



# H1-2010 Results

Jacques Aschenbroich – CEO

July 27, 2010

# Agenda

- 1 H1-10 Highlights
- 2 OE sales outperforming the market in each region
- 3 Highest operating margin recorded in the last 10 years
- 4 Strong cash flow generation and significant debt reduction
- 5 2010 outlook
- 6 Ahead of the 2013 Strategic Plan



# H1-10 Highlights

# H1-10 highlights

- **OE sales outperforming the market in each region**
- **Order intake at a record level**
- **Operating margin of 6.1%, the highest level in 10 years**
  - Positive impact of break-even point decrease
  - Turnaround of the Visibility Systems Business Group
- **Strong free cash flow generation of €291M**
  - Net financial debt significantly reduced to €438M
- **2010 outlook**
  - Given current market conditions, operating margin revised upwards to higher than 5%
- **Ahead of the 2013 Strategic Plan**

# H1-10 Key figures

	H1-08	H1-09	H1-10	▲ H1-10/H1-09
Total sales (M€)	4,848	3,472	4,787	+38%
OE Sales (M€)	4,026	2,743	3,957	+44%
Worldwide automotive production – light vehicles (M units)	36.7	26.3	36.5	+39%
<i>Gross margin (as % of sales)</i>	16.4%	13.0%	17.9%	+4.9pts
<i>Operating margin (as % of sales)</i>	4.2%	-1.5%	6.1%	+7.6pts
<i>EBITDA (as % of sales)</i>	10.4%	6.6%	11.8%	+5.2pts
<i>Net result (as % of sales)</i>	2.1%	-6.1%	3.5%	+9.5pts
Free cash flow* (M€)	123	(4)	291	na
Net cash flow (M€)	177	(49)	241	na
Net financial debt (M€)	621	841	438	-48%
ROCE**	17%	-1%	25%	

\* Before interest payments

\*\* Operating margin / capital employed excluding goodwill, 12 months rolling



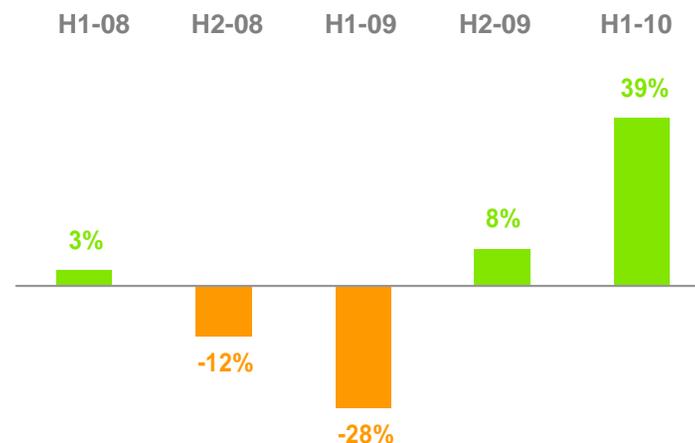
OE sales outperforming  
the market in each region

# Worldwide automotive production

Continued improvement

## Worldwide automotive production (\*)

YoY change in %



## Automotive production by region (\*)

YoY change in %

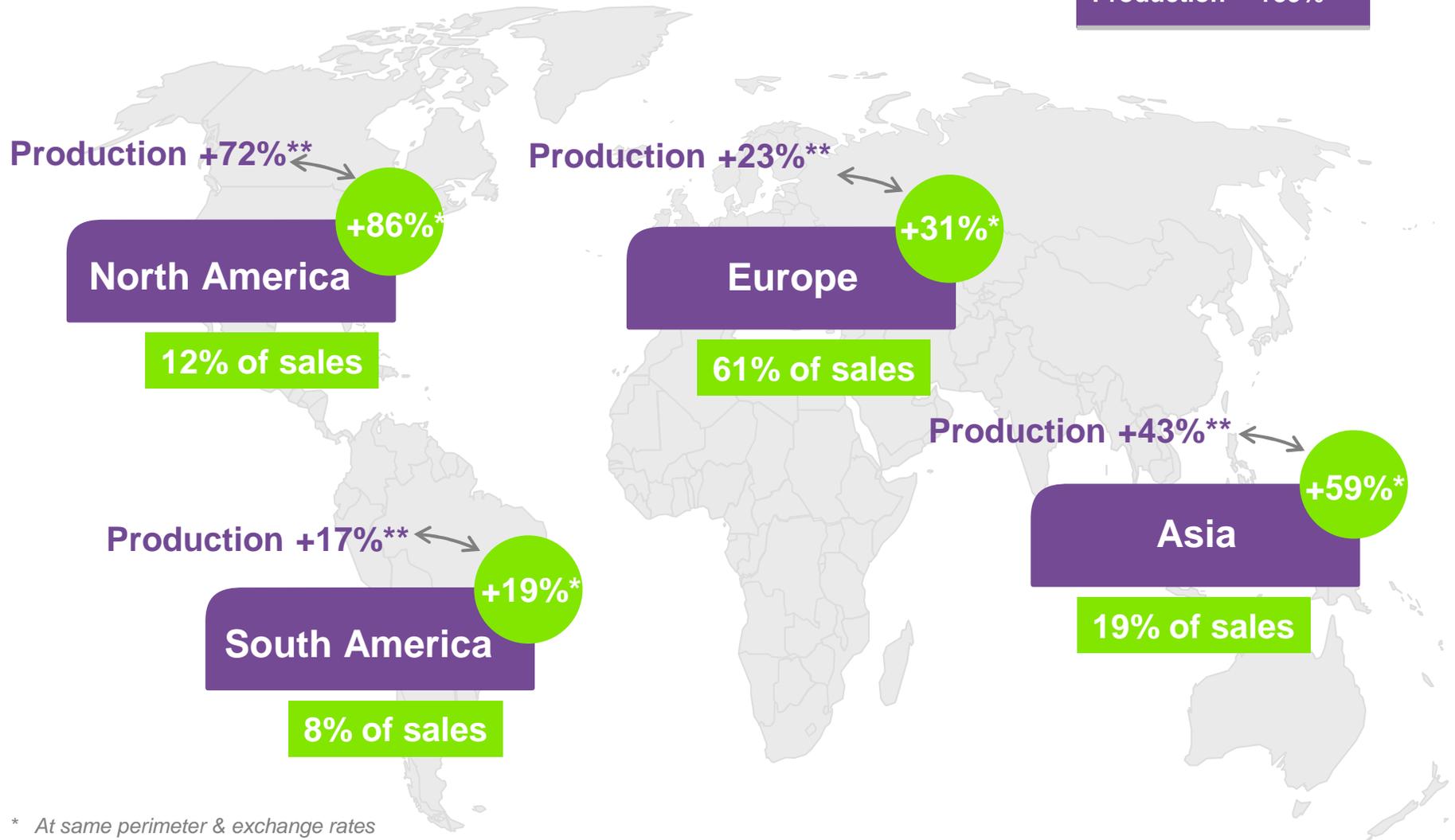
	H1-08 (M units)	H2-09 (M units)	▲ H2-09/H2-08	H1-10 (M units)	▲ H1-10/H1-09
Europe +Africa	12.2	9.1	-3%	10.0	+23%
Asia +others	15.6	17.0	+23%	18.7	+43%
North America	6.9	5.1	-10%	5.9	+72%
South America	2.0	2.0	+11%	2.0	+17%
<b>Worldwide</b>	<b>36.7</b>	<b>33.2</b>	<b>+8%</b>	<b>36.6</b>	<b>+39%</b>

