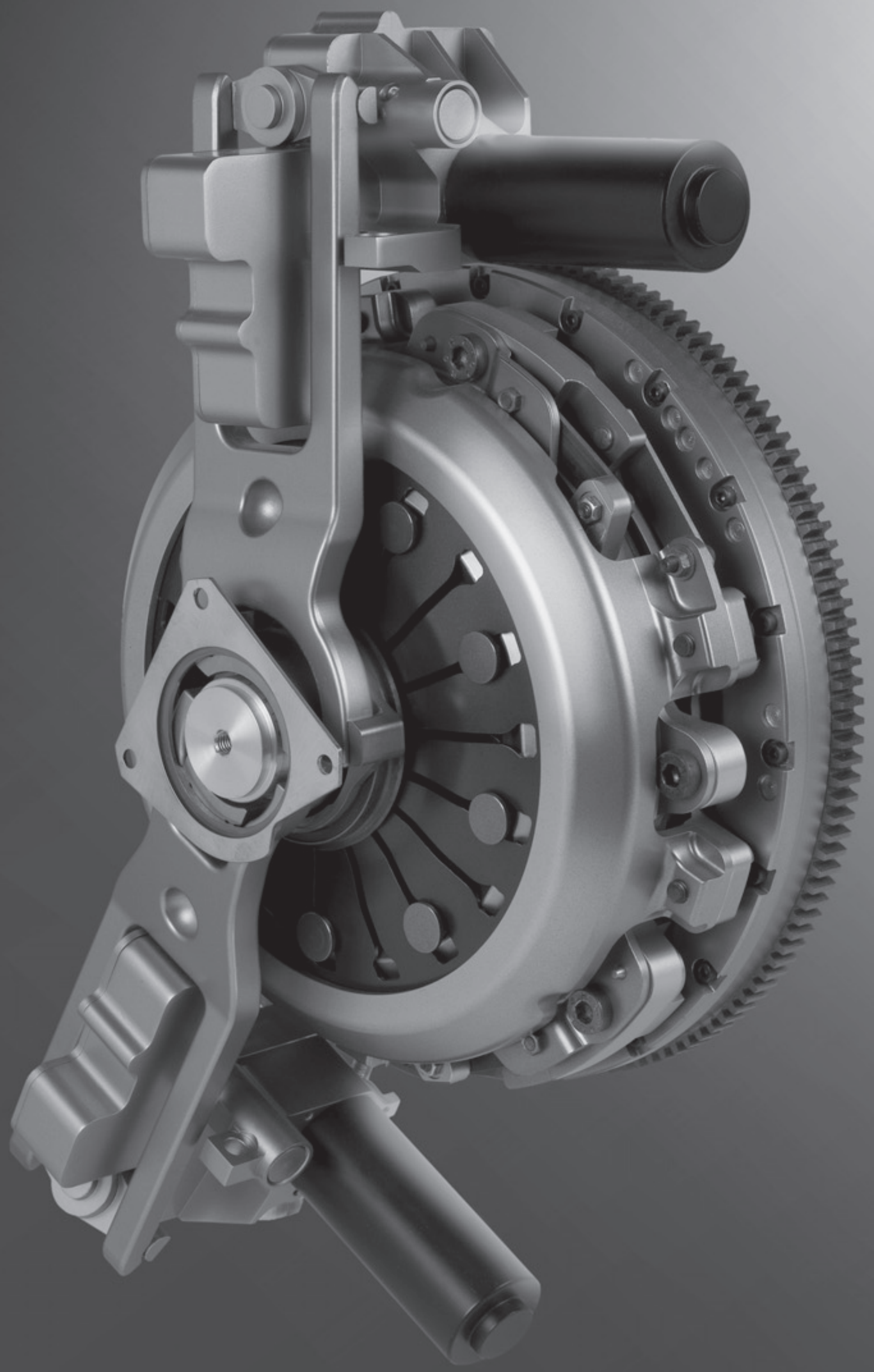
2012
Half-year Financial Report



Automotive technology, naturally

Content

Cover picture: double dry clutch.

Board of Directors

- Pascal Colombani
  Chairman
- Jacques Aschenbroich
  Chief Executive Officer
- Gérard Blanc
- Daniel Camus
- Jérôme Contamine
- Michel de Fabiani
- Michael Jay
- Helle Kristoffersen
- Noëlle Lenoir
- Thierry Moulonguet
- Georges Pauget
- Ulrike Steinhorst

Committees

AUDIT COMMITTEE

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STRATEGY COMMITTEE

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- Thierry Moulonguet

Statutory Auditors

Ernst & Young et Autres

Represented by
Jean-François Ginies and Gilles Puissochet

Mazars

Represented by
David Chaudat and Lionel Gotlib

KEY CONSOLIDATED FIGURES AND SEGMENT INFORMATION

(in billions of euros)	First-half 2012	First-half 2011	% change 2012/2011
Order intake [1]	8.0	7.7	+4%

Statement of income

(in millions of euros)	First-half 2012*	First-half 2011	% change 2012/2011
Sales	**5,999**	**5,334**	**+12%**
Gross margin	**1,006**	**916**	**+10%**
as a % of sales	*16.8%*	*17.2%*	*-0.4 pts*
Research and Development expenditure, net	**(313)**	**(285)**	**+10%**
as a % of sales	*-5.2%*	*-5.3%*	*+0.1 pts*
Operating margin [2]	**370**	**345**	**+7%**
as a % of sales	*6.2%*	*6.5%*	*-0.3 pts*
Operating income	**348**	**344**	**+1%**
as a % of sales	*5.8%*	*6.4%*	*-0.6 pts*
Net attributable income	**198**	**218**	**-9%**
as a % of sales	*3.3%*	*4.1%*	*-0.8 pts*
Total earnings per share *(in euros)*	**2.63**	**2.89**	**-9%**

Other profitability indicators**

	First-half 2012*	First-half 2011	% change 2012/2011
Capital turnover	**5.0**	**5.5**	**N/A**
Return on capital employed (ROCE) [3]	**31%**	**36%**	**-5 pts**
Return on assets (ROA) [4]	**19%**	**22%**	**-3 pts**

Cash flow and financial position**

(in millions of euros)	First-half 2012*	First-half 2011	% change 2012/2011
EBITDA (5)	**655**	**602**	**+9%**
Free cash flow (6)	**148**	**134**	**+10%**
Net cash flow (7)	**31**	**(183)**	**N/A**
Net debt (8)	**485**	**452**	**+7%**
Gearing ratio	*25%*	*25%*	*N/A*

Segment information**

(in millions of euros)	Powertrain Systems	Thermal Systems	Comfort and Driving Assistance Systems	Visibility Systems	Other	Total
First-half 2012*						
Sales						
■ segment (excluding Group)	1,667	1,704	1,278	1,337	13	5,999
■ intersegment (Group)	14	15	13	20	(62)	-
EBITDA	**155**	**206**	**154**	**126**	**14**	**655**
Research and Development expenditure, net	(82)	(78)	(88)	(65)	-	(313)
Investments in property, plant and equipment and intangible assets	125	67	107	113	14	426

* *Further to their limited review, the Statutory Auditors issued an unqualified opinion on the consolidated financial statements for the six months ended June 30, 2012.*

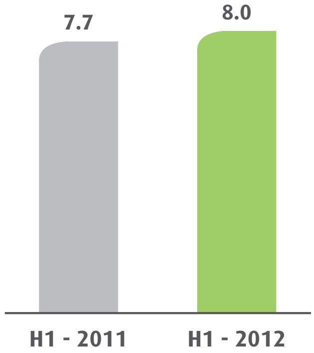
** *These indicators do not take into account the reclassification of the assets and liabilities relating to the Access Mechanisms business within assets and liabilities held for sale.*

(1) Order intake corresponds to business awarded by automakers (less any cancellations) during the period, based on Valeo's best and reasonable estimates in terms of volumes, sale prices and project lifespans.
(2) Operating income before other income and expenses.
(3) Operating margin/capital employed excluding goodwill calculated over 12 months.
(4) Operating margin/capital employed including goodwill.
(5) Operating income before depreciation and amortization of property, plant and equipment and intangible assets, impairment losses and other income and expenses.
(6) Net cash from operating activities less net outflows on property, plant and equipment and intangible assets.
(7) Free cash flow less financial expenses and after taking into account the payment of dividends and financial flows relating to mergers and acquisitions.
(8) All long-term debt, short-term debt and bank overdrafts, less loans and other non-current financial assets, cash and cash equivalents.

MANAGEMENT REPORT

1. Order intake

(in billions of euros)



The **order intake** in the first six months of 2012 hit a record high of 8 billion euros, up from 7.7 billion euros in the same period in 2011. This reflects:

- the appeal of Valeo's innovations (more than 30% of order intake) and its product portfolio with the Group's automaker customers;
- the successful expansion of Valeo's operations in Asia, where the order intake reached 2.9 billion euros (36% of the total order intake), in line with the Group's strategy.

2. Group sales and profitability

Valeo's activity compared to overall automotive production

Global automotive production advanced 9% in first-half 2012. This reflects widely contrasting results across the various regions:

- Asia (51% of global automotive production) climbed 15% on the back of further growth in China (up 7%) and a favorable comparison basis for Japan due to the events that hit the country in the first six months of 2011;
- Europe (25% of global automotive production) shrank 5% compared with first-half 2011, which had been boosted by the final phases of automotive stimulus programs in certain countries;
- North America (19% of global automotive production) delivered robust 22% growth spurred by the rally in new vehicle registrations and the return to normal activity levels for Japanese automakers;
- South America (5% of global automotive production) contracted by 8%.

