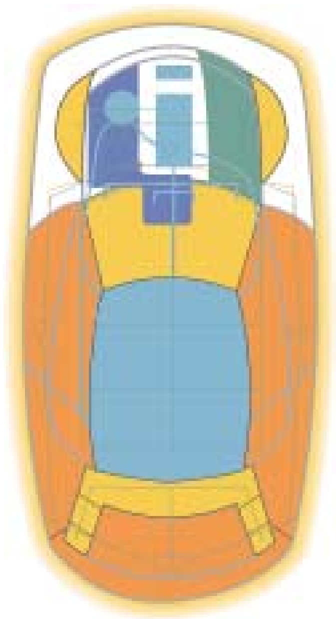
INTERIM REPORT 2002



Valeo

Supervisory Board

Noël Goutard (1) (3)
Chairman

Ernest-Antoine Seillière (1) (3)
Vice Chairman

Carlo De Benedetti

Arnaud Fayet (1) (2)

Yves-André Istel

Jean-Marc Janodet (2)

Jean-Bernard Lafonta (1)

Alain Minc (1) (3)

Jean-Pierre Souviron (2)

Erich Spitz (1)

Management Board

Thierry Morin
Chairman

Luc Blériot

Bernard Geymond

Géric Lebedoff

Vincent Marcel

Statutory Auditors

Coopers & Lybrand Audit
Represented by Serge Villepelet

RSM Salustro Reydel
Represented by Edouard Salustro and Jean-Pierre Crouzet

Independent Auditors

PricewaterhouseCoopers

(1) Member of the Strategic Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

Contents

CONSOLIDATED FINANCIAL DATA (Millions of euro)	1st half 2002	1st half 2001	% change 2002/2001
Net sales and revenues	**5,184**	**5,471**	**–5.2%**
Gross margin	**888**	**867**	**+2.4%**
% sales	17.1%	15.8%	
Operating income	**240**	**178**	**+34.8%**
% sales	4.6%	3.3%	
Net income/(loss)	**68**	**(185)**	
Earnings/(loss) per share (euro)	**0.82**	**(2.23)**	
Cash flow (1)	**402**	**145**	**+177.2%**
Capital expenditures	**289**	**359**	**–19.5%**

(Millions of euro)	At June 30, 2002	At Dec. 31, 2001	% change 2002/2001
Stockholders' equity	**2,166**	**2,262**	**–4.2%**
Net indebtedness	**532**	**648**	**–17.9%**
Debt-to-equity ratio	**25%**	**29%**	
Number of employees	**72,000**	**70,000**	

(1) Net income + depreciation.

Quarterly trends*

(Millions of euro)	Q1-2002	Q2-2002
Net sales and revenues	**2,550**	**2,634**
Gross margin	**422**	**466**
% sales	16.5%	17.7%
Operating income	**98**	**142**
% sales	3.8%	5.4%

(*) The publication of quaterly data does not give rise to a review by independent auditors or statutory auditors.

Dear Shareholders,

The first half 2002 has confirmed Valeo's current turnaround: gross and operating margins grew by 1.3 percentage points compared with the first half 2001, to stand at 17.1% and 4.6% of sales. In line with the commitment I made to you, Valeo's accounts have progressed quarter by quarter: the Group's operating margin increased from 3.8% of sales in the first quarter of this year to 5.4% in the second quarter, generating the best Group results since the end of 2000.

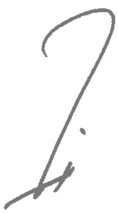
During the first half, actions implemented to restructure the Group's industrial base were taken a stage further. In North America, Valeo's VESI subsidiary made decisive progress enabling it to establish the conditions that will ensure the operating profitability of its Rochester site. In Europe, programs to improve the productivity of our wiring and lighting activities were put in place.

Ongoing improvement in industrial performance enabled the Group to optimize the use of its resources. Increased logistics efficiency led to a fall in inventory levels, while the standardization of industrial processes and the reduction in the number of sites resulted in a drop in capital expenditure. These factors, combined with improved operating performance, meant that the Group was able to reduce its debt levels by 18% within a semester.

At the same time, the Group continued to develop its core businesses: our three Industrial Activities (Electrical/Electronics, Thermal Systems, Transmissions) achieved numerous commercial successes that can be attributed to the high technology content of their product offering resulting from our Domain-based innovation strategy. In addition, in the Aftermarket Activity we regrouped the sales, marketing and logistics activities of replacement part sales to automakers and to independent distributors. Our goal is to widen the service offering to our customers.

During the first half we concluded several partnerships which will reinforce Valeo's technological and industrial advance. We will outsource the production of printed circuit boards. Several other agreements were signed which will allow Valeo to introduce new high performance technologies, such as power electronics and radar, into automotive applications.

In the second half we intend to continue to increase the competitiveness of our manufacturing base and the efficiency of our organization. On the strength of the progress made over the last five quarters and its enhanced technology offering, Valeo is determined to seize the commercial and development opportunities that will support its profitable growth.



