SMART TECHNOLOGY FOR SMARTER CARS

Sales up 14% to 16.5 billion euros

Operating margin[1] up 20% to 1.3 billion euros, or 8.1% of sales

Net income up 27% to 925 million euros, or 5.6% of sales

Order intake[2] up 17% to 23.6 billion euros

Jacques Aschenbroich, Valeo's Chairman and Chief Executive Officer, commented:

"Valeo's 2016 results reflect the work accomplished by our teams over the past few years to build a new, more innovative, technologically focused, dynamic and profitable Valeo:

- ✓ *our sales grew by 14%;*
- ✓ *accompanied by increases of 17% in our gross margin, 20% in our operating margin, 27% in our net income and 17% in our free cash flow generation, to 661 million euros;*
- ✓ *another record order intake – at 23.6 billion euros – reflecting the ongoing commercial success of our technologies for CO_2 emissions reduction and intuitive driving.*

Also in 2016 we were delighted to welcome into the Valeo family teams from peiker, Spheros, and the Valeo Siemens eAutomotive joint venture and in January this year, Ichikoh. Thanks to these acquisitions and in line with our strategy, we are stepping up the development of our four Business Groups, with the primary aims of diversifying our client portfolio and strengthening our products' technological positioning and the geographical alignment of our sales.

On the back of this strong momentum, Valeo will hold an Investor Day in London on February 28 to present its new medium-term financial objectives."

Full-year 2016

- **Order intake[2] of 23.6 billion euros**, up 17% on the back of technological innovation
- **Consolidated sales of 16,519 million euros**, up 14% (up 11% on a like-for-like basis).
- **Original equipment sales of 14,403 million euros**, up 14% (up 12% on a like-for-like basis), outpacing global automotive production by 8 percentage points.
- **Operating margin[1]** up 20% to 1,334 million euros, or 8.1% of sales.
- Recognition of a 99 million euro expense to cover the main risks arising from antitrust investigations.
- **Net attributable income** up 27% to 925 million euros, or 5.6% of sales.
- **Free cash flow[2] of 661 million euros,** up 17%.

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 14.
[2] See Financial Glossary, page 14.

Second-half 2016

- **Consolidated sales of 8,389 million euros**, up 16% (up 12% on a like-for-like basis).
- **Operating margin**[(1)] up 19% to 687 million euros, or 8.2% of sales.
- **Net attributable income** up 31% to 503 million euros, or 6.0% of sales.
- **Free cash flow**[(2)] **of 322 million euros**, up 24%.

Fourth-quarter 2016

- **Consolidated sales of 4,395 million euros**, up 16% (up 12% on a like-for-like basis).

2016 dividend

Proposed dividend payment up 25% to 1.25 euros per share, representing a payout ratio of 32%.

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 has set the following objectives for 2017:

- sales growth outperforming the market by more than 5 percentage points;
- a slight increase in operating margin [(1)] (as a % of sales and before acquisitions).

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 14.
[2] See Financial Glossary, page 14.

PARIS, France, February 16, 2017 – At its meeting of February 15, 2017, Valeo's Board of Directors approved the consolidated and parent company financial statements for the year ended December 31, 2016[1]:

