SMART TECHNOLOGY FOR SMARTER CARS

Consolidated sales up 12% to 18.6 billion euros

Gross margin up 15% to 3.5 billion euros

Operating margin up 11% to 1.5 billion euros

Net income up 8% to 1,003 million euros, or 5.4% of sales, excluding a 117 million euro non-recurring expense relating to the decline in value of deferred tax assets following US tax reform. Including this expense, net income down 4% to 886 million euros, or 4.8% of sales

Sharp rise in order intake:

- ✓ Up 17% year on year to 27.6 billion euros for Valeo, of which 50% relates to innovative products
- ✓ 10 billion euros to date for Valeo Siemens eAutomotive, of which 6.1 billion euros in 2017

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

"*Valeo's very strong results in 2017 once again demonstrate the solidity of our growth model. They were achieved amid more complex economic conditions, shaped in particular by the rise in the value of the euro and in raw material prices. The very high order intake, both for Valeo (27.6 billion euros) and for our joint venture Valeo Siemens eAutomotive (6.1 billion euros in 2017 and a cumulative 10 billion euros at end-February 2018), confirms our excellent positioning on the fast-growing markets of hybrid, electric and autonomous vehicles and justifies our sustained investment in R&D and production capacity.*

At the end of the year we were also delighted to welcome the teams of FTE automotive and Valeo-Kapec. The integration, which is going well, will enable the Group to expand its footprint in Asia with Asian customers and to cement its leadership on the automatic transmissions market."

Full-year 2017

- **Consolidated sales of 18,550 million euros,** up 12% (up 7% on a like-for-like basis[(1)])
- **Original equipment sales of 16,120 million euros,** up 12%, with like-for-like[(1)] growth of 7% outpacing global automotive production by 5 percentage points. This performance was achieved despite the negative impact (0.9 percentage points of growth) resulting from the decline in Hyundai's sales in China as from the second quarter.
- **Gross margin** up 15% to 3,474 million euros, or 18.7% of sales.
- **Operating margin[(2)]** up 11% to 1,477 million euros, or 8.0% of sales.
- **Net attributable income** up 8% year on year to 1,003 million euros, or 5.4% of sales, excluding a 117 million euro non-recurring expense relating to the decline in value of deferred tax assets, proportional to the decrease in the US corporate income tax rate. Including this non-recurring expense, net income was down 4% to 886 million euros, or 4.8% of sales.
- **EBITDA[(1)]** up 14% to 2,436 million euros, or 13.1% of sales.
- **Free cash flow[(1)] generation** of 278 million euros, or 11% of EBITDA[(1)].
- **Return on capital employed** (ROCE[(1)]) of 30%.
- **Net debt** of 1,852 million euros including Ichikoh, FTE automotive and Valeo-Kapec.
- **Net R&D expenditure** up 18% to 1,130 million euros, or 6.1% of sales.
- **Order intake[(1)]** supported by technological innovations:
    - ✓ **27.6 billion euros excluding Valeo Siemens eAutomotive,** up 17%;
    - ✓ **6.1 billion euros for Valeo Siemens eAutomotive.**

Second-half 2017

- **Consolidated sales of 9,086 million euros,** up 8% (up 5% on a like-for-like basis[(1)]). This performance was achieved despite the negative impact (0.6 percentage points of growth) resulting from the decline in Hyundai's sales in China as from the second quarter.
- **Gross margin** up 12% to 1,713 million euros, or 18.9% of sales.
- **Operating margin[(2)]** up 5% to 723 million euros, or 8.0% of sales.
- **Net attributable income** down 1% year on year to 497 million euros, or 5.5% of sales, excluding a 117 million euro non-recurring expense relating to the decline in value of deferred tax assets, proportional to the decrease in the US corporate income tax rate. Including this non-recurring expense, net income was down 25% to 380 million euros, or 4.2% of sales.
- **EBITDA[(1)]** up 11% to 1,221 million euros, or 13.4% of sales.
- **Free cash flow[(1)] generation** of 179 million euros, or 15% of EBITDA[(1)].

