2009 Interim Financial Report

Enabling a better automotive world

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Chief Executive Officer

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Gérard Blanc

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Lord Jay of Ewelme

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Erich Spitz

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Salustro Reydel, member of KPMG International
Represented by MM. Jean-Pierre Crouzet and
Laurent des Places

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Consolidated key figures

(in euro million)	**1st half 2009**	1st half 2008	% change 2009/2008
Net sales	**3,472**	4,848	-28.4%
Gross margin	**453**	797	-43.2%
% of sales	**13.0%**	16.4%	-3.4 pts
Operating income	**(88)**	182	na
% of sales	**-2,5%**	3,8%	-6,3 pts
Net income attributable to equity holders of the Company	**(213)**	100	na
% of sales	**-6,1%**	2,1%	-8,2 pts
Basic earnings per share (in euro)	**(2.83)**	1.30	na
Net cash from operating activities	**252**	419	-39.9%
Capex and intangibles	**261**	307	+14.9%
Headcount at 30 June	**50,100**	59,700	-16.1%

(in euro million)	**30 june 2009**	**30 june 2008**	% change
Stockholders' equity inc. minority interest	1,128	**1,782**	-36.7%
Net debt	841	**621**	+35.4%
Gearing	75%	**35%**	+37 pts

Quarterly trends (in euro million)*	**Q1- 2009**	**Q1-2008**
Net sales	**1,624**	2,437
Gross margin	**185**	391
% of sales	11.4%	16.0%
Operating income	**(83)**	86
% of sales	-5.1%	3.5%

** Unaudited*

INTERIM MANAGEMENT REPORT

1. REVIEW OF OPERATIONS

On March 20, 2009 a new corporate governance structure was implemented following the Board of Directors' decision to separate the functions of Chairman of the Board and Chief Executive Officer. Pascal Colombani was appointed Chairman of the Board of Directors, and Jacques Aschenbroich, co-opted as a Director, was appointed CEO.

In the face of the crisis affecting the automotive sector, the Group focused on rigorous cash control and the reinforcement of its savings plan initiated in the fourth quarter of 2008 (including a headcount adaptation plan involving 5,000 permanent employees).

Faced with the growing globalization of its markets and its customers, the Group also transformed its organization in order to enhance profitability and efficiency. The new simplified organization, announced on July 15, is organized around four Business Groups (Comfort and Detection Systems, Powertrain Systems, Thermal Systems and Visibility Systems) and aims to accelerate the growth of the Group's product families in all of its markets and improve efficiency. This new organization will also feature a strengthened role for the National Directorates to ensure the presence of the Group alongside national automakers and to strengthen organizational efficiency. This reorganization took effect as of June 30, 2009; the key figures relating to these four newly created Business Groups are annexed to the financial statements.

1.1. Valeo's activity compared to overall automotive production

The collapse in global automotive production that began in the fourth quarter of (-21%) accentuated in the first half of 2009 (-26%) particularly in North America where the drop in production was quite significant (-51%). The strong deterioration of production in North America was accompanied by the filing of Chapter 11 bankruptcy protection by U.S. automakers Chrysler and General Motors, on April 30 and June 1, respectively.

Since March 2009, a slight improvement has been noted in some key markets, in Europe thanks to the vehicle scrapping schemes (Germany, France, Italy), in Brazil and in Asia (China, Japan, Korea) where there has been a noticeable turnaround.

This improvement is reflected in the results and the profitability of the Group in the second quarter of 2009. The Group registered during this period a positive operating margin of 15 million euros (versus a loss of 66 million euros in the first quarter), a positive free cash flow[1] of 84 million euros (versus a cash consumption of 88 million euros in the first quarter) and saw its debt level drop by 92 million euros versus March 31, 2009[2].

Totaling 3,472 million euros in the first half of 2009, Valeo's **sales** were down by 28.4% versus the first half of 2008 (4,848 million euros). At constant reporting entity and exchange rates, sales were down by 28.3%.

In this particularly difficult environment, and faced with the uncertainty surrounding the end of vehicle scrapping schemes, many automakers decided to delay the placing of orders. The order intake to OE sales ratio thus dropped to 1.1 at June 30, 2009, versus 1.3 at June 30, 2008.

Half-year sales are broken down into original equipment sales of 2,743 million euros (79% of the total) and aftermarket sales of 729 million euros (21%). Comparable figures for the first half of 2008 were 4,026 million euros (83%) and 822 million euros (17%).

Sales in **Europe** amounted to 2,328 million euros or 67% of consolidated sales (67% in 2008). This is down by 29% (-28% at constant reporting entity and exchange rates). At the same time, light vehicle production is estimated to have dropped by 33%, reflecting a fall of 32% in Western Europe and 34% in Eastern Europe.

Sales in **North America** totaled 326 million euros (9% of consolidated sales), down by 43%. At constant reporting entity and exchange rates, sales in North America dropped by 47% whereas local automotive production was down by 51%.

Sales in **Asia, the Middle East, Asia/Pacific and Africa** amounted to 569 million euros, or 16% of the consolidated total. In Asia, sales were down by 18%. At constant reporting entity and exchange rates, billings rose by 4% in China, and dropped by 44% in Japan and by 25% in Korea. The Group estimates that light vehicle production fell by 13% in Asia, reflecting in particular drops of 35% in Japan and 20% in Korea but an increase of 20% in China.

Sales in **South America** totaled 249 million euros (7% of the total), down by 21% versus the first half of 2008. At constant exchange rates, the decrease was 11% whereas local automotive production dropped by 15%.

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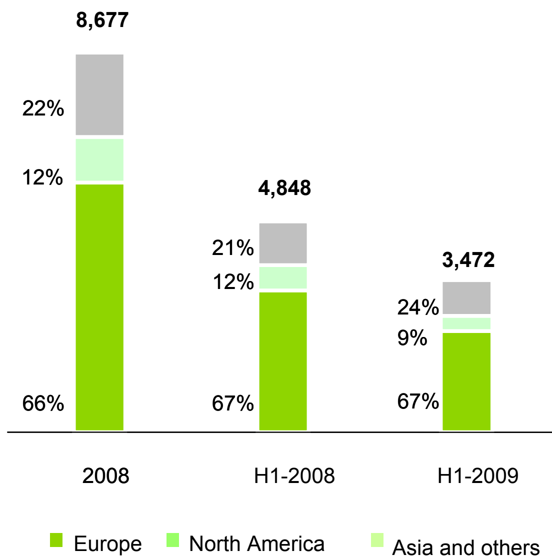
[1] Net operating cash flow, receipts and disbursements on acquisitions/divestitures of tangible/intangible assets, subsidies

[2] Non audited quarterly data



1.2. Innovations and awards

Innovation is at the heart of Valeo's strategy. For the fourth consecutive year, the Group is the fourth leading patent filer in France with 397 applications filed according to INPI, the French National Institute of Industrial Property. The Group's portfolio now includes around 25,000 patents.

Within the **Business Group Powertrain Systems**, the Group has reinforced its development potential and confirmed its intention to be a leading player in electric vehicles through the launch of important development programs in its areas of expertise (in particular powertrain systems and thermal systems).

On June 19, 2009, Valeo announced that the French Environment Agency, ADEME, was supporting the Group's research projects. Two projects for low-CO_2 vehicles have received 6 million euros in funding. With the objective of finding efficient solutions for mild hybridization, the mild hybrid project (MHYGALE) will increase the number of vehicles that satisfy the European regulations for 120g CO_2 /km in 2012 and for 95g CO_2 /km in 2020. This solution will offer the Stop-Start, regenerative braking and torque assist functions. The project (VEGA/THOP) for thermal management of electric vehicles has the objective of improving the autonomy of electric or hybrid vehicles, in particular in extreme temperature conditions, through innovative thermal systems which drastically reduce the energy used in heating or cooling the cabin.

On June 23, 2009, Valeo announced its participation in a consortium of six industrial companies in France (Valeo, Leroy Somer, Johnson Controls-Saft, GKN, Michelin, Leoni) which would pool their expertise and know-how to promote an electric drive-train industry for vehicles. The objective of this consortium is to bring together French industrial companies to propose industrial solutions to car manufacturers that are specifically designed for low-emission vehicles. Two vehicles will be developed equipped with the products and technologies of the partners: one totally electric vehicle for urban and suburban use, and one rechargeable hybrid vehicle for multipurpose use. Valeo will supply the driveline electronics and thermal management for both vehicles.

