2010 Interim Financial Report

Enabling a better automotive world

Valeo

CONTENT

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Chairman of the Board

Jacques Aschenbroich

Chief Executive Officer

Behdad Alizadeh

Gérard Blanc

Daniel Camus

Jérôme Contamine

Michel de Fabiani

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Lord Jay of Ewelme

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Noëlle Lenoir

Georges Pauget

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Represented by
Gilles Puissochet and Jean-François Ginies

Mazars

Represented by
Lionel Gotlib and David Chaudat

Committees

AUDIT COMMITTEE

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Michel de Fabiani

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NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

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STRATEGY COMMITTEE

Pascal Colombani *Chairman*

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Helle Kristoffersen

Consolidated key figures

(In million of euros)	1st half 2009	1st half 2010	% change 2010/2009
Net sales	**3,472**	**4,787**	**+38%**
Gross margin	**453**	**856**	**89%**
as % of sales	*13.0%*	*17.9%*	*+4.9 pts*
Operating margin	**(51)**	**292**	**ns**
as % of sales	*-1.5%*	*6.1%*	*+7.6 pts*
Operating income	**(88)**	**261**	**ns**
as % of sales	*-2.5%*	*5.5%*	*+8.0 pts*
Net income attributable to equity holders of the Company	**(213)**	**168**	**ns**
as % of sales	*-6.1%*	*+3.5%*	*+9.6 pts*
Basic earnings per share (in euros)	**(2.83)**	**2.22**	**ns**
Net cash from operating activities	**254**	**510**	**+101%**
Headcount at June 30	**50,100**	**56,000**	**+12%**

(In million of euros)	June 30, 2009	June 30, 2010	% change
Stockholders' equity inc. Minority interest	1,128	1,468	+30%
Net debt	841	438	-48%
Gearing	75%	30%	-45 pts

Quarterly net sales

(In million of euros)	Q1-2009*	Q2-2009*	Q1-2010*	Q2-2010*
OEM	1,253	1,490	1,898	2,059
Aftermarket	310	306	351	371
Others	61	52	60	48
Net sales	**1,624**	**1,848**	**2,309**	**2,478**

* *Unaudited.*

Interim management report

1. Review of operations

The recovery of global passenger car production noted in the second half 2009 continued in the first half 2010, registering a 39% rise versus the first half 2009.

Benefiting from a favorable automotive environment, Valeo recorded a growth of its OE sales activity higher than the market growth in all production regions.

This performance led to a notable improvement of the Group's operating results, which reached their highest level in 10 years.

1.1. Valeo's activity compared to overall automotive production

During the first half 2010, automotive production growth per region was as follows:

- Europe (and Africa): +23%, despite the end of vehicle scrapping programs and the stabilization of new car registrations during the first half 2010 (+0.2% versus the first half 2009); this is mainly attributable to the non-recurrent stock reduction effect in 2009 and to the increase in exports outside of Europe;
- Asia (and others): +43%, mainly linked to continued growth in China (+47%);
- North America: +72%, compared with a first half 2009 highly impacted by the drop in production and the restructuring of certain US automakers;
- South America: +17%.

Benefiting from a favorable automotive environment and the outperformance of its original equipment activity on all markets, the Group recorded for the first half 2010 **consolidated sales** of 4,787 million euros, up by 38% versus the first half 2009. At constant perimeter and exchange rates, consolidated sales were up by 34%.

In this context, **aftermarket sales** totaled 722 million euros (15% of consolidated sales), up by 17% versus the first half 2009 (616 million euros).

At the same time, **original equipment sales** amounted to 3,957 million euros (83% of consolidated sales). Compared with the first half 2009, they were up by 40% (at constant perimeter and exchange rates), higher than the growth of global automobile production (+39% annualized change). The performance of the original equipment activity is notable on all of the Group's main markets (see below). This improvement can mainly be explained by:

- the ramp-up of new product lines within the Powertrain Systems Business Group, mainly in Asia and North America, and within the Comfort & Driving Assistance Business Group, notably in Europe and North America;
- a growing presence on the new platforms of most automaker customers.

First half OE light vehicle sales in **Europe** (and Africa) amounted to 2,297 million euros, up by 31% versus the first half 2009, higher than the growth of local automotive production which was up by 23%. They represented 61% of total OE passenger car sales vs 67% in first half 2009. This decrease is mainly due to the high production volumes in 2009 resulting from vehicle scrapping programs in the main European countries.

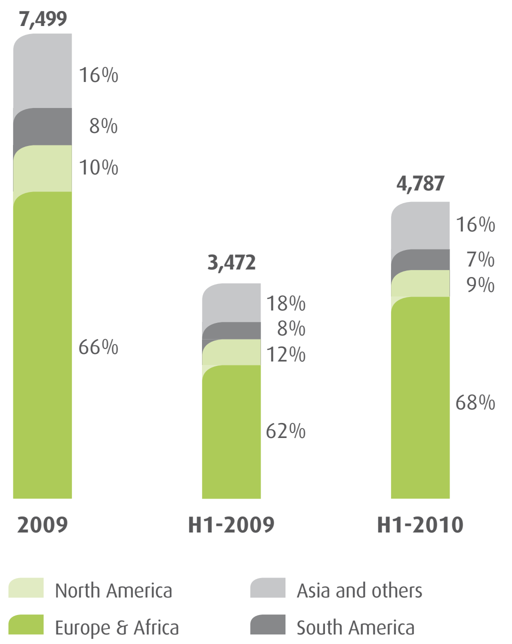
First half OE light vehicle sales in **Asia, the Middle East and Oceania** amounted to 697 million euros, or 19% of total OE passenger car sales (16% in the first half 2009), up by 66% versus the first half 2009. They rose by 59% at constant perimeter and exchange rates, of which 72% in China. At the same time, passenger car production was up by 43% in Asia, of which 47% in China.

First half OE light vehicle sales in **North America** amounted to 458 million euros, up by 87% versus the first half 2009. They represented 12% of total OE passenger car sales (9% in the first half 2009). They rose by 86% at constant perimeter and exchange rates versus the first half 2009, higher than local automotive production, which rose by 72%.

First half OE light vehicle sales in **South America** amounted to 291 million euros, rising by 44% versus the first half 2009. They represented 8% of total OE passenger car sales (8% in the first half 2009). They rose by 19% at constant perimeter and exchange rates (strong impact of the Brazilian real appreciation) versus the first half 2009, showing an increase higher that local production which rose by 17%.

Net sales by region

(In million of euros and as % of sales)



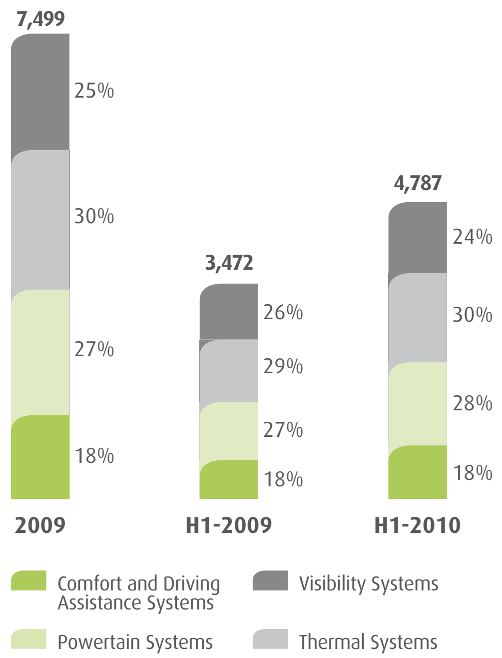
All Business Groups contributed to the growth of the Group's consolidated sales during the first half 2010.

