



# H1-2012 Results

Jacques ASCHENBROICH – CEO

July 26, 2012

## Highlights

H1-2012 results demonstrate the strength of Valeo's growth model

- High quality order intake at a record 8 bn€
- Sales at 6 bn€, up 12.5% (+4% organic growth), in challenging markets in Europe and in South America
  - ➔ OE Sales, up 13.5% (+5% organic growth)
  - ➔ Overperformance in Europe and Asia (excl. Japan)
  - ➔ Asia now at 24% of OE sales (18% in H1-2011)
  - ➔ Aftermarket sales weaker in South Europe
- Operating margin\* of 370 M€, up 7.2%
  - ➔ 6.2% of sales
- Net income down 9% at 198 M€ mainly due to higher interest expenses

\* Adjusted EBIT

## Highlights

H1-2012 results demonstrate the strength of Valeo's growth model

- Free cash flow up 10%, at 148 M€
  - After CAPEX increase of 117 M€ to sustain order intake <sup>(1)</sup>
- FY-2012 operating margin\* level (in M€) in the same magnitude of FY-2011

\* Adjusted EBIT

# Key figures

	H1-2011	H1-2012	▲
Total sales (M€)	5,334	5,999	+12.5% +4%*
OE Sales (M€)	4,510	5,118	+13.5% +5%*
Gross margin (M€)	916	1,006	+10%
<i>% of sales</i>	17.2%	16.8%	-0.4pt
Operating margin <sup>(2)</sup> (Adj. EBIT) (M€)	345	370	+7%
<i>% of sales</i>	6.5%	6.2%	-0.3pt
Operating income (EBIT) <sup>(3)</sup> (M€)	344	348	+1%
<i>% of sales</i>	6.4%	5.8%	-0.6pt
Net income (M€)	218	198	-9%
<i>% of sales</i>	4.1%	3.3%	-0.8pt
Total earning per share (€)	2.89	2.63	-9%
Capital turnover	5.5	5.0	na
ROCE <sup>(3)</sup>	36%	31%	-5pts
ROA <sup>(4)</sup>	22%	19%	-3pts
EBITDA <sup>(5)</sup>	602	655	+9%
<i>% of sales</i>	11.3%	10.9%	-0.4pt
Free cash flow <sup>(6)</sup> (M€)	134	148	+10%
Net cash flow <sup>(7)</sup> (M€)	(183)	31	na
Net financial debt <sup>(8)</sup> (M€)	452	485	+7.3%
Gearing ratio	25%	25%	na

\*At same perimeter and exchange rates

## Outlook 2012

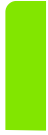
Based on the following market scenario for FY 2012:

- Automotive production:
  - World: +5 to 6%
  - Europe: -6 to -7%
- Raw materials prices at current levels

### Guidance

- FY-2012 operating margin\* level (in M€) in the same magnitude of FY-2011

\* Adjusted EBIT

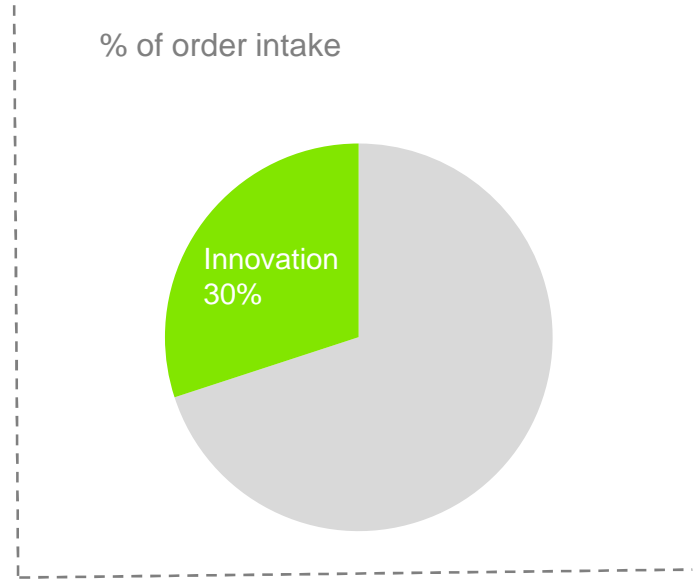
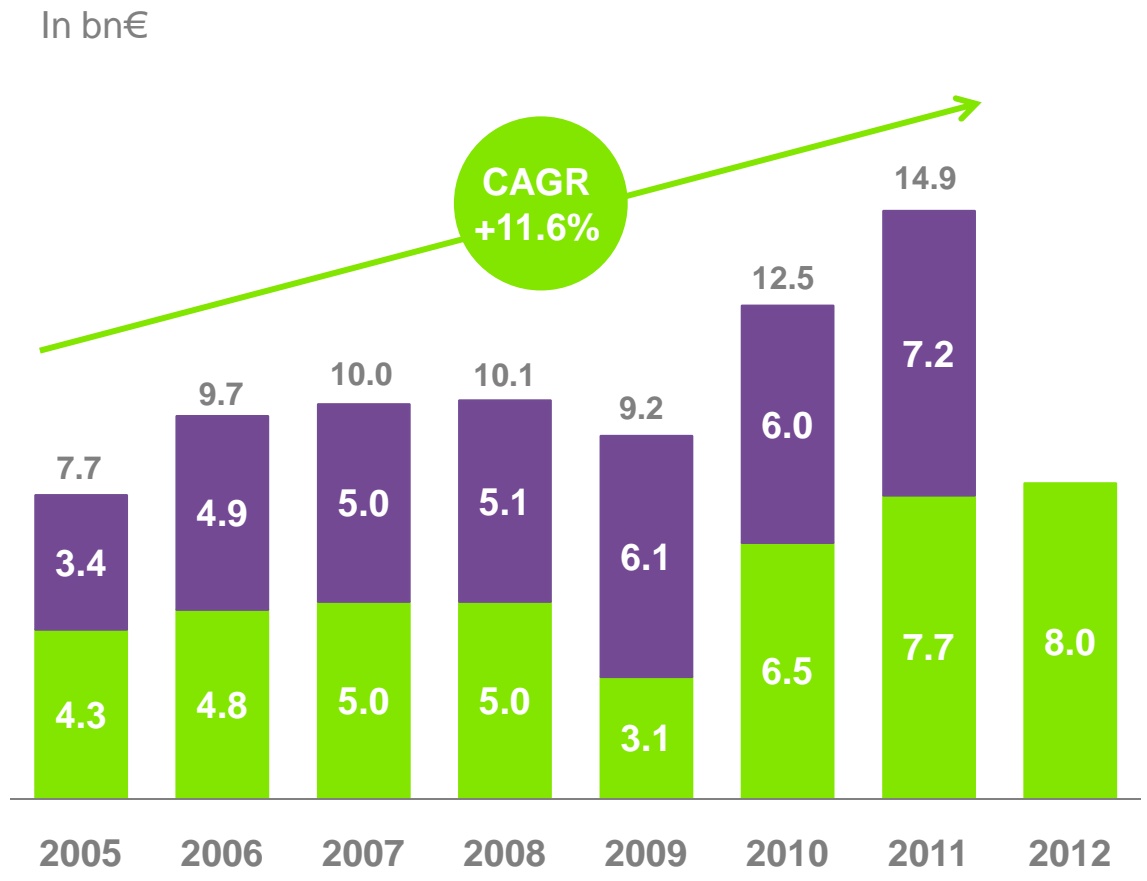


