

## **EXHIBIT A**

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***MiFID II professionals/ECPs-only/No PRIIPs KID*** – *Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as the Notes are not available to retail in EEA or in the United Kingdom.*

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*No money, securities or other consideration is being solicited, and, if sent in response to the information contained herein, no money, securities or other consideration will be accepted.*

## CERTAIN DEFINITIONS

In this Offering Circular (except as otherwise defined in "*Terms and Conditions of the New 2025 Notes*" and "*Terms and Conditions of the 2028 Notes*", for purposes of that section only, or in our audited consolidated financial statements, which have been incorporated by reference into this Offering Circular) the following terms shall have the meanings set out below:

- References to "**our Group**" or the "**Group**" are to Faurecia and its consolidated subsidiaries, whereas references to "**Faurecia**" or the "**Issuer**" or the "**Company**" are to Faurecia S.E. References to "**us**", "**we**" or "**our**" are to the Group or to Faurecia, as the context requires;
- "**2026 Notes**" refers to €750 million in principal amount of 3.125% Notes due 2026, comprising €500 million in principal amount of 3.125% Notes due 2026 which we issued on 27 March 2019 and the Additional 2026 Notes;
- "**ADAS**" has the meaning ascribed to it in "*Summary – Our Company*";
- "**Additional 2026 Notes**" refers to €250 million in principal amount of 3.125% Notes due 2026 which we issued on 31 October 2019;
- "**2027 Notes**" refers to €700 million in principal amount of 2.375% Notes due 2027, which we issued on 13 November 2019;
- "**Clarion**" refers to Clarion Co, Ltd.;
- "**Clarion Acquisition**" refers to our acquisition of Clarion completed in 2019;
- "**Club Deal Loan**" means the €800 million loan incurred under the €800 million term loan facility agreement among us as borrower and various lenders dated 10 April 2020 (the "**Term Loan Facility Agreement**"). The Term Loan Facility Agreement is a 12-month term loan facility with an option to extend the maturity by 6 months;
- "**CO<sub>2</sub>**" refers to carbon dioxide;
- "**Coagent Electronics**" refers to Jiangxi Coagent Electronics Co. Ltd.;
- "**Cockpit of the Future**" refers to our development of products and technology for vehicle seating and interiors which are aligned with the increasing connectedness and autonomy of vehicles;
- "**FCE**" refers to Faurecia Clarion Electronics, our new business group created in 2019 combining the businesses of Clarion, Parrot Automotive SAS and Coagent Electronics;
- "**FCE Europe**" refers to Faurecia Clarion Electronics Europe, formerly, Parrot Faurecia Automotive SAS;
- "**g**" refers to the unit of mass, "gram";
- "**g/km**" refers to grams per kilometer;
- "**HMI**" refers to human-machine interfaces;
- "**ICE**" has the meaning ascribed to it in "*Summary – Our Company*";
- "**Initial Purchasers**" refers to BNP Paribas, Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities plc, Natixis and Société Générale;
- "**IVI**" refers to in-vehicle-infotainment;
- "**Japanese Yen Term and Revolving Facilities Agreement**" means the JPY30 billion term and revolving facilities agreement among us as borrower and various lenders dated 7 February 2020;
- "**kg**" refers to the unit of mass, "kilogram";
- "**km**" refers to the unit of distance, "kilometer";
- "**MaaS**" has the meaning ascribed to it in "*Summary – Our Competitive Strengths – Clear and focused strategy aligned with automotive megatrends – Shared mobility*";
- "**OEMs**" refers to Original Equipment Manufacturers;
- "**Offering**" refers to the offering by the Issuer of the Notes;
- "**Original 2025 Notes**" refers to €700 million in principal amount of 2.625% Senior Notes due 2025, which we issued on 8 March 2018;
- "**Refinancing**" refers to the issuance of the Notes offered hereby and the use of net proceeds therefrom, together with cash on balance sheet, to repay in full the Club Deal Loan;
- "**Schuldschein**" refers to €700 million in principal of private placement under German law in multiple tranches, which we issued in December 2018 and January 2019.
- "**Senior Credit Agreement**" means the €1,200 million senior credit agreement among us as borrower and various lenders, dated 15 December 2014 and amended and restated on 24 June 2016 and further amended and restated on

15 June 2018. In June 2019, pursuant to the Senior Credit Agreement, we exercised the maturity extension option, which was accepted by the lenders under the agreement. The Senior Credit Agreement is composed of a facility now maturing in June 2024 for an amount of €1,200 million of which €600 million was drawn in March 2020 and which remains outstanding as at the date of this Offering Circular. The facility under the Senior Credit Agreement is referred to herein as the "**Senior Credit Facility**"; and

- "**Sustainable Mobility**" refers to our development of products and processes which reduce CO<sub>2</sub> emissions, improve air quality, weight reduction, size reduction, energy recovery and the development of bio-sourced and renewable materials.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Faurecia is the parent company of the Group. This Offering Circular includes (i) unaudited consolidated financial statements of Faurecia as at and for the six months ended 30 June 2020 ("**2020 H1 Financial Statements**") and 30 June 2019 and (ii) audited consolidated financial statements of Faurecia as at and for the years ended 31 December 2019 ("**2019 Consolidated Financial Statements**") and 2018 ("**2018 Consolidated Financial Statements**"). Our (i) 2020 H1 Financial Statements, (ii) 2019 Consolidated Financial Statements, and (iii) 2018 Consolidated Financial Statements, incorporated by reference herein, also present comparable financial data for the six months ended 30 June 2019, the year ended 31 December 2018 and the year ended 31 December 2017, respectively. Our audited and unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union. Our (i) 2020 H1 Financial Statements, (ii) 2019 Consolidated Financial Statements and (iii) 2018 Consolidated Financial Statements, have been approved by our Board of Directors on 24 July 2020, 14 February 2020 and 15 February 2019, respectively. Our statutory auditors are Mazars LLP and Ernst & Young Audit. Mazars LLP replaced PricewaterhouseCoopers Audit as part of our standard audit rotation policy on 28 May 2019.

The unaudited financial information for the last twelve months ("**LTM**") ended 30 June 2020 presented in this Offering Circular has been derived by adding the audited financial information for the fiscal year ended 31 December 2019 to the corresponding unaudited financial information for the six months ended 30 June 2020 and subtracting the corresponding unaudited financial information for the six months ended 30 June 2019. Operating results for the LTM ended 30 June 2020 are not necessarily indicative of results for a full year or for any other period.

In this Offering Circular, references to "**euro**" and "**€**" refer to the lawful currency of the member states participating in the third stage of the Economic and Monetary Union under the Treaty Establishing the European Community, as amended from time to time.

We publish our audited and unaudited consolidated financial statements in euros. Some financial information in this Offering Circular has been rounded and, as a result, figures shown as totals in this Offering Circular may vary slightly from the exact arithmetic aggregation of the figures that precede them.

### *Constant Basis Presentation and Other Non-IFRS Measures*

Figures presented in this Offering Circular are calculated on an actual historical basis and, where noted, on a constant or "like-for-like" basis, which means that comparable items are presented using a constant consolidation scope but not using constant exchange rates, unless otherwise indicated. The percentage change from one period to another has generally been given on a "like-for-like" basis in order to eliminate the impact of changes in consolidation scope (that is, changes in the entities that we consolidate in our audited and unaudited consolidated financial statements due to acquisitions, divestures or mergers).

For comparison purposes, we restate sales to factor in acquisitions and joint ventures, which we refer to as "bolt ons". Exchange rates are restated only for sales which are reported in a currency other than euro and where we compare by applying the previous year U. S. dollar/euro exchange rate to both the previous year and the current year sales. The scope is restated by calculating this year sales as at the last year perimeter. In our 2017 Comparative Consolidated Financial Information (defined below), we restated sales to factor in exchange rate fluctuations and changes in perimeter, which we referred to as organic growth.

In this Offering Circular, we present our estimated order book (calculated on a three-year rolling basis) as of 31 December 2019, 2018 and 2017. Our order book represents the sales that we expect to record when we receive firm production orders, under contracts for vehicle programs that we have been awarded but which are not yet in production. The value of our order book as of any given date is based on the estimated production volumes of vehicle programs as well as their estimated lifetime. We discount the production volumes indicated by our customers based on factors including our management's knowledge of such customer, our historical relationship with such customer and internal and external industry forecasts. We do not increase the estimated production volumes beyond those estimates provided to us by our customers.

In addition, this Offering Circular includes certain supplemental indicators of performance and liquidity that we use to monitor our operating performance and debt servicing ability. These indicators include EBITDA, net debt, net cash flow, the value of our order book and, for periods prior to our implementation of IFRS 15, value added sales (as discussed below). These measures are unaudited and we are not required to present them under IFRS. Such indicators have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for analysis of, related indicators derived in accordance with IFRS. We use these non-IFRS financial measures in this Offering Circular because we believe that they can assist investors in comparing our performance to that of other companies on a consistent basis. However, our computation of EBITDA, net debt, net cash flow, value added sales and other non-IFRS financial measures may not be comparable to similarly titled measures of other companies. For example, depreciation and amortization can vary significantly among companies depending on accounting methods, particularly where acquisitions or non-operating factors including historical cost bases are involved. We believe that EBITDA, net debt and net cash flow, order book and the other non-IFRS financial measures, as we define them, are also useful because they enable investors to understand our performance over time, without the impact of various items that we believe do not durably

affect our operating performance. However, investors should not consider these measures as alternatives to measures of financial performance, operating results or cash flows that are determined in accordance with IFRS.

### ***Restatement of Comparative Financial Statements***

#### *Application of IFRS 15 – Revenue from Contracts with Customers*

We have adopted IFRS 15 (*Revenue from Contracts with Customers*) with effect from 1 January 2018. Our 2018 Consolidated Financial Statements, including "sales", therefore reflect the adoption of IFRS 15. As our application of IFRS 15 is retrospective, the consolidated financial figures as at and for the year ended 31 December 2017 which are included in our 2018 Consolidated Financial Statements for comparison purposes ("**2017 Comparative Consolidated Financial Information**") have been restated to reflect the application of IFRS 15. Financial information which is presented in this Offering Circular as at and for the year ended 31 December 2017 has been extracted from the 2017 Comparative Consolidated Financial Information and is presented as "restated".

We have set out at note 1.B to our 2018 Consolidated Financial Statements additional information relating to the adoption of IFRS 15, including tables setting out our consolidated statement of comprehensive income, consolidated balance sheet and consolidated cash flow statement as at and for the year ended 31 December 2017 showing the adjustments made as a result of the application of IFRS 15. For further information, see note 1.B to our 2018 Consolidated Financial Statements.

We have not restated our consolidated financial statements as at and for the year ended 31 December 2017 or for any period prior to that date to reflect the adoption of IFRS 15 and therefore financial information presented in this Offering Circular in respect of such dates or periods may not be directly comparable to financial information extracted from our 2018 Consolidated Financial Statements or our 2017 Comparative Consolidated Financial Information.

Prior to the adoption of IFRS 15, we reported "total sales" and "value added sales" in our audited consolidated financial statements both for the Group and by operating segment. Total sales consisted of sales of automotive parts and components to customers, or product sales, sales of tooling, research and development ("**R&D**"), prototypes and other services and sales of catalytic converter monoliths. Value added sales consisted of our total sales excluding sales of catalytic converter monoliths. Catalytic converter monoliths are a pre-packaged raw material component for catalytic converters, which are chosen by customers and sold on a "pass-through" basis with no mark-up. There was no difference between value added sales and total sales for our Faurecia Interiors and Faurecia Seating business groups. Following the adoption of IFRS 15, we report "sales" and no longer report "total sales" or "value added sales", with operating margins calculated using "sales".

#### *Application of IFRS 16*

We have applied IFRS 16 (*Leases*) with effect from 1 January 2019. We have applied IFRS 16 using the simplified retrospective method and, consequently we have not restated any of our consolidated financial statements for any prior period (including our unaudited consolidated financial statements as at and for the six months ended 30 June 2018, which are included in our unaudited consolidated financial statements as at and for the six months ended 30 June 2019 ("**2019 H1 Financial Statements**") for comparison purposes, or our 2018 Consolidated Financial Statements). As a result, our 2019 H1 Financial Statements, 2019 Consolidated Financial Statements and our 2020 H1 Financial Statements may not be comparable to prior periods.

IFRS 16, which is applicable to accounting periods beginning on or after 1 January 2019, eliminates the classification of leases as either operating leases or finance leases, as required by International Accounting Standards ("**IAS**") 17, and, instead, introduces a single lease accounting model.

We have set out at note 1.B to our 2019 Consolidated Financial Statements (which is incorporated by reference into this Offering Circular) additional information relating to the adoption of IFRS 16, including transition measures, general principles and the main impact of the first application of IFRS 16 on the financial statements. See note 1.B to our 2019 Consolidated Financial Statements.

## SUMMARY

*The following summary highlights selected information contained elsewhere in this Offering Circular. Accordingly, this summary may not contain all of the information that may be important to you. We urge you to carefully read and review this Offering Circular in full, including the documents incorporated by reference herein, in order to fully understand the Group. You should also read the "Risk Factors" section in this Offering Circular to determine whether an investment in the Notes is appropriate for you.*

### **Our Company**

We are a top ten global automotive technology supplier by revenue, focused on developing innovative solutions for Sustainable Mobility and the Cockpit of the Future. We have adopted a transformation strategy which is designed to benefit from the four major trends disrupting the automotive industry: connectivity, autonomy, ride-sharing and electrification. Through our Sustainable Mobility strategy, we are facilitating the transition to clean mobility by developing solutions for fuel efficiency, zero emissions and air quality. Our Cockpit of the Future strategy provides solutions for a more connected, versatile and predictive cockpit, responding to the increasing trend for autonomous and connected vehicles.

The Company is organised in four business groups: Faurecia Clean Mobility, Faurecia Seating, Faurecia Interiors and Faurecia Clarion Electronics. We have leading market positions in our three of our four business groups (Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors) and we are seeking to become a leader in cockpit electronics through our most recent business group, Faurecia Clarion Electronics. We estimate that at least one third of vehicles in service in the world were originally equipped with at least one product manufactured by us.

***Faurecia Clean Mobility.*** We design solutions for Internal Combustion Engines ("ICE") for passenger vehicles, commercial vehicles and high horsepower as well as technologies for both battery electric and fuel cell electric vehicles to drive mobility solutions and the industry towards zero emissions. We believe vehicles with ICE will continue to represent around 85% of the market in 2030 and our technologies will enable these to be ultra-clean and quiet. We estimate that we are currently the world's leading supplier of exhaust systems and components. In 2019, sales reached €4,653.5 million (26% of sales).

***Faurecia Seating.*** We design and produce seat systems that optimize the comfort and safety of occupants while offering premium quality to our customers. We develop innovative solutions for thermal and postural comfort, health and wellness and advanced safety to meet current market requirements as well as satisfy our Cockpit of the Future strategy. We estimate that we are currently the world's leading supplier of seat frames and mechanisms and the number three supplier of complete seats. In 2019, sales reached €6,973.3 million (39% of sales).

***Faurecia Interiors.*** We develop and produce full interior systems including instrument panels, door panels, centre consoles and acoustic and soft trim, as well as decoration, interior lighting and smart surfaces. We have strong expertise in seamless integration of interior modules and incorporating functionalities such as haptic surfaces, ambient lighting and displays. We estimate that we are currently one of the two global leaders in the supply of automotive interior systems. In 2019, sales reached €5,370.2 million (30% of sales).

***Faurecia Clarion Electronics.*** We launched our fourth business group, Faurecia Clarion Electronics in April 2019. Headquartered in Japan, it brings together the software and electronics expertise of three acquired companies, Clarion, Parrot Automotive SAS, now known as FCE Europe and Coagent Electronics as well as other acquisitions such as CovaTech and Creo Dynamics. We believe that the business group's core competences in electronics and software, sensors and computer vision, Artificial Intelligence and connected solutions as well as display and systems integration will help strengthen our position as a leading developer of the Cockpit of the Future and Advanced Driver Assistance Systems ("ADAS"). In 2019, sales reached €771.4 million (4% of sales).

For the year ended 31 December 2019, our sales amounted to €17,768.3 million compared to €17,524.7 million in 2018 and our EBITDA amounted to €2,404.3 million compared to €2,140.6 million in 2018. For the six months ended 30 June 2020, our sales amounted to €6,169.7 million compared to €8,972.0 million in the six months ended 30 June 2019, and our EBITDA amounted to €509.3 million compared to €1,170.8 million in the six months ended 30 June 2019. As at 31 December 2019, we employed approximately 115,500 people (including temporary workers) in 37 countries.

For the year ended 31 December 2019, our order book for sales (calculated on a three-year rolling basis) was €68 billion, a record level for us, compared to €63 billion at the end of 2018 and €62 billion at the end of 2017.

### **Customers**

We maintain close relationships with almost all of the world's leading car manufacturers and work closely with customers to develop the design and functionality of our products. Each of Volkswagen, Ford, the Renault-Nissan-Mitsubishi alliance, Groupe PSA and Fiat Chrysler accounted for more than €1.0 billion of our sales in 2019.

We are successfully developing and implementing customer vehicle production programs on a global scale. We have a broad geographic footprint, and are one of the few automotive equipment suppliers with the capacity to supply automakers' global programs where the same car model is produced throughout several regions.

We are involved in all stages of the automotive equipment development and supply process. We design and manufacture automotive equipment adapted to each new car model or platform, and conclude contracts to provide these products

throughout the anticipated life of the model or platform (usually between five and ten years). Our customers rely increasingly on global platforms, based upon which they will produce a variety of car models. This allows us to decrease costs through a greater commonality of components, and to benefit from components or modules which can be used in more than one generation of cars. We participate in this evolution by offering generic products associated with our customers' platforms, such as standard seats frames.

The quality of our products is widely acknowledged among automakers. As at 31 December 2019, we had 789 programs in development (including Faurecia Clarion Electronics). In 2019, we successfully launched over 220 programs, in 133 plants across 23 countries, including for vehicles such as Porsche Cayenne Coupé, the Vinfast Lux, the Ford Explorer, and the Peugeot 208 and 2008. We ensure the quality of our products through our Faurecia Excellence System, a rigorous set of project management procedures and methodologies, and by the expertise of approximately 8,500 engineers and technicians who design products and develop technological solutions. This enables us to maintain very close relationships and to be strategic suppliers to many of our customers.

## Our Competitive Strengths

### *One of the top three global players in Clean Mobility, Seating, and Interiors*

Based on our estimates, we have leading market positions in three of our four business groups. In 2019, we estimated that Faurecia Seating was, globally, a leader in seating solutions and the leading supplier of frames and mechanisms for seats and the number three supplier of complete seats, Faurecia Interiors was one of the two leading suppliers of interior systems and Faurecia Clean Mobility was the leading supplier of clean mobility solutions.

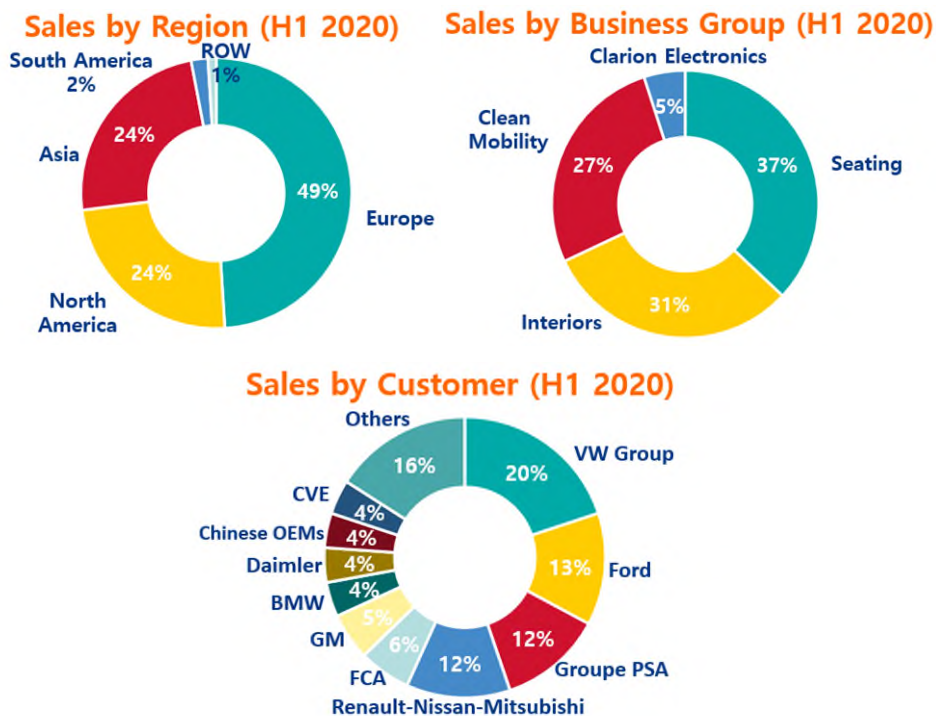
Our market leadership in Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors, and our global platforms are significant strategic advantages as customers typically look to well-established suppliers when awarding new business.

We believe that our market leadership in three of our four business groups positions us well for future growth, allows us to negotiate favorable terms from our suppliers and to further diversify our business model.

### *A key partner for a broad and diversified base of OEMs around the globe*

We believe that the high degree of diversification through our business groups, our geographic presence, and our number of customers and range of products limit our exposure to adverse changes in the global or local economic environment and in the various end-markets we serve, while simultaneously mitigating counterparty risk. This high degree of diversification in turn supports the resilience of our revenues and our profitability.

The following charts show our sales for the six months ended 30 June 2020 by region, business group and customer.



In the six months ended 30 June 2020, sales in Europe, North America, Asia and South America were 49%, 24%, 24% and 2%, respectively, compared to 50%, 26%, 19% and 4%, respectively in the six months ended 30 June 2019.

In recent years we have further increased our customer diversification. In 2019, our two largest customers accounted for 33% of sales compared to approximately 48% of total sales in 2008. We also further increased our geographic diversification by increasing the share of our North American and Asian sales. In 2019, sales in Europe, North America and Asia were 49%, 25% and 21% of sales, respectively compared to approximately 74%, 15% and 6% of total sales,

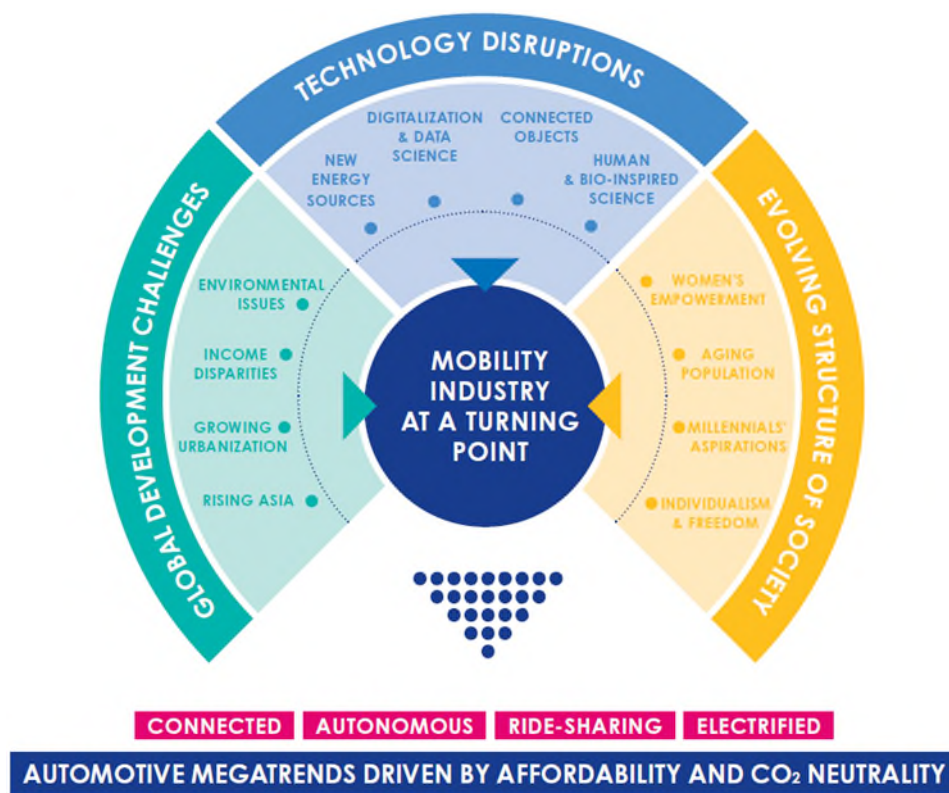
respectively, in 2008. This increased diversification reduces our exposure to a single geographic area, end-market, automaker or car model.

We benefit from a global customer base. Although Japanese and South Korean automakers tend to use their own network of suppliers, we managed to become a supplier to Nissan and Hyundai. We are present on most market segments, from entry-level models to premium and luxury cars, which make us less vulnerable to the parameters which may affect one particular segment. We also benefit from revenue visibility and stability, due to the inherent difficulties automakers face when changing suppliers in the midst of the development and production of a car model, and from a high renewal rate of our programs.

**Clear and focused strategy aligned with automotive megatrends**

Significant global trends are impacting the automotive industry. Those global trends include: climate change, resource scarcity, growing and ageing populations, economic power shifting to Asia and urbanization. At the same time, technological developments continue to accelerate, transforming daily life and generating new business models. As a result of these technological developments, the evolving structure of society and global development challenges, we believe that the automotive industry is at a turning point. We believe that the consequence of these trends on the automotive industry is a radical increase in mobility which is becoming connected, autonomous, shared and electrified.

We have anticipated these trends and developed a strategy to benefit from them with our solutions for Sustainable Mobility and Cockpit of the Future. We estimate that the addressable market for Sustainable Mobility will reach €46 billion by 2030. We estimate that the addressable market for the Cockpit of the Future will reach €73 billion by 2030.



**Connectedness**

Vehicles with connected capabilities already exist and are becoming increasingly common. The trend for connected vehicles is driven by legislation for increasing safety, increasing customer expectations for infotainment and technological developments for autonomous cars. Connectivity will allow continuous monitoring of vehicles and passengers, the ability to upgrade software in vehicles and will provide passengers with access to a wide range of services, including for safety and on-board user experiences for comfort, well-being, productivity and entertainment. We believe that vehicles will become an integrated device in users' "connected lives" and consumers will demand the same level of service and convenience from their cars as from their smartphones or tablets. The introduction of mobile 5G will enhance connectivity through better quality network coverage and higher bandwidth. According to industry estimates, by 2025, 90% of all new cars sold will be connected (source: *Accenture*).

**Autonomous**

Autonomous vehicles will provide drivers with the opportunity to engage in activities not previously possible while driving, such as relaxing, working and socializing. The level of autonomy in a vehicle is assessed from level 0 to level 5, where level 0 signifies no automation in a vehicle and level 5 is fully autonomous. Autonomous technology for level 3 and level 4 currently exists, however, we believe it is unlikely to see rapid deployment due to high cost and an undefined regulatory framework. We believe that robotaxis are likely to be the first mass application of autonomous vehicles with



thousands of vehicles already on the road in pilot programs, while private cars are likely to remain focused on ADAS levels 1 and 2 systems for the foreseeable future. Accordingly, we expect the automotive industry will need to extend its value-proposition to deliver new user experiences. In this context, we expect vehicle interiors will undergo a significant development and the Cockpit of the Future will be connected, versatile and predictive. Based on industry estimates, by 2030, between 15 to 25% of vehicles will allow level 2 and above category of driving automation and 6 to 14% of vehicles will allow level 4 category of driving automation (source: *Accenture*).

### *Shared mobility*

Connectivity is also impacting the way users see mobility, as they begin to use new solutions, particularly in urban settings. Ride-sharing services and car-sharing services are experiencing significant growth, driven in particular by city strategies for improved mobility. The introduction of autonomous vehicles as robotaxis (which is an example of the concept of "mobility as a service" or "**MaaS**") should accelerate the shift by significantly reducing costs per kilometer. For MaaS operators to differentiate themselves, the quality of the user experience will be key. As a result, we believe that users of shared mobility will demand personalization of a vehicle's interior and digital continuity. Mobility operators will need to determine how to offer the best and smoothest customer journey integrating services and multimodal mobility. MaaS operators will therefore become strong vehicle, cockpit and interior specifiers, requesting specific capabilities and functionalities to support their services.

