

# Shareholders' LETTER

April 2016

Étapes, Powertrain Systems Business Group



## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

Our excellent results in 2015 reflect the hard work carried out by our teams over the past few years to strengthen the diversification of our customer portfolio, our products' technological positioning and the geographic alignment of our businesses. I would therefore like to thank them for their commitment and professionalism.

Our order intake increased by 15% to a record high of 20.1 billion euros, reflecting the commercial success of our technologies for CO<sub>2</sub> emissions reduction and intuitive driving.

Original equipment sales accelerated throughout 2015 and outperformed the market in all world regions, despite market volatility in some of our geographies, once again demonstrating the solidity of our growth model. Thanks to our continued innovation push and the trust of our customers, we once again demonstrated our capacity to grow faster than the market, outperforming global automotive production by 6 percentage points.

This growth resulted in a 22% increase in our operating margin to 7.7% of sales, as well as a 30% increase in net income and a 73% increase in free cash flow.

Based on these results, at the next Shareholders' Meeting, you will be asked to vote on the payment of a dividend of 3 euros per share, an increase of 36% compared with the dividend paid in respect of 2014.

Based on the assumption that production grows by around 2.5%, we expect another year of strong sales growth, with market-beating performances in the main production regions, including in China. In 2016, this growth should once again allow us to slightly improve our operating margin, despite an expected increase in net Research and Development expenditure, which is required for our future growth engines of CO<sub>2</sub> emissions reduction and intuitive driving.

On behalf of all our employees at Valeo, I would like to thank you for your continued support, and I look forward to seeing you on May 26 at the next Shareholders' Meeting.

**Jacques Aschenbroich**  
Chairman and Chief Executive Officer

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- Original equipment sales up 16% as reported

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**Valeo**

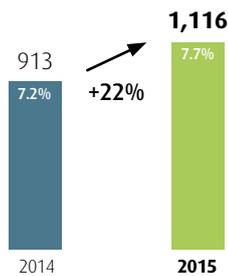
Automotive technology, naturally

# IN 2015, VALEO'S ORDER INTAKE WAS UP 15% TO 20.1 BILLION EUROS

- Sales up 14% to 14.5 billion euros
- Operating margin<sup>1</sup> up 22% to 1,116 million euros, or 7.7% of sales
- Net income up 30% to 729 million euros, or 5.0% of sales
- Free cash flow up 73% to 565 million euros

## OPERATING MARGIN<sup>1</sup>

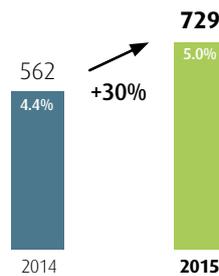
in millions of euros and as a % of sales



**Operating margin** (before other income and expenses) was up 22% year on year, to 1,116 million euros, or 7.7% of sales. In the second half, operating margin climbed 21% to 578 million euros, or 8.0% of sales.

## NET ATTRIBUTABLE INCOME

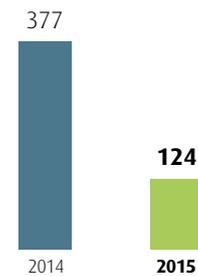
in millions of euros and as a % of sales



**Net attributable income** for 2015 came in at 729 million euros, or 5.0% of sales.

## NET DEBT

in millions of euros



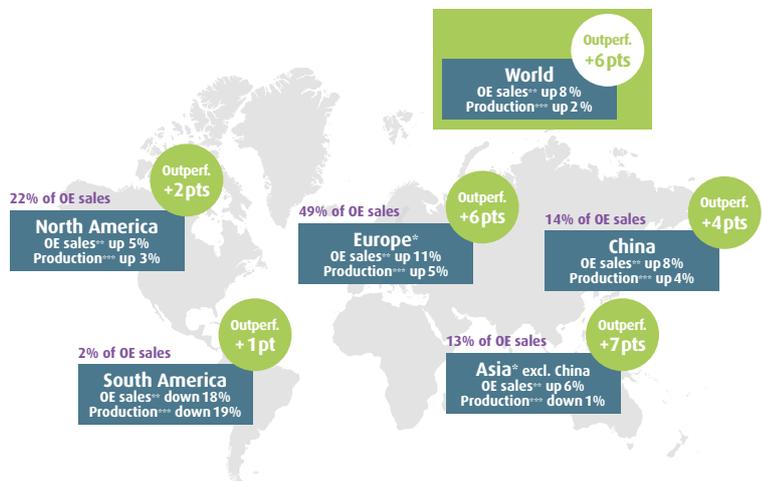
Valeo generated 565 million euros in **free cash flow** (before interest) in 2015. Consolidated net debt amounted to 124 million euros at end 2015.

