Prospectus Supplement no. 1 dated 4 September 2017 to the Base Prospectus dated 5 July 2017

Valeo
Euro 4,000,000,000
Euro Medium Term Note Programme
Due from one month from the date of original issue

This prospectus supplement no. 1 (the "**Prospectus Supplement no. 1**") is supplemental to, and should be read in conjunction with the base prospectus dated 5 July 2017 (the "**Base Prospectus**"), prepared by Valeo (the "**Issuer**") with respect to its Euro 4,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). The *Autorité des marchés financiers* (the "**AMF**") has granted visa no. 17-337 on 5 July 2017 on the Base Prospectus. 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. 1. Application has been made for approval of the Prospectus Supplement no. 1 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. 1 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 (i) incorporating by reference sections of the 2017 *Rapport Financier Semestriel* in the French language relating to the Issuer filed with the AMF on 30 August 2017 (the "**2017 HYFR**") and (ii) 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 sections of the Base Prospectus entitled "Documents Incorporated by Reference", "Recent Developments" and "General Information".

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement no. 1 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. 1, 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. 1 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.

The 2017 HYFR incorporated by reference in this Prospectus Supplement no. 1 is available on the website of the Issuer (www.valeo.com) and shall be available, upon request and 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.

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DOCUMENTS INCORPORATED BY REFERENCE

The section entitled "Documents Incorporated by Reference" of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"This Base Prospectus should be read and construed in conjunction with the following sections identified in the cross-reference table below of the following documents which have been previously published and have been filed with the *Autorité des marchés financiers* ("**AMF**") as competent authority in France for the purposes of the Prospectus Directive. Such sections shall be incorporated in, and shall be deemed to form part of, this Base Prospectus:

(i) the sections identified in the cross-reference table below of the 2017 *Rapport Financier Semestriel* in the French language relating to the Issuer filed with the AMF on 30 August 2017 (the "**2017 HYFR**");

(ii) the sections identified in the cross-reference table below of the 2016 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 24 March 2017 under no. D.17-0226, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2016 and the related notes thereto (the "**2016 Reference Document**") save that the third paragraph of the "*Attestation du responsable du Document de référence contenant un rapport financier annuel*" by Mr. Jacques Aschenbroich, *Président-Directeur Général* of the Issuer, referring, inter alia, to *the lettre de fin de travaux* of the statutory auditors of the Issuer on page 440 of such 2016 Reference Document and any reference thereto shall not be deemed incorporated herein;

(iii) the sections identified in the cross-reference table below of the 2015 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 25 March 2016 under no. D.16-0211, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2015 and the related notes thereto (the "**2015 Reference Document**") save that the third paragraph of the "*Attestation du responsable du Document de référence contenant un rapport financier annuel*" by Mr. Jacques Aschenbroich, *Président-Directeur Général* of the Issuer, referring, inter alia, to *the lettre de fin de travaux* of the statutory auditors of the Issuer on page 398 of such 2015 Reference Document and any reference thereto shall not be deemed incorporated herein;

(iv) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 3 May 2016 which received visa no. 16-161 from the AMF (the "**2016 EMTN Conditions**");

(v) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 7 May 2015 which received visa no. 15-178 from the AMF as well as the supplement no. 1 dated 9 March 2016, which received visa no. 16-073 from the AMF (the "**2015 EMTN Conditions**");

(vi) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 23 April 2013 which received visa no. 13-174 from the AMF (the "**2013 EMTN Conditions**"); and

(vii) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 13 April 2011 which received visa no. 11-108 from the AMF, (the "**2011 EMTN Conditions**", and together with the 2013 EMTN Conditions, the 2015 EMTN Conditions and the 2016 EMTN Conditions, the "**Previous EMTN Conditions**").

Free translations in the English language of the 2017 HYFR, the 2016 Reference Document and the 2015 Reference Document are available on the Issuer's website (www.valeo.com). These documents are available for information purposes only and are not incorporated by reference in this Base Prospectus. The only binding versions are the French language versions.

