Alexander & Baldwin, Inc.
Form DEFA14A
March 18, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
x	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

Alexander & Baldwin, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1)	Amount Previously Paid:
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IMPORTANT ANNUAL MEETING INFORMATION

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Stockholder Meeting Notice		**1234 5678 9012 345**	

Important Notice Regarding the Availability of Proxy Materials for the Company Stockholder Meeting to be Held on Tuesday, April 28, 2015

Under Securities and Exchange Commission rules, you are receiving this notice that the proxy materials for the annual stockholders meeting are available on the Internet. Follow the instructions below to view the

materials and vote online or request a copy. The items to be voted on and location of the annual meeting are on the reverse side. Your vote is important!

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting. The proxy statement and annual report to stockholders are available at:

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Obtaining a Copy of the Proxy Materials If you want to receive a copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed on the reverse side on or before April 19, 2015 to facilitate timely delivery.

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Stockholder Meeting Notice

Dear Alexander & Baldwin, Inc. Stockholder:

The Annual Meeting of Shareholders of Alexander & Baldwin, Inc. will be held at A&B headquarters, 822 Bishop Street, Honolulu, Hawaii, on Tuesday, April 28, 2015, at 8:00 a.m., Honolulu time, to:

(1) Elect three Class III directors to serve for a three-year term expiring at the 2018 Annual Meeting of Shareholders;

(2) Approve the Advisory Resolution relating to executive compensation

(3) Ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the corporation

(4) Transact such other business as properly may be brought before the meeting or any adjournment or postponement thereof.

The Board of Directors recommends a vote FOR Items 1, 2, and 3.

The Board of Directors has set the close of business on February 19, 2015 as the record date for the meeting. Owners of Alexander & Baldwin, Inc. stock at the close of business on that date are entitled to receive notice of and to vote at the meeting.

Stockholders of record as of the Record Date are cordially invited to attend the Annual Meeting. You may call our offices at (808) 525-6661 to obtain directions to attend the Annual Meeting where you may vote in person.

PLEASE NOTE YOU CANNOT VOTE BY RETURNING THIS NOTICE. To vote your shares you must vote online or request a paper copy of the proxy materials to receive a proxy card. If you wish to attend and vote at the meeting, please bring this notice with you.

Here s how to order a copy of the proxy materials and select a future delivery preference:

Paper copies: Current and future paper delivery requests can be submitted via the telephone, Internet or email options below.

Email copies: Current and future email delivery requests must be submitted via the Internet following the instructions below. If you request an email copy of current materials you will receive an email with a link to the materials.

PLEASE NOTE: You must use the number in the shaded bar on the reverse side when requesting a set of proxy materials.

Internet Go to **www.envisionreports.com/ALEX**. Click Cast Your Vote or Request Materials. Follow the instructions to log in and order a copy of the current meeting materials and submit your preference for email or paper delivery of future meeting materials.

Telephone Call us free of charge at 1-866-641-4276 and follow the instructions to log in and order a paper copy of the materials by mail for the current meeting. You can also submit a preference to receive a paper copy for future meetings.

Email Send email to investorvote@computershare.com with Proxy Materials Alexander & Baldwin, Inc. in the subject line. Include in the message your full name and address, plus the number located in the shaded bar on the reverse, and state in the email that you want a paper copy of current meeting materials. You can also state your preference to receive a paper copy for future meetings.

To facilitate timely delivery, all requests for a paper copy of the proxy materials must be received by April 19, 2015.

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sp;

Other long-term debt, including current portion	22	16	2.8%	0
Total debt as reported	**n/a**	**$1,671**	**n/a**	**$808**[(2)]

(1) Total outstanding commercial paper programs (CP) should not exceed total undrawn revolving credit facilities (RCF) according to our financial policy.

(2) Unutilized credit facilities (long-term revolving credit facilities and other short-term debt) excluding capital market programs.

To remain compliant with our interest rate risk policy (see page S-48 in this prospectus supplement), we cancelled during 2008 some of the interest rate swaps relating to our $400 million U.S. private placement from 2007. As a result, $340 million of these notes now carry fixed rates varying between 4.6% to 5.8% and $60 million carry floating rates at three-months LIBOR + 1.0%. The notes consist of four tranches of varying sizes, maturing between 2012 and 2019.

Of the $1,100 million revolving credit facility, $500 million was utilized at December 31, 2008. The terms of the agreement remained unchanged but the costs increased marginally. In 2007, one bank sold its participation to another bank in the syndicate. The RCF is since then syndicated among 14 banks. This unsecured facility, which remains available until November 2012, is not subject to financial covenants (i.e. performance related restrictions) and has no forward-looking material adverse change clause (See Note 12 to the Consolidated Financial Statements).

The weighted average interest rate on the $1,671 million of debt outstanding at December 31, 2008, was 4.7% compared to 5.0% one year earlier. The lower interest rate relates to lower floating rates at year end 2008 compared to year end 2007, partially offset by temporarily elevated LIBOR interest rates in the fall of 2008.

During 2008, we sold receivables, without resource, related to select customers with high credit worthiness. Since we use the cash received to repay debt, these factoring arrangements have the effect of reducing net debt and accounts receivable. At December 31, 2008, we had received $104 million for sold receivables with a discount of $4 million during the year, compared to $116 million in 2007 with a discount of $4 million recorded as Other financial items, net.

Shares and Share Buybacks

In 2000, the Board of Directors authorized a share repurchase program for up to 10 million of our shares. The program was expanded by an additional 10 million shares, both in 2003 and in 2005, and by an additional 7.5 million in November 2007. At December 31, 2008, 3.2 million shares remained of this mandate for repurchases.

Purchases can be made from time to time as market and business conditions warrant in open market, negotiated or block transactions. There is no expiration date for the mandate, which enables management to buy back shares opportunistically. We have suspended our share repurchases since we believe it is prudent to preserve cash in order to maintain a strong cash position in the current uncertain business environment.

During 2006, when cash flow from operations amounted to $560 million, we returned $221 million to shareholders through share repurchases of 3,976,900 shares at an average cost of $55.69 per share. In 2007, when the cash flow increased to $781 million, we raised the return through share buyback to $380 million by buying back 6,625,595 shares at an average cost of $57.35 per share. On the other hand, in 2008, when cash flow from operations declined to $614 million, we reduced the buyback return to $174 million by repurchasing 3,709,460 shares at an average cost of $46.77 per share. By adjusting our returns to shareholders in this way to the changes in the annual cash flow generation levels and to the changes in the credit markets, we achieve high financial stability even in the cyclical automotive industry.

Since the inception of the program, we have returned $1,473 million to shareholders by repurchasing 34.3 million shares at an average cost of $42.93 per share.

At December 31, 2008, there were 70.3 million shares outstanding, net of treasury shares, a 5% reduction compared to 73.8 million one year earlier.

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Contractual Obligations and Commitments

Aggregate Contractual Obligations[1]

(Dollars in millions)	Total	Payments due by Period Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt obligations including DRD[2]	$ 1,684	$ 286	$ 230	$ 877	$ 291
Fixed-interest obligations including DRD[2]	113	20	40	33	20
Operating lease obligations	91	20	32	22	17
Unconditional purchase obligations					
Other non-current liabilities reflected on the balance sheet	14		2	2	10
Total	**$ 1,902**	**$ 326**	**$ 304**	**$ 934**	**$ 338**

(1) Excludes contingent liabilities arising from litigation, arbitration, income taxes or regulatory actions.
(2) Debt-Related Derivatives, see Note 12 to the Consolidated Financial Statements.

Contractual obligations include lease and purchase obligations that are enforceable and legally binding on us. Minority interests, post-retirement benefits and restructuring obligations are not included in this table. The major employee obligations as a result of restructuring are disclosed in Note 10 to the Consolidated Financial Statements.

Debt obligations including DRD: For material contractual provisions, see Note 12 to the Consolidated Financial Statements. The debt obligations include capital lease obligations, which mainly refer to property and plants in Europe, as well as the impact of revaluation to fair value of Debt-Related Derivatives (DRD).

Fixed-interest obligations including DRD: These obligations include interest on debt and credit agreements relating to periods after December 31, 2008, as adjusted by DRD, excluding fees on the revolving credit facility and interest on debts with no defined amortization plan.

Operating lease obligations: We lease 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 at various dates (see Note 17 to the Consolidated Financial Statements).

Unconditional purchase obligations: There are no unconditional purchase obligations other than short-term obligations related to inventory, services, tooling, and property, plant and equipment purchased in the ordinary course of business.

Purchase agreements with suppliers entered into in the ordinary course of business do not generally include fixed quantities. Quantities and delivery dates are established in call off plans accessible electronically for all customers and suppliers involved. Communicated call off plans for production material from suppliers are normally reflected in equivalent commitments from our customers.

Other non-current liabilities reflected on the balance sheet: These liabilities consist mainly of local governmental loans.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial position, results of operations or cash flows.

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Risks and Risk Management

We are exposed to several categories of risks. They can broadly be categorized as operational risks, strategic risks and financial risks. Some of the major risks in each category are described below. There are also other risks that could have a material effect on our results and financial position. Consequently, the description below does not claim to be complete but should be read in conjunction with Risk Factors beginning on page S-10 of this prospectus supplement.