Sales at 6 bn€, up 12.5%  
+4% organic growth

OE sales growth higher than the market  
in Asia & Europe

# Record order intake<sup>(1)</sup> at 8.0 bn€

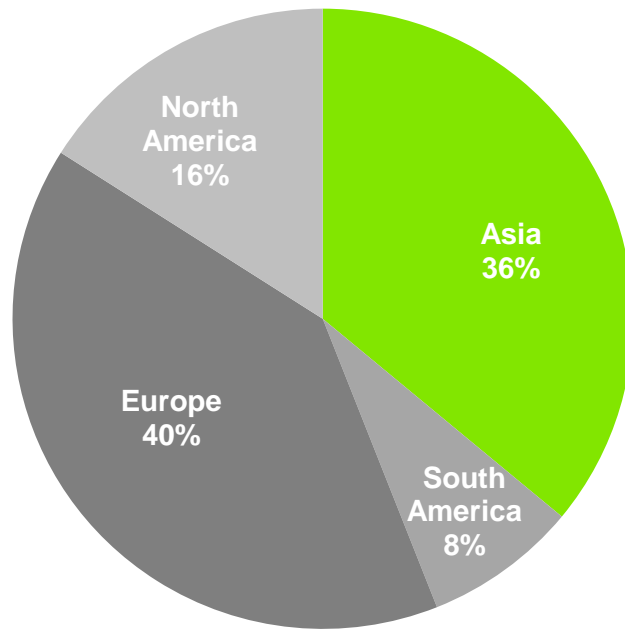
out of which 2.9 bn€ in Asia



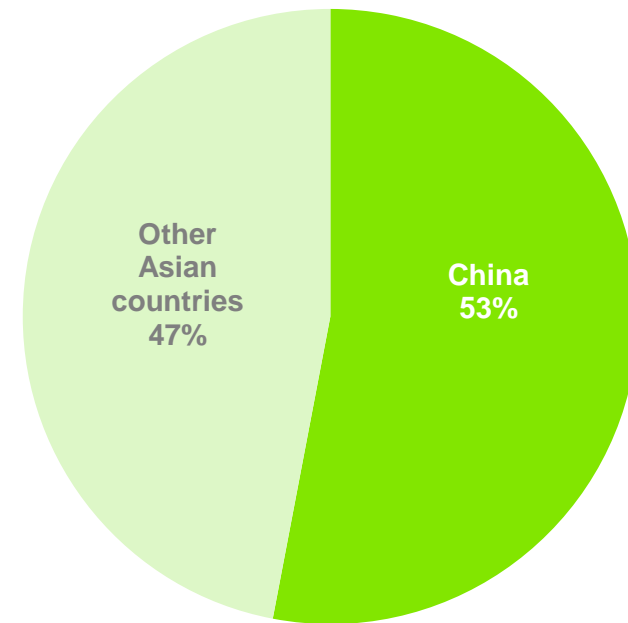
H2
  H1

# 36% of order intake in Asia

19% of total order intake in China



World: 8 bn€



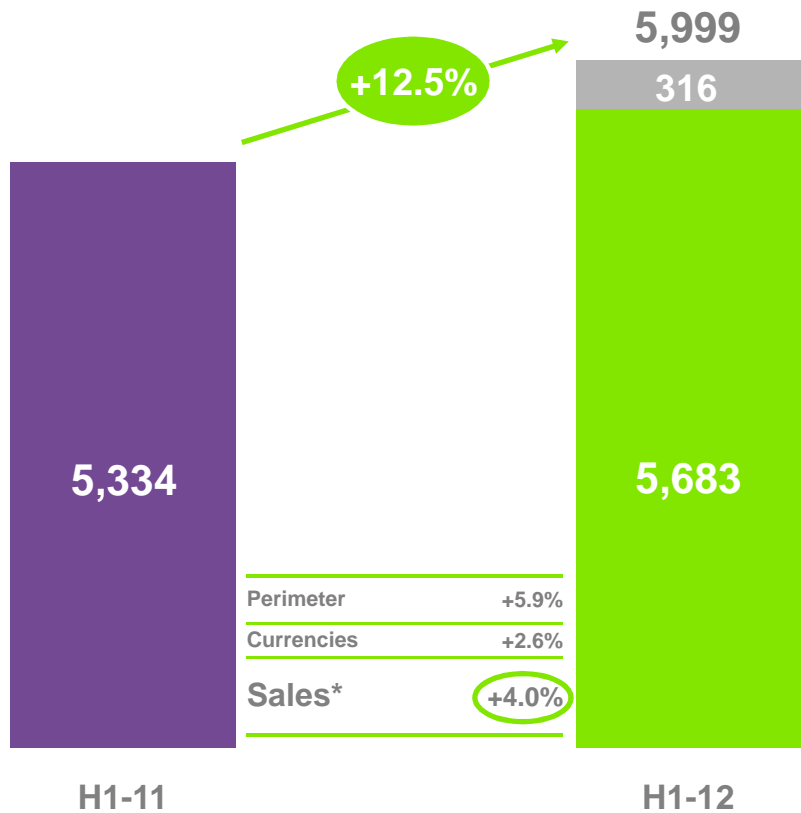
Asia: 2.9 bn€



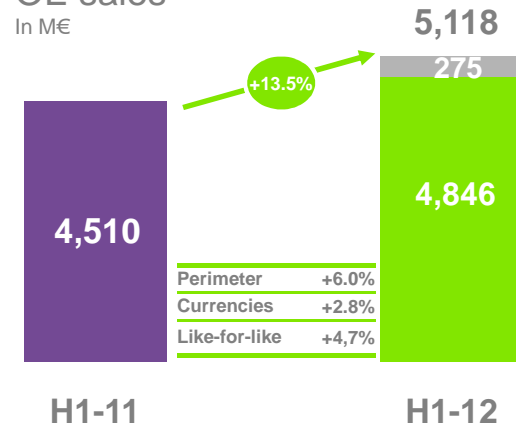
# Sales of 6 bn€, up 12.5% (+4% like-for-like)

OE sales up 13.5% (+5% like-for-like)