2017 dividend

Proposed dividend payment of 1.25 euros per share, representing a payout ratio of 34%, up by 2 percentage points.

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[1] See Financial Glossary, page 15.
[2] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 15.

Outlook

Based on the following assumptions:

- an increase in global automotive production of 1.5% in 2018;
- raw material prices and exchange rates in line with current levels.

The Valeo Group has set the following objectives:

- nominal sales growth of around 8% for 2018;
- in 2018, like-for-like growth in original equipment sales of around 5%, accelerating in the second half ahead of expected double-digit growth in 2019;
- in 2018, operating margin excluding share in net earnings of equity-accounted companies (as a % of sales) in line with 2017, despite the recent rise in (i) raw material prices and (ii) the value of the euro against the main currencies to which the Group is exposed.

Valeo Siemens eAutomotive:

- as previously noted, the joint venture had a strong order intake of 6.1 billion euros in 2017 and a cumulative 10 billion euros at end-February 2018;
- accordingly, the "Share in net earnings of equity-accounted companies" caption will have an impact of around -0.2 points on Valeo's statement of income in 2018;
- by 2022, Valeo Siemens eAutomotive should be delivering sales of more than 2 billion euros and a similar EBITDA margin (as a % of sales) to that of Valeo.

Paris, France, February 22, 2018 – At today's meeting, Valeo's Board of Directors approved the consolidated and parent company financial statements for the year ended December 31, 2017[1]:

H2 2016	H2 2017	Change			Full-year 2016	Full-year 2017	Change
(471)	(548)	+16%	R&D expenditure, net	*(in €m)*	(956)	(1,130)	+18%
-5.6%	*-6.0%*	*-0.4 pts*		*(as a % of sales)*	*-5.8%*	*-6.1%*	*-0.3 pts*
10.8	12.7	+18%	Order intake[2] (excluding Valeo Siemens eAutomotive)	*(in €bn)*	23.6	27.6	+17%
N/A	3.1	N/A	Valeo Siemens eAutomotive order intake	*(in €bn)*	N/A	6.1	N/A
8,389	9,086	+8%/+5%*	Sales	*(in €m)*	16,519	18,550	+12%/+7%*
7,297	7,885	+8%/+5%*	Original equipment sales	*(in €m)*	14,403	16,120	+12%/+7%*
5 pts	3 pts	-2 pts	Outperformance**		8 pts	5 pts	-3 pts
1,532	1,713	+12%	Gross margin	*(in €m)*	3,020	3,474	+15%
18.3%	*18.9%*	*+0.6 pts*		*(as a % of sales)*	*18.3%*	*18.7%*	*+0.4 pts*
654	730	+12%	Operating margin excluding share in net earnings of equity-accounted companies	*(in €m)*	1,273	1,455	+14%
7.8%	*8.0%*	*+0.2 pts*		*(as a % of sales)*	*7.7%*	*7.8%*	*+0.1 pts*
33	-7	N/A	Share in net earnings of equity-accounted companies	*(in €m)*	61	22	-64%
0.4%	*-0.1%*	*-0.5 pts*		*(as a % of sales)*	*0.4%*	*0.1%*	*-0.3 pts*
687	723	+5%	Operating margin[3]	*(in €m)*	1,334	1,477	+11%
8.2%	*8.0%*	*-0.2 pts*		*(as a % of sales)*	*8.1%*	*8.0%*	*-0.1 pts*
503	380	-24%	Net attributable income	*(in €m)*	925	886	-4%
6.0%	*4.2%*	*-1.8 pts*		*(as a % of sales)*	*5.6%*	*4.8%*	*-0.8 pts*
N/A	N/A	N/A	Basic earnings per share	*(in €)*	3.91	3.72	-5%
N/A	N/A	N/A	Net income excluding non-recurring items, o/w a 117 million euro expense relating to the decline in value of deferred tax assets	*(in €m)*	940	1,040	+11%
N/A	*N/A*	*N/A*		*(as a % of sales)*	*5.7%*	*5.6%*	*-0.1 pts*
N/A	N/A	N/A	Basic earnings per share excluding non-recurring items, o/w a 117 million euro expense relating to the decline in value of deferred tax assets	*(in €)*	3.98	4.37	+10%
N/A	N/A	N/A	ROCE[2]		34%	30%	-4 pts
N/A	N/A	N/A	ROA[2]		21%	19%	-2 pts
1,097	1,221	+11%	EBITDA[2]	*(in €m)*	2,144	2,436	+14%
13.1%	*13.4%*	*+0.3 pts*		*(as a % of sales)*	*13.0%*	*13.1%*	*+0.1 pts*
322	179	N/A	Free cash flow[2]	*(in €m)*	661	278	N/A
29%	15%	N/A	Cash conversion rate[4]		31%	11%	N/A
N/A	N/A	N/A	Net debt[2]	*(in €m)*	537***	1,852	N/A

