



# Auto Suppliers Day

Vincent Marcel

Vice President Financial Affairs and Strategic Operations

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# Agenda

**1** Q3-09 Financials

**2** Business development

**3** Trading update



# Q3-2009 Financials

# Return to a positive net income in Q3

- **Positive net income of €4 million**

- First time, after 3 consecutive quarters of losses

- **Margins reach highest levels for a 3rd quarter since 2005**

- Gross margin at 16.2% of sales (+1.7pt vs Q2)

- Operating margin at 3.6% of sales (+2.8pts vs Q2)

- Positive operating margin for 9 months

# Financial highlights

## ■ Financials Q3

- Improving sales trend (yoy)
- Gross margin improvement (% of sales)
- Operating margin improvement (% sales)
- Positive net income (M€)
- Free Cash Flow\* generation (M€)
- Net financial debt decrease (M€)

	Q1-09	Q2-09	Q3-09
	-33%	-23%	-8%
	11.4%	14.5%	16.2%
	-4.1%	0.8%	3.6%
	(159)	(54)	4
	(88)	84	6
	112	(92)	(24)

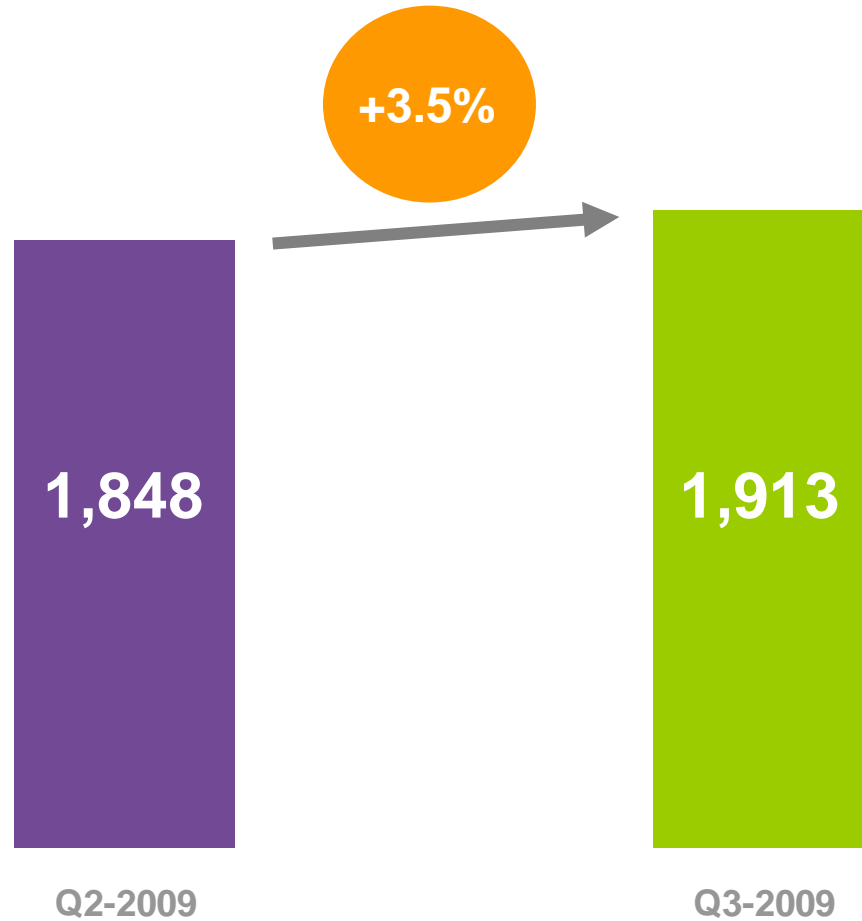
## ■ Corporate developments

- Cost reduction plan yielding €373M at the end of September
- Positive contribution of working capital
- Capex significantly below depreciation

\* Before interest payments

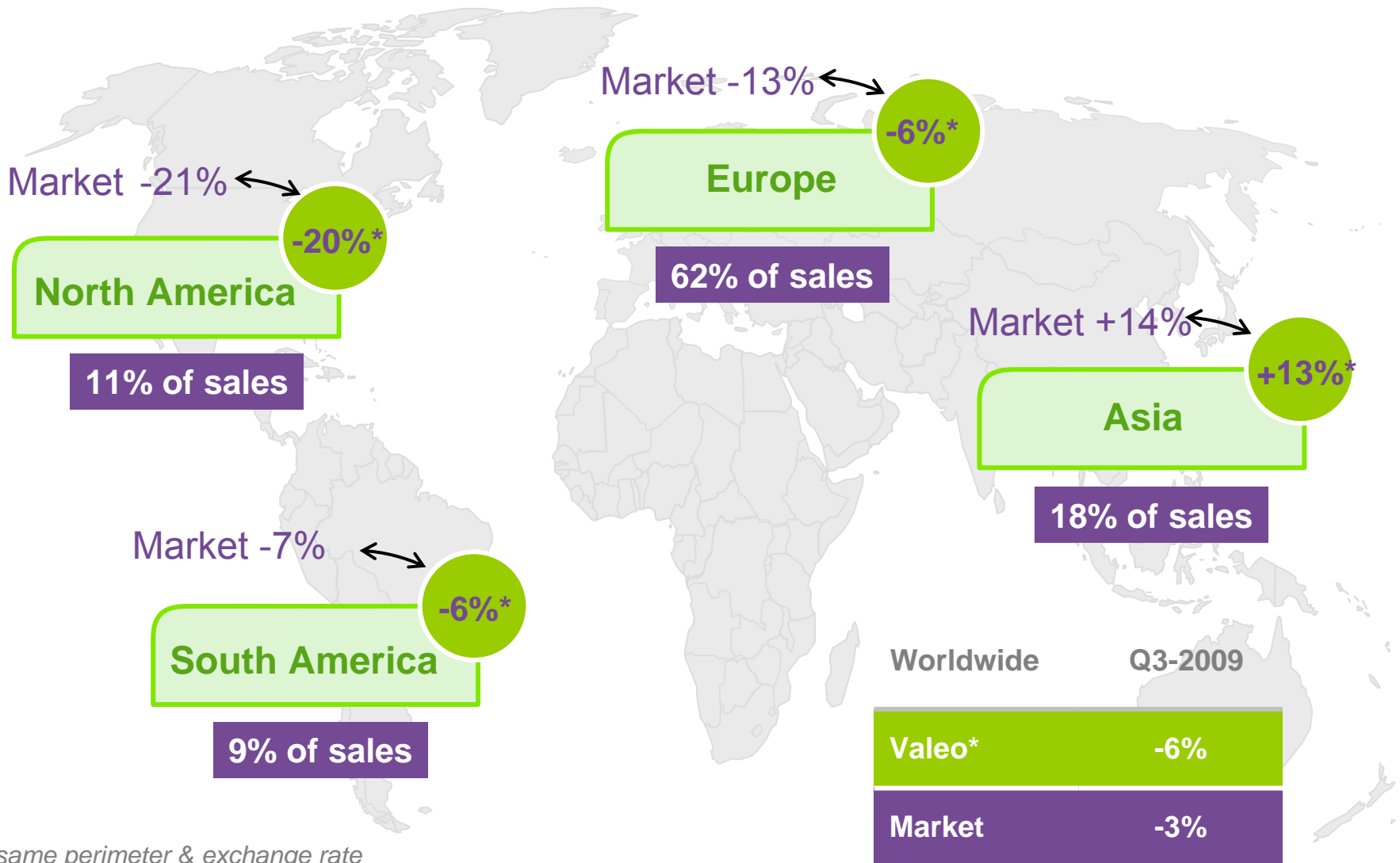
# Quarterly Sales

In euro million



# Geographic mix Q3-09

OEM passenger cars (yoy change)