### *Electrification*

The powertrain mix is rapidly evolving towards electrification, due to environmental concerns and pressure from regulators and society. Whilst different countries are moving towards zero emissions at different speeds, we expect that as technologies mature, we will see a rapid increase in the number of hybrid vehicles, battery electric vehicles ("**BEV**") and fuel cell electric vehicles ("**FCEV**"), which will co-exist as zero emissions alternatives. We believe that fuel cells are particularly adapted to commercial vehicles as they have a longer range and a faster re-fuelling time. We currently estimate that by 2030 approximately 2 million vehicles will be FCEVs. This trend towards zero emissions depends on a co-ordinated ecosystem that includes infrastructure and power supply providers. We currently estimate that, by 2030, over 55% of new cars sold could be electrified, with ICE hybrid vehicles representing 41% and BEV 13%.

### *Strategy aligned with automotive megatrends*

As the trends for electrification, connectivity, autonomous driving and ride-sharing accelerate, there are increasing business development opportunities for us in relation to new products, new customers and new business models including the following:

#### New Products

- accelerating innovation for powertrain electrification and investing in zero emissions solutions;
- focusing on short time-to-market technology bricks for the Cockpit of the Future adaptable to autonomous driving; and
- offering new functionalities through integrated electronics.






#### New Customers

- rising Asian OEMs developing vehicles adapted to Asian consumers;
- pure electric vehicle consumers;
- mobility operators, fleets and cities; and
- high horsepower engine manufacturers.

#### New Business Models

- increased role of personalized user experiences;
- upgradability, retrofit and connected services; and
- developing cybersecurity of connected products.

## Pioneer in technological innovations

|              | SUSTAINABLE MOBILITY  | COCKPIT OF THE FUTURE   | DIGITAL TRANSFORMATION & CARBON NEUTRALITY  |
|--------------|---|---|---|
| ACQUISITIONS | 2018<br>   | Parrot<br>AUTOMOTIVE  |   |
|              | 2019 - 2020<br>  |    <br>   |   |
| PARTNERSHIPS | 2018<br>   |      |    |
|              | 2019 - 2020<br>  |      |    |
| START-UPS    | 2018<br>  |   <br>    |   |
|              |    |     |   |

We are a pioneer in technological innovations in the automotive sector, as highlighted by our consistent track record of award winning innovations. We operate 37 research and development centers worldwide and employ approximately 8,500 engineers. In 2019, we filed 608 new patents, compared to 403 in 2018.

In 2019, we allocated €1,329.7 million to gross R&D costs of which management estimates that €235 million was allocated to research and innovation expenses, an increase of €55 million compared to 2018.

Given the pace of technological change and the need for the efficient development of new products, we have developed an open innovation ecosystem to accelerate the integration of new competences and the time-to-market of our products. This innovative, collaborative ecosystem incorporates non-rival alliances with global industry leaders, investment in start-ups, collaboration with academic institutions and active participation in associations and think tanks for sustainable mobility.

### Strategic and technology partnerships

To rapidly accelerate development in key areas, we have developed partnerships with other industrial or technology companies. In 2019, we entered into new partnerships with Spika SAS (Michelin Group) ("**Michelin**") for fuel cell systems, with Microsoft to develop more digital services for the Cockpit of the Future, with Aptoide S.A. ("**Aptoide**") to develop and operate Android app store solutions for the global automotive market, with Devialet SA ("**Devialet**") to develop premium automotive audio solutions and Allwinner Technology Co., Ltd ("**Allwinner**") for the Cockpit of the Future.

### Investment in start-ups and technology platforms

Faurecia Ventures, the Group's investment fund, advances our innovation strategy by identifying, incubating and investing in start-ups with relevant technologies for Sustainable Mobility and the Cockpit of the Future.

In 2019, we made initial investments in two start-ups: Outsight for sensors and GuardKnox for cybersecurity. In 2020, we acquired a Canadian start-up, IRYStec Software to enhance user experience of cockpit display systems.

We also collaborate with local start-up ecosystems via technology platforms. They allow the Group to scout start-ups, establishing strong connections in major innovation clusters, and to closely follow emerging trends and new technologies. The Group's platforms are located in the Silicon Valley, Toronto, Shenzhen and Tel Aviv. The Tel Aviv platform was inaugurated in 2019 and concentrates on cyber security.

### Academic partnerships and collaborative innovation

We work with over 25 academic organizations in open innovation networks, to test, assess and develop prototypes in order to obtain the relevant information to position research for the Group. Important partnerships include those with Stanford University in the USA, the Collège de France, the French Commission for Atomic Energy and Alternative Energies and the Indian Institute of Science in Bangalore, as well as a collaboration between Dortmund and Supelec.

### Collaborative approach to promoting sustainable mobility solutions

We are a member of the corporate advisory board of Movin'On, an innovative and collaborative think tank aimed at defining mobility trends and setting up pre-competitive studies between the partners. Through its communities of interest

Movin'On develops a common vision on specific topics and promotes collaborative intelligence to experiment new mobility solutions.

We are also part of the executive group of the Hydrogen Council. The Hydrogen Council is a global initiative of leading energy, transport and industry companies with a united vision and long-term ambition for hydrogen to foster the energy transition.

### ***Strong operational excellence driven by Total Customer Satisfaction***

#### *Our Total Customer Satisfaction Program*

We initiated our Total Customer Satisfaction program in 2018 and we believe that it is a key driver for operational excellence and a key factor in our commercial differentiation from competitors. The program aims at capturing a holistic picture of customer satisfaction and feedback, both in term of performance and perception of the overall value chain, from order taking to the start of production. Beyond traditional quality measures, customer feedback is collected immediately and transparently through a dedicated Customer Satisfaction digital application which allows for constant interaction with customers. Based on this, we systematically implement action plans to improve customer satisfaction through the robustness of our launch performance and operational excellence to support sustained customer loyalty. The program was a key focus for us in 2019 and is an important element in our relationship with our customers as well as an integral part of our culture.

Our Total Customer Satisfaction program comprises initiatives such as: the Faurecia Excellence System, the Plant Ranking Initiative and our Digital Manufacturing initiatives.

#### *The Faurecia Excellence System*

The Faurecia Excellence System ("**FES**") is our core operations system governing the organization of our production and operations. It is designed to continuously improve quality, cost, delivery and safety and thereby sustain and improve the operational performance of our production sites around the world through common working methods and language. We believe that this approach is fundamental to enable us to deliver the same level of quality and service throughout the world. The FES complies with applicable quality, environmental and safety standards of the automotive industry (ISO/TS 16949, IATF 16949, ISO 14001, OHSAS 18001).

In 2019, we redesigned the Faurecia Excellence System to support our joint goals of Total Customer Satisfaction and sustainable operational performance and deployed it across our Group. Renamed "**FES X.0**", it provides a clearer, more pragmatic and comprehensive system approach designed to ensure that all employees understand their expected role. The redesigned system was launched through a major global communication and education program consisting of management workshops, multiple new digital learnings and reference documents (FES X.0 Handbook) and a global knowledge-embedding tool for our managers. We believe that FES contributes to the success of our Total Customer Satisfaction program and impacts our financial performance.

#### *Plant Ranking Initiative*

In 2018, we launched a plant ranking initiative which is based on a monthly assessment to promote comparative analysis between production sites. Using a specific tool, plant managers are able to compare their plant's performance with any other of our plants. The initiative is designed to encourage sharing of best practice, reduce performance gaps and promote competition between sites. In 2019, the plant ranking criteria was updated to provide greater weight to key performance indicators from our Total Customer Satisfaction program.

#### *Digital Manufacturing*

We have introduced digital technology to improve operational efficiency and transform working practices in our production facilities. In 2017, we deployed digital management tools as part of our Digital Enterprise strategy throughout our production processes and supply chain, including real-time information sharing, collaborative robots and autonomous guided vehicles, to optimize assembly automation, quality control and production efficiency. By the end of 2019, 680 collaborative robots and 920 automated guided vehicles had been installed at Faurecia production sites. More than a hundred of our factories have digital production dashboards, allowing real-time information sharing on the operation of production lines. Digital management tools and the use of "big data" to provide more control over manufacturing processes increases the potential to continue to improve the performance of our industrial assets. We have introduced artificial intelligence solutions for visual inspections of parts in order to improve quality and reduce process variability. We believe that the digitalization of the manufacturing system will strengthen plant performance.

#### *Awards and New Order Intake*

We believe that the numerous awards that we have received from our customers and our record order intake over the last few years demonstrates the confidence of our customers in our Total Customer Satisfaction strategy. We are a strategic partner of many of our major customers, receiving 48 customer recognition awards in 2019 for global performance, manufacturing excellence, cost savings and innovation. In particular, and for the second consecutive year, we received a supplier award at the 2019 Groupe Renault Supplier event for our operational performance.

For the year ended 31 December 2019, our order book for sales was a record €68 billion (calculated on a three-year rolling basis) which is a new record for us. Notable new business awarded to us in 2019 included:

- first seat frame platform for Volvo and the complete seat for Volkswagen ID Buzz and the Audi PPE;
- door panel businesses for BMW 7 series and Mercedes S-class for premium interiors;
- clean mobility and interiors for GM and the next generation Ford 250/350 complete seats; and
- contract with Tesla for interiors and seating as well as with Hyundai (commercial vehicles) for fuel cell tanks and systems.

Among others, we also achieved the following recognition awards over the last two years:

- PACE award at the Automotive News magazine's PACE awards for developing the "Resonance Free Pipe™" (RFP™);
- supplier award at the General Motors' 2019 Supplier of the Year event;
- four "Winner" and two "Special Mention" awards at the 2020 German Innovation Award competition;
- outstanding program leadership award at the EcoVadis annual 2020 Sustainability Leadership Awards;
- supplier award at the 2019 Groupe Renault Supplier event for our operational performance;
- two innovation awards at the 2019 Shanghai Automotive Show for our Cockpit of the Future innovations;
- "Best Quality Mindset award" at the Groupe Renault Suppliers event for our Pitesti (Romania) plant in 2019;
- two German Innovation Awards for our "Morphing Instrument Panel" and "Immersive Sound Experience", two of our Cockpit of the Future solutions, in 2018;
- innovation award at the 2018 Groupe Renault Suppliers event, for our innovative concept for future vehicle interiors; and
- EcoVadis Sustainable Procurement Leadership Award for the global excellence of our "Buy Beyond" sustainable procurement program in 2018.

#### ***Focus on profitability, financial discipline and resilience***

Our profitability and financial discipline form an important foundation for our transformation and sustainable value creation. Over the past several years we have achieved significant improvements in our profitability. Our operating income increased from 3.5% of value added sales in 2013 to 7.2% of sales in 2019. In particular, our operating income in North America increased from around 2.8% of value added sales in 2013 to 6.3% of sales in 2019, and our Faurecia Interiors business group improved its operating income from 1.8% of its value added sales in 2013 to 5.5% of its sales in 2019.

#### ***Focus on cash generation and resilience***

In 2018, we launched three global cost optimization programs:

- "Operations Execution and Digital Transformation" for increasing industrial efficiency;
- "Global Business Services" for a leaner cost structure; and
- "Global R&D Power" for engineering efficiency.

We have accelerated the implementation of these programs this year for the new post Covid-19 environment in the following manner:

- we have boosted our digital transformation in manufacturing and optimized the use of SAP software;
- we have extended our "Global Business Services" program to cover additional functions and our newly acquired companies;
- we have improved R&D and program management efficiency.

#### ***Convert2Cash program***

In May 2018, we launched our Convert2Cash program. Our program objectives were to: accelerate overdue customer collections to less than 0.5% of sales; converge inventories to benchmark (down 1 day every year); increase volume per supplier against improved payment terms; improve our development cost and tooling cash cycle; and optimize capex through standardization, utilization and re-use.

By the end of 2019, our overdue customer collections were down 25% compared to the end of 2017; inventories were adjusted to the drop in volumes; reverse factoring was put into place in all regions; capex was down by 7% as a result of equipment re-use.

Our next steps for this program include the integration of FCE and SAS.

### *Structural actions and cost flexibility*

We are also implementing structural changes to make our cost structure more flexible in order to increase our agility and resilience. We aim to rationalize and optimize our industrial footprint and tightly manage our direct and indirect headcount, in addition to other selling, general and administrative cost-cutting measures. These measures have become increasingly important to us in the post Covid-19 environment.

We generally seek to pass through increased raw material costs to our customers through a variety of means. Certain raw material cost fluctuations, such as for monoliths, are directly passed through, whilst others are passed through (typically with a time lag) through indexation clauses in our contracts. In addition, we seek to pass through certain other raw material costs to customers through periodic price reviews that are part of our contract management. Our ability to pass through such costs has had a positive impact on our margins and profitability.

We seek to achieve steady and predictable levels of capital expenditure and working capital. We are still planning to grow while limiting our capital expenditure and capitalized R&D requirements by seeking better capital expenditure allocation. Our three-year order intake for the period 2017 to 2019 was €68 billion, compared to €53 billion for the period 2014 to 2016. Subject to the expected future global growth of vehicle production following Covid-19, we believe that our order book strongly supports our future sales and growth objectives.

### ***Two experienced governance bodies driving strategy and execution***

We have two governance bodies, the Board of Directors and the Executive Committee, responsible for deciding and implementing our strategy.

#### *The Board of Directors*

The Board of Directors oversees our business, financial and economic strategies. This 15-member body, including 8 independent board members and 2 board members representing employees, meets at least four times a year. Three permanent committees are tasked with the preparation of discussions on specific topics: the Audit Committee, the Governance and Nominations Committee and the Compensation Committee. They make proposals and recommendations and give advice in their respective areas.

With their diverse backgrounds, experience and skills, our board members offer us their expertise, support in defining our strategy and tackling the challenges that we face within the context of our transformation and strategic direction.

#### *The Executive Committee*

Our executive functions are performed by an Executive Committee that meets monthly to review our results and oversees our operations and the deployment of our strategy. It discusses and prepares guidelines on important operational subjects, and its decisions are then deployed throughout the Group.

Under the responsibility of the Chief Executive Officer ("**CEO**"), our Executive Committee is comprised of the CEO and 13 Executive Vice-Presidents of the Group's international business groups and support functions.

#### *Experienced Management Team*

Our management team has significant experience in the industry. Patrick Koller, our CEO, has been with the Group since 2006. Prior to becoming our CEO, he was Executive Vice President at our Faurecia Seating business group from 2006 to 2015. Michel Favre, our Chief Financial Officer, has been with the Group since 2013. Prior to becoming our Chief Financial Officer, he was Executive Vice President (Financial Controlling and Legal) at Rexel SA from 2009 to 2013, Chief Financial Officer at Casino Guichard-Perrachon SA from 2006 to 2009 and Chief Financial Officer of Altadis SA from 2001 to 2006. He also held a number of senior financial and operational roles with Valeo SA over a 13-year period including Vice President of the Lighting Branch from 1999 to 2001. The majority of the members of our Executive Committee have spent most of their careers in the automotive industry. We believe that the experience, industry knowledge and leadership of our management team will help us implement our strategy described below and achieve further profitable growth.

### **Strategy**

We have adopted a transformation strategy to benefit from the four major trends of connectivity, autonomous driving, new mobility solutions and electrification which are disrupting the automotive industry. Our strategy is to develop innovative solutions for Sustainable Mobility and the Cockpit of the Future.

Through our Sustainable Mobility strategy, we are facilitating the transition to clean mobility by developing solutions for fuel efficiency, zero emissions and air quality. Societal and political pressure on the automotive industry to reduce emissions has never been higher. As stringent new regulations are introduced around the world, and with demand for electrified vehicles consistently increasing, we have made sustainable mobility a strategic priority. We are addressing the major segments for internal combustion engines and electric vehicles by developing solutions for light vehicles, commercial vehicles and high horsepower engines.

Our Cockpit of the Future strategy provides solutions for a more connected, versatile and predictive environment, and responds to the increasing trend for autonomous and connected vehicles. The Cockpit of the Future will allow

personalized consumer experiences combining functionalities such as infotainment, ambient lighting, postural and thermal comfort and immersive sound.

We believe that we are uniquely positioned to deliver solutions for Sustainable Mobility and Cockpit of the Future through our leading market positions in our Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors businesses and through the creation of Faurecia Clarion Electronics, our fourth business group.

We refer to the potential market for products and services which meet these strategic priorities as "New Value Spaces". In 2019, our order intake for sales in New Value Spaces represented 17% of our order intake compared with 12% in 2018, amounting to €4.1 billion of which commercial vehicles, high horsepower engines and other sustainable mobility solutions represented €1.5 billion of orders and Cockpit of the Future represented €2.6 billion of orders.

#### *Sustainable Mobility*

Our strategic roadmap for Sustainable Mobility focuses on the following three areas:

- developing electric vehicle solutions for light and commercial vehicles;
- developing ICE solutions for light vehicles; and
- developing ICE solutions for commercial vehicles and high horsepower engines.

*Sustainable Mobility – Electric Vehicle Solutions for Light and Commercial Vehicles:* Our strategy for zero emissions is focused on BEVs and FCEVs. We are seeking to become a leading player in battery housing for BEVs, including thermal management, in particular for dual power BEVs and FCEVs. We have four program awards in all regions and expect to sell, through our battery housing, up to €15 per kWh of battery capacity installed in the vehicle.

Whilst they have not reached large scale production yet, we believe FCEVs offer some advantages over BEVs, in particular for heavy and long range vehicles in terms of autonomy and charging time. We believe FCEVs and BEVs will coexist for different applications with fuel cell being particularly appropriate for light commercial vehicles and commercial vehicles due to their superior total cost of ownership and increased convenience.

A complete hydrogen fuel cell system comprises the hydrogen storage system and the fuel cell stacks system. We are currently developing hydrogen storage systems which have increased autonomy, reduced cost and high reliability. The Group has 350 and 700 bar EC79 homologated tanks and already has two business awards.

We estimate that in 2025, the content we could supply per vehicle for FCEVs would increase up to €40,000 in commercial vehicles and €8,000 for light vehicles. Our high content per electric vehicle means that an aggressive electrification scenario of 30% electric vehicles in 2030 would accelerate our growth.

In 2019, we set up a joint venture with Michelin, incorporating each of its fuel cell related activities, including its subsidiary Symbio, with our fuel cell related activities with the aim of creating a world leader in hydrogen fuel cell systems. Moreover, in 2020, we acquired Ullit for high-pressure tanks. We believe this acquisition with Ullit's patented technology for impermeable tank shells will help reinforce our unique hydrogen ecosystem.

*Sustainable Mobility – ICE solutions for Light Vehicles:* The requirement for increasing content in the powertrain to meet emissions control regulations, as well as the need for significant reduction in CO<sub>2</sub> emissions, drive the need for several of our key technologies which we estimate will increase the overall value of the exhaust line by 20% by 2030.

The key technologies for fuel economy and emissions reduction that are already in production or will be by 2025 are the Electric Heated Catalyst ("**EHC**") solutions including a pre-heating function that can give a near zero emissions vehicle, and a combined Exhaust Gas Recirculation ("**EGR**") / Exhaust Heat Recovery Systems ("**EHRS**") which can give over 3% CO<sub>2</sub> savings.

In terms of ultra-quiet vehicles, we offer an advanced exhaust line architecture, electric valves and resonance free pipes.

*Sustainable Mobility – ICE solutions for Commercial Vehicles and High Horsepower Engines:* We are anticipating the ongoing emissionization of all commercial vehicles, particularly in growth markets like China and India, where regulations are converging towards European and North American standards. Technologies such as our heated doser contributes to ultra-low NO<sub>x</sub> emissions by operating efficiently even at lower temperatures and is compatible with current and future after treatment architectures. Our technologies give an increased content per vehicle of 30% for commercial vehicles.

In 2018, we acquired Hug Engineering, the European leader in complete exhaust gas purification systems for high horsepower engines. Post-2020, stringent regulations are being implemented in all regions both for stationary and marine applications and the market is shifting towards more OEM solutions from project-based manufacturing. We estimate that ICE would continue to represent 85% of the market in 2030, with content per vehicle to increase by 20%. We currently have an order book of over €1.5 billion for ICE innovation.

#### *Cockpit of the Future*

From our leading position in our Faurecia Seating and Faurecia Interiors business groups, we have undertaken a series of acquisitions and partnerships which gives us a unique position in interior modules and systems architecture. The creation of Faurecia Clarion Electronics, regrouping the complementary technologies of Clarion, FCE Europe and Coagent

Electronics, technology companies CovaTech and Creo Dynamics, as well as an ecosystem of start-ups and partners, provides us with the electronics, software, computer vision and artificial intelligence competences to deliver on our vision of the Cockpit of the Future.

In January 2020, we completed the acquisition of the remaining 50% of our joint venture with Continental Automotive GmbH on 30 January 2020, a project that was announced on October 14, 2019. SAS Autosystemtechnik GmbH und Co., KG ("SAS") is a key player in complex interior module assembly and logistics with sales of around €740 million (IFRS15) in 2019 and employing around 4,490 people. This acquisition reinforces our Cockpit of the Future strategy and its systems integration offer which now covers all interior modules as well as functionalities such as lighting and thermal management. It also strengthens our "Just in Time" plant network with 20 facilities in Europe, North and South America and China.

*Advanced Safety, Comfort and Wellness, Immersive Experiences Health and Wellness:* Autonomous driving will lead to the development of new uses for the interior of vehicles. As occupant positions may no longer need to be fixed facing forward and upright, users will have more freedom to do other tasks during their journey. Through our partnership with ZF Friedrichshafen AG ("ZF"), we are developing safety systems so that passengers can continue to travel safely in any seated position, whether they are driving, working or relaxing.

We are also developing solutions that provide an optimal onboard experience and enhance wellness. Through close monitoring of the thermal and postural comfort of the occupants, the cockpit will learn each occupant's preferences over time and leverage artificial intelligence to make adjustments so that people feel better at the end of their journey.

In terms of personalized sound experiences, we are combining activated sound surfaces, smart headrests integrating local ANC, IP and telephony, and high-end premium sound, such as that provided through our partnership with Devialet.

*Connected services:* We are focused on developing "smart surfaces" for drivers' expecting greater intuitive interaction with their vehicles. "Smart surfaces" combine traditional vehicle interior surfaces, such as the dashboard, with digital displays that are able to control cockpit temperature, sound and lighting. Increased connectivity in vehicles will drive new business models for upgradability, retrofit and services across the vehicle lifetime. We have developed a number of partnerships for connected services: with Microsoft for cloud connectivity, with Accenture for digital services and with Aptoide for an automotive app store.

We have created a 50/50 joint venture with Aptoide, one of the largest independent Android app stores to develop and operate Android app store solutions for the global automotive market. This joint venture offers OEMs an affordable and secured automotive apps market, available worldwide with adaptable content per region. The Aptoide app store offers one million Android apps covering a variety of use cases such as gaming, navigation, content streaming services, point of interest recommendations or parking. Aptoide also offers an integrated secure payment mechanism supporting OEM strategies for service monetization, whilst securing the vehicle and occupants' data privacy.

### *Sustainable Development*

We recognize our responsibility as a company to make a positive contribution to society and to all stakeholders. We seek to ensure that our commitment to sustainable development is an integral part of our corporate culture, "Being Faurecia". Within this cultural framework, we have defined six convictions and six values that guide our actions and behaviours. These convictions have been broken down into various action plans which focus on three areas: Planet, Business and People.

- *Planet:* Our actions consist of starting to reduce the carbon footprint of our sites and activities through energy and transport purchases. We are also addressing the carbon footprint of our products by using more environmentally-friendly materials and processes. We have an ambition to be CO<sub>2</sub> neutral by 2030. In 2019, we appointed a "carbon neutrality" project manager whose role is to develop and implement our strategy to achieve carbon neutrality for our business groups by 2030 (scope 1, 2 and partially, 3).
- *Business:* Our actions consist of innovating and developing solutions for increasingly clean mobility. With organizations being challenged to be increasingly agile and faster, we work towards being more vigilant and compliant with the highest ethical business standards. Our goal is to become the preferred referent partner of sustainable mobility in the market.
- *People:* Our actions consist of implementing stringent workplace safety and risk prevention policies. To prepare the teams for future changes, we provide many different types of training to as many employees as possible. To attract and develop talent, we favor a more inclusive culture. As a global company, our goal is to increase our role towards society by contributing to solving social issues.

In line with our convictions, we adhere to international initiatives for sustainable development. The Group is a signatory of Global Compact and respects the ambitions of the 17 Sustainable Development Goals of the United Nations. Amongst these the Group has identified those that are particularly relevant to our corporate social responsibility strategy. We are also a signatory of the French Business Climate pledge and have committed to following the recommendations of the Task Force on Climate Financial Disclosure. The Group also has a partnership with Ecovadis to evaluate the performance of our suppliers.

## Refinancing

The issuance of the Notes in this Offering is intended to extend our debt maturity profile and further strengthen our balance sheet. The net proceeds of the Notes, together with cash on balance sheet, will be used to repay our Club Deal Loan in full. See "*Description of Other Indebtedness*" for further details regarding our outstanding indebtedness and the principal terms and conditions of our other debt instruments.

## Recent developments

### *Impact of Covid-19 in H1 2020*

The first six months of 2020 were strongly impacted by the global spread of the Covid-19 pandemic that heavily impacted the automotive industry and all sectors of the economy. As a consequence of the temporary shutdown of most of our customers' production sites around the globe, we also had to stop production in a large number of our sites during this period.

In line with the rapid expansion of the Covid-19 pandemic in different parts of the world, Asia (24% of Group sales in H1 2020) was the first region to be impacted, with a low point for sales in February and gradual recovery from March onwards. Since May, our sales in China have increased compared to sales for the same period in 2019. Europe and North America (73% of Group sales in H1 2020) faced a low point for sales in April, with gradual recovery from May onwards. In June, sales in Europe and North America were still 22% and 14% lower than 2019 sales in the same period respectively.

Overall, for the six months ended 30 June 2020, our sales amounted to €6,169.7 million, an organic reduction of €3.2 billion due to the Covid-19 pandemic, or a decrease of 35.4% at constant scope and currencies. The global decline in automotive production in this period was 34.4% (source: *IHS Markit data July 2020*). Although we therefore slightly underperformed the market overall at the Group level, this was primarily as a result of the relative proportion of our sales in different regions, as we believe that we outperformed the market in all regions except in North America. There was a positive scope effect in our H1 2020 Financial Statements in an amount of €206.9 million, as a result of the consolidation of SAS since 1 February 2020 (5 months), and an amount of €210.2 million as a result of the consolidation of Clarion (which contributed for four months more than in 2019).

In the light of this unprecedented situation, we immediately implemented a strong action plan with three priorities, to react to the crisis:

- the first priority was the health and safety of all employees as well as creating the right conditions for a safe restart of production, learning from our successful experience in China;
- the second priority was the close management of the Group's liquidity and the protection of a sound financial structure. To this end, we have drawn €600 million out of our €1.2 billion Syndicated Credit Facility, signed the Club Deal Loan of €800 million and extended our factoring program to the newly integrated SAS business. In addition, the Board of Directors took the decision, approved by shareholders at the Annual General Meeting on 26 June 2020, to cancel our 2020 dividend; and
- the third priority was to deploy quick actions to further improve the Group's resilience, in addition to the continuous improvements since mid-2018, and to limit the impact of the sharp decrease in sales on our operating income.

As a result of this efficient action plan, we succeeded in containing the decrease in operating income to €758.7 million (from a profit of €644.8 million for the six months ended 30 June 2019 to a loss of €113.9 million for the six months ended 30 June 2020) despite a decrease in sales of €3.2 billion at constant scope and currencies. Through resilience actions such as flexibilization of direct and indirect labor costs (including making use of temporary government relief measures), flexibilization of manufacturing costs, reduction of R&D net expenses and strict control of selling, general and administrative expenses, we were able to generate savings of €536 million during the first six months of 2020. In particular, despite the scope effect from both Clarion and SAS, net R&D expenditure was reduced by 7.9% (€182.7 million for the six months ended 30 June 2020, compared to €198.4 million for the six months ended 30 June 2019) and selling and administrative expenses were reduced by 5.3% (€361.1 million for the six months ended 30 June 2020, compared to €381.7 million for the six months ended 30 June 2019). These savings mitigated the €1.3 billion impact estimated from lower sales volume on operating income.

