Annual Report 2019

veoneer.com

How Daily Driving Will Change

This year, the World Health Organization estimates that 1.4 million lives will be lost globally on the roads, over half of which will be pedestrians, cyclists, and motorcyclists, and 50 million people will be injured.

According to the US National Highway Traffic Safety Administration 94% of serious crashes are the result of human error. Some people think the solution is fully autonomous cars. However, forecasts project that only a fraction of cars on the road in 2030 will be fully autonomous, while advanced driver support technologies will be installed in a majority of all cars.

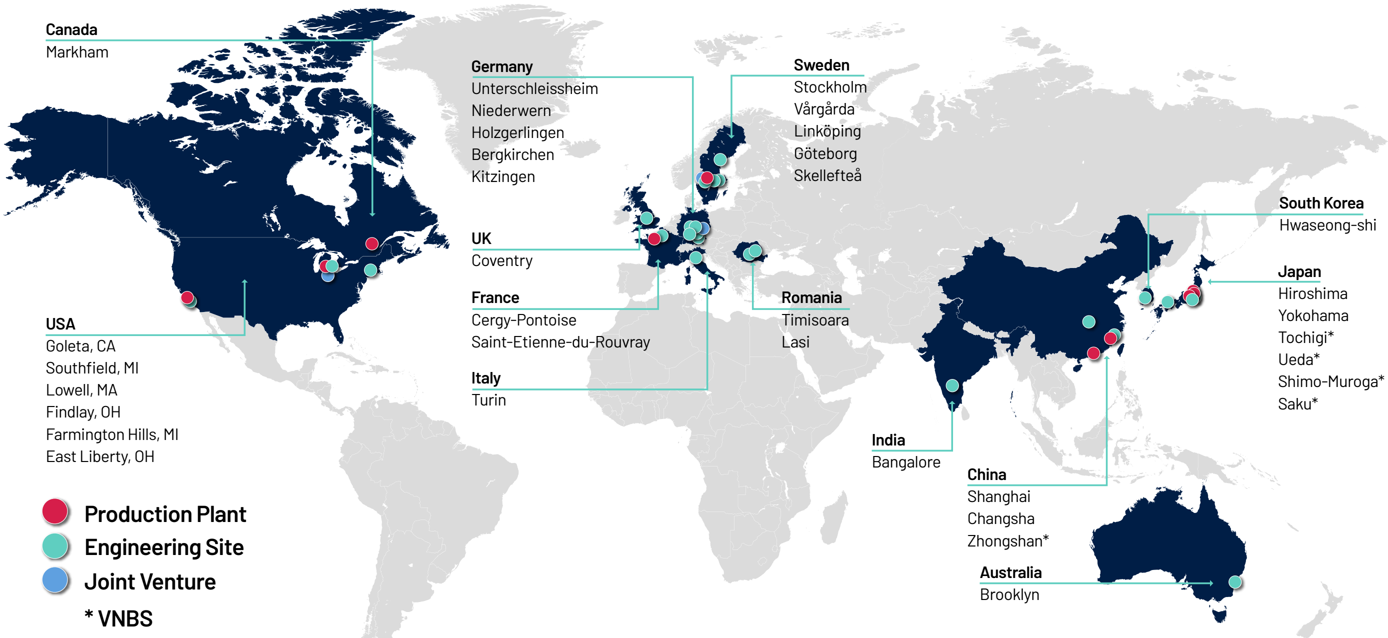
At CES 2020, Veoneer demonstrated a new type of driver support technology on the public roads of Las Vegas. The drivers pushed a button while driving, took their hands off the steering wheel and let the car safely handle parts of the commute. The drivers were expected to keep their eyes on the road and still be engaged. We believe this kind of collaboration between the vehicle and the driver - *collaborative driving* - is key to improve safety on the roads.

At Veoneer, we see that the development challenge for the next decade is not only to reach the goal of collaborative driving, but to democratize driver assist safety technologies for the greatest societal impact along the way. We believe that the solution is to use a scalable architecture, where the lower levels of vehicle safety systems are modular and easily upgraded.

Now is the time to accelerate in technologies that augment driver capabilities and thereby increase safety and enhance comfort, and to do so for the most vehicles regardless of make, model, brand, geography, or price tag.

Creating Trust in Mobility

Veoneer, Inc. is a worldwide leader in automotive technology. Our purpose is to create trust in mobility. We design, manufacture and sell state-of-the-art software, hardware and systems for occupant protection, advanced driving assistance systems, and collaborative and automated driving to OEMs globally. Veoneer became an independent, publicly traded company in 2018, when we separated from Autoliv.

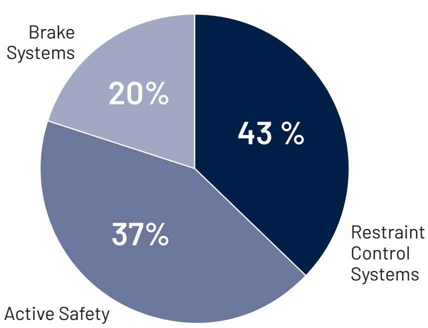


**The divestiture of the Asian operations of our VNBS joint venture was completed on February 3, 2020.*

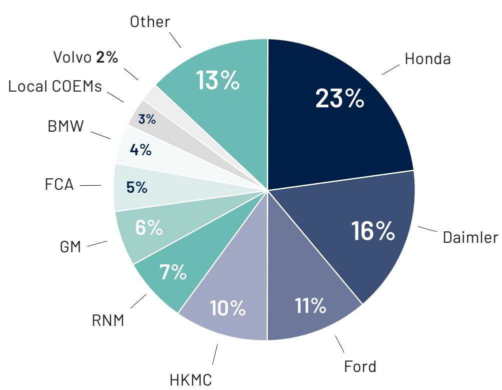
8,874	13	10	27
ASSOCIATES	COUNTRIES	MANUFACTURING SITES	TECHNICAL CENTERS

$1.9 Bn
NET SALES

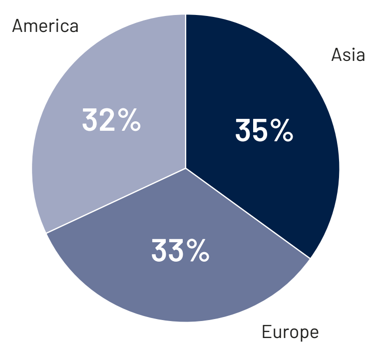
Sales by Product



Sales by Customer



Sales by Region



Dear Shareholder

2019 was the first full year for Veoneer as a stand-alone company. After the spin-off from Autoliv in 2018, we have continuously developed the entire company, including our organization, our processes, and our product portfolio. 2019 was also a year of preparation as we are about to launch several new technologies on a number of important customer platforms in 2020 and beyond, taking the company back to growth.

Our Purpose in Context

The World Health Organization estimates that every year 1.4 million people are killed in traffic globally. Globally, there is an increasing demand for improving traffic safety. The automotive industry is responding by developing new technologies that will change the concept of safety as they are avoiding accidents, rather than mitigating the effects of a crash. At Veoneer, we are focused on developing human-centric innovations which in turn enables us to deliver products and solutions that bring safety and convenience to consumers and society at large. Veoneer is committed to supporting the UN Sustainable Development Goal #3 - Good health and well-being, by reducing global deaths and injuries from road traffic accidents by 50%. This goal fits right into our purpose of creating trust in mobility.

Our business is focused around improving traffic safety and convenience and we are equally committed to respecting and growing our people and doing business by the highest ethical standards, while limiting our environmental footprint. Sustainability is integrated in our business and through the creation and development of our sustainability program, we are determined to improve further.

Trends in the Automotive Industry

The automotive industry is in the early phase of a fundamental change. Electrification, automation and new models for ownership and usage are driving the change. This development will ultimately lead to safer and cleaner cars as well as more affordable transportation. In the short term it is driving high investments for automakers and suppliers alike. These investment levels are a challenge and the industry is transforming in order to share the burden of the investments and speed up the development. The most visible examples of this trend are how companies set up new entities and drive collaboration with new partners in ways that would have been impossible only five years ago. We believe that the structural changes to the industry we see now are only the beginning. In particular the rapidly growing importance of software for the development of the coming generation of cars will continue to reshape the automotive industry.

Active Safety and Collaborative

Veoneer is in the center of the trend of automation. In the last 18 months a clear direction for the development of active safety and automation has developed. Advanced driver support technologies will develop more rapidly than previously anticipated, while full automation of vehicles for general purpose use on public roads is no longer seen as an achievable. Maybe full automation is not even a desirable goal for the foreseeable future. We have bundled all relevant active safety technologies using the common term Collaborative Driving as this captures the essence of the development – drivers will get increasing support and relief from technology while driving, but they will still be engaged. Car and driver will collaborate for a safer and more convenient driving experience. This is the core focus for Veoneer in the decade ahead. We will support safety and convenience, while addressing the biggest total available market in this space. We currently estimate our addressable market in 2025 to be around $30 billion, up from around $8 billion in 2019.

Veoneer in 2019

In 2019 the light vehicle production is estimated to have declined by close to 6%. While Veoneer had a conservative outlook for the LVP already in the beginning of 2019, this was still worse than expected. The biggest change occurred in China where the LVP in 2019 was more than 3 million vehicles lower than the expectations from the beginning of the year. Our organic sales* were also negatively affected by company specific factors, leading to an organic sales* decline of 12% for the full year. In general, the company specific part of the decline was based on low order intake in 2015 and the years prior. In active safety the first generation of our portfolio was only ready in 2016, meaning that before that time our order intake was low as we did not have a complete product portfolio to offer to customers. In our Restraint Control Systems business, where we have been present for more than two decades and are a market leader, the years around 2015 saw temporary declines in order intake. Both these factors will reverse in the second half of 2020 based on high order intake from 2016 onwards. This development is in line with the general structure of our business model where it takes up to four years from order to start of production at which time our revenues start.

**Non-U.S. GAAP measure. See Annual Report on Form 10-K for more information.*

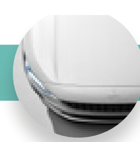
Veoneer 2019

January

Presented Collaborative driving at CES

Lidar systems order win

March



Polestar 2 revealed; Zenuity's ADAS software stack and Veoneer's sensor, ADAS ECU, front radar, and monovision cameras

Launch Preparations

2019 was a year of preparation for 2020 and 2021, two years during which Veoneer will launch new technologies on several vehicle platforms with new and existing customers. We are investing in capacity expansions in our existing production facilities in Vårgårda; Sweden, Markham; Canada and Shanghai; China to be able to meet the higher delivery volumes anticipated from the second half of 2020. We also invested heavily in core R&D to finalize the development of the next generation of our products in vision, radar, night vision, ADAS controllers and restraint controllers. We also saw high investments in application engineering, as we are working on the integration of all new products into several new customer vehicles, which are launching in the same timeframe.

Company Development

During 2019 we launched programs and initiatives aimed at being a more efficient and focused company with guidelines and processes suitable to a fast-moving technology company of our size.

Our improvement initiatives are conducted under the common theme of market adjustment initiatives, for 2019 the main ones included:

- In May we strengthened the balance sheet through a capital raise totaling $627 million in a combination of common stock and convertible notes. The raise was successful and was oversubscribed close to three times, largely thanks to strong support from our main long-term shareholders.
- We have improved our working capital management by focusing in particular on overdues, account receivables and inventories. This has led to a significant improvement, one we take with us into 2020, but will not be able to repeat as we believe the current levels are already best in class WC management.
- We have focused on the efficiency, including a clear profit and loss focus both in our customer organization and in product development, which have improved our ability to prioritize and make correct decisions. We have also increased the level of outsourcing.
- We have started and continue to drive general cost measures across the company. This includes completing the last parts of becoming a completely independent company as the last service agreements with Autoliv ends in the early part of 2020.
- We are conducting a strategic review of our brake control business and have divested the Asian operations while turning the US part of the joint venture which is a wholly owned subsidiary of Veoneer.

Product Portfolio

Over the last 12 months, we have spent considerable time defining our next generation product portfolio. We are now introducing a scalable hardware and software platform for active safety and ADAS. It will allow our customers to address requirements from regulators and rating institutes, while bringing new levels of safety and convenience to car drivers and occupants across the globe. It is based on state-of-the-art base technology in vision, radar, compute units and software. In a cost-efficient way, it will allow scalability from basic to advanced solutions while allowing software homogeneity, and it will be upgradable over time. Equally important to note, it will allow for rapid customization for specific OEM integration points, leading to improved application costs. We showed early versions of these next generation to solution to audiences at CES in Las Vegas in January 2020 and the initial feedback is very promising. We believe we are now addressing the market with the right, targeted portfolio at the right time, a platform that will be the backdrop for our growth in active safety for years to come.

Order Situation

We estimate our total orderbook to be worth around $19 billion. As the average lifetime of a customer contract is 4-5 years, this points to significant growth ahead. For 2019 our lifetime order intake for the core electronics business was around $2.5 billion, lower than the previous three years, but still ahead of our current sales market share. We do not consider this lower than expected order intake to be pointing to a trend, but rather to be a temporary timing effect and expect to return to higher levels of $4.5 to $5 billion of life time order intake value already in 2020.

Looking at 2020

Our 2020 outlook includes our core Active Safety and Restraint Control Systems business (Electronics segment) and the VBS US operations since we completed the VNBS joint venture divestiture on February 3, 2020.

Veoneer expects to return to organic sales growth* in the mid-single digits in 2020. This expected sales growth is driven by new program launches, mostly in Active Safety, during the second half of the year. During the first half of 2020 our net sales are expected to remain relatively flat sequentially from the second half of 2019, and then ramp-up sequentially during the second half of 2020.

During 2020, our market adjustment initiatives are expected to generate further cost structure and balance sheet improvements. We expect RD&E, net along with the operating loss and cash flow before financing, to improve in 2020 from 2019 levels, on a comparable basis, although most of the improvement is expected to come during the second half of the year. This excludes any one-time effects related to our strategic reviews.

We estimate the net sales of the Electronics segment will increase to approximately $2.5 billion in 2022, which is a CAGR of approximately 19% from 2019. During this same period Active Safety net sales are expected to approximately double.

We are part of one of the biggest industry transitions in recent memory. We are building a modern automotive technology company based on the strong purpose of creating trust in mobility.

Ultimately our focus is to create value for all our stakeholders.

Jan Carlson
Chairman, President & CEO

Stockholm, Sweden
February 21, 2020

May

GM Supplier of the Year Award

Capital Raise of $627 million

September

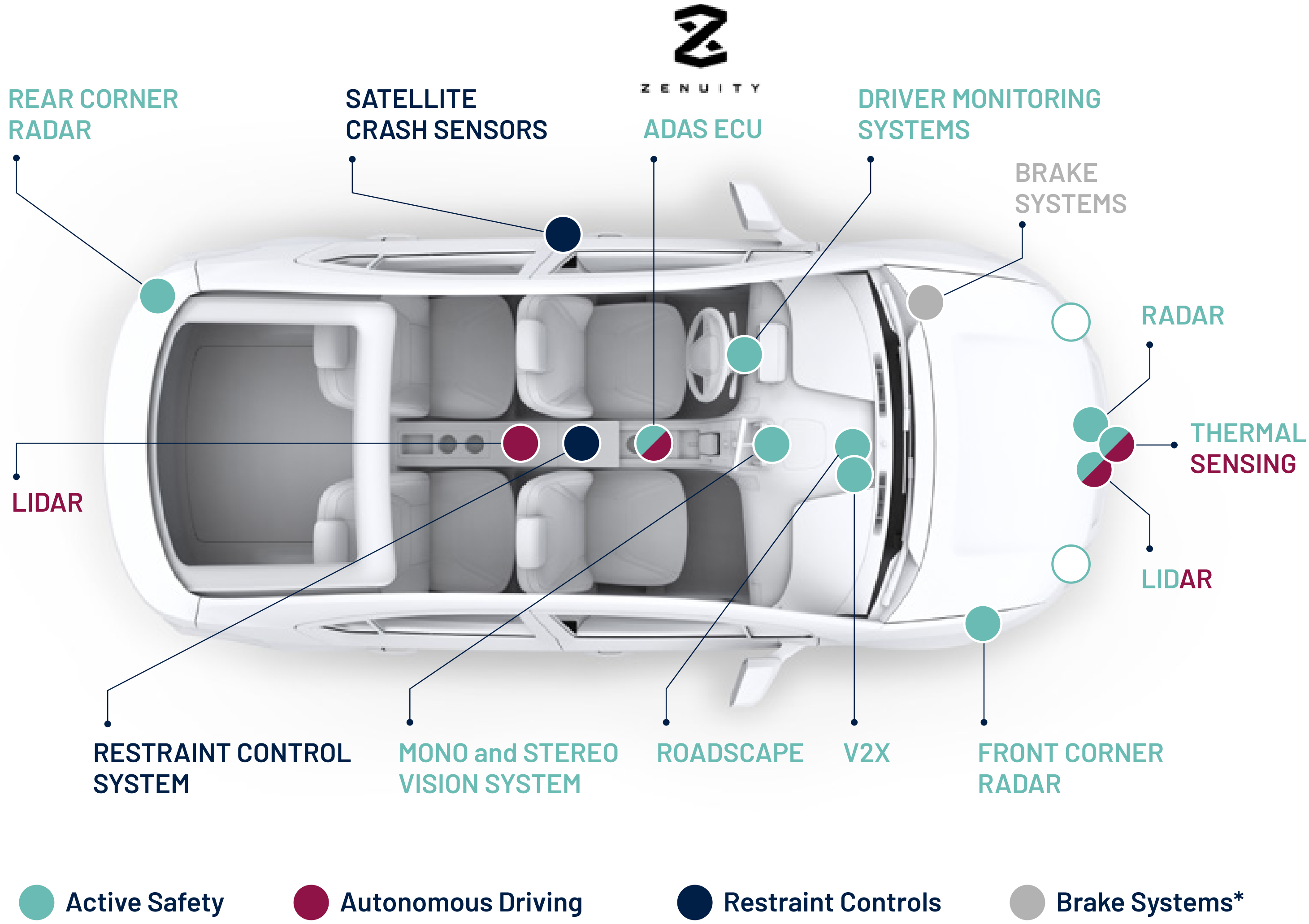
Vision System order win from Global Automaker

Thermal Cameras order win for Autonomous Vehicles

November

Joins Autonomous Vehicle Computing Consortium

Our Technology Showcase



**The divestiture of the Asian operations of our VNBS joint venture was completed on February 3, 2020.*

Veoneer is a leading autotech company. Over the last decade, we have delivered 6.5 million cameras, more than 38 million radars along with more than 830 million electric control units and crash sensors to car manufacturers globally.**

We create trust in mobility by developing and manufacturing products and solutions that deliver convenience and prevent traffic fatalities.

During the year, we have been preparing and gearing up for 2020, which is a major customer launch year for Veoneer. During the 1st quarter 2020, we will be launching our 4th generation mono-vision camera system, which includes state-of-the-art in-house developed software algorithms and incorporates artificial intelligence (AI) technologies. We are also launching our 2nd generation Smart ADAS ECU and our much awaited first launch of our joint-venture Zenuity's software suite for autonomous driving. The year continues with additional camera technology launches, thermal sensing generation 4 technology, a generation 4 stereo-vision camera, and our first driver monitoring system.

The bulk of the launches are concentrated toward the second half of 2020.

*** including prior to the spin-off from Autoliv*

We Proudly Present...

Generally, the lead time is between two to four years to develop an order before it goes into production. Below are some of our customers' 2019 key launches and mid-cycle facelifts.

When EuroNCAP (the European car safety performance assessment program) announced its safety ratings, Mercedes received 5-star ratings for several vehicle models. Veoneer is a proud supplier of the camera systems that are a key contributor to AEB, Lane Keeping and Speed Assistance used in Mercedes. EuroNCAP's recognition is an important proof-point of the high quality our in-house developed vision systems possess.


Hyundai Sonata


Geely Emgrand


Mercedes CLA


Ford Explorer


VW ID3


Honda CRV

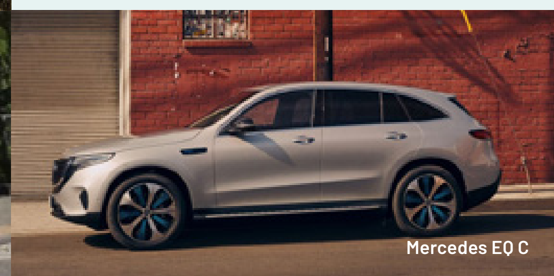

Mercedes GLS


Ford F-Series Super Duty


Honda Fit

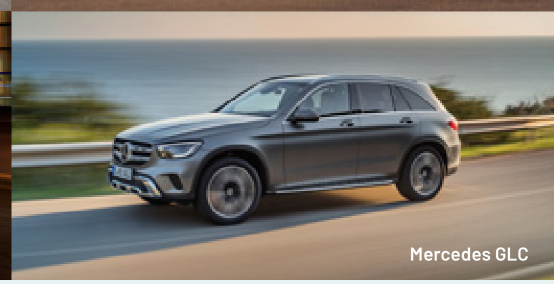

Ford Transit


Geely GLSV/BinYue


Mercedes EQ C


Mercedes GLB


GAC GS4


Mercedes GLC

Our Strategy

Veoneer's strategy is based on the growing demand for increased traffic safety. As a leading autotech company, our products and solutions are developed to prevent traffic incidents from happening and mitigating the effect when accidents are unavoidable. Our business supports UN's target to cut traffic fatalities in half.

To deliver innovative solutions that car manufacturers and drivers can trust, our strategic pillars are built around flawless delivery, customer-centric collaboration and human-centric innovation. These core pillars have been part of Veoneer's DNA from the start, and through relentless execution, will make Veoneer's strategy a reality.

Flawless Delivery

Veoneer continues to build on its track record of delivering high quality products to car manufacturers globally. Veoneer and its employees deliver products and services at a world class quality performance level to satisfy stakeholder requirements for timeliness, in the correct quantity, and to the correct destination.

Priority focus is placed on preventing quality defects from impacting both Veoneer's customers as well as the consumer. Monthly, all Veoneer facilities (manufacturing plants, technical centers, and logistics centers) record their performance against key quality targets and these results are reviewed by senior managers monthly.

A key metric in this assessment is the number of Non-Conforming Events recorded for serial production, prototype delivery and logistics management. Additionally, each Veoneer plant tracks the number of Zero-Defect lines with follow-up of the action plans to increase the number of consecutive days of zero defects.

Quality is a core pillar of the Veoneer product development system. The quality team is embedded into the project teams to ensure flawless delivery for each of the milestones along the development journey of Veoneer products. A specific focus has been put on software development for which compliance to industry standards such as Automotive SPICE is assessed. This quality assurance work is extended to cover all aspects of the product development process. As an outcome, every month a quality dashboard is shared with senior management to visualize the level of compliance of projects to the development process as well as the quality of the delivered work products. Non compliances are measured and the month over month trend is monitored.

Finally, each site conducts periodic management reviews per the automotive IATF16949:2016 standard to help ensure suitability, adequacy, effectiveness and consistency of Veoneer's Quality Management System.

Veoneer employees are passionate about continuous improvement activity leading to zero defects during the product life-cycle. This quest for flawless delivery is the responsibility and commitment of all our employees.

Customer-Centric Collaboration

Our engineers work closely with car manufacturers globally to co-develop new generations of products that allow these customers to be first to market.

Our engineers are often part of the entire process; from the pre-development process where the future products are specified, through the development phase and all the way to production. Close cooperation with innovative car manufacturers is key to staying on top of the market in terms of functionality and performance, as it ensures that Veoneer get a better view of the application from the car manufacturers' perspective.

Human-Centric Innovation

We believe that a human-centric approach to innovation is fundamental to innovate systems and tools that will improve convenience and reduce traffic fatalities.

The automotive industry knows that the introduction of more sensors or services alone will not automatically address driver safety.

According to a study a few years ago, many drivers disable the use of intermittent vehicle automation such as lane keep assistance or adaptive cruise control, citing their belief that the functions are unreliable, provide feedback at the wrong times, or are simply annoying. To bridge this gap, systems have to go beyond indicators and warnings, to tools that help drivers better manage their capabilities (i.e. attention/fatigue management) or support understanding that encompass the design of system actions as well as system availability.

Our research vehicle LIV is a platform intended to enable the study and design of trust and collaboration between the driver, the vehicle and the surroundings. In 2019, we used LIV to let our stakeholders experience on-track vehicle demonstrations with connected vehicles at CES 2019 in Las Vegas, and at Ride & Drive events in China, the U.S. and Sweden. In January 2020, we took our demonstration one step further by showing collaborative driving on the public roads of Las Vegas.

Human-centric innovation is key - matching technologies to user needs and make systems intuitive.

People
The Architects of Our Success

Veoneer is a global leader in the autotech industry, with curious and purpose-driven people inspired by developing and delivering products and solutions our customers and end-users can trust.

Veoneer has some of the strongest leaders and experts in the autotech industry and our teams are dedicated to fostering a culture where every employee is empowered to be the architect of our success. Veoneer offers a positive working environment with challenging projects, often in close collaboration with our customers. Knowledge is regularly shared, creating a learning organization.

An important cornerstone of each employee's growth is the ongoing personal, transparent communication between the team member and manager, in the working group and with the manager. These dialogues are summarized in the annual performance and development process. In 2019, we had a close to 100% annual performance dialog completion rate.

During 2019, Veoneer established an Engineering Career Progression Program, one of the most important instruments to recognize and grow our engineering experts. The program allows outstanding engineers to have the same career progression in terms of title and rewards parallel to the Management Career Path. Our voluntary turnover for direct labor was 8.7% and for indirect labor 8.3%.

A Diverse Organization

To deliver results, people need to feel they can be who they are and that they are recognized for their unique strengths. Inclusion is fundamental to our culture and we believe that everyone should be respected and treated fairly. Veoneer is a global organization, with operations in 13 countries and our workforce reflects the diversity of the countries and cultures in which we operate. Approximately 40% of our workforce is located in Asia, 21% in the Americas and 39% in Europe. In terms of gender, the share of females across our company is 28%.

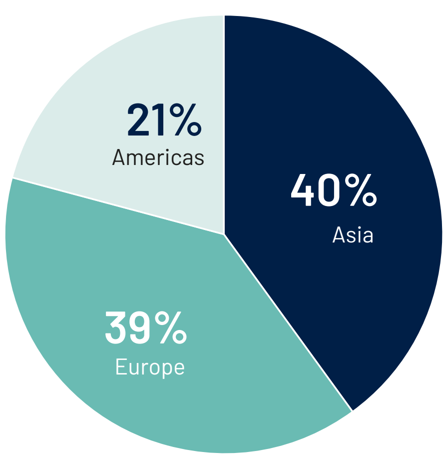
A Fair Employer

Veoneer is committed to fair employment terms and conditions in accordance with applicable laws. As outlined in the Code of Ethics, all employees are free to exercise the right to form, join or refrain from joining unions or similar organizations, as well as to bargain collectively or individually. In countries where no independent labor unions exist, such as the U.S. and China, several forums for employer-employee relations have been established, such as work councils, consultations, and environment and safety committees.

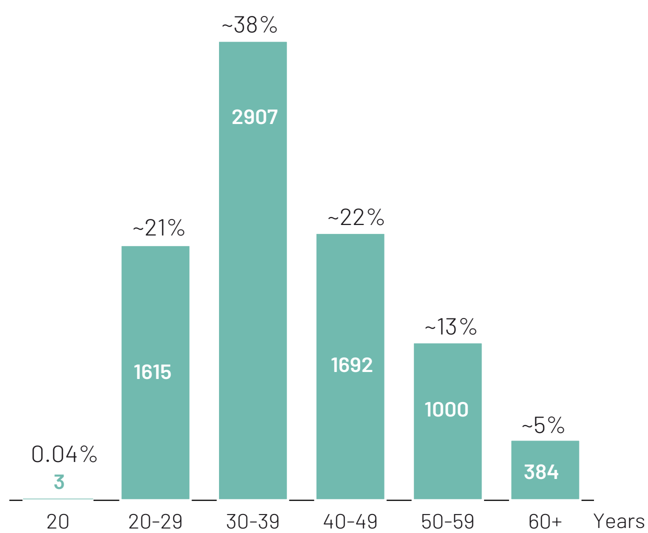
Health and Safety

At Veoneer, we genuinely care for one another's safety and well-being. We believe in a healthy work-life balance, emphasizing employee engagement, working together, and having clear expectations. We have implemented a comprehensive Health and Safety Management System which engages all employees and it guides us in our everyday actions. We require and empower our people to work in compliance with applicable laws, Veoneer standards, and our Code of Ethics. Incident rate, measured as number of reportables injuries per 200,000 employee hours, was 1.81, with the target lower than 2.0. The severity rate, measured as total days away from work due to work-related reportable injury and/or illness per 200,000 employee hours, was 22.8, slightly above our target of below 20.0. Our focus for 2020 is to improve and again be below the target.

Associates



Age Distribution



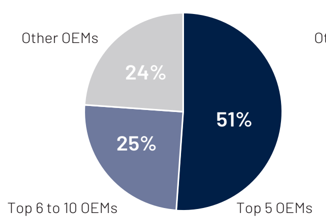
Based on Employees Central data, Dec 2019. Internal workforce includes permanent and temporary employees.

Our Market

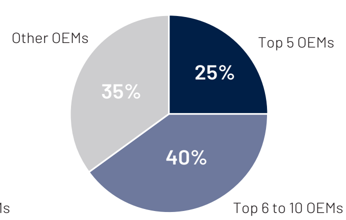
Customers – Veoneer's diverse customer base, as illustrated on page 3, reflects a strong sales mix with high-volume global OEMs and global premium brands. As illustrated on the charts below the Company is under-represented with the top five largest OEMs according to LVP which represent approximately 50% of the global LVP, while Veoneer's net sales to these same OEMs represent 25% of Veoneer sales. This difference diminishes somewhat for the top 10 OEMs.

Due to our dependence on premium brands, Veoneer is over-represented with the other OEMs which tend to have lower light vehicle volumes. Over the next five years Veoneer expects to increase its % of sales with the top 10 OEMs, based on LVP.

Global LVP[1] by Customer
($ millions)



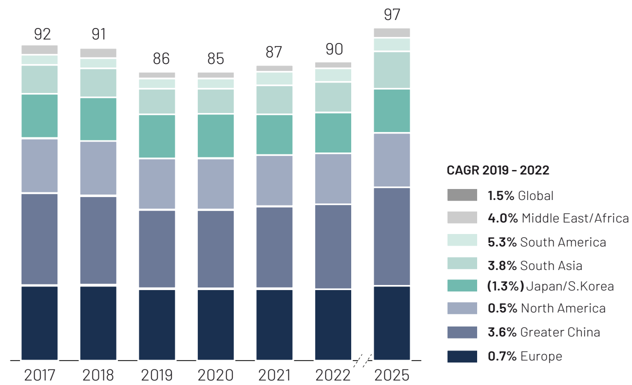
VNE Sales by Customer LVP



1) Light Vehicle Production (LVP) according to IHS as of January 16, 2020

Light Vehicle Production – The automotive industry remains in the middle of a downturn, as illustrated by the chart below, where it appears that the global LVP will reach its low point in 2020. In addition, we see approximately 50 million fewer vehicles forecasted, close to 13%, for the time period 2019 through 2022 as compared to July 2018, the time of our spin-off from Autoliv. The latest LVP outlook indicates that for the period 2019 to 2022, the LVP is expected to grow by a CAGR of 1.5%, mainly driven by an anticipated recovery in Asia, largely in China, as illustrated below.

Global LVP[1] Evolution
Units in millions



1) Light Vehicle Production (LVP) according to IHS as of January 16, 2020

Veoneer currently delivers to more than 20 OEMs around the world in its Restraint Control Systems business. This reflects its leading market position. In the Brake Systems business, due to its low market share, and limited market penetration, the Company relies on only a few customers.

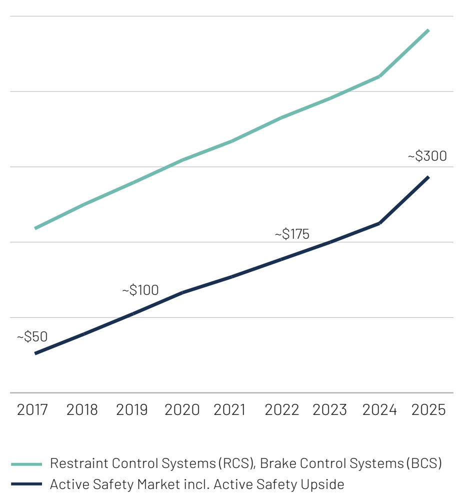
In its Active Safety business, over the last five years, Veoneer has made significant progress to increase its presence with both global OEMs as well as local Chinese OEMs. This is in addition to expanding its presence on high-volume platforms and more premium brands.

Veoneer has been awarded Active Safety business with 16 OEMS around the world, including software awards for the Zenuity software suite with 4 customers, excluding its partner Volvo Cars. In addition, our Company has been selected to provide certain Robo-taxi platforms various hardware products produced by Veoneer and certain software features from the Zenuity software suite.

Market Growth Drivers – Veoneer's market is supported by two primary growth drivers, global light vehicle production and content per vehicle. Veoneer has limited influence over the global LVP, other than aiming to have a strong global mix of high-volume platforms and premium brands where typically new technologies are first introduced to the market. Our primary influence is with the content per vehicle where our new electronic safety technologies and product innovations are introduced on vehicles with the aim to reach 100% adoption.

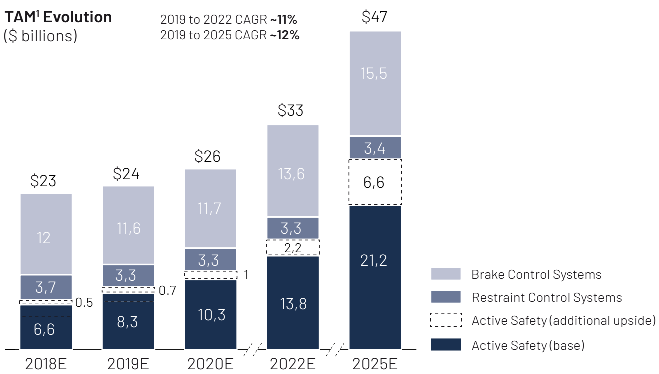
Content per Vehicle – As illustrated below, the increase in adoption of our Active Safety products is expected to drive a significant increase in the content per vehicle. In 2019 we estimate the CPV of our Active Safety Market to be around $100 which is expected to roughly triple by 2025, including the Active Safety Market potential upside as illustrated on page 12.

CPV Evolution
US$



Total Addressable Market (TAM) – Veoneer's TAM, as an autotech pureplay in Safety Electronics with a focus on the automotive secular trends of Advanced Driving Assistance System (ADAS), Collaborative Driving and Highly Automated Driving (HAD) on the road towards Autonomous Vehicles (AV), consists of three main product areas: Active Safety, Restraint Control Systems and Brake Systems.

As outlined below we estimate the overall TAM in 2019 to be approximately $24 billion, a 5% increase as compared to approximately $23 billion in 2018.

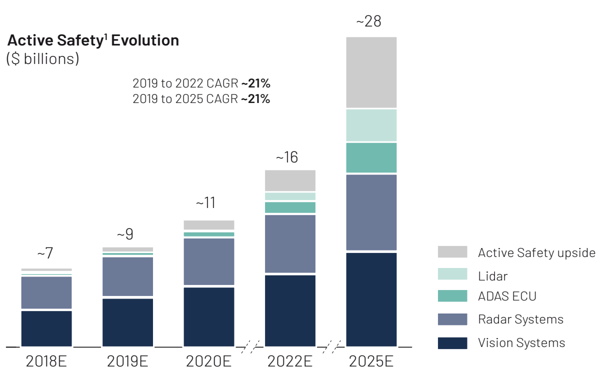


1) Includes Active Safety baseline, Active Safety upside potential, Restraint Control Systems (RCS), and Brake Control Systems (BCS)

Primarily driven by the Active Safety Market, we estimate our TAM will grow by approximately 11% CAGR from ~$24 billion 2019 to ~$33 billion 2022 and by a ~12% CAGR from 2019 to ~$47 billion in 2025.

Active Safety Market – Veoneer's Active Safety market is comprised of the following core products; Radar Systems, ADAS Electronic Control Units (ECU's), Vision Systems (including Mono- and Stereovision), LiDAR systems and Thermal Imaging (Night Driving Assist). The additional upside includes; Driver Monitoring Systems, Roadscape positioning and digital mapping solutions, vehicle to vehicle and vehicle in infrastructure communications and software.

As outlined below, we estimate the overall Active Safety market in 2019 to be approximately $9 billion, an increase of 27% as compared to approximately $7 billion in 2018. We estimate our Active Safety market share to be approximately 9% in 2019 however, based on our strong order intake over the last 3 years, above current market share levels, we expect our market share to increase in the future.



1) Includes Active Safety baseline, Active Safety upside potential incudes Driver Monitoring, Positioning Systems, Vehicle to Vehicle and Vehicle to Infrastructure, Digital Mapping and Software

Primarily driven by Radar and Vision Systems, which are the primary sensors required for Level 1 through Level 2+ (Driver Support) systems, we estimate the Active Safety market will grow by an approximately 21% CAGR from approximately $9 billion in 2019 to approximately $16 billion in 2022 and by an approximately 21% CAGR from 2019 to approximately $28 billion in 2025.

