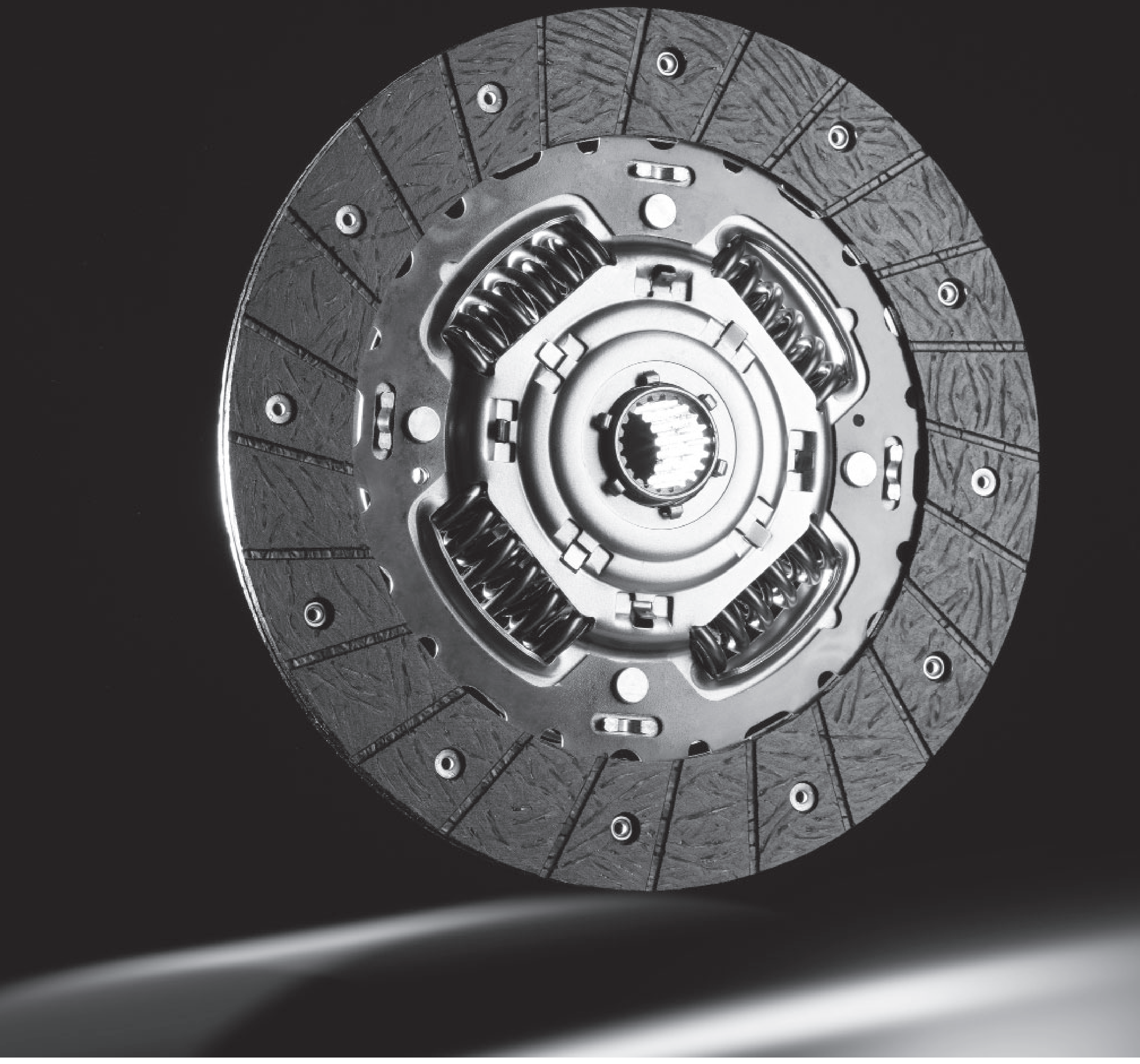
2011
Interim Financial Report



Enabling a better automotive world

Valeo

Content

Board of Directors

Pascal Colombani

Chairman

Jacques Aschenbroich

Chief Executive Officer

Gérard Blanc

Daniel Camus

Jérôme Contamine

Michel de Fabiani

Lord Jay of Ewelme

Helle Kristoffersen

Noëlle Lenoir

Thierry Moulonguet

Georges Pauget

Ulrike Steinhorst

Statutory auditors

Ernst & Young et Autres

Represented by
Jean-François Ginies and Gilles Puissochet

Mazars

Represented by
David Chaudat and Lionel Gotlib

Committees

AUDIT COMMITTEE

Daniel Camus *Chairman*

Michel de Fabiani

Thierry Moulonguet

Georges Pauget

APPOINTMENT, COMPENSATION AND GOVERNANCE COMMITTEE

Jérôme Contamine *Chairman*

Lord Jay of Ewelme

Noëlle Lenoir

Georges Pauget

Ulrike Steinhorst

STRATEGY COMMITTEE

Pascal Colombani *Chairman*

Gérard Blanc

Helle Kristoffersen

Thierry Moulonguet

Key consolidated figures

(in millions of euros)	First-half 2010	First-half 2011	% change 2011/2010
Sales	**4,787**	**5,334**	**+11%**
Gross margin	**856**	**916**	**+7%**
% of sales	*17.9%*	*17.2%*	*-0.7 pts*
Operating margin	**292**	**345**	**+18%**
% of sales	*6.1%*	*6.5%*	*+0.4 pts*
Operating income	**261**	**344**	**+32%**
% of sales	*5.5%*	*6.4%*	*+0.9 pts*
Net income Group share	**168**	**218**	**+30%**
% of sales	*3.5%*	*4.1%*	*+0.6 pts*
Earnings per share *(in euros)*	**2.22**	**2.89**	**+30%**
ROCE (1)	**25%**	**36%**	**+11 pts**
EBITDA (2)	**564**	**602**	**+7%**
% of sales	*11.8%*	*11.3%*	*-0.5 pts*
Free cash flow (3)	**291**	**134**	**-54%**
Net cash flow (4)	**241**	**(183)**	**N/A**
Headcount at June 30	**56,000**	**61,400**	**+10%**

(1) ROCE corresponds to operating margin divided by stockholders' equity before goodwill over the last 12 months.

(2) EBITDA corresponds to operating income before depreciation, amortization, impairment losses and other income and expenses.

(3) Free cash flow corresponds to net operating cash flow less net disbursements on property, plant and equipment and intangible assets.

(4) Net cash flow corresponds to free cash flow less financial expenses and after taking into account the payment of dividends and financial flows relating to mergers and acquisitions.

(in millions of euros)	June 30, 2010	June 30, 2011	% change
Stockholders' equity	1,468	1,784	+22%
Net debt*	438	452	+3%
Gearing	30%	25%	-5 pts

* *After acquisition of Niles in an amount of 286 million euros.*

Quarterly sales

(in millions of euros)	Q1 2010*	Q2 2010*	Q1 2011*	Q2 2011*
Original equipment	1,898	2,059	2,263	2,247
Aftermarket	351	371	361	358
Other	60	48	45	60
Sales	**2,309**	**2,478**	**2,669**	**2,665**

* *Unaudited.*

Management report

1. Review of operations

1.1. Valeo's activity compared to overall automotive production

During the first six months of 2011, global automotive production[1] continued to expand, growing by 3%. Growth was recorded in all automotive production regions, with the exception of Asia as a result of the earthquake in Japan.

Automotive production by geographic area in the first half of the year broke down as follows[1]:

- Europe (and Africa) climbed 8% on the back of an upturn in new car registrations in Germany and vigorous exports outside of Europe;
- Asia (and other) contracted by 3% as a result of the earthquake in Japan, where sales contracted 31%;
- North America moved up 8%, as the recovery from the 2009 crisis continued apace;
- South America advanced 9% during the period under review.

