
Thomas Besson – Kepler Cheuvreux:

I have three questions. First, I'd like to thank you for this presentation. And I'd like you to tell us what you've gone through over the last few months thinking about this plan. And basically, simply tell us what you think has gone wrong compared with previous plans and why on your 2025 targets, you will still be below the margin that Valeo has achieved at peak 5 or 6 years ago. Second question, you seem to separate CDA, a business you've run for a few years, into two businesses. Do you plan, from here, to report on the five businesses? Or is it an indication that eventually, like Continental, you're considering spinning off your ADAS business to create value for shareholders? And the third question is probably more for Robert. Your guidance for 2025 implies an 8 point difference between your EBITDA margin and your EBIT margin while you project to only spend 5.5% in CapEx. I'd just like you to enlighten us on what drives this 8% gap. That is it. Thank you very much.

Christophe Périllat - Chief Executive Officer:

Thank you for your question. I see that you are even distributing the questions between the members of the team, which is good. Thank you for that. Let me first take the second question. Yes, I wanted to show ADAS, and this is the reason why I decided to show within CDA, the ADAS part and the interior experience part. Because I believe that our ADAS is so strong that it's necessary to show it as an object and as a business to our investors, to our shareholders. I want to convince you that our ADAS business is extremely strong and extremely well positioned. Now you're asking, will I continue to show numbers related to ADAS and interior experience separately. The answer is yes. And this was my statement at the beginning of the meeting. I said, "I'm going to be transparent", but I said I'm going to be consistent and I'm going to use these same KPIs that have been shown here. I'm going to use them consistently so that you can track our progress and so that you can track what we are doing and how we are doing. So yes, we will continue to show you this data for ADAS and for interior experience so that you can track our progress.

Now you're asking, does it mean that we're going to split CDA or split the company? The answer is no. And there might be questions related to a split because these are always questions that are being asked. Splitting a company cannot be an objective. The real objective is value creation. The real objective is, can we create value in the organization and with the parameters that we have today? And I hope that I can answer this question this morning. Yes, we can create value and each of the business groups of Valeo can and will create value. Could they create more value apart from Valeo? I don't think so. And I think that there's a lot of cement within the group where all the business groups of Valeo are benefiting from a common cement. And this is why I spent some time explaining how electronic is a cement to the group.

I think you asked a question about the past and the future, and I'm not going to be talking about the past. I'm proud of the past, by the way. I'm proud of what we have been doing over the last 10 years. So this is not the point. The point is tomorrow. The point is, are we, today, in a position where we can really grasp the very good positioning of Valeo to catch the growth and the hyper growth that will come in the next 10 years? This is what Move Up is about. Move Up is about recognizing that we are extremely well positioned in these new technologies; electrification, and ADAS. We are extremely well positioned. We're probably one of the only groups that has these 2 fits, ADAS and electrification at the same time. You're not going to find that in many groups. This plan is about growth. This plan is about doing internal efforts in terms of cost control, efficiency plans, synergy plans. This plan is about making choices, and this is where the 500 million sale of assets is coming. Robert, you have been proposed to answer the question.

Robert Charvier - Chief Financial Officer:

I understand that the question was related to the gap between the operating margin and the EBITDA margin. In fact, in 2021, when you look at our financial statements, you can see that the level of depreciation and amortization was around slightly above EUR 1.6 billion. And in our budget for 2022, we consider that the level of depreciation and amortization will increase by around EUR 100 million to reach EUR 1.7 billion in 2022. This is the reason why we keep this gap between the operating margin and EBITDA, which, as a matter of fact, is represented by the level of depreciation and amortization.

Thomas Besson – Kepler Cheuvreux:

Sorry Robert, the question was on 2025.

Robert Charvier - Chief Financial Officer:

Okay. Sorry, for '25, we consider that the level of depreciation and amortization should be around EUR 2 billion.

Michael Foundoukidis - BHF:

Hello, it is Michael Foundoukidis from BHF. Two questions on my side. First one, on the order intake for the Powertrain unit. It was the business which has the highest book ratio, which I think was 80%. But despite that, Siemens' order in H2 was quite disappointing at 0. Could you explain to us why that was the case? What should we expect in 2022? And more generally, what should be the run rate for the high voltage business between now and 2025? That was the first question. The second question is on M&A. You said you were planning for 500 million disposals. Could you give us a bit more color on that and if these sales are dilutive today in terms of profitability or not? And maybe on the other hand, do you plan, or do you expect any acquisitions in the next 4 years to complement your portfolio?

