Grow further the new focused Valeo

Investor Day, March 2011
International and focused top management in place

Jacques Aschenbroich
CEO

Robert Charvier
CFO

Christophe Perillat
COO

Michel Boulin
Géric Lebedoff
HR

General Counsel

Martin Haub
R&D and Prod. Marketing

Edouard de Pirey
Corp. Strategy & Planning

Hans-Peter Kunze
Sales & Business Dvpt

Michael Schwenger
Powertrain Systems

Claude Leichlé
Powertrain Systems

Alain Marmugi
Thermal Systems

Marc Vrecko
Comfort & Driving Assistance Systems

Robert de la Serve
Valeo Service

Antoine Doutriaux
Visibility Systems

March 9th 2011
My diagnosis in March 2010

Strengths

- Brand
- Quality
- Operational excellence & reactivity
- Committed people
- Global presence & diversified customer base
- Global leadership on most product lines
- Innovation
- Healthy financial situation
My diagnosis in March 2010

Strengths

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“0 km quality”

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<thead>
<tr>
<th>Year</th>
<th>PPM</th>
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<tr>
<td>2006</td>
<td>27 ppm</td>
</tr>
<tr>
<td>2007</td>
<td>22 ppm</td>
</tr>
<tr>
<td>2008</td>
<td>17 ppm</td>
</tr>
<tr>
<td>2009</td>
<td>9.3 ppm</td>
</tr>
<tr>
<td>2010</td>
<td>8.6 ppm</td>
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My diagnosis in March 2010

**Strengths**

- Brand
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- Healthy financial situation

**Customer portfolio 2010**

- 28% German
- 23% French* (Excluding Nissan)
- 9% Others
- 18% American
- 22% Asian** (Including Nissan)
My diagnosis in March 2010

**Strengths**

- Brand
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**Powertrain Systems**

- Electrical Systems
- Transmission Systems
  - #1
  - #2

**Thermal Systems**

- Global Thermal Systems
  - #2

**Comfort and Driving Assistance Systems**

- Driving Assistance
- Interior Controls
  - #1
  - #1

**Visibility Systems**

- Wipers Systems
- Lighting Systems
  - #1
  - #2
My diagnosis in March 2010

Strengths

- Brand
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Weaknesses

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization
My diagnosis in March 2010

**Weaknesses**

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization

**Our commitments for the new Valeo**

- Focus on CO₂ emissions reduction in all market segments
- Deliver above market organic growth in each region
- Actively participate in industry consolidation
- Best-in-class profitability
Our commitment in March 2011

Grow further the new focused Valeo
1. Ahead of March 2010 strategic plan

2. Outperforming the market by 3pt
   - Innovation and new products
   - New customers and geographies

3. Acquisitions on top of organic growth
   - Niles

4. A new profitable model
   - Best in class profitability
Investor day
March 9th 2011

CO\textsubscript{2} emissions reduction

Energy consumption reduction

Grow further the new focused Valeo

Asia
Emerging countries
**CO₂ emissions reduction**

*Energy consumption reduction*

- **A crucial need**
  - Environmental considerations
  - Energy independence
  - Geopolitics

- **New technologies to be developed**
  - Electrification of the powertrain
  - Downsizing of the engine
  - Lower energy consumption
  - Eco-driving assistance

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“**It’s really important that we have an improvement curve on fuel mileage and CO₂ reduction.**”

Alan Mullaly, Jan. 2010

“**The new energy vehicle is very, very important because we don’t have enough petroleum resource.**”

Wang Chuanfu, BYD, 2011

“**Volkswagen is the automaker, which will put the hybrid forward from a niche car**”

Pr. Winterkorn, Geneva 2010
The automotive world is changing

- North America to re-emerge from a very low basis
- But a strong shift to Asia
- Especially China: +8m vehicles in 2010 vs. 2007

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>70m</td>
<td>74m</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SA</td>
<td></td>
<td></td>
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<tr>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoW</td>
<td></td>
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</table>

- +10m veh
- -3m veh
- -3m veh

Asia Emerging countries
This trend will continue
Production by region
China is the first automotive market today and India will follow

