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Valeo: first quarter 2009 results

- **Sales decrease of 33.4%, better than the evolution of automobile production which dropped by 38% worldwide**
- **Slight improvement since March in Europe thanks to vehicle scrapping programs and in some emerging markets**
- **Sound liquidity situation**
- **Operating loss of 66 million euros and reinforcement of the cost reduction and cash control plan**
- **New objectives for 2009:**
 - Reduction of investments by one-third versus 2008
 - Annualized savings of 600 million euros, of which 500 million euros in 2009; 183 million euros achieved in the first quarter
 - Consumption of free cash flow¹ not significantly exceeding restructuring expenses

PARIS, France, 24 April 2009 – Following the meeting of its Board of Directors yesterday, Valeo presented its results for the first quarter 2009.

In million euros (Unaudited)	1 January - 31 March			Q4
	2009	2008	change	2008
Sales²	1,624	2,437	-33.4%	1,750
Gross margin	185	391	-52.7%	212
<i>% of sales</i>	11.4%	16.0%	-4.6pts	12.1%
Operating margin³	-66	90	na	-38
<i>% of sales</i>	-4.1%	3.7%	na	-2.2%
Operating income	-83	86	na	-284
<i>% of sales</i>	-5.1%	3.5%	na	-16.2%
Net income (attributable to equity holders of the company)	-159	43	na	-313

¹ Net cash provided by operating activities less net tangible and intangible investment flows less net interest paid

² As of 1 January 2009, the presentation of Group results has been modified, with other operating revenues being reclassified mainly as research and development expenses. For the first quarter 2008, operating revenues totaled 35 million euros, of which 2 million euros were reclassified as sales.

³ Operating income less other income and expenses



First quarter 2009 results

The collapse of global automobile production which began in the fourth quarter of 2008 (-21%) accelerated significantly in the first quarter of 2009 (-38%). Since the month of March, there has been a slight improvement in some key markets in Europe, thanks to vehicle scrapping programs (Germany, France, Italy), and in Brazil, as well as a noticeable turnaround in China. In each of the world's major markets, Valeo registered a decrease in sales lower than the drop in automobile production. At constant reporting entity and exchange rates, **sales** were down by 33%.

The first quarter's **gross margin** was 185 million euros, or 11.4% of sales, down by 4.6 points versus the same period in 2008.

The drop in sales led to a decrease in the **operating margin** which for the first quarter 2009 stood at -66 million euros (before other income and expenses). In the fourth quarter of 2008, Valeo launched a cost reduction program (including the global headcount adaptation plan for 5,000 permanent employees) the aim of which is to preserve the Group's competitiveness. At 31 March 2009, 3,230 departures had been registered worldwide. The savings achieved in the first quarter amounted to 183 million euros.

Net income attributable to the company's shareholders for the period showed a loss of 159 million euros versus a profit of 43 million euros in the first quarter 2008. This loss takes into account the impact of other income and expenses (including inefficient exchange rate and raw material hedges for 13.5 million euros) as well as a 35 million euro loss corresponding to restructuring and asset depreciation announced by the Japanese associate company Ichikoh, in which Valeo has a 31.6% shareholding.

The Group consumed a **free cash flow** of 116 million euros in the first quarter 2009, resulting from the payment of investments initiated in the second half of 2008, the operating loss and the financing of restructuring. Working capital requirements provided a slightly positive contribution. Efficient management reduced inventory by 75 million euros, enabling an adjustment of working capital requirements to the level of activity.

Net financial debt totaled 933 million euros. The net financial debt to equity ratio is 80% (excluding minority interests). At 31 March 2009, none of Valeo's 1.2 billion euros of confirmed credit lines had been drawn upon. The Group's liquidity therefore remains intact. For 541 million euros of these credit lines, Valeo has reached an agreement to substitute a covenant based on the net financial debt to EBITDA⁴ ratio for the one based on the net financial debt to equity ratio.

Highlights

On 20 March 2009, Thierry Morin left his position as Chairman & CEO. This decision came as a result of strategic differences and the will of the Board to change the Group's governance structure by separating the functions of Chairman of the Board and Chief Executive Officer. Pascal Colombani was appointed Chairman of the Board for the period remaining in his term of office as a Board Member. Jacques Aschenbroich was co-opted as a Board Member and was appointed Chief Executive Officer.

⁴ Before other income and expenses



During the first quarter 2009, Valeo's innovation strategy met with considerable success, with in particular a contract to equip the new BMW 7 Series with the Group's wide angle multi-camera system. The Park4U™ automatic park assist system will see its first application in North America on Ford vehicles (Lincoln MKS and MKT). Despite the crisis, this dynamic technological effort will be maintained thanks in particular to the proactive patent filing policy practiced by Valeo, which ranked fourth among the leading patent filers in France in 2008.

In line with the market trend towards more energy-efficient vehicles, Valeo confirms its intention to play a leading role in the area of electric vehicles, through the launch of several development programs in its domains of expertise (in particular in the field of powertrain and thermal systems).

Outlook

Despite the impact of the various vehicle scrapping programs, Valeo anticipates a further drop in global automobile production, but at a less pronounced rate starting in the second quarter 2009. The Group confirms its forecast of a decrease in global automobile production of around 30% for the first half and 20% for the full year.

Valeo will reinforce its cost reduction plans which will enable it to get through the crisis and optimize the return to growth. The annualized global savings will be 600 million euros, of which 500 million euros in 2009.

The Group is also focusing on reinforcing its liquidity and controlling cash. Investments will be cut by one-third. Free cash flow for the year will be negative but will not significantly exceed the amount of expenses committed for restructuring programs.

Considering that the publication of quarterly results is no longer compatible with the rhythm of its activities, as from 2010 Valeo will be publishing quarterly regulated information on its sales and business activities.

2009 Annual General Meeting

The Valeo Board of Directors called the Combined Annual General Meeting of Shareholders to be held on June 9, 2009 at 2:30 p.m. at the Eurosites Center, 28 avenue George V, 75008 Paris.

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 122 plants, 61 R&D centers, 10 distribution platforms and employs around 49,000 people in 27 countries worldwide.

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For more information about the Group and its activities, please visit our web site www.valeo.com.