For several years now, Valeo has been developing innovative approaches aimed at enhancing automotive safety and environmental protection.

The Group’s goal is to contribute to the debate about the role of the automobile in society, based on the evidence of an undeniable automotive systems potential, and to promote to the research and development of new technological solutions. It is therefore appropriate that the Group should work alongside others who, throughout the world, are striving to develop new approaches. The commitment led to the organization in March 2008 of the first Valeo Forum, a round table discussion for automakers, automotive suppliers, public authorities, urban planners and end-users.

In conclusion, the debate is the question: how can we be reconciled with cities? 

Valeo, one of the world’s largest automotive components, is now playing a more active role: it is aiming to solve the compatibility issues, by developing a new generation of solutions that will respect the environment while enhancing safety. It is an issue that is a key challenge for public authorities and consumers alike.

For more information: www.forumvaleo.com

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Board of Directors and Management Committee
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For several years now, Valeo has been developing innovative approaches aimed at enhancing automotive safety and environmental protection.

The Group's goal is to contribute to the debate over the role of the automobile in society, have the strength of an independent automotive systems supplier, and mobilize support for the research and development of new technological solutions.

Valeo is therefore engaged in the development of new approaches to the automobile, in line with its core business. To this end, it brings together a wide range of experts from the automotive industry, local authorities, suppliers, public authorities, urban planners and end users.

Central to the debate is the question: how can cars be reconciled with cities?

Today, over 50% of the world's population lives in urban areas, and we play a key role in shaping the future of our environment. It is therefore appropriate that the Group should work alongside other players who, throughout the world, are also striving to develop new and responsible automotive approaches. This commitment led to the organization in March 2008 of the first Valeo Forum, a round table discussion for automakers, automotive suppliers, public authorities, urban planners and end users.

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Valeo is an independent and international industrial group fully focused on the design, production and sale of components, systems and modules for automobiles and trucks, both on the original equipment market and the aftermarket.

It is one of the world’s leading automotive suppliers. The Group employs 61,200 people representing 93 nationalities in 125 production sites, 62 Research & Development centers and 9 distribution platforms in 28 countries. Valeo applies its profitable growth strategy in line with a policy of sustainable development.
How would you judge Valeo’s 2007 results?
2007 was a turnaround year for Valeo. A challenging first half was followed by a much better second half, with significant sales growth on a like-for-like basis, and improved margins. Our operating margin grew steadily in 2007 and reached 3.6% of total operating revenues for the year. We also reduced our debt-to-equity ratio by 10 points, to 45%, partly through the sale of our non-strategic wiring harness activity.

In what areas has the Group made the most progress?
The most remarkable progress has been achieved in terms of quality. At the end of 2007, the Group reached a historic low of 10 ppm (defective parts per million) in customer line returns, compared to 185 ppm four years earlier. This impressive achievement puts us among the leading companies in our sector. It was achieved through the rigorous application of our QRQC (Quick Response Quality Control) method by all Valeo employees, for whom quality is a daily obsession. This improvement has been recognized by our customers. In early 2008, for example, Toyota gave Valeo its “Excellent Quality Performance Award”. By working to achieve zero defect quality levels, we aim to become an “unavoidable” partner for automakers worldwide.

What other progress has been made in terms of operational excellence?
We have continued to cut costs and improve productivity, and have done a great deal in the past few years to rationalize and rebalance our industrial footprint. We now have 125 production plants in 28 countries worldwide, and nearly half of our plants are located in competitive-cost countries. Our sourcing in these countries has also continued to rise, reaching 37% of total purchases in 2007.

What changes do you foresee in terms of geographical presence?
After several years of investment in China and Eastern Europe, the Group continued to boost its presence in fast-growing markets in 2007, especially in India, where we set up two joint ventures. We are now preparing to enter the very promising Russian market.

What role does innovation play in your strategy?
Innovation is one of the pillars of our strategy, based on three Domains: Driving Assistance, Powertrain Efficiency and Comfort Enhancement – which respond to market demands for cleaner, safer and more comfortable vehicles. Our innovations in these Domains are winning over...
a growing number of automakers, as reflected by
a record order intake, at 1.3 times sales. Today, innovations account for a third of these orders, compared to just over 20% in 2006.

What are some of Valeo’s most successful new innovations?
Valeo’s Park4U™ automatic park assist system, for example, now equips the Volkswagen Touran, Cross Touran and Tiguan. It received a PACE Award in 2008, which is the fourth consecutive award for the Group. We have firm orders to equip 16 vehicles with this system by 2010. Another Driving Assistance innovation is the Blind Spot Detection system, which equips several General Motors models and the Jaguar XF. We have 27 orders for this system.

A top priority for Valeo is reducing fuel consumption and CO2 emissions, and our micro-hybrid StARS system is recognized as a key solution in this field. With the first Citroën vehicles equipped since 2004, StARS was adopted in 2007 on the smart fortwo mhd, for which it provides fuel savings of 19%.

How do you intend to adapt the business portfolio?
We have already divested several businesses that were not essential to our strategy, including the motors and actuators activity in 2006 and, more recently, the wiring harness activity sold to Leoni in late 2007. At the same time, we reinforced our Driving Assistance Domain with the acquisition of the Irish company Connaught Electronics Ltd., specialized in camera-based vision systems for low-speed maneuvering. We will continue to align our product portfolio with our three Domains.

How does legislation affect your innovation strategy?
By passing stricter laws on safety or CO2 emissions, for example, legislators can push manufacturers to adopt new technologies. Valeo is in a good position to meet
this demand, with our many Driving Assistance systems that improve safety and visibility, and our Powertrain Efficiency systems that offer fuel savings and reduced CO₂ emissions.

Environmental responsibility is an increasingly important issue these days. What is Valeo’s position?
Protecting the environment is of major importance for our planet. Laws on all continents are imposing significant CO₂ reductions. Valeo has the technologies available to decrease these emissions by up to 40%, which is quite impressive. Being green, however, means more than just developing eco-friendly products. It also requires control over the environmental impact of the Group’s production plants worldwide, the reduction of both emissions and the use of natural resources, the elimination of dangerous substances and the optimization of transport. This has been a top priority for Valeo for over 15 years.

What is the outlook for the Group?
We are committed to reaching an operating margin of 6% by 2010 and to doubling the gross return on capital employed to 27%. Thanks to our strategy based on operational excellence and technological innovation, I am confident that Valeo can meet its objectives. As we can see from our improved results in 2007, we are on the right track. We want to make Valeo an unavoidable partner for automakers, enabling a better automotive world.
Qualified, experienced and available, Valeo’s Board of Directors is above all independent.

Dynamic, independent and multi-faceted, Valeo’s Board of Directors is a driving force for the Group. Three quarters – 9 out of 11 – of Valeo’s Board of Directors were renewed at the last Annual General Meeting. The Board has 11 members, compared with 12 in companies that are registered in Compartment A of the Eurolist. By combining the skills and knowledge of automotive experts, industrialists from other sectors, scientists and specialists in strategy, finance and sustainable development, the Directors form a close-fitting team whose strength lies in its diversity. Nine of the eleven members have already occupied positions as Directors. They are, therefore, familiar with the demands and the workings of the mission with which they have been entrusted. In order to remain available, Valeo’s Directors do not occupy an average of more than two functions at a time (mandates or directorships), while many Directors in CAC 40 companies often occupy three.

