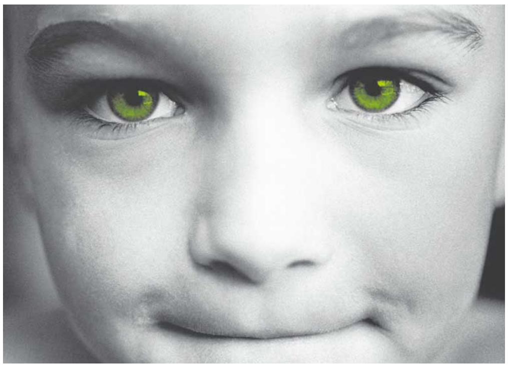

FINANCIAL AND LEGAL SECTION

2002

Valeo

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* Only the French version of the 2002 Annual Report has been filed as a “document de référence” with the “Commission des Opérations de Bourse”. It consists of an Activity Report and a Financial and Legal Section. It is referred to hereafter as the “reference document”.

Management report

In 2002, on the strength of the mobilization of its teams, Valeo took the necessary steps to rationalize its industrial cost base, strengthen its competitive position and return to a sound financial situation.

New car registrations were lower in the European and American markets. In Europe, production eased back, reflecting this downward trend. In North America, the numerous incentives to buy new cars failed to boost the market; automaker inventories grew as output volumes remained steady.

Despite this downbeat environment, Valeo gradually increased its room for maneuver while strengthening its competitive positions. The 4th quarter 2002 confirmed the Group's recovery with operating margin reaching 6%, up by 1.4 percentage points versus the 4th quarter 2001. Since the low point of the 1st quarter 2001, Valeo continued to progress quarter after quarter on a comparable basis. This operating improvement added to considerable efforts in the management of working capital requirements reinforced the Group's balance sheet structure.

Valeo's activity and the world automotive environment

Consolidated sales totaled €9,803 million, down by 4.2% versus 2001. This was essentially due to business disposals (-2.4%) and currency variations (-1.4%). Excluding currency variations and changes in the reporting entity, the Group's sales remained practically stable (-0.4%):

- in Europe, Valeo's sales decreased by 2% at constant reporting entity and exchange rates, in line with the 2% fall in automotive output; the weak economic environment resulted in a drop of 3% in new car registrations in 2002. The Group's sales in Europe accounted for 66% of overall sales;
- in North America, Valeo's sales grew by 1% at constant reporting entity and exchange rates; automotive output increased by 6% due to inventory building by automakers, while new vehicle registrations fell by 1% despite incentives. Strict management of profitability and the situation of its subsidiary, Valeo Electrical Systems Inc., under the protection of Chapter 11 until September, weighed on the Group's growth. Valeo's sales in North America accounted for 24% of overall sales;
- in Asia, automotive output increased by 10%, driven by a recovery in demand in South Korea and the growth of the Chinese market. The Group benefited from its industrial footprint and its experience in this area of the world: sales were up 17% at constant reporting entity and exchange rates. Consolidated sales in Asia accounted for 6% of Valeo's overall sales. The Group, together with associated companies (notably Zexel Valeo Climate Control) and its stake in Ichikoh, achieved €2.2 billion in sales;
- the economic crisis in Argentina was largely responsible for the 5% fall in output in South America. In Brazil, automotive output stabilized, ending the year down by 2%. In these conditions, Valeo limited the decrease in sales to 2%, excluding variations in reporting entity and exchange rates.

Changes in the reporting entity are due to disposals carried out in line with its selective divestment policy implemented since 2001: the sale of Filtrauto, Valeo Transmissions UK and non-automotive wiring activities.

The impact of currency variations results mainly from the depreciation of the US dollar and the Brazilian real. During the course of 2002, the dollar fell by 16% while the Brazilian real lost around 47% of its value.

Aftermarket sales reached €1,674 million (17% of consolidated sales). Original equipment sales amounted to €8,129 million (83% of consolidated sales).

Consolidated financial statements

Evolution in operating results

Efforts to rationalize the industrial base and improve purchasing efficiency significantly contributed to the improvement of margins in 2002: **gross margin** progressed by 1 percentage point compared with 2001 to stand at 17.4% of sales.

Operating income grew significantly in 2002 to 5.0% of sales, an increase of 1.2 points over 2001. This rise reflects the increase in gross margin, improved Research &

Development productivity and the efficient control over sales and administrative expenses.

Financial result

The net financial expense of €62 million in 2002 is comparable to that in 2001, reflecting the stability of average indebtedness and interest rates.

Other income and expenses - net

The item "other income and expenses - net" is negative at €74 million; in 2001, this item showed a loss of €738 million, due to the appropriation to provisions for the restructuring of the Rochester site and the exceptional amortization of goodwill relating to certain of this site's activities.

Expenses in 2002 correspond mainly to reorganization costs of industrial sites and to the taking into account of the totality of the potential costs related to the exposure of the Group's employees to asbestos.

Net income

Net income before tax totaled €351 million, that is 3.6 % of sales. Taxes amounted to €106 million, that is an effective tax rate of 30.2 %. The tax burden illustrates a return to a more homogenous situation: in 2001, the high amount of losses and provisions recorded by the Group in the United States did not allow for the recognition of deferred tax assets.

After tax, net income from consolidated companies totaled €245 million, compared with a loss of €454 million in 2001.

Equity in net earnings of associated companies rose to €7 million boosted by the improvement in the performance of stakes acquired within the framework of the alliance with Zexel.

After amortization of goodwill in the amount of €95 million, and before minority interests, the Group's net income stood at €157 million (1.6% of sales). As minority interests rose to €22 million compared with €16 million in 2001, net income totaled €135 million, that is 1.4% of sales. Net earnings per share stood at € 1.63.

Changes in share capital

At December 31, 2002, Valeo's share capital amounted to €2,101 million, taking into account currency variations mainly due to the fall in the US dollar and the Brazilian real (€190 million) and the cancellation of 1,200,000 shares acquired within the framework of its share buy-back program (Management Board decision of October 17, 2002).

Following this operation, Valeo's share capital amounted to €246,401,184 at December 31, 2002, consisting of 82,133,728 shares with a par value of €3 each. The number of shares that could have been issued due to the exercise of stock options awarded to the employees and the Management of the Group amounted to 4,373,425 shares at December 31, 2002. Since then, the stock option plan enacted by the Board of Directors on October 15, 1997 expired on January 14, 2003 without the options having been exercised. Consequent to the lapsing of 213,950 options that were not exercised, the number of shares that may be issued through the exercise of stock options awarded to employees and the Management of the Group was decreased to 4,159,475 shares.

At December 31, 2002, Valeo held 605,130 of its own shares, that is 0.74% of share capital; their average purchase price was €31.58. The number of shares purchased in 2002 was 1,431,678 at an average price of €40.85. Valeo disposed of 166,375 shares at an average price of €50.61. Transaction fees amounted to €70,569. Interventions in the market and the purchase of a block of shares, following the disposal by CGIP (now Wendel Investissement) of a part of its stake in Valeo, were carried out within the framework of the share buy-back program with a view to stabilizing the share price or in line with the asset and liabilities management policy of the Company.

The Group's employees do not hold any Valeo shares through a Company Savings Plan or a dedicated investment fund.

Provisions for contingencies and charges

Provisions for contingencies and charges at December 31, 2002 amounted to €1,288 million, compared with €1,674 million at December 31, 2001. This decrease is essentially due to the intensive use of provisions for reorganization expenses, the balance of which fell from €740 million at December 31, 2001 to €365 million at December 31, 2002. The amount of provisions for pension and other employee benefits stood at €642 million.

Positive cash flow and reduction in indebtedness

Following the improvement in results and lower charges to provisions for restructuring, Valeo generated €783 million in cash flow (net income + depreciation) in 2002, versus €296 million in 2001. In addition, improved industrial efficiency, notably through the simplification of production processes and standardization of equipment purchases, resulted in the decrease in working capital requirements and the controlling of capital expenditures:

- in 2002, the working capital requirements of the Group were further reduced to stand at a record level of €209 million, that is 2.1% of sales. This decrease is mainly the result of a cut in inventory levels, down by 17% to €628 million at December 31, 2002;
- capital expenditure totaled €556 million compared with €745 million in 2001 (see Industrial Rationalization).

The Group thus reduced its net indebtedness to €564 million at end 2002 (versus €648 million at end 2001), while proceeding with the payment of a dividend to shareholders (€58 million) and the cancellation of shares (€51 million).

At December 31, 2002, the debt-to-equity ratio improved by 2 percentage points to 27% (29% at end 2001).

Noting the improvement in the Group's financial structure and the turnaround of Valeo's US subsidiary, VESI (that emerged from Chapter 11 of the US Bankruptcy Law in September), Moody's raised its outlook on Valeo from negative to stable in October 2002 and confirmed the A3 rating of Valeo's long-term debt.

Significant Events

Industrial rationalization

Valeo pursued its rationalization and redeployment program initiated in 2001; the Group proceeded with:

- the closure of three sites belonging to its Thermal Systems Activity in North and South America: two in the United States (Grand Prairie, Texas, and Decatur, Illinois) and one in Brazil (Betim);
- the closure of Valeo Climate Controls' production plant at Sainte-Savine, France;
- the closure of two plants specialized in the production of wiring harnesses: Mariglianella, Italy and Velenje, Slovenia;
- the centralization of its Friction Materials activities in Brazil (closure of the Sorocaba plant and transfer of production to the Campinas plant);
- the opening of five new plants within the framework of the redeployment of activities to lower production cost countries or in order to support the setting up of customer facilities in certain countries:
  - two plants in Poland for Wiper Systems and Electrical Systems,
  - one in Brazil for Front End Modules,
  - two in Romania and in Morocco for the production of wiring harnesses (Electronics & Connective Systems).

Within the framework of its plan to divest non-strategic activities, Valeo concluded a partnership with the US company Jabil Circuit covering the manufacture of printed circuit boards (an activity that accounted for €260 million in sales in 2001). This alliance includes the transfer of the Meung-sur-Loire production plant to Jabil Circuit and the closure of the Fort Worth plant in the United States. Valeo retains control over design. A three year partnership contract was also concluded.

In addition, in line with its selective divestment plan, the responsibility for the Plastic Injection workshop of the Switches & Detection Systems site at Felizzano in Italy was transferred to a plastics specialist.

Subsequent to the actions undertaken during the year (closure of seven sites, disposal of a plant and the opening of five sites), at December 31, 2002, the Group employed 69,100 people in 140 production plants, 54 Research & Development centers and 9 distribution centers.

Optimization of logistics

At the end of 2001, Valeo launched a specific action plan to optimize logistics flows from suppliers, within the Group and to customers. Initially, the Group focused efforts on carriers, reducing their numbers from 1,100 to 410 within the space of 20 months. The Group is negotiating framework agreements with all of its logistics partners so as to better integrate them into Valeo's operations.

Valeo expects to see the benefits of this action plan, that is a reduction of logistics costs and a contribution to the reduction in inventory levels, in 2003 and 2004.

Greater supplier integration

Valeo pursued efforts to rationalize the supply chain by reducing the number of raw material and component suppliers from 3,600 at end December 2001 to 3,000 at end December 2002.

Thanks to greater business volumes, selected suppliers generate productivity gains that are shared between the various players including Valeo. Supplier integration is also aimed at eliminating non-quality problems upstream and increasing the standardization of equipment, components and manufacturing processes.

The Group enhanced its partnership policy with the most efficient of these suppliers known as the "Valeo Integrated Partners" (VIP). Eighty partners have now signed agreements with Valeo. These preferred suppliers are more closely involved earlier in the product development process.

To encourage suppliers to contribute to continuous progress, Valeo launched a program called GAIN (Give An Idea Now), the aim of which is to increase the number of suggestions for improvement.

Two other projects already underway contributed to the greater integration of suppliers during 2002:

- The bidding on line system implemented in 2000 was further developed in 2002, to the amount of €1 billion, including €480 million in reverse bidding. To help buyers become familiar with this tool and encourage them to use it, Valeo trained 400 of them in its operation;
- In 2001 the Group opened an Asian Purchasing Office in Shanghai, China. This office, whose job it is to select the best suppliers in Asia, functioned efficiently in 2002 and started to yield cost savings.

Regrouping of Branches into Activities

In the first half of the year, to facilitate synergies between its Branches, the Group set up two new activities in addition to its already existing Electrical and Electronics and Transmissions Activities:

- The Thermal Systems Activity regroups the Engine Cooling and Climate Control Branches, Zexel Valeo Climate Control, Cockpit and Front End Modules. This Activity will enable Valeo to increase the productivity of thermal components by taking advantage of the synergies between different product lines.
- The Valeo Service Activity regroups sales of replacement parts to automakers and to the independent aftermarket. This new organization, which includes reinforced marketing and logistics functions and sales Divisions specialized by distribution channel, enables Valeo to enhance its product and service offering and improve its vision of the market against a background of changes in regulations governing the aftermarket in Europe.

Modification of Valeo's legal structures

The General Meeting of Shareholders of June 10, 2002 approved operations concerning the partial business transfer leading to the spinning off of the industrial activities exercised directly by Valeo (clutches and friction materials) into wholly owned subsidiaries with effect from January 1, 2002. The aim of this operation was to align the legal and operational structures, to simplify administration, and to provide greater clarity in terms of the industrial activities' results and the financial statements of Valeo as the holding company of the Group.

Valeo Electrical Systems Inc.

Valeo Electrical Systems Inc. (VESI), the North American subsidiary of Valeo Inc., made a significant contribution to the Group's losses in 2001 with its Rochester site (its main facility) generating an operating loss of $63 million. In December 2001, VESI was placed under the protection of Chapter 11 of the US Bankruptcy Code.

In 2002 a plan to return the subsidiary to profitability was drawn up. This plan was negotiated with all the parties involved:

- in April, an agreement in line with this plan was signed with IUE-CWA Local 509 union leadership concerning amendments to the labor contract applicable to the Rochester site. This agreement was subsequently ratified by employees;
- in June, the Committee of Creditors accepted VESI's proposals to settle claims;
- in September, this plan was approved and VESI was able to emerge from Chapter 11.

At the same time, the Rochester site management and employees implemented Valeo's 5 Axes methods which contributed to practically halving operating losses to $33 million in 2002.
Between now and the start of 2004, the restructuring of Rochester should be completed with the specialization of the site in wiper systems. The workforce should then be less than 1,000 people compared with 2,600 at end 2001. The Motors & Actuators activity will be transferred to the Juarez, Mexico, site.

Technological Innovation

Research & Development expenses were controlled thanks to Valeo's Development Efficiency Plan. At the same time Valeo continued to develop more complex products for its customers while reducing time-to-market. The strict selection of projects, together with the cross-Branch Domains approach to project development, resulted in the successful transformation of numerous technological innovations into commercial offerings (see Commercial Successes).

By establishing partnerships with specialists in leading-edge technologies applicable to the automotive industry, the Group developed a number of innovative projects:

- Valeo set up a partnership with the US company International Rectifier to develop innovative automotive systems based on power electronics. This agreement will enable the Group to enhance its offering on the high-growth market for automotive electronic applications.
- Valeo's partnership with Ricardo signed in 2001 led to the successful development in the 2nd quarter 2002 of a mild hybrid demonstration vehicle, "i-MoGen" (Intelligent Motor Generator). Fuel consumption is cut by almost 30%, without compromising vehicle performance, driveability or comfort.
- The Group set up a joint venture with US radar specialist, Raytheon, to develop new radar based automotive applications such as vehicle blind spot detection, back-up assist and collision warning systems.

During the course of the year, Valeo's product Research & Development received several awards:

- Valeo won two out of the three EPCOS/SIA (Electronics Parts and Components/Société des Ingénieurs de l'Automobile) awards this year. These awards recognize the high degree of creativity and innovation in the design, manufacture and application of automotive electronic systems:
  - In the "life on board, comfort and cockpit" category, the award was given to Valeo's electrically powered trunk closure system, a European first, that equips models from DaimlerChrysler. It automatically opens and closes the trunk requiring virtually no effort on the part of the user.
  - In the "powertrain" category, the top prize was won by the range extender jointly developed by Valeo and Renault for the Kangoo electric vehicle.
- Valeo's new intelligent lighting system won second prize in the auto parts category at the prestigious Automechanika 2002 autoshow Innovation Awards in Germany. This bending light system responds to driver needs for better illumination of curves by the automatic directional control of the vehicle's headlamp beams.

Commercial successes

Thanks to the technological advance generated by its Research & Development and its competitive cost base, the Group recorded numerous new orders (1.2 times sales compared with 1.0 times in 2001), and at the same time ensured their future profitability through the systematic review of new contracts.

The new products marketed by Valeo illustrate the diversity of its projects and the Group's innovation capability:

- Valeo's new Double Xenon forward lighting technology made its debut on Volkswagen's Phaeton luxury saloon. This new technology increases the luminous flux and thereby doubles peripheral visibility. It is also equipped with a dynamic headlamp self-leveling system to avoid dazzling on-coming road users;
- in the first half, Valeo signed two contracts to supply starter-alternators on future vehicles in volume production in three years time. These contracts are for a patented system which generates up to 10% in fuel savings, reduces noise levels and generates zero emissions when the vehicle is at a standstill thanks to its start-stop function;
- on the strength of Valeo's expertise in the field of ultrasonic park assist systems (UPA), two European automakers have selected Valeo's park slot measurement system to equip future models. It tells the driver if the car will fit into a given parking space;
- Valeo developed a new generation of keyless access and ignition systems in partnership with Renault to equip the Laguna II, Renault Vel Satis and Espace IV models;
- Valeo's innovative intelligent bending light system made its market debut on the new Porsche Cayenne luxury SUV. During night driving, Valeo Bi-Xenon headlamps, combined with a bending light module which progressively delivers additional light to illuminate curves and the near side of the road, significantly enhance driver visibility;
- Valeo won a contract at the end of the year to supply next generation thermal systems for a Chrysler Group vehicle. The systems include both engine cooling and the heating, ventilation and air conditioning (HVAC) systems. It enables the vehicle's engine and the passenger compartment to be maintained at an optimized temperature level.

The Group also enhanced its order book with orders for high volumes of products and systems as automakers are revamping entire model ranges. Valeo won a contract worth over €1 billion from the Volkswagen group to equip future models with Valeo HVAC systems.

Group Divisions also received numerous customer awards for the quality of their products and services:

- Honda Supplier Award for Quality and Delivery, Valeo Engine Cooling USA Division
- Chang'an Suzuki Supplier award, Valeo Wipers Systems China Division
- Nissan Shatai, High Quality Award, Zexel Valeo Climate Control (ZVCC)
- Best score in an audit performed by DaimlerChrysler, Valeo Climate Control, Rodach, Germany
- Dongfeng Citroën Automotive Company's Best Supplier of the Year award, Valeo Lighting Systems China Division
- Mitsubishi Motor Manufacturing of America Supplier Award, Valeo Sylvania, USA
- Groupe Auto Union, Best Supplier of the Year, Valeo Service, formerly Valeo Distribution.

During 2002, the "Valeo added" communications campaign underlined the value that the Group's products and services add to its automaker customers' vehicles to the benefit of drivers. This campaign, which placed the accent on innovative technology and Total Quality, one of Valeo's 5 Axes, was launched in mid-September in the European automotive press on the occasion of several major events, the Paris Mondial autoshow in France and the Automechanika aftermarket show in Germany.

Sustainable development

Its continuous progress culture and its 5 Axes methods make Valeo a leading player in sustainable development to the benefit of the communities in which it operates.

Valeo's products contribute to the acceptable integration of the automobile into society and the environment through:

- increased mobility through the on-going reduction in the cost of vehicles,
- enhanced driving comfort,
- the indirect impact on the safety of passengers and pedestrians,
- the reduction in noise and vibrations,
- the reduction in vehicle energy consumption,
- the limitation of harmful vehicle emissions and their toxicity.

The continuous drive for industrial efficiency leads to the gradual reduction of the environmental impact on business through action on the following variables:

- the reduction in raw materials consumption in the manufacturing process (reduction in volumes, recycling),
- the reduction or the elimination of hazardous products used in manufacturing processes and products,
- products designed to be recycled at the end of their useful life,
- the reduction in energy consumption in the manufacturing process,
- the limitation of manufacturing waste,
- the constant improvement in environmental management within the framework of ISO 14001 certification and training programs.

In the social domain, the Group's success is based on the involvement of its personnel supported by the application of a certain number of important principles:

- training and acquisition of multiple skills,
- empowerment and autonomy,
- contribution to continuous progress at all levels of the organization,
- career development prospects and fair remuneration,
- equity and non-discrimination.

These principles combine the development of Valeo with the well-being of all its employees, wherever they are in the world and whatever the laws of the country. When industrial restructuring is implemented, Valeo takes great care in managing its social impact on the people affected.
The early integration of suppliers in the product development process is also a factor for the sustainable development of the communities in which the Group operates.

The appendix attached to this review of operations details the main environmental and social indicators of the Group.

Outlook 2003

Despite an unfavorable outlook in 2003, Valeo should continue to benefit from the restructuring actions implemented since the Spring of 2001 and the productivity gains engendered.

Valeo expects a downturn in the automotive market. In North America, automaker incentive programs can only slow down the deterioration in the sales of new vehicles. As automaker inventories are high, production volumes should fall. In Europe, the macro-economic trend is downward.

Against this background, Valeo intends to pursue the adaptation of its industrial base and its workforce. In particular, the Group has announced that it has started the process of closing several sites in Europe belonging to its Electrical and Electronics Activity (three entities in Germany and one in Spain). In addition, its Electronics & Connective Systems Branch will continue to implement its plan to withdraw from wiring activities in France. Valeo also intends to merge its Security Systems' Cantareira and Diadema entities at Sao Paulo (Brazil) into a single site.

