A team in the service of a common ambition
Valeo applies its strategy in line with a policy of sustainable development
Valeo is an independent group, fully focused on the design, production and sale of components, integrated systems and modules for the automobile industry, mainly for the reduction of CO² emissions. Valeo ranks among the world’s top automotive suppliers.

The Group has 109 plants, 20 research centers, 38 development centers and 10 distribution platforms, and employs 58,000 people in 27 countries worldwide.
PASCAL COLOMBANI
CHAIRMAN OF THE BOARD OF DIRECTORS

The Valeo Group recorded milestone results in 2010, the best in the last ten years, in a highly competitive market. The Board of Directors would therefore like to pay tribute to the quality of the company’s management and to the relevance of the strategies adopted, which have enabled it to attain this level of performance.

In line with its policy of being closely involved in Valeo’s governance, the Board held nine meetings in 2010, with an attendance level of 99%. 2010 also saw an increase in the number of women on the Board of Directors.

The Board meeting of February 24, 2010, following a proposal from the Appointments, Remuneration and Governance Committee, recommended to the Annual
General Meeting of Shareholders held on June 3, 2010 the naming of Noëlle Lenoir, a former French government minister and member of the French Council of State, as member of the Board of Directors. The Board meeting of February 24, 2010 also decided to follow a further proposal from the Appointments, Remuneration and Governance Committee and co-opt Ulrike Steinhorst, who is the Chief of Staff to Louis Gallois, CEO of EADS, to replace Behdad Alizadeh for the remainder of his term of office, i.e. until the Annual General Meeting called to approve the accounts closed on December 31, 2010. This nomination brings the number of female Board members up to three, that is 25% of all members. During its meeting on January 20, 2011, the Board of Directors also decided to maintain the separation of the functions of Chairman of the Board and Chief Executive Officer, subject to Pascal Colombani and Jacques Aschenbroich’s terms of office as Board members being renewed.

**Members of the Board of Directors**

Pascal Colombani, Chairman of the Board of Directors  
Daniel Camus, Executive Vice President of EDF Group in charge of strategy and international activities (up until December 1, 2010)

Jacques Aschenbroich, Chief Executive Officer  
Michel de Fabiani, President of the Franco-British Chamber of Commerce and Industry  
Philippe Guédon, Managing Partner, Espace Développement  
Jérôme Contamine, Executive Vice-President & Chief Financial Officer of Sanofi-Aventis  
Noël Pauget, Chairman of Economie, Finance et Stratégie SAS  
Georges Paugot, Partner, Jeantet et Associés  
Jérôme Contamine, Executive Vice-President  
Jacques Aschenbroich, Executive Vice-President  
Michel de Fabiani, Executive Vice-President  
Philippe Guédon, Executive Vice-President  
Jérôme Contamine, Executive Vice-President  
Noël Pauget, Executive Vice-President  
Georges Paugot, Executive Vice-President  
Ulrike Steinhorst, Executive Vice-President

Becoming the partner of choice for global automakers, supporting them in their efforts to reduce CO₂ emissions and vehicle fuel consumption by offering innovative concepts, developing our activities in high-growth countries, playing a decisive role in consolidating the sector: these are the main lines of the Group’s ambitious development plan up to 2015. The Board of Directors is determined to bring its full support to this strategy, in the name of sustainable growth.

VALO_1105196_RA10_GB.indd   3  
25/05/11   12:55
JACQUES ASCHENBROICH
VALEO CEO

After having suffered from the shockwave triggered by the economic and financial crisis affecting all the world’s markets from 2008 onward, Valeo posted excellent results in 2010. Our teams’ commitment to the goal of accelerating Valeo’s growth translated into an operational performance above the objectives of the plan we presented at the beginning of 2010. With sales of 9.6 billion euros in 2010, Valeo’s operating margin was 6.4%, 2.8% better than in 2007 for a comparable sales volume. This is the Group’s best score for ten years.

Over and above this performance, the trust which our automaker partners place in us represents a key element in our development strategy. The record level of order intake in 2010, equivalent to 12.5 billion euros, is a tangible illustration of our capacity to meet our customers’ expectations in terms of innovation, cost and delivery, product quality and reliability. This volume of orders, unprecedented in the Group’s history, also reflects the relevance of our strategic choices, which focus on the deployment of technological solutions for reducing CO₂ emissions, and on development in high-growth countries, and in Asia particularly. The Group’s sales in Asia have increased significantly, especially in China (+48%), India (+81%) and South Korea (+38%).

These good results are a testimony to the efficacy of our development policy in Asia and in the emerging countries, which are markets where Valeo is continuously reinforcing its presence. In 2010, the Group’s sales in China rose considerably and two new sites were recently opened there, thereby increasing Valeo’s presence in China to fifteen production plants – regrouping 18 operations – three R&D centers, nine engineering centers and one distribution unit. Valeo’s high level of performance in 2010 reflects the strong recovery of the automobile market, with 74 million passenger cars produced in the year. The Group’s efforts enabled us to outperform the market in our main production regions.
As a strategic partner to numerous automakers, Valeo stands at the heart of a socio-cultural revolution triggered, on a global scale, by growing urbanization and an even stronger demand for mobility. These changes are also being driven by a change in consumer behavior and mindset, marked by an increasing awareness of environmental issues. Thanks to its portfolio of products and technologies, and to its capacity to innovate within highly complex projects, our Group is today in a position to take up the new challenges which lie ahead between now and 2015. Our objectives were very clearly presented at our Investor Day in March 2011.

Our ambition is to post sales of 14 billion euros by 2015, which means average organic growth of 8% per year. Valeo’s operating margin must exceed 7%, and return on capital employed must be more than 30%. We must leverage the development of new innovative concepts, and the favorable response given to our technical solutions for reducing CO₂ emissions, in order to outperform global automotive production by 3% per year between 2011 and 2015. To attain this level of performance, Valeo can also count on the growth of its business in Asia and the emerging countries. Our strategic plan also involves reinforced investments in Research and Development – including the recruitment, as of 2011, of 1,400 new engineers – and the deployment of our new organization with cross-functional teams capable of cultivating new synergies within the Group and reinforcing our intimacy with our customers. This organization will contribute to Valeo’s profitable growth; we must remain attentive to controlling costs and continue to play a front-line role in the consolidation of our sector. In this respect, the integration of the Japanese automotive supplier Niles gives us the opportunity to reinforce our presence in Asia.

Japan has suffered a fearful ordeal, and my thoughts go out first and foremost to all those who have suffered, lost loved ones, or seen their

“The record level of our order intake in 2010 is a tangible illustration of our capacity to meet our customers’ expectations in terms of innovation, cost and delivery, product quality and reliability.”
“The Group’s new organization will contribute to Valeo’s profitable growth; we must remain attentive to controlling costs and continue to play a front-line role in the consolidation of our sector.”
OPERATIONAL COMMITTEE

Valeo’s Operational Committee, chaired by the CEO, comprises 14 members, including the Chief Operating Officer, the Functional Directors and the Presidents of the Business Groups and of Valeo Service. Its role is to define the Group’s strategic directions, to monitor the operational management of the Business Groups, and to coordinate project implementation.

The mission of the Business Groups is to boost the growth and profitability of the Product Groups on all markets.


The **Thermal Systems Business Group** comprises four Product Groups: Climate Control, Powertrain Thermal Systems, Compressors, and Front-End Modules.

The **Comfort and Driving Assistance Systems** Business Group comprises four Product Groups: Driving Assistance, Interior Controls, Interior Electronics, and Access Mechanisms.