Against this backdrop, the **Group's consolidated sales** were up 12.5% to 5,999 million euros.

The **impact of changes in Group structure** on consolidated sales totaled 316 million euros and was mainly attributable to the consolidation of Niles. The **impact of changes in exchange rates** was a positive 2.6%, stemming chiefly from the slide in the euro against other currencies, particularly the US dollar. On a like-for-like basis (constant Group structure and exchange rates), consolidated sales advanced by 4% in the first half of 2012.

Consolidated sales can be analyzed as follows by market:

- **original equipment sales** (85% of consolidated sales) came in at 5,118 million euros, up 13.5%, or 5% like-for-like;
- **aftermarket sales** (12% of consolidated sales) as reported came in 1.8% higher at 732 million euros, but fell 4% like-for-like. The aftermarket business was directly impacted by the deteriorating economic climate in Europe but continued to grow in the rest of the world;
- **miscellaneous sales** (3% of consolidated sales) came in 42% higher at 149 million euros, chiefly reflecting higher tooling revenues.

Original equipment sales growth by geographic area

Original equipment *(in millions of euros)*	**First-half 2012**	**First-half 2011**	**% change OE sales [1]**	**% change automotive production [2]**
Asia, Middle East & Oceania	1,255	804	+20%	+15%
of which China	*481*	*318*	*+25%*	*+7%*
of which Japan	*385*	*187*	*+26%*	*+54%*
Europe & Africa	2,705	2,720	-1%	-5%
North America	863	640	+18%	+22%
South America	295	346	-11%	-8%
World total	5,118	4,510	+5%	+9%

(1) Like-for-like.
(2) LMC estimates.

Despite:

- a relatively good performance for original equipment sales in Europe; and
- vigorous organic growth reported by Valeo in China and in other Asian countries excluding Japan;

the Group's geographic positioning and the sharp rally in Japanese automaker activity meant that original equipment sales grew at a slower pace than automotive production worldwide.

Excluding Japanese automakers (including Nissan), the Group's original equipment sales advanced 2%, compared to world automotive production growth of 1% (excluding Japanese automakers), surpassing the market by one percentage point.

In Asia, original equipment sales rose 56% to 1,255 million euros. On a like-for-like basis, original equipment sales were up 20%, compared to automotive production growth of 15%, **beating the market by five percentage points**. This performance testifies to very strong original equipment sales in China, South Korea and India (with growth outpacing automotive production by 18, 12 and 6 percentage points, respectively) and the return to normal market conditions for Japanese automotive production. In the first half of 2012, Asia accounted for 24% of the Group's original equipment sales versus 18% in the same year-ago period.

In Europe, the Group's original equipment sales broadly held firm at 2,705 million euros, slipping 1% on a like-for-like basis whereas automotive production retreated 5%. The Group's performance therefore **outpaced the market by four percentage points**.

In North America, original equipment sales came in at 863 million euros, up 35%. Like-for-like original equipment sales climbed 18%, compared to 22% growth in automotive production, and came in at **four percentage points lower than the market**, due mainly to the strong rally among Japanese automakers in the first half of the year.

In South America, original equipment sales totaled 295 million euros, down 15%. Like-for-like original equipment sales fell 11%, versus an 8% decline in automotive production, standing at **three percentage points lower than the market**.

Evolution of the Group's customer portfolio

The share of Asian customers continues to increase and now represents 29% of original equipment sales, ahead of German customers which remain stable at 28% (versus 21% and 29%, respectively, in the same year-ago period).

Statement of income

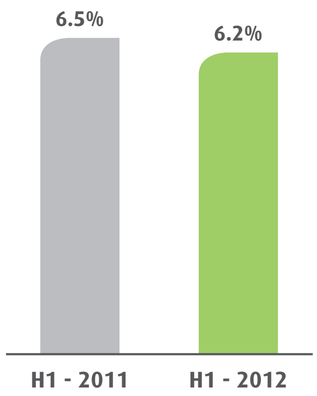
Gross margin

(as a % of sales)

In the first half of 2012, **gross margin** was up 9.8% to 1,006 million euros and represented 16.8% of sales, versus 17.2% in the same year-ago period. Gross margin for the period was impacted by weaker activity levels on the aftermarket, the depreciation of the Brazilian real and the Indian rupee, and startup costs at new plants.

Operating margin

(as a % of sales)



The Group's **operating margin** was up 7.2% to 370 million euros, or 6.2% of sales, versus 6.5% of sales in first-half 2011. Operating margin held firm thanks to sound management of Research and Development expenditure as well as administrative and selling expenses.

- Valeo is continuing its Research and Development efforts in response to the rise in the order intake. Net Research and Development expenditure rose 10% to 313 million euros, or 5.2% of sales, edging down slightly by 0.1 percentage points on the same period in 2011;
- administrative and selling expenses of 323 million euros remained steady at 5.4% of sales, thanks in particular to the tight control of general expenses;
- overall, the first six months of 2012 saw the continued momentum of efforts launched since the 2009 financial crisis aimed at controlling the Group's fixed costs (the breakeven point now stands at 78% of sales, compared with 88% before the crisis in 2007) and at maintaining a flexible cost structure given the prevailing economic climate in Europe.

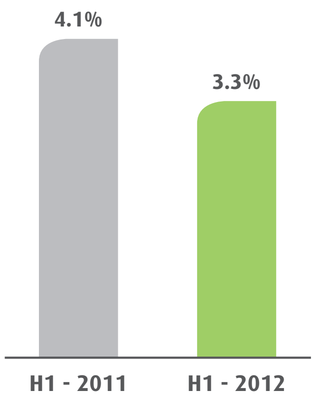
The Group's **operating income** was 348 million euros for first-half 2012, or 5.8% of sales, after taking into account other expenses, especially restructuring costs and legal costs incurred in respect of anti-trust proceedings.

The **cost of net debt** totaled 50 million euros, corresponding to an increase of 72% in the same year-ago period. This increase chiefly reflects new long-term financing (due in 2017 and 2018) put in place for a total of 1 billion euros in a context defined by:

- a deterioration in the credit market (average borrowing costs of 4.9%);
- bond redemption premiums linked to the Group's debt management policy;
- the reinvestment of surplus cash at very low short-term interest rates.

Net attributable income

(as a % of sales)



The Group's share in net earnings of associates in the period was 11 million euros. After taking into account the 28% effective tax rate and non-controlling interests in net income for 15 million euros, in first-half 2012 **net attributable income (Group share)** stood at 198 million euros, or 3.3% of sales, down 9.2% on the same prior-year period.

Earnings per share

(basic earnings per share – euro/share)

Earnings per share declined 9% to 2.63 euros.

Other profitability indicators

	First-half 2012	First-half 2011	% change 2012/2011
Return on capital employed (ROCE)	31%	36%	-5 pts
Return on assets (ROA)	19%	22%	-3 pts

The **return on capital employed** (ROCE) and the **return on assets** (ROA) remained broadly in line with end-2011 at 31% and 19%, respectively.

3. Group cash flow and financial position

EBITDA

(as a % of sales)

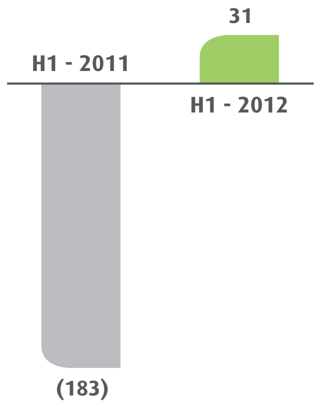
Free cash flow

(in millions of euros)

The Group's operating performance in first-half 2012 as well as the tight rein on working capital requirement (down 59 million euros) helped offset much of the increase in investments in property, plant and equipment (up 81 million euros) and intangible assets (up 36 million euros) resulting from the rise in its order intake. The proportion of Research and Development expenditure taken to assets rose from 1.6% to 1.9% of sales owing to a better profitability outlook for projects under development. As a result, Valeo generated 148 million euros in **free cash flow**, up 10% compared to the same period in 2011.

Net cash flow

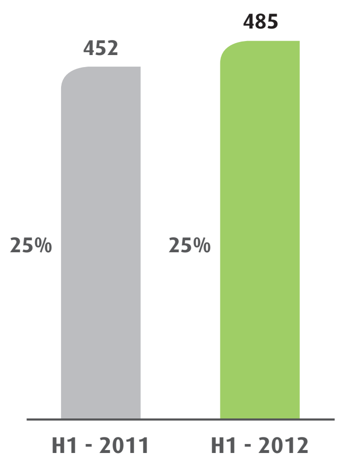
(in millions of euros)



Net cash flow, after interest payments for 56 million euros and other financial items for 61 million euros chiefly related to the acquisition of non-controlling interests in China-based subsidiary Valeo Air Conditioning Hubei, amounted to a 31 million euro cash inflow in the first half of 2012.

Net debt and gearing ratios

(respectively, in millions of euros and as a % of stockholders' equity)



Net debt came in at 485 million euros at June 30, 2012 versus 452 million euros at June 30, 2011. Valeo extended the average maturity of its debt to four years thanks to its active debt management policy, especially the bond issue for 500 million euros maturing in 2017.

