

Prospectus Supplement no. 2 dated 29 May 2018 to the Base Prospectus dated 5 July 2017



Valeo
Euro 4,000,000,000
Euro Medium Term Note Programme
Due from one month from the date of original issue

This prospectus supplement no. 2 (the “**Prospectus Supplement no. 2**”) is supplemental to, and should be read in conjunction with the base prospectus dated 5 July 2017, which was granted visa no. 17-337 on 5 July 2017 by the *Autorité des marchés financiers* (the “**AMF**”), as supplemented by a first supplement which was granted visa no. 17-456 on 4 September 2017 by the AMF (the “**Prospectus Supplement no. 1**”) (the base prospectus, as supplemented by its Prospectus Supplement no. 1, the “**Base Prospectus**”), prepared by Valeo (the “**Issuer**”) with respect to its Euro 4,000,000,000 Euro Medium Term Note Programme (the “**Programme**”). The Base Prospectus as supplemented constitutes a base prospectus for the purposes of Directive 2003/71/EC of November 4, 2003, as amended (the “**Prospectus Directive**”).

Terms defined in the Base Prospectus have the same meaning when used in this Prospectus Supplement no. 2. Application has been made for approval of the Prospectus Supplement no. 2 to the AMF in its capacity as competent authority pursuant to Article 212-2 of its General Regulations (*Règlement Général*) which implements the Prospectus Directive.

This Prospectus Supplement no. 2 has been prepared pursuant to Article 16 of the Prospectus Directive and Article 212-25 of the AMF’s General Regulations (*Règlement Général*) for the purpose of (i) incorporating by reference sections of the 2017 *Document de Référence* of the Issuer for the financial year ended 31 December 2017 in the French language relating to the Issuer filed with the AMF on 29 March 2018 under the number no. D.18-0208 (the “**2017 Reference Document**”) and (ii) giving information with regard to the Issuer and the Notes to be issued under the Programme in addition to the information already contained or incorporated by reference in the Base Prospectus.

As a result, certain modifications have been made to the sections of the Base Prospectus entitled “Cover Page”, “Risk Factors”, “Recent Developments”, “Documents Incorporated by Reference”, “Pro forma Final Terms for use in connection with issues of securities with a denomination of at least €100,000 to be admitted to trading on an EEA regulated market” and “General Information”.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement no. 2 and (b) any other statement in, or incorporated by reference in, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Prospectus Supplement no. 2, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of any Notes issued under the Programme since the publication of the Base Prospectus.

Copies of this Prospectus Supplement no. 2 will be available on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.valeo.com) and copies may be obtained, free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, and at the specified offices of the Paying Agents.

The 2017 Reference Document incorporated by reference in this Prospectus Supplement no. 2 is available on the website of the Issuer (www.valeo.com) and shall be available, upon request and free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, and at the specified offices of the Paying Agents.

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AMENDMENTS TO THE COVER PAGE

The cover page of the Base Prospectus is amended as follow:

“The reference appearing on the cover page of the Base Prospectus to “Directive 2004/39/EC on markets in financial instruments, as amended” shall refer to “Directive 2014/65/EU on markets in financial instruments”.

The following paragraph shall be added before the last paragraph on page 3 of the Base Prospectus:

“MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled **“MiFID II Product Governance”** which will outline the target market assessment in respect of the Notes taking into account the five categories referred to in item 18 of the Guidelines on MiFID II product governance requirements published by ESMA dated 5 February 2018 and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **“distributor”**) should take into consideration such determination; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will have to be made by all relevant Dealers in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **“MiFID Product Governance Rules”**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**“EEA”**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**“MiFID II”**); or (ii) a customer within the meaning of Directive 2002/92/EC (**“IMD”**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the **“PRIIPs Regulation”**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.”

RISK FACTORS

The first sub-section entitled "Risk factors relating to the Issuer" of the section entitled "Risk factors" of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"Risk factors relating to the Issuer

The risk factors relating to the Issuer and its activity are set out in particular in pages 72 to 85 of the *Document de Référence* of the Issuer for the year ended 31 December 2017 incorporated by reference into this Base Prospectus, as set out in the section "Documents Incorporated by Reference" of this Base Prospectus and include the following:

- operational risks, including (i) risks related to the development and launch of new products, (ii) risks related to attracting and retaining talent, (iii) industrial risks related to growth, (iv) cybersecurity and IT systems failure risk, (v) supplier failure risk, (vi) risks related to the automotive equipment industry, (vii) environmental or accident risks (viii) geopolitical risks and (ix) customer credit risk;
- legal risks, including (i) risks related to products and services sold, (ii) intellectual property risks (patents and trademarks), (iii) risks of non-compliance with the Code of Ethics or the law and (iv) claims, litigation, and governmental, legal and arbitration proceedings;
- financial risks, including (i) commodity risk (ii) foreign currency risk, (iii) liquidity risk, (iv) interest rate risk, (v) banking counterparty risk and (vi) equity risk."

