



# Delivering sustainable performance, towards 2013 objectives

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# Agenda

- 1 Back to organic growth**
- 2 Best-in-class in terms of ROCE**
- 3 Sustainability of operating performance**
- 4 Better than expected 2010 production forecasts**

## Back to organic growth

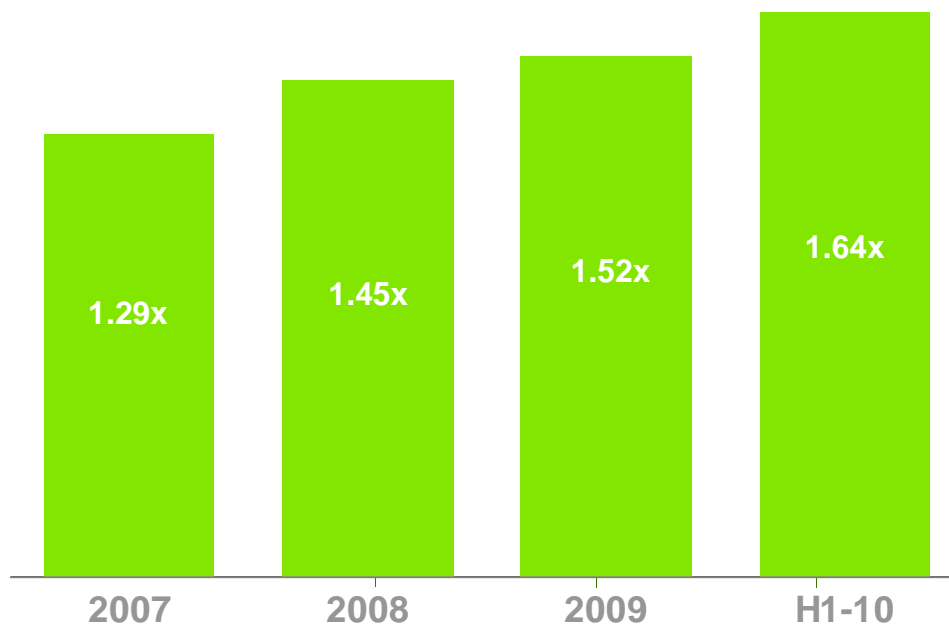
- Order intake at a record level
- Outperforming the market in each region
- Outperforming the market in each Asian country
- Rebalancing geographical exposure
- Rebalancing client exposure

# Record order intake at €6.5 billion

At a margin level in line with long term Group objectives

## Order intake

(Order Intake / OE Sales)



Customers (% of order intake)	H1-10
German	31%
French*	24%
Asian**	18%
American	23%

