



CSFB Automotive Conference IAA 2008

Thierry Morin
Chairman & CEO

Paris- October 2, 2008

Agenda

1 Well positioned to benefit from industry trends

2 A resilient company



Well positioned to benefit
from industry trends

Industry long term trends

■ Inescapable industry trends

- Drive to zero emissions
- Drive to zero accidents

Will generate growth even with flat automotive markets

■ Valeo heavily investing in these market trends

- Potential to reduce CO₂ emissions by 40%
- Key player in active safety

Valeo Domains support our strategy



INDUSTRIAL BRANCHES

Transmission	Electrical systems	Engine mgmt systems	Engine cooling
Lighting systems	Wipers systems	Interior control detection systems	
Climate control	Compressors	Interior controls comfort	Security systems



Powertrain Efficiency



Driving Assistance



Comfort Enhancement

* 2007

Portfolio aligned with Domain strategy

■ Disposed worth €1bn in revenues since 12/2006

→ Businesses

- Limited technological synergies
- Limited value added
- Limited market share

→ Achieved competitive multiples (above 6 x EBITDA)

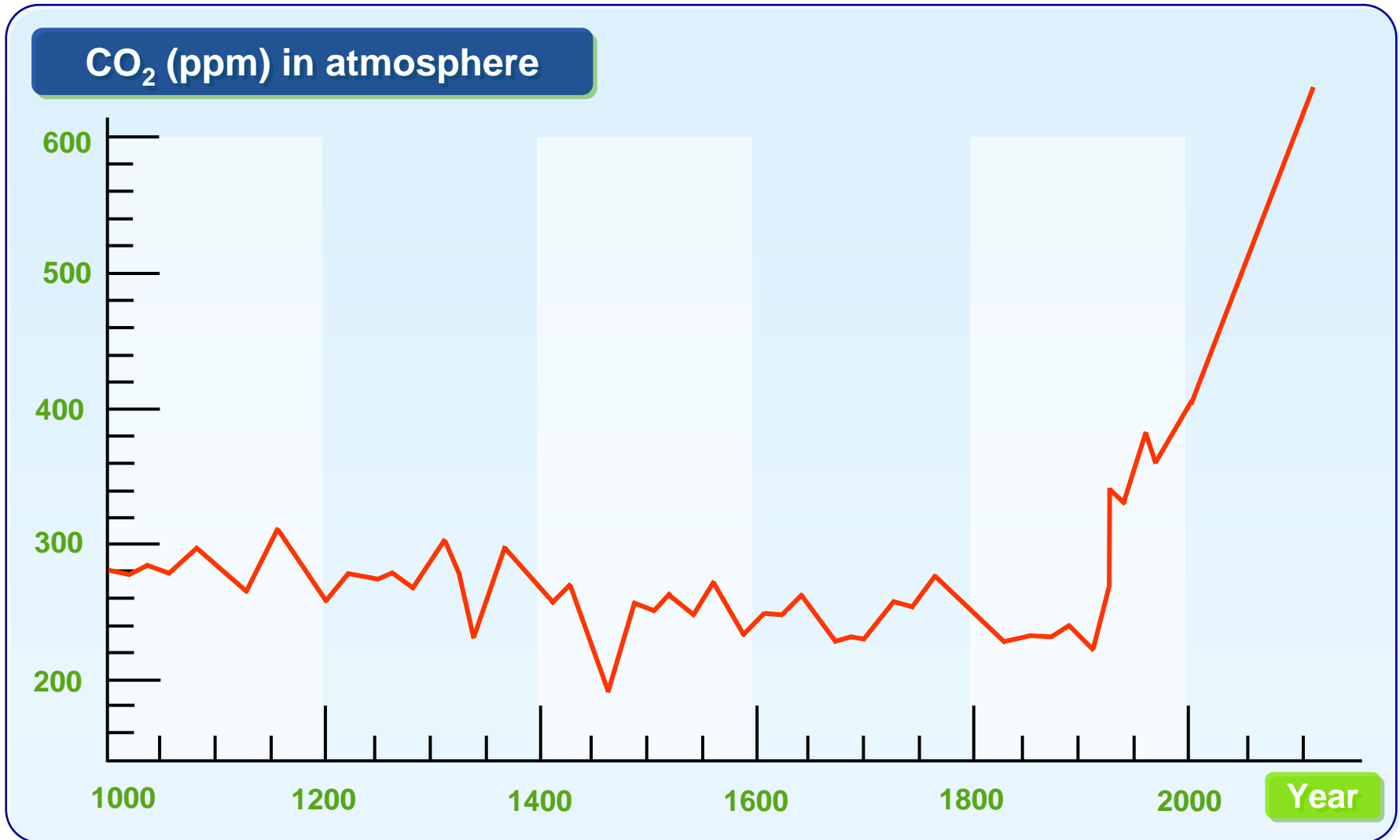
■ Bolt on acquisitions

- High technological content
- No financial gearing deterioration



Powertrain trends

CO₂ emissions set to grow dramatically



Source: Intergovernmental Panel on Climate Change

Powertrain Efficiency - CO₂ regulation drives the WW market



Europe:
120g CO₂/km
by 2012
95g CO₂/km
by 2020
European Commission

The Commission's review of the strategy for reducing CO₂ emissions from cars and vans will be completed by the end of this year or at the latest by mid-2008. This will provide the car industry with sufficient lead time and regulatory certainty.
Average emissions from new cars sold in the EU in 2007 will be required to reach the 120g CO₂/km target by 2012. Improvements in engine technology would have to reduce average emissions by no more than 10g/km, while complementary measures would contribute a further decrease of up to 10g/km, thus reducing overall emissions by 10g/km. These complementary measures would include efficiency improvements for car components with the highest impact on fuel consumption, such as tires and air conditioning systems, and a gradual reduction in the carbon content of road fuels, notably through greater use of biofuels. Efficiency requirements will be introduced for these car components.
The table in the next average emissions table (17g to 2007 and 2009 to 2012), compared with 120g in 2009.
Source: The Energy Conservation Center, Japan

Japan:
16.8 km/l
by 2015
Council for transport Policy
February 2007

year (FY2015), assuming that the new fuel efficiency standards (the target standard values shown in 2. (4)) are achieved.
In the case of passenger cars, fuel efficiency for the target fiscal year (FY2015) would improve by 23.5% over the actual levels of gasoline cars in FY2004 and by 29.2% over the levels of existing fuel efficiency standards (FY2010 target).
[Fuel efficiency improvement rate from actual levels in FY2004]

USA:
35 MPG
by 2020
Senate Bill
June 21 2007

percent of vehicles to be able to be fuel capable in 2012, increasing to 50 percent in 2015. It instructs the Department of Transportation to develop a plan to ensure that 50 percent of vehicles sold in the United States are alternative fuel vehicles by 2015, taking into consideration the availability of fuel and cost effectiveness of alternative technologies. Alternative fuel vehicles include, but are not limited to, flexible fuel vehicles, hybrids, fuel cells, and others. The compromise requires the four percent per year mandate increase for model years 2021 through 2030 and replaces it with language that calls for maximum feasible improvements. The measure mandates that the National Highway Traffic Safety Administration (NHTSA) develop an attribute-based reform fuel economy standard.