*Year 1 – 1978 for China and 1992 for India
CO$_2$ emissions reduction
Energy consumption reduction

First results in 2010

Asia
Emerging countries
Outperforming our main regions
Full Year OE Sales outperforming the market by 2pts

- **North America**
  - Production +12%**
  - OE Sales +60%*

- **Europe**
  - Production +15%**
  - OE Sales +20%*

- **Asia**
  - Production +28%**
  - OE Sales +36%*

- **World**
  - OE Sales +27%
  - Production +25%

* OE light vehicle sales at same perimeter & exchange rates
** JD Power estimates
Outperforming Asian market by 8%

* OE Light vehicle sales at same perimeter & exchange rates
** JD Power estimates
Ahead of the 2013 plan presented in March 2010

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<td>1.8%</td>
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<td>14%</td>
<td>7.1%</td>
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*Operating margin / capital employed excluding goodwill
**A new horizon for 2015**

€14bn Sales at 2010 perimeter, ie. Organic growth only

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<tr>
<th></th>
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<th>2010</th>
<th>2015</th>
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*Operating margin / capital employed excluding goodwill

** OEM Sales

CAGR**

March 9th 2011

Investor day 20

Valeo
Ahead of March 2010 strategic plan

2 Outperforming the market by 3pt
   Innovation and new products
   New customers and geographies

3 Acquisitions on top of organic growth
   Niles

4 A new profitable model
   Best in class profitability
Grow further the new focused Valeo

Find the right balance between growth and profit
€14 bn Sales by 2015

Outperforming the market by 3pt

In a 5% CAGR worldwide production hypothesis
Outperforming the market by 3pt

Innovation & new products

New customers & geographies
A key driver for growth in each of the Business Groups

Innovation & new products

R&D expenses
6% of Sales
A strong pipeline of innovations

Already in production

- Stop and start ➔ to become a standard
- LEDs ➔ to become a standard
- Battery cooling
- 360 View
**Innovation & new products**

**A strong pipeline of innovations**

<table>
<thead>
<tr>
<th>Already in production</th>
<th>Ordered</th>
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<tbody>
<tr>
<td><img src="image1.png" alt="Component 1" /></td>
<td><img src="image2.png" alt="Component 2" /></td>
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<tr>
<td><img src="image3.png" alt="Component 3" /></td>
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</tr>
<tr>
<td><img src="image5.png" alt="Component 5" /></td>
<td><img src="image6.png" alt="Component 6" /></td>
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</table>

- Double clutch
- Aquablade & Direct drive
- Touchscreen Center Console
- Combined Charge air cooler and Air intake
### Innovation & new products

#### Ordered
- [Image of electronic components]

#### Development contracts
- Range extender
- Laser scanner
- Sensor fusion
- Full electric drivetrain

**A strong pipeline of innovations**

**March 9th 2011**

**Investor day**
A strong pipeline of innovations

Innovation & new products

Development contracts

New innovations

- Electrical driven compressor
- Energy recovery
- Electrical motors
- eSkin
- Eco-driving assistance...
Strengthen position in fast growing markets

- **Europe to stay our main region**
  - Historically
  - but also as a strong technological basis

- **Asia to grow in our portfolio**
  - External growth would be needed to reach 35% Valeo share in Asia, which could be our objective.

![New customers & geographies](image-url)

**2010**

- **60%** Europe & Africa
- **13%** North America
- **19%** Asia & Others
- **8%** South America

*In % of OEM light vehicle sales*
Strengthen position in fast growing markets

New customers & geographies

2010

- 8%* South America
- 13%* North America
- 19%* Asia & Others
- 60%* Europe & Africa

2015

- 6%* South America
- ~15%* North America
- >30%* Asia & Others
- <50%* Europe & Africa

* In % of OEM light vehicle sales

March 9th 2011
Increase position with Premium & Asian customers

- Strong relationship with German OEMs
  - Especially Premium ones
  - To keep technological leadership

