



H1-2011 Results

Jacques Aschenbroich – CEO

July 27, 2011

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Outperforming the market 7 quarters in a row

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Business developments



H1-2011 Highlights

H1-2011 highlights

Improvement of operating margin despite RM price increase and Japan

- Sales of 5,334 m€ increasing by 13% on a “like-for-like” basis
- OE sales up 15% on a “like-for-like” basis outperforming the market by 12 pts
- Operating margin ₍₁₎ up 18% at 345 m€ (6.5% of sales)
- Net income up 30% at 218 m€ (4.1% of sales)
- Earning per share up 30% at 2.89€ per share
- ROCE₍₂₎ at 36%, ROA₍₃₎ at 22%
- Generation of free cash flow of 134 m€
- Further to Niles acquisition, net financial debt ₍₅₎ at 452 m€
- Record order intake at 7.7 billion €

(1), (2), (5) please refer to glossary on slide 44

H1-2011 Key figures

	H1-10	H1-11	▲
Total sales (M€)	4,787	5,334	+11% +13%*
OE Sales (M€)	3,957	4,510	+14% +15%*
Operating margin ⁽¹⁾ (M€) <i>As % of sales</i>	292 6.1%	345 6.5%	+18% +0.4pt
Net income (M€) <i>As % of sales</i>	168 3.5%	218 4.1%	+30% +0.6pt
Earning per share (€)	2.22	2.89	+30%
ROCE ⁽²⁾	25%	36%	+11pts
ROA ⁽³⁾	14%	22%	+8pts
EBITDA ⁽⁴⁾ <i>As % of sales</i>	564 11.8%	602 11.3%	+7% -0.5pt
Free cash flow (M€)	291	134	-54%
Net cash flow ⁽⁵⁾ (M€)	241	(183)	na
Net financial debt ⁽⁶⁾ (M€)	438	452	+3%

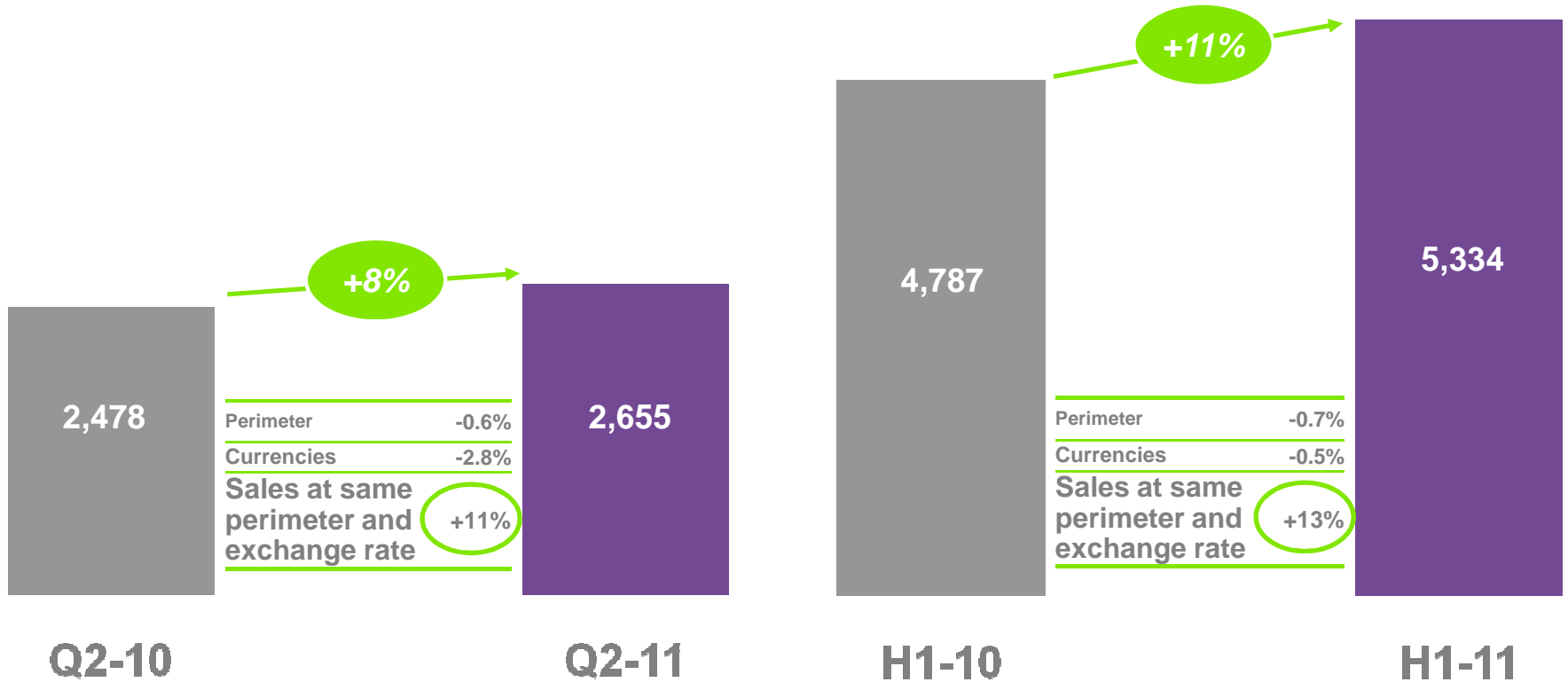
*At same perimeter and exchange rates



Outperforming the market
7 quarters in a row

Strong performance of H1 sales on a like-for-like basis

Total sales in M€



Strong performance of OE sales at +15% (+17% excl. Japan)

In M€ and YoY variation

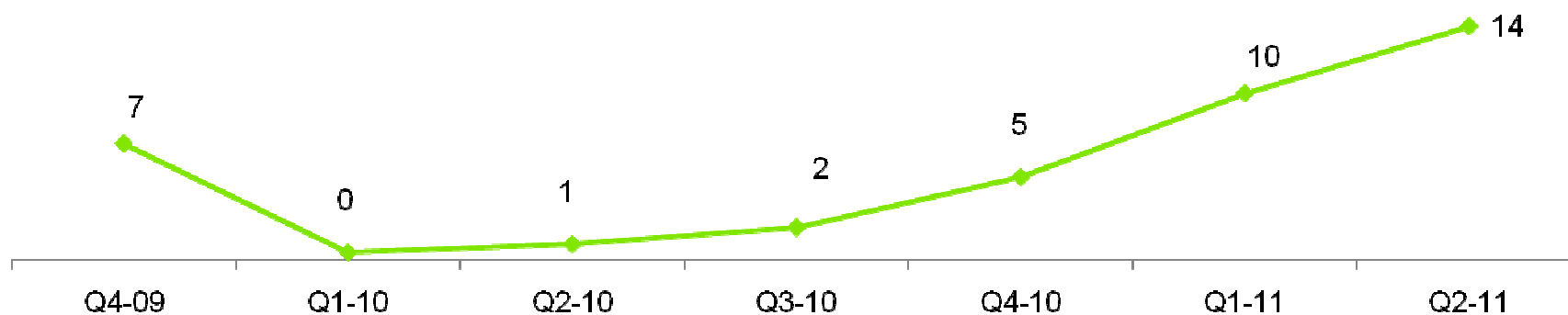
	Q2-10	Q2-11	▲ Like-for-like	H1-10	H1-11	▲	▲ Like-for-like
Original Equipment <i>as % of sales</i>	2,059 83%	2,247 84%	+12%	3,957 83%	4,510 85%	+14%	+15%
Aftermarket <i>as % of sales</i>	371 15%	358 14%	+2%	722 15%	719 13%	+0%	+3%
Miscellaneous <i>as % of sales</i>	48 2%	60 2%	+24%	108 2%	105 2%	-3%	-1%
Sales	2,478	2,665	+11%	4,787	5,334	+11%	+13%

Outperforming the market 7 quarters in a row

OE Sales on a “like for like” basis vs automotive production

(million of vehicles)	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11
Production*	+22%	+51%	+31%	+15%	+9%	+7%	-2%
Valeo**	+29%	+51%	+32%	+17%	+14%	+17%	+12%

■ Valeo performance vs light vehicle production (in pts)

