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.

- 16.5 billion euros in sales
- 11.1% of OE sales invested in R&D
- 32 countries
- 91,800 employees
- 155 plants
- 20 research centers
- 38 development centers
- 15 distribution platforms
Jacques Aschenbroich, Chairman and Chief Executive Officer of Valeo

In 2016, Valeo achieved the best results in its history. What drove this performance?

These results were driven by the new Valeo we have created: more technologically focused, innovative, dynamic and profitable. Quarter after quarter, our growth continues to accelerate, outperforming the market in all regions worldwide with, in 2016, increases of 17% in our order intake to 23.6 billion euros, 14% in our sales to 16.6 billion euros and 27% in our net income to 925 million euros. These results underline the relevance of our strategy, based on innovation in the areas of CO2 emissions reduction and intuitive driving, and reflect the quality and expertise of our some 100,000 employees worldwide.

Is that why you decided to raise your 2021 objectives at your Investor Day in March?

Our recent trajectory puts us well ahead of the plan set out in 2015. We therefore decided to set a new, more ambitious target, which remains perfectly achievable in light of our healthy outlook for the coming years. So, we have lifted our sales target from 20 billion euros by 2020 to more than 27 billion by 2021, representing average annual sales growth of 10% and an outperformance of more than 7 percentage points compared to global automotive production. This growth will be powered first and foremost by higher content per vehicle, thanks to the new opportunities within the automotive industry. To support this rapid expansion, Valeo will continue to hire new talent, with the aim of adding 10,000 employees per year on average over the next five years.

What key strengths will help Valeo achieve these objectives?

Our growth model is based on innovation and organic growth, but we have also completed several acquisitions to boost our technological potential and geographical footprint in Germany, South Korea and Japan. We are also investing in high-growth potential regions such as China, Southeast Asia and India.

And most importantly, our products are innovative: 50% of our order intake is for products that didn’t even exist three years ago. Valeo currently ranks first or second worldwide in each of its businesses, and boasts technological leadership in the three areas that are disrupting the automotive industry: drivetrain electrification, autonomous vehicles, and mobility driven by the development of digital technology.

The market for the “vehicle of the future” is highly competitive. How will Valeo maintain its technological leadership in this area?

By ensuring that innovation remains the cornerstone of our strategy. In 2016, we invested close to 1.6 billion euros in R&D, filed over 1,800 patents worldwide and were the top French company in terms of the number of patents filed. We are going to continue on this path to foster the emergence of new products that improve mobility, help protect the environment and enhance in-vehicle safety and well-being. As I see it, economic growth and mobility go hand in hand, and electric, autonomous, shared cars are a way of striking the right balance between vehicle usage and quality of life in urban areas.

And we have all the technologies needed for this new mobility to take shape. Nonetheless, we must remain open to change, take a long-term view of our markets and the related technologies, and remain unrelenting with regard to cost control and competitiveness in each of our businesses as well as in each of the 32 countries where we operate. And we must also attract the world’s most talented engineers to help us achieve our growth plan.

You seem particularly confident about Valeo’s future...

I am very confident in the future of our Group and believe the best is yet to come. The deep-seated shifts currently taking place in the automotive industry are of huge benefit for Valeo and represent a source of growth and opportunity.
Board of Directors

Of the Board of Directors’ 14 members, 93% are independent and 42% are women.

The principal role of the Board of Directors is to determine Valeo’s business strategies and ensure that they are implemented effectively. The Board of Directors met on eight occasions in 2016, i.e., twice as many meetings as the minimum stipulated in the Internal Procedures, with a 96% average effective attendance rate.

Operations Committee

Under the authority of the chairman and Chief Executive Officer, Valeo’s Operations Committee meets once a month and comprises 15 members. Its role is to review operational management, coordinate projects and implement the Group’s strategy. The Committee is responsible for ensuring that the Group meets its objectives and adheres to the continuous improvement process through the 5 Axes methodology.
Outstanding performance

Record sales and order intake

16.5
billion euros in sales in 2016

Sales rose 14% compared with 2015. Order intake reached another record at 23.6 billion euros, up 17% on 2015. This performance was driven by the Group’s unprecedented Research and Development spending, which represented more than 11% of original equipment sales in 2016.

Sales
in billions of euros

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.7</td>
<td>14.5</td>
<td>16.5</td>
</tr>
</tbody>
</table>

Order intake
in billions of euros and innovative products and systems as a % thereof(1)

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.5</td>
<td>20.1</td>
<td>23.6</td>
</tr>
</tbody>
</table>

(1) Products and technologies in series production for less than three years.

Sales by distribution network
as a % of sales

Original equipment 87%
Aftermarket and other 13%

Option 2

€16,519m

Global automotive production in 2016

93
million vehicles produced worldwide

Global automotive production (up 4% compared with 2015) is shifting from the West to Asia, which has represented over 50%(1) of vehicle production since 2012. With 27 million vehicles produced in 2016, accounting for 29% of global automotive production, China is unquestionably the world’s biggest producer of automobiles.

(1) Source: LMC.

A global footprint

Valeo has 91,800 employees in 155 plants and 58 Research and Development centers, and a footprint in each of the world’s automotive production regions.

91,800 employees 32 countries 155 plants 20 research centers 38 development centers 15 distribution platforms

North America
21 plants
6 R&D centers
2 distribution platforms
14,493 employees

South America
6 plants
3 R&D centers
2 distribution platforms
2,634 employees

Asia – Middle East – Oceania
59 plants
16 R&D centers
3 distribution platforms
28,258 employees

Europe
62 plants
32 R&D centers
8 distribution platforms
43,105 employees

Africa
7 plants
1 R&D center
3,310 employees

Valeo Service: a footprint in 150 countries.

2014 2015 2016

Sales in billions of euros

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.7</td>
<td>14.5</td>
<td>16.5</td>
</tr>
</tbody>
</table>

Order intake in billions of euros and innovative products and systems as a % thereof(1)

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.5</td>
<td>20.1</td>
<td>23.6</td>
</tr>
</tbody>
</table>

(1) Products and technologies in series production for less than three years.


6 7
Key figures

**Gross Research and Development expenditure**
in millions of euros and as a % of original equipment sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,130</td>
<td>1,307</td>
<td>1,596</td>
</tr>
</tbody>
</table>

In 2016, net Research and Development expenditure totaled 956 million euros, or 5.8% of total sales.

**Patents filed**
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,08</td>
<td>1,406</td>
<td>1,840</td>
</tr>
</tbody>
</table>

In 2016, Valeo filed a record number of patents, up 30% compared with 2015.

**Operating margin**
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>913</td>
<td>1,116</td>
<td>1,334</td>
</tr>
</tbody>
</table>

A 2016 dividend of 1.25 euros, up 25% compared with 2015, will be proposed at the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2016. It represents a payout ratio of 32%.

**Net attributable income**
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>562</td>
<td>729</td>
<td>925</td>
</tr>
</tbody>
</table>

(1) Retroactive impact of Valeo’s three-for-one stock split.

(2) The amount shown under this item for 2014 and 2015 differs from that presented in the 2014 and 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the new definition of EBITDA.

**Basic earnings per share and dividend per share**
in euros

<table>
<thead>
<tr>
<th>2014(1)</th>
<th>2015(1)</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.41</td>
<td>3.11</td>
<td>3.91</td>
</tr>
</tbody>
</table>

**Other profitability indicators**

**ROCE** (Return on Capital Employed)
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>33%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**ROA** (Return on Assets)
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>20%</td>
<td>21%</td>
</tr>
</tbody>
</table>

**Cash flow and financial position**

**Total EBITDA and EBITDA by Business Group**
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,519(1)</td>
<td>1,841(1)</td>
<td>2,144</td>
</tr>
</tbody>
</table>

**Free cash flow**
in millions of euros

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>327</td>
<td>565</td>
<td>661</td>
</tr>
</tbody>
</table>

**Investment flows**
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>298</td>
<td>364</td>
<td>417</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>942(2)</td>
<td>1,086(2)</td>
<td>1,249</td>
</tr>
</tbody>
</table>

**Net debt**
in millions of euros and as a % of consolidated stockholders’ equity, excluding non-controlling interests

<table>
<thead>
<tr>
<th>2014(3)</th>
<th>2015(3)</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>377</td>
<td>124</td>
<td>526(3)</td>
</tr>
</tbody>
</table>

(3) Note that Valeo acquired Spheros and peiker during the year.

---

In 2016, net Research and Development expenditure totaled 956 million euros, or 5.8% of total sales.

In 2016, Valeo filed a record number of patents, up 30% compared with 2015.