** Like for like (constant Group structure and exchange rates)[2].*

*** Based on LMC automotive production estimates released on February 8, 2018.*

**** Net debt shown for 2016 differs from the amount presented in the 2016 consolidated financial statements published in February 2017 since it has been adjusted to reflect the impacts of acquiring a stake in CloudMade and of finalizing the allocation of goodwill to Spheros.*

[1] Further to their statutory audit, the Statutory Auditors issued an unqualified opinion on the consolidated financial statements for the year ended December 31, 2017.

[2] See Financial Glossary, page 15.

[3] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 15.

[4] Conversion of EBITDA[2] into free cash flow[2].

Rise in the order intake

The year-on-year rise in the order intake in 2017 confirms the Group's ability to deliver structural growth ahead of global automotive production:

- the order intake (excluding Valeo Siemens eAutomotive) jumped 17% to 27.6 billion euros, versus 23.6 billion euros in 2016;
- the order intake for Valeo Siemens eAutomotive came in at 6.1 billion euros in 2017 and a cumulative 10 billion euros at end-February 2018.

The order intake (excluding Valeo Siemens eAutomotive) remained well-balanced across the Group's different regions:

- 40% in Asia: China accounted for 27% of the order intake, of which 38% of orders were booked with local Chinese automakers;
- 42% in Europe (and Africa);
- 16% in North America.

In all, 50% of the order intake related to innovative products(1), confirming the successful positioning of Valeo's new technologies and products in the CO_2 emissions reduction and intuitive driving segments.

Global automotive production growth

Automotive production rose 2% year on year in 2017, fueled by:

- faster growth in Europe (up 3%);
- continued expansion in China (up 2%) and in the rest of Asia (up 4%);
- the upturn in production in South America (up 22%).

In North America, automotive production contracted by 4%.

Automotive production (year-on-year change)	Q4 2017*	H2 2017*	Full-year 2017*
Europe & Africa	+6%	+5%	+3%
Asia, Middle East & Oceania	0%	+2%	+3%
of which China	*0%*	*+1%*	*+2%*
excluding China	*-1%*	*+3%*	*+4%*
North America	-5%	-7%	-4%
South America	+18%	+22%	+22%
TOTAL	**+1%**	**+2%**	**+2%**

** Based on LMC automotive production estimates released on February 8, 2018.*

[1] Products and technologies in series production for less than three years, excluding Valeo Siemens eAutomotive, FTE automotive and Valeo-Kapec.

Sales growth

Sales for full-year 2017 climbed 12% as reported, or 7% like for like[1].

Changes in exchange rates had a negative 1.1% impact over the year, primarily due to the rise in the value of the euro against the US dollar, Chinese renminbi and Japanese yen.

Changes in Group structure had a positive 6.8% impact over the year, following:

- the takeover of Ichikoh, which was fully consolidated in the Group's financial statements as from February 1, 2017. Ichikoh contributed 909 million euros to consolidated sales in 2017;
- the acquisition of FTE automotive at the end of October 2017, which contributed 86 million euros to consolidated sales in the last two months of the year;
- the creation of Valeo-Kapec, which is controlled by Valeo and was fully consolidated in the Group's financial statements as from December 1, 2017. Valeo-Kapec contributed 42 million euros to consolidated sales in December 2017.

