

Sales up 8% to 4,772 million euros

8 percentage point outperformance versus automotive production

Guidance confirmed, excluding the one-off impact of the General Motors strike in the United States

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

"In line with our forecasts, our outperformance accelerated in the third quarter in all of our Business Groups and production regions, including China. This was driven by a customer/product mix that moved back into favorable territory, and by the gradual start of production under contracts in the camera, electrification and lighting segments.

To continue the action plan launched in the first half of the year, we are continuing to roll out our program to reduce costs by more than 100 million euros and further scaling back our capital expenditure by around 200 million euros. This will help improve our operating margin and free cash flow generation in the second half of the year. We confirm our guidance excluding the impact of the General Motors strike."

Paris, October 24, 2019. Consolidated sales totaled 4,772 million euros in the third quarter, a rise of 8% as reported, or 6% like for like⁽¹⁾.

Original equipment sales totaled 4,046 million euros, up 7% as reported, or 5% like for like⁽¹⁾, with the outperformance accelerating to 8 percentage points in the third quarter (from 3 percentage points in the first quarter and 4 percentage points in the second quarter).

All Business Groups outperformed the market during the period, spurred by the start of production of numerous high-tech innovations (cameras and other ADAS-related products, electrification and lighting systems), mainly in Europe, China and North America, where the Group's outperformance is accelerating. In addition, Valeo continued to benefit from the balanced alignment of its businesses across the main automotive production regions and the main automaker customers.

Aftermarket sales were down 3% on a like-for-like basis⁽¹⁾ owing to the slowdown in business in Europe, as well as the closure of operations in Iran.

"Miscellaneous" sales, including tooling revenues, rose by a sharp 46%, confirming the hypothesis of a higher outperformance in the fourth quarter than in the first half.

Consolidated sales for the first nine months of 2019 came out at 14,548 million euros, while nine-month **original equipment sales** (12,266 million euros) slipped 1% like for like⁽¹⁾, beating automotive production by 5 percentage points.

¹ See Financial Glossary, page 7.

2019 Outlook

Valeo is confirming its 2019 guidance (excluding the one-off impact of the General Motors strike), despite the 6% decline in automotive production (versus a previously projected decrease of 4%):

- **accelerating outperformance over the course of the year**, driven by the start of production on projects in the camera, electrification systems and lighting segments;
- continued roll-out of the program, announced in February, to reduce costs by more than 100 million euros and **capital expenditure by around 200 million euros (compared with more than 100 million euros previously)**, the main impact of which is expected to be felt in the second half;
- EBITDA growth (in value terms);
- operating margin excluding share in net earnings of equity-accounted companies (as a % of sales) of between 5.8% and 6.5%, **excluding the one-off impact of the General Motors strike in North America**;
- a “share in net earnings of equity-accounted companies” line which is expected to have a similar impact (in millions of euros) on Valeo’s statement of income in the second half as it did in the first half, due to the Valeo Siemens eAutomotive joint venture and to the challenging environment in China;
- continued free cash flow generation in the second half.

The one-off cost of the General Motors strike is currently estimated at around 160 million euros in sales terms and around 50 million euros in operating margin terms.

Top column module segment

As part of an ongoing review of its business portfolio, the Group has decided to withdraw from the top column module segment and is no longer taking orders for this product line.

Appointment of Gilles Michel as Lead Director of Valeo

Valeo’s Board of Directors unanimously decided to appoint Gilles Michel as Lead Director of Valeo for the remainder of his term of office as a director (i.e., until the close of the Shareholders’ Meeting to be called to approve the financial statements for the year ending December 31, 2021), to replace Georges Pauget. Gilles Michel will have the broadest possible powers to fulfill his duties in this capacity.

In addition, Gilles Michel will replace Georges Pauget as Chairman of the Compensation Committee and as Chairman of the Governance, Appointments & Corporate Social Responsibility Committee.

Georges Pauget will continue to act as a director of Valeo.

On behalf of the Board of Directors, Jacques Aschenbroich would like to thank Georges Pauget for his unwavering commitment and high-quality contribution as Lead Director and as Chairman of both the Compensation Committee and the Governance, Appointments & Corporate Social Responsibility Committee.

Global automotive production

Automotive production (year-on-year change)	First-half 2019	Third-quarter 2019	Nine months ended September 30
	IHS + CPCA*	IHS + CPCA*	IHS + CPCA*
Europe & Africa	-5%	0%	-4%
Asia, Middle East & Oceania	-10%	-6%	-9%
of which China	-16%	-6%	-13%
of which Japan	+3%	+7%	+4%
of which South Korea	+1%	-1%	+1%
of which India	-7%	-20%	-12%
North America	-3%	0%	-2%
South America	-3%	-5%	-4%
TOTAL	-7%	-3%	-6%

* Based on IHS automotive production estimates released on October 16, 2019/CPCA estimates for data relating to China.