MEMBERS OF THE OPERATIONAL COMMITTEE

1. HANS-PETER KUNZE  
   Group Senior Executive Vice-President Sales & Business Development

2. ÉDOUARD DE PIREY  
   Group Vice-President Corporate Planning & Strategy

3. MARTIN HAUB  
   Group Senior Vice-President R&D and Product Marketing

4. ROBERT CHARVIER  
   Group Chief Financial Officer

5. MICHEL BOULAIN  
   Group Senior Vice-President Human Resources

6. GÉRIC LEBEDOFF  
   Group General Counsel

7. CHRISTOPHE PÉRILLAT  
   Group Chief Operating Officer

8. CLAUDE LEICHLÉ  
   Powertrain Systems Business Group Deputy President

9. ALAIN MARMUGI  
   Thermal Systems Business Group President

10. MICHAEL SCHWENZER  
    Powertrain Systems Business Group President

11. MARC VRECKO  
    Comfort and Driving Assistance Business Group President

12. ANTOINE DOUTRIAUX  
    Visibility Systems Business Group President

13. ROBERT DE LA SERVE  
    Valeo Service Activity President
WHERE ARE OUR INNOVATIONS?

- **BMW S SERIES**: 360Vue® multi-camera system
- **CITROËN C4**: i-STARS stop-start system
- **VOLKSWAGEN PASSAT**: BeamAtic® Premium intelligent lighting system and LED daytime running lights
- **HYUNDAI KIA SPORTAGE**: Park4U® automatic parking system
Valeo develops, produces and sells original equipment and aftermarket products and systems for all car and truck manufacturers.

The Group’s commercial policy extends well beyond everyday commercial relations and involves forging very close partnerships with customers and accompanying them in developing their markets, throughout the world.

The Group develops innovative technologies in order to meet the expectations of both automakers and end-users.
WHERE ARE OUR MARKETS?

EUROPE

KOREA

JAPAN

NORTH AMERICA

SOUTH AMERICA

Market
+22%**

Valeo
+38%*

Market
+22%**

Valeo
+19%*

Market
+39%**

Valeo
+60%*

* On a like-for-like basis.
** JD Power forecasts.
Valeo is present in 27 countries and is a partner of all major automakers worldwide, supporting them in all their different markets. With 74 million passenger cars, global automotive production in 2010 exceeded the Group’s expectations, and Valeo outperformed the market in its main production regions. The Group’s ambition is to reinforce its development in high-growth regions, especially Asia.
WHAT IS OUR STRATEGY?

Reduction of CO₂ emissions

Solutions for intelligent driving
- Innovative systems for the central console
- Assistance systems for low-speed maneuvers, Park4U®, 360Vue®
- Hands-free access and start systems

Solutions for reducing energy consumption
- LED lighting
- BeamAtic® Premium intelligent lighting system
- Optimization of wiper systems
The Group’s strategy is twofold: build products which help reduce fuel consumption and carbon dioxide emissions, and boost development in high-growth countries. Asia more specifically is an important region which accounted for 19% of overall sales in 2010 and which should grow to reach 30% in 2015. China is a key country in which the Group intends to double its sales between now and 2015.

Solutions for reducing fuel consumption

- Downsizing of internal combustion engines
- Micro-hybrid systems
- Air intake management systems
- Power electronics and thermal management for electric vehicles

Development in high-growth countries
EVOLUTION IN GLOBAL AUTOMOTIVE PRODUCTION IN 2010

Following a 12% drop in 2009, global automotive production increased by 25% (annual variation), to reach 74 million vehicles, thereby exceeding the pre-crisis level (70.2 million vehicles in 2007)\(^{(1)}\).

\(^{(1)}\) Source: JD Power Global Automotive Production Forecast, January 2011.
**2010 KEY FIGURES**

In an automotive environment which was favorable throughout the year, the Group outperformed all its markets, especially in Asia.

2010 sales were up by 28% on the previous year.

The Group posted an operating margin of 6.4%, 2.8% more than in 2007, for a comparable volume of sales.

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**SALES**

In millions of euros

9,632

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**SALES BY BUSINESS GROUP**

In millions of euros and as a % of net sales

- Powertrain Systems
- Thermal Systems
- Comfort and Driving Assistance Systems
- Visibility Systems
- Others

---

**SALES BY COUNTRY OF DESTINATION**

In millions of euros and as a % of net sales

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>8%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Asia and others</td>
<td>12%</td>
<td>66%</td>
<td>65%</td>
</tr>
<tr>
<td>North America</td>
<td>6%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Europe + Africa</td>
<td>8%</td>
<td>6%</td>
<td>60%</td>
</tr>
</tbody>
</table>

---

**SALES BY MARKET**

As a % of net sales

- Original equipment: 83%
- Aftermarket: 17%

---

* As from January 1, 2009, the presentation of the Group’s income statement, notably sales has been changed. Other operating revenues have been largely restated as a reduction from R&D costs.

** The figures for 2007 and 2008 have been restated accordingly.

*** Including miscellaneous sales and tooling.
**KEY FIGURES FOR 2010**

**GROSS MARGIN**

As a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
<th>H1</th>
<th>H2</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008*</td>
<td>15.3%</td>
<td>16.4%</td>
<td>13.8%</td>
<td>15.2%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>2009</td>
<td>5.8%</td>
<td>6.3%</td>
<td>5.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OPERATING MARGIN**(1)

As a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
<th>H1</th>
<th>H2</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008*</td>
<td>2.7%</td>
<td>4.2%</td>
<td>0.7%</td>
<td>1.8%</td>
<td>4.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2009</td>
<td>3.8%</td>
<td>–2%</td>
<td>3.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RESEARCH AND DEVELOPMENT EXPENDITURE**

As a % of sales, net of customer reinvoicing

<table>
<thead>
<tr>
<th>Year</th>
<th>2008*</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008*</td>
<td>5.8%</td>
<td>6.3%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

**NET INCOME**

In millions of euros and as a % of net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2008*</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008*</td>
<td>(207)</td>
<td>(153)</td>
<td>(207)</td>
</tr>
<tr>
<td>2009</td>
<td>3.8%</td>
<td>3.8%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

*(1) As from January 1, 2009, the presentation of the Group’s income statement, notably sales has been changed. Other operating revenues have been largely restated as a deduction from R&D costs. The figures for 2007 and 2008 have been restated accordingly.

(1) The Group’s operating margin corresponds to operating income before other income and expenses.

Valeo 2010 Activity report
As a % of net sales

### EBITDA\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>2009</td>
<td>8.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2010</td>
<td>11.9%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

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

### NET DEBT\(^{(2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>821</td>
<td>722</td>
<td>278</td>
</tr>
<tr>
<td>60%</td>
<td>56%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

\(^{(2)}\) Net debt comprises all long-term debt (including the current portion) and short-term debt, less loans, other non-current financial assets and cash and cash equivalents.

### ROCE\(^{(3)}\)

Return on capital employed

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11%</td>
<td>7%</td>
<td>32%</td>
</tr>
</tbody>
</table>

\(^{(3)}\) The ROCE is the ratio of operating margin to capital employed excluding goodwill.

* As from January 1, 2009, the presentation of the Group’s income statement, notably sales has been changed. Other operating revenues have been largely restated as a reduction from R&D costs. The figures for 2007 and 2008 have been restated accordingly.
SHAREHOLDER INFORMATION
Valeo aims to provide a steady flow of exhaustive and detailed information in real time - in particular via its website (www.valeo.com) - to its diverse financial community, comprising current and prospective private and institutional shareholders, as well as financial analysts.
Valeo places great importance on holding frequent meetings with investors and analysts. At an Investors’ Day held in Paris on March 9th 2011, Valeo’s management team redefined in particular its medium-term financial objectives.