During the first half of 2009, the **Business Group Comfort and Detection Systems** had some notable commercial successes. The parking assistance system Park4U™ will make its North American debut in 2010 on several Ford vehicles (Lincoln MKS, Lincoln MKT, Ford Escape, Ford Flex and Mercury Mariner). Park4U™ is already available on six Volkswagen models, the Audi A3 and the Skoda Superb. From 2010, 18 vehicle models will be equipped with the system.

The multi-camera system that allows perfect visibility of the vehicle's surroundings saw its first commercial success and equips the new BMW 7 Series. Comprising three cameras, this system allows drivers to carry out complex maneuvers easily, comfortably and in complete safety. During delicate maneuvers the cameras display the area in front of the vehicle even if the driver's visibility is obstructed. The system monitors cars, cyclists or pedestrians passing in front of the vehicle and displays the wide-angle image on the screen. Valeo is also working on the continuous improvement of image quality, which ranks among the highest on the market today.

Automaker customers have continued to recognize the Group's performance, particularly in the area of Quality.

The strict application of the 5 Axes methodology and the QRQC (Quick Response Quality Control) principles allowed the Group to achieve a spectacular improvement in its quality levels which reached 8,100 ppb (defective parts per billion delivered) at the end of June 2009.

During a ceremony in March 2009 in the Czech Republic, 5 Valeo factories in Slovakia, France, the Czech Republic and Poland received Quality awards from Toyota Peugeot Citroën Automobile (TPCA) rewarding their excellent quality levels (less than 10,000 defective parts per billion parts delivered in 2008). Two weeks later, during its Annual Business Meeting held in Brussels, Toyota awarded Valeo 5 "Certificates of Recognition" in the areas of delivery (Rakovnik-Czech Republic, Le Hainaut-Belgium) and quality (Mazamet-France, Rodach-Germany, Zaragoza-Spain).

In March, Chrysler presented an Award to Valeo during their annual prize-giving ceremony for Latin American suppliers held in Mexico, recognizing the quality performance of the San Luis Potosi facility.

1.3. Cost reduction program and restructuring

The Group reacted vigorously to the crisis impacting the automobile industry with the implementation of a drastic cost reduction program (including the headcount reduction program) and strict cash management

These measures have already generated savings of 144 million euros in the fourth quarter 2008 and 313 million euros in the first half 2009.

At June 30, 2009, the Group employed 50,100 people, compared to 59,700 people at June 30, 2008. At constant reporting entity, the headcount was reduced by 9,600 employees, in particular through the deployment of a permanent headcount adaptation plan of 5,000 people started in the fourth quarter 2009. At June 30, 2009, 4,500 departures had been recorded since the beginning of the plan for all reasons and primarily in the context of the headcount adaptation program. Valeo has prioritized voluntary departures wherever possible, and the number of forced redundancies should be very limited.

At the same time, Valeo is continuing the optimization of its industrial footprint in order to accompany the growth of its customers and to have a competitive cost base.

At June 30, 2009, the Group had 121 industrial sites, the same number as at December 31, 2008. During the first half of the year, two sites were opened and two sites were closed. At June 30, 2009, 45% of the Group's production sites and 50% of the Group's productive workers were based in competitive cost countries, as compared to 48% at end June 2008.

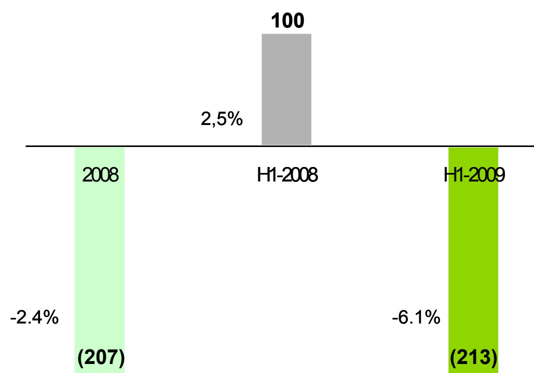
2. FINANCIAL REVIEW

2.1. Income statement

The net income attributable to shareholders showed a loss of 213 million euros in the first half of 2009 versus a profit of 100 million euros in the first half of 2008. Basic earnings per share were 2.83 euros versus 1.30 euros in the first half of 2008.

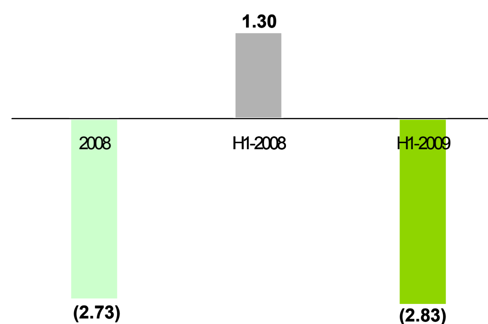
Net income attributable to the company's shareholders

(in million euros and as a % of sales)



Basic earnings per share

(in euros / share)

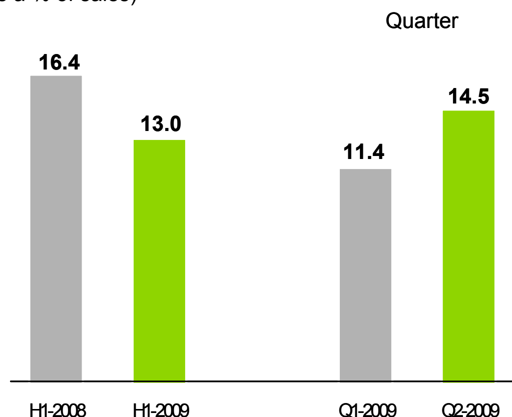


2.1.1. Gross margin

The gross margin for the first half totaled 453 million euros versus 797 million euros for the same period in 2008 (-43.2%). It represented 13% of sales and showed a decline of 3.4 points versus the first half of 2008. The impact of the drop in sales on the gross margin is evaluated at -10.1 points, the savings measures achieved enabling this impact to be reduced by 5.7 points. The gross margin also benefited from a drop of 1 point in raw material costs.

Gross margin

(as a % of sales)



2.1.2. Operating margin

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.

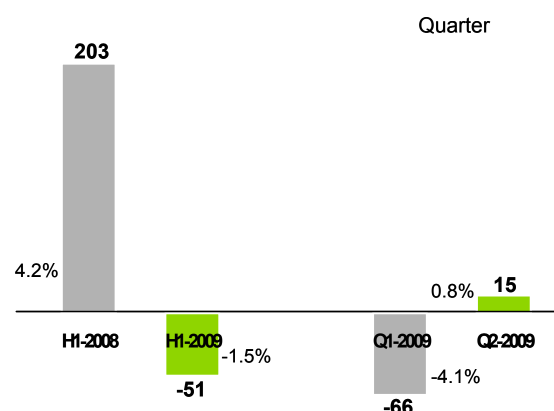
Totaling 234 million euros, **research and development expenses** for the first half were down by 15% versus the first half of 2008 and their share of sales rose by 1 point to 6.7%. Group R&D continues to benefit from customer financing et various subsidies (down by 2% during the first half, to 89 million euros) thereby enabling the Group to maintain its R&D efforts at a level compatible with its strategic and profitability objectives.

Administrative and selling expenses decreased by 15% to 270 million euros, or 7.8% of sales (+1.2 point versus the first six months of 2008).

Consolidated **operating margin**[3] showed a loss of 51 million euros (1.5% of sales) versus a positive margin of 203 million euros in the first half of 2008 (4.2% of sales). The efforts made by the Group as part of its savings plan enabled it to record a positive operating margin in the second quarter, thereby limiting the impact of the drop in sales to 5.7 points over the first half of 2009. Overall, savings achieved in the second quarter amounted to 130 million euros.

Operating margin

(in million euros and as a % of sales)



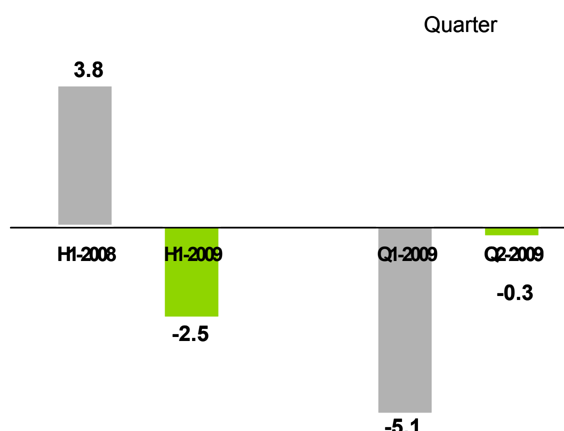
2.1.3. Operating income

Other financial income and expenses resulted in a net expense of 37 million euros of which 12 million euros due to restructuring and 14 million euros due to diverse depreciation of assets.

