



FY-2008 RESULTS

Thierry Morin – Chairman & CEO

February 13, 2009

Agenda

1 Q4'08 financial review

2 FY 2008 financial review

3 Business highlights

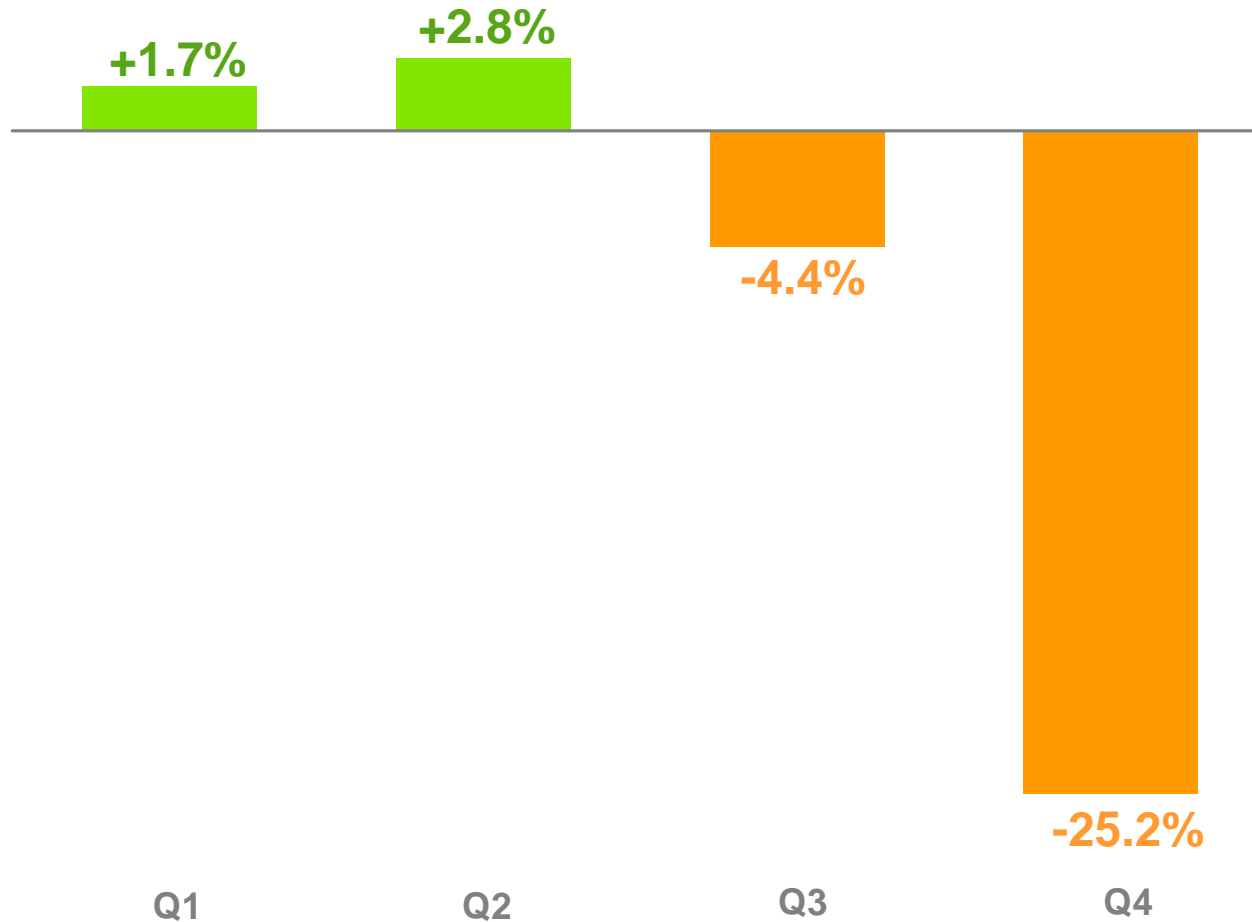
4 Outlook

2008 Market environment

- **Financial crisis / general credit crunch**
- **Global automotive production collapse starting in H2 08.**
 - Valeo's reference market down by 6% for the year
- **Raw material prices decline in H2**
- **High foreign exchange rate volatility**

Valeo's reference market quarterly evolution 2008 vs 2007

Automotive Production





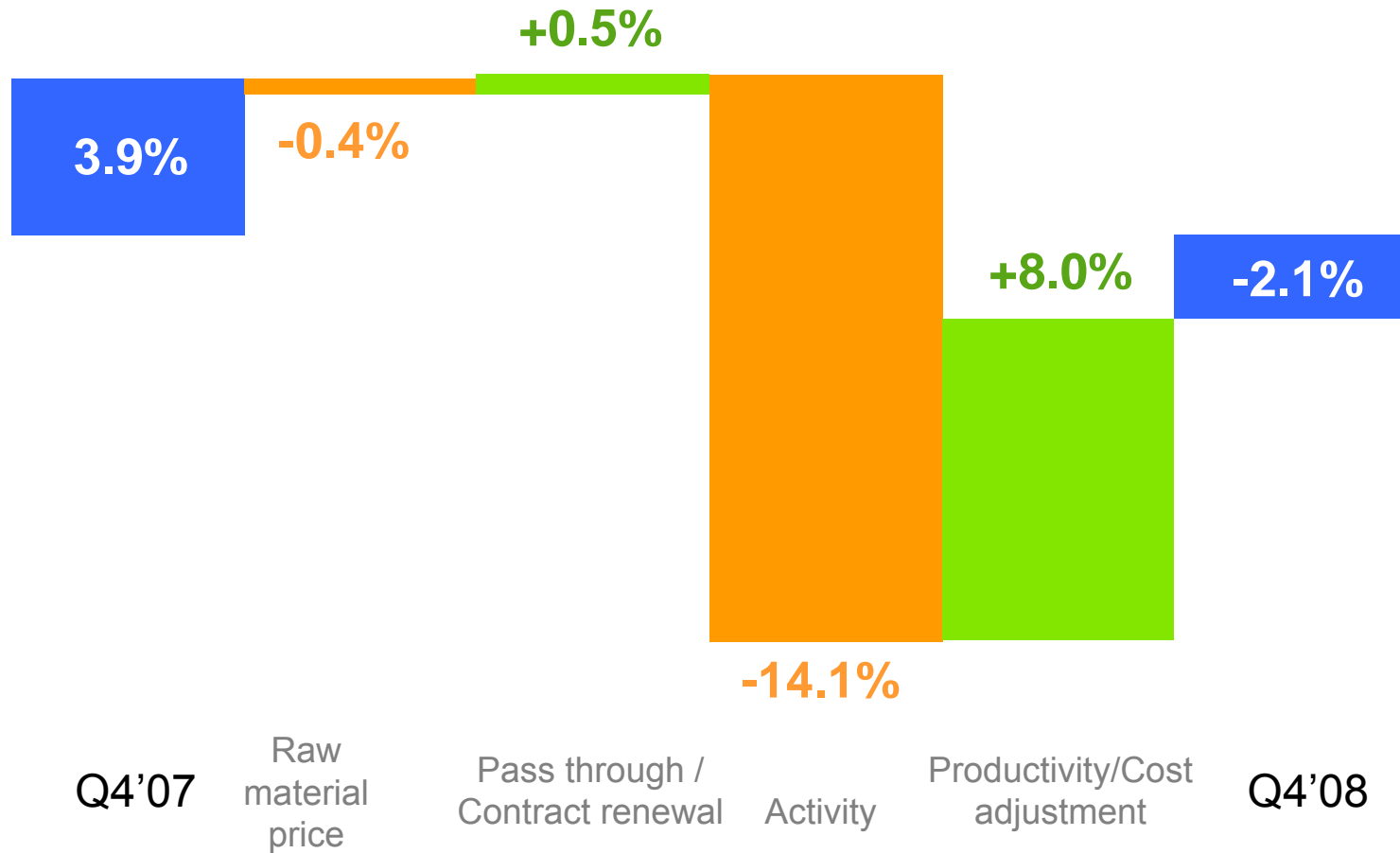
Q4'08 financial review

Q4'08 key figures

<i>In euro million</i>	Q4-2008	Q4-2007	Change
Total operating revenues	1,789	2,438	-26.6%
Gross margin <i>as a % of net sales</i>	208 11.9%	386 16.1%	-46.1% - 4.2 pts
Operating margin <i>as a % of total operating revenues</i>	(38) -2.1%	96 3.9%	<i>na</i> - 6.0 pts
Net income <i>as a % of total operating revenues</i>	(313) -17.5%	50 2.1%	<i>na</i> -19.6 pts