OWNERSHIP STRUCTURE
AT APRIL 30, 2011
As % of capital,
As % of voting rights

<table>
<thead>
<tr>
<th>Ownership</th>
<th>As % of capital</th>
<th>As % of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimensional Fund Advisors Inc.</td>
<td>2.53% (2.46%)</td>
<td>2.53% (2.46%)</td>
</tr>
<tr>
<td>Soros Fund Mgmt</td>
<td>2.09% (2.03%)</td>
<td>2.09% (2.03%)</td>
</tr>
<tr>
<td>AQR Capital Mgmt</td>
<td>2.01% (1.95%)</td>
<td>2.01% (1.95%)</td>
</tr>
<tr>
<td>Citadel Equity Fund</td>
<td>2.05% (1.99%)</td>
<td>2.05% (1.99%)</td>
</tr>
<tr>
<td>Pardus Investments Sarl</td>
<td>3.18% (3.09%)</td>
<td>3.18% (3.09%)</td>
</tr>
<tr>
<td>Lazard Asset Management LLC</td>
<td>4.96% (4.81%)</td>
<td>4.96% (4.81%)</td>
</tr>
<tr>
<td>Fonds Stratégique d’investissement (FSI)</td>
<td>5.88% (5.71%)</td>
<td>5.88% (5.71%)</td>
</tr>
<tr>
<td>Caisse des dépôts et Consignations (CDC)</td>
<td>3.07% (5.53%)</td>
<td>3.07% (5.53%)</td>
</tr>
<tr>
<td>Others (including 3,336,398 treasury shares (4.24% of the share capital))</td>
<td>74.23% (72.43%)</td>
<td>74.23% (72.43%)</td>
</tr>
</tbody>
</table>

Number of shares
78,628,798

Number of voting rights
80,921,745
DATA PER SHARE
In euros

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings for the period</td>
<td>1.06</td>
<td>(2.73)</td>
<td>(2.04)</td>
<td>4.86</td>
</tr>
<tr>
<td>Dividend</td>
<td>1.20</td>
<td>(2)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
|                   | (1) Division of 1.20 euros proposed at the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2010.
|                   | (2) Eligible for the 40% tax allowance provided for in Article 158-3-2° of the French General Tax Code (Code général des impôts – CGI) or, at the choice of the shareholder, subject to the 19% flat-rate withholding tax provided for in Article 117 chapter i.1 of said Code.

SHARE PRICE
In euros

Stock Market Data

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at closing (in euros billion)</td>
<td>2.45</td>
<td>2.21</td>
<td>0.83</td>
<td>1.92</td>
<td>3.34</td>
</tr>
<tr>
<td>Number of shares</td>
<td>77,580,617</td>
<td>78,209,617</td>
<td>78,209,617</td>
<td>78,209,617</td>
<td>78,628,798</td>
</tr>
<tr>
<td>Highest share price (in euros)</td>
<td>35.40</td>
<td>45.89</td>
<td>28.60</td>
<td>25.46</td>
<td>45.70</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>25.00</td>
<td>27.75</td>
<td>9.22</td>
<td>8.00</td>
<td>20.07</td>
</tr>
<tr>
<td>Average price at closing (in euros)</td>
<td>30.58</td>
<td>37.71</td>
<td>20.93</td>
<td>15.546</td>
<td>29.035</td>
</tr>
<tr>
<td>Price at closing (in euros)</td>
<td>31.53</td>
<td>28.20</td>
<td>10.615</td>
<td>24.53</td>
<td>42.47</td>
</tr>
</tbody>
</table>
“For more than 15 years that we have been present in China, we have developed strong relationships with Chinese customers. Our innovative products and our operational excellence are recognized and have enabled us to build partnerships, like the one we have with SAIC* for electrical systems and wiper systems.”

Xiangzhong Qian
Group Customer Director Chinese OEMs, Shanghai, China

*Shanghai Automotive Industry Corporation.
Strengthening Valeo’s position in high-growth countries, China in the lead, is one of the Group’s strategic priorities. In 2010, Valeo increased its sales by 48% (compared to 2009) in that country, the world’s biggest automotive market producing 17 million vehicles this year.

Based in China for more than 15 years, at the beginning of 2011 Valeo inaugurated two new sites there, increasing its presence there to 15 production units – regrouping 18 operations – 3 R&D centers, 9 engineering centers and one distribution unit.

Long-term partnerships
Valeo works both with its longstanding customers and the 80 Chinese automakers who are experiencing strong growth. The latter represent Valeo’s third biggest group of customers in China, after German and Japanese customers.

By 2015, Valeo expects local automakers to contribute 30% of the Group’s sales generated in China (versus 18% at present) and to represent 40% of the national market. On this highly diversified market, characterized by the strength of private as well as utility vehicles and the emergence of electric and hybrid solutions, Valeo is engaged in a strategy of close partnerships, for example with BAIC (Beijing Automotive Industry Corporation) for electric vehicles.

Global strategy
Valeo continues to be committed to serving all its customers present in China, by localizing the production of all of its product lines there, with the most recent technologies (Stop-Start, torque converter, Park4U® etc) developed with the local R&D teams.
WHEN DID THE PARTNERSHIP BETWEEN VALEO AND THE GERMAN AUTOMAKERS START?
The partnership began more than 20 years ago when Valeo gained recognition as a French supplier. Over the years it has become a global player. The Group plays an increasingly important role for German customers, who now represent 14% of worldwide production.

WHAT IS, IN YOUR OPINION, THE SECRET OF THIS SUCCESSFUL RELATIONSHIP?
Right from the start, Valeo opened so-called front offices with sales and engineering teams that could offer a service on a par with German suppliers. The robust nature of our production system, the quality of our products and our ability to innovate have also played an essential role.

This is what has enabled our dedicated Volkswagen, Daimler and BMW teams to establish stable relationships built on trust.

WHAT PART HAS VALEO’S TECHNOLOGICAL INNOVATION PLAYED IN THIS PARTNERSHIP?
The development of our innovations enables us to remain ahead of our competitors in terms of technology. Introduced in Europe, these innovations are then deployed, to Valeo standards, in other regions of the world. This is how the Group is pursuing its strategy of global technology leadership.

WHAT RECENT PROJECTS HAS VALEO BEEN WORKING ON IN COOPERATION WITH GERMAN AUTOMAKERS?
In addition to innovations in driving assistance systems – Park4U®, 360Vue® – Valeo is developing new powertrain products like its air-cooled modules and the EGR (exhaust gas recycling) valves. Hybrid vehicle solutions like battery cooling modules and range extenders are also opening up new opportunities. LED lighting and the intelligent BeamAtic© Premium headlamps are other examples of partnerships with German automakers.

HOW ARE THESE PROJECTS DEVELOPED?
In most cases, Valeo promotes its innovations at tech shows, technical conferences and tech days at customer sites. Certain products attract particular interest from automakers at such events. A typical example is the AquaBlade® which was well received at one of our tech days, leading one automaker to request exclusive rights to this innovation.

HOW ARE THESE INNOVATIONS ACCEPTED?
Innovations like the Park4U®
Anticipating new demands
Motorists’ needs are changing, and their relationships with cars evolve accordingly. Valeo carries out consumer surveys to enable it to anticipate new expectations and offer automakers the very latest innovations. Its Focus Group surveys conducted with panels of drivers, allow Valeo to identify their technological aspirations and to imagine with them new features that can fulfill demand.

Assessing new concepts
Socio-cultural surveys are carried out every year in different countries and are aimed at segmenting the automotive market and reflecting the characteristics of national markets, with this information then being used to position innovative products. Another essential tool for Valeo are online surveys, used to assess acceptance among end users of new concepts that have come out of studies undertaken jointly by the Group’s marketing and R&D teams.

Testing in real-life scenarios
Alongside this approach of improving understanding of the markets, Valeo is also developing, in partnership with automakers, consumer clinics that give motorists opportunities to try out new products in real-life situations. Lastly, with the same aim of anticipating demand, and in partnership with Michelin and the BIPE (a consultancy specializing in forward-looking economic analysis and applied forecasting), in 2010 the Group carried out a forward-looking survey on the evolution of powertrain systems up to 2030.

“Socio-cultural surveys enable us better to reflect drivers’ needs, and offer our automaker partners ever more innovative concepts. In this respect, they strengthen our technology leadership and boost our strategy of differentiation on a highly competitive market.”

Martin Haub - Group Senior Vice-President Research & Development and Product Marketing

semi-automatic parking system and the 360Vue® multi-camera solution have gone down very well with end users. Soon after their launch, Park4U® systems were widely taken up. At the end of 2012, 52 models from 12 different brands will be equipped with Park4U®. As for our ultrasonic parking assistance sensors, volumes increased by 30% in Europe in 2010.

Thanks to partnerships developed with automakers in the last five years, German customers now account for 28% of Group sales.

The Volkswagen Touareg equipped with Valeo’s 360Vue® multi-camera system
“Why leave your car engine running for no reason when you’re at a standstill? This simple idea has been turned into a solution: the “Stop Start”. Since Valeo invented StARS, the first micro-hybrid system, the Stop-Start is becoming a standard with automakers worldwide.”

