Communiqué de presse
Press release

14.18

Order intake surged 25% to 9.1 billion euros
Sales came in at 6.3 billion euros, up 10% like for like (7% as reported)
Operating margin(1) up 15% to 442 million euros, or 7.0% of sales
Net income up 38% to 262 million euros, or 4.1% of sales
Free cash flow of 153 million euros, up 15%

Jacques Aschenbroich, Valeo's Chief Executive Officer, stated:
"In the first half of 2014, orders booked by the Group totaled 9.1 billion euros, up 25% on first-half 2013, once again confirming the Group's high organic growth potential. Consolidated sales grew by 10% on a like-for-like basis as did the original equipment segment, which outpaced global automotive production by 7 percentage points. Valeo achieved an operating margin including the share in net earnings of equity-accounted companies of 7.0% of sales. Thanks to the commitment of all our employees, Valeo confirms its ability to achieve an operating margin in excess of 7%."

First-half 2014 results

- **Order intake(2) up 25%** on first-half 2013 to 9.1 billion euros, confirming the Group's high growth potential
- **Consolidated sales of 6,347 million euros,** up 10% on a like-for-like basis (7% as reported)
- **Original equipment sales amounted to 5,432 million euros,** up 10% on a like-for-like basis, outpacing global automotive production by nearly 7 percentage points:
  - China: up 36%, outpacing automotive production by 25 percentage points
  - Asia excluding China: up 10%, outpacing automotive production by 8 percentage points
  - Europe: up 10%, outpacing automotive production by 6 percentage points
  - North America: up 6%, outpacing automotive production by 3 percentage points
  - South America: down 13%, versus a 17% fall in automotive production
- **Operating margin(1) up 15% to 442 million euros,** or 7.0% of sales
- **Net income up 38% to 262 million euros,** or 4.1% of sales
- **Free cash flow(2) of 153 million euros**
  - Net debt (2) of 525 million euros after the dividend payment, the acquisition of Osram's 50% stake in joint venture Valeo Sylvania and the share buyback program.

2014 outlook

Based on the following assumptions:
- global automotive production up approximately 3% including an increase in automotive production in Europe of around 2%, and
- raw material prices and currencies in line with current levels;

Valeo has set the following objectives for 2014:
- sales growth outperformance in the main production regions,
- operating margin(1) slightly higher than 7% of sales.

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 10
[2] See Financial Glossary, page 10

Paris, France, July 24, 2014 – Following the meeting of its Board of Directors today, Valeo released its sales figures for the first half of 2014:

		H1 2013*	H1 2014**	% change
Order intake[1]	*(in billions of euros)*	7.3	9.1	+25%
Sales	*(in millions of euros)*	5,944	6,347	+7%/+10%***
o/w OE sales	*(in millions of euros)*	5,037	5,432	+8%/+10%***
Research and Development expenditure, net	*(in millions of euros)*	(318)	(350)	+10%
	(as a % of sales)	*-5.3%*	*-5.5%*	*-0.2 pts*
Operating margin including share in net earnings of equity-accounted companies[1]	*(in millions of euros)*	383	442	+15%
	(as a % of sales)	*6.4%*	*7.0%*	*+0.6 pts*
Net income	*(in millions of euros)*	190	262	+38%
	(as a % of sales)	*3.2%*	*4.1%*	*+0.9 pts*
Basic earnings per share	*(in euros)*	2.48	3.37	+36%
Net income (excluding non-recurring items)[1]	*(in millions of euros)*	230	278	+21%
	(as a % of sales)	*3.9%*	*4.4%*	*+0.5 pts*
Basic earnings per share (excluding non-recurring items)	*(in euros)*	3.00	3.57	+19%
ROCE[1]		28%	29%	*+1 pt*
ROA[1]		18%	19%	*+1 pt*
EBITDA[1]	*(in millions of euros)*	666	740	+11%
	(as a % of sales)	*11.2%*	*11.7%*	*+0.5 pts*
Cash flows related to investments in non-current assets	*(in millions of euros)*	421	451	+7%
Free cash flow[1]	*(in millions of euros)*	133	153	+15%
Net debt[1]	*(in millions of euros)*	446	525	+18%
Gearing ratio		21%	22%	N/A