Operating income for the first half showed a loss of 88 million euros, compared with a profit of 182 million euros in the first half of 2008.

Operating income

(as a % of sales)



2.1.4. Other items in the income statement

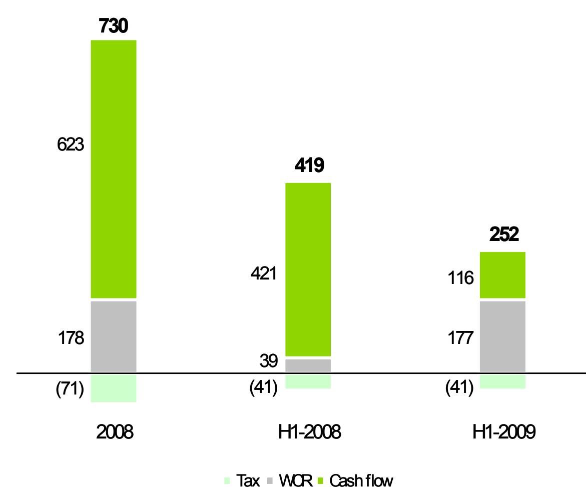
The **cost of the net financial debt** for the first half totaled to 21 million euros. The cost of the debt which was 4.8% in 2008 amounted to 4.2% in 2009. The decrease in the cost of the financial debt is the result of receiving subsidized loans and, to a lesser degree, of lower currency rates in the first half of 2009. Nevertheless, this decrease is partially limited by a rise in the average debt.

Other financial income and expenses recorded an expense of 6 million euros in the first half of 2008 and an expense of 37 million euros in the first half of 2009 notably due to exchange rate and raw material hedges which proved to be excessively high in the current context of a trend towards lower prices, for a total of 15 million euros.

Including its share in the income of associated companies, of which -41 million euros due to the negative income of the Japanese Group Ichikoh corresponding to operating losses, restructuring and asset depreciation announced by this Group (in which Valeo has a 31.6% stake), **pre-tax income** amounted to -186 million euros versus a positive pre-tax income of 161 million euros in the first half of 2008. The **tax charge** for the first half totaled 26 million euros versus 56 million euros in 2008.

Net operating cash flow

(in million euros and as a % of sales)



2.2. Liquidity situation

At June 30, 2009, the Group's liquidity situation (cash and bilateral credit lines) were identical to those of December 31, 2008. The amount of available cash stood at 563 million euros versus 661 million euros at December 31, 2008. Moreover, bank credit lines worth a total of 1.2 billion euros remained undrawn throughout the first half. Given the renewal of some of these lines in the first half, their average duration is now 2.1 years.

[3] Operating income less other income and expenses

Covenant

At December 31, 2008, the confirmed bank lines and the two syndicated loans were the object of an early reimbursement clause linked to the financial debt ratio. This clause requires that the Group's net debt-to-equity ratio after adjustments and excluding minority interests must not exceed 120%.

In order to gain greater flexibility and visibility in the management of its financial debt, Valeo initiated negotiations with its banks in the first half of the year to replace the debt-to-equity ratio by a net debt-to-EBITDA[4] ratio.

At June 30, 2009, credit lines worth a total of 866 million euros and the two syndicated loans worth a total of 225 million euros now use this new ratio set at 3.5 for 2009 and 3.25 from 2010.

This ratio was 1.04 at the end of 2008 and, calculated over 12 months rolling, it stood at 1.6 at June 30, 2009.

Moreover, the net debt-to-equity ratio was 75% at June 30, 2009.

At the accounts settlement date, the Group expects to respect these covenants over the next 12 months.

In addition, following the closing of its accounts, the Group signed an agreement with the EIB (European Investment Bank) for the granting of redeemable loans (including a 3-year deferred reimbursement) worth a total of 300 million euros over 7 years. These loans will support Valeo's current research and development projects in the areas of reduced fuel consumption and CO2 emissions as well as improved active safety. The first installment of 225 million euros will be drawn at the end of July.

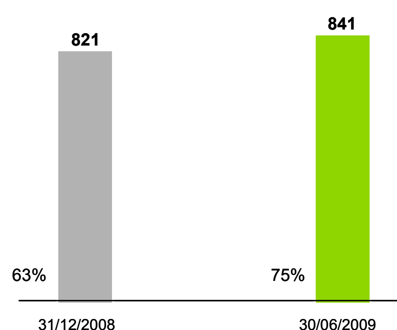
2.3. Cash flow and balance sheet items

Net debt went from 821 million euros at December 31, 2008 to 841 million euros at June 30, 2009. This relative stability of the net debt can mainly be explained by the amount of tangible and intangible investments of 258 million euros, limited to the excess operating cash.

4 EBITDA is equal to the Group's operating margin before amortization and depreciation. It therefore excludes other income and expenses. For the calculation of the covenants, any restructuring costs exceeding 75 million euros in 2010 then 50 million euros the following years are included in the EBITDA.

Net debt

(in million euros and as a % of equity)



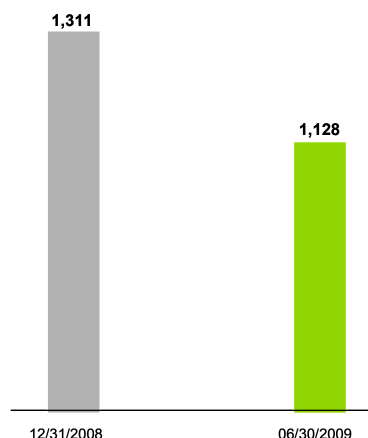
At June 30, 2009, after taking into account the loss of the period (-211 million euros), **consolidated shareholders' equity** totaled 1,175 million euros, a decrease of 187 million euros versus January 1, 2009.

Net debt accounts for 75% of consolidated shareholders' equity versus 63% at the closing of the 2008 fiscal year.

Provisions totaled 1,177 million euros at June 30, 2009 versus 1,234 million euros at December 31, 2008. They include a total of 608 million euros for withdrawals and assimilated commitments versus 611 million euros at December 31, 2008.

Stockholders' equity

(in million euros)



3. RISK FACTORS

The risk factors are the same as those identified in part 3.1 of the 2008 Reference Document.

Several evolutions should be noted however:

- The strong deterioration of the general economic environment and the situation of certain customers, in particular General Motors and Chrysler who filed for Chapter 11 on April 30 and June 1, 2009 respectively, did not have any significant financial consequences for Valeo.
- The liquidity situation of the Group was strengthened through a change of

covenant, now based on a net financial debt to EBITDA ratio. At June 30, 2009, the covenant had been changed for the two syndicated bank loans of a total amount of 225 million euros arriving at maturity in 2012 and for 866 million euros of the 1.2 billion euros of bilateral lines.

4. OUTLOOK

Valeo anticipates that the rebound in automobile production will continue in the third quarter, through the combined impact of incentive programs for new vehicles in Europe and the return to growth in emerging markets. It is not certain that this momentum will be maintained in the fourth quarter due to the low visibility on the end of vehicle scrapping programs. Despite this, under the current market conditions Valeo has revised upwards its automotive production forecast; the Group now envisages a fall of 7% in the second half of the year and a fall of 17% for the full year (as compared to -10% and -17% respectively for the second half and the full year).

On the basis of this scenario, Valeo has set an objective of positive operating margin for the second half of the year and an improvement of its cash consumption for the full year to around 200 million euros after payment of 230 million euros related to restructuring costs.

In the second half of the year, Valeo will complete its cost reduction program initiated at the beginning of the economic crisis. 313 million euros of savings have already been generated, with an objective of 500 million euros for 2009 and 600 million euros in a full year starting in 2010.

At the same time, Valeo will devote itself to the implementation of its new organization and the realization of the associated synergies. The Group is also in a position to relaunch its innovation efforts and its investments in emerging markets.

Thanks to these different actions, Valeo intends to adapt its breakeven point to a market stabilized at current levels.

5. THIRD PARTY TRANSACTIONS

On March 20, Thierry Morin left his position as Chairman of the Group. At the time of his departure he received a payment of 3.2 million euros.

On the recommendation of the Board of Directors, the Annual General Meeting of Shareholders of June 9, 2009 did not approve the agreements reached between the Company and Thierry Morin at the time of his departure. As a consequence, the Company has undertaken a court action to recover the adverse consequences of these agreements, in conformity with the French Commercial Code.