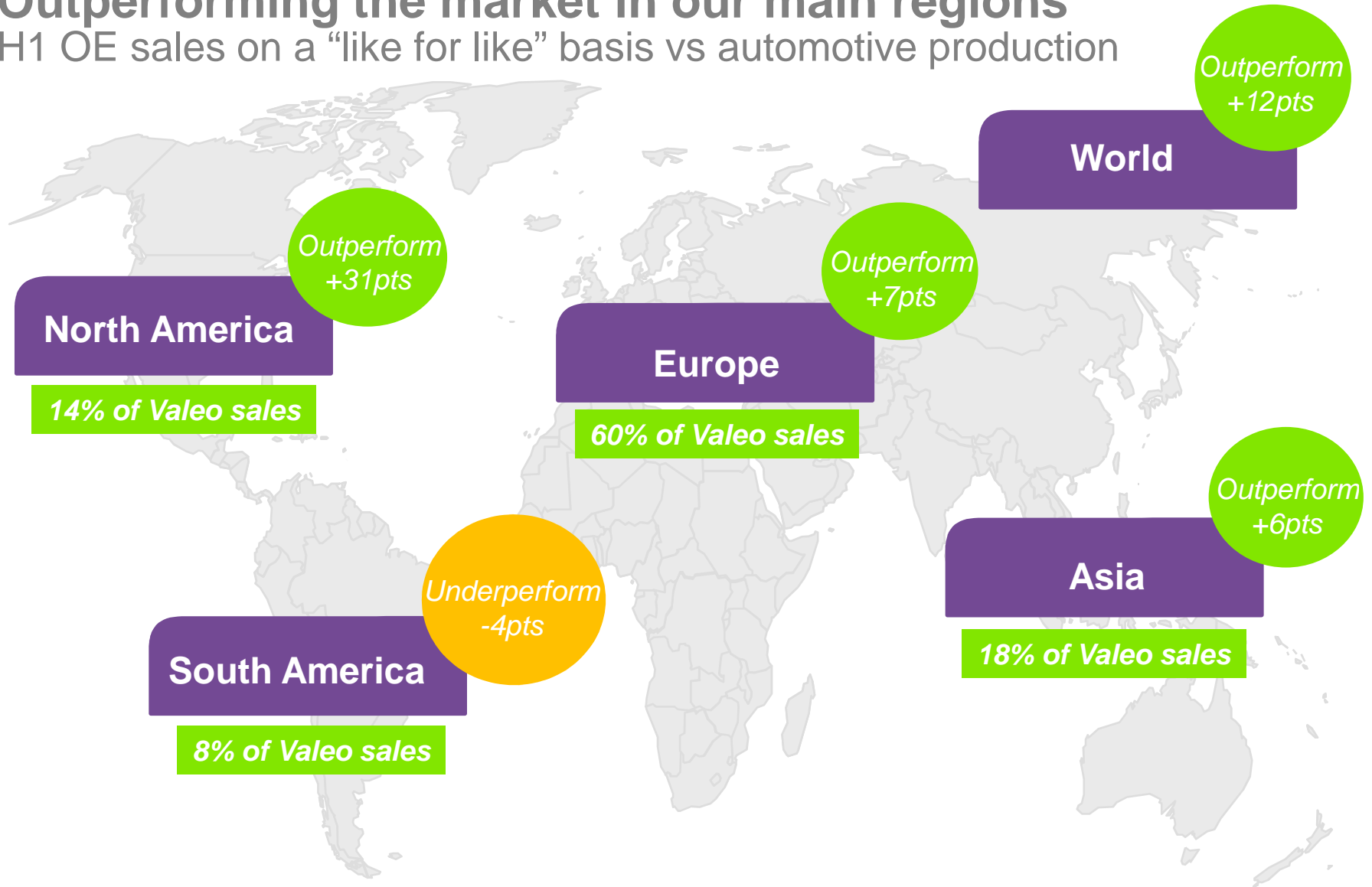


* Light vehicle production JD Power estimates

**At same perimeter and exchange rates

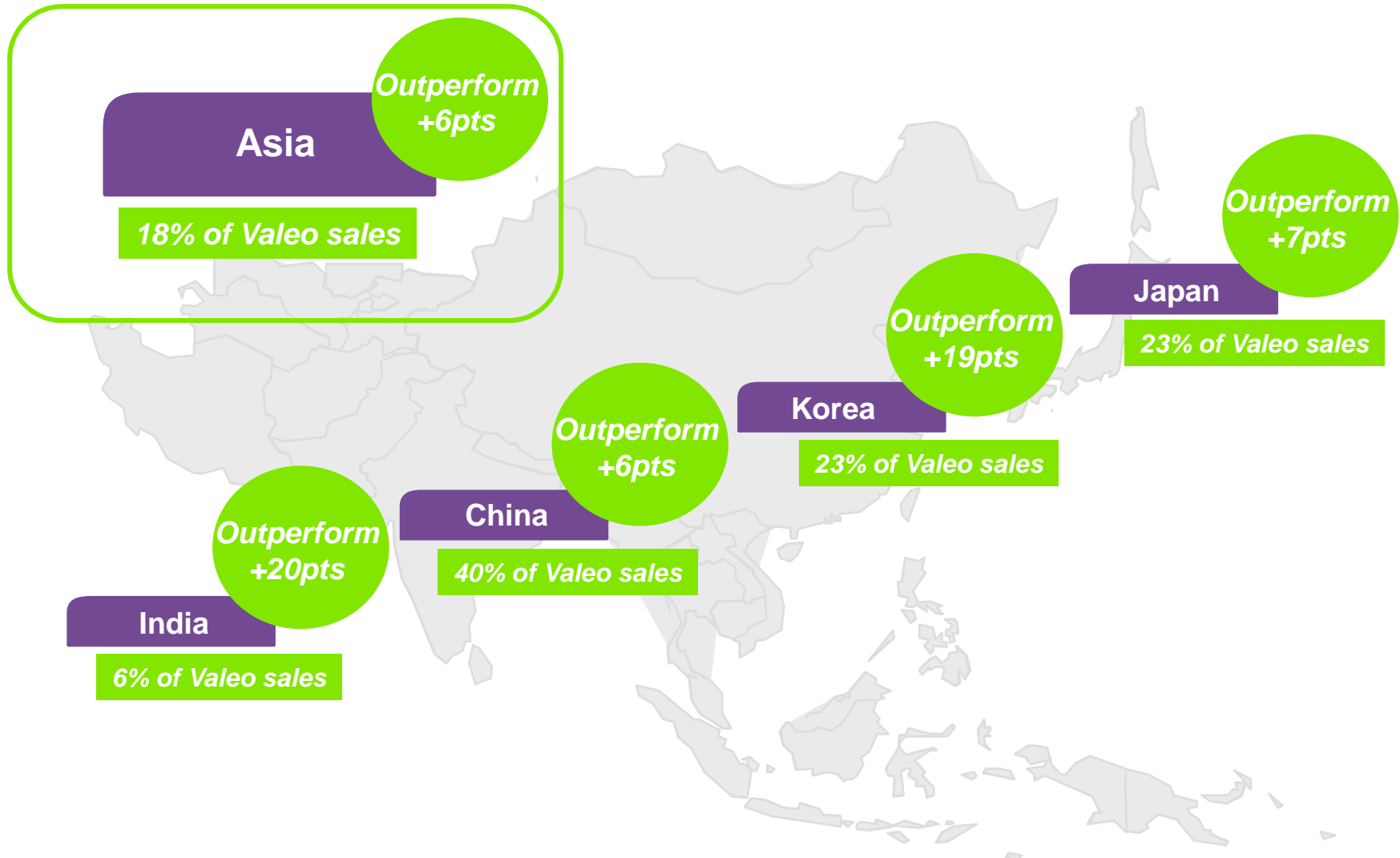
Outperforming the market in our main regions

H1 OE sales on a “like for like” basis vs automotive production

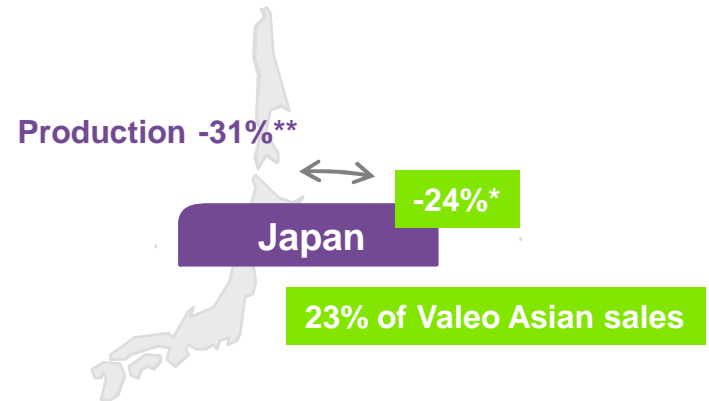


Outperforming the market in each Asian country

H1 Asian OE sales on a “like for like” basis vs automotive production



Following the earthquake in Japan



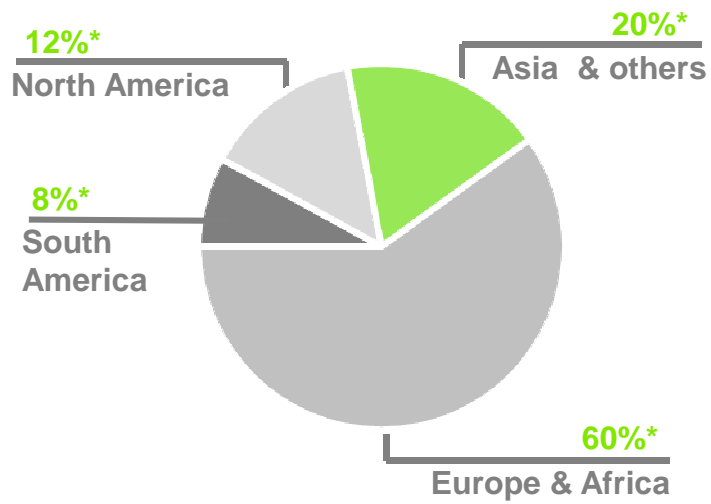
"Business levels in Japan should pick up again as from this summer. More broadly, while minor supply chain disruptions cannot be discounted, they are not expected to impact global automotive output in third-quarter 2011 ."

