

Annual Report 2021

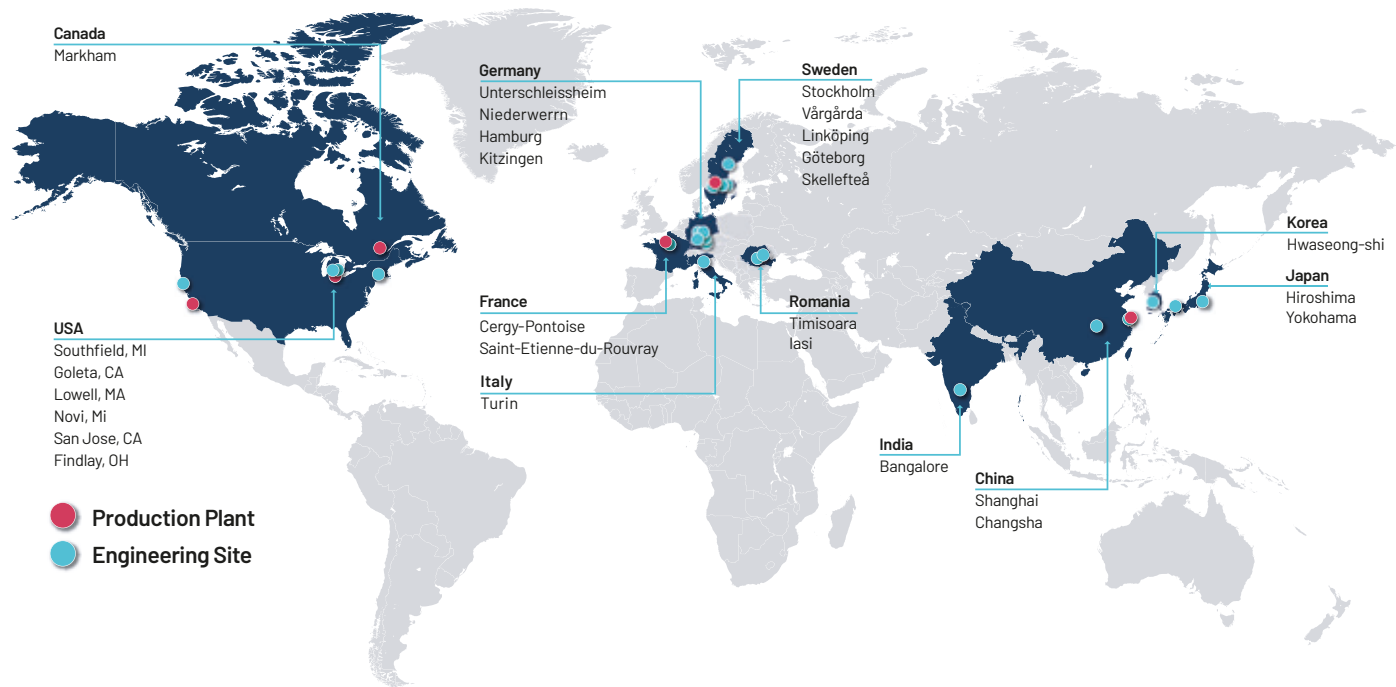


veoneer.com

veoneer

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 vehicle manufacturers globally. Headquartered in Stockholm, Sweden, Veoneer became an independent, publicly traded company in 2018, listed on the New York Stock Exchange and on the Nasdaq Stockholm.



7,100
ASSOCIATES

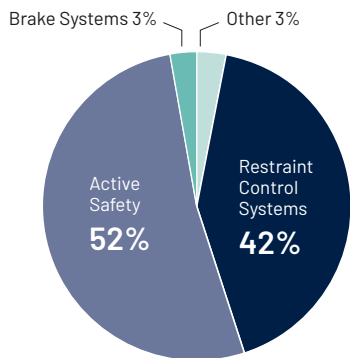
11
COUNTRIES

6
MANUFACTURING SITES

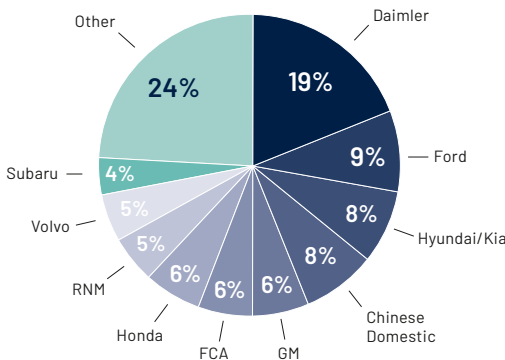
26
TECHNICAL CENTERS

\$1.66 Bn
NET SALES

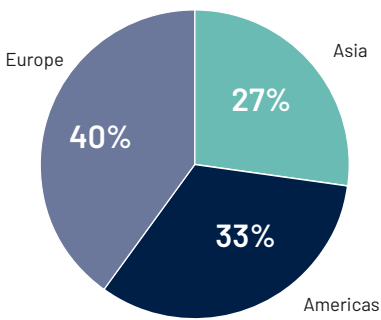
Sales by Product



Sales by Customer



Sales by Region



Focusing on Mobility's Toughest Challenges

Traffic safety and climate change are two of the global challenges where the automotive industry has a responsibility to act for a sustainable future.

50% Traffic Accident Reduction

Veoneer's portfolio of technologies supports the Sustainable Development Goal #3 — halving the number of global deaths and injuries from road traffic accidents. According to the World Health Organization, almost 1.4 million lives are lost annually and 50 million people are injured on roads globally, over half of which are pedestrians and vulnerable road users. Veoneer's products and solutions prevent traffic accidents and, when accidents are unavoidable, our restraint control systems help mitigate the effects of a crash. Through scalable architecture, we are lowering the OEM's R&D costs, allowing increased safety to become more affordable for more people.

In 2030, the vast majority of all cars sold will have advanced safety software and hardware that provide collaborative interaction with the driver. Ensuring that every vehicle and driver is fit to drive at any given moment relies on collaborative driving and the interaction between driver and tech as much as on the function and veracity of sensors or intelligent technologies alone.

Ambitious Climate Targets

Veoneer is striving to do its part with respect to climate change and during 2021, Veoneer's Board of Directors set ambitious targets to manage climate-related risks and reduce our impact on the environment.

The company has a three step plan to impact its entire value chain:

- Carbon neutral in own operations by 2030 (own manufacturing and tech centers, including Arriver)
- Carbon neutral products by 2039 (from sourcing to disposal)
- Carbon neutral company by 2040

Sustainable Development Goals

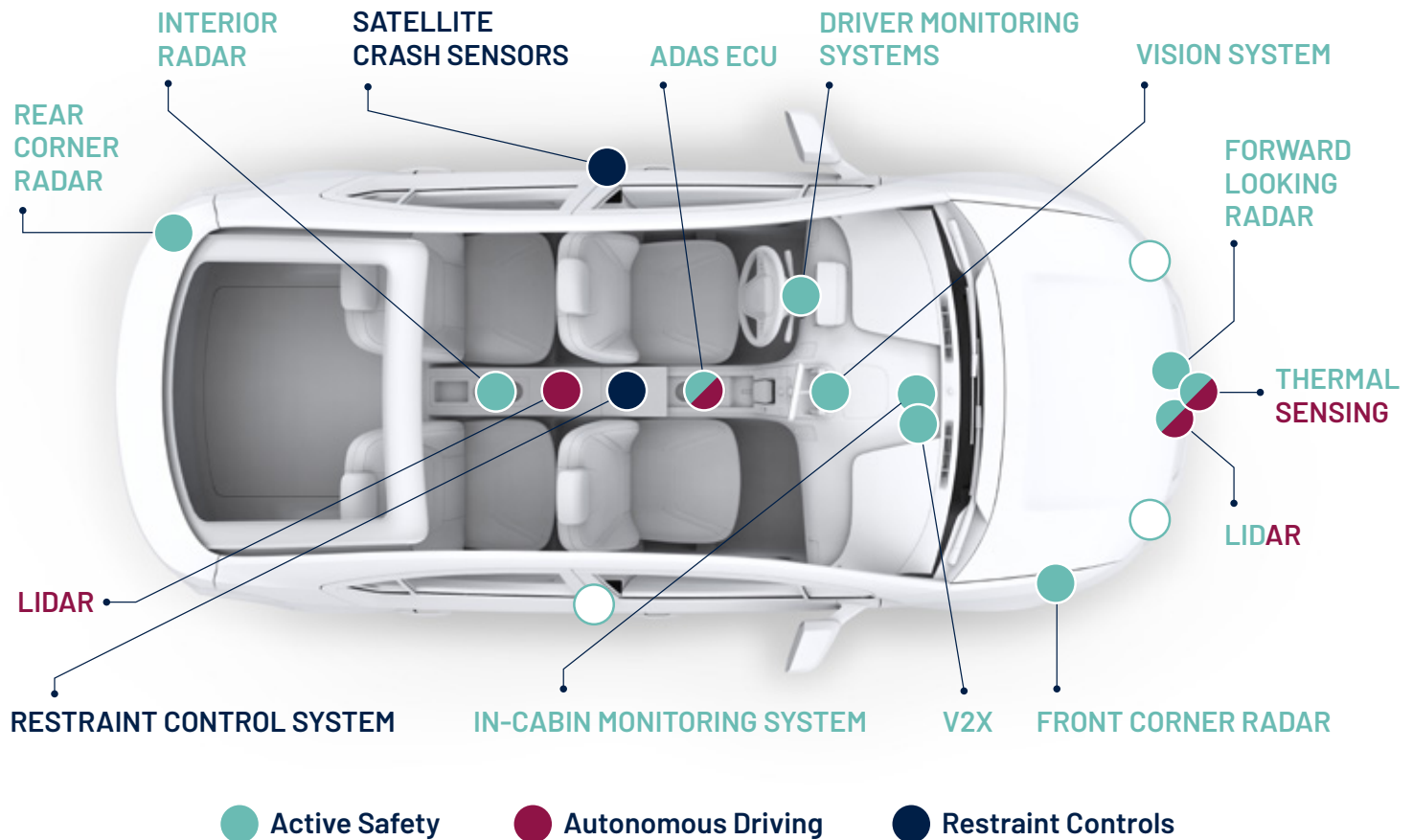
Veoneer's primary objective among the UN Sustainable Development Goals is #3, Saving lives in traffic, however we acknowledge that the Sustainable Development Goals are indivisible. Veoneer is committed to research, invent, develop and manufacture products that enable not only reduced road traffic fatalities but better societal quality of life, health, and mobility. Our commitment is aligned with our purpose "Creating Trust in Mobility".

Veoneer brings significant value by innovating products and solutions to increase traffic safety. We strive to limit our environmental footprint along the entire value chain and we contribute to the local economy through our business operations, providing both direct and indirect employment, as well as paying taxes and custom duties. We strive to offer a stimulating, safe and healthy work environment as well as competitive employment terms and other benefits.

Through our business activities, we believe we can contribute the most to the following SDGs-Sustainable Development Goals;



Towards a Safer Future



Veoneer's sensors and software solutions prevent traffic accidents and, when accidents are unavoidable, our restraint control systems help mitigate the effects of a crash.

By developing human-centric innovations end-consumers prefer to use, Veoneer brings safety and convenience to consumers and society at large. Artificial intelligence and deep learning have become a natural part of the development process and by staying at the forefront of technology we support vehicle manufacturers in launching the safest possible vehicles and fulfilling future regulatory requirements.

To serve our customers, Veoneer combines a worldwide research, design and manufacturing footprint with a regional set-up of engineers. The general lead time to develop an order before it goes into production is between two to four years.

Over the last decade, we have delivered software, 10.2 million cameras, 48 million radars and, for more than a decade, close to 966 million electric control units and crash sensors to car manufacturers globally**.

Our Products' Environmental Impact

Veoneer entered 2021 with a strengthened product portfolio with

new generations of virtually all its main technologies, such as mono and stereo vision generation 4, 77 GHz radar generation 1.2 and thermal sensing generation 4, offering enhanced safety and in many cases also a limited environmental impact.

During the year, Veoneer's engineers improved the Veoneer Management System with further details regarding the product life-cycle framework, focusing on products, traceability and re-use.

The environmental policy, updated in 2021, highlights Veoneer's commitment to contributing to a carbon-free automotive future by inventing and implementing technologies that support the usage of recyclable hardware with less components, less weight and less power consumption while in use, reusage of data and energy efficient, scalable software architectures. Less weight and smaller housing can have positive impact on a vehicle's fuel consumption and with more sensors per pallet, carbon emissions in transportation to customers are also lower.

Veoneer's engineers work closely with automotive manufacturers to optimize architecture, weight and performance aiming at keeping energy consumption and carbon emissions for each car model as low as possible. Veoneer is proud of offering safety solutions that fit full-electric cars, such as the Polestar 2, Volvo XC40 Recharge and the Mercedes EQC.

** as Veoneer and as part of Autoliv

Technology Proof-points

Independent safety tests help consumers compare vehicles and identify the safest choice for their needs.

Veoneer strives to contribute to the Sustainable Development Goal #3, halving the number of traffic deaths, and we strongly believe that Collaborative Driving is the way forward. When Mercedes-Benz received the first internationally valid system approval for driving L3, conditionally automated driving, we were immensely proud of the contribution from our engineers.

During the year, our products and system solutions supported our customers’ vehicles in being top-ranked in various vehicle safety ratings. **Subaru Levorg** was the winner of 2021 Japan NCAP Rating, with Veoneer’s 4th generation Stereo Vision Camera as a standard equipment achieving an astonishing 100% performance in the following active safety tests: AEB in Car-to-Car Rear End Scenarios, AEB in Car-to Pedestrian Scenarios at Day and at Night, Lane Departure Prevention, Pedal Misapplication Prevention, and High Performance Headlights. **Geely Preface** scored 5 stars in the China NCAP, and within active safety it achieved outstanding 98,95% thanks to the Veoneer forward looking camera gen3.0, forward looking 77GHz Gen1.2 radar, and Veoneer features AEB for Car-to-Car Rear End and Car-to-Pedestrian Scenarios.

Euro NCAP tested 33 vehicles, and the top three have Veoneer active safety; **Subaru Outback**, with the 4th generation Stereo Vision camera, achieved outstanding performance in the Active Safety rating, reaching 95,5 % in Safety Assist, the electrical **Polestar 2** where Veoneer is a main contributor to the Active Safety portion of the rating as a supplier of Mono Vision Camera, Forward Looking Radar and Crash Avoidance Features and the **Mercedes-EQ EQS**,

for which we supply extra active safety equipment (features, corner radars and forward-looking stereo camera) achieved 5 stars.

As many as 11 of 22 Euro NCAP tested 5-star vehicles have Veoneer’s Restraint Control System inside. Some examples are the 5-star vehicles **Audi Q4 e-tron**, **VW ID.4**, **Škoda ENYAQ iV**, **Cupra Formentor**, **Mazda MX-30**, **LandRover Defender** and **KIA Sorento**. In the Global NCAP testing, **Mahindra XUV700** with Veoneer RCS achieved 5 stars.

The IIHS (Insurance Institute for Highway Safety) in the U.S. has also tested vehicles and 6 of the “Top Safety Pick Plus” awarded had Veoneer’s Active Safety and 23 has Veoneer’s Restraint Control System inside. One of them is the **Volvo XC40 Recharge**. The awarded technology suite includes Veoneer’s 4th generation mono vision system, 77GHz front radar, state-of-the-art ADAS Electronic Control Unit (ECU) and software. Veoneer’s software platform includes sensor fusion and enables industry-leading features like lane keeping aid, forward collision warning, adaptive cruise control, autonomous emergency braking, and traffic assist.



Board of Directors

**Jan Carlson**

Chairman
President and CEO
Born 1960

Former 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.

Independent. Term expires 2024.

**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 2024.

**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 2024.

**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 2023.

**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 2023.

Note: Mary Louise Cummings was Director until November 1, 2021.

Strategy Board



Jan Carlsson

Chairman, President and CEO
Born 1960
Nationality: Swedish
Education: M.Sc. in Physics and Electrical Engineering and Technology Honorary Doctorate, University of Linköping 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 Telefonaktiebolaget LM Ericsson. Joined Veoneer in 2018.



Ray Pekar

CFO and Executive Vice President of Financial Affairs
Born: 1962
Nationality: Canadian
Education: Bachelor of Commerce Degree from the University of Windsor with a concentration in finance and accounting. Holds a CPA, CMA receiving his accreditation in Ontario, Canada. Background: 25 years of experience from the automotive industry; VP IR and M&A at Veoneer, VP IR and M&A at Autoliv Inc, VP Finance and Tech Center General Manager for Autoliv North America. Joined Veoneer: 2018



Lars Sjöbring

Executive Vice President Legal Affairs, General Counsel and Secretary
Born: 1967
Nationality: Swedish and American
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, Inc., Senior Vice President 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: 2018



Mikael Landberg

Executive Vice President Human Resources
Born: 1969
Nationality: Swedish
Education: Bsc Human Resources Management & Industrial Relations at Uppsala University, Executive MBA at Stockholm School of Economics
Background: SVP HR DeLaval, Chief Human Resources Officer Sweco AB. Joined Veoneer: 2020



Thomas Jönsson

Executive Vice President Communications & IR
Born: 1966
Nationality: Swedish
Education: Degrees in 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: 2018



Jennie Viskari

Senior Vice President Customer Area Europe
Born: 1981
Nationality: Swedish
Education: Bachelor of Science Innovation & Design, from University of Karlstad, Sweden
Executive MBA, London South Bank University, UK
Background: Multiple positions at Autoliv and Veoneer; MD Business unit Volvo, Program Director Europe, Senior Department Manager HW Engineering, Global Program Manager roles within operations etc. Joined Veoneer: 2018



John Jensen

Senior Vice President Customer Area Asia
Born: 1966
Nationality: American
Education: BSc in Industrial Economics from Weber State University and MBA from International University of Japan
Background: Joined the automotive industry and Autoliv in 1991; Multiple positions at Autoliv and Veoneer; CEO of VNBS (Veoneer Brake Joint Venture), Vice President, Honda Business Unit, Vice President, GM Business Unit, Vice President, Quality (Autoliv Japan), Director, Toyota Business Unit. Joined Veoneer: 2018



Seven Zhang

Executive Vice President Customer Area China
Born: 1979
Nationality: Chinese
Education: International MBA from TONGJI University-ENPC University and MSc in Vehicle Engineering from TONGJI University and BSc in Mechanical Engineering from Shanghai Maritime University
Background: COEM BU MD and China Sales VP, Veoneer China and broad automotive experience from various positions within engineering, product management, sales and operation management at Autoliv. Joined Veoneer: 2018



Scott Brawner

Senior Vice President Customers North America
Born: 1970
Nationality: American
Education: Masters of Applied Sciences in Program Management, I.T.T. Technical Institute
Background: Started with Autoliv in 1992 working in operations, and has extensive experience from working with Ford as responsible for Program Management and Application Engineering, Ford Business Unit Director position for North America adding the responsibility of Sales until 2013 becoming Vice President of Ford Global Business Unit, and has been Vice President of Sales for Brakes Division. Joined Veoneer: 2018



Christoph Schmickler

Executive Vice President ADAS ECU & Integration Product Area
Born: 1967
Nationality: German
Education: Engineering Degree in Electrical Engineering from RWTH Aachen
Background: More than 25 years of experience in automotive electronics industry. Senior Management positions in business development and product management at Autoliv, Managing Director & Vice President Business at Zenuity AB, Vice President Business Unit Europe at Veoneer. Joined Veoneer: 2020



Matthias Bieler

Executive Vice President Product Area Vision & DMS
Born: 1966
Nationality: German
Education: Engineering degree in electric engineering from University of Paderborn, Executive MBA from Henley Management College
Background: Senior management positions within program management, business development and sales in Europe and China for TRW Automotive, SVP ZF Friedrichshafen, and self-employed. Joined Veoneer: 2019



Chris Van Dan Elzen

Senior Vice President Product Area Radar
Born: 1971
Nationality: American
Education: Master of Science in Engineering from Oakland University, Rochester, Michigan, and three Bachelor of Science in engineering from Oakland University, Rochester, Michigan, as well as Master of Business Administration from University of Michigan, Ann Arbor, Michigan
Background: Extensive experience from automotive driver assistance and autonomy since graduating from engineering school, almost 25 years ago. Joined Veoneer: 2018



Jacob Svanberg

Senior Vice President Product Area LIDAR
Born: 1990
Nationality: Swedish
Education: Engineering Physics at Lund University, LTH Faculty of Engineering
Background: Roles within Automotive Strategy and M&A, including Corporate Development at Veoneer and Investment Banking at Morgan Stanley (mainly focused on Automotive/Auto-tech). Joined Veoneer: 2018



Stuart Klapper

Senior Vice President, Thermal Product Area
Nationality: American
Education: Electrical and Electronics Engineering at the University of California, Los Angeles
Background: Over 35 years of experience in engineering, business development and manufacturing of automotive Night Vision systems. Multiple senior management positions at Autoliv, Raytheon, Texas Instruments and Hughes Aircraft Company. Pioneered the world's first automotive Night Vision system. The last two year at Veoneer has held the position of Senior Director of Marketing. Joined Veoneer: 2018



Robert Bisciotti

Executive Vice President Product Area RCS
Born year: 1962
Nationality: American
Education: BS Electrical Engineering and an MBA from Villanova University
Background: 35 years of experience in automotive with a background in engineering, sales and manufacturing. Multiple positions at Autoliv, including VP-Autoliv Electronics Europe and America, VP-ANBS Operations & Sales, VP-Autoliv NA Sales. The last two years at Veoneer has held the position of VP & Managing Director-Ford Business Unit. Joined Veoneer: 2018



Steven Jenkins

Chief Technology Officer (CTO)
Born: 1978
Nationality: British and Swedish
Education: Degree in Computer Science, University of Bradford
Background: Director of Engineering and various strategic management and technology roles within both large and small companies including Veoneer, Autoliv, Motorola/Google/Arris, Configura. Joined Veoneer: 2018



Christer Lundström

Executive Vice President Operations & Quality
Born: 1964
Nationality: Swedish
Education: Master of Science in Computer Science & Engineering from Chalmers University of Technology
Background: 30 years in Automotive with focus on Engineering & Quality at Volvo Cars. Multiple positions in R&D, Manufacturing & Logistics as well as Marketing, Sales and Service. The last 3 years Vice President Quality Global Consumer Experience. Joined Veoneer: 2020



Håkan Söderlund

Senior Vice President Sourcing
Born: 1965
Nationality: Swedish and American
Education: M.Sc. Mechanical Engineering with major in Manufacturing Systems from Royal Technical Institute in Stockholm, Sweden
Background: More than 30 years of experience in the automotive industry and a long international career at Autoliv and Veoneer with senior management positions within engineering and procurement in United States, Peoples Republic of China, Germany, Sweden and globally. Joined Veoneer: 2018

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, 2021
Commission File No.: 001-38471

Veoneer, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

82-3720890
(I.R.S. Employer
Identification No.)

