

SHAREHOLDERS'

LETTER



Wuhan site, Visibility Systems



Dear Shareholders,

Valeo's very strong results in 2017 once again demonstrate the relevance of our growth model, and I would like to thank the Valeo teams for their commitment and professionalism.

Our results were achieved amid a more complex economic environment, shaped in particular by the rise in the value of the euro and in raw material prices in 2017. Against this background, our sales rose 12%, and our original equipment sales climbed 7% on a like-for-like basis, outpacing global automotive production by 5 percentage points. This growth was accompanied by a 15% increase in our gross margin, an 11% rise in our operating margin, and an 8% improvement in net income excluding non-recurring items.

2017 was also marked by our very high order intake. The Group is continuing to invest in the major automotive industry trends – powertrain electrification and the autonomous vehicle. Order intake hit another record at 27.6 billion euros, up 17% on 2016, with innovative products accounting for 50% of the total. On top of this order intake, the Valeo Siemens eAutomotive joint venture specializing in high voltage electric powertrain technologies recorded 6.1 billion euros in order intake in 2017 and a cumulative 10 billion euros at

end-February 2018, evenly distributed between Europe and China. These commercial successes once again reflect Valeo's excellent positioning on the fast-growing markets of hybrid and electric vehicles, and autonomous vehicles and justify our sustained investment in R&D and production capacity.

During the year we were also pleased to welcome Ichikoh, FTE and Valeo-Kaptec's teams to the Group. In particular, they will allow us to increase our presence in Asia with Japanese and Korean customers, and to extend our global leadership in the strategic, high-growth markets of lighting systems and automatic transmission systems.

At the next Shareholders' Meeting, shareholders will be asked to vote on the payment of a dividend of 1.25 euros per share.

On behalf of all our employees at Valeo, I would like to thank you for your continued trust and support, and I look forward to seeing you on May 23 at the next Shareholders' Meeting.

Jacques Aschenbroich
Chairman and Chief Executive Officer

APRIL 2018

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VALEO AT THE CENTER OF THE THREE AUTOMOTIVE 2017 FRANKFURT MOTOR SHOW AND 2018 CES

As the world leader in CO₂ emissions reduction and intuitive driving, these two events were an opportunity for Valeo to present its innovations in the field of powertrain electrification, the autonomous vehicle and digital mobility.

THE LOW-VOLTAGE ELECTRIFICATION REVOLUTION

Building on its status as a pioneer, and the world no. 1 in low-voltage electrification (one in every three cars worldwide is equipped with Valeo electrical systems), Valeo is developing affordable hybrid solutions that can be applied to the greatest number of cars.

Valeo has developed a mild-hybrid system that combines a conventional internal combustion engine with a low-voltage (48 V) electric motor. It is the most economic method currently available to automakers today for introducing hybrid technology into their vehicles.

The 48 V technology has evolved from the “12 V belt-driven starter-alternator”. The 48 V system recovers energy from the braking and slowing phases, which it then stores in a battery to be used during the start-up and acceleration phases. The 48 V starter-alternator can reduce fuel consumption and CO₂ emissions by up to 10% (based on Valeo estimates), especially in urban environments.

As well as reducing fuel consumption, this system also offers the following new features:

- extra power during acceleration, thereby enhancing driving comfort without increasing consumption;

- an electricity supply for the vehicle cabin to power the growing number of electric applications and energy intensive functions;
- an all-electric driving mode for short distances and urban traffic jams.

This Valeo solution has currently been selected by automakers present primarily in China and Europe.

In a world exclusive, Valeo presented its new low-voltage (48 V) all-electric vehicle prototype at the CES

This two-seater urban vehicle, which charges at any EV charging station, offers a top speed of 100 km/h as well as a range of 100 km, and could be priced at around 7,500 euros.

To develop its innovative 48 V all-electric solution, Valeo has built on its experience and expertise in 48 V systems for hybrid applications, a field in which the Group leads the market.

The 48 V all-electric tech demo car was developed in partnership with Shanghai Jiao Tong University



FRONT ROW SEATS TO VALEO'S PERFORMANCE

Join the eClub for individual shareholders!

LE **eCLUB**
des actionnaires individuels

The eClub for individual Valeo shareholders¹ offers its members front row seats to the Group's performance. Through exclusive web conferences with key Group players, booth visits, virtual and in-person tours of emblematic sites, members of the eClub for individual shareholders can share the experience of an automotive industry tech company.