Christophe Périllat - Chief Executive Officer:

Thank you for these questions. Your first question is on the order intake of Valeo Siemens. I said and I stick to what I said which was that our ambition is to catch EUR 4 billion of order intake, cumulative '21 and '22. We had in '21 about EUR 1.1 billion of order intake. It means we plan for close to EUR 3 billion in 2022. I think this ambition is absolutely realistic. I think we will meet this ambition because we have a tremendous amount of RFQs that the teams of Valeo Siemens are dealing with. This acceleration of electrification comes with a significant number of RFQs that we are dealing with now. Therefore, I stick to the 4 billion plan that we mentioned before. You mentioned or you asked the question about what can we expect in terms of sales for high voltage in the coming years, high voltage Powertrain. I think your question is not on thermal. So I understood your question as being on Powertrain. I mentioned that the level of sales we are targeting is 2 billion in '25, and we have an ambition of exceeding 4 billion in 2030, that I hope is a very conservative number.

You asked a question on whether the assets that I plan to divest will be dilutive and you asked a question about acquisitions. I mentioned that the criteria I will use to select the assets that will be divested are nonstrategic. I didn't use the word 'dilutive' or 'accretive'. These are not the words I used. This is nonstrategic. And this is exactly the way I'm going to do it. Some of them might be dilutive, some of them will be accretive on the opposite. But the path I'm following is based on whether it fits and is aligned with the strategic direction that I just mentioned. I have my list. I don't want to disclose this list, and you may understand why I'm not disclosing it. But I have my list, and I'm going to work with the team as soon as tomorrow to make it happen as quickly as possible. Are we planning any

acquisition? It's not part of the plan. You've seen that I'm planning to deleverage Valeo. I'm planning to reduce the debt of Valeo. This is what is needed, truly speaking, because once again, we have all the technologies we need to be successful. We have all the technologies we need to grasp this hyper growth that's coming. Therefore, my main focus today is to make sure that in 2025, when this hyper growth materializes, you've seen the numbers, they are extremely impressive of how the market will grow for ADAS and electrification. So when this market is going to materialize, accelerate further, I want to make sure that at that time, in 2025, Valeo is extremely fit, fit with low debt, fit with high profitability. This is the plan I showed you this morning, and I think this plan makes a lot of sense.

Tom Narayan - RBC Capital Markets (U.K.):

Tom Narayan, RBC. Actually, I have two of them. The first one, and I appreciate the number you guys gave out on 2025 depreciation and amortization of 2 billion. Obviously, a 14.5% margin is fantastic, but 6.5% EBIT margin, it definitely begs the question. I know you guys gave the 2 billion number. Could you guys give just a little more detail on what's inside that exactly? How much is depreciation? How much is amortization of the capitalized R&D? That's the first question. I think it's very important. The second one is more long term. I was at CES earlier this year. You guys had a booth there. It was very impressive. And we heard a lot about the future of this industry going to shared autonomous vehicles and robotaxis. Maybe folks on the West Coast are little too future looking. But it does beg the question of what happens to this industry, if everything does go in this way, if the amount of cars on the road drops by a factor of 20, as we've been hearing from some? And you guys are definitely moving towards ADAS, and you can capture a lot of this. But if the amount of cars sold each year drops significantly, what happens to the other segments, interior lighting, et cetera. Do you share this view that this might happen? And is that part of the 500 million divestitures you're thinking about? Those are my questions. Thanks.

Christophe Périllat - Chief Executive Officer:

Thank you for your question. I will answer the second one. I think Robert will take the first one related to the depreciation and capitalization. I don't believe at all in a reduction of the automotive market in the years to come. I think there's one lesson that the COVID crisis has taught us is that there's a tremendous appetite for individual mobility. Individual mobility will not go away. There are many models going on. We are doing our own model. We're doing it with a few players in the energy sector and in the automotive sector. We have teamed up to think about exactly what could be the evolution of the number of cars and the production of cars in the years to come, given all the trends that you have mentioned. You have models at minus 20, you have models at plus 20. Our model is that the production volume will increase because there's a real appetite all over the world for mobility and for individual mobility. Now, I fully agree with what you said in terms of this trend. I tried to show you how much of the market will go autonomous and how much of the market will go electrified. It's difficult to show it on slides, but when you are on the West Coast, when you are at the CES, you truly understand what's going to happen. You truly understand that what I announced today on slides will happen. And at the time it happens, the consequences on the suppliers of the industry and the consequences on the OEMs will be extremely high. But the consequence for Valeo is going to be extremely positive because when it comes to electrification, and when it comes to ADAS, we are a world leader. So we are a world leader on the two mega trends that will change the mobility of tomorrow. So the production volumes will not decrease in my view. You might have a different view. But even if your view was correct, there's such an increase in the content per car. There's also such an increase in the

technologies we can embark into the new cars of tomorrow, that I'm sure Valeo will be part of the winners. Robert, you had a question, I think, on the EUR 2 billion that you explained just before.

Robert Charvier - Chief Financial Officer:

It's a split of the depreciation and the amortization. When you look at the figures for 2021, you can see that we amortized around EUR 550 million of R&D expenses. The figure is EUR 536 million. So it was around 35% of the total depreciation and amortization. And we consider that by the end of 2025, the level of amortization of R&D should represent around 42%, 43% of the total depreciation and amortization.

