Communiqué de presse
Press release

10.02

Fourth quarter 2009: operating margin of 5.5%, free cash flow of 153 million euros and positive net income of 56 million euros

- **Sales growth of 21%**
- **Gross margin at 17.7% of sales and operating margin at 5.5% of sales: highest levels recorded in the past five years**
- **Positive net income of 56 million euros, bringing 2009 full-year net income Group share to a loss of 153 million euros**
- **Strengthened free cash flow[1] in the fourth quarter, at 153 million euros**
- **Decrease in net financial debt of 95 million euros in the fourth quarter, to 722 million euros at December 31, 2009**

PARIS, France, February 24, 2010 – Following the meeting of its Board of Directors today, Valeo presented its results for the fourth quarter 2009.

Jacques Aschenbroich, Valeo Chief Executive Officer, declared: “I would like to thank Valeo employees for their mobilization throughout 2009, which enabled the Group to achieve a significant cost reduction and, in the fourth quarter, an encouraging level of profitability. Moreover, in this difficult period, we have prepared for the future by increasing our Research and Development expenses and our investments in Asia and in emerging countries during the year.”

[1] Free cash flow corresponds to net operating cash flow less net disbursements on tangible/intangible assets. This indicator is therefore calculated before payment of financial expenses

In million euros	Quarterly evolution					
	2009				2008	2009/2008
	Q1*	Q2*	Q3*	**Q4***	Q4*	∆
Sales	1,624	1,848	1,913	**2,114**	1,750	+21%
Gross margin[2]	185	268	310	**375**	212	+77%
% of sales	*11.4%*	*14.5%*	*16.2%*	***17.7%***	*12.1%*	*+5.6pts*
Operating margin[3]	(66)	15	68	**116**	(38)	na
% of sales	*-4.1%*	*0.8%*	*3.6%*	***5.5%***	*-2.2%*	*+7.7pts*
EBITDA[4]	73	156	192	**249**	99	+151%
% of sales	*4.5%*	*8.4%*	*10.0%*	***11.8%***	*5.7%*	na
Net income Group share	(159)	(54)	4	**56**	(313)	na
Free cash flow[1]	(88)	84	6	**153**	14	na
Net financial debt	933	841	817	**722**	821	-12%

* *Unaudited*

[2] As of January 1, 2009, the presentation of the financial statements has been modified, with 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

Fourth quarter consolidated results

The turnaround of **automotive production** that began in the second quarter 2009 continued throughout the year and particularly in the fourth quarter (+21% versus the fourth quarter 2008). The positive impact of vehicle scrapping schemes and other incentives enabled sustained production in Europe and the acceleration of growth in emerging countries, particularly in Asia (+103% in China) and in Brazil (+52%). Automotive output in North America also improved in the fourth quarter.

Original equipment order intake totaled 1.52 times sales for the quarter, the highest ratio ever (with a similar level of performance among all Business Groups). Supporting its customers' interest in the Group's technologies, Valeo pursued its R&D efforts with a net expenditure of 125 million euros in the fourth quarter (5.9% of sales).

Benefiting from a more favorable automotive environment and the outperformance of the original equipment activity on its main markets, the Group generated 2,114 million euros in **sales** in the fourth quarter 2009, up by 21% versus the fourth quarter 2008 (+10.5% versus the third quarter 2009).

Sales in Europe totaled 1,329 million euros (63% of consolidated sales), up by 21% versus the fourth quarter 2008 (+10% versus the third quarter 2009). In Asia, the Group's second largest contributing region, sales reached 364 million euros (17% of consolidated sales), up by 31% versus the fourth quarter 2008 (+16% versus the third quarter 2009). Valeo's performance was particularly notable in China (the leading contributing country in Asia) and in Brazil where sales growth was 84% and 71%, respectively, versus the fourth quarter 2008 (+16% and +3% versus the third quarter 2009).

Thanks to improved sales and the implementation of the cost reduction and productivity enhancement plan, **gross margin** rose to 375 million euros in the fourth quarter 2009, or 17.7% of sales, the highest level recorded in the past five years (up by 1.5 point versus the third quarter 2009).

Operating margin (less other income and expenses) was 116 million euros in the fourth quarter 2009, or 5.5% of sales, also the highest level recorded in the past five years (up by 1.9 point versus the third quarter 2009).

Net income in the fourth quarter showed a profit of 56 million euros, following a profit of 4 million euros in the third quarter 2009.

Improved operating performance, combined with the strict management of investments (down by 26 million euros versus the fourth quarter 2008) and working capital, enabled the Group to generate a positive **free cash flow** of 153 million euros, versus 6 million euros in the third quarter 2009.

Net financial debt stood at 722 million euros at December 31, 2009, down by 95 million euros versus the third quarter 2009 (817 million euros).

