changes in applicable laws or regulations. If there are changes in these circumstances or the other variables associated with the estimates, judgments and assumptions relating to the valuation of goodwill, when assessing the valuation of our goodwill items, we may determine that it is appropriate to write down a portion of our goodwill or intangible assets and record related non-cash impairment charges. In the event that we determine that we are required to write down a portion of our goodwill items and other intangible assets and thereby record related non-cash impairment charges, our business, results of operations and financial condition could be materially adversely affected.

For example, in the fourth quarter of 2017, the Company recognized an impairment charge of \$234 million, pre-tax, which represented the full goodwill amount related to VNBS. The impairment loss was due to a lower than originally anticipated sales development in VNBS. Additionally, given our market capitalization, further decreases in our market capitalization may necessitate additional impairment testing. If it is determined that an impairment has occurred this could have a material adverse effect on our financial results.

***We face risks related to our defined benefit pension plans and employee benefit plans, including the need for additional funding as well as higher costs and liabilities.***

Our defined benefit pension plans or employee benefit plans may require additional funding or give rise to higher related costs and liabilities which, in some circumstances, could reach material amounts and negatively affect our results of operations. We are required to make certain year-end assumptions regarding our pension plans. Our pension obligations are dependent on several factors, including factors outside our control such as changes in interest rates, the market performance of the diversified investments underlying the pension plans, actuarial data and adjustments and an increase in the minimum funding requirements or other regulatory changes governing the plans. Adverse equity market conditions and volatility in the credit market may have an unfavorable impact on the value of our pension assets and our future estimated pension liabilities. Internal factors such as an adjustment to the level of benefits provided under the plans may also lead to an increase in our pension liability. There are also uncertainties as the Company settles certain benefit plan relationships with Autoliv. If these or other internal and external risks were to occur, alone or in combination, our required contributions to the plans and the costs and net liabilities associated with the plans could increase substantially and have a material effect on our business.

***Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.***

We rely extensively on information technology (“IT”) networks and systems, our global data centers and services provided over the internet to process, transmit and store electronic information, and to manage or support a variety of business processes or activities across our facilities worldwide. The secure operation of our IT networks and systems and the proper processing and maintenance of this information are critical to our business operations. We have been, and likely will continue to be, subject to cyber-attacks. To date we have seen no material impact on our business from these attacks or events. Although we seek to deploy comprehensive security measures to prevent, detect, address and mitigate these threats, there has been an increased level of activity, and an associated level of sophistication, in cyber-attacks against large multinational companies. The ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of any companies we acquire. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data.

Our security measures may be breached due to human error, system malfunctions or attacks from uncoordinated individuals or sophisticated and targeted measures known as advanced persistent threats, directed at the Company, its products, its customers and/or its third-party service providers.

Disruptions and attacks on our IT systems or the systems of third parties storing our data could result in the misappropriation, loss or corruption of our critical data and confidential or proprietary information, personal information of our employees, and the leakage of our or our customers’ confidential information, improper use of our systems and networks, production downtimes and both internal and external supply shortages, which could have a material adverse effect on our business, results of operations and financial condition. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties,

diminution in the value of our investment in research, development and engineering, diversion of the attention of management away from the operation of our business and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

We rely on third parties to provide or maintain some of our IT systems, data centers and related services and do not exercise direct control over these systems. There is a risk that security measures implemented at our own and at third party locations may not be sufficient and that our IT systems, data centers and cloud services are vulnerable to disruptions, including those resulting from natural disasters, cyberattacks or failures in third party provided services. While we obtain assurances that any third parties we provide data to will protect this information and, where we believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by us or by third parties may be compromised and expose us to liability for such breach.

Cyberattacks have become increasingly frequent, sophisticated and globally widespread and could target software embedded in our products. Embedded software code could be compromised during software development or manufacturing processes or within the car itself. Cyberattacks on our products within the car can lead to malfunction or complete damage of the products, which could result into loss of control of the car and its safety features. To the extent that any disruption or security breach results in a misappropriation, loss or damage to our data, or an inappropriate disclosure of our confidential information or our customer's information, it could cause significant damage to our reputation, affect our relationships with our customers, lead to claims against us and ultimately harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could result in additional costs. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits, and damage to our reputation.

***Our business is exposed to risks inherent in international operations.***

We currently conduct operations in various countries and jurisdictions, including locating certain of our manufacturing and distribution facilities internationally, which subjects us to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. International sales and operations subject us to certain risks inherent in doing business abroad, including exposure to local economic and political conditions, foreign tax consequences, issues with enforcing legal agreements, currency controls, imposition of tariffs, and preferences of foreign nations for domestically manufactured products. These risks could have a material adverse effect on our business, results of operation and financial condition.

The 2017 Tax Cuts and Jobs Act (the "Tax Act") significantly changed the taxation of U.S. based multinational corporations, including, inter alia, reducing the U.S. federal corporate income tax rate from 35% to 21%, creating new taxes on certain foreign sourced earnings and a new minimum tax calculated on certain U.S. outbound payments. We have completed our accounting for the impact of the Tax Act as of December 22, 2018 based on published guidance. We expect that the U.S. Treasury Department, the Internal Revenue Service ("IRS"), and state tax authorities will be issuing additional guidance on how the provisions of the Tax Act will be applied or otherwise administered, and such guidance may be different from our current interpretation. The legislation could be subject to potential amendments and technical corrections, any of which could materially lessen or increase certain adverse impacts of the legislation. As regulations and guidance evolve with respect to the Tax Act, and as we gather information and perform more analysis, our results may differ from previous estimates and may materially affect our financial position. Changes in tax laws or policies by foreign jurisdictions could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our business, results of operations and financial condition.

In addition, the current U.S. administration has created uncertainty about the future relationship between the U.S. and certain of its trading partners, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade between the U.S. and other nations, including changes to the North American Free Trade Agreement, including the United States-Mexico-Canada Agreement (the "USMCA") or otherwise and other international trade agreements. During 2018, the U.S. administration announced tariffs on certain products imported into the U.S., which has resulted in reciprocal tariffs from other countries, including countries where we operate. The tariffs implemented on our products (or on materials, parts or components we use to manufacture our products) by the U.S. will increase the cost of our products manufactured and imported

into the U.S. Tariffs and other trade restrictions announced by other countries on products manufactured in the U.S. could likewise increase the costs of those products when imported into other countries. If additional tariffs are implemented on our products (or on materials, parts or components we use to manufacture our products) by the U.S. or other countries, the cost of our products could increase further. Additional tariffs, changes in international trade relations or continued uncertainty could depress economic activity and restrict our access to suppliers or customers and could have a material adverse effect on our business, results of operations and financial condition.

***Our business in China is subject to aggressive competition and is sensitive to economic and market conditions as well as restrictions placed on foreign automakers.***

We operate in the highly competitive automotive supply market in China and face competition from both international and smaller domestic manufacturers. Maintaining a strong position in the Chinese market is a key component of our global growth strategy. Our business is sensitive to economic and market conditions that impact automotive sales volumes and growth in China and may be affected if the pace of growth slows as the Chinese market matures or if there are reductions in vehicle demand in China. We anticipate that additional competitors, both international and domestic, may seek to enter the Chinese market resulting in increased competition. Increased competition may result in price reductions, reduced margins and our inability to gain or hold market share. There have been periods of increased market volatility and moderation in the levels of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced. Furthermore, the Chinese government has inflated demand for domestic production of electric cars by offering purchase incentives for electric cars and has restricted foreign automakers from digital mapping within its borders impacting many of our customers' ability to manufacture self-driving vehicles within China. Many of our customers are not domestic Chinese companies. If our non-Chinese customers are prevented or deterred from doing business in China, it could impair our position in the Chinese market. If we are unable to maintain our position in the Chinese market, the pace of growth slows or vehicle sales in China decrease, our business, results of operations and financial condition could be materially adversely affected.

***We are exposed to exchange rate risks.***

We have currency exposures related to buying, selling and financing in currencies other than the local currencies of the countries in which we operate. We are particularly vulnerable to a strong U.S. dollar as certain raw materials and components are sourced in U.S. dollars while sales are also currently in other currencies, like the Euro. Our risks include:

- transaction exposure, which arises because the cost of a product originates in one currency and the product is sold in another currency;
- revaluation effects, which arise from valuation of assets denominated in other currencies than the reporting currency of each unit;
- translation exposure in the income statement, which arises when the income statements of non-U.S. subsidiaries are translated into U.S. dollars;
- translation exposure in the balance sheet, which arises when the balance sheets of non-U.S. subsidiaries are translated into U.S. dollars; and
- changes in the reported U.S. dollar amounts of cash flows.

For example, in 2018 the Company's gross transaction exposure was approximately \$0.7 billion, with a net exposure of \$0.6 billion due to counter-flows. The five largest net transaction exposures were the sale of Euro against Swedish Krona, the purchase of U.S. Dollars against Swedish Krona, the purchase of U.S. Dollar against Korean Won, the sale of U.S. Dollars against Chinese Renminbi and the purchase of U.S. Dollar against Euro. Together these currency pairs accounted for approximately 76% of the Company's net currency transaction exposure. These exchange rate risks could have a material adverse effect on our business, results of operations and financial condition.

***We face risks in connection with identifying, completing and integrating acquisitions.***

Our business's growth has been enhanced through strategic opportunities, including acquisitions of businesses, products and technologies, and joint development agreements. We may continue to identify and engage in strategic opportunities in the future. However, we may not be able to successfully identify suitable



acquisition candidates or complete transactions on acceptable terms, integrate acquired operations into our existing operations or expand into new markets. Our failure to identify suitable strategic opportunities may restrict our ability to grow our business. These strategic opportunities also involve numerous additional risks to us and our investors, including risks related to retaining acquired management and employees, difficulties in integrating the acquired technology, products, operations and personnel with our existing business, assumption of contingent liabilities, and potentially adverse financial impact of acquisitions. Consequently, there is a risk that the acquisitions and other transactions may not result in revenue growth, operational synergies or service or technology enhancements, which could have a material adverse effect on our business, results of operations and financial condition.

***Risks associated with joint venture partnerships and other collaborations may adversely affect our business and financial results.***

Certain of our operations are currently conducted through joint ventures and joint development agreements, and we may enter into additional joint ventures and collaborations in the future. Our joint ventures and collaborations are generally focused on opening or expanding opportunities for our technologies and supporting the design and introduction of new products and services (or enhancing existing products or services). Such activities entail a high degree of risk and often require significant capital investments. We may underestimate the costs and/or overestimate the benefits, including technology, product, revenue, cost and other synergies and growth opportunities, that we expect to realize, and we may not achieve those benefits, or may do so later than expected. The market and customer demand for products and technologies provided by our joint ventures may also shift. For example, we have begun to see a shift in our customer's focus to products and systems supporting "Level 2 plus driver assistance" technologies over systems supporting fully autonomous driving as it appears that fully autonomous vehicles will come to market in significant numbers later than previously expected. This means that some of the expected anticipated benefits of our Zenuity joint venture, including sales from technologies developed by the joint venture may not materialize or may come later than previously expected. We are currently in discussions with our Zenuity joint venture partner regarding the development priorities of Zenuity in light of the market shift toward autonomous vehicle solutions and we are presently evaluating our strategic and business plans for, as well as the ongoing funding needs of, Zenuity. The outcome of these discussions may influence the level of funding and participation of Veoneer in Zenuity, as well as future sharing of intellectual property and IP licenses and may result in a different strategy, focus, structure and/or purpose of Zenuity or implementation of other strategic options being reviewed.

Furthermore, our joint venture partners may be unable or unwilling to meet their economic or other contractual obligations, and we may in some cases and/or for some time choose to fulfill those obligations alone to ensure the ongoing success of a joint venture, or we may choose to dissolve and liquidate it. For example, since we acquired a 51% interest in VNBS, we have unilaterally provided the funds necessary to meet VNBS's operational needs as Nissin Kogyo has, notwithstanding repeated requests, refused to provide funding in proportion to its ownership. In 2019, the Company initiated a formal negotiation process under the VNBS JV Agreement to find a resolution to this situation. While the Company has entered into a memorandum of understanding regarding this situation, there is no guarantee that this will lead to a definitive agreement and the Company is also exploring its strategic options with respect to the joint venture and its product offerings, which may result in various changes with respect to VNBS.

In addition, our joint venture and collaboration partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. Our products and technologies may from time to time overlap with certain aspects of the technologies developed with one of our joint venture or collaboration partners which may cause the parties to consider the impact on the contractual relationship. Depending on our level of control over the governance and/or operations of a joint venture or collaboration, we may be unable to implement actions with respect to the joint venture's activities that we believe are favorable if the joint venture partner does not agree. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. We may have difficulty resolving disputes with or claims against our joint venture partners, which could lead to us bearing liability for claims that we are not responsible for and may have a material adverse impact on the joint venture.

The above risks, if realized, could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to respond quickly enough to changes in technology and technological risks and to develop our intellectual property into commercially viable products.***

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive to our customers. We currently license certain proprietary technology to third parties and, if such technology becomes obsolete or less attractive, those licensees could terminate our license agreements, which could adversely affect our results of operations. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis will be a significant factor in our ability to be competitive. There is a risk that we will not be able to achieve the technological advances that may be necessary for us to be competitive or that certain of our products will become obsolete. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly. As part of our business strategy, we may from time to time seek to acquire businesses or assets that provide us with additional intellectual property. We may experience problems integrating acquired technologies into our existing technologies and products, and such acquired intellectual property may be subject to known or contingent liabilities such as infringement claims. These risks could have a material adverse effect on our business, results of operations and financial condition.

***Our business may be adversely affected by laws or regulations, including international, environmental, occupational health and safety or other governmental regulations.***

We are subject to various federal, state, local and foreign laws and regulations, including those related to the requirements of environmental, occupational health and safety, financial and other matters. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretations thereof, could increase the costs of doing business for us or our customers or suppliers or restrict our actions and adversely affect our operating results, cash flows and financial condition. Our operations are subject to environmental and safety laws and regulations governing, among other things, emissions to air, discharges to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. The operation of automotive parts manufacturing facilities entails risks in these areas, and there is a risk that we will incur material costs or liabilities as a result. Additionally, environmental laws, regulations, and permits and the enforcement thereof change frequently and have tended to become increasingly stringent over time, which may necessitate substantial capital expenditures or operating costs or may require changes of production processes.

Due to our global operations, we are also subject to many laws governing our activities in other countries (including, but not limited to, the Foreign Corrupt Practices Act, and other anti-bribery regulations in foreign jurisdictions where we do business, and the U.S. Export Administration Act), which prohibit improper payments to government officials and restrict where and how we can do business, what information or products we can supply to certain countries and what information we can provide to authorities in governmental authorities.

There is a risk that our policies and procedures will not protect us from the reckless acts of our employees or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. Any costs, liabilities, and obligations that we incur relating to such regulations could have a material adverse effect on our business, results of operations and financial condition.

***The United Kingdom's ("U.K.") referendum to exit from the European Union ("E.U.") will continue to have uncertain effects and could have an adverse effect on our business and financial results.***

On June 23, 2016, the UK held a referendum in which voters approved an exit from the EU (commonly referred to as "Brexit"). Current uncertainty over whether the UK will ultimately leave the EU, as well as the final outcome of the negotiations between the UK and the EU, could have an adverse effect on our business and financial results. The long-term effects of Brexit may include, among other things, greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity. Such changes could be costly and potentially disruptive to our operations and business relationships in these markets. If we are unable to manage any of these risks effectively, our business could be adversely affected. Our operations in the UK represented an immaterial part of our business as of December 31, 2018.

***Our business may be adversely affected by changes in automotive safety regulations or concerns that drive further regulation of the automobile safety and autonomous driving markets.***

Government vehicle safety regulations are a key driver in our business. Historically, these regulations have imposed ever more stringent safety regulations for vehicles. Safety regulations have a positive impact on driver awareness and acceptance of active safety products and technology. These more stringent safety regulations often require vehicles to have more safety content per vehicle and more advanced safety products, including active safety technology, which has thus been a driver of growth in our business.

These regulations are subject to change based on a number of factors that are not within our control, including new scientific or medical data, adverse publicity regarding autonomous vehicles or technology, domestic and foreign political developments or considerations, and litigation relating to our products and our competitors' products. Changes in government regulations in response to these and other considerations could have a severe impact on our business. If government priorities shift and we are unable to adapt to changing regulations, our business may suffer material adverse effects.

The regulatory obligation of complying with safety regulations could increase as federal and local regulators impose more stringent compliance and reporting requirements in response to product recalls, safety issues and product innovations in our industry. In the U.S., we are subject to the existing Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act, which requires manufacturers to comply with "Early Warning" requirements by reporting to the National Highway Traffic Safety Administration ("NHTSA") information related to defects or reports of injury related to their products. TREAD imposes criminal liability for violating such requirements if a defect subsequently causes death or bodily injury. In addition, the National Traffic and Motor Vehicle Safety Act authorizes NHTSA to require a manufacturer to recall and repair vehicles that contain safety defects or fail to comply with federal motor vehicle safety standards. The U.S. Department of Transportation issued regulations in 2016 that require manufacturers of certain autonomous vehicles to provide documentation covering specific topics to regulators, such as how automated systems detect objects on the road, how information is displayed to drivers, what cybersecurity measures are in place and the methods used to test the design and validation of autonomous driving systems.

As our technologies advance and develop beyond traditional automotive products, we may be subject to regulatory regimes beyond traditional vehicle safety rules and requirements. As a result, we may not identify all regulatory licenses or permits required for our products, or our products may operate beyond the scope of the licenses and permits we have obtained. Failing to obtain the required licenses, permits or other regulatory authorizations could result in investigations, fines or other penalties or proceedings. If any of the regulatory risks described above materialize, it could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to the Spin-Off and Our Operation as a Stand-Alone Company**

***We have a limited history of operating as an independent, stand-alone company, and our historical financial information does not predict our future results.***

Our historical financial information in the 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019 in relation to periods or times up to the Spin-Off refers to our business as operated by and integrated with Autoliv. Our historical financial information included in this 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019 in relation to periods or times prior to the completion of the Spin-Off is derived from the consolidated financial statements and accounting records of Autoliv. Accordingly, the historical financial information included in this 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019 in relation to periods or times prior to the completion of the Spin-Off does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future primarily as a result of the factors described below.

Prior to the Spin-Off, our business was operated by Autoliv as part of its broader corporate organization, rather than as an independent company. Autoliv or one of its affiliates performed various corporate functions for us, such as legal, accounting, treasury, internal auditing, and human resources and also provided our IT and other corporate infrastructure. Our historical financial results reflect allocations of corporate expenses from Autoliv for such functions and are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company. As a result of the Spin-Off, we are responsible for the costs related to such functions previously performed by Autoliv, and such costs have increased. Autoliv is providing some of these functions to us pursuant to a transition services agreement. We will need to make investments to replicate or outsource from

other providers certain facilities, systems, infrastructure, and personnel to which we no longer have access as a result of the Spin-Off. These initiatives to develop our independent ability to operate without access to Autoliv's existing operational and administrative infrastructure will have a cost to implement. We may not be able to operate our business efficiently or at comparable costs, and our profitability may decline. Additionally, prior to the Spin-Off, we shared economies of scale in costs, employees, vendor relationships and customer relationships with Autoliv. Although we have entered into a transition services agreement with Autoliv for certain services, these arrangements may not fully capture the benefits that we have enjoyed as a result of being integrated with Autoliv and may result in us paying higher amounts than in the past for certain products and services. This could have an adverse effect on our results of operations and financial condition as separate, publicly traded company.

Other significant changes may occur in our cost structure, management, financing and business operations, as compared to the past financial performance of our business, as a result of operating as a company separate from Autoliv. These risks could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial condition.

***Our ability to meet our capital needs have materially changed by the loss of financial support from Autoliv and it may be more difficult for us to obtain capital to fund our business.***

The loss of financial support from Autoliv has changed our previous source of capital Autoliv previously provided certain capital that was needed in excess of the amounts generated by our operating activities. We currently expect to obtain any funds needed in excess of the amounts contributed by Autoliv in the Spin-Off and generated by our operating activities through the capital markets, bank financing, strategic relationships or other arrangements, and not from Autoliv. However, given the smaller relative size of our company, as compared to Autoliv after the Spin-Off, we may incur higher debt servicing and other costs relating to new indebtedness than we would have otherwise incurred as a part of Autoliv. As a stand-alone company, the cost of our financing also will depend on other factors such as our performance and financial market conditions generally. Further, we cannot guarantee you that we will be able to obtain capital market financing or credit on favorable terms, or at all, in the future. We cannot assure you that our ability to meet our capital needs will not be harmed by the loss of financial support from Autoliv.

***We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off.***

We and Autoliv believe that the tax-free Spin-Off will enhance our long-term value. However, by separating from Autoliv, we may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of Autoliv. In addition, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all.

***We may be responsible for U.S. federal income tax liabilities that relate to the distribution.***

Autoliv received an opinion from its outside tax counsel to the effect that the distribution of our common stock, together with certain related transactions, should qualify as a transaction that is tax-free under Sections 368(a)(1)(D) and 355 of the Code. The opinion was based on and relied on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings of Autoliv and the Company, including those relating to the past and future conduct of Autoliv and the Company. If any of these representations, statements or undertakings are, or become, inaccurate or incomplete, or if Autoliv or the Company breach any of their respective covenants in the Spin-Off documents, the opinion of counsel may be invalid and the conclusions reached therein could be jeopardized. Notwithstanding the opinion of counsel, the IRS could determine that the distribution, together with certain related transactions, should be treated as a taxable transaction if the IRS determines that any of these representations, assumptions, or undertakings upon which such opinion was based are incorrect or have been violated or if the IRS disagrees with the conclusions in the opinion of counsel. An opinion of counsel is not binding on the IRS or any court and there is a risk that the IRS not challenge the conclusions reached in the opinion. The IRS did not provide any opinion in advance of the Spin-Off that the Spin-Off will be tax-free.

If the distribution, together with certain related transactions, failed to qualify as a transaction that is generally tax-free under Sections 368(a)(1)(D) and 355 of the Code, Autoliv would recognize taxable gain as if it had sold our common stock in a taxable sale for its fair market value, Autoliv stockholders who received our common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares, and we could incur significant liabilities. In addition, if the Spin-Off is not tax-free, Veoneer would be responsible for tax liabilities as allocated by the Tax Matters Agreement.

Even if the Spin-Off otherwise qualifies as a tax-free transaction for U.S. federal income tax purposes, the distribution will be taxable to Autoliv if there are (or have been) one or more acquisitions (including issuances) of our stock or the stock of Autoliv, representing 50% or more, measured by vote or value, of the stock of any such corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. Any acquisition of our common stock within two years before or after the distribution (with exceptions, including public trading by less-than-5% stockholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted. The resulting tax liability would be substantial, and under U.S. Treasury regulations, each member of the Autoliv group at the time of the Spin-Off (including us and our subsidiaries) would be severally liable for the resulting U.S. federal income tax liability.

Pursuant to the Tax Matters Agreement, we agreed not to enter into certain transactions that could cause any portion of the Spin-Off to be taxable to Autoliv, including under Section 355(e) of the Code. We also agreed to indemnify Autoliv for any tax liabilities resulting from such transactions or other actions we take, and Autoliv agreed to indemnify us for any tax liabilities resulting from transactions entered into by Autoliv. These obligations may discourage, delay or prevent a change of control of our company, which could have a materially adverse effect on our business.

***Our internal controls around accounting and financial reporting may not be adequate to ensure complete and accurate reporting of our financial position, results of operations and cash flows.***

The Exchange Act requires that we file annual, quarterly and current reports with respect to its business and financial condition. Under the Sarbanes Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, results of operations and financial condition.

***We could incur substantial additional costs and experience temporary business interruptions as we install and implement our information technology infrastructure and transition our data to our own systems.***

We have begun to install and implement information technology infrastructure to support certain of our business functions, including accounting and reporting, manufacturing process control and distribution. We may incur temporary interruptions in business operations if we cannot fully transition effectively from Autoliv's existing transactional and operational systems, data centers and the transition services that support these functions. We may not be successful in implementing our new systems and transitioning our data, and we may incur substantially higher costs for implementation than currently anticipated. Our failure to avoid operational interruptions as we implement the new systems and replaces Autoliv's information technology services, or our failure to implement the new systems and replace Autoliv's services successfully, and any substantially higher costs could disrupt our business and have a material adverse effect on our business, results of operations and financial condition and. In addition, if we are unable to replicate or transition certain systems, our ability to comply with regulatory requirements could be impaired.

***Autoliv may fail to perform under various agreements that were executed in connection with the Spin-Off and we may have greater costs or potential liability pursuant to such agreements.***

In connection with the internal reorganization and Spin-Off, we and Autoliv entered into a Master Transfer Agreement, Distribution Agreement and various other agreements, including the Transition Services Agreement, Tax Matters Agreement and an Employee Matters Agreement. Certain of these agreements provide for the performance of services by each company for the benefit of the other following the Spin-Off. We are relying on Autoliv to satisfy its performance and payment obligations under these agreements. If Autoliv is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses.

Furthermore, these agreements may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated third parties. To the extent that certain terms of those agreements provide for rights and obligations that could have been procured from third parties, we may have received better terms from third parties. There is a risk that we may incur greater costs or be subject to greater potential liability pursuant to our agreements with Autoliv for certain rights and obligations that could have been procured from unaffiliated third parties.

Currently, we rely on Autoliv to provide certain corporate and administrative services such as certain information technology, financial and human resource services. We are in the process of creating our own, or

engaging third parties to provide, systems and services to replace many of the systems and services Autoliv currently provides to us pursuant to the Transition Services Agreement. If Autoliv is unable or unwilling to provide such services pursuant to the Transition Services Agreement, or if the agreement is terminated prior to the end of its term, we may be unable to provide such services ourselves or we may have to incur additional expenditures to obtain such services from another provider.

***Potential indemnification liabilities to Autoliv or a refusal of Autoliv to indemnify us pursuant to the Distribution Agreement could materially adversely affect us.***

The transaction documents we entered into with Autoliv in connection with the internal reorganization and the Spin-Off provide for cross-indemnities that require Autoliv and Veoneer to bear financial responsibility for each company's business prior to the internal reorganization or Spin-Off, as applicable, and to indemnify the other party in connection with a breach of such party of the transaction agreements; provided, however, certain warranty, recall and product liabilities for electronics products manufactured prior to the completion of the internal reorganization have been retained by Autoliv and Autoliv will indemnify us for any losses associated with such warranty, recall or product liabilities pursuant to the distribution agreement entered into as part of the Spin-Off. If we are required to indemnify Autoliv under the circumstances set forth in the transaction documents, we may be subject to substantial liabilities. In addition, there can be no assurance that the indemnities from Autoliv will be sufficient to protect us against the full amount of any potential liabilities. Even if we do succeed in recovering from Autoliv any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. In addition, each of these risks could have a material adverse effect on our business, results of operations and financial condition.

***We may be unable to take certain actions because such actions could jeopardize the tax-free status of the Spin-Off, and such restrictions could be significant.***

To preserve the tax-free treatment of the Spin-Off, for the initial two-year period following the Spin-Off, we are prohibited, except in limited circumstances, from taking or failing to take certain actions that would prevent the Spin-Off and related transactions from being tax-free, including: (1) entering into any transaction pursuant to which our stock would be acquired, whether by merger or otherwise; (2) issuing any equity securities or securities that could possibly be converted into our equity securities; (3) selling or otherwise disposing of substantially all of our assets; or (4) repurchasing our equity securities. These restrictions may limit our ability to issue equity and to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. In addition, if we take, or fail to take, actions that prevent the Spin-Off and related transactions from being tax-free, we could be liable for the adverse tax consequences resulting from such actions.

***The Spin-Off and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.***

The Spin-Off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that Autoliv did not receive fair consideration or reasonably equivalent value in the Spin-Off, and that the Spin-Off left Autoliv insolvent or with unreasonably small capital or that Autoliv intended or believed it would incur debts beyond its ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the Spin-Off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or your shares in our company to Autoliv or providing Autoliv with a claim for money damages against us in an amount equal to the difference between the consideration received by Autoliv and the fair market value of our company at the time of the Spin-Off. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Autoliv was solvent at the time of or after giving effect to the Spin-Off, including the distribution of our common stock.

***Certain of our officers and directors may have actual or potential conflicts of interest because of their service as executive officers or directors of Autoliv.***

Certain of our directors and officers own Autoliv common stock and equity awards. Even though our board of directors consists of a majority of directors who are independent, several of our directors continue to have a financial interest in Autoliv common stock and equity awards. Continuing ownership of Autoliv common stock and equity awards, or service as a director at both companies could create, or appear to create, potential conflicts

of interest for our directors and officers with prior or continuing positions with Autoliv if we have disagreements with Autoliv about the agreements between us that continue or face decisions that could have different implications for us and Autoliv.

### **Risks Related to Investing in Our Securities**

#### ***Our board of directors may change significant corporate policies without stockholder approval.***

Our financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of our board of directors without a vote of our stockholders. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could have a material adverse effect on our business, results of operations, financial condition, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders.

#### ***Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.***

Our certificate of incorporation and bylaws contain provisions that may make the merger or acquisition of the Company more difficult without the approval of our board of directors. Among other things:

- although we do not have a stockholder rights plan, our certificate of incorporation allows us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- we have a classified board of directors, and any director may be removed only for cause and only by the affirmative vote of at least 75% of the voting power of all the then-outstanding shares of voting stock;
- our board of directors is expressly authorized to make, alter or repeal our bylaws and our stockholders may only amend our bylaws by the affirmative vote of at least 80% of the voting power of all the then outstanding shares of voting stock;
- our certificate of incorporation and bylaws permits only our board of directors to call special meetings of stockholders;
- our certificate of incorporation and bylaws do not permit stockholder action by written consent; and
- our bylaws establish advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

#### ***Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our current or former directors, officers or stockholders.***

Our certificate of incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our stockholders, directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising out of or pursuant to the Delaware General Corporation Law, (iv) the certificate of incorporation or

amended and bylaws, or (v) any action asserting a claim government by the internal affairs doctrine. At our 2019 annual meeting of stockholders, we intend to ask our stockholders to vote on whether to keep this provision in our certificate of incorporation. This choice of forum provision may only be amended by the affirmative vote of at least 80% of the voting power of all the outstanding shares of common stock entitled to vote, which may have the effect of making this provision difficult to repeal by our stockholders. Any person or entity purchasing or otherwise holding any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provision in our restated certificate of incorporation related to choice of forum. This provision may have the effect of discouraging lawsuits against our directors, officers or employees by limiting our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes.

***The market price and trading volume of our common stock may fluctuate widely.***

The market price of our common stock may fluctuate significantly, depending upon many factors, some of which may be beyond our control, including, but not limited to:

- a shift in our investor base;
- our quarterly or annual earnings, or those of comparable companies;
- actual or anticipated fluctuations in our operating results;
- our ability to obtain financing as needed;
- changes in laws and regulations affecting our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating performance and stock price of comparable companies;
- overall market fluctuations;
- a decline in the automotive market; and
- general economic conditions and other external factors.

***Future issuances of common stock by us may cause the market price of our common stock to decline.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, could substantially decrease the market price of our common stock.

In connection with the Spin-Off, we adopted an equity incentive plan in which our employees, non-employee directors and other service providers may participate, under which an aggregate of 3,000,000 shares of our common stock are available for future issuance, plus a number of shares to satisfy equity-based awards that were issued to holders of certain equity awards outstanding under Autoliv's Amended and Restated Stock Incentive Plan at the time of the Spin-Off. We filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our equity incentive plan. Accordingly, shares registered under such registration statement are available for sale in the open market.

***Your ownership in our stock may be diluted by additional equity issuances.***

Your percentage ownership in our common stock could be diluted in the future as a result of equity issuances for acquisitions, capital market transactions or otherwise, including any equity awards that we grant to our directors, officers and employees. Such awards could have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. In addition, our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights as our board of directors generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our common stock.



*We have no current plans to pay cash dividends on our common stock, and certain factors could limit our ability to pay dividends in the future.*

The declaration, amount and payment of any future dividends on shares of common stock will be at the absolute and sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of indebtedness we or our subsidiaries incur in the future. We have no current plans to pay any cash dividends.

#### **Risks Related to an Investment in our SDRs**

*Veoneer SDR holders do not have the same rights as our stockholders.*

A Veoneer SDR holder does not have equivalent rights as our holders of common stock, whose rights are governed by U.S. federal law and the Delaware General Corporation Law. The rights of Veoneer SDR holders are set forth and described in to the General Terms and Conditions for Swedish Depository Receipts in Veoneer (the “General Terms and Conditions”). Although the General Terms and Conditions generally allow Veoneer SDR holders to vote in general meetings of stockholders or to be entitled to dividends as if they held our shares of common stock directly, the rights of Veoneer SDR holders differ in some instances from the rights of Veoneer stockholders. In particular, Veoneer SDR holders do not have the ability to nominate directors for election or bring proposals before our annual meeting to the extent provided for in our governing documents or by applicable U.S. state or federal law. Additionally, Veoneer SDR holders may not be able to enforce their rights under the General Terms and Conditions in relation to their SDRs in the same manner as one of our stockholders could with respect to our shares of common stock under applicable U.S. law.

*The trading market for Veoneer SDRs may be limited in the future.*

There is a risk that a trading market for Veoneer SDRs will not develop or be sustained in the future. Veoneer SDRs traded in Stockholm are not equivalent to a Swedish security being traded on Nasdaq Stockholm. Specifically, Veoneer SDRs represent shares of a U.S. company and are not themselves shares of stock. The lack of an active trading market may make it more difficult for you to sell your Veoneer SDRs and could lead to the price of Veoneer SDRs being depressed or more volatile.

## **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This document, including the documents incorporated by reference herein and therein, contain statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this document other than statements of historical fact, including without limitation, statements regarding the recently completed offering of common stock or other proposed or possible capital raising transactions, management's examination of historical operating trends and data, estimates of future sales (including estimates related to order intake), operating margin, cash flow, taxes or other future operating performance or financial results, are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "likely," "might," "would," "should," "could," or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words. We have based these forward-looking statements on our current expectations and assumptions and/or data available from third parties about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs.

New risks and uncertainties arise from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Factors that could cause actual results to differ materially from these forward-looking statements include, without limitation, the following: the cyclical nature of automotive sales and production; changes in general industry and market conditions or regional growth or decline; our ability to achieve the intended benefits from our separation from our former parent; our ability to be awarded new business or loss of business from increased competition; higher than anticipated costs and use of resources related to developing new technologies; higher raw material, energy and commodity costs; component shortages; changes in customer and consumer preferences for end products; market acceptance of our new products; dependence on and relationships with customers and suppliers; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; costs or difficulties related to the integration of any new or acquired businesses and technologies; successful integration of acquisitions and operations of joint ventures; successful implementation of strategic partnerships and collaborations; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto; higher expenses for our pension and other post-retirement benefits, including higher funding needs for our pension plans; work stoppages or other labor issues; possible adverse results of future litigation, regulatory actions or investigations or infringement claims; our ability to protect our intellectual property rights; tax assessments by governmental authorities and changes in our tax rate; dependence on key personnel; legislative or regulatory changes impacting or limiting our business; political conditions; and other risks and uncertainties identified in Item 1A – "Risk Factors" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019.

For any forward-looking statements contained in this prospectus or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

## **BACKGROUND AND REASONS**

Following the spin-off from Autoliv in 2018, the common stock of Veoneer, Inc. was listed on the New York Stock Exchange under the symbol VNE, and Swedish Depositary Receipts, or SDRs, representing our common stock were listed on Nasdaq Stockholm under the ticker symbol VNE SDB. We have recently completed an offering (the “offering”) of 24,000,000 shares of our common stock to institutional and other investors. A portion of the common stock offered in the offering may be delivered to a depositary, which will then issue SDRs representing our common stock, with each SDR representing one share of our common stock, to the relevant non-U.S. person purchasers of our common stock that have requested receipt of SDRs. This document has been prepared for the admission to trading of up to 114,972,130 SDRs representing shares of common stock of Veoneer on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in Veoneer, neither in Sweden nor in any other jurisdiction.

Concurrently with the offering of common stock, we completed an offering of \$207,000,000 aggregate principal amount of our 4.00% Convertible Senior Notes due 2024, which we refer to as the convertible notes.

We intend to use the net proceeds from the common stock offering and concurrent convertible notes offering for working capital and other general corporate purposes. Such purposes may include additional investments in technology or research and development or for the acquisition of or investment in businesses or joint ventures that complement our business. However, we do not currently have any definitive or preliminary plans with respect to the use of proceeds for such purposes.

We will have broad discretion in using these proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending their use as described above, we plan to invest the net proceeds in short-term, interest-bearing obligations, investment-grade instruments, money market accounts, certificates of deposit, or direct or guaranteed obligations of the U.S. government.

## THE OFFERING

We have recently completed an offering of common stock, or the offering, of 24,000,000 shares of our common stock to qualified and institutional investors.

We have granted to the underwriters, for whom Morgan Stanley & Co, LLC is acting as representative, an over-allotment option, exercisable for 30 days from May 22, 2019, to purchase up to 3,600,000 additional shares of common stock at the price in the offering (\$17.50 per share) less underwriting discounts and commissions. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as each underwriter purchased in the offering.

We and our directors and officers have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the “restricted period”):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph to do not apply to:

- the sale of shares to the underwriters;
- the issuance by the Company of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares; provided that no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is required or voluntarily made in connection with subsequent sales of the common stock or other securities acquired in such open market transactions; or
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period.

Morgan Stanley & Co. LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the overallotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares

compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. Moreover, as a portion of the shares of common stock offered in the offering may be delivered in the form of SDRs, any of these activities may also be undertaken in the SDRs. The underwriters are not required to engage in these activities and may end any of these activities at any time. These activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise, including on the New York Stock Exchange and (in respect of SDRs) Nasdaq Stockholm, and may be undertaken at any time during the period in which the over-allotment option may be exercised. Morgan Stanley & Co. LLC may undertake, on behalf of the underwriters, certain of these activities by or through its agents or affiliates, including Morgan Stanley & Co. International plc.

## **MARKET AND BUSINESS**

The following information regarding the Company's business is retrieved from the Company's Annual Report on Form 10-K. This section should be read together with the sections "Quarterly Report for the three months ended March 31, 2019" and "Recent development and other updates".

This document and the information incorporated by reference in this document contain statistics, data, statements, and other information and estimates relating to markets, market sizes (including our total addressable market, or TAM, market shares, market positions and other industry data and forecasts pertaining to Veoneer's business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects Veoneer's estimates based on analysis of multiple sources, including publicly available information, data compiled by professional organizations in the industry, reports from government agencies and reports by market research firms consultants and analysts and information otherwise obtained from other third party sources, including the IHS Light Vehicle Production Database, as well as Veoneer's internal data and its own knowledge of and experience in the industry and market sectors in which we compete.

Although Veoneer believes its estimates to be reasonable, these estimates have not been verified by any independent sources, and Veoneer cannot assure prospective investors as to the accuracy or completeness of the data, or that a third party using different methods to assemble, analyze or compute market data would obtain the same results. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. In addition, the industry in which Veoneer operates is subject to a high degree of uncertainty and risk as behavior, preferences and trends in the marketplace tend to change. Veoneer does not intend, and does not assume any, obligations to update industry or market data set forth in this document.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Veoneer has not independently verified and cannot give any assurances as to the accuracy of market data contained in this prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this prospectus and projections, assumptions and estimates based on such information may not be reliable indicators of Veoneer's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in the section titled "Risk Factors" and elsewhere in this document.

### **General**

Veoneer, Inc. ("Veoneer", the "Company" or "we") is a Delaware corporation with its principal executive officers in Stockholm, Sweden. On June 29, 2018, we became an independent company as a result of the separation of the Electronics segment from Autoliv, Inc. ("Autoliv"). Veoneer was incorporated under the laws of Delaware in 2017 for the purpose of holding this business. The separation was completed in the form of a pro rata distribution of 100% of the outstanding shares of Common Stock of Veoneer to the stockholders of Autoliv (the "Spin-Off"). The Company functions as a holding corporation and owns two principal subsidiaries, Veoneer AB and Veoneer US, Inc.

Shares of Veoneer common stock are traded on the New York Stock Exchange under the symbol "VNE". Swedish Depository Receipts representing shares of Veoneer common stock ("SDRs") trade on Nasdaq Stockholm under the symbol "VNE SDB". Our fiscal year ends on December 31.

### **Business**

Veoneer is a global leader in the design, development, manufacture and sale of automotive safety electronics. Our ambition is to be a leading system supplier for advanced driver assistance systems ("ADAS"), Collaborative Driving, highly automated driving ("HAD") solutions, and autonomous drive ("AD") as well as a market leader in automotive safety electronics products.

Based on our purpose of “Creating Trust in Mobility”, our safety systems are designed to make driving safer and easier, more comfortable and convenient, and to intervene before a collision. Our systems currently include restraint control electronics and crash sensors for deployment of airbags and seatbelt pretensioners, active safety sensors, controllers and software for both ADAS and AD solutions and brake control systems.

Including joint venture operations, Veoneer has 10 manufacturing sites and operates in 13 countries and its customers include the world’s largest car manufacturers. Veoneer’s sales in 2018 were \$2.2 billion, approximately 37% of which consisted of active safety products, approximately 44% of which consisted of restraint control systems and approximately 19% of which consisted of brake systems products. Our business is conducted primarily in Europe, the Americas and Asia.

Veoneer’s head office is located in Stockholm, Sweden. As of December 31, 2018, Veoneer had approximately 7,300 employees worldwide and a total headcount of approximately 8,600, including temporary personnel.

### **Financial Information on Segments**

Veoneer reports its financial results in two segments: Electronics and Brake Systems. Our Electronics reporting segment consists of our active safety and restraint control systems product areas. Our Brake Systems reporting segment consists of our brake systems product area, which are those products developed by Veoneer-Nissin Brake Systems (VNBS), our joint venture with Nissin Kogyo the 49% owner in VNBS (a 51% owned subsidiary).

### **Business Strategy**

We believe the Company is well-positioned for growth from increasing long-term global vehicle production volumes, increased demand for safety and collaborative and autonomous driving products, and new business wins with existing and new customers. We are focused on accelerating the commercialization of active safety and collaborative and autonomous driving by providing the software, sensors and computers required to do so.

### **Products and Technology**

#### ***Electronics Segment***

We provide advanced active safety sensors, used for ADAS, HAD and AD solutions, such as vision and radar systems, ADAS Electronic Control Units (“ECUs”), night vision and positioning systems. Through Zenuity, our 50% owned joint venture with Volvo Car Corporation (“Volvo Cars”), we develop an advanced software stack for sensor fusion and decision control for ADAS, HAD and AD solutions. In addition, we offer driver monitoring systems, LiDAR sensors and other technologies critical for AD solutions by leveraging our partnership network and internally developed intellectual property.

We also provide restraint control systems such as ECUs and crash sensors for deployment of airbags and seatbelt pretensioners in the event of a collision.

#### ***Active Safety Products***

Active safety systems are designed to intervene before a collision to make accidents avoidable or reduce the severity of the crash in addition to making driving easier as well as more comfortable and convenient.

We develop radar and vision technologies (including Veoneer’s internally developed vision algorithms for both mono-and-stereo vision) that monitor the environment around the vehicle with features that adjust engine output and steering or braking to avoid accidents. The goal of active safety technologies is to provide early warnings to alert drivers to take timely and appropriate action or trigger intelligent systems that affect the vehicle’s motion using braking and steering to avoid accidents, as well as to increase the comfort and convenience of driving. Active safety systems can also improve the effectiveness of the restraint control systems which combine hazard information with traditional crash-sensing methods.

Active safety functions include: Autonomous Emergency Braking, which brakes a vehicle autonomously; Adaptive Cruise Control, which keeps and adjusts the vehicle’s pre-set speed to keep a pre-set distance from vehicles ahead; Traffic Jam Assist and Highway Assist, which takes control of braking and acceleration in slow-

moving traffic and highway speed, respectively; Forward Collision Warning; Blind Spot Detection; Rear Cross-Traffic Assist; Lane Departure Warning; Lane Centering Assist, Traffic Sign Detection; Light Source Recognition; Driver Monitoring for attention and drowsiness; Vehicle-to-Vehicle and Vehicle-to-Infrastructure communication; and Night Driving Assist.

Key systems used in the active safety functions and the Company's capabilities, currently provided to the market or under active development, include:

Vision Systems: Vision systems are critical to driver assistance and safety functions. They support the driver in collision avoidance and mitigating severity in the event of an accident. Using our software algorithms, the camera looks at the road ahead for other vehicles, road signs, lane markings and other key elements and provides information and warnings if the car is approaching a potentially hazardous traffic situation. Vision systems are used in applications such as road-sign recognition, lane detection along with forward and pedestrian collision warnings. We offer forward looking mono- and stereo-vision systems:

- The mono-vision system is a forward-looking camera that is mounted behind the windshield in front of the rear-view mirror. Images are interpreted by algorithms that help identify objects and assist the driver with warnings or actuations such as lane keeping and automatic braking of the vehicle. Mono-vision systems provide a significant level of accident reductions targeting 5-star safety levels as well as driver comfort and convenience features like Adaptive Cruise Control.
- Stereo-vision system technology goes a step further and measures the entire driving environment in 3D. The system is capable of acting on any object without classification. Stereo-vision also provides free-space recognition, road surface measurement down to millimeter level accuracy, which is important to original equipment manufacturers ("OEMs") to improve safety and comfort and provides depth perception for distance calculations due to the 3D capability.

Next generation vision systems and algorithms such as our fourth-generation mono- and stereo-cameras, which are currently under development and planned for production in 2019 will support AD and European New Car Assessment Program ("NCAP") 2020. Fifth generation vision systems, which are in the early planning stages, and planned for production in 2022 will offer more than five times higher image resolution than the current generations as well as offer multiple camera solutions. Selected customers for our vision systems include Geely, Mercedes-Benz, Volvo Cars and one additional Asian OEM.

Radar Systems: Radar systems capture and analyze driving conditions and alert the driver to potentially dangerous events, and can take control of the vehicle if the driver does not take timely appropriate action. Radar systems are used in functions such as adaptive cruise control and automatic emergency braking. Radar is important because it provides superior performance in poor weather conditions such as rain and fog and other situations with poor visibility. Fused with vision systems, higher levels of functional safety are possible allowing a wider range of operating conditions. Our radar sensor portfolio includes: 25GHz ultra-wide band radar, 24 GHz narrow band radar, and 77GHz front and rear corner, and front center radars. Selected customers for our radar systems include Fiat Chrysler Automobiles (FCA), Geely, General Motor (GM), Honda, Mercedes-Benz, Renault Nissan Mitsubishi, and Volvo Cars.

ADAS ECUs: ADAS electronic control units ("ECU") are emerging products within the active safety market and are precursors to the autonomous vehicles of the future. Today, a limited number of OEMs are using separate ADAS ECUs, as most of the ADAS functionalities can be done in an integrated sensor-ECU. With future ADAS and AD systems increasing in complexity, the need for multi-sensor solutions and subsequently higher processing capabilities is expected to lead to more OEMs installing separate ADAS ECUs in their vehicles.

In the ADAS ECU, large quantities of data from the vehicle's different sensors is validated and analyzed. Advanced algorithms can then act in real time to warn the driver and control the vehicle throttle, braking and steering torque to follow a desired trajectory for fully automated driving. We believe one of the biggest challenges self-driving cars will have to overcome is being able to react to the randomness of traffic flow, other drivers, and the fact that no two driving situations are ever the same.

By using deep learning (artificial intelligence) and sensor fusion, algorithms in the ADAS ECU can likely be improved in such a way that the vehicle will be able to make better decisions than a human driver could. This processing must be done with multiple levels of redundancy to ensure the highest level of safety. The computing demands of driverless vehicles are 50 to 100 times more intensive than the most advanced vehicle today. Meeting



these demands will be the major challenge in developing the next generation of ADAS ECUs including data processing.

In 2016, we launched the world's first ADAS ECU for mass production in Mercedes-Benz's new E-class. We provide a similar solution to the updated Mercedes-Benz S-class.

Night Vision Systems: Using passive infrared technology, our night vision system identifies if pedestrians, animals or certain other hazards are present in the danger zone of a vehicle, and alerts the driver, particularly in nighttime, or other "dark" conditions. Our night vision system is the key component in "dynamic light spot" pedestrian illumination system which allows more time for drivers to identify potential hazards at distances beyond normal head-lights. Our fourth-generation night vision system, expected in 2020, will have improved field of view and detection distances, reduction in size, weight and cost featuring enhanced algorithms for pedestrian, animal and vehicle detection as well as supporting night time automatic emergency braking solutions. Selected customers of the night vision system include Audi, BMW, GM, Mercedes-Benz, PSA, Porsche and Volkswagen.

Safety Domain ECUs: As active and passive safety features become more advanced, having dedicated ECUs for the various features increases the complexity and cost of the vehicle architecture. The Safety Domain ECU replaces multiple dedicated ECUs across the vehicle by combining all active and passive safety ECUs into one powerful domain controller. This requires a highly powerful processor which is able to execute simultaneous computing. Techniques such as virtualization enable the safe and secure separation of computing tasks, as the other controllers are not affected if one virtual controller fails.

LiDAR: In 2017, we agreed to collaborate with Velodyne to expand and commercialize our LiDAR development. LiDAR is expected to be an important sensor technology for the future development of AD systems. Under the current agreement with Velodyne, Veoneer will act as the Tier-1 supplier to the OEMs for the Velodyne LiDAR sensors. We will provide project management services, product validation and verification capabilities and system/interface packaging in supplying automotive-grade LiDAR systems to the OEMs. Our LiDAR product roadmap includes first providing it to test fleets of the OEMs and the robo-taxis market followed by developing a solid-state design for the consumer vehicle market. Building on this relationship, on January 7, 2019 the Company announced entry into a license and supply agreement with Velodyne whereby Velodyne will provide Veoneer US, Inc. with materials and rights to certain Velodyne intellectual property which would enable Veoneer US, Inc. to sell, distribute, promote, manufacture and modify, including related research and development ("R&D") certain LiDAR products based on a Velodyne-authorized reference design.

Driver Monitoring: We have been developing solutions to address driver distraction and fatigue as they relate to traditional driving situations and driver attention for hands-free driving. In 2017 we entered into an agreement with Seeing Machines to accelerate this effort. This technology is expected to be necessary to achieve a 5-star NCAP rating in Europe in 2022 as well as Level 3 autonomy solutions worldwide. Our non-exclusive agreement with Seeing Machines to utilize their reference design and market under a license, allows the Company the ability to build hardware and feature level solutions on top of Seeing Machines's world leading head pose, gaze and recognition data outputs.

RoadScape: Our RoadScape™ product line offers highly accurate satellite positioning along with world leading dead reckoning capabilities for increased precision in urban areas. Building on this, RoadScape™ provides a digital representation of the road ahead that can be further enhanced through probe data in the field and cloud connectivity. Finally, adding RoadScape™ communication technology allows for vehicle-to-vehicle, infrastructure and cloud connectivity for premonition and situational awareness in ADAS and AD.

Human Machine Interaction ("HMI"): Genuine two-way communication between vehicle and driver is critical to building driver trust and enhancing the driver experience. Veoneer's Learning Intelligent Vehicle ("LIV") is an artificial intelligence-equipped research vehicle that can understand and respond to context. LIV uses external and internal sensing combined with complex algorithmic artificial intelligence to create a unified contextual picture of what is going on with the occupants, vehicle, driving situation and then acts and serves as a "co-pilot" to communicate with drivers and passengers. Veoneer uses LIV to learn more about task delegation, shared control, driver-vehicle collaboration; innovate ways to increase driver understanding of an autonomous system; and to continually improve the system's understanding of its human co-travelers.

### *Restraint Control Systems*

The restraint control system is the brain triggering a vehicle's passive safety system in a crash situation. Restraint control systems consist of a restraint ECU and related remote crash sensors, including acceleration and

pressure sensors. The ECU's algorithms decide when a seatbelt pretensioner should be triggered and an airbag system should be deployed.

The ECU is mounted centrally in the vehicle, well protected in the event of a crash, and is supported by crash sensors mounted in the door beam, the pillar between the doors, the rocker panel and/or in various locations at the front and rear of the vehicle. These "satellite" crash sensors provide acceleration data to enable early and appropriate deployment of the airbags and seatbelt pretensioners within milliseconds of a vehicle crash.

The ECU also contains certain sensors that are common with the brake system. We were the first to offer this type of solution, providing savings through the reduction in multiple sensors for measuring yaw rate, and consolidating this information on the vehicle data bus. Additionally, the restraint control system is capable of recording details of what happened before and during a crash event using an Event Data Recorder ("EDR") with the restraint control ECU.

Selected customers include FCA, Ford, Geely, GM, Great Wall, Hyundai/Kia, Jaguar Land Rover, Mazda, PSA, Renault Nissan Mitsubishi, Suzuki and Volvo Cars.