Boosted by the favorable environment in the automotive market and the outperformance of Valeo's original equipment business on its main markets, the Group recorded **consolidated sales** for first-half 2011 of 5,334 million euros, up 11% compared with the same year-ago period (4,787 million euros). On a like-for-like basis (constant Group structure and exchange rates), consolidated sales advanced by 13%.

Consolidated sales recorded by the original equipment and aftermarket segments in first-half 2011 broke down as follows:

- **original equipment sales** amounted to 4,510 million euros (85% of consolidated sales). On a like-for-like basis, sales recorded by this segment in the first half of 2011 rose 15%, outperforming global automotive production[1] which advanced 3% during the period under review. This outperformance by the original equipment business was observed across the Group's main production regions (see below);
- **sales for the aftermarket business** came in at 719 million euros (13% of consolidated sales), advancing 3% on a like-for-like basis compared to first-half 2010 (722 million euros);
- miscellaneous sales and sales of tooling in the "Other" segment came in at 105 million euros (on a like-for-like basis versus first-half 2010).

	First-half			
Original equipment *(in millions of euros)*	**2010**	**2011**	**% change Valeo sales***	**% change automotive production****
Europe & Africa	2,380	2,720	+15%	+8%
Asia (excl. Japan)	546	616	+14%	+6%
of which China	*299*	*318*	*+10%*	*+4%*
Japan	236	188	-24%	-31%
North America	476	640	+39%	+8%
South America	319	346	+5%	+9%
World total	3,957	4,510	+15%	+3%

* *Like-for-like.*

** *JD Power estimates.*

In view of these results, Valeo's original equipment **sales outperformed automotive production in its main market:**

- in Europe, Valeo reported 15% sales growth – seven percentage points higher than automotive production thanks to its strong customer positioning and product mix (ramp-up of certain technologies, particularly in the Powertrain Systems and Comfort & Driving Assistance Systems Business Groups);
- in Asia (excluding Japan) Valeo recorded 14% sales growth – eight percentage points higher than automotive production thanks to market share gains for the Group;

(1) Source: JD Power Global Automotive Automotive Forecast, June 2011.

- in North America, Valeo posted 39% sales growth, and outperformed the automotive production market by 31 percentage points thanks to its favorable customer positioning and improved product mix as well as market share gains.

These buoyant performances in the main production regions, combined with a positive geographic mix, enabled the Group's original equipment sales to outperform global market growth by 12 percentage points in the first half of the year, despite the impact on business activity of Japan's March 11 earthquake.

Business levels in Japan should pick up again as from this summer. More broadly, while minor supply chain disruptions cannot be discounted, they are not expected to impact global automotive output in third-quarter 2011.

In the first half of the year, Europe accounted for 60% of the Group's original equipment sales. Over the same period, North American sales represented 14% compared with 12% for the same year-ago period. Asia accounted for 18% of original equipment sales in the first half of the year, down two percentage points compared to the same period in 2010 following the earthquake in Japan. Excluding Japan, the Asia region represents 14% of Group sales, stable compared to the same year-ago period.

All Business Groups contributed to the growth effort and to outperforming global automotive production.

Sales *(in millions of euros)*	**First-half**			
	2010	**2011**	**% change Valeo sales***	**% change OE sales***
Comfort & Driving Assistance Systems	848	970	+15%	+17%
Powertrain Systems	1,344	1,549	+18%	+21%
Thermal Systems	1,447	1,559	+8%	+8%
Visibility Systems	1,186	1,304	+11%	+15%

* *Like-for-like.*

The Business Groups all enjoyed buoyant growth momentum, with original equipment sales rising faster than global automotive production[(1)], which was up 3% in first-half 2011.

The Comfort & Driving Assistance Systems and Powertrain Systems Business Groups outperformed global automotive production by 14 and 18 percentage points respectively, thanks in particular to market share gains in new technologies (Stop-Start, torque converter, driving assistance, cameras, radar, etc.). The Thermal Systems Business Group, which has a strong presence in Japan, was more directly impacted by the earthquake.

The Group also achieved excellent results with its German customers, which accounted for 29% of total original equipment sales compared with 27% in first-half 2010.

On the back of a record high order intake of 7.7 billion euros, the orders-to-sales ratio hit an all-time high of 1.7 (versus 1.6 at December 31, 2010).

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 filed 612 applications for patents worldwide in 2010.

As part of its 2015 strategic plan presented during the March 9, 2011 Investor Day, Valeo reaffirmed its development objectives in terms of innovation and new products, notably in the fields of CO_2 emissions and vehicle weight reduction, energy efficiency, and smart driving systems.

Valeo took part in the Auto Shanghai car show from April 21 to 28, 2011, where the Group presented its demonstration electric vehicle showcasing a wide range of innovative technologies. The show car demonstrated Valeo's expertise along with that of its partners (Leroy Somer, Johnson Controls-Saft, GKN, Michelin and Leoni) in electric drivetrains and thermal management, as well as in products designed to reduce vehicle weight and energy consumption.

In May and June 2011, Valeo also took part in a number of "tech days" with several automakers, most notably in Korea. On May 12, Valeo presented its four Business Groups' very latest technological innovations to engineers from the Hyundai R&D Center. This was followed by Valeo tech day presentations hosted by Renault Samsung Motors on May 18, and by General Motors Korea on May 20. In addition, two tech days were organized in the United States between June 14 and 16, at the Chrysler Headquarters and Technical Center and at the Toyota Technical Center.

The purpose of these events was to offer the Group's key customers solutions for safer, more comfortable and environmentally-efficient vehicles.

Lastly, customers continued to recognize the Group's performance in its four segments:

- at the annual awards ceremony held in Detroit on March 10, 2011, Valeo Powertrain Systems received the Supplier of the Year Award from General Motors in the Powertrain category, in recognition of its torque converter;
- on March 29, 2011, Valeo received two Quality Awards from TPCA (Toyota Peugeot Citroën Automobile), at a ceremony held at the Kolin facility (Czech Republic), 10 days after receiving four awards in Brussels in recognition of its excellent performance in the areas of supply, cost management and quality;
- on March 29, 2011, PSA awarded Valeo the Peugeot Citroën Supplier Award (Spare Parts Delivery Performance category) at its Poissy facility, in recognition of the exceptional performance of the Martos site (Visibility Systems);
- on May 4, Valeo Service received the Best Sales and Marketing Support Award from Temot International – one of the leading aftermarket specialists in Europe – at a convention in London;
- at the Annual Meeting of Group Auto Union International (GAUI) held in Barcelona on May 24, 2011, Valeo Service was named Best Logistics Supplier. This follows on the heels of the 2009 GAUI Supplier of the Year Award received in May 2010 in Budapest. GAUI is a worldwide network of independent distributors for automotive spare parts. It is present in 30 countries through 800 distributors.

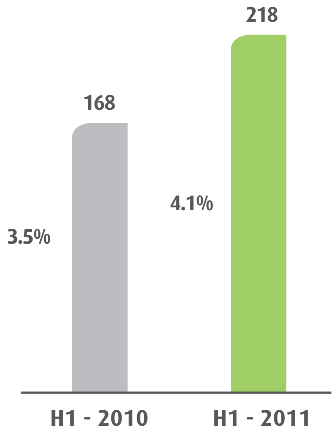
2. Financial review

2.1. Statement of income

During the period under review, **net income Group share** climbed 30% to **218 million euros** or 4.1% of sales **compared to 168 million euros** (3.5% of sales), for the same period in 2010. Valeo's net income thus reached its highest level for a first half-year since 1998.

