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Autoliv Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question coming through from Himanshu Patel - J.P. Morgan.

Himanshu Patel - J.P. Morgan

The pace of restructuring activity seems to have stepped up and it looks like R&D spending levels have come back a little bit as a percentage of sales. Should we think of this trend in both of those buckets continuing into 2008?

Jan Carlson

If I start with the restructuring a little bit, Magnus can take it further on on the R&D. We are seeing restructuring activities as a tool for improving our operating margin. And we will come back to this for 2008, in the next earnings call, on the level of it.

I think for quarter 4 you should expect around \$5 million in restructuring costs and that is as far as we can talk about it today. But there are restructuring activities that we will see going forward, but the level, we will come back to.

Magnus Lindquist

And coming back to research, development and engineering experiences, as you saw in last year close to 6.4% of sales and partly due to we had a lot of product innovations in our safety electronics business and a number of launches. As we are now partly through that and we also stepped up the sales, we can see that the ordinary relations to sales will gradually to go down. For this year, it will be slightly below the 6.4% as we were at last year.

Himanshu Patel - J.P. Morgan

Magnus, do you think that because many of the new product launches are behind you, the rate of R&D spending should moderate even beyond the fourth quarter?

Magnus Lindquist

I would say that, we can talk maybe in the range of 6% to 6.5%. We have previously been talking about 6.5% and it could potentially be a little bit below that.

Himanshu Patel - J.P. Morgan

Okay, that's helpful. And then, if I go to slide 10, thank you for that bridge on EBIT. Is there any way to break down the \$22 million contribution between sales and cost reduction? How much was each of those components?

Magnus Lindquist

Yes, it is. But we don't disclose it. It's actually a combination, I would say, a lot of cost reduction, both when it comes to as you see that the research, development and engineering is down. But also, in the operating expenses, we have improved efficiency.

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