### *Overview of Zenuity*

In addition to our two segments, we are a 50% owner of Zenuity, our joint venture with Volvo Cars to develop decision making software for ADAS and AD.

All ADAS and AD features are based on a recommended reference architecture for customers that require a system level solution. In March 2018 Zenuity was selected by Geely as supplier for Geely's Level 3 project, which includes ADAS electronic control units and software, radar systems, as well as mono-vision and stereo-vision camera systems.

As of December 31, 2018, Zenuity had a team of over 600 employees and consultants, of which 88% are software engineers who we believe have the necessary skills to develop these technologies. We expect to supply customers with Zenuity software during 2020.

Through the Company's own product capabilities and extensive partnership network, Veoneer has one of the broadest ADAS and AD product portfolio offerings, which include all major sensing technologies, decision making software, positioning and mapping technologies and cloud solutions.

Our product portfolio has been significantly expanded over the recent years (as illustrated below) from individual hardware sensing components to a full range of key functions and capabilities as outlined below. This enables us to address our customer needs today, and likely in the future, by offering the entire spectrum of ADAS and AD solutions.

### ***Brake Systems Segment***

Our Brake Systems reporting segment consists of our brake systems product area, which are those products developed by VNBS which provides brake control and actuation systems. VNBS provides products for both traditional and new braking systems which we see as building blocks in the actuator area towards HAD.

VNBS supplies brake systems, including the brake booster, hydraulic proportioning valves and electronic control module with sensors. The control module can modulate the brake pressure applied on each wheel individually to maintain optimum braking and offers features like Electronic Stability Control ("ESC"), Anti-locking Brakes ("ABS") and Traction Control System.

For traditional brakes, a vacuum produced by Internal Combustion Engines is necessary to amplify the force applied by the driver's foot to convert it into hydraulic pressure to decelerate the vehicle. New drivetrains, such as Electric ("EV") and Hybrid ("HEV"), do not provide the same source of energy for boosting the brake input from the driver. Therefore, VNBS has developed new servo-assisted and integrated brake control systems that can work independent of the type of drivetrain used.

To improve the overall efficiency of vehicles, VNBS' new braking systems also provide the opportunity to recover brake energy using electric motors as generators to charge batteries. This contrasts with conventional braking systems where the excess kinetic energy is converted to unwanted and wasted heat by friction in the brakes.

VNBS currently produces brake systems capable of coping with regenerative braking and has developed an upgraded Electronic Brake Boost system for market introduction expected towards the end of 2019. This system integrates the hydraulic brake modulator with the electronic brake control unit and the brake fluid reservoir into a single unit (so called “one box” design). Scalability and cost competitiveness of this technology qualifies VNBS to participate in the growth of brake-by-wire systems needed for regenerative braking while delivering superior braking performance to support the growing need for external brake requests such as Automated Emergency Braking and other functionalities.

In January 2017 the Company announced that VNBS is expanding its customer base beyond its primary customer Honda, winning lifetime contract order value of more than \$1 billion for our new braking system with a Detroit based OEM on a major vehicle platform. Production for this awarded business is currently scheduled to begin in 2020. There is no minimum purchase value associated with this awarded business. The agreement will be governed by the OEM’s general terms and conditions and Veoneer and such OEM will enter into a commercial and program agreement that will set forth the specific commercial terms and functional requirements with respect to this order. The program life cycle is estimated to be six years. We received a second major order from the same OEM at the end of 2017. The main opportunities we see in brake systems stem from its capabilities in regenerative braking technology which works well with combustion engine vehicles but is even more suitable for HEV and EV. We see significant opportunities to expand outside the current customer base, especially in combination with our strong customer relationships and global footprint.

### **Acquisition, Partnership and Collaboration History**

Our success and comprehensive product portfolio have partly been driven by acquisitions and partnerships, both critical elements to succeed within the multifaceted auto safety electronics industry and to remain competitive against existing and new entrants looking to enter the market. These partnerships and collaborations have a strategic importance in the near and long term to develop additional autonomous driving building blocks and bring potential products to market in future years.

#### ***Acquisitions and Joint Ventures***

February 2018: Zenuity announced the acquisition of Beyonav intellectual property and trademarks, a technology services company delivering innovative location-based solutions that go beyond traditional applications of navigation technology.

November 2017: We acquired Fotonic, a Swedish company with expertise in LiDAR and Time of Flight cameras, building on our collaboration with Velodyne that was established in June 2017. This acquisition adds to our portfolio the collaboration capabilities within LiDAR sensors, leveraging on our expertise in manufacturing and validation.

April 2017: We launched Zenuity, a strategic 50/50 joint venture with Volvo Cars. This joint venture is an industry first, where an OEM and Tier-1 supplier, both recognized as pioneers in automotive safety, formed a company to develop ADAS software towards AD. See details above.

April 2016: We formed VNBS, a 51/49 joint venture with Nissin Kogyo, a Japanese supplier of both traditional and new brake systems. The joint venture is fully consolidated by Veoneer. See details above.

#### ***Partnerships, Collaborations and Supplier Agreements***

January 2019: The Company announced entry into a license and supply agreement with Velodyne whereby Velodyne will provide Veoneer US, Inc. with materials and rights to certain Velodyne intellectual property which would enable Veoneer US, Inc. to sell, distribute, promote, manufacture and modify (including related R&D) certain LiDAR products based on a Velodyne-authorized reference design.

January 2018: Zenuity announced a non-exclusive collaboration with TomTom, to provide reference map architecture for the “Zenuity Connected Roadview” system for autonomous vehicles. TomTom’s High Definition (“HD”) Maps will power the localization, perception and path planning in the Zenuity AD software stack in combination with on-vehicle sensors such as cameras, radar and LiDAR to create continuously updated maps.

October 2017: We announced a non-exclusive collaboration with Massachusetts Institute of Technology AgeLab to develop deep learning algorithms that enable effective communication and transfer of control between

driver and vehicle. This includes sensing driver gaze, emotion, cognitive load, drowsiness, hand position, posture and fusing this information with the perception of the driving environment to create safe and reliable vehicles that drivers can learn to trust.

September 2017: Zenuity announced a non-exclusive collaboration with Ericsson. The aim is to develop the Zenuity connected cloud, where Ericsson will contribute its “Internet of Things” accelerator platform aiming to integrate in-vehicle software and systems with connected safety data from other vehicles and infrastructure to potentially provide Over-the-Air real time updates across the vehicle fleet.

August 2017: We announced a non-exclusive collaboration with Seeing Machines, a pioneer in computer vision based human sensing technologies to develop next generation Driver Monitoring Systems for autonomous vehicles.

July 2017: We announced a non-exclusive collaboration with Velodyne to sell various LiDAR sensors as the Tier-1 supplier to the OEMs. See details above.

June 2017: We announced a non-exclusive early stage collaboration with NVIDIA, in combination with Zenuity, providing Veoneer and Zenuity with pre-commercial access to NVIDIA’s AI computing platform for autonomous driving. Actual production vehicles utilizing said platform are not planned for sale before 2021.

## **Market Overview and Competitive Landscape**

### ***Automotive Supplier Market Overview***

The automotive production value chain is split among OEMs such as General Motors, Toyota and Volkswagen and automotive suppliers, such as ourselves, Aptiv, Bosch, Continental, Denso, Magna, Valeo and ZF. Veoneer acts mainly as a Tier-1 supplier to OEMs, meaning that we sell products directly to OEMs.

Our underlying market is primarily driven by two critical factors: Global Light Vehicle Production (“LVP”) and Content Per Vehicle (“CPV”), whereby CPV is the clear market driver for the growth of our total addressable market.

Light Vehicle Production: Over the last two decades, LVP has increased at an average annual growth rate of around 3% despite the cyclical nature of the automotive industry. LVP is expected to grow to around 92 million in 2019, and 106 million in 2025, from approximately 91 million in 2018, according to IHS. The market is undergoing a shift from traditional internal combustion engine vehicles, to HEVs and EVs, as emission regulation becomes more stringent, and battery technology continues to evolve.

Content Per Vehicle: Unlike LVP, we can directly influence the CPV by introducing new technologies to the market. Looking ahead, we expect that safety CPV growth will primarily be driven by active safety content (including software), with total active safety market growing from approximately \$75 per vehicle in 2018 to approximately \$250 per vehicle in 2025, representing a compound annual growth rate (“CAGR”) of roughly 19% from 2018 to 2025, as the demand for advanced active safety features grows.<sup>3</sup>

See Management’s Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations-Trends, Uncertainties and Opportunities” for additional information related to recent trends in LVP and CPV.

### ***Active Safety Competitive Landscape***

The active safety market is highly fragmented and highly competitive. Competition is based primarily on technology, innovation, quality, delivery and price. Our future success will depend on our ability to develop advanced hardware and software technologies and to maintain or improve on our already strong competitive position over our existing and any new competitors. Main competitors in active safety include Aptiv, Bosch, Continental, Denso, Magna, Valeo, ZF, and Intel/Mobileye.

On a broader scale, we have seen significant shifts in our competitive landscape over the last several years. Technology companies have increased their presence and influence in ADAS and AD either through acquisitions or forming “ecosystems” around certain technologies with OEMs and other suppliers. This has led to new industry entrants like Apple, Google, Intel, NVIDIA, Qualcomm and Uber, which also provide partnership or customer opportunities for Veoneer hardware and software solutions.

<sup>3</sup> Veoneer’s estimates are based on analysis of multiple sources, primarily Veoneer’s internal data, which is based on input from all major car manufacturers, and its own knowledge of and experience in the industry and market sectors in which we compete, as well as publicly available information and information otherwise obtained from third party sources, including the IHS Light Vehicle Production Database.

Through acquisitions, technology partnerships with customers and licensing agreements we have continuously added key building blocks and we estimate to have obtained a market share of 12% in active safety in 2018. Zenuity has since inception formed several partnerships to establish a full-suite ecosystem and competes with peer ecosystems such as the BMW/Intel/Mobileye collaboration.

### ***Restraint Control Systems Competitive Landscape***

The market for restraint control systems remains relatively fragmented with both traditional electronics suppliers and some passive safety suppliers. Over the past few years, we have seen our market share increase mainly due to cost efficient integration solutions and strong customer relationships built on quality and technology advancements. Currently we are the leading supplier of restraint control systems with a market share of around 26% in 2018<sup>4</sup>. Our largest competitors include Bosch, Continental, Denso and ZF.

The total restraint control systems market amounted to approximately \$4 billion in 2018 and is expected to remain at the same level until 2025<sup>5</sup>. We believe that restraint control systems will play an integral role in a larger integration trend towards centralized Safety Domain Controllers in the future. In addition, our strong market position in restraint control systems will provide opportunities to become a leading supplier in the ADAS ECU and eventually the Safety Domain Controller market.

### ***Brake Systems Competitive Landscape***

Brake systems consists of brake control ECUs, including ABS and ESC as well as brake apply units. We estimate the total brake systems market to be approximately \$12 billion in 2018, with a projected CAGR of 3% through 2025. The main growth driver is higher installation rates of ESC systems in China and other emerging countries in Asia. Another major growth driver is more advanced and complex servo assisted systems and regenerative braking systems for HEVs and EVs. The ability to regenerate kinetic energy through braking is of growing importance as vehicle powertrains are becoming increasingly electrified. We estimate that VNBS had a market share of just above 4% in 2018. Main competitors of VNBS include ADVICS, Bosch, Continental, Mando and ZF.

### **Research & Development and Intellectual Property**

Our ability to maintain our position at the forefront of technological innovations and to serve customers on a local basis will be differentiating factors to our success. Therefore, we maintain one of the broadest global networks of technical engineering centers across all major automotive regions to develop and provide advanced products, processes and manufacturing support for our manufacturing sites and to provide our customers with local engineering capabilities and design development on a global basis.

We currently own or co-own approximately 738 active patents and have approximately 710 pending patent applications in the US and other jurisdictions. The active patents will expire between 2019 and 2038. We have registered the name Veoneer as a trademark in Sweden and are pursuing registration in other markets of interest. Depending on the jurisdiction, trademarks are generally valid as long as they are in use or their registrations are properly maintained, and they have not been found to have become generic.

We are actively pursuing opportunities to commercialize and license our technology to the automotive industries, and we selectively utilize other companies' licenses through sublicenses in order to support our business interests. These activities foster optimization of intellectual property rights.

We believe that our patents, trademarks and licenses, provide meaningful protection for our products and technical innovations and as a whole, to be material to our business. However, we do not consider our business or any of our business segments to be materially dependent upon any individual patent, trademark or license.

We seek to effectively manage fixed costs and efficiently rationalize capital spending by evaluating the market and profit potential of existing and new customer programs, including investments in innovation and technology. We maintain our engineering activities around our focused product portfolio and allocate our capital and resources to those products and distinctive technologies.

<sup>4</sup> The Company's market share estimates are based on its market insights based on analysis of information provided by car manufacturers, publicly available information and the Company's history operating in the market.

<sup>5</sup> Veoneer's estimates are based on analysis of multiple sources, primarily Veoneer's internal data, which is based on input from all major car manufacturers, and its own knowledge of and experience in the industry and market sectors in which we compete, as well as publicly available information and information otherwise obtained from third party sources, including the IHS Light Vehicle Production Database.

Our total research and development expenses, including engineering, net of customer reimbursements, were \$466 million, \$375 million and \$300 million for the years ended December 31, 2018, 2017 and 2016, respectively. Zenuity's total expenses were \$125 million for the year ended December 31, 2018. These expenses were mainly related to research and development.

We believe that our engineering and technical expertise, together with our emphasis on continuing research and development, allows us to use the latest technologies, materials and processes to solve problems for our customers and to bring new innovative products to market. We believe that continued engineering activities are critical to maintaining our pipeline of technologically advanced products.

### **Dependence on Customers**

Veoneer serves most of the world's major automotive OEMs and is not dependent on one single customer. Our customer base has consistently increased and diversified over the last five years, mainly driven by our active safety product offerings and VNBS.

In 2018 we served a total of 16 customers and our largest customers were Honda (21% of sales), Daimler (17% of sales), Ford (11% of sales), Hyundai/Kia (10% of sales), General Motors (8% of sales), Renault Nissan Mitsubishi (7% of sales) FCA (5% of sales) and BMW (5% of sales). Some of the concentration is driven by the concentration in the automotive industry, with the five largest OEMs in 2018 accounting for 49% of global LVP and the ten largest for 74%, according to IHS.

We typically supply products to our OEM customers through written contracts or purchase orders which are generally governed by general terms and conditions established by each OEM. These arrangements include terms regarding price, quality, technology and delivery. Although it may vary from customer to customer, our customer contracts generally require us to supply a customer's annual requirements for a particular vehicle model and assembly facilities, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally four to seven years. Because we produce products for a broad cross section of vehicle models, we are not overly reliant on any one vehicle model or one particular product.

These contracts are often subject to renegotiation, sometimes as frequent as on an annual basis which may affect product pricing. In general, these arrangements with our customers provide that the customer can terminate them if we do not meet specified quality, delivery and cost requirements. Although these arrangements may be terminated at any time by our customers (but not typically by us), such terminations have historically been minimal and have not had a material impact on our results of operations. However, if terminations do occur in the future or if production under a contract winds down earlier than expected, then such event could have a material impact on our results of operations. The arrangements typically provide that we are subject to a warranty on the products supplied; in most cases, the duration of such warranty is coterminous with the warranty offered by the OEM to the end-user of the vehicle. We may also be obligated to share in all or a part of recall costs if the OEM recalls its vehicles for defects attributable to our products.

### **Veoneer Personnel**

As of December 31, 2018, we had a total of approximately 8,600 employees and consultants, with 4,676 in engineering, 2,083 in production and 1,346 in production overhead, and the remainder employed in management, general and administrative functions. Within engineering, more than two thirds of the employees worked as software engineers.

In addition, Zenuity had approximately 600 employees and consultants at the end of 2018, of which approximately 88% worked as software developers. In 2018, approximately 1,100 engineers were hired by Veoneer and more than 100 were hired by Zenuity.

We consider our relationship with our personnel to be strong. We have not had any disputes which are significant or had a lasting impact on our relationship with our employees, customer perception of our employee practices or our business results.

Major unions to which some of our employees belong in Europe include: IG Metall in Germany; Unite in the United Kingdom; Confédération Générale des Travailleurs, Confédération Française Démocratique du Travail, and Force Ouvrière in France; and If Metall, Unionen, Sveriges Ingenjörer and Akademikerföreningen in Sweden.

In addition, our employees in other regions are represented by the following unions: Unifor and the International Association of Machinists and Aerospace Workers (“IAM”) in Canada and VNBS Roudou Kumiai in Japan.

In many European countries and in Canada, wages, salaries and general working conditions are negotiated with local unions and/or are subject to centrally negotiated collective bargaining agreements. The terms of our various agreements with unions typically range between one and three years. Some of our subsidiaries in Europe and Canada must negotiate with the applicable local unions with respect to important changes in operations, working and employment conditions. Twice a year, members of the Company’s management conduct a meeting with the European Works Council (“EWC”) to provide employee representatives with important information about the Company and a forum for the exchange of ideas and opinions.

In many Asia Pacific countries, the central or regional governments provide guidance each year for salary adjustments or statutory minimum wage for workers. Our employees may join associations in accordance with local legislation and rules, although the level of unionization varies significantly throughout our operations.

### **Inventory and Working Capital**

We, as with other component manufactures in the automotive industry, ship our products to customer vehicle assembly facilities throughout the world on a “just-in-time” basis for our customers to maintain low inventory levels. Our suppliers (external suppliers as well as our own production sites) use a similar method in providing raw materials to us.

### **Sources and Availability of Raw Materials**

We procure our raw materials and components from a variety of suppliers around the world. Generally, we seek to obtain materials in the region in which our products are manufactured to minimize transportation, currency risks and other costs. The most significant raw materials we use to manufacture our products are various electrical components and ferrous metals for brake systems. As of December 31, 2018, we have not experienced any significant shortages of raw materials and normally do not carry inventories of such raw materials more than those reasonably required to meet our production and shipping schedules.

Commodity cost volatility is a challenge for us and our industry. We are continually seeking to manage these costs using a combination of strategies, including working with our suppliers to mitigate costs, seeking alternative product designs and material specifications, combining our purchase requirements with our customers and/or suppliers, changing suppliers, hedging certain commodities and other means. Our overall success in passing commodity cost increases on to our customers has been limited. We will continue our efforts to pass market-driven commodity cost increases to our customers in an effort to mitigate all or some of the adverse earnings impacts, including by seeking to renegotiate terms as contracts with our customers expire.

### **Seasonality**

Our business is moderately seasonal. Our European customers generally reduce production during the months of July and August and for one week in December. Our North American customers historically reduce production during the month of July and halt operations for approximately one week in December. Our Chinese customers generally reduce production during the Chinese New Year period in February. Shut-down periods in the rest of the world generally vary by country. In addition, automotive production is traditionally reduced in the months of July, August and September due to the launch of parts production for new vehicle models. Accordingly, our results reflect this seasonality. In addition, engineering income tends to be skewed towards the fourth quarter.

### **Environmental Compliance**

We are subject to various environmental regulations governing, among other things: (i) the generation, storage, handling, use, transportation, presence of, or exposure to hazardous materials; (ii) the emission and discharge of hazardous materials into the ground, air or water; (iii) the incorporation of certain chemical substances into our products, including electronic equipment; and (iv) the health and safety of our employees.

Most of the Company’s manufacturing processes consist of the assembly of components. As a result, the environmental impact from the Company’s plants is generally modest. While our businesses from time to time

are subject to environmental investigations, there are no material environmental-related cases pending against the Company. Therefore, we do not incur (or expect to incur) any material costs or capital expenditures associated with maintaining facilities compliant with U.S. or non-U.S. environmental requirements. To reduce environmental risk, the Company has implemented an environmental management system in all plants globally and has adopted an environmental policy.

We are subject to various U.S. federal, state and local, and non-U.S., laws and regulations, including those related to environmental, health and safety, financial and other matters. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations that impact our business, or the interpretations thereof, could increase the costs of doing business for us or our customers or suppliers or restrict our actions and adversely affect our financial condition, operating results and cash flows.

We are also required to obtain permits from governmental authorities for certain of our operations.

### **Dependency on Government Contracts**

We are not dependent on government contracts. Some R&D projects are partly financed by certain government agencies.

### **Joint Venture Agreements**

#### ***Zenuity Joint Venture Agreement***

Zenuity operates pursuant to the Joint Venture Agreement, dated April 18, 2017 (the “Zenuity JV Agreement”), between Volvo Cars and a subsidiary of Veoneer. The Zenuity JV Agreement describes the scope of the business activities of Zenuity, which is to develop automotive driver assistance and highly autonomous driving software solutions that can be supplied to Volvo Cars and other potential customers. In addition, Zenuity conducts research within the areas of human factors, vehicle environments and computer techniques to develop algorithms for driving assistance or automated driving. Zenuity owns and licenses certain intellectual property rights pursuant to commercialization agreements between the parties. Veoneer is the exclusive supplier and distribution channel for all Zenuity’s products sold to third parties; however, there is no exclusivity toward any customer or the owners. Volvo Cars can source such products directly from Zenuity. The parties also entered into a number of related agreements in connection with forming the joint venture, including an investment agreement, commercialization agreements and intellectual property license and assignment agreements pursuant to which Volvo Cars and Veoneer transferred certain intellectual property rights to Zenuity. A copy of the Zenuity JV Agreement has been filed with the U.S. Securities and Exchange Commission (the “SEC”).

#### ***VNBS Joint Venture Agreement***

Brake Systems was formed by and operates pursuant to a number of agreements entered into between certain affiliates of each of Veoneer and Nissin Kogyo Ltd., Co. (“Nissin”), including a Share Purchase Agreement, dated September 9, 2015, and a Joint Venture Agreement, dated March 7, 2016 (the “VNBS JV Agreement”). The VNBS JV Agreement sets forth the agreements between Veoneer and Nissin with respect to the ownership, capitalization, governance and operations of Brake Systems. It provides that Veoneer owns 51% of each of the entities that comprise Brake Systems and Nissin owns the remaining 49% of each entity. A copy of the VNBS JV Agreement has been filed with the SEC.

Since the Company acquired a 51% interest in VNBS, Veoneer has unilaterally provided the funds necessary to meet VNBS’s operational needs as Nissin Kogyo has, notwithstanding repeated requests, refused to provide funding in proportion to its ownership. In 2019, the Company initiated a formal negotiation process under the VNBS JV Agreement to find a resolution to the current funding situation.

### **Spin-Off Related Agreements**

As part of the Spin-Off, Autoliv underwent an internal reorganization, pursuant to which, among other things and subject to limited exceptions, all of the assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) associated with the electronics business of Autoliv were retained by or transferred to Veoneer or our subsidiaries and all other assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) of Autoliv were retained by or transferred to Autoliv or its subsidiaries (other than Veoneer).



Following the Spin-Off, the Company and Autoliv began operating independently and neither has any ownership interest in the other. To govern certain ongoing relationships between Veoneer and Autoliv after the Spin-Off and to provide mechanisms for an orderly transition, the Company and Autoliv entered into agreements pursuant to which certain services and rights are provided for following the Spin-Off, and the Company and Autoliv will indemnify each other against certain liabilities arising from our respective businesses.

### ***Distribution Agreement***

In connection with the internal reorganization, we entered into a Master Transfer Agreement with Autoliv which was amended and restated effective as of the Spin-Off (the “Distribution Agreement”). The Distribution Agreement governs certain transfers of assets and assumptions of liabilities by each of Veoneer and Autoliv and the settlement or extinguishment of certain liabilities and other obligations among the companies and their subsidiaries. In particular, substantially all of the assets and liabilities associated with the separated Electronics business were retained by or transferred to Veoneer or its subsidiaries and all other assets and liabilities were retained by or transferred to Autoliv or its subsidiaries. The Distribution Agreement also provided the principal corporate transactions required to affect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between Veoneer and Autoliv with respect to and resulting from the completion of the Spin-Off. The Distribution Agreement also provides for indemnification obligations designed to make the Company financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the completion of the internal reorganization, as well as those obligations of Autoliv assumed by us pursuant to the Master Transfer Agreement; provided, however, certain warranty, recall and product liabilities for Electronics products manufactured prior to the completion of the internal reorganization were retained by Autoliv and Autoliv will indemnify us for any losses associated with such warranty, recall or product liabilities.

### ***Employee Matters Agreement***

The Employee Matters Agreement governs Autoliv’s and Veoneer’s compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of each company. Under the agreement, Autoliv is responsible for liabilities associated with Autoliv allocated employees and liabilities associated with former employees and Veoneer is responsible for liabilities associated with Veoneer allocated employees, but Autoliv retains and continues to be responsible for certain post-retirement liabilities relating to plans sponsored by Autoliv. The Employee Matters Agreement provided for the conversion of the outstanding awards granted under the Autoliv equity compensation programs into adjusted awards relating to both shares of Autoliv and Veoneer common stock.

### ***Tax Matters Agreement***

The Tax Matters Agreement governs the respective rights, responsibilities and obligations of Autoliv and Veoneer with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. The agreement also specifies the portion, if any, of this tax liability for which Veoneer will bear responsibility and provides for certain indemnification provisions with respect to amounts for which they are not responsible. In addition, under the agreement, each party is expected to be responsible for any taxes imposed on Autoliv that arise from the failure of the Spin-Off and certain related transactions to qualify as a tax-free transaction for U.S. federal income tax purposes.

### ***Amended and Restated Transition Services Agreement***

Under the Amended and Restated Transition Services Agreement (“TSA”), Autoliv and Veoneer agreed to provide to each other certain services for a limited time to help ensure an orderly transition following the Spin-Off. The services that Autoliv provides include certain finance, information technology, human resources and compensation, facilities, legal and compliance and other services. We pay Autoliv for any such services utilized at agreed amounts as set forth in the TSA. In addition, for a term set forth in the TSA, we and Autoliv may mutually agree on additional services to be provided by Autoliv to us that were provided to us by Autoliv prior to the distribution but were omitted from the TSA at pricing based on market rates that are reasonably agreed by the parties.

## SELECTED FINANCIAL DATA

(DOLLARS IN MILLIONS)

The following statement of operations, statement of cash flows and balance sheet data were derived from the Company's consolidated financial statements for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, which have been prepared in accordance with United States (U.S.) Generally Accepted Accounting Principles (GAAP). This information should be read in conjunction with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Financial Statements and Supplementary Data" from the Company's Annual Report on Form 10-K incorporated herein by reference, see section "Incorporation of certain documents by reference". For financial data for the three months ended March 31, 2019, see section "Quarterly Report for the three months ended March 31, 2019".

	As of and for the Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Operating Results:</b>					
Net Sales	\$2,228	\$2,322	\$2,218	\$1,589	\$1,489
Operating Income / (loss) <sup>1</sup>	\$ (197)	\$ (283)	\$ (25)	\$ (8)	\$ 30
Net Income / (loss)	\$ (294)	\$ (344)	\$ (60)	\$ (30)	\$ 21
Net Income / (loss) attributable to controlling interest	\$ (276)	\$ (217)	\$ (53)	\$ (30)	\$ 21
Capital Expenditures	\$ (188)	\$ (110)	\$ (103)	\$ (53)	\$ (64)
Depreciation and Amortization	\$ (111)	\$ (119)	\$ (106)	\$ (53)	\$ (45)
<b>Financial Position:</b>					
Total Assets	\$2,632	\$1,663	\$1,739	\$1,059	\$ 758
Total Debt <sup>2</sup>	\$ (14)	\$ (62)	\$ (15)	\$ —	\$ —

<sup>1</sup> Includes costs for goodwill impairment of \$234 million in 2017.

<sup>2</sup> Includes related party short-term debt and related party long-term debt as of December 31, 2018, related party long-term debt as of December 31, 2017.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management’s discussion and analysis of financial condition and results of operations is retrieved from the Company’s Annual Report on Form 10-K. This section should be read together with the sections “Quarterly Report for the three months ended March 31, 2019” and “Recent development and other updates”.

### **Introduction**

The following MD&A is intended to help you understand the business operations and financial condition of the Company. This MD&A is presented in the following sections:

- Executive Overview
- Trends, Uncertainties and Opportunities
- Market Overview
- Non-U.S. GAAP Financial Measures
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations and Commitments
- Significant Accounting Policies and Critical Accounting Estimates

Veoneer is a Delaware corporation with its principal executive offices in Stockholm, Sweden. The Company functions as a holding corporation and owns two principal operating subsidiaries, Veoneer AB and Veoneer US, Inc. On June 29, 2018 the Spin-Off of Veoneer from Autoliv, Inc. (“Autoliv”) was completed through the distribution by Autoliv of all the outstanding shares of common stock of Veoneer to Autoliv’s stockholders as of the close of business on June 12, 2018, the common stock record date for the distribution, in a tax-free, pro rata distribution (the “Spin-Off”). On July 2, 2018, the shares of Veoneer common stock commenced trading on the New York Stock Exchange under the symbol “VNE” and the Veoneer Swedish Depository Receipts representing shares of Veoneer common stock commenced trading on Nasdaq Stockholm under the symbol “VNE SDB.”

Veoneer is a global leader in the design, development, manufacture, and sale of automotive safety electronics with a focus on innovation, quality and manufacturing excellence. Prior to the Spin-Off, Veoneer operated for almost four years as an operating segment within Autoliv. Veoneer’s Safety Systems are designed to make driving safer and easier, more comfortable and convenient for the end consumer and to intervene before a collision. Veoneer endeavors to prevent vehicle accidents or reduce the severity of impact in the event a crash is unavoidable. Through our customer focus, being an expert partner with our customers, we intend to develop human centric systems that benefit vehicle occupants.

Veoneer’s current product offering includes automotive radars, mono-and stereo-vision cameras, night driving assist systems, positioning systems, ADAS (advanced driver assist systems) electronic control units, passive safety electronics (airbag control units and crash sensors), brake control systems and a complete ADAS software offering towards highly automated driving (HAD) and eventually autonomous driving (AD). In addition, we offer driver monitoring systems, LiDAR sensors, RoadScape positioning and other technologies critical for HAD and AD solutions by leveraging our partnership network and internally developed intellectual property.

### **Executive Overview**

The environment around us is rapidly changing and we currently see a shift across the automotive and autotech industries. New technologies, creating new levels of interaction and driver support are starting to revolutionize driving, but we also see the driver being actively involved for years to come. We call this Collaborative Driving; the industry also calls it “Level 2+” driver support. At the same time there is also a growing realization that the introduction of truly self-driving cars will likely take longer and be more expensive than previously anticipated. This fundamental insight opens up new opportunities for companies, including Veoneer, but it also requires a reprioritization of resources.

In the near term there is also an increased uncertainty regarding the development of global light vehicle production (LVP). During the fourth quarter of 2018 we saw a sharp decline in the LVP in China and Western Europe and we anticipate that these markets will continue to show weakness in the first half of this year. We expect the situation to improve in the second half, but we currently expect a slight decline in the global LVP for the full year 2019.

In response to the larger role in the market for Collaborative Driving, the expected delay of self-driving, and the weaker LVP trend, we are actively reviewing our investment priorities and the focus of our product portfolio. Our purpose is to identify the most effective way to allocate talent and capital to meet these new market realities. In December we refined our organization to create a more agile and focused company, and during 2019 we expect our renewed organization, combined with other initiatives to gradually start delivering efficiency gains and stronger customer engagement.

We expect the combined effects of a stronger LVP and new program launches in the second half of the year combined with our own efficiency and prioritization initiatives to start to lead to improved cash-flow in the latter part of the year. Assuming successful execution of these initiatives, we expect our net cash to cover our funding requirements until the Company reaches positive cash flow. However, additional funding may be required if order intake increases beyond our expectations, if the underlying near-term business conditions deteriorate further, or if we make acquisitions.

We build our 2019 plan on a strong base. In 2018, our order intake grew strongly to a record lifetime order value of close to \$6 billion. Active Safety orders almost doubled, and we expanded our Active Safety customer base from 9 to 12 car manufacturers.

From a product perspective, I am particularly pleased with the strong market and customer reception of our vision products based on Veoneer's internally developed software algorithms and the fact that we won our first major commercial LiDAR order with a global OEM.

We move forward in 2019 with a strong focus on capturing the opportunities in a new industry situation. By balancing growth, cost, and effective capital allocation we are building a focused, industry leading product portfolio, all with the objective to make Veoneer the leading company in our chosen business segments.

### ***2019 Outlook***

Looking ahead into 2019 we are planning for a complex business environment. We are responding to light vehicle production fluctuations and uncertainties even as we prepare for a heavy new program launch schedule beginning in late 2019 and extending into 2020.

Our current customer call-offs and deliveries reflect a weak demand situation in China and Western Europe, which leads us to anticipate a decline in LVP during the first six months of 2019. At this time, we expect this demand to stabilize and return to growth during the second half of the year, resulting in the estimated full year LVP being slightly down in 2019 as compared to 2018.

Our sales during the first half of 2019 are expected to remain relatively flat sequentially from the second half of 2018, albeit a decline year over year, and then improve sequentially in the second half of 2019. Consequently, we estimate our organic sales will be flat to decline slightly for the full year 2019 while we estimate the currency translation impact to be approximately (2)% as compared to 2018.

As a result of our sales and RD&E development, in combination with the implementation of our market adjustment initiatives during 2019, we expect a weak operating margin and cash flow during the first half of the year. The first quarter in 2019 is expected to be weaker than the fourth quarter in 2018, with an anticipated improvement during the second half of 2019.

Based on the market opportunities ahead of us, we expect our 2019 order intake to be at least as strong as our performance in 2018.

### ***Financial Results***

Significant aspects of the Company's financial results for the year ended December 31, 2018, include the following.

Sales – Net sales for the full year of 2018 decreased by \$95 million to \$2,228 million as compared to 2017.

Gross Profit – The gross profit of \$430 million for the full year of 2018 was \$36 million lower as compared to 2017. The volume and product mix effect causing the lower organic sales was partially offset by a net favorable currency benefit of around \$10 million.

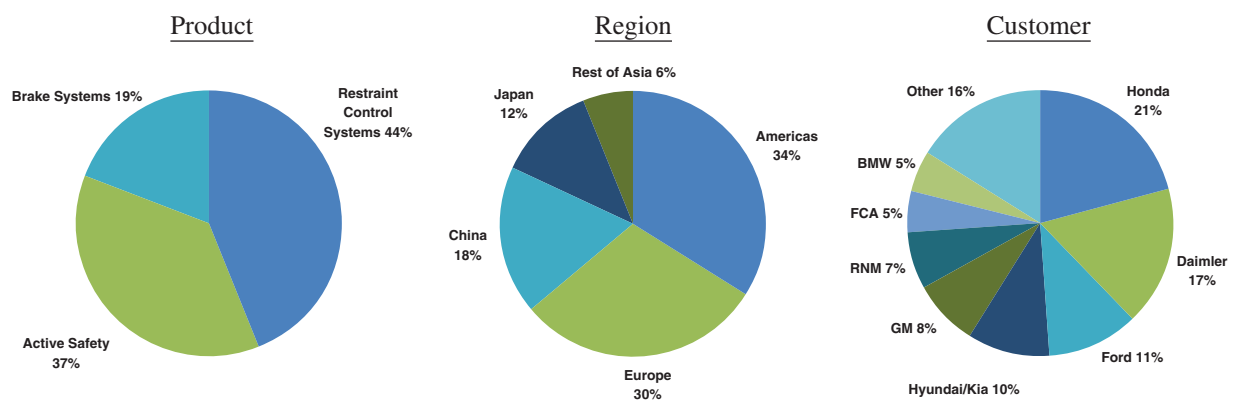
Operating Loss – The operating loss of \$197 million for the full year of 2018 decreased by \$86 million as compared to 2017, including a net favorable currency benefit of \$4 million. In 2017 the operating loss included a goodwill impairment charge related to VNBS of \$234 million.

Net Loss – The net loss for the full year of 2018 of \$294 million decreased by \$50 million as compared to 2017. In addition to the operating loss impact, the Veoneer net loss from Zenuity increased by \$32 million. The Zenuity net loss increase is mainly due to the higher net cost run-rate related to the hiring of software engineers and an additional quarter of cost in 2018, since the JV was formed in April 2017.

Interest income net increased by \$6 million as compared to 2017. Income tax expense for 2018 was \$42 million as compared to \$30 million in 2017. The change in tax expense was primarily impacted by the change in mix of pre-tax earnings in our profitable subsidiaries and a non-cash, one-time discrete tax item of \$23 million in 2018.

The non-controlling interest loss in the VNBS JV was \$19 million for 2018 as compared to \$127 million loss in 2017 which included the goodwill impairment charge of \$113 million.

The pie charts below highlight the sales breakdown for Veoneer for the year ended December 31, 2018.



### ***Trends, Uncertainties and Opportunities***

Europe continues to take a pro-active role in promoting or requiring active safety technologies. The European New Car Assessment Program (“NCAP”) continuously updates its test rating program to include more active safety technologies to help the European Union reach its target of cutting road fatalities by 50% by 2030, as compared to 2020. On May 17, 2018, the European Commission proposed a new mandate, as part of the EU general Safety Regulation road-map till 2028 to make certain active safety features compulsory in light vehicles by 2022. Such a mandate should significantly expand demand for our active safety products. If passed as proposed, certain safety features could be mandated in 2022 as new vehicle models are introduced to the European market. In any case, General Safety Regulation (GSR) would have a positive influence on other market regulators as they evaluate their respective vehicle test rating programs and safety legislations.

In China, the Ministry of Industry and Information Technology issued the Key Working Points of Intelligent Connected Vehicle Standardization for 2018 to promote and facilitate the development of the intelligent connected vehicles industry, and advance the development of fundamental standards and those that are in urgent demand. The guideline has pointed out that more than 30 key standards will be defined by 2020 to fund the systems for ADAS and low-level autonomous driving, and a system of over 100 standards will be set up by 2025 for higher level autonomous driving.

During the third quarter of 2018 the Chinese government commenced testing of new vehicles according to the new China New Car Assessment Program (CNAP) where active safety features like Autonomous Emergency Braking (AEB) are required to achieve the maximum safety rating.

In 2017 a consortium of Original Equipment Manufacturers (OEM's) in the United States voluntarily agreed to make AEB standard equipment on all new vehicles produced no later than 2023.

On October 4, 2018 the U.S. Department of Transportation (DoT) issued new voluntary guidelines on automated driving systems (ADS) under its "Preparing for the Future of Transportation: Automated Vehicles 3.0" initiative, building on its "Vision for Safety 2.0" from September 2017 which prioritized aligning federal guidance around twelve safety design elements of interest to the auto industry. This initiative should have a positive impact on the adoption of Advanced Driver Assistance Systems (ADAS) and Highly Automated Driving (HAD) on the road towards Autonomous Vehicles.

The UN ECE created the new Working Party to deal with regulations for Automated Vehicles (GRVA). In addition to the EU and Japan who started to work closely for ADAS regulations in the last 3 years, the U.S. and China indicated a willingness to be active in several working groups towards harmonization of future regulations for ADAS and AV. This would create a common umbrella for countries which follow type-approval rules (EU, Japan, Australia) and countries which are outside of type-approval system e.g., under self-certification regimes (U.S., Korea) or specific national rules (China).

Key future working fields for regulations are expected for (i) safety critical ADAS-features (e.g. AEB); (ii) Highway AV-features (Physical Tests + Real World Test Drive + Audit); (iii) Cybersecurity & SW-Updates; and (iv) Connected Vehicles. On one hand, the agreement on minimal common base requirements will take longer time and therefore may postpone introduction of regulations. On the other hand, the harmonization would help the industry while a more active position from China may help to pull forward some safety critical ADAS technologies which are not yet considered as relevant for regulation in EU and Japan (e.g. Blind Spot or Night Vision).

## Market Overview<sup>6</sup>

**Light Vehicle Production by Region – 2018**

Millions (except where specified, as of January 17, 2019)	Light Vehicle Production by Region – 2018						Total
	China	Japan	Rest of Asia	Americas	Europe	Other	
<b>Full Year 2018</b> .....	25.7	9.1	13.1	19.1	21.9	2.5	91.3
<b>Change vs. 2017</b> .....	(3.5)%	0.3%	3.4%	— %	(1.3)%	(2.2)%	(0.9)%

During 2018 the global light vehicle production decreased by around 1% as compared to 2017 mainly due to the production declines in Western Europe (4%), partially attributable to the introduction of the Worldwide Harmonized Light Vehicle Procedure ("WLTP"), China (4%), likely attributable to weaker consumer demand and record volumes in 2017 when tax incentive on 1.6 liter vehicles were in place, along with South Korea (2%) likely attributable to fewer NAFTA exports due to production localization. Light vehicle demand in Japan and the Americas remained relatively flat, where South America increased 3% and North America declined slightly (1)% while India, included in Rest of Asia, increased 7% during the year as compared with 2017.

**Light Vehicle Production by Region – 2017**

Millions (except where specified, as of January 17, 2019)	Light Vehicle Production by Region – 2017						Total
	China	Japan	Rest of Asia	Americas	Europe	Other	
<b>Full Year 2017</b> .....	26.6	9.0	12.6	19.1	22.2	2.6	92.2
<b>Change vs. 2016</b> .....	2.3%	5.6%	1.1%	(1.4)%	3.3%	13.7%	2.2%

During 2017 the global light vehicle production increased by around 2% as compared to 2016 mainly due to the production declines in Western Europe (1%), North America (5%) and South Korea (3%) which was more than offset by increases in China of 2%, partially attributable to the tax incentive on 1.6 liter vehicles which were still in place in 2017, along with South America, Japan, Eastern Europe and India all with increases of 20%, 6%, 9% and 7%, respectively.

## Non-U.S. GAAP Financial Measures

Non-U.S. GAAP financial measures are reconciled throughout this document.

In this document we refer to organic sales or changes in organic sales growth, a non-U.S. GAAP financial measure that we, investors and analysts use to analyze the Company's sales trends and performance. We believe that this measure assists investors and management in analyzing trends in the Company's business because the Company generates approximately 65% of sales, a significant amount of sales, in currencies other than in U.S. dollars (its reporting currency) and currency rates have been and can be rather volatile. Additionally, the Company has historically made several acquisitions and divestitures. Organic sales and organic sales growth

<sup>6</sup> Data from the IHS Light Vehicle Production Database.

presents the increase or decrease in the overall U.S. dollar net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestitures and exchange rates on the Company's performance. The tables in this document present reconciliation of changes in the total U.S. GAAP net sales changes in organic sales growth.

For any forward-looking statements contained in this document or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The Company also uses in this document EBITDA, a non-U.S. GAAP financial measure, which represents the Company's net income excluding interest expense, income taxes, depreciation and amortization. The Company also uses Segment EBITDA, a non-U.S. GAAP financial measure, which represents the Company's EBITDA which has been further adjusted on a segment basis to exclude certain corporate and other items. We believe that EBITDA and Segment EBITDA are useful measures for management, analysts and investors to evaluate operating performance on a consolidated and reportable segment basis, because it assists in comparing our performance on a consistent basis. The tables below provide reconciliations of net income (loss) to EBITDA and Segment EBITDA.

The Company also uses in this document net working capital, a non-U.S. GAAP financial measure, which is defined as current assets (excluding cash and cash equivalents) less current liabilities. Management uses this measure to improve its ability to assess liquidity at a point in time. The table below provides a reconciliation of current assets and liabilities to net working capital.

Investors should not consider these non-U.S. GAAP measures as substitutes, but rather as additions, to financial reporting measures prepared in accordance with U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

The forward looking non-U.S. GAAP financial measure used in this document is provided on a non-U.S. GAAP basis. Veoneer has not provided a U.S. GAAP reconciliation of this measure because items that impact this measure, such as foreign currency exchange rates, cannot be reasonably predicted or determined. As a result, such reconciliation is not available without unreasonable efforts and Veoneer is unable to determine the probable significance of the unavailable information.

## **Results of Operations**

### ***Fiscal Year 2018 compared to 2017***

The following tables show Veoneer's performance by segment for the year ended December 31, 2018 and 2017 along with components of change compared to the prior year.

Electronics Segment Dollars in millions, (except where specified)	Year Ended December 31						Components of Change vs. Prior Year			
	2018		2017		U.S. GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg. %	\$	%	\$	%
Net Sales . . . . .	\$1,799		\$1,850		\$ (51)	(3)%	\$17	1%	(68)	(4)%
Operating Loss / Margin . . . . .	\$ (116)	(6.4)%	\$ (14)	(0.7)%	\$ (102)					
EBITDA <sup>1</sup> / % . . . . .	\$ (43)	(2.4)%	\$ 67	3.6%	\$ (110)					
Associates . . . . .	7,105		5,898		1,207					

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Sales – Net sales in the Electronics segment for the full year of 2018 decreased by \$51 million to \$1,799 million as compared to 2017. The difference was attributable to organic sales decline in Restraint Control Systems of approximately \$120 million which was partially offset by Active Safety organic sales growth of around \$52 million.

The quantities delivered for the full year 2018 were 18.7 million and 10 million units for Restraint Controls Systems and Active Safety, respectively.

Operating Loss – The operating loss in the Electronics segment increased by \$102 million to \$116 million for the full year of 2018 as compared to 2017. The increase is mainly due to the volume and product mix effect causing the lower organic sales and a planned increase in RD&E costs to support future sales growth.

EBITDA – For the full year of 2018 the Electronics segment EBITDA of negative \$43 million declined by \$110 million as compared to 2017, which was partially offset by lower amortization of intangibles, mainly related to the effects of the MACOM acquisition.

Associates – The number of associates in the Electronics segment increased by approximately 1,207 since December 31, 2017 to 7,105 mainly due to increases in RD&E to support future organic sales growth and current development programs.

Brake Systems Segment Dollars in millions, (except where specified)	Year Ended December 31, 2018						Components of Change vs. Prior Year			
	2018		2017		U.S. GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg. %	\$	%	\$	%
Net Sales . . . . .	\$ 428		\$ 476		\$ (48)	(10)%	\$7	1%	\$(55)	(11)%
Operating Loss / Margin . . . . .	\$ (30)	(7.1)%	\$ (247)	(51.9)%	\$ 217					
EBITDA <sup>1</sup> / % . . . . .	\$ 7	1.7%	\$ (210)	(44.2)%	\$ 217					
Associates . . . . .	1,452		1,586		(134)					

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Sales – The net sales of \$428 million in the Brake Systems segment for the full year of 2018 decreased by \$48 million as compared to 2017. The decline was mainly attributable to lower volumes on certain Honda models, primarily in North America and lower LVP in China which was partially offset by higher volumes in Japan.

The quantity delivered for the full year 2018 was 1.9 million units for the Brake Systems segment.

Operating Loss – The operating loss in the Brake Systems segment decreased by \$217 million to \$30 million for the full year of 2018 as compared to 2017 which included the goodwill impairment charge of \$234 million. In addition, the volume and product mix effect causing the lower organic sales was partially offset by reduced overhead costs.

EBITDA – For the full year of 2018, the Brake Systems segment EBITDA of \$7 million increased by \$217 million as compared to 2017. This was mainly due to the goodwill impairment charge in 2017 of \$234 million, which was partially offset by an increase in underlying operating loss.

Associates – The number of associates in the Brake Systems segment declined by 134 since December 31, 2017 to 1,452 mainly due to the reductions in direct manufacturing as well as production overhead and SG&A due to the decline in organic sales.

Corporate and Other Dollars in millions, (except where specified)	Year Ended December 31					
	2018		2017		U.S. GAAP Reported	
	\$	%	\$	%	Chg. \$	Chg. %
Net Sales . . . . .	\$—		\$—		\$—	— %
Operating Loss / Margin . . . . .	\$ (51)	— %	\$ (22)	— %	\$ (29)	
Segment EBITDA <sup>1</sup> / Margin . . . . .	\$ (51)	— %	\$ (21)	— %	\$ (29)	
Associates . . . . .	\$ 43		\$—		\$ 43	

<sup>1</sup> Non-U.S. GAAP measure reconciliation for EBITDA

Operating Loss and EBITDA – The operating loss and EBITDA for Corporate and other for the full year of 2018 increased to \$51 million from \$22 million and \$21 million, respectively, as compared to 2017 mainly due to the additional costs associated with being a standalone listed company.

Associates – The number of associates in Corporate and other increased to 43 as compared to December 31, 2017 mainly related to the hiring of additional personnel for being a standalone listed company.

The associate and financial figures are not comparable since the 2017 financial reports are based on carve-out basis accounting rules.



## Net Sales by Product

The following tables show Veoneer's consolidated net sales by product for the year ended December 31, 2018 and 2017 along with components of change compared to the prior year.

Consolidated Net Sales Dollars in millions, (except where specified)	Year Ended December 31				Components of Change vs. Prior Year			
	2018	2017	U.S. GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	\$	Chg. \$	Chg. %	\$	%	\$	%
Restraint Control Systems . . . . .	\$ 974	\$1,073	\$(99)	(9)%	\$21	2%	\$(120)	(11)%
Active Safety . . . . .	\$ 825	\$ 777	\$ 48	6%	\$(4)	(1)%	\$ 52	7%
Brake Systems . . . . .	\$ 428	\$ 473	\$(45)	(9)%	\$ 7	1%	\$(51)	(11)%
Total . . . . .	\$2,228	\$2,322	\$(95)	(4)%	\$24	1%	\$(119)	(5)%

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales

Sales – Net sales for the full year of 2018 decreased by \$95 million to \$2,228 million as compared to 2017.

The organic sales decline of 5% was partially offset by positive currency translation effects of 1%. The sales decline in Restraint Control Systems and Brake Systems, was mitigated by the Active Safety organic sales growth. We expect the sales trend in all three product areas to rebound starting in the latter part of 2019 and increasing in 2020.

Restraint Control Systems – Net sales of \$974 million for the full year of 2018 declined by 9% as compared to 2017. The 11% organic sales decline was mainly driven by the phase-out of certain models in North America and lower LVP in China and Western Europe in the second half of 2018.

Active Safety – Net sales of \$825 million for the full year of 2018 increased by 6% as compared to 2017 due to an increase in organic sales of 7%.

Strong demand for vision systems and ADAS ECUs on multiple models accounted for most of the organic sales growth together with night vision systems to PSA and Audi. This strong growth was partially offset by the continued ramp-down of current GPS business with Ford and an underlying weaker LVP environment, particularly in Western Europe.

Brake Systems – Net sales of \$428 million for the full year of 2018 decreased by 9% as compared to 2017, mainly due to an organic sales decline of 11%, mostly due to lower volumes on certain Honda vehicle models, primarily in North America, and lower LVP in China.

## Veoneer Performance

The following table shows Veoneer's performance for the year ended December 31, 2018 and 2017 along with components of change compared to the prior year.

Income Statement Dollars in millions, (except per share data)	Year Ended December 31				
	2018 <sup>3</sup>		2017 <sup>3</sup>		Change
	\$	%	\$	%	
<b>Net sales</b> .....	<b>\$ 2,228</b>		<b>\$ 2,322</b>		<b>\$ (95)</b>
Cost of sales .....	(1,798)	(80.7)%	(1,857)	(79.9)%	59
<b>Gross profit</b> .....	<b>\$ 430</b>	<b>19.3%</b>	<b>\$ 466</b>	<b>20.1%</b>	<b>\$ (36)</b>
Selling, general & administrative expenses .....	(156)	(7.0)%	(110)	(4.7)%	(46)
Research, development & engineering expenses, net .....	(466)	(20.9)%	(375)	(16.2)%	(91)
Goodwill impairment charges .....	—	—	(234)	(10.1)%	234
Amortization of intangibles .....	(23)	(1.0)%	(37)	(1.6)%	14
Other income .....	18	0.8%	8	0.3%	10
<b>Operating loss</b> .....	<b>\$ (197)</b>	<b>(8.8)%</b>	<b>\$ (283)</b>	<b>(12.2)%</b>	<b>\$ 86</b>
Loss from equity method investments .....	(63)	(2.8)%	(31)	(1.3)%	(32)
Interest income .....	7	0.3%	1	— %	6
Interest (expense) .....	(1)	— %	—	— %	(1)
Other non-operating items, net .....	—	— %	(1)	— %	1
<b>Loss before income taxes</b> .....	<b>\$ (253)</b>	<b>(11.4)%</b>	<b>\$ (314)</b>	<b>(13.5)%</b>	<b>\$ 61</b>
Income tax expense .....	(42)	(1.9)%	(30)	(1.3)%	(12)
<b>Net loss<sup>1</sup></b> .....	<b>\$ (294)</b>	<b>(13.2)%</b>	<b>\$ (344)</b>	<b>(14.8)%</b>	<b>\$ 50</b>
Less: Net loss attributable to non-controlling interest .....	(19)	(0.9)%	(127)	(5.5)%	108
<b>Net loss attributable to controlling interest</b> .....	<b>\$ (276)</b>	<b>(12.4)%</b>	<b>\$ (217)</b>	<b>(9.3)%</b>	<b>\$ (59)</b>
<b>Net loss per share – basic<sup>2</sup></b> .....	<b>\$ (3.17)</b>		<b>\$ (2.49)</b>		<b>\$(0.68)</b>
Weighted average number of shares outstanding in millions <sup>2</sup> .....	87.16		87.13		0.03

<sup>1</sup> Including Corporate and other sales.