STOCK MARKET DATA

1. SHARE PRICE

During the first half of 2009the share's average closing price was 12.14 euros with a high of 17.66 euros on May 7 and a low of 8.00 on January 23. It increased by 23.4% from 10.62 euros on December 31, 2008 and 13.11 euros at the closing on June 30.

The share outperformed the CAC 40 index CAC 40 with a relative growth of +25.8%. However it outperformed the DJSTOXX Auto index by 15.4%.

2. CHANGE IN SHAREHOLDER STRUCTURE

AT June 30 the Company's share capital was made up of 78,209,617 shares, unchanged since the end of 2008. The corresponding number of voting rights was 78,262,675, based on the total number of voting rights; 81,344,544 based on the number of voting rights published in accordance with Article 223-11 et seq. of the French Financial Market Authority's regulations (i.e. including treasury shares).

To the best of the Company's knowledge, the main shareholders were Pardus Investment Sàrl* (19.7% of the capital and 19.0% of the voting rights), the Caisse des Dépôts et consignations Group (CDC) including the participation of the Fonds Stratégique d'Investissement (FSI) (8.3% et 10.6%), Morgan Stanley & Co. International (7.7% et 7.4%), The Goldman Sachs Group, Inc. (5.4% et 5.2%) Barclays Global Investors UK Holding Limited (5.0% et 4.8%) and Brandes Investment Partners LP (4.6% et 4.4%). At June 30, 2009, Valeo held 3,081,869 of its own shares (3.9% of capital without voting rights) compared to 3,142,499 shares at December 31, 2008 (4.0%).

Shares transferred by Pardus European Special Opportunities Master Fund

Contact:

Thierry Lacorre

Investor Relations Director

Valeo

43, rue Bayen

F-75848 Paris Cedex 17

France

Tel: + 33 (0) 1 40 55 37.93

Fax: +33 (0) 1 40 55 20 40

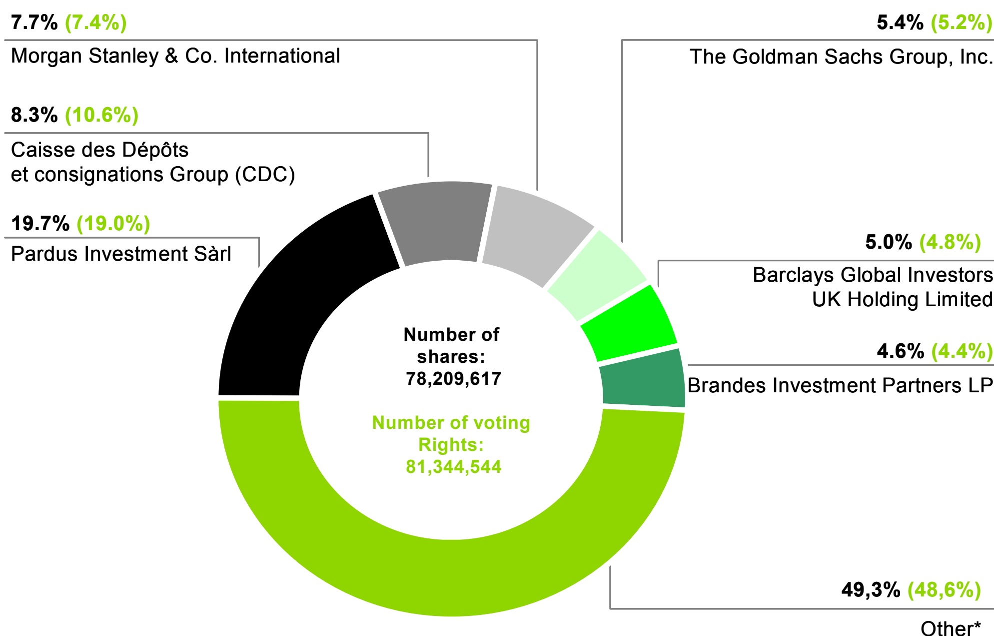
E-mail : thierry.lacorre@valeo.com

Provisional Schedule for the communication of results:

- Third quarter 2009 results: October 21, 2009
- 2009 annual results : Second half of February 2010
- 1st quarter 2010 sales : April 2010
- First Half 2010 results : July 2010.

3. OWNERSHIP STRUCTURE AT JUNE 30, 2009

In % of equity (in % of voting rights)



* Including 3,081,869 treasury shares (3.9% of the share capital)

4. STOCK MARKET DATA

	1st half 2009	2008	2007	2006	2005
Market capitalization at year-end (in billion euros)	**1.03**	0.83	2.21	2.45	2.43
Number of shares	**78,209,617**	78,209,617	78,209,617	77,580,617	77,510,357
Highest share price (in euros)	**17.66**	28.60	45.89	35.40	38.20
Lowest share price (in euros)	**8.00**	9.22	27.75	25.00	30.25
Average price* (in euros)	**12.11**	20.93	37.71	30.58	33.79
Share price at end of period* (in euros)	**13.11**	10.62	28.20	31.53	31.41