As described below, we have taken several mitigating actions, applied many strategies, adopted policies, and introduced control and reporting systems to reduce and mitigate these risks.

Operational Risks

Light Vehicle Production

Since approximately 30% of our costs are relatively fixed, short-term earnings are highly dependent on capacity utilization in our plants and are, therefore, sales dependent.

Global light vehicle production is an indicator of our sales development, but it is the production levels for the individual vehicle models that we supply which are critical (see page S-45 in this prospectus supplement). Our sales are split over several hundred contracts covering at least as many vehicle platforms or models which generally moderates the effect of changes in vehicle demand of individual countries and regions.

It is also our strategy to reduce this risk by using a high number of temporary employees instead of permanent employees. During 2008, temporary workers in relation to total headcount varied between 9% and 16%.

However, when there is a dramatic reduction in the level of production of the vehicle models supplied by us, as occurred during the fall of 2008, it takes time to reduce the level of permanent employees and even longer time to reduce fixed production capacity. As a result, our margins could drop significantly and materially impact earnings and cash flow.

Pricing Pressure

Pricing pressure from customers is an inherent part of the automotive components business. The extent of pricing reductions varies from year to year, and takes the form of reductions in direct sales prices as well as of discounted reimbursements for engineering work.

In response, we are continuously engaged in efforts to reduce costs and in providing customers added value by developing new products.

The various cost-reduction programs are, to a considerable extent, interrelated. This interrelationship makes it difficult to isolate the impact of any single program on costs, and management does not generally attempt to do so, except for the 2008 action program. Instead, it monitors key measures such as costs in relation to margins and geographical employee mix. But generally speaking, the speed by which these cost-reduction programs generate results will, to a large extent, determine our future profitability.

Component Costs

Since the cost of direct materials is approximately 52% of net sales, changes in these component costs could have a major impact on margins.

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Of these costs, approximately 42% (corresponding to 22% of net sales) are comprised of raw materials and the remaining 58% are value added by the supply chain. Currently, 37% of the raw material cost (or 8% of net sales) is based on steel prices; 34% on oil prices (i.e. nylon, polyester and engineering plastics (7% of net sales); 9% on zinc, aluminum and other non-ferrous metals (2% of net sales); and 13% on electronic components, such as circuit boards (3% of net sales).

Except for magnesium and small quantities of steel and plastic resins, we do not buy any raw materials but only manufactured components. As a result, changes in most raw material prices affect us with a time lag, which is usually six to twelve months for most materials, but one to three months for magnesium, zinc and aluminum.

Our strategy is to offset price increases on cost of materials by taking several actions such as material standardization, consolidating volumes to fewer suppliers and moving components sourcing to low-cost countries. Should we fail to do so, our earnings could be materially impacted.

Product Warranty and Recalls

We are exposed to various claims for damages and compensation, if our products fail to perform as expected. Such claims can be made, and result in costs and other losses to us, even where the relevant product is eventually found to have functioned properly. Where a product (actually or allegedly) fails to perform as expected, we may face warranty and recall claims. Where such actual or alleged failure results, or is alleged to result, in bodily injury and/or property damage we may in addition face product-liability and other claims.

There can be no assurance that we will not experience any material warranty, recall or product-liability claim or loss in the future or that we will not incur significant cost to defend against such claims. We may be required to participate in a recall involving our 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. Also, as our products increasingly use global platforms (are based on or utilize the same or similar parts, components or solutions) the risk that any given failure or defect will result in our incurring material cost is increasing.

A warranty, recall or a product-liability claim brought against us in excess of our insurance may have a material adverse effect on our business. Vehicle manufacturers are also increasingly requiring their external 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 us responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties when the product supplied did not perform as represented.

Accordingly, the future costs of warranty claims by our customers may be material. However, we believe our established reserves are adequate to cover potential warranty settlements, typically seen in our business.

Our warranty reserves are based upon management s best estimates of amounts necessary to settle future and existing claims. Management regularly evaluates the appropriateness of these reserves, and adjusts them when they believe it is appropriate to do so. However, the final amounts determined to be due could differ materially from our recorded estimates.

Our strategy is to follow a stringent procedure when developing new products and technologies and to apply a proactive zero-defect quality policy. In addition, we carry product-liability and product-recall insurance at levels that management believes are generally sufficient to cover the risks. However, such insurance may not always be available in appropriate amounts or in all markets. Further, the cost for such insurance impacts management s decision regarding what insurance to procure. As a result, we may face material losses in excess of the insurance coverage procured. A substantial recall or liability in excess of coverage levels could therefore have a material adverse effect on us.

Environmental

While our businesses from time to time are subject to environmental investigations, there are no material environmental-related cases pending against us. In addition, 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. Since most of our manufacturing processes consist of the assembly of components, the environmental impact from our plants is generally modest.

To reduce environmental risk, we have implemented an environmental management system and has adopted an environmental policy that requires, for instance, that all plants should be ISO-14001 certified.

However, environmental requirements are complex, change and have tended to become more stringent over time. Accordingly, there can be no assurance that these requirements will not change or become more stringent in the future, or that we will at all times be in compliance with all such requirements and regulations, despite our intention to be. We may also find ourselves subject, possibly due to changes in legislation, to environmental liabilities based on the activities of our predecessor entities or of businesses acquired. Such liability could be based on activities which are not at all related to our current activities.

Strategic Risks

Regulations

In addition to vehicle production, our market is driven by the safety content per vehicle, which is affected by new regulations and new crash-test rating programs, in addition to consumer demand for new safety technologies.

The most important regulation is the U.S. federal law that, since 1997, requires frontal airbags for both the driver and the front-seat passenger in all new vehicles sold in the U.S. Seatbelt installation laws exist in all vehicle-producing countries. Many countries also have strict enforcement laws on the wearing of seatbelts. The U.S. has adopted new regulations for side-impact protection to be phased-in during a three-year period beginning in 2010. China introduced a crash-test rating program in 2006. Europe introduced a new more stringent Euro NCAP rating system in 2009, and the National Highway and Safety Administration (NHTSA) has decided to upgrade the equivalent U.S. crash-test rating program. There are also other plans for improved automotive safety, both in these countries and many countries that could affect our market.

There can be no assurance, however, that changes in regulations could not adversely affect the demand for our products or, at least, result in a slower increase in the demand for them.

Dependence on Customers

The five largest vehicle manufacturers account for 54% of global light vehicle production and the ten largest manufacturers for 80%.

As a result of this highly consolidated market, we are dependent on a relatively small number of customers with strong purchasing power.

Our five largest customers account for 53% of revenues and the ten largest customers account for 81% of revenues. For a list of the largest customers, see Note 19 to the Consolidated Financial Statements.

The largest contract accounted for 5% of sales in 2008. This contract expires in 2012.

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Although business with every major customer is split into several contracts (usually one contract per vehicle platform), the loss of all business of a major customer, the consolidation of one or more major customers or a bankruptcy of a major customer could have a material adverse effect on us. In addition, a significant disruption in the industry, a significant decline in demand or pricing, or a dramatic change in technology could have a material adverse effect.

Customer Payment Risk

Another risk related to our customers is the risk that one or more customers will be unable to pay invoices that become due. The probability that this will occur has increased lately as more customers have increasingly faced financial difficulties and we expect this risk to increase even further in 2009.

We seek to limit our customer payment risks by invoicing major customers through their local subsidiaries in each country, even for global contracts. We thus try to avoid having our receivables with a multinational customer group exposed to the risk that a bankruptcy or similar event in one country puts all receivables with the customer group at risk. In each country, we also monitor invoices becoming overdue.

Even so, if a major customer would be unable to fulfill its payment obligations, it is likely that we will be forced to record a substantial loss.

Our receivables with GM in North America, at quarter-ends, tend to vary between approximately $50-100 million; with Ford in North America between $25-50 million and with Chrysler in North America between $25-60 million.

Dependence on Suppliers

We, at each stage of production, rely on internal or external suppliers in order to meet our delivery commitments. In some cases, customers require that the suppliers are qualified and approved by them. Our supplier consolidation program seeks to reduce costs but increases our dependence on the remaining suppliers. As a result, we are dependent, in several instances, on a single supplier for a specific component.

Consequently, there is a risk that disruptions in the supply chain could lead to us not being able to meet our delivery commitments and, as a consequence, to extra costs. This risk increases as suppliers are being squeezed between high raw material prices and the continuous pricing pressure in the automotive industry. This risk has also increased during 2008 and is likely to continue to increase during 2009 as a result of significantly lower LVP levels and a much tighter liquidity market.

Our strategy is to reduce these supplier risks by seeking to maintain multiple suppliers in all significant component technologies, by standardization and by developing alternative suppliers around the world.

However, for various reasons including costs involved in maintaining alternative suppliers, this is not always possible. As a result, difficulties with a single supplier could impact more than one customer and product, and thus materially impact our earnings.

New Competition

The market for occupant restraint systems has undergone a significant consolidation during the past ten years and we have strengthened our position in this passive safety market.

However, in the future, the best growth opportunities may be in safety electronics and active safety systems markets, which include and are likely to include other and often larger companies than our traditional competitors. Additionally, there is no guarantee our customers will adopt our new products or technologies.