Operating margin walkdown

As % of total operating revenues



Q4 Crisis action plan

	End June 2008	End Sept. 2008	End Dec. 2008	Change Q4-2008
Headcount	59,700	58,400	51,200	(7,200) -12%
Inventories (m€)	647	664	543	(121) -18%
	7.3%	7.2%	6.2%	-1.0 pt
Prices	-	-	-	+1.0 pt



FY 2008 financial review

2008 highlights

■ Continued margin increase until Q3

- Compressors turnaround
- Closure of the Rochester Plant
- Raw material stabilization

■ Free Cash Flow increase

■ Proactivity demonstrated in Q4

- Headcount adjustment plan

■ Some positives for the year

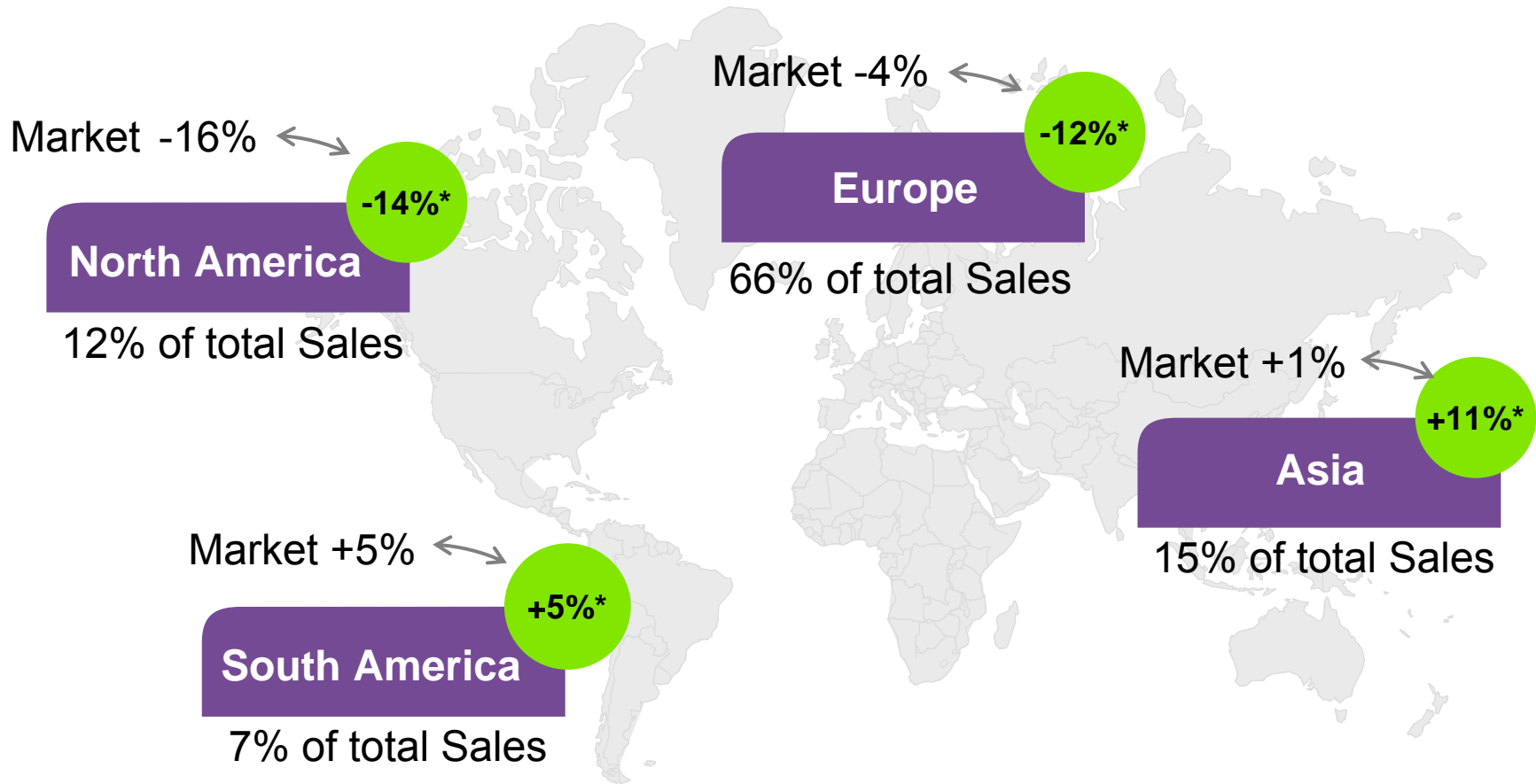
- Raw material tailwinds
- Record order intake
- Strategic initiatives confirmed (technology, emerging markets)
- Liquidity secured; debt under control

Full Year key figures

<i>In euro million</i>	2008	2007	Change
Total operating revenues	8,815	9,689	-9.0%
Gross margin <i>as a % of net sales</i>	1,314 15.2%	1,497 15.7%	-12.2% - 0.5 pt
Operating margin <i>as a % of total operating revenues</i>	230 2.6%	346 3.6%	-33.5% -1.0 pt
Net income <i>as a % of total operating revenues</i>	(207) -2.3%	81 0.8%	<i>na</i> -3.1 pts
Basic earnings per share from continuing operations (€)	(2.73)	1.82	<i>na</i>

