Prospectus Supplement no. 2 dated 26 October 2016 to the Base Prospectus dated 3 May 2016

Valeo
Euro 3,000,000,000
Euro Medium Term Note Programme

This prospectus supplement no. 2 (the "**Prospectus Supplement no. 2**") is supplemental to, and should be read in conjunction with, the base prospectus dated 3 May 2016 (the "**Base Prospectus**") as supplemented by a prospectus supplement no. 1 dated 21 September 2016 (the "**Prospectus Supplement no. 1**"), prepared by Valeo (the "**Issuer**") with respect to its Euro 3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). The *Autorité des marchés financiers* (the "**AMF**") has granted visa no. 16-161 on 3 May 2016 on the Base Prospectus and visa no. 16-441 on 21 September 2016 on the Prospectus Supplement no. 1. The Base Prospectus as supplemented constitutes a base prospectus for the purposes of Directive 2003/71/EC of November 4, 2003, as amended (the "**Prospectus Directive**").
Terms defined in the Base Prospectus have the same meaning when used in this Prospectus Supplement no. 2.
Application has been made for approval of the Prospectus Supplement no. 2 to the AMF in its capacity as competent authority pursuant to Article 212-2 of its General Regulations (*Règlement Général*) which implements the Prospectus Directive.

This Prospectus Supplement no.2 has been prepared pursuant to Article 16 of the Prospectus Directive and Article 212-25 of the AMF's General Regulations (*Règlement Général*) for the purpose of giving information with regard to the Issuer and the Notes to be issued under the Programme in addition to the information already contained or incorporated by reference in the Base Prospectus. As a result, certain modifications have been made to the section relating to "Recent Developments" with the inclusion of the press release with respect to the sales figures for the third quarter of 2016.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement no. 2 and (b) any other statement in, or incorporated by reference in, the Base Prospectus, the statements in (a) above will prevail.
Save as disclosed in this Prospectus Supplement no.2, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of any Notes issued under the Programme since the publication of the Base Prospectus.

Copies of this Prospectus Supplement no. 2 will be available on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.valeo.com) and copies may be obtained, free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, and at the specified offices of the Paying Agents.

TABLE OF CONTENTS

RECENT DEVELOPMENTS

The section "Recent Developments" appearing on pages 70 to 75 of the Base Prospectus is supplemented by the following press releases:

October 20, 2016 Press release – "Sales advanced 16% in the third quarter to 4 billion euros"

Jacques Aschenbroich, Valeo's Chairman and Chief Executive Officer, commented:

"Our sales grew by a vigorous 16% over the third quarter of the year, once again illustrating the strength of our growth strategy.
Thanks to our solid growth and especially the outperformance of our original equipment sales on world markets, we are raising our full-year 2016 target operating margin to around 8% (as a percentage of sales), despite the increase in net R&D expenditure to fuel the Group's future growth in CO_2 emissions reduction and intuitive driving."

Third-quarter 2016:

- **Consolidated sales of 3,994 million euros**, up 16% as reported and 12% on a like-for-like basis
- **Original equipment sales of 3,472 million euros**, up 16% as reported and 12% on a like-for-like basis, outpacing global automotive production by 7 percentage points:
  - Europe: up 9%(1), 10 percentage points higher than automotive production
  - China: up 39%(1), 16 percentage points higher than automotive production
  - Asia excluding China: up 7%(1), 7 percentage points higher than automotive production
  - North America: up 7%(1), 4 percentage points higher than automotive production
  - South America: up 10%(1), 25 percentage points higher than automotive production
- **Aftermarket sales** up 8% as reported and 5% on a like-for-like basis

First nine months of 2016:

- **Consolidated sales of 12,124 million euros**, up 13% as reported and 11% on a like-for-like basis
- **Original equipment sales of 10,578 million euros**, up 14% as reported and 12% on a like-for-like basis, outpacing global automotive production by 9 percentage points
- **Aftermarket sales** up 5% as reported and 6% on a like-for-like basis

2016 outlook

Based on a revision from 2.5% to 3% of the growth forecast for global automotive production in 2016:

We are raising our full-year 2016 target operating margin(2) to around 8% (as a percentage of sales), despite the increase in net R&D expenditure to fuel the Group's future growth, and are also confirming our objective of achieving strong sales growth, outperforming the market in the main production regions, including China.