\*At same perimeter & exchange rate

# Stable customer mix

In euro million)

## End of September (% of sales)

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<b>German</b>	<b>29%</b>
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<b>French*</b>	<b>26%</b>
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<b>Asian**</b>	<b>19%</b>
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<b>US customers</b>	<b>17%</b>
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\* *Excluding Nissan*

\*\* *Including Nissan*

# Quarterly Results

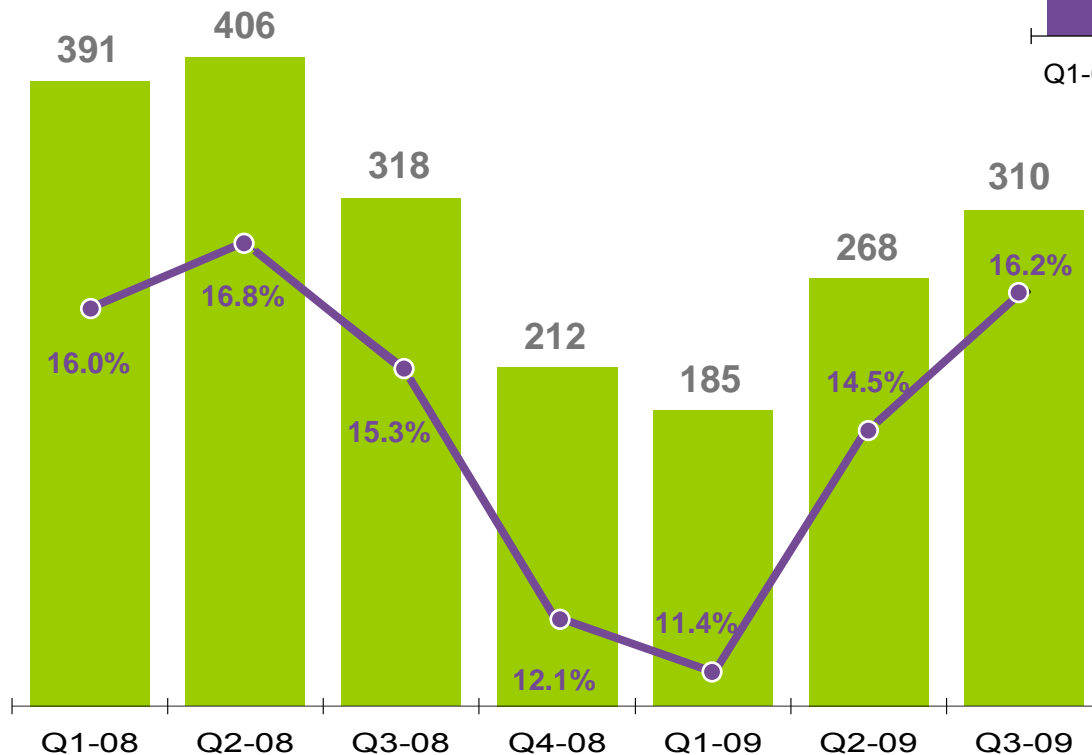
In euro million

	Q3-08	Q1-09	Q2-09	Q3-09	▲ YOY
<b>Total sales</b>	<b>2,079</b>	<b>1,624</b>	<b>1,848</b>	<b>1,913</b>	<b>-8%</b>
<b>Gross margin</b>	<b>318</b>	<b>185</b>	<b>268</b>	<b>310</b>	<b>-3%</b>
<i>% of sales</i>	<i>15.3%</i>	<i>11.4%</i>	<i>14.5%</i>	<i>16.2%</i>	<i>+0.9pt</i>
Net R&D	(111)	(114)	(120)	(114)	+3%
<i>% of sales</i>	<i>-5.4%</i>	<i>-7.0%</i>	<i>-6.5%</i>	<i>-6.0%</i>	<i>-0.5pt</i>
SG&A expenses	(142)	(137)	(133)	(128)	-10%
<i>% of sales</i>	<i>-6.8%</i>	<i>-8.4%</i>	<i>-7.2%</i>	<i>-6.7%</i>	<i>+0.1pt</i>
<b>Operating margin</b>	<b>65</b>	<b>(66)</b>	<b>15</b>	<b>68</b>	<b>+5%</b>
<i>% of sales</i>	<i>3.1%</i>	<i>-4.1%</i>	<i>0.8%</i>	<i>3.6%</i>	<i>+0.5pt</i>

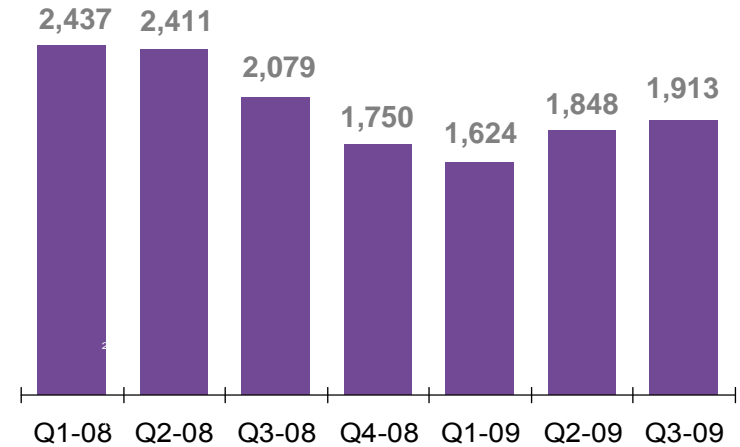
# Gross margin

In euro million and % of sales

Gross margin (in € million and % of sales)