* H1 OE at same perimeter & exchange rates

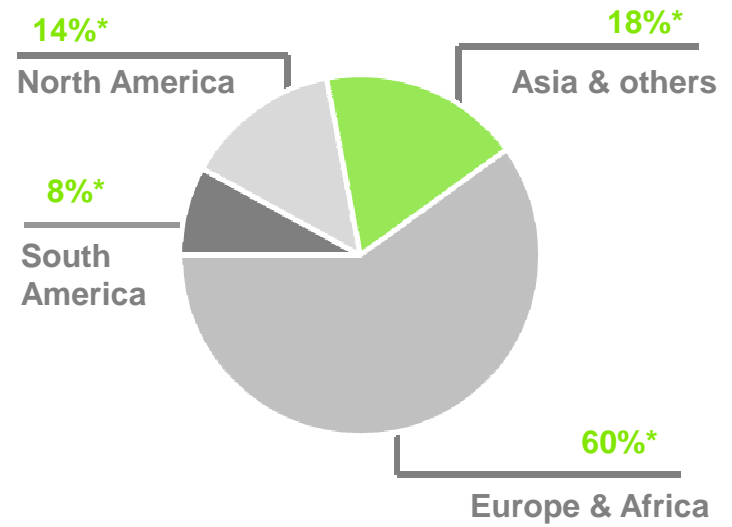
** JD Power estimates

Growth in Asia still increasing, excluding Japan

H1 geographical exposure



H1-10

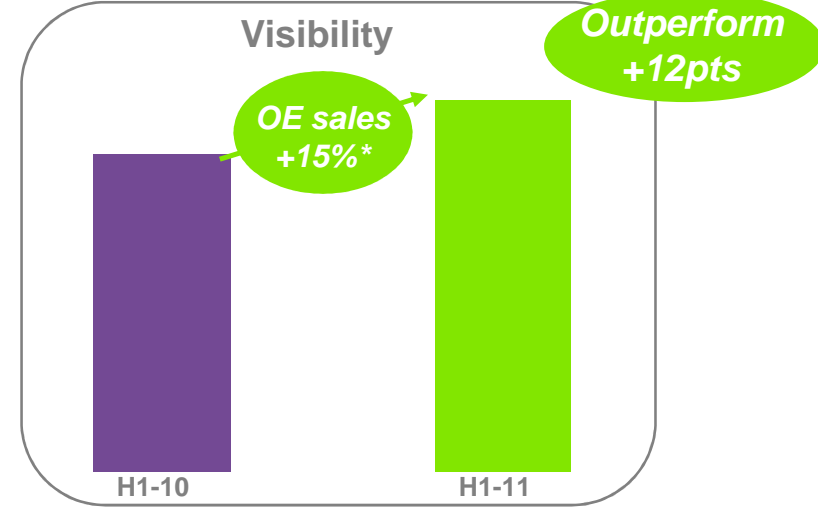
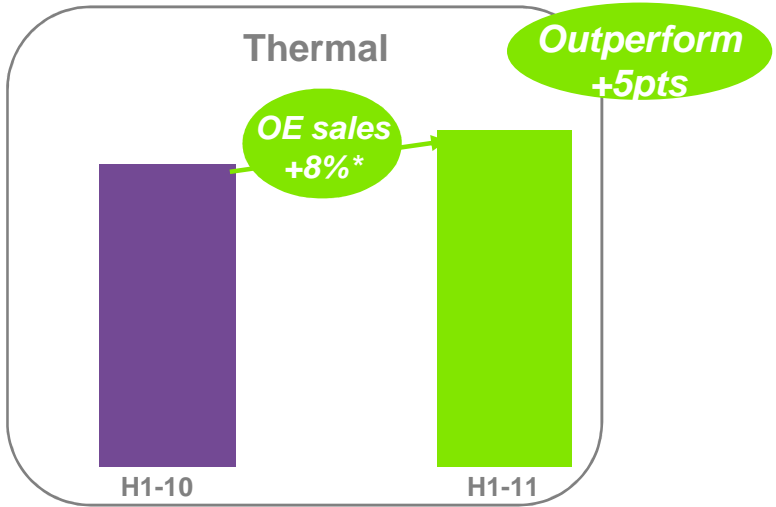
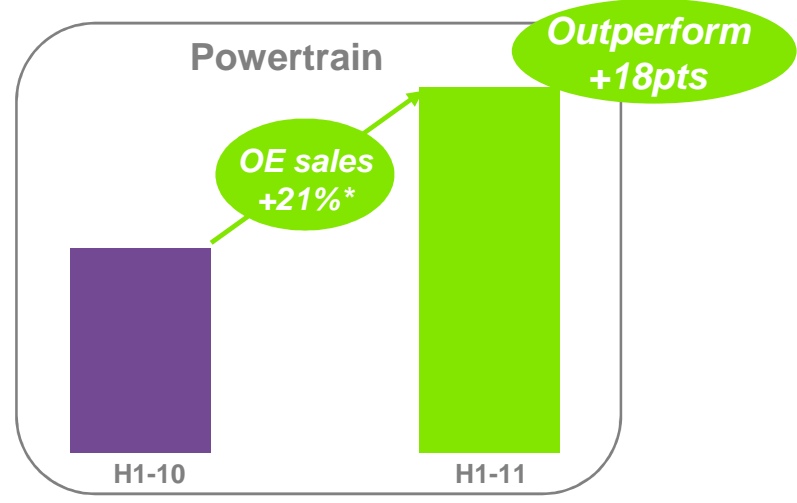
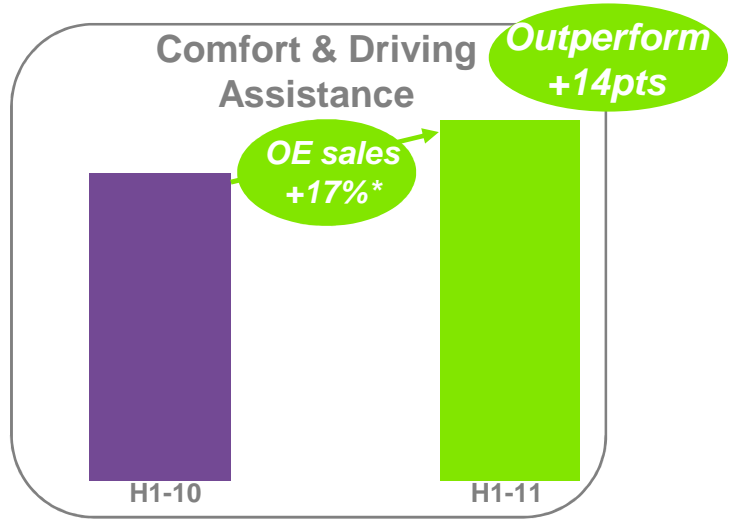


H1-11

* In % of OEM vehicle sales

Each BG significantly outperforming automotive production

Worldwide Production** (YoY) +3%

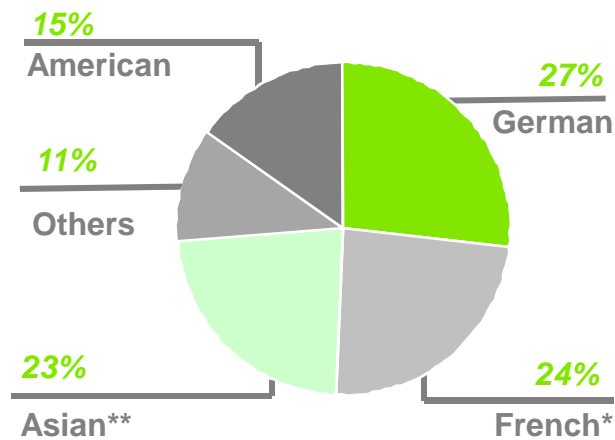


* At same perimeter and exchange rate ** JD Power light vehicle production estimates

