2013
Half-year Financial Report

Automotive technology, naturally

Electric Supercharger

CONTENT

Valeo is an independent industrial Group fully focused on the design, production and sale of components, integrated systems and modules for the automotive industry, mainly for CO_2 emissions reduction. Valeo ranks among the world's top automotive suppliers. The Group has 123 plants, 20 research centers, 35 development centers, 12 distribution platforms and employs 73,300 people in 28 countries worldwide. Valeo's strategy is based on a philosophy of sustainable, responsible development.

Board of Directors

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

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Statutory Auditors

Ernst & Young et Autres

Represented by
Jean-François Ginies and Gilles Puissochet

Mazars

Represented by
David Chaudat and Lionel Gotlib

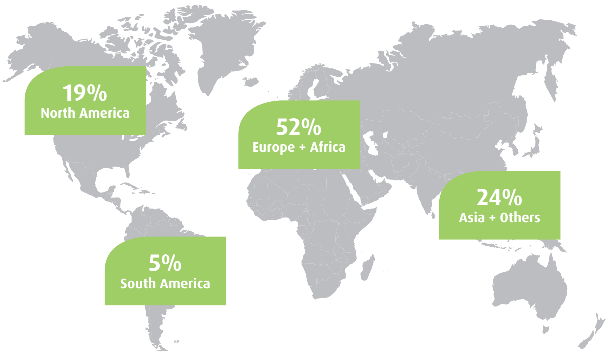
1 KEY CONSOLIDATED FIGURES AND SEGMENT INFORMATION

Order intake

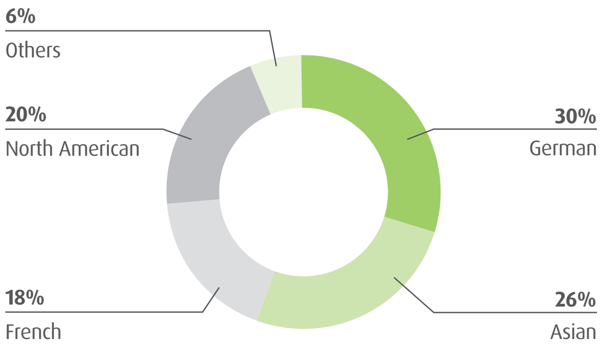
(in billions of euros)	First-half 2013	First-half 2012	Change
Order intake [1]	7.3	7.7	-5%

Geographic positioning and customers

Breakdown of original equipment sales by destination



Breakdown of original equipment sales by customer



Statement of income

(in millions of euros)	First-half 2013*	First-half 2012**	Change
Sales	**6,166**	**5,999**	**+3%**
Original equipment sales	**5,250**	**5,118**	**+3%**
Net Research and Development expenditure	**332**	**313**	**+6%**
% of sales	*5.4%*	*5.2%*	*+0.2 pts*
Operating margin [1]	**384**	**370**	**+4%**
% of sales	*6.2%*	*6.2%*	-
Net attributable income	**190**	**193**	**-2%**
% of sales	*3.1%*	*3.2%*	*-0.1 pts*
Net attributable income excluding non-recurring items [1]	**230**	**210**	**+10%**
% of sales	*3.7%*	*3.5%*	*+0.2 pts*
Basic earnings per share excluding non-recurring items *(in euros)*	**3.00**	**2.79**	**+8%**

* *The consolidated financial statements for the six months ended June 30, 2013 were subject to a review by the Statutory Auditors.*

** *The amount of other financial income and expenses shown for first-half 2012 differs from the amount published in July 2012 since it has been adjusted to reflect changes in the expected return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013.*

(1) See Financial Glossary, p. 40.

Other profitability indicators

	First-half 2013*	First-half 2012	Change
ROCE (Return on capital employed)[1]	28%	31%	-3 pts
ROA (Return on assets)[1]	19%	19%	-

Cash flow and financial position

(in millions of euros)	First-half 2013*	First-half 2012	Change
EBITDA[1]	**669**	**655**	**+2%**
% of sales	*10.8%*	*10.9%*	*-0.1 pts*
Cash flows related to investments in non-current assets	**444**	**424**	**+5%**
% of sales	*7.2%*	*7.1%*	*+0.1 pts*
Free cash flow[1]	**113**	**148**	**-24%**
Net debt	**457**	**485**	**-6%**
Gearing ratio	21%	25%	N/A

Segment information

(in millions of euros)	Powertrain Systems	Thermal Systems	Comfort and Driving Assistance Systems	Visibility Systems	Other	Total first-half 2013*
Sales						
▪ segment (excluding Group)	1,690	1,700	1,187	1,575	14	6,166
▪ intersegment (Group)	19	16	12	25	(72)	-
EBITDA[1]	**176**	**192**	**150**	**141**	**10**	**669**
Research and Development expenditure, net	(86)	(76)	(92)	(79)	1	(332)
Investments in property, plant and equipment and intangible assets	118	79	117	130	11	455

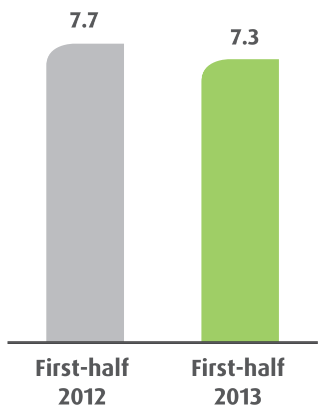
* *The consolidated financial statements for the six months ended June 30, 2013 were subject to a review by the Statutory Auditors.*

(1) See Financial Glossary, p. 40.

2 MANAGEMENT REPORT

2.1 Order intake(1)

(in billions of euros, adjusted for order intake relating to the Access Mechanisms business)



In first-half 2013, Valeo's **order intake**(1) amounted to 7.3 billion euros equally balanced across the main automotive production regions. Order intake remained at a high level despite the 5% decrease compared to first-half 2012, thereby confirming the Group's growth and profitability potential.

Order intake was driven by:

- innovative products and systems, which accounted for 35% of order intake;
- accelerated expansion in Asia and emerging countries. Asia contributed 39% to order intake, 15 percentage points more than its contribution to original equipment sales. China contributed 29% to order intake and 11% to original equipment sales. Over the next four years, Valeo is expected to once again double its sales in China, which will become the Group's largest country as from 2014.

2.2 Group sales and profitability

Global automotive production up 1% despite a decline in production in Europe

In first-half 2013, global automotive production rose 1%, reflecting contrasting results across the various regions:

Change in automotive production	First-half 2013*	First-quarter 2013*	Second-quarter 2013*
Europe & Africa	-4%	-8%	+1%
Asia & Middle East	+2%	+1%	+3%
North America	+4%	+1%	+6%
South America	+13%	+7%	+19%
TOTAL	**+1%**	**-1%**	**+4%**

* *LMC & Valeo estimates*

- European automotive production shrank 4%, but improved in the second quarter;
- global automotive production increased slightly thanks, in particular, to a strong performance in Chinese and North American markets.

(1) See Financial Glossary, p. 40.

In the second quarter, sales growth accelerated by 10.4% on a like-for-like basis In first-half 2013, sales up 5.8% on a like-for-like basis thanks to the Group's balanced performance across its different markets

Valeo's consolidated sales came to 6,166 million euros, up 2.8% on a reported basis on first-half 2012.

Consolidated sales were up 5.8% on a like-for-like basis, reflecting:

- accelerated sales growth of 10.4% in the second quarter; and
- a balanced performance between the original equipment business (up 5.7%) and the aftermarket business (up 6.3%).

Changes in exchange rates and changes in Group structure had negative impacts of 1.7% and 1.3%, respectively. Changes in Group structure were mainly attributable to the sale of the Access Mechanisms business (with effect from April 30, 2013) and the acquisition of a controlling interest in Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd (fully consolidated as of January 1, 2013).

	First-half				First-quarter	Second-quarter
(in millions of euros)	2013	2012	Change	Change on a like-for-like basis	Change on a like-for-like basis	Change on a like-for-like basis
TOTAL	**6,166**	**5,999**	**+2.8%**	**+5.8%**	**+1.3%**	**+10.4%**
of which:						
Original equipment	5,250	5,118	+2.6%	+5.7%	+0.1%	+11.7%
Aftermarket	765	732	+4.5%	+6.3%	+4.3%	+8.4%
Miscellaneous	151	149	+1.3%	+4.7%	+35.5%	-17.2%

Original equipment sales (85% of total sales) advanced 5.7% on a like-for-like basis, beating the global market by 5 percentage points. In the second quarter, original equipment sales rose 11.7% on a like-for-like basis, outpacing the global market by 8 percentage points.

Aftermarket sales (13% of total sales) increased 6.3% like-for-like (8.4% in the second quarter) thanks to an improvement in market conditions in Europe and continued expansion in Asia and emerging countries.

Miscellaneous sales (2% of total sales) climbed 4.7% like-for-like thanks to an increase in tooling revenues resulting from the launch of new production lines.

Balanced growth in original equipment sales across the different regions, outpacing the global market by 5 percentage points

Valeo recorded balanced growth across the different regions thanks to sales of its high value-added innovations in Europe and North America and the expansion of its business in Asia and emerging countries.

Original equipment *(in millions of euros)*	First-half 2013	First-half 2012	OE sales growth*	Auto. prod. growth**	Versus market
Total	**5,250**	**5,118**	**+6%**	**+1%**	**+5 pts**
Europe & Africa	2,722	2,705	+3%	-4%	+7 pts
Asia, Middle East & Oceania	1,272	1,255	+4%	+2%	+2 pts
of which China	*593*	*481*	*+22%*	*+13%*	*+9 pts*
of which Japan	*283*	*385*	*-14%*	*-9%*	*-5 pts*
North America	975	863	+14%	+4%	+10 pts
South America	281	295	+10%	+13%	-3 pts

* *Like-for-like*
** *LMC & Valeo estimates*

In **Europe,** like-for-like original equipment sales rose 3%, 7 percentage points higher than the market (10 percentage points higher in the second quarter), driven by the appeal of its portfolio of high-tech products and a favorable customer mix.