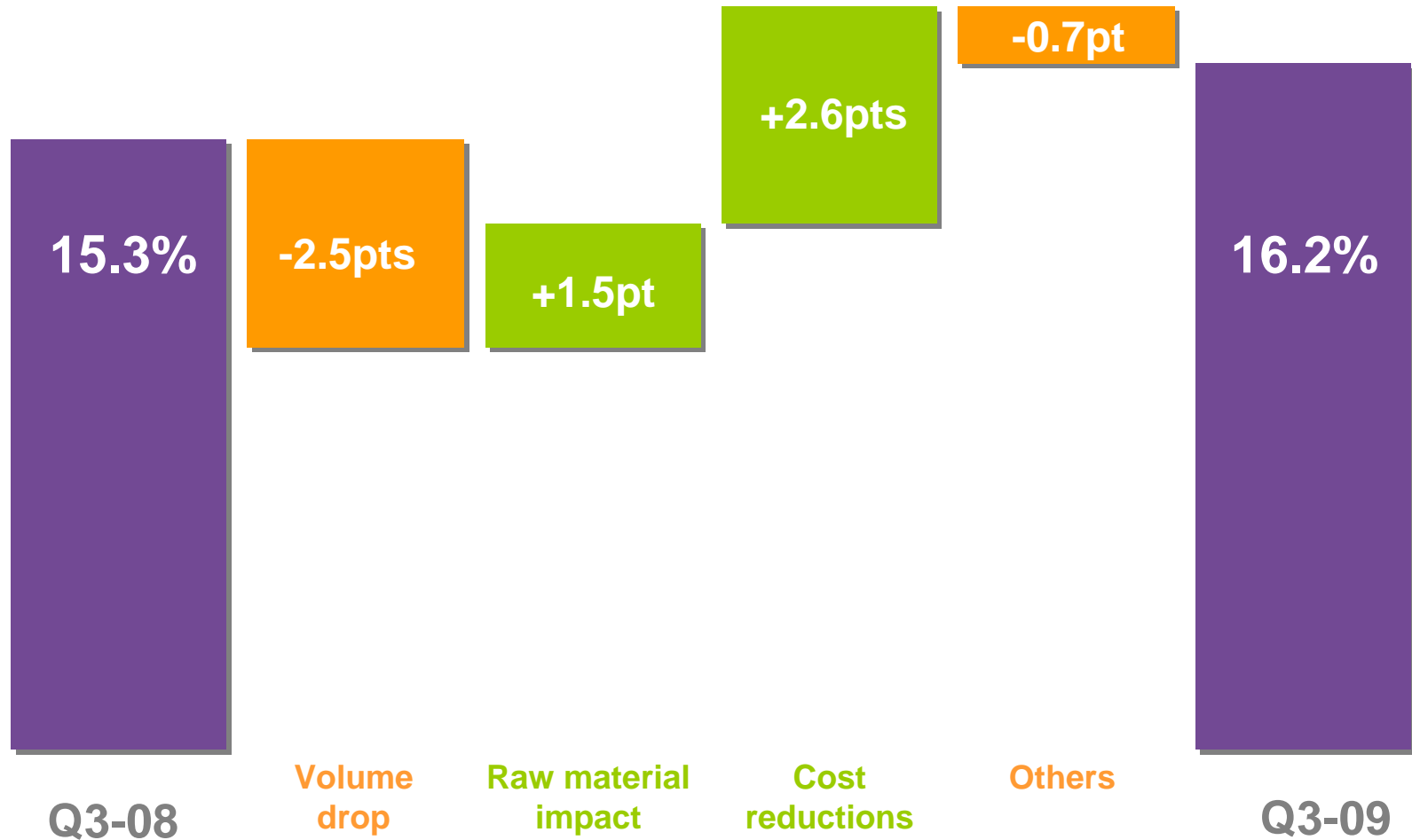
Sales (in € million)



M€	Δ YoY
Sales	-166
Gross Margin	-8

# Gross margin walkdown

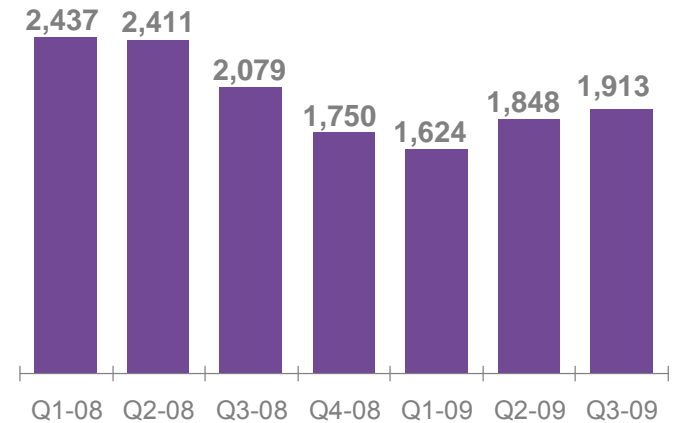
As % of sales



# Operating margin

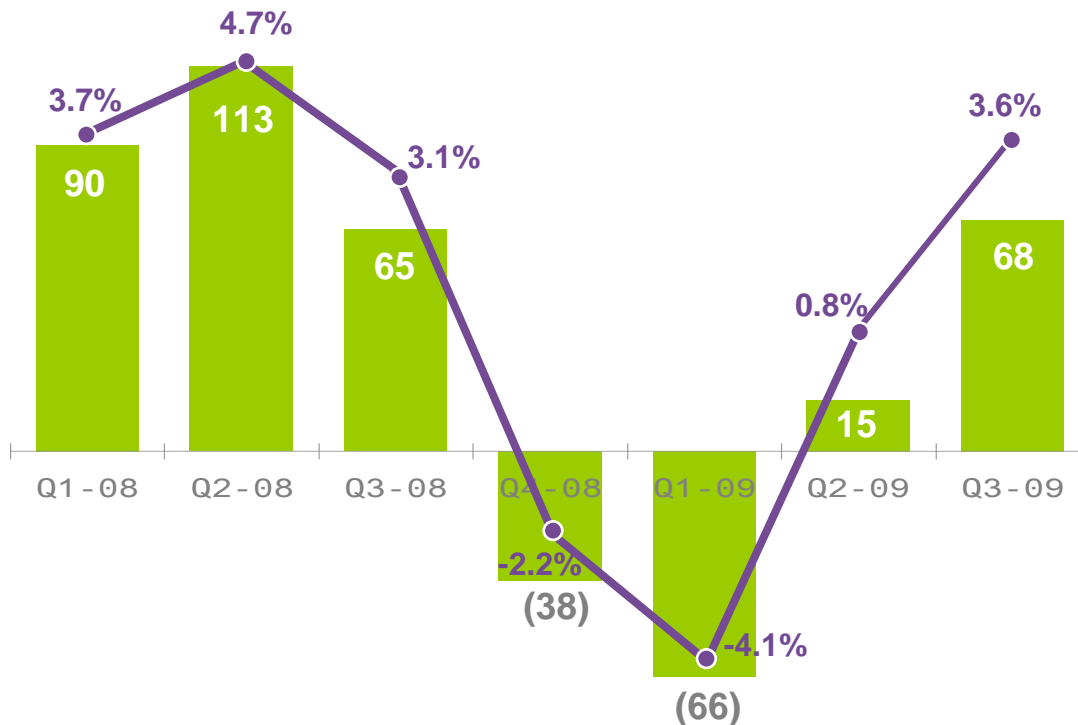
In Euro million and % of sales

Sales (in euro million)



## Operating margin

(in € million and % of sales)