In 2016, a 2016 dividend of 1.25 euros, up 25% compared with 2015, will be proposed at the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2016. It represents a payout ratio of 32%.

(1) The amount shown under this item for 2014 and 2015 differs from that presented in the 2014 and 2015 consolidated financial statements published in February 2016 since it has been adjusted to reflect the new definition of EBITDA.
Share price rise in 2016

14.9%

10 percentage points ahead of the Euronext Paris CAC 40 index, which rose by 4.9%.

Ownership structure at March 31, 2017

% of share capital

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>% of share capital</th>
<th>% of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazard Asset Management LLC</td>
<td>5.04%</td>
<td>5.22%</td>
</tr>
<tr>
<td>BlackRock Inc.</td>
<td>4.93%</td>
<td>5.11%</td>
</tr>
<tr>
<td>Other(1)</td>
<td>89.74%</td>
<td>89.96%</td>
</tr>
</tbody>
</table>

Number of shares: 239,143,131
Number of voting rights: 244,639,996

Per share data

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>2.41</td>
<td>3.11</td>
<td>3.91</td>
</tr>
<tr>
<td>Earnings per share before non-recurring items</td>
<td>2.54</td>
<td>3.52</td>
<td>3.98</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>0.73(1)</td>
<td>1.00(2)</td>
<td>1.25(1)</td>
</tr>
</tbody>
</table>

(1) Dividend of 1.25 euros per share proposed to the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2016.
(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 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.

Share price

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>31 dec. 2014</td>
<td>31 dec. 2015</td>
<td>31 dec. 2016</td>
<td>31 March 2017</td>
<td></td>
</tr>
<tr>
<td>VATO</td>
<td>CAC 40</td>
<td>STOXX 600 A&amp;AP (European automobiles &amp; parts index)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stock market data

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

(1) Including 972,756 treasury shares (0.36% of the share capital)
STIMULATE INVENTIVE THINKING

- Dare
- Inspire
- Anticipate
- Trust
- Excellence
- Disrupt
- Accelerate
- Visionary
Three simultaneous revolutions
The automotive industry is being disrupted by three simultaneous revolutions. This is something unique and without precedent: with the rise of electric drivetrains and alternatives such as hybrid technology, we are seeing a shift in the way cars are powered. At the same time, autonomous and connected vehicles and the digital revolution are giving rise to new forms of mobility.

Valeo is right at the heart of these revolutions
Supported by its innovation strategy, aimed at reducing CO₂ emissions and developing intuitive driving, the Group has anticipated new market demands and accelerated its profitable growth.
Electrification and smart engines

The engine revolution: from smart engines to drivetrain electrification

Automakers, users, lawmakers and new regulators, such as the municipalities of the world’s major cities, are converging to demand vehicles that consume less fossil fuel and generate less pollution. As a pioneer and world number one in vehicle electrification, Valeo boasts the most wide-ranging product offering to support this revolution, which is driving down CO₂ emissions. The Group’s innovations cover the reduction of pollutants emitted by conventional engines, affordable hybrid solutions that can be applied to the widest number of cars, as well as electric motors coupled with power electronics for plug-in hybrids.

**12V SOLUTIONS** (mild hybrid)

Battery-level hybrid solutions are designed for standard vehicles fitted with 12V batteries. In addition to Stop-Start mode, they benefit from regenerative braking that recovers energy during acceleration, thereby optimizing the efficiency of internal combustion engines for greater comfort and lower CO₂ emissions.

**48V SOLUTIONS** (mild hybrid, a broader array of solutions for a wider range of uses)

The 48V supercharger, DC/DC converter and 48V starter-alternator (belt-driven or in the gearbox and/or on the rear axle) offer a product combination with highly efficient regenerative braking. Designed for multi-use vehicles equipped with a 48V battery in addition to the standard 12V battery, it can be boosted by a four-wheel drive hybrid mode for rough-road surfaces and a zero-emissions mode for short journeys.

**ABOVE 60V** (high-power, high-end solutions)

Premium plug-in hybrid solutions offer a 50 kilometer electric travel range. Valeo contributes to progress in plug-ins hybrids by developing high-power components, coupled, as necessary, with a transmission system for higher performance, lower fuel consumption and CO₂ emissions, and greater comfort for the driver.

(1) Developed by the Valeo Siemens eAutomotive GmbH joint venture.

**HYBRIDS FOR ALL**

One in three cars worldwide has a Valeo electrical generation system that contributes to the reduction of CO₂ emissions while maintaining performance and driving pleasure. Valeo was the first automotive supplier to offer the Start-Stop system, which today equips millions of cars. Valeo’s drivetrain electrification technologies apply to all cars, whether they be entry-level or premium models: from 12V or 48V mild hybrids for city or multi-use cars to high-power (over 60V) solutions developed by the Valeo Siemens eAutomotive GmbH joint venture for premium models and sport utility vehicles.

**GREATER ENERGY EFFICIENCY THROUGH OPTIMIZED THERMAL MANAGEMENT**

The reduction in pollutant emissions involves not only the electrification of drivetrains but also the optimization of conventional engines. To make internal combustion engines cleaner, Valeo proposes different technologies that contribute to the automation of transmissions and enhanced thermal engine management. Thermal regulation is also crucial in the case of electric and hybrid vehicles as an increase of just 10°C above the limit determined for the battery halves its service life and impacts the vehicle’s electric travel range. Valeo’s solutions range from air-cooled modules through to tube and plate cooling solutions, which may be integrated or not into the battery pack.

“Valeo’s technological leadership allows to design smart, cleaner engines without compromising on driving pleasure.”

Stimulate inventive thinking
The autonomous car revolution

Just as drivers need their senses to remain alert on the road, autonomous vehicles rely on various sensors to act as their eyes and ears. Valeo today has the widest portfolio of sensors in the auto industry with ultrasonic sensors, cameras – front, rear and surround view – radars and LiDAR (Light Detection And Ranging). Together, this technology enables the vehicle to “see” what the human eye cannot always fully distinguish, from just a few centimeters to up to 250 meters away. Seeing, understanding and acting is precisely what the autonomous car revolution is all about. Valeo has expertise in fusing data generated by these sensors in real time to ensure detection and information – two prerequisites for safe and autonomous driving.

**Valéo eCruise4U, a blend of innovations**

Valéo eCruise4U is a hybrid autonomous car that can be driven in electric mode at low speeds. It is a blend of Valéo’s innovations, combining autonomy and CO2 emissions reduction, that builds on the experience acquired by Valéo Cruise4U vehicles during their trips around the United States and Europe in 2016. The car is equipped with Valéo’s 48V e-AWD hybrid technology, a cost-effective way of increasing engine power while benefiting from the enhanced safety and comfort of an all-wheel drive transmission. The technology recovers braking energy, which can be reused to drive in fully electric mode, further lowering fuel consumption.

**Artificial intelligence for real security**

Artificial intelligence is at the heart of autonomous cars. They have sensors that act as their eyes and ears, algorithms that predict all possible scenarios, and a high-speed control unit that makes the decisions that the driver usually makes. Yet all this is not sufficient for autonomous cars to negotiate complex traffic conditions where there are many unknowns. What they need is a brain, or the next best thing – artificial intelligence.

To be able to act and adapt to situations as a human would, autonomous cars must learn. This is known as “machine learning”: a network of neurons is set up and each neuron begins its learning curve. The system learns from experience, which is why it is important to test autonomous cars on the road in order to collect valuable data to support this learning process.

**Meanwhile...**

Having delegated driving to the vehicle, the driver can sit back and fully enjoy the ride as a passenger. The lighting then adapts to the ambience by changing to softer shades, while a relaxing fragrance fills the car, transforming the trip into a full sensory experience. A translucent ionizer pulsates light while purifying and freshening the air. A dispenser diffuses a refreshing illuminated mist designed to maintain an ideal level of humidity, and conveys a feeling of well-being. A simple hand gesture turns on the smart reading lamps so that passengers can consult their connected devices at leisure.

“In 2016, Valéo’s Cruise4U® vehicles clocked up 125,000 kilometers.”
**The digital, connected and shared mobility revolution**

In sprawling cities, private cars can spend most of their time in the garage or parking lot, and when on the road, they generally crawl along in congested traffic, with drivers spending up to a third of their time looking for somewhere to park. That’s where connected and autonomous cars come in. Valeo peiker’s expertise in broadband telematics will allow connected cars to communicate with other vehicles and road infrastructure. Vehicles will also help to ease traffic flow by anticipating traffic signal changes at intersections and flexibly adapting their speed so as not to accelerate or brake unnecessarily. When the time comes to park, the car will find a free parking space and, once the “driver” has handed over the task to Valeo’s Park4U® Remote system, park the car.

