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Automakers and drivers

90 YEARS OF LISTENING
A partner of choice for automakers and an observer of driver behavior.

Constant innovation in 21 research centers and 40 development centers.

90 YEARS OF R&D
72,600 employees at 125 production sites in 29 countries worldwide.

90 YEARS OF EXCELLENCE

Consolidated sales of 11.8 billion euros, up 8.2%.
A record order intake of 15.8 billion euros.
Despite the difficult context in Europe, Valeo has posted excellent results, including a record order intake. On behalf of the Board of Directors, I wish to thank the General Management for the implementation of strategic decisions that proved well founded in 2012. I would also like to praise the efficiency and commitment of all our employees.

The Board has continued to pay close attention to Group strategy, which is based on the research and development of innovative technological solutions that respect the environment, and on the development of our business worldwide, and particularly in emerging markets. Our decision to hold our 2012 annual strategic seminar in China reflects this country’s importance for Valeo. In addition to a tour of two of the Group’s plants, in Shanghai and Shenzen, attendees were able to meet the directors of Valeo China as well as the key Chinese customers.

In 2012, we continued to focus on achieving excellence in our corporate governance: the Board met nine times, with an average attendance rate of 94.4%, thereby demonstrating its commitment. One of the strengths of Valeo’s Board of Directors is that it brings together members from different backgrounds, chosen for their experience and expertise in a variety of professional areas. Furthermore, with three women Directors out of a total of twelve members on the Board, it also fulfills the diversity criteria required by law. In June 2012, the Annual Shareholders’ Meeting renewed the terms of office of three Directors, Thierry Moulounguet, Georges Pauget and Ulrike Steinhorst, for a period of four years.

In 2012, the Board of Directors decided to have its operations assessed by an outside advisor. Among the topics covered were the operation, structure, composition and duties of the Board of Directors, as well as information communicated to Directors, the choice of issues handled, the quality of debate and the general running of the committees. The assessment highlighted the very positive view held by Directors of the governance of Valeo, and led to a number of concrete proposals. These included continuing to diversify some Directors’ skills, and a strategic review to take into account changes in the automotive market at a global level, and possible technological breakthroughs.

Lastly, it is important for the Group to pursue a strategy of continuous improvement in terms of the identification and analysis of risks and in terms of the internal control system. On these issues, the Board has already defined the responsibilities of the Audit Committee, which has had its remit expanded to include risks. The aim of this process is to continuously adapt management and control tools to respond to changes in the Group and the issues it faces.

(1) The average attendance rate among members of the Board of Directors in person or by their representatives was 94.4% for financial year 2012. The average attendance rate among members of the Board of Directors in person was 88.9% for financial year 2012.

Message from Pascal Colombani, Chairman of the Board of Directors

“At an excellent year for Valeo, whose strategic choices aimed at Asia are bearing fruit.”

Members of the Board of Directors

- Pascal Colombani Chairman of the Board of Directors, Senior Advisor, AT Kearney
- Jacques Aachenbroich Chief Executive Officer
- Gérard Blanc Chairman and CEO, Marignac Gestion SAS
- Daniel Camus Executive Vice-President and Chief Financial Officer, Sanofi
- Jérôme Contamine Executive Vice-President and Chief Financial Officer, The Global Fund
- Michel de Fabiani President, Franco-British Chamber of Commerce and Industry
- Michael Jay Member of the House of Lords in the UK
- Hélène Kristoffersen Vice-President of Strategy and Business Intelligence, Total
- Noëlle Lenoir Partner, Kramer Levin Naftalis & Frankel LLP
- Thierry Moulounguet Director of Female, Sà and HSBC, among others
- Georges Pauget Chairman, Economist, Finance et Stratégie SAS
- Ulrike Steinhorst Director, Specialized Planning and Finance Director, LAGS Technical Corporate Division
What do you consider to be the highlights for Valeo in 2012?

Valeo’s 72,600 employees can be proud of the work they have achieved over the past few years.

First, the Group’s order intake reached a new high of 15.8 billion euros in 2012, representing an increase of almost 60% compared with the order intake recorded only five years ago. In addition, our sales grew 8.2% and our operating margin rose 3% in the context of a particularly difficult automotive market in Europe.

Operating margin remained stable at 6.2% of sales in both the first half and the second half of the year, despite a marked downturn in the European market in the second half of the year.

To what do you attribute these good results?

The solid results achieved in 2012 testify to the success of the Group’s strategy of stepping up growth through innovation and expansion in Asia and emerging countries.

Innovation is an essential driver of our strategy and represented approximately 30% of order intake for the third year running. For the first time, our R&D efforts exceeded the 1 billion euro mark and now account for more than 10% of original equipment sales, making Valeo one of the world’s most innovative companies, as demonstrated by its first-time ranking among the Thomson Reuters Top 100 Global Innovators.

What about growth in Asia and emerging countries?

In 2012, the Group continued to grow rapidly in Asia and emerging countries. The share of Asia and emerging countries accounted for 54% of original equipment sales, compared with only 37% five years ago. With 16% growth in sales, China is well on track to joining France as Valeo’s leading country by 2015. Asia contributed 34% to order intake in 2012 and therefore its share within the Group is set to continue growing.

Governance

Interview with Chief Executive Officer Jacques Aschenbroich

“We will pursue with determination our growth strategy based on innovation and development in Asia and in emerging countries.”
What are your expectations for 2013?

We expect the performance of the automotive market to be uneven in 2013. Based on the assumption that automotive production will grow 1% worldwide and decline 4% in Europe, we have set two main objectives for 2013: sales growth higher than the market in the main automotive production regions and an operating margin in line with 2012 (in millions of euros) despite a decline in the first half of the year as a result of market conditions.

What makes you confident in the future?

We are currently in a position to confirm the medium-term objectives that we announced to the market. Our confidence lies in the fact that Valeo’s growth and profitability are based on solid core values.

We are placing ever greater priority on reducing CO2 emissions and fuel consumption, in line with the regulations in force in our main markets and the greater focus accorded by our customers and consumers alike. We believe that reducing fuel consumption should not need to impair the pleasure of driving. Indeed, our “intuitive driving” innovations aim to make driving safer, more economical and more enjoyable, and have been well received by the market. With our main product lines ranked among the top three worldwide, we are particularly well placed to take advantage of these trends in the development of the automotive market. Thanks to the priority we have placed these past few years on expanding our business in Asia and emerging countries, we will be able to draw on the dynamic automotive market in these regions, where car ownership remains a long way off the level in more mature markets. With Asian and German customers representing 53% of our original equipment sales, we are well positioned to capitalize on the development of these automakers which is outpacing average market growth.

Can you translate this ambition into figures?

Valeo is capable of achieving its objective of annual sales growth exceeding the global automotive market rate by three percentage points on average.

Valeo’s results of the past three years demonstrate the Group’s return to profitability, with an operating margin of between 6% and 7% since 2010 and a return on capital employed of more than 30% in 2010 and 2011 and 28% in 2012. Our objective is to continue improving our profitability beyond the 7% operating margin mark and maintain a return on capital employed in the order of 30%. We are confident in our medium-term growth outlook and, in a context of additional investments required to support the increase in order intake, we have set priorities of generating free cash flow, maintaining a solid financial position and ensuring a consistent dividend payment policy.

Valeo’s strong financial position provides the means to finance its development, as reflected by the investment grade granted to the Group by the two main rating agencies.

Governance

The Group’s strategy is focused on two areas:

— TECHNOLOGIES BASED ON THE REDUCTION OF CO2 EMISSIONS, AND INNOVATION.
— GEOGRAPHICAL DEVELOPMENT IN ASIA AND IN EMERGING COUNTRIES.