Our restructuring expenses increased for the six months ended 30 June 2020 to €89.5 million compared to €71.0 million for the six months ended 30 June 2019 as a result of adapting to the new post Covid-19 environment.

To limit negative cash impact, capex was reduced by 17.8% (€234.7 million for the six months ended 30 June 2020 compared to €285.8 million for the six months ended 30 June 2019) and capitalized R&D was reduced by 5.3% (€304.8 million for the six months ended 30 June 2020 compared to €321.9 million for the six months ended 30 June 2019), reflecting lower activity for the six months ended 30 June 2020 and flexibilization actions.

The negative effect of working capital variation mainly reflected the timing impact of the sharp decrease in activity due to the Covid-19 pandemic. We expect this impact to be largely reversed in the second half of 2020.

Nevertheless, factoring reached €884.7 million, a reduction of only €151.5 million or 14.6% compared to 30 June 2019 (including SAS which provided an additional €115 million of factoring), while sales in May and June were down 39% year over year in the 14 countries where we have factoring programs (down 54% for the second quarter of 2020).



We recorded a strong order intake of €12 billion in the first six months of 2020, of which €1.4 billion was for Faurecia Clarion Electronics, including being awarded a major displays order in North America. We also received an order for €2.7 billion to complete seats for two German OEMs and €0.7 billion for Tesla in China (Interiors and Seating).

#### *H2 2020 turnaround actions and guidance*

On 27 July 2020, we released the following H2 2020 guidance:

In the second half of the year, we will continue to deploy measures to further strengthen resilience, enhance cash generation and maintain a sound financial structure.

As regards resilience, we will continue to:

- optimize our industrial footprint with an increased restructuring budget of around €230 million in the full year (compared to €132 million in 2019, excluding Clarion);
- have recourse to temporary and long-term unemployment government schemes when possible;
- maintain strict sales, general and administrative expenses control; and
- accelerate global cost-optimization programs.

As regards cash, we target to:

- reduce capital expenditure by approximately 40% in the full year (compared to €685 million in 2019);
- reduce R&D gross cost by 10% to 15% in the full year (compared to €1,330 million in 2019);
- generate strong positive flow from working capital, with both inventories and overdue customer collections below pre-Covid-19 levels at year-end; and
- restore factoring level (including SAS) to approximately €1 billion by year-end.

As regards financial structure, we signed a new bilateral 12-month line of €100 million (undrawn) in July and target to refinance the €800 million Club Deal Loan signed during the first half of 2020 using the proceeds from the Offering of the Notes.

Thanks to these measures and based on the assumption that worldwide automotive production in H2 2020 will be down around 15% compared to a decrease of 11% forecasted by IHS Markit (source: *IHS Markit data July 2020*), including:

- Europe around -15% compared to H2 2019;
- North America between -10% and -15% compared to H2 2019; and
- Asia between -5% and -10% compared to H2 2019,

we are now targeting for the second half of the year:

- sales of around €7.6 billion;
- operating margin of around 4.5% of sales; and
- net cash flow of around €600 million.

The assumptions of worldwide automotive production underlying these targets assume no major new lockdown in any automotive region during the period (main average currency rates for the period estimated at 1.10 for USD/€ and 7.80 for CNY/€).

#### *Medium-term 2022 ambition*

On 27 July 2020, we released the following medium-term 2022 ambition for profitability and cash generation (confirmed thanks to structural initiatives and continuous improvement in resilience):

As a consequence of the Covid-19 crisis, our new worldwide automotive production assumptions for the medium-term are as follows:

- 2020: around 64 million vehicles (around -25% compared to 85 million vehicles produced in 2019);
- 2022: between 76 and 85 million vehicles (compared to 87 million vehicles estimated before the Covid-19 crisis); and
- 2024: between 85 and 91 million vehicles.

These assumptions assume a return of worldwide automotive production to the pre-Covid-19 level of 85 million vehicles produced in 2019 between 2022 and 2024.

In the new post-Covid-19 environment, three trends are emerging:

- acceleration of electrification, driven by CO<sub>2</sub> emission regulation, incentives and increasing environment concerns, leads to increased focus on hydrogen solutions;

- strong momentum for CO<sub>2</sub> neutrality; and
- reduction in investment for autonomous driving, focusing now on L2 / L2+ levels.

We are well-prepared to seize opportunities related to these trends through:

- focusing investment on 14 product lines with strong profitable growth potential;
- building a leadership position in fuel cell systems and high-pressure hydrogen tanks; and
- deploying our ambitious roadmap to achieve CO<sub>2</sub> neutrality.

Our medium-term performance will continue to benefit from the actions undertaken to significantly reduce breakeven of operations as well as profitable growth drivers in each business group:

- *Seating*: through the start of major new programs in 2021 that will contribute to strong market outperformance;
- *Interiors*: through the strong potential from SAS and refocused product portfolio;
- *Clean Mobility*: through increased content per vehicle on low-emission vehicles, leading position in fuel cell systems and strong growth potential for Commercial Vehicles and Industry; and
- *Clarion Electronics*: turnaround through confirmed sales growth and continued cost optimization.

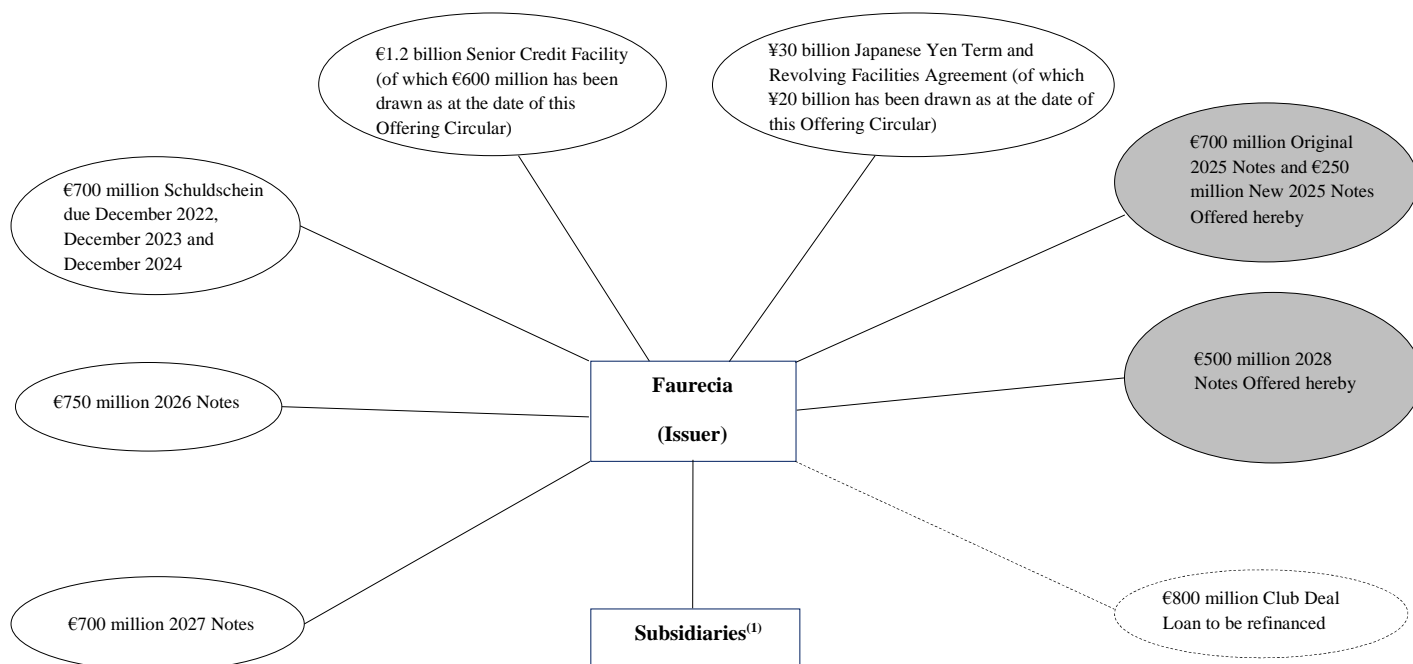
With the new above-mentioned assumptions for worldwide automotive production in the medium-term and thanks to structural and resilience initiatives, we confirm our 2022 ambition for profitability and cash generation (as announced at our Capital Markets Day held on 16 November 2019), despite lower sales prospects:

- sales now expected at above €18.5 billion (based on an assumption of worldwide automotive production of approximately 82 million vehicles and against an initial forecast of “above €20.5 billion euros” based on an assumption of worldwide automotive production of 87 million vehicles in 2022);
- operating margin ambition confirmed at 8% of sales; and
- net cash flow ambition confirmed at 4% of sales.

We are also targeting to recover our BB+/Ba1 rating by the end of 2022.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The following is a simplified summary of our corporate and financing structure after giving effect to the Refinancing. This structure chart excludes certain financing arrangements and indebtedness borrowed by our Group, some of which is at the subsidiary level, including bank loans, overdrafts, factoring arrangements and finance lease obligations. For more information on our capitalization, see "*Capitalization*" and "*Description of Other Indebtedness*".



(1) As at 30 June 2020, our subsidiaries had €1,333.9 million of gross financial debt to third parties, of which finance leases accounted for €984.7 million (mostly due to the implementation of IFRS16, which increased our gross debt by €725.8 million as at 1 January 2019) and a net cash position of €1,351.6 million. Such indebtedness will be structurally senior to the Senior Credit Facility, the Japanese Yen Term and Revolving Facilities Agreement, the Schuldschein, the Original 2025 Notes, the 2026 Notes, 2027 Notes, the New 2025 Notes and the 2028 Notes.

## SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth our summary financial and operating data for the six months and the years ended and as at the dates indicated below. Our summary financial information as at and for: (i) the six months ended 30 June 2019 and 2020 has been derived from the 2020 H1 Financial Statements; (ii) the LTM ended 30 June 2020 has been derived by adding the audited financial information for the fiscal year ended 31 December 2019 to the corresponding unaudited financial information for the six months ended 30 June 2020 and subtracting the corresponding unaudited financial information for the six months ended 30 June 2019; (iii) the years ended 31 December 2017, 2018 and 2019 has been derived from the 2018 Consolidated Financial Statements and the 2019 Consolidated Financial Statements, English translations of which are incorporated by reference in this Offering Circular. The tables below also set out summary financial and operating data at and for the year ended 2017, which has been extracted from the 2017 Comparative Consolidated Financial Information, and which has been restated to reflect the implementation of IFRS 15 (*Revenue from Contracts with Customers*). The consolidated financial statements of the Issuer incorporated by reference in this Offering Circular have been prepared in accordance with IFRS as adopted by EU.

Adoption of IFRS 16 has resulted in certain numbers presented in this Offering Circular as at and for the six months ended 30 June 2019 and as at and for the year ended 31 December 2019 and as at and for the six months ended 30 June 2020 not being directly comparable with numbers reported in similar line items as at prior reporting dates or for prior reporting periods.

The following information should be read in conjunction with the section headed "Business Review" contained in the 2019 Annual Results incorporated by reference herein, "*Presentation of Financial and Other Information*" and our consolidated financial statements and the related notes thereto, an English translation of which is incorporated by reference in this Offering Circular. Our historical results do not necessarily indicate results that may be expected for any future period.

*Summary consolidated income statement data*

|  | For the year ended<br>31 December |                 |                 | For the six months<br>ended 30 June |                | For the<br>LTM<br>ended 30<br>June |
|--|-----------------------------------|-----------------|-----------------|-------------------------------------|----------------|------------------------------------|
|  | 2017<br>(restated)<br>*           | 2018            | 2019**          | 2019**                              | 2020**         | 2020**                             |
|  |                                   |                 |                 |                                     |                |                                    |
| <b>(in € millions)</b>   |                                   |                 |                 |                                     |                |                                    |
| <b>SALES .....</b>   | <b>16,962.1</b>                   | <b>17,524.7</b> | <b>17,768.3</b> | <b>8,972.0</b>                      | <b>6,169.7</b> | <b>14,996.0</b>                    |
| Cost of sales.....   | (14,842.4)                        | (15,248.8)      | (15,286.5)      | (7,747.1)                           | (5,739.8)      | (13,279.2)                         |
| Research and development costs .....   | (281.7)                           | (298.8)         | (420.0)         | (198.4)                             | (182.7)        | (404.3)                            |
| Selling and administrative expenses .....                                    | (680.4)                           | (703.2)         | (778.5)         | (381.7)                             | (361.1)        | (757.9)                            |
| <b>OPERATING INCOME .....</b>  | <b>1,157.6</b>                    | <b>1,273.9</b>  | <b>1,283.3</b>  | <b>644.8</b>                        | <b>(113.9)</b> | <b>524.6</b>                       |
| Amortization of intangible assets<br>acquired in business combinations ..... | (1.2)                             | (10.9)          | (56.4)          | (10.8)                              | (45.6)         | (91.2)                             |
| Other non-operating income and<br>expenses.....                              | (96.1)                            | (147.3)         | (213.8)         | (93.0)                              | (73.3)         | (194.1)                            |
| Income from loans, cash investments<br>and marketable securities.....        | 12.6                              | 9.6             | 18.7            | 8.4                                 | 11.4           | 21.7                               |
| Finance costs .....  | (120.9)                           | (117.7)         | (197.7)         | (93.0)                              | (97.8)         | (202.5)                            |
| Other financial income and expenses ....                                     | (23.0)                            | (55.7)          | (40.4)          | (9.8)                               | (21.6)         | (52.2)                             |
| <b>INCOME BEFORE TAX OF<br/>FULLY CONSOLIDATED<br/>COMPANIES.....</b>        | <b>929.0</b>                      | <b>951.9</b>    | <b>793.7</b>    | <b>446.6</b>                        | <b>(340.8)</b> | <b>6.3</b>                         |
| Taxes .....  | (260.7)                           | (190.0)         | (166.8)         | (93.1)                              | (67.2)         | (140.9)                            |
| of which deferred taxes.....   | (22.6)                            | 112.7           | 76.5            | 13.5                                | 1.0            | 64.0                               |
| <b>NET INCOME OF FULLY<br/>CONSOLIDATED COMPANIES .....</b>                  | <b>668.3</b>                      | <b>761.9</b>    | <b>626.9</b>    | <b>353.5</b>                        | <b>(408.0)</b> | <b>(134.6)</b>                     |
| Share of net income of associates.....                                       | 34.6                              | 31.4            | 37.8            | 24.9                                | (12.0)         | 0.9                                |
| <b>NET INCOME FROM<br/>CONTINUED OPERATIONS .....</b>                        | <b>702.9</b>                      | <b>793.3</b>    | <b>664.7</b>    | <b>378.4</b>                        | <b>(420.0)</b> | <b>(133.7)</b>                     |
| <b>NET INCOME (LOSS) FROM<br/>DISCONTINUED OPERATIONS.....</b>               | <b>(7.4)</b>                      | <b>—</b>        | <b>—</b>        | <b>—</b>                            | <b>—</b>       | <b>—</b>                           |
| <b>CONSOLIDATED NET INCOME.....</b>  | <b>695.5</b>                      | <b>793.3</b>    | <b>664.7</b>    | <b>378.4</b>                        | <b>(420.0)</b> | <b>(133.7)</b>                     |
| Attributable to owners of the parent .....                                   | 599.4                             | 700.8           | 589.7           | 345.6                               | (432.6)        | (188.5)                            |
| Attributable to minority interests.....                                      | 96.1                              | 92.5            | 75.0            | 32.8                                | 12.6           | 54.8                               |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

\*\* Reflects the implementation of IFRS 16 from January 2019.

*Summary consolidated cash flow statement data*

|                                    | For the year ended<br>31 December |           |           | For the six months<br>ended 30 June |         | For the<br>LTM<br>ended<br>30 June |
|------------------------------------|-----------------------------------|-----------|-----------|-------------------------------------|---------|------------------------------------|
|                                    | 2017<br>(restated)*               | 2018      | 2019**    | 2019**                              | 2020**  | 2020**                             |
|                                    |                                   |           |           |                                     |         |                                    |
| <b>(in € millions)</b>             |                                   |           |           |                                     |         |                                    |
| Net cash provided (used) by: ..... |                                   |           |           |                                     |         |                                    |
| Operating activities.....          | 1,791.6                           | 1,642.6   | 1,782.8   | 871.3                               | (463.7) | 447.8                              |
| Investing activities.....          | (1,627.2)                         | (1,356.1) | (2,272.6) | (1,558.9)                           | (808.1) | (1,521.8)                          |
| Financing activities.....          | (115.5)                           | 276.2     | 699.2     | 462.5                               | 1,531.6 | 1,768.3                            |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

\*\* Reflects the implementation of IFRS 16 from January 2019.

*Summary consolidated balance sheet data*

|  | As at 31 December |                 |                 | As at 30        |
|--|-------------------|-----------------|-----------------|-----------------|
|  | 2017              | 2018            | 2019**          | June            |
|  | (restated)*       |                 |                 | 2020**          |
| <b>Assets</b>                                |                   |                 |                 |                 |
| <b>(in € millions)</b>                       |                   |                 |                 |                 |
| <b>TOTAL NON-CURRENT ASSETS .....</b>        | <b>6,218.0</b>    | <b>6,933.9</b>  | <b>9,482.3</b>  | <b>9,734.5</b>  |
| of which intangible assets .....             | 1,634.7           | 1,959.4         | 2,550.9         | 2,787.3         |
| of which property, plant and equipment ..... | 2,589.4           | 2,784.6         | 2,997.4         | 2,966.4         |
| <b>TOTAL CURRENT ASSETS.....</b>             | <b>5,643.4</b>    | <b>6,460.8</b>  | <b>7,682.5</b>  | <b>8,008.1</b>  |
| of which inventories, net .....              | 1,387.5           | 1,431.7         | 1,423.8         | 1,494.4         |
| of which trade accounts receivables .....    | 1,859.3           | 1,947.5         | 2,608.9         | 2,478.1         |
| of which cash and cash equivalents .....     | 1,563.0           | 2,105.3         | 2,319.4         | 2,521.5         |
| <b>TOTAL ASSETS .....</b>                    | <b>11,861.4</b>   | <b>13,394.7</b> | <b>17,164.8</b> | <b>17,742.6</b> |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

\*\* Reflects the implementation of IFRS 16 from January 2019.

|  | As at 31 December |                 |                 | As at 30        |
|--|-------------------|-----------------|-----------------|-----------------|
|  | 2017              | 2018            | 2019**          | June            |
|  | (restated)*       |                 |                 | 2020**          |
| <b>Liabilities</b>                               |                   |                 |                 |                 |
| <b>(in € millions)</b>                           |                   |                 |                 |                 |
| Equity attributable to owners of the parent..... | 3,178.6           | 3,709.7         | 4,135.0         | 3,566.0         |
| Total shareholders' equity .....                 | 3,453.9           | 4,071.3         | 4,461.8         | 3,887.1         |
| Total non-current liabilities .....              | 2,015.7           | 2,292.3         | 4,327.5         | 6,012.9         |
| Total current liabilities.....                   | 6,391.8           | 7,031.1         | 8,375.5         | 7,842.6         |
| <b>TOTAL EQUITY AND LIABILITIES .....</b>        | <b>11,861.4</b>   | <b>13,394.7</b> | <b>17,164.8</b> | <b>17,742.6</b> |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

\*\* Reflects the implementation of IFRS 16 from January 2019.

**Other consolidated financial data**

|   | As at and for the year ended<br>31 December |         |         | For the<br>LTM ended<br>30 June |
|---|---|---------|---------|---------------------------------|
|   | 2017<br>(restated)*                         | 2018    | 2019    | 2020                            |
|   | <b>(in € millions, except ratios)</b>       |         |         |                                 |
| EBITDA <sup>(1)</sup> .....   | 1,950.9                                     | 2,140.6 | 2,404.3 | 1,742.8                         |
| Gross cash interest expenses.....                                     | (120.9)                                     | (117.7) | (197.7) | (202.5)                         |
| Total capital expenditure <sup>(2)</sup> .....                        | (738.6)                                     | (673.3) | (685.2) | (634.1)                         |
| Capitalised development costs.....                                    | (648.0)                                     | (592.7) | (681.2) | (664.1)                         |
| Net debt <sup>(3)</sup> .....   | 451.5                                       | 477.7   | 2,524.0 | 4,034.2                         |
| Ratio of net debt to EBITDA <sup>(4)</sup> .....                      | 0.2x  | 0.2x    | 1.0x    | 2.3x                            |
| Ratio of EBITDA to gross cash interest expenses <sup>(5)</sup> .....  | 16.1x                                       | 18.2x   | 12.2x   | 8.6x                            |
| <b>Adjusted for the Notes issuance.....</b>                           |   |         |         |                                 |
| <i>Pro forma</i> net debt <sup>(6)</sup> .....                        |   |         |         | 4,041.7                         |
| <i>Pro forma</i> gross cash interest expenses <sup>(7)</sup> .....    |   |         |         |                                 |
| Ratio of <i>pro forma</i> net debt to EBITDA.....                     |   |         |         | 2.3x                            |
| Ratio of EBITDA to <i>pro forma</i> gross cash interest expenses..... |   |         |         | x                               |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

| EBITDA reconciliation                         | For the year ended<br>31 December |                |                | For the six months<br>ended 30 June |                | For the<br>LTM<br>ended<br>30 June |
|---|-----------------------------------|----------------|----------------|-------------------------------------|----------------|------------------------------------|
|   | 2017<br>(restated)*               | 2018           | 2019           | 2019                                | 2020           | 2020                               |
|   | <b>(in € millions)</b>            |                |                |                                     |                |                                    |
| <b>Operating income / (loss) .....</b>        | <b>1,157.6</b>                    | <b>1,273.9</b> | <b>1,283.3</b> | <b>644.8</b>                        | <b>(113.9)</b> | <b>524.6</b>                       |
| Depreciation and amortizations of assets..... | 793.3                             | 866.7          | 1,121.0        | 526.0                               | 623.2          | 1,218.2                            |
| <b>EBITDA.....</b>                            | <b>1,950.9</b>                    | <b>2,140.6</b> | <b>2,404.3</b> | <b>1,170.8</b>                      | <b>509.3</b>   | <b>1,742.8</b>                     |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 and 2019 was prepared on the same basis.

- (1) EBITDA is a non-IFRS measure, which represents operating income before depreciation, amortisation and provision for impairment of property, plant and equipment and capitalised R&D expenditures. It should not be considered as an alternative to operating income, net income, cash flow from operating activities or as a measure of liquidity. Companies with similar or different activities may calculate EBITDA differently than us. See "Presentation of Financial and Other Information".
- (2) Total Capital Expenditures include Property, Plant & Equipment and Intangibles
- (3) Net debt represents total non-current and current financial liabilities, less derivatives classified under non-current and current assets, less cash and cash equivalents, as reported.
- (4) Net debt to EBITDA represents net debt divided by EBITDA.
- (5) EBITDA to gross cash interest expenses represents EBITDA divided by gross cash interest expenses.
- (6) *Pro forma* net debt (adjusted for the net financing) as at 30 June 2020 is based on our net debt as at 30 June 2020, as adjusted to give effect to the Refinancing as if such transaction had occurred on 30 June 2020.
- (7) *Pro forma* gross cash interest expenses for the last twelve months ended 30 June 2020 is based on our gross cash interest expenses for twelve months ended 30 June 2020, as defined above, as adjusted to give effect to the Refinancing, as if it had occurred on 1 July 2019; *pro forma* gross cash interest expenses have been presented for illustrative purposes only and does not purport to represent what our interest expenses would have actually been had the Refinancing occurred on the date assumed, nor does it purport to project our interest expenses for any future period or our financial condition at any future date.

## RISK FACTORS

*Potential investors should carefully read and consider the risk factors described below and the other information contained in this Offering Circular before they make a decision about acquiring the Notes. The realization of one or more of these risks could individually or together with other circumstances adversely affect our business, financial condition and results of operations. The market price of the Notes could decline as the result of any of these risks, and investors could lose all or part of their investment. The risks described below may not be the only risks we face. Additional risks that are presently not known to us or that are currently considered immaterial could also adversely affect our operations and have material adverse effects on our business, financial condition and results of operations. The sequence in which the risks factors are presented below is not indicative of their importance, their likelihood of occurrence or the scope of their financial consequences.*

### **Risks Related to Our Operations**

*The Covid-19 pandemic has had a material adverse effect on our business, affecting sales, production and supply chains, and employees. Further, the spread of the Covid-19 pandemic has caused and may continue to cause severe disruptions in the global economy and financial markets and could potentially create widespread business continuity issues.*

In December 2019, a novel strain of coronavirus ("**Covid-19**") was reported to have surfaced in Wuhan, China. Covid-19 has since spread globally, including in our primary markets of Europe, North America and Asia, and in the locations of our production facilities and research and development centres. On 11 March 2020, the World Health Organization declared Covid-19 a pandemic. The Covid-19 pandemic has had, and is expected to continue to have, a material adverse effect on our business, results of operations, cash flows and financial condition. The Covid-19 pandemic has significantly impacted the global economy, disrupted our operations as well as those of our customers, suppliers and the global supply chains in which we participate, and created significant volatility and disruption of financial markets. The scale and duration of the Covid-19 pandemic has severely impacted global financial and commodity markets and regional and global economies, pushing many into recession.

The effects of the Covid-19 pandemic have had and may continue to have a material adverse effect on our business and results of operations, and, depending on the duration of the outbreak, national responses, the resulting economic downturn, and the shape of any potential recovery, could adversely impact our ability to successfully operate in the future due to, among other factors:

- the impact on our customers of depressed consumer demand, which has led to continued significant declines in vehicle sales in all of our primary markets. Many governments and companies across the world have imposed stringent restrictions to help avoid, or slow down, the spread of Covid-19, including restrictions on international and local travel, public gatherings and participation in business meetings, as well as closures of universities, schools, stores and restaurants. In addition, many countries and companies have also asked their citizens and employees to stay at and work from home, respectively. Such actions have caused a material deterioration of the global economy and financial markets, severely decreasing consumer demand and spending, and adversely impacting a number of industries, including in the automotive sector. Our sales have been materially impacted by the Covid-19 pandemic, which impacted China throughout the first quarter of 2020, with a peak in February, and then the rest of the world from March 2020. For the six months ended 30 June 2020, our sales amounted to €6,169.7 million compared to €8,972.0 million in the six months ended 30 June 2019, and our EBITDA amount to €509.3 million compared to €1,170.8 million in the six months ended 30 June 2019;
- adverse impacts on our ability to operate in affected areas, or delays or disruptions in the supply chain of automotive parts, components, commodities and other materials that are needed for plants and factories to operate effectively and allow us to meet targets and complete orders in a timely manner;
- a continued suspension in production at our facilities or at our customers and suppliers, or renewed slowdowns or suspension of production at our facilities or at our customers and suppliers could adversely impact our ability to deliver products, maintain our reputation with customers, meet customer expectations and maintain our market position;
- difficulty accessing funding and liquidity on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions, which may affect our ability to access capital necessary to fund business operations, meet financial obligations or replace or renew maturing liabilities on a timely basis, and may adversely affect the valuation of financial assets and liabilities, any of which could affect our liquidity, ability to meet capital expenditure requirements or have a material adverse effect on our business, financial condition, results of operations and cash flows;
- disruptions, delays or other impairments to our internal business processes, in particular due to working from home schemes and potential increased risks in terms of IT exposure, data security and increased risk of cyberattacks;
- the Covid-19 pandemic could negatively impact our workforce. If significant numbers of employees, key personnel and/or senior management become unavailable due to the disease, our operations could be further disrupted and materially adversely affected; and



- continued deterioration of the economy in our core markets and other knock-on effects from the Covid-19 pandemic may frustrate the attainment of our strategic goals, which could have a material adverse effect on our reputation, general business activities, financial condition and results of operations.

It remains difficult to estimate production levels in coming months as they depend on many external parameters, such as government regulations and the pace of resolution of the pandemic in different countries, and also on our customers' effective restart of production as well as consumer demand, and therefore the global impact of this crisis cannot be evaluated at this stage. The extent of the impact of the Covid-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term operational, strategic and capital structure initiatives, will depend on future developments, including the duration and severity of the pandemic, which are uncertain and cannot be predicted.