2008 OE light vehicles net sales

Geographical trends

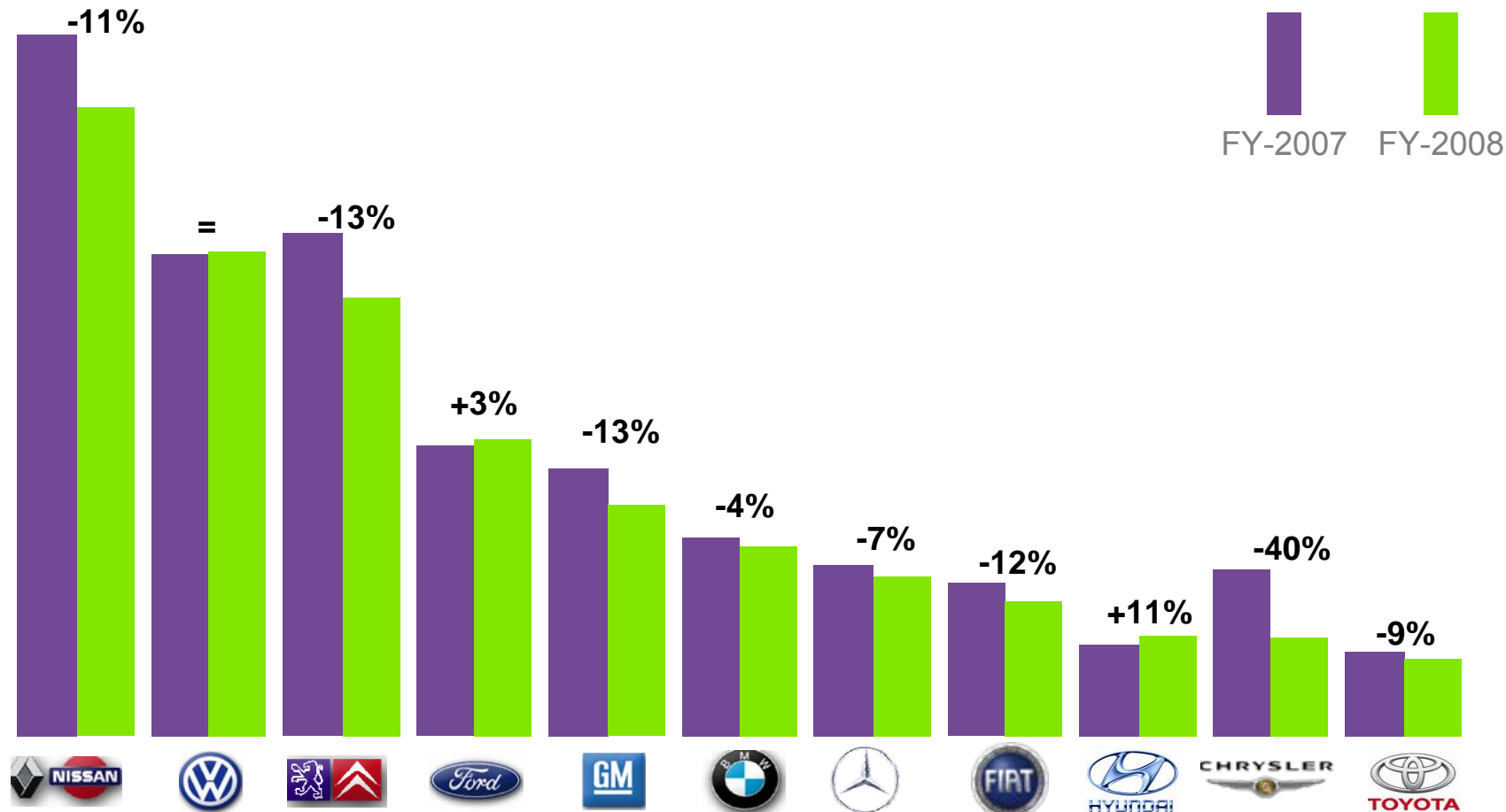


*At same perimeter & exchange rate

 Valeo sales

Sales by customers – OE light vehicles

A same perimeter & exchange rates



VW largest customer in Q4

Results

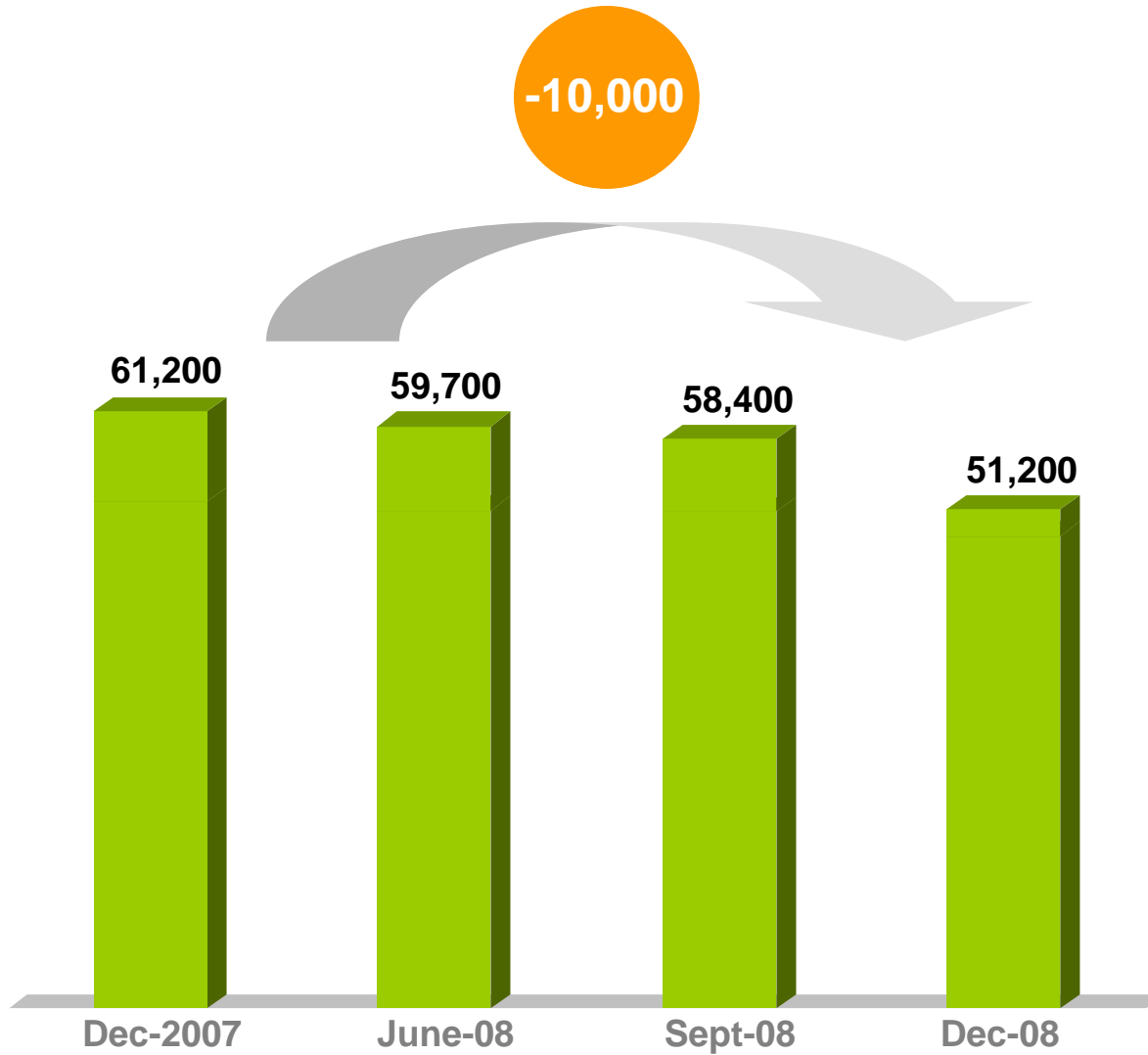
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Raw material impact

% of sales - cumulative



Headcount reduction

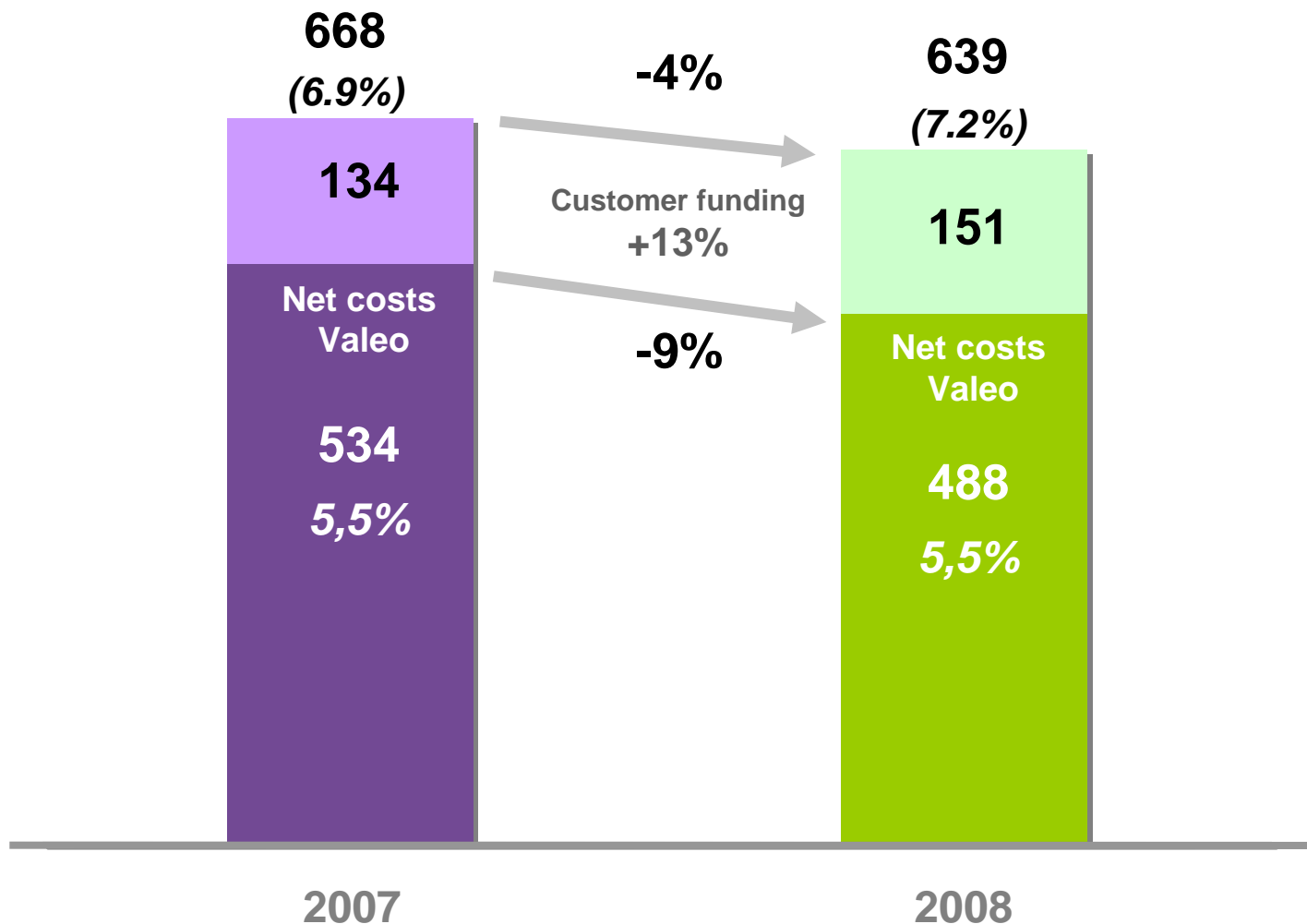


Results (cont.)

