



# FY-2010 Results

Jacques Aschenbroich – CEO

February 24, 2011



# 2010 highlights

## H2-10 highlights

- Sales of €4,845 m increasing by 20%
- Operating margin<sub>(1)</sub> of €325 m (6.7% of sales)
- Net result of €197 m (4.1% of sales)
- ROCE<sub>(4)</sub> of 32%

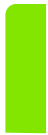
## FY-10 highlights

Ahead of the strategic plan disclosed in March 2010

- Sales of €9,632 m increasing by 28%
- Operating margin<sub>(1)</sub> of €617 m (6.4% of sales)
- Net result of €365 m (3.8% of sales)
- Earning per share of €4.86
- ROCE<sub>(4)</sub> > 32%
- Net cash<sub>(2)</sub> generation of €440 m
- Net debt<sub>(3)</sub> lowered by €444 m at €278 m as of December 31, 2010
- Order intake at record level of €12.5 bn
- Dividend distribution of €1.20 per share to be proposed

## FY-10 Key figures

	H2-09	H2-10	▲	FY-09	FY-10	▲
Total sales (M€)	4,027	4,845	+20%	7,499	9,632	+28%
OE Sales (M€)	3,286	3,995	+22%	6,029	7,952	+32%
Operating margin <sup>(1)</sup> (M€)	184	325	+77%	133	617	+364%
<i>as % of sales</i>	4.6%	6.7%	+2.1 Pt	1.8%	6.4%	+4.6 Pt
Net result (M€)	60	197	+228%	(153)	365	NA
<i>as % of sales</i>	1.5%	4.1%	+2.6 Pt	-2.0%	3.8%	+5.8 Pt
Earning per share (€)	0.79	2.63	+1.84	(2.04)	4.86	+6.90
ROCE <sup>(4)</sup>	7%	32%	+25 Pts	7%	32%	+25 Pts
EBITDA <sup>(5)</sup> ( <i>as % of sales</i> )	11.0%	12.1%	+1.1 Pt	8.9%	11.9%	+3.0 Pt
Net cash flow <sup>(2)</sup> (M€)	148	199	+34%	99	440	+344%
Net financial debt (M€)	722	278	-61%	722	278	-61%



# H2-10 Results

# Continuing improvement of OE & Aftermarket sales in H2

In euro million and YoY variation

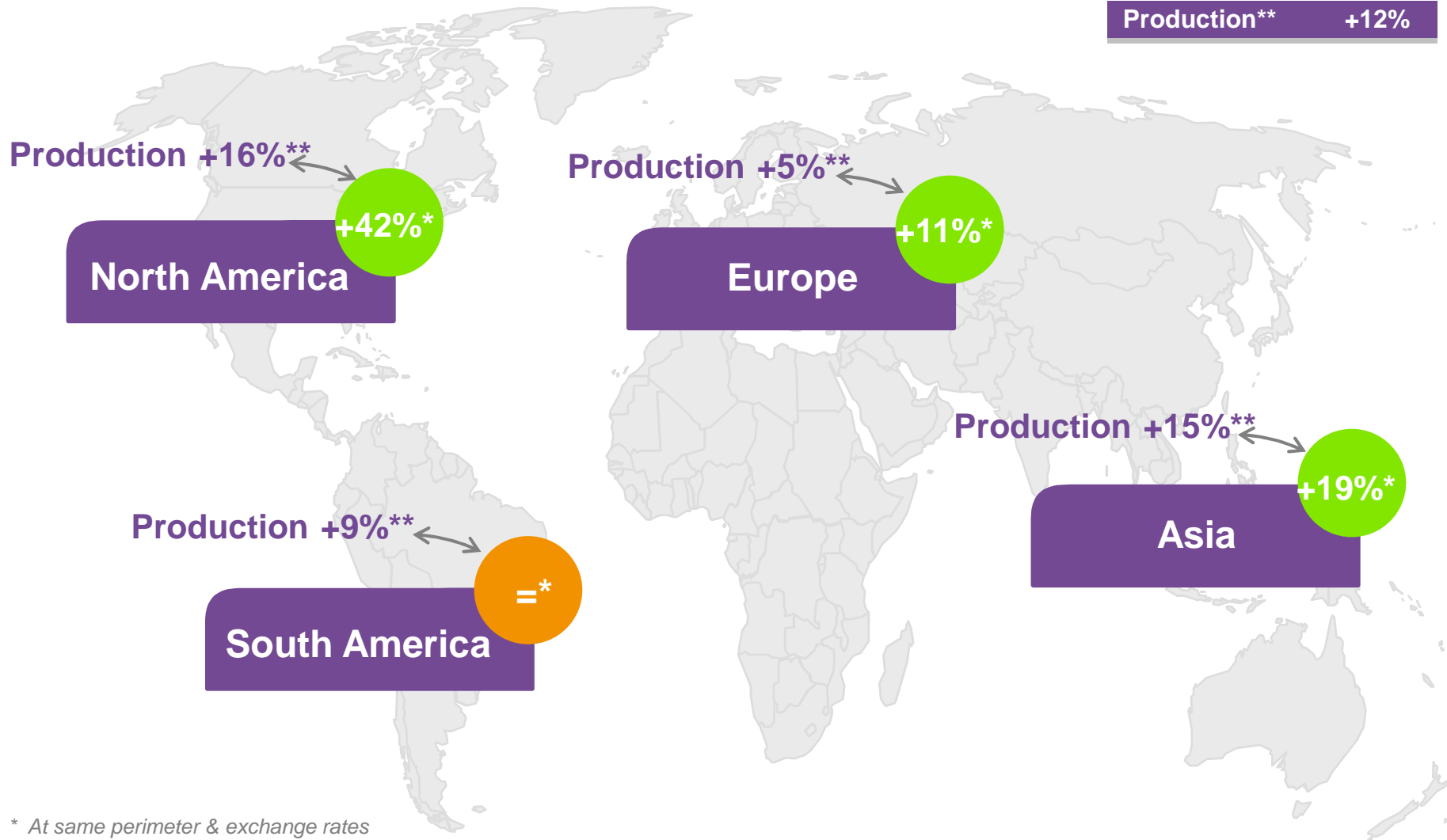
	H2-09	H2-10	▲	
<b>Original Equipment</b> <i>as % of sales</i>	3,286 82%	3,995 82%	+22%	+16%*
<b>Aftermarket</b> <i>as % of sales</i>	626 15%	723 15%	+15%	+12%*
<b>Miscellaneous</b> <i>as % of sales</i>	115 3%	127 3%	+10%	+5%*
<b>Sales</b>	4,027	4,845	+20%	+15%*

\*At same perimeter and exchange rates

# Outperformance in our main regions

H2 OE sales outperforming the market by 4Pts

World	H2-10
Valeo OE sales*	+16%
Production**	+12%

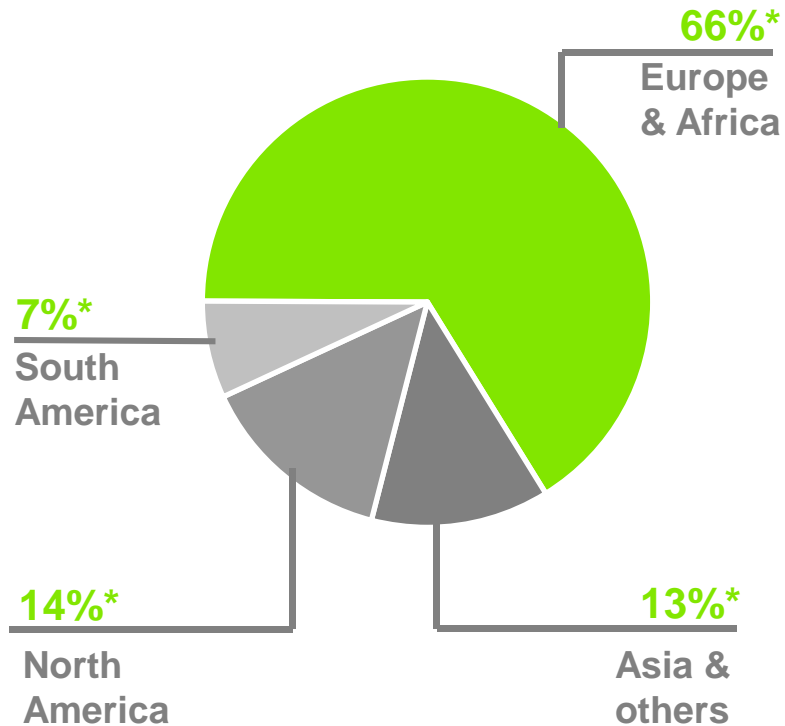


\* At same perimeter & exchange rates

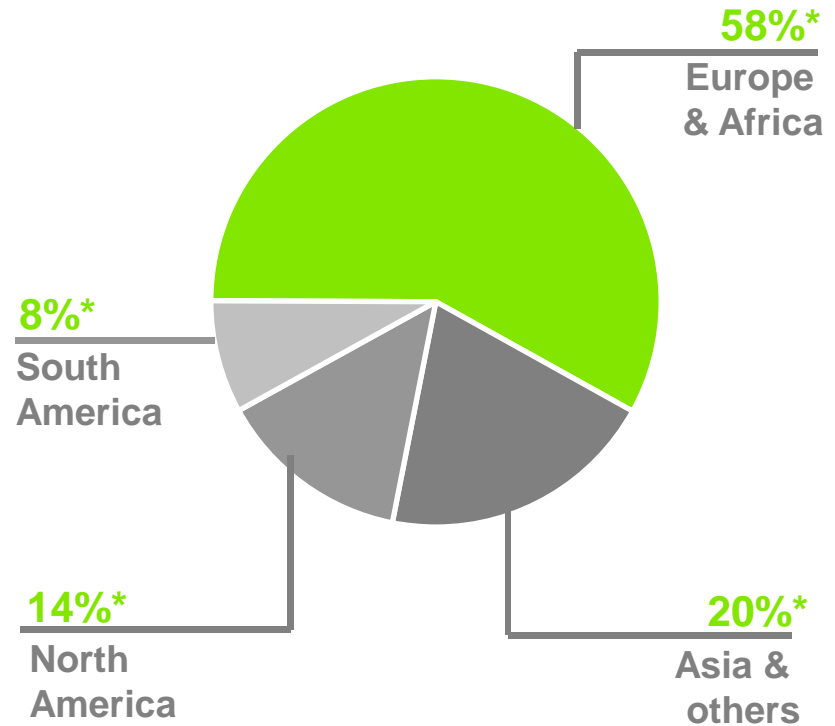
\*\* JD Power estimates

# Rebalanced geographical exposure

Increasing position in Asia at 20% of OE sales



H2-07



H2-10

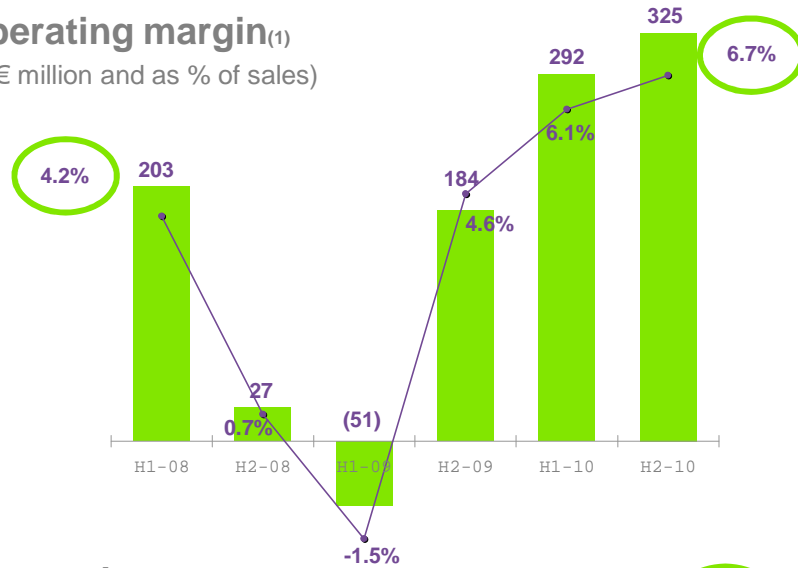
\* In % of OE light vehicle sales

## H2-10 Key figures

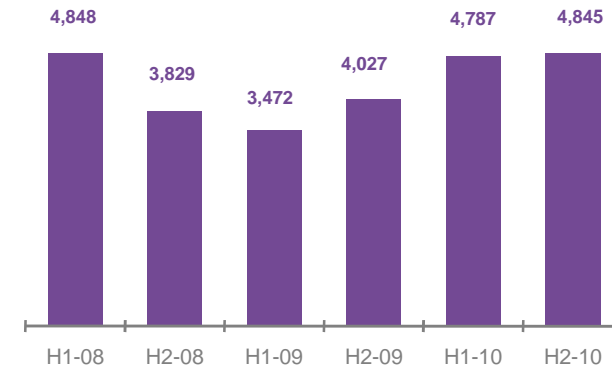
	H2-09	H2-10	▲
Total sales (M€)	4,027	4,845	+20%
OE Sales (M€)	3,286	3,995	+22%
Operating margin <sup>(1)</sup> (M€)	184	325	+77%
<i>as % of sales</i>	4.6%	6.7%	+2.1pts
Net result (M€)	60	197	+228%
<i>as % of sales</i>	1.5%	4.1%	+2.6pts
Earning per share	0.79	2.63	+1.84
ROCE <sup>(4)</sup>	7%	32%	+25 Pts
EBITDA <sup>(5)</sup> (as % of sales)	11%	12.1%	+1.1pt
Net cash flow <sup>(2)</sup> (M€)	148	199	+34%
Net financial debt (M€)	722	278	-61%