“Our confidence lies in the fact that Valeo’s growth and profitability are based on solid core values.”
The Powertrain Systems Business Group develops innovative powertrain solutions aimed at reducing fuel consumption and CO2 emissions, without compromising on driving performance and pleasure.

The Thermal Systems Business Group develops and manufacturers systems, modules and components to ensure thermal energy management of the powertrain, and comfort for each passenger inside the vehicle, during all phases of its use.

The Comfort and Driving Assistance Systems Business Group develops interface systems between the driver, the vehicle and the environment, which help to improve comfort and safety.

The Visibility Systems Business Group designs and produces efficient and innovative systems which support the driver at all times, day and night, offering perfect visibility and thereby improving the safety of driver and passengers.

Valeo Service supplies original equipment spares to automakers and replacement parts to the independent aftermarket. It offers a wide range of products and services for all aftermarket activities worldwide.

Valeo’s Operational Committee, chaired by the CEO, comprises 13 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 and implement the Group’s strategic directions, to monitor the operational management of the Business Groups, and to coordinate project implementation. The Business Groups are all tasked with boosting the growth and profitability of the Product Groups on all markets.

1 – Michel Boulain
   Senior Vice-President, Human Resources
2 – Robert Charvier
   Chief Financial Officer
3 – Robert de La Sève
   President, Valeo Service Activity
4 – Catherine Delhaye
   Chief Ethics and Compliance Officer
5 – Guillaume Devauchelle
   Senior Vice-President, Research & Development and Product Marketing
6 – Antoine Destains
   President, Visibility Systems Business Group
7 – Hans-Peter Kunze
   Senior Executive Vice-President, Sales & Business Development
8 – Gérald Lebedoff
   General Counsel
9 – Claude Léïchlé
   President, Powertrain Systems Business Group
10 – Alain Marmugi
    President, Thermal Systems Business Group
11 – François Marion
    Vice-President, Corporate Planning and Strategy
12 – Christophe Prélat
    Chief Operating Officer
13 – Marc Vrecko
    President, Comfort and Driving Assistance Systems Business Group

Fabienne de Brébisson
Vice-President, Communications
Jean-Luc Di Paola-Galloni
Vice-President, Sustainable Development and External Affairs

Other Operational Vice-Presidents
Trends in automotive output in 2012

World automotive output reached a new record with over 81 million vehicles produced, representing an increase of 6% compared to 2011.

With nearly 41 million vehicles produced, i.e. an increase of 11% and nearly 50% of total production, Asia remains the world’s leading regional producer of vehicles, with China producing 18.2 million vehicles (up 6.4% compared to 2011). Production in Europe (including Africa) and South America was down respectively by 5% and 1%, while North America continued to grow, with 15.4 million vehicles, up 18% compared to 2011.

Key figures 2012

In a difficult economic context in Europe, Group sales came to 11.8 billion euros, up 8.2% compared to 2011 (10.9 billion euros). Order intake reached a new record level of 15.8 billion euros, compared to 14.9 billion euros in 2011.

Sales in millions of euros

Sales by destination in millions of euros and as a % of sales

Sales by market as a % of sales

Sales by Business Group in millions of euros and as a % of sales

Global production in millions of vehicles

Breakdown by region in millions of vehicles

81.485

Europe and Africa 20.183

North America 15.404

South America 4.278

Asia and Middle East 41.620

| Q1 | 21.566 |
| Q2 | 20.572 |
| Q3 | 19.259 |
| Q4 | 20.498 |

<table>
<thead>
<tr>
<th>Sales by Business Group</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powertrain Systems</td>
<td>24%</td>
<td>25%</td>
<td>26%</td>
</tr>
<tr>
<td>Thermal Systems</td>
<td>15%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Visibility Systems</td>
<td>30%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Other</td>
<td>28%</td>
<td>24%</td>
<td>28%</td>
</tr>
<tr>
<td>Ford, Citroën, Opel</td>
<td>84%</td>
<td>83%</td>
<td>81%</td>
</tr>
</tbody>
</table>

(1) Including miscellaneous sales and tooling.
## Key figures 2012

### Gross margin as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16.8%</td>
<td>16.4%</td>
</tr>
<tr>
<td>2011</td>
<td>17%</td>
<td>17.2%</td>
</tr>
<tr>
<td>2010</td>
<td>18%</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

### Operating margin\(^{(1)}\) as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2011</td>
<td>6.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2010</td>
<td>6.4%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Operating margin corresponds to operating income before other income and expenses.

### Net research and development expenditure as a % of sales, net of customer contributions, grants and research tax credits

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2011</td>
<td>5.2%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

### Net attributable income in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>380</td>
<td>3.2%</td>
</tr>
<tr>
<td>2011</td>
<td>427</td>
<td>3.9%</td>
</tr>
<tr>
<td>2010</td>
<td>365</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

### Basic earnings per share in euros

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.03</td>
</tr>
<tr>
<td>2011</td>
<td>5.68</td>
</tr>
<tr>
<td>2010</td>
<td>4.86</td>
</tr>
</tbody>
</table>

### EBITDA\(^{(1)}\) as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10.7%</td>
<td>10.9%</td>
</tr>
<tr>
<td>2011</td>
<td>11.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>2010</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

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

### Net debt\(^{(2)}\) in millions of euros and as a % of consolidated stockholders’ equity, excluding non-controlling interests

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>763</td>
</tr>
<tr>
<td>2011</td>
<td>523</td>
</tr>
<tr>
<td>2010</td>
<td>278</td>
</tr>
</tbody>
</table>

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

### ROCE\(^{(3)}\) Return on capital employed

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>28%</td>
</tr>
<tr>
<td>2011</td>
<td>23%</td>
</tr>
<tr>
<td>2010</td>
<td>32%</td>
</tr>
</tbody>
</table>

\(^{(3)}\) ROCE corresponds to operating margin/capital employed excluding goodwill.

### Order intake in billions of euros

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>15.8</td>
</tr>
<tr>
<td>2011</td>
<td>14.9</td>
</tr>
<tr>
<td>2010</td>
<td>12.5</td>
</tr>
</tbody>
</table>
Valeo aims to provide clear, precise and transparent information in real time to its diverse financial community, both private and institutional shareholders, as well as financial analysts, in particular via the “Investors & Shareholders” section of its website (www.valeo.com).

### Shareholder information

Valeo provides key figures and shareholder information in real-time to its diverse financial community, including private and institutional shareholders, as well as financial analysts. The information is available via the “Investors & Shareholders” section of its website (www.valeo.com).

#### Key figures

**Data per share in euros**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings per share</td>
<td>5.03</td>
<td>5.68</td>
<td>5.03</td>
</tr>
<tr>
<td>Net earnings per share before non-recurring items</td>
<td>5.03</td>
<td>5.68</td>
<td>5.56</td>
</tr>
<tr>
<td>Net dividend</td>
<td>1.20</td>
<td>1.40</td>
<td>1.50</td>
</tr>
</tbody>
</table>

(1) Dividend of 1.50 euros to be proposed to the Annual General Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2012.

(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 and article 9 of the 2013 French Finance Act.

This information is provided as a guide only. If necessary, you should consult your financial advisor about fiscal and social obligations relative to your shares.