\* JD Power light vehicle production estimates

# OE sales

Outperforming the market in each region

World	H1-10
Valeo*	+40%
Production	+39%

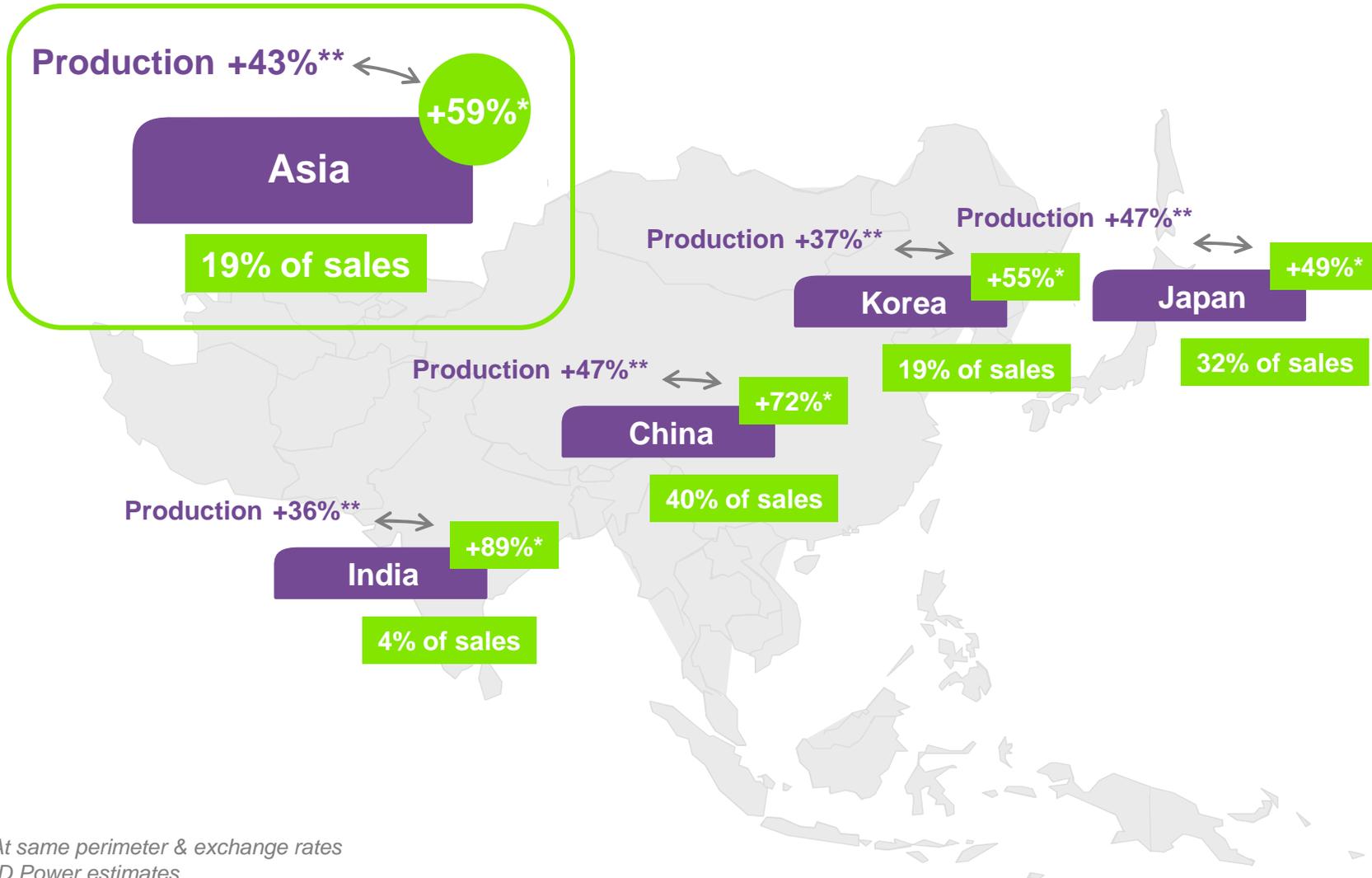


\* At same perimeter & exchange rates

\*\* JD Power estimates

# Asian OE sales

Outperforming the market in each country



\* At same perimeter & exchange rates

\*\* JD Power estimates

# Customer mix

Increasing position with German and Asian customers

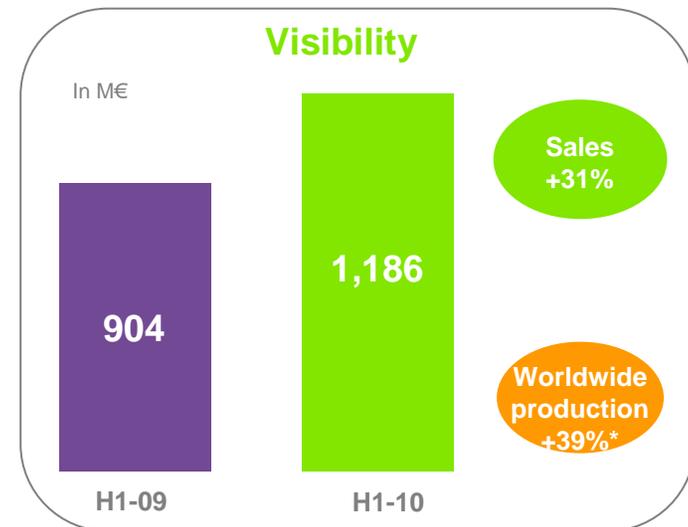
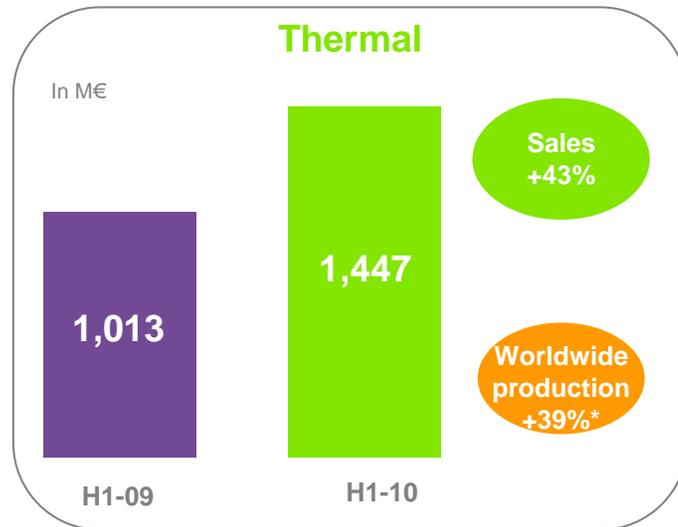
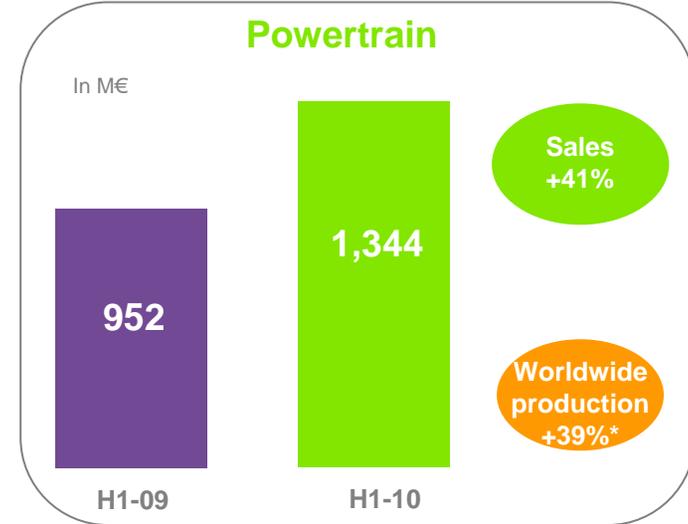
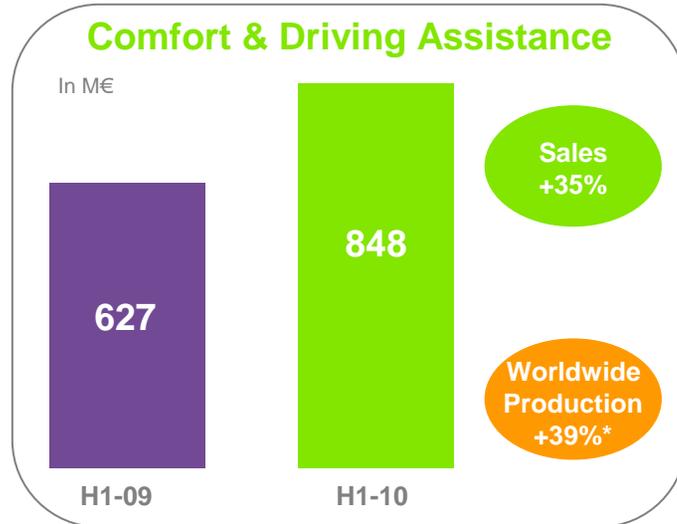
Customers (% of OE sales)	H1-08	H1-09	H1-10
German	25%	29%	27%
French*	25%	26%	24%
Asian**	18%	19%	21%
American	19%	16%	18%