The Group considers that these additional efforts will allow it to continue to strengthen its operating results, while its innovation capacity and its increased competitiveness will ensure the future growth of market shares.

Subsequent significant events: none

Company accounts

Following the creation of subsidiaries for industrial activities, the activity of Valeo SA is now focused on holding activities and the management of the Group's cash.

The financial result totaled €821 million and included €817 million received in dividends from subsidiaries.

Exceptional income included net capital gains on the transfer of assets of €134 million, offset in part by the taking into account of litigation in the amount of €13 million. Net income therefore stood at €964 million.

Valeo SA's stockholders' equity totaled €3,363 million at December 31, 2002.

Appendix Environmental and social indicators

Environmental indicators and information

Valeo's environmental policy is brought into play at all stages of the product life cycle, from design to manufacturing, use and end of life.

Accordingly, a group of environment and R&D experts from the Group's various Branches has been working since 1998 to reduce the environmental impact of manufacturing processes and products over the entire life cycle. The research group meets regularly to discuss specific topics such as banned and restricted substances, the elimination of hexavalent chromium, the elimination of lead and its compounds and chlorinated solvents, and the use of recycled grades of plastic.

Valeo has also set up a database containing a list of substances that are banned or regulated in the automotive industry. The database details the regulations applicable in the various countries in which Valeo operates and the requirements formulated by its automaker customers for over 600 substances used in the composition of parts and the manufacturing and repair processes.

Alongside this, the Group also performs studies on effective, alternative solutions for meeting customer specifications.

Scope of the report

The data published in this report concern all Valeo production and distribution sites worldwide for 2000 through 2002. The level to which the figures are representative is indicated next to each indicator. The 2000 and 2001 data are taken from the 2001 Environment Report which was not reviewed by the Group's auditors. Sites dedicated exclusively to R&D activity or to office work were not included in the report.

All the subsidiaries in which the Group has a majority stake have been included according to the following rules:

- acquisition during year Y: data included from January 1 of Y + 1;
- sale during year Y: data excluded from year Y.

The indicators were centrally calculated on the basis of raw data collected from the various sites.

This report was produced in compliance with the recommendations of the Global Reporting Initiative (GRI).

The trend for nearly all the indicators over the last two years highlights the success of the Group's action aimed at reducing negative environmental impact.

Water consumption

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Total volume of water consumed	thousands of cu.m	6,139	5,455	6,334	75%	80%	96%
Total volume of water consumed/sales	cu.m./million euro	807	559	579			

The total volume of water consumed per million euros of sales was almost identical to the 2001 figure. Water consumption by Valeo's manufacturing processes is low and investments have been made to ensure that cooling systems operate as closed circuits. A slight increase in water consumption is forecast over the coming years due to progress in replacing organic solvents by water in certain manufacturing processes.

Energy consumption breakdown

		2000	2001	2002	Representativeness (% of sales) 2000	2001	2002
Total energy consumption	GWh	1,452	1,658	1,758	78%	82%	98%
Total energy consumption/sales	MWh/million euro	185	166	158			
Electricity							
% of total energy consumption		56%	55%	60%	78%	81%	100%
Gas							
% of total energy consumption		31%	41%	31%	72%	79%	95%
Fuel oil							
% of total energy consumption		14%	4%	4%	62%	48%	94%
Other							
% of total energy consumption		0	0	5%			

Total energy consumption has remained stable, with the proportion of electricity, a non-polluting energy source, on the increase. Gas is mainly used for heating and residual fuel oil use principally represents the regular testing of the electric pumps used to operate sprinklers. Pilot actions have been initiated in Mexico to use solar power to heat water for washing facilities.

Heavy metals and chlorinated solvents

		2000	2001	2002	Representativeness (% of sales) 2000	2001	2002
Heavy metal consumption	Tonnes	2,375	2,946	1,396	61%	59%	92%
Heavy metal consumption/sales	kg/million euro	387	410	133			

In line with regulatory and automaker requirements as well as its own standards, Valeo is engaged in continued efforts to reduce heavy metal consumption, with levels falling markedly in 2002.

		2000	2001	2002	Representativeness (% of sales) 2000	2001	2002
Consumption of chlorinated solvents	Tonnes	2,638	2,511	2,288	53%	55%	95%
Consumption of chlorinated solvents/sales	kg/million euro	492	372	212			

The Group has also been successful in reducing the use of chlorinated solvents over the last few years by using replacement products, focusing particularly on trichlorethylene (TCE) which Valeo intends ultimately to eliminate from its manufacturing processes altogether.

Industrial effluent and heavy metals

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Volume of industrial effluent released	'000 of cu.m.	2,731	2,006	1,174	65%	62%	99%
Volume of industrial effluent released/sales	cu.m./million euros	412	266	104			

Efforts to reduce industrial effluent have been made over the last three years and are closely related to improvements in manufacturing processes which remove the need for intermediate degreasing phases. In addition, a significant portion of the effluent produced is no longer treated as effluent but rather as liquid waste which is transferred to external treatment plants.

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Heavy metal quantity in effluent	Kg	1,073	1,270	859	43%	36%	94%

Success in reducing the heavy metals load in effluent depends on their reduced use in manufacturing processes and is an ongoing Group objective.

Atmospheric emissions

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Atmospheric emissions of VOCs	Tonnes	1,767	2,476	2,473	54%	69%	66%
Atmospheric emissions of VOCs/sales	Kg/million euro	324	292	329			

The overall level of VOCs released was in line with 2001 figures but is expected to fall off considerably in 2003 due to the ramp-up of the G5 process. This new process uses water as a solvent for the manufacture of friction materials.

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Greenhouse gas emissions	Tonnes CO_2 eq.	145,002	154,401	122,011	72%	79%	96%
Greenhouse gas emissions/sales	T CO_2 eq./million euros	21	16	11			

Direct emissions of CO_2 were calculated on the basis of energy consumption using the emission coefficients of the Intergovernmental Panel on Climate Change. In line with the Group's targets, direct emissions of greenhouse gases continued to fall in 2002, thanks in particular to the increased share of electricity and the switch from fuel oil to gas-fired boilers.

Waste

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Total quantity of waste produced	Tonnes	98,169	116,552	139,707	69%	78%	95%
Dangerous waste			32%	22%		77%	98%
Non-dangerous waste			68%	78%		78%	95%
Waste re-use rate (Group total)	%	55	61	62	58%	61%	85%

Waste re-use improved considerably in 2002 as, although the quantity of waste produced during the year was on a par with 2001, the level of dangerous waste fell. The increase in non-dangerous compared with dangerous waste demonstrates a qualitative improvement in this area.

Packaging

					Representativeness (% of sales)		
		2000	2001	2002	2000	2001	2002
Total packaging materials used	Tonnes	42,909	58,297	59,301	41%	49%	72%
Total packaging materials used/sales	Tonnes/million euro	10,371	9,773	7,293			
Plastic packaging	Tonnes	5,296	6,852	6,727	38%	51%	75%
Plastic packaging/sales	Kg/million euro	1,365	1,105	789			
Cardboard packaging	Tonnes	18,125	26,266	29,216	41%	50%	73%
Cardboard packaging/sales	Kg/million euro	4,381	4,312	3,519			
Wood packaging	Tonnes	19,489	22,577	24,305	40%	55%	76%
Wood packaging/sales	Kg/million euro	4,797	3,362	2,813			
Other packaging materials				246			

Valeo is taking major steps to reuse packaging, including encouraging customers to return packaging items after deliveries.

Odor pollution

Odor pollution at Valeo principally concerns friction materials manufacturing sites and is produced by material curing operations.

Limoges is being used as a pilot site in this respect and has formed a panel of testers from the local community. Major investments have been made at the site to ensure that the potentially odor polluting VOCs are eliminated by combustion.

Noise pollution

Valeo's operations do not use any particularly noisy processes. Certain roof air extraction units may cause some noise pollution, albeit very limited.

Ground use and measures to limit biological imbalance

Valeo pays particular attention to soil conservation at its sites:

- a Group directive stipulates that all dangerous products should be stored separately. Raw materials and finished products are never to be stored in direct contact with the ground but on surfaces covered with impermeable materials.
- a significant area is given over to greenery at the Group's sites, which is well maintained. On average, 35% of a site's surface area is given over to buildings, 15% to roads and therefore 50% to greenery.

The greenery is adapted to the site's environment and when new buildings are constructed or sites reconfigured, the existing plant and tree species are preserved on site wherever possible.

Based on the work of the HQE (High Quality Environment) association, the US Green Building Council and the recommendations of the World Bank, Valeo has developed the "generic plant" concept, whereby all site construction and renovation projects are subject to very precise specifications. The sustainable development criteria include:

- site selection,
- plant architecture and construction,
- employee working conditions,
- plant operation,
- application of regulations,
- Valeo risk prevention standards,
- optimized energy consumption,
- reduced emissions and waste.

The plants at Veszprem, Hungary; Skawina, Poland; Zebrak, Czech Republic; Atsugi-Shi, Japan and recently at Bouznika, Morocco are all examples of the new generic plant concept.

ISO 14001 certified sites and sites audited by independent experts

	2000	2001	2002
Total number of ISO 14001 certified sites	27	46	77
Number of external audits	38	63	65
Number of Health and Safety at work audits			44

Most of the industrial sites which have been part of the Group for several years have already been certified. Several others are due to be certified in 2003 with action currently under way to extend certification to all the Group's sites, including the recently integrated Valeo Electronics & Connective Systems Branch.

Environmental training

	2000	2001	2002
Number of hours of environmental training	19,727	24,915	29,229

The number of training hours within the Group is constantly increasing, having risen by almost 50% in two years. This is a testimony to Valeo's desire to develop a genuine environmental culture at all of its sites.

The training policy has already been strengthened and will be further extended in 2003 with country-specific awareness days. In addition, Valeo has set up a program to hire engineers who are already trained on and aware of environmental issues to join the teams in charge of security, safety, health and the environment at the Group's sites.

An increasing number of specific initiatives have been set up at sites on the basis of individual requirements identified by local managers, in compliance with Group guidelines.

Financial data

	Units	Value	Representativeness (% of sales)
Number of fines	Number	4	99%
Amount	Thousands of euro	12	99%
Provisions and guarantees for environmental risks	Thousands of euro	7,711	79%
Operating expenses deployed to cover environmental consequences of the business	Thousands of euro	14,570	83%
Investments made, excluding pollution elimination costs, to cover environmental consequences of the business	Thousands of euro	12,186	82%
Specific pollution elimination costs	Thousands of euro	1,503	93%

Regulatory compliance

Valeo has drafted a "Risk Management Manual" which sets out risk management procedures applicable to the Group. These are used to ensure that Group operations comply with the regulations in force in each country and, where possible, to implement standards meeting the most demanding requirements.

Several application guidelines were added to the manual in 2002 related to plant security, the environment and safety. These guidelines are used by the different sites as training tools for the practical application of Group procedures.

Emergency plan

The Risk Management Manual also contains a specific directive covering prevention of emergency situations as well as situation-specific emergency plans.

Internal environmental management organization

The Risk, Insurance and Environment department works hand-in-hand with all Group departments, in particular the R&D, Human Resources, Purchasing, Quality, Legal and Industrial Departments. Actions are carried out with suppliers to bring them up to the same standards applicable in Valeo's own sites.

A Security, Safety, Health and Environment manager is responsible for ensuring that procedures are correctly applied at each site. A network of Branch-level coordinators provides technical support to the site safety managers and reports back to the Risk Management Committee which meets every two months.

The audit program, which has been in operation since 1991, is a major component of the Valeo environment policy. External experts perform regular audits at least every two years to measure performance levels and progress in terms of the environment, health and safety at work, building and plant security and plant and data protection.

Social indicators

As Valeo is a decentralized Group, the only globally-consolidated social information available relates to headcount and training.

Globally-consolidated social data

Headcount

Permanent employees and employees under fixed-term contracts				Temporary	Total headcount
Engineers & managers	Technicians	Other	Total		
10,229	13,362	40,934	64,524	4,563	69,087

Training

In 2002, 54,200 employees attended at least one training course. Total training amounted to 1.5 million hours.

Consolidated social data for the French companies

These data cover the 19 French operating companies.

Employment

- **Number of employees**

	Number of employees
Engineers and managers	4,477
Technicians, supervisors and administrative staff	3,843
Others	10,760
Total	19,080
Temporary	2,690
Total headcount	21,770
Including	
Permanent staff	18,340
Temporary staff and staff under fixed-term contracts	3,430

At December 31, 2002, the Group had 21,770 employees in France, representing a 4.9% contraction compared with 2001. Engineers and managers represent over 23% of the total with temporary and fixed-contract employees accounting for 15.8%.

The total number of overtime hours worked in 2002 was 261,000, the monthly equivalent of 143 employees.

- **New recruits**

	Permanent
Engineers and managers	869
Technicians, supervisors and administrative staff	196
Others	630
Total	**1,695**

In 2002, Valeo recruited 1,695 new employees on permanent contracts. Engineers and managers made up 51% of the year's hires, at a total of 869.

	Fixed-term contracts
Engineers and managers	96
Technicians, supervisors and administrative staff	173
Others	1,429
Total	**1,698**

In 2002, 1,698 fixed-term contracts were signed, including contract extensions. This represents 741 staff on fixed-term contracts at December 31, 2002.

- **Departures**

	Departures
Departures	587
of which redundancies	293
Early retirement	549

In 2002, the French entities reduced employee numbers by 587 (3% of the workforce). 549 employees accepted early retirement. Industrial rationalization involved 5 companies in which a series of measures have been implemented to encourage employee redeployment. These measures include:

- internal transfers, whereby 148 employees were found new jobs in the French companies in 2002,
- external transfers, initiatives aimed at finding buyers for divested operations, reindustrialization of employment catchment areas and development of the local economy.

Organization of the working week

- **Working hours/days**

	Working hours/days
Engineers and managers	214 days per year
Technicians, supervisors and administrative staff	35 hours per week
Contract staff	37.5 hours per week
Others	35 hours per week

All the French companies have signed majority agreements with the trade union organizations concerning the organization of working hours.

- **Employee breakdown by working hours in %**

	Employee breakdown by working hours in %
Day workers	45%
Two 8-hour shifts	40%
Three 8-hour shifts	5%
Night workers	10%

Production employees work two-phase or three-phase shifts or nights to optimize plant utilization. There are 820 part-time workers, representing 4.3% of the workforce.

- **Absenteeism**

Absenteeism, expressed as the number of hours absent over the possible number of working hours, totaled 3.8% and action plans have been implemented in the various companies to reduce the figure.

Equality between men and women in the workplace

In accordance with the French law adopted on May 9, 2001, Valeo draws up a comparative, male-female status report every year in each of the Group's French companies. These reports are used as a basis for annual negotiations between labor and management on targets for equality at the workplace and on the measures required to achieve these targets.

Valeo actively promotes equality in terms of career development, access to training, salaries and rank within the company.

Remuneration

- **Salaries (average monthly salary over 12 months)**

	Salary
Engineers and managers	€ 4,270
Technicians, supervisors and administrative staff	€ 2,360
Others	€ 1,780

- salaries increased by a total of 2.2% in 2002.
- 12 wage agreements were signed by the French companies.
- the ratio of average engineer and executive salaries to that of unskilled staff is 2.4.
- total payroll taxes amounted to € 270.8 million in 2002, less than 41.7% of the overall payroll.

- **Profit sharing**

In 2002, € 3.7 million was paid out to employees from seven companies under "participation" profit sharing schemes drawn up under the terms of the law adopted on November 7, 1990 and the law on employee savings of February 19, 2001.

- **Incentive schemes**

€ 4.5 million was paid out to employees from 5 companies under incentive schemes in 2002.

- **Employee savings**

A Group savings scheme was set up on November 13, 2001 under a collective agreement signed by Group Management and four trade union organizations. This scheme covers only the Group's French companies.

Currently 9,500 employees are members of the Group savings scheme, almost half the permanent French workforce. Of these employees, half contribute via direct payments from their profit sharing and incentive schemes and the other half via discretionary payments.

Labor relations and collective bargaining agreements

Valeo has developed an active contractual policy in respect of labor relations. 59 agreements were signed with the employee trade union organizations in 2002 covering wide-ranging issues including wages, incentive schemes, profit sharing, working hours and personal risk insurance.

Health and safety

The Group's target is for its sites to meet the most demanding worldclass health and safety standards.

Health and safety at work are a clear priority for Valeo. Systematic audits are performed by external consultants to assess and evaluate risks and Valeo has implemented Group-wide standards. By way of an example, a specific directive has been drawn up to cover the risk of Legionnaire's disease, based on the most stringent protection standards related to that risk. Others are in progress on carcinogenic, mutagenic and toxic products and on reinforced safety measures for lifting devices and presses.

In order to assess the success of measures implemented, Valeo uses two ratios: frequency (number of accidents leading to sick leave per million hours worked) and seriousness (number of days lost per thousand hours worked).

Frequency	16.90
Seriousness	0.49

Frequency and seriousness rates were below industry averages in 2001 by 40% and 52% respectively.
(Source: Union of Mining and Metallurgic Industries)

Training

Number of employees trained	13,653
Number of training hours given	438,678

Over 70% of employees received training in 2002, either during integration programs or through courses aimed at developing multi-skills, with average training per person amounting to 4.5 days. Training measures covered all employee categories, with a high degree of management involvement.

Handicapped employees

A total of 667 handicapped employees work at the Group's French sites and a large number of subcontracting and service contracts have been set up with centers which promote the employment of handicapped workers.

Social aid programs

€ 12.2 million was spent on social aid programs in 2002, which represents 1.8% of payroll.

Subcontracting

Subcontracting costs amounted to € 78.2 million in 2002, covering services such as site security, cleaning and maintenance. Valeo is particularly vigilant in ensuring that its subsidiaries comply with the fundamental principles of international labor law in all their dealings with subcontractors and that they apply the Valeo Code of Ethics.

The Group's role in youth training and employment

Valeo has developed a number of partnerships with technical schools, higher education establishments and universities in the regions where it operates, with future employees being trained and hired via apprenticeships, work experience schemes and internships.

Observations of the Supervisory Board

The Management Board has submitted to us the financial statements for the year 2002 and the report on the operations of your company and its Group during that year.

We are kept regularly informed about the business and activity of your company and its Group and have carried out, within the scope of our supervisory role, the verifications and such supervision as we have deemed necessary.

The Supervisory Board has approved, after review, the financial statements that are submitted to you. The Board has also analyzed the information provided in the report of the Management Board, and has no particular observations to make concerning it.

To carry out its task, the Supervisory Board is supported by various specialized committees: the Strategy Committee, the Audit Committee and the Remuneration Committee.

The Strategy Committee, which is mainly responsible for examining the strategic orientations of the Group, reviewing the budgets and their application and reporting on those matters to the Board, met monthly during the year 2002 (with the exception of August).

The Audit Committee, which is responsible for ensuring the relevance, selection and proper application of the accounting methods used to prepare the financial statements of the company and the Group and for making sure that the major operations carried out at the Group level receive the appropriate accounting treatment, met twice in 2002. It examined the interim and annual financial statements prepared by the Management Board. After listening to presentations by the Company's financial departments and the statutory auditors, it recommended that the Board approve these documents.

The Remuneration Committee, which is responsible for submitting proposals for management compensation to the Supervisory Board, including the award of stock options to members of the Management Board, met three times during 2002.

At the end of 2002, Mr Ernest-Antoine Seillière resigned as member of the Supervisory Board in order to comply with provisions limiting a board member from serving on multiple boards. He has not been replaced.

The Supervisory Board expresses its appreciation and gratitude to the Management Board and to all managers and employees of Valeo for the work and efforts carried out in 2002.

The Board has given its approval to the Management Board with respect to the resolutions that are proposed to you. It asks you to approve the financial statements for the year 2002, the allocation of profits and all of the resolutions that are submitted to you. In particular, it encourages you to adopt the change of your company's management structure to one governed by a Board of Directors. After a transition period and support of management by the Supervisory Board and changes in the Company's shareholding structure, the company may now return to a structure with a Board of Directors. This structure will be strengthened by the application of the recommendations of the report of the AFEP-MEDEF working group chaired by Mr Daniel Bouton to improve the corporate governance in listed companies.
In the context of this proposed change in structure, you are requested to appoint as members of the Board of Directors for a four-year term of office: Thierry Morin, Noël Goutard, Carlo De Benedetti, Yves-André Istel, Alain Minc, Jean-Bernard Lafonta, Erich Spitz, François Grappotte, Philippe Guédon and Véronique Morali.

Consolidated key figures

(Millions of euro)	2002	2001	2000
Net sales and revenues	9,803	10,234	9,120
Gross margin	1,702	1,675	1,708
% sales	17.4 %	16.4 %	18.7 %
Operating income	487	388	573
% sales	5.0 %	3.8 %	6.3 %
Net income/(loss)	135	(591)	368
Earnings/(loss) per share (in euro)	1.63	(7.12)	4.44
Cash flow [(1)]	783	296	920
Capital expenditure	556	745	661
Stockholders' equity	2,101	2,262	2,919
Net indebtedness	564	648	426
Debt-to-equity ratio	27 %	29 %	15 %
Number of employees	69,100	70,000	75,200

[(1)] Net income + depreciation

Quartely trends* (Millions of euro)	1st half 2002	3rd quarter 2002	4th quarter 2002
Net sales and revenues	5,184	2,241	2,378
Gross margin	888	387	427
% sales	17.1 %	17.3 %	18.0 %
Operating income	240	105	142
% sales	4.6 %	4.7 %	6.0 %

* Quarterly data is not reviewed by the auditors.