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

+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:
Common Stock, par value \$1.00 per share

Trading Symbol:
VNE

Name of each exchange on which registered:
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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 30, 2021 (the last business day of the most recently completed second fiscal quarter) was approximately \$2.58 billion.

As of February 11, 2022, there were 112,019,245 shares of common stock of Veoneer, Inc., par value \$1.00 per share, outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the registrant's 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement") are incorporated by reference into Part III of the Form 10-K to the extent stated herein. The Proxy Statement or an amended report on Form 10-K will be filed within 120 days of the registrant's fiscal year ended December 31, 2021.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements relating to the completion of the merger. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “target,” similar expressions, and variations or negatives of these words. The reader is cautioned not to rely on these forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the consummation of the proposed merger and the anticipated benefits thereof. These and other forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements, including the failure to consummate the proposed acquisition of Veoneer pursuant to the definitive Agreement and Plan of Merger (the “merger agreement”) among Veoneer, Qualcomm Incorporated (“Qualcomm”), SSW Holdco LP (“SSW”) and SSW Merger Sub Corp., a Delaware corporation and a direct, wholly owned subsidiary of SSW, or to make any filing or take other action required to consummate such merger in a timely matter or at all. The inclusion of such statements should not be regarded as a representation that any plans, estimates or expectations will be achieved. You should not place undue reliance on such statements. Risks and uncertainties include, but are not limited to: (i) the merger may involve unexpected costs, liabilities or delays; (ii) the failure to satisfy the conditions to the consummation of the transaction, including that no governmental authority in certain jurisdictions has enacted, issued, promulgated, enforced or entered any law or order which has the effect of restraining, enjoining, rendering illegal or otherwise prohibiting consummation of the Merger; (iii) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; (iv) operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected; (v) risks related to diverting management attention from ongoing business operations; (vi) the business of Veoneer may suffer as a result of uncertainty surrounding the merger or the potential adverse changes to business relationships resulting from the proposed merger; and (vii) the outcome of any legal proceedings that may be instituted against Veoneer or Qualcomm and SSW related to the merger agreement or the transaction contemplated thereby.

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: general economic conditions such as high inflation; the cyclical nature of automotive sales and production; changes in general industry and market conditions or regional growth or decline; further decreases in light vehicle production; the impact of COVID-19 on our customers and their production and product launch schedules; the impact of COVID-19 on the Company’s financial condition, business operations and liquidity; the impact of COVID-19 on our suppliers and availability of components for our products; the development and commercial success of the software and integrated platform contemplated by the our cooperation agreement with Qualcomm Technologies; 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; supply chain disruptions and component shortages impacting the Company or the automotive industry; changes in customer and consumer preferences for end products; market acceptance of our new products; dependence on and relationships with customers and suppliers; our ability to share RD&E costs with our customers; 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; and 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

Veoneer, Inc. ("Veoneer", the "Company" or "we") is a Delaware corporation with its principal executive office in Stockholm, Sweden. Veoneer was incorporated under the laws of Delaware in 2017 for the purpose of holding this business. On June 29, 2018, Veoneer became an independent company as a result of the separation of the Electronics segment from Autoliv, Inc. ("Autoliv"). 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.

Merger Related Events

On July 22, 2021 Magna International Inc. ("Magna") and Veoneer announced that they had entered into a definitive merger agreement under which Magna would acquire Veoneer. Pursuant to the agreement, Magna would acquire all of the issued and outstanding shares of Veoneer for \$31.25 per share in cash.

On August 5, 2021, Veoneer confirmed that it had received a non-binding proposal from QUALCOMM Incorporated ("Qualcomm") to acquire all of the outstanding shares of Veoneer at a price of \$37.00 per share in cash.

On August 8, 2021, Veoneer announced that its board of directors had determined that Qualcomm's proposal to acquire Veoneer would reasonably be expected to result in a "Superior Proposal", as defined under the terms of the merger agreement with Magna. As a result, the board of directors engaged in discussions with Qualcomm.

On October 4, 2021, Veoneer announced that it had entered into an Agreement and Plan of Merger (the "Qualcomm Merger Agreement") by and among the Company, Qualcomm, SSW HoldCo LP ("SSW"), and SSW Merger Sub Corp, providing for the acquisition of Veoneer by SSW, for \$37.00 per share in an all-cash transaction, representing a total equity value for Veoneer of \$4.5 billion. Veoneer also terminated its prior merger agreement with Magna. At closing, SSW will acquire Veoneer by merger, shortly after which it is contemplated that SSW will sell Veoneer's dedicated software unit, referred to as the Arriver business to Qualcomm and retain Veoneer's Tier-1 supplier businesses. SSW Partners will lead the process of finding strong, long-term strategic partners for the remainder of Veoneer's business.

On December 16, 2021, Veoneer held a virtual Special Meeting of Stockholders to consider two proposals with respect to the Qualcomm Merger Agreement. The first proposal, to approve and adopt the merger agreement, was approved by affirmative vote of a majority of the outstanding shares of Veoneer common stock entitled to vote thereon. The second proposal, a non-binding, advisory proposal to approve compensation to Veoneer's named executive officers in connection with the merger, was approved by the affirmative vote of the holders of a majority in voting power of the Veoneer common stock entitled to vote thereon and represented at the special meeting.

Previous Transactions

On October 30, 2019, Veoneer signed definitive agreements to sell its 51% ownership in Veoneer Nissin Brake Japan ("VNBJ") and Veoneer Nissin Brake China ("VNBZ"), the entities that comprised VNBS at the time of such agreements, to its joint venture partner Nissin-Kogyo Co., Ltd., and Honda Motor Co., Ltd. The consideration received was \$176 million. The transaction was completed on February 3, 2020 under the definitive agreements, and the VNBS joint venture was terminated. See Note 6 "Divestiture and Held for Sale" for additional information.

On April 2, 2020, the Company entered into a non-binding agreement with Volvo Cars Corporation ("VCC") to separate the businesses of Zenuity, a 50% ownership joint venture with VCC, into two separate business with each JV partner absorbing the business most relevant to its strategic interests and direction. The parties entered into definitive agreements and effected the separation on July 1, 2020. As part of the transaction the Company paid approximately \$37 million to Zenuity for 200 software engineers and two business units located in Germany and the US.

On August 10, 2020, Veoneer signed a definitive agreement to sell the majority of the Veoneer Brake Systems ("VBS") business in North America to ZF Active Safety US, Inc ("ZF"). The aggregate purchase price was \$1. In connection with the transaction, the Company received approximately \$22 million from ZF for VBS operational cost reimbursement. See Note 6 "Divestiture and Held for Sale" for additional information.

On January 26, 2021, Veoneer and Qualcomm Technologies, Inc. entered into a collaboration agreement under which the companies will collaborate on the delivery of scalable Advanced Driver Assistance Systems (ADAS), Collaborative and Autonomous Driving (AD) solutions. The platform is intended to address the growing needs of the automotive ecosystem for scalable and upgradable solutions, which requires highly advanced and power-efficient compute, connectivity and cloud service capabilities across all vehicle tiers.

On July 19, 2021, Veoneer signed an agreement with pioneering LiDAR company Baraja to industrialize their Spectrum-Scan™ LiDAR technology for the next market wave of L2+ through L4 autonomous vehicle applications. Under the non-exclusive agreement, Veoneer will develop, market and integrate a scalable Spectrum-Scan™ platform from Baraja to serve the automotive market.

Business

Veoneer is a global technology leader in the design, development, manufacture and sale of automotive safety electronics. Our ambition is to be a leading system supplier for ADAS and Highly Automated Driving ("HAD") solutions, which we refer to as "Collaborative Driving", and Automated Driving ("AD") solutions, and to be recognized 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 ADAS, HAD and AD solutions branded Arriver™.

As of December 31, 2021, Veoneer has six manufacturing sites and operates in 11 countries and its customers include most of the world's largest car manufacturers. Veoneer's sales in 2021 were \$1.66 billion, approximately 52% of which consisted of Active Safety products, approximately 42% of which consisted of sales of Restraint Control Systems and approximately 6% of which consisted of Brake Systems products and other brake control ECUs. Our business is conducted primarily in Europe, North America and Asia.

Veoneer's head office is located in Stockholm, Sweden. As of December 31, 2021, Veoneer had approximately 6,000 associates worldwide and total associates of approximately 7,099, including temporary personnel.

Additional information required by this Item 1 regarding developments in the Company's business during 2021 is contained under Item 7 in this Annual Report.

Business Strategy

We believe Veoneer is well-positioned for growth from increasing long-term global vehicle production volumes, increased demand for safety and for collaborative and autonomous driving products. This is evidenced 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 computer platforms required to do so. Our products provide a significant benefit to society by reducing human fatalities and injuries related to automobile traffic accidents.

The market for our products is going through a significant change resulting in sensors, compute units and their related software increasingly being separated from the higher-level software utilized for Collaborative and Autonomous Driving. Through the creation of the Arriver™ ADAS and AD software development unit, Veoneer is an early mover in this development.

Products and Technology

Veoneer provides a portfolio of automotive safety electronics. The portfolio includes Active Safety Systems (including sensors and control units – "ADAS ECUs"), perception and driving policy software for ADAS, HAD and AD solutions, and Restraint Control Systems such as ECUs and crash sensors for deployment of airbags and seatbelt pretensioners in the event of a collision.

Active Safety Systems

The goal of Active Safety systems is to provide early warnings to alert drivers to take timely and appropriate action or trigger intelligent systems that affect the vehicle's motion, to prevent the occurrence of, or reduce the severity of, any

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 and Driver Assistance features and 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 (TJA) and Highway Assist, which takes control of braking and acceleration in slow-moving traffic and at highway speed, respectively; Forward Collision Warning (FCW); Blind Spot Detection (BSD); Rear Cross-Traffic Assist (RCTA); Lane Departure Warning (LDW); Lane Centering Assist (LCA), Traffic Sign Detection (TSD); Light Source Recognition (LSR); Driver Monitoring for driver attention and drowsiness; In-cabin monitoring, Vehicle-to-Vehicle and Vehicle-to-Infrastructure communication and Night Driving Assist.

Veoneer has one of the broadest ADAS product portfolio offerings in the market, which includes all major sensing technologies, perception and driving policy software (through the Arriver™ business unit), central compute, digital mapping technologies and cloud solutions. When considering this hardware and software suite of technologies Veoneer is able to provide “turn-key solutions” when our original equipment manufacturer (“OEMs”) customers require 5-star NCAP solutions, thereby Veoneer can provide the entire system or sub-systems when required.

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. 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.

Overall Veoneer has been awarded business with 19 OEMs globally. Key products and systems in the Company's Active Safety sensor 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, traffic lights, intersections and other key road attributes to provide information and warnings if a vehicle is approaching a potentially hazardous traffic situation. Vision systems are used in applications such as road-sign recognition and lane detection, along with forward and pedestrian collision warnings. We offer forward looking mono-vision 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 actuation such as lane keeping and automatic braking of the vehicle. Mono-vision systems provide a significant level of accident reductions and are fundamental to achieve NCAP 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 with superior accuracy and depth. 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 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, support AD and European New Car Assessment Program (“NCAP”) 2020. Fifth generation vision systems, which are in a development stage and planned for production in 2024 will offer more than five times higher image resolution than the current generations of camera solutions and deep learning, as well as offer multiple camera solutions. Selected customers where Veoneer has been awarded and sourced business for its vision systems include: Geely, Mercedes-Benz, GM, Hyundai, Volvo Cars, Subaru, BYD-Toyota (BTET) and two local Chinese OEMs in addition to Geely.

Thermal Imaging Systems: Using passive infrared technology (thermal sensing), our thermal imaging system identifies pedestrians, animals and other heat emitting hazards present in the danger zone of a vehicle, and alerts the driver, particularly in nighttime, or other “challenging” conditions. Our thermal imaging 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 thermal imaging system, which launched during 2020, has 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 thermal imaging system include Audi, BMW, FCA, GM, Mercedes-Benz, PSA, Porsche and Volkswagen.

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 for 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. We also see future market opportunities for radar based in-cabin monitoring solutions that will address the issue of unattended children left in vehicles, a functionality that is expected to be fundamental for achieving 5-star NCAP ratings in Europe from 2025 onwards as well as being potentially mandated in North America as part of the “Hot Cars Act of 2019”, which passed the U.S. House of Representatives in July 2020 and is pending approval by the U.S. Senate. Another promising technology is the Imaging Radar to address needs of higher driving automation. 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. In addition a number of local Chinese OEMs have selected Veoneer as their radar supplier. Veoneer has been awarded and sourced business with 15 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 ADAS Domain controller ECUs, as most of the ADAS functionalities are embedded in the sensors in a distributed architecture. With the current trend of 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 ADAS domain control or cross-domain ECUs their vehicles. While in current systems sensor data processing and perception algorithms are mostly taking in place in the sensors, more advanced ADAS/AD functionalities put higher requirements on sensors, which drives the trend to centralize processing functions to get the most accurate understanding of the vehicle's relationship with its environment.

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 full AD. 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. This trend was one of the key drivers for entering into a collaboration agreement between Veoneer's Arriver™ unit and Qualcomm in January of 2021, developing the next generation perception and drive policy software for Qualcomm's Snapdragon Ride system-on-a-chip (SoC) family.

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 we also have business with VCC and Geely. Additionally, during 2021 we won new business with Ford.

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 that 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 July 2021, Veoneer signed an agreement with pioneering LiDAR company Baraja to industrialize their Spectrum-Scan™ LiDAR technology for the next market wave of L2+ through L4 autonomous vehicle applications. Under the non-exclusive agreement, Veoneer will develop, market and integrate a scalable Spectrum-Scan™ platform from Baraja to serve the automotive market. Veoneer chose to partner with Baraja after extensive testing, as Baraja offers robust technology and a roadmap that lends itself to be amongst the smallest size lidars to enable vehicle

integration. Baraja's Spectrum-Scan™ LiDAR connects a wavelength-tunable laser to prism-like optics, deflecting the light in different directions to achieve scanning with higher reliability and lower cost. Baraja's RMCW technology enables industry leading interference rejection and the ability to measure instantaneous velocity which distinguishes it from traditional Time of Flight (ToF) approaches.

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. It appears very likely that this technology is going to be mandated as part of the General Safety Requirements (GSR) in Europe to obtain vehicle homologation for new vehicle types by 2024 and for all new vehicles from 2026. It is expected to be necessary to achieve a 5-star NCAP rating in Europe in 2025 as well as Level 3/4 autonomy solutions worldwide. 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. Today FCA, Ford and GM are RoadScape™ customers.

Human Machine Interaction ("HMI"): Effective collaboration between the vehicle and driver is critical to make the driver and vehicle fit to drive - together. Veoneer's collaborative drive research platform uses external and internal sensing combined with innovative algorithms to create a unified contextual picture of what is going on with the occupants, vehicle, driving situation and then serve as a "co-pilot" to communicate with drivers and passengers and adapt the systems. Veoneer uses the collaborative drive research platform to learn more about: personalization, collective perception, and to continually improve the system's understanding of how to make it fit to drive.

ADAS, HAD and AD System Level Software Solutions (Arriver™ Products)

On April 2, 2020, the Company entered into a non-binding agreement with Volvo Cars Corporation (VCC) to separate the businesses of Zenuity, a 50% ownership joint venture with VCC, into two separate business with each JV partner absorbing the business most relevant to its strategic interests and direction. The parties entered into definitive agreements and effected the separation on July 1, 2020. As part of the transaction the Company added approximately 200 software engineers to its software engineering team to enable the development of the Company's next-generation perception and driving policy software stack.

In January 2021, Veoneer and Qualcomm Technologies, Inc. signed Master Collaboration Agreement under which the companies will collaborate on the delivery of scalable ADAS, Collaborative and AD solutions. The collaborative platform will integrate Veoneer's next-generation perception and driving policy software stack (Arriver™ Products) and Qualcomm® Snapdragon Ride™ ADAS/AD scalable portfolio of System on a Chip (SoC) and Accelerators. The platform will address the growing needs of the automotive ecosystem for scalable and upgradable solutions, which requires highly advanced and power-efficient compute, connectivity and cloud service capabilities across all vehicle tiers. Veoneer and Qualcomm Technologies have been working together since the first announcement of their collaboration in August 2020 to create a roadmap of a scalable, open ADAS and AD system that will be able to address the entire automotive OEM market with an integrated software and SoC platform. In November, 2021 the Company announced that, under the Master Collaboration Agreement, it will provide Vision Perception software as part of Qualcomm Technologies' announcement with BMW to bring the latest advancements in driver assistance technologies, and products of its Snapdragon Ride™ Platform to BMW.

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, VW and Volvo Cars.

Collaboration History

Over the last several years collaborations with key strategic partners have significantly influenced the development and evolution of our product portfolio. These include multiple collaborative commercial arrangements, as well as the Brake Systems joint venture with Nissin-Kogyo Co. Ltd., Zenuity, the joint venture with Volvo Cars Corporation (VCC) to develop ADAS Software towards AD, the collaboration agreement with Qualcomm from January 2021 and in July 2021, the non-exclusive agreement with LiDAR company Baraja to industrialize their Spectrum-Scan™ LiDAR technology for the next market wave of autonomous vehicle applications.

Following a strategic review initially launched in April 2019, Veoneer decided to narrow its focus to the commercialization of Active Safety and advanced ADAS in the Collaborative Driving space by providing customers with the software, sensors and the central-compute platforms required to do so. In pursuit of this goal, Veoneer elected to exit the Brake Systems business, which was substantially completed in 2020. Similarly, in 2020, Veoneer and VCC decided to separate the Zenuity business so each partner could focus on the technologies most critical for their customers, with Veoneer integrating and operating the business focused on development and commercialization of ADAS and HAD software and VCC assuming the Zenuity programs focus on AD.

In January 2021, Veoneer formalized a collaboration with Qualcomm Technologies, Inc. to deliver an integrated software and SoC platform that will address the growing needs of the automotive ecosystem for scalable and upgradable solutions. Arriver™ is Veoneer’s dedicated software unit for the development of the complete perception and drive policy software stack for the platform.

Veoneer views Lidar as one of the key sensors for L3 automation and above, and in July 2021, the Company signed an agreement with pioneering LiDAR company Baraja to industrialize their Spectrum-Scan™ LiDAR technology for the next market wave of L2+ through L4 autonomous vehicle applications. Under the non-exclusive agreement, Veoneer will develop, market and integrate a scalable Spectrum-Scan™ platform from Baraja to serve the automotive market. Veoneer chose to partner with Baraja after extensive testing, as Baraja offers robust technology and a roadmap that lends itself to be amongst the smallest size lidars to enable vehicle integration.

Veoneer continues to maintain and pursue partnerships and collaborations with partners that have the potential to enable the commercialization of Active Safety and advanced ADAS in the Collaborative Driving space.

History of Collaborations:

July 2021: Veoneer signed an agreement with pioneering LiDAR company Baraja to industrialize their Spectrum-Scan™ LiDAR technology for the next market wave of L2+ through L4 autonomous vehicle applications.

January 2021: Veoneer and Qualcomm Technologies, Inc. executed an agreement under which the companies will collaborate on the delivery of scalable ADAS, Collaborative and AD solutions powered by Veoneer’s next-generation perception and driving policy software stack and Qualcomm® Snapdragon Ride™ ADAS/AD scalable portfolio of System on a Chip (SoC), and Accelerators. The parties’ intended collaboration was first communicated on August 27, 2020.

August 2020: Veoneer signed a definitive agreement to sell the majority of the Brake Systems business in North America to ZF.

April 2020: Veoneer entered into a non-binding agreement with VCC to separate Zenuity, a 50% ownership joint venture with VCC. The separation was completed on July 1, 2020.