\* Excluding Nissan

\*\* Including Nissan

# Sales by Business Group

Powertrain and Thermal Business Groups outperforming the market

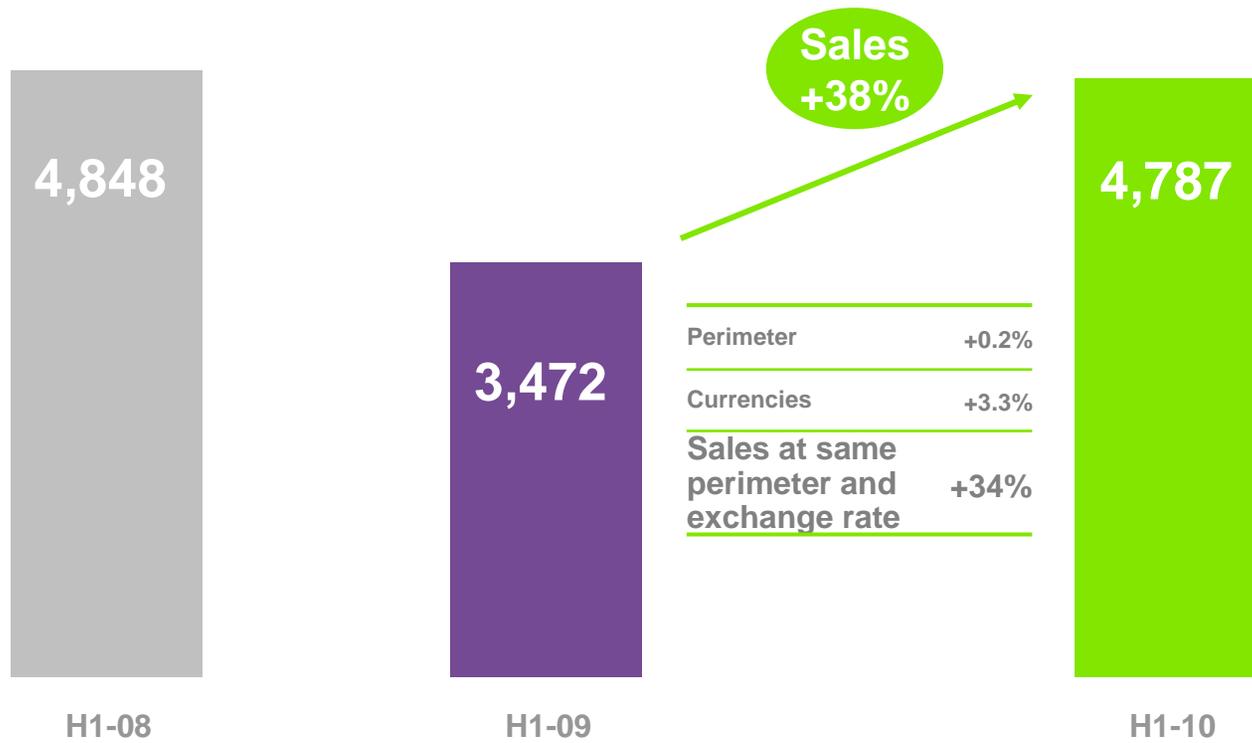


\* JD Power light vehicles production estimates

# H1-10 sales

## Exchange rates impact

In € million



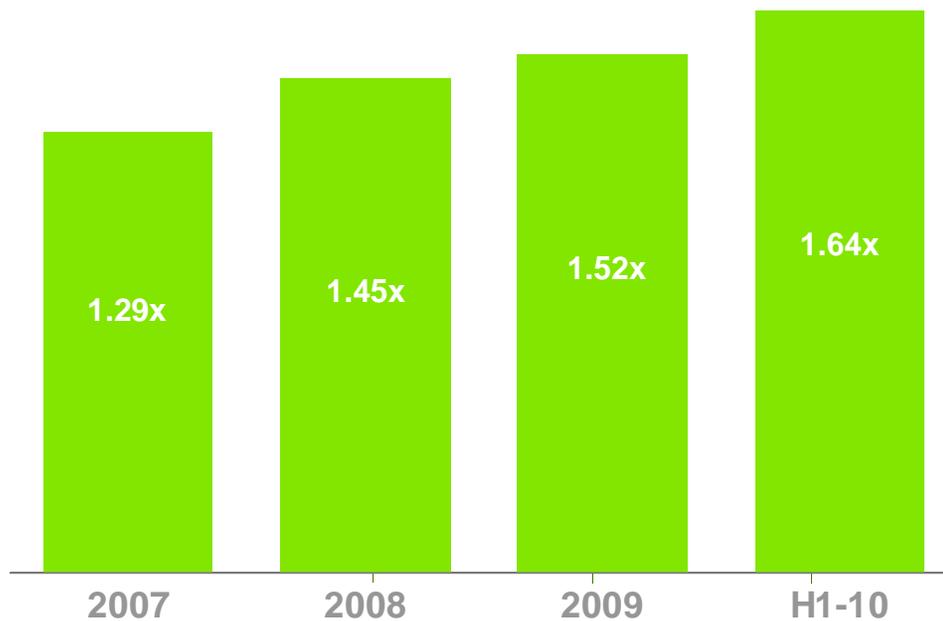
*Main exchange rates variation vs Euro :  
Appreciation of Real Brazil, Polish Zloty and South Korean Won*

# Order intake

Record order intake at €6.5 billion

## Order intake

(Order Intake / OE Sales)



Customers (% of order intake)	H1-10
German	31%
French*	24%
Asian**	18%
American	23%

\* Excluding Nissan

\*\* Including Nissan



Highest operating margin  
recorded in the last 10 years

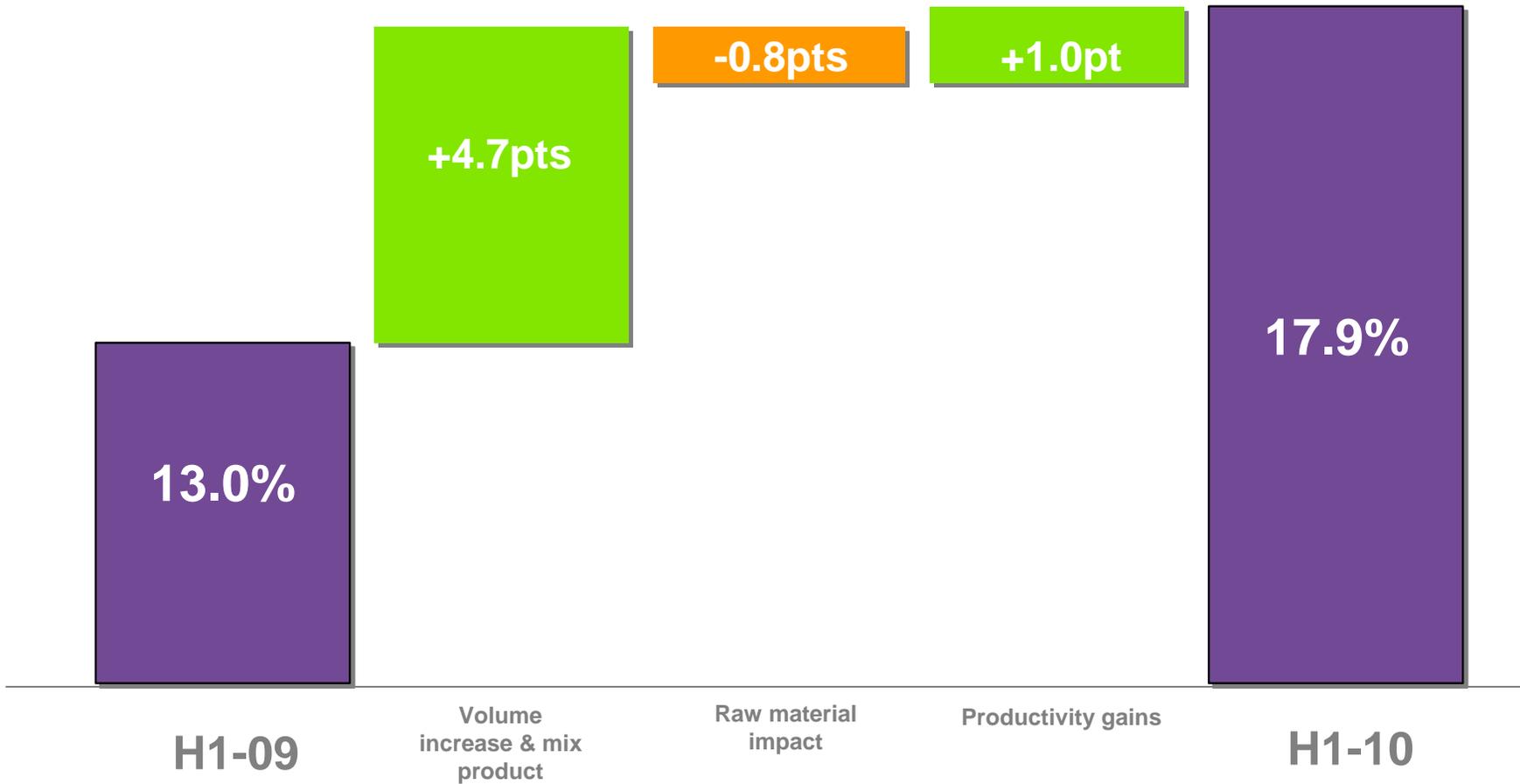
# H1-10 results

Highest operating margin recorded in the last 10 years

In million euros	H1-08	H1-09	H1-10	▲
Total sales	4,848	3,472	4,787	+38%
Gross margin	797	453	856	+89%
<i>% of sales</i>	16.4%	13.0%	17.9%	+4.9pts
Net R&D	(276)	(234)	(267)	+14%
<i>% of sales</i>	-5.7%	-6.7%	-5.6%	+1.1pt
SG&A expenses	(318)	(270)	(297)	+10%
<i>% of sales</i>	-6.6%	-7.8%	-6.2%	+1.6pt
Operating margin	203	(51)	292	na
<i>% of sales</i>	4.2%	-1.5%	6.1%	+7.6pts
Operating income	182	(88)	261	na
<i>% of sales</i>	3.8%	-2.5%	5.5%	+8.0pts
Net result	100	(213)	168	na
<i>% of sales</i>	2.1%	-6.1%	3.5%	+9.6pts

