Communiqué de presse
Press release

11.05

Valeo: net income of 365 million euros in 2010, or 3.8% of sales; operational performance ahead of the strategic plan presented in March 2010

- **Second half 2010:**
  - **Sales of 4,845 million euros, up by 20%**
  - **Operating margin level(1) at 6.7% of sales**
  - **Net income of 197 million euros, at 4.1% of sales**

- **Full year 2010:**
  - **Sales of 9,632 million euros, up by 28%**
  - **Operating margin level(1) at 6.4% of sales**
  - **Net income Group share of 365 million euros, or 3.8 % of sales**
  - **Net earnings per share at 4.86 euros**
  - **ROCE(4) higher than 32%**
  - **Strong generation of net cash flow(2) of 440 million euros**
  - **Decrease in net debt(3) of 444 million euros, at 278 million euros at December 31, 2010**
  - **Record level of order intake of 12.5 billion euros**
  - **Proposed payment of dividend of 1.20 euros per share**

- **2011 Outlook:**
  - **Forecast growth of global automotive market of 5%**
  - **Objective: Valeo's outperformance versus the market in its main regions of production**
  - **Operating margin rate(1) expected in 2011 slightly higher than that of 2010**

PARIS, France, February 24, 2011 – The Valeo Board of Directors, meeting on February 24, 2011, approved the consolidated annual financial statements for the period ending December 31, 2010*:

	2009	2010
Sales (M€)	7,499	9,632
of which OE sales (M€)	6,029	7,952
Operating margin(1) *(in % of sales)*	1.8%	6.4%
EBITDA(5) *(in % of sales)*	8.9%	11.9%
Net income Group share (M€)	(153)	365
Net income Group share (in % of sales)	*-2.0%*	*3.8%*
Net earnings per share (€)	(2.04)	4.86
Net cash flow(2) (M€)	99	440
Net financial debt(3) (M€)	722	278
ROCE(4)	7%	32%

Jacques Aschenbroich, Valeo's Chief Executive Officer, declared:
"Our 2010 results, with an operational performance ahead of the objectives set in the plan presented in early 2010, underline the pertinence of our strategy. Moreover, our medium-term growth prospects, based on a record order intake level, the rising importance of innovative products developed by Valeo, and the Group's ability to regularly outperform its main markets, make us confident in our ability to achieve and sustain one of the best levels of return on capital employed in our sector."

*At the date of this press release, the consolidated financial statements for 2010 had been audited by the Statutory Auditors and are published on the valeo.com website.

Second half 2010 results

Global passenger car production continued to recover in the second half of 2010, achieving 12% growth versus the second half of 2009.

Benefiting from a favorable automotive environment and from the outperformance of its original equipment activity on its main markets, the Group recorded in the second half of 2010 **consolidated sales** of 4,845 million euros, up by 15% on a like-for-like basis:

- **Original equipment sales** amounted to 3,995 million euros (82% of consolidated sales). Compared with the second half of 2009, passenger car original equipment sales rose by 16% (like-for-like);
- **Aftermarket sales** totaled 723 million euros (15% of consolidated sales), up by 12% versus the second half of 2009.

In million euros	H2 2009	H2 2010	Change 2010/2009
Sales **Like-for-like**	**4,027**	**4,845**	**+20%** **+15%***
Original equipment	3,286	3,995	+16%*
Aftermarket	626	723	+12%*
Miscellaneous	115	127	+5%*

** like-for-like*

In the second half, the **gross margin** stood at 879 million euros, or 18.1% of sales.

The **operating margin**$_{(1)}$ amounted to 325 million euros in the second half of 2010, or 6.7% of sales.

EBITDA$_{(5)}$ therefore totaled 586 million euros, or 12.1% of sales.

Net income in the second half showed a profit of 197 million euros, or 4.1% of sales.

In the second half of 2010, the Group generated a **net cash flow**$_{(2)}$ of 199 million euros.

Net financial debt$_{(3)}$ was brought down to 278 million euros at December 31, 2010 versus 438 million euros at June 30, 2010.