Thierry Morin - Chairman of the Management Board

Paris, July 25, 2002

Significant events

Valeo's activity and the world automotive environment

Sales declined by 5.2% in the first half. The negative impact of changes in the reporting entity amounted to 2.7%, while variations in exchange rates positively contributed by 0.1%. Excluding currency variations and changes in the reporting entity, sales fell by 2.6%, reflecting difficulties in the markets where the Group operates:

– Valeo's sales in Europe fell by 8.9% (5.3% at constant reporting entity and exchange rates). At the same time, automotive output fell by 4% in the first half of 2002 (on a year-on-year basis) due to a weak economic environment;

– Valeo's sales in North America rose by 3.4% (on a comparable basis, exchange rates and the reporting entity remained unchanged). Despite incentives to buy new cars in particular through zero financing, car sales decreased by 2.6% during the first six months of the year. Due to inventory building by vehicle manufacturers, automotive output in North America increased by 5% during the first half of 2002 (on a year-on-year basis);

– Valeo's sales in Asia progressed by 12.4% (13.6% at constant reporting entity and exchange rates). Automotive output in Asia was up by 6% over the same period;

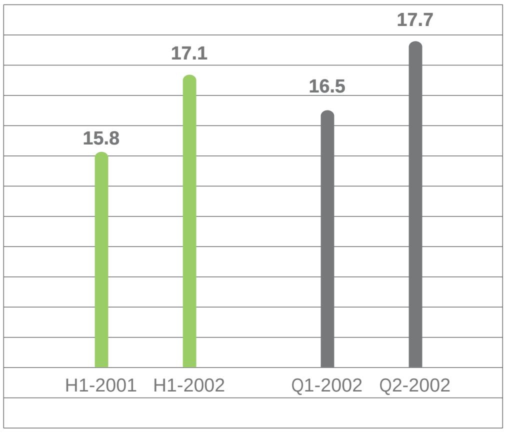
– In South America, the Group's sales declined by 16.6%. The deterioration in the economic environment in Brazil caused production to fall by 10% in the first half while, in Argentina, the economic crisis cut the sales of cars in half for the second year running. On average, vehicle output in South America fell by 14% in the first half (on a year-on-year basis).

Variations in the reporting entity had a negative impact on sales due to the selective disposals carried out since the end of the first quarter 2001; disposal of Filtrauto, Valeo Transmissions UK and non-automotive wiring harness activities.

Exchange rate variations had a negligible impact on sales, reflecting the depreciation of the dollar at the very end of the first half: Valeo achieves over a quarter of its sales in this currency. On average, the dollar has maintained itself at the same level on year-on-year basis, at 1.11 dollars for one euro.

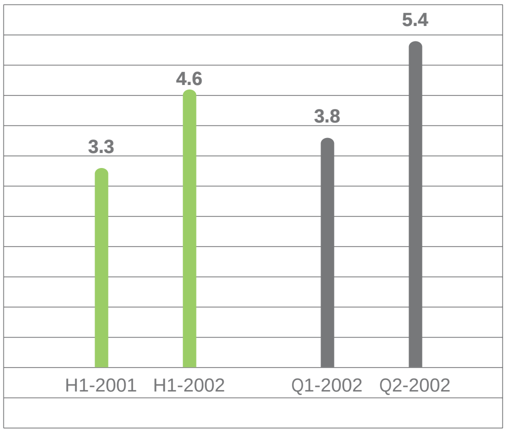
Evolution in operating results

Valeo's results continued to progress due to the actions undertaken by the Group. The optimizing of purchasing, industrial restructuring and the focus on core businesses enabled Valeo to pursue the improvement in gross margin during the first half of 2002: standing at 17.1% of sales, it increased by 1.3 percentage points over the same period in 2001. In the course of the first half, gross margin rose from 16.5% of sales in the first quarter to 17.7% in the second quarter.



GROSS MARGIN*
(in % of sales)

In the first half, operating income amounted to 4.6% of sales, up by 1.3 percentage points over the first half of 2001. This improvement reflects the positive evolution of the gross margin and control over Research & Development and administrative expenses (stable in percent of sales).



OPERATING INCOME*
(in % of sales)

* The publication of quarterly data does not give rise to a review by independent auditors or statutory auditors.

Ongoing actions to improve profitability

Programs to improve profitability continued at a sustained pace:

– Valeo pursued its efforts to reduce the number of its suppliers (down from 3,600 at end December 2001 to 3,300 at end June 2002), while progressing its partnership approach with the most efficient suppliers. This supplier program now counts 60 "Valeo Integrated Partners (VIP)".

– In the course of the first half, Valeo continued to restructure its industrial base. The Group closed four sites (three in Europe and one in Brazil) and opened three plants (one in Eastern Europe, one in Morocco and one in Brazil) to reach a total of 142 production sites at end June 2002. Moreover, Valeo is now in the process of closing four more sites. The Group also announced to its European Works Council in January 2002, that it would be gradually pulling out of its wiring harness activities in France. In line with its strategy of focusing resources, Valeo concluded a partnership with the US company Jabil covering the manufacture of printed circuit boards. This activity accounted for € 350 million in sales in 2001. The alliance calls for the transfer of Valeo’s Meung-sur-Loire, France, production plant to Jabil and the future closure of the Fort Worth entity in the USA. Valeo will remain responsible for product design and a three-year supply contract has been concluded between the two partners.

– Valeo’s US subsidiary, VESI, has made decisive steps in restructuring negotiations which should enable it to come out of “Chapter 11” before 2003, and give it the means to ensure that its Rochester plant has a solid future.

– The rationalization of the industrial base resulted in increased efficiency in industrial processes and logistics leading to a reduction in inventory from 7.6% of sales at the end of December 2001 to 7.2% of annualized sales at end June 2002.

Adaptation of the Group’s organization

Since mid-2001, Valeo has been gradually strengthening its internal organization by regrouping its industrial Branches into three Activities and setting up an Aftermarket Activity. This organization, which started with the creation of an Electrical / Electronics Activity in May 2001, is aimed at facilitating industrial and commercial synergies between Branches. During the first half, the Group set up two new Activities to enhance its strategic position on certain markets:

– Thermal Systems Activity combines the Engine Cooling and Climate Control Branches, the Zexel Valeo Climate Control joint venture and Cockpit and Front-End Modules. This Activity will enable Valeo to increase productivity in the thermal components production and benefit from synergies between different product lines so as to optimize the development of advanced systems.