Independence as a prerequisite
According to the regulations governing the Board of Directors, nine of the eleven Directors are independent, meaning that they do not have any relationship of any kind whatsoever with the Group, its management or its shareholders that could compromise the exercise of their freedom of judgment. This proportion of almost 80% of independent Directors is higher than the 50% observed in the companies belonging to Compartment A of the Eurolist. This transparency is guaranteed by the selection process for candidates. Defined by the Board, the process is strictly applied to every candidate by using recruitment consultants,

“The Valeo Board is an open institution which meets frequently and where each member can make a contribution by drawing on his or her experience. In 2007 special attention was paid to matters of governance. The Board’s annual assessment emphasized the progress made, and set progress objectives for 2008.”

Jérôme Contamine, Senior Executive Vice-President, Veolia Environnement.
who are tasked with drawing up a list of personalities who meet the criteria laid down by the Board (integrity, independence, competence, experience). The applications are scrutinized by the Appointments and Remuneration Committee, which then makes its recommendations to the Board.

An active and industrious team
In 2007, Valeo’s Board of Directors met 16 times, while in most of the companies in Compartment A of the Eurolist, the board meets seven or eight times. Each Board meeting is chaired by Thierry Morin and the average attendance rate for Directors was 93%.

Involving the Board in discussions of strategy
The Audit Committee, chaired by Pierre-Alain De Smedt, and the Appointments and Remuneration Committee, chaired by Jérôme Contamine, each met four times in 2007, with identical attendance rates of 79%. The Strategic Committee was dissolved so that all of the Directors can take part in strategic discussions. In a bid to further these discussions, Board member Philippe Guédon has been tasked with collecting all the necessary information from all persons concerned in the company.

“An active and industrious team. In 2007, Valeo’s Board of Directors met 16 times, while in most of the companies in Compartment A of the Eurolist, the board meets seven or eight times. Each Board meeting is chaired by Thierry Morin and the average attendance rate for Directors was 93%. This Board of Directors brings together top-level personalities with broad-based experience who are highly motivated to defend the company’s strategy and its profitable growth.”

Pierre-Alain De Smedt, Chairman, FEBIAC (Belgian Federation of the Automobile and Cycle Industry).

“Valeo’s Board of Directors is notable for its diversity and for the close fit between its members’ backgrounds. This wealth of experience is enhanced by the freedom and frankness of its discussions.”

Philippe Guédon, Managing Partner, Espace Développement.
Corporate Governance/Management Committee
2007 marked a turning point for Valeo.

**Growth accelerated**, margins improved and debt was substantially reduced. The Group has confirmed its commitments for 2010.

**9,689 million euros in total operating revenues.** Up 1.5% compared with 2006. On a like-for-like basis, total operating revenues increased by 3.2%.

### Sales by market

<table>
<thead>
<tr>
<th>Sales by market</th>
<th>In % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original equipment</td>
<td>82%</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>18%</td>
</tr>
</tbody>
</table>

### Sales by region

<table>
<thead>
<tr>
<th>Sales by region</th>
<th>In % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>5%</td>
</tr>
<tr>
<td>South America</td>
<td>6%</td>
</tr>
<tr>
<td>Asia and others</td>
<td>67%</td>
</tr>
</tbody>
</table>

### Gross margin

<table>
<thead>
<tr>
<th>Gross margin</th>
<th>In % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original equipment</td>
<td>15.9%</td>
</tr>
<tr>
<td>Aftermarket</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

* Data adjusted to take into account the sale of the wiring harness business in 2007.
The net financial debt is down by €169 million compared with the start of the period.

Net income amounts to €81 million, compared with €161 million in 2006.

Operating income progressed significantly (+17.7%), reaching €319 million in 2007, or 3.3% of total operating revenues, compared with 2.8% in 2006.

Operating income has increased by 8.1% thanks in part to constant efforts to improve quality and to the implementation of the re-engineering program.

Net attributable income in million euros and as a % of total operating revenues

Net income, excluding the impact of divestitures.

* Excluding capital gains and losses from the sale of non-strategic activities.

Net financial debt in million euros, and as a % of shareholders’ equity of the consolidated group (at December 31 of each financial period)

The net financial debt is down by €169 million compared with the start of the period.
### Quality

**10 PPM**

The number of defective parts per million parts delivered.

<table>
<thead>
<tr>
<th>Year</th>
<th>Defective Parts (PPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03</td>
<td>185</td>
</tr>
<tr>
<td>04</td>
<td>53</td>
</tr>
<tr>
<td>05</td>
<td>32</td>
</tr>
<tr>
<td>06</td>
<td>15</td>
</tr>
<tr>
<td>07</td>
<td>10</td>
</tr>
</tbody>
</table>

**Quality indicators** have progressed further to reach a new record level for the Group of 10 ppm. 86 sites, representing 65% of the Group total, achieved 10 ppm, including 18 at 0 ppm (compared with 63, or 47% of sites, at 10 ppm in 2006).

### Research and development expenses

In % of total operating revenues, net of customer re-invoicing

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Total Operating Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>5.5%</td>
</tr>
<tr>
<td>06</td>
<td>5.5%</td>
</tr>
<tr>
<td>07</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Every year, Valeo invests 5.5% of its sales in Research and Development.

* Data adjusted to take into account the sale of the wiring harness business.

### Innovation

**32%**

**Innovative solutions** accounted for 32% of order intake in 2007. Valeo was the fourth biggest patent filer in France in 2007, with almost 410 patents filed. The number of patents filed in all the countries where the Group is present is 550.
Valeo confirms its commitment to environmental protection.

In addition to its environmental strategy, the Group pays close attention to occupational health and safety at each of its sites, a fact that is reflected by the sharp rise in the number of sites certified OHSAS 18001.

94% of sites were certified ISO 14001 at the end of 2007, compared with 77% at the end of 2006 and 70% at the end of 2005. ISO 14001 certification is the international benchmark in terms of environmental management.

74% of sites were certified OHSAS 18001 at the end of 2007, compared with 52% at the end of 2006 and 11% at the end of 2005. OHSAS 18001 certification is the international benchmark in terms of health and safety at work.

Since the introduction of the database of banned and restricted substances, the quantity of heavy metals used by the Group has dropped sharply (-90% since 2002). A new milestone was reached in 2007, when consumption was halved in comparison with 2006.

The efforts made by the Group sites in the past have resulted in a regular reduction of water consumption. These efforts, which include the elimination of open-circuit cooling systems, succeeded in reducing the Group’s water consumption by 47% between 2002 and 2007. However, since 2006, the scope for further improvement has been limited and consumption has remained stable.
Consumption of chlorinated solvents and of carcinogenic, mutagenic and reprotoxic products (CMR)

Consumption of chlorinated solvents and CMRs has been declining continuously since 2004. Performance was very good in 2007 compared with 2006, with respective reductions of 25% and 60% as a ratio of sales. This performance reflects the strict application of the Group directives and, in particular, the obligation to comply with the instructions of the database of banned and restricted substances.

Waste

98% of metal waste is sold for recycling. 75% of wood is recycled for re-use, while the rest is consumed to produce energy. Two-thirds of plastics are sold for recycling. In terms of volume, the Group’s most significant waste materials are metals, wood and plastics.