A new risk factor entitled "Risks related to Notes which are linked to or referencing to "benchmarks"" shall be added at the end of section 2.3 "Risks related to the structure of a particular issue of Notes" on page 9 of the Base Prospectus.

"Risks related to Notes which are linked to or referencing to benchmarks"

Interest rates and indices, including the London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes (including the value and/or liquidity thereof and/or the return thereon) linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and has been in force since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

Future discontinuance of LIBOR or any other benchmark may adversely affect the value of Floating Rate Notes which reference LIBOR or any other benchmark

On 27 July 2017, the Chief Executive of the UK Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of outstanding Notes of any Series, which may require a Collective Decision of the Noteholders of such Series (as defined in paragraph 2.4, *Modification of the Conditions*, below and as provided in the Terms and Conditions of the Notes), or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes, which refer to LIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which the LIBOR benchmark is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR benchmark which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR."

DOCUMENTS INCORPORATED BY REFERENCE

The section entitled “Documents Incorporated by Reference” of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

“This Base Prospectus should be read and construed in conjunction with the following sections identified in the cross-reference table below of the following documents which have been previously published and have been filed with the *Autorité des marchés financiers* (“**AMF**”) as competent authority in France for the purposes of the Prospectus Directive. Such sections shall be incorporated in, and shall be deemed to form part of, this Base Prospectus:

- (i) the sections identified in the cross-reference table below of the 2017 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 29 March 2018 under no. D.18-0208, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2017 and the related notes thereto (the “**2017 Reference Document**”) save that the third paragraph of the “*Attestation du responsable du Document de référence contenant le rapport financier annuel*” by Mr. Jacques Aschenbroich, *Président-Directeur Général* of the Issuer, referring, inter alia, to the *lettre de fin de travaux* of the statutory auditors of the Issuer on page 441 of such 2017 Reference Document and any reference thereto shall not be deemed incorporated herein;
- (ii) the sections identified in the cross-reference table below of the 2016 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 24 March 2017 under no. D.17-0226, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2016 and the related notes thereto (the “**2016 Reference Document**”) save that the third paragraph of the “*Attestation du responsable du Document de référence contenant un rapport financier annuel*” by Mr. Jacques Aschenbroich, *Président-Directeur Général* of the Issuer, referring, inter alia, to the *lettre de fin de travaux* of the statutory auditors of the Issuer on page 440 of such 2016 Reference Document and any reference thereto shall not be deemed incorporated herein;
- (iii) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 3 May 2016 which received visa no. 16-161 from the AMF (the “**2016 EMTN Conditions**”);
- (iv) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 7 May 2015 which received visa no. 15-178 from the AMF as well as the supplement no. 1 dated 9 March 2016, which received visa no. 16-073 from the AMF (the “**2015 EMTN Conditions**”); and
- (v) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 23 April 2013 which received visa no. 13-174 from the AMF (the “**2013 EMTN Conditions**”, and together with the 2015 EMTN Conditions and the 2016 EMTN Conditions, the “**Previous EMTN Conditions**”).

Free translations in the English language of the 2017 Reference Document and the 2016 Reference Document are available on the Issuer’s website (www.valeo.com). These documents are available for information purposes only and are not incorporated by reference in this Base Prospectus. The only binding versions are the French language versions.

The Issuer will, at the specified office of each Paying Agent for the time being during normal business hours, make available, free of charge, a copy of any or all of the documents incorporated by reference (the “**Documents Incorporated by Reference**”) herein. All Documents Incorporated by Reference in this Base Prospectus will also be available on the website of Valeo (www.valeo.com) and on the website of the *Autorité des marchés financiers* (www.amf-france.org).

The following table cross-references the pages of the Documents Incorporated by Reference. Any information not listed in the cross-reference list but included in the documents incorporated by reference is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended.