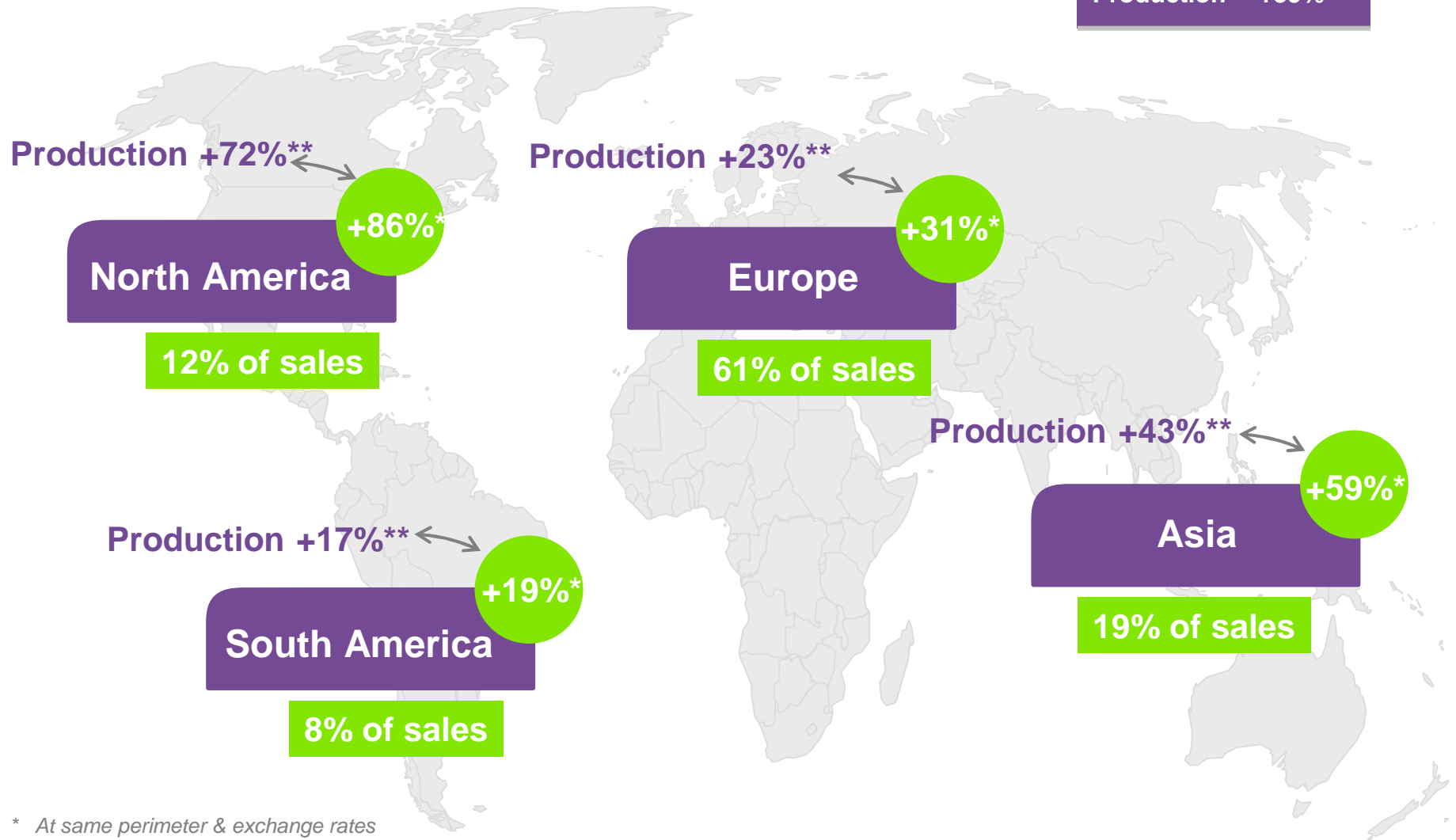
\* Excluding Nissan

\*\* Including Nissan

# Outperforming the market in each region

OE sales

World	H1-10
Valeo*	+40%
Production	+39%