The Issuer will, at the specified office of each Paying Agent for the time being during normal business hours, make available, free of charge, a copy of any or all of the documents incorporated by reference (the "**Documents Incorporated by Reference**") herein. All Documents Incorporated by Reference in this Base Prospectus will be available on the website of Valeo (www.valeo.com) and all Documents Incorporated by Reference in this Base Prospectus other than the 2017 HYFR will also be available on the website of the *Autorité des marchés financiers* (www.amf-france.org).

The following table cross-references the pages of the Documents Incorporated by Reference. Any information not listed in the cross-reference list but included in the documents incorporated by reference is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended.

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The Previous EMTN Conditions are incorporated by reference in this Base Prospectus for the purpose only of further issues of notes to be assimilated (*assimilées*) and form a single series with Notes already issued with the Previous EMTN Conditions.

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RECENT DEVELOPMENTS

The section entitled "Recent Developments" of the Base Prospectus is hereby completed and includes the following:

Administrative, management and supervisory bodies

On 30 June 2017, the Group Works Council appointed Eric Chauvirey as a director representing employees, in accordance with the Company's articles of association.

Eric Chauvirey began his career with Valeo in 1999 as Head of Project Design at Etaples-sur-Mer, before being appointed Head of Pre-Project Research & Development in 2005 for Valeo Connective Systems. In 2007, he was promoted to the post of Head of Project Quality for Valeo Engine Management Systems at Cergy, then became Project Manager in 2012. In September 2014, he was appointed Head of Prototype Scheduling.

Eric was a member of the Works Committee at the Cergy site, and Treasurer and also union representative for the Cergy site, and the central union representative for Valeo Engine Management Systems. He was also a member of the Central Works Committee, Chairman of the Economic Commission, and Group negotiator for the Force Ouvrière trade union.

Eric holds a Master's degree in Engineering from the French National Conservatory of Arts and Crafts (CNAM) in Industrial Design and Production.

Eric Chauvirey has been appointed as member of the Compensation Committee.

There are no conflicts of interest, as far as the Company is aware, between the duties of its corporate officers towards Valeo and their private interests and/or other duties.

Press releases

20 July 2017 press release: H1 2017 Results

Sales up 16% to 9.5 billion euros

Operating margin[1] up 17% to 754 million euros, or 8.0% of sales

Net income up 20% to 506 million euros, or 5.3% of sales

Order intake[2]:

- **14.9 billion euros excluding Valeo Siemens eAutomotive, up 16%**
- **3.0 billion euros for Valeo Siemens eAutomotive**

Jacques Aschenbroich, Valeo's Chairman and Chief Executive Officer, commented: *"In line with the strategic plan presented in London on February 28, 2017, our results for the first half of 2017 confirm the growth and profitability potential of our innovations portfolio for CO_2 emissions reduction and intuitive driving. During the first half of the year we were delighted to welcome Ichikoh's teams to Valeo. The integration of Ichikoh's operations into our Visibility Systems Business Group, which is going well, will enable us to expand our footprint in Asia, particularly with our Japanese customers. Similarly, the initial commercial success of Valeo Siemens eAutomotive demonstrates our ability to become a leader on the high-growth electric vehicle market."*

Second-quarter 2017:

- **Consolidated sales of 4,697 million euros**, up 12% (up 5% on a like-for-like basis).

First-half 2017:

- **Order intake[2] supported by technological innovations:**
  - **14.9 billion euros excluding Valeo Siemens eAutomotive,** up 16%;
  - **3.0 billion euros for Valeo Siemens eAutomotive.**

- **Consolidated sales of 9,464 million euros**, up 16% (up 9% on a like-for-like basis).
- **Original equipment sales of 8,235 million euros**, up 16% (up 9% on a like-for-like basis), outpacing global automotive production by 6 percentage points.
- **Operating margin**[(1)] up 17% to 754 million euros, or 8.0% of sales.
- **Net attributable income** up 20% to 506 million euros, or 5.3% of sales.
- **Free cash flow**[(2)] **generation** of 99 million euros**,** in line with the figures presented at our Investor Day on February 28, 2017.

2017 outlook

Based on the following assumptions:

- an increase in global automotive production of between 1.5% and 2%;
- raw material prices and exchange rates in line with current levels.