<sup>2</sup> Basic number of shares used to compute net loss per share. Participating share awards with right to receive dividend equivalents are (under the two class method) excluded from EPS calculation.

<sup>3</sup> 2017 and first half of 2018 are according to Carve-out reporting from Autoliv Spin-Off of Veoneer.

**Gross Profit** – The gross profit of \$430 million for the full year of 2018 was \$36 million lower as compared to 2017. The volume and product mix effect causing the lower organic sales was partially offset by a net favorable currency benefit of around \$10 million.

**Operating Loss** – The operating loss of \$197 million for the full year of 2018 decreased by \$86 million as compared to 2017, including a net favorable currency benefit of \$4 million. In 2017 the operating loss included a goodwill impairment charge related to VNBS of \$234 million.

The planned increase in RD&E investments of \$91 million, mainly related to the increase in engineers for future sales growth and current development programs, as well as \$46 million higher SG&A, mainly resulting from the additional costs associated with being a standalone listed company, accounted for most of the change as compared to 2017.

These effects were partially offset by a decrease of \$14 million in the amortization of intangibles related to historical acquisitions, and a \$10 million increase in other income, both as compared to 2017.

**Net Loss** – The net loss for the full year of 2018 of \$294 million decreased by \$50 million as compared to 2017. In addition to the operating loss impact, the Veoneer net loss from Zenuity increased by \$32 million. The Zenuity net loss increase is mainly due to the higher net cost run-rate related to the hiring of software engineers and an additional quarter of cost in 2018, since the JV was formed in April 2017. Interest income net increased by \$6 million as compared to 2017. Income tax expense for 2018 was \$42 million as compared to \$30 million in 2017. The change in tax expense was primarily impacted by the change in mix of pre-tax earnings in our profitable subsidiaries and a non-cash, one-time discrete tax item of \$23 million in 2018. The non-controlling interest loss in the VNBS JV was \$19 million for 2018 as compared to \$127 million loss in 2017 which included the goodwill impairment charge of \$113 million.

Loss per Share – The loss per share for the full year of 2018 increased to \$3.17 as compared to a loss of \$2.49 per share in 2017 due to the increased net loss. The share count was virtually unchanged.

### Reconciliations of U.S. GAAP to non U.S. GAAP

Dollars in millions	Year Ended December 31	
	2018	2017
<b>Net Loss to EBITDA</b>		
<b>Net Loss</b>	<b>\$(294)</b>	<b>\$(344)</b>
Depreciation and amortization	111	119
Loss from equity method investment	63	31
Interest and other non-operating items, net	(7)	1
Income tax	42	30
<b>EBITDA</b>	<b>\$(87)</b>	<b>\$(164)</b>

Dollars in millions	Year Ended December 31	
	2018	2017
<b>Segment EBITDA to EBITDA</b>		
Electronics	\$(43)	\$ 67
Brake Systems	7	(210)
<b>Segment EBITDA</b>	<b>(36)</b>	<b>(143)</b>
Corporate and other	(51)	(21)
<b>EBITDA</b>	<b>\$(87)</b>	<b>\$(164)</b>

Dollars in millions	Year Ended December 31	
	2018	2017
<b>Working Capital to Net Working Capital</b>		
Total current assets	\$1,543	\$649
Total current liabilities	636	590
<b>Working capital</b>	<b>\$ 907</b>	<b>\$ 59</b>
Cash and cash equivalents	(864)	—
<b>Net working capital</b>	<b>\$ 42</b>	<b>\$ 59</b>

### Results of Operations

#### Full Year 2017 compared with 2016

The following tables show Veoneer's performance by segment for the year ended 2017 and 2016 along with components of change.

Electronics Segment	Year Ended December 31				Components of Change vs. Prior Year							
	2017		2016		U.S. GAAP Reported		Currency		Acquisitions / Divestitures		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg. %	\$	%	\$	%	\$	%
Dollars in millions, (except where specified)												
Net Sales	\$1,850		\$1,837		\$ 14	1%	\$4	—%	\$—	—%	\$11	1%
Operating Loss /												
Margin	\$ (14)	(0.7)%	\$ 11	0.6%	\$(25)							
EBITDA <sup>1</sup> / %	\$ 67	3.6%	\$ 81	4.4%	\$(14)							
Associates	5,898		5,045		853							

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Net Sales – The net sales in the Electronics segment for the full year 2017 increased by \$14 million to \$1,850 million as compared to 2016. The difference was attributable to organic sales<sup>1</sup> increase in Active Safety of approximately \$38 million and favorable currency translation effects of around \$4 million was partially offset by a decline in Restraint Controls Systems organic sales growth of around \$27 million.

The quantities delivered for the full year 2017 were approximately 20 million and 10 million for Restraint Controls Systems and Active Safety, respectively.

Operating Loss – The operating loss in the Electronics segment increased by \$25 million to \$14 million for 2017 as compared to 2016. The increase is mainly due to the planned increase in RD&E costs to support future sales growth.

EBITDA<sup>1</sup> – The Electronics segment EBITDA of \$67 million in 2017 declined by \$14 million as compared to 2016. In addition to the increased operating loss, amortization of intangibles declined mainly related to the effects of the MACOM acquisition.

Associates – The number of associates in the Electronics segment increased by approximately 853 since December 31, 2016 to 5,898 mainly due to increases in RD&E to support future organic sales growth and current development programs.

Brake Systems Segment Dollars in millions, (except where specified)	Year Ended December 31						Components of Change vs. Prior Year					
	2017		2016		U.S. GAAP Reported		Currency		Acquisitions / Divestitures		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg. %	\$	%	\$	%	\$	%
Net Sales	\$ 476		\$ 391		\$ 85	22%	\$(7)	(2)%	\$121	31%	\$(29)	(7)%
Operating Loss /												
Margin	\$ (247)	(51.9)%	\$ (12)	(3.1)%	\$ (235)							
EBITDA <sup>1</sup> / %	\$ (210)	(44.2)%	\$ 24	6.0%	\$ (234)							
Associates	1,586		1,733		(147)							

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Net Sales – The net sales of \$476 million in the Brake Systems segment for the full year 2017 increased by \$85 million as compared to 2016. The increase was mainly attributable to the additional quarter of sales in 2017 since the joint venture was formed in April 2016 which was partially offset by lower volumes on certain Honda models, primarily in North America which was partially offset by higher volumes in Japan.

The quantities delivered for the full year 2017 were 2 million for Brake Systems.

Operating Loss – The operating loss in the Brake Systems segment decreased by \$235 million to \$247 million in 2017 as compared to 2016. This is mainly due to the volume and product mix impact due to lower organic sales and slight increase in RD&E costs to support sales growth which was more than offset by reduced overhead costs and the goodwill impairment charge of \$234 million in 2017.

EBITDA<sup>1</sup> – For 2017, the Brake Systems segment EBITDA of \$(210) million decreased by \$234 million compared to 2016.

Associates – The number of associates in the Brake Systems segment declined by 147 since December 31, 2016 to 1,586 mainly due to the reductions in direct manufacturing as well as production overhead and SG&A due to the sales decline.

Corporate and Other Dollars in millions, (except where specified)	Year Ended December 31					
	2017		2016		U.S. GAAP Reported	
	\$	%	\$	%	Chg. \$	Chg. %
Net Sales	\$—		\$—		\$—	— %
Operating Loss / Margin	\$ (22)	— %	\$ (24)	— %	\$ 2	
Segment EBITDA <sup>1</sup> / Margin	\$ (21)	— %	\$ (24)	— %	\$ 2	
Associates	—		—		—	

<sup>1</sup> Non-U.S. GAAP measure reconciliation for EBITDA

Operating Loss – The operating loss and EBITDA<sup>1</sup> for Corporate and other for 2017 decreased to negative \$22 million and \$21 million, respectively, from negative \$24 million as compared to 2016 mainly resulting from lower SG&A which is tied to the carve-out basis rules of reporting Veoneer related to the Spin-Off from Autoliv.

Associates – There were no associates in Corporate and other during 2017 and 2016. The associate and financial figures are not comparable since the financial results are based on carve-out basis accounting rules.

## Net Sales by Product

The following tables show Veoneer's consolidated net sales by product for the year ended December 31, 2017 and 2016 along with components of change compared to the prior year.

Consolidated Net Sales  Dollars in millions, (except where specified)	Year Ended December 31				Components of Change vs. Prior Year							
	2017		2016		U.S. GAAP Reported		Currency		Acquisitions/ Divestitures		Organic <sup>1</sup>	
	\$	\$	Chg. \$	Chg. %	\$	%	\$	%	\$	%		
Restraint Control Systems . . .	\$1,073	\$1,097	\$ (24)	(2)%	\$ 3	— %	\$—	— %	\$ (27)	(3)%		
Active Safety . . . . .	\$ 777	\$ 739	\$ 38	5%	\$—	— %	\$—	— %	\$ 38	5%		
Brake Systems . . . . .	\$ 473	\$ 383	\$ 90	23%	\$ (7)	(2)%	\$121	31%	\$ (24)	(6)%		
Total . . . . .	\$2,322	\$2,218	\$104	5%	\$ (3)	— %	\$121	5%	\$ (13)	(1)%		

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales

Sales – Net sales for 2017 increased by 5% to \$2,322 million as compared to 2016. The organic sales<sup>1</sup> decline of 1% was more than offset by acquisition effects of the VNBS joint venture of 5% or \$121 million as the currency translation effects were negligible.

Restraint Control Systems – Restraint Control Systems sales declined by 2% in 2017 as compared to 2016. The decrease in organic sales of 3% or \$27 million was mainly driven by declines in North America, Japan and South Korea which were partially mitigated by increase in China and India.

Active Safety – Active Safety sales increased by 5% or \$38 million as compared to 2016, driven essentially by an increase in organic sales. The Active Safety growth was positively impacted by double digit organic sales in core active safety products (including radars, cameras including night driving assist and ADAS ECU's). However, this growth was negatively impacted by sales declines for positioning systems in North America as well as the ramp-down in our internally developed brake systems in China.

Brake Systems – Brake Systems sales increased by 23% in 2017 as compared to 2016. This positive change was mainly driven by the full year operations impact of \$121 million in the VNBS joint venture which was formed on April 1, 2016. The organic sales decline of 6% or \$24 million was mainly attributable to product changes on certain vehicle models where Honda did not retain VNBS as the incumbent.

## Veoneer Performance

The following table shows Veoneer's performance for the year ended December 31, 2017 and 2016 along with components of change compared to the prior year.

Income Statement Dollars in thousands, (except per share data)	Year Ended December 31				
	2017 <sup>3</sup>		2016 <sup>3</sup>		Change
	\$	%	\$	%	
<b>Net sales</b>	<b>\$ 2,322</b>		<b>\$ 2,218</b>		<b>\$ 104</b>
Cost of sales	(1,857)	(80.0)%	(1,795)	(80.9)%	(62)
<b>Gross profit</b>	<b>\$ 466</b>	<b>20.0%</b>	<b>\$ 423</b>	<b>19.1%</b>	<b>\$ 43</b>
Selling, general & administrative expenses	(110)	(4.7)%	(110)	(5.0)%	—
Research, development & engineering expenses, net	(375)	(16.1)%	(300)	(13.5)%	(75)
Goodwill impairment charges	(234)	(10.1)%	—	— %	(234)
Amortization of intangibles	(37)	(1.6)%	(35)	(1.6)%	(2)
Other income	8	0.3%	(4)	(0.2)%	12
<b>Operating loss</b>	<b>\$ (283)</b>	<b>(12.2)%</b>	<b>\$ (25)</b>	<b>(1.1)%</b>	<b>\$ (258)</b>
Loss from equity method investments	(31)	(1.3)%	—	— %	(31)
Interest income	1	— %	—	— %	1
Interest (expense)	—	— %	—	— %	—
Other non-operating items, net	(1)	— %	3	— %	(4)
<b>Loss before income taxes</b>	<b>\$ (314)</b>	<b>(13.5)%</b>	<b>\$ (22)</b>	<b>(1.0)%</b>	<b>\$ (292)</b>
Income tax expense	(30)	(1.4)%	(38)	(1.7)%	8
<b>Net loss<sup>1</sup></b>	<b>\$ (344)</b>	<b>(14.8)%</b>	<b>\$ (60)</b>	<b>(2.7)%</b>	<b>\$ (284)</b>
Less: Net loss attributable to non-controlling interest	(127)	(5.5)%	(7)	(0.3)%	(120)
<b>Net loss attributable to controlling interest</b>	<b>\$ (217)</b>	<b>(9.0)%</b>	<b>\$ (53)</b>	<b>(2.4)%</b>	<b>\$ (164)</b>
<b>Net loss per share – basic<sup>2</sup></b>	<b>\$ (2.49)</b>		<b>\$ (0.61)</b>		<b>\$(1.88)</b>
Weighted average number of shares outstanding in millions <sup>2</sup>	87.13		87.13		0.00

<sup>1</sup> Including Corporate and other sales.

<sup>2</sup> Basic number of shares used to compute net loss per share. Participating share awards with right to receive dividend equivalents are (under the two-class method) excluded from EPS calculation.

<sup>3</sup> 2016 and 2017 are according to Carve-out reporting from Autoliv Spin-Off of Veoneer.

**Gross Profit** – The gross profit for the full year 2017 increased by \$43 million to \$466 million as compared to 2016. This increase was primarily driven by the sales increase in Active Safety and the VNBS joint venture. In addition, lower material costs were partly offset by higher costs related to investments for capacity and growth.

**Operating Loss** – The operating loss of \$283 million for 2017 increased by \$258 million as compared to 2016, mainly due to the goodwill impairment charge of \$234 million in 2017 due to lower than originally anticipated sales development in the VNBS joint venture.

In addition, planned higher RD&E investments of \$75 million, in engineering resources to support future growth as illustrated by our strong order intake, more than offset the improvement in gross profit while SG&A remained relatively unchanged as compared to 2016.

The \$12 million decrease in other income (expense), net was primarily impacted by a reduction of the contingent liability consideration related to the MACOM acquisition.

**Net Loss** – In addition to the operating loss effect, the Zenuity joint venture cost increased \$31 million in 2017 as compared to 2016 since the joint venture was created in April 2017.

The income tax expense decrease of \$8 million in 2017 as compared to 2016 was primarily due to a reduction in the earnings of our profitable non-US subsidiaries and an increase in tax credits. The increase in the non-controlling interest loss in the VNBS JV of \$120 million was mainly due the goodwill impairment charge in 2017.

**Loss per Share** – The loss per share for 2017 increased to \$2.49 as compared to a loss of \$0.61 per share in 2016 due to the increased net loss, mainly related to the goodwill impairment charge in the VNBS joint venture, as the share count was virtually unchanged.

## Reconciliations of U.S. GAAP to non U.S. GAAP

Dollars in millions	Year Ended December 31	
	2017	2016
<b>Net Loss to EBITDA</b>		
<b>Net Loss</b>	<b>\$(344)</b>	<b>\$ (60)</b>
Depreciation and amortization	119	105
Loss from equity method investment	31	—
Interest and other non-operating items, net	1	(3)
Income tax	30	38
<b>EBITDA</b>	<b>\$(164)</b>	<b>\$ 80</b>
<b>Dollars in millions</b>	<b>Year Ended December 31</b>	
<b>Segment EBITDA</b>	<b>2017</b>	<b>2016</b>
Electronics	\$ 67	\$ 81
Brake Systems	(210)	24
<b>Segment EBITDA</b>	<b>\$(143)</b>	<b>\$104</b>
Corporate and other	(21)	(24)
<b>EBITDA</b>	<b>\$(164)</b>	<b>\$ 80</b>
<b>Dollars in millions</b>	<b>Year Ended December 31</b>	
<b>Working Capital to Net Working Capital</b>	<b>2017</b>	<b>2016</b>
Total current assets	\$649	\$649
Total current liabilities	590	576
<b>Working capital</b>	<b>\$ 59</b>	<b>\$ 73</b>
Cash and cash equivalents	—	—
<b>Net working capital</b>	<b>\$ 59</b>	<b>\$ 73</b>

## Liquidity and Capital Resources

### Liquidity

As of December 31, 2018, the Company had cash and cash equivalents of \$864 million and short-term investments of \$5 million which will be primarily use for ongoing working capital requirements, capital expenditures and investments in joint ventures particularly Zenuity.

We expect the combined effects of a stronger LVP and new program launches in the second half of the year combined with our own efficiency and prioritization initiatives to start to lead to improved cash-flow in the latter part of the year. Assuming successful execution of these initiatives, we expect our net cash to cover our funding requirements until the Company reaches positive cash flow. However, additional funding may be required if order intake increases beyond our expectations, if the underlying near-term business conditions deteriorate further, or if we make acquisitions.

During the year ended December 31, 2017, the Company entered an unconditional purchase obligation whereof the outstanding balance as of December 31, 2018 is \$10 million which will be paid in 2019. The amount will be reimbursed by Zenuity. In addition, the Company has a holdback of \$2 million related to the Fotonic acquisition to be paid in 2019. See Note 4, Business Combinations, to the consolidated financial statements in the Company's Annual Report incorporated herein by reference. The Company has no other material obligations other than short-term obligations related to operations, inventory, services, tooling and property, plant and equipment purchased in the ordinary course of business.

On June 30, 2017, Veoneer committed to make a \$15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and as a limited partner, will periodically make capital contributions toward this total commitment amount. As of December 31, 2018, Veoneer contributed a total of approximately \$8 million to the fund. The initial term of the fund is set to expire on December 31, 2025. This fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly in the areas of active safety and autonomous driving. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control and conduct the affairs of the fund.

## Cash Flow

Dollars in millions	Year Ended December 31		
	2018	2017	2016
	\$	\$	\$
<b>Selected cash flow items</b>			
Net working capital <sup>1</sup> .....	\$ 42	\$ 59	\$ 73
Net cash provided by operating activities .....	\$ (179)	\$ (1)	\$ (7)
Capital expenditures .....	\$ (188)	\$(110)	\$(103)
Equity method investment .....	\$ (71)	\$ —	\$ —
Net Cash Used in investing activities .....	\$ (185)	\$(230)	\$(335)
Net Cash Provided by financing activities .....	\$1,226	\$ 232	\$ 343

<sup>1</sup> Non-U.S. GAAP measure see reconciliation for Net Working Capital

Net Working Capital<sup>1</sup> – The net working capital of \$42 million as of December 31, 2018 was a decrease of \$17 million and \$31 million as compared with 2017 and 2016, respectively. These decreases were mainly due to favorable timing effects in working capital.

Net Cash Used in Operating Activities – Net cash used in operating activities of \$179 million for the year ended December 31, 2018 increased by \$178 million and \$172 million as compared with 2017 and 2016, respectively, due to change in net loss and timing effects in working capital.

Net Cash Used in Investing Activities – Net cash used in investing activities of \$185 million for the year ended December 31, 2018 was \$45 million lower and \$150 million lower as compared with 2017 and 2016, respectively, mainly due to higher capital expenditures, which was more than offset by lower affiliate investments and acquisitions.

Net Cash Provided by Financing Activities – Net cash provided by financing activities for the year ended December 31, 2018 includes the net capital contribution from Autoliv at the Distribution Date.

Capital Expenditures – Capital expenditures during the year ended December 31, 2018 of \$188 million, around 8% of sales, was \$78 million and \$85 million higher as compared with 2017 and 2016, respectively. This level as a percentage of sales in 2018 was in line with the full year expectation.

Associates	Year Ended December 31		
	2018	2017	2016
Total Associates .....	8,600	7,484	6,778
Whereof:			
Direct Manufacturing .....	2,083	2,232	2,279
R,D&E .....	4,676	3,576	2,775
Temporary .....	1,329	1,151	1,046

Associates – The number of associates increased to 8,600 in 2018 by 1,116 compared to 2017, mainly due to the hiring of approximately 1,100 engineers to support our future sales growth and current development programs.

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.



## Contractual Obligations and Commitments

The table below reflects our contractual obligations as of December 31, 2018. The Company's future contractual obligations have not changed materially.

### Aggregate Contractual Obligations<sup>1</sup>

(DOLLARS IN MILLIONS)	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Related party long-term debt . . . . .	13	1	12	—	—
Operating lease obligations . . . . .	88	17	24	12	34
Build-to-suit lease obligations . . . . .	51	3	6	6	35
Pension contribution requirements . . . . .	36	3	5	6	22
Capital lease obligations . . . . .	15	1	12	1	1
Other non-current liabilities reflected on the balance sheet . . . . .	9	2	2	—	4
Unconditional purchase obligations . . . . .	10	10	—	—	—
<b>Total</b> . . . . .	<b>\$222</b>	<b>\$37</b>	<b>\$ 61</b>	<b>\$ 25</b>	<b>\$ 96</b>

<sup>1</sup> Excludes contingent liabilities arising from litigation, arbitration, regulatory actions or income taxes

Contractual obligations include related party long-term debt, lease and purchase obligations that are enforceable and legally binding on the Company. Non-controlling interest is not included in this table.

*Related party long-term debt:* The related party debt obligation relates to capital lease obligations. The capital lease obligations mainly relate to property and plants in Japan and is between Veoneer Nissin Brake Systems (a 51% owned subsidiary) and Nissin Kogyo. See Note 19, Relationship with Former Parent and Related Entities, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

*Operating lease obligations:* The Company leases certain offices, manufacturing and research buildings, machinery, automobiles and data processing and other equipment. Such operating leases, some of which are non-cancelable and include renewals, expire on various dates. See Note 16, Commitments and Contingencies, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

*Build-to-suit lease obligations:* The Company has entered into build-to-suit lease arrangements for certain buildings during 2017. See Note 16, Commitments and Contingencies, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

*Pension contribution requirements:* The Company sponsors defined benefit plans that cover eligible employees in Japan, Canada, and France. In 2019, the expected contribution to all plans, including direct payments to retirees, is \$3 million, of which the major contribution is \$1 million for our Canada pension plans. Due to volatility associated with future changes in interest rates and plan asset returns, the Company cannot predict with reasonable reliability the timing and amounts of future funding requirements, and therefore the above table shows expected contributions (to funded plans, or direct payments to retirees in the case of unfunded plans) for 2019, but only shows benefit payments (from funded plans, or direct to retirees in the case of unfunded plans) for 2020 and subsequent years. We may elect to make contributions in excess of the minimum funding requirements for the Japan, Canada, and France plans in response to investment performance and changes in interest rates, or when we believe that it is financially advantageous to do so and based on other capital requirements. This contribution amount does not include plans considered to be multiemployer with Autoliv. See Note 2, Summary of Significant Accounting Policies, and Note 14, Retirement Plans, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

*Other non-current liabilities reflected on the balance sheet:* The Company has \$2 million of deferred purchase consideration, payable at the 18-month anniversary of the closing date, related to the Fonic acquisition to be paid in 2019. See Note 4, Business Combinations, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

*Unconditional purchase obligations:* During the year ended December 31, 2017, the Company entered into an unconditional purchase obligation of \$30 million of which \$10 million was paid in each of the years ended December 31, 2017 and December 31, 2018. The remaining \$10 million will be paid in 2019. This amount will be reimbursed by Zenuity. There are no obligations other than short-term obligations related to inventory, services, tooling, and property, plant and equipment purchased in the ordinary course of business.

*Autotech Venture Fund:* On June 30, 2017, Veoneer committed to make a \$15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and, as a limited partner, will periodically make capital contributions toward this total commitment amount. As of December 31, 2018, Veoneer has in total contributed \$8 million to the fund. The initial term of the fund is set to expire on December 31, 2025. This fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly in the areas of active safety and autonomous driving. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control, and conduct the affairs of the fund.

## **Significant Accounting Policies and Critical Accounting Estimates**

### ***New Accounting Pronouncements***

The Company has considered all applicable recently issued accounting guidance. The Company has summarized in Note 2 in its Annual Report on Form 10-K, Summary of Significant Accounting Policies to the consolidated financial statements incorporated herein by reference each of the recently issued accounting pronouncements and stated the impact or whether management is continuing to assess the impact.

### ***Critical Accounting Estimates***

The application of accounting policies necessarily requires judgments and the use of estimates by a Company's management. Actual results could differ from these estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, and management's evaluation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Certain policies relate to estimates that involve matters that are highly uncertain at the time the accounting estimate is made and different estimates or changes to an estimate could have a material impact on the reported financial position, changes in financial condition or results of operations. Such critical estimates are discussed below. For these, materially different amounts could be reported under varied conditions and assumption. Other items in the Company's consolidated financial statements require estimation, however, in our judgment, they are not as critical as those discussed below.

### ***Revenue Recognition***

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is measured based on consideration specified in a contract with a customer, adjusted for any variable consideration (i.e. price concessions or annual price adjustments) and estimated at contract inception. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer.

In addition, from time to time, Veoneer may make payments to customers in connection with ongoing and future business. These payments to customers are generally recognized as a reduction to revenue at the time of the commitment to make these payments, unless certain criteria are met, warranting capitalization. If the payments are capitalized, the amounts are amortized as the related goods are transferred. As of December 31, 2018, and 2017, the Company capitalized \$54 million and \$23 million, respectively, in Other non-current assets related payments to customers. The Company assesses these amounts for impairment. There was no impairment.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control of a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of sales.

### ***Nature of goods and services***

The following is a description of principal activities from which the Company generates its revenue. The Company has two operating segments, Electronics and Brake Systems. Electronics includes all of electronics resources and expertise, restraint control systems and active safety products. Brake Systems provides brake control and actuation systems. The principal activities are essentially the same for each of the segments. Both of the segments generate revenue from the sale of production parts to original equipment manufacturers ("OEMs").

The Company accounts for individual products separately if they are distinct (i.e., if a product is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are

readily available to the customer). The consideration, including any price concession or annual price adjustments, is based on their stand-alone selling prices for each of the products. The stand-alone selling prices are determined based on the cost-plus margin approach.

The Company recognizes revenue for production parts primarily at a point in time.

For production parts with revenue recognized at a point in time, the Company recognizes revenue upon shipment to the customers and transfer of title and risk of loss under standard commercial terms (typically F.O.B. shipping point). There are certain contracts where the criteria to recognize revenue over time have been met (e.g., there is no alternative use to the Company and the Company has an enforceable right to payment). In such cases, at period end, the Company recognizes revenue and a related asset and associated cost of goods sold and inventory. However, the financial impact of these contracts is immaterial considering the very short production cycles and limited inventory days on hand, which is typical for the automotive industry.

The amount of revenue recognized is based on the purchase order price and adjusted for variable consideration (i.e. price concessions or annual price adjustments). Customers typically pay for the production parts based on customary business practices with payment terms averaging 30 days.

#### *Contract balances*

The contract assets related to the Company's rights to consideration for work completed but not billed (generally in conjunction with contracts for which revenue is recognized over time) at the reporting date on production parts. The contract assets are reclassified into the receivables balance when the rights to receive payments become unconditional. There have been no impairment losses recognized related to contract assets arising from the Company's contracts with customers.

#### ***Business Combinations***

In accordance with accounting guidance for the provisions in FASB ASC 805, Business Combinations, the Company allocates the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. In addition, an acquisition may include a contingent consideration component. The fair value of the contingent consideration is estimated as of the date of the acquisition and is recorded as part of the purchase price. Each quarter this contingent consideration is re-measured using the discounted cash flow method.

The Company uses actual revenue levels as well as changes in the estimated probability of different revenue scenarios to estimate fair values. The Company has engaged outside appraisal firms to assist in the fair value determination of identifiable intangible assets and any other significant assets or liabilities. The Company adjusts the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date as the Company obtains more information regarding asset valuations and liabilities assumed.

The Company's purchase price allocation methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies.

Other estimates used in determining fair value include, but are not limited to, future cash flows or income related to intangibles, market rate assumptions, actuarial assumptions for benefit plans and appropriate discount rates. The Company estimates the fair value based upon assumptions believed to be reasonable, but these are inherently uncertain, and therefore, may not be realized. Accordingly, there can be no assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

#### ***Equity Method Investments***

The Company initially accounts for an equity method investment at its fair value on the date of acquisition. See Note 2, Summary of Significant Accounting Policies and Note 9, Investments related to the Company's investment in Zenuity, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

### ***Inventory Reserves***

Inventories are evaluated based on individual or, in some cases, groups of inventory items. Reserves are established to reduce the value of inventories to the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. The Company has guidelines for calculating provisions for excess inventories based on the number of months of inventories on hand compared to anticipated sales or usage. Management uses its judgment to forecast sales or usage and to determine what constitutes a reasonable period.

There can be no assurance that the amount ultimately realized for inventories will not be materially different than that assumed in the calculation of the reserves.

### ***Goodwill and Intangibles***

The Company performs an annual impairment review of goodwill in the fourth quarter of each year following the Company's annual forecasting process. Management uses its judgment to determine the Company's reporting units for goodwill impairment testing. The estimated fair market value of goodwill is determined by the discounted cash flow method. The Company discounts projected operating cash flows using its weighted average cost of capital. Estimating the fair value requires the Company to make judgments about appropriate discount rates, growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recognized for the excess of carrying amount over the fair value of the respective reporting unit.

In the fourth quarter of 2017, in connection with the annual impairment test, the Company recorded a goodwill impairment charge of \$234 million in its Electronics Segment, relating to the VNBS acquisition. For more information, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference) due to lower than originally anticipated sales development. There is no remaining goodwill related to VNBS after the impairment. There were no goodwill impairments recognized during 2018 and 2016.

The Company reviews indefinite-lived intangible assets for impairment annually or more frequently if events or changes in circumstances indicate the assets might be impaired. Similar to the goodwill impairment test described above, the Company performs a quantitative impairment test by comparing the estimated fair value of the asset, based upon its forecasted cash flows, to its carrying value. Other intangible assets with definite lives are amortized over their useful lives. The Company evaluates the carrying value and useful lives of long-lived assets other than goodwill when indications of impairment are evident, or it is likely that the useful lives have decreased, in which case the Company depreciates the assets over the remaining useful lives. Impairment testing is primarily done by using the cash flow method based on undiscounted future cash flows. Estimated undiscounted cash flows for a long-lived asset being evaluated for recoverability are compared with the respective carrying amount of that asset. If the estimated undiscounted cash flows exceed the carrying amount of the assets, the carrying amounts of the long-lived asset are considered recoverable and an impairment cannot be recorded. However, if the carrying amount of a group of assets exceeds the undiscounted cash flows, an entity must then measure the long-lived assets' fair value to determine whether an impairment loss should be recognized, generally using a discounted cash flow model.

### ***Recall Provisions and Warranty Obligations***

The Company records liabilities for product recalls when probable claims are identified and when it is possible to reasonably estimate costs. Recall costs are costs incurred when the customer decides to formally recall a product due to a known or suspected safety concern. Product recall costs typically include the cost of the product being replaced as well as the customer's cost of the recall, including labor to remove and replace the defective part. In some cases, portions of the product recall costs are reimbursed by an insurance company. Actual costs incurred could differ from the amounts estimated, requiring adjustments to these reserves in future periods. It is possible that changes in our assumptions or future product recall issues could materially affect our financial position, results of operations or cash flows.

Estimating warranty obligations requires the Company to forecast the resolution of existing claims and expected future claims on products sold. The Company bases the estimate on historical trends of units sold and payment amounts, combined with our current understanding of the status of existing claims and discussions with our customers. These estimates are re-evaluated on an ongoing basis. Actual warranty obligations could differ

from the amounts estimated requiring adjustments to existing reserves in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing these estimates, changes in our assumptions could materially affect our results of operations.

### ***Defined Benefit Pension Plans***

Veoneer's employees participate in defined benefit plans sponsored by Autoliv and certain defined benefit plans sponsored by Veoneer in Japan (the Japan plans), France (the France plans), and Canada (the Canada plans).

For the Japan, French, and Canada plans, the amount recognized as a defined benefit liability is the net total of projected benefit obligation (PBO) minus the fair value of plan assets (if any). The plan assets are measured at fair value. Net periodic benefit cost was reported within Costs of sales, Selling, general and administrative expenses and RD&E expenses in the Consolidated Statement of Operations.

Veoneer has considered the remaining plans to be part of a multiemployer plan with Autoliv. Pension expense was allocated for these plans and reported within Costs of sales, Selling, general and administrative expenses and RD&E expenses in the Consolidated Statement of Operations.

Of the plans sponsored by Veoneer, the most significant plans are the Japan plans. These plans represent approximately 44% of the Company's total pension benefit obligation. See Note 14, Retirement Plans, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

The Company, in consultation with its actuarial advisors, determines certain key assumptions to be used in calculating the projected benefit obligation and annual pension expense. For the Japan plans, the assumptions used for calculating the 2018 pension expense were a discount rate of 0.5%, expected rate of increase in compensation levels of 5.0%, and an expected long-term rate of return on plan assets of 0.75%.

The discount rate for the Japanese plans has been set based on the rates of return of high-quality fixed-income investments currently available at the measurement date and are expected to be available during the period the benefits will be paid. The expected rate of increase in compensation levels and long-term return on plan assets are determined based on a number of factors and must take into account long-term expectations and reflect the financial environment in the respective local markets. As of December 31, 2018 and 2017, 100% and 97% of the Japanese plan assets were invested in insurance contracts.

### ***Income Taxes***

Significant judgment is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions. See Note 1, Basis of Presentation, Note 6, Income Taxes and Note 19, Relationship with Parent and Related Entities, to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

Although the Company believes that its tax return positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different than that which is reflected in the historical income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made. See also the discussion of the determinations of valuation allowances on our deferred tax assets in Note 6, Income Taxes, to the consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

### ***Contingent Liabilities***

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability or other matters. For a discussion of legal matters we are involved in, see Note 16, Contingent Liabilities, to the condensed consolidated financial statements included in the Company's Annual Report on Form 10-K incorporated herein by reference.

The Company diligently defends itself in such matters and, in addition, carries insurance coverage to the extent reasonably available against insurable risks.

The Company records liabilities for claims, lawsuits and proceedings when they are probable, and it is possible to reasonably estimate the cost of such liabilities. Legal costs expected to be incurred in connection with a loss contingency are expensed as such costs are incurred.

A loss contingency is accrued by a charge to income if it is probable that an asset has been impaired, or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

## **RECENT DEVELOPMENTS AND OTHER UPDATES**

The following summarizes material recent developments, as well as certain other data and information that may provide investors with further context to the information in this document and information incorporated by reference from our 2018 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2019.

### **Adoption of New EU Safety Mandate**

The mandate proposed by the European Commission in May 2018 pursuant to the EU General Safety Regulation road-map to make certain active safety features compulsory in light vehicles by 2022 was adopted as initially proposed in March 2019. We continue to believe that such a mandate will increase demand for our Active Safety products, and anticipate strong global sensor adoption rate increases (forward, side and rear) due to the European New Car Assessment Programme's push for crash avoidance, increased adoption rates due to growing demand around ADAS software features, volume growth due to redundant sensing concepts needed for higher levels of autonomy, potential opportunities in relation to compliance with cyber-security and software updates and step-by-step increased demand for connectivity components as a result. Indeed, with respect to sensors and ADAS software features, our order intake since the adoption of the new mandate appears to validate that long-term expectation.

### **Order Intake and Order Book**

The general lead time from an "order" to the start of production is 2 to 4 years, with typical order billing cycles after start of production of 4 to 6 years, although it may take several months for production of a certain vehicle model to fully ramp up. The Company had an order intake of approximately \$1.2 billion in each of the twelve months ending March 31, 2019 and December 31, 2018. This represented a notable increase from approximate order intake of \$900 million in 2017 (2016: \$800 million; 2015: \$250 million) and reflected ongoing customer wins in all key geographic regions, an expansion of the range of products being sold to a number of customers and an increasing diversity and complexity of orders. The proportion of order intake relating to Active Safety products has continued to increase in significance in recent years and represented approximately 75% of the order intake in 2018, as compared to approximately half of order intake in each of 2017 and 2016, and a much more modest portion of order intake in 2015.

Approximately 80% of the aggregate order book of more than \$19 billion is presently represented by the Electronics segment, which includes Active Safety and Restraint Control Systems products.

### *RD&E*

As discussed in our 2018 Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2019, the Company's research, development & engineering expenses, net (RD&E) have increased meaningfully over time, both in absolute terms and as a percentage of net sales. This reflects the Company's increasing order intake, significant expansion of associates in engineering, and the increasing complexity of programs and orders (which increasingly require development of new technology) alongside the continuing need to maintain Veoneer's high standards of quality and delivery performance. RD&E was \$516 million or 24.2% of net sales in the twelve months ended March 31, 2019, \$466 million or 20.9% of net sales in 2018, \$375 million or 16.2% of net sales in 2017, \$300 million or 13.5% of net sales in 2016 and \$214 million or 13.4% of sales in 2015. As of March 31, 2019, approximately 5,200 of our associates were engineers (December 31, 2018: 4,676; December 31, 2017: 3,576; December 31, 2016: 2,775; December 31, 2015: 1,796).

### **Efficiency Improvement Program**

As discussed in our 2018 Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2019, the Company initiated, as part of the market adjustment initiative a wide-ranging efficiency improvement program in the fourth quarter of 2018 and has continued to take a number of important actions and initiatives pursuant to it. These include:

- *Customer and product focused initiatives:* These include prioritization initiatives aimed at winning more orders within the core product portfolio, making the right strategic investments and engaging in ongoing discussions with customers and suppliers on the terms and scope of contracts.
- *Margin improvement initiatives:* These include efforts to maintain RD&E costs relatively flat at a maximum of \$600 million for the full year 2019 (among other things, by increasing our focus on project management and RD&E efficiency as our staff profile matures and increasing focus on sharing RD&E costs with customers), to review the location of our current operations for possible

consolidations that might optimize our operational footprint, and to decentralize profit and loss accountability by business units and product lines as well as Company-wide discretionary cost control measures.

- *Balance sheet and cash flow efficiency initiatives:* These include initiatives to restrict capital expenditures and to optimize operating working capital.

We continue to expect these initiatives to start yielding benefits in the second half of 2019 and more broadly from 2020.

### **Total Addressable Market**

We presently estimate, in our base scenario, which reflects products in which we presently are investing or intend to invest, that our total addressable market (TAM) could grow at a compound annual growth rate (CAGR) of around 9% from 2018 through 2025, from an estimated \$23 billion in 2018 to an estimated \$29 billion in 2020, an estimated \$32 billion in 2022 and an estimated \$43 billion in 2025. This contrasts with an estimated CAGR of light vehicle production (LVP) of 1.8%, according to IHS as of May 15, 2019. Included in the base scenario is our present estimate that the total addressable market for the Active Safety products in which we presently are investing or intend to invest (including radar (front/side/rear), forward looking cameras (mono/stereo/night vision), ADAS ECU and LiDAR) could grow at a CAGR of approximately 20% over the same period, from an estimated \$7 billion in 2018 to an estimated \$12 billion in 2020, an estimated \$15 billion in 2022 and an estimated \$25 billion in 2025. Over and above our base scenario, we estimate that there is the potential for an additional addressable market of \$6 billion by 2025 in Active Safety products in relation to driver monitoring, digital mapping and connectivity systems, although no decision has as yet been made to invest in the relevant products.

As discussed in our 2018 Form 10-K, our underlying market is primarily driven by two critical factors: global LVP and Content Per Vehicle (“CPV”), whereby CPV is the clear market driver for the growth of our total addressable market. Indeed, despite low estimates of LVP CAGR in the period from 2018 to 2025, we expect that the higher technological complexity of automotive safety products, and Active Safety products in particular, in the future will drive increasing CPV. We expect CPV (in dollar terms) for new automotive safety technologies to increase over time. We estimate, for example, that unlike today’s broadly-adopted driver support technologies (such as ADAS) and today’s broadly-adopted collaborative driving technologies (such as Advanced ADAS / Supervised Driver Assist), which tend to have CPV of \$100 to \$500 per vehicle and \$500 to \$1,000, respectively, more advanced collaborative driving technologies like unsupervised pilots (which we believe will be broadly-adopted in the next five years) will have CPV of \$1,500 to \$4,000. We estimate that full self-driving technologies (which we believe will be broadly-adopted much later, and likely only by 2030 and thereafter) would require CPV of \$8,000 or more.

### **Continued Focus on Modular and Scalable Product Architectures**

Amidst our customers’ fast-changing technology roadmaps, and the reality that implementation of advanced active safety projects entails engineering challenges and increasingly demanding requirements to validate technology, the Company continues to focus on modular and scalable product architectures that can be applied across vehicle variants and vehicle lines. We believe that commonizing initiatives that deliver more shared, standard parts and more modularity in products should allow for increased efficiency, potentially significant cost synergies and cost-conscious monitoring and help to prolong the product life cycle of the Company’s core solutions. Additionally, the Company is developing a new computer architecture platform that is intended to enable more open and efficient collaboration between OEMs and suppliers and allow for efficient cooperation with customers.

### **Joint Venture Developments**

We continue to review and evaluate the development priorities and funding as well as strategic options for our joint ventures, both Veoneer-Nissin Brake Systems (VNBS) and Zenuity. With respect to VNBS, synergies with our core Active Safety business are not evolving as previously anticipated and we intend to review and re-focus investment priorities with a view to optimal product setup and to seek to ensure the business is set-up for long-term success. We believe Zenuity would benefit from re-focused investment priorities towards collaborative driving, enabling evolutionary development towards L4 over the long-term. This is consistent with our expectation that the market will remain mainly focused on L1-2+ for the next decade, with only L0-2 technologies presently expected to be included in virtually all LVP in 2020, approximately 95% of LVP in 2025 and approximately 75% of LVP in 2030. Higher level autonomy technologies (L3+) are still only expected to be included in approximately 25% of LVP in 2030.



## PROPERTIES

Veoneer's principal executive offices are located at Klarabergsviadukten 70, Section C6, SE-111 64, Stockholm, Sweden. Veoneer's various businesses operate in a number of production facilities and offices. Veoneer believes that its properties are adequately maintained and suitable for their intended use and that the Company's production facilities have adequate capacity for the Company's current and foreseeable needs. All of Veoneer's production facilities and offices are owned or leased by operating (either subsidiary or joint venture) companies.

As of December 31, 2018, including joint venture operations, we owned or leased 10 manufacturing facilities and 22 technical centers and several sales and administrative offices. We have a presence in 13 countries. Our global scale enables us to engineer globally and manufacture locally to serve our global and local customers.

The following tables shows the regional distribution of our manufacturing facilities and technical sites:

### *VEONEER MANUFACTURING FACILITIES*

<u>Country/ Company</u>	<u>Location of Facility</u>	<u>Reporting Segment(s)</u>	<u>Items Produced at Facility</u>	<u>Owned/ Leased</u>
<b>Canada</b>				
Veoneer Canada Inc. . . . .	Markham	Electronics	Airbag electronics, radar sensors	Leased
<b>China</b>				
Veoneer (China) Co., Ltd. . . . .	Shanghai	Electronics	Airbag electronics, radar sensors	Owned
Veoneer Nissin Brake Systems (Zhongshan) Co., Ltd . . . . .	Zhongshan	Brake Systems	Brake control systems	Owned
<b>France</b>				
Veoneer France SAS . . . . .	Saint-Etienne du Rouvray	Electronics	Airbag electronics, ADAS ECUs	Owned
<b>Japan</b>				
Veoneer Nissin Brake Systems Japan Co., Ltd. . . . .	Ueda	Brake Systems	Brake control systems	Leased
	Shimo-Muroga	Brake Systems	Brake control systems	Leased
	Saku City	Brake Systems	Brake control systems	Leased
<b>Sweden</b>				
Veoneer Sweden AB . . . . .	Vårgårda	Electronics	Airbag electronics, vision cameras and radar	Owned
<b>USA</b>				
Veoneer US, Inc. . . . .	Goleta, CA	Electronics	Night vision	Leased
Veoneer Nissin Brake Systems America, LLC . . . . .	Findlay, OH	Brake Systems	Brake control systems	Leased

### *TECHNICAL CENTERS*

<u>Country / Company</u>	<u>Location</u>	<u>Reporting Segment(s)</u>	<u>Product(s) Supported</u>
<b>Australia</b>			
Veoneer Australia Pty. Ltd. . . .	Brooklyn	Brake Systems	Brake control systems
<b>China</b>			
Veoneer China Co., Ltd. . . . .	Shanghai	Electronics	Customer applications and platform development with full-scale test laboratory
<b>France</b>			
Veoneer France SAS . . . . .	Cergy-Pontoise	Electronics	Customer applications and platform development with full-scale test laboratory
<b>Germany</b>			
Veoneer Germany GmbH . . . .	Dachau	Electronics	Customer applications and platform development with full-scale test laboratory

<u>Country / Company</u>	<u>Location</u>	<u>Reporting Segment(s)</u>	<u>Product(s) Supported</u>
	Niederwern	Electronics	Customer applications and platform development
	Holzgerlingen	Electronics	Customer applications and platform development
	Bergkirchen	Electronics	Customer applications and platform development
	Kitzingen	Electronics	Customer application test facility
<b>India</b>			
Veoneer India Private Limited . . . . .	Bangalore	Electronics	Customer applications and platform development
<b>Japan</b>			
Veoneer Japan Ltd. . . . .	Hiroshima	Electronics	Customer applications and platform development
	Yokohama (Facility 1)	Electronics	Customer applications and platform development
	Yokohama (Facility 2)	Electronics	Customer applications and platform development
Veoneer Nissin Brake Systems Japan Co., Ltd. . . . .	Tochigi	Brake Systems	Brake control systems
<b>Romania</b>			
Veoneer Romania S.R.L. . . . .	Timisoara	Electronics	Customer applications and platform development
	Iasi	Electronics	Customer applications and platform development
<b>South Korea</b>			
Veoneer Korea Ltd. . . . .	Hwaseong-shi	Electronics	Customer applications
<b>Sweden</b>			
Veoneer Sweden AB . . . . .	Vårgårda	Electronics	Research center
	Linköping	Electronics	Electronics platform development
	Gothenburg	Electronics	Customer applications and platform development
	Stockholm	Electronics	Customer applications and platform development
	Skellefteå	Electronics	Customer applications and platform development
<b>USA</b>			
Veoneer US, Inc. . . . .	Southfield, MI	Electronics	Brake control systems, electronics customer application and platform development
	Lowell, MA	Electronics	Electronics platform development
	Goleta, CA	Electronics	Night vision development
Veoneer Nissin Brake Systems America, LLC . . . . .	Southfield, MI	Electronics	Brake control systems customer application and platform development
	East Liberty, OH	Brake Systems	Brake control systems customer application and platform development.

Our joint venture, Zenuity, leases technical centers in Munich, Germany, Göteborg, Sweden and Farmington Hills, Michigan, USA.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and our consolidated capitalization as of March 31, 2019 on:

- an actual basis;
- an as adjusted basis to give effect to the completion of the offering of common stock (assuming the underwriters' over-allotment option to purchase additional shares is not exercised) and after deducting the estimated underwriting discount and estimated offering expenses, and assuming that such net proceeds are held as cash, cash equivalents and short-term investments; and
- an as further adjusted basis to give effect to the adjustments set forth above and the sale of the convertible notes in the concurrent convertible notes offering (assuming the underwriters in the concurrent convertible notes offering do not exercise their over-allotment option to purchase additional convertible notes), after deducting the estimated underwriting discount and estimated offering expenses, and assuming that such net proceeds are held as cash, cash equivalents and short-term investments.

You should read the following table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in our 2018 Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2019, which are incorporated by reference in this document, see section "Incorporation of certain documents by reference".

<u>(in millions)</u>	<u>As of March 31, 2019</u>	<u>As Adjusted</u>	<u>As Further Adjusted for the Concurrent Convertible Notes Offering<sup>(3)</sup></u>
Cash, cash equivalents and short-term investments . . . . .	\$ 715	1,119	1,293
Other Assets . . . . .	1,804	1,804	1,809
Total Assets . . . . .	2,519	2,923	3,102
4.00 % Convertible Senior Notes due 2024 <sup>(1)</sup> . . . . .	—	—	180
Total Liabilities . . . . .	751	751	931
Stockholders' equity (deficit):			
Common stock, \$1.00 par value; 325,000,000 shares authorized, 87,345,640 shares issued and outstanding, actual; 325,000,000 shares authorized, 111,345,640 shares issued and outstanding, as adjusted and as further adjusted . . . . .	87	111	111
Additional paid-in capital <sup>(2)</sup> . . . . .	1,939	2,318	2,318
Accumulated deficit . . . . .	(318)	(318)	(318)
Accumulated other comprehensive loss . . . . .	(30)	(30)	(30)
Non-controlling interest . . . . .	<u>\$ 90</u>	<u>90</u>	<u>90</u>
Total stockholders' equity and non-controlling interest <sup>(2)</sup> . . . . .	<u>\$1,768</u>	<u>2,171</u>	<u>2,171</u>
<b>Total capitalization<sup>(2)</sup> . . . . .</b>	<b><u>\$2,519</u></b>	<b><u>2,922</u></b>	<b><u>3,102</u></b>

(1) In accordance with ASC 470-20, a convertible debt instrument (such as the convertible notes issued in the concurrent convertible notes offering) that may be wholly or partially settled in cash is required to be separated into liability and equity components, such that non-cash interest expense reflects our non-convertible debt interest rate. Upon issuance, a debt discount is recognized as a decrease in debt and an increase in equity. See "Risk Factors – Risks Related to the Notes – The accounting method for convertible debt securities that may be settled in cash, such as the notes, could have a material effect on our reported financial results." The debt component accretes up to the principal amount over the expected term of the debt. ASC 470-20 does not affect the actual amount that we are required to repay, and the amount shown in the table above for the convertible notes is the aggregate principal amount of the convertible notes without reflecting the debt discount or fees and expenses that we are required to recognize. Amounts shown in the table above do not reflect application of ASC 470-20.

(2) Issuance of the convertible notes in the concurrent convertible notes offering (giving effect to the application of ASC 470-20 as described in note (1) above) will result in a net increase in additional paid in capital and, therefore, a net increase in total stockholders' equity and total capitalization. Amounts shown in the table above do not reflect the application of ASC 470-20.

(3) The closing of the offering of common stock is not contingent upon the closing of our concurrent convertible notes offering and the closing of the convertible notes offering is not contingent upon the closing of this offering of common stock. We cannot assure you that the concurrent convertible notes offering will be completed or, if completed, on what terms it will be completed.

The number of shares of our common stock in the table above is based on 87,345,640 shares of our common stock outstanding as of March 31, 2019, and excludes:

- All shares of common stock issuable upon conversion of the convertible notes offered in the concurrent convertible notes offering;

- 305,532 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2019, at a weighted-average exercise price of \$27.92;
- 648,733 shares of common stock issuable pursuant to restricted stock units, or “RSUs,” or performance shares, or “PSs” as of March 31, 2019; and
- 3,744,528 shares of common stock reserved for future issuance under Veoneer’s 2018 Stock Incentive Plan as of March 31, 2019.

Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their over-allotment option to purchase additional shares.

## MANAGEMENT

### Overview of Executive Officers and Directors

The following tables set forth the names, ages, positions, and the date of expiration of the current term of office of our directors and executive officers.

#### DIRECTORS

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of expiration of the current term of office</u>
Jan Carlson . . . . .	58	Chairman of the Board of Directors, President and Chief Executive Officer	AGM 2021
Mark Durcan . . . . .	57	Director	AGM 2022
Jonas Synnergren . . . . .	41	Director	AGM 2022
Mary Louise Cummings . . . . .	52	Director	AGM 2020
Kazuhiko Sakamoto . . . . .	73	Director	AGM 2020
Wolfgang Ziebart . . . . .	68	Director	AGM 2020
Robert W. Alspaugh . . . . .	71	Director	AGM 2021
James M. Ringler . . . . .	73	Director	AGM 2021

#### EXECUTIVE OFFICERS

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jan Carlson . . . . .	58	Chairman of the Board of Directors, President and Chief Executive Officer
Mats Backman . . . . .	51	CFO and Executive Vice President, Finance
Nishant Batra . . . . .	40	Executive Vice President and Chief Technology Officer
Arthur Blanchford . . . . .	47	Executive Vice President, Business Unit (NACK)
Thomas Jönsson . . . . .	53	Executive Vice President, Communications and Investor Relations
Steve Rodé . . . . .	57	Executive Vice President, Operations
Lars Sjöbring . . . . .	51	Executive Vice President, Legal Affairs, General Counsel and Secretary
Mikko Taipale . . . . .	48	Executive Vice President, Human Resources
Per Skytt . . . . .	52	Executive Vice President, Technical Competence Centers

## **Directors**

### **Jan Carlson**

Mr. Carlson has been the Chairman of the Board of Veoneer since the spin-off and President and Chief Executive Officer of Veoneer since April 1, 2018. Before the spin-off, Mr. Carlson had previously served as the President and Chief Executive Officer of Autoliv since April 1, 2007. Mr. Carlson joined Autoliv in 1999 as President of Autoliv Electronics and later served as Vice President, Engineering and a member of Autoliv's Executive Committee. Mr. Carlson was appointed Chairman of the board of directors of Autoliv in May 2014 and continues to serve in that role. Mr. Carlson also serves on the board of directors and compensation committee of BorgWarner Inc., the board of directors and technology and science committee of Telefonaktiebolaget LM Ericsson. Mr. Carlson has a Master of Science degree in Physics and Electrical Engineering from the University of Linköping in Sweden. Current Other Public Directorships: Autoliv, Inc., BorgWarner Inc., and Telefonaktiebolaget LM Ericsson.

