

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 CO₂ 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.

¹ Constant Group structure and exchange rates.

² Including share in net earnings of equity-accounted companies, see Financial Glossary, page 8.

Paris, October 20, 2016 – Following the meeting of its Board of Directors today, 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)

	H1 2016*	Q3 2016*	Nine months ended September 30, 2016*
Europe and Africa	+5%	-1%	+3%
<i>excluding Russia</i>	+6%	-1%	+3%
Asia, Middle East & Oceania	+2%	+10%	+5%
<i>of which China</i>	+6%	+23%	+11%
<i>excluding China</i>	-2%	0%	-1%
North America	+3%	+3%	+3%
South America	-18%	-15%	-17%
TOTAL	+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*
OE	87%	6,316	7,106	+13%	+12%	2,990	3,472	+16%	+12%	9,306	10,578	+14%	+12%
Aftermarket	11%	813	845	+4%	+6%	387	417	+8%	+5%	1,200	1,262	+5%	+6%
Miscellaneous	2%	169	179	+6%	+6%	72	105	+46%	+43%	241	284	+18%	+17%
TOTAL	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 CO₂ emissions reduction and intuitive driving;
- its balanced customer and geographic positioning.

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

	H1				Q3				Nine months ended September 30			
	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**
Europe & Africa	3,118	3,628	+13%	+8 pts	1,458	1,662	+9%	+10 pts	4,576	5,290	+12%	+9 pts
Asia, Middle East & Oceania	1,649	1,781	+11%	+9 pts	770	957	+23%	+13 pts	2,419	2,738	+15%	+10 pts
China	849	898	+11%	+5 pts	377	498	+39%	+16 pts	1,226	1,396	+20%	+9 pts
excluding China	800	883	+12%	+14 pts	393	459	+7%	+7 pts	1,193	1,342	+10%	+11 pts
North America	1,391	1,564	+10%	+7 pts	701	773	+7%	+4 pts	2,092	2,337	+9%	+6 pts
South America	158	133	-6%	+12 pts	61	80	+10%	+25 pts	219	213	-1%	+16 pts
TOTAL	6,316	7,106	+12%	+9 pts	2,990	3,472	+12%	+7 pts	9,306	10,578	+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**
CDA	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%
Thermal	2,046	2,249	+10%	+9%	992	1,140	+15%	+10%	3,038	3,389	+12%	+9%
Visibility	2,094	2,295	+10%	+14%	967	1,102	+14%	+16%	3,061	3,397	+11%	+15%
Group	7,298	8,130	+11%	+12%	3,449	3,994	+16%	+12%	10,747	12,124	+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 CO₂ 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.

¹ Including share in net earnings of equity-accounted companies, see Financial Glossary, page 8.

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.

Safe Harbor Statement

Statements contained in this press release, which are not historical fact, constitute "Forward-Looking Statements". These statements include projections and estimates and their underlying assumptions, statements regarding plans, 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 press release, 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 anti-trust authorities as 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 with the AMF on March 25, 2016 (under no. D.16-0211). With respect to risks relating to legal actions resulting from antitrust investigations, Valeo has set aside USD 8,750,000 to pay for settlement agreements entered into with automotive end users and automotive dealers. If approved by the court, these settlements will terminate the two US air conditioning systems class action lawsuits brought by end users and automotive dealers against Valeo. Valeo has not admitted to any wrong-doing or liability in connection with these settlements.

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 subsequent to the date of this press release.

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 CO₂ emissions and to the development of intuitive driving. In 2015, the Group generated sales of 14.5 billion euros and invested over 10% of its original equipment sales in Research and Development. Valeo has 148 plants, 19 research centers, 35 development centers and 15 distribution platforms, and employs 88,800 people in 32 countries worldwide. Valeo is listed on the Paris stock exchange and is a member of the CAC 40 index.

Media Relations

press-contact.mailbox@valeo.com

+33 (0)6 21 47 88 69 | +33 (0)6 81 73 83 41

www.valeo.com

@Valeo_Group

Investor Relations: Thierry Lacorre

thierry.lacorre@valeo.com

+33 (0)1 40 55 37 93