H2 2015	H2 2016	Change			Full-year 2015	Full-year 2016	Change
9.4	10.8	+15%	Order intake[2]	*(in billions of euros)*	20.1	23.6	+17%
7,246	8,389	+16%/+12%*	Sales	*(in millions of euros)*	14,544	16,519	+14%/+11%*
6,284	7,297	+16%/+12%*	Original equipment sales	*(in millions of euros)*	12,600	14,403	+14%/+12%*
(395)	(471)	+19%	R&D expenditure, net	*(in millions of euros)*	(797)	(956)	+20%
-5.5%	*-5.6%*	*-0.2 pts*		*(as a % of sales)*	*-5.5%*	*-5.8%*	*-0.3 pts*
(238)	(273)	+15%	General and administrative expenses	*(in millions of euros)*	(486)	(533)	+10%
-3.3%	*-3.3%*	*+0 pt*		*(as a % of sales)*	*-3.3%*	*-3.2%*	*+0.1 pts*
33	33	+0%	Share in net earnings of equity-accounted companies	*(in millions of euros)*	56	61	+9%
578	687	+19%	Operating margin[3]	*(in millions of euros)*	1,116	1,334	+20%
8.0%	*8.2%*	*+0.2 pts*		*(as a % of sales)*	*7.7%*	*8.1%*	*+0.4 pts*
385	503	+31%	Net attributable income	*(in millions of euros)*	729	925	+27%
5.3%	*6.0%*	*+0.7 pts*		*(as a % of sales)*	*5.0%*	*5.6%*	*+0.6 pts*
-	-	-	Basic earnings per share	*(in euros)*	3.11**	3.91	+26%
468	489	+4%	Net attributable income[2] excluding non-recurring items	*(in millions of euros)*	825	940	+14%
6.5%	*5.8%*	*+0.7 pts*		*(as a % of sales)*	*5.7%*	*5.7%*	*+0 pts*
-	-	-	Basic earnings per share excluding non-recurring items	*(in euros)*	3.52**	3.98	+13%
33%	34%	*+1 pt*	ROCE[2]		33%	34%	*+1 pt*
20%	21%	*+1 pt*	ROA[2]		20%	21%	*+1 pt*
930***	1,097	+18%	EBITDA[2]	*(in millions of euros)*	1,841***	2,144	+16%
12.8%	*13.1%*	*+0.3 pts*		*(as a % of sales)*	*12.7%*	*13.0%*	*+0.3 pts*
(550)****	(651)	+18%	Investments in property, plant and equipment and intangible assets	*(in millions of euros)*	(1,086)****	(1,249)	+15%
259	322	+24%	Free cash flow[2]	*(in millions of euros)*	565	661	+17%
124	526	+324%	Net debt[2]	*(in millions of euros)*	124	526	+324%
-	-	-	Gearing ratio		4%	13%	N/A

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

*** Earnings per share shown for 2015 differs from the amount presented in the 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the impacts of Valeo's three-for-one stock split.*

**** The amount shown under this item for 2015 differs from that presented in the 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the new definition of EBITDA[2].*

***** The amount of investments in property, plant and equipment and intangible assets shown for 2015 differs from that shown in the 2015 consolidated financial statements published in February 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.*

[1] Further to their statutory audit, the Statutory Auditors issued an unqualified opinion on the consolidated financial statements for the year ended December 31, 2016.

[2] See Financial Glossary, page 14.

[3] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 14.

Acceleration in the order intake, up 17% to 23.6 billion euros, confirming the Group's ability to deliver structural growth ahead of global automotive production

In 2016, the order intake represented 23.6 billion euros, up 17% year on year.

The order intake remained balanced across the Group's different regions:

- 39% in Asia: China accounted for 28% of the order intake, of which 42% of orders were booked with local Chinese automakers;
- 35% in Europe (and Africa);
- 24% in North America.

The rise in the order intake over the year was driven by innovative products (50% 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.

Automotive production up 4% in 2016

Automotive production rose 4% year on year, bolstered by further growth in North America (up 2%), Europe (up 3%), and Asia (up 7%), driven by China (up 14%), buoyed by the introduction of a tax stimulus plan and a favorable comparison basis.

Production in South America continued its sharp decline (down 11%).

Automotive production (year on year change)

	Q4 2016*	H2 2016*	Full-year 2016*
Europe and Africa	+3%	+1%	+3%
Asia, Middle East & Oceania	+10%	+12%	+7%
of which China	*+15%*	*+21%*	*+14%*
excluding China	*+4%*	*+2%*	*+0%*
North America	+1%	+2%	+2%
South America	+8%	-3%	-11%
TOTAL	**+7%**	**+7%**	**+4%**

** LMC automotive production estimates.*

Sales for full-year 2016 came in at 16.5 billion euros, up 14% as reported (up 11% like for like)

Sales for the year came in at 16,519 million euros, delivering robust like-for-like growth of 11% (12% in both the second-half and the fourth quarter).

Changes in exchange rates during the year had a negative 1% impact (zero impact in the second half), due chiefly to weakness in the Chinese renminbi against the euro.

Changes in Group structure had a positive 3% impact over the year (positive 4% impact in the second half); peiker (acquired in late February 2016) and Spheros (acquired in late March 2016) contributed 266 million euros and 184 million euros, respectively, to 2016 sales.