# Gross margin walkdown

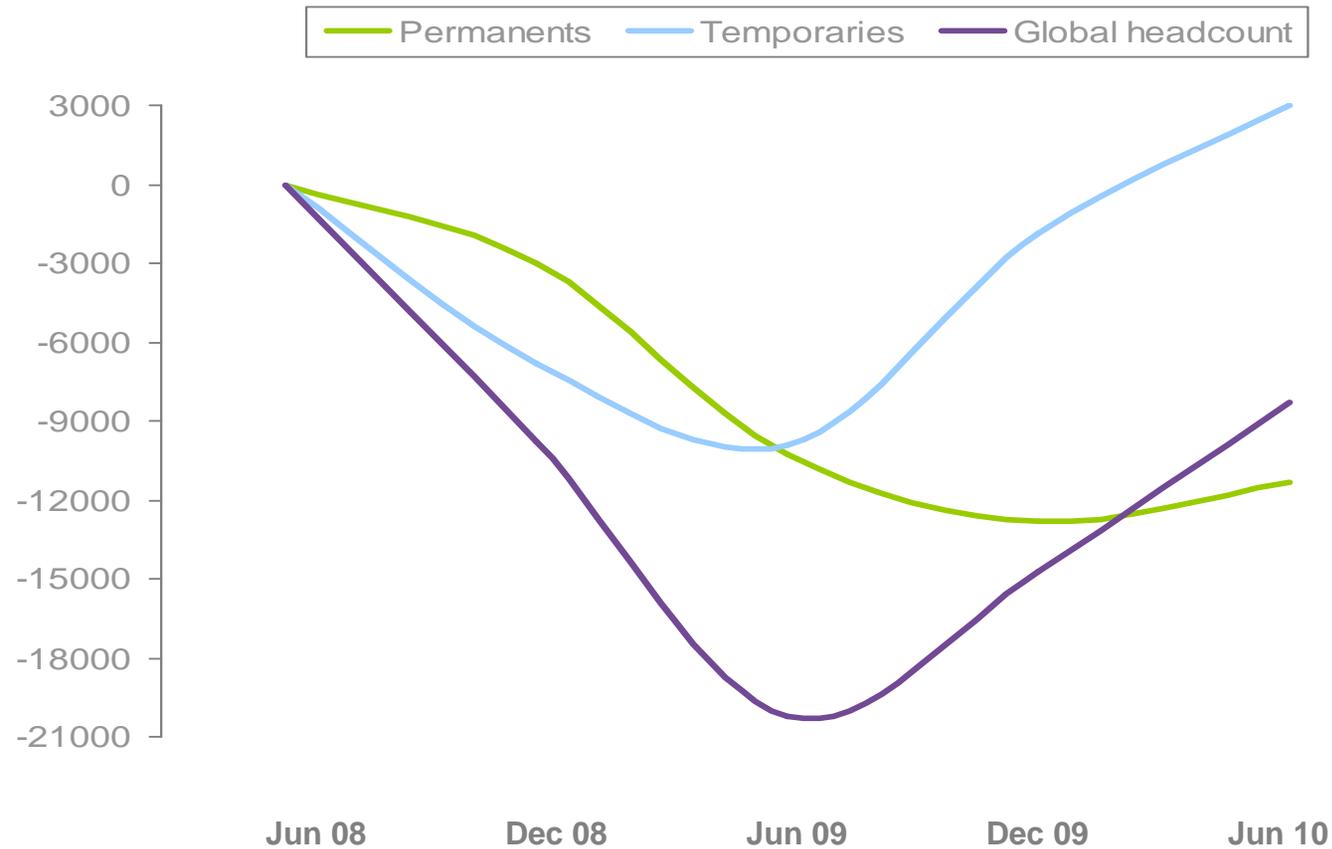
As % of sales



# Worldwide headcount evolution

Flexibility of the cost structure

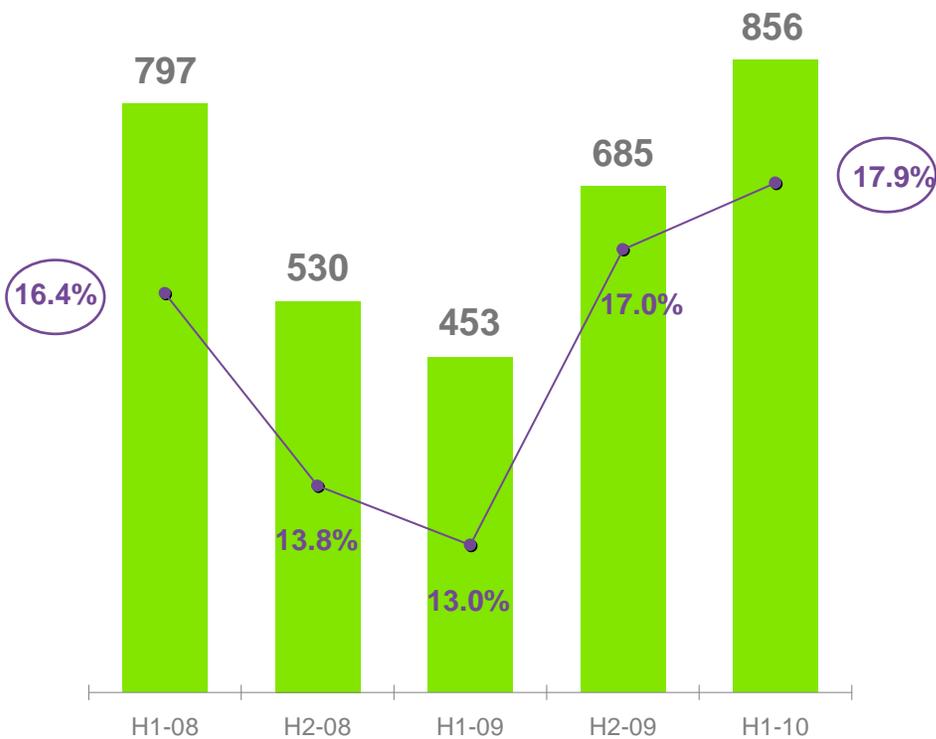
vs situation end of H1-2008



# Gross margin

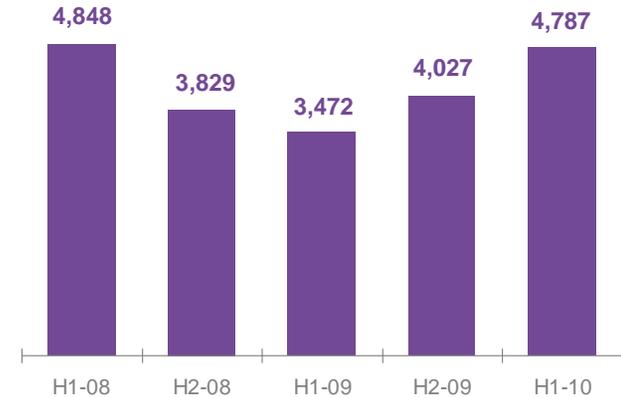
In euro million and as % of sales

## Gross margin



## Sales

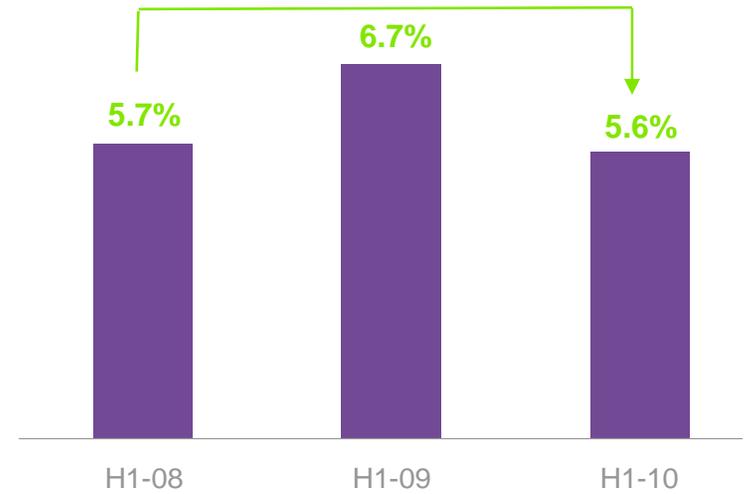
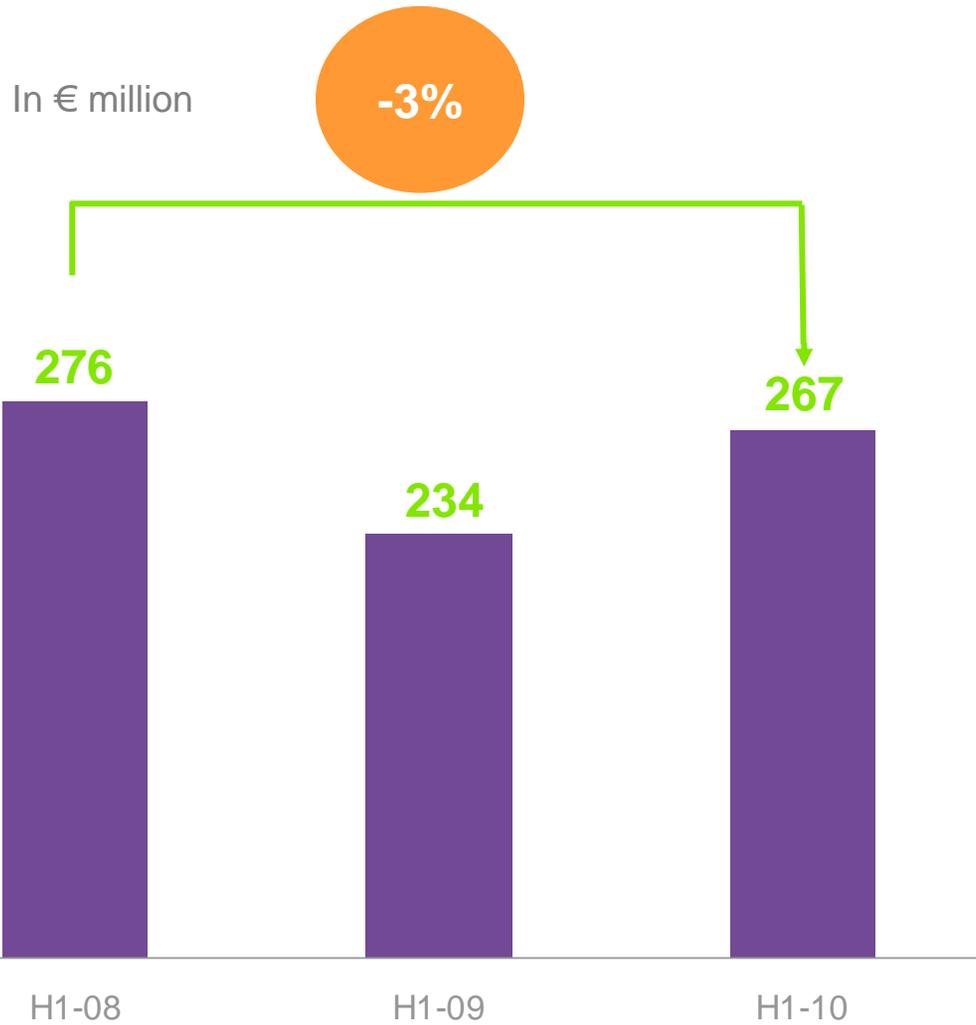
(in € million)