CO₂ emissions

Direct emissions are produced by the combustion of gas and heating oil on the sites, while indirect emissions are produced in the generation of the electric energy consumed by the Group’s sites. After a drop of almost 20% between 2000 and 2002, the quantity of CO₂ emitted by the Group per million euros of sales has remained stable over the last five years at about 12 tons of CO₂ equivalent per million euros.
Shareholder information

Ownership structure on 31/03/2008

In % of capital (in % of voting rights)

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Number of shares: 78,209,617</th>
<th>Number of voting rights: 78,427,564</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandes Investment Partners LP</td>
<td>4.57% (4.55%)</td>
<td>4.57% (4.55%)</td>
</tr>
<tr>
<td>Franklin Resources, Inc.</td>
<td>3.15% (3.14%)</td>
<td>3.15% (3.14%)</td>
</tr>
<tr>
<td>CDC (Caisse des Dépôts et Consignations)*</td>
<td>5.99% (8.61%)</td>
<td>5.99% (8.61%)</td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co international</td>
<td>11.56% (11.53%)</td>
<td>11.56% (11.53%)</td>
</tr>
<tr>
<td>Pardus European Special Opportunities Master Fund LP</td>
<td>18.54% (18.49%)</td>
<td>18.54% (18.49%)</td>
</tr>
<tr>
<td>Others**</td>
<td>56.19% (53.68%)</td>
<td>56.19% (53.68%)</td>
</tr>
</tbody>
</table>

* Own account.
** Including 1,973,625 treasury shares (2.52% of the capital).

Share price (01/01/2003 – 17/04/2008)

Stock market data

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at closing (in billion euros)</td>
<td>2.21</td>
<td>2.45</td>
<td>2.43</td>
<td>2.58</td>
<td>2.61</td>
</tr>
<tr>
<td>Number of shares</td>
<td>78,209,617</td>
<td>77,580,617</td>
<td>77,510,357</td>
<td>83,709,024</td>
<td>82,133,728</td>
</tr>
<tr>
<td>Highest share price (in euros)</td>
<td>45.89</td>
<td>35.40</td>
<td>38.20</td>
<td>38.35</td>
<td>36.40</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>27.75</td>
<td>25.00</td>
<td>30.25</td>
<td>27.22</td>
<td>19.75</td>
</tr>
<tr>
<td>Average price (in euros)</td>
<td>37.71</td>
<td>30.58</td>
<td>33.79</td>
<td>32.47</td>
<td>29.27</td>
</tr>
<tr>
<td>Price at closing (in euros)</td>
<td>28.20</td>
<td>31.53</td>
<td>31.41</td>
<td>30.80</td>
<td>31.75</td>
</tr>
</tbody>
</table>

Data per share

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in euros)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share for the period</td>
<td>1.06</td>
<td>2.10</td>
<td>1.80</td>
</tr>
<tr>
<td>Net dividend</td>
<td>1.20**</td>
<td>1.10(1)</td>
<td>1.10(1)</td>
</tr>
</tbody>
</table>

(1) Dividend of €1.20 proposed to the shareholders’ AGM called to approve the accounts closed on December 31, 2007.
(1) Sums eligible for the 40% credit (financial periods 2005 and 2006) provided for by article 158-3-2° of the CGI.
(1) Sums eligible for the 40% credit provided for by article 158-3-2° of the CGI or, at the beneficiary’s request, the levy in discharge of 18% provided for by article 117 quarter 1.1 of the CGI.
The StARS micro-hybrid, Park4U™, blind spot detection system...

Valeo offers the automotive industry innovative solutions that reconcile environmental protection, safety and driving pleasure.

Valeo’s three Domains of innovation – Powertrain Efficiency, Driving Assistance and Comfort Enhancement – all contribute to the creation and successful launch of new products. In 2007, these products accounted for 32% of order intake.
By 2030, the number of vehicles on the road worldwide is expected to double to about 1.2 billion. While the automobile industry may have a bright future, it must first rise to two decisive challenges: anticipate the depletion of fossil energy sources and reduce CO₂ emissions, almost 25% of which are produced by transport. While research into alternatives to oil is intensifying, no totally satisfactory solutions have yet been found. At the same time, strict regulations are being rolled out. In Europe, the objective is to reduce CO₂ emissions to 120 grams of CO₂ per kilometer for new vehicles by 2012, compared with the current 160 grams. In the United States, the CAFE standard (Corporate Average Fuel Economy) now requires automakers to reduce the average fuel consumption of their vehicles by 25% to 35 miles per gallon (6.8 l/100 km) by 2020. In addition to these regulatory requirements, manufacturers must also meet the new demands expressed by consumers, who are seeking to reduce their fuel consumption by as much as possible. Valeo responds to these demands by offering efficient and competitive technologies that, when combined, can reduce fuel consumption by almost 40%. One of these solutions is the StARS starter-alternator.

StARS micro-hybrid system: reducing CO₂ emissions in city driving

Valeo’s StARS micro-hybrid system reduces CO₂ emissions in city driving

In the city

Cars are at a standstill with the engine idling needlessly for almost 35% of the time. The StARS starter-alternator momentarily shuts off the engine, then immediately restarts it as soon as the driver presses the accelerator.
In city driving, cars are at a standstill at traffic lights or in congestion for more than one third of the time. The Stop-Start function momentarily stops and immediately restarts the engine thanks to the StARS (Starter Alternator Reversible System), which acts both as alternator and starter motor. The engine is started immediately and silently by the belt that permanently links the system to the crankshaft. The system achieves fuel savings and improves comfort by eliminating the vibrations and noise made by the engine when it stops and restarts.

Thanks to its advanced design, the StARS starter alternator can be adapted to any engine cutoff and restart strategy required by the automaker. It also allows the engine to restart when it is stopping, if the driver unexpectedly changes his mind. Conventional starters do not offer this function. StARS can be used with all diesel and gasoline engines and all types of gearbox. Valeo estimates that 10 million vehicles will be equipped with this system by 2015.

A simple and adaptable solution

- **19%** consumption by 19% in heavy city traffic.

6% savings in the European combined driving cycle.

2.5 KW at 14 volts: the starting power delivered by StARS.

350 MS: the maximum time for engine restart.

**KEY FIGURES**

**FACTS**

Adaptability

The StARS starter-alternator can equip all gasoline- and diesel-fueled vehicles, irrespective of the engine capacity.

Benefits

The relatively inexpensive StARS system significantly reduces fuel consumption and CO₂ emissions, while eliminating noise and vibrations when the vehicle is at a standstill and when it restarts.

**REDUCTION**

StARS responds to today’s driving constraints in urban traffic, limiting noise and greenhouse gas emissions while reducing fuel costs.

**THE STARTER-ALTERNATOR**

The system replaces the conventional alternator. It combines the functions of starter and alternator in a single unit operating at 14 V, the voltage conventionally used in vehicles.

**KEY FIGURES**

-19% savings in the European combined driving cycle.

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**FACTS**

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StARS
boosting orders

In 2004, Valeo became the first automotive supplier to launch the StARS starter-alternator. The system was launched on the 1.4 l 16 v Citroën C3, and then on the Citroën C2. In 2007, the system was also mounted on the smart fortwo mhd (micro hybrid drive), reducing emissions to 103 g CO₂/km (or 4.4 l/100 km), a performance that makes this model the best-performing gasoline-fueled vehicle sold in France in terms of emissions. Other major orders for this system were recorded in 2007.

Contracts in 2007
Valeo is currently developing systems offering improved energy efficiency that can reduce the fuel consumption of a powertrain by almost 40%.

What are Valeo’s strengths in the area of powertrain efficiency?
The Group’s skills in this Domain are unique in the automotive industry, ranging from the engine to the gearbox, electrics, on-board electronics, temperature control and engine peripherals. Powertrain efficiency has been at the heart of our research program for many years in order to anticipate our customers’ needs.