# Profitability: continuing improvement in H2

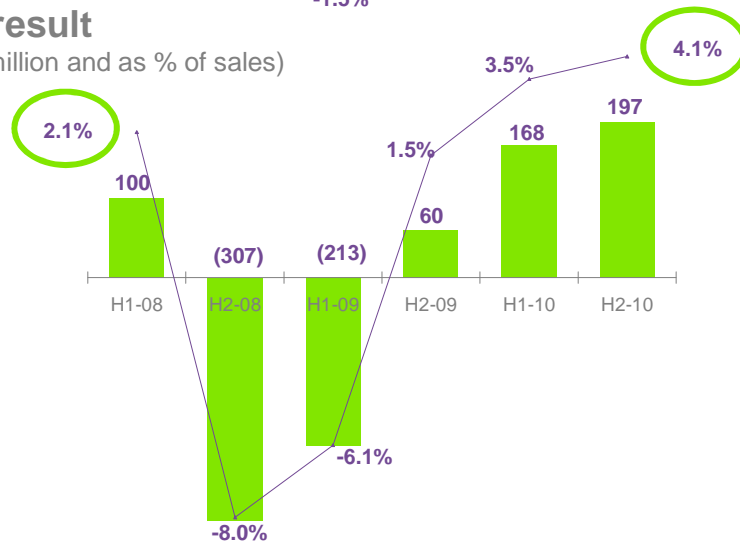
**Operating margin<sup>(1)</sup>**  
(in € million and as % of sales)



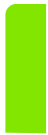
**Sales**  
(in € million)



**Net result**  
(in € million and as % of sales)



**Highest operating margin<sup>(1)</sup>  
and net result  
recorded over the last 11 years**



# 2010 Results



# Outperforming our main markets

# Automotive production higher than pre-crisis level

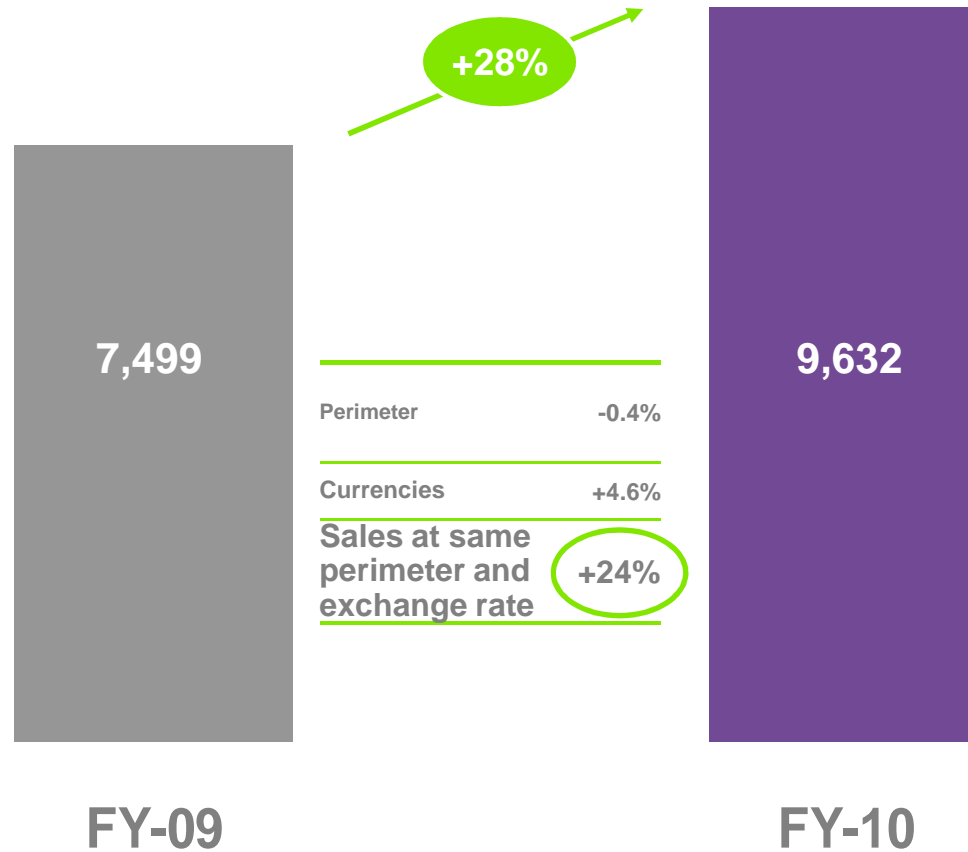
## Fundamental shift towards Asian markets

Light vehicles production* (million of vehicles)	FY-07	FY-08	FY-09	FY-10	▲ FY-10/09	▲ FY-10/07
Europe	22.6	21.5	17.1	19.7	+15%	-13%
Asia	29.0	29.5	30.1	38.3	+28%	+32%
North America	15.0	12.6	8.5	11.9	+39%	-21%
South America	3.6	3.7	3.7	4.1	+12%	+15%
<b>Worldwide</b>	<b>70.2</b>	<b>67.3</b>	<b>59.4</b>	<b>74.0</b>	<b>+25%</b>	<b>+5%</b>

\* JD Power estimates

# Performance of FY sales on a like-for-like basis

In euro million



# OE and Aftermarket sales

In euro million and YoY variation

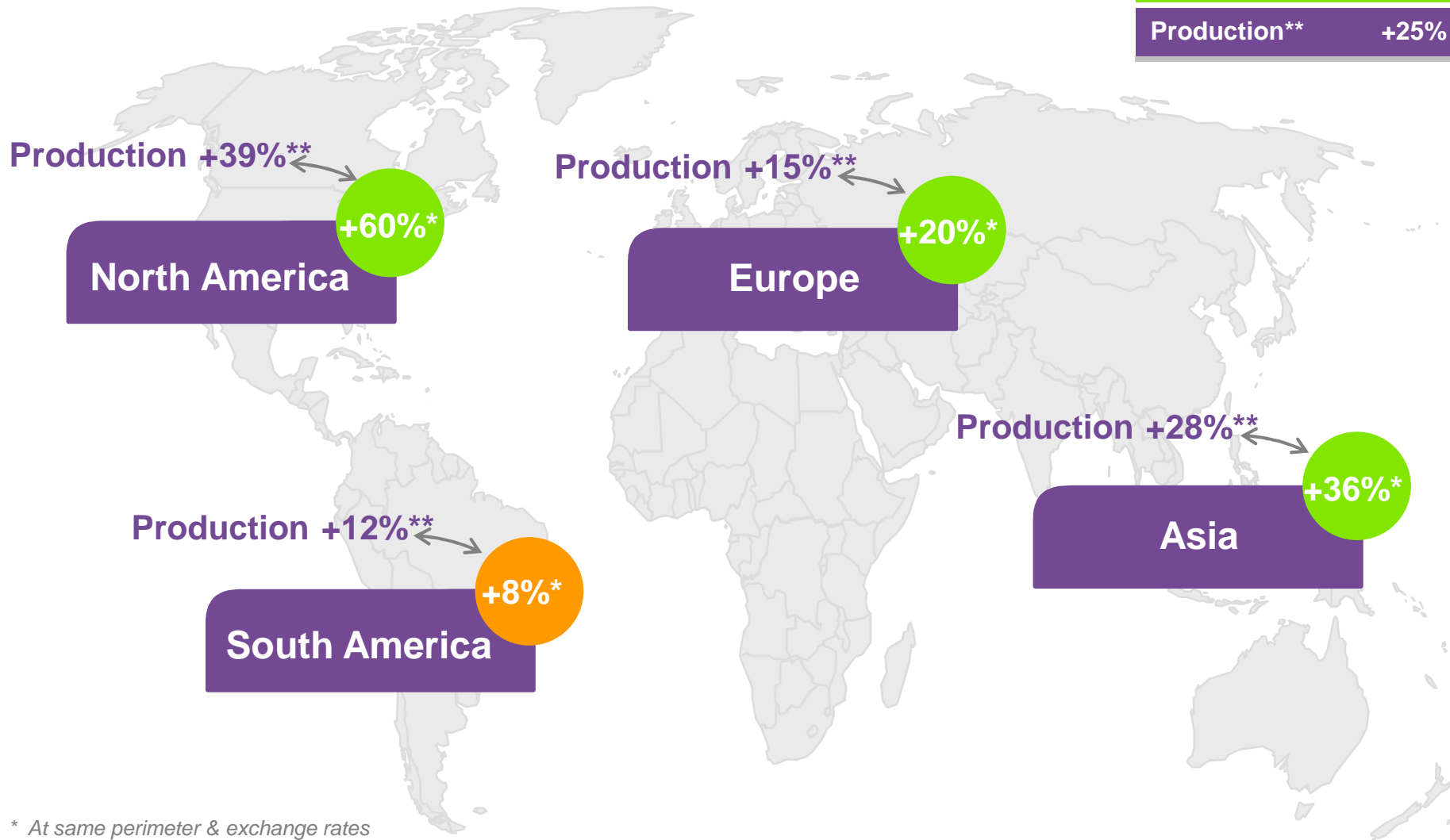
	FY-09	FY-10	▲	
<b>Original Equipment</b> <i>as % of sales</i>	6,029 80%	7,952 83%	+32%	+27%*
<b>Aftermarket</b> <i>as % of sales</i>	1,242 17%	1,445 15%	+16%	+14%*
<b>Miscellaneous</b> <i>as % of sales</i>	228 3%	235 2%	+3%	-4%*
<b>Sales</b>	7,499	9,632	+28%	+24%*

\*At same perimeter and exchange rates

# Outperforming our main regions

Full Year OE sales outperforming the market by 2pts

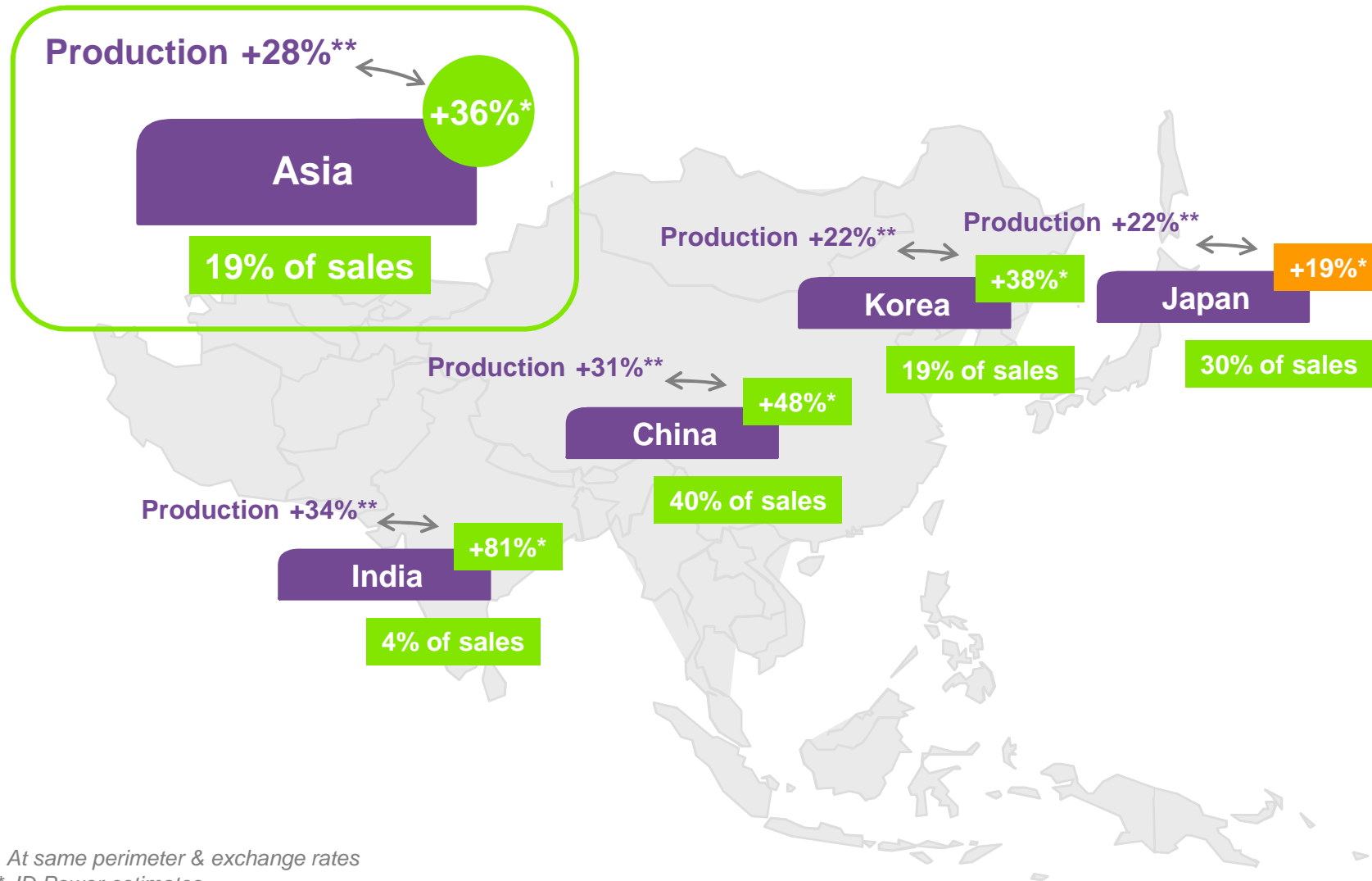
World	YOY
Valeo OE Sales*	+27%
Production**	+25%