Simplified consolidated results for full-year 2010

Million euros	2009*	2010*	Change
Sales	7,499	**9,632**	**+28%**
Gross margin	1,138	**1,735**	**+52%**
% of sales	*15.2%*	***18.0%***	***+2.8 pts***
Operating margin(1)	133	**617**	**+364%**
% of sales	*1.8%*	***6.4%***	***+4.6 pts***
EBITDA(5)	670	**1,150**	**+72%**
% of sales	*8.9%*	***11.9%***	***+3 pts***
Operating income	84	**590**	**+602%**
% of sales	*1.1%*	***6.1%***	***+5.0 pts***
Income from non-strategic operations	0	**0**	**na**
Net income Group share	(153)	**365**	**na**
Net earnings per share (continued operations) (€)	(2.04)	**4.86**	**na**
Free cash flow	155	**527**	**+240%**
Net cash flow(2)	99	**440**	**+344%**
Net financial debt(3)	722	**278**	**-61%**

*Audited

In 2010, the order intake / original equipment sales ratio reached a record level at December 31, 2010 of 1.6 times sales (or 12.5 billion euros, versus 9.2 billion euros at December 31, 2009) with a consistent performance among the different Business Groups.

Global automotive production rose by 25% (annualized) to reach 74.0 million vehicles, exceeding the pre-crisis level (70.2 million vehicles in 2007). This performance is mainly the result of a dynamic Asian market, in particular the Chinese market, as automotive production in Europe and North America remained below pre-crisis levels.

Group consolidated sales in 2010 totaled 9,632 million euros, up by 28% (+24% on a like-for-like basis):

- **In 2010, Valeo's original equipment sales outperformed automotive production in its main regions of production**:

Passenger car OE sales In million euros	**2009**	**2010**	**Change 2010 / 2009**	**Change (like-for-like)**	**Automotive production**
Europe & Africa	3,713	4,472	+20%	+20%	+15%
Asia and others	985	1,461	+48%	+36%	+28%
North America	589	995	+69%	+60%	+39%
South America	474	601	+27%	+8%	+12%

- **Aftermarket sales** amounted to 1,445 million euros, up by 14% on a like-for-like basis.

In million euros	2009	2010	Change 2010/2009
Sales	7,499	**9,632**	**+28%**
Like-for-like			**+24%**
Original equipment	6,029	7,952	+27%*
Aftermarket	1,242	1,445	+14%*
Miscellaneous	228	235	-4%*

**like-for-like*

Thanks to Valeo's dynamic sales in the Asian region (+36% for the full-year), **the Group's geographical mix** continued its rebalancing trend: in 2010, Asia accounted for 19% of the Group's passenger car original equipment sales versus 13% before the crisis. At the same time, sales in Europe and Africa accounted for 60% versus 67% before the crisis.

The Group also recorded outstanding performance with its German and Asian customers, which now account for 28% and 22% of Valeo's original equipment sales, respectively (versus 24% and 18%, respectively, before the crisis).

Each Business Group's performance was in line with or exceeded that of global automotive production (+ 24%)

Sales In million euros	**2009**	**2010**	**Change 2010 / 2009**	**Change OE sales***
Comfort and Driving Assistance Systems	1,344	1,704	+27%	+27%
Powertrain Systems	2,011	2,683	+33%	+31%
Thermal Systems	2,258	2,933	+30%	+23%
Visibility Systems	1,938	2,354	+21%	+24%

**Like-for-like*

Thanks to higher sales, improved productivity and optimized investments, the Group recorded an improvement in its **gross margin level**, at 18% of sales (or 1,735 million euros) versus 15.2% in 2009, despite the 100 bp negative impact of raw material costs.

Research and development expenses, particularly in the area of CO_2 emissions reduction, totaled 537 million euros, or 5.6% of sales.

Thanks in particular to the implementation of the new organization, **administrative and selling expenses** amounted to 581 million euros, or 6% of sales (versus 7.1% during the same period in 2009).

The Group's **operating margin**(1) therefore totaled 617 million euros, or 6.4% of sales.

EBITDA(5) amounted to 1,150 million euros, or 11.9% of sales.

All Business Groups contributed to improving the Group's operational performance in 2010.

EBITDA(5) % of sales	2009	2010	Change 2010 / 2009
Comfort and Driving Assistance Systems	7.9	11.5	+3.6 pts
Powertrain Systems	10.3	11.1	+0.8 pt
Thermal Systems	8.0	12.5	+4.5 pts
Visibility Systems	7.5	11.2	+3.7 pts

Other income and expenses totaled -27 million euros, or -0.3% of sales, including, among others, provisions for social costs related to the implementation of the new organization announced in March 2010. The Group's **operating income** amounted to 590 million euros, or 6.1% of sales.

The cost of net financial debt was 67 million euros, up by 12% versus the same period in 2009. Other income and expenses showed a net expense of 32 million euros.

Income before taxes showed a profit of 490 million euros versus a loss of 67 million euros during the same period in 2009.

The effective tax rate was 21% thanks to a favorable impact in certain countries.