Victoria Greer - Morgan Stanley Investment Research (U.K.):

Three questions, please.

Christophe Périllat - Chief Executive Officer:

Let me take some paper then.

Victoria Greer - Morgan Stanley Investment Research (U.K.):

They're not too long. The first two are around the 2022 guidance, please. Firstly, on the EBITDA margin guidance. It looks like at the bottom end, that is implying the EBITDA margin down year-over-year, even after I think about the value of Siemens inclusion. You talked about the LiDAR investment. That sounds around 80 million. The visibility EBITDA margin, you also expect down a bit year-over-year. Could you perhaps talk through that waterfall slide that you showed us and put some numbers around what you're assuming there on operating leverage, recovery of raw material inflation and other cost inflation to get there? That's the first one. Secondly, basically, the same question around free cash flow guidance for 2022. It looks like you're expecting a working capital inflow. But if you could talk us through also expectations for CapEx in euros and then the H1 cash contribution to the JV as well, please. The third question is around ADAS. Historically, Valeo was more focusing on hardware and the associated software rather than investing up the stack. So should we think of that as a strategy shift? And if so, what's driving that? How much of your ADAS growth expectations also do you think are coming from LiDAR out to 25?

Christophe Périllat - Chief Executive Officer:

Can you explain your last question again please?

Victoria Greer - Morgan Stanley Investment Research (U.K.):

So historically, Valeo in the ADAS business, you were focusing mostly on the hardware, so the camera, the LiDAR, the radar and so on and the associated software with that. But I think historically, you had kind of avoided getting into the decision-making software and further up the stack. So should we think about that as a change in strategy? And then how much of the ADAS growth expectations can come from LiDAR to 25.

Christophe Périllat - Chief Executive Officer:

Well, I asked you to repeat the last question because I don't agree with your statement. We have always been active, not just on the software that makes the hardware work. Your statement is basically that the level of software that we are handling is the one that is good enough to make the piece of

hardware work. And yes, that's part of the stack that we are doing, but it's very far from being our software activities on ADAS. And we've been, for long, making decisions, and having the right algorithm so that in parking, so that active safety, we are doing decisions in the car to stop the car, to steer the car, to accelerate the car. This is what we have been doing for years and years. So I think our activities in software are underestimated. This is exactly what I understand from your question. And we have some difficulty from time to time to explain the real extent of our software activities. This is the reason why I put the number of 40% of our engineers are software engineers, and they are not just coping with how to make the sensor work. They are really coping with how to make the car work with all the sensors that are around the car. So it's not a change of strategy. I think we've been doing this for years and years and years. We have a little bit of difficulty in explaining it. I tried in a couple of slides to explain the extent of our software activities. These software activities are major strengths of Valeo. So it's not a change of strategy, but it's definitely a strong strategy we have to be and remain a leader in ADAS.

You asked a question about the free cash flow and the different elements we have in the bridge. And you asked a question specifically about the inflation. Inflation is a big topic. I'm sure it's a big topic for all industrial companies around the world. You're hearing more and more about the growth impact and the net impact of inflation. What, at the end of the day, is important is the net impact. So what has not been compensated by our customers. I would like to address it in two different ways. Talking first about raw material energy cost. When talking about raw material and energy costs, there are really two effects that impact the percentage that we have of EBITDA or the free cash flow. The first effect is that when you have a compensation from your customers, you have pass-through sales. And these pass-through sales are coming with no margin. It means you have more sales, but less margin in percentage, same margin in absolute value. So there's a kind of dilution of the margins that are coming from pass-through sales. And obviously, we want this pass through to be as high as possible. And then there's a second effect, which is the compensation that we would potentially miss from our customers on the additional cost. I like to call it a lack of compensation. But in fact, the real word that I prefer to use will be a lag of compensation. There's a lag effect. We are going to be compensated, at the end of the day, at 100% of this cost, but it takes time. It takes time because of negotiations with customers, it takes time because we have indexation with our customers in many different fields. And these indexations are quarterly but more frequently, semesterly or even yearly, okay? It means that when you have a surge of the inflation, it takes time before this inflation is fully compensated into the P&L. So instead of talking about the lack of compensation, I prefer to call it a lag of compensation, and this lag of compensation has an effect in the P&L and in the free cash flow generation of Valeo in 2022. So I'm quite comfortable about the ability of Valeo to pass to its customers 100% of the cost, but it takes some time. There's a delay, there's a lag. And this lag, we have the impact in 2022. There's a second aspect of inflation, which is salaries. Raw material and energy are one thing. Salaries are another thing. And what we are seeing in many, many places, many, many countries in the world is another inflation of salaries versus what we experienced in the past years. So we have this other inflation to compensate. And this is the motivation for the efficiency plan that I presented to you during this presentation. This efficiency plan is planned to compensate for the other inflation that we see in many countries of the world and to make sure that we are doing the efforts internally to improve our global efficiency and compensate for the salary inflation that we see in 2022.