\* At same perimeter & exchange rates

\*\* JD Power estimates

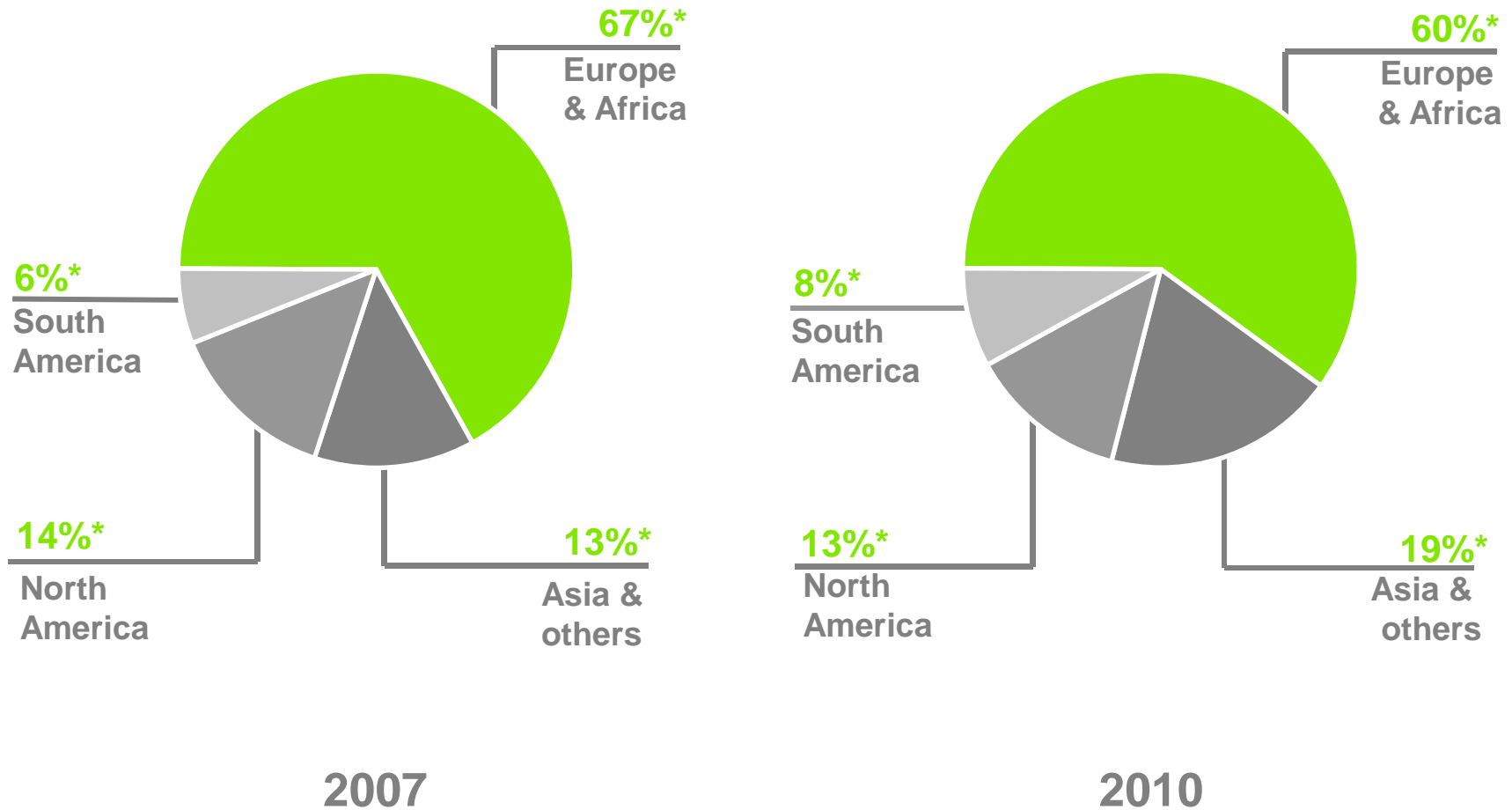
# Outperforming Asian market by 8 Pts



\* At same perimeter & exchange rates  
\*\* JD Power estimates

# Rebalanced geographical exposure

Increasing position in Asia at 19% of OE sales

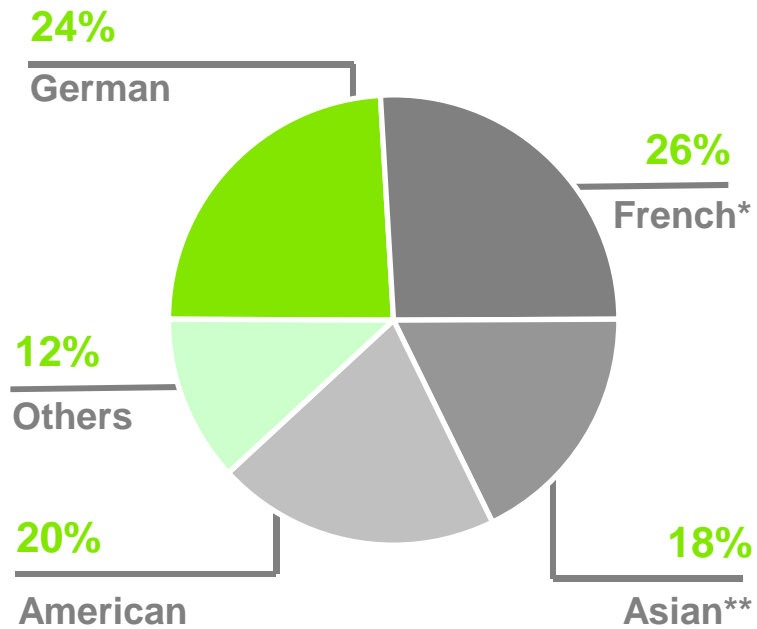


\* In % of OE light vehicle sales

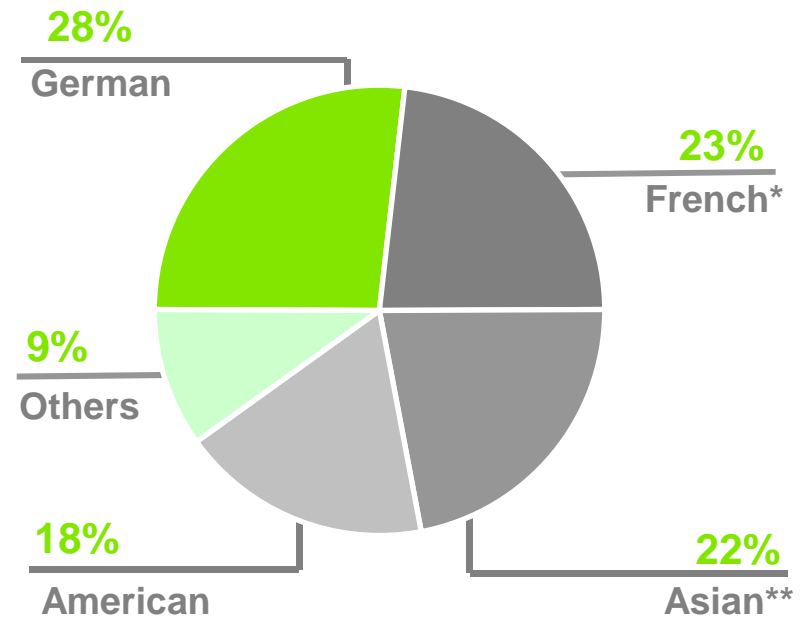
# Continued evolution of customers exposure

Increasing position towards German and Asian customers

In % of OE sales



2007



2010

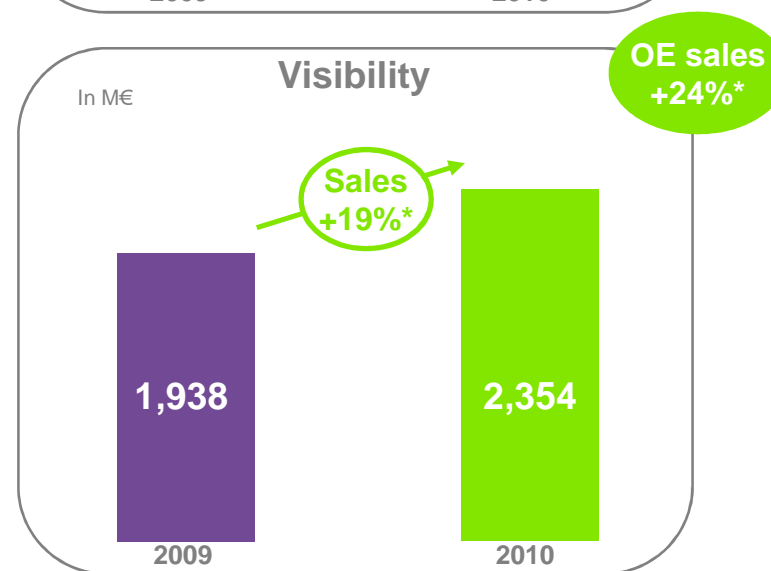
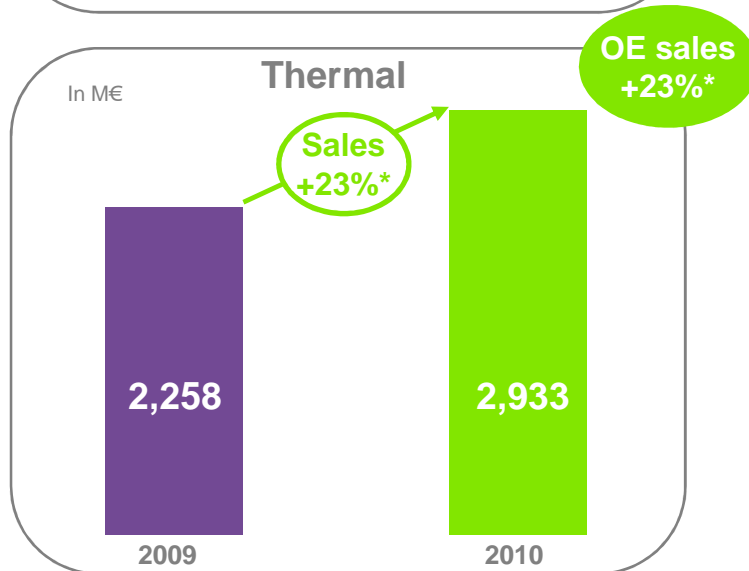
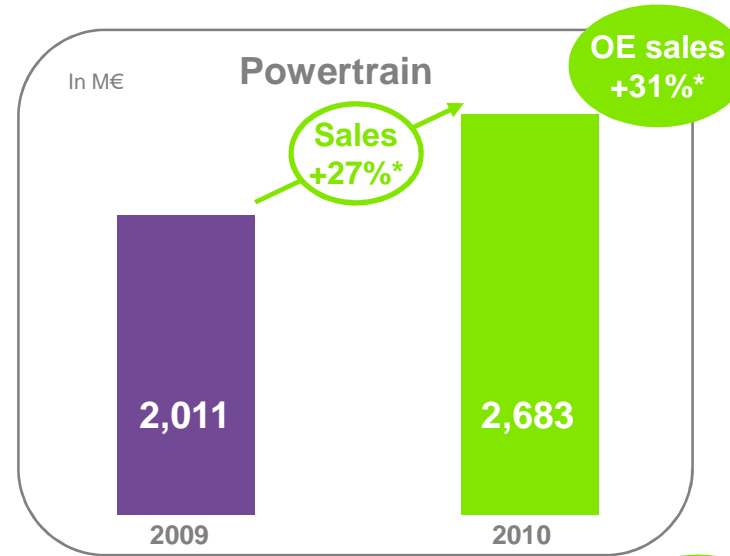
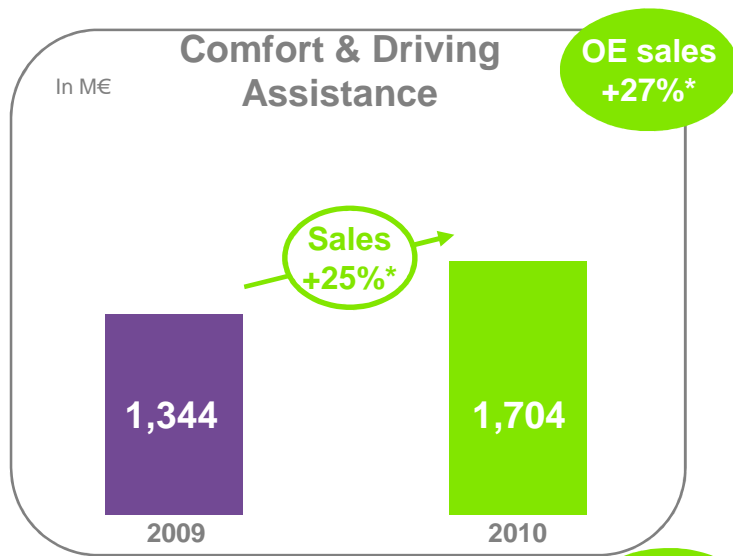
\* Excluding Nissan