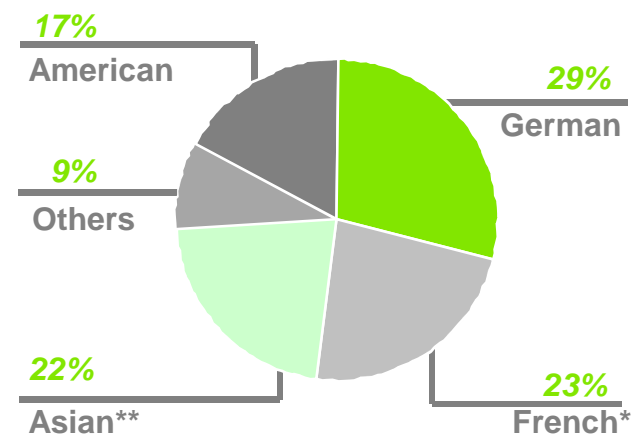
Increasing position of German customers

Exposure to Asian customers impacted by Japan

In % of OE sales



H1-10



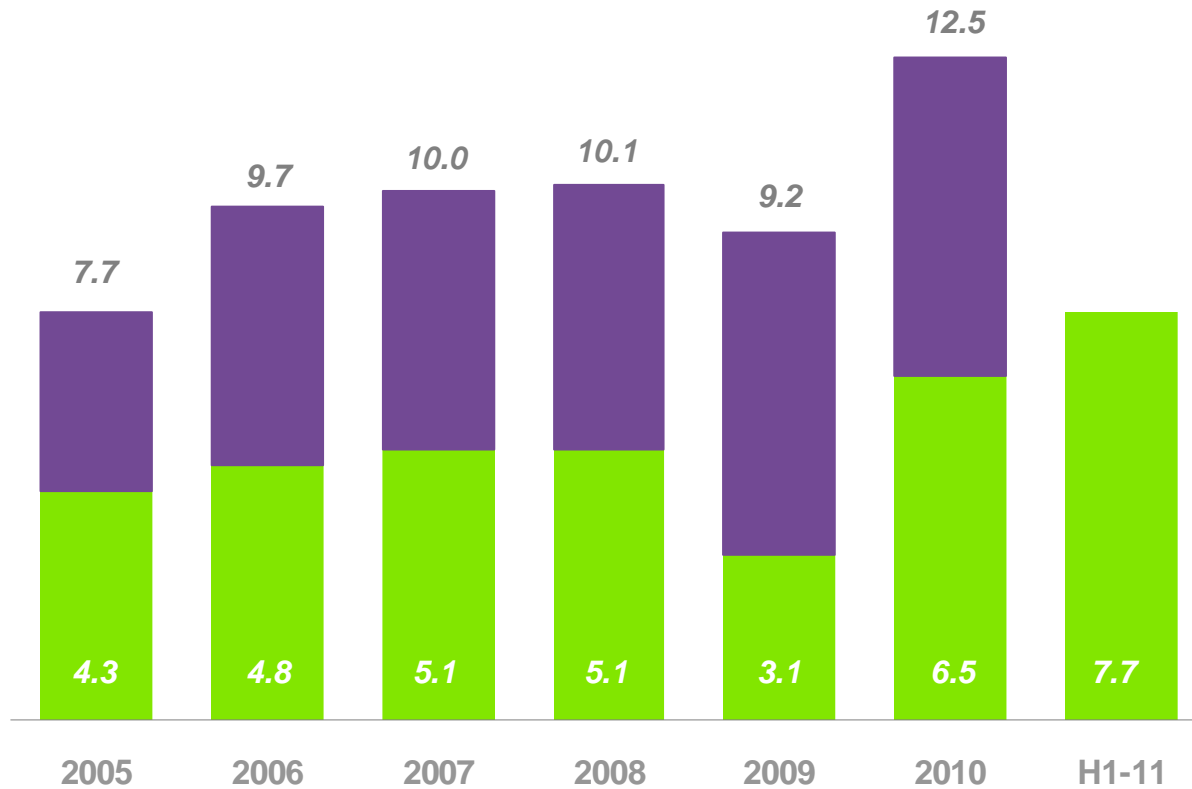
H1-11

* Excluding Nissan ** Including Nissan

Record order intake at 7.7 billion € +18% vs H1-2010

Order Intake (in billion€)

H2
H1





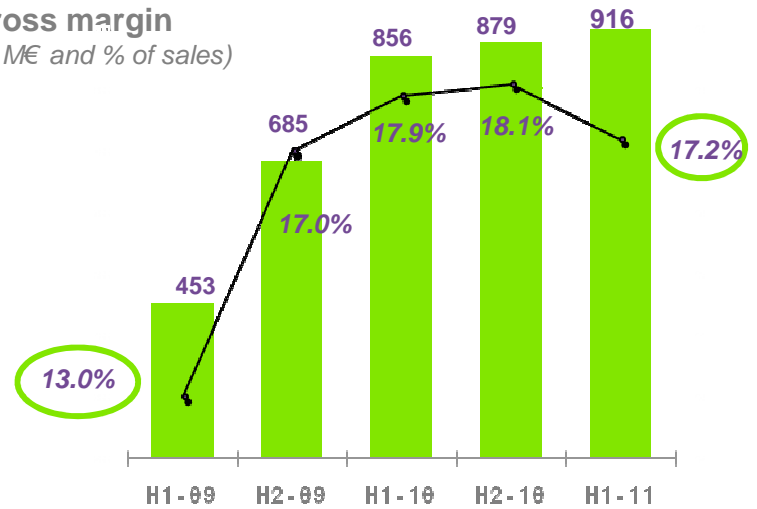
Sustainability of our margins

Sustainability of our margins despite raw material headwind and earthquake in Japan

In M€	H1-10	H1-11	▲
Total sales	4,787	5,334	+11%
Gross margin	856	916	+7%
<i>% of sales</i>	17.9%	17.2%	-0.7pt
Net R&D	(267)	(285)	+7%
<i>% of sales</i>	-5.6%	-5.3%	+0.3pt
SG&A expenses	(297)	(286)	-4%
<i>% of sales</i>	-6.2%	-5.4%	+0.8pt
Operating margin ₍₁₎	292	345	+18%
<i>% of sales</i>	6.1%	6.5%	+0.4pt
Operating income	261	344	+32%
<i>% of sales</i>	5.5%	6.4%	+0.9pt
Net income	168	218	+30%
<i>% of sales</i>	3.5%	4.1%	+0.6pt
Earning per share	2.22	2.89	+30%

Gross margin mainly impacted by RM price increase

Gross margin
(in M€ and % of sales)



Walkdown



H1-2011 raw material headwind

815 M€ of purchasing

	% of consumption	▲ % H1-10 – H1-11 (price)
LME*	42%	+22%
Steel	34%	+20%
Plastic	22%	+8%
Rare earth	3%	+170%
Total	100%	+19%

*of which copper 50%, aluminum 44% and zinc 6%

Net impact on margin
of -1.7pt

Risk Management Policy

LME

- Passthrough for 65% of purchasing with a 3 to 6 month delay
- Balance (35%) hedged with 6 month rolling forward derivative contracts

FY 2011: 100% of risk neutralized

Steel

- Passthrough for 50% of purchasing with a 3 to 6 month delay
- Not quoted commodity

FY 2011: Passthrough for 50%

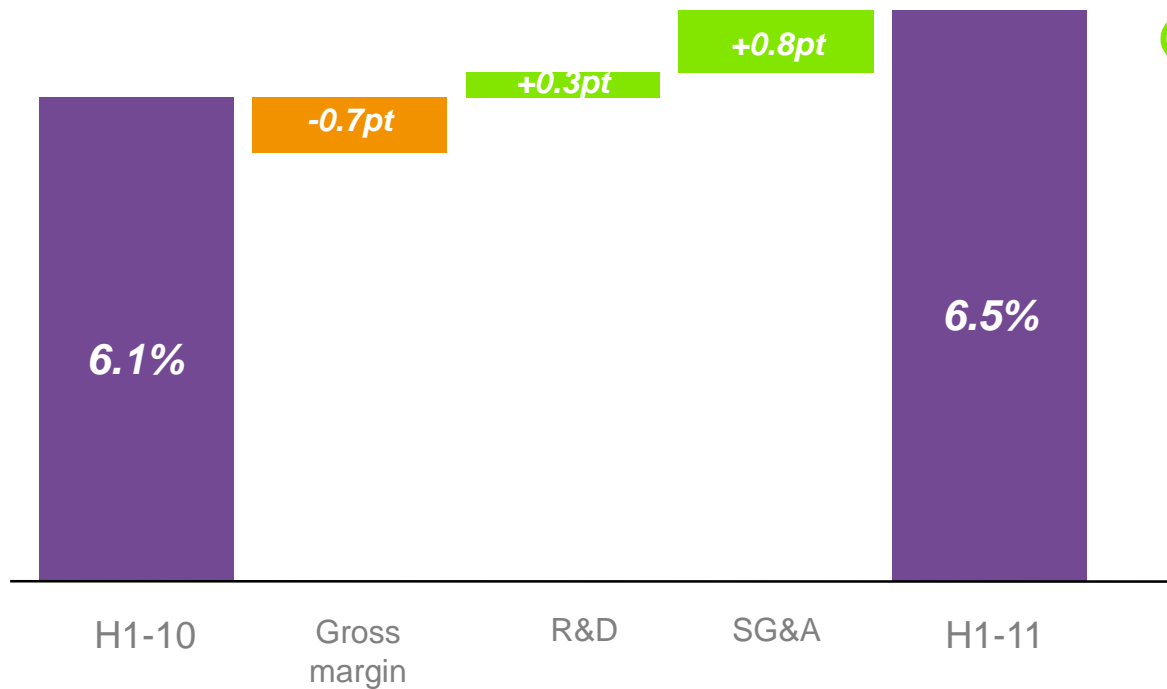
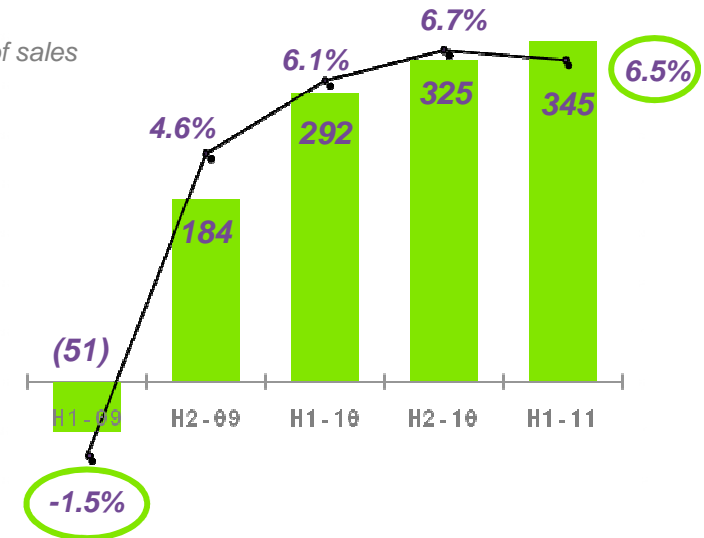
Rare earth