**The winners of this revolution will be those who succeed in offering mobility solutions tailored to everyone’s individual needs.**

**FROM COLLECTIVE PUBLIC TRANSPORT TO INDIVIDUAL PUBLIC TRANSPORT**

Will individual car ownership still be relevant in the future or will we shift to usership, sharing and services? Depending on the case, vehicles will be completely different. How people’s relationship with their cars will evolve remains to be seen. But what is certain is that it will have a deep impact on cities and their public transport systems. The advantage of new mobility services, car-sharing and digital peer-to-peer platforms is that they are more flexible than today’s public transport. Valeo’s strategy is to develop the different technology bricks that will enable it to propose solutions that meet the demands of new forms of urban and suburban mobility. The Group has therefore invested in and set up a research partnership with French start-up Navya, which has developed an all-electric, driverless shuttle with a seating capacity for a dozen or so passengers, now running in certain parts of Lyon (France) and Sion (Switzerland).

**A VIRTUAL KEY WHICH OPENS UP REAL POSSIBILITIES**

InBlue®, Valeo’s smart, virtual car key not only locks, unlocks and starts the car but can geolocate the car and be shared with another person, all via smartphone. In partnership with Capgemini, Valeo proposes Mov’InBlue™, the first ever connected mobility solution on the market. This technology is aimed at corporate fleet managers and car hire firms. With Valeo’s virtual key, car hire companies, for instance, can allow their customers to geolocate the vehicle, pick it up and drop it off out of office hours. No more waiting in line at the counter. They will also be able to develop new offers such as short-term car leasing.
INNOVATION, 
DRIVING GROWTH

New trends such as the growing and aging global population, the rise of the middle class in emerging countries, climate change, resource scarcity and increased urbanization are transforming people’s lifestyles and each posing their own specific challenges for the automotive industry. Valeo is addressing these head on, transforming them into opportunities by offering innovative solutions to meet the major changes taking place in its markets while at the same time accelerating growth.

An efficient, tailor-made technological development process
To anticipate new market demands, meet the requirements of its various customers and retain its technological advantage, Valeo constantly develops new products and systems that meet the expectations of the different global markets. Valeo regularly analyzes its innovations portfolio and medium- and long-term market developments to ensure that it is offering and developing the products and solutions that will form the foundation of the vehicle of tomorrow – one that is ever more intuitive, autonomous, connected, environmentally friendly and safer, and provides comfort and well-being for its occupants.

From megatrends to innovation
Valeo’s innovation process is based on an analysis of major social trends, which provide an understanding of the global trends that will impact the economic, social, cultural and personal aspects of people’s lifestyles. Valeo uses this information to create ten-year technology roadmaps. Trends and customer needs are also studied from a local perspective to enable Valeo to adapt to the specific needs of certain markets, such as emerging economies. Regular, in-depth surveys of numerous consumer groups are also carried out by the Product Marketing teams to develop a fuller understanding of emerging mobility practices and services, powertrain trends and vehicle user expectations, especially as

An acclaimed innovation strategy
In 2016, Valeo was named, for the fourth time, one of the most innovative companies in the world in the Top 100 Global Innovators list drawn up by Clarivate Analytics (former intellectual property and science business of Thomson Reuters).
A global organizational structure

The Group has 20 research centers, 38 development centers located close to automakers, and a cross-functional global entity, Group Electronics Expertise and Development Services (GEEDS). Operating in Europe as well as in Egypt, India, China and the United States, GEEDS provides all Business Groups with expert input on electronics, software, mechanical design, standards, simulation and functional safety. In the United States, the Group’s presence in the heart of the San Francisco Bay Area allows it to carry out prospective monitoring of automakers, new mobility players and other industries including consumer electronics, as well as universities and disruptive start-ups.

Expertise in support of innovation

Valeo’s Research and Development teams comprised 13,700 people in 2016, up 18% compared with 2015. The Group continued to develop its network of more than 1,000 Experts during the year. Tasked with defining and explaining best practices to be incorporated into design standards, these Experts have an important role to play within teams by sharing their expertise and providing training through the Valeo Technical Institutes.

Accelerating innovation

In 2016, Valeo’s innovation ecosystem, built on partnerships with universities, laboratories and start-ups, continued to grow at a fast pace, becoming more international. Collaborative projects with leaders in other industries have been stepped up to share experience, best practices and research efforts in a spirit of collaborative innovation. This ecosystem enables the Group to speed up the product development cycle and thereby reduce the time-to-market for its products.

Innovation rewarded

In 2016, Valeo once again received industry recognition by winning two PACE (Premier Automotive Suppliers’ Contribution to Excellence) awards, for its electric supercharger and its water-cooled condenser.

18% Increase in Research and Development employees compared to 2015

13,700 Research and Development employees

50% innovative products(1) in the order intake

(1) Products and Technologies in series production for less than three years.
## Strategic partnerships

Valeo and French industrial and technology group Safran have been working together under a strategic research partnership since 2013. The aim is to pool expertise and thereby accelerate the development of innovative products in the fields of driving assistance and autonomous vehicles.

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### CarLab™, an innovation accelerator

Valeo’s CarLab™ is a fully-fledged innovation accelerator, blending creativity, agility and speed. Inspired by Stanford University’s “design thinking” methodology, it draws on its start-up mindset to develop user-experience concepts.

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### Start-ups

Valeo’s competencies in electric, autonomous and connected vehicles are strengthened by start-ups including a designer of 3D image processing software for the vehicle cabin (gestigon), a pioneer in artificial intelligence (CloudMade), and a specialist in fully autonomous electric shuttles (Navya).

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### On the front line

Located in the San Francisco Bay Area, Valeo’s Mobility Tech Center monitors the new ideas, technologies and trends that come out of the tech hotspot. The center conducts advanced research and boasts an augmented/virtual reality lab as well as collaborative spaces to stimulate creativity. It also acts as a sales branch for new mobility players.

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### Venture capital

Valeo invests in venture capital funds to gain global access to an ecosystem of 30,000 start-ups worldwide of potential interest to the Group. As part of this approach, the Group has acquired an interest in Sino-French fund Cathay Innovation, which is particularly active in the San Francisco Bay Area, China and France.

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### Academic partnerships

Valeo collaborates with many higher education and research institutions around the world, with initiatives ranging from supervision and funding of doctoral theses to scientific cooperation, collaborative projects and university chairs.

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### Valeo Innovation Challenge

Attracting 12,000 participants over three contests since 2014, the Valeo Innovation Challenge offers students from all over the world the opportunity to come up with innovations that will make the car of the future and the way it is used smarter, greener and more intuitive, not to mention more fun.
Accelerate

Anticipate

Trust

Excellence

Disrupt

Visionary

Global

SPEED UP OUR DEVELOPMENT
Valeo is structured around four well-balanced, coherent Business Groups that offer innovative solutions to meet the major changes taking place in its markets aimed at reducing CO₂ emissions and developing intuitive driving. Valeo enjoys leading positions in its main markets: each of its four Business Groups will harness the potential generated by these new opportunities within the automotive industry, and will undergo several waves of growth as its 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.

Valeo’s corporate culture is driven by its 5 Axes methodology, which is built on excellence in operations, best-in-class production quality standards, the values shared by all of the Group’s employees, and its strong commitment to corporate social responsibility issues.
COMFORT & DRIVING ASSISTANCE SYSTEMS

Making driving intuitive

Tomorrow’s cars will be highly automated and increasingly connected with numerous innovative interfaces. The Comfort & Driving Assistance Systems Business Group focuses on driver experience, developing solutions to make mobility safer, more intuitive and more connected.

€3.4bn in sales, 20% of Group sales

Growth in the Business Group is driven by three simultaneous waves of innovation:
- more automated driving
- more connected driving
- more intuitive driving

Comfort & Driving Assistance Systems continued to grow in 2016, with particularly high order intake in China and North America as well as in other regions of the world, thus securing its long-term global growth. It strengthened its leadership in the field of automated, connected vehicles through the acquisition of peiker, a specialist and leader in onboard telematics, and of investments in CloudMade, a pioneering start-up in machine learning and artificial intelligence for the car industry, and Navya, a company specializing in the design of fully autonomous electric shuttles.

The Business Group continued to build up its teams in Asia and North America. The opening of the Valeo Mobility Tech Center in San Francisco brought significant business intake from new mobility players for sensors and dome modules fitted with peiker microphones. An initial contract for a driver monitoring camera and gesture recognition system was also signed with an American automaker. 2016 additionally saw the opening of a new research center in Germany and, in France the opening of the CarLab™, a user experience-focused innovation laboratory operating with a start-up mindset. Also of note during the year was the market release by Valeo and Capgemini of MovinBlue™, the first industrial car-share offering, designed for fleet managers and short-term car rental companies and based on Valeo’s InBlue® smart key technology.