\*\* Including Nissan

# BG outperformance

OE sales in line or higher than automotive production

Worldwide Production\*\* (YoY) +25%

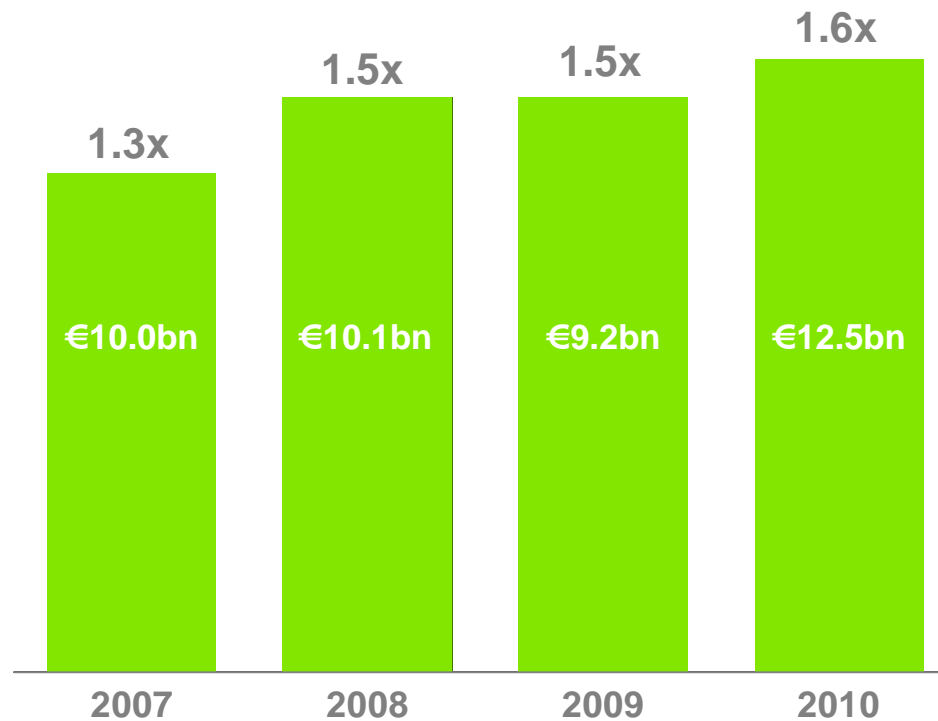


\* At same perimeter and exchange rate \*\* JD Power light vehicle production estimates

# Order intake at record high

€12.5 bn in 2010

## Order Intake / OE Sales ratio





Operating margin<sup>(1)</sup> at 6.4% of sales  
and net result at 3.8% of sales

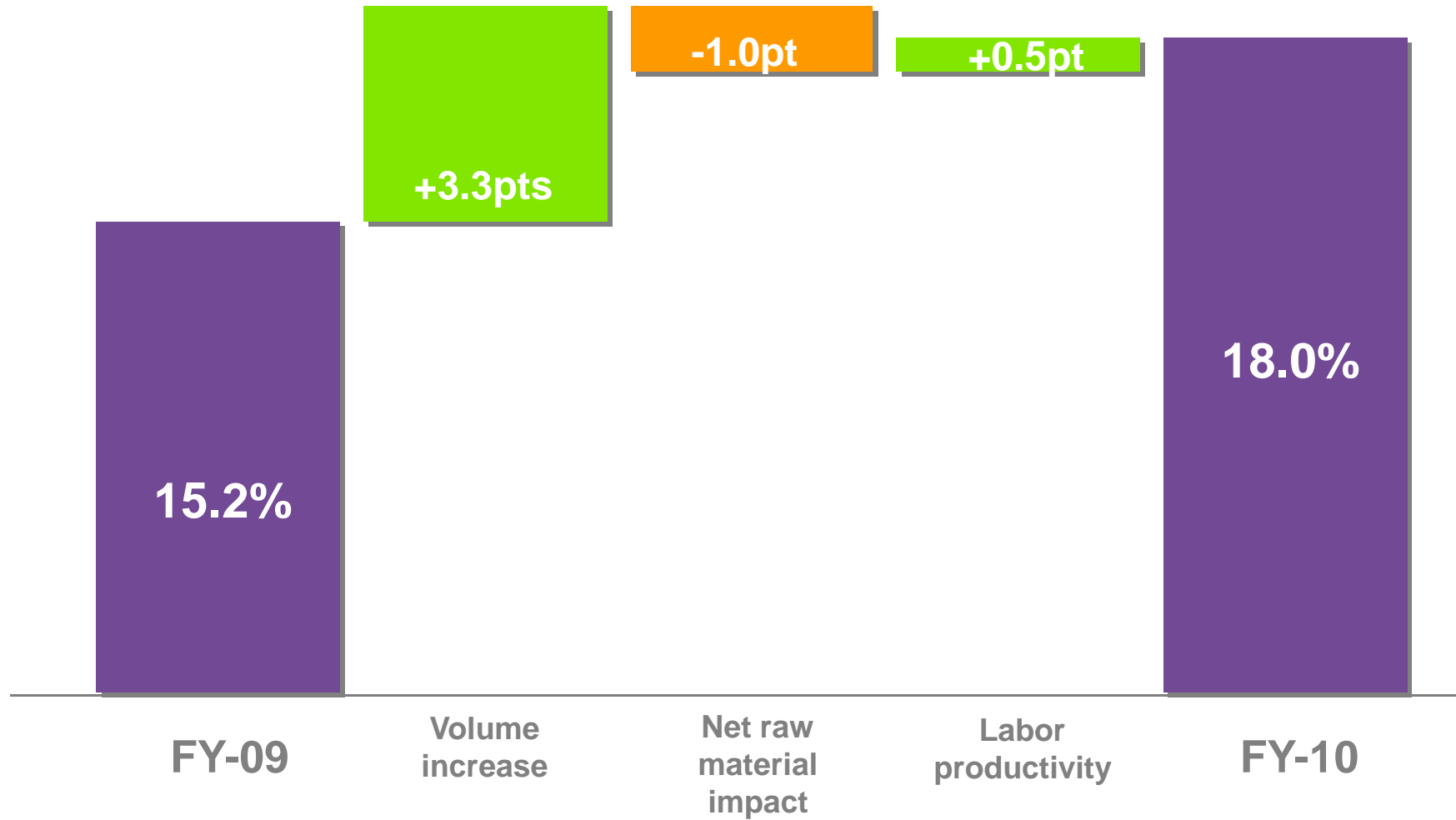
## FY-10 results

Operating margin<sup>(1)</sup> at 6.4% of sales

In euro million	FY-09	FY-10	▲
Total sales	7,499	9,632	+28%
Gross margin	1,138	1,735	+53%
<i>% of sales</i>	15.2%	18.0%	+2.8pts
Net R&D	(473)	(537)	+14%
<i>% of sales</i>	-6.3%	-5.6%	-0.7pt
SG&A expenses	(532)	(581)	+9%
<i>% of sales</i>	-7.1%	-6.0%	-1.1pt
Operating margin <sup>(1)</sup>	133	617	+364%
<i>% of sales</i>	1.8%	6.4%	+4.6pts
Operating income	84	590	+602%
<i>% of sales</i>	1.1%	6.1%	+5.0pts
Net result	(153)	365	na
<i>% of sales</i>	-2.0%	3.8%	+5.8pts