Valeo confirms its objectives for 2017:

- sales growth outperforming the market by more than 5 percentage points;
- a slight increase in operating margin[(3)] (as a % of sales and before acquisitions).

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

[2] See Financial Glossary.

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

Paris, France, July 20, 2017 – Following the meeting of its Board of Directors today, Valeo released its results for the first half of 2017[4]:

		H1 2016	H1 2017	Change
Order intake[5]	*(in billions of euros)*	12.8	14.9	+16%
Sales	*(in millions of euros)*	8,130	9,464	+16%/+9%*
Original equipment sales	*(in millions of euros)*	7,106	8,235	+16%/+9%*
R&D expenditure, net	*(in millions of euros)*	(485)	(582)	+20%
	(as a % of sales)	*-6.0%*	*-6.1%*	*-0.1 pts*
General and administrative expenses	*(in millions of euros)*	(260)	(305)	+17%
	(as a % of sales)	*-3.2%*	*-3.2%*	*0.0 pts*
Share in net earnings of equity-accounted companies	*(in millions of euros)*	28	29	+4%
Operating margin[6]	*(in millions of euros)*	647	754	+17%
	(as a % of sales)	*8.0%*	*8.0%*	*0.0 pts*
Net attributable income	*(in millions of euros)*	422	506	+20%
	(as a % of sales)	*5.2%*	*5.3%*	*+0.1 pts*
Basic earnings per share	*(in euros)*	1.79	2.13	+19%
Net attributable income[5] excluding non-recurring items	*(in millions of euros)*	451	514	+14%
	(as a % of sales)	*5.5%*	*5.4%*	*-0.1 pts*
Basic earnings per share excluding non-recurring items	*(in euros)*	1.91	2.16	+13%
ROCE[5]		36%	33%	*-3 pts*
ROA[5]		21%	22%	*+1 pt*
EBITDA[5]	*(in millions of euros)*	1,047**	1,215	+16%
	(as a % of sales)	*12.9%*	*12.8%*	*-0.1 pts*
Investments in property, plant and equipment and intangible assets	*(in millions of euros)*	(598)***	(834)	+39%
Free cash flow[5]	*(in millions of euros)*	339	99	-71%
Free cash flow to EBITDA ratio		32%	8%	N/A
Net debt[5]	*(in millions of euros)*	739	1,118	+51%
Gearing ratio		21%	27%	N/A

** Like-for-like (constant Group structure and exchange rates).*
*** The amount shown under this item for first-half 2016 differs from the amount presented in the consolidated financial statements for first-half 2016 published in July 2016 since it has been adjusted to reflect the new definition of EBITDA[5].*
**** The amount of investments in property, plant and equipment and intangible assets shown for first-half 2016 differs from the amount presented in the consolidated financial statements for first-half 2016 published in July 2016 since it has been adjusted to reflect the impacts of presenting government subsidies and grants on non-current assets within cash flows from investing activities.*

4 At the date of this press release, the consolidated financial statements for the six months ended June 30, 2017 have been reviewed by the Statutory Auditors.

5 See Financial Glossary.

6 Including share in net earnings of equity-accounted companies, see Financial Glossary.

Acceleration in the order intake

In first-half 2017, the order intake came in higher than in first-half 2016, confirming the Group's ability to deliver structural growth ahead of global automotive production:

– the order intake (excluding Valeo Siemens eAutomotive) jumped 16% to 14.9 billion euros, versus 12.8 billion euros in first-half 2016;

– Valeo Siemens eAutomotive recorded an order intake of 3 billion euros.

The order intake (excluding Valeo Siemens eAutomotive) remained well-balanced across the Group's different regions:

– 41% in Asia; China accounted for 26% of the order intake, of which 39% of orders were booked with local Chinese automakers;

– 36% in Europe (and Africa);

– 20% in North America.

The rise in the order intake during the first half was driven by innovative products (42% of new orders) and confirms the successful positioning of Valeo's new technologies and products in the CO_2 emissions reduction and intuitive driving segments.

Global automotive production growth

Automotive production rose 3% compared to the first half of 2016. After enjoying strong growth in the first quarter (up 6%), automotive production was stable in the second quarter, impacted by an unfavorable calendar effect in some regions.