*Our business is dependent on the automotive sector and the commercial success of the models for which we supply components.*

Given that we specialize in the manufacture of original equipment for our automaker customers, our business is directly related to vehicle production levels of these customers in their markets. The cyclical nature that characterizes our customers' businesses can have a significant impact on our sales and results. The level of sales and production for each of our customers depends on numerous parameters, notably the general level of consumption of goods and services in a given market; confidence levels of participants in that market; buyers' ability to access credit for vehicle purchases; and in some cases governmental aid programs (such as the financial support provided to the automotive sector and incentives introduced for the purchase of vehicles).

Therefore, our sales are directly linked to the performance of the automotive industry in the major geographic regions where we and our customers operate (see note 4.5 to our audited 2019 Consolidated Financial Statements), especially in Europe (which constituted 49% of our sales in 2019), North America (which constituted 25% of our sales in 2019) and Asia (which constituted 21% of our sales in 2019).

Moreover, our sales are related to the commercial success of the models for which we produce components and modules. At the end of a vehicle's life cycle, there is significant uncertainty around whether our products will be taken up again for the replacement model. In addition, orders placed with us are open orders without any guarantees of minimum volumes and are generally based on the life of the vehicle model concerned. A shift in market share away from the vehicles for which we produce components and modules could have a material adverse effect on our business, financial condition and results of operations.

*We may be adversely affected by the loss of key customers due to industry consolidation, and by the risk that our customers could default on their financial obligations or enter bankruptcy.*

Given the economic context in the automotive sector, we cannot rule out the possibility that one or more of our customers may not be able to honor certain contracts or may suffer financial difficulties. Furthermore, changes in the automotive sector could accelerate the concentration of automakers, ultimately resulting in the disappearance of certain brands or vehicle models for which we produce equipment. Our major customers could also face a slowdown in activity, including as a result of the potential impact of increased regulatory scrutiny of emissions tests, among other factors.

In 2019, our four largest customers accounted for 60% of sales, as follows: Volkswagen (18%), Ford (15%), Renault-Nissan-Mitsubishi group (14%) and PSA Peugeot Citroën group (13%).

The occurrence of one or more of these events could have a material adverse effect on our business, financial condition and results of operations.

*We are dependent on many suppliers to maintain production levels.*

We use a large number of suppliers based in different countries for our raw materials and basic parts supplies. In 2019, the Group made total purchases (production and indirect, excluding monoliths) of €10,277.1 million from around 2,300 main suppliers.

If one or more of our main suppliers were to go bankrupt, or experience an unforeseen stock-out, quality problems, social unrest, a strike or any other incident disrupting the supplies for which it is committed to us, this could negatively impact our image or production output or lead to additional costs, which in turn could have a material adverse effect on our business, financial condition and results of operations.

*We may not always be able to satisfy our customers' demands or maintain the quality of our products.*

As a components producer and components and systems assembler for the automotive industry, and given the high volumes that our customers order, we constantly have to adapt our business activity to our customers' demands in terms of their supply chain, production operations, services and R&D. Should we, or one of our suppliers or service providers, default at any stage of the manufacturing process, we could be held liable for failure to fulfil our contractual obligations or for any technical problems that may arise.

In addition, any actual or alleged instances of inferior product quality, or of damage caused or allegedly caused by our products, could damage our reputation and brand and could lead to new or existing customers becoming less willing to conduct business with us.

*Our gross margins may be adversely affected if we fail to identify risks when we tender for new contracts or appropriately monitor the performance of our programs.*

The contracts which we enter into are awarded after a complex equipment supply bidding process by our customers. Each contract with our customer is a program with a lifespan of up to ten years from the development phase through to the production phase. As part of the tender process, we carry out a detailed risk assessment to ensure that we identify and manage the nature and level of risks that we may be exposed to and, during the life of the program, we monitor the program in order to ensure operational and financial performance.

If we fail to identify and manage risks in connection with the bidding for and establishment of new programs, or fail to appropriately monitor our operational and financial performance, our gross margins could be adversely affected, which could also have a material adverse effect on our business, financial condition and results of operations.

*If we fail to attract and retain key personnel could adversely affect our business.*

Our success depends to a large degree on the services of our senior management team and key personnel with particular expertise. In particular, the loss or unavailability of our senior management team for an extended period of time could have an adverse effect on our operations. In addition, we must compete with other companies for suitably qualified personnel, including technical and engineering personnel. Our inability to attract and retain key personnel could have a material adverse effect on our business, financial condition and results of operations.

*We may experience difficulties integrating acquired businesses or achieving anticipated synergies.*

As part of our external growth policy, we have made, and may make in the future, acquisitions of varying sizes, some of which have been, and may yet be, significant to us.

These acquisitions entail risks, such as:

- the assumptions of the business plans on which valuations are made may prove incorrect, especially concerning synergies and assessments of market demand, trend and forecasts;
- we may not have appropriately assessed associated risks related to the acquisitions, in particular in the course of performing our due diligence investigations;
- we may not succeed in integrating the acquired companies, their technologies, product ranges and employees;
- we may not be in a position to retain some key employees, customers or suppliers of the acquired companies;
- we may be forced or wish to terminate pre-existing contractual relationships with costly and/or unfavorable financial conditions; and
- we may increase our debt with a view to financing these acquisitions or refinancing the debt of the acquired companies.

As a result, the benefits expected from future acquisitions or those already made may not be confirmed within the expected time frames or to the extent anticipated, which could have a material adverse effect on our business, financial conditions and results of operations.

*The Clarion Acquisition, and more generally, our Cockpit of the Future and Sustainable Mobility strategies may prove to be based on incorrect assumptions about market trends and forecasted demand.*

The Clarion Acquisition is expected to reinforce our ability to produce technological content for use in IVI, audio equipment, connected service platforms for vehicles and HMI and advanced driver systems, which we will leverage to develop our Cockpit of the Future and Sustainable Mobility strategy. Our strategic choices, such as the Clarion Acquisition, Cockpit of the Future and Sustainable Mobility, are based on assumptions and expectations of market demand. If one or more of those assumptions or expectations proves to be incorrect, expected sales and performance can be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operation.

*The international nature of our business exposes us to a variety of economic, political, tax, legal and other related risks.*

Due to the international nature of our business activities, we are exposed to economic, political, fiscal, legal and other types of risks.

Our sales are mostly generated in Europe, North America and Asia. Our international business activities, notably in emerging countries, and following the Clarion Acquisition, in Japan, are exposed to certain risks inherent in any activity carried out overseas, including:

- any potential legislative or regulatory changes such as the UK's withdrawal from the EU or commercial, monetary or fiscal policies applied in some foreign countries and, in particular, risks of expropriation and nationalization;
- customs regulations, monetary control policies, investment restrictions or requirements or any other constraints such as levies or other forms of taxation on settlements and other payment terms adopted by subsidiaries; and

- difficulties in enforcing agreements, collecting payments due and protecting property through foreign legal systems, in particular, where intellectual property protection is less stringent.

Our business is affected by general economic conditions and macroeconomic trends which can impact overall demand for our products and the markets in which we operate including, for example, trade tensions between the EU and the US and between the US and China. Furthermore, any weakening in economic conditions may affect the automotive supply industry globally and negative economic conditions in one or more regions may affect the automotive supply industry in other regions. In China, for example, light vehicle production is expected to fall by 16.4% for 2020 (source: *IHS Markit Automotive June 2020*). Our business, financial condition and results of operations may be materially and adversely affected by an economic downturn on a global scale or in significant markets in which we operate.

*We operate in the highly competitive automotive supply industry where customers can exert significant price pressure.*

The global automotive supply sector is highly competitive. Competition is based mainly on price, global presence, technology, quality, delivery, design and engineering capabilities, new product innovation and customer service as a whole. There are no guarantees that our products will be able to compete successfully with those of our competitors. Supply contracts are mostly awarded through competitive bids, and are often subject to renewed bidding when their terms expire. Although the overall number of competitors has decreased due to on-going industry consolidation, we face significant competition within each of our major product areas, including from new competitors entering the markets that we serve. We cannot assure you that we will be able to continue to compete favorably in these competitive markets or that increased competition will not have a material adverse effect on our business, financial condition and results of operation by reducing our ability to increase or maintain sales and profit margins.

The failure to obtain new business projects on new models, or to retain or increase business projects on redesigned existing models, could adversely affect our business, financial condition and results of operations. In addition, as a result of the relatively long lead times required for many of our structural components, it may be difficult for us to adequately manage the execution of a program from development to launch, adequately respond to any deterioration in the profitability of a program or to obtain new revenues in the short-term to replace any unexpected decline in the sale of existing products.

*A rise in interest rates would increase the cost of servicing our debt.*

Before taking into account the impact of interest rate hedges, 30.4% of our borrowings were at variable rates as at 31 December 2019 and 37.7% of our borrowings were at variable rates as at 31 December 2018. Our variable rate financial debt mainly relates to the Senior Credit Facility, when drawn, as well as our short-term debt. Our main fixed rate debt consists of the Original 2025 Notes, the 2026 Notes, the 2027 Notes and the Schuldschein.

We manage hedging of interest rate risks centrally. This management is handled by our Finance and Treasury Department, which reports to our General Management. Interest rate hedging decisions are made by a Market Risk Management Committee that meets on a monthly basis.

Since a significant part of our borrowings are at variable rates, the aim of our interest rate hedging policy is to reduce the impact of short-term rate changes on earnings. Our hedges primarily comprise euro-denominated interest rate swaps. They hedge a part of our interest payable in 2018 and 2019 against a rise in interest rates. Our interest rate position with respect to the different types of financial instruments used is detailed in note 30.3 to our audited 2019 Consolidated Financial Statements.

*We rely on capital markets to provide liquidity to operate and grow our business.*

The capital and credit markets provide us with liquidity to operate and grow our business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and/or disruption of the credit markets could reduce our access to capital necessary for our operations and executing our strategic plan. If our access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, our financial condition, results of operations and cash flows could be adversely affected.

*We are subject to fluctuations in exchange rates, primarily between the euro and other operating currencies.*

We are exposed to risks arising from fluctuations in the exchange rates of certain currencies, particularly due to the location of some of our production sites, as well as the fact that certain subsidiaries purchase raw materials and other supplies or sell their products in a currency other than their functional currency.

See note 30.1 of our audited 2019 Consolidated Financial Statements for more information on changes in exchange rates of transaction currencies (other than their functional currency) used by our subsidiaries (with all other variables remaining constant).

We centrally manage currency risks relating to the commercial transactions of our subsidiaries, mainly using forward purchase and sale contracts and options as well as foreign currency financing. We manage foreign exchange risks centrally, through our Finance and Treasury Department, which reports to our General Management.

Hedging decisions are made by a Market Risk Management Committee that meets on a monthly basis. Currency risks on forecast transactions are hedged based on estimated cash flows determined in forecasts validated by our General Management. The related derivatives are classified as cash flow hedges when there is a hedging relationship that satisfies

IFRS 9 financial instruments: recognition and measurement (which outlines the requirements for the recognition and measurement of financial assets) ("**IFRS 9**") criteria.

Subsidiaries whose functional currency is not the euro are granted inter-company loans in their operating currencies. Although these loans are refinanced in euros and eliminated in the consolidation of our audited consolidated financial statements, they contribute to our currency risk exposure and are therefore hedged through swaps.

Details of net balance sheet positions and hedges by currency are provided in note 30.2 to our audited 2019 Consolidated Financial Statements.

*A failure of our information technology (IT) and data protection and security infrastructure could adversely impact our business, operations and reputation.*

We rely upon the capacity, reliability and security of our IT and data protection and security infrastructure, as well as our ability to expand and update this infrastructure in response to the changing needs of our business.

If we experience a problem with the functioning of an important IT system or a security breach of our IT systems, including during system upgrades and/or new system implementations, the resulting disruptions could have an adverse effect on our business. We implement security measures in relation to our IT systems but we, like other companies, are vulnerable to damage from computer viruses, natural disasters, unauthorized access, cyber-attacks and other similar disruptions.

Any system failure, accident or security breach could result in disruptions to our operations. A material network breach in the security of our IT systems could result in the theft of our intellectual property, trade secrets, customer information, human resources information or other confidential information. To the extent that any disruptions or security breach result in a loss or damage to our data, or an inappropriate disclosure of confidential, proprietary or customer information, it could cause significant damage to our reputation, affect our relationships with our customers, lead to claims against us and ultimately harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

*We are subject to fluctuations in the prices of raw materials.*

We are exposed to commodity risk through our direct purchases of raw materials and indirectly through components purchased from our suppliers. The proportion of our direct purchases of raw materials, mainly steel and plastics, represented approximately 21% of purchases in 2019. Our operating and net income can be adversely affected by changes in the prices of the raw materials we use, notably steel and plastics.

To the extent that our sales contracts with customers do not include price indexation clauses linked to the price of raw materials, we are exposed to risks related to unfavorable fluctuations in commodity prices. We do not use derivatives to hedge our purchases of raw materials or energy.

If commodity prices were to rise steeply, we may not be able to pass on all such price increases to our customers, which could have an unfavorable impact on our sales, which in turn could have a material adverse effect on our business, financial condition and results of operations.

*We face litigation risks, including product liability, warranty and recall risk.*

We are currently and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically lawsuits, claims and proceedings that arise in the normal course of business including, without limitation, claims pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial and contractual matters and various other matters. We are also subject to investigations by competition authorities relating to alleged anti-competitive practices in certain jurisdictions. See "*Business – Litigation*" for further information.

The outcome of such lawsuits, investigations, claims or proceedings cannot be predicted with certainty. There exists the possibility that such claims may have an adverse impact on our results of operations that is greater than we anticipate, and/or negatively affect our reputation.

We are also subject to a risk of product liability or warranty claims if our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage. While we maintain reasonable limits of insurance coverage to appropriately respond to such exposures, large product liability claims, if made, could exceed our insurance coverage limits and further insurance may not continue to be available on commercially acceptable terms, if at all. We may incur significant costs to defend these claims or experience product liability losses in the future. In addition, if any of our designed products are, or are alleged to be, defective, we may be required to participate in recalls and exchanges of such products. The future cost associated with providing product warranties and/or bearing the cost of repair or replacement of our products could have a material adverse effect on our business, financial condition and results of operations.

*Our insurance coverage may not be adequate to cover all the risks we may face and it may be difficult to obtain replacement insurance on acceptable terms or at all.*

Our production plants, equipment and other assets are insured for property damage and business interruption risks, and we carry insurance for products liability risks. Our insurance policies are subject to deductibles and other coverage limitations and we cannot ensure you that we are fully insured against all potential hazards incident to our business, including losses resulting from risks of war or terrorist acts, certain natural hazards (such as earthquakes), environmental damage or all potential losses, including damage to our reputation. We have entered into liability insurance which includes specific policies such as environmental liability insurance and coverage of liability for damages resulting from accidents.

However, as some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. Should such loss or damage occur, this could have a material adverse effect on our business, financial conditions and results of operations.

If we incur a significant liability for which we are not fully insured or if premiums and deductibles for certain insurance policies were to increase substantially as a result of any incidents for which we are insured, this could have a material adverse effect on our business, financial condition and results of operations.

*We face risks related to the intellectual and industrial property we use.*

We consider that we either own or may validly use all the intellectual and industrial property rights required for our business operations and that we have taken all reasonable measures to protect our rights or obtain guarantees from the owners of third party rights. However, we cannot rule out the risk that our intellectual and/or industrial property rights may be disputed by a third party on the grounds of pre-existing rights or for any other reason. Furthermore, for countries outside France, we cannot be sure of holding or obtaining intellectual and industrial property rights offering the same level of protection as those in France.

*Industrial and environmental risks could disrupt our business and have a material adverse effect on our business, financial condition and results of operations.*

Our manufacturing sites are subject to risks associated with fire, explosion, natural disaster (including extreme weather events), systems failure, accidental pollution and non-compliance with current or future regulations. These various risks may result in us incurring additional costs. These additional costs could have a material adverse effect on our business, financial condition and results of operations. The occurrence of any natural disaster could cause the total or partial destruction of a plant and thus prevent us from supplying products to our customers, causing further disruption at their plants for an indeterminate period of time, which in turn could have a material adverse effect on our business, financial condition and results of operation.

*Our reputation is critical to our business*

Our results of operations depend on maintaining a positive reputation with customers. Any negative incident could significantly affect our reputation and damage our business.

We may be adversely affected by any negative publicity, regardless of its accuracy, including without limitation with respect to:

- the quality of our products;
- damage to the environment
- employee or customer injury;
- failure of our information technology (IT) and data security infrastructure, including security breaches of confidential customer or employee information;
- employment-related claims relating to alleged employment discrimination, wages and hours;
- violations of law or regulations;
- labor standards or healthcare and benefits issues; or
- our brand being affected globally for reasons outside of our control.

While we try to ensure that our suppliers maintain the reputation of our brand, suppliers may take actions that adversely affect our reputation. In addition, through the increased use of social media, individuals and non-governmental organizations have the ability to disseminate their opinions regarding the safety of our products, and our business, to an increasingly wide audience at a faster pace. Any failure to effectively respond to any negative opinions or publicity in a timely manner could harm the perception of our brand and products and damage our reputation, regardless of the validity of the statements against us and ultimately harm our business.

*Non-compliance with internal corporate governance requirements and anti-corruption regulations*

We have a number of company-wide policies and measures, including our "Code of Ethics", which addresses the latest requirements of applicable French anti-corruption legislation, our management code and other measures such as our Code

of Conduct for the Prevention of Corruption and our Guide to Good Practice in Combating Anti-Competitive Practices, which put into practice many of the principles set out in the Code of Ethics. There can be no assurance that violations of our internal corporate governance requirements will not occur. In the event violations do occur, they could harm our reputation and result in fines, which could in turn have a material adverse effect on our business, financial condition and results of operations and therefore on our ability to fulfil our obligations under the Notes.

Furthermore, we are a decentralized Group operating in over 34 countries, and each of these countries may have anti-corruption legislation which is potentially extra-territorial in scope. This is in particular the case with regard to the Sapin II Law in France, the Bribery Act in the United Kingdom and also Foreign Corrupt Practices Act in the United States. The Group is exposed to sanctions in the event of any non-compliance with any such regulations. In addition, given the specific nature of the automotive sector (in particular, the presence of a reduced number of stakeholders in certain markets), the Group may also be exposed to antitrust risks (for example, cartel arrangements). There can be no assurance that violations of such regulations will not occur. In the event violations do occur, they could harm our reputation and result in fines, which could in turn have a material adverse effect on our business, financial condition and results of operations and therefore on our ability to fulfil our obligations under the Notes.

*We are subject to changes in financial reporting standards or policies which could materially adversely affect our reported results of operations and financial condition*

Our consolidated financial statements are prepared in accordance with IFRS, which is periodically revised or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("IASB"). It is possible that future accounting standards which we are required to adopt, or as a result of choices we make, could change the current accounting treatment that applies to our consolidated financial statements and that such changes could have a material adverse effect on our reported results of operations and financial condition and may have a corresponding impact on capital ratios. As a result, our credit ratings and perceived financial condition might be negatively affected, which as a result could negatively impact our ability to access the capital markets for funding purposes.

### ***Risks Related to the Notes***

*The Notes are solely obligations of the Issuer and will be structurally subordinated to all of the claims of creditors of the Issuer's subsidiaries.*

None of the Issuer's subsidiaries will guarantee the Notes. You will therefore not have any direct claim on the cash flows or assets of the Issuer's subsidiaries, and the Issuer's subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Issuer for those payments.

Generally, claims of creditors of a subsidiary, including lenders and trade creditors, will effectively have priority with respect to the assets and earnings of the subsidiary over the rights of its ordinary shareholders, including the Issuer. Accordingly, claims of creditors of a subsidiary will also effectively have priority over the claims of creditors of the Issuer, including claims of holders of the Notes. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Issuer. The Notes, therefore, will be effectively junior and structurally subordinated to all debt and other liabilities of our subsidiaries, including liabilities owed to trade creditors. As at 31 December 2019, the subsidiaries of the Issuer had €1,454.8 million of gross financial debt to third parties and a net cash position of €1,542.1 million. In addition, as at 31 December 2019, our consolidated trade payables amounted to €5,316.2 million, substantially all of which was incurred by our subsidiaries. Pursuant to the applicable Trust Deed governing the Notes, our subsidiaries will be permitted to incur additional indebtedness, which will rank structurally ahead of the Notes. See "*Terms and Conditions of the New 2025 Notes – Condition 6.1: Limitation on Indebtedness*" and "*Terms and Conditions of the 2028 Notes – Condition 6.1: Limitation on Indebtedness*".

*We will rely on payments from our subsidiaries to pay our obligations under the Notes.*

The Issuer is primarily a holding company, with business operations principally located at the level of our subsidiaries. Accordingly, we will have to rely largely on dividends and other distributions from our subsidiaries to make payments under the Notes. We cannot be certain that the earnings from, or other available assets of, these operating subsidiaries will be sufficient to enable us to pay principal or interest on the Notes when due.

The payment of dividends and the making of loans and advances to us by our subsidiaries are subject to various restrictions, including:

- restrictions under applicable company law that restrict or prohibit companies from paying dividends unless such payments are made out of profits available for distribution;
- restrictions under the laws of certain jurisdictions that can make it unlawful for a company to provide financial assistance in connection with the acquisition of its own shares or the shares of any of its holding companies;
- statutory or other legal obligations that affect the ability of our subsidiaries to make payments to us on account of intercompany loans; and

- existing or future agreements governing our or our subsidiaries' debt may prohibit or restrict the payment of dividends or the making of loans or advances to us.

If we are not able to obtain sufficient funds from our subsidiaries, we will not be able to make payments on the Notes.

*We may not have the ability to repay the Notes.*

We may not be able to repay the Notes at maturity. Moreover, we may be required to repay all or part of the Notes prior to their scheduled maturity upon an event of default. If you were to require us to repay the Notes following an event of default, we cannot guarantee that we would be able to pay the required amount in full. Our ability to repay the Notes will depend, in particular, on our financial condition at the time of the required repayment, and may be limited by applicable law, or by the terms of our indebtedness and the terms of new facilities outstanding on such date, which may replace, increase or amend the terms of our existing or future indebtedness.

Our other creditors, in particular the lenders under the loans and creditors under factoring arrangements and other indebtedness described in "*Description of Other Indebtedness*", would be able to accelerate their loans or claims if certain events occur, such as breach of certain financial covenants that would not permit the acceleration of the Notes. Such an event would have a significant impact on our ability to repay the Notes. Furthermore, our failure to repay the Notes could result in a cross-default under other indebtedness.

*A substantial amount of our indebtedness will mature before the Notes, and we may not be able to repay this indebtedness or refinance this indebtedness at maturity on favorable terms, or at all.*

Substantially all of our indebtedness will mature prior to the maturity of the Notes.

Our ability to service our current debt obligations and to repay or refinance our existing debt will depend in part on a combination of generation of cash flow from our operations and cash produced by the disposal of selected assets, as well as on our ability to obtain financing. There can be no assurance that we will continue to generate sufficient cash flow in the future to service our current debt obligations and our other operating costs and capital expenditures, particularly if global or regional economies were to experience another significant economic downturn. Further, there can be no assurance that we will be able to consummate such disposals or, if consummated, that the terms of such transactions will be advantageous to us.

In addition, our ability to refinance our indebtedness, on favorable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes. We cannot assure you that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our debt or otherwise, we may seek additional financing, dispose of certain assets, reduce or delay capital investments or seek to raise additional capital.

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay the Notes in such an event.

*Restrictions imposed by the Senior Credit Facility, the Japanese Yen Term and Revolving Facility, the Schuldschein, the Trust Deeds and the trust deeds governing the Original 2025 Notes, the 2026 Notes and the 2027 Notes limit our ability to take certain actions.*

The Senior Credit Facility, the Japanese Yen Term and Revolving Facilities, the Schuldschein, the Trust Deeds and the trust deeds governing the Original 2025 Notes, the 2026 Notes and the 2027 Notes limit, will limit, our flexibility to operate our business. For example, certain of these agreements restrict or will restrict, our and certain of our subsidiaries' ability to, among other things:

- borrow money;
- create certain liens;
- guarantee indebtedness; or
- merge, consolidate or sell, lease or transfer all or substantially all of our assets.

In addition, the Senior Credit Facility limits, among other things, our ability and our subsidiaries' ability to pay dividends or make other distributions, make certain asset dispositions, make certain loans or investments, issue or sell share capital of our subsidiaries or enter into transactions with affiliates. The operating and/or financial restrictions and/or covenants in the Senior Credit Facility, the Japanese Yen Term and Revolving Facilities, the Schuldschein, the Trust Deeds and the trust deeds governing the 2026 Notes and the 2027 Notes may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. In addition to limiting our flexibility in operating our business, a breach of the covenants in the Senior Credit Facility, the Japanese Yen Term and Revolving

Facilities, the Schuldschein, the Trust Deeds or the trust deeds governing the 2026 Notes and the 2027 Notes could cause a default under the terms of each of those agreements, causing all the debt under those agreements to be accelerated. If this were to occur, we may not have sufficient assets to repay our debt.

*We may be unable to raise funds necessary to finance any change of control repurchase offers required by the Notes.*

If we experience a change of control, pursuant to the Trust Deeds, each holder of the Notes will have the right to require that we purchase all or any of the outstanding Notes of such holder at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. Additionally, a change of control under the Senior Credit Facility, or the Schuldschein, unless waived by a lender, would result in cancellation of such lender's commitments under such facility and all amounts outstanding under such facility owed to such lender would become immediately due and payable. In addition, a change of control under the Original 2025 Notes, the 2026 Notes, 2027 Notes or the Notes would give bondholders the option to have their respective bonds repurchased at par or 101% of the principal amount thereof, respectively, in each case plus accrued and unpaid interest.

We may not have the resources to finance the repurchase of the 2028 Notes, the 2025 Notes, 2026 Notes and the 2027 Notes or the early repayment of certain of our indebtedness following a change of control. Therefore, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot give any assurances that we would be able to obtain such financing. Our failure to effect a change of control offer when required would constitute an event of default under the applicable Trust Deed.

In addition, the change of control provision in the Notes may not necessarily afford investors protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transactions involving our Group that may adversely affect holders of Notes, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Terms and Conditions of the New 2025 Notes and the Terms and Conditions of the 2028 Notes.

*The Notes are not necessarily suitable for all investors.*

Investors must have sufficient knowledge and experience in financial markets and familiarity with our Group to evaluate the benefits and risks of investing in the Notes, as well as knowledge and access to analytical tools in order to assess these benefits and risks in the context of their financial situation. The Notes are not suitable for investors who are not familiar with concepts such as optional redemption, covenants, events of default or other financial terms governing these types of securities.

Investors must also be sure that they have sufficient financial resources to bear the risks inherent in the purchase of Notes and that an investment in this type of security is appropriate in the context of their financial situation.

*Exchange rate risks exist for certain holders of the Notes.*

We will make all payments under the Notes in euros. Any holder of the Notes who conducts its financial activities mainly in a currency other than the euro should take into consideration the risk that the rates of exchange could fluctuate and the risk that the authorities of the countries of the relevant currencies could modify any exchange controls. An appreciation of the value of the currency of the holder of the Notes compared to the euro would decrease, in the currency of the holder of the Notes, the value of payments (interest and principal) received under the terms of the Notes, the market value of the Notes, and thus the return of the Notes for such holder of the Notes.

Moreover, governments and monetary authorities could impose (as some have done in the past) exchange controls that could affect the applicable exchange rate. In such a case, holders of the Notes could receive principal or interest in amounts lower than expected, or even no principal or interest.

*There currently exists no market for the Notes, and we cannot provide assurance that an active trading market will develop for the Notes.*

The Notes will be new securities for which there currently is no market. Application has been made to list the Notes on the Official List of Euronext Dublin and to admit the Notes for trading on the Global Exchange Market. However, there is a risk that no liquid secondary market for the Notes will develop or, if it does develop, that it will not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. In an illiquid market, an investor is subject to the risk of not being able to sell Notes at any time at fair market prices or at all.

The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our financial condition, results of operations and prospects, as well as recommendations of securities analysts. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on investors in the Notes, regardless of our financial condition, results of operations and prospects.