Consolidated statements of income

(Millions of euro)	2002	2001	2000
Net sales and revenues (note 18)	**9,803**	**10,234**	**9,120**
Cost of sales	(8,101)	(8,559)	(7,412)
Gross margin	**1,702**	**1,675**	**1,708**
% sales	17.4 %	16.4 %	18.7 %
Research and development expenditures	(577)	(619)	(573)
Selling expenses	(186)	(201)	(182)
Administrative expenses	(452)	(467)	(380)
Operating income	**487**	**388**	**573**
% sales	5.0 %	3.8 %	6.3 %
Interest income	15	18	29
Interest expense	(64)	(65)	(34)
Other financial income and expenses - net (note 13)	(13)	(15)	1
Other income and expenses - net (note 14)	(74)	(738)	39
Income/(loss) before income taxes	**351**	**(412)**	**608**
Income taxes (note 15)	(106)	(42)	(142)
Net income/(loss) from consolidated companies	**245**	**(454)**	**466**
Equity in net earnings of associated companies	7	(1)	2
Amortization of goodwill (note 3)	(95)	(120)	(87)
Net income/(loss) before minority interests	**157**	**(575)**	**381**
% sales	1.6 %	(5.6 %)	4.2 %
Minority interests	(22)	(16)	(13)
Net income/(loss)	**135**	**(591)**	**368**
% sales	1.4 %	(5.8 %)	4.0 %
Average number of shares outstanding (thousands)	83,038	82,961	82,842
Earnings/(loss) per share (note 1.17) (euro)	**1.63**	**(7.12)**	**4.44**
Fully diluted earnings/(loss) per share (note 1.17) (euro)	1.63	(7.12)	4.43

The notes on pages 24 to 42 are an integral part of the consolidated financial statements.

Consolidated balance sheets

(Millions of euro) At December 31	2002	2001	2000
ASSETS			
Cash and marketable securities (note 11)	686	680	376
Accounts and notes receivable – net (note 8)	1,752	1,821	2,098
Inventories – net (note 7)	628	753	806
Short-term deferred tax assets (note 15)	56	55	79
Prepaid expenses and other current assets	300	451	429
Current assets	**3,422**	**3,760**	**3,788**
Property, plant and equipment	5,652	5,821	5,377
Less: accumulated depreciation	(3,420)	(3,363)	(2,941)
Property, plant and equipment – net (note 4)	2,232	2,458	2,436
Goodwill – net (note 3)	1,387	1,596	1,560
Other intangibles – net (note 4)	43	50	44
Investments in companies carried at cost (note 5)	66	66	71
Investments in companies at equity (note 6)	34	27	67
Loans and other assets	10	10	11
Long-term deferred tax assets (note 15)	106	124	99
Investments and other assets	216	227	248
Fixed assets	**3,878**	**4,331**	**4,288**
Total assets	**7,300**	**8,091**	**8,076**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term debt (note 11.5)	579	634	581
Accounts and notes payable	1,667	1,685	1,810
Current maturities of long-term debt (note 11)	14	19	27
Provisions – current portion (note 10)	419	776	631
Other liabilities and deferred income	835	985	1,084
Current liabilities	**3,514**	**4,099**	**4,133**
Long-term debt (note 11)	657	676	195
Deferred tax liabilities (note 15)	25	27	56
Provisions for contingencies and charges (note 10)	869	898	661
Long-term liabilities	**1,551**	**1,601**	**912**
Minority interests	134	129	112
Share capital	246	249	249
Additional paid-in capital	736	725	720
Retained earnings	1,119	1,288	1,950
Stockholders' equity (note 9)	**2,101**	**2,262**	**2,919**
Total liabilities and stockholders' equity	**7,300**	**8,091**	**8,076**

The notes on pages 24 to 42 are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

(Millions of euro)	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/(loss) from consolidated companies	245	(454)	466
Net dividends received from associated companies	-	-	-
Other adjustments to reconcile net income to net cash provided by operating activities:			
• depreciation and amortization	554	792	467
• net charges to /(reversals from) provisions and deferred taxes	(208)	128	(235)
• (gains)/losses – net of tax – on disposals of fixed assets	12	69	(47)
• other income and deductions with no cash effect	(4)	(3)	(31)
Changes in operating working capital:			
• inventories	69	42	(53)
• accounts and notes receivable	(1)	213	(146)
• accounts and notes payable	29	(71)	121
• other receivables and payables	106	4	50
Net cash provided by operating activities	**802**	**720**	**592**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures:			
• property and intangibles	(606)	(741)	(670)
• investments and other assets	(3)	(2)	(68)
Proceeds – net of tax – from disposal of:			
• property and intangibles	19	13	9
• investments and other assets	-	-	(1)
Impact of changes in scope of consolidation (1)	7	(111)	(601)
Net cash used in investing activities	**(583)**	**(841)**	**(1,331)**
Net cash (used) provided before financing activities	**219**	**(121)**	**(739)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to parent company stockholders	(58)	(112)	(124)
Equalization tax on dividends	-	-	(23)
Dividends paid to minority interests in consolidated subsidiaries	(10)	(8)	(6)
Proceeds from:			
• issuance of share capital	12	5	21
• cancellation of shares held in treasury stock (note 9.1)	(51)	-	-
• issuance of long-term debt	3	504	24
• capital grants received	3	3	5
Reduction in long-term debt	(14)	(20)	(5)
Net cash provided by/(used in) financing activities	**(115)**	**372**	**(108)**
Effect of exchange rate changes on cash	(43)	-	4
Net change in cash and cash equivalents	**61**	**251**	**(843)**
Cash and cash equivalents at beginning of year (note 11.1)	**46**	**(205)**	**638**
Cash and cash equivalents at end of year (note 11.1)	**107**	**46**	**(205)**

(1) including €171 million in 2001 in capital gains tax paid on the disposal of Valeo's 50% stake in LuK in 1999.

The notes on pages 24 to 42 are an integral part of the consolidated financial statements.

Consolidated statements of changes in stockholders' equity

Number of shares	(Millions of euro)	Share capital	Additional paid-in capital	Translation reserve	Retained earnings	Stockholders' equity
82,808,128	**Stockholders' equity at December 31, 1999**	**248**	**716**	**8**	**1,680**	**2,652**
	Dividends	-	-	-	(124)	(124)
	Equalization tax on dividends	-	-	-	(23)	(23)
	Issuance of shares:					
115,275	• through exercise of options	1	4	-	-	5
	Translation adjustment	-	-	41	-	41
	2000 net income	-	-	-	368	368
82,923,403	**Stockholders' equity at December 31, 2000**	**249**	**720**	**49**	**1,901**	**2,919**
	Dividends	-	-	-	(112)	(112)
	Issuance of shares:					
133,200	• through exercise of options	-	5	-	-	5
	Translation adjustment	-	-	41	-	41
	2001 net loss	-	-	-	(591)	(591)
83,056,603	**Stockholders' equity at December 31, 2001**	**249**	**725**	**90**	**1,198**	**2,262**
	Dividends	-	-	-	(58)	(58)
	Issuance of shares					
277,125	• through exercise of options	1	11	-	-	12
(1,200,000)	Cancellation of shares held in treasury stock	(4)	-	-	(47)	(51)
	Impact of application of CRC standard 2000-06 on liabilities	-	-	-	(9)	(9)
	Translation adjustment	-	-	(190)	-	(190)
	2002 net income	-	-	-	135	135
82,133,728	**Stockholders' equity at December 31, 2002**	**246**	**736**	**(100)**	**1,219**	**2,101**

The notes on pages 24 to 42 are an integral part of the consolidated financial statements.

1. Accounting policies

1.1. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in France.

The accounting standards and policies applied to prepare the 2002 consolidated financial statements are consistent with those applied in 2001 and 2000, and since January 1, 2002, the new 2000-06 standard of Comité de la Réglementation Comptable (CRC) relating to liabilities (see note 1.2) has been applied.

In conformity with CRC standard 99-02, Valeo has decided not to adjust the accounting entries for acquisitions recorded before January 1, 2000.

Valeo also applies the valuation and accounting requirements of certain accounting standards formulated by the International Accounting Standards Committee in preparing the consolidated financial statements. In particular, Valeo complies with the provisions of International Accounting Standards concerning the accounting treatment of income arising in the ordinary course of business (IAS 18), the valuation of inventory (IAS 2), the accounting treatment of leases (IAS 17) and property, plant and equipment (IAS 16, historical cost method), accounting for income taxes (IAS 12 revised in 1996), the valuation and accounting treatment of employee benefits (IAS 19 revised in 1998), the effect of changes in foreign exchange rates (IAS 21), impairment of assets (IAS 36) and valuation of liabilities (IAS 37).

Among the International Accounting Standards applicable in preparing the consolidated financial statements for the year ended December 31, 2002, Valeo has not applied certain standards which, if they had been applied, would have had a material effect on the consolidated financial statements. Those standards are as follows:

- IAS 1: all the accounting standards formulated by the International Accounting Standards Committee are not applied in their entirety;
- IAS 8: "Other income and expenses – net" corresponding primarily to personnel downsizing and restructuring costs, gains and losses on disposals of consolidated subsidiaries and associated companies accounted for by the equity method, and exceptional assets write-downs, are not included in operating income;
- IAS 14: segment reporting principles;
- IAS 22 revised in 1998: Valeo applies French generally accepted accounting principles in relation to business combinations. The acquisition in 1998 of ITT Automotive Electrical Systems was recorded as explained in note 1.4.

  If IAS 22 had been applied to this transaction, stockholders' equity would have been increased by €583 million at December 31, 2002 (by €686 million at December 31, 2001) and net income would have been reduced by €39 million in 2002 (by €364 million in 2001 taking into account exceptional notional goodwill amortization amounting to €305 million) (see note 3);
- IAS 38: in common with the other international groups operating in the automotive sector, Valeo continues to charge development costs to the statement of income when they are incurred;
- IAS 39: Valeo applies French generally accepted accounting principles in relation to financial instruments.

1.2. Since January 1, 2002, Valeo has applied the new CRC standard 2000-06 relating to liabilities.

Application of this new standard resulted in the cancellation of provisions that do not comply with the new standard, in the amount of €13 million (see note 10.1), and a €22 million reduction in goodwill on Sylea, net of amortization (see note 3), leading to a €9 million decrease in stockholders' equity.

If this standard had been applied as of January 1, 2001, "other income and expenses – net" for 2001 would have included an additional expense of €17 million, and goodwill amortization would have been reduced by €1 million.

1.3 Consolidation methods

The consolidated financial statements include the accounts of Valeo and of its majority-owned subsidiaries.

Investments in associated companies in which Valeo has the power to exercise significant influence over financial and operating policies, are accounted for by the equity method. Valeo is considered to exercise significant influence over companies in which the Group owns more than 20% of the voting rights. This method consists of replacing the book value of the investments by the Group's equity in the underlying net assets, including earnings for the year.

Companies held jointly by Valeo and another partner are accounted for as follows:

- jointly-owned subsidiaries managed by Valeo are fully consolidated;
- those managed by the partner are accounted for using the equity method;
- those in which both partners share voting rights, seats on the Board of Directors or equivalent and share management responsibility are consolidated on a proportional basis.

Investments in certain other majority-owned subsidiaries and associated companies that the Group does not intend to hold on a long-term basis or which are not material in relation to the Group as a whole, are not consolidated.

The individual Group companies are consolidated on the basis of their local financial statements, as restated in accordance with the principles applied by the Group.

All significant inter-company transactions are eliminated, including gains on inter-company disposals of assets, inter-company profits included in inventories and inter-company dividends.

Companies acquired during the year are consolidated as from their acquisition date.

1.4. Intangibles and goodwill

The identifiable assets and liabilities of companies consolidated for the first time are recorded in the consolidated balance sheet at their fair value at the date of acquisition. The excess of the purchase price of the shares in the company concerned over the aggregate fair value of identifiable assets and liabilities at the date of acquisition is recorded as an asset under "Goodwill". Goodwill is amortized by the straight-line method over the estimated period of benefit, determined on a case-by-case basis, not to exceed twenty years. When projected future earnings of the acquired business show a lasting impairment in value, exceptional amortization is booked to write down net goodwill to the present value. Goodwill arising on the acquisition of foreign companies and fair value adjustments to the underlying assets and liabilities of the acquired companies are translated at the year-end exchange rate.

As regards the 1998 acquisition of ITT Automotive Electrical Systems, which was partly financed by a share issue, goodwill on the portion of the acquisition price funded through equity was recorded as a deduction from the related issue premium.

Other intangible assets, primarily patents and software, are amortized on a straight-line basis over periods corresponding to the estimated period of benefit.

1.5. Property, plant and equipment

Property, plant and equipment are carried at cost, excluding interest expense, which is not capitalized. French and foreign legal revaluations are not reflected in the consolidated financial statements.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets concerned. The principal useful lives employed are:

- Buildings 20 years
- Fixtures and fittings 8 years
- Machinery and equipment 4 to 8 years
- Other fixed assets 3 to 8 years

When projected future earnings show a lasting impairment in value, a provision is booked to write down property, plant and equipment to their fair value to the Group.

Assets leased under long-term contracts or other arrangements which transfer substantially all of the benefits and risks of ownership to the Group, are capitalized and depreciated on the basis outlined above and the corresponding obligation is recorded as a liability.

Capital grants received from government agencies to finance manufacturing investments are written back to income over the useful life of the corresponding assets.

Repair and maintenance expenses are charged to income when incurred.

1.6. Investments

Investments in companies carried at cost represent shares in companies that are not consolidated.

Where appropriate, these investments are written down to an amount corresponding to their fair value to the Group.

1.7. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of work in progress and finished goods includes raw materials, labor and other direct manufacturing costs on the basis of normal activity levels. These costs are determined by the "First in - First out" (FIFO) method which, due to the rapid inventory turnover rate, approximates the latest cost at the balance sheet date.

Allowances for obsolescence are recorded where appropriate, based on the rate of turnover of each inventory.

1.8. Marketable securities

Marketable securities are stated at the lower of cost or market price.

They include Valeo shares bought back in order to stabilize the share price or for allocation to employees.

1.9. Debt issuance costs

Expenditures arising from the issuance of debt are recorded as a deferred charge and amortized on a straight-line basis over the period of debt.

1.10. Pension and other employee benefits

The cost of providing statutory retirement bonuses, supplementary pension benefits and other post-retirement benefits (payment of healthcare costs and other benefits) is recognized as an expense in the period in which the services entitling employees to the benefits are rendered. Provisions are booked for all benefits due to employees, whether they relate to the period of employment, employee retirement or post-employment period. The estimated future liability is determined at each year-end, taking into account length of service and the likelihood of each employee remaining with the Group until the retirement date, or the minimum early retirement age, in those cases where certain benefit entitlements vest before that date. The liability is calculated on an actuarial basis, using assumptions concerning future salary levels, retirement age and the return on plan assets at the year-end. The cumulative effects of changes in actuarial assumptions are recognized in the income statement over the average residual working life of active employees, except for variances not exceeding 10% of the total obligation or the market value of plan assets, whichever is higher.

1.11. Product warranty costs

Provision is made for estimated product warranty costs at the time of sale of the products.

1.12. Research and development expenditures

Research and development expenditures are charged to expense as incurred. They include all costs related to the development of new products and systems, and research and development for existing products.

1.13. Income tax expense

Income taxes reported in the income statement include current income taxes and deferred income taxes arising from timing differences between the tax base and book value of assets and liabilities. The main timing differences are related to depreciation of property, plant and equipment, provisions for pension and other employee benefits, other temporarily non deductible provisions and to tax loss carryforwards. Deferred income taxes are accounted for using the liability method applied to all timing differences and based on the latest enacted tax rates.

Recognition of deferred tax assets arising from timing differences or tax loss carryforwards is limited to the amount of existing deferred tax liabilities, unless it appears probable that taxable profits will be available against which the deferred tax asset can be utilized.

Taxes payable and tax credits receivable on planned dividend distributions by subsidiaries are recorded in the statement of income.

1.14. Other income and expenses - net

"Other income and expenses – net" consist primarily of gains and losses arising on divestment of consolidated businesses and associated companies accounted for by the equity method, costs relating to personnel downsizing or industrial restructuring plans and exceptional assets write-downs.

Costs relating to downsizing plans which are announced to the personnel and costs relating to facilities closing or termination of businesses are provided for as soon as such costs can be estimated with a reasonable degree of accuracy.

1.15. Foreign currency translation

Transactions in foreign currency are translated using the rate prevailing at the transaction date or the hedging rate, if any. Assets and liabilities denominated in foreign currency are translated at the year-end exchange rate or the hedging rate, if any. Differences arising from the translation of foreign currency transactions are included in income. As an exception to this rule, differences relating to loans and borrowings which are in substance an integral part of the net investment in the foreign subsidiary are recorded for their amount net of tax in consolidated stockholders' equity under translation reserves.

The financial statements of foreign subsidiaries, with the exception of those operating in countries with highly inflationary economies or of companies whose principal cash flows are denominated in a functional currency different from the local currency, are translated as follows:

- assets and liabilities are translated at the year-end exchange rate;
- income statement accounts are translated using the average exchange rate for the year;

- gains or losses arising from the translation of the financial statements of foreign subsidiaries are recorded directly as a separate component ("translation reserves") of consolidated stockholders' equity.

Countries defined as having highly inflationary economies are those whose inflation rate over three years is in excess of 100%. For such countries and for companies which operate in a functional currency different from the local currency:
- all non monetary balance sheet and corresponding income statement items are translated into the functional currency using historical rates;
- monetary balance sheet items are translated using the year-end exchange rate;
- all other income statement items are translated at the average exchange rate for the year.

The functional currency is that in which a company's principal cash flows are denominated or the currency used for consolidation purposes.

1.16. Financial instruments

Gains and losses on financial instruments used for hedging purposes are determined and accounted for on a symmetrical basis with the losses and gains on the hedged items.

This accounting treatment is also applied to financial instruments acquired as hedges of probable future transactions.

Financial instruments not used as hedges are marked to market at each year-end and the resulting gain or loss is recognized in the statement of income.

1.17. Diluted earnings per share

Primary earnings per share are calculated by dividing consolidated net income by the average number of shares outstanding during the year, excluding the average number of shares held in treasury stock when the latter have been deducted from stockholders' equity.

Diluted earnings per share are calculated by including the number of shares that could have been acquired at market price (defined as the average annual price of Valeo shares), based on the monetary value of the subscription rights attached to outstanding stock options and warrants. This calculation method serves to determine the "unpurchased" shares to be added to the shares of common stock outstanding for the purpose of computing the dilution. The number of additional shares is therefore determined by the amount of outstanding stock options and warrants at year-end, and by the difference between the average annual price of Valeo shares and the acquisition cost for the stockholder exercising stock options or warrants.

Consolidated net income is restated for the theoretical amounts of after-tax income which would have been obtained in the event of exercise of dilutive instruments, by investing the funds collected at the money-market rate.

2. Changes in the scope of consolidation

2.1. 2002 transactions

- Partnership with the US-based Jabil Circuit group for printed circuit board manufacturing.

Valeo transfered its Meung-sur-Loire facility (750 people) to the world-class electronics manufacturing company Jabil Circuit in July 2002.
The transfer of production from the Fort Worth facility in the United States has been in progress since November 2002.
This operation had no impact on Group sales in 2002.

- Creation of Valeo Raytheon Systems Inc.

Valeo set up a joint venture with Raytheon dedicated to developing and producing new automobile applications using radar technology designed for obstacle detection systems. This business has been consolidated since September 2002. It has 10 employees and did not generate any sales in 2002.

2.2. Main changes in the scope of consolidation in 2001

- Telma

In accordance with the agreements entered into with Snecma, Valeo acquired Ralentisseurs Telma in March 2001. The Ralentisseurs Telma business has been consolidated since March 1, 2001.

Sales for 2001 since March 1 amounted to €46 million (sales between January 1 and February 28, 2002 totaled €8 million). At that date the business had 296 employees.

- Sylea

Valeo acquired for €20 million a further 6.4% of Sylea's capital in 2001, bringing its total interest in the company to 98.5% at December 31, 2001.

At the end of 2001 Valeo issued a compulsory buyout offer ending on January 28, 2002. This raised the Group's interest in Sylea's capital to 100%.

- FAW Zexel Climate Control System

In accordance with the agreements entered into in 2000, Valeo and Bosch Automotive Systems created a joint venture to take over their Climate Control business in China, generating a dilution gain of €13 million in 2001. FAW Zexel Climate Control System, contributed by Bosch Automotive Systems, has been accounted for by the equity method in the consolidated financial statements since year-end 2001.

- Filtrauto

On October 31, 2001 Valeo sold the entire capital of Filtrauto, a company which had been consolidated since October 1, 2000 further to Valeo's September 2000 acquisition of the Labinal Group's automotive businesses.
Filtrauto's sales amounted to €229 million between January 1 and October 31, 2001, and the company and its subsidiaries had 2,500 employees at that date.

- Non-automotive wiring business

On October 31, 2001 Valeo divested its non-automotive wiring business. This business was operated by Sylea subsidiaries which were acquired in September 2000 and had been consolidated since October 1, 2000. In 2001, this business generated annual sales of €27 million.

- Valeo Transmissions UK

Valeo sold Valeo Transmissions UK on November 1, 2001. The company's sales between January 1 and November 1, 2001 amounted to €13 million, and it had 135 employees.

2.3. Impact of changes in scope of consolidation on the consolidated balance sheet

The following table reconciles the value, at the date of acquisition or disposal, of the assets and liabilities acquired and disposed of in connection with the above transactions to the corresponding cash flows:

Acquisitions less disposals

(Millions of euro)	2002	2001	2000
Receivables	-	(82)	520
Inventories	(16)	(27)	162
Fixed assets [(1)]	(30)	(53)	386
Goodwill	6	(34)	302
Other liabilities and deferred income	30	61	(435)
Other liabilities [(2)]	1	190	(181)
Long-term debt	2	-	(44)
Minority interests	-	8	(39)
Stockholders' equity	-	48	(70)
Cash absorbed by acquisitions (net of cash provided by disposals)	**(7)**	**111**	**601**

[(1)] Including investments in companies at equity.
[(2)] Including provisions for contingencies and charges.