Equivalent (for gas engine):

2012: 5 l/100km

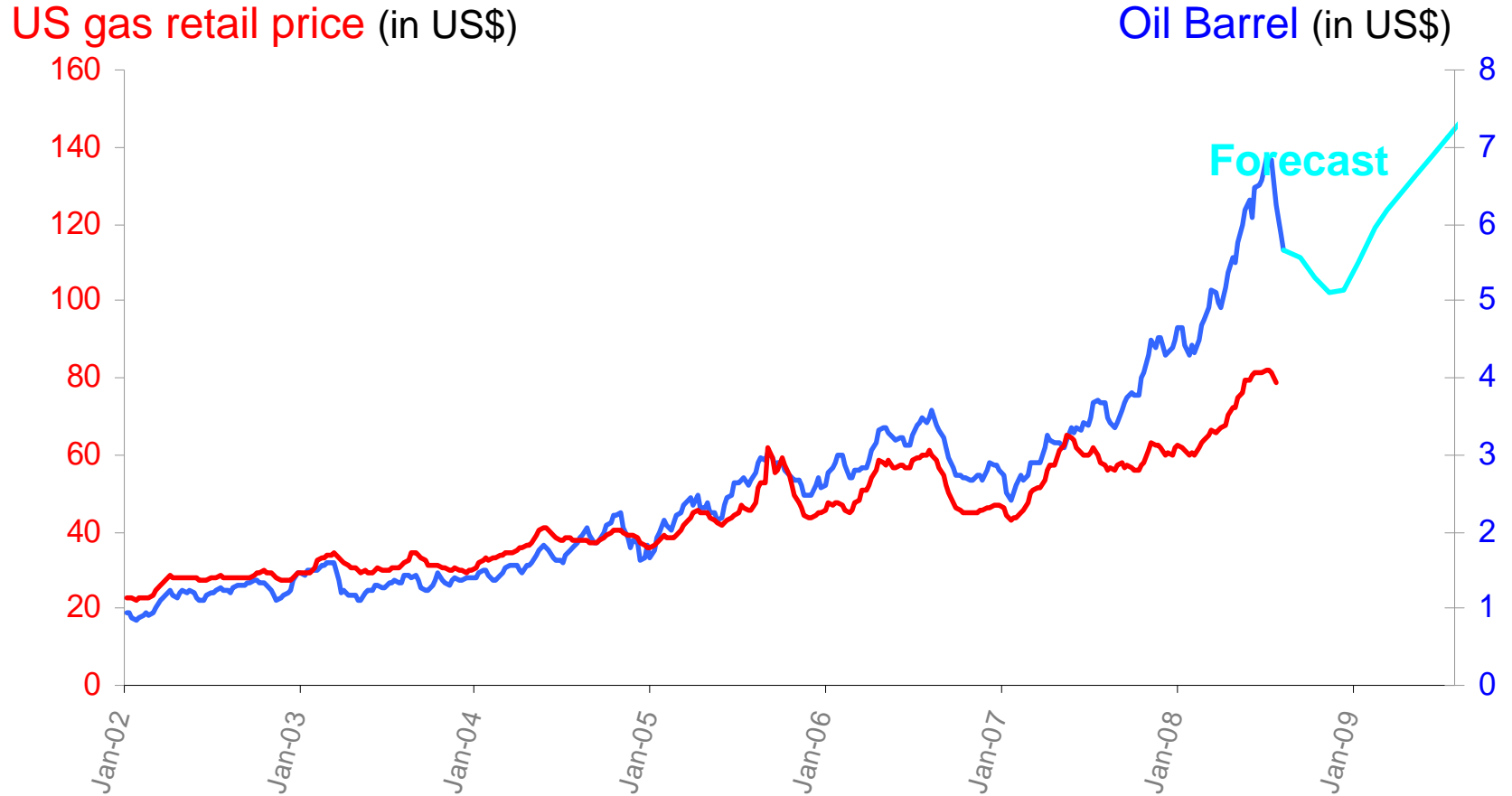
2015:

2020: 4 l/100km

6 l/100km

6.7 l/100km

Gas price trend & forecast



Source : www.oil-price.net

Impact on consumer behavior



■ French “bonus malus”

- Sale of vehicles emitting less than 130g/CO2 up 40%
- Sales of vehicles emitting more than 160g/CO2 down 25%

