



Automotive technology, naturally

Grow further the new focused Valeo

Investor Day, March 2011

International and focused top management in place



Jacques Aschenbroich
CEO



Robert Charvier
CFO



Christophe Perillat
COO



Michel Boulain HR
Géric Lebedoff General Counsel



Martin Haub R&D and Prod. Marketing
Edouard de Pirey Corp. Strategy & Planning
Hans-Peter Kunze Sales & Business Dvpt



Michael Schwenger
Powertrain Systems



Claude Leichlé
Powertrain Systems



Alain Marmugi
Thermal Systems



Marc Vrecko
Comfort & Driving Assistance Systems



Robert de la Serve
Valeo Service



Antoine Doutriaux
Visibility Systems

My diagnosis **in March 2010**

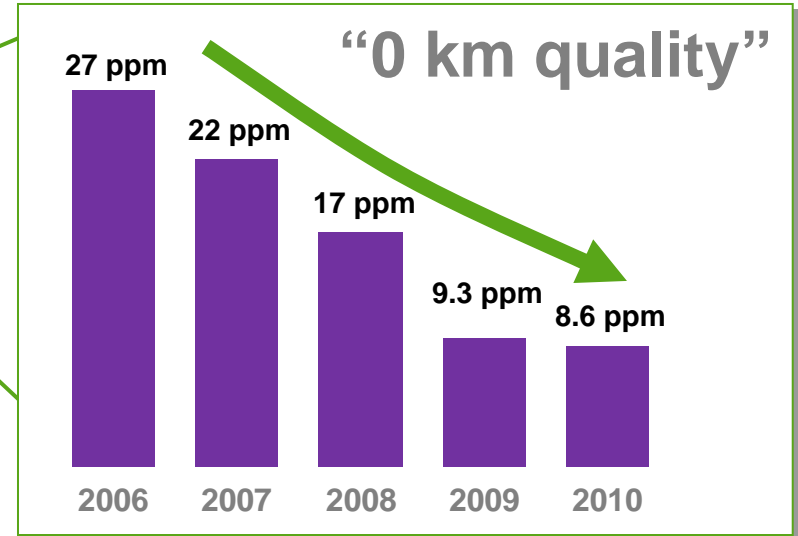
Strengths

- Brand
- Quality
- Operational excellence & reactivity
- Committed people
- Global presence & diversified customer base
- Global leadership on most product lines
- Innovation
- Healthy financial situation

My diagnosis in March 2010

Strengths

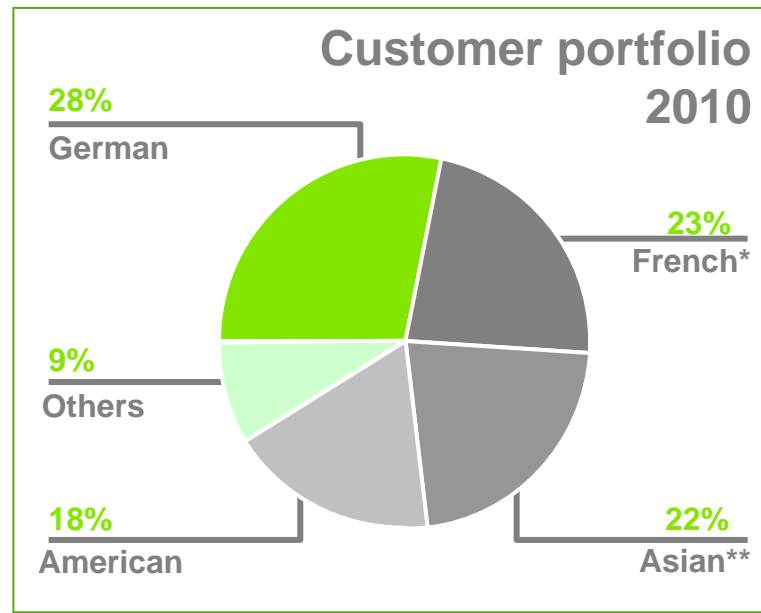
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My diagnosis in March 2010

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* Excluding Nissan

** Including Nissan

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Powertrain Systems

Electrical Systems

#1

Transmission Systems

#2

Comfort and Driving Assistance Systems

Driving Assistance

#1

Interior Controls

#1

Thermal Systems

Global Thermal Systems

#2

Visibility Systems

Wipers Systems

#1

Lighting Systems

#2

My diagnosis in March 2010

Strengths

- Brand
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Weaknesses

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization

My diagnosis in March 2010

Weaknesses

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization

Our commitments for the new Valeo

- Focus on CO₂ emissions reduction in all market segments
- Deliver above market organic growth in each region
- Actively participate in industry consolidation
- Best-in-class profitability

Our commitment in March 2011

Grow further the
new focused Valeo

1

Ahead of March 2010 strategic plan

2

Outperforming the market by 3pt

Innovation and new products

New customers and geographies

3

Acquisitions on top of organic growth

Niles

4

A new profitable model

Best in class profitability

CO₂ emissions reduction
Energy consumption reduction

**Grow further the
new focused Valeo**

**Asia
Emerging countries**

CO₂ emissions reduction

Energy consumption reduction

■ A crucial need

- Environmental considerations
- Energy independence
- Geopolitics

■ New technologies to be developed

- Electrification of the powertrain
- Downsizing of the engine
- Lower energy consumption
- Eco-driving assistance



“It’s really important that we have an improvement curve on fuel mileage and CO2 reduction.”

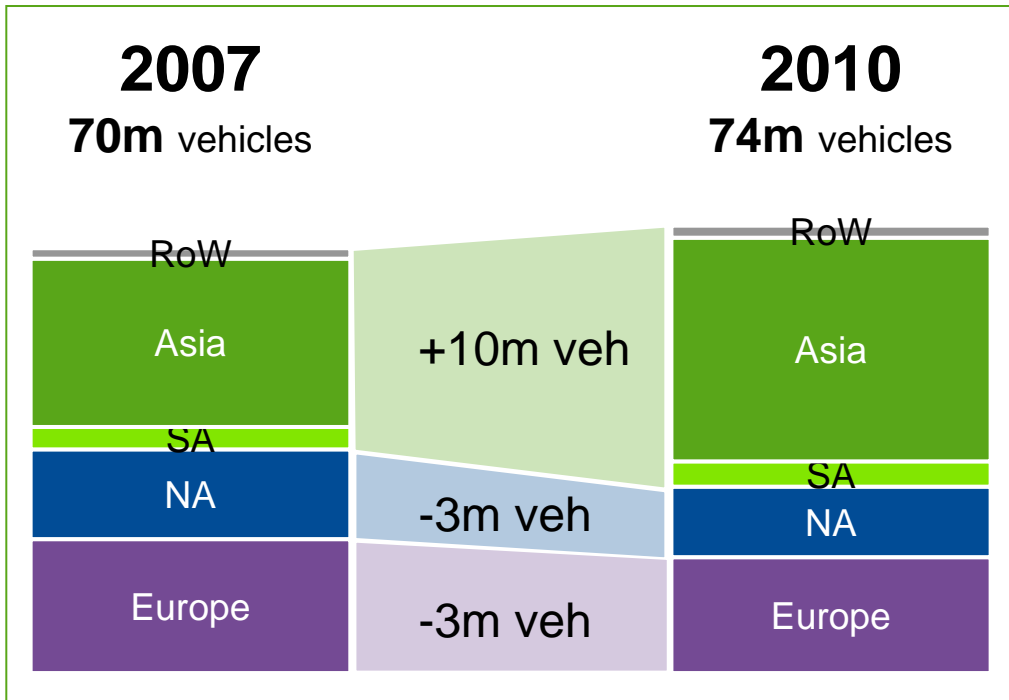
Alan Mullaly, Jan. 2010

“The new energy vehicle is very, very important because we don’t have enough petroleum resource.”