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

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.

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.

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.

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.

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.

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 2% despite the cyclical nature of the automotive industry. The LVP is expected to increase from 73 million vehicles in 2021, to 96 million in 2026, where approximately 72 million were produced in 2020, according to IHS Markit (January 2022 report). 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 Active and Safety electronics CPV growth will primarily be driven by Active Safety content (including software), with the total Active Safety market growing from approximately \$135 per vehicle in 2021 to approximately \$335 per vehicle in 2027. The shift in power train technologies mentioned earlier has little effect on the Safety Electronics CPV.

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 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, Mando, 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 capturing a market share of approximately 9% in Active Safety in 2021.

The TAM for our Active Safety products amounted to approximately \$10 billion in 2021 and is expected to grow to approximately \$33 billion in 2027, a 22% CAGR.

ADAS, HAD and AD System Level Software Solutions (Arriver™ Products) Competitive Landscape

The market for ADAS and AD software is in its early development. Currently, Veoneer treats this market as part of the total Active Safety TAM, as separate valuations of a dedicated software opportunity are not available. As for the total Active Safety market, the competition is fragmented. Some Tier 1 automotive suppliers, such as Bosch and Continental, are developing software either for perception only, or for both perception and drive policy. MobileEye, a Tier 2 automotive supplier, is developing perception software and adding drive policy to its offering, and has established market presence. NVIDIA appears to be pursuing a similar strategy, but does not have a commercially launched automotive ADAS/AD software product today, however a number of cooperation agreements with OEMs makes the future introduction of NVIDIA software likely.

To some extent, this type of software is also developed by the OEMs themselves. However, OEM strategies for ADAS software development varies widely, with a few developing the majority of the software in-house and others buying all or most of it from outside suppliers. The Company already has an established market presence, primarily through development of four generations of vision perception software and the drive policy software initially developed in the Zenuity joint venture and now launched commercially in a number of Volvo and Geely models.

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 2021. Our largest competitors include Bosch, Continental, Denso and ZF.

The total restraint control systems market amounted to approximately \$3 billion in 2021 due to COVID-19 and semiconductor supply constraints but it is expected to grow at similar level as the LVP through 2027. 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.

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 1000 active patents and have approximately 550 pending patent applications in the US and other jurisdictions. The active patents will expire between 2022 and 2040. We have registered the names Veoneer and Arriver as trademarks in multiple key jurisdictions worldwide 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 \$424 million, \$407 million and \$562 million for the years ended December 31, 2021, 2020 and 2019, respectively. Veoneer's 50% share of Zenuity's net expenses, as reported in loss from equity method investment, was \$39 million and \$70 million for the years ended December 31, 2020 and 2019, respectively. As Zenuity was divested in 2020 there was no such loss for 2021. 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 2021 Veoneer delivered production units to more than 20 OEM customers around the world. Our largest customers ranked in order as a percentage of our global sales were Daimler 19%, Ford 9%, Hyundai/Kia 8%, Honda 6%, General Motors 6%, FCA 6%, Renault Nissan Mitsubishi 5% and Subaru 4% and Chinese local OEMs 8%.

We typically supply products to our OEM customers through written contracts or purchase orders that 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.

Human Capital Management

As a leading automotive technology company, the development and well-being of our employees is a key component for success. We focus on individual growth, fairness as an employer, employment terms, values, ethics and conduct, and most importantly the health and safety of our employees.

Our philosophy is to give our associates responsibility for their growth through providing challenges in their jobs as well as the tools and culture necessary to support individual growth. We believe that growth is primarily accomplished within the scope of our associates' daily work and, if supported with ways to reflect and receive feedback, we can help facilitate and accelerate that growth. Veoneer's size and global reach, combined with its varied product portfolio, provides many opportunities to work in

new areas and with new teams. It is important to us to foster an environment that promotes giving and receiving feedback, setting aggressive targets and doing so in a transparent way. We have processes in place to foster this behavior and we have desired behaviors defined to set goals for the purpose of recruiting and promoting.

As of December 31, 2021, we had a total of approximately 7,099 total associates, with 4,171 engineering, 1,332 in direct manufacturing and the remaining 1,596 in production and SG&A overhead functions. Included in these figures are approximately 1,066 temporary associates, and within engineering, more than two thirds of the associates worked as software engineers.

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 future success depends in large part on our ability to attract, train, retain and motivate qualified personnel. To facilitate talent attraction and retention, we are committed to making Veoneer a diverse, inclusive and safe workplace, with opportunities for our employees to grow and develop in their careers.

We are committed to maintaining, and fostering a culture of fairness and equity, where all of us act with the highest ethics and integrity, where unethical conduct is not tolerated, and where everyone feels empowered to speak up and raise concerns. Employee training is used to reinforce these values across all employees globally. Annual participation in trainings related to ethics, environment, health and safety, and emergency responses are at or near 100%.

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.

We have established competitive compensation and benefits programs to help meet the needs of our employees. In addition to salaries, these programs (which vary by country/region and employment classification) include incentive compensation plan, pension, healthcare and insurance benefits, paid time off, family leave, and on-site services, among others. We also use targeted equity-based grants with vesting conditions to facilitate retention of personnel, particularly for our key employees.

The safety and health of our employees is a top priority. We recognize the connection between a safe and healthy workplace and the sustainable success of our company. We believe in 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. In 2021, our incident rate, measured as number of reportable injuries per 200,000 employee hours of exposure, was 0.62 (target is lower than 2.0). In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. This includes having the vast majority of our employees work from home, while implementing additional safety measures for employees continuing critical on-site work.

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 and Sub-Components

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 semiconductor components and ferrous metals for brake systems. From 2018 through mid-2020, we did not experience any significant supply shortages and therefore did not carry inventories more than those reasonably required to meet our production and shipping schedules. During 2020, however, the automotive industry experienced dramatic declines in LVP during the first half, and an unprecedented rebound in the second half. This was followed by a continuous high demand for light vehicles in 2021. This global development, has created serious challenges for the supply of electronic components, and specifically semiconductors. We

expect the tightness in supply to affect global LVP during the first half of 2022, while gradually improving during the second half of the year. Currently, the effects are difficult to quantify, and we monitor and manage this situation daily.

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, which were markedly higher in 2021 than in the years prior, 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 policy and an environmental management system in all plants globally and all plants are externally ISO14001 certified.

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.

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."

Risk Factor Summary:

The risk factors detailed in Item 1A entitled "Risk Factors" in this Annual Report on Form 10-K are the risks that we believe are material to our investors and a reader should carefully consider them. Below is a summary of the risk factors detailed in Item 1A. This summary does not address every aspect of our risks factors, all of the risks that we face, or other factors not presently known to us or that we currently believe are immaterial.

- The announcement and pendency of our agreement to be acquired by Qualcomm Incorporated and SSW HoldCo LP (the "Merger Agreement") may have an adverse effect on our business, financial condition, operating results and cash flows.
- Failure to complete the acquisition contemplated by the Merger Agreement in a timely manner or at all could negatively impact the market price of our common stock as well as adversely affect our business, financial condition, operating results and cash flows and exacerbate other risk factors noted herein.
- Regulatory approvals required under the Merger Agreement may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met.
- The Merger Agreement contains provisions that could discourage or deter a potential competing acquirer that might be willing to pay more to effect an alternative transaction with us
- We may be subject to litigation challenging the transaction contemplated by the Merger Agreement.
- The completion of the transaction contemplated by the Merger Agreement may trigger change in control or other similar provisions in certain agreements to which we are a party.
- We will incur substantial transaction fees and costs in connection with the Merger.
- Our estimate of total addressable market is subject to numerous uncertainties. If we have overestimated the size of our total addressable market now or in the future, our future growth rate may be limited.
- Our reported order intake and the value of our order book are not necessarily indicative of future net sales revenues and are subject to a number of uncertainties. If the order intake fails to translate into future net sales revenue it may adversely affect our business.
- A prolonged recession and/or a downturn in LVP 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.
- Changes in our product mix may impact our financial performance.
- Our business may be adversely affected by regulations affecting the automobile safety and autonomous driving markets.
- We may not be able to anticipate changing customer and consumer preferences or respond quickly enough to changes in technology and standards to be able to develop and introduce commercially viable products.
- We are subject to risks associated with the development and implementation of new manufacturing process technology.
- We may not be able to adequately protect or monetize our intellectual property rights in internally-developed or acquired technologies, which could result in the loss of our rights, limit our ability to compete, increased costs lost revenue.
- We operate in developing and highly competitive markets.

- Escalating pricing pressures from our customers may adversely affect our business.
- Our business could be materially and adversely affected if we lost significant customers or if they were unable to pay their invoices.
- Our inability to effectively manage the timing, quality and costs of new product launches could adversely affect our financial performance.
- Disruptions in our supply or delivery chain, or those of our customers, could cause one or more of our customers to halt or delay production and adversely affect our financial performance.
- Changes in the source, cost, availability of and regulations pertaining to raw materials and components may adversely affect our profit margins.
- 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 in connection with identifying and successfully completing strategic acquisitions of businesses, products and technologies and/or collaborative arrangements with strategic partners.
- We may not have sufficient resources to fund our operating costs or all of our future research and development and capital expenditures or possible acquisitions or joint ventures.
- 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.
- Our business may be adversely affected if our policies and procedures do not adequately protect our employees or others or otherwise meet the requirements of applicable laws or regulations.
- We may have exposure to greater than anticipated tax liabilities.
- Our aspirations, goals, and initiatives related to sustainability and emissions reduction, and our public statements and disclosures regarding them, expose us to numerous risks.
- Our business and financial condition may be materially and adversely affected by COVID-19.
- Impairment charges relating to our assets, goodwill and other intangible assets could adversely affect our financial performance.
- 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.
- Cybersecurity incidents could disrupt our products or business operations, result in damages or loss of confidence in our products, or the loss of critical and confidential information, and adversely impact our reputation and results of operations.
- Our board of directors may change significant corporate policies without stockholder approval.
- or delay acquisition attempts for us that you might consider favorable.
- The market price and trading volume of our common stock may fluctuate widely.
- Future issuances of common stock by us may cause the market price of our common stock to decline.
- Your ownership in our common stock may be diluted by additional equity issuances.
- 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.
- Veoneer SDR holders do not have the same rights as our stockholders.

Risks Related to the Merger

The announcement and pendency of our agreement to be acquired by Qualcomm Incorporated and SSW HoldCo LP may have an adverse effect on our business, financial condition, operating results and cash flows.

On October 4, 2021, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with SSW HoldCo LP (“SSW”), a Delaware limited partnership, SSW Merger Sub Corp, a Delaware corporation and a direct, wholly owned

subsidiary of SSW (“Merger Sub”) and QUALCOMM Incorporated (“Qualcomm” and, together with SSW, the “Acquiring Parties”), pursuant to which Merger Sub will, upon the terms and subject to the conditions set forth in the Merger Agreement, merge with and into us, and we will survive such merger as a wholly-owned subsidiary of SSW (the “Merger”). Shortly after the consummation of the Merger it is contemplated by that certain Investment and Separation Matters Agreement, dated October 4, 2021, by and among Qualcomm, SSW and, solely for the purposes of Article V and Sections 2.3 and 2.4 thereof, Merger Sub, that our non-Arriver businesses (which are Tier-1 supplier businesses) will be extracted from us and thereafter the Arriver business will be sold to Qualcomm by way of a merger of us with and into a designated subsidiary of Qualcomm (or its designated affiliate), and we will survive such merger as a wholly owned subsidiary of Qualcomm (or its designated affiliate).

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger, each share of our common stock issued and outstanding immediately prior to the effective time of the Merger (subject to limited exceptions) will be cancelled and automatically converted into the right to receive \$37.00 in cash, without interest and subject to any applicable withholding taxes.

Uncertainty about the effect of the proposed Merger on our employees, vendors, suppliers, partners, customers and other third parties may disrupt our sales and marketing, collaborative technology development relationships and/or other key business activities and may have a material adverse effect on our business, financial condition, operating results and cash flows. The proposed Merger may have a material adverse effect on our ability to attract, retain and motivate employees as current and prospective employees may experience uncertainty about their roles following the Merger. There can be no assurance we will be able to attract and retain key talent, including senior leaders, to the same extent that we have previously been able to attract and retain employees. Any loss or distraction of such employees could have a material adverse effect on our business, financial condition and operating results. In addition, we have diverted, and will continue to divert, significant management resources towards the completion of the Merger, which could materially adversely affect our business, financial condition, operating results and cash flows. The proposed Merger may have a material adverse effect on our ability to maintain current relationships or establish relationships with vendors, suppliers, partners, customers and other third parties, as such parties may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their current relationships with us. Parties with whom we otherwise may have sought to establish relationships may seek alternative relationships with third parties.

The pursuit of the Merger and planning for the integration may place a significant burden on management and other internal resources. The diversion of management’s attention away from day-to-day business concerns could adversely affect our business, financial condition and operating results.

The Merger Agreement generally requires us to operate our business in the ordinary course pending consummation of the proposed Merger and restricts us, without the Acquiring Parties’ consent, from taking certain specified actions until the Merger is completed. These restrictions may affect our ability to execute our business strategies, to respond effectively to competitive pressures and industry developments, and to attain our financial and other goals and may otherwise harm our business, financial condition, operating results and cash flows.

The failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock as well as adversely affect our business, financial condition, operating results and cash flows.

The waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, has expired and the required approvals or applicable waiting periods applicable to the Merger under the investment screening laws of France, Germany and Italy have all been obtained or have expired. Completion of the Merger remains subject to conditions that may be beyond our control that may prevent, delay or otherwise adversely affect its completion in a material way, including that no governmental authority in certain jurisdictions has enacted, issued, promulgated, enforced or entered any law or order which has the effect of restraining, enjoining, rendering illegal or otherwise prohibiting consummation of the Merger. The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under applicable law) waived. We cannot guarantee that the closing conditions set forth in the Merger Agreement will be satisfied or, even if satisfied, that no event of termination will take place. In addition, developments beyond our control, including but not limited to changes in domestic or global economic conditions, may affect the timing or success of the Merger. In the event that the Merger is not completed for any reason, the holders of our common stock will not receive any payment for their shares of common stock in connection with the proposed Merger. Instead, we will remain an independent public company and the holders of our common stock will continue to own their shares of common stock.

If the Merger or a similar transaction is not completed, the share price of our common stock may drop to the extent that the current market price of our common stock reflects an assumption that a transaction will be completed. In addition, a failure to complete the Merger may result in negative publicity, negative impressions of us in the financial markets and investment community and negative responses from employees, vendors, suppliers, partners, customers and other third parties. Any

disruption to our business resulting from the announcement and pendency of the Merger and from intensifying competition from our competitors, including any adverse changes in our relationships with our employees, vendors, suppliers, partners, customers and other third parties, could continue or accelerate in the event of a failure to complete the Merger. There can be no assurance that our business, financial condition, operating results and cash flows will not be adversely affected, as compared to the condition prior to the announcement of the Merger, if the Merger is not consummated. Additionally, the other risk factors contained in this annual report may be materially exacerbated by a failure to consummate the Merger.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met.

Before the Merger may be completed, various approvals, authorizations and declarations of non-objection must be obtained from certain regulatory and governmental authorities. Subject to the terms and conditions of the Merger Agreement, each party has agreed to use their reasonable best efforts to take all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws to consummate the Merger and the other transactions contemplated by the Merger Agreement as soon as practicable and no later than the termination date of the Merger Agreement, including obtaining any requisite approvals, subject to certain specified limitations under the Merger Agreement. The waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, has expired and the required approvals or applicable waiting periods applicable to the Merger under the investment screening laws of France, Germany and Italy, have all been obtained or have expired.

However, completion of the Merger remains subject to conditions that may be beyond our control that may prevent, delay or otherwise adversely affect its completion in a material way, including that no governmental authority in certain jurisdictions has enacted, issued, promulgated, enforced or entered any law or order which has the effect of restraining, enjoining, rendering illegal or otherwise prohibiting consummation of the Merger. If such governmental authorities seek to impose conditions to the lifting of such a restraint, lengthy negotiations may ensue among such governmental authorities, the Acquiring Parties and us, which could have the effect of delaying or prohibiting completion of the Merger.

The Merger Agreement contains provisions that could discourage or deter a potential competing acquirer that might be willing to pay more to effect an alternative transaction with us.

Under the Merger Agreement, we are generally not permitted to solicit or discuss takeover proposals with third parties, subject to certain exceptions. Further, subject to limited exceptions, the Merger Agreement contains restrictions on our ability to pursue other alternatives to the Merger and, in specified circumstances, could require us to pay the Acquiring Parties a termination fee of \$110.0 million and reimburse the \$110.0 million termination fee paid by Qualcomm to Magna in satisfaction of our obligations in connection with the termination of our Agreement and Plan of Merger with Magna. Such restrictions may discourage or deter a third party that may be willing to pay more than the Acquiring Parties for our common stock from considering or proposing an alternative transaction with us. Notwithstanding the foregoing, in no event will the termination fee or the reimbursed termination fee be paid to the Acquiring Parties more than once. For additional information regarding these restrictions, refer to Veoneer's proxy statement on Schedule 14A filed with the Securities and Exchange Commission on October 25, 2021.

We may be subject to litigation challenging the Merger.

In connection with the Merger, three (3) complaints were filed in the United States District Court for the Southern District of New York, one (1) complaint was filed in the United States District Court for the Eastern District of New York, one (1) complaint was filed in the United States District Court for the Eastern District of Pennsylvania, one (1) complaint was filed in the United States District Court of the Central District of California and one (1) complaint was filed in the United States District Court of the District of Delaware against Veoneer and its directors (collectively, the "Actions"). The complaints each alleged that the proxy statement issued in connection with the proposed Merger omitted material information which rendered the proxy statement incomplete and misleading. Specifically, the complaints alleged that the proxy statement failed to disclose material information regarding Veoneer's financial projections, Rothschild's and Morgan Stanley's financial analyses, and additional information regarding prior work Morgan Stanley performed for Veoneer and Qualcomm.

Supplemental disclosures were filed by the Company as definitive additional proxy soliciting material on Schedule 14A with the SEC on December 6, 2021. Between December 7, 2021 and January 27, 2022, each of the Actions was dismissed.

In addition, while the Actions have been dismissed, it is possible that additional lawsuits related to the Merger may be filed in the future against the Company. Any litigation challenging the Merger may require significant management time and attention and significant legal expenses and may result in unfavorable outcomes, which could delay or prevent the Merger from being completed or have a material adverse effect on our business, financial condition, results of operations and cash flows.

The completion of the transaction contemplated by the Merger Agreement may trigger change in control or other similar provisions in certain agreements to which we are a party.

If we are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to us.

We will incur substantial transaction fees and costs in connection with the Merger.

We expect to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger. A material portion of these expenses are payable by us whether or not the Merger is completed. Further, while we have assumed that a certain amount of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. These expenses may exceed the costs historically borne by us. These costs could adversely affect our business, financial condition, operating results and cash flows.

Risks Related to our Industry & Global Market

Our estimate of total addressable market is subject to numerous uncertainties. If we have overestimated the size of our total addressable market now or in the future, 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 largely based on global light vehicle production (LVP) data and estimates from IHS Markit), 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 Markit, 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 Markit's January 2022 estimates of LVP for 2022-2025 were reduced by approximately 65 million vehicles compared to forecasts in July 2018 (around the time of the completion of our spin-off from Autoliv). If IHS Markit or other third-party or internally-generated data used in our estimates proves to be inaccurate or we make errors in our assumptions based on such 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 the successful implementation of our business strategy, which is subject to many risks and uncertainties. Accordingly, the estimates of our TAM included in this Annual Report should not be taken as indicative of our ability to grow our business.

Our reported order intake and the value of our order book are not necessarily indicative of future net sales revenues and are subject to a number of uncertainties. If the 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 in the automotive industry is three to four years, and it may take several more 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.

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. The commercial success of the vehicle models that 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.

A prolonged recession and/or a downturn in LVP 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 business is related to global LVP and automotive sales and LVP are critical drivers for our sales. The automotive market experienced a significant decline in LVP during 2020 and volatile production swings in 2021. A prolonged downturn in or uncertainty relating to global or regional economic conditions, including as a result of the coronavirus global pandemic (COVID-19), high inflation, component shortages, labor shortages or any significant reduction in automotive sales and/or LVP by our customers, may result in the delay or cancellation of plans to purchase our products, which could have a material adverse effect on our business, results of operations and financial condition.

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 downturn in global economic conditions or LVP, or uncertainty with respect thereto, could delay our customers' production plans and/or volumes and the return on our investment in R&D and the resources expended to ensure timely and quality launches. Given the high costs of such investments, such a downturn, and any losses resulting from customer defaults, could result in us experiencing a significant negative cash flow.

Any 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. Deteriorating global economic conditions and/or deteriorating performance of our business may also have 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. A determination of that an impairment has occurred could have a material adverse effect on our financial results.

Any significant negative cash flow could also result in us having insufficient funds to continue our operations unless we can procure external financing, which may not be possible. Our ability to obtain external financing on favorable terms could be limited 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.

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 based on market expectations. 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.

Our business may be adversely affected by regulations affecting 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 CPV and more advanced safety products, including active safety and driver assistance technology, which is a growth driver for the Company.

