

# Faurecia-Europe

## Exhaust Systems

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### Senior Officers

Yann Delabrière, Chairman & CEO

Frank Imbert, CFO

Thierry Lemâne, Executive Vice-President,  
Group Communications

Arnaud de David-Beauregard, Executive  
Vice-President, Group Strategy  
Development

Bruno Montmerle, Executive Vice-President,  
Group Strategy Development

Patrick Koller, Executive Vice-President,  
Seating Products Group

Christophe Schmitt, Executive Vice-  
President, Interior Systems Product Group

Jean-Marc Hannequin Executive Vice-  
President, Exhaust Systems Product Group

### Products

Acoustic materials, air ducts, air outlets,  
Airbags, Beams for bumpers, bumpers,  
Catalytic converters, complete seats,  
cooling fan electric motors, cooling fan  
systems, cooling fans, decoupling  
elements, diesel particular filter system,  
door panels and complete door modules,  
exhaust heat recovery system (EHRS),  
fabricated manifolds, foam pads, frames,  
front end carriers, front-end modules,  
headrests, instrument panels, light weight  
mufflers, metal cross bar beams,  
metal/plastic support structures for cooling  
fans, pretensioners, recliners, self actuated  
valves for exhaust systems, shock  
absorbers for bumpers, steering columns,  
storage facilities, tracks, trim, trim covers

### Plants

Argentina [4], Belgium, Brazil [10], Canada,  
China [5], Czech Republic [5], France [40],  
Germany [22], Hungary, India [5], Italy,  
Luxembourg, Mexico [9], Morocco,  
Netherlands [2], Poland [8], Portugal [7],  
Romania [2], Slovakia [8], South Africa [5],  
South Korea [2], Spain [21], Sweden,  
Thailand, Tunisia, Turkey [2], United  
Kingdom [3], United States [18]

**Faurecia, owned by PSA Peugeot-Citroën, is the leading manufacturer of exhaust systems in the global market. The company also manufactures automotive seating, interiors, exhaust systems, front-end modules and safety modules. PSA Peugeot Citroën holds 57.4% shares in Faurecia.**

Faurecia's operations are divided into two business segments:

#### Interior Modules:

- Automotive Seating (accounted for 43% of sales in 2009): seats
- Vehicle Interiors (28%): cockpits, instrument panels, door modules and panels, and acoustic & soft trims.

#### Other Modules:

- Emission Control Technologies (20%): catalytic converters, decoupling elements, diesel particular filter (DPF) system, exhaust heat recovery system (EHRS), fabricated manifolds and light weight mufflers, self actuated valves for exhaust systems.
- Automotive Exteriors (9%): front-end modules, exterior equipments (bumpers, front end carriers and engine cooling systems) and safety modules.

After the acquisition of EMCON Technologies, Faurecia's Exhaust Systems business was changed to form Faurecia Emissions Control Technologies.

The Group is ranked number one in the manufacturing of exhaust systems. In total, the company has 200 production facilities in 32 countries globally, employing 58,414 people.

In 2009, the company generated 73.3% of total sales from Europe (22.16% from France, 25.1% from Germany, 26% from Rest of Europe), 11.6% from North America, 3.6% from South America, 8.9% from Asia and 2.6% from the rest of the world.

Faurecia's biggest customers, PSA Peugeot Citroën and Volkswagen, contributed 22% and 20% of the company's total 2009 sales. Other major customers include BMW (9%), Ford (9%), and Renault Nissan (13%). The company's other customers include Chrysler, Daimler, Hyundai, and Toyota.

## Recent Developments

### Corporate Strategy

Faurecia is focusing on business growth from emerging countries. The company predicts long-term growth in emerging markets such as China and South America.

The company is expanding in both organic and inorganic manner in international markets. Recently in 2010, the company completed the acquisition of Plastal's Germany operations and another US-based company, EMCON Technologies LLC. The company also plans to invest €11.5m in its facility in Hlohovec (Slovakia) in response to the surge in demand in the country. With the expansion, the company aims to increase its product portfolio to 631,000 dashboard panels and 1.44 million door panels annually with 400 new positions.

The company also bought the complete ownership of its joint-venture (JV) Taco Faurecia Design Center (TFDC) located in Pune, Maharashtra (India). In December 2009, Faurecia bought a 20% stake in a Chinese supplier, Xuyang Group. The Chinese player is a major supplier of plastic components to FAW and FAW-VW in the domestic market.