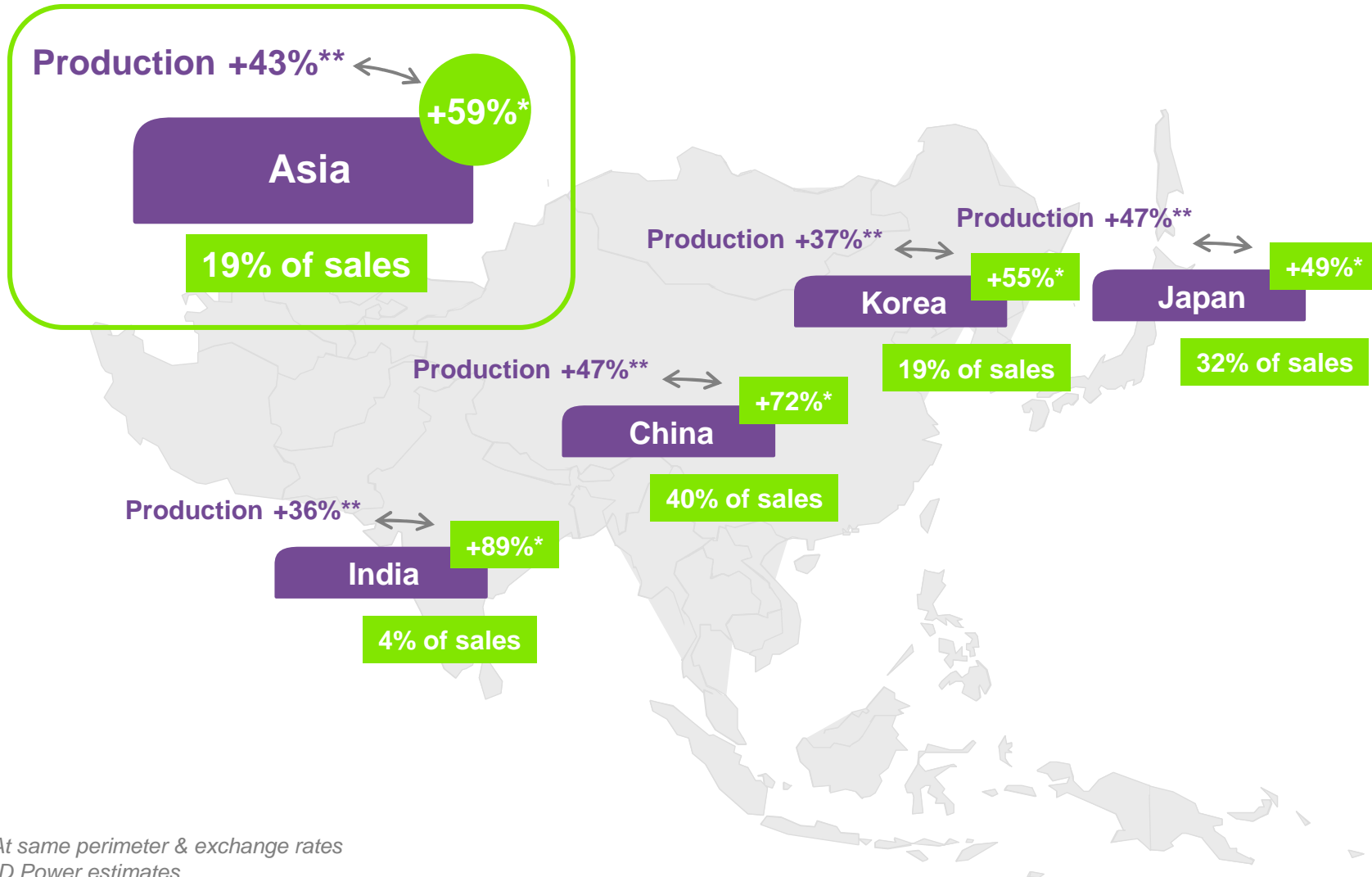


\* At same perimeter & exchange rates

\*\* JD Power estimates

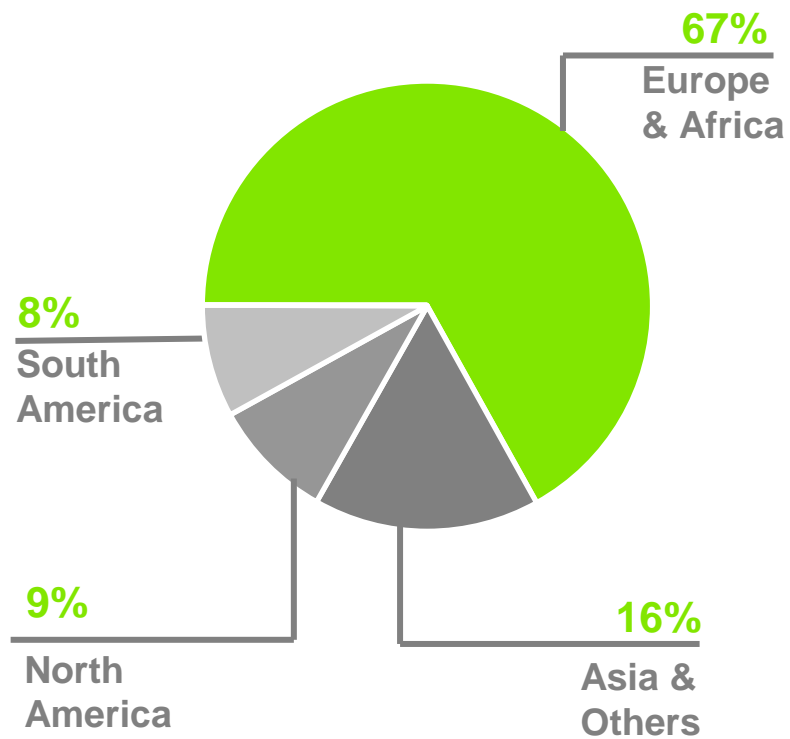
# Outperforming the market in each country