However, because growth in global LVP is highly concentrated in markets such as China and India, which have historically required less safety CPV, our results of operation may suffer if the safety CPV remains low in our growth markets. As safety CPV is also an indicator of our sales development, if this trend continues, the average safety systems per vehicle could decline.

Changes in legislative, regulatory or industry requirements related to vehicle safety content may also render certain of our products obsolete or less attractive to our customers. Vehicle safety content requirements 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 “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.

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, unexpected changes in laws, regulations, trade, or monetary or fiscal policy, including interest rates, foreign currency exchange rates, and changes in inflation rates; foreign tax consequences; inability to collect, or delays in collecting, value-added taxes and/or other receivables associated with remittances and other payments by subsidiaries; exposure to local political turmoil and challenging labor conditions; changes in general economic and political conditions in countries where we operate, particularly in emerging markets; expropriation and nationalization; enforcing legal agreements, or collecting receivables through foreign legal systems; wage inflation; currency controls, including lack of liquidity in foreign currency due to governmental restrictions, trade protection policies and currency controls imposition of tariffs, supply chain issues, 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.

For example, 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.

Additionally, the prior U.S. administration initiated substantial changes in U.S. trade policy and U.S. trade agreements, including the initiation of tariffs on certain foreign goods, and created uncertainty about the future relationship between the U.S. and certain of its trading partners. It is not yet clear how the new U.S. administration may alter or otherwise affect these relationships. The U.S. entered into the United States-Mexico-Canada Agreement (USMCA) on July 1, 2020. The USMCA changes the automotive rules of origin that dictate what percentage of an automobile must be built from parts that originated from countries in the North American region. The automotive industry is highly dependent on duty-free trade within the

USMCA free trade region. 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.

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 is sold in another currency;
- revaluation effects, which arise from valuation of assets denominated in currencies than the unit reporting currency;
- 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 2021 the Company's gross transaction exposure was approximately \$0.8 billion, with a net exposure of \$0.7 billion due to counter-flows. The largest net transaction exposures were the sale of Euro against the U.S. Dollar, the purchase of U.S. Dollar. In 2021, the five largest currency pairs accounted for approximately 80% 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.

Risks Related to Technology and Product Development

We may not be able to anticipate changing customer and consumer preferences or respond quickly enough to changes in technology and standards to be able to develop and introduce commercially viable products.

Our ability to maintain and improve existing products, anticipate changes in technology, regulatory and other standards, and to successfully develop and introduce new and enhanced technologies and products on a timely basis will be a significant factor in our ability to be competitive and gain market acceptance. If we are unsuccessful or are less successful than our competitors in predicting the course of market development and perceptions of drivers regarding autonomous driving capabilities and solutions, 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 the development of combined software and system-on-chip (SoC) hardware solutions to handle the influx of information coming into vehicles from increasing numbers of sensors and efficiently manage multilevel processing in real time while operating within a system's power budget. As a result, the success of portions of our business requires us to develop, acquire and/or incorporate new technologies. We may need to adjust our strategy and projected timelines based on how these technological challenges evolve over time. There is a risk that these challenges will not be overcome, and that our investments in R&D initiatives will not lead to successful new products and a corresponding increase in revenue, which could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to meet the expectations of our customers with respect to the timely development and performance of new technologies.

Because our products are technologically complex and innovative, it can take a significant amount of time to complete development. 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 with desired performance characteristics within the same timeframe as our competitors, our business, results of operations and financial condition could be materially adversely affected.

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.

We may not be able to adequately protect or monetize our intellectual property rights in internally-developed or acquired technologies, which could result in the loss of our rights, limit our ability to compete, increased costs, and lost revenue.

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 owned or licensed intellectual property rights against infringement or unauthorized use, we could lose those rights and/or incur substantial costs policing and defending those 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 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. Furthermore, 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 and technological advantages. 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.

Because we develop proprietary technologies internally, as well as through contract arrangements and research collaborations with third parties, there is a risk that our attempts to protect this proprietary information using agreements containing confidentiality, non-disclosure and/or non-use provisions will be 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 increase the value our intellectual property acquired through collaborations and development agreements, more of the technology we depend on could be subject to risks related to protecting these rights.

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.

Risks Related to Customer Relationships and Competition

We operate in developing and highly competitive markets.

The market in which we operate are highly competitive. Active safety and driver assistance technology 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. Among other factors, our products compete on the basis of price, quality, manufacturing and distribution capability, design and performance, technological innovation, delivery and service. 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.

We compete with a number of companies that design, produce and sell similar products. Some of our competitors as well as some of our customers have strategic relationships with other customers or outside partners, enabling them to pool resources. 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. Additionally, some of our competitors may also have “preferred status” as a result of special relationships or ownership interests with certain customers. Furthermore, the number of competitors may increase as suppliers from outside the traditional automotive industry, such as Waymo, Argo, Lyft, Cruise, Samsung, Panasonic, Here, Tesla, Intel, NVIDIA and other technology companies, consider the significant business opportunities presented by autonomous driving. The evolving nature of the competitive landscape creates greater uncertainty than the traditional automotive market.

Furthermore, 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 could have a material adverse effect on our business, results of operations and financial condition.

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, prior to the COVID-19 pandemic, there was 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 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.

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

The automotive supplier industry continues to experience increasingly aggressive pricing pressure from OEMs. 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 revenue and profit margins. Our future profitability will depend upon, among other things, our ability to successfully design and market technological improvements while maintaining our cost structure and reducing our cost per unit. 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.

Our business could be materially and adversely affected if we lost significant 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). 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. 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 material adverse effect on our financial results in the long term.

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 material adverse effect on our financial results.

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

Our business in China is subject to especially 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 than those previously experienced. Furthermore, the Chinese government has increased demand for domestic production of electric cars by offering purchase incentives 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.

Risks Related to Execution of our Business

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

Given the complexity of new product launches implementing innovative technologies, we may experience difficulties managing product quality, timeliness and associated costs. There is a risk that we will not be able to effectively coordinate the activities of our numerous suppliers, or install and certify the equipment needed to produce products for new programs in time for the start of production, or transition our manufacturing facilities and resources to full production for such without adversely affecting

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. New product 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 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.

Disruptions in our supply or delivery chain, or those of our customers, could cause one or more of our customers to halt or delay production and adversely affect our financial performance.

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 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. For example, during 2020 we experienced dramatic declines in LVP during the first half and a significant rebound of demand in the second half. This has impacted multiple industries and created serious supply chain challenges semiconductors. We expect the semiconductor supply constraint to affect the global LVP during at least the first half of 2022, as customers halt production. This may also disproportionately affect the active safety content in vehicles as our products are often “optional” and not standard equipment on vehicles.

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. During the second half of 2020, for example, all modes of freight have been under increased pressure due to COVID-19 and increased customer demand, and we have incurred significant premium freight costs to ensure timely delivery to our customers.

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 COVID-19 pandemic causes further prolonged period of travel, commercial and other similar restrictions, we and our OEM customers could experience more supply chain and production disruptions. The extent to which COVID-19 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 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.

Work stoppages, labor shortages, 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, labor shortage, or disruption at one or more of our facilities could have a material adverse effect on our business. Additionally, if there is a labor shortage and we are unable to hire and retain the numbers of employees we need at one or more of our facilities, it could have a material adverse effect on our business, results of operations and financial condition.

Similarly, if any of our customers were to experience a work stoppage or labor shortage, 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. The risk of work stoppage has dramatically increased over the last year as a result of COVID-19. A work stoppage at one or more of our facilities or our customers' facilities could cause shut-downs of 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. Inflation is currently high world-wide and may continue for some time. Price fluctuations may also 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.

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 or suppliers 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 to prevent our products from suffering from defects or other deficiencies and that we will experience material warranty claims and 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 as well as 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.

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, results of operation, 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 business effectively could be impaired if we fail to attract and retain high-performing 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.

Our aspirations, goals, and initiatives related to sustainability and emissions reduction, and our public statements and disclosures regarding them, expose us to numerous risks.

We have developed, and will continue to develop and set, goals, targets, ambitions and other objectives related to sustainability matters, including our net-zero emission targets both for ourselves and our supply chain. Statements related to these goals, targets, ambitions and objectives reflect our current plans and do not constitute a guarantee that they will be achieved. Our efforts to research, establish, accomplish, and accurately report on these goals, targets, and objectives expose us to numerous operational, reputational, financial, legal, and other risks. Our ability to achieve any stated goal, target, ambition or objective, including with respect to emissions reduction, is subject to numerous factors and conditions, some of which are outside of our control.

Additionally, investor and public perception related to the company's sustainability activities, including the goals, targets, and objectives that we announce, and our methodologies and timelines for pursuing them, may affect our business, operating results and may expose us to government enforcement actions and private litigation. If our sustainability practices do not meet investor or public expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected.

Risks Related to Strategic Acquisitions and Collaborations

We face risks in connection with identifying and successfully completing strategic acquisitions of businesses, products and technologies and/or collaborative arrangements with strategic partners.

Our business's growth has historically been enhanced through strategic opportunities, including acquisitions of businesses, products and technologies, joint development and collaborations. 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 collaboration opportunities or complete transactions on acceptable terms, integrate acquired operations into our existing operations or expand into new markets. Our failure to identify and execute suitable strategic opportunities may restrict our ability to grow our business.

Strategic acquisition opportunities 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, and assumption of contingent liabilities. Consequently, there is a risk that acquisitions 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.

Strategic collaboration opportunities are generally governed by a collaboration agreement that defines certain ways of operation. Our 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 collaborations may also shift. For example, over the last two years we saw 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 required us to shift some of our strategic focus on the near-term customer demands for collaborative driving solutions.

Furthermore, our collaboration 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 collaboration, or we may choose to dissolve and terminate the relationship.

In addition, our 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 collaboration. Our products and technologies may from time to time overlap with certain aspects of the technologies developed with one of our 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 the collaboration, we may be unable to implement actions that we believe are favorable if the collaboration partner does not agree. Disagreements with our collaboration partners may impede our ability to maximize the benefits of our relationship. We may have difficulty resolving disputes with or claims against our 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 relationship. We may not have access to these technologies or suitable replacements without these collaborations. Our collaboration partners may also choose to develop competing products. We may also depend on our collaboration partners for a go to market strategy for some of our products. If one or more of our collaboration partners are not successful in the go to market strategy or experience operating difficulties or economic uncertainties, the commercial success of and our access to these technologies may be jeopardized and our revenue or 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.

Risks Related to Capital Structure

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

Although we expect our current cash balance, combined with our future cash flows, will address our capital needs through 2022, 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, the lower than expected LVP in 2020 and continued uncertainty with respect to LVP levels for the next several years, along with the demand for increased R&D investment to support our order intake, the successful execution of challenging customer projects, and the continued development of our product portfolio, could require more funds than we currently have and potentially result in a future need to

raise additional capital. 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 R&D 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. An inability to fund our future R&D, capital expenditures and product development needs 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.

We may find it necessary to finance future cash needs through public or private equity offerings, 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 investor perceptions of us, our business and the industries in which we operate, general economic conditions, and the state of the financial markets. 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.

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 R&D 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 31, 2021, we have outstanding debt of \$187 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, (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.

Risks Related to Government Regulations and Taxes

Our business may be adversely affected if our policies and procedures do not adequately protect our employees or others or otherwise meet the requirements of applicable laws or 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 cash flows, financial condition and results of operation.

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 harm to our reputation, which could negatively affect our business, results of operation and financial condition. In addition, there 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 (such as COVID-19). 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 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 governmental authorities.

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.

We may be responsible for U.S. federal income tax liabilities that relate to the distribution under the 2018 Spin-Off from Autoliv.

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.

If the distribution, together with certain related transactions, is determined to fail 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.

Risks Related to Our Operations

Our business and financial condition may be materially and adversely affected by COVID-19.

The impact of COVID-19, including widespread illness, pandemic fears and market downturns, high inflation, semiconductor and other component shortages, supply chain delays and disruptions, restrictions on business and individual activities and changes in consumer behavior, has created significant volatility in the global economy. This has significantly disrupted, and may continue to disrupt, the automotive industry, LVP and automotive sales in markets around the world. Such disruptions include the manufacturing, delivery and overall supply chain of automobile manufacturers and suppliers. Global LVP decreased significantly and some vehicle manufacturers completely ceased manufacturing operations in some countries and regions, including the United States and Europe during 2020. As a result, in 2021, we experienced, and may continue to experience, delays in the production and distribution of our products and the loss of sales to our customers. If the global economic effects caused by the pandemic continue or increase, overall customer demand may continue to decline which would have a material and adverse effect on our business, results of operations and financial condition. In addition, if a significant portion of our workforce, our suppliers' workforce, or our customers' workforce are affected by COVID-19 either directly or due to government closures or otherwise, associated work stoppages or facility closures would halt or delay production.

The full impact of the COVID-19 pandemic on our financial condition and results of operations will depend on future developments, such as the ultimate duration and scope of the outbreak, the availability of effective vaccines, how quickly normal economic conditions, operations, and the demand for our products can resume and whether the pandemic leads to recessionary conditions in any of our key markets. Accordingly, the ultimate impact of the COVID-19 pandemic on our financial condition and results of operations cannot be determined at this time.

In addition to the risks specifically described above, the impact of COVID-19 is likely to implicate and exacerbate other risks disclosed in this Item 1, including our program launches, demand or market acceptance for our products, disruptions in our supply or delivery chain, shifting customer preferences, our employees and cyber-security threats.

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

Impairment of our 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. 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. The performance of the financial markets and interest rates impact these plan expenses and funding obligations. Significant changes in market interest rates, investment losses on plan assets and reductions in discount rates may increase our funding obligations. Furthermore, there can be no assurance that the value of the defined benefit plan assets will be sufficient to meet future funding requirements. If these or other risks were to occur, 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 our products or business operations, result in damages or loss of confidence in our products, or 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 or malfeasance, 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 and could cause injuries and significant damage to our reputation and affect our relationships with our customers. Additionally, 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 also 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 or repair 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 cybersecurity compromise or breach of our products, 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 and our results of operations and financial condition could be materially adversely affected.

Risks Related to Investing in Our Common Stock and SDRs

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 governed 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:

- 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 common 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.

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 the General Terms and Conditions for Swedish Depositary 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, 2021, we owned or leased 6 manufacturing facilities and 26 technical centers and several sales and administrative offices. We have a presence in 11 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:

MANUFACTURING FACILITIES

Country/ Company	Location of Facility	Items Produced at Facility	Owned/ Leased
Canada			
Veoneer Canada Inc.	Markham	Airbag electronics, radar sensors	Leased
China			
Veoneer (China) Co., Ltd.	Shanghai	Airbag electronics, radar sensors, vision sensors	Owned
France			
Veoneer France SAS	Saint-Etienne du Rouvray	Airbag electronics, ADAS ECUs, seatbelt electronics, thermal	Owned
Sweden			
Veoneer Sweden AB	Vårgårda	Vision sensors, radar sensors, thermal sensing	Owned
USA			
Veoneer US, Inc.	Goleta, CA	Thermal sensing	Leased
Veoneer Brake Systems, LLC	Findlay, OH	Brake control systems	Leased

TECHNICAL CENTERS

Country / Company	Location	Product(s) Supported
China		
Veoneer China Co., Ltd.	Shanghai	Customer applications and platform development with full-scale test laboratory
France		
Veoneer France SAS	Cergy-Pontoise	Customer applications and platform development with full-scale test laboratory
Germany		
Veoneer Germany GmbH	Underschleissheim	Customer applications and platform development with full-scale test laboratory
	Kitzingen	Customer application test facility
Arriver Software GmbH	Underschleissheim	Arriver™ software development
India		
Veoneer India Private Limited	Bangalore	Customer applications and platform development
Japan		
Veoneer Japan Ltd.	Hiroshima	Customer applications and platform development
	Yokohama	Customer applications and platform development
Romania		
Veoneer Romania SRL	Timisoara	Customer applications and platform development
Arriver System Software SRL	Timisoara	Arriver™ software development
South Korea		
Veoneer Korea Ltd.	Hwaseong-shi	Customer applications
Sweden		
Veoneer Sweden AB	Vårgårda	Research center
	Linköping	Electronics platform development
	Alvik	Customer applications and platform development
	Skellefteå	Customer applications and platform development
Arriver Software AB	Gothenburg	Arriver™ software development
	Linköping	Arriver™ software development
	Alvik	Arriver™ software development
USA		
Veoneer US, Inc.	Southfield, MI	Electronics customer application and platform development
	Lowell, MA	Electronics platform development
Arriver Software, Inc.	Novi, MI	Arriver™ software development

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 17 - "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.

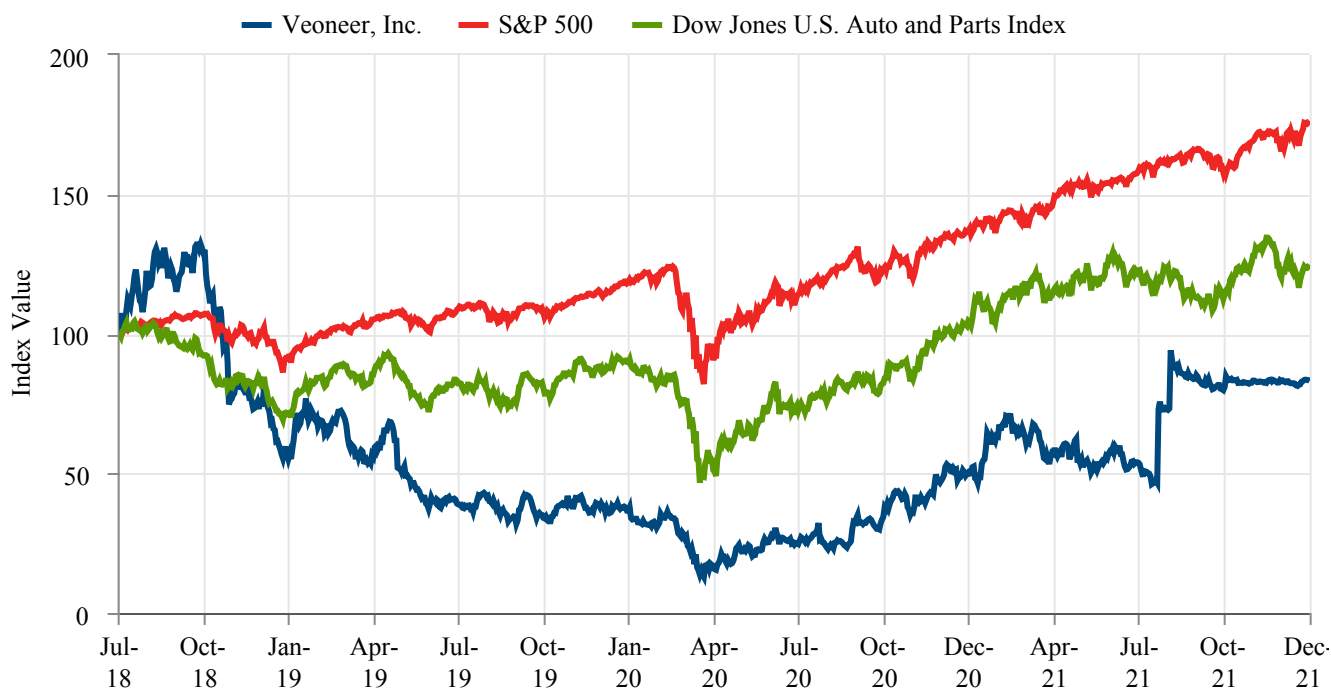
Part II

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 Depositary Receipt ("SDRs") representing shares of our common stock are traded on Nasdaq Stockholm under the trading symbol "VNE SDB". As of February 11, 2022, the Company had 112,019,245 shares of its common stock, \$1.00 par value per share, outstanding, which were owned by approximately 28,200 beneficial shareholders of record as of December 31, 2021.

Performance Graph

The following graph compares the cumulative total stockholder return from July 2, 2018, through December 31, 2021, 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 dividends have been reinvested.



	2 July 2018	31 December 2018	30 June 2019	31 December 2019	30 June 2020	31 December 2020	30 June 2021	31 December 2021
Veoneer, Inc.	\$100.00	\$55.26	\$40.59	\$36.62	\$25.06	\$49.94	\$54.04	\$83.19
S&P 500	\$100.00	\$91.94	\$107.89	\$118.49	\$113.7	\$137.75	\$157.61	\$174.8
Dow Jones U.S. Auto & Parts Index	\$100.00	\$71.67	\$83.69	\$89.78	\$74.4	\$104.16	\$122.04	\$124.8

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. Reserved

Not Required

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

This MD&A should be read in conjunction with the accompanying audited consolidated financial statements and notes. Forward-looking statements in this MD&A are not guarantees of future performance and may involve risks and uncertainties that could cause actual results to differ materially from those projected. Refer to the "Forward-Looking Statements" section of this MD&A and Part I, Item 1A. Risk Factors for a discussion of these risks and uncertainties.

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:

- Veoneer-SSW/Qualcomm Merger Update
- Executive Overview
- Trends, Uncertainties and Opportunities
- Non-U.S. GAAP Financial Measures
- Results of Operations
- Liquidity and Capital Resources
- Significant Accounting Policies and Critical Accounting Estimates

Veoneer-SSW/Qualcomm Merger Update

Veoneer's stockholders approved the merger agreement with Qualcomm, SSW and SSW Merger Sub Corp in December 2021 and by the end of January 2022 the deal had received the required regulatory approvals in the United States, Germany, France and Italy. In addition, SSW and Qualcomm are consulting other regulators regarding the merger.

