First-quarter sales of 4,841 million euros

4 percentage point market outperformance

2019 objectives confirmed

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

"Our outperformance versus automotive production accelerated in the first quarter, in line with our roadmap, in a challenging automotive market. This outperformance is set to continue to accelerate throughout the year in our four Business Groups and in all our geographic areas, thanks to the start of production on high-tech innovations.

In a particularly unstable economic and geopolitical environment, we are pressing ahead with our plan to reduce costs and capital expenditure and we confirm our objectives for 2019."

- **Consolidated sales of 4,841 million euros**, down 1%, or 3% on a like-for-like basis[1].
- **Original equipment sales of 4,121 million euros**, down 1%, or 3% on a like-for-like basis outpacing global automotive production by 4 percentage points.
- **Aftermarket sales** down 4% as reported and on a like-for-like basis.

[1] See Financial Glossary, page 7.

2019 outlook: guidance unchanged

In a context of:

- volatile global automotive production (estimated growth of between 0% and -1% over the year compared with 2018) with a decline in the first half (due to the economic environment in China), and an improvement in the second half;
- uncertainty regarding the price of raw materials and electronic components.

Valeo's 2019 objectives remain unchanged:

- a stronger market outperformance than in second-half 2018, increasing gradually during the year thanks to the start of production on new contracts, particularly in the camera, electrical and transmission systems, and lighting segments;
- roll-out of the program, announced in February, to reduce costs by more than 100 million euros and capital expenditure by more than 100 million euros;
- EBITDA growth[(1)] (in value terms);
- higher free cash flow[(1)] generation than in 2018;
- operating margin excluding share in net earnings of equity-accounted companies (as a % of sales) of between 5.8% and 6.5%, depending on the trends in automotive production and in the price of raw materials and electronic components;
- a "share in net earnings of equity-accounted companies" line which, as announced, is expected to have a similar impact on Valeo's 2019 statement of income as it did in 2018.

[1] See Financial Glossary, page 7.

Paris, France, April 25, 2019 – Following the meeting of its Board of Directors today, Valeo released its sales figures for the first quarter of 2019:

Global automotive production

Automotive production (year-on-year change)	**First-quarter 2019** IHS*
Europe and Africa	-4%
Asia, Middle East and Oceania	-9%
of which China	*-13%*
of which Japan	*+1%*
of which South Korea	*0%*
of which India	*-3%*
North America	-2%
South America	-5%
TOTAL	**-7%**

** Based on IHS automotive production estimates released on April 16, 2019.*

Global automotive production contracted by 7%, impacted primarily by:

- The 13% fall in automotive production in China, related to the low number of new vehicle registrations and the inventory reduction trend observed in the sector;
- The 4% decrease in automotive production in Europe over the period.

Sales

Sales (in millions of euros)	**As a % of Q1 2019 sales**	**First-quarter 2019**	**2018**	**Change**	**LFL change***
Original equipment	85%	4,121	4,154	-1%	-3%
Aftermarket	10%	501	523	-4%	-4%
Miscellaneous	5%	219	204	+7%	+5%
Total	**100%**	**4,841**	**4,881**	**-1%**	**-3%**

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

In the first quarter of 2019, **sales** fell 1%, or 3% like for like:

- Original equipment sales were down 1%, or 3% like for like;
- Aftermarket sales were down 4% like for like;
- Miscellaneous sales, mainly consisting of tooling revenues related to the launch of new projects and customer contributions related to Research and Development projects, increased by 5% like for like.

Changes in exchange rates had a positive 2% impact during the period, primarily reflecting the depreciation of the euro against the US dollar, Japanese yen and Korean won.

Changes in Group structure did not have a material impact during the first quarter.

[1] See Financial Glossary, page 7.

