

Shareholders' LETTER

December 2015

Shanghai Pudong plant, Powertrain Systems Business Group, China



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

The results announced since early 2015 confirm, once again, the excellent momentum behind growth and profitability at Valeo. The hard work carried out by our teams over the past few years has enabled us to develop a more diverse customer portfolio, strengthen our products' technological advantage and further align the Group's businesses geographically. I would therefore like to thank all of our employees for their commitment and professionalism.

Our record order intake in the first half of the year – which was up 18% to 10.7 billion euros – and the 14% growth in sales in the first nine months of the year reflect the commercial success of technologies developed by the Group for CO₂ emissions reduction and intuitive driving.

Our growth remains balanced, both in terms of the customer portfolio – with German customers representing 30% of original equipment sales, Asian customers 25%, American customers 24% and French customers 15% – and in terms of geography – with growth outpacing the market in all production regions (by 6 percentage points in Europe, by 4 percentage

points in Asia, by 3 percentage points in South America and level with the market in North America) in the first nine months of the year.

In the first half of the year, this growth was accompanied by a 23% increase in our operating margin (to 7.4% of sales), a 34% increase in net income and a doubling of free cash flow.

Not only do these results put Valeo ahead of schedule in terms of the medium-term plan presented at our Investor Day on March 16, 2015, they also confirm the solidity of our growth model based on technological innovation and our market-beating sales performance in all automotive production regions and all Business Groups.

On behalf of all our employees at Valeo, I would like to thank you for your continued support and wish you the very best for 2016.

Jacques Aschenbroich
Chief Executive Officer

CONTENTS

02 - Products and innovations

- An innovation strategy focused on CO₂ emissions reduction and intuitive driving
- Focus on telematics at Valeo
- 2015 Valeo Innovation Challenge

05 - Results

- First-half 2015 results
- Third-quarter 2015 original equipment sales

06 - Valeo at a glance

Valeo

Automotive technology, naturally

AN INNOVATION STRATEGY FOCUSED ON CO₂ EMISSIONS REDUCTION AND INTUITIVE DRIVING

Valeo unveiled its latest technologies and innovations at the Frankfurt Motor Show in September 2015.

The transport sector accounts for a quarter of global CO₂ emissions and needs to find affordable solutions to reduce its oil consumption. Increasingly ambitious standards are being put into effect around the world: by 2021, automakers' new vehicle fleets will have to comply with a maximum average CO₂ target of 95 g/km in Europe. However, reducing fuel

consumption is not the only way to shrink a vehicle's total environmental footprint.

In addition to fuel efficiency, motorists are looking for cars that are connected, automated, easy to use and fun to drive. Valeo is responding to these expectations with its "intuitive driving" concept, which, more specifically,

aims to facilitate maneuvering in city driving, assist motorists in different driving situations and promote interaction between the vehicle, the driver and the surrounding environment.

The innovations and technologies unveiled at the Frankfurt Motor Show in September 2015 include:



REMOTE CLEAN4U™, A REMOTE WINDSHIELD DEFROSTING AND CLEANING SYSTEM

According to a 2014 study conducted by Valeo in the United States, most drivers continue to defrost by hand using a scraper while the engine is running to heat up the windshield. Ninety-seven percent of motorists find this method unsatisfactory. Valeo has therefore developed a revolutionary remote windshield defrosting and cleaning system that is controlled via a smartphone application: Remote Clean4U™.

The system has two functions:

- **THE DEFROSTING FUNCTION** automatically and remotely defrosts the windshield in less than 90 seconds at a temperature of -20°C. The system

distributes an eco-friendly defrosting fluid across the entire surface of the windshield through the AquaBlade® windshield wiper system. This economical, environmentally friendly system can be used remotely by the driver without having to start the engine.

- **THE DEBUGGING FUNCTION** washes away insects stuck to the windshield in record time thanks to its specially formulated cleaning fluid distributed through the AquaBlade® windshield wiper system.



FROM 2016, A NEW WAY TO STAY INFORMED

Video interviews with our experts, demos of our latest technologies and innovations, motor show reports, analysis of the Group's strategy, and our financial dashboard. All this and more in the

SHAREHOLDERS' WEBZINE,
an online magazine full of information and illustrations designed to provide our individual investors with a greater understanding of Valeo.

To receive notifications on the publication of the Shareholders' Webzine, sign up now at:
<http://valeo.relations-actionnaires.com> or by emailing valeo@relations-actionnaires.com.

VALEO MOBIUS 2, AN ARRAY OF DASHBOARD TECHNOLOGY



Whenever Valeo Mobius 2 detects favorable conditions for autonomous driving, for example when the car is in a traffic jam or on the highway, it suggests that the driver switch to hands-off mode by pressing the automatic pilot button located on the steering wheel. Conversely, the system emits a visual and audio alert as soon as it anticipates the need for the driver to resume control. During periods of automated driving, Valeo Mobius 2 turns the digital dashboard into an extension of the driver's smartphone or tablet. All driving-related information switches to background mode and the driver's applications are displayed on the screen. When

the driver switches back to manual driving mode, all driving-related information flips back to the main display.