As communicated before the deal is expected to close in 2022. The earliest date to close the deal according to the merger agreement is in early April 2022. The parties are working diligently to be in a position to close at that time.

Veoneer has been informed that when the acquisition of Veoneer closes SSW intends to sell Arriver to Qualcomm and start the formal process to find long term owner or owners for Veoneer's on-going businesses.

Executive Overview

The fourth quarter was another period of solid performance by the entire Veoneer team. During this time of unprecedented internal and external change our team managed to deliver solid results and stay focused on the day to day operations which continues to be challenged by semiconductor related shortages and the effects of the COVID-19 pandemic.

Despite being limited by semiconductor related shortages our sales continued to significantly outperform the light vehicle production and our operating loss, taking into consideration around \$20 million of merger related costs, improved significantly from the same period a year ago. In general our financial management continues to be very strong and in the fourth quarter we managed to achieve positive operating cash flow.

The merger process with SSW/Qualcomm is progressing well and it will allow for all parts of the Company to further focus on its core competencies. For Veoneer as a leading supplier of systems, sensors and integration for ADAS and safety and for Arriver as a leading software house combining their solution with Qualcomm's world leading Snapdragon Ride SoC. We are committed to provide timely updates to our shareholders as the process continues and we are approaching the closing and the payout to our shareholders.

During the fourth quarter we also took the next steps in our ESG efforts by setting ambitious targets for reducing our carbon footprint and eventually becoming carbon neutral by the year 2040.

We continue to focus on daily execution and look forward to significant growth and a new structure for Veoneer and Arriver, that is fit for the changing business environment.

Supply chain constraints and COVID-19 Commentary

Veoneer is executing to minimize the impact from the supply chain constraints in semiconductors. These constraints and other uncertainties may continue to have an adverse effect on industry performance and our business. The effects are likely to remain at least during the first half of 2022, after which we expect a gradual recovery to take place. It is currently hard to predict the pace of the recovery. According to IHS Markit's latest estimates semiconductor related shortages reduced the 2021 global LVP by close to 10 million units. Our estimate is that the supply chain constraints impacted our sales in 2021 by around \$200 million.

For 2022 and the upcoming years, the most important drivers for Veoneer's business are new customer and technology launches, which we continue to expect to drive outperformance as compared to the global LVP.

As noted in prior results announcements, in response to the pandemic, the Company continues to expand its Market Adjustment Initiatives (MAIs) program to further mitigate the impact of the pandemic on its cash flow and operating results. The COVID-19 pandemic continues to cause significant uncertainty in the global economy. This includes the automotive industry and the global LVP for 2022 and the years ahead, which are dependent on underlying consumer demand.

The health and safety of our associates continues to be our first priority, and we are taking the necessary actions to continue to protect our associates, safeguard our operations and meet our customers' needs while managing through these unprecedented circumstances.

Trends, Uncertainties and Opportunities

Trend toward Collaborative Driving

The environment around us continues to change rapidly and we currently see a shift across the automotive and autotech industries. The industry developments during 2021 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 up to Level 4. Currently there are renewed initiatives in the industry for Level 3 conditional automation where the driver for certain periods of time can be out of loop, but has to be ready to take control of the vehicle at any time. 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 adjusting the priorities of resources. As such, we believe that the market will stay mainly focused on Level 1-Level 2+ and Level 3 autonomous driving solutions for the next decade however, while we see a continued strong drive toward more automation and driver support, the ongoing impacts from the COVID-19 pandemic, and perhaps ongoing impact, could affect the evolution of ADAS, Collaborative Driving and AD for consumer purchased light vehicles.

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. In order to help our industry to overcome the situation with respect to the COVID-19 pandemic, Euro NCAP postponed the rollout of upcoming road map updates by one year (from 2022 to 2023 and from 2024 to 2025). However, this should not change the overall trend towards introduction of new roadmap requirements, which are just delayed by one year.

On June 26, 2020, the UNECE's World Forum for Harmonization of Vehicle Regulations, announced the first binding international regulation on "Level 3" vehicle automation. The new regulation marks an important step towards the wider deployment of automated vehicles to help realize a vision of safer, more sustainable mobility for all. Beginning in January 2021 the regulation provides guidelines on the Automated Lane Keep System ("ALKS") feature, requires driver availability recognition systems, and a "black box" data storage system for AD. It also outlines requirements for emergency and minimal risk maneuvers and driver transition demand as well as cyber-security and software update protocols.

We anticipate strong global sensor adoption rate increases (forward, side and rear) due to the Euro 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 cybersecurity and software updates and step-by-step increased demand for connectivity components. The ongoing 2020x-decade will be characterized by stepwise introduction of regulations which boost the market of Active Safety and Automation, but also set obligatory thresholds for safety.

- a. At first minimal requirements for safety critical features (e.g. AEB) will become mandatory.
- b. Continued with a framework for advanced L1-L3 features in highway applications, extending conventional certification towards new assessment methods (including Physical Tests + Real World Test Drive + Simulation, etc.).
- c. Followed by regulations enabling use of higher level automation (e.g. L4 shuttles) and more complex environment (e.g. urban)
- d. In parallel, we will face increasing regulatory requirements for cybersecurity and software updates in order to reflect advancing digitalization and connectivity.

An example of a recent development that further strengthens the trend toward collaborative driving, is Intelligent Speed Assist (ISA) an item of updated EU General Safety Regulation roadmap, which was finalized on June 23, 2021. The ISA is a system that prompts and encourages drivers to slow down when they are over the speed limit. New regulation mandates motor vehicles to be equipped with ISA systems beginning July 6, 2022 for new vehicle types and beginning July 7, 2024 for all new vehicles. In several regions legal approval of the introduction of new technologies happens as exceptional procedure on national level. However, we have recently observed an increasing willingness of legislators in the US and Asia to contribute to the global regulatory framework for AV-technologies. This means that, while the agreement on minimal common base requirements for the industry will take longer and therefore may postpone the introduction of new regulations, the harmonization with base requirements could help the industry and a more active position from China may help to pull forward some safety critical ADAS technologies that are not yet considered as relevant for passenger car regulation in EU and Japan (e.g. Blind Spot or Night Vision).

Market Overview

Millions (except where specified) IHS Markit as of January 17, 2022	Light Vehicle Production by Region - 2021						
	China	Japan	Rest of Asia	Americas	Europe	Other	Total
Full Year 2021	23.0	7.3	11.1	14.5	15.6	1.9	73.4
Change vs. 2020	5 %	(4)%	15 %	2 %	(5)%	12 %	3 %

For the full year of 2021, the global light vehicle production (according to IHS Markit) increased by approximately 3% as compared to 2020. In 2021 the continued COVID-19 pandemic together with the effects of the global semiconductor supply shortage lead to continued low volumes and only a smaller increase where a bounce-back in the first half year was partly offset by a decrease in the second half.

This increase is approximately 11 percentage point lower than expected at the beginning of 2021. Within the Americas North America had roughly flat vehicle production, while within Asia China increased year over year by 5%, India by 25%, where as Japan decreased by 4%, and lastly within Europe, Western Europe declined by 7% and Eastern Europe declined by 2%.

2021 showed a first annual increase in light vehicle production since 2017 when a record 92 million vehicles were produced. The most recent IHS Markit 2022 outlook is for global light vehicle production to rebound, although still affected by the global semiconductor supply shortage in the first half of the year, and increase approximately 9% from 2021 levels to 80 million vehicles in 2022. North America, Western Europe and Japan are expected to be the largest contributors to the increase in 2022 as compared to 2021.

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 tables below provide reconciliations of net income (loss) to 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. The Company also uses in this report free cash flow a non-U.S. GAAP financial measure, which is defined as net cash used in operating activities less capital expenditures. 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 set forth in "Reconciliations of U.S. GAAP to non U.S. GAAP" below provide a reconciliation of current assets and liabilities to net working capital, cash flow before financing activities and free cash flow.

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 2021 compared to 2020

The following tables show Veoneer's performance by segment for the years ended December 31, 2021 and 2020 along with components of change compared to the prior year. Veoneer is organized into one product area Safety Electronics, which includes Restraint Control Systems and Active Safety.

Net Sales by Product

The following tables show Veoneer's consolidated net sales by product for the years ended December 31, 2021 and 2020 along with components of change compared to the prior year.

Consolidated Net Sales Dollars in millions, (except where specified)	Twelve Months Ended December 31				Components of Change vs. Prior Year					
	2021	2020	U.S. GAAP Reported		Currency		Divestitures		Organic ¹	
	\$	\$	Chg. \$	Chg. %	\$	%	\$	%	\$	%
Restraint Control Systems	689	670	19	3	21	3	—	—	(2)	—
Active Safety	869	624	245	39	26	4	—	—	219	35
Brake Systems	48	70	(22)	(31)	—	—	(24)	(35)	2	6
Other	51	9	42	431	—	—	—	—	42	431
Total Net Sales	\$1,657	\$1,373	\$ 284	21 %	\$ 47	3 %	\$ (24)	(2)%	\$ 261	19 %

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, 2021 and 2020 along with components of change compared to the prior year.

Net Sales - Net sales for the full year of 2021 increased by 21% to \$1,657 million as compared to 2020. Organic sales¹ increased by 19% as compared to the 3% increase in global LVP for the same period. The net currency translation effect was 3%.

During the full year of 2021, excluding Brake Systems and Other, organic sales increased in North America by 6%, Europe by 14% and Asia by 36%. The organic sales growth was entirely driven by Active Safety Products which grew by 35%. Excluding Brake Systems and "Other", Active Safety accounted for 56% of full year 2021 sales as compared to 48% for the full year 2020.

Restraint Control Systems - Net sales for the full year of 2021 increased by 3% to \$689 million as compared to 2020. Organic sales were flat, indicating a slight underperformance compared to the global LVP which was due to mix effect (lower sales of cars with Veoneer content).

Active Safety - Net sales for the full year of 2021 increased by 39% to \$869 million as compared to 2020. This increase was driven by launches and continued ramp ups of recent launches. All products in Active Safety including Vision, Radar, Thermal Imaging, ADAS ECUs, RoadScape™ and Software saw strong growth with Vision being the number one contributor to the organic sales growth.

Brake Systems and Other - Net sales for the full year of 2021 increased by \$20 million to \$99 million as compared to 2020. This was due to increased sales to ZF for the Ford F-150 platform, which was partly offset by declining legacy business to Honda US.

Income Statement

Dollars in millions,
(except per share data)

	Year Ended December 31				
	2021		2020		Change
	\$	%	\$	%	
Net sales	\$ 1,657		\$ 1,373		\$ 284
Cost of sales	(1,384)	(83.5) %	(1,191)	(86.7) %	(193)
Gross profit	273	16.5 %	182	13.3 %	91
Selling, general & administrative expenses	(159)	(9.6) %	(165)	(12.0) %	6
Research, development & engineering expenses, net	(424)	(25.6) %	(407)	(29.7) %	(17)
Amortization of intangibles	(7)	(0.4) %	(6)	(0.4) %	(1)
Other income	(40)	(2.4) %	29	2.2 %	(69)
Operating loss	(357)	(21.6) %	(367)	(26.7) %	10
Gain on divestiture and assets impairment charge, net	—	— %	(91)	(6.7) %	91
Loss from equity method investments	6	0.4 %	(39)	(2.9) %	45
Interest income	3	0.2 %	9	0.6 %	(6)
Interest expense	(21)	(1.3) %	(20)	(1.5) %	(1)
Other non-operating items, net	—	— %	(4)	(0.2) %	4
Loss before income taxes	(369)	(22.3) %	(512)	(37.3) %	143
Income tax expense	(16)	(0.9) %	(32)	(2.3) %	16
Net loss¹	(385)	(23.2) %	(544)	(39.6) %	159
Less: Net loss attributable to non-controlling interest	—	— %	1	(0.1) %	(1)
Net loss attributable to controlling interest	\$ (385)	(23.2) %	\$ (545)	(39.7) %	\$ 160
Net loss per share – basic²	\$ (3.44)		\$ (4.89)		\$ 1.45
Weighted average number of shares outstanding in millions ²	111.88		111.56		0.32

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.

Gross Profit - Gross profit of \$273 million for the full year of 2021 was \$91 million higher as compared to 2020. The main contributors were the higher sales volumes, customer recoveries for higher costs of components and raw materials and positive currency effects which were partly offset by higher non quality costs, particularly relating to premium freight.

Operating Loss - Operating loss of \$357 million for the full year of 2021 improved by \$10 million as compared to 2020. The operating loss for 2021 includes around \$30 million of merger related costs.

RD&E, net of \$424 million for the full year of 2021 was \$17 million higher as compared to 2020. In 2020 engineering reimbursements were around \$80 million higher than normal. Gross RD&E as percentage of sales declined by about 10%.

SG&A expense of \$159 million for the full year of 2021 improved \$6 million as compared to 2020, mainly due to lower costs for professional services.

Other income and amortization of intangibles combined declined \$70 million for the full year of 2021 as compared to 2020 mainly due to merger related costs and positive effects from the divestitures of Nissin Kogyo Brake Systems and Zenuity in 2020.

Net Loss - Net loss of \$385 million for the full year of 2021 decreased by \$159 million as compared to 2020. In 2020 the net loss was negatively impacted by the \$(91) million net effect of the divestiture gain on VNBS-Asia and impairments of VBS-US and the divestiture of the Zenuity JV. In addition tax expense was \$16 million lower in 2021.

Interest, net for the full year of 2021 was \$(7) million lower as compared to 2020, mainly due to lower interest income and interest rate. Other non-operating items, net improved by \$4 million, mainly due to exchange rates.

Income tax expense of \$16 million for the full year of 2021 was \$16 million lower as compared to 2020, when the tax expense was affected by the VNBS-Asia divestiture.

There was no Non-controlling interest transactions for the full year of 2021 as compared to \$1 million for the full year of 2020.

Loss per Share - Loss per share of \$3.44 for the full year of 2021 improved by \$1.45 as compared to 2020. This improvement was primarily driven by the decreased operating loss and equity method investment improvement of \$0.5 per share. This was offset by the merger related cost of \$0.27 per share.

Results of Operations

Fiscal Year 2020 compared to 2019

Veoneer's results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 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, 2020 filed with the SEC on February 19, 2021.

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

(Dollars in millions)

	Year Ended December 31	
	2021	2020
Net Loss to EBITDA		
Net Loss	\$ (385)	\$ (544)
Gain on divestiture and assets impairment charge, net	—	91
Depreciation and amortization	114	103
Loss from equity method investment	(6)	39
Interest and other non-operating items, net	18	16
Income tax expense / (benefit)	16	32
EBITDA	\$ (243)	\$ (263)

(Dollars in millions)

	Year Ended December 31	
	2021	2020
Segment EBITDA to EBITDA		
Electronics	\$ (174)	\$ (167)
Brake Systems	—	(35)
Segment EBITDA	\$ (174)	\$ (202)
Corporate and other	(69)	(61)
EBITDA	\$ (243)	\$ (263)

(Dollars in millions)

	Year Ended December 31	
	2021	2020
Working Capital to Net Working Capital		
Total current assets	\$ 941	\$ 1,244
less Total current liabilities	565	587
Working Capital	\$ 376	\$ 657
less Cash and cash equivalents	(424)	(758)
less Short-term debt	3	4
Net Working Capital	\$ (45)	\$ (97)

(Dollars in millions)

	Year Ended December 31	
	2021	2020
Cash flow before Financing Activities		
Net cash used in Operating Activities	\$ (291)	\$ (192)
plus Net cash (used in) /provided by Investing Activities	(31)	85
Cash flow before Financing Activities	\$ (322)	\$ (107)

(Dollars in millions)

	Year Ended December 31	
	2021	2020
Free Cash flow		
Net cash used in Operating Activities	\$ (291)	\$ (192)
less Capital expenditures	(60)	(91)
Free Cash flow	\$ (351)	\$ (283)

Liquidity and Capital Resources

Liquidity

As of December 31, 2021, the Company had cash and cash equivalents and restricted cash of \$423 million and \$1 million, respectively.

The Company's primary source of liquidity is its existing cash balance of \$424 million, which will primarily be used for ongoing working capital requirements and capital expenditures. The Company believes that its existing cash resources will be sufficient to support its current operations for at least the next twelve months.

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 4, Leases, to the consolidated financial statements included herein.

The Company sponsors defined benefit plans that cover eligible employees in Japan, Canada, and France. In 2022, the expected contribution to all plans, including direct payments to retirees, is \$3 million, of which the major contribution is \$2 million for our Canada pension plans.

On May 28, 2019, the Company issued, in a registered public offering in the U.S., 4% Convertible Senior 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 and will mature on June 1, 2024, unless repurchased, redeemed or converted in accordance with their terms prior to such date.

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, 2020, Veoneer contributed a total of approximately \$12 million to the fund. As of December 31, 2020, the Company has received approximately \$3 million of distributions from the fund. The fund focuses broadly on the automotive industry and complements the Company's innovation strategy, particularly in the areas of Active Safety and ADAS. Under the limited partnership agreement, the general partner has the sole and exclusive right to manage, control and conduct the affairs of the fund. During 2021, the Company sold its investment in the Autotech Fund for \$17 million and recognized a loss of \$5 million reported in Gain/(loss) from equity method investment in the Consolidated Statements of Operations.

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.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Forward-Looking Statements" section of this MD&A and Part I, Item 1A. Risk Factors, some of which are outside of our control.

Cash Flow

	Year Ended December 31	
	2021	2020
(Dollars in millions)	\$	\$
Selected cash flow items		
Net working capital ¹	(45)	(97)
Net cash used in operating activities	(291)	(192)
Capital expenditures	(60)	(91)
Equity method investments	29	9
Net cash (used in) /provided by investing activities	(31)	85
Cash flow before Financing Activities ¹	(322)	(107)
Net cash provided by financing activities	(7)	(9)

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

Net Working Capital¹ - Net working capital of \$(45) million increased by \$52 million during the full year of 2021 as compared to 2020 primarily due to inventory increases stemming from the semiconductor related supply situation.

Net cash used in operating activities - Net cash used in operating activities of \$291 million for the full year of 2021 increased \$99 million as compared to 2020 mainly due to the negative swing in the change in Working Capital of around \$140 million.

Capital Expenditures - Capital expenditures of \$60 million, or 4% of sales, for the full year of 2021 decreased by \$31 million as compared to 2020 mainly due to delays into 2022 due to lower LVP relating to supply chain constraints.

Net cash provided by investing activities - Net cash used in investing activities of \$31 million during the full year of 2021 increased by \$116 million as compared to 2020 due to gains from divestitures in 2020. The negative year-over-year effect was partly mitigated by \$31 million lower capital expenditures.

Cash flow before financing activities¹ - The cash flow before financing activities of \$(322) million for the full year of 2021 decreased by \$215 million as compared to 2020 due to divestiture proceeds in 2020.

		Year Ended December 31	
Associates		2021	2020
Total Associates		7,099	7,543
Whereof:	Direct Manufacturing	1,332	1,452
	R,D&E	4,171	4,476
	Temporary	1,066	1,359

Associates, net decreased by 444 to 7,099 from 7,543 during the full year 2021 as compared to 2020. The reductions were primarily a result of our MAI program and engineering efficiency improvements.

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) as estimated at contract inception. The variable consideration calculation involves management assumptions including the volume of light vehicle production, sales volumes for specific parts, or 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, 2021 and 2020, the Company had no outstanding obligations to make payments to customers in connection with ongoing and future business. The Company assesses these amounts for impairment. During 2020, Assets Held for Sale were impaired as part of the evaluation of the value less costs to sell of that asset group. See Note 6 Divestiture for additional information. No impairment was recorded in 2021 or 2019.

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 previously had two operating segments, Electronics includes all electronics resources and expertise, Restraint Control Systems and Active Safety products, and Brake Systems provided brake control and actuation systems. Both of the segments generate revenue from the sale of production parts to original equipment manufacturers ("OEMs"). The remaining Brake Systems business is no longer a reportable segment due to immateriality.

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.

Receivables

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

The Company has evaluated the available adoption options of common credit loss methods that are acceptable as per FASB Accounting Standards Codification Topic 326, Credit Losses. The Company adopted the available Loss-rate method where the impairment is calculated using an estimated loss rate and multiplying it by the asset's amortized cost at the balance sheet date. This method appropriately reflects the Company's risk pattern in relation to its accounts receivables.

The key components of the Company's Loss-rate model are as follows:

- A list of the Company's customers credit rating and credit default risk rate from Bloomberg.
- Actual write-offs or reversals of previous write-offs of accounts receivables.
- Evaluation of other unusual facts and circumstances which could impact the credit loss rate, such as risk of bankruptcy or potential collectability issues.

The Company's credit loss model includes the Company's customer list. The customer list captures the existing customers. The list is put into a Bloomberg data query to generate customers short-term credit rating. The credit default risk rate is used to calculate the credit loss rate or estimated loss rate.

For customers that do not have credit default risk rate, management uses the six-month LIBOR rate as a credit rating and a credit default risk rate. Management believes that the six-month LIBOR rate adequately reflects the short-term nature of the Company's trade receivables and is also in line with the Company's invoice payment terms.