Sales (in millions of euros)	As a % of FY 2017 sales	Fourth-quarter				Second-half				Full-year			
		2016	2017	Reported change	LFL change*	2016	2017	Reported change	LFL change*	2016	2017	Reported change	LFL change*
Original equipment	87%	3,825	4,134	+8%	+4%	7,297	7,885	+8%	+5%	14,403	16,120	+12%	+7%
Aftermarket	10%	417	478	+15%	+4%	834	924	+11%	+3%	1,679	1,887	+12%	+4%
Miscellaneous	3%	153	173	+13%	+5%	258	277	+7%	-3%	437	543	+24%	+9%
Total	**100%**	**4,395**	**4,785**	**+9%**	**+4%**	**8,389**	**9,086**	**+8%**	**+5%**	**16,519**	**18,550**	**+12%**	**+7%**

** Like for like (constant Group structure and exchange rates)[1].*

Original equipment sales climbed 7% like for like after taking into account the negative 0.9 percentage point impact resulting from the decline in Hyundai's sales in China as from the second quarter.

Aftermarket sales rose by 4% over the year on a like-for-like basis.

Miscellaneous sales, mainly consisting of tooling revenues related to the launch of new projects, increased by 9% like for like.

[1] See Financial Glossary, page 15.

Growth in original equipment sales outpacing global automotive production

For the year as a whole, original equipment sales saw 7% like-for-like growth, driven by:

- an improved product mix resulting from technological innovations for CO_2 emissions reduction and intuitive driving;
- Valeo's favorable customer and geographic positioning.

Original equipment sales	Fourth-quarter				Second-half				Full-year			
by destination (in millions of euros)	**2016**	**2017**	LFL change*	Outperformance**	**2016**	**2017**	LFL change*	Outperformance**	**2016**	**2017**	LFL change*	Outperformance**
Europe & Africa	1,772	1,904	+6%	0 pts	3,434	3,630	+5%	0 pts	7,062	7,550	+6%	+3 pts
Asia, Middle East & Oceania	1,169	1,384	+3%	+3 pts	2,126	2,584	+7%	+5 pts	3,907	4,965	+10%	+7 pts
of which China	*650*	*702*	*+8%*	*+8 pts*	*1,148*	*1,259*	*+11%*	*+10 pts*	*2,046*	*2,371*	*+17%*	*+15 pts*
excluding China	*519*	*682*	*-3%*	*-2 pts*	*978*	*1,325*	*+3%*	*+0 pts*	*1,861*	*2,594*	*+4%*	*0 pts*
North America	801	751	+1%	+6 pts	1,574	1,483	+1%	+8 pts	3,138	3,235	+4%	+8 pts
South America	83	95	+20%	+2 pts	163	188	+19%	-3 pts	296	370	+16%	-6 pts
TOTAL	**3,825**	**4,134**	**+4%**	**+3 pts**	**7,297**	**7,885**	**+5%**	**+3 pts**	**14,403**	**16,120**	**+7%**	**+5 pts**

** Like for like (constant Group structure and exchange rates)[1].*
*** Based on LMC automotive production estimates released on February 8, 2018.*

In 2017, the Group outperformed global automotive production by 5 percentage points. This performance was achieved despite the negative impact (0.9 percentage points of growth) resulting from the decline in Hyundai's sales in China as from the second quarter:

- in **Europe** (including Africa), like-for-like original equipment sales rose 6%, outpacing automotive production by 3 percentage points. Excluding Russia, the outperformance was around 4 percentage points;
- in **China**, like-for-like original equipment sales moved up 17%, outpacing automotive production by 15 percentage points;
- in **Asia excluding China**, like-for-like original equipment sales were up 4%, on a par with automotive production. The Group's performance in South Korea was particularly impacted (negative impact of 15.4 percentage points of growth) by the Group's exposure to South Korean customers, given the difficult geopolitical climate between China and South Korea. The Group's performance in Japan was affected by the drop in Nissan's sales in the fourth quarter;
- in **North America**, like-for-like original equipment sales advanced 4%, outpacing automotive production by 8 percentage points;
- in **South America**, like-for-like original equipment sales climbed 16%, underperforming automotive production by 6 percentage points.