Wang Chuanfu, BYD, 2011

“Volkswagen is the automaker, which will put the hybrid forward from a niche car”

Pr. Winterkorn, Geneva 2010



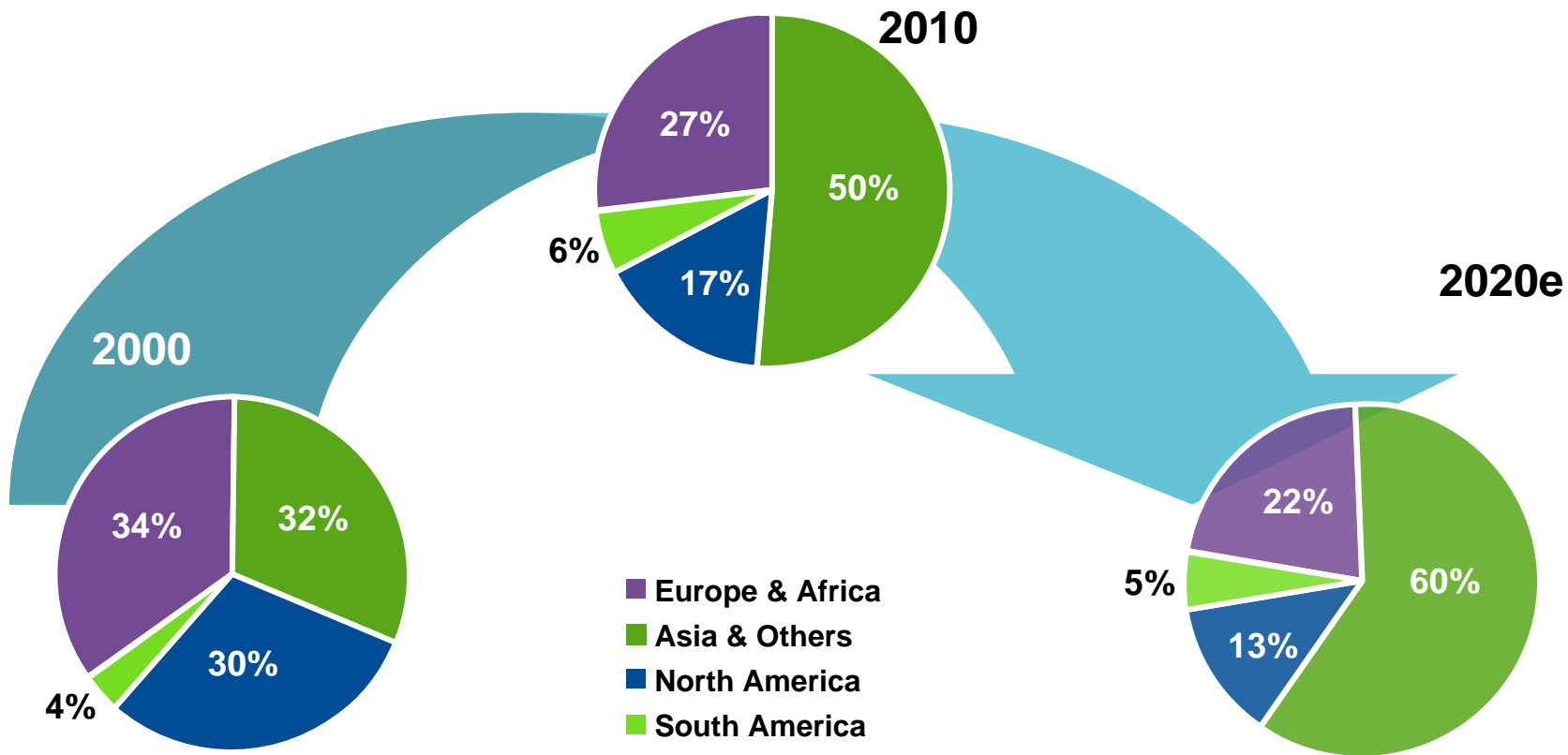
■ The automotive world is changing

- ➔ North America to re-emerge from a very low basis
- ➔ But a strong shift to Asia
- ➔ Especially China: +8m vehicles in 2010 vs. 2007