Programs are projecting market release for the first partially automated vehicles and new mobility players expect to roll out the first autonomous vehicles, such as driverless taxis and autonomous shuttles. Increasing vehicle automation is a source of opportunity for the Business Group, because it calls for driving assistance systems that enable vehicles to handle increasingly complex driving situations; innovative, intuitive human-machine interfaces that simplify the task of driving and offer new features; and sensor redundancy (ultrasonic, camera, radar, laser scanner), which varies according to the degree of vehicle autonomy. Not only does Valeo boast the largest portfolio of sensors in the automotive industry, but it is also the leader in driving assistance systems and human-machine interfaces. New mobility will also be connected, through high-speed and secure vehicle-to-vehicle and vehicle-to-infrastructure data sharing as well as digital platforms offering added-value services. Telematics will be a central feature of this transformation, which is reshaping vehicle uses.

PARK4U® REMOTE

Park4U® Remote is the first fully automated, connected parking system. Drivers can park their vehicle autonomously and safely via their smartphone. Using 12 ultrasonic sensors located around the car and four cameras, combined with a fusion control unit and algorithm-based software, the vehicle constantly monitors the surrounding environment with extreme precision, plans its route and calculates its trajectory. Supervision via smartphone enables the driver to control the vehicle remotely and makes it easier to get in and out of tight parking spaces.
Reducing CO₂ emissions

Valeo’s Powertrain Systems Business Group develops innovative powertrain solutions aimed at reducing CO₂ emissions and fuel consumption without compromising on driving performance or pleasure.

Growth in the Business Group is driven by three continuous waves of innovation:
- smart engines and transmissions
- electrification medium power
- electrification high power

In 2016, the Business Group continued to grow, particularly in the field of vehicle electrification. Through the Valeo Siemens eAutomotive GmbH joint venture created during the year with Siemens, it offers high-power solutions in excess of 60V for premium plug-in hybrid vehicle segments. Valeo therefore contributes to progress in plug-in hybrid systems (that combine the benefits of an internal combustion engine and an electric drivetrain) by developing high-power components such as inverters, battery chargers, DC/DC converters and the electric machine on the engine shaft, in the gearbox or on the rear axle, with a transmission system if needed. Battery chargers reported strong growth, especially on the Chinese market where several projects were launched across all Product Lines, in particular belt-driven electric machines (starter-alternators) and 48V DC/DC converters in which Valeo holds a leading position. The transmission automation and clean engine activities continued to perform well, with orders from two automakers (Asian and European) for the (dry or wet) dual-clutch system and the world-first series production start-up for electric superchargers for a German automaker. The electric supercharger also won a PACE (Premier Automotive Suppliers’ Contribution to Excellence) award.

Waves of innovation
Growth in the Business Group is driven by three continuous waves of innovation, seeking reduced CO₂ emissions and optimized vehicle energy efficiency and unparalleled driving pleasure. It benefits from demand for automated transmissions, which has risen in line with developments in driving assistance systems. More and more drivers appreciate the improved comfort of transmissions with torque converter or dual-clutch systems. As the world no. 1 in electrical systems, the Business Group anticipates the future needs of automakers which, under mounting pressure to reduce CO₂ emissions, are increasingly turning to powertrain electrification solutions. The Business Group’s affordable medium-power mild-hybrid systems (48V battery in addition to the standard 12V battery) offer a very attractive cost/performance trade-off. High-power electric powertrain technology (above 60V) for plug-in hybrids and all-electric vehicles holds great promise, by enabling vehicles to run in zero-emissions mode in urban environments where increasingly tough measures are being brought in to counter air pollution.
Controlling pollutant emissions

The Thermal Systems Business Group develops and manufactures innovative systems, modules and components to ensure thermal energy management of the powertrain and optimum comfort for vehicle occupants during all vehicle use phases and for all types of powertrain. Its solutions help to reduce fuel consumption as well as emissions of CO₂ and other pollutants and harmful particles produced by internal combustion engines. They also help to optimize travel range and battery life for hybrid and electric vehicles.

Growth in the Business Group is driven by three successive waves of innovation:
- internal combustion engine emissions decrease
- electric vehicle range and reliability
- health and well-being

In 2016, the Business Group won new contracts across the world, most significantly in China and North America, with major increases in orders from US and German automakers operating in these regions. As a consequence, its order book reached an all-time high, well above the previous record. New technologies and innovations enabled the Business Group to seize growth opportunities in many areas. Business was particularly buoyant in the electric vehicle market, with an order for the entire thermal management system for an electric vehicle. The Business Group also received two initial orders, one for heat pumps and the other for electric compressors, both made in China. In addition, the Business Group drew up intensive development programs with many customers on future generations of electric vehicles to optimize the size, performance and cost of future solutions. By acquiring Spheros, now the Thermal Bus Product Group, the Business Group gained access to the high-growth bus thermal comfort market.

Waves of innovation

The continuous need to enhance thermal efficiency creates a demand for innovative components, underpinning growth in the Business Group, which is driven by three successive waves of innovation.

Air grille shutters

Air grille shutters manage and adjust air flow through exchangers in the front end of the vehicle and improve its underhood aerodynamics and thermal performance while reducing fuel consumption and CO₂ emissions. They are already in series production on several types of vehicle. When fitted on electric vehicles, air grille shutters help to reduce the drag coefficient and, therefore, minimize battery use, which increases their travel range.

Tougher regulations on vehicle emissions boost the market for the Business Group’s systems in the field of charge air coolers and exhaust gas recirculation coolers and accelerate the adoption of front-end modules with electronically controlled air grille shutters, all of which help to reduce CO₂ and NOx emissions from internal combustion engines.

The powertrain electrification market holds major growth opportunities, with an increase in demand for components (heat pumps, air conditioning electric compressors, thermal management solutions for drive batteries) that increase battery reliability and service life and optimize the travel range of electric vehicles and plug-in hybrids. The Business Group has enhanced its offering of climate control and air quality systems, such as sensors, filters, active purification modules and fragrance diffusers, to meet the growing need for in-vehicle comfort, health and well-being.

€4.6bn in sales, 28% of Group sales

Speed up our development
Ensuring perfect visibility

The Visibility Systems Business Group designs high-performance and innovative lighting and wiper systems, which support the driver and passengers in all weather, day and night, and in their various onboard activities.

The Business Group introduced its Matrix Beam digital anti-glare technology on a premium German brand model. The trend towards electronically controlled wiper motors was confirmed by orders for electronic motors in Europe, North America and China. Valeo’s electronic direct-drive system is used on an American automaker’s minivan model in China. Embedded wiper systems with blade-integrated nozzles continued to gain ground over traditional wiper systems. A major German automaker chose Valeo’s AquaBlade® embedded wiper system and electronically controlled wiper motor for its SUV in Europe.

Growth in the Business Group is driven by three successive waves of innovation:
- generalization of LEDs
- reinvention of wiper systems
- experience of traveling

In 2016, the Business Group continued to extend its offering by bringing a number of innovative products to market, in the fields of both lighting and wiper systems. To make its innovations more widely affordable, it launched the PeopleLED™ 2G, a new generation of entry-level LED lighting. PeopleLED™ 2G is lighter and more compact than the first generation and offers enhanced performance. Following the market success of BeamAtic® PremiumLED selective headlamps on premium models in Europe and China, headlamps are becoming more widespread in use. New functionalities are emerging for automotive lighting. These include intuitive lighting functions to transmit information to the driver and other road users. Lighting systems – whether monochrome or multicolored and self-adapting or controlled or adjusted by hand gesture – deliver comfort, well-being and safety. The rise of autonomous vehicles will create a new travel experience for all vehicle occupants.

Waves of innovation
Growth in the Business Group is driven by three successive waves of innovation: aimed at developing intuitive driving and autonomous vehicles and reducing CO₂ emissions by optimizing the weight, size and energy consumption of its systems. Lighting systems continue to evolve, in particular thanks to the speeding up of the replacement of halogen and xenon with LED lighting across all vehicle segments. Advanced features such as glare-free high-beam headlamps are being used to measure wiper blade wear and inform the driver when they need changing. Vehicle cameras and other optical sensors are becoming increasingly commonplace with the rapid development of driving assistance systems and, ultimately, the emergence of automated cars. These devices need to be cleaned properly to ensure video flow quality and are a major growth opportunity for the Business Group. AquaBlade® technology, which is already proposed for cleaning cameras located under the windshield, ensures a clear, safe and unobstructed view of the road. Regardless of the driving mode, the Business Group’s solutions play a key safety role by enabling drivers to see the road and be seen by other road users.