Over the period as a whole, growth in automotive production was powered by continued expansion in Asia (up 4%) fueled mainly by China (up 3%) and Japan (up 7%), as well as by an upturn in production in South America (up 18%).

In Europe and North America, automotive production expanded slightly, rising 1% in the first half of the year.

Automotive production (year-on-year change)

	First-quarter 2017*	Second-quarter 2017*	First-half 2017*
Europe & Africa	+6%	-3%	+1%
Asia, Middle East & Oceania	+6%	+1%	+4%
of which China	*+7%*	*-2%*	*+3%*
excluding China	*+6%*	*+4%*	*+5%*
North America	+2%	-1%	+1%
South America	+22%	+13%	+18%
TOTAL	**+6%**	**0%**	**+3%**

** LMC automotive production estimates.*

Sales growth

Sales for first-half 2017 climbed 16% to 9,464 million euros, delivering like-for-like growth of 9% (5% in the second quarter).

Changes in exchange rates had a positive 1.3% impact during the period, primarily reflecting the appreciation of the US dollar, South Korean won and Brazilian real against the euro.

Changes in Group structure had a positive 6.4% impact over the first half, following the acquisitions of peiker (end-February 2016) and Spheros (end-March 2016), as well as the takeover of Ichikoh. Ichikoh has been fully consolidated in the Group's financial statements since February 1, 2017 and contributed 419 million euros to consolidated sales in the first half of the year.

Sales *(in millions of euros)*

	As a % of H1 2017 sales	First-quarter				Second-quarter				First-half			
		2016	2017	Change	LFL change*	2016	2017	Change	LFL change*	2016	2017	Change	LFL change*
Original equipment	87%	3,437	4,174	+21%	+13%	3,669	4,061	+11%	+5%	7,106	8,235	+16%	+9%
Aftermarket	10%	411	487	+19%	+8%	434	476	+10%	+1%	845	963	+14%	+5%
Miscellaneous	3%	69	106	+54%	+38%	110	160	+46%	+21%	179	266	+49%	+27%
Total	**100%**	**3,917**	**4,767**	**+22%**	**+13%**	**4,213**	**4,697**	**+12%**	**+5%**	**8,130**	**9,464**	**+16%**	**+9%**

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

Original equipment sales for first-half 2017 came in at 8,235 million euros, or 87% of total sales, representing like-for-like growth of 9% (5% in the second quarter).

Aftermarket sales (10% of total sales) rose 5% over the period on a like-for-like basis (1% in the second quarter).

Miscellaneous sales (3% of total sales), mainly consisting of tooling revenues related to the launch of new projects, increased by 27% like for like (21% in the second quarter).

Growth in original equipment sales, outpacing global automotive production

In first-half 2017, original equipment sales grew 9% like for like, outperforming the market by 6 percentage points thanks to:

- an improved product mix resulting from technological innovations for CO_2 emissions reduction and intuitive driving;
- Valeo's favorable customer and geographic positioning.

Original equipment sales *(by destination, in millions of euros)*

	First-quarter				Second-quarter				First-half			
	2016	**2017**	LFL change*	Outperformance**	**2016**	**2017**	LFL change*	Outperformance**	**2016**	**2017**	LFL change*	Outperformance**
Europe & Africa	1,734	2,001	+12%	+6 pts	1,894	1,919	+2%	+5 pts	3,628	3,920	+7%	+6 pts
Asia, Middle East & Oceania	885	1,189	+15%	+9 pts	896	1,192	+13%	+12 pts	1,781	2,381	+14%	+10 pts
of which China	*451*	*564*	*+25%*	*+18 pts*	447	548	+23%	+25 pts	898	1,112	+24%	+21 pts
excluding China	*434*	*625*	*+6%*	*0 pts*	449	644	+3%	-1 pt	883	1,269	+4%	-1 pt
North America	762	895	+11%	+9 pts	802	857	+4%	+5 pts	1,564	1,752	+8%	+7 pts
South America	56	89	+16%	-6 pts	77	93	+9%	-4 pts	133	182	+12%	-6 pts
TOTAL	**3,437**	**4,174**	**+13%**	**+7 pts**	**3,669**	**4,061**	**+5%**	**+5 pts**	**7,106**	**8,235**	**+9%**	**+6 pts**