- Price increase and material substitution : negotiations on-going

Sustainability of operating margin ⁽¹⁾

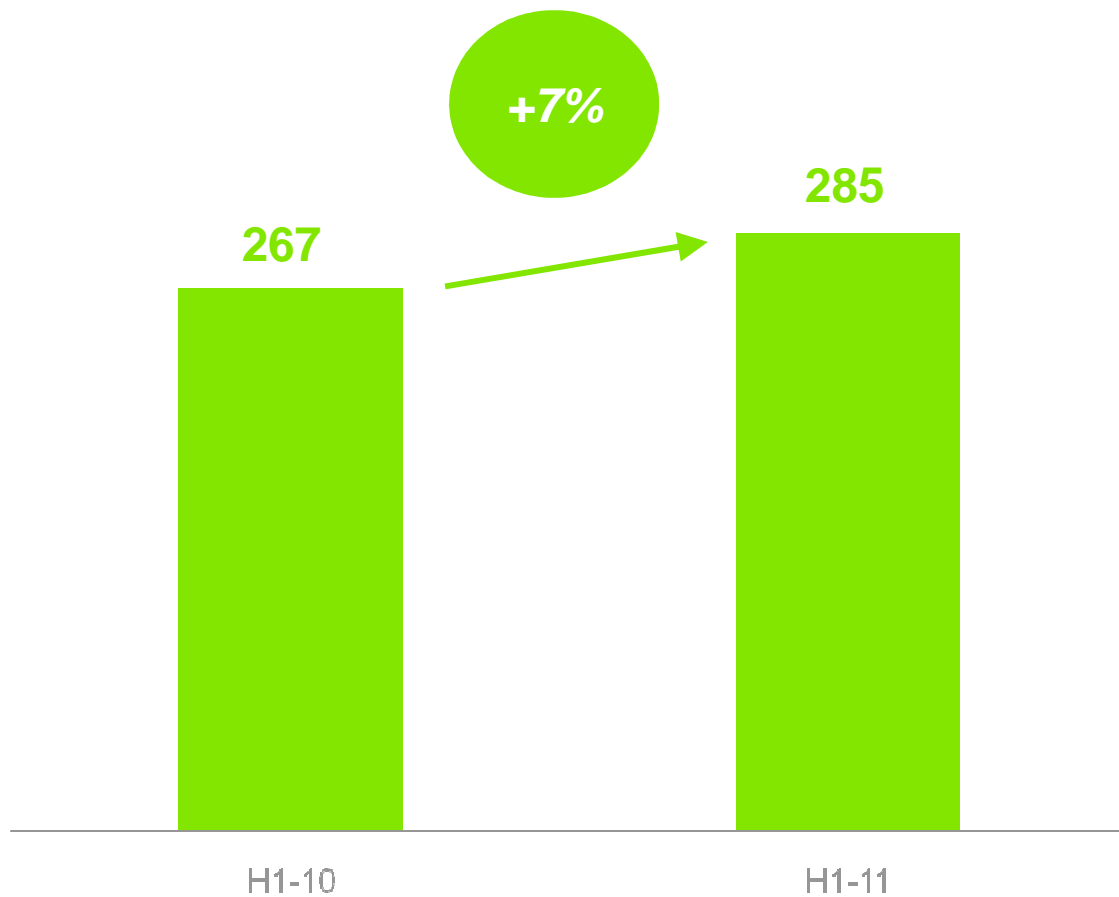
In M€ & as % of sales

Walkdown

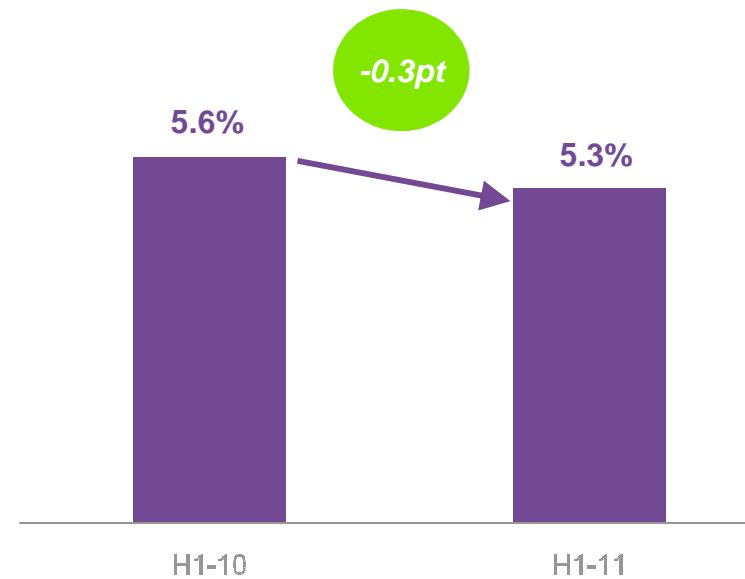


Net R&D up 7% in volume to sustain increase of order intake

In M€

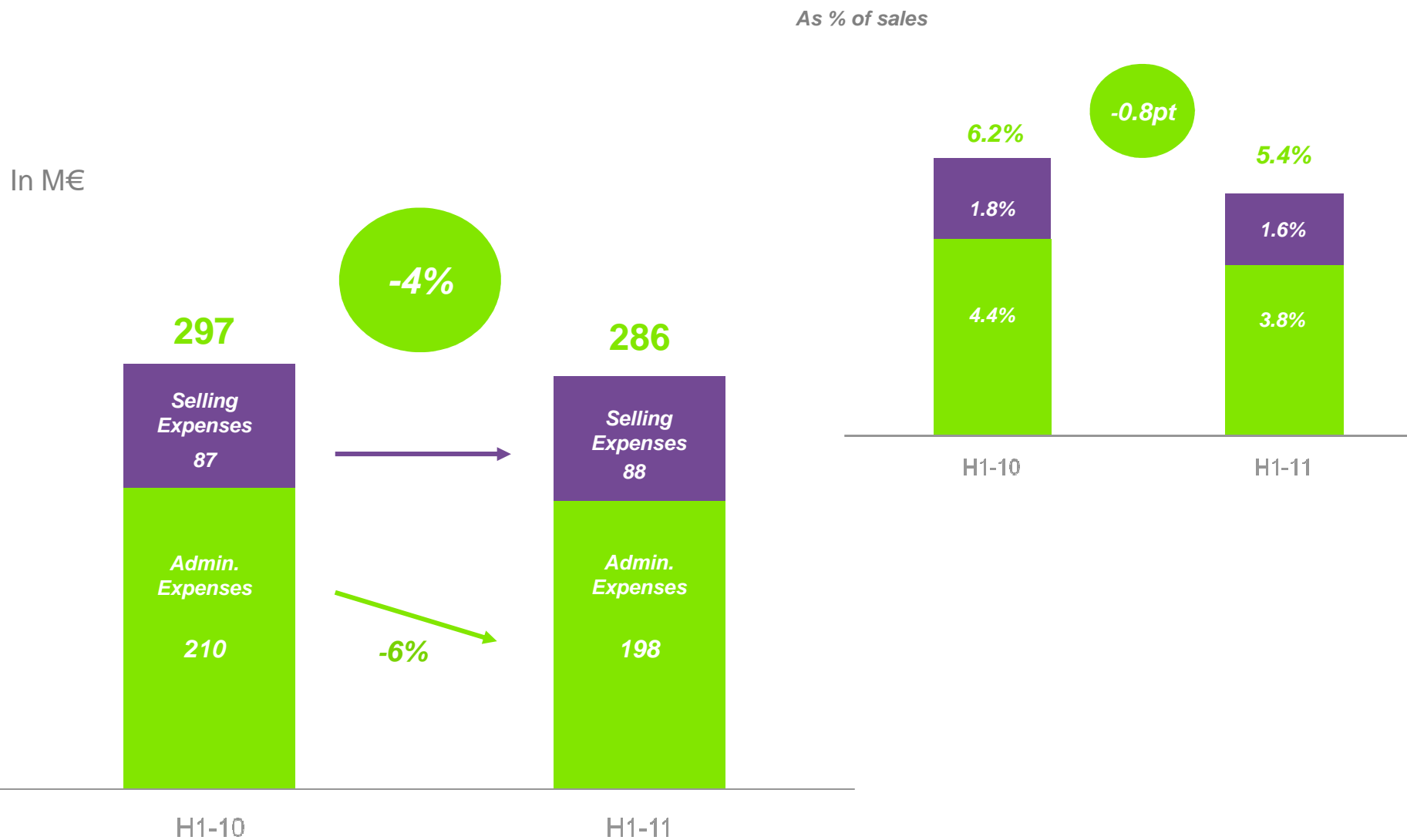


as % of sales



Decrease of SG&A in line with 2015 strategic plan

Implementation of new organization on track



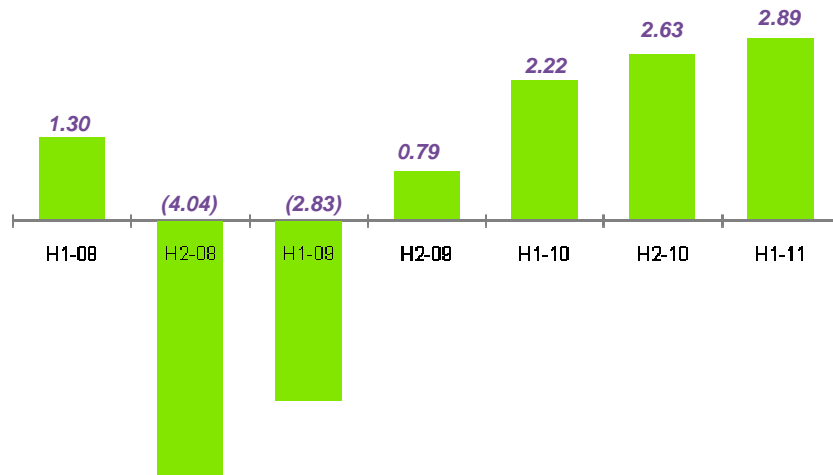
Significant improvement of net income of 30%

In M€	H1-10	H1-11	▲
Total sales	4,787	5,334	+11%
Operating margin ₍₁₎ <i>as % of sales</i>	292 6.1%	345 6.5%	+18% +0.4pt
Other income & expenses <i>as % of sales</i>	(31) -0.6%	(1) 0.0%	-97% +0.6pt
Operating income <i>as % of sales</i>	261 5.5%	344 6.4%	+32% +0.9pt
Cost of net debt	(32)	(29)	-9%
Other financial expenses	(14)	(17)	+21%
Associates	11	4	-64%
Income before taxes	226	302	+34%
Taxes	(47)	(77)	+64%
<i>Effective tax rate</i>	22%	26%	+4pts
Non strategic activities	(2)	0	-100%
Minority interest and others	(9)	(7)	-22%
Net income	168	218	+30%
Earning per share	2.22	2.89	+30%