2.4. Impact of changes in scope of consolidation and exchange rates on sales and revenues

Group sales stood at €9,803 million in 2002 versus €10,234 million in 2001. On a comparable Group structure and at constant exchange rates, sales decreased by 0.4% compared to 2001.

3. Goodwill

Net goodwill can be analyzed as follows:

(Millions of euro)	2002	2001	2000
Net goodwill, January 1	1,596	1,560	1,274
Acquisitions	9	47	293
Disposals	-	(52)	(10)
Translation adjustment	(86)	27	37
Adjustments to fair value of fixed assets and liabilities of companies acquired in the preceding years	(1)	351	53
Impact of new standard on liabilities	(22)	-	-
Amortization expense	(94)	(337)	(87)
Reversal of a provision set off against goodwill	(15)	-	-
Net goodwill, December 31	**1,387**	**1,596**	**1,560**

At December 31, 2002, goodwill related to ITT Automotive Electrical Systems amounts to €379 million. In line with the methodology described in note 1.4, two-thirds of this goodwill, corresponding to the portion of the acquisition financed by the issuance of shares, has been written off to the extent possible against the related premium of €986 million.
This amount includes the exceptional write-down of VESI goodwill in 2001 to take into account the structural difficulties faced by this company in the North American context and its unfavorable earnings outlook. The amount of the write-down was determined based on the total goodwill recognized at the time of acquisition and partly charged to the income statement (€200 million in 2001) and partly to stockholders' equity (€305 million in 2001), on a prorata basis reflecting the initial allocation between goodwill and stockholder's equity.

Net goodwill at December 31, 2002 concerns the following branches: Climate Control (€189 million), Engine Cooling (€91 million), Lighting Systems (€86 million), Wiper Systems (€263 million), Electrical Systems (€109 million), Security Systems (€93 million), Switches & Detection Systems and Electronics & Connective Systems (€474 million).

4. Intangibles and property, plant and equipment

4.1. Capital expenditure

(Millions of euro)	2002	2001	2000
Intangibles	12	27	23
Land and buildings	68	72	89
Plant and equipment	373	528	486
Other	103	118	63
Capital expenditure	**556**	**745**	**661**

4.2. Property, plant and equipment

(Millions of euro)	At cost 2002	Accumulated depreciation 2002	Net book value 2002	Net book value 2001	Net book value 2000
Land	141	(8)	133	143	146
Buildings	850	(412)	438	463	479
Plant and equipment	3,953	(2,670)	1,283	1,378	1,339
Other	708	(330)	378	474	472
Total	**5,652**	**(3,420)**	**2,232**	**2,458**	**2,436**
Land and buildings under capital leases included above			23	35	46

5. Investments carried at cost

Investments carried at cost include Valeo's interest in Ichikoh, acquired in connection with the alliance between Valeo's Lighting Systems Branch and Ichikoh Industries.

6. Investments in companies at equity

Investments in companies at equity at December 31, 2002 include the 40% interest held in Zexel Valeo Climate Control Corporation, a Japanese company which consolidates the Asian air conditioning and compressor businesses of Bosch Automotive Systems (formerly Zexel Corp).

7. Inventories

(Millions of euro)	2002	2001	2000
Raw materials	299	345	364
Work-in-progress	74	94	103
Finished goods, supplies and specific tooling	362	409	420
Inventories at cost	**735**	**848**	**887**
Less allowances	(107)	(95)	(81)
Inventories – net	**628**	**753**	**806**

8. Accounts and notes receivable

(Millions of euro)	2002	2001	2000
Accounts and notes receivable	1,785	1,865	2,141
Less allowances	(33)	(44)	(43)
Accounts and notes receivable - net	**1,752**	**1,821**	**2,098**

9. Stockholders' equity

9.1. Share capital

(a) At December 31, 2002, share capital totaled €246 million, represented by 82,133,728 shares of common stock with a par value of €3 each, all fully paid-up. Shares which have been registered in the name of the same holder for at least four years carry double voting rights. At December 31, 2002, 9,959,644 shares carried double voting rights.

(b) The following changes in capital were recorded in 2002:

- A €0.8 million increase from the exercise of stock options, resulting in the issuance of 277,125 new shares (par value of €3 per share), at a total premium of €11 million.
- A decrease in capital resulting from the decision of the Management Board on October 17, 2002 to reclassify and cancel 1,200,000 shares held as treasury stock. This reduced share capital by €4 million and retained earnings by €47 million, based on the net book value of these shares at June 30, 2002.

(c) The conversion of all outstanding stock options would result in Valeo's share capital being increased to €260 million, representing 86,507,153 shares.

The following employee stock option plans approved by the General Shareholders' Meeting were in progress at December 31, 2002:

Year in which plan was set up	Number of shares subject to options	Subscription price (euro) [1]	Number of options outstanding at Dec. 31, 2002	Expiration of exercise period
1997	300,000	58.69	213,950	2003
1998	450,000	72.87	268,250	2003
1999	150,000	67.40	61,750	2004
1999	850,000	70.32	573,750	2005
2000	50,000	60.70	50,000	2006
2000	1,300,000	48.00	1,041,750	2006/2008
2000	37,500	54.52	35,625	2006
2001	80,000	55.82	80,000	2009
2001	600,000	42.48	600,000	2009
2001	442,875	42.69	431,050	2009
2002	420,000	43.84	417,300	2010
2002	600,000	28.30	600,000	2010
Total	**5,280,375**		**4,373,425**	

[1] Equal to 100% of the average quoted price of Valeo shares for twenty trading days preceding the Board Meeting at which the options were granted.

At the Extraordinary General Shareholders' Meeting of June 10, 2002, the Management Board was authorized to issue various financial instruments. No use had been made of the long-term financing possibilities offered by these authorizations at December 31, 2002.

9.2. Additional paid-in capital

Additional paid-in capital represents the net amount received, either in cash or in assets, in excess of the par value on issuance of Valeo shares.

At the time of acquisition of ITT Automotive Electrical Systems, goodwill on the portion of the acquisition price funded through equity (€957 million in 1998 and €29 million in 1999) was recorded as a deduction from the issue premium.

9.3. Translation reserves

The translation reserve at December 31, 2002 primarily includes gains and losses arising from the translation of the net assets of the U.S., Mexican, Brazilian, Swedish, Korean and Japanese subsidiaries.

9.4. Retained earnings

Consolidated retained earnings comprise net income for the year before appropriation of €1 per share (total of €82 million) to dividends proposed at the General Shareholders' Meeting (2001 dividend €0.70 per share, i.e. a total of €58 million; 2000 dividend €1.35 per share, i.e. a total of €112 million).

Distribution by the parent company of the balance of its retained earnings (€1,148 million after appropriation of 2002 net income) would result in additional tax of €329 million.

10. Provisions for contingencies and charges

(Millions of euro)	2002	2001	2000
Provisions for reorganization expenses	365	740	488
Provisions for pension benefits and retirement indemnities	642	607	563
Provisions for product warranties	95	99	74
Capital grants	11	14	12
Other provisions for contingencies and charges	175	214	155
Provisions for contingencies and charges	**1,288**	**1,674**	**1,292**
Current portion	419	776	631

10.1. Provisions for reorganization expenses

Provisions for reorganization expenses correspond to a series of measures adopted by the Group, the primary objectives of which are the centralization of production in a reduced number of specialized industrial plants and the modernization of production equipment.

During 2002, the Group continued its reorganization program by carrying through restructuring measures in relation to certain businesses as well as the global downsizing plan involving the elimination of 5,000 jobs worldwide implemented in 2001.

The Group's subsidiary VESI reached an agreement with the labor-management representatives of the Rochester site. This led to a €83 million reallocation of provisions related to pensions and healthcare.

Provisions for reorganization expenses include specific severance payments (CATS) applicable at certain French sites, in accordance with the industry agreement signed in March 2001.

Changes in provisions for reorganization expenses can be analyzed as follows:

(Millions of euro)	2002	2001	2000
Provisions at January 1	740	488	647
Expenses charged to the provisions during the year	(193)	(270)	(247)
Impact of change in the scope of consolidation	-	(7)	70
Translation adjustments	(40)	12	15
Increase recorded against goodwill	-	142	16
Provisions reclassified (1)	(133)	-	-
Impact of the new standard concerning liabilities	(13)	-	-
Additions/recoveries – net (2)	4	375	(13)
Provisions at December 31	**365**	**740**	**488**

(1) of which €83 million reallocated to provision for pension and other employee benefits for the Rochester facility, with the balance mainly reflecting asset write-downs.
(2) of which €28 million in recoveries.

10.2. Provision for pension and other employee benefits

The Group's main pension commitments concern its French, German, American and Italian subsidiaries.

The French companies are subject to two types of obligations, which are due and paid only after employees retire from the company:

- statutory retirement bonuses;
- supplementary pension benefits: since 1987, pension contributions have been made to an external insurance fund, which in turn makes payments to the retirees. The Group continues to pay pensions to employees who retired before 1987.

The American companies provide their employees with pension benefits and pay some of their medical and life insurance costs. They make contributions to outside funds that manage all or part of these benefits.

The German companies grant supplementary pension benefits to their employees. The related obligations are not externally funded.

These costs are accounted for in accordance with the method described in note 1.10.

The Italian companies are required by law to pay contract termination indemnities to their employees. At each year-end, the vested rights of employees are valued in accordance with legal provisions and are fully provided for.

Other foreign subsidiaries provide for pension benefits and retirement indemnities based on actuarial evaluations which take into account local economic conditions.

Assumptions regarding mortality rates, employee turnover and future salary levels take into account the specific economic conditions of each country or Group company. Interest rates used in 2002 to compute the discounted present value of future commitments generally ranged from 5.5% to 6.7% depending on the country.

The Group's pension and other employee benefits obligations can be analyzed as follows:

(Millions of euro)	France	Other European countries	North America	Other countries
Obligations at January 1	**109**	**268**	**380**	**20**
Service cost	6	10	11	4
Interest expense	6	13	24	1
Benefits paid	(18)	(15)	(21)	(2)
Changes in assumptions	-	(1)	74	1
Plan amendments (1)	17	-	19	-
Impact of changes in scope of consolidation	(2)	-	-	-
Other (1)	-	2	24	-
Translation adjustments	-	(3)	(74)	(2)
Obligations at December 31	**118**	**274**	**437**	**22**
Less: plan assets at fair value	-	(25)	(93)	-
Less: actuarial gains and losses	(10)	(13)	(67)	(1)
Provisions at December 31	**108**	**236**	**277**	**21**

(1) These lines include an allocation to pension and other employee benefit obligations of €83 million which was recorded under provisions for reorganization expenses in 2001.

(Millions of euro)	France	Other European countries	North America	Other countries
Provisions at January 1	**113**	**228**	**246**	**20**
Expenses charged to the provisions during the year	(18)	(15)	(48)	(2)
Impact of changes in scope of consolidation	(2)	-	-	-
Reclassification from provision for reorganization expenses	-	-	83	-
Other	-	-	26	-
Translation adjustments	-	-	(46)	(2)
Provisions for the year (expense):				
- Service cost	6	10	11	4
- Interest expense	6	13	24	1
- Other items	3	(6)	(31)	-
- Return on plan assets	-	6	12	-
Provisions at December 31	**108**	**236**	**277**	**21**
O/w short-term	**18**	**12**	**42**	**2**

10.3. Other provisions for contingencies and charges

Other provisions for contingencies and changes mainly concern contractual, social, environmental or tax risks and litigations.

11. Net indebtedness

11.1. Breakdown of net indebtedness

(a) Net indebtedness can be analyzed as follows:

At December 31 (Millions of euro)	2002	2001	2000
Marketable securities	(406)	(219)	(111)
Cash	(280)	(461)	(265)
Total	(686)	(680)	(376)
Short-term debt	579	634	581
Cash and cash equivalents	**(107)**	**(46)**	**205**
Long-term debt	657	676	195
Current maturities of long-term debt	14	19	27
Long-term loans	-	(1)	(1)
Net indebtedness	**564**	**648**	**426**

The portfolio of marketable securities at December 31, 2002 primarily consists of money market mutual funds, whose market value is close to their book value, and €19 million of shares held in treasury stock.
Short-term loans represent amounts originally due within one year.

(b) The weighted average interest rate on net indebtedness was 5.9% in 2002 (5.9% in 2001 and 4.8% in 2000).

(c) **Net cash deposits** are at variable rates.

At December 31, 2002, 80% of long-term debt was at fixed rates (80% at December 31, 2001 and 8% at December 31, 2000), following the €500 million fixed-rate bond issue carried out by Valeo in July 2001.

11.2. Analysis of net indebtedness by currency

Net indebtedness, including the impact of hedges, can be analyzed as follows by currency:

(Millions of euro)	2002	2001	2000
Euro	701	908	443
US dollar	(56)	(203)	(35)
Other currencies	(81)	(57)	18
Total	**564**	**648**	**426**

11.3. Long-term debt

	Long-term portion			Current portion		
(Millions of euro)	2002	2001	2000	2002	2001	2000
Bond issue	500	500	-	-	-	-
Bank loans	144	156	165	10	11	19
Lease obligations	11	18	28	3	7	7
Other loans Commercial paper	2	2	2	1	1	1
Total long-term debt	**657**	**676**	**195**	**14**	**19**	**27**

Long-term debt includes:
- two fixed-rate syndicated loans in an amount of €127 million, due on June 24, 2005, and managed using variable rate swaps on a notional value equal to the total amount of the loans.
- €500 million worth of five-year fixed rate bonds issued by Valeo on July 13, 2001, repayable in full at maturity. The interest rate on these bonds is 5.625% of the nominal amount and coupons are payable annually.

11.4. Maturities of long-term debt (at December 31, 2002)

(Millions of euro)	2004	2005	2006	2007	2008	2009 and beyond	Total
Bank loans	10	131	502	1	1	1	646
Lease obligations	3	3	3	1	0	1	11
Total	**13**	**134**	**505**	**2**	**1**	**2**	**657**

At December 31, 2002 Valeo had obtained several confirmed lines of credit with an average maturity of two years, for a total of €1.2 billion.

11.5. Total short-term debt

(Millions of euro)	2002	2001	2000
Short-term loans and overdrafts	138	150	217
Commercial paper	440	483	362
Accrued interest	1	1	2
Total short-term debt	**579**	**634**	**581**

12. Number of employees and operating expenses

	2002	2001	2000
Total employees [1]	69,100	70,000	75,200

The statement of income presents operating expenses by substance. Operating expenses primarily include:

(Millions of euro)	2002	2001	2000
Personnel costs [1]	2,430	2,601	2,258
Rent	50	55	30
Depreciation and amortization:			
- property, plant and equipment	536	534	451
- intangibles	18	16	13

[1] Including temporary staff.

The increase in operating expenses in 2001 mainly reflects the full-year consolidation of acquisitions carried out in 2000.

13. Other financial income and expenses - net

(Millions of euro)	2002	2001	2000
Foreign exchange gains and losses - net	(10)	(10)	-
Other financial expenses	(3)	(5)	1
Other financial income and expenses - net	**(13)**	**(15)**	**1**

The main foreign exchange gains and losses concern Brazil in 2002 and 2001.

14. Other income and expenses - net

(Millions of euro)	2002	2001	2000
Gains (losses) on disposals of shares in consolidated or equity-accounted companies (notes 2.1 and 2.2)	-	(33)	73
Exceptional goodwill amortization	1	(217)	-
Reorganization expenses	(41)	(447)	(12)
Other expenses – net	(34)	(41)	(22)
Other income and expenses – net	**(74)**	**(738)**	**39**

Other income and expenses-net for 2001 mainly included costs relating to the Rochester reorganization plan and exceptional amortization of the goodwill relating to certain activities at that facility.

15. Income taxes

15.1. Income tax expense

(Millions of euro)	2002	2001	2000
Current taxes	(101)	(62)	(83)
Deferred taxes	(5)	20	(59)
Income tax expense	**(106)**	**(42)**	**(142)**

15.2. Effective tax rate

The difference between the French standard corporate income tax rate and the effective tax rate of the Group can be analyzed as follows:

(% of income before tax)	2002	2001	2000
Standard tax rate in France	(35.4%)	(36.4%)	(37.8%)
Impact of:			
- income taxed at other rates	6.0%	(9.4%)	3.5%
- unutilized tax losses and unrecognized deferred tax assets (current year)	(14.1%)	64.0%	(6.7%)
- utilized tax losses (prior years)	5.4%	(6.4%)	3.7%
- permanent differences between book income and taxable income	6.5%	(1.1%)	11.5%
- tax credits	1.4%	(0.7%)	2.5%
Effective Group tax rate	**(30.2%)**	**10.0%**	**(23.3%)**

15.3. Deferred tax assets/liabilities

At December 31 (Millions of euro)	2002	2001	2000
Long-term assets	106	124	99
Short-term assets	56	55	79
Long-term liabilities	(25)	(27)	(56)
Net deferred tax assets	**137**	**152**	**122**

15.4. Loss carryforwards and extraordinary credits

Future tax benefits resulting from the utilization of unrecorded accumulated tax loss carryforwards and other unrecognized deferred tax assets represent a potential asset of €525 million at December 31, 2002 (€412 million at December 31, 2001 and €168 million at December 31, 2000). Due to the uncertainty of their utilization, these potential credits will be recognized only when they are recovered.

At December 31 (Millions of euro)	Base	Potential tax saving
Expiration date: 2003 to 2006	208	73
Expiration date: 2007 and beyond	351	120
Available indefinitely	190	71
Current tax loss carryforwards	**749**	**264**
Unrecognized deferred tax assets		261
Total unrecognized tax loss carryforwards and deferred tax assets		**525**

15.5. Group tax relief

Valeo SA and its main French subsidiaries elected to qualify for Group tax relief for the years 1998 to 2002 and 2003 to 2007. The Group's foreign subsidiaries have also elected to apply for Group tax relief or similar schemes, wherever this is allowed under local tax law (Germany, Spain, the United Kingdom and the United States).

16. Commitments and contingencies

To the best of Valeo's knowledge, no other commitments exist or exceptional events have occurred, other than those disclosed in the notes to the financial statements, that are likely to have a material impact on the business, financial position, results or assets and liabilities of the Company or the Group.

16.1. Lease commitments

Minimum future rentals payable under leasing contrats existing at December 31, 2002 (excluding capitalized leases) are as follows (by maturity date):

At December 31 (Millions of euro)	Less than one year	More than one year	Total
Future rents	24	19	43

16.2. Other commitments

In the course of its ordinary business, Valeo has the following unrecorded commitments:

At December 31 (Millions of euro)	Less than one year	More than one year	Total
Guarantees given to tax and legal authorities	26	23	49
Mortgaged assets	13	-	13
Discounted bills	14	-	14
Other commitments given	19	5	24

Commitments regarding pensions and other employee benefits are disclosed in note 10.2. Commitments less plan assets at fair value amount to €733 million, of which €642 million are provided for.
Commitments regarding financial instruments are disclosed in note 17.

In connection with its strategic alliances, the Valeo Group has given and been granted call options on less than 15% of the capital of the companies concerned. The corresponding stockholders' equity amounts are as follows:

At December 31 (Millions of euro)	Less than one year	More than one year	Total
Commitments received	5	-	5
Commitments given	19	-	19

16.3. Claims and litigation

Known claims and litigation involving Valeo or its subsidiaries have been reviewed by legal counsel as of the date of these financial statements. Based on the advice of counsel, all necessary provisions have been made to cover the estimated contingencies and potential losses.

Provisions have been set aside for current or probable litigation in connection with exposure of the Group's employees to asbestos. These provisions amount to €35 million.

17. Off-balance sheet financial instruments

The Group companies' exposure to exchange rate, interest rate and commodity price risks on current and probable future transactions, financial assets and liabilities and commodity purchases is hedged primarily with Valeo SA, which in turn hedges the Group's net positions.

The Group minimizes its exposure to counterparty risk by means of hedging instruments traded on organized and over-the-counter markets and by dealing solely with first-rate banks and financial institutions.

17.1. Hedging of foreign currency risks

The Group hedges all future operating, investing and financing transactions in foreign currencies over periods generally not exceeding six months, thereby hedging all foreign currency debts and receivables carried in the balance sheet.

At December 31, 2002, 2001, and 2000, the Group's hedging commitments were as follows:

(Millions of euro, at hedging rate)		Total currencies	
	2002	2001	2000
Foreign currency debts and receivables	20	33	40
Forward sales	(51)	(74)	(59)
Forward purchases	200	70	50
Options	-	(1)	-
Hedged future transactions	169	28	31

17.2. Hedging of interest rate risks

Financial assets and liabilities exposed to interest rate risks are analyzed in note 11.1.

17.3. Hedging of commodity risks

The Group hedges its future purchases of base metals (aluminum, copper and zinc) over periods generally not exceeding six months.

At December 31, 2002, commodity price risks were hedged by forward purchases totaling €54 million.