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates and the level of demand for the Notes and



for high yield securities generally, as well as our financial condition, results of operations and prospects. The Notes may thus trade at prices that are lower than their initial purchase price. The holders are therefore exposed to the risk of an unfavorable development of market prices of their Notes which materialize if the holders sell the Notes prior to the final maturity.

*The Notes may not become, or remain, listed on Euronext Dublin.*

Although the Issuer has, pursuant to the Trust Deeds, agreed to use its commercially reasonable efforts to have the Notes listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market thereof and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become, or remain, listed. If the Issuer cannot maintain the listing on the Official List of Euronext Dublin and the admission to trading on the Global Exchange Market or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of Euronext Dublin, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another recognized stock exchange in Europe, although there can be no assurance that the Issuer will be able to do so. Although no assurance can be made as to the liquidity of the Notes as a result of listing on the Official List of Euronext Dublin or another recognized stock exchange in Europe in accordance with the applicable Trust Deed, failure to be approved for listing or the delisting of the Notes from the Official List of Euronext Dublin or another listing exchange in accordance with the applicable Trust Deed may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

*The market value of the Notes could decrease if our creditworthiness worsens.*

The market value of the Notes will suffer if the market perceives us to be less likely to fully perform all our obligations under the Notes, which could occur, for example, because of the materialization of any of the risks listed above regarding our Group. Even if the likelihood that we will be in position to fully perform all our obligations under the Notes has not actually decreased, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as us could adversely change, causing the market value of the Notes to fall. If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of these risks. Under these circumstances, the market value of the Notes will decrease.

*The rights of holders of the Notes will be limited so long as the Notes are issued in book-entry interests.*

Owners of the book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, Euroclear or Clearstream, or their nominees, will be the sole holders of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made by the Issuer to the Trustee or the Principal Paying Agent, which will make payments to the clearing system. Thereafter, such payments will be credited to the clearing system participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to the clearing system, neither we, nor the Trustee nor the Principal Paying Agent, will have any responsibility or liability for any aspect of the records relating to, or payments of, interest, principal or other amounts to the clearing system, or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions for holders of the Notes. Instead, holders of the Notes may be entitled to act only to the extent that they have received appropriate proxies to do so from the clearing system or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

*Early redemption of the Notes may reduce an investor's expected yield.*

The Notes may be redeemed at our option at the principal amount of the Notes plus accrued and unpaid interest, if any, to the date fixed for redemption as more fully described in "*Terms and Conditions of the New 2025 Notes – Condition 3: Optional Redemption*" and "*Terms and Conditions of the 2028 Notes – Condition 6.1: Limitation on Indebtedness*". In the event that we exercise the option to redeem the Notes, you may suffer a lower than expected yield on your investment in the Notes and may not be able to reinvest the funds on the same terms.

*Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.*

Because the Notes have not been, or will not be, and are not required to be, registered under the Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, and may only be sold outside the United States or to, or for the account or benefit of, U.S. Persons, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Selling Restrictions*".

*French insolvency law may not be as favorable to you as the insolvency laws of another jurisdiction and may preclude holders of the Notes from recovering payments due on the Notes.*

Under French insolvency law, holders of debt securities are automatically grouped into a single general assembly of holders (the "**Assembly**") in order to defend their common interests if an accelerated safeguard procedure (*procédure de sauvegarde accélérée*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*), a safeguard procedure (*procédure de sauvegarde*) or a judicial reorganization procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance program and regardless of the governing law applicable to the notes, currency, terms, number of series or other factors distinguishing various issues of notes.

The Assembly deliberates on the draft restructuring plan which must be previously adopted by:

- the credit institutions committee (*comité des établissements de crédit*) made up of (i) credit institutions, (ii) assimilated entities (defined in particular as any entity that entered into a credit transaction with the debtor) and (iii) any holder of a claim acquired from either such a credit institution, such an assimilated entity or any supplier of goods or services; and
- the main suppliers' committee (*comité des principaux fournisseurs*), made up of (i) suppliers of goods and services holding at least 3% of the outstanding amount of trade liabilities at the date of the Opening Judgment and (ii) suppliers of goods and services below this threshold at the judicial administrator's invitation (it should be noted that in case of financial safeguard procedure, no main supplier committee is set up).

The draft restructuring plan submitted to the Assembly may:

- increase the liabilities (charges) of holders of debt securities (including the holders of the Notes) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the holders of the Notes) as appropriate under the circumstances and if it is justified by their differences in situation; and/or
- decide to convert debt securities (including the Notes) into securities that give or may give right to share capital when the issuer is a limited liability company incorporated under French law.

Holders of debt securities guaranteed by a security trust (and for the amount thereof) would not be part of the general assembly of bondholders voting on the approval of the plan and therefore no cram-down would be possible.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required on convocation of the Assembly. See "*Certain insolvency and enforceability considerations – France*".

*French tax legislation may restrict the deductibility, for French tax purposes, of all or a portion of the interest incurred in France on our indebtedness, thus reducing the cash flow available to service our indebtedness.*

Under article 212 bis of the French General Tax Code (Code Général des Impôts – "**FTC**"), for financial years opened as from 1 January 2019, the net financial expenses ("**NFE**") are deductible up to the highest of €3,000,000 per financial year and 30% of the borrower's taxable result before tax, interest, depreciation and amortization (EBITDA).

The NFE are defined as the excess, if any, of the financial expenses of the borrower over its financial income. If the borrower belongs to a consolidated group, and its ratio of own funds to aggregated assets is equal to or higher than the corresponding ratio of the group, then 75% of any non-deducted NFE, under the above rule, becomes deductible.

If the borrower has a ratio of affiliated debts to own funds which exceeds 1.5, it is viewed as thinly capitalized, and the deduction of the NFE is governed by the following specific limitations: the portion of the NFE related to the affiliated debts which exceeds 1.5 times the own funds is deductible up to the highest of the pro-rated €1,000,000 per financial year and 10% of the pro-rated EBITDA; the portion of the NFE related to the non-affiliated debts, and to the affiliated debts which do not exceed 1.5 times the own funds, is deductible up to the highest of the pro-rated €3,000,000 per financial year and 30% of the pro-rated EBITDA. These specific limitations do not apply if the ratio of affiliated debts to own funds of the borrower is lower or equal to the corresponding ratio of the consolidated group to which it belongs.

The portion of the NFE which is non-deductible, in respect of a given financial year, may be carried forward indefinitely and deducted from the subsequent financial years subject to the same limitations (in case of thinly capitalized entities, only one third of the NFE may be carried forward). Also if a portion of a deductibility capacity, in respect of a given

financial year, is not fully used by the borrower (other than a thinly capitalized one), it may be carried forward to the next 5 financial years.

Special rules apply to the NFE related to public infra structure projects, and to French tax groupings.

Under article 212 I – a of the FTC, any interest paid by a borrower to an affiliated creditor is deductible up to the highest of the maximum interest rate defined under article 39 1 3e of the FTC and the interest rate which may be obtained from independent financial institutions under similar conditions.

The French Finance Bill for 2020 has introduced, from 1 January 2020 and as per the application of the relevant EU directives, new rules on the tax treatment of hybrid instruments which may result in the non-deductibility of certain financial expenses.

*Transactions in the Notes could be subject to the European financial transaction tax, if adopted.*

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common Financial Transaction Tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

In a common declaration dated 8 December 2015, the Participating Member States, excluding Estonia which ultimately indicated its withdrawal from the enhanced cooperation in March 2016, confirmed their intention to make decisions regarding the outstanding issues related to the FTT before the end of June 2016.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

At the Economic and Financial Affairs Council ("**ECOFIN**") meeting of 14 June 2019, a state of play of the work on the FTT was presented on the basis of a note prepared by Germany on 7 June 2019 indicating a consensus among the Participating Member States (excluding Estonia) to continue negotiations on the basis of a joint French-German proposal based on the French financial transactions tax model which in principle would only concern shares of listed companies whose head office is in a Member State of the European Union. However, such proposal is still subject to change until a final approval.

However, the Commission's Proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## USE OF PROCEEDS

We expect the net proceeds from the Offering to amount to approximately €            million, after deduction of estimated costs and commissions.

The proceeds of the Notes, together with cash on balance sheet, will be used to (i) repay in full the Club Deal Loan of €800 million incurred under the Term Loan Facility Agreement and (ii) to pay fees and expenses incurred in connection with the issue of the Notes.

The following table illustrates the sources and uses of funds relating to the issuance of the Notes and the expected use of the proceeds therefrom. Actual amounts will vary from estimated amounts depending on several factors, including the issue price of the Notes offered hereby and differences from our estimates of transaction fees and expenses.

| <b>Sources of funds</b>             |              | <b>Uses of funds</b>                  |              |
|-------------------------------------|--------------|---------------------------------------|--------------|
| <b>(in € millions)</b>              |              | <b>(in € millions)</b>                |              |
| New 2025 Notes offered hereby ..... | 250.0        | Repayment of the Club Deal Loan ..... | 800.0        |
| 2028 Notes offered hereby .....     | 500.0        | Estimated fees and expenses .....     | 7.5          |
| Cash on balance sheet .....         | 57.5         |                                       |              |
| <b>Total.....</b>                   | <u>807.5</u> | <b>Total.....</b>                     | <u>807.5</u> |

## CAPITALIZATION

The following table sets forth our cash and cash equivalents, financial liabilities and total capitalization as at 30 June 2020, on a historical basis, and as adjusted to reflect the completion of the Offering and the Refinancing.

You should read this table in conjunction with the section headed "Business Review" contained in the 2019 Annual Results, "Presentation of Financial and Other Information" and our consolidated financial statements and the related notes thereto (an English translation of which is incorporated by reference into this Offering Circular). Our historical results do not necessarily indicate results that may be expected for any future period.

| <i>(in € million)</i>                                     | <b>As at<br/>30 June 2020</b> | <b>Adjustments</b> | <b>As adjusted<br/>for the<br/>Offering<br/>(unaudited)</b> |
|---|-------------------------------|--------------------|---|
| Cash and cash equivalents .....                           | 2,521.5                       | (57.5)             | 2,464.0   |
| Other current financial assets included in net debt ..... | 3.8                           | —                  | 3.8   |
| <b>Total cash and cash equivalents .....</b>              | <b>2,525.3</b>                | <b>(57.5)</b>      | <b>2,467.8</b>  |
| Short-term borrowings .....                               | 872.5                         | —                  | 872.5   |
| Other current financial liabilities <sup>(1)</sup> .....  | 246.7                         | —                  | 246.7   |
| <b>Total current financial liabilities .....</b>          | <b>1,119.2</b>                | <b>—</b>           | <b>1,119.2</b>  |
| Senior Credit Facility and Club Deal Loan .....           | 1,400.0                       | (800.0)            | 600.0   |
| Original 2025 Notes .....                                 | 700.0                         | —                  | 700.0   |
| 2026 Notes .....  | 750.0                         | —                  | 750.0   |
| 2027 Notes .....  | 700.0                         | —                  | 700.0   |
| Schuldschein .....  | 700.0                         | —                  | 700.0   |
| Japanese Yen Term and Revolving Facilities .....          | 165.8                         | —                  | 165.8   |
| Bank borrowings & other long-term debt .....              | 1,024.5                       | —                  | 1,024.5   |
| Notes offered hereby .....                                | —                             | 750.0              | 750.0   |
| <b>Total long-term financial liabilities .....</b>        | <b>5,440.3</b>                | <b>(50.0)</b>      | <b>5,390.3</b>  |
| <b>Total financial liabilities (gross) .....</b>          | <b>6,559.5</b>                | <b>(50.0)</b>      | <b>6,509.5</b>  |
| <b>Total financial liabilities (net) .....</b>            | <b>4,034.2</b>                | <b>7.5</b>         | <b>4,041.7</b>  |
| Minority interests .....                                  | 321.1                         | —                  | 321.1   |
| Equity attributed to owners of the parent .....           | 3,566.0                       | —                  | 3,566.0   |
| <b>Total shareholders' equity .....</b>                   | <b>3,887.1</b>                | <b>—</b>           | <b>3,887.1</b>  |
| <b>Total capitalization .....</b>                         | <b>10,446.6</b>               | <b>—</b>           | <b>10,396.6</b>   |

(1) Including current portion of long-term debt

Since 30 June 2020, except as set forth above, there have been no other material changes to our capitalization.

## BUSINESS

### Our Company

We are a top ten global automotive technology supplier by revenue, focused on developing innovative solutions for Sustainable Mobility and the Cockpit of the Future. We have adopted a transformation strategy which is designed to benefit from the four major trends disrupting the automotive industry: connectivity, autonomy, ride-sharing and electrification. Through our Sustainable Mobility strategy, we are facilitating the transition to clean mobility by developing solutions for fuel efficiency, zero emissions and air quality. Our Cockpit of the Future strategy provides solutions for a more connected, versatile and predictive cockpit, responding to the increasing trend for autonomous and connected vehicles.

The Company is organised in four business groups: Faurecia Clean Mobility, Faurecia Seating, Faurecia Interiors and Faurecia Clarion Electronics. We have leading market positions in our three of our four business groups (Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors) and we are seeking to become a leader in cockpit electronics through our most recent business group, Faurecia Clarion Electronics. We estimate that at least one third of vehicles in service in the world were originally equipped with at least one product manufactured by us.

**Faurecia Clean Mobility.** We design solutions for Internal Combustion Engines ("ICE") for passenger vehicles, commercial vehicles and high horsepower as well as technologies for both battery electric and fuel cell electric vehicles to drive mobility solutions and the industry towards zero emissions. We believe vehicles with ICE will continue to represent around 85% of the market in 2030 and our technologies will enable these to be ultra-clean and quiet. We estimate that we are currently the world's leading supplier of exhaust systems and components. In 2019, sales reached €4,653.5 million (26% of sales).

**Faurecia Seating.** We design and produce seat systems that optimize the comfort and safety of occupants while offering premium quality to our customers. We develop innovative solutions for thermal and postural comfort, health and wellness and advanced safety to meet current market requirements as well as satisfy our Cockpit of the Future strategy. We estimate that we are currently the world's leading supplier of seat frames and mechanisms and the number three supplier of complete seats. In 2019, sales reached €6,973.3 million (39% of sales).

**Faurecia Interiors.** We develop and produce full interior systems including instrument panels, door panels, centre consoles and acoustic and soft trim, as well as decoration, interior lighting and smart surfaces. We have strong expertise in seamless integration of interior modules and incorporating functionalities such as haptic surfaces, ambient lighting and displays. We estimate that we are currently one of the two global leaders in the supply of automotive interior systems. In 2019, sales reached €5,370.2 million (30% of sales).

**Faurecia Clarion Electronics.** We launched our fourth business group, Faurecia Clarion Electronics in April 2019. Headquartered in Japan, it brings together the software and electronics expertise of three acquired companies, Clarion, Parrot Automotive SAS, now known as FCE Europe and Coagent Electronics as well as other acquisitions such as CovaTech and Creo Dynamics. We believe that the business group's core competences in electronics and software, sensors and computer vision, Artificial Intelligence and connected solutions as well as display and systems integration will help strengthen our position as a leading developer of the Cockpit of the Future and Advanced Driver Assistance Systems ("ADAS"). In 2019, sales reached €771.4 million (4% of sales).

For the year ended 31 December 2019, our sales amounted to €17,768.3 million compared to €17,524.7 million in 2018 and our EBITDA amounted to €2,404.3 million compared to €2,140.6 million in 2018. For the six months ended 30 June 2020, our sales amounted to €6,169.7 million compared to €8,972.0 million in the six months ended 30 June 2019, and our EBITDA amounted to €509.3 million compared to €1,170.8 million in the six months ended 30 June 2019. As at 31 December 2019, we employed approximately 115,500 people (including temporary workers) in 37 countries.

For the year ended 31 December 2019, our order book for sales (calculated on a three-year rolling basis) was €68 billion, a record level for us, compared to €63 billion at the end of 2018 and €62 billion at the end of 2017.

### Customers

We maintain close relationships with almost all of the world's leading car manufacturers and work closely with customers to develop the design and functionality of our products. Each of Volkswagen, Ford, the Renault-Nissan-Mitsubishi alliance, Groupe PSA and Fiat Chrysler accounted for more than €1.0 billion of our sales in 2019.

We are successfully developing and implementing customer vehicle production programs on a global scale. We have a broad geographic footprint, and are one of the few automotive equipment suppliers with the capacity to supply automakers' global programs where the same car model is produced throughout several regions.

We are involved in all stages of the automotive equipment development and supply process. We design and manufacture automotive equipment adapted to each new car model or platform, and conclude contracts to provide these products throughout the anticipated life of the model or platform (usually between five and ten years). Our customers rely increasingly on global platforms, based upon which they will produce a variety of car models. This allows us to decrease costs through a greater commonality of components, and to benefit from components or modules which can be used in more than one generation of cars. We participate in this evolution by offering generic products associated with our customers' platforms, such as standard seats frames.

The quality of our products is widely acknowledged among automakers. As at 31 December 2019, we had 789 programs in development (including Faurecia Clarion Electronics). In 2019, we successfully launched over 220 programs, in 133 plants across 23 countries, including for vehicles such as Porsche Cayenne Coupé, the Vinfast Lux, the Ford Explorer, and the Peugeot 208 and 2008. We ensure the quality of our products through our Faurecia Excellence System, a rigorous set of project management procedures and methodologies, and by the expertise of approximately 8,500 engineers and technicians who design products and develop technological solutions. This enables us to maintain very close relationships and to be strategic suppliers to many of our customers.

## Our Competitive Strengths

### *One of the top three global players in Clean Mobility, Seating, and Interiors*

Based on our estimates, we have leading market positions in three of our four business groups. In 2019, we estimated that Faurecia Seating was, globally, a leader in seating solutions and the leading supplier of frames and mechanisms for seats and the number three supplier of complete seats, Faurecia Interiors was one of the two leading suppliers of interior systems and Faurecia Clean Mobility was the leading supplier of clean mobility solutions.

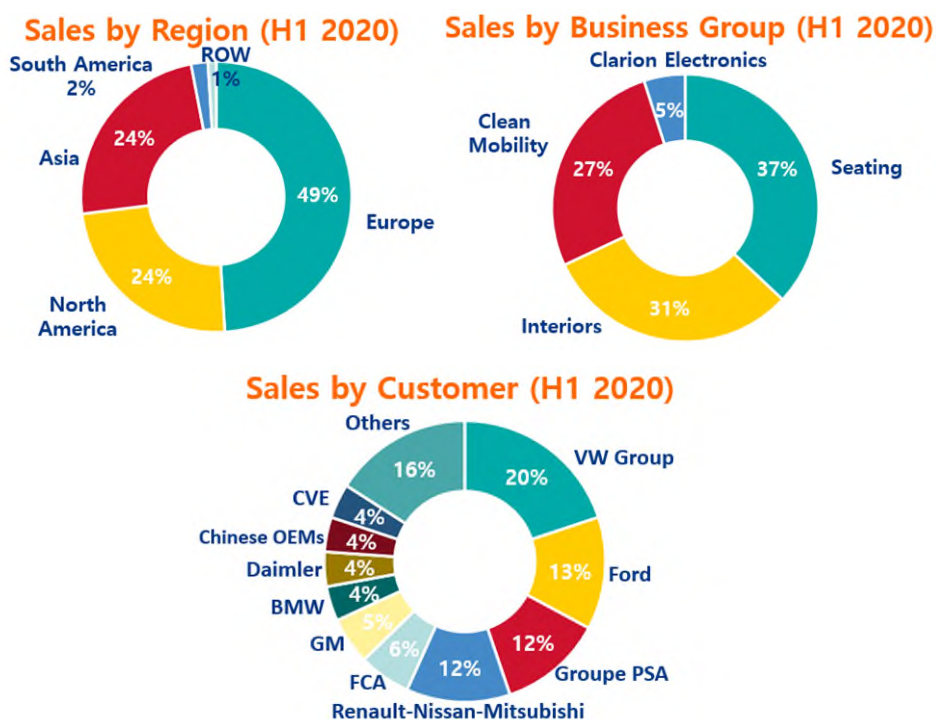
Our market leadership in Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors, and our global platforms are significant strategic advantages as customers typically look to well-established suppliers when awarding new business.

We believe that our market leadership in three of our four business groups positions us well for future growth, allows us to negotiate favorable terms from our suppliers and to further diversify our business model.

### *A key partner for a broad and diversified base of OEMs around the globe*

We believe that the high degree of diversification through our business groups, our geographic presence, and our number of customers and range of products limit our exposure to adverse changes in the global or local economic environment and in the various end-markets we serve, while simultaneously mitigating counterparty risk. This high degree of diversification in turn supports the resilience of our revenues and our profitability.

The following charts show our sales for the six months ended 30 June 2020 by region, business group and customer.



In the six months ended 30 June 2020, sales in Europe, North America, Asia and South America were 49%, 24%, 24% and 2%, respectively, compared to 50%, 26%, 19% and 4%, respectively in the six months ended 30 June 2019.

In recent years we have further increased our customer diversification. In 2019, our two largest customers accounted for 33% of sales compared to approximately 48% of total sales in 2008. We also further increased our geographic diversification by increasing the share of our North American and Asian sales. In 2019, sales in Europe, North America and Asia were 49%, 25% and 21% of sales, respectively compared to approximately 74%, 15% and 6% of total sales, respectively, in 2008. This increased diversification reduces our exposure to a single geographic area, end-market, automaker or car model.

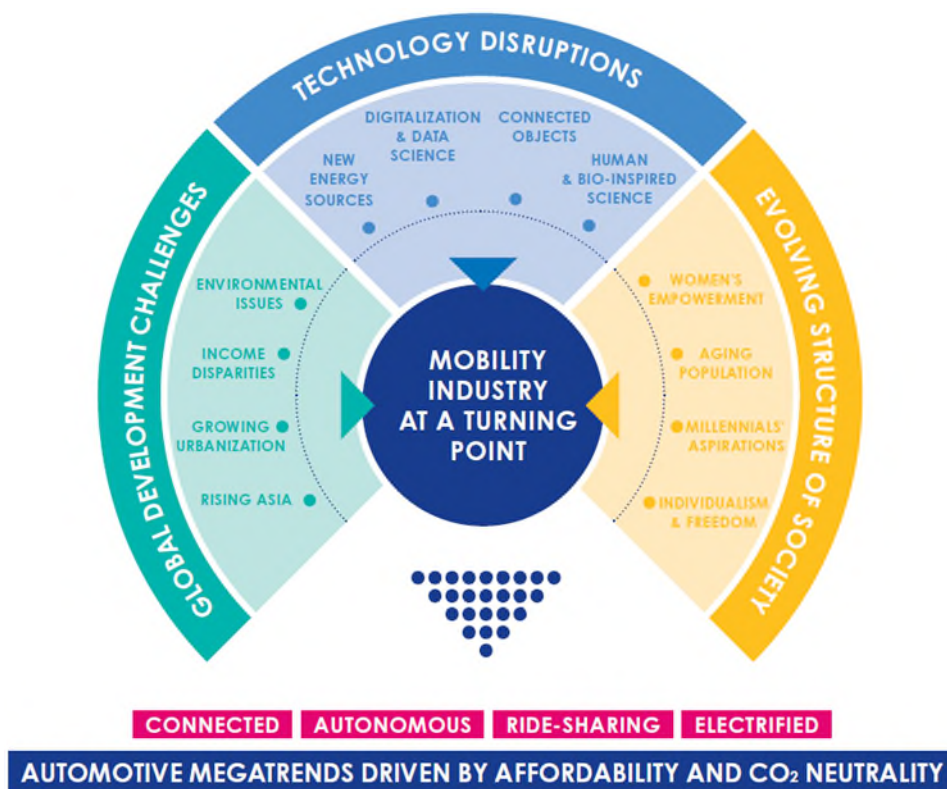
We benefit from a global customer base. Although Japanese and South Korean automakers tend to use their own network of suppliers, we managed to become a supplier to Nissan and Hyundai. We are present on most market segments, from entry-level models to premium and luxury cars, which make us less vulnerable to the parameters which may affect one particular segment. We also benefit from revenue visibility and stability, due to the inherent difficulties automakers face

when changing suppliers in the midst of the development and production of a car model, and from a high renewal rate of our programs.

***Clear and focused strategy aligned with automotive megatrends***

Significant global trends are impacting the automotive industry. Those global trends include: climate change, resource scarcity, growing and ageing populations, economic power shifting to Asia and urbanization. At the same time, technological developments continue to accelerate, transforming daily life and generating new business models. As a result of these technological developments, the evolving structure of society and global development challenges, we believe that the automotive industry is at a turning point. We believe that the consequence of these trends on the automotive industry is a radical increase in mobility which is becoming connected, autonomous, shared and electrified.

We have anticipated these trends and developed a strategy to benefit from them with our solutions for Sustainable Mobility and Cockpit of the Future. We estimate that the addressable market for Sustainable Mobility will reach €46 billion by 2030. We estimate that the addressable market for the Cockpit of the Future will reach €73 billion by 2030.



***Connectedness***

Vehicles with connected capabilities already exist and are becoming increasingly common. The trend for connected vehicles is driven by legislation for increasing safety, increasing customer expectations for infotainment and technological developments for autonomous cars. Connectivity will allow continuous monitoring of vehicles and passengers, the ability to upgrade software in vehicles and will provide passengers with access to a wide range of services, including for safety and on-board user experiences for comfort, well-being, productivity and entertainment. We believe that vehicles will become an integrated device in users' "connected lives" and consumers will demand the same level of service and convenience from their cars as from their smartphones or tablets. The introduction of mobile 5G will enhance connectivity through better quality network coverage and higher bandwidth. According to industry estimates, by 2025, 90% of all new cars sold will be connected (source: *Accenture*).

***Autonomous***

Autonomous vehicles will provide drivers with the opportunity to engage in activities not previously possible while driving, such as relaxing, working and socializing. The level of autonomy in a vehicle is assessed from level 0 to level 5, where level 0 signifies no automation in a vehicle and level 5 is fully autonomous. Autonomous technology for level 3 and level 4 currently exists, however, we believe it is unlikely to see rapid deployment due to high cost and an undefined regulatory framework. We believe that robotaxis are likely to be the first mass application of autonomous vehicles with thousands of vehicles already on the road in pilot programs, while private cars are likely to remain focused on ADAS levels 1 and 2 systems for the foreseeable future. Accordingly, we expect the automotive industry will need to extend its value-proposition to deliver new user experiences. In this context, we expect vehicle interiors will undergo a significant development and the Cockpit of the Future will be connected, versatile and predictive. Based on industry estimates, by 2030, between 15 to 25% of vehicles will allow level 2 and above category of driving automation and 6 to 14% of vehicles will allow level 4 category of driving automation (source: *Accenture*).



### *Shared mobility*

Connectivity is also impacting the way users see mobility, as they begin to use new solutions, particularly in urban settings. Ride-sharing services and car-sharing services are experiencing significant growth, driven in particular by city strategies for improved mobility. The introduction of autonomous vehicles as robotaxis (which is an example of the concept of "mobility as a service" or "**MaaS**") should accelerate the shift by significantly reducing costs per kilometer. For MaaS operators to differentiate themselves, the quality of the user experience will be key. As a result, we believe that users of shared mobility will demand personalization of a vehicle's interior and digital continuity. Mobility operators will need to determine how to offer the best and smoothest customer journey integrating services and multimodal mobility. MaaS operators will therefore become strong vehicle, cockpit and interior specifiers, requesting specific capabilities and functionalities to support their services.

### *Electrification*

The powertrain mix is rapidly evolving towards electrification, due to environmental concerns and pressure from regulators and society. Whilst different countries are moving towards zero emissions at different speeds, we expect that as technologies mature, we will see a rapid increase in the number of hybrid vehicles, battery electric vehicles ("**BEV**") and fuel cell electric vehicles ("**FCEV**"), which will co-exist as zero emissions alternatives. We believe that fuel cells are particularly adapted to commercial vehicles as they have a longer range and a faster re-fuelling time. We currently estimate that by 2030 approximately 2 million vehicles will be FCEVs. This trend towards zero emissions depends on a co-ordinated ecosystem that includes infrastructure and power supply providers. We currently estimate that, by 2030, over 55% of new cars sold could be electrified, with ICE hybrid vehicles representing 41% and BEV 13%.