Net income Group share

(in million of euros and % of sales)



2.1.1. Gross margin

In the first half of 2011, **gross margin** represented 17.2% of sales, or 916 million euros, edging back 0.7 percentage points compared to the same year-ago period (17.9% of sales, or 856 million euros). This decrease in gross margin mainly reflects higher commodity prices (including for rare earth metals) and the disruptions caused by the Japanese earthquake.

Gross margin

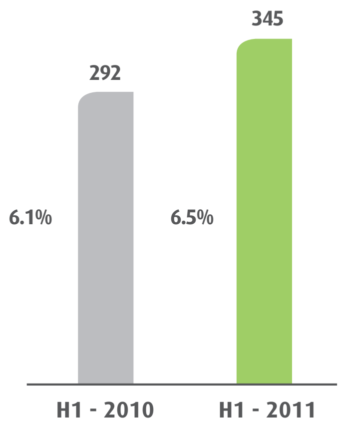
(% of sales)

2.1.2. Operating margin

Despite the rise in commodity prices and thanks to the containment of administrative and selling expenses, the Group's **operating margin** (before other income and expenses) in the period under review came in at 345 million euros, or 6.5% of sales compared to 6.1% in the first half of 2010.

Operating margin

(in million of euros and % of sales)

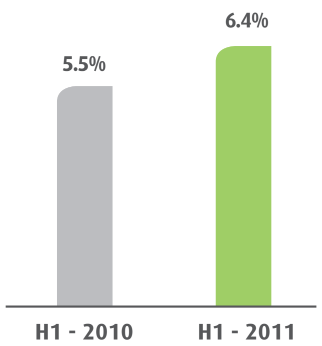


2.1.3. Operating income

Operating income totaled 344 million euros, or 6.4% of sales versus 261 million euros (5.5% of sales) during the same period in 2010.

Operating income

(% of sales)



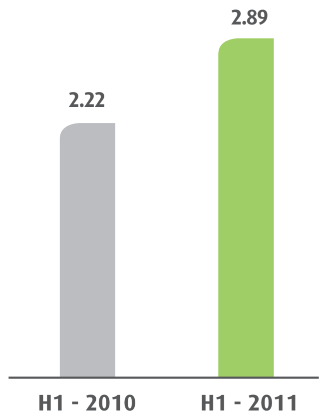
2.1.4. Other income statement items

Income before tax for the first half of the year increased to 302 million euros from 226 million euros one year earlier.

The effective tax rate came out at 26%, while net income Group share climbed 30% to 218 million euros or 4.1% of sales.

Earnings per share

(in euros/share)



Basic earnings per share came out at 2.89 euros per share versus 2.22 euros per share one year earlier.

2.1.5. EBITDA(1) by Business Group

% of sales	H1 2010	H1 2011	Change 2011/2010
Comfort & Driving Assistance Systems	11.8%	11.0%	-0.8 pts
Powertrain Systems	9.7%	10.6%	+0.9 pts
Thermal Systems	13.3%	11.1%	-2.2 pts
Visibility Systems	11.4%	10.7%	-0.7 pts

All Business Groups contributed to improving the Group's operating performance during first-half 2011.

(1) EBITDA corresponds to operating income before depreciation, amortization, impairment losses and other income and expenses.

2.2. Cash flow and balance sheet items

Free cash flow(1) (before interest expense) amounted to 134 million euros for the first half of 2011, reflecting the Group's operating performance against a backdrop of sharply rising commodity prices and a 40% increase in investments to 307 million euros, as well as vigorous growth in orders and business volumes.

After interest expense (42 million euros) and other financial items (275 million euros), in particular the acquisition of Niles, **net cash flow**(2) represented an outflow of 183 million euros.

During the period the Group benefited from Moody's upgrading of Valeo's long-term debt to investment grade and **actively managed its long-term debt** with a view to:

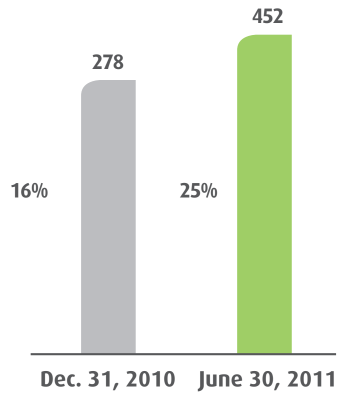
- extending the average maturity of its debt and smoothing its repayment profile through:
  - the issue of 500 million euros worth of bonds maturing in 2018,
  - the redemption of 200 million euros worth of bonds maturing in 2013;
- financing the acquisition of Niles through a syndicated loan taken out in yen representing 250 million euros and maturing in 2016.

At June 30, 2011, **net debt** totaled 452 million euros, an increase of 174 million euros compared to December 31, 2010 (278 million euros).

At June 30, 2011 Valeo had 1,162 million euros in **available cash and cash equivalents.** The Group also has a program of confirmed bilateral credit lines representing 1,115 million euros.

Net debt

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



Provisions totaled 1,102 million euros at June 30, 2011 versus 1,183 million euros at December 31, 2010, and includes 627 million euros in provisions for pensions and other employee benefits versus 651 million euros at December 31, 2010.

Stockholders' equity

(in millions of euros)

(1) *Free cash flow corresponds to net operating cash flow less net disbursements on property, plant and equipment and intangible assets.*

(2) *Net cash flow corresponds to free cash flow less financial expenses and after taking into account the payment of dividends and financial flows relating to mergers and acquisitions.*

3. Risk factors

The risk factors are identical to those identified in section 2.A of the 2010 Registration Document.

4. Related party transactions

There were no significant changes in related-party transactions during the first half of 2011.

5. Highlights

On June 30, 2011, Valeo announced the signing of the acquisition of Niles from RHJ International and Nissan for an enterprise value of 313 million euros (36 billion yen), thereby becoming world leader on the Interior Controls market. The Company was integrated into the Comfort & Driving Assistance Systems Business Group on July 1, 2011. Niles is a leading manufacturer of automotive switching systems, recorded sales of 412 million euros (47 billion yen) in 2010, and has 3,900 employees based at eight production sites. It boasts an extensive presence in Asia, particularly in Japan, Thailand, China, Korea and Taiwan. This acquisition strengthens Valeo's positions with respect to long-standing customers, especially Nissan, and its network in Asia, particularly in Thailand and China, in line with the Group's goal of generating more than 30% of its sales in Asia by 2015.

On May 11, 2011, Valeo announced the success of its 500 million euro bond issue maturing in 2018 and its offer to redeem 200 million euros worth of bonds maturing in 2013 out of the total 600 million euro issuance in June 2005.

On May 3, 2011, Moody's announced its decision to upgrade Valeo's long-term debt rating from Ba1 to Baa3 with a stable outlook as well as the rating of its short-term debt from Not-Prime to Prime-3.

On April 1, 2011, two new facilities were opened in China: an electronics center in Shenzhen that will develop electronic hardware and services for all Group entities (100 engineers by the end of 2011 and 200 in 2015) and a 15,600 sq.m. wiper systems plant in Wenling that will significantly increase wiper and washing system production capacity for both Chinese and international customers.

Note

Valeo has received several requests from European and American antitrust authorities for documents and information relating to several of its products. As stated previously, it is Valeo's policy to strictly prohibit anti-competitive behavior. Valeo will fully cooperate with the authorities in this investigation.

6. Outlook

Valeo remains confident in its assumption that global automotive production will increase by approximately 5% for 2011 as a whole.

On this basis, and despite headwinds generated by rising commodity prices, particularly for rare earth metals, Valeo confirms its 2011 guidance, i.e.:

- original equipment sales to outperform market in its main regions of production;
- to achieve full-year operating margin as a percentage of sales slightly higher than 2010.

