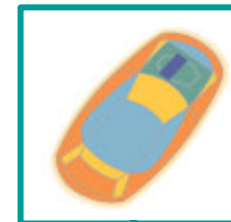




**2002 RESULTS
&
2003 OUTLOOK**

**Bruno-Roland Bernard,
Director of Financial Relations**

Key figures



(in million euro)

	First 9 months 2002*	Q4-2002*	2002	2001	Δ
• Sales	7,425	2,378	9,803	10,234	- 4%
• Gross Margin	1,275	427	1,702	1,675	
% sales	17.2%	18.0%	17.4%	16.4%	+1 pt
• Operating income	345	142	487	388	
% sales	4.6%	6.0%	5.0%	3.8%	+1.2 pt
• Net income before goodwill	172	58	230	(471)	
• Net income	99	36	135	(591)	
% sales	1.3%	1.5%	1.4%	(5.8%)	

*unaudited quarterly data

Sales & Market



Change in sales



• **2002 sales** **9.8 billion euros**

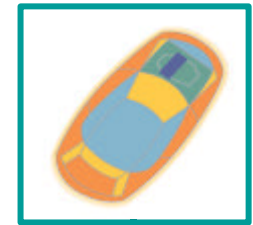
• **Gross variation** **- 4.2%**

- Changes in perimeter - 2.4 %

- Currencies - 1.4%

• **Net variation** **- 0.4 %**

Sales by region



North America

% sales: 24%

% change*: +1%

Production: +6%

Europe

% sales: 66%

% change*: -2%

Production: -2%

% sales: 3%

% change*: -2%

Production: -5%

South America

% sales: 6%

+Zexel JV, Ichikoh and others (~ 1,900 M euros)

% change*: +17%

Production: +10%

Asia

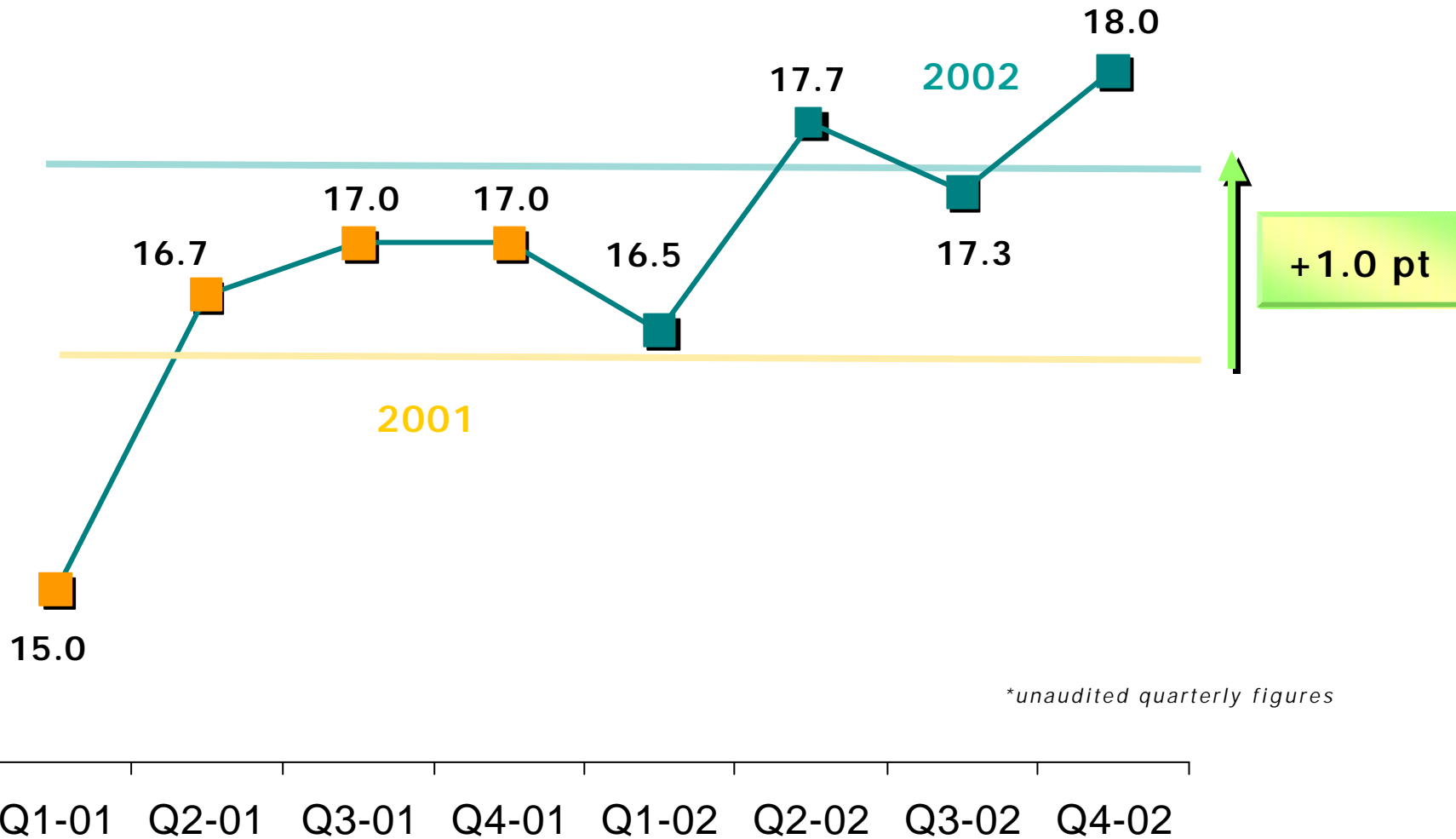
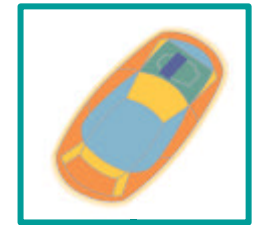
**at constant perimeter and currencies*