Ulrike Sinner
Product Marketing Manager,
Powertrain Systems
Business Group
Créteil, France
The 12,600 employees of the Powertrain Systems Business Group share the same technological and environmental ambition: to reduce CO₂ emissions by supplying more fuel-efficient solutions and by developing new products for hybrid and electric vehicles. The innovations developed by our R&D teams – Stop-Start, the coupling system for low-consumption automatic transmissions, electronic powertrain management systems, etc. – support automakers in their environmental strategies. More efficient and better for air quality, our systems also offer new driving experiences without compromising on pleasure or performance.

POWERTRAIN SYSTEMS: NEW DRIVING EXPERIENCES
2010 was a record year for new order intake. We also received the first strategic orders from three major automakers for our dual dry clutch system. The past year has also seen the launch of the second generation of the Stop-Start system based on the i-STARS starter-alternator and the reinforced starter. These solutions are currently being standardized worldwide and are being deployed with 10 automakers. By 2015 they will equip more than 50 different vehicle models.

WHAT DEVELOPMENTS DOES THE FUTURE HOLD IN STORE IN TERMS OF INNOVATION?
One of the main aims of Valeo’s strategy is to reduce CO₂ emissions and the consumption of fossil fuels. To this end, we are pursuing our developments in hybrid and electric drivetrains.

WHAT ARE THE BUSINESS GROUP’S PROSPECTS FOR 2015?
The aim of the Business Group is to develop powertrain systems in three areas to help reduce CO₂ emissions: engine downsizing, the automation of transmissions and electrification. Valeo proposes innovative direct fuel injection systems for gasoline engines, variable valve actuation, and air management, all of which contribute to engine downsizing. Our dual dry clutch and our torque converters are used in the automation of transmissions and guarantee optimal fuel consumption and comfort. Forerunner in the field of vehicle electrification, from Stop-Start systems to all electric vehicles, our range of second generation systems is positioned on the integration of functions and systems that reduce the cost of use. We also aim to speed up the development of our activities in China and India.

The aftermarket will also benefit from the rise in car volumes, notably in these emerging countries (+12% in China, +10% in India per year). With the significant increase in our market share due to a better coverage of our products and a strong distribution network, the aftermarket is a major driver of profitable growth.
The Powertrain Systems Business Group ended the decade with a particularly positive financial period in each of its five Product Groups. Electrical Systems’ sales rose by 39% compared to 2009, while the sales of Transmission Systems were up 53%. For Engine Management Systems, Valeo opened its first site in China and received significant new orders. 2010 was also a good year for Air Management Systems, with major orders for its air intake module for diesel engines which complies with the Euro 6 standard.

Finally, with a view to contributing to the development of future vehicles, the Business Group expanded its teams working on systems for hybrid and electric vehicles, recruiting 150 new engineers. Its strategy to step up activities in high-growth countries combined with efforts to offer more innovative, eco-friendly products enabled the Business Group to achieve sales of €2.7 billion in 2010, up by more than 33.4% on the previous year.

i-StARS: second generation Stop-Start
At red lights, in congested traffic... In urban driving conditions, cars are stationary for about 35% of the time, while the engine idles wasting fuel. A pioneer in Stop-Start technology with the launch of its StARS system in 2004, Valeo introduced i-StARS in 2010, the second generation of this system, on the e-HDi models of PSA Peugeot Citroen. This new micro-hybrid version, based on a starter-alternator, integrates power and control electronics into the system. It cuts off the vehicle’s engine when its speed drops below 8km per hour in the case of an automated transmission and below 20km per hour if the transmission is manual. The engine restarts as soon as the accelerator is depressed, silently and without vibration.

Other advantages are lower fuel consumption and a reduction of up to 15% in CO₂ emissions for an urban loaded cycle. The Stop-Start function can also be performed by a ReStart system. This reinforced starter has a capacity of 300,000 ignition cycles and enables the engine to be cut off at 0km per hour even in winter conditions.

High-performance torque converter
In line with its strategy to reduce pollutant emissions, Valeo has developed high-performance torque converters. Compact, silent and better at damping vibrations, they reduce fuel consumption and CO₂ emissions of automatic transmissions by 6%.

This technology was chosen by Ford for its new generation of six-speed automatic transmission F series Super Duty trucks, as well as by General Motors for its new generation transverse transmissions that equip a variety of its models. To consolidate its presence on the North American market, the biggest market for automatic transmissions, in 2010 Valeo opened a new production plant in San Luis Potosi, Mexico, dedicated to the production of these high-performance torque converters.

Electric vehicles: a commitment to the future
The 2010 Paris Motor Show gave Valeo the opportunity to showcase its specially developed innovations for electric vehicles. One of the Group’s strategic priorities is to offer automakers an all-electric drivetrain.

This goal, shared with other specialist manufacturers, led to the creation of a consortium of leading French players in electric drivetrain technology: Valeo, Leroy Somer, Johnson Controls-Saft, GKN, Michelin and Leoni. In partnership with two members of this consortium, Leroy Somer and GKN, Valeo has developed a permanent magnet synchronous motor. The development of this system, which includes an electric motor, an inverter, a transmission, a charger, a supervisor and a DC/DC converter, is part of a partnership between Valeo and the Chinese automaker BAIC (Beijing Automotive Industry Corporation). The prototype was presented to the governor of Beijing in December 2010.

Powertrain Systems Business Group
2.7 billion euros in sales
14,800 employees
30 production sites
4 research centers
15 development centers
“Our offer of heat exchangers located in the front end of the vehicle is now evolving towards more complex modules which are directly assembled onto the engine. We are therefore positioning ourselves upstream in the development phases and thus are better able to support our customers. The development of the product required almost forty months and today we are reaping the benefits of all our hard work.”

Ewelina Waśniowska
Project Director
Thermal Systems
Business Group
Skawina, Poland
The accurate management of the thermal energy of the entire vehicle is essential to optimize fuel consumption, reduce pollutant emissions and ensure maximum comfort in the cabin.

Our solutions meet the expectations of both automakers and end users. Whether it is air conditioning modules, engine cooling systems or compressors for hybrid and electric vehicles, the Thermal Systems Business Group is at the forefront of the industry, as shown by its latest innovations, notably its new vehicle thermal architecture known as UltimateCooling™.

This technology achieves a significant reduction in fuel consumption and helps reduce CO₂ emissions by up to 9%.
WHAT WERE THE BUSINESS GROUP’S HIGHLIGHTS IN 2010?
The past year has been marked by a return to satisfactory profitability levels, and by the exceeding of our order intake targets for all our Product Groups. One of the consequences of this better than anticipated performance is a number of major orders for innovative modules that reduce fuel consumption as well as CO₂ and nitrogen oxide (NOx) emissions.

This performance was also related to the growing demand in emerging markets, particularly China and India, where we recorded a number of strategic orders.

WHAT DEVELOPMENTS DOES THE FUTURE HOLD IN STORE IN TERMS OF INNOVATION?
We are working on new systems and modules to support the evolution of internal combustion engines (downsizing and improved performance) and the emergence of hybrid and electric vehicles resulting from more stringent environmental standards and socio-cultural changes which reflect new environmental concerns.

These modules particularly relate to the field of thermal loss recovery, air conditioning for electric vehicles and the thermal management of electrical systems: motors, electronics, batteries.

WHAT ARE THE BUSINESS GROUP’S PROSPECTS FOR 2015?
Our goal is to become the world leader in thermal systems, and also to rank first in terms of profitability. To do this, we will continue to focus on the development of technologies related to the reduction of CO₂ emissions and step up our efforts to penetrate emerging markets, which are an important area of growth.

over 130 million euros spent on R&D by the Business Group in 2010.

Interview

Alain Marmugi, President, Thermal Systems Business Group
The growing interest among automakers in solutions that reduce CO2 emissions and in the electrification of vehicles was a major factor behind the Business Group’s healthy performance in 2010.