In **Asia,** original equipment sales were up 4% on a like-for-like basis, beating the market by 2 percentage points (4 percentage points in the second quarter), reflecting the Group's strong performance in India, South Korea and China (with growth outpacing the market by 4, 4 and 9 percentage points, respectively). However, this performance continued to be impacted by an unfavorable customer mix in Japan.

In **North America,** like-for-like original equipment sales climbed 14%, outpacing automotive production by 10 percentage points (12 percentage points in the second quarter), thanks to a favorable customer mix and market share gains.

In **South America,** like-for-like original equipment sales advanced 10%, standing at 3 percentage points lower than the market. In the second quarter, the Group's results were in line with the market, reflecting an improved situation after several periods of below-market performance.

Geographic repositioning

In first-half 2013, Valeo continued to rebalance its businesses:

- the share of original equipment sales produced in Asia and emerging countries (including Eastern Europe) increased by one percentage point to 54%;
- the share of original equipment sales produced in Western Europe decreased by one percentage point to 38%.

Balanced customer portfolio

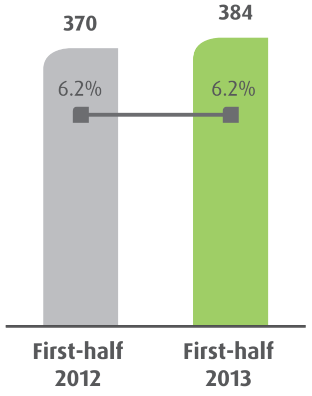
The share of German customers has increased and now represents 30% of original equipment sales (versus 28% in first-half 2012). The share of Asian customers declined to 26% (versus 29% in first-half 2012), reflecting Japanese customers' high level of activity in first-half 2012. American customers represented 20% of original equipment sales and French customers accounted for 18% of original equipment sales.

Operating margin[(1)] up 4% on first-half 2012 to 384 million euros, or 6.2% of sales Net income excluding non-recurring items up 10% to 230 million euros

Gross margin amounted to 1,037 million euros or 16.8% of sales, up 3% on first-half 2012 (1,006 million euros). Gross margin was impacted by the depreciation of the yen and the Brazilian real, and startup costs at new plants.

Operating margin[(1)]

(in millions of euros and as a % of sales)



Operating margin[(1)] amounted to 384 million euros or 6.2% of sales, up 4% on first-half 2012. Sound management of administrative expenses offset the increase in net research and development (R&D) expenditure required to support growth.

Valeo is continuing its **R&D** efforts in response to the high level of order intake. Net R&D expenditure rose 6% to 332 million euros, or 5.4% of sales, edging up by 0.2 percentage points compared with first-half 2012.

Administrative and selling expenses were down 1% to 321 million euros, or 5.2% of sales (versus 5.4% in first-half 2012). Administrative and general expenses alone represented 3.6% of sales for first-half 2013.

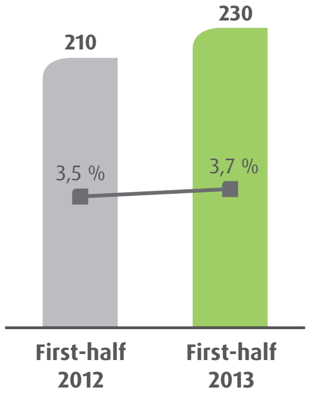
The Group's **operating income** came in at 343 million euros, or 5.6% of sales, after taking into account other expenses, including the impact of the sale of the Access Mechanisms business without the Indian portion (20 million euros) and restructuring costs (12 million euros).

The **cost of net debt** totaled 50 million euros, in line with first-half 2012.

The Group's share in net earnings of associates was 4 million euros. Taking into account the 26% effective tax rate and non-controlling interests in net income for 14 million euros, **net attributable income** came in at 190 million euros, in line with first-half 2012.

Net attributable income (excluding non-recurring items)[(1)]

(in millions of euros and as a % of sales)



Excluding non-recurring items, net attributable income amounted to 230 million euros, up 10% on first-half 2012.

(1) See Financial Glossary, p. 40.

The **return on capital employed**[1] (ROCE) and **return on assets**[1] (ROA) were impacted by the increase in investments aimed at supporting the growth in order intake and stood at 28% and 19%, respectively.

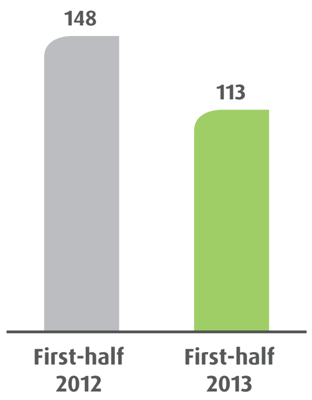
	First-half 2013	First-half 2012	Change
ROCE (Return on capital employed)[1]	28%	31%	-3 pts
ROA (Return on assets)[1]	19%	19%	-

2.3 Group cash flow and financial position

Free cash flow[1] of 113 million euros after taking into account investment flows of 444 million euros

Free cash flow[1]

(in millions of euros)



In first-half 2013, the Group generated 113 million euros in free cash flow[1] compared with 148 million euros in first-half 2012. This is chiefly the result of:

- a 2% increase in **EBITDA**[1] to 669 million euros;
- investment flows of 444 million euros due to a growing number of projects under development requiring further production capacities and additional capitalized R&D expenditure.

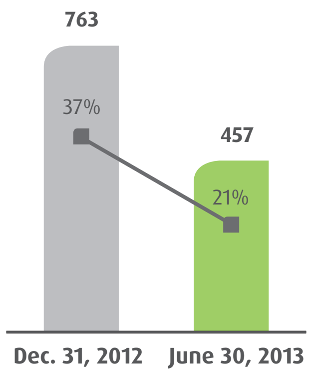
Net cash flow[1] amounted to 283 million euros and includes:

- financial expenses totaling 74 million euros; and
- income from other financial items amounting to 244 million euros, including, in particular, income from the sale of the Access Mechanisms business (171 million euros).

Strong balance sheet

Net debt[1]

(in millions of euros and as a % of consolidated stockholders' equity, excluding non-controlling interests)



Net debt[1] came in at 457 million euros at June 30, 2013 versus 763 million euros at December 31, 2012 (485 million euros at June 30, 2012).

The leverage ratio (net debt[1]/EBITDA) came out at 0.4 times EBITDA and the gearing ratio (net debt[1]/stockholders' equity excluding non-controlling interests) stood at 21% of equity.

In first-half 2013, the Group's debt had an average interest rate of 4.95% and an average maturity of 3.6 years.

(1) See Financial Glossary, p. 40.

2.4 Segment reporting

Above-market growth in all Business Groups and continued strong growth for the Visibility Systems Business Group

As was the case for the consolidated Group, the 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 *(in millions of euros)*	First-half 2013*	First-half 2012*	Sales growth	OE sales growth**
Powertrain Systems	1,710	1,681	+2%	+2%
Thermal Systems	1,716	1,719	+0%	+3%
Comfort and Driving Assistance Systems	1,199	1,291	-7%	+3%
Visibility Systems	1,600	1,357	+18%	+18%

* *Including intersegment sales*
** *Like-for-like*

On the back of the ramp-up of innovative lighting technologies and the strong performance of the aftermarket, sales for the Visibility Systems **Business Group** grew 18% to 1.6 billion euros.

Sales for the **Comfort and Driving Assistance Systems Business Group** were impacted by the sale of the Access Mechanisms business (with effect from April 30, 2013). The Business Group grew by 3% on a like-for-like basis, 2 percentage points higher than the global market.

EBITDA(1) by Business Group

Consolidated EBITDA(1) came in at 669 million euros, or 10.8% of sales, in line with 2012.

EBITDA(1) *(as a % of sales)*	First-half 2012	Full-year 2012	First-half 2013
Powertrain Systems	9.3%	10.1%	10.3%
Thermal Systems	12.0%	11.5%	11.2%
Comfort and Driving Assistance Systems	12.1%	12.0%	12.5%
Visibility Systems	9.4%	8.0%	8.8%
TOTAL	**10.9%**	**10.7%**	**10.8%**

2.5 2013 outlook

Based on the following market assumptions for 2013:

- 2% to 3% decline in automotive production in Europe;
- 2% growth in global automotive production.

Valeo has set the following objectives for 2013:

- performance higher than the market in the main production regions;
- assuming stabilized market conditions in Europe, a slight increase in operating margin (as a percentage of sales) compared to 2012.

(1) See Financial Glossary, p. 40.

2.6 Highlights

Confirmation of Valeo's investment-grade status by Moody's and Standard & Poor's

On January 29, 2013, Moody's confirmed its "Baa3" long-term corporate credit rating with a stable outlook and its "Prime-3" short-term corporate credit rating to Valeo, highlighting, in particular, the diversification of the Group's product portfolio, its leading position in its main markets, its global geographic footprint and its presence in the aftermarket.

On April 26, 2013, Standard & Poor's confirmed its "BBB" long-term corporate credit rating with a stable outlook and its "A-2" short-term corporate credit rating to Valeo, emphasizing, in particular, the Group's dominant position across several product lines, the diversification of its product and customer portfolios, its strong geographic positioning with its business expansion in Asia, the appeal of its product portfolio and its strong financial position.