Recently, the company acquired the former Visteon plant located at Alabama (US) to manufacture automotive interior components and plans to invest US\$13.5m in the facility over the next five years. The acquisition was part of the company's expansion plans in the US. Faurecia has announced plans to set up a new manufacturing facility in Tuscaloosa, Alabama (US) in response to the surge in demand in these regions. In 2009, Faurecia ShinSung Co. Ltd., a joint-venture (JV) between Faurecia and Shinsung Delta Tech, opened a new plant in South Korea to manufacture instrument panels and centre consoles. In the same year, the company announced plans to open a new plant in Chattanooga (US) to supply components including exhaust systems for Volkswagen's mid-size sedan.

Faurecia is addressing the global financial slump with intensive restructuring initiatives. In 2008, the company adopted the Challenge 2009 plan to offset the effects of the crisis. The plan focused on cost savings of around €600m, with restructuring expenses of around €150m in 2009. Faurecia also secured €1.63bn of financing in the first phase of its 2009 Challenge Plan. The financing includes €1.17bn banking credit line and a €250m loan from PSA Peugeot Citroën and an additional €213m credit line from a French banking syndicate.

Moreover, the company is restructuring its business through job cuts. The supplier laid off 700 people in 2009 in France. This is an addition to the layoffs at the French sites of Saint-Nicolas de Redon, Pierrepont and Flers/Caligny. In total, downsizing will impact 1,215 positions between 2009 and 2011.

### Acquisitions

\* In January 2007, Faurecia acquired a 50% stake in the Romanian auto parts maker, Euro Auto Plastic Systems (Euro APS) for an undisclosed amount from Portuguese supplier Simoldes Plasticos. The

remaining 50% stake is owned by Croatian supplier AD Plastik. Euro APS manufactures and delivers instrument panels, door panels, bumper systems, headliners, carpeting and acoustic trims for the Dacia plant in Pitesti (Romania), which mainly produces the Logan. Sales amounted to €58m in 2006 and the plant employed 680 people.

\* In January 2007, Faurecia and Plastic Omnium jointly acquired a French production facility of Cadence Innovation. The unit, located near Vernon, west of Paris (France), manufactures bumpers for Citroën C2 and C3 models, and the Peugeot 1007 of the PSA-Peugeot-Citroën group, as well as Renault SA's Twingo sub-compact.

\* Outside Europe: In December 2009, Faurecia acquired 20% stake in a Chinese supplier, Xuyang Group. The Chinese company is a major supplier of plastic components to FAW and FAW-VW in the domestic market.

\* Outside Europe: In January 2010, Faurecia bought complete ownership of its joint-venture (JV) Taco Faurecia Design Center (TFDC) located in Pune, Maharashtra (India). With this, TFDC became a wholly-owned subsidiary of Faurecia. The company was established in 2004 as a result of a 50:50 JV deal with Taco Auto Comp System. The centre works for several research and development (R&D) and design centres located in 10 countries, primarily for the company's Vehicle Interior business unit.

\* Outside Europe: In February 2010, Faurecia obtained approval from its shareholders to acquire a US-based manufacturer of emissions control technologies for passenger and commercial vehicles, EMCON Technologies LLC, announced earlier in November 2009. The company will pay €330m for the controlling stake of EMCON Technologies LLC and ET Dutch Cooperatie UA, parent companies of EMCON Group's operational arms. Both parent companies are currently owned by a private-equity fund of JP Morgan Chase & Co. (JPM). After the takeover, EMCON will be integrated to Faurecia SA. According to the agreement, 20.9 million new Faurecia shares will be created, representing 19% of company's new total equity. Further, Peugeot's shareholding in Faurecia will be diluted to 57.4% from the current 70%.

\* In March 2010, Faurecia announced the acquisition of Plastal. The acquisition resulted in Faurecia taking over Plastal's six production facilities and a research centre in Germany. The acquired business has 2,000 employees. Based in Weissenburg (Germany), Plastal had sales of €408m in 2009 with nine automakers as its customers. The company filed for bankruptcy protection due to a severe liquidity crisis in March 2009.