Order intake forecasts were exceeded for all Product Lines, particularly in emerging markets, led by China and India, but also in the United States and Europe, with a strong surge in Germany. The Climate Control Systems Product Group achieved a record level of orders from customers such as General Motors, Daimler, Renault-Nissan, Subaru and Chery. Concerning Engine Cooling Systems, the new water-cooled air intake module was chosen by a German automaker, generating there again a significant volume of orders, together with other contracts signed in North America, South America and China. 2010 was also a successful year for the sale of compressors in France, Japan, the United States and India, where Valeo signed its first contract for a low-cost compressor geared to the specific demands of this market. These performances resulted in an overall increase in sales for the Business Group of nearly 29.9% compared to 2009.

Reinventing vehicle thermal architecture

This success reflects the relevance of technological solutions developed by the Business Group, which invested €133 million in R&D in 2010. The water-cooled charge air cooler increases the density of the engine charge air by improving thermal efficiency and reducing internal pressure loss, resulting in a 2% improvement in fuel efficiency. This innovative concept also roughly halves the volume of air to be compressed between the turbo and the engine, and therefore limits the response time of the turbo during acceleration, leading to a better driving experience. Valeo’s research into more energy-efficient solutions for automakers and drivers while delivering a more dynamic driving experience has also led to the development of the UltimateCooling™ system. The principle is based on two hydraulic circuits with a single thermal fluid, a “high temperature” circuit for cooling the engine, the oil, etc. and a “low temperature” circuit mainly for charge air and the air conditioning condenser. This innovation allows thermal emissions to be shared, and consequently, offers the opportunity to benefit at all times from the maximal thermal capacity of the front-end cooling module, thereby improving the efficiency of the thermal systems. This architecture is compatible with full hybrid and plug-in hybrid vehicles, reducing the space taken up by the cooling module in the front end of the vehicle and limiting front end overhang. Fuel consumption is also reduced by 6% when the air conditioning is activated in an NEDC (New European Driving Cycle) cycle at an ambient temperature of 28°C.

Anticipating future needs

Thermal management of an electric vehicle differs from that of an internal combustion engine model (where there is not or no longer sufficient spare energy to heat the cabin; energy used is currently drawn from the batteries, which has a direct impact on vehicle range). The idea is to ensure the cooling of the engine and electronics while maintaining passenger comfort. Furthermore, the system’s efficiency conditions vehicle range and the reliability and the life span of the battery. In response to these various constraints, Valeo has developed a new architecture based on three fluid circuits operating at different temperatures. A main water circuit cools the drivetrain and heats the cabin. The system is boosted by an accumulator that can store much of the heat while the battery is being charged. The second circuit is dedicated to the air conditioning system, with a compressor driven by an integrated electric motor that operates even when the vehicle is at standstill. Finally, battery thermal management is ensured by a third loop that circulates water through the box. All these innovations are paving the way for the car of the future: efficient, clean, silent and comfortable.
“At the Shenzhen site we are developing projects related to access systems, switches and parking assistance, both locally and internationally. Our mission is to fulfil the demands of our customers in Asia, and also to develop specific solutions for fast growing economies like China and emerging countries. We have for example adapted our park assist system to the needs of these markets.”

Paris Hadjisotiriou  
China Regional Operations Director  
Comfort and Driving Assistance Systems Business Group  
Shenzhen, China
Our Business Groups

COMFORT AND DRIVING ASSISTANCE SYSTEMS: A NEW RELATIONSHIP WITH THE VEHICLE AND WITH THE ENVIRONMENT

All products developed by this Business Group help improve comfort and safety through high-performance man-machine interfaces. These solutions notably monitor the vehicle's immediate surroundings through intelligent sensors, supply the driver with useful information in real time via the central console, and alert the driver in case of danger or driving error. Highly ergonomic and innovative, these systems also help the driver during maneuvers and parking using radars, cameras and ultrasonic sensors. These three technologies make urban driving safer and more fluid, and also help reduce CO₂ emissions and protect the environment.
WHAT WERE THE BUSINESS GROUP’S HIGHLIGHTS IN 2010?
In 2010 we received our first order for the integrated central console with a touch sensitive screen, an innovation that further enhances the man-machine interface. The Business Group also launched the second generation of its Park4U™ system, and a four-camera version of its 360Vue® multi-camera system. We also focused on the deployment of new products dedicated to cabin safety. Finally, another major achievement is the acquisition of the Japanese auto parts supplier Niles, which specializes in switches.

WHAT DEVELOPMENTS DOES THE FUTURE HOLD IN STORE IN TERMS OF INNOVATION?
We will continue to develop innovations relating to the integrated central console. Also, in terms of lasers and scanners, we have initiated a partnership with Ibeo, a German company established in 1998 which specializes in this field. Its expertise has already led it to collaborate on various research projects, including the DARPA (Defense Advanced Research Projects Agency of the United States) Urban Challenge, for which Ibeo entered its own driverless vehicle. Through this partnership, we will develop intelligent driving systems that help enhance safety and comfort at the wheel, while improving energy efficiency. Research into hands-free access and start systems is another area of development.

WHAT ARE THE BUSINESS GROUP’S PROSPECTS FOR 2015?
Our aim is to become world leader on the interior controls market. The acquisition of Niles will strengthen the Business Group’s technological position, while increasing its presence in the Asian market with over 30% of sales. We want to build on our leadership in parking and maneuvering systems by inventing new solutions for urban driving.

Interview
Marc Vrecko,
President, Comfort and Driving Assistance Systems
2010 was a particularly good year for business for the Comfort and Driving Assistance Systems Business Group. Its position as global leader in driving assistance systems was consolidated by the deployment of new technologies, while the acquisition of the Japanese auto parts supplier Niles enabled it to take pole position on the market for interior control systems. In addition, Valeo rose to become number one on several access mechanisms segments while reinforcing its position as the challenger in interior electronics, a rapidly-expanding market. Overall, the Business Group’s sales were up by 26.7% compared to 2009.

**Niles, a new asset in Asia**
With more than 3,600 employees and production units throughout Japan, China and Thailand, the Japanese group Niles is one of the key suppliers on the Asian market. Known for its culture of operational excellence, Niles develops and markets a full range of interior control products that complement those of the Comfort and Driving Assistance Systems Business Group. This acquisition should give the Group additional leverage for growth in Asia. It should also enable Valeo to become world leader on the interior control systems segment, with over 15% of the global market.

**360° Vision**
Simpler, safer maneuvers. Valeo’s 360Vue® system gives drivers a complete vision of the vehicle environment on a central screen using four miniature digital cameras positioned on the front and rear of the vehicle and on the wing mirrors. Combined with ultrasonic sensors, this system helps drivers assess distances. This is valuable during parking, while crossing a junction with restricted visibility, or when exiting a car park, for example. The 360Vue® system is a feature of the new Volkswagen Touareg since June 2010. Volkswagen also chose Valeo’s second generation Park4U® solution for its Touran and Sharan models. With this new system, a vehicle can be parked with just 40cm clearance at either end.

The system’s ultrasonic sensors incorporate a high precision calculator that helps the driver exit a parking spot, even with clearance of just 25 cm. Also in the field of smart driving systems, Valeo’s blind spot detection radars received Nissan’s Global Supplier Award in the Innovation category.

**New multifunction faceplate**
A specialist in man-machine interfaces, Valeo designed a multifunction faceplate for the Peugeot 508 which incorporates air conditioning and radio controls. Resolutely high-end, the panel has a fluid style and optimal ergonomics for different applications. To offer enhanced user comfort to drivers of this new model, Peugeot also selected Valeo’s hands-free access and start system. In a pocket or in a handbag, the key automatically unlocks the vehicle. On reaching the vehicle, the driver simply pulls the handle to open the door. Starting the vehicle is just as simple: it is done by pressing a button on the dashboard while depressing the brake pedal.