– Aftermarket Activity: on July 2, 2002, Valeo restructured its aftermarket activities, regrouping original equipment spares sales to automakers and replacement part sales to the independent aftermarket. This new organization allows for more efficient marketing and logistics functions. It will enable Valeo to enhance its service offering against a background of changing regulations in Europe.

In addition, the Annual General Meeting of June 10, 2002 approved the partial asset contributions enabling a regrouping of the industrial activities directly exercised by Valeo (clutches and friction materials) into two wholly-owned subsidiaries. This will enable Valeo to align legal and operational structures, simplify administration and provide greater clarity in terms of the industrial activities' results and the accounts of the Group's holding company.

Technology developments

In terms of innovation, Valeo set up further alliances with specialized partners in leading-edge technologies, whose application to the automotive sector is very promising. Two new partnerships were signed in the first half:

– Valeo entered into an alliance with US firm International Rectifier, to develop innovative systems based on power modules for automotive applications. This agreement will enrich the Group’s offering on the high-growth automotive electronics market.

– Valeo signed a partnership agreement in order to set up a joint venture with the radar specialist, Raytheon, to develop a detection system. The agreement will be finalized in the third quarter 2002. Valeo will contribute its expertise in engineering, marketing and sales to the partnership.

At the same time the partnership concluded with Ricardo in 2001 resulted in the successful development in the second quarter 2002 of a mild hybrid demonstration vehicle known as “i-MoGen” (Intelligent Motor Generator) resulting in an impressive 28% improvement in fuel economy without compromising vehicle performance, driveability or comfort. i-MoGen meets all future anticipated emissions legislation.

Commercial successes and customer awards

Several new contracts were signed in the first half that illustrate the growth prospects inherent in the new products generated by Valeo's research capability:

– For the first application of its double Xenon lighting system, Valeo equips Volkswagen's new luxury sedan, the Phaeton. This new technology enlarges beam width and therefore doubles lateral visibility and has a dynamic self-leveling system to avoid dazzling on-coming road users when in low beam mode.

– In May, Valeo signed contracts with two major automakers to supply starter-alternators on two future models to be launched in two and three years time. These contracts cover a patented system which cuts fuel consumption by up to 10%, reduces noise levels and generates zero emissions when the vehicle is at a standstill.

In the course of the first half, Valeo won two of the three prizes awarded this year by EPCOS/SIA (Electronics Parts and Components/Société des Ingénieurs de l'Automobile). These awards recognize the high degree of creativity and innovation in the design, manufacture and application of automotive electronics systems:

– In the "Life on board, comfort and cockpit" category, the prize was won by Valeo's electrically powered trunk closure system, which will debut on DaimlerChrysler models as a European first;

– The range extender developed jointly by Valeo and Renault for Renault's Kangoo electric vehicle won the top prize in the "Powertrain" category.

Many Branches, Divisions and Units of Valeo received awards from customers for the quality of their products and services. Valeo Sylvania obtained the Mitsubishi Supplier Award, Zexel Valeo Climate Control the Nissan Shatai High Quality Award and the Engine Cooling, USA, and Wiper Systems, China Divisions were distinguished by Honda and the Chang'an Suzuki Supplier Award respectively. Valeo Distribution was named "Best Supplier of the Year" by Auto Union group.

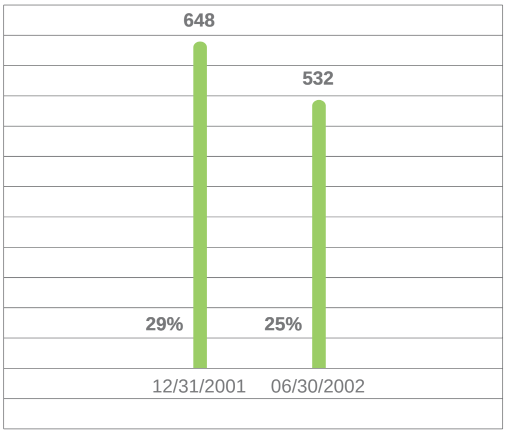
Operating cash flow and improvement in balance sheet

The Group's financial indebtedness was reduced by 18% to € 532 million at end June 2002 versus € 648 million at December 31, 2001, due to:

– an improvement in operating results;

– a reduction in working capital requirements (from 3.8% of sales at the end of 2001 to 2.2% in the past half year) essentially due to a significant inventory decrease;

– The standardization of processes and the reduction in the number of sites, which enabled the Group to reduce capital expenditure to 5.6% of sales in the first half versus 6.6% of sales in the comparable period in 2001. Valeo thus attained the objective set at the end of 2001 of bringing capital expenditure under control.



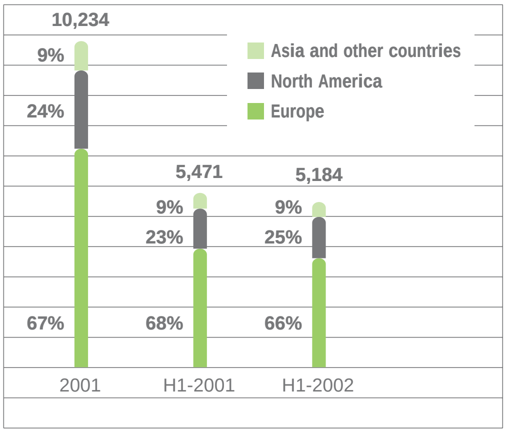
NET INDEBTEDNESS
(in millions of euro and debt-to-equity ratio)

Consolidated Accounts

Sales

Valeo's consolidated sales reached € 5,184 million in the first half of 2002, as compared to € 5,471 million in the first half of 2001.