How have things changed?
Something important happened in 2007. The issues of pollutant emissions and fuel consumption became central, and legislation is becoming much more severe throughout the world. Valeo is already in a position to offer tried and tested technologies at attractive prices. But there is no single magic solution. We help every one of our automaker customers to build their own selection of solutions, according to their strategic priorities. Some prefer diesels, while others opt for small, turbocharged engines. But they all agree on one thing: we must reduce pollution without compromising engine performance.

What developments are in store for the future?
STARS was the first step in terms of micro-hybrids. We are working on a regenerative braking system capable of recovering energy that can be used to power other functions and, eventually, to optimize starting. In the field of thermal management, Valeo is developing solutions to improve turbocharging, combustion and engine temperature, without forgetting e-Valve electromagnetic valve actuation, which will provide a reduction in consumption of 15 to 20%. Gearboxes are another field in which we are active, with the rise of automation and new systems in which electronics will play a key role. We will be in a position to launch a double dry clutch that is compatible with these new-generation gearboxes. Lastly, we are also conducting research into engine peripherals, and in particular the greediest of all in terms of energy consumption: the air conditioning compressor. Valeo is developing “smart” compressors that consume only the strict minimum.

3 questions for...
Michel Forissier, Director of the Powertrain Efficiency Domain
The rising number of cars on the road has made urban parking a major issue for big cities and a source of increasing stress for motorists. In this context, automatic parking, as provided by Park4U™, is more than just an improvement in driving comfort. Park4U™ helps to reduce the stress involved in city driving. By allowing motorists to park in smaller spaces (with only 40 cm at the front and rear of the vehicle for the latest generation of the system) it reduces the time spent searching for a space, which is what 20% of cars on the road in Paris are doing at any given moment. The system also cuts maneuver time to 15 seconds, which improves the flow of traffic, and optimizes fuel consumption. Park4U™ also improves safety by allowing the driver to concentrate on the vehicle’s immediate environment, which is an important point, given that in Germany, for example, one in three collisions involves a failed parking maneuver.
The system identifies available parking spots, assesses their suitability for the car and carries out the maneuver. In order to park, the driver simply presses the Park4U™ button to start searching for available spaces. Lateral sensors scan both sides of the street and measure the length of empty parking slots. When sufficient space is detected, that is to say, the vehicle length plus 70 centimeters at the front and rear, the driver is informed by an indicator. When “Start Position” is displayed, the driver is requested to put the vehicle into reverse and to release the steering wheel, while retaining control of the brake and accelerator. At the end of the operation, the vehicle is put back into forward drive. If the vehicle is not correctly aligned, the steering wheel changes direction once more before the end of the operation, and the driver completes the maneuver.

**Simplicity**

A consumer study carried out by an independent market research institute has proved that Park4U™ makes parking comfortable for all drivers and is easy to use. More than two-thirds of participants declared strong or very strong interest in buying the system.

**Outlook**

The second generation of Park4U™ is expected in 2009. This system will enable parallel parking in smaller spaces, leaving just 40 cm at the front and rear of the vehicle, thanks to a more sophisticated trajectory calculation.

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**Sensors scanning the vehicle’s environment**

*Park4U™ is based on ultrasonic sensors.* The system identifies available parking spots, assesses their suitability for the car and carries out the maneuver. In order to park, the driver simply presses the Park4U™ button to start searching for available spaces. Lateral sensors scan both sides of the street and measure the length of empty parking slots. When sufficient space is detected, that is to say, the vehicle length plus 70 centimeters at the front and rear, the driver is informed by an indicator. When “Start Position” is displayed, the driver is requested to put the vehicle into reverse and to release the steering wheel, while retaining control of the brake and accelerator. At the end of the operation, the vehicle is put back into forward drive. If the vehicle is not correctly aligned, the steering wheel changes direction once more before the end of the operation, and the driver completes the maneuver.

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**SAFETY**

Several actions can stop the automatic parking process for safety reasons. The car should not drive any faster than 30 km/h when searching for a space. The parking maneuver will also be canceled if the speed of the car exceeds 7 km/h.

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**15 SECONDS**

This is the maximum time spent parking when using the Park4U™ system.

**10 MINUTES:** average time lost looking for a parking space in Paris.
Blind spot detection: radar technology puts safety first

Valeo’s system monitors the blind spot on both sides of the vehicle. If a moving obstacle, such as another overtaking vehicle, is present in the blind spot, the driver is alerted by an icon display.

Safety has become a major concern in society. People are looking for products and technologies that will protect their lives and those of their loved ones. This demand is particularly strong in the transport sector: motorists want cars that lessen the risks involved in driving.

Automakers are therefore focusing on two aspects of safety. “Passive” safety is about reducing the consequences of an accident if it could not be prevented, by reducing the effects of the impact, with seatbelts and airbags, for example. “Active” safety covers accident prevention (anti-lock braking, stability control system, etc).

Valeo has long been developing active safety solutions that monitor the vehicle’s immediate environment, especially during complex maneuvers. Lane changing, for example, raises the question of the blind spot, an area of reduced visibility between the driver’s direct field of vision and that offered by the rearview mirror. A study carried out in the United States has shown that 40% of accidents occur during a lane change, demonstrating the usefulness of Valeo’s blind spot detection system.

Human error

70 to 90%: road safety experts cite varying figures, but all agree that human error plays a central role in accidents.
Valeo’s blind spot detection system warns drivers of other vehicles in the area of the blind spot: it can determine the position, the distance, the relative speed and direction of the object and alerts the driver by displaying an icon in the outside rearview mirror.

Valeo’s solution is based on two radars at the rear of the car and placed on either side. When one senses the presence of another vehicle – car, lorry, or motorcycle – in either blind spot, the system alerts the driver with an icon in the outside rearview mirror. This solution combines the expertise of both Valeo in short-distance radar and Raytheon in long-distance radar. The sensor electronically sweeps the area of the radar beam with an angle of 150° and a range of 8 meters, and warns the driver if vehicles enter this area from behind the blind spot, if they stay there and if they enter the blind spot from another lane.

A “copilot” helping you overtake safely

- Valeo’s blind spot detection system won the 2007 PACE Award in the Product Innovation category.

**AWARD**
- The blind spot detection system won the 2007 PACE Award in the Product Innovation category.

**FACTS**
- **Safety**
  - 94% of people buying a car quote safety as a major factor in their choice*. Drivers want to be aware of the immediate environment of the vehicle and to be warned of risks in order to brake, accelerate or turn as necessary.
  - *MORI, EuroNCAP 2005
- **Design**
  - The sensors are integrated behind the rear bumper, and have no impact on the styling of the vehicle. Radar technology in no way affects vehicle design.

**KEY FIGURE**

360°

The radar technology used for blind spot detection is part of Valeo’s Driving Assistance Domain, which already uses advanced sensor technologies (infrared, ultrasonic and video) in its efforts to provide 360° surveillance around the vehicle.

**BENEFITS**
- With the information from the blind spot detection system, which works under nearly all road conditions, the driver can change lanes safely. The radar can detect cars, trucks and motorcycles.

**AWARD**
- The blind spot detection system won the 2007 PACE Award in the Product Innovation category.
Park4U™

First launched on the Volkswagen Touran, the Park4U™ automatic parking system is now standard on the Volkswagen Tiguan and Cross Touran and will soon equip other VW models. Additional brands will be releasing their Park4U™ models in the coming months.

Blind spot detection

Automakers are increasingly aware of the advantages of this kind of safety system and have started offering them on their new models. Valeo’s solution is already available on several General Motors vehicles, including Cadillac STS and Buick Lucerne models, and equips the new Jaguar XF.