The Comfort & Driving Assistance Systems and Visibility Systems Business Groups recorded sales growth lower than that of global automotive production (+39% annualized change) due to:

- the relatively small weight of the Asian market in the Comfort & Driving Assistance Systems Business Group;
- the relatively higher weight of the aftermarket in the Visibility Systems Business Group.

Net sales by Business Group

(In million of euros and as % of sales)



The order intake versus original equipment sales ratio was up significantly at June 30, 2010, reaching a record level of 1.64, or 6,478 million euros (versus 1.10 at June 30, 2009, this low level being linked to the postponement of orders during the crisis in 2009) with a similar level of performance among the different Business Groups.

1.2. Innovations and awards

Innovation is at the heart of Valeo's strategy. Valeo's dynamic innovation policy is illustrated by the fact that the Group is ranked 6th among patent filers in France, with 389 applications filed in 2009 according to INPI, the French National Institute of Industrial Property.

As part of its 2013 strategic plan to satisfy the growing market demand for more fuel-efficient vehicles, Valeo aims to become a partner for automakers in order to reduce CO_2 emissions.

During the Youth Days event organized by the French Society of Engineers (SIA) in May 2010 in Paris, Valeo presented to a large audience of automotive professionals, public authorities and students, its range of products designed for electric & hybrid vehicles. The participants could also see on the test track a VW Passant BlueMotion micro-hybrid with Re-Start (reinforced starter) Stop & Start function, a Volvo S40 micro mild hybrid with Stop & Start and regenerative braking (StARS+X), and a Renault Kangoo full electric utility vehicle with an electric driveline developed by Valeo.

On June 9, Valeo announced that its second generation Stop & Start would be launched by PSA Peugeot Citroën in the 3rd quarter of 2010, coupled with PSA's HDi diesel engines. This new generation micro-hybrid system, called i-StARS, differs from the previous generation in that the control electronics are integrated into the electrical machine. It automatically cuts off the vehicle's engine at a red light or in a traffic jam and restarts it, noiseless and with no vibration, when engine power is solicited. CO_2 emissions are reduced by 5g per kilometer on average and by up to 15% in congested traffic. Valeo offers two micro-hybrid systems, either starter-alternator or reinforced starter-based, enabling automakers to introduce this function in line with their brand strategy. Since the system was first marketed, the Group has booked orders to equip 50 vehicle models from more than 10 different automakers.

Valeo's main objectives are to inform drivers about their immediate environment and to offer them, and their passengers, solutions to improve their safety and comfort.

During the Geneva Auto Show in March 2010, Valeo presented a WiFi software and wireless camera system (placed at the upper right of the windshield) featured on a SmartForTwo to demonstrate speed traffic sign detection on an IPhone.

On March 1st, Valeo announced that it has become a core member of the GENIVI Alliance. This association gathers automakers, suppliers and other industrial companies committed to the development and broad adoption of an open source In-Vehicle Infotainment (IVI) reference platform for the automotive industry. IVI encompasses automotive and infotainment products and services such as music, news, multimedia, navigation, telephone and the Internet. Connections can be made *via* sources outside of the vehicle including mobile phones and MP3 players using Bluetooth, WIFI or other means. By joining the GENIVI Alliance, Valeo will help accelerate the pace at which these new solutions can be made available to automakers.

In the meantime, automaker customers have continued to recognize the Group's performance and efforts, particularly in the area of Quality.

On March 23, during a ceremony held at the Toyota Peugeot Citroën Automobile (TPCA) plant in the Czech Republic, Valeo received three quality awards recognizing its excellent quality performance, with a special mention for Valeo Compressors Humpolec (Czech Republic). The next day, Valeo Lighting Systems Foshan (China) received three quality awards, recognizing the site's outstanding performance less than one year after the start of deliveries to Toyota.

During the GAUI (Group Auto Union International) annual supplier meeting in Budapest, Valeo Service received, on May 18, the 2009 GAUI Supplier of the Year award. Group Auto Union International (GAUI) is a worldwide network of independent distributors for automotive spare parts. It is present in 30 countries through 800 distributors.

2. Financial review

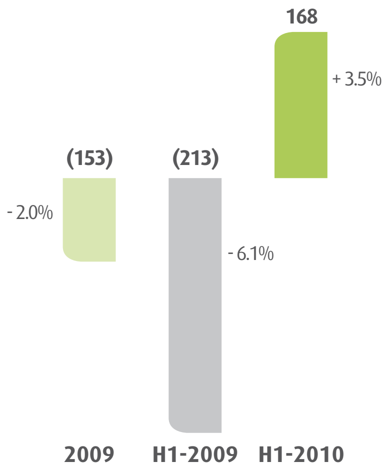
2.1. Income statement

The improvement of the Group's operating performance led to an improvement of the **operating margin rate** during the 1st half of the year (6.1% of sales). This is the highest rate recorded for 10 years.

The **net income Group share** also improved and reached 168 million euros, or 3.5% of sales versus a loss of 213 million euros during the same period in 2009.

Net income attributable to the company's shareholders

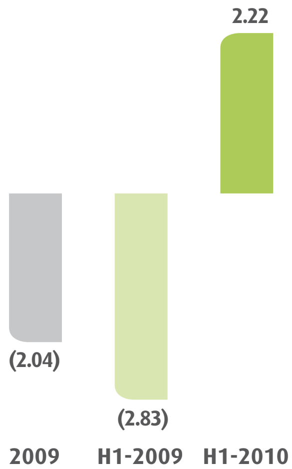
(In million of euros and as % of sales)



Basic earnings per share were 2.22 euros vs -2.83 euros in the first half of 2009.

Basic earnings per share

(In euros/share)

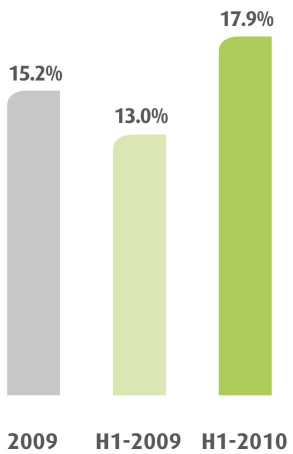


2.1.1. Gross margin

During the first half, the **gross margin rate** amounted to 17.9% of sales (or 856 million euros) versus 13% of sales (or 453 million euros) during the same period in 2009.

Gross margin

(as % of sales)



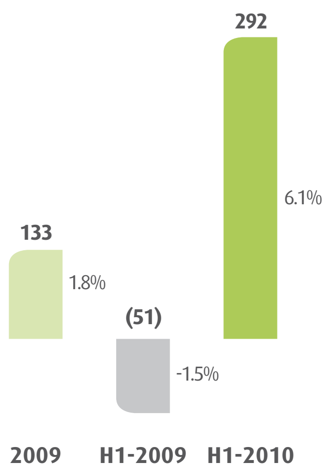
2.1.2. Operating margin

The Group's **operating margin** (before other income and expenses) totaled 292 million euros, or 6.1% of sales, versus -1.5% of sales in the first half 2009 (at -51 million euros), the highest margin level achieved in 10 years.