** Figures for first-half 2013 differ from the amounts presented in the consolidated financial statements for the six months ended June 30, 2013 published in July 2013 since they have been adjusted to reflect the impact of the first-time application of the new consolidation standards as from January 1, 2014 and a change in the presentation in the statement of income of the share in net earnings of equity-accounted companies (see Note 1.4 to the condensed consolidated financial statements for the six months ended June 30, 2014)*
*** The consolidated financial statements for the six months ended June 30, 2014 were subject to a review by the Statutory Auditors*
**** Like-for-like*

****

Order intake[1] surged 25% to 9.1 billion euros during the first half of 2014, confirming the Group's high growth potential

Order intake is balanced between Asia (41%, including China which alone accounts for 27% of the order intake worldwide), Europe (40%) and the rest of the world, confirming the Group's high growth potential. In addition, innovative products accounted for 30% of the order intake worldwide.

Global automotive production up 4% despite the sharp decline in production in South America

Growth in automotive production was balanced across the main production regions. Production rose in Asia (up 6%), driven by China (up 11%), and benefited from the recovery in Europe (up 4%) and continued growth in North America (up 3%). Production in South America fell sharply however (down 17%).

[1] See Financial Glossary, page 10

In the first half of the year, sales were up 10% on a like-for-like basis

Consolidated sales came in at 6,347 million euros, up 10% on a like-for-like basis (7% as reported)

Changes in exchange rates and Group structure had a negative impact of 3.1% and a positive impact of 0.4%, respectively:

- changes in exchange rates reflect the significant depreciation of emerging-market currencies as well as the yen and the dollar against the euro;
- changes in Group structure were mainly attributable to the sale of the Access Mechanisms business (effective April 30, 2013) and the acquisition (effective January 1, 2014) of Osram's 50% stake in joint venture Valeo Sylvania, which is now fully consolidated.

Sales *(in millions of euros)*	First-half				First-quarter	Second-quarter
	2013*	2014	% change	% change on a like-for-like basis	% change on a like-for-like basis	% change on a like-for-like basis
Total of which**:**	**5,944**	**6,347**	**+7%**	**+10%**	**+11%**	**+8%**
Original equipment	5,037	5,432	+8%	+10%	+13%	+8%
Aftermarket	749	753	+1%	+3%	+4%	+2%
Miscellaneous	158	162	+3%	+16%	-13%	+43%

** Sales figures for first-half 2013 differ from the amounts presented in the consolidated financial statements for the six months ended June 30, 2013 published in July 2013 since they have been adjusted to reflect the first-time application of the new consolidation standards as from January 1, 2014*

Original equipment sales came out at 5,432 million euros (85% of total sales), up 10% on a like-for-like basis. This performance reflects the gradual entry into production of the high order intake recorded by the Group over the last three years.
In the second quarter, 8% like-for-like growth reflects a high prior-period comparison basis due to the upturn in global automotive production as from the second quarter of 2013.

Aftermarket sales (12% of total sales) advanced 3% on a like-for-like basis on the back of continued expansion in Asia and emerging countries and despite unfavorable climatic conditions in Europe adversely affecting the Group's business.

Miscellaneous sales (3% of total sales), mainly consisting of tooling revenues related to the launch of new projects, increased by 16% like for like.

Original equipment sales jumped 10% on a like-for-like basis (including 36% growth in China), beating global automotive production by nearly 7 percentage points

Valeo delivered market-beating growth in all production regions, buoyed by its improved product mix combined with technical innovations (new functionalities and market penetration of the Group's CO_2 emissions reduction and intuitive driving technologies), its positioning with regard to German and Asian customers, the growth of its business in Asia and emerging countries, and market share gains in North America. This reflects the gradual entry into production of the high order intake over the last three years.

Original equipment sales	First-half				
(by destination, in millions of euros)	2013*	2014	Original equipment sales growth**	Automotive production sales growth***	Market outperformance
TOTAL	**5,037**	**5,432**	**+10.3%**	**+3.6%**	**+6.7 pts**
Europe and Africa	2,722	2,834	+10%	+4%	+6 pts
North America	897	1,101	+6%	+3%	+3 pts
Asia (excl. China),Middle East & Oceania	660	695	+10%	+2%	+8 pts
China	477	615	+36%	+11%	+25 pts
South America	281	187	-13%	-17%	+4 pts

** Sales figures for first-half 2013 differ from the amounts presented in the consolidated financial statements for the six months ended June 30, 2013 published in July 2013 since they have been adjusted to reflect the first-time application of the new consolidation standards as from January 1, 2014*
*** Like-for-like*
**** LMC & Valeo estimates*

The Group consistently outperformed the market in the main automotive production regions with the exception of China, where original equipment sales growth largely outpaced production in the region (up 25 percentage points).