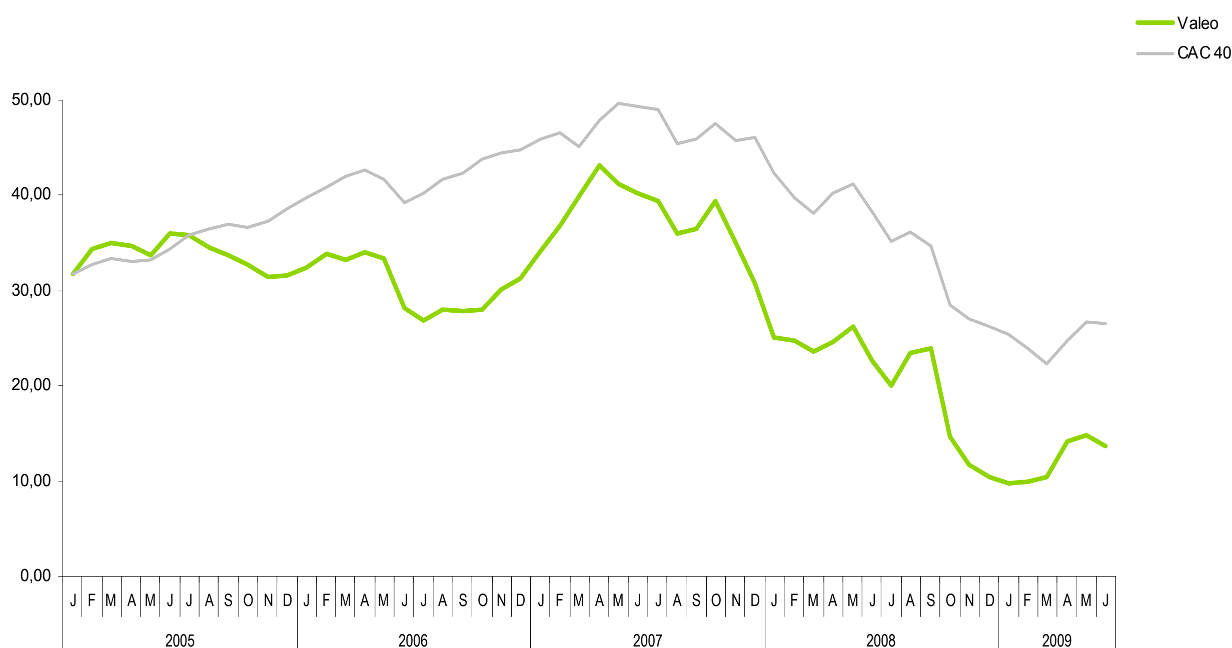
**Closing*

5. DATA PER SHARE

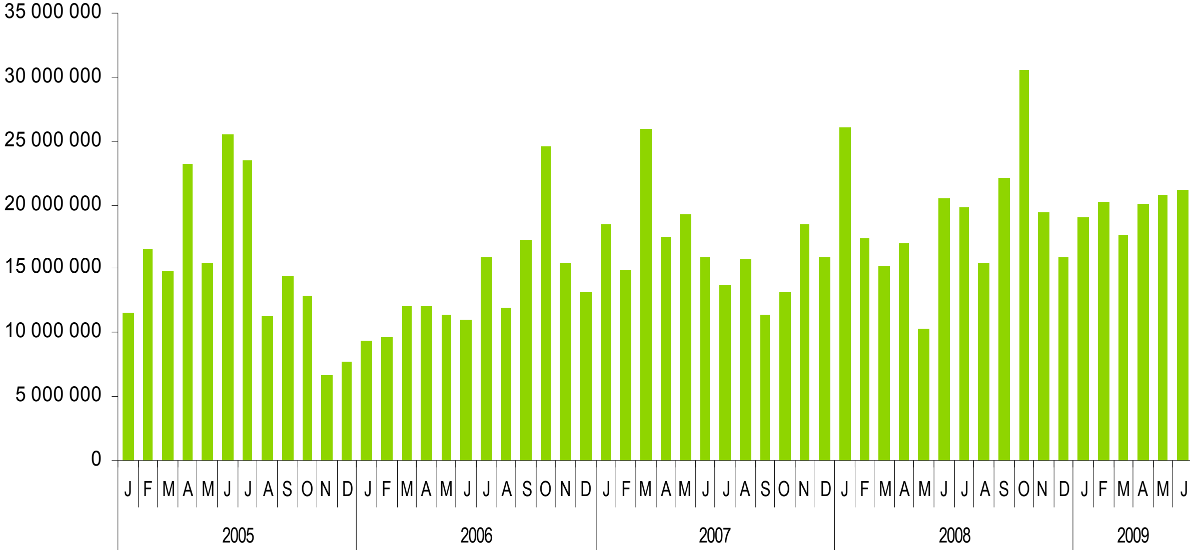
(in euros)	1st half 2009	2008	2007	2006
Basic earnings per share	(2.83)	(2.73)	1.06	2.10
Dividend	0	0	1.20[2]	1.10[1]

(1) Amount eligible for the 40% credit provided for by article 158-3-2° of the French General Tax Code
(2) Amount eligible for the 40% credit provided for by article 158-3-2° of the French General Tax Code, depending on beneficiary option

6. SHARE PRICE (MONTHLY AVERAGE FROM JANUARY 2005 TO JUNE 2009)



7. MONTHLY TRADING VOLUME



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009

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CONSOLIDATED STATEMENTS OF INCOME

(In millions of euros)	First-half 2009	First-half 2008 [1]
Continuing operations		
NET SALES	**3,472**	**4,848**
Cost of sales	(3,019)	(4,051)
GROSS MARGIN	**453**	**797**
% of net sales	13.0%	16.4%
Research and development expenditure, net	(234)	(276)
Selling expenses	(79)	(94)
Administrative expenses	(191)	(224)
OPERATING MARGIN	**(51)**	**203**
% of net sales	-1.5%	4.2%
Other income and expenses	(37)	(21)
OPERATING INCOME (LOSS)	**(88)**	**182**
Interest expense	(30)	(34)
Interest income	9	12
Other financial income and expenses	(37)	(6)
Equity in net earnings (losses) of associates	(40)	7
INCOME (LOSS) BEFORE INCOME TAXES	**(186)**	**161**
Income taxes	(26)	(56)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(212)**	**105**
Discontinued operations		
Income (loss) from discontinued operations (net of tax)	1	(1)
NET INCOME (LOSS) FOR THE PERIOD	**(211)**	**104**
Attributable to:		
• Parent-company shareholders	(213)	100
• Minority interests	2	4
Earnings per share:		
• Basic earnings per share (in euros)	(2.83)	1.30
• Diluted earnings per share (in euros)	(2.83)	1.26
Earnings per share from continuing operations:		
• Basic earnings per share (in euros)	(2.83)	1.32
• Diluted earnings per share (in euros)	(2.83)	1.28

[1] The presentation of the statement of income for first-half 2008 is different from that published in July 2008 (see note 3.1).

The notes are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of euros)	First-half 2009	First-half 2008
Net income (loss) for the period	**(211)**	**104**
Translation adjustment	8	(40)
o/w income taxes	-	-
Actuarial gains (losses) on defined benefit plans	(2)	32
o/w income taxes	-	*(5)*
Cash flow hedges:		
• gains (losses) taken to equity	3	5
• (gains) losses transferred to income for the period	14	7
o/w income taxes	*(1)*	*(1)*
Remeasurement of available-for-sale financial assets	-	(1)
o/w income taxes	-	-
Other comprehensive income for the year, net of tax	**23**	**3**
Total comprehensive income for the period	**(188)**	**107**
Attributable to:		
• Parent-company shareholders	(188)	103
• Minority interests	-	4

The notes are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of euros)	June 30, 2009	Dec. 31, 2008
ASSETS		
Goodwill	1,146	1,154
Other intangible assets	536	525
Property, plant and equipment	1,664	1,739
Investments in associates	90	133
Non-current financial assets	34	24
Deferred tax assets	104	103
Non-current assets	**3,574**	**3,678**
Inventories	450	543
Accounts and notes receivable	1,205	1,168
Other current assets	219	248
Taxes recoverable	17	30
Other current financial assets	12	15
Assets held for sale	5	5
Cash and cash equivalents	563	661
Current assets	**2,471**	**2,670**
TOTAL ASSETS	**6,045**	**6,348**

(In millions of euros)	June 30, 2009	Dec. 31, 2008
LIABILITIES AND EQUITY		
Share capital	235	235
Additional paid-in capital	1,402	1,402
Retained earnings	(509)	(326)
Stockholders' equity	**1,128**	**1,311**
Minority interests	47	51
Stockholders' equity	**1,175**	**1,362**
Provisions - portion at more than one year	741	772
Debt - portion at more than one year	1,320	1,299
Deferred tax liabilities	14	16
Non-current liabilities	**2,075**	**2,087**
Accounts and notes payable	1,474	1,454
Provisions - current portion	436	462
Taxes payable	20	50
Other current liabilities	758	703
Current maturities of long-term debt	8	26
Other current financial liabilities	6	38
Short-term debt	93	166
Current liabilities	**2,795**	**2,899**
TOTAL LIABILITIES AND EQUITY	**6,045**	**6,348**

The notes are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of euros)	First-half 2009	First-half 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	(211)	104
Equity in net earnings (losses) of associates	40	(7)
Net dividends received from associates	-	1
Other expenses (income) with no cash effect	240	243
Cost of net debt	21	23
Income taxes (current and deferred)	26	57
Gross operating cash flows	**116**	**421**
Income taxes paid	(41)	(41)
Changes in working capital	177	39
Net cash provided by (used in) operating activities	**252**	**419**
CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows relating to acquisitions of intangible assets	(89)	(75)
Outflows relating to acquisitions of property, plant and equipment	(172)	(232)
Inflows relating to disposals of property, plant and equipment	3	9
Net change in non-current financial assets	(6)	(16)
Impact of changes in scope of consolidation	(3)	76
Net cash provided by (used in) investing activities	**(267)**	**(238)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to parent company stockholders	-	-
Dividends paid to minority interests in consolidated subsidiaries	(5)	(3)
Dividend equalization tax [1]	-	27
Issuance of share capital	1	1
Sale (purchase) of treasury shares	1	(13)
Issuance of long-term debt	23	4
Grants	2	2
Net interest paid	(39)	(34)
Repayments of long-term debt	(3)	(7)
Net cash provided by (used in) financing activities	**(20)**	**(23)**
Effect of exchange rate changes on cash	**10**	**(20)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(25)**	**138**
Net cash and cash equivalents at beginning of period	**495**	**511**
Net cash and cash equivalents at end of period	**470**	**649**
o/w: • Cash and cash equivalents	563	801
• Short-term debt	(93)	(152)

[1] Corresponding to the refund by the State of the dividend equalization tax paid by Valeo in 2000, further to the December 2007 administrative court ruling.

The notes are an integral part of the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Number of shares	(In millions of euros)	Share capital	Additional paid-in capital	Translation adjustment	Retained earnings	Stockholders' equity	Minority interests	Stockholders' equity including minority interests
76,776,813	**Stockholders' equity at January 1, 2008**	**235**	**1,402**	**57**	**44**	**1,738**	**44**	**1,782**
	Dividends	-	-	-	(92)	(92)	(3)	(95)
(239,666)	Treasury stock	-	-	-	(13)	(13)	-	(13)
	Capital increase	-	-	-	-	-	1	1
	Share-based payment	-	-	-	4	4	-	4
	Other movements	-	-	-	-	-	(4)	(4)
	Transactions with owners	**-**	**-**	**-**	**(101)**	**(101)**	**(6)**	**(107)**
	Net income (loss) for the period	-	-	-	100	100	4	104
	Other comprehensive income	-	-	(40)	43	3	-	3
	Total comprehensive income	**-**	**-**	**(40)**	**143**	**103**	**4**	**107**
76,537,147	**Stockholders' equity at June 30, 2008**	**235**	**1,402**	**17**	**86**	**1,740**	**42**	**1,782**
75,067,118	**Stockholders' equity at January 1, 2009**	**235**	**1,402**	**25**	**(351)**	**1,311**	**51**	**1,362**
	Dividends	-	-	-	-	-	(5)	(5)
60,630	Treasury stock	-	-	-	1	1	-	1
	Capital increase	-	-	-	-	-	1	1
	Share-based payment	-	-	-	4	4	-	4
	Other movements	-	-	-	-	-	-	-
	Transactions with owners	**-**	**-**	**-**	**5**	**5**	**(4)**	**1**
	Net income (loss) for the period	-	-	-	(213)	(213)	2	(211)
	Other comprehensive income	-	-	10	15	25	(2)	23
	Total comprehensive income	**-**	**-**	**10**	**(198)**	**(188)**	**-**	**(188)**
75,127,748	**Stockholders' equity at June 30, 2009**	**235**	**1,402**	**35**	**(544)**	**1,128**	**47**	**1,175**

The notes are an integral part of the condensed interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements of the Valeo Group for the six months ended June 30, 2009 include the accounts of Valeo, its subsidiaries and the Group's share of associates and jointly controlled entities.