Switching from automated to manual driving mode is quick and safe, allowing the driver to keep their hands on the wheel and eyes on the road thanks to two miniature, smartwatch-like touch screen controls on each side of the steering wheel. Valeo Mobius 2 also uses a camera in the dashboard to observe the driver. This detects moments of inattention, fatigue or distraction and alerts the driver of dangerous situations.

VALEO SCALA LASER SCANNER, PLAYING A VITAL ROLE IN AUTOMATED DRIVING

Valeo's technologically innovative SCALA laser scanner is an integral part of the automated Drive4U® solution. In automated mode, the system takes full control of the vehicle's steering, acceleration and braking. It scans the area ahead of the vehicle and detects moving vehicles, motorbikes and pedestrians as well as stationary obstacles such as trees, parked vehicles and guard rails – all with an extremely high level of accuracy. It works in daylight and at night when the car is driving at both high and low speeds. Using the collected data, the scanner creates a map of the surrounding environment allowing it to analyze and anticipate events around the vehicle.

This technology enhances active safety by initiating evasion maneuvers and emergency braking, for example. The scanner also collects information that is essential for automated driving systems and automated valet parking.

Valeo SCALA laser scanner is the main technology featured in the automated valet parking prototype Valet Park4U®. With this technology, vehicles can find a suitable space and park by themselves without a driver.

KEEPING PACE WITH MARKET EXPECTATIONS...

Valeo conducts yearly end-user surveys. Paving the way for automated driving, the Group regularly assesses end-user acceptance and expectations through focus groups in all regions (US, Europe, China and Japan).

For the first time this year, new interface concepts were tested in US, Germany and France, projecting end-users into automated driving situations.

For example, one of the studies, conducted with the Fraunhofer Institute in Stuttgart, showed that reaction times for emergency braking were 0.5 second faster with Valeo Mobius 2. When driving at 60 km/h, that represents a distance of 8.33 meters. In addition, those surveyed found that this new technology offered an optimal transition between automated and manual driving, making motorists feel safer and less stressed.



FOCUS ON TELEMATICS AT VALEO

As part of its strategy to improve technology related to intuitive driving, Valeo has chosen to team up with other stakeholders in order to develop innovative telematics technologies:

- In February 2016, Valeo will launch the first telematics device equipped with an emergency call feature. Developed with Chinese manufacturer Geely, the device will directly contact emergency services if the vehicle has an accident. This "ERA-GLONASS" service has been compulsory on all new vehicles in Russia since the beginning of 2015. Valeo is also working on the equivalent standard for the European market, "eCall", which will be compulsory from 2018 onwards.
- Valeo has begun production of the BMW telematic device (which uses WiFi to provide the vehicle with accurate positioning, real-time maps and emergency calls, etc.), to be commercialized in late 2016, and development of a shared 4G LTE platform (equivalent to a home WiFi router). These two milestones are the product of the technological cooperation agreement with Peiker, a market leader in onboard telematics and connectivity.
- Valeo is also working with Tsinghua University in Beijing, China, on an initial series of experiments in vehicle-to-vehicle communication technology, which allows vehicles to interact with each other as well as with roadside infrastructure.

2015 VALEO INNOVATION CHALLENGE

For the second year running, Valeo invited engineering students from around the world to play an active role in automobile innovation by designing the product or system that will create smarter, more intuitive cars by 2030.

With participation up almost 40% on the first edition, 1,324 teams from 89 countries signed up for a chance to offer bold, revolutionary solutions for the automobile of 2030. The engineering students harnessed all of the opportunities offered by digital technology and adapted them to the automotive sector to improve on-board safety.

In the first quarter of the year, 80 Valeo experts and a number of independent scientists reviewed each of the submissions to select the 20 teams that would continue on to the next stage of the contest. Each of these teams received 5,000 euros to produce a working prototype.

After the second review stage, the names of the six teams with the most innovative projects were unveiled on September 1, 2015. They were invited to Paris to present their projects to a jury chaired by Valeo Chief Executive Officer Jacques Aschenbroich and made up of figures such as: Claudie Haigneré, the first French woman to visit the International Space Station; Cédric Villani, ambassador for French mathematics and winner of the 2010 Fields medal; Yotam Cohen,

Co-Founder of Wibbitz; Bruno Bonnell, an entrepreneur who specializes in the digital and robotics industries; André Chieng, Chairman of Asiatique Européenne de Commerce inter alia; Prof. Dr.-Ing Welf-Guntram Drossel, Director of the Fraunhofer Institute in Dresden; Gérard Feldzer, Chairman of the Ile-de-France Regional Tourism Committee; Jacques Rougerie, visionary French architect and oceanographer; as well as Christophe Périllat, Valeo's Chief Operating Officer; Guillaume Devauchelle, Vice President of Innovation & Scientific Development at Valeo; and Hans-Peter Kunze, former Senior Vice President, Sales & Business Development at Valeo.