# Net R&D expenses

R&D efforts sustained

as % of sales **-0.1pt**

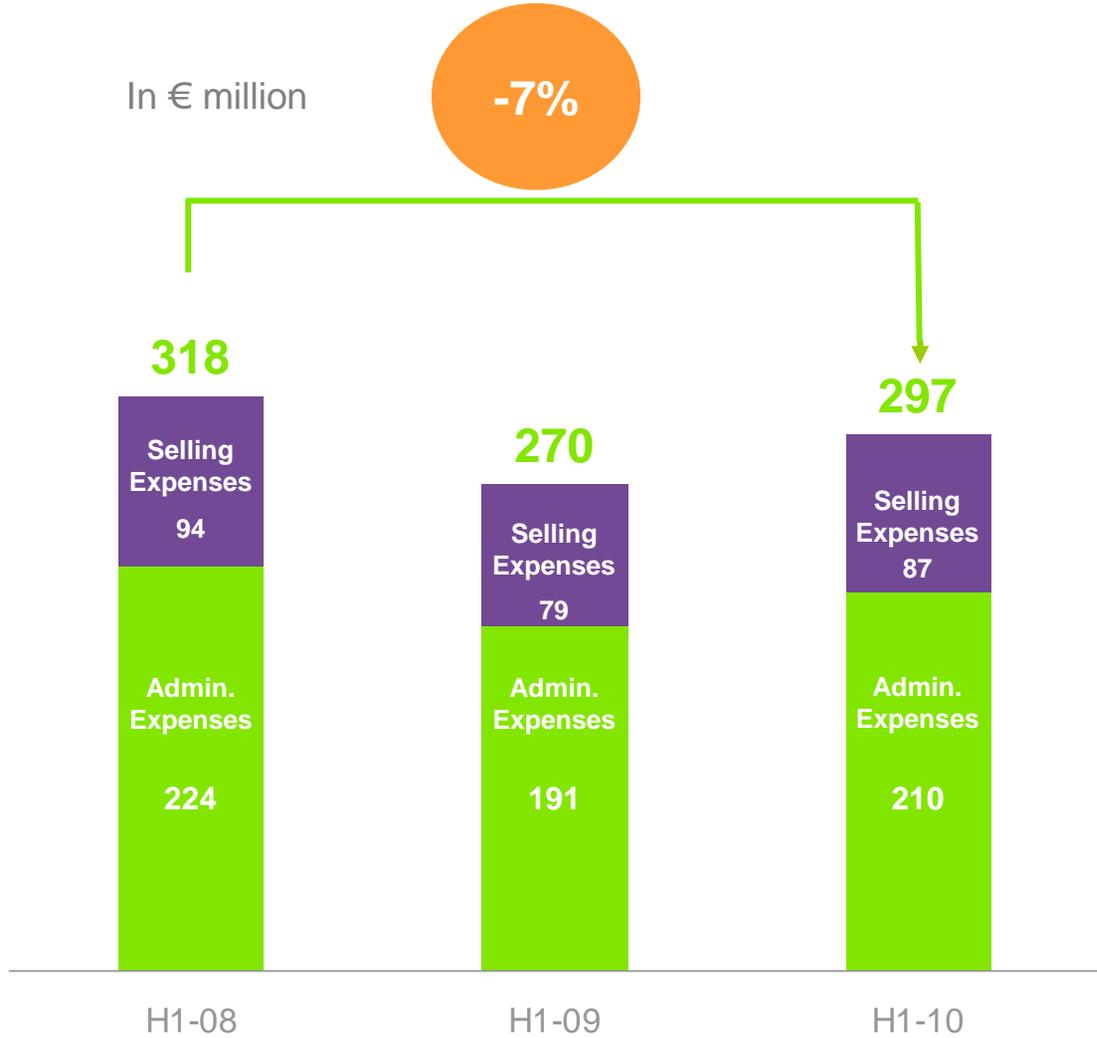


# SG&A expenses

New organization implementation on track

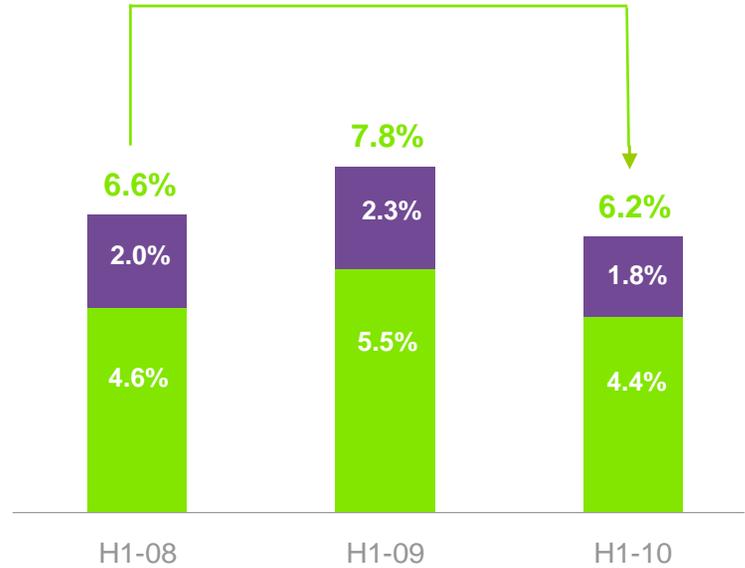
In € million

-7%



As % of sales

-0.4pt

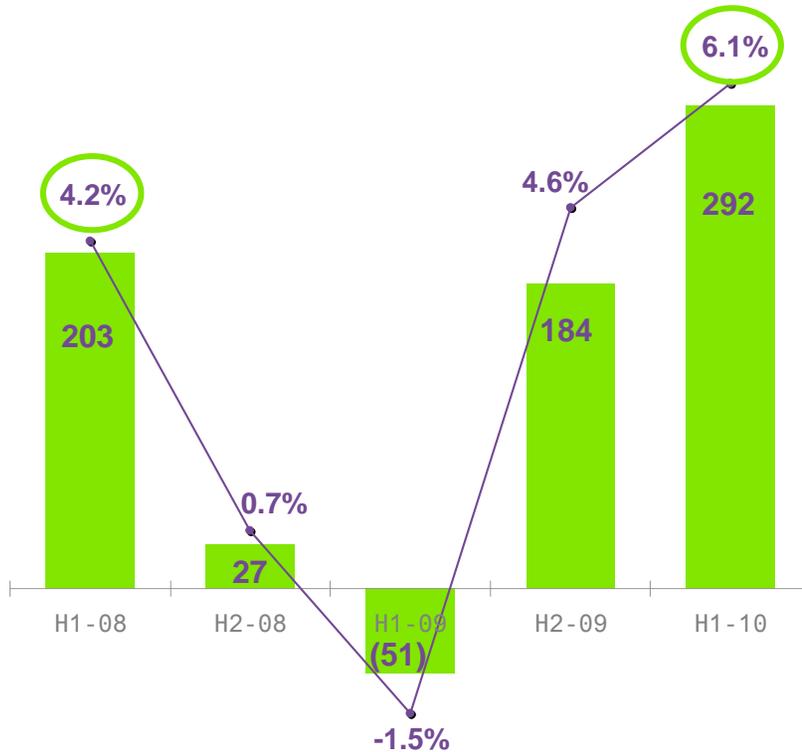


# Operating margin

Highest margin recorded in the last 10 years

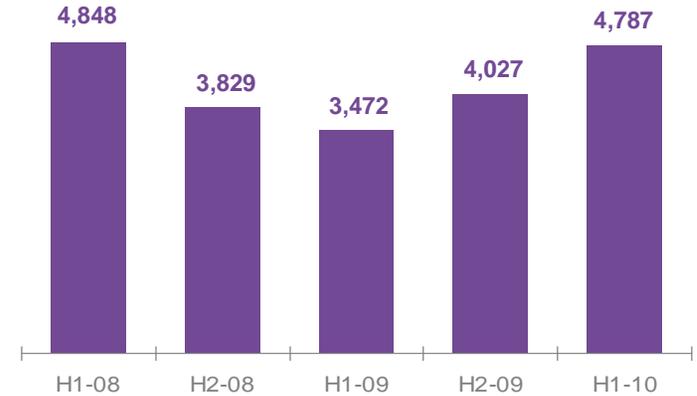
## Operating margin

(in € million & as % of sales)



## Sales

(in € million)



# H1-10 Results

Strong improvement of net income

In € million	H1-08	H1-09	H1-10	▲
<b>Total sales</b>	4,848	3,472	4,787	+38%
<b>Operating margin</b> <i>as % of sales</i>	203 4.2%	(51) -1.5%	292 6.1%	na +7.6pts
Other income & expenses <i>as % of sales</i>	(21) -0.4%	(37) -1.1%	(31) -0.6%	-16% +0.5pt
<b>Operating income</b> <i>as % of sales</i>	182 3.8%	(88) -2.5%	261 5.5%	na +8.0pts
Cost of net debt	(22)	(21)	(32)	+52%
Other financial expenses	(6)	(37)	(14)	-62%
Associates	7	(40)	11	na
<b>Income before taxes</b>	161	(186)	226	na
Taxes	(56)	(26)	(47)	+81%
Effective tax rate	36%	NA	22%	na
Non strategic activities	(1)	1	(2)	na
Minority interest and others	(4)	(2)	(9)	na
<b>Net income</b>	100	(213)	168	na



# Strong cash flow generation and significant debt reduction

# Strong cash generation of €291 M

Key factors

## ■ Operating performance

→ EBITDA at €564 M (11.8 % of sales)