After taking into account the minority interests' share of 19 million euros during the period, the **net income Group share** stood at 365 million euros, or 3.8% of sales, versus a loss of 153 million euros during the same period in 2009.

The Group's improved operational performance combined with the optimization of investments and the strict management of working capital, enabled Valeo to generate a **net cash flow**$_{(2)}$ of 440 million euros in 2010.

This strong generation of cash enabled the Group to significantly lower the level of its **net financial debt**$_{(3)}$ to 278 million euros at December 31, 2010.

The **leverage ratio** (net financial debt$_{(3)}$ / EBITDA$_{(5)}$) was down, to 0.2 times EBITDA$_{(5)}$. The gearing ratio (net financial debt$_{(3)}$ / net shareholders' equity excluding minority interests) stood at 16% of equity (59% at December 31, 2009).

Recent events

Acquisition of Niles: Valeo signs agreement to purchase the Japanese company Niles

Valeo announced on February 23, 2011 the signing of an agreement with RHJ International SA and Nissan to acquire Niles, a Japanese automotive supplier which would reinforce Valeo's Comfort and Driving Assistance Systems Business Group. The transaction amounts to 320 million euros (enterprise value). With this acquisition, Valeo would strengthen its position in Asia (Japan, China, Thailand) and with Japanese automakers, particularly Nissan. The Group would thus become world leader in the automotive Human-Machine Interface market. This external growth project, with accretive effect from the first year, is within the framework of the strategy presented to the Group's shareholders in 2010, aiming to reinforce Valeo's presence in Asia.

The agreement is subject to various preconditions, such as approval of the anti-trust authorities, before it enters into effect.

Evolution of the share capital

The company Pardus Investments Sarl declared that it had crossed on January 12, 2011 under the threshold of 5% of Valeo's share capital, holding 4.96% of the capital and 4.82% of the voting rights.

2011 Outlook

In 2011, Valeo forecasts an increase in global automotive production automobile of 5%, broken down by region as follows:

- Europe, 0%;
- Asia, +5%;
- North America, +8%;
- South America, +7%.

Based on the above market hypotheses, indexation clauses and raw material hedging in place, Valeo sets as its objectives for 2011:

- outperformance versus the market of its original equipment sales in the main regions of production;
- an operating margin rate for the full-year slightly higher than that of 2010.

Valeo Investor Day

An Investor Day will be held on March 9, 2011 in Paris.

Annual General Shareholders' Meeting notice

It will be proposed to the Annual General Shareholders' Meeting to be held on June 8, 2011 to pay a dividend of 1.20 euros per share for the year 2010.
It will also be proposed to renew as Board Members Jacques Aschenbroich, Gérard Blanc, Pascal Colombani, Michel de Fabiani, Michael Jay, Helle Kristoffersen and Georges Pauget, whose terms of office are set to expire.
Finally, it will be proposed to appoint Ulrike Steinhorst as a new Board Member. Mrs Steinhorst is Director of the Cabinet of the Chief Executive Officer of EADS.

Valeo is an independent industrial Group fully focused on the design, production and sale of components, integrated systems and modules for the automotive industry, mainly for CO_2 emissions reduction. Valeo ranks among the world's top automotive suppliers. The Group has 109 plants, 20 Research centers, 38 Development centers, 10 distribution platforms and employs 58,000 people in 27 countries worldwide.

For additional information, please contact:

Fabienne de Brébisson
Group Communications Vice-President
Tel.: +33 1.40.55.20.65

Thierry Lacorre
Investor Relations Director
Tel.: +33 1.40.55.20.39

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

Glossary

(1) Operating income less other income and expenses
(2) Net cash flow corresponds to free cash flow less financial expenses and after taking into account the payment of dividends and financial flows relating to mergers and acquisitions.
(3) Net financial debt includes all long-term financial debts, short-term credits and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents
(4) Operating margin/capital employed less goodwill calculated over the last 12 months
(5) EBITDA corresponds to operating income before amortization of tangible and intangible assets and depreciation.

“Safe Harbor” statement

Statements contained in this report, which are not historical fact, constitute “Forward-Looking Statements”. Actual results may differ materially due to numerous important factors. Such factors include, among others, the cost and timing of implementing restructuring actions, the company’s ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions, conditions in the automotive industry, and certain global and regional economic conditions. The company assumes no responsibility for any analysts’ estimates and any other information prepared by third parties which we may reference in this report. Valeo does not intend or assume any obligation to review or confirm analysts’ estimates or to update any forward-looking statement to reflect events or circumstances after the date of this report.