[1] See Financial Glossary, page 15.

Balanced geographic alignment of Valeo's businesses

Taking account of the acquisitions carried out in 2017, year-on-year changes in the share of original equipment sales in the four main production regions were as follows:

- a rise of 4 percentage points for Asia, accounting for 30% of original equipment sales;
- a fall of 3 percentage points for Europe, accounting for 47% of original equipment sales;
- a fall of 1 percentage point for North America, accounting for 21% of original equipment sales;
- stable for South America, accounting for 2% of original equipment sales.

Balanced customer portfolio

Taking account of the acquisitions carried out in 2017, year-on-year changes in the share of original equipment sales among the Group's customers were as follows:

- a rise of 6 percentage points for Asian customers, accounting for 33% of original equipment sales, further to the takeover of Ichikoh as of February 1 and the creation of Valeo-Kapec, fully consolidated since December 1;
- a fall of 2 percentage points for German customers, accounting for 28% of original equipment sales;
- a fall of 3 percentage points for American customers, accounting for 19% of original equipment sales;
- a fall of 1 percentage point for French customers[1], accounting for 14% of original equipment sales.

[1] Including Opel.

Vigorous, above-market growth in original equipment sales across all four Business Groups

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group* (in millions of euros)	Fourth-quarter				Second-half				Full-year			
	2016	2017	Change in sales	Change in OE sales**	2016	2017	Change in sales	Change in OE sales**	2016	2017	Change in sales	Change in OE sales**
CDA	878	894	+2%	+4%	1,703	1,753	+3%	+6%	3,363	3,590	+7%	+6%
Powertrain	1,050	1,174	+12%	+2%	2,016	2,137	+6%	+3%	4,027	4,300	+7%	+4%
Thermal	1,256	1,252	0%	+7%	2,396	2,409	+1%	+7%	4,645	5,003	+8%	+9%
Visibility	1,252	1,500	+20%	+3%	2,354	2,855	+21%	+4%	4,649	5,808	+25%	+7%
Group	**4,395**	**4,785**	**+9%**	**+4%**	**8,389**	**9,086**	**+8%**	**+5%**	**16,519**	**18,550**	**+12%**	**+7%**

** Including intersegment sales.*
*** Like for like (constant Group structure and exchange rates)[1].*

In 2017, like-for-like growth in original equipment sales outpaced automotive production in all Business Groups:

- the **Powertrain Systems Business Group** reported like-for-like growth in original equipment sales of 4% over the year, after taking into account the negative 4.6 percentage point impact resulting from the tense geopolitical context between China and South Korea;
- the **Comfort & Driving Assistance, Thermal Systems**, and **Visibility Systems Business Groups** turned in similar performances, with like-for-like original equipment sales up 6%, 9%, and 7%, respectively, reflecting the market's keen interest in intuitive driving, CO_2 emissions reduction and LED lighting technologies. Sales for the Visibility Systems Business Group, which surged 25%, include the contribution of Ichikoh, which has been fully consolidated in Valeo's consolidated financial statements since February 1, 2017.

[1] See Financial Glossary, page 15.

Operating margin at 8% of sales

H2 2016	H2 2017	Change			2016	2017	Change
8,389	9,086	+8%/+5%*	Sales	*(in millions of euros)*	16,519	18,550	+12%/+7%*