# Gross margin walkdown

As % of sales



# 2010 raw material headwind

€1.3 bn of raw material purchased

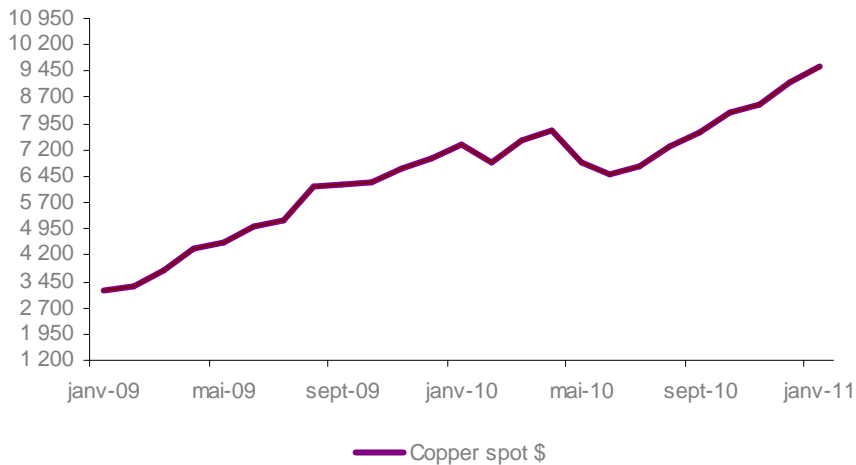
## Aluminum

In \$ per ton



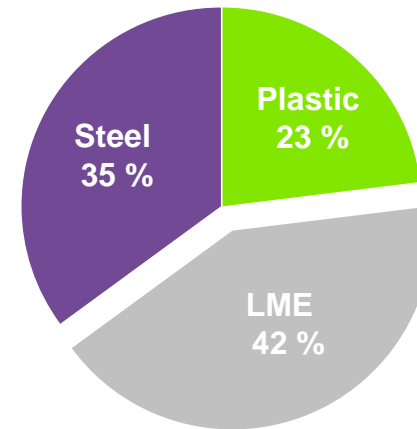
## Copper

In \$ per ton

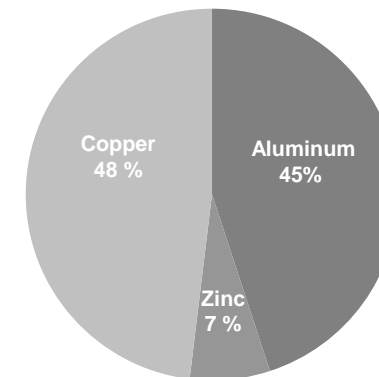


## Share of raw material

In % of total raw material consumption



Breakdown of Valeo LME consumption

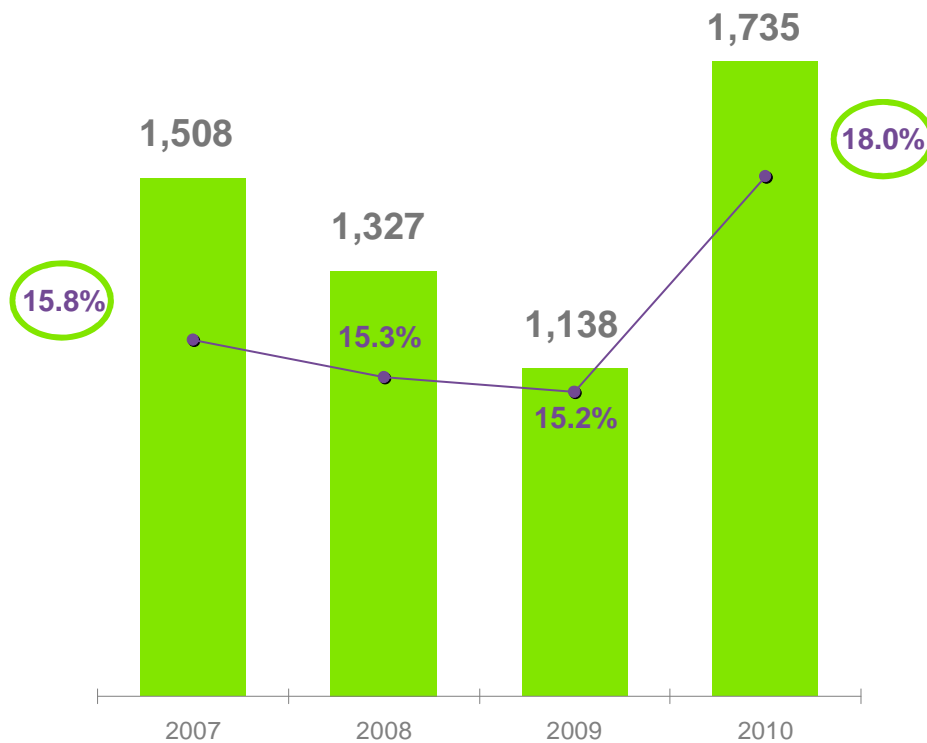


# Gross margin improvement

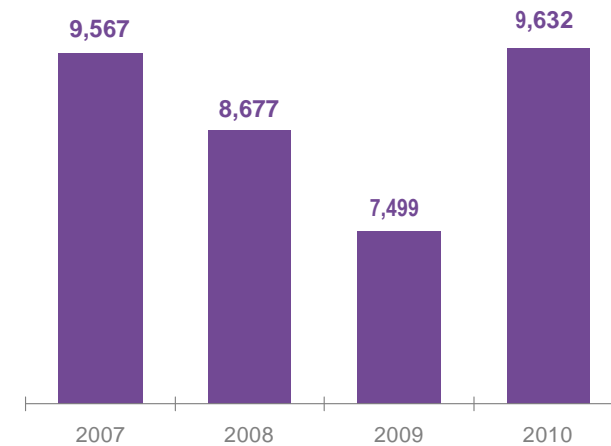
Streamlining the organization for a lightened cost structure

## Gross margin

(in € million & as % of sales)

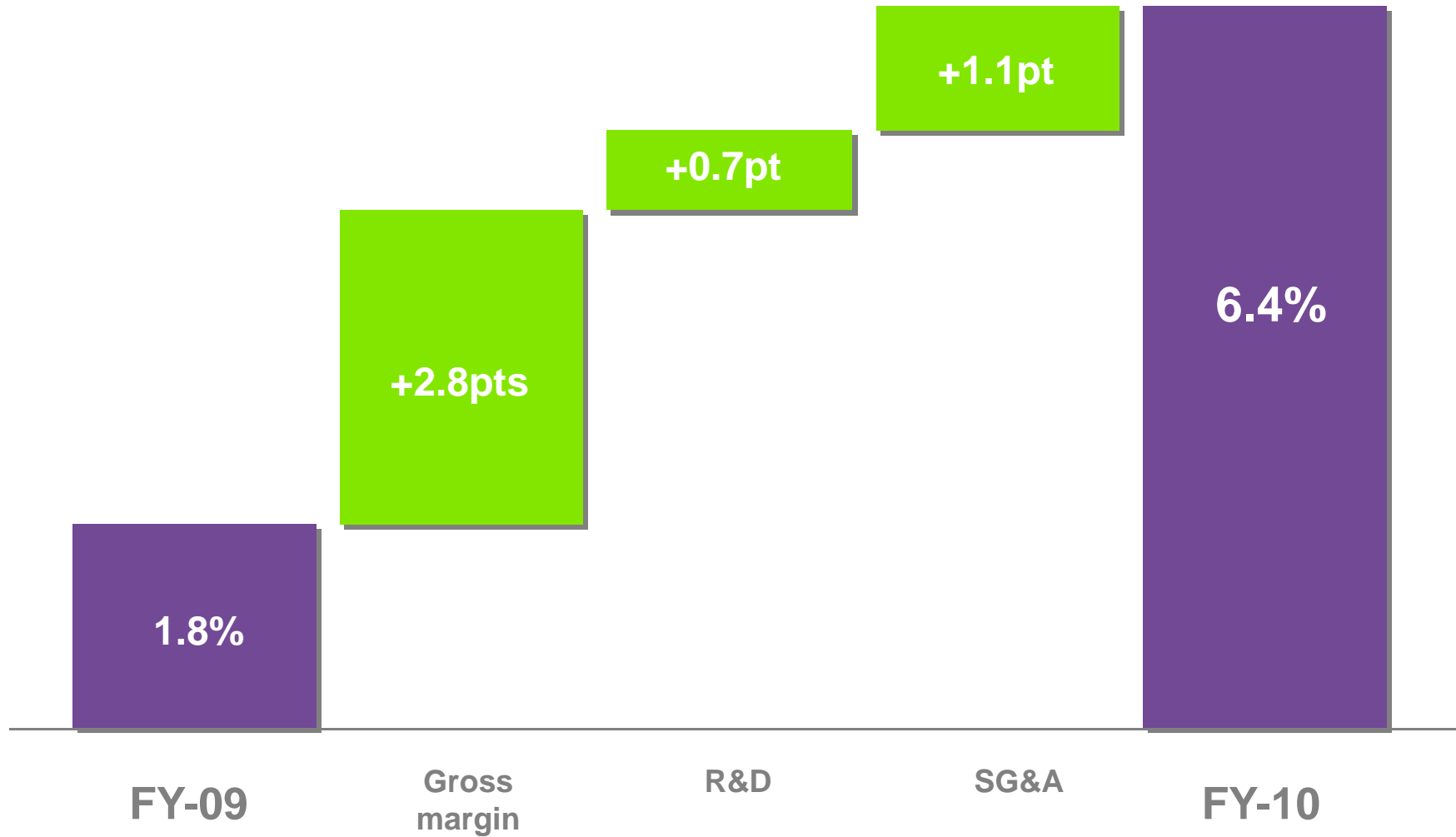


Sales  
(in € million)



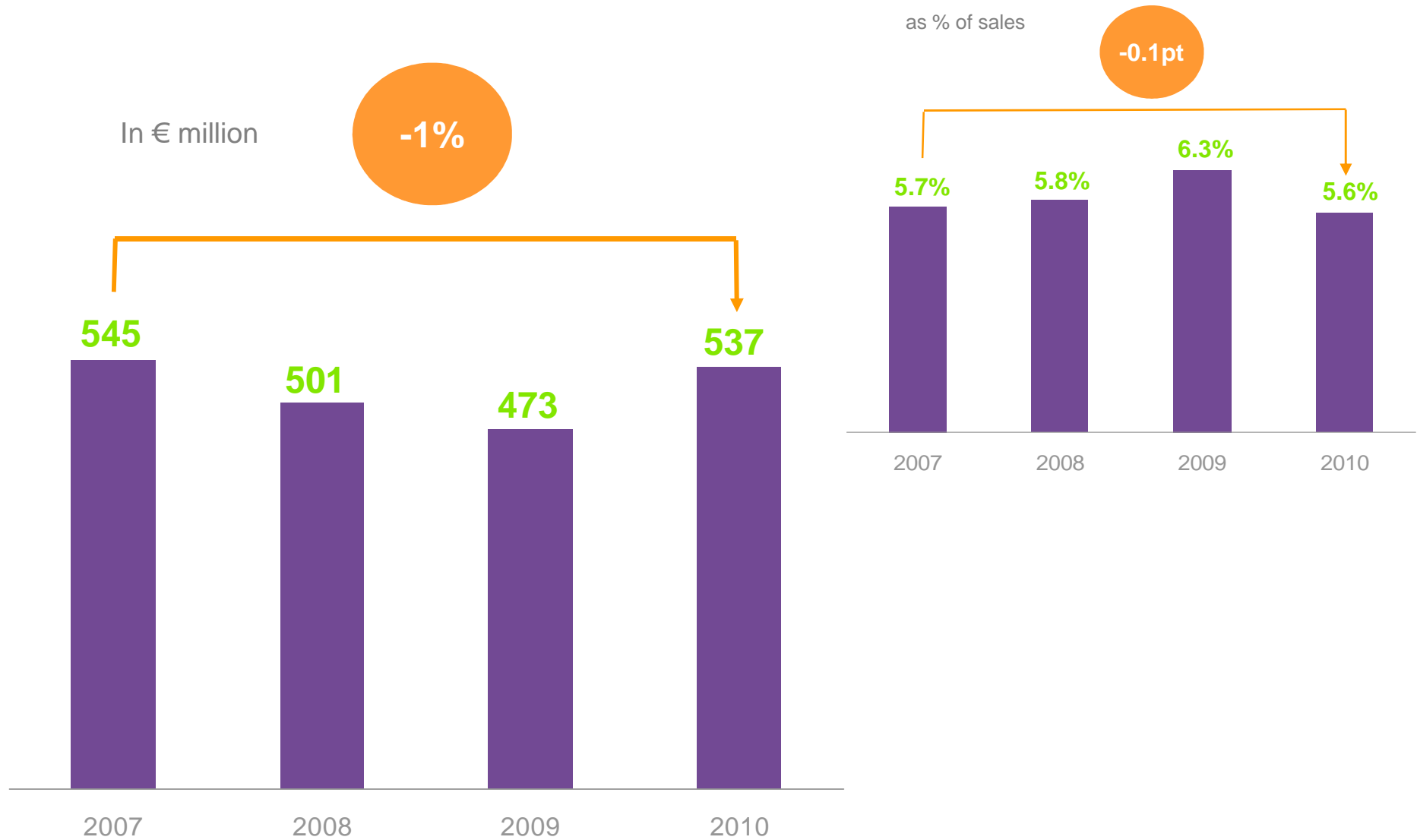
# Operating margin<sup>(1)</sup> walkdown