Original equipment sales by region

Original equipment sales (in millions of euros)	**First-quarter** 2019	2018	LFL* change	Outperf. vs. IHS**
Europe and Africa	**2,029**	**2,072**	**-2%**	**+2 pts**
Asia, Middle East and Oceania	**1,188**	**1,263**	**-9%**	**0 pts**
• *of which China*	*450*	*526*	*-16%*	*-3 pts*
• *of which Japan*	*331*	*334*	*-7%*	*-8 pts*
• *of which South Korea*	*286*	*274*	*+1%*	*+1 pt*
• *of which India*	*47*	*52*	*-8%*	*-5 pts*
North America	**812**	**717**	**+5%**	**+7 pts**
South America	**92**	**102**	**-1%**	**+4 pts**
TOTAL	**4,121**	**4,154**	**-3%**	**+4 pts**

** Like for like (constant Group structure and exchange rates)(1).*
*** Based on IHS automotive production estimates released on April 16, 2019.*

Original equipment sales were down 3% like for like in first-quarter 2019, outperforming global automotive production by 4 percentage points (IHS estimates):

- **in Europe (including Africa)** (49% of original equipment sales), like-for-like(1) original equipment sales fell 2%, outpacing automotive production by 2 percentage points;
- **in Asia** (29% of original equipment sales), like-for-like(1) original equipment sales contracted by 9%, in line with automotive production, due to an unfavorable customer mix in China and Japan:
  - ✓ in China, like-for-like(1) original equipment sales decreased by 16%, underperforming automotive production by 3 percentage points;
  - ✓ in Japan, like-for-like(1) original equipment sales retreated by 7% (an underperformance of 8 percentage points);
  - ✓ in South Korea, like-for-like(1) original equipment sales advanced by 1%, outperforming automotive production by 1 percentage point thanks in particular to a favorable comparison basis versus the same period in 2018, when performance was impacted by geopolitical tensions between China and South Korea.
- **in North America** (20% of original equipment sales), like-for-like(1) original equipment sales rose 5%, outpacing automotive production by 7 percentage points thanks to a favorable product and customer mix;
- **in South America** (2% of original equipment sales), like-for-like(1) original equipment sales retreated by 1%, outpacing automotive production by 4 percentage points.

[1] See Financial Glossary, page 7.

Balanced geographic alignment of Valeo's businesses

Year-on-year changes in the share of original equipment sales in the four main production regions in first-quarter 2019 were as follows:

- a fall of 1 percentage point for Europe, accounting for 49% of original equipment sales;
- a fall of 2 percentage points for Asia, accounting for 29% of original equipment sales;
- a rise of 3 percentage points for North America, accounting for 20% of original equipment sales;
- stable for South America, accounting for 2% of original equipment sales.

Balanced customer portfolio

Year-on-year changes in the share of original equipment sales among the Group’s customers in first-quarter 2019 were as follows:

- stable for Asian customers, accounting for 32% of original equipment sales;
- a rise of 1 percentage point for German customers, accounting for 30% of original equipment sales;
- a rise of 1 percentage point for US customers, accounting for 19% of original equipment sales;
- a fall of 1 percentage point for French customers, accounting for 14% of original equipment sales.

Sales by Business Group

	First-quarter				
Business Group sales (in millions of euros)	**2019**	**2018**	**Change in sales**	**Change in OE sales***	**Outperf. vs. IHS****
Comfort & Driving Assistance Systems	964	938	+3%	+0%	+7 pts
Powertrain Systems	1,266	1,326	-5%	-4%	+3 pts
Thermal Systems	1,143	1,140	-0%	-3%	+4 pts
Visibility Systems	1,502	1,514	-1%	-4%	+3 pts
TOTAL	**4,875**	**4,918**	**-1%**	**-3%**	**+4 pts**

** Like for like (constant Group structure and exchange rates)[1].*
*** Based on IHS automotive production estimates released on April 16, 2019.*

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.

Thanks to its original equipment operations, the **Comfort & Driving Assistance Systems Business Group** reported the highest rate of like-for-like[1] growth, outperforming global automotive production by 7 percentage points. The 3% increase was driven by higher content per vehicle (take rates) in the driving assistance business as well as a favorable customer mix in China.

The **Powertrain Systems, Thermal Systems and Visibility Systems Business Groups** reported like-for-like growth in original equipment sales in line with consolidated sales.

[1] See Financial Glossary, page 7.

Highlights

April 5, 2019 – Valeo was named the top patent filer for 2018 by France's INPI industrial property institute and by the European Patent Office for the third year running. With 1,355 patents filed with the INPI (versus 1,100 in 2017) and 784 patents filed with the European Patent Office, Valeo consolidated its position as the most innovative company in France and Europe. Valeo has 59 R&D centers worldwide and approximately 20,000 R&D engineers among its 113,000 or so employees. Innovation is the driving force behind the Group's growth, with innovative products (those that didn't exist three years ago) representing 53% of total order intake in 2018, or 60% including Valeo Siemens eAutomotive.