The main competitors in this market include APTIV, Bosch, Continental, Denso, Hella, Magna, Mobileye/Intel (vision software), Valeo and ZF.

Restraint Controls Market – The Restraint Controls market consists of Passive Safety ECU's and remote crash sensors located around the vehicle which detect the crash and signal to the ECU to deploy the airbags and seatbelt pretensioner system in a crash.

We estimate this market will remain relatively flat for the period 2019 to 2025. However, we see a potential upside to this market as our customers are looking to increase the amount of interface, that is sharing of data and increasing redundancy, between the Active and Passive Safety Systems.

We estimate our current market share to be around 22% however, based on our strong order intake over the last 3 years we expect our market share to increase in the future. The main competitors include Bosch, Continental, Denso and ZF.

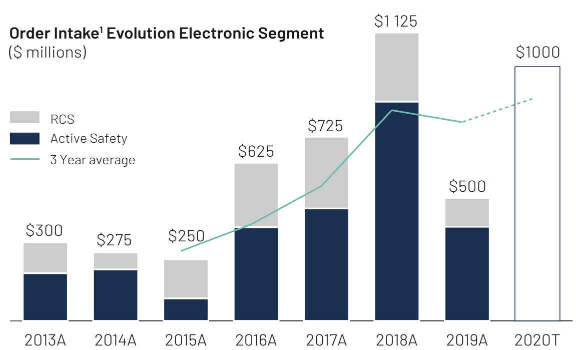
Brake Systems Market – The Brake Systems market consists of braking systems excluding the foundation brakes. This market is contrasted by current braking systems for ICE vehicles versus next generation braking systems for BEV and Hybrid vehicles and vehicle platforms where OEM's are looking to improve fuel efficiency.

In February 2020, Veoneer divested its 51% ownership stake in the VNBS JV-Asia operations and since mid-2019 Veoneer owns 100% of the VBS-US operations as a result of acquiring Nissin Kogyo's 49% ownership stake.

We estimate this market will grow by a CAGR of approximately 5% from approximately $12 billion in 2019 to approximately $16 billion in 2025. The next generation braking systems market is estimated to close to triple during this period, while the current generation braking systems are expected to decline through 2025. The main competitors include Advics, Bosch, Continental, Mando and ZF.

Order Intake and Order Book – In 2019 Veoneer achieved, for its core Electronics segment (Active Safety and Restraint Control Systems), an order intake of approximately $0.5 billion average annual sales, with an estimated lifetime order value of approximately $2.2 billion. The average order intake for the Company's core Electronics segment is approximately $0.8 billion over the last three years.

The order book of accumulated undelivered orders was approximately $15 billion for the Active Safety and Restraint Control businesses combined at the end of 2019. The 2020 order intake target for Veoneer is approximately $1 billion for the Electronics segment.



1) $ value represents expected future Average Annual Sales from respective years order intake, disclosure of orders will not be made regularly, based on when the orders were awarded where RCS (Restraint Control Systems).

As illustrated by the chart above, the evolution of the order intake has been very strong over the last four years to support Veoneer's 2022 sales target of approximately $2.5 billion for Active Safety and Restraint Control Systems combined.

The weak order intake in 2013 to 2015 was reflected in the organic sales decline* in 2017 to 2019. The 2016 to 2019 order intake is expected to contribute to organic sales growth* in the second half of 2020 and accelerate into 2021 and 2022.

 *Non-U.S. GAAP measure. See Annual Report on Form 10-K for more information.

Share Information

Veoneer common stock is traded on the New York Stock Exchange ("NYSE") while Veoneer Swedish Depositary Receipts (SDRs) are traded on NASDAQ Stockholm's list for large market cap companies.

During 2019, the number of shares outstanding increased by 24.23 million to 111.40 million (excluding dilution) following the Equity Raise in May 2019. The weighted average number of shares outstanding for the full year 2019 increased to 101.62 million, (excluding dilution as we are currently in a loss position), from 87.16 million on December 31, 2018.

Stock options (if exercised) and granted restricted Stock Units (RSUs) could increase the number of shares outstanding by 0.9 million shares in total. In addition, the Company may settle the conversions of the Convertible Notes in cash, shares of the Company's common stock or any combination thereof at its election. The number of shares of the Company's common stock issuable at the conversion price of $22.3125 per share would be 9,28 million shares if the Company elected to settle the conversion wholly in shares. Combined, this would add 9.1% to the Veoneer shares outstanding.

As of December 31, 2019 there were 2.8 million common stock available for future issuance under the Veoneer, Inc. Stock Incentive Plan. There were 111,400,797 shares of Veoneer common stock outstanding. The Company currently does not hold any shares in Treasury.

The Company estimates that there were approximately 41,000 beneficial owners of Veoneer common stock and SDR's as of December 31, 2019. Approximately 12% of Veoneer's securities were held by U.S.-based investors and approximately 76% by Sweden-based investors. Most of the remaining Veoneer shares were held in the U.K., other Nordic and Central European countries.

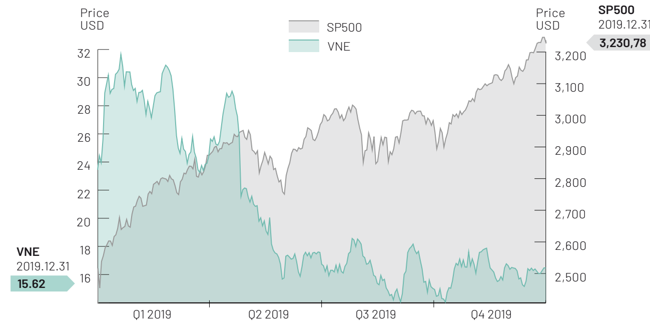
The following summarizes the 10 largest holders of the Veoneer shares of record as of December 31, 2019, which combined own close to two-thirds of the total common stock of the Company.

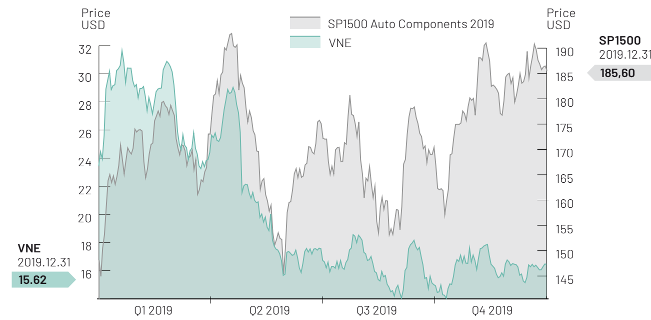
Rank	% S/O	Institution	Dec 31, 2019
1	9.6%	Cevian Capital AB	10,676,924
2	9.2%	Fjärde AP-Fonden (AP 4)	10,257,305
3	9.0%	Alecta Pensionsförsäkring AB (Asset Management)	10,061,200
4	7.8%	AMF Pensionsförsäkringar AB	8,675,639
5	7.6%	Första AP-Fonden (AP 1)	8,426,483
6	7.2%	Swedbank Robur Fonder AB	8,008,668
7	6.5%	Nordea Investment Management AB (Sweden)	7,262,444
8	3.4%	Lannebo Fonder AB	3,766,657
9	3.4%	Öhman Fonder AB	3,760,785
10	2.5%	Handelsbanken Asset Management (Sweden)	2,749,389

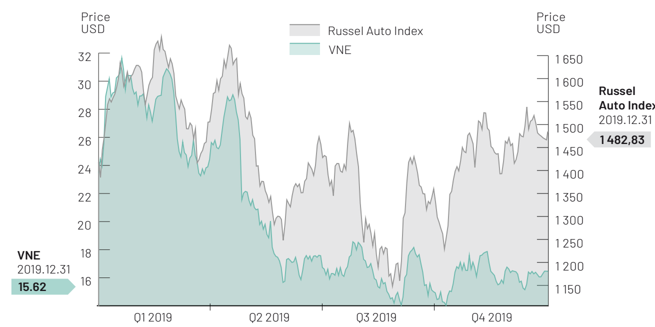
The following summarizes the share performance of the NYSE and NASDAQ OMX traded shares during 2019;

NYSE		NASDAQ	
2019 %-change	-35,72%	2019 %-change	-32,40%
High (2019-01-18)	$32,79	High (2019-02-26)	290,90 kr
Low (2019-09-03)	$13,62	Low (2019-09-04)	136,55 kr
Avg Volume (2019)	663 811	Avg Volume (2019)	340 339
Avg Volume (2018)	699 742	Avg Volume (2018)	370 563
Δ Volume	-5,1%	Δ Volume	-8,2%
2019 open (2019-01-02)	$24,30	2019 open (2019-01-02)	221,75 kr
2019 close (2019-12-30)	$15,62	2019 close (2019-12-30)	149,90 kr
All time high (2018-08-20)	$56,37	All time high (2018-08-20)	511,00 kr
All time low (2019-09-13)	$13,62	All time low (2019-09-04)	136,55 kr
Q1 2019		**Q1 2019**	
High	$32,79	High	290,90 kr
Low	$22,87	Low	211,00 kr
Close	$22,87	Close	216,45 kr
Q2 2019		**Q2 2019**	
High	$29,25	High	269,90 kr
Low	$15,93	Low	152,25 kr
Close	$17,31	Close	160,05 kr
Q3 2019		**Q3 2019**	
High	$18,38	High	179,95 kr
Low	$13,62	Low	136,55 kr
Close	$14,99	Close	146,15 kr
Q4 2019		**Q4 2019**	
High	$17,91	High	173,30 kr
Low	$13,67	Low	137,65 kr
Close	$15,62	Close	149,90 kr

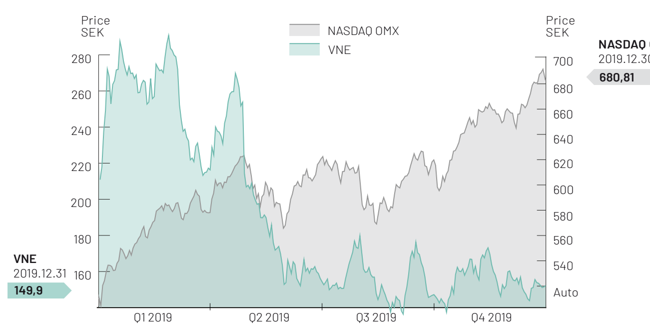
The following compares VNE share performance versus the S&P 500, the S&P 1500 Auto Components, and the Russell 2000 Auto Composite Index

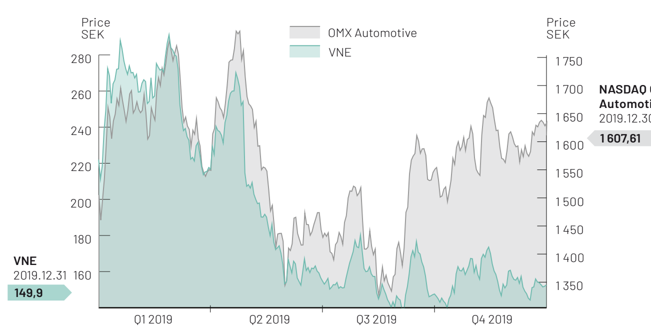




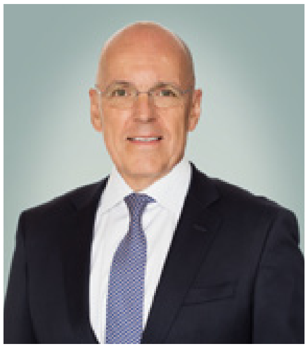


The following compares VNE SDR share performance versus the NASDAQ OMX and the NASDAQ OMX Auto Index





Board of Directors



Jan Carlson
Chairman
President and CEO
Born 1960

Fomer President and Chief Executive Officer of Autoliv, Inc.

Chairman of the Board of Autoliv, Inc., Member of the Board of Directors of BorgWarner Inc. and Telefonaktiebolaget LM Ericsson.

M.Sc. in Physics and Electrical Engineering and Technology Honorary Doctorate, University of Linköping in Sweden.

Dependent. Term expires 2021.

Robert W. Alspaugh
Director and Chairman of the Audit Committee
Born 1947

Former CEO of KPMG International. Former Deputy Chairman and COO of KPMG's U.S. practice.

Member of the Board of Directors of Triton International Ltd.

BBA in accounting from Baylor University, the U.S.

Independent. Term expires 2021.

Mary Louise Cummings
Director and Member of the Compensation Committee
Born 1967

Professor at Duke University in the Department of Electrical and Computer Engineering as well as in the Departments of Mechanical Engineering and Materials Science and Computer Science. Dr. Cummings is also the director of the Humans and Autonomy Laboratory at Duke.

Former associate professor at the Massachusetts Institute of Technology (MIT), with appointments in the Department of Aeronautics and Astronautics and in the Engineering Systems Division.

BSc in Mathematics from the U.S. Naval Academy, MSc in Space Systems Engineering from the Naval Postgraduate School, and PhD in Systems Engineering from the University of Virginia.

Independent. Term expires 2020.

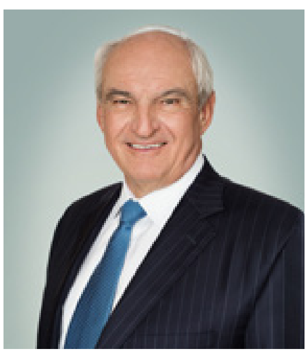
Mark Durcan
Director and Member of the Audit Committee
Born 1961

Former CEO of Micron Technology, Inc.

Member of the Board of Directors of Advanced Micro Devices, Inc., AmerisourceBergen Corporation.

BSc and MSc in Chemical Engineering from Rice University.

Independent. Term expires 2022.



James M. Ringler
Lead Independent Director, Chair of Veoneer's Compensation Committee and Member of the Nominating and Corporate Governance Committee
Born 1945

Former Vice Chairman of Illinois Tool Works Inc. Former Chairman, President and CEO of Premark International, Inc.

Lead Independent Director of Autoliv, Inc. Serves on the Board of Directors of Teradata Corporation. TechnipFMC plc and JBT Corporation. BSc in Business Administration and MBA in Finance from the State University of New York.

Independent. Term expires 2021.

Kazuhiko Sakamoto
Director and Member of the Compensation Committee
Born 1945

Former President of Marubeni Construction Material Lease Co. Ltd, an affiliate of Marubeni Corporation.. Outside auditor of Zenitaka Corporation.

Graduate of Keio University and participant of the Harvard University Research Institute for International Affairs.

Independent. Term expires 2020.

Jonas Synnergren
Director and Member of the Nominating and Corporate Governance Committee
Born 1977

Partner at Cevian Capital AB, investment advisor to the international investment firm, Cevian Capital. Head of Cevian's Swedish office.

MSc in Economics and Business from the Stockholm School of Economics, including studying at HEC Paris.

Independent. Term expires 2022.

Wolfgang Ziebart
Director, Member of the Audit Committee and Chair of the Nominating and Corporate Governance Committee
Born 1950

Former Director Group Engineering, Jaguar Land Rover. Former President & CEO of Infineon Technologies AG.

Member of ASML Holding NV and Nordex SE.

Doctorate in mechanical engineering from the Technical University of Munich, Germany.

Independent. Term expires 2020.

Executive Management Team

Jan Carlson
Chairman, President and CEO
Born 1960
Nationality: Swedish

Education: M.Sc. in Physics and Electrical Engineering and Technology Honorary Doctorate, University of Linkoping in Sweden.

Background: 30 years of industry experience. Previous engagements include Chairman, President and CEO of Autoliv, President of Autoliv Electronics, VP of Engineering at Autoliv and President Autoliv Europe.

Chairman of the Board of Autoliv Inc., Board member of BorgWarner Inc. and Telefonaktiebolaget LM Ericsson.

Joined Veoneer in 2018.

Mats Backman
CFO and EVP Financial Affairs
Born 1968
Nationality: Swedish

Education: BSc in Business Administration & Economics from the University of Stockholm, Sweden.

Background: CFO and EVP Finance of Autoliv, and EVP and CFO of Sandvik AB.

Board member: Gränges AB

Joined Veoneer in 2019.

Nishant Batra
CTO and EVP Technology, Product & Strategy
Born 1978
Nationality: Indian

Education: MBA from INSEAD, France, and M.Sc. degrees in telecommunications and computer science from Southern Methodist University in Dallas.

Background: Product management, sales, technology, and general management within telecom and software, from smaller start-ups to heading the Product Area Networks at Ericsson.

Joined Veoneer in 2018.

Art Blanchford
EVP Business Units NACK (North America, China & Korea)
Born 1971
Nationality: American

Education: Executive MBA from Ross School of Business, University of Michigan and BSc in Mechanical Engineering from Tennesee Technological University.

Background: A long career at Autoliv, including VP, Sales & Marketing for Autoliv Electronics, President of Autoliv Greater China, VP Global Business Development, and VP of the global General Motors business unit of Autoliv.

Joined Veoneer in 2018.

Thomas Jönsson
EVP Communications & IR
Born 1966
Nationality: Swedish

Education: Business Administration at the University of Stockholm, Sweden.

Background: Group Vice President Communications of Autoliv, and an international career in communications working for Intel Corporation, Nokia and TeliaSonera AB.

Joined Veoneer in 2018.

Takayoshi Matsunaga
EVP Business Unit Japan and India
Born 1957
Nationality: Japanese

Education: BSc in Economics.

Background: More than 20 years industry experience from Autoliv and Veoneer's joint-venture VNBS (formerly ANBS).

Joined Veoneer in 2018.

Steve Rodé
EVP Operations
Born 1961
Nationality: Canadian

Education: BSc Mechanical Engineering, University of Waterloo.

Background: More than 30 years of experience in automotive, with a background in production, engineering and quality at Autoliv, including positions as SVP, Operations for Autoliv Electronics, President of Passive Safety Electronics, Acting President of Autoliv Electronics, and President of the Business Area Electronics.

Joined Veoneer in 2018.

Lars Sjöbring
EVP Legal Affairs, General Counsel and Secretary General Counsel
Born 1967
Nationality: Swedish and U.S.

Education: Master of Law degrees from the University of Lund, Sweden, and Amsterdam School of International Relations (ASIR) in the Netherlands; and a Master of Corporate Law degree from Fordham University School of Law in New York.

Background: Group VP, Legal Affairs, General Counsel and Secretary of Autoliv, SVP and General Counsel of Transocean Ltd, Telia AB (the predecessor to TeliaSonera AB), Skadden Arps, Slate, Meagher and Flom LLP; and Nokia Corporation.

Joined Veoneer in 2018.

Per Skytt
EVP Technical Competence Centers
Born 1967
Nationality: Swedish

Education: MSc in Engineering Physics and PhD in Experimental Physics from the University of Uppsala, Sweden.

Background: More than 20 years in a variety of functions and roles at ABB, among them VP and Global R&D Manager Substation Automation, VP and R&D Product Manager HVDC, VP HVDC Systems Manager and SVP Global HVDC Service.

Joined Veoneer in 2019.

Mikko Taipale
EVP Human Resources
Born 1970
Nationality: Finnish

Education: Master of Laws, University of Lapland, Finland

Background: VP, Human Resources of Autoliv Electronics, various HR leadership positions at Telia AB, including Vice President HR, Mobility Services and Vice President, HR, Region Europe.

Mikko Taipale will be replaced by Mikael Landberg as of March 1, 2020.

Creating **Trust in Mobility**

OUR STRATEGY

Deliver Innovative Solutions You Can Trust

OUR CORE PILLARS

Flawless Delivery

Customer-Centric Collaboration

Human-Centric Innovation

OUR BELIEFS

Burning Curiosity

Passion for Excellence

Bold Honesty

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2019
Commission File No.: 001-38471

Veoneer, Inc.
(Exact name of registrant as specified in its charter)

Delaware	82-3720890
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Klarabergsviadukten 70, Section C6
Box 13089, SE- 103 02
Stockholm,
Sweden

+46 8 527 762 00
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, par value $1.00 per share	VNE	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: ☒ No: ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes: ☐ No: ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes: ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: ☐ No: ☒

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 28, 2019 (the last business day of the most recently completed second fiscal quarter) was approximately $1,928 billion.

As of February 13, 2019, there were 111,408,845 shares of common stock of Veoneer, Inc., par value $1.00 per share, outstanding.

Documents Incorporated by Reference

Document	**Where Incorporated**
Proxy Statement*	Part III (Items 10, 11, 12, 13 and 14)

*As stated under various Items of this Report, only certain specified portions of the registrant's definitive Proxy Statement for the annual stockholders' meeting to be held on May 6, 2020, to be dated on or around March 25, 2020 (the "2020 Proxy Statement") are incorporated by reference in this Report.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including without limitation, statements regarding management's examination of historical operating trends and data, estimates of future sales (including estimates related to order intake), operating margin, cash flow, taxes or other future operating performance or financial results, are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "likely," "might," "would," "should," "could," or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words. We have based these forward-looking statements on our current expectations and assumptions and/or data available from third parties about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs.

New risks and uncertainties arise from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Factors that could cause actual results to differ materially from these forward-looking statements include, without limitation, the following: the cyclical nature of automotive sales and production; changes in general industry and market conditions or regional growth or decline; our ability to achieve the intended benefits from our separation from our former parent; our ability to be awarded new business or loss of business from increased competition; higher than anticipated costs and use of resources related to developing new technologies; higher raw material, energy and commodity costs; component shortages; changes in customer and consumer preferences for end products; market acceptance of our new products; dependence on and relationships with customers and suppliers; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; costs or difficulties related to the integration of any new or acquired businesses and technologies; successful integration of acquisitions and operations of joint ventures; successful implementation of strategic partnerships and collaborations; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto; higher expenses for our pension and other post-retirement benefits, including higher funding needs for our pension plans; work stoppages or other labor issues; possible adverse results of future litigation, regulatory actions or investigations or infringement claims; our ability to protect our intellectual property rights; tax assessments by governmental authorities and changes in our tax rate; dependence on key personnel; legislative or regulatory changes impacting or limiting our business; political conditions; and other risks and uncertainties identified in Item 1A -"Risk Factors" and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

For any forward-looking statements contained in this Annual Report on Form 10-K or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Part I

Item 1. Business

General

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

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

On June 14, 2019, the Company signed agreements with Nissin Kogyo Co. Ltd., its joint venture partner in Veoneer Nissin Brake Systems ("VNBS"), providing for certain structural changes to the joint venture and the funding of VNBS.

Pursuant to the agreements, Veoneer acquired Nissin Kogyo's interests in the US operations of VNBS, referred to as Veoneer Brake Systems ("VBS"), and VNBS transferred or licensed the VNBS technologies necessary to operate the VBS business to VBS. VBS, including the transferred or licensed technologies, is a wholly-owned Veoneer business effective on the closing date, June 28, 2019. VNBS will also provide certain transition services to VBS.

On October 30, 2019, Veoneer signed agreements (the "Definitive Agreements") to sell its 51% ownership in Veoneer Nissin Brake Japan ("VNBJ") and Veoneer Nissin Brake China ("VNBZ") entities that comprise VNBS to its joint venture partner, Nissin-Kogyo Co., Ltd., and Honda Motor Co., Ltd. The transaction was completed on February 3, 2020 under the Definitive Agreements, and the VNBS joint venture was terminated. See Note 6 "Assets held for sale" for additional information.

Business

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

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

As of December 31, 2019, including joint venture operations, Veoneer has 10 manufacturing sites and operates in 13 countries and its customers include the world's largest car manufacturers. Veoneer's sales in 2019 were $1.9 billion, approximately 37% of which consisted of Active Safety products, approximately 43% of which consisted of Restraint Control Systems and approximately 20% of which consisted of Brake Systems products. Our business is conducted primarily in Europe, the Americas and Asia.

Veoneer's head office is located in Stockholm, Sweden. As of December 31, 2019, Veoneer had approximately 7,500 associates worldwide and total associates of approximately 8,900, including temporary personnel.

Additional information required by this Item 1 regarding developments in the Company's business during 2019 is contained under Item 7 in this Annual Report.

Financial Information on Segments

Veoneer reports its financial results in two segments: Electronics and Brake Systems. Our Electronics reporting segment consists of our Active Safety and Restraint Control Systems product areas. Our Brake Systems reporting segment consists of our Brake Systems product area, which are those products developed by VNBS, our joint venture with Nissin Kogyo the 49% owner in VNBS (a 51% owned subsidiary) and VBS.

On October 30, 2019 Veoneer announced the execution of definitive agreements to divest its 51% ownership in the remaining VNBS joint venture operations in Japan and China to Nissin Kogyo Co. Ltd. and Honda Motor Co. Ltd. On February 3, 2020, Veoneer completed the divestiture of its VNBS joint venture interest. Veoneer is classifying this transaction, which was pending as of December 31, 2019, as "assets held for sale" in this Annual Report on Form 10-K, which resulted in no impairment charge.

Business Strategy

Veoneer is well-positioned for growth from increasing long-term global vehicle production volumes, increased demand for safety and collaborative and autonomous driving products, and new business wins with existing and new customers, as is supported by the Company's strong order book. Veoneer is focused on accelerating the commercialization of Active Safety and Collaborative and Autonomous Driving by providing the software, sensors and the central compute platforms required to do so.

Products and Technology

Electronics Segment

Veoneer provides advanced Active Safety sensors, used for ADAS, HAD and AD solutions, such as vision and radar systems, ADAS Electronic Control Units ("ECUs"), night vision and positioning systems. Through Zenuity, our 50% owned joint venture with Volvo Car Corporation ("VCC"), we develop an advanced software stack of sensor fusion for decision making and vehicle control for ADAS, HAD and AD solutions. In addition, we offer driver monitoring systems, LiDAR sensors and other technologies critical for AD solutions by leveraging our partnership network and internally developed intellectual property.

We also provide Restraint Control Systems such as ECUs and crash sensors for deployment of airbags and seatbelt pretensioners in the event of a collision.

Active Safety Products

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

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

Active Safety functions include: Autonomous Emergency Braking (AEB), which brakes a vehicle autonomously; Adaptive Cruise Control (ACC), which keeps and adjusts the vehicle's pre-set speed to keep a pre-set distance from vehicles ahead; Traffic Jam Assist and Highway Assist, which takes control of braking and acceleration in slow-moving traffic and highway speed, respectively; Forward Collision Warning; Blind Spot Detection; Rear Cross-Traffic Assist; Lane Departure Warning; Lane Centering Assist, Traffic Sign Detection; Light Source Recognition; Driver Monitoring for attention and drowsiness; Vehicle-to-Vehicle and Vehicle-to-Infrastructure communication; and Night Driving Assist.

Key systems included in the Company's Active Safety portfolio, either currently provided to the market or under product development, include:

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

- The mono-vision system is a forward-looking camera that is mounted behind the windshield in front of the rear-view mirror. Images are interpreted by algorithms that help identify objects and assist the driver with warnings or actuations such as lane keeping and automatic braking of the vehicle. Mono-vision systems provide a significant level of accident reductions targeting 5-star safety levels as well as driver comfort and convenience features like Adaptive Cruise Control.

- Stereo-vision system technology goes a step further and measures the entire driving environment in a 3D view. The system is capable of acting on any object without classification. Stereo-vision also provides free-space recognition, and road surface measurement down to millimeter level accuracy, which is important to original equipment manufacturers ("OEMs") to improve safety and comfort and provides depth perception for distance calculations due to the 3D capability.

Next generation vision systems and algorithms such as our fourth-generation mono and stereo-cameras, which went into initial production in 2019, will support AD and European New Car Assessment Program ("NCAP") 2020. Fifth generation vision systems, which are in the early development stages, and planned for production in 2022 will offer more than five times higher image resolution than the current generations of camera solutions, as well as offer multiple camera solutions. Selected customers where Veoneer has been awarded and sourced business for our vision systems include Geely, Mercedes-Benz, Volvo Cars, two major global OEMs, an Asian based OEM and a local Chinese OEM.

Radar Systems: Radar systems capture and analyze driving conditions and alert the driver to potentially dangerous situations, and can take control of the vehicle if the driver does not take timely, appropriate action. Radar systems are used in functions such as ACC and AEB. Radar is important because it provides superior performance in poor weather conditions such as rain and fog and other situations with limited or poor visibility from the camera system. Fused with vision systems, higher levels of functional safety are possible, allowing a wider range of operating conditions. Our radar sensor portfolio includes: 25GHz ultra-wide band radar, 24 GHz narrow band radar, and 77GHz front and rear corner, and front center radars. Selected customers for our radar systems include Fiat Chrysler Automobiles (FCA), GAC, Geely, General Motors (GM), Honda, Mercedes-Benz, Renault Nissan Mitsubishi, and Volvo Cars. Veoneer has been awarded and sourced business with 12 OEM customers.

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

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

Utilizing deep learning (artificial intelligence) and sensor fusion, algorithms in the ADAS ECU can likely be enhanced in such a way that the vehicle will be able to make better decisions than a human driver. This processing must be done with multiple levels of redundancy to ensure the highest level of safety and reliability. The computing demands of driverless vehicles are 50 to 100 times more extensive than the most advanced vehicle today. Meeting these demands will be a major challenge in developing the next generation of ADAS ECUs, including data processing.

In 2016, we launched the world's first ADAS ECU for mass production in Mercedes-Benz's new E-class. We provide a similar solution to the updated Mercedes-Benz S-class, and have received new business awards with three additional customers launching over the next 18 months.

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

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

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

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

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

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

Restraint Control Systems

The Restraint Control System is the brain triggering a vehicle's Passive Safety system in a crash situation. Restraint Control Systems consist of a restraint ECU and related remote crash sensors, including acceleration and pressure sensors. The ECUs algorithms decide when a seatbelt pretensioner should be triggered and an airbag system should be deployed.

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

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

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

Overview of Zenuity

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

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

As of December 31, 2019, Zenuity had a team of approximately 720 employees and consultants, close to which 90% are software engineers who have the necessary skills to develop the decision making and vehicle control software for ADAS and AD. Zenuity is expected to deliver software to its customers during 2020.

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

Our product portfolio has been significantly expanded over the recent years from individual hardware sensing components to a full range of key features and functions, as outlined earlier. This enables Veoneer to address our customer needs today, and likely in the future, with a complete system offering of ADAS and AD solutions for consumer based vehicles and specific sub-system solutions for robo-taxi applications.

Brake Systems Segment

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

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

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

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

VBS currently produce brake systems capable of coping with regenerative braking and have developed an upgraded Electronic Brake Boost system for market introduction expected towards the end of 2019 and into 2020. This system integrates the hydraulic brake modulator with the electronic brake control unit and the brake fluid reservoir into a single unit (“one box” design). Scalability and cost competitiveness of this technology qualifies VBS to participate in the growth of brake-by-wire systems needed for regenerative braking while delivering superior braking performance to support the growing need for external brake requests such as AEB, ACC and other functionalities.

In January 2017, the Company announced that VBS is expanding its customer base beyond its primary customer Honda, winning lifetime contract order value of more than $1 billion for our new braking system with a Detroit based OEM on a major vehicle platform. Production for this new business award is currently scheduled to begin in 2020. There is no minimum purchase value associated with this awarded business. The agreement will be governed by the OEM’s general terms and conditions and Veoneer and such OEM will enter into a commercial and program agreement that will set forth the specific commercial terms and functional requirements with respect to this order. The program life cycle is estimated to be six years. We received subsequent major orders from the same OEM during 2017 and 2018 to roll-out the same product on additional vehicle platforms and several models. The main opportunities we see in brake systems stem from its capabilities in regenerative braking technology which works well with combustion engine vehicles but is even more suitable for HEV and EV. We see significant opportunities to expand outside the current customer base, especially in combination with our strong customer relationships and our global footprint.

Acquisition, Partnership and Collaboration History

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

Acquisitions, Joint Ventures and Divestitures

October 2019: Veoneer signed definitive agreements to divest its remaining 51% ownership in the VNBS joint venture. The transaction closed February 3, 2020.

June 2019: Veoneer acquired Nissin Kogyo's 49% of their ownership stake in the US operations of the VNBS joint venture (VNBA).

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

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

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

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

Partnerships, Collaborations and Supplier Agreements

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

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

October 2017: Veoneer announced a non-exclusive collaboration with Massachusetts Institute of Technology AgeLab to develop deep learning algorithms that enable effective communication and transfer of control between driver and vehicle. This includes sensing driver gaze, emotion, cognitive load, drowsiness, hand position, posture and fusing this information with the perception of the driving environment to create safe and reliable vehicles that drivers can learn to trust.

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

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

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

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

Market Overview and Competitive Landscape

Automotive Supplier Market Overview

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

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

Light Vehicle Production: Over the last two decades, LVP has increased at an average annual growth rate of around 3% despite the cyclical nature of the automotive industry. The LVP is expected to increase from 85 million vehicles in 2020, to 97 million in 2025, where approximately 86 million where produced in 2019, according to IHS, The market is undergoing a shift from traditional internal combustion engine ("ICE") vehicles, to HEVs and EVs, as emission regulations become more stringent, and battery technology continues to evolve in cost and performance.

Content Per Vehicle: Unlike LVP, we can directly influence the CPV by introducing new technologies to the market. Looking ahead, we expect the safety CPV growth will primarily be driven by Active Safety content (including software), with total Active Safety market growing from approximately \$100 per vehicle in 2019 to approximately \$300 per vehicle in 2025.

See Item 7 Management’s Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations-Trends, Uncertainties and Opportunities” for additional information related to recent trends in LVP and CPV.

Active Safety Competitive Landscape

The Active Safety market remains a highly fragmented and highly competitive. Competition is based primarily on technology, innovation, quality, delivery and price. Our future success will depend on our ability to develop advanced hardware and software technology solutions and to maintain or improve on our already strong competitive position over our existing and any new competitors. Main competitors in Active Safety include Aptiv, Bosch, Continental, Denso, Magna, Mobis, Valeo, ZF, and Intel/Mobileye as a Tier 2 vision software provider.

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

Through acquisitions, technology partnerships and licensing agreements, along with our customers we have continuously added key building blocks and we estimate to have obtained a market share of approximately 9% in Active Safety in 2019. Zenuity has since inception formed several partnerships to establish a software-suite ecosystem and competes with peer ecosystems such as the BMW/Intel/Mobileye collaboration and GM Super Cruise program.

Restraint Control Systems Competitive Landscape

The market for Restraint Control Systems, in comparison to the Active Safety market, remains relatively consolidated with both traditional electronics suppliers and some Passive Safety suppliers. Over the past few years, we have seen our market share increase mainly due to cost efficient integration solutions and strong customer relationships built on quality and technology advancements. Currently we are a leading supplier of Restraint Control Systems with an estimated market share of approximately 22% in 2019. Our largest competitors include Bosch, Continental, Denso and ZF.

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

Brake Systems Competitive Landscape

Brake systems consists of brake control ECUs, including ABS and ESC as well as brake apply units. We estimate the total brake systems market to be approximately $12 billion in 2019, with a projected CAGR of 5% through 2025. The main growth driver is higher installation rates of ESC systems in China and other emerging countries in Asia. Another major growth driver is more advanced and complex servo assisted systems and regenerative braking systems for HEVs and EVs. The ability to regenerate kinetic energy through braking is of growing importance as vehicle power trains are becoming increasingly electrified. We estimate that VNBS and VBS combined had a market share of approximately 4% in 2019. Main competitors of VNBS include ADVICS, Bosch, Continental, Mando and ZF.

Research & Development and Intellectual Property

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

We currently own or co-own approximately 850 active patents and have approximately 800 pending patent applications in the US and other jurisdictions. The active patents will expire between 2020 and 2039. We have registered the name Veoneer as a trademark in Sweden and are pursuing registration in other markets of interest. Depending on the jurisdiction, trademarks are generally valid as long as they are in use or their registrations are properly maintained, and they have not been found to have become generic.

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

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

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

Our total research and development expenses, including engineering, net of customer reimbursements, were $562 million, $466 million and $375 million for the years ended December 31, 2019, 2018 and 2017, respectively. Veoneer's 50% share of Zenuity's net expenses, as reported in loss from equity method investment, was $70 million, $63 million and $31 million for the years ended December 31, 2019, 2018 and 2017, respectively. These costs were mainly related to research and development.

We believe that our engineering and technical expertise, together with our emphasis on continuing research and development, allows us to use the latest technologies, materials and processes to solve problems for our customers and to bring new innovations to market. We believe that a continued focus on engineering activities are crucial to maintaining our pipeline of advanced technologies to become automotive grade products to meet our customer, regulatory and consumer demands.

Dependence on Customers

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

During 2019 Veoneer delivered production units to more than 20 OEM customers around the world. Our largest customers ranked in order as a % of sales were Honda (23%), Daimler (16%), Ford (11%), Hyundai/Kia (10%), Renault Nissan Mitsubishi (7%), General Motors (6%), FCA (5%) and BMW (4%). In 2019, according to IHS, in terms of light vehicles produced the top five largest OEMs accounted for approximately 50% of the global LVP while the top ten largest accounted for approximately 75%. In 2019, these same top five and top ten largest OEMs represent approximately 25% and 65% of Veoneer sales, respectively.