As % of sales



# Net R&D expenses

R&D efforts sustained to comply with order intake at record high

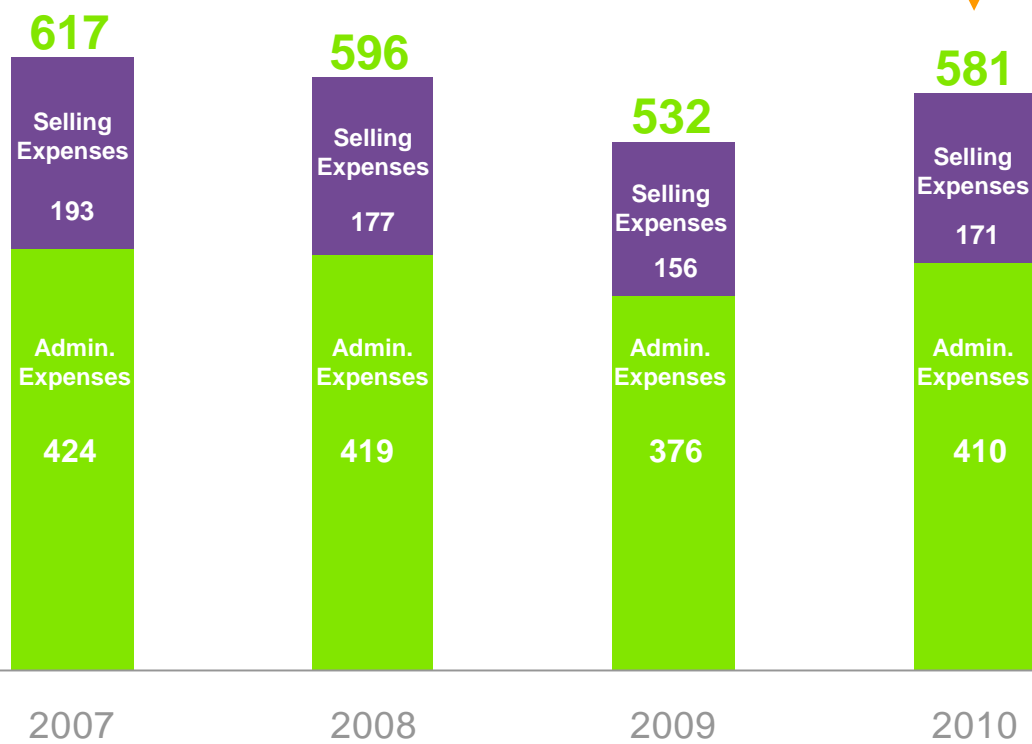


# SG&A expenses

New organization implementation on track

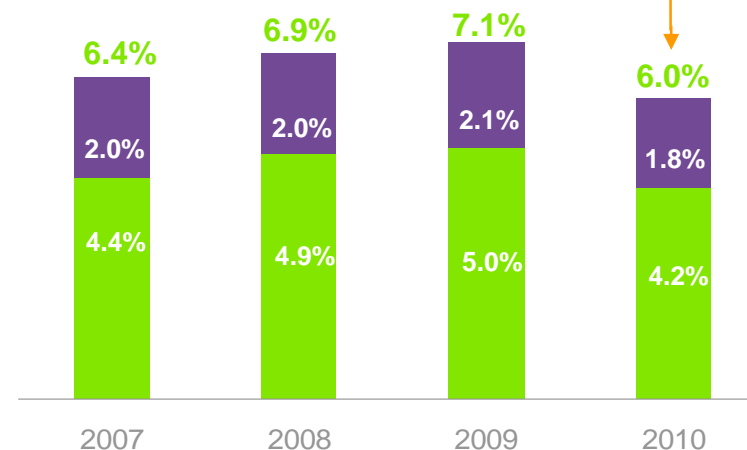
In € million

-6%



As % of sales

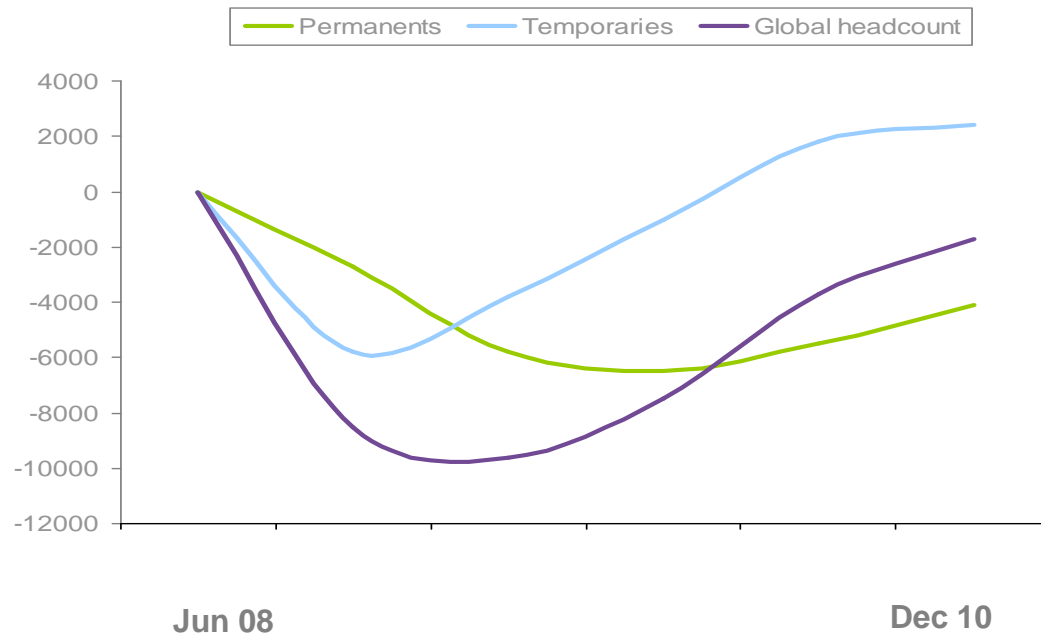
-0.4 pt



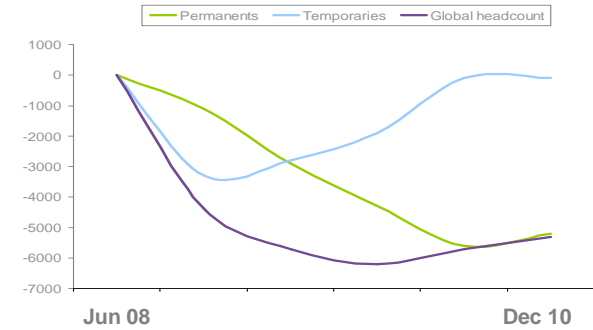
# Worldwide headcount evolution

## Cost structure adapted to industrial footprint

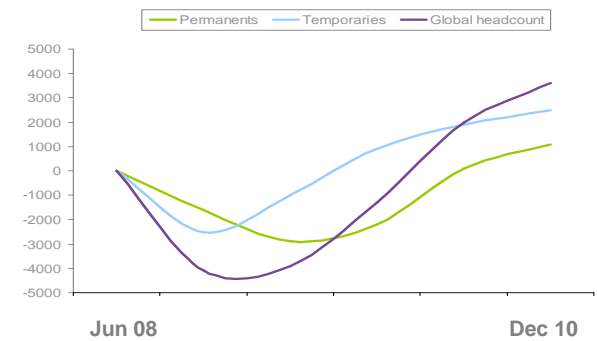
vs situation end of H1-2008



### Mature countries



### Competitive cost countries



## Break even point under strict control at €7.6 bn

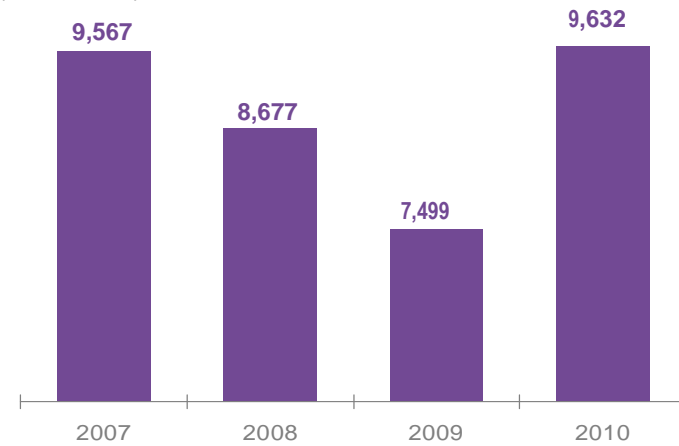
Below the €8 bn target, in a context of a strong activity recovery

	2010 vs 2009	2010 vs 2007
<b>Sales</b>	<b>+28%</b> € +2.1 bn	<b>+1%</b> € +0.1 bn
<b>Break even point</b>	<b>+7%</b> € +0.5 bn	<b>-10%</b> € -0.8 bn
<b>Fixed costs</b>	<b>+7%</b>	<b>-8%</b>
<b>Margin/variable costs</b>	<b>-0.2pt</b>	<b>+0.5pt</b>
<b>Operating margin<sub>(1)</sub></b>	<b>+4.6pts</b>	<b>+2.8pts</b>

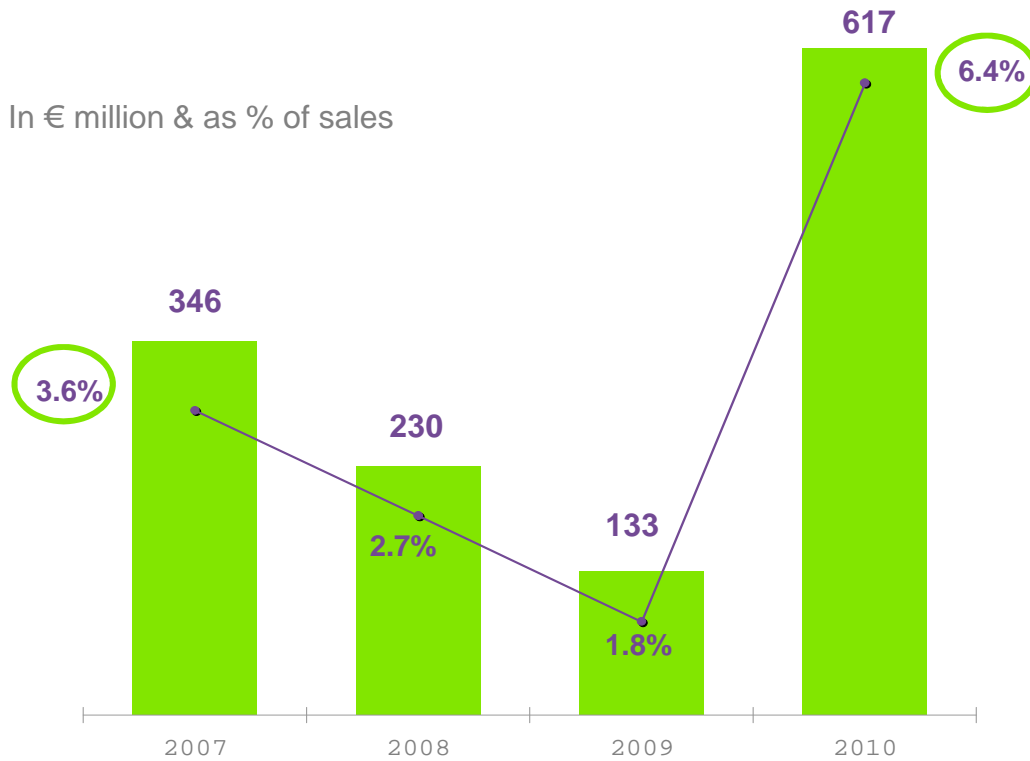
# Operating margin<sup>(1)</sup>

Operating margin<sup>(1)</sup> at 6.4% of sales

Sales  
(in € million)



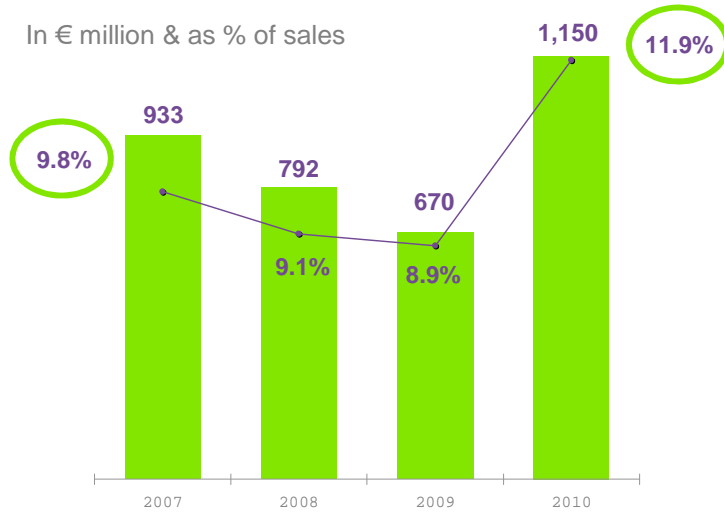
In € million & as % of sales



# EBITDA<sup>(5)</sup>

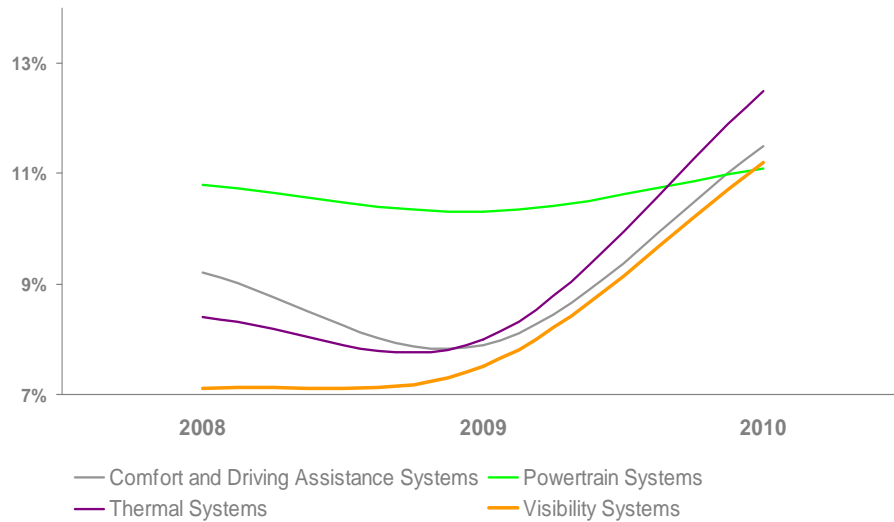
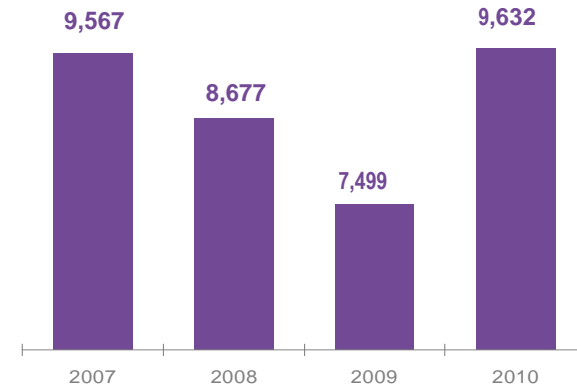
## Convergence of BG operating performance

In € million & as % of sales



### Sales

(in € million)

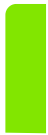


	2010
<b>Comfort &amp; Driving Assistance</b> <i>as % of sales</i>	<b>11.5 %</b>
<b>Powertrain</b> <i>as % of sales</i>	<b>11.1 %</b>
<b>Thermal</b> <i>as % of sales</i>	<b>12.5 %</b>
<b>Visibility</b> <i>as % of sales</i>	<b>11.2 %</b>
<b>TOTAL</b>	<b>11.9 %</b>