* *Like for like (constant Group structure and exchange rates)[1].*

H2 2016	H2 2017	Change			2016	2017	Change
1,532	1,713	+12%	Gross margin	*(in millions of euros)*	3,020	3,474	+15%
18.3%	*18.9%*	*+0.6 pts*		*(as a % of sales)*	*18.3%*	*18.7%*	*+0.4 pts*
654	730	+12%	Operating margin excluding share in net earnings of equity-accounted companies	*(in millions of euros)*	1,273	1,455	+14%
7.8%	*8.0%*	*+0.2 pts*		*(as a % of sales)*	*7.7%*	*7.8%*	*+0.1 pts*
33	-7	N/A	Share in net earnings of equity-accounted companies	*(in millions of euros)*	61	22	-64%
0.4%	*-0.1%*	*-0.5 pts*		*(as a % of sales)*	*0.4%*	*0.1%*	*-0.3 pts*
687	723	+5%	Operating margin[2]	*(in millions of euros)*	1,334	1,477	+11%
8.2%	*8.0%*	*-0.2 pts*		*(as a % of sales)*	*8.1%*	*8.0%*	*-0.1 pts*
503	380	-24%	Net attributable income	*(in millions of euros)*	925	886	-4%
6.0%	*4.2%*	*-1.8 pts*		*(as a % of sales)*	*5.6%*	*4.8%*	*-0.8 pts*

Gross margin widened 15% to 3,474 million euros, or 18.7% of sales. This 0.4 percentage point rise on 2016 reflects:

- continued growth (positive 0.5 percentage point impact), including price and volume effects;
- operational efficiency (positive 0.2 percentage point impact);
- a rise in depreciation relating to the capital investments carried out by the Group over the past few years (negative 0.2 percentage point impact);
- changes in Group structure, mainly related to the acquisition of Ichikoh, and exchange rates (negative 0.1 percentage point impact).

Valeo continued its Research and Development efforts to enhance its product portfolio amid sharp growth in the order intake and to respond to the twin challenges of powertrain electrification and intuitive and autonomous driving:

- gross Research and Development expenditure was up 19% to 1,895 million euros, representing almost 12% of original equipment sales;
- net Research and Development expenditure rose 18% to 1,130 million euros, or 6.1% of sales (up 0.3 percentage points on 2016).

General, administrative and selling expenses came out at 4.8% of sales, stable versus 2016.

The share in net earnings of equity-accounted companies was 22 million euros, or 0.1% of sales, down 0.3 percentage points on 2016. This decrease primarily reflects the share in net earnings of Valeo Siemens eAutomotive, which is bearing the costs required to push ahead with ongoing projects resulting from its 6.1 billion euro order intake in 2017 and set up its organization to accommodate its fast-paced expansion going forward.

Operating margin[2] moved up 11% to 1,477 million euros. The margin represents 8.0% of sales, down 0.1 percentage points on 2016 after taking account of the share in net earnings of Valeo Siemens eAutomotive.

Operating income[1] rose 8% to 1,410 million euros, or 7.6% of sales (down 0.3 percentage points on 2016). Operating income includes other income and expenses, representing a net expense of 67 million euros in 2017.

The cost of net debt totaled 73 million euros, down 12% on 2016.

The effective tax rate rose to 26%, reflecting a 117 million euro non-recurring expense relating to the decline in value of deferred tax assets, proportional to the decrease in the US corporate income tax rate.

Net attributable income rose 8% to 1,003 million euros, or 5.4% of sales (down 0.2 percentage points versus 2016) excluding a 117 million euro non-recurring expense relating to the decline in value of deferred tax assets, proportional to the decrease in the US corporate income tax rate. Including this non-recurring expense, net income fell 4% to 886 million euros, or 4.8% of sales.

Return on capital employed (ROCE[1]) and **return on assets** (ROA[1]) stood at 30% and 19%, respectively.

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[1] See Financial Glossary, page 15.
[2] Including share in net earnings of equity-accounted companies, see Financial Glossary, page 15.