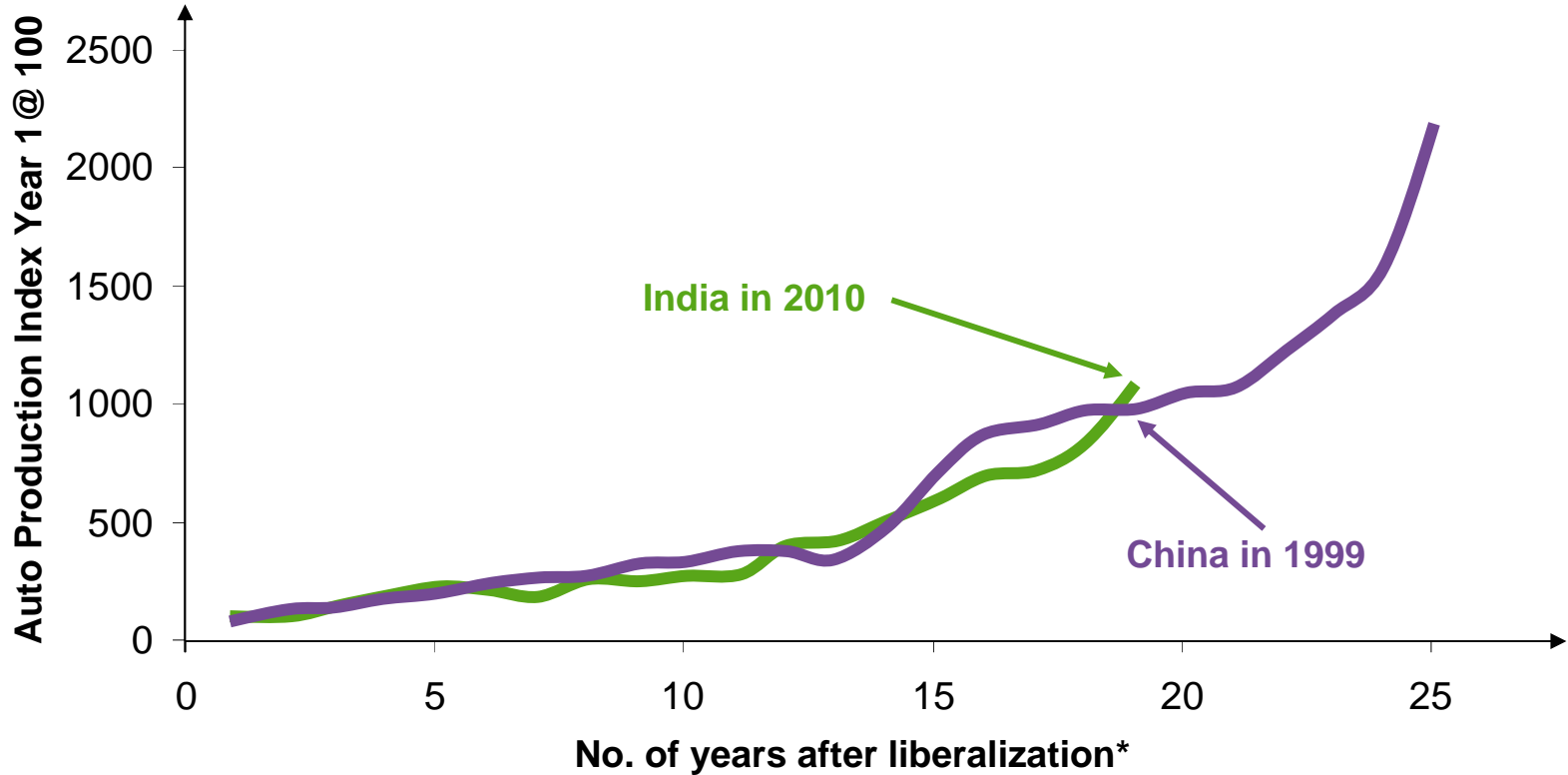
**Asia
Emerging countries**

This trend will continue

Production by region



China is the first automotive market today and India will follow



*Year 1 – 1978 for China and 1992 for India

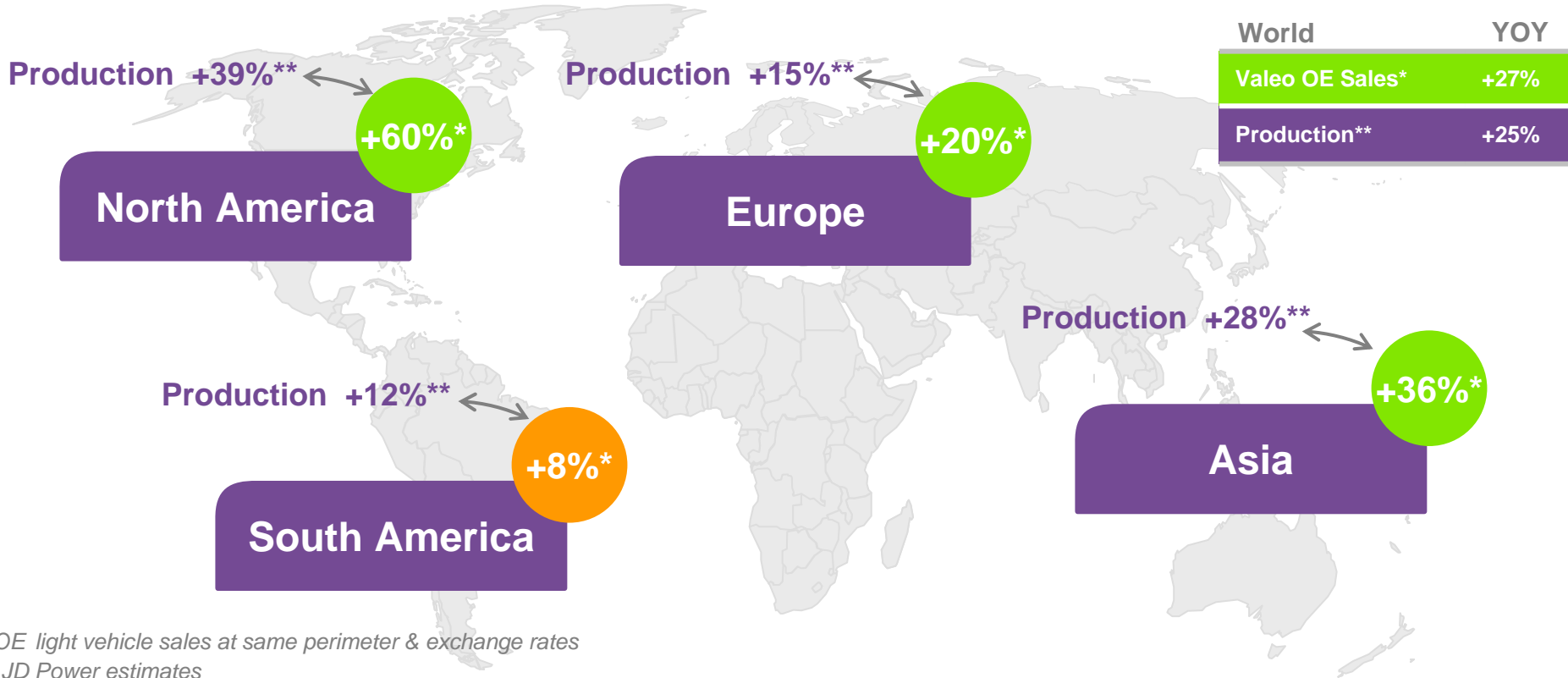
CO₂ emissions reduction
Energy consumption reduction

**First results
in 2010**

**Asia
Emerging countries**

Outperforming our main regions

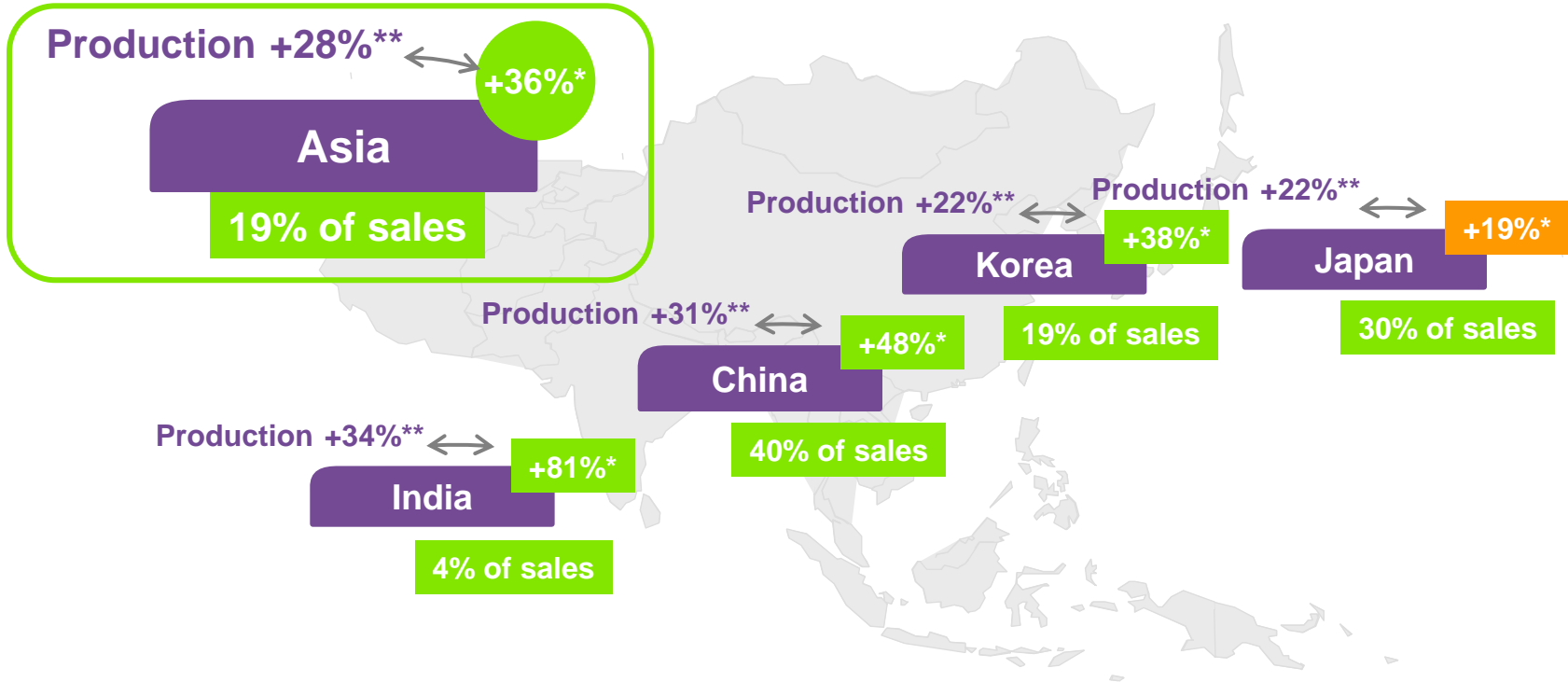
Full Year OE Sales outperforming the market by 2pts



* OE light vehicle sales at same perimeter & exchange rates

** JD Power estimates

Outperforming Asian market by 8%



* OE Light vehicle sales at same perimeter & exchange rates

** JD Power estimates

Ahead of the 2013 plan presented in March 2010

	2007	2009	2010	2013 as announced in March 2010	
Sales (in million euros)	9,567	7,499	9,632	10,000	✓
Operating Margin (as % of sales)	3.6%	1.8%	6.4%	6-7 %	✓
Capital turnover	4	4	5	5	✓
ROCE*	14%	7.1%	32%	>30%	✓

*Operating margin / capital employed excluding goodwill

A new horizon for 2015

€14bn Sales at 2010 perimeter, ie. Organic growth only

	2009	2010		2015
Sales (in million euros)	7,499	9,632	8.1% CAGR**	~14,000
Operating Margin (as % of sales)	1.8%	6.4%		>7%
Capital turnover	4	5		5
ROCE*	7.1%	32%		>30%

*Operating margin / capital employed excluding goodwill

** OEM Sales

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Best in class profitability

**Grow further the new
focused Valeo**

**Find the right balance
between growth and profit**

€14 bn Sales by 2015

**Outperforming
the market by 3pt**

**In a 5% CAGR worldwide
production hypothesis**

**Innovation
& new products**

**New customers
& geographies**

**Outperforming
the market by 3pt**

**Innovation
& new products**

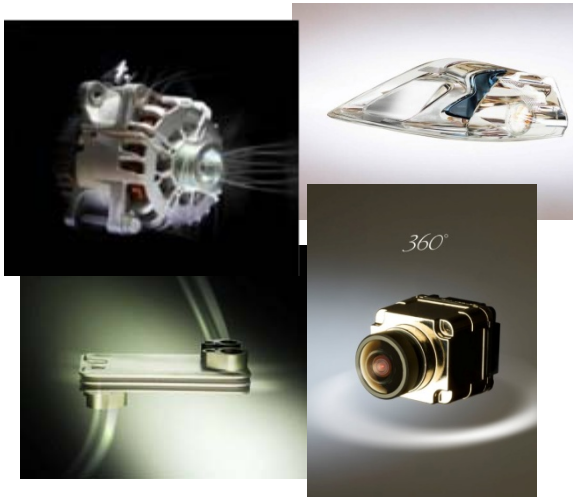
**R&D expenses
6% of Sales**

**A key driver for growth
in each of the Business Groups**

Innovation & new products

A strong pipeline of innovations

Already in production

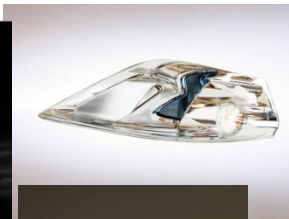


- **Stop and start** ➔ to become a standard
- **LEDs** ➔ to become a standard
- **Battery cooling**
- **360 View**

Innovation & new products

A strong pipeline of innovations

Already in production



Ordered



- Double clutch
- Aquablade & Direct drive
- Touchscreen Center Console
- Combined Charge air cooler and Air intake

Innovation & new products

A strong pipeline of innovations

Ordered

Development contracts

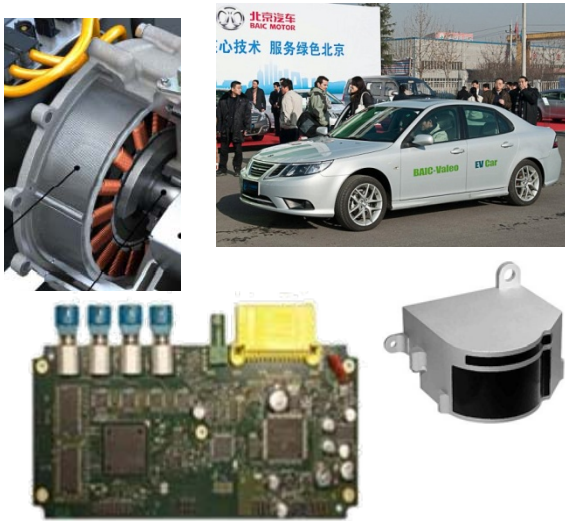


- Range extender
- Laser scanner
- Sensor fusion
- Full electric drivetrain

Innovation & new products

A strong pipeline of innovations

Development contracts



New innovations



- Electrical driven compressor
- Energy recovery
- Electrical motors
- eSkin
- Eco-driving assistance...

