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Valeo reports 17% growth in net income Group share to 427 million euros, with operating margin(1) coming in at 6.5% of sales and free cash flow(6) totaling 232 million euros

Full-year 2011

- Above-market growth in each of the main production regions and in each of Valeo's Business Groups
  - Sales up 13% to 10.9 billion euros
  - Original equipment sales advance 16%
  - Order intake up 19% to a record 14.9 billion euros
- Operating margin at 6.5% of sales and 17% growth in net income Group share
  - Operating margin(1) of 704 million euros, or 6.5% of sales
  - Net income of 427 million euros, or 3.9% of sales
  - Earnings per share of 5.68 euros, up 17%
- Free cash flow(6) of 232 million euros during the year
- ROCE in excess of 30% for the second year running
- Proposed dividend payment of 1.40 euros per share, up 17%

Second-half 2011

- Original equipment sales climb 18%
- Following the acquisition of Niles: sharp original equipment sales growth of 40% in the Asia region, which accounts for 25% of original equipment sales, and of 42% for Asian customers, which account for 29% of original equipment sales, on a par with German customers
- Operating margin of 359 million euros, or 6.5% of sales
- Net income Group share of 209 million euros, or 3.8% of sales

2012 Outlook

Based on the following scenario:
- 3% to 4% growth in global automotive production, despite a 5% decline in Europe
- raw materials prices at current levels

➢ Above-market growth in each of the main production regions

➢ Operating margin(1) level (in millions of euros) in the same magnitude as the prior year

Jacques Aschenbroich, Valeo's Chief Executive Officer, stated:

"Thanks to the efforts of our teams, Valeo's strong momentum in 2011 – reflected in 13% sales growth and a record order intake of 14.9 billion euros – reaped excellent results. Our new product portfolio, combined with a dual focus on developing products that reduce CO_2 emissions and on expanding our business activities in Asia and emerging markets, means that Valeo is perfectly equipped to continue on its growth trend and to demonstrate the sustainability of its financial performance."

Paris, France, February 22, 2012 – Valeo's Board of Directors' meeting of February 21, 2012, approved the consolidated and parent company financial statements for the year ended December 31, 2011*:

H2-10	H2-11		2010	2011
4,845	5,534	Sales (in millions of euros)	9,632	10,868
3,995	4,697	o/w OE sales (in millions of euros)	7,952	9,207
325	359	Operating margin(1) *(in millions of euros)*	617	704
6.7%	6.5%	Operating margin(1) *(as a % of sales)*	6.4%	6.5%
197	209	Net income (in millions of euros)	365	427
4.1%	3.8%	*Net income (as a % of sales)*	*3.8%*	*3.9%*
2.63	2.78	Earnings per share (in euros)	4.86	5.68
32%	31%	ROCE(4)	32%	31%
19%	*19%*	*ROA(7)*	*19%*	*19%*
12.1%	11.0%	EBITDA(5) *(as a % of sales)*	11.9%	11.2%
236	98	Free cash flow(6) (in millions of euros)	527	232
199	(44)	Net cash flow(2) (in millions of euros)	440	(227)
278	523	Net debt(3) (in millions of euros)	278	523

* Further to their statutory audit, the Statutory Auditors issued an unqualified opinion on the consolidated financial statements for the year ended December 31, 2011.

2011 results

Order intake at a record level and sales gain 13% to 10.9 billion euros

In 2011, the order intake reached a new high of 14.9 billion euros compared with 12.5 billion euros in 2010, a testimony to the appeal of Valeo's innovations and its product portfolio with the Group's automaker customers.

Sales

H2-10	H2-11	% change	In millions of euros	2010	2011	% change
4,845	5,534	**+14%**	**Sales**	9,632	10,868	+13%
		+10%	**Like-for-like***			**+11%**
3,995	4,697	+18%	Original equipment	7,952	9,207	+16%
723	693	-4%	Aftermarket	1,445	1,412	-2%
127	144	+13%	Miscellaneous	235	249	+6%

** Constant Group structure and exchange rates*

In 2011, **global automotive production** advanced 4% to reach a record high of 77.2 million light vehicles. All regions (excluding Asia) recorded vigorous growth, with North America, Europe and South America advancing by 10%, 7% and 4%, respectively. Despite the impacts of the earthquake in Japan, which drove Japanese production down by 12%, and floods in Thailand, performance in Asia remained stable over the year as a whole.