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

In the first six months of 2017, the Group outperformed global automotive production by 6 percentage points, powered by original equipment sales growth across all production regions:

- in **Europe** (including Africa), like-for-like original equipment sales rose 7%, lifted by an attractive portfolio of high technological value products and a favorable customer mix, outpacing automotive production by 6 percentage points (5 percentage point outperformance in the second quarter);
- in **China**, like-for-like original equipment sales rose 24%, outpacing automotive production by 21 percentage points (25 percentage point outperformance in the second quarter), driven in particular by market share gains with Chinese customers, which accounted for 39% of order intake in the country in the first half of the year;
- in **Asia excluding China**, like-for-like original equipment sales were up 4%, underperforming automotive production by 1 percentage point (1 percentage point underperformance in the second quarter). The Group's performance in the region was impacted in particular by the Group's exposure to Korean customers, given the difficult geopolitical context between China and South Korea. After taking into account the consolidation of Ichikoh as from February 1, 2017, the Group's original equipment sales in the Asia excluding China region were up 39%[7];
- in **North America**, like-for-like original equipment sales rose 8%, outpacing automotive production by 7 percentage points (5 percentage point outperformance in the second quarter);
- in **South America**, like-for-like original equipment sales advanced 12%, underperforming automotive production by 6 percentage points (4 percentage point underperformance in the second quarter).

[7] At constant exchange rates.

Balanced geographic alignment of Valeo's businesses

Taking into account the consolidation of Ichikoh in the Group's financial statements as of February 1, 2017, the share of original equipment sales in the four main production regions in the first half of 2017 was as follows:

- 48% of original equipment sales was produced in Europe (down 3 percentage points on 2016), including 32% in Western Europe (down 3 percentage points on 2016) and 16% in Central and Eastern Europe and Africa (stable versus 2016);

- 29% was produced in Asia (up 4 percentage points on 2016);

- 21% was produced in North America (down 1 percentage point on 2016);

- 2% was produced in South America (stable versus 2016).

Balanced customer portfolio

Taking into account the consolidation of Ichikoh in the Group's financial statements as of February 1, 2017, the share of original equipment sales among the Group's customers in the first half of 2017 was as follows:

- German customers accounted for 28% of original equipment sales;

- Asian customers accounted for 32% of original equipment sales;

- American customers accounted for 20% of original equipment sales;

- French customers accounted for 14% of original equipment sales.

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

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)*

	First-quarter				Second-quarter				First-half			
	2016	2017	Change in sales	Change in OE sales**	2016	2017	Change in sales	Change in OE sales**	2016	2017	Change in sales	Change in OE sales**
CDA	794	938	+18%	+10%	866	899	+4%	+4%	1,660	1,837	+11%	+7%
Powertrain	983	1,105	+12%	+11%	1,028	1,058	+3%	+1%	2,011	2,163	+8%	+6%
Thermal	1,063	1,312	+23%	+15%	1,186	1,282	+8%	+7%	2,249	2,594	+15%	+11%
Visibility	1,119	1,458	+30%	+14%	1,176	1,495	+27%	+8%	2,295	2,953	+29%	+11%
Group	**3,917**	**4,767**	**+22%**	**+13%**	**4,213**	**4,697**	**+12%**	**+5%**	**8,130**	**9,464**	**+16%**	**+9%**

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

In the first half of 2017, like-for-like growth in original equipment sales outpaced automotive production in all Business Groups:

– the **Powertrain Systems Business Group** reported like-for-like growth in original equipment sales of 6%. In the second quarter, its performance was impacted by its exposure to South Korean customers, given the difficult geopolitical context between China and South Korea;

– buoyed by its attractive portfolio of technologies focused on intuitive driving, like-for-like original equipment sales for the **Comfort & Driving Assistance Systems Business Group** increased 7%;

– original equipment sales for the **Thermal Systems** and **Visibility Systems Business Groups** rose 11% on a like-for-like basis, reflecting the market's keen interest in CO_2 emissions reduction and LED lighting technologies. First-half sales for the Visibility Systems Business Group, which surged 29%, include the contribution of Ichikoh, which has been fully consolidated in the Group's financial statements since February 1, 2017.