Director since: April 1, 2018

Qualifications: Mr. Carlson brings his extensive knowledge of Veoneer's operations, business and industry to the Board and Mr. Carlson's role as Chief Executive Officer of Veoneer provides the Board with inside into the day-to-day operations of the Company.

Current Other Public Directorships: Autoliv, Inc., BorgWarner Inc., and Telefonaktiebolaget LM Ericsson

Age: 58

Shareholding in Veoneer: 159,506

### **Mark Durcan**

Mr. Durcan served as Chief Executive Officer of Micron Technology, Inc., a memory and storage solutions company, from February 2012 until May 2017. Mr. Durcan joined Micron Technology in 1984 and held a variety of senior leadership positions at the company, including President and Chief Operating Officer from June 2007 to February 2012, Chief Operating Officer from February 2006 to 2007 and Chief Technical Officer from 1998 to February 2006. Mr. Durcan has been a member of the board of directors of Advanced Micro Devices, Inc. since October 2017, a director of St. Luke's Health System of Idaho since February 2017 and a director of AmerisourceBergen Corporation since September 2015. Mr. Durcan also served on the board of the Semiconductor Industry Association from 2011 to 2017, as a director of MWI Veterinary Supply, Inc. from 2014 until its acquisition by AmerisourceBergen in 2015, and as a director of Freescale Semiconductor, Inc. from 2014 through 2015.

Director since: June 29, 2018

Qualifications: Mr. Durcan is a seasoned business executive who brings demonstrated skill in the areas of strategic planning, information technology, finance and corporate governance to the Board.

Current Other Public Directorships: Advanced Micro Devices, Inc. and AmerisourceBergen Corporation

Age: 57

Shareholding in Veoneer: 8,043 <sup>(1)</sup>

Mr. Durcan holds a Bachelor of Science and Master of Chemical Engineering degree from Rice University.

Current Other Public Directorships: Advanced Micro Devices, Inc. and AmerisourceBergen Corporation

### **Jonas Synnergren**

Since 2009, Mr. Synnergren has been a partner at Cevian Capital AB, investment advisor to the international investment firm, Cevian Capital. Mr. Synnergren joined Cevian in 2007 and has been head of Cevian's Swedish office since 2012. From 2006 to 2007, Mr. Synnergren was Interim CEO and Head of Investor Relations and Business Development of Svalan Konsortier AB, a Swedish Real Estate fund based in Stockholm. From 2000 to 2006, Mr. Synnergren worked for the Boston Consulting Group, ultimately as a Project Leader, where he led projects related to strategy, organization and operational efficiency including IT-related assignments. During his time with the Boston Consulting Group, Mr. Synnergren's main focus was financial services. Mr. Synnergren served on the board of directors of Tieto Corporation, a Finnish IT software and services company from 2012 through early 2019. Mr. Synnergren also served on the Nomination Board of Metso, a Finnish industry machinery company, from 2014 to 2016. Mr. Synnergren has a Master of Science in Economics and Business from the Stockholm School of Economics, including studying at HEC Paris.

### **Mary Louise Cummings**

Since 2014, Dr. Cummings has been a professor at Duke University in the Department of Mechanical Engineering and Materials Science and the Duke Institute of Brain Sciences. Dr. Cummings is also the director of the Humans and Autonomy Laboratory at Duke and director of Duke Robotics. From 2003 to 2013, Dr. Cummings was an associate professor at the Massachusetts Institute of Technology (MIT), with appointments in the Department of Aeronautics and Astronautics and in the Engineering Systems Division, and she directed the Humans and Automation Laboratory. She also held joint appointments with the MIT Engineering Systems Division and the Computer Science and Artificial Intelligence Laboratory. Her previous teaching experience includes instructing for the U.S. Navy at Pennsylvania State University and as an assistant professor for the Virginia Tech Engineering Fundamentals Division. From 1988 to 1999, Dr. Cummings served as a U.S. naval officer and military pilot, earning the rank of lieutenant, and was one of the Navy's first female fighter pilots. Dr. Cummings received her Bachelor of Science in Mathematics from the U.S. Naval Academy, her Master of Science in Space Systems Engineering from the Naval Postgraduate School, and her Ph.D. in Systems Engineering from the University of Virginia.

Director since: June 29, 2018

Qualifications: The Board benefits from Mr. Synnergren's deep knowledge of capital markets, mergers and acquisitions and investment expertise.

Age: 41

Shareholding in Veoneer: 8,043 <sup>(1)</sup>

Director since: June 29, 2018

Qualifications: As a well-known and well-reputed thought leader in areas that interface between human and machine and semi-automated collaboration and full automation, Dr. Cummings contributes in-depth knowledge and unique insights to the Board.

Age: 52

Shareholding in Veoneer: 8,043 <sup>(1)</sup>

### **Kazuhiko Sakamoto**

Mr. Sakamoto has served as an outside auditor of Zenitaka Corporation, a mid-sized construction company listed on the Tokyo Stock Exchange since 2016. Mr. Sakamoto previously served in a number of senior executive roles at Marubeni Corporation, one of Japan's leading general trading houses, and Marubeni Construction Material Lease Co. Ltd., a company affiliated with Marubeni Corporation over the course of 40 years. Mr. Sakamoto served as a director of Autoliv from 2007 until the spin-off. He has a degree from the Keio University attended the Harvard University Research Institute for International Affairs.

Director since: June 29, 2018

Qualifications: Mr. Sakamoto brings to the Board a unique set of skills and insights gained through his extensive business experience in both Asia and North America.

Age: 73

Shareholding in Veoneer: 9,323 <sup>(1)</sup>

### **Wolfgang Ziebart**

Dr. Ziebart had a distinguished career with BMW beginning in 1977 which took him to the Board of Management, where he was responsible for R&D and Purchasing. From 2000 to 2004 he was Member of the Board of Management of automotive supplier Continental, where he was in charge of the electronics and the brake business. Between 2004 and 2008, he was President and CEO of Infineon Technologies AG, a global semiconductor and system solutions provider listed on the Frankfurt Stock Exchange. Dr. Ziebart was also previously employed by Jaguar Land Rover where he served in a consulting role related to product development. Dr. Ziebart also serves on the Supervisory Board of ASML Holding NV, a supplier of photolithography systems for the semiconductor industry, and is the Chairman of the Supervisory Board of Nordex SE, a wind turbine manufacturer. Dr. Ziebart served as a director of Autoliv from 2008 to 2013 and from December 2015 until the spin-off. Dr. Ziebart holds a doctorate degree in mechanical engineering from the Technical University of Munich in Germany. Current Other Public Directorships: ASML Holding NV and Nordex SE

Director since: June 29, 2018

Qualifications: Dr. Ziebart brings to the Board his extensive knowledge of the automotive industry gained through his years of experience, including in particular with engineering and development.

Current Other Public Directorships: ASML Holding NV and Nordex SE

Age: 68

Shareholding in Veoneer: 10,169 <sup>(1)</sup>

### **Robert W. Alspaugh**

Mr. Alspaugh had a 36-year career with KPMG serving in a number of roles, including as the senior partner for a diverse array of companies across a broad range of industries. He has worked with global companies in Europe and Japan, in addition to those headquartered in the U.S. Alspaugh also serves on the boards of directors of Ball Corporation and Triton International Ltd., which are public companies, and DSGI Technologies, Inc., a private company. Mr. Alspaugh served on the board of Autoliv from 2006 until the spin-off. Mr. Alspaugh has a BBA degree in Accounting from Baylor University.

Director since: June 29, 2018

Qualifications: Mr. Alspaugh brings his technical skills and knowledge gained through his extensive global business experience to the Board.

Current Other Public Directorships: Ball Corporation and Triton International Ltd.

Age: 71

Shareholding in Veoneer: 12,106 <sup>(1)</sup>



### **James M. Ringler**

Mr. Ringler served as Vice Chairman of Illinois Tool Works Inc. between 1999 and 2004. Prior to joining Illinois Tool Works, Mr. Ringler served in a number of executive positions at Premark International, Inc. including as Chairman, President and Chief Executive Officer until the company merged with Illinois Tool Works in 1999. Mr. Ringler has been a director of Autoliv since 2002 and also serves on the board of directors of TechnipFMC plc, JBT Corporation, and Teradata Corporation. Mr. Ringler holds a Bachelor of Science degree in Business Administration and an M.B.A. degree in Finance from the State University of New York. Current Other Public Directorships: Autoliv, Inc., TechnipFMC plc, JBT Corporation and Teradata Corporation.

Director since: April 1, 2018

Qualifications: Mr. Ringler brings to the Board his business and management experience in multiple executive positions at Premark International, Inc. and Illinois Tool Works and his deep knowledge of corporate governance gained through his extensive service on the boards of directors of public companies in a wide variety of industries.

Current Other Public Directorships: Autoliv, Inc., TechnipFMC plc, JBT Corporation and Teradata Corporation

Age: 73

Shareholding in Veoneer: 15,534 <sup>(1)</sup>

### **Executive officers of the Company**

#### **Jan Carlson**

Please refer to the above section *Directors* for information regarding Jan Carlson

#### **Mats Backman**

Mr. Backman has served as CFO and Executive Vice President, Finance of Veoneer since March 2019. Mr. Backman had served as the Chief Financial Officer and Group Vice President, Finance of Autoliv, Inc. since May 2016. Mr. Backman served as Executive Vice President and Chief Financial Officer of Sandvik AB (“Sandvik”), a maker of high-tech tools, tooling systems and steel and alloy products, from 2013 through May 2016. Mr. Backman was with Sandvik since 2007, and served as its Acting President and Chief Executive Officer from August 2015 through October 2015, its Senior Vice President & Chief Financial Officer, Tooling from 2012 to 2013, and its Chief Financial Officer, IT & Business Development, Sandvik Machining Solutions from 2009 to 2012. Mr. Backman is a member of the board of directors of Gränges AB, a Swedish public company that is a global supplier of rolled aluminum products for heat exchanger applications. Mr. Backman has a BSc in Business Administration & Economics from the University of Stockholm in Sweden.

Executive Officer Since: March 1, 2019

Title: CFO and Executive Vice President, Finance

Age: 51

Shareholding in Veoneer: 2,913

#### **Nishant Batra**

Mr. Batra most recently served as the Product Area Head of Network Products at Ericsson and has held several key positions in the US, Sweden, and India since joining Ericsson in 2006. He has carried out multi-functional roles in product management, sales, technology, and general management. Batra graduated with an MBA from INSEAD in 2006 and has M.Sc. degrees in telecommunications and computer science from Southern Methodist University.

Executive Officer Since: Nov. 13, 2018

Title: Executive Vice President and Chief Technology Officer

Age: 40

Shareholding in Veoneer: -

### **Arthur Blanchford**

Mr. Blanchford served as our Executive Vice President, Sales, Marketing and Product Planning until our organizational re-alignment effective December 1, 2018, at which time he became the Executive Vice President, for North America, China, and Korea Business Units (NACK). Prior to joining Veoneer, Mr. Blanchford was Vice President, Sales, Marketing & Product Planning for Autoliv Electronics since 2016. During his 22-year career at Autoliv, Mr. Blanchford served as President of Autoliv Greater China, Vice President, Global Business Development, Vice President of the global General Motors business unit of Autoliv and in other various engineering, program management, operations and sales positions. Mr. Blanchford holds a Bachelor's degree in Mechanical Engineering from Tennessee Technological University and an Executive MBA from the Ross School of Business at the University of Michigan.

Executive Officer Since: April 1, 2018

Title: Executive Vice President, Business Unit (NACK)

Age: 47

Shareholding in Veoneer: 1,747

### **Thomas Jönsson**

Mr. Jönsson has served as Executive Vice President, Communications and Investor Relations of Veoneer since April 1, 2018. Prior to joining Veoneer, Mr. Jönsson had served as Vice President, Corporate Communications of Autoliv since May 2013. Prior to joining Autoliv in January 2013, Mr. Jönsson served from June 2010 to December 2012 as Vice President of Brand and External Communications for TeliaSonera, a leading Nordic and Baltic telecommunications company. Before joining TeliaSonera, Mr. Jönsson had an international career working for Nokia and Intel Corporation. Mr. Jönsson studied Business Administration at the University of Stockholm.

Executive Officer Since: April 1, 2018

Title: Executive Vice President, Communications and Investor Relations

Age: 53

Shareholding in Veoneer: 7,452

### **Steve Rodé**

Mr. Rodé has served as Executive Vice President, Operations of Veoneer since April 1, 2018. Prior to joining Veoneer, Mr. Rodé had served as Senior Vice President, Operations for Autoliv Electronics since January 2017. Prior to that, Mr. Rodé served as President of Autoliv's Passive Safety Electronics division from September 2014 to December 2016, and as Acting President of Autoliv Electronics from September 2014 to June 2015. Mr. Rodé served as President of the Business Area Electronics from April 2007 to August 2014. Mr. Rodé has also served in various positions in engineering, product development, production management and quality within Visteon and Ford Electronics. Mr. Rodé has a Bachelor's degree in Mechanical Engineering from the University of Waterloo, Ontario.

Executive Officer Since: April 1, 2018

Title: Executive Vice President, Operations

Age: 57

Shareholding in Veoneer: 5,601

### **Lars Sjöbring**

Mr. Sjöbring has served as the Executive Vice President, Legal Affairs, General Counsel and Secretary of Veoneer since April 1, 2018. Mr. Sjöbring had served as Group Vice President, Legal Affairs, General Counsel and Secretary of Autoliv since November 2015. Mr. Sjöbring served as Senior Vice President and General Counsel of Transocean Ltd., a leading international provider of offshore contract drilling services, from March 2014 through November 2015. Prior to his time with Transocean, Mr. Sjöbring served as Autoliv's Vice President, Legal Affairs, General Counsel and Secretary from September 2007 until February 2014. Over the course of his career, Mr. Sjöbring has also held various positions at Telia AB, Skadden Arps, Slate, Meagher and Flom LLP and Nokia Corporation. Mr. Sjöbring holds Master of Law degrees from the University of Lund in Sweden and Amsterdam School of International Relations (ASIR) in the Netherlands and a Master of Corporate Law degree from Fordham University School of Law in New York.

Executive Officer Since: April 1, 2018

Title: Executive Vice President, Legal Affairs, General Counsel and Secretary

Age: 51

Shareholding in Veoneer: 4,359

### **Mikko Taipale**

Mr. Taipale has served as Executive Vice President, Human Resources of Veoneer since April 1, 2018. Prior to joining Veoneer, he had served as Vice President, Human Resources for Autoliv Electronics since joining Autoliv in 2015. Mr. Taipale served as Vice President of Human Resources Mobility Services and as Vice President of Human Resources, Europe Region for Telia Company and has held other various human resources positions at Telia Company AB, Sweden. Mr. Taipale holds a Master of Law degree from the University of Lapland.

Executive Officer Since: April 1, 2018

Title: Executive Vice President, Human Resources

Age: 48

Shareholding in Veoneer: 2,025

### **Per Skytt**

Mr. Skytt has served as Executive Vice President, Technical Competence Centers of Veoneer since May 13, 2019. Prior to joining Veoneer, Mr. Skytt served, since he joined the company in 1996, in a number of roles and functions at ABB, a multinational corporation specializing in the areas of robotics, heavy electrical equipment and automation technology. At ABB, Mr. Skytt served in the roles of Vice President and Global Research and Development, Manager Substation Automation, Vice President and Research and Development Product Manager, High Voltage Direct Current (HVDC), Vice President HVDC Systems Manager, and Senior Vice President, Global HVDC Service. Mr. Skytt has a PhD in Physics, Signal Processing, and Automatic Control from Uppsala University in Uppsala, Sweden.

Executive Officer Since: May 13, 2019

Title: Executive Vice President, Technical Competence Centers

Age: 52

Shareholding in Veoneer: -

<sup>(1)</sup> Includes a grant of 5,698 restricted stock units as payment of one-half of the 2019-2020 annual retainer for non-employee director service that will vest and convert to shares in one installment on the earlier of the date of the Company's 2020 annual stockholder meeting or the one-year anniversary year of the grant date.

## **Family Relationships**

There are no family relationships among any of our current directors or executive officers.

## **Additional information about Management**

During the last five years, none of the members of the board of directors or the named executive officers have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, (iii) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or (iv) been disqualified by a court of law from being a member of any company's administrative, management or supervisory body or from acting in the management or conduct the affairs of any company.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and the named executive officers of Veoneer and their private interests and/or other undertakings.

## **Director Independence**

Under applicable U.S. stock exchange rules, Veoneer must have a board of directors with at least a majority of independent directors. It is expected that a majority of Veoneer's board of directors will be comprised of directors who are "independent" as defined by the rules of the stock exchange on which Veoneer common stock is listed. Veoneer will seek to have its non-management directors qualify as "independent" under these standards. Our board of directors will limit membership on the audit committee, the compensation committee, and the nominating and corporate governance committee to independent directors.

On an annual basis, each member of our board of directors are required to complete a questionnaire designed to provide information to assist the board in determining whether the director is independent. Our board of directors will review any relevant relationships, arrangements or transactions between Veoneer and each director or parties affiliated with such director.

## **Committees of the Board of Directors**

There are three standing committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The Board has determined that all members of the Audit, the Compensation, and the Nominating and Corporate Governance Committees qualify as independent directors under the applicable rules of the NYSE, the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the SEC. While no formal policy exists regarding the attendance of the CEO and the Chairman at committee meetings, the practice of the Board is to invite the CEO and the Chairman to attend each committee meeting and excuse them when matters relating to them are discussed. The Lead Independent Director is also invited to attend all committee meetings. The following table shows the composition of the committees of the Board:

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>
Robert W. Alspaugh (Chairman) Mark Durcan Wolfgang Ziebart	James M. Ringler (Chairman) Mary Louise Cummings Kazuhiko Sakamoto	Wolfgang Ziebart (Chairman) James M. Ringler Jonas Synnergren

## **Audit Committee**

The Audit Committee appoints, subject to stockholder ratification, the Company's independent auditors and is responsible for the compensation, retention and oversight of the work of the independent auditors and for any special assignments given to such auditors. The Audit Committee reviews the independence of the independent auditors and considers whether there should be a regular rotation of the independent auditors. The Audit Committee also evaluates the selection of the lead audit partner, including his or her qualifications and performance. The Audit Committee also (i) reviews the annual audit and its scope, including the independent auditors' letter of comments and management's responses thereto; (ii) reviews the performance of the independent auditors, including the lead partner; (iii) approves any non-audit services provided to the Company by its independent auditors; (iv) reviews possible violations of the Company's business ethics and conflicts of interest policies; (v) reviews any major accounting changes made or contemplated; (vi) reviews the effectiveness

and efficiency of the Company's internal audit staff; and (vii) monitors legal, regulatory and financial risk, including those related to ethics practices and information technology (including cybersecurity), as well as discusses risk oversight and management as part of its obligations under the NYSE's listing standards. In addition, the Audit Committee confirms that no restrictions have been imposed by Company personnel on the scope of the independent auditors' examinations. The Audit Committee is also responsible for the review and approval of related person transactions. Members of this committee are Messrs. Alspaugh (Chairman) and Durcan and Dr. Ziebart. The Audit Committee met six times in 2018.

### **Compensation Committee**

The Compensation Committee advises the Board with respect to the compensation to be paid to the directors and executive officers of the Company and is responsible for approving the terms of contracts to be entered into with the senior executives of the Company. The committee also administers the Company's cash and stock incentive plans and reviews and discusses with management the Company's Compensation Discussion and Analysis ("CD&A"). Members of this committee are Mr. Ringler (Chairman) Dr. Cummings and Mr. Sakamoto. The Compensation Committee met four times in 2018.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee identifies and recommends individuals qualified to serve as members of the Board and assists the Board by reviewing the composition of the Board and its committees, monitoring a process to assess Board effectiveness, and developing and implementing the Company's Corporate Governance Guidelines. The committee also reviews sustainability and corporate responsibility activities for the Company. The Nominating and Corporate Governance Committee also assists our Board in developing principles and policies related to succession of senior management and leadership development. As further described below, the Nominating and Corporate Governance Committee will consider stockholder nominees for election to the Board if timely advance written notice of such nominees is received by the Secretary of the Company at its principal executive offices in accordance with the Bylaws. Members of this committee are Dr. Ziebart (Chairman) and Messrs. Ringler and Synnergren. The Nominating and Corporate Governance Committee met two times in 2018.

### **Board Leadership**

The Board is responsible for selecting the Company's Chairman of the Board (the "**Chairman**") and Chief Executive Officer (the "**CEO**"). The Bylaws and the Company's Corporate Governance Guidelines do not require the separation of the positions of the Chairman and the CEO. The Corporate Governance Guidelines permit the Board to determine the most appropriate leadership structure for the Company at any given time and give the Board the ability to choose a Chairman that it deems best for the Company.

Effective as of spin-off Effective Date, the Board appointed Jan Carlson to serve as the Chairman, in addition to his role as President and CEO. The Board believes the combined role of CEO and Chairman under Mr. Carlson is the appropriate leadership structure for the Company at this time. Combining the CEO and Chairman roles under Mr. Carlson provides efficient and effective decision-making and unified leadership for the Company, with a single person setting the tone for management of the Company. Mr. Carlson is well-suited to serve in the Chairman role because his familiarity with the Company's business enables him to effectively lead the Board in its discussion, consideration and execution of the Company's strategy. The Board believes that combining the CEO and Chairman roles under Mr. Carlson facilitates the flow of information between the Board and the Company's management and better enables the Board to fulfill its oversight role.

### **Communicating with the Board**

Any stockholder or other interested party who desires to communicate with the Board, the lead independent director or the independent directors regarding the Company can do so by writing to such person(s) at the following address:

Board/Independent Directors  
c/o Executive Vice President Legal Affairs  
Veoneer, Inc., Box 13089  
SE-103 02 Stockholm, Sweden  
E-mail: legal.affairs@Veoneer.com

Such communications will be distributed, if appropriate, to the specific director(s) requested by the stockholder or interested party, to the Board or to sessions of independent directors as a group. At the direction of the Board, our Legal Department will initially receive and process communications before forwarding them to the addressee, and generally will not forward a communication unless it is related to the duties and responsibilities of the Board. Executive management of Veoneer can also be reached at the address above.

### **The Swedish Corporate Governance Code**

Swedish companies with shares admitted to trading on a regulated market in Sweden, including the Nasdaq Stockholm, are subject to the Swedish Corporate Governance Code (the “**Swedish Code**”). This is a codification of best practices for Swedish listed companies based on Swedish practices and circumstances. The Swedish Code follows a “comply or disclose” approach; its recommendations are not binding on companies but if its recommendations are not complied with, the deviation must be explained. A non-Swedish company listed in Sweden can elect to either apply the Swedish Code or the corresponding local rules and codes where the company’s shares have their primary listing or where the company is headquartered. As a Delaware corporation with its primary listing on the NYSE, the Company has elected to apply U.S. corporate governance rules and standards.

### **Auditor**

Ernst & Young AB (Jakobsbergsgatan 24, SE-111 44 Stockholm, Sweden), an independent registered public accounting firm, has been the Company’s auditor since 2018. Ernst & Young is a member of FAR, a Swedish professional institute for authorized public accountants. Ernst & Young has audited the Veoneer’s carved-out financial statement for the financial years 2016, 2017 and 2018 respectively, contained in the Index to Financial Statements in this prospectus. Except as expressly stated herein, no financial information in this document has been audited or reviewed by the Company’s auditor. In 2018, the total compensation paid to the Company’s auditor amounted to \$ 5.4 million.

## **EXECUTIVE AND DIRECTOR COMPENSATION DISCUSSION AND ANALYSIS**

### **Introduction**

This Compensation Discussion and Analysis (“CD&A”) describes the material elements of compensation awarded to, earned by, or paid to each of the Company’s “named executive officers” during the last completed fiscal year, and discusses the principles and decisions underlying our executive compensation policies and the most important factors relevant to an analysis of these decisions and policies. Since Veoneer’s business operated as the electronics segment of Autoliv until the completion of the spin-off on June 29, 2018, our employees participated in the compensation and benefit programs of Autoliv and its subsidiaries during the first half of the year. In anticipation of the spin-off, on March 30, 2018, the Company adopted compensation and benefit programs substantially mirroring the Autoliv compensation and benefit programs that were then in effect. On July 3, 2018, the Veoneer Compensation Committee ratified the mirror plans adopted by the Company (the “Autoliv Plans”), see “Relationships and Related Party Transactions – Transactions With Autoliv in Connection with the spin-off – Employee Matters Agreement”. Therefore, except as otherwise indicated, the compensation and benefit arrangements and benefit programs discussed in this CD&A are those of Autoliv for periods prior to the spin-off Effective Date and those of Veoneer for periods thereafter.

Executive compensation decisions for the named executive officers prior to the spin-off were made or overseen by the Autoliv Compensation Committee or the full Autoliv Board. The Autoliv Compensation Committee, in consultation with Autoliv management and the Autoliv Compensation Committee’s independent compensation consultant, oversaw Autoliv’s executive compensation philosophy and reviewed and approved compensation for its executive officers (including cash compensation, equity incentives and benefits). Executive compensation decisions following the spin-off were made by the Veoneer Compensation Committee. Except as otherwise described in this CD&A, annual and long-term compensation programs for our named executive officers immediately following the spin-off reflect the adoption of programs substantially similar to the programs that were utilized by Autoliv for its executive officers. Executive compensation disclosed will be subject to an advisory say-on-pay vote at the Annual Meeting, and we will also conduct an advisory say-on-frequency vote at the Annual Meeting. Our Board and the Compensation Committee value the benefits of maintaining a dialogue with our shareholders and understanding their views. The Compensation Committee intends to consider the outcome of say-on-pay votes when making future compensation decisions for our named executive officers and will make adjustments to support Veoneer’s strategies and to remain competitive within our market.

### **Our Named Executive Officers in 2018**

In accordance with the relevant rules and regulations promulgated by the SEC, our “named executive officers” are the CEO, the CFO and three other executive officers who had the highest total compensation during 2018. In addition, our named executive officers include two former executives who signed mutual separation agreements with the Company in 2018. The named executive officers are as follows:

- Jan Carlson (President and CEO)
- Mathias Hermansson<sup>(1)</sup> (Former CFO and Executive Vice President, Finance)
- Lars Sjöbring (Executive Vice President Legal Affairs, General Counsel and Secretary)
- Arthur Blanchford<sup>(2)</sup> (Executive Vice President, Business Unit NACK)
- Thomas Jönsson (Executive Vice President Communications and Investor Relations)
- Johan Löfvenholm<sup>(3)</sup> (Former COO)
- Peter Rogbrant<sup>(4)</sup> (Former Executive Vice President Engineering)

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<sup>(1)</sup> Mr. Hermansson resigned as the Company’s CFO effective March 1, 2019.

<sup>(2)</sup> Effective December 1, 2018, Mr. Blanchford’s title was changed from Executive Vice President Sales and Business Development to Executive Vice President Business Unit (NACK).

<sup>(3)</sup> Löfvenholm stepped down as the Company’s COO effective as of December 1, 2018 but continues to provide services to the Company as Senior Advisor to the CEO until March 31, 2019.

<sup>(4)</sup> Rogbrant stepped down as the Company’s Executive Vice President Engineering effective as of December 10, 2018 but will continue to provide services to the Company as acting Executive Vice President Technical Competence Centers until March 31, 2019.

## **Executive Summary**

The following provides a brief overview of our fiscal year 2018 compensation program for our named executive officers:

- Total compensation for our named executive officers in 2018 consisted of base salary, annual non-equity incentives, long-term equity incentives, retirement/pension related benefits and other benefits.
- The compensation of our named executive officers is significantly affected by our company performance. In 2018, each of our named executive officers was eligible to earn an annual non-equity incentive award based on our Order Intake (defined below).
- Following the spin-off, all outstanding stock awards from Autoliv's Stock Incentive Plan were converted to adjusted awards relating to shares of both Autoliv and Veoneer common stock.
- For 2018, annual incentive awards were calculated assuming target performance for the portion of the year prior to the spin-off and using actual performance against goals relating to Order Intake for the year.
- As a result of its compensation risk assessment during 2018, the Compensation Committee concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on Veoneer.

## **Compensation Philosophy**

Our Compensation Philosophy for our executive management is set forth below.

### *Main principles*

Veoneer believes that to achieve its strategic and financial objectives, it is necessary to attract, motivate and retain exceptional management talent. In addition, total compensation offered to our executive management should provide a shared responsibility for overall Company results which is aligned with the interests of the Company's stockholders. Our compensation strategy is therefore based on principles of performance, competitiveness and fairness.

### *Compensation Program Objectives*

The primary objectives of our compensation program are to:

- Objective A: Offer total compensation and benefits sufficient to attract, motivate and retain the management talent necessary to ensure the Company's continued success;
- Objective B: Align the interests of the executives and the stockholders;
- Objective C: Reward performance in a given year and over a sustained period using straightforward programs to communicate our performance expectations; and
- Objective D: Encourage company-wide cooperation among members of the executive, regional and business unit management teams and throughout the Company

### *Compensation Mix*

The Company seeks to establish a balanced distribution of fixed and variable incentive compensation elements over time by using several components of compensation. Total compensation for our named executive officers consists of base salary, annual non-equity incentives, long-term equity incentives, retirement/pension and other benefits. The Company believes that a balanced compensation structure focuses our executive officers on increasing long-term stockholder value while providing fewer incentives for undue risk in the short-term.



Component 1 Base Salary	<p><b>Supporting Objective A</b></p> <p><b>Purpose:</b> Provides a set level of pay warranted by position and sustained individual performance. A competitive base salary is important to attract and retain an appropriate caliber of talent for the position.</p> <p>The Compensation Committee also intends for base salary to comprise, on average over time, 40% of total direct compensation for the CEO and 50% for other named executive officers.</p>
Component 2 Short-Term Incentive	<p><b>Supporting Objectives A, B, C &amp; D</b></p> <p><b>Purpose:</b> Recognizes short-term performance against established annual financial performance goals and creates focus and engagement in delivering results.</p> <p>Annual non-equity incentive awards are always capped and directly tied to the Company's performance.</p>
Component 3 Stock Incentive	<p><b>Supporting Objectives A, B, C &amp; D</b></p> <p><b>Purpose:</b> Provides our executive officers with incentives to build longer-term value for our stockholders while promoting retention of critical executives.</p>
Component 4 Pension / Retirement and Other Benefits	<p><b>Supporting Objective A</b></p> <p><b>Purpose:</b> Provides additional value for our executives by competitive and market- aligned benefits.</p> <p>All senior executives participate in defined contribution plans rather than defined benefit plans.</p>
Market and Market Position	<p>The Compensation Committee's objective is to approximate the market median for base salaries as well as total direct compensation of the relevant market data primarily linked to the country in which the named executive officer is located.</p>
How to Use Market Data	<p>We consider the competitive environment where our significant operations and markets are located in order to provide a compensation package that optimizes value to the participant and cost to the Company. The Compensation Committee and management believe that it is their responsibility to use discretion and make informed judgments as to individual compensation packages or pay levels that may occasionally deviate above or below our target pay strategy based on factors such as:</p> <ol style="list-style-type: none"> <li>1. Individual performance and potential relative to market.</li> <li>2. Long-term succession planning and talent management.</li> <li>3. Business conditions in our industry or the market overall as well as business or regulatory conditions in the executive's area of responsibility.</li> <li>4. Cases where individuals are asked to step into new roles and responsibilities for specific projects or strategic initiatives.</li> </ol>

**Base Salaries**

Initial base salaries are primarily a function of the Compensation Committee's assessment of (i) market compensation levels, (ii) the references made to base salary in our compensation philosophy for executive management, (iii) the compensation required to attract and retain the executive, and (iv) the Company's need to fill the position either internally or externally. As part of the 2018 compensation review, the Autoliv Compensation Committee increased based salaries for our named executive officers by approximately 3-4%, consistent with general market practice.

## Non-Equity Incentives

Members of our executive management team, including our named executive officers, are eligible to earn an annual non-equity incentive award based on achievement against pre-established performance criteria. Target payout amounts are reflected as a percentage of the executive's base salary, as set forth in the following table.

Named Executive Officer	Incentive as a % of Base Salary		
	Threshold	Target	Maximum
Jan Carlson	0%	75%	150%
Mathias Hermansson	0%	45%	90%
Lars Sjöbring	0%	35%	70%
Arthur Blanchford <sup>(1)</sup>	0%	45%	90%
Thomas Jönsson	0%	35%	70%
Johan Löfvenholm	0%	45%	90%
Peter Rogbrant <sup>(2)</sup>	0%	35%	70%

<sup>(1)</sup> Mr. Blanchford's target and maximum incentive level was increased to the percentages reflected in the table from 35% and 70% at the time of commencement of his new role.

<sup>(2)</sup> Mr. Rogbrant's target and maximum incentive level was increased to the percentages reflected in the table from 30% and 60% at the time of commencement of his new role.

The 2018 annual non-equity incentive award program consists of two separate measurement periods and targets reflecting the necessary shift in focus of executive management after the spin-off from Autoliv. For the period between January 1, 2018 and the spin-off Effective Date (the "Pre-Spin-off Measurement Period"), no performance targets were set and each participant received an amount equal to his or her target award, pro-rated based on the number of months in the shortened period. For the period between the Spin-off Effective Date and December 31, 2018 (the "Post Spin-off Measurement Period"), each participant was eligible to earn a non-equity incentive award, pro-rated based on the number of months in the such period, based upon the level of achievement of performance goals set by our Compensation Committee.

The non-equity incentive awards for the Post Spin-off Measurement Period were determined as a percentage of the target non-equity incentive award per named executive officer based on total Order Intake attributable to (a) the Autoliv electronics segment during the Pre-Spin-off Measurement Period and (b) the Company during the Second Measurement Period.

Order Intake is defined as the average annualized sales of documented new business awards based on the estimated average annual product volumes, average annual sales price for such products, and exchange rates.

**Threshold:** If the Order Intake is \$1.1 billion or less, the Company does not pay any annual incentive.

**Maximum:** If the Order Intake is \$1.35 billion or more the payment equals two times the target payout, the maximum payout under the program.

**Target:** If the Order Intake is \$1.2 billion the payment is made at target level. Payout for performance between threshold and target, and target and maximum is calculated through a linear interpolation ("along a straight line") between said levels.

The Company believes that using the single Order Intake measure provides a clear direction to our executives and promotes our approach through shared responsibility for overall results. In addition, the Company believes that a single performance metric enhances the transparency of our annual incentive program and provides easy to understand information for our investors. Finally, we believe a metric based on overall Company performance rather than individual or local performance mitigates the risk of excessive risk-taking that could arise from individual performance-based incentives. We believe this simple, transparent approach supports good corporate governance.

### *Actual Non-Equity Incentive Award Levels*

Annual non-equity incentive awards are directly tied to the Company's performance. The amount of the non-equity incentive awards earned by our named executive officers is reflected in the table below. For the period January to June 2018 no performance targets were set, and the payout was made at target level. For 2018,

Order Intake was approximately \$1.23 billion and the payout for the period July to December 2018, was made at 120% of target level.

Actual Pay-Out Annual Non-Equity Incentive Program	
Year	Pay-Out
January – June 2018 .....	100%
July – December 2018 .....	120%

The Compensation Committee may exercise its discretion, subject to the terms and conditions of the Company’s compensation plans, to make certain adjustments to performance metrics. The Compensation Committee did not exercise such discretion in 2018.

*Changes to Non-Equity Incentive Program*

For information regarding the changes we implemented to our Non-Equity Incentive Program in 2019, see “Material Changes to 2019 Compensation Program” later in this CD&A.

**Equity Incentives**

Veoneer has not yet granted long-term equity incentives but plans to introduce long-term equity incentives (LTI) consisting of grants of restricted stock units (RSUs) and performance shares in 2019.

RSUs and performance shares issued by Autoliv to certain Veoneer executives prior to the spin-off under the Autoliv LTI program were converted into adjusted awards relating to both shares of Autoliv and the Veoneer’s common stock at the time of the spin-off. The adjusted awards are subject to the same vesting conditions and other terms that applied to the applicable original Autoliv award immediately before the spin-off. Fifty percent (50%) of the outstanding stock award value associated with any Autoliv restricted stock units, performance shares or stock-options, as calculated immediately prior to the spin-off, was converted to an stock awards of Veoneer, and fifty percent (50%) to stock awards of Autoliv in each case with an adjustment to the number of shares as required to preserve the value inherent in the stock award before and after the spin-off. Such adjustments were performed in accordance with applicable U.S. tax rules, as necessary. The outstanding LTI awards received by some of our named executive officers during their employment by Autoliv represented a significant part of their total direct compensation for the years in which such awards were granted.

*Restricted Stock Units.* We believe that RSUs provide a powerful tool to retain valuable executives because:

- RSUs are easy to understand and communicate;
- Due to the expected three-year vesting schedule, RSUs encourage the executive to stay with the Company or forfeit significant accumulated value; and
- RSUs also mitigate excessive risk-taking by focusing management on long-term value creation and ownership accumulation that provides alignment with stockholders.

RSUs to be issued by the Company are expected to cliff-vest on the third anniversary of the grant date, subject to the grantee’s continued employment with the Company on such vesting date, subject to limited exceptions.

*Performance Shares.* We believe that performance shares focus and direct the efforts of our executives toward the attainment of critical multi-year corporate objectives as well as further encourage employment retention because:

- The performance metrics selected for the performance shares will be reflected in our long-term value creation; and
- Due to the performance period and three-year vesting period, performance shares will parallel the RSUs in encouraging the executive to stay with the Company or forfeit potential significant accumulated value.

## Pension / Retirement and Other Post-Employment Benefits

Veoneer provides certain supplemental retirement/pension and other post-employment benefits, in addition to the mandatory programs required by local national statutes, and maintains defined contribution plans for our named executive officers that are competitive with customary local practice. The programs' terms are as follows:

*Defined Contribution Programs* (individual retirement investment from Company contributions). All senior executives participate in defined contribution plans rather than defined benefit plans.

The Company contributes a percentage of each executive's annual base salary to the plan, as follows:

Retirement – Defined Contribution Level As % of annual base salary	
Name	Level of Contribution
Jan Carlson	48%
Mathias Hermansson <sup>(1)</sup>	35%
Lars Sjöbring <sup>(2)</sup>	35%
Arthur Blanchford <sup>(2)</sup>	<i>See below and “Nonqualified Deferred Compensation” table</i>
Thomas Jönsson	35%
Johan Löfvenholm <sup>(3)</sup>	35%
Peter Rogbrant <sup>(4)</sup>	35%

<sup>(1)</sup> Mr. Hermansson resigned as the CFO of the Company effective March 1, 2019. Pursuant to the terms of his Agreement of Resignation Conditions, the Company will continue to make contributions to the plan through June 20, 2019.

<sup>(2)</sup> Comprises contributions to both 401(k) and non-qualified contribution plans.

<sup>(3)</sup> Mr. Löfvenholm ceased serving as our COO as of December 1, 2018. Pursuant to the terms of his separation agreement, the Company will continue to make contributions to the plan through April 23, 2019.

<sup>(4)</sup> Mr. Rogbrant ceased serving as our EVP Engineering as of December 10, 2018. Pursuant to the terms of his separation agreement, the Company will continue to make contributions to the plan through April 23, 2019.

Both Messrs. Sjöbring and Blanchford participated in a 401(k) plan available to U.S. based employees in 2018. Under this plan, the Company makes an employer matching contribution equal to 100% of the first 3%, and then equal to 50% of the next 2% of employee contributions (expressed as percentage of base pay), up to certain limits. Messrs. Sjöbring and Blanchford also participated in a non-qualified defined contribution plan.

*Defined Benefits Program.* Mr. Carlson participated in a Company defined benefit plan prior to becoming CEO of Autoliv. This plan is frozen and remains with Autoliv. None of our named executive officers are parties to a defined benefit arrangement with the Company.

*Termination/Severance Agreements.* Each of our named executive officers has an employment agreement with the Company, pursuant to which he is entitled to certain severance benefits in the event of his termination of employment. In addition, each of Messrs. Carlson, Sjöbring and Löfvenholm has a change-in-control (“CiC”) severance agreement with the Company, pursuant to which the executive is entitled to certain severance benefits in the event of his termination of employment in connection with a CiC (which benefits would be in lieu of any benefits under the employment agreement). These arrangements were provided to certain of our most senior executive officers as a competitive pay package component to encourage executives to remain focused on the Company's business in the event of rumored or actual fundamental corporate changes.

Pursuant to the Autoliv 1997 Stock Incentive Plan and the Veoneer 2018 Stock Incentive Plan, outstanding equity awards will become fully vested upon the occurrence of a CiC. The “change-in-control” definition contained in Autoliv's 1997 Stock Incentive Plan and Veoneer's 2018 Stock Incentive Plan and change-in-control severance arrangements is predicated on actual consummation of a corporate transaction, such as a merger, rather than upon stockholder approval of the transaction. This avoids an inadvertent “early trigger” of any CiC provisions should the transaction fail to close.

We do not provide tax gross-up protection for CiC excise taxes (i.e., U.S. taxes under Section 4999 of the United States Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) applied to change-in-control payments that exceed certain amounts under Section 280G) to our named executive officers.

## **Executive Compensation Responsibilities**

### *Role of the Compensation Committee*

The Compensation Committee reviews our named executive officers' pay levels and target incentive opportunities versus the competitive market and considers information provided by the consultants regarding trends, input from the Executive Vice President, Human Resources, the CEO's recommendations as to compensation for our named executive officers (other than himself) and other relevant factors as discussed above in the "Compensation Philosophy" section.

### *Role of the Independent Compensation Committee Consultant*

The Compensation Committee regularly engages an independent advisor, who reports directly to the Compensation Committee. The independent advisor attends routine meetings of the Compensation Committee and provides independent perspective and advice to the Compensation Committee on various aspects of the Company's total compensation system and the market environment in which the Company operates. Additional information regarding the role of the Compensation Committee's advisor, FW Cook, may be found later in this CD&A in the "2018 Executive Compensation Decisions" section.

### *Role of the Chief Executive Officer*

Our CEO regularly participates in the meetings of the Compensation Committee. The CEO and Executive Vice President, Human Resources work together to develop a recommendation to present to the Compensation Committee with respect to compensation packages for each of our named executive officers, other than the CEO. As a result, our CEO generally has a significant impact on the compensation paid to the other named executive officers. In addition, the Compensation Committee has delegated to the CEO the authority for the determination of certain grants to employees other than executive officers under our long-term incentive plan, subject to established grant limits. The Compensation Committee regularly holds executive sessions, excusing the CEO from the meeting, to discuss matters related to the CEO's compensation.

### *Role of the Management Consultant*

Management periodically solicits the advice of external compensation consultants to ensure that the Company's compensation program is competitive with compensation programs offered by the companies in its peer group and companies in the markets in which the named executive officers are located. In 2018, Towers Watson assisted management with reviewing the Company's compensation program for executives, as described in more detail below.

### *Policies and Practices that Govern Executive Compensation at Veoneer*

The Veoneer Compensation Committee adopted certain policies effective as of the spin-off Effective Date that are applicable to each of our executive officers.

*Stock Ownership Guidelines.* Pursuant to these guidelines, each executive officer is expected to accumulate and hold shares of Company common stock having a value at least equal to (i) 2x his annual base salary, in the case of the CEO, and (ii) 1x annual base salary, in the case of each executive other than the CEO. Executives are expected to make continuous progress toward their respective ownership requirements. Until the executive has satisfied the stock ownership guidelines, he or she will be required to retain 75% of the net shares received upon settlement of restricted stock units granted. For purposes of these stock ownership guidelines, "net shares" are those shares held by the executive after deducting any shares withheld by the Company or sold by the executive for the sole purpose of satisfying the executive's tax liabilities and related fees, if any, related to the settlement event.

*Policy Against Hedging, Short-Selling and Pledging.* Any employee holding Veoneer securities is prohibited from engaging in hedging, short-selling or pledging with respect to such securities.

*Compensation Recoupment Policy.* We have a compensation recoupment policy that allows the Company to recoup from current and former executives annual incentive compensation that is subsequently determined not to have been earned in the event of a material restatement of the Company's financial results due to fraud, intentional misconduct, negligence, or dereliction of duties by the executive officer. The Company is also authorized to recoup equity compensation in the event an executive is found acting in a manner that is harmful to the interests of the Company such as a violation of Company policy.

## **Compensation Risk Assessment**

The Compensation Committee annually considers potential risks when reviewing and approving our compensation program. We have designed our compensation program, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated in our compensation program for executive officers:

*A Balanced Mix of Compensation Components* – The target compensation mix for our executive officers is composed of base salary, annual cash incentives, long-term equity incentives (to be first introduced in 2019), retirement/pension provisions and other benefits, representing a mix that is not overly weighted toward short-term cash incentives.

*Performance Factors* – Our incentive compensation plans use Company-wide goals. Annual cash incentives for corporate participants are dependent on Order Intake.

*Long-term Incentives* – When introduced, our long-term incentives will be equity-based and generally have a three-year vesting schedule to complement our annual cash-based incentives.

*Capped Incentive Awards* – Annual incentive awards and performance share awards are capped at 200% of target.

*Stock Ownership Guidelines* – Our guidelines call for meaningful share ownership, which aligns the interests of our executive officers with the long-term interests of our stockholders.

*Clawback Policy* – Our Board is authorized to recoup earned incentive compensation in the event of a material restatement of the Company’s financial results due to fraud, intentional misconduct, negligence, or dereliction of duties by the executive officer.

Additionally, the Compensation Committee considered an assessment of compensation-related risks including an inventory of incentive and commission arrangements below the executive level. Based on this assessment, the Compensation Committee concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on Veoneer. In making this determination, the Compensation Committee reviewed the key design elements of our compensation programs in relation to industry “best practices” as presented by FW Cook, the Compensation Committee’s independent compensation consultant, as well as the means by which any potential risks may be mitigated, such as through our internal controls and oversight by management and the Board of Directors.

## **2018 Executive Compensation Decisions**

### *The Process*

Since Veoneer was a segment of Autoliv until the completion of the spin-off on June 29, 2018, the total compensation for our named executive officers holding executive roles in Autoliv during December 2017 was reviewed by the Leadership Development and Compensation Committee of Autoliv (the “Autoliv Compensation Committee”).

For 2018, the Autoliv Compensation Committee considered changes in total compensation levels for the named executive officers after it reviewed the relevant peer group or local market data (per position). The Autoliv Compensation Committee used this information as one input in its decision-making process. In addition to market data, the Autoliv Compensation Committee also reviewed the Company’s financial performance, the named executive officers’ individual performance, input from the Group Vice President, Human Resources of Autoliv, and the recommendations of the CEO of Autoliv with respect to the compensation packages for the named executive officers other than himself. The Autoliv Compensation Committee reviewed, provided feedback and approved the final recommendations for the compensation of our named executive officers.

The Autoliv Compensation Committee reviewed the 2018 compensation for our executives and the recommendations made by the CEO other than for himself, during its meetings held in December 2017 and February 2018 and decided on the 2018 compensation levels. The review was supported by a comprehensive analysis and market review prepared by Towers Watson.

### *The Advisors*

Throughout the decision-making process for 2018 compensation, which included the Autoliv Compensation Committee's December 2017 meeting, and other Autoliv and Veoneer Compensation Committee meetings occurring in 2018, the Compensation Committee engaged FW Cook who reported directly to the Compensation Committee. During 2018, FW Cook attended the majority of the Compensation Committee's meetings and provided input for each meeting, including:

- independent perspective and advice to the Compensation Committee on various aspects of the Company's total compensation system;
- information about the market environments in which the Company operates, including guidance regarding compensation trends, compensation levels and compensation mix within the market;
- information about the regulatory developments in executive and director compensation;
- recommendations regarding program design and structure; and
- recommendations regarding compensation levels and mix for our executive officers and members of the Board.

FW Cook did not provide any additional services to the Company other than those described herein.

In 2017, Autoliv engaged Towers Watson to assist in setting the compensation for 2018. At the direction of management, Towers Watson was assigned specific tasks related to the compensation of our senior executive officers, including:(i) review of peer group and pay changes in the 2018 employment market, (ii) compilation of peer groups for our named executive officers, and (iii) compensation analysis for the Compensation Committee

### **The Peer Groups**

In line with the principles of Autoliv's compensation philosophy applicable as of December 2017 for the compensation review of our named executive officers, the Autoliv Compensation Committee reviewed the most current compensation data available in selected markets. This included market data from Sweden and the U.S. Towers Watson used its proprietary compensation database to assess local market compensation levels for executive roles operating within the general, high-tech, automotive and manufacturing industries. Such market assessments were based on our named executive officers' roles, characteristics and responsibilities including job function, reporting level and other organizational financial and organizational scope measures, including revenue responsibility, employees, and geographical responsibility. The market data contained information regarding the assessed level of base salary, total cash compensation, total direct compensation and total compensation.

#### *Swedish Peer Group*

*Messrs. Carlson, Jönsson and Löfvenholm.* In considering compensation for 2018 for our named executive officers based in Sweden, the Autoliv Compensation Committee reviewed, among other factors, market data (base salary, total target cash compensation, total direct compensation and total compensation) from a peer group consisting of large-cap Swedish companies that have global industrial operations of substantial size in major manufacturing markets of North America, Europe and Asia (the "Swedish peer group") headquartered in Sweden and with executives based in Sweden with Swedish employment conditions. The Swedish peer group for 2018 consisted of the following companies:

AB Volvo	Scania AB	Assa Abloy AB
Telefonaktiebolaget LM Ericsson	Atlas Copco AB	SSAB AB
Volvo Car AB	Stora Enso Oyj	Husqvarna AB
Skanska AB	Sandvik AB	Alfa Laval AB
AB Electrolux	SKF AB	

*Mr. Sjöbring.* In considering compensation for 2018, the Autoliv Compensation Committee reviewed, among other factors, market data (base salary, total target cash compensation, total direct compensation and total compensation) from a peer group consisting of U.S. companies that were selected based on market capitalization, total revenue and number of employees.

The companies comprising the 2018 U.S. peer group are listed below:

Johnson Controls International	Textron Inc.	Dana Incorporated
Northrop Grumman Corporation	Parker Hannifin Corporation	Rockwell Automation Inc.
Whirlpool Corporation	Stanley Black & Decker Inc.	Rockwell Collins Inc.
Eaton Corporation	L3 Technologies Inc.	Harris Corporation
Faurecia S.A.	BorgWarner Inc.	Terex Corporation
Lear Corporation	Harman International	Trinity Industries Inc.
Jabil Inc.	Spirit AeroSystems Holdings	The Timken Company
ZF TRW Automotive Holdings	Oshkosh Corporation	SPX Corporation

*Messrs. Blanchford and Rogbrant.* Messrs. Blanchford and Rogbrant were not holding executive roles with Autoliv during the December 2017 compensation review, and, for this reason, their compensation review was included in another process and their compensation was benchmarked against a published salary survey.

### **Findings and Decisions for 2018 Compensation**

The following section of this CD&A focuses on the data reviewed by the Autoliv Compensation Committee in its December 2017 meeting and the decisions linked to compensation paid to our named executive officers for 2018.

The Autoliv Compensation Committee reviewed the compensation for the executives taking internal, external and personal factors into consideration and one of the factors considered is the current market position of respective named executive officers. Although the analysis provided an additional input to decision making, Autoliv was aware of the fact that the limited number of peer group companies in Sweden where the majority of our named executive officers are located may result in inconsistencies in year-over-year analysis.

The percentage changes in each element of compensation set forth below reflect the Autoliv Compensation Committee's decisions in December 2017.