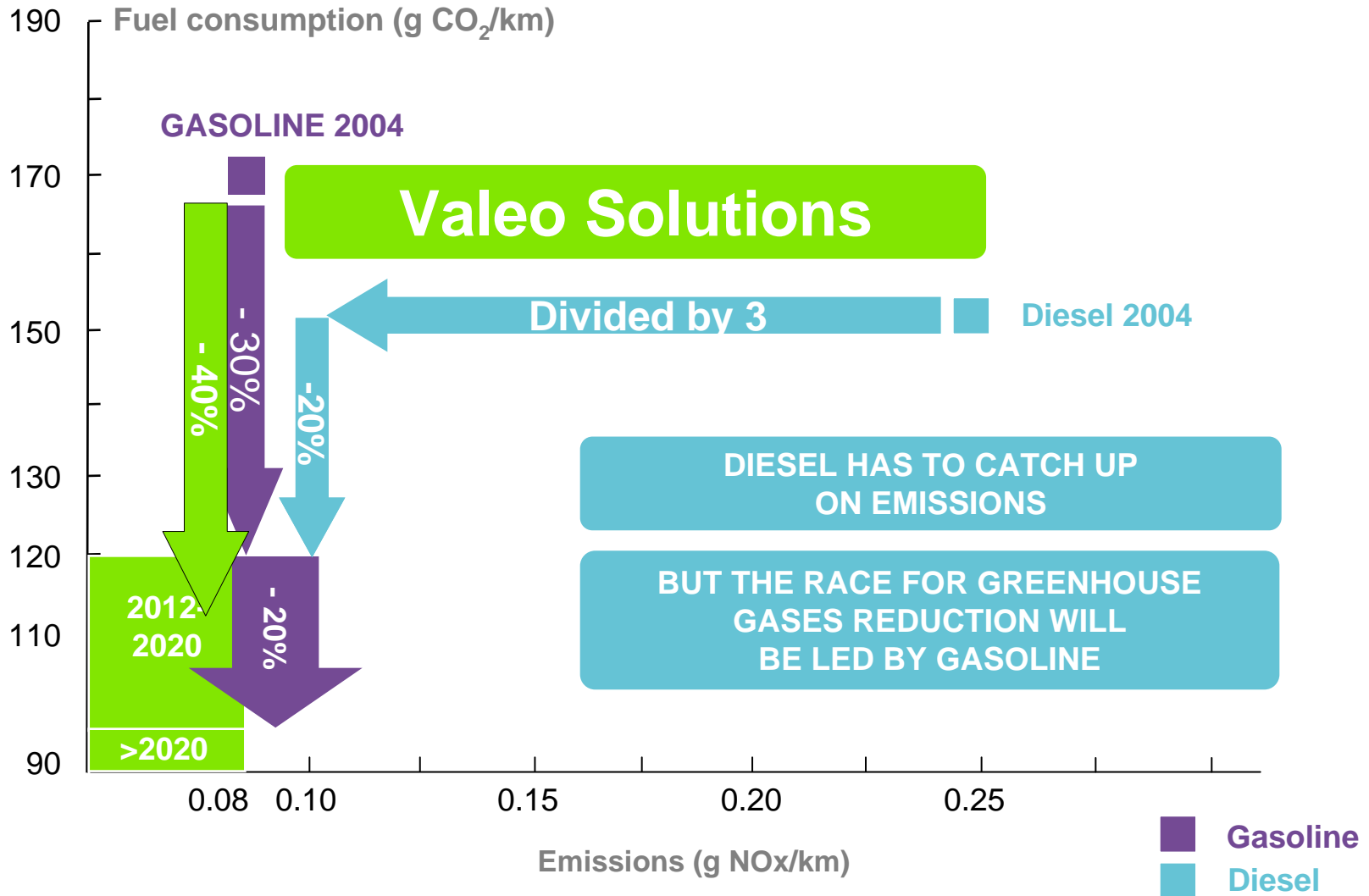
■ Market drop in US

■ Above \$180/barrel or more than 2€/liter = Revolution*

- Major shift from C/D segments to A/B segments
- US market significant drop and China growth halves

**Source : Arthur D Little based on 2012 market projection*

CO₂ emissions - OEMs face challenging goals

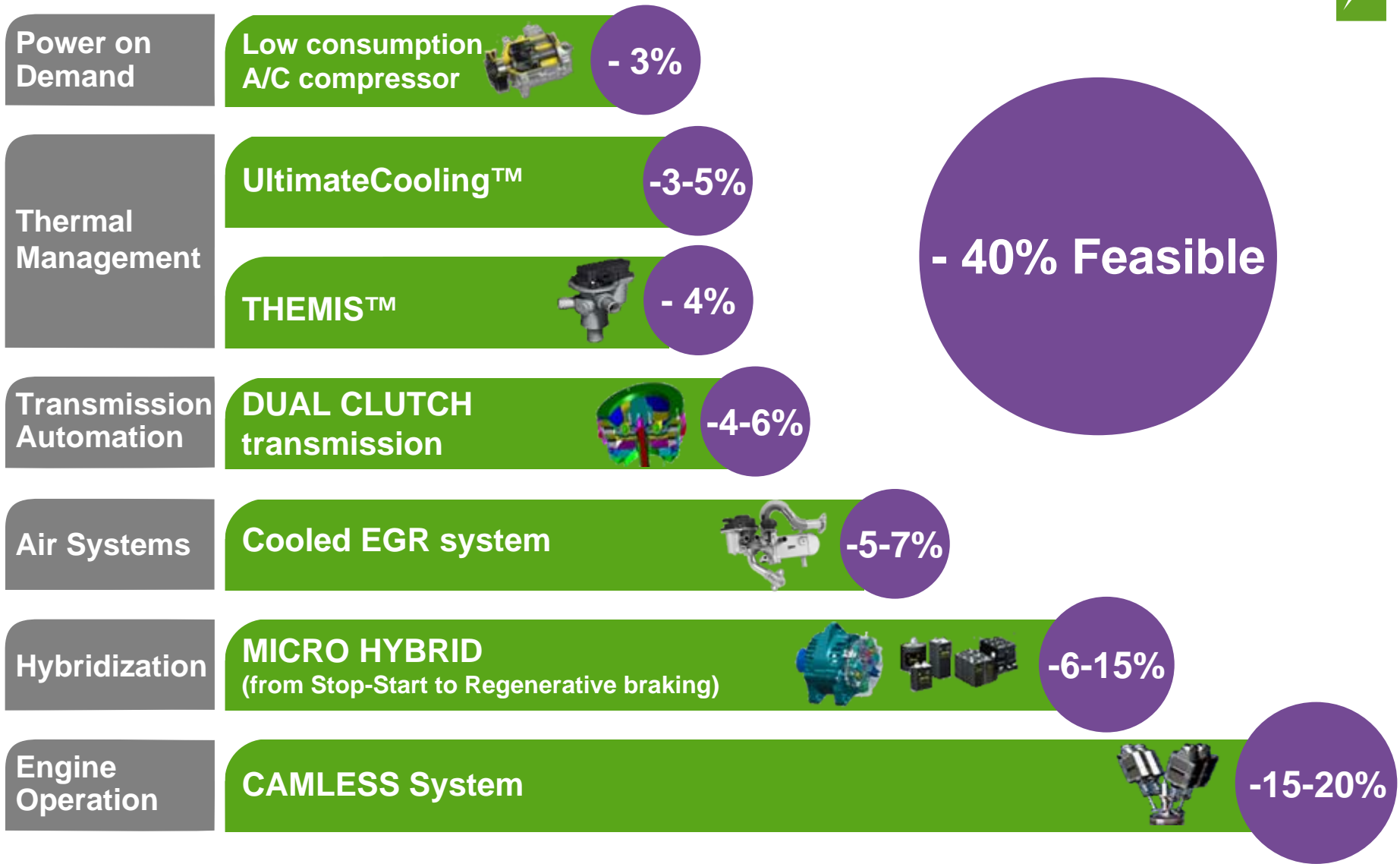


Industry answers



- **Engine downsizing**
- **Hybridization and energy recovery**
- **Alternative Fuels**
- **Electrical Vehicles**