Information incorporated by reference <i>(Annex IX of the European Regulation (EC) 809/2004 of 29 April 2004, as amended)</i>	2017 Reference Document	2016 Reference Document
2. STATUTORY AUDITORS		
2.1. Names and addresses of the Issuer's auditors (together with their membership of a professional body)	p. 440	-
2.2. Change of situation of the auditors	-	-
3. RISK FACTORS		
3.1 Risk factors	p. 72 to 85	-
4. INFORMATION ABOUT THE ISSUER		
4.1. History and development of the Issuer		
4.1.1. Legal and commercial name	p. 434	-
4.1.2. Place of registration and registration number	p. 434	-
4.1.3. Date of incorporation and length of life	p. 434	-
4.1.4. Domicile, legal form, legislation, country of incorporation, address and telephone number	p. 434	-
4.1.5. Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	p. 284 and 404	-
5. BUSINESS OVERVIEW		
5.1. Principal activities		
5.1.1. Description of the Issuer's principal activities	p. 42 to 62	-
5.1.2. Competitive position	p. 46, 50, 55 and 59	-
6. ORGANISATIONAL STRUCTURE		
6.1. Description of the group and of the Issuer's position within it	p.41, 436 and 437	-

Information incorporated by reference <i>(Annex IX of the European Regulation (EC) 809/2004 of 29 April 2004, as amended)</i>	2017 Reference Document	2016 Reference Document
6.2. Dependence relationships within the group	p. 296 to 305, 314 to 317, 369 to 376, 403, 436 and 437	-
7. TREND INFORMATION		
7.1. Statement of no material adverse change on the Issuer's prospects	p. 284 and 404	-
8. PROFIT FORECASTS OR ESTIMATES		
8.1. Principal assumptions	N/A	-
8.2. Statement by independent accountants or auditors	N/A	-
8.3. Comparable with historical financial information	N/A	-
9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES		
9.1 Information concerning the administrative and management bodies	p. 94 to 135	-
9.2 Conflicts	p. 98 to 100, 135, 136, 138 and 139	-
10. MAJOR SHAREHOLDERS		
10.1. Information concerning control	p. 417 to 424, 430 to 431	-
10.2. Description of arrangements which may result in a change of control	p. 430	-
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
11.1. Historical financial information		
	Consolidated financial statements 2017: p. 286 to 376 - Balance sheet: p. 288 - Income statement: p. 286 - Explanatory notes: p. 291 to 376	Consolidated financial statements 2016: p.284 to 367 - Balance sheet: p.286 - Income statement: p. 284 - Explanatory notes: pages 290 to 367

Information incorporated by reference <i>(Annex IX of the European Regulation (EC) 809/2004 of 29 April 2004, as amended)</i>	2017 Reference Document	2016 Reference Document
	Non consolidated financial statements 2017: p. 383 to 408 - Balance sheet: p. 384 - Income statement: p. 383 - Explanatory notes: p. 386 to 404	Non consolidated financial statements 2016: p. 371 to 393 - Balance sheet: p. 372 - Income statement: p.371 - Explanatory notes: p.375 to 393
11.2. Financial statements	p. 286 to 380 and 383 to 408	p. 284 to 369 and 371 to 394
11.3. Auditing of historical annual financial information		
11.3.1. Statement of audit of the historical annual financial information	p.377 to 380 and 405 to 408	p. 368 to 369 and 394
11.3.2. Other audited information	p. 409 and 410	p. 92, 395 to 398
11.3.3. Unaudited data	N/A	-
11.4. Age of latest financial information		
11.4.1. Age of latest financial information	31 December 2017	-
11.5. Legal and arbitration proceedings	p. 78, 80 to 83, 279, 280, 318, 319, 340 to 342, 391, 392 and 398	-
11.6. Significant change in the Issuer's financial or trading position	p. 284 and 404	-
12. MATERIAL CONTRACTS		
12. Material contracts	p. 438 and 439	-
13. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST		
13.1 Statement by experts	N/A	-
13.2 Statement by third party	N/A	-
14. DOCUMENTS ON DISPLAY		
14. Documents on display	p. 439	-

The Previous EMTN Conditions are incorporated by reference in this Base Prospectus for the purpose only of further issues of notes to be assimilated (*assimilées*) and form a single series with Notes already issued with the Previous EMTN Conditions.

PREVIOUS EMTN CONDITIONS	
2016 EMTN Conditions	Pages 34 to 66
2015 EMTN Conditions	Pages 31 to 61
2013 EMTN Conditions	Pages 28 to 58

RECENT DEVELOPMENTS

The section entitled “Recent Developments” of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

“The following recent developments have been published by the Issuer:

26 April 2018 press release:

Consolidated sales up 3% to 4.9 billion euros in first-quarter 2018

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

“In line with the medium-term growth plan presented in London in February 2017, Valeo’s organic growth will accelerate in 2018 and 2019, supported by our order intake, especially in the fields of vehicle electrification and intuitive driving.