18. Segment reporting

18.1. Divisions

(Millions of euro)	Sales [1]	Capital expenditures for the year	Employees
2002			
Transmissions	731	49	4,660
Climate Control	1,385	56	5,320
Engine Cooling	1,559	57	8,400
Lighting Systems	1,168	51	8,430
Electrical Systems	915	62	5,140
Wiper Systems	1,395	101	8,020
Motors & Actuators	573	24	2,740
Security Systems	645	28	4,000
Switches & Detection Systems	829	68	5,980
Electronics & Connective Systems	953	48	15,160
Distribution	535	4	1,000
2001			
Transmissions	982	59	4,460
Climate Control	1,398	68	5,150
Engine Cooling	1,686	105	8,320
Lighting Systems	1,172	80	7,770
Electrical Systems	854	126	4,780
Wiper Systems	1,377	88	7,910
Motors & Actuators	665	32	3,570
Security Systems	650	31	3,920
Switches & Detection Systems	783	58	6,570
Electronics & Connective Systems	1,141	66	16,300
Distribution	476	6	960
2000			
Transmissions	856	72	7,190
Climate Control	1,319	62	5,240
Engine Cooling	1,648	109	9,110
Lighting Systems	1,129	76	7,760
Electrical Systems	779	96	4,440
Wiper Systems	1,397	82	7,650
Motors & Actuators	717	35	4,070
Security Systems	663	33	4,320
Switches & Detection Systems	514	43	6,510
Electronics & Connective Systems	421	24	17,730
Distribution	483	6	930

[1] Before elimination of sales between divisions.

18.2. Geographical areas of production

(Millions of euro)	Sales			Capital expenditure	Employees
	Geographical area	Between geographical areas	Total		
2002					
France	3,412	410	3,822	181	21,800
Other European countries	3,367	289	3,656	241	23,700
North America	2,199	25	2,224	73	9,600
South America	240	7	247	15	2,700
Asia	563	10	573	27	3,600
Africa	22	323	345	19	7,700
Eliminations	-	(1,064)	(1,064)	-	-
Total	**9,803**	**-**	**9,803**	**556**	**69,100**
2001					
France	3,564	496	4,060	285	22,900
Other European countries	3,563	300	3,863	248	23,400
North America	2,318	42	2,360	104	10,800
South America	274	9	283	33	2,300
Asia	494	9	503	47	3,400
Africa	21	300	321	28	7,200
Eliminations	-	(1,156)	(1,156)	-	-
Total	**10,234**	**-**	**10,234**	**745**	**70,000**
2000					
France	2,845	406	3,251	241	25,200
Other European countries	2,915	197	3,112	205	26,100
North America	2,558	23	2,581	132	11,500
South America	277	7	284	28	2,400
Asia	509	9	518	50	3,400
Africa	16	68	84	5	6,600
Eliminations	-	(710)	(710)	-	-
Total	**9,120**	**-**	**9,120**	**661**	**75,200**

The above figures are by original areas of production and not by market.
Sales by geographical market are as follows:

(Millions of euro)	France	Other European countries	North America	South America	Asia	Africa	Total
2002	2,313	4,216	2,315	266	636	57	9,803
2001	2,462	4,428	2,417	312	559	56	10,234
2000	1,830	3,725	2,658	311	551	45	9,120

Companies	Countries	2002 % voting rights	2002 % interest	2001 % interest
Transmissions				
Valeo Embrayages [4]	France	100	100	-
Valeo Matériaux de Friction [4]	France	100	100	-
Valeo Espana [1]	Spain	100	100	100
Valeo Materiales de Friccion	Spain	100	100	100
Valeo Spa [1]	Italy	99.9	99.9	99.9
Valeo Otomotiv Sistemleri Endutrisi [1]	Turkey	100	100	100
Valeo Embrayages Tunisie	Tunisia	100	100	100
Valeo Inc [1]	USA	100	100	100
Valeo Friction Materials Inc	USA	100	100	100
Valeo Sistemas Automotivos [1]	Brazil	100	100	100
Valeo Embragues Argentina	Argentina	68	68	68
Emelar	Argentina	100	68	68
Valeo Materiales de Friccion de Mexico	Mexico	100	100	100
Valeo Pyeong Hwa	South Korea	50	50	50
Valeo Pyeong Hwa Distribution	South Korea	50	50	50
Valeo Unisia Transmissions	Japan	66	66	66
Nanjing Valeo Clutch	China	50	50	50
Amalgamations Valeo Clutch	India	50	50	50
Valeo Friction Materials India	India	60	60	60
Climate Control				
Valeo Climatisation [1]	France	93	93	93
Valeo Switches & Detection Systems [1]	France	100	100	100
Plastic Omnium Valeo Interiors [3]	France	-	-	50
Valeo Klimasysteme	Germany	100	93	93
Thermal Werke Beteiligungen KG	Germany	-	-	93
Valeo Autoklimatizace	Czech Rep.	100	93	93
Valeo Climatizacion	Spain	100	93	93
Valeo Sistemi di Climatizzazione Spa	Italy	100	93	93
Valeo Climate Control Ltd	UK	100	93	93
Valeo Climate Control Corp. [1]	USA	100	93	93
Valeo Acustar Thermal Systems	USA	51	47.4	47.4
Valeo Climatizacao Brasil	Brazil	100	93	93
Mirgor [2]	Argentina	50	24.2	24.2
Interclima [2]	Argentina	50	24.2	24.2
Valeo Climate Control de Mexico	Mexico	100	93	93
Valeo Automotive Air Conditioning Hubei	China	55	30.7	30.7
FAW Zexel Climate Control Syst. [2]	China	36.5	20.4	20.4
Zexel Valeo Climate Control [2]	Japan	40	37.2	37.2
Engine Cooling				
Valeo Climatisation [1]	France	93	93	93
Valeo Plastic Omnium [3]	France	50	50	50
Valeo Thermique Moteur	France	100	100	100
Valeo Iluminacion [1]	Spain	99.7	99.7	99.7
Valeo Plastic Omnium [3]	Spain	50	50	50
Valeo Termico	Spain	100	100	100
Valeo Spa [1]	Italy	99.9	99.9	99.9
Valeo Vymeniky Tepla	Czech Rep.	100	93	93
Valeo Autosystemy [1]	Poland	100	100	100
Valeo Engine Cooling A.B.	Sweden	100	100	100
Valeo Systems South Africa	South Africa	51	51	51
Valeo Climate Control Corp. [1]	USA	100	93	93
Valeo Inc [1]	USA	100	100	100
Valeo Sistemas Automotivos [1]	Brazil	100	100	100

Companies	Countries	2002 % voting rights	2002 % interest	2001 % interest
Valeo Termico Argentina	Argentina	100	100	100
Valeo Termico [1]	Mexico	100	100	100
Valeo Tek Inc.	South Korea	100	100	100
Valeo Zexel Engine Cooling	Japan	76	74.9	74.9
Lighting Systems				
Valeo Vision	France	100	100	100
Valeo Auto Electric KG [1]	Germany	100	100	100
Valeo Beleuchtung Deutschland	Germany	100	100	100
Valeo Vision Belgique	Belgium	100	100	100
Valeo Iluminacion [1]	Spain	99.7	99.7	99.7
Valeo Spa [1]	Italy	99.9	99.9	99.9
Valeo Sylvania LLC [3]	USA	50	50	50
Valeo Sistemas Automotivos [1]	Brazil	100	100	100
Cibie Argentina	Argentina	100	100	100
Valeo Sylvania Iluminacion [3]	Mexico	50	50	50
Hubei Valeo Autolighting	China	51	51	51
Electrical Systems				
Valeo Equipements Electriques Moteur	France	100	100	100
Valeo Four Seasons	France	50	50	50
Telma	France	100	100	100
Telma Retarder Espana	Spain	100	100	100
Telma Retarder Ltd	UK	100	100	100
Telma Retarder Italia	Italy	100	100	100
Telma Retarder Deutscland	Germany	100	100	100
Sylea Poland [1]	Poland	100	100	98.5
Valeo Otomotiv Sistemleri Endutrisi [1]	Turkey	100	100	100
Telma Retarder Inc	USA	100	100	100
Telma Retarder Mexico SA de CV	Mexico	100	100	100
Valeo Systemas Electricos [1]	Mexico	100	100	100
Valeo Sistemas Automotivos [1]	Brazil	100	100	100
Telma Retarder do Brasil Comercial	Brazil	100	100	100
Valeo Mando Electrical Systems Korea Ltd	South Korea	100	100	100
Shanghai Valeo Automotive Electrical Systems [2]	China	30	30	30
Wiper Systems				
Paul Journée [1]	France	100	100	100
Valeo Systèmes d'Essuyage [1]	France	100	100	100
Valeo Auto Electric KG [1]	Germany	100	100	100
Valeo Schalter und Sensoren [1]	Germany	100	100	100
Valeo Wischersysteme [1]	Germany	100	100	100
Valeo Sistemas Electricos	Spain	100	100	100
Valeo Autosystemy [1]	Poland	100	100	100
Valeo Electrical Systems [1]	USA	100	100	100
Delmex de Juarez [1]	Mexico	100	100	100
Valeo Sistemas Electricos [1]	Mexico	100	100	100
Valeo Sistemas Automotivos [1]	Brazil	100	100	100
Valeo Shanghai Automotive Electric Motors	China	50	50	50
Valeo Wenling Automotive Systems	China	55	55	55
Motors & Actuators				
Valeo Systèmes d'Essuyage [1]	France	100	100	100
Valeo Auto Electric KG [1]	Germany	100	100	100
Valeo Schalter und Sensoren [1]	Germany	100	100	100

Companies	Countries	2002 % voting rights	2002 % interest	2001 % interest
Valeo Motoren und Aktuatoren (1)	Germany	100	100	100
Valeo Componentes Automoviles	Spain	100	100	100
Valeo Electrical Systems (1)	USA	100	100	100
Delmex de Juarez (1)	Mexico	100	100	100
Valeo Automotive Electrical Systems de Mexico	Mexico	100	100	100
Security Systems				
Antivols Simplex	France	100	100	100
Valeo Sécurité Habitacle	France	100	100	100
Valeo Sicherheits Systeme GmbH	Germany	100	100	100
Valeo Sistemas de Seguridad y de Cierre	Spain	100	100	100
Valeo Sicurezza Abitacolo	Italy	100	99.9	99.9
Valeo Security Systems Ltd	UK	100	100	100
Valeo Investments Holding (1)	USA	100	100	100
Valeo Neiman Argentina	Argentina	100	100	100
Valeo Termico (1)	Mexico	100	100	100
Valeo Sistemas Automotivos (1)	Brazil	100	100	100
Switches & Detection Systems				
DAV (1)	France	100	100	98.5
SC2N	France	100	100	98.5
Valeo Switches & Detection Systems (1)	France	100	100	100
Valeo Cablaggi e Commutazione (1)	Italy	100	100	98.5
Valeo Auto Electric KG (1)	Germany	100	100	100
Valeo Schalter und Sensoren (1)	Germany	100	100	100
Valeo Auto Electric Hungary (1)	Hungary	100	100	100
DAV	Tunisia	100	100	98.5
Valeo Raytheon Systems Inc. (1)	USA	47	47	-
Valeo Switches & Detection Systems Inc.	USA	100	100	100
Valeo Sistemas Electronicos (1)	Mexico	100	100	100
DAV	Argentina	100	100	98.5
Electronics & Connective Systems				
Valeo Electronique et Systèmes de Liaison	France	100	100	98.5
Valeo Liaisons Electriques	France	100	100	98.5
Cablea	France	100	100	98.5
DAV (1)	France	100	100	98.5
Valeo Sistemas de Conexion Electrica	Spain	100	100	98.5
Cablinal Portuguesa	Portugal	100	100	98.5
Cablagens do Ave	Portugal	100	100	98.5
Valeo Cablaggi e Commutazione (1)	Italy	100	100	98.5
Cavisud	Italy	100	100	98.5
Cablauto	Italy	100	100	98.5
Sylea GmbH	Germany	100	100	98.5
Labauto Ltd	UK	100	100	98.5
Sylea Tchequia	Czech Rep.	100	100	98.5
Sylea Poland (1)	Poland	100	100	98.5
EKO	Slovenia	98.9	98.9	97.4
Valeo Kabli	Slovenia	100	100	-
Valeo Electronice Si Sisteme de Conectare Romania	Roumania	100	100	-
Nursan OK (2)	Turkey	40	40	39.4
Nursan ED (2)	Turkey	40	40	39.4

Companies	Countries	2002 % voting rights	2002 % interest	2001 % interest
Cablea	Tunisia	100	100	97.7
STC	Tunisia	100	100	98.5
Sylea	Tunisia	100	100	98.5
Cabelec	Morocco	100	100	98.5
Cablinal	Morocco	100	100	98.5
Cablea	Morocco	100	100	98.5
Valeo Bouznika	Morocco	100	100	98.5
TCA (2)	Argentina	20	20	19.7
TCA (2)	Brazil	20	20	19.7
Sylea Auto Limited	India	100	100	98.5
Distribution				
Valeo Service	France	100	100	100
Equipement 7	France	100	100	100
Paul Journée (1)	France	100	100	100
Valeo Service Deutschland GmbH	Germany	100	100	100
Valeo Wischersysteme (1)	Germany	100	100	100
Valeo Service Belgique	Belgium	100	100	100
Valeo Service Espana	Spain	100	100	100
Valeo Service Italia	Italy	100	99.9	99.9
Valeo Service Eastern Europe	Poland	100	100	100
Valeo Service Benelux	Netherlands	100	100	100
Valeo Service UK Ltd.	UK	100	100	100
Valeo Otomotiv Dagitim	Turkey	100	100	100
Valeo Aftermarket Inc.	USA	100	100	100
Valeo Sistemas Automotivos (1)	Brazil	100	100	100
Holding Companies				
Valeo	France		société mère	
Valeo Management Services	France	100	100	100
Société de Participations Valeo	France	100	100	100
Valeo Finance	France	100	100	100
Valeo Bayen	France	100	100	100
Valeo Thermique Habitacle	France	100	100	100
Financière Cablea	France	100	100	98.5
Valeo Zexel China Climate Control	France	60	55.8	55.8
Valeo Auto Electric KG (1)	Germany	100	100	100
Valeo Holding Deutschland GmbH	Germany	100	100	100
Valeo Verwaltungs Beteiligung GmbH	Germany	100	100	100
Valeo Germany Holding GmbH	Germany	100	100	100
Valeo Auto Electric Beteiligung GmbH	Germany	100	100	100
Valeo Grundvermogen Verwaltung GmbH	Germany	100	100	100
Valeo Espana (1)	Spain	100	100	100
Valeo Spa (1)	Italy	99.9	99.9	99.9
Coreval	Luxembourg	100	100	100
Valeo International Holding	Netherlands	100	100	100
Valeo Holding Netherlands	Netherlands	100	100	100
Valeo UK Ltd	UK	100	100	100
Valeo Electrical Systems	UK	100	100	100
Valeo Wiper Systems Ltd	UK	100	100	100
Valeo Inc (1)	USA	100	100	100
Valeo Electrical Systems (1)	USA	100	100	100
Valeo Investments Holding (1)	USA	100	100	100
Valeo M&S	USA	100	100	100
Valeo Nova Scotia	Canada	100	100	100
Valeo Sistemas Automotivos (1)	Brazil	100	100	100
Il Tevere (2)	Argentina	50	46.5	46.5

(1) Company operating in several segments.
(2) Company accounted for by the equity method.
(3) Company accounted for by the proportional method.
(4) Former activities of Valeo which became subsidiary companies.

Auditors' report on the consolidated financial statements

(Translated from the original French document)

In compliance with the assignment entrusted to us, we have audited the consolidated financial statements of Valeo, expressed in euro, for the years ended December 31, 2002, 2001 and 2000 as presented on pages 20 through 42 of this document. The financial statements for the years ended December 31, 2002 and 2001 were approved by the Management Board and for the year ended December 31, 2000 by the Board of Directors. Our role is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as defined by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Valeo and its subsidiaries and their assets and liabilities as of December 31, 2002, 2001 and 2000, and of the results of their operations for each of the three years in the period ended December 31, 2002 in accordance with the accounting principles generally accepted in France.

Without qualifying the above opinion, we would draw your attention to Note 1.2 to the consolidated financial statements which explains the impact on the consolidated accounts of the application of the new CRC standard 2000-06 relating to liabilities, effective from January 1, 2002.

We have also reviewed the information given in the Group's management report. We have no comments to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris February 10, 2003

The Independent Auditor	The Statutory Auditors	
PRICEWATERHOUSECOOPERS	Coopers & Lybrand Audit	RSM Salustro Reydel
	Serge Villepelet	Edouard Salustro Jean-Pierre Crouzet

General information about the issuer

1. Legal provisions

Corporate name and registered office

The name of the Company is Valeo. Its registered office is at 43, rue Bayen, 75017 Paris.

Legal form and governing law

At the date of filing of the "reference document", Valeo is a French joint-stock company ("société anonyme") with a Management Board and a Supervisory Board, governed by the provisions of Book II of the Commercial Code and Decree 67-236 of March 23, 1967.

New clauses of the Company's bylaws will be recommended to the shareholders at the Combined Shareholders' meeting due to be held on March 18, 2003 or March 31, 2003 on second call if no quorum is reached. If these new clauses are approved, Valeo will be converted into a joint-stock company ("société anonyme") with a Board of Directors, governed by the provisions of Book II of the Commercial Code and Decree 67-236 of March 23, 1967.

Date of incorporation and term

The Company was incorporated on February 10, 1923 and its term of existence was extended for a further 99 years on February 10, 1972.

Corporate purpose

The corporate purpose is as follows (Article 3 of the bylaws):

The research and development, manufacture, sale, trading or supply of any products, equipment or services for industry and business purposes which may be manufactured, finished or developed by the Company or other Valeo Group companies or which may interest their customers;

Operations of any nature whatsoever (industrial, commercial, financial, investment, acquisition, disposal, etc.) directly or indirectly related to the corporate purpose or designed to facilitate the development or realization thereof.

Registration particulars

The Company is registered at the Paris Companies Registry under number 552 030 967.

Fiscal year

The Company's fiscal year covers a period of twelve months from January 1 to December 31.

Consultation of legal documents

Legal documents pertaining to the Company may be consulted at the registered office in accordance with the conditions stipulated by law and by the Company's bylaws.

Auditors

Statutory auditors

- Coopers & Lybrand Audit, represented by Serge Villepelet – 32, rue Guersant – 75017 Paris
  First appointed: May 27, 1998.
  Term of office: 6 years, expiring at the General Shareholders' Meeting held to approve the 2003 financial statements.

- RSM Salustro Reydel, represented by Edouard Salustro and Jean-Pierre Crouzet – 8, avenue Delcassé -75008 Paris.
  First appointed: May 27, 1998.
  Term of office: 6 years, expiring at the General Shareholders' Meeting held to approve the 2003 financial statements.

Edouard Salustro and Jean-Pierre Crouzet were appointed statutory auditors for a 6-year term at the June 16, 1992 General Shareholders' Meeting.

Alternate statutory auditors

- Pierre Riou – 32, rue Guersant – 75017 Paris.
  First appointed: May 27, 1998.
  Term of office: 6 years, expiring at the General Shareholders' Meeting held to approve the 2003 financial statements.
  Pierre Riou intends to resign from his position as alternate statutory auditor effective from the Annual General Shareholders' Meeting to be held on March 18, 2003 on first call or March 31, 2003 on second call if no quorum is reached. Shareholders will be asked to appoint PricewaterhouseCoopers Audit SA., 32 rue Guersant, 75017 Paris to replace Mr Riou for the remaining period of his term of office, i.e. until the General Shareholders' Meeting held to approve the 2003 financial statements.

- Jean-Louis Mullenbach – 8, avenue Delcassé – 75008 Paris.
  First appointed: May 27, 1998.
  Term of office: 6 years, expiring at the General Shareholders' Meeting held to approve the 2003 financial statements.

Independent auditor

- PricewaterhouseCoopers has been the Independent Auditor of the Valeo Group since 1987.

Appropriation and distribution of earnings - Dividends

Distributable income is composed of net income for the year less prior losses and amounts appropriated to the legal reserve, plus any income carried forward. The General Shareholders' Meeting may decide, subject to the provisions of the law, to distribute amounts taken from reserves and/or retained earnings.

The Management Board, with the approval of the Supervisory Board, may decide to distribute an interim dividend before the financial statements are approved.

The Board of Directors may decide to distribute an interim dividend if the new clauses in the Company's bylaws recommended to the shareholders are approved at the Combined Shareholders' meeting due to be held on March 18, 2003 on first call or March 31, 2003 on second call if no quorum is reached.

The General Shareholders' Meeting called to approve the financial statements may offer each shareholder a stock dividend alternative representing all or part of the dividend, or interim dividend.

Dividends unclaimed after a period of five years from the date they were made payable shall fall to the French government.

General Shareholders' Meetings

General Shareholders' Meetings are called as prescribed by French law.

In order to be entitled to attend General Meetings, holders of registered stock must have their shares recorded in the Company's register at least two days prior to the date of the meeting. Holders of bearer stock must send evidence of their title to the shares to the place stated in the notice of the meeting, in the form of a certificate issued by the bank, broker or other intermediary that manages their stock account. Both these forms of registration must comply with applicable legal conditions.

Each shareholder has a number of votes corresponding to the number of shares held or represented by proxy. However, since the General Shareholders' Meeting of June 1992 double voting rights are attached to all fully-paid shares that have been registered in the name of the same holder for at least four years. In the case of a bonus share issue paid up by capitalizing reserves, profits or share premiums, the new registered shares allocated to a shareholder in respect of existing shares carrying double voting rights will also have double voting rights from the date of issue. Double voting rights are automatically stripped from any registered shares that are converted into bearer shares or sold. However, registered shares are not stripped of voting rights and the four-year qualifying period continues to run following the transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or a donation inter vivos to a spouse or a relative in the direct line of succession (article 30 of the Company's bylaws)[1]. Double voting rights may be removed by an Extraordinary Shareholders' Meeting subject to the approval of a Special Meeting of those shareholders entitled to double voting rights.

[1] Article 23 of the bylaws, if the new bylaw clauses recommended to the shareholders are approved at the Combined Shareholders' Meeting to be held on March 18, 2003 on first call or March 31, 2003 on second call.