**Valeo and Orange join forces for vehicle sharing**
While innovation is a key element of all Valeo’s products, the Group also works to offer innovative solutions, for example through its partnership with Orange, the mobile telephone operator, on vehicle sharing systems, aimed at groups of private users and corporate fleets. The solution is based on the NFC (Near Field Communication) no contact technology and mobile telephony. Once a user’s time slot is confirmed, they receive a temporary non-transferable “key” via the Orange platform. They then simply hold their mobile phone near the door, then near the dashboard, to open and then start the vehicle. Completely secure, this virtual system reduces the risk of losing keys and is especially valuable in that it helps limit the carbon footprint of a vehicle fleet by optimizing its use.
“Thanks to the new organization which enabled us to improve already existing synergies, collaborative work and the sharing of competencies, our Business Group has reinforced its position and profitability within the Group.”

Sherry Li
Financial Controller
Visibility Systems Business Group
La Verrière, France
Day or night, it is essential for road safety that drivers have maximum vision while remaining clearly visible. The lighting and wiping systems and wiper motors designed by our Business Group meet these needs and assist drivers and passengers in all driving conditions. As well as improving safety, our systems weigh less and therefore consume less electrical energy, helping reduce vehicle fuel consumption and CO₂ emissions. Our high-performance LED headlamps are five times as bright as traditional halogen models, offering a substantial reduction in electricity consumption. They also offer automakers new styling opportunities to create a signature look for each vehicle model.
WHAT WERE THE BUSINESS GROUP’S HIGHLIGHTS IN 2010?
2010 saw further strong growth in LED (light-emitting diode) lighting systems. Valeo is a leading player in this field. We (through our alliance with Ichikoh) supply the headlamps for the Nissan Leaf, an all-electric car. Another highlight is our direct drive wiper system with “electronic” motors, which now equips the Mercedes SLS AMG. This is a world first. Also, on our initiative, the 2010 eSafety Challenge recognized the BeamAtic Premium® adaptive lighting system as an innovation that contributes to road safety. Lastly, as part of our growth strategy in Asia, we opened a new site in Chennai, in Southern India.

WHAT DEVELOPMENTS DOES THE FUTURE HOLD IN STORE IN TERMS OF INNOVATION?
The BeamAtic® Premium lighting system will soon be available on more accessible model ranges. We also plan to pursue the development of the AquaBlade® and, of course, place even greater focus on LEDs, an area that offers many development opportunities.

WHAT ARE THE BUSINESS GROUP’S PROSPECTS FOR 2015?
Our Business Group has many new opportunities due to the global expansion of the automotive market, particularly in Asia, and because of the strengthening of our alliance with Valeo Sylvania and Ichikoh. The vitality of the aftermarket should also result in the growth of our market shares in America and Asia.

The goal for our Business Group is, for both lighting and wiper systems, to be market leader in terms of growth, technology and profits.
2010 saw improved performances for the Visibility Systems Business Group, with sales up by more than 21% in volume. These results prove the validity of our strategic decisions. They put Valeo in first place worldwide on the wiper systems segment and in second position for lighting. This growth trend, driven by emerging economies – particularly China and India, where the Business Group opened a new site in 2010 – is very promising for Valeo, which registered many firm orders. The Business Group is basing its expansion on a long-term R&D policy, and in 2010 it invested more than €121 million in research and innovation.

**Key market: LEDs**

Improved vision, innovative design: LED headlamps are now in great demand among automakers and drivers. As well as improving road safety, they are particularly efficient in terms of electric energy consumption. The LED systems presented by Valeo on its electric vehicle car show at the 2010 Paris Motor Show run on just 12 watts in low-beam mode, whereas halogen bulbs require 65 watts for an equivalent output. Less energy is drawn from the battery which powers the vehicle’s motor resulting in an extension of the range of the vehicle.

**Seeing without dazzling**

Improving driving vision does not mean dazzling other road users. In high-beam mode, Valeo’s BeamAtic® Premium adaptive lighting system masks the zone of light of the road occupied by another vehicle, either approaching or following. This means that other drivers only perceive the same light level as a traditional low-beam lamp, and are not dazzled. With this system, which operates with a camera, the driver benefits from a level of visibility equivalent to using high-beam mode. Presented at the UK 2010 eSafety Challenge, an event supported by EURO NCAP, where it was recognized as improving road safety, this system equips two Volkswagen models, the Phaeton and the Passat.

**World first with the Nissan Leaf**

LED technology is growing rapidly and is helping pave the way for the car of the future. Valeo and its Japanese partner Ichikoh designed the new generation of LED headlamps that equip the Nissan Leaf, the first mass-produced all-electric vehicle. LEDs offer many advantages: with just two LEDs per low-beam module, they are the first on the world market to generate 30% energy savings compared to the best three-LED systems currently available. Thanks to its wide beam, a luminous flux on the road of more than 500 lumens, and a color temperature similar to daylight, this new product delivers a performance superior to that of halogen lamps while offering a more innovative design and an extended lifetime. Lastly, the characteristics of LEDs are also opening up new opportunities for daytime running lights – mandatory from 2011 on all new models in EU member countries – which allow drivers to spot other vehicles more quickly and distinctly.

**Cheaper and greener**

While visibility is essential day and night, it is also essential in all weather conditions. Valeo’s Dual Direct Drive wiper system with synchronized motors operates without linkage. This reduces weight by 30%, giving automakers greater freedom for installation and assembly. This innovation, chosen by Mercedes for its SLS AMG model, guarantees optimal wiping of the windshield and, like the AquaBlade® system, helps improve safety. With AquaBlade®, the washer fluid is distributed evenly along the entire length of the blade, and wiped immediately, resulting in no visual impairment for the driver. Consequently, the amount of fluid in the reservoir is halved generating an average weight gain of 2kg. This is a low-cost and green solution that also improves safety.
“An analysis of car owner behavior reveals a growing need for products suited to the repair of vehicles over ten years old that have a high mileage and low value and are only used occasionally. The Valeo CLASSIC range is the perfect solution to meet this new demand, and makes an ideal complement for the Valeo Service Premium range.”

(from left to right):  
Christophe Samzun, Elif Oeztan  
Benoît Girard, Richard Soriano  

Valeo CLASSIC team  
Valeo Service, Saint-Denis, France
The mission of Valeo Service is to supply spares to automakers and aftermarket professionals for light, utility and industrial vehicles as well as heavy-duty trucks. The Valeo Service range of products and services covers twelve functions and is available on five markets, repair, maintenance, crash, post-equipment and heavy duty, through a total of 269 ranges. In addition, Valeo Service supplies the aftermarket with diagnostics, training, sales and technical tools to enhance technician efficiency while offering greater security, comfort and driving pleasure to motorists around the world. Valeo’s aftermarket business generated sales of €1.445 billion in 2010, up 14% on the previous year on a like-for-like basis.

**Valeo CLASSIC: a cost-effective alternative**

The new Valeo CLASSIC range offers series of products for high-mileage vehicles aged ten years or more. This cost-effective range initially of starters and alternators offers a quality alternative to Valeo Service’s Premium parts range and consolidates Valeo’s position on a high-potential market, as the average age of vehicles continues to rise in Europe.

**A year of innovations**

For Valeo Service, 2010 also saw plenty of innovations in all product categories, including the launch of speed/visio®NOMAD™, a “plug & play” head-up speed display system that alerts the driver if the programmed speed is exceeded, and Uni-Click®, a unique connection system that covers 95% of European cars fitted with Flat Blade wipers. Since 2010, Valeo Service has also offered five new ranges of bulbs: Essential, Long Life, +50 % Light, Blue Effect and Aqua Vision, to meet motorists’ varying needs.
Essential to the development of Valeo’s activities, operational excellence is one of the Group’s core values. To satisfy its customers in terms of quality, cost and delivery, Valeo applies its demanding “5 Axes” methodology at its 109 production sites: Involvement of Personnel, Valeo Production System, Supplier Integration, Constant Innovation and Total Quality. The numerous awards received by Valeo in 2010 from its customers for quality and service reflect the effectiveness of this strategy and contribute to the Group’s international recognition and the long-term confidence of its partners.

In 2010, Valeo achieved another record quality result with a defective part rate of 7,300 PPB (parts per billion), an improvement of 50% compared to 2008 and stable compared to 2009. Efforts made during the year enabled the Group to register 0 PPB at 21% of its sites, 20% better than in 2009.