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

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

Veoneer Personnel

As of December 31, 2019, we had a total of approximately 8,900 total associates, with 4,900 in engineering, 2,000 in direct manufacturing and the remaining 2,000 in production and SG&A overhead functions. Included in these figures are approximately 1,400 temporary associates, and within engineering, more than two thirds of the associates worked as software engineers.

In addition, Zenuity had approximately 720 employees and consultants as of December 31, 2019, of which close to 90% worked as software developers. During 2019, approximately 230 engineers were hired by Veoneer and approximately 70 were hired by Zenuity.

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

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

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

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

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

Inventory and Working Capital

We, as with other component manufactures in the automotive industry, ship our products to customer vehicle assembly facilities throughout the world on a "just-in-time" basis for our customers to maintain low inventory levels. Our suppliers (external suppliers as well as our own production sites) use a similar method in providing raw materials or sub-assemblies to us. In certain situations Veoneer utilizes consignment inventories with our supply base.

Sources and Availability of Raw Materials

We procure our raw materials and components from a variety of suppliers around the world. Generally, we seek to obtain materials in the region in which our products are manufactured to minimize transportation, currency risks and other costs. The most significant raw materials we use to manufacture our products are various electronic semi-conductor components and ferrous metals for brake systems. As of December 31, 2019, we have not experienced any significant shortages of raw materials and normally do not carry inventories of such raw materials more than those reasonably required to meet our production and shipping schedules.

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

Seasonality

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

Environmental Compliance

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

Most of the Company's manufacturing processes consist of the assembly of components. As a result, the environmental impact from the Company's plants is generally modest. While our businesses from time to time are subject to environmental investigations, there are no material environmental-related cases pending against the Company. Therefore, we do not incur (or expect to incur) any material costs or capital expenditures associated with maintaining facilities compliant with U.S. or non-U.S. environmental requirements. To reduce environmental risk, the Company has implemented an environmental management system in all plants globally and has adopted an environmental policy.

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

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

Dependency on Government Contracts

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

Joint Ventures

Zenuity Joint Venture

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

Former VNBS Joint Venture

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

On June 14, 2019, the Company signed agreements with Nissin Kogyo to provide for certain structural changes to the joint venture and the funding of VNBS.

Pursuant to the agreements, Veoneer acquired Nissin's interests in the US operations of VNBS, referred to as VBS, and VNBS transferred or licensed the VNBS technologies necessary to operate the VBS business to VBS. VBS, including the transferred or licensed technologies, became a wholly-owned Veoneer business effective on the closing date, June 28, 2019.

Under the agreement, Nissin provided guarantees for certain VNBS commercial loans corresponding to 49% of the funding Veoneer had previously unilaterally provided to VNBS. During the nine months ended September 30, 2019, Veoneer received approximately $20 million as debt repayment from VNBS.

On October 30, 2019, Veoneer signed agreements (the "Definitive Agreements") to sell its 51% ownership in Veoneer Nissin Brake Japan ("VNBJ") and Veoneer Nissin Brake China ("VNBZ") entities that comprise VNBS to Nissin and Honda Motor Co., Ltd. The transaction was completed on February 3, 2020 under the Definitive Agreements, and the VNBS joint venture was terminated. See Note 6 "Assets held for sale" for additional information.

Spin-Off Related Agreements

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

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

Distribution Agreement

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

Employee Matters Agreement

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

Tax Matters Agreement

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

Amended and Restated Transition Services Agreement

Under the Amended and Restated Transition Services Agreement ("TSA"), Autoliv and Veoneer agreed to provide to each other certain services for a limited time to help ensure an orderly transition following the Spin-Off. The services that Autoliv provides include certain finance, information technology, human resources and compensation, facilities, legal and compliance and other services. We pay Autoliv for any such services utilized at agreed amounts as set forth in the TSA. In addition, for a term set forth in the TSA, we and Autoliv may mutually agree on additional services to be provided by Autoliv to us that were provided to us by Autoliv prior to the distribution but were omitted from the TSA at pricing based on market rates that are reasonably agreed by the parties. The TSA terminates on April 1, 2020.

Available Information

We file or furnish with the SEC periodic reports and amendments thereto, which include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information. Such reports, amendments, proxy statements and other information are made available free of charge on our corporate website at www.veoneer.com and are available as soon as reasonably practicable after they are electronically filed with the SEC. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Paper copies of the above-mentioned documents can be obtained free of charge from the Company by contacting our Investor Relations and Corporate Communications at: Veoneer, Inc., Box 13089, SE-103 02, Stockholm, Sweden or Veoneer, Inc., 26360 American Drive, Southfield, MI 48034 or http://www.veoneer.com.

Item 1A. Risk Factors

Owning our common stock involves a high degree of risk. You should consider carefully the following risk factors and all other information contained in this Annual Report on Form 10-K. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial but are in fact material, occur, our business, liquidity, results of operations and financial condition could be materially and adversely affected. If this were to happen, the market price of our common stock could decline significantly, and you could lose all or a part of the value of your ownership in our common stock. Some statements in this Annual Report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section in this Annual Report entitled "Forward-Looking Statements."

Risks Related to Our Industry

The cyclical nature of automotive sales and production can adversely affect our business. The market is currently experiencing a significant decline in light vehicle production (LVP) and LVP may decline for the next several years. A prolonged recession and/or a downturn in our industry or deteriorating performance of our business, could adversely affect our business and require impairments or restructuring actions.

Our business is related to LVP in the global market and by our customers, and automotive sales and LVP are critical drivers for our sales. A prolonged downturn in or uncertainty relating to global or regional economic conditions, or any significant reduction in automotive sales and/or LVP by our customers, whether due to general economic conditions or any other factors relevant to sales or LVP, will likely have a material adverse effect on our business, results of operations and financial condition. If global economic conditions deteriorate or economic uncertainty increases, our customers and potential customers may experience deterioration of their businesses, which may result in the delay or cancellation of plans to purchase our products.

Furthermore, our ability to generate cash from our operations is highly dependent on regional and global economic conditions, automotive sales and LVP. Additionally, we have a substantial number of important product and program launches in the next 18 months. These launches are important from both a sales and cash flow perspective. A continued lower LVP or lower sales volumes on these new vehicles being launched as well as lower sales on other vehicles may delay the return on our investment in R&D and a return on the resources expended to ensure timely and quality launches. Given the high level of R&D that is required in our products, including new product and program launches, a significantly negative cash flow could have a materially negative impact on our business. A prolonged downturn in global economic conditions or LVP would likely result in us experiencing a significantly negative cash flow.

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

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

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

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

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

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

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

We have not independently verified any third-party information, including LVP estimates by IHS, and cannot assure you of its accuracy or completeness. While we believe our market size estimates are reasonable, such information is inherently imprecise. For example, IHS's January 2020 estimates of LVP over the time period from 2020 to 2023 are reduced by approximately 50 million vehicles compared to forecasts in June 2018 (around the time of the completion of our spin-off from Autoliv). Compared to forecasts in June 2018, the current global LVP forecast is 11% lower for 2019, 13% lower for 2020 and 12% lower for 2022. In Western Europe, the current forecast is 10% lower for 2019, 11% lower for 2020 and 5% lower for 2022. In North America, the current forecast is 7% lower for 2019, 6% lower for 2020 and 7% lower for 2022. In China, the current forecast is 18% lower for 2019, 22% lower for 2020 and 19% lower for 2022. If IHS or other third-party or internally generated data that is used in our estimates proves to be inaccurate or we make errors in our assumptions based on that data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market meets our size estimates and experiences growth, we may not continue to grow our share of the market. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the estimates of our total addressable market included in this Annual Report should not be taken as indicative of our ability to grow our business.

We operate in highly competitive markets.

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

Furthermore, given that some of our competitors are larger than we are and have greater financial resources, our ability to create confidence in our customers and potential customers that we have the financial strength and resources to support their ambitious programs and can timely deliver quality products over the life of a vehicle program will also be a significant factor in our ability to be competitive. Because the supply chain in our industry is very complex and many of our competitors have greater financial resources, our customers and potential customers may consider us as a supply risk and become concerned that we will be unable to continue to provide products to them at a quality level that meets their needs. If we are unable to create confidence in our financial position, customers may choose other suppliers, which would have a material adverse effect on our business, results of operations and financial condition.

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

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

The field of active safety is a developing segment in the automotive industry and is expected to act as a basis for and enable the development and introduction of commercially viable autonomous vehicles. The number of competitors may increase as suppliers from outside the traditional automotive industry, such as Google, Argo, Uber, Lyft, Cruise, Samsung, Panasonic, Here, Tesla, Intel, NVIDIA and other technology companies, consider the significant business opportunities presented by autonomous driving. Some of our customers are also partnering together to develop autonomous driving solutions. The evolving nature of the competitive landscape creates greater uncertainty than the traditional automotive market.

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

The high development costs of active safety and autonomous driving products increases the risk that we will be unable to effectively compete in the market and our inability to effectively manage the timing, quality and costs of new program launches could adversely affect our financial performance.

Most of our products are technologically complex and innovative and there can be a significant amount of time between design and production. Development delays resulting from the challenges of integrating new functionality into vehicles and the evolution of our customers' performance requirements during the development cycle subject us to the risk that our customers cancel or postpone a contract in the time period that it takes us to begin production of a particular product. If we are unable to develop and deliver innovative and competitive products, or unable to do so within the same timeframe as our competitors, our business, results of operations and financial condition could be materially adversely affected.

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

Additionally, as a Tier 1 automotive supplier, we must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. Given the complexity of new program launches, especially involving new and innovative technologies, we may experience difficulties managing product quality, timeliness and associated costs. These risks with new technologies are increased when the customer relationship is new and the customer is subject to the same pressures on product quality and timeliness. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by our customers. Furthermore, if it becomes necessary to request that our customers cover or share in these costs due to the complexities and changes requested by the customers, this could impact our relationships with our customers and the development of these programs. These negotiations can take considerable time and effort and risk deterioration of our relationships with our customers, and there can be no assurances that any specific negotiations will result in amendments that are beneficial to us on a timely basis. We have a significant number of new program and product launches in the next 18 months. As the start of production grows closer for these programs and products, the potential risk related to timeliness and potential costs for failure to deliver timely may increase depending on the program or product as there is less time to implement any necessary changes to these programs even if they are requested by our customers. We may also have contractual liabilities for any such delays. Additionally, any such delays may impact our relationship with our customers and could impact potential future business opportunities. These issues may also be exacerbated due to deteriorating business conditions or declines in LVP. Our inability to effectively manage the timing, quality and costs of these new program launches could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

To compete effectively in the automotive supply industry, we must be able to launch new products to meet our customers' timing, performance and quality standards. Our inability to do so may result in the loss of awarded business as well as significant liabilities and/penalties. Certain state of the art products we launch may need to be developed on an especially accelerated time frame for speed-to-market. There is a risk that we will not be able to install and certify the equipment needed to produce products for new programs in time for the start of production, or that the transitioning of our manufacturing facilities and resources to full production for such new programs will not impact production rates or other operational efficiency measures at our facilities. In addition, there is a risk that our customers will not execute on schedule the launch of their new product programs, for which we might supply products. Additionally, as a Tier 1 automotive supplier, we must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. Given the complexity of new program launches, especially involving new and innovative technologies, we may experience difficulties managing product quality, timeliness and associated costs. These risks with new technologies are increased when the customer relationship is new and the customer is subject to the same pressures on product quality and timeliness. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by our customers. Furthermore, if it becomes necessary to request that our customers cover or share in these costs due to the complexities and changes requested by the customers, this could impact our relationships with our customers and the development of these programs. These negotiations can take considerable time and effort and risk deterioration of our relationships with our customers, and there can be no assurances that any specific negotiations will result in amendments that are beneficial to us on a timely basis. Our inability to effectively manage the timing, quality and costs of these new program launches could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Business

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

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

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

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

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

Our ability to raise capital in the future may be limited, which could limit our business plan or adversely affect the rights of our stockholders.

Although we expect our current cash balance, combined with our future cash flows, will address our capital needs for at least the next 12 months, we cannot be assured that this will be the case. Our operating environment is increasingly challenging, and our business and strategic plans may consume resources faster than we presently anticipate. Specifically, short term deteriorating business conditions and lower than expected light vehicle production, along with the demand for increased RD&E investment to support our continued strong order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio could potentially result in a future need to raise additional capital. We may finance future cash needs through public or private equity offerings and may also use debt financings or strategic collaborations and licensing arrangements. Our ability to access the capital markets, if needed, on a timely basis or at all will depend on a number of factors, such as the state of the financial markets and securities law requirements and standards. In the event of rising interest rates, disruptions in financial markets, negative perceptions of our business or our financial strength, or other factors that would increase our cost of borrowing, we cannot be sure of our ability to raise additional capital, if needed, on terms acceptable to us, and we may be forced to consider alternative transactions (including the sale of non-core / non-active safety assets on terms our existing security holders perceive as unattractive) in order to fund our operations, repay debt or make new investments, or we may be unable to do so.

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

If we are unable to raise required capital on a timely basis, we may be forced to adjust our strategic and business plans to prioritize more essential funding needs. This could result in delaying certain research or development initiatives, which could impact our ability to develop innovative products and technologies. If capital is not available, or is not available on acceptable terms if and when needed, our ability to fund our operations, take advantage of market opportunities, develop or enhance our products, or otherwise respond to market changes or competitive pressures could be limited.

Our indebtedness may harm our financial condition and results of operations.

As of December 30, 2019, we have outstanding debt of $171 million. We may incur additional debt for a variety of reasons. Although our significant debt agreements do not have any financial covenants, our level of indebtedness will have several important effects on our future operations, including, without limitation (i) a portion of our cash flows from operations will be dedicated to the payment of any interest or could be used for amortization required with respect to outstanding indebtedness; (ii) increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; (iii) depending on the levels of our outstanding debt, our ability to obtain additional financing for working capital, acquisitions, capital expenditures, general corporate and other purposes may be limited; and (iv) potential future tightening of the availability of capital both from financial institutions and the debt markets may have an adverse effect on our ability to access additional capital.

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

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

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

In addition, certain of our products utilize components that are developed by third parties and licensed to us or our joint ventures. If claims alleging patent, copyright or trademark infringement are brought against such licensors and successfully prosecuted, they could result in substantial costs, and we may not be able to replace the functions provided by these licensors. Alternate sources for the technology currently licensed to us or our joint ventures may not be available in a timely manner, may not provide the same functions as currently provided or may be more expensive than products currently used. Additionally, there is a risk that any patents owned or licensed by us may be challenged, invalidated or circumvented, limiting competitive advantage of affected products or technologies.

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

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

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

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

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

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

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

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

We face risks related to product liability claims, warranty claims and recalls in the event that any of our products actually or allegedly are defective, fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/ or property damage. We may not be able to anticipate all of the possible performance or reliability problems that could arise with our products after they are released to the market. Additionally, increasing regulation, including reporting requirements, regarding potentially defective products, particularly in the U.S., may increase the possibility that we become involved in additional product liability or recall investigations or claims. There is a risk that our product liability and product recall insurance will not provide adequate coverage against potential claims, such insurance will not be available in the appropriate markets or that we will not be able to obtain such insurance on acceptable terms in the future. There is also a risk that Autoliv or one of our customers may be unable or unwilling to indemnify us for product liability, warranty or recall claims although they are contractually obligated to do so or we may be required to indemnify Autoliv or such customer for such claims, which may significantly increase our exposure and potential loss with respect to any such claims.

There is a risk that our current and future investments in our engineering, design, and quality infrastructure will be insufficient and that our products could suffer from defects or other deficiencies or that we will experience material warranty claims or additional product recalls. This is especially relevant in the dynamic active safety market, which is characterized by accelerated development cycles, fluctuating performance requirements and identification of potential failure modes, and the need to integrate products into advanced vehicle environments In the future, we could experience additional material warranty or product liability losses and incur significant costs to process and defend these claims.

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

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

Disruptions in our supply or delivery chain, or those of our OEM customers, could cause one or more of our customers to halt or delay production.

We, as with other component manufactures in the automotive industry, ship our products to customer vehicle assembly facilities throughout the world on a "just-in-time" basis to allow our customers to maintain low inventory levels. Our suppliers (external suppliers as well as our own production sites) use a similar method in providing raw materials and components to us. This "just-in-time" method makes the logistics supply chain in our industry very complex and vulnerable to disruptions.

Disruptions in our supply chain such as large recalls or field actions impacting suppliers, facility closures, strikes, electrical outages, critical health and safety and other working conditions issues, pandemic diseases, such as the coronavirus (COVID-19), natural disasters or other logistical or mechanical failures, could inhibit our ability to timely deliver on orders. We may also experience disruptions if there are delays in customs processing, including if we are unable to obtain government authorization to export or import certain materials.

In addition, financial pressure and/or instability resulting from a prolonged downturn in or uncertainty relating to global or regional economic conditions, or any significant reduction in automotive sales and/or LVP, may affect our suppliers' agility and willingness and/or ability to accommodate our commercial demands, including with respect to cost and timing.

When we fail to timely deliver or cause a disruption in our customers' production, we risk damaging our customer relationship, and may lose the business or have to absorb our own costs for identifying and resolving the ultimate problem as well as expeditiously producing and shipping replacement components or products. Generally, we must also carry the costs associated with "catching up," such as overtime and premium freight, and may be financially responsible for damages to the customer caused by such delays.

Similar widespread disruptions in our OEM customers' supply chains may also cause a halt or delay in production that could adversely affect our business. In particular, if the current coronavirus outbreak continues and results in a prolonged period of travel, commercial and other similar restrictions, particularly to and from China, we and our OEM customers could experience supply chain and production disruptions. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted.

We currently do not have long-term supply contracts with many of our third-party suppliers and make substantially all of our purchases on a purchase order basis. Our standard terms and conditions of purchase require a commitment from our suppliers to produce raw materials or components at the last piece part price accepted by the parties for at least five years following the end of a production contract, and service parts for fifteen (15) years after fulfillment of a purchase order. However, not all suppliers accept these terms and, even if accepted, we cannot be assured they will honor their contractual commitments. Autonomous driving solutions are rapidly developing and increasingly complex and require the use of advanced components that may be single-sourced or not easily replaced if the technology or the vendor does not perform as expected or agree to supply on a continuing basis. We expect that it would take approximately 12 to 18 months to transition from a current supplier to new providers for our more advanced components. Such a transition would also likely require a qualification process by our customers.

We may choose to pursue arrangements with suppliers that include commitments to purchase specified quantities over extended periods or nonrefundable deposits or loans in exchange for capacity commitments. If we do so, we may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. To date, we have not entered into such arrangements with our suppliers.

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

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

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

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

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

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

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

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

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

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

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

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

Changes in our product mix may impact our financial performance.

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

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

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

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

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

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

If one or more of our customers' facilities cease production or decrease their production volumes, the assets we carry related to our facilities serving such customers may decrease in value because we may no longer be able to utilize or realize them as intended. Where such decreases are significant, such impairments may have a materially adverse impact on our financial results. Impairment of goodwill and other identifiable intangible assets may result from, among other things, deterioration in our performance and especially the cash flow performance of these goodwill assets, adverse market conditions (including a resulting decline in our market capitalization from such adverse market conditions or deteriorating performance) and adverse changes in applicable laws or regulations. If there are changes in these circumstances or the other variables associated with the estimates, judgments and assumptions relating to the valuation of goodwill, when assessing the valuation of our goodwill items, we may determine that it is appropriate to write down a portion of our goodwill or intangible assets and record related non-cash impairment charges. In the event that we determine that we are required to write down a portion of our goodwill items and other intangible assets and thereby record related non-cash impairment charges, our business, results of operations and financial condition could be materially adversely affected.

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

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

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

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

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

Disruptions and attacks on our IT systems or the systems of third parties storing our data could result in the misappropriation, loss or corruption of our critical data and confidential or proprietary information, personal information of our employees, and the leakage of our or our customers' confidential information, improper use of our systems and networks, production downtimes and both internal and external supply shortages, which could have a material adverse effect on our business, results of operations and financial condition. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, diversion of the attention of management away from the operation of our business and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

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

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

Our business is exposed to risks inherent in international operations.

We currently conduct operations in various countries and jurisdictions, including locating certain of our manufacturing and distribution facilities internationally, which subjects us to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. International sales and operations subject us to certain risks inherent in doing business abroad, including exposure to local economic and political conditions, health foreign tax consequences, issues with enforcing legal agreements, currency controls, imposition of tariffs, preferences of foreign nations for domestically manufactured products, and concerns about human rights, working conditions and other labor rights and conditions and the environmental impact in foreign countries where our products are produced and raw materials and/or components are sourced. These risks could have a material adverse effect on our business, results of operation and financial condition.

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

The current U.S. administration has recently initiated substantial changes in U.S. trade policy and U.S. trade agreements, including the initiation of tariffs on certain foreign goods, and has created uncertainty about the future relationship between the U.S. and certain of its trading partners. In addition, the U.S. is negotiating or has entered into new trade agreements that could affect adversely us, including the United States-Mexico-Canada Agreement, which if adopted, would replace the North American Free Trade Agreement. A trade war, trade barriers or other governmental actions related to tariffs, international trade agreements, import or export restrictions or other trade policies could adversely impact demand for our products, our costs, customers, suppliers and/or the U.S. economy or certain sectors thereof and, therefore, adversely affect our business, results of operations and financial condition.

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

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

We are exposed to exchange rate risks.

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

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

- changes in the reported U.S. dollar amounts of cash flows.

For example, in 2019 the Company’s gross transaction exposure was approximately $1.0 billion, with a net exposure of $0.9 billion due to counter-flows. The largest net transaction exposures were the sale of Euro against the U.S. Dollar, and the purchase of U.S. Dollar against Korean Won. In 2019, the five largest currency pairs accounted for approximately 82% of the Company’s net currency transaction exposure. These exchange rate risks could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

Furthermore, our joint venture partners may be unable or unwilling to meet their economic or other contractual obligations, and we may in some cases and/or for some time choose to fulfill those obligations alone to ensure the ongoing success of a joint venture, or we may choose to dissolve and liquidate it. For example, in connection with ongoing disagreements with Nissin Kogyo, our joint venture partner in VNBS, we have entered into agreements to separate and terminate the joint venture. In June 2019, we acquired Nissin Kogyo’s interests in the US operations of VNBS, or VBS, and released Nissin Kogyo from any obligations to fund VBS in the future and from any claims Veoneer may have had against Nissin Kogyo relating to VBS. Further, in February 2020 we completed the sale of our 51% ownership in the Japanese and Chinese entities that comprise the remainder of the VNBS joint venture to Nissin Kogyo and Honda Motor Co., Ltd. thereby terminating the VNBS joint venture.

In addition, our joint venture and collaboration partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. Our products and technologies may from time to time overlap with certain aspects of the technologies developed with one of our joint venture or collaboration partners which may cause the parties to consider the impact on the contractual relationship. Depending on our level of control over the governance and/or operations of a joint venture or collaboration, we may be unable to implement actions with respect to the joint venture’s activities that we believe are favorable if the joint venture partner does not agree. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. We may have difficulty resolving disputes with or claims against our joint venture partners, which could lead to us bearing liability for claims that we are not responsible for and may have a material adverse impact on the joint venture. We may not have access to these technologies or suitable replacements without these joint ventures or collaborations. If one or more of our joint venture partners or collaboration partners experiences operating difficulties or economic uncertainties, our access to these development technologies may be jeopardized and our product development may be negatively impacted. The above risks, if realized, could have a material adverse effect on our business, results of operations and financial condition.

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

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

Risks Related to Government Regulations & Taxes

Our business may be adversely affected by if our policies and procedures do not adequately protect our employees or others or otherwise meet the requirements of applicable laws or regulations, including international, environmental, occupational health and safety or other governmental regulations.

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

Our operations are subject to environmental and safety laws and regulations governing, among other things, emissions to air, discharges to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. Environmental laws, regulations, and permits and the enforcement thereof change frequently and have tended to become increasingly stringent over time. The operation of automotive parts manufacturing facilities entails health and safety and environmental risks, and our development processes includes vehicle testing and data collection that could expose employees to risks inherent in driving on public roads and test tracks. Although we employ safety procedures in the design and operation of our facilities and development programs, there is a risk that an accident or injury could occur. Any accident or injury could result in litigation, manufacturing and/or development delays, property loss and/or and harm to our reputation, which could negatively affect our business, operating results and financial condition. In addition, here is a risk that we will incur material costs or liabilities including fines and/or penalties if regulators determine that proper controls were not in place.

We are also subject to local regulations and declarations related to public health issues, including travel bans, quarantines and mandated facility closures implemented in response to local, national or international epidemics or pandemics. Any unanticipated limitations on our ability to operate or our employees or contractors' ability to travel or work could inhibit our ability to maintain customer supply, either directly or through impact on our suppliers.

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

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

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

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

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

The regulatory obligation of complying with safety regulations could increase as federal and local regulators impose more stringent compliance and reporting requirements in response to product recalls, safety issues and product innovations in our industry. In the U.S., we are subject to the existing Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act, which requires manufacturers to comply with "Early Warning" requirements by reporting to the National Highway Traffic Safety Administration ("NHTSA") information related to defects or reports of death related to their products. TREAD imposes criminal liability for violating such requirements if a defect subsequently causes death or bodily injury. In addition, the National Traffic and Motor Vehicle Safety Act authorizes NHTSA to require a manufacturer to recall and repair vehicles that contain safety defects or fail to comply with federal motor vehicle safety standards. In September 2016, U.S. Department of Transportation issued a Federal Automated Vehicles Policy as agency guidance for comment rather than in a rulemaking in order to enable the delivery of an initial regulatory framework and best practices to guide manufacturers and other entities in the safe design, development, testing, and deployment of highly automated vehicles. Since September 2016, the U.S. Department of Transportation has issued voluntary "guidance" for autonomous vehicle (AV) standards, including the most recent "Ensuring American Leadership in Automated Vehicle Technologies – Automated Vehicles 4.0" dated January 2020, to promote autonomous vehicle development. It is unknown when specific U.S. regulations for AVs may be released and what, if any, impact such regulations may have on us or our customers in terms of products, features and performance requirements.

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

We may have exposure to greater than anticipated tax liabilities.

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

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

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the E.U. (commonly referred to as "Brexit"), and the U.K. ceased to be a member state of the E.U. on January 31, 2020. As a result of Brexit, the U.K. will lose access to the E.U. single market and to E.U. trade deals negotiated with other jurisdictions at that time, so the long-term effects of Brexit will depend on the agreements or arrangements with the E.U. for the U.K. to retain access to E.U. markets either during a transitional period or more permanently. The long-term effects of Brexit may include, among other things, greater restrictions on imports and exports between the U.K. and E.U. countries, a fluctuation in currency exchange rates and additional regulatory complexity. Such changes could be costly and potentially disruptive to our operations and business relationships in these markets. If we are unable to manage any of these risks effectively, our business and financial results could be adversely affected. Our operations in the U.K. represented an immaterial part of our business as of December 31, 2019.

Risks Related to the 2018 Spin-Off from Autoliv

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

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

Prior to the Spin-Off, our business was operated by Autoliv as part of its broader corporate organization, rather than as an independent company. Autoliv or one of its affiliates performed various corporate functions for us, such as legal, accounting, treasury, internal auditing, and human resources and also provided our IT and other corporate infrastructure. Our historical financial results reflect allocations of corporate expenses from Autoliv for such functions and are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company. As a result of the Spin-Off, we are responsible for the costs related to such functions previously performed by Autoliv, and such costs have increased. Autoliv is providing some of these functions to us pursuant to a transition services agreement. We will need to make investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which we no longer have access as a result of the Spin-Off. These initiatives to develop our independent ability to operate without access to Autoliv's existing operational and administrative infrastructure will have a cost to implement. We may not be able to operate our business efficiently or at comparable costs, and our profitability may decline. Additionally, prior to the Spin-Off, we shared economies of scale in costs, employees, vendor relationships and customer relationships with Autoliv. Although we have entered into a transition services agreement with Autoliv for certain services, these arrangements may not fully capture the benefits that we have enjoyed as a result of being integrated with Autoliv and may result in us paying higher amounts than in the past for certain products and services. This could have an adverse effect on our results of operations and financial condition as separate, publicly traded company.

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

Our ability to meet our capital needs has materially changed by the loss of financial support from Autoliv since the Spin-Off, and it may be more difficult for us to obtain capital to fund our business.

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

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

We and Autoliv believe that the tax-free Spin-Off will enhance our long-term value. However, by separating from Autoliv, we may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of

Autoliv. In addition, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all.

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

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

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

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

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

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

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

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

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

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

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

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

Currently, we rely on Autoliv to provide certain corporate and administrative services such as certain information technology, financial and human resource services. We are in the process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services Autoliv currently provides to us pursuant to the Transition Services Agreement. If Autoliv is unable or unwilling to provide such services pursuant to the Transition Services Agreement, or if we do not have in place our own systems and services, or if we do not have agreements with other providers of these services, once the agreement terminates, or if these services are only available for substantially less favorable terms, we may not be able to operate our business effectively and our financial condition and result of operations may be adversely affected. The Transition Services Agreement terminates on April 1, 2020.

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

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

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

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

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

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

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

Certain of our directors and officers own Autoliv common stock and equity awards. Even though our board of directors consists of a majority of directors who are independent, several of our directors continue to have a financial interest in Autoliv common stock and equity awards. Continuing ownership of Autoliv common stock and equity awards, or service as a director at both companies could create, or appear to create, potential conflicts of interest for our directors and officers with prior or continuing positions with Autoliv if we have disagreements with Autoliv about the agreements between us that continue or face decisions that could have different implications for us and Autoliv.

Risks Related to Investing in Our Securities

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

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

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

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

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

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

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

Our certificate of incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our stockholders, directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising out of or pursuant to the Delaware General Corporation Law, (iv) the certificate of incorporation or amended and bylaws, or (v) any action asserting a claim government by the internal affairs doctrine. Any person or entity purchasing or otherwise holding any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provision in our restated certificate of incorporation related to choice of forum. This provision may have the effect of discouraging lawsuits against our directors, officers or employees by limiting our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes.

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

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

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

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

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

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

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

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

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

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

Risks Related to an Investment in our SDRs

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

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

As of December 31, 2019, including our VNBS joint venture operations, we owned or leased 10 manufacturing facilities and 27 technical centers and several sales and administrative offices. We have a presence in 13 countries. Our global scale enables us to engineer globally and manufacture locally to serve our global and local customers.

The following tables shows the regional distribution of what we consider our material manufacturing facilities and technical sites:

VEONEER MANUFACTURING FACILITIES

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

TECHNICAL CENTERS

Country / Company	Location	Reporting Segment(s)	Product(s) Supported
China			
Veoneer China Co., Ltd.	Shanghai	Electronics	Customer applications and platform development with full-scale test laboratory
France			
Veoneer France SAS	Cergy-Pontoise	Electronics	Customer applications and platform development with full-scale test laboratory
Germany			
Veoneer Germany GmbH	Underschleissheim	Electronics	Customer applications and platform development with full-scale test laboratory
	Kitzingen	Electronics	Customer application test facility
India			
Veoneer India Private Limited	Bangalore	Electronics	Customer applications and platform development
Japan			
Veoneer Japan Ltd.	Hiroshima	Electronics	Customer applications and platform development
	Yokohama	Electronics	Customer applications and platform development
Romania			
Veoneer Romania S.R.L.	Timisoara	Electronics	Customer applications and platform development
South Korea			
Veoneer Korea Ltd.	Hwaseong-shi	Electronics	Customer applications
USA			
Veoneer US, Inc.	Southfield, MI	Electronics	Brake control systems, electronics customer application and platform development
	Lowell, MA	Electronics	Electronics platform development

Our joint venture, Zenuity, leases a material technical center in Göteborg, Sweden.

Item 3. Legal Proceedings

Various claims, litigation and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters.

Certain legal proceedings in which the Company is involved are discussed in Note 16 - "Commitments and Contingencies" of Part II, Item 8 "Financial Statements and Supplementary Data" and should be considered an integral part of Part I, Item 3 "Legal Proceedings."

Item 4. Mine Safety Disclosures

Not applicable.

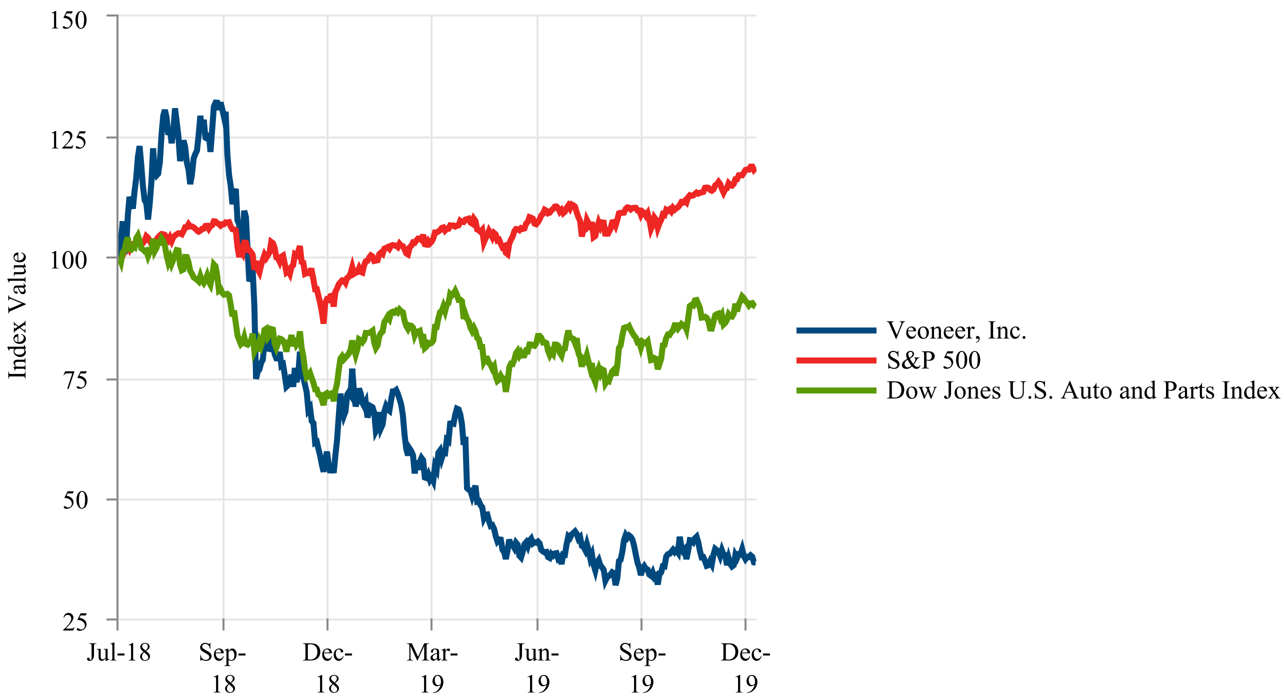
Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the trading symbol "VNE" and our Swedish Depository Receipt ("SDRs") representing shares of our common stock are traded on Nasdaq Stockholm under the trading symbol "VNE SDB". As of February 13, 2020, the Company had 111,408,845 shares of its common stock, $1.00 par value per share, outstanding, which were owned by approximately 41,000 beneficial shareholders of record as of December 31, 2019.

Performance Graph

The following graph compares the cumulative total stockholder return from July 2, 2018, through December 31, 2019, of Veoneer's common stock, the S&P 500 Index and the Dow Jones U.S. Auto Parts Index. The comparison assumes that $100 was invested on July 2, 2018, in the Company's common stock and each index, and that all that dividends have been reinvested.



	2 July 2018	31 December 2018	30 June 2019	31 December 2019
Veoneer, Inc.	$100.00	$55.26	$40.59	$36.62
S&P 500	$100.00	$91.94	$107.89	$118.49
Dow Jones U.S. Auto & Parts	$100.00	$92.24	$83.69	$89.78

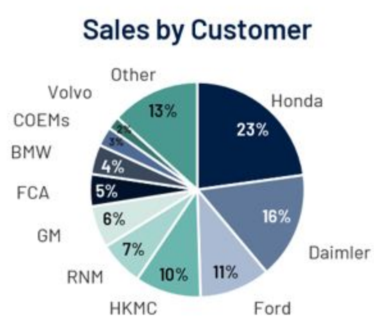
The above comparisons are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of the Company's common stock or the referenced indices.

Item 6. Selected Financial Data

The following statement of operations, statement of cash flows and balance sheet data were derived from the Company's consolidated financial statements for the years ended December 31, 2019, 2018, 2017, 2016 and 2015. This information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" in this Report.

	Year Ended December 31				
Dollars in millions, (except where specified)	**2019**	**2018 [3]**	**2017 [3]**	**2016 [3]**	**2015 [3]**
Operating Results:					
Net Sales	$ 1,902	$ 2,228	$ 2,322	$ 2,218	$ 1,589
Operating Income / (loss)[1]	$ (460)	$ (197)	$ (283)	$ (25)	$ (8)
Net Income / (loss)	$ (522)	$ (294)	$ (344)	$ (60)	$ (30)
Net Income / (loss) attributable to controlling interest	$ (500)	$ (276)	$ (217)	$ (53)	$ (30)
Capital Expenditures	$ (213)	$ (188)	$ (110)	$ (103)	$ (53)
Depreciation and Amortization	$ (115)	$ (111)	$ (119)	$ (106)	$ (53)
Financial Position:					
Total Assets	$ 2,743	$ 2,632	$ 1,663	$ 1,739	$ 1,059
Total Debt [2]	$ (171)	$ (14)	$ (62)	$ (15)	$ —

[1] Includes costs for goodwill impairment of $234 million in 2017.
[2] Includes related party short-term debt and related party long-term debt as of December 31, 2018, related party long-term debt as of December 31, 2017.
[3] The Veoneer financial results for the first half of 2018 and all of 2017, 2016 and 2015 have been prepared from the financial records of Autoliv, Inc. under specific carve-out basis accounting rules.



Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

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

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

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

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

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

Executive Overview

Organic sales in the quarter were in-line with our expectations at the beginning of the quarter, despite some weakness in the LVP. Our operating loss was lower than expected at the beginning of the quarter, primarily due to continuing cost control activities across the company, particularly with respect to customer reimbursements and control of our RD&E costs. In general, our market adjustment initiatives are continuing to positively impact our cost structure.

During 2020 we intend to take further actions under our market adjustment initiative program. These actions include: further partnering, further focusing our product portfolio, reviewing certain customer contracts, and a continued focus on other cost improvement initiatives.

We are also continuing to define the scope and priorities of Zenuity, where the Polestar 2 and the Volvo XC 40 Recharge, both launching in the upcoming months, will be the first two vehicles with the full Zenuity software suite for collaborative driving. This is a major milestone and achievement for Zenuity.

2020 is a major customer launch year for Veoneer and we are gearing up for the launch of our fourth-generation vision systems during the first half of the year. The bulk of the launches, and importantly the higher delivery volumes, are concentrated toward the second half of the year which is when we expect Veoneer to return to organic sales growth.

We are basing our 2020 outlook on our core Active Safety and Restraint Control Systems businesses and our VBS US operations Brake Systems business, as we completed the divestiture of the Asian operations of our VNBS joint venture on February 3, 2020 as part of an on-going strategic review of our brake business.

In the early part of January, we participated to the Consumer Electronics Show where we showcased our latest solutions in Collaborative Driving, which further confirmed our decision to focus our sales, operations and development on Active Safety solutions where the driver remains involved. Customer feedback to our approach is very positive and we expect to win significant, profitable orders with our focused, refined Active Safety portfolio throughout 2020.

We are currently monitoring and taking appropriate actions on a daily basis related to the effects from the Coronavirus outbreak in China. As always, the health and safety of our employees is our primary focus. To date we are not aware of any cases of the virus with our employees, however it is too early to assess the effects on our China business as this is an on-going situation.

For the next several quarters our focus is on preparing for: successful customer launches in 2020 and heading into 2021, market adjustment initiatives to continue to drive efficiencies and improve cash flow, and continuing to win profitable new business.

2020 Outlook and Targets

Our 2020 outlook includes our core Active Safety and Restraint Control Systems business (Electronics segment) and the VBS US operations since we completed the VNBS JV divestiture on February 3, 2020.

Our current customer call-offs and deliveries point to a weak first quarter, mostly in China and Europe, both sequentially from the previous quarter and year-over-year. This leads us to expect a LVP decline for the first six months and a decline in the low single digits for 2020, both as compared to 2019.

Veoneer expects to return to organic sales growth in the mid-single digits in 2020. This expected sales growth is driven by new program launches, mostly in Active Safety, during the second half of the year. During the first half of 2020 our net sales are expected to remain relatively flat sequentially from the second half of 2019, and then ramp-up sequentially during the second half of 2020.

During 2020, our market adjustment initiatives are expected to generate further cost structure and balance sheet improvements. We expect RD&E, net along with the operating loss and cash flow before financing to improve in 2020 from 2019 levels, on a comparable basis, although most of the improvement is expected to come during the second half of the year. This excludes any one-time effects related to our strategic reviews. Based on the market opportunities we currently foresee in 2020, we estimate our order intake to be approximately $1 billion of average annual sales for our core Electronics segment.

Lastly, our medium-term targets are based on our approximately $19 billion order book, of which approximately 80% is for the Electronics segment (Active Safety and Restraint Control Systems). We estimate the net sales of this segment will increase to approximately $2.5 billion in 2022, which is a CAGR of approximately 19% from 2019. During this same period Active Safety net sales are expected to approximately double.

Financial Results

Significant aspects of the Company's financial results for the year ended December 31, 2019, include the following.

Net Sales - Veoneer's net sales for the full year of 2019 declined by 15% to $1,902 million as compared to 2018.

Gross Profit - The gross profit of $311 million for the full year of 2019 was $119 million lower as compared to 2018. The negative volume and product mix effects that caused the lower organic sales were the main contributors to the gross profit decline. Net currency effects on the gross profit were approximately $28 million unfavorable for the same period as compared to 2018, primarily due to the stronger US dollar.

Operating Loss - The operating loss of $460 million for the full year of 2019 increased by $263 million as compared to 2018. Net currency effects on the operating loss were negative $8 million for the same period as compared to 2018.

Net Loss - The net loss for the full year of 2019 increased by $228 million to $522 million as compared to 2018. Veoneer's net loss from its equity method investment (Zenuity) of $70 million for the full year of 2019 increased by $7 million as compared to 2018. This increase is mainly attributable to the hiring and continued build-up of software engineers through the first half of 2019.

The increase in equity method investment loss was partially offset by interest income, net of $8 million, which was an increase of $2 million as compared to 2018. Interest expense related to the convertible debt issuance in 2019 was approximately $10 million for the full year of 2019.

The Income tax expense for the full year of 2019 decreased by $41 million as compared to 2018, mainly due to a $10 million tax benefit from the convertible debt and $26 million of discrete tax items in 2018.

The non-controlling interest loss of $22 million in the VNBS JV for the full year of 2019 was $3 million higher as compared to 2018. The increase is mainly due to the organic sales impact on earnings.

Loss per Share - The loss per share of $4.92 for the full year of 2019 increased by $1.75 per share as compared to 2018 mainly due to the increase in the operating loss. The share count increase from the common stock issuance in 2019 reduced the loss by $0.80 per share.

Trends, Uncertainties and Opportunities

Trend toward Collaborative Driving

The environment around us continues to be rapidly changing and we currently see a shift across the automotive and autotech industries. The industry developments during 2019 have further strengthened the trend toward advanced driver support - Collaborative Driving - and away from fully autonomous cars for the consumer based vehicle mass market.

New technologies, creating new levels of interaction and driver support are starting to revolutionize driving, but we also see the driver being actively involved for many years to come. While the industry refers to "Level 2+" or even "Level 2++" Veoneer calls this Collaborative Driving, and includes any SAE level of automation. At the same time there is a growing realization that the introduction of truly self-driving cars will likely take longer and be more expensive than previously anticipated. This fundamental insight opens up new opportunities for companies, including Veoneer, but it also requires a reprioritization of resources. As such, we believe that the market will stay mainly focused on Level 1-Level 2+ autonomous driving solutions for the next decade.

Global Regulatory and Test Rating Developments

Europe continues to take a proactive role in promoting or requiring Active Safety technologies. The European New Car Assessment Program ("NCAP") continuously updates its test rating program to include more active safety technologies to help the European Union reach its target of cutting road fatalities by 50% by 2030, as compared to 2020. We anticipate strong global sensor adoption rate increases (forward, side and rear) due to the European NCAP's push for crash avoidance, increased adoption rates due to growing demand around ADAS software features, volume growth due to redundant sensing concepts needed for higher levels of autonomy, potential opportunities in relation to compliance with cyber-security and software updates and step-by-step increased demand for connectivity components as a result.

On May 17, 2018, the European Commission proposed a new mandate, as party of the EU General Safety Regulation road-map through 2028, to make certain Active Safety features compulsory in light vehicles by 2022. During March of 2019 the EU mandate was adopted as initially proposed by the European Commission. We believe that adoption of the mandate will significantly expand demand for our Active Safety products. Indeed, with respect to sensors and Advanced Driver

Assistance Systems (ADAS) software features, our order intake since the adoption of the mandate seems to reflect the anticipated increase in demand. However, during 2019 we have seen OEM delays in the sourcing of these technologies as customers reconsider how they want to architect and design, in a scalable way to include these new standard technologies. In addition, we believe that the mandate and the EU General Safety Regulations (GSR) generally will influence other market regulators as they evaluate their respective vehicle test rating programs and safety legislation.

In China, the Ministry of Industry and Information Technology issued the Key Working Points of Intelligent Connected Vehicle Standardization for 2018 to promote and facilitate the development of the intelligent connected vehicles industry, and advance the development of fundamental standards and those that are in urgent demand. The guideline has pointed out that more than 30 key standards will be defined by 2020 to fund the systems for (ADAS) and low-level autonomous driving, and a system of over 100 standards will be set up by 2025 for higher level autonomous driving. During the third quarter of 2018, the Chinese government commenced testing of new vehicles according to the new China New Car Assessment Program (CNCAP) where active safety features like Autonomous Emergency Braking (AEB) are required to achieve the maximum safety rating.

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

In 2018 the UN Economic Commission for Europe (ECE) created a new Working Party to deal with regulations for Automated/Autonomous and Connected Vehicles (GRVA). In addition to the EU and Japan, which have both started to work closely together to develop ADAS regulations, in the last three years, the U.S. and China have both indicated a willingness to be active in several working groups towards harmonization of future regulations for ADAS and AV. This would create a common umbrella for countries which follow type-approval rules (EU, Japan, Australia) and countries which are outside of type-approval system, e.g., under self-certification regimes (U.S., Korea) or specific national rules (China).

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

Market Overview

Millions (except where specified) IHS as of January 16, 2020	Light Vehicle Production by Region - 2019						
	China	**Japan**	**Rest of Asia**	**Americas**	**Europe**	**Other**	**Total**
Full Year 2019	23.3	9.0	12.2	18.3	21.0	2.0	85.9
Change vs. 2018	(9)%	0 %	(6)%	(4)%	(4)%	(23)%	(6)%

For the full year of 2019, the global light vehicle production (according to IHS) declined by approximately 6% as the expected second half improvement for 2019 did not materialize as expected at the beginning of 2019, mainly due to a continued deterioration in China, RoA and Western Europe throughout 2019. This decline is approximately 7 percentage points lower than expected at the beginning of 2019. This is the largest single year decline since the financial crisis in 2009. Despite the overall light vehicle production decline as compared to 2018, North America remained relatively stable, and near peak levels, where the decline in 2019 was 4% to 15.1 million vehicles, as compared to 2018.

This is the second consecutive annual decline in light vehicle production from 2017 when a record 92 million vehicles were produced. The IHS outlook for global light vehicle production in 2020 is for a 1% decline from 2019 levels to 85 million vehicles. China, Japan and Western Europe are expected to be the main drivers of the decline in 2020 as compared to 2019.

Non-U.S. GAAP Financial Measures

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

In this report we refer to organic sales or changes in organic sales growth, a non-U.S. GAAP financial measure that we, investors and analysts use to analyze the Company's sales trends and performance. We believe that this measure assists investors and management in analyzing trends in the Company's business because the Company generates approximately 68%

of its sales in currencies other than in U.S. dollars (its reporting currency) and currency rates have been and can be rather volatile. The Company has historically made several acquisitions and divestitures, although none that impacted the reporting periods in question. Organic sales and organic sales growth represent the increase or decrease in the overall U.S. dollar net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestitures and exchange rates on the Company's performance. The tables in this report present the reconciliation of changes in the total U.S. GAAP net sales to changes in organic sales growth.

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

The Company uses in this report net working capital, a non-U.S. GAAP financial measure, which is defined as current assets (excluding cash and cash equivalents) minus current liabilities excluding short-term debt and net assets and liabilities held for sale. The Company also uses in this report cash flow before financing activities, a non-U.S. GAAP financial measure, which is defined as net cash used in operating activities plus net cash used in investing activities. Management uses these measures to improve its ability to assess operating performance at a point in time as well as the trends over time. The tables below provide a reconciliation of current assets and liabilities to net working capital and cash flow before financing activities.

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 measures, as defined, may not be comparable to similarly titled measures used by other companies.

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

Results of Operations

Fiscal Year 2019 compared to 2018

The following tables show Veoneer's performance by segment for the years ended December 31, 2019 and 2018 along with components of change compared to the prior year.

Electronics Segment	**Year Ended December 31**						**Components of Change vs. Prior Year**			
	2019		**2018**		**U.S. GAAP Reported**		**Currency**		**Organic[1]**	
Dollars in millions, (except where specified)	**$**	**%**	**$**	**%**	**Chg. $**	**Chg. %**	**$**	**%**	**$**	**%**
Net Sales	$ 1,530		$ 1,800		$ (270)	(15)%	$ (66)	(4)%	$ (204)	(11)%
Operating Loss / Margin	$ (324)	(21.2)%	$ (116)	(6.4)%	$ (208)					
EBITDA[1] / %	$ (242)	(15.8)%	$ (43)	(2.4)%	$ (199)					
Associates	7,384		7,105		279					

[1] Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Net Sales - The net sales in the Electronics segment decreased by $270 million to $1,530 million for the full year of 2019 as compared to 2018. This decline was mainly due to the organic sales[1] decline in Active Safety and Restraint Control Systems of $81 million and $123 million, respectively, along with the currency translation effects of $66 million.

Operating Loss - The operating loss for the Electronics segment of $324 million for the full year of 2019 increased by $208 million as compared to 2018. This increase was mainly due to the negative volume and product mix effects causing lower organic sales in Active Safety and Restraint Control Systems and an increase in RD&E cost to support future organic sales growth and current development programs.

EBITDA[1] - The EBITDA loss for the Electronics segment decreased by $199 million to negative $242 million for the full year of 2019 as compared to 2018. This was mainly due to the increase in operating loss as depreciation and amortization increased by $9 million.

Associates - The number of associates in the Electronics segment increased by 279 to 7,384 as compared to 2018. This increase is primarily due to the hiring of engineers to support the strong order intake for future sales growth. Deliveries - The quantities delivered during the full year of 2019 were 16.0 and 8.3 million units for Restraint Controls Systems and Active Safety, respectively.

Brake Systems Segment	**Year Ended December 31**						**Components of Change vs. Prior Year**			
Dollars in millions, (except where specified)	**2019**		**2018**		**U.S. GAAP Reported**		**Currency**		**Organic[1]**	
	$	**%**	**$**	**%**	**Chg. $**	**Chg. %**	**$**	**%**	**$**	**%**
Net Sales	$ 372		$ 428		$ (56)	(13)%	$ (3)	(1)%	$ (53)	(12)%
Operating Loss / Margin	$ (64)	(17.0)%	$ (30)	(7.1)%	$ (34)					
EBITDA[1]/ %	$ (32)	(8.5)%	$ 7	1.7 %	$ (39)					
Associates	1,447		1,452		(5)					

[1] Non-U.S. GAAP measure reconciliation for Organic Sales and EBITDA

Net Sales - The net sales in the Brake Systems segment decreased by $56 million to $372 million for the full year of 2019 as compared to 2018. This sales decline was mainly attributable to temporary lower volumes on certain Honda vehicle models, mainly in China and Japan. Operating Loss - The operating loss for the Brake Systems segment increased by $34 million to $64 million for the full year of 2019 as compared to 2018. This increase was mainly due to the negative volume and product mix effects causing lower organic sales and a slight increase in RD&E, net to support future organic sales growth.

Within the Brake Systems segment, the VNBS JV Asia operations (including China and Japan) generated Net Sales of $313 million for the full year of 2019 and $370 million for the full year of 2018. The RD&E, net for the VNBS JV Asia operations (including China and Japan) was approximately $25 million in 2019.

EBITDA[1] - The EBITDA loss for Brake Systems segment decreased to negative $32 million for the full year of 2019 as compared to $7 million in 2018, mainly due to the increase in the operating loss for the segment. Associates - The number of associates in the Brake Systems segment declined slightly to 1,447 as compared to 2018. An increase in RD&E was mostly offset by reductions in direct and indirect labor associates. Deliveries - The quantities delivered during the full year of 2019 were 1.7 million units for Brake Systems.

Corporate and Other	**Year Ended December 31**					
Dollars in millions, (except where specified)	**2019**		**2018**		**U.S. GAAP Reported**	
	$	%	$	%	**Chg. $**	**Chg.%**
Net Sales	$ —		$ —		$ —	
Operating Loss / Margin	$ (72)	— %	$ (51)	— %	$ (21)	
Segment EBITDA[1] / Margin	$ (71)	— %	$ (51)	— %	$ (20)	
Associates	43		43		—	

[1] Non-U.S. GAAP measure reconciliation for EBITDA

Operating Loss and EBITDA[1] - The operating and EBITDA loss for Corporate and other for the full year of 2019 increased to $72 and $71 million, respectively, as compared to $51 million in 2018, mainly due to additional costs associated with being a standalone listed company.

Associates - The number of associates remained unchanged at 43 as compared to 2018 mainly due to the hiring of personnel to support a standalone listed company that was completed in 2018.

The Veoneer associates and financial figures for the full year of 2019 are not comparable since the first half of 2018 is based on carve-out reporting.

Net Sales by Product

The following tables show Veoneer's consolidated net sales by product for the years ended December 31, 2019 and 2018 along with components of change compared to the prior year.

Consolidated Net Sales	**Year Ended December 31**				**Components of Change vs. Prior Year**			
Dollars in millions,	**2019**	**2018**	**U.S. GAAP Reported**		**Currency**		**Organic[1]**	
(except where specified)	**$**	**$**	**Chg. $**	**Chg. %**	**$**	**%**	**$**	**%**
Restraint Control Systems	822	974	(152)	(16)%	(29)	(3)%	(123)	(13)%
Active Safety	708	825	(118)	(14)%	(37)	(4)%	(81)	(10)%
Brake Systems	372	428	(56)	(13)%	(3)	(1)%	(53)	(12)%
Total	**$ 1,902**	**$ 2,228**	**$ (326)**	**(15)%**	**$ (69)**	**(3)%**	**$ (257)**	**(12)%**

[1] Non-U.S. GAAP measure reconciliation for Organic Sales

Veoneer Performance

The following table shows Veoneer's performance for the year ended December 31, 2019 and 2018 along with components of change compared to the prior year.

Net Sales - Veoneer's net sales for the full year of 2019 declined by 15% to $1,902 million as compared to 2018. Organic sales[1] declined by 12% while the combined currency translation effects were 3%. More than half of the organic sales decline for the full year of 2019 was in North America, and was related to both the Restraint Control Systems and the Active Safety product areas.

The LVP, according to IHS, declined by close to 6% for the full year of 2019 as compared to 2018. This decrease was mainly attributable to China, Western Europe, North America, South Korea and India. The global LVP of close to 86 million vehicles for 2019 is the lowest level since 2015 when the global LVP was approximately 86 million.

Restraint Control Systems - Net sales for the full year of 2019 decreased by 16% to $822 million as compared to 2018. The organic sales1 decline of 13% was due to lower volumes in North America, China and South Korea, where we have a temporary phase-out of our products on certain vehicle models, and lower underlying LVP.

Active Safety - Net sales for the full year of 2019 decreased by 14% to $708 million as compared to 2018. This decline was driven by currency translation effects of 4% while organic sales1 declined by 10%. The LVP in our major markets for Active Safety (Western Europe, North America, China and Japan), where we have a relatively higher CPV on premium brands produced in those markets, declined by close to 6%.

Strong demand for mono, stereo and night vision (thermal sensing) systems and ADAS ECUs on several models drove an increase in organic sales. This growth was more than offset by the negative product mix impact from 24GHz to 77GHz radar technology and the phase-out of mono vision cameras on certain BMW models.

Brake Systems - Net sales for the full year of 2019 decreased by 13% to $372 million as compared to 2018. The organic sales[1] decline of 12% was mainly due to lower volumes in China and Japan, where we have a temporary phase-out of our products on certain Honda vehicle models.

Income Statement	Year Ended December 31				
	2019		2018 [3]		
Dollars in millions, (except per share data)	$	%	$	%	Change
Net sales	**$ 1,902**		**$ 2,228**		**$ (326)**
Cost of sales	(1,591)	(83.6)%	(1,798)	(80.7)%	207
Gross profit	**311**	**16.4 %**	**430**	**19.3 %**	**(119)**
Selling, general & administrative expenses	(189)	(9.9)%	(156)	(7.0)%	(33)
Research, development & engineering expenses, net	(562)	(29.5)%	(466)	(20.9)%	(96)
Amortization of intangibles	(20)	(1.1)%	(23)	(1.0)%	3
Other income	—	— %	18	0.8 %	(18)
Operating loss	**(460)**	**(24.2)%**	**(197)**	**(8.8)%**	**(263)**
Loss from equity method investments	(70)	(3.7)%	(63)	(2.8)%	(7)
Interest income	20	1.1 %	7	0.3 %	13
Interest (expense)	(12)	(0.6)%	(1)	0.0 %	(11)
Other non-operating items, net	1	0.0 %	—	— %	1
Loss before income taxes	**(521)**	**(27.4)%**	**(253)**	**(11.4)%**	**(268)**
Income tax expense	(1)	0.0 %	(42)	(1.9)%	41
Net loss[1]	**(522)**	(27.4)%	**(294)**	(13.2)%	**(228)**
Less: Net loss attributable to non-controlling interest	(22)	(1.2)%	(19)	(0.9)%	(3)
Net loss attributable to controlling interest	**$ (500)**	**(26.3)%**	**$ (276)**	**(12.4)%**	**$ (224)**
Net loss per share – basic[2]	**$ (4.92)**		**$ (3.17)**		**$ (1.75)**
Weighted average number of shares outstanding in millions[2]	**101.62**		**87.16**		**14.46**

[1] Including Corporate and other sales.
[2] Basic number of shares used to compute net loss per share. Participating share awards with right to receive dividend equivalents are (under the two class method) excluded from EPS calculation.
[3] The first half of 2018 are according to Carve-out reporting from Autoliv Spin-Off of Veoneer.

Gross Profit - The gross profit of $311 million for the full year of 2019 was $119 million lower as compared to 2018. The negative volume and product mix effects that caused the lower organic sales were the main contributors to the gross profit decline. Net currency effects on the gross profit were approximately $28 million unfavorable for the same period as compared to 2018, primarily due to the stronger US dollar.

Operating Loss - The operating loss of $460 million for the full year of 2019 increased by $263 million as compared to 2018. Net currency effects on the operating loss were negative $8 million for the same period as compared to 2018.

The RD&E, net increase of $96 million for the full year of 2019 as compared to 2018 was mainly due to the ramp-up of engineering hiring during 2018 to support future organic sales growth.

The SG&A increase of $33 million for the full year of 2019 as compared to 2018 was mostly related to the additional costs associated with being a standalone listed company during the first half of 2019. Other income was $18 million lower for the full year of 2019 as compared to 2018 primarily due to the reversal of the $14 million MACOM earn-out provision.

Net Loss - The net loss for the full year of 2019 increased by $228 million to $522 million as compared to 2018. Veoneer's net loss from its equity method investment (Zenuity) of $70 million for the full year of 2019 increased by $7 million as compared to 2018. This increase is mainly attributable to the hiring and continued build-up of software engineers through the first half of 2019.

The increase in equity method investment loss was partially offset by interest income, net of $8 million, which was an increase of $2 million as compared to 2018. Interest expense related to the convertible debt issuance in 2019 was approximately $10 million for the full year of 2019.

The Income tax expense for the full year of 2019 decreased by $41 million as compared to 2018, mainly due to a $10 million tax benefit from the convertible debt and $26 million of discrete tax items in 2018.The non-controlling interest loss of $22 million in the VNBS JV for the full year of 2019 was $3 million higher as compared to 2018. The increase is mainly due to the organic sales impact on earnings.

Loss per Share - The loss per share of $4.92 for the full year of 2019 increased by $1.75 per share as compared to 2018 mainly due to the increase in the operating loss. The share count increase from the common stock issuance in 2019 reduced the loss by $0.80 per share.

Results of Operations

Fiscal Year 2018 compared to 2017

Veoneer's results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017 along with components of change compared to the prior year that have been omitted under this item can be found in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

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

Dollars in millions	Year Ended December 31	
Net Loss to EBITDA	**2019**	**2018**
Net Loss	**$ (522)**	**$ (294)**
Depreciation and amortization	115	111
Loss from equity method investment	70	63
Interest and other non-operating items, net	(9)	(7)
Income tax expense / (benefit)	1	42
EBITDA	**$ (345)**	**$ (87)**

Dollars in millions	Year Ended December 31	
Segment EBITDA to EBITDA	**2019**	**2018**
Electronics	**$ (242)**	**$ (43)**
Brake Systems	(32)	7
Segment EBITDA	**(274)**	**(36)**
Corporate and other	(71)	(51)
EBITDA	**$ (345)**	**$ (87)**

Dollars in millions	Year Ended December 31	
Working Capital to Net Working Capital	**2019**	**2018**
Total current assets	**$ 1,649**	**$ 1,543**
less Total current liabilities	591	636
Working Capital	**1,058**	**907**
less Cash and cash equivalents	(859)	(864)
less Short-term debt	3	—
less Net current assets and liabilities held for sale	(199)	—
Net Working Capital	**$ 3**	**$ 42**

Dollars in millions	Year Ended December 31	
Cash Flow before Financing Activities	**2019**	**2018**
Net cash used in Operating Activities	**$ (325)**	**$ (179)**
plus Net cash used in Investing Activities	(265)	(185)
Cash flow before Financing Activities	**$ (590)**	**$ (364)**

Liquidity and Capital Resources

Liquidity

As of December 31, 2019, the Company had cash and cash equivalents of $894 million (includes $35 million in assets held for sale), which will be primarily used for ongoing working capital requirements, capital expenditures and investments in joint ventures particularly Zenuity.

As of February 3, 2020, Veoneer received approximately $170 million cash from the sale of VNBS Asia operations.

The Company has no material obligations other than short-term obligations related to operations, inventory, services, tooling and property, plant and equipment purchased in the ordinary course of business.

On June 30, 2017, Veoneer committed to make a $15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and as a limited partner, will periodically make capital contributions toward this total commitment amount. As of December 31, 2019, Veoneer contributed a total of approximately $10 million to the fund. As of December 31, 2019, the Company has received approximately $2 million of distributions from the fund. The initial term of the fund is set to expire on December 31, 2025. This fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly in the areas of active safety and autonomous driving. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control and conduct the affairs of the fund.

Cash Flow

	Year Ended December 31	
(Dollars in millions)	**2019**	**2018**
Selected cash flow items	**$**	**$**
Net working capital[1]	$ 3	$ 42
Net cash provided / (used) by operating activities	$ (325)	$ (179)
Capital expenditures	$ (213)	$ (188)
Equity method investment	$ (58)	$ (71)
Net Cash Used in investing activities	$ (265)	$ (185)
Net Cash Provided by financing activities	$ 636	$ 1,226

[1] Non-U.S. GAAP measure see reconciliation for Net Working Capital

Net Working Capital[1] - Net working capital of $3 million improved by $39 million during the full year of 2019 as compared to 2018 primarily due to a reduction in customer trade receivables and inventories, net.

Net cash used in operating activities - Net cash used in operating activities of $325 million during the full year of 2019 was $146 million higher as compared to 2018. The higher net loss was partially offset by the positive change in net working capital1 and other, net.

Net cash used in investing activities - Net cash used in investing activities of $265 million during the full year of 2019 increased $80 million as compared to 2018 due to higher capital expenditures and lower related party notes receivable partially offset by Zenuity funding.

Net Cash Provided by Financing Activities - Net cash provided by financing activities for the year ended December 31, 2019 includes the net capital raise of $603 million derived from the issuance of common stock and convertible debt notes in May of 2019.

Capital Expenditures - Capital expenditures of $213 million, or 11% of sales, for the full year of 2019 increased by $25 million as compared to 2018. We expect the level of capital expenditures to be ~11% of sales for 2020, including VBS, to support sales growth in 2020 and in the future.

		Year Ended December 31	
Associates		**2019**	**2018**
Total Associates		**8,874**	**8,600**
Whereof:	Direct Manufacturing	2,002	2,083
	R,D&E	4,907	4,676
	Temporary	1,396	1,329

The increase in associates of 274 as compared to the same period in 2018 to 8,874 from 8,600 is primarily due to the net hiring of 231 associates to support our investment in engineering for future growth opportunities. Temporary associates increased by 67 as compared to 2018 due to the uncertain macro situation and new program launches.

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commitments

The table below reflects our contractual obligations as of December 31, 2019. The Company's future contractual obligations have not changed materially.

(Dollars in millions)	Payments due by Period				
Aggregate Contractual Obligations [1]	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligations	118	22	33	21	42
Pension contribution requirements	27	2	4	5	16
Finance lease obligations	51	3	7	7	34
Other non-current liabilities reflected on the balance sheet	6	1	—	—	5
4.00% Convertible Senior Notes and Financial loans	218	3	3	212	—
Fixed Interest on 4.00% Convertible Senior	37	8	17	12	—
Total	**$ 457**	**$ 39**	**$ 64**	**$ 257**	**$ 97**

[1] Excludes contingent liabilities arising from litigation, arbitration, regulatory actions or income taxes

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

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

Pension contribution requirements: The Company sponsors defined benefit plans that cover eligible employees in Japan, Canada, and France. In 2020, the expected contribution to all plans, including direct payments to retirees, is $2 million, of which the major contribution is $1 million for our Canada pension plans. Due to volatility associated with future changes in interest rates and plan asset returns, the Company cannot predict with reasonable reliability the timing and amounts of future funding requirements, and therefore the above table shows expected contributions (to funded plans, or direct payments to retirees in the case of unfunded plans) for 2020, but only shows benefit payments (from funded plans, or direct to retirees in the case of unfunded plans) for 2021 and subsequent years. We may elect to make contributions in excess of the minimum funding requirements for the Japan, Canada, and France plans in response to investment performance and changes in interest rates, or when we believe that it is financially advantageous to do so and based on other capital requirements. This contribution amount does not include plans considered to be multiemployer with Autoliv. See Note 2, Summary of Significant Accounting Policies, and Note 17, Retirement Plans, to the consolidated financial statements included herein.

4% Convertible Senior Notes and Financial loans: On May 28, 2019, the Company issued, in a registered public offering in the U.S., the Notes with an aggregate principal amount of $207 million. The Notes bear interest at a rate of 4.00% per year payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2019. The Notes will mature on June 1, 2024, unless repurchased, redeemed or converted in accordance with their terms prior to such date.

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

Autotech Venture Fund: On June 30, 2017, Veoneer committed to make a $15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and, as a limited partner, will periodically make capital contributions toward this total commitment amount. As of December 31, 2019, Veoneer has in total contributed $10 million to the fund. As of December 31, 2019, the Company has received approximately $2 million of distributions from the fund. The initial term of the fund is set to expire on December 31, 2025. This fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly in the areas of active safety and autonomous driving. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control, and conduct the affairs of the fund.

Significant Accounting Policies and Critical Accounting Estimates

New Accounting Pronouncements

The Company has considered all applicable recently issued accounting guidance. The Company has summarized in Note 2, Summary of Significant Accounting Policies to the consolidated financial statements included herein each of the recently issued accounting pronouncements and stated the impact or whether management is continuing to assess the impact.

Critical Accounting Estimates

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

Revenue Recognition

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue is measured based on consideration specified in a contract with a customer, adjusted for any variable consideration (i.e. price concessions or annual price adjustments) and estimated at contract inception. The variable consideration calculation involves management assumptions including the volume of light vehicle production, future sales volumes for specific parts, or future price concessions to be granted. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer.

In addition, from time to time, Veoneer may make payments to customers in connection with ongoing and future business. These payments to customers are generally recognized as a reduction to revenue at the time of the commitment to make these payments, unless certain criteria are met, warranting capitalization. If the payments are capitalized, the amounts are amortized as the related goods are transferred. As of December 31, 2019, and 2018, the Company capitalized $81 million and $62 million, respectively, in Other non-current assets related payments to customers. The Company assesses these amounts for impairment. There was no impairment.

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

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

Nature of goods and services

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

The Company accounts for individual products separately if they are distinct (i.e., if a product is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any price concession or annual price adjustments, is based on their stand-alone selling prices for each of the products. The stand-alone selling prices are determined based on the cost-plus margin approach.

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

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

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

Contract balances

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

As of December 31, 2019, the Company has capitalized $12 million of direct and incremental contract costs incurred in connection with obtaining a contract with a customer. These costs will be amortized as the related goods are transferred.

Business Combinations

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

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

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

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

Equity Method Investments

The Company initially accounts for an equity method investment at its fair value on the date of acquisition. See Note 2, Summary of Significant Accounting Policies and Note 12, Investments related to the Company's investment in Zenuity, to the consolidated financial statements included.

Inventory Reserves

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

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

Goodwill and Intangibles

The Company evaluates the carrying value and useful lives of long-lived assets when indications of impairment are evident or it is likely that the useful lives have decreased, in which case the Company depreciates the assets over the remaining useful lives. Impairment testing is primarily performed by using the cash flow method based on undiscounted future cash flows. Estimated undiscounted cash flows for a long-lived asset being evaluated for recoverability are compared with the respective carrying amount of that asset. If the estimated undiscounted cash flows exceed the carrying amount of the assets, the carrying amounts of the long-lived asset are considered recoverable and an impairment is not recorded. However, if the carrying amount of a group of assets exceeds the undiscounted cash flows, an entity must then estimate, generally using a discounted cash flow model the long-lived assets' fair value to determine whether an impairment loss should be recognized.

The Company reviews goodwill for impairment annually in the fourth quarter or more frequently if events or changes in circumstances indicate the assets might be impaired. The impairment test was performed on December 31 in 2018 but the Company elected changed its annual impairment test date to October 31 in 2019.

In conducting its impairment testing, the Company compares the estimated fair value of each of its reporting units to the related carrying value of the reporting unit. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of a reporting unit exceeds its estimated fair value, an impairment loss is recognized for the excess of carrying amount over the fair value of the respective reporting unit.

The estimated fair value of the reporting unit is determined by the discounted cash flow method taking into account expected long-term operating cash-flow performance. The Company discounts projected operating cash flows using the reporting unit's weighted average cost of capital, including a risk premium to adjust for market risk. The Company's assumptions in conducting its impairment testing include revenue growth rates, Earnings Before Income Tax ("EBIT") margin rate in the discrete and terminal period and the discount rate applied to the future cash flows. The estimated fair value is based on automotive industry volume projections which are based on third-party and internally developed forecasts and discount rate assumptions. To supplement this analysis, the Company compares the market value of its equity, calculated by reference to the quoted market prices of its shares, to the estimated fair values of its reporting units.

In the fourth quarter of 2017, in connection with the annual impairment test, the Company recorded a goodwill impairment charge of $234 million in its Electronics Segment, relating to the VNBS acquisition. For more information, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included herein) due to lower than originally anticipated sales development. There is no remaining goodwill related to VNBS after the impairment. There were no goodwill impairments recognized during 2019 and 2018.

Recall Provisions and Warranty Obligations

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

Estimating warranty obligations requires the Company to forecast the resolution of existing claims and expected future claims on products sold. The Company bases the estimate on historical trends of units sold and payment amounts, combined with our current understanding of the status of existing claims and discussions with our customers. These estimates are re-evaluated on an ongoing basis. Actual warranty obligations could differ from the amounts estimated requiring adjustments to existing reserves in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing these estimates, changes in our assumptions could materially affect our results of operations.

Defined Benefit Pension Plans

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

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

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

Of the plans sponsored by Veoneer, the most significant plans are the France plans. These plans represent approximately 33% of the Company's total pension benefit obligation. See Note 17, Retirement Plans, to the consolidated financial statements included herein.

The Company, in consultation with its actuarial advisors, determines certain key assumptions to be used in calculating the projected benefit obligation and annual pension expense. For the France plans, the assumptions used for calculating the 2019 pension expense were a discount rate of 0.9%, expected rate of increase in compensation levels of 2.5%.

The discount rate for the Japanese plans has been set based on the rates of return of high-quality fixed-income investments currently available at the measurement date and are expected to be available during the period the benefits will be paid. The expected rate of increase in compensation levels and long-term return on plan assets are determined based on a number of factors and must take into account long-term expectations and reflect the financial environment in the respective local markets. This plan does not have assets as of December 31, 2019 and 2018.

Income Taxes

Significant judgment is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions. See Note 1, Basis of Presentation, Note 19, Income Taxes and Note 22, Relationship with Parent and Related Entities, to the Consolidated Financial Statements included herein.

Although the Company believes that its tax return positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different than that which is reflected in the historical income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made. See also the discussion of the determinations of valuation allowances on our deferred tax assets in Note 19, Income Taxes, to the consolidated financial statements included herein.

Contingent Liabilities

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability or other matters. For a discussion of legal matters we are involved in, see Note 16, Contingent Liabilities, to the consolidated financial statements included herein.

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

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

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

Leases

Lease Classification

The Company, as a lessee, determine the lease classification for each separate lease component at the lease commencement date. Commencement date is defined as the date on which a lessor makes an underlying asset available for use by the Company. This date can be different from the stated commencement date in the contract. This date is when Veoneer takes possession of or be given control over the use of an underlying asset. For lessees, a lease can be classified either as an operating lease or a finance lease.