2. Corporate governance

At the date of filing of the “reference document”, Valeo is a French joint-stock company (“société anonyme”) with a Management Board and a Supervisory Board. If the new clauses of the Company's bylaws recommended to the shareholders are approved at the Combined Shareholders' meeting – due to be held on March 18, 2003 on first call or March 31, 2003 on second call if no quorum is reached – Valeo will be converted into a joint-stock company with a Board of Directors.

2.1. Corporate governance at the date of filing of the “reference document”

2.1.1. Executive Management

The Group Executive Management includes the Chairman and members of the Management Board, as well as Valeo’s Functional and Operational Directors.

Executive Management:

Management Board:

Members	Other positions held
Thierry Morin Chairman of the Management Board First appointed: May 9, 2001 Term of office expiring: May 9, 2005	Chairman and Chief Executive Officer of: Valeo Bayen. Chairman of: Société de Participations Valeo, Valeo Service, Valeo Finance, Valeo Thermique Habitacle, Valeo España, S.A., Valeo Holding Netherlands B.V., Valeo SpA, Valeo Japan Co. Ltd, Valeo (UK) Limited, Valeo International Holding B.V. Legal manager of: Valeo Management Services, Valeo Auto-Electric Beteiligungs GmbH, Valeo Germany Holding GmbH, Valeo Grundvermögen Verwaltung GmbH, Valeo Holding Deutschland GmbH,. Director of: Valeo Electronique & Systèmes de Liaison, Valeo Climatisation, Valeo Service España, S.A., Valeo Iluminacion, S.A., Valeo Neiman Argentina, S.A., Valeo Sécurité Habitacle, Valeo Services Limited, Valeo Termico, S.A.
Luc Blériot Member of the Management Board Senior Vice-President, Electrical and Electronics Activity First appointed: May 9, 2001 Term of office expiring: May 9, 2005	Chairman of: Valeo Electrical Systems, Inc., Valeo Switches & Detection Systems – VSDS, Valeo Switches & Detection Systems, Inc. Legal manager of: Valeo Auto-Electric Beteiligungs GmbH. Director of: DAV, Valeo Electronique & Systèmes de Liaison, Valeo Services Ltd.
Bernard Geymond Member of the Management Board Vice-President, Human Resources and Administrative Affairs First appointed: May 9, 2001 Term of office expiring: May 9, 2005	Director of: Valeo Bayen, Valeo Sécurité Habitacle, Valeo (UK) Limited.
Géric Lebedoff Member of the Management Board General Counsel First appointed: May 9, 2001 Term of office expiring: May 9, 2005	Chairman of: Equipement 1, Equipement 2, Equipement 6 Equipement 8, Equipement 11, Equipement 12, Equipement 13. Director of: Valeo (UK) Limited.
Vincent Marcel Member of the Management Board Vice-President, Financial Affairs and Strategic Operations First appointed: May 9, 2001 Term of office expiring: May 9, 2005	Chairman of: Valeo Ventures.

The Management Board generally meets once a week. 40 meetings were held during 2002.

Functional Directors:

Bruno-Roland Bernard
Investor Relations Director

François Blanc
Information Systems Director

Gérard Bouctot
Financial Control Director

Robert Charvier
Finance Director, Electrical and Electronics Activity

Jean-Christophe Figueroa
Vice-President, Purchasing

Martin Haub
Vice-President, Research & Development and Product Marketing

Kazuo Kawashima
Quality Director

Hans-Peter Kunze
Senior Vice-President, Sales and Business Development

Serge Le Berre
Technical Vice-President

Kate Philipps
Communications Director

Edouard K. Planchon
Advisor to the Chairman of the Management Board

Xavier Véret
Chairman's Delegate

Operational Directors:

Luc Blériot
Senior Vice-President, Electrical and Electronics Activity
Member of the Management Board

Robert de La Serve
Vice-President, Lighting Systems Branch

Michel Giannuzzi
Vice-President, Electrical Systems Branch

François Hiriart
Vice-President, Wiper Systems Branch

Jean-Jacques Giambi
Vice-President, Motors & Actuators Branch

Claude Leïchlé
Vice-President, Electronics & Connective Systems Branch

Christophe Périllat-Piratoine
Vice-President, Switches & Detection Systems Branch

André Gold
Senior Vice-President, Thermal Systems Activity

Bernard Clapaud
Vice-President, Climate Control Branch

Alain Marmugi
Vice-President, Engine Cooling Branch

Michael Schwenzer
Vice-President, Transmissions Branch

Patrice Brion
Vice-President, Security Systems Branch

Duncan Johns
Vice-President, Valeo Service
Acting Vice-President, Original Equipment Spares Branch

Philippe Huyghe
Vice-President, Independent Aftermarket Branch

2.1.2. Supervisory Board

Members	Other positions held
Noël Goutard Chairman of the Supervisory Board Appointed on May 9, 2001 (first appointed on January 1, 1987) Term of office expiring: AGM 2007	Chairman of: NG Investments. Member of the Management Board of: LBO France. Director of: Valeo (UK) Limited, Vocatif SA, Actaris.
Carlo De Benedetti Appointed on May 9, 2001 (first appointed on July 4,1986) Term of office expiring: AGM 2007	Chairman of the Board of Directors of: CIR SpA, Cofide SpA, CDB Web Tech SpA, Sogefi SpA. Director of: Pirelli SpA, Gruppo Editoriale L'Espresso SpA.
Arnaud Fayet Appointed on May 9, 2001 (first appointed on November 4,1996) Term of office expiring: AGM 2007	Member of the Supervisory Board of: Trader Classified Media. Director of: BioMérieux SA, Stallergènes, Vaucrains Participations, Wheelabrator Allevard, FIMEP, BLR BV, BLR LUX, Lumina Parent. Permanent representative of: Stallergènes on the Board of Directors of Stallergènes S.A. and Sofiservice on the Board of Directors of NBMA.
Yves-André Istel Appointed on May 9, 2001 (first appointed on January 29, 1992) Term of office expiring: AGM 2007	Senior Advisor to: Rothschild Inc. Director of: Compagnie Financière Richemont AG, Chalone Wine Group, Imperial Sugar, Banque Rothschild & Cie.
Jean-Marc Janodet Appointed on May 9, 2001 (first appointed on November 4, 1996) Term of office expiring: AGM 2007	Chairman of: Eurovest. Member of the Supervisory Board of: Banque de Neuflize, Schlumberger, Mallet, Demachy – NSMD. Director of: Wendel Investissement, Nouvelle bioMérieux Alliance, S.G.H., Compagnie Financière de la Trinité, Sofiservice, Solfur. Permanent representative of: Compagnie Financière de la Trinité on the Board of Directors of Stallergènes.
Jean-Bernard Lafonta Appointed by the Supervisory Board on December 7, 2001 Term of office expiring: AGM 2007	Executive Vice-President of: Wendel Investissement. Member of the Supervisory Board of: Oranje-Nassau Groep B.V. Director of: Wendel Investissement, Cap Gemini SA, Legrand, Bureau Veritas.
Alain Minc Appointed on May 9, 2001 (first appointed on July 4, 1986) Term of office expiring: AGM 2007	Chairman of: A.M. Conseil, Société des Lecteurs du Monde. Chairman of the Supervisory Board of: Le Monde. Member of the Supervisory Board of: Pinault-Printemps-Redoute. Director of: Yves Saint-Laurent S.A., Fnac, Vinci.
Jean-Pierre Souviron Appointed on May 9, 2001 (first appointed on September 11, 1986) Term of office expiring: AGM 2007	Adviser to the Chairman of: LD Com.
Erich Spitz Appointed on May 9, 2001 (first appointed on June 24, 1987) Term of office expiring: AGM 2007	Advisor for: Thales. Chairman of: Thales Avionics Lcd. Chairman of the Supervisory Board of: Riber. Director of: Thales Corporate Ventures. Correspondent member of the "Académie des Sciences". Member of the "Académie des Technologies". Member of the Management Board of: ERA (Czech Republic). Honorary Chairman of: European Industrial Research Management Association (EIRMA).

Ernest-Antoine Seillière stood down from his position as a member of the Supervisory Board in December 2002 due to legal restrictions on the plurality of offices.

At December 31, 2002, the Supervisory Board comprised 9 members. The Supervisory Board met 4 times in 2002 with an attendance rate of 95%.

No Supervisory Board members are elected by employees and there are no non-voting directors.

Article 18 of the Company's bylaws provides that Supervisory Board members must hold at least 100 Valeo shares.

The operation of the Supervisory Board is not currently governed by specific internal rules ("règlement intérieur").

After a review of its operating methods at its meeting of February 10, 2003, the Supervisory Board stated that important questions submitted to the Board during 2002 were properly prepared and debated.

Valeo also has three committees to assist the Supervisory Board with the preparation of its decisions: a Remuneration Committee, an Audit Committee and a Strategy Committee. The roles and responsibilities of each of these committees have been defined by the Supervisory Board, which has also adopted rules relating to their operation.

- **The Remuneration Committee** comprised of Noël Goutard and Alain Minc. Ernest-Antoine Seillière was a member and Chairman of this committee until he stood down from the Supervisory Board in December 2002.

  This committee makes proposals to the Supervisory Board concerning the remuneration of directors and officers and issues an opinion on stock option plans and incentive schemes.
  The Remuneration Committee met 3 times in 2002 with a 100% attendance rate.

- **The Audit Committee**, comprised of Jean-Marc Janodet (Chairman), Arnaud Fayet and Jean-Pierre Souviron.
  The purpose of the Audit Committee is:
  - to oversee the choice and correct application of the accounting and financial methods used for the preparation of the financial statements of the Company and the Group, as well as the appropriate accounting treatment of significant transactions carried out at Branch and Group level;
  - to check that internal procedures are defined for gathering and controlling financial and accounting information in order to ensure its reliability and guarantee rapid reporting, as well as to review the Group's internal and external audit plans and findings and the related responses provided by Management;
  - to express an opinion on the choice of statutory auditors or the renewal of their terms of office;
  - to review any financial or accounting questions referred to it by the Chairman of the Supervisory Board as well as any conflict of interest issues of which it is aware.

The Audit Committee met twice in 2002 with a 100% attendance rate. The Audit Committee has reviewed the 2002 consolidated accounts.
The work carried out by the Audit Committee during the year complied with the objectives set on its creation. The Statutory Auditors and the Financial Controller attended all Audit Committee meetings during the year. The presentations made by the Statutory Auditors essentially concerned the conclusions of their limited review of the interim financial statements and their audit of full-year consolidated financial statements.

The Audit Committee noted that the accounting treatment applied by the Group complied with the applicable regulations. The Committee has never had to enter any reservations about the consolidated financial statements presented to it.

The members of the Audit Committee also reviewed Valeo's material risks and off balance sheet commitments.

- **The Strategy Committee**, comprised of Noël Goutard (Chairman), Arnaud Fayet, Jean-Bernard Lafonta, Alain Minc, and Erich Spitz. Ernest-Antoine Seillière was a member of this committee until he stood down from the Supervisory Board.

The purpose of this committee is to review the Group's medium and long-term strategic development goals together with the budgets and acquisition or divestment opportunities that could have an impact on the Group's strategy.

As part of its work during the year, the Committee further developed Valeo's electrical/electronics strategy which is essential to the Group's technological and commercial future. The Committee also systematically reviewed all projects to divest and outsource non-strategic activities. Lastly, the Committee monitored developments in the Group's industrial reorganization program as well as its results and noted an increase in operating income and cash and cash equivalents, and a reduction in net debt.

The Strategy Committee met 11 times during 2002 with a 95% attendance rate.

2.2 Corporate governance following the adoption of the new clauses of the Company's bylaws recommended to the shareholders at the Combined Shareholders' Meeting, due to be held on March 18, 2003 or March 31, 2003 on second call if no quorum is reached.

2.2.1. Board of Directors

If the Combined Shareholders' Meeting — due to be held on March 18, 2003 on first call or March 31, 2003 on second call – approves the change in the Company's management structure to a joint stock company with a Board of Directors and appoints the candidates recommended, the Board of Directors will comprise the following members:

Directors	Other positions held
Carlo De Benedetti	Chairman of the Board of Directors of: CIR SpA, Cofide SpA, CDB Web Tech SpA, Sogefi SpA. Director of: Pirelli SpA, Gruppo Editoriale L'Espresso SpA.
Noël Goutard	Chairman of: NG Investments. Member of the Management Board of: LBO France. Director of: Valeo (UK) Limited, Vocatif SA, Actaris.
François Grappotte	Chairman and Chief Executive Officer of: Legrand. Chairman of: B.Ticino, FIMAF, Lumina Management. Chief Executive Officer and Director of: FIMEP. Member of the Supervisory Board of: Michelin. Director of: BNP Paribas, Bufer Elektrik, Eltas Elektrik, Pass & Seymour, The Wiremold Company and Lumina Parent.
Philippe Guédon	Chairman of the Supervisory Board of: Matra Automobile.
Yves-André Istel	Senior Advisor to: Rothschild Inc. Director of: Compagnie Financière Richemont AG, Chalone Wine Group, Imperial Sugar, Banque Rothschild & Cie.
Jean-Bernard Lafonta	Executive Vice-President of: Wendel Investissement. Member of the Supervisory Board of: Oranje-Nassau Groep B.V. Director of: Wendel Investissement, Cap Gemini SA, Legrand, Bureau Veritas.
Alain Minc	Chairman of: A.M. Conseil, Société des Lecteurs du Monde. Chairman of the Supervisory Board of: Le Monde. Member of the Supervisory Board of: Pinault-Printemps-Redoute. Director of: Yves Saint-Laurent S.A., Fnac, Vinci.
Véronique Morali	Executive Vice-President and Member of the Board of: Fimalac. Chairman and Chief Executive Officer of: Fimalac Investissements. Sole director of: FCBS GIE. Vice-Chairman of: Fitch France S.A. Permanent representative of: Fimalac Inc on the Board of Directors of Fitch France S.A. Permanent representative of: Fimalac on the Board of Directors of Facom. Director of: Cassina SpA, Minerais & Engrais, Eiffage. Legal manager of: Pandour, Silmer. Member of the Conseil des Marchés Financiers. Member of the Board of: Core Ratings Limited, Fimalac, Inc., Fitch, Inc., Fitch Risk Management, Inc., Tesco plc. Chairman of: Strafor Facom, Inc..
Thierry Morin	Chairman and Chief Executive Officer of: Valeo Bayen. Chairman of: Société de Participations Valeo, Valeo Service, Valeo Finance, Valeo Thermique Habitacle, Valeo España, S.A., Valeo Holding Netherlands B.V., Valeo SpA, Valeo Japan Co. Ltd, Valeo (UK) Limited, Valeo International Holding B.V. Legal manager of: Valeo Management Services, Valeo Auto-Electric Beteiligungs GmbH, Valeo Germany Holding GmbH, Valeo Grundvermögen Verwaltung GmbH, Valeo Holding Deutschland GmbH., Director of: Valeo Electronique & Systèmes de Liaison, Valeo Climatisation, Valeo Service España, S.A., Valeo Iluminacion, S.A., Valeo Neiman Argentina, S.A., Valeo Sécurité Habitacle, Valeo Services Limited, Valeo Termico, S.A.
Erich Spitz	Advisor for: Thales. Chairman of: Thales Avionics Lcd. Chairman of the Supervisory Board of: Riber. Director of: Thales Corporate Ventures. Correspondent member of the Académie des Sciences. Member of the Académie des Technologies. Member of the Management Board of: ERA (Czech Republic). Honorary Chairman of: European Industrial Research Management Association (EIRMA).

In September 2002 the AFEP-MEDEF working group chaired by Mr Daniel Bouton issued a report on corporate governance recommendations for French listed companies (the Bouton Report). In 2002 Valeo's Supervisory Board reviewed the situation of the above-mentioned candidates according to the independence criteria set out in the Bouton Report with the following conclusions:

- one candidate is the current Chairman of the Valeo Management Board: Thierry Morin;
- four candidates have been members of Valeo's Supervisory Board and previously the Board of Directors for over 12 years: Noël Goutard, Carlo De Benedetti, Alain Minc and Erich Spitz;
- one candidate is a significant shareholder of Valeo with over 10% of voting rights: Jean-Bernard Lafonta;
- four candidates are independent according to the Bouton Report criteria: Yves-André Istel, François Grappotte, Philippe Guédon and Véronique Morali.

The Board of Directors will determine and monitor the implementation of the overall business strategy of the Company, examine any and all matters related to the efficient operation of the business and make decisions about any and all issues concerning the Company, within the limits of the Company's corporate purpose and except for those issues which, by law, can only be decided on by the shareholders in General Meeting. The Board will also perform any and all controls and verifications that it considers appropriate.

The Remuneration, Audit and Strategy Committees which currently assist with the preparation of Supervisory Board decisions, will be recreated for the purposes of the Board of Directors with broader roles and responsibilities as recommended by the Bouton Report.

The first Board of Directors meeting held after the Combined Shareholders' Meeting, due to be held on March 18, 2003 on first call or March 31, 2003 on second call if no quorum is reached, will be asked to adopt internal rules as recommended by the Bouton report.

2.2.2 General Management

If the Combined Shareholders' Meeting – due to be held on March 18, 2003 on first call or March 31, 2003 on second call – approves the recommended changes to the Company's bylaws, the Board of Directors meeting to be held after the said shareholders meeting will choose the manner in which the general management of the Company will be conducted. The Chief Executive Officer will be responsible for the general management of the Company. This position may either be held by the Chairman of the Board of Directors in which case he or she shall hold the title of Chairman and Chief Executive Officer, or by another person appointed by the Board of Directors who will hold the title of Chief Executive Officer. The decision made by the Board of Directors may only be reviewed at the expiry of the Chairman's term of office, or when the Chairman of the Board of Directors vacates his or her post, or at the expiry of the term of office of the Chief Executive Officer.

The Chairman of the Board represents the Board of Directors. He or she organizes and directs the work of the Board and reports to the shareholders thereon. The Chairman also ensures that the Company's corporate governance structures function effectively and that the directors are in a position to fulfill their responsibilities.

The Chief Executive Officer has the widest powers to act in all circumstances in the name and on behalf of the Company, within the limits of the corporate purpose and except for those matters which, by law, can only be decided on by the shareholders in General Meeting or by the Board of Directors. He or she represents the Company in its dealings with third parties.

The directorship candidates recommended at the above-mentioned Combined Shareholders' Meeting, due to be held on March 18, 2003 on first call or March 31, 2003 on second call, have indicated that Thierry Morin is their choice for appointment as both Chairman of the Board and Chief Executive Officer.

3. Interests of executive management and members of the Supervisory Board

The Executive Management and members of the Supervisory Board hold less than 1% of Valeo's capital in a personal capacity.

3.1. Executive Management

Compensation paid to Group Executive Management other than members of the Management Board amounted to €7,142,000 in 2002.

No transaction other than arm's length transactions took place with Group Executive Management during the year. No members of the Executive Management are beneficiaries of loans or guarantees extended by the Company or the Group.

Remuneration received by members of the Management Board

(in euro)	Valeo		Companies controlled by Valeo (as defined in article L.233-16 of the Commercial Code)	
	Remuneration	o/w benefits in kind	Remuneration	o/w benefits in kind
- Thierry Morin	1,253,088.00	10,278.00	111,750.00	-
- Luc Blériot	627,653.16	3,560.00	-	-
- Géric Lebedoff	45,734.72	-	405,941.23	3,560.00
- Bernard Geymond	45,734.72	-	433,891.23	3,560.00
- Vincent Marcel	45,734.72	-	314,613.29	3,560.00

Supplementary pension scheme for members of the Management Board

Further to a recommendation made by the Remuneration Committee of October 17, 2002, at the Supervisory Board Meeting of the same date, the Board decided to implement a supplementary pension scheme for the members of the Management Board:

- the scheme will be used to top up existing pension benefits (Social Security, Arrco, Agirc, etc.) to enable beneficiaries to acquire benefits representing 2% of their end-of-career salary per year of service within the Group. The total amount of pension benefits may not exceed 60% of a beneficiary's end-of-career salary;

- the supplementary pension scheme will apply to beneficiaries who have a minimum of 15 years' service in the Valeo Group and for whom Valeo or one of its subsidiaries was their last employer at their retirement date.

- the supplementary pension scheme is funded with Cardif Entreprises.

Information concerning stock options

Stock options granted to or exercised by members of the Management Board in 2002	Number of options granted/ exercised	Exercise price	Date of Shareholders' / Board of Directors' / Supervisory Board Meeting
Options granted during 2002 to the members of the Management Board by Valeo or other Group companies:			
- Thierry Morin	None		
- Luc Blériot	None		
- Géric Lebedoff	None		
- Bernard Geymond	None		
- Vincent Marcel	None		
Options exercised during 2002 by members of the Management Board:			
- Thierry Morin	None		
- Luc Blériot	None		
- Géric Lebedoff	None		
- Bernard Geymond	None		
- Vincent Marcel	None		

Stock options granted to and exercised by the ten employees with the highest number of options	Number of options granted/ exercised	Weighted average exercise price	Date of Shareholders '/ Board of Directors' / Supervisory Board / Management Board Meeting
Options granted in 2002 by Valeo* or other Group companies to the ten employees of Valeo or other Group companies receiving the highest number of options.	107,500 (13 beneficiaries**)	€28.30	November 25, 2002
Options exercised during 2002 by the ten employees of Valeo or other Group companies exercising the highest number of options.	None		

* Valeo was the only Group company to award stock options during the year.
** Several beneficiaries received the same number of options in tenth position.

3.2. Supervisory Board

Total attendance fees paid to members of the Supervisory Board in 2002 amounted to €360,000.

Out of this total, each member of the Supervisory Board is granted €20,000 plus an additional €20,000 for members of the Supervisory Board committees.