Results



Gross margin

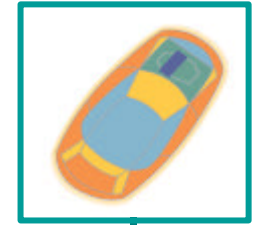
Quarterly improvement*



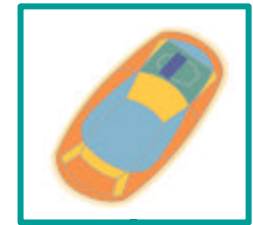
*unaudited quarterly figures



Gross margin Ongoing actions (1)

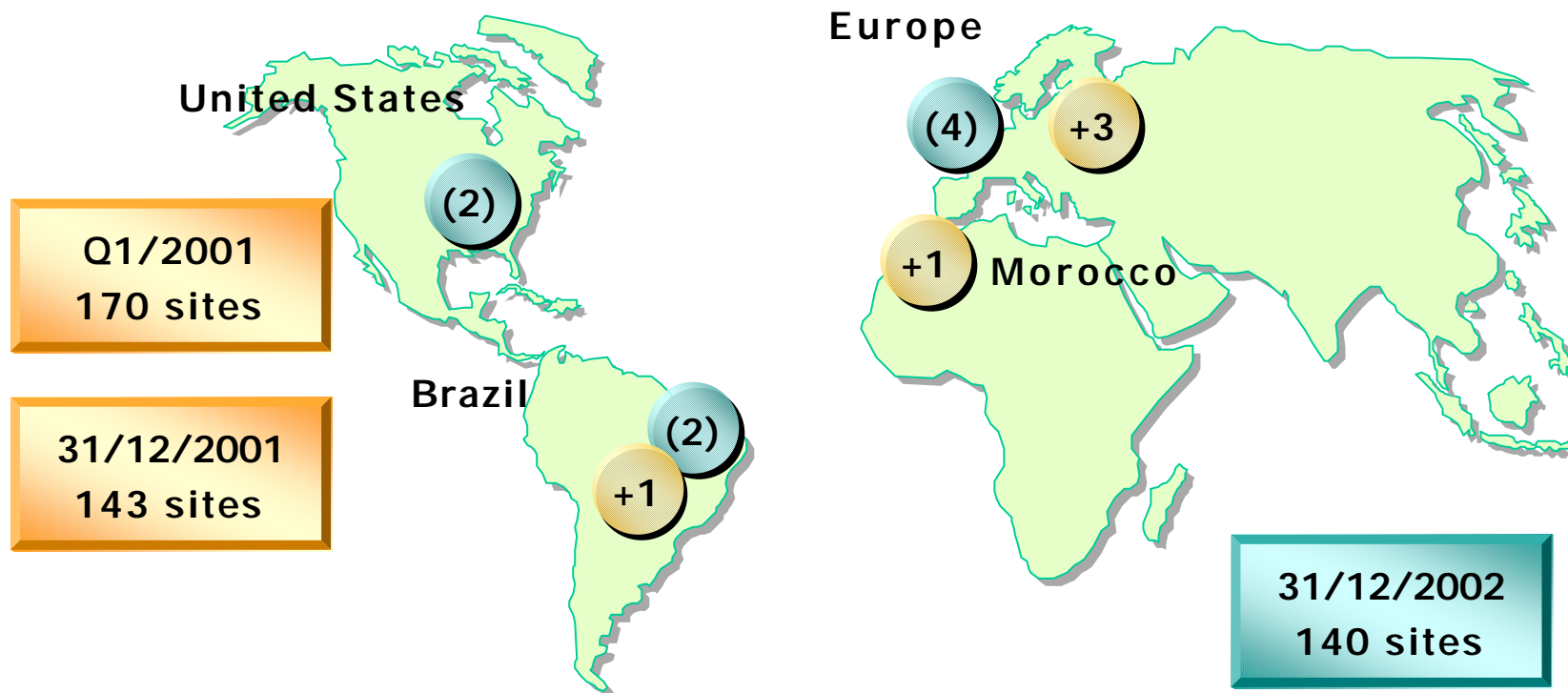


- Rationalization of industrial footprint
- Rationalization of logistics
- Increased supplier integration



● Rationalization of industrial footprint

- Geographical reorganization





Gross margin Ongoing actions (3)



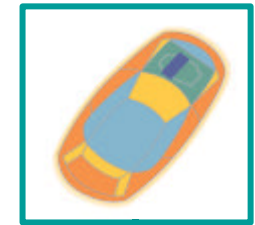
● Rationalization of industrial footprint

- Geographical reorganization
- Increased Standardization
 - Manufacturing process
 - Equipment
 - Components
- VESI



Gross margin

Ongoing actions (4)



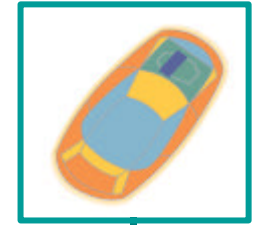
● Rationalization of industrial tool

- Geographical reorganization
- Increased standardization
- VESI

- Out of Chapter 11: September 2002
- Rochester headcount
 - mid-1998: 4,500
 - December 2001: 2,600
 - January 2003: 1,800
- Rochester Operating loss
 - 2001 : - 63 M\$
 - 2002 : - 33 M\$
- 2004 Goal:
 - < 1000 employees
 - . Wipers → Rochester
 - . Motors → Juarez



Gross margin Ongoing actions (5)