Initial Measurement

The Company will recognize a right-of-use asset and a lease liability at lease commencement. The lease liability for both finance and operating leases equals the present value of the unpaid lease payments, discounted at Veoneer's incremental borrowing rate.

Lease payment includes undiscounted fixed (including in-substance fixed) payments plus optional payments (e.g. for purchase options, optional renewal periods, periods subsequent to a termination option) that are reasonably certain to be owed. Lease payments do not include variable lease payments that depend on an index or a rate, any guarantee by the lessee of the lessor's debt; or amounts allocated to non-lease components.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. In general, the discount rate will not be reassessed unless there is a change in the lease term or in the assessment of a lessee purchase option represent a significant change in the economics of the arrangement.

Short-term Lease & Low Value Lease Recognition Exemption

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

For leases that meet the definition of "short-term", the Company elected the practical expedient under ASC 842 which allows for simplified accounting. The practical expedient will apply for all classes of underlying assets and under the practical expedient, the Company will recognize the lease payments as lease cost on a straight-line basis over the lease term and will disclose the costs. In addition, the Company determined that the expenses derived from leases with lease term of one month or less will be exempt from being assessed under lease recognition.

Impairment test

The Company will use the long-lived assets impairment guidance (ASC 360) to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. The impairment loss related to a right-of-use asset is presented in the same manner in the income statement as an impairment loss recognized for any other long-lived asset.

Assets and liabilities held for sale

The Company classifies assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Currency Risks

Transaction Exposure and Revaluation Effects

Transaction exposure arises because the cost of a product originates in one currency and the product is sold in another currency. Revaluation effects come from valuation of assets denominated in other currencies than the reporting currency of each unit.

The Company's gross transaction exposure for 2019 was approximately $1.0 billion. A part of the currency flows had counter-flows in the same currency pair, which reduced the net exposure to approximately $0.9 billion. The largest net transaction exposures were the sale of Euro against U.S. Dollars and the purchase of U.S. Dollar against Korean Won. The five largest currency pairs accounted for approximately 82% of the Company's net currency transaction exposure.

Since the Company can only effectively hedge these currency 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 approximately one quarter of net sales and is made up of close to 20 different currency pairs with exposures of more than $1 million each. Veoneer generally does not hedge these flows. However, for some purchased components from external suppliers, the Company may enter into hedging from time to time. There were no foreign exchange forward contracts outstanding as of December 31, 2019.

Translation Exposure in the Statement of Operations and Balance Sheet

The Company estimates that a 1% increase in the value of the U.S. dollar versus European currencies would decrease reported U.S. dollar annual net sales in 2019 by $6 million or by 0.3% while it would have a positive impact on the operating loss for 2019 by approximately 0.4% or by about $2 million, assuming reported corporate average margin.

Interest Rate Risk

As of December 31, 2019, we had cash and cash equivalents of $859 million (excludes $35 million in Assets held for Sales). As of December 31, 2019, the Company estimates that a 1% change of the interest rates would not significantly impact our interest expense or income.

Component Costs

Veoneer procures raw material and components from a variety of suppliers around the world. Generally, we seek to obtain mechanical components and material in the region in which our products are manufactured to limit transportation, currency risks and other costs. The most significant raw materials we use to manufacture our products are various electrical components, non-ferrous metals and ferrous metals for brake systems. We have not experienced any significant shortages of raw materials and normally do not carry inventories of such raw materials more than those reasonably required to meet our production and shipping schedules. Despite this, material price changes in Veoneer's supply chain could have a significant impact on its profitability.

Changes in most raw material prices affect the Company with a time lag. For non-ferrous metals like aluminum and zinc, we have quarterly and sometimes monthly price adjustments.

The Company's strategies to offset price increases on cost of materials include working with suppliers to mitigate costs, seeking alternative product designs and material specifications, combining purchase requirements with our customers and/or suppliers, changing suppliers, and other means. However, should these actions not be sufficient to offset component price increases, our earnings could be materially impacted.

Item 8. Financial Statements and Supplementary Data

Veoneer, Inc.

Index to Consolidated Financial Statements

Audited Consolidated Financial Statements of Veoneer, Inc.

Audited Consolidated Financial Statements of Zenuity AB

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Veoneer, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Veoneer, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, cash flows and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases during the year ended December 31, 2019 due to the adoption of ASU No. 2016-02 *Leases (Topic 842)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Estimate of variable consideration for revenue recognition
Description of the Matter	As disclosed in Note 2 to the consolidated financial statements, the Company measures revenue based on consideration specified in a contract with a customer, adjusted for any variable consideration as estimated at contract inception. The variability in the consideration is primarily due to price concessions, payments to customers, and annual price adjustments, which may take place after some of the related products have been sold. The estimated variable consideration is based primarily on management's best available information regarding customer negotiations, taking into account historical experience, third party industry sources, and anticipated future customer pricing strategies. Auditing management's estimate of variable consideration was complex because the calculation involves subjective management assumptions about expected future events, including, as applicable, the volume of light vehicle production, future sales volumes for specific parts, or future price concessions to be granted, among other things. Changes in those assumptions can have a material effect on the amount of revenue recognized.

How We Addressed the Matter in Our Audit

We obtained an understanding of the Company's estimation methodology and evaluated the design and tested the operating effectiveness of controls over the Company's estimation process for variable consideration. The controls included management's review over the completeness and measurement of the estimated variable consideration, including comparisons to historical and industry-standard discounts.

To test the estimate of variable consideration, our audit procedures included, among others, testing the estimation process for certain significant assumptions by performing an analysis on historical information to assess management's ability to accurately estimate sales volumes and future concessions. We also performed analytical procedures, reviewed new significant contracts for elements that could indicate variable consideration, and inquired about the best available information for ongoing customer negotiations from relevant management. We inspected revenue journal entries for unusual or manual adjustments and examined additional supporting evidence, as necessary. We also substantively tested the completeness and accuracy of the data used in management's estimate by agreeing it to source data.

Estimate of reporting unit fair value for the goodwill impairment test

Description of the Matter

As disclosed in Note 2 to the consolidated financial statements, the Company performs a goodwill impairment test, at least annually. As disclosed in Note 15 to the consolidated financial statements, the goodwill balance was $290 million, all of which related to the Electronics reporting unit. In conducting its impairment testing, the Company compares the estimated fair value of the Electronics reporting unit to the related carrying value of the reporting unit. To estimate the fair value of the reporting unit, the Company discounts its projected operating cash flows using its weighted average cost of capital. Significant assumptions include revenue growth rates, margin rates in the discrete and terminal period and the discount rate applied to the future cash flows.

Auditing management's assumptions in the estimate of fair value was complex and highly judgmental because the calculation includes significant management assumptions about future events, which can be affected by automotive industry volume projections and overall market conditions. Changes in these factors could have a material impact on the assumptions used to estimate the fair value.

How We Addressed the Matter in Our Audit

We obtained an understanding of the Company's estimation methodology and evaluated the design and tested the operating effectiveness of controls of the Company's estimation process. This included testing controls over management's review of the development of the significant assumptions used in the projected operating cash flow, including revenue growth rates and margin projections, and assessment of the sensitivity analyses.

To test the estimate of fair value used in the goodwill impairment test, our procedures included, among others, assessing the appropriateness of management's methodology. We assessed the historical accuracy of management's forecasts by comparing them to actual results, compared management's significant assumptions to current industry and economic trends, and performed sensitivity analyses to evaluate the impacts of changes in significant assumptions on the fair value of the reporting unit. In addition, we involved a specialist to assist with certain procedures, including evaluating the appropriateness of certain assumptions and the discounted cash flow model used, and the development of the discount rate. We also substantively tested the completeness and accuracy of data used in management's estimate by agreeing it to source data.

/s/ Ernst & Young AB
We have served as the Company's auditor since 2017.
Stockholm, Sweden
February 21, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Veoneer, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Veoneer, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Veoneer, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, cash flows and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young AB
Stockholm, Sweden
February 21, 2020

Veoneer, Inc.

Consolidated Statements of Operations

(U.S. DOLLARS IN MILLIONS)

(Dollar in millions, except per share amounts)		Year Ended December 31 2019	2018	2017
Net sales	Note 3	$ 1,902	$ 2,228	$ 2,322
Cost of sales		(1,591)	(1,798)	(1,857)
Gross profit		**311**	**430**	**466**
Selling, general and administrative expenses		(189)	(156)	(110)
Research, development and engineering expenses, net		(562)	(466)	(375)
Goodwill impairment charge		—	—	(234)
Amortization of intangibles	Note 15	(20)	(23)	(37)
Other income, net		—	18	8
Operating loss		**(460)**	**(197)**	**(283)**
Loss from equity method investment	Note 12	(70)	(63)	(31)
Interest income		20	7	—
Interest expense		(12)	(1)	—
Other non-operating items, net		1	—	(1)
Loss before income taxes		**(521)**	**(253)**	**(314)**
Income tax expense	Note 19	(1)	(42)	(30)
Net loss		**(522)**	**(294)**	**(344)**
Less: Net loss attributable to non-controlling interest		(22)	(19)	(127)
Net loss attributable to controlling interest		**$ (500)**	**$ (276)**	**$ (217)**
Net loss per share - basic	Note 20	**$ (4.92)**	**$ (3.17)**	**$ (2.49)**
Net loss per share - diluted		**$ (4.92)**	**$ (3.17)**	**$ (2.49)**
Weighted average number of shares outstanding, (in millions)	Note 20	**101.62**	**87.16**	**87.13**
Weighted average number of shares outstanding, assuming dilution (in millions)		**101.62**	**87.16**	**87.13**

See Notes to Consolidated Financial Statements.

Veoneer, Inc.

Consolidated Statements of Comprehensive Loss

(U.S. DOLLARS IN MILLIONS)

	Year Ended December31		
	2019	**2018**	**2017**
Net loss	$ (522)	$ (294)	$ (344)
Other comprehensive (loss) income, before tax:			
Change in cumulative translation adjustment	(24)	(9)	30
Net change in cash flow hedges	—	1	(9)
Pension liability	(3)	(4)	—
Other comprehensive (loss) income, before tax	**(27)**	**(12)**	**21**
Income tax benefit	2	1	—
Other comprehensive (loss) income, net of tax	**(25)**	**(10)**	**21**
Comprehensive loss	**(547)**	**(304)**	**(323)**
Less: Comprehensive loss attributable to non-controlling interest	(22)	(19)	(127)
Comprehensive loss attributable to controlling interest	**$ (525)**	**$ (285)**	**$ (196)**

See Notes to Consolidated Financial Statements.

Veoneer, Inc.

Consolidated Balance Sheets

(U.S. DOLLARS IN MILLIONS)

		As of December 31	
		2019	**2018**
Assets			
Cash and cash equivalents		$ 859	$ 864
Short-term investments		—	5
Receivables, net	Note 9	253	376
Inventories, net	Note 10	144	172
Related party receivable	Note 22	11	64
Prepaid expenses and other contract assets		47	39
Other current assets		18	22
Assets held for sale	Note 6	317	—
Total current assets		**1,649**	**1,543**
Property, plant and equipment, net	Note 13	473	499
Operating lease right-of-use assets		100	—
Equity method investment	Note 12	87	101
Goodwill	Note 15	290	291
Intangible assets, net	Note 15	17	102
Deferred tax assets	Note 19	7	11
Investments		9	8
Other non-current assets		111	78
Total assets		**$ 2,743**	**$ 2,632**
Liabilities and equity			
Accounts payable		$ 233	$ 369
Related party payables	Note 22	3	16
Accrued expenses	Note 11	192	193
Income tax payable		7	9
Other current liabilities		38	48
Liabilities held for sale	Note 6	118	—
Total current liabilities		**591**	**636**
4% Convertible Senior Notes due 2024	Note 5	160	—
Pension liability	Note 17	17	20
Deferred tax liabilities	Note 19	13	13
Operating lease non-current liabilities	Note 4	82	—
Financial lease non-current liabilities	Note 4	33	1
Other non-current liabilities		29	37
Total non-current liabilities		**334**	**70**
Equity			
Common stock (par value $1.00, 325 million shares authorized, 111 million and 87 million shares issued and outstanding as of December 31, 2019 and 2018, respectively)		111	87
Additional paid-in capital		2,343	1,938
Accumulated deficit		(681)	(181)
Accumulated other comprehensive loss		(44)	(19)
Total Equity		**1,729**	**1,826**
Non-controlling interest		89	101
Total Equity and non-controlling interests		**1,818**	**1,927**
Total liabilities, Equity and non-controlling interests		**$ 2,743**	**$ 2,632**

See Notes to Consolidated Financial Statements.

Veoneer, Inc.
Consolidated Statements of Cash Flow
(U.S. DOLLARS IN MILLIONS)

	Year Ended December 31		
	2019	**2018**	**2017**
Operating activities			
Net loss	$ (522)	$ (294)	$ (344)
Adjustments to reconcile net loss to net cash (used in) / provided by operating activities:			
Depreciation and amortization	115	111	119
Undistributed loss from equity method investments	70	63	31
Stock-based compensation	5	5	2
Contingent consideration write-down	—	(14)	(13)
Deferred income taxes	(6)	15	(11)
Goodwill impairment charge	—	—	234
Other, net	(11)	(29)	(29)
Change in operating assets and liabilities			
Receivables, gross	43	58	12
Accounts payable	(56)	10	(11)
Related party receivable and payables, net	35	(46)	—
Income taxes	3	(40)	10
Inventories, gross	5	(22)	19
Accrued expenses	19	4	(9)
Prepaid expenses and contract assets	(15)	(6)	(1)
Other current assets and liabilities, net	(10)	6	(9)
Net cash used in operating activities	**(325)**	**(179)**	**(1)**
Investing activities			
Net decrease / (increase) in related party notes receivable	—	76	(2)
Proceeds from sale of property, plant and equipment	2	4	7
Capital expenditures	(213)	(188)	(110)
Equity method investment	(58)	(71)	—
Short-term investments	5	(5)	—
Investment	(1)	—	—
Acquisition of intangible assets	—	(1)	—
Acquisition of businesses and interest in affiliates, net of cash acquired	—	—	(125)
Net cash used in investing activities	**(265)**	**(185)**	**(230)**
Financing activities			
Issuance of common stock	403	—	—
Proceeds from long-term debt	210	—	—
Proceeds from short-term debt	22	—	—
Cash provided at separation by Former Parent	—	980	—
Net transfers from Former Parent	—	294	184
Net increase / (decrease) in related party short-term debt	1	1	(4)
(Decrease)/ increase in related party long-term debt	—	(49)	51
Net cash provided by financing activities	**636**	**1,226**	**232**
Effect of exchange rate changes on cash and cash equivalents	(16)	2	—
Increase in cash and cash equivalents	**30**	**864**	**—**
Cash and cash equivalents at beginning of year	864	—	—
Cash and equivalents at end of period, assets held for sale	(35)	—	—
Cash and cash equivalents at end of year	**$ 859**	**$ 864**	**$ —**
Supplemental Disclosures:			
Cash paid for income taxes	$ 11	$ 39	$ 30
Cash paid for interest	$ 4	$ —	$ —

See Notes to Consolidated Financial Statements.

Veoneer, Inc.

Consolidated Statements of Changes in Equity

(U.S. DOLLARS IN MILLIONS)

	Common Stock	Additional Paid In Capital	Net Former Parent Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
Balance at January 1, 2017	**$ —**	**$ —**	**$ 877**	**$ —**	**$ (29)**	**$ 242**	**$ 1,089**
Net loss	—	—	(217)	—	—	(127)	(344)
Net change in cash flow hedges	—	—	—	—	(9)	—	(9)
Foreign currency translation	—	—	—	—	30	7	37
Net transfers from Former Parent			184		—	—	184
Balance at December 31, 2017	**$ —**	**$ —**	**$ 844**	**$ —**	**$ (8)**	**$ 122**	**$ 957**
Adoption of ASC 606	$ —	$ —	$ 1	$ —	$ —	$ —	1
Net loss	—	—	(95)	(181)	—	(19)	(294)
Net change in cash flow hedges	—	—	—	—	1	—	1
Foreign currency translation	—	—	—	—	(9)	(1)	(10)
Pension liability	—	—	—	—	(3)	1	(2)
Reclassification of Former Parent's net investment and issuance of ordinary shares in connection with separation	87	1,935	(2,003)	—	—	—	19
Stock based compensation expense	—	3	—	—	—	—	3
Net transfers from Former Parent	—	—	1,253	—	—	(1)	1,252
Balance at December 31, 2018	**$ 87**	**$ 1,938**	**$ —**	**$ (181)**	**$ (19)**	**$ 101**	**$ 1,927**
Net loss	—	—	—	(500)	—	(22)	(522)
Foreign currency translation	—	—	—	—	(24)	—	(24)
Pension liability net of tax	—	—	—	—	(1)	—	(1)
Stock based compensation expense	—	5	—	—	—	—	5
Issuance of common stock	24	379	—	—	—	—	403
Purchase of minority interest	—	(14)	—	—	—	14	—
Equity component of issuance of convertible notes, net of taxes (Note 5)	—	35	—	—	—	—	35
Dividend	—	—	—	—	—	(5)	(5)
Balance at December 31, 2019	**$ 111**	**$ 2,343**	**$ —**	**$ (681)**	**$ (44)**	**$ 89**	**$ 1,818**

See Notes to Consolidated Financial Statements.

NOTE 1. Basis of Presentation

Spin-Off

On June 29, 2018 (the "Distribution Date"), Veoneer, Inc. ("Veoneer" or "the Company") became an independent, publicly-traded company as a result of the distribution by Autoliv, Inc. ("Autoliv" or "Former Parent") of 100 percent of the outstanding common stock of Veoneer to the stockholders of Autoliv (the "Spin-Off"). Each Autoliv stockholder and holder of Autoliv's Swedish Depository Receipts (SDRs) of record as of certain specified dates received one share of Veoneer common stock or one Veoneer SDR, respectively, for every one share of Autoliv common stock or Autoliv SDR held as of a certain date. The Spin-Off was completed on June 29, 2018 in a tax free transaction pursuant to Section 355 of the U.S. Internal Revenue Code.

On July 2, 2018, Veoneer common stock began regular trading on the New York Stock Exchange ("NYSE") under the ticker symbol "VNE" and Veoneer SDRs began trading on National Association of Securities Dealers ("NASDAQ") Stockholm under the symbol "VNE-SDB". Agreements entered into between Veoneer and Autoliv in connection with the Spin-Off govern the relationship between the parties following the Spin-Off and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided on a temporary basis between the parties.

In advance of the Spin-Off, Autoliv completed a series of internal transactions, in which Autoliv transferred its Electronics business to Veoneer. These transactions are referred to herein as the "internal reorganization". The internal reorganization was completed on April 1, 2018.

The Company has two operating segments, Electronics and Brake Systems. Electronics includes all electronics resources and expertise, Restraint Control Systems and Active Safety products. Brake Systems provides brake control and actuation systems.

The accompanying consolidated financial statements for the periods prior to the Spin-Off have been prepared from Autoliv's historical accounting records and are presented on a stand-alone basis as if the operations had been conducted independently from Autoliv. Prior to the Spin-Off, Autoliv's net investment in these operations (Net Former Parent Investment) is shown in lieu of a controlling interest's equity in the audited consolidated financial statements. Subsequent to the Spin-Off and the related distribution of shares, Veoneer Common stock, Additional paid-in capital and future income (losses) were reflected in Retained earnings (Accumulated deficit). For periods prior to June 29, 2018, the Company's financial statements are presented on a combined basis and for the periods subsequent to June 29, 2018, they are presented on a consolidated basis (the financial statements for all periods are referred to herein as "consolidated financial statements").

The audited consolidated financial statements include the historical operations, assets, and liabilities that were considered to comprise the Veoneer business. The allocations and estimates in the audited consolidated financial statements for the periods prior to the Spin-Off are based on assumptions that management of Autoliv and Veoneer believe are reasonable. However, the historical statements of operations, comprehensive loss, balance sheets, and cash flows of Veoneer included herein may not be indicative of what they would have been had Veoneer actually been a stand-alone entity during such periods, nor are they necessarily indicative of Veoneer's future results.

Amounts in related party notes receivable, related party short-term debt and related party long-term debt in the prior year's consolidated financial statements have been reclassified into Other non-current assets, Other current liabilities and Other non-current liabilities, respectively, to conform to the current year presentation.

Certain amounts in the consolidated financial statements and associated notes may not reconcile due to rounding. All percentages have been calculated using unrounded amounts.

Follow-on Offerings

On May 28, 2019, the Company completed follow-on public offerings of 24,000,000 shares of common stock and $207 million aggregate principal amount of 4.00% Convertible Senior Notes due 2024 (the "Notes") (including $27 million aggregate principal amount pursuant to the underwriters' over-allotment option to purchase additional notes). The public offering price for our common stock offering was $17.50 per share. The Company received net proceeds of approximately $403 million from the common stock offering and approximately $200 million from the Notes offering, in each case after deducting the underwriting discounts and issuance costs directly attributable to each offering.

Joint Venture with Nissin Kogyo

On June 14, 2019, the Company signed agreements with Nissin Kogyo, its joint venture partner in Veoneer Nissin Brake ("VNBS"), providing for certain structural changes to the joint venture and the funding of VNBS.

Pursuant to the agreements, Veoneer acquired Nissin Kogyo's interests in the US operations of VNBS, referred to as Veoneer Brake Systems ("VBS"), and VNBS transferred or licensed the VNBS technologies necessary to operate the VBS business to VBS. VBS, including the transferred or licensed technologies, is a wholly-owned Veoneer business effective on the closing date, June 28, 2019. VNBS will also provide certain transition services to VBS.

Under the agreement, Nissin Kogyo provided guarantees for certain VNBS commercial loans corresponding to 49% of the funding Veoneer had previously unilaterally provided to VNBS. During the nine months ended September 30, 2019, Veoneer received approximately $20 million as debt repayment from VNBS.

Assets held for sale

On October 30, 2019, Veoneer signed agreements (the "Definitive Agreements") to sell its 51% ownership in Veoneer Nissin Brake Japan ("VNBJ") and Veoneer Nissin Brake China ("VNBZ") entities that comprise VNBS to its joint venture partner Nissin-Kogyo Co., Ltd., and Honda Motor Co., Ltd. The transaction was completed on February 3, 2020 under the Definitive Agreements, and the VNBS joint venture was terminated. See Note 6 "Assets held for sale" for additional information.

NOTE 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with United States (U.S.) Generally Accepted Accounting Principles (GAAP) and include the consolidated assets, liabilities, sales, and expenses of the Veoneer business as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017. All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements. See Note 22, Relationship with Former Parent and Related Entities, for a further description of related party transactions between Autoliv and Veoneer.

Consolidation is also required when the Company has both the power to direct the activities of a variable interest entity (VIE) and the obligation to absorb losses or the right to receive benefits from the VIE that could be significant to the VIE.

Investments in affiliated companies in which the Company exercises significant influence over the operations and financial policies, but does not control, are reported using the equity method of accounting.

Business Combinations

Transactions in which the Company obtains control of a business are accounted for according to the acquisition method as described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805*, Business Combinations*. The assets acquired and liabilities assumed are recognized and measured at their fair values as of the date control is obtained. Acquisition related costs in connection with a business combination are expensed as incurred. Contingent consideration is recognized and measured at fair value at the acquisition date and until paid is re-measured on a recurring basis. It is classified as a liability in the consolidated balance sheet.

Equity Method Investments

Investments accounted for under the equity method, means that a proportional share of the equity method investment's net income increases the investment, and a proportional share of losses and payment of dividends decreases it. In the Consolidated Statements of Operations, the proportional share of the net loss is reported as Loss from equity method investments.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of net sales and expenses during the reporting period. The accounting estimates that require management's most significant judgments include the estimation of retroactive price adjustments, estimations associated with purchase price allocations regarding business combinations, valuation of stock based payments, assessment of recoverability of goodwill and intangible assets, assessment of the useful lives of intangible assets, estimation of pension benefit expense based on actuarial assumptions, estimation of accruals for warranty and product liabilities, uncertain tax positions, valuation allowances and contingent liabilities. However, actual results could differ from those estimates.

Revenue Recognition

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is measured based on consideration specified in a contract with a customer, adjusted for any variable consideration (i.e. price concessions or annual price adjustments) as estimated at contract inception. The variable consideration calculation involves management assumptions including the volume of light vehicle production, future sales volumes for specific parts, or future price concessions to be granted. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer.

In addition, from time to time, Veoneer may make payments to customers in connection with ongoing and future business. These payments to customers are generally recognized as a reduction to revenue at the time of the commitment to make these payments, unless certain criteria are met, warranting capitalization. If the payments are capitalized, the amounts are recognized as a reduction of the transaction price as the related goods are transferred. As of December 31, 2019 and 2018, the Company capitalized $81 million and $62 million, respectively, in Other current assets and Other non-current assets related to payments to customers. The Company assesses these amounts for impairment. There were no impairments in 2019, 2018 or 2017.

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

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

Nature of goods and services

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

The Company accounts for individual products separately if they are distinct (i.e., if a product is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any price concession or annual price adjustments, is based on stand-alone selling prices for each of the products.

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

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

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

Contract balances

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

Contract Costs

As of December 31, 2019 and 2018, the Company has capitalized $12 million of direct and incremental contract costs incurred in connection with obtaining a contract with a customer. These costs will be amortized as the related goods are transferred.

Research, Development and Engineering (R,D&E)

The Company performs research activities to identify new products, product development activities for further product evolution, and engineering activities to customize existing products for specific customers. Research and development and most engineering expenses are expensed as incurred. These expenses are reported net of expense reimbursements from contracts to further customize existing products for specific customers. For the years ended December 31, 2019, 2018 and 2017 total reimbursements from customers were $103 million, $95 million and $72 million, respectively.

Certain engineering expenses related to long-term supply arrangements are capitalized when defined criteria, such as the existence of a contractual guarantee for reimbursement, are met.

Tooling is generally agreed upon as a separate contract or a separate component of an engineering contract, as a pre-production project. Capitalization of tooling costs is made only when the specific criteria for capitalization of customer funded tooling are met or the criteria for capitalization as Property, Plant & Equipment for tools owned by the Company are fulfilled. Depreciation on the Company's own tooling is recognized in the Consolidated Statements of Operations as Cost of Sales.

Stock Based Compensation

The compensation costs for all of the Company's stock-based compensation awards are determined based on the fair value method as defined in ASC 718, Compensation-Stock Compensation. The Company records the compensation expense for its direct and allocated portion of awards under the Veoneer Stock Incentive Plan, including restricted stock units (RSUs), performance shares (PSs) and stock options (SOs), over the respective vesting period. For further details, see Note 18, Stock Incentive Plans.

Income Taxes

Prior to the Spin-Off, Veoneer's operations were included in the tax returns filed by Autoliv of which the Veoneer business was a part. Income tax expense and other income tax related information contained in these consolidated financial statements were presented on a separate return basis as if the Company filed its own tax returns. Income taxes as presented in the consolidated financial statements for periods prior to the Spin-Off attribute current and deferred income taxes in a manner that is systematic, rational and consistent with the asset and liability method prescribed by the accounting guidance for income taxes. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone company for the periods presented prior to the Spin-Off. Any income tax liabilities or related net deferred tax assets or liabilities resulting from operations prior to the spin-off have been settled with the Former Parent as of the Distribution Date and are reflected in the Net Former Parent investment.

Subsequent to the Spin-Off, current tax liabilities and assets are recognized for the estimated taxes payable or refundable on the tax returns for the current year. In certain circumstances, payments or refunds may extend beyond twelve months, in such cases amounts would be classified as non-current taxes payable or refundable. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to temporary differences and carryforwards that result from events that have been recognized in either the financial statements or the tax returns, but not both. The measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax laws in effect for the year the differences are expected to reverse.

Deferred tax assets are reduced by the amount of any tax benefits that are not expected to be realized. A valuation allowance is recognized if, based on the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Evaluation of the realizability of deferred tax assets is subject to significant judgment requiring careful consideration of all facts and circumstances.

Tax benefits associated with tax positions taken in the Company's income tax returns are initially recognized and measured in the financial statements when it is more likely than not that those tax positions will be sustained upon examination by the relevant taxing authorities. The Company's evaluation of its tax benefits is based on the probability of the tax position being upheld if challenged by the taxing authorities (including through negotiation, appeals, settlement and litigation). Whenever a tax position does not meet the initial recognition criteria, the tax benefit is subsequently recognized and measured if there is a substantive change in the facts and circumstances that cause a change in judgment concerning the sustainability of the tax position upon examination by the relevant taxing authorities. In cases where tax benefits meet the initial recognition criterion, the Company continues, in subsequent periods, to assess its ability to sustain those positions. A previously recognized tax benefit is derecognized when it is no longer more likely than not that the tax position would be sustained upon examination. Liabilities for unrecognized tax benefits are classified as non-current unless the payment of the liability is expected to be made within the next 12 months.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents and short-term investments approximate their fair values based on Level 1 of the fair value hierarchy.

Receivables

Accounts receivables are recorded at the invoiced amount and do not bear interest.

The Company has guidelines for calculating the allowance for bad debts. In determining the amount of a bad debt allowance, management uses its judgment to consider factors such as the age of the receivables, the Company's prior experience with the customer, the experience of other enterprises in the same industry, the customer's ability to pay, and/or an appraisal of current economic conditions. Collateral is typically not required. There can be no assurance that the amount ultimately realized for receivables will not be materially different than that assumed in the calculation of the allowance.

A substantial majority of the Company's trade receivables are derived from sales to OEMs. The Company's four largest customers accounted for 59% of net sales for 2019, 58% for 2018 and 62% for 2017. Additionally, as of December 31, 2019 and 2018, these four largest customers accounted for 39% and 52%, respectively, of the Company's accounts receivable. The Company believes that the receivable balances from these largest customers do not represent a significant credit risk based on past collection experience. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. The Company believes that credit risks are moderated by the financial stability of the Company's major customers.

Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, primarily forwards, options and swaps to reduce the effects of fluctuations in foreign exchange rates and the resulting variability of the Company's operating results. On the date that a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge) or (2) a hedge of the exposure of a forecasted transaction or of the variability in the cash flows of a recognized asset or liability (a cash flow hedge).

When a hedge is classified as a fair value hedge, the change in the fair value of the hedge is recognized in the Consolidated Statements of Operations along with the offsetting change in the fair value of the hedged item. When a hedge is classified as a cash flow hedge, any change in the fair value of the hedge is initially recorded in equity as a component of Other Comprehensive Income (OCI) and reclassified into the Consolidated Statements of Operations when the hedge transaction affects net earnings. The Company uses the forward rate with respect to the measurement of changes in fair value of cash flow hedges when revaluing foreign exchange forward contracts. All derivatives are recognized in the consolidated financial statements at fair value. For further details. see Note 5, Fair Value Measurements.

Inventories

The cost of inventories is computed according to the first-in, first-out method (FIFO). Cost includes the cost of materials, direct labor and the applicable share of manufacturing overhead. Inventories are evaluated based on individual or, in some cases, groups of inventory items. Reserves are established to reduce the value of inventories to the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. The Company has guidelines for calculating provisions for excess inventories based on the number of months of inventories on hand compared to anticipated sales or usage. Management uses its judgment to forecast sales or usage and to determine what constitutes a reasonable period. There can be no assurance that the amount ultimately realized for inventories will not be materially different than that assumed in the calculation of the reserves.

Property, Plant and Equipment

Property, Plant and Equipment are recorded at historical cost. Construction in progress generally involves short-term projects for which capitalized interest is not significant. The Company provides for depreciation of property, plant and equipment computed under the straight-line method over the assets' estimated useful lives, or in the case of leasehold improvements over the shorter of the useful life or the lease term. Amortization on capital leases is recognized with depreciation expense in the Consolidated Statements of Operations over the shorter of the assets' expected life or the lease contract term. Repairs and maintenance are expensed as incurred.

The Company also entered into certain “build-to-suit” lease arrangements in 2017 with continuing impact into 2018 for certain manufacturing and research buildings. During 2018, one of the “build-to-suit” lease arrangements was completed and accounted for as a lease as of December 31, 2018. During 2019, the second build-to-suit lease arrangement was completed and accounted as a finance lease as of December 31, 2019.

Long-Lived Assets Impairment

The Company evaluates the carrying value and useful lives of long-lived assets when indications of impairment are evident or it is likely that the useful lives have decreased, in which case the Company depreciates the assets over the remaining useful lives. Impairment testing is primarily performed by using the cash flow method based on undiscounted future cash flows. Estimated undiscounted cash flows for a long-lived asset being evaluated for recoverability are compared with the respective carrying amount of that asset. If the estimated undiscounted cash flows exceed the carrying amount of the assets, the carrying amounts of the long-lived asset are considered recoverable and an impairment is not recorded. However, if the carrying amount of a group of assets exceeds the undiscounted cash flows, an entity must then estimate, generally using a discounted cash flow model the long-lived assets' fair value to determine whether an impairment loss should be recognized.

Intangible Assets and Goodwill

Intangible assets, principally related to acquired technology and contractual relationships, are amortized over their useful lives which range from 5 to 10 years.

Goodwill represents the excess of the fair value of consideration transferred over the fair value of net assets of businesses acquired. Goodwill is not amortized but is subject to at least an annual review for impairment.

The Company reviews goodwill for impairment annually in the fourth quarter or more frequently if events or changes in circumstances indicate the assets might be impaired. The impairment test was performed on December 31 in 2018 but the Company elected to change its annual impairment test date to October 31 in 2019.

In conducting its impairment testing, the Company compares the estimated fair value of each of its reporting units to the related carrying value of the reporting unit. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of a reporting unit exceeds its estimated fair value, an impairment loss is recognized for the excess of carrying amount over the fair value of the respective reporting unit.

The estimated fair value of the reporting unit is determined by the discounted cash flow method taking into account expected long-term operating cash-flow performance. The Company discounts projected operating cash flows using the reporting unit's weighted average cost of capital, including a risk premium to adjust for market risk. The Company's assumptions in conducting its impairment testing include revenue growth rates, Earnings Before Income Tax ("EBIT") margin rate in the discrete and terminal period and the discount rate applied to the future cash flows. The estimated fair value is based on automotive industry volume projections which are based on third-party and internally developed forecasts and discount rate assumptions. To supplement this analysis, the Company compares the market value of its equity, calculated by reference to the quoted market prices of its shares, to the estimated fair values of its reporting units.

In the fourth quarter of 2017, in connection with the annual impairment test, the Company recorded a goodwill impairment charge of $234 million relating to the Brake Systems Segment in the Consolidated Statements of Operations. There is no remaining goodwill related to the Brake Systems Segment after the impairment. There were no impairments of goodwill during 2019 and 2018.

Assets and liabilities held for sale

The Company classifies assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the Consolidated Balance Sheets. Additionally, depreciation is not recorded during the period in which the long-lived assets, included in the disposal group, are classified as held for sale.

Warranties and Recalls

The Company records liabilities for product recalls when probable claims are identified and when it is possible to reasonably estimate costs. Recall costs are costs incurred when the customer decides to formally recall a product due to a known or suspected safety concern. Product recall costs typically include the cost of the product being replaced as well as the customer’s cost of the recall, including labor to remove and replace the defective part. Insurance receivables, related to recall issues covered by the insurance, are included within other current assets in the Consolidated Balance Sheets.

Provisions for warranty claims are estimated based on prior experience, likely changes in performance of newer products and the mix and volume of products sold. The provisions are recorded on an accrual basis.

Pension and Other Post-Employment Benefits

Veoneer's employees participate in both defined contribution plans and defined benefit plans sponsored by Veoneer in Japan (the Japan plans), Canada (the Canada plans), and France (the France plans) and certain defined benefit plans sponsored by Autoliv in Sweden (the Sweden plans) and US (the US plans). A defined contribution plan generally specifies the periodic amount that the employer must contribute to the plan and how that amount will be allocated to the eligible employees who perform services during the same period. A defined benefit pension plan is one that contains pension benefit formulas, which generally determine the amount of pension benefits that each employee will receive for services performed during a specified period of employment.

For the Japan, Canada, and France plans, the amount recognized as a defined benefit liability is the net total of projected benefit obligation (PBO) minus the fair value of plan assets (if any). The plan assets are measured at fair value. The inputs to the fair value measurement of the plan assets are mainly level 2 inputs (see Note 8, Fair Value Measurements). Veoneer has considered the remaining plans to be part of a multiemployer plan with Autoliv and does not record a corresponding asset or liability. Pension expense was allocated and reported within Costs of sales, Selling, general and administrative expenses and Research, development and engineering expenses in the Consolidated Statements of Operations. The expense related to Veoneer employees and allocated expenses are included in these Consolidated Financial Statements.

Contingent Liabilities

Various claims, lawsuits and proceedings are pending or threatened against the Company or its subsidiaries, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability or other matters.

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

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

The Company believes, based on currently available information, that the resolution of outstanding matters, described in Note 16, Commitments and Contingencies, after taking into account recorded liabilities and available insurance coverage, should not have a material effect on the Company's 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.

Translation of Non-US Subsidiaries

The balance sheets of subsidiaries with functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates.

The statement of operations of these subsidiaries is translated into U.S. dollars using the average exchange rates for the year. Translation differences are reflected in equity as a component of OCI.