Sale of the Access Mechanisms business(1)

On May 24, 2013, Valeo confirmed the sale of the Access Mechanisms business, save for its Indian portion, to Japan-based U-Shin for an enterprise value of 203 million euros with effect from April 30, 2013.

The Access Mechanisms business, which was part of the Comfort and Driving Assistance Systems Business Group, is primarily mechanical-based and 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 569 million euros in 2012 and employed 4,500 people at 12 plants.

This 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.

Put and call option contract between Valeo and Osram GmbH(1)

On June 18, 2013, Valeo announced that it had agreed on a put and call option contract by which, if the reciprocal options are exercised by Osram or Valeo in early 2014, Valeo would be committed to acquire Osram's shares in the companies' joint venture in North America (until then, Valeo and Osram will continue operating under a 50%-50% joint venture).

Opening of new sites

On April 25, 2013, Valeo inaugurated the extension to the plant and development center in Foshan, China. This extension falls within the scope of the Group's development strategy in a region where Valeo has doubled its sales over the last four years and expects to continue doubling sales every four years. In 2014, China will represent the Group's largest market.

On June 18, 2013, as part of its innovation strategy, Valeo inaugurated a new test track dedicated to parking assistance systems in Bietigheim, Germany.

Corporate social responsibility

Valeo was recognized by RobecoSAM as "Sector Mover 2013" in the Automaker and Tire Manufacturer category for its considerable economic, environmental, corporate, social and corporate governance progress.

(1) The accounting impacts of these events are presented in the notes to the condensed interim consolidated financial statements for the six months ended June 30, 2013.

Innovations and awards

Representing more than one third of Valeo's order intake, innovation is a key factor in the Group's success.

To meet motorists' expectations, Valeo focuses on developing products that reduce CO_2 emissions and is a pioneer in "intuitive driving", which brings together the connected vehicle, autonomous driving and the human-machine interface for the mass market.

The purpose of the main technological developments is to increase the efficiency of internal combustion engines, electrify powertrains, reduce the amount of energy used by the vehicle's various functions, develop lighter components and improve passenger and driver safety.

Valeo exhibited at the Auto Shanghai 2013 motor show, which was held from April 21 to April 29, 2013. The Group presented the main innovations it will be using as a springboard for its expansion in Asia and, in particular, China. These innovations included:

- the electric supercharger, a technology used to boost small combustion engines. This technology increases the performance of downsized engines and reduces fuel consumption by up to 10%;
- Hybrid4All, which costs half as much as existing solutions. This technology combines the Stop-Start function, regenerative braking and torque assist functions and reduces fuel consumption by up to 15%;
- the Air Intake Module, a new air intake architecture which paves the way for smaller and less polluting turbocharged engines. This product has been integrated since June 2012 in Volkswagen's modular platform for diesel engines;
- AquaBlade®, which has revolutionized windshield cleaning. Fitted with a fluid distribution channel, this solution significantly improves the driver's visibility, thereby improving safety and reducing the volume of windshield wash liquid needed by half;
- Park4U® Remote, a fully automatic park assist system. Once triggered, it guides the vehicle into its parking space without any driver input.

Valeo also exhibited for the first time at the Automotive Engineering Exposition (AEE), the largest exhibition exclusively dedicated to automotive professionals in Japan. The AEE was held at the Pacifico Yokohama convention center in Japan from May 22 to May 24, 2013.

Valeo also organized more "tech days" in the first half of the year. The purpose of the events is to offer the Group's customers the solutions best suited to each market:

- from April 3 to 4, Valeo organized a "tech day" for Toyota Motor in Toyota City, Japan. During these two days, Valeo's four Business Groups and Valeo Service presented their innovations in the areas of CO_2 emissions reduction and driving assistance. The objective of these "tech days", which Valeo has organized with Toyota since 2006, is to reinforce the Group's relations with its customer;
- in Brazil, Valeo presented its latest innovations during the "tech days" held on March 8 at the Hyundai plant in Piracicaba and on June 14 at the Volkswagen site in Sao Bernardo;
- from May 21 to 23, Valeo organized two "tech days" in South Korea at the GM Korea plant in Bupyeong and at Hyundai's Research and Development center in Namyang.

During first-half 2013, Valeo received several awards:

- on March 19, Valeo received an Achievement Award in the Quality category from Toyota Motor Europe for the exceptional quality of its Angers plant (France). It also received three Recognition Certificates in the Supply category for the excellent performance of the Rakovnic plant (Czech Republic) and for the Group's cost management and value analysis;
- on April 15, Valeo received the Premier Automotive Suppliers' Contribution to Excellence (PACE) Award in the Product category for its Air Intake Module. Valeo was also awarded with another PACE from Volkswagen in the Innovative Partnership category for its involvement with the development of a new water charged air cooled air intake architecture featured on the four-cylinder 1.6l and 2.0l TDI engines on Volkswagen's new MQB platform;
- on May 23, Valeo received two prestigious honors from the Ford Motor Company: Valeo was confirmed as a member of Ford's Aligned Business Framework (a list of privileged suppliers) and was also recognized for its operating performance;
- on June 20, Valeo received a Volkswagen Group Award in recognition of its exceptional entrepreneurial performance as a supplier of the Air Intake Module.

2.7 Stock Market Data

Share performance

During the first half of 2013, the average closing price of the Valeo share was 44.13 euros, with a high of 54.12 euros on June 10 and a low of 37.25 euros on January 9. Over the first six months of the year, the Valeo share rose 28.3% from 37.64 euros on December 31, 2012 to a closing price of 48.29 euros on June 28, 2013.

The Valeo share (up 28.3%) outperformed the CAC 40 index (up 2.7%) by 25.6 percentage points. The share outperformed the DJSTOXX Auto index (up 5.5%) by 22.8 percentage points.

Changes in ownership structure

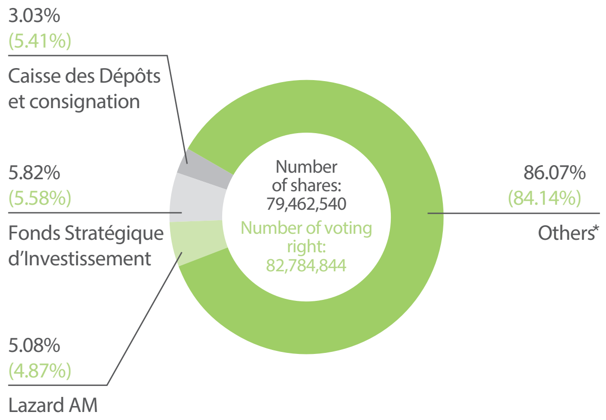
On June 28, the Company's share capital comprised 79,462,540 shares, unchanged from December 31, 2012. In accordance with Article 223-11 et seq. of the General Regulation of the French financial markets authority (*Autorité des marchés financiers* – AMF), the number of voting rights declared was 82,784,844. Excluding treasury stock, the number of voting rights comes out at 80,314,582.

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 (8.85% of share capital and 10.99% of voting rights);
- Lazard Asset Management (5.08% of share capital and 4.87% of voting rights).

At June 28, 2013, Valeo held 2,470,262 treasury shares (i.e., 3.11% of the share capital without voting rights) versus 3,358,873 shares at December 31, 2012 (4.23%).

Ownership structure at June 28,2013



** Including 2,470,262 treasury shares (3.11% of the share capital).*

Stock market data

	2010	2011	2012	First-half 2013
Market capitalization at period-end *(in billions of euros)*	3.34	2.43	2.99	3.84
Number of shares	78,628,798	79,269,596	79,462,540	79,462,540
Highest share price *(in euros)*	45.70	49.88	43.31	54.12
Lowest share price *(in euros)*	20.07	27.46	29.80	37.25
Average share price *(in euros)*	29.035	39.00	36.30	44.13
Share price at period-end *(in euros)*	42.47	30.71	37.635	48.29

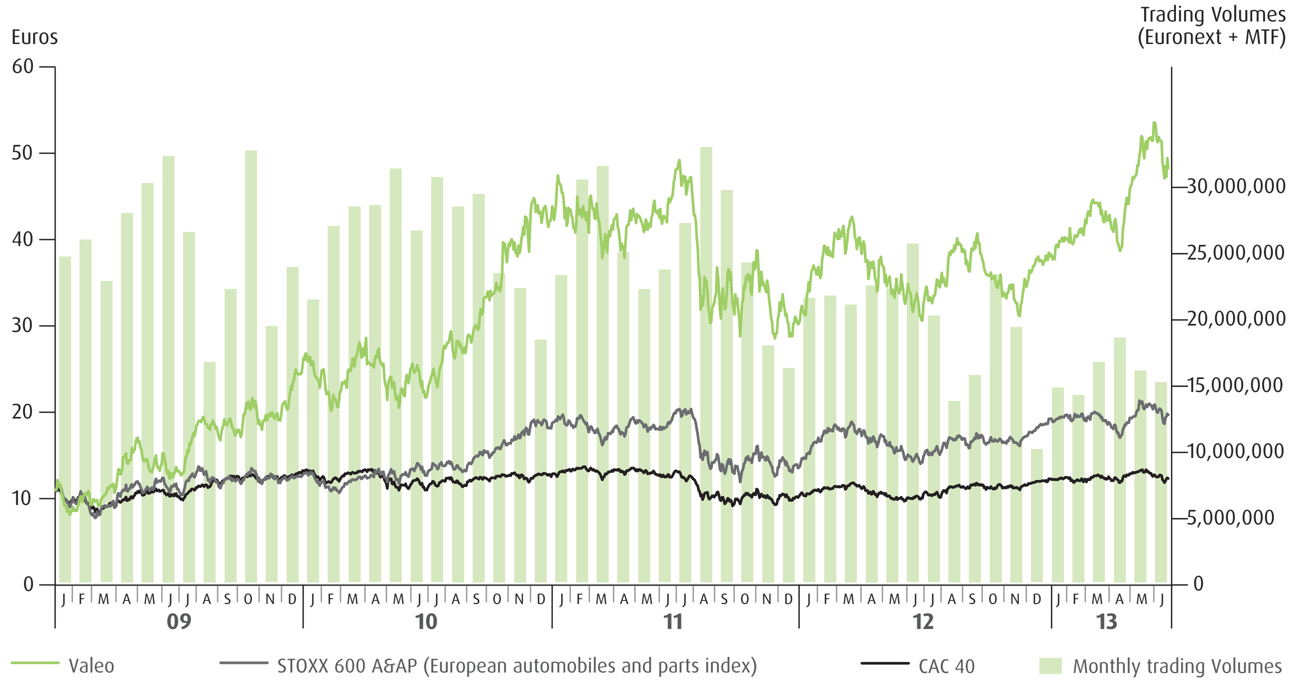
Per share data

(in euros)	2010	2011	2012 [1]	First-half 2013
Earnings per share	4.86	5.68	4.91	2.48
Earnings per share excluding non-recurring items	5.14	5.68	5.44	3.00
Net dividend	1.20	1.40	1.50(2)	-