7. 2015 strategic plan

At its Investor Day held on March 9, 2011 in Paris, Valeo presented its new medium-term objectives.

Valeo intends to step up the strategy presented in March 2010 and is setting new targets for 2015.

Based on the record 12.5 billion euro order intake last year, Valeo is confident in its ability to outperform automotive production by an average 3% per year over the 2011-2015 period, thanks to:

- innovation and new products, particularly in CO_2 emissions reduction;
- expansion in Asia and emerging markets.

Consequently, based on the assumption of growth in global automotive output of around 5% per year over the 2011-2015 period – of which around 4.4% per year in Europe and Africa, 4.7% in North America, 5.3% in South America and 5.8% in Asia – and barring any external economic events impacting the industry, Valeo is in a position to achieve by 2015 and through organic growth, sales in the region of 14 billion euros, operating margin in excess of 7% and return on capital employed of more than 30%.

Lastly, Valeo intends to play an active role in any industry consolidation, while maintaining a disciplined financial strategy aligned with its commitment to maintaining its investment grade rating.

Stock market data

8. Share price

During the first half of 2011, the average closing price of the Valeo share was 42.56 euros, with a high of 47.80 euros on January 11 and a low of 37.52 euros on March 17. Over the first six months of the year, the Valeo share rose 10.9% from 42.47 euros on December 31, 2010 to a closing price of 47.08 euros on June 30, 2011.

The Valeo share outperformed the CAC 40 index by 6.2% and the DJSTOXX Auto index by 1%.

9. Changes in ownership structure

At June 30, 2011, the Company's share capital was made up of 78,907,421 shares. Total voting rights amounted to 80,919,384, based on the number of voting rights declared in accordance with Articles 223-11 *et seq.* of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), i.e., including treasury stock. Excluding treasury stock, the corresponding number of voting rights was 77,850,833.

To the best of the Company's knowledge, on June 30, 2011 the main shareholders were: *Caisse des dépôts et consignations* group (CDC) including the interest held by the Fonds Stratégique d'Investissement (FSI) (8.94% and 11.24%), Amundi Asset Management (5.36% of the share capital and 5.21% of the voting rights), Lazard Ltd (4.96% of the share capital and 4.81% of the voting rights), Société Générale (4.32% of the share capital and 4.19% of voting rights), Pardus Investment Sàrl (2.85% of the share capital and 2.77% of voting rights), Dimensional Fund Advisors (2.53% of the share capital and 2.46% of voting rights), Citadel Equity Fund (2.05% of the share capital and 1.99% of voting rights), Alken Asset Management (2.04% of the share capital and 1.98% of voting rights), BNP Paribas Asset Management (2.03% of the share capital and 1.98% voting rights), AQR Share capital Management (2.01% of the share capital and 1.95% voting rights) and Soros Fund Management (1.70% of the share capital and 1.65% voting rights). At June 30, 2011 Valeo held 3,068,551 shares in treasury (i.e., 3.90% of the share capital, without voting rights) versus 3,538,638 shares at December 31, 2010 (4.50%).

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

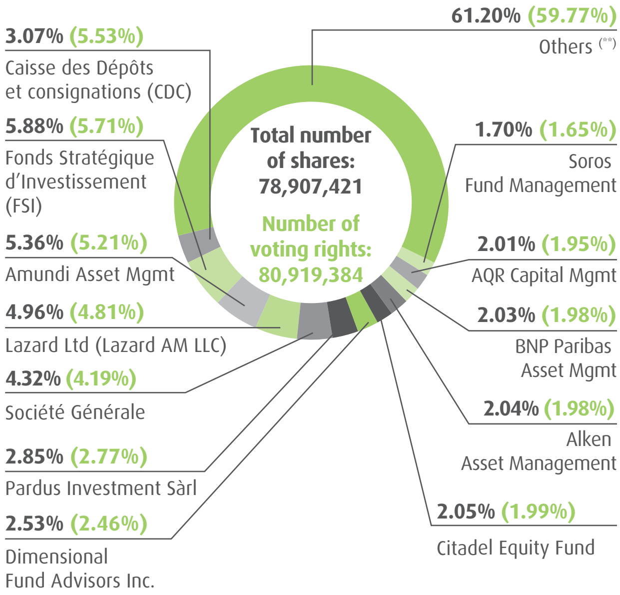
E-mail: thierry.lacorre@valeo.com

Provisional financial communications calendar

- Third-quarter 2011 sales: October 20, 2011;
- Full-year 2011 results: second half of February 2012;
- First-quarter 2012 sales: second half of April 2012;
- First-half 2012 results: second half of July 2012.

Ownership structure at June 30, 2011

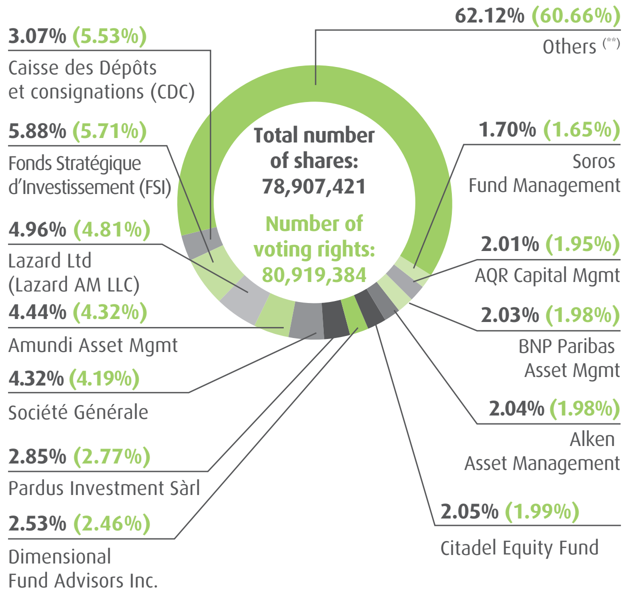
% of capital (% of voting rights)



** Including 3,068,551 treasury shares (3.90% of the share capital).

Ownership structure at July 20, 2011

% of capital (% of voting rights)