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We are reducing the risk of this trend by utilizing our leadership in passive safety to develop a strong position in active and especially integrated safety.

Patents and Proprietary Technology

Our strategy is to protect our innovations with patents, and to vigorously protect and defend our patents, trademarks and know-how against infringement and unauthorized use. At the end of 2008, we held more than 4,800 patents. The patents expire on various dates during the period 2009 to 2028. The expiration of any single patent is not expected to have a material adverse effect on our financial results.

Although we believe that our products and technology do not infringe upon the proprietary rights of others, there can be no assurance that third parties will not assert infringement claims against us in the future. Also, there can be no assurance that any patent now owned by us will afford protection against competitors that develop similar technology.

Financial Risks

We are exposed to financial risks through our international operations and debt-financed activities. These financial risks are caused by variations in our cash flows resulting from changes in exchange rates and interest rate levels, as well as from refinancing and credit risks.

In order to reduce the financial risks and to take advantage of economies of scale, we have a central treasury department supporting operations and management. The treasury department handles external financial transactions and functions as our in-house bank for our subsidiaries.

The Board of Directors monitors compliance with the financial policy on an on-going basis. At December 31, 2008, we were compliant with all of our financial policies.

However, as of February 19, 2009, we did not meet our objective of maintaining a strong investment grade rating following Standard and Poor s decision to change our rating to BBB- from BBB+ (see page S-49 in this prospectus supplement).

Currency Risks

1. Transaction Exposure

Transaction exposure arises because the cost of a product originates in one currency and the product is sold in another currency.

Our gross transaction exposure forecasted for 2009 is approximately $1.6 billion. A part of the flows have counter-flows in the same currency pair, which reduces the net exposure to approximately $1.2 billion per annum. In the three largest net exposures, we expect to sell U.S. dollars against Mexican Peso for the equivalent of $218 million, Japanese Yen against Thai Baht for $108 million and Euros against Swedish Krona for $102 million. Together these currencies will account for approximately one third of our net exposure.

Since we can only effectively hedge these flows in the short term, periodic hedging would only reduce the impact of fluctuations temporarily. Over time, periodic hedging would postpone but not reduce the impact of fluctuations. In addition, the net exposure is limited to less than one quarter of net sales and is made up of 51 different currency pairs with exposures in excess of $1 million each. Consequently, the income statement effect related to transaction exposures is modest. As a result, we do not hedge these flows.

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2. Translation Exposure in the Income Statement

Another effect of exchange rate fluctuations arises when the income statements of non-U.S. subsidiaries are translated into U.S. dollars. Outside the U.S., our most significant currency is the Euro. Close to 55% of our net sales are denominated in Euro or other European currencies, while 18% of net sales are denominated in U.S. dollars.

We estimate that a one-percent increase in the value of the U.S. dollar versus the European currencies would have decreased reported U.S. dollar net annual sales in 2008 by approximately $35 million or by roughly 0.5%. Reported operating income for 2008 would also have declined by 0.5% or by approximately $2 million. The fact that both sales and operating income is impacted at the same rate (i.e. 0.5%) is due to the fact that most of our production is local. Accordingly, most revenues and costs are matched in the same currencies.

Our policy is not to hedge this type of translation exposure since there is no cash flow effect to hedge.

3. Translation Exposure in the Balance Sheet

A translation exposure also arises when the balance sheets of non-U.S. subsidiaries are translated into U.S. dollars. Our policy is to finance major subsidiaries in the country s local currency.

Consequently, changes in currency rates relating to funding have a small impact on our income.

Interest Rate Risk

Interest rate risk refers to the risk that interest rate changes will affect our borrowing costs. Our interest rate risk policy states that an increase in floating interest rates of one percentage point should not increase the annual net interest expense by more than $10 million in the following year and not by more than $15 million in the second year.

We estimate, given our debt structure at the end of 2008, that a one percentage point interest rate increase would increase net interest expense in 2009 and 2010 by $8.1 million and $8.2 million, respectively.

The fixed interest rate debt is achieved both by issuing fixed rate notes and through interest rate swaps. The most notable debt carrying fixed interest rates is $340 million of the $400 million private placement issued in 2007 (see Note 12 to the Consolidated Financial Statements).

The entire placement was issued carrying fixed interest rates. In order to benefit from a potential future decrease in interest rates, $200 million of this placement was initially swapped into floating interest rates. As fixed U.S. dollar rates decreased in 2008, $140 million of the $200 million swaps were cancelled and lower fixed rate debt has thus been achieved. The table below shows the maturity and composition of our net borrowings.

Refinancing Risk

Refinancing risk or borrowing risk refers to the risk that it could become difficult to refinance outstanding debt.

The severe financial turmoil beginning in September 2008 has increased this risk for all debt-financed companies. However, our financial position remained strong, which was evidenced by a successful issuance of bank and capital market debt without financial covenants (i.e. performance-related restrictions) in the midst of the credit crisis in the fall of 2008. The total amount of this new medium-term debt was equivalent to $250 million.

We also have a syndicated revolving credit facility with a group of banks, which backs our short-term commercial paper programs. The committed facility of $1.1 billion matures in November 2012. In October, as a precautionary measure in response to the credit crisis, we drew $500 million of this facility for six months.

As our credit rating was changed to BBB- by Standard and Poor s on February 19, 2009, it will become more difficult to issue commercial paper both in the Swedish and U.S. markets. At year-end 2008, we had $256 million of commercial paper outstanding in these markets.

In 2007, we issued a $400 million U.S. private placement. This transaction decreases the refinancing risk as note maturities are spread out between 2012 and 2019.

Our policy is that total net debt (non-U.S. GAAP measure, see page S-50 in this prospectus supplement) shall be issued as or covered by long-term facilities with an average maturity of at least three years. At December 31, 2008, net debt was $1,195 million and total available long-term facilities were $1,795 million with an average life of 4.2 years.

Credit Risk in Financial Markets

Credit risk refers to the risk of a counterparty being unable to fulfill an agreed obligation. This risk has increased for all companies as a result of the deterioration of the credit quality of many banks.

In our financial operations, this risk arises when cash is deposited with banks and when entering into forward exchange agreements, swap contracts or other financial instruments.

Our policy is to work with banks that have a high credit rating and that participate in our financing.

In order to further reduce credit risk, deposits and financial instruments can only be entered into with a limited number of banks up to a calculated risk amount of $75 million per bank. In addition, deposits can be made in U.S. and Swedish government short-term notes and certain AAA-rated money market funds as approved by the our Board of Directors. At year-end 2008, we were compliant also with this policy and held $225 million in AAA-rated money market funds.

December 31, 2008	% of total	% with fixed interest	% with floating interest	Maturity of fixed rate part
U.S. Dollars (USD)	70	41	59	6 years
Euros (EUR)	15	0	100	
Japanese Yen (JPY)	12	40	60	2 years
Other	3	0	100	
Total	**100**	**33**	**67**	

Given this interest rate profile, a 1% change in interest rates on our floating rate debt would change net interest expense by $8.1 million during the first year and by $8.2 million during the second year.

Debt Limitation Policy

To manage the inherent risks and cyclicality in our business, we maintain a relatively conservative financial leverage.

Our policy is to always maintain a leverage ratio significantly below three and an interest coverage ratio significantly above 2.75. At the end of 2008, these ratios were 2.0 times and 5.5 times, respectively. For details on leverage ratio and interest-coverage, refer to the tables following this section which reconcile these two non-U.S. GAAP measures to U.S. GAAP measures.

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In addition, it is our objective to have a strong investment grade rating. However, our long-term credit rating was changed in November 2008 from A- to BBB+ , and further changed in February 2009 to BBB- . Although this does not fully meet our objective, our credit rating remains investment grade. The recent rating change increase the annual commitment fee for the revolving credit facility (RCF) by 0.02 percentage points and the interest rate for any future draw downs from the RCF to LIBOR interest rates +0.25% from LIBOR interest rates +0.175% compared to the level when the rating was A-.

Net Debt

As part of efficiently managing our overall cost of funds, we routinely enter into debt-related derivatives (DRD) as part of our debt management. The most notable fair-value DRD were in connection with the 2007 issue of U.S. private placements.

Creditors and credit rating agencies use net debt adjusted for DRD in their analyses of our debt. This non-U.S. GAAP measure was used, for instance, in certain covenants for our Revolving Credit Facility when it still had covenants.

By adjusting for DRD, the total economic liability of net debt is disclosed without grossing it up with currency or interest fair market values that are offset by DRD reported in other balance sheet captions.

Reconciliations to U.S. GAAP

Reconciliation of Net debt to U.S. GAAP measure

(Dollars in millions)	December 31 2008	December 31 2007	December 31 2006
Short-term debt	$ 270.0	$ 311.9	$ 294.1
Long-term debt	1,401.1	1,040.3	887.7
Total debt	**1,671.1**	**1,352.2**	**1,181.8**
Cash and cash equivalents	(488.6)	(153.8)	(168.1)
Debt-related derivatives	12.8	(16.5)	(3.3)
Net debt	**$ 1,195.3**	**$ 1,181.9**	**$ 1,010.4**

Interest Coverage Ratio

Full Year 2008	
Operating income	$ 306.5
Amortization of intangibles[1]	23.6
Operating profit per the Policy	**$ 330.1**
Interest expense net[2]:	**$ 60.1**
Interest coverage ration	**5.5**

Leverage Ratio

December 31, 2008	
Net debt [3]	$ 1,195.3
Pension liabilities	111.0
Debt per the Policy	**$ 1,306.3**
Income before income taxes	$ 248.7
Plus: Interest expense net[2]	60.1
Depreciation and amortization of intangibles[1]	346.9
EBITDA per the Policy	**$ 655.7**
Leverage ratio	**2.0**

(1) Including impairment write-offs, if any.