Receivable and Liabilities in Non-Functional Currencies

Receivables and liabilities not denominated in functional currencies are converted at year-end exchange rates. Net transaction gains/(losses) that are reflected in the Consolidated Statements of Operations amounted to $2 million, $(2) million and $3 million in 2019, 2018 and 2017, respectively. These are recorded in operating income if they relate to operational receivables and liabilities or are recorded in other non-operating items, net if they relate to financial receivables and liabilities.

(U.S. DOLLARS IN MILLIONS)

Recently Issued Accounting Pronouncements

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations by recognizing lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 affects any entity that enters into a lease, with some specified scope exceptions. For public business entities, the amendments in ASU 2016-02 are effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Company adopted ASU 2016-02 in the annual period beginning January 1, 2019. The Company applied the modified retrospective transition method and elected the transition option to use the effective date January 1, 2019, as the date of initial application. The Company did not adjust its comparative period financial statements for effects of ASU 2016-02, and has not made the new required lease disclosures for periods before the effective date. The Company has recognized its cumulative effect transition adjustment as of the effective date. In addition, the Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, have allowed the Company to carry forward the historical lease classification. The adoption of the new standard resulted in recording operating lease assets and lease liabilities of approximately $75 million as of January 1, 2019, which is shown in the table below. The adoption of the new lease standard did not have a material impact on the Company's Consolidated Statements of Operations or Statements of Cash Flows.

Balance Sheet	**Balance at December 31 2018**	**Adjustments due to ASU 2016-02**	**Balance at January 1 2019**
Assets			
Right-of-use assets, operating leases	$ —	$ 75	$ 75
Current liabilities			
Other current liabilities	—	16	16
Non-current liabilities			
Operating lease non-current liabilities	—	57	57
Equity			
Accumulated deficit	(181)	—	(181)

In May 2014, the FASB issued ASU 2014-09*, Revenue from Contracts with Customers (Topic 606),* which outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. In 2016, the FASB issued accounting standard updates to address implementation issues and to clarify guidance in certain areas. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In addition, ASU 2014-09 requires certain additional disclosure around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASU 2014-09 effective January 1, 2018 and utilized the modified retrospective (cumulative effect) transition method. The Company applied the modified retrospective transition method through a cumulative adjustment to equity. The adoption of the new revenue standard did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses,* which provides improvements to ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Specifically, ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, *Measured at Amortized Cost*, and states that impairment of receivables arising from operating leases should be accounted for in accordance with ASC Topic 842, *Leases*. The Company is required to adopt ASU 2018-19 concurrently with ASU 2016-13 in the first quarter of 2020. The Company does not expect ASU 2018-19 to have a material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18 *Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606,* which (1) clarifies that certain transactions between collaborative arrangement participants should be accounted for under ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, when the collaborative arrangement participant is a customer in the context of a unit of account, (2) adds unit-of-account guidance in Topic 808 to align with Topic 606 when an entity is assessing whether the collaborative arrangement, or a part of the arrangement, is within the scope of Topic 606, (3) precludes presenting transactions together with revenue when those transactions involve collaborative arrangement participants that are not directly related to third parties and are not customers. The Company is required to adopt ASU 2018-18 in the first quarter of 2020. The Company does not expect ASU 2018-18 to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. ASU 2018-14 removes the requirements to disclose: amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and the effects of a one-percentage point change in assumed health care cost trend rates. ASU 2018-14 requires disclosure of an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. The Company is currently evaluating this guidance to determine the impact on its disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.* ASU 2018-13 removes the requirement to disclose: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating this guidance to determine the impact on its disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* which requires measurement and recognition of expected credit losses for financial assets held and requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses. ASU 2016-13 is effective for public business entities for annual periods beginning after December 15, 2019, and earlier adoption is permitted for annual periods beginning after December 15, 2018. The Company does not expect ASU 2016-13 to have a material impact on its consolidated financial statements.

(U.S. DOLLARS IN MILLIONS)

NOTE 3. Revenue

Disaggregation of revenue

The Company has attributed net sales to the geographic area based on the location of the entity selling the final product. Of the net sales, exports from the U.S. to other regions amounted to approximately $175 million, $356 million and $159 million in 2019, 2018 and 2017, respectively.

In the following tables, revenue is disaggregated by primary region and products of revenue recognition.

Net Sales by Region

	Year Ended December 31								
	2019			2018			2017		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total
Asia	$ 350	$ 312	$ 662	$ 424	$ 370	$ 794	$ 489	$ 362	$ 851
Americas	556	60	616	696	58	754	698	114	812
Europe	624	—	624	680	—	680	663	—	663
Total region sales	**1,530**	**372**	**1,902**	**1,799**	**428**	**2,228**	**1,850**	**476**	**2,326**
Less: intercompany sales	—	—	—	—	—	—	(1)	(3)	(4)
Total	**$ 1,530**	**$ 372**	**$1,902**	**$ 1,800**	**$ 428**	**$2,228**	**$ 1,849**	**$ 473**	**$2,322**

Net Sales by Products

	Year Ended December 31								
	2019			2018			2017		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total	Electronics	Brake Syste	Total
Restraint Control Systems	$ 822	$ —	$ 822	$ 974	$ —	$ 974	$ 1,073	$ —	$ 1,073
Active Safety products	708	—	708	825	—	825	778	—	778
Brake Systems	—	372	$ 372	—	428	428	—	476	476
Total product sales	**1,530**	**372**	**$ 1,902**	**1,799**	**428**	**2,228**	**1,850**	**476**	**2,326**
Less: intercompany sales	—	—	—	—	—	—	(1)	(3)	(4)
Total net sales	**$ 1,530**	**$ 372**	**$ 1,902**	**$ 1,800**	**$ 428**	**$2,228**	**$ 1,849**	**$473**	**$ 2,322**

The following tables provide information about receivables and contract assets from contracts with customers.

Contract Balances with Customers

	As of December 31	
	2019	2018
Receivables, net	$ 253	$ 376
Contract assets[1]	6	8

[1] Included in prepaid expenses and other contract assets in the Consolidated Balance Sheets

Changes in the contract asset balances during the period are as follows:

Change in Contract Balances with Customers[1]

	Year Ended December 31
Contract assets	**2019**
Beginning balance	**$ 8**
Increases due to revenue recognized	25
Decreases due to transfer to receivables	(27)
Ending balance	**$ 6**

[1]The contract asset is determined at each period end, this table reflects the rollforward of the period end balance.

NOTE 4. Leases

The Company has operating and finance leases for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment. The leases have remaining lease terms of 1 year to 14 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 month to 2 year(s). As of December 31, 2019 and 2018, assets recorded under finance leases included in Property, plant and equipment, net were $35 million and $16 million, respectively, and accumulated depreciation associated with finance leases was $2 million and $3 million as of December 31, 2019 and 2018, respectively.

The Company has elected the practical expedient not to separate lease components from non-lease components for all its underlying assets.

If the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate. The Company uses its best judgment when determining the incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term to the lease payments in a similar currency.

The components of lease expense for the year ended December 31, 2019 were as follows:

	Year Ended December 31	
(Dollars in millions)	2019	
Operating lease cost	$	24
Finance lease cost		
Amortization of right-of-use assets		3
Interest on lease liabilities		2
Total finance lease cost		5
Short-term lease cost		—
Variable lease cost		—
Total lease cost	**$**	**29**

Other information related to leases for the year ended December 31, 2019 was as follows:

Supplemental Cash Flows Information	Year Ended December 31	
(Dollars in millions)	2019	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	$	22
Operating cash flows used for finance leases		2
Financing cash flows used for finance leases		2
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases		52
Finance leases		33

	As of December 31
(Lease term in years and discount rate)	2019
Weighted-average remaining lease term	
Operating Leases	8
Finance Leases	11
Weighted-average discount rate	
Operating leases	3.6 %
Finance leases	4.9 %

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows:

(Dollars in millions)	Operating Leases	Finance Leases
2020	$ 22	$ 3
2021	18	4
2022	15	3
2023	13	4
2024	8	3
Thereafter	42	34
Total lease payments	**118**	**51**
Less imputed interest	17	17
Total lease liabilities	**$ 101**	**$ 34**

Lease obligations reported as of December 31, 2019 were as follows:

(Dollars in millions)	Operating Leases	Finance Leases
Other current liabilities	$ 18	$ 1
Lease liabilities - non current	82	33
Other current liabilities	1	—
Total lease liabilities	**$ 101**	**$ 34**

As of December 31, 2019, the Company has additional obligations of $1 million relating to operating leases, primarily for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment, that have not yet commenced. These operating leases will commence in 2020 with lease terms of 2 years to 5 years.

NOTE 5. Debt

The Company's short and long-term debt consists of the following:

	As of December 31	
(Dollars in millions)	**2019**	**2018**
Short-Term Debt:		
Short-term borrowings	$ 3	$ —
Long-Term Debt:		
4.00% Convertible Senior Notes due 2024 (Carrying value)	160	—
Other long-term borrowings	8	—
Total Debt	**$ 171**	**$ —**

Short-Term Debt:

Short -term debt is included in Other current liabilities in the Consolidated Balance Sheet.

Long-Term Debt:

4.00% Convertible Senior Notes

On May 28, 2019, the Company issued, in a registered public offering in the U.S., Convertible Senior Notes (the "Notes") with an aggregate principal amount of $207 million. The Notes bear interest at a rate of 4.00% per year payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2019. The Notes will mature on June 1, 2024, unless repurchased, redeemed or converted in accordance with their terms prior to such date.

The net proceeds from the offering of the Notes were approximately $200 million, after deducting issuance costs of $7 million. The Company accounted for these issuance costs as a direct deduction from the carrying amount of the Notes. These costs are being amortized into interest expense for 5 years or through June 2024.

The conversion rate is 44.8179 shares of common stock per $1,000 principal amount of the Notes (equivalent to an initial conversion price of approximately $22.3125 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if the Company deliver a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or notice of redemption, as the case may be. In no event will the conversion rate per $1,000 principal amount of the Notes as a result of this adjustment exceed 57.1428 shares of common stock, as stipulated in the indenture.

The Company may not redeem the Notes prior to June 1, 2022. On or after this date, the Company may redeem for cash, shares or both all or any portion of the Notes, at our option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes.

If the Company undergoes a fundamental change (as defined in the indenture), holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Notes will be the Company's general unsecured obligations and will rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the Notes, equal in right of payment with all of the Company's liabilities that are not so subordinated, effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Holders may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding March 1, 2024 only under the following circumstances: (1) if the last reported sale price of the Company's common stock for at least 20 trading days, whether or not consecutive, during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the "trading price" (as defined in the indenture) per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events.

On or after March 1, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at the Company's election, as stipulated in the indenture.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component, representing the conversion option, which does not meet the criteria for separate accounting as a derivative as it is indexed to the Company's own stock, was determined by deducting the fair value of the liability component from the par value of the Notes. The difference between the principal amount of the Notes and the liability component represents the debt discount, which is recorded as a direct deduction from the related debt liability in the Consolidated and Balance Sheet and amortized to interest expense using the effective interest method over the term of the Notes. The effective interest rate on the Notes is 10%. The equity component of the Notes of approximately $46 million is included in additional paid-in capital in the Consolidated Balance Sheet and is not remeasured as long as it continues to meet the conditions for equity classification. The Company allocated transaction costs related to the Notes using the same proportions as the proceeds from the Notes. Transaction costs attributable to the liability component were recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheet and amortized to interest expense over the term of the Notes, and transaction costs attributable to the equity component were netted with the equity component in shareholders' equity.

The following table presents the outstanding principal amount and carrying value of the Notes:

4.00% Convertible Senior Notes due 2024	**As of December 31**	
(Dollars in millions)	**2019**	**2018**
Principal amount (face value)	$ 207	$ —
Unamortized issuance cost	(5)	—
Unamortized debt discount	(42)	—
Net Carrying value	**$ 160**	**$ —**

The Company recognized total interest expense related to the Notes of approximately $10 million for the year ended December 31, 2019.

The estimated fair value of the Notes was $205 million as of December 31, 2019. The estimated fair value of the Notes was determined through consideration of quoted market prices. The fair value is classified as Level 2, as defined in Note 8, Fair Value Measurements.

NOTE 6. Assets Held for Sale

In 2019, the Company started exploring strategic options for non-core product lines in the Brake System segment. In the fourth quarter of 2019, management committed and approved a plan to sell VNBS (VNBJ and VNBZ). The Company expects to sell these entities within one year from management's approval of the plan. The business and its associated assets and liabilities met the criteria for presentation as held for sale as of December 31, 2019 and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in no impairment charge for the year end December 31, 2019. The assets and liabilities associated with the transaction are separately classified as held for sale in the consolidated balance sheet as of December 31, 2019 and depreciation of long-lived assets ceased on October 30, 2019. The planned divestiture did not meet the criteria for presentation as a discontinued operation.

Assets and liabilities held for sale are summarized as follows:

(Dollars in millions)		**As of December 31**
Assets held for sale		**2019**
Cash and cash equivalents		35
Receivables, net		58
Inventories, net		17
Property, plant and equipment, net		126
Intangible assets, net		66
Other current assets		15
Total assets held for sale	**$**	**317**
Liabilities held for sale		
Accounts payable		50
Accrued expenses		20
Related party short-term debt		12
Pension liability		8
Other current liabilities		28
Total liabilities held for sale	**$**	**118**

NOTE 7. Business Combinations

Business combinations generally take place to either gain key technology or strengthen Veoneer's position in a certain geographical area or with a certain customer. The results of operations and cash flows from the Company's acquisitions have been included in the Company's consolidated financial statements prospectively from their date of acquisition.

Fotonic i Norden dp AB

On November 1, 2017, Veoneer completed the acquisition of all the shares in Fotonic i Norden dp AB (Fotonic), headquartered in Stockholm and Skellefteå in Sweden. The acquisition date fair value of the total consideration transferred was $17 million, consisting of a $15 million cash payment and $2 million of deferred purchase consideration, payable at the 18-month anniversary of the closing date. The deferred purchase consideration reflects the holdback amount as stipulated in the share purchase agreement. The transaction has been accounted for as a business combination, with the purchase price allocation reflecting the final valuation results.

Fotonic provides Lidar and Time of Flight camera expertise and the acquisition included 35 Lidar and Time of Flight engineering experts, in addition to defined tangible and intangible assets. The strength of the acquired competence is on the Lidar and Time of Flight camera hardware side which form a complement to Veoneer's skillset in the Lidar software and algorithms area. Lidar technology is an enabling technology for Highly Automated Driving and considered the primary sensor by all system developers. Fotonic is being reported in the Electronics segment.

The net assets acquired as of the acquisition date amounted to $17 million. The fair values of identifiable assets acquired consisted of Intangible assets of $4 million and Goodwill of $13 million, and the fair value of liabilities assumed consisted of Other current liabilities was less than a $1 million. Acquired Intangibles consisted of the fair value of background IP (patent & technical know-how). The useful life of the IP is five years and will be amortized on a straight-line basis. The recognized goodwill primarily reflects the valuation of the acquired workforce of specialist engineers.

NOTE 8. Fair Value Measurements

The Company uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Assets which are valued at net asset value per share ("NAV"), or its equivalent, as a practical expedient are reported outside the fair value hierarchy, but are included in the total assets for reporting and reconciliation purposes.

Items Measured at Fair Value on a Recurring Basis

Derivative instruments - The Company uses derivative financial instruments, “derivatives”, to mitigate the market risk that occurs from its exposure to changes in interest and foreign exchange rates. The Company does not enter into derivatives for trading or other speculative purposes. The Company’s use of derivatives is in accordance with the strategies contained in the Company’s overall financial risk policy. The derivatives outstanding as of December 31, 2019 and 2018 were foreign exchange swaps. All swaps principally match the terms and maturity of the underlying obligation and no swaps have a maturity beyond six months. All derivatives are recognized in the consolidated financial statements at fair value. Certain derivatives are from time to time designated either as fair value hedges or cash flow hedges in line with the hedge accounting criteria. For certain other derivatives hedge accounting is not applied because the hedge does not meet the hedge accounting requirements, although entered into applying the same rationale concerning mitigating market risk that occurs from changes in interest and foreign exchange rates. The Company’s derivatives are classified as Level 2 of the fair value hierarchy and there were no transfers between the levels during this or comparable periods.

During the first quarter of 2018, foreign exchange forward contracts designated as cash flow hedges of certain external purchasing were terminated. The loss associated with such termination was not material.

Financial Statement Presentation

The Company enters into master netting agreements, International Swaps and Derivatives Association (ISDA) agreements with all derivative counterparties. The netting agreements allow for netting of exposures in the event of default or breach of the counterparty agreement. The fair values in the Consolidated Balance Sheets have been presented on a gross basis. Derivative financial instruments designated and non-designated as hedging instruments are included in the Consolidated Balance Sheets. The nominal value of the derivatives not designated as hedging instruments was $291 million and $103 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the derivatives not designated as hedging instruments was a liability of $1 million and an asset of less than $1 million, respectively.

Gains and losses on derivative financial instruments reported in Other non-operating items, net in the Consolidated Statements of Operations, were a loss of $1 million for the years ended December 31, 2019 and 2018, and a gain of $1 million for the year ended December 31, 2017.

Contingent consideration - The fair value of the contingent consideration relating to the MACOM acquisition on August 17, 2015 is re-measured on a recurring basis. The fair value measurements are generally determined using unobservable inputs and are classified within Level 3 of the fair value hierarchy. The Company adjusted the fair value of the earn-out liability to $14 million during 2017 based on actual revenue levels to date as well as changes in the estimated probability of different revenue scenarios for the remaining contractual earn-out period. Income of approximately $13 million was recognized within other income in the Consolidated Statements of Operations during the year ended December 31, 2017 due to the decrease in the contingent consideration liability. The remaining fair value of the earn-out liability of $14 million as of December 31, 2017 was fully released to and recognized within Other income during the year ended December 31, 2018, driven by changes in the estimated probability of different revenue scenarios for the remaining contractual earn-out period such that management no longer believes that there are any scenarios under which the earn-out criteria could be met. Management has updated its analysis as of December 31, 2019 and continues to believe that the fair value of the contingent consideration is $0 million.

Items Measured at Fair Value on a Non-Recurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. The fair value measurements are generally determined using unobservable inputs and are classified within Level 3 of the fair value hierarchy. These assets include long-lived assets, intangible assets and investments in affiliates, which may be written down to fair value as a result of impairment. The Company has determined that the fair value measurements included in each of these assets and liabilities rely primarily on Company-specific inputs and the Company’s assumptions about the use of the assets and settlements of liabilities, as observable inputs are not available. The Company has determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy. To determine the fair value of long-lived assets, the Company utilizes the projected cash flows expected to be generated by the long-lived assets, then discounts the future cash flows over the expected life of the long-lived assets. No such measurements were made in the current period.

Investments

The Company may, as a practical expedient, estimate the fair value of certain investments using NAV of the investment as of the reporting date. This practical expedient generally deals with investments that permit an investor to redeem its investment directly with, or receive distributions from, the investee at times specified in the investee's governing documents. Examples of these investments (often referred to as alternative investments) may include ownership interests in real assets, certain credit strategies, and hedging and diversifying strategies. They are commonly in the form of limited partnership interests. The Company uses NAV as a practical expedient when valuing investments in alternative asset classes and funds which are a limited partnership or similar investment vehicle.

On June 30, 2017, Veoneer committed to make a $15 million investment in Autotech Fund I, L.P. pursuant to a limited partnership agreement, and as a limited partner, will periodically make capital contributions toward this total commitment amount. As of December 31, 2019, Veoneer has contributed a total of $10 million to the fund. For the years ended December 31, 2019 the Company has received a distribution of $2 million from the fund.

The carrying amounts reflected in the Consolidated Balance Sheet in Investments for the AutoTech Fund I, L.P approximates its fair values.

NOTE 9. Receivables

	As of December 31	
(Dollars in millions)	**2019**	**2018**
Receivables	**$ 256**	**$ 378**
Allowance at beginning of year	(2)	(2)
Reversal of allowance	1	—
Addition to allowance	(2)	—
Allowance at end of year	(3)	(2)
Total receivables, net of allowance	**$ 253**	**$ 376**

The Company receives bank notes generally maturing within six months from certain of its customers in China to settle trade accounts receivable. The Company may hold such bank notes until maturity, exchange them with suppliers to settle liabilities, or sell them to third party financial institutions in exchange for cash.

As of December 31, 2019, the Company had entered into arrangements with financial institutions and sold $81 million of factored trade receivables without recourse and $37 million of bank notes without recourse, which qualify as sales as all rights to the trade and notes receivable have passed to the financial institution. There were no factoring arrangements as of December 31, 2018.

As of December 31, 2019, the Company had $26 million of trade notes receivables which remain outstanding and will mature within the first quarter of 2020. The collections of such bank notes are included in operating cash flows based on the substance of the underlying transactions, which are operating in nature. The fair value of the guaranteed notes receivables in China is determined based on Level 2 inputs including credit ratings and other criteria observable in the market. The fair value of these notes equal their carrying amounts of $26 million as of December 31, 2019.

During the year ended December 31, 2018, the Company entered into arrangements with financial institutions and factored trade receivables of $10 million in France and bank notes of $9 million in China. They were accounted for as secured borrowings with pledged collateral and recorded in the Consolidated Balance Sheets within "Receivable, net" and "Other current liabilities."

NOTE 10. Inventories

	As of December 31	
(Dollars in millions)	2019	2018
Raw material	$ 99	$ 108
Work in progress	8	15
Finished products	62	71
Inventories	**$ 169**	**$ 194**
Inventory reserve at beginning of year	**$ (23)**	**$ (27)**
Reversal of reserve	1	1
Addition to reserve	(4)	(3)
Write-off against reserve	1	5
Translation difference	—	1
Inventory reserve at end of year	**$ (25)**	**$ (23)**
Total inventories, net of reserve	**$ 144**	**$ 172**

NOTE 11. Accrued Expenses

	As of December 31	
(Dollars in millions)	2019	2018
Operating related accruals	$ 43	$ 55
Employee related accruals	76	66
Customer pricing accruals	39	39
Product related liabilities[1]	15	16
Other accruals	19	18
Total Accrued Expenses	**$ 192**	**$ 193**

[1] As of December 31, 2019 and 2018, $8 million and $14 million, respectively, of product related liabilities were indemnifiable losses subject to indemnification by Autoliv and an indemnification asset is included in Other current assets.

NOTE 12. Equity Method Investment

As of December 31, 2019, the Company has one equity method investment.

On April 18, 2017, Autoliv and Volvo Cars completed the formation of their joint venture, Zenuity AB. Autoliv's interest in Zenuity was transferred to Veoneer in connection with the Spin-Off. Autoliv made an initial cash contribution of SEK 1 billion (approximately $111 million as of April 18, 2017) and also contributed intellectual property, lab equipment and an assembled workforce. Veoneer and Volvo Cars each have a 50% ownership of Zenuity and neither entity has the ability to exert control over the joint venture, in form or in substance. Veoneer accounts for its investment in Zenuity under the equity method and the investment is shown in Equity method investment in the Consolidated Balance Sheets. The contributed intellectual property, lab equipment, and an assembled workforce have been assessed to constitute a business as defined by ASU 2017-1, *Business Combinations (Topic 805) – Clarifying the Definition of a Business*. FASB ASC Topic 810, *Consolidation* states that when a group of assets that constitute a business is derecognized, the carrying amounts of the assets and liabilities are removed from the Consolidated Balance Sheets. The investor would recognize a gain or loss based on the difference between the sum of the fair value of any consideration received less the carrying amount of the group of assets and liabilities contributed at the date of the transaction. The equity value of Zenuity on the date of the closing of the transaction of approximately $250 million was calculated using the discounted cash flow method of the income approach. Veoneer's 50% share of the equity value, approximately $125 million, represented its investment in Zenuity, including its cash contribution at inception.

During the year ended December 31, 2019, Veoneer contributed SEK 550 million (approximately $58 million) in cash (representing 50% of the total contribution, with the remainder made by Volvo Cars) into Zenuity to support its future operating cash flow needs.

During the year ended December 31, 2018, Veoneer contributed SEK 600 million (approximately $71 million) in cash (representing 50% of the total contribution, with the remainder made by Volvo Cars) into Zenuity to support its future operating cash flow needs.

The profit and loss attributed to the investment is shown in Loss from equity method investment in the Consolidated Statements of Operations. Veoneer's share of Zenuity's loss for the years ended December 31, 2019, 2018 and 2017 was $70 million, $63 million and $31 million, respectively. As of December 31, 2019 and 2018, the Company's equity investment in Zenuity amounted to $87 million and $101 million, respectively, after consideration of foreign exchange movements.

Certain summarized Income Statement information of Zenuity is shown below (dollars in millions):

	Year Ended December 31		
	2019	2018	2017
Net sales	$ 4	$ 5	$ 5
Gross profit	—	—	—
Operating loss	(138)	(125)	(61)
Loss before income taxes	(138)	(125)	(61)
Net loss	$ (139)	$ (125)	$ (61)

We are currently in discussions with our Zenuity joint venture partner regarding the development priorities of Zenuity in light of the market shift toward autonomous vehicle solutions and are presently evaluating our strategic and business plans for Zenuity, as well as its ongoing funding needs. The outcome of these discussions will influence the level of funding and participation of Veoneer in Zenuity, as well as future sharing of intellectual property and IP licenses and may result in a different strategy, focus, structure and/or purpose of Zenuity or implementation of other strategic options being reviewed. The Company continually monitors the carrying value of its investment based upon these discussions.

NOTE 13. Property, Plant and Equipment

(Dollars in millions)	As of December 31 2019	As of December 31 2018	Estimated life (years)
Land and land improvements	$ —	$ 21	n/a to 15
Machinery and equipment	634	662	3-8
Buildings	103	111	20
Construction in progress	195	177	n/a
Property, plant and equipment	**$ 932**	**$ 971**	
Less accumulated depreciation	(459)	(472)	
Net of accumulated depreciation	**$ 473**	**$ 499**	

	Year Ended December 31		
DEPRECIATION INCLUDED IN	**2019**	**2018**	**2017**
Cost of sales	$ 59	$ 62	$ 58
Selling, general and administrative expenses	4	3	2
Research, development and engineering expenses, net	32	22	22
Total	**$ 95**	**$ 88**	**$ 82**

The net book value of machinery, equipment, buildings and land under finance lease contracts was $33 million and $13 million as of December 31, 2019 and 2018, respectively.

NOTE 14. Other Comprehensive Loss

	Year Ended December 31		
(Dollars in millions)	**2019**	**2018**	**2017**
Other Comprehensive Loss[1]			
Cumulative translation adjustments	$ (34)	$ (10)	$ (2)
Net gain (loss) of cash flow hedge derivatives	—	—	(1)
Pension liability, net of tax	(10)	(9)	(6)
Total (ending balance)	**$ (44)**	**$ (19)**	**$ (8)**
Deferred taxes on the pension liability	3	1	—

[1]The components of Other Comprehensive Loss are net of any related income tax effects.

NOTE 15. Goodwill and Intangible Assets

Intangible assets as of December 31, 2019 and 2018, were as follows (dollars in millions):

	Electronics Segment
Goodwill	
Carrying amount at January 1, 2018	**$ 292**
Translation differences	(1)
Carrying amount at December 31, 2018	**291**
Translation differences	(1)
Carrying amount at December 31, 2019	**$ 290**

(U.S. DOLLARS IN MILLIONS)

	As of December 31	
Amortizable Intangible	**2019**	**2018**
Gross carrying amount	$ 147	$ 263
Translation differences	(1)	1
Accumulated amortization	(129)	(161)
Carrying value	**$ 17**	**$ 102**

As of December 31, 2019, the carrying value of the amortizable intangible of $17 million was related to the technology asset category. The carrying value of $102 million at December 31, 2018, $71 million was related to the technology asset category and $31 million was related to the contractual relationships asset category.

The Company recorded approximately $20 million, $23 million and $37 million of amortization expense related to definite-lived intangible assets for the years ended December 31, 2019, 2018 and 2017, respectively. The Company currently estimates future amortization expenses to be $7 million for 2020, $6 million for 2021 and $4 million for 2022.

NOTE 16. Commitments and Contingencies

Legal Proceedings

Veoneer is subject to various claims, lawsuits and proceedings are pending or threatened against the Company, covering a range of matters that arise in the ordinary course of its business activities with respect to commercial, product liability and other matters. Litigation is subject to many uncertainties, and the outcome of any litigation cannot be assured. After discussions with counsel, with the exception of any potential losses resulting from the issue described below, it is the opinion of management that the various legal proceedings and investigations to which the Company currently is a party will not have a material adverse impact on the Consolidated financial position of Veoneer, but the Company cannot provide assurance that Veoneer will not experience material litigation, product liability or other losses in the future.

Product Warranty, Recalls and Intellectual Property

Veoneer is exposed to various claims for damages and compensation if its products fail to perform as expected. Such claims can be made, and result in costs and other losses to the Company, even where the product is eventually found to have functioned properly. Where a product (actually or allegedly) fails to perform as expected or is defective, the Company may face warranty and recall claims. Where such (actual or alleged) failure or defect results, or is alleged to result, in bodily injury and/or property damage, the Company may also face product liability and other claims. There can be no assurance that the Company will not experience material warranty, recall or product (or other) liability claims or losses in the future, or that the Company will not incur significant costs to defend against such claims. The Company may be required to participate in a recall involving its products. Each vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. Government safety regulators may also play a role in warranty and recall practices. A warranty, recall or product-liability claim brought against the Company in excess of its insurance may have a material adverse effect on the Company's business. Vehicle manufacturers are also increasingly requiring their outside suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. A vehicle manufacturer may attempt to hold the Company responsible for some, or all, of the repair or replacement costs of products when the product supplied did not perform as represented by the Company or expected by the customer. Accordingly, the future costs of warranty claims by the customers may be material. However, the Company believes its established reserves are adequate. Veoneer's warranty reserves are based upon the Company's best estimates of amounts necessary to settle future and existing claims. The Company regularly evaluates the adequacy of these reserves, and adjusts them when appropriate. However, the final amounts actually due related to these matters could differ materially from the Company's recorded estimates.

In addition, as vehicle manufacturers increasingly use global platforms and procedures, quality performance evaluations are also conducted on a global basis. Any one or more quality, warranty or other recall issue(s) (including those affecting few units and/or having a small financial impact) may cause a vehicle manufacturer to implement measures such as a temporary or prolonged suspension of new orders, which may have a material impact on the Company's results of operations.

The Company carries insurance for potential recall and product liability claims at coverage levels based on the Company's prior claims experience. Veoneer cannot assure that the level of coverage will be sufficient to cover every possible claim that can arise in the Company's businesses, now or in the future, or that such coverage always will be available should the Company, now or in the future, wish to extend, increase or otherwise adjust the Company's insurance.

In its products, the Company utilizes technologies which may be subject to intellectual property rights of third parties. While the Company does seek to procure the necessary rights to utilize intellectual property rights associated with its products, it may fail to do so. Where the Company so fails, the Company may be exposed to material claims from the owners of such rights. Where the Company has sold products which infringe upon such rights, its customers may be entitled to be indemnified by the Company for the claims they suffer as a result thereof. Such claims could be material.

Product Related Liabilities

The Company is exposed to product liability and warranty claims in the event that the Company's products fail to perform as represented and such failure results, or is alleged to result, in bodily injury, and/or property damage or other loss. The Company has reserves for product risks. Such reserves are related to product performance issues including recall, product liability and warranty issues.

The Company records liabilities for product related risks when probable claims are identified and when it is possible to reasonably estimate costs. Provisions for warranty claims are estimated based on prior experience, likely changes in performance of newer products, and volume of the products sold. The provisions are recorded on an accrual basis.

The table below summarizes the change in product related liabilities in the Consolidated Balance Sheets.

	As of December 31	
(Dollars in millions)	**2019**	**2018**
Reserve at beginning of the year	**$ 16**	**$ 22**
Change in reserve	1	10
Cash settlements	(2)	(15)
Transfers	—	(1)
Reserve at end of the year	**$ 15**	**$ 16**

As of December 31, 2019 and 2018, provisions and cash paid primarily relate to recall and warranty related issues. The decrease in the reserve balance as of December 31, 2019 compared to the prior year was mainly due to recall related issues offset by the cash payments for warranties and product liabilities. Agreements entered into between Autoliv and Veoneer in connection with the Spin-Off provide for Autoliv to indemnify Veoneer for certain liabilities related to electronics products manufactured before April 1, 2018. As of December 31, 2019 and 2018, $8 million and $14 million, respectively, of product related liabilities were indemnifiable losses subject to indemnification by Autoliv and an indemnification asset is included in Other current assets.

Guarantees

The Company provided lease guarantees to Zenuity of $7 million and $8 million as of December 31, 2019 and 2018, respectively. These represent the maximum potential amount of future undiscounted payments that Veoneer could be required to make under the guarantees in the event of default by the guaranteed parties. These guarantees will generally cease upon expiration of current lease agreements between 2020 and 2022.

Commitments

Unconditional Purchase Obligation and Other Non-current liabilities

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

(U.S. DOLLARS IN MILLIONS)

NOTE 17. Retirement Plans

Defined Benefit Pension Plans

The defined benefit pension plans impacting the Veoneer financial results include the following:

Existing Veoneer Plans which are comprised of plans in Japan, Canada, and France, *Transferred Veoneer Plans* which are comprised of plans in Germany, India, Japan, and South Korea, and *Autoliv Sponsored Plans* which are comprised of plans in Sweden and the U.S.

The combination of the *Existing Veoneer Plans* and *Transferred Veoneer Plans* has resulted in a total pension expense of $4 million, $4 million and $5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Existing Veoneer Plans

The defined benefit pension plans for eligible participants in Japan, Canada, and France prior to the Spin-Off continue to provide pension retirement benefits to the Company's employees subsequent to the Spin-Off.

Transferred Veoneer Plans

Prior to the plan transfers to Veoneer legal entities on April 1, 2018, eligible Veoneer employees participated in the following Autoliv-sponsored plans:

<table>
<tr><th>Country</th><th>Name of Defined Benefit Plans</th></tr>
<tr><td>Germany</td><td>Direct Pension Promises Plan</td></tr>
<tr><td>India</td><td>Gratuity Plan</td></tr>
<tr><td rowspan="2">Japan</td><td>Retirement Allowances Plan</td></tr>
<tr><td>Defined Benefit Corporate Plan</td></tr>
<tr><td>South Korea</td><td>Severance Pay Plan (statutory plan)</td></tr>
</table>

On April 1, 2018, the assets, liabilities, and associated accumulated other comprehensive income (loss) of the pension plans in Germany, India, Japan, and South Korea related to active Veoneer employees were transferred to pension plans sponsored by various Veoneer legal entities. Benefit plan obligations of $6 million were recorded by Veoneer related to these plans in connection with the April 1, 2018 transfer. Plan assets in the transferred plans are immaterial. The amounts recorded for the transfer of the Veoneer plans were based on the assumptions incorporated into the plan measurements as of December 31, 2017; however, management determined that there were no material changes in assumptions from December 31, 2017 to April 1, 2018. The plans were re-measured in connection with the December 31, 2018 actuarial valuation.

Changes in Benefit Obligations and Plan Assets

	As of December 31	
(Dollars in millions)	2019	2018
Benefit obligation at beginning of year	**$ 76**	**$ 74**
Service cost	4	5
Interest cost	1	2
Actuarial (gain) loss	6	(2)
Benefits paid	(2)	(2)
Settlement	—	(3)
Other	—	4
Translation difference	1	(2)
Held for sale	(32)	—
Benefit obligation at end of year	**$ 54**	**$ 76**
Fair value of plan assets at beginning of year	**$ 54**	**$ 60**
Actual return on plan assets	6	(2)
Company contributions	2	4
Benefits paid	(2)	(2)
Settlements	—	(3)
Other	—	(1)
Translation difference	1	(2)
Held for sale	(24)	—
Fair value of plan assets at year end	**$ 37**	**$ 54**
Funded status recognized in the balance sheet	**$ (17)**	**$ (22)**

Components of Net Periodic Benefit Cost Associated with the Defined Benefit Retirement Plan

	Year Ended December 31		
(Dollars in millions)	2019	2018	2017
Service cost	$ 4	$ 5	$ 5
Interest cost	1	2	1
Expected return on plan assets	(2)	(2)	(2)
Amortization of actuarial loss	1	—	—
Net periodic benefit cost	**$ 4**	**$ 4**	**$ 5**

The service cost and amortization of prior service cost components are reported among employee compensation costs in the Consolidated Statements of Operations. The remaining components (interest cost, expected return on plan assets and amortization of actuarial loss) are reported in Other non-operating items, net in the Consolidated Statements of Operations.

The estimated prior service cost and net actuarial loss that will be amortized from other comprehensive income into net benefit cost over the next fiscal year is immaterial. The estimated net periodic benefit cost for 2020 is $4 million.