(1) *The amount of other financial income and expenses shown for 2012 differs from the amount published in February 2013 since it has been adjusted to reflect changes in the expected return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013.*

(2) *Eligible for the 40% tax allowance provided for in Article 158-3-2° of the French Tax Code (*Code général des impôts - CGI*) and subject to a 21% flat-rate tax prepayment on distributed revenues, deducted at source by the paying agent (article 117 quarter i.1 of said Code and article 9 of the amending Finance Law for 2013). The 2012 dividend was paid on July 1, 2013.*

Share price (monthly average from January 2009 to June 2013) and monthly trading volumes



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Institutional shareholder relations

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Provisional financial communication calendar

- Third-quarter 2013 sales: **October 17, 2013**
- Full-year 2013 results: **second half of February 2014**
- First-quarter 2014 sales: **second half of April 2014**
- First-half 2014 results: **second half of July 2014**

2.8 Risk factors and related party transactions

Risk factors

The risk factors are identical to those identified in Chapter 2 of the 2012 Registration Document.

Related party transactions

There were no significant changes in related party transactions during the first half of 2013.

3 INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

3.1 Consolidated statement of income

(in millions of euros)	*Notes*	First-half 2013	First-half 2012
CONTINUING OPERATIONS			
SALES	*4.1*	**6,166**	**5,999**
Cost of sales	*4.2*	(5,129)	(4,993)
GROSS MARGIN		**1,037**	**1,006**
% of sales		16.8%	16.8%
Research and Development expenditure, net	*4.3*	(332)	(313)
Selling expenses		(99)	(98)
Administrative expenses		(222)	(225)
OPERATING MARGIN		**384**	**370**
% of sales		6.2%	6.2%
Other income and expenses	*4.4*	(41)	(22)
OPERATING INCOME		**343**	**348**
Interest expense		(56)	(61)
Interest income		6	11
Other financial income and expenses[(1)]	*4.5*	(22)	(21)
Share in net earnings of associates	*4.6*	4	11
INCOME BEFORE INCOME TAXES		**275**	**288**
Income taxes	*4.7*	(71)	(78)
INCOME FROM CONTINUING OPERATIONS		**204**	**210**
DISCONTINUED OPERATIONS			
Income (loss) from discontinued operations, net of tax		-	(2)
NET INCOME FOR THE PERIOD		**204**	**208**
Attributable to:			
■ Owners of the Company		190	193
■ Non-controlling interests		14	15
Earnings per share:			
■ Basic earnings per share *(in euros)*	*4.8.1*	2.48	2.56
■ Diluted earnings per share *(in euros)*	*4.8.2*	2.48	2.56
Earnings per share from continuing operations:			
■ Basic earnings per share *(in euros)*		2.48	2.59
■ Diluted earnings per share *(in euros)*		2.48	2.59

(1) The amount of other financial income and expenses shown for first-half 2012 differs from the amount published in July 2012 since it has been adjusted to reflect changes in the expected return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

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

3.2 Consolidated statement of comprehensive income

(in millions of euros)	First-half 2013	First-half 2012
NET INCOME FOR THE PERIOD	**204**	**208**
Share of changes in comprehensive income from associates	(1)	4
o/w income taxes	-	-
Translation adjustment	(89)	8
o/w income taxes	-	-
Cash flow hedges:		
■ gains (losses) taken to equity	(7)	9
■ (gains) losses transferred to income (loss) for the period	2	(6)
o/w income taxes	*1*	-
Remeasurement of available-for-sale financial assets	-	-
o/w income taxes	-	-
Other comprehensive income (loss) recycled to income	***(95)***	***15***
Actuarial gains (losses) on defined benefit plans(1)	61	(67)
o/w income taxes	*(1)*	*15*
Other comprehensive income (loss) not recycled to income	***61***	***(67)***
Other comprehensive income (loss) for the period, net of tax	**(34)**	**(52)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**170**	**156**
Attributable to:		
■ Owners of the Company	162	138
■ Non-controlling interests	8	18

(1) The amount of actuarial gains and losses on defined benefit plans shown for first-half 2012 differs from the amount published in July 2012 since it has been adjusted to reflect changes in the return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

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

3.3 Consolidated statement of financial position

(in millions of euros)	*Notes*	June 30, 2013	Dec. 31, 2012
ASSETS			
Goodwill[1]		1,286	1,327
Other intangible assets		780	736
Property, plant and equipment		2,123	2,075
Investments in associates		103	107
Non-current financial assets		55	27
Deferred tax assets		219	220
Non-current assets		**4,566**	**4,492**
Inventories		830	789
Accounts and notes receivable	*5.1*	1,810	1,517
Other current assets	*5.2*	468	378
Taxes recoverable		31	48
Other current financial assets		3	20
Assets held for sale	*5.6*	8	342
Cash and cash equivalents	*5.7.3*	1,454	1,334
Current assets		**4,604**	**4,428**
TOTAL ASSETS		**9,170**	**8,920**

(in millions of euros)	*Notes*	June 30, 2013	Dec. 31, 2012
EQUITY AND LIABILITIES			
Share capital		238	238
Additional paid-in capital		1,434	1,434
Translation adjustment		96	183
Retained earnings[2]		365	197
Stockholders' equity		**2,133**	**2,052**
Non-controlling interests		139	143
Stockholders' equity including non-controlling interests		**2,272**	**2,195**
Provisions for pensions and other employee benefits – long-term portion[2]	*5.4*	801	864
Other provisions – long-term portion[2]	*5.5*	228	221
Long-term debt – long-term portion	*5.7.2*	1,564	1,564
Other financial liabilities – long-term portion		10	17
Subsidies and grants – long-term portion		20	19
Deferred tax liabilities		28	26
Non-current liabilities		**2,651**	**2,711**
Accounts and notes payable		2,601	2,209
Provisions for pensions and other employee benefits – current portion	*5.4*	49	54
Other provisions – current portion	*5.5*	176	199
Subsidies and grants – current portion		18	14
Taxes payable		36	40
Other current liabilities		995	783
Current portion of long-term debt	*5.7.2*	110	440
Other financial liabilities – current portion		17	10
Liabilities held for sale	*5.6*	6	192
Short-term debt	*5.7.1*	239	73
Current liabilities		**4,247**	**4,014**
TOTAL EQUITY AND LIABILITIES		**9,170**	**8,920**

(1) The amount of goodwill shown for December 31, 2012 differs from the amount published in February 2013 since it has been adjusted to reflect changes made following the acquisition of a controlling interest in Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd (see Note 2.3.1).

(2) The consolidated statement of financial position shown for December 31, 2012 differs from that published in February 2013 since it has been adjusted to reflect changes resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

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

3.4 Consolidated statement of cash flows

(in millions of euros)	*Notes*	First-half 2013	First-half 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period[1]		204	208
Share in net earnings of associates		(4)	(11)
Net dividends received from associates		3	3
Expenses (income) with no cash effect[1]	*5.8.1*	320	279
Cost of net debt		50	50
Income taxes (current and deferred)		71	78
Gross operating cash flows		**644**	**607**
Income taxes paid		(70)	(94)
Changes in working capital	*5.8.2*	49	59
Net cash from operating activities		**623**	**572**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(158)	(127)
Acquisitions of property, plant and equipment		(292)	(299)
Disposals of property, plant and equipment		6	2
Net change in non-current financial assets		(6)	3
Acquisitions of investments with gain of control, net of cash acquired		(1)	(8)
Disposals of investments with loss of control, net of cash transfered	*5.8.3*	171	-
Net cash used in investing activities		**(280)**	**(429)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		-	-
Dividends paid to non-controlling interests in consolidated subsidiaries		(13)	(15)
Issuances of share capital		-	1
Sale (purchase) of treasury stock		23	12
Issuance of long-term debt	*5.8.4*	21	508
Interest paid		(80)	(63)
Interest received		6	7
Repayments of long-term debt	*5.8.4*	(323)	(328)
Acquisition of interests without gain of control		-	(50)
Net cash from (used in) financing activities		**(366)**	**72**
Effect of exchange rate changes on cash		**(3)**	**14**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(26)**	**229**
Net cash and cash equivalents at beginning of period		**1,239**	**1,220**
Net cash and cash equivalents at end of period		**1,213**	**1,449**
o/w:			
■ Cash and cash equivalents		1,454	1,592
■ Short-term debt		(239)	(101)
■ Portion of cash-related assets and liabilities held for sale[2]		(2)	(42)

(1) The amounts of net income for the period and of expenses (income) with no cash effect shown for first-half 2012 differ from those published in July 2012 since they have been adjusted to reflect changes in the return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

(2) The assets and liabilities relating to the Access Mechanisms business were reclassified within assets and liabilities held for sale at June 30, 2012. At June 30, 2013, only the Indian entity of the Access Mechanisms business was still classified within assets and liabilities held for sale, since the sale of this business had not yet been finalized at the reporting date (see Note 2.1.1).