#### Stock market data

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at closing (in billions of euros)</td>
<td>79,628,798</td>
<td>79,269,596</td>
<td>79,462,540</td>
</tr>
<tr>
<td>Number of shares</td>
<td>79,628,798</td>
<td>79,269,596</td>
<td>79,462,540</td>
</tr>
<tr>
<td>Highest share price (in euros)</td>
<td>45.70</td>
<td>49.88</td>
<td>43.31</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>20.07</td>
<td>27.46</td>
<td>29.80</td>
</tr>
<tr>
<td>Average price at closing (in euros)</td>
<td>29.03</td>
<td>39.00</td>
<td>36.30</td>
</tr>
<tr>
<td>Price at closing (in euros)</td>
<td>1.20</td>
<td>1.40</td>
<td>1.50</td>
</tr>
</tbody>
</table>

(1) At March 29, 2013.

(2) Including 2,942,204 treasury shares (3.75% of the share capital).

---

**Number of shares**

79,462,540

**Number of voting rights(1)**

82,984,380

**Ownership structure at March 29, 2013**

- **86.08% (84.17%)**
  - Others(2)
- **3.03% (5.40%)**
  - Caisse des dépôts et Consignations (CDC)
- **5.81% (5.57%)**
  - Fonds Stratégique d’Investissement (FSI)
- **5.08% (4.86%)**
  - Lazard AM
- **5.08% (4.86%)**
  - Fond stratégique d’investissement (FSI)

(1) At March 29, 2013.

(2) Including 2,942,204 treasury shares (3.75% of the share capital).
Dynamic growth worldwide
A twofold growth strategy

The sound results achieved in 2012 confirm Valeo’s two growth priorities:
- reduction of CO₂ emissions and innovation;
- development in Asia and emerging countries.

Valeo dedicates over 10% of its original equipment sales to R&D.

54% of its original equipment sales are generated in Asia and emerging countries.

Imagining the vehicles of the future as cleaner and more intuitive...

Valeo keeps a constant lookout as it dreams up the car of the future. The Group collates and analyzes market developments, technological innovations, social trends and consumer behavior. Valeo is the only automotive supplier to have implemented this approach in every region of the world. The main research and development focus, in response to the growing concerns of both consumers and automakers, is on reducing fuel consumption and CO₂ emissions, through technologies which should represent 75% of Valeo’s growth between now and 2015. This is a field in which Valeo has already brought some major innovations to the market, such as Stop-Start system: in 2012 this architecture gave rise to the Hybrid4All® (affordable hybrid) system, which allows vehicles to achieve half the energy savings of a normal hybrid system, for just a quarter of the price. In addition, to respond to what society now expects from its vehicles in terms of enhanced connectivity and autonomy via simplified human/machine interfaces, Valeo’s driving assistance systems aim to improve driving comfort and safety, and reduce CO₂ emissions.

... and supporting automakers, in regions with high growth potential.

Because the future of the automobile will be played out in the emerging countries, and more particularly in Asia, Valeo is making it a priority to produce in these high-growth regions. The Group is therefore focusing its commercial and industrial efforts on attracting new customers and winning market share in China, the world’s leading market, India, and South East Asia, but also South America, Turkey and Russia… To meet the high level of growth in these countries, every year Valeo sets up new production capacities locally, most of them at multi-activity sites, in order to optimize profitability.

The number of production sites in Asia, for example, increased from 31 to 44 between 2009 and 2012. At the end of 2012, Valeo had 22 production sites in China and four are under construction in 2013. The growth of Valeo’s sales in Asia will represent half of the Group’s growth between now and 2015, and China will then become, with France, Valeo’s leading country in terms of headcount and sales.

Geographical breakdown of automotive production in 2012

World output in millions of vehicles
Supporting automakers in their strategy

Valeo is present in 29 countries, and can therefore serve its customers efficiently throughout the world. The Group works alongside all the world’s major automakers on all their markets. This presence is essential in order to develop products which are best adapted to each geographical region, and support the industrial strategy of its customers.

Valeo is more than a supplier: it is an open and constructive partner, both internationally and locally.

The relationship which Valeo enjoys with automakers goes far beyond a straightforward customer-supplier connection. The Group forges genuine partnerships with automakers in order to help them grow on their markets, on all continents. Valeo always listens to them, and it anticipates their needs through a network of 700 employees who are in charge of commercial relations. The Group involves its customers upstream in its pre-project developments, so as to be able to meet their expectations as best as possible subsequently. To optimize communication, Valeo has established a presence near its customers’ decision-making centers, whatever the continent. Lastly, the Group constantly strives to upgrade its industrial facilities, in order to stay abreast of automakers’ needs; it now has production facilities in each of the world’s major vehicle assembly regions, and every year it creates new sites in countries that offer the most competitive production costs combined with the highest quality.

The ramp-up of Asian automakers.

German automakers remained the Group’s leading customers in 2012, with 29% of original equipment sales. French customers and American customers each accounted for 18% of Group sales. Asian automakers accounted for 28% of sales, which shows just how Valeo has expanded in Asia. In 2012, the Group received numerous awards from its customers, in recognition of its excellent performance in terms of project management, quality, and the innovation of its products delivered worldwide.

Valeo’s worldwide presence and capacity to innovate make it possible for the Group to meet all the challenges of the market, by prioritizing, in relation to the specific needs, a global and/or local approach in its relations with automakers.

Valeo in Asia
44 production sites
4 research centers
12 development centers
1 distribution platform
21,595 employees
Dynamic innovation
The car of the future will handle everything

Because it is eager to anticipate the expectations of motorists, Valeo focuses its efforts on reducing CO2 emissions and developing intuitive driving solutions. The Group’s engineers, who steer its innovation, are committed to creating technologies offering safer, greener, and more economical mobility.

**Stop-Start**
This function, which cuts the engine automatically when the vehicle is stationary, is based on either a starter (ReStart) or an alternator-starter (StARS). The advantage: consumption is reduced by around 6% in European urban-suburban use, and by up to 15% in heavy urban traffic.

**BeamAtic™ PremiumLED**
Make the most of high-beam lamps without dazzling other drivers! With this innovation Valeo makes night-driving safer, and helps drivers to better anticipate danger. Not to mention the many advantages of LED lighting: identification of the brand through the style, low electricity consumption and a high level of lighting performance.

**The 360 Vue® system**
This system offers greater safety and comfort in parking maneuvers. It gives the driver a perfect view of the vehicle’s environment, including an aerial view of the vehicle. Another feature is the “cross traffic” alert, which lets drivers see in blind spots. This is very useful at a junction without visibility, or when exiting a parking space.

**Hybrid4All®**
This is a solution which can generate fuel savings of over 15%, and halve the cost of the gram of CO2 saved. The technology combines the Stop-Start function, regenerative braking and torque assist.

**Anti-allergen cabin air filter**
This system, which is the first application of its type in Europe, filters the air permanently and therefore limits the concentration of allergens inside the vehicle. Not only does it stop dust, harmful gases and unpleasant odors, it also neutralizes pollen allergens.

**Air Intake Module**
This air intake module helps cut fuel consumption and emissions of toxic particles within a very compact architecture, using a water-cooled system. In 2013 Valeo won a sixth PACE award® for this innovation.

**InSync**
A smartphone-compatible key that connects the vehicle to a smartphone, which uses the interface to receive information selected by the driver and enable certain configurations to be adjusted at a distance. For instance, the driver can locate the vehicle on a map, estimate its fuel level, and even turn on the air conditioning if it is extremely hot.

**AquaBlade®**
This wiping system distributes the fluid across the blade thanks to a series of channels and holes along its entire length, thereby ensuring a perfect view of the road during wiping, and also reducing the amount of fluid required. AquaBlade® significantly improves the driver’s visibility, and increases safety.