M€	Δ YOY
Sales	-166
Operating Margin	+ 3

# Sustained R&D efforts

In euro million and % of sales

In € million

Net R&D

+3%

111

114

Q3-2008

Q3-2009

In % of sales

+0.7pt

5.3%

6.0%

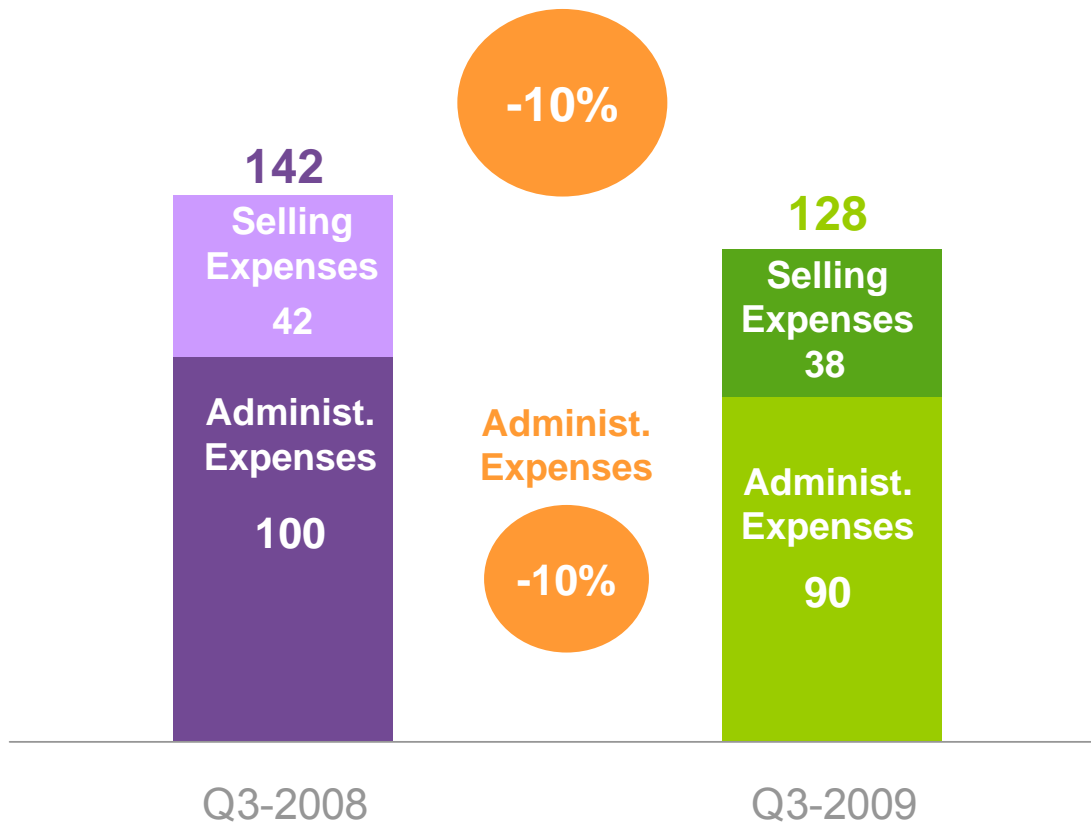
Q3-2008

Q3-2009

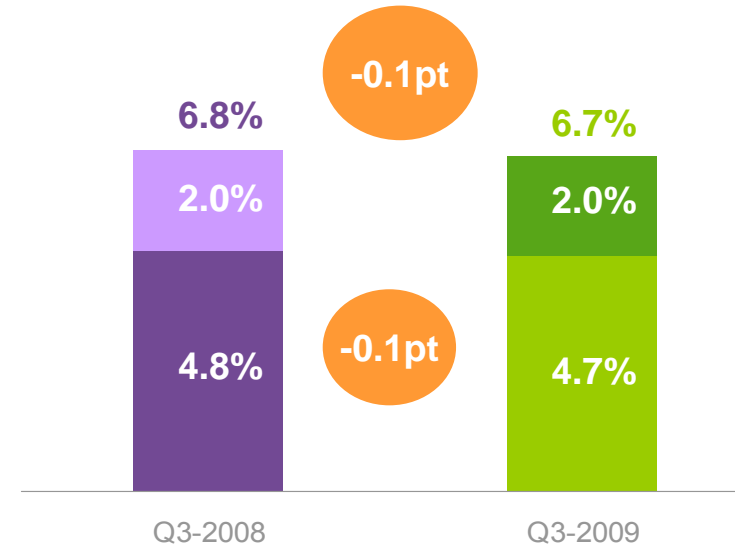
# SG&A expenses adjusted to sales

In euro million and % of sales

In € million



In % of sales

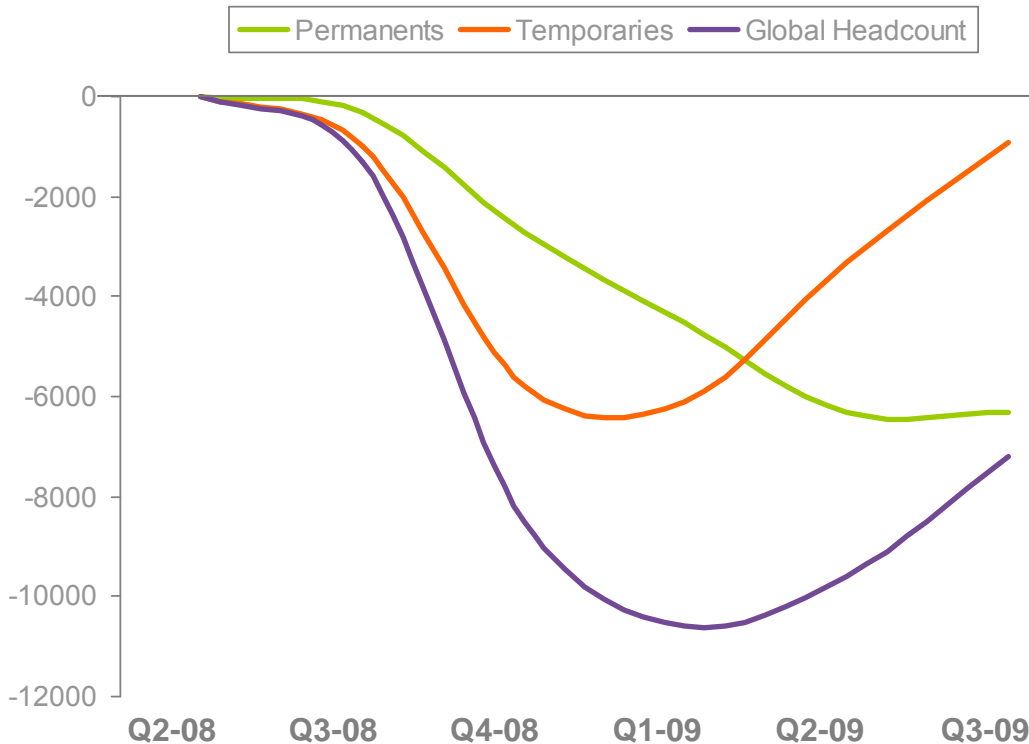


# Break-even point lowered

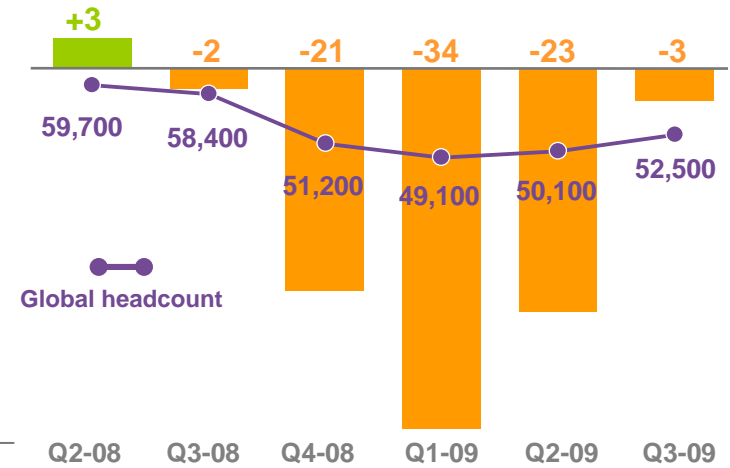
	Q4-08	Q1-09	Q2-09	Q3-09
<b>Cost savings program</b>				
<b>€373 million YTD</b>	<b>144</b>	<b>183</b>	<b>130</b>	<b>60</b>
<b>Headcount reduction</b>	<i>Since November 2008</i>			
<b>Permanent employees</b>	<b>(1,400)</b>	<b>(1,800)</b>	<b>(1,300)</b>	<b>(600)</b>
<b>Cash outlays</b>	<b>(10)</b>	<b>(23)</b>	<b>(46)</b>	<b>(54)</b>