By 2010, over 26 models should feature the system. This Driving Assistance technology received the 2007 PACE Award for Innovation in the United States.
For several years, the focus has been on “passive safety”. Valeo’s approach is based on “active safety”, with monitoring of the vehicle’s immediate environment. What are the latest expectations in terms of driving assistance?

In today’s society, road accidents are no longer considered inevitable. The public level of awareness of the dangers of driving is far higher than before, and motorists want to protect themselves. For several years now, the focus has been on passive safety: cars come equipped with airbags, sophisticated braking systems, etc. Valeo is looking further ahead, and has moved on to the next stage – active safety – by developing systems that improve road safety by monitoring the vehicle’s immediate environment.

What issues are you working on now?

The first is improving visibility. We have the BeamAtic® solution, which automatically manages high beam lighting during night driving. The second is low-speed maneuvers, with Park4U®, for example, a park assistance system that we will keep improving in the years ahead. In 2008, Valeo will release Top Vue, a system for detecting objects near the vehicle, outside the driver’s field of vision. Our teams are working on Lane Change Assist, a system that alerts you of vehicles quickly approaching from the rear when you want to change lanes. We also want to be able to alert drivers to potential collisions in front of their car, which is particularly useful in heavy traffic.

What will your role be like in five years’ time?

The population is ageing, and this will put comfort and safety at the heart of our research. At the same time, stricter laws in terms of accident prevention will also affect our roles in the next decade. As a consequence, we need to increasingly take into account safety requirements during the development of our products, which will in turn become even more integrated with other vehicle systems like steering, brakes and airbags. This will create an integrated solution for the end user that seamlessly moves from an intuitive warning to action, should the situation require.
According to Nikolai Kondratieff’s theory of long socio-economic cycles, every 40 to 60 years society undergoes a fundamental process of reorganization. The “sixth wave”, marked by key developments in health and well-being, is predicted to result in unprecedented change, and we are already feeling the beginnings of this in the richest countries. One development is the recurrent insistence on quality of life. The automobile is part of this trend. It has become a living space in its own right: a place where everyone now expects the same comforts as at home. Against a backdrop of increased competition, automakers have already understood that the responses they provide to these new demands are a new factor of differentiation.

Valeo devotes part of its research efforts to the optimization of the well-being of drivers and passengers. Vehicle access, safety, ease-of-use, interior comfort and the human-machine interface are all at the heart of the Group’s innovation strategy. This research has seen the development of smart keyless and hands-free access systems and automatic locking systems. These innovations are in perfect harmony with consumers’ real needs. Thanks to a broad range of surveys of users and focus groups, Valeo is able to test the end user’s interest in, and acceptance of, these new functions.

Optimizing the health and well-being of drivers and passengers

Just like a home, the car is a private place for which motorists are expressing new demands. The ease-of-use of vehicle controls and interior comfort have become key selection criteria.
From the multi-function Smart Car Key and the e-Media console to the Senseative™ seat adjustment module, the electric telescopic trunk or tailgate jack, the Valeo Style Collection handles and the Thermoeo thermo-electric air-conditioning system, Valeo’s products offer solutions that meet motorists’ demands for comfort and convenience at every stage of the vehicle’s use.

APPROACH PHASE. The goal is to develop solutions used to communicate with the vehicle in the approach phase and to program a series of functions before even entering the car.

ENTRY AND EXIT PHASES. The goal is to free the driver of physical constraints with automatic and intuitive controls used to lock and unlock the vehicle, such as presence detectors.

DRIVING. In this phase, the goal is to customize and simplify vehicle controls in order to optimize visual comfort and facilitate driver operations by improving the ease of use of the dashboard and temperature control in the cabin.

Close to the consumer’s needs

SMART CAR KEY
A smart, multi-function key that uses radiofrequency technology. The key performs a broad range of functions.

THERMO-ELECTRIC AIR-CONDITIONING
Thermoeo is an add-on thermal comfort module for rear passengers. Already available for automakers, Thermoeo will later be offered as an aftermarket system for installation simply by connecting it to the vehicle’s cigarette lighter.

8.8/10
This is the value placed on comfort by European motorists when they buy a new car, among the key criteria for choosing a vehicle. While the security and safety of property and individuals remain our top priority, driving comfort, visual comfort and interior and exterior design are not far behind, according to an international survey conducted by Taylor Nelson Sofres for Saint-Gobain Sekurit.

Consumer tests
A thorough understanding of market and consumer perceptions is at the heart of Valeo’s R&D process. The opinion of users provides essential input for the design and development of new products. Valeo regularly organizes focus groups with consumers. They are an opportunity to test new or future automotive products on a real audience. This process helps Valeo to decide on the systems to be developed.

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At the Frankfurt International Auto Show in September 2007, Valeo presented two new demonstration vehicles: Easy4U and Care4U. These prototypes, both based on the Mercedes ML, are a showcase of innovations from the Comfort Enhancement Domain. They both feature comfort technologies for every phase of vehicle use, from approach and entry, to adjusting the drive station, driving and exit from the vehicle. By way of example, the Easy4U demonstration vehicle is equipped with systems that eliminate any physical effort, such as the Smart PCS that closes trunks and tailgates. Care4U is dedicated to interior comfort and offers a range of Valeo’s major innovations in this field.

TOP TO BOTTOM
- Air-conditioning and seat temperature control.
- The Soft Closing Latch system for doors.
- The Senseative™ seat adjustment module.
When it comes to comfort, our relationship with the automobile is changing. The future belongs to smart and interactive interfaces that make life on-board more pleasant for drivers and passengers alike.

What are the key concepts that guide your research programs?

We work in a Domain where every single innovation is perceived directly by the end user. So it is no surprise that people are at the heart of all our ongoing developments. Automakers have understood this point and have made comfort a major factor of differentiation. If I had to give three key concepts, they would be well-being, ease of use and stress reduction. The solutions we are developing aim to change our relationship with the car, in particular by focusing on interactivity.

Which issues are you currently working on?

I prefer to talk about solutions, rather than products or technologies. The idea is to meet the expectations expressed by drivers and passengers. By way of example, the Smart Car Key will eventually be capable of configuring your car according to pre-defined settings. Users will be able to select the ideal interior temperature and the seat and rearview mirror settings before even getting in the car. Keyless access and starting systems will become functionally richer and offer more and more services. Inside the car, the ergonomics of the controls will be optimized with functions offering tactile, audible and visual feedback making the driver’s life much easier.

How do you see your role in five years’ time?

I think that we will have to open up to fields of knowledge that extend well beyond the automobile. People are at the heart of our business. It is up to us to understand changes in lifestyle and demographics and to anticipate how neuroscience and physiology can contribute to our research work in order to offer optimal levels of comfort.
Post-equipment: offering Valeo technologies for every vehicle

In 2007, Valeo continued to develop its range of post-equipment accessories so that every single driver can benefit from its leading-edge solutions.

Based on the assumption that innovation, safety and comfort should be made available to everyone, two years ago the Group broadened its offer by selling high-tech products directly to consumers.

One of the pioneering products in the post-equipment range, the beep&park reversing radar system was elected Product of the Year in France in 2007 by a panel of 22,000 consumers*. On the strength of this success, Valeo Service extended its range of post-equipment products and accessories in 2007 to offer optimal levels of safety, comfort and pleasure to motorists and their vehicles. Six brand new products were added to the range in 2007 in order to meet drivers’ everyday needs.