** Including 3,068,551 treasury shares (3.90% of the share capital).

10. Stock market data

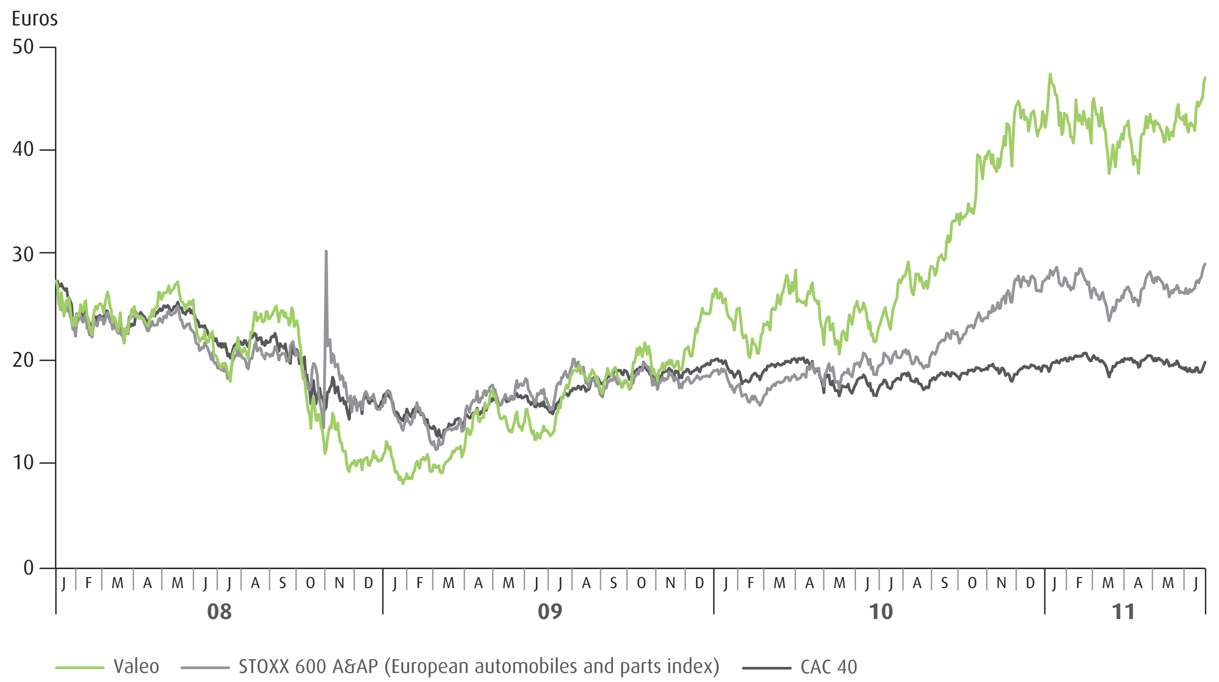
	2007	2008	2009	2010	First-half 2011
Market capitalization at year-end *(in billions of euros)*	2.21	0.83	1.92	3.34	3.71
Number of shares	78,209,617	78,209,617	78,209,617	78,628,798	78,907,421
Highest share price *(in euros)*	45.89	28.60	25.46	45.70	47.80
Lowest share price *(in euros)*	27.75	9.22	8.00	20.07	37.52
Average share price *(in euros)*	37.71	20.93	15.54	29.03	42.56
Share price at period-end *(in euros)*	28.20	10.61	24.53	42.47	47.08

11. Per share data

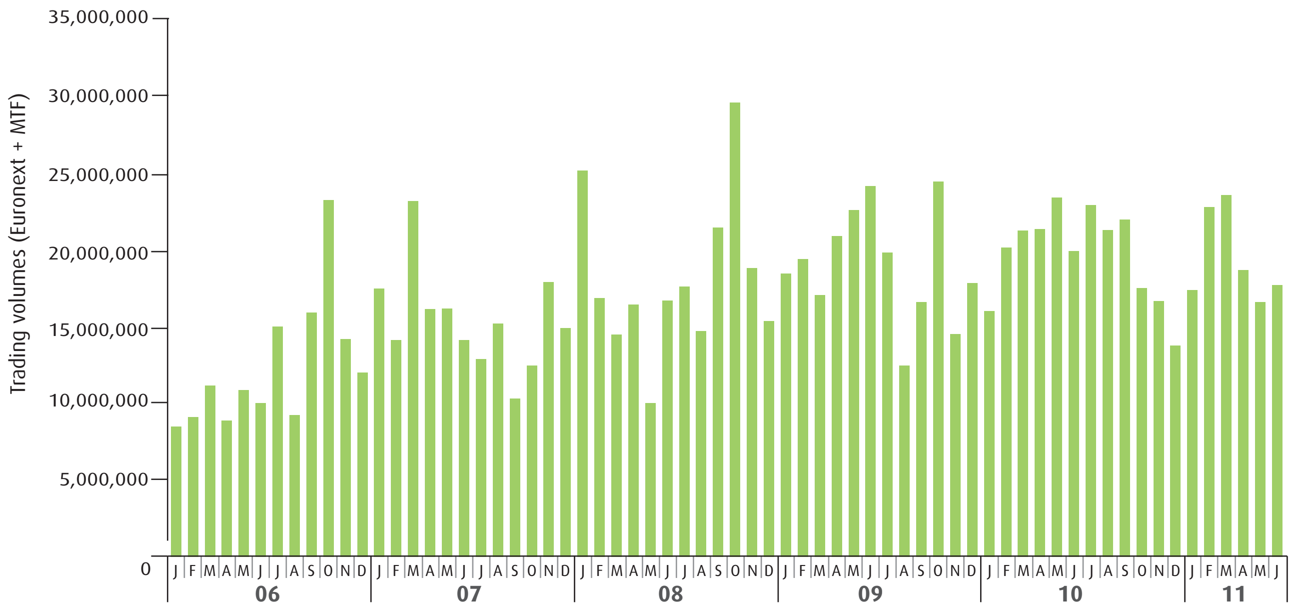
	2007	2008	2009	2010	First-half 2011
Earnings per share	1.06	(2.73)	(2.04)	4.86	2.89
Dividend	1.20(1)	0	0	1.20(1)	-

(1) Eligible for the 40% tax allowance provided for in Article 158-3-2° of the French General Tax Code (Code général des impôts – CGI), or, at the choice of the shareholder, subject to the 18% flat rate provided for in Article 117 quater of said Code.

12. Share price (monthly average from January 2008 to June 2011)



13. Monthly trading volumes



Condensed interim consolidated financial statements for the six months ended June 30, 2011

Consolidated statement of income

(in millions of euros)	*Notes*	First-half 2011	First-half 2010
CONTINUING OPERATIONS			
NET SALES	*4.1*	**5,334**	**4,787**
Cost of sales		(4,418)	(3,931)
GROSS MARGIN		**916**	**856**
% of net sales		17.2%	17.9%
Research & Development expenditure, net	*4.2*	(285)	(267)
Selling expenses		(88)	(87)
Administrative expenses		(198)	(210)
OPERATING MARGIN		**345**	**292**
% of net sales		6.5%	6.1%
Other income and expenses	*4.3*	(1)	(31)
OPERATING INCOME		**344**	**261**
Interest expense		(37)	(41)
Interest income		8	9
Other financial income and expenses	*4.4*	(17)	(14)
Equity in net earnings of associates	*4.5*	4	11
INCOME BEFORE INCOME TAXES		**302**	**226**
Income taxes	*4.6*	(77)	(47)
INCOME FROM CONTINUING OPERATIONS		**225**	**179**
DISCONTINUED OPERATIONS			
Income (loss) from discontinued operations, net of tax		-	(2)
NET INCOME FOR THE PERIOD		**225**	**177**
Attributable to:			
■ Owners of the Company		218	168
■ Minority interests		7	9
Earnings per share:			
■ Basic earnings per share *(in euros)*		2.89	2.22
■ Diluted earnings per share *(in euros)*		2.88	2.08
Earnings per share from continuing operations:			
■ Basic earnings per share *(in euros)*		2.89	2.25
■ Diluted earnings per share *(in euros)*		2.88	2.10

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

Consolidated statement of comprehensive income

(in millions of euros)	**First-half 2011**	**First-half 2010**
NET INCOME FOR THE PERIOD	**225**	**177**
Translation adjustment	(63)	172
o/w income taxes	-	-
Actuarial gains (losses) on defined benefit plans	(1)	(58)
o/w income taxes	-	*11*
Cash flow hedges:		
■ gains (losses) taken to equity	(5)	(15)
■ (gains) losses transferred to income for the period	(13)	(10)
o/w income taxes	*2*	*2*
Remeasurement of available-for-sale financial assets	-	-
o/w income taxes	-	-
Other comprehensive income (loss) for the period, net of tax	**(82)**	**89**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**143**	**266**
Attributable to:		
■ Owners of the Company	140	246
■ Minority interests	3	20

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

Consolidated statement of financial position

(in millions of euros)	*Notes*	June 30, 2011	Dec. 31, 2010
ASSETS			
Goodwill		1,173	1,210
Other intangible assets		544	544
Property, plant and equipment		1,641	1,655
Investments in associates		96	104
Non-current financial assets		362	107
Deferred tax assets		199	198
Non-current assets		**4,015**	**3,818**
Inventories		651	621
Accounts and notes receivable		1,664	1,449
Other current assets		241	200
Taxes recoverable		12	10
Other current financial assets		31	24
Assets held for sale		2	2
Cash and cash equivalents	*5.3*	1,226	1,316
Current assets		**3,827**	**3,622**
TOTAL ASSETS		**7,842**	**7,440**