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

3.5 Consolidated statement of changes in stockholders' equity

						Stockholders' Equity Including Non-Controlling Interests		
Number of shares	*(in millions of euros)*	**Share capital**	**Additional paid in capital**	**Translation adjustment**	**Retained earnings**	**Stock-Holders' Equity**	**Non-controlling Interests**	**Total**
75,028,390	**Stockholders' equity at January 1, 2012**	**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(1)	-	-	-	193	193	15	**208**
	Other comprehensive income (loss), net of tax(1)	-	-	9	(64)	(55)	3	**(52)**
	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**
	Dividends paid	-	-	-	-	-	(3)	**(3)**
534,593	Treasury stock	-	-	-	10	10	-	**10**
151,473	Capital increase	-	4	-	-	4	1	**5**
	Share-based payment	-	-	-	4	4	-	**4**
	Other movements	-	-	-	16	16	11	**27**
	Transactions with owners	**-**	**4**	**-**	**30**	**34**	**9**	**43**
	Net income for the period(1)	-	-	-	178	178	10	**188**
	Other comprehensive income (loss), net of tax(1)	-	-	(56)	(60)	(116)	(2)	**(118)**
	Total comprehensive income (loss)	**-**	**-**	**(56)**	**118**	**62**	**8**	**70**
76,103,667	**Stockholders' equity at December 31, 2012**	**238**	**1,434**	**183**	**197**	**2,052**	**143**	**2,195**
	Dividends paid	-	-	-	(115)	(115)	(13)	**(128)**
888,611	Treasury stock	-	-	-	29	29	-	**29**
	Capital increase	-		-	-	-	-	**-**
	Share-based payment	-	-	-	5	5	-	**5**
	Other movements	-	-	-	-	-	1	**1**
	Transactions with owners	**-**	**-**	**-**	**(81)**	**(81)**	**(12)**	**(93)**
	Net income for the period	-	-	-	190	190	14	**204**
	Other comprehensive income (loss), net of tax	-	-	(87)	59	(28)	(6)	**(34)**
	Total comprehensive income (loss)	**-**	**-**	**(87)**	**249**	**162**	**8**	**170**
76,992,278	**Stockholders' equity at June 30, 2013**	**238**	**1,434**	**96**	**365**	**2,133**	**139**	**2,272**

(1) The consolidated statements of changes in stockholders' equity shown for June 30, 2012 and December 31, 2012 differ from those published in July 2012 and February 2013 since they have been adjusted to reflect changes resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

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

3.6 Notes to the interim consolidated financial statements

The condensed interim consolidated financial statements of the Valeo Group for the six months ended June 30, 2013 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 automotive 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 29, 2013.

NOTE 1 ACCOUNTING POLICIES

1.1 Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2013 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, 2013.

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, 2012;
- include new accounting and financial information about significant events and transactions in the period.

These Notes should be read in conjunction with the information set out in the consolidated financial statements included in the Group's 2012 Registration Document[1].

The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2013 are the same as those used to prepare the 2012 annual consolidated financial statements, and take into account the new standards and interpretations effective as of January 1, 2013. 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, 2013

The IASB published an amendment to IAS 19 – "Employee Benefits", which was adopted by the European Union on June 6, 2012.

This amendment has only a limited impact on the Group's consolidated financial statements, since Valeo already recognized actuarial gains and losses in other comprehensive income.

The two main restatements in the condensed interim consolidated financial statements for the six months ended June 30, 2013 are:

- the immediate recognition of obligations relating to unrecognized past service costs: this represents an increase of 4 million euros in the provision for pensions at December 31, 2012. The impact of this change on the 2012 and 2013 interim consolidated statement of income is not significant;
- the change in the expected return on plan assets, due to the use of a single return on plan assets equal to the discount rate, regardless of the strategic plan asset allocation: this represents a decrease in financial income of 5 million euros in first-half 2012 and 6 million euros in first-half 2013 within other financial income and expenses, offset by an actuarial gain of the same amount in other comprehensive income.

Two further adjustments are also required in certain countries:

- a 2 million euro decrease in restructuring provisions for early retirement plans in Germany, due to the IFRIC's January 2012 interpretation regarding the accounting treatment of bonus payments to employees in exchange for a reduction in working hours;
- a 2 million euro decrease in provisions for pensions in the UK, following clarification as to the accounting treatment of plan administration costs, which are not included in the pension provision but expensed as incurred.

(1) The 2012 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.

The IASB also published IFRS 13 – “Fair Value Measurement”, the amendment to IFRS 7, and its annual improvements to IFRS for the period 2009-2011.

IFRS 13 provides a single IFRS framework for measuring fair value and indicates how to measure the fair value of both financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. The application of IFRS 13 does not have a material impact on the fair value measurements made by the Group. IFRS 13 also requires specific disclosures about fair value measurements in the Notes to financial statements. Note 5.10 includes the additional disclosures required at the interim reporting date in this respect.

The amendment to IFRS 7 – “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities” and the annual improvements to IFRS for 2009-2011 do not have an impact on the interim consolidated financial statements.

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, 2013 and not early adopted by the Group

The IASB published the following standards dealing with consolidation:

- IFRS 10 – “Consolidated Financial Statements”;
- IFRS 11 – “Joint Arrangements”;
- IFRS 12 – “Disclosure of Interests in Other Entities”;
- IAS 27 (revised) – “Separate Financial Statements”;
- IAS 28 (revised) – “Investments in Associates and Joint Ventures”;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – “Transition Guidance”.

These standards on consolidation were adopted by the European Union on December 11, 2012 and are obligatorily applicable for reporting periods beginning on or after January 1, 2014. This is one year later than the effective date set by the IASB.

As discussed in the published financial statements at December 31, 2012, based on our analyses, IFRS 11 is expected to have the biggest impacts on the consolidated financial statements, because the Group currently consolidates its core enterprises using the proportionate consolidation method.

In the statement of income as published for the six months ended June 30, 2013, this change would have reduced consolidated sales by around 216 million euros (196 million euros in first-half 2012) and consolidated operating income by 9 million euros (11 million euros in first-half 2012). Conversely, the share in net earnings from associates would have increased by 4 million euros in first-half 2013 (9 million euros in first-half 2012).

The IASB also published an amendment to IAS 32 – “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”, obligatorily applicable as of January 1, 2014. Based on a preliminary analysis, this amendment would not have a material impact on the Group’s consolidated financial statements.

1.1.3 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The following standards, amendments and interpretations have been published by the IASB but not yet adopted by the European Union:

- IFRS 9 – “Financial Instruments”, along with amendments to IFRS 9;
- Amendments to IFRS 10, IFRS 12, and IAS 27 – “Investment Entities”;
- Amendment to IAS 36 – “Recoverable Amount Disclosures for Non-Financial Assets”;
- IFRIC 21 – “Levies”.

The Group is awaiting the definitive version of IFRS 9 before analyzing its potential impact. IFRS 9 could lead to material restatements in its consolidated financial statements.

1.2 Basis of preparation

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

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.

In a persistently uneven climate with continued uncertainty on a downbeat European market but an upswing on markets in Asia and North and South America, Valeo based itself on projected data for the automotive market as well as its own order book and its outlook in emerging economies.

The assumptions used to prepare the 2013 budget and the medium-term business plans for 2013-2017 at the end of 2012, and to measure assets, were still considered appropriate at the 2013 interim reporting date.

The Group exercises its judgment based on past experience and other factors considered to be decisive given the circumstances. The estimates and assumptions used are revised on an ongoing 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, 2013 chiefly concern:

- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see Notes 4.2 and 4.4.2);
- estimates of provisions, mainly relating to employee benefits (see Notes 5.4 and 5.5);
- the measurement of deferred tax assets (see Note 4.7).

1.3 Specific measurements used to prepare the 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 2013. This estimated rate was calculated on the basis of the tax rates likely to apply and on pre-tax earnings forecasts for the Group's tax entities.

In France, the amending Finance Law for 2012 introduced a new tax credit: *Crédit d'impôt pour la compétitivité et l'emploi* (CICE), with effect from January 1, 2013. It is calculated on the basis of certain salaries paid to employees in French companies and is paid by the French State irrespective of the entity's situation as regards corporate income tax. It does not fall within the scope of IAS 12 – "Income Taxes".

The CICE is recognized as a deduction from personnel expenses within consolidated operating income and represented income of 5 million euros in first-half 2013.

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.

The presentation of the consolidated financial statements differs from that published in July 2012 and February 2013 since it has been adjusted to reflect the application of the amended IAS 19 as of January 1, 2013. The impacts of the amended standard are set out in Note 1.1.1.

The presentation of the consolidated statement of financial position shown for December 31, 2012 differs from that published in February 2013 since it has been adjusted to reflect changes made in first-half 2013 following the acquisition of a controlling interest in Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd (see Note 2.3.1). These adjustments are not material.