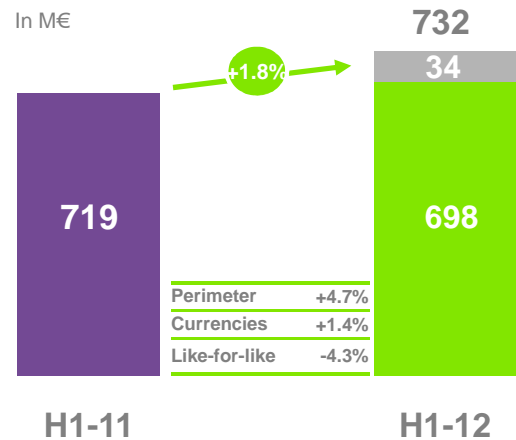
In M€



OE sales  
In M€



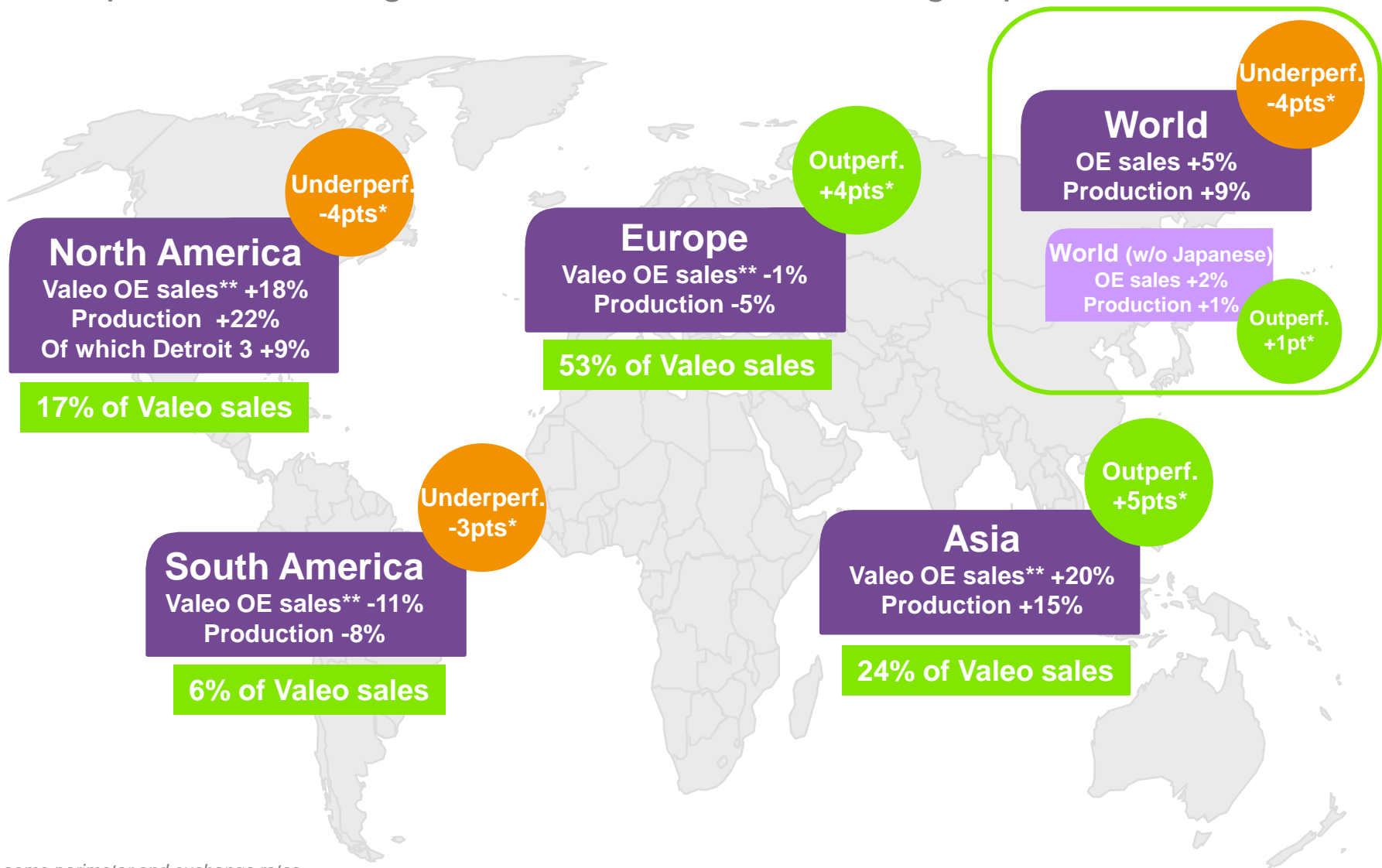
Aftermarket  
In M€



\* At same perimeter & exchange rates

# Performance higher than the market in Asia and Europe

World performance higher than the market excluding Japanese OEMs

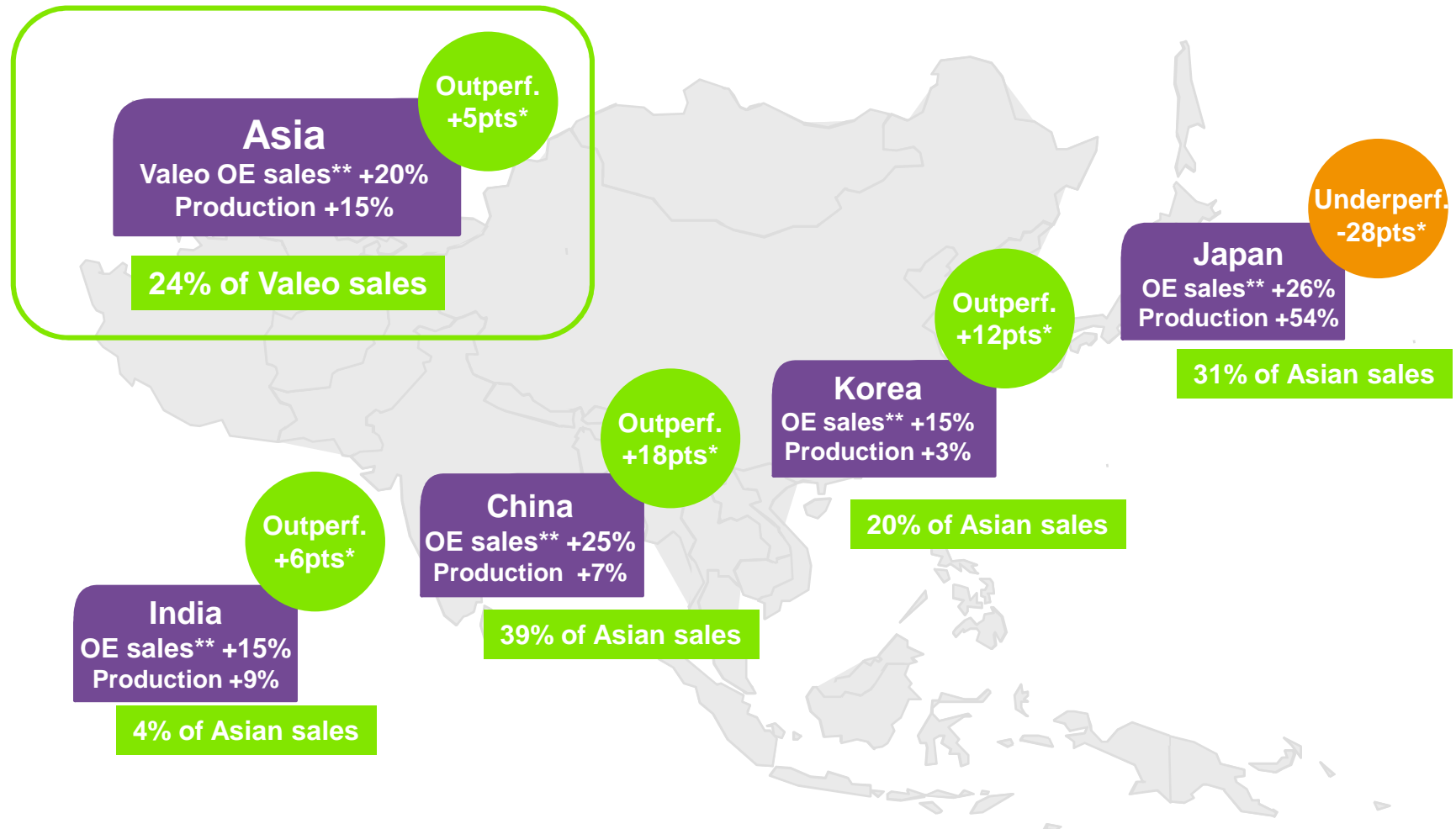


\*At same perimeter and exchange rates

\*\* Valeo sales by destination

# Performance higher than production in Asia

Above-market growth in China, India & Korea, more than offsetting below market growth in Japan

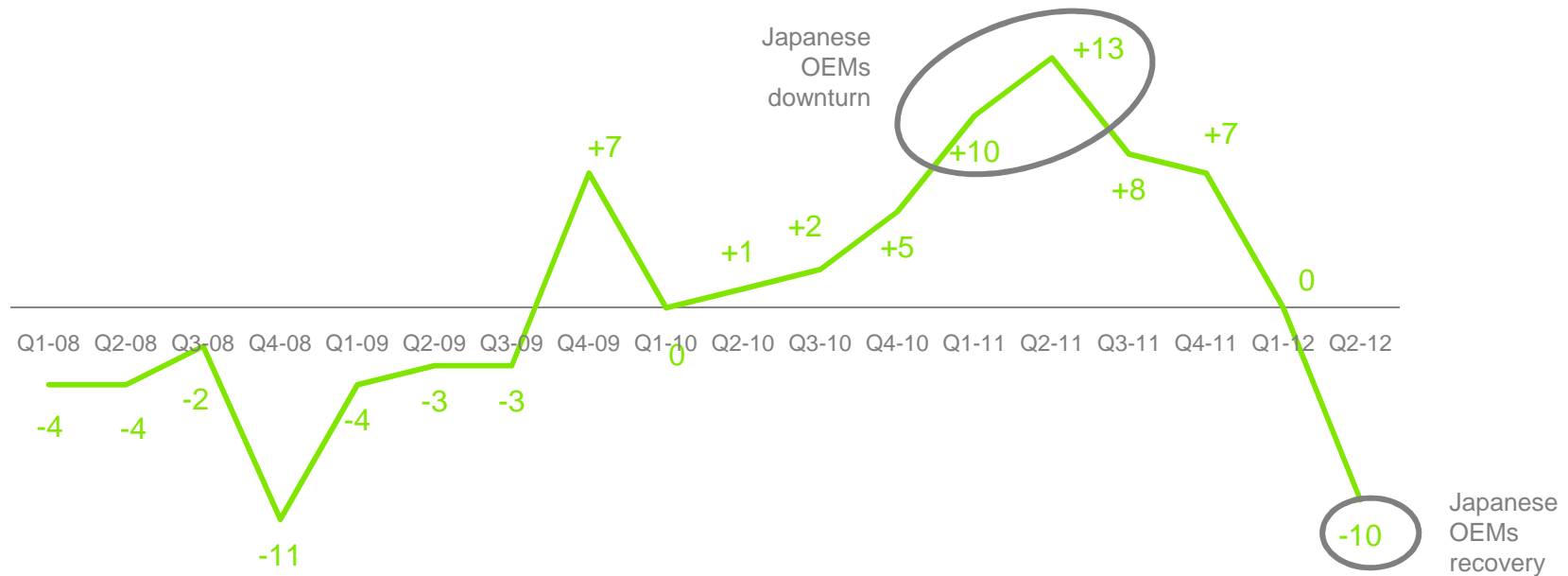


\*At same perimeter and exchange rates

\*\* Valeo sales by destination

# OE sales performance impacted by strong Japanese recovery

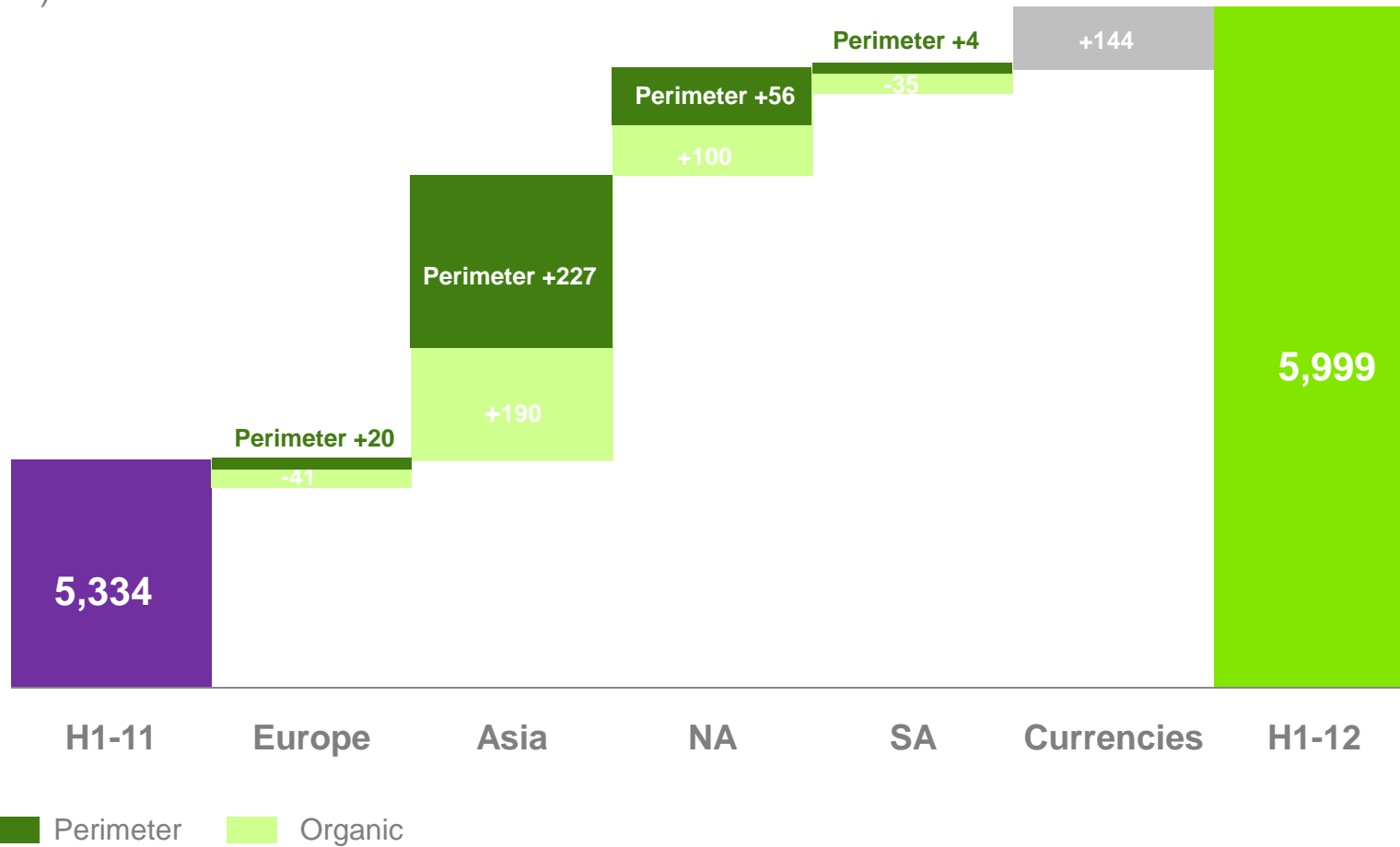
A temporary consequence of 2011 earthquake



Valeo OE sales on a like-for-like basis vs light vehicle production (in pts)