The Group reported **consolidated sales** of 10,868 million euros, corresponding to an increase of 13%, or 11% on a like-for-like basis:

- The **impact of changes in Group structure** came out at 263 million euros, and was mainly attributable to the acquisition of Niles for 227 million euros;
- **Original equipment sales** (85% of consolidated sales) came out at 9,207 million euros, up 16% (13% on a like-for-like basis);
- **Aftermarket sales** (13% of consolidated sales) amounted to 1,412 million euros, up 1% on a like-for-like basis.

In the second-half of the year, the Group's **consolidated sales** accelerated by 14% (10% on a like-for-like basis) to 5,534 million euros. This dynamic performance was fueled by sustained automotive production and original equipment sales growth of 18%, i.e., faster than the market, in each of the main automotive production regions and in its four Business Groups.

Sales grew faster than the market in each of the main production regions

Original equipment In millions of euros	Second half				Full year			
	2010	**2011**	**OE sales growth***	**Auto. prod. growth****	**2010**	**2011**	**OE sales growth***	**Auto. prod. growth****
Europe	2,251	2,468	+9%	+5%	4,631	5,188	+12%	+7%
Asia	849	1,193	+16%	+3%	1,631	1,997	+10%	+0%
of which China	*330*	*435*	*+23%*	*+2%*	*629*	*753*	*+17%*	*+3%*
of which Japan	*244*	*397*	*+4%*	*+6%*	*480*	*585*	*-10%*	*-12%*
North America	555	715	+25%	+11%	1,031	1,355	+31%	+10%
South America	340	321	-2%	-1%	659	667	+1%	+4%

** Like-for-like*
*** JD Power estimates*

In 2011, Valeo grew faster than the market in each of the main automotive production regions thanks to its favorable product mix and customer positioning, as well as market share gains:

- **In Europe**, the Group reported original equipment sales growth of 12% on a like-for-like basis, five percentage points higher than the market;
- **In Asia**, the Group recorded original equipment sales growth of 10% on a like-for-like basis, 10 percentage points higher than the market;
- **In North America**, the Group posted original equipment sales growth of 31% on a like-for-like basis, 21 percentage points higher than the market.

In the second-half of the year, the healthy performance reported by the original equipment business, in particular in China (up 23% like-for-like), and the integration of Niles on July 1, 2011 intensified the realignment of the Group's geographical positioning and customer base towards Asia:

- Asia now accounts for 25% of the Group's original equipment sales, corresponding to a year-on-year increase of four percentage points;
- Asian customers now represent 29% of original equipment sales, on a par with the unwavering share accounted for by German customers.

The portion accounted for by Europe retreated three percentage points year on year to 53% of original equipment sales. North America saw a small one-percentage point increase in its share to 15% of original equipment sales.

Sales grew faster than the market in each of Valeo's Business Groups

Sales In millions of euros	Second half				Full year			
	2010*	**2011***	**Sales growth****	**OE sales growth****	**2010***	**2011***	**Sales growth****	**OE sales growth****
Comfort & Driving Assistance Systems	856	1,187	+11%	+12%	1,704	2,157	+13%	+14%
Powertrain Systems	1,339	1,577	+14%	+17%	2,683	3,126	+16%	+19%
Thermal Systems	1,486	1,581	+8%	+9%	2,933	3,140	+8%	+9%
Visibility Systems	1,168	1,245	+6%	+10%	2,354	2,549	+9%	+12%

** Including intersegment sales*
*** Like-for-like*

In 2011, strong activity levels enabled each Business Group to post advances in original equipment sales that exceeded global automotive production growth (4% higher over the year as a whole).

The Powertrain Systems, Comfort & Driving Assistance Systems and Visibility Systems Business Groups exceeded global automotive production growth by 15, 10 and 8 percentage points respectively, thanks to their innovative products and the growing importance of their technologies (i-StARS (Stop-Start), parking aid technologies, innovative lighting systems, etc.). The Thermal Systems Business Group, which has a strong presence in Japan, was more directly impacted by the country's decline in production during the first half of the year. Despite this setback, the Business Group nevertheless exceeded market growth by five percentage points.