NOTE 2 CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 Transactions carried out in first-half 2013

2.1.1 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. This divestment is aligned with Valeo's strategy of refocusing on products that reduce CO_2 emissions and stepping up its expansion in Asia and emerging markets. The Access Mechanisms business, which is primarily mechanical-based, comprises products such as locksets, steering column locks, handles and latches.

In accordance with IFRS 5, the assets and liabilities of the business were classified as assets and liabilities held for sale in the consolidated statement of financial position from June 30, 2012, since Valeo expected to recover their carrying amount through their sale rather than through their continuing use. This reclassification within assets and liabilities held for sale also led to the discontinuation of depreciation and amortization of the property, plant and equipment and intangible assets dedicated to this activity from June 30, 2012.

In a particularly uncertain economic environment across Europe, on November 30, 2012 Valeo announced the execution of a contract for the sale of its Access Mechanisms business for an enterprise value of 223 million euros. The disposal was approved by the anti-trust authorities on February 7, 2013 and was completed on May 24, 2013 (with effect from April 30, 2013), save for the Indian portion, whose assets and liabilities are still classified as held for sale at June 30, 2013 in accordance with IFRS 5 (see Note 5.6).

Up to the date of the sale, the Access Mechanisms business (including the Indian entity) contributed 195 million euros to sales in first-half 2013 (303 million euros to first-half 2012 sales). The impacts of this sale on the consolidated statement of income for first-half 2013 are set out in Notes 4.2 and 4.4.3.

2.1.2 Put and call option contract between Valeo and Osram GmbH

On June 18, 2013, Valeo and Osram GmbH agreed on a put and call option contract by which, if the reciprocal options are exercised by Osram or Valeo in early 2014, Valeo would acquire or would be committed to acquire Osram's shares in the companies' joint venture in North America, Valeo Sylvania LLC. Until then, Valeo and Osram will continue operating in North America under a 50%-50% joint venture and the governance of this entity will be not modified. Accordingly, this contract has no impact on the published interim consolidated financial statements for the six months ended June 30, 2013, since the joint venture continues to be proportionately consolidated.

2.2 Transactions carried out in first-half 2012

2.2.1 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 Climate Control Systems 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 euros decrease in consolidated stockholders' equity and to a 47 million euros outflow of cash recorded on the "Acquisition of interests without gain of control" line in the consolidated statement of cash flows for first-half 2012.

2.3 Transactions carried out in second-half 2012

2.3.1 Alliance strengthened between Valeo and Ichikoh

In September 2012, as part of its development strategy in Asia, Valeo announced that it had signed an agreement to strengthen its Lighting Alliance in China with Ichikoh. A new legal entity, Valeo Ichikoh Holding Ltd, was set up, to which the two companies contributed their respective Chinese Lighting operations. Valeo and Ichikoh respectively own 85% and 15% of the capital of this entity.

As consideration for the transaction, the creation of this entity resulted in the following changes in direct and indirect shareholdings in the companies included within the scope of this Alliance:

- Valeo acquired control of Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd, previously jointly controlled with Ichikoh;
- Valeo sold shares (without a loss of control) in the legal entities Wuhu Valeo Automotive Lighting Systems, Hubei Valeo Autolighting Company Ltd, Shenyang Valeo Autolighting Co. Ltd and Valeo Lighting Hubei Technical Center Ltd.

As a result, Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd was fully consolidated in Valeo's financial statements as from December 31, 2012. Since control was acquired by Valeo, the Group's previously-held direct or indirect interests in the acquiree were remeasured at their acquisition-date fair value, with the difference taken to income in second-half 2012 in accordance with the revised IFRS 3.

All of the assets and liabilities of this entity were measured at fair value, resulting in the recognition of a customer relationship for 12 million euros and the remeasurement of all property assets for 7 million euros. No contingent liabilities were recorded. Goodwill as calculated under the partial goodwill method amounted to 47 million euros at the acquisition date (including a 5 million euros adjustment recognized in first-half 2013).

The value of goodwill reflects the synergies expected to derive from the transaction, which will help strengthen the Lighting business within the Visibility Systems Business Group and support the Group's position in China.

In first-half 2013, Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd was fully consolidated and contributed 37 million euros to Group sales (25 million euros in first-half 2012 when it was proportionately consolidated).

Other movements in securities mainly resulted from sales (without loss of control) of some of the Group's interests in the legal entities Wuhu Valeo Automotive Lighting Systems, Hubei Valeo Autolighting Company Ltd, Shenyang Valeo Autolighting Co. Ltd and Valeo Lighting Hubei Technical Center Ltd. In accordance with IAS 27 (revised), these transactions led to an increase of 27 million euros in consolidated equity at December 31, 2012.

2.3.2 Creation of a partnership with V. Johnson Enterprises and acquisition by that entity of Ford's climate control business

Valeo and V. Johnson Enterprises formed a new company called Detroit Thermal Systems to acquire the climate control business of Automotive Components Holdings, a company owned by Ford Motor Company. Valeo and V. Johnson Enterprises, which is owned by an entrepreneur in Detroit, have a respective 49% and 51% interest in the company. Since Valeo exercised significant influence at the date the company was created, this associate was accounted for by the equity method, in accordance with IAS 28.

This activity will produce climate control systems and components for the automotive industry as from the second half of 2013 at the new Romulus plant in Michigan and will meet current product supply commitments to Ford. The acquisition will strengthen Valeo's Thermal Systems operations and its position with Ford Motor Company in North America and the rest of the world.

The definitive acquisition agreements were signed between Ford Motor Company and Automotive Components Holding with Detroit Thermal Systems on October 25, 2012. No cash was disbursed by Detroit Thermal Systems. This acquisition was considered as a business combination at the level of Detroit Thermal Systems. All of the acquiree's assets and liabilities were therefore measured at fair value.

NOTE 3 SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments", the Group's segment information below 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 operating 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. These 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 three Product Groups: Interior Controls, Driving Assistance and Interior Electronics. 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 passengers.

Each of these Business Groups is also responsible for manufacturing and for the distribution of the 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 before depreciation, amortization, impairment losses included 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 2013

(in millions of euros)	Powertrain Systems	Thermal Systems	Comfort and Driving Assistance Systems	Visibility Systems	Other	Total
Sales						
▪ segment (excluding Group)	1,690	1,700	1,187	1,575	14	6,166
▪ intersegment (Group)	19	16	12	25	(72)	-
EBITDA	**176**	**192**	**150**	**141**	**10**	669
Research and Development expenditure, net	(86)	(76)	(92)	(79)	1	(332)
Investments in property, plant and equipment and intangible assets	118	79	117	130	11	455
Segment assets	1,489	1,073	1,116	1,298	43	5,019

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	**156**	**207**	**156**	**127**	**9**	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(1)	1,427	1,094	1,121	1,079	36	4,757

(1) The segment assets for the Comfort and Driving Assistance Systems Business Group at June 30, 2012 do not include the segment assets relating to the Access Mechanisms business, reclassified in “Assets held for sale” for 281 million euros.

3.2 Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating income:

(in millions of euros)	First-half 2013	First-half 2012
EBITDA	**669**	**655**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses[1]	(285)	(285)
Other income and expenses	(41)	(22)
Operating income	**343**	**348**

(1) Impairment losses recorded in operating margin only.

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	June 30, 2013	June 30, 2012
Segment assets	**5,019**	**4,757**
Accounts and notes receivable	1,810	1,694
Other current assets	468	360
Taxes recoverable	31	22
Assets held for sale	8	413
Financial assets	1,615	1,797
Deferred tax assets	219	249
Total Group assets	**9,170**	**9,292**

NOTE 4 NOTES TO THE STATEMENT OF INCOME

4.1 Sales

Group sales moved up 2.8% to 6,166 million euros in first-half 2013 from 5,999 million euros in first-half 2012. Changes in the scope of consolidation had a negative 1.3% impact on sales, while exchange rate fluctuations had a negative impact of 1.7%.

Like-for-like (comparable Group structure and exchange rate basis), consolidated sales climbed 5.8% between first-half 2013 and first-half 2012.

4.2 Cost of sales

Cost of sales can be analyzed as follows:

(in millions of euros)	First-half 2013	First-half 2012
Raw materials consumed	(3,624)	(3,506)
Labor	(821)	(804)
Direct production costs and production overheads	(513)	(502)
Depreciation and amortization[1]	(171)	(181)
Cost of sales	**(5,129)**	**(4,993)**

(1) This amount does not include amortization charged against capitalized development costs, which is recognized in net Research and Development expenditure.

The depreciation and amortization expense for first-half 2013 takes into account the positive 6 million euro impact of discontinuing depreciation and amortization on the Access Mechanisms business (see Note 2.1.1) and the positive 14 million euro impact of the revised useful life of certain items of property, plant and equipment, effective as of July 1, 2012.

4.3 Research and Development expenditure, net

(in millions of euros)	First-half 2013	First-half 2012
Research and Development expenditure	(547)	(501)
Contributions received and subsidies	147	144
Capitalized development expenditure	147	116
Amortization and impairment of capitalized development expenditure	(79)	(72)
Research and Development expenditure, net	**(332)**	**(313)**

The Group continued to invest in Research and Development in first-half 2013 in order to meet the needs of its growing order book. The amortization expense for first-half 2013 includes the positive 3 million euro impact of discontinuing depreciation and amortization on the Access Mechanisms business (see Note 2.1.1).

4.4 Other income and expenses

(in millions of euros)	First-half 2013	First-half 2012
Claims and litigation	(3)	(2)
Restructuring costs	(12)	(4)
Impairment of fixed assets	-	-
Sale of the Access Mechanisms business	(20)	-
Other	(6)	(16)
Other income and expenses	**(41)**	**(22)**

4.4.1 Restructuring costs

Restructuring costs for first-half 2013 chiefly include expenses relating to a restructuring program in Japan announced in the second quarter of the year and additional costs relating to restructuring operations at a site in Korea.