## FY-10 Results

Improvement of the net income to 3.8% of sales

In € million	FY-09	FY-10	▲
Total sales	7,499	9,632	+28%
Operating margin <sup>(1)</sup> <i>as % of sales</i>	133 1.8%	617 6.4%	+364% +4.6pts
Other income & expenses <i>as % of sales</i>	(49) -0.7%	(27) -0.3%	-45% +0.4pt
Operating income <i>as % of sales</i>	84 1.1%	590 6.1%	+602% +5.0pts
Cost of net debt	(60)	(67)	+12%
Other financial expenses	(57)	(32)	-44%
Associates	(34)	(1)	na
Income before taxes	(67)	490	na
Taxes	(79)	(104)	+32%
Effective tax rate	na	21%	na
Non strategic activities	0	(2)	na
Minority interest and others	(7)	(19)	na
Net income	(153)	365	na



ROCE<sup>(4)</sup> higher than 30%

## Capital turnover of 5.0

Strict management of capital employed

Capital employed of €1.9 bn

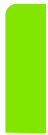
- Working capital further improved by €35 M at (€335 M)
- Strict control of capex = 80% of depreciation

Capital turnover  
2010 = 5.0

# ROCE

2010 profitability reaching 2013 financial targets

	FY-07	FY-09	FY-10	2013 targets (March 2010, Investor's day)
Total sales	€9.6 bn	€7.5 bn	€9.6 bn	€10.0 bn
Operating margin <sub>(1)</sub>	3.6%	1.8%	6.4%	6 - 7 %
Capital turnover	4.0	4.0	5.0	5.0
ROCE <sub>(5)</sub>	14%	7%	32%	≥ 30%



Net cash flow<sup>(2)</sup> generation  
of €440 m

# Strong net cash flow<sup>(2)</sup> generation of €440 M

## Key factors

### ■ Operating performance

→ EBITDA<sup>(5)</sup> at €1,150 M (11.9% of sales)

### ■ Operating working capital

→ Further improvement by €35 M

### ■ Capex

→ Limited to 80% of depreciation in 2010



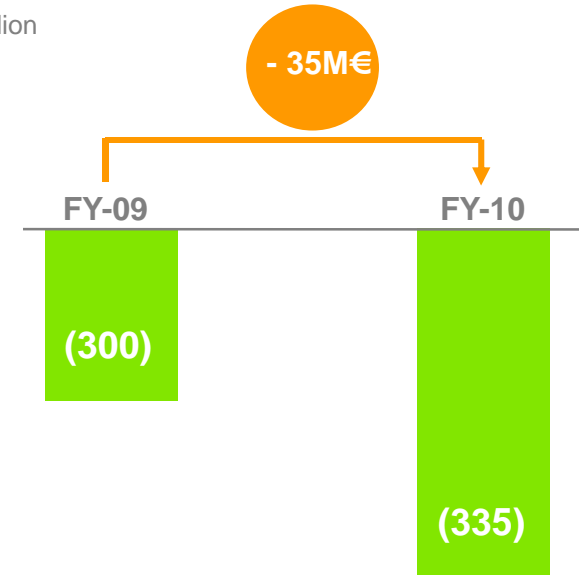
**Net cash flow<sup>(2)</sup>  
of  
€440 M**

# Working capital and Capex

## Under strict control

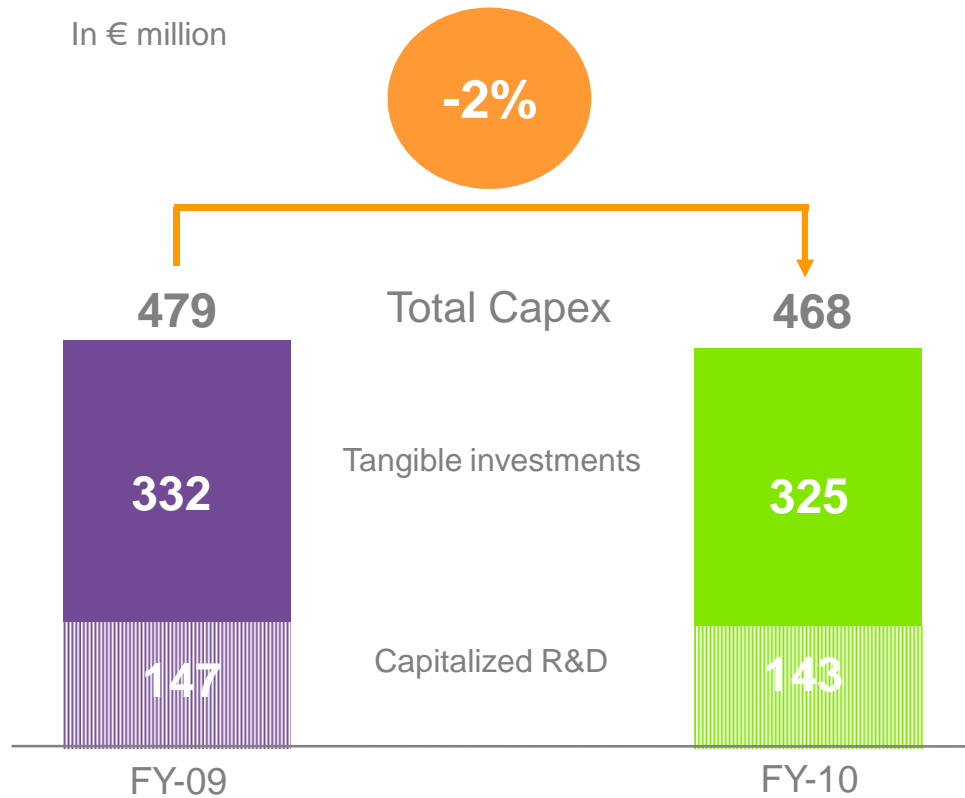
Further improvement of operating working capital

In € million



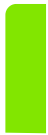
Tangible investments at 80% of depreciation

In € million



## Cash generation of €440 m

in € million	FY-09	FY-10	▲
<b>EBITDA<sub>(5)</sub></b>	670	1,150	+72%
Operating working capital	214	31	-85%
Restructuring & social costs	(165)	(72)	-56%
Other operational items	(120)	(118)	-2%
Capex	(444)	(464)	+4%
<b>Free cash flow</b>	155	527	+241%
Interest	(48)	(52)	+8%
Other financial items	(8)	(35)	+339%
<b>Net cash flow<sub>(2)</sub></b>	99	440	+344%
<b>Net financial debt<sub>(3)</sub></b>	722	278	-61%



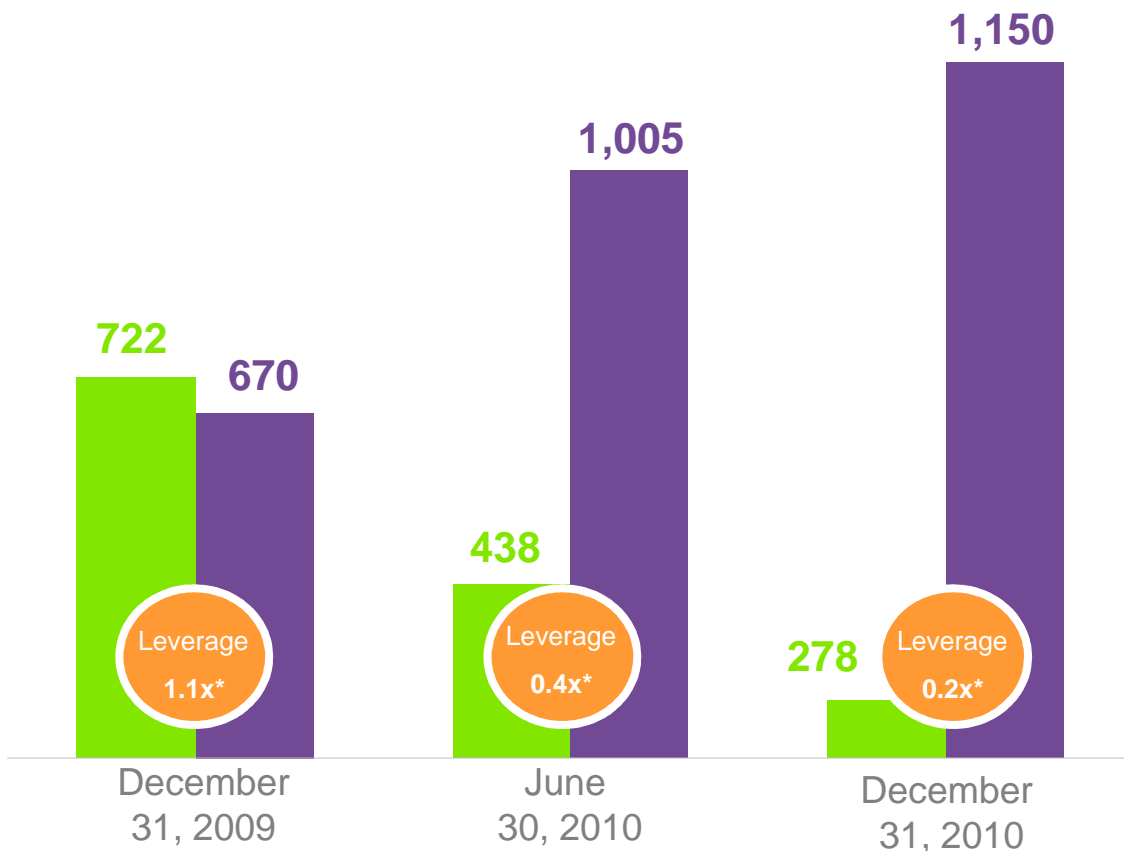
Debt reduction of €444 m  
coherent with our target:  
back to investment grade

# Debt ratios

Target: back to "Investment grade"

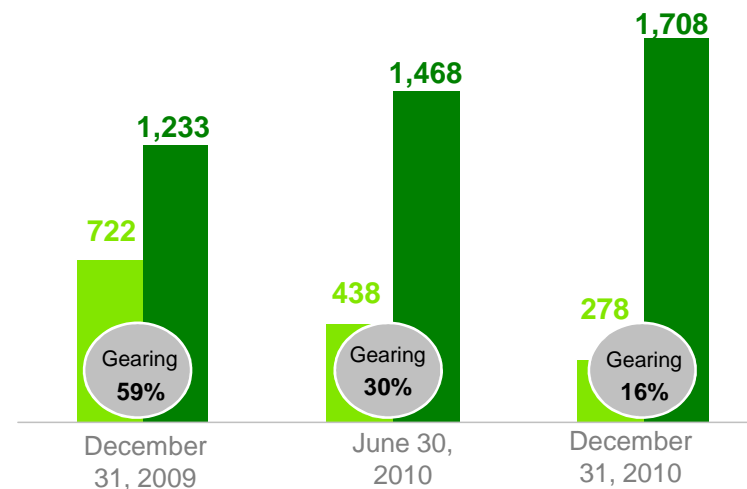
## Net financial debt<sub>(3)</sub> over EBITDA<sub>(5)</sub>

Net debt<sub>(3)</sub> (M€)      EBITDA<sub>(5)</sub> 12 months rolling (M€)