Strengthen position in fast growing markets

New customers & geographies

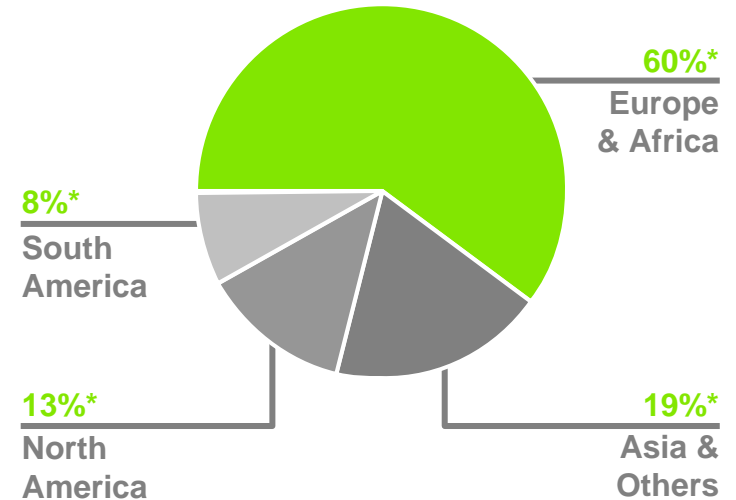
■ Europe to stay our main region

- Historically
- but also as a strong technological basis

■ Asia to grow in our portfolio

- External growth would be needed to reach 35% Valeo share in Asia, which could be our objective.

2010

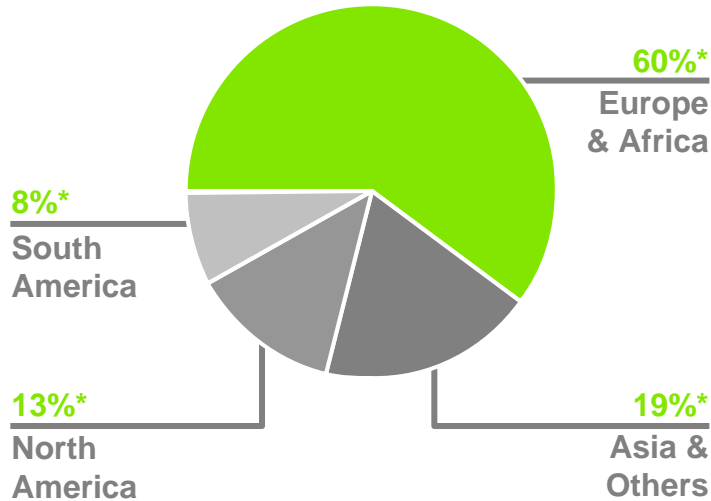


* In % of OEM light vehicle sales

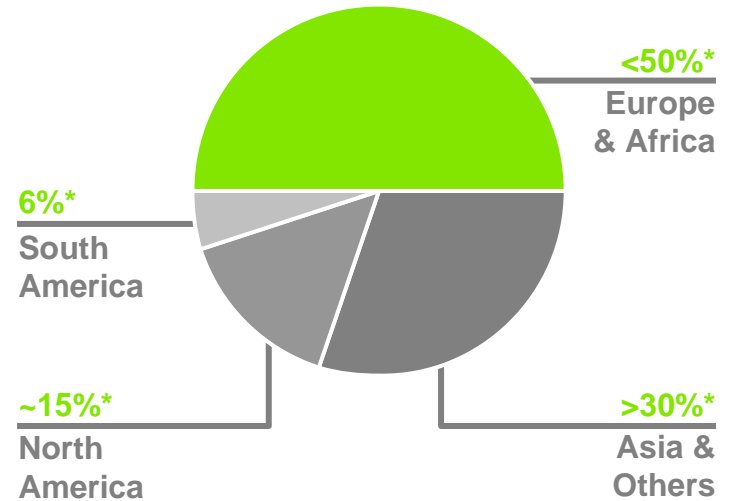
Strengthen position in fast growing markets

New customers & geographies

2010



2015

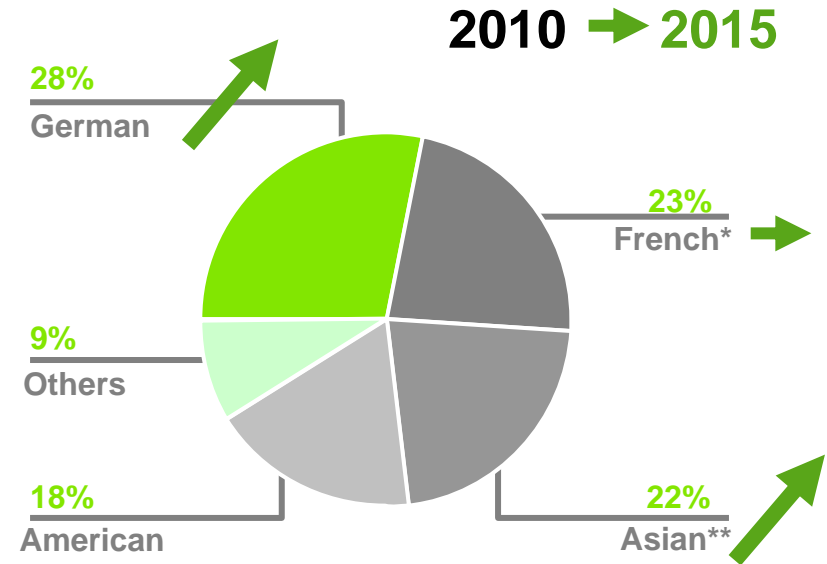


* In % of OEM light vehicle sales

Increase position with Premium & Asian customers

- **Strong relationship with German OEMs**
 - Especially Premium ones
 - To keep technological leadership
- **Intensify relationship with Asian customers**
 - Grow our share with Japanese OEMs
 - Become a strategic partner of the Chinese and Indian developing OEMs

New customers & geographies



* Excluding Nissan

** Including Nissan

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Best in class profitability

**Innovation
& new products**

**New customers
& geographies**

**Outperforming
the market by 3pt**

+ External growth

External growth principles

- **Permanent assessment of our product portfolio**
 - 3 criteria
- **Perform “Make or Buy” analysis**
 - Capital employed optimization
- **Acquisitions on top of the organic growth target**

Permanent assessment of our product portfolio

Keep-or-sell assessment criteria for each business

ROCE* >20%

Growth

One of the 3 major worldwide players

Acquisitions on top of the organic growth objective

- **Keep a balanced customer portfolio**
- **Keep a balance between distribution channels**
 - Original equipment
 - Aftermarket
- **Find new growth levers and reinforce our most successful product lines**
- **Privilege main growth strategy axes**
 - CO₂ emissions reduction
 - Asia and emerging countries
- **Strict financial discipline**
 - Become and stay investment grade

The logo for Niles features the word "Niles" in a bold, black, italicized sans-serif font. A light blue swoosh curves around the letters, starting from the top right, looping under the "i", and ending at the bottom left.

Niles NILES CO., LTD.