Victoria Greer - Morgan Stanley:

Could you put a number on the net inflation impact on EBITDA for 2022?

Christophe Périllat - Chief Executive Officer:

Sure. Yes, I can put a number, 200 million for raw material and energy, lag of compensation, and around 60 million on the salary side. So 60 million on the salary side, this is why we're putting an efficiency plan to compensate for it worth 100 million that will be rolled with 60% efficiency in '22 and 100% efficiency in '23. And as far as raw material and energy is concerned, it takes some quarters, it takes some semesters. It may take a year, in some cases, to decrease this lag and put the increase in the price.

Victoria Greer - Morgan Stanley Investment Research (U.K.):

Great. That's clear. Thank you.

Philipp Koenig - Goldman Sachs & Co. LLC (U.K.) (Research)

Next question from me, Philipp Koenig from Goldman Sachs. My first question is on the 2025 targets that you have. You're obviously assuming that the market will grow in line with IHS. If you look back the last couple of years, I think it's fair to say that the old production has been fairly volatile. So if we were to enter another scenario where the market comes out lower than what the current expectations are, how confident are you that you can still reach the 14.5% EBITDA margin even if the volumes are lower? And then my second question is on the R&D. I think you showed a very nice slide showing how the expense R&D is coming down over the next couple of years. But if we think about the actual cash R&D, are you also expecting that is going to decelerate? And if we look at the individual segments, especially CDA, I think, where R&D has gone up quite significantly in the last couple of years, where do you see R&D heading there?

Christophe Périllat - Chief Executive Officer:

Thank you for your question. As I said in the plan, we have operating leverage for sure. So the volumes are going to be quite important to reach the targets that we have. This is no question. I showed, in the bridge, the operational leverage that's coming from higher volumes and that will benefit our EBITDA. I decided to put IHS numbers because I have nothing else. And because I want to be extremely transparent with you on the assumptions that we are making, we're making assumptions based on IHS. I think there's nothing in the automotive industry that is a better number than IHS. Yes, it's volatile. Yes, they might change their forecast. Nevertheless, point number one, I think the market needs a lot of cars now, there has been a sequence of 2 or 3 years of low production because of COVID in 2020 and because of the semiconductor prices in 2021. And this semiconductor crisis continues a little bit in 2022. So there will be a sequence of 3 years of massive cuts in the automotive market, while customers are needing cars. I mean all the indicators are showing that the customers are needing cars. So there will be, for sure, a time of market recovery as soon as the semiconductor crisis eases up enough. Now will 2025 happen exactly the way IHS is telling us? Maybe yes, maybe no. What is important to say at this point of time is the reactivity of the capacity of Valeo to deliver and to control its costs. And I would like to bring you back to our performance in 2021. I think we could deliver the 13.4 EBITDA. That was our guidance. It was the upper end of our guidance. We've been one of the very few suppliers in the world not doing a profit warning on EBITDA in 2021. What does that say? It has not been easier for us than anybody else. We've been suffering from exactly the same trouble, from exactly the same problems but I think we reacted probably better than others. We have been in a position to control our cost and in the position to really master our operations in a good way. So in 2025, if things are not the way it's being shown here with IHS numbers, the way they are showing us.

I think we have the capacity to control our cost and to continue improving our margin the way I showed. Operational leverage is one part of the plan, but the control of our cost is another part and the higher margin from new technologies is the third lever for margin improvement. So if the volume effect is not as high, you still have the two other levers, higher margin from new technologies and the control of the cost that we have demonstrated in '21 that we continue to have that will enable us to meet our targets.

Thomas Besson – Kepler Cheuvreux:

I have a follow-up question on your Slide 86 and 89, which are basically showing the trajectory for margin and for free cash flow. I would like to know, it's a candid question, whether these charts are at scale. And if they are at scale, why do you assume limited progress in '23, basically coming back to '21 for margins and only modestly improving on free cash flow while theoretically, IHS projects a further big growth in volumes in '23, and you should be recovering a lot of working cap? I'm specifically puzzled by Slide 89, where it looks like something beautiful happens in '25 that allows for a big jump in free cash flow. I know it's not necessarily at scale, which is why I'm asking the question.

Christophe Périllat - Chief Executive Officer:

So the answer is no. It is not at scale. It's not at scale because we know that you are using centimeters to scan all our books. So we want to be as precise as that. So no, it's not at scale.