## Divestments

\* In October 2007, Faurecia announced its plans to shut down its Celles-sur-Plaine (France) plant. The move to close the French brake pads facility was a part of the company's restructuring strategy. The company took the decision to close the facility employing 97 people, after it was unable to sell it off. Under the restructuring, the company moved operations from its facility in Pierrepont to Villiers-la-Montagne, both in France.

\* In March 2008, Faurecia announced it would invest €10m in a facility in Kenitra, near Rabat (Morocco). The company supplied seating trim covers to Renault-Nissan and Volkswagen in Europe. However, in May 2008, the company decided to close two plants in Czech Republic. These seat cover manufacturing facilities are operated by its Lecotex subsidiary, in the South Bohemian city of Tabor and the northwest Czech city of Poctaky. This closure was a result of cost based competition the company was facing from low cost countries such as Asia and North Africa.

\* In April 2008, Faurecia announced a cut-back on the dashboard skin production activities at its facility in Audincourt (France). The production cut-down led to a loss of 126 jobs.

\* In July 2008, Faurecia sold its car seat assembly facility in Sieto (France) for an undisclosed amount to Toyota Boshoku. The just-in-time facility caters only to Toyota orders. The decision to sell Sieto plant came after Faurecia's contract to supply seats for the Toyota Yaris was not renewed. Instead, Toyota announced a new contract for Toyota Boshoku for a complete seating system. Toyota is one of the major OEMs for Faurecia and generated €228m in sales for the component maker in 2007. More than 60% of these sales were contributed by the Sieto facility.

\* In March 2009, Faurecia announced plans to close its interior parts manufacturing plant at Auchel (France). The loss-making plant will cease operations by the end of 2010. The plant manufactures dashboards and door panels for OEMs such as Ford, PSA-Peugeot-Citroën, Renault, Toyota and Volvo. The Auchel facility currently employs 508 employees. 329 employees will be transferred to Faurecia's other local plants at Marles-Les-Mines and Henin-Beaumont and 179 employees will lose their jobs. In addition, Faurecia intends to transfer certain production processes of the Auchel plant to other facilities.

## Joint Ventures

\* Outside Europe: In May 2007, Faurecia and South Korea's Shinsung Delta Tech signed a joint-venture agreement to manufacture automotive interior components for the South Korean market. The new company, Faurecia Shinsung Co. Ltd., will manufacture instrument panels, door panels and centre consoles, which will be supplied to the Renault Samsung facility located in Pusan (South Korea).

\* Outside Europe: In July 2007, Faurecia signed a joint-venture agreement with Wuhan Plastics Industrial Group Co. Ltd. and Chengdu Spaceflight Mould & Plastics Co. Ltd. (CSMP) to start a new bumper business in China. The new joint-venture works for the new facility being set up by Dongfeng Peugeot Citroën Automobile Company Ltd. Its business activities will include injecting, spraying and assembly for the bumper business.

## Investments

\* In January 2007, Faurecia decided to invest about €7m in the reconstruction of its production site in

the department of Meurthe-et-Moselle in north-eastern France. This plant was earlier owned by Daewoo Motors. The reconstruction process took 18 months after which the company transferred its production of insets of headrests, yokes and tubes to this facility.

\* Outside Europe: In September 2007, Faurecia announced plans to open a new exhaust systems production facility in Qingdao (China) with an investment of €10m (US\$13.7m). The facility now manufactures exhaust parts including hot & cold ends and manifolds for the automotive industry.

\* In November 2007, Faurecia started its new production site in the Czech Republic. The new site is expected to employ 1,000 people by the end of 2010. The site will accommodate three facilities which will manufacture doors, seats and exhaust systems for Ford, GM, Mercedes, Peugeot, Renault and Volkswagen.

\* Outside Europe: In January 2008, Faurecia announced plans to set up a new manufacturing plant near New Delhi in India. The plant will produce seating mechanisms and will cater mainly to the requirements of Maruti Suzuki India Limited.

\* In March 2008, Faurecia started production of new components at its existing facilities in Portugal. In 2007, the company won a contract to supply seat structures to Volkswagen at its São João da Madeira (Portugal) facility. In addition, the company has also invested €17m at its eight existing Portuguese facilities, in order to accommodate production of new components.

\* In May 2008, Faurecia expanded its operations in the Czech Republic in order to cater to the rising demand in central Europe. The company invested in a new exhaust system facility in the eastern Czech city of Karvina and created 700 jobs at the Pisek site (Czech Republic).