<i>In euro million</i>	2008	2007	Change
R&D expenses (net) <i>% of total operating revenues</i>	(488) 5.5%	(534) 5.5%	-8.6%
SG&A <i>% of total operating revenues</i>	(596) 6.8%	(617) 6.4%	-3.2%
Total overhead <i>% of total operating revenues</i>	(1,084) 12.3%	(1,151) 11.9%	-5.8%
Other income (expenses) <i>% of total operating revenues</i>	(282) 3.2%	(27) 0.3%	na
Operating income <i>% of total operating revenues</i>	(52) -0.6%	319 3.3%	na

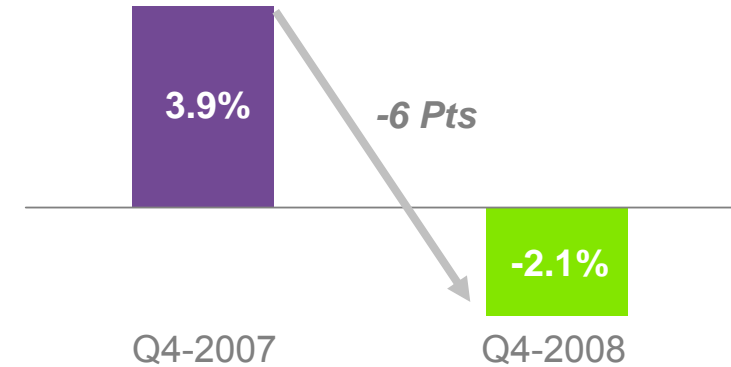
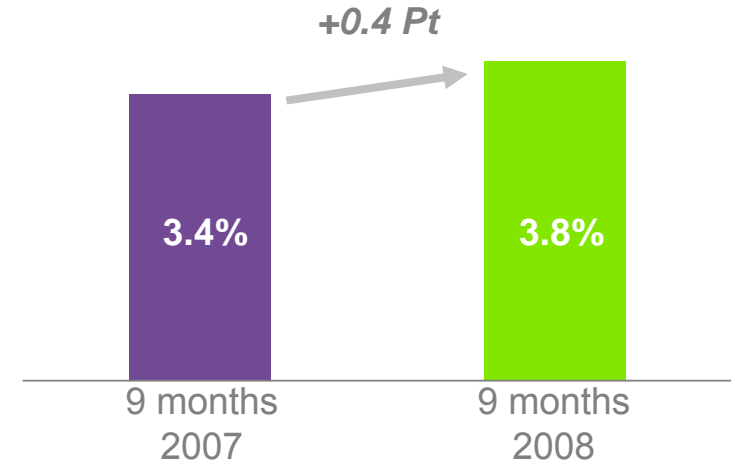
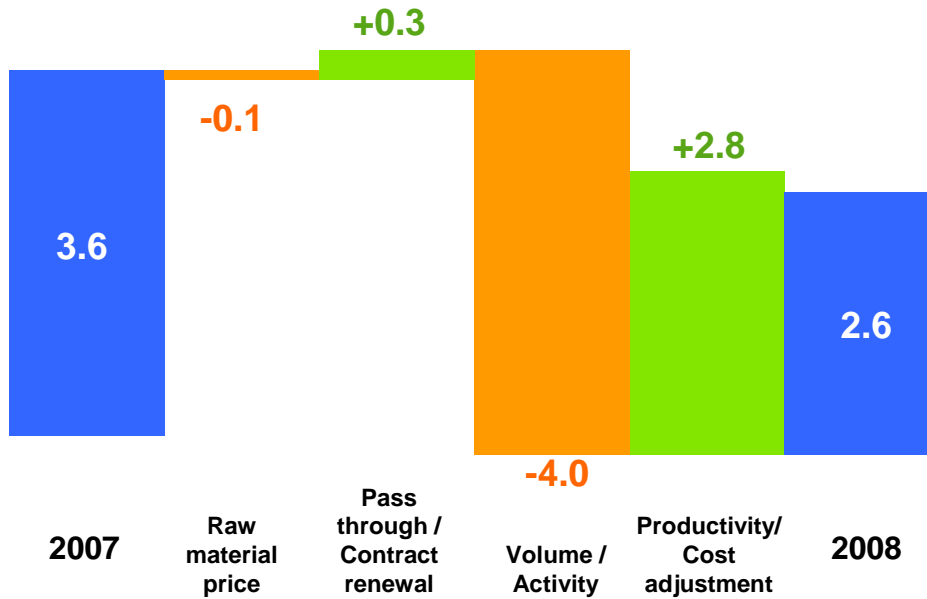
R & D Costs

In euro millions and % of total operating revenues



Operating margin walkdown

% of total operating revenues



Results (cont.)

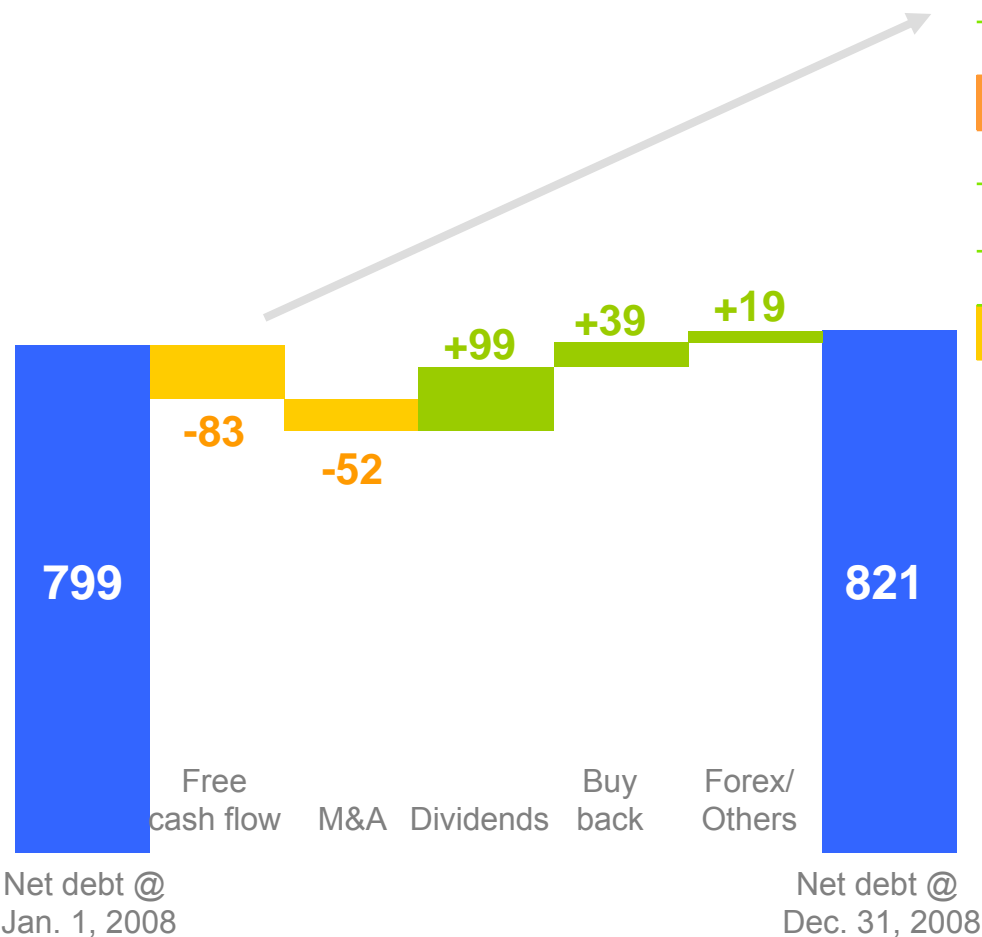
<i>In euro million</i>	2008	2007	Change
Operating income	(52)	319	<i>na</i>
Cost of net debt	(45)	(51)	-11.8%
Other financial expenses	(59)	(46)	+28.3%
Associates	9	8	+12.5%
Income before taxes	(147)	230	<i>na</i>
Taxes	(51)	(83)	-38.6%
<i>Effective tax rate</i>		37.4%	
Non strategic activities	(1)	(59)	-98.3%
Minorities	(8)	(7)	+14.3%
Net income	(207)	81	<i>na</i>