To find out more, visit the Investors & Shareholders section at www.valeo.com

or call **0 800 814 045** Service & appel gratuits

Toll-free number (from France)

or +33 (0)1 40 55 20 39
(from outside France)

¹ Registration is free of charge and non-binding. Subject to ownership of at least one registered share or 50 bearer shares

TIVE REVOLUTIONS ES LAS VEGAS

THE HIGH-POWER ELECTRIFICATION REVOLUTION

Valeo proposes high-power (above 60 V) solutions (including electric motors, inverters, battery chargers and DC/DC converters) developed by the Valeo Siemens eAutomotive GmbH joint venture created in 2016 with Siemens, a world leader in high-voltage electric systems.

These solutions target the plug-in hybrid and premium electric vehicle segments.

Objectives are to achieve high electric performance, significantly lower fuel consumption and greater comfort for the driver.



THE AUTOMATED AND CONNECTED VEHICLE REVOLUTION: AUTONOMOUS VEHICLE TECHNOLOGIES

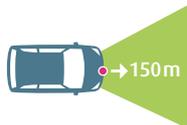
Valeo boasts the widest portfolio of sensors in the automotive industry. It is made up of ultrasonic detection systems, cameras, radars and LiDARs (light detection and ranging systems). These technologies give the driver greater control of the vehicle in its surroundings.

FOUR TYPES OF SENSORS: the eyes and ears of the autonomous car

1 Cameras
Provide visibility up to 250 m in front; can also offer a 360° birds-eye view of the vehicle's surroundings.



2 LIDAR (SCALA® Laser Scanner)
Scans the environment in front of the vehicle and detects any obstacles, stationary or moving. Like the cameras, they can form a "cocoon" around the vehicle.



3 Radars
Sweep the environment up to 75 m around the vehicle using several separate beams.

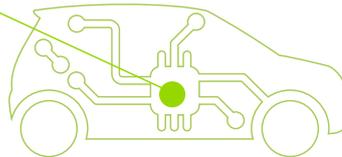


4 Ultrasonic sensors
Detect any near-range objects, within a few centimeters to five meters of the vehicle.



Artificial Intelligence:

This wide variety of information allows the vehicle to navigate its environment in total safety.



An electronic control unit combines and interprets this data using artificial intelligence. A separate electronic control unit oversees driving.

DID YOU KNOW?

It all began with the production of ultrasonic sensors for reversing radars, back in 1991. Since then, Valeo has made a total of 700 million sensors. In the next five years, it is expected to make 500 million more.

Some 12 million cars worldwide are already fitted with Valeo automated parking systems.

With SCALA, Valeo is currently the only manufacturer to mass produce laser scanners. SCALA is the first laser scanner designed specifically for cars, capable of detecting both stationary and moving objects up to a distance of 150 m and with a 145 degree field of view.

2017 VALEO INNOVATION CHALLENGE

For the fourth year running, Valeo invited engineering students from around the world to play an active role in automotive innovation by coming up with *“an innovation or idea that will make cars and the way they are used smarter, cleaner, more fun and more intuitive by 2030”*.

With participation up from 1,344 registered teams last year, in 2017, 1,628 teams from 748 universities in 80 countries signed up for a chance to invent and develop bold, revolutionary solutions in two categories: *“Idea for new ways of using cars”* and *“Technological innovation”*. For the first time since the competition was created, each team was allowed to include a university teacher. As a result, 162 teachers registered to team up with their students.

In the first quarter of the year, 70 Valeo experts and a number of independent scientists reviewed each of the submissions to select the 24 teams that would continue on to the next stage of the contest. Each of these teams received 5,000 euros to produce a working prototype.

After the second review stage, the names of the seven teams that submitted the most innovative projects were unveiled on September 14, 2017. They were invited to Paris to present their projects to a jury chaired by Valeo Chairman and Chief Executive Officer Jacques Aschenbroich and made up of figures such as: Claudie Haigneré, the first French woman to visit the International Space Station; Yotam Cohen, Co-Founder of Wibbitz; Bruno Bonnell, an entrepreneur who specializes in the digital and robotics industries; André Chieng, Chairman of Asiatique Européenne de Commerce, *inter alia*; Gérard Feldzer, Chairman of the Île-de-France Regional Tourism Committee; Luc Ferry, philosopher and political scientist, Ph.D. in political science and former

French Minister of Youth, Education and Research; and for Valeo, Christophe Périllat, Chief Operating Officer; Guillaume Devauchelle, Vice President of Innovation and Scientific Development; and Hans-Peter Kunze, former Senior Vice President, Sales & Business Development.