# Headcount adjustment

Permanent and temporary headcount variation vs situation end of Q2-2008



Worldwide automotive production yoy changes in %

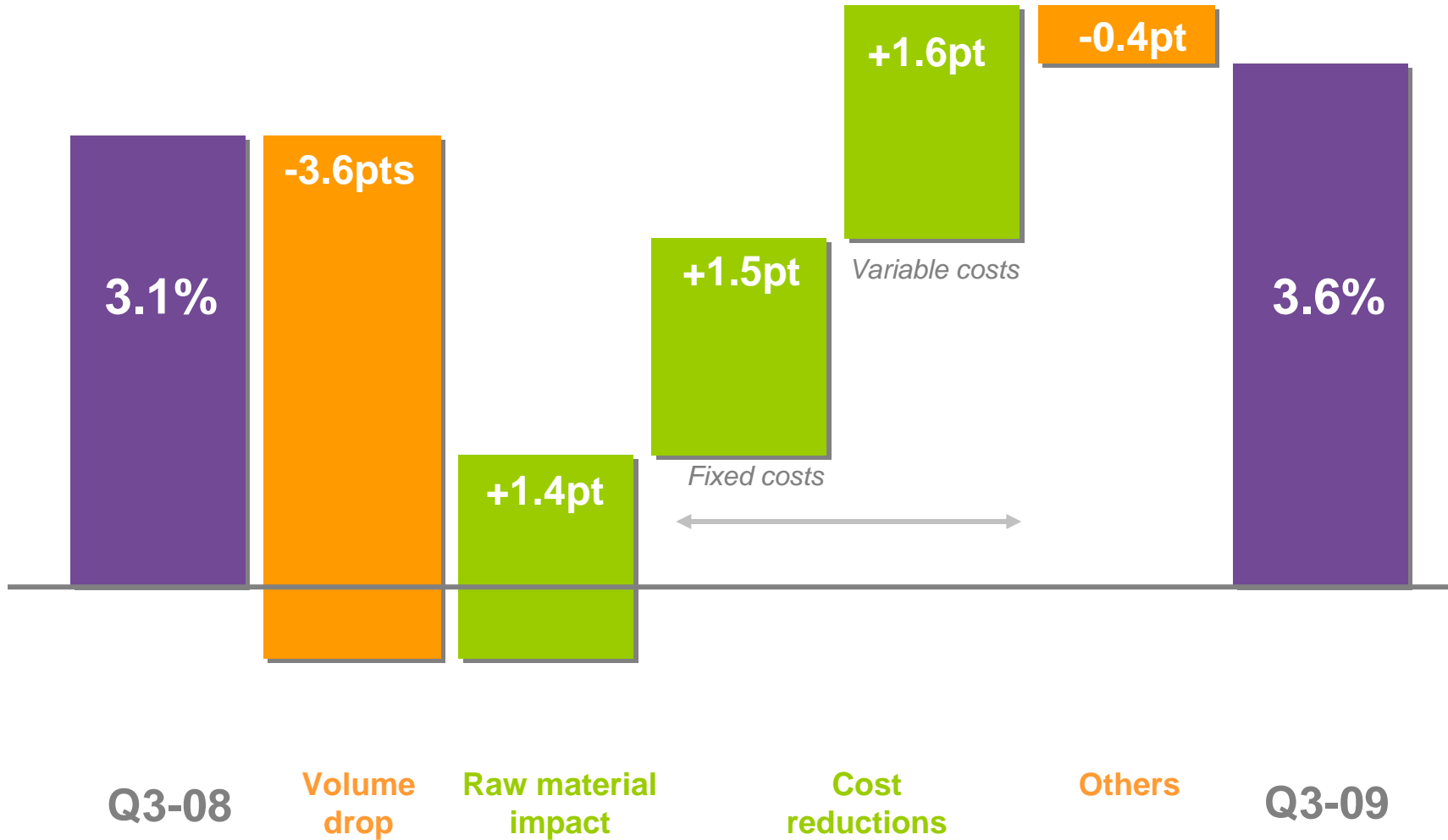


**Fixed costs reduction program on track**

**Variable costs adjusted to improving business environment**

# Operating margin walkdown

As % of sales



# Q3 Results (cont.)

in euro million

	Q3-08	Q1-09	Q2-09	Q3-09	▲ YOY
<b>Sales</b>	<b>2,079</b>	<b>1,624</b>	<b>1,848</b>	<b>1,913</b>	<b>-8%</b>
<b>Operating margin</b>	<b>65</b>	<b>(66)</b>	<b>15</b>	<b>68</b>	<b>+5%</b>
<i>as % of sales</i>	<b>3.1%</b>	<b>-4.1%</b>	<b>0.8%</b>	<b>3.6%</b>	<b>+0.5pt</b>
Other income & expenses	(15)	(17)	(20)	(9)	-40%
<i>as % of sales</i>	-0.7%	-1.0%	-1.1%	-0.5%	+0.2pt
<b>Operating income</b>	<b>50</b>	<b>(83)</b>	<b>(5)</b>	<b>59</b>	<b>+18%</b>
<i>as % of sales</i>	<b>2.4%</b>	<b>-5.1%</b>	<b>-0.3%</b>	<b>3.1%</b>	<b>+0.7pt</b>
Cost of net debt	(10)	(12)	(9)	(17)	+70%
Other financial expenses	(12)	(25)	(12)	(9)	-25%
Associates	1	(35)	(5)	1	=
<b>Income before taxes</b>	<b>29</b>	<b>(155)</b>	<b>(31)</b>	<b>34</b>	<b>+17%</b>
Taxes	(20)	(4)	(22)	(26)	+30%
Effective tax rate	71%	3%	85%	79%	
Minority interest and others	(3)	0	(1)	(4)	
<b>Net income</b>	<b>6</b>	<b>(159)</b>	<b>(54)</b>	<b>4</b>	<b>-33%</b>



# Cash flow & Balance sheet

# Continued focus on cash management

- **Positive contribution of working capital**
- **Tight control of Capex**
  - 78% of depreciation
  - Emerging countries representing 60% of Capex
- **Net financial debt reduction of €24 millions**
  - Despite restructuring costs