R&D efforts, particularly in the area of CO_2 emissions reduction, increased by 14% to total 267 million euros, or 5.6% of sales (versus 234 million euros, or 6.7% of sales during the same period in 2009). The administrative and selling expenses totaled 297 million euros, or 6.2% of sales (versus 270 million euros, or 7.8% of sales during the same period in 2009).

Operating margin

(In million of euros and as % of sales)

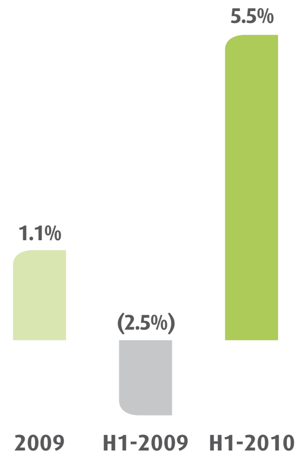


2.1.3. Operating income

Other income and expenses in the first half amounted to -31 million euros, or -0.6% of sales, notably including provisions for social costs relating to the plan for setting up the new organization announced in March 2010. **Operating income** totaled 261 million euros, or 5.5% of sales versus -88 million euros during the same period in 2009, at -2.5% of sales.

Operating income

(as % of sales)



2.1.4. Other items in the income statement

Income before taxes showed a profit of 226 million euros versus a loss of 186 million euros during the same period in 2009:

- the cost of the net financial debt totaled 32 million euros, up by 52% versus the same period in 2009. This change is the result of:
  - the renegotiation of confirmed bank lines against in the context of a degraded credit market,
  - the cost of carry of the gross financial debt in the context of particularly low short-term interest rates;
- other income and financial expenses showed a net expense of 14 million euros compared with a net expense of 37 million euros during the same period in 2009 (of which 16 million euros in losses from currency and raw material hedging);
- the share in the results of associated companies showed a profit of 11 million euros.

The effective tax rate stood at 22%, notably including the recognition of deferred tax assets in certain countries, where recovery is considered probable thanks to the improved economic outlook or legal reorganizations. After taking into account the minority interests' share of 9 million euros during the period, **the net income Group share** totaled 168 million euros, or 3.5% of sales versus a loss of 213 million euros during the same period in 2009.

2.1.5. EBITDA by Business Groups

% of sales	H1-2009	H1-2010	Change 2010/2009
Comfort & Driving Assistance Systems	6.1%	11.8%	+5.7 pts
Powertrain Systems	9.0%	9.7%	+0.7 pts
Thermal Systems	6.1%	13.3%	+7.2 pts
Visibility Systems	4.5%	11.4%	+6.9 pts

All Business Groups contributed to improving the Group's operational performance during the first half 2010.

The Powertrain Systems Business Group recorded a lower rise in EBITDA mainly due to:

- non recurrent start-up costs for new plants;
- the weight of Research & Development expenses in the area of electric drivelines.

2.2. Cash flow and balance sheet items

The Group's improved operating performance, along with a strict management of investments and working capital, enabled Valeo to generate a **free cash flow** (less financial interest) of 291 million euros in the first half 2010.

Net cash flow, after interest payments and the taking into account of other financial elements, amounted to 241 million euros in the first half.

As a result, Valeo had as of June 30, 2010, a **cash balance** of 1,132 million euros. The Group also benefits from a program of confirmed bilateral credit lines worth 1,116 million euros.

Net financial debt totaled 438 million euros at June 30, 2010, down by 284 million euros versus December 31, 2009 (722 million euros).

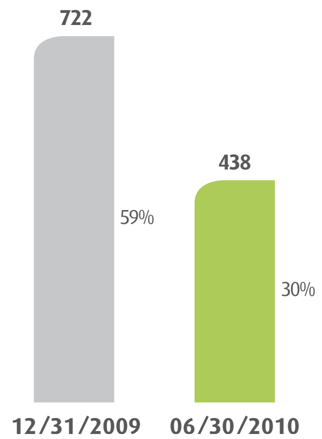
The **leverage ratio** (net financal debt to EBITDA) was down, at 0.44 times EBITDA (calculated over 12 months rolling) versus 1.1 at end December 2009.

At June 30, 2010, after taking into account the result of the period (177 million euros), **consolidated shareholder's equity** totaled 1,533 million euros.

The gearing ratio (net financial debt versus net shareholders' equity excluding minority interests) stood at 30% of equity, down compared with December 31, 2009 (59% of equity).

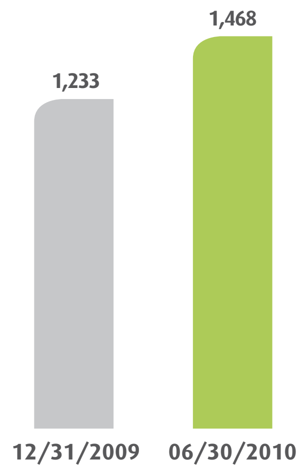
Net debt

(In million of euros and as % of equity, excluding minority interests)



Stockholders' equity

(In million of euros)



Provisions totaled 1,271 million euros at June 30, 2010 versus 1,113 million euros at December 31, 2009. They include a total of 722 million euros for withdrawals and assimilated commitments versus 610 million euros at December 31, 2009. The decrease in interest rates in the first half led to an upward adjustment of withdrawal commitments in the US, Germany and France.

3. Risk factors

The risk factors are the same as those identified in part 3.I of the 2009 Registration Document.

4. Transactions with third parties

There were no notable changes in terms of transactions with third parties in the first half 2010.

5. Highlights

On March 25, 2010, Pardus Capital Management issued a statement in which it announced the "resumption of ordinary course operations" and the "lifting of the suspension on withdrawals effective March 31, 2010", adding that "Pardus investors have been given the choice to remain invested in the Fund for at least one year or to convert to a distribution class and receive cash and securities over time."

Following this statement, Pardus Investments Sàrl declared two lower threshold crossings to the French AMF:

- by letter dated June 1, 2010, Pardus Investments Sàrl declared having crossed on May 28, 2010 under the threshold of 15% of the capital and voting rights, bringing its stake to 14.88% of the capital and 14.45% of the voting rights;
- by letter dated July 20, 2010. Pardus Investments Sàrl declared having crossed on July 15, 2010, the threshold of 12% of the capital and 10% of the voting rights, bringing its stake to 10.01% of the capital and 9.72% of the voting rights.

Valeo announced on May 26, 2010 the creation of an Advisory Board whose main mission is to provide Management with an international perspective on Group issues and strategy, as well as support for operations in regions where Valeo wishes to develop its presence. The Advisory Board, chaired by Erich Spitz, a former member of the Valeo Board of Directors, comprises five top-level figures who are experts in the Group's businesses and markets.

Valeo permanently reviews its business portfolio, notably with regard to the following criteria:

- a positioning of each business among the top three worldwide;
- a return on capital employed higher than 20%, in order to achieve the Group's objective of 30% in 2013.

