Communiqué de presse
Press release

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Strong improvement of Valeo's results in the second quarter

- **Positive operating margin of 15 million euros versus a loss of 66 million euros in the first quarter**
- **Free cash flow[1] of 84 million euros and a reduction of the net debt of 92 million euros**
- **Negative net income of 54 million euros versus a negative net income of 159 million euros in the first quarter 2009, which brings the net income for the first half to a loss of 213 million euros**
- **Outlook:**
  - **Automotive production forecast revised upwards: drop of 7% for the second half and 17% for the full year**
  - **Based on these market conditions, objective of a positive operating margin in the second half and cash consumption for the year of around 200 million euros after payment of 230 million euros related to restructuring costs**

PARIS, France, July 29, 2009 – Following the meeting of its Board of Directors this afternoon, Valeo presented its results for the first half 2009.

In million euros	**Quarterly change 2009**		**First half***		
	2nd quarter**	**1st quarter****	**2009**	**2008**	**Change**
Sales[2]	**1,848**	1,624	**3,472**	4,848	-28.4%
Gross margin	**268**	185	**453**	797	-43.2%
% of sales	***14.5%***	*11.4%*	***13.0%***	*16.4%*	*-3.4 pts*
Operating margin[3]	**15**	(66)	**(51)**	203	na
% of sales	***0.8%***	*-4.1%*	***-1.5%***	*4.2%*	*-5.7 pts*
EBITDA[4]	**156**	**73**	**229**	**503**	**-54.5%**
% of sales	***8.4%***	***4.5%***	***6.6%***	***10.4%***	***-3.8pts***
Net income attributable to company shareholders	**(54)**	(159)	**(213)**	100	na

* *First half data were the object of a limited examination*
** *Unaudited*

[1] Net operating cash flow, receipts and disbursements on acquisitions/divestitures of tangible/intangible assets, subsidies
[2] As of January 1, 2009, the presentation of the financial statements has been modified, with customer financing of research and development previously booked as other operating revenues now being mainly reclassified as deductible research and development expenses
[3] Operating income less other income and expenses
[4] Operating margin less amortization

Second quarter consolidated results

After the sharp drop recorded in the first quarter 2009 (-34% versus the first quarter 2008), automotive production was up by 27% in the second quarter (versus the first quarter 2009) thanks in particular to vehicle scrapping programs (Germany, France, Italy) and to a noticeable improvement in Asia and in Brazil.

In the second quarter, the Group's **sales** totaled 1,848 million euros, up by 14% compared to the first quarter (1,624 million euros). Thanks to its favorable position, Valeo noted a good resistance of its volumes versus the market.

In the second quarter, the continuation of its cost reduction plan (130 million euros of savings) enabled the Group to record a positive **operating margin** of 15 million euros.

Despite the improvement in operating margin, **net income** for the quarter showed a loss of 54 million euros, versus a loss of 159 million euros in the first quarter.

The Group generated a **free cash flow** of 84 million euros in the second quarter, compared to 60 million euros for the same period in 2008 and consumed 88 million euros in the first quarter 2009. **Net debt** was reduced by 92 million euros versus the first quarter. The net debt-to-equity ratio was 75% at June 30, 2009 (excluding minority interests), versus 80% at March 31, 2009.

First half consolidated results

Automotive production in the first half 2009 was down by 26% versus the same period in 2008. During this period, Valeo's **sales** totaled 3,472 million euros, down by 28.3% at constant reporting entity and exchange rates.

Operating margin was a negative 51 million euros in the first half 2009 (less other income and expenses). Savings achieved in the first half, amounting to 313 million euros, offset a significant part of the negative impact from the decrease in sales resulting from the collapse of automotive production. At June 30, 2009, 4,500 departures had been recorded, for all reasons, since the end of November, primarily in the context of the headcount adaptation program involving 5,000 employees. Valeo has prioritized voluntary departures wherever possible.