### *Strategy aligned with automotive megatrends*

As the trends for electrification, connectivity, autonomous driving and ride-sharing accelerate, there are increasing business development opportunities for us in relation to new products, new customers and new business models including the following:

#### New Products

- accelerating innovation for powertrain electrification and investing in zero emissions solutions;
- focusing on short time-to-market technology bricks for the Cockpit of the Future adaptable to autonomous driving; and
- offering new functionalities through integrated electronics.





#### New Customers

- rising Asian OEMs developing vehicles adapted to Asian consumers;
- pure electric vehicle consumers;
- mobility operators, fleets and cities; and
- high horsepower engine manufacturers.

#### New Business Models

- increased role of personalized user experiences;
- upgradability, retrofit and connected services; and
- developing cybersecurity of connected products.

## Pioneer in technological innovations

|              | SUSTAINABLE MOBILITY  | COCKPIT OF THE FUTURE  | DIGITAL TRANSFORMATION & CARBON NEUTRALITY  |
|--------------|---|--|---|
| ACQUISITIONS | 2018<br><br>2019 - 2020<br>   | Parrot<br>AUTOMOTIVE<br>2019 - 2020<br>   <br>  |   |
| PARTNERSHIPS | 2018<br><br>2019 - 2020<br>   | MAHLE<br> <br>DEVIALET<br>    | accenture<br>Microsoft<br>  |
| START-UPS    | 2018<br> <br>2019 - 2020<br> | POWERSPHYR<br>CANATU<br>PROMETHENT<br>TACTOTEK<br>HumanFab<br>alsentis<br>SUBPAC<br>RECOGNI<br>Horizon Robotics  |   |

We are a pioneer in technological innovations in the automotive sector, as highlighted by our consistent track record of award winning innovations. We operate 37 research and development centers worldwide and employ approximately 8,500 engineers. In 2019, we filed 608 new patents, compared to 403 in 2018.

In 2019, we allocated €1,329.7 million to gross R&D costs of which management estimates that €235 million was allocated to research and innovation expenses, an increase of €55 million compared to 2018.

Given the pace of technological change and the need for the efficient development of new products, we have developed an open innovation ecosystem to accelerate the integration of new competences and the time-to-market of our products. This innovative, collaborative ecosystem incorporates non-rival alliances with global industry leaders, investment in start-ups, collaboration with academic institutions and active participation in associations and think tanks for sustainable mobility.

### Strategic and technology partnerships

To rapidly accelerate development in key areas, we have developed partnerships with other industrial or technology companies. In 2019, we entered into new partnerships with Spika SAS (Michelin Group) ("**Michelin**") for fuel cell systems, with Microsoft to develop more digital services for the Cockpit of the Future, with Aptoide S.A. ("**Aptoide**") to develop and operate Android app store solutions for the global automotive market, with Devialet SA ("**Devialet**") to develop premium automotive audio solutions and Allwinner Technology Co., Ltd ("**Allwinner**") for the Cockpit of the Future.

### Investment in start-ups and technology platforms

Faurecia Ventures, the Group's investment fund, advances our innovation strategy by identifying, incubating and investing in start-ups with relevant technologies for Sustainable Mobility and the Cockpit of the Future.

In 2019, we made initial investments in two start-ups: Oversight for sensors and GuardKnox for cybersecurity. In 2020, we acquired a Canadian start-up, IRYStec Software to enhance user experience of cockpit display systems.

We also collaborate with local start-up ecosystems via technology platforms. They allow the Group to scout start-ups, establishing strong connections in major innovation clusters, and to closely follow emerging trends and new technologies. The Group's platforms are located in the Silicon Valley, Toronto, Shenzhen and Tel Aviv. The Tel Aviv platform was inaugurated in 2019 and concentrates on cyber security.

### Academic partnerships and collaborative innovation

We work with over 25 academic organizations in open innovation networks, to test, assess and develop prototypes in order to obtain the relevant information to position research for the Group. Important partnerships include those with Stanford University in the USA, the Collège de France, the French Commission for Atomic Energy and Alternative Energies and the Indian Institute of Science in Bangalore, as well as a collaboration between Dortmund and Supelec.

### Collaborative approach to promoting sustainable mobility solutions

We are a member of the corporate advisory board of Movin'On, an innovative and collaborative think tank aimed at defining mobility trends and setting up pre-competitive studies between the partners. Through its communities of interest Movin'On develops a common vision on specific topics and promotes collaborative intelligence to experiment new mobility solutions.

We are also part of the executive group of the Hydrogen Council. The Hydrogen Council is a global initiative of leading energy, transport and industry companies with a united vision and long-term ambition for hydrogen to foster the energy transition.

### ***Strong operational excellence driven by Total Customer Satisfaction***

#### *Our Total Customer Satisfaction Program*

We initiated our Total Customer Satisfaction program in 2018 and we believe that it is a key driver for operational excellence and a key factor in our commercial differentiation from competitors. The program aims at capturing a holistic picture of customer satisfaction and feedback, both in term of performance and perception of the overall value chain, from order taking to the start of production. Beyond traditional quality measures, customer feedback is collected immediately and transparently through a dedicated Customer Satisfaction digital application which allows for constant interaction with customers. Based on this, we systematically implement action plans to improve customer satisfaction through the robustness of our launch performance and operational excellence to support sustained customer loyalty. The program was a key focus for us in 2019 and is an important element in our relationship with our customers as well as an integral part of our culture.

Our Total Customer Satisfaction program comprises initiatives such as: the Faurecia Excellence System, the Plant Ranking Initiative and our Digital Manufacturing initiatives.

#### *The Faurecia Excellence System*

The Faurecia Excellence System ("FES") is our core operations system governing the organization of our production and operations. It is designed to continuously improve quality, cost, delivery and safety and thereby sustain and improve the operational performance of our production sites around the world through common working methods and language. We believe that this approach is fundamental to enable us to deliver the same level of quality and service throughout the world. The FES complies with applicable quality, environmental and safety standards of the automotive industry (ISO/TS 16949, IATF 16949, ISO 14001, OHSAS 18001).

In 2019, we redesigned the Faurecia Excellence System to support our joint goals of Total Customer Satisfaction and sustainable operational performance and deployed it across our Group. Renamed "**FES X.0**", it provides a clearer, more pragmatic and comprehensive system approach designed to ensure that all employees understand their expected role. The redesigned system was launched through a major global communication and education program consisting of management workshops, multiple new digital learnings and reference documents (FES X.0 Handbook) and a global knowledge-embedding tool for our managers. We believe that FES contributes to the success of our Total Customer Satisfaction program and impacts our financial performance.

#### *Plant Ranking Initiative*

In 2018, we launched a plant ranking initiative which is based on a monthly assessment to promote comparative analysis between production sites. Using a specific tool, plant managers are able to compare their plant's performance with any other of our plants. The initiative is designed to encourage sharing of best practice, reduce performance gaps and promote competition between sites. In 2019, the plant ranking criteria was updated to provide greater weight to key performance indicators from our Total Customer Satisfaction program.

#### *Digital Manufacturing*

We have introduced digital technology to improve operational efficiency and transform working practices in our production facilities. In 2017, we deployed digital management tools as part of our Digital Enterprise strategy throughout our production processes and supply chain, including real-time information sharing, collaborative robots and autonomous guided vehicles, to optimize assembly automation, quality control and production efficiency. By the end of 2019, 680 collaborative robots and 920 automated guided vehicles had been installed at Faurecia production sites. More than a hundred of our factories have digital production dashboards, allowing real-time information sharing on the operation of production lines. Digital management tools and the use of "big data" to provide more control over manufacturing processes increases the potential to continue to improve the performance of our industrial assets. We have introduced artificial intelligence solutions for visual inspections of parts in order to improve quality and reduce process variability. We believe that the digitalization of the manufacturing system will strengthen plant performance.

#### *Awards and New Order Intake*

We believe that the numerous awards that we have received from our customers and our record order intake over the last few years demonstrates the confidence of our customers in our Total Customer Satisfaction strategy. We are a strategic partner of many of our major customers, receiving 48 customer recognition awards in 2019 for global performance, manufacturing excellence, cost savings and innovation. In particular, and for the second consecutive year, we received a supplier award at the 2019 Groupe Renault Supplier event for our operational performance.

For the year ended 31 December 2019, our order book for sales was a record €68 billion (calculated on a three-year rolling basis) which is a new record for us. Notable new business awarded to us in 2019 included:

- first seat frame platform for Volvo and the complete seat for Volkswagen ID Buzz and the Audi PPE;

- door panel businesses for BMW 7 series and Mercedes S-class for premium interiors;
- clean mobility and interiors for GM and the next generation Ford 250/350 complete seats; and
- contract with Tesla for interiors and seating as well as with Hyundai (commercial vehicles) for fuel cell tanks and systems.

Among others, we also achieved the following recognition awards over the last two years:

- PACE award at the Automotive News magazine's PACE awards for developing the "Resonance Free Pipe™" (RFP™);
- supplier award at the General Motors' 2019 Supplier of the Year event;
- four "Winner" and two "Special Mention" awards at the 2020 German Innovation Award competition;
- outstanding program leadership award at the EcoVadis annual 2020 Sustainability Leadership Awards;
- supplier award at the 2019 Groupe Renault Supplier event for our operational performance;
- two innovation awards at the 2019 Shanghai Automotive Show for our Cockpit of the Future innovations;
- "Best Quality Mindset award" at the Groupe Renault Suppliers event for our Pitesti (Romania) plant in 2019;
- two German Innovation Awards for our "Morphing Instrument Panel" and "Immersive Sound Experience", two of our Cockpit of the Future solutions, in 2018;
- innovation award at the 2018 Groupe Renault Suppliers event, for our innovative concept for future vehicle interiors; and
- EcoVadis Sustainable Procurement Leadership Award for the global excellence of our "Buy Beyond" sustainable procurement program in 2018.

#### ***Focus on profitability, financial discipline and resilience***

Our profitability and financial discipline form an important foundation for our transformation and sustainable value creation. Over the past several years we have achieved significant improvements in our profitability. Our operating income increased from 3.5% of value added sales in 2013 to 7.2% of sales in 2019. In particular, our operating income in North America increased from around 2.8% of value added sales in 2013 to 6.3% of sales in 2019, and our Faurecia Interiors business group improved its operating income from 1.8% of its value added sales in 2013 to 5.5% of its sales in 2019.

#### ***Focus on cash generation and resilience***

In 2018, we launched three global cost optimization programs:

- "Operations Execution and Digital Transformation" for increasing industrial efficiency;
- "Global Business Services" for a leaner cost structure; and
- "Global R&D Power" for engineering efficiency.

We have accelerated the implementation of these programs this year for the new post Covid-19 environment in the following manner:

- we have boosted our digital transformation in manufacturing and optimized the use of SAP software;
- we have extended our "Global Business Services" program to cover additional functions and our newly acquired companies;
- we have improved R&D and program management efficiency.

#### ***Convert2Cash program***

In May 2018, we launched our Convert2Cash program. Our program objectives were to: accelerate overdue customer collections to less than 0.5% of sales; converge inventories to benchmark (down 1 day every year); increase volume per supplier against improved payment terms; improve our development cost and tooling cash cycle; and optimize capex through standardization, utilization and re-use.

By the end of 2019, our overdue customer collections were down 25% compared to the end of 2017; inventories were adjusted to the drop in volumes; reverse factoring was put into place in all regions; capex was down by 7% as a result of equipment re-use.

Our next steps for this program include the integration of FCE and SAS.

#### ***Structural actions and cost flexibility***

We are also implementing structural changes to make our cost structure more flexible in order to increase our agility and resilience. We aim to rationalize and optimize our industrial footprint and tightly manage our direct and indirect

headcount, in addition to other selling, general and administrative cost-cutting measures. These measures have become increasingly important to us in the post Covid-19 environment.

We generally seek to pass through increased raw material costs to our customers through a variety of means. Certain raw material cost fluctuations, such as for monoliths, are directly passed through, whilst others are passed through (typically with a time lag) through indexation clauses in our contracts. In addition, we seek to pass through certain other raw material costs to customers through periodic price reviews that are part of our contract management. Our ability to pass through such costs has had a positive impact on our margins and profitability.

We seek to achieve steady and predictable levels of capital expenditure and working capital. We are still planning to grow while limiting our capital expenditure and capitalized R&D requirements by seeking better capital expenditure allocation. Our three-year order intake for the period 2017 to 2019 was €68 billion, compared to €53 billion for the period 2014 to 2016. Subject to the expected future global growth of vehicle production following Covid-19, we believe that our order book strongly supports our future sales and growth objectives.

### ***Two experienced governance bodies driving strategy and execution***

We have two governance bodies, the Board of Directors and the Executive Committee, responsible for deciding and implementing our strategy.

#### *The Board of Directors*

The Board of Directors oversees our business, financial and economic strategies. This 15-member body, including 8 independent board members and 2 board members representing employees, meets at least four times a year. Three permanent committees are tasked with the preparation of discussions on specific topics: the Audit Committee, the Governance and Nominations Committee and the Compensation Committee. They make proposals and recommendations and give advice in their respective areas.

With their diverse backgrounds, experience and skills, our board members offer us their expertise, support in defining our strategy and tackling the challenges that we face within the context of our transformation and strategic direction.

#### *The Executive Committee*

Our executive functions are performed by an Executive Committee that meets monthly to review our results and oversees our operations and the deployment of our strategy. It discusses and prepares guidelines on important operational subjects, and its decisions are then deployed throughout the Group.

Under the responsibility of the Chief Executive Officer ("**CEO**"), our Executive Committee is comprised of the CEO and 13 Executive Vice-Presidents of the Group's international business groups and support functions.

#### *Experienced Management Team*

Our management team has significant experience in the industry. Patrick Koller, our CEO, has been with the Group since 2006. Prior to becoming our CEO, he was Executive Vice President at our Faurecia Seating business group from 2006 to 2015. Michel Favre, our Chief Financial Officer, has been with the Group since 2013. Prior to becoming our Chief Financial Officer, he was Executive Vice President (Financial Controlling and Legal) at Rexel SA from 2009 to 2013, Chief Financial Officer at Casino Guichard-Perrachon SA from 2006 to 2009 and Chief Financial Officer of Altadis SA from 2001 to 2006. He also held a number of senior financial and operational roles with Valeo SA over a 13-year period including Vice President of the Lighting Branch from 1999 to 2001. The majority of the members of our Executive Committee have spent most of their careers in the automotive industry. We believe that the experience, industry knowledge and leadership of our management team will help us implement our strategy described below and achieve further profitable growth.

### **Strategy**

We have adopted a transformation strategy to benefit from the four major trends of connectivity, autonomous driving, new mobility solutions and electrification which are disrupting the automotive industry. Our strategy is to develop innovative solutions for Sustainable Mobility and the Cockpit of the Future.

Through our Sustainable Mobility strategy, we are facilitating the transition to clean mobility by developing solutions for fuel efficiency, zero emissions and air quality. Societal and political pressure on the automotive industry to reduce emissions has never been higher. As stringent new regulations are introduced around the world, and with demand for electrified vehicles consistently increasing, we have made sustainable mobility a strategic priority. We are addressing the major segments for internal combustion engines and electric vehicles by developing solutions for light vehicles, commercial vehicles and high horsepower engines.

Our Cockpit of the Future strategy provides solutions for a more connected, versatile and predictive environment, and responds to the increasing trend for autonomous and connected vehicles. The Cockpit of the Future will allow personalized consumer experiences combining functionalities such as infotainment, ambient lighting, postural and thermal comfort and immersive sound.

We believe that we are uniquely positioned to deliver solutions for Sustainable Mobility and Cockpit of the Future through our leading market positions in our Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors businesses and through the creation of Faurecia Clarion Electronics, our fourth business group.

We refer to the potential market for products and services which meet these strategic priorities as "New Value Spaces". In 2019, our order intake for sales in New Value Spaces represented 17% of our order intake compared with 12% in 2018, amounting to €4.1 billion of which commercial vehicles, high horsepower engines and other sustainable mobility solutions represented €1.5 billion of orders and Cockpit of the Future represented €2.6 billion of orders.

### *Sustainable Mobility*

Our strategic roadmap for Sustainable Mobility focuses on the following three areas:

- developing electric vehicle solutions for light and commercial vehicles;
- developing ICE solutions for light vehicles; and
- developing ICE solutions for commercial vehicles and high horsepower engines.

*Sustainable Mobility – Electric Vehicle Solutions for Light and Commercial Vehicles:* Our strategy for zero emissions is focused on BEVs and FCEVs. We are seeking to become a leading player in battery housing for BEVs, including thermal management, in particular for dual power BEVs and FCEVs. We have four program awards in all regions and expect to sell, through our battery housing, up to €15 per kWh of battery capacity installed in the vehicle.

Whilst they have not reached large scale production yet, we believe FCEVs offer some advantages over BEVs, in particular for heavy and long range vehicles in terms of autonomy and charging time. We believe FCEVs and BEVs will coexist for different applications with fuel cell being particularly appropriate for light commercial vehicles and commercial vehicles due to their superior total cost of ownership and increased convenience.

A complete hydrogen fuel cell system comprises the hydrogen storage system and the fuel cell stacks system. We are currently developing hydrogen storage systems which have increased autonomy, reduced cost and high reliability. The Group has 350 and 700 bar EC79 homologated tanks and already has two business awards.

We estimate that in 2025, the content we could supply per vehicle for FCEVs would increase up to €40,000 in commercial vehicles and €8,000 for light vehicles. Our high content per electric vehicle means that an aggressive electrification scenario of 30% electric vehicles in 2030 would accelerate our growth.

In 2019, we set up a joint venture with Michelin, incorporating each of its fuel cell related activities, including its subsidiary Symbio, with our fuel cell related activities with the aim of creating a world leader in hydrogen fuel cell systems. Moreover, in 2020, we acquired Ullit for high-pressure tanks. We believe this acquisition with Ullit's patented technology for impermeable tank shells will help reinforce our unique hydrogen ecosystem.

*Sustainable Mobility – ICE solutions for Light Vehicles:* The requirement for increasing content in the powertrain to meet emissions control regulations, as well as the need for significant reduction in CO<sub>2</sub> emissions, drive the need for several of our key technologies which we estimate will increase the overall value of the exhaust line by 20% by 2030.

The key technologies for fuel economy and emissions reduction that are already in production or will be by 2025 are the Electric Heated Catalyst ("**EHC**") solutions including a pre-heating function that can give a near zero emissions vehicle, and a combined Exhaust Gas Recirculation ("**EGR**") / Exhaust Heat Recovery Systems ("**EHRS**") which can give over 3% CO<sub>2</sub> savings.

In terms of ultra-quiet vehicles, we offer an advanced exhaust line architecture, electric valves and resonance free pipes.

*Sustainable Mobility – ICE solutions for Commercial Vehicles and High Horsepower Engines:* We are anticipating the ongoing emissionization of all commercial vehicles, particularly in growth markets like China and India, where regulations are converging towards European and North American standards. Technologies such as our heated doser contributes to ultra-low NO<sub>x</sub> emissions by operating efficiently even at lower temperatures and is compatible with current and future after treatment architectures. Our technologies give an increased content per vehicle of 30% for commercial vehicles.

In 2018, we acquired Hug Engineering, the European leader in complete exhaust gas purification systems for high horsepower engines. Post-2020, stringent regulations are being implemented in all regions both for stationary and marine applications and the market is shifting towards more OEM solutions from project-based manufacturing. We estimate that ICE would continue to represent 85% of the market in 2030, with content per vehicle to increase by 20%. We currently have an order book of over €1.5 billion for ICE innovation.

### *Cockpit of the Future*

From our leading position in our Faurecia Seating and Faurecia Interiors business groups, we have undertaken a series of acquisitions and partnerships which gives us a unique position in interior modules and systems architecture. The creation of Faurecia Clarion Electronics, regrouping the complementary technologies of Clarion, FCE Europe and Coagent Electronics, technology companies CovaTech and Creo Dynamics, as well as an ecosystem of start-ups and partners, provides us with the electronics, software, computer vision and artificial intelligence competences to deliver on our vision of the Cockpit of the Future.

In January 2020, we completed the acquisition of the remaining 50% of our joint venture with Continental Automotive GmbH on 30 January 2020, a project that was announced on October 14, 2019. SAS Autosystemtechnik GmbH und Co., KG ("SAS") is a key player in complex interior module assembly and logistics with sales of around €740 million (IFRS15) in 2019 and employing around 4,490 people. This acquisition reinforces our Cockpit of the Future strategy and its systems integration offer which now covers all interior modules as well as functionalities such as lighting and thermal management. It also strengthens our "Just in Time" plant network with 20 facilities in Europe, North and South America and China.

*Advanced Safety, Comfort and Wellness, Immersive Experiences Health and Wellness:* Autonomous driving will lead to the development of new uses for the interior of vehicles. As occupant positions may no longer need to be fixed facing forward and upright, users will have more freedom to do other tasks during their journey. Through our partnership with ZF Friedrichshafen AG ("ZF"), we are developing safety systems so that passengers can continue to travel safely in any seated position, whether they are driving, working or relaxing.

We are also developing solutions that provide an optimal onboard experience and enhance wellness. Through close monitoring of the thermal and postural comfort of the occupants, the cockpit will learn each occupant's preferences over time and leverage artificial intelligence to make adjustments so that people feel better at the end of their journey.

In terms of personalized sound experiences, we are combining activated sound surfaces, smart headrests integrating local ANC, IP and telephony, and high-end premium sound, such as that provided through our partnership with Devialet.

*Connected services:* We are focused on developing "smart surfaces" for drivers' expecting greater intuitive interaction with their vehicles. "Smart surfaces" combine traditional vehicle interior surfaces, such as the dashboard, with digital displays that are able to control cockpit temperature, sound and lighting. Increased connectivity in vehicles will drive new business models for upgradability, retrofit and services across the vehicle lifetime. We have developed a number of partnerships for connected services: with Microsoft for cloud connectivity, with Accenture for digital services and with Aptoide for an automotive app store.

We have created a 50/50 joint venture with Aptoide, one of the largest independent Android app stores to develop and operate Android app store solutions for the global automotive market. This joint venture offers OEMs an affordable and secured automotive apps market, available worldwide with adaptable content per region. The Aptoide app store offers one million Android apps covering a variety of use cases such as gaming, navigation, content streaming services, point of interest recommendations or parking. Aptoide also offers an integrated secure payment mechanism supporting OEM strategies for service monetization, whilst securing the vehicle and occupants' data privacy.

### *Sustainable Development*

We recognize our responsibility as a company to make a positive contribution to society and to all stakeholders. We seek to ensure that our commitment to sustainable development is an integral part of our corporate culture, "Being Faurecia". Within this cultural framework, we have defined six convictions and six values that guide our actions and behaviours. These convictions have been broken down into various action plans which focus on three areas: Planet, Business and People.

- *Planet:* Our actions consist of starting to reduce the carbon footprint of our sites and activities through energy and transport purchases. We are also addressing the carbon footprint of our products by using more environmentally-friendly materials and processes. We have an ambition to be CO<sub>2</sub> neutral by 2030. In 2019, we appointed a "carbon neutrality" project manager whose role is to develop and implement our strategy to achieve carbon neutrality for our business groups by 2030 (scope 1, 2 and partially, 3).
- *Business:* Our actions consist of innovating and developing solutions for increasingly clean mobility. With organizations being challenged to be increasingly agile and faster, we work towards being more vigilant and compliant with the highest ethical business standards. Our goal is to become the preferred referent partner of sustainable mobility in the market.
- *People:* Our actions consist of implementing stringent workplace safety and risk prevention policies. To prepare the teams for future changes, we provide many different types of training to as many employees as possible. To attract and develop talent, we favor a more inclusive culture. As a global company, our goal is to increase our role towards society by contributing to solving social issues.

In line with our convictions, we adhere to international initiatives for sustainable development. The Group is a signatory of Global Compact and respects the ambitions of the 17 Sustainable Development Goals of the United Nations. Amongst these the Group has identified those that are particularly relevant to our corporate social responsibility strategy. We are also a signatory of the French Business Climate pledge and have committed to following the recommendations of the Task Force on Climate Financial Disclosure. The Group also has a partnership with Ecovadis to evaluate the performance of our suppliers.

### **Refinancing**

The issuance of the Notes in this Offering is intended to extend our debt maturity profile and further strengthen our balance sheet. The net proceeds of the Notes, together with cash on balance sheet, will be used to repay our Club Deal

Loan in full. See "*Description of Other Indebtedness*" for further details regarding our outstanding indebtedness and the principal terms and conditions of our other debt instruments.

## Recent developments

### *Impact of Covid-19 in H1 2020*

The first six months of 2020 were strongly impacted by the global spread of the Covid-19 pandemic that heavily impacted the automotive industry and all sectors of the economy. As a consequence of the temporary shutdown of most of our customers' production sites around the globe, we also had to stop production in a large number of our sites during this period.

In line with the rapid expansion of the Covid-19 pandemic in different parts of the world, Asia (24% of Group sales in H1 2020) was the first region to be impacted, with a low point for sales in February and gradual recovery from March onwards. Since May, our sales in China have increased compared to sales for the same period in 2019. Europe and North America (73% of Group sales in H1 2020) faced a low point for sales in April, with gradual recovery from May onwards. In June, sales in Europe and North America were still 22% and 14% lower than 2019 sales in the same period respectively.

Overall, for the six months ended 30 June 2020, our sales amounted to €6,169.7 million, an organic reduction of €3.2 billion due to the Covid-19 pandemic, or a decrease of 35.4% at constant scope and currencies. The global decline in automotive production in this period was 34.4% (source: *IHS Markit data July 2020*). Although we therefore slightly underperformed the market overall at the Group level, this was primarily as a result of the relative proportion of our sales in different regions, as we believe that we outperformed the market in all regions except in North America. There was a positive scope effect in our H1 2020 Financial Statements in an amount of €206.9 million, as a result of the consolidation of SAS since 1 February 2020 (5 months), and an amount of €210.2 million as a result of the consolidation of Clarion (which contributed for four months more than in 2019).

In the light of this unprecedented situation, we immediately implemented a strong action plan with three priorities, to react to the crisis:

- the first priority was the health and safety of all employees as well as creating the right conditions for a safe restart of production, learning from our successful experience in China;
- the second priority was the close management of the Group's liquidity and the protection of a sound financial structure. To this end, we have drawn €600 million out of our €1.2 billion Syndicated Credit Facility, signed the Club Deal Loan of €800 million and extended our factoring program to the newly integrated SAS business. In addition, the Board of Directors took the decision, approved by shareholders at the Annual General Meeting on 26 June 2020, to cancel our 2020 dividend; and
- the third priority was to deploy quick actions to further improve the Group's resilience, in addition to the continuous improvements since mid-2018, and to limit the impact of the sharp decrease in sales on our operating income.

As a result of this efficient action plan, we succeeded in containing the decrease in operating income to €758.7 million (from a profit of €644.8 million for the six months ended 30 June 2019 to a loss of €113.9 million for the six months ended 30 June 2020) despite a decrease in sales of €3.2 billion at constant scope and currencies. Through resilience actions such as flexibilization of direct and indirect labor costs (including making use of temporary government relief measures), flexibilization of manufacturing costs, reduction of R&D net expenses and strict control of selling, general and administrative expenses, we were able to generate savings of €536 million during the first six months of 2020. In particular, despite the scope effect from both Clarion and SAS, net R&D expenditure was reduced by 7.9% (€182.7 million for the six months ended 30 June 2020, compared to €198.4 million for the six months ended 30 June 2019) and selling and administrative expenses were reduced by 5.3% (€361.1 million for the six months ended 30 June 2020, compared to €381.7 million for the six months ended 30 June 2019). These savings mitigated the €1.3 billion impact estimated from lower sales volume on operating income.

Our restructuring expenses increased for the six months ended 30 June 2020 to €89.5 million compared to €71.0 million for the six months ended 30 June 2019 as a result of adapting to the new post Covid-19 environment.

To limit negative cash impact, capex was reduced by 17.8% (€234.7 million for the six months ended 30 June 2020 compared to €285.8 million for the six months ended 30 June 2019) and capitalized R&D was reduced by 5.3% (€304.8 million for the six months ended 30 June 2020 compared to €321.9 million for the six months ended 30 June 2019), reflecting lower activity for the six months ended 30 June 2020 and flexibilization actions.