In this context, the Group announced:

- the sale of the headlamp levelers business effective as from June 30, 2010; on February 25, 2010, the Group announced a project to sell its lighting modules business, consisting primarily of headlamp levelers, to a group of investors backed by European Investment fund Syntegra Capital and regional development capital fund Picardie Investments. This operation comprises an R&D activity currently based in Bobigny, France, one manufacturing site in Hirson, France, and start up activities in China. The business employs around 250 employees, of which 200 are in France. It generated sales of 46 million euros in 2009;
- on May 19, 2010, that Valeo now owns 100% of the capital in its electrical systems manufacturing entity based in Pune, India. Valeo previously held a 66.7% stake and the N.K. Minda Group 33.3%. This transaction is line with Valeo's strategy to reinforce its presence in high-growth emerging countries where Valeo plans to devote over 60% of its investments. The company which produces alternators and starters for passenger cars, will be named Valeo Engine and Electrical Systems India Private Ltd. The Group has been present in India since 1997. It employs around 1,000 people at four production plants, two in Chennai (transmissions and friction materials) and two in Pune (security systems and electrical systems), and at the Valeo Engineering Center India in Chennai. The production of lighting systems and wiper systems will be launched in India later this year;
- on March 19, the project to sell its Telma speed controller activity, which manufactures electromagnetic retarders, to the current management team. The operation includes the activity's headquarters and main plant based in Saint-Ouen l'Aumône, France, a joint-venture based in China and two distribution centers based in the UK and the US. The business employs 195 people, of which 123 are based in France. It generated sales of 39.4 million euros in 2009.

6. 2010 outlook

Thanks to the continued recovery of automotive production noted in the first half 2010, and despite the end of vehicle scrapping programs in Europe and the macro economic uncertainties that may impact the economic situation in the fourth quarter, Valeo is revising upwards it forecast for production in its main markets in 2010:

- in Europe, an increase of 6%;
- in Asia, a 18% rise, thanks in particular to continued growth in China;
- in North America, an improvement of 30%;
- in South America, a rise of 10%.

Based on this scenario, and thanks to controlled costs and the implementation of its new organization, Valeo affirms its confidence and is revising upwards its operating margin level objective for the full-year 2010, to around 5% in current market conditions.

7. 2013 strategic plan

During an investor day organized on March 10 in Paris, Valeo presented its new strategic plan in which two growth levers are identified for 2013:

- in order to comply with the market expectations for more fuel–efficient vehicles, the Group intends to become a partner to automakers for $C0_2$ emissions reduction. Valeo expects to double its sales in this area to 1 billion euros by 2013 and over 5 billion euros in 2020;
- the Group plans to devote 60% of its investments to emerging countries in order to reinforce its historical positions, notably in China, India, Brazil, Thailand and Turkey, and progressively develop its presence in Russia. The Group's sales in China and India should amount to 1 billion euros in 2013 and 3 billion euros in 2020.

Valeo forecasts organic growth higher than that of global automotive output in each region of production, thereby achieving sales of 10 billion euros in 2013 and 15 billion euros in 2020.

Valeo has two other levers which will contribute to improving its operating margin by 3 points as of 2013:

- the implementation of the new Group organization centered around 4 Business Groups and a reinforcement of the National Directorates, the main objectives being:
  - accelerated growth thanks to an organization that better satisfies market and customer demands,
  - investments that are optimized and limited to 80% of depreciation in 2010 and 2011,
  - improvement of the Group's efficiency thanks to increased synergies and the globalization of Purchasing,
  - reduction of administrative expenses from around the first half 2011;
- the Visibility Systems Business Group's return to the Group average level of profitability, continuing the turnaround noted since the fourth quarter 2009.

On the financial level, Valeo has set as its objective for 2013 sales of 10 billion euros, an operating margin of 6%-7%, a free cash flow of around 1.1 billion euros in 2010/2013 and one of the best performances of the sector in terms of return on capital employed (ROCE) at around 30%.

Finally, benefiting from a sound financial situation, Valeo intends to remain a player in the consolidation of the sector. To that end, the Group will examine external growth opportunities, particularly in areas related to CO_2 emissions reduction..

Stock market data

8. Share price

During the first half of 2010, the share's average closing price was 24.25 euros with a high of 28.59 euros on March 29 and a low of 20.06 euros on February 15. It decreased by 8.3% from 24.53 euros on December 31, 2009 and 22.50 euros at the closing on June 30.

The share outperformed the CAC 40 index with a relative growth of +4.2%. Compared to the DJSTOXX Auto index, the share showed a relative decrease of -12.6%.

9. 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 2009. The corresponding number of voting rights was 77,707,050, based on the total number of voting rights, 80,537,469 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, on June 30, the main shareholders were:

- Pardus Investment Sàrl (14.88% of the capital and 14.45% of the voting rights on June 30, reduced to 10.01% of the capital and 9.72% of the voting rights on July 20);
- the *Caisse des dépôts et consignations* Group (CDC) including the participation of the *Fonds Stratégique d'Investissement* (FSI) (8.99% and 11.3%);
- and Dimensional Fund Advisors Inc. (2.54% and 2.47%).

At June 30, Valeo held 2,830,470 of its own shares (3.62% of capital without voting rights) compared to 2,652,119 shares at December 31, 2009 (3.39%).

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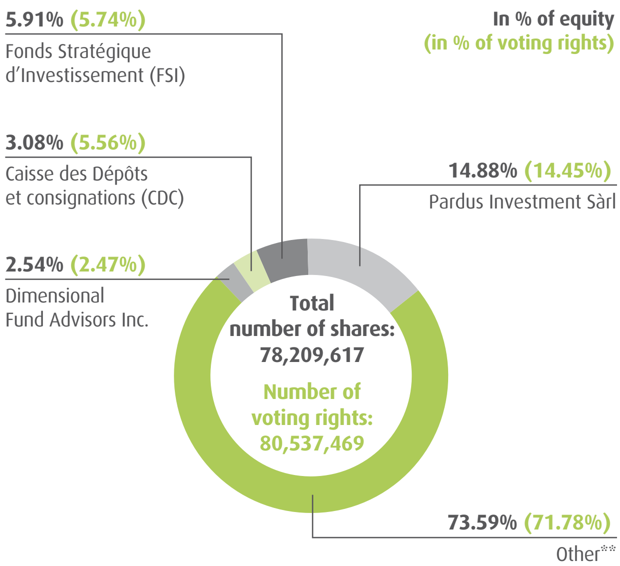
Provisional chedule for the communication of results:

- Third quarter 2010 sales: October 21, 2010
- 2010 annual results: second half of February 2011
- First quarter 2011 sales: April 2011
- First half 2011 results: July 2011.