The **leverage ratio** (net debt/EBITDA) came out at 0.4 times EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 25% of equity.

4. Segment reporting

As was the case for the consolidated Group, the first-half sales performance for each Business Group reflected the specific geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group

(in millions of euros)	H1 2012 [1]	H1 2011 [1]	% change Valeo sales [2]	% change OE sales [2]
Powertrain Systems	1,681	1,549	+2%	+3%
Thermal Systems	1,719	1,559	+7%	+8%
Comfort and Driving Assistance Systems	1,291	970	+5%	+5%
Visibility Systems	1,357	1,304	+2%	+1%

(1) Including intersegment sales.
(2) Like-for-like.

Sales for the Powertrain Systems Business Group totaled 1,681 million euros, up 2% on a like-for-like basis. This performance chiefly reflected the lesser weighting of Japanese customers in the Powertrain Systems portfolio, as well as a tepid performance by the European aftermarket.

Sales for the Visibility Systems Business Group came in at 1,357 million euros, up 2% on a like-for-like basis, and were held back by the greater weighting of Europe and the aftermarket in the business.

EBITDA by Business Group

(as a % of sales)	H1 2011 [1]	FY 2011 [1]	H1 2012 [1]
Powertrain Systems	10.6%	8.6%	9.2%
Thermal Systems	11.1%	11.4%	12.0%
Comfort and Driving Assistance Systems	11.0%	12.2%	11.9%
Visibility Systems	10.7%	10.9%	9.3%

(1) Including intersegment sales.

The Powertrain Systems Business Group posted an improved operating performance, with EBITDA moving up to 9.2% in the first half of 2012 from 8.6% in 2011, despite being hit along with the Visibility Systems Business Group by weaker sales on the aftermarket.

5. Highlights[1]

5.1 Sale of the Access Mechanisms business

On June 25, 2012, Valeo announced a plan to sell its Access Mechanisms business (Comfort and Driving Assistance Systems Business Group) to Japan-based U-Shin, one of Asia's leading manufacturers of automotive access mechanisms. The project has been submitted to employee representatives for consultation and is subject to approval by the competition authorities. The Access Mechanisms business, which is primarily mechanical-based, comprises products such as locksets, steering column locks, handles and latches. Boasting a broad presence in Europe and South America, the business generated sales of 620 million euros in 2011. At June 30, 2012, it operates 12 plants and has 4,400 employees. The proposed divestment is aligned with Valeo's strategy of focusing on developing products that reduce CO_2 emissions and stepping up its expansion in Asia and emerging markets.

5.2 Acquisitions

On January 3, 2012, as part of its development strategy in Asia and emerging countries, Valeo announced the acquisition, effective December 29, 2011, of an 80% shareholding in China-based Chery group's lighting company. The business has been integrated within the Visibility Systems Business Group.

On April 23, 2012, Valeo finalized its acquisition of the non-controlling interests in its China-based subsidiary Valeo Air Conditioning Hubei, previously 55%-owned.

5.3 Inauguration of new plants

On May 11, 2012, Valeo officially inaugurated its twenty-second plant in Guangzhou, one of China's major automotive manufacturing bases. This inauguration marked a milestone in Valeo's strategy of continuous development in China. The new plant, which will manufacture high-technological switch products, should grow to 1,500 employees over the next few years and reflects Valeo's will to continuously support both Chinese and global customers in this fast-growing market.

On June 8, 2012, Valeo inaugurated the extension to its plant in Veszprém, Hungary, which produces comfort and driving assistance systems. This is consistent with the Group's strategy to support its customers in fast-growing markets, and lays the foundations for its new R&D center.

5.4 Bond issue

On January 17, 2012, Valeo announced the successful outcome of its 500 million euro bond issue maturing in 2017 (5.75% coupon) and its offer to repurchase 88.862 million euros worth of bonds maturing in 2013.

(1) The accounting impacts of these events are presented in the notes to the condensed interim consolidated financial for the six months ended June 30, 2012.

5.5 Innovations and awards

Innovation is at the heart of Valeo's strategy.

The reduction in CO_2 emissions across all market segments is a major thrust of the growth strategy pursued by the Group. Its main technological advances are aimed at improving the performance of heat engines, electrifying powertrain systems, reducing the energy consumption of various systems and making components more lightweight.

Valeo exhibited at the Delhi Auto Expo trade show from January 7 to January 11, 2012 and at the Beijing motor show which ran from April 23 to May 2, 2012.

At its first-ever appearance at the Delhi show, the Group showcased its innovations, particularly in terms of energy efficiency, in the hope of partnering the future development of the Indian automotive market. These innovations include:

- ReStart, a reinforced starter which allows vehicles to start up immediately and silently;
- Water Cooled Charge Air Cooler, a system which offers improved fuel efficiency and lower CO_2 emissions;
- LEDs, the most efficient sources of light offering distinctive qualities in terms of style and optimum lighting for safer, more comfortable night driving;
- Integrated Speaker Control Unit for parking assistance, a compact, cost-effective, innovative parking assistance solution that can be easily fitted onto any vehicle;
- Wi-Fi® Rear Camera, which links a rear vision camera directly to a smartphone.

In Beijing, Valeo presented five major innovations designed to make driving more enjoyable, while reducing fuel consumption:

- Hybrid4all, a system which offers fuel savings of over 15% by combining the Stop-Start, regenerative braking and engine cooling assistance functions;
- Dual Dry Clutch, which combines the comfort of an automatic clutch with the sporty appeal of a manual gearbox, while offering fuel savings of 10%;
- Air Intake Module, a new air intake architecture for diesel and gasoline engines;
- BeamAtic® PremiumLED, a smart LED lighting system, offering optimum visibility without blinding oncoming or overtaking motorists;
- Park4U®, a second-generation parking assistance system.

In response to strong customer demand, Valeo also organized more "tech days" in the first half of the year.

The purpose of these events is to offer the Group's customers the solutions best suited to each market for safer, more comfortable and more fuel-efficient vehicles:

- on February 15 and 16, Valeo Service presented around 35 innovations, additions to existing product ranges adapted to vehicle age, new product lines (lamps, filters) and innovative service offerings, to two of its customers, PSA and Renault-Nissan;
- on March 14 and 15, Valeo Lighting Alliance organized a "tech day" for Toyota during which two seminars were held, one on style strategy and one on LED lighting trends and solutions;
- on April 11, 18 and 19, and on May 17, Valeo played host to Changan Ford, AvtoVAZ and Mitsubishi Motor Corporation during "tech days" organized to showcase a broad array of new and innovative products.

The awards mentioned below were received by Valeo from its customers in the first half of the year in recognition of its efforts and superior performance in its four business segments. Valeo received several awards, including:

- on March 15, Valeo received an Achievement Award in the Supply category from Toyota Motor Europe during its annual awards ceremony in Brussels, for the exceptional productivity and service of its Amiens plant (France). It also received two Recognition Certificates awarding quality excellence (Mondeville plant in France) and project management (Sens and Mazamet plants, also in France). On March 13, Valeo had also picked up an Achievement Award for quality from Toyota Motor Engineering & Manufacturing North America;
- on March 30, Valeo received an award from Toyota Peugeot Citroen Automobile for the quality performance of its Czechowice plant in Poland. On May 31, this same plant also picked up a Silver World Excellence Award from Ford in recognition of its exceptional performance in terms of cost, quality and service rate;
- on April 23, Valeo picked up the 2012 Premier Automotive Suppliers' Contribution to Excellence (PACE) Award from Automotive News for its AquaBlade® wiper system;
- on April 25, Valeo Service was awarded the most prestigious prize of all by Auto International Group (an international network of independent parts distributors) when it was named the 2011 Best Supplier of the Year for its exceptional overall performance in terms of sales, marketing, logistics and customer relations;
- during the annual ceremony for its suppliers held in Prague at the end of May, Mahindra & Mahindra gave Amalgamations Valeo a special award for its outstanding performance in terms of service rate and quality.

6. 2012 outlook

Based on the following scenario:

- 5% to 6% growth in global automotive production in 2012;
- 6% to 7% decline in Europe;
- stable raw materials prices in the second half relative to current levels.

Valeo has set the following objective:

- full-year 2012 operating margin (in millions of euros) in the same magnitude of full-year 2011.

7. Stock market data

Share performance

During the first half of 2012, the average closing price of the Valeo share was 36.47 euros, with a high of 43.31 euros on March 14 and a low of 29.80 euros on June 27. Over the first six months of the year, the Valeo share rose 5.8% from 30.71 euros on December 30, 2011 to a closing price of 32.49 euros on June 29, 2012.

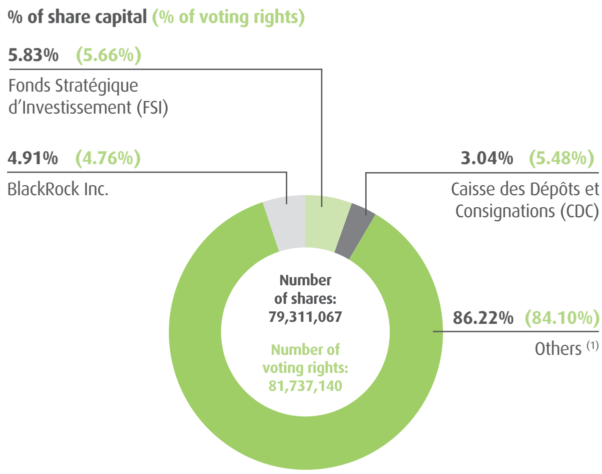
The Valeo share (up 5.8%) outperformed the CAC 40 index (up 1.2%) by 4.6 percentage points. The share underperformed the DJSTOXX Auto index (up 8.2%) by 2.4 percentage points.