Consolidated EBITDA[1] up 14% to 13.1% of sales

EBITDA *(in millions of euros and as a % of sales)*	Second-half			Full-year		
	2016	2017	Change	2016	2017	Change
Comfort & Driving Assistance Systems	257	256	0%	496	522	+5%
	15.1%	*14.6%*	*-0.5 pts*	*14.7%*	*14.5%*	*-0.2 pts*
Powertrain Systems	278	290	+4%	534	566	+6%
	13.8%	*13.6%*	*-0.2 pts*	*13.3%*	*13.2%*	*-0.1 pts*
Thermal Systems	237	272	+15%	463	539	+16%
	9.9%	*11.3%*	*+1.4 pts*	*10.0%*	*10.8%*	*+0.8 pts*
Visibility Systems	327	375	+15%	645	767	+19%
	13.9%	*13.1%*	*-0.8 pts*	*13.9%*	*13.2%*	*-0.7 pts*
Group	**1,097**	**1,221**	**+11%**	**2,144**	**2,436**	**+14%**
	13.1%	***13.4%***	***+0.3 pts***	***13.0%***	***13.1%***	***+0.1 pts***

EBITDA margin for the **Comfort & Driving Assistance Systems** and **Powertrain Systems Business Groups** contracted slightly, to 14.5% and 13.2%, respectively (down 0.2 and 0.1 percentage points compared to 2016), following an increase in net Research and Development expenditure (to 11% and 5% of sales, respectively).

The **Visibility Systems Business Group** saw its EBITDA margin narrow 0.7 percentage points to 13.2% of sales. The decrease is chiefly due to the consolidation of Ichikoh as from February 1, 2017.

Thanks to strong sales growth and the turnaround in operations at a plant in North America, the **Thermal Systems Business Group**'s EBITDA margin improved by 0.8 percentage points year on year to 10.8% of sales.

[1] See Financial Glossary, page 15.

Free cash flow[1] generation

H2 2016	H2 2017	*(in millions of euros)*	2016	2017
1,097	1,221	EBITDA[1]	2,144	2,436
40	64	Change in operating working capital*	76	19
(124)	(115)	Income tax expense	(257)	(265)
(651)	(911)	Investments in property, plant and equipment and intangible assets	(1,249)	(1,745)
(40)	(80)	Other (provisions for pensions, restructuring costs, outflows related to antitrust investigations, etc.)	(53)	(167)
322	179	Free cash flow[1]	661	278
(6)	(2)	Net financial expenses	(58)	(63)
(96)	(562)	Other financial items	(992)	(1,007)
220	(385)	Net cash flow[1]	(389)	(792)

** Change in working capital excluding the change in non-recurring sales of accounts and notes receivable in a negative amount of 16 million euros in 2017 and a positive amount of 20 million euros in 2016.*

The Group generated free cash flow[1] of 278 million euros in 2017, chiefly reflecting:

- a 14% increase in EBITDA[1] to 2,436 million euros;
- a 19 million euro positive impact from the change in working capital;
- a significant 40% increase in investment outflows to 1,745 million euros on the back of a sharp increase in the order intake and in order to secure an acceleration in the Group's future growth;
- outflows in an amount of 167 million euros, including in particular restructuring costs and non-recurring payments relating to antitrust investigations.

In 2017, **net cash flow**[1] amounted to a negative 792 million euros and included:

- 63 million euros in net financial expenses paid; and
- other financial items totaling 1,007 million euros, mainly including a 537 million euro net outflow relating to changes in scope and a 317 million euro disbursement reflecting dividend payments.

Net debt

Net debt[1] stood at 1,852 million euros at December 31, 2017, up 1,315 million euros compared with end-December 2016, after taking into account the consolidation of Ichikoh, the acquisition of FTE automotive, and the creation of Valeo-Kapec, as well as dividend payments.

The **leverage ratio** (net debt/EBITDA) came out at 0.76x EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 42% of equity.

The average maturity of gross long-term debt fell to 4.8 years at December 31, 2017, from 5.8 years at December 31, 2016.

[1] See Financial Glossary, page 15.

Outlook

Based on the following assumptions:

- an increase in global automotive production of 1.5% in 2018;
- raw material prices and exchange rates in line with current levels.

The Valeo Group has set the following objectives:

- nominal sales growth of around 8% for 2018;
- in 2018, like-for-like growth in original equipment sales of around 5%, accelerating in the second half ahead of expected double-digit growth in 2019;
- in 2018, operating margin excluding share in net earnings of equity-accounted companies (as a % of sales) in line with 2017, despite the recent rise in (i) raw material prices and (ii) the value of the euro against the main currencies to which the Group is exposed.