Niles

A bolt-on acquisition to become world-wide leader in interior controls

Global market shares

17%

Valeo + Niles

12%

KOSTAL

11%

TOKAI RIKA

10%

Valeo

7%

DELPHI

7%

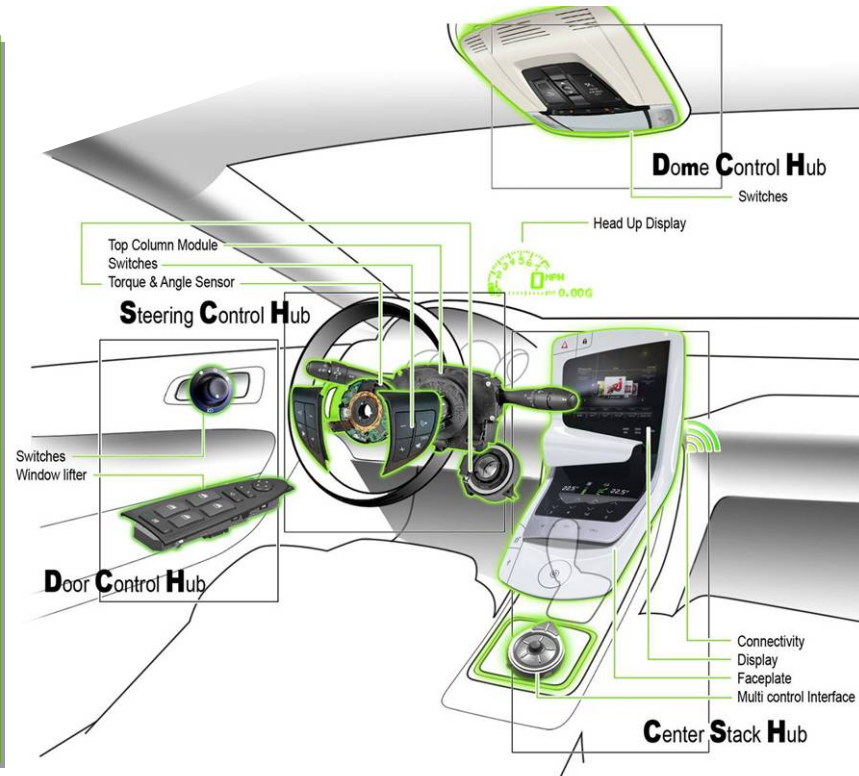
ALPS

7%

Niles

5%

TRW



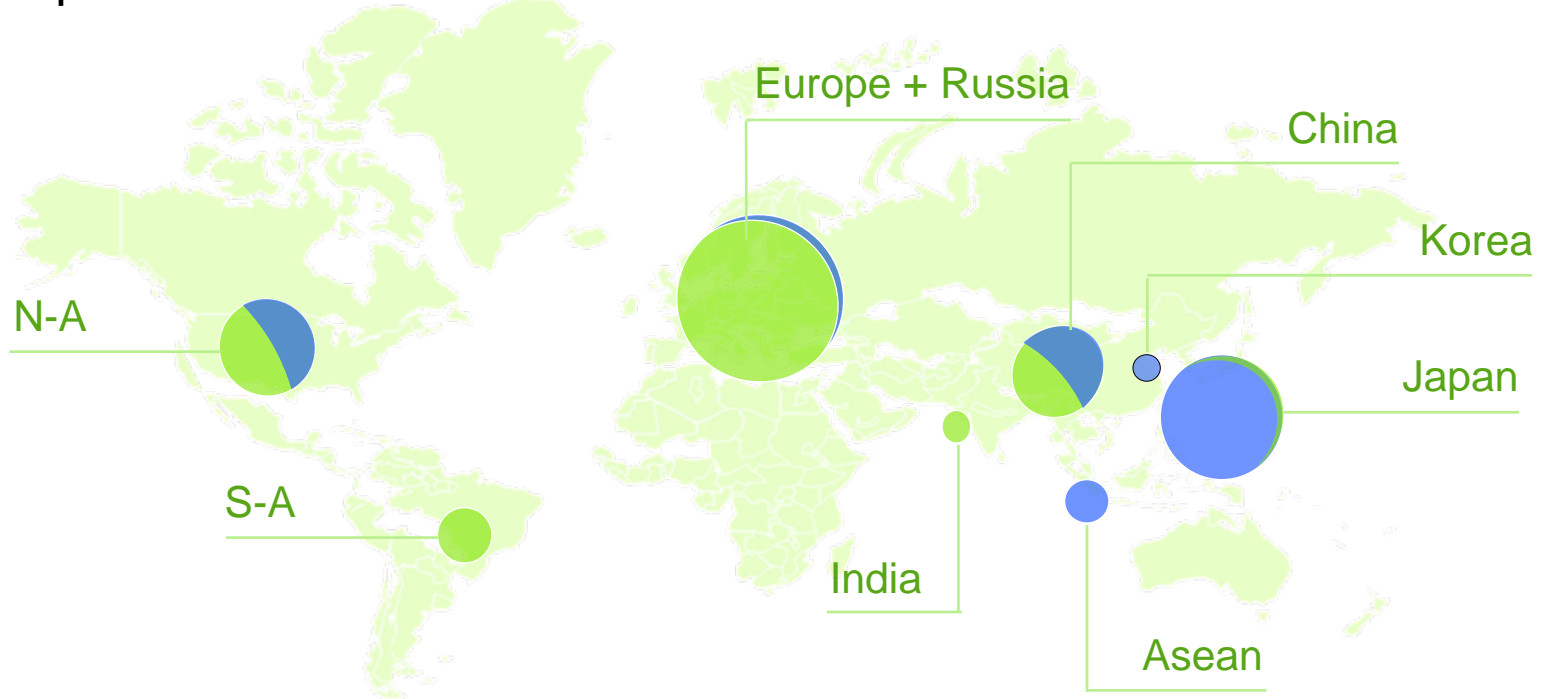
Interior controls is a promising product line



Center console as a technologies integrator



Rebalanced geographical exposure

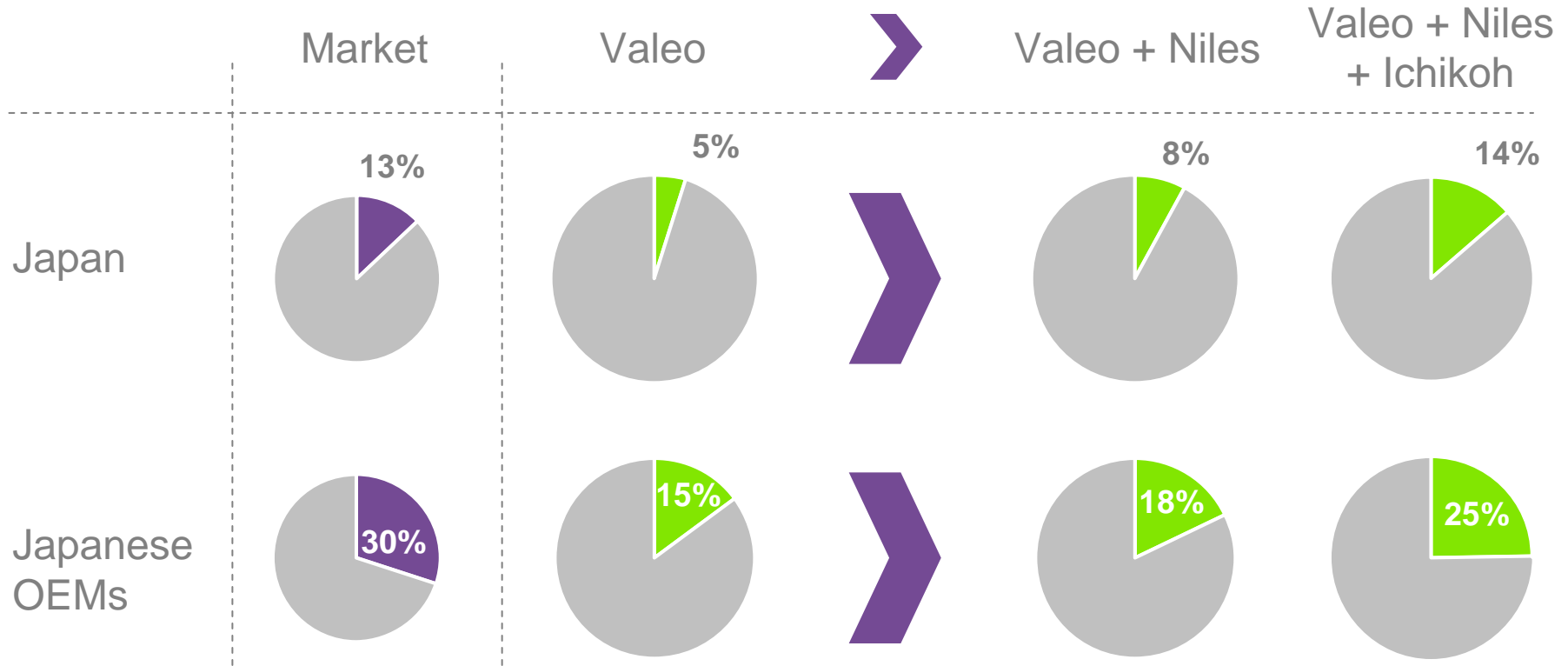
Niles, a perfect match with Valeo



-  Valeo Interior Controls Sales forecasts 2015
-  Niles Sales forecasts 2015

Valeo to use Niles commercial & industrial footprint to sell & manufacture its advanced products in Asia