*Jan Carlson.* Based on the market data and the other factors the Autoliv Compensation Committee considered, the Autoliv Compensation Committee approved the following changes to Mr. Carlson's 2018 compensation:

Base Salary Adjustment for 2018	Target STI Adjustment for 2018	Approved Target Grant Value of Stock Incentive Plan for 2018	Retirement/ Pension Solution for 2018
Increased by 4.0%	No change (remained at 75% of base salary)	Increased by 4.0%	No change (contribution level remained at 48% of base salary)

*Thomas Jönsson.* Based on the market data and the other factors the Autoliv Compensation Committee considered, the Autoliv Compensation Committee approved the following changes to Mr. Jönsson's 2018 compensation:

Base Salary Adjustment for 2018	Target STI Adjustment for 2018	Approved Target Grant Value of Stock Incentive Plan for 2018	Retirement/ Pension Solution for 2018
Increased by 3.0%	No change (remained at 35 % of base salary)	No change (remained at the same grant value in USD)	No change (contribution level remained at 35% of base salary)

*Johan Löfvenholm.* Based on the market data and the other factors the Autoliv Compensation Committee considered, the Autoliv Compensation Committee approved the following changes to Mr. Löfvenholm's 2018 compensation:

Base Salary Adjustment for 2018	Target STI Adjustment for 2018	Approved Target Grant Value of Stock Incentive Plan for 2018	Retirement/ Pension Solution for 2018
Increased by 3.0%	No change (remained at 45 % of base salary)	No change (remained at the same grant value in USD)	No change (contribution level remained at 35% of base salary)



*Lars Sjöbring.* Based on the market data and the other factors the Autoliv Compensation Committee considered, the Autoliv Compensation Committee approved the following changes to Mr. Sjöbring's 2018 compensation:

Base Salary Adjustment for 2018	Target STI Adjustment for 2018	Approved Target Grant Value of Stock Incentive Plan for 2018	Retirement/ Pension Solution for 2018
Increased by 3.5%	No change (remained at 35 % of base salary)	No change (remained at the same grant value in USD)	No change (contribution level remained at 35% of base salary)

*Messrs. Blanchford and Rogbrant.* As described above, Messrs. Blanchford and Rogbrant were not holding executive roles with Autoliv during the December 2017 compensation review, for this reason their compensation review was included in our annual senior management review process and approved by the CEO and Group Vice President, Human Resources and Sustainability of Autoliv, Inc., and their compensation was benchmarked against a published salary survey. Their base salaries were increased by 3.5% and 4% respectively in line with the general salary increase levels for other senior officers of Autoliv.

#### *2018 Additional Benefits*

The Company's executive compensation program also included certain retirement/pension benefits and certain other items of compensation, such as a company car. The Compensation Committee believes these benefits are appropriate for each of our named executive officers.

#### **Additional 2018 Compensation Decisions**

##### *Arrangements with Messrs. Carlson, Hermansson, Blanchford, Sjöbring and Jönsson*

*Mr. Carlson.* Mr. Carlson entered into a new employment agreement and a new change-in-control severance agreement with Veoneer, effective as of the spin-off. Mr. Carlson's employment agreement provides that he is entitled to an annual base salary of SEK 12,599,575 (approximately \$1,404,500). Mr. Carlson has the opportunity to participate in Veoneer's bonus plan for executive officers, with an initial target cash bonus of seventy-five percent (75%) of his base salary, and he is eligible to receive equity grants under Veoneer's stock incentive plan. During his employment, Veoneer will pay pension premiums for defined contribution pension insurance in Sweden, with an amount equal to forty-eight percent (48%) of his base salary. In addition, Veoneer will provide Mr. Carlson with certain local benefits. For additional information about these benefits, see footnote 4 to the Summary Compensation table. For information regarding Mr. Carlson's severance benefits under his employment agreement, see the "Potential Payments Upon Termination or Change in Control" section below.

Mr. Carlson's employment agreement also provides that he is eligible to receive a \$6,000,000 retention bonus payable in lieu of his right to severance upon terminating his employment with Autoliv at the time of the spin-off, and recognizes the critical importance of his continued service and leadership during the formation of Veoneer. The retention bonus will be paid in three equal installments in each of July 2019, 2020, and 2021, provided that he remains employed by Veoneer on each such date. Fifty percent (50%) of the retention bonus will be paid annually at the time of vesting in a fixed cash amount (\$1,000,000 annually), and fifty percent (50%) will be denominated in Veoneer restricted stock units on the effective date of the spin-off and paid annually in one-third installments in cash ("Cash-Settled Retention RSUs"). In the event that prior to July 1, 2021, Mr. Carlson is given notice of termination by Veoneer for reasons other than "cause" or "disability," or Mr. Carlson gives notice of termination for reasons that constitute "good reason" (as such terms are defined in the employment agreement) all retention payments made to date will be deducted from any payments to Mr. Carlson due under the employment agreement following the date of notice. Any unvested portion of the retention bonus on the date of notice will be forfeited. If Mr. Carlson gives notice of termination and resigns or gives notice of his retirement prior to July 1, 2021, any unvested portion of the retention bonus on the date of notice also will be forfeited. If Mr. Carlson dies or is given notice of termination by Veoneer by reason of his disability, the remaining unpaid retention amounts will be accelerated and paid in a single lump sum to Mr. Carlson or his estate, as applicable.

*Mr. Hermansson.* Mr. Hermansson entered into a new employment agreement with Autoliv in connection with his commencement of employment which has been transferred to Veoneer. Mr. Hermansson's employment agreement provides that he is entitled to an annual base salary of SEK 5,000 000 (approximately \$557,400). Mr. Hermansson has the opportunity to participate in Veoneer's bonus plan for executive officers, with an initial

target cash bonus of forty-five percent (45%) of his base salary, and he is eligible to receive equity grants under Veoneer's stock incentive plan. During his employment, Veoneer will make pension contributions equivalent to thirty-five percent (35%) of Mr. Hermansson's base salary. In addition, Veoneer provides Mr. Hermansson with certain local benefits. For additional information about these benefits, see footnote 4 to the Summary Compensation table. For information regarding Mr. Hermansson's severance benefits under his employment agreement, see the "Potential Payments Upon Termination or Change in Control" below.

Mr. Hermansson's employment agreement also provides that his 2018 long-term incentive award would be increased by \$238,000 as a retention bonus. If Mr. Hermansson is given notice of termination for other reasons "cause" or Mr. Hermansson gives notice of termination for reasons that constitute "good reason" (as such terms are defined in the employment agreement) the Company can elect either let the retention RSUs be immediately vested or make a cash compensation at the corresponding value.

*Mr. Sjöbring.* Mr. Sjöbring entered into a new employment agreement and a new change-in-control severance agreement with Veoneer, effective as of the spin-off. Mr. Sjöbring's employment agreement provides that he is entitled to an annual base salary of \$705,042. Mr. Sjöbring has the opportunity to participate in Veoneer's bonus plan for executive officers, with an initial target cash bonus of thirty-five percent (35%) of his base salary, and he is eligible to receive equity grants under Veoneer's stock incentive plan. During his employment, Mr. Sjöbring is eligible to participate in any non-qualified deferred compensation plan and/or qualified retirement plans and any additional welfare benefit plans, practices, policies and programs provided by Veoneer to similarly-situated executives. Veoneer makes additional contributions to a non-qualified deferred compensation plan equivalent to an amount such that the total value of all matches and contributions by Veoneer to the U.S. savings plans will be equivalent to thirty-five percent (35%) of Mr. Sjöbring's base salary. In addition, Veoneer provided Mr. Sjöbring with certain local benefits. For additional information about these benefits, see footnote 4 to the Summary Compensation table. For information regarding Mr. Sjöbring's severance benefits under his employment agreement, see the "Potential Payments Upon Termination or Change in Control" section below.

*Mr. Blanchford.* Mr. Blanchford entered into a new employment agreement with Veoneer, effective as of the spin-off. Mr. Blanchford's employment agreement provides that he is entitled to an annual base salary of \$494,009. Mr. Blanchford has an opportunity to participate in Veoneer's bonus plan for executive officers, with an initial target cash bonus of forty-five percent (45%) of his base salary, and is eligible to receive equity grants under Veoneer's stock incentive plan. During his employment, Mr. Blanchford is eligible to participate in any non-qualified deferred compensation plan and/or qualified retirement plans and any additional welfare benefit plans, practices, policies and programs provided by Veoneer to similarly-situated executives. In addition, Veoneer provides Mr. Blanchford with certain local benefits. For additional information about these benefits, see footnote 4 to the Summary Compensation table. For information regarding Mr. Blanchford's severance benefits under his employment agreement, see the "Potential Payments Upon Termination or Change in Control" section below.

*Mr. Jönsson.* Mr. Jönsson entered into a new employment agreement with Veoneer, effective as of the spin-off. Mr. Jönsson's employment agreement provides that he is entitled to an annual base salary of SEK 2,548,706 (approximately \$284,100). Mr. Jönsson has an opportunity to participate in Veoneer's bonus plan for executive officers, with an initial target cash bonus of thirty-five percent (35%) of his base salary, and he is eligible to receive equity grants under Veoneer's stock incentive plan. During his employment, Veoneer makes pension contributions equivalent to thirty-five percent (35%) of Mr. Jönsson's base salary. In addition, Veoneer provides Mr. Jönsson with certain local benefits. For additional information about these benefits, see footnote 4 to the Summary Compensation table. For information regarding Mr. Jönsson's severance benefits under his employment agreement, see the "Potential Payments Upon Termination or Change in Control" section below.

#### *Severance Arrangements with Messrs. Löfvenholm and Rogbrant*

During 2018, the Company entered into separation arrangements with each of Messrs. Löfvenholm and Rogbrant. For information regarding the severance benefits provided under these agreements, see the "Potential Payments Upon Termination or Change in Control" section below.

#### *Agreement on Resignation Conditions with Mr. Hermansson*

During 2018, the Company entered into an Agreement on Resignation Conditions with Mr. Hermansson. For information regarding the benefits provided under this agreement, see the "Potential Payments upon Termination or Change in Control" section below.

## **Material Changes to 2019 Compensation Program**

The Compensation Committee made certain changes to our 2019 compensation program as summarized below:

- The Compensation Committee approved a change to its annual non-equity incentive award program, effective for 2019, and introduced additional performance criterion. Eligible employees will receive their annual non-equity incentive based on achievement of equally weighted pre-established targets for Order Intake and RD&E net spend.
- The Compensation Committee approved a new Long-Term Equity Incentive (LTI) Program pursuant to which our named executive officers will receive 75% of their 2019 LTI awards in the form of performance shares (PSs) and the remaining 25% in RSUs. Performance shares are payable in Company common stock at the time of vesting. The number of shares of common stock issued for PSs is determined by the achievement of pre-established performance goals over an identified performance, or vesting, period. For the 2019 LTI Program, our named executive officers may earn 0%-200% of a target number of PSs based on the Company's achievement of annual gross margin goals established by the Compensation Committee at the beginning of each year during a three-year performance period. The final number of earned awards is further subject to downward adjustment based on the Company's share price measured at the end of the three-year performance period. The Compensation Committee believes that annual gross margin performance targets are appropriate at this time. The Committee intends to implement three-year cumulative targets for PSs for future LTI programs when practical.
- To further enhance our governance practices, the Compensation Committee has approved a "double-trigger" Change-in-Control acceleration provision for our 2019 LTI Program (instead of the single-trigger acceleration provision applicable to current outstanding RSUs). Specifically, (i) in the event of a Change in Control, as defined in the 2018 Stock Incentive Plan, in which the LTI awards are assumed by the surviving entity, if the employee's employment is terminated without cause (or, in certain cases, if he or she resigns for good reason) within two years following the Change in Control, then the RSUs and PSs will immediately vest (at actual performance achievement for fulfilled performance periods and at the target level for unfulfilled performance periods, in the case of PSs); and (ii) in the event of a Change in Control in which the awards are not assumed by the surviving entity, then the RSUs and PSs will become immediately vested (at actual performance achievement for fulfilled performance periods and at the target level for unfulfilled performance periods, in the case of the PSs).

## **Currencies for Executive Compensation**

The Company generally sets cash-based compensation (including for all of our named executive officers) in the local currency of the country of service. Accordingly, the Company set compensation in Swedish kronor ("SEK") for Messrs. Carlson, Hermansson, Jönsson, Löfvenholm and Rogbrant, and in U.S. dollars ("USD") for Messrs. Sjöbring and Blanchford, except for the annual target grant value of the LTI awards for which the compensation is set in USD for all of our named executive officers. All amounts have been converted to USD using the following exchange rate: 1 USD = 8.971 SEK. For historic numbers, we have converted the compensation paid in prior years by the same exchange rate in order to facilitate comparison. Thus, while the historic amounts paid do not change, due to fluctuations in exchange rates, amounts reflecting historic figures may differ significantly from disclosure in previous years. We also note that the exchange rate prevailing at the time of the Compensation Committee's review of compensation may vary significantly from the exchange rates prevailing at the time this Prospectus is prepared. As a result, the year-to-year percentage changes in compensation reviewed and approved by the Compensation Committee may differ significantly from the percentage changes in compensation presented due to fluctuations in exchange rates.

## EXECUTIVE COMPENSATION

The following table shows information concerning the annual compensation for services provided by our named executive officers in the fiscal years ended December 31 in the periods 2016, 2017 and 2018.

<u>Summary Compensation Table<sup>(1)</sup></u>								
Name and Principal Position	Year	Base Salary \$	Bonus \$	Stock Awards <sup>(2)</sup> \$	Non-Equity Incentive plan Compensation \$	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(3)</sup> \$	All Other Compensation <sup>(4)</sup> \$	TOTAL \$
<i>Jan Carlson, President and CEO</i>								
	2018	1,688,885 <sup>(5)</sup>		4,030,681 <sup>(6)</sup>	1,158,695	7,482	726,883	7,612,626
	2017	1,569,234		991,155	1,012,845	17,046	697,164	4,287,444
	2016	1,396,118		938,247	1,495,152	30,962	658,486	4,518,967
<i>Mathias Hermansson, Former CFO and EVP Finance<sup>(7)</sup></i>								
	2018	547,553		609,305 <sup>(8)</sup>	271,480	—	701,492	2,129,831
<i>Lars Sjöbring, EVP Legal Affairs, General Counsel</i>								
	2018	705,042	1,000,000 <sup>(9)</sup>	371,289	271,441	—	294,509	2,642,281
	2017	681,200		371,392	238,420	—	287,622	1,578,634
	2016	655,000		351,545	355,338	—	335,885	1,697,767
<i>Art Blanchford, EVP Business Unit<sup>(10)</sup></i>								
	2018	494,009		79,197	207,484	—	100,850	881,539
<i>Thomas Jönsson, EVP Communications/IR<sup>(11)</sup></i>								
	2018	284,105		265,977	109,380	—	117,557	777,019
	2017	275,830		265,945	96,541	—	115,964	754,280
<i>Johan Löfvenholm, Former COO<sup>(11)</sup></i>								
	2018	358,009		371,289	217,973	—	1,729,922	2,677,193
	2017	427,523		397,648	155,832	—	166,305	1,147,308
<i>Peter Rogbrant, Former EVP Engineering<sup>(10)</sup></i>								
	2018	155,548		79,197	69,959	—	658,181	962,885

<sup>(1)</sup> The amounts contained in the table were paid in Swedish Kronor and USD. All amounts have been converted to U.S. dollars using the following exchange rates: 1 USD = 8.971. Amounts are rounded to the nearest whole number and, as a result of such rounding, the amounts reflected in the "Total" column may differ slightly from the sum of amounts set forth in each individual column.

<sup>(2)</sup> The numbers reflect the aggregate grant-date fair value of the RSUs granted through Autoliv's Stock Incentive Plan in each respective year and the performance shares granted in 2016 and 2017, calculated in accordance with FASB Topic 718. The fair value of the RSUs and performance shares granted in 2017 and 2018 was calculated based on the closing price per share of Autoliv stock on the grant date. The fair value of RSUs and performance shares granted in 2016 was calculated using the Black Scholes valuation model. The assumptions made in the valuation of the RSUs and the performance shares granted in 2016 are contained in Note 15 "Stock Incentive Plan" to the Company's consolidated financial statements contained in the Company's 2018 Annual Report. The grant date fair value of the performance shares was computed by multiplying (i) the target number of performance shares awarded to each named executive officer, which was the assumed probable outcome as of the grant date, by (ii) the grant date fair value per share used for financial reporting purposes. Assuming, instead, that the highest level of performance conditions would be achieved, the grant date fair values of the performance shares would have been as follows: (i) 2017: Mr. Carlson, \$991,155; Mr. Sjöbring, \$371,392; Mr. Jönsson, \$265,945 and Mr. Löfvenholm, \$397,648; and (ii) 2016: Mr. Carlson, \$927,851 and Mr. Sjöbring, \$347,650.

<sup>(3)</sup> All amounts contained in the column relate to Change in Pension Value as used for accounting purposes according to U.S. GAAP.

<sup>(4)</sup> The following table reflects the items that are included in the All Other Compensation column for 2018.

Name	2018 All Other Compensation					TOTAL \$
	Perquisites \$( <sup>a</sup> )	Company Contributions to Defined Contribution Plans \$( <sup>b</sup> )	Tax Payment \$	Vacation Supplement \$( <sup>c</sup> )	Severance \$( <sup>d</sup> )	
Jan Carlson	48,160	674,150	—	4,574	—	726,883
Mathias Hermansson	14,714	191,644	—	372	494,763	701,492
Lars Sjöbring	47,745	246,765	—	—	—	294,509
Arthur Blanchford	79,120	21,730	—	—	—	100,850
Thomas Jönsson	13,631	99,437	—	4,489	—	117,557
Johan Löfvenholm	5,082	125,303	—	6,131	1,593,406	1,729,922
Peter Rogbrant	2,090	50,271	—	1,863	603,958	658,181

<sup>a</sup> For Mr. Carlson, reflects the value of a company car (\$32,684), company-paid healthcare benefits, and a home alarm system. For Mr. Hermansson, reflects the value of a company car and company-paid healthcare benefits. For Mr. Sjöbring, reflects the value of a

company car (\$29,377) and company-paid healthcare benefits. For Mr. Blanchford, reflects the value of a company car (\$35,480), company-paid healthcare benefits and reimbursement for school fees (\$25,541). For Mr. Jönsson, reflects the value of a company car and company-paid healthcare benefits. For Mr. Löfvenholm, reflects the value of a company car and company-paid health care benefits. For Mr. Rogbrant, reflects the value of a company car and company-paid health care benefits. For all perquisites, the value reported reflects the aggregate incremental cost to the Company of providing the benefit. The Company determined the cost of the company car based on the value of the lease payment or car allowance paid, as applicable.

- b. Reflects for Messrs. Carlson, Hermansson, Jönsson, Löfvenholm and Rogbrant contributions to the named executive officer's defined contribution plans. Reflects for Mr. Sjöbring, \$9,954 in matching contributions to the U.S. 401(k) plan, \$39,482 in matching contributions to the Veoneer US Non-Qualified Retirement Plan and \$197,329 as contribution to the Supplemental Plan. Reflects for Mr. Blanchford, \$11,090 in matching contributions to the U.S. 401(k) plan and \$10,640 in matching contributions to the Veoneer US Non-Qualified Retirement Plan.
- c. Reflects for Messrs. Carlson, Hermansson, Jönsson, Löfvenholm and Rogbrant the vacation supplement required by Swedish labor law.
- d. Reflects the accrued severance paid in 2018 or that will become payable to Messrs. Löfvenholm and Rogbrant in 2019 and 2020 and accrued payments during notice period in 2018 or that will become payable to Mr. Hermansson in 2019.
- (5) Includes payment from Autoliv of \$284,407 to Mr. Carlson for unused vacation days.
- (6) Includes the grant date fair value (\$2,999,985) of the Cash-Settled Retention RSUs granted to Mr. Carlson effective as of the spin-off, which vest in three equal installments in July 2019, 2020 and 2021 provided that Mr. Carlson remain employed on such dates.
- (7) Mr. Hermansson commenced his employment in January 2018 and was not a named executive officer in 2016 and 2017. Mr. Hermansson resigned as the CFO of the Company effective March 1, 2019.
- (8) Includes the grant date fair value (\$238,000) related to the one-time increase in Mr. Hermansson's 2018 LTI grant for retention purposes. In connection with his resignation, he has forfeited all stock awards granted in 2018.
- (9) Reflects the retention bonus paid to Mr. Sjöbring in 2018.
- (10) Messrs. Blanchford and Rogbrant were not executive officers prior to the spin-off and were not named executive officers in 2016 and 2017.
- (11) Messrs. Jönsson and Löfvenholm were not named executive officers in 2016 and 2017 but their compensation for 2017 was disclosed in the information statement in connection with the spin-off.

#### 2018 Grants of Plan-Based Awards Table

The following table summarizes grants of plan-based awards to named executive officers made in the year ended December 31, 2018.

Name, Grant Date	Threshold (\$)	Target (\$)	Maximum (#)	All other Stock awards: Number of shares of stock units (#)	Grant date fair value of stock and option awards (\$) <sup>(1)</sup>
<b>Jan Carlson</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	7,262	1,030,696
6/29/2018 <sup>(3)</sup>	—	—	—	74,906	2,999,985
	0	1,053,359	2,106,717	—	
<b>Mathias Hermansson</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	4,293	609,305
	0	246,399	492,798	—	—
<b>Lars Sjöbring</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	2,616	371,289
	0	246,765	493,529	—	—
<b>Arthur Blanchford</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	558	79,197
	0	185,253	370,507	—	—
<b>Thomas Jönsson</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	1,874	265,977
	0	99,437	198,874	—	—
<b>Johan Löfvenholm</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	2,616	371,289
	0	161,104	322,208	—	—
<b>Peter Rogbrant</b>					
2/13/2018 <sup>(2)</sup>	—	—	—	558	79,197
	0	62,936	125,872	—	—

(1) Reflects the aggregate grant date fair value of the RSUs calculated in with the actual share price on the day of grant.

(2) Reflects RSUs received pursuant to Autoliv's Stock Incentive Plan, which RSUs vest on the third anniversary of the date of grant, subject to the executive's continued employment on such date.

(3) Carlson's Cash-Settled Retention RSUs, which vest in three equal installments in July 2019, 2020 and 2021, provided that Mr. Carlson remain employed on such dates.

## Outstanding Equity Awards at 2018 Fiscal Year-End

The following table summarizes the total number of securities underlying outstanding plan awards for the named executive officers on December 31, 2018.

Name (Grant Year, Award Type)	Option Awards <sup>(1)</sup>				Stock Awards <sup>(1)</sup>			
	Number of Securities Underlying Unexercised Opinions (#) Exercisable	Number of Securities Underlying Unexercised Opinions (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(6)</sup> (\$)	Equity Incentive Plan Awards: Number of unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
<u>Jan Carlson</u>								
2018 Veoneer .....	—	—	—	—	74,906 <sup>(2)</sup>	1,765,534	—	—
2018 Veoneer .....	—	—	—	—	12,114	285,527	—	—
2018 Autoliv .....	—	—	—	—	5,236	367,724	—	—
2017 Veoneer .....	—	—	—	—	13,400	315,838	—	—
2017 Autoliv .....	—	—	—	—	5,792	406,772	—	—
2016 Veoneer .....	—	—	—	—	13,338	314,377	—	—
2016 Autoliv .....	—	—	—	—	5,681	398,977	—	—
2015 Veoneer .....	21,071	—	34.25	2/16/2025	—	—	—	—
2015 Autoliv .....	8,976	—	80.40	2/16/2025	—	—	—	—
2014 Veoneer .....	22,888	—	28.67	2/19/2024	—	—	—	—
2014 Autoliv .....	9,750	—	67.29	2/19/2024	—	—	—	—
<u>Mathias Hermansson</u>								
2018 Veoneer .....	—	—	—	—	7,161 <sup>(3&amp;5)</sup>	168,785	—	—
2018 Autoliv .....	—	—	—	—	3,095 <sup>(3&amp;5)</sup>	217,362	—	—
<u>Lars Sjöbring</u>								
2018 Veoneer .....	—	—	—	—	4,363	102,836	—	—
2018 Autoliv .....	—	—	—	—	1,886	132,454	—	—
2017 Veoneer .....	—	—	—	—	5,021	118,345	—	—
2017 Autoliv .....	—	—	—	—	2,170	152,399	—	—
2016 Veoneer .....	—	—	—	—	4,998	117,803	—	—
2016 Autoliv .....	—	—	—	—	2,128	149,449	—	—
2015 Veoneer .....	—	—	—	—	20,240 <sup>(4)</sup>	477,057	—	—
2015 Autoliv .....	—	—	—	—	8,622 <sup>(4)</sup>	605,523	—	—
<u>Arthur Blanchford</u>								
2018 Veoneer .....	—	—	—	—	930	21,920	—	—
2018 Autoliv .....	—	—	—	—	402	28,232	—	—
2017 Veoneer .....	—	—	—	—	1,070	25,220	—	—
2017 Autoliv .....	—	—	—	—	461	32,376	—	—
2016 Veoneer .....	—	—	—	—	1,065	25,102	—	—
2016 Autoliv .....	—	—	—	—	453	31,814	—	—
<u>Thomas Jönsson</u>								
2018 Veoneer .....	—	—	—	—	3,126	73,680	—	—
2018 Autoliv .....	—	—	—	—	1,351	94,881	—	—
2017 Veoneer .....	—	—	—	—	3,595	84,734	—	—
2017 Autoliv .....	—	—	—	—	1,553	109,067	—	—
2016 Veoneer .....	—	—	—	—	3,579	84,357	—	—
2016 Autoliv .....	—	—	—	—	1,524	107,031	—	—
2015 Veoneer .....	5,656	—	34.25	2/16/2025	—	—	—	—
2015 Autoliv .....	2,409	—	80.40	2/16/2025	—	—	—	—
<u>Johan Löfvenholm</u>								
2018 Veoneer .....	—	—	—	—	4,363 <sup>(5)</sup>	102,836	—	—
2018 Autoliv .....	—	—	—	—	1,886 <sup>(5)</sup>	132,454	—	—
2017 Veoneer .....	—	—	—	—	5,376 <sup>(5)</sup>	126,712	—	—
2017 Autoliv .....	—	—	—	—	2,323 <sup>(5)</sup>	163,144	—	—
2016 Veoneer .....	—	—	—	—	3,579	84,357	—	—
2016 Autoliv .....	—	—	—	—	1,524	107,031	—	—
2015 Veoneer .....	5,656	—	34.25	2/16/2025	—	—	—	—
2015 Autoliv .....	2,409	—	80.40	2/16/2025	—	—	—	—
<u>Peter Rogbrant</u>								
2018 Veoneer .....	—	—	—	—	930 <sup>(5)</sup>	21,920	—	—
2018 Autoliv .....	—	—	—	—	402 <sup>(5)</sup>	28,232	—	—
2017 Veoneer .....	—	—	—	—	1,070 <sup>(5)</sup>	25,220	—	—
2017 Autoliv .....	—	—	—	—	461 <sup>(5)</sup>	32,376	—	—

- (1) All outstanding stock awards granted under Autoliv's equity compensation programs were converted to adjusted awards relating to both shares of Autoliv and Veoneer common stock. The outstanding awards in the table above reflects the adjusted number of awards following the conversion. Except as otherwise noted, the above plan awards were originally granted on February 19, 2014, February 16, 2015, February 15, 2016, February 19, 2017 and February 13, 2018. All options granted are for 10-year terms with an exercise price equal to the fair market value (as defined in the 1997 Plan) per share on the date of grant, as adjusted in the spin-off, and become exercisable after one year of continued employment following the grant date. Except as otherwise noted, all RSUs granted generally cliff vest after three years. The RSUs granted in 2016 will vest annually over a period of three years following the grant date. Amount reflected in this table include RSUs acquired through dividend equivalent rights.
- (2) Reflects the number of Cash-Settled Retention RSUs that were granted to Mr. Carlson on June 29, 2018 that will vest in three equal installments in July 2019, 2020 and 2021 provided that Mr. Carlson remains employed on such date.
- (3) Includes the additional retention grant that was made to Mr. Hermansson in February 2018.
- (4) Mr. Sjöbring's RSUs were originally granted on November 16, 2015 and cliff vest after five years.
- (5) These shares will be forfeited prior to vesting due to Messrs. Löfvenholm, Rogbrant's and Hermansson's separation from the Company.
- (6) The closing price on the NYSE for Autoliv and Veoneer common stock on December 31, 2018, the last trading day of the year, was ALV \$70.23 and VNE \$23.57.

## **Option Exercises and Stock Vested During 2018**

The following table summarizes for each of our named executive officers the option awards that were exercised and RSUs that vested during the year ended December 31, 2018.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)<sup>(1)</sup></u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)<sup>(2)</sup></u>
Jan Carlson . . . . .	—	—	5,821	849,769
Mathias Hermansson . . . . .	—	—	—	—
Lars Sjöbring . . . . .	—	—	591	86,552
Arthur Blanchford . . . . .	—	—	476	69,486
Thomas Jönsson . . . . .	—	—	1,562	228,026
Johan Löfvenholm . . . . .	—	—	1,562	228,026
Peter Rogbrant . . . . .	—	—	—	—

- (1) The value realized upon the exercise of stock options was calculated as the number of options exercised multiplied by the difference between the price of a share of our common stock on the date of exercise and the exercise price of the stock option.
- (2) The value realized on vesting of RSUs shown in the table above was calculated as the product of the closing price of a share of Autoliv's common stock on the vesting date multiplied by the number of RSUs vested.

## **Pension Benefits**

The following table summarizes the present value of the benefit (and other information) under the defined benefit plan of the Company for Mr. Carlson in the year ended December 31, 2018. Messrs. Hermansson, Sjöbring, Blanchford, Jönsson, Löfvenholm and Rogbrant do not participate in a defined benefit plan. Mr. Carlson has not participated in a defined benefit plan since 2007, when he became the CEO for Autoliv, this defined benefit plan remained with Autoliv.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Services (#)</u>	<u>Present Value of Accumulated Benefit (\$)</u>	<u>Payments during Last Fiscal Year (\$)</u>
Jan Carlson <sup>(1)</sup> . . . . .	Defined Benefit	2	291,047 <sup>(2)</sup>	0

- (1) Before becoming CEO of Autoliv, Mr. Carlson participated in a defined benefit plan, which is now frozen and remains with Autoliv. The future defined benefit entitlement is based on Mr. Carlson's base salary at the time the defined benefit plan was frozen and the number of years he was participating in the defined benefit plan. The benefit entitlement is indexed each year based on the Swedish consumer price index.
- (2) Represents the present value of Mr. Carlson's expected pension benefits in the Sweden Executives plan at retirement according to US GAAP. The discount rate used to calculate the present value as of December 31, 2018 was 2.25% and inflation assumption / pension indexation was 2.00%. The calculations are based on the latest mortality table available from Svensk Försäkring DUS14 (white collar).

## **Nonqualified Deferred Compensation**

The following table sets forth certain information with respect to the Veoneer US Non-Qualified Retirement Plan (which we refer to as the Non-Qualified Retirement Plan). Messrs. Sjöbring and Blanchford are the only named executive officers that participate in the Non-Qualified Retirement Plan.

<u>Name</u>	<u>Executive Contributions in Last Fiscal Year (\$)<sup>(1)</sup></u>	<u>Registrant Contributions in Last Fiscal Year (\$)<sup>(2)</sup></u>	<u>Aggregate Earnings in Last Fiscal Year (\$)<sup>(3)</sup></u>	<u>Aggregate Withdrawals/Distributions (\$)</u>	<u>Aggregate Balance at Last Fiscal Year-End (\$)<sup>(4)</sup></u>
Lars Sjöbring . . . . .	49,353	236,811	(69,387)	—	900,093
Arthur Blanchford . . . . .	13,300	10,640	(1,935)	—	22,005

(1) Messrs. Sjöbring's and Blanchford's contribution to the Non-Qualified Retirement Plan are included in the amount reported as "Salary" in the Summary Compensation table for fiscal year 2018.

(2) The Company's matching contributions to the Non-Qualified Retirement Plan are included in the "All Other Compensation" in the Summary Compensation table for Messrs. Sjöbring and Blanchford for fiscal year 2018.

(3) Aggregate earnings are not includable in the Summary Compensation Table because such earnings are not above-market or preferential interest rates.

(4) Includes amounts previously reported in the Summary Compensation Table, in the previous years when earned if that executive officer's compensation was required to be disclosed in a previous year. Amounts previously reported in such years include previously earned, but deferred, salary and Company matching contributions.

Pursuant to the Non-Qualified Retirement Plan, participants may elect to defer a stated percentage of their base salary for each plan year, as determined by the administrative committee of the plan; provided, however, the amount deferred may not exceed 25% of a participant's base salary. Earnings (and losses) are credited to participants' accounts based on participant choices between various investment options and the rate of return determined by the administrative committee of the plan.

Participants are eligible to receive matching contributions equal to 80% of their deferred amounts, deferred amounts in excess of 7% of the participant's compensation are not eligible for matching contributions. Contributions for Mr. Sjöbring will be increased so that the total value of retirement-related contributions made by the Company (including contributions to the 401(k) plan) will be equivalent to 35% of his base salary. Participants are always 100% vested in their deferred amounts and earnings thereon; provided, however, matching contributions and earnings thereon in a participant's account are subject to forfeiture if the participant is determined by the Board to have stolen Company assets, violated the Company's Standards of Business Conduct and Ethics or disclosed confidential business or technical information of the Company to unauthorized third parties.

Participants may elect to receive distributions from their accounts on the first day of the seventh month following the occurrence of any one of the following distribution events as designated by the participant: (i) separation from service, (ii) death, (iii) attainment of normal retirement age (65), or (iv) attainment of early retirement age (age 55 and at least five years of service with the Company). Amounts will be distributed in one of the following forms, as selected by the participant: (i) a single lump sum, (ii) 60 approximately equal monthly installments or (iii) 120 approximately equal monthly installments.

## **Potential Payments Upon Termination or Change in Control**

The Company has entered into agreements and maintains plans that may require the Company to make payments and/or provide benefits to our named executive officers in the event of termination of employment or a change in control. The paragraphs below summarize the material terms of such agreements with our named executive officers, including Mr. Löfvenholm, our former COO, Mr. Rogbrant our former Executive Vice President Engineering and Mr. Hermansson our CFO and Executive Vice President Finance. However, Messrs. Löfvenholm and Rogbrant will separate from the Company on March 31, 2019 and Mr. Hermansson resigned as the CFO of the Company on March 1, 2019. Following their separation from the Company Messrs. Löfvenholm, Rogbrant and Hermansson will not be entitled to the benefits provide in the employment agreement and severance agreements, except as disclosed below. A summary of the separation agreement with Messrs. Löfvenholm, Rogbrant and Hermansson may be found later in this section.

*Employment Agreements.* The Company has an employment agreement with each of our named executive officers. The employment agreements obligate the Company to provide 6 months' notice of termination of employment for each of the named executive officers other than Mr. Carlson who is entitled to 18 months' notice of termination (unless either Messrs. Carlson, Hermansson, Sjöbring, Jönsson, Löfvenholm and Rogbrant, is



terminated for “cause,” in which case termination would be effective immediately), as well as certain severance payments. Each of the named executive officers must provide the Company with 6 months’ notice of resignation, with the exception of Mr. Carlson, who must provide the Company with 12 months’ notice of resignation. The employment agreements automatically terminate on the last day of the month before Messrs. Hermansson’s, Sjöbring’s, Blanchford’s, Jönsson’s, Löfvenholm’s and Rogbrant’s 65<sup>th</sup> birthday, and before Mr. Carlson’s 65<sup>th</sup> birthday (or, unless otherwise agreed by the Company and the executive, on the last day of the month before his 60<sup>th</sup> birthday).

Except as provided below, following the executive’s termination of employment, each of the named executive officers are prohibited from competing with the Company for a period of 12 months. Such noncompetition covenant does not apply in the event that (i) the Company terminates Mr. Carlson’s employment for any reason other than by Cause or by reason of the executive’s breach of the agreement or Messrs. Hermansson’s, Sjöbring’s, Blanchford’s, Jönsson’s, Löfvenholm’s and Rogbrant’s, employment for any reason other than for Cause, or (ii) Mr. Carlson terminates employment due to the Company’s breach of the agreement or Messrs. Hermansson, Sjöbring, Blanchford, Jönsson, Löfvenholm and Rogbrant resigns for Good Reason. In consideration for such noncompetition covenant, the Company is obligated to make up to 12 monthly payments equal to the difference between the executive’s monthly gross salary as of the date of his employment termination and any lower salary earned by the executive in any new employment, if any. The aggregate monthly payments are limited to a maximum of 60% of the gross salary earned as of the date of his employment termination, and the Company will cease making payments once such aggregate amount has been reached. The Company is not obligated to make such payments if the executive’s employment terminates due to his retirement.

In addition to receiving full base salary and benefits during the requisite notice period, if Mr. Carlson is terminated involuntarily by the Company other than for Cause or breach of the agreement or if the Company terminates Messrs. Hermansson’s, Sjöbring’s, Blanchford’s, Jönsson’s, Löfvenholm’s or Rogbrant’s employment involuntarily other than for Cause or if Messrs. Hermansson, Sjöbring, Blanchford, Jönsson, Löfvenholm and Rogbrant resigns for Good Reason, then the executive would be entitled to a lump sum severance payment equal to, in the case of Messrs. Sjöbring, Blanchford, Jönsson, Löfvenholm and Rogbrant one and one-half times his then-current base salary, in the case of Mr. Hermansson, the sum of (i) one and one-half times his then current base salary, (i) accrued Short Term Incentive during the last twelve months, and (iii) the value of the additional retention grant made in February 2018, or, in the case of Mr. Carlson, the sum of (i) the executive’s then-current annual salary, (ii) the average of the annual bonuses received by the executive for the two most recent fiscal years, or, if higher, the annual bonus for the fiscal year immediately prior to the year of termination, (iii) the annual taxable value of the benefit of a company car, and (iv) the value of any defined contribution plan benefits to which the executive would have been entitled to if he remained in service for one year following termination. If Mr. Carlson is given notice of termination by Veoneer for reasons other than “cause” or “disability,” or Mr. Carlson gives notice of termination for reasons that constitute “good reason” (as such terms are defined in the employment agreement) all retention payments made to date will be deducted from any payments to Mr. Carlson due under the employment agreement following the date of notice. Any unvested portion of the retention bonus on the date of notice will be forfeited. If Mr. Carlson gives notice of termination and resigns or gives notice of his retirement, any unvested portion of the retention bonus on the date of notice also will be forfeited. If Mr. Carlson dies or is given notice of termination by Veoneer by reason of his disability, the remaining unpaid retention amounts will be accelerated and paid in a single lump sum to Mr. Carlson or his estate, as applicable.

*Severance Agreements.* Each of Messrs. Carlson, Sjöbring and Löfvenholm has a change-in-control severance agreement (“CiC Severance Agreement”) with the Company. Pursuant to the terms of each of the CiC Severance Agreements, in the event that during the two-year period following a change of control, (i) the executive terminates his employment for Good Reason, (ii) the Company terminates the executive’s employment for any reason other than death or for Cause, or (iii) the executive’s employment is terminated due to disability, the executive would be entitled to receive an immediate lump sum payment (the “CiC Severance Payment”) in an amount equal to, in the case of Messrs. Carlson and Löfvenholm 2.5 times the sum of (a) such executive’s then-current annual salary (or if higher, the salary in effect immediately prior to the first event or circumstances which constitutes Good Reason), (b) the average of the annual bonuses received by the executive for the two most recent fiscal years, or the annual bonus for the fiscal year immediately prior to the fiscal year during which occurs the first event or circumstance constituting Good Reason, whichever is highest, (c) the taxable value of the benefit of a company car, and (d) the value of any defined contribution plan benefits to which the executive would have been entitled to if he remained in service for one year following termination and in the case of Mr. Sjöbring; 1.5 times the sum of (a) his then-current annual salary (or if higher, the salary in effect immediately prior to the first event or circumstances which constitutes Good Reason); (b) (i) the average of the annual cash bonuses earned in the two fiscal years prior to the date of termination, (ii) if two fiscal years have not

elapsed prior to the date of termination, the annual cash bonus earned in the fiscal year prior to termination, (iii) if a full fiscal year has not elapsed prior to the date of termination, his target annual cash bonus, or (iv) provided that it results in a higher bonus than the amount payable under (i) through (iii), the bonus payable for the fiscal year immediately prior to the first occurrence of an event or circumstance constituting Good Reason; (c) the taxable value of the benefit of a company car; and (d) the value of any defined contribution plan benefits to which he would have been entitled to if he remained in service for one year following the termination. The CiC Severance Payment is in lieu of the salary and benefits payable during the requisite notice period and the severance benefits that would otherwise be payable under the executive's employment agreement.

*Temporary Change-in-Control agreements.* Each of Messrs. Blanchford's and Jönsson's employment agreements provides that if a Change-in-Control (as defined in the agreement) occurs within 12 months following the listing of Veoneer's common stock on the applicable U.S. stock exchange and the executive's employment agreement is terminated by the Company without cause during that same 12 month period, then the executive will receive an additional severance payment equal to one-half of his then-current annual base salary in addition to the severance payment described above.

For purposes of the discussion above, the following terms have the following meanings:

"Cause" generally means (i) the willful and continued failure by the executive to substantially perform his duties, or (ii) the willful engaging by the executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise.

"Change in Control" generally means (i) the acquisition of 20% or more of the Company's voting securities; or (ii) the members of the Board cease to constitute a majority of the Board; or (iii) consummation of merger or consolidation unless (1) the current stockholders continue to own at least 60% of the surviving entity's voting securities, or (2) such transaction was effected to implement a recapitalization of the Company in which no person acquires 20% or more of the Company's voting securities; or (iv) stockholder approval of a liquidation or dissolution or consummation of an agreement for the sale or disposition of all or substantially all of the Company's assets (unless the current stockholders continue to own at least 60% of the Company's voting securities after such transaction).

"Good Reason" generally means the occurrence of any one of the following events without the executive's express written consent: (i) the assignment to the executive of any duties inconsistent with his status as an executive officer or a substantial adverse alteration in the nature or status of his responsibilities; (ii) any reduction in the executive's annual base salary; (iii) relocation of the executive's principal place of employment to a location more than 30 miles, or 45 kilometers, as applicable, from his then-current principal place of employment; (iv) the Company's failure to pay any portion of the executive's compensation; (v) the discontinuance of any compensation plan in which the executive participated which is material to his total compensation; (vi) in the case of Mr. Carlson, any direct or indirect reduction of any material fringe benefit in place at the time of the change in control, or the Company's failure to provide the number of paid vacation days to which executive is entitled; (vii) any purported termination of the executive's employment which is not effected pursuant to the notice requirements under the Severance Agreement; or (viii) the failure by any successor to the Company to expressly assume the employment agreement.

*Equity Awards.* Pursuant to Autoliv's 1997 Stock Incentive Plan, Veoneer's 2018 Stock Incentive Plan and the agreements evidencing the conversion of the outstanding Stock Awards upon the spin-off, upon the occurrence of a change in control of Veoneer, any outstanding options and RSUs held by the executive would fully vest. Pursuant to the agreements evidencing awards originally granted under the Autoliv 1997 Stock Incentive Plan, upon the executive's death or retirement, any outstanding RSUs held by the executive would become fully vested. Upon an executive's involuntary termination of employment, absent a change in control, any outstanding options, RSUs that would vest during the applicable notice period, if any, would become fully vested.

*Estimated Payments to Named Executive Officers upon Termination of Employment under Various Circumstances or a Change in Control.* The following tables set forth the estimated value of the payments and benefits described above to each of Messrs. Carlson, Hermansson, Sjöbring, Blanchford and Jönsson upon termination of employment under various circumstances or a change in control. The amounts shown assume that the triggering events occurred on December 31, 2018. For the purpose of the calculations, the 2018 defined contribution payments for each named executive officer have been used. The amounts contained in the table would be paid in Swedish Kronor or USD. All amounts have been converted to USD using the following exchange rates: 1 USD = 8,971 SEK.

Jan Carlson

<u>Estimated Potential Payment or Benefit</u>	<u>Resignation (\$)</u>	<u>Termination without Cause (\$)</u>	<u>Termination for Cause (\$)</u>	<u>Change in Control (\$)</u>	<u>Change in Control and Qualifying Termination (\$)<sup>(9)</sup></u>	<u>Retirement (\$)</u>	<u>Death or Disability (\$)</u>
Lump sum cash severance payment . . . . .	—	3,356,985 <sup>(7)</sup>	—	—	7,890,863 <sup>(7)</sup>	—	4,765,534 <sup>(11)</sup>
Continuing salary/annual incentive payments during requisite notice period . . .	1,404,478	3,160,076	—	—	—	—	—
Salary differential payments in consideration for noncompetition with the Company <sup>(1)</sup> . . . . .	842,687	—	842,687	—	—	—	—
Continuing health, welfare and retirement benefits <sup>(2)</sup> . . . . .	676,628	1,014,942	—	—	—	—	—
Accelerated vesting of equity <sup>(3)</sup> . . . . .	713,353 <sup>(4)</sup>	1,435,963 <sup>(5)</sup>	—	2,089,215 <sup>(6)</sup>	2,089,215	2,089,215 <sup>(8)</sup>	2,089,215 <sup>(8)</sup>
Company car <sup>(10)</sup> . . . . .	32,684	49,026	—	—	—	—	—
Total . . . . .	3,669,831	9,016,993	842,687	2,089,215	9,980,078	2,089,215	6,854,749

Lars Sjöbring

<u>Estimated Potential Payment or Benefit</u>	<u>Resignation (\$)</u>	<u>Termination without Cause (\$)</u>	<u>Termination for Cause (\$)</u>	<u>Change in Control (\$)</u>	<u>Change in Control and Qualifying Termination (\$)<sup>(9)</sup></u>	<u>Death or Retirement (\$)</u>
Lump sum cash severance payment . . . . .	—	1,057,563	—	—	1,835,657	—
Continuing salary/annual incentive payments during requisite notice period . . . . .	352,521	352,521	—	—	—	—
Salary differential payments in consideration for noncompetition with the Company <sup>(1)</sup> . . . . .	423,025	—	423,025	—	—	—
Continuing health, welfare and retirement benefits <sup>(2)</sup> . . . . .	132,566	132,566	—	—	—	—
Accelerated vesting of equity <sup>(3)</sup> . . . . .	267,252 <sup>(4)</sup>	1,349,832 <sup>(5)</sup>	—	1,855,866 <sup>(6)</sup>	1,855,866	1,855,866 <sup>(8)</sup>
Company car <sup>(10)</sup> . . . . .	14,688	14,688	—	—	—	—
Total . . . . .	1,190,053	2,907,171	423,025	1,855,866	3,691,523	1,855,866

Arthur Blanchford

<u>Estimated Potential Payment or Benefit</u>	<u>Resignation (\$)</u>	<u>Termination without Cause or Resignation for Good Reason (\$)</u>	<u>Termination for Cause (\$)</u>	<u>Change in Control (\$)</u>	<u>Change in Control and Qualifying Termination (\$)<sup>(9)</sup></u>	<u>Death or Retirement (\$)</u>
Lump sum cash severance payment . . . . .	—	741,014	—	—	988,018 <sup>(12)</sup>	—
Continuing salary/annual incentive payments during requisite notice period . . . . .	247,005	247,005	—	—	247,005	—
Salary differential payments in consideration for noncompetition with the Company <sup>(1)</sup> . . . . .	296,405	—	296,405	—	—	—
Continuing health, welfare and retirement benefits <sup>(2)</sup> . . . . .	19,915	19,915	—	—	19,915	—
Accelerated vesting of equity <sup>(3)</sup> . . . . .	56,916 <sup>(4)</sup>	56,916 <sup>(4)</sup>	—	164,665 <sup>(6)</sup>	164,665	164,665 <sup>(8)</sup>
Company car <sup>(10)</sup> . . . . .	17,740	17,740	—	—	17,740	—
Total . . . . .	637,981	1,082,589	296,405	164,665	1,437,342	164,665

Estimated Potential Payment or Benefit	Resignation without Good Reason (\$)	Termination without Cause or Resignation for Good Reason (\$)	Termination for Cause (\$)	Change in Control (\$)	Change in Control and Qualifying Termination (\$) <sup>(9)</sup>	Death or Retirement (\$)
Lump sum cash severance payment . . . .	—	426,158	—	—	568,210 <sup>(12)</sup>	—
Continuing salary/annual incentive payments during requisite notice period . . . . .	142,053	142,053	—	—	142,053	—
Salary differential payments in consideration for noncompetition with the Company <sup>(1)</sup> . . . . .	170,463	—	170,463	—	—	—
Continuing health, welfare and retirement benefits <sup>(2)</sup> . . . . .	50,376	50,376	—	—	50,376	—
Accelerated vesting of equity <sup>(3)</sup> . . . . .	191,388 <sup>(4)</sup>	191,388 <sup>(5)</sup>	—	553,749 <sup>(6)</sup>	553,749	553,749 <sup>(8)</sup>
Company car <sup>(10)</sup> . . . . .	6,139	6,139	—	—	6,139	—
Total . . . . .	560,418	816,112	170,463	553,749	1,320,527	553,749

The following footnotes apply to each of the tables above:

- (1) Reflects a monthly payment of 60% of the monthly gross salary earned as of the date of the executive's employment termination, multiplied by 12, which is the maximum amount available to the executive pursuant to the terms of his employment agreement.
- (2) Reflects the value of the benefits disclosed in footnote (4) to the Summary Compensation table (with the exception of amounts paid as vacation supplements or settlements) that the executive would be entitled to during the requisite notice period. The estimated values are determined based on the Company's cost of providing such benefits during 2018.
- (3) Reflects the value of RSUs that vest upon the designated event, based on the closing price for Autoliv and Veoneer common stock on December 31, 2018 (ALV \$70.23 and VNE \$23.57), the last trading day of the year. None of the named executive officers held unvested options as of December 31, 2018.
- (4) As discussed above, upon termination, the executive would be entitled to receive his compensation and benefits during the 12-month or 6-month notice period, as applicable, including any equity awards that would vest during such period.
- (5) As discussed above, upon an involuntary termination, the executive would be entitled to receive his compensation and benefits during the 18-month or 6-month notice period, as applicable, including any equity awards that would vest during such period. The value of the equity awards upon an involuntary termination reflects the value of the RSUs that would vest during the notice period following December 31, 2018. For Mr. Sjöbring the amount includes the retention RSUs granted in 2015 that would accelerate in case of involuntary termination, for other reason than Cause, or termination by Mr. Sjöbring for Good Reason as defined in the Grant Agreement.
- (6) Upon a change in control, all RSUs vest in full. The value of the equity awards upon a change in control reflects the value of all RSUs, including RSUs acquired through dividend equivalent rights, rounded down to the nearest whole share on December 31, 2018.
- (7) For purposes of calculating the lump sum payment, the target bonus for the executive was used as the Company has not yet completed a full fiscal year.
- (8) As discussed above, the executive's unvested RSUs will become fully vested upon his termination of employment by reason of death or retirement.
- (9) Qualifying termination after a change in control includes resignation for good reason, termination without cause or termination due to disability.
- (10) Reflects the value of the company car, fuel and parking during the requisite notice period. The estimated values are determined based on the Company's cost (or estimated cost as of December 31, 2018) of providing such benefits during 2018.
- (11) Includes payment of Mr. Carlson's unpaid retention bonus in cash and cash-settled RSUs, which would become payable in full in case of termination of his employment upon the designated events.
- (12) Includes payment of Messrs. Blanchford's and Jönsson's additional severance payment in case of change-in-control and termination following the 12 months period from the listing of the Company.

*Separation Agreement with Mr. Löfvenholm.* On October 23, 2018, the Company and Mr. Löfvenholm mutually agreed that he would step down as the Company's Chief Operating Officer effective December 1, 2018. The Company entered into a separation agreement with Mr. Löfvenholm, pursuant to which he will receive the following severance benefits under the terms of his agreement with the Company; (i) continuing salary and benefits through April 23, 2019 (the requisite 6-month notice period following the agreement effective date), with a value of approximately \$300,281, (ii) a lump sum cash severance payment of \$660,523, payable in May 2019. Pursuant to the separation agreement Mr. Löfvenholm agreed to serve as a Senior Advisor to the CEO until March 31, 2019. In consideration thereof, Mr. Löfvenholm will also receive his short-term incentive for the first quarter 2019, with a value of \$49,539 at target level, payable in March 2020, subject to meeting applicable performance objectives. Pursuant to Swedish law, Mr. Löfvenholm will receive a lump sum payment of \$126,820 for his unused vacation days. Mr. Löfvenholm's RSUs originally granted in 2016, with a value of approximately \$191,388, will vest on their scheduled vesting date, February 15, 2019. Pursuant to the separation agreement, the Company and Mr. Löfvenholm agreed that the Non-Competition Covenant in his employment agreement would

become operative during the 12 months immediately following his last day of employment and that the Company would pay the non-competition payment with a value of maximum \$264,209. All RSUs originally granted in 2017 and 2018 will be forfeited.

*Separation Agreement with Mr. Rogbrant.* On October 23, 2018, the Company and Mr. Rogbrant mutually agreed that he would step down as the Company's Executive Vice President Engineering effective December 10, 2018. The Company entered into a separation agreement with Mr. Rogbrant, pursuant to which he will receive the following severance benefits under the terms of his agreement with the Company; (i) continuing salary and benefits through April 23, 2019 (the requisite 6-month notice period following the agreement effective date), with a value of approximately \$135,823, (ii) a lump sum cash severance payment of \$300,970, payable in May 2019. Pursuant to the separation agreement Mr. Rogbrant agreed to serve as acting Executive Vice President Tech Centers until March 31, 2019. In consideration thereof, Mr. Rogbrant will also receive his short-term incentive for the first quarter 2019, with a value of \$17,557 at target level, payable in March 2020, subject to meeting applicable performance objectives and an additional lump sum payment equal to three months of his base salary, with a value of \$50,162, payable in May 2019. Pursuant to Swedish law, Mr. Rogbrant will receive a lump sum payment of \$38,825 for his unused vacation days. Pursuant to the separation agreement, the Company and Mr. Rogbrant agreed that the Non-Competition Covenant in his employment agreement would become operative during the 6 months immediately following his last day of employment and that the Company would pay the non-competition payment with a value of maximum \$60,194. All RSUs originally granted in 2017 and 2018 will be forfeited.