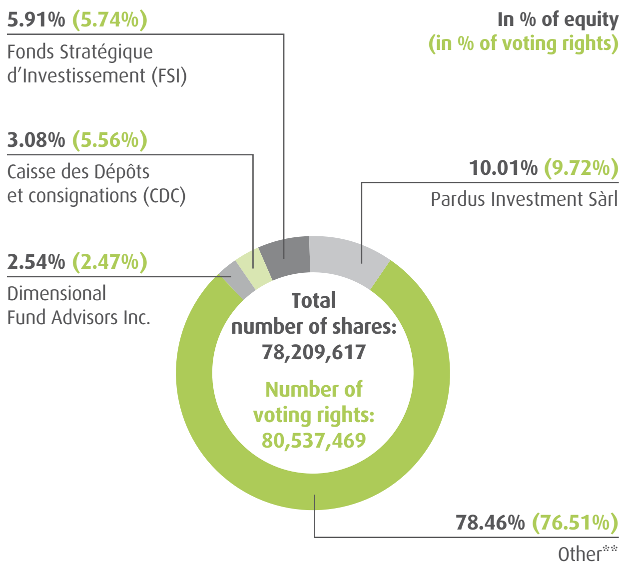
10. Ownership structure

At June 30, 2010



** Including 2,830,470 treasury shares (3.62% of the share capital).

At July 20, 2010



** Including 2,830,470 treasury shares (3.62% of the share capital).

11. Stock market data

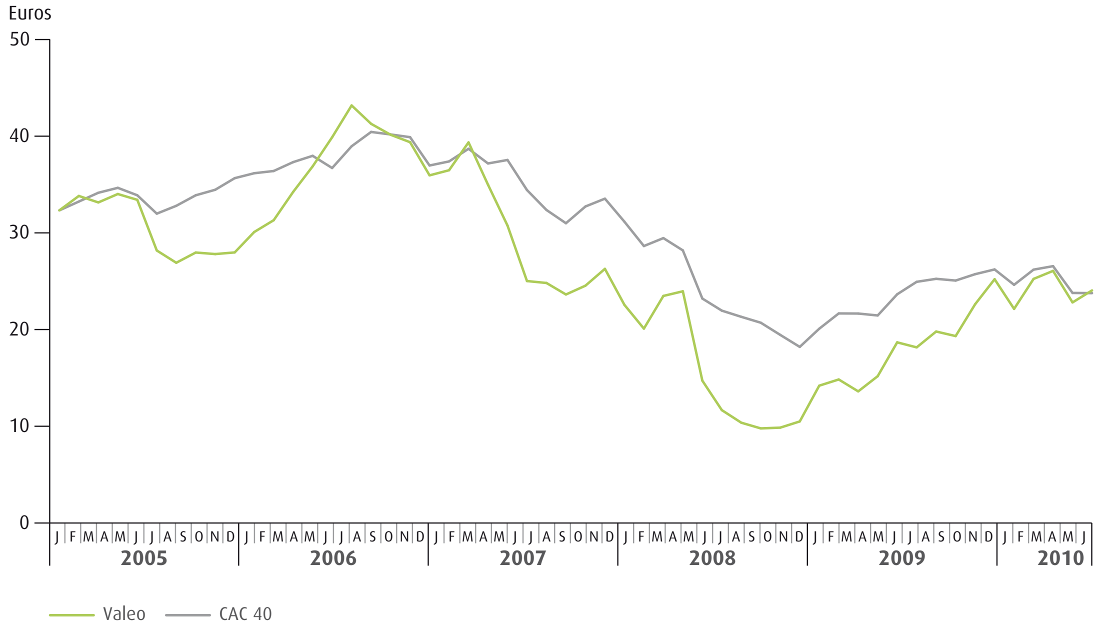
	2006	2007	2008	2009	1st half 2010
Market capitalization at year end (in billion of euros)	2.45	2.21	0.83	1.92	1.76
Number of shares	77,580,617	78,209,617	78,209,617	78,209,617	78,209,617
Highest share price (in euros)	35.40	45.89	28.60	25.46	28.59
Lowest share price (in euros)	25.00	27.75	9.22	8.00	20.06
Average price* (in euros)	30.58	37.71	20.93	15.54	24.25
Share price at the end of period* (in euros)	31.53	28.20	10.61	24.53	22.50

12. Data per share

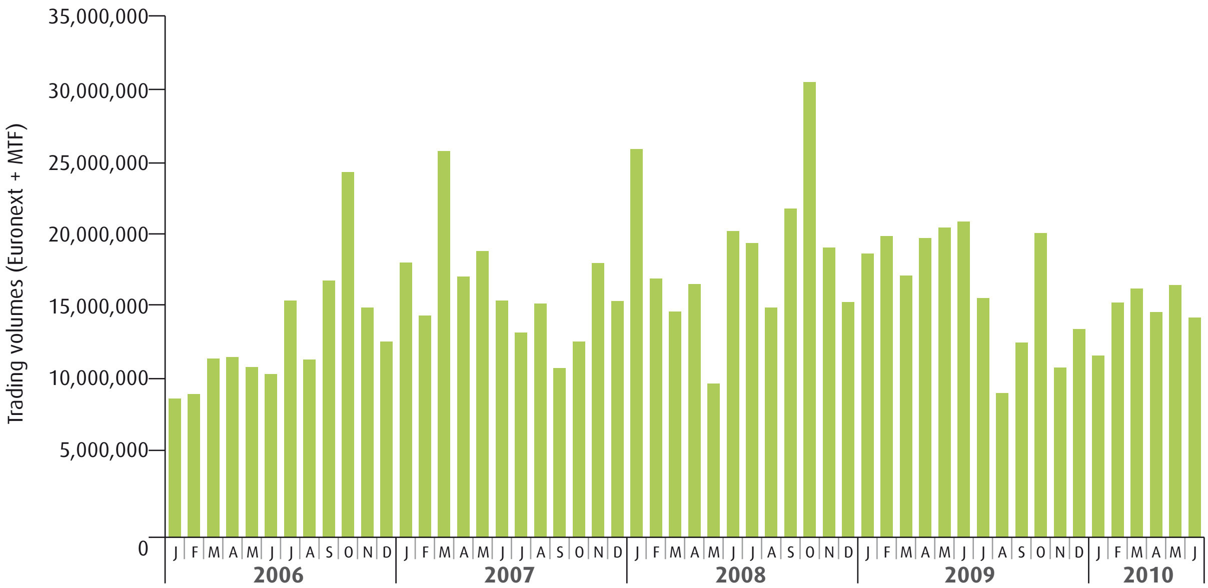
	2006	2007	2008	2009	1st half 2010
Basic earnings per share	2.10	1.06	(2.73)	(2.04)	2.22
Dividend	1.10 (1)	1.20 (2)	0	0	0

(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.

13. Share price (monthly average from January 2006 to June 2010)



14. Monthly trading volume



Condensed interim consolidated financial statements for the six months ended June 30, 2010

Consolidated statements of income

(in millions of euros)	*Notes*	First-half 2010	First-half 2009
CONTINUING OPERATIONS			
NET SALES	*3.1*	**4,787**	**3,472**
Cost of sales		(3,931)	(3,019)
GROSS MARGIN		**856**	**453**
% of net sales		17.9%	13.0%
Research and development expenditure, net	*3.2*	(267)	(234)
Selling expenses		(87)	(79)
Administrative expenses		(210)	(191)
OPERATING MARGIN		**292**	**(51)**
% of net sales		6.1%	-1.5%
Other income and expenses	*3.3*	(31)	(37)
OPERATING INCOME (LOSS)		**261**	**(88)**
Interest expense		(41)	(30)
Interest income		9	9
Other financial income and expenses	*3.4*	(14)	(37)
Equity in net earnings (losses) of associates	*3.5*	11	(40)
INCOME (LOSS) BEFORE INCOME TAXES		**226**	**(186)**
Income taxes	*3.6*	(47)	(26)
INCOME (LOSS) FROM CONTINUING OPERATIONS		**179**	**(212)**
DISCONTINUED OPERATIONS			
Income (loss) from discontinued operations, net of tax		(2)	1
NET INCOME (LOSS) FOR THE PERIOD		**177**	**(211)**
Attributable to:			
■ Owners of the Company		168	(213)
■ Minority interests		9	2
EARNINGS (LOSS) PER SHARE:			
■ Basic earnings (loss) per share (in euros)		2.22	(2.83)
■ Diluted earnings (loss) per share (in euros)		2.08	(2.83)
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS:			
■ Basic earnings (loss) per share (in euros)		2.25	(2.83)
■ Diluted earnings (loss) per share (in euros)		2.10	(2.83)