Following the meeting of its Board of Directors, Valeo released its sales figures for the third quarter of 2016:

Automotive production up 5% in third-quarter 2016

Automotive production rose 5% year on year, driven by continued expansion in North America (up 3%) and Asia (up 10%), supported by a favorable comparison basis in China (up 23%).
Automotive production in Europe retreated slightly by 1%.
Production in South America continued its sharp decline (down 15%).
Automotive production in 2016 (year-on-year change)

[1] Constant Group structure and exchange rates.
[2] Including share in net earnings of equity-accounted companies, see Financial Glossary.

	H1 2016*	Q3 2016*	Nine months ended September 30, 2016*
	+5%	-1%	+3%
excluding Russia	*+6%*	*-1%*	*+3%*
& Oceania	+2%	+10%	+5%
of which China	*+6%*	*+23%*	*+11%*
excluding China	*-2%*	*0%*	*-1%*
	+3%	+3%	+3%
	-18%	-15%	-17%
	+2%	**+5%**	**+3%**

** LMC automotive production estimates*

The growth forecast for global automotive production in 2016 has been raised to around 3%.

In the third quarter of 2016, sales came in at 4 billion euros, up 12% like for like (up 16% as reported)

In the third quarter, like-for-like growth in consolidated **sales** (which came in at 3,994 million euros) remained vigorous at 12% (up 11% in the first half of the year).

Over the first nine months of the year, consolidated sales came in at 12,124 million euros, up 11% on a like-for-like basis (up 13% as reported).

The impact of **changes in exchange rates** during the period was neutral.

Changes in Group structure had a positive 4% impact in the third quarter (positive 3% impact in the first nine months of the year), with peiker, acquired at the end of February 2016, and Spheros, acquired in late March 2016, contributing 78 million euros and 61 million euros, respectively, to third-quarter sales (total contributions of 192 million euros and 123 million euros, respectively, since their acquisition).

Sales *(in €m)*

	As a % of sales over first nine months	H1				Q3				Nine months ended September 30			
		2015	2016	Reported change	LFL change *	2015	2016	Reported change	LFL change *	2015	2016	Reported change	LFL change *
	87%	6,316	7,106	+13%	+12%	2,990	3,472	+16%	+12%	9,306	10,578	+14%	+12%
	11%	813	845	+4%	+6%	387	417	+8%	+5%	1,200	1,262	+5%	+6%
	2%	169	179	+6%	+6%	72	105	+46%	+43%	241	284	+18%	+17%
	100%	**7,298**	**8,130**	**+11%**	**+11%**	**3,449**	**3,994**	**+16%**	**+12%**	**10,747**	**12,124**	**+13%**	**+11%**

** Like-for-like (constant Group structure and exchange rates)*

In the third quarter, like-for-like growth in **original equipment sales** (which came in at 3,472 million euros) remained vigorous at 12% (up 12% in the first half of the year).

Over the first nine months of the year, original equipment sales came in at 10,578 million euros (87% of consolidated sales), up 12% on a like-for-like basis (up 14% as reported).

Aftermarket sales rose by 5% like for like over the third quarter, representing a 6% increase over the first nine months of the year (11% of total sales).

Miscellaneous sales, mainly consisting of tooling revenues related to the launch of new projects, increased by 43% like for like over the third quarter, representing a 17% increase over the first nine months of the year (2% of total sales).

In the third quarter, original equipment sales grew by a vigorous 12% like for like, beating global automotive production by 7 percentage points

Valeo delivered market-beating growth driven by:

- an improved product mix resulting from technological innovations for CO_2 emissions reduction and intuitive driving;
- its balanced customer and geographic positioning.

<u>Original equipment sales *(by destination, in millions of euros)*</u>

	H1				Q3				Nine months ended September 30			
	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**
	,118	,628	+13%	+8 pts	,458	,662	+9%	+10 pts	,576	,290	+12%	+9 pts
Asia, Middle East & Oceania	,649	,781	+11%	+9 pts	770	957	+23%	+13 pts	,419	,738	+15%	+10 pts
	849	*898*	*+11%*	*+5 pts*	*377*	*498*	*+39%*	*+16 pts*	*,226*	*,396*	*+20%*	*+9 pts*
	800	*883*	*+12%*	*+14 pts*	*393*	*459*	*+7%*	*+7 pts*	*,193*	*,342*	*+10%*	*+11 pts*
	,391	,564	+10%	+7 pts	701	773	+7%	+4 pts	,092	,337	+9%	+6 pts
	158	133	-6%	+12 pts	61	80	+10%	+25 pts	219	213	-1%	+16 pts
	,316	**,106**	**+12%**	**+9 pts**	**,990**	**,472**	**+12%**	**+7 pts**	**,306**	**,578**	**+12%**	**+9 pts**