Asian OE sales

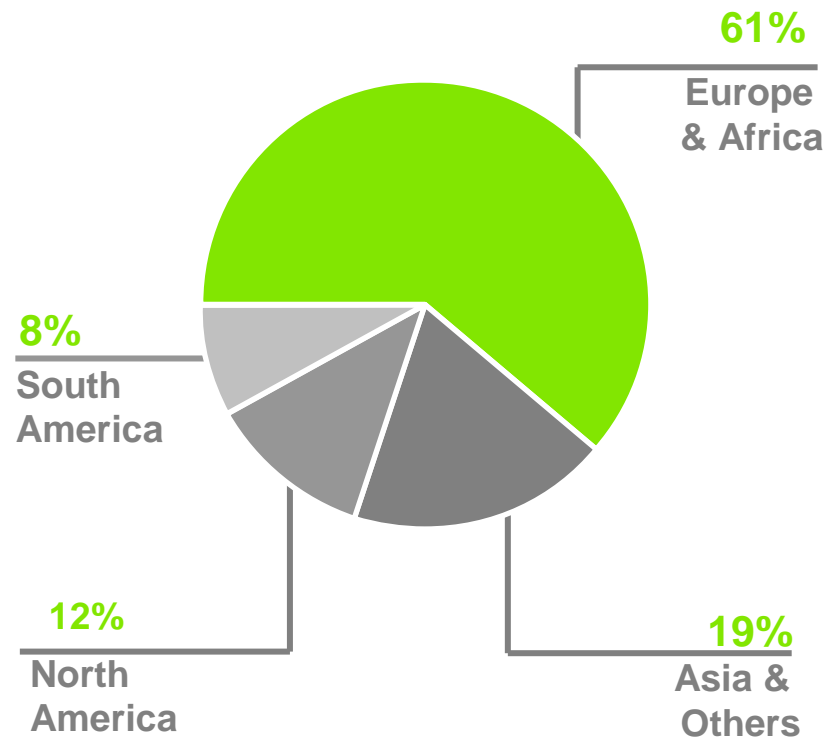


# Rebalanced geographical exposure

In % of OE sales



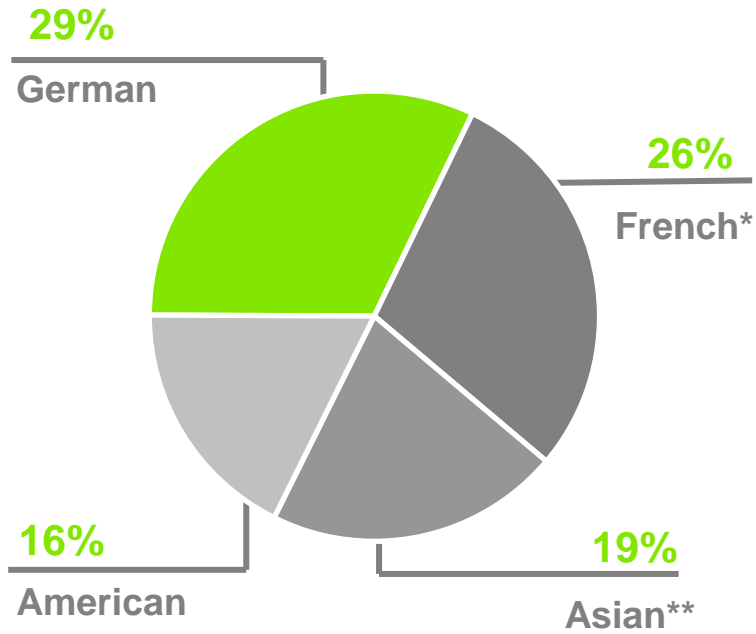
H1-09



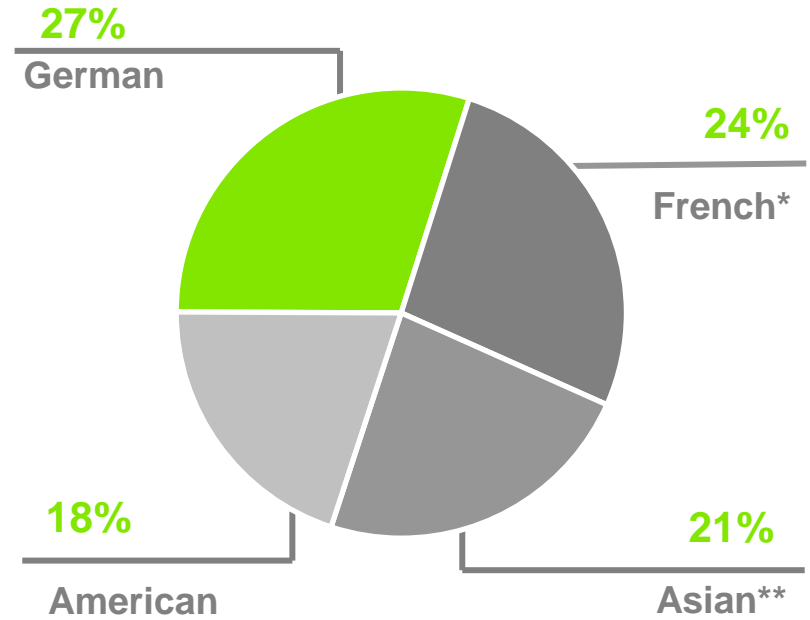
H1-10

# Rebalanced client exposure

In % of OE sales



H1-09



H1-10

\* Excluding Nissan

\*\* Including Nissan



## **Best-in-class in terms of ROCE**

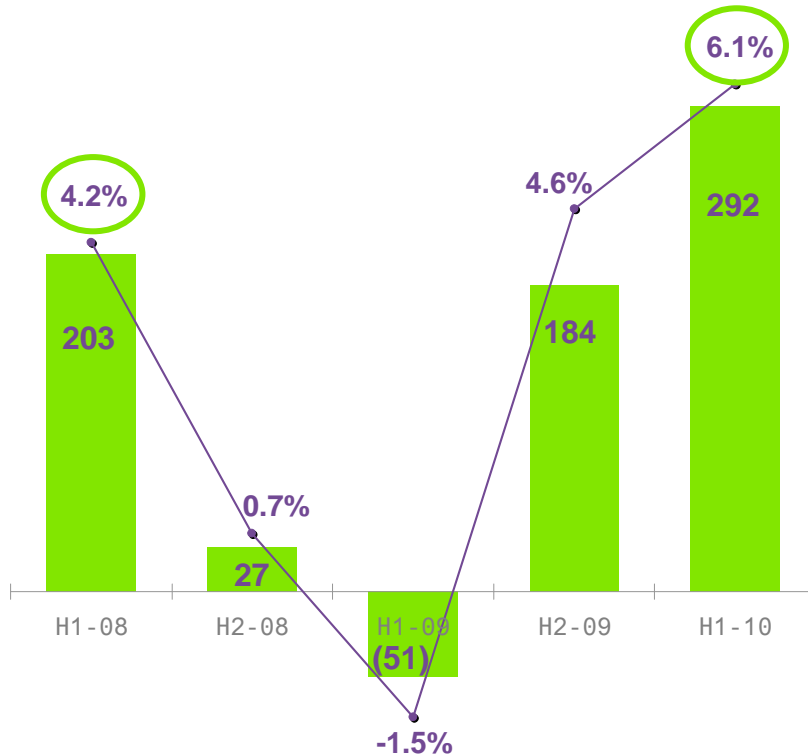