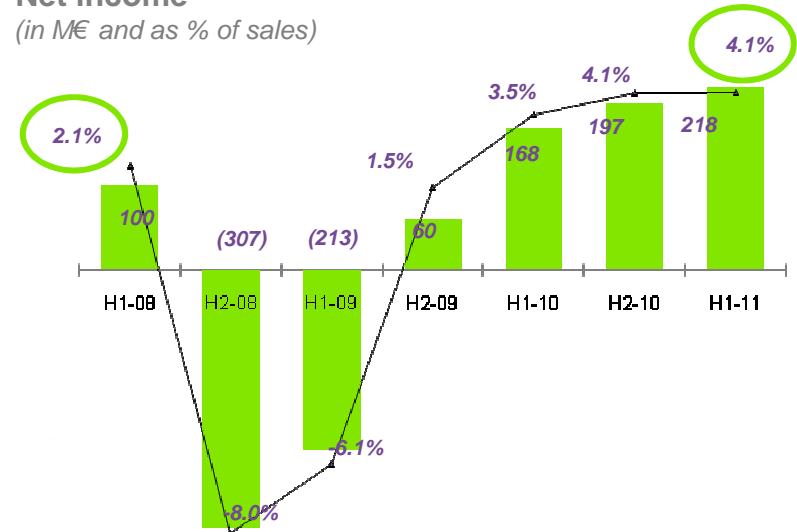
Earning per share increase by 30% at 2.89 € per share

Earning per share

(in Euro)



Net income (in M€ and as % of sales)



Net income at 4.1% of sales,
record high level in a
1st semester for 13 years



Cash flow further to Niles acquisition

Debt management

Free cash flow generation of 134 M€

■ Operating performance

→ EBITDA at 602 M€ (11.3 % of sales)

■ Operating working capital

→ - 11 M€

■ Capex

→ - 307 M€

■ Interest payment

→ - 42 M€

→ Other financial including Niles acquisition

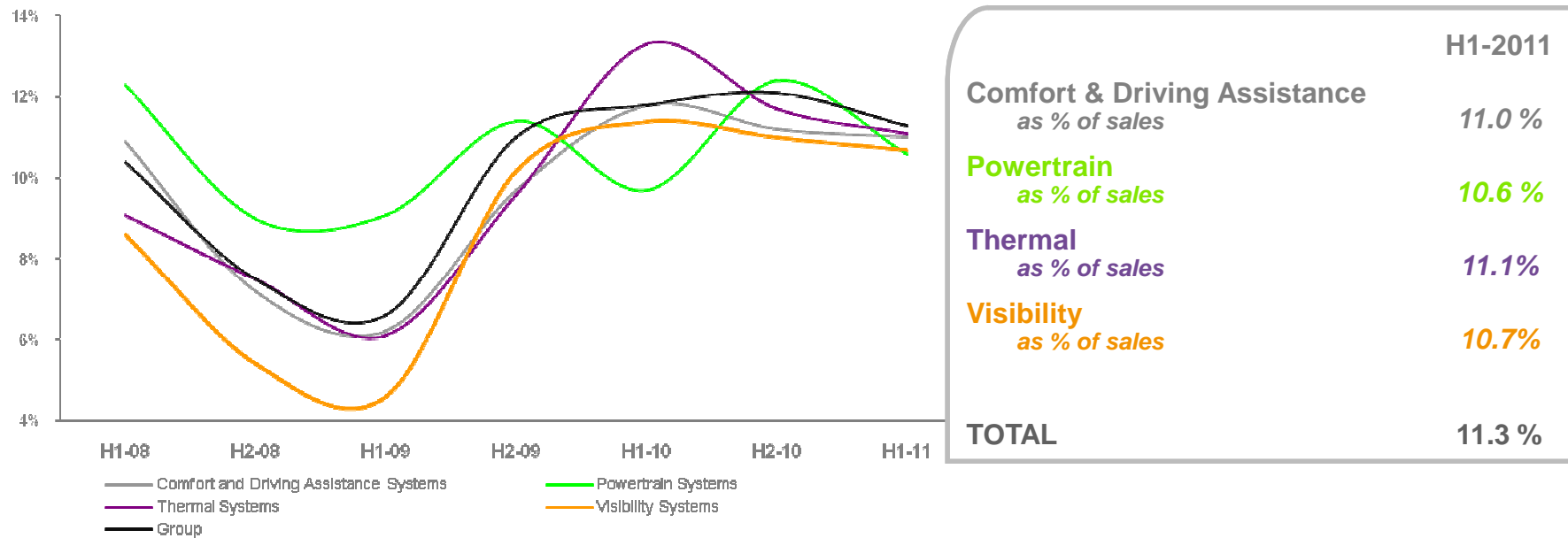
→ - 275 M€

Free cash flow
of
134 M€

-183 M€ net cash
flow⁽⁵⁾

Convergence of the 4 Business Groups operating performance

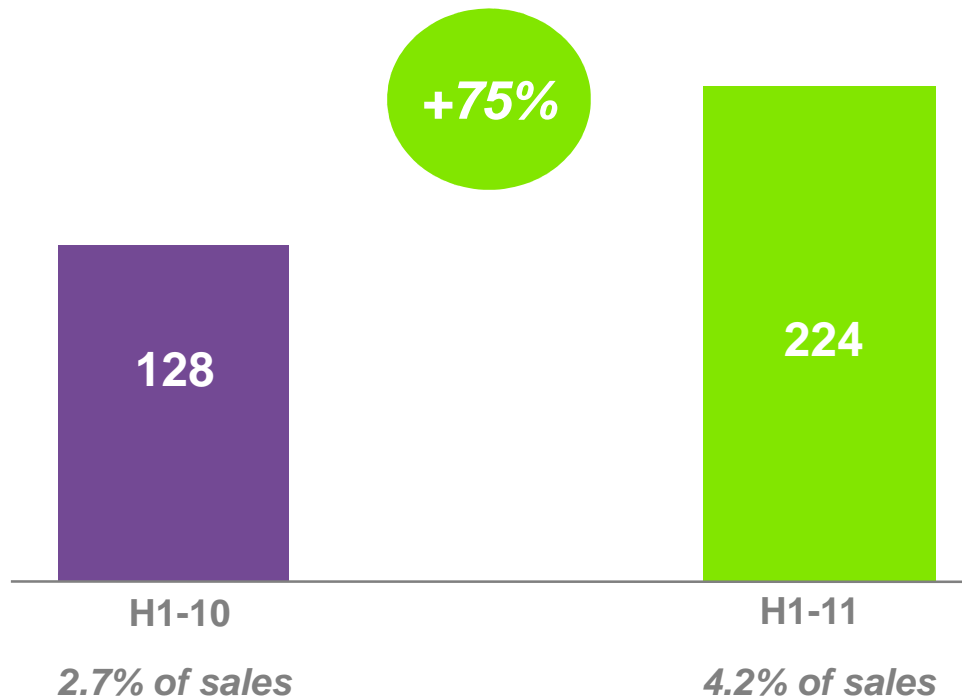
EBITDA₍₄₎



Higher capex to sustain growth forecast

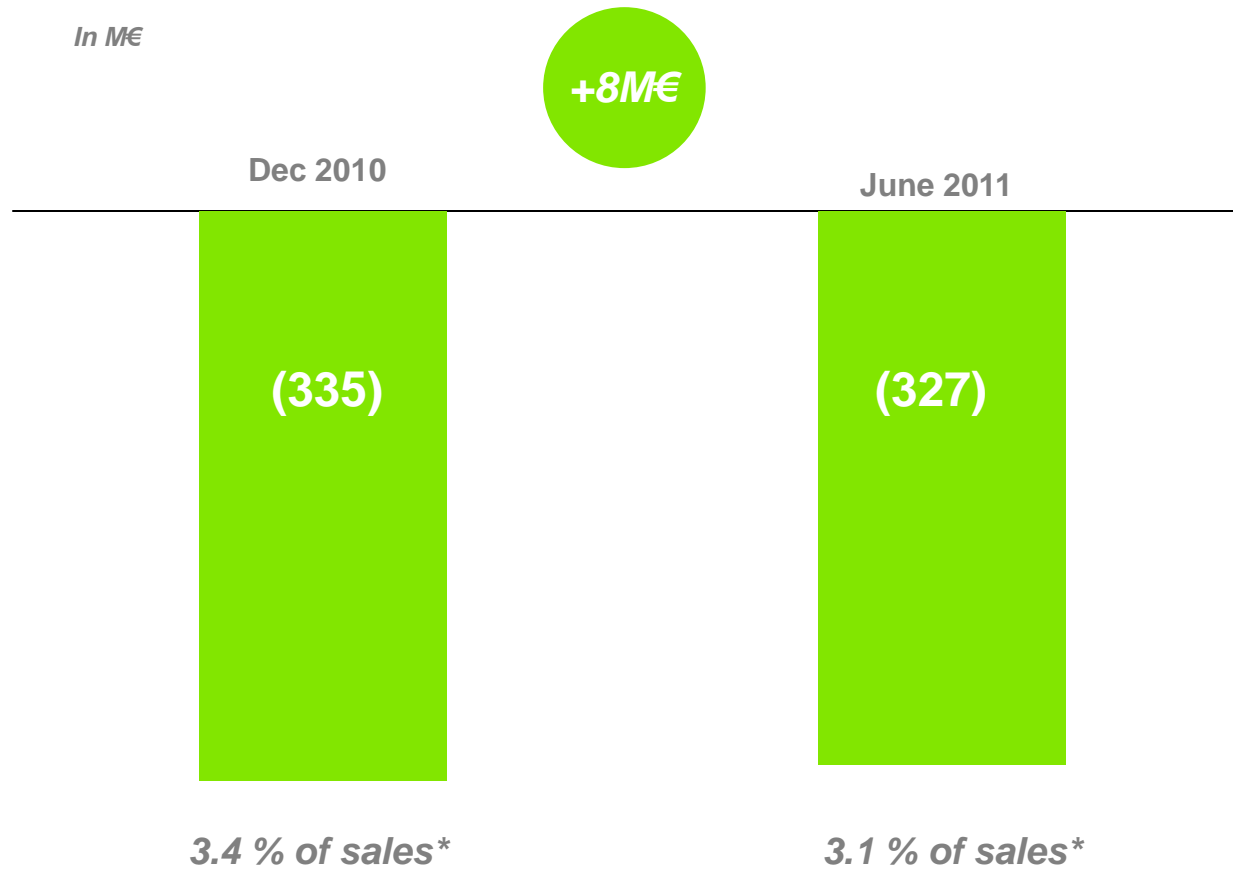
At 4.2 % of sales

Tangible capex
In M€



Strict control of operating working capital

Stable negative working capital at -327 M€



(* monthly annualized sales)