Non-quality costs were slightly up (+0.07 points) due to the sharp increase in volumes which generated exceptional transport costs. Supplier integration is another area of focus for improving operational excellence. Present in 27 countries across four continents, Valeo enjoys a privileged position that enables it to achieve the best performances from its choice suppliers, who offer structurally competitive global cost bases. This means the Group is in a position to integrate an increasing number of suppliers in the early phases of its new development projects.
Quality and competitiveness

Many projects were launched in production in 2010 with a significant portion of purchases coming from these suppliers. Valeo’s purchasing policy contributes to the general efforts to reduce purchasing costs in order to offset the effects of the huge rise in the costs of raw materials. This policy is based on three main levers: the benchmarking of products and suppliers of the supply base at Group level, the implementation of joint productivity workshops by Valeo and its suppliers, and the dynamic management of quotas and of the allocation of new business. All these initiatives are in addition to the program to rationalize the supply base. The aim is to favor the best suppliers in each technology family, on a global scale. 2010 was marked by the launch, as part of Valeo’s new organizational structure, of a program to reduce by 30% over the next three years the number of suppliers representing 95% of its purchases.

More and more proactive

While the quality and cost of purchases are two priority aspects of the deployment of the Group’s operational excellence strategy, supply chain management is also of central importance to Valeo. In response to the uncertainties related to the economic crisis, and to anticipate its possible consequences on the supply of parts, Valeo decided to put in place a Supplier Risk Plan.

Driven by the Supplier Risk Committee under the authority of Group Purchasing, the plan has been deployed across all Business Groups. As part of this plan, all suppliers are assessed in order to anticipate potentially critical situations and resolve them as quickly as possible. Thanks to this measure, Valeo’s customers have been protected from the series of defaults that has hit most of the supply chains in the industry.

Services rewarded

The initiatives taken by Valeo to continuously improve the operational excellence of its services were recognized through numerous awards from its customers in 2010. Valeo’s Nanjing site (China) received the Best Supplier award from the Chinese automaker Chery for its transmission systems products. The Indian manufacturer Maruti gave a similar award in the “design and development” category to Valeo’s Chennai plant (India). Also in transmission systems, General Motors awarded its Best Supplier of the Year title to the San Luis Potosi site in Mexico. Among the many other awards for Valeo, there was the Quality prize from Toyota Peugeot-Citroën Automobile for the Rakovnik site (Czech Republic) for its climate control systems, and for the Créteil site (France) for access mechanisms.

“We have been able to get the optimal use from our industrial facilities thanks to our technical teams and, above all, to the commitment of all our employees on the site. We have managed to considerably improve the profitability of our machines, achieving a usage rate of 86%.”

(from left to right):
Marta Susterova, Igor Lajciak, Norbert Szabo, Veronika Voborska, Stéphane Delgranche, Zdenek Zpevak

Transversal team for the optimized use of equipments
Žebrák, Czech Republic

The 5 Axes: The “5 Axes” method is applied around the world, by all Group employees, in order to deliver “zero defects” to the customer.
“The progress achieved in environmental protection and risk management was significant in 2010. The level of protection of installations was improved. In addition, it is thanks to all employees’ commitment that our plant got very good results regarding industrial injuries.”

**Tony Tan**
Thailand Health, Safety & Environment Manager,
Thermal Systems Business Group
Rayong, Thailand
CORPORATE SOCIAL RESPONSIBILITY IS ONE OF OUR TOP PRIORITIES

The Code of Ethics introduced by Valeo in 2005 aims to ensure the Group’s development respects the rules of law and of national and international ethics. In addition to legal obligations, it expands on Valeo’s intention, as a member of the UN Global Compact, to promote the fundamental rights expressed in the Universal Declaration of Human Rights. Valeo’s Code of Ethics also confirms its commitment to defending sustainable development values, in terms of the environment, human resources (employment of people with disabilities, anti-discrimination, health and safety in the workplace, social dialog, etc.) and the societal aspects of its activities. It also requires that everyone of its employees respect business and professional ethics. All of these approaches combine to form the basis for the lasting and virtuous development of Valeo.
82% of employees benefitted from training in 2010. A particular emphasis was placed on safety.

A HUMAN RESOURCES POLICY AT THE SERVICE OF LONG-TERM GROWTH AMBITIONS

The deployment of Valeo's new organization was one of the major projects of the Group's Human Resources policy in 2010, initially consisting of the implementation of an information and consultation process with personnel representatives. Essential to the future of the Group, this new organization favors transversal teams, shared services, and co-management. These major changes were made to improve the way the Group does its business.

Supporting the development of the new organization
To support these changes, which concern every country where Valeo operates, both operationally and functionally, a specific training plan was deployed among management. In addition, because the sharing of resources has an impact on job profiles, the HR teams set about defining new competences and adapting training programs. As well as these sessions dedicated to managing change, the Group wanted to promote its human assets and to ensure that new employees have the right knowledge for their successful integration, and so it expanded its training programs for employees everywhere in the world. In 2010, 82% of its personnel benefitted from at least one training session, up by 4.5% compared to 2009. The emphasis was placed on training related to safety and ergonomics with the "Well-being and efficiency at the workstation" program.

Respecting the Group's Code of Ethics
Diversity, active and effective social dialog, well-being and safety in the workplace... Valeo's HR network also focused on the respect of the Group's values, internally, and also among its main suppliers who are required to implement the principles of its Code of Ethics. The various CSR initiatives taken related essentially to the equality of men and women in the workplace, the setting up of an equality committee for some structures, the introduction of a maternity passport at various sites, and more. And in France, a "well-being in the workplace" plan was drawn up in 2010 in consultation with personnel representatives as part of a drive to prevent psychosocial risks. This plan will be adapted for worldwide implementation in 2011.

Improved safety
In terms of employee safety, Valeo continued its efforts to make improvements in this area, notably with the deployment of a training program called "Play Safe" and the launch of the Red Alert Security process. This requires an immediate response to accidents, with local management required to report to the Group management as soon as the event is logged, detailing the nature of the incident, its consequences, and the actions that were immediately implemented. These initiatives reduced the Group's rate of accidents with lost time to 3.46 in 2010 (versus 5.47 in 2007) and lowered the severity rate to 0.07 (versus 0.14 in 2007). Another aspect of the Group's HR policy is the identification of new talent. Valeo has increased its presence at numerous forums, university events and association meetings where it can meet the people who may help realize the Group's sustainable growth targets set for 2015.
Active social dialog

Valeo’s collective bargaining policy led to the signature in 2010 of 269 agreements in 18 different countries and covered such topics as work time, salaries, profit-sharing, as well as well-being in the workplace. In line with the main principles of CSR, Valeo gave support to sporting, educational, cultural and charitable actions in most of the countries where it operates. Valeo takes an active role in local communities, more specifically in schools and higher education in order to promote the social integration, the training and the recruitment of future employees.

A quiz organized during a Safety Day event at Rayong, Thailand.

In France, every year Valeo publishes a report on the comparative situation of men and women in the workplace. This document forms the basis of annual negotiations with employee representatives on the objectives and the actions to be implemented in order to improve equality. In 2010 the measures taken led to a 0.5% increase in the number of women engineers and managers compared to 2009. An econometric study has been launched in all Valeo’s French sites with the aim of determining the impact of various factors that could account for the salary differences between men and women. As an international Group with sites in 27 countries, with employees from 96 different nationalities, Valeo seeks to promote diversity. It is also engaged in promoting the social integration and the employment of disabled people. In 2010 Valeo’s teams counted 768 disabled people, 409 of whom are employed in sites in France where the Group has also contracts with sub-contractors or service providers who have special workshops or with work integration centers for the disabled. In addition an audit was launched end 2010 in all French sites so as to identify where improvements could be made in the employment of disabled people.

Diversity, a source of enrichment and innovation

Equality between men and women in the workplace together with diversity in our teams are the two fundamental aspects of the Group’s human resources policy.

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The Group’s objective is to reduce its carbon footprint by 10% between 2009 and 2012.

With events such as the Cancun conference on climate change and the Nagoya conference on biodiversity, 2010 clearly showed the importance of sustainable development issues and how they are being tackled by all stakeholders. In this context, Valeo continued its voluntary policy on the environment, health and safety, and pursued its commitments with regard to the climate change challenge in two areas: innovation, and the optimized management of its processes and products.