Changes in ownership structure

On June 29, the Company's share capital comprised 79,311,067 shares, compared with 79,269,596 shares on December 30, 2011. The rise in the number of shares is directly related to the exercise of 41,060 stock subscription options (plus the 411 related warrants). In accordance with Article 223-11 *et seq*. of the General Regulation of the French financial markets authority (Autorité des marchés financiers – AMF), the number of voting rights declared was 81,737,140. Excluding treasury stock, the number of voting rights comes out at 77,843,674.

To the best of the Company's knowledge, its main shareholders were the Caisse des dépôts et consignations group including the Fonds stratégique d'investissement (8.87% of share capital and 11.14% of voting rights), and BlackRock Inc. (4.91% of share capital and 4.76% of voting rights). At June 29, 2012, Valeo held 3,893,466 treasury shares (i.e., 4.91% of the share capital without voting rights) versus 4,241,206 shares at December 30, 2011 (5.37%).

Ownership structure at June 29, 2012



(1) Including 3,893,466 treasury shares (4.91% of the share capital)

Stock market data

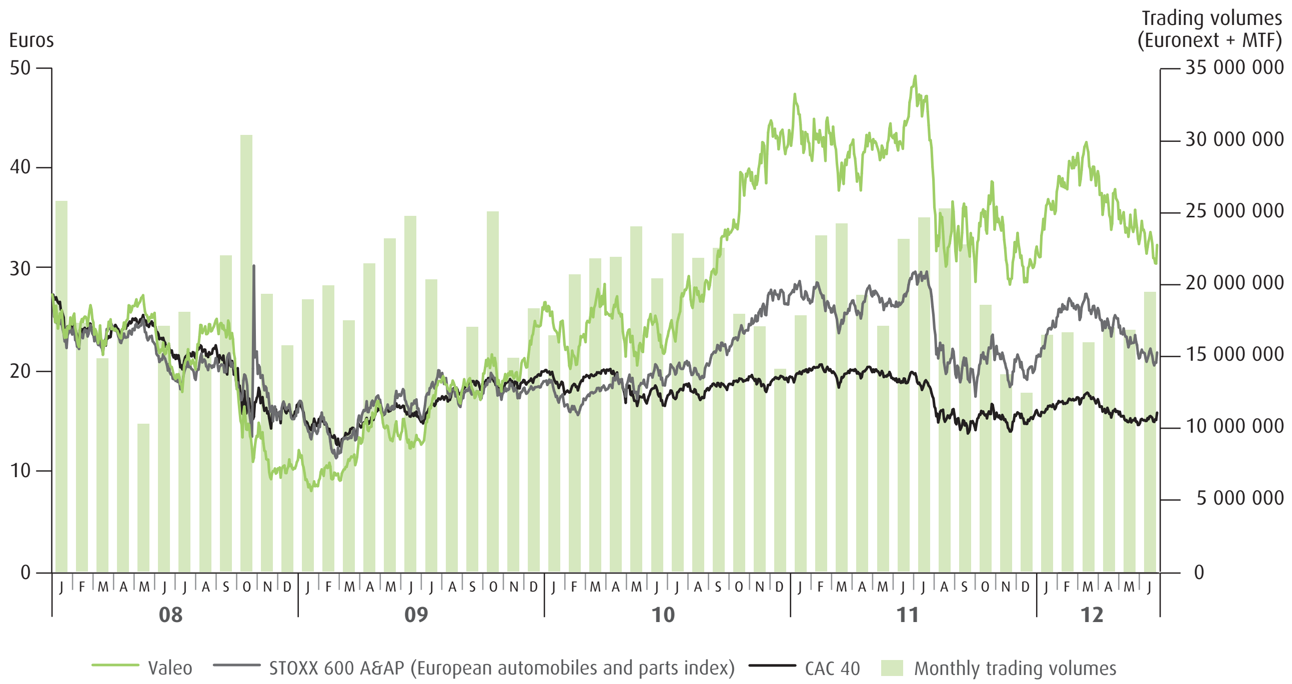
	2009	2010	2011	First-half 2012
Market capitalization at period-end *(in billions of euros)*	1.92	3.34	2.43	2.58
Number of shares	78,209,617	78,628,798	79,269,596	79,311,06
Highest share price *(in euros)*	25.46	45.70	49.88	43.31
Lowest share price *(in euros)*	8.00	20.07	27.46	29.80
Average share price *(in euros)*	15.54	29.04	39.00	36.47
Share price at period-end *(in euros)*	24.53	42.47	30.71	32.49

Per share data

	2009	2010	2011	First-half 2012
Earnings per share	(2.04)	4.86	5.68	2.63
Dividend	-	1.20	1.40[1]	-

(1) Shareholders may choose to be either eligible for the 40% tax allowance provided for in Article 158-3-2° of the French Tax Code (Code général des impôts – CGI) or subject to the 21% flat-rate withholding tax provided for in Article 117 quater of the CGI.

Share price (monthly average from January 2008 to June 2012) and monthly trading volumes



Investor relations

Institutional shareholder relations

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

Individual shareholder relations

Contact:
Valeo
43, rue Bayen
F-75848 Paris Cedex 17
France
Tel.: 0800 814 045
(Freephone from a fixed line in France)
Fax: +33 (0) 1 40 55 20 40
E-mail: valeo@relations-actionnaires.com

Provisional financial communication calendar:

- Third-quarter 2012 sales: **October 18, 2012**
- Full-year 2012 results: **second half of February 2013**
- First-quarter 2013 sales: **second half of April 2013**
- First-half 2013 results: **second half of July 2013**

8. Risk factors and related party transactions

Risk factors

The risk factors are identical to those identified in Chapter 2 of the 2011 Registration Document.

Related party transactions

There were no significant changes in related party transactions during the first half of 2012.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

1. Consolidated statement of income

(in millions of euros)	*Notes*	**First-half 2012**	**First-half 2011**
CONTINUING OPERATIONS			
SALES	*4.1*	**5,999**	**5,334**
Cost of sales		(4,993)	(4,418)
GROSS MARGIN		**1,006**	**916**
% of sales		16.8%	17.2%
Research and Development expenditure, net	*4.2*	(313)	(285)
Selling expenses		(98)	(88)
Administrative expenses		(225)	(198)
OPERATING MARGIN		**370**	**345**
% of sales		6.2%	6.5%
Other income and expenses	*4.3*	(22)	(1)
OPERATING INCOME		**348**	**344**
Interest expense	*4.4*	(61)	(37)
Interest income	*4.4*	11	8
Other financial income and expenses	*4.5*	(16)	(17)
Share in net earnings of associates	*4.6*	11	4
INCOME BEFORE INCOME TAXES		**293**	**302**
Income taxes	*4.7*	(78)	(77)
INCOME FROM CONTINUING OPERATIONS		**215**	**225**
DISCONTINUED OPERATIONS			
Income (loss) from discontinued operations, net of tax		(2)	-
NET INCOME FOR THE PERIOD		**213**	**225**
Attributable to:			
■ Owners of the Company		198	218
■ Non-controlling interests		15	7
Earnings per share:			
■ Basic earnings per share *(in euros)*	*4.8.1*	2.63	2.89
■ Diluted earnings per share *(in euros)*	*4.8.2*	2.63	2.88
Earnings per share from continuing operations:			
■ Basic earnings per share *(in euros)*		2.66	2.89
■ Diluted earnings per share *(in euros)*		2.66	2.88

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

2. Consolidated statement of comprehensive income

(in millions of euros)	First-half 2012	First-half 2011
NET INCOME FOR THE PERIOD	**213**	**225**
Translation adjustment	12	(63)
o/w income taxes	-	-
Cash flow hedges:		
■ gains (losses) taken to equity	9	(5)
■ (gains) losses transferred to income (loss) for the period	(6)	(13)
o/w income taxes	-	*2*
Remeasurement of available-for-sale financial assets	-	-
o/w income taxes	-	-
Other comprehensive income (loss) recycled to income	***15***	***(81)***
Actuarial gains (losses) on defined benefit plans	(72)	(1)
o/w income taxes	*15*	-
Other comprehensive income (loss) not recycled to income	***(72)***	***(1)***
Other comprehensive income (loss) for the period, net of tax	**(57)**	**(82)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**156**	**143**
Attributable to:		
■ Owners of the Company	138	140
■ Non-controlling interests	18	3

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

3. Consolidated statement of financial position

(in millions of euros)	*Notes*	**June 30, 2012**	**Dec. 31, 2011**
ASSETS			
Goodwill[1]	*5.1*	1,323	1,436
Other intangible assets[1]	*5.1*	686	643
Property, plant and equipment		1,961	1,956
Investments in associates		122	104
Non-current financial assets		75	91
Deferred tax assets		249	223
Non-current assets		**4,416**	**4,453**
Inventories[1]		787	765
Accounts and notes receivable		1,694	1,705
Other current assets		360	312
Taxes recoverable		22	20
Other current financial assets		8	10
Assets held for sale	*5.2*	413	2
Cash and cash equivalents	*5.5*	1,592	1,295
Current assets		**4,876**	**4,109**
TOTAL ASSETS		**9,292**	**8,562**