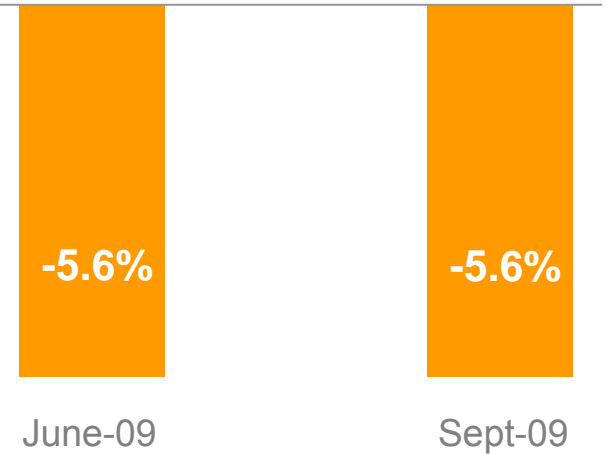
# Working capital

In euro million

## Working capital



## Working capital (in % of sales)



June-09

Sept-09

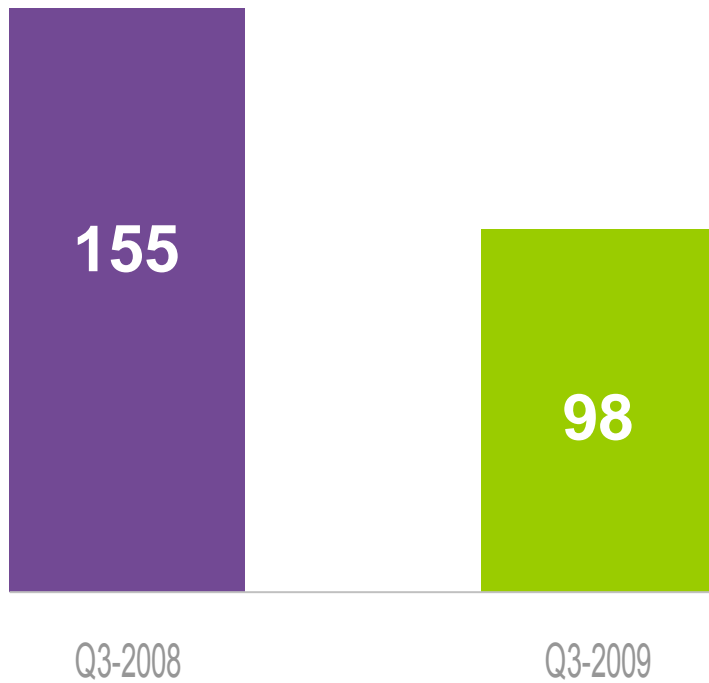
450	Inventories	468
1,205	Customers	1,249
(1,474)	Suppliers	(1,562)
(536)	Other WC	(556)
<b>(355)</b>		<b>(401)</b>