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

Consolidated statements of comprehensive income

(in millions of euros)	First-half 2010	First-half 2009
NET INCOME (LOSS) FOR THE PERIOD	**177**	**(211)**
Translation adjustment	172	8
o/w income taxes	-	-
Actuarial gains (losses) on defined benefit plans	(58)	(2)
o/w income taxes	*11*	-
Cash flow hedges:		
■ gains (losses) taken to equity	(15)	3
■ (gains) losses transferred to income (loss) for the period	(10)	14
o/w income taxes	*2*	*(1)*
Remeasurement of available-for-sale financial assets	-	-
o/w income taxes	-	-
Other comprehensive income for the period, net of tax	**89**	**23**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**266**	**(188)**
Attributable to:		
■ Owners of the Company	246	(188)
■ Minority interests	20	-

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

Consolidated statements of financial position

(in millions of euros)	*Notes*	June 30, 2010	Dec. 31, 2009
ASSETS			
Goodwill		1,240	1,146
Other intangible assets		556	535
Property, plant and equipment		1,688	1,665
Investments in associates		127	94
Non-current financial assets		114	74
Deferred tax assets		170	117
Non-current assets		**3,895**	**3,631**
Inventories		565	482
Accounts and notes receivable		1,570	1,251
Other current assets		170	180
Taxes recoverable		6	15
Other current financial assets		9	13
Assets held for sale		2	1
Cash and cash equivalents	*4.2*	1,132	860
Current assets		**3,454**	**2,802**
TOTAL ASSETS		**7,349**	**6,433**

(in millions of euros)	*Notes*	June 30, 2010	Dec. 31, 2009
LIABILITIES AND EQUITY			
Share capital		235	235
Additional paid-in capital		1,402	1,402
Retained earnings		(169)	(404)
Stockholders' equity		**1,468**	**1,233**
Minority interests		65	51
Stockholders' equity including minority interests		**1,533**	**1,284**
Provisions – long-term portion	*4.1*	898	749
Debt – long-term portion	*4.2*	1,106	1,526
Subsidies – long-term portion		20	25
Deferred tax liabilities		21	25
Non-current liabilities		**2,045**	**2,325**
Accounts and notes payable		2,003	1,648
Provisions – current portion	*4.1*	373	364
Subsidies and grants – current portion		10	13
Taxes payable		42	18
Other current liabilities		723	663
Current portion of long-term debt	*4.2*	483	40
Other current financial liabilities		63	5
Short-term debt	*4.2*	74	73
Current liabilities		**3,771**	**2,824**
TOTAL LIABILITIES AND EQUITY		**7,349**	**6,433**

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

Consolidated statements of cash flows

(in millions of euros)	*Notes*	**First-half 2010**	**First-half 2009**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period		177	(211)
Equity in net earnings (losses) of associates		(11)	40
Net dividends received from associates		-	-
Expenses (income) with no cash effect	*4.3.1*	281	240
Cost of net debt		32	21
Income taxes (current and deferred)		47	26
Gross operating cash flows		**526**	**116**
Income taxes paid		(48)	(41)
Changes in working capital	*4.3.2*	32	179
Net cash provided by operating activities		**510**	**254**
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows relating to acquisitions of intangible assets		(79)	(89)
Outflows relating to acquisitions of property, plant and equipment		(147)	(172)
Inflows relating to disposals of property, plant and equipment		7	3
Net change in non-current financial assets		(30)	(6)
Impact of changes in scope of consolidation		15	(3)
Net cash from (used in) investing activities		**(234)**	**(267)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		-	-
Dividends paid to minority interests in consolidated subisdiaries		(5)	(5)
Issuance of share capital		-	1
Sale (purchase) of treasury shares		(6)	1
Issuance of long-term debt		27	23
Interest paid		(47)	(49)
Interest received		4	10
Repayments of long-term debt		(4)	(3)
Acquisition of minority interests		(8)	-
Net cash from (used in) financing activities		**(39)**	**(22)**
Effect of exchange rate changes on cash		**34**	**10**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**271**	**(25)**
Net cash and cash equivalents at beginning of period		**787**	**495**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,058**	**470**
O/w:			
■ **Cash and cash equivalents**		**1,132**	**563**
■ **Short-term debt**		**(74)**	**(93)**

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

Consolidated statement of changes in stockholders' equity

						Stockholders' equity including minority interests		
Number of shares	(in millions of euros)	**Share capital**	**Additional paid-in capital**	**Translation adjustment**	**Retained earnings**	**Stockholders' equity**	**Minority interests**	**Total**
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 (loss), net of tax:								
	Translation adjustment	-	-	10	-	10	(2)	8
	Actuarial gains and losses	-	-	-	(2)	(2)	-	(2)
	Gain (loss) on cash flow hedges recognized in equity	-	-	-	3	3	-	3
	(Gain) loss on cash flow hedges taken to income (loss) for the period	-	-	-	14	14	-	14
	Remeasurement of available-for-sale financial assets	-	-	-	-	-	-	-
	Total other comprehensive income (loss)	**-**	**-**	**10**	**15**	**25**	**(2)**	**23**
	Total comprehensive income (loss)	**-**	**-**	**10**	**(198)**	**(188)**	**-**	**(188)**
75,127,748	**Stockholders' equity at June 30, 2009**	**235**	**1,402**	**35**	**(544)**	**1,128**	**47**	**1,175**

Number of shares	(in millions of euros)	Share capital	Additional paid-in capital	Translation adjustment	Retained earnings	Stockholders' equity including minority interests: Stockholders' equity	Minority interests	Total
75,557,498	**Stockholders' equity at January 1, 2010**	**235**	**1,402**	**74**	**(478)**	**1,233**	**51**	**1,284**
	Dividends	-	-	-	-	-	(5)	(5)
(178,351)	Treasury stock	-	-	-	(6)	(6)	-	(6)
	Capital increase	-	-	-	-	-	-	-
	Share-based payment	-	-	-	2	2	-	2
	Other movements	-	-	-	(7)	(7)	(1)	(8)
	Transactions with owners	**-**	**-**	**-**	**(11)**	**(11)**	**(6)**	**(17)**
	Net income (loss) for the period	-	-	-	168	168	9	177
Other comprehensive income (loss), net of tax:								
	Translation adjustment	-	-	161	-	161	11	172
	Actuarial gains and losses	-	-	-	(58)	(58)	-	(58)
	Gain (loss) on cash flow hedges recognized in equity	-	-	-	(15)	(15)	-	(15)
	(Gain) loss on cash flow hedges taken to income (loss) for the period	-	-	-	(10)	(10)	-	(10)
	Remeasurement of available-for-sale financial assets	-	-	-	-	-	-	-
	Total other comprehensive income (loss)	**-**	**-**	**161**	**(83)**	**78**	**11**	**89**
	Total comprehensive income (loss)	**-**	**-**	**161**	**85**	**246**	**20**	**266**
75,379,147	**Stockholders' equity at June 30, 2010**	**235**	**1,402**	**235**	**(404)**	**1,468**	**65**	**1,533**

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, 2010 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 27, 2010.