A stronger presence of Valeo in Japan and with Japanese customers



Niles acquisition key financials

■ Niles key figures (January to December 2010)

- Sales: ~€435m
- EBITDA > 13%
- Operating margin >7%
- Employees: ~3,500 (60% in competitive countries)

■ Transaction

- Acquisition of 77.9% stake from RHJ
20% stake from Nissan
- Enterprise value: €320m
- “Debt like items”*: €146m

■ Multiples

- EV/Sales: 0.74x
- EV/EBITDA <5.7x

*to be adjusted at closing

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A new profitable model

Best in class profitability

€14 bn Sales by 2015

A new profitable model

**Profitability sustainable
through the cycle**

Outperform automotive market growth

- **Outperformance on our main markets**
- **Quality performance recognition**
- **Order intake at record high**
 - €12.5 bn at the end of 2010
 - Aftermarket + Others > €1.6 bn in 2010
- **High confidence in achieving 2015 target**

**€14 bn sales in
2015**

Optimization of capital employed to service the Group development

- Development in Asia and emerging countries less capital intensive
- 50 to 60% of investments allocated to development in Asia and emerging countries
- Lean Capex strategy leads to lower investments

**Capex at [4.5-5%]
of sales**

Profitability sustainable through the cycle

- Maintaining profitability despite raw material price evolution
- Keeping break even point under strict control
- Implementing new organization
- Lower Capex growth model
- Going forward with Visibility turnaround

**2015 Operating
margin target
>7%**

Disciplined financial policy

Keep a strong balance sheet

■ A priority: back to investment grade...

→ Financial performance recognized by rating agency : notation Ba1 upgrade of the outlook from stable to + as of December 9.

■ ...to offer flexibility for future development...

→ A reinforced financial structure and a strong balance sheet

→ An acquisition policy in line with our target back to investment grade

■ ...and regular dividend policy

Best in class ROCE

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Operating Margin (as % of sales)	3.6%	6.4%	>7%
Capital turnover	4	5	5
ROCE*	14%	32%	>30%

**Operating margin / capital employed excluding goodwill*

Conclusion

- The right strategy
- The right products
- The right teams
- The right business model



Valeo is clutched for profitable growth





Automotive technology, naturally

2015 Financial Targets

Robert Charvier, CFO

Agenda

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Ahead of the 2013 plan

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Growth model supported by Valeo's outperformance

3

Sustainable profitability

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Strict financial policy consistent with an investment grade rating

5

2015 new financial targets



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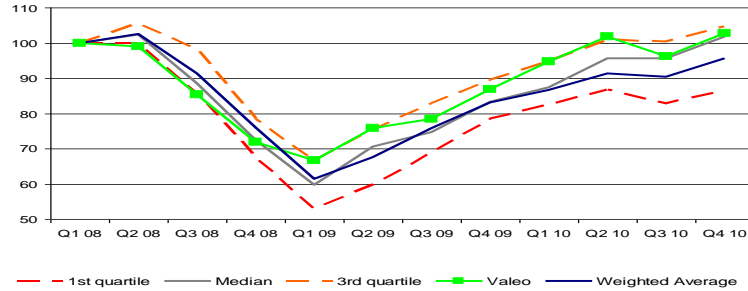
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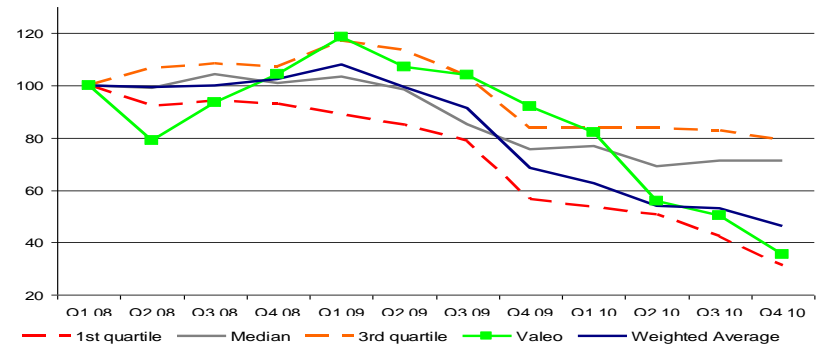
*Operating margin / capital employed excluding goodwill

Benchmark 2010

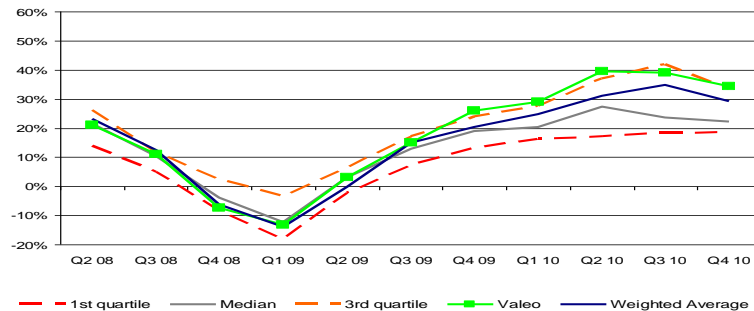
Sales growth



Net debt



ROCE



Panel including 19 competitors :

- 4 European
- 13 American
- 2 Japanese



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Worldwide automotive production

New assumptions

<i>Millions of vehicles</i>	2010	2013 (March 10)
Europe + Africa	19.7	20.8
Asia and others	38.3	33.6
North America	11.9	13.5
South America	4.1	4.2
TOTAL	74.0	72.1

Worldwide automotive production

New assumptions

<i>Millions of vehicles</i>	2010	2013 (March 10)	2013 (March 11)
Europe + Africa	19.7	20.8	21.8
Asia and others	38.3	33.6	45.6
North America	11.9	13.5	14.0
South America	4.1	4.2	4.9
TOTAL	74.0	72.1	86.3

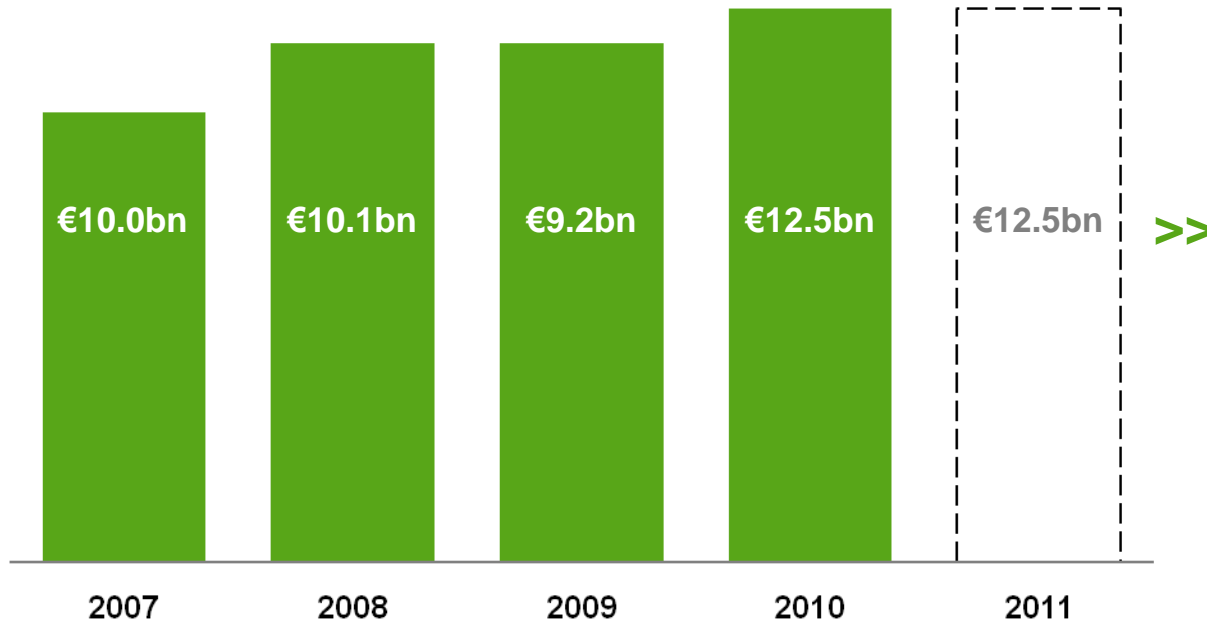
Worldwide automotive production

New assumptions

<i>Millions of vehicles</i>	2010	2015	2015/2010 CAGR
Europe + Africa	19.7	24.4	+4.4%
Asia and others	38.3	50.7	+5.8%
North America	11.9	15.0	+4.7%
South America	4.1	5.3	+5.3%
TOTAL	74.0	95.4	+5.2%