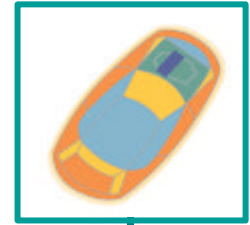
● Rationalization of industrial footprint

● Rationalization of logistics

- Implementation of new logistics function
- Reduced number of carriers
 - Q1-2001: 1,090
 - December 2001 : 875
 - December 2002 : 410
- Contribution to inventory level decrease

Gross margin

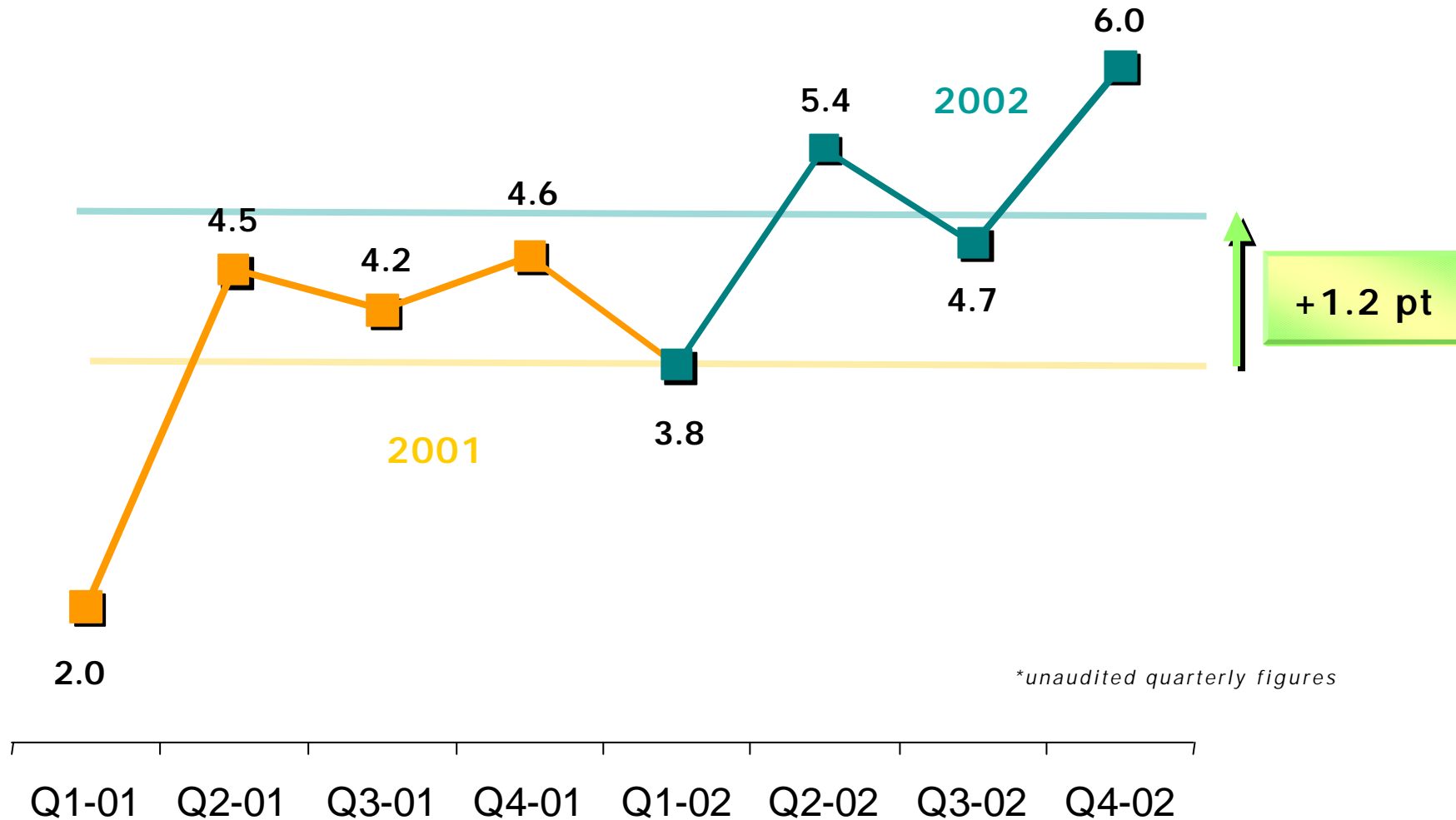
Ongoing actions (5)



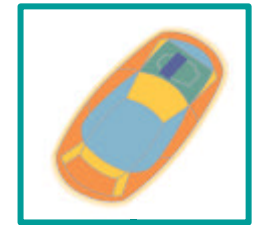
- Rationalization of industrial tool
- Rationalization of logistics
- **Increased supplier integration**
 - Volume concentration
 - Q1-2001: 4,500 suppliers
 - December 2001: 3,600 suppliers
 - December 2002: 3,000 suppliers
 - Valeo Integrated Partners : 80
 - « Give An Idea Now » program
 - Purchasing on line : 1 billion euros



Operating income Quarterly improvement*

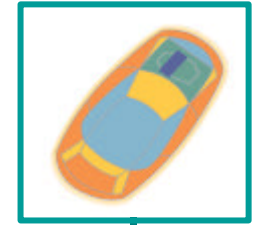


Operating income



(in million euro)

	2002	2001	Δ
Gross margin	1,702	1,675	
<i>% sales</i>	17.4%	16.4%	+ 1 pt
R & D	(577)	(619)	
<i>% sales</i>	5.9%	6.0%	
SG & A	(638)	(668)	
<i>% sales</i>	6.5%	6.5%	
Operating income	487	388	
<i>% sales</i>	5.0%	3.8%	+ 1.2 pt