- Intensify relationship with Asian customers
  - Grow our share with Japanese OEMs
  - Become a strategic partner of the Chinese and Indian developing OEMs

New customers & geographies

2010 → 2015

- 28% German
- 9% Others
- 18% American
- 23% French*
- 22% Asian**

* Excluding Nissan
** Including Nissan
Ahead of March 2010 strategic plan

Outperforming the market by 3pt
  Innovation and new products
  New customers and geographies

Acquisitions on top of organic growth
  Niles

A new profitable model
  Best in class profitability
Innovation & new products

New customers & geographies

Outperforming the market by 3pt

+ External growth
External growth principles

- Permanent assessment of our product portfolio
  - 3 criteria

- Perform “Make or Buy” analysis
  - Capital employed optimization

- Acquisitions on top of the organic growth target
Permanent assessment of our product portfolio
Keep-or-sell assessment criteria for each business

ROCE* >20%

Growth

One of the 3 major worldwide players
Acquisitions on top of the organic growth objective

- Keep a balanced customer portfolio

- Keep a balance between distribution channels
  - Original equipment
  - Aftermarket

- Find new growth levers and reinforce our most successful product lines

- Privilege main growth strategy axes
  - CO₂ emissions reduction
  - Asia and emerging countries

- Strict financial discipline
  - Become and stay investment grade
Niles
A bolt-on acquisition to become world-wide leader in interior controls

Global market shares

- **Valeo + Niles**: 17%
- **Kostal**: 12%
- **Tokai Rika**: 11%
- **Valeo**: 10%
- **Delphi**: 7%
- **ALPS**: 7%
- **Niles**: 7%
- **TRW**: 5%
Enhanced human machine interfaces make automotive connectivity technologies possible

Interior controls is a promising product line
Center console as a technologies integrator
Rebalanced geographical exposure
Niles, a perfect match with Valeo

Valeo to use Niles commercial & industrial footprint to sell & manufacture its advanced products in Asia
A stronger presence of Valeo in Japan and with Japanese customers

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<tr>
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<th>Valeo</th>
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<tr>
<td>Japan</td>
<td>13%</td>
<td>5%</td>
<td>8%</td>
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<td>30%</td>
<td>15%</td>
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Niles acquisition key financials

- **Niles key figures** (January to December 2010)
  - Sales: ~€435m
  - EBITDA > 13%
  - Operating margin >7%
  - Employees: ~3,500 (60% in competitive countries)

- **Transaction**
  - Acquisition of 77.9% stake from RHJI
  - 20% stake from Nissan
  - Enterprise value: €320m
  - “Debt like items”*: €146m

- **Multiples**
  - EV/Sales: 0.74x
  - EV/EBITDA <5.7x

*to be adjusted at closing
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   - Best in class profitability
€14 bn Sales by 2015

A new profitable model

Profitability sustainable through the cycle
Outperform automotive market growth

- Outperformance on our main markets
- Quality performance recognition
- Order intake at record high
  - €12.5 bn at the end of 2010
  - Aftermarket + Others > €1.6 bn in 2010
- High confidence in achieving 2015 target

€14 bn sales in 2015
Optimization of capital employed to service the Group development

- Development in Asia and emerging countries less capital intensive
- 50 to 60% of investments allocated to development in Asia and emerging countries
- Lean Capex strategy leads to lower investments

Capex at [4.5-5%] of sales
Profitability sustainable through the cycle

- Maintaining profitability despite raw material price evolution
- Keeping break even point under strict control
- Implementing new organization
- Lower Capex growth model
- Going forward with Visibility turnaround

2015 Operating margin target >7%
Disciplined financial policy
Keep a strong balance sheet

- **A priority: back to investment grade…**
  - Financial performance recognized by rating agency: notation Ba1 upgrade of the outlook from stable to + as of December 9.

- **…to offer flexibility for future development…**
  - A reinforced financial structure and a strong balance sheet
  - An acquisition policy in line with our target back to investment grade

- **…and regular dividend policy**
## Best in class ROCE

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Conclusion

- The right strategy
- The right products
- The right teams
- The right business model

Valeo is clutched for profitable growth