Niles acquisition

Valeo becomes the worldwide leader in Interior Controls

- Effective July 1st
- H2 OE sales, margins and order intakes far better than forecasted

Net cash flow further to Niles acquisition

<i>In M€</i>	H1-10	H1-11
EBITDA₍₄₎	564	602
Operating working capital	32	(11)
Restructuring & social costs	(54)	(27)
Other operational items (inc. taxes)	(32)	(123)
Capex (inc. capitalized R&D)	(219)	(307)
Free cash flow (before interest payments)	291	134
Interest	(43)	(42)
Other financial items	(7)	(275)
Net cash flow₍₅₎	241	(183)
Net financial debt₍₆₎	438	452

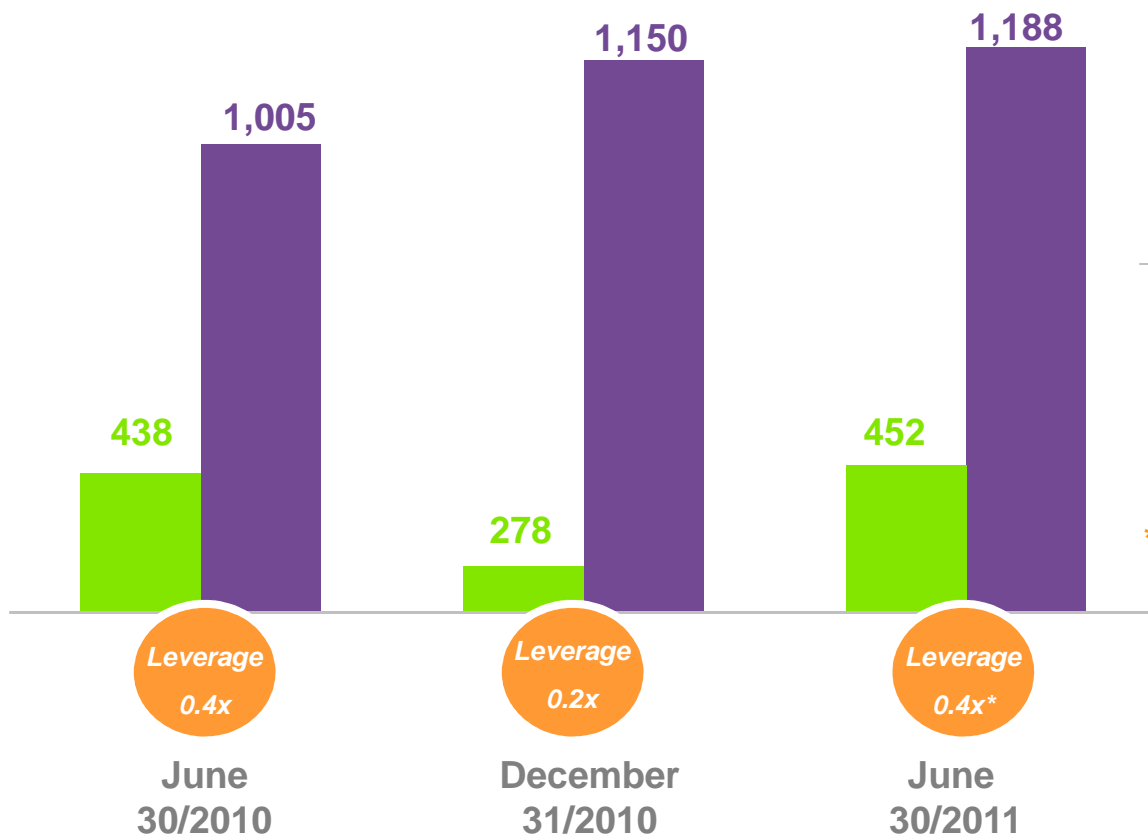
Taxes: (92) m€
 Pensions: (30) m€

“Investment grade” rating as of May 3, 2011

Debt ratios

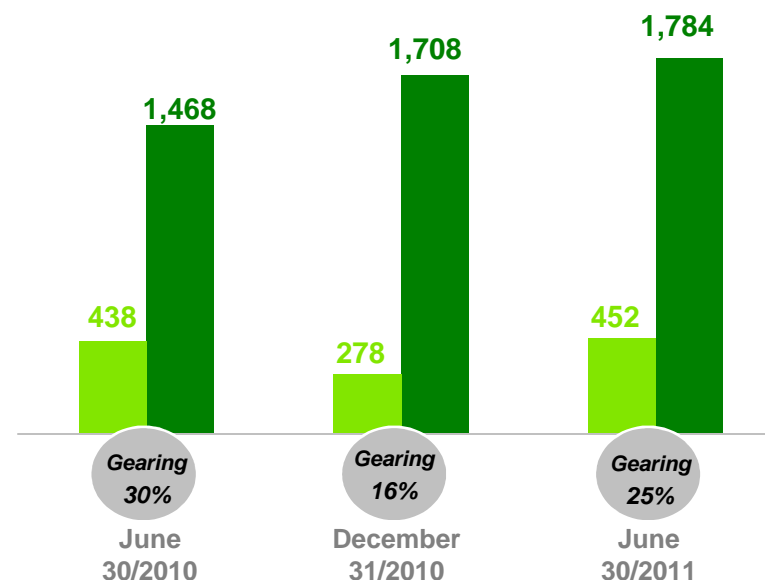
Net financial debt ⁽⁵⁾ over EBITDA ⁽⁴⁾

Net debt (M€) EBITDA ⁽⁴⁾ 12 months rolling (M€)



Shareholders' equity and net debt

Net debt (M€) Shareholders' equity (M€) excluding minority interests



**Covenant net financial debt / EBITDA of 3.25*

Active debt management and new debt profile

New long-term debts and 2013 bond repurchase

Liquidity secured by
 Undrawn credit lines: 1,1 bn€ –
 weighted Average Maturity: 3,47year
 Net cash and cash equivalents: 1,22 bn€

Long –term debt management

New bond issue

Amount: 500 M€
 Maturity date: May 11, 2018
 Yield : 4.996%
 Coupon: 4.875%

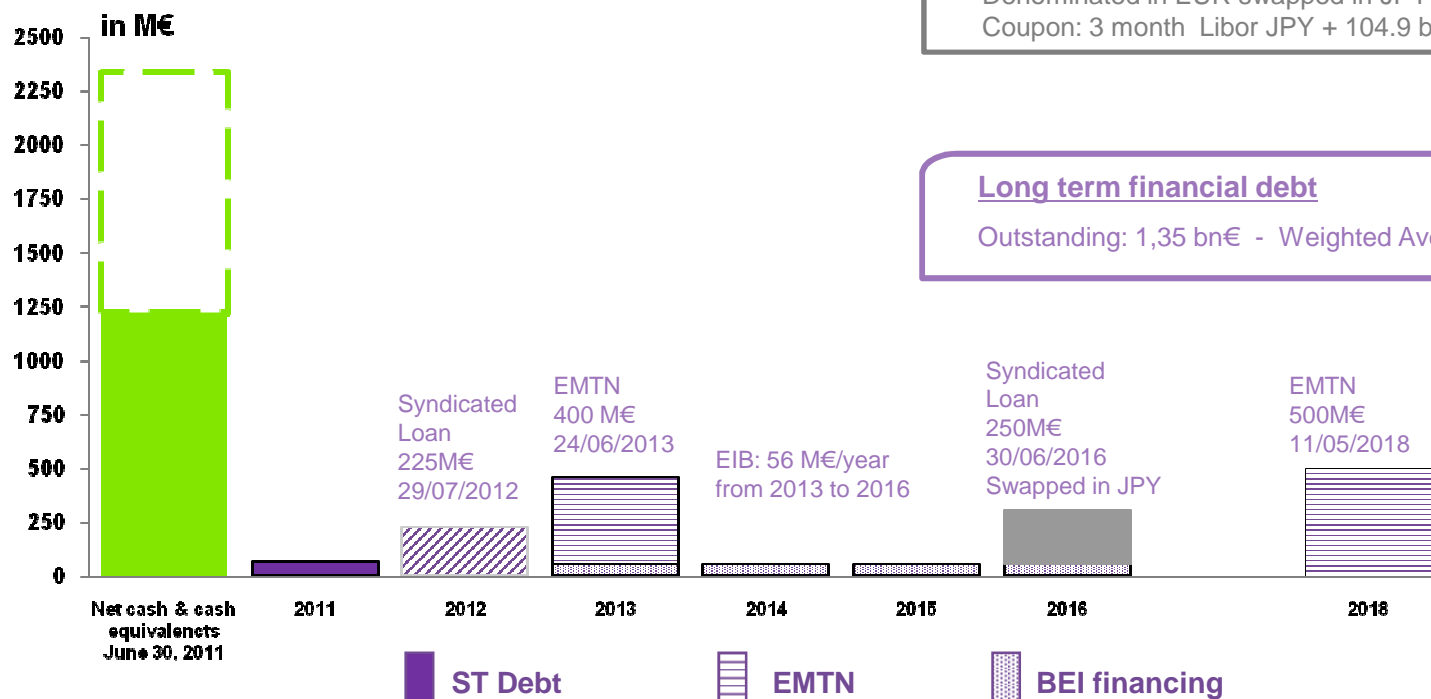
Repurchase 2013 bond maturity

Amount repurchased: 200 M€

Niles acquisition financing

Syndicated loan

Amount: 250 M€
 Maturity date: June 30, 2016
 Denominated in EUR swapped in JPY
 Coupon: 3 month Libor JPY + 104.9 bp