# Strong development in Asia through organic & external growth

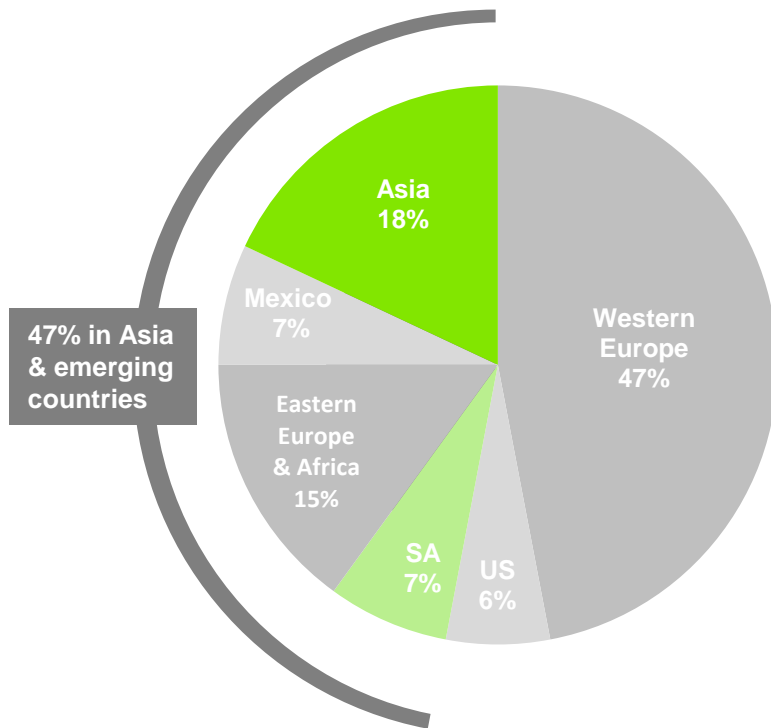
Geographical contribution to sales evolution  
(in €M)



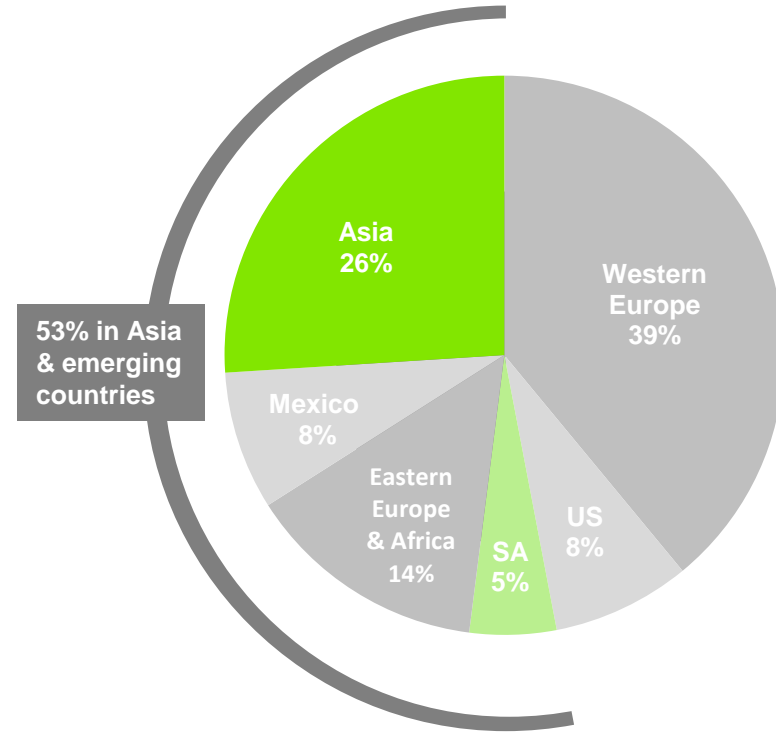
# Positioning in Asia & emerging countries at 53% of OE sales

Strong improvement in Asia

OE sales by production region



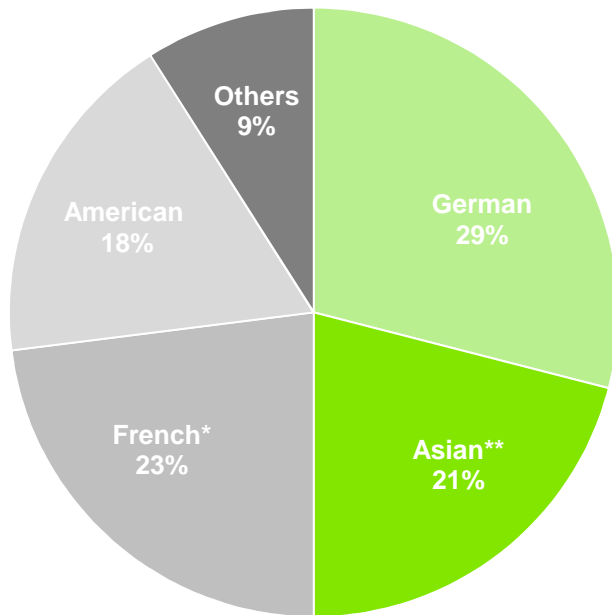
H1-2011



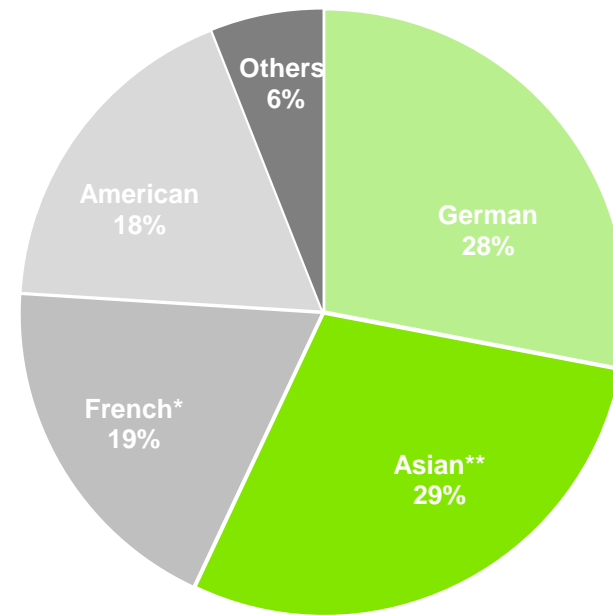
H1-2012

# Asian & German customers at 29% & 28% respectively vs 21% & 29% in H1-2011

(in % of OE sales)




H1-2011



H1-2012

\* Excluding Nissan

\*\* Including Nissan

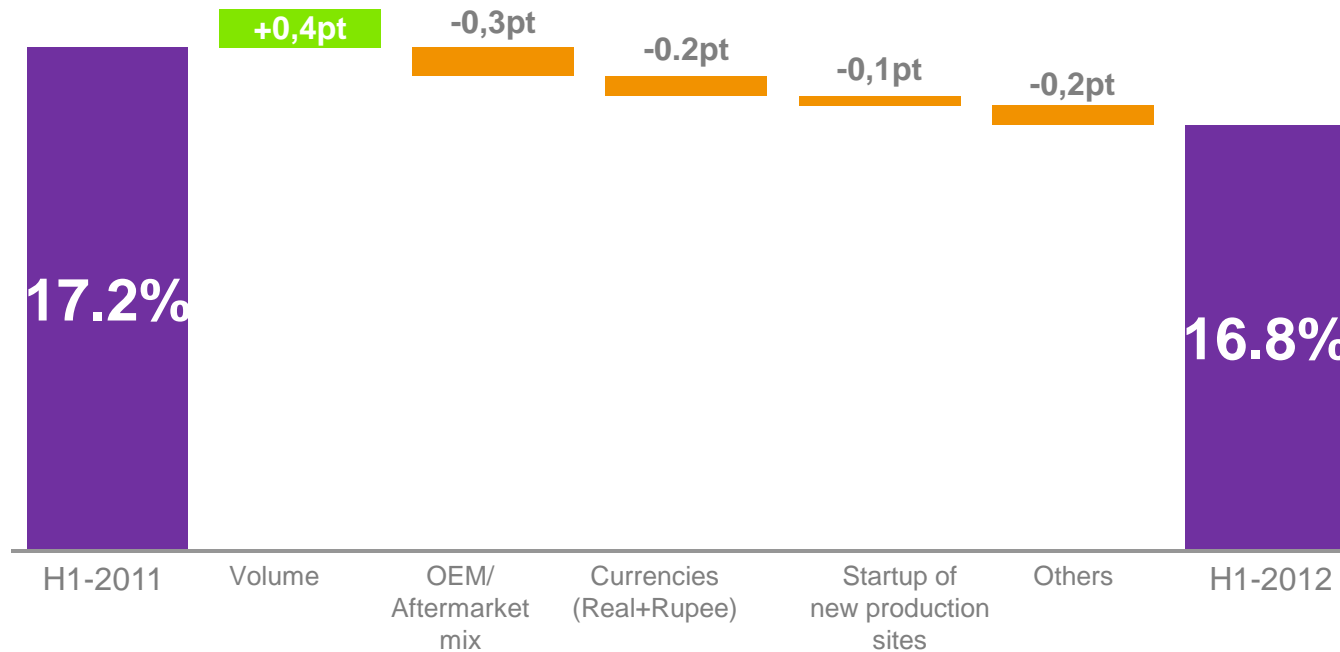


Operating margin<sup>(2)</sup>  
(adj. EBIT) up 7.2%,  
at 370 M€ or 6.2% of sales