After careful deliberation, the jury announced the three winning teams on September 29, 2015.

First prize went to the Chinese team «Falcon View» from Peking University, which came up with a new way for autonomous cars to detect their surroundings by swapping lasers for a system in which the vehicle's wheels are fitted with cameras. Two teams tied for second place:

- The German team "Auto Gen Z", from Saarland University developed a connected system to improve traffic safety.
- The Indian team "M.A.D", from Sri Aurobindo International Center of Education in Pondicherry also created a connected system to boost traffic safety.



The winning team was awarded a cash prize of 100,000 euros, while the runners up took home 10,000 euros each.



Valeo has kicked off the third edition of its global innovation contest

"THE 2016 VALEO INNOVATION CHALLENGE"

Sign up today at:

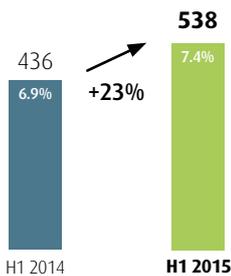
<https://valeoinnovationchallenge.valeo.com/>

IN FIRST-HALF 2015, VALEO'S ORDER INTAKE WAS UP 18% TO 10.7 BILLION EUROS

- Operating margin⁽¹⁾ up 23% to 538 million euros, or 7.4% of sales
- Net attributable income up 34% to 344 million euros, or 4.7% of sales
- Free cash flow double that of first-half 2014 at 306 million euros

OPERATING MARGIN⁽¹⁾

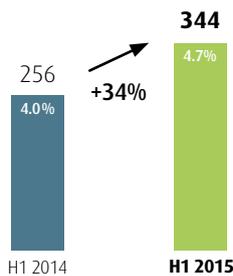
in millions of euros and as a % of sales



Operating margin for first-half 2015 (before other income and expenses) was up 23% year on year, to 538 million euros, or 7.4% of sales.

NET ATTRIBUTABLE INCOME

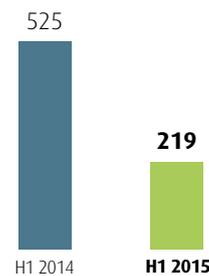
in millions of euros and as a % of sales



In first-half 2015, net attributable income surged 34% year on year, to 344 million euros, or 4.7% of sales.

NET DEBT

in millions of euros



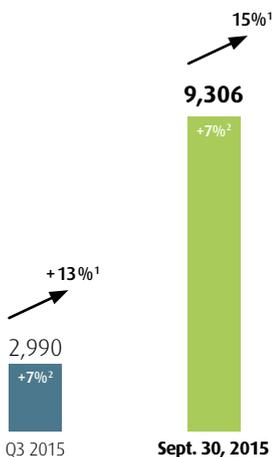
Valeo generated 306 million euros in free cash flow (before interest) in the first half of 2015. Consolidated net debt amounted to 219 million euros at end-June 2015.

¹Including share in net earnings of equity-accounted companies.

IN THIRD-QUARTER 2015, ORIGINAL EQUIPMENT SALES UP 13% AS REPORTED (UP 7% LIKE FOR LIKE), OUTPACING THE MARKET IN ALL PRODUCTION REGIONS IN THE FIRST 9 MONTHS

OE SALES

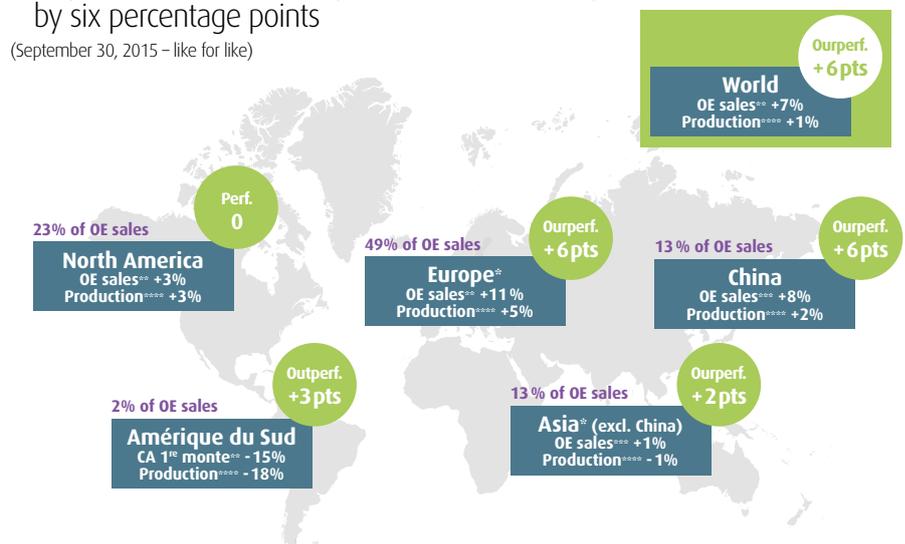
in millions of euros



¹ As reported.
² Constant Group structure and exchange rates.