Valeo Fuel Economy solutions portfolio



Hybridization Roadmap



-100%

-25%

-15%
MILD
HYBRID

-12%

-25%

-12%

-6%

FULL HYBRID
And PLUG-INS

MICRO - MILD
HYBRID
with Ultracapacitors

StARS
MICRO-HYBRID

Full Electric Drive

Part Electric Drive

Torque Assistance

Regenerative Braking

Stop & Start

Congested
urban traffic

Urban cycle

MVEG cycle

StARS
MICRO-HYBRID



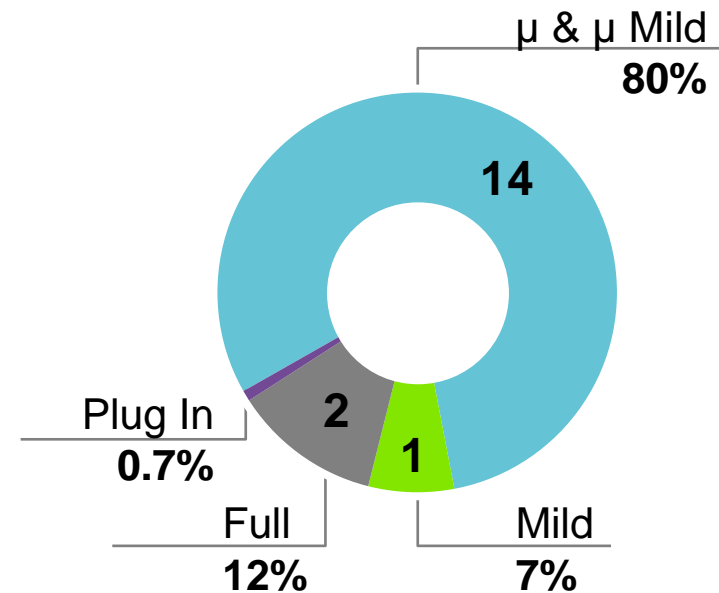
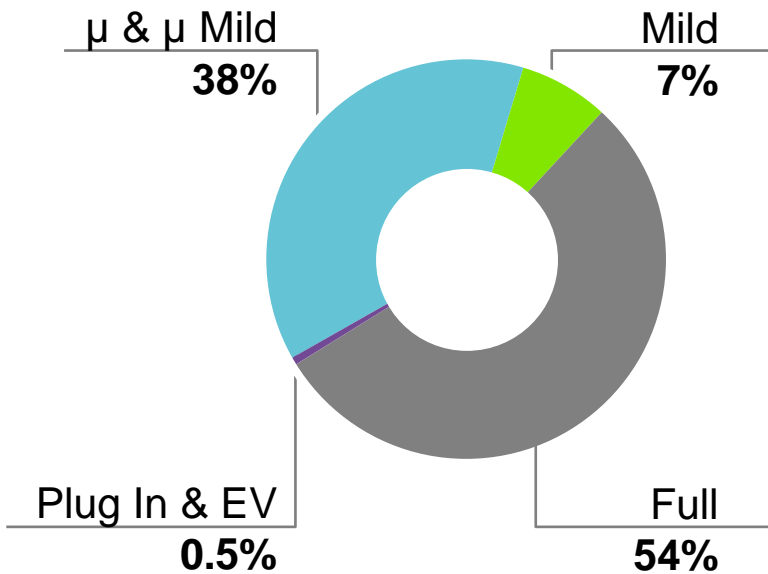
Stop-Start: hybridization basis for mass production affordable solution

Hybrid market vision



2008 – 1.1 M vehicles

2013 – 17 M vehicles



Bottom up approach for 2013 with Stop-Start Booming to comply with 2012 CO₂ regulations



Driving assistance trends

Towards zero accidents



- **Legislation/repressive measures**
- **Infrastructure**
- **Driver behavior**
- **Technology**

Safety technology drivers



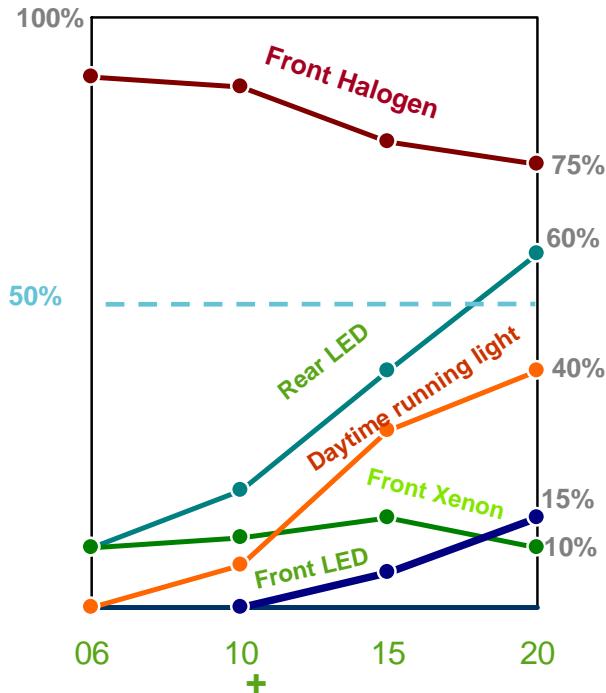
- **Automation of functions to reduce driver distraction**
- **Improve visibility**
- **Inform the driver of what he can't see**
- **Intervene to take control of car**
- **Pedestrian protection**

Driving Assistance - Growth drivers



REGULATIONS: → Daytime running light (mandatory in 2012) in Europe
 → Investigations to mandate Lane View, blind spot and emergency braking in US & Europe

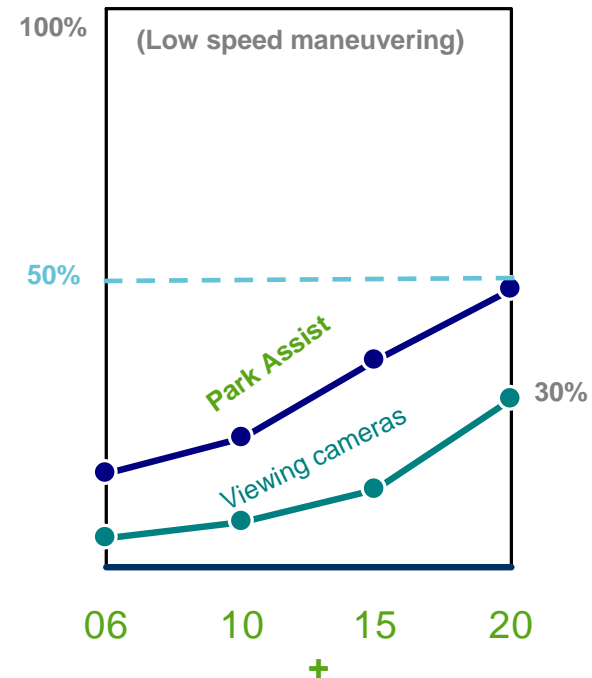
SEE BETTER WHERE YOU CAN SEE



Add on functions offered by Valeo

- + Beamic front (camera)
- + Rain sensing
- + Clean Vue

SEE WHERE YOU CANNOT SEE



Add on functions offered by Valeo

- + Cross Traffic Alert (radar)
- + Path View (camera)
- + Trailer Assist (camera)