*Mr. Hermansson's Resignation.* On December 20, 2018, Mr. Hermansson provided notice of his intent to resign from his position as CFO and Executive Vice President Finance and resigned from such position on March 1, 2019. The Company entered into an Agreement on Resignation Conditions with Mr. Hermansson, pursuant to which the parties have agreed that the non-competition covenant in Mr. Hermansson's employment agreement will not apply and he will therefore not receive any monthly payments in consideration for such noncompetition covenant contemplated by the employment agreement. He will receive the following benefits and payments under his employment agreement for a resignation without good reason: Continuing salary and benefits through June 20, 2019 (the requisite 6-month notice period following the agreement effective date), with a value of approximately \$386,916. Pursuant to Swedish law, Mr. Hermansson will receive a lump sum payment of \$107,848 for his unused vacation days. All RSUs originally granted in 2018 will be forfeited.

## BOARD COMPENSATION

Directors who are employees of the Company or any of its subsidiaries do not receive separate compensation for service on the Board or its committees. Non-employee directors receive an annual board retainer, which is higher for a Non-employee Chairman of the Board, and committee chairs and the Lead Independent Director receive compensation in addition to the retainer for their commitments.

At the time of the spin-off, the Board implemented a Non-employee Director Compensation Policy that provides for quarterly payments in advance for a service year that runs from annual meeting to annual meeting and provides that one-half of the annual retainer will be paid in the form of restricted stock units (“RSUs”), which will be granted on the date of the annual meeting and will vest on the earlier of (a) date of the next annual meeting, or (b) the one-year anniversary of the grant date. In addition, the Board implemented the Non-employee Director Stock Ownership Policy to require each Non-employee director to acquire and hold shares of the Company’s common stock in an amount equivalent to five times the cash component of the annual Board retainer, with five years for the existing Non-employee directors to reach the new ownership requirements.

In connection with the spin-off, Autoliv and the Company agreed that the Company would be responsible for the payment of any fees for service of the Transferred Non-employee Directors on the Board that were earned after the spin-off. Under the terms of the Employee Matters Agreement entered into between the Company and Autoliv in connection with the spin-off (the “Employee Matters Agreement”), the Company agreed to pay the Transferred Non-employee Directors quarterly cash retainers for the entire quarter in which the spin-off occurred, provided that (i) if Autoliv paid cash retainers to the Transferred Non-employee Directors for board service to Autoliv for any portion of such quarter prior to the spin-off, then the Company would not be required to pay the Transferred Non-employee Directors directly for such quarter, but within thirty (30) business days after the end of the fiscal quarter in which the spin-off occurred, the Company would be required to pay Autoliv an amount equal to the portion of such payment that is attributable to Transferred Non-employee Directors’ service to the Company after the spin-off, and (ii) if Autoliv had not yet paid such quarter’s cash retainers to the Transferred Non-employee Directors prior to the spin-off Effective Time, then within thirty (30) business days after the end of the fiscal quarter in which the spin-off occurred, Autoliv would be required to pay the Company an amount equal to the portion of such payment that was attributable to Transferred Non-employee Directors service to Autoliv prior to the spin-off.

The Employee Matters Agreement also provided for the conversion of outstanding stock awards granted under the Autoliv equity compensation programs to the Transferred Non-employee Directors into adjusted awards relating to both shares of Autoliv and the Company’s common stock at the time of the spin-off. The adjusted awards are subject to the same vesting conditions and other terms that applied to the applicable original Autoliv award immediately before the spin-off. 50% of the outstanding stock award value associated with any Autoliv RSU held by each Transferred Non-employee Director holding an Autoliv RSU prior to the date of the spin-off, as calculated immediately prior to the spin-off, was converted to an RSU of the Company, and 50% to an RSU of Autoliv in each case with an adjustment to the number of shares as required to preserve the value inherent in the stock award before and after the spin-off. Such adjustments were performed in accordance with applicable U.S. tax rules, as necessary.

Non-employee Directors Compensation levels are as described below:

Annual Base Retainer	
All Non-employee Directors other than Chairman . . . . .	\$240,000
Non-employee Chairman . . . . .	\$390,000
Lead Independent Director Annual Supplemental	
Retainer . . . . .	\$ 40,000
Committee Chair Annual Supplemental Retainers	
Audit Committee . . . . .	\$ 30,000
Compensation Committee . . . . .	\$ 20,000
Nominating and Corporate Governance Committee . . . . .	\$ 20,000

The following table sets forth the compensation that our Non-employee directors earned or were paid during the year ended December 31, 2018 for services rendered as members of our Board during 2018:

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Total (\$) <sup>(1)(2)</sup>
Robert W. Alspaugh . . . . .	75,000	0	75,000
Mary Louise Cummings . . . . .	60,000	100,000	160,000
Mark Durcan . . . . .	60,000	100,000	160,000
James M. Ringler . . . . .	90,000	100,000	190,000
Kazuhiko Sakamoto . . . . .	60,000	0	60,000
Jonas Synnergren . . . . .	60,000	100,000	160,000
Wolfgang Ziebart . . . . .	70,000	0	70,000

- (1) The cash portion of director compensation is set in USD and converted to director's local currency, as applicable, at the then-current exchange rate on the date of payment. Reflects fees paid for services that were rendered during 2018 as follows: (i) a one-time cash payment immediately following the spin-off in satisfaction of the cash portion of the annual base retainer and the Lead Independent Director and committee chair annual supplemental retainers for service during the one-month period commencing July 1, 2018 (prorated based on the number of full months of service as a Non-employee director during such period, if applicable), which one-time payment was made in order to transition to the new service year and payment schedule described above; and (ii) payments for each of the remaining quarterly service periods in 2018 (August – October and November – January), and in the case of the last quarterly service period, pro-rated for the two-month period falling in 2018.
- (2) Reflects the grant date fair value calculated in accordance with FASB Topic 718 of 2,345 RSUs granted on July 2, 2018, which restricted stock units will vest in one installment on the earlier of the date of the next annual meeting of stockholders or July 2, 2019, subject to the Non-employee director's continued service on the vesting date, subject to certain exceptions. Each Non-employee director on our Board that did not transfer from the Autoliv Board (Ms. Cummings and Messrs. Durcan and Synnergren) and Mr. Ringler (who serves on both our Board and the Autoliv Board) each received a grant of 2,345 RSUs from the Company, prorated to reflect his or her service on our Board between June 29, 2018 and May 2019. The Non-employee directors that transferred from the Autoliv board to our Board did not receive this initial grant of RSUs from the Company because each such director received in May 2018 a grant of RSUs from Autoliv in respect of a full year of service, and such RSUs were converted to adjusted awards relating to both shares of Autoliv and Veoneer common stock.
- (3) As of December 31, 2018, each of our non-employee directors held the following number of outstanding unvested restricted stock units: Mr. Alspaugh, 1,430; Ms. Cummings, 2,345; Mr. Durcan, 2,345; Mr. Ringler, 3,775; Mr. Sakamoto, 1,430; Mr. Synnergren, 2,345; and Mr. Ziebart, 1,430.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of December 31, 2018 for each person known by us to beneficially own more than 5% of our common stock, except where otherwise noted, and as of March 11, 2019 for (i) each of our directors and nominees; (ii) each of our named executive officers; and (iii) all of our directors, named executive officers and executive officers as a group. Each share of our common stock entitles the holder to one vote.

<u>Name of Beneficial Owner</u>	<u>Common Stock Beneficially Owned<sup>(1)(2)</sup></u>	
	<u>Number of Shares</u>	<u>Percent of Total</u>
<b>5% Stockholders</b>		
Cevian Capital II GP Limited <sup>(3)</sup> . . . . . 11-15 Seaton Place St. Helier, Jersey JE4 0QH Channel Islands	8,376,924	9.59%
Alecta pensionsförsäkring, ömsesidigt <sup>(4)</sup> . . . . . Regeringsgatan 107, SE-103 73 Stockholm, Sweden	8,206,200	9.40%
AMF Pensionsförsäkring AB <sup>(5)</sup> . . . . . Klara Södra Kyrkogata 18 SE-113 88, Stockholm, Sweden	6,144,843	7.04%
Första AP-Fonden <sup>(6)</sup> . . . . . Regeringsgatan 2 SE-111 53, Stockholm, Sweden	4,899,726	5.61%
Swedbank Robur Fonder AB <sup>(7)</sup> . . . . . SE 105 34, Stockholm, Sweden	5,623,359	6.44%
<b>Directors and Named Executive Officers</b>		
Robert W. Alspaugh <sup>(8)</sup> . . . . .	1,430	*
Art Blanchford . . . . .	1,747	*
Jan Carlson . . . . .	203,465	*
Mary Louise Cummings <sup>(9)</sup> . . . . .	2,345	*
Mark Durcan <sup>(9)</sup> . . . . .	2,345	*
Mathias Hermansson <sup>(10)</sup> . . . . .	2,500	*
Thomas Jönsson . . . . .	13,108	*
Johan Löfvenholm <sup>(11)</sup> . . . . .	4,852	*
James M. Ringler <sup>(12)</sup> . . . . .	6,109	*
Peter Rogbrant <sup>(13)</sup> . . . . .	0	*
Kazuhiko Sakamoto <sup>(8)</sup> . . . . .	3,625	*
Lars Sjöbring . . . . .	4,359	*
Jonas Synnergren <sup>(9)</sup> . . . . .	2,345	*
Wolfgang Ziebart <sup>(8)</sup> . . . . .	3,661	*
All directors, named executive officers and executive officers as a group (18 individuals including those named above) . . . . .	266,709	*

\* Less than 1%

(1) Based on 87,344,696 shares of the Company's common stock outstanding as of March 11, 2019 except as noted below. The figures in the table and notes thereto represent beneficial ownership and sole voting and investment power except where indicated.

(2) Includes restricted stock units that vested on February 15, 2019, restricted stock units that will vest in one installment on the earlier of the date of the next annual meeting of stockholders or July 2, 2019, subject to the Non-employee director's continued service on the vesting date, subject to certain exceptions, and shares individuals have the right to acquire upon exercise of options exercisable within 60 days, including: Jan Carlson – 43,959 shares, and Thomas Jönsson – 5,656 shares.

(3) The number of shares owned was provided by Cevian Capital II GP Limited ("Cevian") pursuant to its Schedule 13G filed with the SEC on February 4, 2019, indicating beneficial ownership as of December 31, 2018. The total number of shares include 2,653,275 Swedish Depositary Receipts representing 2,653,275 shares of the Company's common stock. Cevian reported sole power to vote and dispose of all such shares.

(4) The number of shares owned was provided by Alecta pensionsförsäkring, ömsesidigt pursuant to its Schedule 13G filed with the SEC on January 31, 2019, indicating beneficial ownership as of December 28, 2018. Alecta pensionsförsäkring, ömsesidigt reported sole power to vote and dispose of all such shares.

(5) The number of shares owned was provided by AMF Pensionsförsäkring AB, pursuant to its Schedule 13G filed with the SEC on February 8, 2019, indicating beneficial ownership as of December 31, 2018. AMF Pensionsförsäkring AB reported sole power to vote and dispose of 3,800,000 shares and shared power to vote and dispose of 2,344,843 shares.

(6) The number of shares owned was provided by Första AP-Fonden pursuant to its Schedule 13G filed with the SEC on January 25, 2019, indicating beneficial ownership as of December 31, 2018. Första AP-Fonden reported sole power to vote and dispose of all such shares.

(7) The number of shares owned was provided by Swedbank Robur Fonder AB pursuant to its Schedule 13G filed with the SEC on February 6, 2019, indicating beneficial ownership as of December 31, 2018. Första AP-Fonden reported sole power to vote 4,820,449 of such shares and sole power to dispose all 5,623,359 of such shares.



- (8) Includes 1,430 restricted stock units that will vest in one installment on the earlier of the date of the next annual meeting of stockholders or July 2, 2019, subject to the Non-employee director's continued service on the vesting date, subject to certain exceptions.
- (9) Includes 2,345 restricted stock units that will vest in one installment on the earlier of the date of the next annual meeting of stockholders or July 2, 2019, subject to the Non-employee director's continued service on the vesting date, subject to certain exceptions.
- (10) Mr. Hermansson resigned as the CFO of the Company effective March 1, 2019. In connection with his resignation, he has forfeited all stock awards granted in 2018.
- (11) Mr. Löfvenholm resigned as the Chief Operating Officer of the Company effective December 1, 2018 but continues to provide services to the Company as Senior Advisor to the CEO until March 31, 2019. In connection with his separation, he will forfeit all stock awards granted in 2017 and 2018.
- (12) Includes 3,775 restricted stock units that will vest in one installment on the earlier of the date of the next annual meeting of stockholders or July 2, 2019, subject to the Non-employee director's continued service on the vesting date, subject to certain exceptions.
- (13) Mr. Rogbrant stepped down as the Company's Executive Vice President Engineering effective as of December 10, 2018 but will continue to provide services to the Company as acting Executive Vice President Technical Competence Centers until March 31, 2019. In connection with his separation, he will forfeit all stock awards granted in 2017 and 2018.

## **Agreements with Certain Stockholders**

### *Cooperation Agreement with Cevian*

On May 24, 2018, the Company and Autoliv entered into a Cooperation Agreement (the "Cooperation Agreement") with Cevian Capital II GP Limited ("Cevian"), pursuant to which Autoliv agreed to take action for Veoneer to appoint Mr. Synnergren, a partner of Cevian, to Veoneer's board following the spin-off and Cevian agreed to certain standstill provisions. Veoneer agreed to nominate Mr. Synnergren or a replacement designee of Cevian at future annual meetings of Veoneer to elect directors, subject to the terms and conditions of the Cooperation Agreement.

The appointment of Mr. Synnergren (or a replacement designee of Cevian) to the board of directors and his inclusion on future slates of directors during the Standstill Period (defined below) is conditioned upon Cevian owning at least 8% of the outstanding shares of Autoliv common stock at the time of the spin-off and, thereafter, at least 8% of the outstanding common stock of the Company. Mr. Synnergren has agreed to offer his resignation from the Veoneer board if Cevian no longer owns at least 8% of the then-outstanding shares of common stock of Veoneer.

Under the terms of the Cooperation Agreement, Cevian has agreed to certain standstill restrictions including restrictions on Cevian (i) acquiring more than 19.9% of the Company, (ii) soliciting or granting proxies to vote shares of the Company's common stock, (iii) initiating stockholder proposals for consideration by the Company's stockholders, (iv) nominating directors for election to the board of directors, (v) making public announcements or communications regarding a plan or proposal to the board of directors, including its management plans, and (vi) submitting proposals for or offers of certain extraordinary transactions involving the Company, in each case, subject to certain qualifications or exceptions.

The foregoing standstill restrictions will terminate automatically upon the earliest of (i) 30 days following the time Mr. Synnergren (or his replacement, as applicable) no longer serves on the board of directors, (ii) the fifth business day after Cevian delivers written notice to Autoliv and the Company of a material breach of the Cooperation Agreement by Autoliv or the Company if such breach is not cured within the notice period, (iii) the announcement by Veoneer of a definitive agreement with respect to certain transactions that would result in the acquisition by any person or group of more than 50% of the outstanding shares of the Company's common stock, or (iv) the commencement of certain tender or exchange offers which if consummated would result in the acquisition by any person or group of more than 50% of the outstanding shares of the Company's common stock (the "Standstill Period"). The Cooperation Agreement will terminate upon the expiration of the Standstill Period or any other date established by mutual written agreement of the parties.

The Cooperation Agreement contains mutual non-disparagement provisions and requires Cevian to keep confidential any non-public information it receives by reason of Mr. Synnergren's role as a director and to abstain from trading in securities in violation of applicable law while in possession of confidential or material non-public information.

The Cooperation Agreement is governed by Delaware law. The parties agree that any legal action related to the Cooperation Agreement will be brought in the federal or state courts located in Wilmington, Delaware.

We are not currently aware of the existence of any agreements between or among our stockholders with the aim to exercise joint influence over us. Nor are we aware of any agreements or arrangements which may result in any change of control of us.

## **DESCRIPTION OF CAPITAL STOCK**

The following description summarizes the material terms of our capital stock as of the date of this document. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of our capital stock, you should refer to our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, which are incorporated herein by reference, see section “Incorporation of certain documents by reference”.

Our authorized capital stock consists of 325,000,000 shares of common stock, par value \$1.00 per share, and 25,000,000 shares of preferred stock, par value \$1.00 per share. The shares are issued in accordance with U.S. federal law and the Delaware General Corporation Law. The shares are denominated in USD. Unless our board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form. As of May 28, 2019, 111,372,130 shares of our common stock were issued and outstanding and no shares of preferred stock are issued and outstanding.

### **Common Stock**

Each share of our common stock entitles the holder to one vote on all matters submitted to a vote of our stockholders, including the election of directors. The holders of our common stock will not have cumulative voting rights in the election of directors. In addition, the holders of shares of our common stock will be entitled to participate in dividends ratably on a per share basis when our board of directors declares dividends on our common stock out of legally available funds. Any time limit after which entitlement to dividend lapses, and the person in whose favor any such lapse operates, will be determined based on the law applicable to the holder of such securities. There are no restrictions on the right to dividends for stockholders domiciled outside the U.S., subject to the withholding tax, if any, levied in the U.S. In the event of our liquidation, dissolution or winding up, voluntarily or involuntarily, holders of our common stock will have the right to a ratable portion of the assets remaining after satisfaction in full of the prior rights of our creditors and of all liabilities. All shares of our common stock are fully paid and non-assessable. No shares of our common stock will have any preemptive, redemption or conversion rights, or the benefits of any sinking fund. The rights, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock which we may authorize and issue in the future. The Bylaws and Certificate of Incorporation, which govern the rights of our stockholders, may be amended in accordance with the procedures set forth therein and in accordance with the DGCL. Amendments to certain provisions require a supermajority vote of stockholders. The common stock is not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the common stock during the current or preceding financial year. The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. The address for Computershare is 250 Royall Street, Attention: Corporate Actions, Canton, MA, 02021.

### **Preferred Stock**

Under the Certificate of Incorporation, our board of directors is authorized to issue, without further stockholder approval, up to 25,000,000 shares of preferred stock, par value \$1.00 per share, in one or more series. For each series of preferred stock, our board of directors may determine whether such preferred stock will have voting powers. Our board of directors may also determine the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of any preferred stock we issue, including conversion rights, redemption rights and liquidation privileges. Our board of directors will determine these terms by resolution adopted before we issue any shares of a series of preferred stock. The preferred stock will, when issued, be fully paid and nonassessable. As of the date of this prospectus, we have not designated or issued any series of preferred stock.

### **Anti-Takeover Effects of Certain Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws**

#### *The Delaware General Corporation Law*

We are a Delaware corporation that is subject to Section 203 of the DGCL. Section 203 provides that, subject to certain exceptions, a publicly held Delaware corporation may not engage in any “business combination” with any “interested stockholder” for a three-year period following the time that such stockholder became an interested stockholder, unless:

- the corporation has elected in its Certificate of Incorporation not to be governed by Section 203 (which we have not done);

- prior to that time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding specified shares; or
- at or subsequent to that time, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

The three-year prohibition also does not apply to business combinations proposed by an interested stockholder following the announcement or notification of extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors.

The term "business combination" is defined generally to include mergers or consolidations resulting in a financial benefit to the interested stockholder. The term "interested stockholder" is defined to include any person, other than the corporation and any direct or indirect majority-owned subsidiary of the corporation, who, together with affiliates and associates, owns (or owned within three years prior to the determination of interested stockholder status) 15% or more of the outstanding voting stock of the corporation.

Section 203 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. The provisions of Section 203 may encourage companies interested in acquiring the Company to negotiate in advance with our board of directors, because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

#### *Undesignated Preferred Stock*

The ability to authorize undesignated preferred stock will make it possible for our board of directors to issue preferred stock with supermajority voting, special approval, dividend or other rights or preferences that could impede the success of any attempt to acquire us or to otherwise effect a change in control of us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

#### *Classified Board of Directors*

The Certificate of Incorporation provides that our board of directors will be divided into three classes. Each class shall consist of as close to one-third of the entire board of directors as possible. Each director shall be elected to serve a term of three years, with each director's term to expire at the annual meeting held three years after the director's election.

If a director nominee in an uncontested election fails to receive the approval of a majority of the votes cast on his or her election by the stockholders, the nominee shall promptly offer his or her resignation to the board of directors for consideration in accordance with the procedure set forth in our Corporate Governance Guidelines.

#### *Removal of Directors; Vacancies*

The Certificate of Incorporation provides that any director may be removed only for cause and only by the affirmative vote of at least 75% of the voting power of all the then-outstanding shares of voting stock, voting together as a single class. In addition, the Certificate of Incorporation and Bylaws also provide that any vacancies or newly created seats on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum, and not stockholders.

#### *No Cumulative Voting*

The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our Certificate of Incorporation provides otherwise. The Certificate of Incorporation does not provide for cumulative voting.

### *No Stockholder Action by Written Consent; Calling of Special Meetings of Stockholders*

The Certificate of Incorporation and Bylaws prohibit stockholder action by written consent. They also provide that special meetings of our stockholders may be called only by our board of directors pursuant to a resolution adopted by a majority of our board of directors.

### *Advance Notice Requirements for Director Nominations and Stockholder Proposals*

The Bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary in order for the matter to be properly brought before a meeting. The stockholder will also have to provide certain information and representations as specified in our Bylaws about the stockholder, its affiliates and any proposed business or nominee. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or to make nominations for directors at an annual meeting of stockholders.

### *Supermajority Provisions*

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend a corporation's Certificate of Incorporation or Bylaws, unless the Certificate of Incorporation requires a greater percentage. The Certificate of Incorporation provides that the following provisions may be amended only by a vote of at least 80% of the voting power of all of the outstanding shares of our stock entitled to vote:

- The removal of directors;
- Filling vacant seats on the board of directors;
- The prohibition on stockholder action by written consent;
- The exclusive forum;
- The ability to call a special meeting of stockholders being vested solely in our board of directors;
- The ability of the board of directors to make, alter, amend or repeal our Bylaws, and
- The amendment provisions requiring that the above provisions be amended only with an 80% supermajority vote.

### **Authorized but Unissued Capital Stock**

The DGCL does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which would apply so long as our common stock is listed on the NYSE, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or the then-outstanding number of shares of our common stock. Such approval is not required, however, for any public offering for cash; any bona fide private financing, if the financing involves a sale of common stock, for cash, at a price at least as great as each of the book and market value of our common stock; and securities convertible into or exercisable for common stock, for cash, if the conversion or exercise price is at least as great as each of the book and market value of our common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of common stock or preferred stock at prices higher than prevailing market prices.

### **Dissenters' Rights of Appraisal and Payment**

Under the DGCL, with certain exceptions, our stockholders have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

### **Stockholders' Derivative Actions**

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law. The Certificate of Incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty owed by any of our stockholders, directors, officers, or other employees to us or to our stockholders, any action asserting a claim arising pursuant to the DGCL, or any action asserting a claim governed by the internal affairs doctrine. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against our directors, officers, employees and agents.

## **SWEDISH DEPOSITORY RECEIPTS**

In connection with any offering of our common stock, at the request of the underwriters or relevant non-U.S. person purchasers, we may deposit all or a portion of such shares with Skandinaviska Enskilda Banken AB (publ), or the Custodian, pursuant to a Custodian Agreement between us and the Custodian. The Custodian will then deliver Swedish Depository Receipts, or the SDRs, representing the shares of our common stock, to the relevant non-U.S. person purchasers of our common stock that have requested receipt of SDRs. Any such SDRs will be issued and governed in accordance with the Custodian Agreement and the General Terms and Conditions for Swedish Depository Receipts in Veoneer, Inc., or the General Terms and Conditions. The newly issued SDRs may be issued by the Custodian from June 17, 2019.

Veoneer SDRs are listed on Nasdaq Stockholm and we intend to in total list up to 114,972,130 SDRs on Nasdaq Stockholm. Each Veoneer SDR represents an ownership interest in one share of Veoneer common stock. The Custodian's business will be conducted in accordance with the Swedish Companies Act (2005:551), the Swedish Banking and Financing Business Act (2004:297) and the Swedish Securities Market Act (2007:528). The Custodian (registration number 502032-9081) is a Swedish public limited liability company registered with the Swedish Companies Registration Office on December 29, 1971. The Custodian's registered office is located at Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden.

All shares of Veoneer common stock held by the Custodian will be held on behalf of holders of Veoneer SDRs by a bank designated by the Custodian that conducts business in the U.S. (the "U.S. Sub-Custodian"). Veoneer SDRs will be issued and registered in the form of SDRs in the book-entry system (the "SDR Register") administered by Euroclear Sweden AB ("Euroclear Sweden"). No certificates representing Veoneer SDRs will be issued. Veoneer SDRs are denominated in Swedish krona (SEK), and are freely transferable. A Veoneer SDR holder may hold the SDRs either directly in a VPC account or indirectly through the Veoneer SDR holder's broker or other financial institution as nominee. If Veoneer SDRs are held by a holder directly, then such Veoneer SDR holder, by having an SDR registered in such holder's own name in a VPC account with Euroclear Sweden, individually has the rights of a Veoneer SDR holder. If a Veoneer SDR holder holds the SDRs in a custody account with such holder's broker or financial institution nominee, such holder must rely on the procedures of such broker or financial institution to assert the rights of a Veoneer SDR holder described in this section. A Veoneer SDR holder should consult with such holder's broker or financial institution to find out what those procedures are.

A Veoneer SDR holder will not have equivalent rights as our holders of common stock, whose rights are governed by U.S. federal law and the Delaware General Corporation Law. Because the Custodian will be the stockholder of record for the shares of our common stock represented by all outstanding Veoneer SDRs, stockholder rights will rest with such record holder. A Veoneer SDR holder's rights will derive from the General Terms and Conditions. The Company will establish arrangements such that Veoneer SDR holders shall have the opportunity to exercise certain rights with respect to the Company as would be exercisable by such holders if they had owned shares directly and not SDRs.

The obligations of the Custodian and the Company towards Veoneer SDR holders are set out in the General Terms and Conditions. The General Terms and Conditions and the Veoneer SDRs are governed by Swedish law. The following is a summary of the material terms of the General Terms and Conditions. Because it is a summary, it does not contain all of the information that may be important to you. For more complete information, you should read the entire General Terms and Conditions which contains the terms of the Veoneer SDRs, which has been filed as an exhibit to our periodic reports filed with the SEC.

### **Record and Payment Date**

The Custodian will, in consultation with us, fix a record date for the determination of Veoneer SDR holders entitled to dividends in cash, shares, rights, or any other property or the proceeds thereof (if the property is sold by the Custodian in accordance with the General Terms and Conditions), receive applicable information to attend and vote at a stockholders' meeting or certain other rights that may be exercised by our stockholders. The Custodian will also, in consultation with us, fix the date for payment of any dividend to Veoneer SDR holders, if any dividends are paid, which we refer to as the payment date.

### **SDR Register**

The shares of our common stock to be deposited with the Custodian will be represented by book-entry registration in the form of SDRs in the system administered by Euroclear Sweden AB, Box 191, SE 101 23

Stockholm (“Euroclear Sweden”), in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479) on the VPC accounts designated by Veoneer SDR holders, which we refer to as the SDR Register. No certificates will be issued for Veoneer SDRs. The ISIN code is SE0011115963 for our SDRs and US92336X1090 for our common stock. The CUSIP for our common stock is 92336X109. Veoneer SDR holders wishing to trade their underlying shares of common stock on the NYSE will need to cancel their Veoneer SDRs registered in the SDR Register. Veoneer SDR holders should contact their banks or brokers for further information regarding such re-registration into common stock.

### **Voting Rights**

The Custodian will, as soon as possible after receipt of information of any general meeting of our stockholders, cause a Veoneer SDR holder registered in the SDR Register on the record date, to be furnished with information regarding such general meeting of stockholders. The information shall include the following:

- the time and location of the general meeting of stockholders and the matters intended to be considered by the meeting;
- reference to instructions available through our website as to the actions that must be taken by each Veoneer SDR holder to be able to exercise his, her or its voting rights at the general meeting; and
- reference to materials for the general meeting available through our website.

### **Dividends and Other Distributions**

A Veoneer SDR holder is entitled to participate in dividends ratably on a per SDR basis if and when our board of directors declares dividends on our common stock in the same manner a holder of common stock would be, although a cash dividend will be converted into SEK. The conversion will be made in accordance with the exchange rates applied by the Custodian from time to time and will take place not more than five nor less than three business days prior to the payment date by the Custodian entering into futures contracts with delivery on the payment date. The final conversion rate will be an average of the rates achieved in each such futures contract.

The person registered in the SDR Register on the record date as the Veoneer SDR holder or holder of rights to dividends relating to the Veoneer SDRs shall be considered to be authorized to receive any dividends. Payments of any dividends will be effected in SEK by Euroclear Sweden on the payment date. If the person receiving dividends is not an authorized recipient, then the Company, the Custodian and Euroclear Sweden will be considered to have fulfilled their respective obligations unless, in the case of the Custodian or Euroclear Sweden, either was aware that the payment of dividends was made to an unauthorized person or in certain cases where the recipient person is underage or has a legal guardian and the right to receive dividends was in the authority of the legal guardian. If Veoneer SDR holders can not be reached and the holder’s entitlement to a dividend, if and when paid by the Company, has lapsed, the person in whose favor any such lapse operates will be determined based on the law applicable to the holder of such securities. There are no restrictions on the right to dividends for holders domiciled outside the U.S. or Sweden.

Euroclear Sweden will pay dividends, if and when declared by the Company, to Veoneer SDR holders or holders of rights to dividends relating to Veoneer SDRs in accordance with the rules and regulations applied by Euroclear Sweden from time to time. Under the present rules and regulations of Euroclear Sweden, dividends normally are paid to cash accounts linked to the VPC accounts on which the SDRs are registered. The dividend payments, if any, to Veoneer SDR holders will be made without deduction of any costs, charges, or fees from us, the Custodian, the U.S. Sub-Custodian or Euroclear Sweden, except for any withholding tax levied in the U.S. or in Sweden on dividend payments or any other tax to be imposed by tax authorities in the U.S. or Sweden.

If we declare a dividend where we give stockholders an option to elect to receive such dividend in cash or some other form and if, in the opinion of the Custodian, it is not practically possible for Veoneer SDR holders to have any option to choose between dividends in the form of cash or in any other form, the Custodian shall on behalf of Veoneer SDR holders be entitled to decide that any such dividends shall be paid in cash.

### **Taxation**

In connection with any distribution to SDR holders, we, the Custodian, the U.S. Sub-Custodian, and Euroclear Sweden or any of our or their respective agents will remit to the appropriate governmental authority or

agency all amounts (if any) required to be withheld by us, the Custodian, the U.S. Sub-Custodian, Euroclear Sweden or any of our or their respective agents. In the event we, the Custodian, the U.S. Sub-Custodian or Euroclear Sweden or any of our or their respective agents determines that any distribution in cash, shares, rights or any other property is subject to any tax or governmental charges which it is obligated to withhold, it may use that cash, or sell all or a portion of such property as is necessary and economically and practicably feasible to pay such taxes or governmental charges, and the Custodian shall distribute the net proceeds of any sale or the balance of any such property or cash after deduction of such taxes or governmental charges to Veoneer SDR holders entitled thereto. Veoneer SDR holders will remain liable for any deficiency.

The Custodian will use its best efforts to provide Veoneer SDR holders with such information as it may possess and Veoneer SDR holders may reasonably request to enable such Veoneer SDR holder or its agent to claim any benefit provided under the taxation treaty between the U.S. and Sweden.

### **Exercise of Rights and Deposit or Sale of Securities Resulting from Dividends, Splits or Plans of Reorganization**

The Custodian, as promptly as possible, will accept delivery of shares of Veoneer common stock as a result of bonus issues and the effect of split-ups or combinations of such shares. Registrations in Veoneer SDR holders' respective VPC accounts reflecting such bonus issue, split-up or combinations will be effected by Euroclear Sweden as soon as practically possible after the record date without any further information being provided to Veoneer SDR holders by the Custodian. The person registered in the SDR Register on the applicable record date as a Veoneer SDR holder or holder of rights relating to bonus issues will be considered to be authorized to receive any shares of our common stock as a result of bonus issues or participate in any split-ups or combinations of Veoneer SDRs. Should the person receiving bonus shares or participating in split-ups or combinations of Veoneer SDRs not be authorized to receive Veoneer SDRs or to participate in such measures, the same principles shall apply as described above under "Dividends and Other Distributions" regarding the right to receive dividends. If Veoneer SDR holders are entitled to receive fractional shares as a result of stock dividends, bonus issues or any other corporate action by us, such fractional shares will be sold by the Custodian and the proceeds of such sale will be distributed to Veoneer SDR holders. The Custodian will not accept deposit of fractional shares or an uneven number of fractional rights.

The Custodian will provide Veoneer SDR holders with information with regard to new issues or issues of debentures or other rights in which Veoneer SDR holders have a right to subscribe for new shares and debentures, as well as other corporate action directed to stockholders by us in accordance with the provision governing delivery of notice as outlined below. When it is not practically or economically feasible to distribute any such rights, the Custodian will have the right to sell such rights on behalf of Veoneer SDR holders and to distribute the proceeds of such sale to Veoneer SDR holders after deduction of any taxes levied in accordance with the General Terms and Conditions.

### **Restrictions on Deposit and Withdrawal**

The Custodian and the U.S. Sub-Custodian may refuse to accept shares of our common stock for deposit under the General Terms and Conditions whenever notified that we have restricted transfer of such shares to comply with any ownership or transfer restrictions under Swedish, U.S. or any other applicable law.

### **Company Reports and Other Communications**

The Custodian will cause reports and other information received by the Custodian from us for distribution to Veoneer SDR holders, to be delivered in accordance with the General Terms and Conditions to all Veoneer SDR holders or others holders being entitled to such information according to the SDR Register. We will cause our annual report to be available through our website. Additionally, we will, upon request from a Veoneer SDR holder, send our annual report to such Veoneer SDR holder.

The Custodian shall arrange for notices or documentation to be distributed to Veoneer SDR holders in accordance with the General Terms and Conditions to be delivered to Veoneer SDR holders and other holders of rights registered in the SDR Register as entitled to receive notification pursuant to the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). Such notices or documents will be sent by mail to the address listed in the SDR Register. We and the Custodian may, instead of mailing notices, publish the corresponding information in at least one national Swedish daily newspaper and through our website.



### **Limitations on Obligation and Liability to SDR Holders**

Pursuant to the General Terms and Conditions, we, the Custodian, the U.S. Sub-Custodian and Euroclear Sweden will not be liable for (i) losses due to Swedish or foreign legal decrees or (ii) losses due to Swedish or foreign action by public authorities, acts of war, strikes, blockades, boycotts, lockouts or other similar causes.

The reservations with respect to strikes, blockades, boycotts, and lockouts apply even if we, the Custodian, the U.S. Sub-Custodian or Euroclear Sweden undertake, or are the object of, such actions.

If the Custodian, the U.S. Sub-Custodian, we or Euroclear Sweden are hindered from making payment or taking any other action by the circumstances described above, such action may be deferred until the hindrance has ceased to exist.

We, the Custodian, the U.S. Sub-Custodian and Euroclear Sweden will not be obligated to provide compensation for losses arising in other situations if we, the Custodian, the U.S. Sub-Custodian or Euroclear Sweden have exercised normal prudence, nor shall we, the Custodian, the U.S. Sub-Custodian or Euroclear Sweden be liable for indirect damages. Further, we, the Custodian, the U.S. Sub-Custodian and Euroclear Sweden are not responsible for losses or damages incurred by a Veoneer SDR holder by reason that any dividend, right, delivery of notice or other that our stockholders are entitled to, for technical, legal or other reasons beyond Euroclear Sweden's control cannot be distributed or transferred to Veoneer SDR holders registered in the SDR Register.

### **Amendment and Termination of the Custodian Agreement**

The Custodian, in consultation with us, is entitled to amend the General Terms and Conditions insofar as such amendments are required by Swedish law, U.S. law or any applicable legislation, court order, orders by public authorities or changes in the rules and regulations of Euroclear Sweden, or if, in the opinion of the Custodian, such action is otherwise appropriate or necessary for practical reasons and Veoneer SDR holders' rights are in no material respect adversely affected.

The Custodian may terminate deposits made under the General Terms and Conditions by delivery to Veoneer SDR holders of a notice of termination pursuant to the applicable provision in the General Terms and Conditions if: (i) a decision is taken to delist Veoneer SDRs from Nasdaq Stockholm; (ii) a decision is taken by us pursuant to our Certificate of Incorporation or our Bylaws to no longer maintain the Veoneer SDR program under the General Terms and Conditions or (iii) Euroclear Sweden has decided to terminate the service agreement concerning registration of Veoneer SDRs.

For a period of twelve months from the date of the termination notice described above, the General Terms and Conditions will continue to be valid in all respects; provided, however, that Veoneer SDRs, in accordance with an undertaking by us, will be listed on Nasdaq Stockholm for a period of six months from the date of such termination notice, if they have not been previously delisted on the initiative of Nasdaq Stockholm.

For a period of two years after the expiration of twelve months from the date of the termination notice, the Custodian shall continue to hold the shares of our common stock in safe custody but shall discontinue registration of transfers of Veoneer SDRs (by closing the SDR Register), suspend distribution of dividends to the Veoneer SDR holders, refuse to accept deposits of such shares or any other action required under the General Terms and Conditions. In addition, the Custodian shall be entitled to compensation from a Veoneer SDR holder for all fees and costs incurred by the Custodian in connection with the Veoneer SDRs from such date forward.

Three years after the date of the termination notice has been given, the Custodian is entitled to sell the shares of our common stock and deduct any fees and costs incurred in connection with any such sale of the Share. The proceeds of any such sale together with any dividends not paid to the Veoneer SDR holders, after the deduction of fees and costs in accordance with the foregoing, will be held by the Custodian without liability for interest thereon for the Veoneer SDR holders' account.

## MARKET PRICE OF COMMON STOCK

On July 2, 2018, shares of our common stock commenced trading on the New York Stock Exchange under the symbol “VNE,” and shares of our SDRs commenced trading on Nasdaq Stockholm under the symbol “VNE SDB.” Prior to that date, there was no public market for our common stock or SDRs. The following table summarizes the high and low sale prices of our common stock and SDRs as reported by the New York Stock Exchange and Nasdaq Stockholm, respectively.

### New York Stock Exchange

	<u>High</u>	<u>Low</u>
Third Quarter of 2018 (from July 2, 2018), .....	\$57.93	\$41.45
Fourth Quarter of 2018 .....	\$56.24	\$22.63
First Quarter of 2019 .....	\$33.11	\$22.77

### Nasdaq Stockholm

	<u>High</u>	<u>Low</u>
Third Quarter of 2018 (from July 2, 2018) .....	517.00kr	357.00kr
Fourth Quarter of 2018 .....	501.08kr	218.00kr
First Quarter of 2019 .....	294.80kr	208.10kr

## CONCURRENT CONVERTIBLE NOTES OFFERING

Concurrently with the offering of common stock, we completed an offering of \$207,000,000 aggregate principal amount of our 4.00 % Convertible Senior Notes due 2024, or the convertible notes (the “convertible notes offering”). The closing of the offering of common stock was not contingent upon the closing of our concurrent convertible notes offering and the closing of the convertible notes offering was not contingent upon the closing of the offering of common stock.

The convertible notes will mature on June 1, 2024 unless repurchased, redeemed or converted prior to such date. The convertible notes will bear interest at a rate of 4 % per year, payable semi-annually in arrears on June 1 and December 1 of each year beginning on December 1, 2019. The convertible notes will be subject to redemption at our option, in whole or in part, on or after June 1, 2022 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the convertible notes to be redeemed, *plus* accrued and unpaid interest to, but excluding, the redemption date. The convertible notes will be subject to repurchase by us at the option of the holders following a transaction that is considered a fundamental change, at a fundamental change repurchase price equal to 100% of the principal amount of the convertible notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. Subject to satisfaction of certain conditions and during certain periods, the convertible notes may be converted at an initial conversion rate of 44.8179 shares of common stock per \$1,000 principal amount of convertible notes (equivalent to an initial conversion price of approximately \$22.3125 per share of common stock). The conversion rate is subject to adjustment if certain events occur. In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its convertible notes in connection with such a corporate event or notice of redemption, as the case may be.

## **SHARES ELIGIBLE FOR FUTURE SALE**

Our common stock is listed on the NYSE under the symbol “VNE”. Sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices of our common stock. Some shares of our common stock will not be available for sale for a certain period of time after this offering because they are subject to contractual and legal restrictions on resale some of which are described below. Sales of substantial amounts of common stock in the public market after these restrictions lapse, or the perception that these sales could occur, could adversely affect the prevailing market price and our ability to raise equity capital in the future.

### **Sale of Restricted Shares**

All of the shares sold pursuant to the registration statement of which this prospectus forms a part will be freely transferable without restriction under the Securities Act, unless purchased by our “affiliates” as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are so registered and sold under the Securities Act or are sold pursuant to an exemption from registration under Rule 144 under the Securities Act.

### **Rule 144**

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who is not deemed to be or have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than an affiliate, is entitled to sell such shares without registration, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of a prior owner other than an affiliate, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates, who have met the six-month holding period for beneficial ownership of “restricted shares” of our common stock, are entitled to sell within any three-month period, a number of shares that does not exceed the greater of:

- 1.0% of our then-outstanding shares of common stock, which will equal approximately 1,113,721 shares immediately after this offering; and
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice of the sale on Form 144.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. The sale of these shares, or the perception that sales will be made, could adversely affect the price of our common stock after this offering because a great supply of shares would be, or would be perceived to be, available for sale in the public market.

### **Registration Statement on Form S-8**

On June 21, 2018, we filed with the SEC a Registration Statement on Form S-8 registering an aggregate of 4,500,000 shares of common stock equity awards we have made and will make to our employees and certain other qualifying individuals, and the resale of those shares of common stock. The Form S-8 became effective upon filing and shares of common stock so registered will become freely tradable when issued.

### **Rule 701**

Rule 701 under the Securities Act generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of ours during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of ours to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701 and until expiration of the lock-up period described below.

### **Lock-Up Agreements**

We and our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock or any of our other equity or equity-linked securities for a period of 180 days following the date of this prospectus.

After the offering, certain of our employees, including our executive officers, and/or directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

## **LEGAL MATTERS**

Alston & Bird LLP, Washington, D.C. passed upon the validity of the common stock offered in the common stock offering and Vinge, Stockholm will pass upon the validity of any SDRs we offer in the offering. Cleary Gottlieb Steen & Hamilton LLP, London, United Kingdom is acting as counsel for the underwriters in connection with this offering.

## **EXPERTS**

The consolidated financial statements of Veoneer, Inc. appearing in Veoneer Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2018 have been audited by Ernst & Young AB, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference, see section "Incorporation of certain documents by reference", in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Zenuity AB appearing in Veoneer Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2018 have been audited by Ernst & Young AB, independent auditors, as set forth in their report thereon, included therein, and incorporated herein by reference, see section "Incorporation of certain documents by reference". Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing, see section "Incorporation of certain documents by reference".

## **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov>. Information about us, including our SEC filings, is also available at our internet site at <http://www.veoneer.com>. However, the information contained on our website, except for the SEC filings referred to below, is not a part of, and shall not be deemed to be incorporated by reference into, this prospectus.

We have filed with the SEC a registration statement on Form S-1 relating to the offering of common stock. For further information with respect to us and the offering of common stock, reference is hereby made to the registration statement. Any statement made herein concerning a contract or other document of ours is not necessarily complete, and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter. Each such statement is qualified in all respects by reference to the document to which it refers.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We have chosen to incorporate by reference certain information into this document. This means that important information is disclosed by referring to another document. Any information referred to in this way is considered part of this prospectus. Information in this prospectus supersedes information incorporated by reference. The parts of the below documents that are not incorporated by reference is deemed not relevant for investors.

We incorporate by reference into this document the information or documents listed below:

<u>Information</u>	<u>Document</u>	<u>Page reference</u>
Audited historical financial information for the fiscal years 2018, 2017 and 2016 and the audit report in respect of each financial year including notes.	2018 Form 10-K	
	<ul style="list-style-type: none"> <li>• “Report of Independent Registered Public Accounting Firm”</li> <li>• “Consolidated Statements of Operations”</li> <li>• “Consolidated Statements of Comprehensive Loss”</li> <li>• “Consolidated Balance Sheets”</li> <li>• “Consolidated Statements of Cash Flow”</li> <li>• “Consolidated Statements of Changes in Equity”</li> <li>• Notes</li> </ul>	58-101
	The Balance Sheet as of December 31, 2016 and the Report of Independent Registered Public Accounting Firm from the prospectus regarding Veoneer’s application for listing of the Swedish depository receipts on Nasdaq Stockholm registered with the Swedish Financial Supervisory Authority on 8 June 2018.	F-2, F-5
Amended and Restated Certificate of Incorporation	The prospectus regarding Veoneer’s application for listing of the Swedish depository receipts on Nasdaq Stockholm registered with the Swedish Financial Supervisory Authority on 8 June 2018.	Exhibit No. 3.1, page E-1 – E-7
Amended and Restated Bylaws	The prospectus regarding Veoneer’s application for listing of the Swedish depository receipts on Nasdaq Stockholm registered with the Swedish Financial Supervisory Authority on 8 June 2018.	Exhibit 3.2, page E-8 – E-21

**Except as expressly provided above, no other information, including information on our Internet site, is incorporated by reference into this prospectus.**

## ADDITIONAL INFORMATION

### Other Expenses of Issuance and Distribution

The following table sets forth the estimated costs and expenses, other than the underwriting discounts and commissions, payable in connection with the sale of our common stock being registered. Except as otherwise noted, the Company will pay all of the costs and expenses set forth in the following table. All amounts are estimates except for the Securities and Exchange Commission, or SEC, registration fee and the Financial Industry Regulatory Authority, or FINRA, filing fee.

	<b>Amount to Be Paid</b>
SEC Registration fee .....	\$ 58,539
FINRA filing fee .....	72,950
Accounting fees and expenses .....	150,000
Legal fees and expenses .....	1,300,000
Printing expenses .....	70,000
Transfer agent fees and expenses .....	3,250
<b>Total</b> .....	<b>\$1,654,739</b>

### Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law, or the DGCL, makes provision for the indemnification of officers and directors of corporations in terms sufficiently broad to indemnify our officers and directors under certain circumstances from liabilities (including reimbursement of expenses incurred) arising under the Securities Act. Section 102(b)(7) of the DGCL permits a corporation to provide in its Certificate of Incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases, or (iv) for any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, our Amended and Restated Certificate of Incorporation, which we refer to as our Certificate of Incorporation, provides that, to the fullest extent permitted by the DGCL as it may be amended, no director shall be personally liable to the Company or to its stockholders for monetary damages for breach of his or her fiduciary duty as a director. The effect of this provision in our Certificate of Incorporation is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director thereof (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i)-(iv), inclusive, above.

Our Certificate of Incorporation provides that the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture trust or other enterprise, against all expenses, liability and loss (including attorneys' fees, judgments, fines, excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974, as amended, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereof, and any taxes imposed on such person as a result of such payments) actually and reasonably incurred by such person in connection with such action, suit or proceeding, to the fullest extent authorized by the DGCL if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, provided that the Company shall indemnify such person in connection with any such action, suit or proceeding initiated by such person only if authorized by our board of directors or brought to enforce certain indemnification rights.

Our Certificate of Incorporation also provides that expenses incurred by an officer or director of the Company (acting in his or her capacity as such) in defending any such action, suit or proceeding shall be paid by the Company, provided that if required by the DGCL such expenses shall be advanced only upon delivery to the Company of an undertaking by or on behalf of such officer or director to repay such amount if it shall ultimately



be determined that he or she is not entitled to be indemnified by the Company. Expenses incurred by other agents of the Company may be advanced upon such terms and conditions as our board of directors deems appropriate.

Our Certificate of Incorporation also provides that indemnification provided for in our Certificate of Incorporation or our Bylaws shall not be deemed exclusive of any other rights to which the indemnified party may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise; and that the Company may purchase and maintain insurance to protect itself and any such person against any such expenses, liability and loss, whether or not the Company would have the power to indemnify such person against such expenses, liability or loss under the DGCL, our Certificate of Incorporation or our Bylaws.

In addition to the above, the Company has entered into indemnification agreements with each of its directors and certain of its officers. The indemnification agreements provide directors and such officers with the same indemnification by the Company as described above and assure directors and such officers that indemnification will continue to be provided despite future changes in our Certificate of Incorporation or our Bylaws. The Company also provides indemnity insurance pursuant to which officers and directors are indemnified or insured against liability or loss under certain circumstances, which may include liability or related loss under the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act.

### **Legal proceedings**

Various claims, litigation and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters.

Certain legal proceedings in which the Company is involved are discussed in Note 16 – “Commitments and Contingencies” included in the Company’s Annual Report on Form 10-K incorporated herein by reference.

### **Group Structure**

The Company’s business is conducted in accordance with U.S. federal law and the Delaware General Corporation Law. Veoneer, Inc. (IRS Employer Identification Number 82-3720890) is a Delaware corporation which was incorporated on November 13, 2017. The Company’s registered office is located at Corporation Trust Center, 1209 Orange Street in Wilmington, New Castle County, Delaware. The Company’s registered agent at such address is The Corporation Trust Company. The Company is currently the parent company of 20 subsidiaries, which are listed in the table below. Veoneer, Inc. has 100% ownership interest and 100% voting power of each subsidiary unless otherwise indicated.

#### **Australia**

Veoneer Australia Pty Ltd.

#### **Canada**

Veoneer Canada Inc.

#### **China**

Veoneer (China) Co., Ltd.

Veoneer Nissin Brake Systems  
(Zhongshan) Co., Ltd. (51%)

#### **France**

Veoneer France SAS

#### **Germany**

Veoneer Germany GmbH

#### **India**

Veoneer India Private Limited

#### **Italy**

Veoneer Italy S.r.l.

#### **Japan**

Veoneer Japan Ltd.

Veoneer Nissin Brake Systems Japan Co., Ltd. (51%)  
Akehai Kogyo KK (51%)

#### **Romania**

Veoneer Romania S.r.l.

#### **South Korea**

Veoneer Korea Ltd.

#### **Sweden**

Veoneer AB

Veoneer Sverige LiDAR AB

Veoneer Sweden AB

Zenuity AB (50%)

#### **United States**

Veoneer US, Inc. (Delaware)

Veoneer Nissin Brake Systems America LLC (Ohio) (51%)

Veoneer Roadscape Automotive, Inc. (Delaware)

## **Investment Activities**

In 2018, 2017 and 2016, cash used in investing activities amounted to \$185 million, \$230 million and \$335 million, respectively. Our investing activities primarily consist of investments in property, plant and equipment and acquisition of businesses, net of cash.

## **Important stages in the Company's history**

In addition to the significant events in the Company's history outlined in section "Market and Business", the following events are defined as important historical stages:

- In June 2018, Veoneer became an independent, publicly-traded company as a result of the distribution by Autoliv, Inc. of 100 % of the outstanding common stock of Veoneer to the stockholders of Autoliv.
- In July 2018, Veoneer common stock began regular trading on the NYSE.
- In May 2019, Veoneer completed an offering of 24,000,000 shares of common stock to qualified and institutional investors.

## **Responsibility Statement**

Veoneer is responsible for the contents of this document. Veoneer hereby declares that, having taken all reasonable care to ensure that such is the case, the information in this document is to the best of Veoneer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Wilmington, New Castle County Delaware, June 14, 2019

Veoneer, Inc.

## **Significant changes since March 31, 2019**

On May 28, 2019, Veoneer completed a public offering to institutional and other investors of 24,000,000 shares of common stock with \$420 million in proceeds. Veoneer concurrently completed a public offering of Convertible Senior Notes with an aggregate principal amount of \$207 million.

## **Share Capital Development**

The below table shows historic changes in the Company's share capital since its incorporation on November 13, 2017, and the changes in the number of shares and the share capital in connection with the offering of shares on the applicable U.S. stock exchange and its SDRs on Nasdaq Stockholm.