- Original equipment sales growth outpaced the global market by six percentage points

(September 30, 2015 – like for like)

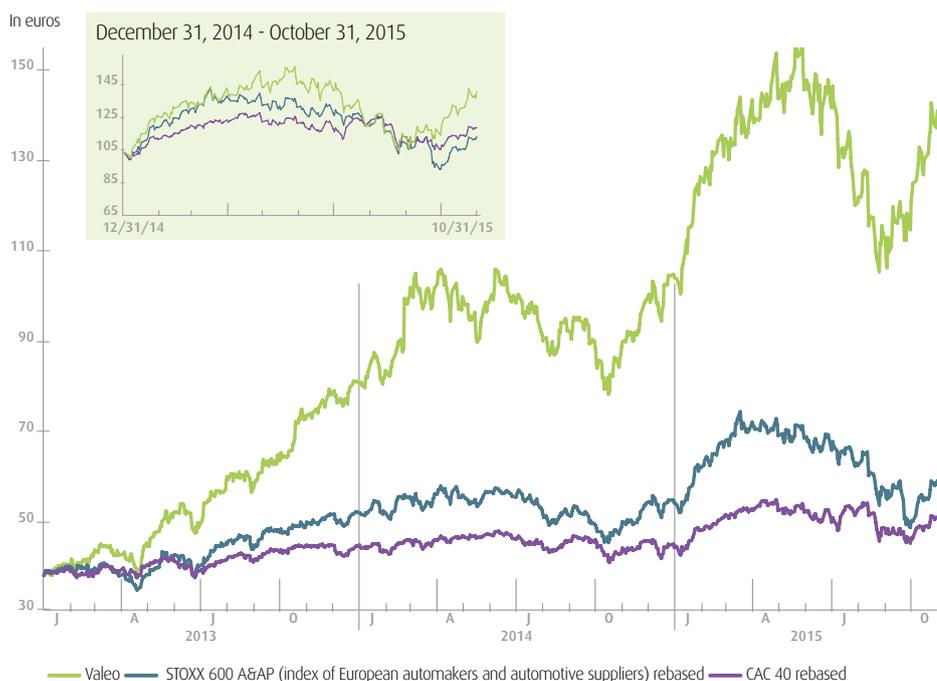


* Europe and Africa; Asia and the Middle East. ** Valeo OE sales by destination.
*** Asian local operations. **** LMC estimates – light vehicle production.

VALEO AT A GLANCE

SHARE PRICE

December 31, 2012 - October 31, 2015



STOCK MARKET DATA

	2013	2014	09/30/2015
Market capitalization at year-end (in billions of euros)	6.39	8.23	9.60
Number of shares	79,462,540	79,462,540	79,462,540
Highest share price (in euros)	81.15	106.05	156.70
Lowest share price (in euros)	37.25	73.94	99.60
Average share price (in euros)	55.22	93.75	131.06
Share price at year-end (in euros)	80.43	103.60	120.75

PER SHARE DATA

(in euros)	06/30/2013	06/30/2014	06/30/2015
Earnings per share	2.48	3.29	4.41
Earnings per share excluding non-recurring items	3.00	3.50	4.58

(in euros)	2013	2014
Dividend per share	1.70	2.20 ⁽¹⁾

(1) Eligible for the 40% tax allowance provided for in article 158-3-2° of the French Tax Code (*Code général des impôts*) and subject to a 21% flat-rate tax prepayment on distributed revenues, deducted at source by the paying agent (article 117 *quater* i.1 of said Code and Article 9 of the French Finance Law for 2013).

These figures are provided for information purposes only. Please contact your financial advisor to discuss the specific tax and social security treatment of your shares.

OWNERSHIP STRUCTURE

AT DECEMBER 14, 2015

91.55% (88.67%)
Other*



5.06% (4.84%)
Lazard Asset
Management LLC

3.39% (6.49%)
Caisse des Dépôts
et Consignations (CDC)
of which
1.66% (3.19%)
Bpifrance Participations SA
1.73% (3.30%)
CDC Fonds d'Épargne

* Including 1,034,342 treasury shares (1.30% of the share capital).

FIRST-HALF 2016 CALENDAR

- **February 18, 2016**
Full-year 2015 results
- **April 26, 2016**
First quarter 2016 sales

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