Gabriel Adler - Citigroup Global Markets, LTD (U.K.) (Research):

Gabriel Adler from Citigroup. I've also got two questions. My first is coming back to the inventory build issue and the free cash flow this year. I think when you released the preliminary results a few weeks ago, you suggested that the inventory build would fully unwind this year and now you're talking about it largely unwinding. I'd like to understand what would have to happen this year for the inventory build to be fully recovered. And what level of inventory recovery is currently baked into your free cash flow forecast or guidance for 2022? And then my second question is on the 2025 guidance. You're guiding to a 6.5% EBIT margin, which compares to about 7% in your prior plan, but it's obviously on a much higher revenue target. I understand there'll be a dilutive impact from the Siemens joint venture. But even after adjusting for that, it still looks like a lower or similar margin on a much higher revenue target for 2025. So my question is what are the main differences in Valeo's cost base in this plan versus the plan you presented in 2019 that explains that difference? Thank you.

Christophe Périllat - Chief Executive Officer:

Well, your first question on the inventory is a very important one. I explained why we increased the inventory in '21. I think it was pretty clear. We had a lot of stop and goes from our customers, which was extremely difficult to stop everything that was on sea freight because obviously, it takes 6 weeks, or 8 weeks for containers to go from one continent to another one. So when you are faced with stop and goes, it's impossible to recontrol the inventory, the way we used to control it before. The second reason is that we made a voluntary decision to increase our inventory, especially on the semiconductor side. We believe that when the customers were stopping, we should maintain our orders for electronic components. If you are to cancel an order, then you are back at the queue. And you are back at the queue of your suppliers that are under capacitated. So it was extremely important for us, and this was a conscious decision that I made as soon as January 2021, when we fully understood the crisis that was in front of us, to keep everything that we ordered even in electronics, even if there was not an obvious need because we knew it was not the right time to decrease the electronic stock of Valeo. So

now the inventory has increased. We need to bring it back to where it was before. It comes back to what is going to be the volumes in the next months in 2022 and are the shortages of electronic components going to ease up? It is easing up. It is easing up globally, but there are still a few areas of severe bottlenecks. I'm very much aligned with our customers that are sending the same message. So it's not yet exactly the right time to decrease, strongly, our electronic inventory. Not yet. It will still take a few months before we are able to decrease the inventory strongly. I believe it's achievable during the course of this year, probably more in H2 than H1, but this inventory will decrease by the same conscious decisions that we made to increase it. So we increased it voluntarily. We are going to decrease with a conscious decision. The conscious decision we are making is for nonelectronic. We are still to make it for electronic because it's not yet the right time. So yes, it will be reversed, and it will be reversed as time goes.

I think your next question was on the EBIT in terms of whether 6.5% is the right target in 2025. I think it's a vague question. We used to say 7%. I'm saying 6.5%. It's different. There's a gap of 0.5%. I wanted to come in front of you with an achievable plan with something that I believe, strongly, that I can meet. So this is my number. I would be very happy to beat it in 2025. I don't want to say it now, but I'm fully aware that the 6.5% is still showing a gap to what we said before, and it's up to the teams of Valeo to demonstrate that we'll be able to do better. It's not the right time to make this statement today.

Simon Chodorge - L'Usine Nouvelle:

Hello. Simon Chodorge for L'Usine Nouvelle. You mentioned the political situation. Do you expect an impact of the crisis between Russia and Ukraine on your activities? Maybe you can remind us of what your activities are in these two countries? Also, I saw you registered a negative contribution because of Valeo Siemens automotive activity. Do you expect this contribution to be positive in the coming years? Thank you very much.

Christophe Périllat - Chief Executive Officer:

Well, thank you for these questions. First, let me tell you that I want to express my sympathy of course, to the populations that are impacted in Ukraine, it's, of course, terrible news. When preparing this meeting, of course, I wondered whether we should have this meeting today, given the circumstances. And I decided that, yes, we should have this meeting. And we should have this meeting not just because business goes on. But we should have this meeting because the long-term vision of Valeo does not change and will not change because of this crisis. What I said on the electrification in ADAS will remain. So there's no impact at all due to these events on the long-term strategy and on the vision that I shared with you. And this is why I thought it was absolutely appropriate to have this meeting today. Now coming back to your question on what is the impact. We have no operations. We have no sales in Ukraine. We have sales in Russia. We have industrial operations in Russia, we have one plant in Tolyatti, which is supporting our customer AvtoVAZ. It's representing less than 1% of the sales of Valeo. So the sales of Valeo in Ukraine are 0. The sales of value in Russia are less than 1% of its total sales. So I think we can all agree together that the impact is going to be minimal. Now this is the direct impact, and there might be an indirect impact, and I'm sure that it's not the right time to predict anything about what could happen in the global economy or how the events that are going on now might impact the customer confidence and therefore, our market. So this I cannot talk about. I don't know. And I think we don't know collectively. There might be impact on the raw material. There might be impact on energy costs, for sure. So I would like to answer the same way I answered Victoria on the raw material. If the raw material surge from today's price or from yesterday's price, there's going to be a further

surge of steel, aluminum, resin. There will be some impact. But again, it will be a lag of compensation and not a lack of compensation. So it might change something in the short term. It will not change anything in the long term because of our indexation. And if I talk about energy, we are consuming some gas for sure, but not a lot. We are not so heavy in terms of burning gas in the company. Just to give you numbers, we are consuming 600 gigawatt of gas in the world, 50% of it in Europe, so 300 gigawatt. This is not a lot to put in numbers, it's about EUR 10 million of gas consumption, gas purchase in Europe, which you see is not very material even if the gas price would jump from today's price.