## Shareholders' equity and net debt

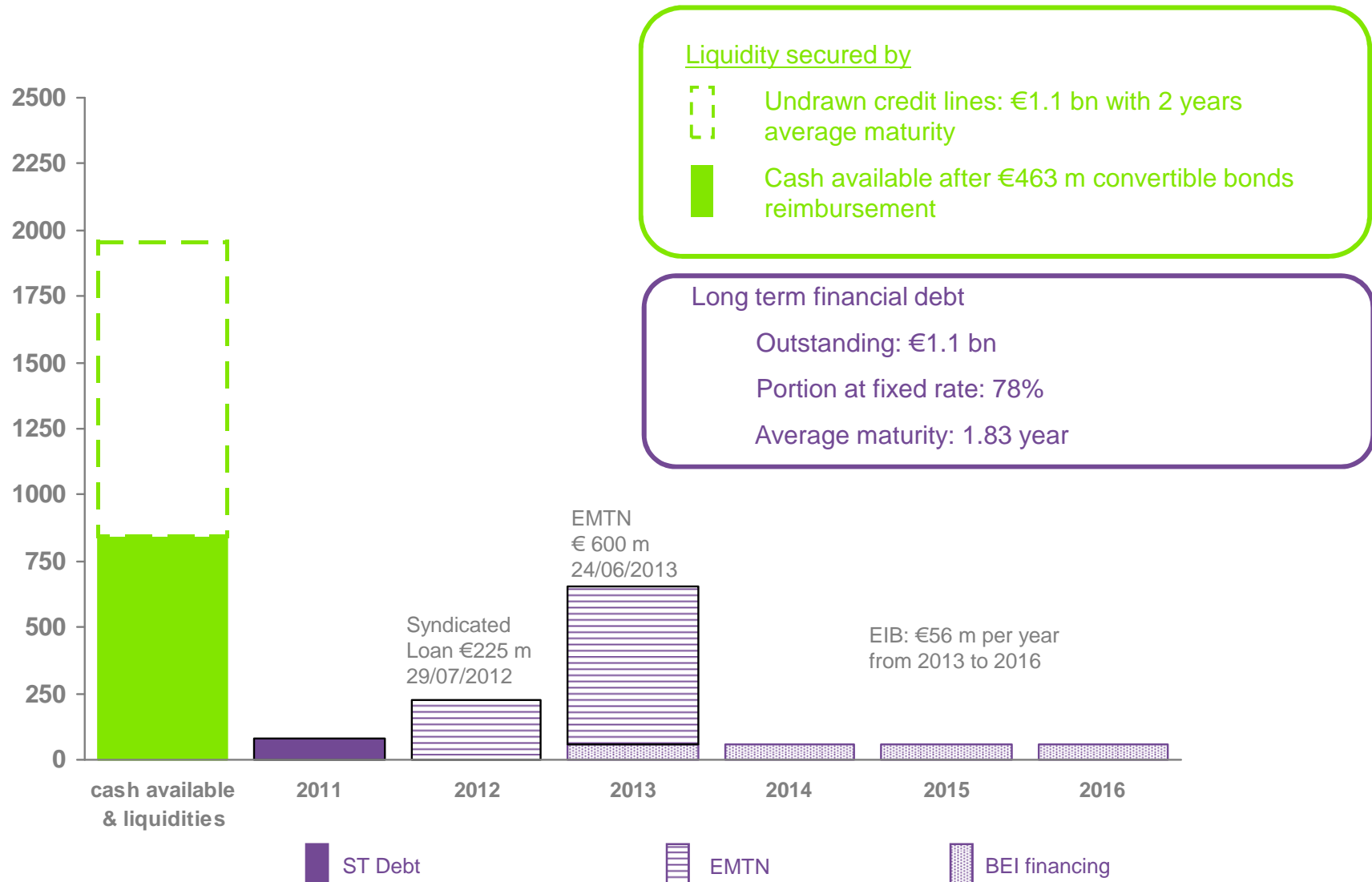
Net debt<sub>(3)</sub> (M€)      Shareholders' equity (M€) excluding minority interests



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

# Financial resources after convertible reimbursement

After January 1, 2011



## FY-10 highlights

Ahead of the strategic plan disclosed in March 2010

- Sales of €9,632 m increasing by 28%
- Operating margin<sub>(1)</sub> of €617 m (6.4% of sales)
- Net result of €365 m (3.8% of sales)
- Earning per share of €4.86
- ROCE<sub>(4)</sub> > 32%
- Net cash<sub>(2)</sub> generation of €440 m
- Net debt<sub>(3)</sub> lowered by €444 m at €278 m as of December 31, 2010
- Order intake at record level of €12.5 bn
- Dividend distribution of €1.20 per share to be proposed



# Acquisition of Niles

# Niles, a leading player in Asia

## Niles key figures (January to December 2010)

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

## A comprehensive product portfolio in Interior Controls

- Steering Column Switches
- Switches for Interior trim
- Door Switches
- Power Train and Pedal



# Niles, a leading player in Asia

## Rationale

- Increase exposure of Valeo in Asia
- Rebalance Comfort and Driving Assistance customer portfolio
- Cost synergies higher than 2% of sales



Valeo, new worldwide leader in Interior Controls

## Transaction

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

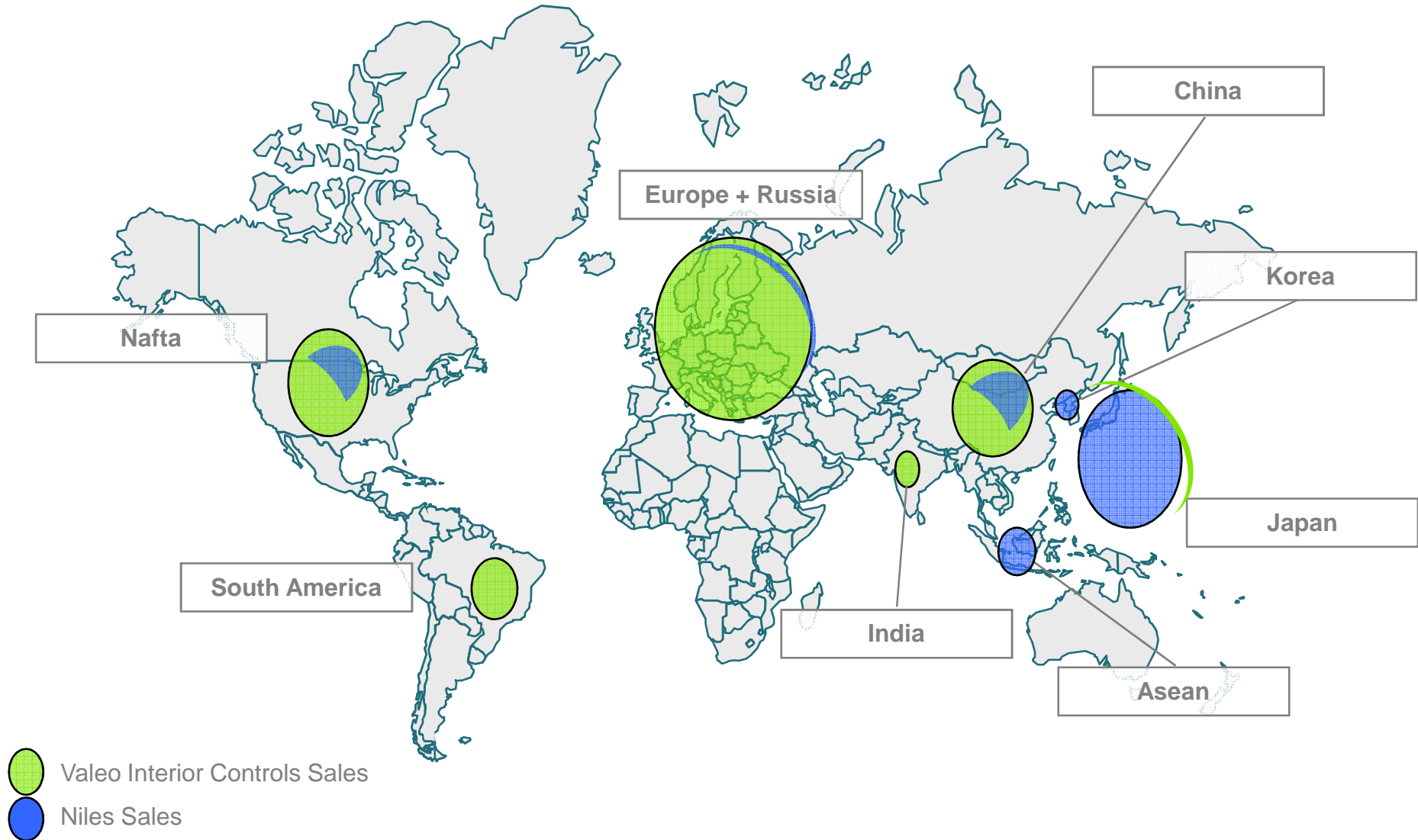
\*to be adjusted at closing

## Multiples

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

# Rebalanced geographic exposure

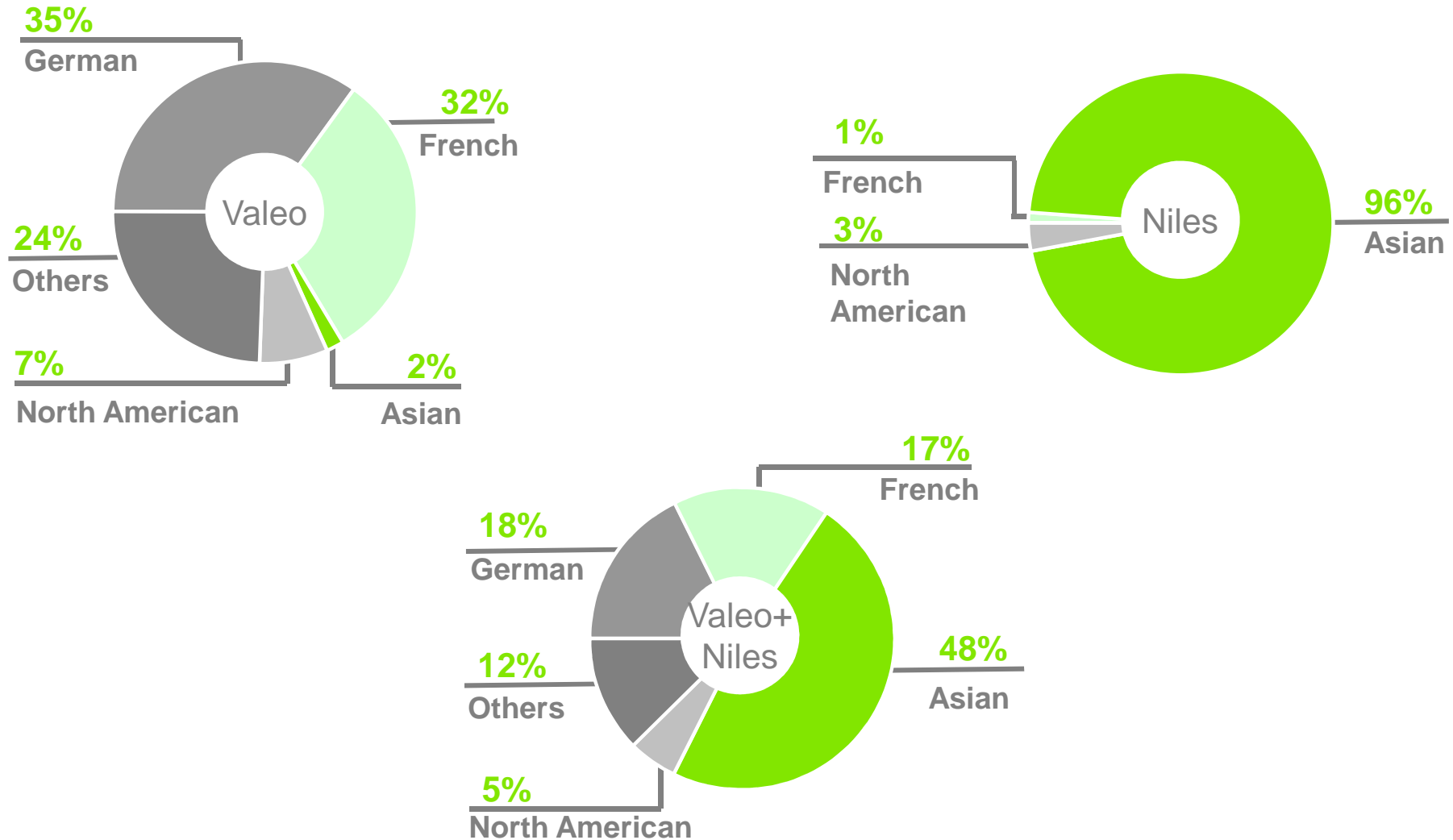
## Niles, a perfect match with Valeo



# Rebalanced customer portfolio

## Niles, a perfect match with Valeo

Interior Controls OEM sales





# 2011 outlook

# 2011 market assumptions

## Automotive production

(change YoY)	Full year
Europe (& Africa)	0%
Asia (& others)	+5%
North America	+8%
South America	+7%
<b>Worldwide</b>	<b>+5%</b>

## Raw material

	2011
<b>Under current raw material market conditions</b>	
■ Aluminum (\$/T)	2,500
■ Copper (\$/T)	9,500
■ Zinc (\$/T)	2,400

# Valeo raw material risk management policy

## ■ LME

- Pass through for 65% of purchasing
- Balance (35%) hedged with 6 months rolling forward derivative contracts

**FY: 85% of risk neutralized**

## ■ Steel

- Pass through for 50% of purchasing
- Non quoted commodity

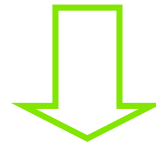
**FY: pass through for 50%**

## 2011 outlook

Based on:

Automotive production assumptions

Raw material indexation clause and  
LME hedging in place



OE sales outperformance in our main regions

2011 operating margin rate slightly higher than 2010

# INVESTOR DAY

March 9, 2011  
In Paris



### Investor Relations

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# Share Information

## Share Data

▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 31.12.2010	78,209,617

## ADR Data

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

# Glossary

- (1) Operating margin corresponds to operating income less other income and expenses*
- (2) Net cash flow corresponds to free cash flow less financial expenses and after taking into account the payment of dividends and financial flows relating to mergers and acquisitions.*
- (3) Net financial debt includes all long-term financial debts, short-term credits and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents*
- (4) ROCE corresponds to operating margin/capital employed less goodwill calculated over the last 12 months*
- (5) EBITDA corresponds to operating income before amortization of tangible and intangible assets and depreciation.*