4.4.2 Impairment of fixed assets

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

Property, plant and equipment and intangible assets whose recoverable amount 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 2013 for each of its CGUs. The main impairment indicators used are a projected negative operating margin in first-half 2013 or a fall of over 20% in first-half 2013 sales compared to first-half 2012.

The tests were performed using the same assumptions and same method as those used to determine impairment for the year ended December 31, 2012, i.e. a post-tax discount rate (WACC) of 9% and a perpetuity growth rate of 1%.

Based on an analysis of these impairment indicators for each of the Group’s CGUs, a new CGU, the Interior Electronics Product Group, was selected for testing, which did not result in the recognition of an impairment loss for the first half of 2013.

The Engine Management Systems Product Line was also tested for impairment, as it had given rise to an impairment loss of 9 million euros at December 31, 2012. No additional impairment or impairment reversal was recognized at June 30, 2013 as a result of this test.

Sensitivity of CGU impairment tests

Changes in the following assumptions were used to check the sensitivity of CGU impairment test for the Interior Electronics Product Group:

- 0.5 point increase in the discount rate;
- 0.5 point decrease in the perpetuity growth rate;
- 0.5 point decrease in the rate of operating margin over sales used to determine the terminal value.

The sensitivity analysis showed that these changes in assumptions would not have impacted the results of the impairment test either individually or taken as a whole.

Goodwill

The net carrying amount of goodwill is monitored at the level of Business Groups and reviewed at least once a year and whenever there are objective indicators that it may be impaired. The impairment tests performed in the last quarter of 2012 did not lead to any impairment being recognized against goodwill at the end of that year.

At June 30, 2013, the Group considered that there was no change in the assumptions used to determine the recoverable amount of goodwill at December 31, 2012 that would justify performing further impairment tests in the period.

4.4.3 Sale of the Access Mechanisms business

In the second half of 2012, the likely impacts of the sale of the Access Mechanisms business (see Note 2.1.1) had been estimated and had led to the recognition of a 44 million euros impairment loss, including 15 million euros relating to future IT, legal and operating costs directly related to the sale and spin-off of the business. An additional expense of 20 million euros was recognized in first-half 2013, relating mainly to the adverse impacts of the delay in the sale of the Indian Access Mechanisms business and of the change in the net assets sold of the Access Mechanisms business over the period.

4.4.4 Other

In first-half 2013 and first-half 2012, this caption mainly comprised legal advisory costs relating to anti-trust investigations.

4.5 Other financial income and expenses

(in millions of euros)	First-half 2013	First-half 2012
Net interest expenses on pensions and other employee benefits(1)	(14)	(16)
Currency gains (losses)	(2)	(2)
Gains (losses) on commodity derivatives (*trading and* ineffective portion)	(1)	-
Gains (losses) on interest rate derivatives (ineffective portion)	(2)	-
Other	(3)	(3)
Other financial income and expenses	**(22)**	**(21)**

(1) The amounts of other financial income and expenses shown for first-half 2012 differ from the amounts published in July 2012 since they have been adjusted to reflect changes in the expected return on plan assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013 (see Note 1.1.1).

4.6 Share in net earnings of associates

(in millions of euros)	First-half 2013	First-half 2012
Ichikoh	4	9
Faw Valeo Climate Control Systems (China)	2	2
Other	(2)	-
Share in net earnings of associates	**4**	**11**

4.7 Income taxes

The 71 million euro income tax expense for first-half 2013 corresponds to an effective tax rate of 26% and includes deferred tax assets recognized in Mexico and in the US for a total of 11 million euros.

4.8 Earnings per share

4.8.1 Basic earnings per share

	First-half 2013	First-half 2012
Net income attributable to owners of the Company *(in millions of euros)*	190	193
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	76,548	75,226
Basic earnings per share *(in euros)*	**2.48**	**2.56**

4.8.2 Diluted earnings per share

	First-half 2013	First-half 2012
Net income attributable to owners of the Company *(in millions of euros)*	190	193
Weighted average number of shares outstanding *(in thousands of shares)*	76,548	75,226
Stock options *(in thousands of options)*	-	49
Weighted average number of shares used for the calculation of diluted earnings per share *(in thousands of shares)*	76,548	75,275
Diluted earnings per share *(in euros)*	**2.48**	**2.56**

NOTE 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CASH FLOWS

5.1 Accounts and notes receivable

Accounts and notes receivable falling due after June 30 for which substantially all risks and rewards have been transferred and which are no longer carried in assets represent an amount of 155 million euros at June 30, 2013 versus 72 million euros at December 31, 2012. Expenses relating to the transfer of these receivables were not material over the period.

A total of 75 million euros (61 million euros at end of December 2012) out of the total 155 million euros relates to transfer operations renewed on a systematic basis.

5.2 Other current assets

Other current assets include tax receivables excluding current and deferred taxes.

At December 31, 2012, these tax receivables included 148 million euros relating to research tax credits in France for years 2010, 2011 and 2012.

At June 30, 2013, the 50 million euros due in respect of the 2010 research tax credit is no longer shown in the consolidated statement of financial position, since substantially all of the risks and rewards inherent to this receivable were transferred on June 28, 2013. The cost of this transfer was not material for the Group. The impact of this transaction is recognized in "Changes in working capital" in the consolidated statement of cash flows (see Note 5.8.2).

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 and March 27, 2012.

On March 27, 2013, the Board of Directors decided to grant a performance share plan involving 473,814 shares, of which 170,000 free shares and 303,814 shares subject to performance criteria, with a three-year vesting period for employees based in France and a five-year vesting period for employees based in other countries.

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 2013, fair value is estimated at 14 million euros (10 million euros for the plans awarded in 2012) and will be expensed over the vesting period, with an offsetting entry to equity.

5.4 Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits totaled 850 million euros at June 30, 2013, versus 918 million euros at December 31, 2012.

The retrospective application of the amended IAS 19 as of January 1, 2013 had a limited impact on the 2012 and 2013 consolidated financial statements (see Note 1.1.1), since Valeo already recognized actuarial gains and losses arising on pension provisions in other comprehensive income.

Changes in the discount rates used at the end of June 2013 in the countries representing the Group's most significant obligations were as follows:

Country	Reference index	June 30, 2013	Dec. 31, 2012
United States	Citigroup Pension Discount Curve	4.4	3.5
Eurozone	iBoxx Euro-Corporate AA 10-year+	3.0	3.0
United Kingdom	iBoxx £-Corporate AA 15-year+	4.6	4.0
Japan	10-year government bonds	1.0	1.0

At June 30, 2013, the Group reviewed its discount rates and the market value of its plan assets. The increase in the reference indexes used by the Group in first-half 2013, particularly in the US, explains the 54 million euro decrease in the provision, recognized in actuarial gains and losses in other comprehensive income. The actual return on the Group's main plan assets in the US, UK, and Japan gave rise to an actuarial gain of 8 million euros in first-half 2013 and a reduction in the provision by the same amount.

Excluding this 62 million euro impact, changes in provisions for pensions and other employee benefits chiefly reflect:

- utilization of the provision in an amount of 30 million euros;
- a net expense of 34 million euros over the first six months of 2013, of which 14 million euros was recorded in other financial income and expenses (see Note 4.5); and
- a gain of 9 million euros relating to exchange rate fluctuations, chiefly the Japanese yen.

5.5 Other provisions

(in millions of euros)	June 30, 2013	Dec. 31, 2012
Provisions for restructuring costs	***46***	***42***
Provisions for product warranties	191	185
Provisions for tax-related disputes	52	66
Environmental provisions	16	20
Provisions for loss-making contracts	9	13
Provisions for employee-related and other disputes	90	94
Provisions for other contingencies	***358***	***378***
Other provisions	**404**	**420**
Of which long-term portion (more than one year)	228	221
Of which current portion (less than one year)	176	199

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

The estimates underpinning these provisions are made based on information available at the end of the reporting period. The amounts reported in Valeo's future financial statements may differ from the amounts resulting from these estimates.

5.6 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 as of June 30, 2012.

The main items in the statement of financial position of the business that were reclassified at June 30, 2012 and sold at April 30, 2013 are set out below:

(in millions of euros)	April 30, 2013[1]	Dec. 31, 2012
ASSETS		
Goodwill	128	128
Other intangible assets	25	23
Property, plant and equipment	109	103
Deferred tax assets	4	3
Non-current assets	**266**	**257**
Inventories	38	35
Accounts and notes receivable	107	88
Other current assets	14	5
Taxes recoverable	3	1
Cash and cash equivalents	-	-
Current assets	**162**	**129**
TOTAL ASSETS	**428**	**386**
EQUITY AND LIABILITIES		
Translation adjustment	16	13
Retained earnings	209	181
Stockholders' equity	**225**	**194**
Provisions – long-term portion	16	16
Deferred tax liabilities	2	-
Non-current liabilities	**18**	**16**
Accounts and notes payable	119	107
Provisions – current portion	4	5
Taxes payable	4	1
Other current liabilities	43	40
Current portion of long-term debt	-	1
Short-term debt	15	22
Current liabilities	**185**	**176**
TOTAL EQUITY AND LIABILITIES	**428**	**386**

(1) The items sold at April 30, 2013 do not include the assets and liabilities of the Indian business which continue to be classified as held for sale at June 30, 2013.