**Park4U® Remote**
A parking assistance system which manoeuvres the vehicle into a parking space without any input from the driver? Yes, we can. It can be activated from inside the vehicle or outside, using a smartphone.

**The smart faceplate**
The intelligent faceplate enables automakers to achieve the complex task of reconciling the ever-increasing number of available functions with the need for human-machine interfaces which are simple, intuitive and fluid, in order to reduce driver information overload and thereby ensure safety.
Developing an automobile that delivers 100% driving pleasure with zero CO₂

The electric supercharger improves the dynamic response of engines at low speed, while optimizing the performance of the combustion engine. Unlike turbo-compressors driven by exhaust gas, the electric supercharger (which operates with an electric motor) responds instantly. This improves engine torque at low speed, compensates for the response time of the turbo and improves vehicle acceleration.

Fuel consumption reduced by up to 10%

The Powertrain Systems Business Group develops innovative powertrain solutions aimed at reducing fuel consumption and CO₂ emissions, without compromising on driving performance and pleasure. These innovations cover a wide range of products, from the optimization of internal combustion engines to the varying levels of electrification of vehicles, from Stop-Start systems to the electric vehicle. The Business Group has five Product Groups: Electrical Systems, Transmission Systems, Combustion Engine Systems, Electronics, and Expertise & Services.

i-STARS builds on its success

In 2012, the Electrical Systems Product Group, which controls key vehicle functions such as electric power generation and management, saw the increasing success of the i-STARS micro-hybrid system, based on a belt-driven starter-alternator, thanks in particular to a new order from a Japanese automaker. Elsewhere, German automakers confirmed their interest in the new ranges of high efficiency alternators with synchronous rectification that reduce CO₂ emissions. In terms of the Transmission Systems Product Group, dedicated to the transfer of torque from the engine to the transmission, in 2012 a first order was taken for the dual wet clutch, a major innovation, while the dual mass flywheel won contracts from two automakers, one in Europe, one in China. Meanwhile, the torque converter business for automatic transmissions secured new orders from China, Korea and the United States. The Combustion Engine Systems Product Group has won a contract for a low-pressure EGR valve for diesel engines, signed with a European automaker.

Valeo’s innovations are gaining new ground

The Electronics Product Group distinguished itself with a first order from a US automaker for an integrated DC-to-DC inverter/converter, and also won a new order for an electro-mechanical power steering system in Germany. As for the Expertise & Services entity, dedicated to electronics, in 2012 it continued to support Product Groups in all four Business Groups.

Fuel consumption reduced by up to 10%
Imagine eco-friendly turbo engines...

The air intake module fulfills increasingly stringent environmental standards and the need to reduce engine size while improving efficiency. Using a water-cooled system, the module cuts fuel consumption and emissions of toxic particles within a very compact architecture. In 2013 the Valeo Group won two PACE awards(1) for this innovation.

(1) Premier Automotive Suppliers’ Contribution to Excellence, from Automotive News.

The thermal systems business group designs systems, modules and components that control the thermal energy of the powertrain and provide in-cabin comfort for each passenger. These products help to significantly reduce fuel consumption, CO2 emissions and other pollutants and harmful particles from vehicles equipped with internal combustion engines. They also help improve travel range and battery life for hybrid and electric vehicles. The Business Group has four Product Groups: Climate Control Systems, Powertrain Thermal Systems, Climate Control Compressors, and Front-End Modules.

Significant growth in 2012

The Thermal Systems Business Group outperformed the vehicle market by 6% in 2012, a trend that was particularly marked in North America. The Business Group consolidated its global presence by opening new production units in China (Huadu), Russia (Togliatti), India (Chennai), Turkey (Bursa) and Indonesia (near Jakarta). A joint venture based in Detroit (DTS - Detroit Thermal Systems) was set up to manage and develop the air conditioning systems business formerly owned by Ford’s ACH (Automotive Components Holdings) subsidiary. The 2012 order intake volume was satisfactory, with a new market-leading Japanese customer and an excellent performance in emerging markets (China, ASEAN countries and India). The Business Group’s latest innovations relating to the reduction of CO2 emissions received a very favorable market reception. These included the Themis valve, the Greci high-performance EGR, and water-cooled exchangers (condensers, charge air coolers).

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Creating a more intuitive driving experience

With the laser scanner, Valeo continues to develop a roadmap moving towards the automated vehicle by drawing on its extensive experience in parking assistance systems, and by now proposing the first automated driving solutions, illustrated by Valet Park4U®. During automated driving, the laser scanner enables the accurate recognition of the vehicle’s surroundings (obstacles, pedestrians) and complex infrastructures. The intuitiveness and safety of these systems are based on the integration of connectivity and innovative driver interface solutions.

The Comfort and Driving Assistance Systems Business Group designs interfaces that connect the driver, the vehicle and the environment. The aim is to help improve comfort and safety by focusing on intuitive driving, from improved visibility of the environment to ergonomic driver-vehicle interactivity and safe, personalized vehicle access.

A healthy order book

In 2012, Comfort and Driving Assistance Systems continued to achieve dynamic growth, contributing 31% to the overall orders of Valeo. Excluding Europe, the Business Group saw its orders increase by 15% compared to 2011, with 44% growth in Japan and a 26% rise in China. In 2012, Valeo secured a major order from a European automaker for an automated vehicle solution based on Park4U Remote. The 360 Vue® multi-camera systems and multifunctional front cameras were also very popular among customers. In terms of interior electronics, a high-end European automaker has chosen the two-way key with screen for one of its new models. And in terms of hands-free access and start systems, Valeo further bolstered its presence in Asia after winning a major order from a new Chinese automaker.

Automation for enhanced safety

Several vehicle models launched in 2012 have been equipped with new technologies developed by the Business Group. The BeamAtic™ automatic lighting system and the LaneVue™ lane departure warning system are either optional or factory-fitted on the Renault Scénic and Mégane. At the ITS (Intelligent Transport Systems) World Congress in October, Valeo premiered its Valet Park4U®, a fully automatic parking assistance prototype, as well as the eSkin Lite intelligent screen, which offers users an interface solution for their journeys in the multimodal context.

Message from MARC VRECKO, PRESIDENT, COMFORT AND DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP

“The growing importance of emerging countries is generating new expectations in terms of products. In these regions, local automakers are interested in innovations that are affordable and available immediately. In line with the aims of the Business Group, Valeo is therefore offering products based on standards that have been adapted and derived from global solutions. In addition, for all vehicle ranges covered by automakers worldwide Valeo develops optimized solutions. In 2013, the Comfort and Driving Assistance Systems Business Group will continue to develop intuitive driving systems with two important observations in mind: vehicles will become increasingly automated on the one hand, and increasingly connected on the other. Hence the need to offer interface solutions that respond to these new trends. In this way, Valeo is gradually building up a unique portfolio of solutions and products focusing on the driving experience. Also, in line with Valeo’s growth ambitions in Asia, the Business Group will continue to integrate the Valeo Niles business acquired in 2011. Added to this are recent investments in production sites and R&D centers, assets that will help the Business Group continue to grow its orders and expand its ranges of all relevant product lines.”
The Visibility Systems Business Group designs and produces efficient and innovative systems which support the driver at all times, day and night, and thereby enhance the safety of both driver and passengers. Visibility Systems has two Product Groups dedicated to lighting and wipers. Thanks to its complete range of innovative lighting and wiper systems, Valeo is a major player in these two segments, being the second biggest supplier on the lighting systems market and the leader on the wiper systems market.