(2) Interest expense net is interest expense less interest income.

(3) Net debt is short- and long-term debt and debt-related derivatives (see Note 12 to the Consolidated Financial Statements) less cash and cash equivalents.

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Accounting Policies

New Accounting Pronouncements

We have evaluated the recently issued accounting guidance.

We adopted FASB Statement No 157, Fair Value Measurements (FAS-157) for all financial assets and liabilities required to be measured at fair value on a recurring basis, prospectively from January 1, 2008. The application of FAS-157 for financial instruments which are periodically measured at fair value did not have a significant impact on earnings nor the financial position.

Application of Critical Accounting Policies

Our significant accounting policies are disclosed in Note 1 to the Consolidated Financial Statements.

Senior management has discussed the development and selection of critical accounting estimates and disclosures with the Audit Committee of the Board of Directors. 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.

Management considers it important to assure that all appropriate costs are recognized on a timely basis. In cases where capitalization of costs is required (e.g., certain pre-production costs), stringent realization criteria are applied before capitalization is permitted. The depreciable lives of fixed assets are intended to reflect their true economic life, taking into account such factors as product life cycles and expected changes in technology. Assets are periodically reviewed for realizability and appropriate valuation allowances are established when evidence of impairment exists. Impairment of long-lived assets has generally not been significant.

Revenue Recognition

Revenues are recognized when there is evidence of a sales agreement, delivery of goods has occurred, the sales price is fixed and determinable and the collectability of revenue is reasonably assured. We record revenue from the sale of manufactured products upon shipment.

Accruals are made for retroactive price adjustments if probable and can be reasonably estimated. Net sales include the sales value exclusive of added tax.

Bad Debt and Inventory Reserves

We have reserves for bad debts as well as for excess and obsolete inventories.

We have guidelines for calculating provisions for bad debts based on the age of receivables. In addition, the accounts receivable are evaluated on a specific identification basis. In determining the amount of a bad debt reserve, management uses its judgment to consider factors such as the prior experience of the debtor, the experience of other enterprises in the same industry, the debtor s ability to pay and/or an appraisal of current economic conditions.

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 or market, with market generally defined as net realizable value for finished goods and replacement cost for raw materials and work-in-process. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. We have 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 receivables and inventories will not be materially different than that assumed in the calculation of the reserves.

Goodwill Impairment

We perform an annual impairment review of goodwill in the fourth quarter of each year following our annual forecasting process. The estimated fair market value of goodwill is determined by the discounted cash flow method. We discount projected operating cash flows using our weighted average cost of capital.

To supplement this analysis, we compare the market value of our equity, calculated by reference to the quoted market prices of our shares, with the book value of our equity. There were no goodwill impairments in 2006-2008 (see Note 1 to the Consolidated Financial Statements under Impairment of Goodwill).

Defined Benefit Pension Plans

We have defined benefit pension plans covering most U.S. employees and some non-U.S. employees most of which are in high-cost countries (see Note 18 to the Consolidated Financial Statements).

We, in consultation with our actuarial advisors, determine certain key assumptions to be used in calculating the projected benefit obligation and annual pension expense. For the U.S. plans, the assumptions used for calculating the 2008 pension expense were a discount rate of 6.4%, expected rate of increase in compensation levels of 4.0%, and an expected long-term rate of return on plan assets of 7.5%.

The assumptions used in calculating the U.S. benefit obligations disclosed as of December 31, 2008 were a discount rate of 6.4% and an expected rate of increase in compensation levels of 4.0%. The discount rate is set based on the yields on long-term high-grade corporate bonds and is determined by reference to financial markets on the measurement date.

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. We assume a long-term rate of return on U.S. plan assets of 7.5% for calculating the 2008 expense as in 2007. At December 31, 2008, 57% of plan assets were invested in equities, compared to the target of 65%.

A 1% decrease in the long-term rate of return on plan assets would result in an increase in the U.S. annual pension expense of $1 million. A 1% decrease in the discount rate would have increased the 2008 U.S. pension expense by $6 million and would have increased the December 31, 2008 benefit obligation by $38 million. A 1% increase in the expected rate of increase in compensation levels would have increased 2008 pension expense by $2 million and would have increased the December 31, 2008 benefit obligation by $8 million.

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 inter-company transactions and arrangements.

Although we believe that our 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.

In fact, adjustments to reserves for income taxes did have a material impact during 2006 (see Note 4 to the Consolidated Financial Statements).

Contingent Liabilities

Various claims, lawsuits and proceedings are pending or threatened against us or our 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 (see Note 16 to the Consolidated Financial Statements). We diligently defend ourselves in such matters and, in addition, carry insurance coverage to the extent reasonably available against insurable risks.

We record liabilities for claims, lawsuits and proceedings when they are identified and it is possible to reasonably estimate the cost. We believe, based on currently available information, that the resolution of outstanding matters, after taking into account recorded liabilities and available insurance coverage, should not have a material effect on our financial position or results of operations. However, due to the inherent uncertainty associated with such matters, there can be no assurance that the final outcomes of these matters will not be materially different than currently estimated.

GAAP Reconciliation and Management Explanation

In this prospectus supplement we sometimes refer to non-U.S. GAAP measures that we use in measuring our performance.

We believe that these measures assist investors in analyzing trends in our business for the reasons given below. 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. These non-U.S. GAAP measures have been identified, as applicable, in each section of this prospectus supplement with tabular presentations on page S-54 in this prospectus supplement reconciling them to U.S. GAAP. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies.

Organic Sales

We analyze our sales trends and performance as changes in organic sales growth, because we generate more than 80% of net sales in other currencies than in the reporting currency (i.e. U.S. dollars) and currency rates have proven to be very volatile. Another reason for using organic sales is the fact that we have historically made several acquisitions and divestitures.

Organic sales 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.

The tabular reconciliation below presents changes in organic sales growth as reconciled to the change in total U.S. GAAP net sales.

Operating Working Capital

Due to the need to optimize cash generation to create value for shareholders, management focuses on operating working capital as defined in the table below.

The reconciling items used to derive this measure are, by contrast, managed as part of our overall management of cash and debt, but they are not part of the responsibilities of day-to-day operations management.

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Reconciliation Tables

Components in Sales Increase/Decrease (Dollars in millions)

2008 vs. 2007	**Europe**		**N. America**		**Japan**		**RoW**		**Total**	
	%	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Organic change	(12.3)	(449.6)	(11.7)	(199.6)	3.3	20.7	(2.2)	(17.1)	(9.5)	(645.6)
Currency effects	6.1	223.4	(0.3)	(5.1)	14.7	92.1	(1.4)	(10.8)	4.4	299.6
Acquisitions/divestitures	0.1	4.1	0.2	3.2			5.6	42.9	0.7	50.2
Reported change	**(6.1)**	**(222.1)**	**(11.8)**	**(201.5)**	**18.0**	**112.8**	**2.0**	**15.0**	**(4.4)**	**(295.8)**

2007 vs. 2006	**Europe**		**N. America**		**Japan**		**RoW**		**Total**	
	%	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Organic sales growth	3.6	115.5	(0.6)	(9.8)	13.5	75.3	10.5	68.6	4.0	249.6
Effect of exchange rates	9.0	294.0	0.0	0.0	(1.4)	(7.4)	5.5	36.3	5.3	322.9
Impact of acquisitions							1.3	8.5	0.1	8.5
Reported net sales change	**12.6**	**409.5**	**(0.6)**	**(9.8)**	**12.1**	**67.9**	**17.3**	**113.4**	**9.4**	**581.0**

Reconciliation of Operating working capital to U.S. GAAP measure

(Dollars in millions)	**December 31 2008**	**December 31 2007**	**December 31 2006**
Total current assets	$ 2,086.3	$ 2,095.2	$ 2,098.4
Total current liabilities	(1,380.7)	(1,663.3)	(1,531.6)
Working capital	**705.6**	**431.9**	**566.8**
Cash and cash equivalents	(488.6)	(153.8)	(168.1)
Short-term debt	270.0	311.9	294.1
Derivative asset and liability, current	15.9	(4.4)	1.2
Dividends payable	14.8	28.8	29.6
Operating working capital	**$ 517.7**	**$ 614.4**	**$ 723.6**

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MATERIAL U.S. FEDERAL TAX CONSEQUENCES

The following is a discussion of material U.S. federal income tax and withholding considerations relating to the ownership and disposition of our common stock by beneficial owners of such common stock that acquire it pursuant to this Prospectus Supplement. 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 supplement. 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 alternative minimum tax, 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, and traders or dealers in securities.

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.

