

# SHAREHOLDERS'

## LETTER



Dear Shareholders,

Our excellent results in 2016 reflect the work accomplished by our teams over the past few years to build a new Valeo: more technologically focused, innovative, dynamic and profitable. I would therefore like to thank them for their commitment and professionalism.

During the year, our order intake hit another record – at 23.6 billion euros – reflecting the ongoing commercial success of our technologies for CO<sub>2</sub> emissions reduction and intuitive driving.

Our sales grew by 14%. Our original equipment sales jumped 12% like for like, outpacing global automotive production by 8 percentage points. We also recorded 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.

Based on these results, at the next Shareholders' Meeting, shareholders will be asked to vote on the payment of a dividend of 1.25 euros per share,

an increase of 25% compared with the dividend paid in respect of 2015.

In 2017, we are aiming for another year of sales growth, outperforming automotive production by more than 5 percentage points, as well as a slight increase in our operating margin before acquisitions.

On the back of this strong momentum, Valeo held an Investor Day in London on February 28, 2017, during which we presented our strategic plan along with our new financial objectives through 2021. This letter presents the key topics covered at the event.

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 23 at the next Shareholders' Meeting.

**Jacques Aschenbroich**  
Chairman and Chief Executive Officer

APRIL 2017

### 02 - Results

- Original equipment sales
- 2016 results

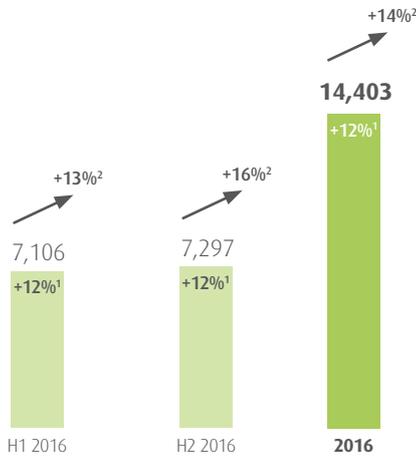
### 03 - News

- Investor Day
- Takeover and creation of joint ventures

### 04 - Valeo at a glance

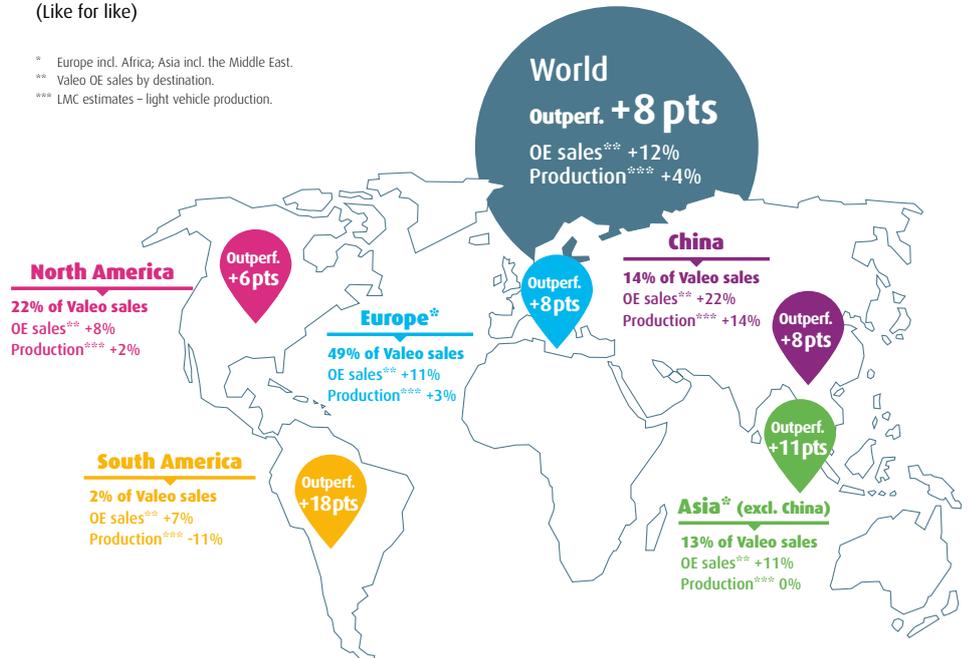
# ORIGINAL EQUIPMENT SALES UP 14% AS REPORTED (UP 12% LIKE FOR LIKE)

## ORIGINAL EQUIPMENT SALES in millions of euros



## SUSTAINED GROWTH IN ORIGINAL EQUIPMENT SALES, generating an overall outperformance of 8 percentage points (Like for like)

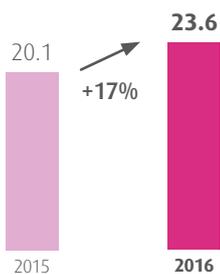
\* Europe incl. Africa; Asia incl. the Middle East.  
\*\* Valeo OE sales by destination.  
\*\*\* LMC estimates - light vehicle production.



<sup>1</sup> Like for like (constant Group structure and exchange rates). <sup>2</sup> As reported.