Cash flow / Balance sheet

Net financial debt walkdown

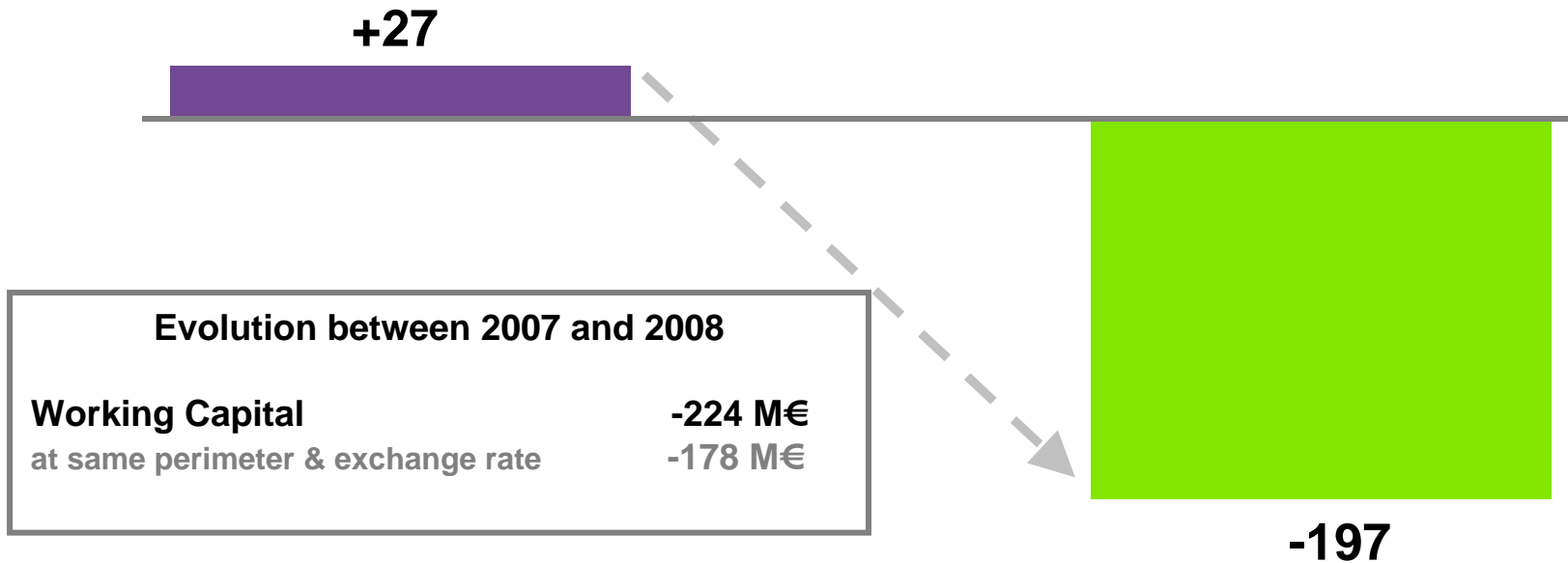
In euro million



	2008	2007
• Gross operating cash flow	623	765
• Cash Tax	-71	-85
• Change in working capital	178	-42
• Operating cash flow	730	638
• Interest paid	-34	-47
• Acquisitions of intangible assets	-160	-138
• Acquisition of tangible assets (net)	-453	-388
• Free cash flow	83	65

Working Capital Evolution

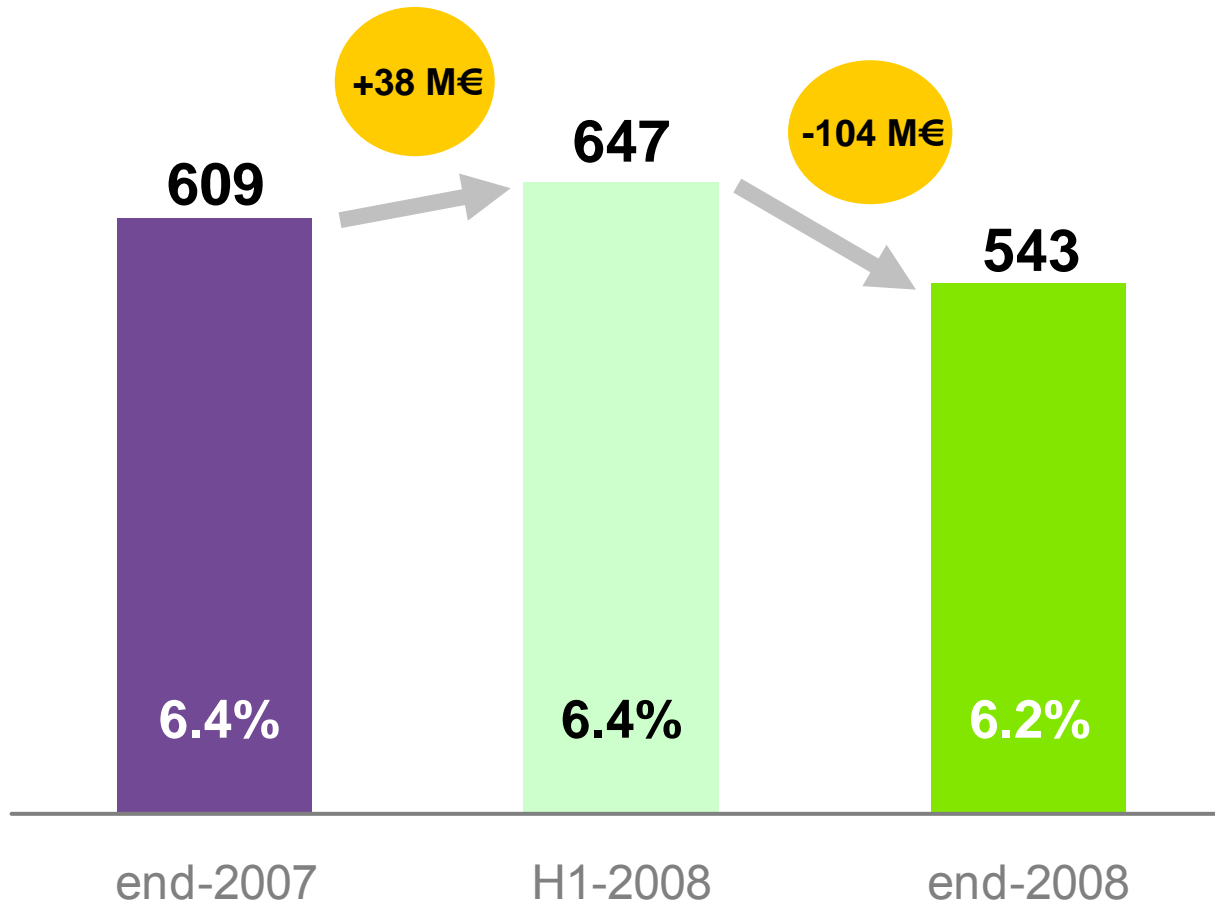
In euro million



Working capital = inventories + accounts and notes receivable + other current assets + taxes recoverable – accounts and notes payable – taxes payable – other current liabilities