Sales *(in millions of euros)*

	As a % of FY 2016 sales	Q4 2016				H2 2016				Full-year			
		2015	2016	Reported change	LFL change*	2015	2016	Reported change	LFL change*	2015	2016	Reported change	LFL change*
Original equipment	87%	3,294	3,825	+16%	+12%	6,284	7,297	+16%	+12%	12,600	14,403	+14%	+12%
Aftermarket	10%	399	417	+5%	+3%	786	834	+6%	+4%	1,599	1,679	+5%	+5%
Miscellaneous	3%	104	153	+47%	+43%	176	258	+47%	+43%	345	437	+27%	+25%
Total	**100%**	**3,797**	**4,395**	**+16%**	**+12%**	**7,246**	**8,389**	**+16%**	**+12%**	**14,544**	**16,519**	**+14%**	**+11%**

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

Original equipment sales for the year came in at 14,403 million euros, or 87% of total sales, delivering robust like-for-like growth of 12% (12% in both the second half and the fourth quarter).

Aftermarket sales (10% of total sales) moved up 5% like for like over the year (4% in the second half and 3% in the fourth quarter).

Miscellaneous sales (3% of total sales), mainly consisting of tooling revenues related to the launch of new projects, jumped 25% like for like (43% in both the second half and in the fourth quarter).

For the year as a whole, original equipment sales saw robust 12% like-for-like growth, outpacing global automotive production by 8 percentage points

Valeo delivered market-beating growth driven by:

- an improved product mix resulting from technological innovations for CO_2 emissions reduction and intuitive driving;
- its balanced customer and geographic positioning.

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

	Q4 2016				H2 2016				Full-year			
	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**	2015	2016	LFL change*	Outperformance**
Europe & Africa	1,549	1,772	+9%	+6 pts	3,007	3,434	+9%	+8 pts	6,125	7,062	+11%	+8 pts
Asia, Middle East & Oceania	966	1,169	+21%	+11 pts	1,736	2,126	+22%	+10 pts	3,385	3,907	+17%	+10 pts
China	533	650	+27%	+12 pts	910	1,148	+32%	+11 pts	1,759	2,046	+22%	+8 pts
excluding China	433	519	+13%	+9 pts	826	978	+11%	+9 pts	1,626	1,861	+11%	+11 pts
North America	734	801	+5%	+4 pts	1,435	1,574	+6%	+4 pts	2,826	3,138	+8%	+6 pts
South America	45	83	+47%	+39 pts	106	163	+26%	+29 pts	264	296	+7%	+18 pts
TOTAL	**3,294**	**3,825**	**+12%**	**+5 pts**	**6,284**	**7,297**	**+12%**	**+5 pts**	**12,600**	**14,403**	**+12%**	**+8 pts**

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

In 2016, the Group outperformed global automotive production by 8 percentage points (5 percentage points in both the second half and the fourth quarter), powered by strong growth in original equipment sales across all production regions:

- in **Europe** (including Africa), like-for-like original equipment sales rose 11%, lifted by an attractive portfolio of high technological value products and a favorable customer mix, outpacing automotive production by 8 percentage points (8 percentage point outperformance in the second half and 6 percentage point outperformance in the fourth quarter);
- in **China**, like-for-like original equipment sales rose 22%, outpacing automotive production by 8 percentage points (11 percentage point outperformance in the second half and 12 percentage point outperformance in the fourth quarter), driven in particular by market share gains with Chinese customers;
- in **Asia excluding China**, like-for-like original equipment sales rose 11%, outpacing automotive production by 11 percentage points (9 percentage point outperformance in both the second half and the fourth quarter);
- in **North America**, like-for-like original equipment sales rose 8%, outpacing automotive production by 6 percentage points (4 percentage point outperformance in both the second half and the fourth quarter);
- in **South America**, like-for-like original equipment sales climbed 7%, outpacing automotive production by 18 percentage points (29 percentage point outperformance in the second half and 39 percentage point outperformance in the fourth quarter).

Valeo is benefiting from the geographical alignment of its businesses...

The share of original equipment sales in the different production regions in full-year 2016 was broadly unchanged from 2015:

- 50% of original equipment sales was produced in Europe (up 1 percentage point on 2015), including 34% in Western Europe (stable year on year) and 16% in Central and Eastern Europe (up 1 percentage point on 2015);
- 26% was produced in Asia (down 1 percentage point year on year);
- 22% was produced in North America (stable year on year);
- 2% was produced in South America (stable year on year).