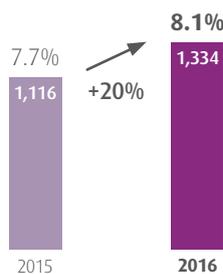
# VALEO'S ORDER INTAKE WAS UP 17% TO 23.6 BILLION EUROS

## ORDER INTAKE in billions of euros



In 2016, **order intake** jumped 17% to 23.6 billion euros, driven by technological innovation.

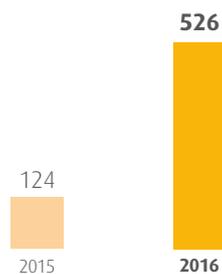
## OPERATING MARGIN<sup>1</sup> in millions of euros and as a % of sales



**Operating margin** (before other income and expenses) was up 20% year on year, to 1,334 million euros, or 8.1% of sales. In the second half, operating margin amounted to 687 million euros, or 8.2% of sales.

**Net attributable income** came in 27% higher at 925 million euros in 2016, or 5.6% of sales.

## NET DEBT in millions of euros



Valeo generated 661 million euros in **free cash flow** (before interest) in 2016. Consolidated **net debt** stood at 526 million euros at end-2016, after taking into account the acquisition of Spheros and peiker.

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



## INVESTOR DAY PRESENTATION OF THE NEW 2021 STRATEGIC GROWTH PLAN

On the back of its results over the past two years, which put the Group ahead of schedule on its 2015-2020 strategic plan, on February 28, 2017 Valeo held an Investor Day in London during which Jacques Aschenbroich, Chairman and Chief Executive Officer, Christophe Périllat, Chief Operating Officer, Robert Charvier, Chief Financial Officer, and the management teams of the four Business Groups presented Valeo's new strategic plan and financial objectives for 2021.

As the world leader in CO<sub>2</sub> emissions reduction and intuitive driving, Valeo is intent on continuing its R&D efforts in order to meet its customers' needs and leverage new growth opportunities for powertrain electrification, autonomous and connected vehicles, as well as new forms of mobility driven by digital technology.

All four of our Business Groups will harness the potential stemming from these new opportunities within the automotive industry, and will undergo

several waves of growth as these new technologies enter production.

Valeo has solid fundamentals thanks to its diversified customer and geographic positioning with an increasing footprint in high-growth potential regions, notably in Asia, which is expected to account for 37% of Valeo's original equipment sales by 2021, versus 27% in 2016.

Building on the growth in the order intake due to the success of its innovations, over the 2016-2021 period, the Group is aiming to accelerate organic growth through higher content per vehicle and a better product mix, to improve profitability and to increase free cash flow generation with, by 2021:

- Sales of over 27 billion euros<sup>1</sup>, representing average annual sales growth in excess of 10% and outperforming automotive production by more than 7 percentage points

- Operating margin<sup>2</sup> (as a percentage of sales) of around 9%

- Free cash flow generation of 3.7 billion euros over the 2017-2021 period, twice the level recorded over the 2012-2016 period of 2 billion euros

<sup>1</sup> Including Ichikoh, Valeo-Kapec and FTE.

<sup>2</sup> Including share in net earnings of equity-accounted companies.

## TAKEOVER OF ICHIKOH AND CREATION OF TWO JOINT VENTURES

### Valeo Siemens eAutomotive

On December 1, 2016, Valeo and Siemens announced that they had finalized the **creation of a joint venture** under the name Valeo Siemens eAutomotive devoted to high voltage powertrains for on-road vehicles. Valeo and Siemens will each hold a 50% stake and therefore have joint control. The two companies have thus created a global leader for the supply of innovative and affordable high-voltage components and systems, with a portfolio that includes e-motors, range extenders, onboard chargers, inverters and DC/DC converters for the entire range of electric onroad vehicles including hybrids, plug-in hybrids and full electric vehicles.

### Valeo Ichikoh

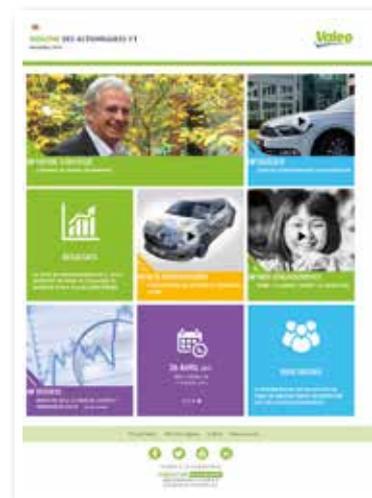
In January 2017, Valeo announced the successful completion of a **takeover bid** for Ichikoh, in which it now holds 55% of the capital. Since 2000, the two lighting specialists have developed a successful

alliance. The lighting systems industry is undergoing multiple technological transformations, as reflected in the generalization of LEDs, and the emergence of new, innovative LED-enabled features. In this context, the linkup between the two companies will enable the Valeo-Ichikoh alliance to provide a better product offering to Japanese automakers.