Comfort trends

The NO STRESS Car



■ Personalized comfort

- Air conditioning
- Air quality
- Smart car key

■ Reduce distraction through easy to use interface

- Head up displays
- Virtual environments

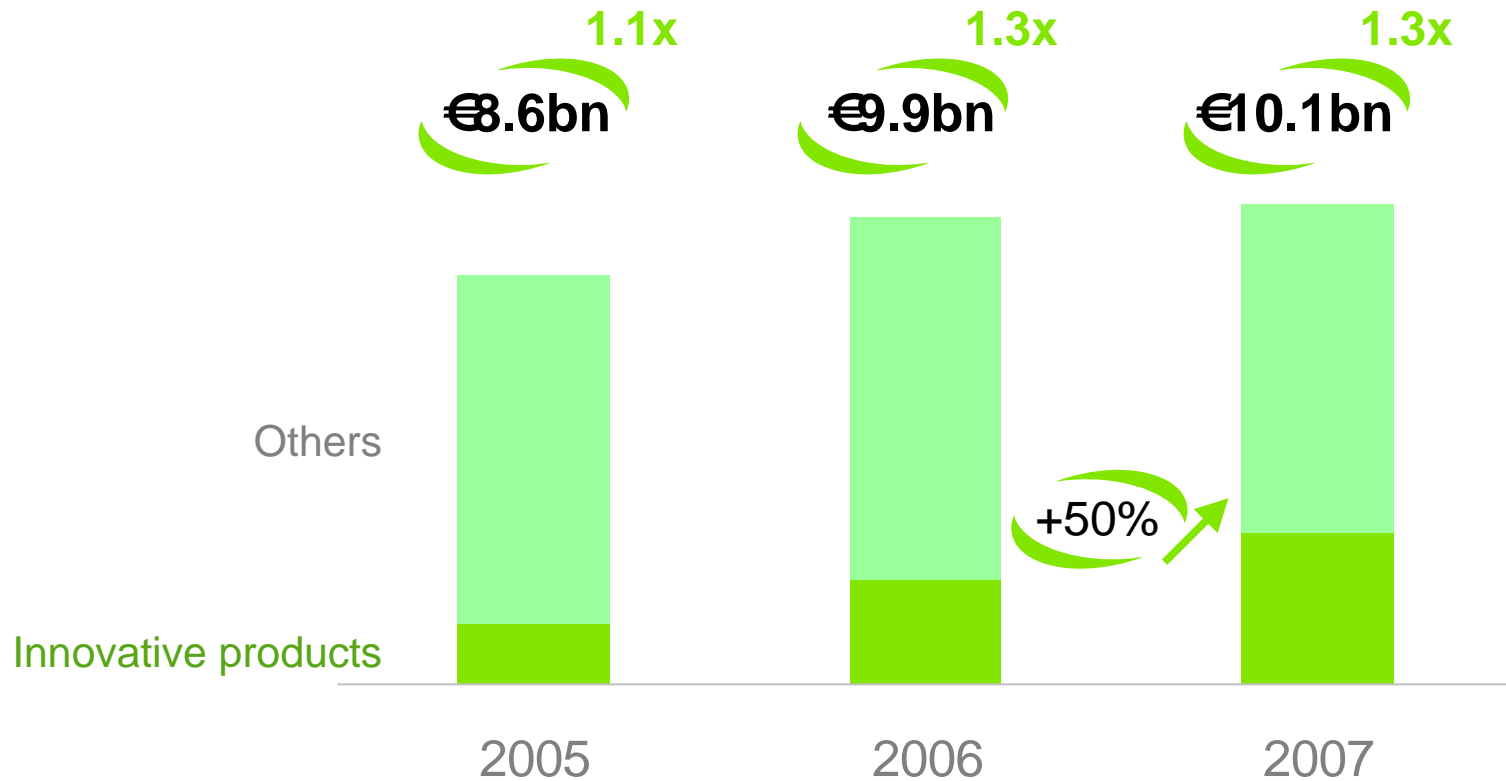
■ Secured and automated access

- Automatic opening and closure

Convenience & well being

Valeo innovative solutions gain momentum

ORDER INTAKE/ X OE SALES (excluding VMA & VCS in 2006 & 2007)