(in millions of euros)	*Notes*	**June 30, 2012**	**Dec. 31, 2011**
EQUITY AND LIABILITIES			
Share capital		238	238
Additional paid-in capital		1,430	1,429
Translation adjustment		239	230
Retained earnings		49	39
Stockholders' equity	*5.3*	**1,956**	**1,936**
Non-controlling interests		126	144
Stockholders' equity including non-controlling interests		**2,082**	**2,080**
Provisions – long-term portion	5.4	1,086	994
Debt – long-term portion	5.5	1,600	1,494
Other financial liabilities – long-term portion		53	51
Subsidies and grants – long-term portion		15	23
Deferred tax liabilities		22	24
Non-current liabilities		**2,776**	**2,586**
Accounts and notes payable[1]		2,405	2,338
Provisions – current portion	*5.4*	227	262
Subsidies and grants – current portion		18	9
Taxes payable		67	59
Other current liabilities[1]		960	826
Current portion of long-term debt	*5.5*	384	307
Other financial liabilities – current portion		36	20
Liabilities held for sale	*5.2*	236	-
Short-term debt	*5.5*	101	75
Current liabilities		**4,434**	**3,896**
TOTAL EQUITY AND LIABILITIES		**9,292**	**8,562**

(1) The presentation of the statement of financial position at December 31, 2011 has been modified slightly compared to the version published in February 2012 to reflect the definitive adjustments made to the acquired assets and liabilities of Niles (see Note 2.2.1) and CPT (see Note 2.3.2).

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

4. Consolidated statement of cash flows

(in millions of euros)	*Notes*	**First-half 2012**	**First-half 2011**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		213	225
Share in net earnings (losses) of associates		(11)	(4)
Net dividends received from associates		3	-
Expenses (income) with no cash effect	*5.6.1*	274	218
Cost of net debt		50	29
Income taxes (current and deferred)		78	77
Gross operating cash flows		**607**	**545**
Income taxes paid		(94)	(92)
Changes in working capital	*5.6.2*	59	(11)
Net cash from operating activities		**572**	**442**
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows relating to acquisitions of intangible assets		(127)	(91)
Outflows relating to acquisitions of property, plant and equipment		(299)	(222)
Inflows relating to disposals of property, plant and equipment		2	6
Net change in non-current financial assets		3	(257)
Impact of changes in scope of consolidation		(11)	2
Net cash used in investing activities		**(432)**	**(562)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		-	-
Dividends paid to non-controlling interests		(15)	(8)
Issuance of share capital		1	11
Sale (purchase) of treasury stock		12	18
Issuance of long-term debt	*5.6.3*	508	748
Interest paid		(63)	(50)
Interest received		7	8
Repayments of long-term debt	*5.6.3*	(328)	(669)
Acquisition of non-controlling interests	*2.1.2*	(47)	-
Net cash from financing activities		**75**	**58**
Effect of exchange rate changes on cash		**14**	**(15)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**229**	**(77)**
Net cash and cash equivalents at beginning of period		**1,220**	**1,239**
Net cash and cash equivalents at end of period		**1,449**	**1,162**
o/w:			
■ Cash and cash equivalents		1,592	1,226
■ Short-term debt		(101)	(64)
■ Portion of cash-related assets and liabilities held for sale [(1)]		(42)	-

(1) The assets and liabilities relating to the Access Mechanisms businesses were reclassified within assets and liabilities held for sale at June 30, 2012 (see Note 5.2).

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

5. Consolidated statement of changes in stockholders' equity

Number of shares	*(in millions of euros)*	Share capital	Additional paid-in capital	Translation adjustment	Retained earnings	Stockholders' equity including non-controlling interests: Stockholders' equity	Non-controlling interests	Total
75,090,160	**Stockholders' equity at January 1, 2011**	**236**	**1,412**	**230**	**(170)**	**1,708**	**62**	**1,770**
	Dividends paid	-	-	-	(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	-	-	(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**
	Dividends paid	-	-	-	-	-	(9)	**(9)**
(1,172,655)	Treasury stock	-	-	-	(40)	(40)	-	**(40)**
362,175	Capital increase	1	10	-	-	11	-	**11**
	Share-based payment	-	-	-	5	5	-	**5**
	Other movements	-	-	-	-	-	68	**68**
	Transactions with owners	**1**	**10**	**-**	**(35)**	**(24)**	**59**	**35**
	Net income for the period	-	-	-	209	209	17	**226**
	Other comprehensive income (loss), net of tax	-	-	59	(92)	(33)	11	**(22)**
	Total comprehensive income (loss)	**-**	**-**	**59**	**117**	**176**	**28**	**204**
75,028,390	**Stockholders' equity at December 31, 2011**	**238**	**1,429**	**230**	**39**	**1,936**	**144**	**2,080**
	Dividends paid	-	-	-	(106)	(106)	(15)	**(121)**
347,740	Treasury stock	-	-	-	13	13	-	**13**
41,471	Capital increase	-	1	-	-	1	-	**1**
	Share-based payment	-	-	-	5	5	-	**5**
	Other movements	-	-	-	(31)	(31)	(21)	**(52)**
	Transactions with owners	**-**	**1**	**-**	**(119)**	**(118)**	**(36)**	**(154)**
	Net income for the period	-	-	-	198	198	15	**213**
	Other comprehensive income (loss), net of tax	-	-	9	(69)	(60)	3	**(57)**
	Total comprehensive income (loss)	**-**	**-**	**9**	**129**	**138**	**18**	**156**
75,417,601	**Stockholders' equity at June 30, 2012**	**238**	**1,430**	**239**	**49**	**1,956**	**126**	**2,082**

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

6. 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, 2012 include:

- the accounts of Valeo;
- the accounts of its subsidiaries;
- the accounts of entities jointly controlled by Valeo which are proportionately consolidated;
- Valeo's share in the net assets and earnings of associates.

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 26, 2012.

Note 1 Accounting policies

1.1 Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2012 are prepared in accordance with IAS 34 – "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB), as adopted by the European Union and effective at January 1, 2012.

Pursuant to IAS 34, the Notes to these condensed interim financial statements are designed to:

- update the accounting and financial information contained in the last published consolidated financial statements at December 31, 2011;
- 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 2011 Registration Document. (1)

The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2012 are the same as those used to prepare the 2011 annual consolidated financial statements, and take into account the new standards and interpretations effective as of January 1, 2012. The impact of these new standards and interpretations 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, 2012

The Group's condensed interim consolidated financial statements are not affected by the application of the amendment to IFRS 7 – "Financial Instruments: Disclosures – Transfers of Financial Assets" to reporting periods beginning on or after January 1, 2012.

1.1.2 Standards, amendments and interpretations published by the IASB and adopted by the European Union but not obligatorily applicable for reporting periods beginning on or after January 1, 2012 and not early adopted by the Group

The IASB has published amendments to IAS 19 – "Employee Benefits" and IAS 1 – "Presentation of Items of Other Comprehensive Income" which were adopted by the European Union on June 6, 2012. At this stage, the Group considers that the application of these amendments will have a very limited impact on its financial statements.

1.1.3 Standards, amendments and interpretations published by the IASB but not obligatorily applicable for reporting periods beginning on or after January 1, 2012 and not yet adopted by the European Union

The following standards, amendments and interpretations have been published by the IASB but are not obligatorily applicable for reporting periods beginning on or after January 1, 2012 and have not yet been adopted by the European Union:

- IFRS 10 – "Consolidated Financial Statements";
- IFRS 11 – "Joint Arrangements";
- IFRS 12 – "Disclosure of Interests in Other Entities";
- IFRS 13 – "Fair Value Measurement";
- IAS 27 (revised) – "Separate Financial Statements";

(1) The 2011 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.

- IAS 28 (revised) – "Investments in Associates and Joint Ventures";
- amendments to IAS 12, IAS 32 and IFRS 7.

As indicated in the 2011 published consolidated financial statements, based on a preliminary analysis, the new standards on consolidation and in particular IFRS 11 are expected to have an impact on the consolidated financial statements, since the Group proportionately consolidates its joint ventures. The Group is continuing to analyze the impact of these standards.

1.2 Basis of preparation

The condensed interim consolidated financial statements are presented in euros and are rounded to the closest million.

They have been prepared in accordance with the general accounting principles of IFRS:

- true and fair view;
- going concern;
- accrual basis of accounting;
- consistency of presentation;
- materiality and aggregation;
- no offsetting.

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

Amid a persistently uncertain economic environment, the Group mainly based its estimates and assumptions on projected data for the automotive industry and on its own order book and its outlook for emerging markets.

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 future financial statements may differ from the amounts resulting from these estimates.

Key estimates and assumptions adopted by the Group to prepare its financial statements for the period ended June 30, 2012 chiefly concern:

- estimates of provisions, mainly relating to employee benefits (see Note 5.4);
- the recoverable amount of property, plant and equipment and intangible assets (see Note 4.3.1);
- the measurement of deferred tax assets (see Note 4.7).

1.3 Specific measurements used to prepare the condensed interim consolidated financial statements

1.3.1 Estimated income tax expense

In accordance with IAS 34 on interim financial reporting, the Group's income tax expense was calculated based on an estimated projected tax rate for 2012. This estimated rate was calculated on the basis of the tax rates likely to apply and pre-tax earnings forecasts for the Group's tax entities.