PremiumLED. Valeo has harnessed these concepts to equip the new Seat Leon with all-LED headlamps, a first in this vehicle segment. The Wiper Systems, Product Group develops technologies which, by combining efficiency and weight reduction, clean the windshield and rear window effectively while minimizing CO2 emissions. The smart input from electronic solutions also helps to improve safety and reduce weight. In 2012, the Business Group won the prestigious Automotive News PACE Award for its AquaBlade® system, which is now standard on the Mercedes SL and the Evobus.

BiLED™ offers high-beam and low-beam headlamp functions in a single module. Two LEDs power the low-beam at a reduced consumption of 26 W, while a third LED is activated for full-beam. The lens, made of organic glass, is lighter than traditional mineral glass and can be molded into complex forms to suit the shape and style of the headlamps. The modular BiLED™ technology is highly compact, making it particularly suitable for bending light, and this marks a new advance in LED lighting systems.

A range of products recognized at the highest level

With the aim of delivering a solution for each category of front lighting system, Valeo, via the alliance formed with Ichikoh, and Valeo Sylvania, has developed three major lines of LED lighting technology: PeopLED™, FullLED and Message from ANTOINE DOUTRIAUX, PRESIDENT, VISIBILITY SYSTEMS BUSINESS GROUP

"THE VISIBILITY SYSTEMS MARKET HAS BEEN INFLUENCED BY TWO MAJOR TRENDS: automakers’ widespread implementation of LED lighting for low-beam, high-beam and daytime running lights, and the growing interest in electronic wiper systems and AquaBlade® wiper technology. In order to take advantage of the opportunities offered by the introduction of LED systems, which reduce energy consumption and increase flexibility in terms of design, Valeo is developing three major lines of LED lighting technology: LED low-beam headlamps, modular LED solutions, and selective full-beam headlamps. For wipers, Valeo is focusing on fully electronic systems using direct drive blades or with mechanisms, in response to growing interest in the market for quieter, more precise wiper solutions. The presence of Valeo’s visibility systems in high-growth markets is a key factor for the success of this Business Group and the Group, which aims to strengthen its position in Asian markets. A significant increase in orders has buoyed the steady growth of this Business Group’s results. In 2013, wiper sales are expected to grow by 5% compared to 2012, while lighting is forecast to post growth of more than 15%, mainly in China and North America."
Valeo Service offers all aftermarket channels around the world a wide range of products and services to help boost the efficiency of repair services and provide greater safety, comfort and driving pleasure to drivers. Operating in more than 120 countries, Valeo Service has a varied and coherent portfolio, to which it adds an average of 3,000 new products a year. This expertise is delivered to all distribution channels: traditional auto networks, hypermarkets, auto centers and websites.

Valeo Service is organized around five markets (Repair, Maintenance, Crash, Post-Equipment and Trucks) and offers 14 product lines for passenger vehicles and 8 for commercial vehicles and trucks. In 2012, to promote its position as a premium multi-specialist on the aftermarket, Valeo Service launched its visual identity based on a core concept, its “DNA.”

A developing market

The total number of vehicles worldwide, currently estimated at just over one billion, increases by an average of 3% to 4% every year. The Group aims to capture more of this remarkable potential through its four Business Groups, for which the aftermarket represents an important driver of growth and profitability. Valeo Service is well placed to achieve this goal, thanks to its many strengths, including its ability to offer products suited to each market, its wide choice of product ranges and innovative marketing services, and support for its customers at a regional level.

2012 in actions

To meet the needs of its customers, Valeo Service strengthened its position as a premium multi-specialist through a number of initiatives in 2012. Valeo Service was the first in Europe to patent and launch the innovative cabin filter technology with polyphenols, for optimal protection against inhalent allergies, unpleasant smells, harmful gases and particles. As part of its international development, Valeo signed an agreement with the Asan group in March 2012 to create a joint venture aimed at the aftermarket, called “Valeo Service India Auto Parts Private Limited.” The new company distributes automotive parts – manufactured at the two groups’ plants – to the aftermarket throughout India under the Valeo brand. Another innovation in 2012: in response to the needs of retailers (hypermarkets, auto centers), Valeo has upgraded its packaging and now offers an interactive service to help consumers replace parts on their vehicles.
Operational excellence at the heart of performance

Optimum customer satisfaction is achieved through the daily application of one of the founding principles of Valeo’s culture: obtain cost-effective total quality first-time at every level.

At the end of December 2012, the Group’s quality level stood at 7.1 defective parts per million, an improvement of 46% compared to 2011.

Efforts to optimize transport and storage costs generated savings of more than 20 million euros.

To satisfy its customers in terms of quality, cost and delivery, Valeo applies its rigorous “5 Axes” methodology at all its production sites, based on total quality and continuous improvement.

The culture is based on a number of values that are shared and applied by all of the Group’s employees. Operational excellence is a major challenge for Valeo, whose target is to achieve cost-effective total quality immediately, whether this involves methods, manufacturing, projects or purchasing.

Record quality levels in 2012

At the end of December 2012, the Group’s quality level reached 7.1 PPM (defective parts per million), an improvement of 46% compared to 2011. 76% of the Group’s sites achieved less than 10 PPM, while 31% reached 0 PPM, a 14% improvement on 2011.

More than a process: a genuine mindset

At Valeo, total quality involves everyone, at every level, and at all times. Because everyone, whatever their position, plays a part on a daily basis, Valeo makes sure its employees have the necessary skills and resources to carry out their work to the very best standard. Every employee is encouraged to make suggestions for improvement and to participate actively in the functioning of the autonomous team to which they belong. Because product quality is closely linked to the organization of the production site, Valeo has developed its own production system based on improving productivity and product quality. This is based on pull-flow organization, flexible production resources, the elimination of all non-productive operations, and stopping production at the first non-quality incident. Upstream, Valeo uses an organization based on project teams and the simultaneous engineering of products and processes. The aim is to design well upstream in order to produce well downstream. This allows Valeo to offer systems and products that are robust, easy to manufacture, high-quality and cost-effective. Thanks to Valeo’s solid partnerships with its suppliers, chosen from among the best worldwide, the Group makes the most of their ability to innovate, and works with them to develop productivity plans and improve quality.
A dynamic approach to people
A responsible, long-term approach

Today, responsibility towards employees, society and the environment is an integral part of Valeo’s culture, from its Human Resources policy to its Research and Development strategy. This is much more than mere words: the Group has defined a demanding framework for its commitments, and it measures its progress on a yearly basis.

Valeo’s commitment to sustainable development is more than just a concept: it is an integral part of the Group’s development strategy. It is deployed according to two principles: multi-disciplinary implementation and the acceptance of sustainable development as a factor for success among Valeo’s stakeholders (internal and external).

Creating value for the automotive industry

Valeo aims to create value by proposing innovative technological solutions for its automaker customers. The Group develops components that improve energy efficiency, and systems that optimize safety and improve comfort. On both the original equipment market and the aftermarket, Valeo is a manufacturer whose activities, design and manufacturing processes and products contribute to the gradual decarbonization of the automotive sector. The Group contributes to the deployment of systems that improve mobility, thereby consolidating its position as a key partner in mobility solutions that are more environmentally friendly and better connected.

Structuring the sustainable development process

Across its entire industrial footprint, Valeo successfully reconciles the demands of its business activities with the economic, legal, social and environmental issues that affect it. The Group’s General Management and all its employees, customers and suppliers undertake to act in a responsible way towards employees, society and the environment, on a daily basis. All sites respect the systems put in place and set increasingly ambitious objectives that are updated regularly. These commitments are governed by charters, codes of conduct and alert systems, and they cover safety, well-being and respect for everyone, as well as the need to moderate energy use, reduce CO2 emissions and restrict the consumption of natural resources.