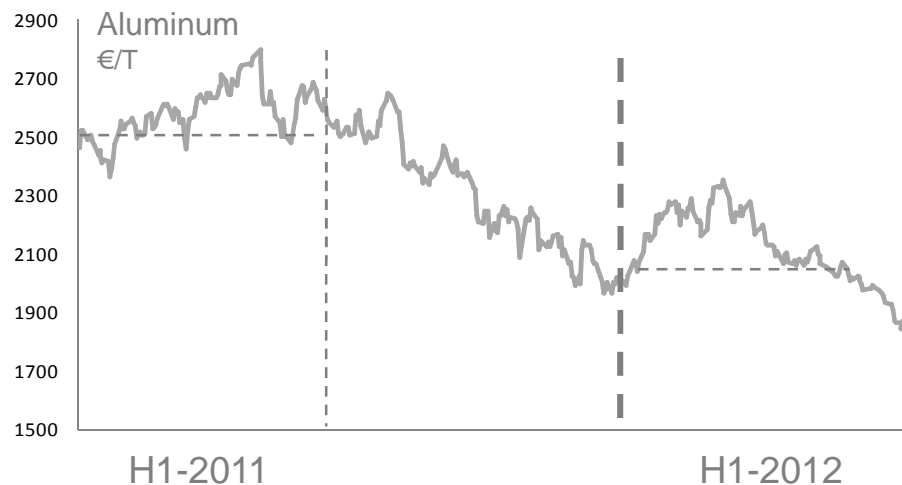
## Gross margin at 1,006 M€ or 16.8% of sales

mainly impacted by aftermarket, exchange rates & new production sites startup costs



# Stable raw material prices

Rare earth action plan on track



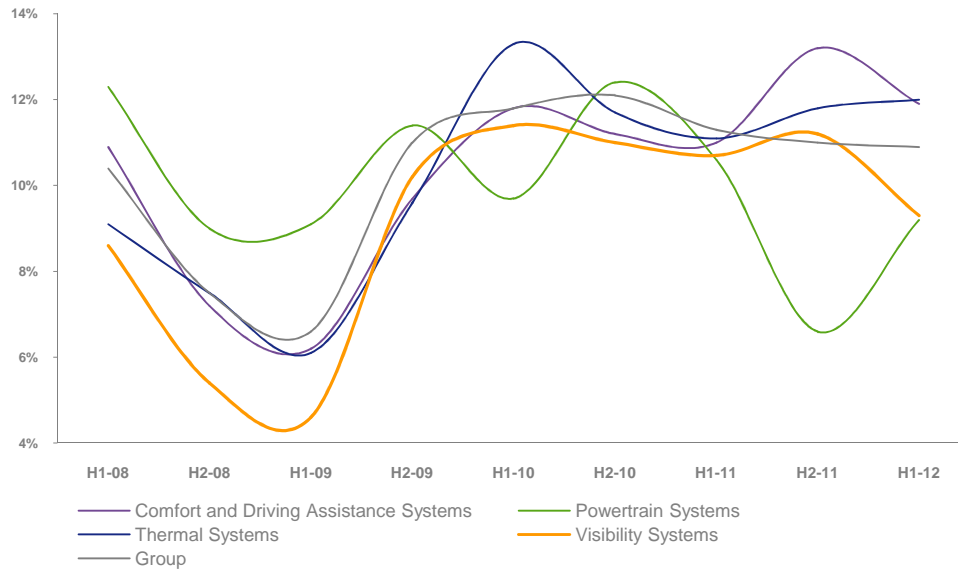
H1-2012 % of consumption		Impact ▲ % H1-2012 / H1-2011
39%	LME*	-6%
35%	Steel	+3%
23%	Plastic	+6%
3%	Rare earth	+10%**
100%	Total	0%

\*of which copper 51%, aluminum 43% and zinc 6%

\*\* Rare earth rates increase by +100% mitigated by consumption reduction

# EBITDA by Business Group

Powertrain action plan on track, Visibility impacted by aftermarket



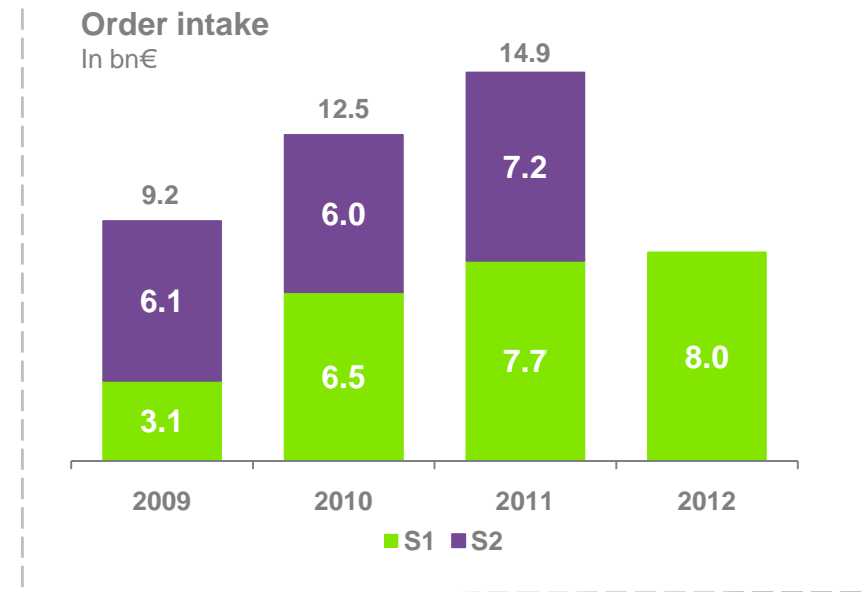
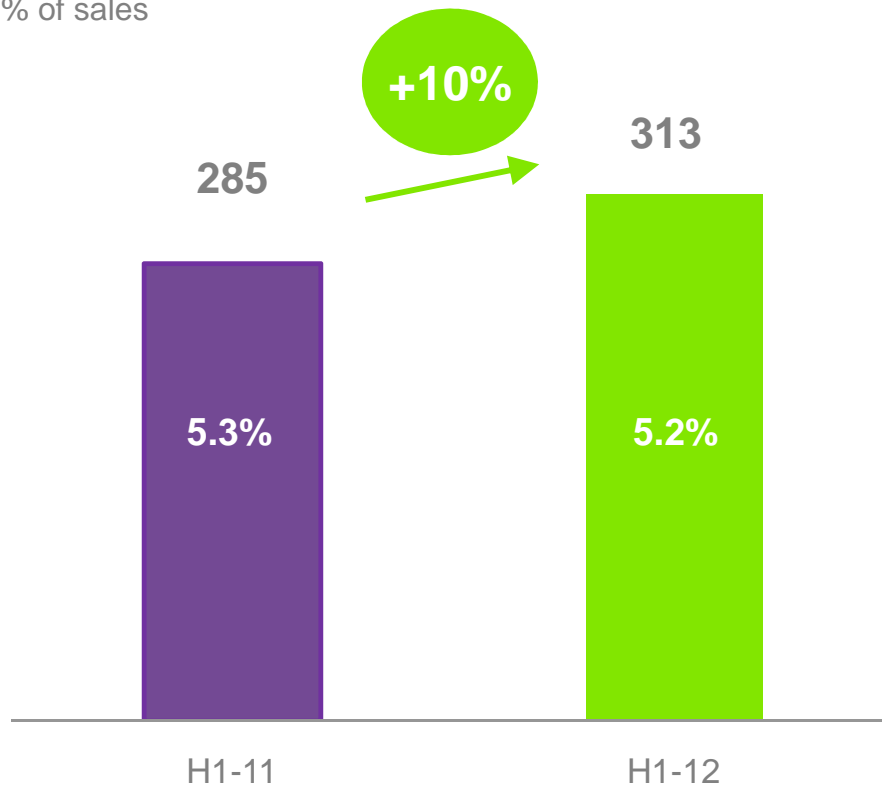
	H1-2012
<b>Powertrain</b> <i>as % of sales</i>	<b>9.2 %</b>
<b>Thermal</b> <i>as % of sales</i>	<b>12.0%</b>
<b>Visibility</b> <i>as % of sales</i>	<b>9.3%</b>
<b>Comfort &amp; Driving Assistance</b> <i>as % of sales</i>	<b>11.9 %</b>
<b>TOTAL</b>	<b>10.9 %</b>

**Operating margin (Adj. EBIT ) up 7.2%**  
at 370M€ or 6.2% of sales



# Net R&D at 313 M€, up 10% to sustain order intake growth

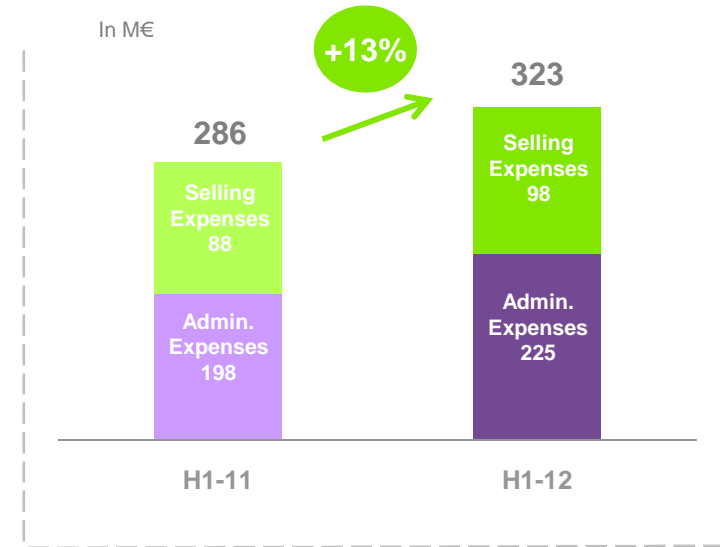
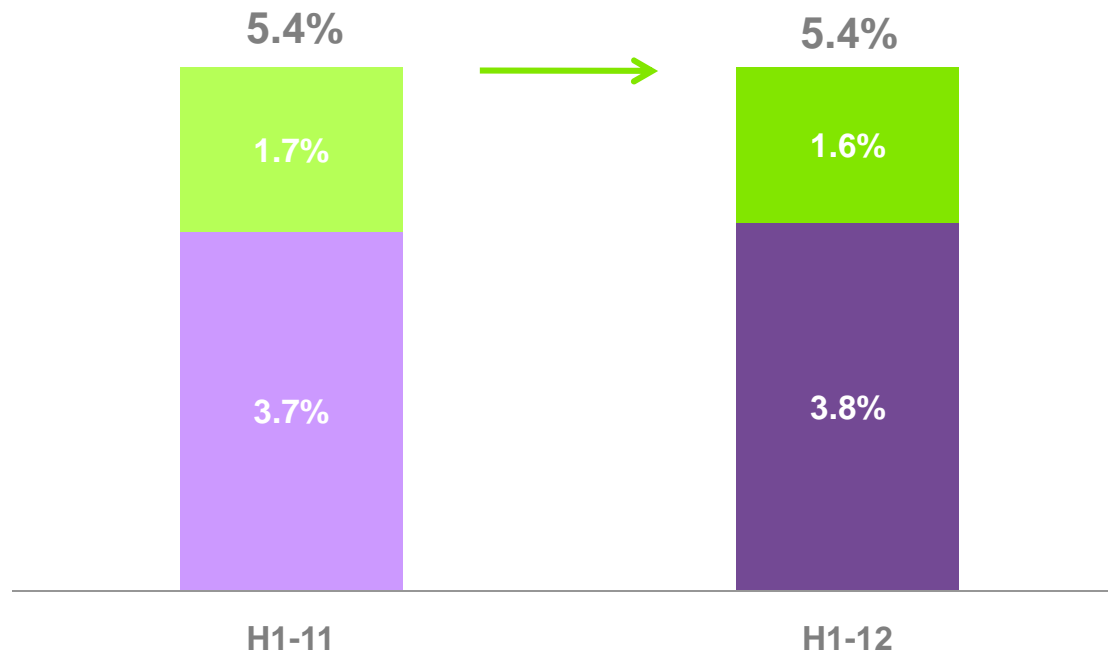
In M€  
& % of sales