The negative effect of working capital variation mainly reflected the timing impact of the sharp decrease in activity due to the Covid-19 pandemic. We expect this impact to be largely reversed in the second half of 2020.

Nevertheless, factoring reached €884.7 million, a reduction of only €151.5 million or 14.6% compared to 30 June 2019 (including SAS which provided an additional €115 million of factoring), while sales in May and June were down 39% year over year in the 14 countries where we have factoring programs (down 54% for the second quarter of 2020).

We recorded a strong order intake of €12 billion in the first six months of 2020, of which €1.4 billion was for Faurecia Clarion Electronics, including being awarded a major displays order in North America. We also received an order for €2.7 billion to complete seats for two German OEMs and €0.7 billion for Tesla in China (Interiors and Seating).



## *H2 2020 turnaround actions and guidance*

On 27 July 2020, we released the following H2 2020 guidance:

In the second half of the year, we will continue to deploy measures to further strengthen resilience, enhance cash generation and maintain a sound financial structure.

As regards resilience, we will continue to:

- optimize our industrial footprint with an increased restructuring budget of around €230 million in the full year (compared to €132 million in 2019, excluding Clarion);
- have recourse to temporary and long-term unemployment government schemes when possible;
- maintain strict sales, general and administrative expenses control; and
- accelerate global cost-optimization programs.

As regards cash, we target to:

- reduce capital expenditure by approximately 40% in the full year (compared to €685 million in 2019);
- reduce R&D gross cost by 10% to 15% in the full year (compared to €1,330 million in 2019);
- generate strong positive flow from working capital, with both inventories and overdue customer collections below pre-Covid-19 levels at year-end; and
- restore factoring level (including SAS) to approximately €1 billion by year-end.

As regards financial structure, we signed a new bilateral 12-month line of €100 million (undrawn) in July and target to refinance the €800 million Club Deal Loan signed during the first half of 2020 using the proceeds from the Offering of the Notes.

Thanks to these measures and based on the assumption that worldwide automotive production in H2 2020 will be down around 15% compared to a decrease of 11% forecasted by IHS Markit (source: *IHS Markit data July 2020*), including:

- Europe around -15% compared to H2 2019;
- North America between -10% and -15% compared to H2 2019; and
- Asia between -5% and -10% compared to H2 2019,

we are now targeting for the second half of the year:

- sales of around €7.6 billion;
- operating margin of around 4.5% of sales; and
- net cash flow of around €600 million.

The assumptions of worldwide automotive production underlying these targets assume no major new lockdown in any automotive region during the period (main average currency rates for the period estimated at 1.10 for USD/€ and 7.80 for CNY/€).

## *Medium-term 2022 ambition*

On 27 July 2020, we released the following medium-term 2022 ambition for profitability and cash generation (confirmed thanks to structural initiatives and continuous improvement in resilience):

As a consequence of the Covid-19 crisis, our new worldwide automotive production assumptions for the medium-term are as follows:

- 2020: around 64 million vehicles (around -25% compared to 85 million vehicles produced in 2019);
- 2022: between 76 and 85 million vehicles (compared to 87 million vehicles estimated before the Covid-19 crisis); and
- 2024: between 85 and 91 million vehicles.

These assumptions assume a return of worldwide automotive production to the pre-Covid-19 level of 85 million vehicles produced in 2019 between 2022 and 2024.

In the new post-Covid-19 environment, three trends are emerging:

- acceleration of electrification, driven by CO<sub>2</sub> emission regulation, incentives and increasing environment concerns, leads to increased focus on hydrogen solutions;
- strong momentum for CO<sub>2</sub> neutrality; and
- reduction in investment for autonomous driving, focusing now on L2 / L2+ levels.

We are well-prepared to seize opportunities related to these trends through:

- focusing investment on 14 product lines with strong profitable growth potential;
- building a leadership position in fuel cell systems and high-pressure hydrogen tanks; and
- deploying our ambitious roadmap to achieve CO<sub>2</sub> neutrality.

Our medium-term performance will continue to benefit from the actions undertaken to significantly reduce breakeven of operations as well as profitable growth drivers in each business group:

- *Seating*: through the start of major new programs in 2021 that will contribute to strong market outperformance;
- *Interiors*: through the strong potential from SAS and refocused product portfolio;
- *Clean Mobility*: through increased content per vehicle on low-emission vehicles, leading position in fuel cell systems and strong growth potential for Commercial Vehicles and Industry; and
- *Clarion Electronics*: turnaround through confirmed sales growth and continued cost optimization.

With the new above-mentioned assumptions for worldwide automotive production in the medium-term and thanks to structural and resilience initiatives, we confirm our 2022 ambition for profitability and cash generation (as announced at our Capital Markets Day held on 16 November 2019), despite lower sales prospects:

- sales now expected at above €18.5 billion (based on an assumption of worldwide automotive production of approximately 82 million vehicles and against an initial forecast of “above €20.5 billion euros” based on an assumption of worldwide automotive production of 87 million vehicles in 2022);
- operating margin ambition confirmed at 8% of sales; and
- net cash flow ambition confirmed at 4% of sales.

We are also targeting to recover our BB+/Ba1 rating by the end of 2022.

### ***History and Development***

We have been a major automotive equipment supplier for decades and trace our history back to 1914. We have grown in tandem with technological and industrial advancements to reach our current position as a market leader in three of our four business groups. The following are key milestones and acquisitions in our development.

**1997-1999.** Ecia (Équipements et Composants pour l’Industrie Automobile), the PSA Peugeot Citroën group’s specialist automotive equipment subsidiary, launches a friendly bid for Bertrand Faure, bringing its direct and indirect stake in this group to 99%. The acquisition leads to our formation in 1998 with the underlying aim of focusing on the automotive equipment business. Ecia and Bertrand Faure merge, resulting in the PSA Peugeot Citroën group holding a 52.6% stake in our company by the end of 1999. At that time, we report sales of over €4 billion, with a workforce of 32,000 employees.

**2002-2005.** We acquire a 49% stake in the South Korean catalytic converter maker Daeki Industrial (specializing in exhaust systems for Hyundai), number two in its market, and subsequently increase our stake to 100%. We also purchase the South Korean exhaust systems company Chang Heung Precision, which holds market share of over 20%.

**2009.** We agree to acquire Emcon Technologies, becoming the world leader in the exhaust systems market. Following completion of the all-equity deal, One Equity Partners (JP Morgan Chase & Co’s private equity arm) takes a 17.3% stake in our company (fully divested in October 2010) and the PSA Peugeot Citroën group’s interest is reduced to 57.4%. In India, we buy out joint-venture partner Tata to become the sole owner of Taco Faurecia Design Centre, which is renamed Faurecia Automotive Engineering India and becomes our development center in India.

**2012.** On 3 May 2012, we announce our acquisition of the Ford ACH interior components plant in Saline, Michigan (USA). On 30 August 2012, we announce the acquisition of Plastal France (Plastal SAS), a supplier of plastic body parts for Smart branded vehicles (Daimler). We acquire the automotive business of Sora Composites and sign a partnership agreement with Mitsubishi Chemical to co-develop and produce bio-plastics for the automotive industry.

**2013.** Our Faurecia Clean Mobility business group enters into a joint-venture agreement with Suzhou PowerGreen Emission System Solution Co. Ltd, to jointly manufacture clean mobility solutions in Shanghai. Our Interiors business group also enters into a joint-venture agreement with Chinese automaker Chang’an Automobile Group, one of China’s largest automakers to produce and deliver automotive interior equipment to Ford and PSA Peugeot Citroën group for its DS premium range and also enters into a cooperation agreement with Magneti Marelli for the design, development and manufacture of advanced human-machine interface vehicle interior products. Our Faurecia Seating business group enters into an agreement to establish a joint-venture with Thailand-based equipment manufacturer Summit Auto Seats to support Ford’s growth strategy in Southeast Asia, especially in Thailand.

**2014.** Our Faurecia Interiors business group enters into a joint-venture with Interval, a major French agricultural cooperative to develop the use of natural fiber-based materials for the automotive industry, and also enters into a joint-venture with the Japanese equipment supplier Howa for the production of interior systems for the Renault-Nissan-Mitsubishi group in Mexico.

**2016.** On 29 July 2016, we complete the sale of Faurecia Automotive Exteriors to Compagnie Plastic Omnium for an enterprise value of €665 million. The sale of Faurecia Automotive Exteriors represents an important step in balancing our business model as it has enabled us to accelerate our investment in higher value-added technologies within our remaining 3 divisions and to rebalance our geographical and customer portfolio. For example, part of the proceeds from the sale of Faurecia Automotive Exteriors were used for our investments in Parrot Automotive SAS, Amminex Emissions Technology A/S ("**Amminex**") and Coagent Electronics. On 6 December 2016, we announce that we had entered into exclusive talks with FCE Europe, one of the leaders in connectivity and infotainment solutions for the automotive industry, with the aim of developing applications and platforms for connected vehicles. On 13 December 2016, we announce that we had increased our stake in Danish company Amminex from 42% to 91.5% through a share purchase agreement.

**2017.** On 24 March 2017, we complete our strategic partnership with Parrot Automotive SAS (subsequently renamed FCE Europe) by taking a 20% stake and subscribing to a convertible bond allowing us to increase our stake to 50.01% from 1 January 2019. On 17 November 2017, we acquire a 50.1% stake in Coagent Electronics in order to develop HMI and in-vehicle-infotainment such as displays, voice recognition, radio and navigation and smartphone applications.

**2018.** In March, we complete our acquisition of Hug Engineering, a leader in gas purification systems for high horsepower engines. We also announce our investment in French start-up Enogia, a specialist for energy recovery. In April, we announce the opening of a new technology center in Yokohama. In June, we sign a strategic partnership framework agreement with FAW Group to develop Cockpit of the Future technologies and Sustainable Mobility solutions. In October, we announce our full acquisition of FCE Europe. We also announce a new joint venture with Liuzhou Wuling, Faurecia Liuzhou Emissions Control Technologies. We also announce the Clarion Acquisition. In November, we announce a strategic partnership with HELLA for the development of innovative interior lighting solutions. In December, we announce an investment in ESP Consulting, which uses cognitive science to optimize human well-being and performance in different situations.

**2019.** In February, we signed a partnership with Japan Display Inc. ("**JDI**") to enhance user experience inside the cockpit. In March, we signed a memorandum of understanding to create a joint venture with Michelin, a leader in sustainable mobility. The joint venture will incorporate each of Michelin's fuel cell related activities, including its subsidiary Symbio, with our fuel cell related activities with the aim of creating a world leader in hydrogen fuel cell systems. In April, we launched our fourth business group Faurecia Clarion Electronics, based in Saitama, Japan. In April, we also announced the acquisition of a majority stake in the Swedish company Creo Dynamics, which provides innovative acoustics and Active Noise Control solutions. In April, we also announced the establishment of our first Faurecia Clean Mobility manufacturing plant in Japan, located in Koriyama City, Fukushima Prefecture. In May, we announced an investment in GuardKnox, an Israeli automotive cybersecurity provider, to reinforce passenger safety and data security in the connected car and for new user experiences. In June, we announced the creation of a global center of expertise for hydrogen storage systems at our research and development center in Bavans, France. In July, we announced a collaboration with Microsoft to create connected and personalized services inside the Cockpit of the Future. In October, we announced the acquisition of the remaining 50% of our SAS joint venture with Continental, which completed in January 2020. In November, we announced the creation of a joint venture with Aptoide to develop and operate apps for the global automotive market. In December, we announced a partnership with Devialet to develop high-quality sound solutions for automakers.

**2020.** In January, we signed a cooperation framework agreement with Beijing Horizon Robotics to co-develop multi-modal perception artificial intelligence solutions and accelerate the commercialization of intelligent cockpit systems and ADAS for the Chinese market. We also acquired Ullit, a French manufacturer of high pressured tanks to reinforce our hydrogen ecosystem. In July, we acquired a Canadian start-up, IRYSStec Software to enhance user experience of cockpit display systems.

### ***Our Industry***

We operate within the global automotive equipment sector and our business growth is dependent on the trends in the global automotive market. Consumer expectations and societal changes are the two main drivers of change within such market. Regulatory change, which mirrors societal change, aims to reduce the impact of vehicles on the environment across all major automotive markets. The globalization of the automotive markets and the swift change in consumption patterns and tools, particularly in the field of electronics, have prompted automakers to look for new solutions enabling them to offer diverse, customizable and financially attractive products.

From early 2010 to 2017, our markets experienced substantial growth, fuelled by a rebound of sales in Europe and North America, as well as robust growth in China and other emerging markets. However, in 2018, worldwide automotive production decreased by approximately 1.0% worldwide (source: *IHS Markit Automotive June 2019*). Nonetheless, our 2018 revenue was up by 7.0% at constant currencies, demonstrating an outperformance of 810bps above worldwide automotive production.

Similarly in 2019, worldwide automotive production decreased by approximately 5.8% (source: *IHS Markit Automotive June 2020*). We continued to display strong resilience, with our 2019 revenue down by 3.0% at constant currencies, and excluding Clarion, representing an outperformance of 280bps. On a reported basis, our 2019 revenue was up by 1.4%.

### *Reducing fuel consumption, an increasingly compelling requirement*

Since 2009, European Union legislation has set mandatory emission targets for new cars and, since 2011, for new vans. From 2021, phased in from 2020, the EU fleet-wide average emission target for new cars will be 95g CO<sub>2</sub>/km, in contrast with the goal of 180g CO<sub>2</sub>/km which was in force ten years ago. The next requirement will be a reduction from the 2021 baseline of 15% for both cars and vans to around 80g CO<sub>2</sub>/km from 2025 onwards and then 37.5% for cars and 31% for vans from 2030 onwards. In China, the government has set a target of 95g CO<sub>2</sub>/km for passenger vehicles by 2025, followed by 75g CO<sub>2</sub>/km. These objectives will require breakthroughs in design and materials. We are already active in the various areas that help reduce vehicle weight by offering new products and new designs applicable to existing products, optimized design, and are working to develop alternative materials and new manufacturing processes. As a world leader in clean technologies, we are committed to offering innovative solutions in zero-emission mobility and the reduction of emissions from all types of vehicles.

### *Environmental performance*

Emissions of all combustion-related pollutants are subject to standards that are converging towards a drastic reduction. Reducing fuel consumption results in increased levels of pressure and higher temperatures in combustion chambers, which are damaging to the environment in terms of emissions of gas, pollutants and particulates. Direct fuel injection, increasingly widespread in gasoline engines, generates particulates that may require treatment in the exhaust system. We have been supplying particulate filters for gasoline engines since 2014, when we were the first company to introduce them as standard equipment in the market. The new Euro 6c emission standards have made it mandatory for all vehicles produced after 1 September 2018 with gasoline engines to have particulate filters installed, as has been the case for diesel engines since 2011.

We are able to develop exhaust systems integrating the most efficient pollutant and particulate treatment technologies as a result of our experience in all aspects of the design and production of exhaust systems. In 2018, we offered an innovative solution to an important General Motors program to save fuel and reduce CO<sub>2</sub> emissions. Called "Resonance Free Pipe™" (RFP™), this innovation reduces the weight and the architectural complexity of exhaust by eliminating resonance. In 2019, we received Automotive News magazine's 2019 PACE award for this innovation. In 2018, we further strengthened our technological offerings for clean mobility with our acquisition of Hug Engineering, a leader in whole systems for exhaust gas purification of extremely high-powered engines.

### *Sustainable development and use of raw materials*

Materials are increasingly chosen and designed to satisfy regulatory constraints and societal expectations. Depending on the engine type and driving cycle, decreasing the average vehicle's total mass by 100kg reduces CO<sub>2</sub> emissions by approximately 8-10g per kilometer driven. Our products can represent up to 20% of a vehicle's total weight. This makes us a major contributor to the reduction of vehicle weight as a means of cutting fuel consumption, limiting emissions of greenhouse gases and reducing the use of raw materials in vehicle production.

From 2015, the European Commission imposed stricter requirements where the recyclability of synthetic materials such as plastics and, in the longer term, composite materials is one of the key features of the vehicle of the future. We offer bio-sourced natural fibers, including hemp and vegetable fibers, which make it possible to attain high performance in reducing environmental impact: the proportion of natural fibers in plastics is renewable and the sustainability of plastics as well as the lesser weight of products allow for responsible consumption and use of these materials. The environmental impact of this innovation was assessed according to ISO 14040 and ISO 14044 international standards. Natural hemp fibers used by us also reduce environmental impact as the natural fibers in plastics is renewable and the lesser weight of products allows for responsible consumption and use of these materials. Plastic materials strengthened with hemp are recognized as compatible with industrial recycling processes already in place.

We are already making a contribution having patented three technologies utilizing biomaterials. Natural fibers currently account for 30.5% of the total amount of fibers used by the Group, an increase of 2.6% compared with 2017.

Lignolight technology, using compressed fibers for between 50% and 90% of the resin, applied to door panels, improves density by 40% compared with traditional components. NAFILean™ technology (Natural Fiber Injection), which combines natural hemp fibers with polypropylene resin, reduces weight by 25% compared with talc-loaded polypropylene. To date, more than 17 vehicles are equipped with NAFILean™ technology. NAFILite™, a new project we developed together with a major French agricultural cooperative, Interval, which combines NAFILean™ material and an injection (foaming process) can further reduce weight by 10%. NAFILite™ received a sustainability award at the JEC World 2017 Innovation Awards.

In order to grow and manufacture lighter and cleaner vehicles, we take environmental factors into account at all stages of the product life cycle, from product design to the environmental impact of our plants, from supplier collaboration to product end-of-life. We have gradually put in place a management system that allows us to be particularly responsive to new restrictions and to set up an alternative project if necessary. Our management system includes an investigation phase to collect reports from our suppliers, notably in the context of the new EU regulatory framework for the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") regulation, and setting up an alternative project if necessary).

## **Competition**

We estimate we are one of the top 10 automotive technology suppliers in the world by revenue. We estimate that we are among the top three suppliers in terms of worldwide sales in each of three of our four business groups (Faurecia Clean Mobility, Faurecia Seating and Faurecia Interiors). We have benefited from the significant consolidation in our markets and have been able to acquire significant new technologies, markets and product lines. Our main competitors by business group are:

*Faurecia Seating:* Adient, Lear Corp and Magna International Inc.

*Faurecia Interiors:* Yanfeng Automotive Interiors ("YFAI"), Grupo Antolin, IAC (International Automotive Components) and Motherson.

*Faurecia Clean Mobility:* Tenneco, Eberspächer, Boysen and Magneti Marelli.

The list above does not include "captive" Keiretsu / Chaebol competitors closely linked to carmakers, such as Toyota Boshoku, Sitech, Mobis, Sango, Futaba, Yutaka or Sejong.

*Faurecia Clarion Electronics:* Bosch, Harman, Panasonic and Continental.

## **Manufacturing**

With approximately 248 plants and R&D sites in 37 countries, we can support automakers with on- the-ground services, especially in high-growth emerging markets. Focusing on innovation, project- engineering and production, we play a leading role in shaping the automotive industry around the world.

Around two thirds of our plants producing components are specifically located near our customers' plants in order to streamline industrial and supply chain costs. Around a third of our sites use a just-in-time business model, meaning that rather than stock-piling raw materials and finished products, components are produced based on the specifications communicated by the customer on the day of production. Located near automakers' assembly lines or even set up within their actual industrial parks, these sites are capable of delivering to our customers' production lines in less than three hours. For this reason, much of our property, plant and equipment is specifically dedicated to particular client programs and utilization rates are dependent on the activity level of the customers.

Most of our property, plants and equipment is comprised of machinery, specific tooling and new plants in the process of construction, as well as land and buildings involved in our production processes. The level of automation in our manufacturing plants will depend on the local context and customers' needs; however, none of our plants are 100% automated and the skills of our employees is a key factor of our quality level. By the end of 2019, 680 collaborative robots and 920 automated guided vehicles had been installed at Faurecia production sites. More than a hundred of our factories have digital production dashboards, allowing real-time information sharing on the operation of production lines.

Due to weakening market conditions in the automotive industry globally in 2019, including in China, we reduced our global manufacturing footprint, closing 20 plants, of which 4 plants were under Faurecia Clarion Electronics and 11 were non-industrial sites in the year ended 31 December 2019. Market conditions have weakened significantly as a result of the Covid-19 pandemic. See "*Summary - Recent Developments*" for information about our response to the Covid-19 pandemic and its impact the automotive sector.

## **Suppliers**

We use a large number of suppliers based in different countries for our raw materials and basic parts. In 2019, the Group made a total of €10,277.1 million in purchases from approximately 2,300 main suppliers in 54 countries. Since 2017, we have been working with our partner, EcoVadis, to carry out an in-depth assessment of our suppliers focusing on their ethical, social, and environmental practices. As at the date of this Offering Circular, 80% of all direct suppliers are assessed by EcoVadis.

## **Quality**

We manage product quality from the new order acquisition phase to manufacturing in our plants. The Group quality control department is responsible for quality management at all stages of the process. It is present at all levels of organization from the multidisciplinary team developing new programs or the production plant up to the Group's management structure.

In 2018, we initiated our Total Customer Satisfaction program. This program aims at getting a global picture of our customer satisfaction both in term of performance and perception of the overall value chain: from order taking to production start. Beyond those quality measures, customer feedback is now collected instantly and in a transparent way through a dedicated digital application. The Faurecia Excellence System ("FES") is defining how production and operations are being organized. It has been built to improve quality, cost, delivery and security on a continuous basis, based on a common framework for all plants around the world, guaranteeing the best possible operational performance. The FES, renamed "FES X.0", was updated in 2018 to make it more pragmatic and accessible to employees as well as to accelerate digitization. FES X.0 is being deployed during 2019 and will be an important contributor to our Total Customer Satisfaction program and our financial performance.

We have developed a Quick Response Continuous Improvement ("**QRCI**") approach to analyze the frequency of work-related accidents to measure the effectiveness of actions carried out in the relevant area. After each accident, a QRCI analysis is performed using a problem-solving method based on best practices in terms of solving quality problems to ensure that the primary causes of the accident are understood, that corrective actions have been effective and that preventative measures are implemented and shared across the various sites.

Our major customers acknowledge that we offer one of the highest levels of quality worldwide, as evidenced by numerous awards received from customers each year. Detailed monitoring of specific performance with each customer has been introduced in order to ensure that corrective measures are taken immediately to address any quality issues at a given plant. Reducing quality performance differentials between sites remains an overriding goal as demonstrated by our Plant Ranking initiative, launched in 2018, which is designed to promote comparative analysis between production sites.

### ***Research and Development***

Consumer expectations and societal changes are the two main drivers of change within the market. Regulatory change, which mirrors societal change, aims to reduce the impact of cars and commercial vehicles on the environment across all major automotive markets. The globalization of the automotive markets and swift change in consumption patterns and tools, particularly in the field of electronics, have prompted automakers to look for new solutions enabling them to offer diverse, customizable and financially attractive product ranges.

Gross R&D expenses accounted for € 1,329.7 million of total expenses in 2019, representing 7.5% of our sales, of which €235 million was allocated to research and innovation expenses, amounting to €584 million allocated over the last three years. We filed 608 patents in 2019 compared to 403 in 2018.

We focus our innovation efforts on "Sustainable Mobility", our development of products and processes which reduce CO<sub>2</sub> emissions, improve air quality, weight reduction, size reduction, energy recovery and the development of bio-sourced and renewable materials and "Cockpit of the Future", our development of products and technology for vehicle seating and interiors which is aligned with the increasing connectedness and autonomy of vehicles which we believe will radically alter the driving experience and lead to the "Cockpit of the Future", with substantially redesigned and enhanced vehicle seating and interiors. We are pioneering technological development in the "Cockpit of the Future" which will provide users with versatile architecture, advanced safety, health and wellbeing, personalized comfort, connectivity, infotainment and intuitive HMI systems. We are focusing our product development on higher value, innovative products with a high technology content.

### ***Product process and design***

Product process and design are central to the activity of our engineering teams. We develop our own rules and design standards. This guarantees both a high level of robustness and a competitive advantage. We expect this process of standardization to help us reduce our existing level of capital expenditure by allowing us to manufacture different types of vehicles for several automakers, using the same production process and the same plants.

We commit a lot of efforts and incur significant expenses to improve our production processes, in particular in order to ensure that our productivity and production efficiency continues to increase. Our customers often require that we share with them our productivity gains by agreeing to some potential price reduction to reflect any improvement in productivity based on certain volume of production assumptions for each particular program. These approaches have allowed us to develop lighter products than our competitors.

The industrial chair of automotive mechatronics with Centrale Nantes (France) and of processing methods for metal materials with the Technische Universität Dortmund (TUD, Germany) are part of this process. Since 2012, we have made particular efforts to enhance our expertise in mechatronics, with the creation of an electronics laboratory in Brières (France) and an industrial chair of automotive mechatronics with Centrale-Supelec (France).

### ***Intellectual Property***

Technological development and innovation are among our priorities. In order to protect our new and existing products, proprietary know-how and production processes, we manage a large intellectual property rights portfolio including patents, designs and trademarks relating to our business in France and other countries. In particular, we filed 608 new patent applications and 673 territorial extensions in 2019. Overall, we have more than 10,000 patents in our patent portfolio. These patents relate to products, materials, and manufacturing processes, demonstrating the efforts made by us to optimize the entire product value chain and to sustain a competitive advantage.

While our patent portfolio and other intellectual property rights including trademarks and designs are of material importance to our business, we do not consider any one patent or group of patents that relates to any particular product or process as being of material importance in relation to the products we supply to any client or, for that matter, to our business as a whole. We are not currently engaged in any material intellectual property litigation, nor do we know of any material intellectual property claims outstanding.

### ***Recycling***

We incorporate recyclability in our eco-design approach by anticipating the end-of-life phase and optimizing production waste recovery. The European Directive 2000/53/EC of 18 September 2000 on end-of-life vehicles stipulates that vehicles

must be 95% recoverable by weight, of which 85% must be actually reusable or recyclable, by 1 January 2015. Given the general increase of regulatory requirements from an environmental perspective, automakers are placing ever-greater demands on their suppliers in terms of end-of-life product recyclability.

All of our businesses are affected by these regulatory requirements and, depending on the characteristics of the component in question, have implemented plans and solutions to ensure that end-of-life products are processed as efficiently as possible in the future.

We are committed to a process of forecasting the life-cycle of a product and the recoverability of a product at the end of its life-cycle. Selective trials overseen by us comprise the first phase of a comprehensive approach by the automotive sector in partnership with industrial firms, academic institutions and automotive industry related, groups to forecast volumes of materials available for recycling in the future.

Faurecia Interiors, after performing tests on the recycling and recovery of products, has begun similar operations after disassembling vehicles. Industrial-scale recyclability studies and tests have been undertaken with certain car-disassembling plants, both on existing products and materials being developed, including agro-composites. For example, the NAFCORECY (NATural Fiber COMposites RECYcling) project was able to demonstrate, with the help of European companies specialized in recycling, that parts made of NAFILean (polypropylene with natural fibers) can be processed with post-disassembling technologies for vehicles or recycling technologies used for industrial waste.

### **Insurance**

As we do not have any captive insurance entities, our system for safeguarding assets is based on the implementation and on-going adaptation of our risk prevention policy as well as our strategy of transferring our principal risks to the insurance market. As with any industrial activity, our sites are exposed to various risks: fire, explosion, natural disaster, systems failure, non-compliance with regulations or stricter regulations applicable or other factors. These types of events may result in us incurring additional costs and/or capital expenditure to remedy the situation, to comply with regulations and/or as a result of any fines.

We hold fire, property damage and business interruption insurance policies. Insurance coverage for our buildings and equipment is based on the asset's replacement value. We have established special coverage in connection with certain country-specific risks. We renewed our liability insurance policy on 1 January 2020. Liability insurance covers operating liability and product liability after delivery, including the risk of product recall.

### **Employees**

As at 31 December 2019, we employed approximately 115,496 people (including temporary workers). Our total number of permanent employees, increased by 815, or 0.9%, to approximately 93,699 as at 31 December 2019, compared to 2018.