The breakdown of sales is as follows: € 4,341 million in original equipment sales (€ 4,471 million for the first half of 2001) and € 843 million for the aftermarket (€ 1,000 million for the first half of 2001): the aftermarket share decreased from 18% to 16% of sales due to the sale of Filtrauto. In the first half of 2002, 66% of sales were in Europe, 25% in North America, 5% in Asia and 4% in other countries.



SALES BY AREA OF PRODUCTION
(in millions of euro and % of sales)

Margins and Results

Valeo's gross margin for the first half 2002 increased by 2.4% to reach € 888 million or 17.1% of sales.

Research and Development expenses for the half amounted to € 309 million, or 6% of sales (6% of sales for the first half of 2001).

The Development Efficiency Program contributed to the productivity improvement of the research teams: development costs per project were reduced and enabled an increase in the number of projects at a constant level of expense.

Administrative and sales expenses, reduced by 5.6% for the period, reached € 339 million or 6.5% of sales (6.6% of sales for the first half of 2001).

The net financial income was negative at € 33 million as compared with € (27) million for the first half 2001. This increase is primarily due to the higher average debt level for the period compared with the first half 2001.

Other income and expenses net were negative at € 22 million. This reflects a strong drop compared with the first half 2001 which included € 135 million of restructuring provisions for the Rochester facility.

Pre-tax profit including these exceptional elements reached € 185 million compared with a loss of € 75 million for the first half 2001.

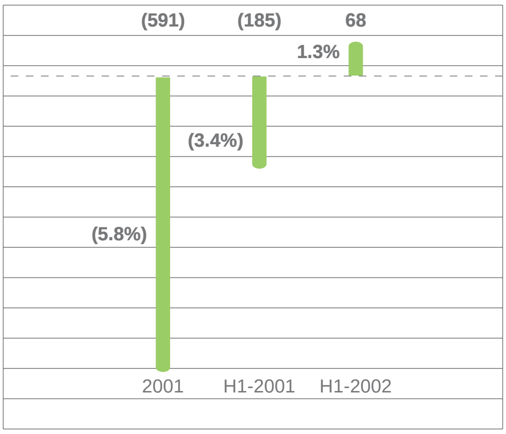
Income tax was € 60 million: the effective tax rate was 32.4% for the first half.

Net income from consolidated companies was € 125 million or 2.4% of sales.

Equity in net earnings of associated companies showed a positive income of € 3 million.

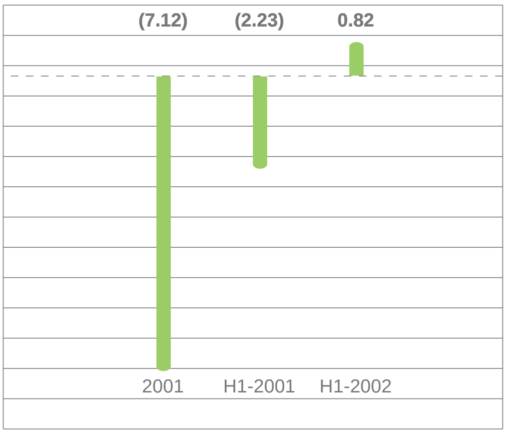
Amortization of goodwill amounted to € 50 million as compared to € 51 million for the same period in 2001.

Net income after minority interests and amortization of goodwill was € 68 million compared to a loss of € 185 million for the first half 2001 (strongly impacted by the weight of non-recurring items).



NET INCOME
(in millions of euro and % of sales)

Net earnings per share for the first half were € 0.82.

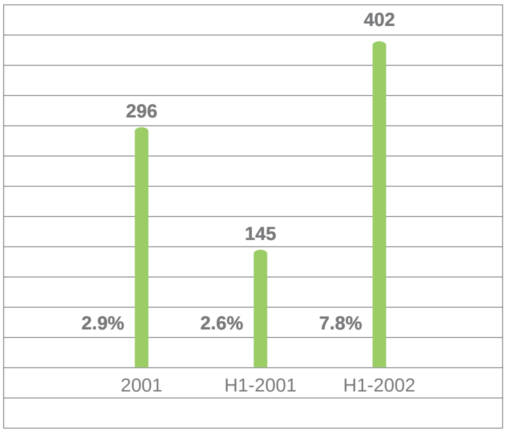


NET EARNINGS PER SHARE
(in euro)

Financing and Financial Structure

Capital expenditures of the Group amounted to € 289 million in the first half, or 5.6% of sales. The industrial process standardization and the reduction in the number of sites were reflected in the improved control of capital expenditure, which was 6.6% of sales in the first half of 2001.

These investments were entirely financed by the Group's cash flow. This increased to € 402 million or 7.8% of sales.



CASH FLOW
(net income + depreciation)
(in millions of euro and % of sales)

At June 30, 2002, shareholders' equity totaled € 2,166 million, a drop of € 96 million compared with the end of December 2001 including a negative translation adjustment of € 109 million.

SHAREHOLDERS' EQUITY (end of period)
(in millions of euro)

Provisions for contingencies and charges totaled € 1,449 million at June 30, 2002. This amount included € 533 million in provisions for restructuring and reorganization expense, against € 740 million at December 31, 2001. The decrease in these provisions was attributable to amounts used in first-half 2002 (for a total of € 96 million) as well as to exchange rate effects and reclassifications of balance sheet items.