(in millions of euros)	*Notes*	June 30, 2011	Dec. 31, 2010
LIABILITIES AND EQUITY			
Share capital		237	236
Additional paid-in capital		1,419	1,412
Retained earnings		128	60
Stockholders' equity		**1,784**	**1,708**
Minority interests		57	62
Stockholders' equity including minority interests		**1,841**	**1,770**
Provisions – long-term portion	*5.2*	834	806
Debt – long-term portion	*5.3*	1,643	1,097
Subsidies and grants – long-term portion		21	19
Deferred tax liabilities		23	22
Non-current liabilities		**2,521**	**1,944**
Accounts and notes payable		2,167	1,987
Provisions – current portion	*5.2*	268	377
Subsidies and grants – current portion		8	9
Taxes payable		44	53
Other current liabilities		886	703
Current portion of long-term debt	*5.3*	23	505
Other current financial liabilities		20	15
Short-term debt	*5.3*	64	77
Current liabilities		**3,480**	**3,726**
TOTAL LIABILITIES AND EQUITY		**7,842**	**7,440**

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

Consolidated statement of cash flows

(in millions of euros)	*Notes*	First-half 2011	First-half 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		225	177
Equity in net earnings of associates		(4)	(11)
Net dividends received from associates		-	-
Expenses (income) with no cash effect	*5.4.1*	218	281
Cost of net debt		29	32
Income taxes (current and deferred)		77	47
Gross operating cash flows		**545**	**526**
Income taxes paid		(92)	(48)
Changes in working capital	*5.4.2*	(11)	32
Net cash provided by operating activities		**442**	**510**
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows relating to acquisitions of intangible assets		(91)	(79)
Outflows relating to acquisitions of property, plant and equipment		(222)	(147)
Inflows relating to disposals of property, plant and equipment		6	7
Net change in non-current financial assets	*5.4.3*	(257)	(30)
Impact of changes in scope of consolidation		2	15
Net cash from (used in) investing activities		**(562)**	**(234)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		-	-
Dividends paid to minority interests in consolidated subsidiaries		(8)	(5)
Issuance of share capital		11	-
Sale (purchase) of treasury stock		18	(6)
Issuance of long-term debt		748	27
Interest paid		(50)	(47)
Interest received		8	4
Repayments of long-term debt		(669)	(4)
Acquisition of minority interests		-	(8)
Net cash from (used in) financing activities		**58**	**(39)**
Effect of exchange rate changes on cash		**(15)**	**34**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(77)**	**271**
Net cash and cash equivalents at beginning of period		**1,239**	**787**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,162**	**1,058**
O/w:			
■ **Cash and cash equivalents**		**1,226**	**1,132**
■ **Short-term debt**		**(64)**	**(74)**

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**
75,090,160	**Stockholders' equity at January 1, 2011**	**236**	**1,412**	**230**	**(170)**	**1,708**	**62**	**1,770**
	Dividends	-	-	-	(91)	(91)	(8)	**(99)**
470,087	Treasury stock	-	-	-	17	17	-	**17**
278,623	Capital increase	1	7	-	-	8	-	**8**
	Share-based payment	-	-	-	3	3	-	**3**
	Other movements	-	-	-	(1)	(1)	-	**(1)**
	Transactions with owners	**1**	**7**	**-**	**(72)**	**(64)**	**(8)**	**(72)**
	Net income for the period	-	-	-	218	218	7	**225**
	Other comprehensive income (loss), net of tax:							
	Translation adjustment	-	-	(59)	-	(59)	(4)	**(63)**
	Actuarial gains and losses	-	-	-	(1)	(1)	-	**(1)**
	Gain (loss) on cash flow hedges recognized in equity	-	-	-	(5)	(5)	-	**(5)**
	(Gain) loss on cash flow hedges taken to income for the period	-	-	-	(13)	(13)	-	**(13)**
	Remeasurement of available-for-sale financial assets	-	-	-	-	-	-	**-**
	Total other comprehensive income (loss)	**-**	**-**	**(59)**	**(19)**	**(78)**	**(4)**	**(82)**
	Total comprehensive income (loss)	**-**	**-**	**(59)**	**199**	**140**	**3**	**143**
75,838,870	**Stockholders' equity at June 30, 2011**	**237**	**1,419**	**171**	**(43)**	**1,784**	**57**	**1,841**

Number of shares	*(in millions of euros)*	Share capital	Additional paid-in capital	Translation adjustment	Retained earnings	Stockholders' equity	Minority interests	Total
						Stockholders' equity including minority interests		
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 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 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 condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Valeo Group for the six months ended June 30, 2011 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, integrated 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 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, 2011.

1. Accounting policies

1.1. Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2011 are prepared in accordance with IAS 34– “”Interim Financial Reporting”. Pursuant to IAS 34, the Notes to these financial statements are designed to:

- update the accounting and financial information contained in the last published consolidated financial statements at December 31, 2010;
- include new accounting and financial information about significant events and transactions in the period.

These notes may be read in conjunction with the information set out in the consolidated financial statements included in the Group's 2010 registration document[(1)]. The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2011 are the same as those used to prepare the 2010 annual consolidated financial statements, and take into account the new standards and interpretations effective as of January 1, 2011, the impact of which is described below.

1.1.1. Standards, amendments and interpretations adopted by the European Union and obligatorily applicable for reporting periods beginning on or after January 1, 2011

The annual improvements to IFRS published in May 2010, together with the amendments to IAS 32, IAS 24 and IFRIC 14, obligatorily applicable as from January 1, 2011, did not have a material impact on the consolidated financial statements.

1.1.2. Standards, amendments and interpretations published by the International Accounting Standards Board (IASB) but not obligatorily applicable for reporting periods beginning on or after January 1, 2011 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 for reporting periods beginning on or after January 1, 2011.

The impacts of these standards, amendments and interpretations on the Group's consolidated financial statements were still being analyzed at the date of publication of these condensed interim consolidated financial statements.

1.2. Basis of preparation

Preparation of 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 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, the amounts reported in Valeo's

(1) The 2010 registration document can be consulted on the Group's website (www.valeo.com) or on the website of the AMF (www.amf-france.org), and may be obtained from the Group by writing to the address stated above.

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, 2011 mainly concern the measurement of provisions (see Note 5.2).

In accordance with IAS 34 on interim financial reporting, the Group's income tax expense was calculated based on an estimated tax rate for 2011. This estimated rate was calculated on the basis of tax rates likely to apply and pre-tax earnings forecasts for the Group's tax entities.

2. Changes in the scope of consolidation

2.1. Transactions carried out in first-half 2011

2.1.1. Acquisition of Niles

On February 23, 2011, Valeo signed an agreement with RHJ International SA and Nissan to acquire the entire capital stock of Japanese auto supplier Niles. As a result of this agreement, Valeo acquired control of Niles on June 30, 2011 for an enterprise value of 313 million euros (36 billion yen). Valeo held 98% of Niles' capital at June 30, 2011. A clause for the purchase of the 2% of Niles capital is included in the agreement, and will be carried out in second-half 2011.

The purchase agreement sets out the terms and conditions for preparing the financial statements of the companies acquired, which are incompatible with Valeo's interim accounts closing deadlines. Consequently, Niles was not consolidated when preparing the interim consolidated financial statements. The acquisition will be recognized as of July 1, 2011 and the acquisition price of Niles' assets and liabilities will only be allocated in accordance with the revised IFRS 3 during the second half of 2011.