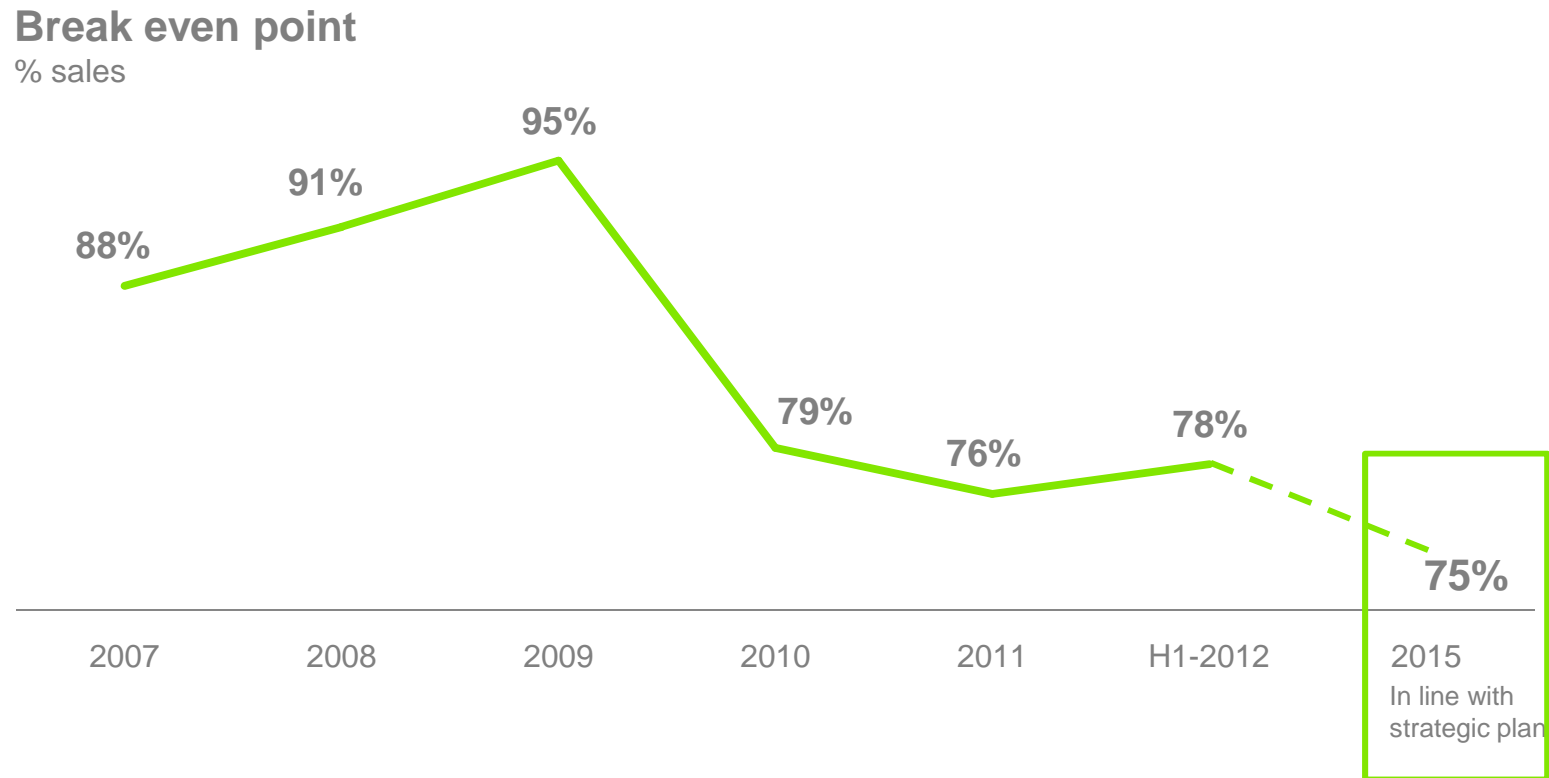
# SG&A under strict control

Stable at 5.4% of sales

% of sales



# Higher break even point due to investment in Asia



Flexibility assured thanks to high level of temporary contracts

## Net income of 198 M€, mainly impacted by cost of debt

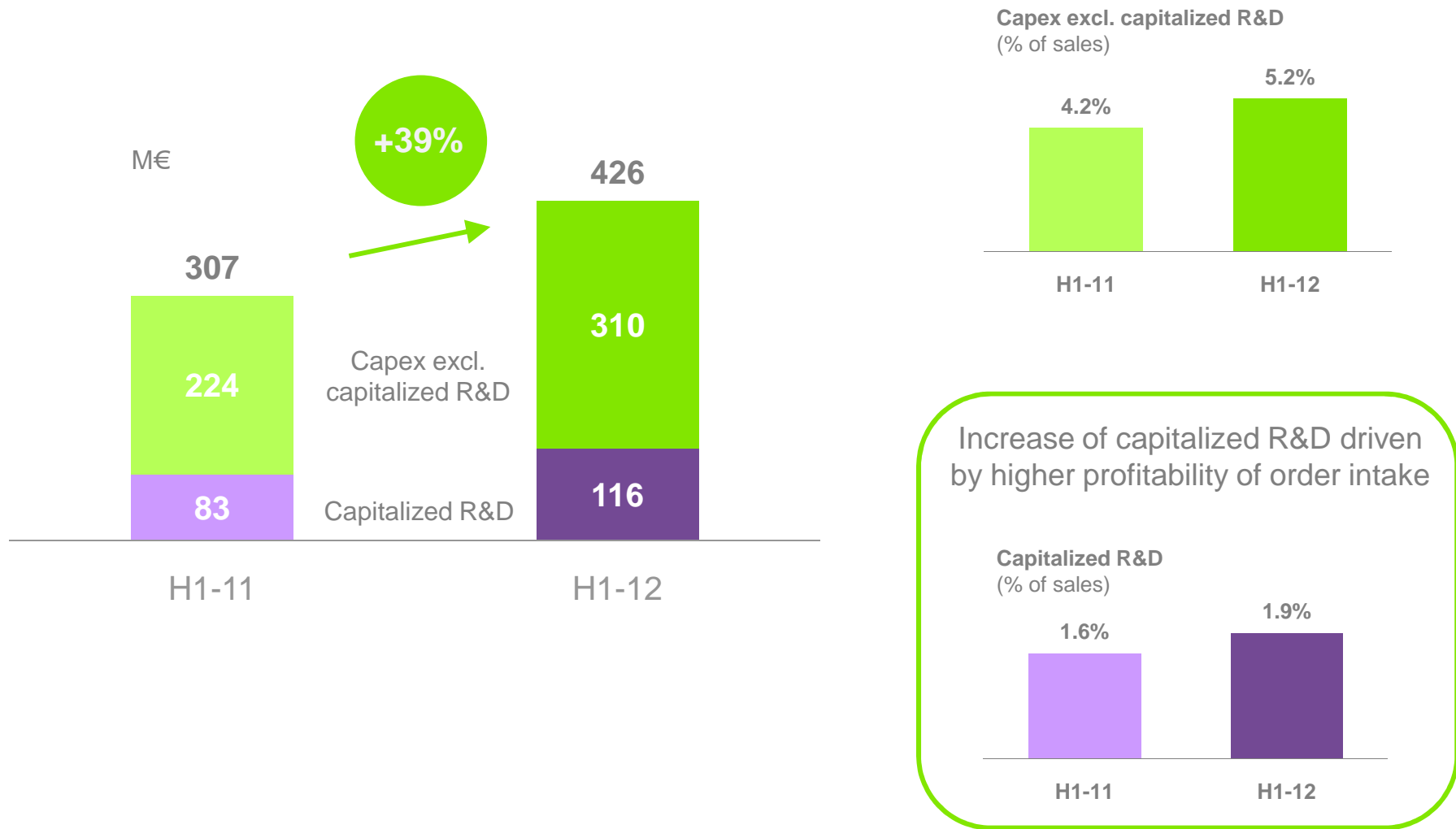
	H1-11	H1-12	▲
Total sales (M€)	5,334	5,999	+12.5%
Operating margin (adj. EBIT) (M€) <i>% of sales</i>	345 6.5%	370 6.2%	+7% -0.3pt
Other income & expenses (M€) <i>% of sales</i>	(1) 0.0%	(22) 0.4%	na +0.4pt
Operating income (EBIT) (M€) <i>% of sales</i>	344 6.4%	348 5.8%	+1% +0.6pt
Cost of net debt (M€)	(29)	(50)	+72%
Other financial expenses (M€)	(17)	(16)	-6%
Associates (M€)	4	11	Na
Income before taxes (M€)	302	293	-3%
Taxes (M€) <i>Effective tax rate</i>	(77) 26%	(78) 28%	+1% +2pts
Non strategic activities (M€)	0	(2)	na
Minority interest and others(M€)	(7)	(15)	na
Net income (M€) <i>% of sales</i>	218 4.1%	198 3.3%	-9% -0.8pt
Earning per share (€)	2.89	2.63	-9%





