Communiqué de presse
Press release

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Return to positive net income in the 3rd quarter 2009

- **Positive net income of 4 million euros, following 3 consecutive quarters of losses**
- **Strong improvement in gross margin at 16.2% of sales, highest 3rd quarter level since 2005**
- **Operating margin at 3.6% of sales, up by 2.8 points versus 2nd quarter**
- **Reinforced generation of free cash flow[1] (6 million euros) and reduction of net financial debt of 24 million euros**

- **Outlook:**
  - **H2 automotive production forecast revised upwards**
  - **Net income near break-even point in H2**
  - **Cash consumption of less than 100 million euros for 2009**

PARIS, France, 20 October 2009: Following the meeting of its Board of Directors today, Valeo presented its results for the 3rd quarter 2009.

in million euros	Quarterly evolution*					9 months*		
	2008	2009				2008	2009	YOY change
	Q3	Q1	Q2	**Q3**	YOY change			
Sales[2]	2,079	1,624	1,848	**1,913**	-8%	6,927	**5,385**	-22%
Gross margin	318	185	268	**310**	-3%	1,115	**763**	-32%
% of sales	*15.3%*	11.4%	*14.5%*	***16.2%***	*+0.9pt*	*16.1%*	***14.2%***	*-1.9pt*
Operating margin[3]	65	(66)	15	**68**	+5%	268	**17**	-94%
% of sales	3.1%	-4.1%	0.8%	***3.6%***	*+0.5pt*	*3.9%*	***0.3%***	*-3.6pts*
EBITDA[4]	190	73	156	**192**	+1%	693	**421**	-39%
% of sales	*9.1%*	4.5%	*8.4%*	***10.0%***	*+0.9pt*	*10.0%*	***7.8%***	*-2.2pts*
Net income attributable to company shareholders	6	(159)	(54)	**4**	-33%	106	**(209)**	na

* *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

Consolidated third quarter results

The turnaround of **automotive production** noted during the 2nd quarter 2009 (+18% versus the 1st quarter 2009) continued in the 3rd quarter (+11% versus the 2nd quarter), thanks in particular to the positive impact of vehicle scrapping programs in Europe (notably in Germany, France, Italy and Spain) and in North America, as well as an improvement in automotive output in Asia (China, Korea and India).

In the 3rd quarter, the Group generated **sales** of 1,913 million euros, up by 3.5% versus the 2nd quarter 2009 (1,848 million euros).

Sales in Europe totaled 1,206 million euros in the 3rd quarter (63% of consolidated sales), down by 3% versus the 2nd quarter 2009. Sales in Asia, the second largest contributing region, were 315 million euros (16% of consolidated sales), up by 15% versus the 2nd quarter (+10% versus the 3rd quarter 2008). Valeo's performance was particularly notable in China, the leading contributor country in Asia, where the Group recorded 7% sales growth during the 3rd quarter 2009 (up by 68% versus the 3rd quarter 2008).

Thanks to its improved sales, the continuation of its cost reduction plan and the favorable evolution of material costs, Valeo registered an improvement in **gross margin**, at 310 million euros versus 268 million euros in the 2nd quarter 2009. Gross margin, up by 1.7 points, amounted to 16.2% of sales in the 3rd quarter 2009, the highest 3rd quarter level since 2005.

During the 3rd quarter 2009, Valeo pursued its R&D efforts, investing 114 million euros (6% of sales). Administrative and selling expenses were down by 10% versus the previous year.

Confirming the turnaround initiated in the 2nd quarter, **operating margin** (less other income and expenses) amounted to 68 million euros versus 15 million euros in the 2nd quarter 2009. It represented 3.6% of sales in the 3rd quarter 2009, up by 2.8 points.

After three consecutive quarters of losses, Valeo returned to a positive **net income** of 4 million euros in the 3rd quarter 2009, versus a net loss of 54 million euros in the 2nd quarter.