\* Outside Europe: In October 2008, Faurecia opened a new plant and an R&D facility in South Korea with an investment of US\$32m. The plant manufactures components for exhaust systems, including catalytic converters, which will be tested at the R&D facility.

\* Outside Europe: In September 2009, Faurecia announced plans to open a new plant in Chattanooga (US) to supply components including exhaust systems for Volkswagen's mid-size sedan. The plant will be established with an investment of US\$1bn and will be operational by 2011.

\* Outside Europe: In November 2009, Faurecia ShinSung Co. Ltd., a joint-venture (JV) between Faurecia and Shinsung Delta Tech, opened a new plant in South Korea to manufacture instrument panels and centre consoles. Faurecia is the majority stakeholder in the JV with over 60% stake. The 4,500 m<sup>2</sup> factory, located in Masan, South Gyeongsang Province (South Korea), will have capacity to manufacture parts for 850 cars per day for Renault Samsung Motors. Faurecia has invested over KRW20bn (€116.1m, 09 November 2009) in the plant, which employed 110 at the end of 2009. The company expects the plant to contribute about KRW32bn to the overall sales volume in 2010.

\* Outside Europe: In January 2010, Faurecia North America, a subsidiary of Faurecia announced plans to set up a new manufacturing facility in Tuscaloosa, Alabama (US). The company will invest US\$15m in the facility, which will have a total of 200 employees. The plant will be spread over an area of 105,000ft<sup>2</sup> and located in Cedar Cove Technology Park in Cottdale, Tuscaloosa County. It will supply complete seats to Mercedes-Benz. The plant is expected to produce more than 500 seats per day at peak volume.

\* In March 2010, Faurecia announced plans to invest €11.5m in its facility in Hlohovec (Slovakia) in response to the surge in demand in the country. Currently, the company has separate production units in Hlohovec, which manufacture a range of vehicle interior systems and exterior parts, including bumpers. With the new investment, Faurecia plans to build a new parts assembly hall, an administrative building and storage space for paint and other flammable liquids. Consequently, it would lead to a production increase of up to 631,000 dashboard panels and 1.44 million door panels annually with 400 new positions. The company has submitted its expansion plans to the Slovakian authorities for environmental impact assessment; it expects to complete the development by 2011.

\* Outside Europe: In May 2010, Faurecia acquired the former Visteon plant located at the Airport Industrial Park, in Tuscaloosa, Alabama (US) to manufacture automotive interior components. The company plans to invest US\$13.5m in the facility over the next five years and add 148 new jobs. Faurecia has obtained business from new customers and will manufacture parts to cater to their needs at the plant. The facility employs 68 workers and manufactures parts for Nissan's facilities in Mississippi and Tennessee.

### Contracts

- Faurecia supplies center console, door panels, air vents, speaker grille and steering column shrouds for Ford Focus.
- Faurecia supplies exhaust line, seats and front-end module for Audi A8.
- Faurecia supplies acoustic package, door panels, exhaust systems and rear bumper for Peugeot 5008.
- Faurecia supplies centre console, door panels, exhaust system, instrument panel, package tray, rear bumpers and trunk floor for Citroën C3.
- Faurecia supplies catalytic converter, seats, front-end carrier and front-end module for BMW 5 Series GT.
- Faurecia supplies center console, exhaust hot end, front seat backrests, instrument panels, seat frames and seat mechanisms for Skoda Superb.
- Faurecia supplies catalytic converter, exhaust muffler, seat adjustment mechanisms, seat frames and seat tracks for Volkswagen Tiguan.
- Faurecia supplies exhaust, instrument panel, rear bumper system and seats for Renault Megane Scenic.
- Faurecia supplies door panels, exhaust systems and instrument panel for Volvo XC60.
- Faurecia supplies acoustics for trunk, bumper system, centre console, complete acoustic package, complete seats, door panels, exhaust system, instrument panel, parcel tray, seat cover and seat frames for Dacia Sandero.
- Faurecia supplies acoustic parts, catalytic converters, diesel particulate filters, door panels and structural floor for Ford Kuga.
- Faurecia supplies centre console, door panels and instrument panel for Ford Kuga.
- Faurecia supplies centre console, door panels and instrument panel for Mercedes-Benz S-Class.
- Faurecia supplies acoustic elements, door panels and seats for Toyota Yaris.
- Faurecia supplies center console and instrument panel for Land Rover Range Rover Sport.