## ■ Operating working capital

→ Further improvement by €41 M to - €341 M

## ■ Tangible investments

→ Limited to 60% of depreciation in H1 2010



**Free cash flow  
of  
€291 M**



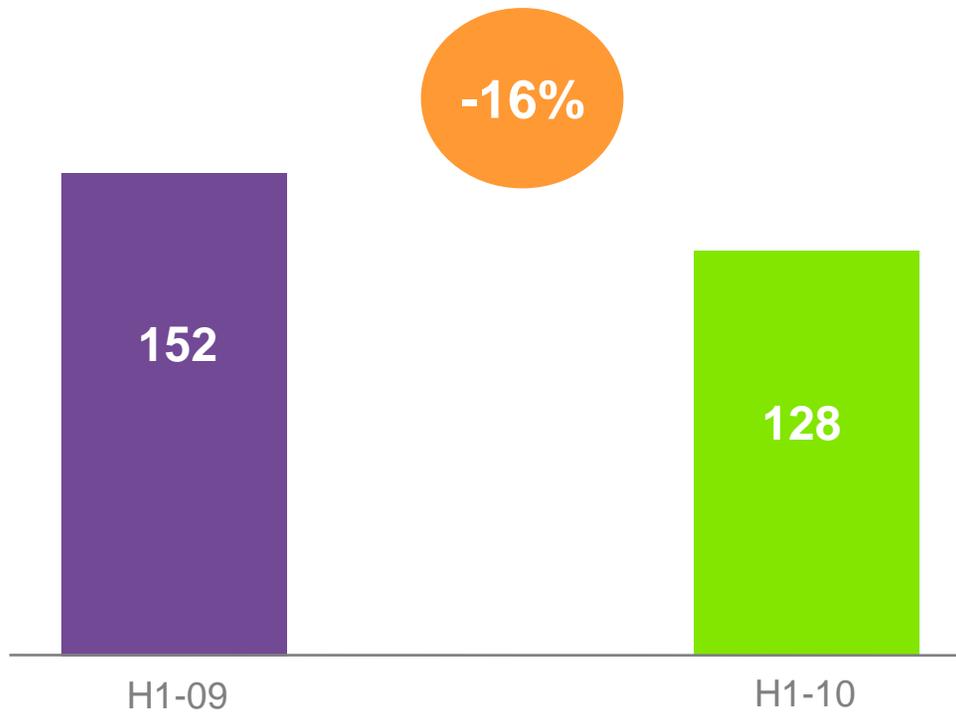
## **Net financial debt**

Reduced by €284 M to €438 M by June 30, 2010

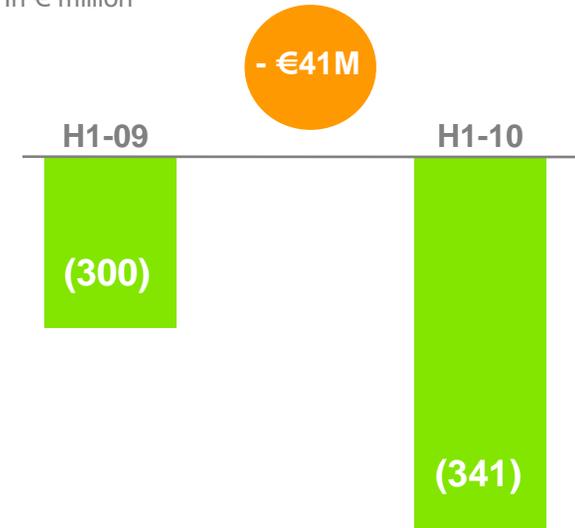
# Working capital and Capex

Under strict management

Tangible capex < 60 % of depreciation  
In € million



Further improvement of working capital  
In € million



# Strong cash generation

Net financial debt reduced by €284 M to €438 M over H1-10

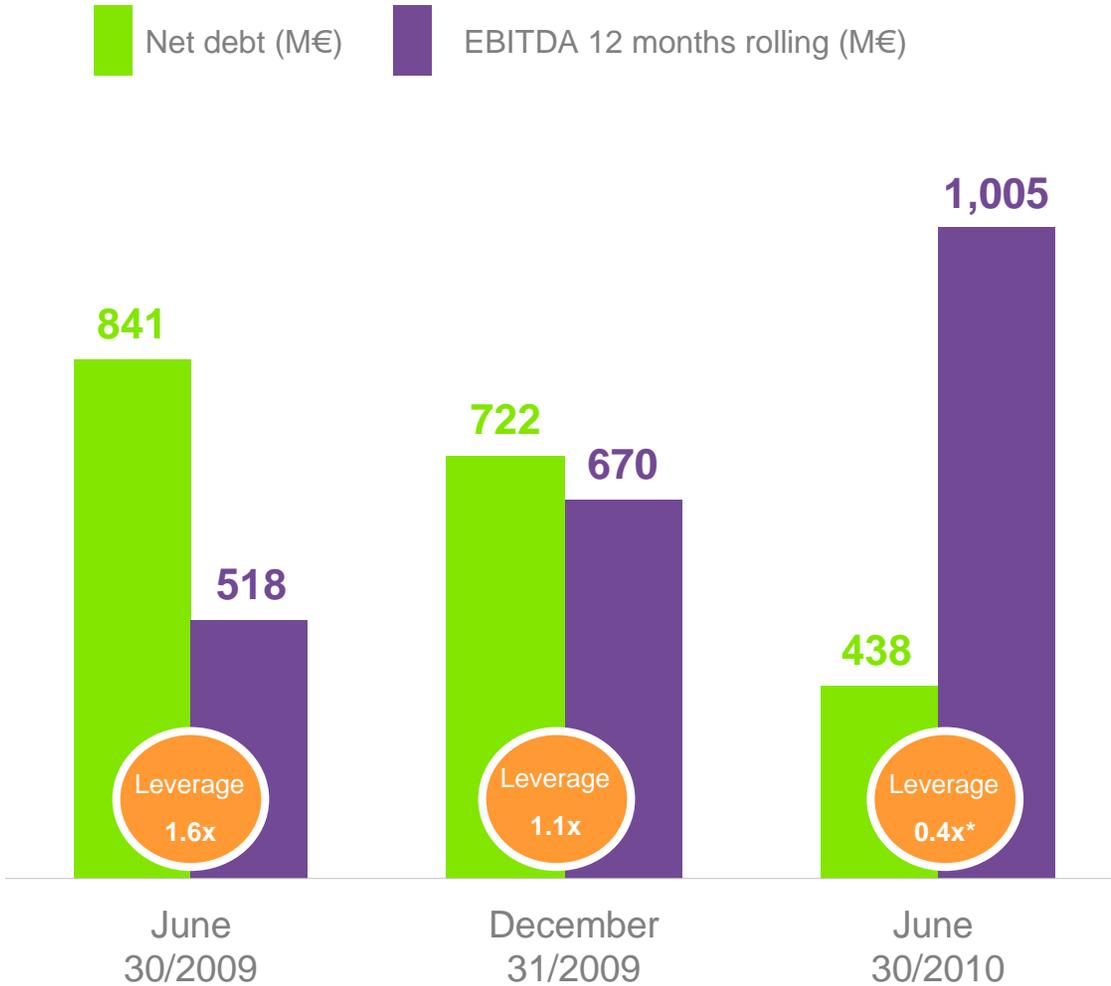
in € million	H1-08	H1-09	H1-10
EBITDA	503	229	564
Operating working capital	39	177	32
Restructuring & social costs	(39)	(69)	(54)
Other operational items	(84)	(85)	(27)
Capex	(296)	(256)	(219)
<b>Free cash flow</b> (before interest payments)	<b>123</b>	<b>(4)</b>	<b>291</b>
Interest	(34)	(39)	(43)
Other financial items	88	(6)	(7)
<b>Net cash flow</b>	<b>177</b>	<b>(49)</b>	<b>241</b>
<b>Net financial debt</b>	<b>621</b>	<b>841</b>	<b>438</b>

# Debt ratios

Target: back to "Investment grade"

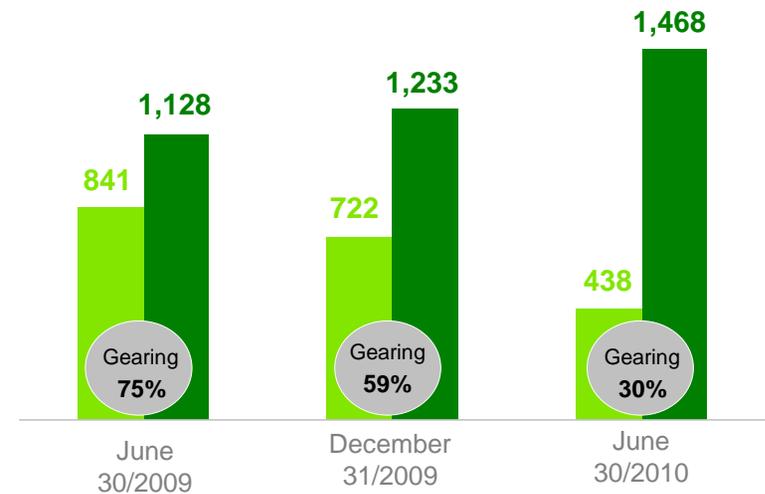
## Net financial debt over EBITDA

Net debt (M€)      EBITDA 12 months rolling (M€)