- **Products containing asbestos never manufactured in North America**
- **Since 1989, asbestos eliminated from products in Europe**
- **Financial exposure**
 - Total risk hedged: 40 M euros
 - 35 M euros in provisions
 - 5 M euros covered by insurance

Pension benefits and related items

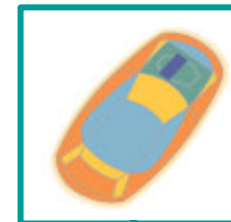


● **Obligations:** **851 M euros**

Hedge ratio: **89 %**

- provisions : 642 M euros
(incl. North America 277 M euros)
- invested assets : 118 M euros

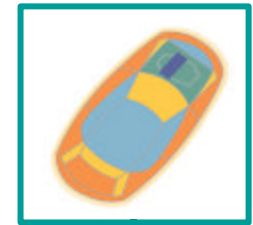
● **Equity risk limited to invested assets**
➔ no impact on 2002 results



(in million euro)

	2002	2001
• Operating income	487	388
• Financial expenses -net	(62)	(62)
• Other income and expenses - net	(74)	(738)
• Taxes	(106)	(42)
<i>Effective rate</i>	30.2%	<i>n.s.</i>
• Net income before goodwill	230	(471)
• Net income	135	(591)

Balance sheet & cashflow



• Net operational cash (before restructuring)	+1 032
– o/w change in operating working capital	+203
• Net CAPEX	- 583
• Balance before restructuring	+449
• Restructuring	-230
• Net cash from operating and investing activities	+ 219

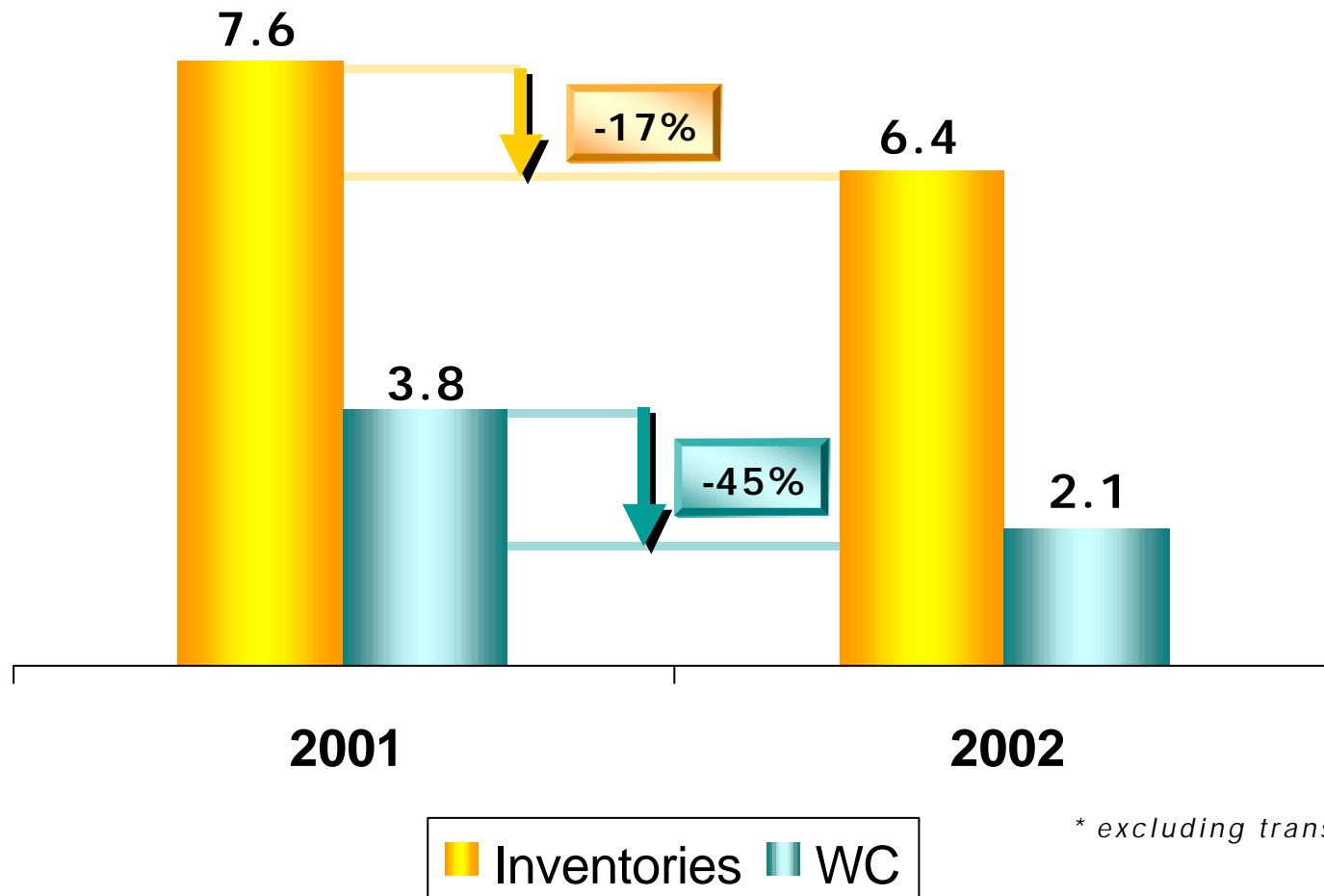
Net debt down by 84 M euros to 564 M euros