# Strict control of capex

In euro million

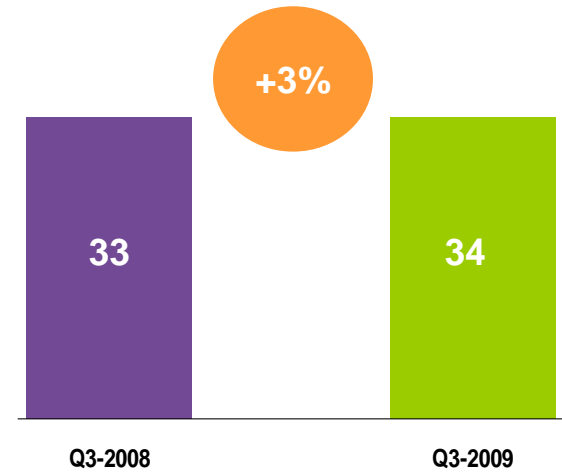
## Capex

-37%



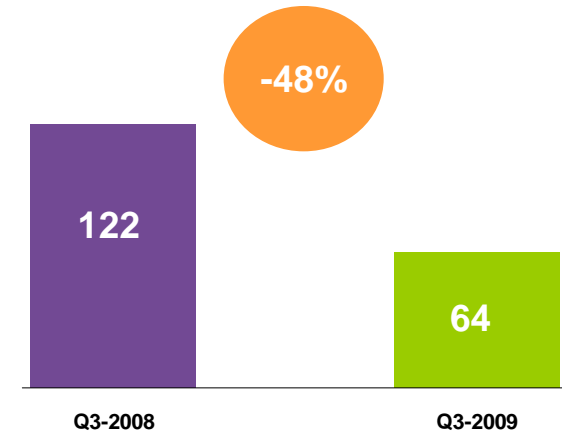
## Capitalized R&D

+3%



## Tangible investments

-48%

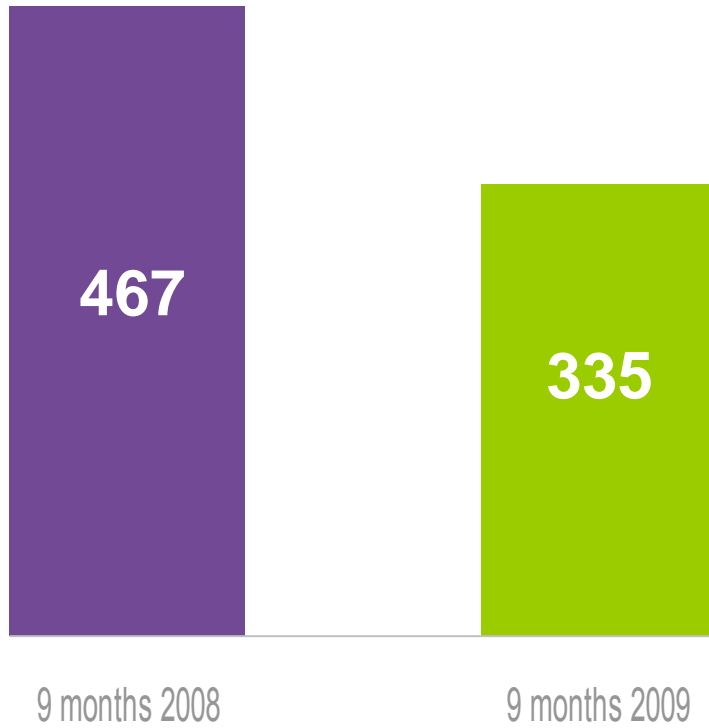


# Capex YTD

In euro million

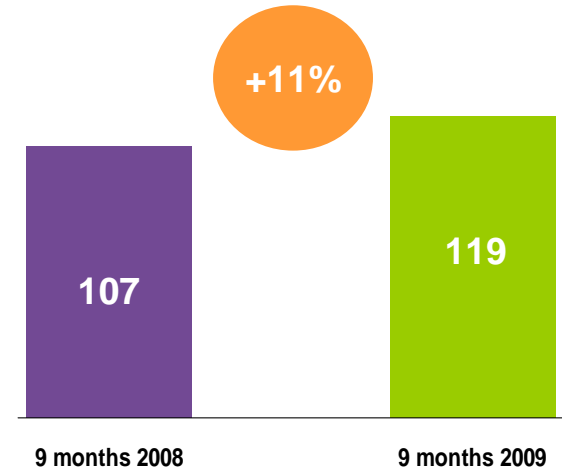
## Capex

-28%



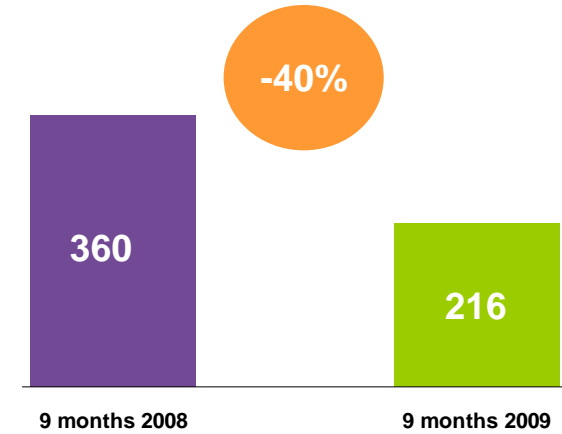
## Capitalized R&D

+11%



## Tangible investments

-40%



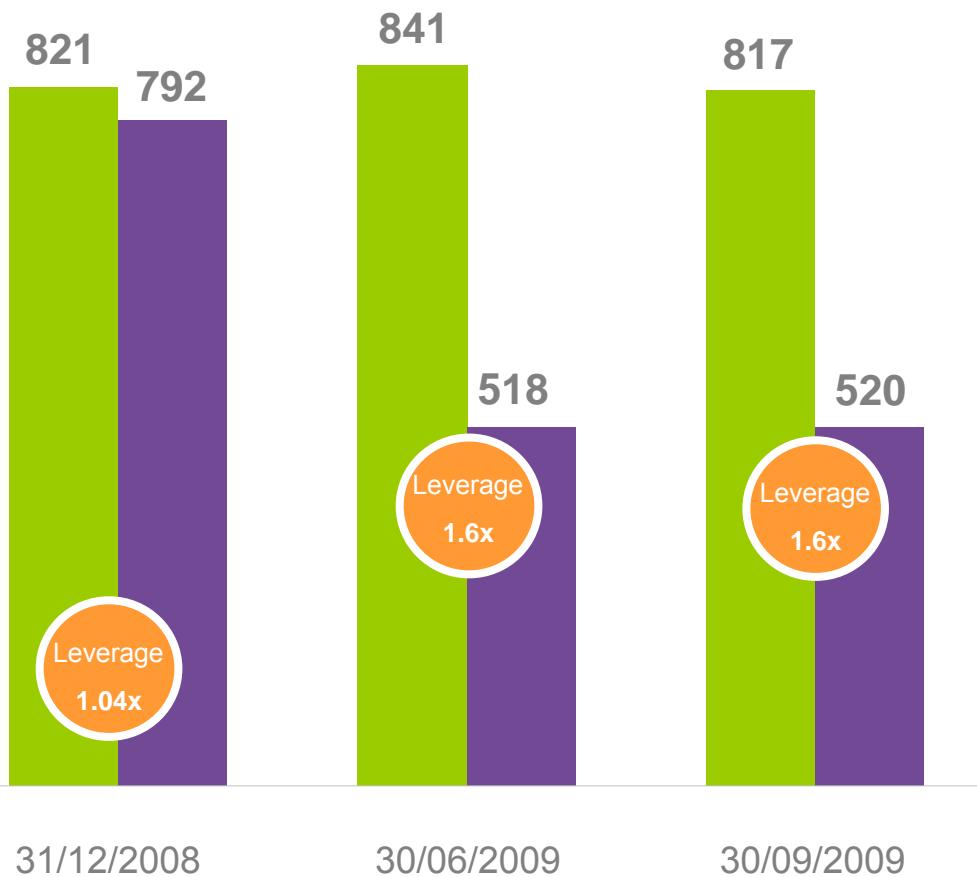
# Free Cash Flow

In euro million

	Q3-08	Q1-09	Q2-09	Q3-09
<b>EBITDA</b>	<b>190</b>	<b>73</b>	<b>156</b>	<b>192</b>
Restructuring and social costs	(23)	(23)	(46)	(54)
Working capital	9	6	171	12
Capex	(156)	(133)	(123)	(115)
Others	(39)	(11)	(74)	(29)
<b>Free cash flow</b> (before interest payments)	<b>(19)</b>	<b>(88)</b>	<b>84</b>	<b>6</b>

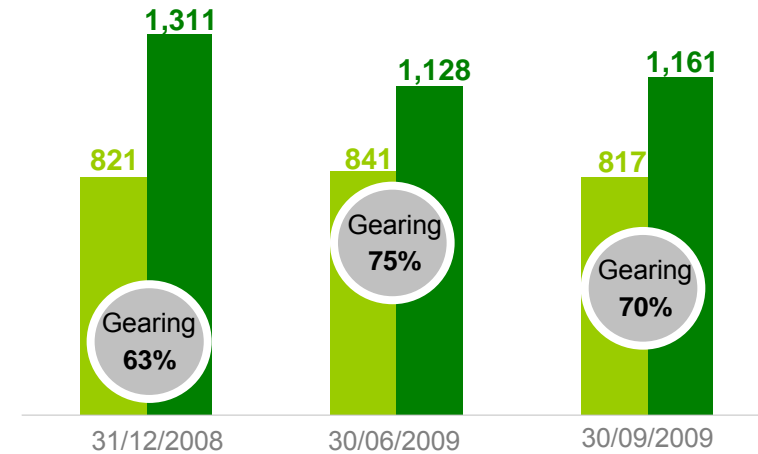
# Net debt over EBITDA\* ratio

Net Debt EBITDA (12 rolling months)



Shareholders equity and net debt  
In euro million

Net Debt Shareholders Equity excl. minority interests



## Liquidity secured by

- Cash available of €797M
- Bilateral lines of €1,275M



# Business development

# Business highlights

## ■ Operational excellence

- 10 ppm
- 26% of sites at 0 ppb

## ■ Major innovations presented by all Business Groups at the IAA Frankfurt Auto Show

- Range of solutions for the various stages of hybridization up to electric vehicle
- Beamatic® Premium
- Aquablade®
- Park4U® latest developments