The life expectancy of our vehicles has lengthened considerably. Regulations and driver expectations are constantly changing. These are the reasons why it has become necessary to give consumers the opportunity to improve their vehicle throughout its lifetime by adding the very latest technological developments.

Valeo Service, a leading player on the aftermarket, supplies spare parts to manufacturers and independent operators on the spare parts market (repairers, car centers, etc.).

Valeo Service sells a broad selection of high-performance products and services (catalogs, marketing tools, training, diagnostic tools) for dealerships, spare parts distributors and independent repairers in more than 100 countries worldwide. Valeo Service accounts for 18% of the Group’s sales.

* Postal survey carried out on a shortlist of new products from national brands sold in supermarkets and hypermarkets, research was coordinated by TNS Worldpanel in September 2006 using a national sample of 10,000 households, representative of the French population aged 15 and over. (www.produitsdelannee.com)
Motorists can now add innovative post-equipment solutions to their vehicle themselves for an enhanced driving experience.

**Beep & park**
A complete range of park assist systems. The on-board system’s ultrasonic sensors detect obstacles at the front and rear (vehicles, posts, pedestrians, etc.) and inform the driver by emitting an audible signal. Additional information, such as the distance from the obstacle and its precise position, is shown on the control screen positioned above the rearview mirror.

**Beep & park / keeper**
This unique park assist system protects your vehicle in two ways: when parking, by detecting obstacles, and when stationary, by dissuading other approaching drivers with visual and audible signals.

Beep & park / vision
Beep & park / vision combines the functions of a camera and a reversing radar in order to make parking even easier. All obstacles can be detected and viewed.

**Park / vision**
This park assist solution combines a camera, installed at the rear of the vehicle, and a detachable screen placed on the dashboard.

**Light / on & off**
When the light levels drop, light / on & off corrects any possible under-estimation of the danger or the driver’s forgetfulness by automatically switching on the lights. The system switches the lights on automatically when luminosity is less than 1,000 lux. The lights are automatically switched off as soon as the luminosity exceeds 3,000 lux.

**Guideo**
This solution consists of a camera attached to the interior rearview mirror that performs the following functions: Lane alert (accidental lane change), Optilane (trajectory correction), Video box (video memory), and beep & watch (detection of any movement at the front of one’s vehicle at traffic lights for instance). In 2007, Guideo won the silver award in the “spares, post-equipment” category at the Equip’Auto trade show’s International Grands Prix for automotive innovation.

**Speed / visio**
This system displays the vehicle speed on the windshield and warns drivers with an audible signal when they exceed the pre-set speed limit. Drivers are able to check their speed without taking their eyes off the road.

High-tech accessories

As the number of vehicle models on the road increases, Valeo Service’s primary challenge is to meet the needs of everyone on the aftermarket by offering an ever broader range of components. Furthermore, the life expectancy of our vehicles is rising. Therefore, we have to be capable of manufacturing and distributing products for long periods and on all our markets, especially in countries where the numbers of vehicles are rising sharply, such as China, Brazil or Russia.

Our second challenge is to satisfy increasingly demanding consumers who want quick, quality repairs, which is the reason why we must provide our professional customers with top-performance tools and services. By way of example, in 2008 we will launch the ClimTest+ diagnostic tool for air conditioning.

Lastly, today’s consumers want to improve their vehicles by adding extra equipment. A pioneer on the aftermarket, Valeo Service will continue to extend its range of post-equipment so that today’s consumers can enjoy access to the very latest technologies without having to invest in a new vehicle. The range will soon be extended to heavy trucks so that professional transport contractors can benefit from the same offer.

“Meeting the demands of both repairers and consumers”,
**Robert de La Serve**, Senior Vice-President of Valeo Service
The men and women who work at Valeo all share the same culture of operational excellence. They work in an environment where individual responsibility goes hand in hand with teamwork.

By sharing this common language, all employees find their place in a group that is home to a multitude of skills and more than 90 nationalities, and where they can develop their know-how and realize their potential.
Valeo’s risk management policy targets zero accidents and incidents of all kinds and is part of the Group’s operational excellence approach. Applicable procedures include the organization of inspections, the measurement of performance and the implementation of corrective actions wherever necessary. Each site has its own Safety, Security, Health and Environment manager who is in charge of training employees and making sure that they are familiar with the rules and apply them at all times. Based on maximum risk prevention, this risk management policy defines Valeo-specific standards which often surpass local regulatory requirements.

As further proof of its commitment to occupational health and safety, Valeo has begun a process for obtaining certification under the OHSAS 18001 international standard for all of its industrial manufacturing sites. By the end of 2007, 74% of sites were OHSAS 18001 certified, compared with 52% at the end of 2006 and 11% at the end of 2005.

![An example of the application of safety rules in the logistics zone of the San Luis Potosí site in Mexico.](image)
Quality is an obsession for everyone at Valeo. Every employee is made aware of the factors contributing to non-quality so that they can be identified and appropriate corrective action can be taken.

Total Quality is not just a question of methodology; it is above all a state of mind that must be adopted by everyone, everywhere, all the time, no matter which job they occupy. Thanks to the 5 Axes methodology, the San Gen Shugi philosophy – based on the analysis of facts and data in the field in real time – and the QRQC (Quick Response Quality Control) approach, the teams at Valeo have become remarkably effective and proactive in their anticipation and resolution of problems. Going beyond simple theory, the components of this attitude – detection, communication, analysis and verification – fit in perfectly with the Group’s cultural values.

33% represents the reduction in customer returns in 2007 compared with 2006.
Several years ago, Valeo introduced the pull flow system which aims to reduce stocks, improve customer service and the productivity of direct labor, while making the best possible use of resources and investments.

This method, which is based on actual customer demand, was successfully introduced at the Rakovník site in the Czech Republic in 2007. The layout of the site was completely reorganized. Substantial savings were made by eliminating 11,000 m² of external storage space. Before the reorganization, finished products were stored 220 meters from the assembly lines. Now they are just 5 meters away, which means that stocks can be managed visually. The pull flow principle allows the logistics team to optimize stock levels – which dropped from 5.4 days in 2005 to 3.9 days in 2007 – and to use reliability indicators to keep track of supplier performance. Moreover, between December 2006 and December 2007, the number of late deliveries dropped from 73.58 to 0.78 parts per million.

72.5% of sites operate using a pull flow system in line with customer demand.
Project management