In the 3rd quarter 2009, the Group generated a **free cash flow** of 6 million euros. Improved operational performance, including the rigorous management of working capital requirements (down by 46 million euros versus end June 2009) and investments, enabled the financing of restructuring expenses.

Net financial debt totaled 817 million euros at 30 September 2009, down by 24 million euros versus the 2nd quarter 2009.

Consolidated results for the first nine months of 2009

For the first nine months of 2009, **sales** were down by 22% versus the same period in 2008.

The savings plan launched in the 4th quarter 2008, including the headcount adjustment plan concerning permanent employees, has already enabled a cost reduction of 373 million euros during the first nine months of the year.

Consequently, **gross margin** totaled 763 million euros or 14.2% of sales, and **operating margin** was a positive 17 million euros over nine months.

During the same period, the Group generated a **free cash flow** of 2 million euros.

Net financial debt decreased by 24 million euros, totaling 817 million euros at 30 September 2009. The "gearing"[5] and the "leverage"[6] ratio were respectively 70% and 1.6x EBITDA.

The Group's liquidity is ensured thanks to a 797 million euro surplus cash situation, following the granting of 225 million euros in funding from the European Investment Bank. It also benefits from a program of confirmed bilateral credit lines worth 1.275 billion euros which remained undrawn at end September.

Highlights

At the IAA Frankfurt Auto Show, the Powertrain Systems and Thermal Systems Business Groups presented their range of solutions to significantly reduce fuel consumption and CO_2 emissions for the various stages of hybridization, up to the electric vehicle.

The Visibility Systems Business Group also displayed its latest technological innovations, such as the AquaBlade® System, which offers uniform distribution of washer fluid along the entire length of the wiper blade, and BeamAtic® Premium, which enables the continuous use of high beams without dazzling other drivers. BeamAtic® Premium recently received the Gold "Grand Prix" for Automotive Innovation Award at the Equip'Auto show.

The Comfort and Safety Systems Business Group presented the latest developments relating to its Park4U® system, which enables drivers to automatically enter and leave a tight parking slot (margin of 40 cm on either end of the vehicle).

Outlook

Valeo anticipates the continued recovery of automotive production in the 4th quarter 2009, with an improvement versus the same period in 2008 in all regions of the world except North America, where another slight downturn is expected. Overall global automotive output in the second half should be slightly higher than that of the second half 2008, thanks in particular to the sustained effect of scrapping programs through the end of the year and to the vitality of the main emerging markets.

Given this more favorable context, Valeo is revising upwards its production objectives for the second half 2009.

Continuing on from the 3rd quarter, the Group's operating margin will benefit from the impact of the cost reduction program while taking into account the rebound in production.

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[5] Gearing: net financial debt-to-shareholders' equity ratio
[6] Leverage ratio: financial debt-to-EBITDA (calculated over 12 months rolling)

In the current market conditions, the Group has set as its objective to achieve a net income close to the break-even point in the second half.

In terms of cash flow generation, Valeo is working to sustain in the long-term its negative working capital requirements and to maintain a high selectivity on investments which will be limited to a level significantly lower than amortization. Valeo has set as its objective for 2009 to not exceed 100 million euros in cash consumption over the year.

Corporate Governance

Mr Michel de Fabiani, candidate proposed by the FSI, was co-opted as a Valeo Board Director, replacing Mr. Erich Spitz. On this occasion, and after having taken into account the special nature of Valeo’s current shareholder structure, the FSI (acting within the framework of the consolidation perimeter of the CDC, of which it is a 51% subsidiary) agreed not to exceed the threshold of 15% of Valeo’s capital or voting rights without approval of the Valeo Board of Directors.

For its part, Valeo reaffirmed to the FSI its commitment to respect stock market best practices and the AFEP-MEDEF recommendations regarding corporate governance.

In addition, the Chief Executive Officer asked Mr. Erich Spitz to set up an Advisory Committee that he will preside, comprising international personalities.

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 119 plants, 22 Research centers, 38 Development centers, 10 distribution platforms and employs 52,500 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 55 37 93

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