Industrial efficiency and working capital



(in % of sales)*

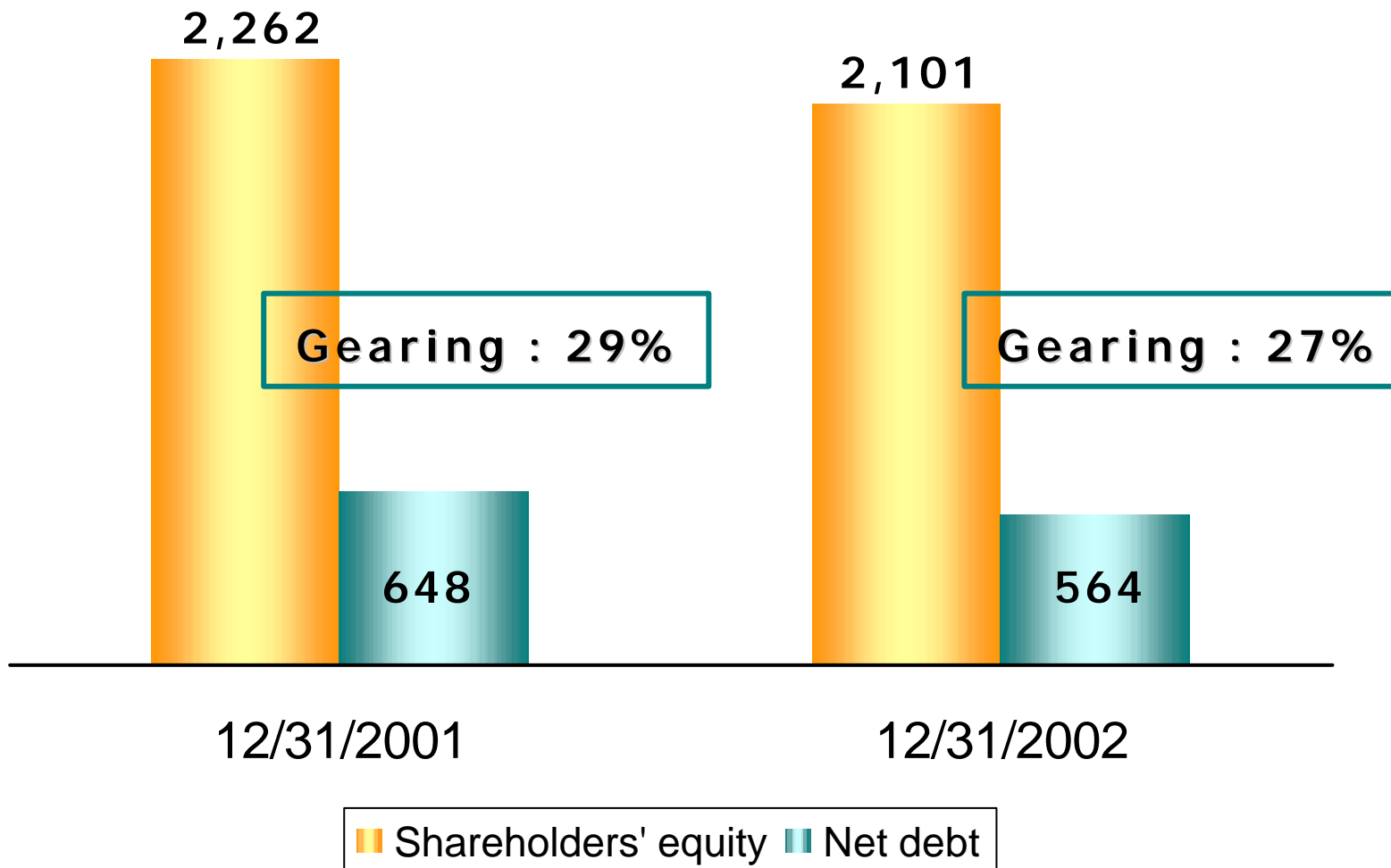


* excluding transferred business

Shareholders' equity / net debt



(in million euro)