Edoardo Spina - HSBC Bank PLC (Research):

Hello. It's Edoardo Spina from HSBC. I have three quick questions. I would like to go back to the free cash flow slide. I think it states that the numbers are after nonstrategic asset divestitures. And I wanted to understand what that means. If you include in the free cash flow, the amounts, I guess 500 million that you project to generate from the sale? The second question on the free cash flow is about the shape. Going back to the fact that it's not in scale, I appreciate, but I suppose they are not randomly positioned dots. So we do see a strong increase in 2025. I wanted to ask you if you can comment on the structure of the free cash flow going into '25. And finally, some items below the EBIT. For sure, the financial cost, if you can spend a word on the progression of those and definitely about the taxes. I recall that the consolidation of the JV could have fetched some tax advantages. So I wanted to follow up on that. Thank you.

Christophe Périllat - Chief Executive Officer:

Can you remind me of your first question?

Edoardo Spina - HSBC Bank PLC (Research):

It's about the free cash flow definition, whether it includes the strategic asset disposals, the amounts of those.

Christophe Périllat - Chief Executive Officer:

Okay. I will take the second one. I will let Robert talk about the free cash flow and the taxes. So it is not at scale, and it's not randomly positioned. I think you are right on the point. What we wanted to show is that there's going to be an acceleration of the plan during the period. And there's an acceleration of the plan because there's a need for us to integrate Valeo Siemens. It's going to take a few semesters. There is as well this efficiency plan and synergy plans that are coming in full effect between now and '23 or '25 for VSeA and there is an acceleration of the growth as well during the period of the plan. So when we look at our members, these three effects, synergies and efficiency plans that are coming with time and full effect, the operational leverage that increases as the acceleration of the growth is coming and the improvement of the Valeo Siemens operations. All this, when you factor these three elements in the plan, it shows that there's an acceleration of the EBITDA, there is an acceleration of the EBIT, and there's an acceleration of the free cash flow during the period. This is what we wanted to share with you. Now related to your question on the free cash flow and the taxes, maybe you can take it Robert.

Robert Charvier - Chief Financial Officer:

Concerning the taxes, of course, when we take over the control of Valeo Siemens, we will manage this integration so that we can optimize the taxes we pay in the different countries where Valeo

Siemens is present. The first effect of this integration will appear only in the level of taxes of 2023 because we expect that we will take over the control of the joint venture beginning of July. It will be very difficult during the second half of the year to integrate the plant in the tax integration when it's possible. So we expect that the first effect of the optimization due to the integration of Valeo Siemens will appear in '23. The second question was related to the impact on the free cash flow of the sales of assets, if I'm correct. In fact, we have made a calculation because, as Christophe has explained, we have a rather clear view of what we intend to sell, even if we don't disclose this information. And so we have taken into account the free cash flow generation related to those assets. This is the first calculation, and we compare this cash out, the lack of free cash flow generation, with the average of the free cash flow generation compared to sales of the rest of the activity of Valeo. And in fact, it's not very, very different so you can consider that what we intend to sell will represent in terms of free cash flow is the equivalent of the average per sale of the rest of the group, just to give you an indication.

Christophe Périllat - Chief Executive Officer:

Thank you, Robert.

Jean-Pascal Rolandez - The L.T. Funds S.A.

Jean-Pascal Rolandez from the L.T. Funds. Congratulations for this plan and for all these achievements, innovations, et cetera. How difficult is it to move up your prices because you have plenty of innovations coming, which are the results of years of R&D efforts? Your customers must be excited by these products, so they should be able to pay more than the contribution that you show in your slides coming from higher value-added products.