...and from a more diverse customer portfolio

At end-2016:

- German customers represented 30% of original equipment sales, stable year on year;
- Asian customers accounted for 27% 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

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)*

	Q4 2016				H2 2016				Full-year			
	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	721	878	+22%	+11%	1,384	1,703	+23%	+12%	2,720	3,363	+24%	+14%
Powertrain	959	1,050	+10%	+11%	1,836	2,016	+10%	+11%	3,762	4,027	+7%	+10%
Thermal	1,036	1,256	+21%	+12%	2,028	2,396	+18%	+11%	4,074	4,645	+14%	+10%
Visibility	1,124	1,252	+11%	+14%	2,091	2,354	+13%	+15%	4,185	4,649	+11%	+15%
Group	**3,797**	**4,395**	**+16%**	**+12%**	**7,246**	**8,389**	**+16%**	**+12%**	**14,544**	**16,519**	**+14%**	**+12%**

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

Over the full year, growth in original equipment sales outpaced automotive production in all Business Groups:

- sales for the **Comfort & Driving Assistance Systems** and **Visibility Systems Business Groups** rose 14% and 15%, respectively (up 12% and 15%, respectively, in the second half), reflecting the market's keen interest in intuitive driving and LED lighting technologies;
- buoyed by their attractive portfolio of technologies focused on CO_2 emissions reduction, like-for-like original equipment sales for the **Powertrain Systems** and **Thermal Systems Business Groups** picked up pace in the second half, with each business delivering 11% growth (8% and 9%, respectively, in the first half). Over the full year, the two Business Groups reported like-for-like growth of 10% in original equipment sales.

Over the full year:

- **gross margin of 18.3% of sales, up 17%**
- **operating margin[(1)] of 8.1% of sales, up 20%**
- **net attributable income of 5.6% of sales, up 27%**

In the second half:

- **gross margin of 18.3% of sales, up 18%**
- **operating margin[(1)] of 8.2% of sales, up 19%**
- **net attributable income of 6.0% of sales, up 31%**

The **gross margin** for 2016 increased 17% to 3,020 million euros, or 18.3% of sales (up 0.6 percentage points on 2015). This performance was chiefly driven by operating leverage (up 1 percentage point), partly offset by a rise in depreciation expense owing to the capital expenditure carried out by the Group over the past few years (negative 0.3 percentage point impact) and by operational difficulties relating to the launch of new products at a site in North America (negative 0.2 percentage point impact).

Valeo continued its Research and Development efforts to enhance its product portfolio and respond to the twin challenges of powertrain electrification and intuitive driving. Gross Research and Development expenditure was up 22% to 1,596 million euros in 2016, representing over 11% of original equipment sales. Net Research and Development expenditure rose 20% to 5.8% of sales, up 0.3 percentage points on 2015.

General and administrative expenses came out 0.1 percentage point lower than in 2015, at 3.2% of sales.

The share in net earnings of equity-accounted companies was 61 million euros, or 0.4% of sales, stable compared with 2015.

Operating margin[(1)] moved up 20% to 1,334 million euros, or 8.1% of sales (up 0.4 percentage points on 2015). In the second half, operating margin[(1)] climbed 19% to 687 million euros, or 8.2% of sales.

Operating income[(2)] rose 30% to 1,301 million euros, or 7.9% of sales (up 1 percentage point on 2015). Operating income includes other income and expenses representing a net expense of 33 million euros and relating to:

- 159 million euros in disposal gains on the creation of the joint venture with Siemens;
- a 99 million euro expense set aside to cover the main risks arising from antitrust investigations; and
- 61 million euros in one-off impairment charged against non-current assets.

The cost of net debt remained stable year on year, at 83 million euros.

The effective tax rate came out at 17%, primarily reflecting the improved profitability of the Group's operations in France and the United States, where Valeo has available tax loss carryforwards.

Net attributable income climbed 27% to 925 million euros, or 5.6% of sales (up 0.6 percentage points on 2015).

Excluding non-recurring items, net attributable income[(2)] rose 14% to 940 million euros, or 5.7% of sales, stable year on year.

Return on capital employed (ROCE[(2)]) and **return on assets** (ROA[(2)]) stood at 34% and 21%, respectively.

[1] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 14.
[2] See Financial Glossary, page 14.