Evolution of capital

The Management Board meeting on June 3, 2002, reported that Valeo's share capital at May 31, 2002 amounted to € 250,001,184 consisting of 83,333,728 shares with a par value of € 3.

The increase in the number of shares making up the share capital is due to the creation of 277,125 new shares resulting from the exercise of stock options during the first half of 2002.

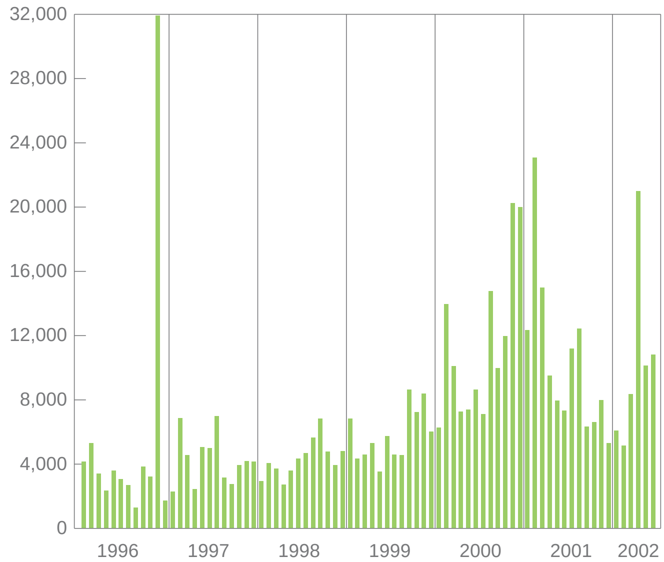
At June 30, 2002, Valeo held 1,271,892 of its own shares acquired within the framework of its share buy-back program.

STOCK MARKET DATA	1st half 2002	1st half 2001	2001	2000	1999
(In billions of euro)					
Market Capitalization (End of period)	3.51	3.96	3,.72	4.01	6.34
Number of shares end of period	83,333,728	82,932,963	83,056,603	82,923,403	82,808,128
Highest share price (in euro)	53.00	59.90	59.90	82.60	89.40
Lowest share price (in euro)	40.10	43.10	30.02	43.90	59.90
Average share price (in euro)	47.35	50.80	47.17	56.35	74.83
End of period share price (in euro)	42.10	47.69	44.80	47.56	76.60

DATA PER SHARE	1st half 2002	1st half 2001	2001	2000	1999
(In euro)					
Net earnings (On average number of shares)	0.82	(2.23)	(7.12)	4.44	6.81
Dividend	–	–	0.70	1.35	1.50
Dividend including tax credit (1)	–	–	1.05	2.03	2.25

(1) Tax credit of 45% of the dividend amount paid to legal entities in 1999, 40% in 2000 and 25% in 2001 (for the previous year).

SHARE PRICE
(in euros)



MONTHLY TRADING VOLUME
(number of shares)

Share performance

At June 28, 2002, the last trading day of the first half, Valeo's share price was down by 6% over its closing price at the end of December 2001. Over the same period the CAC 40 and SBF 120 indexes declined by 17% and 14%.

The market for Valeo's shares continues to remain liquid with over 10 million shares changing hands on average each month, a monthly average of 10.2 million shares in 2002 versus 10.4 million in 2001.

Change in Shareholder structure

On May 15, 2002, CGIP announced that it had sold 8.3 million Valeo shares to institutional investors through the market. In addition, CGIP issued bonds redeemable into Valeo shares for an amount of € 408.8 million. As a consequence, Wendel Investissement (formerly CGIP) owns 7,724,045 shares representing 9.3% of the capital (including 7.3 million shares in warranty of the bonds).

Valeo Share Information

Quoted on the Paris Bourse under the deferred settlement system

A component of the Euronext 100, SBF 120, FTSE All-Share and FTSE4Good indexes

Quoted in London, Nasdaq Europe and in the form of sponsored ADRs in the U.S.

Shares may be held in either registered or bearer form, at the shareholder's discretion.

Double voting rights for registered shares if held for more than 4 years.

Provisional reporting schedule

Announcement	Provisional date
Third quarter 2002 results	17 October 2002
Annual results 2002	end-January 2003
First quarter 2003 results	mid-April 2003
First half 2003 results	end-July 2003

Financial information

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Investor Relations Director

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

(Millions of euro)	6 months ended June 30, 2002	6 months ended June 30, 2001	Year ended Dec. 31, 2001
NET SALES AND REVENUES	**5,184**	**5,471**	**10,234**
Cost of sales	(4,296)	(4,604)	(8,559)
GROSS MARGIN	**888**	**867**	**1,675**
% sales	17.1%	15.8%	16.4%
Research and development expenditures	(309)	(330)	(619)
Selling expenses	(97)	(105)	(201)
Administrative expenses	(242)	(254)	(467)
OPERATING INCOME	**240**	**178**	**388**
% sales	4.6%	3.3%	3.8%
Interest income	14	8	18
Interest expenses	(40)	(30)	(65)
Other financial income and expenses - net	(7)	(5)	(15)
Other income and expenses - net	(22)	(226)	(738)
INCOME/(LOSS) BEFORE INCOME TAXES	**185**	**(75)**	**(412)**
Income taxes	(60)	(53)	(42)
NET INCOME/(LOSS) FROM CONSOLIDATED COMPANIES	**125**	**(128)**	**(454)**
Equity in net earnings/(losses) of associated companies	3	1	(1)
Amortization of goodwill	(50)	(51)	(120)
NET INCOME/(LOSS) BEFORE MINORITY INTERESTS	**78**	**(178)**	**(575)**
% sales	1.5%	(3.3%)	(5.6%)
Minority interests	(10)	(7)	(16)
NET INCOME/(LOSS)	**68**	**(185)**	**(591)**
% sales	1.3%	(3.4%)	(5.8%)
Average number of shares outstanding (thousands)	83,241	82,928	82,961
Earnings/(loss) per share (euro)	**0.82**	**(2.23)**	**(7.12)**
Fully diluted earnings/(loss) per share (euro)	0.82	(2.23)	(7.12)

The notes on pages 16 to 19 are an integral part of the interim consolidated financial statements.