Matrix Beam
Matrix Beam is a digital solution which, by very precisely turning off segments of the beam directed toward oncoming vehicles, allows drivers to constantly keep their high-beams on without dazzling other motorists. Matrix Beam technologies are customized solutions that respond to customer expectations in terms of design and performance, thanks to packaging flexibility and modularity. The number of segments can be adapted to customer requests, starting at four.
VALEO SERVICE, THE RECOGNIZED AFTERMARKET SPECIALIST

Valeo Service is a major global aftermarket player, supplying original equipment spares to automakers and replacement parts to the independent aftermarket. It continued to accelerate in 2016, with a new, resolutely customer-focused strategy and global organization.

Valeo Service offers aftermarket players in more than 150 countries worldwide a wide range of products and services designed to help boost the efficiency of repair services and to provide greater safety, comfort and driving pleasure to drivers. Valeo Service’s offering also includes increasingly effective and innovative support and services: diagnostic tools, training through e-learning and webinars, the MyValeoParts mobile application, sales support tools and technical documentation.

A new strategy
Customer satisfaction is at the heart of Valeo Service’s new strategy, “We Care for You – Trust the Specialist”. The strategy aims to foster a closer, more effective relationship with every market player: distributors, mechanics, insurers, fleet managers and drivers. It strengthens Valeo Service’s positioning as an aftermarket specialist and builds on its six key strengths: (i) undeniable expertise on six major product lines; (ii) services and technical resources offering better support for professionals and drivers; (iii) a range of accessible marketing programs to drive customer sales; (iv) customer relations management services; (v) digital technologies to deliver an ever more personalized, targeted offering; and (vi) effective logistics with a service rate of at least 93%.

A new organization
Valeo Service brought in a new global organization to accelerate growth and reinforce its position as a specialist in all its markets by delivering high-performance products and specific services. It is now structured around four major regions, with 18 sales divisions: Europe, Asia, the Americas and TMAO (Turkey, the Middle East, Africa and the French Overseas Territories). Each of these regions includes an operational marketing unit, in charge of developing and coordinating marketing activities, and a booster unit, in charge of developing the product portfolio and product references. Having strengthened its booster teams, Valeo Service released more than 4,800 new references in 2016, an increase of 37% on the previous year. 2016 also saw Valeo Service continue its expansion with the opening of a new Sales Division, Valeo Service Middle-East, based in Dubai (United Arab Emirates).

Recognized specialist
Once again, Valeo Service won the Groupauto International Supplier of the Year Award in recognition of its products and services, beating 49 other contenders. In Spain, Centro Zaragoza Instituto de Investigación sobre Reparación de Vehículos (the Spanish vehicle repair research institute) recognized Valeo Service for its expertise in original equipment spares by awarding it Spare Parts/Original Equipment Spares Certification. Valeo Service UK & Republic of Ireland, a technical specialist, became an approved IMI (Institute of the Motor Industry) center for training students, technicians and mechanics on replacement parts.

A footprint in 150 countries
4,800 new products launched in 2016
5 markets: repair, maintenance, crash, post-equipment and heavy-duty trucks
15 distribution platforms
14 product lines for passenger cars
11 product lines for industrial vehicles

MyValeoParts
The MyValeoParts mobile application is very practical. Users can access the whole Valeo Service parts catalog along with all related information (technical information, fitting instructions, technical drawings, etc.). The app also has a product search function, which allows users to search by criteria (e.g., vehicle identification number) and a market news section.
BROAD AND BALANCED GLOBAL FOOTPRINT

As global automotive production evolves, its center of gravity is shifting to Asia. Automakers are developing global platforms that require automotive supplier proximity, wherever they are in the world. Valeo’s diversified, balanced customer base and geographic footprint is fully in line with this trend.

Valeo supports its automaker customers worldwide, adapting its footprint in line with their markets to better serve their needs. For a number of years, automakers have expanded the number of global production platforms where vehicles from different segments that share parts and systems are assembled. This places greater demands on their supplier. Thanks to the scale of its Research and Development resources on all continents, Valeo is able to develop innovative solutions to satisfy both automakers’ global and local needs. Its far-reaching industrial footprint enables the Group to deliver the same products – of consistent quality and reliability – worldwide. At the same time, global automotive production, which rose by 4% in 2016, is increasingly shifting to Asia, which has represented over 50% of vehicle production since 2012.

A balanced record order intake

Valeo has been rebalancing and diversifying its geographic positioning and customer portfolio for a number of years now. The Group further accelerated in this direction in 2016 with a rise in the proportion of Asian customers, which today account for 27% of original equipment sales. Order intake in 2016 shows the same pattern, with Asia representing 39%, Europe[1] 35% and North America 24% of the total. Overall order intake hit another record – at 23.6 billion euros in 2016, up by 17% – reflecting the trust customers place in Valeo and demonstrating the relevance of the Group’s strategic focus on selling innovative products related to CO2 emissions reduction and intuitive driving, as well as on developing sales in high-growth potential markets.

[1] including Africa.

A new market

In 2016, Valeo acquired the German company Spheros, the worldwide leader in air conditioning systems for buses. Spheros leverages its technological leadership to supply all the main bus manufacturers and major fleet operators. It has a global sales network and plants in Germany, Finland, Turkey, the United States, Brazil, China and India. This acquisition enables Valeo to extend its thermal management activities to the bus market, which is enjoying strong growth led by the development of public transportation throughout the world, due to rapid urbanization.

New record order intake in 2016

€23.6bn
Accelerating in Asia

Increasing market share in high-growth potential regions is a strategic priority for Valeo. The Group is therefore continuing to strengthen its footprint in Asia, the world’s biggest market.

Growth in Asian automotive production in recent years shows no sign of letting up – by 2021, Asia[1] is expected to represent 55% of global production. This growth is largely driven by China, unquestionably the world’s biggest producer of automobiles, with 27 million vehicles produced in 2016. Valeo already has a solid footing in the country, with 30 plants, 13 R&D centers and 5 distribution platforms. The Group intends to build on this, with China expected to account for 20% of its sales by 2021.

Two significant operations

Valeo broadened its footprint elsewhere in Asia with two key operations in 2016. In taking control of Ichikoh, Japan’s leading automotive lighting company and a partner with whom the Group has enjoyed successful collaboration since 2000, Valeo will enhance its product offering to Japanese customers and benefit from Ichikoh’s first-class industrial capabilities in Japan, Thailand, Malaysia and Indonesia. Valeo also announced the creation of a 50/50 joint venture with South Korean group Pyeong Hwa, its long-standing partner in transmission manufacturing. The new company,

Valeo Kapec, will be headquartered in Daegu, South Korea, and will operate through Valeo sites in China, Japan, and North America and its partner’s sites in South Korea to become the world leader in torque converters for automatic and continuously variable transmissions.

India, a strategic market

India is the world’s sixth biggest producer of passenger cars and aims to rise to third place by 2026.

With a population of 1.3 billion, India currently represents 18% of the world’s population[1] and is expected to overtake China by 2022. Meanwhile, the country’s urban population is set to rise by 404 million by 2050. Delhi – whose population is currently 25 million and is projected to reach 36 million by 2030 – will become the world’s second biggest megalopolis, just 1 million inhabitants behind Tokyo. Coupled with bright economic prospects owing to the low level of car ownership (32 vehicles per 1,000 people, compared with 102 in China and 765 in the United States)[2], this rapid urban population growth makes India a strategic market for Valeo.

A diversified customer base

India’s passenger car manufacturing industry currently ranks sixth worldwide and the country aims to rise to third place by 2026[2]. Valeo works with all the international automakers operating in India and with the four major domestic automakers: Hyundai, Mahindra & Mahindra, Maruti-Suzuki and Tata. The Indian automotive industry mainly produces small models, but the market is increasingly looking to new technologies to cut high pollution levels and curb the very large number of road accidents. This shift offers an opportunity for Valeo, whose approach to designing cost competitive products featuring high-tech functions promotes cleaner, safer

| 1.3 billion inhabitants |
| 36 million people: the population of Delhi in 2050, compared with 25 million today |
| India is the world’s sixth biggest producer of passenger cars and aims to rise to third place by 2026. |
| 32 vehicles per 1,000 people |
| 18% of the world’s population |

[1] Including the Middle East and Oceania.

39% of Valeo’s order intake came from Asia in 2016

37% of Valeo’s original equipment sales will be generated in Asia by 2021 (up from 27% in 2016)
Valeo’s original equipment sales rose 12%, outperforming the market by 8 percentage points.