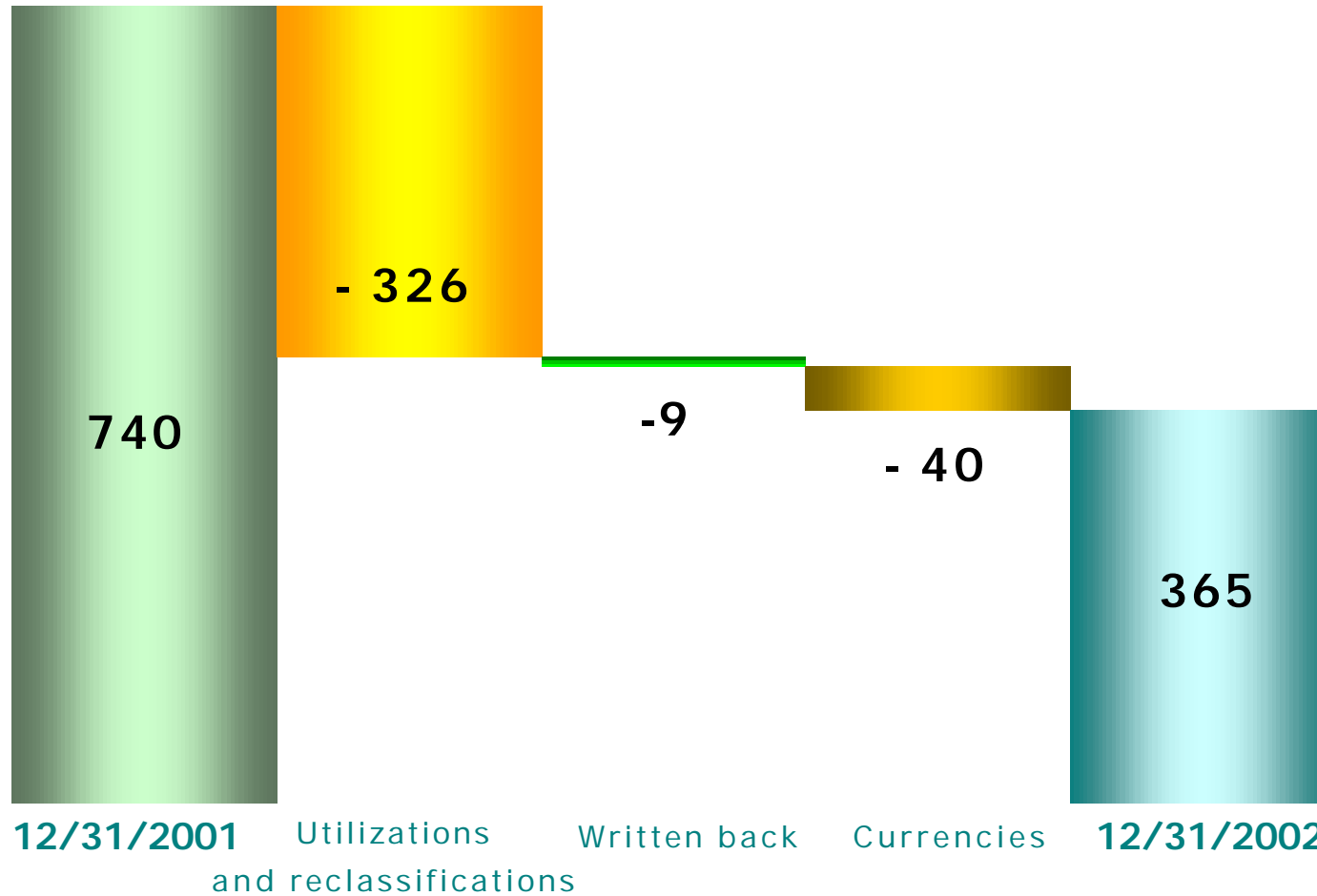




Provisions for reorganization expenses

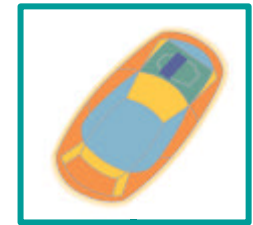


(in million euro)

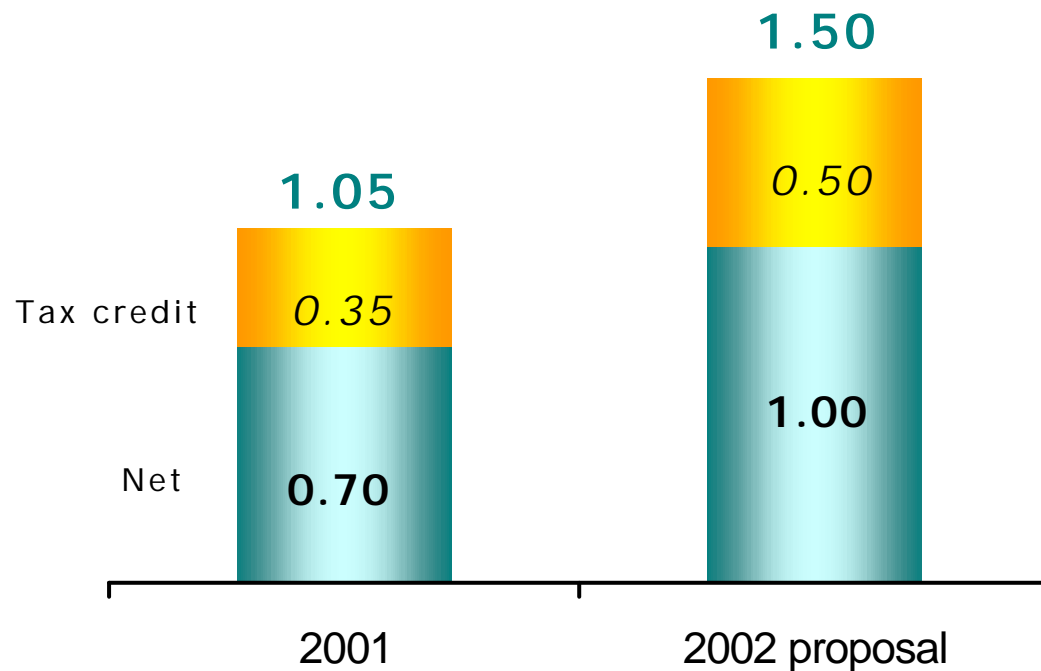




Dividend per share



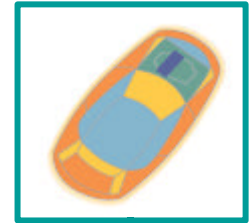
(in euro)