1. Accounting policies

1.1. Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2010 are 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 2009 registration document (1). The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2010 are the same as those used to prepare the 2009 consolidated financial statements, and take into account the new standards and interpretations effective as of January 1, 2010, the impact of which is described below.

1.1.1. Standards, amendments and interpretations adopted by the European Union and obligatorily applicable for accounting periods beginning on or after January 1, 2010

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

IFRS 3 (revised) – "Business Combinations" is applicable prospectively to all business combinations for which the designated acquisition date is on or after January 1, 2010. IAS 27 (revised) – "Consolidated and Separate Financial Statements" is effective as from January 1, 2010. The application of these two revised standards does not have a material impact on the Group's financial statements at June 30, 2010.

- Other amendments obligatorily applicable as of January 1, 2010 do not have a material impact on the consolidated financial statements.

1.1.2. Standards, amendments and interpretations published by the IASB but not obligatorily applicable for reporting periods beginning on or after January 1, 2010 and not early adopted by the Group

The Group has not early adopted any standards, amendments or interpretations published by the IASB but not obligatorily applicable as of January 1, 2010. No such standards, amendments or interpretations are 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 Group exercises its judgment based on past experience and all available information 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, 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, 2010 mainly concern measurement of the recoverable amount of property, plant and equipment and intangible assets (see note 3.3.2)

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

and estimates of provisions (see note 4.1), particularly regarding restructuring costs and employee benefits obligations.

In accordance with IAS 34, the Group's tax charge has been calculated based on estimated tax rates for 2010. The estimate is derived from the tax rates likely to apply and pre-tax earnings forecasts drawn up by the Group's tax entities.

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

2. Changes in the scope of consolidation

2.1. Transactions carried out in first-half 2010

2.1.1. Acquisition of minority interests in Indian electrical systems firm

On May 19, 2010, Valeo increased its stake in the Indian electrical systems firm based in Pune to 100%. This firm was previously 66.7%-owned by Valeo and 33.3%-owned by N.K. Minda, and was already fully consolidated in the Group's financial statements. This entity changes its name for Valeo Engine and Electrical Systems India Private Ltd.; it manufactures starters and alternators for passenger cars. In accordance with the revised IAS 27, this acquisition of minority interests led to a decrease of 8 million euros in consolidated equity at June 30, 2010.

2.1.2. Sale of headlamp levelers business

At June 30, 2010, Valeo sold its lighting modules business – consisting primarily of headlamp levelers – to European investment fund Syntegra Capital. This transaction generated a capital gain of 7 million euros, recorded under the caption "Other income and expenses". The business contributed 9 million euros to consolidated net sales for the first six months of 2010 (12 million euros for the year ended December 31, 2009).

2.2. 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.

2.3. Transactions carried out in second-half 2009

2.3.1. Acquisition of an interest in Valeo Fawer Compressor (Changchun) Co. Ltd

On November 2, 2009, Valeo acquired an additional interest in Valeo Fawer Compressor (Changchun) Co. Ltd, a company based in Changchun which develops and manufactures compressors, bringing the Group's total interest in this company to 100%. The new company was fully consolidated as from November 2009 and is known as Valeo Compressor (Changchun) Co. Ltd. Prior to the acquisition, Valeo and Fawer respectively held 60% and 40% of the acquired entity, which was proportionately consolidated in the Group's previous financial statements. This acquisition did not have a material impact on the Group's financial statements for the year ended December 31, 2009.

3. Notes to the statements of income

3.1. Net sales

Net sales jumped 37.9% to 4,787 million euros for first-half 2010, versus 3,472 million euros for first-half 2009. Changes in the scope of consolidation had a positive 0.1% impact on net sales figures and exchange rate fluctuations had a positive 3.3% impact.

Net sales for the period therefore climbed 34.5% on a comparable Group structure and exchange rate basis.

3.2. Research and Development expenditure, net

(in millions of euros)	First-half 2010	First-half 2009
Research and Development expenditure	(366)	(323)
Contributions received and subsidies	99	89
Research and Development expenditure, net	**(267)**	**(234)**

3.3. Other income and expenses

(in millions of euros)	First-half 2010	First-half 2009
Restructuring costs	(30)	(12)
Impairment of non-current assets	-	(14)
Claims and litigation	(8)	(7)
Other	7	(4)
Other income and expenses	**(31)**	**(37)**

3.3.1. Restructuring costs

In March 2010, the Group announced that its new organization into four Business Groups and the more prominent role given to National Directorates would lead to a cut of 600 jobs across the globe. Restructuring costs were recognized in respect of these measures, partially offset by a write-back of residual provisions set aside for the worldwide staff reduction plan launched in December 2008.

3.3.2. Impairment of fixed assets

Property, plant and equipment and intangible assets whose recoverable values cannot be estimated on a stand alone basis 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.

Values in use have therefore been estimated:

- based on medium-term plans;
- by extrapolating cash flows beyond the five-year period using a growth rate of 1%, unchanged from December 31, 2009. This remains below the average long-term growth rate for the Group's business sector;
- by discounting cash flows based on a post-tax weighted average cost of capital (WACC) of 8.5% at June 30, 2010, unchanged from end-December 2009. 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. In 2007, an independent expert was consulted in determining the method to be used to compute WACC. The resulting method is based on a sample selection of 20 automotive suppliers.

The Group did not recognize any impairment losses in first-half 2010 as a result of these tests.

3.3.3. Claims and litigation

In first-half 2010, this caption mainly includes sales and employee disputes.

3.3.4. Other

In first-half 2010, this item chiefly includes the capital gain arising on the sale of the headlamp levelers business (see note 2.1.2).

3.4. Other financial income and expenses

(in millions of euros)	First-half 2010	First-half 2009
Interest expense on unwinding of discount on pension obligations	(24)	(25)
Expected return on pension plan assets	10	8
Currency gains (losses) on cash flow hedges	-	-
Currency gains (losses) on other transactions	-	(10)
Gains (losses) on commodity transactions (trading and ineffective portion)	-	(6)
Charges to provisions for credit risk	(1)	(3)
Unwinding of discount on provisions (excluding pension obligations)	(1)	(1)
Miscellaneous	2	-
Other financial income and expenses	**(14)**	**(37)**

3.5. Equity in net earnings (losses) of associates

(in millions of euros)	First-half 2010	First-half 2009
Ichikoh	9	(41)
Faw Zexel China	3	1
Other	(1)	-
Equity in net earnings (losses) of associates	**11**	**(40)**

3.6. Income taxes

At the end of 2009, the Group considered that the new *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) tax met the definition of income tax provided by IAS 12. Accordingly, the income tax line for first-half 2010 includes a net charge of 6 million euros in respect of the CVAE tax.

The income tax expense for first-half 2010 reflects an effective tax rate of 22% and takes into account deferred tax assets recognised in various countries following legal restructuring procedures or a more favorable economic outlook.