Rising to new challenges every day

In this way, Valeo’s dynamic approach brings together every aspect of sustainable development at all its sites. In the current phase of business expansion, this requirement brings fresh challenges every year, particularly in rapid-growth countries. By respecting its commitments already made and being careful to adapt sustainable development to each contextual reality, Valeo continues to take a proactive and confident approach in this field.
Attracting and developing talent

Given the key role it plays in the Group’s development, Valeo’s Human Resources strategy is both global and specific, and is constantly adapting to each country where the Group has operations. Valeo implements an ambitious policy in terms of employing the best people, fulfilling their needs and ensuring diversity. Valeo is an inclusive Group which is concerned about the well-being of its employees, and which works tirelessly to enhance their sense of belonging and pride.

For the first time, women employees account for 33% of Valeo’s workforce.

Under 30s represent 30% of the workforce.

The Group’s Human Resources strategy plays a major role in its development, with a particular emphasis on acquiring and improving skills, particularly those related to innovation. Present in 29 countries, Valeo’s workforce encompasses 106 nationalities, hence the need – above and beyond the general policy – to adapt to the different cultural and economic environments in order to work with contrasting local conditions.

Enhancing employee skills

In 2012, Valeo made improving skills a priority. Its aim is to respond to changing technologies, the Group’s international development and the need to offer employees fulfilling careers. Three out of four posts are filled by internal applicants every year. Spending on training rose by 9.7% in 2012, representing 1.32% of total payroll costs, excluding expenses. The training policy extends to all employees, with 87.6% of personnel participating in at least one training session in 2012.

Guaranteeing well-being at work

Throughout 2012, Valeo continued to deploy its “Well-being at work” program around the world, drawing on existing good practice in various Group entities and on the proven methodology applied at French sites: survey, diagnosis, action. Seminars for local managers were held in 11 regions, leading to the structuring of a concrete action plan in each country and at each site. In Brazil, for example, the six Valeo sites rolled out 77 initiatives adapted to their local requirements. This “Well-being” program is now an integral part of Valeo’s management culture.

Attracting and retaining talent

Valeo takes a proactive approach with universities and leading educational institutions in order to attract the best talent. The Group has put in place a recruitment policy based on objective selection criteria, and encourages long-term employment; two out of three new hires are covered by permanent contracts. In 2012, Valeo recruited 16,559 people including 3,301 engineers and managers. Its skilled teams ensure the Group can offer its customers around the world value-added services in terms of innovation, total quality, and competitive solutions and services. To reinforce its image as an employer of choice, Valeo also places great importance on defining the “right” level for its salary policy in the different countries in which it operates.
Constantly improving safety

Health and safety at work is a priority for Valeo, which is constantly striving for “zero accident.” The Group favors a preventive approach, taking the relevant issues into account as soon as it starts to design a new production facility. To this end, systematic audits have been introduced (carried out by external consultants) to improve risk assessment and control while improving quality standards. In 2012, Valeo continued to deploy analysis tools following every accident or incident at work. Furthermore, 75% of training hours provided during the year were dedicated to safety, and 65% of employees benefited from at least one safety training session. In 2012, the number of workplace accidents fell considerably, and the Group has achieved a 52% improvement over the past five years.

52% drop in the number of workplace accidents in five years.

“Valeo is convinced of the benefits of greater diversity in the workforce, at every level and in all the Group’s activities, in terms of leadership, talent and markets, and has therefore formed a Diversity Committee. Through this committee, employees from many backgrounds propose areas for improvement in the various related fields: disability, culture, age and gender. At the end of 2012, the Group also launched an awareness-raising and training campaign on diversity, in the form of different e-learning modules made available to employees.”

Valeo’s commitments

For many years, Valeo has demonstrated its commitment to promoting the dignity and value of individuals as well as equal opportunities for its employees. In this context, the Group takes action to encourage the employment and integration of workers with disabilities, and a new three-year agreement to support the social and professional integration of people with disabilities was signed on May 29, 2012 between the Valeo Group’s Management and union representatives. In this way, Valeo aims to pursue, capitalize and reinforce various actions taken to encourage the employment of people with disabilities, while respecting the specific needs and constraints of all of the Group’s French establishments and encouraging dynamic programs, particularly at a local level.
Striving to be irreproachable in its practices

Valeo implements its social responsibilities within a universal framework of international commitments that guarantee to respect the dignity of individuals and fundamental employment rights. These commitments were confirmed in 2005 with the publication of a Code of Ethics, which prohibits child labor, encourages the employment of disabled workers, combats discrimination and harassment, promotes health and safety in the workplace and defines issues relating to sustainable development, supplier relations and society. In 2011, the Group launched a new campaign to raise ethical awareness, and all employees were invited to restate their commitment to the principles drawn up by the Code.

Encouraging quality dialog with employees

By placing such value on dialog with employee representative bodies, the Group demonstrates its wish to anticipate the effects of its strategic decisions on employees. In order to meet the challenges of its sector, Valeo strives to create a climate that is conducive to the exchange of viewpoints with employees, leading to mutual understanding and the search for balanced solutions for all parties involved. In 2012, 221 agreements were reached in 19 different countries on a range of topics, in accordance with national legislation. In addition, an agreement on corporate social responsibility (CSR) was signed in 2012 based on commitments and strategies in terms of social, societal and environmental responsibilites. Several articles of this agreement also cover health and safety at work.

80% of employees are currently based outside France.

Valeo rewarded for its sustainable development performance

In the 10th edition of the “Sustainability Yearbook” published by investment specialists RobecoSAM and KPMG, Valeo is recognized for having achieved the best improvement in sustainability performance during the year, in the Automotive Parts and Tires sector. The assessment was based on 120 economic, environmental, societal and governance criteria, with an emphasis on long-term value creation. Valeo was the only company to be named “Best Sector Mover” in 2012 among the 51 companies assessed in the Automotive Parts and Tires sector. A Sector Mover is a company that has achieved the strongest improvement in sustainability proportional to its performance in the past year.

Valeo’s seat of learning

In 2012, in response to very specific needs in terms of expertise, and to build relations with talented young students, Valeo teamed up with the University of Saint-Quentin-en-Yvelines (France) and the national research agency (ANR) to create the Matinnov industrial research chair. The aim is to initiate change within the automotive industry towards the widespread use of carbon-free vehicles. Two major areas of research were defined: innovative materials and the reliability of materials and systems for mechatronics. Thanks to this program, Valeo will be able to work with public research institutions to identify activities with good potential for value creation, while stimulating training through research. The process will also offer career opportunities to teacher-researchers, encouraging projects that exploit results. Lastly, it will give public research institutions the means to investigate strategic fields for industry.
Creating lasting bonds in each country of operation

Present in 29 countries, Valeo plays a major role locally, particularly in the life of the communities around its sites. Conscious of its social and economic responsibility, the Group makes long-term commitments to establish a lasting presence in each country, working intelligently with its stakeholders and in compliance with local requirements.

Valeo is present in 29 countries.

14,000 managers trained in fighting antitrust practices (classroom and e-learning sessions).

Structuring relations with suppliers

As a leading automotive supplier, Valeo is at the center of the supply chain for the automotive sector. The Group is both a customer that places orders with its own suppliers, and a supplier of parts, products and systems to automakers. To source its materials, Valeo must choose companies that are capable of meeting its needs in terms of quality, cost and delivery. The Group has therefore decided to reduce its total number of suppliers in order to develop long-term relations and working methods, and to strengthen cooperation, a source of success.