The acquisition price totals 167 million euros (19 billion yen), paid in cash on the date control was acquired. The purchase agreement provides for contingent consideration which is currently being calculated. The Group's interest in Niles is shown within "Non-current financial assets" in the statement of financial position. This caption also includes the 119 million euro loan granted to Niles by Valeo Japan on June 30, 2011.

Acquisition fees totaling 5 million euros were taken to income in accordance with the revised IFRS 3.

The transaction will reinforce the Comfort and Driving Assistance Business Group and strengthen the Group's foothold in Asia. Niles is a leading manufacturer of automotive switching systems. It has 3,900 employees based at eight production plants and boasts an extensive presence in Asia, particularly Japan, Thailand and China.

Niles closed its annual accounts prepared under Japanese GAAP at March 31, 2011. They include the following key figures:

- Net sales: 47.4 billion yen;
- EBIT: 3.0 billion yen;
- Net income (after deduction of minority interests): 1.7 billion yen;
- Total assets: 36.8 billion yen;
- Equity (excluding minority interests) 5.3 billion yen;

2.2. Transactions carried out in first-half 2010

2.2.1. Acquisition of minority interests in Indian Electrical Systems firm

On May 19, 2010, Valeo increased its take 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. The entity manufactures starters and alternators for passenger vehicles, and has changed its name to Valeo Engine and Electrical Systems India Private Ltd. In accordance with the revised IAS 27, this acquisition of minority interests led to a decrease of 8 million euros in consolidated equity at December 31, 2010.

2.2.2. 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 to December 31, 2009).

2.3. Transactions carried out in second-half 2010

2.3.1. Sale of speed controller business

On August 31, 2010, Valeo sold Telma, a manufacturer of electromagnetic retarders, to Torque Industry (Holding) Limited. The sale did not have a material impact on the consolidated financial statements. The business contributed 30 million euros to consolidated net sales for the first eight months of 2010 (39 million euros for the year to December 31, 2009).

3. 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 have been identified, corresponding to Valeo's organization into Business Groups. There is no aggregation of operating segments.

The Group's four reportable segments are:

- Comfort and Driving Assistance Systems, comprising four Product Groups: Driving assistance, Interior controls, Interior electronics and Access mechanisms. These systems improve safety and driving comfort by offering easy access and enhanced 360° visibility around the vehicle, while creating an ergonomic, intuitive relationship with its environment;
- Powertrain Systems, comprising five Product Groups: Electrical systems, Transmission systems, Engine management systems, Air management systems and Hybrid and electric vehicle systems. This Business Group develops innovative solutions to reduce fuel consumption and CO_2 emissions, while maintaining driving pleasure. These solutions include a complete range of products for the electrification and hybridization of vehicles;
- Thermal Systems, comprising four Product Groups: Climate control, Powertrain thermal systems, Compressors and Front-end modules. The technologies developed by this Business Group contribute to optimizing cabin comfort and to reducing energy consumption;
- Visibility Systems, comprising three Product Groups: Lighting systems, Wiper systems and Wiper motors. These systems offer better visibility solutions for all weather and driving conditions. The systems developed by this Business Group contribute to safety by improving the visibility of both the vehicle and the driver, while saving energy.

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.

Holding companies, disposed businesses and eliminations between the four operating segments defined above are shown in the "Other" segment.

3.1. Key segment performance indicators

The key performance indicators for each segment are as follows:

- net sales;
- EBITDA, which represents operating income (loss) before depreciation and amortization, impairment losses recorded in operating margin, and other income and expenses;
- net R&D expenditure;
- investments in property, plant and equipment and intangible assets;
- segment assets comprising property, plant and equipment and intangible assets (including goodwill) and inventories.

(in millions of euros)	**Comfort and Driving Assistance Systems**	**Powertrain Systems**	**Thermal Systems**	**Visibility Systems**	**Other**	**Total**
First-half 2011						
Net sales						
▪ segment (excluding Group)	956	1,537	1,545	1,284	12	**5,334**
▪ intersegment (Group)	14	12	14	20	(60)	**-**
EBITDA	**107**	**164**	**173**	**140**	**18**	**602**
Research & Development expenditure, net	(72)	(71)	(79)	(65)	2	**(285)**
Investments in property, plant and equipment and intangible assets	88	97	56	66	1	**308**
Segment assets	897	1,186	997	907	22	**4,009**

(in millions of euros)	**Comfort 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	**100**	**131**	**193**	**135**	**5**	**564**
Research & Development expenditure, net	(69)	(74)	(67)	(63)	6	**(267)**
Investments in property, plant and equipment and intangible assets	60	60	36	42	2	**200**
Segment assets	832	1,166	1,043	972	36	**4,049**

3.2. Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating income:

(in millions of euros)	**First-half 2011**	**First-half 2010**
EBITDA	**602**	**564**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses(1)	(257)	(272)
Other income and expenses	(1)	(31)
Operating income	**344**	**261**

(1) Impairment losses recorded in operating margin only.

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	June 30, 2011	June 30, 2010
Segment assets	**4,009**	**4,049**
Accounts and notes receivable	1,664	1,570
Other current assets	241	170
Taxes recoverable	12	6
Assets held for sale	2	2
Financial assets	1,715	1,382
Deferred tax assets	199	170
Total Group assets	**7,842**	**7,349**

4. Notes to the statement of income

4.1. Net sales

Group net sales rose 11.4% in first-half 2011 to 5,334 million euros from 4,787 million euros in first-half 2010. Revenue growth includes an unfavorable 0.7% impact relating to changes in the scope of consolidation and a negative 0.5% impact relating to fluctuations in exchange rates.

On a comparable Group structure and exchange rate basis, net sales therefore climbed 12.6% over the period.

4.2. Research and Development expenditure, net

(in millions of euros)	First-half 2011	First-half 2010
Research and Development expenditure	(420)	(377)
Contributions received and subsidies	113	99
Capitalized development expenditure	83	72
Amortization and impairment of capitalized development expenditure	(61)	(61)
Research and Development expenditure, net	**(285)**	**(267)**

4.3. Other income and expenses

(in millions of euros)	First-half 2011	First-half 2010
Restructuring costs	2	(30)
Impairment of fixed assets	-	-
Claims and litigation	(2)	(8)
Other	(1)	7
Other income and expenses	**(1)**	**(31)**

4.3.1. Restructuring costs

In the first half of 2010, this caption included costs associated with the 2010 restructuring plan, partially offset by a write-back of the remaining provisions set aside for the staff reduction plan launched at the end of 2008.

4.3.2. 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 Group has identified any evidence of impairment arising in the first half of 2011 for each of its CGUs. Where appropriate, an impairment test was performed on the assets concerned.

No impairment losses were recognized as a result of these tests in either first-half 2011 or first-half 2010.

4.3.3. Other

In first-half 2011, this caption chiefly includes acquisition fees relating to the Niles transaction and a capital gain on the sale of a building in Spain.

In first-half 2010, this item mainly included a capital gain on the disposal of the headlamp levelers business (see Note 2.2.2).

4.4. Other financial income and expenses

(in millions of euros)	**First-half 2011**	**First-half 2010**
Interest expense on pension obligations	(23)	(24)
Expected return on pension plan assets	10	10
Additions to provisions for credit risk	-	(1)
Currency gains (losses) on hedging transactions	2	-
Currency gains (losses) on other transactions	(5)	-
Unwinding of discount on provisions (excluding pension obligations)	(1)	(1)
Other	-	2
Other financial income and expenses	**(17)**	**(14)**

4.5. Equity in net earnings of associates

(in millions of euros)	**First-half 2011**	**First-half 2010**
Ichikoh	3	9
Faw Valeo Climate Control Systems (China)	1	3
Other	-	(1)
Equity in net earnings of associates	**4**	**11**

4.6. Income taxes

The income tax expense for first-half 2011, reflecting an effective tax rate of 26%, includes the recognition in certain countries of deferred tax assets totaling 12 million euros, due to an improved economic outlook.