1.3.2 Post-employment and other long-term benefits

The provision for pensions and other employee benefits is recognized based on projections made by actuaries using data from the end of the previous reporting period. The discount rates for the countries representing the Group's most significant obligations (US, eurozone, UK, Japan) are reviewed at June 30. Projections are adjusted in order to reflect any significant changes in assumptions over the period or one-off impacts linked to discount rates, applicable legislation or the population concerned.

The value of the main plan assets is also reviewed at June 30 and adjusted wherever the market value of the assets differs significantly from their carrying amount.

1.4 Restatement of prior-year financial information

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

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

In line with adjustments made to the acquired assets and liabilities of Niles (see Note 2.2.1) and CPT (see Note 2.3.2) in first-half 2012, the presentation of the consolidated statement of financial position has been slightly modified compared to the version published in February 2012.

Note 2 Changes in the scope of consolidation

2.1 Transactions carried out in first-half 2012

2.1.1 Planned sale of the Access Mechanisms business

On June 25, 2012, Valeo announced that it was in negotiations to sell its Access Mechanisms business (Comfort and Driving Assistance Systems Business Group) to Japan-based U-Shin. The project has been submitted to employee representatives for consultation and is subject to approval by the competition authorities.

The Access Mechanisms business, which is primarily mechanical-based, comprises products such as locksets, steering column locks, handles and latches.

Valeo Access Mechanisms generated sales of 620 million euros in 2011 and employed 4,400 people at 12 plants located primarily in Europe and South America. The proposed divestment is aligned with Valeo's strategy of focusing on developing products that reduce CO2 emissions and stepping up its expansion in Asia and emerging markets.

In accordance with IFRS 5, the assets and liabilities relating to the Access Mechanisms business were classified as assets and liabilities held for sale in the consolidated statement of financial position at June 30, 2012, since the Group expects to recover their carrying amount principally through their sale rather than through their continuing use (see Note 5.2).

In view of the uncertainties inherent to this type of transaction, Valeo has been unable to accurately determine the consequences of the planned sale, but does not expect that it will have a material impact on its consolidated financial statements.

2.1.2 Acquisition of non-controlling interests in Chinese firm Valeo Automotive Air Conditioning Hubei Co. Ltd

Since April 23, 2012, Valeo has owned all of the capital stock of a Chinese engine cooling system manufacturer based in Shashi. This company, which was already fully consolidated, was previously 55%-owned by Valeo, 40%-owned by SDIC High-Tech Investment Co., Ltd and 5%-owned by Jingzhou Jiesheng Assets Management Co., Ltd. In accordance with IAS 27 (revised), this acquisition of non-controlling interests led to a 52 million euro decrease in consolidated stockholders' equity and to a 47 million euro outflow of cash registered on the "Acquisition of non-controlling interests" line in the consolidated statement of cash flows for first-half 2012.

2.2 Transactions carried out in first-half 2011

2.2.1 Acquisition of the Niles group

On February 23, 2011, Valeo signed an agreement with RHJ International SA and Nissan to acquire the entire capital stock of Japanese automotive 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). The terms and conditions for preparing the financial statements of the companies acquired set out in the purchase agreement were incompatible with Valeo's interim accounts closing deadlines. Niles was therefore only consolidated as of July 1, 2011.

The adjusted purchase price amounted to 168 million euros (19.6 billion yen) based on a 100% interest. Acquisition-related fees totaling 6 million euros were taken to income for 2011 in accordance with IFRS 3 (revised).

In accordance with IFRS 3 (revised), the purchase price was allocated on a provisional basis to Niles' assets and liabilities in second-half 2011, with the definitive allocation completed in first-half 2012. The main adjustments recognized in first-half 2012 concern customer relationships.

After the adjustment, the definitive amount of goodwill and other intangible assets acquired totaled 137 million euros and 47 million euros, respectively, at July 1, 2011.

The value of goodwill chiefly reflects the expected synergies as the transaction will reinforce the Interior Controls activity within the Comfort and Driving Assistance Systems Business Group and strengthen the Group's foothold in Asia, where Niles is a leading manufacturer of automotive switching systems.

Niles' contributed 238 million euros to Valeo's sales for the first half of 2012 and generated an operating margin of over 16 million euros.

2.3 Transactions carried out in second-half 2011

2.3.1 Acquisition of a controlling interest in Valeo Pyeong Hwa and Valeo Pyeong Hwa International

An amendment to the partnership agreement signed on October 12, 2011 modified governance arrangements and resulted in Valeo gaining control of Valeo Pyeong Hwa and Valeo Pyeong Hwa International. These companies, which were previously jointly controlled, were fully consolidated in Valeo's consolidated financial statements as of said date.

Control was therefore obtained with no outflow of cash.

The companies contributed 137 million euros to Valeo's sales for the first half of 2012 and generated an operating margin of over 15 million euros.

2.3.2 Acquisition of a company of electric supercharger technology

As part of its strategy of developing solutions to reduce CO_2 emissions, on December 5, 2011 Valeo acquired an UK automotive technology development company Controlled Power Technologies (CPT), inventor of the Variable Torque Enhancement System (VTES). With this move, Valeo became the first automotive supplier to offer its customers a range of electric superchargers. CPT was renamed Valeo Air Management UK and was integrated into Valeo's Powertrain Systems Business Group.

The purchase price after adjustments amounted to 35 million euros (30 million pounds sterling). The provisional measurement of all of the acquired company's assets and liabilities at fair value was performed in the first half of 2012. This led to the recognition, at the acquisition date, of an intangible asset corresponding to the technology acquired for 8 million euros and to a corresponding adjustment to goodwill. The goodwill of 21 million euros recorded at the acquisition date reflects the commercial synergies available to Valeo as well as its capacity to industrialize and develop the technology acquired.

As the company is primarily involved in Research and Development, it does not generate any sales, and reported an operating loss of almost 2 million euros in the period.

2.3.3 Acquisition of Chery group's lighting company in China

As part of its development strategy in high-growth countries and particularly China, on December 29, 2011 Valeo acquired an 80% shareholding in Chinese lighting company Wuhu Ruby Automotive Lighting Systems from Chery Technology, a subsidiary of the Chinese automaker Chery Automobile. Chery Technology retained a 20% stake in the company.

Located in Wuhu in the Anhui province, the joint venture, now known as Wuhu Valeo Automotive Lighting Systems, designs, manufactures and sells Valeo Lighting Systems products, mainly for Chery Automobile on the Chinese market. The business has been integrated within the Visibility Systems Business Group.

The adjusted purchase price was 8 million euros at the acquisition date, of which 50% was paid at the time of the acquisition and the remaining 50% after the non-material contingent consideration had been set (beginning of 2012). In view of the December 29, 2011 acquisition date and the relatively non-material amounts of assets acquired and liabilities assumed, the company was not included in the consolidated financial statements for the year ended December 31, 2011. The Group's interest was shown within "Non-current financial assets" in the statement of financial position at that date. Wuhu Valeo Automotive Lighting Systems was fully consolidated in the Group's consolidated financial statements with effect from January 1, 2012.

The provisional fair value measurement of the assets acquired and liabilities assumed gave rise to the recognition of a customer relationship for 9 million euros and of a provision for loss making contracts for 3 million euros at the acquisition date. Goodwill was calculated using the partial goodwill method and totaled 5 million euros. It chiefly reflected the Group's strong position in fast-growing markets and the synergies expected to be unlocked with other chinese sites within the same Product Group.

In first-half 2012, Wuhu Valeo Automotive Lighting Systems contributed 3 million euros to sales and generated an operating loss of over 1 million euros.

Note 3 Segment reporting

In accordance with IFRS 8 – "Operating Segments", the Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's General Management in order to allocate resources to the segments and assess their performance. General 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:

- Powertrain Systems, comprising four Product Groups: Electrical Systems, Transmission Systems, Combustion

Engine Systems and Electronics. This Business Group develops innovative powertrain solutions aimed at reducing fuel consumption and CO_2 emissions without compromising on the pleasure and dynamics of driving. Its innovations cover a comprehensive range of products, from the optimization of internal combustion engines, the varying levels of vehicle electrification, as well as Stop-Start technology to the electric vehicles;

- Thermal Systems, comprising four Product Groups: Climate Control, Powertrain Thermal Systems, Climate Control Compressors and Front-End Modules. This Business Group develops and manufactures systems, modules and components to ensure thermal energy for the management of powertrain and comfort for each passenger at all stages in the use of a vehicle;
- Comfort and Driving Assistance Systems, comprising four Product Groups: Interior Controls, Driving Assistance, Interior Electronics and Access Mechanisms (this latter business is to be sold – see Note 2.1.1). This Business Group develops interfaces between the driver, the vehicle and the surrounding environment, and helps improve safety and comfort;
- Visibility Systems, comprising three Product Groups: Lighting Systems, Wiper Systems and Wiper Motors. This Business Group develops and manufactures efficient and innovative systems which support the driver at all times, day and night, so that the driver has perfect visibility, thus improving the safety of the driver and of passengers.

