

Third Quarter 2009 Results

Third quarter result 2009

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“The third quarter saw significant improvements over the previous quarter meeting expectations with the majority of our operations returning to profitability. We continue to focus on maintaining a strong balance sheet, and bringing underperforming geographies to profitability.”

Lars Bladt – Chairman of the Board

INCOME STATEMENT Q3 2009

Q3 2009 Revenues

Q3 was, as expected, somewhat weak and revenue was 16.3 million Euros compared to 23.3 million Euros for the same period in 2008. This reflects a decrease of 30% at current exchange rates and 32.5% assuming constant exchange rates. Kiara made a positive growth contribution of 2.12%.

Exchange rates for the currencies in countries where Valtech operates are shown below.

Table 1 – Currency evolution

Exchange rates	YTD Average 30/09/09	YTD Average 30/09/08	Variation %
USD	0,73261	0,65709	11,5%
GBP	1,12805	1,27901	-11,8%
INR	0,01498	0,01574	-4,8%
SEK	0,09337	0,10629	-12,2%
DKK	0,13427	0,13409	0,1%
KRW	0,00056	0,00065	-13,8%

Q3 2009 Gross Margin

Gross Margin for the quarter is slightly down to 32% compared to 34% in Q3 2008 but reflects significant improvement over the Q2 2009 result of 22%. The improvement can be attributed to resources invested in challenged fixed-price projects during the first half of 2009 and the right-sizing of our business.

Q3 2009 Profit from Operating Activities

We have reduced our sales, marketing and administrative costs by 21% in comparison to the same quarter of 2008. However these reductions were not enough to offset the lower revenue and the challenged fixed-price projects, which are improved but still ongoing. We are therefore reporting a loss from operating activities of 0.51 million Euros versus a profit of 0.76 million Euros for the same quarter in 2008. This reflects a significant improvement of more than 2.3 million Euros compared to Q2 2009.

Table 2 – Results table Q3 2009 for the Valtech Group

K EUROS	Q3 2009	Q3 2008	%
Revenues from customers	16 277	23 314	-30,2%
Other income	214	382	-43,9%
Total revenues	16 491	23 696	-30,4%
Variable costs	(11 225)	-15 674	-28,4%
Gross Margin	5 266	8 022	-34,3%
	32%	34%	
Sales and Marketing costs	(1 177)	-1 776	-33,7%
	-7%	-7%	
Administrative costs	(4 519)	-5 437	-16,9%
	-27,4%	-22,9%	
Operating margin	(430)	809	-153,2%
	-3%	3%	
Restructuring costs	(32)	-53	-38,8%
Other gains and losses	(46)	0	
Amortization of goodwill	0	0	
Profit from Operating Activities	(508)	756	-167,3%
	-3%	3%	
Financial result	(276)	(117)	135,8%
Income from Associated Companies			
Income from Joint venture	64	8	702,0%
Profit before tax	(720)	647	-211,4%

GEOGRAPHY

Table 3 – Geographical segment for Q3 2009

	Q3-2009			Q3 - 2008		
	Revenues	Profit from operating activities excluding corporate contribution	%	Revenues	Profit from operating activities excluding corporate contribution	%
France	7 336	-542	-7%	9 416	649	7%
Rest of Europe	7 265	907	12%	9 514	1 208	13%
USA	1 492	-688	-46%	4 164	-209	-5%
Asia	398	218	55%	603	19	3%
Corporate Costs		-403			-910	
Valtech Group	16 491	-508	-3%	23 696	756	3%



France (45% of Valtech revenues)

After a strong first quarter, our French operation has had two tough quarters in Q2 and Q3. Revenue was down 22% in the third quarter resulting in a loss. Significant effort is being put into sales campaigns and streamlining the five business units in France so it can return to profitability.

Rest of Europe (44% of Valtech revenues)

Valtech operations in the Rest of Europe continue to provide the most significant profit contribution to the Group. All 4 countries in the region are profitable. Sweden continues to be the strongest member of the group returning more than 10% in EBIT and Kiara continues to perform against targets. Denmark and Germany have returned to profitability in the third quarter, as anticipated. The UK continues to show steady improvements and was also profitable for the quarter.

USA and Asia (11% of Valtech revenues)

The USA region has improved from Q1 and Q2, but is still suffering from a very difficult 2009. There are still material losses in the USA for the third quarter. The improvement in profitability is a result of the investments made in better project deliverables during the first part of the year. We expect the trend to continue and will continue to invest to ensure further improvement, but there cannot be any assurance that the USA business will return to profitability in the near term.