Valeo is an independent Group fully focused on the design, production and sale of components, systems and modules for the automobile sector. It is one of the world's leading automotive suppliers.

Valeo is a French legal entity, listed on the Paris Stock Exchange, whose head office is located at 43, rue Bayen, 75017 Paris. Valeo's condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2009.

1. ACCOUNTING POLICIES

1.1. Accounting standards applied

The Valeo Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Boards (IASB), as adopted by the European Union. The IFRS as adopted by the European Union can be consulted on the European Commission website.[1].

The condensed interim consolidated financial statements for the six months ended June 30, 2009 were prepared in accordance with IAS 34 – "Interim Financial Reporting". As permitted by IAS 34, this condensed set of financial statements includes only selected explanatory notes. These notes may be read in conjunction with the consolidated financial statements included in the Group's 2008 registration document.[2] The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2009 are the same as those used to prepare the 2008 consolidated financial statements, and take into account the new standards and interpretations effective as of January 1, 2009, the impact of which is described below.

[1]http://ec.europa.eu/internal_market/accounting/ias_en.htm #adopted-commission

[2] This document may be viewed on the Group's website (www.valeo.com) or the AMF's website (www.amf-france.org). Copies may be obtained on request from the Group at the address stated above.

1.1.1. Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2009

- IAS 1 (revised) – "Presentation of Financial Statements"

The interim consolidated financial statements are presented in accordance with the revised IAS 1. The impact of this revised standard on the presentation of the Group's financial statements is limited, since the main change introduced requires entities to present a statement of comprehensive income separately from equity. The statement of comprehensive income includes income and expenses which are not recognized in the statement of income in accordance with the options or requirements of certain IFRS. Most of these items were already reported by the Group in a "statement of recognized income and expenses", and are now shown in the aforementioned statement of comprehensive income below the consolidated statements of income.

- IFRS 8 – "Operating Segments"

This standard, which replaces IAS 14, requires entities to present segment information on the basis of internal reports that are regularly reviewed by the entity's management in order to allocate resources to the segment and assess its performance. In accordance with IFRS 8, the Group has defined four operating segments for which it presents the key financial indicators used by management to monitor performance (see note 5). The application of IFRS 8 has no impact on the Group's income or financial position.

- IAS 23 (revised) – "Borrowings Costs"

Under the revised IAS 23, entities are required to recognize borrowing costs as part of the carrying amount of the qualifying assets to which they relate. The impact of this amendment on the Group's interim financial statements is not material.

- IFRIC 14: "IAS 19: - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

This interpretation has a non-material impact on equity at January 1, 2009, resulting from the remeasurement of pension obligations in Japan to reflect local legislation and the characteristics of pension plans in terms of minimum funding requirements.

- Other amendments effective for reporting periods beginning on or after January 1, 2009 or resulting from the annual improvements to IFRS published in May 2008, do not have a material impact on the Group's financial statements.

1.1.2. Standards, amendments and interpretations published by the IASB but not obligatorily effective for reporting periods beginning on or after January 1, 2009 and not early adopted by the Group

- IFRS 3 (revised) – "Business Combinations" and IAS 27 (revised) – "Consolidated and Separate Financial Statements"

These two revised standards, effective for reporting periods beginning on or after July 1, 2009, will be adopted prospectively. They will impact the accounting treatment for acquisitions as from January 1, 2010.

- Amendments resulting from the annual improvements to IFRS published in April 2009

The Group is currently analyzing the impact on its financial statements of the amendment to IAS 36 regarding the methods for allocating goodwill to cash-generating units (CGUs) together with the operating segments defined by IFRS 8. This amendment will be effective for reporting periods beginning on or after January 1, 2010.

- Other amendments are not yet effective and are not expected to have a material impact on the Group's financial statements.

1.2. Basis of preparation

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions concern both risks specific to the automotive supply business such as those relating to quality and safety, as well as more general risks to which the Group is exposed on account of its industrial operations across the globe.

The international climate has been severely affected by the economic crisis which has hit the automotive industry particularly hard. In the first quarter of 2009, worldwide automotive production slumped 34%, a bigger fall than the 21% decline reported over the last three months of 2008. Despite a significant improvement in certain indicators during the second quarter, the economic environment at the end of the first six months of 2009 remains challenging.

To counter this situation, Valeo pressed ahead with the cost cutting plans it had launched at the end of 2008. It has also tightened its rein on cash (see note 4.3) and is closely monitoring the financial position of its customers and suppliers (see note 4.1).

The Group exercises its judgement based on past experience and other factors considered to be decisive given the circumstances, and reviews the resulting estimates and assumptions on a continuous basis. Given the uncertainties inherent in any assessment, particularly in light of the current unstable environment, the amounts reported in Valeo's future financial statements may differ from the amounts resulting from these estimates.

Material estimates and assumptions adopted by the Group to prepare its financial statements for the six months ended June 30, 2009 mainly concern measurement of the recoverable amount of property, plant and equipment and intangible assets (see note 3.3.1) and estimates of provisions (see notes 4.1 and 4.2).

At accounts closing date, the Group expects to be able to respect its financial commitments over the subsequent 12 months.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

2.1. Transactions carried out in first-half 2009

No transactions with a material impact on the scope of consolidation were carried out in first-half 2009.

2.2. Transactions carried out in first-half 2008

- Incorporation of Valeo Climate Control Tomilino LLC in Russia

On June 18, 2008, Valeo signed an agreement to create a Russian-based entity 95%-held by Valeo and 5%-owned by the Russian firm Itelma. The new entity was named Valeo Climate Control Tomilino LLC, and produces heating, ventilation and air conditioning systems. The full consolidation of this entity did not have a material impact on the Group's financial statements for the six months ended June 30, 2009.

- Sale of the HGV Engine Cooling unit

On May 30, 2008, Valeo sold its HGV Engine Cooling unit to Swedish firm EQT for an amount of 77 million euros. This transaction gave rise to a post-tax capital gain of 18 million euros in first-half 2008, recorded under "Other income and expenses". The HGV Engine Cooling unit contributed 76 million euros to consolidated net sales for the first five months of 2008.

2.3. Transactions carried out in second-half 2008

2.3.1. Acquisition of a controlling interest in Valeo Radar Systems, Inc.

On December 15, 2008, Valeo acquired the entire capital stock of Valeo Radar Systems, Inc. (formerly Valeo Raytheon Systems Inc.). This entity, which was previously 77.8%-owned by the Group and proportionally consolidated in line with the characteristics of the joint venture agreement, has now been fully consolidated. The acquisition of this

controlling interest led to the recognition of 6 million euros in goodwill and resulted in a royalties agreement being set up in favor of the seller.

2.3.2. Sale of Valeo Armco Engine Cooling Co

On December 20, 2008, Valeo sold its interests in the Iranian joint venture Valeo Armco Engine Cooling Co to the Armco group. The sale did not have a material impact on the 2008 financial statements.

3. NOTES TO THE STATEMENTS OF INCOME AND STATEMENTS OF FINANCIAL POSITION

3.1. Net sales

Net sales fell 28.4% to 3,472 million euros in first-half 2009 versus 4,848 million euros in first-half 2008. Changes in the scope of consolidation had a negative 1.1% impact on net sales figures, while exchange rate fluctuations had a positive 1% impact.

Net sales for the period shed 28.3% on a comparable Group structure and exchange rate basis.