Long term financial debt

Outstanding: 1,35 bn€ - Weighted Average maturity: 3,91 year



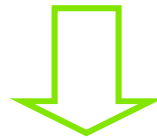
2011 outlook

2011 outlook

Based on:

FY automotive production growth of around 5%

In an environment of some RM price increase (rare earth)



2011 guidance confirmed:

Outperformed the market in all BG and in our main regions

FY 2011 operating margin₍₁₎ rate slightly higher than 2010



Business developments

Performing product portfolio

Comfort & Driving Assistance

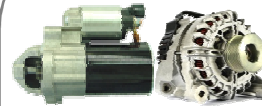


Driving assistance

18%
CAGR*
period
2011-2015

- ✓ **Valeo is world market leader with 36% of market-share (31% in Asia)**
- ✓ Already present on next innovation steps with Park4U systems, 360Vue and leading technology on sensors: cameras, radars, laser scanners

Powertrain



Stop-start



Double dry clutch



Torque Converter

period
2011-2015
35%
CAGR*

38%
CAGR*

- ✓ **Valeo world market leader on stop-start with 36% market-share by 2013**

Thermal



Air cooling for Turbo



9%
CAGR*
period
2011-2015

- ✓ **Valeo is world market leader**
- ✓ Engine downsizing is obtained through turbocharging, with systematic charge air cooling
- ✓ The content of the product increases with emissions constraints: from air-cooled to water-cooled or even full air intake module

Visibility



LED lighting



39%
CAGR*
period
2011-2015

- ✓ **Valeo is a global and technological leader in Lighting market.**
- ✓ Lighting systems benefit from the growth penetration of LED.

Source: * Market growth according to JD Power car volumes (Feb 2011 release)

Strong positioning of Valeo in each BG

Comfort & Driving Assistance

Driving assistance

- N° 1: Valeo – 28% market share
- N° 2: Bosch
- N° 3: Panasonic

Interior controls

- N° 1: Valeo+Niles – 17% market share
- N° 2: Kostal
- N° 3: Tokai Rika

Powertrain

Transmission

- N° 1: LuK
- N° 2: Valeo – 15% market share
- N° 3: Sachs

Electrical systems (including Stop-Start)

- N° 1: Valeo 25% market share
- N° 2: Denso
- N° 3: Bosch

Thermal

- N° 1: Denso
- N° 2: Valeo – 12% market share
- N° 3: Visteon

Visibility

Lighting

- N° 1: Koito
- N° 2: Valeo – 19% market share
- N° 3: Automotive Lighting

Wipers

- N° 1: Valeo - 27% market share
- N° 2: Bosch
- N° 3: Denso

Development in BRIC



Brazil and Latin America

All business groups present in 2011:

- 16 production sites
- All business group have local R&D centers

+15% increase of production surface between 2011 and 2013:

- 9 of the 16 sites are being extended



Russia and Eastern Europe

All business groups present in 2011:

- 17 production sites & 4 R&D centers
- 3 business groups present in Russia

+36% increase of production surface between 2011 and 2013:

- 3 new sites, All business groups present in Russia
- 8 sites are being extended



India and ASEAN

All business groups present in 2011:

- 7 production sites
- 3 R&D centers

+55% increase of production surface between 2011 and 2013:

- 3 new sites opened and 1 acquired from Niles
- 4 sites are being extended



China

All business groups present in 2011:

- 13 production sites
- 8 R&D centers

+100% increase of production surface between 2011 and 2013:

- 5 new sites opened and 3 acquired from Niles
- 9 sites are being extended



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Share Information

Share Data

▪ <i>Bloomberg Ticker</i>	<i>FR FP</i>
▪ <i>Reuters Ticker</i>	<i>VLOF.PA</i>
▪ <i>ISIN Number</i>	<i>FR 000130338</i>
▪ <i>Shares outstanding as per 30.06.2011</i>	<i>78,628,798</i>

ADR Data

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

Glossary

- (1) Operating margin corresponds to operating income less other income and expenses
- (2) ROCE corresponds to operating margin/capital employed less goodwill calculated over the last 12 months
- (3) ROA corresponds to operating income/committed capital plus goodwill
- (4) EBITDA corresponds to operating income before amortization of tangible and intangible assets and depreciation.
- (5) 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.
- (6) 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

Safe Harbor Statement

Statements contained in this report, which are not historical fact, constitute «Forward-Looking Statements.» Actual results may differ materially due to numerous important factors. Such factors include, among others, the cost and timing of implementing restructuring actions, the company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions, conditions in the automotive industry, and certain global and regional economic conditions. The company assumes no responsibility for any analysts' estimates and any other information prepared by third parties which we may reference in this report. Valeo does not intend or assume any obligation to review or confirm analysts' estimates or to update any forward-looking statement to reflect events or circumstances after the date of this report.



Back-up

Quarterly information

in € million

■ Sales by segments

	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11
Comfort and Driving Assistance	408	440	418	438	481	489
Powertrain Systems	636	708	625	714	767	782
Thermal Systems	693	754	735	751	783	776
Visibility Systems	591	595	547	621	664	640
Total sales	2,309	2,478	2,342	2,503	2,669	2,665

■ OE & aftermarket sales

	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11
OE Sales	1,898	2,059	1,929	2,066	2,263	2,247
Aftermarket	351	371	360	363	361	358
Miscellaneous	60	48	53	74	45	60
Total sales	2,309	2,478	2,342	2,503	2,669	2,665



Half year P&L

	2008		2009		2010		2011
(in € million)	H1	H2	H1	H2	H1	H2	H1
■ Total sales	4,848	3,829	3,472	4,027	4,787	4,845	5,334
■ Gross margin	797	530	453	685	856	879	916
<i>as % of sales</i>	16.4%	13.8%	13.0%	17.0%	17.9%	18.1%	17.2%
R&D expenditures	(276)	(225)	(234)	(239)	(267)	(270)	(285)
Selling & administrative expenses	(318)	(278)	(270)	(262)	(297)	(284)	(286)
Other income & expenses	(21)	(261)	(37)	(12)	(31)	4	(1)
■ Operating income	182	(234)	(88)	172	261	329	344
<i>as % of sales</i>	3.8%	-6.1%	-2.5%	4.3%	5.5%	6.8%	6.4%
Cost of net debt	(22)	(23)	(21)	(39)	(32)	(35)	(29)
Other financial income and expenses	(6)	(53)	(37)	(20)	(14)	(18)	(17)
Equity in net earnings of associates	7	2	(40)	6	11	(12)	4
■ Income before income taxes	161	(308)	(186)	119	226	264	302
Income taxes	(56)	5	(26)	(53)	(47)	(57)	(77)
■ Income from continuing operations	105	(303)	(212)	66	179	207	225
Non-strategic activities	(1)	0	1	(1)	(2)	0	0
■ Net income for the period	104	(303)	(211)	65	177	207	225
Minority interest	(4)	(4)	(2)	(5)	(9)	(10)	(7)
■ Net income	100	(307)	(213)	60	168	197	218



Highlights by segment

H1-10 and H1-11

Premier semestre 2011

(en millions d'euros)	Systèmes de Confort et d'Aide à la Conduite	Systèmes de Propulsion	Systèmes Thermiques	Systèmes de Visibilité	Autres	TOTAL
Chiffre d'affaires						
• du secteur (hors groupe)	956	1 537	1 545	1 284	12	5 334
• vente intersecteurs (groupe)	14	12	14	20	(60)	-
EBITDA	107	164	173	140	18	602
Frais de Recherche et Développement nets	(72)	(71)	(79)	(65)	2	(285)
Investissements corporels et incorporels de la période	88	97	56	66	1	308
Actifs sectoriels	897	1 186	997	907	22	4 009

Premier semestre 2010

(en millions d'euros)	Systèmes de Confort et d'Aide à la Conduite	Systèmes de Propulsion	Systèmes Thermiques	Systèmes de Visibilité	Autres	TOTAL
Chiffre d'affaires						
• du secteur (hors groupe)	832	1 333	1 437	1 174	11	4 787
• vente intersecteurs (groupe)	16	11	10	12	(49)	-
EBITDA	100	131	193	135	5	564
Frais de Recherche et Développement nets	(69)	(74)	(67)	(63)	6	(267)
Investissements corporels et incorporels de la période	60	60	36	42	2	200
Actifs sectoriels	832	1 166	1 043	972	36	4 049





Automotive technology, naturally