- **Operating margin at highest level in 10 years**
- **Flexibility of the cost structure**
- **Strong free cash flow generation**
- **Back to investment grade**
- **Full transformation of operating margin into cash**

# Highest operating margin recorded in the last 10 years

With sales close to pre-crisis level

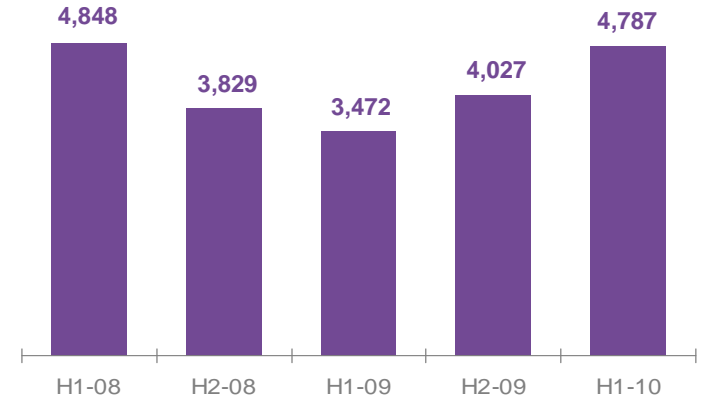
## Operating margin

(in € million & as % of sales)



## Sales

(in € million)