The presentation of the statement of income for the six months ended June 30, 2008 is different from that of the income statement published in July 2008. Other operating revenues totaling 72 million euros and consisting mainly of contributions received from customers in respect of development costs have been reclassified as a deduction from research and development expenditure, net for an amount of 66 million euros. The 6 million euro balance relating to external services or royalties received has been included in net sales, lifting the gross margin to 16.4% from 16.3%.

3.2. Research and development expenditure, net

(In millions of euros)	First-half 2009	First-half 2008
Research and development expenditure	(323)	(367)
Contributions received and subsidies	89	91
Research and development expenditure, net	**(234)**	**(276)**

3.3. Other income and expenses

(In millions of euros)	First-half 2009	First-half 2008
Restructuring costs	(12)	(13)
Impairment of fixed assets	(14)	(17)
Claims and litigation	(7)	1
Other	(4)	8
Other income and expenses	**(37)**	**(21)**

3.3.1. Impairment of fixed assets

- Property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and intangible assets whose recoverable values cannot be estimated individually are grouped together into Cash-Generating Units (CGUs).

The recoverable amount is equal to the higher of fair value less costs to sell and value in use. In practice, the Group applies value in use (unless otherwise specified) to calculate the recoverable amounts of CGUs, using post-tax cash flow projections covering a period of five years, prepared on the basis of budgets and medium-term plans for each CGU. The projections are based on past experience, projected macroeconomic data for the automobile market, order books and products under development. The persistent difficulties plaguing the global auto industry in first-half 2009 prompted the Group to reassess certain assumptions underlying its previous budgets and medium-term plans. Values in use have therefore been estimated:

- based on medium-term plans which forecast a return to approximate 2007 sales volumes by the end of 2012;
- by extrapolating cash flows beyond the five-year period using a growth rate of 1%, unchanged from December 31, 2008. This remains below the average mid- to long-term growth rate for the auto industry;

- by discounting cash flows based on a post-tax weighted average cost of capital (WACC) of 8.5% at June 30, 2009, unchanged from end-December 2008. The use of a post-tax rate results in recoverable amounts that are identical to those obtained by applying pre-tax rates to pre-tax cash flows. An independent expert was consulted in determining the method to be used to compute WACC. The method introduced in 2007 is based on a sample selection of 20 automotive suppliers.

As a result of these tests, the Group recognized impairment losses of 14 million euros in first-half 2009, breaking down as:

- 10 million euros relating to property, plant and equipment and intangible assets (excluding goodwill) belonging to three CGUs based in Western Europe. These include two CGUs from the Wiper Systems product family for 8 million euros, and one Lighting Systems CGU for the remaining 2 million euros;
- 2 million euros in additional write-downs on assets belonging to the Compressors CGU based in the Czech Republic.

An increase or decrease of 1% in the discount rate would not have a material impact on the results of these tests.

- Goodwill

Goodwill is allocated to Cash-Generating Units (CGUs) on the basis of the product family to which it relates. All items of goodwill have been tested for impairment for the period ended June 30, 2009, using the same method and assumptions as those used for the CGUs described above.

Values in use for groups of CGUs were calculated based on a 2009 budget that factors in a sharp drop in projected sales volumes and medium-term plans which forecast an end to the crisis after a period of three years. The Group did not recognize any impairment losses against goodwill in first-half 2009 as a result of these tests.

No impairment would need to be recognized against goodwill if the Group's medium-term plans were to be postponed by one year.

3.3.2. Claims and litigation

In first-half 2009, this caption mainly includes disputes with employees.

3.3.3. Other

In the first half of 2008, this item included the capital gain on the sale of the HGV Engine Cooling unit, as well as costs relating to strategic transactions.

3.4. Other financial income and expenses

(In millions of euros)	**First-half 2009**	**First-half 2008**
Interest expense on unwinding of discount on pension obligations	(25)	(24)
Expected return on pension plan assets	8	10
Currency gains (losses) on cash flow hedges	-	-
Currency gains (losses) on other transactions	(10)	11
Gains (losses) on commodity transactions (trading and ineffective portion of hedges)	(6)	-
Charges to provisions for credit risk	(3)	(1)
Unwinding of discount on provisions (excluding pension obligations)	(1)	(1)
Miscellaneous	-	(1)
Other financial income and expenses	**(37)**	**(6)**

"Gains (losses) on commodity transactions" mainly reflects further cuts in production volumes and the fall in the price of raw materials over first-half 2009. These resulted in losses on commodity hedges, as the volumes initially hedged exceeded actual volumes.

Currency losses on other transactions in first-half 2009 chiefly arose on operations carried out by the Group in Eastern Europe.

3.5. Equity in net earnings of associates

(In millions of euros)	First-half 2009	First-half 2008
Ichikoh	(41)	6
Faw Zexel China	1	1
Other	-	-
Equity in net earnings of associates	**(40)**	**7**

In first-half 2009, the Group recognized an expense of 41 million euros in respect of Ichikoh, reflecting the associate's operating losses amid a severe crisis in the Japanese market as well as asset write-downs and the provision for the restructuring plan announced at the beginning of March.

4. NOTES TO THE STATEMENTS OF FINANCIAL POSITION

4.1. Accounts and notes receivable

(In millions of euros)	June 30, 2009	Dec. 31, 2008
Accounts and notes receivable	1,230	1,200
Provision for impairment	(25)	(32)
Accounts and notes receivable, net	**1,205**	**1,168**

In light of the current crisis in the auto industry and the recent bankruptcies of two US automakers General Motors and Chrysler, the Group continued to closely monitor its accounts receivable risk and payment periods, which in certain cases have been redefined following bilateral negotiations with customers. The average time-to-payment was 62 days at June 30, 2009, versus 69 days at December 31, 2008.

For the period ended June 30, 2009, gross accounts and notes receivables not yet due or one month past due amounted to 1,161 million euros and 35 million euros, respectively, representing 97% of total gross accounts and notes receivable.

The Group was owed a total of 57 million euros from General Motors and Chrysler at June 30, 2009 (66 million euros at December 31, 2008), including 7 million euros from General Motors US and Chrysler US. Further to the agreements signed by the Group with these two US firms, no non-collection risk exists on the 7 million euro receivable. Outstanding receivables with other General Motors and Chrysler entities across the globe are analyzed and monitored on a country-by-country basis, and did not give rise to any impairment losses for the six months ended June 30, 2009.

4.2. Provisions for other liabilities

(In millions of euros)	June 30, 2009	Dec. 31, 2008
Provisions for reorganization costs	262	314
Provisions for pensions and other employee benefits	608	611
Other provisions	307	309
Provisions for other liabilities	**1,177**	**1,234**
Of which more than one year	741	772
Of which less than one year	436	462

4.2.1. Provisions for reorganization costs

The fall in provisions for restructuring costs and other employee-related expenses reflects the utilization of provisions in connection with the global workforce adjustment plan announced in December 2008.

4.2.2. Provisions for pensions and other employee benefits

Fluctuations in interest rates over first-half 2009 led the Group to adjust provisions for pensions and other employee benefits for the United Kingdom and Korea. No adjustments were made to the discount rate on pension obligations in the euro zone and in the United States, due to limited movements in the reference indexes used by the Group between December 31, 2008 and June 30, 2009.

The discount rates applied at end-June 2009 for countries with the most significant pension obligations are as follows:

(In percentage)	**June 30, 2009**	**Dec. 31, 2008**
United Kingdom	6.0	6.5
Euro Zone	6.0	6.0
United States	6.1	6.1
Japan	2.0	2.0
South Korea	5.0	4.0

Changes in actuarial assumptions led to the recognition of 1 million euros in actuarial differences on pensions and other employee benefits for the period. In accordance with the option provided by IAS 19, this amount was deducted from equity. The first-time application of IFRIC 14 (see note 1.1) led to a 7 million euro decrease in actuarial differences recorded in equity.

In parallel, the fair values of plan assets at June 30, 2009 (US, UK and Japan) were adjusted to reflect their market value, resulting in a 6 million euro gain credited to actuarial differences carried in equity.

No deferred taxes were recognized on these adjustments.

4.2.3. Other provisions

"Other" includes provisions for customer warranties and provisions for tax, environmental and employee-related risks.

In the normal course of business, certain Group companies are involved in legal proceedings. Each dispute identified was analyzed at accounts closing date. Further to advice from the Group's counsel, the necessary provisions were recognized to cover the estimated risks.