Stable operating margin following the integration of Ichikoh (as a % of sales)

In the first half:

- **gross margin was up 18% to 18.6% of sales;**
- **operating margin[(8)] was up 17% to 8.0% of sales;**
- **net attributable income rose 20% to 5.3% of sales.**

The **gross margin** for first-half 2017 increased by 18% to 1,761 million euros, or 18.6% of sales (up 0.3 percentage points on first-half 2016):

- business growth (positive 0.7 point impact);
- a rise in depreciation relating to the capital investments carried out by the Group over the past few years (negative 0.4 percentage point impact);
- the consolidation of Ichikoh (negative 0.2 percentage point impact).

Valeo continued its Research and Development efforts to enhance its product portfolio amid sharp growth in the order intake and to respond to the twin challenges of powertrain electrification and intuitive and autonomous driving.

- gross Research and Development expenditure was up 24% to 945 million euros, representing over 11% of original equipment sales;
- in line with the figures presented at the Investor Day, net Research & Development expenditure rose 20% to 6.1% of sales (up 0.1 percentage points versus first-half 2016).

General and administrative expenses came out at 3.2% of sales, stable versus first-half 2016.

The share in net earnings of equity-accounted companies was 29 million euros, or 0.3% of sales, stable compared with first-half 2016.

Operating margin[(8)] moved up 17% to 754 million euros, or 8.0% of sales (stable versus first-half 2016, despite the takeover of Ichikoh).

Operating income[(9)] rose 19% to 731 million euros, or 7.7% of sales (up 0.2 percentage points on first-half 2016). Operating income includes other income and expenses representing a net expense of 23 million euros.

The cost of net debt totaled 37 million euros, down 14% on first-half 2016.

The effective tax rate came out at 20%.

Net attributable income climbed 20% to 506 million euros, or 5.3% of sales (up 0.1 percentage points on first-half 2016).

Excluding non-recurring items, net attributable income[(9)] jumped 14% to 514 million euros, or 5.4% of sales (down 0.1 percentage points on first-half 2016).

Return on capital employed (ROCE[(9)]) and **return on assets** (ROA[(9)]) stood at 33% and 22%, respectively.

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

[9] See Financial Glossary.

Growth in EBITDA across all four Business Groups

In first-half 2017, consolidated EBITDA[10] rose 16% to 1,215 million euros, or 12.8% of sales.

EBITDA *(in millions of euros and as a % of sales)*

	First-half		
	2016*	2017	Change
Comfort & Driving Assistance Systems	239	266	+11%
	14.4%	*14.5%*	*+0.1 pts*
Powertrain Systems	256	276	+8%
	12.7%	*12.8%*	*+0.1 pts*
Thermal Systems	226	267	+18%
	10.0%	*10.3%*	*+0.3 pts*
Visibility Systems	318	392	+23%
	13.9%	*13.3%*	*-0.6 pts*
Group	**1,047**	**1,215**	**+16%**
	12.9%	***12.8%***	***-0.1 pts***

** The amount shown under this item for first-half 2016 differs from the amount presented in the consolidated financial statements for first-half 2016 published in July 2016 since it has been adjusted to reflect the new definition of EBITDA[1].*

Despite an increase in net Research and Development expenditure to more than 11% of sales, the **Comfort & Driving Assistance Systems Business Group's** EBITDA margin improved slightly by 0.1 percentage points compared to the same year-ago period to 14.5% of sales.

Taking into account the consolidation of Ichikoh since February 1, 2017, the **Visibility Systems Business Group** saw its EBITDA margin decrease by 0.6 percentage points to 13.3% of sales.

Against a backdrop of strong sales growth, the **Powertrain Systems** and **Thermal Systems Business Groups** saw their EBITDA margin increase by 0.1 percentage points and 0.3 percentage points year on year to 12.8% and 10.3% of sales, respectively.

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[10] See Financial Glossary.