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 13, "Equity Method Investment" 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 in October 2021.

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.

Due to the pending merger agreement with Qualcomm and SSW, management performed a qualitative assessment, as permitted by Accounting Standards Update ("ASU") 2011-08, Intangibles - Goodwill and Other (Topic 350): *Testing Goodwill for Impairment* to test goodwill for impairment in 2021. In performing the qualitative assessment, the Company assessed relevant factors to determine whether it was more likely than not that the fair value of the reporting unit was less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. These factors may include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as the pending merger agreement. The pending merger agreement was the predominant factor and allowed the Company to conclude that it was more likely than not that the fair value of the reporting unit exceeded its carrying value.

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 and Canada plans. These plans represent approximately 36% of the Company's total pension benefit obligation. See Note 18, 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 2021 pension expense were a discount rate of 1.2%, 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, 2021 and 2020.

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 20, Income Taxes and Note 23, Relationship with Former 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 17, "Commitment and Contingencies", 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

The Company is exposed to several markets risks in the ordinary course of business including risks related to currencies, interest rates, and component costs.

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 2021 was approximately \$0.8 billion. A part of the currency flows had counter-flows in the same currency pair, which reduced the net exposure to approximately \$0.7 billion. The largest net transaction exposures were the sale of Euro against the U.S. Dollar. The five largest currency pairs accounted for approximately 80% 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, 2021.

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 2021 by approximately \$7 million or by 0.4% while it would have a positive impact on the operating loss for 2021 by approximately \$2 million, or by 0.4%, assuming reported corporate average margin.

Interest Rate Risk

As of December 31, 2021, the Company had cash and cash equivalents of \$424 million. As of December 31, 2021, 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. 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.

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.

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Audited Consolidated Financial Statements of Veoneer, Inc.

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Report of Independent Registered Public Accounting Firm (PCAOB 1433)

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 17, 2022 expressed an unqualified opinion thereon.

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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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, 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, sales volumes for specific parts, or 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 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 the source.

/s/ Ernst & Young AB

We have served as the Company's auditor since 2017.

Stockholm, Sweden

February 17, 2022

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, 2021, 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, 2021, 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, 2021 and 2020, 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, 2021, and the related notes and our report dated February 17, 2022 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 17, 2022

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

		Year Ended December 31		
		2021	2020	2019
<i>(Dollars in millions, except per share amounts)</i>				
Net sales	Note 3	\$ 1,657	\$ 1,373	\$ 1,902
Cost of sales		(1,384)	(1,191)	(1,591)
Gross profit		273	182	311
Selling, general and administrative expenses		(159)	(165)	(189)
Research, development and engineering expenses, net		(424)	(407)	(562)
Amortization of intangibles	Note 16	(7)	(6)	(20)
Other (expense) / income, net		(40)	29	—
Operating loss		(357)	(367)	(460)
Gain on divestiture and assets impairment charge, net	Note 6, 13	—	(91)	—
Gain/(loss) from equity method investment	Note 13	6	(39)	(70)
Interest income		3	9	20
Interest expense		(21)	(20)	(12)
Other non-operating items, net		—	(4)	1
Loss before income taxes		(369)	(512)	(521)
Income tax expense	Note 20	(16)	(32)	(1)
Net loss		(385)	(544)	(522)
Less: Net income/(loss) attributable to non-controlling interest		—	1	(22)
Net loss attributable to controlling interest		\$ (385)	\$ (545)	\$ (500)
Net loss per share - basic and diluted	Note 21	\$ (3.44)	\$ (4.89)	\$ (4.92)
Weighted average number of shares outstanding, (in millions)	Note 21	111.88	111.56	101.62
Weighted average number of shares outstanding, assuming dilution (in millions)		111.88	111.56	101.62

See Notes to Consolidated Financial Statements.

Veoneer, Inc.
Consolidated Statements of Comprehensive Loss
(U.S. DOLLARS IN MILLIONS)

	Year Ended December31		
	2021	2020	2019
Net loss	\$ (385)	\$ (544)	\$ (522)
Other comprehensive (loss) income, before tax:			
Change in cumulative translation adjustment	(19)	47	(24)
Pension gains /(losses)	8	(2)	(3)
Other comprehensive (loss) income, before tax	(11)	45	(27)
Income tax (expense) /benefit	(2)	1	2
Other comprehensive (loss) income, net of tax	(13)	46	(25)
Comprehensive loss	(398)	(498)	(547)
Less: Comprehensive income/(loss) attributable to non-controlling interest	—	2	(22)
Comprehensive loss attributable to controlling interest	\$ (398)	\$ (500)	\$ (525)

See Notes to Consolidated Financial Statements.

Veoneer, Inc.
Consolidated Balance Sheets
(U.S. DOLLARS IN MILLIONS)

		As of December 31	
		2021	2020
Assets			
Cash and cash equivalents		\$ 423	\$ 758
Restricted cash		1	—
Receivables, net	Note 10	267	292
Inventories, net	Note 11	192	134
Related party receivable	Note 23	6	9
Prepaid expenses and other contract assets		38	36
Other current assets		14	15
Total current assets		941	1,244
Property, plant and equipment, net	Note 14	369	431
Operating lease right-of-use assets	Note 4	79	89
Equity method investment	Note 13	—	153
Goodwill	Note 16	316	317
Intangible assets, net	Note 16	13	21
Deferred tax assets	Note 20	6	6
Other non-current assets		26	27
Total assets		\$ 1,750	\$ 2,288
Liabilities and equity			
Accounts payable		\$ 281	\$ 257
Related party payables	Note 23	1	2
Accrued expenses	Note 12	209	232
Income tax payable		5	25
Related party short-term debt	Note 23	—	16
Other current liabilities		69	55
Total current liabilities		565	587
4% Convertible Senior Notes due 2024	Note 5	179	170
Related party long-term debt	Note 23	—	115
Pension liability	Note 18	16	20
Deferred tax liabilities	Note 20	16	12
Operating lease non-current liabilities	Note 4	62	71
Financial lease non-current liabilities	Note 4	43	46
Other non-current liabilities		16	28
Total non-current liabilities		332	462
Equity			
Common stock (par value \$1.00, 325 million shares authorized, 112 million and 111 million shares issued and outstanding as of December 31, 2021 and 2020, respectively)		112	111
Additional paid-in capital		2,360	2,349
Accumulated deficit		(1,611)	(1,226)
Accumulated other comprehensive income/(loss)		(8)	5
Total Equity		853	1,239
Total Equity and non-controlling interests		853	1,239
Total liabilities, Equity and non-controlling interests		\$ 1,750	\$ 2,288

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31		
	2021	2020	2019
Operating activities			
Net loss	\$ (385)	\$ (544)	\$ (522)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	114	103	115
Gain on divestiture	—	(77)	—
Assets impairment charge	—	168	—
(Gain) /loss from equity method investments	(6)	39	70
Stock-based compensation expense	11	6	5
Deferred income taxes	1	1	(6)
Other, net	16	15	(11)
Change in operating assets and liabilities			
Receivables, gross	19	(4)	43
Accounts payable	36	18	(56)
Related party receivable and payables, net	1	2	35
Income taxes	(17)	16	3
Inventories, gross	(82)	8	5
Accrued expenses	(8)	40	19
Prepaid expenses and contract assets	(4)	12	(15)
Other current assets and liabilities, net	13	5	(10)
Net cash used in operating activities	(291)	(192)	(325)
Investing activities			
Proceeds from divestitures	—	198	—
Proceeds from sale of property, plant and equipment	1	10	2
Capital expenditures	(60)	(91)	(213)
Equity method investments	29	9	(58)
Short-term investments	—	—	5
Acquisition of intangible assets	(1)	(10)	—
Acquisition of businesses and interest in affiliates, net of cash acquired	—	(33)	—
Net decrease (increase) other non-current assets	—	2	(1)
Net cash (used in) / provided by investing activities	(31)	85	(265)
Financing activities			
Issuance of common stock	—	—	403
Dividend paid to non-controlling interest	—	(5)	—
(Repayment of)/proceeds from long-term debt	—	(1)	210
(Repayment of)/proceeds from short-term debt	(8)	(3)	22
Proceeds from exercise of stock options	1	—	—
Net increase in related party short-term debt	—	—	1
Net cash provided by financing activities	(7)	(9)	636
Effect of exchange rate changes on cash and cash equivalents	(5)	15	(16)
(Decrease)/increase in cash and cash equivalents	(334)	(101)	30
Cash and cash equivalents at beginning of year	758	859	864
Cash and equivalents at end of period, assets held for sale	—	—	(35)
Cash and cash equivalents at end of year	\$ 424	\$ 758	\$ 859
Supplemental Disclosures:			
Cash paid for income taxes	\$ 31	\$ 8	\$ 11
Cash paid for interest	\$ 9	\$ 8	\$ 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	Accumulated Deficit	Accumulated Other Comprehensive (Loss) /Gain	Non- controlling Interests	Total
Balance at January 1, 2019	\$ 87	\$ 1,938	\$ (181)	\$ (19)	\$ 101	\$ 1,927
Net loss	—	—	(500)	—	(22)	(522)
Foreign currency translation	—	—	—	(24)	—	(24)
Pension liability	—	—	—	(1)	—	(1)
Stock based compensation	—	5	—	—	—	5
Issuance of common shares	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
Net loss	—	—	(545)	—	1	(544)
Foreign currency translation	—	—	—	47	1	48
Pension liability	—	—	—	(1)	—	(1)
Stock based compensation	—	6	—	—	—	6
Business divestiture	—	—	—	3	(91)	(88)
Balance at December 31, 2020	\$ 111	\$ 2,349	\$ (1,226)	\$ 5	\$ —	\$ 1,239
Net loss	—	—	(385)	—	—	(385)
Foreign currency translation	—	—	—	(19)	—	(19)
Pension liability net of tax	—	—	—	6	—	6
Stock based compensation	—	11	—	—	—	11
Issuance of common stock	1	—	—	—	—	1
Balance at December 31, 2021	\$ 112	\$ 2,360	\$ (1,611)	\$ (8)	\$ —	\$ 853

See Notes to Consolidated Financial Statements.

NOTE 1. Basis of Presentation

The Company has one operating segment, the Electronics segment. The Company previously had two operating segments, Electronics and Brake Systems. Electronics includes all electronics resources and expertise, Restraint Control Systems and Active Safety products, and Brake Systems provided brake control and actuation systems. The Asian business of the Brake Systems segment was sold on February 3, 2020 and the majority of the Brake Systems business in North America was sold on August 10, 2020. The remaining Brake Systems business is no longer a reportable segment due to immateriality.

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

Equity and Debt Offerings

On May 28, 2019, the Company completed equity and debt 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. During 2019, the Company received net proceeds of \$403 million from the common stock offering and \$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 Co. Ltd. ("Nissin Kogyo")

On June 14, 2019, the Company signed agreements with Nissin Kogyo, 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 Veoneer Nissin Brake Systems ("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, was a wholly-owned Veoneer business effective on the closing date, June 28, 2019. VNBS provided 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 2019, Veoneer received approximately \$20 million as debt repayment from VNBS.

Divestiture of Veoneer Nissin Brake Systems ("VNBS")

On October 30, 2019, Veoneer signed 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, and Honda Motor Co., Ltd. The aggregate sale 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, and the VNBS joint venture was terminated. See Note 6 "Divestiture and Held for Sale" for additional information.

Divestiture of Veoneer Brake Systems ("VBS")

On August 10, 2020, Veoneer signed a definitive agreement to sell the majority of the Brake Systems business in North America to ZF Active Safety US, Inc ("ZF"). The aggregate sale price was \$1. In connection with the transaction, the Company received approximately \$22 million from ZF for VBS operational cost reimbursement. See Note 6 "Divestiture and Held for Sale" for additional information.

Pending Merger Agreement

On October 4, 2021 Veoneer entered into a definitive agreement with SSW HoldCo LP ("SSW"), a Delaware limited partnership, SSW Merger Sub Corp, a Delaware corporation and a direct, wholly owned subsidiary of SSW ("Merger Sub"), and QUALCOMM Incorporated ("Qualcomm") providing for the acquisition of Veoneer. for \$37.00 per share in an all-cash transaction, representing a total equity value for Veoneer of \$4.5 billion. On October 5, 2021, Veoneer terminated the Agreement and Plan of Merger, dated July 23, 2021, by and among Veoneer, Magna International Inc., an Ontario corporation ("Magna"), and Delaware Corporation, a Delaware corporation, providing for the acquisition of Veoneer by Magna.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

At closing, SSW will acquire Veoneer by merger, shortly after which it is contemplated that SSW will sell Veoneer's dedicated software unit, referred to as the Arriver business to Qualcomm and retain Veoneer's Tier-1 supplier businesses. SSW Partners will lead the process of finding strong, long-term strategic partners for the remainder of Veoneer's business.

The transaction has been approved by the board of directors of Veoneer and is subject to regulatory approvals including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in the United States, certain European foreign direct investment approvals, and other customary conditions. The transaction is expected to close during 2022.

Due to the termination of Veoneer's acquisition agreement with Magna, Veoneer was obligated to pay Magna a termination fee of \$110 million. In conjunction with the execution of the definitive agreement with SSW and Qualcomm providing for the acquisition of Veoneer, Qualcomm paid the termination fee directly to Magna on behalf of Veoneer on October 4, 2021.

The Company recorded \$18 million of merger related expenses in Other (expense)/ income, net in the Consolidated Statements of Operations, for the year ended December 31, 2021. During 2021 the Operating cash flow impact was negative \$10 million.

During 2021, the Company implemented an employee retention bonus program to retain certain employees. The current amount of the program is approximately \$33 million which will be accrued ratably over the period the bonuses are earned. During the year approximately \$11 million was accrued and included in the merger related expenses in Other (expense)/ income, net in the Consolidated Statements of Operations for the year ended December 31, 2021.

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, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019. All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements. See Note 23, Relationship with Former Parent and Related Entities, for a further description of related party transactions between Autoliv and Veoneer.

The consolidated financial statements include the accounts of the Company and its subsidiaries that are more than 50% owned and over which the Company exercises control. Investments in affiliates of greater than 20% and for which the Company does not exercise control, but does have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. All other equity investments are measured at cost, less impairment, with changes in fair value recognized in net income. 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.

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 Gain (loss) from equity method investments.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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, sales volumes for specific parts, or 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, 2021 and 2020, the Company had no outstanding obligations to make payments to customers in connection with ongoing and future business. The Company assesses these amounts for impairment. During 2020 Assets Held for Sale were impaired as part of the evaluation of the value less costs to sell of that asset group. See Note 6 Divestiture for additional information. No impairment was recorded in 2021 or 2019.

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 previously had two operating segments, Electronics includes all electronics resources and expertise, Restraint Control Systems and Active Safety products, and Brake Systems provided brake control and actuation systems. Both of the segments generate revenue from the sale of production parts to original equipment manufacturers ("OEMs"). The remaining Brake Systems business is no longer a reportable segment due to immateriality.

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.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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.

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, 2021, 2020 and 2019 total cash reimbursements from customers were \$136 million, \$202 million and \$103 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 19, Stock Incentive Plans.

Income Taxes

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.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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.

Restricted Cash

Restricted cash represents amounts designated for uses other than current operations. As of December 31, 2021 the Company has \$1 million of Restricted cash related to cash collateral for other corporate purposes. There were no Restricted cash as of December 31, 2020.

Receivables

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

The Company has evaluated the available adoption options of common credit loss methods that are acceptable as per FASB ASC 326, *Credit Losses*. The Company adopted the available Loss-rate method where the impairment is calculated using an estimated loss rate and multiplying it by the asset's amortized cost at the balance sheet date. This method appropriately reflects the Company's risk pattern in relation to its accounts receivables.

The key components of the Company's Loss-rate model are as follows:

- A list of the Company's customers credit rating and credit default risk rate from Bloomberg.
- Actual write-offs or reversals of previous write-offs of accounts receivables.
- Evaluation of other unusual facts and circumstances which could impact the credit loss rate, such as risk of bankruptcy or potential collectability issues.

The Company's credit loss model includes the Company's customer list. The customer list captures the existing customers. The list is put into a Bloomberg data query to generate customers short-term credit rating. The credit default risk rate is used to calculate the credit loss rate or estimated loss rate.

For customers that do not have credit default risk rate, management uses the six-month LIBOR rate as a credit rating and a credit default risk rate. Management believes that the six-month LIBOR rate adequately reflects the short-term nature of the Company's trade receivables and is also in line with the Company's invoice payment terms.

A substantial majority of the Company's trade receivables are derived from sales to OEMs. The Company's four largest customers accounted for 42% of net sales for 2021, 53% for 2020 and 59% for 2019. Additionally, as of December 31, 2021 and 2020, these four largest customers accounted for 28% and 40%, respectively, of the Company's accounts receivables. 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

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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 9, 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.

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 October 31, 2021.

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.

Due to the pending merger agreement with Qualcomm and SSW, management performed a qualitative assessment, as permitted by Accounting Standards Update ("ASU") 2011-08, Intangibles - Goodwill and Other (Topic 350): *Testing Goodwill for Impairment* to test goodwill for impairment in 2021. In performing the qualitative assessment, the Company assessed relevant factors to determine whether it was more likely than not that the fair value of the reporting unit was less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. These factors may include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors,

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such as the pending merger agreement. The pending merger agreement was the predominant factor and allowed the Company to conclude that it was more likely than not that the fair value of the reporting unit exceeded its carrying value.

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.

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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 9, 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 17, 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 \$9 million, \$(8) million and \$2 million in 2021, 2020 and 2019, 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.

Other Income, Net

During 2020, Veoneer commenced arbitration against Nissin Kogyo regarding a dispute arising out of a Share Purchase Agreement ("SPA") dated September 2015. On June 30, 2020, Veoneer agreed to settle the proceedings, along with any and all legal claims arising out of or relating to the SPA dispute, for \$20 million. During 2020 the cash settlement was received by the Company and is reported among Other income, net in the Consolidated Statements of Operations.

Recently Issued Accounting Pronouncements

Adoption of New Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *"Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes,"* which simplifies the accounting for income taxes. ASU 2019-12 is effective for public business entities for annual periods beginning after December 15, 2020, and early adoption is permitted. The amendments related to changes in ownership of foreign equity method investments or foreign subsidiaries should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company adopted ASU 2019-12 in the first quarter of 2021. The adoption of ASU 2019-12 did not have a material impact on the Company's unaudited condensed 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 adopted ASU 2018-14 in the first quarter of 2021. The adoption of ASU 2018-14 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting."* The guidance provides optional expedients and exceptions related to certain contract modifications and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another rate that is expected to be discontinued. The guidance was effective upon issuance and generally can be applied to applicable contract modifications and hedge relationships prospectively through December 31, 2022. 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 2020, the FASB issued ASU 2020-06, *"Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)."* The guidance provides simplifications of the accounting for convertible instruments and reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. In addition to further improve the decision usefulness and relevance of the information being provided to users of financial statements, information transparency has been increased by amending certain disclosure requirements. The guidance is effective for public business entities for fiscal years beginning after December 15, 2021. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. In addition, an entity should adopt the guidance as of the beginning of its annual fiscal year. The amendments in this update are required to be applied through either a modified retrospective method of transition or a fully retrospective method of transition. In applying the modified retrospective method, entities should apply the guidance to transactions outstanding as of the beginning of the fiscal year in which the amendments are adopted. The Company is currently evaluating this guidance to determine the impact on its disclosures.

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 \$128 million, \$140 million and \$175 million in 2021, 2020 and 2019, respectively.

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In the following tables (dollars in millions), revenue is disaggregated by primary region and products of revenue recognition.