5. Notes to the statement of financial position

5.1. Stock option plan

On February 24, 2011, the Board of Directors agreed on the principles for a stock option and performance share award plan, subject to the adoption of the corresponding resolutions put to the vote of the stockholders. The Combined Stockholders' Meeting of June 8, 2011 approved the corresponding resolutions and decided to grant:

- 292,840 shares under a stock option plan, vesting at the end of a three-year service period, including 210,370 shares subject to performance conditions;
- 326,860 shares under a free share award plan, vesting at the end of a three-year service period for employees based in France, Spain and Italy, and a five-year service period for employees based in other countries, including 126,480 shares subject to performance conditions.

In accordance with IFRS 2, Valeo has estimated the fair value of this plan based on the fair value of the equity instruments granted. The plan's fair value was estimated at 13 million euros and will be taken to income over the vesting period, with an offsetting entry to equity.

5.2. Provisions

(in millions of euros)	**June 30, 2011**	**Dec. 31, 2010**
Provisions for restructuring costs	79	107
Provisions for pensions and other employee benefits	627	651
Other provisions	396	425
Total	**1,102**	**1,183**
Of which long-term portion (more than one year)	834	806
Of which current portion (less than one year)	268	377

5.2.1. Provisions for restructuring costs

In first-half 2011, changes in provisions for restructuring costs mainly reflect disbursements in the period in connection with the restructuring plan provisioned in 2010.

5.2.2. Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits totaled 627 million euros at June 30, 2011, versus 651 million euros at December 31, 2010.

The Group applies the option available under IAS 19 whereby actuarial gains and losses arising on employee benefit obligations are recognized directly in equity.

At June 30, 2011, the Group reviewed its discount rates and the market value of its plan assets. As there were only minor changes in the Group's benchmark indices between December 31, 2010 and June 30, 2011, no adjustments were made in respect of discount rates for pensions in the main countries concerned.

Changes in provisions for pensions and other employee benefits therefore result mainly from provisions utilization for 31 million euros, a net period expense of 22 million euros and translation adjustments totaling 17 million euros.

5.2.3. Other provisions

At June 30, 2011, this caption includes provisions for customer warranties in an amount of 161 million euros and provisions for tax contingencies totaling 72 million euros. The balance essentially covers labor, commercial and environmental risks.

A number of Group companies are involved in legal proceedings in the ordinary course of their operations. Each known dispute was reviewed at the end of the reporting period. Based on the opinions of the Group's legal counsel, the provisions set aside are considered adequate to cover the estimated risks.

5.3. Debt and liquidity

5.3.1. Debt

(in millions of euros)	June 30, 2011	Dec. 31, 2010
Long-term debt	1,643	1,097
Current portion of long-term debt	23	505
Loans and other non-current financial assets	(52)	(85)
Long-term debt	**1,614**	**1,517**
Short-term debt	64	77
Cash and cash equivalents	(1,226)	(1,316)
Short-term cash	**(1,162)**	**(1,239)**
Net debt	**452**	**278**

The rise in debt reflects the acquisition of Niles, for which the Group disbursed 286 million euros at June 30, 2011 (see Note 2.1.1).

On December 31, 2010 the current portion of long-term debt relates mainly to OCEANE bonds for 463 million euros redeemed in January 2011.

5.3.2. Liquidity

Long-term debt includes:

- 400 million euros worth of bonds maturing in 2013;
- two syndicated loans for a total amount of 225 million euros maturing in 2012;
- a seven-year loan for 225 million euros taken out with the European Investment Bank (EIB) at the end of July 2010, repayable in four equal annual installments as from 2013;
- a new five-year loan contracted by the Group at June 30, 2011 for 250 million euros as part of the refinancing for Niles. The loan was taken out with three banks (Mizuho, BOTM and CIC) within the scope of a club deal and bears variable interest (3-month Euribor +1.3%). A Japanese yen cross currency swap for 237 million euros was set up on inception of the loan for the same maturity;
- 500 million euros worth of bonds maturing in 2018 issued by Valeo on May 11, 2011 for a term of seven years, paying interest at 4.875%. These bonds were issued within the scope of the Euro Medium Term Notes program. The effective interest rate is 5.07%, including issuance costs.

At the same time as its new 500 million euro bond issue, Valeo launched an offer to redeem bonds maturing in 2013. One-third of outstanding bonds were redeemed in the offer, representing a nominal amount of 200 million euros out of a total 600 million euros issued in June 2005. This redemption was carried out at 101.8% of par. The transaction was accounted for as an extinguishment of debt, with the difference between the carrying amount of the debt extinguished and the amount paid to bondholders together with brokerage fees recognized in interest expenses for 5 million euros. These simultaneous transactions allow Valeo to extend the average maturity of its debt and smooth its repayment profile, reducing the amount due in 2013 by 200 million euros in exchange for 500 million euros with a revised maturity of 2018.

At June 30, 2011, Valeo had several confirmed bank credit lines totaling 1.1 billion euros. No amounts were drawn down on these facilities in first-half 2011.

Cash and cash equivalents totaled 1,226 million euros at June 30, 2011, i.e. 879 million euros of marketable securities (money market funds) with a low price volatility risk, and 347 million euros in cash.

On May 3, 2011, Moody's upgraded Valeo's long-term debt rating from Ba1 to Baa3 with a stable outlook. The Group's long-term debt is therefore once again classified as investment grade.

Covenants: the new 250 million euro loan taken out with the banks Mizuho, BOTM and CIC on June 30, 2011 is subject to the same covenant as the Group's EIB loan, two syndicated loans and credit lines. Under this covenant, credit facilities will fall due or be cancelled if the ratio of consolidated net debt to EBITDA exceeds 3.25. The net debt to EBITDA ratio calculated over a 12-month period came out at 0.4 at June 30, 2011.

5.4. Breakdown of cash flows

5.4.1. Expenses (income) with no cash effect

(in millions of euros)	First-half 2011	First-half 2010
Expenses (income) with no cash effect		
Depreciation, amortization and impairment of non-current assets	257	272
Net additions to (reversals from) provisions	(50)	13
Losses (gains) on sales of non-current assets	8	(6)
Expenses related to share-based payment	3	2
Other expenses (income) with no cash effect	-	-
TOTAL	**218**	**281**

5.4.2. Changes in working capital

(in millions of euros)	First-half 2011	First-half 2010
Changes in working capital		
Inventories	(48)	(47)
Accounts and notes receivable	(248)	(229)
Accounts and notes payable	221	253
Other receivables and payables	64	55
TOTAL	**(11)**	**32**

5.4.3. Net change in non-current financial assets

(in millions of euros)	First-half 2011	First-half 2010
Net change in non-current financial assets		
Acquisition of shares in Niles	(167)	-
Loan granted to Niles by Valeo Japan	(119)	-
Other long-term loans	31	(27)
Other	(2)	(3)
TOTAL	**(257)**	**(30)**

6. Events after the reporting period

Valeo has received several requests from European and American antitrust authorities for documents and information relating to several of its products. As stated previously, it is Valeo's policy to strictly prohibit anti-competitive behavior. Valeo will fully cooperate with the authorities in this investigation.

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, 2011, 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, 2011

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, 2011 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 27, 2011

Jacques ASCHENBROICH
Chief Executive Officer

Design & published by Labrador +33 (0)1 53 06 30 80

Labrador +33 (0)1 53 06 30 80

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