## Shareholders' equity and net debt

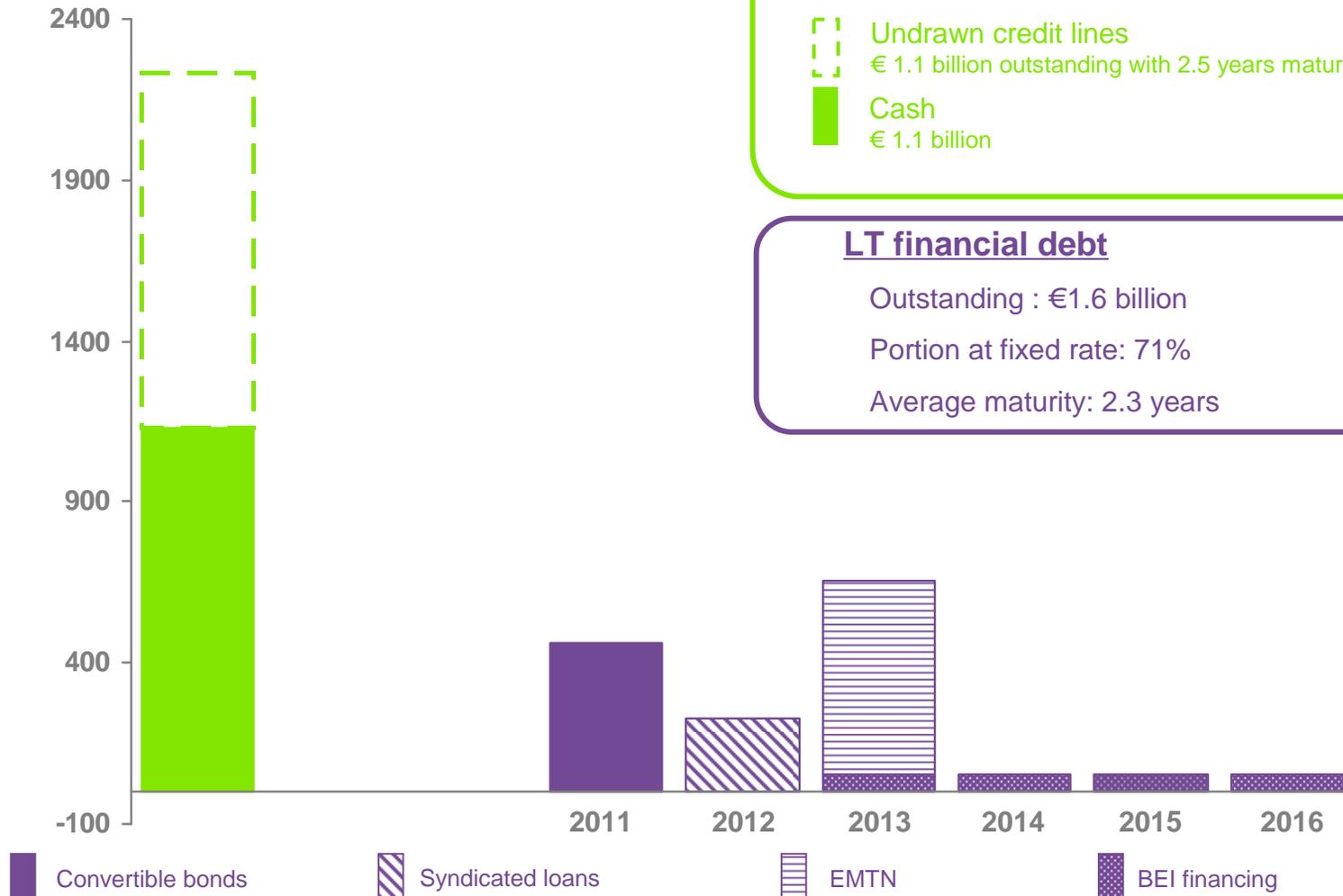
Net debt (M€)      Shareholders' equity (M€) excluding minority interests



**\*Covenant net financial debt / EBITDA of 3.25**

# Financial resources

Cash available to be used for 2011 debt maturity reimbursement





# 2010 outlook

# Worldwide automotive production in 2010

2010 production forecasts revised upwards

(change YoY)	Full year	
	<i>previous</i>	<i>revised</i>
<b>Europe (&amp; Africa)</b>	-2%	+6%
<b>Asia (&amp; others)</b>	+9%	+18%
<b>North America</b>	+24%	+30%
<b>South America</b>	+15%	+12%
<b>Worldwide</b>	+8%	+16%

## 2010 outlook

### ■ Production forecasts revised upwards

- Europe & Africa: increase of 6%
- Asia & others continued improvement of 18%
- North America: strong recovery of +30%
- South America: continued improvement of 12%

### ■ Flexibility of the cost structure maintained

### ■ 4 Business Groups organization deployment on track



**Given market assumptions,  
2010 operating margin revised upwards to higher than 5%**



# Ahead of the 2013 Strategic Plan

# €10 Bn sales target in 2013

Main growth levers

- **Asian and North American production ahead of the Plan**
  - In 2013, production in Europe and North America expected to stay below pre-crisis level
- **€1 Bn of 2013 OE sales related to CO<sub>2</sub> emission reduction**
  - €308 M in H1-10
- **Growth in Asia and emerging countries**
  - 60% of the Capex
- **Order intake at a record level of 1.64 or €6,478 M**

**82% of 2013 OE sales already in the order book**  
(72% at 2009 year end)

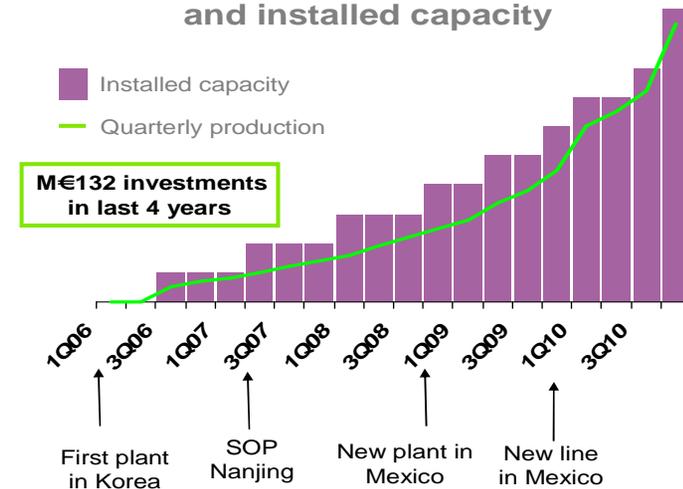
# CO<sub>2</sub> emission reduction

Powertrain Systems Business Group: Torque Converter development

- High hydraulic performances for automatic transmissions
- Enhanced driving experience
- High standardization level
- Superior shifting quality
- Less noise & vibration
- Fuel savings and emissions reduction of more than 6%



Torque converters production and installed capacity



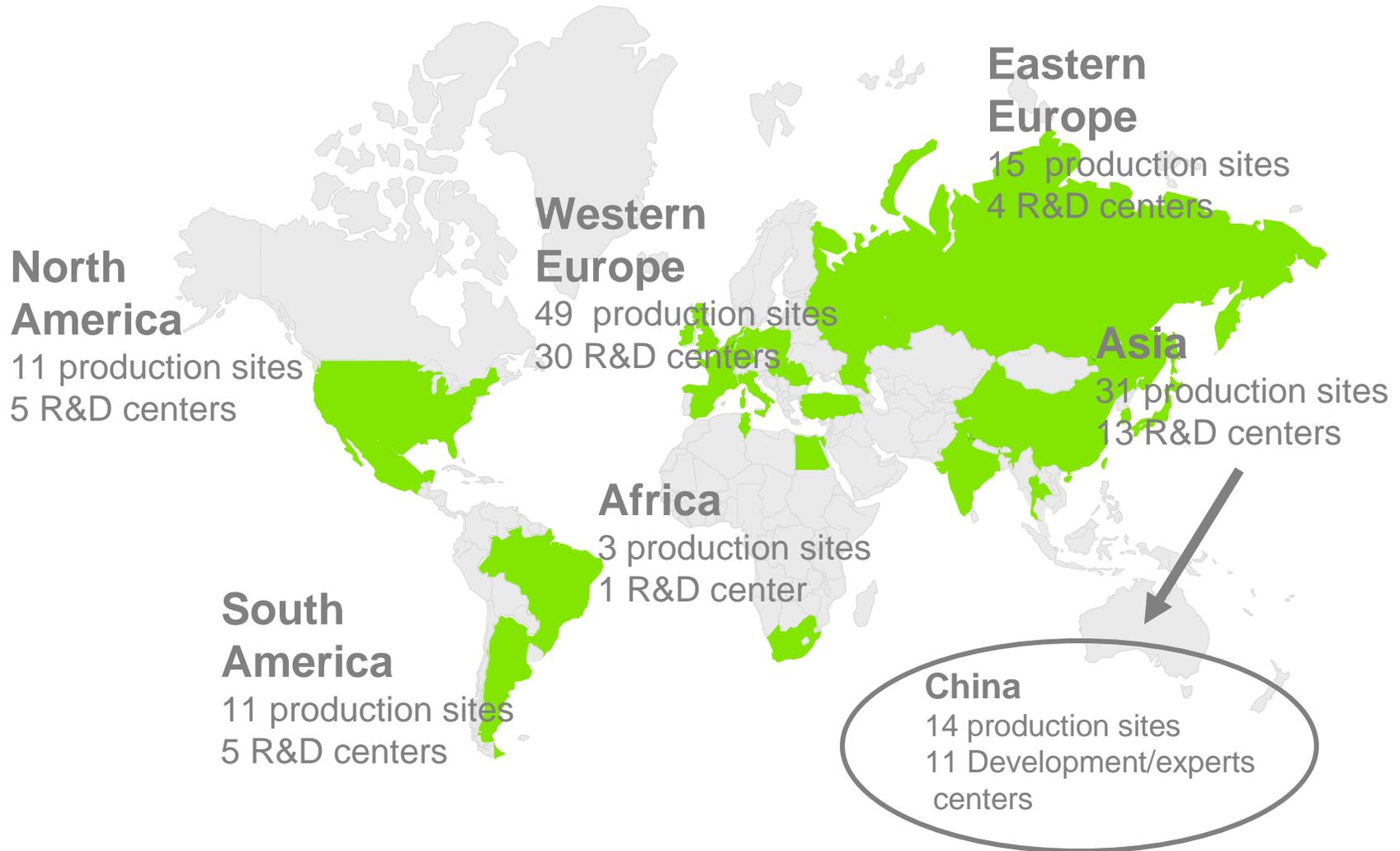
# i-StARS

- Second generation of Stop Start system: control electronics integrated into the electrical machine
- Cut off of the engine as soon as the vehicle's speed falls below 8 km/h with an automated transmission and 20 km/h with a manual transmission
- CO<sub>2</sub> emissions reduced by 5g per kilometer on average, and by up to 15% in congested urban traffic
- System launched by PSA Peugeot Citroën to equip a million vehicles by 2013
- Valeo is the only supplier to offer two micro-hybrid systems, either starter-alternator or reinforced starter-based.
- Since the system was first marketed, the Group has booked orders to equip 50 vehicle models from more than 10 different automakers