Components of Accumulated other Comprehensive Income Before Tax

	As of December 31	
(Dollars in millions)	2019	2018
Net actuarial loss (gain)	$ 7	$ 10
Total accumulated other comprehensive loss recognized in the balance sheet	**$ 7**	**$ 10**

Changes in Accumulated Other Comprehensive Income Before Tax

(Dollars in millions)	As of December 31 2019	2018
Total retirement benefit recognized in accumulated other comprehensive income at beginning of year	**$ 10**	**$ 7**
Held for sale	2	—
Net actuarial loss (gain)	2	3
Amortization of actuarial loss	(1)	—
Translation difference	—	(1)
Other	—	1
Total retirement benefit recognized in accumulated other comprehensive income at end of year	**$ 13**	**$ 10**

The accumulated benefit obligation for the Veoneer defined benefit pension plans as of December 31, 2019 and 2018 was $48 million and $67 million, respectively.

Pension Plans for Which Accumulated Benefit Obligation (ABO) Exceeds the Fair Value of Plan Assets

(Dollars in millions)	As of December 31 2019	2018
Projected Benefit Obligation (PBO)	$ 54	$ 76
Accumulated Benefit Obligation	$ 48	$ 67
Fair value of plan assets	$ 37	$ 54

Veoneer, in consultation with its actuarial advisors, determines certain key assumptions to be used in calculating the projected benefit obligation and annual net periodic benefit cost.

Assumptions Used to Determine the Benefit Obligation

	As of December 31 2019	2018
	Weighted average	
Discount rate	1.86 %	2.14 %
Rate of increases in compensation level	4.33 %	4.39 %

Assumptions Used to Determine the Net Periodic Benefit Cost for Years Ended December 31

	Year Ended December 31 2019	2018	2017
	Weighted average		Range
Discount rate	2.14 %	2.06 %	0.50-3.90
Rate of increases in compensation level	4.39 %	4.30 %	2.00-5.00
Expected long-term rate of return on assets	3.49 %	3.81 %	0.75-6.00

The discount rates for the Veoneer plans have been set based on the rates of return on high-quality fixed-income investments currently available at the measurement date and expected to be available during the period the benefits will be paid. The expected timing of cash flows from the plan have also been considered in selecting the discount rate. In particular, the yields on corporate bonds rated AA or better on the measurement date have been used to set the discount rate. The expected rate of increase in compensation levels and long-term rate of return on plan assets are determined based on a number of factors and must take into account long-term expectations and reflect the financial environment in the respective local market. The expected return on assets for the Veoneer plans are based on the fair value of the assets as of December 31.

The investment objectives for the Veoneer plans is to provide an attractive risk-adjusted return that will ensure the payment of benefits while protecting against the risk of substantial investment losses. Correlations among the asset classes are used to identify an asset mix that Veoneer believes will provide the most attractive returns. Long-term return forecasts for each asset class using historical data and other qualitative considerations to adjust for projected economic forecasts are used to set the expected rate of return for the entire portfolio.

The Company made contributions to its pension plans of approximately $2 million and $4 million for the year ended December 31, 2019 and 2018, respectively. In addition, the Company expects to contribute $2 million to its pension plans in 2020.

Fair Value of Total Plan Assets

	As of December 31	
ASSETS CATEGORY IN % WEIGHTED AVERAGE	**2019**	**2018**
Equity securities	70.0 %	36.0 %
Debt instruments	21.0 %	12.0 %
Other assets	9.0 %	52.0 %
Total	**100.0 %**	**100.0 %**

The following table summarizes the fair value of the defined benefit pension plan assets:

	As of December 31	
(Dollars in millions)	**2019**	**2018**
Assets		
Equity		
U.S. Large Cap	$ 10	$ 7
Non-U.S. Equity	16	13
Non-U.S. Bonds		
Corporate	5	3
Aggregate	3	4
Insurance Contracts	—	24
Other Investments	3	4
Total	**$ 37**	**$ 54**

The fair value measurement level within the fair value hierarchy (see Note 8, Fair Value Measurements) is based on the lowest level of any input that is significant to the fair value measurement. Plan assets are classified as Level 1 with exception of the Insurance Contracts which are classified as Level 2 in the table above.

The estimated future benefit payments for the pension benefits reflect expected future service, as appropriate. The amount of benefit payments in a given year may vary from the projected amount, especially as certain plans include lump sum benefit payments, and the lump sum amounts may vary with market interest rates.

Pension Benefits Expected Payments	**Amount**
2020	$ 2
2021	$ 2
2022	$ 2
2023	$ 2
2024	$ 3
Years 2025-2029	$ 16

(U.S. DOLLARS IN MILLIONS)

Autoliv Sponsored Plans

Prior to certain legal decisions or plan amendments, Veoneer employees in Sweden and in the U.S. participated in the following Autoliv-sponsored multiemployer plans:

Country	Name of Defined Benefit Plans
Sweden	ITP plan
U.S.	Autoliv ASP, Inc. Pension Plan
	Autoliv ASP, Inc. Excess Pension Plan
	Autoliv ASP, Inc. Supplemental Pension Plan

On April 1, 2018, it was determined that the assets, liabilities, and associated accumulated other comprehensive income (loss) of the Sweden plan for all Veoneer employees included in the Sweden plan will remain with Autoliv and benefits will be paid out of that plan in the future upon retirement. The allocation to capture the Company's specific defined benefit plans expense and contributions prior to the plans amendment for the years ended December 31, 2018 and 2017were less than $1 million and $1 million, respectively.

On June 29, 2018, it was also determined that the assets, liabilities, and associated accumulated other comprehensive income (loss) of the U.S. plan for all Veoneer employees included in the U.S. plan will remain with Autoliv and benefits will be paid out of that plan in the future upon retirement. The Veoneer employees were considered to be participating in the Autoliv sponsored plan through June 29, 2018 at which date the plan was amended to freeze the accrual of benefits for any Veoneer employees. The U.S. plan resulted in less than $1 million of defined benefit plan expense and contributions made allocated to Veoneer for the year ended December 31, 2018.

Prior to the respective dates above for the Sweden and the U.S. plans, the Veoneer employees were considered to be participating in the Autoliv sponsored plans. Effective April 1, 2018 for the Sweden plan and June 29, 2018 for the U.S. plan the respective parties determined that Veoneer would not have additional expense or liability related to each of the existing plans.

Post-Retirement Benefits Other Than Pension

Veoneer currently provides post-retirement health care and life insurance benefits to eligible Canadian employees. The plan is an unfunded plan with a benefit obligation of $3 million and $4 million as of December 31, 2019 and 2018, respectively. The net periodic benefit cost and impact on accumulated other comprehensive income related to the plan are immaterial.

In addition to the existing benefit obligation from the Canadian medical plan, the Company also assumed less than $1 million in benefit obligations transferred from Autoliv's U.S. medical plan as of June 29, 2018 in connection with the Spin-Off.

Defined contribution plans

Veoneer recorded charges for contributions to the defined contribution plans of $5 million, $2 million and $1 million for December 31, 2019, 2018 and 2017, respectively.

NOTE 18. Stock Incentive Plan

The Veoneer, Inc. 2018 Stock Incentive Plan was established and effective on June 29, 2018 to govern the Company's stock-based awards that will be granted in the future. The Veoneer, Inc. 2018 Stock Incentive Plan authorizes the grant of 3 million shares of Veoneer common stock for future equity awards to Veoneer employees and non-employee directors and authorizes up to 1.5 million additional shares to be used for the conversion of outstanding Autoliv stock awards in connection with the Spin-Off. Approximately 1 million shares were used for the conversion of the outstanding grants.

During 2019 under the Company's long-term incentive (LTI) program, certain employees received restricted stock units (RSUs) without dividend equivalent rights and performance shares (PSs) without dividend equivalent rights. The allocation between RSUs and PSs for the grants was 158,331 RSUs and 126,037 PSs at 100% target.

During 2019 under the Company's LTI program, certain non-employee directors received 39,886 RSUs with dividend equivalent rights.

The RSUs granted during 2019 will vest on the first, second or third anniversary of the grant date, subject to the grantee's continued employment or service with the Company on the vesting date and acceleration of vesting in certain circumstances. The fair value of RSUs and PSs granted in 2019 were calculated by using the closing stock price on the grant dates. The grant date fair value for the RSUs and PSs, granted during 2019 was $6 million.

The PSs were granted in 2019 and will earn out during the first quarter of 2022, upon the Compensation Committee's certification of achievement of the applicable performance goals. The grantee may earn 0%-200% of the target number of PSs based on the Company's achievement of specified targets. The performance target is the Company's gross margin for the applicable performance period. Each PS represents a promise to transfer a share of the Company's common stock to the employee following completion of the performance period, provided that the performance goals mentioned above are met and provided, further, that the grantee remains employed through the performance period, subject to certain limited exceptions.

Prior to the Spin-Off, certain eligible employees and non-employee directors of Veoneer participated in the Autoliv, Inc. 1997 Stock Incentive Plan and received Autoliv stock-based awards, which included stock options, restricted stock units and performance shares. In connection with the Spin-Off, each outstanding Autoliv stock-based award as of the Distribution Date was converted to a stock award having underlying shares of both Autoliv and Veoneer common stock.

The conversion that occurred on the Distribution Date was based on the following:

- Stock Options (SOs) - A number of SOs comprising 50% of the value of the outstanding SOs calculated immediately prior to the Spin-Off continued to be applicable to Autoliv common stock. A number of SOs comprising the remaining 50% of the pre-spin value were replaced with options to acquire shares of Veoneer common stock.
- Restricted Stock Units (RSUs) - A number of RSUs comprising 50% of the value of the outstanding RSU calculated immediately prior to the Spin-Off continued to be applicable to Autoliv common stock. A number of RSUs comprising the remaining 50% of the pre-spin value were replaced with RSUs with underlying Veoneer common stock.
- Performance Shares (PSs) - Outstanding PSs were converted to time-based RSUs and were treated in the same manner as other outstanding RSUs (as described above) on the Distribution Date. The number of outstanding PSs were converted based on:
  - The level of actual achievement of performance goals for each outstanding PS for the period between the first day of the performance period and December 31, 2017 (the "Performance Measurement Date"), referred to as "Level of Performance-to-Date", and
  - The greater of the Level of Performance-to-Date and estimated target performance level (i.e., 100%) for the period between the Performance Measurement Date and the last day of the performance period.

In each case above, the conversion was intended to generally preserve the intrinsic value of the original award determined as of the Distribution Date. The number of converted RSUs and SOs for Autoliv and Veoneer was based on the average of Autoliv closing stock prices for the last 5 trading days prior to the Spin-Off and the average of closing stock prices of Autoliv and Veoneer, respectively, for the first 5 trading days after the Spin-Off.

As a result of the Spin-Off and the related conversion, it was determined that the stock-based awards were modified in accordance with ASC 718, *Compensation – Stock Compensation.* As a result, the fair value of the RSUs and SOs immediately before and after the modification was assessed in order to determine if the modification resulted in any incremental compensation cost related to the awards, including consideration of the impact of conversion using the 5 trading day average. Based on the valuation performed, it was determined that the conversion did not result in any incremental compensation cost for any of the outstanding awards.

Veoneer recognized total stock (RSUs, PSs and SOs) compensation cost of $5 million, $5 million and $2 million, in the Consolidated Statements of Operations, for the years ended December 31, 2019, 2018 and 2017, respectively. These costs include amounts for individuals specifically identifiable to the Veoneer business as well as an allocation of costs attributable to individuals in corporate functions for the periods prior to the Spin-Off and Veoneer employees subsequent to the Spin-Off. Veoneer has unrecognized compensation cost for Veoneer employees of $5 million related to non-vested awards for RSUs and the weighted average period over which this cost is expected to be recognized is approximately 1.4 years. There is no compensation cost recognized for stock options.

(U.S. DOLLARS IN MILLIONS)

A summary of RSUs activity is presented below:

	Number of RSUs
RSUs[1]	
Outstanding as of December 31, 2018	593,994
Granted	198,217
Shares issued	(226,922)
Cancelled/Forfeited/Expired	(63,826)
Outstanding as of December 31, 2019	**501,463**

[1]RSUs presented in this table represent Veoneer awards, including those held by Autoliv employees.

The weighted average fair value per share at the grant date for RSUs during the years ended December 31, 2019, 2018 and 2017 was $26.19, $42.88 and $31.98, respectively. The grant date fair value for RSUs vested in 2019 was $5 million.

A summary of PSs activity is presented below:

	Number of PSs
PSs	
Outstanding at December 31, 2018	—
Granted	126,037
Cancelled/Forfeited	(3,175)
Outstanding at December 31, 2019	**122,862**

The weighted average fair value per share at the grant date for PSs during the years ended December 31, 2019 was $29.17. There are no PSs outstanding as of December 31, 2018.

	Number of Options
SOs[1]	
Outstanding at December 31, 2018	325,584
Exercised	(19,260)
Cancelled/Forfeited/Expired	(22,793)
Outstanding as of December 31, 2019	**283,531**

[1]SOs presented in this table represent Veoneer awards, including those held by Autoliv employees.

The following summarizes information about stock options outstanding and exercisable as of December 31, 2019:

	Number Outstanding[1]	Remaining Contract life (in years)
EXERCISE PRICES		
$13.51	18,612	0.13
$20.25	21,266	2.15
$20.91	42,933	3.14
$22.04	14,089	1.15
$28.67	78,525	4.14
$34.25	108,106	5.13
	283,531	**3.81**

[1]SOs presented in this table represent Veoneer awards, including those held by Autoliv employees.

The total aggregate intrinsic value, which is the difference between the exercise price and $15.62 (closing price per share as of December 31, 2019), for all "in the money" stock options, both outstanding and exercised as of December 31, 2019, was less than $1 million.

NOTE 19. Income Taxes

(Dollars in millions)	Year Ended December 31		
Loss before income taxes	**2019**	**2018**	**2017**
U.S.	$ (230)	$ (54)	$ (200)
Non-U.S.	(291)	(199)	(114)
Total	**$ (521)**	**$ (253)**	**$ (314)**

(Dollars in millions)	Year Ended December 31		
Provision for income taxes	**2019**	**2018**	**2017**
Current			
Non-U.S.	$ 7	$ 22	$ 40
Deferred			
U.S. federal	(9)	(4)	(1)
State	2	—	—
Non-U.S.	1	24	(9)
Total income tax expense	**$ 1**	**$ 42**	**$ 30**

(Dollars in millions)	Year Ended December 31		
Effective income tax rate	**2019**	**2018**	**2017**
U.S. federal income tax rate	$ (109)	$ (53)	$ (110)
Foreign tax rate variances	(8)	1	9
State taxes, net of federal benefit	(6)	—	(2)
Tax credits	(7)	(9)	(10)
Change in Valuation Allowances	120	79	62
Non-Controlling Interest	2	3	21
Earnings of equity investments	15	13	7
Withholding taxes	4	5	4
Goodwill impairment	—	—	13
Change in U.S. tax rate	—	—	35
Convertible debt	(10)	—	—
Other, net	—	3	2
Provision for income taxes	**$ 1**	**$ 42**	**$ 30**

The 2019 income tax expense of $1 million includes a $10 million income tax benefit related to domestic losses incurred during the year ended December 31, 2019. The deferred tax liability is a result of the issuance of the Convertible Senior Notes and recorded as a component of APIC is treated as a source of income in fiscal 2019 and a resulting benefit recorded in continuing operations.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Act makes broad and complex changes to the U.S. tax code, including reducing the U.S. federal corporate income tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred and creates new taxes on certain foreign sourced earnings. The SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") on December 22, 2017. SAB 118 allows for a measurement period in which companies can either use provisional estimates for changes resulting from the Tax Act or apply the tax laws that were in effect immediately prior to the Tax Act being enacted if estimates cannot be determined at the time of the preparation of the financial statements until the actual impacts can be determined. The Company has completed the Company's accounting for the effects on the Company's existing deferred tax balances. Due to the full valuation allowance related to the Company's U.S. operations, the impact to deferred taxes had a net zero impact to the Company except as it relates to a deferred tax liability related to tax deductible goodwill which resulted in a benefit of $4 million recorded for the year ended December 31, 2018 which is reflected as a change in valuation allowances. Pursuant to the Tax Matters Agreement entered into with Autoliv in connection with the Spin-Off, Autoliv is the primarily obligor on all taxes which relate to any period prior to April 1, 2018. Consequently, the Company is not liable for any transition taxes under the Tax Act.

The law generally referred to as the Tax Cuts and Jobs Act (the "Tax Act") created a new requirement that certain Global Intangible Low Taxed Income ("GILTI") earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Under U.S. GAAP, the Company is permitted to make an accounting policy election to either treat taxes due on future inclusions in U.S. taxable income related to GILTI as a current-period expense when incurred or to factor such amounts into the Company's measurement of deferred taxes. The Company has determined that it will treat the impact of GILTI as a period cost. The Tax Act also included other provisions effective in 2018, designated as (1) foreign derived intangible income ("FDII"), (2) interest disallowance and (3) base erosion anti-abuse tax ("BEAT"), that were considered in the income tax provision for the year ended December 31, 2019.

The tax effect of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities were as follows:

(Dollars in millions)	As of December 31	
Deferred taxes	**2019**	**2018**
Assets		
Provisions	$ 42	$ 39
Costs capitalized for tax	1	1
Acquired intangibles	12	20
Tax receivables, principally net operating loss carryforward	130	74
Credits	8	2
Right of Use Assets	29	—
Other	4	3
Deferred tax assets before allowances	**$ 226**	**$ 139**
Valuation allowances	(179)	(125)
Total	**$ 47**	**$ 14**
Liabilities		
Property, plant and equipment	(9)	(9)
Distribution taxes	(4)	(7)
Convertible Senior Notes	(10)	—
Lease Liabilities	(30)	—
Total	**$ (53)**	**$ (16)**
Net deferred tax asset (liability)	**$ (6)**	**$ (2)**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. On December 31, 2019, the Company had net operating loss carryforwards (NOL's) of approximately $582 million, of which approximately $539 million have no expiration date. The remaining losses expire on various dates through 2029. The Company also has $8 million of U.S. Research and Development Credit carry forwards, which expire on various dates through 2039.

The Company assesses all available evidence, both positive and negative, to determine the amount of any required valuation allowance. In the fourth quarter of 2018, one of the Company's Asian subsidiaries entered into a long-term development contract which will result in projected losses in that jurisdiction. While this entity has historically been profitable, the Company has determined that, given the projected losses along with indications that there may be a slowdown in this jurisdiction, it is no longer more likely than not that its deferred tax assets in the jurisdiction will be realizable and therefore has recorded a full valuation allowance against this entity's deferred tax assets. Valuation allowances have been established for the Company's US, Sweden, China, France and Japan operations. Such allowances are provided against each entity's net deferred tax assets, primarily NOL's, due to a history of cumulative losses or changes to projected future earnings which would support the recognition of the net deferred tax assets.

The Company has recorded a deferred tax asset of $7 million and $11 million as of December 31, 2019 and 2018, respectively, and deferred tax liabilities of $13 million as of December 31, 2019 and 2018, in the Consolidated Balance Sheets.

The following table summarizes the activity related to the Company's valuation allowances:

(Dollars in millions)	As of December 31	
Valuation Allowances Against Deferred Tax Assets	**2019**	**2018**
Allowances at beginning of year	**$ 125**	**$ 150**
Benefits reserved current year	102	83
Settlement of tax matters with Former Parent[1]	—	(101)
Change in Tax rate /impact of U.S. tax reform	—	(4)
Translation difference	(1)	(3)
Held for sale	(47)	—
Allowances at end of year	**$ 179**	**$ 125**

[1]Impact is reflected in equity in conjunction with the Spin-Off

The Company has reserves for income taxes that represent the Company's best estimate of the potential liability for tax exposures. Inherent uncertainties exist in estimates of tax exposures due to changes in tax law, both legislated and concluded through the various jurisdictions' court systems. Any income tax liabilities resulting from operations prior to the legal date of separation, were settled with Former Parent on the last day Veoneer was part of the Autoliv group and were relieved through the Former Parent company investment.

The Company files tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. Taxing jurisdictions significant to Veoneer include Canada, China, France, Germany, India, Japan, South Korea, Sweden and the U.S. Open tax years related to these taxing jurisdictions remain subject to examination and could result in additional tax liabilities. In general, the Company's affiliates are no longer subject to income tax examinations by foreign tax authorities for years before 2014.

Since the Company's operations were generally part of an existing Autoliv legal entity through April 1, 2018 or June 30, 2018 (depending on the jurisdiction), the existing Autoliv legal entity was the primary obligor and is responsible for handling any income tax audit and settling any audits with the taxing authority. For historic stand-alone Autoliv entities that were transferred to Veoneer, Autoliv had agreed to indemnify Veoneer for any taxes incurred for periods prior to April 1, 2018 subject to the terms of the Tax Matters Agreement. To the extent that the Company has accrued a liability for an uncertain tax position related to a period prior to the separation, such liabilities were settled with Former Parent on the last day the Company was part of the Former Parent's group and were relieved through the Parent company investment.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in tax expense. As of December 31, 2019, the Company had recorded $4 million for unrecognized tax benefits. The total unrecognized tax benefits as of December 31, 2019 is classified as non-current tax payable included in Other Non-Current Liabilities in the Consolidated Balance Sheets.

Approximately $2 million of these reserves would impact income tax expense if released into income. The Company does not expect a change to its unrecognized tax benefits in the next twelve months.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

(Dollars in millions)	As of December 31	
Unrecognized Tax Benefits	**2019**	**2018**
Unrecognized tax benefits at beginning of year	**$ 2**	**$ 2**
Increases as a result of tax positions taken during the current period	2	2
Settlement with net former parent	—	(2)
Total unrecognized tax benefits at end of year	**$ 4**	**$ 2**

The Company's deferred tax liability for unremitted foreign earnings was $4 million as of December 31, 2019. The $4 million deferred tax liability represented our estimate of the foreign tax cost associated with our preliminary estimate of $47 million of foreign earnings that are not considered to be permanently reinvested. The Company has not provided for foreign withholding or income taxes on the remaining foreign subsidiaries' undistributed earnings because such earnings have been retained and reinvested by the subsidiaries as of December 31, 2019. Accordingly, no provision has been made for foreign withholding or income taxes, which may become payable if the remaining undistributed earnings of foreign subsidiaries were paid to us as dividends.

NOTE 20. Loss Per Share

Basic earnings per share is computed by dividing net earnings for the period by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net earnings for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted earnings per share by application of the treasury stock method. In periods when the Company has a net loss, equity incentive awards are excluded from the denominator in the Company's calculation of earnings per share as their inclusion would have an antidilutive effect. The following table sets forth the computation of basic and diluted loss per share for the year ended December 31, 2019, 2018 and 2017.

(U.S. dollars in millions, except per share amounts)	**Year Ended December 31**		
	2019	**2018**	**2017**
Numerator:			
Basic and diluted:			
Net loss attributable to common shareholders	$ (500)	$ (276)	$ (217)
Denominator:			
Basic: Weighted average number of shares outstanding (in millions)	101.62	87.16	87.13
Diluted: Weighted-average number of shares outstanding, assuming dilution (in millions)	101.62	87.16	87.13
Basic loss per share	$ (4.92)	$ (3.17)	$ (2.49)
Diluted loss per share	$ (4.92)	$ (3.17)	$ (2.49)

To avoid antidilutive effects, the Company excluded equity incentive awards of 287,326 and 446,821 shares for the year ended December 31, 2019 and 2018, respectively, and for the year ended December 31, 2017, the shares excluded were zero.

The Company may settle the conversions of the Notes in cash, shares of the Company's common stock or any combination thereof at its election. For the Notes, the number of shares of the Company's common stock issuable at the conversion price of $22.3125 per share would be 9,277,305 shares if the Company elected to settle the conversion wholly in shares. See Note 5, Debt. Due to anti-dilutive effects, the Company excluded potential convertible shares due to the Notes of 5,515,548 shares for the year ended December 31, 2019 and zero for the years ended December 31, 2018 and 2017 from the diluted loss per share calculations.

NOTE 21. Segment Information

Financial results for the Company's reportable segments have been prepared using a management approach, which is consistent with the basis and manner in which financial information is evaluated by the Company's Chief Operating Decision Maker (CODM) in allocating resources and in assessing performance. The Company has two operating segments, Electronics and Brake Systems. Electronics includes all of electronics resources and expertise in passive safety electronics and active safety. The operating results of the operating segments are regularly reviewed by the Company’s CODM, the Chief Executive Officer, to assess the performance of the individual operating segments and make decisions about resources to be allocated to the operating segments.

The accounting policies for the reportable segments are the same as those described in the Note 2, Summary of Significant Accounting Policies to the consolidated financial statements.

Key financial measures reviewed by the Company's CODM are as follows:

(Dollars in millions)	Year Ended December 31		
(Loss)/Income Before Income Taxes	**2019**	**2018**	**2017**
Electronics	$ (324)	$ (116)	$ (14)
Brake Systems	(64)	(30)	(247)
Segment operating loss	**(388)**	**(146)**	**(261)**
Corporate and other	(72)	(51)	(22)
Interest and other non-operating items, net	9	7	(1)
Loss from equity method investment	(70)	(63)	(31)
Loss before income taxes	**$ (521)**	**$ (253)**	**$ (314)**

(Dollars in millions)	Year Ended December 31		
Capital Expenditures	**2019**	**2018**	**2017**
Electronics	$ 153	$ 132	$ 79
Brake Systems	60	56	31
Total capital expenditures	**$ 213**	**$ 188**	**$ 110**

(Dollars in millions)	Year Ended December 31		
Depreciation and Amortization	**2019**	**2018**	**2017**
Electronics	$ 83	$ 72	$ 80
Brake Systems	32	38	39
Total depreciation and amortization	**$ 115**	**$ 111**	**$ 119**

(Dollars in millions)	As of December 31	
Segment Assets	**2019**	**2018**
Electronics	$ 2,495	$ 2,400
Brake Systems	526	507
Intersegment assets	(278)	(275)
Total assets	**$ 2,743**	**$ 2,632**

The Company's customers consist of all major European, U.S. and Asian automobile manufacturers. Sales to individual customers representing 10% or more of net sales were:

In 2019: Customer A 23%, Customer B 16%, Customer C 11% and Customer D 10%

In 2018: Customer A 21%, Customer B 17% and Customer C 11% .

In 2017: Customer A 21%, Customer B 17%, Customer C 12% and Customer D 12%.

(Dollars in millions)	**As of December 31**	
Long-lived Assets	**2019**	**2018**
Asia	$ 133	$ 283
Americas	457	368
Europe	504	438
Total	**$ 1,094**	**$ 1,089**

Long-lived assets in the U.S. amounted to $383 million and $315 million for 2019 and 2018, respectively. For 2019 and 2018 $115 million and $117 million, respectively, of the long-lived assets in the U.S. refer to intangible assets, principally from acquisition goodwill.

NOTE 22. Relationship with Former Parent and Related Entities

Prior to the Spin-Off, Veoneer had been managed and operated in the normal course of business with other affiliates of Autoliv. Accordingly, certain shared costs had been allocated to Veoneer and reflected as expenses in the stand-alone consolidated financial statements. Veoneer management considered the allocation methodologies used to be reasonable and appropriate reflections of historical expenses of Autoliv attributable to Veoneer for purposes of the stand-alone financial statements; however, the expenses reflected in the consolidated financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Veoneer historically operated as a separate, stand-alone entity. In addition, the expenses reflected in the consolidated financial statements may not be indicative of expenses that will be incurred in the future by Veoneer.

Prior to the Spin-Off, transactions between Autoliv and Veoneer, with the exception of sales and purchase transactions and reimbursements for payments made to third-party service providers by Autoliv on Veoneer's behalf, are reflected in equity in the Consolidated Balance Sheets as Net Former Parent investment and in the Consolidated Statements of Cash Flows as a financing activity in Net transfers from Former Parent.

Transactions with Related Parties

Veoneer and Autoliv entered into a Transition Services Agreement (TSA) under which certain services are provided by Autoliv to Veoneer and certain services are provided by Veoneer to Autoliv. For the year ended December 31, 2019 and 2018, Veoneer recognized $5 million and $7 million, respectively, of expenses under the TSA, and there were no TSA costs for the year ended December 31, 2017.

Throughout the periods covered by the consolidated financial statements, Veoneer sold finished goods to Autoliv and Nissin Kogyo, the 49% owner in VNBS (a 51% owned subsidiary). Related party sales during the years ended December 31, 2019, 2018 and 2017 amounted to $101 million, $121 million and $148 million, respectively. Related party purchases of component

products during the years ended December 31, 2019, 2018 and 2017 amounted to $16 million, $22 million and $25 million, respectively. Furthermore, engineering services relating to passive safety electronics have been rendered to Autoliv amounting to $1 million for both years ended December 31, 2019 and 2018, and engineering services relating to passive safety electronics received from Autoliv amounting to $2 million and $1 million the years ended December 31, 2019 and 2018, respectively.

Related Party Balances

Amounts due to and due from related party components as summarized in the below table:

(Dollars in millions)	As of December 31	
RELATED PARTY	**2019**	**2018**
Related party receivable	$ 11	$ 64
Related party notes receivable	$ —	$ 1
Related party payables	$ 3	$ 16
Related party short term debt	$ 1	$ 1
Related party long-term debt	$ —	$ 13

Related party receivables are mainly driven by reseller agreements put in place in connection with the Spin-Off. The reseller agreements are between Autoliv and Veoneer and facilitate the temporary arrangement of the sale of Veoneer products manufactured for certain customers for a limited period after the Spin-Off. Autoliv will collect the customer payments and will remit the payments to Veoneer.

In the third quarter of 2018, the Company recorded certain true-up adjustments related to amounts due to and from Autoliv with an offsetting increase to equity of $3 million. In addition, the Company recorded a true-up adjustment during 2018 to its deferred tax amount of $8 million associated with the tax impacts of the legal organization prior to the Spin-Off, with an offsetting increase to equity.

Corporate Costs/Allocations

For the periods prior to April 1, 2018, the consolidated financial statements include corporate costs incurred by Autoliv for services that are provided to or on behalf of Veoneer. These costs consist of allocated cost pools and direct costs. Corporate costs have been directly charged to, or allocated to Veoneer using methods management believes are consistent and reasonable. The method for allocating corporate function costs to Veoneer is based on various formulas involving allocation factors. The methods for allocating corporate administration costs to Veoneer are based on revenue, headcount, or other relevant metrics. However, the expenses reflected in the consolidated financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Veoneer historically operated as a separate, stand-alone entity. All corporate charges and allocations have been deemed paid by Veoneer to Autoliv in the period in which the cost was recorded in the Consolidated Statements of Operations. Effective April 1, 2018, Veoneer began performing certain functions using internal resources or third parties, and certain other services continued to be provided by Autoliv and directly charged to Veoneer. In addition, Veoneer personnel perform certain services for Autoliv, which are directly charged to Autoliv.

Allocated corporate costs included in Costs of sales, Selling, general and administrative expenses and Research, development and engineering expenses were for shared services and infrastructure provided, which includes costs such as information technology, accounting, legal, real estate and facilities, corporate advertising, risk and insurance services, treasury, shareholder services and other corporate and infrastructure services.

Cash Management and Financing

Prior to the Spin-Off, Veoneer participated in Autoliv's centralized cash management and financing programs. Disbursements were made through centralized accounts payable systems operated by Autoliv. Cash receipts were transferred to centralized accounts also maintained by Autoliv. As cash was disbursed and received by Autoliv, it was accounted for by Veoneer through the Net Former Parent investment. All short-term and long-term debt was financed by Autoliv or by Nissin Kogyo and financing decisions for wholly and majority owned subsidiaries were determined by Autoliv's corporate treasury operations. On the Distribution Date, Veoneer held approximately $1 billion of cash and cash equivalents. Upon the Spin-Off, Veoneer created its own corporate treasury operations.

NOTE 23. Summary Quarterly Financial Data (Unaudited)

The following table presents summary unaudited quarterly financial data:

	2019				2018			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(Dollars in Millions, Except Per Share Amounts)							
Net sales	$ 495	$ 489	$ 462	$ 456	$ 594	$ 572	$ 526	$ 535
Gross profit	85	77	73	76	112	112	99	109
Operating loss	(128)	(137)	(122)	(72)	(16)	(48)	(58)	(75)
Loss before income taxes	(142)	(152)	(136)	(91)	(30)	(63)	(70)	(90)
Net loss	(148)	(142)	(139)	(93)	(37)	(66)	(72)	(119)
Net loss attributable to controlling interest	$ (137)	$ (133)	$ (133)	$ (96)	$ (32)	$ (63)	$ (68)	$ (114)
Per Share Data:								
Basic loss per share	$ (1.57)	$ (1.39)	$ (1.20)	$ (0.87)	$ (0.36)	$ (0.72)	$ (0.78)	$ (1.31)
Diluted loss per share	$ (1.57)	$ (1.39)	$ (1.20)	$ (0.87)	$ (0.36)	$ (0.72)	$ (0.78)	$ (1.31)

NOTE 24. Subsequent Events

On October 30, 2019, Veoneer signed a Definitive Agreements to sell its 51% ownership in VNBJ and VNBZ entities that comprise VNBS to its joint venture partner Nissin-Kogyo Co., Ltd., and Honda Motor Co., Ltd. The aggregate purchase price was $176 million. The divestiture of VNBJ and VNBZ was structured as two separate transactions each of which was completed on February 3, 2020.

The transaction was completed on February 3, 2020 under the Definitive Agreements, and the VNBS joint venture was terminated.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2019 our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in this Annual Report on Form 10-K was (a) reported within the time periods specified by SEC rules and regulations, and (b) communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding any required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young AB has issued an attestation report on the Company's internal control over financial reporting, which is included herein as the Report of Independent Registered Public Accounting Firm under Item 8. Financial Statements and Supplementary Data for the year ended December 31, 2019.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

Part III

Item 10. Directors, Executive Officers and Corporate Governance

We have adopted a written Code of Conduct and Ethics for Senior Officers that applies to our Executive Management Team, together with our Senior Treasury Officer and Senior Accounting Officer, including our CEO, CFO and Controller. Our Code of Conduct and Ethics for Senior Officers serves as our written code of ethics for those officers. The Code of Conduct and Ethics for Senior Officers is also available at the Corporate Governance section of the Investors page on our website at https://www.veoneer.com/en/governance. If we make any substantive amendments to the Code of Conduct for Senior Officers or grant any waiver, including an implicit waiver, from the Code of Conduct to our CEO, CFO or Controller, we will within four business days of the event disclose the nature of the amendment or waiver on our website or in a report on Form 8-K.

The information relating to our directors, our nominees for directors, and our executive officers pursuant to Items 401; and Item 407(c)(3), (d)(4) and (d)(5) of Regulation S-K required by Item 10 will be contained under the caption "Proposal 1 - Election of Directors" in the 2020 Proxy Statement to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act and is hereby specifically incorporated herein by reference thereto.

The information required pursuant to Item 405 of Regulation S-K to be included in this Item 10 will be contained under the caption "Delinquent Section 16(a) Reports" in the 2020 Proxy Statement, to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act and is hereby specifically incorporated herein by reference thereto.

Item 11. Executive Compensation

The information required under this Item 11 will appear under the captions "Board Compensation," "Compensation Discussion and Analysis", "Executive Compensation" and related discussion and disclosure thereto, in the 2020 Proxy Statement, to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act, and is hereby specifically incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information pursuant to Item 403 of Regulation S-K to be included in this Item 12 will appear under the captions "Security Ownerships of Certain Beneficial Owners and Management" in the 2020 Proxy Statement, to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act, and is hereby specifically incorporated herein by reference thereto.´

Shares Previously Authorized for Issuance Under the 2018 Stock Incentive Plan

The following table provides information as of December 31, 2019, about the common stock that may be issued under the Veoneer, Inc. Stock Incentive Plan. The Company does not have any equity compensation plans that have not been approved by its stockholders.

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted-average exercise price of outstanding options, warrants and rights[2]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)[3]
Equity compensation plans approved by security holders[1]	907,856	$	13.51	2,765,797
Equity compensation plans not approved by security holders	—	$	—	—
Total	907,856	$	13.51	2,765,797

[1]Veoneer, Inc. 2018 Stock Incentive Plan (Stock Options and Restricted Stock Units (RSUs)).
[2]Excludes RSUs which convert to shares of common stock for no consideration.
[3]All such shares are available for issuance pursuant to grants of full-value stock awards.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item will appear under the captions "Proposal 1 - Election of Directors", "Relationships and Related Party Transactions" and related discussion and disclosure thereto, in the 2020 Proxy Statement, to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act, and is hereby specifically incorporated herein by reference thereto.

Item 14. Principal Accountant Fees and Services

The information required under this item will appear under the captions "Fees of Independent Auditors," and "Audit Committee Pre-Approval Policies and Procedures" and related discussion and disclosure thereto, in the 2020 Proxy Statement, to be filed by us with the SEC pursuant to Regulation 14A of the Exchange Act, and is hereby specifically incorporated herein by reference thereto.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements

See "Index to Consolidated Financial Statements" in Part II, Item 8 hereof.

2. Financial Statement Schedules

All other financial statement schedules are omitted because they are not required or applicable under instructions contained in Regulation S-X or because the information called for is shown in the financial statements and notes thereto.

(b) Exhibits.

These exhibits are available without charge upon written request directed to the Company's Secretary at Veoneer, Inc. Attn: Corporate Secretary, Box 13089, SE-10302, Stockholm, Sweden.