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Dividend Income

A U.S. Holder will include in income when actually or constructively received the gross amount of any distributions that are paid on our common stock out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of a U.S. Holder s basis in our common stock and thereafter as capital gain. However, we do not publish calculations of our earnings and profits. A U.S. Holder should therefore assume that any distribution by us with respect to our common stock will come out of our earnings and profits.

Subject to certain exceptions dividends paid to a noncorporate U.S. Holder in taxable years beginning before January 1, 2011 generally will be taxable to such U.S. Holder at a maximum rate of 15%. This lower rate applies only if the shares in respect of which such dividend is paid have been held by that noncorporate U.S. Holder for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Periods during which such U.S. Holder hedges a position in its shares or related property may not count for purposes of the holding period test. Dividends also would not be eligible for the lower rate if such U.S. Holder elects to take the dividends into account as investment income for purposes of limitations on deductions for investment interest. A U.S. Holders should consult its own tax advisor regarding the availability of the reduced dividend rate in light of its own particular circumstances.

Subject to certain exceptions, a corporate U.S. Holder generally will be eligible for a 70% dividends-received deduction with respect to dividends paid on our common stock, provided certain holding period and other requirements are met. To be eligible for this dividends-received deduction, a corporate U.S. Holder must hold our common stock for more than 45 days during the 91-day period that begins 45 days before the ex-dividend date. Periods during which such U.S. Holder hedges a position in its shares or related property may not count for purposes of the holding period test. A corporate U.S. Holder should consider the effects of Section 246A of the Code, which reduces the dividends-received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in portfolio stock such as our common stock. U.S. corporate holders should also consider the effect of Section 1059 of the Code, which, under certain circumstances, may require a reduction in the basis of our common stock for purposes of calculating gain or loss on a subsequent disposition by the portion of any extraordinary dividend that is eligible for the dividend-received deduction. To the extent such portion of the extraordinary dividend exceeds the U.S. corporate holder s basis in our common stock, the U.S. corporate holder will be required to treat such excess as gain from the sale of such stock in the taxable year in which the extraordinary dividend is received. An extraordinary dividend also includes any amount treated as a dividend in the case of a redemption that is either non-pro rata as to all stockholders or is made in partial liquidation of the issuer, regardless of the U.S. corporate stockholder s holding period and regardless of the size of the dividend. A U.S. Holder should consult its own tax advisor regarding the availability of the dividends-received deduction in light of its own particular circumstances.

Sale or Other Disposition of Our Common Stock

If a U.S. Holder sells or otherwise disposes of our common stock (including a redemption) in a taxable transaction, the U.S. Holder will generally recognize gain or loss equal to the difference, if any, between the amount realized on such disposition and the U.S. Holder s adjusted tax basis in our common stock. Generally, the U.S. Holder s adjusted tax basis in our common stock will equal the cost of our common stock to you. Such gain or loss will generally be long-term capital gain or loss if the U.S. Holder held our common stock for more than one year on the date of the sale or other disposition. U.S. Holders should consult their own tax advisors regarding the treatment of capital gains, which may be taxed at lower rates than ordinary income for taxpayers who are noncorporate taxpayers, and losses, the deductibility of which is subject to limitations.

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Backup Withholding and Information Reporting

Payments of dividends on our common stock and with respect to amounts realized on the disposition of our common stock may be reported to the IRS and may be subject to backup withholding unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) provides a valid taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be credited toward a U.S. Holder s U.S. federal income tax liability, if any. To the extent that the amounts withheld exceed such holder s tax liability, the excess may be refunded to the holder provided the required information is timely furnished to the IRS.

Tax Consequences to Non-U.S. Holders

For purposes of this discussion, a Non-U.S. Holder is a beneficial owner of our common stock that is a foreign corporation, a nonresident alien individual, or an estate or trust that is not a U.S. Holder.

Taxation of Dividends

Subject to the discussion below regarding information reporting and backup withholding, a Non-U.S. Holder generally will be subject to U.S. federal withholding tax on dividends paid on our common stock at a 30% rate, or at a lower rate if the Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate. If the Non-U.S. Holder is eligible for a lower treaty rate, in order to receive the lower rate, the Non-U.S. Holder must furnish:

- a valid IRS Form W-8BEN or an acceptable substitute form upon which the Non-U.S. Holder has certified, under penalties of perjury, its status as (or, in the case of a Non-U.S. Holder that is an estate or trust, such forms certifying the status of each beneficiary of the estate or trust as) a non-U.S. person and its entitlement to the lower treaty rate with respect to such payments, or

- in the case of payments made outside the United States to an offshore account (generally, an account maintained by the Non-U.S. Holder at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing its entitlement to the lower treaty rate in accordance with Regulations.

A Non-U.S. Holder that is eligible for a reduced rate of U.S. withholding tax under a tax treaty may obtain a refund of any amounts withheld in excess of that rate by filing a timely refund claim with the IRS.

If dividends paid to a Non-U.S. Holder are effectively connected with the conduct of a trade or business within the United States, payors generally are not required to withhold tax from the dividends, provided that the Non-U.S. Holder has furnished to us or another payor an appropriate form, as further discussed below under Income Effectively Connected with a U.S. Trade or Business.

Disposition of Our Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain from the disposition of our common stock unless:

- the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist,

- the Non-U.S. Holder holds our common stock in connection with the conduct of a trade or business in the United States, or

- we are or have been a U.S. real property holding corporation for federal income tax purposes and the Non-U.S. Holder is not eligible for any treaty exemption.

We have not been, are not, and do not anticipate becoming a U.S. real property holding corporation for U.S. federal income tax purposes. Non-U.S. Holders that are described in the first bullet point generally will be subject to tax at a rate of 30% on such gain. Non-U.S. Holders that are described in the second bullet point generally will be taxed as described below under Income Effectively Connected with a U.S. Trade or Business.

Income Effectively Connected with a U.S. Trade or Business

If a Non-U.S. Holder is or was engaged in a trade or business in the United States and dividends or gain with respect to our common stock are or were effectively connected with the conduct of that trade or business, and, if a U.S. income tax treaty applies, the Non-U.S. Holder maintains a U.S. permanent establishment (or, in the case of certain individuals, a fixed base) to which the dividends or gain is generally attributable, the Non-U.S. Holder may be subject to U.S. income tax on a net income basis on such dividends or gain. The interest or dividends will be exempt from the generally applicable U.S. withholding tax if the Non-U.S. Holder claims the exemption by providing a properly executed IRS Form W-8ECI or W-8BEN (or a suitable substitute form) (as applicable) to the payer on or before the relevant payment date. In addition, if a Non-U.S. Holder is a corporation, the Non-U.S. Holder may be subject to a U.S. branch profits tax at a rate of 30 percent, as adjusted for certain items, unless a lower rate applies to the Non-U.S. Holder under a U.S. income tax treaty with the Non-U.S. Holder s country of residence.

Backup Withholding and Information Reporting

A Non-U.S. Holder may be subject to backup withholding and information reporting with respect to dividends paid on our common stock and amounts realized on the disposition of our common stock unless the Non-U.S. Holder provides the withholding agent with the applicable IRS Form W-8 or otherwise establishes an exemption. Non-U.S. Holders should consult their tax advisors as to their qualifications for an exemption from backup withholding and the procedure for obtaining such an exemption.

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UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriter named below has agreed to purchase, and we have agreed to sell to it, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Total:	

The underwriter is offering the shares of common stock, subject to its acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by its counsel and to certain other conditions. The underwriter is obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriter is not required to take or pay for the shares covered by the underwriter s over-allotment option described below. We have agreed to deliver such amount of the shares of common stock in the form of SDRs as requested by the underwriter.

In addition to the common stock offered by this prospectus supplement, we are concurrently offering, by means of a separate prospectus supplement, equity units for an aggregate offering price of $ million, plus up to an additional equity units for an aggregate offering price of $ million, if the underwriter for that offering exercises its option to purchase additional equity units.

The underwriter may offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the manager.

We have granted to the underwriter an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock, including shares represented by SDRs, offered by this prospectus. If this option is exercised, we have agreed to deliver such amount of additional shares of common stock in the form of SDRs as requested by the underwriter.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriter s option to purchase up to an additional shares of common stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us:	$	$	$
Proceeds, before expenses, to us	$	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $.

Our common stock is listed on the New York Stock Exchange under the symbol ALV.

We and certain directors and officers of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, we and they will not, during the period ending 90 days after the date of this prospectus supplement:

- 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; 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 agree that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriter, we will not, during the period ending 90 days after the date of this prospectus supplement, 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, and each such person agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriter, it will not, during the period ending 90 days after the date of this prospectus supplement 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 do not apply to:

- the sale of shares or SDRs to the underwriter;
- the sale of equity units under the concurrent offering to the underwriter;
- the issuance by us of shares of common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date of the underwriting agreement and disclosed in the prospectus or to the underwriter;
- the issuance by us of any share of common stock or the grant by us of options to purchase common stock pursuant to our employee benefit plans existing as of the date of the underwriting agreement and disclosed in the prospectus;
- 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 such plan does not provide for the transfer of common stock during the 90-day restricted period;
- transactions by any person other than us relating to shares of common stock or SDRs or other securities acquired in open market transactions after the completion of the offering of the shares; or
- transfers of shares of common stock or SDRs as a *bona fide* gift or gifts to the immediate family of each such individual person or to a trust the beneficiaries of which are exclusively each such physical person or such person s immediate family, provided that each such donee, distributee or transferee provides the manager a letter agreeing to be bound by the same restrictions described above and provided that no filing under Section 16(a) of the Exchange Act shall be required or voluntarily made during the 90-day restricted period.

