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## Valeo – First half 2007 results

**PARIS, France, 26 July 2007** — The Board of Directors, which met today, approved the summarized consolidated accounts for the first half 2007.

In millions of euros*	1 <sup>st</sup> half			Quarterly variation 2007	
	2007	2006	Change	2 <sup>nd</sup> quarter	1 <sup>st</sup> quarter
<b>Total operating revenues</b>	<b>5,286</b>	5,309	-0.4%	2,646	2,640
<b>Gross margin</b>	<b>810</b>	835	-3.0%	414	396
<i>% of sales</i>	<b>15.5%</b>	15.9%	-0.4pt	15.9%	15.2%
<b>Operating income</b>	<b>169</b>	169	=	90	79
<i>% of total revenues</i>	<b>3.2%</b>	3.2%	=	3.4%	3.0%
<b>Net income attributable to Company shareholders</b>	<b>71</b>	94	-24.5%	38	33
<i>% of total revenues</i>	<b>1.3%</b>	1.8%	-0.5pt	1.4%	1.3%
<b>Basic earnings per share (in euros)</b>	<b>0.92</b>	1.23	-25.2%	0.50	0.42

\* Non audited

### First half 2007 Group results

Valeo's total operating revenues stood at 5,286 million euros in the first half 2007, down by 0.4% versus the first half 2006. Adjusted for exchange rate variations (-1.6%) and changes in the consolidated reporting entity (-0.5%), sales increased by 1.7%, in line with the growth in the Group's reference automotive production.

The gross margin for the half totaled 810 million euros, representing for 15.5% of sales, versus 835 million euros or 15.9% of sales in the first half 2006. The Group considers that the rise in raw material prices reduced the gross margin for the half by 0.6 points. The gross margin in the second quarter increased by 0.7 points versus the first quarter.



Operating income amounted to 169 million euros, unchanged versus the same period in 2006. It represents 3.2% of total operating revenues, the same ratio as in the first half 2006. Operating income includes a net expense of 17 million euros under “other income and expenses”, versus an expense of 32 million euros in 2006.

Income before tax was 126 million euros versus 152 million euros in 2006. This includes other financial expenses of 20 million euros, versus other financial income of 9 million euros in 2006 which included a capital gain of 20 million euros from the sale of the shareholding in Parrot.

Income tax totaled 50 million euros versus 44 million euros in the first half 2006.

The net income attributable to Valeo shareholders was 71 million euros for the half, versus 94 million euros for the first half 2006. Basic earnings per share totaled 0.92 euros, versus 1.23 euros in 2006.

Free cash flow<sup>1</sup> amounted to 78 million euros, unchanged versus the first half 2006.

At 30 June 2007, Valeo’s net debt stood at 940 million euros versus 968 million euros at 31 December 2006. The debt-to-equity ratio was 51% versus 55% at year-end 2006.

The order intake for the half represented 1.2 times OEM sales for the period, a level equivalent to that of the first half 2006.

### ***Highlights of the first half***

The Group’s **technological innovation potential** continues to be widely recognized by the market. Valeo’s blind spot detection system, winner of a 2007 PACE Award, will be available on selected Buick and Cadillac models from 2008. The Park4U™ parking assistance system, introduced as a world premiere on the Volkswagen Touran in the middle of the first half, has had an excellent launch and will soon be available on nine additional models. The StARS™ micro-hybrid system, which has equipped the Citroën C2 and C3 – also as a world premiere – since 2004, is now standard equipment on the “smart fortwo mhd” which will be available at the end of year, and the Group expects new commercial developments for this starter-alternator technology in the short term.

The **optimization of the industrial footprint**, which aims to support customers’ growth while constantly maintaining a competitive cost base, continued. The Group opened two sites in Asia, one in Pusan, South Korea (Engine Cooling) and the other in Foshan, China (Lighting Systems). Moreover, the percentage of productive headcount in competitive-cost countries continued to progress, representing 55% of the total versus 51% at 30 June 2006.

In order to **reinforce its three Domains on a global basis and strengthen its internal growth potential**, the Group announced the creation of two joint ventures in India, one for the Security Systems product family and the other for the Electrical Systems product family. Benefiting from the

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<sup>1</sup> Non-GAAP item: cash flow less taxes less variation of working capital requirements less financial expenses plus subsidies less gross investments in tangibles and intangibles.



dynamism of the local market, these two operations are expected to generate sales of some 100 million euros in 2010.

### **Outlook**

For the second half, the Group forecasts an acceleration of global automotive production, driven by North America and Asia.

Valeo continues to concentrate on its strategy based on innovation and the focusing of the product portfolio on its three Domains. The Group is confident in its capacity to achieve its objective of an operational margin of 6% in 2010 and the doubling of its return on capital.

*Valeo is an independent industrial group dedicated to the design, production and sale of components, integrated systems and modules for cars and trucks. It is one of the world's leading automotive suppliers. The Group has 133 production sites, 67 R&D centers, 9 distribution platforms, and employs 72,300 people in 29 countries worldwide.*

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For more information about the Group and its activities, please visit our web site [www.valeo.com](http://www.valeo.com)