Valeo has a total of 1,900 P1 projects (customer applications), of which 650 went into production in 2007 for more than 70 customers. These projects represent deliveries in more than 90 countries, ranging from sensors to complex integrated modules. In 2007, 550 of these projects met 100% of their quality, profitability and time targets, which means zero problem, zero customer return, zero warranty return and a 100% service rate. This performance represents a clear step forward in comparison with 2006. The Projects Department achieved this result by deploying a “platform”-based process, with dedicated project teams that bring together all the company’s key skills. Project work is conducted in strict compliance with the Constant Innovation Policy, which is described in detail in the “Project Management Handbook” – every project manager’s bible. The state of progress is tracked in regular project reviews and by using a panel of indicators. The team remains in charge of the project from the response to the call for tender until the product is stable, six months after the start of volume production. The team is assessed on the quality of the products it delivers, its ability to honor commitments to customers and, finally, on the gross margin achieved.
Against the difficult backdrop of rising raw material prices in 2007, Valeo pursued its strategy to select and integrate suppliers at the earliest possible stage, so that they become preferred long-term partners. The goal is to concentrate on the best suppliers, while at the same time optimizing their numbers. By the end of 2007, Valeo had 2,574 suppliers, or 154 fewer than at the end of 2006. The Group is continuing with its Convergence program in a drive to improve the performance of its supplier base by drastically cutting costs while improving quality. The 245 suppliers in Convergence account for 46% by volume of the Group’s purchases. The proportion of purchases made with supplier sites located in low-cost countries increased to 37% in 2007 and will reach 70% by 2010. Valeo encourages its suppliers to propose innovative solutions, new technologies and new materials that will improve quality, while further cutting costs. Presentations to identify supplier innovations are organized on a regular basis. In this way, Valeo promotes emulation and competition between its partners.
With 61,200 employees in 28 countries and almost 100 nationalities, Valeo is present on all continents. This cultural diversity enriches the Group, in which all employees are considered according to their individual merits, and is the common language of operational excellence that binds it together. From Mexico to China, and from India to Germany, Valeo’s operational culture is the guarantor of its universal methods based on five key values: ethics, transparency, empowerment, professionalism and teamwork. The 5 Axes methodology is applied worldwide, by every employee and every supplier, in order to deliver total quality to customers and to achieve the same standards, no matter where products are made. Moreover, Valeo’s Code of Ethics sets forth 10 fundamental principles applying to professional conduct and business practice as well as rules protecting fundamental individual rights. This code applies to all of the Group’s employees.

Universal methods

82,914 hours of training in the 5 Axes were delivered in 2007, representing 7% of total training hours.
Valeo has been committed to sustainable and responsible growth for many years.

Ethical conduct, respect for the cultural diversity of employees, parity, reduction of environmental impact: these are all part of the Group’s priorities. These priorities are combined with a strong commitment to community development, to guarantee that all sites are closely integrated into their environment, and in particular with the local populations.
Valeo is committed to protecting the environment: the Group favors “green” products and systems, anticipates future regulations, invests in order to reduce its direct impact on the environment and takes the necessary measures to save and preserve natural resources.

Taking action right from the product design phase
Valeo has long included criteria relating to energy consumption, weight, material selection and banned substances in its project assessment processes. In 2007, the Group formally implemented an “Eco-design Standard”, which applies to the development phase of all R&D projects. This standard requires project teams to assess the environmental impact of the product throughout its life cycle (the type, number and quantity of raw materials, production, packaging, transportation and maintenance, dismantling, recycling, reuse and disposal).

Reducing vehicle fuel consumption through innovation
Many of Valeo’s latest products are designed to reduce fuel consumption. The Group believes that the combination

To do
Find solutions for packaging materials
- A cross-functional working group will be set up in 2008 to look into more environmentally friendly packaging solutions. The Group will look at different avenues of improvement: the weight, life expectancy, optimization of volume/capacity, choice of materials, etc.

Improved risk management
- In 2008, a self-assessment tool used to manage risks will be deployed Group-wide. Through a series of precise questions, the tool will enable sites to assess their levels of control of environmental, health and safety risks.
of its micro-hybrid technology, engine thermal management systems and clutch systems is capable of reducing emissions produced by existing engines by 40% (see Solutions, page 18).

**Preventing the depletion of resources**

Valeo is committed to reducing the consumption of water, energy, raw materials and packaging at its sites. Between September 2006 and June 2007, the burners in nine ovens in the Valeo Transmissions factory in Limoges, France, were fitted with thermal exchangers that reduce energy consumption by up to 37%. In 2007, the Valeo Transmissions Querétaro site in Mexico installed hybrid furnaces that use both electricity and natural gas in order to reduce its dependency on either of these energy sources and to cut greenhouse gas emissions. At the Valeo Wiper Systems site in Skawina, Poland, new specifications were introduced for cardboard boxes in 2007 that succeeded in reducing their weight by 10%. Since August 2007, the wooden crates used at the Valeo Electrical Systems Telma Nan Hui site in China have gradually been replaced by cardboard boxes, resulting in weight gains of some 27%. The installation of a cooling tower at the Valeo Electrical Systems site at Saint-Ouen-l’Aumône, France, in 2007 has reduced water consumption from 6,500 m³ in 2006 to 1,873 m³ in 2007, representing a 70% saving. Valeo Engine Cooling’s Itatiba site in Brazil cut water consumption by 97.5% by replacing the tube washer machine with a new process.

**Reducing the use of hazardous substances**

A special steering group was set up in 2007 to oversee the implementation of the REACH* regulation. Following a preliminary survey of a number of pilot sites, the Group defined an inventory tool designed to keep records of regulated substances that has since been validated by the Product Families. The tool is already in the process of being deployed so that the Group can meet the deadlines imposed by the regulation for the pre-registration of substances.

Measures have already been taken at certain sites. For example, trichloroethylene solvents are no longer used in the manufacture of clutch facings and a “hazardous products” campaign has succeeded in reducing the number of sites in the Group that still use carcinogenic, mutagenic and reprotoxic chemicals to just 11.

*Adopted by the European Union at the end of 2006, the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation requires all industrial manufacturers to list and register all the substances contained in the products they sell with the European Chemicals Agency and then to demonstrate that they are not hazardous.

**A long-term commitment**

Valeo will continue its policy to protect the environment by certifying its sites and setting performance targets for every indicator and every product family. The Group plans to intensify its efforts to reduce the consumption of raw materials, water, hazardous substances and energy and to cut its CO₂ emissions. Strong emphasis will be placed on the energy efficiency of processes and buildings and the use of renewable energy sources.
Corporate social responsibility

Challenges

Actions

Respect

The Valeo Group has been aware of its social and environmental responsibilities for many years. The Group is committed to honoring these responsibilities, while respecting national legislation and international treaties and agreements. Valeo became a pioneer with regard to respect for ethical and social principles when it signed the UN Global Compact in 2004, thereby agreeing to respect 10 fundamental values applying to human rights, working standards, the environment and the fight against corruption. These commitments were embodied in a new Code of Ethics that was written and distributed worldwide in 2005. The Code, which is regularly updated and adapted to the strictest legislation, shows that rules and good practices must not be sacrificed on the altar of growth.

Guaranteeing objective recruitment

The Valeo “recruitment kit” is a technique designed to assess job applications based on objective criteria, taking only the professional qualities of applicants into consideration. The same applies to the annual performance appraisal for engineers and managers. This appraisal has been standardized Group-wide.

Managing diversity in the field

To do

The Group is present in nearly 30 countries and is faced with a highly diverse range of social issues. To manage these issues, Valeo has opted for a decentralized organization capable of taking action as close to the field as possible. The Group manages its different issues, obligations and constraints relating to the question of sustainable development through its HR network, comprising the HR Departments of the Branches, the Divisions and Country correspondents. Valeo must make sure that its Code of Ethics is also applied to the different measures and decisions that are taken locally. By way of example, the Valeo Group has committed to refrain from employing children aged under 16, even in countries where this practice is legal.

Campaign poster for the Code of Ethics deployed in all countries where the Group is present.
so that managers are able to assess their colleagues objectively. In 2006 and 2007, the annual report of HALDE (the French authority for the prevention of discrimination and for the protection of equality) qualified these two “good practices” as exemplary, since they are based on objective criteria that take only the professional qualities of the individual into consideration.

Protecting jobs through forward-looking skills management
When Valeo needs to optimize its industrial base, it undertakes restructuring measures. Working closely with employee representatives, the Group takes every possible measure to find new jobs for its personnel. In the social plans that ended in 2007, 462, or 70.8%, of the 652 employees affected were redeployed.