Year	Event	Number of shares of our common stock		Share capital (USD)	
		Change	Total	Change	Total
2017	Incorporation . . . . .	—	100	—	100
2018	Share issue (Spin-off) . . . . .	87,132,680	87,132,780	87,132,680	87,132,780
2019	Grants of RSUs and performance shares (minus cancelled and forfeited stock rights) . . . . .	239,350	87,372,130	239,350	87,372,130
2019	Common Stock Offering <sup>7</sup> . . . . .	24,000,000	111,372,130	24,000,000	111,372,130

## **Dividend Policy**

We have not declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

<sup>7</sup> To a purchase price of \$17.50 per share.

### **Documents available for inspection**

The following documents (except for annual reports of subsidiaries and the deposit agreement and terms and conditions for the Swedish Depository Receipts) can be obtained free of charge on Veoneer's website at [www.veoneer.com](http://www.veoneer.com). Copies of all documents can also be obtained at the head office of Veoneer (Klarabergsviadukten 70, Stockholm, Sweden) during the validity of this document (regular hours on business days).

- Veoneer's certificate of incorporation and bylaws;
- Veoneer's financial statements for the fiscal years 2016-2018 (also included in this document);
- Veoneer's subsidiaries' annual reports for the financial years 2017-2018 (including audit reports);
- Veoneer's financial statements for the period ended March 31, 2019; and
- Custodian Agreement and terms and conditions for the Swedish Depository Receipts.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of material U.S. federal income tax and withholding consequences relating to the ownership and disposition of our common stock by beneficial owners of such common stock that acquire it pursuant to the offering. This discussion is based on U.S. federal income tax law, including the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (and proposed Treasury Regulations) promulgated under the Code (collectively, the “Regulations”), administrative rulings, and judicial authority, all as in effect as of the date of this prospectus. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of owning or disposing of our common stock, as described in this discussion. No assurance can be given that the Internal Revenue Service (the “IRS”) will not challenge one or more of the tax results described in this discussion, and no ruling from the IRS has been, or is expected to be, sought with respect to the U.S. federal tax consequences of the ownership and disposition of our common stock.

This discussion addresses only the tax considerations that are relevant to a holder that holds our common stock as a capital asset within the meaning of the Code. This discussion does not address all of the tax consequences that may be relevant to a particular holder. In particular, it does not address the U.S. federal estate and gift tax consequences, or any state, local, or foreign tax consequences, of owning or disposing of our common stock. Additionally, this discussion does not address, except as stated below, any of the tax consequences to holders that may be subject to special tax treatment with respect to their ownership or disposition of our common stock, including banks, thrift institutions, real estate investment trusts, regulated investment companies, personal holding companies, tax-exempt organizations, insurance companies, persons who are subject to Sections 877 or 877A of the Code; persons who will hold our common stock as part of a straddle, hedging, conversion, stripping, or constructive sale transaction (as such terms are used in the Code); persons whose functional currency is not the U.S. dollar; traders or dealers in securities; or the consequences of our stock being a United States real property interest.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and on the activities of the partnership. Partners in partnerships holding our common stock are encouraged to consult their tax advisors regarding the tax consequences of the partnership’s acquisition of our common stock. This discussion does not address the U.S. federal income tax consequences to partners of such partnerships or to owners of any other entity that holds our common stock.

### **Tax Consequences to U.S. Holders**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other business entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state of the United States, or the District of Columbia;
- an estate, if its income is subject to U.S. federal income tax regardless of its source; and
- a trust, if (1) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons (within the meaning of the Code) have the authority to control all of its substantial decisions, or (2) the trust has a valid election in effect under applicable Regulations to be treated as a U.S. person.

### ***U.S. Federal Income Tax Consequences to U.S. Holders of the Ownership and Disposition of Veoneer Common Stock***

*Distributions on Veoneer Common Stock.* In general, the gross amount of any distribution made in respect of Veoneer common stock will be includible in a U.S. Holder’s taxable income as ordinary dividend income on the date the U.S. Holder receives the distribution to the extent of Veoneer’s earnings and profits for U.S. federal income tax purposes. Any such dividends paid to corporate U.S. Holders generally will qualify for the dividends-received deduction that is allowed under the Code. Subject to certain exceptions for short-term and hedged positions, the dividends received by an individual U.S. Holder will be subject to taxation at a preferential rate if

the dividends are “qualified dividends.” It is expected that dividends paid on Veoneer common stock will be “qualified dividends.” Generally, amounts distributed in excess of earnings and profits reduce the U.S. Holder’s basis in the stock, and amounts distributed in excess of the basis result in capital gain. Long-term capital gain realized by an individual U.S. Holder is subject to taxation at a preferential rate.

*Disposition of Veoneer Common Stock.* In general, a U.S. Holder will realize gain or loss upon the sale or other taxable disposition of Veoneer common stock in an amount equal to the difference between the sum of the fair value of any property and the amount of cash received in such disposition and the U.S. Holder’s adjusted tax basis in Veoneer common stock at the time of the disposition. A U.S. Holder must generally treat any gain or loss realized upon a taxable disposition of Veoneer common stock as long-term capital gain or loss if the U.S. Holder has held the common stock for more than one year and otherwise as short-term capital gain or loss. Long-term capital gain realized by an individual U.S. Holder is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

*Medicare Tax.* Additionally, a 3.8% Medicare contribution tax generally is imposed on the net investment income of certain individuals with a modified adjusted gross income of over \$200,000 (\$250,000 in the case of joint filers) and on the undistributed net investment income of certain estates and trusts. Interest and dividends received (or deemed to be received) by holders of the notes and our common stock and capital gains from the sale or other disposition of notes or common stock generally will constitute net investment income and be subject to the 3.8% tax. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the applicability of the Medicare tax to them.

*Information Reporting and Backup Withholding.* Generally, dividends paid with respect to Veoneer common stock, tax withheld and proceeds from the sale or other disposition of Veoneer common stock will be reported annually to the IRS, unless the U.S. Holder is an exempt recipient (such as a corporation). Under the backup withholding rules, a U.S. Holder may be subject to backup withholding with respect to dividends paid, unless such U.S. Holder delivers a properly completed IRS Form W-9 certifying such U.S. Holder’s correct taxpayer identification number and certain other information or otherwise establishes an exemption from backup withholding. A U.S. Holder that does not provide a correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. Holder’s U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

### **Tax Consequences to Non-U.S. Holders**

The term “Non-U.S. Holder” means a holder of Veoneer common stock that is not a U.S. Holder, a partnership, or an entity treated as a partnership for federal income tax purposes. The rules governing federal income taxation of Non-U.S. Holders are complex. This section is only a summary of such rules. Non-U.S. Holders are urged to consult their tax advisors to determine the impact of federal, state, local, and foreign income tax laws on the ownership of our common stock, including any reporting requirements.

#### ***U.S. Federal Income Tax Consequences of the Distribution and of the Ownership and Disposition of Veoneer Common Stock to Non-U.S. Holders***

*Distributions on Veoneer Common Stock.* In general, the gross amount of any distribution made in respect of Veoneer common stock to the extent of the Company’s earnings and profits for U.S. federal income tax purposes will be treated as a dividend for U.S. federal income tax purposes. Generally, amounts distributed in excess of earnings and profits reduce the Non-U.S. Holder’s basis in the stock, and amounts distributed in excess of the basis result in capital gain. Unless an applicable treaty provides otherwise, any dividend generally will be subject to U.S. federal withholding tax at a rate of 30%. The applicable withholding agent will be required to withhold U.S. income tax at the rate of 30% on the gross amount of any ordinary distribution paid to a Non-U.S. Holder unless either:

- a lower treaty rate applies and the Non-U.S. Holder furnishes to the applicable withholding agent an IRS Form W-8BEN or Form W-8BEN-E evidencing eligibility for that reduced rate; or
- the Non-U.S. Holder provides the applicable withholding agent with an IRS Form W-8ECI claiming that the distribution is effectively connected income.

If the dividend is effectively connected with the Non-U.S. Holder’s conduct of a U.S. trade or business, it will be taxed at graduated rates, similar to the manner in which U.S. Holders are taxed with respect to a

distribution, and a Non-U.S. Holder that is a corporation also may be subject to a 30% branch profits tax with respect to the distribution (or such lower rate as may be specified by an applicable income tax treaty). Generally, distributions that reduce basis and that are treated as capital gains are not subject to withholding tax.

*Disposition of Veoneer Common Stock.* A Non-U.S. Holder who disposes of Veoneer common stock received in the distribution, generally will not be subject to U.S. federal income or withholding tax, on any gain recognized upon any sale, exchange, or other taxable disposition of Veoneer common stock received in the distribution by such Non-U.S. Holder, unless:

- such gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States); or
- such Non-U.S. Holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year in which such gain is recognized and certain other requirements are met.

Unless an applicable treaty provides otherwise, any gain described in the first bullet point above generally will be subject to U.S. federal income tax at graduated rates, similar to the manner that U.S. Holders are taxed on gains. Any gain described in the second bullet point above generally will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) but may be offset by U.S.-source capital losses of the Non-U.S. Holder, if any, provided that the holder has timely filed U.S. federal income tax returns with respect to such losses.

*Information Reporting and Backup Withholding.* Generally, dividends paid with respect to Veoneer common stock, tax withheld, if any, and proceeds from the sale or other disposition of Veoneer common stock received in the United States by a Non-U.S. Holder or through certain financial intermediaries with certain U.S. connections are reported annually to the IRS. Copies of these information returns may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder will not be subject to backup withholding provided the Non-U.S. Holder complies with certain certification procedures (such as providing a valid IRS Form W-8BEN, Form W-8BEN-E, or Form W-8ECI or otherwise establishing an exemption). Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

#### ***Withholding on Certain Non-U.S. Holders***

Sections 1471 through 1474 of the Code (commonly referred to as "FATCA") impose a U.S. federal withholding tax of 30% on certain payments made to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally will impose a U.S. federal withholding tax of 30% on certain payments made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying certain direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes.

**THE FOREGOING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF VEONEER COMMON STOCK UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS.**

## MATERIAL SWEDISH INCOME TAX CONSEQUENCES

The following is a discussion of material Swedish income tax consequences of the listing of SDRs on Nasdaq Stockholm. This summary is based on the Swedish Income Tax Act, rulings and other administrative pronouncements issued by the Swedish Tax Agency, and Swedish case law, all as in effect on the date of this information statement, and all of which are subject to differing interpretation and change at any time, possibly with retroactive effect. No assurance can be given that the Swedish Tax Agency would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. This discussion applies to Swedish holders of Veoneer SDRs. This discussion is based upon the assumption that the listing will be consummated in accordance with the transaction agreements described in this prospectus. This summary is for general information only and is not tax advice. It does not discuss all aspects of Swedish income taxation that may be relevant to particular holders in light of their particular circumstances or to holders subject to special rules under the Swedish Income Tax Act. Furthermore, this summary does not cover all potential tax consequences in relation to the tax treatment of Veoneer common stock or Veoneer SDRs. More specifically, it does not cover: stock or SDRs that are held by a partnership or that are held as current assets in a business; taxation of dividends and capital gains on shares or SDRs which are held by other investors than Swedish individuals or Swedish limited liability companies; tax impacts following the participation exemption regime including potential investor deductions; tax consequences on foreign companies taxable in Sweden due to a permanent establishment; or tax consequences on stock or SDRs that are held in an investment savings account and that are applicable for private individuals. This discussion does not address any tax considerations other than those pertaining to the Swedish income tax.

For purposes of this discussion, a “Swedish holder” is any beneficial owner of Veoneer SDRs that is, for Swedish income tax purposes:

- an individual who is a citizen or a resident of Sweden; or
- a limited liability company (Sw. *aktiebolag*) tax resident in Sweden.

Veoneer has not sought and does not intend to seek a ruling from the Swedish Tax Agency with respect to the treatment of the distribution and certain related transactions for Swedish income tax purposes and there can be no assurance that the Swedish Tax Agency will not assert that the distribution and/or certain related transactions are taxable.

### ***Preliminary Tax Withholding applicable to Swedish Individuals with respect to Swedish SDR holders***

There is, as a general rule, an obligation to withhold preliminary taxes on dividend distributions that are subject to tax under Swedish domestic law. A payment on an SDR would therefore be considered a dividend distribution. Taxes shall be withheld on distributions to individuals and the rules do not apply to distributions to legal persons such as corporations and partnerships. The obligation to withhold preliminary taxes on a distribution is imposed on the entity that is making the payment.

The general rule is to withhold preliminary taxes on distributed funds at 30%. However, withholding preliminary taxes on foreign securities, including SDRs, shall be made at an amount that combined with any foreign taxes equals 30%.

The obligation to withhold taxes is connected with a requirement to submit statements of income and expenses to the Swedish Tax Agency by the entity that is obliged to withhold preliminary taxes on a distribution.

### ***Individuals***

#### **Taxation of Dividends on received Veoneer shares or Veoneer SDRs**

Dividends to individuals on publicly listed shares or SDRs, which the Veoneer shares and Veoneer SDRs will be, are taxed as capital income at a 30% tax rate.

#### **Taxation of Capital Gains and Capital Losses upon Divestment by Swedish SDR holders**

Divestments of publicly listed shares, including SDRs, may trigger a capital gain or a capital loss. Capital gains are subject to Swedish income tax at a 30% tax rate. The capital gain or capital loss is calculated as the difference between the remuneration, after deduction of expenses relating to the divestment, and the acquisition

price. The acquisition cost for shares or SDRs of the same sort and type is calculated by the application of the average method. The acquisition cost for the Veoneer shares or Veoneer SDRs received through the dividend from Autoliv, Inc. will be calculated in accordance with the general advice that will be received from the Swedish Tax Agency. By divestment of publicly listed shares or SDRs, the so called standard method could potentially be applied to calculate the acquisition cost, whereby the acquisition cost amounts to 20% of the remuneration received from the divestment after deduction of expenses relating to the divestment.

Capital losses on publicly listed shares and SDRs are tax deductible against taxable capital gains on both quoted and unquoted shares as well as from other publicly traded securities that are divested during the same fiscal year. Note that this does not apply on participations in investment funds and special funds that only comprise Swedish receivables, i.e. interest funds (Sw. *räntefonder*). Capital losses that are not possible to be deducted following the above will be deducted up to 70% against other capital income. If that will result in a deficit, a tax deduction against municipal and public income tax and against property tax and municipal property fee is available. Tax deduction will be allowed by 30% of the part of the deficit not exceeding SEK 100,000 and by 21% of the remaining part of the deficit. The deficit cannot be carried forward for tax purposes.

### *Limited liability companies*

#### **Taxation of Dividends on and Capital Gains and Capital Losses following Divestment of Veoneer shares or Veoneer SDRs**

For limited liability companies, all income, including taxable capital gains and dividends, is generally taxed as income from business operations at a 21.4% tax rate for financial years commencing on January 1, 2019, at the earliest. Capital gains and capital losses are calculated in accordance with the rules applicable for individuals as described above. Tax deductible capital losses on shares or SDRs and other securities may only be deducted against taxable capital gains on such shares or SDRs and securities. Such capital losses could also, under certain conditions, be deducted against capital gains incurred in other companies within the same group, if the companies can exchange group contributions for Swedish tax purposes. A capital loss that cannot be utilized during a certain fiscal year can be carried forward and be deducted against taxable capital gain on stock and other securities following fiscal years.

### *Material Swedish Income Tax Consequences to other Swedish Associations*

The taxation of associations other than Swedish limited liability companies depends on, inter alia, the legal and tax characteristics of the association from a Swedish perspective. Depending on such circumstances, such associations could be exempt from income tax or covered by the rules governing Swedish limited liability companies. Consideration should be given to the specific legal features of the recipient when determining the tax implications associated with the distribution.

**THE FOREGOING DISCUSSION IS A SUMMARY OF MATERIAL SWEDISH INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX LAWS.**



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2019

Commission File No.: 001-38471

**Veoneer, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**82-3720890**  
(I.R.S. Employer  
Identification No.)

**Klarabergsviadukten 70, Section C6**  
**Box 13089, SE-103 02**  
**Stockholm, Sweden**  
(Address of principal executive offices)

**N/A**  
(Zip Code)

**+46 8 527 762 00**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes:  No:

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes:  No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes:  No:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of April 22, 2019, there were 87,347,940 shares of common stock of Veoneer, Inc., par value \$1.00 per share, outstanding.

**Exhibit index located on page 37**

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including without limitation, statements regarding management's examination of historical operating trends and data, estimates of future sales (including estimates related to order intake), operating margin, cash flow, taxes or other future operating performance or financial results, are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "likely," "might," "would," "should," "could," or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words. We have based these forward-looking statements on our current expectations and assumptions and/or data available from third parties about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs.

New risks and uncertainties arise from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Factors that could cause actual results to differ materially from these forward-looking statements include, without limitation, the following: cyclical nature of automotive sales and production; changes in general industry and market conditions or regional growth or decline; our ability to achieve the intended benefits from our separation from our former parent; our ability to be awarded new business or loss of business from increased competition; higher than anticipated costs and use of resources related to developing new technologies; our ability to secure financing to meet future capital needs; higher raw material, energy and commodity costs; component shortages; changes in customer and consumer preferences for end products; market acceptance of our new products; dependence on and relationships with customers and suppliers; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; costs or difficulties related to the integration of any new or acquired businesses and technologies; successful integration of acquisitions and operations of joint ventures; successful implementation of strategic partnerships and collaborations; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto; higher expenses for our pension and other post-retirement benefits, including higher funding needs for our pension plans; work stoppages or other labor issues; possible adverse results of future litigation, regulatory actions or investigations or infringement claims; our ability to protect our intellectual property rights; tax assessments by governmental authorities and changes in our tax rate; dependence on key personnel; legislative or regulatory changes impacting or limiting our business; political conditions; and other risks and uncertainties contained in this Quarterly Report on Form 10-Q, and in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on February 22, 2019.

For any forward-looking statements contained in this Quarterly Report on Form 10-Q or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

**Veoneer, Inc.**

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**Part I – Financial Information**

**Item 1 – Condensed Consolidated Financial Statements**

**Veoneer, Inc.**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(U.S. DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

		<u>Three Months Ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
Net sales	Note 3	\$ 494	\$ 594
Cost of sales		<u>(409)</u>	<u>(483)</u>
<b>Gross profit</b>		<b>85</b>	<b>112</b>
Selling, general and administrative expenses		(52)	(31)
Research, development and engineering expenses, net		(156)	(106)
Amortization of intangibles		(5)	(5)
Other income, net		<u>—</u>	<u>15</u>
<b>Operating loss</b>		<b>(128)</b>	<b>(16)</b>
Loss from equity method investment	Note 8	(17)	(14)
Interest income		<u>3</u>	<u>—</u>
<b>Loss before income taxes</b>	Note 14	<b>(142)</b>	<b>(30)</b>
Income tax expense	Note 6	<u>(6)</u>	<u>(7)</u>
<b>Net loss</b>		<b>\$ (148)</b>	<b>\$ (37)</b>
Less: Net loss attributable to non-controlling interest		<u>(11)</u>	<u>(5)</u>
<b>Net loss attributable to controlling interest</b>		<b>\$ (137)</b>	<b>\$ (32)</b>
<b>Net loss per share – basic</b>	Note 13	<b>\$ (1.57)</b>	<b>\$ (0.36)</b>
<b>Net loss per share – diluted</b>		<b>\$ (1.57)</b>	<b>\$ (0.36)</b>
<b>Weighted average number of shares outstanding, (in millions)</b>		<b>87.24</b>	<b>87.13</b>
<b>Weighted average number of shares outstanding, assuming dilution (in millions)</b>		<b>87.24</b>	<b>87.13</b>

See notes to the unaudited condensed consolidated financial statements.

**Veoneer, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss (Unaudited)**  
(U.S. DOLLARS IN MILLIONS)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Net loss</b> .....	\$(148)	\$ (37)
Other comprehensive income (loss), before tax:		
Change in cumulative translation adjustment .....	(11)	11
<b>Other comprehensive income (loss), before tax</b> .....	<b>(11)</b>	<b>11</b>
Expense for taxes .....	—	—
<b>Other comprehensive income (loss), net of tax</b> .....	<b>(11)</b>	<b>11</b>
<b>Comprehensive loss</b> .....	<b>\$(159)</b>	<b>\$ (26)</b>
Less: Comprehensive loss attributable to non-controlling interest .....	(11)	(2)
<b>Comprehensive loss attributable to controlling interest</b> .....	<b>\$(148)</b>	<b>\$ (24)</b>

See notes to the unaudited condensed consolidated financial statements.

**Veoneer, Inc.**  
**Condensed Consolidated Balance Sheets**  
(U.S. DOLLARS IN MILLIONS)

	<u>(unaudited)</u>	
	<u>March 31, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>		
Cash and cash equivalents .....	\$ 715	\$ 864
Short-term investments .....	—	5
Receivables, net .....	364	376
Inventories, net .....	Note 7 170	172
Related party receivables .....	Note 15 43	64
Prepaid expenses .....	39	39
Other current assets .....	21	22
<b>Total current assets</b> .....	<b><u>1,352</u></b>	<b><u>1,543</u></b>
Property, plant and equipment, net .....	521	499
Operating lease right-of-use assets .....	70	—
Equity method investment .....	Note 8 81	101
Goodwill .....	290	291
Intangible assets, net .....	96	102
Deferred tax assets .....	10	11
Related party notes receivables .....	Note 15 —	1
Investments .....	8	8
Other non-current assets .....	91	77
<b>Total assets</b> .....	<b><u>\$2,519</u></b>	<b><u>\$2,632</u></b>
<b>Liabilities and equity</b>		
Accounts payable .....	\$ 307	\$ 369
Related party payables .....	Note 15 4	16
Accrued expenses .....	Note 9 214	193
Income tax payable .....	7	9
Related party short-term debt .....	2	1
Other current liabilities .....	59	47
<b>Total current liabilities</b> .....	<b><u>593</u></b>	<b><u>636</u></b>
Related party long-term debt .....	Note 15 13	13
Pension liability .....	Note 10 20	20
Deferred tax liabilities .....	14	13
Operating lease non-current liabilities .....	Note 4 53	—
Finance lease non-current liabilities .....	Note 4 33	1
Other non-current liabilities .....	25	24
<b>Total non-current liabilities</b> .....	<b><u>158</u></b>	<b><u>70</u></b>
Commitments and contingencies .....	Note 12	
<b>Equity</b>		
Common stock (par value \$1.00, 325 million shares authorized, 87 million shares issued and outstanding as of March 31, 2019 and December 31, 2018) .....	87	87
Additional paid-in capital .....	1,939	1,938
Accumulated deficit .....	(318)	(181)
Accumulated other comprehensive loss .....	(30)	(19)
<b>Total equity</b> .....	<b><u>1,678</u></b>	<b><u>1,826</u></b>
Non-controlling interest .....	90	101
<b>Total equity and non-controlling interest</b> .....	<b><u>1,768</u></b>	<b><u>1,927</u></b>
<b>Total liabilities, equity and non-controlling interest</b> .....	<b><u>\$2,519</u></b>	<b><u>\$2,632</u></b>

See notes to the unaudited condensed consolidated financial statements.

**Veoneer, Inc.**  
**Condensed Consolidated Statements of Changes in Equity (Unaudited)**  
(U.S. DOLLARS IN MILLIONS)

	Three months ended March 31, 2019					
	Equity attributable to					
	Common Stock	Additional Paid In Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
<b>Balance at beginning of period . . .</b>	<b>\$ 87</b>	<b>\$1,938</b>	<b>\$(181)</b>	<b>\$ (19)</b>	<b>\$101</b>	<b>\$1,927</b>
Comprehensive Income (Loss):						
Net loss . . . . .	—	—	(137)	—	(11)	(148)
Foreign currency translation . . . . .	—	—	—	(11)	—	(11)
Stock based compensation expense . . . . .	—	1	—	—	—	1
<b>Total Comprehensive Income (Loss) . . . . .</b>	<b>—</b>	<b>1</b>	<b>(137)</b>	<b>(11)</b>	<b>(11)</b>	<b>(158)</b>
<b>Balance at end of period . . . . .</b>	<b>\$ 87</b>	<b>\$1,939</b>	<b>\$(318)</b>	<b>\$ (30)</b>	<b>\$ 90</b>	<b>\$1,768</b>

	Three months ended March 31, 2018			
	Equity attributable to			
	Net Former Parent Investment	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
<b>Balance at beginning of period . . . . .</b>	<b>\$ 844</b>	<b>\$ (8)</b>	<b>\$122</b>	<b>\$ 957</b>
Comprehensive Income (Loss):				
Net loss . . . . .	(32)	—	(5)	(37)
Foreign currency translation . . . . .	—	8	3	11
<b>Total Comprehensive Income (Loss) . . . . .</b>	<b>(32)</b>	<b>9</b>	<b>(2)</b>	<b>(26)</b>
Net transfers from Former Parent . . . . .	105	—	1	107
<b>Balance at end of period . . . . .</b>	<b>\$ 917</b>	<b>\$—</b>	<b>\$121</b>	<b>\$1,038</b>

**Veoneer, Inc.**  
**Condensed Consolidated Statements of Cash Flow (Unaudited)**  
(U.S. DOLLARS IN MILLIONS)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net loss .....	\$(148)	\$(37)
Depreciation and amortization .....	29	28
Undistributed loss from equity method investments .....	17	14
Stock-based compensation .....	—	1
Contingent consideration write-down .....	—	(14)
Deferred income taxes .....	3	(1)
Other, net .....	7	(8)
Change in operating assets and liabilities:		
Accounts payable .....	(33)	—
Related party receivables and payables, net .....	7	1
Income taxes .....	(2)	1
Accrued expenses .....	22	—
Other current assets and liabilities, net .....	10	—
Receivables, gross .....	7	(62)
Inventories, gross .....	(3)	(1)
Prepaid expenses .....	(6)	—
<b>Net cash used in operating activities</b> .....	<b>(90)</b>	<b>(79)</b>
<b>Investing activities</b>		
Net decrease in related party notes receivable .....	—	76
Capital expenditures .....	(59)	(31)
Equity method investment .....	—	(71)
Short-term investments mature into cash .....	5	—
Proceeds from sale of property, plant and equipment .....	—	2
<b>Net cash used in investing activities</b> .....	<b>(54)</b>	<b>(25)</b>
<b>Financing activities</b>		
Net transfers from Former Parent .....	—	107
Net increase in related party short-term debt .....	1	23
Net increase in debt .....	1	—
Decrease in related party long-term debt .....	—	(26)
<b>Net cash provided by financing activities</b> .....	<b>2</b>	<b>104</b>
Effect of exchange rate changes on cash and cash equivalents .....	(7)	—
<b>Decrease in cash and cash equivalents</b> .....	<b>(149)</b>	<b>—</b>
Cash and cash equivalents at beginning of period .....	864	—
<b>Cash and cash equivalents at end of period</b> .....	<b>\$ 715</b>	<b>\$—</b>

See notes to the unaudited condensed consolidated financial statements.



**Veoneer, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(U.S. DOLLARS IN MILLIONS)

**1. Basis of Presentation**

On June 29, 2018 (the “Distribution Date”), Veoneer, Inc. (“Veoneer” or “the Company”) became an independent, publicly-traded company as a result of the distribution by Autoliv, Inc. (“Autoliv” or “Former Parent”) of 100 percent of the outstanding common stock of Veoneer to the stockholders of Autoliv (the “Spin-Off”). Each Autoliv stockholder and holder of Autoliv’s Swedish Depository Receipts (SDRs) of record as of certain specified dates received one share of Veoneer common stock or one Veoneer SDR, respectively, for every one share of Autoliv common stock or Autoliv SDR. The Spin-Off was completed on June 29, 2018 in a tax free transaction pursuant to Section 355 of the U.S. Internal Revenue Code.

On July 2, 2018, Veoneer common stock began regular trading on the New York Stock Exchange (“NYSE”) under the ticker symbol “VNE” and Veoneer SDRs began trading on Nasdaq Stockholm under the symbol “VNE-SDB”. Agreements entered into between Veoneer and Autoliv in connection with the Spin-Off govern the relationship between the parties following the Spin-Off and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided on a temporary basis between the parties.

In advance of the Spin-Off, Autoliv completed a series of internal transactions, in which Autoliv transferred its Electronics business to Veoneer. These transactions are referred to herein as the “internal reorganization”. The internal reorganization was completed on April 1, 2018.

The Company has two operating segments, Electronics and Brake Systems. Electronics includes all electronics resources and expertise, Restraint Control Systems and Active Safety products, and Brake Systems provides brake control and actuation systems.

The accompanying unaudited condensed consolidated financial statements for the period ended March 31, 2018 have been prepared from Autoliv’s historical accounting records and are presented on a stand-alone basis as if the operations had been conducted independently from Autoliv. Prior to the Spin-Off, Autoliv’s net investment in these operations (Former Parent equity) is shown in lieu of a controlling interest’s equity in the unaudited condensed consolidated financial statements. Subsequent to the Spin-Off and the related distribution of shares, Veoneer Common stock, Additional paid-in capital and future income (losses) were reflected in Retained earnings (Accumulated deficit). For periods prior to June 29, 2018, the Company’s financial statements are presented on a combined basis and for the periods subsequent to June 29, 2018, they are presented on a consolidated basis (all periods hereinafter are referred to as “Condensed Consolidated Financial Statements”).

The unaudited condensed consolidated financial statements include the historical operations, assets, and liabilities that were considered to comprise the Veoneer business. All of the allocations and estimates in the unaudited condensed consolidated financial statements are based on assumptions that management of Autoliv and Veoneer believe are reasonable. However, the historical statements of operations, comprehensive loss, balance sheets, and cash flows of Veoneer included herein may not be indicative of what they would have been had Veoneer actually been a stand-alone entity during such periods, nor are they necessarily indicative of Veoneer’s future results.

The accompanying unaudited condensed consolidated financial statements for Veoneer do not include all of the information and notes required by the accounting principles generally accepted in the U.S. (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures considered necessary for a fair presentation have been included. For further information, refer to Veoneer’s Audited Consolidated Financial Statements for the year ended December 31, 2018 and corresponding notes in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

Certain amounts in the unaudited condensed consolidated financial statements and associated notes may not reconcile due to rounding. All percentages have been calculated using unrounded amounts.

## 2. Summary of Significant Accounting Policies

A summary of significant accounting policies is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

### New Accounting Standards

#### *Adoption of New Accounting Standards*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 affects any entity that enters into a lease, with some specified scope exceptions. For public business entities, the amendments in ASU 2016-02 are effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Company adopted ASU 2016-02 in the annual period beginning January 1, 2019. The Company applied the modified retrospective transition method and elected the transition option to use the effective date January 1, 2019, as the date of initial application. The Company did not adjust its comparative period financial statements for effects of ASU 2016-02, and has not made the new required lease disclosures for periods before the effective date. The Company has recognized its cumulative effect transition adjustment as of the effective date. In addition, the Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, have allowed the Company to carry forward the historical lease classification. The adoption of the new standard resulted in recording operating lease assets and lease liabilities of approximately \$75 million as of January 1, 2019. The adoption of the new lease standard did not have a material impact on the Company's Condensed Consolidated Statements of Operations or Statements of Cash Flows.

<b>Balance Sheet</b> <i>(Dollars in millions)</i>	<b>Balance at December 31, 2018</b>	<b>Adjustments due to ASU 2016-02</b>	<b>Balance at January 1, 2019</b>
<b>Assets</b>			
Right-of-use assets, operating leases . . . . .	\$ —	\$ 75	\$ 75
<b>Current liabilities</b>			
Other current liabilities . . . . .	—	16	16
<b>Non-current liabilities</b>			
Operating lease liabilities – non-current . . . . .	—	57	57
<b>Equity</b>			
Accumulated deficit . . . . .	(181)	—	(181)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. In 2016, the FASB issued accounting standard updates to address implementation issues and to clarify guidance in certain areas. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In addition, ASU 2014-09 requires certain additional disclosure around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASU 2014-09 effective January 1, 2018 and utilized the modified retrospective (cumulative effect) transition method. The Company applied the modified retrospective transition method through a cumulative adjustment to equity. The adoption of the new revenue standard did not have a material impact on the Company's Consolidated Financial Statements.

#### *Accounting Standards Issued But Not Yet Adopted*

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. ASU 2018-14 removes the requirements to disclose: amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and the effects of a one-percentage point change in assumed health care cost trend rates. ASU 2018-14 requires disclosure of an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is

permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. The Company is currently evaluating this guidance to determine the impact on the Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes the requirement to disclose: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating this guidance to determine the impact on the Condensed Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held and requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses. ASU 2016-13 is effective for public business entities for annual periods beginning after December 15, 2019, and early adoption is permitted for annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of the Company’s pending adoption of ASU 2016-13 on the Condensed Consolidated Financial Statements.

### 3. Revenue

#### Disaggregation of revenue

In the following tables, revenue is disaggregated by primary region and products of revenue recognition.

#### Net Sales by Region

(Dollars in millions)

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total
Asia .....	\$ 89	\$ 72	\$161	\$112	\$ 99	\$211
Americas .....	154	15	169	179	14	193
Europe .....	164	—	164	190	—	190
<b>Total .....</b>	<b><u>\$407</u></b>	<b><u>\$ 87</u></b>	<b><u>\$494</u></b>	<b><u>\$481</u></b>	<b><u>\$114</u></b>	<b><u>\$594</u></b>

#### Net Sales by Products

(Dollars in millions)

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total
Restraint Control Systems .....	\$215	\$—	\$215	\$268	\$—	\$268
Active Safety products .....	192	—	192	213	—	213
Brake Systems .....	—	87	87	—	114	114
<b>Total net sales .....</b>	<b><u>\$407</u></b>	<b><u>\$ 87</u></b>	<b><u>\$494</u></b>	<b><u>\$481</u></b>	<b><u>\$114</u></b>	<b><u>\$594</u></b>

### 4. Leases

The Company has operating and finance leases for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment. The leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 month to 5 year(s). As of March 31, 2019, assets recorded under finance leases were \$48 million, and accumulated depreciation associated with finance leases was \$2 million.

The Company has elected the practical expedient not to separate lease components from non-lease components for all its underlying assets.

If the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate. The Company uses its best judgement when determining the incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term to the lease payments in a similar currency.

The components of lease expense for the three months ended were as follows:

<i>(in millions)</i>	<u>March 31, 2019</u>
Operating lease cost .....	\$ 5
Finance lease cost .....	
Amortization of right-of-use assets .....	1
Interest on lease liabilities .....	—
Total finance lease cost .....	1
Short-term lease cost .....	—
Variable lease cost .....	—
<b>Total lease cost</b> .....	<u><b>\$ 6</b></u>

Other information related to leases for the three months ended was as follows:

<i>(in millions, except lease term and discount rate)</i>	<u>March 31, 2019</u>
<b>Supplemental Cash Flows Information</b>	
Cash paid for amounts included in the measurement of lease liabilities .....	
Operating cash flows used for operating leases .....	\$ 4
Operating cash flows used for finance leases .....	—
Financing cash flows used for finance leases .....	—
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases .....	4
Finance leases .....	33
<b>Weighted-average remaining lease term</b>	
Operating Leases .....	7
Finance Leases .....	12
<b>Weighted-average discount rate</b>	
Operating leases .....	4.1%
Finance leases .....	4.9%

Future minimum lease payments under non-cancellable leases as of March 31, 2019 were as follows:

<i>(in millions)</i>	<b>Operating Leases</b>	<b>Finance Leases</b>
2019 (excluding the three months ended March 31, 2019) .....	\$13	\$ 2
2020 .....	15	3
2021 .....	12	14
2022 .....	10	3
2023 .....	8	3
Thereafter .....	<u>24</u>	<u>38</u>
<b>Total lease payments</b> .....	<b>82</b>	<b>63</b>
Less imputed interest .....	<u>13</u>	<u>18</u>
<b>Total lease liabilities</b> .....	<u><b>\$69</b></u>	<u><b>\$45</b></u>

Leases obligations reported as of March 31, 2019 were as follows:

<i>(in millions)</i>	<b>Operating Leases</b>	<b>Finance Leases</b>
Other current liabilities . . . . .	\$13	\$ 1
Lease liabilities – non current . . . . .	<u>53</u>	<u>33</u>
<b>Total lease liabilities . . . . .</b>	<b><u>\$66</u></b>	<b><u>\$34</u></b>

As of March 31, 2019, the Company has additional obligations relating to operating leases, primarily for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment, that have not yet commenced of \$39 million. These operating leases will commence during 2019 with lease terms of 2 years to 15 years.

## 5. Fair Value Measurements

The Company uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Assets which are valued at net asset value per share (“NAV”), or its equivalent, as a practical expedient are reported outside the fair value hierarchy, but are included in the total assets for reporting and reconciliation purposes.

### Items Measured at Fair Value on a Recurring Basis

Derivative instruments – The Company uses derivative financial instruments, “derivatives”, to mitigate the market risk that occurs from its exposure to changes in interest and foreign exchange rates. The Company does not enter into derivatives for trading or other speculative purposes. The Company’s use of derivatives is in accordance with the strategies contained in the Company’s overall financial risk policy. The derivatives outstanding as of March 31, 2019 were foreign exchange swaps. All swaps principally match the terms and maturity of the underlying debt and no swaps have a maturity beyond six months. All derivatives are recognized in the unaudited condensed consolidated financial statements at fair value. Certain derivatives are from time to time designated either as fair value hedges or cash flow hedges in line with the hedge accounting criteria. For certain other derivatives hedge accounting is not applied either because non-hedge accounting treatment creates the same accounting result or the hedge does not meet the hedge accounting requirements, although entered into applying the same rationale concerning mitigating market risk that occurs from changes in interest and foreign exchange rates. The Company’s derivatives are classified as Level 2 of the fair value hierarchy and there were no transfers between the levels during this or comparable periods.

During the first quarter of 2018, forward contracts designated as cash flow hedges of certain external purchasing were terminated. The loss associated with such termination was not material.

### Financial Statement Presentation

The Company enters into master netting agreements, International Swaps and Derivatives Association (ISDA) agreements with all derivative counterparties. The netting agreements allow for netting of exposures in the event of default or breach of the counterparty agreement. The fair values in the Condensed Consolidated Balance Sheets have been presented on a gross basis. Derivative financial instruments designated and non-designated as hedging instruments are included in the Company’s Condensed Consolidated Balance Sheets. The notional value of the derivatives not designated as hedging instruments was \$98 million as of March 31, 2019 and \$103 million as of December 31, 2018, respectively. As of March 31, 2019 and December 31, 2018, the liability of the derivatives not designated as hedging instruments was less than \$1 million.

For the three months ended March 31, 2019 and 2018, the gains and losses on derivative financial instruments recognized in the Unaudited Condensed Consolidated Statements of Operations were less than \$1 million and \$1 million, respectively.

Contingent consideration – The fair value of the contingent consideration related to the M/A-COM acquisition on August 17, 2015 is re-measured on a recurring basis. The fair value measurements are generally determined using unobservable inputs and are classified within Level 3 of the fair value hierarchy. The Company adjusted the fair value of the earn-out liability to \$14 million in the first quarter of 2017 based on actual revenue levels to date as well as changes in the estimated probability of different revenue scenarios for the remaining contractual earn-out period. Income of approximately \$13 million was recognized within Other income in the Unaudited Condensed Consolidated Statements of Operations in the first quarter of 2017 due to the decrease in the contingent consideration liability. The remaining fair value of the earn-out liability of \$14 million as of December 31, 2017 was fully released and recognized within Other income in the first quarter of 2018, driven by changes in the estimated probability of different revenue scenarios for the remaining contractual earn-out period such that management no longer believes that there are any scenarios under which the earn-out criteria could be met. Management has updated its analysis as of March 31, 2019 and continues to believe that the fair value of the contingent consideration is \$0 million.

### **Items Measured at Fair Value on a Non-Recurring Basis**

Certain assets and liabilities are measured at fair value on a nonrecurring basis. The fair value measurements are generally determined using unobservable inputs and are classified within Level 3 of the fair value hierarchy. These assets include long-lived assets, intangible assets and investments in affiliates, which may be written down to fair value as a result of impairment. The Company has determined that the fair value measurements included in each of these assets and liabilities rely primarily on Company-specific inputs and the Company's assumptions about the use of the assets and settlements of liabilities, as observable inputs are not available. The Company has determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy. To determine the fair value of long-lived assets, the Company utilizes the projected cash flows expected to be generated by the long-lived assets, then discounts the future cash flows over the expected life of the long-lived assets. No such non-recurring measurements were made during the period ended March 31, 2019.

### **Investments**

The Company may, as a practical expedient, estimate the fair value of certain investments using NAV of the investment as of the reporting date. This practical expedient generally deals with investments that permit an investor to redeem its investment directly with, or receive distributions from, the investee at times specified in the investee's governing documents. Examples of these investments (often referred to as alternative investments) may include ownership interests in real assets, certain credit strategies, and hedging and diversifying strategies. They are commonly in the form of limited partnership interests. The Company uses NAV as a practical expedient when valuing investments in alternative asset classes and funds which are a limited partnership or similar investment vehicle.

On June 30, 2017, Veoneer committed to make a \$15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and as a limited partner, will periodically make capital contributions toward this total commitment amount. As of March 31, 2019 and December 31, 2018, Veoneer contributed approximately \$8 million to the investment in Autotech Fund I, L.P.

The carrying amounts reflected in the Condensed Consolidated Balance Sheet in Investments for the Autotech Fund I, L.P approximates its fair values.

## **6. Income Taxes**

The income tax provision for the three month periods ended March 31, 2019 and 2018 was \$6 million and \$7 million, respectively. Discrete items, net were expense of \$3 million and less than \$1 million for the periods ended March 31, 2019 and 2018, respectively. Veoneer's effective tax rate differs from an expected statutory rate primarily due to losses in certain jurisdictions that are not benefited.

In December 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. The Company has completed its accounting for the effects of the Act on the Company's deferred tax balances as of the enactment date. Pursuant to the Tax Matters Agreement entered into with Autoliv in connection with the Spin-Off, Autoliv is the primary obligor on all taxes which relate to any period prior to April 1, 2018. Consequently, the Company is not liable for any transition taxes under the Act.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company assesses all available evidence, both positive and negative, to determine the amount of any required valuation allowance. Valuation allowances have been established for the Company's United States, Swedish, French, Japanese operations, certain Chinese operations and the Company's joint venture in Japan.

The Company has reserves for income taxes that represent the Company's best estimate of the potential liability for tax exposures. Inherent uncertainties exist in estimates of tax exposures due to changes in tax law, both legislated and concluded through the various jurisdictions' court systems. Any income tax liabilities resulting from operations prior to April 1, 2018, are assumed to be settled with Former Parent on the last day Veoneer was part of the Autoliv group and were relieved through the Net Former Parent investment. There were no material changes to the Company's uncertain tax positions as of March 31, 2019. The Company files income tax returns in the United States federal jurisdiction, and various states and non-U.S. jurisdictions. Under local tax law, a Veoneer entity may have been required to file its income tax returns combined with an Autoliv entity up to and including the date of the Spin-Off. Subsequent to the Spin-Off, Veoneer will file its income tax returns on a stand-alone basis.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in tax expense.

## 7. Inventories

Inventories are stated at the lower of cost (principally on a first-in-first-out basis, "FIFO") and net realizable value. The components of inventories were as follows:

	As of	
	March 31, 2019	December 31, 2018
Raw materials .....	\$118	\$108
Work in progress .....	11	15
Finished products .....	64	71
<b>Inventories</b> .....	<b>\$193</b>	<b>\$194</b>
Inventory valuation reserve .....	(23)	(23)
<b>Total inventories, net of reserve</b> .....	<b>\$170</b>	<b>\$172</b>

## 8. Equity Method Investment

As of March 31, 2019, the Company has one equity method investment in Zenuity a 50% joint venture ownership with Volvo cars.

At the end of the first quarter of 2018, Veoneer contributed SEK 600 million (approximately \$71 million) in cash (representing 50% of the total contribution, with the remainder made by Volvo Cars) into Zenuity to support its future operating cash flow needs.

The profit and loss attributed to the investment is shown in the line item Loss from equity method investment in the Unaudited Condensed Consolidated Statements of Operations. Veoneer's share of Zenuity's loss for the three months ended March 31, 2019 and 2018 was \$17 million and \$14 million, respectively. As of March 31, 2019 and December 31, 2018, the Company's equity investment in Zenuity amounted to \$81 million and \$101 million, respectively, after consideration of foreign exchange movements.

Certain Unaudited Summarized Income Statement information of Zenuity, for the three months ended March 31, 2019 and 2018, is shown below:

	Three Months Ended March 31	
	2019	2018
Net sales .....	\$—	\$ 1
Gross profit .....	—	—
Operating loss .....	(34)	(28)
Loss before income taxes .....	(34)	(28)
Net loss .....	\$ (34)	\$ (28)

## 9. Accrued Expenses

	As of	
	March 31, 2019	December 31, 2018
Operating related accruals .....	\$ 63	\$ 55
Employee related accruals .....	71	66
Customer pricing accruals .....	44	39
Product related liabilities <sup>1</sup> .....	14	16
Other accruals .....	22	18
<b>Total Accrued Expenses</b> .....	<b><u>\$214</u></b>	<b><u>\$193</u></b>

<sup>1</sup> As of March 31, 2019 and December 31, 2018 was \$11 million and \$14 million, respectively, of product related liabilities were indemnifiable losses subject to indemnification by Autoliv and an indemnification asset is included in Other current assets.

## 10. Retirement Plans

### Defined Benefit Pension Plans

The defined benefit pension plans impacting the Veoneer financial results include the following:

Existing Veoneer Plans comprised of plans in Japan, Canada, and France, Transferred Veoneer Plans comprised of plans in Germany, India, Japan, and South Korea, and Autoliv Sponsored Plans comprised of plans in Sweden and the U.S.

#### *Existing Veoneer Plans*

The defined benefit pension plans for eligible participants in Japan, Canada, and France prior to the Spin-Off continue to provide pension retirement benefits to the Company's employees subsequent to the Spin-Off.

The Company's net periodic benefit costs for the Existing Veoneer Plans for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31	
	2019	2018
Service cost .....	\$ 1	\$ 1
Interest cost .....	—	—
Expected return on plan assets .....	(1)	(1)
<b>Net periodic benefit cost</b> .....	<b><u>\$—</u></b>	<b><u>\$ 1</u></b>

The service cost and amortization of prior service cost components are reported among employee compensation costs in the Unaudited Condensed Consolidated Statements of Operations. The remaining components (interest cost, expected return on plan assets and amortization of actuarial loss) were not material in the Unaudited Condensed Consolidated Statements of Operations.

#### *Transferred Veoneer Plans*

Prior to the plan transfers to Veoneer legal entities on April 1, 2018, eligible Veoneer employees participated in the following Autoliv-sponsored plans:

Country	Name of Defined Benefit Plans
Germany	Direct Pension Promises Plan
India	Gratuity Plan
Japan	Retirement Allowances Plan
South Korea	Defined Benefit Corporate Plan
	Severance Pay Plan (statutory plan)



### *Components of Net Periodic Benefit Cost Associated with the Defined Benefit Retirement Plan*

The allocated net periodic benefit costs related to transferred plans from Autoliv to Veoneer were less than \$1 million for the three months ended March 31, 2018.

#### ***Autoliv Sponsored Plans***

Prior to certain legal decisions or plan amendments, Veoneer employees in Sweden and in the U.S. participated in the following Autoliv-sponsored multiemployer plans:

<u>Country</u>	<u>Name of Defined Benefit Plans</u>
Sweden	ITP plan Autoliv ASP, Inc. Pension Plan
U.S.	Autoliv ASP, Inc. Excess Pension Plan Autoliv ASP, Inc. Supplemental Pension Plan

On April 1, 2018, it was determined that the assets, liabilities, and associated accumulated other comprehensive income (loss) of the Sweden plan for all Veoneer employees included in the Sweden plan will remain with Autoliv and benefits will be paid out of that plan in the future upon retirement. The allocation to capture the Company's specific defined benefit plans expense and contributions prior to the plans amendment for the three months ended March 31, 2018 were less than \$1 million. Subsequent to the Spin-Off, Veoneer will be responsible for costs of the Company's eligible employees who participate in the Sweden multiemployer plan.

On June 29, 2018, it was also determined that the assets, liabilities and associated accumulated other comprehensive income (loss) of the U.S. plan for all Veoneer employees included in the U.S. plan will remain with Autoliv and benefits will be paid out of that plan in the future upon retirement. The Veoneer employees were considered to be participating in the Autoliv sponsored plan through June 29, 2018 at which date the plan was amended to freeze the accrual of benefits for any Veoneer employees.

#### **11. Stock Incentive Plan**

The Veoneer, Inc. 2018 Stock Incentive Plan was established and effective on June 29, 2018 to govern the Company's stock-based awards that will be granted in the future. The Veoneer, Inc. 2018 Stock Incentive Plan authorizes the grant of 3 million shares of Veoneer common stock for future equity awards to Veoneer employees and non-employee directors and authorizes up to 1.7 million additional shares to be used for the conversion of outstanding Autoliv stock awards in connection with the Spin-Off. Approximately 1 million shares were used for the conversion of the outstanding grants.

In February and March 2019, under the Company's long-term incentive (LTI) program, certain employees received restricted stock units (RSUs) without dividend equivalent rights and performance shares (PSs) without dividend equivalent rights. The allocation between RSUs and PSs for the grants made in February and March was 131,871 RSUs and 121,564 PSs at 100% target.

The RSUs were granted on February 19, 2019 and March 1, 2019 and will vest on the second or third anniversary of the grant date, subject to the grantee's continued employment with the Company on the vesting date and acceleration of vesting in certain circumstances. The fair value of RSUs and PSs granted in 2019 were calculated by using the closing stock price on the grant dates. The grant date fair value for the RSUs and PSs granted on February 19, 2019 and March 1, 2019 was \$4 million and \$1 million, respectively.

The PSs were granted on February 19, 2019 and March 1, 2019 and will earn out during the first quarter of 2022, upon the Compensation Committee's certification of achievement of the applicable performance goals. The grantee may earn 0%-200% of the target number of PSs based on the Company's achievement of specified targets. The performance target is the Company's gross margin for the applicable performance period. Each PS represents a promise to transfer a share of the Company's common stock to the employee following completion of the performance period, provided that the performance goals mentioned above are met and provided, further, that the grantee remains employed through the performance period, subject to certain limited exceptions.

Certain eligible Veoneer employees participate in the Autoliv, Inc. 1997 Stock Incentive Plan (the Plan) sponsored by the Former Parent. Under the Former Parent's Plan, employees receive 50% of their long-term incentive (LTI) grant value in the form of performance shares (PSs) and 50% in the form of restricted stock units (RSUs) commencing with grants in February 2016. Prior to this, stock options and RSUs were issued. The source of the shares issued upon vesting of awards is generally from Autoliv treasury shares.

The grantee may earn 0-200% of the target number of PSs based on achievement of specified targets for Former Parent's compound annual growth rate (CAGR) for sales and Former Parent's CAGR in earnings per share relative to an established benchmark growth rate. Each performance target is weighted 50% and results are measured at the end of the three-year performance period. Each PS represents a promise to transfer a share of the Former Parent's common stock to the employee following completion of the performance period, provided that the performance goals mentioned above are met and provided, further, that the grantee remains employed through the performance period, subject to certain limited exceptions.

In February 2018, under the Former Parent's LTI program, certain Veoneer employees received RSUs with dividend rights. The RSUs were granted on February 18, 2018 and will vest on the third anniversary of the grant date. The fair value of RSUs granted in 2018 is calculated by using the closing stock price on the grant date. The fair value for the RSUs granted on February 18, 2018 was \$6 million.

Veoneer recognized total stock (RSUs PSs and SOs) compensation cost of \$1 million, in the Unaudited Condensed Consolidated Statements of Operations, for three months ended March 31, 2019 and March 31, 2018.

## **12. Contingent Liabilities**

### **Legal Proceedings**

Various claims, lawsuits and proceedings are pending or threatened against the Company, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters. Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with counsel, it is the opinion of management that the various legal proceedings and investigations to which the Company currently is a party will not have a material adverse impact on the condensed consolidated financial position of Veoneer, but the Company cannot provide assurance that Veoneer will not experience material litigation, product liability or other losses in the future.

### **Product Warranty, Recalls, and Intellectual Property**

Veoneer is exposed to various claims for damages and compensation if its products fail to perform as expected. Such claims can be made, and result in costs and other losses to the Company, even where the product is eventually found to have functioned properly. Where a product (actually or allegedly) fails to perform as expected or is defective, the Company may face warranty and recall claims. Where such (actual or alleged) failure or defect results, or is alleged to result, in bodily injury and/or property damage, the Company may also face product liability and other claims. There can be no assurance that the Company will not experience material warranty, recall or product (or other) liability claims or losses in the future, or that the Company will not incur significant costs to defend against such claims. The Company may be required to participate in a recall involving its products. Each vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. Government safety regulators may also play a role in warranty and recall practices. A warranty, recall or product-liability claim brought against the Company in excess of its insurance may have a material adverse effect on the Company's business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. A vehicle manufacturer may attempt to hold the Company responsible for some, or all, of the repair or replacement costs of products when the product supplied did not perform as represented by the Company or expected by the customer. Accordingly, the future costs of warranty claims by the customers may be material. However, the Company believes its established reserves are adequate. Veoneer's warranty reserves are based upon the Company's best estimates of amounts necessary to settle future and existing claims. The Company regularly evaluates the adequacy of these reserves, and adjusts them when appropriate. However, the final amounts actually due related to these matters could differ materially from the Company's recorded estimates.