A resilient company

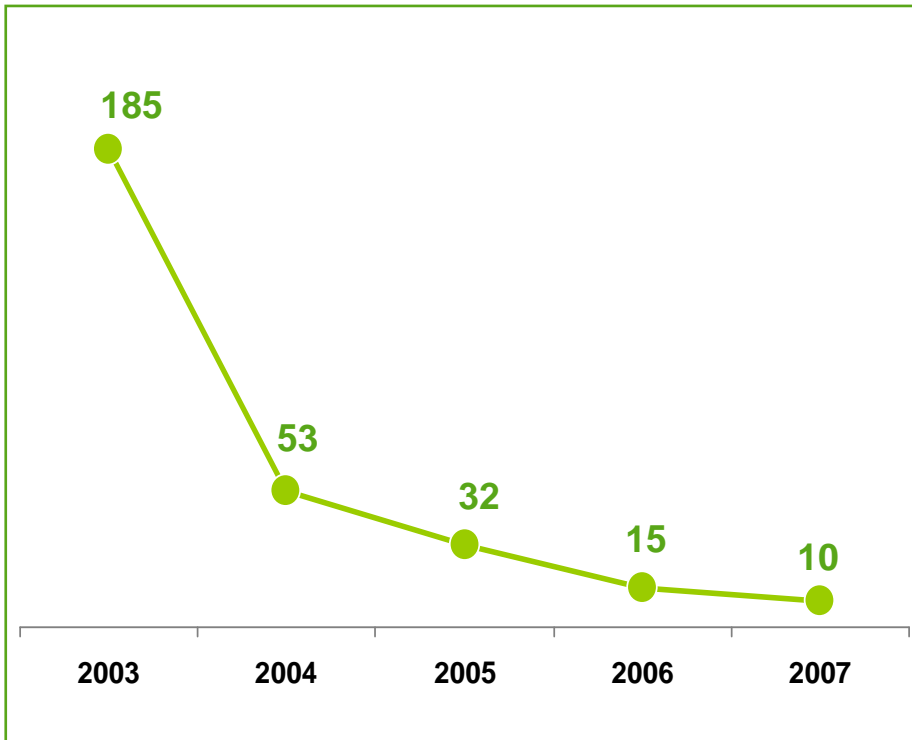
Success factors



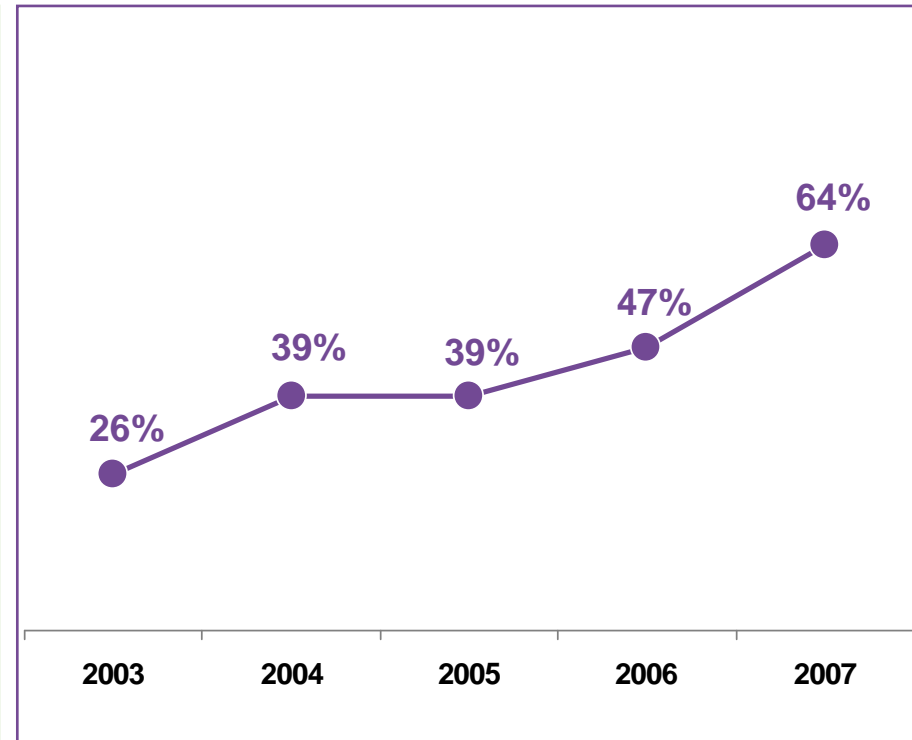
Technology as differentiating factor

Quality levels

Customer returns
In parts per million



Single digit PPMs sites
As % of total

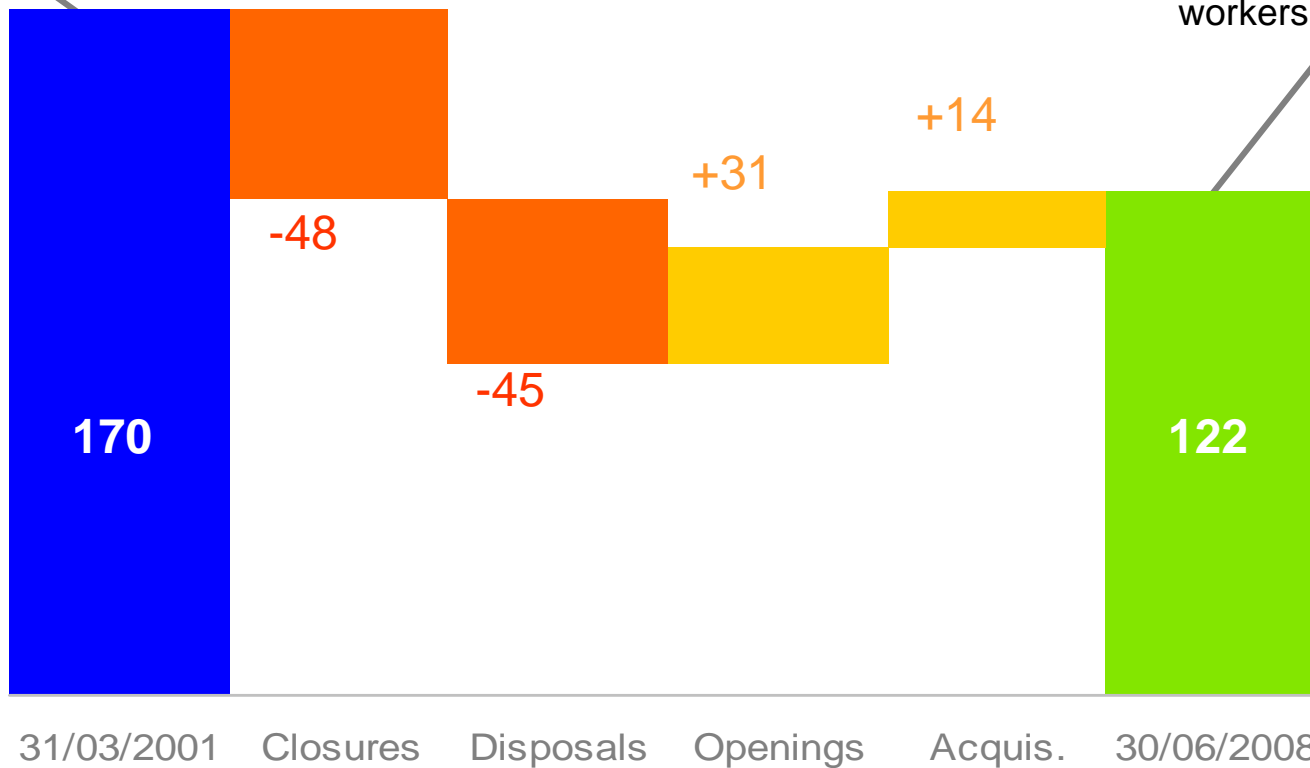


Operational excellence - Industrial footprint

31/03/2001 – 30/06/2008
perimeter changes included

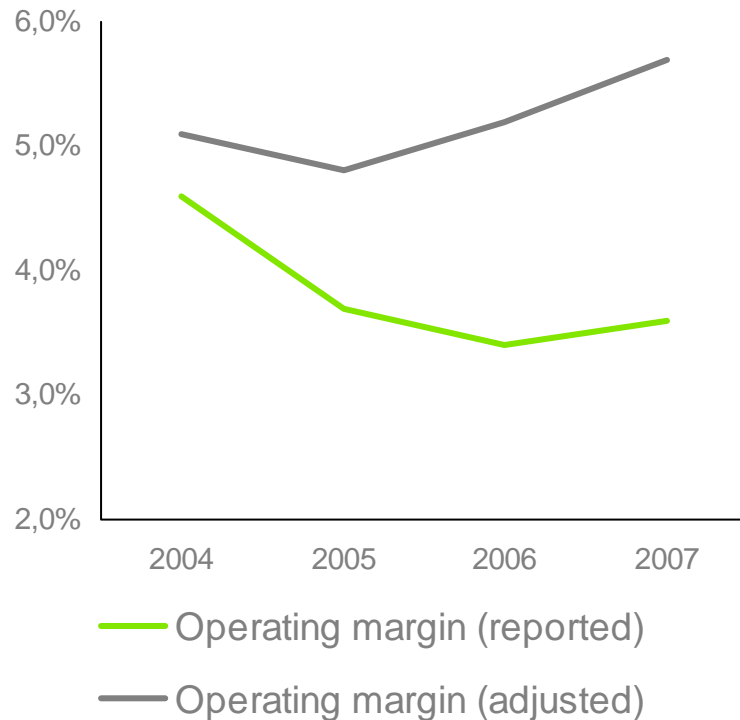
28% of productive
workers in LLC

48% of productive
workers in LLC

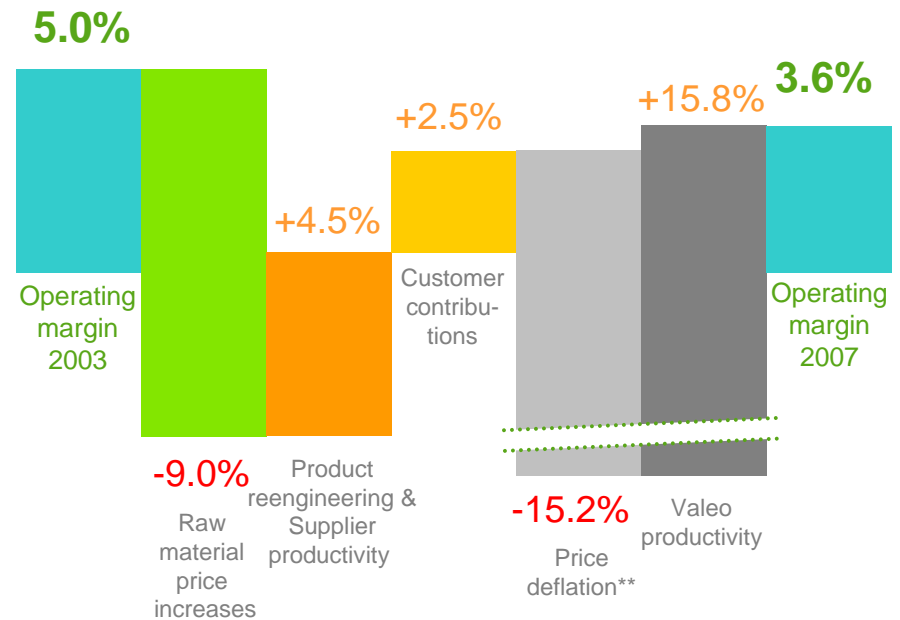


Business model robustness

OPERATING MARGIN
adjusted for cumulative
raw material headwinds (2004-2007*)



OPERATING MARGIN
% of total operating revenues