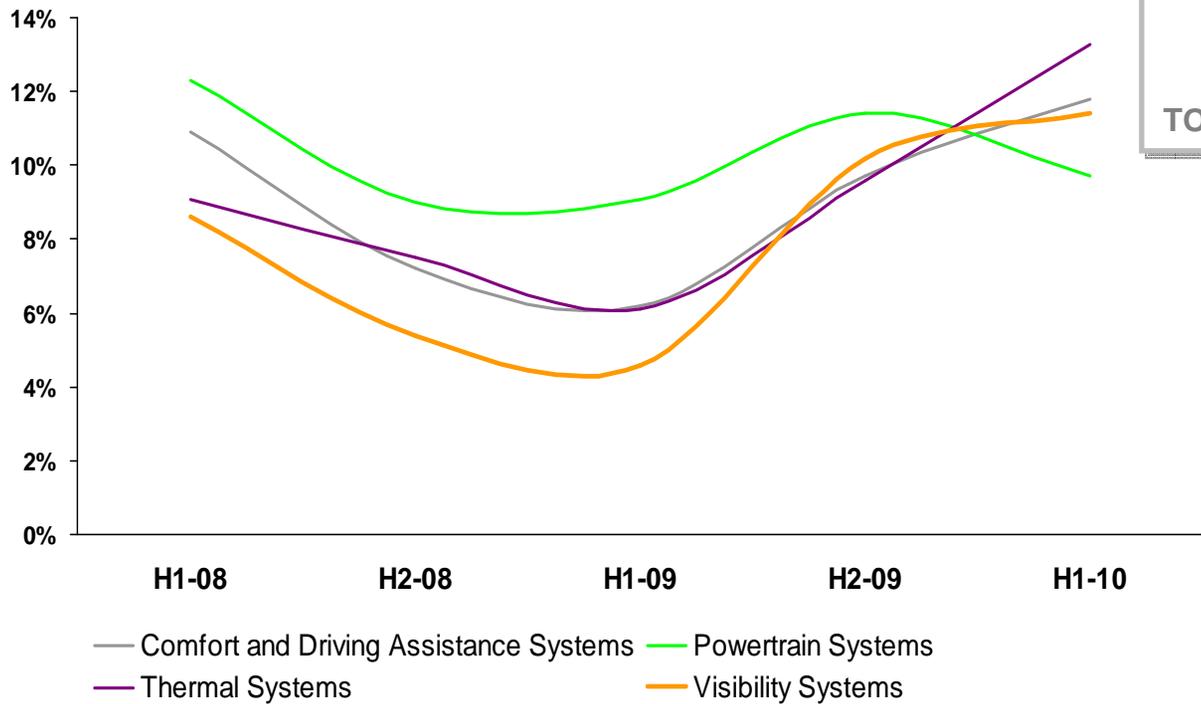
# Growth in Asia and in the emerging countries

Presence of all Business Groups in China (40% of Asian sales)



# EBITDA by Business Group

Convergence of Visibility Systems with other Business Groups performance



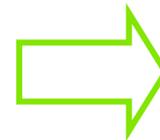
	H1-10
Comfort & Driving Assistance <i>as % of sales</i>	11.8 %
Powertrain <i>as % of sales</i>	9.7%
Thermal <i>as % of sales</i>	13.3%
Visibility <i>as % of sales</i>	11.4%
<b>TOTAL</b>	<b>11.8%</b>

**2013 Group  
Average  
from 12% to 13%**

# Operating margin: target of 6% to 7%

In H1-10, highest margin recorded in the last 10 years

- Sales outperformance vs production
  - OE sales outperformance in all regions
- New organization
  - In Europe, crucial step achieved
- Visibility Business Group recovery
  - Convergence with other Business Groups performance
- Productivity gains
  - Restructuring costs under strict control



Operating margin 2010  
H1 = 6.1% / FY > 5%



Target 2013:  
6% - 7%

# Capital turnover of 4.7

In H1-10, strict management of capital employed

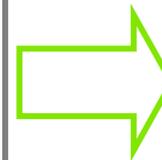
Capital employed of €1.9 billion in H1-10

- Working capital further improved by €41 M at (€341 M)
- Strict control of capex < 80% of depreciation in 2010



Capital turnover\*  
H1-10 = 4.7x

Capital employed  
Target 2013 = ~ €2 billion



Capital turnover  
Target 2013 = 5x

\* Calculated on a 12 month rolling basis

# ROCE

H1-2010 profitability in line with 2013 objective

	2009	H1-10	2013	$\Delta$ 2013/2009
Total sales	€7.5 bn	€4.8 bn	€10 bn	+33%
Operating margin	1.8%	6.1%	6-7%	+ 4-5pt
Capital turnover	3.9	4.7*	5	+1.1
ROCE**	7.1%	25%*	≥ 30%	> +20pt

\* Calculated on a 12 month rolling basis

\*\* Ebit / capital employed excluding goodwill

# H1-10 highlights

- **OE sales outperforming the market in each region**
- **Order intake at a record level**
- **Operating margin of 6.1%, the highest level in 10 years**
  - Positive impact of break-even point decrease
  - Turnaround of the Visibility Systems Business Group
- **Strong free cash flow generation of €291M**
  - Net financial debt significantly reduced to €438M
- **2010 outlook**
  - Given current market conditions, operating margin revised upwards to higher than 5%
- **Ahead of the 2013 Strategic Plan**



## Investor Relations

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# Back-up

# Half year P&L

	2008		2009		2010
	H1	H2	H1	H2	H1
(in € million)					
■ <b>Total sales</b>	4,848	3,829	3,472	4,027	<b>4,787</b>
■ <b>Gross margin</b>	797	530	453	685	<b>856</b>
<i>as % of sales</i>	16.4%	13.8%	13.0%	17.0%	%
R&D expenditures	(276)	(225)	(234)	(239)	<b>(267)</b>
Selling & administrative expenses	(318)	(278)	(270)	(282)	<b>(297)</b>
Other income & expenses	(21)	(261)	(37)	(12)	<b>(31)</b>
■ <b>Operating income</b>	182	(234)	(88)	172	<b>261</b>
<i>as % of sales</i>	3.0%	-6.1%	-2.5%	-4.3%	<b>-5.5%</b>
Cost of net debt	(22)	(23)	(21)	(39)	<b>(32)</b>
Other financial income and expenses	(6)	(53)	(37)	(20)	<b>(14)</b>
Equity in net earnings of associates	7	2	(40)	6	<b>(11)</b>
■ <b>Income before income taxes</b>	161	(308)	(186)	119	<b>226</b>
Income taxes	(56)	(5)	(26)	(53)	<b>(47)</b>
■ <b>Income from continuing operations</b>	105	(303)	(212)	66	<b>179</b>
Non-strategic activities	(1)	0	1	(1)	<b>(2)</b>
■ <b>Net income for the period</b>	104	(303)	(211)	65	<b>177</b>
Minority interest	0	(4)	(2)	(5)	<b>(9)</b>
■ <b>Net income</b>	104	(307)	(213)	60	<b>168</b>

# Highlights by segment

H1-09 and H1-10

<i>(In millions of euros)</i>	Security and Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	TOTAL
<b>First-half 2010</b>						
<b>Net sales</b>						
• segment (excluding Group)	832	1 333	1 437	1 174	11	4 787
• intersegment (Group)	16	11	10	12	(49)	-
<b>EBITDA <sup>(1)</sup></b>	<b>100</b>	<b>131</b>	<b>193</b>	<b>135</b>	<b>5</b>	<b>564</b>
Research and Development expenditure, net	(69)	(74)	(67)	(63)	6	(267)
Investments in property, plant and equipment and intangible assets	60	60	36	42	2	200
Segment assets <sup>(2)</sup>	1 094	1 713	1 543	1 331	114	5 795
<b>First-half 2009</b>						
<b>Net sales</b>						
• segment (excluding Group)	613	942	1 011	896	10	3 472
• intersegment (Group)	14	9	1	8	(32)	-
<b>EBITDA <sup>(1)</sup></b>	<b>38</b>	<b>86</b>	<b>62</b>	<b>41</b>	<b>2</b>	<b>229</b>
Research and Development expenditure, net	(60)	(53)	(65)	(56)	-	(234)
Investments in property, plant and equipment and intangible assets	58	83	37	57	2	237
Segment assets <sup>(2)</sup>	1 023	1 586	1 271	1 379	(22)	5 237

# Share Information

## Share Data

▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 30.06.2010	78,209,617

## ADR Data

▪ Ticker/trading symbol	VLECY
▪ CUSIP Number	919134304
▪ Exchange	OTC
▪ Ratio (ADR: ord)	1:2
▪ Depository Bank	J.P. Morgan