Valeo Siemens eAutomotive:

- as previously noted, the joint venture had a strong order intake of 6.1 billion euros in 2017 and a cumulative 10 billion euros at end-February 2018;
- accordingly, the "Share in net earnings of equity-accounted companies" caption will have an impact of around -0.2 points on Valeo's statement of income in 2018;
- by 2022, Valeo Siemens eAutomotive should be delivering sales of more than 2 billion euros and a similar EBITDA margin (as a % of sales) to that of Valeo.

Highlights

On October 31, 2017, Valeo announced that it had acquired FTE automotive, a leading producer of actuators, after having received clearance from the European Commission and Turkish antitrust authorities. FTE automotive's product portfolio and customer base are highly complementary to Valeo's. The acquisition will enable Valeo to expand its offering of active hydraulic actuators, a strategic and fast-growing market that has benefited from the rise of hybrid and electric vehicles. In 2016, FTE automotive generated sales of around 550 million euros. The company has more than 3,800 employees and a diversified manufacturing footprint in eight countries, including Germany, the Czech Republic, Slovakia, Mexico and China. The acquisition will be accretive to Valeo's operating margin from year one.

On November 30, 2017, having obtained the necessary regulatory approvals, Valeo confirmed that it had created Valeo-Kapec with its longstanding South Korean partner PHC Group. Valeo-Kapec is set to become the world leader in torque converters for automatic and continuously variable transmissions. The new company employs some 3,150 people and will be controlled and therefore fully consolidated by Valeo. It is forecast to generate sales of around 1 billion euros on an annualized basis and will be accretive to Valeo's operating margin from year one. Valeo-Kapec will capitalize on both partners' strong geographic, product and business complementarity to create purchasing, manufacturing and above all Research and Development synergies.

Upcoming events

First-quarter 2018 sales: April 25, 2018

Financial Glossary

- **Order intake** corresponds to business awarded by automakers during the period (including joint ventures accounted for based on Valeo's share in net equity) less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. *Unaudited indicator.*
- **Like for like (or LFL):** the currency impact is calculated by multiplying sales for the current period by the exchange rate for the previous period. The Group structure impact is calculated by (i) eliminating, for the current period, sales of companies acquired during the period, and (ii) adding to the previous period full-year sales of companies acquired in the previous period, and (iii) eliminating, for the current period and for the comparable period, sales of companies sold during the current or comparable period.
- **Operating margin including share in net earnings of equity-accounted companies** corresponds to operating income before other income and expenses.
- **Net attributable income excluding non-recurring items** corresponds to net attributable income adjusted for "other income and expenses" net of tax and non-recurring income and expenses net of tax shown in operating margin including share in net earnings of equity-accounted companies.
- **ROCE**, or return on capital employed, corresponds to operating margin (including share in net earnings of equity-accounted companies) divided by capital employed (including investments in equity-accounted companies) excluding goodwill.
- **ROA**, or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies) including goodwill.
- **EBITDA**, which corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends received from equity-accounted companies.
- **Free cash flow** corresponds to net cash from operating activities (excluding the change in non-recurring sales of receivables) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.
- **Net cash flow** corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of investments without a change in control, and (iii) changes in non-recurring sales of receivables.
- **Net debt** comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

Safe Harbor Statement

Statements contained in this document, which are not historical fact, constitute "forward-looking statements". These statements include projections and estimates and their underlying assumptions, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Even though Valeo's Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo's control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the "Risk Factors" section of Valeo's 2016 Registration Document registered with the AMF on March 24, 2017 (under no. D.17-0226).

The Company assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo does not intend or assume any obligation to review or to confirm the estimates of analysts or to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of intuitive driving. In 2017, the Group generated sales of 18.6 billion euros and invested 12% of its original equipment sales in Research and Development. At December 31, 2017, Valeo has 184 plants, 20 research centers, 35 development centers and 15 distribution platforms, and employs 111,600 people in 33 countries worldwide. Valeo is listed on the Paris stock exchange and is a member of the CAC 40 index.

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