** Like-for-like (constant Group structure and exchange rates)*
*** Based on LMC automotive production estimates*

In the third quarter, Valeo outpaced global automotive production by 7 percentage points, fueled by strong growth in original equipment sales in China, Asia (excluding China) and Europe:

- in **Europe** (including Africa), like-for-like original equipment sales rose 9%, lifted by an attractive portfolio of high technological value products and a favorable customer mix, beating automotive production by 10 percentage points (9 percentage point outperformance over the first nine months of the year);
- in **China**, like-for-like original equipment sales rose 39%, outpacing automotive production by 16 percentage points (9 percentage point outperformance over the first nine months of the year);
- in **Asia (excluding China)**, like-for-like original equipment sales rose 7%, outpacing automotive production by 7 percentage points (11 percentage point outperformance over the first nine months of the year);
- in **North America**, like-for-like original equipment sales rose 7%, outpacing automotive production by 4 percentage points (6 percentage point outperformance over the first nine months of the year);
- in **South America**, like-for-like original equipment sales rose 10%, outpacing automotive production by 25 percentage points (16 percentage point outperformance over the first nine months of the year).

Valeo is benefiting from the geographical alignment of its businesses...

Changes in sales produced by Valeo in the different production regions reflect in particular movements in exchange rates.

Original equipment sales broke down as follows between the different production regions in the first nine months of the year:

- the share of original equipment sales produced in Western Europe was 35%;
- the share of original equipment sales produced in Asia was 26%;
- the share of original equipment sales produced in North America was 22%;
- the share of original equipment sales produced in South America decreased by 1 percentage point year on year to 1%.

...and from a more diverse customer portfolio

In the first nine months of the year:

- German customers accounted for 31% of original equipment sales, up 1 percentage point;
- Asian customers accounted for 26% of original equipment sales, up 1 percentage point;
- US customers accounted for 22% of original equipment sales, down 2 percentage points;
- French customers accounted for 15% of original equipment sales, stable year on year.

Vigorous, above-market growth in original equipment sales across all four Business Groups

As is the case for the consolidated Group, the sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group* *(in millions of euros)*

	H1				Q3				Nine months ended September 30			
	2015	2016	Change in sales	Change in OE sales**	2015	2016	Change in sales	Change in OE sales**	2015	2016	Change in sales	Change in OE sales**
	1,336	1,660	+24%	+16%	663	825	+24%	+12%	1,999	2,485	+24%	+15%
Powertrain	1,926	2,011	+4%	+8%	877	966	+10%	+11%	2,803	2,977	+6%	+9%
	2,046	2,249	+10%	+9%	992	1,140	+15%	+10%	3,038	3,389	+12%	+9%
	2,094	2,295	+10%	+14%	967	1,102	+14%	+16%	3,061	3,397	+11%	+15%
	7,298	**8,130**	**+11%**	**+12%**	**3,449**	**3,994**	**+16%**	**+12%**	**0,747**	**2,124**	**+13%**	**+12%**

** Including intersegment sales*
*** Like-for-like (constant Group structure and exchange rates)*

In the third quarter of 2016, growth in original equipment sales outperformed automotive production in all Business Groups:

- The **Visibility Systems Business Group's** original equipment sales growth accelerated to 16% in the third quarter of 2016 (up 15% over the first nine months of the year), reflecting the market's growing interest in LED technology for lighting, as well as the gradual entry into production of the high order intake recorded by the Business Group in the last few years.

- The **Comfort & Driving Assistance Systems, Powertrain Systems** and **Thermal Systems Business Groups** recorded vigorous like-for-like growth in original equipment sales of 12%, 11% and 10%, respectively, in line with the 12% growth rate recorded by the Group as a whole. These three Business Groups were lifted by an attractive portfolio of high technological value products for intuitive driving and CO_2 emissions reduction.
  In the first nine months of the year, like-for-like original equipment sales growth for the Comfort & Driving Assistance Systems, Powertrain Systems and Thermal Systems Business Groups came out at 15%, 9% and 9%, respectively.