Global automotive production contracted by 3% in the third quarter, reflecting a persistently challenging market environment in China (down 6%).

Sales

In the third quarter of 2019, **consolidated sales** rose by 8% as reported, or 6% like for like⁽¹⁾.

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

Changes in Group structure had a negligible impact on sales for the period.

Sales (in millions of euros)	As a % of 2019 nine-month sales	First-half				Third-quarter			
		2019	2018	LFL* change	Change	2019	2018	LFL* change	Change
Original equipment	84%	8,220	8,375	-3%	-2%	4,046	3,781	+5%	+7%
Aftermarket	10%	1,005	1,041	-4%	-4%	477	482	-3%	-1%
Miscellaneous	6%	551	447	+21%	+23%	249	171	+42%	+46%
Total	100%	9,776	9,863	-2%	-1%	4,772	4,434	+6%	+8%

Sales (in millions of euros)	As a % of 2019 nine-month sales	Nine months ended September 30			
		2019	2018	LFL* change	Change
Original equipment	84%	12,266	12,156	-1%	+1%
Aftermarket	10%	1,482	1,523	-3%	-3%
Miscellaneous	6%	800	618	+27%	+29%
Total	100%	14,548	14,297	0%	+2%

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

Original equipment sales totaled 4,046 million euros, up 7% as reported, or 5% like for like⁽¹⁾, with the outperformance accelerating to 8 percentage points in the third quarter (from 3 percentage points in the first quarter and 4 percentage points in the second quarter).

Aftermarket sales declined by 3% on a like-for-like basis⁽¹⁾ owing to the slowdown in business in Europe, as well as the closure of operations in Iran.

¹ See Financial Glossary, page 7.

“Miscellaneous” sales, including tooling revenues, rose by a sharp 46%, confirming the hypothesis of a higher outperformance in the fourth quarter than in the first half.

Consolidated sales for the first nine months of 2019 came out at 14,548 million euros, while nine-month original equipment sales (12,266 million euros) slipped 1% like for like⁽¹⁾, beating automotive production by 5 percentage points.

Change in original equipment sales by destination region

Original equipment sales (in millions of euros)	First-half				Third-quarter				Nine months ended September 30			
	2019	2018	LFL* change	Outperf. vs. IHS/CPCA**	2019	2018	LFL* change	Outperf. vs. IHS/CPCA**	2019	2018	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	4,025	4,132	-2%	+3 pts	1,795	1,709	+5%	+5 pts	5,820	5,841	0%	+4 pts
Asia, Middle East & Oceania	2,381	2,583	-11%	-1 pt	1,286	1,246	-1%	+5 pts	3,667	3,829	-7%	+2 pts
• of which China	861	1,076	-19%	-3 pts	519	488	+5%	+11 pts	1,380	1,564	-11%	+2 pts
• of which Japan	637	654	-8%	-11 pts	325	329	-9%	-16 pts	962	983	-8%	-12 pts
• of which South Korea	651	595	+1%	-1 pt	320	303	+4%	+5 pts	971	898	+1%	0 pts
• of which India	89	105	-15%	-8 pts	41	50	-22%	-2 pts	130	155	-17%	-5 pts
North America	1,624	1,462	+6%	+9 pts	862	731	+14%	+14 pts	2,486	2,193	+9%	+11 pts
South America	190	198	+3%	+6 pts	103	95	+9%	+14 pts	293	293	+5%	+9 pts
TOTAL	8,220	8,375	-3%	+4 pts	4,046	3,781	+5%	+8 pts	12,266	12,156	-1%	+5 pts

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

** Based on IHS automotive production estimates released on October 16, 2019/CPCA estimates for data relating to China.

Original equipment sales were up 5% like for like in third-quarter 2019, outperforming global automotive production by 8 percentage points (IHS/CPCA estimates):

- **in Europe (including Africa)** (44% of original equipment sales), like-for-like⁽¹⁾ original equipment sales rose 5%, outpacing automotive production by 5 percentage points thanks to the start of production on projects in the camera, electrification systems and lighting segments;
- **in Asia** (32% of original equipment sales), like-for-like⁽¹⁾ original equipment sales fell 1%, outpacing automotive production by 5 percentage points:
 - ✓ in China, like-for-like⁽¹⁾ original equipment sales rose 5%, outpacing automotive production by 11 percentage points, driven by the start of production on projects in the camera and lighting segments,
 - ✓ in Japan, like-for-like⁽¹⁾ original equipment sales were down 9%, underperforming automotive production by 16 percentage points, primarily due to an unfavorable customer mix, particularly in thermal solutions;
- **in North America** (21% of original equipment sales), like-for-like⁽¹⁾ original equipment sales rose 14%, outpacing automotive production by 14 percentage points, driven by the start of production on projects in the lighting and thermal solutions segments;
- **in South America** (3% of original equipment sales), like-for-like⁽¹⁾ original equipment sales grew by 9%, outpacing automotive production by 14 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 the first nine months of 2019 were as follows:

- a rise of 3 percentage points for North America, accounting for 21% of original equipment sales;
- stable for Europe, accounting for 48% of original equipment sales;
- stable for South America, accounting for 2% of original equipment sales;
- a fall of 3 percentage points for Asia, accounting for 29% of original equipment sales.