Order intake at record high

€12.5 bn in 2010 and 2011



Valeo sales growth

New sales objectives

OEM sales - € bn	2010	2013 (March 10)	2013 (March 11)	2015	% CAGR*
Total	8.0	8.3	9.7	11.8	+8.1%
% already booked			84%	54%	

*Like-for-like basis vs perimeter 12/31/2010

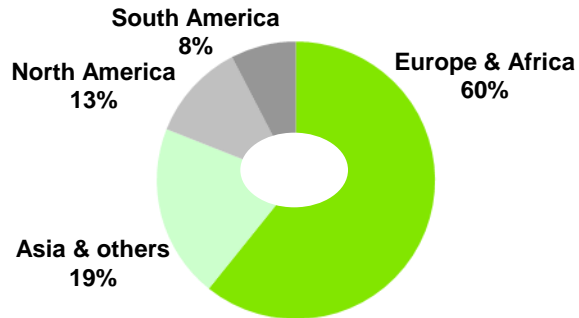
Outperforming the production by 3pts

- new products
- emerging countries

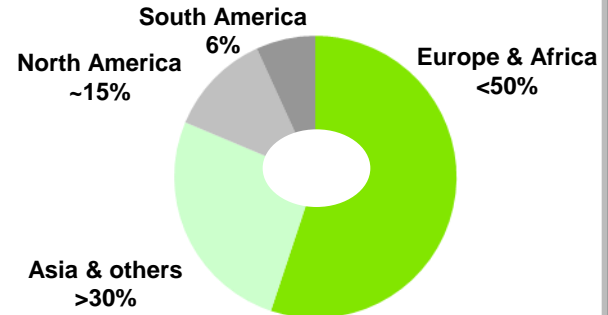
Rebalanced geographical exposure

Increasing position in Asia > 30% of OE sales

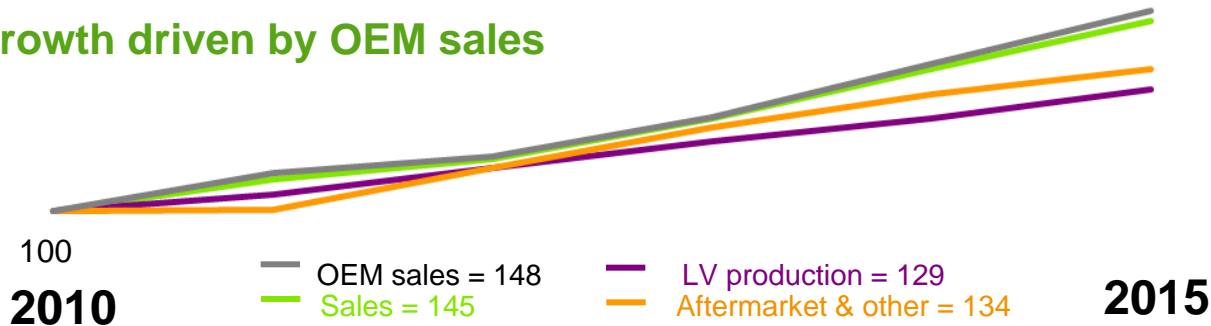
2010 OE sales by region



2015 OE sales target by region



Growth driven by OEM sales





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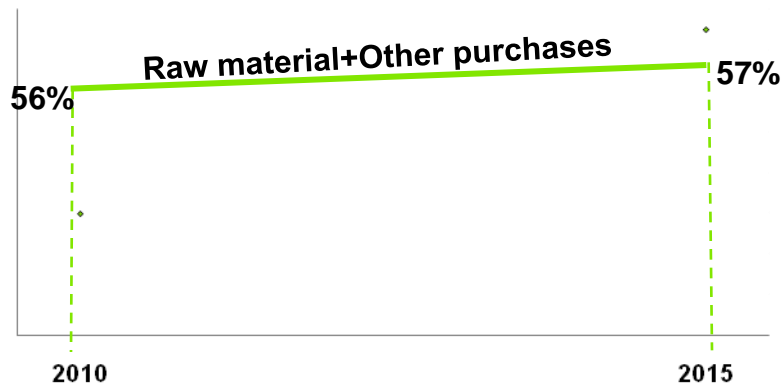
5

2015 new financial targets

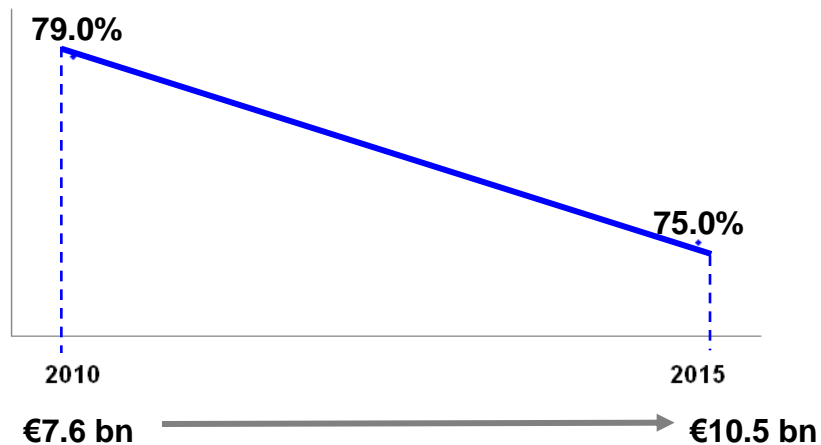
Fixed costs structurally reduced vs sales

Raw material headwind mitigated by fixed costs control

Raw material
% sales



Break even point
% sales



Raw material market assumption

In line with current market conditions

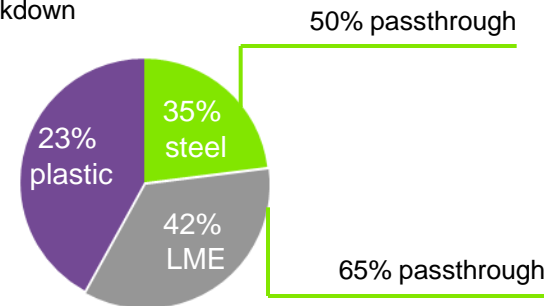
Valeo market assumptions

Average price 2010-2015

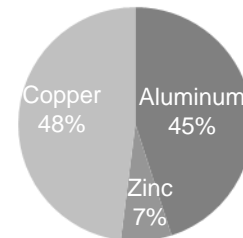
Aluminum	\$2,600 / T
Copper	\$9,500 / T
Zinc	\$2,900 / T
USD	1.40 \$/€

Raw material risk management policy

2010 raw material breakdown



Breakdown of LME consumption



Less capital intensive model

Positive impact on margins

■ Working Capital under control

→ Working capital stabilized at ~ - €300 m to - €350 m

- Inventories level improvement but ...
- Increase of customer payment terms linked to development in Asia

■ Development in emerging countries

→ Trade off capital vs labor

→ 50-60% of Group tangible investments

■ Generalized Make or Buy policy

Target : tangible CAPEX = 4.5 – 5% sales

R&D optimization

- Support order book at record high
- Need to increase strategic research to accelerate innovation
- Optimization of R&D location in line with industrial footprint and customer footprint