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 as presented in the tables below are as follows:

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

First-half 2012

(in millions of euros)	Powertrain Systems	Thermal Systems	Comfort and Driving Assistance Systems	Visibility Systems	Other	Total
Sales						
■ segment (excluding Group)	1,667	1,704	1,278	1,337	13	5,999
■ intersegment (Group)	14	15	13	20	(62)	-
EBITDA (1)	**155**	**206**	**154**	**126**	**14**	**655**
Research and Development expenditure, net	(82)	(78)	(88)	(65)	-	(313)
Investments in property, plant and equipment and intangible assets	125	67	107	113	14	426
Segment assets (2)	1,427	1,094	1,402	1,079	36	5,038

(1) EBITDA for the Comfort and Driving Assistance Systems Business Group in first-half 2012 includes an impact of 28 million euros resulting from the first-time consolidation of Niles.

(2) The segment assets shown for the Comfort and Driving Assistance Systems Business Group at June 30, 2012 include the segment assets relating to the Access Mechanisms business reclassified in "Assets held for sale" for 281 million euros, and the segment assets relating to Niles for 402 million euros.
The segment assets shown for the Powertrain Systems Business Group at June 30, 2012 include the segment assets relating to VPH and VPH-International for 137 million euros (32 million euros at June 30, 2011).

First-half 2011

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

3.2 Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating income:

(in millions of euros)	First-half 2012	First-half 2011
EBITDA	**655**	**602**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses (1)	(285)	(257)
Other income and expenses	(22)	(1)
Operating income	**348**	**344**

(1) Impairment losses recorded in operating margin only.

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	June 30, 2012	June 30, 2011
Segment assets	**5,038**	**4,009**
Accounts and notes receivable	1,694	1,664
Other current assets	360	241
Taxes recoverable	22	12
Assets held for sale (excluding segment assets)	132	2
Financial assets	1,797	1,715
Deferred tax assets	249	199
Total Group assets	**9,292**	**7,842**

Note 4 Notes to the statement of income

4.1 Sales

Group sales rose 12.5% to 5,999 million euros in first-half 2012 from 5,334 million euros in first-half 2011. Sales growth includes a positive 5.9% impact relating to changes in the scope of consolidation and a positive 2.6% impact resulting from fluctuations in exchange rates.

On a comparable Group structure and exchange rate basis, consolidated sales therefore climbed 4.0% between first-half 2012 and the first six months of 2011.

4.2 Research and Development expenditure, net

(in millions of euros)	**First-half 2012**	**First-half 2011**
Research and Development expenditure	(501)	(420)
Contributions received and subsidies	144	113
Capitalized development expenditure	116	83
Amortization and impairment of capitalized development expenditure	(72)	(61)
Research and Development expenditure, net	**(313)**	**(285)**

The Group continued to invest in Research and Development in first-half 2012 in order to meet the needs of its growing order book.

4.3 Other income and expenses

(in millions of euros)	**First-half 2012**	**First-half 2011**
Restructuring costs	(4)	2
Impairment of fixed assets	-	-
Claims and litigation	(2)	(2)
Other	(16)	(1)
Other income and expenses	**(22)**	**(1)**

4.3.1 Impairment of fixed assets

Property, plant and equipment and intangible assets whose recoverable amounts cannot be estimated on a stand-alone basis are grouped together into Cash-Generating Units (CGUs).

The Group has identified any indicators of impairment arising in the first half of 2012 for each of its CGUs. The main impairment indicators used are a projected negative operating margin in first-half 2012 or a fall of over 20% in first-half 2012 sales compared to first-half 2011. Based on an analysis of these impairment indicators for each of the Group's CGUs, Valeo considered that no items needed to be tested for impairment at June 30, 2012.

The net carrying amount of goodwill is reviewed at least once a year and whenever there is an indication that it may be impaired. No impairment was recognized against goodwill at the end of the period based on the impairment tests carried out at December 31, 2011. At June 30, 2012, the Group considers that there was no change in the assumptions used to determine the recoverable amount of goodwill at December 31, 2011 that would justify the performance of any impairment tests at June 30, 2012.

4.3.2 Other

In the six months ended June 30, 2012, this caption mainly relates to fees for legal advice regarding antitrust proceedings.

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.

4.4 Cost of net debt

There was a rise in the cost of net debt between first-half 2011 and first-half 2012, essentially due to the two 500 million euro bond issues in May 2011 and January 2012. This additional interest expense was offset in part by partial bond redemptions maturing in 2013 (200 million euros in May 2011 and 89 million euros in January 2012) and by the repayment of the two syndicated loans of 225 million euros in January 2012 (see Note 5.5).

4.5 Other financial income and expenses

(in millions of euros)	**First-half 2012**	**First-half 2011**
Interest expense on pension obligations	(23)	(23)
Expected return on plan assets	11	10
Currency gains (losses)	(2)	(3)
Gains (losses) on commodity derivatives (*trading and* ineffective portion)	-	-
Gains (losses) on interest rate derivatives (ineffective portion)	-	-
Other	(2)	(1)
Other financial income and expenses	**(16)**	**(17)**

4.6 Share in net earnings of associates

(in millions of euros)	**First-half 2012**	**First-half 2011**
Ichikoh	9	3
Faw Valeo Climate Control Systems (China)	2	1
Other	-	-
Share in net earnings (losses) of associates	**11**	**4**

4.7 Income taxes

The 78 million euro income tax expense for first-half 2012 corresponds to an effective tax rate of 27.6% and includes deferred tax assets recognized in certain countries for a total of 10 million euros due to an improved economic outlook.

4.8 Earnings per share

4.8.1 Basic earnings per share

	First-half 2012	First-half 2011
Net income attributable to owners of the Company *(in millions of euros)*	198	218
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	75,226	75,509
Basic earnings per share *(in euros)*	**2.63**	**2.89**

4.8.2 Diluted earnings per share

	First-half 2012	First-half 2011
Net income attributable to owners of the Company *(in millions of euros)*	198	218
Weighted average number of shares outstanding *(in thousands of shares)*	75,226	75,509
Stock options *(in thousands of options)*	49	250
Weighted average number of shares used for the calculation of diluted earnings per share *(in thousands of shares)*	75,275	75,759
Diluted earnings per share *(in euros)*	**2.63**	**2.88**

Note 5 Notes to the statement of financial position and the statement of cash flows

5.1 Goodwill and other intangible assets

The decrease in goodwill over the period is mainly attributable to the reclassification within assets held for sale of 131 million euros relating to goodwill for the Access Mechanisms business.

At December 31, 2011, goodwill and other intangible assets were revised to reflect adjustments made to the acquired assets and liabilities of Niles (see Note 2.2.1) and CPT (see Note 2.3.2).

5.2 Assets and liabilities held for sale

As indicated in Note 2.1.1, due to the planned sale of the Access Mechanisms business, all of the assets and liabilities relating to this business were reclassified as held for sale. Since no detailed financial statements could be drawn up for the Access Mechanisms business at June 30, 2012 due to incompatible accounts closing deadlines, the assets and liabilities were reclassified based on consolidated, audited data for the business at December 31, 2011.

The main items in the statement of financial position of the business that were reclassified at June 30, 2012 are set out below:

(in millions of euros)	
Assets	
Goodwill	131
Other intangible assets	18
Property, plant and equipment	98
Other non-current assets	4
Non-current assets	**251**
Inventories	34
Accounts and notes receivable	100
Other current assets	10
Cash and cash equivalents	16
Current assets	**160**
TOTAL ASSETS	**411**
Equity and liabilities	
Translation adjustment	16
Retained earnings	159
Stockholders' equity	**175**
Provisions – long-term portion	18
Non-current liabilities	**18**
Accounts and notes payable	115
Provisions – current portion	7
Other current liabilities	38
Short-term debt	58
Current liabilities	**218**
TOTAL EQUITY AND LIABILITIES	**411**

5.3 Stock option plans

On February 24, 2011, the Board of Directors agreed on the principles for stock purchase option and performance share awards, subject to the adoption of the corresponding resolutions put to the vote of the shareholders. The Ordinary and Extraordinary Shareholders' Meeting of June 8, 2011 then adopted an overall stock purchase option and performance share package, part of which was granted by the Board of Directors on June 8, 2011.

The Board of Directors' meeting of March 27, 2012 decided to grant:

- 367,160 shares under a new stock purchase option plan, vesting at the end of a three-year service period, including 265,230 shares subject to performance conditions;
- 213,140 shares under a free share award plan, vesting at the end of a three-year service period for employees based in France and a five-year service period for employees based in other countries, including 117,220 shares subject to performance conditions.

In accordance with IFRS 2, Valeo has estimated the fair value of these plans based on the fair value of the equity instruments granted. For plans awarded in respect of 2012, fair value is estimated at 10 million euros (13 million euros for the plans awarded in 2011) and will be taken to income over the vesting period, with an offsetting entry to equity.

5.4 Provisions

(in millions of euros)	**June 30, 2012**	**Dec. 31, 2011**
Provisions for pensions and other employee benefits	865	776
Provisions for product warranties	177	192
Provisions for restructuring costs	46	60
Other provisions	225	228
Provisions	**1,313**	**1,256**
Of which long-term portion (more than one year)	1,086	994
Of which current portion (less than one year)	227	262

5.4.1 Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits totaled 865 million euros at June 30, 2012, versus 776 million euros at December 31, 2011.

