Communiqué de presse
Press release

09.03

Valeo: 2008 Results

- **Operating margin of 2.6% against a backdrop of plummeting automobile production in the fourth quarter**
- **Adaptation of the break-even point to the crisis**
- **Increase in free cash flow, contained debt, preserved liquidity**

Paris, France, 13 February 2009 – Following the meeting of its Board of Directors yesterday, Valeo presented its consolidated accounts for the fourth quarter 2008 and its audited results for 2008.

Simplified accounts for the fourth quarter and the first nine months (unaudited)

In million euros	4th Quarter 2008	Change vs. 4th Quarter 2007	Reminder 9 months 2008	Change vs. 9 months 2007
Total operating revenues	1,789	-26.6%	7,026	-3.1%
Gross margin	208	-46.1%	1,106	-0.5%
% of sales	*11.9%*	-4.2 pts	*16.0%*	+0.5 pt
Operating margin[1]	-38	vs. 96	268	+7.2%
% of total operating revenues	*-2.1%*	-6.0 pts	*3.8%*	+0.4 pt
Operating income	-284	vs. 88	232	+0.4%
% of total operating revenues	*-15.9%*	-19.5 pts	*3.3%*	+0.1 pt
Net income (attributable to the company's shareholders)	-313	vs. 50	106	+242%

In the fourth quarter 2008, Valeo faced a generalized collapse of its markets. Valeo's reference automobile production was down by 25.2% versus the fourth quarter 2007. The 26.6% drop in sales led to a 6.0 point decrease in operating margin, representing -2.1% of total operating revenues. The net loss of 313 million euros includes a charge of 241 million euros relating to the plan to reduce permanent headcount by 5,000 people, announced on 17 December 2008.

From the end of the third quarter, Valeo reacted rapidly and vigorously to the sudden drop in automobile production. In order to maintain its competitiveness and preserve its cash, the Group immediately initiated a drastic savings and cash control plan which enabled an improvement in operating revenues of 140 million euros.

[1] Operating income less other income and expenses

Simplified accounts for 2008

In million euros	**2008**	**2007**	**Change**
Total operating revenues	8,815	9,689	-9.0%
Gross margin	1,314	1,497	-12.2%
% of sales	*15.2%*	*15.7%*	*-0.5 pt*
Operating margin[2]	230	346	-33.5%
% of total operating revenues	*2.6%*	*3.6%*	*-1.0 pt*
Operating income	-52	319	*na*
% of total operating revenues	*-0.6%*	*3.3%*	*-3.9 pts*
Income from non-strategic activities	*-1*	-59	*na*
Net income (attributable to the company's shareholders)	-207	81	*na*
Basic earnings per share (continued operations) (€)	-2.73	1.82	*na*
Free cash flow[3]	83	65	+28%
Net financial debt	821	799	+2.8%

2008 highlights

A record order intake of 10.1 billion euros, or 1.4 times annual sales, demonstrates the interest shown by automakers in technologies developed by Valeo. Innovative products accounted for 3.2 billion euros of order intake, or 32% of the total, confirming the Group's innovation strategy focused on the three Domains of Driving Assistance, Powertrain Efficiency and Comfort Enhancement.

Valeo continued the rationalization of its business portfolio in the first half of the year. Following the sale of its wiring harness activity to the German specialist Leoni on 31 December 2007, the Group sold its truck engine cooling business, which generated sales of 172 million euros in 2007, to the EQT fund on 30 May 2008.

---

[2] Operating income less other income and expenses

[3] Net cash provided by operating activities less net tangible and intangible investment flows less net interest paid

Valeo carried out the first steps of its deployment in Russia and reinforced its presence in India, as part of its development strategy in countries with high growth potential.

The Group continued to rationalize its industrial base, notably by closing its plant in Rochester, New York in the USA in the first half of the year. Group headcount was reduced by 10,000 over the course of 2008 (including perimeter impact).

Full-year results

Consolidated total operating revenues were down by 9.0% to 8,815 million euros in 2008. After taking price decreases into account, the drop in sales amounted to 4.3% while at the same time, the Group's reference automobile production was estimated to be down by 6.3%.

Consolidated gross margin totaled 1,314 million euros, down by 12.2% versus 2007. It represented 15.2% of sales versus 15.7% in 2007. Raw material prices continued to rise slightly during the year (0.1% of sales). This rise was more than offset by contract renewals which contributed 0.3% of sales.
In the first half, gross margin increased by 0.7 points versus 2007, as a result of the Group's productivity and repositioning actions, and despite the rise in raw material prices. In the second half, the margin fell significantly (-2 points), affected by plummeting volumes.

Operating margin decreased by 33.5% to 230 million euros, representing 2.6% of total operating revenues, down by 1 point versus 2007. In the first half, the margin stood at 203 million euros, an increase of 15% versus 2007. Affected by the lower level of activity in the second half, it reached only 27 million euros in this period, a decrease of 84%.

Operating income showed a loss of 52 million euros versus a gain of 319 million euros in 2007. It integrates other net charges totaling 282 million euros (27 million euros in 2007), including a charge of 241 million euros relating to the plan to reduce permanent headcount by 5,000 and an impairment charge of 58 million euros.

While amounting to 100 million euros at the end of the first half, the net income attributable to the company's shareholders for the year showed a loss of 207 million euros versus a gain of 81 million euros in 2007.

Cash flow and debt

The Group generated a free cash flow of 83 million euros versus 65 million euros in 2007. This performance is essentially due to good working capital management which contributed 178 million euros.

Given the amount of the dividend paid in 2008 (99 million euros) and the execution of the share buyback program (39 million euros), and despite the impact of divestitures (52 million euros), net financial debt was up by 22 million euros versus 2007 and stood at 821 million euros.

The Group's liquidity was intact at the end of the year, with the cash balance covering its operational financing needs. The Group has no debt reimbursement payments due before

January 2011 and benefits to date from confirmed lines of credit totaling 1.2 billion euros from major banks.

Dividend

In order to preserve the Group's liquidity, and given the uncertainty as to when the crisis will end, the Board of Directors will propose to the Annual General Shareholders' Meeting not to pay a dividend in respect of 2008.

Outlook

Given that the main global economies have entered into a recession and that the financial crisis is enduring, the Group anticipates a drop in automobile production of around 30% in the first half of 2009, and about 20% for the full year. The Group thus forecasts a negative operating margin for the first half 2009.

Unless there is a significant additional deterioration of its environment, Valeo does not expect to reach the financing-related covenant of 120% net financial debt to shareholders' equity (excluding minority interests).

The plan to reduce headcount by 5,000 people worldwide is underway. Valeo is continuing to lower its break-even point by drastically reducing its operating expenses. The Group aims to preserve its liquidity through these measures as well as through reducing by around one-third its investment expenses and optimizing inventory management.

Valeo does not expect the crisis to end before 2011. The Group is focusing on the success of its short-term action plan in order to be in the strongest possible position when market growth returns.

This document contains forward-looking information which is liable to be affected by known or unknown factors which are difficult to foresee and not controlled by Valeo, and which can lead to results that may differ significantly from the outlook expressed, induced or forecast by the company's statements.

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, 10 distribution centers and employs 51,200 people in 27 countries worldwide.

For all additional information, please contact:
Kate Philipps, Group Communications Director, Tel: +33 1.40.55.20.65
Vincent Marcel, Vice-President Financial Affairs, acting Investor Relations, Tel: +33 1.40.55.37.71