Simplified accounts for 2009

In million euros	2008*	2009*	Change
Sales	8,677	**7,499**	**-14%**
Gross margin	1,327	**1,138**	**-14%**
% of sales	*15.3%*	***15.2%***	***-0.1pts***
Operating margin[5]	230	**133**	**-42%**
% of sales	*2.7%*	***1.8%***	***-0.9pt***
Operating income	(52)	**84**	**na**
% of sales	*-0.6%*	***1.1%***	***+1.7pt***
Cost of financial debt **Other financial income and expenses**	(45) (59)	**(60)** **(57)**	**+33%** **-3%**
Equity in net earnings/losses of associates	9	**(34)**	**na**
Net income Group share	(207)	**(153)**	**-26%**
Basic earnings per share (continued operations) (€)	-2.73	**-2.04**	**+25%**
Free cash flow[6]	118	**155**	**+31%**
Net financial debt	821	**722**	**-12%**

***** *audited*

[5] Operating income less other income and expenses
[6] Free cash flow corresponds to net operating cash flow less net disbursements on tangible/intangible assets. This indicator is therefore calculated before payment of financial expenses

For the year 2009, **sales** were down by 14% versus 2008. Following a difficult first quarter 2009, during which Valeo recorded a 33% drop in sales, the Group benefited from a turnaround in automotive production starting in the second quarter, thanks to the implementation of vehicle scrapping schemes in Europe and accelerated growth in emerging countries, particularly in Asia.

The cost reduction and productivity enhancement plan amounting to 480 million euros (144 million euros in savings achieved during the fourth quarter 2008 and 336 million euros achieved in 2009 despite the turnaround of business starting in the second quarter), enabled the Group to adjust its cost structure to the current level of activity and therefore lower its break-even point (at the level of operating margin) by 13%, corresponding to around 7 billion euros in sales.

Despite the continuous rise of raw material prices, at end 2009 their average cost remained lower than in 2008, contributing to a 1 point improvement in margins for the year.

Despite the negative impact of the decrease in sales, **gross margin** amounted to 15.2% of sales (1,138 million euros) versus 15.3% of sales (1,327 million euros) in 2008, thanks in particular to the savings measures implemented since the start of the crisis and which took effect in 2009. **Operating margin** was 1.8% of sales (133 million euros) versus 2.7% of sales (230 million euros) in 2008.

The **cost of net financial debt** was 60 million euros, up by 15 million euros versus 2008. This change reflects the renegotiation and renewal of confirmed bank lines within a degraded credit market environment, as well as the setting up of European Investment Bank funding of 225 million euros reinvested in a context of particularly low short-term interest rates.

Other financial income and expenses showed a net expense of 57 million euros versus a net expense of 59 million euros in 2008, following the booking of a 17 million euro expense in 2008 and a 5 million euro expense in 2009 relating to raw material hedges which turned out to be overhedged in the context of an unfavorable evolution of prices.

Valeo's share of the results of associated companies is a loss of 34 million euros, including -36.5 million euros from the share in the negative result of the Japanese group Ichikoh (in which Valeo holds a 31.6% stake). Therefore the **income before taxes** showed a loss of 67 million euros (versus a loss of 147 million euros in 2008).

Net income Group share showed a loss of 153 million euros versus a loss of 207 million euros in 2008.

Improved operating performance following the implementation of the cost reduction plan, combined with controlled restructuring expenses and the strict management of investments and working capital, enabled the Group to generate a **free cash flow** of 155 million euros in 2009.

Thanks to the generation of cash and the setting up of 225 million euros in funding from the European Investment Bank, at December 31, 2009 the Group had a **cash balance** of 860 million euros. The Group also benefits from confirmed bilateral lines of credit worth 1 billion euros which remained undrawn at end December.

Net financial debt totaled 722 million euros at December 31, 2009, down by 99 million euros versus December 31, 2008 (821 million euros).

The **leverage ratio** remained stable at 1.1 times EBITDA (calculated over 12 months). The gearing ratio (net financial debt to shareholders' equity excluding minority interests) was 59%, down versus December 31, 2008 (63%).

Highlights

As part of its development strategy in high growth potential countries, Valeo increased its stake to 100% (up from 60%) in the Changchun, China-based entity Valeo Compressor (Changchun) Co., Ltd, which develops and produces compressors.

This operation confirms Valeo's interest in the Chinese market, where it has facilities in the five automotive industry hubs (Shanghai, Wuhan, Nanjing, Guangzhou and Changchun). The Group employs 4,400 people in China in 8 development centers, 15 production plants, and a distribution center.

Valeo's 2009 consolidated sales in China totaled 448 million euros, up by 46% versus 2008.

Annual General Shareholders' Meeting notice

It will be proposed to the Annual General Shareholders' Meeting to be held on June 3, 2010 not to pay a dividend for 2009. It will also be proposed to renew as Board Members Daniel Camus and Jérôme Contamine whose terms of office are set to expire, to ratify the cooptation of Michel de Fabiani as a Board Member and to appoint Noëlle Lenoir as a new Board Member. Mrs Lenoir is a lawyer, a Member of the French Council of State, a former Member of the French Constitutional Council, and a former Deputy Minister in charge of European Affairs.

Outlook

For 2010, Valeo expects, as compared with 2009, a continued turnaround of global automotive production with a more sustained growth in the first half and situations that vary according to the region:

- In a still uncertain environment, a slight decrease in production in Europe
- A further improvement in Asia
- A recovery in North America

Based on this scenario, Valeo has set as its objective for 2010 an operating margin level around double that of 2009.

Valeo Investor Day

An Investor Day will be held on March 10, 2010 in 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 120 plants, 21 Research centers, 40 Development centers, 10 distribution platforms and employs 52,200 people in 27 countries worldwide.

For additional information, please contact:
Kate Philipps, Valeo Group Communications Director, Tel.: +33 1 40 55 20 65
Thierry Lacorre, Valeo Group Investor Relations Director, Tel.: + 33 1 40 20 39

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