### Original equipment sales growth by geographic area

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Rate</th>
<th>Valeo Outperformance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>12%</td>
<td>8 pts</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>8%</td>
<td>6 pts</td>
<td>22% of OE sales(1)</td>
</tr>
<tr>
<td>Europe(2)</td>
<td>11%</td>
<td>8 pts</td>
<td>49% of OE sales(1)</td>
</tr>
<tr>
<td>South America</td>
<td>7%</td>
<td>18 pts</td>
<td>2% of OE sales(1)</td>
</tr>
<tr>
<td>Asia(3)</td>
<td>11%</td>
<td>11 pts</td>
<td>13% of OE sales(1)</td>
</tr>
<tr>
<td>China</td>
<td>22%</td>
<td>8 pts</td>
<td>14% of OE sales(1)</td>
</tr>
</tbody>
</table>

(1) Like for like original equipment sales growth.
(2) Europe incl. Africa - Asia incl. the Middle East and Oceania.
(3) Valeo original equipment sales by destination.

### Mobility
Valeo also holds a large share of India’s clutch and electrical systems markets, and its i-StARS Stop-Start system has been selected by a major local automaker. It plans to step up operations in these areas and expand in other growth segments such as trucks and three-wheel vehicles.

### Strategic locations
Valeo’s sites in India cover all Business Groups and Valeo Service, and are located in areas of strategic importance for the automotive industry. One third of India’s automotive industry is based in Chennai, which is home to four Valeo plants: Transmission Systems, Friction Materials, Lighting Systems, and Thermal Compressor, as well as the National Directorate, the Research and Development center and a distribution platform. Valeo’s other plants are located in Sanand (Thermal Powertrain Product Group), Pune (Electrical Systems Product Group) and Nodia (formerly Spheros – Thermal Bus Product Group).

### An innovation engine
Valeo’s innovation in India is driven by its R&D Center in Chennai, which develops innovative products to address the needs of emerging markets. The center also provides all Valeo Business Group R&D teams worldwide with expert input on mechanical design, simulation, testing, casting, plastics, sheet metal and materials behavior. As well as offering expertise, the center also develops onboard software in liaison with Valeo’s global software development center in Cairo, Egypt. It also provides support for Valeo information systems worldwide.

### Activity and Sustainable Development Report — Valeo — 2016

Valeo Service has a footprint through resellers in 150 countries worldwide and delivers spare parts directly in 117 countries.
PLANT OF THE FUTURE
IN SUPPORT OF OPERATIONAL EXCELLENCE

The “Plant of the Near Future” program is being rolled out at all Group plants, combining industrial excellence and sustainable development. As a result, automation and digitization of logistics and production processes are increasing plant efficiency and flexibility, new robotization technologies are accelerating the automation of certain tasks and improving ease of use and safety, while process digitization is helping plants go paperless.

Over the last few years, Valeo’s growth has accelerated. Between 2010 and 2016, the Group doubled sales and tripled order intake, opened 35 plants and hired 36,000 people. Leveraging the 5 Axes methodology, the challenge for the Group is to control its expansion by developing a culture of operational excellence and continuous improvement in support of customer satisfaction. Customers recognized the quality of Valeo’s products and services with a record number of awards in 2016. For more than 25 years, Valeo has applied just-in-time principles to its production and logistics processes using the tools and methodologies of the Valeo Production System (VPS). Its standards and processes now incorporate new smart technologies inspired by Industry 4.0. These technologies offer the Group a real opportunity to become more efficient and agile, improve its industrial performance and competitiveness and enhance the appeal of its employer brand. They are being rolled out to meet two major priorities: digitization of logistics processes and production systems, and intelligent automation.

Digitizing all processes
Digitizing logistics and production management processes will advance the application of just-in-time principles and contribute towards the Group’s paperless plant target. The main feature of a digitized plant is continuity in the transmission of information, which means using digital technologies at every stage of the supply chain and production process. New digital management tools are used to control the flow of materials and information from the supplier to the customer in order to simplify and automate supply chain and production management processes. They can be used to manage the flow of containers via radio-frequency identification (RFID) as well as to carry out tasks such as logistics planning. The benefits of automating material and information flows are numerous: increased product traceability, less waste and fewer non-quality risks since there is no need to re-enter data or perform unnecessary manual operations.

Developing intelligent automation
A second feature of Valeo’s Plant of the Future program is to step up the automation of certain production and handling operations. For example, cobots (collaborative robots) can do physically demanding tasks in place of operators and improve workstation ergonomics. They can also do simple, repetitive operations – such as assembling parts and screwing together components – as well as more complex ones – like haptic

“... The Plant of the Near Future is a performance accelerator for the Group. These new, smart tools can boost our agility and flexibility by streamlining practices and allowing us to react in real time.”

Patrice Perissinotto, Group Industrial Director

4 parts per million products delivered. The level of customer returns at end-2016.

79 the record number of awards from customers in 2016, up 32% on 2015

Accelerated rollout

More and more Valeo plants across the world are now using Industry 4.0 systems and technologies. The Plant of the Near Future is a strategic priority and the Group plans to accelerate its rollout.

In recent years, Valeo has grown very quickly without compromising on product quality. We are set to grow even further and, by enabling us to increase efficiency, the Valeo Plant of the Near Future will play a key role in helping us to achieve this.

Christophe Périllat, Chief Operating Officer
Supporting Valeo’s sustainable growth

Valeo’s sustainable development policy is instrumental in preparing the Group to meet the challenges of the future in terms of Research and Development, social and environmental responsibility and mobility in its widest sense. For Valeo, meeting tomorrow’s sustainable development challenges means continuing to offer innovations for cleaner, more autonomous and more connected automotive mobility integrated into its ecosystem. Similarly, supporting the Group’s growth means limiting the environmental footprint of its sites, attracting and retaining tomorrow’s talent, and strengthening ties between sites and their local partners.

“Having recognized our progress on all of Valeo’s major sustainable development challenges, we must be unrelenting in our commitment to continuous improvement through a cross-functional approach involving the relevant departments.”

Jean-Luc di Paola Gelloni, Corporate Vice-President Sustainable Development and External Affairs

VALEO’S TOP SUSTAINABLE DEVELOPMENT CHALLENGES

To best support the implementation of its sustainable development policy, Valeo has questioned all of its stakeholders (employees, automaker customers, research partners, suppliers, financial community, etc.) to define the main challenges facing the Group. This work has allowed the Group to compare its priorities with those identified by its stakeholders. The Group closely monitors each challenge on a permanent basis using action plans and key indicators. The identification of Valeo’s relevant or so-called material challenges resulted in the preparation of a materiality matrix built around the following four axes: innovation, environmental eco-efficiency, employees and commitment to corporate citizenship. The Group’s ability to support its growth in terms of innovation, social and environmental responsibility has been recognized by a number of stakeholders over the past few years.
Sustainable development, a deciding factor for customers

Automakers are increasingly demanding when it comes to their suppliers’ sustainable development commitments and performance.

This trend is on the rise throughout the world, notably in China and India, two key countries for Valeo. The Group’s strategy of designing, developing and producing products and systems contributing to the reduction of CO₂ emissions has won the approval of our customers, as shown by the constant increase in the share of innovative products in Valeo’s order intake since 2011. Customers have also recognized Valeo’s sustainable development performance (social performance, environmental performance, etc.). In 2016, they carried out sustainable development audits at Valeo’s plants for the first time. They involved rigorous analysis of all plant sustainable development practices, and provided an endorsement of the methodologies adopted.

“A performance acknowledged by non-financial rating agencies

Valeo made a remarkable debut in the benchmark Dow Jones Sustainability Indices (DJSI World and DJSI Europe) in 2016, rising to become the number one player in the auto components category.

2016 saw the Group make progress in all non-financial indices(1). After assessing the Group’s sustainable development initiatives, RobecoSAM, a recognized player in the ESG sector, placed Valeo at the top of the auto components category with an overall score of 80/100. The Group also earned the RobecoSAM Gold Class and RobecoSAM Industry Mover awards. The Carbon Disclosure Project (CDP) acknowledged the transparency of Valeo’s communication and its performance in terms of carbon impact. On top of that, financial services company MSCI awarded the Group an “A” rating in its MSCI ESG Ratings analysis, ranking it second among automotive suppliers. Valeo was also awarded the CAC Large 60 Grand Prix at the 2016 Financial Transparency Awards (Grands Prix de la Transparence), ranking first out of the 60 biggest companies listed on the French stock exchange.

These acknowledgements demonstrate the Group’s ability to create value and control risks over the long term, while upholding best practices in environmental and social responsibility and corporate governance.