Promoting a better balance between men and women
Valeo strives to achieve equality between the number of men and women who work in the Group in comparable situations. By entering into partnerships with leading educational establishments and associations, such as “Elles Bougent” – an association for the promotion of jobs in automotive engineering and other transport-related sectors to young women – and by taking part in forums, such as “Women in Leadership” – which aims to bring companies into contact with young female graduates in business, finance, engineering, etc. – Valeo intends to increase the proportion of full-time female employees, which increased across all socio-professional categories by nine points between 2005 and 2007.

In defense of diversity
The Valeo Group has sites in 28 countries and is thus highly diversified. In 2007, the Group employed people of 93 different nationalities. The most strongly represented nationalities are Brazilian, Chinese, French, German, Italian, Mexican, Moroccan, Polish, Portuguese and Spanish.

Healthy labor relations
In 2007, 213 agreements were reached in 16 different countries on a range of topics and in accordance with the local national legislation. These figures demonstrate Valeo’s commitment to an active contractual policy with labor organizations. Among these agreements, 67 (31.5%) related to working time, 99 (46.5%) to salaries, 25 (11.7%) to profit-sharing and incentive schemes, and 36 (16.9%) to various premiums or bonuses.

Preventing accidents and occupational illnesses
The Group’s target for safety and working conditions is to come close to “zero accident”. Health and safety at work is a clear priority for Valeo. Systematic audits are

“Strong and durable social engagement”

Valeo must permanently strive to ensure that all the conditions of its Code of Ethics are respected and applied. The Group will continue to promote diversity through its recruitment and internal promotion policy, which is based solely on the professional qualities of its employees. Moreover, Valeo will continue to pursue an active training policy, both in terms of skills development and safety.

The Group’s relationships with its customers and suppliers are another priority. Valeo will continue to honor its commitments to its major customers in terms of sustainable development and make sure that all of its suppliers worldwide also meet these same demands. The Group plans to implement additional indicators to make sure that its action in the social area is effective and to measure the progress made in this field.

Michel Boulain,
Vice-President, Human Resources
Commitments

... Corporate social responsibility

... Challenges

Train

... Actions

13% of training hours were dedicated to safety in 2007. An increase of 2.2 points over 2006.

Developing in-house training

As part of the Group’s integration and skills development policy, 81% of employees attended at least one training session in 2007, a figure that reflects the Group’s determination to expand training in the field by involving line managers in the development of flexible, multi-skilled operators.

Universally deploy health training

The Group plans to pursue its health training policy. By way of example, the “Well-being and efficiency at the workstation” project, which was designed and tested at pilot sites in 2007, will be rolled out worldwide in 2008. The objective of the project is to deliver training to first-line management in how to identify at-risk situations and postures, particularly those that may cause muscular-skeletal disorders.

Risk assessment of a workstation at the Valeo Transmissions site in Amiens, France.

The leaflet promoting the “Well-being and efficiency at the workstation” project was distributed to each employee in the Group.

To do

Universally deploy health training

13% of training hours were dedicated to safety in 2007. An increase of 2.2 points over 2006.
Valeo is engaged on a daily basis in the development and well-being of local populations: a social bond that the Group fosters and supports through a multitude of initiatives.

Valeo is investing in the health and safety of its employees in Juárez, Mexico

The backdrop of violence against women in the Ciudad Juárez region prompted the Group to organize a range of solutions to improve the everyday life of its employees. The site launched a free bus service for its employees. The operator is required to respect the strictest rules regarding the behavior of the drivers that it employs on these routes. The aim is to make sure that none of the Group’s employees become victims of assault. Employees also benefit from free breakfasts, lunches and dinners on site so that they do not have to leave the factory during working hours. Valeo has also set up a medical facility where employees and their families can consult a doctor every day and obtain medication free of charge.

In Garches, France, Valeo is contributing to the development of the wheelchair test and selection center run by the “Fondation Garches” Valeo is a founding member of the “Institut Garches”. Created in 1988, the institute became a foundation in May 2005 devoted to the mobility and professional and family integration of people suffering from motor handicaps. The foundation federates a broad network of doctors, associations specialized in motor handicaps and managers from partner companies. Valeo works hand in hand with the professionals from the wheelchair test and selection center. Numerous innovations designed for the automobile can be applied to wheelchairs and the Group’s research programs can help to develop new equipment. In addition to its existing financial sponsorship program, in 2007 Valeo set up a skills sponsorship program that aims to build technological bridges between the automobile and wheelchairs. The Group’s Research and Development Department has launched a technological innovation program that aims to install an obstacle detection system onboard a wheelchair. The goal is to enable people who occasionally lose control of their movements to use a wheelchair and to benefit from a certain degree of mobility. Valeo has proposed to adapt ultrasonic sensors that warn occupants of the presence of obstacles and can slow down, or even stop, the wheelchair. While the research has only just begun, it should enable numerous patients to benefit from significant progress.

Support

In the coming years, Valeo intends to continue to invest on behalf of society, and to follow a strategy focusing on three priorities.

Priority 1: measure
Before making any new commitments, the Group will develop the means of listing and measuring its worldwide initiatives on society’s behalf.

Priority 2: diversify
Valeo will pursue a policy in favor of diversity in as many countries as possible, while insisting on an equitable balance between men and women.

Priority 3: support
The Group is currently looking into its future involvement in charitable works and in initiatives in favor of integration.

The objective is to have a clear vision of the scope of its policy and, above all, to measure progress on an annual basis.
This report was printed on wood-free coated paper, made of 60% recycled fiber and 40% FSC-certified fiber (the FSC label guarantees the durable management of the world's forests).
For several years now, Valeo has been developing innovative approaches aimed at enhancing automotive safety and environmental protection.

The Group’s goal is to contribute to the debate about the role of the automobile in society, faced with the challenge of an exponential automotive systems market, specifically engaged in the research and development of new technological solutions.

It is therefore appropriate that the Group should seek input from others, who, throughout the world, are striving to develop new and responsible automotive approaches. This commitment led to the organization in March 2008 of the first Valeo Forum, a round table discussion for automakers, automotive suppliers, public authorities, urban planners and end users.

Central to the debate is the question: how can cars be reconciled with cities?

Today, over 50% of the world’s population lives in urban areas and our planet is now home to more than 20 megalopolises of over 10 million inhabitants. The spectacular global population explosion, together with a growing desire for individual freedom, has created a major area of concern: how to reconcile the high demand for automobiles with an environment that is increasingly urbanized. This new situation poses a real challenge, not to the car manufacturers or for public authorities and consumers alone.

For more information: www.forumvaleo.com
For several years now, Valeo has been developing innovative approaches aimed at enhancing automotive safety and environmental protection. The Group’s goal is to contribute to the debate about the role of the automobile in society, and to advocate for a sustainable future for the automobile, through the development of new technological solutions. It is therefore appropriate that the Group should work alongside other players who, on a global scale, are striving to develop new and responsible approaches. This commitment led to the organization in Paris in March 2008 of the first Valeo Forum, a round table discussion for automakers, automotive suppliers, public authorities, urban planners and end users.

Central to the debate is the question: how can cars be reconciled with cities?

Today, over 50% of the world’s population lives in urban areas, and we play a key role in moving the world’s 5 billion inhabitants. In response to the challenges of today, Valeo has a growing desire to develop new solutions that are able to reconcile the high demand for automobiles with an environment that is increasingly urbanized. This new environment poses a real challenge, for players in the automotive industry and for public authorities and consumers alike.

For more information: www.forumvaleo.com