### Valeo-Kapec

On February 6, 2017, Valeo announced that it had signed an **agreement** with its long-standing South Korean partner, Pyeong Hwa Group, **to create a 50/50 joint venture** in transmission manufacturing, thereby forming a new company, Valeo-Kapec. From its headquarters in Daegu, South Korea, Valeo-Kapec will strengthen its ties with automaker customers, such as Hyundai, and leverage a global manufacturing footprint to become the world leader in torque converters for automatic and continuously variable transmissions.

Look out for  
the second  
edition of our Shareholder  
**WEBZINE**  
in the coming months



(French version only)

## STAY CONNECTED!

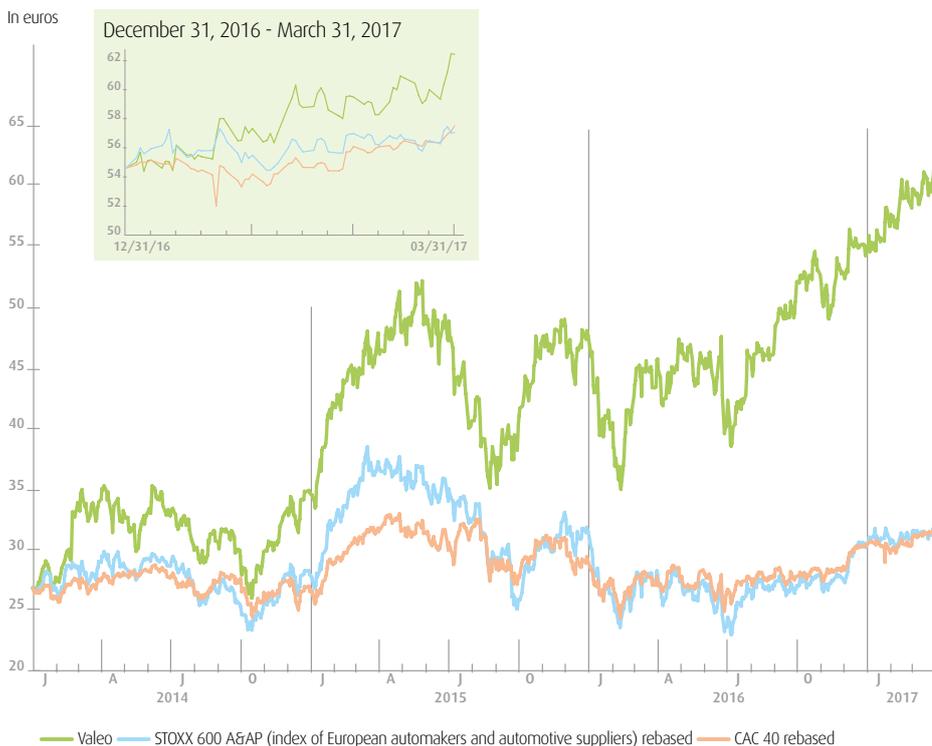
This coming June, you will have the opportunity to join Valeo's

LE **eCLUB**  
des actionnaires individuels

(French only)

## SHARE PRICE

December 31, 2013 – March 31, 2017



## STOCK MARKET DATA

	2015	2016	31/03/2017
Market capitalization at year-end (in billions of euros)	11.33	13.06	14.93
Number of shares	238,387,620	239,143,131	239,143,131
Highest share price (in euros)	52.23	56.47	62.70
Lowest share price (in euros)	33.20	33.88	54.05
Average share price (in euros)	44.26	46.20	57.99
Share price at year-end (in euros)	47.52	54.61	62.43

## PER SHARE DATA

(in euros)	2015	2016
Earnings per share	3.11	3.91
Earnings per share excluding non-recurring items	3.52	3.98

(in euros)	2015	2016
Dividend per share	1.00 <sup>2</sup>	1.25 <sup>1</sup>

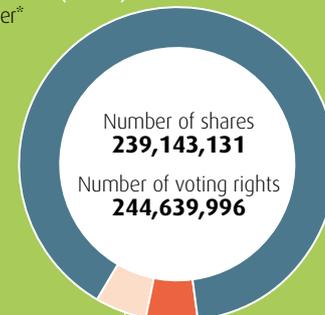
<sup>1</sup> Dividend of 1.25 euros per share proposed at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016.

<sup>2</sup> 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

MARCH 31, 2017

89.74% (89.96%)  
Other\*



5.22% (5.11%)  
BlackRock Inc.

5.04% (4.93%)  
Lazard Asset  
Management LLC

% of share capital (% of voting rights)

\* Including 872,756 treasury shares (0.36% of the share capital)

## CALENDAR

- **April 26, 2017**  
First-quarter 2017 sales
- **May 23, 2017**  
Ordinary and Extraordinary Shareholders' Meeting
- **July 20, 2017**  
First-half 2017 results
- **October 24, 2017**  
Third-quarter 2017 sales

## CONTACTS

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