In 2016, consolidated EBITDA[1] came in 16% higher at 2,144 million euros, or 13% of sales

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

	H2 2016			Full-year		
	2015*	2016	Change	2015*	2016	Change
Comfort & Driving Assistance Systems	201	257	+28%	394	496	+26%
	14.5%	*15.1%*	*+0.6 pts*	*14.5%*	*14.7%*	*+0.2 pts*
Powertrain Systems	249	278	+12%	482	534	+11%
	13.6%	*13.8%*	*+0.2 pts*	*12.8%*	*13.3%*	*+0.5 pts*
Thermal Systems	208	237	+14%	435	463	+6%
	10.3%	*9.9%*	*-0.4 pts*	*10.7%*	*10.0%*	*-0.7 pts*
Visibility Systems	272	327	+20%	519	645	+24%
	13.0%	*13.9%*	*+0.9 pts*	*12.4%*	*13.9%*	*+1.5 pts*
Group	**930**	**1,097**	**+18%**	**1,841**	**2,144**	**+16%**
	12.8%	***13.1%***	***+0.3 pts***	***12.7%***	***13.0%***	***+0.3 pts***

** The amount shown under this item for 2015 differs from that presented in the 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the new definition of EBITDA[1].*

Against a backdrop of strong sales growth, the **Comfort & Driving Assistance, Powertrain** and **Visibility Systems Business Groups** delivered a consistent performance, reporting growth in EBITDA at 14.7%, 13.3% and 13.9% of their sales, respectively.

The **Thermal Systems Business Group** saw the EBITDA margin contract 0.7 percentage points to 10% of sales following operational difficulties related to the launch of new products at a North American plant. These temporary problems should gradually be ironed out during 2017.

[1] See Financial Glossary, page 14.

Free cash flow[1] of 661 million euros for full-year 2016, up 17% on 2015

The Group generated 661 million euros in free cash flow[1] over the year as a whole, a 17% increase on 2015:

in millions of euros	2015	2016	Change
EBITDA[1]	1,841*	2,144	+16%
Change in operating working capital**	39	76	+95%
Income tax expense	(190)	(257)	+35%
Investments in property, plant and equipment and intangible assets	(1,086)***	(1,249)	+15%
Other (provisions for pensions, restructuring costs, etc.)	(39)	(53)	+36%
Free cash flow[1]	565	661	+17%

** The amount shown under this item for 2015 differs from that presented in the 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the new definition of EBITDA[1].*

*** Change in working capital excluding the change in non-recurring sales of receivables (positive amount of €20 million in 2016; negative amount of €55 million in 2015).*

**** The amount of investments in property, plant and equipment and intangible assets shown for 2015 differs from that shown in the 2015 consolidated financial statements published in February 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.*

Free cash flow[1] generated by the Group in second-half 2016 rose 24% to 322 million euros, primarily reflecting:

- an 18% increase in EBITDA[1] to 1,097 million euros;
- disciplined management of working capital, which added 40 million euros to free cash flow;
- a significant 18% increase in investment outflows to 651 million euros, needed to secure the Group's growth going forward.

In 2016, **net cash flow**[1] amounted to a negative 389 million euros and included:

- 58 million euros in financial expenses;
- other financial items totaling 992 million euros, including a 627 million euro outflow relating to the acquisitions of peiker and Spheros, and a 236 million euro disbursement relating to the dividend paid out to Company shareholders.

Net debt at 526 million euros at December 31, 2016

Net debt[1] stood at 526 million euros at December 31, 2016, up 402 million euros (after acquisitions and the dividend payment) compared with end-December 2015.

The **leverage ratio** (net debt/EBITDA) came out at 0.25x EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 13% of equity.

Following the bond issues carried out:
- in 2016: 600 million euro bond issue maturing on March 18, 2026 and placement of non-dilutive cash-settled convertible bonds in two fungible tranches for a nominal amount of 450 million US dollars and 125 million US dollars, respectively, and redeemable at maturity in 2021, and
- in January 2017: 500 million euro bond issue maturing on January 11, 2023,

the average maturity of borrowings and debt was 5.8 years at January 31, 2017, up from 4.3 years at December 31, 2015.

[1] See Financial Glossary, page 14.

2017 outlook

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 has set the following objectives for 2017:

- sales growth outperforming the market by more than 5 percentage points;
- a slight increase in operating margin[(1)] (as a % of sales and before acquisitions).