# Hybridization Roadmap

From Stop-Start to Electric Drivetrain

**MVEG cycle -6%**  
MICRO-HYBRID



**-12%**  
MICRO - MILD HYBRID  
with Ultracapacitors



**-15%**  
MILDHYBRID



**-25%**  
FULL HYBRID and  
PLUG-INS



**-100%**  
ELECTRIC  
DRIVELINE



*Stop & Start*

*Regenerative Braking*

*Torque Assistance*

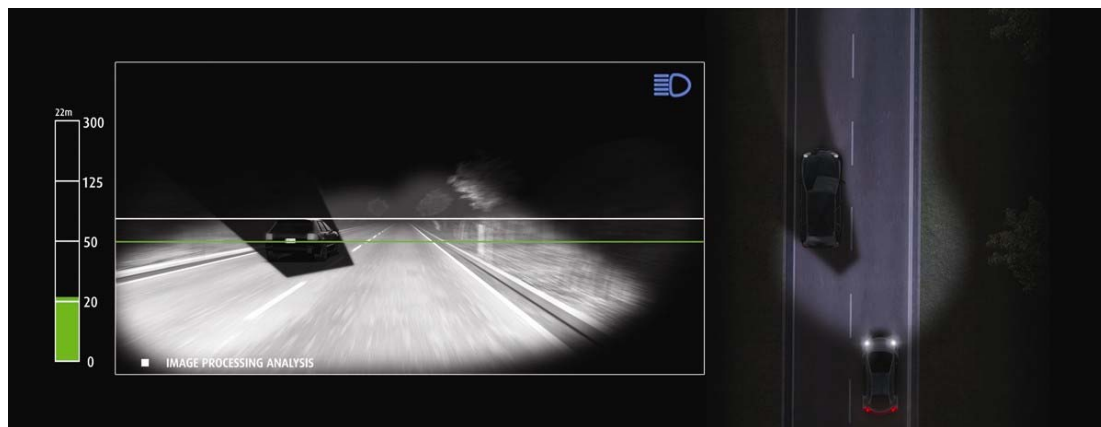
*Part Electric Drive*

*Full Electric Drive*

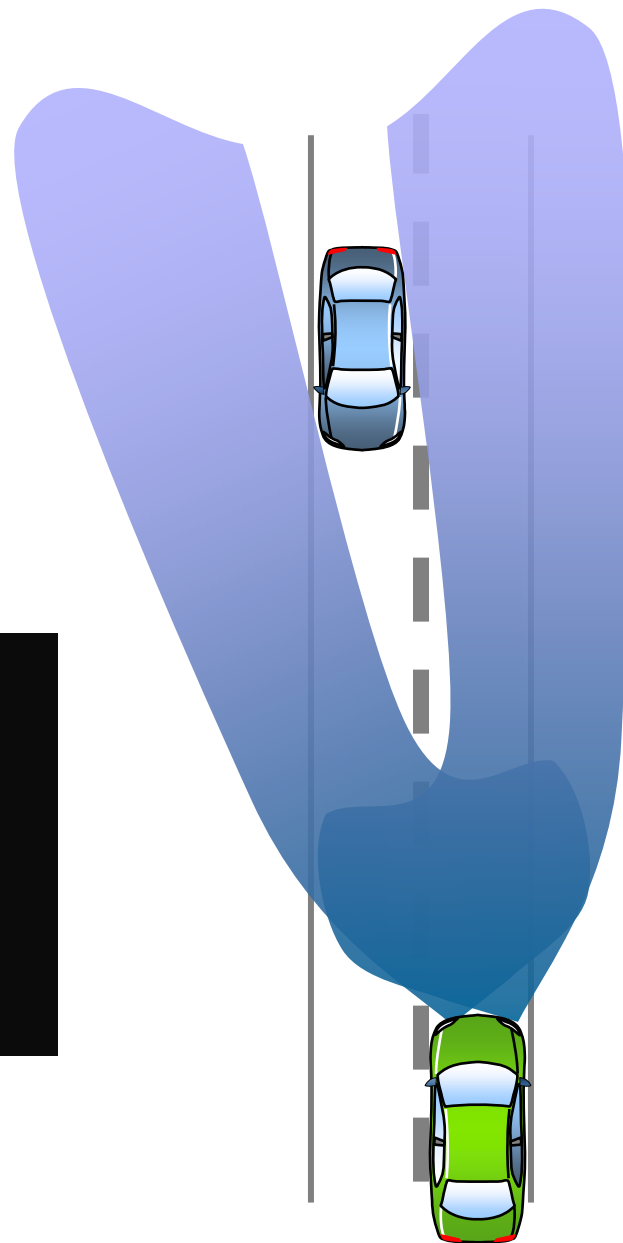
# BeamAtic Premium

## Projector Module in L-Shaped Beam Position

Gold International “Grand Prix” Award  
for Automotive Innovation at Equip’Auto



The Comfort of driving permanently in High Beam  
without glaring the other road users



# Investment in emerging countries

- **60% of Capex in 2009**

- **Presence in China**

- 4 Business Groups already represented

- Facilities in the 5 automotive industry hubs

- Shanghai, Wuhan, Nanjing, Guangzhou and Changchun

- 3,995 people in 15 production plants and 6 development centers

- **Last investment in China**

- Increase to 100% of Valeo shareholding in Valeo Compressor (Changchun) Co., Ltd

- **Valeo sales in China**

- > €400M of consolidated sales in 2009

- ~ 6% of sales



# Trading update

# Automotive environment improvement

- **Q4 automotive production better than expected**
  - Positive lag effect of scrappage incentives
  - Strong rebound of Asian emerging markets
- **Worldwide automotive production**
  - H2 : +6%
  - Full year : -13%

# Financial outlook for Valeo

## ■ Sales expectations raised

- Continuation of sequential growth in Q4
- At least, +17% year-on-year

## ■ Margin improvement

- Q4 significantly better than Q3
- Despite receding raw materials tailwind
- Thanks to operating leverage and positive impact of fixed costs reduction

## ■ Further cash flow improvement

- Operating performance
- Strict control of working capital
- Capex reduced by one-third
- Strict control over restructuring costs

# Management priorities

- **Implementation of the new organization**
- **Lower break-even point\***
  - Fixed costs reduction program on track
  - Cost reduction plan yielding €373M at the end of September
- **Cash consumption under control**
  - Capex significantly below depreciation
  - Positive contribution of working capital
- **Focus on growth**
  - Innovation
  - Focus on Asia and emerging countries

\* On operating margin level

## Investor Relations

### Thierry Lacorre

43, rue Bayen

F-75848 Paris Cedex 17

France

Tel.: +33 (0) 1.40.55.37.93

Fax: +33 (0) 1.40.55.20.40

E-mail: [thierry.lacorre@valeo.com](mailto:thierry.lacorre@valeo.com)

Web site: [www.valeo.com](http://www.valeo.com)



# Back-up

# Year to date key figures

In euro million

	9 months 2008	9 months 2009	▲ YOY
<b>Total sales</b>	6,927	5,385	-22%
<b>Gross margin</b>	1,115	763	-32%
<i>as % of sales</i>	16.1%	14.2%	-1.9pt
<b>Operating margin</b>	268	17	-94%
<i>as % of sales</i>	3.9%	0.3%	-3.6pts
<b>Net income</b>	106	(209)	na
<b>Free cash flow*</b>	104	2	-98%
<b>Net debt</b>	735	817	+11%

\* Before interest payments

# Quarterly P&L

## new format

(in euro million)	2007				2008 new format				2009 new format		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
■ <b>Net Sales</b>	2,472	2,472	2,214	2,397							
Other operating revenues	27	35	31	41							
■ <b>Total operating revenues / Sales</b>	2,499	2,507	2,245	2,438	2,437	2,411	2,079	1,750	1,624	1,848	1,913
■ <b>Gross margin</b>	377	394	340	386	391	406	318	212	185	268	310
<i>% of sales</i>	15.3%	15.9%	15.4%	16.1%	16.0%	16.8%	15.3%	12.1%	11.4%	14.5%	16.2%
R&D expenditures	(168)	(173)	(156)	(171)	(142)	(134)	(111)	(114)	(114)	(120)	(114)
Selling & administrative expenses	(162)	(153)	(142)	(160)	(159)	(159)	(142)	(136)	(137)	(133)	(128)
Other income & expenses	3	(13)	(9)	(8)	(4)	(17)	(15)	(246)	(17)	(20)	(9)
■ <b>Operating income</b>	77	90	64	88	86	96	50	(284)	(83)	(5)	59
<i>as % of operating revenues / % of sales</i>	3.1%	3.6%	2.9%	3.6%	3.5%	4.0%	2.4%	-16.2%	-5.1%	-0.3%	3.1%
Cost of net debt	(12)	(13)	(14)	(12)	(12)	(10)	(10)	(13)	(12)	(9)	(17)
Other financial income and expense	(10)	(10)	(15)	(11)	(4)	(2)	(12)	(41)	(25)	(12)	(9)
Equity in net earnings of associates	0	5	1	2	1	6	1	1	(35)	(5)	1
■ <b>Income before income taxes</b>	55	72	36	67	71	90	29	(337)	(155)	(31)	34
Income taxes	(21)	(26)	(23)	(13)	(26)	(30)	(20)	25	(4)	(22)	(26)
■ <b>Income from continuing operations</b>	34	46	13	54	45	60	9	(312)	(159)	(53)	8
Non-strategic activities	(0)	(4)	(52)	(3)	(1)	0	(1)	1	0	1	(1)
■ <b>Net income for the period</b>	34	42	(39)	51	44	60	8	(311)	(159)	(51)	7
Minority interest	(1)	(4)	(1)	(1)	(1)	(3)	(2)	(2)	0	(2)	(3)
■ <b>Net income</b>	33	38	(40)	50	43	57	6	(313)	(159)	(54)	4

# Share Information

## Share Data

▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 30.11.2009	78,209,617

## ADR Data

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



*Enabling a better automotive world*