Free cash flow up 10%, at 148 M€  
after CAPEX increase of 117 M€

# Capex increase to sustain order intake



## Free cash flow up 10%, at 148 M€

Due to strong EBITDA and favourable working capital

	H1-11	H1-12	
EBITDA (M€)	602	655	
Operating working capital (M€)	(11)	59	
Restructuring & social costs (M€)	(27)	(22)	
Other operational items (inc. taxes) (M€)	(123)	(120)	Taxes: (93) m€
Capex (inc. capitalized R&D) (M€)	(307)	(424)	Pensions: (13) m€
<b>Free cash flow (M€)</b> (before interest payments)	134	148	
Interest (M€)	(42)	(56)	
Other financial items (M€)	(275)	(61)	
<b>Net cash flow (M€)</b>	(183)	31	
<b>Net financial debt(M€)</b>	452	485	

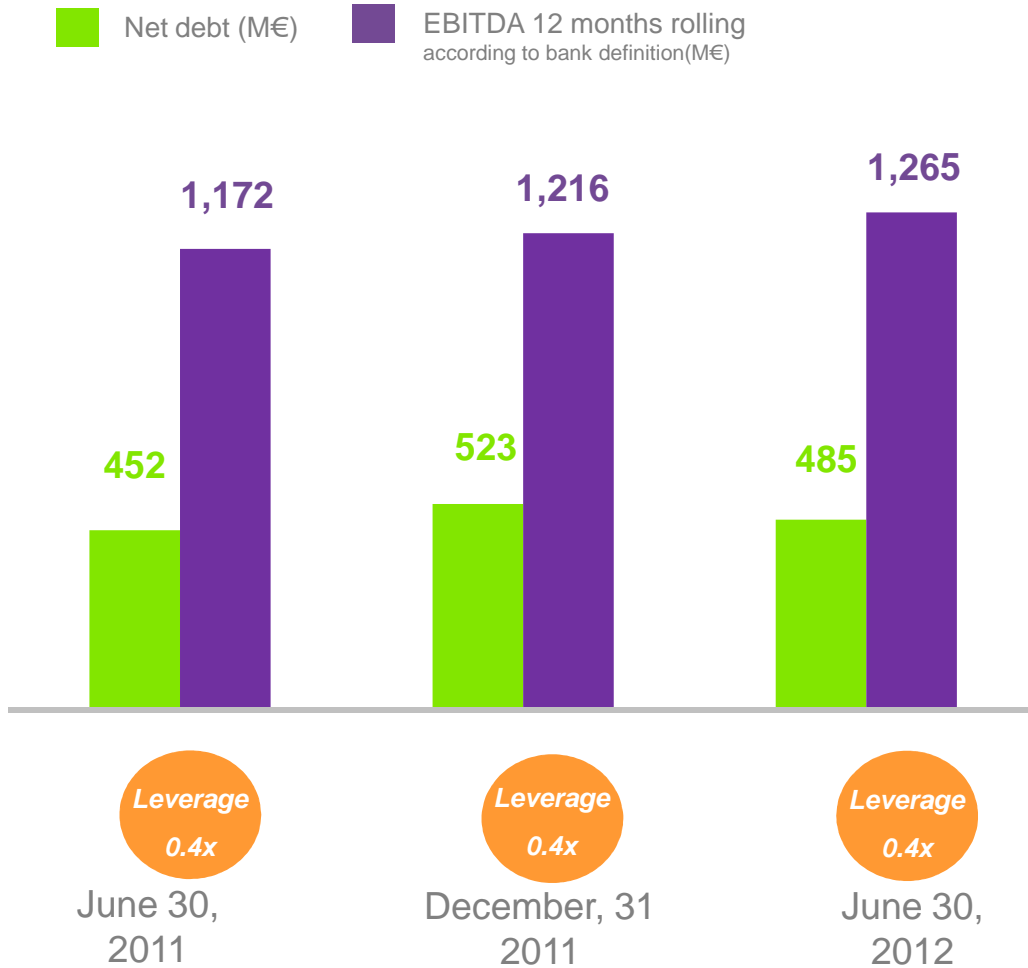


# Strong financial structure

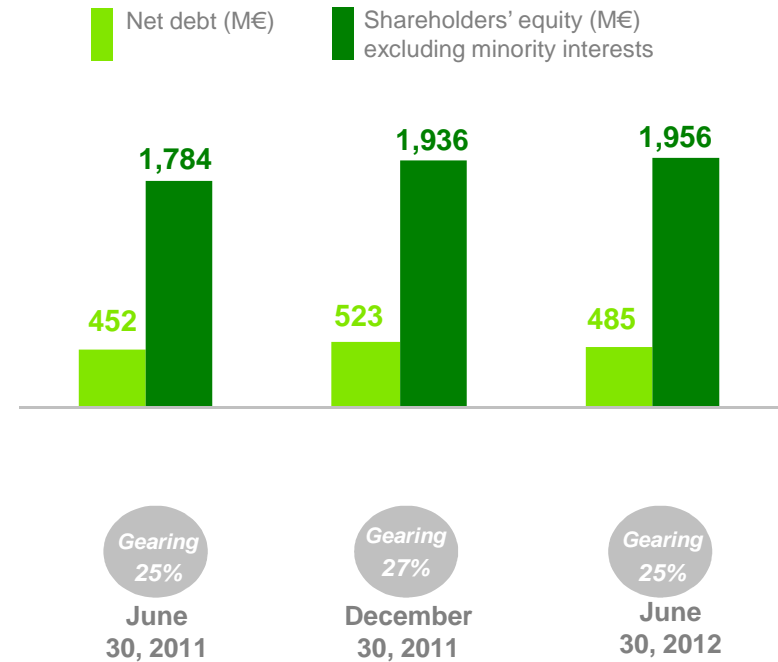
# Strong financial structure

Keeping our “investment grade” status as a high priority

## Net financial debt over EBITDA



## Shareholders' equity and net debt



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

# Strong cash position to cope with challenging environment

## Debt profile as of June 30, 2012

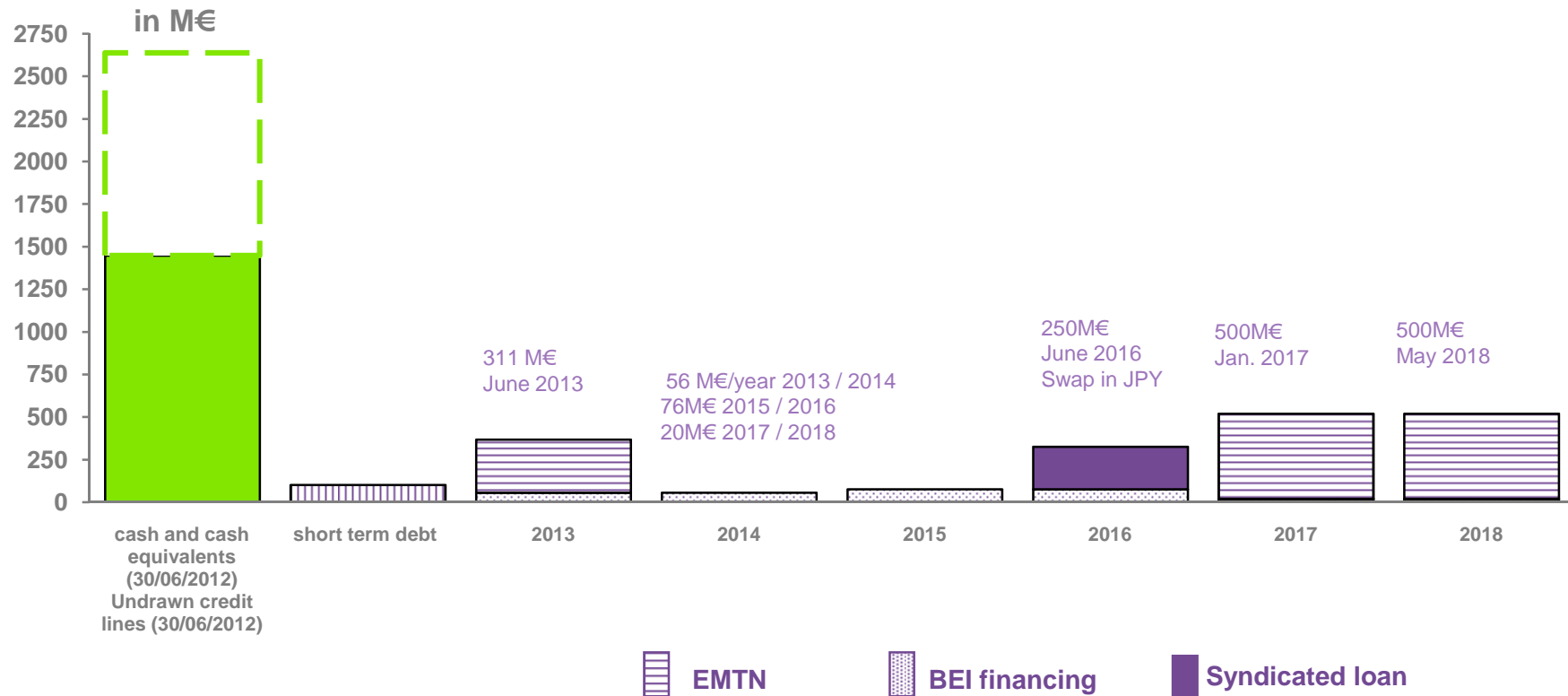
### Liquidity secured by

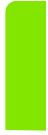
- Cash and cash equivalents: 1,4 Bn€
- ▤ Undrawn credit lines: 1,2 bn€
- ▥ Weighted Average Maturity: 3,8years