In order to facilitate the offering of the common stock and SDRs, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock and SDRs. Specifically, the underwriter may sell more shares than it is 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 underwriter under the over-allotment option. The underwriter can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriter will consider, among other things, the open market price

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of shares compared to the price available under the over-allotment option. The underwriter may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriter 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 underwriter is 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 this offering. As an additional means of facilitating this offering, the underwriter 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. The underwriter is not required to engage in these activities and may end any of these activities at any time.

We and the underwriter have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by the underwriter, or selling group members, if any, participating in this offering. The underwriter may agree to allocate a number of shares of common stock for sale to its online brokerage account holders.

The underwriter or certain of its affiliates own approximately 6.7% of our common stock as of March 20, 2009, the majority of which is owned through certain asset management affiliates of the underwriter. The underwriter and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and our affiliates. They have received, or may receive, customary fees and commissions for these transactions.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful. See Notice to Investors.

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LEGAL MATTERS

The validity of the issuance of the shares of common stock offered hereby and certain other legal matters will be passed upon for us by Alston & Bird LLP. Any descriptions of SDRs will be passed upon for us by Mannheimer Swartling Advokatbyrå AB. Certain legal matters related to the sale of the common stock offered hereby will be passed upon for the underwriter by Cleary Gottlieb Steen & Hamilton LLP.

EXPERTS

The consolidated financial statements of Autoliv appearing in Autoliv s Annual Report (Form 10-K) for the year ended December 31, 2008, and the effectiveness of Autoliv s internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young AB, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

AUTOLIV, INC.

COMMON STOCK

PREFERRED STOCK

DEPOSITARY SHARES

DEBT SECURITIES

WARRANTS

STOCK PURCHASE CONTRACTS

UNITS

We or selling securityholders may, from time to time, offer to sell common stock, preferred stock (which we may issue in one or more series), depositary shares (which may include Swedish Depository Receipts representing shares of common stock), debt securities (which we may issue in one or more series), warrants, stock purchase contracts, and units that include any of these securities. The debt securities, preferred stock, depositary shares, warrants and stock purchase contracts may be convertible into or exercisable or exchangeable for or represent our common or preferred stock or other securities. Each time securities are sold pursuant to this prospectus, we will provide a supplement to this prospectus that contains specific information about the offering and the specific terms of the securities offered. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our securities.

Our common stock is listed on the New York Stock Exchange and trades under the ticker symbol ALV. Swedish Depository Receipts representing shares of our common stock are listed on NASDAQ OMX Stockholm and trade under the ticker symbol ALIV SDB.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

Investing in our securities involves a high degree of risk. See Risk Factors sections in our filings with the SEC and in the applicable prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 23, 2009

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We are only offering the securities in places where sales of those securities are permitted. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document, unless the information specifically indicates that another date applies. No person is authorized to give any information or represent anything not contained in this prospectus or any prospectus supplement.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings. The types of securities that we may offer and sell, from time to time, pursuant to this prospectus are:

- common stock;
- preferred stock;
- depositary shares (which may include Swedish Depository Receipts representing shares of common stock);
- debt securities;
- warrants;
- stock purchase contracts; and
- units consisting of any of the securities listed above.

Each time securities are offered under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the manner in which the securities will be offered, including:

- the type and amount of securities that we propose to sell;
- the initial public offering price of the securities;
- the names of any underwriters or agents through or to which we will sell the securities;
- any compensation of those underwriters or agents; and
- information about any securities exchanges or automated quotation systems on which the securities will be listed or traded.

In addition, the prospectus supplement may also add, update or change the information contained in this prospectus. We urge you to read this prospectus, any accompanying prospectus supplement and other offering material together with additional information described under the heading Incorporation of Certain Information By Reference.

Wherever references are made in this prospectus to information that will be included in a prospectus supplement, to the extent permitted by applicable law, rules or regulations, we may instead include such information or add, update or change the information contained in this prospectus by means of a post-effective amendment to the registration statement of which this prospectus is a part, through filings we make with the SEC that are incorporated by reference into this prospectus or by any other method as may then be permitted under applicable law, rules or regulations.

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In this prospectus, we refer to common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and units collectively as the securities. The terms we, our, ours and us refer to Autoliv, Inc. and our consolidated subsidiaries, except that in the discus of the capital stock and related matters, these terms refer solely to Autoliv, Inc. and not to any of its subsidiaries.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC s rules allow us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2008;
- our Current Reports on Form 8-K filed with the SEC on February 2, 2009 and February 20, 2009;
- our Proxy Statement on Schedule 14A filed with the SEC on March 23, 2009;
- the description of our common stock contained in our Registration Statement on Form S-4 filed on March 24, 1997; and
- all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act on or after the date of this prospectus and before the termination of the applicable offering (except for information furnished to the SEC that is not deemed to be filed for purposes of the Exchange Act).

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all of the information that has been incorporated by reference into this prospectus, excluding exhibits to those documents, unless they are specifically incorporated by reference into those documents. These documents are available on our Internet site at http://www.autoliv.com. You can also request those documents from our Vice President of Corporate Communications at the following address:

World Trade Center,

Klarabergsviadukten 70, SE-111 64

Stockholm, Sweden

+46 8 58 72 06 00

Except as expressly provided above, no other information, including information on our Internet site, is incorporated by reference into this prospectus.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

We have included or incorporated by reference herein forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements, other than statements of historical facts, included or incorporated herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. In some cases, you can

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identify forward-looking statements by terminology such as anticipates, believes, estimates, expects, intends, may, plans, projects, and similar expressions or expressions of the negative of these terms. Such statements are only predictions and, accordingly, are subject to substantial risks, uncertainties and assumptions.

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

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in and the successful execution of our restructuring efforts (our action program discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference) and the market reaction thereto, changes in general industry and market conditions, increased competition, higher raw material, fuel and energy costs, changes in consumer preferences for end products, customer losses and changes in regulatory conditions, customers deteriorating financial condition, bankruptcies, consolidations or restructuring, divestiture of customer brands, the economic outlook for markets, fluctuation of foreign currencies, fluctuation in vehicle production schedules for which we are a supplier, market acceptance of our new products, continued uncertainty in program awards and performance, the financial results of companies in which we have made technology investments, pricing negotiations with customers, increased costs, supply issues, product liability, warranty and recall claims and other litigation, possible adverse results of pending or future litigation or infringement claims, tax assessments by governmental authorities, legislative or regulatory changes, political conditions, dependence on customers and suppliers, as well the risks identified in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008.

Except for our ongoing obligation to disclose information under the U.S. federal securities laws, we undertake no obligation to update publicly or revise any forward-looking statements whether as a result of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and we assume no obligation to update any such statements.

THE COMPANY

We are the world s leading supplier of automotive safety systems, with a broad range of product offerings, including modules and components for passenger and driver-side airbags, side-impact airbag protection systems, seatbelts, steering wheels, safety electronics, whiplash protection systems and child seats, as well as night vision systems, radar and other active safety systems. We have production facilities in 29 countries and include the world s largest car manufacturers among our customers. Autoliv s sales in 2008 were $6.5 billion, approximately 64% of which consisted of airbags and associated products and approximately 36% of which consisted of seatbelts and associated products. Our most important markets are in Europe, United States, Japan and Asia-Pacific.

Our subsidiary Autoliv AB (AAB) is a leading developer, manufacturer and supplier to the automotive industry of automotive safety systems. Starting with seatbelts in 1956, AAB expanded its product lines to include seatbelt pretensioners (1989), frontal airbags (1991), side-impact airbags (1994), steering wheels (1995) and seat sub-systems (1996).

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Our subsidiary Autoliv ASP, Inc. (ASP) pioneered airbag technology in 1968 and has since grown into one of the world s leading producers of airbag modules and inflators. ASP designs, develops and manufactures airbag modules, inflators, airbag cushions, seatbelts, and steering wheels. ASP sells inflators and modules for use in driver, passenger, side-impact, and knee bolster airbag systems for worldwide automotive markets.

Autoliv was created from the merger of AAB and ASP s predecessor, the automotive safety products business of Morton International, Inc. in 1997. Autoliv, Inc. (Autoliv or the Company) is a Delaware corporation with its principal executive offices in Stockholm, Sweden and functions as a holding company for AAB and ASP, our principal subsidiaries.

Shares of Autoliv common stock are traded on the New York Stock Exchange under the symbol ALV and Swedish Depository Receipts representing shares of Autoliv common stock trade on NASDAQ OMX Stockholm under the symbol ALIV SDB . Options in Autoliv shares are listed on the Chicago Board Options Exchange under the symbol ALIV . Our fiscal year ends on December 31.

Our head office is located at World Trade Center, Klarabergsviadukten 70, Box 70381, SE-107 24 Stockholm, Sweden. The telephone number there is +46 8 58 72 06 00. We had approximately 34,000 employees at December 31, 2008, and a total headcount, including temporary employees, of 37,300.