January 4, 2019 – Mov'InBlue and car-sharing platform Drivy entered into a strategic partnership to speed up the development of self-service car-sharing offers. Mov'InBlue, a smart digital mobility solution, created by Valeo and Capgemini, which specializes in digital mobility services for corporate fleets and car rental companies, and Drivy, Europe's leading car-sharing platform, announced the launch of a connected and interoperable shared mobility solution. Thanks to this solution, fleet managers will be able to make their vehicles available for self-service car-sharing on the Drivy platform.

January 7, 2019 – At CES in Las Vegas for the sixth consecutive year, Valeo unveiled:

- A test in the streets of Las Vegas of its Valeo Drive4U vehicle, the first autonomous car to be fitted exclusively with Valeo sensors that are already series-produced (ultrasound, cameras, lasers, radars and LiDARs) and artificial intelligence;
- Valeo Drive4U® Remote, which can operate autonomous cars remotely when assistance is required or even vital;
- Valeo Voyage XR, which is able to simulate the virtual presence of a person – based in a fixed location – on board the autonomous vehicle during the journey. Based on this innovation, Valeo has designed a new form of communication that allows a "stationary" passenger wearing a virtual reality headset to teleport into a moving vehicle;
- Valeo XtraVue Trailer, which causes a trailer or caravan to appear invisible in the rearview mirror of the vehicle towing it;
- Valeo PictureBeam Monolithic, a high definition lighting system developed in partnership with CREE, the US market leader in the manufacture of LEDs. The solution generates a high definition beam of light on the road without ever blinding other road users and projects information and images onto the pavement.

January 8, 2019 – Valeo signed a partnership agreement with Mobileye to develop a new autonomous vehicle safety standard. At the CES 2019, in Las Vegas, Valeo signed a partnership agreement with Mobileye to develop and promote a new autonomous vehicle safety standard based on Responsibility-Sensitive Safety, Mobileye's mathematical safety model, with the goal of widespread industry adoption.

January 9, 2019 – Valeo entered into a strategic partnership with Meituan for autonomous delivery vehicles. Valeo announced that it had signed a strategic cooperation agreement in last-mile autonomous delivery services with Meituan, China's leading on-demand food delivery platform. Both parties will work together on autonomous delivery vehicles for last-mile delivery.

Upcoming events

Annual Shareholders' Meeting: May 23, 2019

First-half 2019 results: July 24, 2019

Impacts of IFRS 16

On January 13, 2016, the IASB published IFRS 16 – “Leases”. IFRS 16 introduces major changes in the principles for measuring, recognizing and presenting leases in the financial statements of lessees. The Group is currently finalizing its assessment of the impact of applying IFRS 16 on its consolidated financial statements, based on the leases identified and an analysis of their main terms and conditions.

The potential impact at the transition date on the 2019 consolidated financial statements, based on the budget and on the lease contracts in force at the transition date, are as follows:

Item	Nature of impact	Estimated amount
Property, plant and equipment	Increase	440 million euros – 480 million euros
Lease liabilities/Net debt	Increase	440 million euros – 480 million euros
2019 EBITDA*[(1)]	Improvement	0.4 to 0.5 percentage points
2019 financial income and expenses*	Deterioration	Additional financial expense of around 20 million euros
2019 net income before taxes*	-	Minimal

** Estimated cumulative impact at end-December 2019 of contracts restated as part of the January 1, 2019 transition to IFRS 16, based on the 2019 budget.*

The above data are indicative and the actual amounts may differ after the transition options have been finalized and IFRS 16 has been adopted or due to the new leases that may be signed during 2019.

A reconciliation of future minimum lease payments on operating leases under IAS 17 with estimated lease liabilities that will be recognized by the Group under IFRS 16 is presented in Note 6.5 to the consolidated financial statements, included in the 2018 Registration Document.

Financial Glossary

- **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, (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.
- **EBITDA** 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 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 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.

[1] See Financial Glossary, page 7

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 the 2018 Registration Document registered with the AMF on March 29, 2019 (under number D.19-0224).

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.

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