(2003-2007)



* Excluding non strategic activities for the 2005- 2007 period

** Identical function

Rebalanced customer exposure

OE SALES (2001- 2007)*

Automaker	2001	2007
Asians	5.7 %	14.7 %
Big 3	31.7 %	21.8 %
German	22.5 %	24.5 %
Mercedes & BMW	7.5 %	10.6 %
PSA & Renault	28.1 %	26.7 %
Fiat	5.0 %	4.4 %

* Excluding VMA & VCS in 2001

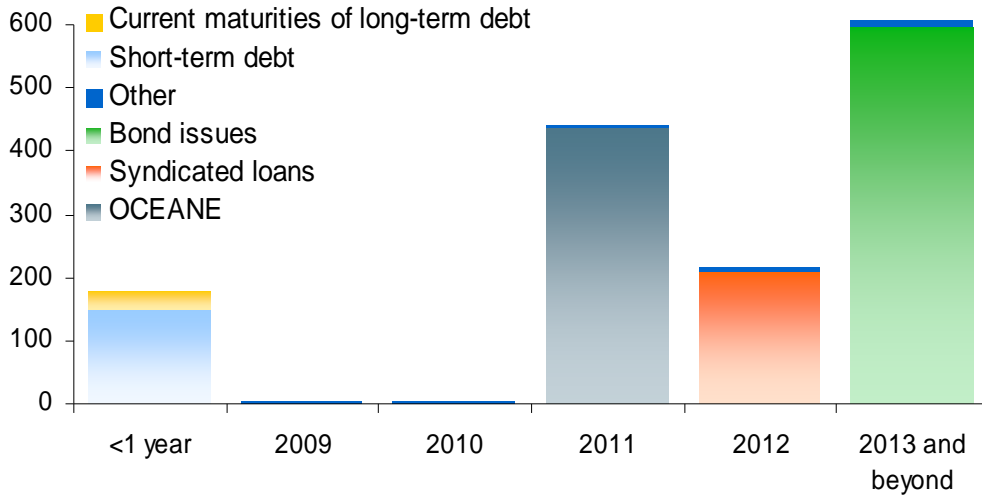
H1'08 key figures

<i>In euro million</i>	H1-2008	H1-2007	Change
Total operating revenues	4,914	5,006	-1.8%
Operating margin	203	177	+14.7%
<i>as % of total operating revenues</i>	4.1%	3.5%	+ 0.6 pt
Net income	100	71	+40.8%
Return on capital employed	16.7%	13.6%	+22.8%
Net financial debt	621	799*	€(178)m