The software used in a limited number of units of one of the Company's product types sold to a single OEM for a specific installation configuration exhibited a processing error once installed. The Company has since remediated the issue for future deliveries. Pursuant to ASC 450 under U.S. GAAP, as of March 31, 2019 the Company believes a loss with respect to this issue is reasonably possible if the customer determines it is necessary to upgrade some or all of the potentially affected products in the field. While the Company has no indication of such intent from the customer, the estimated potential loss is approximately \$2 million.

In addition, as vehicle manufacturers increasingly use global platforms and procedures, quality performance evaluations are also conducted on a global basis. Any one or more quality, warranty or other recall issue(s) (including those affecting few units and/or having a small financial impact) may cause a vehicle manufacturer to implement measures such as a temporary or prolonged suspension of new orders, which may have a material impact on the Company's results of operations.

The Company carries insurance for potential recall and product liability claims at coverage levels based on the Company's prior claims experience. Veoneer cannot assure that the level of coverage will be sufficient to cover every possible claim that can arise in the Company's businesses, now or in the future, or that such coverage always will be available should the Company, now or in the future, wish to extend, increase or otherwise adjust the Company's insurance.

In its products, the Company utilizes technologies which may be subject to intellectual property rights of third parties. While the Company does seek to procure the necessary rights to utilize intellectual property rights associated with its products, it may fail to do so. Where the Company so fails, the Company may be exposed to material claims from the owners of such rights. Where the Company has sold products which infringe upon such rights, its customers may be entitled to be indemnified by the Company for the claims they suffer as a result thereof. Such claims could be material.

### Product Related Liabilities

The Company records liabilities for product related risks when probable claims are identified and when it is possible to reasonably estimate costs. Provisions for warranty claims are estimated based on prior experience, likely changes in performance of newer products, and volume of the products sold. The provisions are recorded on an accrual basis.

The table below summarizes the change in product related liabilities in the Condensed Consolidated Balance Sheets.

	<u>Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
<b>Reserve at beginning of the period</b> .....	\$16	\$22
Change in reserve .....	(1)	7
Cash payments .....	<u>(2)</u>	<u>(6)</u>
<b>Reserve at end of the period</b> .....	<u><b>\$14</b></u>	<u><b>\$23</b></u>

For the three months ended March 31, 2019 and 2018, provisions and cash paid primarily relate to recall and warranty related issues. The decrease in the reserve balance as of March 31, 2019 compared to the prior year was mainly due to a recall related settlement and cash payments for warranties and product liabilities.

Agreements entered into between Autoliv and Veoneer in connection with the Spin-Off provide for Autoliv to indemnify Veoneer for certain liabilities related to electronics products manufactured before April 1, 2018. As of March 31, 2019 the indemnification asset of \$11 million included in the Other current assets offsets substantially all of the product related liabilities. A substantial portion of these costs are subject to indemnification by Autoliv.

### Guarantees

The Company provided lease guarantees to Zenuity of \$8 million as of March 31, 2019 and December 31, 2018. These represent the maximum potential amount of future (undiscounted) payments that Veoneer could be required to make under the guarantees in the event of default by the guaranteed parties. These guarantees will generally cease upon expiration of current lease agreements between 2020 and 2022.

### 13. Loss per share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of common stock outstanding during the period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted loss per share by application of the treasury stock method. The calculation of diluted loss per share excludes all anti-dilutive common stock. The following table sets forth the computation of basic and diluted loss per share for the three months ended March 31, 2019 and 2018.

<i>(U.S. dollars in millions, except per share amounts)</i>	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Numerator:</b>		
Basic and diluted:		
Net loss attributable to Veoneer .....	\$ (137)	\$ (32)
<b>Denominator:</b>		
Basic: Weighted average number of shares outstanding (in millions) .....	<u>87.24</u>	<u>87.13</u>
Diluted: Weighted-average number of shares outstanding, assuming dilution (in millions) <sup>1</sup> .....	<u>87.24</u>	<u>87.13</u>
Basic loss per share .....	(1.57)	(0.36)
Diluted loss per share .....	(1.57)	(0.36)

<sup>1</sup> Shares in the diluted loss per share calculation represent basic shares due to the net loss.

In periods when the Company has a net loss, equity incentive awards are excluded from our calculation of earnings per share as their inclusion would have an antidilutive effect. The Company excluded equity incentive awards of 321,619 for the three months ended March 31, 2019 and zero as of March 31, 2018.

### 14. Segment Information

Financial results for the Company's reportable segments have been prepared using a management approach, which is consistent with the basis and manner in which financial information is evaluated by the Company's Chief Operating Decision Maker (CODM) in allocating resources and in assessing performance. The Company has two operating segments, Electronics and Brake Systems. Electronics includes all of electronics resources and expertise, restraint control systems and active safety products and Brake Systems provides brake control and actuation systems. The operating results of the operating segments are regularly reviewed by the Company's CODM, the Chief Executive Officer, to assess the performance of the individual operating segments and to make decisions about resources to be allocated to the operating segments.

The accounting policies for the reportable segments are the same as those described in the Note 2, Summary of Significant Accounting Policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>(Loss) Before Income Taxes</b>		
Electronics .....	\$ (90)	\$ (1)
Brake Systems .....	<u>(19)</u>	<u>(8)</u>
<b>Segment operating (loss)/income</b> .....	<b>(109)</b>	<b>(9)</b>
Corporate and other .....	(19)	(7)
Interest and other non-operating items, net .....	3	—
Loss from equity method investment .....	<u>(17)</u>	<u>(14)</u>
<b>Loss before income taxes</b> .....	<b><u>\$(142)</u></b>	<b><u>\$(30)</u></b>

## 15. Relationship with Former Parent and Related Entities

Before the Spin-Off, Veoneer had been managed and operated in the normal course of business with other affiliates of Autoliv. Accordingly, certain shared costs had been allocated to Veoneer and reflected as expenses in the stand-alone unaudited condensed consolidated financial statements. Veoneer management considers the allocation methodologies used to be reasonable and appropriate reflections of historical expenses of Autoliv attributable to Veoneer for purposes of the stand-alone financial statements; however, the expenses reflected in the unaudited condensed consolidated financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Veoneer historically operated as a separate, stand-alone entity. In addition, the expenses reflected in the unaudited condensed consolidated financial statements may not be indicative of expenses that will be incurred in the future by Veoneer.

Prior to the Spin-Off, transactions between Autoliv and Veoneer, with the exception of sales and purchase transactions and reimbursements for payments made to third-party service providers by Autoliv on Veoneer's behalf, are reflected in the Unaudited Condensed Consolidated Statements of Cash Flows as a financing activity in Net transfers from Former Parent.

### Transactions with Related Parties

Veoneer and Autoliv entered into a Transition Services Agreement ("TSA") under which certain services are provided by Autoliv to Veoneer and certain services are provided by Veoneer to Autoliv. For the three months ended March 31, 2019, Veoneer recognized \$1 million of expenses under the TSA, and there were no costs for the three months ended March 31, 2018. For the three months ended March 31, 2019, Veoneer recognized less than \$1 million of income under the TSA, and there were no income for the three months ended March 31, 2018.

Throughout the periods covered by the unaudited condensed consolidated financial statements, Veoneer sold finished goods to Autoliv and Nissin Kogyo, the 49% owner in VNBS (a 51% owned subsidiary). Related party sales amount to \$26 million and \$41 million for the three months ended March 31, 2019 and 2018, respectively.

### Related Party Balances

Amounts due to and due from related parties are summarized in the below table:

Related Party	As of	
	March 31, 2019	December 31, 2018
Related party receivable	\$ 43	\$64
Related party notes receivable	—	1
Related party payables	4	16
Related party short-term debt	2	1
Related party long-term debt	13	13

Related party receivables are mainly driven by reseller agreements put in place in connection with the Spin-Off. The reseller agreements are between Autoliv and Veoneer and facilitate the temporary arrangement of the sale of Veoneer products manufactured for certain customers for a limited period after the Spin-Off. Autoliv will collect the customer payments and will remit the payments to Veoneer.

As of March 31, 2019, all related party long-term debt agreements were settled or terminated, with the exception of a capital lease arrangement at VNBS of \$12 million and \$13 million as of March 31, 2019 and December 31, 2018, respectively. The finance lease is with Nissin Kogyo, the 49% owner of VNBS.

### Corporate Costs/Allocations

For the periods prior to April 1, 2018, the unaudited condensed consolidated financial statements include corporate costs incurred by Autoliv for services that are provided to or on behalf of Veoneer. These costs consist of allocated cost pools and direct costs. Corporate costs have been directly charged to, or allocated to, Veoneer using methods management believes are consistent and reasonable. The method for allocating corporate function costs to Veoneer is based on various formulas involving allocation factors. The methods for allocating corporate administration costs to Veoneer are based on revenue, headcount, or other relevant metrics. However, the expenses reflected in the unaudited condensed consolidated financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Veoneer historically operated as a separate, stand-alone entity. All corporate charges and allocations have been deemed paid by Veoneer to Autoliv in the period in which the cost was recorded in the Unaudited Condensed Consolidated Statements of Operations. Effective April 1, 2018, Veoneer began performing

certain functions using internal resources or third parties, and certain other services continued to be provided by Autoliv and directly charged to Veoneer. In addition, Veoneer personnel perform certain services for Autoliv, which are directly charged to Autoliv.

Allocated corporate costs included in Costs of sales, Selling, general and administrative expenses and Research, development and engineering expenses were for shared services and infrastructure provided, which includes costs such as information technology, accounting, legal, real estate and facilities, corporate advertising, risk and insurance services, treasury, shareholder services and other corporate and infrastructure services.

### **Cash Management and Financing**

Prior to the Spin-Off, Veoneer participated in Autoliv's centralized cash management and financing programs. Disbursements were made through centralized accounts payable systems operated by Autoliv. Cash receipts were transferred to centralized accounts, also maintained by Autoliv. As cash was disbursed and received by Autoliv, it was accounted for by Veoneer through the Net Former Parent investment. All short-term and long-term debt was financed by Autoliv or by Nissin Kogyo and financing decisions for wholly and majority owned subsidiaries were determined by Autoliv's corporate treasury operations. On the Distribution Date, Veoneer held approximately \$1 billion of cash and cash equivalents. Upon the Spin-Off, Veoneer created its own corporate treasury operations.

### **Note 16. Factoring**

The Company receives bank notes generally maturing within six months from certain of its customers in China to settle trade accounts receivable. The Company may hold such bank notes until maturity, exchange them with suppliers to settle liabilities, or sell them to third party financial institutions in exchange for cash.

For the three months ended March 31, 2019, the Company has entered into arrangements with financial institutions and sold \$19 million of trade receivables without recourse and \$20 million of bank notes without recourse, which qualify as a sale as all rights to the trade and notes receivable have passed to the financial institution. There were no factoring arrangements for the three months ended March 31, 2018.

As of March 31, 2019, the Company has \$18 million of trade notes receivables which remain outstanding and will mature within the second half of 2019. The collections of such bank notes are included in operating cash flows based on the substance of the underlying transactions, which are operating in nature.

### **Note 17. Subsequent Events**

The Company is currently in discussions with Volvo Cars, its Zenuity JV partner, regarding the development priorities of Zenuity in light of the market shift toward autonomous vehicle solutions. The outcome of these discussions may influence the level of funding and participation of Veoneer in the Zenuity JV, as well as future sharing of intellectual property and IP licenses. Although no final commitment has been made, it is reasonably possible that the Company will make a capital contribution approximately of \$27 million to the Zenuity JV in the second quarter of 2019.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand the results of operations, financial condition and cash flows of Veoneer, Inc. (“Veoneer,” the “Company,” “we,” or “our”). This MD&A should be read in conjunction with the financial statements and accompanying notes to the financial statements included elsewhere herein, as well as the risk factors and other disclosures made in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

The historical financial statements included in this Quarterly Report on Form 10-Q may not reflect what our business, financial position or results of operations would have been had we been a publicly traded company during the periods presented or what our results of operations, financial position and cash flow will be in the future now that we are a stand-alone publicly listed company.

### **Introduction**

The following MD&A is intended to help you understand the business operations and financial condition of the Company. This MD&A is presented in the following sections:

- Executive Overview
- Trends, Uncertainties and Opportunities
- Market Overview
- Results of Operations
- Non-U.S. GAAP Financial Measures
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements and Other Matters
- Contractual Obligations and Commitments
- Significant Accounting Policies and Critical Accounting Estimates

Veoneer is a Delaware corporation with its principal executive offices in Stockholm, Sweden. The Company functions as a holding corporation and owns two principal operating subsidiaries, Veoneer AB and Veoneer US, Inc. On June 29, 2018 the spin-off of Veoneer from Autoliv, Inc. (“Autoliv”) was completed through the distribution by Autoliv of all the outstanding shares of common stock of Veoneer to Autoliv’s stockholders as of the close of business on June 12, 2018, the common stock record date for the distribution, in a tax-free, pro rata distribution (the “Spin-Off”). On July 2, 2018, the shares of Veoneer common stock commenced trading on the New York Stock Exchange under the symbol “VNE” and the Veoneer Swedish Depository Receipts representing shares of Veoneer common stock commenced trading on Nasdaq Stockholm under the symbol “VNE SDB.”

Veoneer is a global leader in the design, development, manufacture, and sale of automotive safety electronics with a focus on innovation, quality and manufacturing excellence. Prior to the Spin-Off, Veoneer operated for almost four years as an operating segment within Autoliv. Veoneer’s safety systems are designed to make driving safer and easier, more comfortable and convenient for the end consumer and to intervene before a collision. Veoneer endeavors to prevent vehicle accidents or reduce the severity of impact in the event a crash is unavoidable. Through our customer focus, being an expert partner with our customers, we intend to develop human centric systems that benefit vehicle occupants.

Veoneer’s current product offerings include automotive radars, mono and stereo vision cameras, night vision systems, positioning systems, ADAS (advanced driver assist systems) electronic control units, passive safety electronics (airbag control units and crash sensors), brake control systems and a complete ADAS software offering towards highly automated driving (HAD) and eventually autonomous driving (AD). In addition, we offer driver monitoring systems, LiDAR sensors, RoadScape positioning and other technologies critical for HAD and AD solutions by leveraging our partnership network and internally developed intellectual property.

### **Executive Overview**

The future of transportation belongs to Collaborative Driving. We believe that in the not too distant future, the vast majority of all cars sold will be equipped with advanced driving assistance technology. We also believe that Veoneer, with our cutting-edge offering in a broad range of Active Safety products, will be one of the leaders in this emerging industry. However, the speed of this transition is proving more difficult to predict than earlier anticipated. We have to adjust our speed to changing road conditions.

At present, we see changes in the market. The first quarter was weaker than expected. Light vehicle production during the first quarter deteriorated beyond market expectations. In addition, Veoneer sales declined more than the light vehicle production

primarily driven by our high-level content on premium car models in current deliveries. This vehicle segment saw a sharper production decline than the general market.

We currently see these trends continuing through 2019, primarily due to weak markets in China and Europe. We still expect the second half, mainly the fourth quarter, to be stronger than the first half of 2019. We now anticipate our organic sales will decline for the full year 2019 as compared to 2018. We experienced continued increasing RD&E costs during the quarter. This was mainly driven by the complexity of certain projects, change requests from our customers and high level of new hires.

At the same time, our order intake continues to be strong. Our strategically important Active Safety business specifically showed progress. While launch schedules into 2020 are mainly on track, we see some potential customer launch delays and lower production volumes than previously expected.

Developing cutting-edge technology for the next generation of automotive mobility requires resources, particularly in a situation when the order intake continues to be strong. In consideration of this and the changed market conditions, the company has decided to seek additional funding to help secure the continued development of our product portfolio.

Moving forward, we will continue our focus on growth and take firm internal actions to adjust to the market changes by:

- increasing our efforts on the initiatives around investment priorities, as announced in the fourth quarter 2018 earnings report,
- improving balance sheet and cash-flow efficiency, including restrictions on capital expenditures and focus on operating working capital,
- undertaking several gross margin improvement initiatives,
- maintaining RD&E costs relatively flat at a maximum of \$600 million for the full year 2019,
- enhancing efficiency and focus on winning orders within the product portfolio,
- reviewing our brake control business, a process that is well under way, and
- reviewing the focus of Zenuity, as the market opportunities move to Collaborative Driving and self-driving is pushed out in time.

Our belief is firm: The future belongs to Collaborative Driving. By Creating Trust in Mobility we believe we are well on our way to realizing the vision. Veoneer is built on close to 70 years of developing safety systems within Autoliv, a pioneer in automotive safety. A vital part of our heritage is our ability to patiently build profitable business models based on innovation.

As described above, we see deteriorating business conditions in the near term, including lower than expected light vehicle production. We also do not expect to see the effects of our efficiency and prioritization initiatives until the latter part of the year and into 2020. This situation, along with our capital needs for RD&E due to continued strong order intake, execution of current customer projects and the continued development of our product portfolio, has led the Company to consider alternatives for approaching the capital markets for a capital raise of up to \$500 million.

We are fully committed to address the short-term challenges head on. We have a strong and dedicated management team, cutting edge technology, a talented work force, and a competitive product portfolio with an order book of more than \$19 billion points toward a strengthened future market position. These building blocks will help establish Veoneer among the top companies in the development of Active Safety and Collaborative Driving.

## **2019 Outlook**

The financial result for the first quarter of 2019 developed below expectations sequentially from the fourth quarter in 2018. Veoneer first quarter sales were approximately \$25 million below our expectation at the beginning of the quarter. As a consequence, the operating loss was approximately \$10 million higher than expected due to lower organic sales while overall RD&E, other costs and cash flow materialized essentially as we expected.

Looking ahead to the second quarter of 2019, our sales are expected to be slightly lower than the first quarter based on our customer call-offs. This is approximately \$50 million lower than we assumed in our original outlook for 2019 announced in February. This, in combination with a higher level of RD&E costs, capital expenditures and Zenuity funding, is expected to result in a higher operating loss and use of cash than in the first quarter of 2019.

Sequentially, the second half of 2019 is still expected to improve in both sales and margins as well as cash flow from the first half of 2019. During the fourth quarter, we anticipate a return to organic sales growth, mainly due to new program launches and an expected improvement in the LVP.

To summarize our full year 2019 sales outlook update: organic sales are expected to decline in the mid-single digits versus 2018 while currency translation effects on sales are expected to decline by approximately 2%. We expect RD&E net to remain relatively



flat at a maximum of \$600 million for the full year 2019 and anticipate cost savings and cash flow improvements during the second half of 2019 generated from our market adjustment initiatives.

As a result of the market adjustment initiatives currently underway, the Company intends to revisit its short and long-term targets.

### **Trends, Uncertainties and Opportunities**

Europe continues to take a pro-active role in promoting or requiring active safety technologies. The European New Car Assessment Program (“NCAP”) continuously updates its test rating program to include more active safety technologies to help the European Union reach its target of cutting road fatalities by 50% by 2030, as compared to 2020. On May 17, 2018, the European Commission proposed a new mandate, as part of the EU general Safety Regulation road-map through 2028, to make certain active safety features compulsory in light vehicles by 2022. Such a mandate should significantly expand demand for our active safety products. If passed as proposed, certain safety features could be mandated in 2022 as new vehicle models are introduced to the European market. In any case General Safety Regulation (GSR) would have a positive influence on other market regulators as they evaluate their respective vehicle test rating programs and safety legislations.

In China, the Ministry of Industry and Information Technology issued the Key Working Points of Intelligent Connected Vehicle Standardization for 2018 to promote and facilitate the development of the intelligent connected vehicles industry, and advance the development of fundamental standards and those that are in urgent demand. The guideline has pointed out that more than 30 key standards will be defined by 2020 to fund the systems for Advanced Driver Assistance Systems (ADAS) and low-level autonomous driving, and a system of over 100 standards will be set up by 2025 for higher level autonomous driving.

During the third quarter of 2018 the Chinese government commenced testing of new vehicles according to the new China New Car Assessment Program (CNAP) where active safety features like Autonomous Emergency Braking (AEB) are required to achieve the maximum safety rating.

On October 4, 2018 the U.S. Department of Transportation (DoT) issued new voluntary guidelines on automated driving systems (ADS) under its “Preparing for the Future of Transportation: Automated Vehicles 3.0” initiative, building on its “Vision for Safety 2.0” from September 2017, which prioritized aligning federal guidance around twelve safety design elements of interest to the auto industry. This initiative should have a positive impact on the adoption of ADAS and Highly Automated Driving (HAD) on the road towards Autonomous Vehicles (AV).

The UN ECE created the new Working Party to deal with regulations for Automated Vehicles (GRVA). In addition to the EU and Japan which started to work closely for ADAS regulations in the last 3 years, the U.S. and China indicated a willingness to be active in several working groups towards harmonization of future regulations for ADAS and AV. This would create a common umbrella for countries which follow type-approval rules (EU, Japan, Australia) and countries which are outside of type-approval system, e.g., under self-certification regimes (U.S., Korea) or specific national rules (China).

Key future potential regulations are expected for (i) safety critical ADAS-features (e.g. AEB); (ii) Highway AV-features (Physical Tests + Real World Test Drive + Audit); (iii) Cyber-security & Software updates; and (iv) Connected Vehicles. On one hand, the agreement on minimal common base requirements for the industry will take a longer time and therefore may postpone introduction of regulations. On the other hand, the harmonization with base requirements would help the industry while a more active position from China may help to pull forward some safety critical ADAS technologies which are not yet considered as relevant for regulation in EU and Japan (e.g. Blind Spot or Night Vision).

As noted in our 2018 annual report, the environment around us is rapidly changing and we currently see a shift across the automotive and autotech industries. New technologies, creating new levels of interaction and driver support are starting to revolutionize driving, but we also see the driver being actively involved for years to come. We call this Collaborative Driving; the industry also calls it “Level 2+” driver support. At the same time there is also a growing realization that the introduction of truly self-driving cars will likely take longer and be more expensive than previously anticipated. This fundamental insight opens up new opportunities for companies, including Veoneer, but it also requires a reprioritization of resources. As such, we believe that the market will stay focused on Level 1-Level 2+ autonomous driving solutions for the next decade.

### **Market and Industry Data**

This Quarterly Report on Form 10-Q include estimates regarding market and industry data and forecasts, which are based on publicly available information, industry publications and surveys, reports from government agencies and reports by market research firms, including the IHS Light Vehicle Production Database, and our own estimates based on our management’s knowledge of, and experience in, the industry and market sectors in which we compete. This information involves a number of assumptions and

limitations, and you are cautioned not to give undue weight to these estimates. While we believe that the publicly available information and third-party publications, surveys and reports used in determining such estimates, are reliable, we have not independently verified the accuracy or completeness of the data contained in such publicly available information and third-party publications, surveys and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in our Annual Report on Form 10-K and this Quarterly Reports on Form 10-Q. These and other factors could cause results to differ materially from the estimates expressed in such publicly available information and third-party publications, surveys and reports.

## Market Overview

<i>Millions, (except where specified)</i>	China	Japan	Rest of Asia	Americas	Europe	Other	Total
	First Quarter (IHS as of 16-April-2019) . . . . .	5.5	2.4	3.2	4.7	5.6	0.5
Change vs. Prior Year . . . . .	(13.9)%	0.6%	(1.1)%	(3.0)%	(4.9)%	(34.2)%	(6.8)%

During the first quarter of 2019, global light vehicle production decreased by approximately 7% as compared to 2018 mainly due to the production declines in all major regions except Japan. The main drivers of the decline were Western Europe (7%), likely attributable to the introduction of the Worldwide Harmonized Light Vehicle Procedure (“WLTP”) and lower underlying consumer demand, China (14%), likely attributable to weaker consumer demand and record volumes in 2017 when tax incentive on 1.6 liter vehicles were still in place, along with North America (3%), likely attributable to adjusting inventories to reflect slightly softer sales demand. Within Rest of Asia both South Korea and India declined 1% and 3%, respectively.

<i>Millions, (except where specified)</i>	China	Japan	Rest of Asia	Americas	Europe	Other	Total
	Full Year (IHS as of 16-April-2019) . . . . .	25.6	9.1	13.1	19.0	21.4	2.2
Change vs. Prior Year . . . . .	0.3%	0.2%	0.7%	(0.9)%	(2.2)%	(14.3)%	(0.9)%

For the full year 2019 global light vehicle production forecast is expected to rebound during the second half of 2019, in particular China and Western Europe, resulting in a decline for the full year of 1%. This would mark the second consecutive annual decline in light vehicle production. China and Japan are expected to be relatively flat for 2019 while Western Europe and North Americas are expected to decline 3% and 2%, respectively. Within Rest of Asia, India is expected to be the main driver with a 3% increase.

## Results of Operations

### Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

The following tables show Veoneer’s performance by segment for the three months ended March 31, 2019 and 2018 along with components of change compared to the prior year.

#### Net Sales by Product

The following tables show Veoneer’s consolidated net sales by product for the three months ended March 31, 2019 and 2018 along with components of change compared to the prior year.

<i>Consolidated Net Sales</i> <i>Dollars in millions,</i> <i>(except where specified)</i>	Three Months Ended March 31				Components of Change vs. Prior Year			
	2019	2018	US GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	\$	Chg. \$	Chg. %	\$	%	\$	%
<b>Restraint Control Systems</b> . . . . .	215	268	(53)	(20)	(11)	(4)	(42)	(16)
<b>Active Safety</b> . . . . .	192	213	(21)	(10)	(14)	(7)	(7)	(3)
<b>Brake Systems</b> . . . . .	87	114	(26)	(23)	(3)	(3)	(23)	(20)
<b>Total</b> . . . . .	<b>\$494</b>	<b>\$594</b>	<b>\$(100)</b>	<b>(17)%</b>	<b>\$(28)</b>	<b>(5)%</b>	<b>\$(72)</b>	<b>(12)%</b>

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales

Sales – Veoneer’s net sales for the quarter decreased by close to 17% to \$494 million as compared to 2018. Organic sales<sup>1</sup> declined by approximately 12% while the combined currency translation effects were close to 5%. During the quarter, our organic sales

developed below our internal expectations mainly due to lower light vehicle demand for our products primarily in Western Europe and North America.

According to IHS, the LVP decline of close to 7% for the quarter as compared to 2018 was mainly attributable to China and Western Europe. Sequentially the LVP decline of close to 5%, as compared to the fourth quarter in 2018, was mainly due to a decline of almost 18% in China.

Restraint Control Systems – Net sales for the quarter of \$215 million decreased by 20% as compared to 2018. The organic sales<sup>1</sup> decline of 16% was mainly due to lower volume in China and Western Europe and the phase out of our products on certain vehicle models in most regions.

Active Safety – Net sales for the quarter of \$192 million, essentially at a similar level to the fourth quarter in 2018, decreased by 10% as compared to 2018. This decline was primarily driven by currency translation effects of 7% while organic sales<sup>1</sup> declined by 3%. The LVP in our major markets for Active Safety where we have a CPV on premium brands (Western Europe, North America, Japan and China) declined by approximately 8%.

Strong demand for mono/stereo vision and night vision systems and ADAS ECUs on several models drove an increase in organic sales which was more than offset by negative product and model mix and lower LVP with certain customers in Western Europe and North America.

Brake Systems – Net sales of \$87 million for the quarter decreased by approximately 23% as compared to 2018. This sales decline is mainly due to an organic sales<sup>1</sup> decline of close to 20%, primarily driven by lower volumes on certain Honda vehicle models in China and Japan.

The general lead time from an “order” to the start of production is 2 to 4 years and it may take several months for production of a certain vehicle model to fully ramp up. For example, Active Safety and Restraint Control Systems order intake from 2013 to 2015 is reflected in sales in 2017-2019. We believe that the strong order intake in 2016-2018 will primarily impact organic sales in 2020 to 2022 with some initial benefits coming in late 2019.

The more than \$19 billion order book as of December 31, 2018 was \$3 billion higher than at the same time the prior year. We anticipate more than \$2 billion of this order book is expected to be filled during 2019.

Electronics Segment <i>Dollars in millions, (except where specified)</i>	Three Months Ended March 31						Components of Change vs. Prior Year			
	2019		2018		US GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg.	\$	%	\$	%
<b>Net Sales</b> .....	\$ 407		\$ 481		\$ (74)	(15)	\$(25)	(5)	\$(49)	(10)
<b>Operating Loss / Margin</b> .....	\$ (90)	(22.1)	\$ (1)	(0.2)	\$ (89)					
<b>Segment EBITDA<sup>1</sup> / Margin</b> .....	\$ (71)	(17.3)	\$ 18	3.7	\$ (89)					
<b>Associates</b> .....	7,716		6,077		1,639					

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and Segment EBITDA

Sales – The net sales in the Electronics segment decreased by \$74 million to \$407 million for the quarter as compared to 2018. This sales decline was mainly due to the organic sales<sup>1</sup> decline in Restraint Control Systems of \$42 million and the currency translation effects of \$25 million.

Operating Loss – The operating loss for the Electronics segment of \$90 million increased by \$89 million for the quarter as compared to 2018 mainly due to the negative volume and product mix effects causing the lower organic sales in Restraint Control Systems and the increase in RD&E cost to support future organic sales growth and current development programs as well as the reversal of the MACOM earn-out provision in 2018.

EBITDA – The EBITDA<sup>1</sup> for the Electronics segment decreased by \$89 million to negative \$71 million for the quarter as compared to 2018. This decline is mainly due to the increase in operating loss for the segment.

Associates – The number of associates in the Electronics segment increased by 1,639 to 7,716 as compared to 2018. This increase is primarily due to the hiring of approximately 1,300 engineers to support the strong order intake for future growth and the transfer of 200 associates from professional services.

Deliveries – The quantities delivered in the quarter were 4.2 million units for Restraint Controls Systems and 2.4 million units for Active Safety.

Order Book – At the beginning of 2019 the Electronics segment order book represented approximately 80% of Veoneer’s more than \$19 billion order book and approximately 80% of the \$16 billion the previous year.

Brake Systems Segment <i>Dollars in millions, (except where specified)</i>	Three Months Ended March 31						Components of Change vs. Prior Year			
	2019		2018		US GAAP Reported		Currency		Organic <sup>1</sup>	
	\$	%	\$	%	Chg. \$	Chg. %	\$	%	\$	%
Net Sales .....	\$ 87		\$ 114		\$(26)	(23)	\$(3)	(3)	\$(23)	(20)
Operating Loss / Margin .....	\$ (19)	(21.8)	\$ (8)	(6.8)	\$(10)					
Segment EBITDA <sup>1</sup> / Margin .....	\$ (10)	(11.6)	\$ 1	1.3	\$(11)					
Associates .....	1,430		1,490		(60)					

<sup>1</sup> Non-U.S. GAAP measure reconciliation for Organic Sales and Segment EBITDA

Sales – The net sales in the Brake Systems segment decreased by \$26 million to \$87 million for the quarter as compared to 2018. This sales decline was mainly attributable to lower delivery volumes on certain Honda vehicle models, particularly in China and Japan.

Operating Loss – The operating loss for the Brake Systems segment increased to \$19 million from \$8 million as compared to 2018 mainly due to the negative volume and product mix effects causing the lower organic sales and a slight increase in RD&E to support future organic sales growth.

EBITDA – The EBITDA<sup>1</sup> for the Brake Systems segment decreased to negative \$10 million as compared to \$1 million in 2018. This decline was mainly due to the increase in underlying operating loss for the segment.

Associates – The number of associates in the Brake Systems segment declined by 60 to 1,430 as compared to 2018 primarily due to direct and indirect labor reductions related to the Honda sales decline.

Deliveries – The quantity delivered during the quarter was 0.4 million units for Brake Systems.

Corporate and Other <i>Dollars in millions, (except where specified)</i>	Three Months Ended March 31					
	2019		2018		US GAAP Reported	
	\$	%	\$	%	Chg. \$	Chg. %
Net Sales .....	\$—	—	\$—	—	\$—	—
Operating Loss / Margin .....	\$(19)	—	\$ (7)	—	\$(12)	
EBITDA <sup>1</sup> / Margin .....	\$(18)	—	\$ (7)	—	\$(11)	
Associates .....	46		—		46	

<sup>1</sup> Non-U.S. GAAP measure reconciliation for EBITDA

Operating Loss and EBITDA – The operating loss and EBITDA<sup>1</sup> for Corporate and other increased to \$19 million and \$18 million, respectively, from \$7 million each as compared to 2018. This was mainly attributable to the additional SG&A costs associated with being a standalone listed company and certain one-time professional services.

Associates – The number of associates increased to 46 as compared to 2018 mainly due to the hiring of personnel for being a standalone listed company. The associates and financial figures are not comparable since the first half of 2018 financial results are based on carve-out basis accounting rules.

## Veoneer Performance

### Income Statement

<i>Dollars in millions, (except per share data)</i>	Three Months Ended March 31				
	2019		2018		Change
	\$	%	\$	%	
<b>Net sales</b> .....	<b>\$ 494</b>		<b>\$ 594</b>		<b>\$ (100)</b>
Cost of sales .....	(409)	(82.8)	(483)	(81.2)	74
<b>Gross profit</b> .....	<b>\$ 85</b>	<b>17.2</b>	<b>\$ 112</b>	<b>18.8</b>	<b>\$ (27)</b>
Selling, general & administrative expenses .....	(52)	(10.5)	(31)	(5.2)	(21)
Research, development & engineering expenses, net .....	(156)	(31.5)	(106)	(17.9)	(50)
Amortization of intangibles .....	(5)	(1.0)	(5)	(0.9)	—
Other income .....	—	—	15	3.4	(15)
<b>Operating loss</b> .....	<b>\$ (128)</b>	<b>(25.9)</b>	<b>\$ (16)</b>	<b>(2.7)</b>	<b>\$ (112)</b>
Loss from equity method investments .....	(17)	(3.4)	(14)	(2.3)	(3)
Interest income .....	3	0.7	—	—	3
<b>Loss before income taxes</b> .....	<b>\$ (142)</b>	<b>(28.7)</b>	<b>\$ (30)</b>	<b>(5.1)</b>	<b>\$ (112)</b>
Income tax expense .....	(6)	(1.3)	(7)	(1.2)	1
<b>Net loss<sup>1</sup></b> .....	<b>\$ (148)</b>	<b>(30.0)</b>	<b>\$ (37)</b>	<b>(6.2)</b>	<b>\$ (111)</b>
Less: Net loss attributable to non-controlling interest .....	(11)	(2.1)	(5)	(0.8)	(6)
<b>Net loss attributable to controlling interest</b> .....	<b>\$ (137)</b>	<b>(27.7)</b>	<b>\$ (32)</b>	<b>(5.4)</b>	<b>\$ (105)</b>
Net loss per share – basic <sup>2</sup> .....	\$ (1.57)		\$ (0.36)		\$(1.21)
Weighted average number of shares outstanding in millions <sup>2</sup> .....	87.24		87.13		0.11

<sup>1</sup> Including Corporate and other sales. <sup>2</sup> Basic number of shares used to compute net loss per share. Participating share awards without right to receive dividend equivalents are (under the two-class method) excluded from EPS calculation.

**Gross Profit** – The gross profit for the quarter of \$85 million was \$27 million lower as compared to 2018. The negative volume and product mix effects that caused the lower organic sales was the main contributor to the gross profit decline. Net currency effects on the gross profit were close to \$11 million negative for the quarter as compared to 2018, primarily due to a stronger US dollar.

**Operating Loss** – This quarter represents the third quarter with a standalone cost structure for the company. The operating loss for the quarter of \$128 million increased by \$112 million as compared to 2018.

The RD&E increase of \$50 million as compared to 2018 was mainly due to the ramp-up of engineering hiring during 2018 to support customer projects for future sales growth and current development programs.

The SG&A increase of \$21 million was mostly related to the additional costs associated with being a standalone listed company and certain one-time professional services costs.

Other income was \$15 million lower as compared to 2018 primarily due to the reversal of the MACOM earn-out provision in 2018. Net currency effects on the operating loss were close to \$4 million unfavorable for the quarter as compared to 2018.

**Net Loss** – The net loss for the quarter of \$148 million increased by \$111 million as compared to 2018.

Veoneer's net loss from its equity method investment (Zenuity) increased slightly by \$3 million to \$17 million during the first quarter of 2019 as compared to 2018. This is mainly attributable to the hiring of software engineers over the last 12 months.

The increase in equity method investment loss was entirely offset by interest income net of \$3 million, which was an increase as compared to 2018.

Income tax expense for the quarter of \$6 million was \$1 million lower as compared to 2018. The tax result for the quarter includes approximately \$3 million of discrete tax items.

The non-controlling interest loss in the VNBS joint venture was \$11 million as compared to \$5 million in 2018, mainly due to the organic sales decline impact on earnings.

Loss per Share – The loss per share increased to \$1.57 for the quarter as compared to a loss of \$0.36 per share in 2018. This decline was essentially due to the increase in operating loss, as the share count remained virtually unchanged.

### **Non-U.S. GAAP Financial Measures**

Non-U.S. GAAP financial measures are reconciled throughout this report.

In this report we refer to organic sales or changes in organic sales growth, a non-U.S. GAAP financial measure that we, investors and analysts use to analyze the Company's sales trends and performance. We believe that this measure assists investors and management in analyzing trends in the Company's business because the Company generates approximately 65% of sales, in currencies other than in U.S. dollars (its reporting currency) and currency rates have been and can be rather volatile. Additionally, the Company has historically made several acquisitions and divestitures, although none that impacted the reporting periods in question. Organic sales and organic sales growth present the increase or decrease in the overall U.S. dollar net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestitures and exchange rates on the Company's performance. The tables in this report present reconciliation of changes in the total U.S. GAAP net sales changes in organic sales growth.

The Company also uses in this report EBITDA, a non-U.S. GAAP financial measure, which represents the Company's net income excluding interest expense, income taxes, depreciation and amortization and including loss from equity method investment. The Company also uses Segment EBITDA, a non-U.S. GAAP financial measure, which represents the Company's EBITDA which has been further adjusted on a segment basis to exclude certain corporate and other items. We believe that EBITDA and Segment EBITDA are useful measures for management, analysts and investors to evaluate operating performance on a consolidated and reportable segment basis, because it assists in comparing our performance on a consistent basis. The tables below provide reconciliations of net income (loss) to EBITDA and Segment EBITDA.

The Company also uses in this report net working capital, a non-U.S. GAAP financial measure, which is defined as current assets (excluding cash and cash equivalents) minus current liabilities. Management uses this measure to improve its ability to assess liquidity at a point in time. The table below provides a reconciliation of current assets and liabilities to net working capital.

Investors should not consider these non-U.S. GAAP measures as substitutes, but rather as additions, to financial reporting measures prepared in accordance with U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

The forward-looking non-U.S. GAAP financial measure used in this report is provided on a non-U.S. GAAP basis. Veoneer has not provided a U.S. GAAP reconciliation of this measure because items that impact this measure, such as foreign currency exchange rates, cannot be reasonably predicted or determined. As a result, such reconciliation is not available without unreasonable efforts and Veoneer is unable to determine the probable significance of the unavailable information.

## Reconciliations of U.S. GAAP to non U.S. GAAP

<i>Net Loss to EBITDA</i>	Three Months Ended		Last	Full Year
	March 31			
Dollars in millions	2019	2018	12 Months	2018
<b>Net Loss</b> .....	<b>\$ (148)</b>	<b>\$ (37)</b>	<b>\$ (406)</b>	<b>\$ (294)</b>
Depreciation and amortization .....	29	28	112	111
Loss from equity method investment .....	17	14	66	63
Interest and other non-operating items, net .....	(3)	—	(10)	(7)
Income tax .....	6	7	41	42
<b>EBITDA</b> .....	<b>\$ (99)</b>	<b>\$ 12</b>	<b>\$ (197)</b>	<b>\$ (87)</b>

<i>Segment EBITDA</i>	Three Months Ended		Last	Full Year
	March 31			
Dollars in millions	2019	2018	12 Months	2018
Electronics .....	\$ (71)	\$ 18	\$ (132)	\$ (43)
Brake Systems .....	(10)	1	(4)	7
<b>Segment EBITDA</b> .....	<b>\$ (81)</b>	<b>\$ 19</b>	<b>\$ (136)</b>	<b>\$ (36)</b>
Corporate and other .....	(18)	(7)	(61)	(51)
<b>EBITDA</b> .....	<b>\$ (99)</b>	<b>\$ 12</b>	<b>\$ (197)</b>	<b>\$ (87)</b>

<i>Working Capital to Net Working Capital</i>	March 31,	March 31,	December 31,	June 30,
	2019	2018	2018	2018
Dollars in millions				
Total current assets .....	\$1,352	\$706	\$1,543	\$1,699
Total current liabilities .....	593	646	636	584
<b>Working capital</b> .....	<b>\$ 759</b>	<b>\$ 60</b>	<b>\$ 907</b>	<b>\$1,115</b>
Cash and cash equivalents .....	(715)	—	(864)	(980)
<b>Net working capital</b> .....	<b>\$ 44</b>	<b>\$ 60</b>	<b>\$ 42</b>	<b>\$ 135</b>

## Liquidity and Capital Resources

### Liquidity

As of March 31, 2019, the Company had cash and cash equivalents of \$715 million.

The Company's primary source of liquidity is the existing cash balance of \$715 million which will primarily be used for ongoing working capital requirements, capital expenditures, investments in joint ventures, particularly Zenuity and certain anticipated business combinations. The Company believes that its existing cash resources will be sufficient to support its current operations for at least the next twelve months.

However, as described above, we see deteriorating business conditions in the near term, including lower than expected light vehicle production. We also do not expect to see the effects of our efficiency and prioritization initiatives until the latter part of the year. This situation, along with our capital needs for RD&E due to continued strong order intake, execution of current customer projects and the continued development of our product portfolio, has led the Company to consider alternatives for approaching the capital markets for funding of up to \$500 million.

Fotonic – During the year ended December 31, 2017, the Company entered an unconditional purchase obligation for \$10 million to be paid in 2019. The amount will be reimbursed by Zenuity. In addition, the Company has a holdback of \$2 million related to the Fotonic acquisition to be paid in 2019. The Company has no other material obligations other than short-term obligations related to operations, inventory, services, tooling, and property, plant and equipment purchased in the ordinary course of business.

Zenuity – Veoneer is currently in discussions with Volvo Cars, its Zenuity JV partner, regarding the development priorities of Zenuity in light of the market shift toward autonomous vehicle solutions. The outcome of these discussions may influence the level of funding and participation of Veoneer in the Zenuity JV, as well as future sharing of intellectual property and IP licenses. Although no final commitment has been made, it is reasonably possible that the Company will make a capital contribution of approximately \$27 million to the Zenuity JV in the second quarter of 2019.

Autotech – On June 30, 2017, Veoneer committed to make a \$15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and, as a limited partner, will periodically make capital contributions toward this total commitment amount. As of March 31, 2019, Veoneer contributed a total of \$8 million to the fund. The initial term of the fund is set to expire on December 31, 2025. This fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly

in the areas of active safety and autonomous driving. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control, and conduct the affairs of the fund.

VNBS – As previously disclosed, the Company has initiated under the JV agreement to find a solution to the current funding situation. Veoneer and Nissin Kogyo have entered into a non-binding MoU. The parties are working toward a definitive agreement that reflects the terms of the MoU. However, there can be no assurance that a definitive agreement can be reached.

### *Cash Flows*

<i>Dollars in millions, (except where specified)</i>	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Selected cash flow items</b>		
Net cash used in operating activities . . . . .	\$ (90)	\$ (79)
Capital expenditures . . . . .	(59)	(31)
Equity method investment . . . . .	—	(71)
Net Cash Used in Investing Activities . . . . .	(54)	(25)
Net Cash Provided by Financing Activities . . . . .	2	104

<sup>1</sup> Non-U.S. GAAP measure see reconciliation for Net Working Capital

Net cash used in operating activities – Net cash used in operating activities of \$90 million during the quarter was \$11 million higher as compared to 2018. The higher net loss was partially offset by the positive change in net working capital<sup>1</sup>.

Days receivables outstanding, outstanding receivables relative to average daily sales was 67 days for March 31, 2019, as compared to 71 days at March 31, 2018. Days inventory outstanding, outstanding inventory relative to average daily sales, increased to 31 days as of March, 2019, as compared to 25 days at March 31, 2018.

Net Working Capital<sup>1</sup> – The net working capital of \$44 million remained relatively unchanged as compared to the fourth quarter in 2018. Net working capital benefited from the one-time accounting change related to operating leases of \$13 million in the quarter.

Capital Expenditures – Capital expenditures of \$59 million for the quarter increased by \$28 million as compared to 2018 mainly due to increasing camera capacity. This expenditure level is approximately 12% of sales and we now expect approximately 10% for the full year 2019.

Net cash used in investing activities – Net cash used in investing activities of \$54 million during the quarter was \$29 million higher as compared to 2018. The increase in capital expenditures of \$28 million was the main driver in the change from last year.

Cash and cash equivalents – Cash and cash equivalents of \$715 million at the end of the quarter declined by \$149 million, as compared to the prior quarter.

Shareholders Equity – Shareholders equity, including non-controlling interest, for the quarter of \$1,768 million includes the cash liquidity provided from Autoliv immediately prior to the spin-off.

### *Number of Associates*

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Total Associates	9,192	8,600	7,937	7,567
Whereof: Direct Manufacturing . . . . .	2,110	2,083	2,229	2,199
R,D&E . . . . .	5,192	4,676	3,959	3,703
Temporary . . . . .	1,563	1,329	1,246	1,146

The number of associates increased to 9,192 from 8,600 in the previous quarter, mainly due to the hiring of close to 300 engineers and the transfer of approximately 200 data markers from professional services to RD&E temporaries to support our future sales growth and current development programs. Essentially all of the net increase in temporary associates was related to RD&E.



The change versus the same period in 2018 of 1,625 associates is primarily due to the hiring of approximately 1,300 engineers and 200 associate transfers from professional services, to support our strong order intake and our investment in engineering talent and resources to support our future growth opportunities. Temporary associates have increased more than 300 reflecting the uncertain macro situation.

### ***Significant Legal Matters***

For discussion of legal matters we are involved in, see Note 12, Contingent Liabilities, to the Condensed Consolidated Financial Statements included herein.

### **Off-Balance Sheet Arrangements and Other Matters**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on its financial position, results of operations or cash flows.

### **Contractual Obligations and Commitments**

There have been no significant changes to the contractual obligation and commitments disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

### **Significant Accounting Policies and Critical Accounting Estimates**

See Note 2, "Summary of Significant Accounting Policies" to the accompanying condensed consolidated financial statements included herein.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of March 31, 2019, there have been no material changes to the information related to quantitative and qualitative disclosures about market risk that was provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **(a) Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2019, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (a) reported within the time periods specified by SEC rules and regulations, and (b) communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding any required disclosure.

#### **(b) Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

Various claims, litigation and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters.

For a description of our material legal proceedings, see Note 12 Contingent Liabilities – Legal Proceedings to our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

Other than as set forth below, there have been no material changes in the risk factors described in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors below and also those discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described below and in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

#### ***We may not be able to secure additional financing to meet our future capital needs.***

We anticipate needing additional capital to execute our business plan and fund the demand for increased RD&E investment to support our continued strong order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio until the Company reaches positive cash flow.

Without adequate access to capital, we may be forced to adjust our strategic and business plans to prioritize more essential funding needs. This could result in delaying certain research or development initiatives, which could impact our ability to develop innovative products and technologies. If capital is not available, or is not available on acceptable terms if and when needed, our ability to fund our operations, take advantage of market opportunities, develop or enhance our products, or otherwise respond to market changes or competitive pressures could be limited.

Although we believe we have sufficient funds to currently operate our business, we now expect short term deteriorating business conditions and lower than expected light vehicle production, along with the demand for increased RD&E investment to support our continued strong order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio will result in a need to raise capital until the Company reaches positive cash flow. While we continue to develop and implement efficiency and prioritization initiatives we do not expect to realize the full benefits of such initiatives within the next twelve months. We may finance future cash needs through public or private equity offerings and may also use debt financings or strategic collaborations and licensing arrangements. We may be unable to secure debt or equity financing on terms acceptable to us, or at all, at the time when we need such funding, and we may be forced to consider alternative transactions (including assets sales on terms our existing security holders perceive as unattractive) in order to do so.

Moreover, even if we are successful in raising any required funds through additional financings, this may adversely impact our existing security holders. For example, if we raise funds by issuing additional securities, the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, we may be subject to debt covenants, which could place limitations on our operations. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition and results of operations. Our inability to raise additional funds on a timely basis would make it difficult for us to achieve our business objectives and would have a material adverse impact on our business, results of operations and financial condition.

#### ***Risks associated with joint venture partnerships and other collaborations may adversely affect our business and financial results.***

Certain of our operations are currently conducted through joint ventures and joint development agreements, and we may enter into additional joint ventures and collaborations in the future. Our joint ventures and collaborations are generally focused on opening or expanding opportunities for our technologies and supporting the design and introduction of new products and services (or enhancing existing products or services). Such activities entail a high degree of risk and often require significant capital investments. We may underestimate the costs and/or overestimate the benefits, including technology, product, revenue, cost and

other synergies and growth opportunities, that we expect to realize, and we may not achieve those benefits, or may do so later than expected. The market and customer demand for products and technologies provided by our joint ventures may also shift. For example, we have begun to see a shift in our customer's focus to products and systems supporting "Level 2 plus driver assistance" technologies over systems supporting fully autonomous driving as it appears that fully autonomous vehicles will come to market in significant numbers later than previously expected. This means that some of the expected anticipated benefits of our Zenuity joint venture, including sales from technologies developed by the joint venture may not materialize or may come later than previously expected. As a result, we are presently evaluating our strategic and business plans for, as well as the ongoing funding needs of, Zenuity.

Furthermore, our joint venture partners may be unable or unwilling to meet their economic or other contractual obligations, and we may in some cases and/or for some time choose to fulfill those obligations alone to ensure the ongoing success of a joint venture, or we may choose to dissolve and liquidate it. For example, since we acquired a 51% interest in VNBS, we have unilaterally provided the funds necessary to meet VNBS's operational needs as Nissin Kogyo has, notwithstanding repeated requests, refused to provide funding in proportion to its ownership. In 2019, the Company initiated a formal negotiation process under the VNBS JV Agreement to find a resolution to this situation. While the Company has entered into a memorandum of understanding regarding this situation, there is no guarantee that this will lead to a definitive agreement. If a definitive agreement is not reached, the Company may explore other options with respect to the joint venture and its product offerings.

In addition, our joint venture and collaboration partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. Our products and technologies may from time to time overlap with certain aspects of the technologies developed with one of our joint venture or collaboration partners which may cause the parties to consider the impact on the contractual relationship. Depending on our level of control over the governance and/or operations of a joint venture or collaboration, we may be unable to implement actions with respect to the joint venture's activities that we believe are favorable if the joint venture partner does not agree. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. We may have difficulty resolving disputes with or claims against our joint venture partners, which could lead to us bearing liability for claims that we are not responsible for and may have a material adverse impact on the joint venture.

The above risks, if realized, could have a material adverse effect on our business, results of operations and financial condition.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

Not applicable.

## ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K (filing date July 2, 2018).
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K (filing date July 2, 2018).
4.1	General Terms and Conditions for Swedish Depository Receipts in Veoneer, Inc., effective as from May 30, 2018, incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 (File No. 001-38471, filing date June 4, 2018).
10.1*+	Employment Agreement, effective November 13, 2018, by and between Veoneer, Inc. and Nishant Batra.
10.2+	Employment Agreement, effective January 8, 2019, by and between Veoneer, Inc. and Mats Backman, incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed February 22, 2019.
10.3+	Change-in-Control Severance Agreement, effective January 8, 2019, by and between Veoneer, Inc. and Mats Backman, incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed February 22, 2019.
10.4**	License and Supply Agreement by and between Velodyne LiDAR, Inc. and Veoneer US, Inc., dated January 7, 2019.
31.1*	Certification of the Chief Executive Officer of Veoneer, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Veoneer, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Veoneer, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Veoneer, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Condensed Consolidated Statements of Operations (Unaudited); (ii) the Condensed Consolidated Statements of Comprehensive Loss (Unaudited); (iii) the Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Changes in Equity (Unaudited); (v) the Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

\* Filed herewith.

\*\* Filed herewith. Portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

+ Management contract or compensatory plan.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 29, 2019

VEONEER, INC.

(Registrant)

By: /s/ Mats Backman

Mats Backman  
Chief Financial Officer  
(Duly Authorized Officer and Principal  
Financial Officer)

**ADDRESSES**

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