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

The discount rates used in the countries representing the Group's most significant obligations were as follows:

(%)		June 30, 2012	Dec. 31, 2011
iBoxx Euro-Corporate AA 10-year+	Eurozone	3.5	4.8
Citigroup Pension Discount Curve	United States	3.8	4.1
iBoxx £-Corporate AA 15-year+	United Kingdom	4.8	4.8
10-year government bonds	Japan	1.4	1.4

At June 30, 2012, the Group reviewed its discount rates and the market value of its plan assets. Due to the sharp downturn in the Group's benchmark indices for the eurozone and the US between December 31, 2011 and June 30, 2012, an additional 87 million euros was accrued to the provision. The 72 million euro actuarial gain net of tax arising in first-half 2012 was recognized within other comprehensive income.

Excluding the impact of the above, changes in provisions for pensions and other employee benefits were attributable to:

- utilization of the provision in an amount of 26 million euros;
- a net expense of 28 million euros over the first six months of 2012, of which 12 million euros was recorded in other financial income and expenses (see Note 4.5);
- a reclassification of obligations relating to the Access Mechanisms business within "Liabilities held for sale" for 12 million euros;
- translation adjustments for 9 million euros.

5.4.2 Other provisions

At June 30, 2012, this caption includes provisions for tax contingencies totaling 68 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 counsels, the provisions set aside are considered adequate to cover the estimated risks.

5.5 Debt

5.5.1 Net debt

Net debt is defined as all long-term debt, short-term debt and bank overdrafts, less loans, other non-current financial assets and cash and cash equivalents.

(in millions of euros)	June 30, 2012	Dec. 31, 2011
Long-term portion of long-term debt	1,600	1,494
Current portion of long-term debt	384	307
Loans and other non-current financial assets	(50)	(58)
Long-term debt	**1,934**	**1,743**
Short-term debt	101	75
Cash and cash equivalents	(1,592)	(1,295)
Portion of cash-related assets and liabilities held for sale[(1)]	42	-
Short-term cash	**(1,449)**	**(1,220)**
Net debt	**485**	**523**

(1) See Note 5.2.

5.5.2 Long-term debt

The net rise in long-term debt in the first six months of 2012 is essentially due to the three factors described below.

- on January 19, 2012, Valeo carried out a 500 million euro bond issue within the scope of its Euro Medium Term Notes financing program. The bonds are redeemable in January 2017 and pay fixed-rate interest of 5.75%;
- at the same time as the bond issue, Valeo launched a redemption offer for holders of its 2013 bonds. A total of 89 million euros in bonds was redeemed as a result of this offer. These transactions allow Valeo to extend the average maturity of its debt and smooth its repayment profile, reducing the amount due in 2013 by 89 million euros in exchange for 500 million euros with a revised maturity of 2017;
- on January 30, 2012, Valeo repaid the two syndicated loans ahead of maturity due to expire at the end of July 2012, using the proceeds from its January 19, 2012 bond issue.

At June 30, 2012, the current portion of long-term debt relates mainly to the 311 million euro bond issue maturing in 2013.

On December 31, 2011 the current portion of long-term debt related mainly to the two syndicated loans for 224 million euros maturing at the end of July 2012.

At June 30, 2012, long-term debt chiefly includes:

- a 311 million euro bond issued by Valeo as part of its Euro Medium Term Notes program. These eight-year bonds were initially issued for an amount of 600 million euros on June 24, 2005. In May 2011, Valeo redeemed one-third of these outstanding bonds, representing a nominal amount of 200 million euros, at 101.8% of par. In January 2012, Valeo redeemed an additional portion of these bonds, representing a nominal amount of 89 million euros, at 101.6% of par. These two transactions were 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 in 2011 and 2 million euros in 2012. The effective interest rate on the outstanding bonds remains unchanged at 3.89%;
- 500 million euros worth of seven-year bonds maturing in 2018 and issued by Valeo on May 12, 2011. These bonds were issued as part of the Euro Medium Term Notes program and pay 4.875% interest. Its effective interest rate is 5.09%;
- 500 million euros worth of five-year bonds maturing in 2017 and issued by Valeo on January 19, 2012. These bonds were issued as part of the Euro Medium Term Notes program and pay 5.75% interest. Its effective interest rate is 5.91%;
- a syndicated five-year loan contracted by the Group at June 30, 2011 for 250 million euros in connection with the financing of Niles. The loan was taken out with three banks within the scope of a club deal and bears variable interest at 3-month Euribor +1.3%. A Euro/Japanese Yen cross currency swap for 237 million euros was set up on inception of the loan for the same maturity;
- two loans taken out with the European Investment Bank (EIB) for a total amount of 306 million euros. These EIB reduced-rate loans were granted as part of funding for costs incurred by the Group in research projects looking at ways to reduce fuel consumption and CO_2 emissions and improve active safety.

  A first 225 million euro loan was taken out at the end of July 2009 for a seven-year term, repayable in four equal annual installments as from 2013. This loan bears variable interest (6-month Euribor + 2.46%). An interest rate swap was taken out in respect of this loan, exchanging Euribor for a fixed rate of 3.37%.

  A second loan for 81 million euros, drawn down in USD in an amount of 103 million dollars, was taken out for a seven-year term on November 3, 2011, repayable in four equal annual installments as from 2015. This loan bears variable interest at 6-month USD Libor + 1.9%. A currency swap was taken out at the same time as the loan.

At June 30, 2012, Valeo had several confirmed bank credit lines totaling 1.2 billion euros. No amounts were drawn down on these facilities in first-half 2012.

Covenants: the 250 million euro syndicated loan, the two EIB loans and the credit lines are subject to the same covenant. 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, 2012.

Credit lines with banks and the Group's long-term debt are also subject to cross-default clauses, whereby if it is likely that early repayment will be triggered for certain borrowings, early repayment of other borrowings could be required. However, some of the loan contracts provide for a 20- to 30-day grace period for Valeo to rectify the situation before the cross-default clause becomes enforceable.

5.5.3 Cash and cash equivalents

Cash and cash equivalents totaled 1,592 million euros at June 30, 2012, i.e., 972 million euros of marketable securities (money market funds) with a low price volatility risk, and 620 million euros in cash. Marketable securities chiefly consist of money market mutual funds (OPCVM) for 872 million euros and negotiable debt securities for 100 million euros.

In China and Brazil, where exchange control restrictions may exist, cash and cash equivalents amounted to 121 million euros, compared to 114 million euros at December 31, 2011.

In these countries, the Group has set up local cash pooling arrangements and regularly receives dividends from several companies.

Cash and cash equivalents due to the Group's partners in fully consolidated companies that are not wholly owned by Valeo totaled 42 million euros at June 30, 2012 and 48 million euros at December 31, 2011.

Cash and cash equivalents in proportionately consolidated companies totaled 38 million euros at June 30, 2012 and 29 million euros at December 31, 2011.

5.6 Breakdown of cash flows

5.6.1 Expenses (income) with no cash effect

(in millions of euros)	First-half 2012	First-half 2011
Expenses (income) with no cash effect		
Depreciation, amortization and impairment of non-current assets	285	257
Net additions to (reversals from) provisions	(21)	(50)
Losses (gains) on sales of non-current assets	5	8
Expenses related to share-based payment	5	3
Other expenses (income) with no cash effect	-	-
TOTAL	**274**	**218**

5.6.2 Changes in working capital

(in millions of euros)	First-half 2012	First-half 2011
Changes in working capital		
Inventories	(49)	(48)
Accounts and notes receivable	(71)	(248)
Accounts and notes payable	150	221
Other receivables and payables	29	64
TOTAL	**59**	**(11)**

5.6.3 Issuance/repayment of long-term debt

In the first six months of 2012, issuance of long-term debt mainly relate to the new 500 million euro bond issue on January 19, 2012, redeemable in January 2017.

Repayments of long-term debt in the same period mainly include the early repayment of the two syndicated loans for 224 million euros and the redemption of 2013 bonds for 89 million euros in January 2012 (see Note 5.5).

In first-half 2011, issuance of long-term debt consisted mainly of the bonds issued on May 11, 2011 for 500 million euros and a 250 million euro loan taken out by the Group on June 30, 2011 in connection with the financing of Niles.

Repayments of long-term debt in the same period mainly included the redemption of OCEANE bonds for 463 million euros in January 2011 and the redemption of 2013 bonds for 200 million euros in May 2011.

5.7 Contingent liabilities

The Group has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business. Known or on-going claims and litigation involving Valeo or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks.

At the end of July 2011, antitrust investigations were initiated against numerous automotive suppliers (including Valeo) by the US, European and Japanese antitrust authorities in the areas of components and systems supplied to the automotive industry.

The Group is unable to foresee the outcome of these investigations at the present time. However, even though the outcome of these investigations is unknown at this time, because of the level of fines that could be levied by the authorities and the consequences thereof the investigations could have a materially adverse impact on the Group's future earnings.

STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the group's interim management report.

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 the requirements of article L. 451-1-2 III of the French monetary and financial code *(Code monétaire et financier)*, we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Valeo, for the period from January 1 to June 30, 2012, 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 the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject 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 Paris-La Défense, July 26, 2012

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, 2012 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 26, 2012

Jacques ASCHENBROICH

Chief Executive Officer

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

VALEO

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.com

Institutional shareholder relations

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

Individual shareholder relations

Contact:
Valeo
43, rue Bayen
F-75848 Paris Cedex 17 - France
Tel: 0800 814 045
(Freephone from a fixed line in France)
Fax: +33 (0) 1 40 55 20 40
E-mail: valeo@relations-actionnaires.com

Labrador +33 (0)1 53 06 30 80

Valeo