Member of the Supervisory Board:	Attendance fees
- Noël Goutard	€40,000
- Ernest-Antoine Seillière*	€40,000
- Carlo De Benedetti	€20,000
- Arnaud Fayet	€40,000
- Yves-André Istel	€20,000
- Jean-Marc Janodet	€40,000
- Jean-Bernard Lafonta	€40,000
- Alain Minc	€40,000
- Jean-Pierre Souviron	€40,000
- Erich Spitz	€40,000

* Ernest-Antoine Seillière stood down from his position as a member of the Supervisory Board in December 2002.

In his capacity as Chairman of the Supervisory Board, Noël Goutard received remuneration of €501,060 from Valeo, including €3,560 in benefits in kind. He also received remuneration in an amount of €72,700 from companies controlled by Valeo.

No transaction other than arm's length transactions took place with members of the Supervisory Board during the year. No members of the Supervisory Board are beneficiaries of loans or guarantees extended by the Company or the Group.

Information concerning stock options

Neither Valeo nor any other Group company awarded stock options to the members of the Supervisory Board during 2002.

Noël Goutard exercised 277,125 stock options during the first half of 2002 at an exercise price of €44.50.

No stock options granted by Valeo or any other Group company were exercised during 2002 by the other members of the Supervisory Board.

4. Regulated agreements

No regulated agreements authorized and entered into in prior years remained in force during 2002.

The only regulated agreements for 2002 were those authorized by the Supervisory Board on April 16, 2002 concerning non-exclusive license agreements for Valeo brands entered into with Valeo Matériaux de Friction and Valeo Embrayages.

These licenses were granted without consideration for a tacitly renewable 10-year period.

5. Claims, litigation and risks

5.1. Market risks

The Divisions enjoy a high degree of autonomy for commercial cash management purposes (debt recovery, supplier payments, etc.). However, the management of market risks including interest rate, currency and commodity prices risks, is centralized in accordance with rules defined by Group Management.

The centralized structure co-ordinates cash management for the Branches and Divisions. It is divided into two teams. One team manages the cash pool and centralizes requests for financing and interest rate and commodity price risk hedges. As far as possible, and to the extent allowed by local regulations, it acts as the sole counterparty for this type of transaction with the decentralized cash management departments. In this way, the central cash management department can carry out consolidated financing and hedging operations on the financial markets based on consolidated positions. The other team reviews transaction types and applicable ceilings, and monitors compliance with Group cash management rules. In addition, the Internal Audit Department monitors the application of these rules, particularly for decentralized cash management departments.

Exchange rate risks

A sizeable portion of Valeo's sales and purchases are denominated in currencies other than the euro, particularly in US dollars. Therefore, significant fluctuations in the exchange rate between the euro and the US dollar, Brazilian real, Japanese yen, Mexican peso or Korean won could impact Valeo's results. Valeo hedges part of its exposure to exchange rate risks to reduce sensitivity to such fluctuations. Details of the Group's hedging commitments at December 31, 2002 are provided in Note 17 to the consolidated financial statements.

Risks relating to commodity prices

The main raw materials used by the Valeo Group are aluminum, steel, copper, zinc and plastics. Valeo uses hedges in order to reduce part of the Group's exposure to fluctuations in base metals prices. Details of the Group's hedging commitments at December 31, 2002 are provided in Note 17 to the consolidated financial statements.

Interest rate risks

Net income may also be affected by changes in interest rates as they have a direct impact on borrowing costs and investment yields for the Valeo Group. Borrowing costs increase if interest rates on amounts payable by Valeo rise and the yield on investments is lower if interest rates on amounts loaned or invested decrease. At December 31, 2002 Valeo's net indebtedness stood at €564 million, representing total borrowings of €1,250 million, less €686 million in cash and marketable securities. The majority of the total net indebtedness is made up of €500 million worth of bonds issued in 2001 with a fixed interest rate of 5.625%, which limits the Group's exposure to interest rate fluctuations. The majority of variable rate interest expense on borrowings is offset by income from marketable securities indexed to variable rates and the Group has only a limited residual exposure. For example, a 1 point interest rate increase would have a negative impact of approximately €0.6 million, based on a theoretical residual exposure of €60 million. Consolidated interest expense amounted to €64 million in 2002. Maturities of Valeo's debt are presented in Note 11 to the consolidated financial statements.

Stock market risks

As stated in Note 11 to the consolidated financial statements, Valeo's portfolio of marketable securities primarily consists of money market mutual funds. However, Valeo does have exposure to stock market fluctuations on shares held in treasury stock (605,130 shares at December 31, 2002). A €5 increase or decrease in the share price would result in a gross gain or loss of €3 million. In accordance with the resolutions voted by various Shareholders' Meetings (see para. "stabilizing the share price" in the section "Market for the Company's Shares"), the Management Board is responsible for decisions concerning treasury stock such as purchases, sales, cancellations or other uses[2].

In April 2000, Valeo acquired a 21% stake in Ichikoh Industries, a major Japanese player in the lighting systems market. The acquisition was part of a strategic technical and marketing partnership. The investment is carried in the balance sheet at cost.

[2] These decisions will be taken by the Board of Directors if the new bylaw clauses recommended to the shareholders are approved at the Combined Shareholders' Meeting to be held on March 18, 2003 on first call or March 31, 2003 on second call.

5.2 Exceptional events and litigation

Asbestos-related risks

A €35 million provision has been recorded in the balance sheet for expenses relating to litigation in connection with exposure of the Group's employees to asbestos or asbestos-based products. Taking into account the €25 million charge for 2002, the provision now represents the reasonably foreseeable financial risk for the Group based on the current legal position. This amount also takes into account the portion covered by insurance policies taken out with first-rate insurers against the financial consequences of certain claims arising before 2000.

The Group has never made or manufactured products containing asbestos in North America.

Other claims and litigation and exceptional events

To the best of Valeo's knowledge no other claims, litigation, arbitration or exceptional events exist that are likely to have or have recently had a material impact on the business, financial position, results or assets and liabilities of the Company and the Group.

5.3 Industrial and environmental risks

Liability for products and services sold

Valeo is exposed to risks for claims from customers under warranties or general liability concerning products and services sold. Current risks have been reasonably provisioned. Valeo is also subject to liability claims in relation to product or service defects which lead to property damage or injury. Valeo has taken out insurance to cover the financial consequences of any such claims (see paragraph 5.4 "Insurance").

Environmental risks

Valeo is subject to various forms of environmental regulations with different scopes of application depending on the country in which the Group operates its businesses. These regulations are constantly evolving, imposing increasingly strict environmental protection standards on the Group, especially concerning air-borne emissions, the use of dangerous substances and waste disposal. In line with these developments, Valeo has set up a data base providing a list of banned and restricted substances in the automotive industry. Valeo's environmental policy, which is described in the Activity Report, aims to control and reduce environmental risks as far as possible. Valeo invests heavily every year in environmental protection measures. For example in 2002 the Group devoted €12 million to environmental prevention, excluding pollution elimination costs.

5.4. Insurance

Valeo has taken out insurance policies with first-rate insurance companies for all major risks which could have a material impact on its business, results or assets and liabilities.

The amount and form of cover reflect standard practice in the automotive sector:

- the risks covered include property damage, business interruption, merchandise and equipment transportation, third party liability, occupational illnesses and accidents;

- insured values are subject to ceilings by risk group. For third party liability claims, the Group has several levels of cover with a first level of €60 million. Property damage cover is based on replacement value and business interruption cover on one year's "lost" margin.

5.5. Other risks and labor relations

Dependence on the automotive sector and customers

Valeo's revenues depend directly on the level of automotive production throughout the world, and particularly in Europe and North America. Production may be affected by the general economic situation, specific governmental programs – such as vehicle purchase incentive schemes –, commercial agreements, changes in regulations, or labor relations problems such as strikes or stoppages.

Valeo provides its products and services to the automobile sector in which the number of major players is limited. However, as Valeo has business relations with all of the major automakers, decreases in market share with one are generally offset by increases with another. Valeo's most significant automaker customer represents approximately 15% of consolidated sales. The Group's five most important customers represent some 63% and the top ten some 81% of sales. The average customer payment period is approximately 70 days.

Dependence on new vehicle models

Equipment supply agreements for vehicle models generally take the form of open orders without any volume guarantees. Separate agreements are entered into for each function of a particular vehicle and they are generally valid for the life of the model. The Group's sales, results, and financial position can therefore all be impacted if a particular model is not a commercial success and/or if Valeo is not chosen as the supplier for a new generation of a vehicle model. However, these risks are largely diluted as Valeo offers a wide range of products and services for many different types of vehicle.

Intellectual property risks (patents)

Where possible and when justified by strategic technological considerations, Valeo registers patents to protect the intellectual property relating to industrial know-how and innovations from Group research. The geographical scope and duration of patent protection reflect standard practice in the automotive sector and are tailored to the requirements of the industrial Branches concerned. Patents are systematically and regularly reviewed. This approach provides the Group with a strong legal weapon against patent infringements. Valeo also relies on its production know-how to protect its technological advances. This know-how is leveraged to achieve the lowest possible production costs and in turn limit commercial opportunities for similar or competing products.

Contractual dependence

Valeo works with many different customers and suppliers and offers a wide range of products and services, thus significantly reducing the risk of its results being over-dependent on a particular contract or specific contractual clause.

Labor relations

Valeo considers that its labor relations are generally good. However, although the Group's policy aims to minimize the risks of labor disputes they cannot be ruled out, and the Group's business is necessarily susceptible to events such as strikes.

6. Employee profit sharing and incentive schemes

Further to the spin-off of Valeo's Clutches and Friction Materials activities at the beginning of 2002, commitments relating to employee incentive agreements previously signed by Valeo were transferred to the new subsidiaries.

The following amounts were paid out under Valeo employee incentive schemes over the past five years.

Year	Amount (in thousands of euro)
2002	-
2001	1,670
2000	2,139
1999	-
1998	1,277

No amounts were paid out under profit-sharing ("participation") schemes over the past five years.

Fees paid by the Group to the Auditors and members of their networks

2002	PricewaterhouseCoopers Amount (thousands of euro)	%	RSM Salustro Reydel Amount (thousands of euro)	%
AUDIT				
Statutory audit and contractual audits	4,675		1,790	
Other engagements	1,724		616	
Sub-total: audit	**6,399**	**92%**	**2,406**	**96%**
OTHER SERVICES				
Legal and tax advisory services	471		48	
Other	107		59	
Sub-total: other services	**578**	**8%**	**107**	**4%**
TOTAL	**6,977**	**100%**	**2,512**	**100%**

General information about the capital

1. Changes in capital

At December 31, 2002, Valeo's capital stock was represented by 82,133,728 common shares with a par value of €3.

Changes in capital since December 31, 1998 are as follows:

Year	Type of operation	Changes (millions of euro)			Number of shares	New number of shares
		Par value	Premium	Total		
1998	Issuance of shares in payment of dividends	2	48	50	647,911	**71,168,537**
	Issuance of shares upon exercise of stock options	1	5	6	159,550	**71,328,087**
	Issuance of shares for cash	33	986	1,019	11,147,541	**82,475,628**
1999	Issuance of shares upon exercise of stock options	1	12	13	332,500	**82,808,128**
2000	Issuance of shares upon exercise of stock options	1	4	5	115,275	**82,923,403**
2001	Issuance of shares upon exercise of stock options	-	5	5	133,200	**83,056,603**
2002	Issuance of shares upon exercise of stock options	1	11	12	277,125	**83,333,728**
	Capital reduction by cancellation of treasury stock	- 3.6	- 47	- 51	1,200,000	**82,133,728**

2. Authorized, unissued capital

Authorizations granted by the General Shareholders' Meeting of June 10, 2002:

Securities concerned Date of Shareholders' Meeting (duration and expiry of authorization)	Maximum amount of issue	Maximum capital increase	Utilization of authorizations
Issues with pre-emptive subscription rights	€1.52 billion of debt securities	€76.22 million	N/A
Capital increase – all securities (A)	(A) + (C) ceiling = €2 billion	(A) + (B) + (C) ceiling = €100 million	
AGM of June 10, 2002 (maximum 26 months, expiring on August 10, 2004)			
Capital increase paid up by capitalizing income, retained earnings or additional paid-in capital (B) AGM of June 10, 2002 (maximum 26 months, expiring on August 10, 2004)	-	€76.22 million (A) + (B) + (C) ceiling = €100 million	N/A
Issues without pre-emptive subscription rights Capital increase – all securities (C) AGM of June 10, 2002 (maximum 26 months, expiring on August 10, 2004)	€1.52 billion of debt securities (A) + (C) ceiling = €2 billion	€76.22 million (A) + (B) + (C) ceiling = €100 million	N/A
Stock options*			

* See para. 4 "Stock options" below, in the "Ownership structure" section.

3. Other securities

The General Shareholders' Meeting of June 10, 2002 granted the Management Board a five-year authorization ending on June 10, 2006 to issue bonds subject to a ceiling of €2 billion.
Under the terms of the authorization granted by the General Shareholders' Meeting of May 27, 1998, Valeo issued €500 million worth of bonds on July 13, 2001 maturing on July 13, 2006, with a fixed annual interest rate of 5.625%. The bonds are quoted on the Luxembourg stock exchange.

In October 2002 Valeo set up a €2 billion Euro Medium Term Notes (EMTN) program. No notes were issued by the Company under this program during 2002.

Ownership structure

1. Changes in ownership structure since 1998

The table below shows changes in ownership structure since 1998 for shareholders with over 5% of the Company's capital or voting rights, as well as public shareholders.

	Wendel Investissement Group (formerly CGIP)	CDC**	Franklin Resources Inc. (USA)	Treasury stock	Public
December 31, 1998					
Number of shares	16,688,977	6,309,361		163,718	59,313,572
%	20.23	7.65		0.23	71.89
Number of voting rights*	16,688,977	7,897,501			63,391,325
%	18.97	8.98			72.05
December 31, 1999					
Number of shares	16,688,977	6,958,935		5,257	59,154,960
%	20.15	8.40		0.01	71.44
Number of voting rights*	16,688,977	8,547,075			63,178,433
%	18.88	9.67			71.44
December 31, 2000					
Number of shares	16,688,977	6,732,669		270,654	59,231,103
%	20.13	8.12		0.33	71.42
Number of voting rights*	27,647,985	8,320,809			63,527,541
%	27.79	8.36			63.85
December 31, 2001					
Number of shares	16,688,977	7,266,919	6,675,969	539,827	51,884,911
%	20.09	8.75	8.04	0.65	62.47
Number of voting rights*	27,695,087	8,855,059	6,675,969		56,112,747
%	27.88	8.91	6.72		56.49
December 31, 2002					
Number of shares	7,724,045	6,466,767	10,545,587	605,130	56,792,199
%	9.40	7.87	12.84	0.74	69.15
Number of voting rights*	14,600,490	8,981,251	10,545,587		57,360,914
%	15.96	9.82	11.53		62.69

* Shares registered in the name of the same shareholder for a minimum of 4 years carry double voting rights.
** Shares held by Caisse des Dépôts et Consignations (CDC) on its own behalf

In April 2002, CGIP sold €8.3 million-worth of Valeo shares to institutional investors through the market. In addition, CGIP issued €408.8 million worth of three-year bonds exchangeable for Valeo shares on a one-for-one basis. As a consequence, at December 31, 2002, Wendel Investissement – ex. CGIP – held 7.7 million Valeo shares, representing 9.40% of the Company's capital and 15.96% of voting rights.

In December 2002, Franklin Resources Inc. (USA) declared that it had crossed the threshold of 10% of the Company's capital and stated that it wished to retain its interest for the next 12 months but did not wish to take control of the company nor request appointment as a member of the Valeo S.A. Management Board or Supervisory Board.

During 2002, Valeo was notified of the following stakes held by intermediaries on behalf of third parties:

- State Street Bank and Trust Company (USA) held 4,335,527 shares in custody at November 4, 2002, representing 5.28% of Valeo's capital stock at December 31, 2002.
- Northern Trust (USA) held 3,200,958 shares in custody at December 4, 2002, representing 3.90% of Valeo's capital stock at December 31, 2002.

To the best of the Company's knowledge, the only shareholders directly or indirectly holding more than 2% of the Company's capital or voting rights at December 31, 2002 were Wendel Investissement, CDC group, Franklin Resources Inc. (USA) and BNP Paribas group, (and State Street Bank and Trust Company (USA) and Northern Trust (USA), acting as intermediaries).

Based on an identification request filed by Valeo, the Company had 78,067 identifiable holders of bearer stock at December 31, 2002.

Group employees do not hold Valeo shares through any specific employee savings funds. At December 31, 2002, directors and officers held a total of 7,072 registered shares.

No registered shares held by Valeo's main shareholders have been pledged.

Valeo has been notified of the following changes in ownership structure since January 1, 2003:

- Northern Trust (USA) declared that it held as an intermediary 3,258,038 shares at February 13, 2003, representing 3.97% of the Company's capital and 3.54% of voting rights.

- further to reorganization measures carried out within the Wendel Investissement group, at the close of the creditors' opposition period (March 6, 2003), Wendel Investissement group's interest should total 8.1% of voting rights based on total voting rights as at June 10, 2002, with its interest in the Company's capital remaining at 9.4%.

- State Street Bank and Trust Company (USA) declared that it held as an intermediary 4,109,958 shares at February 25, 2003, representing 5.00% of the Company's capital and 4.47% of voting rights.

2. Disclosure thresholds

Article 9 of the Valeo bylaws states that, in addition to the thresholds laid down by article L.233-7 of the Commercial Code, any individual or legal entity, acting alone or in concert, that holds – directly or indirectly – over 2% of the Company's capital or voting rights, is required to disclose to the Company by registered letter with return receipt requested that the said disclosure threshold has been exceeded. Said disclosure must be made within fifteen days of exceeding the threshold and the shareholder concerned must state its own identity as well as that of any parties acting in concert with the shareholder. This disclosure obligation also applies to the acquisition of any additional 2% interest in the Company's capital or voting rights, as well as to the reduction of a shareholding to below 2% or any multiple thereof.

Without prejudice to the obligations of the owners of the shares concerned, intermediaries registered as holders of shares in accordance with article L.228-1 of the Commercial Code are required to make the above-mentioned declarations for all shares which they are registered as holding on behalf of a third party.

Non-compliance with the above obligations shall incur the penalties set forth in Article L.233-14 of the Commercial Code, at the request of one or several shareholders together holding at least 2% of the Company's capital or voting rights, as recorded in the minutes of the General Shareholders' Meeting.

3. Identification of shareholders

Registered and bearer shares are recorded in shareholders' accounts in accordance with applicable laws and regulations.

However, a bank, broker or other intermediary may register on behalf of shareholders who are domiciled outside France in accordance with article 102 of the Civil Code. This registration may be made in the form of a joint account or several individual accounts, each corresponding to one shareholder. Any such intermediary must inform the Company or the intermediary managing the Company's account that it is holding the shares on behalf of another party.

The Company is entitled to identify all holders of bearer shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares carrying rights to vote at General Shareholders' Meetings, in accordance with the procedure provided in article L. 228-2 et seq. of the Commercial Code.

In accordance with the applicable laws and regulations, the Company is entitled to request, at any time, from the share clearing organization in exchange for a fee, the name – or, in the case of corporate shareholders, the registered name –, nationality, year of birth – or, in the case of corporate shareholders, the year of incorporation – and address of holders of bearer shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares carrying rights to vote at Shareholders' Meetings, together with details of the number of shares held by each such shareholder and of any restrictions applicable to the shares.

Based on the list provided by the share clearing organization, where the Company considers that shares may be held on behalf of third parties, it may request, in accordance with the same conditions, either through the organization or directly from the parties mentioned on the list, the same information concerning the holders of the shares. If one of the parties mentioned on the list is a bank, broker or other intermediary, it must disclose the identity of the shareholders for whom it is acting. The information shall be provided directly to the financial intermediary managing the Company's share account, which shall pass on said information either to the Company or the share clearing organization, as applicable.

For registered shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares, any intermediary holding the shares on behalf of a third party must disclose the identity of the shareholder for whom it is acting, upon simple request by the Company or its representative, which may be made at any time.

The Company may also request from any corporate shareholder holding over 2.5% of the Company’s capital or voting rights, information concerning the identity of persons or companies holding either directly or indirectly over one third of the corporate shareholder’s capital or voting rights.

If an individual or corporate shareholder is asked to provide information in accordance with the above conditions and fails to provide it by the applicable deadline, or provides incomplete or incorrect information, the shares or other securities redeemable, exchangeable, convertible or otherwise exercisable for shares recorded in the shareholder’s account shall be stripped of voting rights for all Shareholders’ Meetings held until the identification request has been fulfilled, and the payment of any corresponding dividends shall also be deferred until that date.

In addition, if an individual or company registered in the Company's shareholders' account deliberately ignores their obligations, the Company or one or more shareholders holding at least 5% of the Company’s capital may apply to the court of the place in which the Company’s registered office is located to obtain an order to totally or partially strip the shares concerned of their voting rights and the corresponding dividend, for a maximum period of five years.