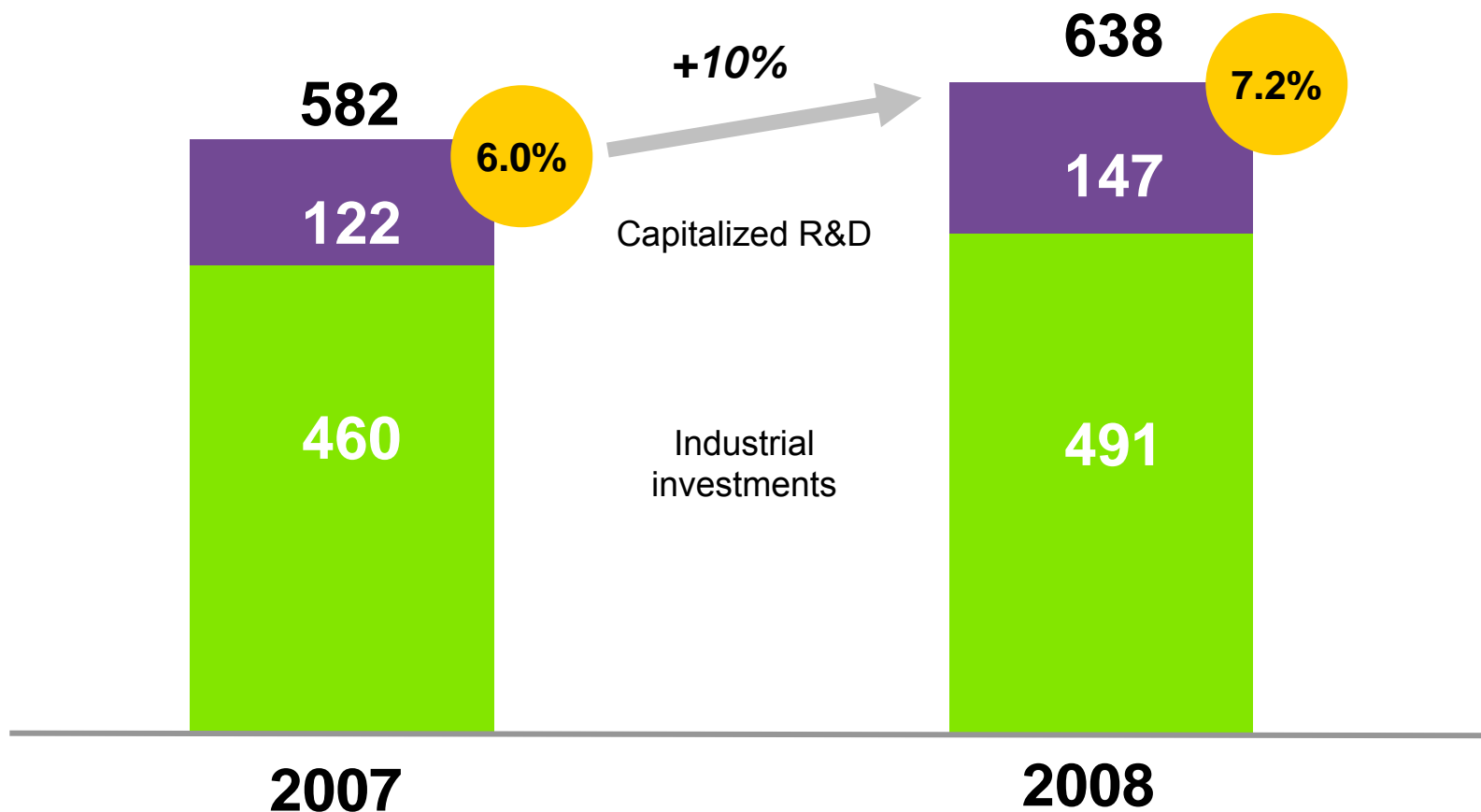
Inventories

In Euro million and in % of annualized revenues



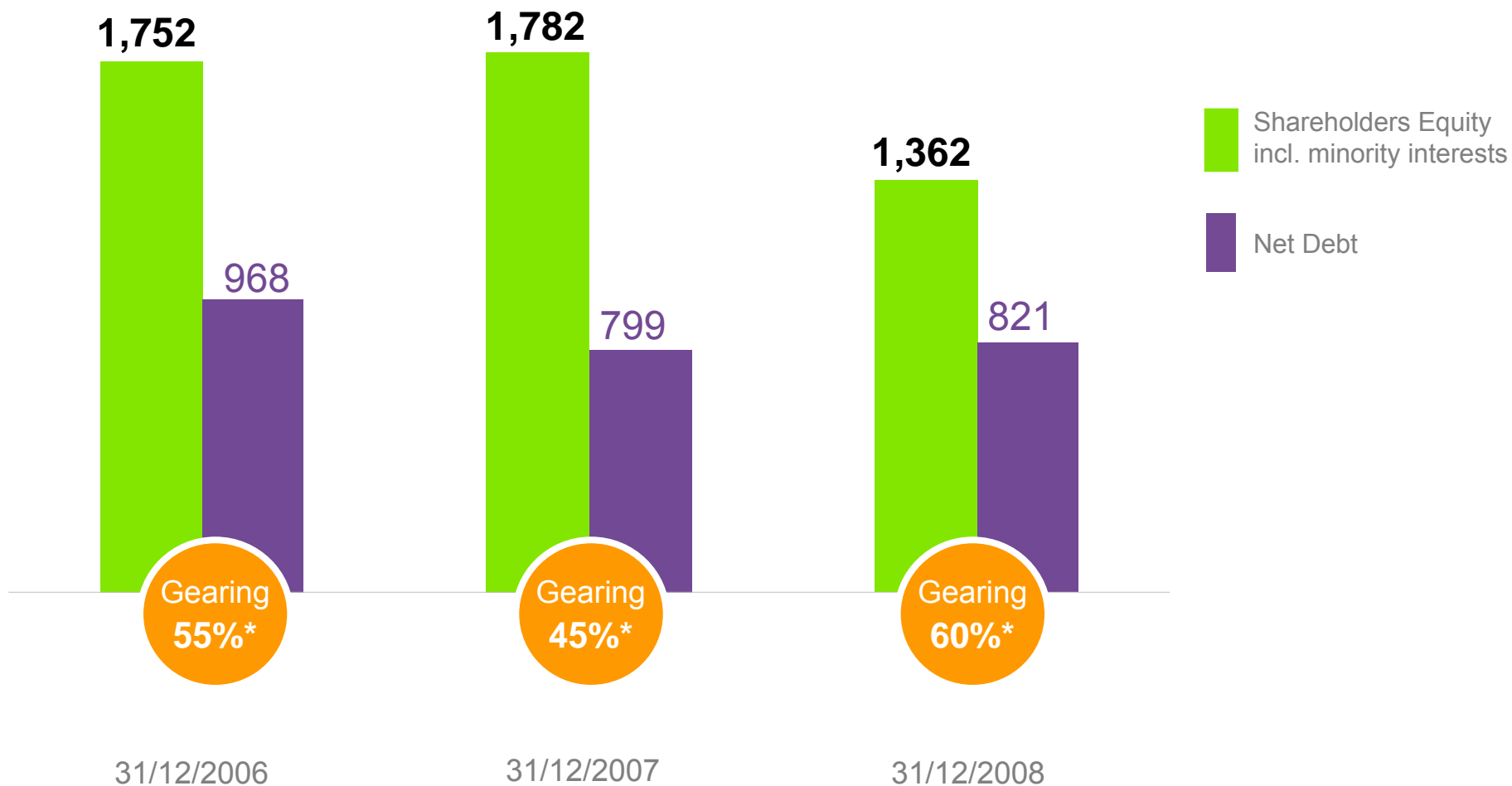
Capex

In euro million and in % of total operating revenues



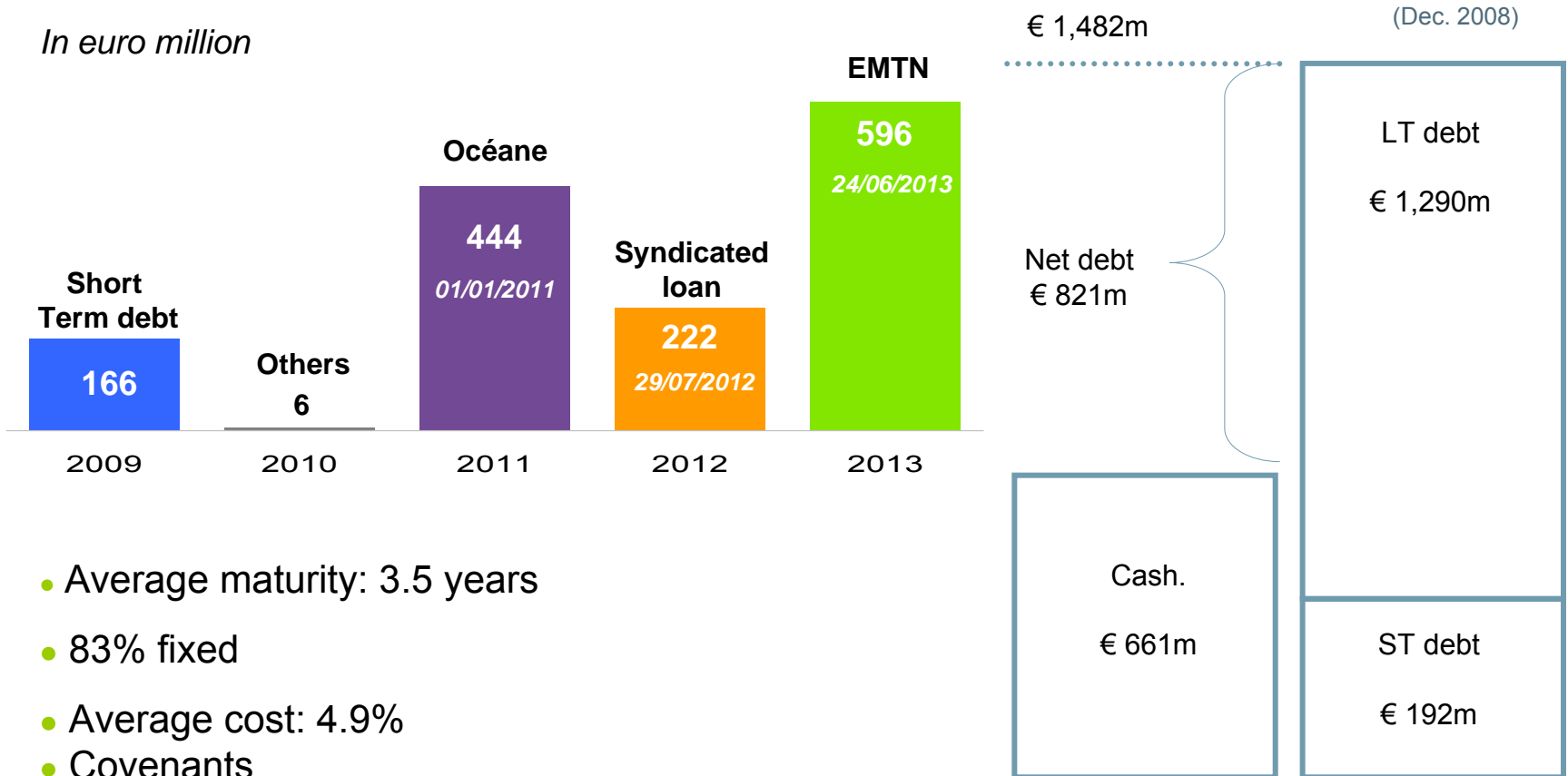
Shareholders equity and net debt

In euro million



Debt structure

In euro million



- Average maturity: 3.5 years
- 83% fixed
- Average cost: 4.9%
- Covenants
 - Change of control clause (€600m EMTN 2013)
 - Net debt/ equity <120% (syndicated loan)*
 - No rating trigger

*excluding minority interest

Liquidity Situation

- **No debt reimbursement before January 2011**
- **€661m cash available at YE 2008**
- **Short term debt**
 - Commercial paper amount reduced to 34m€