Valeo also featured in several non-financial indices in 2016:
- DJSI (Dow Jones Sustainability Index) Europe
- DJSI World
- Ethibel Sustainability Index (ESI) Excellence Europe
- Euronext Vigeo Europe 120
- Euronext Vigeo Eurozone 120
- FTSE4Good Global Index
- Low Carbon 100 Europe
- MSCI ACWI Sustainable Impact Index
- STOXX® Global ESG Leaders

Sustainable development is a growing concern for our customers and has become a prerequisite for Valeo as a global tier-one supplier. Through the implementation of sustainable business practices and processes, our strategy allows us to deliver products that meet these challenges.

Axel Maschka, Senior Vice-President, Sales & Business Development

(1) Stock-market indices that take into account environmental, social and corporate governance considerations.
Eco-design: a deep-rooted approach

Automaker customers view product eco-design as a key differentiating factor that demonstrates their suppliers’ commitment to sustainable development.

Eco-design is an integral, well-established part of Valeo’s Research and Development processes. It is based on the use of recycled materials, the sparing use of scarce materials, reducing product weight and improving the carbon footprint of the supply chain. The approach takes into account products’ potential environmental impact at each stage of their life cycle – from design to production, use and recycling – and adapts their design to limit their environmental impact as much as possible.

Products with a high recyclability rate
Each year, the Group maps the recyclability of its entire product portfolio, with four major families assessed in 2015 and 2016: headlamps, cabin climate control units, the latest generation i-StARS starter-alternator – which has a high recycling rate of 98.2% – and the Group’s electric supercharger – which has a recycling rate of 97.6%.

As part of its continuous eco-design approach, Valeo has achieved high levels of recyclability for its products. In 2016, the latest generation of the Stop-Start system invented by Valeo in 2005 achieved a recycling rate of 98%.

François Broszniowski, Product Regulations and Standards Manager

Products contributing to the reduction of CO₂ emissions
Valeo’s strategic focus on sustainable mobility fits perfectly with the automotive sector’s carbon reduction objectives: products that directly or indirectly contribute to reducing CO₂ emissions account for more than 50% of Valeo’s original equipment sales.

An efficient environmental strategy

Each year, all of Valeo’s plants worldwide take steps to reduce their environmental footprint.

The Group continued to reduce its environmental footprint during the year. In 2016, water consumption as a proportion of sales was down 7% in 2016 compared with 2015, and 50% compared with 2008, the year in which the Group’s Sustainable Development Charter was introduced. Valeo also made progress in terms of energy consumption, which was down 4% compared with 2015 and 31% compared with 2008(1). In 2016, more than 20 plants implemented measures to reduce their water consumption, while 74 of them introduced new energy efficiency initiatives. In response to the water crisis currently affecting Brazil, the Itatiba site has begun reusing rainwater in its production process.

A number of plants have also taken measures to reduce energy use, such as recovering heat from compressors and furnaces for reuse in other areas of the plant. This was the case in France (Amiens), Germany (Wemding), the Czech Republic (Rakovnik) and China (Wuhan).

An ambitious action plan
With a view to continuous improvement, in 2015 Valeo drew up an ambitious five-year action plan, targeting further significant improvements in all of its environmental indicators. By 2020, it aims to reduce water consumption by 6% and energy consumption by 8%. The Group also aims to reduce waste production by 5% and direct and indirect greenhouse gas emissions by 8%(2). Lastly, 20% of its sites should have ISO 50001 (energy management) certification by 2020.

Jean-François Marchand, Group Risk Insurance Environment Director

(1) As a % of sales.
Purchasing, an integral part of sustainable development

Valeo is committed to meeting the growing expectations of its automaker customers and, more globally, all stakeholders, in terms of transparency.

Sustainable development has been an integral part of the Group’s purchasing process for many years. Over the last four years, Valeo has established a system for assessing its suppliers’ sustainable development principles. It consists of a questionnaire regarding suppliers’ sustainable development practices, which is sent out to a representative sample of suppliers each year. In 2016, the suppliers surveyed represented 60% of the Group’s manufacturing purchases.

The decision to include suppliers in the Valeo supplier base is made in accordance with competitiveness, innovation and sustainable development criteria, in line with the Valeo Business Partner Code of Conduct. The continuous improvement of these criteria allows suppliers to share in the benefits of Valeo’s growth. We place particular focus on assessing the sustainable development practices of our suppliers, and have surveyed a growing number over the past four years.

Marc Guedon, Purchasing Manager

Better support for suppliers

Valeo has launched the Supply Chain Finance program, which allows suppliers to obtain loans at preferential interest rates to help them increase their production capacity (by purchasing machinery or equipment) and improve product quality.

Over the past two years, these initiatives have been particularly successful among suppliers located in high-growth countries in Southeast Asia or South America.

The survey is sent to suppliers of all nationalities, business segments and sizes. More than three-quarters of the suppliers that took part in the assessment in 2016 have their own CSR policy – on top of Valeo’s requirements – which is based on a charter, code of conduct, best practices and a set of guidelines. The system has been rounded out since 2015 with an audit program specifically dedicated to suppliers’ sustainable development practices. Using these various resources, the Group works with suppliers to help them adapt to Valeo’s specific requirements in this area. In connection with its faster growth in Asia, Valeo has stepped up its controls of the region’s supply chain. In 2016, suppliers in the region accounted for a significant proportion of the suppliers assessed.

60% of suppliers surveyed satisfied Valeo’s sustainable development principles

E thics and compliance have been central to Valeo’s business for many years. Its Code of Ethics sets out all the values and rules of integrity that underpin the way in which Valeo does business, and takes a firm stance on promoting human rights and combating anti-competitive practices and corruption within the Group. The Code of Ethics applies to all Valeo employees and forms a basis for the Valeo Business Partner Code of Conduct. Doing business in an ethical manner has a positive impact on each of the Group’s employees, encouraging a collaborative approach to building a sustainable future.

Valeo has also developed a product integrity program, with the aim of reminding all those involved that the design, production, quality control and testing procedures of Valeo products must comply strictly with the law, applicable regulations and Valeo’s ethics. Based on a comprehensive system of awareness raising, prevention and detection of potential violations of anti-corruption, anti-competitive practices and unethical behavior,

Valeo each year runs an extensive mandatory training program for its managers and professionals. Since 2014, Valeo has provided a toll-free hotline in each of the Group’s languages, that all employees can call (anonymously if they so wish). The hotline is managed by a specialized independent company in accordance with regulations.

INTEGRITY, ETHICS AND COMPLIANCE LIE AT THE HEART OF OUR VALUES, CULTURE AND BUSINESS PRACTICES

Supported by a rigorous and uncompromising compliance approach, the Group places ethics at the core of its values in order to meet the dual challenges of an ambitious and sustainable growth strategy.

Catherine Delhaye, Chief Ethics and Compliance Officer

Strengthen our commitments
Attracting, developing and retaining tomorrow’s talent

The Group needs to attract a large number of talented employees around the world capable of driving its ambitions in a jobs market that is both competitive and volatile, particularly when it comes to skills that are in short supply.

Valeo had nearly 92,000 employees at the end of 2016 and aims to add 10,000 employees to its global workforce each year over the next five years in order to strengthen its market share and support the growth of its businesses. In 2016, Valeo enhanced its recruitment system by setting up dedicated units responsible for hiring and promoting its employer brand in all countries and all regions.

Skills development is vital for motivating employees, fostering commitment and retaining talent. The percentage of employees attending at least one training session during the year is constantly rising, climbing from 92.2% in 2014 to 97.4% in 2015 and 99.5% in 2016. The digital transformation of training courses continued in 2016, with the aim of making them more efficient, flexible and quicker to roll out.

Another priority for Valeo is to offer its employees the safest, most secure working environment possible. In 2016, the Group launched its “Safety talks”, a series of safety discussions with a view to identifying, understanding and correcting potentially unsafe behavior at production sites. These initiatives contribute to the Group’s overall occupational health and safety policy, which has seen the number of employees attending at least one training session increase to 99.5%.

Valeo firmly believes that diversity is not only a major challenge for society but also a means of improving its performance. The Group has accordingly taken many initiatives, structured around four priorities:

1. **Gender diversity**
   Valeo is committed to promoting gender diversity with the aim of attracting, hiring and training talent to further the Group’s success. In addition to a set of career development, training and compensation resources, the Group’s work in the area of diversity is also supported by 183 diversity ambassadors worldwide.
   Between 2014 and 2016, the involvement of different institutions and the impetus brought by the Group itself enabled Valeo to increase the number of women in its workforce (by 1.2 percentage points), with women currently representing 33.8% of its headcount.