To join Valeo’s panel of suppliers, a company must sign and respect the Valeo “Supplier Requirements” document covering the principles of Valeo’s Code of Ethics and the United Nations Global Compact.

Placing ethics at the center of its practices

To increase the efficiency and scope of its ethical approach among its 72,600 employees, Valeo set up a dedicated department and compliance programs in 2012. The aim is to utilize this structure to respond to risks relating to corruption or antitrust practices, and create the means to reduce them as much as possible. Initially concerned with fighting corruption and antitrust practices, this policy covers Valeo’s various stakeholders (employees, suppliers, other partners). In 2012, the Group increased awareness among more than 5,000 employees through classroom-based training sessions, delivered in 23 countries and in 17 languages. Valeo also trained 14,000 managers via its e-learning modules, available in 13 different languages.

Every year, Valeo’s international boundaries shift with the Group’s strategic decisions. When it establishes a presence in a region, Valeo does so with the intention of remaining there for the long term. The Group maintains relations with various local parties such as neighboring businesses, public authorities and residents’ associations. The aim is to manufacture in the best possible conditions while respecting the activities of other business players as well as the laws of the country. With industrial sites and ambitious investment programs that benefit populations of neighboring areas in emerging countries, the Group has been assessed by the World Bank as being an industrial group that improves the local landscape and reduces socio-professional and social inequalities.
### Protecting the health and safety of consumers

Valeo is concerned with the well-being of consumers, and therefore designs innovative products that improve vehicle safety and reduce CO₂ emissions. The Group has made the reduction of CO₂ emissions a cornerstone of its strategy, and offers many related innovations. Another important area of growth for Valeo is driver safety, with the increasing use of cameras and ultrasonic sensors that improve anticipation of dangerous situations.

The Group has also developed Europe’s first air-conditioning filter with anti-allergen properties: this device limits the concentration of allergens, dust, harmful gases and unpleasant odors in the cabin.

### Valeo, an Egyptian company in Egypt

In 2005, Valeo opened an R&D center in Cairo, Egypt, in order to develop its own software. Having started out with a team of 50, the center employed more than 500 people at the end of 2012. The employees all have a university degree, and 95% have graduated from local engineering schools. Women make up 30% of the workforce, meaning Valeo contributes to the employment of women in highly qualified positions. Through its involvement in this country, Valeo is demonstrating that it can be an important local player which encourages talent in the countries where it operates.

1,176 suppliers account for **95%** of spending on direct purchases.
**Plants’ Initiatives: sites take their societal responsibility seriously**

At Valeo, engaging with wider society is a subject that is important at Group level, but which also involves each and every site. In order to measure social, societal and environmental initiatives taken in recent years, an annual reporting system has been in place since 2008. In 2012, 96% of sites had undertaken at least one social project, including 8% for the first time.

With its global presence, Valeo actively promotes a policy of responsibility at its sites, and values initiatives put in place by employees at a local level.

The most high-profile and exemplary initiatives are promoted through Group-wide communications, including on the intranet.
Innovating and manufacturing in harmony with the environment

As a group, Valeo is doubly committed to sustainable development: its products help to reduce CO₂ emissions and make driving safer; its processes help reduce the environmental impact of industrial activities, and help preserve the planet’s natural resources.

Valeo’s commitment to sustainable development is implemented in the widest sense. Thanks to its products, the Group helps reduce CO₂ emissions and makes driving safer. At its sites, it reduces the impact of industrial activities and helps preserve the planet’s natural resources.

Combining CSR and R&D

At Valeo, CSR is a completely integral part of the Research and Development process. The Group encourages a collaborative approach to R&D, in both technological and societal terms, making full use of partnerships, expert networks and research projects. In 2012, Valeo’s R&D teams managed nearly 2,300 customer projects, a direct result of the Group’s strong presence on all of the world’s automotive markets. In 2012, the number of people working in R&D rose by 16% compared to 2011, totaling 8,800. With 10% of its original equipment sales dedicated to R&D spending, Valeo ensures it has the necessary resources to deliver the best technological innovations to its customers.

Focusing on eco-design

To improve the environmental performance of products, action must be taken right from the design phase. This approach has been formally integrated into Valeo’s processes since 2007, so that all of a product’s environmental impacts are assessed at every stage in its lifecycle, from design through to recycling.

A recognized innovator

The relevance of its R&D approach enabled Valeo to join the Thomson Reuters ranking of the world’s 100 most innovative companies in 2012. The rate of success of its patents, along with their global impact and degree of innovation and influence, were among the assessment criteria used. For the Group, this distinction recognize its culture of innovation, its technological expertise, and the effectiveness of its work and of the practices put in place. Valeo was rewarded specifically for its innovations in reducing vehicle CO₂ emissions.

8,800 employees dedicated to R&D, including 1,800 engineers recruited in 2012.

722 new patents filed for in 2012.
Encouraging transparency

For the past twenty years, Valeo has been working hard to limit the environmental impact of its activities. The founding principles of this approach have been set out in Valeo’s Environmental Charter, drawn up by the Risk, Insurance and Environment Department. The Group sets itself targets for improvement as part of three-year plans; the second of these ended in 2012.

To promote transparency, Valeo regularly responds to enquiries regarding its extra-financial and environmental performance, such as the Carbon Disclosure Project (CDP), which assesses companies on the transparency of their communications relating to their environmental impact.

Environmental management

At Valeo, environmental management is based on a process of continuous improvement and is implemented at Business Group, country and site levels, and also by a network of health, safety and environment (HSE) managers. This ensures that the Group’s HSE policy is being respected, and its environmental targets met. A central Risk Management Committee meets three times a year on average, to capitalize on feedback from all its members and develop the Group’s environmental policy and industrial risk management. In all, nearly 150 people are directly involved in the day-to-day management of Group HSE issues. The process of certifying management systems is seeing results: at the end of 2012, 96% of sites had ISO 14001 certification, while 88% had OHSAS 18001 certification. In addition, nearly 28,000 hours of training on environmental issues were delivered in 2012, and 119 external audits were carried out across all sites.

100,000 items of data were gathered and processed as part of environmental reporting in 2012.

Preserving resources and preventing pollution

In terms of water and energy consumption, Valeo far exceeded the ambitious targets set by its Environment action plan for 2010-2012. The Group also significantly improved its performance in terms of consumption of packaging materials and direct and indirect emissions of greenhouse gases. Valeo sites also pay particular attention to the application of strict preventive measures, as well as measures to reduce or offset emissions in the air, water and ground.

In particular, the Group closely monitors atmospheric emissions from its activities in terms of volatile organic compounds (VOCs), nitrogen oxides (NOx), lead (Pb) and trichloroethylene (TCE). For example, at the end of 2011, the Veszprem site, in Hungary, installed a bioreactor to treat VOCs, thereby reducing its emissions by nearly 75%, while other sites are now using water-based products where automakers’ specifications allow them to. In terms of waste management, the Group achieved a recovery rate of around 80% in 2012.

Helping to fight climate change

Since 2009, Valeo has been constantly improving the analysis of its carbon footprint by assessing greenhouse gas emissions generated directly and indirectly by its activities. In order to help fight climate change, the Group has made an important commitment: to reduce its direct and indirect emissions of greenhouse gases in comparison to sales by 10% during the period 2010-2012, based on the 2009 figure. This target has almost been met, with a reduction of 9%, as a result of efforts made by sites to improve their energy efficiency.
Centralized reporting

For the past ten years, Valeo has been using a centralized reporting system called "Valeo Risk Indicators (VRI)" to measure the environmental performance of its sites. VRI is being used to gather more than 200 indicators relating to all production sites and distribution platforms throughout the world, a total of 126 sites. In 2012, the response rate reached 100% for nearly all indicators published. In addition, in 2012, in anticipation of the forthcoming ministerial order, Valeo decided to respond to the requirements of the "Grenelle 2" law, which requires independent external verification of information published by French companies. The Group has delegated this role to an independent expert, who carried out a review of its reporting processes, followed by four site audits and a review of the findings.