USE OF PROCEEDS

We intend to use the net proceeds we receive from the sale of securities by us as set forth in the applicable prospectus supplement. Unless otherwise specified in the applicable prospectus supplement, we will not receive any proceeds from the sale of securities by selling securityholders.

RATIO OF EARNINGS TO FIXED CHARGES

The Company s consolidated ratios of earnings to fixed charges for each of the five fiscal years ended December 31, 2008 are as follows:

Year Ended December 31,				
2008	**2007**	**2006**	**2005**	**2004**
4x	7x	10x	10x	11x

For the purpose of computing these ratios, (i) earnings consists of the sum of pre-tax income from continuing operations before adjustment for minority interests in our consolidated subsidiaries or income or loss from equity investees; fixed charges; amortization of capitalized interest; and distributed income of equity investees; and (ii) fixed charges consists of the sum of interest expense (which includes amortization of premiums, discounts, and capitalized expenses related to debt issue costs, when applicable); capitalized interest; and one-third of rental expense which we believe to be a reasonable estimate of an interest factor in our leases.

DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock, including our Restated Certificate of Incorporation, as amended, and Restated Bylaws, as amended, which we refer to as our Certificate of Incorporation and Bylaws, respectively, and relevant provisions of Delaware law may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our Certificate of Incorporation and Bylaws and Delaware law. You should refer to, and read this summary together with, our Certificate of Incorporation and Bylaws to review all of the terms of our capital stock that may be important to you.

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Common Stock

Under our Certificate of Incorporation, our board of directors is authorized to issue, without further stockholder approval, up to 325,000,000 shares of common stock, par value $1.00 per share. As of February 18, 2009, we had 70,374,516 issued and outstanding shares of our common stock held by approximately 70,000 stockholders of record. All outstanding shares of our common stock are fully paid and nonassessable. Our common stock is listed on the New York Stock Exchange under the symbol ALV. Computershare Trust Company, N.A. is the transfer agent and registrar for our common stock. Each share of our common stock entitles the holder to one vote on all matters submitted to a vote of the stockholders, including 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. 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. No shares of our common stock have any preemptive, redemption or conversion rights, or the benefits of any sinking fund.

Preferred Stock

The following summary describes generally some of the terms of preferred stock that we may offer from time to time in one or more series. The specific terms of any series of preferred stock will be described in the applicable prospectus supplement and other offering material relating to that series of preferred stock along with any general provisions applicable to that series of preferred stock. The following description of our preferred stock, and any description of preferred stock in a prospectus supplement and other offering material, may not be complete and is subject to, and qualified in its entirety by reference to, the certificate of designations, preferences and rights relating to the particular series of preferred stock, which we will file with the SEC at or prior to the time of the sale of the preferred stock. You should refer to, and read this summary together with, the applicable certificate of designations, preferences and rights and the applicable prospectus supplement and other offering material to review the terms of a particular series of our preferred stock that may be important to you.

Under our Certificate of Incorporation, our board of directors is authorized to issue, without further stockholder approval, up to 25,000,000 shares of preferred stock, $1.00 par value 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. Our board of directors will determine these terms by resolution adopted before we issue any shares of a series of preferred stock. 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

Our company is a Delaware corporation subject to Section 203 of the Delaware General Corporation Law or DGCL. Section 203 provides that, subject to certain exceptions, a Delaware corporation may not engage in business combinations with any interested stockholder for a three-year period following the time that the 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 66 and 2/3% 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 between a Delaware corporation and an interested stockholder, transactions with an interested stockholder involving the assets or stock of the corporation or its majority-owned subsidiaries, and transactions which increase an interested stockholder s percentage ownership of stock.

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, that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within three years immediately prior to the relevant date, or the affiliates and associates of any such person.

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 our 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.

Classified Board

Our Certificate of Incorporation and Bylaws provide that our board of directors be divided into three classes of directors, with each class elected for staggered three-year terms expiring in successive years. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our Certificate of Incorporation and the Bylaws provide that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the board. Our board of directors is currently fixed at thirteen members, though our board of directors expects that following the annual meeting of our stockholders on May 6, 2009, our board of directors will consist of twelve members.

Removal of Directors; Vacancies

Under the DGCL, unless otherwise provided in our Certificate of Incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our Certificate of Incorporation and Bylaws provide that directors may be removed only for cause and only upon the affirmative vote of holders of at least 80% of the voting power of all the then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. In addition, our Certificate of Incorporation and Bylaws also provide that any vacancies 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.

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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. Our Certificate of Incorporation does not provide for cumulative voting.

No Stockholder Action by Written Consent; Calling of Special Meetings of Stockholders

Our Certificate of Incorporation prohibits stockholder action by written consent. It also provides that special meetings of our stockholders may be called only by our board of directors pursuant to a resolution adopted by a majority of the Board of Directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our 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. Generally, to be timely, a stockholder s notice must be received at our principal executive offices not less than 60 days nor more than 90 days prior to the first anniversary date of the previous year s annual meeting. Our Bylaws also specify requirements as to the form and content of a stockholder s notice. These provisions may impede stockholders ability to bring matters before an annual meeting of stockholders or 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. Our Certificate of Incorporation provides that the following provisions in the Certificate of Incorporation and Bylaws 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:

- classified board (the election and term of our directors);
- the removal of directors;
- the prohibition on stockholder action by written consent;
- the ability to call a special meeting of stockholders being vested solely in our board of directors and the chairman of our board;
- the ability of the board of directors to amend our Bylaws; and
- the amendment provision 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 New York Stock Exchange, which would apply so long as our common stock is listed on the New York Stock Exchange, 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 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.

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One of the effects of the existence of unissued and unreserved common 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 our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common or preferred stock at prices higher than prevailing market prices.

SWEDISH DEPOSITORY RECEIPTS

In connection with any offering of our common stock, at the request of the underwriter or other purchaser, we may deposit all or a portion of such shares (the Shares) with Skandinaviska Enskilda Banken AB (publ) (the Depository) pursuant to a Custodian Agreement between us and the Depository. The Depository will then deliver Swedish Depository Receipts (the SDRs) representing the Shares. 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 Autoliv, Inc. (the General Terms and Conditions).

The SDRs are listed on NASDAQ OMX Stockholm. Each SDR represents an ownership interest in one Share of our common stock. The Depository s office is located at Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden.

All SDRs relating to Shares held by the Depository, which are held on behalf of holders of SDRs (SDR Holders) by a bank conducting business in the U.S. designated by the Depository (the U.S. Sub-Custodian), are issued and registered in the form of SDRs in the book-entry system administered by Euroclear Sweden AB (previously VPC AB) (Euroclear). No certificates representing the SDRs will be issued. An SDR Holder may hold the SDRs either directly on a VP account (VP Account) or indirectly through the SDR Holder s broker or other financial institution. If the SDRs are held by an SDR Holder directly, then such SDR Holder, by having an SDR registered in its own name in a VP Account with Euroclear, individually has the rights of an SDR Holder. If an SDR Holder holds the SDRs in a custody account with its broker or financial institution nominee, such Holder must rely on the procedures of such broker or financial institution to assert the rights of an SDR Holder described in this section. An SDR Holder should consult with its broker or financial institution to find out what those procedures are.

We will not treat an SDR Holder as one of our stockholders and an SDR Holder will not have any stockholder rights, which are governed by U.S. federal law and the DGCL. Because the Depository will be the stockholder of record for the Shares represented by all outstanding SDRs, stockholder rights rest with such record holder. An SDR Holder s rights derive from the General Terms and Conditions.

The obligations of the Depository and its agents towards SDR Holders are set out in the General Terms and Conditions. The General Terms and Conditions and the 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 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 SDRs.

Record and Payment Date

The Depository will, in consultation with us, fix a date for the determination of the SDR Holders entitlement to dividends in cash, shares, rights, or any other property or the proceeds thereof (if the property is sold by the Depository in accordance with the General Terms and Conditions), receive applicable information to participate in and vote at the stockholders meeting or otherwise exercise any rights whatsoever that may be exercised by our stockholders (the Record Date) and will fix the payment date of each dividend to SDR Holders (the Payment Date).

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SDR Register

The Shares deposited with the Depository are held and are registered in the form of SDRs in accordance with the Swedish Financial Instruments Accounts Act (1998:1479) on the VP Accounts designated by the SDR Holders (the SDR Register).

Voting Rights

The Depository will as soon as possible after receipt of information of any general meeting of stockholders of the Company, cause an SDR Holder of record in the SDR Register on the Record Date, to be furnished with information regarding such general meeting of the stockholders. The information shall include the following:

- the time and location of the general meeting of stockholders and the matter intended to be considered by the meeting;
- references to instructions available through our website www.autoliv.com as to actions that must be taken by an SDR Holder to be able to exercise its voting rights at the general meeting; and
- reference to materials for the general meeting available through our website www.autoliv.com.

SDR Holders that have not given the Depository instructions as to the exercise of the voting rights pertaining to the Shares represented by the relevant SDRs and that are not attending and representing such Shares at our stockholders meeting, will, pursuant to the General Terms and Conditions, be deemed to have instructed the Depository to give a proxy to a person designated by us to vote the Shares in the same proportion as all other Shares that are being voted at the meeting. However, no such instruction from the SDR Holders will be deemed to have been given with respect to any merger, consolidation or any other matter which may substantially affect the rights or privileges of the SDR Holders or with respect to any matters where giving such instruction and/or discretionary proxy would not be legally permitted.