Balanced customer portfolio

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

- a rise of 1 percentage point for German customers, accounting for 31% of original equipment sales;
- a rise of 1 percentage point for American customers, accounting for 19% of original equipment sales;
- stable for Asian customers, accounting for 32% of original equipment sales;
- a fall of 1 percentage point for French customers, accounting for 13% of original equipment sales.

Change in sales by Business Group

Sales by Business Group (in millions of euros)	First-half					Third-quarter				
	2019	2018	Change in OE sales ¹	Change in sales	Outperf. vs. IHS/CPCA ²	2019	2018	Change in OE sales ¹	Change in sales	Outperf. vs. IHS/CPCA ²
Comfort & Driving Assistance Systems	1,938	1,899	-1%	+2%	+6 pts	967	905	+5%	+7%	+8 pts
Powertrain Systems	2,565	2,664	-4%	-4%	+3 pts	1,249	1,190	+6%	+5%	+9 pts
Thermal Systems	2,330	2,341	-4%	-1%	+3 pts	1,130	1,076	+1%	+5%	+4 pts
Visibility Systems	3,014	3,030	-4%	-1%	+3 pts	1,458	1,296	+8%	+13%	+11 pts

Sales by Business Group (in millions of euros)	Nine months ended September 30				
	2019	2018	Change in OE sales ¹	Change in sales	Outperf. vs. IHS/CPCA ²
Comfort & Driving Assistance Systems	2,905	2,804	+1%	+4%	+7 pts
Powertrain Systems	3,814	3,854	-1%	-1%	+5 pts
Thermal Systems	3,460	3,417	-3%	+1%	+3 pts
Visibility Systems	4,472	4,326	0%	+3%	+6 pts

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

² Based on IHS automotive production estimates released on October 16, 2019/CPCA estimates for data relating to China.

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.

All Business Groups significantly outperformed automotive production in the third quarter:

- the **Visibility Systems Business Group** reported the greatest outperformance (up 11 percentage points), spurred by the start of production on projects in North America with US customers in the lighting segment and a slight uptick in business in Europe and China;
- the **Powertrain Systems Business Group** outperformed by 9 percentage points, mainly thanks to launches in the powertrain electrification segment, primarily in Europe;
- the 8 percentage point outperformance in original equipment sales for the **Comfort & Driving Assistance Systems Business Group** was fueled by many new launches in Europe, particularly in front cameras for German and French customers, as well as a favorable customer mix in China;

¹ See Financial Glossary, page 7.

- the **Thermal Systems Business Group's** 4 percentage point outperformance was mainly due to an unfavorable customer mix in Asia, particularly with Nissan and Subaru in Japan. In Europe and North America, the Business Group is benefitting from the start of production on projects with French and American customers, respectively.

Highlights

In October 2019, Valeo and Dana Incorporated announced a global collaboration to bring to market end-to-end 48V hybrid and electric vehicle systems. The first of these will be released in early 2020 with a major European carmaker.

Strengthening Valeo's strategic position in the 48V market, this new offering provides all the components required to fully electrify light vehicles (three- and four-wheel urban vehicles) and hybridize vehicles weighing up to 2.5 tons. They comprise an electric motor and an inverter designed and manufactured by Valeo, and a Spicer® Electrified™ e-Gearbox developed by Dana.

In April 2019, for the third year running, Valeo took first place in France's 2018 INPI industrial property institute rankings, with 1,355 patents published in 2018, versus 1,110 in 2017, consolidating its position as the most innovative company in France. Valeo also ranked as France's leading patent filer with the European Patent Office (EPO), with 784 patents published in 2018 (18th worldwide). These two rankings underline Valeo's commitment to protecting the cornerstone of its strategy: innovation.

In January 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.

In January 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 North American 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.

Upcoming events

Full-year 2019 results: February 20, 2020

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.
- **Operating margin including share in net earnings of equity-accounted companies** corresponds to operating income before other income and expenses.
- **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.

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.

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. In 2018, the Group generated sales of 19.1 billion euros and invested 13% of its original equipment sales in Research and Development. At September 30, 2019, Valeo had 189 plants, 20 research centers, 39 development centers and 15 distribution platforms, and employed 115,520 people in 33 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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