 - Short term loans and overdrafts: 132m€
- **€1.2bn confirmed credit lines**
 - With 10 banks (Aa2 rated on average)
 - Debt/ equity <120% covenant
 - No draw down as of December 31, 2008



Business highlights

Business and corporate development

- **Incremental business line expansion in India/ Russia**
- **Portfolio adjustments:**
 - Disposal of the truck engine cooling business to EQT
 - ~50% of the €2bn disposal program now completed
 - Further divestitures to come, market permitting

Technology Breakthroughs

■ Public funding opportunities

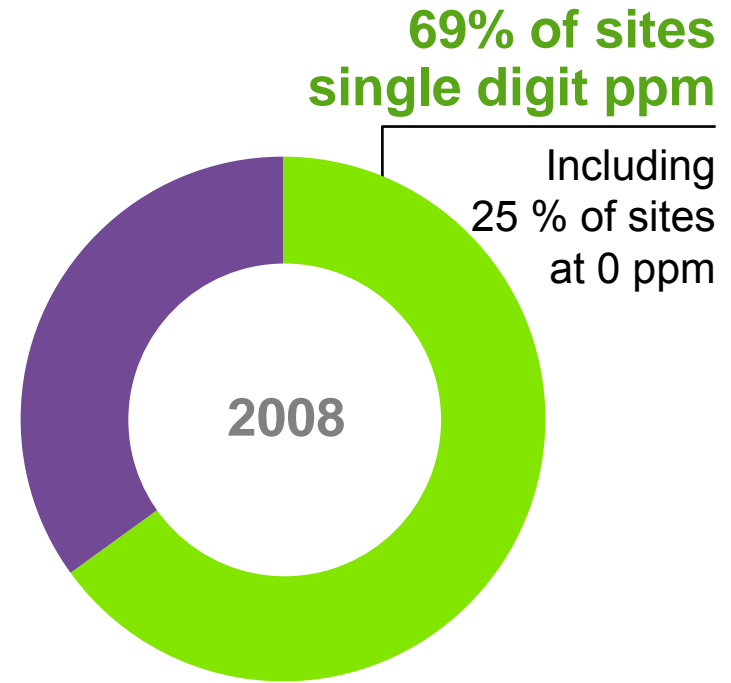
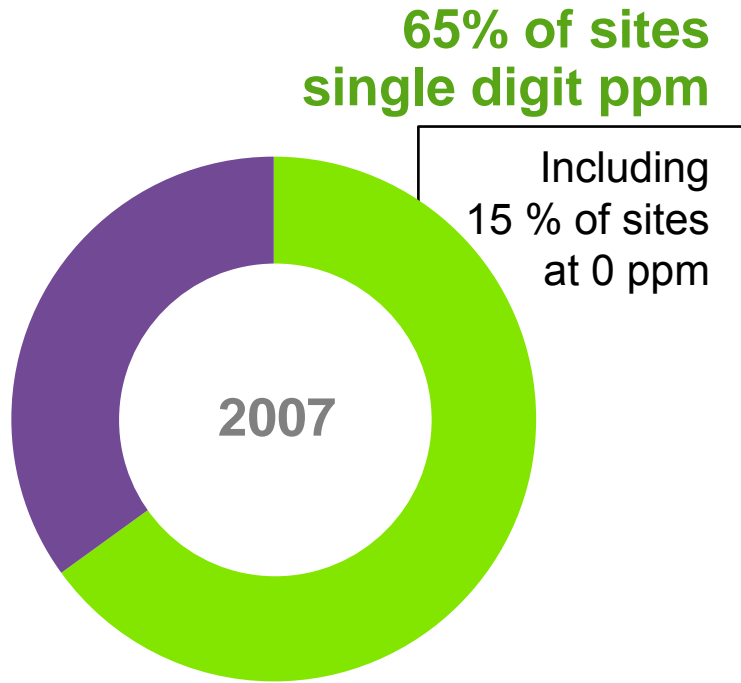
→ OSEO: 55m€ funding for powertrain advanced technologies