Target : R&D expenses = 6% sales in 2015

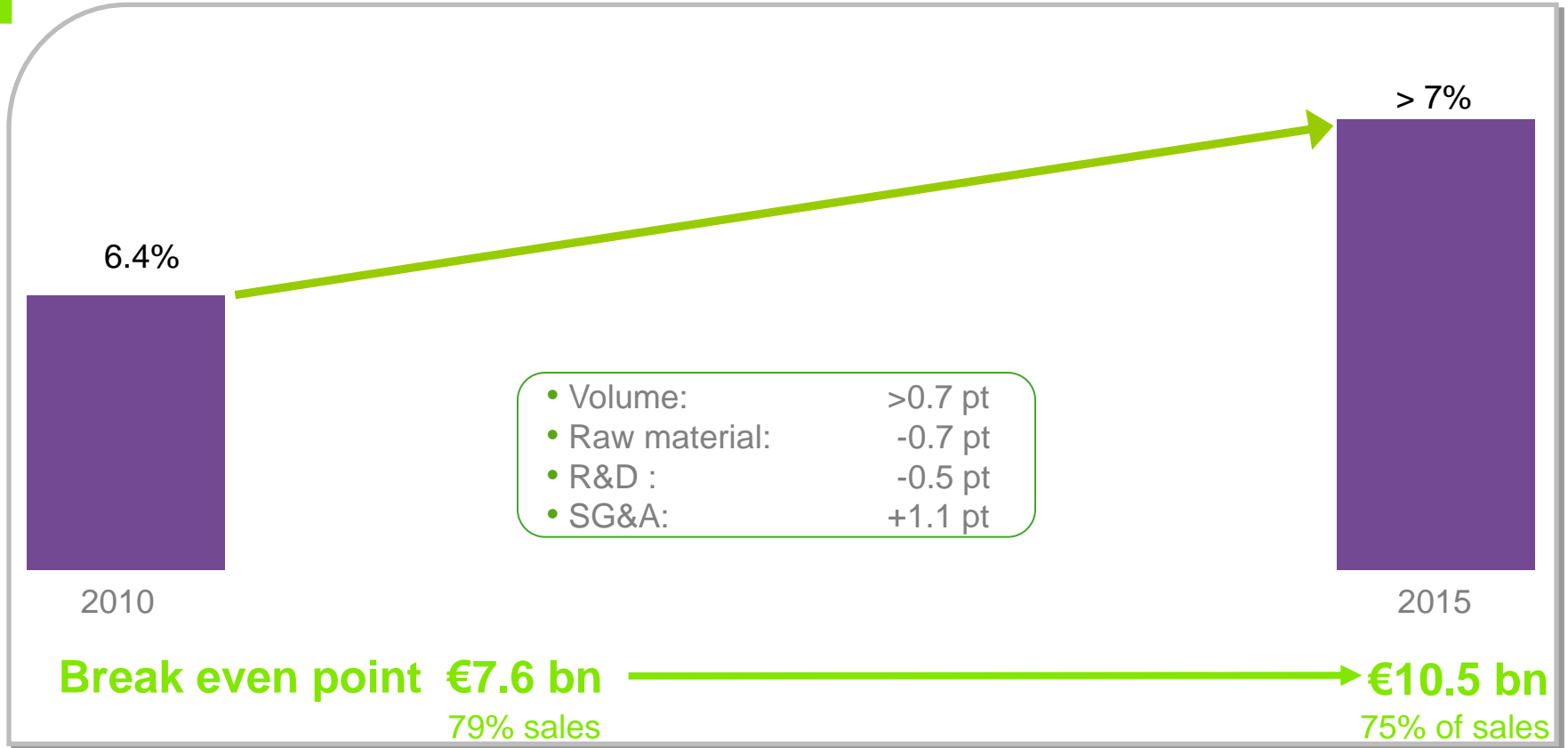
New organization

Implementation on track

- New organization around Business Groups, Product Groups and global Product Lines fully deployed since Q4 2010
 - Alignment with customer organization
 - Leveraging the Group Purchasing Power
 - Optimizing Capex & R&D expenses
- Administration costs optimization through shared services and product lines organization

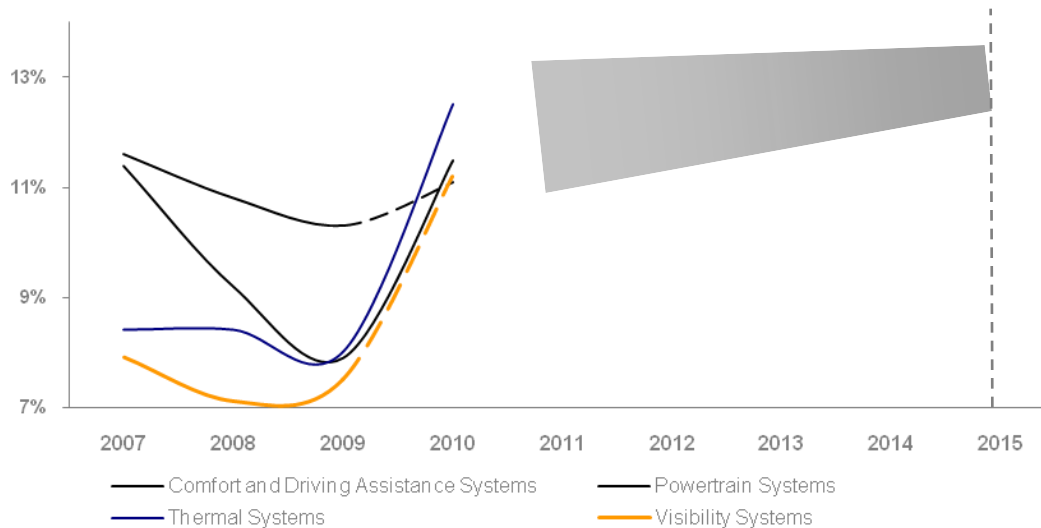
Target : G&A = 3.5 % sales in 2015

2015 operating margin higher than 7%



EBITDA by Business Group

Homogenous performance among the 4 Business Groups



	2010
Comfort & Driving Assistance as % of sales	11.5 %
Powertrain as % of sales	11.1 %
Thermal as % of sales	12.5 %
Visibility as % of sales	11.2 %
TOTAL	11.9 %



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2015 new financial targets

Free cash flow generation of €1.8 bn

Over the period 2011-2015

- Operating margin
 - Control of CAPEX
 - Stabilized working capital
- } → 1.8 Bn € FCF over 2011-2015

Will support an active role in the potential consolidation of the sector

In line with "Investment Grade" status

Participation to the potential consolidation of the sector

Acquisition policy

- Keep a balance between distribution channels
 - Original Equipment
 - Aftermarket
- Privilege main growth strategic axes
 - CO2 emission reduction
 - Asia and emerging markets
- Bring new growth levers and / or reinforce our main successful product lines
- Along with :
 - A strict financial discipline
 - “Investment grade” status

Dividend payment resumption

In 2011, €1.20 per share to be proposed at next shareholder's meeting

- Confidence of Board of Directors in the Group's prospect
- Competitive compared to our peers

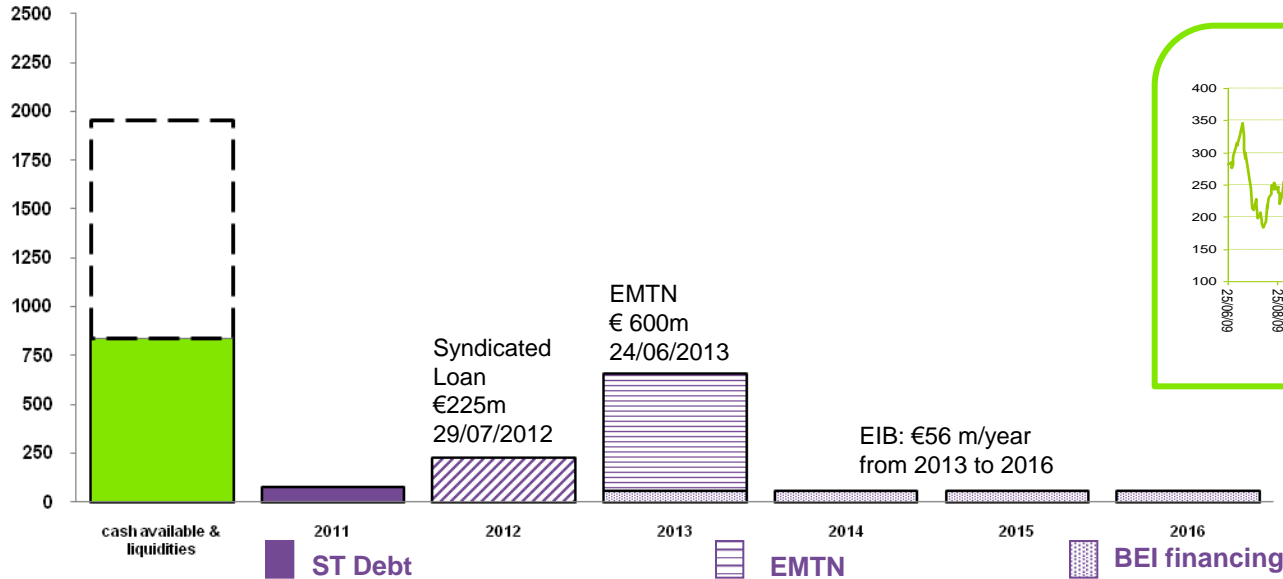
Financial debt profile

Liquidity secured by

- Undrawn credit lines: €1.1 bn with 2 years average maturity
- Cash available after €463 m convertible bonds reimbursement

Long term financial debt

- Outstanding: €1.1 bn
- Portion at fixed rate: 78%
- Average maturity: 1.83 year





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2015 new financial targets

2015 new financial targets

	2007	2010	2013	2015
Sales	€9.6 bn	€9.6 bn	~ €12 bn	€14 bn
Operating margin	3.6%	6.4%	~ 7%	> 7%
Free cash flow*	(€66 m)	€527 m		+ €1.8 bn Period 2011-2015
Capital turnover	4	5	5	> 5
ROCE**	14%	32%	>30%	> 30%

*before taking into account financial expenses, payment of dividends and financial flows relating to mergers and acquisitions

**Operating margin / capital employed excluding goodwill

