2020 FINANCIAL TARGETS

ROBERT CHARVIER - CFO
VALEO OUTPERFORMED IN TERMS OF GROWTH

Growth in sales base 100 in 2008

Valeo median

PANEL OF 22 DIRECT COMPETITORS
1 JAPANESE
7 EUROPEAN
14 US

Second and third quartiles
1. Growth acceleration thanks to innovation
2. Continuous increase in profitability
   - Product mix (innovation)
   - Operational excellence
3. Significant cash generation
4. 2020 financial targets
GROWTH ACCELERATION THANKS TO INNOVATION
### Automotive Production Assumptions

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2020</th>
<th>2014/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; Africa</td>
<td>20.8</td>
<td>25.0</td>
<td>+3.1%</td>
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<td>Asia &amp; other (excl. China)</td>
<td>22.9</td>
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<td>3.8</td>
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<td><strong>Total</strong></td>
<td><strong>87.0</strong></td>
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LMC and Valeo automotive production estimates
# Automotive Production Assumptions

<table>
<thead>
<tr>
<th>Millions of Vehicles</th>
<th>2014</th>
<th>2020</th>
<th>2014 / 2020 CAGR</th>
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LMC and Valeo automotive production estimates
ACCELERATION IN ORDER INTAKE*...

... LEADING TO AN ACCELERATION IN VALEO’S FUTURE ORGANIC GROWTH

* Excluding Access Mechanisms and including JV consolidated proportionally

Average over the period
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### Outperforming Automotive Production

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OUTPERFORMING AUTOMOTIVE PRODUCTION BY 5 POINTS

SECURED GROWTH

- Sales or booked sales
- Target sales

- 85% booked business
- ~50% booked business
Growth engines in all business groups
- 50% of growth linked to product mix
- Growth in all regions with strong contribution from China

Secured growth

Year N

Year N+3

85% booked business

Year N+5

~50% booked business

Sales or booked sales
Target sales
REBALANCED GEOGRAPHICAL EXPOSURE

OE % sales by region

Asia & others 28%
Americas 23%

OE sales: 10.9€bn

OE sales target by region

Asia & others ~35%
Americas ~25%

OE sales: 17.4€bn
Europe: 49%
China: 23%
Asia ex. China: 28%
increasing position in Asia > 35% of OE sales
Aftermarket Sales Growth in line with OE Sales
AFTERMARKET
SALES TREND
in €m

2014: ~1,500
2020: ~2,300
AFTERMARKET SALES TREND
in €m

2014 | Asia | Europe Americas | 2020
--- | --- | --- | ---
~1,500 | +400 | +300 | +100 | ~2,300
Continuous Increase in Profitability

Product Mix (Innovation)

Operational Excellence
STRONG PRODUCT MIX TREND

**GROWTH ENGINES**
- Valeo ~25%/Yr
- Market: +15%/Yr

**TRADITIONAL PRODUCTS**
- Valeo +2%/Yr
- Market: +0.3%/Yr

**2013**

**2019**

Higher profitability
Footprint optimization

Source: Valeo Estimates
FIXED COSTS
STRUCTURALLY REDUCED VS. SALES

Break-even point
% sales

79%

76%

71%

€7.6bn

€9.7bn

€14.3bn

2010

2014

2020
FIXED COSTS
STRUCTURALLY REDUCED VS. SALES

Break-even point % sales

79%

76%

71%

2010
7.6€bn

2014
9.7€bn

margin on variable costs (growth engines)

fixed cost / sales

2020
14.3€bn
RESEARCH & DEVELOPMENT

Priority to growth engines

Efficiency

Decrease in the gap between capitalization – amortization in % of sales

Geographic rebalancing
RESEARCH & DEVELOPMENT

- Priority to growth engines
- Geographic rebalancing

Efficiency
- Decrease of the gap between capitalization - amortization in % of sales

FUTURE

Net R&D EXPENSES
~5.5%
OVER 2015-2020
CAPEX

Lean manufacturing processes
Re-use of existing equipment
Capital allocation: priority to growth engines and Asia
Synergies with existing footprint (especially in China)
Standardization
CAPEX

Lean manufacturing processes
Standardization
Re-use of existing equipment
Synergies with existing footprint (especially in China)
Capital allocation: priority to growth engines & Asia

CAPEX: 4.5 - 5.0% of sales over 2015-2020
WORKING CAPITAL

Supply chain financing
Continuous inventory improvement
Negative WCR in North America & Europe

will offset longer customer payment terms in Asia

[Diagram showing arrows and themed text]
WORKING CAPITAL

Supply chain financing
Continuous inventory improvement
Negative WCR in North America & Europe

will offset longer customer payment terms in Asia

STABLE WORKING CAPITAL IN ABSOLUTE TERMS DESPITE SHARP SALE INCREASE IN ASIA
G&A EXPENSES

Intensification of digitalization strategy

Alignment on internal benchmark

Continuous improvement in efficiency
G&A EXPENSES

Intensification of digitalization strategy

Alignment on internal benchmark
Continuous improvement in efficiency

G&A EXPENSES ≤ 3.0% OF SALES IN 2020
2020 OPERATING MARGIN

- 2014: 7.2%
- 2017: ~8%
- 2020: [8%–9%]

* Including JV & Associates
EBITDA BY BUSINESS GROUP

as a % of sales

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<tr>
<th>Business Group</th>
<th>2014</th>
<th>2020</th>
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<tr>
<td>Comfort &amp; Driving Assistance</td>
<td>14.5%</td>
<td>~17.5%</td>
</tr>
<tr>
<td>Powertrain</td>
<td>12.3%</td>
<td>~13.5%</td>
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<tr>
<td>Thermal</td>
<td>11.1%</td>
<td>~12.5%</td>
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<tr>
<td>Visibility</td>
<td>10.6%</td>
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* 2012 as reported before IFRS 11
SIGNIFICANT CASH GENERATION
CASH CONVERSION RATE
>30% BY THE END OF THE PLAN

FCF/EBITDA


30%
21%

Operating margin increase
Control of CAPEX
Stabilized working capital

> 3€bn FCF* over 2015-2020

* before interest payment
ACTIVE ROLE IN POTENTIAL CONSOLIDATION OF SECTOR ACQUISITION POLICY

- Maintain a balance between distribution channels
  - Original Equipment
  - Aftermarket

- Privilege main strategic growth levers
  - CO₂ emission reduction and improvement of vehicle performance
  - Intuitive driving
  - Asia and emerging markets

- Bring new growth levers and/or reinforce our main successful product lines

- Along with:
  - Strict financial discipline
  - Return to shareholders
  - “Investment grade” status
# NEW 2020 FINANCIAL TARGETS

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<td><strong>Cash conversion rate</strong></td>
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<td>~28</td>
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<td>31</td>
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** Free cash flow / EBITDA with FCF before interests payment  
*** Operating margin including JV & Associates / capital employed excluding goodwill
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SAFE HARBOR STATEMENT

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