(Millions of euro)	At June 30, 2002	At June 30, 2001	At Dec. 31, 2001
ASSETS			
Cash and marketable securities	831	541	680
Accounts and notes receivable - net	2,034	2,313	1,821
Inventories - net	683	818	753
Deferred income taxes	54	78	55
Prepaid expenses and other current assets	448	459	451
Current assets	**4,050**	**4,209**	**3,760**
Property, plant and equipment	5,721	5,737	5,821
Less: accumulated depreciation	(3,395)	(3,189)	(3,363)
Property, plant and equipment - net	2,326	2,548	2,458
Goodwill - net	1,467	1,639	1,596
Other intangibles - net	47	44	50
Investments in companies carried at cost	66	75	66
Investments in companies at equity	33	59	27
Loans and other assets	10	15	10
Long-term deferred tax assets	117	78	124
Investments and other assets	226	227	227
Fixed assets	**4,066**	**4,458**	**4,331**
TOTAL ASSETS	**8,116**	**8,667**	**8,091**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term debt	682	921	634
Accounts and notes payable	1,826	2,032	1,685
Current maturities of long-term debt	14	12	19
Provisions - current portion	536	698	776
Other liabilities and deferred income	1,155	1,126	985
Current liabilities	**4,213**	**4,789**	**4,099**
Long-term debt	668	187	676
Deferred taxes	26	56	27
Provisions for contingencies and charges	913	794	898
Long-term liabilities	**1,607**	**1,037**	**1,601**
Minority interests	130	116	129
Share capital	250	249	249
Additional paid-in capital	736	720	725
Retained earnings	1,180	1,756	1,288
Stockholders' equity	**2,166**	**2,725**	**2,262**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**8,116**	**8,667**	**8,091**

The notes on pages 16 to 19 are an integral part of the interim consolidated financial statements.

(Millions of euro)	6 months ended June 30, 2002	6 months ended June 30, 2001	12 months ended Dec. 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/(loss) from consolidated companies	125	(128)	(454)
Net dividends received from associated companies	–	–	–
Other adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
• depreciation and amortization	284	279	792
• net charges to provisions and deferred taxes	(115)	116	128
• (gains)/losses - net of tax - on disposals of fixed assets	10	20	69
• other income and deductions with no cash effect	(7)	1	(3)
Changes in operating working capital:			
• inventories	45	9	42
• accounts and notes receivable	(254)	(154)	213
• accounts and notes payable	173	178	(71)
• other receivables and payables	208	183	4
Net cash provided by operating activities	**469**	**504**	**720**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures:			
• property and intangibles	(327)	(371)	(741)
• investments and other assets	(2)	(2)	(2)
Proceeds - net of tax - from disposal of:			
• property and intangibles	18	3	13
• investments and other assets	1	–	–
Impact of changes in scope of consolidation (1)	(35)	(182)	(111)
Net cash used in investing activities	**(345)**	**(552)**	**(841)**
NET CASH (USED)/PROVIDED BEFORE FINANCING ACTIVITIES	**124**	**(48)**	**(121)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to parent company stockholders	–	(112)	(112)
Dividends paid to minority interests in consolidated subsidiaries	(7)	(6)	(8)
Proceeds from:			
• issuance of share capital	12	–	5
• issuance of long-term debt	2	2	504
• capital grants received	1	2	3
Reduction in long-term debt	(7)	(17)	(20)
Net cash (used in)/provided by financing activities	**1**	**(131)**	**372**
Effect of exchange rate changes on cash	(21)	4	–
NET CHANGE IN CASH AND CASH EQUIVALENTS	**104**	**(175)**	**251**
Cash and cash equivalents at beginning of period	**46**	**(205)**	**(205)**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**150**	**(380)**	**46**

(1) Of which € 171 millions, 1st half 2001, relating to the payment of income tax on the capital gain from the 1999 disposal of 50% stake in Luk.

The notes on pages 16 to 19 are an integral part of the interim consolidated financial statements.

Number of shares	(Millions of euro)	**Share capital**	**Additional paid-in capital**	**Translation reserve**	**Retained earnings**	**Stockholders' equity**
82,923,403	**Stockholders' equity at December 31, 2000**	**249**	**720**	**49**	**1,901**	**2,919**
	Dividends	–	–	–	(112)	(112)
	Issuance of shares:					
133,200	• through exercise of options	–	5	–	–	5
	Translation adjustment	–	–	41	–	41
	2001 net loss	–	–	–	(591)	(591)
83,056,603	**Stockholders' equity at December 31, 2001**	**249**	**725**	**90**	**1,198**	**2,262**
	Dividends	–	–	–	(58)	(58)
	Issuance of shares:					
277,125	• through exercise of options	1	11	–	–	12
	Translation adjustment	–	–	(109)	–	(109)
	Impact of application of CRC regulation n° 2000-06 on liabilities	–	–	–	(9)	(9)
	First-half 2002 net income	–	–	–	68	68
83,333,728	**Stockholders' equity at June 30, 2002**	**250**	**736**	**(19)**	**1,199**	**2,166**

The notes on pages 16 to 19 are an integral part of the interim consolidated financial statements.