Christophe Périllat - Chief Executive Officer:

There's a piece of the answer in the slides that I showed to you. In the plan, you can see a higher contribution from the higher margin of new technologies. So we see a difference in margins between, let's say, the products from yesterday and the products from tomorrow. We see that. I can use this example of thermal. Thermal used to sell a lot of products, including radiators, condensers. I mean the radiators and the condensers have been the same for the last 30 years, we've made them thinner, and we have made them better, but basically, it's the same technology. So the prices have been going down through competition, through a lot of things. We are doing the heat-pump, we are doing the battery cooling, these new chillers that are for electric-driven compressors. So these new components of the thermal loop for a BEV, we are able to reset the price and to reset the price at higher levels or match it with higher margins than what it was before. So when you ask the question about are we going to move up our price? Yes, I believe that we are in a position for new technologies, for LiDARs, for thermal, for all these kinds of products, to position the prices with a higher margin than the equivalent products that it replaced. I think this is the first answer. And the second answer is about inflation. Are we able to move up our prices linked to the increase of our cost. And I would like to come back to the answer I was giving before. Yes, we are, but it takes time, okay? It takes some time because we are indexed in many circumstances. And when we are not, we are negotiating, and we are getting indexed, and it takes time as well. So it takes a quarter, a semester, in some cases, a year before these prices are up versus the cost and that creates some tension, of course, in the short term.

French Press Agency

This is a question about your footprint. You switched to Asia, and your footprint is really balanced between Asia, Germany, France and other countries. What are your plans for the next years?

Christophe Périllat - Chief Executive Officer:

Where?

French Press Agency

Do you plan to expand in Asia?

Christophe Périllat - Chief Executive Officer:

Well, we are permanently expanding in Asia. The rationale of our industrial organization is very clear. We are local for local. It means we are producing in Europe for Europe. We are producing in China for China. We're producing in Asia for Asia. We're producing in America for America. We have a lot of goods on the sea, but it's components, it's purchases. But as far as Valeo products, we're not putting them on the sea. The fraction of what is produced in one continent for the other continent is very small for many reasons such as currencies, the time it takes, inventories, and so on. This is not the way we are organized. We're organized local for local. Therefore, when the volumes in Asia increase, and a lot of the growth of the market will happen in Asia, it means we are as increasing our industrial footprint in Asia as well, absolutely.

Jose Asumendi – JPMorgan:

So we will now take some questions asked on the webcast online. The first question is from José M. Asumendi at J.P. Morgan. Three questions. First, by 2025, which regions will drive the most growth in the coming years. Second, by 2025 in your plan, how many more plants do you need to open globally? And how many plants do you need to close across regions? And third, regarding your short-term 2022 guidance, what are, in summary, the positives and negatives driving the EBIT margin? Thank you.

Christophe Périllat - Chief Executive Officer:

Thank you for your question. In terms of where the growth is going to be located in 2025. I guess you're talking about the growth of the market itself because the growth of Valeo will be, of course, everywhere due to our outperformance in terms of technology. But the growth of the market will be mainly in Asia. This is where the volume of production will increase the most, and this is where we will increase the most as well. Are we going to open a lot of plants and close some plants by 2025? There are very minimal changes to our footprint by 2025. For the reason that we have, of course, been at some point of time preparing for the volumes of '18, '19 that were much higher than now. The volumes have decreased. They're going to increase again. And when we look at the density of our plants, we know that the density can be significantly increased and will be significantly increased. So we are seeing extremely minimal change in our footprint. We don't need to open or close many plants by 2025. There was a question on the 2022 guidance, whether we can give more detail. I don't know, Robert, if you want to answer this question.

Robert Charvier - Chief Financial Officer:

In fact, I don't remember exactly. I didn't catch exactly for which item you wanted more details. We are guiding for an EBIT level between 3.2% and 3.7%. Of course, it takes into account the impact of the inflation that Christophe has already commented on. And of course, it takes also into account an operating leverage, which is slightly above 20%. The figures which have been shown this morning are very clear. We are going to integrate Valeo Siemens as of the beginning of July. This is at least the assumption we have made in the figures for 2022 and you have seen that, on a pro forma basis, in

2021, should we have integrated Valeo Siemens on the 1st of July, our operating margin for '21 instead of being 4% would have dropped to 3%. This is what has been shown. You have to also take into account the fact that we have indicated that the level of losses in '22 of Valeo Siemens will be divided by 2. This was mentioned on one of the slides. So this has also been taken into account in the EBIT guidance we have disclosed for 2022.

Christophe Périllat - Chief Executive Officer:

To complement the answer because there might be a question behind the question about whether it was the right time to make the acquisition of the Siemens shares in Valeo Siemens. And let me repeat what I said on February 10, yes, it's the right timing. It's the right timing because the terms of the transaction are very good because I believe we are at the beginning of this acceleration of the electrification that would benefit Valeo Siemens. And because I'm absolutely convinced that by putting Valeo Siemens as soon as possible under the Valeo roof, the improvement of Valeo Siemens that we already see in '22 versus '21, the losses are cut by half. When we are doing this, we are giving us the chance to accelerate, significantly, the pace of improvement of VSeA. So yes, it was absolutely the right timing for doing so. We know the consequences for 2022. We faced these consequences. We are still showing, in pro forma, an improvement versus '21 in all the indicators. It was the right time to do it.