**Innovation in support of environmental protection**

In 2010 the Group increased its investment in research into the development of vehicles with low CO₂ emissions, hybrid and electric solutions, and the improvement of internal combustion engine performance. This strategy notably involved the registering of 632 patents in the past year, 20% more than the average for the last five years. The intense activity of its R&D teams placed Valeo among the most innovative businesses in 2010. The Group’s stated intention to offer alternatives to internal combustion engine vehicles was also illustrated by the presentation to the governor of Beijing, at the end of 2010, of a demonstration vehicle equipped with a Valeo electric drivetrain. This prototype was developed as part of the partnership formed with the Beijing Automotive Industry Corporation (BAIC). In the longer term, Valeo aims to continue its R&D efforts in order to offer more energy-efficient solutions that emit less CO₂, one of the gases responsible for global warming.

**Optimized management throughout a product’s lifecycle, from design...**

As a leading supplier, Valeo is a key player in the automotive sector. As well as the innovations deployed by the Group, its sustainable development strategy aims to improve the performance of its products throughout production and lifecycle. In the design stage efforts are made to reduce the consumption of raw materials, natural resources and hazardous substances and in the production stage to minimize the use of energy, water, materials and packaging at production sites.

**ENVIRONMENTAL RESPONSIBILITY: A PROCESS OF CONTINUOUS IMPROVEMENT**

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... to the end of life
With innovative solutions that consume less energy, Valeo is also helping to protect the environment when its products are in use. This long-term policy also takes into account the end of life of products, which are designed to be reused and recycled thanks to the use of fewer components and materials, making dismantling easier. It also includes the long-term management of suppliers, and encourages the implementation of logistic solutions that emit less CO₂. There are four operational aspects to this approach: the establishment of objectives that reflect priorities in line with the process of continuous improvement; a dedicated organization to oversee deployment and actions; charters and procedures that define commitments and operating procedures, steering tools for the process.

Effective steering tools
Among the numerous steering tools for the Group’s sustainable development strategy are management systems that lead to certification. At the end of 2010, 98% of Valeo sites had ISO 14001 certification (international environmental management standard) and 89% had OHSAS 18001 certification (health and safety in the workplace). The Group has set the target of all sites having ISO 14001 and OHSAS 18001 certification by 2012.

At the same time, Valeo is commissioning outside consultancies to carry out risk assessments, and has developed a special audit reference tool on sustainable development. This covers ethical, social and societal aspects, and can be used to assess sites’ awareness of these issues and ensure the correct application of the Sustainable Development Charter.

Sustainable performance
Initiatives launched by the Group in 2010 at its production sites to limit the environmental impact of its activities have notably resulted in a 10% decline in energy consumption compared to sales since 2007, leading to a reduction in greenhouse gas emissions including CO₂. Emissions of the latter were down 3% compared to the previous year. At the same time, the consumption of products that are carcinogenic, mutagenic or toxic to reproduction (CMR substances) fell by 68%, while consumption of chlorinated solvents plunged by 85%. VOC (volatile organic compound) emissions dropped by more than 30%. In addition to these environmental performances, Valeo reduced its water consumption compared to sales by 20%. These achievements put Valeo in line with its environmental targets and reflect the validity of the Group’s sustainable development strategy implemented over more than 20 years.
CARBON FOOTPRINT IN 2010

CO₂ emissions stabilized

In line with its sustainable development strategy, Valeo decided to implement in 2009 a carbon footprint global assessment tool. This environmental management process aims to evaluate the greenhouse gas emissions directly generated by its activities and products from a life cycle standpoint. Three contributing items are covered: CO₂ emissions generated by the production of raw materials and components (metals, plastics, electronic components); the consumption of fossil fuels, electricity, packaging materials as well as the volume of waste generated by manufacturing processes; emissions related to transport: inbound and outbound logistics, home-to-work travel, business trips, vehicle fleet.

Three areas of action

Valeo’s carbon footprint amounted to 4.4 million tonnes of CO₂ equivalent in 2010, versus 3.5 million tonnes in 2009. Compared to sales, this data shows that the Group has cut its CO₂ emissions by around 1% compared to 2009 and has thus stabilized its carbon footprint. The 2010 results highlight the significant contribution of raw materials – over 80% of direct or indirect greenhouse gas emissions – and the importance of indirect emissions (90% of the Group’s global footprint). Direct emissions of CO₂ can be divided into three categories: fossil fuel consumption by industrial sites, logistics and human transport. These evolutions confirm the relevance of the three main areas of action of the Group aimed at reducing its carbon footprint; selection of materials and the reduction of their weight during product design, the environmental management of production plants and the optimization of the supply chain.
2010 Environment key figures

In 2010 Valeo pursued its policy in favor of environmental protection at its sites.

In 2010 Valeo consumed 1,716 GWh of energy, or 20% more than in 2009 given the increase in activity. However, measured in relative terms (MWh/€m of sales), the Group’s energy consumption has dropped by 10% since 2007, reflecting Valeo’s efforts to limit its energy consumption and reduce CO₂ emissions. The energy mix is relatively stable, with electricity accounting for around 67% of the total and gas for around 31%. This reflects the Group’s policy of using primarily these two energy sources, with marginal use of fuel oil.

Direct emissions are emissions generated by combustion of gas and fuel oil at Valeo sites (as opposed to indirect emissions, generated elsewhere by the production of the electricity consumed at Group sites). In 2010 the Group’s direct CO₂ emissions, expressed as a proportion of sales, fell by 3% compared with 2009 and have fallen by 18% since 2007, a performance reflecting the Group’s commitment to limiting energy consumption in particular by optimizing the energy consumed by manufacturing processes. Whenever a new process is designed, an energy audit is carried out to optimize its operation.
The three-year environmental objectives set for the sites include a target for controlling water consumption. The implementation of actions to reach these targets at a number of sites has brought about a progressive drop in water consumption since 2006. In 2010, water consumption as a proportion of sales, decreased by 20%. The indicator has fallen for all the Group’s Product Lines and sites reflecting the implementation of locally developed plans. Total water consumption increased by 2.5%, about ten times less than the increase in sales.

Heavy metal consumption has fallen continuously since 2005 and dropped significantly again this year (down 46% from 2009 in proportion to sales). In the years to come, the Group will continue to go beyond the initial scope of the ELV Directive, with the goal of reaching zero heavy metal content in its products. This goal will drive ongoing technological efforts by the Group’s Product Lines and R&D Departments.

Packaging material consumption compared to sales remained stable in 2010 following the 16% reduction achieved in 2009. The efforts made by sites continued, but the Group’s reorganization led to new manufacturing circuits, as well as transfers between sites and suppliers, which still need to undergo logistical optimization.

Valeo promotes the use of reusable packaging (through the use of reusable crates, now widespread at Valeo sites), recyclable materials (plastics, paperboard) and recycled materials (plastics, paper and paperboard). New initiatives for reducing the use and increasing the reuse of packaging materials were undertaken in 2010, in particular the introduction of logistical loops which enable the same packaging to be used for incoming and outgoing products.
The efforts deployed to limit energy consumption have considerably reduced the emission of greenhouse gases at all sites and for the Group as a whole. Valeo started measuring fossil fuel combustion emissions in 2001. Building climate control, ventilation, lighting and process energy requirements are planned from the initial plant design stage to control energy expenditure in operations.

The consumption of chlorinated solvents (relative to sales) has fallen by 85% since 2007. In 2010 actions were undertaken to reduce reliance on hazardous substances and chlorinated products such as paints. Product Lines strive to replace such hazardous substances by alternative ones whenever possible.

In 2010 Valeo continued to make significant progress in its efforts to reduce consumption of CMRs. The reduction achieved forms part of a positive trend, since 2007. During this period, the consumption of CMRs (relative to sales) fell by 68%.

The volume of waste generated in 2010 rose compared with 2009. The recycling rate continued to rise, reaching 83% in 2010. The proportion of hazardous waste remained stable.
Valeo applies its strategy in line with a policy of sustainable development
A team in the service of a common ambition