<sup>1</sup> Including share in net earnings of equity-accounted companies.

## ORIGINAL EQUIPMENT SALES UP 16% AS REPORTED

(UP 8% LIKE-FOR-LIKE)

- Growth 6 percentage points higher than global automotive production



\* Europe incl. Africa; Asia incl. the Middle East.

\*\* Valeo OE sales by destination.

\*\*\* LMC estimates - light vehicle production.

## STRATEGIC ACQUISITIONS

### peiker

On March 8, 2016, Valeo announced the acquisition of peiker, a major supplier of on-board telematics and mobile connectivity solutions. The alliance of the two companies' expertise will allow the Group to offer automakers new telematics systems equipped with the high-speed connectivity and cybersecurity features that this high growth market demands.

### Spheros

On March 31, 2016, Valeo confirmed the acquisition of German-based Spheros, the worldwide leader in air conditioning systems for buses whose clients include all the main bus manufacturers and major fleet operators. The acquisition will allow Valeo to extend its thermal management activities to the vibrant bus market. This external growth project is part of the strategy presented to the Group's shareholders in March 2015 aiming to introduce new growth drivers particularly in CO<sub>2</sub> emissions reduction systems.

# VALEO UNVEILS ITS CUTTING-EDGE TECHNOLOGIES AT THE 2016 CONSUMER ELECTRONICS SHOW® IN LAS VEGAS

For the third year running, Valeo took part in the Consumer Electronics Show® in Las Vegas, which ran from January 6 to 9, 2016. On show were Valeo's cutting edge technological innovations in the field of intuitive driving.

While energy efficiency is a key component of motorists' conception of the ideal car, now and in the future, so too are ease of use, autonomy and connectivity. Valeo seeks to respond to these expectations with its "intuitive driving" concept, which aims to facilitate maneuvering in city driving and assist motorists in different driving situations while encouraging interaction between the vehicle, the motorist and the surrounding environment.

## SIGHTSTREAM®, SMART REARVIEW MIRRORS OFFERING SHARPENED PERCEPTION OF DRIVING CONDITIONS AND ENHANCED AERODYNAMICS

In a world first in the United States, Valeo presented its new Sightstream® camera system, designed to replace conventional rearview mirrors.

The video images captured by cameras installed where the exterior side mirrors are usually mounted are displayed on the screens, offering better visibility than conventional systems, in all weather and at all times (day and night).

The Sightstream® system can also incorporate driver assistance features, thanks to its ability to detect blind spots and assist with door opening by detecting and displaying surrounding vehicles, motorcycles or bicycles. Sightstream® can also help during lane changes and passing by displaying information on the dashboard, directly in the driver's line of sight.



### ENHANCED AERODYNAMICS FOR REDUCED CO<sub>2</sub> EMISSIONS

Innovations that improve vehicle aerodynamics are one of the keys to achieving the EU regulatory fuel efficiency target of 4L per 100 km by 2021. With Sightstream®, Valeo enables automakers to eliminate up to 1.3 grams of CO<sub>2</sub> per kilometer.

## WORLD FIRST: LES LUNETTES BY VALEO, SMART ANTI-GLARE GLASSES

Les Lunettes by Valeo are connected, technology packed glasses that improve driver visibility day and night by reducing glare from different sources. The result is a safer, more comfortable driving experience.

Les Lunettes by Valeo are the first active glasses solution that dims glare from oncoming traffic. They are synchronized with the driver's own LED or laser headlamps via pulse-width modulation, based on the same principle as that used for active 3D glasses and LCD television screens. Random frequency modulation prevents interference from passing cars that are fitted with the same system, thus ensuring that drivers are never dazzled by the headlamps of oncoming vehicles.

More specifically:

- At night, Les Lunettes by Valeo soften the intensity of oncoming car headlamps without dimming the perceived brightness of the driver's own beams.
- During the day, Les Lunettes by Valeo serve as sunglasses and can be activated before entering a tunnel to prevent glare from blinding the driver when exiting out the other side.
- Les Lunettes by Valeo also shield the driver's eyes from any potential glare caused by passengers using the car's interior lighting at night.