Highlights

On November 3, 2016, Valeo announced that it had carried out an additional placement of 125 million US dollars' worth of non-dilutive cash-settled convertible bonds. These bonds are fully fungible with and assimilated to the original issue and issued on the same terms (save the issue price) as the non-dilutive cash-settled convertible bonds due June 16, 2021, issued by Valeo on June 16, 2016 for 450 million US dollars. This new USD-denominated debt was immediately converted into euros. As the conversion rights in respect of the bonds will be settled solely in cash, the bonds will not result in the issuance of new shares or the delivery of existing Valeo shares. At the same time, Valeo purchased cash-settled call options on its own shares to hedge its exposure to cash payments on any exercise of the new bond conversion rights. The new bonds will not bear any interest. The initial issue price of the new bonds is 107% of their nominal value, corresponding to a negative annual gross yield-to-maturity of 1.45% (final issue price published on November 10, 2016: 214,440.74 US dollars per bond, with the share reference price for this tap issue set at 50.5537 euros, and the reference EUR/USD exchange rate at 1.0880 US dollars for 1 euro).

On November 10, 2016, Valeo announced its acquisition of a 50% stake in the capital of CloudMade, a developer of smart and innovative big data-driven automotive solutions such as a machine learning platform which seeks to improve and personalize vehicle comfort and safety for motorists and their passengers.

On November 30, 2016 following discussions with the European Commission and in agreement with Bain Capital, Valeo decided to withdraw its merger notification and to promptly renotify the Commission with a view to obtaining clearance to acquire FTE and finalize the transaction in 2017.

On December 1, 2016, Valeo and Siemens announced the creation of the joint venture Valeo Siemens eAutomotive GmbH specialized in high voltage powertrains and operational immediately. This Valeo-Siemens joint venture creates a global leader for the supply of innovative and affordable high-voltage components and systems. The portfolio includes e-motors, range extenders, onboard chargers, inverters and DC/DC converters for the entire range of on-road electric vehicles including hybrids, plug-in hybrids and full electric vehicles. Building on their complementary scope and portfolio, the joint venture will benefit from substantial synergies in manufacturing and sourcing and create a base for sustained growth and profitability. The electric vehicle parts market is expected to grow by over 20% through to 2020.

On January 4, 2017, Valeo announced the successful placement on favorable terms of new six-year bonds maturing on January 11, 2023. This 500 million euro issue pays a coupon of 0.625%.

On January 13, 2017, Valeo announced the successful completion of its Ichikoh takeover bid at a price of JPY 408. The takeover bid ran from November 24, 2016 to January 12, 2017. Valeo now holds 55.08% of Ichikoh's capital and therefore takes control of Japan's leading automotive lighting company, which remains listed on the Tokyo Stock Exchange. Ichikoh is consolidated by Valeo with effect from February 1, 2017.

On February 6, 2017, Valeo announced that it had signed an agreement with its long-standing South Korean partner to create a 50/50 joint venture in transmission manufacturing. The new company will be called Valeo-Kapec. The transaction is subject in particular to clearance from certain antitrust authorities. From its headquarters in South Korea, Valeo-Kapec will leverage a global manufacturing footprint to become the world leader in torque converters for automatic and continuously variable transmissions. The partners will contribute their respective torque converter businesses, located for Valeo at Nanjing (China), Atsugi (Japan), San Luis Potosi (Mexico) and Troy (United States), and for Kapec in Daegu, Waegwan and Seongju (South Korea). The new company will employ some 3,000 people and will be controlled and therefore consolidated by Valeo. It is forecast to generate sales of around 1 billion euros in 2017 on an annualized basis and will be accretive to Valeo's operating margin from year one.

Upcoming events

Investor Day: February 28, 2017, in London

First-quarter 2017 sales: April 26, 2017

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 press release, 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 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 antitrust 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 26, 2016 (under no. D.16-0211).

Valeo has recognized an expense of 99 million euros in its consolidated financial statements to cover the main risks resulting from investigations currently being carried out by the antitrust authorities, as identified in the Registration Document, and risks relating to legal action resulting from such investigations.

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 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 CO_2 emissions and to the development of intuitive driving. In 2016, the Group generated sales of 16.5 billion euros and invested over 11% of its original equipment sales in Research and Development. Valeo has 155 plants, 20 research centers, 38 development centers and 15 distribution platforms, and employs 91,800 people in 32 countries worldwide. Valeo is listed on the Paris stock exchange and is a member of the CAC 40 index.

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