Free cash flow[11] generation

In line with the figures presented at the Investor Day, the Group generated 99 million euros in free cash flow[11] in first-half 2017, chiefly reflecting:

– a 16% increase in EBITDA[11] to 1,215 million euros;

– a rise in working capital as a result of strong growth in Asia (particularly in China), which contributed a negative 45 million euros to free cash flow;

– a significant 39% increase in investment outflows to 834 million euros on the back of a sharp increase in the order intake and in order to secure the Group's future growth;

– outflows in an amount of 87 million euros, including in particular restructuring costs and non-recurring payments relating to antitrust investigations.

(in millions of euros)	First-half 2016	First-half 2017
EBITDA[11]	1,047*	1,215
Change in operating working capital**	36	(45)
Income tax expense	(133)	(150)
Investments in property, plant and equipment and intangible assets	(598)***	(834)
Other (provisions for pensions, restructuring costs, outflows related to antitrust investigations, etc.)	(13)	(87)
Free cash flow[11]	339	99

** The amount shown under this item for first-half 2016 differs from the amount presented in the consolidated financial statements for first-half 2016 published in July 2016 since it has been adjusted to reflect the new definition of EBITDA[11].*
*** Change in working capital excluding the change in non-recurring sales of accounts and notes receivable in a negative amount of 36 million euros in first-half 2017 and a negative amount of 3 million euros in first-half 2016.*
**** The amount of investments in property, plant and equipment and intangible assets shown for first-half 2016 differs from the amount presented in the consolidated financial statements for first-half 2016 published in July 2016 since it has been adjusted to reflect the impacts of presenting government subsidies and grants on non-current assets within cash flows from investing activities.*

Net cash flow[11] amounted to a negative 407 million euros at June 30, 2017, reflecting:

– 61 million euros in net financial expenses paid; and

– other financial items totaling 445 million euros, mainly including an 86 million euro net outflow relating to changes in scope and a 306 million euro disbursement reflecting dividend payments.

Net debt

Net debt[11] stood at 1,118 million euros at June 30, 2017, up 581 million euros compared with end-December 2016, after taking into account the consolidation of Ichikoh and dividend payments.

The **leverage ratio** (net debt/EBITDA) came out at 0.48x EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 27% of equity.

Following the 500 million euro bond issue maturing on January 11, 2023 which was carried out in January 2017, the average maturity of borrowings and debt fell to 5.7 years at June 30, 2017.

[11] See Financial Glossary.

2017 outlook

Based on the following assumptions:

- an increase in global automotive production of between 1.5% and 2%;

- raw material prices and exchange rates in line with current levels.

Valeo confirms its objectives for 2017:

- sales growth outperforming the market by more than 5 percentage points;

- a slight increase in operating margin[12] (as a % of sales and before acquisitions).

Highlights

On May 12, 2017, under the Share Buyback Program as authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2016, Valeo acquired 1,228,009 shares at an average price of 61.0745 euros. These shares will be allocated to cover the implementation of any stock option purchase plans and the allotment of shares to employees as part of their involvement in the performance of the Company or pursuant to a company savings plan.

On May 29, 2017, 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, which aims to involve employees in the Group's performance. Around 85,000 Group employees are eligible for the offering, which has been rolled out in 21 countries. The capital increase is scheduled for July 27, 2017.

On June 14, 2017, Valeo launched Valeo.ai, the first global research center in artificial intelligence and deep learning dedicated to automotive applications. Valeo.ai aims at being connected to the academic and scientific community and the start-up ecosystem, working closely with Valeo's application centers worldwide to co-develop innovative solutions for the automotive industry.

On June 15, 2017, Valeo and Cisco announced that they had signed a cooperation agreement to develop strategic innovations in smart mobility services. Cyber Valet Services, a unique smart parking service resulting from this collaboration, enables vehicles to park safely and autonomously, i.e., without a driver onboard, in connected car parks. The vehicle drives itself inside the car park by combining the power of automatic parking technologies (Valeo Park4U® Auto), Valeo on board telematics and secure key systems (Valeo InBlue®) with Cisco Parking Controller technologies, which equip car parks with Wi-Fi, video sensors and artificial intelligence-based solutions.