India remains profitable and has contributed positively for all 3 quarters with increased profitability from the first to the third quarter.

Our joint venture in Korea has rebounded after a weak first quarter with losses now showing a second straight quarter with profits with a positive contribution for the first 9 months.

CASH POSITION

Both management and the Board continue to focus on our working capital as we navigate the current trading conditions. Despite our reported operating loss for the period, cash generated from operating activities reached 1.9 million Euros and the net cash position improved by 0.4 million Euros at September 30th 2009.



Table 4 – Consolidated Cash flow statement

	YTD Q3 2009
Gross inflow from operations	-2 481
Change in working capital	4 381
Net operating cashflow	1 900
Capital expenditure	-1 189
Outflows relating to prior acquisitions	-87
Capital increase	0
Loan increase/ decrease	-348
Other movements	77
Change in cash & equivalents	354

Potential return of 2.5 to 3.0 million Euros on minority interest

Valtech has certain minority investments in companies in North America and Asia. In October 2009, one of these companies executed a Letter of Intent which will result in the sale of the Valtech interests. This transaction is scheduled to be completed in Q4 2009. Upon completion of the transaction, it is anticipated that Valtech will receive approximately 2.5 million to 3.0 million Euros of net proceeds. The parties have completed initial due diligence and are negotiating the final agreements, however there can be no assurance that the transaction will be completed in the timeframe or on the terms that are included in the Letter of Intent.

TENDER OFFER

Valtech reminds that SiegCo filed an offer with the AMF on October 23rd.

On October 29th, the Board of Valtech issued the following press release:

“The board of directors of Valtech met Thursday October 29th and reviewed the offer documents relating to SiegCo’s draft offer filed with the AMF on October 23.

The board of directors reached the conclusion that SiegCo’s offer is hostile, that the price does not reflect the intrinsic value and perspectives of Valtech and that this offer is not in the best interests of Valtech, its employees and its shareholders. It considers that SiegCo’s offer, with a low premium and no minimum threshold, constitutes an attempt by SiegCo to take control of Valtech without paying an appropriate price.

In these circumstances, the board of Valtech is determined to pursue strategic alternatives which would preserve better the interest of Valtech, its employees and shareholders.



Consequently, the board of directors of Valtech rejects SiegCo's offer and recommends to Valtech shareholders not to tender their shares to SiegCo's offer. It also recommends to Valtech shareholders not to sell their shares on the market at a price equal or inferior to the offer price. Indeed, SiegCo's offer stipulating no minimum threshold condition, shareholders will thus keep the possibility to tender their shares to a potential overbid by SiegCo or to a potential counter offer by a third party, while having the certainty, if no overbid is filed, to be able to sell their shares to SiegCo at the offer price, if they wish so. Based on SiegCo's draft timeline, it will be known in the first days of January 2010 if no overbid is filed and shareholders will then have the possibility to sell their shares at SiegCo's offer price, until the end of the reopening period of the offer, i.e. beginning February 2010.

Also the board of directors of Valtech announces that a letter of intent has been signed by the company for the sale of a minority investment in the USA and Asia region. This process, though not certain to succeed, is well engaged. If such a transaction, which should be finalized by year end, is completed, it is anticipated that Valtech will receive approximately 2.5 to 3.0 million Euros of net proceeds in Q4 of 2009. This expected potential exceptional profit of around 0.03 Euro per share is not valued in the SiegCo's offer.

The board plans to issue around November 25 a reasoned opinion in its offer document in response to SiegCo's offer, in compliance with AMF regulation.

The board of directors reiterates its full confidence in the management of Valtech and supports its ongoing efforts, together with the employees of Valtech, to maximise value-creation for all stakeholders of the company."

GUIDANCE 2009

Based on current market conditions and the actions we have taken during the first nine months of 2009, our current guidance is as follows:

- We expect revenues to be within our latest guidance, i.e. in the range 75-80 million Euros for the full calendar year 2009.
- We expect H2 2009 results to be an improvement over H1 2009, but we will need to dedicate time and money to address the hostile tender offer that has been filed and expect a loss of 0.5 – 1.0 million Euros from operating activities for H2 2009.

We maintain our continued focus on a strong balance sheet with a positive cash position and no material long term debt, and expect this to be improved significantly with the potential positive cash flow from the sale of our minority interest.





FINANCIAL COMMUNICATION

Valtech will publish its Q4 2009 revenues on February 10th 2010

NB: The figures presented in this press release for Q3 2009 have not been audited by Valtech's Commissaires aux Comptes.

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Chairman of the Board
Lars Bladt