32% reduction in water consumption in comparison to sales over three years.

Valeo takes biodiversity seriously

Although 87% of Valeo’s production sites are located in urban or landscaped industrial zones, and their activities do not involve the significant disturbance of ecological processes (no extraction or spraying, for example), the Group carries out a yearly inventory of sites located in or near areas protected for biodiversity purposes. Twenty sites were registered in 2012, including five in Brazil and nine in France. Sites concerned ensure they respect requirements relating to these nearby protected sites. For example, the Itatiba site (Brazil) is located on the banks of the river Atibaia, a protected environmental area. In liaison with the Brazilian authorities, Valeo has agreed to demolish buildings situated less than 50 meters from the river.

Lastly, the Biodiversity guidelines drawn up at the end of 2011 were distributed to all sites in 2012. These guidelines cover the protection of biodiversity during the selection, development, operation and closure of an industrial site.

Water consumption: significant reduction in 2012

To reduce its water consumption, Valeo has introduced a proactive strategy based on two main areas: the reduction of water used for industrial purposes, which represents 54% of total consumption, and the reduction of water used for general purposes. To measure the overall impact of its activities on water resources, the Group assesses its consumption from different sources (mains supply, underground water, surface water) and the different uses at its sites (industrial water, general water).
Following the encouraging results achieved at the end of the second three-year plan for 2010-2012, the Group wants to continue to improve its environmental performance over the next three years.

### Environmental performance

#### Environmental performance of the manufacturing sites

<table>
<thead>
<tr>
<th>Target</th>
<th>2012 target (compared to 2009)</th>
<th>2012 result (compared to 2009)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in energy consumption (MWh/€m)</td>
<td>−10%</td>
<td>−18%</td>
<td>■ ■</td>
</tr>
<tr>
<td>Reduction in water consumption (m3/€m)</td>
<td>−7%</td>
<td>−32%</td>
<td>■ ■</td>
</tr>
<tr>
<td>Reduction in packaging materials consumption (kg/€m)</td>
<td>−15%</td>
<td>−3%</td>
<td>□</td>
</tr>
<tr>
<td>Reduction in waste production (t/€m)</td>
<td>−15%</td>
<td>+13%</td>
<td>■</td>
</tr>
<tr>
<td>Waste recovery rate</td>
<td>+15%</td>
<td>−3%</td>
<td>■</td>
</tr>
<tr>
<td>Reduction of direct and indirect greenhouse gas emissions</td>
<td>−10%</td>
<td>−9%</td>
<td>□</td>
</tr>
</tbody>
</table>

#### ISO 14001 environmental certification, OHSAS 18001 health and safety at work certification

<table>
<thead>
<tr>
<th>ISO 14001 certification</th>
<th>2015 target</th>
<th>2012 result</th>
<th>OHSAS 18001 certification</th>
<th>2015 target</th>
<th>2012 result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 target</td>
<td>100%</td>
<td>96%</td>
<td>2015 target</td>
<td>100%</td>
<td>88%</td>
</tr>
</tbody>
</table>

(1) Number of certifiable sites: 121

#### Energy Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy consumption (MWh/€m)</th>
<th>Total energy consumption (GWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.433</td>
<td>158</td>
</tr>
<tr>
<td>2011</td>
<td>1.666</td>
<td>165</td>
</tr>
<tr>
<td>2010</td>
<td>1.576</td>
<td>181</td>
</tr>
<tr>
<td>2009</td>
<td>1.833</td>
<td>192</td>
</tr>
</tbody>
</table>

#### Breakdown of energy consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Electricity (%)</th>
<th>Gas (%)</th>
<th>Other energies including renewables (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1</td>
<td>2</td>
<td>70</td>
</tr>
<tr>
<td>2011</td>
<td>1</td>
<td>2</td>
<td>69</td>
</tr>
<tr>
<td>2010</td>
<td>2</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>2009</td>
<td>3</td>
<td>1</td>
<td>67</td>
</tr>
</tbody>
</table>

#### Consumption of packaging materials

<table>
<thead>
<tr>
<th>Year</th>
<th>Total consumption of packaging materials (kt)</th>
<th>Total consumption of packaging materials/sales (t/€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>71.4</td>
<td>6.1</td>
</tr>
<tr>
<td>2011</td>
<td>64.7</td>
<td>6.0</td>
</tr>
<tr>
<td>2010</td>
<td>66.3</td>
<td>6.3</td>
</tr>
<tr>
<td>2009</td>
<td>67.2</td>
<td>6.3</td>
</tr>
</tbody>
</table>

(1) Emissions from electricity consumption.

On a like-for-like basis in terms of sources of greenhouse gases (1), Valeo registered a fall of 9% in its CO2 emissions as a percentage of sales in 2012, compared to 2009. This significant reduction is the result of efforts made by sites to improve their energy efficiency. After including in its carbon footprint new emissions generated by its fleet of vehicles, by the biochemical processing involved in some industrial processes, and by fugitive emissions from refrigerants, Valeo reduced its CO2 emissions as a percentage of sales by 4.9% between 2010 and 2012.
To reduce its environmental footprint, Valeo pays close attention to the use of recycled materials, mainly by reusing packaging materials and buying recycled plastics for the manufacture of products. In 2012, more than 1,210 metric tons of packaging materials were recovered internally and reused, an increase of 20% compared to the previous year. In terms of the purchasing of recycled plastics, this totaled 11,709 metric tons in 2012, up 10% compared to 2011.

Consumption of chlorinated solvents and substances that are carcinogenic, mutagenic or reprotoxic (CMR)

Due to their toxicity and their use in industrial processes on sites in the past, the Group monitors consumption of chlorinated solvents and products classified as carcinogenic, mutagenic or reprotoxic (CMR) according to European regulations in force. In terms of chlorinated solvents (273 metric tons) and CMR substances judged to be dangerous. This policy is set out in a directive on “prohibited or restricted substances” which is applied at all sites and covers the general principles of the REACH rules. The procedure followed by sites consists of identifying prohibited products, looking for replacement products (in acceptable economic conditions), testing them and getting them approved by customers.

Heavy metal content in effluent

Overall, the Group’s activities do not generate highly-polluting industrial effluent. Where local regulations require it, sites measure the level of pollution in their effluent and, if necessary, install a plant to treat wastewater before it re-enters the natural environment or mains water network. In 2012, more than a quarter of the Group’s sites had such a plant in place, treating a total volume of wastewater of 604,000 m³. For these sites, this represents an increase of 4% compared to 2011. In 2012, the heavy metal content of effluent from internal facilities totaled 55 kg, a fall of 65% compared to 2011 in absolute terms, due to the reevaluation of past data. Furthermore, the consumption of heavy metals has been declining constantly for more than five years (19 metric tons in 2012).

Continuing to improve performance

For the first year since 2009, the quantity of waste produced as a percentage of sales was stable. This result has been achieved thanks to efforts made by sites in all the Business Groups to reduce waste production. This was particularly noteworthy in the Visibility Systems Business Group, which recorded an 8% reduction in waste produced as a percentage of sales between 2011 and 2012. Valeo has gradually been increasing the level of waste it recovers every year, with 79% of waste recovered in 2012.