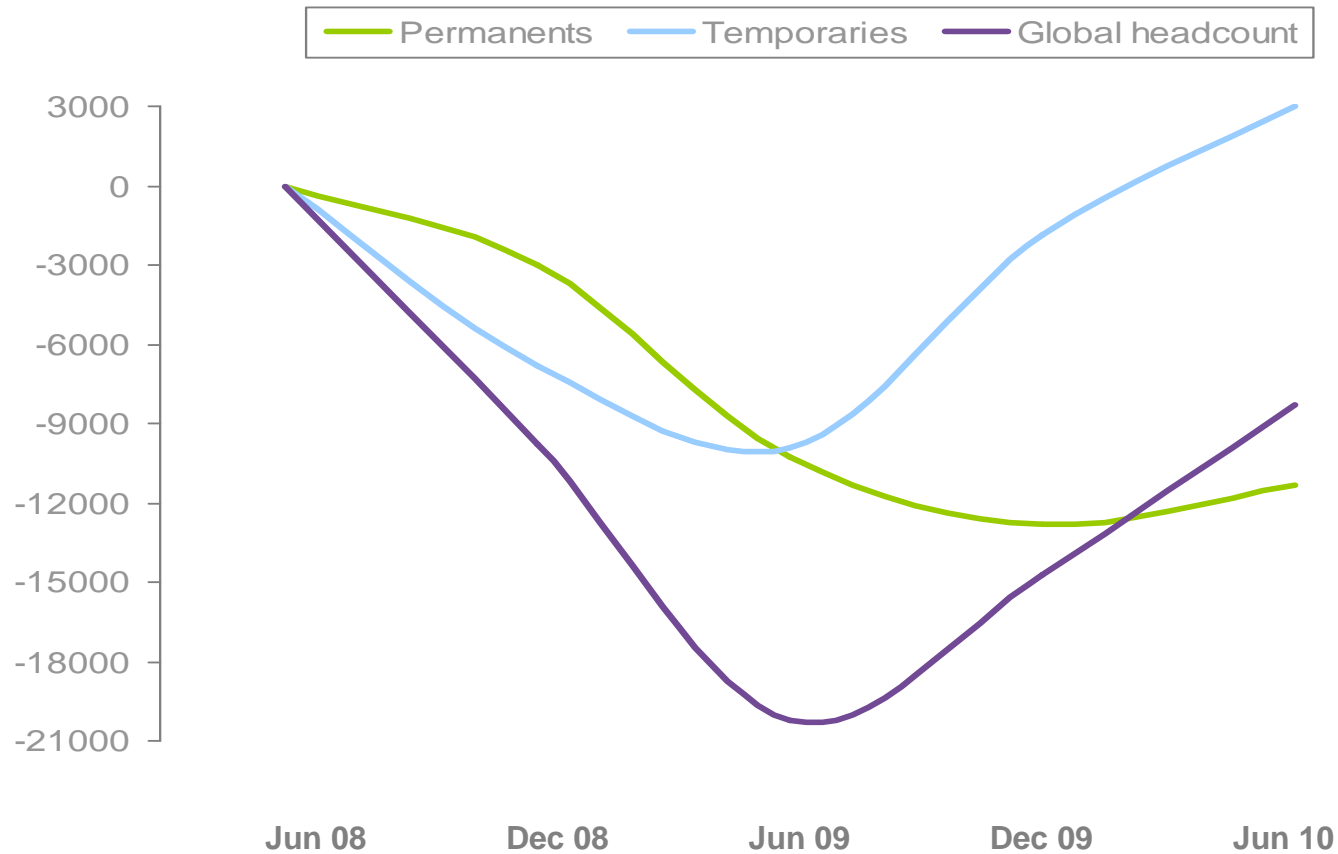


Significant margin improvement  
further to  
break-even point reduction

# Flexibility of the cost structure

Better fit with current environnement

Worldwide headcount evolution  
vs situation end of H1-2008



# Strong free cash flow generation of €291 M

H1-10 figures

## ■ Operating performance

→ EBITDA at €564 M (11.8 % of sales)