Dividends and Other Distributions

An SDR Holder is entitled to participate in dividends ratably on a per SDR basis when our board of directors declare dividends on our common stock in the same manner as a holder of a share would be, although a cash dividend will be converted into Swedish Kronor (SEK). The conversion will be made in accordance with the exchange rates applied by the Depository from time to time and will take place, not more than eight nor less than five business days prior to Payment Date by the Depository 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 future contract.

The person registered in the SDR Register on the Record Date as the SDR Holder or holder of rights to dividends relating to the SDRs shall be considered to be authorized to receive dividends. Payments of dividends will be effected in SEK by Euroclear on the Payment Date. If the person receiving dividends is not an authorized recipient, then the Company, the Depository and Euroclear shall be considered to have fulfilled their respective obligations unless, in the case of the Depository or Euroclear, either was aware that the payment of dividends was made to an unauthorized person or that, considering the specific circumstances, have neglected what reasonably should have been regarded and the payment is not binding for the right recipient because such person was under age or had a legal guardian according to the Swedish Code on Parents and Children and the right to receive dividends was in the authority of the legal guardian.

Euroclear shall pay dividends to the SDR Holders or holders of rights to dividends relating to SDRs in accordance with the rules and regulations applied by Euroclear from time to time. Under the present rules and regulation of Euroclear, dividends normally are paid in cash accounts linked to the VP Accounts in which the SDRs are registered. The dividend payments to the SDR Holders will be made without deduction of any costs, charges, or fees, neither from us, the Depository, the U.S. Sub-Custodian nor Euroclear, except for the withholding tax, if any, levied in the United States and Sweden, on dividend payments or any other tax to be imposed by tax authorities in the United States or Sweden.

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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 Depository, it is not practically possible for the SDR Holders to have any option to choose between dividends in the form of cash or in such other form, the Depository shall on behalf of the SDR Holders be entitled to decide that such dividends shall be paid in cash.

Taxation

In connection with any distribution to SDR Holders, we, the Depository, Euroclear or the U.S. Sub-Custodian or any of their respective agents will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld by us, the Depository, Euroclear or the U.S. Sub-Custodian or any of their respective agents and owing such authority or agency. In the event we, the Depository, Euroclear or the U.S. Sub-Custodian or any of 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 Depository 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 the SDR Holders entitled thereto. The SDR Holders will remain liable for any deficiency.

The Depository shall use its best efforts to provide the SDR Holders with such information as it may possess and the SDR Holders may reasonably request to enable such SDR Holder or its agent to claim any benefit provided under the taxation treaty between the United States and Sweden.

Exercise of Rights and Deposit or Sale of Securities Resulting from Dividends, Splits or Plans of Reorganization

The Depository, as promptly as possible, will accept delivery of Shares as a result of bonus issues and the effect of split-ups or combinations of Shares. Registrations in the SDR Holders , respective VP Accounts reflecting such bonus issue, split-up or combinations shall be effected by Euroclear as soon as practically possible after the Record Date without any further information being provided to the SDR Holders by the Depository. The person registered in the SDR Register on the Record Date as an SDR Holder (or holder of rights relating to bonus issues) shall be considered to be authorized to receive any Shares as a result of bonus issues or participate in any split-ups or combinations of SDRs. Should the person receiving bonus shares or participating in split-ups or combinations of SDRs not be authorized to receive SDRs or to participate in such measures, the same principles shall apply as mentioned above under Dividends and Other Distributions regarding the right to receive dividends. If the 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 Depository and the proceeds of such sale will be distributed to the SDR Holders. The Depository will not accept deposit of fractional shares or an uneven number of fractional rights.

The Depository will provide the SDR Holders with information with regard to new equity or debt issuances or other rights in which the SDR Holders have a right to subscribe for new shares and debentures, as well as other corporate action directed to stockholders by the Company 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 Depository shall have the right to sell such rights, on behalf of the SDR Holders and to distribute the proceeds of such sale to the SDR Holders after deduction of any taxes levied.

Restrictions on Deposit and Withdrawal

At any time, the Depository may refuse to accept Shares for deposit 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.

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Company Reports and Other Communications

The Depository shall cause reports and other information, provided by us for distribution to the SDR Holders, to be delivered in accordance with the General Terms and Conditions to all SDR Holders or others holders being entitled to such information according to the SDR Register. Our annual report will be available through our website www.autoliv.com. Additionally, we will, upon request from an SDR Holder, send our annual report to such SDR Holder. The Depository shall arrange for notices or documentation, to be distributed to SDR Holders in accordance with the General Terms and Conditions to be furnished to the SDR Holders and other holders of rights registered in the SDR Register as entitled to receive notification pursuant to Swedish Financial Instruments Accounts Act. Such notices or documents shall be sent by mail to the address listed in the SDR Register. We and the Depository, however, may in lieu 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

Under the terms of the General Terms and Conditions, we, the Depository, the U.S. Sub-Custodian and Euroclear will not be liable for certain acts which include the following:

- losses due to Swedish or foreign legal decree; and

- losses due to Swedish or foreign action by public authorities, acts of war, strikes, blockades, boycotts, lockouts or other similar causes.

The reservation with respect to strikes, blockades, boycotts, lockouts apply even if we, the Depository, the U.S. Sub-Custodian, or Euroclear itself undertake, or are the object of, such actions.

If the Depository, the U.S. Sub-Custodian, we or Euroclear 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.

Neither, we, the Depository, the U.S. Sub-Custodian nor Euroclear are obligated to provide compensation for losses arising in other situations if we, the Depository, the U.S. Sub-Custodian or Euroclear have exercised normal prudence, nor shall we, the Depository, the U.S. Sub-Custodian or Euroclear be liable for indirect damages. Further, neither we, the Depository, the U.S. Sub-Custodian nor Euroclear are responsible for losses or damages incurred to an SDR Holder by reason that any dividend, right, delivery of notice other than what the stockholders of the Company are entitled for, of technical, legal or other reasons beyond the control of Euroclear can not be distributed or transferred to SDR Holders registered in the SDR Register.

Amendment and Termination of the Custodian Agreement

The Depository, in consultation with us, shall be entitled to amend the General Terms and Conditions insofar as such amendments are required by Swedish law, U.S. law or changes in the rules and regulations of Euroclear, or if, in the opinion of the Depository, such action is otherwise appropriate or necessary for practical reasons and the SDR Holders rights are in no material respect adversely affected.

The Depository may terminate deposits made under the General Terms and Conditions by delivery to the 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 the SDRs from NASDAQ OMX Stockholm; (ii) a decision is taken by us pursuant to the Certificate of Incorporation or the Bylaws to no longer maintain the SDR program under the General Terms and Conditions or (iii) Euroclear has decided to terminate the service agreement concerning registration of the SDRs.

For a period of twelve months from the date of the termination notice the General Terms and Conditions will continue to be valid in all respects; provided, however, that the SDRs, in accordance with an undertaking by us, will be listed on NASDAQ OMX Stockholm for a period of six months from the date of the termination notice, if they have not been previously delisted on the initiative of NASDAQ OMX Stockholm.

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For a period of two years after the expiration of twelve months from the date of the termination notice, the Depository shall continue to hold Shares in safe custody but shall discontinue registration of SDR transfers (by closing the SDR Register), suspend distribution of dividends to the SDR Holders, refuse to accept deposits of Shares or any other action required under the General Terms and Conditions. In addition, the Depository shall be entitled to compensation from an SDR Holder for all fees and costs incurred by the Depository in connection with the SDRs from such date forward.

Three years after the date of the termination notice has been given, the Depository shall be entitled to sell the Shares and deduct any fees and costs incurred in connection with any such sale of Share. The proceeds of any such sale together with any dividend not paid to the SDR Holders, after the deduction of fees and costs in accordance with the foregoing will be held by the Depository without liability for interest thereon for the SDR Holders account.

PLAN OF DISTRIBUTION

The offered securities may be offered and sold (a) through agents; (b) through underwriters or dealers; (c) directly to one or more purchasers; or (d) through a combination of any of these methods of sale. We will identify the specific plan of distribution, including any underwriters, dealers, agents or direct purchasers and their compensation in a prospectus supplement. Information about selling securityholders, where applicable, will be set forth in a prospectus supplement, in a post-effective amendment, or in filings we make with the SEC under the Exchange Act that are incorporated by reference.

LEGAL MATTERS

Unless otherwise indicated in the applicable prospectus supplement, Alston & Bird LLP, Washington, D.C., will pass upon the validity of any securities we offer by this prospectus and any prospectus supplement.

EXPERTS

The consolidated financial statements of Autoliv appearing in Autoliv s Annual Report (Form 10-K) for the year ended December 31, 2008, and the effectiveness of Autoliv s internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young AB, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC s Internet site at http://www.sec.gov and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus and any prospectus supplement. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus or any prospectus supplement to a contract or other document, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C. or on the SEC s Internet site.

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Shares

Common Stock

PROSPECTUS SUPPLEMENT

Morgan Stanley

, 2009