1 - Accounting policies

1.1. The interim consolidated financial statements have been prepared in accordance with the recommendations of the *Conseil National de la Comptabilité* in relation to interim accounts as well as regulation no. 99-02 of the *Comité de la Réglementation Comptable* (French accounting regulatory body).

Valeo also applies the valuation and accounting requirements of certain accounting standards formulated by the International Accounting Standards Committee in preparing the consolidated financial statements. In particular, Valeo complies with the provisions of International Accounting Standards concerning the accounting treatment of income arising in the ordinary course of business (IAS 18), the valuation of inventory (IAS 2), the accounting treatment of leases (IAS 17) and property, plant and equipment (IAS 16, historical cost method), accounting for income taxes (IAS 12 revised in 1996), the valuation and accounting treatment of employee benefits (IAS 19 revised in 1998), the effect of changes in foreign exchange rates (IAS 21) and the impairment of assets (IAS 36).

Among the International Accounting Standards applicable in preparing the interim consolidated financial statements for the six months ended June 30, 2002, Valeo does not apply certain standards which, if they had been applied, would have had a material effect on the consolidated financial statements. Those standards are as follows:

– IAS 1: all the accounting standards formulated by the International Accounting Standards Committee are not applied in their entirety;

– IAS 8: “Other income and expenses - net” corresponding primarily to restructuring costs and gains and losses on disposals of consolidated subsidiaries and associated companies accounted for by the equity method, as well as asset write-downs, are not included in operating income;

– IAS 14: segment reporting;

– IAS 22 revised in 1998: Valeo applies French generally accepted accounting principles in relation to business combinations. If IAS 22 had been applied to determine goodwill on the acquisition of ITT Automotive Electrical Systems in 1998, stockholders’ equity would have been increased by € 619 million at June 30, 2002 (€ 686 million at December 31, 2001) and net income would have been reduced by € 20 million for first-half 2002 (€ 364 million for the year ended December 31, 2001 taking into account exceptional notional goodwill amortization amounting to € 305 million);

– IAS 38: in common with the other international groups operating in the automotive sector, Valeo continues to charge development costs to the statement of income when they are incurred;

– IAS 39: Valeo applies French generally accepted accounting principles in relation to financial instruments.

1.2. As from January 1, 2002, Valeo implements the new provisions of regulation no. 2000-06 of the *Comité de la Réglementation Comptable* concerning liabilities.

The impact of implementing this regulation was a € 9 million decrease in net assets, resulting from a € 13 million write-back of provisions that did not comply with the new rules at January 1, 2002 and a reduction of net goodwill for Sylea in an amount of € 22 million.

Further, if this regulation had been applied at January 1, 2001 the "Other income and expenses - net" item for the year ended December 31, 2001 would have included additional expense of € 17 million and amortization of goodwill would have been reduced by € 1 million.

1.3. Income tax expense

Income taxes for the six months ended June 30th are calculated by applying the estimated effective rate of tax for the year to first-half income before tax. This calculation is made on a company basis or, when necessary, for each tax Group and each taxable income category.

2 - Changes in the scope of consolidation

During the six months ended June 30, 2002, there have been no material changes in the scope of consolidation.

The following operations in 2001 have led to changes in the scope of consolidation used for the Group's interim financial statements at June 30, 2002 as compared to June 30, 2001.

2.1. 2001 acquisitions

• Telma

In accordance with the agreements entered into with Snecma, Valeo acquired Ralentisseurs Telma in March 2001. The Ralentisseurs Telma business has been consolidated since March 1, 2001.

Sales for the ten-month period from March 1, 2001 to December 31, 2001 amounted to € 46 million (€ 8 million from January 1, 2002 to February 28, 2002) and the business has 296 employees.

• Sylea

Valeo acquired 6.4% of Sylea's capital in 2001 for € 20 million, bringing its total interest in the company to 98.5% at December 31, 2001.

At the end of 2001, Valeo launched a public repurchase offer followed by a compulsory buyout which was successfully completed on January 28, 2002. As a result, Sylea is now a fully-owned subsidiary.

• FAW Zexel Climate Control System

In accordance with the agreements signed in 2000, Valeo and Bosch Automotive Systems set up a joint company bringing together their Climate Control businesses in China. This resulted in a dilution gain of € 13 million in 2001. FAW Zexel Climate Control System, owned by Bosch Automotive Systems, is accounted for by the equity method in the Group accounts since end of 2001.

2.2. 2001 disposals

• Filtrauto

On October 31, 2001, Valeo sold the entire capital of Filtrauto. This company had been consolidated since October 1, 2000 further to Valeo's September 2000 acquisition of the Labinal Group's automotive businesses.

Filtrauto's sales amounted to € 229 million for the ten months from January 1 to October 31, 2001 (€ 144 million for the first six months of 2001), and the company and its subsidiaries had 2,500 employees.

• Non-automotive wiring businesses

On October 31, 2001 Valeo divested its non-automotive wiring businesses.

These businesses were operated by Sylea subsidiaries which were acquired in September 2000 and consolidated since October 1, 2000. They generated annual sales of € 27 million in 2001 (€ 12 million for the first six months of 2001).

• Valeo Transmission UK

Valeo sold Valeo Transmission UK on November 1, 2001. Sales from January 1 to November 1, 2001 amounted to € 13 million (€ 8 million for the first six months of 2001) and the business had 135 employees.

2.3. Impact of changes in scope of consolidation and exchange rates on sales and revenues

Group sales amounted to € 5,184 million in first-half 2002, down 5.2% on the year-earlier period.