- Total yield (Feb. 2003):
5.5 %
- Pay out ratio:
61 %

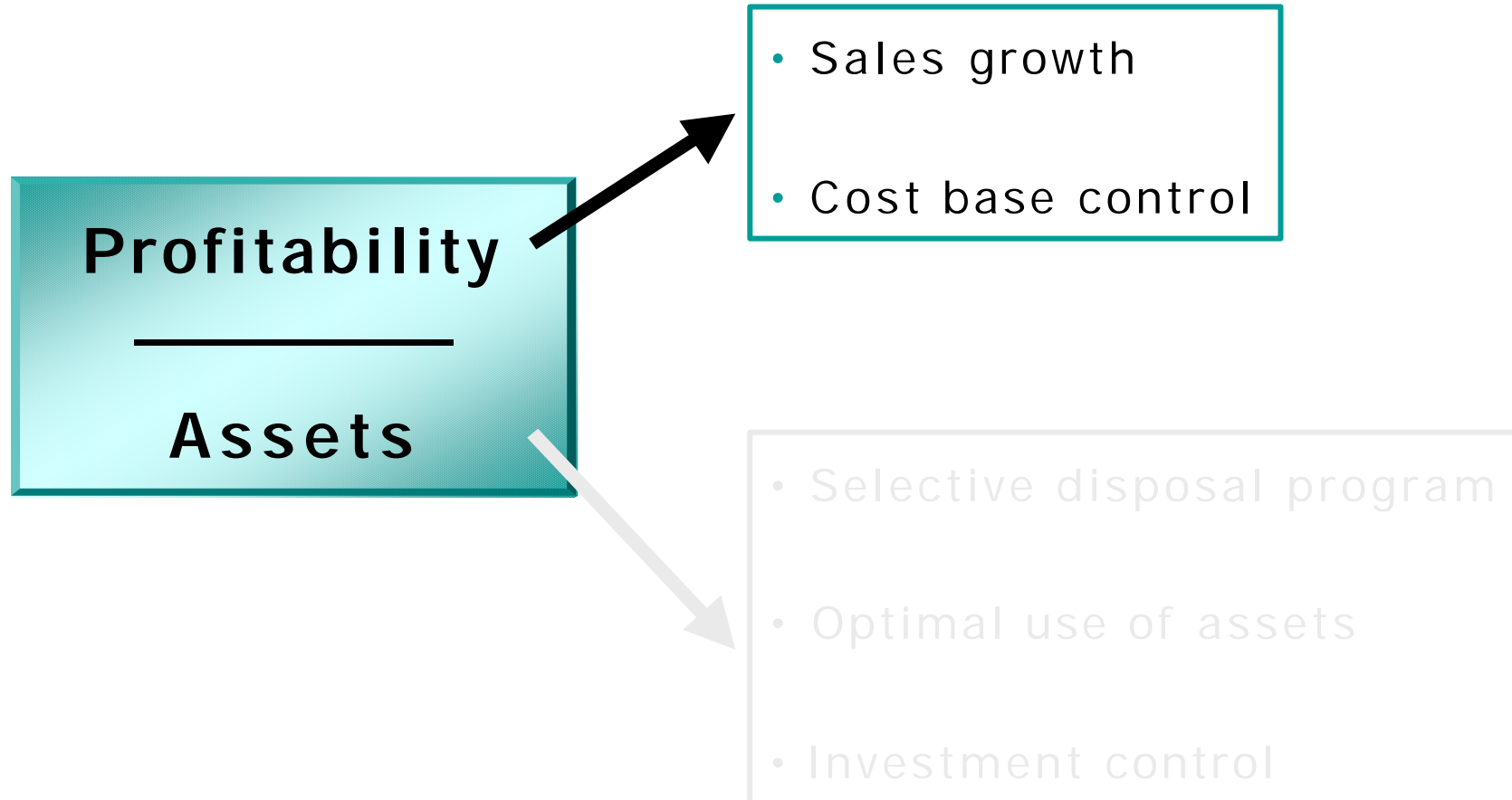
Dividends (82 M euros)
Share cancellation (51 M euros)

Outlook



- Restored margins of maneuver
- Goal: Increasing return on assets

$$\frac{\text{Profitability}}{\text{Assets}}$$

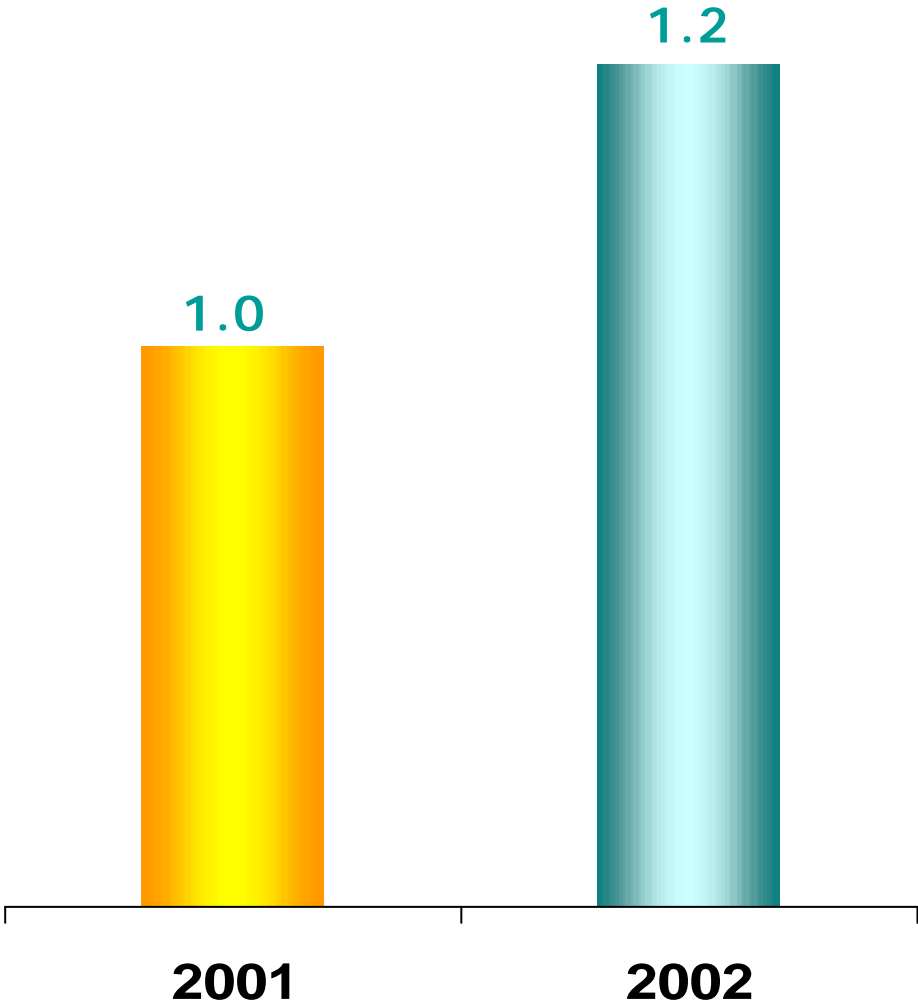


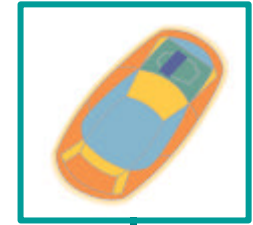


Order intake



Sales ratio





- **Success achieved during range renewal**
 - Discriminating factors
 - competitiveness
 - quality
 - global capacity
 - example : Climate Control contract