- In **China**, original equipment sales were up 36% on a like-for-like basis, beating automotive production by 25 percentage points, reflecting the Group's high level of investments in this region and the gradual entry into production of the high order intake over the past few years;
- In **Europe** (including Africa), like-for-like original equipment sales rose 10%, beating automotive production by 6 percentage points, driven by the appeal of Valeo’s portfolio of high-tech products and a favorable customer mix;
- In **North America**, like-for-like original equipment sales climbed 6%, outpacing automotive production by 3 percentage points, thanks to a favorable customer mix and market share gains.

Geographic repositioning[1]

In the first half of 2014, Valeo continued to realign its businesses geographically:

- the share of total original equipment sales produced in Asia and emerging countries (including Eastern Europe and Mexico) accounted for 53%;
- the share of original equipment sales produced in North America increased by 3 percentage points to 20%;
- the share of original equipment sales produced in Western Europe decreased by 1 percentage point to 37%.

Balanced customer portfolio[1]

German and Asian customers' contribution remained stable at 30% and 26% of original equipment sales, respectively.
American customers accounted for 22% of original equipment sales, up by 2 percentage points.
French customers accounted for 17% of original equipment sales.

Strong growth in the Comfort & Driving Assistance Systems Business Group and consistent above-market growth in each of the other 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* *(in millions of euros)*	First-half			
	2013**	2014	Sales growth	OE sales growth *on a like-for-like basis*
Comfort & Driving Assistance Systems	1,192	1,124	-6%	+16%
Powertrain Systems	1,591	1,696	+7%	+8%
Thermal Systems	1,703	1,814	+7%	+10%
Visibility Systems	1,495	1,801	+20%	+9%

** Including intersegment sales*
*** Sales figures for first-half 2013 differ from the amounts presented in the consolidated financial statements for the six months ended June 30, 2013 published in July 2013 since they have been adjusted to reflect the first-time application of the new consolidation standards as from January 1, 2014*

Sales for the **Comfort & Driving Assistance Systems Business Group** were impacted by the sale of the Access Mechanisms business (effective April 30, 2013). In first-half 2014, the Business Group's original equipment sales increased by 16% on a like-for-like basis, lifted by the market's growing interest in intuitive driving products (vision, radar and parking assistance systems).

Like-for-like original equipment sales for the **Powertrain Systems, Thermal Systems and Visibility Systems Business Groups** posted balanced growth of 8%, 10% and 9%, respectively, spurred by the ramp-up of innovative solutions which help to reduce CO_2 emissions using Stop-Start, air intake module and LED technology.
Total sales for the Visibility Systems Business Group increased 20% following the acquisition (effective January 1, 2014) of Osram's 50% stake in joint venture Valeo Sylvania, which is now fully consolidated.

---

1 including joint-ventures consolidated proportionally

Operating margin[1] up 15% to 442 million euros, or 7.0% of sales
Net income up 38% to 262 million euros, or 4.1% of sales

Gross margin advanced 7% on first-half 2013 to 1,086 million euros, or 17.1% of sales, up 0.1 percentage points on first-half 2013, reflecting:

- a positive volume effect (impact of 0.8 percentage points);
- economic difficulties in South America leading to the depreciation of local currencies, particularly the Brazilian real, and the 17% decline in production volume (negative impact of 0.3 percentage points);
- increases in depreciation and production overheads necessary for the launch of new projects against a backdrop of strong organic growth (negative impact of 0.2 percentage points).

Operating margin[1] increased 15% on first-half 2013 to 442 million euros, or 7.0% of sales, up 0.6 percentage points, reflecting:

- sound management of selling and administrative expenses offsetting the increase in net research and development (R&D) expenditure required to support growth:
  - **selling and administrative expenses** increased 3% to 326 million euros, or 5.1% of sales, down 0.2 percentage points on first-half 2013. Administrative and general expenses alone represented 3.5% of sales in first-half 2014,
  - Valeo is continuing its **R&D** efforts in response to the high level of order intake. Net R&D expenditure rose 10% to 350 million euros, or 5.5% of sales, edging up by 0.2 percentage points compared with first-half 2013;
- the remeasurement to fair value of the Group's previously-held interest in Valeo Sylvania and non-recurring expenses for a net impact of 15 million euros.