Net Sales by Region

	Year Ended December 31								
	2021			2020			2019		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total
Asia	\$ 452	\$ —	\$ 452	\$ 322	\$ 25	\$ 347	\$ 350	\$ 312	\$ 662
Americas	490	48	538	422	45	467	556	60	616
Europe	667	—	667	559	—	559	624	—	624
Total region sales	1,609	48	1,657	1,303	70	1,373	1,530	372	1,902
Total	\$ 1,609	\$ 48	\$1,657	\$ 1,303	\$ 70	\$1,373	\$ 1,530	\$ 372	\$1,902

Net Sales by Products

	Year Ended December 31								
	2021			2020			2019		
	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total	Electronics	Brake Systems	Total
Restraint Control Systems	\$ 689	\$ —	\$ 689	\$ 670	\$ —	\$ 670	\$ 822	\$ —	\$ 822
Active Safety products	869	—	869	624	—	624	708	—	708
Brake Systems	—	48	48	—	70	70	—	372	372
Other	51	—	51	9	—	9	—	—	—
Total product sales	1,609	48	\$1,657	1,303	70	\$1,373	1,530	372	1,902
Total net sales	\$ 1,609	\$ 48	\$1,657	\$ 1,303	\$ 70	\$1,373	\$ 1,530	\$ 372	\$1,902

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

Contract Balances with Customers

	As of December 31	
	2021	2020
Receivables, net	\$ 267	\$ 292
Contract assets ¹	6	6

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 Customers¹

	Year Ended December 31	
	2021	2020
Contract assets		
Beginning balance	\$ 6	\$ 6
Increases due to revenue recognized	26	21
Decreases due to transfer to receivables	(26)	(21)
Ending balance	\$ 6	\$ 6

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

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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 month to 24 years, some of which include options to extend the leases for up to 12 years, and some of which include options to terminate the leases within 1 month to 5 years. As of December 31, 2021 and 2020, assets recorded under finance leases included in Property, plant and equipment, net were \$55 million and \$52 million, respectively, and accumulated depreciation associated with finance leases was \$10 million and \$6 million as of December 31, 2021 and 2020, 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 were as follows:

<i>(Dollars in millions)</i>	Year Ended December 31	
	2021	2020
Operating lease cost	\$ 24	\$ 24
Finance lease cost		
Amortization of right-of-use assets	6	4
Interest on lease liabilities	2	2
Total finance lease cost	8	6
Short-term lease cost	1	1
Total lease cost	\$ 33	\$ 31

Other information related to leases was as follows:

Supplemental Cash Flows Information <i>(Dollars in millions)</i>	Year Ended December 31	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	\$ 23	\$ 23
Operating cash flows used for finance leases	2	2
Financing cash flows used for finance leases	4	2
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	22	17
Finance leases	6	17

<i>(Lease term in years and discount rate)</i>	As of December 31	
	2021	2020
Weighted-average remaining lease term		
Operating Leases	6	7
Finance Leases	9	10
Weighted-average discount rate		
Operating leases	3.4 %	3.4 %
Finance leases	4.88 %	4.95 %

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Future minimum lease payments under non-cancellable leases as of December 31, 2021 were as follows:

<i>(Dollars in millions)</i>	Operating Leases	Finance Leases
2022	\$ 22	\$ 9
2023	19	9
2024	12	10
2025	9	4
2026	7	4
Thereafter	22	27
Total lease payments	91	63
Less imputed interest	9	13
Total lease liabilities	\$ 82	\$ 50

Lease obligations reported as of December 31, 2021 were as follows:

<i>(Dollars in millions)</i>	Operating Leases	Finance Leases
Other current liabilities	\$ 20	\$ 7
Lease liabilities - non current	62	43
Total lease liabilities	\$ 82	\$ 50

As of December 31, 2021, the Company has additional obligations of \$16 million relating to leases, primarily for offices, manufacturing and research buildings, machinery, automobiles, data processing and other equipment, that have not yet commenced. These leases will commence in 2022 with lease terms of 1 year to 12 years.

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NOTE 5. Debt

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

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Short-Term Debt:		
Short-term borrowings	\$ 3	\$ 4
Long-Term Debt:		
4.00% Convertible Senior Notes due 2024 (Carrying value)	179	170
Other long-term borrowings	5	7
Total Debt	\$ 187	\$ 181

Short-Term Debt:

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

Long-Term Debt:

Other long-term borrowings

Other long-term borrowings is included in Other non-current liabilities in the Consolidated Balance Sheet.

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 are the Company's general unsecured obligations and are 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.

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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

(Dollars in millions)

	As of December 31	
	2021	2020
Principal amount (face value)	\$ 207	\$ 207
Unamortized issuance cost	(3)	(4)
Unamortized debt discount	(25)	(33)
Net Carrying value	\$ 179	\$ 170

The Company recognized total interest expense related to the Notes of approximately \$18 million and \$17 million for the year ended December 31, 2021 and 2020, respectively.

The estimated fair value of the Notes was \$341 million and \$255 million as of December 31, 2021 and 2020, respectively. 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 9, Fair Value Measurements.

NOTE 6. Divestiture and Held for Sale

VBS

In 2019, the Company started exploring strategic options for its non-core business in the Brake Systems segment. In the first quarter of 2020, management committed to and approved a plan to sell VBS. The business and its associated assets and liabilities met the criteria for presentation as held for sale during 2020 and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in an impairment charge of approximately \$144 million which was recorded within Gain on divestiture and assets impairment charges, net on the Consolidated Statements of Operations for the year ended December 31, 2020. The impairment was measured using third party sales pricing to determine fair values of the assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The assets and liabilities associated with the transaction were separately classified as held for sale during 2020 and depreciation of these long-lived assets ceased during first half of 2020. The divestiture did not meet the criteria for presentation as a discontinued operation.

On August 10, 2020 Veoneer signed a definitive agreement to sell the majority of the Brake Systems business in North America to ZF. The aggregate sale price was \$1. In connection with the transaction, the Company received approximately \$22 million from ZF for VBS operational cost reimbursement. The transaction closed during third quarter and no additional gain or loss was recognized.

VNBS

In the fourth quarter of 2019, management approved a plan to sell VNBS. The business and its associated assets and liabilities met the criteria for presentation as held for sale as of December 31, 2019, and depreciation of long-lived assets ceased. The divestiture did not meet the criteria for presentation as a discontinued operation.

On October 30, 2019, the Company entered into definitive agreements with Nissin-Kogyo Co., Ltd. and Honda Motor Co., Ltd to divest VNBS. On February 3, 2020, the Company completed the sale of VNBS. The aggregate purchase price of the transaction was \$176 million, subject to certain adjustments. The net cash proceeds after adjusting for closing costs was \$175 million. The Company recognized a gain on the divestiture of \$77 million, net of closing costs.

NOTE 7. Restructuring Activities

The Company is undertaking various restructuring activities related to its Market Adjustment Initiatives program to achieve its strategic and financial targets and plans. These restructuring activities include, but are not limited to, consolidation of available capacity and resources along with production, engineering and administrative cost structure realignments. The Company expects to finance restructuring activities through its cash on hand and cash generated from operations.

Restructuring costs are recorded as elements of a plan as they become finalized and approved where the timing of the activities and the amount of related costs are not expected to change materially. Such costs are estimated based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a relatively short time frame such that changes to the plan are expected to be immaterial. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated.

During 2021, the Company announced certain restructuring activities impacting certain engineering and administrative functions to further align the Company's resources with its core product technologies and customers. During the year ended December 31, 2021, the Company recorded restructuring expenses of \$6 million reported in Other (expense) /income, net in the Consolidated Statements of Operations. The Company recorded zero in restructuring expenses for the year ended December 31, 2020 and 2019. The payback on such restructuring expenses is expected to be less than one year.

NOTE 8. 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.

Zenuity, Inc and Zenuity GmbH

Zenuity AB, a 50% ownership joint venture with VCC, was separated pursuant to definitive agreements between the Company and VCC, in order for each company to more effectively drive their respective strategies. As part of the transaction the Company paid approximately \$37 million to Zenuity for 200 software engineers and two business units located in Germany and the US.

The Company applied the acquisition method of accounting to the Zenuity, Inc and Zenuity GmbH entities, whereby the excess of the fair value of the business over the fair value of identifiable net assets was allocated to goodwill. The goodwill reflects the workforce. The recognized goodwill of \$25 million recorded as part of this acquisition is not deductible for tax purposes. The opening balance sheet is based on final assessment of the fair values of certain acquired assets, principally intangibles, and certain liabilities. The Company used discounted cash flow ("DCF") analyses, which represent Level 3 fair value measurement, to assess the purchase price allocation.

Total Zenuity, Inc and Zenuity GmbH acquisition related costs were approximately \$1 million for the period ended December 31, 2020.

The following table summarizes the estimated fair values of identifiable acquired assets and assumed liabilities:

(Dollars in millions)

Assets	As of July 1, 2020
Cash and cash equivalents	\$ 4
Receivable, net	12
Property, plant and equipment, net	3
Operating lease right-of-use assets	8
Goodwill	25
Total assets	\$ 52
Tax payable	2
Accrued liabilities	3
Operating lease non-current liabilities	10
Total liabilities	\$ 15
Net assets acquired	\$ 37

Intellectual property

In addition, the Company acquired the right to use VCC intellectual property in exchange for a payment of \$10 million in a transaction outside of the business combination. The acquired intangible asset was assigned a useful life of 8 years and amortized over the useful life on a straight-line basis.

Separately, the Company has licensed intellectual property for \$10 million to VCC with zero cost base in a transaction outside of the business combination and recognized this amount as Other Income in the Consolidated Statements of Operations for the year ended December 31, 2020.

NOTE 9. 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, 2021 and 2020 were foreign exchange swaps and forward contracts. All swaps principally match the terms and maturity of the underlying obligation and no swaps have a maturity beyond six months. The forward contracts are designated as cash flow hedge of certain external purchases. 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.

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 reported in Other non-current assets and liabilities in the Consolidated Balance Sheets. The nominal value of the derivatives not designated as hedging instruments was \$300 million and \$179 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the derivatives not designated as hedging instruments was an asset of \$2 million and a liability of \$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 gain of \$3 million, a gain of less than \$1 million and a loss of \$1 million for the year ended December 31, 2021, 2020 and 2019, respectively.

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.

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NOTE 10. Receivables

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Receivables	\$ 269	\$ 295
Allowance at beginning of year	\$ (3)	\$ (3)
Current period provision for expected credit losses	—	(1)
Reversal of allowance	1	—
Write-off against allowance	—	1
Allowance at end of year	\$ (2)	\$ (3)
Total receivables, net of allowance	\$ 267	\$ 292

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, 2021 and 2020, the Company had entered into arrangements with financial institutions and sold \$276 million and \$52 million, respectively, of factored trade receivables without recourse and \$67 million and \$25 million, respectively, of bank notes without recourse, which qualify as sales as all rights to the trade and notes receivable have passed to the financial institution.

As of December 31, 2021, the Company had \$5 million of trade notes receivables which remain outstanding and will mature within the first quarter of 2022. 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 \$5 million as of December 31, 2021.

NOTE 11. Inventories

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Raw material	\$ 165	\$ 105
Work in progress	23	14
Finished products	53	51
Inventories	\$ 241	\$ 170
Inventory reserve at beginning of year	\$ (36)	\$ (25)
Addition to reserve	(16)	(11)
Write-off against reserve	—	1
Translation difference	3	(1)
Inventory reserve at end of year	\$ (49)	\$ (36)
Total inventories, net of reserve	\$ 192	\$ 134

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NOTE 12. Accrued Expenses

	As of December 31	
	2021	2020
<i>(Dollars in millions)</i>		
Operating related accruals	\$ 57	\$ 70
Employee related accruals	94	102
Customer pricing accruals	8	20
Product related liabilities ¹	28	19
Other accruals	22	21
Total Accrued Expenses	\$ 209	\$ 232

¹ As of December 31, 2021 and 2020, \$8 million and \$9 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 13. Equity Method Investment

Zenuity

On April 2, 2020, the Company entered into a non-binding agreement with VCC to separate Zenuity, a 50% ownership joint venture with VCC in order for each company to more effectively drive their respective strategies. The parties entered into definitive agreements and effected the separation on July 1, 2020.

On July 1, 2020, the Company finalized the split of Zenuity. As part of the transaction the Company paid approximately \$37 million to Zenuity for 200 software engineers and two business units located in Germany and the US. Veoneer acquired the right to use Zenuity's intellectual property for a total consideration of SEK 1,067 million (approximately \$114 million) payable in ten annual installment payments, with the first payment due on July 1, 2021.

As the transaction resulted in all of the business of Zenuity being transferred to one of its two owners, the Company determined that the remaining value of that equity investment was equal only to the expected future dividends to be received. This resulted in an impairment charge of approximately \$24 million which was recorded within Gain on divestiture and assets impairment charges, net on the Consolidated Statements of Operations for the period ended December 31, 2020.

As the transaction was between the investor and investee, the Company did not recognize any gain from the transaction.

Following completion of the transaction, Veoneer and VCC continue to own 50% each of Zenuity AB. The joint venture was not dissolved as part of the transaction but continues as a holding company that owns the IP of Zenuity.

During the year ended December 31, 2021, the Company received a dividend of SEK 108 million (approximately \$13 million) in cash (representing 50%, with the remainder received by VCC) from Zenuity. In addition, the Company received a dividend of SEK 1,067 million (approximately \$127 million) which was settled net against Related party short-term and long-term debt related to Zenuity's intellectual property that Veoneer acquired the right to use as part of the separation of Zenuity.

During the year ended December 31, 2020, the Company received dividend of SEK 327 million (approximately \$35 million) in cash (representing 50% of the total dividend, with the remainder received by VCC) from Zenuity.

During the year ended December 31, 2020, prior to the transfer of Zenuity's business to its two owners, Veoneer contributed SEK 240 million (approximately \$25 million) in cash (representing 50% of the total contribution, with the remainder made by VCC) into Zenuity to support its future operating cash flow needs.

AutoTechFund I, L.P

The Company has investments interest with AutoTech Fund I, L.P of less than 20% which is accounted for under the equity method as the Company's beneficial ownership interest in AutoTech Fund I, L.P is similar to partnership interest.

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, 2021 and 2020, Veoneer has contributed a total of \$13 million and \$12 million, respectively, to the fund. As of December 31, 2021 the Company has received a distribution of \$3 million from the fund.

Veoneer, Inc.
Notes to Consolidated Financial Statements
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During 2021, the Company sold the AutoTech fund for \$17 million and recognized a loss of \$5 million reported in Gain/(loss) from equity method investment in the Consolidated Statements of Operations.

The Company's equity investment in Zenuity and AutoTech, recorded in Equity Method Investment on the consolidated balance sheets, totaled zero and \$153 million as of December 31, 2021 and 2020, respectively, after consideration of foreign exchange movements.

The profit and loss attributed to the investment is shown in Gain /(loss) from equity method investment in the Consolidated Statements of Operations. Veoneer's share of Zenuity and Autotech for the years ended December 31, 2021, 2020 and 2019 was a gain of \$6 million, loss of \$39 million and loss of \$70 million, respectively.

NOTE 14. Property, Plant and Equipment

	As of December 31		
	2021	2020	Estimated life (years)
<i>(Dollars in millions)</i>			
Machinery and equipment	852	825	3-8
Buildings	130	134	20
Construction in progress	36	63	n/a
Property, plant and equipment	\$ 1,018	\$ 1,022	
Less accumulated depreciation	(649)	(591)	
Net of accumulated depreciation	\$ 369	\$ 431	
	Year Ended December 31		
	2021	2020	2019
DEPRECIATION INCLUDED IN <i>(Dollars in millions)</i>			
Cost of sales	\$ 63	\$ 54	\$ 59
Selling, general and administrative expenses	5	4	4
Research, development and engineering expenses, net	39	39	32
Total	\$ 107	\$ 97	\$ 95

The net book value of machinery, equipment, buildings and land under finance lease contracts was \$45 million and \$47 million as of December 31, 2021 and 2020, respectively.

NOTE 15. Other Comprehensive Loss

	Year Ended December 31		
	2021	2020	2019
<i>(Dollars in millions)</i>			
Other Comprehensive (Loss) /Income¹			
Cumulative translation adjustments	\$ (4)	\$ 15	\$ (34)
Pension liability, net of tax	(4)	(10)	(10)
Total ending balance	\$ (8)	\$ 5	\$ (44)
Deferred taxes on the pension liability	1	3	3

¹The components of Other Comprehensive Loss are net of any related income tax effects.

NOTE 16. Goodwill and Intangible Assets

Intangible assets as of December 31, 2021 and 2020 were as follows (dollars in millions):

	Electronics Segment	
Goodwill		
Carrying amount at January 1, 2020	\$	290
Acquisition		23
Translation differences		4
Carrying amount at December 31, 2020		317
Acquisition adjustment		2
Translation differences		(3)
Carrying amount at December 31, 2021	\$	316
	As of December 31	
Amortizable Intangible	2021	2020
Gross carrying amount	\$ 151	\$ 145
Transfer	—	(3)
Addition	1	11
Translation differences	(2)	2
Accumulated amortization	(137)	(134)
Carrying value	\$ 13	\$ 21

As of December 31, 2021 and 2020, the carrying value of the amortizable intangible of \$13 million and \$21 million, respectively, was related to the technology asset category. The estimated weighted average useful life for these assets is 5.5 years.

The Company recorded approximately \$7 million, \$6 million and \$20 million of amortization expense related to definite-lived intangible assets for the years ended December 31, 2021, 2020 and 2019, respectively. The Company currently estimates future amortization expenses to be \$5 million for 2022, \$2 million for 2023, \$2 million for 2024, \$1 million for 2025 and \$1 million for 2026.

NOTE 17. 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.

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The table below summarizes the change in product related liabilities in the Consolidated Balance Sheets.

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Reserve at beginning of the year	\$ 19	\$ 15
Change in reserve	16	11
Cash settlements	(6)	(8)
Translation difference	(1)	1
Reserve at end of the year	\$ 28	\$ 19

As of December 31, 2021 and 2020, provisions and cash paid primarily relate to warranty and recall related issues. The increase in the reserve balance as of December 31, 2021 compared to the prior year was mainly due to recalls of \$10 million that are not subject to indemnification by Autoliv. 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, 2021 and 2020, \$8 million and \$9 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

There were no guarantees as of December 31, 2021 and 2020.

NOTE 18. 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.

For the years ended December 31, 2021, 2020 and 2019, the Company's total pension expense was \$4 million for each period.

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Changes in Benefit Obligations and Plan Assets

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Benefit obligation at beginning of year	\$ 60	\$ 54
Service cost	4	4
Interest cost	1	1
Actuarial gain	(5)	(7)
Benefits paid	(5)	(3)
Net of Held for sales add back/Divestiture	—	7
Translation difference	—	4
Benefit obligation at end of year	\$ 55	\$ 60
Fair value of plan assets at beginning of year	\$ 40	\$ 37
Actual return on plan assets	5	3
Company contributions	3	3
Benefits paid	(5)	(3)
Net of Held for sales add back/Divestiture	—	(1)
Translation difference	(1)	1
Fair value of plan assets at year end	\$ 42	\$ 40
Funded status recognized in the balance sheet	\$ (13)	\$ (20)
Balance sheet classification		
Other non-current assets	\$ 3	\$ —
Pension liabilities	(16)	(20)
Net amount recorded	\$ (13)	\$ (20)

Components of Net Periodic Benefit Cost Associated with the Defined Benefit Retirement Plan

<i>(Dollars in millions)</i>	Year Ended December 31		
	2021	2020	2019
Service cost	\$ 4	\$ 4	\$ 4
Interest cost	1	1	1
Expected return on plan assets	(2)	(2)	(2)
Amortization of actuarial loss	1	1	1
Net periodic benefit cost	\$ 4	\$ 4	\$ 4

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 2022 is \$3 million.

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Components of Accumulated other Comprehensive Income Before Tax

	As of December 31	
	2021	2020
<i>(Dollars in millions)</i>		
Net actuarial loss	\$ 6	\$ 15
Prior service cost	1	—
Total accumulated other comprehensive loss recognized in the balance sheet	\$ 7	\$ 15

Changes in Accumulated Other Comprehensive Income Before Tax

	As of December 31	
	2021	2020
<i>(Dollars in millions)</i>		
Total retirement benefit recognized in accumulated other comprehensive income at beginning of year	\$ 15	\$ 13
Held for sale	—	—
Add back Held for sale	—	(2)
Effect of plan combinations	—	11
Net actuarial gain	(7)	(8)
Amortization of actuarial loss	(1)	(1)
Translation difference	—	2
Total retirement benefit recognized in accumulated other comprehensive income at end of year	\$ 7	\$ 15

The accumulated benefit obligation for the Veoneer defined benefit pension plans as of December 31, 2021 and 2020 was \$12 million and \$54 million, respectively.

Pension Plans for Which Accumulated Benefit Obligation (ABO) Exceeds the Fair Value of Plan Assets

	As of December 31	
	2021	2020
<i>(Dollars in millions)</i>		
Projected Benefit Obligation (PBO)	\$ 16	\$ 60
Accumulated Benefit Obligation	\$ 12	\$ 54
Fair value of plan assets	\$ —	\$ 40

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	
	2021	2020
	Weighted average	
Discount rate	2.8 %	2.32 %
Rate of increases in compensation level	3.3 %	3.3 %

Assumptions Used to Determine the Net Periodic Benefit Cost for Years Ended December 31

	Year Ended December 31		
	2021	2020	2019
	Weighted average		
Discount rate	2.32 %	1.86 %	2.14 %
Rate of increases in compensation level	3.28 %	4.33 %	4.39 %
Expected long-term rate of return on assets	5.77 %	3.76 %	3.49 %

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

Veoneer, Inc.
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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 \$2 million for the years ended December 31, 2021 and 2020, respectively. In addition, the Company expects to contribute \$3 million to its pension plans in 2022.

Fair Value of Total Plan Assets

ASSETS CATEGORY IN % WEIGHTED AVERAGE	As of December 31	
	2021	2020
Equity securities	64 %	65 %
Debt instruments	21 %	22 %
Other assets	15 %	13 %
Total	100 %	100 %

The following table summarizes the fair value of the defined benefit pension plan assets:

<i>(Dollars in millions)</i>	As of December 31	
	2021	2020
Assets		
Equity		
U.S. Large Cap	\$ 7	\$ 6
Non-U.S. Equity	20	20
Non-U.S. Bonds		
Corporate	2	4
Aggregate	7	5
Other Investments	6	5
Total	\$ 42	\$ 40

The fair value measurement level within the fair value hierarchy (see Note 9, 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 (Dollars in millions)	Amount
2022	\$ 2
2023	\$ 3
2024	\$ 3
2025	\$ 3
2026	\$ 3
Years 2027-2031	\$ 19

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 \$4 million and \$4 million as of December 31, 2021 and 2020, respectively. The net periodic benefit cost and impact on accumulated other comprehensive income related to the plan are immaterial.

