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Third quarter 2008 results: Good resistance in a difficult environment

PARIS, France, 21 October 2008 – Following the meeting of its Board of Directors yesterday, Valeo presents its consolidated results for the third quarter 2008.

<i>In million euros</i>	3 rd quarter			9 months		
	2008	2007	change	2008	2007	change
(Non audited)						
Total operating revenues	2,112	2,245	-5.9%	7,026	7,251	-3.1%
Gross margin	315	340	-7.4%	1,106	1,111	-0.5%
<i>% of sales</i>	15.2%	15.4%	-0.2 pt	16.0%	15.5%	+0.5 pt
Operating margin	65	73	-11.0%	268	250	+7.2%
<i>% of total operating revenues</i>	3.1%	3.3%	-0.2pt	3.8%	3.4%	+0.4 pt
Net income attributable to the company's shareholders	6	(40)	ns	106	31	+241.9%
<i>% of total operating revenues</i>	0.3%	-1.8%	+2.1pts	1.5%	0.4%	+1.1 pt

In a particularly difficult economic and financial environment, Valeo recorded in the third quarter a slight drop in sales in terms of value, although volumes were stable, while the reference automotive production was down by nearly 4%. Despite the decline in operating margin in the third quarter, sustained management efforts enabled the operating margin level for the first nine months of the year to progress by 0.4 points versus 2007.

Third quarter 2008 results

In the third quarter 2008, total operating revenues amounted to 2,112 million euros, down by 5.9% versus the third quarter 2007. Volumes were at the same level as the previous year in a market that was down by nearly 4%. Exchange rates (-1.6%), changes in the reporting entity (-1.6%) and prices (-2.7%) had a negative impact of 5.9%.

Gross margin, at 15.2% of sales, dropped 0.2 points versus the third quarter 2007 but remained 0.5 points ahead for the first nine months of the year. The negative gross impact of raw material prices is estimated at 0.4 points (for a net impact of 0.1 point). The productivity actions carried out by the Group enabled the effect on the decline in sales to be limited to 0.1 point.



Operating margin stood at 65 million euros or 3.1% of total operating revenues, versus 73 million euros and 3.3% for the same period in 2007. Over nine months, the operating margin rate was up by 0.4 points.

Net income attributable to the company's shareholders totaled 6 million euros, compared with a loss of 40 million euros in the third quarter 2007 which included a provision of 54 million euros for the sale of the wiring harness activity.

Over the first nine months of the year, basic earnings per share from continued operations stood at 1.41 euros, up by 24.8% versus the same period in 2007.

At 30 September 2008, net financial debt amounted to 735 million euros, versus 799 million euros at the beginning of the year. The net debt-to-equity ratio was 41%, versus 45% at 31 December 2007.

Highlights

Industrial rationalization continued with the announcement of a plan to consolidate the rear lighting product line in Europe. The reorganization would involve the transfer of production from the plant in Neuses, Germany, to other sites in France and Poland. This would affect 200 jobs in Neuses.

The market penetration of new technologies developed by Valeo continues to rise, particularly in the areas of emissions and safety. Valeo received the 2008 Automechanika Innovation Award for its StARS micro-hybrid system. This solution, which provides up to 25% fuel savings and reduced CO₂ emissions in heavy urban traffic, is meeting with increased commercial success. It equips the Citroën C2 and C3, Mercedes-Benz A and B Class and Smart models. A contract has been signed with PSA Peugeot Citroën to equip more than one million vehicles with StARS by 2011. In the area of safety, Valeo received a Global Innovation Award from Nissan for its contribution to this OEM's lane departure prevention system.

Shortly after the end of the quarter, Valeo announced the creation of a joint venture in India with the Anand Group for the production of lighting systems. This is Valeo's fifth industrial operation in India, where the Group has been present since 1997.

Outlook

Valeo anticipates a further deterioration of automotive production in the fourth quarter. Thanks to the actions undertaken, the Group confirms, for 2008, an operating margin similar to that of 2007.

Valeo points out that it has no significant debt reimbursement scheduled before January 2011 and that its cash situation is not affected by the financial crisis today.

In the medium term, the Group is evaluating the consequences of this new economic environment on its margin improvement objectives.



Corporate governance

The Board of Directors updated the Company's rules of corporate governance. It decided to create a Strategy Committee and broaden the missions of the Nominations and Remunerations Committee, which becomes the Nominations, Remunerations and Corporate Governance Committee.

In addition, the Board of Directors confirmed the eventual compensation to be paid to the Chairman in the event of his departure, as approved by the Annual General Meeting, the Board having taken note of a letter from the Chairman dated October 2, 2008 in which he renounced the application of his employment contract (including the non-competition clause) were he to benefit on his departure from his compensation as a legal representative.

Valeo is an independent industrial Group fully focused on the design, production and sale of components, integrated systems and modules for cars and trucks. Valeo ranks among the world's top automotive suppliers. The Group has 121 plants, 61 R&D centers, 9 distribution centers and employs 58,400 people in 27 countries worldwide.

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