### New Product Developments

In the financial year to 2009, the company spent €207.9m on R&D, compared with €269.9m in 2008. Faurecia has 33 R&D and technical centres and about 3,500 research employees worldwide.

\* In January 2007, Faurecia developed a new interior surface technology called PUR cast. It uses polyurethane skin for door panels and instrument panels. The new technology was used in the new Mercedes Benz S-Class.

\* In November 2007, Faurecia presented the Faurecia Premium Attitude concept car at the Los Angeles Auto Show. Amongst other features the car also had an airbag module placed high on the dashboard, allowing the glove-box lid to rise vertically instead of dropping open. The Renault Laguna and Mercedes-Benz S-Class were fitted with these airbags as from early 2008.

\* In November 2008, Faurecia announced plans to produce its E-segment exhaust tubing and muffler shells thinner to reduce the weight of the exhaust system by 25% to 30%. The company's lightweight products reduce the weight of the vehicle by more than 20kg.

\* In December 2010, Faurecia announced that the company is working on creating a new design of car seat which focuses primarily on mass reduction to provide greater comfort to the driver. Faurecia displayed the new concept seat, the Sustainable Comfort 1.5 at the Los Angeles Auto Show (USA) on 2 December 2009. BASF and Faurecia are working together to create a new type of seat which will make minimum use of metal, foam and traditional textile covering. The major focus of Faurecia in developing the 1.5 version lies on reducing the weight so as to provide higher fuel economy. In addition, light-weighted seats will provide an opportunity for the car designers to develop small cars with extra space by reducing the space taken up by the seats.

### Financial Overview

For the year ended 31 December 2009, Faurecia reported a 22.6% decline in net sales to €9.3bn compared with last year's €12.01bn sales.

The company reported an operating loss of €91.7m against previous year's operating income of €91.2m. However, the company managed to reduce its net loss to €428.6m from €569.3m in the previous year.

Segment wise, sales in Interior Modules decreased 26.1% to €6.6bn from €8.31bn in the previous year. The segment's Automotive Seating business witnessed a 20.2% decline in sales to €3.99bn from €5bn, whereas sales of Vehicle Interior business declined 21% to €2.61bn from €3.3bn. Other Modules segment's sales fell 27.3% to €2.69bn from €3.7bn. Within the segment, Emission Control Technology's sales declined 51% to €1.82bn from €2.75bn. However, sales in the Automotive Exteriors declined only 8.7% to €63.5m from €946.3m.

Geographically, European sales declined 31% to €6.8m from €8.9m, while North American sales decreased 64% to €1.08bn from €1.77bn. However, sales in Asia increased 12.8% to €827m from €733m, South America sales were €355m which increased 8% to €329.1m, whereas sales in other countries increased 45.6% to €245.9m from €358.1m.

### Finance Figures - Displayed in

Year	Net Sales[m]	Operating Income[m]	Net Income[m]	R&D Expenditure[m]	Employees
2009	9,292	-91.7	-417	207.9	58414
2008	12,011	91.2	-577	269.9	61357
2007	12,661	121.1	-237.5	268.6	69713
2006	11,648	69.2	-447.9	-	65680
2005	10,979	267.2	-182.5	-	61722

### Outlook

Faurecia's strategy of expanding its business in both organic and inorganic manner is expected to help the company in the longer term. The acquisition of Plastal has boosted the company's presence in Germany and helped the company to gain access to new technologies. The company's customer base is broadened, mainly with Ford and the premium German brands including Audi, BMW, Daimler and Porsche.

With EMCON's acquisition, the company overtook its main competitor Tenneco and has become a leader in exhaust systems. As the automotive industry braces itself for a green revolution, Faurecia's exhaust systems business is in a strong position to lead the way in growing automotive markets.

Further, the acquisition of the complete ownership of its JV Taco Faurecia Design Center located (TFDC) in India has strengthened Faurecia's business activities with Indian automotive companies. In addition, the acquisition of 20% stake of Xuyang Group will help Faurecia expand its presence in the Chinese automotive market.

Moreover, its €1.63bn financing deal is likely to add to the company's financial stability and help it out of the current difficult environment.

Lastly, the company is bullish about the year 2010 and is planning various investments for new plants and existing plant expansion. This will help the company to cater to the increasing demand for automotive products across the globe.