5.7 Debt

5.7.1 Net debt

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

(in millions of euros)	June 30, 2013	Dec. 31, 2012
Long-term debt – long-term portion	1,564	1,564
Current portion of long-term debt	110	440
Loans and other non-current financial assets	(5)	(3)
Portion of long-term debt related liabilities held for sale(1)	1	1
Long-term debt	**1,670**	**2,002**
Short-term debt	239	73
Cash and cash equivalents	(1,454)	(1,334)
Portion of cash-related assets and liabilities held for sale(1)	2	22
Short-term cash	**(1,213)**	**(1,239)**
Net debt	**457**	**763**

(1) The assets and liabilities relating to the Access Mechanisms business were reclassified within assets and liabilities held for sale at December 31, 2012. At June 30, 2013, only the Indian entity of the Access Mechanisms business was still classified within assets and liabilities held for sale, since the sale of this business had not yet been finalized at the reporting date (see Note 2.1.1).

5.7.2 Long-term debt

The decrease in long-term debt in the first half of 2013 chiefly reflects the redemption of the 311 million euros bond issue on June 24, 2013.

At June 30, 2013, long-term debt chiefly includes:

- 500 million euro's 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 Note program and pay 4.875% interest. The effective interest rate is 5.09%;
- 500 million euro's 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 Note program and pay 5.75% interest. The effective interest rate is 5.92%;
- 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 300 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 on August 5, 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, 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, 2013, Valeo had several confirmed bank credit lines totaling 1.1 billion euros. No amounts were drawn down on these facilities in first-half 2013.

Covenants: the 250 million euros 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 0.36 at June 30, 2013 (0.61 at December 31, 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.

5.7.3 Cash and cash equivalents

Cash and cash equivalents totaled 1,454 million euros at June 30, 2013, i.e. 916 million euros of marketable securities with a low price volatility risk, and 538 million euros in cash. Of the marketable securities, 832 million euros consist of money market funds (OPCVM) and 80 million euros consist of negotiable debt securities.

In China and Brazil, where exchange control restrictions may exist, cash and cash equivalents amounted to 168 million euros at June 30, 2013, compared to 157 million euros at December 31, 2012. 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 52 million euros at June 30, 2013 and 48 million euros at December 31, 2012.

Cash and cash equivalents in proportionately consolidated companies totaled 38 million euros at June 30, 2013 and 50 million euros at December 31, 2012.

5.8 Breakdown of cash flows

5.8.1 Expenses (income) with no cash effect

(in millions of euros)	First-half 2013	First-half 2012
Expenses (income) with no cash effect		
Depreciation, amortization and impairment of non-current assets	285	285
Net additions to (reversals from) provisions	3	(16)
Losses (gains) on sales of non-current assets	7	5
Expenses related to share-based payment	5	5
Impairment of assets and liabilities held for sale	20	-
TOTAL	**320**	**279**

5.8.2 Changes in working capital

(in millions of euros)	First-half 2013	First-half 2012
Changes in working capital		
Inventories	(60)	(49)
Accounts and notes receivable	(351)	(71)
Accounts and notes payable	420	150
Other receivables and payables	40	29
TOTAL	**49**	**59**

5.8.3 Disposals of investments with loss of control net of cash transferred

In first-half 2013, this item amounted to 171 million euros and corresponded to the sale of the Access Mechanisms business (see Note 2.1.1).

5.8.4 Issuance and repayment of long-term debt

In first-half 2013, repayments of long-term debt mainly concerned the 311 million euro bond issue redeemed on June 24, 2013 (see Note 5.7.2).

In first-half 2012, issuances of long-term debt mainly related 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 included the early repayment of two syndicated loans for 224 million euros and the redemption in January 2012 of 2013 bonds for a nominal amount of 89 million euros.

5.9 Contingent liabilities

The Group has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business. Known or ongoing 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 area of components and systems supplied to the automotive industry. The Group is unable to foresee the outcome of the investigations at the present time. However, even though the outcome of the investigations is presently unknown, 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.

5.10 Fair value of financial instruments

	June 30, 2013	2013 carrying amount under IAS 13			Dec. 31, 2012
(in million of euros)	Carrying amount	Amortized cost	Fair value through equity	Fair value through income	Carrying amount
ASSETS					
Non-current financial assets:					
■ Investments in non-consolidated companies	**4**	-	4	-	4
■ Loans	**5**	5	-	-	3
■ Deposits and guarantees	**16**	-	-	16	16
■ Other non-current financial assets	**5**	-	-	5	4
■ Trading derivatives	**25**	-	-	25	-
Accounts and notes receivable	**1,810**	1,810	-	-	1,517
Other current financial assets:					
■ Hedging derivatives	**-**	-	-	-	2
■ Trading derivatives	**3**	-	-	3	18
Assets held for sale[(1)]	**3**	3	-	-	88
Cash and cash equivalents	**1,454**	-	-	1,454	1,334
LIABILITIES					
Non-current financial liabilities:					
■ Hedging derivatives	**10**	-	10	-	14
■ Trading derivatives	**-**	-	-	-	3
Bonds	**992**	992	-	-	1,303
Syndicated loans	**249**	249	-	-	248
EIB loans	**286**	286	-	-	283
Other long-term debt	**147**	147	-	-	170
Accounts and notes payable	**2,601**	2,601	-	-	2,209
Other current financial liabilities:					
■ Hedging derivatives	**11**	-	11	-	2
■ Trading derivatives	**6**	-	-	6	8
Liabilities held for sale[(1)]	**6**	6	-	-	130
Short-term debt	**239**	239	-	-	73

(1) The assets and liabilities relating to the Access Mechanisms business were reclassified within assets and liabilities held for sale at December 31, 2012. At June 30, 2013, only the Indian entity of the Access Mechanisms business was still classified within assets and liabilities held for sale, since the sale of this business had not yet been finalized at the reporting date (see Note 2.1.1).

The main terms and conditions of borrowings (bonds, syndicated loans and EIB loans) are set out in Note 5.7.2.

IFRS 13 establishes a hierarchy of valuation techniques used to price financial instruments. The following categories are identified:

- level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: prices established using valuation techniques drawing on non-observable inputs.

Level 2 is used to measure the fair value of the Group's derivative financial instruments.

The fair value of bonds is calculated on the basis of quoted prices in an active bond market, and amounted to 1,117 million euros at June 30, 2013 and 1,435 million euros at December 31, 2012.

The fair value of the syndicated loan and EIB loans is estimated by discounting future cash flows at the market interest rate at the end of the reporting period, taking into account the Group's issuer spreads. The issuer spreads reflect the spread on Valeo's five-year credit default swaps.

These issuer spreads were estimated (source: Markit Reuters) at:

- 1.54% for the 250 million euro syndicated loan;
- 1.54% for the 225 million euro EIB loan;
- 1.81% (five-year CDS including the US dollar/euro basis swap of 0.27%) for the EIB loan drawn in US dollars.

At June 30, 2013, the fair values of these instruments are estimated at 249 million euros for the syndicated loan and 297 million euros for the EIB loans (247 million euros and 303 million euros, respectively, at December 31, 2012).

The fair value of other components of Group debt, as well as of accounts and notes payable and receivable, is equal to their carrying amount.

IFRS 13, effective as of January 1, 2013, prescribes the methods for assessing fair value and for taking into account the credit risk on uncollateralized derivatives, through:

- a Credit Valuation Adjustment (CVA), which is a component of the market value of a derivative financial instrument that reflects the exposure in the event of counterparty default;
- a Debit Valuation Adjustment (DVA), which is an adjustment to fair value reflecting the entity's own credit risk.

The net impact of taking into account credit risk was calculated according to the probabilities of default issued by Reuters. At June 30, 2013, this has only a minimal impact on the Group.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 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, for the period from January 1 to June 30, 2013;
- 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.

4.1 Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 1.1.1 to the consolidated financial statements, which describes the new standards, amendments and interpretations which have been applied by Valeo as from January 1, 2013.

4.2 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 to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 29, 2013

The Statutory Auditors

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

5 STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR 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, 2013 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the accompanying interim financial review gives a fair description of the material events that occurred in the first six months of the financial year and their impact on the financial statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year."

Paris, July 29, 2013

Jacques ASCHENBROICH

Chief Executive Officer

Financial Glossary

Free cash flow corresponds to net cash from operating activities after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.

Net cash flow corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments with a change in control and to changes in certain items shown in non-current financial assets, and (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of equity interests without a change in control.

EBITDA corresponds to operating income before depreciation and amortization, impairment losses recorded in operating margin, and other income and expenses.

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

Order intake corresponds to contracts 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. Order intake for the Access Mechanisms business was not included in order intake for first-half 2012 and 2013.

Operating margin corresponds to operating income before other income and expenses.

Net attributable income excluding non-recurring items corresponds to net attributable income adjusted for "other income and expenses" net of tax.

ROCE, or return on capital employed, corresponds to operating margin/capital employed excluding goodwill calculated over 12 months.

ROA, or return on assets, corresponds to operating income/capital employed including goodwill.

Safe Harbor Statement

Statements contained in this report, which are not historical fact, constitute "Forward-Looking Statements". Even though Valeo's management feels that the Forward-Looking Statements are reasonable, investors are put on notice that actual results may differ materially due to numerous important factors, risks and uncertainties to which Valeo is exposed. Such factors include, among others, the Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the anti-trust authorities as they have been identified in the Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French *Autorité des marchés financiers* (AMF), including those set out in the "Risk Factors" section of Valeo's Registration Document registered at the AMF on March 28, 2013 (ref. no. D.13-0246).

The Company assumes no responsibility for any estimates made by analysts and any other information prepared by third parties which may be used in this report. Valeo does not intend or assume any obligation to review or to confirm the estimates of analysts or to update any Forward-Looking Statements to reflect events or circumstances which occur after the date of this report.

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Valeo