On July 12, 2017, Valeo announced the proposed divestment of its passive hydraulic actuator business (sales of 76 million euros in 2016) to Italian automotive supplier Raicam, specialized in clutch and braking systems for both the original equipment market and the replacement market, with a view to obtaining European Commission approval for the acquisition of FTE. The European Commission had expressed concerns relating to the passive hydraulic actuator market in light of its Merger Regulation. If Valeo obtains the European Commission's clearance for the acquisition of FTE Automotive, a leading producer of clutch and gear actuators, the proposed divestment could be finalized in the last quarter of 2017.

Upcoming events

Third-quarter 2017 sales: October 24, 2017

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

Financial Glossary

- **Order intake** corresponds to business awarded by automakers during the period (including joint ventures at least 50%-owned by the Group) less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. *Unaudited indicator.*

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

- **Net attributable income excluding non-recurring items** corresponds to net attributable income adjusted for "other income and expenses" net of tax and non-recurring income and expenses net of tax shown in operating margin including share in net earnings of equity-accounted companies.

- **ROCE**, or return on capital employed, corresponds to operating margin (including share in net earnings of equity-accounted companies) divided by capital employed (including investments in equity-accounted companies) excluding goodwill.

- **ROA**, or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies) including goodwill.

- **EBITDA**, which corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends received from equity-accounted companies.

- **Free cash flow** corresponds to net cash from operating activities (excluding the change in non-recurring sales of receivables) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.

- **Net cash flow** corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of investments without a change in control, and (iii) changes in non-recurring sales of receivables.

- **Net debt** comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

Safe Harbor Statement

Statements contained in this document, which are not historical fact, constitute "forward-looking statements". These statements include projections and estimates and their underlying assumptions, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Even though Valeo's Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo's control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company’s ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the "Risk Factors" section of Valeo’s 2016 Registration Document registered with the AMF on March 24, 2017 (under no. D.17-0226).

The Company assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo does not intend or assume any obligation to review or to confirm the estimates of analysts or to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

12 July 2017 press release: About Valeo's acquisition of FTE

In the context of Valeo's acquisition of FTE, the European Commission has expressed doubts on the passive hydraulic actuator market in light of the European Commission Merger Regulation. Valeo is therefore considering the divestment of its passive hydraulic actuator business with a view to obtain the approval of the FTE acquisition by the European Commission.

Accordingly, Valeo has sought the best possible option for its employees and clients in order to find a suitable acquirer for this business activity.

Against this background, Valeo initiated discussions with the Italian car-part supplier, Raicam, specialized in clutch and braking systems for both the original equipment market and the replacement market. These discussions have led to a solid acquisition project, which is subject to prior consultation with works councils, and which requires approval by European Commission within the framework of its review of the FTE project.

In 2016, Valeo's passive hydraulic actuator business generated a 76 million euro turnover. It currently employs slightly over 400 employees in three industrial sites located in Mondovi, Italy for the main site, Gemlik, Turkey and Nanjing, China. The plan to establish a footprint in India, which has been under preparation for some time, should be implemented by Raicam in the North West of India.

The acquisition of FTE remains subject to the prior formal approval of the European Commission.

If Valeo obtains clearance of the FTE transaction, the contemplated divestment could be finalized in the last quarter of 2017.

GENERAL INFORMATION

The section entitled "General Information" of the Base Prospectus is amended as follows:

1. The paragraph (4) is deleted in its entirety and replaced by the following:

   "Save as disclosed in this Base Prospectus (including the Documents Incorporated by Reference), there has been no significant change in the financial or trading position of the Issuer since 30 June 2017."

PERSON RESPONSIBLE FOR THE PROSPECTUS SUPPLEMENT NO. 1

Person responsible for this Prospectus Supplement no. 1

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

Declaration by the person responsible for this Prospectus Supplement no. 1

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. 1 is in accordance with the facts and contains no omission likely to affect its import.

Paris, 4 September 2017

Valeo
43, rue Bayen
75848 Paris Cedex 17
France

Duly represented by Jacques Aschenbroich
Chairman of the Board 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. 1 the visa n°17-456 on 4 September 2017. This Prospectus Supplement no. 1 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. 1, shall be subject to the publication of Final Terms setting out the terms of the securities being issued