4. Stock options

	1995	1996	1997	1998	1999	2000	2001	2002
Date of the Shareholders' Meeting	**06/12/95 500,000 (5 years and 3 months)**	**05/21/96 500,000 (5 years and 3 months)**	**05/21/97 500,000 (5 years and 3 months)**	**05/27/98 500,000 (6 years)**	**05/25/99 500,000 (6 years)**	**05/25/00 800,000 (8 years)**	**05/09/01 1,000,000 (8 years)**	**06/10/02 1,500,000 (8 years)**
Date of the Board of Directors/Supervisory Board/Management Board	1 - 11/04/1996* 2 - 10/15/1997** 3 - 09/15/1998	3 - 09/15/1998 4 - 01/21/1999 5 - 10/14/1999	5 - 10/14/1999	5 - 10/14/1999 6 - 04/12/2000 7 - 05/25/2000 8 - 10/17/2000	8 - 10/17/2000	8 - 10/17/2000 9 - 03/21/2001 10 - 12/07/2001	10 - 12/07/2001 11 - 12/10/2001	12 - 07/01/2002 13 - 11/25/2002
Aggregate number of shares to be subscribed or purchased	1 - 277,125* 2 - 300,000 3 - 160,375	3 - 289,625 4 - 150,000 5 - 60,375	5 - 500,000	5 - 289,625 6 - 37,500 7 - 50,000 8 - 122,875	8 - 500,000	8 - 677,125 9 - 80,000 10 - 42,875	10 - 557,125 11 - 442,875	12 - 420,000 13 - 600,000
Including conditional	1 - 277,125*			6 - 35,625			10 - 300,000	
Including number of shares to be subscribed or purchased by Corporate Officers Number of persons concerned: 6	1 - 277,125* 2 - 29,500	3 - 38,000 4 - 2,000	5 - 45,000	6 - 35,625		8 - 88,000 9 - 50,000 10 - 42,875	10 - 257,125 10 - 300,000	
Including number of shares to be subscribed or purchased by the first thirteen employees beneficiaries of 2002 (several persons have exercised or subscribed an equal number of options at the 10th rank):	2 - 27,000	3 - 31,500 4 - 1,500	5 - 42,250			8 - 94,000	11 - 116,000	13 - 107,500
Starting point of exercise of options	1: 100% ~conditional 2 & 3: 50% ~2 years 100% ~3 years	3,4 & 5: 50% ~2 years 100% ~3 years	5: 50% ~2 years 100% ~3 years	6: 100% ~conditional 7: 100% ~immediate 5&8: 50% ~2 years 100% ~3 years	8: 50% ~2 years 100% ~3 years	8: 50% ~2 years 100% ~3 years 9: 100% ~immediate 10: 50% ~2 years 50% ~conditional	10: 50% ~immediate 50% ~conditional 11: 50% ~2 years 100% ~3 years	12 & 13: 50% ~2 years; 100% ~3 years
Expiry date	1 - 02/03/2002 2 - 01/14/2003 3 - 12/14/2003	3 - 12/14/2003 4 - 04/20/2004 5 - 01/13/2005	5 - 01/13/2005	5 - 10/13/2005 6 - 04/11/2006 7 - 05/24/2006 8 - 10/16/2006	8 - 10/16/2006	8 - 10/16/2008 9 - 03/20/2009 10 - 12/06/2009	10 - 12/06/2009 11 - 12/09/2009	12 - 06/30/2010 13 - 11/24/2010
Subscription or purchase price	1 - € 44.50 2 - € 58.69 3 - € 72.87	3 - € 72.87 4 - € 67.40 5 - € 70.32	5 - € 70.32	5 - € 70.32 6 - € 54.52 7 - € 60.70 8 - € 48.00	8 - € 48.00	8 - € 48.00 9 - € 55.82 10 - € 42.48	10 - € 42.48 11 - € 42.69	12 - € 43.84 13 - € 28.30
Number of shares subscribed as at 12/31/2002 (total)	1 - 277,125*	0	0	0	0	0	0	0
Stock options cancelled during the fiscal year	1 - 0 2 - 9,500 3 - 6,125	3 - 21,375 4 - 6,500	5 - 30,750	5 - 21,750 6 - 0 7 - 0	8 - 54,750	8 - 67,000 9 - 0	10 - 0 11 - 11,250	12 - 2,700 13 - 0
Remaining stock options at 12/31/2002	1- 0 2 - 213,950 3 - 0	3 - 268,250 4 - 61,750 5 - 0	5 - 373,250	5 - 200,500 6 - 35,625 7 - 50,000 8 - 0	8 - 494,750	8 - 547,000 9 - 80,000 10 - 42,875	10 - 557,125 11 - 431,050	12 - 417,300 13 - 600,000

* including 237,500 pursuant to the shareholders' meeting of 05/20/94
** plan terminated on 01/14/2003

Market for the Company's shares

1. Valeo's share performance over 18 months

Month	Price (in euro) High	Low	Closing (average)	Trading volume (shares)	Trading volume (Value – in millions of euro)
July-01	53.10	46.02	48.86	11,153,314	549.43
August-01	52.85	49.00	50.84	12,419,129	629.26
September-01	49.50	30.02	39.36	6,307,142	244.98
October-01	40.57	33.82	37.80	6,587,304	248.15
November-01	45.50	37.06	41.78	7,946,518	339.97
December-01	44.80	40.53	42.35	5,274,064	222.05
January-02	48.00	42.80	45.65	6,058,991	275.16
Febuary-02	49.00	44.60	46.56	5,120,836	238.23
March-02	52.45	47.33	50.17	8,326,493	418.82
April-02	53.00	46.15	50.61	20,067,704	1,021.57
May-02	49.50	46.50	47.49	10,102,656	482.32
June-02	47.80	40.10	43.61	10,782,644	474.77
July-02	42.11	32.81	37.53	12,595,040	478.41
August-02	41.50	37.03	39.16	6,483,406	255.41
September-02	39.29	27.50	33.70	7,412,559	242.95
October-02	33.05	23.00	28.23	11,771,345	337.85
November-02	32.90	25.77	28.89	9,945,316	289.54
December-02	33.35	27.70	30.13	6,091,698	185.28

Source: EURONEXT PARIS

2. Stabilizing the share price

In the seventh resolution of the Combined Shareholders' Meeting held on second call on June 10, 2002, the shareholders granted the Management Board an eighteen-month authorization to purchase the Company's shares in accordance with the provisions of article L.225-209 et seq. of the Commercial Code. Under the authorization the shares could be bought back on one or more occasions, by any method including over the counter or the implementation of options strategies, based on market opportunities.

This authorization superseded, for the unexpired period, the unused portion of the authorization granted in the sixth resolution of the Combined Shareholders' Meeting held on May 9, 2001.

The number of shares that may be acquired under this authorization may not represent over 10% of the Company's capital. The purchase price may not exceed €80 per share and the sale price must not be less than €40 per share.

The objectives of the share buyback program are as follows in order of priority:
- to stabilize the share price by systematically trading against stock market trends;
- for attribution (in payment of assets, in exchange for shares in another company or otherwise) in connection with external growth transactions;
- to attribute shares on redemption, conversion, exercise or exchange of share equivalents;
- to purchase shares with a view to canceling all or some of them in accordance with the authorization granted by the General Shareholders' Meeting of June 10, 2002;
- for allocation under stock option plans in accordance with articles L.225-177 et seq. of the Commercial Code;
- to award shares to employees under stock option plans on the terms and by the methods provided for by law, including articles L.443-1 et seq of the Commercial Code;
- or to hold, sell or transfer the shares in connection with the management of the Company's assets and liabilities and its financial position.

In the eighth resolution of the same meeting, the shareholders' authorized the Management Board to cancel shares acquired under the above mentioned share buyback program, provided that the aggregate number of shares canceled in any given period of twenty four months does not exceed 10% of the Company's capital. This authorization, given for a period of twenty-six months, renewed that granted by the General Shareholders' Meeting of May 25, 2000.

The share buyback program was described in an information memorandum approved by the French stock exchange authorities ("Commission des Opérations de Bourse") on May 6, 2002 (visa. no. 02-511).

In 2002, Valeo carried out a number of transactions under the above mentioned share buyback program. A total of 1,431,678 shares were purchased at an average price of €40.85, and 166,375 shares were sold at an average price of €50.61.

In October 2002 Valeo cancelled 1,200,000 shares, purchased under the buyback program at an average price of €42.10.

At December 31, 2002, the Group held 605,130 shares in treasury stock, purchased at an average price of €31.58 (0.74% of capital stock). None of these shares have been pledged.

3. Dividends

Dividends per share over the past five years were as follows:

	1997	1998	1999	2000	2001
Gross dividend per share (in euro)	1.49	1.50	2.25	2.03	1.05
Net dividend per share (in euro)	0.99	1.00	1.50	1.35	0.70
"Avoir fiscal" tax credit (in euro)	0.50	0.50	0.75	0.68	0.35
Total dividend (excluding tax credit - millions of euro)	70	82	124	112	58

In view of the improvement in the Group's results in 2002, at the Annual General Meeting held to approve the accounts for the year, the Supervisory Board and Management Board will recommend a net dividend of €1 per share (€1.50 including the "avoir fiscal" tax credit for individual shareholders) compared to a net dividend of €0.70 in 2001.

As the dividend distribution rate is not fixed, future dividend payments will depend on the Group's results as well as the financing required to drive future growth. The Company cannot guarantee the amount of dividends to be paid for any particular year.

Main Industrial and Commercial Entities

Direct and indirect stakes by country (%)

Industrial
Commercial

Region	Country	Company	Stake (%)	Type
European union	France	VALEO EMBRAYAGES	100	Industrial
European union	France	VALEO MATERIAUX DE FRICTION	100	Industrial
European union	France	ANTIVOLS SIMPLEX	100	Industrial
European union	France	VALEO SWITCHES & DETECTION SYSTEMS	100	Industrial
European union	France	VALEO EQUIPEMENTS ELECTRIQUES MOTEUR	100	Industrial
European union	France	PAUL JOURNEE	100	Industrial
European union	France	VALEO SECURITE HABITACLE	100	Industrial
European union	France	VALEO SYSTEMES D'ESSUYAGE	100	Industrial
European union	France	VALEO THERMIQUE MOTEUR	100	Industrial
European union	France	VALEO PLASTIC OMNIUM SNC	50	Industrial
European union	Germany	VALEO AUTO ELECTRIC KG	100	Industrial
European union	Germany	VALEO BELEUCHTUNG DEUTSCHLAND GmbH	100	Industrial
European union	Germany	VALEO SCHALTER UND SENSOREN GmbH	100	Industrial
European union	Germany	TELMA RETARDER DEUTSCHLAND GmbH	100	Industrial
European union	Germany	VALEO WISCHER-SYSTEME GmbH	100	Industrial
European union	Germany	VALEO SICHERHEITS SYSTEME GmbH	100	Industrial
European union	Germany	VALEO KLIMASYSTEME GmbH	93	Industrial
European union	Germany	VALEO MOTOREN UND AKTUATOREN GmbH	100	Industrial
European union	Germany	VALEO SERVICE DEUTSCHLAND GmbH	100	Commercial
European union	Belgium, Netherlands, Sweden	VALEO VISION BELGIQUE	100	Industrial
European union	Belgium, Netherlands, Sweden	VALEO SERVICE BELGIQUE	100	Commercial
European union	Belgium, Netherlands, Sweden	VALEO SERVICE BENELUX B.V.	100	Commercial
European union	Belgium, Netherlands, Sweden	VALEO ENGINE COOLING A.B.	100	Industrial
European union	Italy, Spain, Portugal	VALEO S.p.a.	99.9	Industrial
European union	Italy, Spain, Portugal	VALEO SICUREZZA ABITACOLO S.p.a.	99.9	Industrial
European union	Italy, Spain, Portugal	VALEO SISTEMI DI CLIMATIZZAZIONE S.p.a.	93	Industrial
European union	Italy, Spain, Portugal	TELMA RETARDER ITALIA Srl	100	Industrial
European union	Italy, Spain, Portugal	VALEO CABLAGGI E COMMUTAZIONE	100	Industrial
European union	Italy, Spain, Portugal	CABLAUTO Srl (Italie)	100	Industrial
European union	Italy, Spain, Portugal	CAVISUD Srl (Italie)	100	Industrial
European union	Italy, Spain, Portugal	VALEO SERVICE ITALIA S.p.a.	99.9	Commercial
European union	Italy, Spain, Portugal	VALEO ESPANA S.A.	100	Industrial
European union	Italy, Spain, Portugal	VALEO MATERIALES DE FRICCION S.A.	100	Industrial
European union	United Kingdom	TELMA RETARDER LIMITED	100	Industrial
European union	United Kingdom	VALEO CLIMATE CONTROL LIMITED	93	Industrial
European union	United Kingdom	VALEO SERVICE (U.K.) LIMITED	100	Commercial
Other European countries		VALEO AUTO ELECTRIC HUNGARY LLC	100	Industrial
Other European countries		VALEO VYMENIKY TEPLA Sro (Rép. tchèque)	93	Industrial
Other European countries		VALEO AUTOKLIMATIZACE Sro (Rép. tchèque)	93	Industrial
Other European countries		SYLEA Tchequia Sro	100	Industrial
Other European countries		EKO d.d. (Slovénie)	98.9	Industrial
Other European countries		VALEO KABLI d.o.o. (Slovénie)	100	Industrial
Other European countries		SYLEA POLAND Sp.zo.o.	100	Industrial
Other European countries		VALEO AUTOSYSTEMY Sp.zo.o.	100	Industrial
Other European countries		VALEO SERVICE EASTERN EUROPE Sp.zo.o.	100	Commercial
Other European countries		VALEO OTOMOTIV SISTEMLERI ENDUSTRISI A.S.	100	Industrial
North America	United States	VALEO INC.	100	Industrial
North America	United States	VALEO FRICTION MATERIALS INC.	100	Industrial
North America	United States	VALEO INVESTMENTS HOLDING INC.	100	Industrial
North America	United States	VALEO ELECTRICAL SYSTEMS INC.	100	Industrial
North America	United States	VALEO CLIMATE CONTROL CORP.	93	Industrial
North America	United States	VALEO SYLVANIA LLC	50	Industrial
North America	United States	VALEO ACUSTAR THERMAL SYSTEMS INC.	47.4	Industrial
North America	United States	TELMA RETARDER INC.	100	Industrial
North America	United States	VALEO AFTERMARKET INC.	100	Commercial
North America	United States	VALEO SWITCHES & DETECTION SYSTEMS INC.	100	Industrial
North America	Mexico	VALEO MAT. DE FRICCION DE MEXICO SA de CV	100	Industrial
North America	Mexico	VALEO SISTEMAS ELECTRICOS SA de CV	100	Industrial
North America	Mexico	VALEO TERMICO SA de CV	100	Industrial
North America	Mexico	DELMEX DE JUAREZ S. de R.L. de CV	100	Industrial
North America	Mexico	VALEO SISTEMAS ELECTRONICOS S. de R.L. de CV	100	Industrial
North America	Mexico	VALEO CLIMATE CONTROL DE MEXICO SA de CV	93	Industrial
North America	Mexico	VALEO SYLVANIA ILUMINACION S. de R.L. de CV	50	Industrial
North America	Mexico	TELMA RETARDER DE MEXICO SA de CV	100	Industrial
South America		VALEO SISTEMAS AUTOMOTIVOS Ltda (Brazil)	100	Industrial
South America		VALEO CLIMATIZACAO BRASIL Ltda	93	Industrial
South America		TELMA RETARDER DO BRASIL COMERCIAL	100	Industrial
South America		TCA S.A. (Brazil)	20	Industrial
South America		VALEO EMBRAGUES ARGENTINA S.A.	68	Industrial
South America		EMELAR S.A. (Argentina)	68	Industrial
South America		CIBIE ARGENTINA S.A.	100	Industrial
South America		VALEO NEIMAN ARGENTINA S.A.	100	Industrial
South America		VALEO TERMICO ARGENTINA S.A.	100	Industrial
South America		DAV ARGENTINA S.A.	100	Industrial
Africa		CABELEC (Morocco)	100	Industrial
Africa		CABLINAL MAROC S.A.	100	Industrial
Africa		CABLEA MAROC	100	Industrial
Africa		VALEO BOUZNIKA, S.A. (Morocco)	100	Industrial
Africa		CABLEA TUNISIE	100	Industrial
Africa		"STC" SOCIETE TUNISIENNE DE CABLAGES	100	Industrial
Africa		SYLEA TUNISIE	100	Industrial
Africa		VALEO EMBRAYAGES TUNISIE S.A.	100	Industrial
Africa		DAV TUNISIE	100	Industrial
Africa		VALEO SYSTEMS SOUTH AFRICA (Proprietary) Limited	51	Industrial
Asia	South Korea	VALEO MANDO ELECTRICAL SYSTEMS KOREA Ltd	100	Industrial
Asia	South Korea	VALEO PYEONG HWA Co. Ltd	50	Industrial
Asia	South Korea	VALEO PYEONG HWA DISTRIBUTION Co. Ltd	50	Commercial
Asia	China	VALEO WENLING AUTO.SYSTEMS COMPANY LIMITED	55	Industrial
Asia	China	HUBEI VALEO AUTOLIGHTING Company Ltd	51	Industrial
Asia	China	VALEO AUTO AIR CONDITIONING HUBEI Co. Ltd	30.7	Industrial
Asia	China	FAW ZEXEL CLIMATE CONTROL SYSTEMS CO. Ltd	20.4	Industrial
Asia	China	NANJING VALEO CLUTCH CO. Ltd	50	Industrial
Asia	China	VALEO SHANGHAI AUTO. ELECT.MOTORS & WIPER SYSTEMS Co. Ltd	50	Industrial
Asia	China	SHANGHAI VALEO AUTO. ELECTRICAL SYSTEMS COMPANY LIMITED	30	Industrial
Asia	Japan	VALEO ZEXEL ENGINE COOLING Corporation	74.9	Industrial
Asia	Japan	VALEO UNISIA TRANSMISSIONS K.K.	66	Industrial
Asia	Japan	ZEXEL VALEO CLIMATE CONTROL CORPORATION	37.2	Industrial
Asia	India	SYLEA AUTO (INDIA) LIMITED	100	Industrial
Asia	India	VALEO FRICTION MATERIALS INDIA LIMITED	60	Industrial
Asia	India	AMALGAMATIONS VALEO CLUTCH (PRIVATE) LIMITED	50	Industrial

VALEO VISION	VALEO CLIMATISATION	VALEO ELECTRONIQUE & SYSTÈMES DE LIAISON	D.A.V.	VALEO LIAISONS ELECTRIQUES	SC2N	CABLEA	VALEO FOUR SEASONS	TELMA	VALEO SERVICE
100	93	100	100	100	100	100	50	100	100

VALEO COMPONENTES AUTOMOVILES S.A.	VALEO TERMICO S.A.	VALEO ILUMINACION S.A.	VALEO PLASTIC OMNIUM S.L.	TELMA RETARDER ESPANA S.A.	VALEO SISTEMAS ELECTRICOS S.L.	VALEO SISTEMAS DE SEGURIDAD Y DE CIERRE S.A.	VALEO CLIMATIZACION S.A.	VALEO SISTEMAS DE CONEXION ELECTRICA S.L.	VALEO SERVICE ESPANA S.A.	CABLINAL PORTUGUESA	CABLAGENS DO AVE (Portugal)
100	100	99.7	50	100	100	100	93	100	100	100	100

VALEO OTOMOTIV DAGITIM A.S.	NURSAN ED (Turkey)	NURSAN OK (Turkey)	VALEO ELECTRONICE SI SISTEME DE CONECTARE ROMANIA
100	40	40	100

VALEO RAYTHEON SYSTEMS INC.
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MIRGOR SACIFIA (Argentina)	INTERCLIMA S.A. (Argentina)	TCA S.A. (Argentina)
24.2	24.2	20

Statement by the person responsible for the "reference document"

To the best of my knowledge, the information contained in the "reference document" is correct. It includes all the information required by investors to form an opinion concerning the assets and liabilities, business, financial position, results and outlook of the Company and no information has been omitted that would be likely to alter an investor's opinion.

Paris February 28, 2003

Chairman of the Management Board
Thierry Morin

Statement by the auditors of the financial statements of the Company and the Group

(Free translation of the original French text for information purposes only)

In our capacity as Statutory Auditors of Valeo (the Company) and as required by Commission des Opérations de Bourse rule COB 98-01, we have examined in accordance with French professional standards the information about the financial position and the historical accounts included in the "reference document".

The "reference document" is the responsibility of the Chairman of the Management Board of Valeo. Our responsibility is to express an opinion on the fairness of the information about the financial position and the accounts contained in this document.

Our procedures, which were performed in accordance with French professional standards, consisted of assessing the fairness of the information about the financial position and the accounts and verifying that this information agrees with the audited financial statements, reading the other information contained in the "reference document" in order to identify any material inconsistencies with the information about the financial position and the accounts, and reporting any manifestly incorrect information that came to our attention, based on our overall knowledge of the Company, as acquired during our audit. The "reference document" does not contain any forward looking information determined according to a structured process.

We audited the financial statements of the Company and the Group for the year ended December 31, 2000 as approved by the Board of Directors and for the years ended December 31, 2001 and 2002 as approved by the Management Board. Our audits were performed in accordance with auditing standards generally accepted in France. Our reports on these financial statements were free of qualifications and observations, except for the report for the year ended December 31, 2002 in which – without qualifying our opinion – we drew shareholders' attention to the impact on the consolidated accounts of the application of the new CRC standard 2000-06 relating to liabilities, effective from January 1, 2002.

Based on the procedures described above, we have nothing to report with respect to the fairness of the information about the financial position and the financial statements contained in the "reference document".

Paris February 28, 2003

The Statutory Auditors

COOPERS & LYBRAND AUDIT
Serge Villepelet

RSM SALUSTRO REYDEL
Edouard Salustro
Jean-Pierre Crouzet

Checklist

(COB rule no 98-01)

The French version of this annual report has been registered as a "reference document" with the "Commission des Opérations de Bourse". The following checklist shows the different sections with must be included in a "reference document" in accordance with "Commission des Opérations de Bourse" rules and the page numbers on which the corresponding information is presented.

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* of the Activity Report

COB

"In application of COB rule 98-01, the French version of the "reference document" was filed with the "Commission des Opérations de Bourse" on February 28, 2003. The "reference document" may not be used in connection with a financial transaction unless it is accompanied by an Information Memorandum approved by the "Commission des Opérations de Bourse".

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