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Sharp drop in automobile production leads Valeo to adapt its headcount and revise its 2008 objectives

PARIS, France, 17 December 2008 – Valeo today transmitted to the European Works Council a plan to adapt its headcount in order to deal with the sharp drop in automobile production. Consultations will be held with employee representatives on the measures envisaged.

The global automobile market has been highly impacted for several months by the financial crisis which led to a consumer credit squeeze, and by the ensuing economic crisis. In September 2008, new vehicle sales in Europe reached their lowest level in a decade. The decline in automobile production accelerated in the fourth quarter of 2008: output is expected to drop by over 20% worldwide, by nearly 30% in Western Europe and by 38% in France. For 2009, Valeo anticipates no improvement in production levels compared with the fourth quarter of 2008.

Given this situation, and despite the measures already implemented by the Group, Valeo must reduce its permanent headcount in order to maintain its competitiveness. A reduction in headcount of around 5,000 employees is planned worldwide, including around 1,600 in France and 1,800 in other European countries. At the end of November, the Group employed 54,000 people, including 15,400 in France. At the same time, Valeo is continuing and reinforcing its cost reduction plans and rigorous cash management.

Following consultations with employee representatives, Valeo will propose a plan prioritizing voluntary departures and will provide individualized support for all affected employees.

The sharp drop in global automobile production is expected to result for Valeo in a decrease in sales of around 25% in the fourth quarter and a negative operating margin for the same period. The Group forecasts an operating margin for 2008 of around 2.6%.

“Faced with a worsening global economy, and against a backdrop of sharply declining automobile production, Valeo is adapting to the situation in order to maintain its competitiveness. The Group is taking the appropriate measures which will enable it to continue to strengthen its competitive positions,” declared Thierry Morin, Chairman and CEO of Valeo. The Group also recalls that it has sufficient financial resources and no significant debt reimbursement due before January 2011.

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 54,000 people in 27 countries worldwide.

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