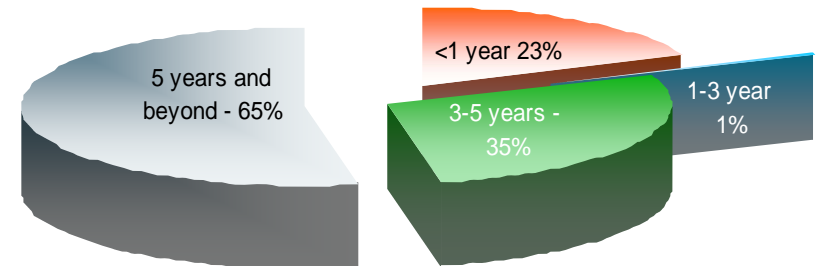
*year-end 2007

Solid balance sheet

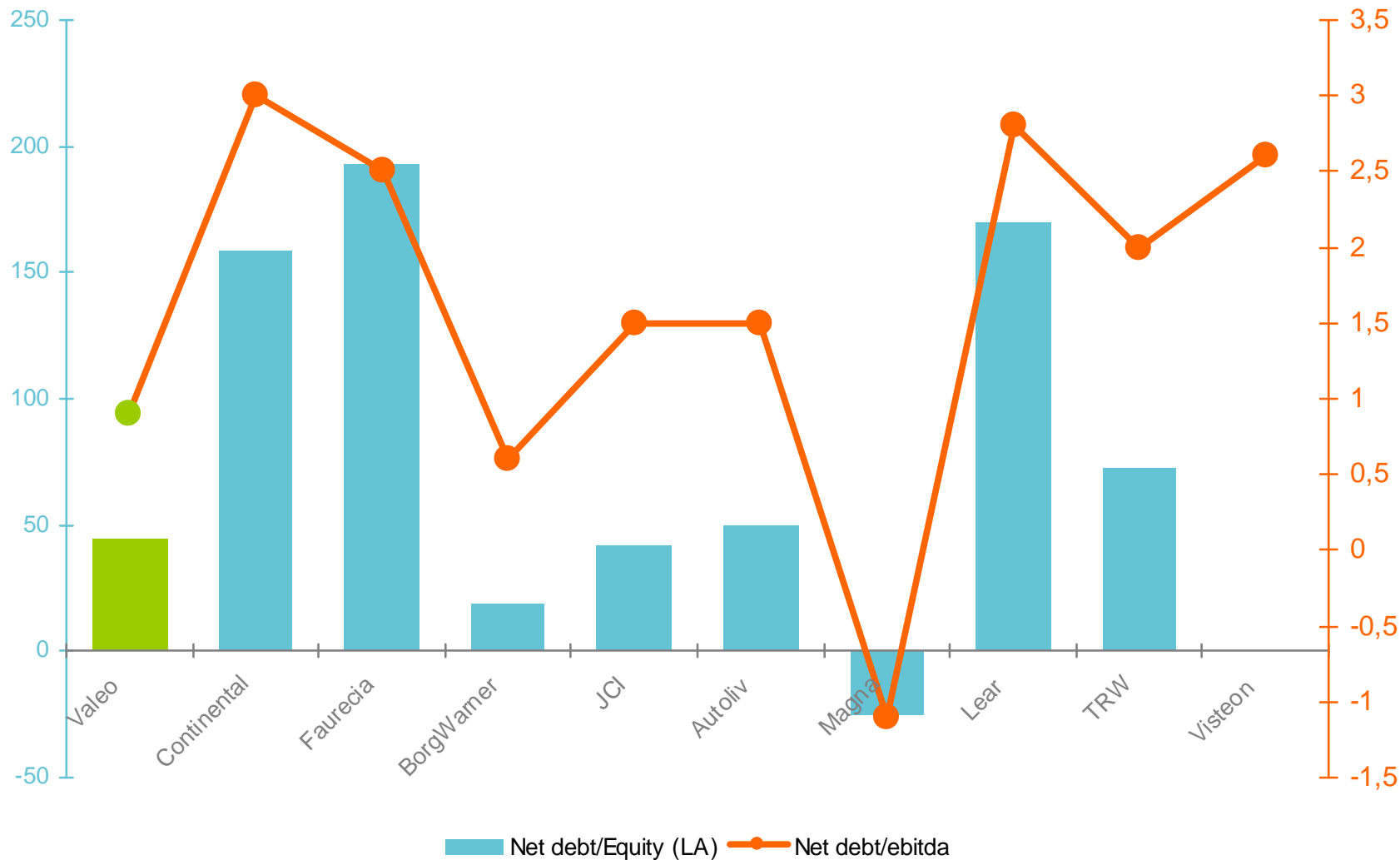
Debt Maturity Profile



Debt Maturity Profile



Solid balance sheet in industry context



Addressing the H2-2008 challenges

- Global auto production outlook worsens significantly
- Price competitiveness
- Customer choice for smaller car/fuel efficient cars
- Raw material costs remain high
- Higher interest rate/ liquidity constraints



- Aggressive cost structure alignment, supportive aftermarket
- Productivity gains, securing turnarounds (VC, VLS, VWS)
- Strong market positions with volume OEMs/ attractive fuel efficiency solutions
- Successful implementation of compensating measures and contract renewal effect
- Ample access to liquidity and solid balance sheet

Investor Relations

Rémy Dumoulin

43, rue Bayen

F-75848 Paris Cedex 17

France

Tel.: +33 (0) 1.40.55.29.30

Fax: +33 (0) 1.40.55.20.40

E-mail: remy.dumoulin@valeo.com

Web site: www.valeo.com



Back-up

Quarterly P&L

(in euro million)	2008		2007				2006			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
■ Net Sales	2,407	2,435	2,397	2,214	2,472	2,472	2,341	2,125	2,483	2,487
Other operating revenues	37	35	41	31	35	27	35	28	28	23
■ Total operating revenues	2,444	2,470	2,438	2,245	2,507	2,499	2,376	2,153	2,511	2,510
■ Gross margin	403	388	386	340	394	377	351	322	396	394
as % of net sales	16.7%	15.9%	16.1%	15.4%	15.9%	15.3%	15.0%	15.2%	15.9%	15.8%
R&D expenditures	(168)	(174)	(171)	(156)	(173)	(168)	(163)	(146)	(161)	(170)
Selling expenses	(48)	(46)	(51)	(45)	(48)	(49)	(47)	(45)	(49)	(49)
Administrative expenses	(111)	(113)	(109)	(97)	(105)	(113)	(110)	(94)	(110)	(113)
Other income & expenses	(17)	(4)	(8)	(9)	(13)	3	(15)	(15)	1	(20)
■ Operating income	96	86	88	64	90	77	51	50	105	65
as % of operating revenues	4.0%	3.4%	3.6%	2.9%	3.6%	3.1%	2.1%	2.3%	4.2%	2.6%
Cost of net debt	(10)	(12)	(12)	(14)	(13)	(12)	(11)	(12)	(14)	(14)
Other financial income and expense	(2)	(4)	(11)	(15)	(10)	(10)	(11)	(6)	17	(8)
Equity in net earnings of associates	6	1	2	1	5	0	(6)	0	3	2
■ Income before income taxes	90	71	67	36	72	55	23	32	111	45
Income taxes	(30)	(26)	(13)	(23)	(26)	(21)	(4)	(22)	(31)	(10)
■ Income from continuing operations	60	45	54	13	46	34	19	10	80	35
Non-strategic activities	0	(1)	(3)	(52)	(4)	(0)	42	(2)	(7)	(11)
■ Net income for the period	60	44	51	(39)	42	34	61	8	73	24
Minority interest	(3)	(1)	(1)	(1)	(4)	(1)	(1)	(1)	(1)	(2)
■ Net income attributable to equity holders of the company	57	43	50	(40)	38	33	60	7	72	22

Share Information

Share Data

▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 30.09.2008	78,209,617

ADR Data

▪ Ratio (ordinary share: ADR)	1:2
▪ Bloomberg Ticker	VLECY US
▪ Reuters Ticker	VLECY PK
▪ ISIN Number	US 9191343048
▪ Type	Level 1
▪ Exchange	OTC
▪ Sponsor	JP Morgan Chase



Enabling a better automotive world