■ Innovation

→ Park4U™: 18 contracts

→ Several major contracts for micro-hybrid technology

Quality

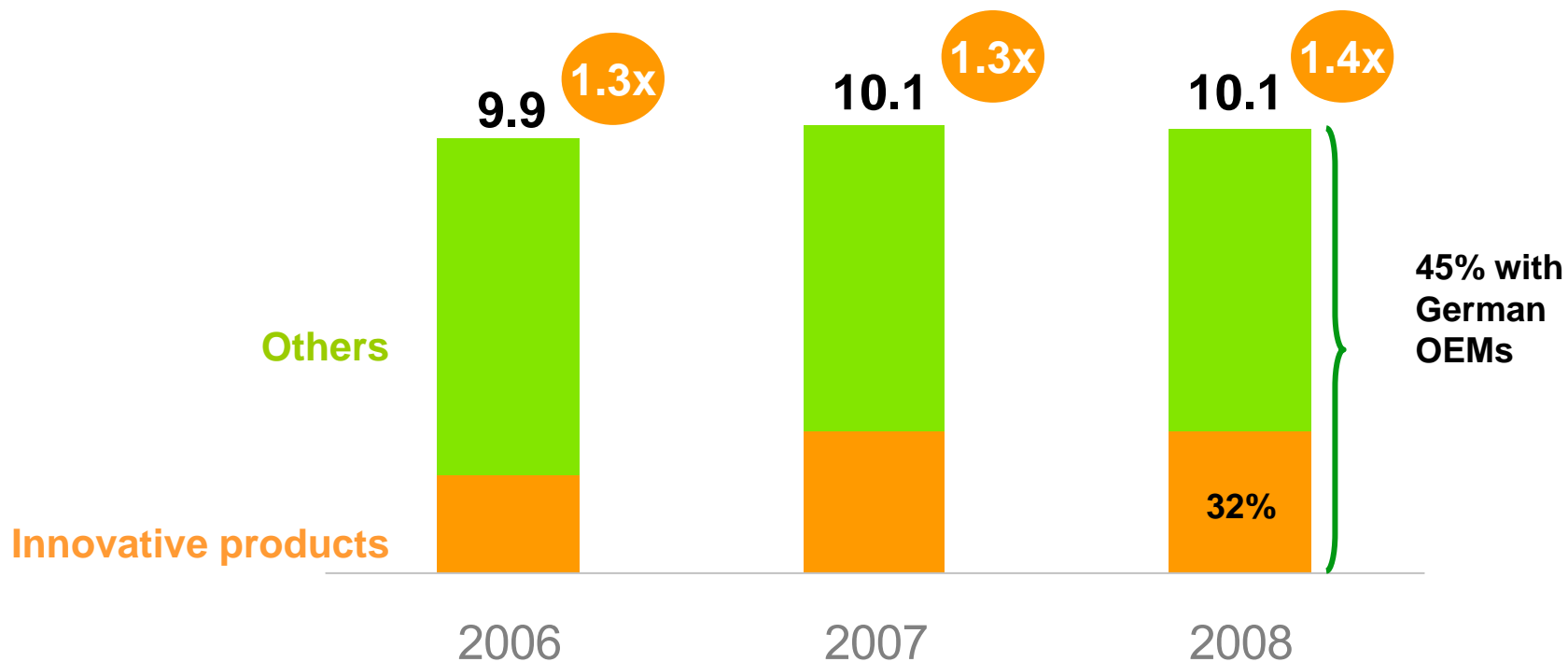


**VALEO has been awarded for the first time Toyota
“Excellence Quality Performance Award”**

Solid order intake

In billion euros

ORDER INTAKE/ X OE SALES





Outlook

2009 Highlights : Trading conditions

- **Challenging macro environment: currency volatility, credit crunch**
- **Further drop in automotive market:**
 - S1: - 30%;
 - 2009: - 20%
- **Raw material prices ebbing**
- **Potential financial issues among industry players: OEMs, suppliers, etc.**

Valeo's action plan

■ Costs reduction initiatives

- Headcount adjustment plan implementation
- Selectivity on all expenses: R&D, discretionary expenses
- Raw material: significant tailwinds starting in Q1 09

■ Cash spending under control

- Working capital management
- Significant capex reduction in 2009 vs. 2008

■ Liquidity closely monitored

- No significant impact of Moody's downgrade
- "Gearing" covenant not at risk in the short term under Valeo's current 2009 assumptions

Headcount adjustment plan

- **5,000 permanent workforce reduction**

- 55%/45% productive/structure

- 2/3 in Europe

- **Costs fully in 2008 accounts**

- 10m€ charges in 2008

- €230m provisioned in 2008 accounts (cash out by YE 2009)

- **Savings: €200m annualized gains in H2'09**

Financial Outlook

■ 2009

- Operating margin loss expected in H1 09
- Group's breakeven point aligned with market contraction by year end
- Limited cash spending
- Dividend suspension in 2009

■ Mid-term scenario

- End of crisis assumption: 2011

■ Portfolio management to be continued, market permitting

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Back-up

Quarterly P&L

(in euro million)	2008				2007				2006			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
■ Net Sales	1,746	2,076	2,407	2,435	2,397	2,214	2,472	2,472	2,341	2,125	2,483	2,487
Other operating revenues	43	36	37	35	41	31	35	27	35	28	28	23
■ Total operating revenues	1,789	2,112	2,444	2,470	2,438	2,245	2,507	2,499	2,376	2,153	2,511	2,510
■ Gross margin	208	315	403	388	386	340	394	377	351	322	396	394
as % of net sales	11.9%	15.2%	16.7%	15.9%	16.1%	15.4%	15.9%	15.3%	15.0%	15.2%	15.9%	15.8%
R&D expenditures	(153)	(144)	(168)	(174)	(171)	(156)	(173)	(168)	(163)	(146)	(161)	(170)
Selling expenses	(40)	(43)	(48)	(46)	(51)	(45)	(48)	(49)	(47)	(45)	(49)	(49)
Administrative expenses	(96)	(99)	(111)	(113)	(109)	(97)	(105)	(113)	(110)	(94)	(110)	(113)
Other income & expenses	(246)	(15)	(17)	(4)	(8)	(9)	(13)	3	(15)	(15)	1	(20)
■ Operating income	(284)	50	96	86	88	64	90	77	51	50	105	65
as % of operating revenues	-15.9%	2.4%	4.0%	3.4%	3.6%	2.9%	3.6%	3.1%	2.1%	2.3%	4.2%	2.6%
Cost of net debt	(13)	(10)	(10)	(12)	(12)	(14)	(13)	(12)	(11)	(12)	(14)	(14)
Other financial income and expense	(41)	(12)	(2)	(4)	(11)	(15)	(10)	(10)	(11)	(6)	17	(8)
Equity in net earnings of associates	1	1	6	1	2	1	5	0	(6)	0	3	2
■ Income before income taxes	(337)	29	90	71	67	36	72	55	23	32	111	45
Income taxes	25	(20)	(30)	(26)	(13)	(23)	(26)	(21)	(4)	(22)	(31)	(10)
■ Income from continuing operations	(312)	9	60	45	54	13	46	34	19	10	80	35
Non-strategic activities	1	(1)	0	(1)	(3)	(52)	(4)	(0)	42	(2)	(7)	(11)
■ Net income for the period	(311)	8	60	44	51	(39)	42	34	61	8	73	24
Minority interest	(2)	(2)	(3)	(1)	(1)	(1)	(4)	(1)	(1)	(1)	(1)	(2)
■ Net income attributable to equity holders of the company	(313)	6	57	43	50	(40)	38	33	60	7	72	22

Share Information

Share Data

▪ Bloomberg Ticker	FR FP
▪ Reuters Ticker	VLOF.PA
▪ ISIN Number	FR 000130338
▪ Shares outstanding as per 31.12.2008	78,209,617

ADR Data

▪ Ratio (ordinary share: ADR)	1:2
▪ Bloomberg Ticker	VLECY US
▪ Reuters Ticker	VLECY PK
▪ ISIN Number	US 9191343048
▪ Type	Level 1
▪ Exchange	OTC
▪ Sponsor	JP Morgan Chase



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