The Group's **operating income[2]** advanced 19% to 408 million euros, or 6.4% of sales, after taking into account other expenses, restructuring costs and impairment losses on non-current assets in the amount of 34 million euros.

The cost of net debt totaled 47 million euros, slightly down on first-half 2013.

Net income surged 38% compared to first-half 2013, coming in at 262 million euros, or 4.1% of sales. The effective tax rate came out at 21% following the recognition of a portion of deferred tax assets due to the improved profitability of the Group's North America-based operations.

Excluding non-recurring items, net income increased 21% on first-half 2013 to 278 million euros, or 4.4% of sales.

The return on capital employed (ROCE) and **return on assets** (ROA) increased by 1 percentage point to 29% and 19%, respectively.

---

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 10
Change in the presentation of the consolidated statement of income
With the application of IFRS 11, the Group changed the presentation of the consolidated statement of income with the definition of a new indicator "Operating margin including share in net earnings of equity-accounted companies" which not only includes the share in net earnings of associates but also the share in net earnings of joint ventures which are now accounted for by the equity method.
All companies consolidated using the equity method, either joint ventures or associates (which were already previously consolidated using the equity method), contribute to the Group's operations and belong to one of its four operating segments. As a result, the Group considered that it would be more appropriate to recognize the share in net earnings of equity-accounted companies within operating income.
Since the operating margin is one of the main indicators used to monitor the Group's performance, the share in net earnings of equity-accounted companies is now included in a new statement of income account, "Operating margin including share in net earnings of equity-accounted companies".

[2] See Financial Glossary, page 10

In the first half of the year, EBITDA came out at 740 million euros, or 11.7% of sales

EBITDA[(1)] *(in millions of euros and as a % of sales)*	**First-half**		
	2013*	**2014**	**% change**
Comfort & Driving Assistance Systems	150	160	+7%
	+12.6%	*+14.2%*	*+1.6 pts*
Powertrain Systems	173	210	+21%
	+10.9%	*+12.4%*	*+1.5 pts*
Thermal Systems	194	200	+3%
	+11.4%	*+11.0%*	*-0.4 pts*
Visibility Systems	145	168	+16%
	+9.7%	*+9.3%*	*-0.4 pts*

** The Business Groups' EBITDA figures for the six months ended June 30, 2013 differ from the amounts presented in the consolidated financial statements for the six months ended June 30, 2013 published in July 2013 since they have been adjusted to reflect the first-time application of the new consolidation standards as from January 1, 2014*

Sales for the Visibility Systems Business Group are impacted by changes in accounting standards and changes in scope of consolidation relating to the acquisition of Osram's 50% stake in joint venture Valeo Sylvania, which has been fully consolidated as from January 1, 2014.
Based on a comparable scope of consolidation (full consolidation of Valeo Sylvania), the Visibility Systems Business Group's EBITDA margin would have been 8.1% of sales in first-half 2013 compared with the 9.7% margin reported. It would have increased by 1.2 percentage points in first-half 2014 to 9.3% of sales, reflecting the Business Group's, and more specifically Valeo Sylvania's, significantly improved performance during the six months ended June 30, 2014.

Free cash flow of 153 million euros in first-half 2014

In first-half 2014, the Group's **free cash flow** increased to 153 million euros compared with a free cash flow of 133 million euros for the same period in 2013, despite the increase in working capital requirement (35 million euros). This chiefly reflects:

- an 11% increase in EBITDA to 740 million euros (up 0.5 percentage points);
- contained investment outflows of 451 million euros (7.1% of sales) comprising:
    - investments to increase production capacities totaling 294 million euros (recorded), in line with first-half 2013; and
    - capitalized development costs totaling 150 million euros (recorded), or 2.4% of sales, in line with first-half 2013.

Net cash flow[(1)] of 292 million euros (net outflow) reflecting:

- financial expenses totaling 64 million euros; and
- expenses related to other financial items amounting to 381 million euros, including in particular the dividend payment (141 million euros) in first-half 2014 (as opposed to the second half in previous years), the acquisition cost of Osram's 50% stake in joint venture Valeo Sylvania (110 million euros) and the share buyback payment (74 million euros).