Operating margin at 6.5% of sales and net income Group share on an upward trend

Gross margin for 2011 came out at 1,843 million euros, or 17% of sales, down one percentage point despite a positive 1.1-percentage-point volume impact, chiefly due to:

- the increase in raw materials prices, in particular rare earth which surged 350% over the year as a whole and 525% in the second half;
- non-recurring costs caused by temporary capacity shortages at certain plants, the earthquake in Japan and floods in Thailand.

The Group's **operating margin**$_{(1)}$ advanced 14% to 704 million euros, or 6.5% of sales:

- Valeo continued to invest in **research and development**, increasing net expenditure by 4% to 561 million euros, or 5.2% of sales;
- despite a 13% rise in sales during the year, the successful introduction of the new organization has enabled the Group to scale back **administrative expenses** by 13 million euros to 397 million euros, or 3.6% of sales. Total administrative and selling expenses remained steady on a reported basis at 578 million euros and declined by one percentage point as a ratio of sales;
- in a context of robust growth, 2011 saw the continued momentum of initiatives launched since the 2009 financial crisis and aimed at bringing into check the Group's fixed costs. These now stand at 76% of sales, compared with 88% before the crisis in 2007.

EBITDA(5) climbed to 1,212 million euros, representing 11.2% of sales.

EBITDA by Business Group

H2-10	H2-11	% change	EBITDA(5) % of sales	2010	2011	% change
11.2	13.2	+2 pts	Comfort and Driving Assistance Systems	11.5	12.2	+0.7 pts
12.4	6.6	-5.8 pts	Powertrain Systems	11.1	8.6	-2.5 pts
11.7	11.8	+0.1 pts	Thermal Systems	12.5	11.4	-1.1 pts
11.0	11.2	+0.2 pts	Visibility Systems	11.2	10.9	-0.3 pts

The downturn in EBITDA in the Powertrain Systems Business Group reflected higher rare-earth prices and the temporary capacity shortages at certain manufacturing plants, while the Thermal Systems Business Group was more directly impacted by the earthquake in Japan and floods in Thailand.

With no additional provisions set aside for restructuring costs, consolidated **operating income** came in at 704 million euros, or 6.5% of sales.

The **cost of net debt** totaled 71 million euros, corresponding to a year-on-year increase of 6%. **Other financial income and expenses** amounted to a net expense of 35 million euros.

After taking into account the 25% effective tax rate and non-controlling interests in net income for 24 million euros, in 2011 **net income Group share** stood at 427 million euros, or 3.9% of sales, compared with 365 million euros (3.8% of sales) in 2010.

Earnings per share improved by 17% to 5.68 euros per share.

The **return on capital employed**(4) (ROCE) and the return on assets(7) (ROA) remained on a par with 2010 at 31% and 19%, respectively.

Free cash flow(6) of 232 million euros

On the back of its operating performance in 2011, the Group generated 232 million euros in **free cash flow**(6)**.** This performance reflects a slight 29 million euro worsening in working capital requirement and a marked increase in investments to 5% of sales. In accordance with the Group's strategic focus, investment expenditure was concentrated on high-growth markets in Asia, Eastern Europe and Mexico, which together represented 59% of investments in 2011.

After taking into account acquisitions, in particular the Niles transaction, the dividend payment and the share buyback program, **net cash flow**(2) for the year represented an outflow of 227 million euros.

A solid financial structure

Net debt(3) came in at 523 million euros at December 31, 2011 versus 278 million euros at December 31, 2010.

The **leverage ratio** (net debt(3)/EBITDA(5)) came out at 0.4 times EBITDA(5) and the **gearing ratio** (net debt(3)/stockholders' equity excluding non-controlling interests) stood at 27% of equity.

In 2011, the average interest rate on the Group's debt was 4.8%. Valeo's active debt management policy has enabled the Group to extend the average maturity of its debt to 4.4 years.

2012 Outlook

Based on the following scenario:

- 3% to 4% growth in global automotive production, despite a 5% decline in Europe;
- raw materials prices at current levels.

Valeo has set the following objectives for 2012:

- Continued sales growth higher than the market in each of the main production regions;
- Operating margin level (in millions of euros) in the same magnitude as the prior year.

Highlights

Acquisitions and openings of new plants

On April 1, 2011, Valeo announced the opening of two new plants in China, an electronics center in Shenzen and a wiper systems plant in Wenling.