- **New products generated from R&D**
 - Differentiating factor: technological offer
 - Starter-alternators
 - Ultrasonic park assist system with slot measurement
 - Bending light system and bi-xenon lamps
 - Combined thermal systems...
 - Technology importer (Raytheon)



- Sales growth
- Cost base control

- Selective disposal program
- Optimal use of assets
- Investment control



● Industrial efficiency

- Standardization
- WC management

● Asset turnover

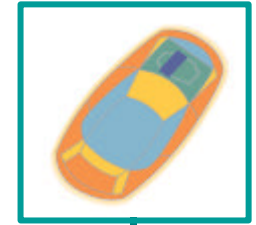
- 2001: 3.3
- 2002: 3.8

● CAPEX control

- Stabilized at 6% of sales

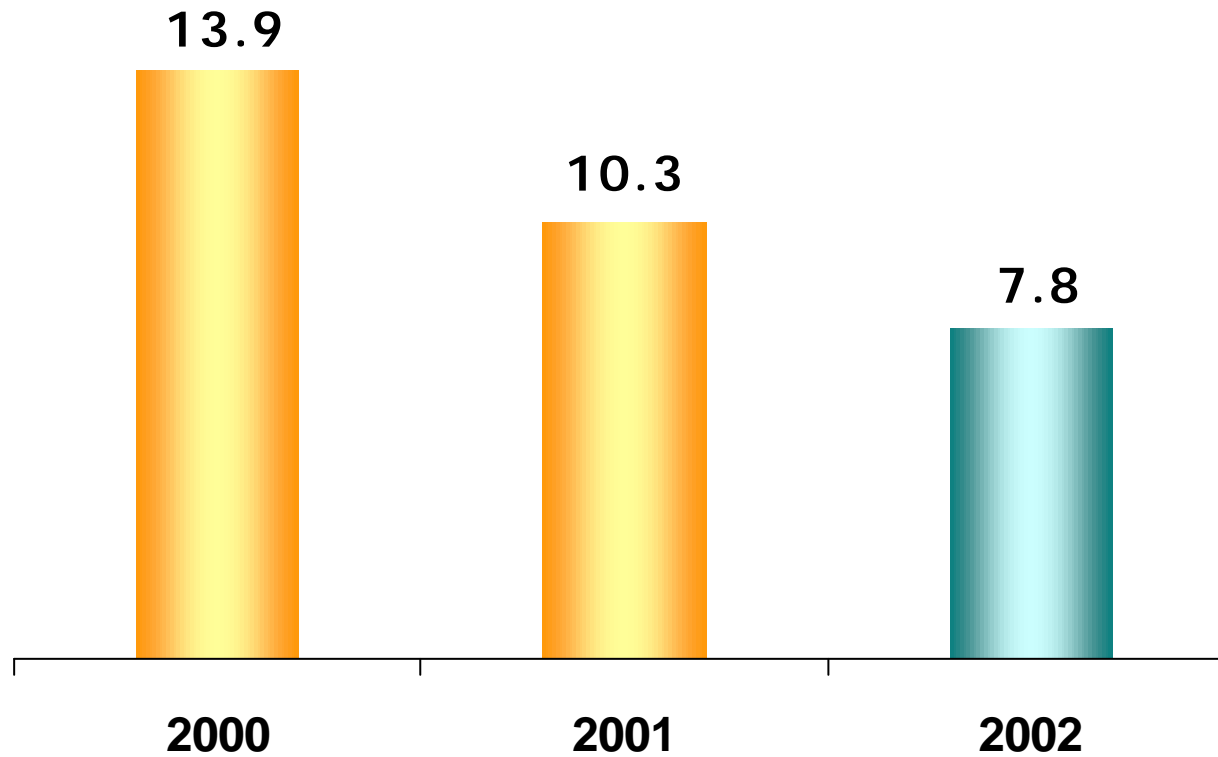


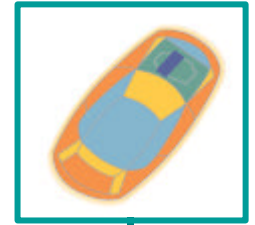
Human resources



(in %)

Turnover of Engineers and Managers

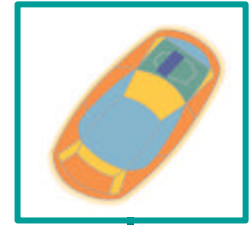




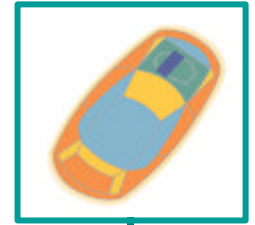
- High inventory levels in United States
- Weak demand in Europe and North America



Fall in volumes



- **Change in the management structure**
- Higher order intake
- Sales in line with market
- Continuing operating improvement



- Change in the management structure
- Higher order intake
- Sales in line with market
- Continuing operating improvement

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