After careful deliberation, the jury announced the winning teams on October 26, 2017.

In the *“Technological innovation”* category, the first prize was awarded to:

- the CLEY team from the Autonomous University of San Luis Potosi (Mexico) for its system that activates during vehicle braking phases to create hydrogen, which can be blended with gasoline to improve the engine’s combustion efficiency. The team has also been offered the chance to join a Valeo-partnered start-up accelerator to help develop their concept.

In the *“Idea for new ways of using cars”* category, the first prize was awarded to:

- the FUTUCITY team from the Academy of Fine Arts Jan Matejko (Poland) for its autonomous vehicle serving as a means of transportation, goods delivery and a sleeping capsule, all in one.

The winning teams were awarded a cash prize of 100,000 euros each, while the runners up took home 10,000 euros each.



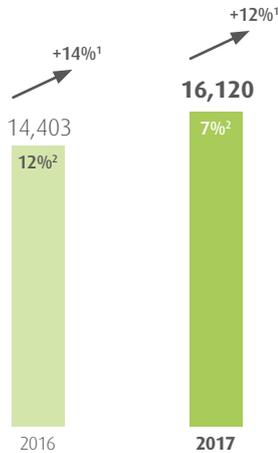
Following the ceremony, Valeo kicked off the fifth edition of its global innovation contest

“2018 VALEO INNOVATION CHALLENGE”

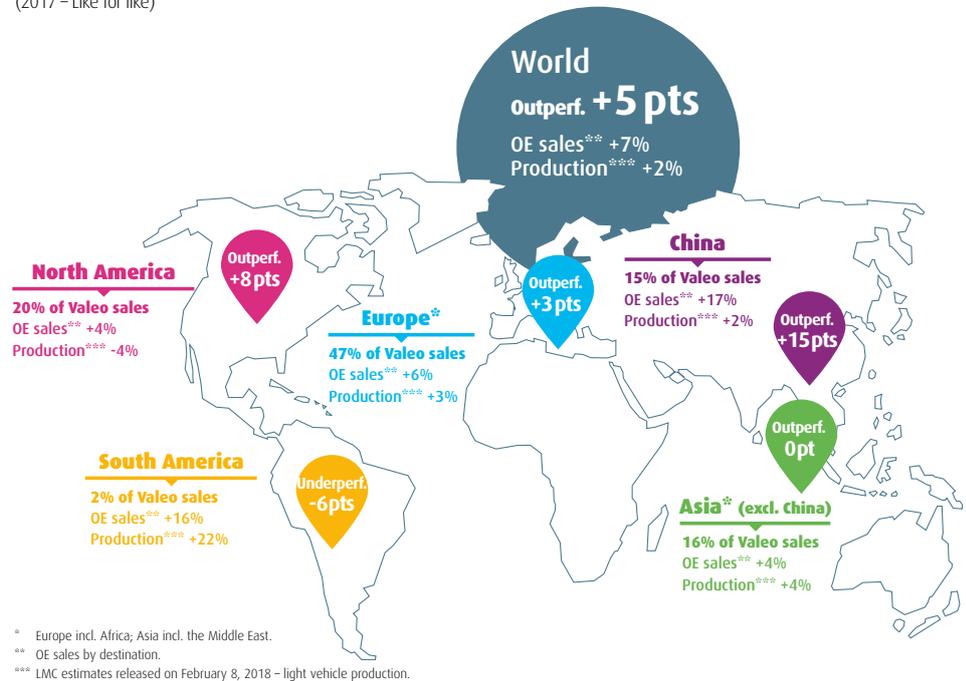
Follow all the latest developments in the 2018 Valeo Innovation Challenge:
valeoinnovationchallenge.valeo.com

ORIGINAL EQUIPMENT SALES UP 12% AS REPORTED IN 2017 (UP 7% LIKE-FOR-LIKE), OUTPERFORMING GLOBAL AUTOMOTIVE PRODUCTION BY 5 PERCENTAGE POINTS

ORIGINAL EQUIPMENT SALES in millions of euros



GLOBAL OUTPERFORMANCE OF 5 PERCENTAGE POINTS (2017 - Like for like)

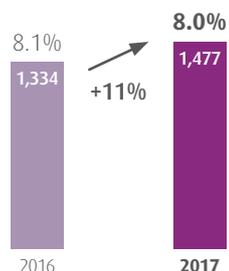


¹ As reported. ² Like for like (constant Group structure and exchange rates).