4.3. Debt and liquidity

4.3.1. Debt

(In millions of euros)	**June 30, 2009**	**Dec. 31, 2008**
Long-term debt	1,320	1,299
Current maturities of long-term debt	8	26
Short-term debt	93	166
Cash and cash equivalents	(563)	(661)
Loans	(17)	(9)
Net debt	**841**	**821**

4.3.2. Liquidity

Long-term debt consists of a convertible/exchangeable bond issue (“OCEANE”) for 463 million euros maturing January 1, 2011, 600 million euros in other bond debt maturing in 2013, and two syndicated loans for 225 million euros maturing in 2012.

Cash and cash equivalents totaled 563 million euros at June 30. This amount included 272 million euros of money market funds (SICAV) invested in negotiable debt instruments issued or guaranteed by euro zone governments, and 291 million euros of cash equivalents.

The Group also has:

- confirmed credit lines totaling 1.2 billion euros, with an average maturity of 2.1 years. None of these credit lines had been drawn down at June 30, 2009;
- a short-term commercial paper financing program for 1.2 billion euros. Since Moody’s cut the Group’s credit rating in January 2009, Valeo’s access to the commercial paper market has been restricted;
- a medium-term and long-term Euro Medium Term Notes financing program for a maximum amount of 2 billion euros.

In the first half of 2009, the Group renegotiated the financial covenant on its two syndicated loans and the majority of its credit lines (866 million euros out of a total undrawn amount of 1,206 million euros). The remaining undrawn balance of credit lines not renegotiated falls due in 2009 and continues to be subject to the financial covenant described in the 2008 registration document and based on the net debt/equity ratio.

Under the new covenant that applies to most credit lines and syndicated loans, the *net debt/’EBITDA* ratio may not exceed 3.5 in 2009 and 3.25 thereafter. EBITDA represents the Group’s operating margin before depreciation, amortization and impairment. It excludes other income and expenses with the exception of restructuring costs exceeding 75 million euros in 2010 and 50 million euros thereafter. The net debt/EBITDA ratio calculated over 12 months was 1.6 at end-June 2009. At the balance sheet date, the Group intends to respect the covenants applicable to its debt over the next 12 months.

Credit lines with banks and the Group’s long-term debt include a cross-default clause that causes all financial debt to be repaid if any given amount is likely to be called for early repayment. Certain agreements allow a grace period before this cross-default clause becomes enforceable, providing Valeo with between 20 and 30 days to rectify its situation.

4.4. Notes to the statements of cash flows

4.4.1. Expenses (income) with no cash effect

(In millions of euros)	First-half 2009	First-half 2008
Expenses (income) with no cash effect		
Depreciation, amortization and impairment	294	317
Net charges to (reversals from) provisions	(58)	(64)
Losses (gains) on sales of non-current assets	1	(11)
Expenses related to share-based payment	4	4
Other expenses (income) with no cash effect	(1)	(3)
TOTAL	**240**	**243**

4.4.2. Changes in working capital

(In millions of euros)	First-half 2009	First-half 2008
Changes in working capital		
Inventories	95	(42)
Accounts and notes receivable	(39)	(88)
Accounts and notes payable	28	108
Other receivables and payables	93	61
TOTAL	**177**	**39**

4.5. Related party transactions

Former Chairman and Chief Executive Officer Thierry Morin left the Group on March 20, 2009 and collected indemnities of €3.2 million.

4.6. Subsequent events

On July 22, 2009, the European Investment Bank (EIB) agreed to grant Valeo financing of up to 300 million euros for its current research projects aiming to reduce vehicle fuel consumption and CO2 emissions and improve active safety. The EIB loan has been awarded in two installments, the first of which will be drawn at the end of July for 225 million euros.

5. SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments" effective as from January 1, 2009, the Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's executive management in order to allocate resources to the segments and assess their performance. Executive management represents the chief operating decision maker within the meaning of IFRS 8. Four reportable segments, or Business Groups, have been defined, each consisting of several product families and based on internal reports used by the Group's management.

The Group's four segments are:

- Comfort and Detection Systems, comprising the Interior Controls and Security Systems product families. These focus on the interface between the driver and his/her environment, and contribute to enhanced comfort and safety.
- Powertrain Systems, comprising the Engine and Electrical Systems and Transmissions product families. These play an instrumental role in reducing energy consumption and CO_2 emissions.
- Thermal Systems, comprising the Climate Control, Compressors and Engine Cooling product families. These contribute to cabin comfort and the reduction of energy consumption.
- Visibility Systems, comprising Lighting Systems and Wiper Systems product families. These contribute to safety by improving visibility for the vehicle and the driver.

The "Other" column in the table below refers to holding companies, disposed businesses and eliminations between the four operating segments defined above.

5.1. Key segment performance indicators

The key performance indicators for each operating segment are as follows:

(In millions of euros)	Comfort and Detection Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Others	TOTAL
First-half 2009						
Net sales						
▪ **for the segment (excluding Group)**	**613**	**942**	**1,011**	**896**	**10**	**3,472**
▪ intersegment sales (Group)	14	9	1	8	(32)	-
EBITDA [(1)]	**38**	**86**	**62**	**41**	**2**	**229**
Net research and development expenditure	(60)	(53)	(65)	(56)	-	(234)
Investments in tangible and intangible assets for the period	58	83	37	57	2	237
Segment assets [(2)]	1,023	1,586	1,271	1,379	(22)	5,237
First-half 2008						
Net sales						
▪ **for the segment (excluding Group)**	**872**	**1,232**	**1,495**	**1,146**	**103**	**4,848**
▪ intersegment sales (Group)	17	3	1	15	(36)	-
EBITDA [(1)]	**95**	**152**	**136**	**99**	**21**	**503**
Net research and development expenditure	(72)	(55)	(83)	(63)	(3)	(276)
Investments in tangible and intangible assets for the period	73	98	57	77	7	312
Segment assets [(2)]	1,134	1,718	1,525	1,542	188	6,107

(1) EBITDA represents operating income (loss) before depreciation, amortization and other income and expenses.

(2) Segment assets include property, plant and equipment and intangible assets (including goodwill), inventories, accounts and notes receivable and other miscellaneous receivables.

Changes in the “Other” caption between the periods presented reflect the sale of the HGV Engine Cooling unit on May 30, 2008, shown as disposed business for the first five months of first-half 2008.

5.2. Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating income (loss):

(In millions of euros)	First-half 2009	First-half 2008
EBITDA	**229**	**503**
Depreciation and amortization of property, plant and equipment and intangible assets [(1)]	(280)	(300)
Other income and expenses	(37)	(21)
Operating income (loss)	**(88)**	**182**

(1) Including only write-downs taken into account in the operating margin.

Total segment assets reconcile to total Group assets as follows:

(In millions of euros)	First-half 2009	First-half 2008
Segment assets	**5,237**	**6,107**
Assets held for sale	5	4
Financial assets	699	953
Deferred tax assets	104	88
Total segment assets	**6,045**	**7,152**

6. RESTATEMENT OF PRIOR PERIOD FINANCIAL INFORMATION

IFRS requires previously published comparative periods to be retrospectively restated in the event of:

- operations meeting the criteria set out in IFRS 5;
- business combinations (recognition of the definitive fair value of assets acquired and liabilities and contingent liabilities assumed if fair value had been estimated on a provisional basis at the previous balance sheet date);
- changes in accounting policies (subject to the transitional provisions applicable upon first-time adoption of new standards); and;
- corrections of accounting errors.

No material events occurred in first-half 2009 requiring adjustments to be made to the statement of income for the period ended June 30, 2008 published in July 2008.

STATUTORY AUDITORS' REVIEW REPORT ON 2009 INTERIM FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, and in accordance with the requirements of articles L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Valeo for the six months ended June 30, 2009;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. They were prepared in the context described in Note 1.2 of the financial statements, amid a sharp deterioration in the economic and financial environment. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris-La-Défense and Neuilly-sur-Seine, July 29, 2009

The Statutory Auditors'

Salustro Reydel
Member of KPMG International

PricewaterhouseCoopers Audit

Jean-Pierre Crouzet   Laurent des Places   Jean-Christophe Georghiou

STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2009 INTERIM FINANCIAL REPORT

"I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2009 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and the undertakings in the consolidation taken as a whole, and that the accompanying interim financial review gives a fair description of the material events that occurred in the first six months of the financial year and their impact on the financial statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year."

Paris, July 29, 2009

Jacques ASCHENBROICH

Chief Executive Officer

43, rue Bayen - 75848 Paris cedex 17, France / Tel.: 33 (0)1 40 55 20 20 - Fax: 33 (0)1 40 55 21 71
Valeo French "Société Anonyme" with a capital of 234 628 851 euros - 552 030 967 RCS Paris
valeo.com

Advence 01 40 36 10 15