## ■ Operating working capital

→ Further improvement by €41 M to - €341 M

## ■ Tangible investments

→ Limited to 60% of depreciation in H1 2010



**Free cash flow  
of  
€291 M**



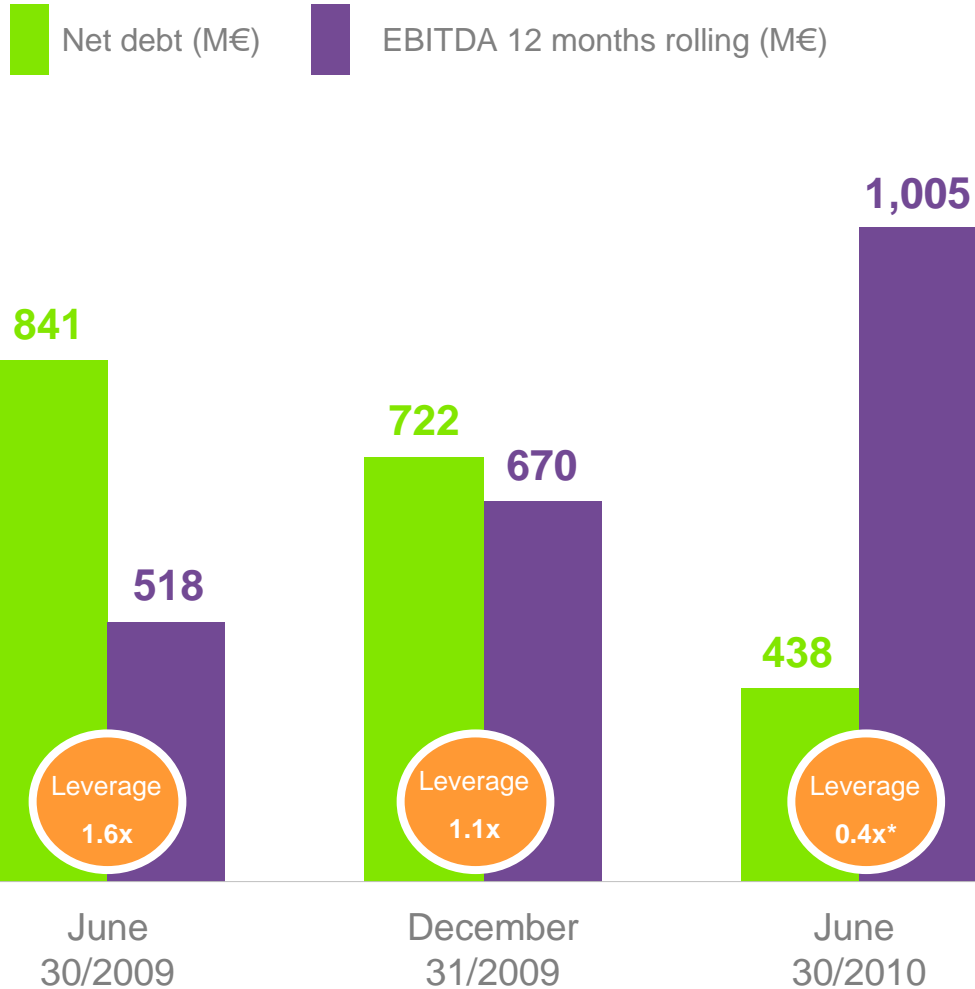
## **Net financial debt**

Reduced by €284 M to €438 M by June 30, 2010

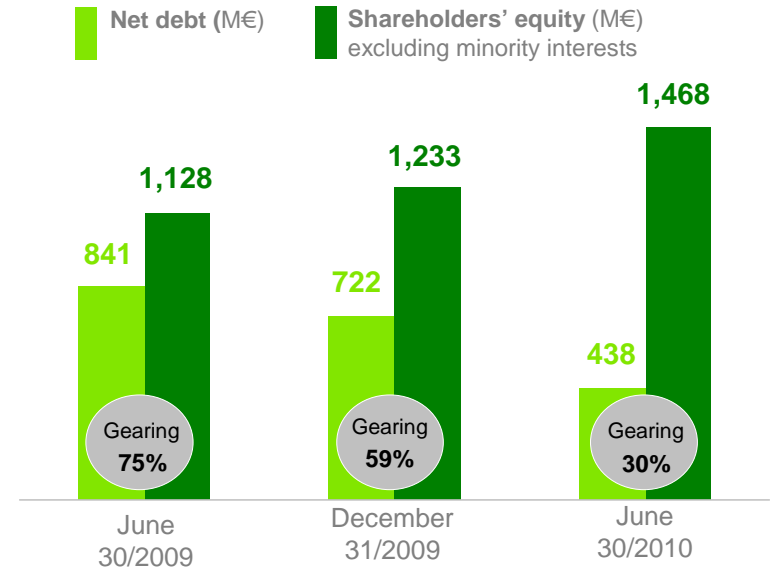
# Target : back to investment grade

Valeo rating upgraded to Ba1 stable outlook (July 29, 2010)

## Net financial debt over EBITDA



## Shareholders' equity and net debt



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

# Full transformation of operating margin into cash

## H1-10 key achievements

	H1-08	H1-09	H1-10	▲ H1-10/H1-09
Total sales (M€)	4,848	3,472	4,787	+38%
OE Sales (M€)	4,026	2,743	3,957	+44%
Worldwide automotive production – light vehicles (M units)	36.7	26.3	36.5	+39%
<i>Gross margin (as % of sales)</i>	16.4%	13.0%	17.9%	+4.9pts
<i>Operating margin (as % of sales)</i>	4.2%	-1.5%	6.1%	+7.6pts
<i>EBITDA (as % of sales)</i>	10.4%	6.6%	11.8%	+5.2pts
<i>Net result (as % of sales)</i>	2.1%	-6.1%	3.5%	+9.5pts
Free cash flow* (M€)	123	(4)	291	na
Net cash flow (M€)	177	(49)	241	na
Net financial debt (M€)	621	841	438	-48%
ROCE**	17%	-1%	25%	

\* Before interest payments

\*\* Operating margin / capital employed excluding goodwill, 12 months rolling

# Sustainability of operating performance

Ahead of 2013 targets

- **82% of 2013 OE sales already in order book**

- **Growth**

- in Asia and emerging countries

- of CO<sub>2</sub> emission reduction related products

- **New organization on track**

- **Visibility Systems Business Group turnaround**

- **Confidence in sustainability of current financial performance in normal market conditions**

## **82% of 2013 OE sales already in the order book**

€10 Bn sales target in 2013

- **Order intake at a record level of 1.64 or €6,478 M**
- **Asian, North and South American production ahead of the Plan**
  - In 2013, production in Europe and North America expected to stay below pre-crisis level