VALEO'S ORDER INTAKE WAS UP 17% TO 27.6 BILLION EUROS IN 2017, OF WHICH 50% WAS FOR INNOVATIVE PRODUCTS AND 10 BILLION EUROS FOR VALEO SIEMENS EAUTOMOTIVE, OF WHICH 6.1 BILLION EUROS IN 2017

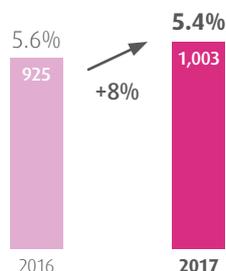
- Gross margin up 15% to 3,474 million euros, or 18.7% of sales
- Operating margin¹ up 11%, to 1,477 million euros, or 8.0% of sales
- Net attributable income up 8% to 1,003 million euros, or 5.4% of sales
- Free cash flow generation of 278 million euros, or 11% of EBITDA

OPERATING MARGIN¹ in millions of euros and as a % of sales



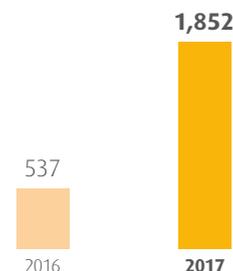
In 2017, **operating margin** (before other income and expenses) was up 11% year on year, to 1,477 million euros, or 8.0% of sales.

NET ATTRIBUTABLE INCOME in millions of euros and as a % of sales



Net attributable income rose 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, 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.

NET DEBT in millions of euros



Valeo generated 278 million euros in **free cash flow** (before interest) in 2017. Consolidated **net debt** stood at 1,852 million euros at December 31, 2017, after taking into account the takeover of Ichikoh, the acquisition of FTE automotive, and the creation of Valeo Kapec, as well as dividend payments.

¹ Including share in net earnings of equity-accounted companies.

SHARE PRICE

December 31, 2014 – March 29, 2018



STOCK MARKET DATA

	2016	2017	Mar. 29, 2018
Market capitalization at year-end (in billions of euros)	13.06	14.92	12.85
Number of shares	239,143,131	239,653,121	239,653,121
Highest share price (in euros)	56.47	67.80	66.48
Lowest share price (in euros)	33.88	54.05	52.00
Average share price (in euros)	46.20	60.28	59.39
Share price at year-end (in euros)	54.61	62.27	53.64

PER SHARE DATA

(in euros)	2016	2017
Earnings per share	3.91	3.72
Earnings per share excluding non-recurring items	3.98	4.37

(in euros)	2016	2017
Dividend per share	1.25 ²	1.25 ¹

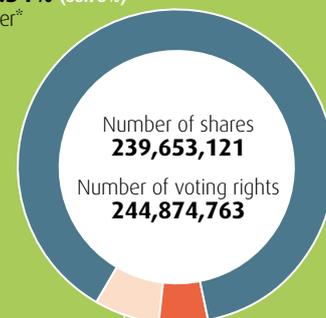
¹ Dividend of 1.25 euros per share proposed at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017.

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* 1.1 of said code and Article 9 of the French Finance Law for 2013). These figures are provided for information purposes only. Please contact your financial advisor to discuss the specific tax and social security treatment of your shares.

OWNERSHIP STRUCTURE

MARCH 30, 2018

88.54% (88.78%)
Other*



6.39% (6.25%)
Harris Associates LP

5.07% (4.97%)
The Capital Group
Companies Inc.

% of share capital (% of voting rights)

* Including 1,776,665 treasury shares (0.74% of the share capital).

CALENDAR

- **May 23, 2018**
Ordinary and Extraordinary Shareholders' Meeting
- **July 25, 2018**
First-half 2018 results
- **October 25, 2018**
Third-quarter 2018 sales

CONTACTS

- **Valeo Investor Relations**
43, rue Bayen
75848 Paris Cedex 17 France

- **Telephone**
Toll-free number (from France)

0 800 814 045 Service & appel gratuits

Calling from outside France
+33 (1) 40 55 20 39

- **Website**
www.valeo.com

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