Exhibit No.	Description
2.1	Distribution Agreement, dated June 28, 2018, between Veoneer, Inc. and Autoliv, Inc., incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 2, 2018.
3.1	Amended and Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 2, 2018.
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed July 2, 2018.
4.1	General Terms and Conditions for Swedish Depository Receipts in Veoneer, Inc., incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 filed June 4, 2018.
4.2	Indenture, dated May 28, 2019, between Veoneer, Inc. and U.S. Bank National Association, as trustee, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (filing date May 29, 2019).
4.3	Form of 4.00% Convertible Senior Note due 2024 (included in Exhibit 4.2), incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K (filing date May 29, 2019).
4.4*	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.2	Tax Matters Agreement, dated June 28, 2018, between Veoneer, Inc. and Autoliv, Inc., incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 2, 2018.
10.3	Amended and Restated Master Transition Services Agreement between Veoneer, Inc. and Autoliv, Inc., incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 2, 2018.
10.4	Joint Venture Agreement, dated April 18, 2017, between Volvo Car Corporation and Autoliv Development AB regarding Zenuity AB, incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form 10 filed June 4, 2018.**
10.5	Amendment Agreement by and between Volvo Car Corporation and Veoneer Sweden AB regarding Zenuity, entered into October 1, 2019, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 23, 2019.
10.6	Joint Venture Agreement, dated March 7, 2016, by and among Autoliv ASP, Inc., Autoliv AB, Autoliv Holding, Inc. and Nissin Kogyo Co., Ltd., Nissin Kogyo Holdings USA, Inc. and Zhongshan Nissin Industry Co., Ltd., incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.7	VNBA Separation Agreement, dated June 14, 2019, by and among Nissin Kogyo Co., Ltd., Veoneer AB and Veoneer US, Inc., incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 26, 2019.
10.8	Amendment to Joint Venture Agreement, dated June 28, 2019, by and among Nissin Kogyo Co., Ltd., Veoneer AB and Veoneer US, Inc. incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed July 26, 2019.

Exhibit No.	Description
10.9*	Share Purchase Agreement (VNBJ), dated October 30, 2019, by and among Veoneer AB, Honda Motor Co., Ltd. and Nissin Kogyo Co., Ltd.
10.10*	Share Purchase Agreement (VNBZ), dated October 30, 2019, by and among Veoneer AB, Honda Motor Co., Ltd. and Nissin Kogyo Co., Ltd.
10.11*	Amendment and Termination of the Joint Venture Agreement, dated October 30, 2019, by and among Nissin
10.12+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Jan Carlson, incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.13+	Addendum to Employment Agreement, dated August 20, 2018, by and between Veoneer, Inc. and Jan Carlson, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 25, 2018).
10.14+	Severance Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Jan Carlson, incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form 10 filed May 21, 2018).
10.15	Amendment, dated June 10, 2019, to Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Jan Carlson, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed July 26, 2019.
10.16+	Amendment, dated June 10, 2019, to Addendum to Employment Agreement, dated August 20, 2018, by and between Veoneer, Inc. and Jan Carlson, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed July 26, 2019.
10.17+	Employment Agreement, effective as of December 20, 2017, by and between Veoneer, Inc. and Mathias Hermansson, incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form 10 filed May 21, 2018).
10.18+	Agreement of Resignations Conditions, effective December 20, 2018, by and between Veoneer, Inc. and Mathias Hermansson, incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed February 22, 2019.
10.19+	Employment Agreement, effective January 8, 2019, by and between Veoneer, Inc. and Mats Backman, incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed February 22, 2019.
10.20+	Change-in-Control Severance Agreement, effective January 8, 2019, by and between Veoneer, Inc. and Mats Backman, incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed February 22, 2019.
10.21+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Lars Sjöbring, incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.22+	Change-in-Control Severance Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Lars Sjöbring, incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.23+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Thomas Jönsson, incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.24+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Art Blanchford, incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.25+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Mikko Taipale, incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form 10 filed May 21, 2018.
10.26*+	Mutual Separation Agreement, dated September 12, 2019, by and between Veoneer, Inc. and Mikko Taipale.
10.27+	Employment Agreement, effective as of June 29, 2018, by and between Veoneer, Inc. and Steven Rodé, incorporated herein by reference to Exhibit 10.18 to the Company's Registration Statement on Form 10 filed May 21, 2018.

Exhibit No.	Description
10.28+	Employment Agreement, effective November 13, 2018, by and between Veoneer, Inc. and Nishant Batra, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed April 29, 2019.
10.29*+	Change-in-Control Severance Agreement, effective as of December 9, 2019, by and between Veoneer, Inc. and Nishant Batra.
10.30+	Employment Agreement, effective March 12, 2019, by and between Veoneer, Inc. and Per Skytt, incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed July 26, 2019.
10.31+	Employment Agreement, dated November 15, 2018, by and between Veoneer, Inc. and Takayoshi Matsunaga, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 23, 2019.
10.32+	Form of Indemnification Agreement between Veoneer, Inc. and its officers and directors, incorporated herein by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed July 2, 2018.
10.33+	Veoneer, Inc. 2018 Stock Incentive Plan, incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed July 27, 2018.
10.34*+	Form of Employee performance share grant agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan.
10.35*+	Form of Employee restricted stock unit agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan.
10.36+	Form of Veoneer, Inc. Non-Employee Director Compensation Policy, incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed July 27, 2018.
10.37+	Form of Non-Employee Director restricted stock unit grant agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan, incorporated by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q filed July 27, 2018.
10.38+	Veoneer, Inc. Non-Qualified Retirement Plan, incorporated by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed July 27, 2018.
10.39	Cooperation Agreement, dated May 24, 2018, among Autoliv, Inc., Veoneer, Inc. and Cevian Capital II GP Limited, incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form 10 filed June 4, 2018.
10.40	Form of Support Agreement among Autoliv, Inc., Veoneer, Inc. and the other parties thereto, incorporated herein by reference to Exhibit 10.22 to the Company's Registration Statement on Form 10 filed June 4, 2018.
10.41	License and Supply Agreement by and between Velodyne LiDAR, Inc. and Veoneer US, Inc., dated January 7, 2019. incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed April 29, 2019.***
21*	List of Subsidiaries.
23*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in inline XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Statements of Operations; (ii) the Consolidated Statements of Comprehensive Loss: (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flow; (v) the Consolidated Statements of Changes in Equity; and (vi) the Notes to the Consolidated Financial Statements.
104*	Cover Page Interactive Data File (embedded within the inline XBRL document).

* Filed herewith.

+ Management contract or compensatory plan

** Portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Exchange Act. The redacted portions of this exhibit have been filed with the Securities and Exchange Commission.

*** Portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 21, 2020

VEONEER, INC.

(Registrant)

By: /s/ Mats Backman
Mats Backman
Chief Financial Office
(Duly Authorized Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, as of February 21, 2020.

Title	**Name**
Chairman of the Board of Director, Chief Executive Officer and President (Principal Executive Officer)	/s/ Jan Carlson Jan Carlson
Executive Vice President and Chief Financial Officer (Principal Financial and Principal Accounting Officer)	/s/ Mats Backman Mats Backman
Director	/s/ Robert W. Alspaugh Robert W. Alspaugh
Director	/s/ Mary Louise Cummings Mary Louise Cummings
Director	/s/ Mark Durcan Mark Durcan
Director	/s/ James M. Ringler James M. Ringler
Director	/s/ Kazuhiko Sakamoto Kazuhiko Sakamoto
Director	/s/ Jonas Synnergren Jonas Synnergren
Director	/s/ Wolfgang Ziebart Wolfgang Ziebart

Report of Independent Auditors

To the Board of Directors

Zenuity AB

We have audited the accompanying consolidated financial statements of Zenuity AB, which comprise the consolidated balance sheets as of December 31, 2018, and the related consolidated income statements, statements of changes in equity and cash flow statements for the year ended 2018 and for the period from April 18, 2017 through December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the Annual Accounts Act and the Swedish Accounting Standards Board's generally accepted accounting principles BFNAR 2012:1 Annual Report and consolidated accounts (K3); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We con-ducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zenuity AB at December 31, 2018, and the consolidated results of its operations and its cash flows for the year ended December 31, 2018 and for the period from April 18, 2017 through December 31, 2017 in conformity with the Annual Accounts Act and the Swedish Accounting Standards Board's generally accepted accounting principles BFNAR 2012:1 Annual Report and consolidated accounts (K3).

Accounting principles generally accepted in Sweden (K3) vary in certain respects from accounting principles generally accepted in the United States of America (US GAAP). In Note 24 to the consolidated financial statements is a reconciliation from K3 to US GAAP.

/s/ Ernst & Young AB
Gothenburg, Sweden
February 22, 2019

Zenuity AB

Corporate identity number 559073-6871

Consolidated financial statements

For the financial year January 1 2019 - December 31 2019

Zenuity AB

Corporate identify number 559073-6871

Income statement

Amounts in TSEK	*Note*	*1 January 2019- 31 December 2019*	*1 January 2018- 31 December 2018*
Net sales		35,017	39,193
Cost of services sold		(32,727)	(36,629)
Gross profit		2,290	2,564
Selling and administrative expenses	4	(79,767)	(57,714)
Research and development expenses		(1,246,241)	(1,043,988)
Other operating income	3	20,453	24,426
Other operating expenses	7	(5,687)	(7,790)
Operating loss	5,6,8	(1,308,952)	(1,082,502)
Profit/loss from financial items			
Interest income and similar profit/loss items	9	4,800	4,326
Interest expense and similar profit/loss items	10	(4,964)	(3,432)
Loss after financial items		(1,309,116)	(1,081,608)
Loss before tax		(1,309,116)	(1,081,608)
Tax expense for the year	11	(6,848)	(4,417)
Net loss for the year		(1,315,964)	(1,086,025)

Zenuity AB

Corporate identify number 559073-6871

Balance sheet

Amounts in TSEK	*Note*	*31 December 2019*	*31 December 2018*
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditures for software and similar	12	15,089	18,490
Concessions, patents, licenses, trademarks and similar rights	13	212,752	245,976
		227,841	264,466
Property, plant and equipment			
Leasehold improvements	14	18,181	3,290
Equipment, plant and machinery	15	154,806	141,550
		172,987	144,840
Financial assets			
Deferred tax asset	17	39,652	49,611
Other long-term receivables	18	15,626	15,379
		55,278	64,990
Total non-current assets		456,106	474,296
Current assets			
Current receivables			
Receivables from owners		14,252	22,520
Other receivables		42,433	35,044
Prepaid expenses and accrued income	19	119,848	104,256
		176,533	161,820
Cash and bank balances			
Cash and bank	22	325,654	498,020
		325,654	498,020
Total current assets		502,187	659,840
TOTAL ASSETS		958,293	1,134,136

Zenuity AB

Corporate identify number 559073-6871

Balance sheet

Amounts in TSEK	*Note*	*31 December 2019*	*31 December 2018*
EQUITY AND LIABILITIES			
Equity			
Share capital	20	500	500
Other capital contributed		3,620,297	2,520,297
Translation reserve		6,582	3,935
Retained earnings incl. loss for the year		(2,930,573)	(1,614,609)
		696,306	909,623
		696,806	910,123
Provisions			
Deferred tax liability	17	40,262	51,134
		40,262	51,134
Current liabilities			
Accounts payable - trade		49,592	35,935
Liabilities to owners		1,356	19,717
Current tax liability		10,401	6,071
Other liabilities		24,234	21,502
Accrued expenses and deferred income	21	135,642	89,654
		221,225	172,879
TOTAL EQUITY AND LIABILITIES		958,293	1,134,136

Zenuity AB

Corporate identify number 559073-6871

Statement of changes in equity

31 December 2018

Amounts in TSEK	Share capital	Other capital contributed*	Translation reserve	Retained earnings incl. loss for the year*	Total equity
Opening balance	500	1,320,297	(3,587)	(528,584)	788,626
Net loss for the year				(1,086,025)	(1,086,025)
Foreign currency translation differences	—	—	7,522	—	7,522
Transactions with owners					
Issue of ordinary shares		—	—	—	
Shareholders' contribution received		1,200,000	—	—	1,200,000
At year end	**500**	**2,520,297**	**3,935**	**(1,614,609)**	**910,123**

- Definitions of equity has been adjusted in FS 2018 to be in accordance with Swedish GAAP for consolidated reporting

31 December 2019

Amounts in TSEK	Share capital	Other capital contributed	Translation reserve	Retained earnings incl. loss for the year*	Total equity
Opening balance	500	2,520,297	3,935	(1,614,609)	910,123
Net loss for the year				(1,315,964)	(1,315,964)
Foreign currency translation differences	—	—	2,647	—	2,647
Transactions with owners					
Shareholders' contribution received	—	1,100,000	—	—	1,100,000
At year end	**500**	**3,620,297**	**6,582**	**(2,930,573)**	**696,806**

Zenuity AB

Corporate identify number 559073-6871

Cash flow statement

Amounts in TSEK		*1 January 2019- 31 December 2019*	*1 January 2018- 31 December 2018*
Operating activities			
Loss after financial items		(1,309,116)	(1,081,608)
Adjustments for non-cash items, etc.	23	113,239	93,061
Income tax paid		(7,758)	(346)
Cash flow from operating activities before working capital changes		(1,203,635)	(988,893)
Increase(-)/Decrease(+) of current receivables		(10,396)	(27,713)
Increase(+)/Decrease(-) of current liabilities		44,016	49,613
Cash flow from operating activities		(1,170,015)	(966,993)
Investing activities			
Acquisition of property, plant and equipment		(86,941)	(76,965)
Disposal of property, plant and equipment		778	286
Acquisition of intangible assets		(18,253)	(36,376)
Acquisition of financial assets		(247)	(6,859)
Cash flow from investing activities		(104,663)	(119,914)
Financing activities			
Received shareholders' contribution		1,100,000	1,200,000
Cash flow from financing activities		1,100,000	1,200,000
Cash flow for the year		(174,678)	113,093
Cash and cash equivalents at the beginning of the year		498,020	384,136
Exchange rate differences in cash and cash equivalents		2,312	791
Cash and cash equivalents at the end of the year	22	325,654	498,020

Zenuity AB

Corporate identify number 559073-6871

Notes

Amounts in TSEK unless otherwise stated

Note 1 Accounting principles

These consolidated financial statements have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's generally accepted accounting principles BFNAR 2012:1 Annual Report and consolidated accounts (K3).

Assets, provisions and liabilities have been valued at cost unless otherwise stated below.

Intangible assets

Research and development

Expenditures for research activities, i.e. the planned and systematic search for new scientific or technical knowledge and insight, are expensed as incurred.

Internal development costs are expensed when incurred in accordance with the expense model in BFNAR 2012:1.

Other intangible assets - intellectual property rights, licenses and similar rights

Other intangible assets acquired are valued at cost less accumulated amortisation and impairment.

Amortisation

Amortisation is made on a straight-line basis over the asset's estimated useful life. The amortisation is recognized as an expense in the income statement.

Acquired intangible assets	*Useful life*
Software licenses	3 years
Software	7 years
Intellectual Property	7 years

Property, plant and equipment

Property, plant and equipment is valued at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is performed on a straight-line basis over the asset's estimated useful life, since it reflects the expected usage of the asset's future economic benefits. The depreciation is recognized as an expense in the income statement.

Property, plant and equipment	*Useful life*
Leasehold improvements	10 years
Equipment, tools, fixtures and fittings	3-5 years

Impairment - Property, plant, equipment and intangible assets

At every closing date, an assessment is made concerning whether or not there is an indication that an asset's value is lower than its carrying value. If an indication exists, the recoverable amount of the asset is calculated in order to identify a potential impairment charge.

The recoverable value is the highest of the fair value less cost to sell and the value in use. When calculating the value in use, future expected cash flows that the asset is expected to generate in the ongoing operations and when disposed of are discounted to a net present value. The discount rate before tax is used as it reflects current market assessment of the time value of money and the risks attributable to the asset. An impairment loss is reversed only to the extent that the asset´s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

Lessee

All lease contracts are defined as operating lease contracts.

Lease payments, including up-front payments but excluding expenditures for services, such as insurance and maintenance, are expensed on a straight-line basis over the lease term.

Basis of consolidation

Group companies are consolidated as from the date the Group obtains control over a subsidiary. The consolidation is prepared according to the acquisition method.

Any Intra-Group transactions have been eliminated.

Foreign currencies

Items in foreign currencies

Monetary items denominated in foreign currencies are translated at the exchange rate at the reporting date. Non-monetary items that are measured at their fair value in a foreign currency are translated at the exchange rate at the time of the fair value measurement. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognized in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, using the exchange rates prevailing on the balance sheet date.

Revenues and expenses of foreign operations are translated into SEK using the average exchange rates that approximates the exchange rates prevailing at each transaction date. Translation differences are recognized in a separate equity component.

Financial assets and liabilities

Financial assets and liabilities are accounted for in accordance with BFNAR 2012:1, chapter 11 - Financial instruments measured at cost.

Accounting in and derecognition from the balance sheet

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a part of the financial instrument's contractual agreement. A financial asset is derecognised when the contractual right to the cash flow from the asset has expired or been settled. The same is applicable when the risks and benefits that are associated with the holdings in all material aspects are transferred to another party and the Group does not possess any control over the financial asset. A financial liability is derecognised when the contractual obligation has been fulfilled or expired.

Measurement of financial assets

Financial assets are initially measured at cost, including any transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, financial current assets are measured at the lower of cost and net realizable value.

Accounts receivable and other receivables are measured individually at the amount expected to be received.

Subsequent to initial recognition, financial non-current assets are measured at cost adjusted for potential impairment losses.

Employee benefits

Post-employment benefits

Classification

Plans for post-employment benefits are classified according to simplified rules.

For defined contribution plans, determined fees are paid to another Company, normally an insurance Company, and the Group does not have any other obligation to the employee when the fee is paid. The size of the employee's post-employment benefits is dependent on the fees that have been paid and the return on the accumulated fees.

For defined benefit plans, the Group has an obligation to provide the benefits agreed upon to current and earlier employees. The Group carries, in all material aspects, the risk for the benefits to be higher than expected (actuarial risk) and the risk for the return on the assets to deviate from the expectations (investment risk). Investment risk also exists if the assets are transferred to another Company.

Defined contribution plans

Obligations for contributions (fees) to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments are available.

Defined benefit plans

The Group has chosen to apply the simplifying rules presented in BFNAR 2012:1.

In Sweden the Group has post-employment defined benefit obligations for personnel which are insured by Alecta. Alecta is the largest Swedish life insurance Company and safeguards the majority of the private sector's defined benefit pension plans, i.e., the ITP-plan. Alecta is not able to provide specific information for each customer's obligations and fair value of related assets which is necessary information in order to account for the obligations in accordance with the rules for defined benefit plans. Therefore, all obligations relating to the Swedish ITP-plan are accounted for as defined contribution plans in accordance with the rules for multi-employer plans.

Plans for which pension premiums are paid are accounted for as defined contribution plans, which implies that the fees are expensed in the income statement.

Other long-term employee benefits

Liabilities regarding other long-term employee benefits are recognized at the present value of the obligations at the balance sheet date.

Termination benefits

Termination benefits, to the extent the employee does not provide the Group with any future services, are only recognised as a liability and expense when the Group has a legal or informal obligation to either

a) terminate an employee's or group of employees' employments before the normal time for the employment's termination, or

b) give termination benefits through offerings that encourage voluntary termination.

Termination benefits are accounted for as a provision at the earlier of the date:

a) when the Group can no longer withdraw the offer of those benefits; or

b) when the entity recognizes costs for a restructuring that involves the payment of termination benefits.

Tax

Tax expense for the year in the income statement consists of current tax and deferred tax. Current tax is the income tax for the current financial year, which refers to the year's taxable profit and the part of earlier financial years' income tax that have not been recognized. Deferred tax is recognized based on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes.

Deferred tax assets for unused tax losses are recognized to the extent it is probable that future taxable profits will be available to use the tax losses for.

Revenue

The inflow of economic benefits that the Group receives or will receive on its own behalf are recognized as revenue. Revenue is measured at the fair value of the consideration received or receivable.

Service agreements and construction contract – continuous

Revenue from engagements on continuous contracts are recognized as revenue in line with work performed and services delivered or consumed.

Shareholders' contribution

Shareholders' contribution that has been made without issued shares or other received equity instruments in exchange is recognized in the balance sheet as an increase of the investments' carrying amount.

Shareholders' contribution that has been received without issued shares or any other equity instruments in exchange are recognized directly in equity.

Note 2 Estimates and judgements

At each reporting date the Group assesses whether there is an indication that intangible assets may be impaired. Management has performed an impairment test without identifying any fixed assets that may be impaired.

Note 3 Other operating income

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Exchange rate gains on operating receivables/liabilities	5,855	2,571
Rental income	3,781	6,920
Other	10,816	14,935
	20,453	24,426

Note 4 Audit fees and expenses

	1 January 2019 31 December 2019	*1 January 2018-31 December 2018*
EY		
Audit services	390	340
Audit services in excess of the audit engagement	—	18
Tax consultancy	292	693
Shanghai Mingyu Certified Public Accounts Co., Ltd		
Audit services	10	13

Audit services refer to the legally required examination of the annual report and the book-keeping, the Board of Director's management and other audit and examinations agreed-upon or determined by contract.

This includes other work assignments which rest upon the Company's auditor to conduct, and advising or other support justified by observations in the course of examination or execution of such other work assignments.

Note 5 Employees, personnel costs and remunerations to Board of Directors

Average number of employees

	1 January 2019-31 December 2019	*whereof men*	*1 January 2018-31 December 2018*	*whereof men*
Sweden	412	80 %	349	81 %
Germany	102	81 %	80	84 %
US	85	84 %	65	84 %
China	10	77 %	-	— %
Total	609	81 %	494	82 %

Zenuity AB

Corporate identify number 559073-6871

Disclosure of gender distribution in the management of the Group

	31 December 2019	*31 December 2018*
	Proportion of women	Proportion of women
Board of Directors	— %	— %
Other senior management	14 %	25 %

Salaries, other remunerations and social security expenses, including pension expenses

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Salaries and remunerations	462,388	358,952
Social security expenses	155,664	122,578
(of that pension expenses)[1]	(49,774)	(32,371)

[1]Of the Company's pension expenses 782 TSEK (589 TSEK) relate to the Managing Director.

Salaries and other remunerations divided between board members et al. and other employees

	1 January 2019 31 December 2019		*1 January 2018 31 December 2018*	
	Board of Directors and Managing Director	Other employees	Board of Directors and Managing Director	Other employees
Salaries and other remunerations	2,773	459,615	2,325	356,627
(of that bonuses)	(489)	(7,490)	(369)	(2,798)

Severance pay

The Managing Director has a notice period of 6 months and he is entitled to 6 months severance payment in case of termination from the Company. For all other in the leadership team the notice period is 3 months from the employee and 6 months from the company without severance payment.

Note 6 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Depreciation and amortisation divided by asset		
Capitalized expenditures for software and similar	(3,401)	(3,947)
Concessions, patents, licenses, trademarks	(51,521)	(48,117)
Leasehold improvements	(2,127)	(380)
Equipment, plant and machinery	(56,366)	(39,802)
	(113,415)	(92,246)

Out of total depreciation of 113,415 TSEK (92,246 TSEK), 111,830 TSEK (90,746 TSEK) is related to R&D and 1,585 TSEK (1,500 TSEK) is related to S&A.

Note 7 Other operating expenses

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Exchange rate losses on operating receivables/liabilities	(5,687)	(7,627)
Capital losses	—	(163)
	(5,687)	(7,790)

Note 8 Operating lease

Lease contracts where the Group is the lessee

	31 December 2019	*31 December 2018*
Future minimum lease payments regarding non-cancellable operating lease contracts		
Within one year	39,355	34,616
Between one and five years	135,466	121,895
Later than five years	113,792	135,353
	288,613	291,864

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
The financial year’s recognized lease expenses	39,051	33,916

The main part of the lease expense refer to expenses regarding office rent.

Zenuity AB

Corporate identify number 559073-6871

Note 9 Interest income and similar profit/loss items

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Interest income, other	4,800	4,326
	4,800	4,326

Note 10 Interest expense and similar profit/loss items

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Interest expense, other	(4,964)	(3,432)
	(4,964)	(3,432)

Note 11 Tax expense for the year

	1 January 2019-31 December 2019	*1 January 2018-31 December 2018*
Current tax expense	(6,848)	(4,417)
	(6,848)	(4,417)

Reconciliation of effective tax rate

	1 January 2019-31 December 2019		*1 January 2018-31 December 2018*	
	Percent	*Amount*	*Percent*	*Amount*
Loss before tax		(1,309,116)		(1,081,608)
Tax according to current tax rate for the parent Company	21,4%	280,151	22,0%	237,954
Non-deductible depreciation	(0.8)%	(10,245)	(0,9)%	(10,244)
Other non-deductible depreciation	— %	(314)	— %	(171)
Increase of loss carry-forward without corresponding recognized deferred tax	(21,0)%	(274,892)	(21.4)%	(231,484)
Tax attributable to earlier years	(0,1)%	(1,347)	— %	—
Effect due to other tax rates and tax regulations	— %	(201)	— %	(472)
Reported effective tax	(0.5)%	(6,848)	(0.4)%	(4,417)

Zenuity AB

Corporate identify number 559073-6871

Note 12 Capitalized expenditures for software and similar

	31 December 2019	*31 December 2018*
Accumulated acquisition costs		
At the beginning of the year	24,233	27,479
Additions	—	850
Reclassifications	—	(4,402)
Translation differences during the year	—	306
At the end of the year	24,233	24,233
Accumulated amortization		
At the beginning of the year	(5,743)	(3,757)
Reclassifications	—	1,946
Amortization during the year	(3,401)	(3,947)
Translation differences during the year	—	15
At the end of the year	(9,144)	(5,743)
Carrying amount at the end of the year	15,089	18,490

Note 13 Concessions, patents, licenses, trademarks and similar rights

	31 December 2019	*31 December 2018*
Accumulated acquisition costs		
At the beginning of the year	323,183	283,059
Additions	18,253	35,603
Reclassifications	—	4,519
Translation differences during the year	173	2
At the end of the year	341,609	323,183
Accumulated amortization		
At the beginning of the year	(77,207)	(26,888)
Reclassifications	—	(2,151)
Amortization during the year	(51,521)	(48,117)
Translation differences during the year	(129)	(51)
At the end of the year	(128,857)	(77,207)
Carrying amount at the end of the year	212,752	245,976

Zenuity AB

Corporate identify number 559073-6871

Note 14 Leasehold improvements

	31 December 2019	31 December 2018
Accumulated acquisition costs		
At the beginning of the year	3,842	2,108
Additions	17,218	1,674
Translation differences during the year	(215)	60
At the end of the year	20,845	3,842
Accumulated depreciation		
At the beginning of the year	(553)	(158)
Depreciation during the year	(2,127)	(380)
Translation differences during the year	15	(15)
At the end of the year	(2,665)	(553)
Carrying amount at the end of the year	18,181	3,290

Note 15 Equipment, plant and machinery

	31 December 2019	31 December 2018
Accumulated acquisition costs		
At the beginning of the year	197,826	121,388
Additions	69,723	75,428
Disposals	(934)	(619)
Reclassifications	—	(117)
Translation differences during the year	937	1,746
At the end of the year	267,552	197,826
Accumulated depreciation		
At the beginning of the year	(56,276)	(16,018)
Reversed depreciation on disposals	212	164
Reclassifications	—	20
Depreciation during the year	(56,366)	(39,802)
Translation differences during the year	(315)	(640)
At the end of the year	(112,745)	(56,276)
Carrying amount at the end of the year	154,806	141,550

Note 16 Participation in group companies

	31 December 2019	*31 December 2018*
Accumulated acquisition costs		
At the beginning of the year	105,288	103,888
Acquisitions	—	1,400
At the end of the year	105,288	105,288

Specification of the Parent Company's participation in group companies

	31 December 2019				
Subsidiary / Corp. Id. No. / Registered office	*Number of shares*	*Share in % i)*	*Carrying amount*	*Total Equity*	*Profit/loss for the year*
Zenuity GmbH, HRB 228080, Unterschleissheim	25,000	100.0	48,068	69,966	7,466
Zenuity Inc, 81-4350409, Delaware	100	100.0	55,820	76,142	8,061
Zenuity Software Technology Co. Ltd, Shanghai	—	100.0	1,400	2,189	766

Acquisitions during 2017 and 2019

Zenuity GmbH and Zenuity Inc. were founded during 2017 and were contributed to Zenuity AB via contribution in kind from the joint owners. Zenuity Software Technology Co. Ltd was founded in 2018 and Zenuity AB made during 2018 a capital contribution to Zenuity Software Technology Co. Ltd of 1,400 TSEK.

Zenuity AB

Corporate identify number 559073-6871

Note 17 Deferred taxes

2019-12-31

	Deferred tax asset	*Deferred tax liability*	*Change Net*
Significant temporary differences			
Capitalized expenditures for developments	—	1,409	(1,409)
Concessions, patents, licenses	—	35,558	(35,558)
Equipment	—	3,295	(3,295)
Tax-rebate related to acquisition of assets	39,652	—	39,652
Deferred tax asset/liability	39,652	40,262	(610)

	Carrying amount	*Tax base*	*Temporary difference*
Significant temporary differences attributable to deferred tax asset			
Tax-rebate related to acquisition of assets	39,652	—	(39,652)
	39,652	—	(39,652)
Significant temporary differences attributable to deferred tax liability			
Capitalized expenditures for developments	6,777	—	6,777
Concessions, patents, licenses	171,078	—	171,078
Equipment	15,080	—	15,080
	192,935	—	192,935

Zenuity AB

Corporate identify number 559073-6871

2018-12-31

	Deferred tax asset	*Deferred tax liability*	*Change Net*
Significant temporary differences			
Capitalized expenditures for developments	—	1,743	(1,743)
Concessions, patents, licenses	—	44,007	(44,007)
Equipment	—	5,384	(5,384)
Tax-rebate related to acquisition of assets	49,611	—	49,611
Deferred tax asset/liability	49,611	51,134	(1,523)

	Carrying amount	*Tax base*	*Temporary difference*
Significant temporary differences attributable to deferred tax asset			
Tax-rebate related to acquisition of assets	49,611	—	(49,611)
	49,611	—	(49,611)
Significant temporary differences attributable to deferred tax liability			
Capitalized expenditures for developments	8,328	—	8,328
Concessions, patents, licenses	210,557	—	210,557
Equipment	25,568	—	25,568
	244,453	—	244,453

Taxable loss carry-forward amounts to 2,840,111 TSEK (1,555,605 TSEK).

Note 18 Other long-term receivables

	31 December 2019	*31 December 2018*
Accumulated acquisition costs		
At the beginning of the year	15,379	8,520
Paid rental deposit	—	7,409
Repaid rental deposit	—	(671)
Translation differences during the year	247	121
At the end of the year	15,626	15,379
Carrying amount at the end of the year	15,626	15,379

Note 19 Prepaid expenses and accrued income

	31 December 2019	*31 December 2018*
Prepaid services according to supplier agreements	110,542	92,226
Prepaid rent	6,464	5,782
Accrued income	2,842	5,156
Other items	—	1,092
	119,848	104,256

Note 20 Number of shares and quotient value

	31 December 2019	*31 December 2018*
Ordinary shares:		
Number of shares	500,000	500,000
Quotient value	1	1

Note 21 Accrued expenses and deferred income

	31 December 2019	*31 December 2018*
Accrued personnel expenses	85,657	62,410
Accrued consultant expenses	19,978	14,249
Prepaid revenue	4,221	5,801
Other items	25,786	7,194
	135,642	89,654

Note 22 Cash equivalents

	31 December 2019	*31 December 2018*
The following sub-components are included in cash equivalents:		
Bank balance	325,654	498,020
	325,654	498,020

Note 23 Other disclosures to the cash flow statement

Adjustments for items not included in the cash flow etc.

	1 January 2019- 31 December 2019	*1 January 2018- 31 December 2018*
Depreciation and amortization	113,415	92,246
Unrealized exchange rate differences	(176)	678
Capital gain/loss on sale of non-current assets	—	137
	113,239	93,061

Note 24 Information about the business, company, group and formation

Zenuity develops software for active automotive safety and self-driving vehicles. Zenuity started during 2017 but the Group originates from the safety leaders of the automotive industry and builds on robust industrial automotive solutions. Zenuity's engineers have extensive experience and are now developing modular platforms for complete ADAS and AD systems and the combination of scalability and completeness allows for fast application cross vehicle variants and vehicle lines.

Parent Company information

Zenuity AB, Corp ID no 559073-6871, was created and registered on August 24, 2016. The Company changed name to Zenuity AB on December 7, 2016. The Company's board of directors is based in Göteborg, Sweden.

Owners

Zenuity AB is a joint venture owned by Veoneer Sweden AB (50 %), Vårgårda, Corp ID no 559131-0841, and Volvo Personvagnar AB (50 %), Corp ID no 556074-3089, Göteborg. Due to that no owner holds more than 50 % of the votes, Zenuity AB is not part of any parent group.

Purchases and sales from and to owners

Of the Group's total purchases and sales in SEK, 10 % (12 %) of the purchases and 100% (100 %) of the sales refer to owner companies.

All transactions with the owners are made at arm's length.

For information regarding the contributions from the owners, see separate section below.

Information regarding the formation of the Group

Zenuity AB was created and registered in 2016 but started its business on April 18, 2017 when the joint owners contributed cash of 1,000,555 TSEK and contributed in kind at a fair value of 319,742 TSEK. The contribution included intellectual property rights, software, fixed assets, personnel, personnel related debt and shares in Zenuity GmbH and Zenuity Inc. The Company has treated the contribution as an asset acquisition. Most of the contributed assets have a tax value of zero resulting in temporary differences between book values and tax values. See further Note 17 for specification of the current temporary differences.

During 2018 the joint owners have each contributed cash of 600,000 TSEK. During 2019 the joint owners have each contributes cash of 550,000 TSEK.

Zenuity AB

Corporate identify number 559073-6871

Note 25 Reconciliation between Swedish GAAP and US GAAP

Zenuity AB prepared its consolidated financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board´s generally accepted accounting principles BFNAR 2012:1 ("K3"). The accounting policies are further described in the Note 1 Accounting principles.

Swedish GAAP as applied by Zenuity is based on IFRS for SMEs but with minor differences.

As described in Note 1 *Research and development,* Zenuity applies a policy where all internal development costs are expensed when incurred. Therefore, there is no US GAAP adjustment as the costs would also be expensed under US GAAP.

As described in Note 8, Zenuity records all lease expense on a straight line basis. Therefore, the expense recognition is consistent with how the operating leases would be accounted for under US GAAP for operating leases. Therefore there is no adjustment to the financial statements.

Below we present a reconciliation describing the main differences between Swedish GAAP and US GAAP for Zenuity AB consolidated financial statements.

SEK million	*1 January 2019- 31 December 2019*	*1 January 2018- 31 December 2018*
NET LOSS BASED ON SWEDISH GAAP	(1316,0)	(1086,0)
NET LOSS BASED ON US GAAP	(1316,0)	(1086,0)

SEK million	*31 December 2019*	*31 December 2018*
SHAREHOLDERS' EQUITY BASED ON SWEDISH GAAP	696,8	910,1
Reversal of 2017 tax impact	—	6,9
Goodwill	924,6	924,6
SHAREHOLDERS' EQUITY BASED ON US GAAP	1621,4	1841,6

Zenuity AB

Corporate identify number 559073-6871

Goodwill and reversal of 2017 taxes

Zenuity management assessed that the contributions from the owners that formed the JV were contributions of assets that did not comprise a business under the Swedish GAAP definition of a business. Under US GAAP, management concluded that the assets and employees contributed to the JV constituted a business as defined in ASC 805. Management assessed two general approaches a joint venture might consider when recognizing those assets: (1) a fair value approach or (2) a carryover basis approach. Management determined that the fair value approach is the most appropriate as the contributing companies are not related parties and that the fair value is determinable as a valuation was performed in connection with the contributions. There may be different approaches to determine the fair value. Management determined that a “Stand alone entity view” approach was appropriate when determine fair value. Under this approach the value of the consideration transferred equals the aggregate fair value of the joint venture immediately after formation. Management used a discounted cash flow analysis to calculate the fair value of Zenuity.

Certain assets (IP, tools and equipment and software) contributed by Volvo Cars and Autoliv had a tax value of zero. Since there were differences between carrying amounts and tax values, temporary differences were identified and as a result there was a deferred tax liability and a tax rebate asset recorded. The 2017 tax impact is the result of the release of the deferred tax liability offset by the asset amortization. In 2018 and 2019 there were no tax differences between Swedish GAAP and US GAAP.

Therefore in 2018 and 2019 goodwill is the only difference between Swedish and US GAAP. The additional goodwill of SEK 924.6 million was recognized under US GAAP (not recognized under Swedish GAAP) as the difference between the fair value of the individual assets and liabilities contributed by the owners and the aggregate fair value of the joint venture at formation which was estimated to be USD 250 million.

Note 26 Subsequent events

The company has evaluated subsequent events through February 21, 2020, the date on when financial statements were issued. No subsequent events have occurred.