The following table shows our permanent employees across regions and functions:

|                   | 2019                  |   |                            |               | 2018                  |   |                            |               | Variation   |
|-------------------|-----------------------|---|----------------------------|---------------|-----------------------|---|----------------------------|---------------|-------------|
|                   | Operators and workers | Technicians, foremen and administrative staff | Managers and professionals | Total         | Operators and workers | Technicians, foremen and administrative staff | Managers and professionals | Total         |             |
| Europe.....       | 28,474                | 6,582   | 9,207                      | 44,263        | 28,926                | 6,618   | 9,241                      | 44,785        | -1.2%       |
| North America     | 14,104                | 1,574   | 4,073                      | 19,751        | 14,792                | 1,300   | 3,934                      | 20,026        | -1.4%       |
| South America     | 3,828                 | 795   | 481                        | 5,104         | 4,221                 | 840   | 499                        | 5,560         | -8.2%       |
| Asia.....         | 7,251                 | 1,995   | 7,860                      | 17,106        | 8,125                 | 1,505   | 6,546                      | 16,176        | 5.7%        |
| Other.....        | 6,072                 | 653   | 750                        | 7,475         | 4,984                 | 640   | 713                        | 6,337         | 18.0%       |
| <b>Total.....</b> | <b>59,729</b>         | <b>11,599</b>                                 | <b>22,371</b>              | <b>93,699</b> | <b>61,048</b>         | <b>10,903</b>                                 | <b>20,933</b>              | <b>92,884</b> | <b>0.9%</b> |

The proportion of employees employed under indefinite term contracts (as opposed to employees on fixed term contracts) increased from 74.2% in 2018 to 74.6% in 2019.

In addition to the above permanent employees, we employed 21,797 total temporary employees throughout all of our sites in 2019. The proportion of temporary staff decreased from 19.0% in 2018 to 18.9% in 2019.

Our employees benefit from employees saving plans and other incentive-based pay depending on their level and the country in which they work. In 2010 we implemented a share grant plan for executives of Group companies. These shares are subject to service and performance conditions.

### **Litigation**

On 25 March 2014, the European Commission and the United States Department of Justice, on 27 November 2014, the Competition Commission of South Africa, and on 19 May 2017, the Brazilian competition authority ("**CADE**"), initiated inquiries covering certain suppliers of emission control systems on the basis of suspicions of anti-competitive practices

in this market. Faurecia is one of the companies covered by these inquiries. The current status of these inquiries is as follows:

- the European Commission has announced that it had closed the enquiry, as communicated by us on 2 May 2017;
- we have reached an agreement with the CADE for a non-material amount, which we announced on 5 September 2018, and, as a result, we are no longer subject to their enquiry;
- in December 2018, we were informed by the United States Department of Justice that we were no longer subject to their enquiry;
- on 10 April 2020, a settlement agreement for a non-material amount was signed between us and the Competition Commission of South Africa, and was approved by the court on 18 May 2020.

Moreover, the Group has reached agreements, for non-material amounts, with the plaintiffs to settle all three class actions which were filed in the United States District Court for the Eastern District of Michigan against several suppliers of emissions control systems, including group affiliates, alleging anticompetitive practices in regard to Exhaust Systems. These agreements have been validated by the court.

All investigations by competition authorities are now closed.

Two class actions for similar allegations have also been filed in Canada but are at a very preliminary stage.

There are no other claims or litigation in progress or pending that are likely to have a material impact on the Group's consolidated financial position.



## MANAGEMENT

We are a public limited liability company (*société européenne*) with a Board of Directors. The business address of our Board of Directors is 23-27 Avenue des Champs Pierreux, 92000 Nanterre, France.

Our Board of Directors determines our overall business, financial and economic strategies and oversees their implementation. Subject to the powers expressly granted by shareholders meetings and subject to our by-laws, the Board of Directors handles all our matters. The Board of Directors is consulted with respect to all of our strategic decisions at the initiative of our Chairman.

Our day-to-day activities are overseen by an Executive Committee. Our Executive Committee meets once a month to review the principal questions relating to our general organization. The Executive Committee discusses and prepares guidelines on major operations-related issues concerning us and our subsidiaries, which are then implemented by each of the Executive Committee's members in line with their functions.

### **Board of Directors**

According to our Articles of Association, our Board of Directors must be composed of at least three members and no more than fifteen (excluding board members representing employees). The term of office has been four years since the Annual General Meeting of 26 June 2020. The Board of Directors currently consists of 15 members, out of which 2 represent the employees and 8 of which are independent.

### **Members of the Board of Directors**

The Board of Directors currently consists of fifteen members, eight of whom are independent directors under French corporate governance guidelines issued by the *Association Française des Entreprises Privées / Mouvement des Entreprises de France* (the "**Corporate Governance Code**"): Michel de Rosen (Chairman), Odile Desforges, Linda Hasenfratz, Penelope Herscher, Valérie Landon, Yan Mei, Peter Mertens and Denis Mercier.

Four directors hold or have held executive management or supervisory positions within the PSA Peugeot Citroën group, our majority shareholder: Olivia Larmaraud, Robert Peugeot, Philippe de Rovira and Grégoire Olivier. Michel de Rosen has been our Chairman since 30 May 2017 and Patrick Koller has been our Chief Executive Officer since 1 July 2016.

| Name                         | Position | Initially Appointed | Date of Reappointment |
|------------------------------|----------|---------------------|-----------------------|
| Mr. Michel de Rosen .....    | Chairman | 27 May 2016         | 26 June 2020          |
| Mr. Patrick Koller.....      | CEO      | 30 May 2017         | —                     |
| Mr. Philippe de Rovira ..... | Director | 19 July 2018        | —                     |
| Mr. Grégoire Olivier.....    | Director | 10 October 2018     | 28 May 2019           |
| Ms. Odile Desforges .....    | Director | 27 May 2016         | 26 June 2020          |
| Ms. Linda Hasenfratz .....   | Director | 26 May 2011         | 26 June 2020          |
| Ms. Penelope Herscher.....   | Director | 30 May 2017         | —                     |
| Ms. Valérie Landon .....     | Director | 12 October 2017     | —                     |
| Ms. Olivia Larmaraud.....    | Director | 27 May 2016         | 26 June 2020          |
| Mr. Robert Peugeot .....     | Director | 29 May 2007         | 30 May 2017           |
| Mr. Daniel Bernardino.....   | Director | 1 November 2017     | —                     |
| Mr. Emmanuel Pioche .....    | Director | 1 November 2017     | —                     |
| Ms. Yan Mei .....            | Director | 28 May 2019         | —                     |
|                              |          | 28 May 2019         |                       |
|                              |          | (effective as of 1  |                       |
| Dr. Peter Mertens.....       | Director | November 2019)      | —                     |
| Mr. Denis Mercier .....      | Director | 28 May 2019         | —                     |

The members of the Board of Directors bring together a range of quality managerial, industrial and financial skills. Our directors come from a broad spectrum of professional backgrounds, including not only the automotive industry but also various other business sectors. They enhance the work and discussions of the Board of Directors and its committees through their diverse capabilities and the expert input they can give both from an international perspective as well as in terms of their specific experience in finance, manufacturing and management. They act in the best interests of all shareholders and are fully involved in defining our corporate strategy so that they can actively contribute to and support the decisions of the Board of Directors.

We have two employee-elected and no non-voting directors. Each member of the Board of Directors must hold at least 500 shares in our company throughout his or her term of office. However, Board members who do not receive compensation from the Company for his/her duties, shall only hold 20 shares provided for in the by-laws and that Board members representing the employees have no obligation to hold a minimum number of shares. There are no family relationships between members of the Board of Directors or corporate officers.

### ***Responsibilities of the Board of Directors***

The rules of procedure of the Board of Directors, which can be consulted by shareholders at the Company's head office or on our website, [www.farecia.fr](http://www.farecia.fr), detail the mission of the Board of Directors and its committees. Such rules describe the Board's *modus operandi* (including provision of information to its members) and its role in our management and our compliance with the law and our Articles of Association.

They specify the rights and responsibilities of members of our Board of Directors, particularly regarding the prevention of conflicts of interest, the holding of multiple offices, and the need for strict confidentiality in deliberations as well as diligence in taking part in the work of the Board of Directors. They also mention the rules governing transactions in our shares, which are detailed in the Code of Good Conduct with respect to the management of inside information and to securities transactions.

The Board of Directors is free to decide how to exercise their oversight. This can be performed, under its responsibility, either by the Chairman of the Board of Directors himself or by another person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

Since 1 July 2016, the positions of our Chairman and Chief Executive Officer have been separate.

### ***Committees of the Board of Directors***

#### *The Audit Committee*

The Audit Committee has the primary role of reviewing the approval process for the corporate and consolidated financial statements as well as the process of preparing financial information. It ensures the relations with the statutory auditors of which it handles the selection process and checks the independence and follows internal control and risks management processes. It also reviews the budget, its execution and, more generally, the Group's financial situation.

The Audit Committee consists of four members with financial or accounting experience and expertise (including 2 independent directors): Odile Desforges (Chairman), Olivia Larmaraud, Valérie Landon and Emmanuel Pioche.

#### *Nominations and Governance Committee*

The Nominations and Governance Committee is tasked with the role of dealing with issues relating to the composition and operation of the Board of Directors and its Committees. More generally, the Committee assesses the Company's governance structure and, in this context, the exercise conditions of the Company's management and, where appropriate, makes recommendations in this regard. It also makes any necessary opinion in relation to the Board's Committees. Moreover, the Committee handles the selection and succession process for the Chair of the Board, the members of the general management and the Board members. It conducts the governance's assessment process (assessment of Board and Committees' work, examination of Board members' independence) and it annually reviews the selection and succession plans of the members of the Executive Committee. The Committee is also in charge of assessing the policy followed by the Company in ethics and compliance as regards good governance practice and reviewing social and environmental responsibility matters.

The Nominations and Governance Committee consists of four members (including three independent directors): Michel de Rosen (Chairman), Penelope Herscher, Philippe de Rovira and Denis Mercier.

#### *Compensation Committee*

The Compensation Committee is tasked with the role of dealing with issues relating to the compensation of the Chair of the Board, members of the general management and Board members. More generally, the Committee deals with issues associated with long term incentive plans policy. It is also informed of the performance and the compensation of the Executive Committee and also reviews the evolution of the compensation policy applicable to the Group main managers (Executive Committee, Group Leadership Committee).

The Compensation Committee consists of four members (including two independent directors): Linda Hasenfratz (Chairman), Robert Peugeot, Daniel Bernardino and Peter Mertens.

### ***Conflicts of Interest***

As provided for in the Board of Directors' internal regulations, each director must disclose to the Board any conflicts of interest (including any potential conflicts of interest) relating to issues on the agendas of Board meetings, and must refrain from taking part in the vote on the matters in question and not attend Board meetings during the period of conflict of interests. No such situations arose in the last three years.

The Board of Directors strengthened its rules relating to conflicts of interest by adopting a procedure regarding the use of inside information. This procedure provides that no transactions may be carried out involving our shares until the related information has been made public. Directors and certain categories of personnel, who are all included in a regularly updated list, must disclose any trades they carry out in our shares to the Company which then informs the market.

### ***Executive Committee***

Our executive management function is performed under the responsibility of the Chief Executive Officer by our Executive Committee that meets every month to review our results and consider general matters concerning our Group. Its members are as follows:

| <b>Name</b>                     | <b>Position</b>   | <b>Joined the Company</b> |
|---------------------------------|---|---------------------------|
| Mr. Patrick Koller.....         | Chief Executive Officer   | 2006                      |
| Mr. Hagen Wiesner .....         | Executive Vice-President, Cockpit Modules                         | 2006                      |
| Mr. Michel Favre.....           | Executive Vice-President, Group Chief Financial Officer           | 2013                      |
| Mr. Yann Brillat-Savarin.....   | Executive Vice-President, Group Strategy                          | 2018                      |
| Mr. Mathias Miedreich.....      | Executive Vice-President, Faurecia Clean Mobility                 | 2013                      |
| Mr. Jean-Paul Michel .....      | Executive Vice-President, Faurecia Clarion Electronics            | 2020                      |
| Ms. Kate Philipps .....         | Executive Vice-President, Group Communication                     | 2012                      |
| Mr. Patrick Popp.....           | Executive Vice-President, Faurecia Interiors                      | 2020                      |
| Mr. Christophe Schmitt .....    | Executive Vice-President, Group Operations                        | 2006                      |
| Mr. Jean-Pierre Sounillac ..... | Executive Vice-President, Group Human Resources                   | 2004                      |
| Mr. Thorsten Muschal .....      | Executive Vice-President, Sales & Program Management              | 2006                      |
| Mr. François Tardif .....       | Executive Vice-President, Faurecia China                          | 2012                      |
| Mr. Eelco Spoelder.....         | Executive Vice-President, Faurecia Seating                        | 2016                      |
| Ms. Nolwenn Delaunay .....      | Executive Vice-President, Group General Counsel & Board Secretary | 2015                      |

### ***Senior Management***

Please see note 3.2.2. (*The Group Leadership Committee*) of our 2019 Universal Registration Document for more information on our senior management.

### ***Compensation of the Board of Directors and the Executive Committee***

Please see note 3.3 (*Compensation of corporate officers*) of our 2019 Universal Registration Document for more information on Board of Directors and the Executive Committee compensation.

## PRINCIPAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### *Principal Shareholders*

As at 31 December 2019, our share capital amounted to €966,250,607 divided into 138,035,801 fully paid-up shares with a par value of €7, all in the same class. These shares represent 202,700,644 theoretical voting rights and 201,784,484 exercisable voting rights.

Our ownership structure and voting rights as at 31 December 2019 were as follows:

| Shareholder  | Shares<br>Owned    | Percentage<br>of shares<br>outstanding | Theoretical<br>voting<br>rights | %<br>Theoretical<br>voting<br>rights | Exercisable<br>voting<br>rights | Percentage<br>of voting<br>rights |
|--|--------------------|--|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
| Peugeot S.A. <sup>(*)</sup> .....                  | 63,960,006         | 46.34%                                 | 127,920,012                     | 62.99%                               | 127,920,012                     | 63.34%                            |
| Faurecia Actionnariat<br>corporate mutual fund.... | 388,152            | 0.28%                                  | 695,270                         | 0.34%                                | 695,270                         | 0.34%                             |
| Board members & CEO.                               | 52,462             | 0.04%                                  | 56,907                          | 0.03%                                | 56,907                          | 0.03%                             |
| Treasury stock <sup>(**)</sup> .....               | 1,149,994          | 0.83%                                  | 1,149,994                       | 0.57%                                | 0                               | 0.00%                             |
| Other .....  | 72,485,187         | 52.51%                                 | 73,273,444                      | 36.08%                               | 73,273,444                      | 36.28%                            |
| <b>TOTAL .....</b>                                 | <b>138,035,801</b> | <b>100.00%</b>                         | <b>203,095,627</b>              | <b>100.00%</b>                       | <b>201,945,633</b>              | <b>100.00%</b>                    |

(\*) On 31 October 2019, Groupe PSA issued a press release announcing that the supervisory board of Peugeot S.A. and the board of directors of Fiat Chrysler Automobiles N.V. have each unanimously agreed to work towards a full combination of their respective businesses by way of a 50/50 merger. The press release also states as follows: "In addition, prior to completion, Peugeot would distribute to its shareholders its 46% stake in Faurecia".

(\*\*) voting rights in treasury stock cannot be exercised by us.

Our directors hold approximately 0.04% of our capital and voting rights.

### *Transactions with majority shareholders*

We are managed independently and transactions with the PSA Peugeot Citroën group are conducted on arm's length terms. These transactions (including with companies accounted for by the equity method by the PSA Peugeot Citroën group) are recognized as follows in our audited consolidated financial statements:

|   | For the year ended 31 December |         |         |
|---|--------------------------------|---------|---------|
|   | 2017<br>(Restated)*            | 2018    | 2019    |
| <b>(in € millions)</b> .....  |                                |         |         |
| Sales.....  | 2,078.2                        | 2,182.6 | 2,075.8 |
| Purchases of products, services and materials .....                         | 17.8                           | 15.8    | 12.8    |
| Receivables <sup>(**)</sup> .....   | 522.2                          | 406.6   | 473.3   |
| Payables.....   | 107.0                          | 94.5    | 138.1   |
| <sup>(**)</sup> Before no-recourse sales of receivables amounting to: ..... | 273.7                          | 221.6   | 252.0   |

\* Restated to reflect the implementation of IFRS 15. Note that financial information as at and for the full year ended 31 December 2018 was prepared on the same basis.

## DESCRIPTION OF OTHER INDEBTEDNESS

### Debt Summary

Our net debt as at 31 December 2019 was €2,524.0 million, reflecting total gross debt of €4,845.2 million and cash and cash equivalents (including other current financial assets included in net debt) of €2,319.4 million. Our subsidiaries hold significant cash balances from their servicing of derecognized receivables, which are included in our short-term debt. In addition, our subsidiaries tend to hold significant amounts of cash that they intend to use to fund working capital requirements and capital expenditure, particularly in jurisdictions where it would be disadvantageous from a tax perspective to distribute the cash and subsequently to receive funding from the parent company.

As at 31 December 2019, the weighted average interest rate on our gross outstanding debt was 3% for 2019.

### Maturities of Outstanding Debt

The main elements of our long-term debt as at 30 June 2020 are the Senior Credit Facility of €1,200 million signed on 15 December 2014 and amended and restated on 24 June 2016 and further amended and restated on 15 June 2018 (the maturity was extended to June 2024 in June 2019) and of which €600 million was drawn as at the date of this Offering Circular, the Japanese Yen Term and Revolving Facilities Agreement of JPY30 billion signed on 7 February 2020 and which was not drawn as at the date of this Offering Circular, the €700 million under the Schuldschein, the €700 million under the Original 2025 Notes, the €750 million under the 2026 Notes, the €700 million under the 2027 Notes and the €800 million under the Club Deal Loan which we intend to repay pursuant to the Refinancing. In addition, following the Offering, we will have €250 million outstanding under the New 2025 Notes and €500 million outstanding under the 2028 Notes.

The following table sets forth the maturity schedule of our outstanding long-term debt, set forth by category, in each case as at 30 June 2020 and after giving effect to the Offering and the Refinancing:

| (in € millions)  | 2020 | 2021 | 2022  | 2023  | 2024  | 2025<br>and<br>beyond | Total          |
|--|------|------|-------|-------|-------|-----------------------|----------------|
| Original 2025 Notes, 2026 Notes, 2027 Notes and Notes offered hereby ..... | —    | —    | —     | —     | —     | 2,400.0               | 2,400.0        |
| Senior Credit Facility.....  | —    | —    | —     | —     | 600.0 | —                     | 600.0          |
| Schuldschein.....  | —    | —    | 285.0 | 202.5 | 212.5 | —                     | 700.0          |
| Bilateral loans .....  | —    | —    | 50.0  | —     | 80.0  | —                     | 130.0          |
| Japanese Yen Term and Revolving Facilities .....                           | —    | —    | —     | —     | —     | 165.8                 | 165.8          |
| Bank borrowings & others*.....   | —    | —    | —     | —     | —     | —                     | 634.2          |
| Obligations under finance leases* .....                                    | —    | —    | —     | —     | —     | —                     | 801.2          |
| Non-current derivatives* .....   | —    | —    | —     | —     | —     | —                     | 9.2            |
|  |      |      |       |       |       |                       | <b>5,440.3</b> |

\* Schedule of debt maturities not available as at 30 June 2020.

### Original 2025 Notes

On 8 March 2018, we issued €700 million in principal amount of 2.625% Senior Notes due 2025. They are listed on Euronext Dublin (Global Exchange Market). The 2025 Notes will mature at par on 15 June 2025 unless earlier redeemed or repurchased and cancelled. The 2025 Trust Deed governs the Original 2025 Notes and will govern the New 2025 Notes, so the Original 2025 Notes and the New 2025 Notes will have the same terms and conditions except for issue price and issue date. See "*Terms and Conditions of the New 2025 Notes*".

### Terms of the Original 2025 Notes

We are required to pay interest on the Original 2025 Notes semi-annually in arrears on 15 June and 15 December of each year, commencing on 15 June 2018.

The Original 2025 Notes will mature at par on 15 June 2025 unless earlier redeemed or repurchased and cancelled.

The Original 2025 Notes are senior unsecured obligations of the Issuer, and are not guaranteed.

The Original 2025 Notes are redeemable, in whole or in part, at a redemption price equal to 100% of their principal amount plus a redemption premium and accrued and unpaid interest, if any, to the redemption date. The Original 2025 Notes are also redeemable, in whole but not in part, upon certain developments affecting taxation, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may, at our option and on one or more occasions, redeem up to 35% of the outstanding principal amount of the Original 2025 Notes with the net proceeds from one or more specified equity offerings at a redemption price equal to 102.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, in the event

we undergo specific kinds of changes of control, holders of the Original 2025 Notes may require us to repurchase their 2025 Notes at a price equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any.

#### *2026 Notes*

On 27 March 2018, we issued €500 million in principal amount of 3.125% Senior Notes due 2026 and, on 31 October 2019, we issued €250 million in principal amount of Additional 2026 Notes which are consolidated, and form a single series with, the 2026 Notes. They are listed on Euronext Dublin (Global Exchange Market). The 2026 Notes will mature at par on 15 June 2026 unless earlier redeemed or repurchased and cancelled.

#### *Terms of the 2026 Notes*

We are required to pay interest on the 2026 Notes semi-annually in arrears on 15 June and 15 December of each year, commencing on 15 June 2019.

The 2026 Notes will mature at par on 15 June 2026 unless earlier redeemed or repurchased and cancelled. The 2026 Notes are senior unsecured obligations of the Issuer, and are not guaranteed.

The 2026 Notes are redeemable, in whole or in part, at a redemption price equal to 100% of their principal amount plus a redemption premium and accrued and unpaid interest, if any, to the redemption date. The 2026 Notes are also redeemable, in whole but not in part, upon certain developments affecting taxation, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may, at our option and on one or more occasions prior to 15 December 2022, redeem up to 35% of the outstanding principal amount of the 2026 Notes with the net proceeds from one or more specified equity offerings at a redemption price equal to 103.125% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, in the event we undergo specific kinds of changes of control, holders of the 2026 Notes may require us to repurchase their 2026 Notes at a price equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any.

#### *2027 Notes*

On 27 November 2019, we issued €700 million in principal amount of 2.375% Senior Notes due 2027. They are listed on Euronext Dublin (Global Exchange Market). The 2027 Notes will mature at par on 15 June 2027 unless earlier redeemed or repurchased and cancelled.

#### *Terms of the 2027 Notes*

We are required to pay interest on the 2027 Notes semi-annually in arrear on 15 June and 15 December of each year, commencing on 15 June 2020.

The 2027 Notes will mature at par on 15 June 2027 unless earlier redeemed or repurchased and cancelled. The 2027 Notes are senior unsecured obligations of the Issuer, and are not guaranteed.

The 2027 Notes are redeemable, in whole or in part, at a redemption price equal to 100% of their principal amount plus a redemption premium and accrued and unpaid interest, if any, to the redemption date. The 2027 Notes are also redeemable, in whole but not in part, upon certain developments affecting taxation, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may, at our option and on one or more occasions prior to 15 June 2023, redeem up to 35% of the outstanding principal amount of the 2027 Notes with the net proceeds from one or more specified equity offerings at a redemption price equal to 102.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, in the event we undergo specific kinds of changes of control, holders of the 2027 Notes may require us to repurchase their 2027 Notes at a price equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any.

#### ***Senior Credit Facility***

We have entered into a €1,200 million Senior Credit Agreement among us as borrower and various lenders, dated 15 December 2014 and amended and restated on 24 June 2016 and further amended and restated on 15 June 2018, which refinanced our prior senior credit facility. The Senior Credit Facility was renegotiated on 15 June 2018, in order to extend the maturity to five years from that date, or 15 June 2023 (with the possibility to extend such maturity by two one-year periods), and improve its terms and conditions. In June 2019, the maturity was extended to 15 June 2024 with agreement from all lenders. The Senior Credit Agreement is composed of a facility (including a swingline) for an amount of €1,200 million of which €600 million was drawn in March 2020. This Senior Credit Facility includes one financial covenant (which needs to be complied with semi-annually), concerning compliance with a consolidated financial ratio: the ratio of total net debt/EBITDA must not exceed 2.79x; the compliance with this ratio is a condition to the availability of borrowings under this Senior Credit Facility. As at 30 June 2020, we complied with this ratio. Net debt corresponds to published consolidated net debt. EBITDA corresponds to operating income plus depreciation, amortization and provisions for impairment in value of property, plant and equipment and intangible assets, for the past twelve months. Furthermore, this Senior Credit Facility includes some restrictive provisions on asset disposals (and for example, a disposal representing the higher of €4,000 million and 35% of our total consolidated assets requires the prior approval of lenders representing two-thirds of the lenders under the Senior Credit Agreement) and on the level of indebtedness of our subsidiaries.

### ***Club Deal Loan***

We have entered into a €800 million Term Loan Facility Agreement among us as borrower and various lenders dated 10 April 2020. The Term Loan Facility Agreement is a 12-month term loan facility with an option to extend the maturity by 6 months. On 10 April 2020, we borrowed €800 million under the Term Loan Facility Agreement, which remains outstanding as at the date of this Offering Circular. The Term Loan Facility Agreement includes one financial covenant (which needs to be complied with semi-annually), concerning compliance with a consolidated financial ratio: the ratio of total net debt/EBITDA must not exceed 2.79x. As at 30 June 2020, we complied with this ratio. Net debt corresponds to published consolidated net debt. EBITDA corresponds to operating income plus depreciation, amortization and provisions for impairment in value of property, plant and equipment and intangible assets, for the past twelve months. Furthermore, this Term Loan Facility Agreement includes some restrictive provisions on asset disposals (and for example, a disposal representing the higher of €4,000 million and 35% of our total consolidated assets requires the prior approval of lenders representing two-thirds of the lenders under the Term Loan Facility Agreement) and on the level of indebtedness of our subsidiaries.

### ***Japanese Yen Term and Revolving Facilities Agreement***

We have entered into a ¥30 billion Japanese Yen Term and Revolving Facilities Agreement among us as borrower and various lenders dated 7 February 2020 with a five-year maturity (with the possibility to extend such maturity by two one-year periods). The Japanese Yen Term and Revolving Facilities Agreement is composed of (i) a term facility for an amount of ¥15 billion which was drawn in February and March 2020 to refinance the existing indebtedness of Clarion and (ii) a revolving facility for an amount of ¥15 billion. The Japanese Yen Term and Revolving Facilities Agreement includes one financial covenant (which needs to be complied with semi-annually), concerning compliance with a consolidated financial ratio: the ratio of total net debt/EBITDA must not exceed 2.79x. As at 30 June 2020, we complied with this ratio. Net debt corresponds to published consolidated net debt. EBITDA corresponds to operating income plus depreciation, amortization and provisions for impairment in value of property, plant and equipment and intangible assets, for the past twelve months. Furthermore, this Japanese Yen Term and Revolving Facilities Agreement includes some restrictive provisions on asset disposals (and for example, a disposal representing the higher of €4,000 million and 35% of our total consolidated assets requires the prior approval of lenders representing two-thirds of the lenders under the Japanese Yen Term and Revolving Facilities Agreement) and on the level of indebtedness of our subsidiaries.

### ***Schuldschein***

In December 2018, we entered into a transaction to issue €700 million in principal amount of Schuldschein (a private placement under German law) in multiple tranches, which we issued in December 2018 and January 2019. The Schuldschein does not include any financial covenants. However, the Schuldschein includes certain restrictive provisions on asset disposals and on the level of indebtedness of our subsidiaries.

### ***Factoring Programs***

We have several factoring programs, which enable us to obtain financing at a lower cost than issuing bonds or obtaining bank loans. Part of our financing requirements is met through receivables sale programs, under which the receivables are derecognized and not included as assets in our consolidated balance sheet.

As at 30 June 2020, financing under these programs, corresponding to the cash received as consideration for the receivables sold totalled €884.7 million, compared to €1,016.8 million as at 31 December 2019 and €999.2 million as at 31 December 2018. See note 13 of our 2020 H1 Financial Statements and note 18 of our audited 2019 Consolidated Financial Statements for more information on our factoring programs.

### ***Commercial Paper Program***

We have a commercial paper program on the French domestic market amounting to €1.3 billion, of which €391.1 million had been issued as at 31 December 2019, and €634.2 million has been issued as at 30 June 2020.