## **New organization** Implementation on track

### **Better fit with client requirements**

- Worldwide organization
- Global tender offers
- Contribution to organic growth

### **Fixed cost reduction**

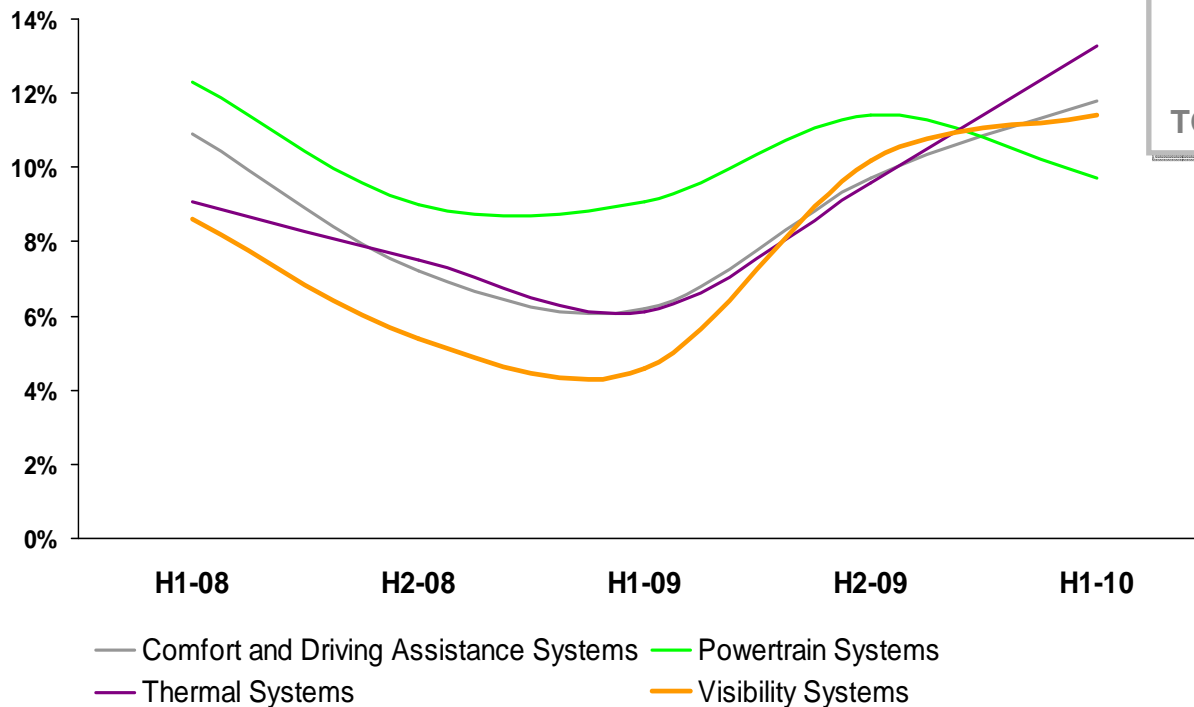
- Centralization of support functions
- Positive impact on operating margin of at least 100bp (vs 2009)

### **CAPEX optimization**

- 60% Asia and emerging countries oriented
- Limited to around 4.5 % of sales
- Strict management of capital employed
- Depreciation under control : positive impact on operating margin ~100bp (vs 2009)

# Visibility Systems Business Group turnaround

Convergence of Visibility Systems BG with other Business Groups performance



	H1-10
Comfort & Driving Assistance <i>as % of sales</i>	11.8 %
Powertrain <i>as % of sales</i>	9.7%
Thermal <i>as % of sales</i>	13.3%
Visibility <i>as % of sales</i>	11.4%
<b>TOTAL</b>	<b>11.8%</b>

**2013 Group  
Average  
from 12% to 13%**

## Confidence in sustainability of current financial performance in normal market conditions

In line with 2013 objectives

	2009	H1-10	2013	$\Delta$ 2013/2009
Total sales	€7.5 bn	€4.8 bn	€10 bn	+33%
Operating margin	1.8%	6.1%	6-7%	+ 4-5pt
Capital turnover	3.9	4.7*	5	+1.1
ROCE**	7.1%	25%*	≥ 30%	> +20pt

\* Calculated on a 12 month rolling basis

\*\* Ebit / capital employed excluding goodwill

## Better than expected 2010 market forecasts

Q3 sales and full year 2010 guidance to be presented on October 21, 2010

(change YoY)	Full year	
	<i>previous</i>	<i>revised</i>
<b>Europe (&amp; Africa)</b>	+6%	+10%
<b>Asia (&amp; others)</b>	+18%	+22%
<b>North America</b>	+30%	+34%
<b>South America</b>	+12%	+12%
<b>Worldwide</b>	+16%	+19%

**With Valeo outperforming its main markets**



Automotive technology, naturally