2016 outlook

Based on a revision from 2.5% to 3% of the growth forecast for global automotive production in 2016:

We are raising our full-year 2016 target operating margin(1) to around 8% (as a percentage of sales), despite the increase in net R&D expenditure to fuel the Group's future growth, and are also confirming our objective of achieving strong sales growth, outperforming the market in the main production regions, including China.

Highlights

On September 19, 2016, Valeo announced the launch of a share subscription offering reserved for employees. The offering is part of the development of Valeo's employee shareholding policy in France and abroad with the goal of involving employees more closely in the Group's performance. Around 75,000 Group employees are eligible for the offering, which has been rolled out in 20 countries.

On September 21, 2016, Valeo announced that it had partnered with Gemalto, the world leader in digital security, to ensure the security of its virtual car key system Valeo InBlue®. With Valeo InBlue®, drivers can use their smartphone or connected watch to lock, unlock and start their car, control applications and remotely access useful vehicle data using Bluetooth®. Thanks to Gemalto security solutions, virtual car keys are securely sent to smartphones and stored with a high level of security that is comparable with current mobile payment solutions being deployed with banks around the world.

On September 28, 2016, Valeo presented its growth strategy in powertrain electrification and autonomous vehicles at an investor meeting. Technological innovation – which is more central than ever to the Group's development strategy – and the significant increase in order intake have put Valeo ahead of schedule in terms of the medium-term objectives presented at the Investor Day in March 2015.

On October 10, 2016, Valeo and Capgemini, a global leader in consulting, technology and outsourcing services, announced the launch of Mov'InBlue™, a brand new mobility solution designed specifically for corporate fleets and vehicle rental companies. Ten months after the announcement of the collaboration between the two companies, Mov'InBlue™ – based on the Valeo InBlue® intelligent key technology – is now available in France and Europe.

Upcoming events

Full-year 2016 results: February 16, 2017

Financial Glossary

Operating margin including share in net earnings of equity-accounted companies corresponds to operating income before other income and expenses.

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary.

PERSON RESPONSIBLE FOR THE PROSPECTUS SUPPLEMENT NO. 2

Person responsible for this Prospectus Supplement no. 2

Jacques Aschenbroich, Chairman of the Board of Directors and Chief Executive Officer

Declaration by the person responsible for this Prospectus Supplement no. 2

I declare, after having taken all reasonable care to ensure that such is the case and to the best of my knowledge, that the information contained in this Prospectus Supplement no. 2 is in accordance with the facts and contains no omission likely to affect its import.

The Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2014 included on page 316 of Chapter 5 of the 2014 Reference Document (as defined in "Documents incorporated by reference") contains the following emphasis of matter :

"*Without qualifying our opinion, we draw your attention to notes 1.3.1.2, 1.3.2 and 1.3.3 to the consolidated financial statements which outline the effects related to the first application of IFRS 11 – "Joint Arrangements" and the change in the presentation of the consolidated statement of income*."

The Statutory Auditors' report on the annual financial statements for the year ended 31 December 2015 included on pages 359 and 360 of Chapter 5 of the 2015 Reference Document (as defined in "Documents incorporated by reference") contains the following emphasis of matter :

"*Without qualifying our opinion, we draw your attention to Note 9.1 "Tax Group and taxable income" to the financial statements which outlines the effects related to the change in accounting method on the provision for repayment of tax losses to subsidiaries that are members of the tax consolidation group of which Valeo is the head*."

October 26, 2016

Valeo
43, rue Bayen
75848 Paris Cedex 17
France

Duly represented by Jacques Aschenbroich
Chairman of the Board of Directors and Chief Executive Officer

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

Autorité des marchés financiers

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Réglement Général*) of the *Autorité des marchés financiers* (the "**AMF**"), in particular Articles 212-31 to 212-33, the AMF has granted to this Prospectus Supplement no. 2 the visa n°16-501 on October 26, 2016. The base prospectus, as supplemented by this Prospectus Supplement no. 2, may only be used for the purposes of a financial transaction if completed by Final Terms. This Prospectus Supplement no. 2 was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply an approval by the AMF of the opportunity of the transactions contemplated hereby nor that the AMF has verified the accounting and financial data set out in it. In accordance with Article 212-32 of the AMF's General Regulations, any issuance or admission to trading of notes on the basis of the base prospectus, as supplemented by this Prospectus Supplement no. 2, shall be subject to the publication of Final Terms setting out the terms of the securities being issued.