2. **Disability diversity**
   The Group has made access to employment for people with disabilities a priority. Between 2014 and 2016, the number of employees with disabilities increased by 32.9%. The Chennai site in India was one contributor to this improvement. In collaboration with non-profit organization Youth4Jobs, which works with young disabled people often from disadvantaged areas, people with speech and hearing disabilities are now employed to work on its packaging line.

3. **Cultural and social diversity**
   With 110 different nationalities, Valeo strives to unify multicultural teams through the respect and acceptance of differences of origin, religion, perception and feelings.
   The Group offers numerous training courses in intercultural management at all levels of the Valeo organization.

4. **Intergenerational diversity**
   Valeo has set up tutoring and mentoring programs to increase its appeal to young talent, improve training and foster commitment. They involve sharing and transferring skills and experience between the different generations working in Valeo’s teams.
of accidents with or without lost time per million hours worked fall steadily within the Group, from 13 in 2014 to 11.3 in 2016. To strengthen its teams’ commitment to CSR and sustainable development, in 2016 the Group introduced a global training program on these themes for all site management teams and employee representatives. Nearly 1,000 people attended face-to-face sessions in 30 countries. After completing a core curriculum, the participants worked together on their own specific local issues before setting out tangible objectives and an operational roadmap. Their work was then shared with all the sites in the country concerned, for implementation and monitoring in 2017.

Valeo’s sites contribute to the economic and social fabric of the regions where the Group operates. In 2016, each of the Group’s sites around the world implemented at least one community-based initiative. In the field of education, sites are encouraged to organize an annual open day aimed at the local education community. The site invites the educational institution – elementary school, high school, technical institute, university – it considers most relevant to its business and challenges. In addition to open days, the sites also take long-term or more specific initiatives. In India, for instance, in 2016 Valeo’s Chairman and Chief Executive Officer, Jacques Aschenbroich, opened an elementary school building that was built with the help of the Chennai Friction Materials site as part of its CSR program. The program also supports educational projects for the school’s some 200 pupils. At the high school level, the Thermal Systems site in Rakovnik, Czech Republic, has forged long-standing ties with the local vocational college. The site works with the school to showcase technical professions and hosts students on work-study programs, most of whom receive a job offer at the end of their course. In Poland, Valeo Service Eastern Europe’s Tech’Care team organized an innovative training course on the design and functioning of clutches for Warsaw University of Technology students belonging to a motor sports fan club. Through these educational initiatives, Valeo showcases each of the skills needed in the automotive industry among the young talent of tomorrow.

Human Resources must rise to the Group’s growth challenge by attracting, retaining and promoting the loyalty of employees. After all, they are the ones who will build the Valeo of tomorrow. This shared future will be driven by our culture of innovation and respect for our core values.

Bruno Guillemet, Senior Vice-President, Human Resources

Community initiatives led by each of Valeo’s sites

The Group encourages its sites to take responsibility and carry out initiatives aimed at forging ties with local communities.
### Key Group Research and Development indicators

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development expenditure, net (as a % of sales)</td>
<td>5.4%</td>
<td>5.5%</td>
<td>5.8%</td>
<td>+0.3 pts</td>
</tr>
<tr>
<td>Research and Development headcount</td>
<td>10,400</td>
<td>11,620</td>
<td>13,700</td>
<td>+18%</td>
</tr>
<tr>
<td>Number of customer projects managed</td>
<td>2,300</td>
<td>2,500</td>
<td>2,700</td>
<td>+8%</td>
</tr>
<tr>
<td>Number of collaborative projects</td>
<td>&gt;50</td>
<td>&gt;50</td>
<td>&gt;50</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of patents filed</td>
<td>1,108</td>
<td>1,406</td>
<td>1,840</td>
<td>+31%</td>
</tr>
<tr>
<td>Proportion of innovative products(1) in order intake</td>
<td>35%</td>
<td>37%</td>
<td>50%</td>
<td>+13 pts</td>
</tr>
</tbody>
</table>

(1) Products and technologies in series production for less than three years.

### Environmental indicators

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct and indirect energy consumption</td>
<td>156</td>
<td>143</td>
<td>137</td>
</tr>
<tr>
<td>Indirect energy consumption (MWh/M€)</td>
<td>1946</td>
<td>1,908</td>
<td>2,005</td>
</tr>
<tr>
<td>Direct energy consumption (MWh/M€)</td>
<td>118</td>
<td>108</td>
<td>105</td>
</tr>
<tr>
<td>Total energy consumption (GWh)</td>
<td>2,077</td>
<td>2,077</td>
<td>2,077</td>
</tr>
</tbody>
</table>

### Water consumption

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption</td>
<td>219</td>
<td>198</td>
<td>184</td>
</tr>
<tr>
<td>Water consumption for domestic use (cu.m/€m)</td>
<td>97</td>
<td>88</td>
<td>73</td>
</tr>
<tr>
<td>Water consumption for industrial use (cu.m/€m)</td>
<td>1,222</td>
<td>1,271</td>
<td>2,784</td>
</tr>
<tr>
<td>Total water consumption (thousands of cu.m)</td>
<td>2,783</td>
<td>2,783</td>
<td>2,783</td>
</tr>
</tbody>
</table>

### Labor-related indicators

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of innovative products(1) in order intake</td>
<td>95%</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td>ISO 14001</td>
<td>95%</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td>OHSAS 18001</td>
<td>96%</td>
<td>94%</td>
<td>91%</td>
</tr>
</tbody>
</table>

(1) Calculation of the ratio: all employees trained during the year (including those no longer in the Group)/Total headcount at end-December. This explains why the actual training rate for managers and professionals exceeds 100%, as certain managers and professionals trained during the year left in 2016.

### CSR indicators

#### Research and Development expenditure, net (as a % of sales)
- 2014: 5.4%
- 2015: 5.5%
- 2016: 5.8%
- Change (2016/2015): +0.3 pts

#### Research and Development headcount
- 2014: 10,400
- 2015: 11,620
- 2016: 13,700
- Change (2016/2015): +18%

#### Number of customer projects managed
- 2014: 2,300
- 2015: 2,500
- 2016: 2,700
- Change (2016/2015): +8%

#### Number of collaborative projects
- 2014: >50
- 2015: >50
- 2016: >50
- Change (2016/2015): N/A

#### Number of patents filed
- 2014: 1,108
- 2015: 1,406
- 2016: 1,840
- Change (2016/2015): +31%

#### Proportion of innovative products(1) in order intake
- 2014: 35%
- 2015: 37%
- 2016: 50%
- Change (2016/2015): +13 pts

(1) Products and technologies in series production for less than three years.

#### Total direct and indirect energy consumption
- 2014: 156
- 2015: 143
- 2016: 137

#### Water consumption
- 2014: 219
- 2015: 198
- 2016: 184

#### Percentage of plants certified ISO 14001 and OHSAS 18001
- 2014: 95%
- 2015: 90%
- 2016: 94%

#### Breakdown of registered headcount by geographic area

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>30.7%</td>
<td>30.1%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>16.2%</td>
<td>16.9%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Africa</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>North America</td>
<td>15.3%</td>
<td>16.6%</td>
<td>15.9%</td>
</tr>
<tr>
<td>South America</td>
<td>4.0%</td>
<td>3.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Asia</td>
<td>31.2%</td>
<td>31.1%</td>
<td>28.9%</td>
</tr>
</tbody>
</table>

#### Breakdown of employees trained by socio-professional category(1)

<table>
<thead>
<tr>
<th>Socio-professional Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and Professionals</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Technicians</td>
<td>89%</td>
<td>90.6%</td>
<td>96.5%</td>
</tr>
<tr>
<td>Operators</td>
<td>88.8%</td>
<td>94.5%</td>
<td>94.5%</td>
</tr>
<tr>
<td>Total</td>
<td>92.2%</td>
<td>97.4%</td>
<td>99.5%</td>
</tr>
</tbody>
</table>

(1) Calculation of the ratio: all employees trained during the year (including those no longer in the Group)/Total headcount at end-December. This explains why the actual training rate for managers and professionals exceeds 100%, as certain managers and professionals trained during the year left in 2016.
Frequency rate (FR1(1) and FR2(2)) of occupational accidents

<table>
<thead>
<tr>
<th>Year</th>
<th>FR1</th>
<th>FR2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>2015</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>2016</td>
<td>2.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

(1) Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year.
(2) Calculation of FR2: number of occupational accidents, with or without lost time x 1,000,000/number of hours worked during the year.

Corporate citizenship indicators

Number of sites run by local directors

Breakdown of direct purchases by geographic area of origin

North America: 14%
Europe & Africa: 46%
South America: 1%
Asia: 39%

Breakdown of direct purchases by geographic area of consumption

North America: 18%
Europe & Africa: 52%
South America: 2%
Asia: 28%