[1] See Financial Glossary, page 10

Strong financial position

Net debt stood at 525 million euros at June 30, 2014 versus 351 million euros at December 31, 2013 (446 million euros at June 30, 2013) including the dividend payment in first-half 2014, the acquisition cost of Osram's 50% stake in joint venture Valeo Sylvania and the share buyback program.

The **leverage ratio** (net debt/EBITDA) came out at 0.4 times EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 22% of equity.

At June 30, 2014, the Group's debt had an average interest rate of 4.91% and an average maturity of 5.5 years.

2014 outlook

Based on the following assumptions:

- global automotive production up by approximately 3% including an increase in automotive production in Europe of around 2%, and
- raw material prices and currencies in line with current levels;

Valeo has set the following objectives for 2014:

- sales growth outperformance in the main production regions,
- operating margin(1) slightly higher than 7% of sales.

1 Including share in net earnings of equity-accounted companies, see Financial Glossary, page 10

Highlights

On June 23, 2014, Valeo joined the benchmark CAC 40 stock exchange index.

In July 2014, the Chinese authorities approved an addendum to the agreement signed with the joint venture Nanjing Valeo Clutch Co. Ltd which transferred control of this company to Valeo. Nanjing Valeo Clutch Co. Ltd will be fully consolidated in the Group’s consolidated financial statements as from July 1, 2014.

On May 28, 2014, Valeo announced that it had requested the assistance of an investment services provider to meet certain objectives of its share buyback program as authorized by the Ordinary and Extraordinary Shareholders' meeting of May 21, 2014. The share buyback program is limited to 75 million euros for a maximum of 750,000 shares.

An addendum to the partnership agreement signed on January 9, 2014 changed the governance arrangements for Valeo Samsung Thermal Systems Co. Ltd and granted control to Valeo. Previously a joint venture, Valeo Samsung Thermal Systems Co. Ltd has been fully consolidated in the Group's consolidated financial statements as of January 1, 2014 and contributed 21 million euros to Group sales in the first half of 2014.

Upcoming event

Third-quarter 2014 sales: October 21, 2014

Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of intuitive driving.
In 2013, the Group generated sales of 12.1 billion euros and invested over 10% of its original equipment sales in research and development. Valeo has 123 plants, 16 research centers, 34 development centers, 12 distribution platforms and employs 78,600 people in 29 countries worldwide.
Valeo is listed on the Paris Stock Exchange and is a member of the CAC 40 index.

For more information, please contact:

Media relations
Tel: +33 (0)1 40 55 21 75/+33 (0)1 40 55 37 18

Thierry Lacorre
Financial Relations Director
Tel: +33 (0)1 40 55 37 93

For more information about the Valeo Group and its activities, please visit our website www.valeo.com

Financial Glossary

- **Order intake** corresponds to business awarded by automakers (less any cancellations) during the period, based on Valeo's best and reasonable estimates in terms of volumes, sale prices and project lifespans. Order intake for the Access Mechanisms business was not included in order intake for first-half 2013. *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 included 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) in relation to capital employed (including investments in equity-accounted companies) excluding goodwill.
- **ROA**, or return on assets, corresponds to operating income in relation to capital employed (including investments in equity-accounted companies) including goodwill.
- **EBITDA** corresponds to (i) operating income (excluding share in net earnings of equity-accounted companies) before depreciation, amortization, impairment losses (included in the operating margin), other income and expenses and (ii) net dividends received from equity-accounted companies.
- **Free cash flow** corresponds to net cash from operating activities (excluding changes in the sale of trade 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 with a change in control and to changes in certain items shown in non-current financial assets, and (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of equity interests without a change in control.
- **Net debt** comprises all long-term debt, short-term debt and bank overdrafts, less loans and other non-current financial assets, cash and cash equivalents.

Safe Harbor Statement

Statements contained in this press release, which are not historical fact, constitute "Forward-Looking Statements". Even though Valeo's management feels that the Forward-Looking Statements are reasonable, investors are put on notice that actual results may differ materially due to numerous important factors, risks and uncertainties to which Valeo is exposed. 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 anti-trust authorities as they have been identified in the Registration Document and risks relating to legal action resulting from such investigations, 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 Registration Document registered at the AMF on March 28, 2014 (under no. D.14-0234).

The company assumes no responsibility for any estimates made by analysts and any other information prepared by third parties which may be used in this press release. 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 after the date of this press release.