Christoph Laskawi – Deutsche Bank:

So we have other questions online. This will be the last question. The next question is from Christoph Laskawi at Deutsche Bank. Three questions. First, could you please comment on the R&D targets? You are guiding for a sharp relative decrease and implied EUR 400 million higher absolute spend. In a world which is even faster moving, and innovation is costly, what gives you comfort that it's sufficient? Is there a risk of a need to spend more? Secondly, and also related to the above, are you confident to have access to talent, which is driving the targeted innovation and growth? How much staff will you need to add? Lastly, on the 2022 FCF guide, could you comment on CapEx and working capital impacts? Any other extraordinaries to consider? Thank you.

Christophe Périllat - Chief Executive Officer:

Thank you very much. It seems 3 questions is the norm. The first one is the R&D targets. Are they achievable? The answer is yes. I'm absolutely convinced that the numbers I show in R&D are the right ones. Let me explain it a little bit. There are two things. There's one reason why this is going to happen. It's our own efficiency. Once again, we have demonstrated, and I'm sure you remember from the 2019 presentation, we have demonstrated that the cost of the first product is much higher. I'm talking about the R&D cost. The development cost is much higher than the second, which itself is much higher than the third. We are now for the heat pump for the electric-driven compressor, for the LiDAR, for the inverter, for you name it. All the products that are, what I call, the new technologies, we are not at the first, at the second or even at the third anymore. We're starting to be somewhere in the graph where the efficiency of our development is getting high. This is what we call at that time, the platformization. It's an awful word, but this is what it is. Platformization, and we are now down on the curve where we are not, for any of our products, on the first, second or even third serial number. This is the first point. So we are seeing it in our numbers. Look at the numbers in '21. Look at the numbers in 2020. We are seeing it today in our numbers. The R&D cost is decreasing and the capitalization gap to amortization is decreasing as well. The second reason why it will happen is the following. Today, we are developing the old plus the new technologies. We're developing the ICE technology still because there are still

programs for ICE. There are still some new torque converters. There are still some alternators or electrical machines from the past cars, and on top of that, we are still developing what is new. During the plan, and we are seeing it on the orders from our customers, the amount of development that we will have that are relative to the products from ICE technologies, these developments are fading out. Not the order intake, though, because we are taking carryover order intake. So we're still having carryover order intake. We're still having sales. This will maintain, but it's not new developments. It's carryover. So there's more and more carry over of old technologies, which require zero development. And on the opposite, we are doing developments on new technologies. So if you look at today's number, we have the sum of these two efforts. And as we go down the road, these 2 efforts will decrease into one single effort, which is the effort of the new technologies.

Your second question was the access to talent. Well, it's the same as inflation. It is a preoccupation of any industrial company around the world to secure talents, to make sure we have the best skills, the best expertise, the new expertise that we need in cybersecurity, and in all these kinds of innovative materials and AI. At this point of time, we are able to attract talent. I think we do. And I think there are two things that is really a plus whenever we have these discussions with candidates. The candidates we have are extremely sensitive to what we call internally our CAP 50 program, which is our program of decarbonization. I've showed you a couple of slides on the topic. It is not a fake story. It's extremely deep in the company and the candidates that we are meeting and that we are trying to attract, this is one of the first questions they're asking us. Do you have a program in this program series? Are you walking the talk? Are you going to meet the targets that you have decided to have? And the answer is yes. CAP 50 is extremely strong in the company. And the second question, the second point, they are very sensitive to is the question about what is our mission and why as a company, we should get their talent inside. When they look at our products, when they look at our technologies, when they look at the way we're going to transform mobility into an electrification, into an autonomous way, they are attracted. They are attracted by the meaning, by the purpose, they are attracted by the mission that we propose to them. I'm not saying it's easy. There's a war for talent for sure. But I believe that both the CAP 50 on the one hand and the mission that we are giving ourselves, which I'm sure you've been able to catch during the presentation of today, pose strong advantages that we have to attract talent.

Your third question, I believe, was on the 2022 CapEx part of the free cash flow. This number is very much aligned with the number I've been showing. If you remember, there's a graph which shows the CapEx during the course of the plan, steadily below the 6%. This is what happened in '21. This is what happened as well in '22. It's a strong commitment we made in front of you years ago. We were, at that time, above 6% of CapEx, and we said we have to come to a model with less CapEx because more of more platformization. This, we walk the talk, and we have a CapEx of Valeo that is steadily below 6% of sales. When there's more sales, the below 6% translates into an absolute value that is higher than the year before. So this is exactly what is in the plan. In the free cash flow, you have a cash out, which is in line with a level of CapEx that is significantly below the 6%.

I think that was the last question we had from the webcast. I want to thank you very much for being with us today despite the circumstances. We'll be happy to have a drink with you in a room that is very close by. I think you took a coffee at the same place. There's as well some products and some engineers from Valeo that would be happy to demonstrate to you a few of the technologies. Thank you very much.