Change in Group structure was responsible for 2.7% of this decrease compensated by 0.1% attributable to exchange-rate changes. Based on a comparable Group structure, sales edged down 2.6%.

3 - Segment reporting

3.1. Divisions

(Millions of euro)	Sales [1]	Capital expenditure	Number of employees
6 months ended June 30, 2002			
Transmissions	384	25	4,620
Climate Control	721	27	5,390
Engine Cooling	835	25	8,460
Lighting Systems	630	28	8,380
Electrical Systems	462	39	5,050
Wiper Systems	732	51	8,070
Motors and Actuators	325	13	3,190
Security Systems	336	13	4,090
Switches and Detection Systems	435	34	6,270
Electronics and Connective Systems	554	28	17,240
Distribution	277	2	1,000
6 months ended June 30, 2001			
Transmissions	540	27	7,240
Climate Control	742	32	5,490
Engine Cooling	935	67	9,440
Lighting Systems	641	33	8,380
Electrical Systems	434	58	5,230
Wiper Systems	713	41	8,000
Motors and Actuators	342	18	3,700
Security Systems	351	15	4,380
Switches and Detection Systems	405	26	6,730
Electronics and Connective Systems	642	26	18,330
Distribution	245	4	930
2001			
Transmissions	982	59	4,460
Climate Control	1,398	68	5,150
Engine Cooling	1,686	105	8,320
Lighting Systems	1,172	80	7,770
Electrical Systems	854	126	4,780
Wiper Systems	1,377	88	7,910
Motors and Actuators	665	32	3,570
Security Systems	650	31	3,920
Switches and Detection Systems	783	58	6,570
Electronics and Connective Systems	1,141	66	16,300
Distribution	476	6	960

(1) Before elimination of sales between divisions.

3.2. Geographical areas of production

(Millions of euro)	Sales			Capital expenditure	Number of employees
	Third parties	Sales between geographical areas	Total		
6 months ended June 30, 2002					
France	1,788	222	2,010	91	23,500
Other European countries	1,745	148	1,893	117	24,300
North America	1,234	21	1,255	42	10,300
South America	133	3	136	10	2,600
Asia	272	5	277	17	3,600
Africa	12	172	184	12	7,700
Eliminations	–	(571)	(571)	–	–
Total	**5,184**	**–**	**5,184**	**289**	**72,000**
6 months ended June 30, 2001					
France	1,910	278	2,188	136	27,200
Other European countries	1,954	164	2,118	120	26,200
North America	1,204	20	1,224	60	11,200
South America	154	5	159	15	2,700
Asia	237	5	242	18	3,300
Africa	12	158	170	10	7,500
Eliminations	–	(630)	(630)	–	–
Total	**5,471**	**–**	**5,471**	**359**	**78,100**
2001					
France	3,564	496	4,060	285	22,900
Other European countries	3,563	300	3,863	248	23,400
North America	2,318	42	2,360	104	10,800
South America	274	9	283	33	2,300
Asia	494	9	503	47	3,400
Africa	21	300	321	28	7,200
Eliminations	–	(1,156)	(1,156)	–	–
Total	**10,234**	**–**	**10,234**	**745**	**70,000**

The above figures are by original areas of production and not by market.

4 - Financial statements of the company

Following the General Stockholders' Meeting on June 10, 2002, Valeo created two wholly-owned subsidiaries through partial asset contributions from its clutches and friction materials businesses. This operation was backdated to January 1, 2002. With this transaction, Valeo recorded a € 134 million capital gain.

From now on, Valeo operates exclusively as a holding company which is also responsible for Group treasury centralization and management. Due to this change in operations, data for first-half 2002 are not comparable to those of first-half 2001.

Valeo had no sales in first-half 2002, against sales of € 145 million in first-half 2001.

The company recorded an operating loss of € 7 million for first-half 2002, against operating income of € 6 million in the same period of 2001.

Net financial income totaled € 5 million for the first half of 2002, while it amounted to € 271 million in first-half of 2001. The company recorded € 249 millions dividends in 2001 against € 6 millions in 2002.

First-half 2002 net income was € 141 million, compared with € 289 million for the year-earlier period.

AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
(translated from French into English)

We have performed a limited review of the accompanying interim consolidated accounts for the period from January 1 to June 30, 2002 presented in euro and have examined the information contained in the interim report.

These interim consolidated accounts are the responsibility of the Management Board. Our responsibility, based on our limited review, is to report our conclusions concerning those consolidated accounts.

We conducted our limited review in accordance with the standards generally accepted in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim consolidated accounts do not contain any material errors. A limited review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in France.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated accounts, in order to present fairly the consolidated results of operations for the six months ended June 30, 2002 and the consolidated financial position and assets of Valeo and its subsidiaries at that date in conformity with accounting principles generally accepted in France.

Without qualifying the opinion expressed above, we draw your attention to note 1.2 to the financial statements, which describes the impact on the consolidated interim accounts of the change in accounting policies resulting from the implementation, as from January 1, 2002, of regulation no. 2000-06 of the *Comité de la Réglementation Comptable,* concerning liabilities.

In accordance with professional standards applicable in France, we have also examined the information given in the interim report accompanying the interim consolidated accounts that were the subject of our limited review. We have no matters to report concerning the fairness of the information given in this interim report and its conformity with the interim consolidated accounts.

Paris, July 25, 2002

Independent Auditors

PRICEWATERHOUSECOOPERS

Statutory Auditors

Coopers & Lybrand Audit
Serge Villepelet

RSM Salustro Reydel
Édouard Salustro
Jean-Pierre Crouzet

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