4. Notes to the statements of financial position

4.1. Provisions

(in millions of euros)	June 30, 2010	Dec. 31, 2009
Provisions for reorganization costs	141	164
Provisions for pensions and other employee benefits	722	610
Other provisions	408	339
Provisions for other liabilities	**1,271**	**1,113**
Of which long-term portion (more than 1 year)	898	749
Of which current portion (less than 1 year)	373	364

4.1.1. Provisions for reorganization costs

Changes in this caption in first-half 2010 reflect amounts set aside to the provision due to the new organization announced in March 2010 (see note 3.3.1), and movements in the provision recognized in connection with the plan to reduce 5,000 jobs worldwide.

4.1.2. Provisions for pensions and other employee benefits

The Group applies the option provided by IAS 19 whereby actuarial gains and losses on pensions and other employee benefits are recognized directly in equity.

At June 30, 2010, the Group reviewed the discount rates applied in the calculations and the market value of its plan assets.

Fluctuations in interest rates over first-half 2010 led the Group to adjust provisions for pensions and other employee benefits at June 30, 2010 for the US, Germany and France. No adjustments were made to the discount rate on pension obligations in Japan, the UK and South Korea, due to limited movements in the reference indexes used by the Group between December 31, 2009 and June 30, 2010.

The discount rates applied at end-June 2010 for countries with the most significant pension obligations are as follows:

(%)	June 30, 2010	Dec. 31, 2009
Euro zone	4.5	5.3
United States	5.2	5.7
United Kingdom	5.7	5.7
Japan	2.0	2.0
South Korea	5.3	5.3

Changes in actuarial assumptions led to the recognition of 55 million euros in actuarial differences on pensions and other employee benefits for the period. This amount was deducted from equity.

In parallel, at June 30, 2010, the fair values of plan assets in the US, Japan and the UK were adjusted based on market values, resulting in a 14 million euro loss recognized as a deduction from equity within actuarial gains and losses. These adjustments gave rise to deferred tax assets of 11 million euros during the period.

Provisions for pensions and other employee benefits amount to 722 million euros at June 30, 2010, versus 610 million euros at December 31, 2009. This increase results chiefly from changes in actuarial assumptions (69 million euros), translation adjustments (44 million euros, mainly relating to the US), and an addition of 23 million euros during first-half 2010, offset by utilization of the provision in the same amount.

4.1.3. Other provisions

For the six months ended June 30, 2010, the "Other provisions" caption includes provisions for customer warranties (192 million euros) and provisions for tax risks (68 million euros). The remaining balance chiefly concerns employee, commercial and environmental risks.

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

4.2. Debt and liquidity

4.2.1. Debt

(in millions of euros)	June 30, 2010	Dec. 31, 2009
Long-term debt	1,106	1,526
Current portion of long-term debt	483	40
Loans and other non-current financial assets	(93)	(57)
Long-term debt	**1,496**	**1,509**
Short-term debt	74	73
Cash and cash equivalents	(1,132)	(860)
Net cash and cash equivalents	**(1,058)**	**(787)**
Net debt	**438**	**722**

4.2.2. Liquidity

Long-term debt consists mainly of:

- a convertible/exchangeable bond issue ("OCEANE") for 463 million euros maturing January 1, 2011;
- a bond issue for 600 million euros maturing in 2013;
- two syndicated loans for a total of 225 million euros maturing in 2012;
- a 225 million euro loan taken out at the end of July 2009 with the European Investment Bank (EIB). The loan is for a seven-year term, repayable in four equal annual installments as from 2013. The EIB loan was granted as part of funding for costs incurred by the Group in research projects looking at ways to reduce fuel consumption and CO_2 emissions and improve active safety. In accordance with IAS 20, a subsidy was calculated as the difference between the market interest rate for a similar loan at the date the loan was granted, and the interest rate granted by the EIB. The subsidy, initially estimated at 28 million euros, was measured at 22 million euros at June 30, 2010. The impact on first-half 2010 earnings was 3 million euros, reflecting the reversal of the subsidy by means of a deduction from research and development expenditure in accordance with the stage of completion of the projects funded.

Cash and cash equivalents totaled 1,132 million euros at June 30, 2010, including 844 million euros in marketable securities (money market funds) with a low price volatility risk, and 288 million euros in cash.

4.3. Notes to the statements of cash flows

4.3.1. Expenses (income) with no cash effect

(in millions of euros)	First-half 2010	First-half 2009
Expenses (income) with no cash effect		
Depreciation, amortization and impairment of non-current assets	272	294
Net additions to (reversals from) provisions	13	(58)
Losses (gains) on sales of non-current assets	(6)	1
Expenses related to share-based payment	2	4
Other expenses (income) with no cash effect	-	(1)
TOTAL	**281**	**240**

4.3.2. Changes in working capital

(in millions of euros)	First-half 2010	First-half 2009
Changes in working capital		
Inventories	(47)	95
Accounts and notes receivable	(229)	(39)
Accounts and notes payable	253	28
Other receivables and payables	55	95
TOTAL	**32**	**179**

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 identified, each containing several product families. These segments result from internal reports used by the Group's management.

The Group's four segments are:

- Comfort and Driving Assistance Systems, comprising the Interior Controls and Security Systems product families. These focus on the interface between the driver, and his/her environment and the vehicle 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.

Each of these Business Groups is also responsible for the manufacture and for part of the distribution of products for the aftermarket. Accordingly, income and expenses for Valeo Service, which sells almost exclusively products manufactured by the Group, have been reallocated among the Business Groups identified.

The "Other" segment 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 segment are shown below:

(in millions of euros)	Security and Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
First-half 2010						
Net sales						
■ segment (excluding Group)	832	1,333	1,437	1,174	11	4,787
■ intersegment (Group)	16	11	10	12	(49)	-
EBITDA (1)	**100**	**131**	**193**	**135**	**5**	**564**
Research and Development expenditure, net	(69)	(74)	(67)	(63)	6	(267)
Investments in property, plant and equipment and intangible assets for the period	60	60	36	42	2	200
Segment assets (2)	1,094	1,713	1,543	1,331	114	5,795
First-half 2009						
Net sales						
■ segment (excluding Group)	613	942	1,011	896	10	3,472
■ intersegment (Group)	14	9	1	8	(32)	-
EBITDA (1)	**38**	**86**	**62**	**41**	**2**	**229**
Research and Development expenditure, net	(60)	(53)	(65)	(56)	-	(234)
Investments in property, plant and equipment 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

(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.

5.2. Reconciliation with Group data

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

(in millions of euros)	First-half 2010	First-half 2009
EBITDA	**564**	**229**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses (1)	(272)	(280)
Other income and expenses	(31)	(37)
Operating income (loss)	**261**	**(88)**

(1) Only impairment losses recorded in the operating margin.

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	First-half 2010	First-half 2009
Segment assets	**5,795**	**5,237**
Assets held for sale	2	5
Financial assets	1,382	699
Deferred tax assets	170	104
Total segment assets	**7,349**	**6,045**

Statutory Auditors' report on interim financial information

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with article L. 451-1-2 III of the French monetary and financial code *(Code monétaire et financier)*, we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Valeo, for the period from January 1 to June 30, 2010; and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in 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 the financial statements, taken as a whole, are free from material misstatements, as we would not 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 these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 27, 2010

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
David Chaudat	Lionel Gotlib	Jean-François Ginies	Gilles Puissochet

Statement by the person responsible for the 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, 2010 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 faire 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 27, 2010

Jacques ASCHENBROICH
Chief Executive Officer

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