Defined contribution plans

Veoneer recorded charges for contributions to the defined contribution plans of \$4 million, \$4 million and \$5 million for December 31, 2021, 2020 and 2019, respectively.

NOTE 19. Stock Incentive Plan

Veoneer maintains two Stock Incentive Plans: the Veoneer, Inc. 2018 Stock Incentive Plan (the “2018 Stock Incentive Plan”), which became effective on June 29, 2018 and the Veoneer, Inc. 2021 Stock Incentive Plan (the “2021 Stock Incentive Plan”), which became effective on May 10, 2021, to govern the Company’s stock-based awards that will be granted in the future. The 2018 Stock Incentive Plan authorizes the grant of 3 million 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 in the Spin-off. The 2021 Stock Incentive Plan authorizes the grant of 13 million shares of Veoneer common stock, plus any shares underlying awards outstanding under the 2018 Plan as of March 1, 2021 that are subsequently forfeited, for future equity awards to Veoneer employees and non-employee directors. As of May 10, 2021, all future awards will be granted under the 2021 Stock Incentive Awards and no further awards may be granted under the 2018 Stock Incentive Plan.

During 2021 under the Company’s 2018 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 203,439 RSUs and 182,272 PSs at 100% target.

During 2021 under the Company’s 2021 LTI program, certain non-employee directors received restricted stock units (RSUs) with dividend equivalent rights of 36,841.

The majority of the RSUs granted during 2021 will vest on the 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 2021 were calculated by using the closing stock price on the grant dates. The grant date fair value for the RSUs and PSs, granted during 2021 was \$14 million. Each RSU represents a promise to transfer a share of the Company’s common stock to the employee following completion of the vesting period, provided that the grantee remains employed through the vesting period, subject to certain limited exceptions.

The PSs granted in 2019, 2020 and 2021 are comprised of three one-year performance periods with goals related to annual gross margin, with the number of shares ultimately earned subject to downward adjustment based on the Veoneer share price measured at the end of the three-year performance period (December 31, 2021, December 31, 2022, and December 31, 2023, respectively). The grantee may earn 0%-200% of the target number of PSs, subject to downward adjustment as described above, during the first quarter of 2022, 2023 and 2024, respectively, upon the Compensation Committee’s certification of achievement of the applicable performance goals. 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.

Veoneer recognized total stock (RSUs, PSs and SOs) compensation cost of \$11 million, \$6 million and \$5 million, in the Consolidated Statements of Operations, for the years ended December 31, 2021, 2020 and 2019, respectively. Veoneer has unrecognized compensation cost for Veoneer employees of \$6 million related to non-vested awards for RSUs and the weighted average period over which this cost is expected to be recognized is approximately 1.6 years. There was no compensation cost recognized for stock options during the years ended December 31, 2021, 2020 and 2019 because all outstanding stock options had vested prior to those periods.

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A summary of RSUs activity is presented below:

	Number of RSUs
RSUs	
Outstanding as of December 31, 2020	1,010,894
Granted	240,280
Shares issued	(371,541)
Cancelled/Forfeited/Expired	(317,678)
Outstanding as of December 31, 2021	561,955

The weighted average fair value per share at the grant date for RSUs during the years ended December 31, 2021, 2020 and 2019 was \$29.24, \$10.86 and \$26.19, respectively. The grant date fair value for RSUs vested in 2021 was \$8 million.

A summary of PSs activity is presented below:

	Number of PSs
PSs	
Outstanding at December 31, 2020	490,444
Granted	182,272
Shares issued	(38,771)
Cancelled/Forfeited	(209,794)
Outstanding at December 31, 2021	424,151

The weighted average fair value per share at the grant date for PSs during the years ended December 31, 2021 and 2020 was \$30.47 and \$14.29, respectively.

	Number of Options
SOs¹	
Outstanding at December 31, 2020	232,026
Exercised	(53,125)
Cancelled/Forfeited/Expired	(10,715)
Outstanding as of December 31, 2021	168,186

¹SOs 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, 2021:

	Number Outstanding¹	Remaining Contract life (in years)
EXERCISE PRICES		
\$20.25	13,397	0.15
\$20.91	23,781	1.14
\$28.67	51,823	2.14
\$34.25	79,185	3.13
	168,186	2.31

¹SOs 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 \$35.48 (closing price per share as of December 31, 2021), for all “in the money” stock options outstanding as of December 31, 2021, was \$1 million.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

NOTE 20. Income Taxes

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Loss before income taxes			
U.S.	\$ (212)	\$ (400)	\$ (230)
Non-U.S.	(157)	(112)	(291)
Total	\$ (369)	\$ (512)	\$ (521)

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Provision for income taxes			
Current			
Non-U.S.	\$ 15	\$ 31	\$ 7
Deferred			
U.S. federal	—	—	(9)
State	—	—	2
Non-U.S.	1	1	1
Total income tax expense	\$ 16	\$ 32	\$ 1

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Effective income tax rate			
U.S. federal income tax rate	\$ (78)	\$ (108)	\$ (109)
Foreign tax rate variances	3	(1)	(8)
State taxes, net of federal benefit	(3)	(7)	(6)
Tax credits	(3)	(6)	(7)
Change in Valuation Allowances	89	113	120
Non-Controlling Interest	—	—	2
Earnings of equity investments	—	14	15
Withholding taxes	7	3	4
Tax on divestiture	—	23	—
Convertible debt	—	—	(10)
Other, net	1	1	—
Provision for income taxes	\$ 16	\$ 32	\$ 1

The 2020 income tax expense of \$32 million includes a \$23 million income tax expense on the gain from the sale of VNBS. 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.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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	
	2021	2020
Deferred taxes		
Assets		
Provisions	\$ 41	\$ 43
Intangibles assets	4	7
Tax receivables, principally net operating loss carryforward	342	262
Credits	14	14
Lease liabilities	26	29
Other	12	6
Deferred tax assets before allowances	\$ 439	\$ 361
Valuation allowances	(408)	(323)
Total	\$ 31	\$ 38
Liabilities		
Property, plant and equipment	(7)	(5)
Distribution taxes	(3)	(2)
Convertible Senior Notes	(6)	(8)
Operating lease right-of-use assets	(25)	(29)
Total	\$ (41)	\$ (44)
Net deferred tax liability	\$ (10)	\$ (6)

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, 2021, the Company had net operating loss carryforwards (NOL's) of \$1,543 million, of which \$1,405 million have no expiration date. The remaining losses expire on various dates through 2031. The Company also has \$14 million of U.S. Research and Development Credit carry forwards, which expire on various dates through 2041.

The Company assesses all available evidence, both positive and negative, to determine the amount of any required valuation allowance. Valuation allowances have been established for the Company's 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 \$6 million and \$6 million as of December 31, 2021 and 2020, respectively, and deferred tax liabilities of \$16 million and \$12 million as of December 31, 2021 and 2020, respectively, 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	
	2021	2020
Valuation Allowances Against Deferred Tax Assets		
Allowances at beginning of year	\$ 323	\$ 179
Benefits reserved current year	95	133
Benefits recognized current year	(1)	—
Translation difference	(9)	11
Allowances at end of year	\$ 408	\$ 323

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.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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, 2021, the Company had recorded \$7 million for unrecognized tax benefits. The total unrecognized tax benefits as of December 31, 2021 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:

	As of December 31	
	2021	2020
Unrecognized Tax Benefits		
Unrecognized tax benefits at beginning of year	\$ 7	\$ 4
Increases as a result of tax positions taken during the current period	1	3
Decreases as a result of tax positions taken during a prior period	(1)	—
Total unrecognized tax benefits at end of year	\$ 7	\$ 7

The Company's deferred tax liability for unremitted foreign earnings was \$3 million as of December 31, 2021. The \$3 million deferred tax liability represented our estimate of the foreign tax cost associated with our preliminary estimate of \$59 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, 2021. 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.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

NOTE 21. 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 years ended December 31, 2021, 2020 and 2019.

(U.S. dollars in millions, except per share amounts)

	Year Ended December 31		
	2021	2020	2019
Numerator:			
Basic and diluted:			
Net loss attributable to common shareholders	\$ (385)	\$ (545)	\$ (500)
Denominator:			
Basic: Weighted average number of shares outstanding (in millions)	111.88	111.56	101.62
Diluted: Weighted-average number of shares outstanding, assuming dilution (in millions)	111.88	111.56	101.62
Basic loss per share	\$ (3.44)	\$ (4.89)	\$ (4.92)
Diluted loss per share	\$ (3.44)	\$ (4.89)	\$ (4.92)

The table below shows equity incentive awards and convertible shares due to the Notes excluded from the diluted loss per share calculations because their effect would be antidilutive:

(Share amounts)

	Year Ended December 31		
	2021	2020	2019
Equity incentive awards	719,178	817,733	287,326
Convertible shares due to the Notes	9,277,305	9,277,305	5,515,548

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 from the diluted loss per share calculations.

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

NOTE 22. 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 had two operating segments, Electronics and Brake Systems. The Asian business of the Brake Systems segment was sold on February 3, 2020 and the majority of the Brake Systems business in North America was sold on August 10, 2020. The remaining Brake Systems business is no longer a reportable segment due to immateriality. 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. Brake Systems ceased to be a reportable segment upon disposal in the quarter ended September 30, 2020 and historical information from prior to the disposal date is reported here.

Key financial measures reviewed by the Company's CODM are as follows:

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Loss Before Income Taxes			
Electronics	\$ (286)	\$ (268)	\$ (324)
Brake Systems	—	(37)	(64)
Segment operating loss	(286)	(305)	(388)
Corporate and other	(71)	(62)	(72)
Gain on divestiture and assets impairment charge, net	—	(91)	—
Interest and other non-operating items, net	(18)	(15)	9
(Gain) /loss from equity method investment	6	(39)	(70)
Loss before income taxes	\$ (369)	\$ (512)	\$ (521)

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Capital Expenditures			
Electronics	\$ 60	\$ 79	\$ 153
Brake Systems	—	12	60
Total capital expenditures	\$ 60	\$ 91	\$ 213

(Dollars in millions)

	Year Ended December 31		
	2021	2020	2019
Depreciation and Amortization			
Electronics	\$ 114	\$ 101	\$ 83
Brake Systems	—	2	32
Total depreciation and amortization	\$ 114	\$ 103	\$ 115

(Dollars in millions)

	As of December 31	
	2021	2020
Segment Assets		
Electronics	\$ 1,853	\$ 2,391
Brake Systems	—	—
Intersegment assets	(103)	(103)
Total assets	\$ 1,750	\$ 2,288

Veoneer, Inc.
Notes to Consolidated Financial Statements
(U.S. DOLLARS IN MILLIONS)

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 2021: Customer A 19%

In 2020: Customer A 20%, Customer B 12%, Customer C 11% and Customer D 11%

In 2019: Customer A 23%, Customer B 16% and Customer C 11% and Customer D 10%

(Dollars in millions)

Long-lived Assets	As of December 31	
	2021	2020
Asia	\$ 99	\$ 125
Americas	262	294
Europe	449	625
Total	\$ 810	\$ 1,044

Long-lived assets in the U.S. amounted to \$192 million and \$215 million for 2021 and 2020, respectively. For 2021 and 2020 \$127 million and \$128 million, respectively, of the long-lived assets in the U.S. refer to intangible assets, principally from acquisition goodwill.

NOTE 23. Relationship with Former Parent and Related Entities

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. The TSA expired by its terms on March 31, 2020 and was extended by mutual consent for one month. Upon expiration of the TSA, Veoneer and Autoliv finalized ongoing agreements to extend a very limited set of services to facilitate ongoing business. For the years ended December 31, 2021, 2020 and 2019, Veoneer recognized less than \$1 million, \$1 million and \$5 million, respectively, of expenses under the TSA.

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, 2021, 2020 and 2019 amounted to \$70 million, \$70 million and \$101 million, respectively. Related party purchases of component products during the years ended December 31, 2021, 2020 and 2019 amounted to zero, \$1 million and \$16 million, respectively. Furthermore, engineering services relating to passive safety electronics have been rendered to Autoliv amounting to less than \$1 million for year ended December 31, 2021 and \$1 million for both years ended December 31, 2020 and 2019, and engineering services relating to passive safety electronics received from Autoliv amounting to \$1 million, \$2 million and \$2 million the years ended December 31, 2021, 2020 and 2019, respectively.

Related Party Balances

Amounts due to and due from related party components as summarized in the below table:

(Dollars in millions)

RELATED PARTY	As of December 31	
	2021	2020
Related party receivable	\$ 6	\$ 9
Related party payables	\$ 1	\$ 2
Related party short term debt	\$ —	\$ 16
Related party long-term debt	\$ —	\$ 115

Related party receivables are mainly driven by reseller agreements put in place in connection with the Spin-Off. The reseller agreements are between Autoliv and Veoneer and facilitate the temporary arrangement of the sale of Veoneer products manufactured for certain customers for a limited period after the Spin-Off. Autoliv will collect the customer payments and will remit the payments to Veoneer.

As of December 31, 2020, Related party short-term and long-term debt mainly related to Zenuity's intellectual property that Veoneer acquired the right to use for a total consideration of approximately \$114 million payable in ten annual installment payments. During 2021, the Company settled the payable amount with Zenuity.

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, 2021 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, 2021, 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, 2021.

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, 2021 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 2022 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 or will be included in a Form 10-K/A as an amendment to this Form 10-K.

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 2022 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 or will be included in a Form 10-K/A as an amendment to this Form 10-K.

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 Ownership of Certain Beneficial Owners and Management" in the 2022 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 or will be included in a Form 10-K/A as an amendment to this Form 10-K.

Shares Previously Authorized for Issuance Under the 2018 and 2021 Stock Incentive Plans

The following table provides information as of December 31, 2021, about the common stock that may be issued under the Veoneer, Inc. Stock Incentive Plans. 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	1,154,292	\$ 29.53	13,099,709
Equity compensation plans not approved by security holders	—	\$ —	—
Total	1,154,292	\$ 29.53	13,099,709

¹Veoneer, Inc. 2018 and 2021 Stock Incentive Plan (Stock Options and Restricted Stock Units (RSUs)).

²Excludes RSUs which convert to shares of common stock for no consideration.

³All 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 2022 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 or will be included in a Form 10-K/A as an amendment to this Form 10-K.

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 2022 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 or will be included in a Form 10-K/A as an amendment to this Form 10-K.

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
<u>2.1</u>	<u>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.</u>
<u>2.2</u>	<u>Agreement and Plan of Merger, dated as of July 22, 2021, among Veoneer, Inc., Magna International Inc. and 2486345 Delaware Corporation, incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 23, 2021.****</u>
<u>2.3</u>	<u>Agreement and Plan of Merger, dated as of October 4, 2021, among Veoneer, Inc., Qualcomm Incorporated, SSW HoldCo LP and SSW Merger Sub Corp, incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 4, 2021.**</u>
<u>3.1</u>	<u>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.</u>
<u>3.2</u>	<u>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.</u>
<u>4.1</u>	<u>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.</u>
<u>4.2</u>	<u>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 Company's Current Report on Form 8-K filed May 29, 2019.</u>
<u>4.3</u>	<u>Form of 4.00% Convertible Senior Note due 2024 (included in Exhibit 4.2), incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 29, 2019.</u>
<u>4.4*</u>	<u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.</u>
<u>10.1</u>	<u>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.**</u>
<u>10.2</u>	<u>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.</u>
<u>10.3</u>	<u>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.</u>
<u>10.4</u>	<u>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.</u>

- [10.5](#) [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.](#)
- [10.6](#) [Share Purchase Agreement \(VNBK\), dated October 30, 2019, by and among Veoneer AB, Honda Motor Co., Ltd. and Nissin Kogyo Co., Ltd. incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed February 21, 2020.](#)
- [10.7](#) [Share Purchase Agreement \(VNBZ\), dated October 30, 2019, by and among Veoneer AB, Honda Motor Co., Ltd. and Nissin Kogyo Co., Ltd., incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed February 21, 2020.](#)
- [10.8](#) [Amendment and Termination of the Joint Venture Agreement, dated October 30, 2019, by and among Veoneer AB and Nissin Kogyo Co. Ltd., incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed February 21, 2020.](#)
- [10.9](#) [Transaction Framework Agreement between Veoneer Sweden AB, Veoneer AB, Veoneer US, Inc., Volvo Car Corporation AB ZTWO Company AB Transaction Framework Agreement between Veoneer Sweden AB, Veoneer AB, Veoneer US, Inc., Volvo Car Corporation AB ZTWO Company AB and Zenuity AB, dated July 1, 2020, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 23, 2020. Zenuity AB, dated July 1, 2020, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 23, 2020.](#)
- [10.10](#) [Joint Venture Agreement between ZTWO Joint Venture Agreement between ZTWO Company AB and Veoneer Sweden AB regarding Zenuity AB, dated July 1, 2020, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 23, 2020. AB and Veoneer Sweden AB regarding Zenuity AB, dated July 1, 2020, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 23, 2020.](#)
- [10.11](#) [Master Collaboration Agreement between Veoneer, Inc. and Qualcomm Technologies, Inc. dated January 26, 2021.***](#)
- [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 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.](#)
- [10.18+](#) [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.](#)
- [10.19+](#) [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.](#)
- [10.20+](#) [Employment Agreement, dated September 7, 2019, by and between Veoneer, Inc. and Mikael Landberg, incorporated herein by reference to the Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed April 24, 2020.](#)
- [10.21+](#) [Employment Agreement, effective as of May 1, 2020, by and between Veoneer, Inc. and Matthias Bieler, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed July 3, 2021.](#)

- [10.22+](#) [Amendment, dated March 29, 2021, to Employment Agreement, effective as of May 1, 2020, by and between Veoneer, Inc. and Matthias Bieler, incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed July 3, 2021.](#)
- [10.23+](#) [Employment Agreement, dated May 6, 2020, by and between Veoneer, Inc. and Christer Lundström, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed July 24, 2020.](#)
- [10.24+](#) [Employment Agreement, dated August 1, 2020, by and between Veoneer, Inc. and Robert Bisciotti, incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed October 23, 2020.](#)
- [10.26+](#) [Employment Agreement, dated November 3, 2020, by and between Veoneer, Inc. and Christine Rankin, incorporated herein by reference to Exhibit 10.34 to the Company's Quarterly Report on Form 10-K filed February 19, 2021.](#)
- [10.27+](#) [Employment Agreement, dated March 1, 2021, by and between Veoneer, Inc. and Ray Pekar, incorporated herein by reference to Exhibit 10.35 to the Company's Quarterly Report on Form 10-K filed February 19, 2021.](#)
- [10.28+](#) [Employment Agreement, effective as of May 1, 2021, by and between Veoneer, Inc. and Steven Jenkins, incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 3, 2021.](#)
- [10.29+](#) [Employment Agreement, effective as of May 1, 2021, by and between Veoneer, Inc. and Chris Van Dan Elzen incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed July 3, 2021.](#)
- [10.30+](#) [Employment Agreement, effective as of May 10, 2021, by and between Veoneer, Inc. and Christoph Schmickler, incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 3, 2021.](#)
- [10.31+](#) [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.](#)
- [10.32+](#) [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.](#)
- [10.33+](#) [Form of Employee performance share grant agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed February 21, 2020.](#)
- [10.34+](#) [Form of Employee restricted stock unit agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K filed February 21, 2020.](#)
- [10.35+](#) [Form of Employee restricted stock unit agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan effective February 18, 2020, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed April 24, 2020.](#)
- [10.36+](#) [Form of Employee performance shares grant agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan effective February 18, 2020, incorporated herein by reference to the Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed April 24, 2020.](#)
- [10.37+](#) [Form of Employee restricted stock unit agreement to be used for retention awards granted under the Veoneer, Inc. 2018 Stock Incentive Plan effective February 18, 2020, incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed April 24, 2020.](#)
- [10.38+](#) [Form of Veoneer, Inc. Non-Employee Director Compensation Policy, incorporated herein by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed July 27, 2018.](#)
- [10.39+](#) [Form of Non-Employee Director restricted stock unit grant agreement to be used under the Veoneer, Inc. 2018 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q filed July 27, 2018.](#)
- [10.40+](#) [Veoneer, Inc. 2021 Stock Incentive Plan, incorporated by reference to Annex B to the Company's Definitive Proxy Statement on Schedule 14A filed on March 29, 2021.](#)
- [10.43+](#) [Form of Non-Employee Director restricted stock unit grant agreement to be used under the Veoneer, Inc. 2021 Stock Incentive Plan.](#)
- [10.44+](#) [Veoneer, Inc. Non-Qualified Retirement Plan, incorporated herein by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed July 27, 2018.](#)

- [10.45](#) [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.](#)
- [10.46](#) [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.](#)
- [10.47](#) [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, 2021, 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. The omitted information is (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed.

**** The schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of such schedules and exhibits, or any section thereof, to the Securities and Exchange Commission 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 17, 2022

VEONEER, INC.

(Registrant)

By: /s/ Ray Pekar

Ray Pekar

Chief Financial Officer

(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 17, 2022.

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 Officer)

/s/ Ray Pekar
Ray Pekar

Senior Vice President, Corporate Control
(Principal Accounting Officer)

/s/ Christine Rankin
Christine Rankin

Director

/s/ Robert W. Alspaugh
Robert W. Alspaugh

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