Net income attributable to company shareholders for the period showed a loss of 213 million euros compared to a profit of 100 million euros in the first half 2008. This loss includes the negative impact of other income and expenses totaling 37 million euros (of which 12 million euros related to restructuring expenses and 14 million euros due to the depreciation of various assets), of other financial expenses amounting to 37 million euros (of which 15 million euros due to excessive currency and raw material hedges) as well as a share of the negative income (-41 million euros) from its shareholding in the Japanese group Ichikoh.

In the first half 2009, the Group consumed a **free cash flow** of 4 million euros following the payment of 69 million euros in restructuring expenses. The significant improvement of the Group's operating performance as well as the continued efficient management of working capital requirements (stock reduction of 93 million euros compared to end 2008) enabled the financing of investments and restructuring expenses. Moreover, the Group suffered no material financial losses in terms of receivables due from its North American customers General Motors and Chrysler.

Valeo's **net debt** totaled 841 million euros at June 30, 2009, versus 821 million euros at December 31, 2008.

Liquidity situation

The Group's liquidity is assured by a program of confirmed bilateral credit lines amounting to 1.275 billion euros which remained undrawn at end July. Valeo continued to replace the initial covenant based on the debt-to-equity ratio by a new, more appropriate, covenant based on the net debt to EBITDA ratio. To date, the covenant has been changed for lines amounting to 941 million euros out of the total 1.275 billion euros, as well as the syndicated loan of 225 million euros.

In addition, Valeo has significantly reinforced its liquidity position thanks to a financing agreement with the EIB (European Investment Bank) for a maximum of 300 million euros for the Group's current research projects. This financing has been granted with competitive terms in two installments, the first one of 225 million euros to be drawn at the end of July.

Change in organization

On July 15, 2009, Valeo announced an important transformation of its organization, based on four Business Groups and with a strengthened role for the National Directorates.

This reorganization aims to accelerate the growth of the Group's product families in all of its markets and to improve its efficiency.

In order to provide a better visibility of its activities, Valeo will henceforth publish sector-based information relating to its four Business Groups.

Outlook

Valeo anticipates that the rebound in automobile production will continue in the third quarter, through the combined impact of incentive programs for new vehicles in Europe and the return to growth in emerging markets. It is not certain that this momentum will be maintained in the fourth quarter due to the low visibility on the end of vehicle scrapping programs. Despite this, under the current market conditions Valeo has revised upwards its automotive production forecast; the Group now envisages a fall of 7% in the second half of the year and a fall of 17% for the full year (as compared to -10% and -17% respectively for the second half and the full year).

On the basis of this scenario, Valeo has set an objective of positive operating margin for the second half of the year and an improvement in cash consumption for the full year to around 200 million euros after payment of 230 million euros related to restructuring costs.

In the second half of the year, Valeo will complete its cost reduction program initiated at the beginning of the economic crisis. 313 million euros of savings have already been generated, with an objective of 500 million euros for 2009 and 600 million euros in a full year starting in 2010.

At the same time, Valeo will devote itself to the implementation of its new organization and the realization of the associated synergies. The Group is also in a position to relaunch its innovation efforts and its investments in emerging markets.

Thanks to these different actions, Valeo intends to adapt its breakeven point to a market stabilized at current levels.

Decisions of the Board on the recommendation of the Nomination, Remuneration and Corporate Governance Committee

After consultation with the “Comité des Sages” and upon recommendation of the Nomination, Remuneration and Corporate Governance Committee, the Board of Directors decided on the conditions in which variable remuneration could be granted to the Chief Executive Officer for the year 2009, as detailed on the company’s website.

In addition, as proposed by the Strategic Investment Fund (FSI) and following examination by the Nomination, Remuneration and Corporate Governance Committee, the Board decided to accept the candidacy of Michel de Fabiani for appointment as a Member of the Valeo Board as soon as possible.

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 platforms and employs 50,100 people in 27 countries worldwide.*

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