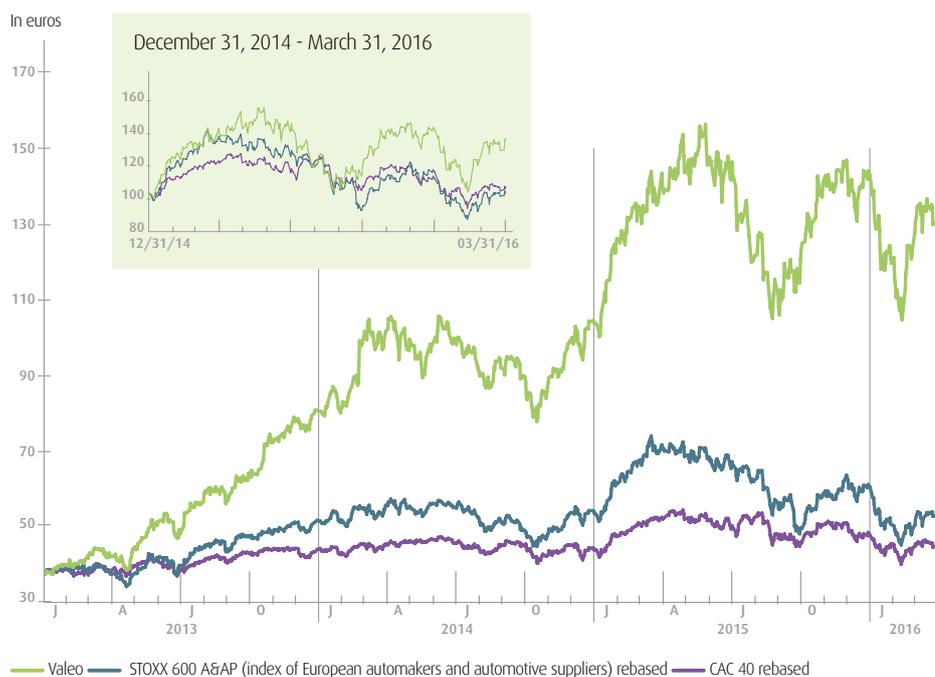


A study of potential Les Lunettes by Valeo users in France and Germany, conducted by TNS Sofres for Valeo in July 2015, found that "nighttime glare" topped the list of unpleasant driving situations for 48% of French motorists and 52% of their German counterparts.

# VALEO AT A GLANCE

## SHARE PRICE

December 31, 2012 - March 31, 2016



## STOCK MARKET DATA

	2014	2015	03/31/2016
Market capitalization at year-end (in billions of euros)	8.23	11.33	10.87
Number of shares	79,462,540	79,462,540	79,462,540
Highest share price (in euros)	106.05	156.70	141.15
Lowest share price (in euros)	73.94	99.60	101.65
Average share price (in euros)	93.75	132.78	124.86
Share price at year-end (in euros)	103.60	142.55	136.80

## PER SHARE DATA

(in euros)	2013	2014	2015
Earnings per share	5.71	7.23	9.33
Earnings per share excluding non-recurring items	6.52	7.63	10.56

(in euros)	2013	2014	2015
Dividend per share	1.70 <sup>(2)</sup>	2.20 <sup>(2)</sup>	3.00 <sup>(1)</sup>

(1) Dividend of 3.00 euros per share proposed at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2015.

(2) 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).

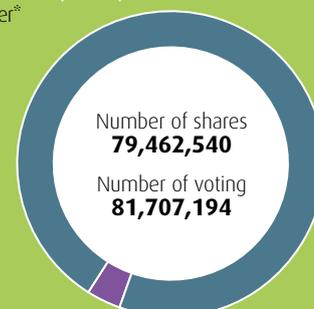
These figures are provided for information purposes only. Please contact your financial advisor to discuss the specific tax and social security treatment of your shares.

## OWNERSHIP STRUCTURE

AT MARS 31, 2016

94.94% (95.08%)

Other\*



5.06% (4.92%)

Lazard Asset Management LLC

\* Including 899,975 treasury shares (1.13% of the share capital).

## CALENDAR

- **April 26, 2016**  
First-quarter 2016 sales
- **May 26, 2016**  
Ordinary and Extraordinary Shareholders' Meeting
- **July 26, 2016**  
First-half 2016 results
- **October 20, 2016**  
Third-quarter 2016 sales

## CONTACTS

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