On June 30, 2011, Valeo announced the closing of the acquisition of Niles, thereby becoming world leader on the Interior Controls market.

On December 6, 2011, Valeo announced the acquisition of the Variable Torque Enhancement System (VTES) business of UK automotive technology development company Controlled Power Technologies (CPT).

On January 3, 2012, Valeo announced the acquisition of an 80% shareholding in Chinese lighting company Ruby from Chery Technology, a subsidiary of the Chinese automaker Chery Automobile.

Active debt management

On May 3, 2011, the rating agency Moody's upgraded Valeo's long-term debt rating to investment grade (Baa3 with a stable outlook). Further to the upgrade, the Group also announced two successful bond issues aimed at extending the average maturity of its debt, which now stands at 4.4 years, and smoothing its repayment profile:

- On May 11, 2011, a 500 million euro bond issue maturing in 2018, in conjunction with the redemption of 200 million euros worth of bonds maturing in 2013;
- On January 17, 2012, a 500 million euro bond issue maturing in 2017, in conjunction with the redemption of 89 million euros worth of bonds maturing in 2013.

Anti-trust proceedings

At the end of July 2011, several anti-trust proceedings had been initiated against numerous auto suppliers (including Valeo) by the US, European and Japanese anti-trust authorities in the areas of equipment and systems for the automotive industry.

The Group is unable to foresee the outcome of these investigations at the present time. Without prejudice to the outcome of these proceedings, but in view of the fines that may be levied by the authorities and the resulting consequences, these proceedings may have a material adverse impact on the Group's future earnings. Valeo is cooperating with the authorities in this investigation.

Dividend

A proposal will be submitted to the Annual Shareholders' Meeting to pay a dividend of 1.40 euros per share in respect of 2011, representing an increase of 17% on the 2010 dividend.

Next event

First-quarter 2012 sales: April 24, 2012

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 124 plants, 21 research centers, 40 development centers, 12 distribution platforms and employs 68,000 people in 28 countries worldwide.

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

Simplified consolidated results for 2011

H2-10	H2-11	Change	In millions of euros	2010*	2011*	Change
4,845	**5,534**	**+14%**	**Sales**	9,632	**10,868**	**+13%**
879	**927**	**+5%**	**Gross margin**	1,735	**1,843**	**+6%**
18.1%	***16.8%***	***-1.3 pts***	***% of sales***	*18.0%*	***17.0%***	***-1.0 pt***
325	**359**	**+11%**	**Operating margin**(1)	617	**704**	**+14%**
6.7%	***6.5%***	***-0.2 pts***	***% of sales***	*6.4%*	***6.5%***	***+0.1 pts***
586	**610**	**+4%**	**EBITDA**(5)	1,150	**1,212**	**+5.4%**
12.1%	***11.0%***	***-1.1 pts***	***% of sales***	*11.9%*	***11.2%***	***-0.7 pts***
329	**360**	**+9%**	**Operating income**	590	**704**	**+19%**
6.8%	***6.5%***	***-0.3 pts***	***% of sales***	*6.1%*	***6.5%***	***+0.4 pts***
0	**(1)**	**+50%**	**Income from non-strategic operations**	(2)	**(1)**	**+50%**
197	**209**	**+6%**	**Net income Group share**	365	**427**	**+17%**
2.63	**2.78**	**+6%**	**Earnings per share (in euros)**	4.86	**5.68**	**+17%**
236	**98**	**-58.5%**	**Free cash flow**(6)	527	**232**	**-56%**
199	**(44)**	**N/A**	**Net cash flow**(2)	440	**(227)**	**N/A**
278	**523**	**+88%**	**Net debt**(3)	278	**523**	**+88%**

*Audited

Glossary

(1) Operating margin corresponds to 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 debt includes all long-term debt, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents.
(4) ROCE corresponds to operating margin/capital employed less goodwill calculated over the last 12 months.
(5) EBITDA corresponds to operating income before depreciation and amortization of property, plant and equipment and intangible assets and impairment.
(6) Free cash flow corresponds to net cash from operating activities less net outflows on property, plant and equipment and intangible assets.
(7) ROA corresponds to operating margin/capital employed, including goodwill.

Safe Harbor Statement