### Long – term debt management

**New bond issue** 500 M€ - January 2017  
**Repurchase EMTN 2013:** 89 M€  
**Reimbursement syndicated loan:** 225M€

**Weighted average Financing Rate: 4.9%**





# Valeo Access Mechanisms planned disposal

# Valeo Access Mechanisms

## Planned disposal

### Key figures

- Part of Comfort & Driving Assistance Business Group
- Sales: 620 m€ in 2011
- 90% of sales in Europe and South America
- Main exposure to European customers
- Operating margin (Adj. EBIT) slightly lower than the Group
- Employees: 4,400 (end of June 2012)
- Industrial footprint: 12 manufacturing sites out of which 10 sites located in Europe and Latin America

### Product portfolio, primarily mechanical based





# Valeo Access Mechanisms

## Planned disposal

### Rationale

- In line with Valeo strategy focused on CO<sub>2</sub> emission reduction, Asia & emerging countries
- Expected to be accretive to earnings
- EBITDA multiple in line with the average of multiples observed in similar transactions in the industry in 2011

### Status

- Submitted to employee representatives for consultation
- Subject to approval by the competition authorities

## U-Shin + Valeo Access Mechanisms

a leader with diversified geography and customer base

### Customer fit

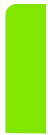
- Valeo Access Mechanisms: strong position with European customers
- U-Shin: strong position with Asian customers

### Geographical fit

- 90% of Valeo Access Mechanisms sales in Europe and South America
- 90% of U-Shin sales in Asia

Valeo Access Mechanisms + U-Shin would become :

- leader in Asia, Europe and South America
- a strong player in North America with huge growth opportunities



# 2012 outlook

## Outlook 2012

Based on the following market scenario for FY 2012:

- Automotive production:
  - World: +5 to 6%
  - Europe: -6 to -7%
- Raw materials prices at current levels

### Guidance

- FY-2012 operating margin\* level (in M€) in the same magnitude of FY-2011

\* Adjusted EBIT



## 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)



# Share Information

## Share Data

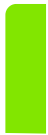
▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 30.06.2012	79,311,067

## ADR Data

▪ Ticker/trading symbol	VLECY
▪ CUSIP Number	919134304
▪ Exchange	OTC
▪ Ratio (ADR: ord)	1:2
▪ Depository Bank	J.P. Morgan
▪ Contact at J.P. Morgan – ADR broker relationship desk	Jim Reeves +1 212-622-2710

# Glossary

- (1) **Order intake:** Order intake corresponds to business awarded by automakers (less any cancellations) during the period, based on Valeo's best and reasonable estimates in terms of volumes, sale prices and project lifespans.
- (2) **Operating margin (adj. EBIT)** corresponds to operating income (EBIT) less other income and expenses
- (3) **ROCE** corresponds to operating margin (adj. EBIT) /capital employed less goodwill calculated over the last 12 months
- (4) **ROA** corresponds to operating margin (adj. EBIT) / committed capital plus goodwill
- (5) **EBITDA** corresponds to operating income (EBIT) before amortization of tangible and intangible assets and depreciation.
- (6) **Free cash flow** corresponds to net operating cash flow less net disbursements on tangible/intangible assets.
- (7) **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.
- (8) **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



# Back-up



# Quarterly information

in M€

## Sales by segments

	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12
Comfort & Driving Assistance	408	440	418	438	481	489	567	620	657	634
Powertrain Systems	636	708	625	714	767	782	743	834	855	826
Thermal Systems	693	754	735	751	783	776	777	804	864	855
Visibility Systems	591	595	547	621	664	640	597	648	685	672
<b>Total sales</b>	<b>2,309</b>	<b>2,478</b>	<b>2,342</b>	<b>2,503</b>	<b>2,669</b>	<b>2,665</b>	<b>2,662</b>	<b>2,872</b>	<b>3,033</b>	<b>2,966</b>

## OE & aftermarket sales

	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12
OE Sales	1,898	2,059	1,929	2,066	2,263	2,247	2,262	2,435	2,602	2,516
Aftermarket	351	371	360	363	361	358	336	357	369	363
Miscellaneous	60	48	53	74	45	60	64	80	62	87
<b>Total sales</b>	<b>2,309</b>	<b>2,478</b>	<b>2,342</b>	<b>2,503</b>	<b>2,669</b>	<b>2,665</b>	<b>2,662</b>	<b>2,872</b>	<b>3,033</b>	<b>2,966</b>

# Half year P&L

	2009		2010		2011		2012
(in € million)	H1	H2	H1	H2	H1	H2	H1
■ <b>Total sales</b>	3,472	4,027	<b>4,787</b>	<b>4,845</b>	<b>5,334</b>	<b>5,534</b>	<b>5,999</b>
■ <b>Gross margin</b>	453	685	<b>856</b>	<b>879</b>	<b>916</b>	<b>927</b>	<b>1,006</b>
<i>as % of sales</i>	13.0%	17.0%	<b>17.9%</b>	<b>18.1%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>16.8%</b>
R&D expenditures	(234)	(239)	<b>(267)</b>	<b>(270)</b>	<b>(285)</b>	<b>(276)</b>	<b>(313)</b>
Selling & administrative expenses	(270)	(262)	<b>(297)</b>	<b>(284)</b>	<b>(286)</b>	<b>(292)</b>	<b>(323)</b>
Other income & expenses	(37)	(12)	<b>(31)</b>	<b>4</b>	<b>(1)</b>	<b>1</b>	<b>(22)</b>
■ <b>Operating income (EBIT)</b>	(88)	172	<b>261</b>	<b>329</b>	<b>344</b>	<b>360</b>	<b>348</b>
<i>as % of sales</i>	-2.5%	4.3%	<b>5.5%</b>	<b>6.8%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>5.8%</b>
Cost of net debt	(21)	(39)	<b>(32)</b>	<b>(35)</b>	<b>(29)</b>	<b>(42)</b>	<b>(50)</b>
Other financial income and expenses	(37)	(20)	<b>(14)</b>	<b>(18)</b>	<b>(17)</b>	<b>(18)</b>	<b>(16)</b>
Equity in net earnings of associates	(40)	6	<b>11</b>	<b>(12)</b>	<b>4</b>	<b>(2)</b>	<b>11</b>
■ <b>Income before income taxes</b>	(186)	119	<b>226</b>	<b>264</b>	<b>302</b>	<b>298</b>	<b>293</b>
Income taxes	(26)	(53)	<b>(47)</b>	<b>(57)</b>	<b>(77)</b>	<b>(71)</b>	<b>(78)</b>
■ <b>Income from continuing operations</b>	(212)	66	<b>179</b>	<b>207</b>	<b>225</b>	<b>227</b>	<b>215</b>
Non-strategic activities	1	(1)	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(2)</b>
■ <b>Net income for the period</b>	(211)	65	<b>177</b>	<b>207</b>	<b>225</b>	<b>226</b>	<b>213</b>
Minority interest	(2)	(5)	<b>(9)</b>	<b>(10)</b>	<b>(7)</b>	<b>(17)</b>	<b>(15)</b>
■ <b>Net income</b>	(213)	60	<b>168</b>	<b>197</b>	<b>218</b>	<b>209</b>	<b>198</b>

# Half year segment information

H1-11 and H1-12

## First-half 2011

(in €m)	Comfort and Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Others	TOTAL
<b>Net sales</b>						
• segment (excluding Group)	956	1 537	1 545	1 284	12	5 334
• intersegment (Group)	14	12	14	20	(60)	-
<b>EBITDA</b>	<b>107</b>	<b>164</b>	<b>173</b>	<b>140</b>	<b>18</b>	<b>602</b>
Research & Development expenditure, net	(72)	(71)	(79)	(65)	2	(285)
Investments in property, plant and equipment and intangible assets	88	97	56	66	1	308
Segment assets	897	1 186	997	907	22	4 009

## First-half 2012

(in €m)	Comfort and Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Others	TOTAL
<b>Net sales</b>						
• segment (excluding Group)	1,278	1,667	1,704	1,337	13	5,999
• intersegment (Group)	13	14	15	20	(62)	-
<b>EBITDA</b>	<b>154</b>	<b>155</b>	<b>206</b>	<b>126</b>	<b>14</b>	<b>655</b>
Research & Development expenditure, net	(88)	(82)	(78)	(65)	-	(313)
Investments in property, plant and equipment and intangible assets	107	125	67	113	14	426
Segment assets	1,402	1,427	1,094	1,079	36	5,038

# Safe Harbor Statement

Statements contained in this report, which are not historical fact, constitute « Forward-Looking Statements. » Even though Valeo's management feels that the Forward-Looking Statements are reasonable, investors are put on notice that actual results may differ materially due to numerous important factors, risks and uncertainties to which Valeo is exposed. Such factors include, among others, the company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed are mainly comprised of the risks resulting from the investigations currently being carried out by the antitrust authorities as they have been identified in the Registration Document, operational risks which relate to being a supplier in the automotive industry, to the marketing and sales of the types of vehicles produced and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French "Autorité des Marchés Financiers" (AMF), including those set out in the "Risk Factors" section of Valeo's Registration Document registered at the AMF on March 29, 2012 (ref. no. D.12-0237).

The company assumes no responsibility for any estimates made by analysts and any other information prepared by third parties which may be used in this report. Valeo does not intend or assume any obligation to review or to confirm the estimates of analysts or to update any Forward-Looking Statements to reflect events or circumstances which occur after the date of this report.



Automotive technology, naturally