Given the strong basis of comparison in 2017, when organic growth reached 13% in the first quarter, we recorded limited organic growth in first-quarter 2018, with reported growth coming in at 3%, and like-for-like growth at 1%. However, taking into account the acquisitions carried out in 2017, and at constant exchange rates, Valeo’s growth came to 8.5% for the period.

Moving forward, our organic growth will accelerate sharply over the rest of the year, to between 5% and 6% in the second quarter, and around 7% in the second half.”

For the sake of consistency, the figures are presented under the same accounting principles as in 2017 (i.e., before the application of IFRS 15). The impact of IFRS 15 (0.7% of sales) is presented on pages 6 and 7 of this document.

First-quarter 2018

- **Consolidated sales of 4,917 million euros**, up 3% (up 1% on a like-for-like basis⁽¹⁾)
- **Original equipment sales of 4,275 million euros**, up 2% (up 1% on a like-for-like basis⁽¹⁾):

Original equipment sales by destination (in millions of euros)	First-quarter				
	2018	2017	LFL ⁺ change	Outperformance vs. LMC ^{**}	Outperformance vs. IHS ^{***}
Europe & Africa	2,081	2,001	+1%	-2 pts	+1 pt
Asia, Middle East & Oceania	1,296	1,189	+1%	0 pts	+2 pts
of which China	551	564	-3%	-2 pts	0 pts
excluding China	745	625	+4%	+1 pt	+3 pts
North America	796	895	-2%	+1 pt	+1 pt
South America	102	89	+29%	+18 pts	+17 pts
TOTAL	4,275	4,174	+1%	0 pts	+2 pts

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

^{**} Based on LMC automotive production estimates released on April 10, 2018.

^{***} Based on IHS automotive production estimates released on April 16, 2018.

- **Aftermarket sales up 7%** (up 3% on a like-for-like basis⁽¹⁾)

Outlook: February 2018 guidance confirmed

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 those of February 2018.

¹ See Financial Glossary, page 9.

The Valeo Group confirms its objectives:

- nominal sales growth of around 8% for 2018;
- like-for-like growth in original equipment sales of:
 - between 5% and 6% in the second quarter,
 - around 5% in 2018, 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.

Valeo Siemens eAutomotive:

- Valeo Siemens eAutomotive had a strong order intake of 6.1 billion euros in 2017 and a cumulative 10 billion euros at end-February 2018;
- to accommodate its fast-paced expansion going forward, Valeo Siemens eAutomotive will bear the costs required to push ahead with ongoing projects and structure its organization. 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, April 25, 2018 – Following the meeting of its Board of Directors today, Valeo released its sales figures for the first quarter of 2018:

Global automotive production growth

In the first quarter of 2018, automotive production rose 1% compared with first-quarter 2017, according LMC.

Growth in automotive production was driven by:

- continued expansion in Europe (up 3%) and in Asia excluding China (up 3%);
- the upturn in production in South America (up 11%).

Automotive production contracted by 1% in China and by 3% in North America.

Automotive production (year-on-year change)	First-quarter – LMC*	First-quarter – IHS**
Europe & Africa	+3%	0%
Asia, Middle East & Oceania	+1%	-1%
<i>of which China</i>	-1%	-3%
<i>excluding China</i>	+3%	+1%
North America	-3%	-3%
South America	+11%	+12%
TOTAL	+1%	-1%

* Based on LMC automotive production estimates released on April 10, 2018.

** Based on IHS automotive production estimates released on April 16, 2018.

Sales growth⁽²⁾

In the first quarter of 2018, sales were up 3% (up 1% like for like⁽³⁾).

Changes in exchange rates had a negative 5.4% impact during the period, primarily reflecting the appreciation of the euro against the US dollar, Chinese renminbi and Japanese yen.

² Before application of IFRS 15.

³ See Financial Glossary, page 9.

Changes in Group structure had a positive 7.5% impact over the period, following:

- the takeover of Ichikoh, which was fully consolidated in the Group's financial statements as from February 1, 2017. Ichikoh contributed 100 million euros to consolidated sales in January 2018;
- the acquisition of FTE automotive at the end of October 2017, which contributed 140 million euros to consolidated sales in first-quarter 2018;
- 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 119 million euros to consolidated sales in first-quarter 2018.

Sales (in millions of euros)	As a % of Q1 2018 sales	First-quarter			
		2018	2017	Reporte d change	LFL* chang e
Original equipment	87%	4,275	4,174	+2%	+1%
Aftermarket	11%	523	487	+7%	+3%
Miscellaneous	2%	119	106	+12%	-2%
Total	100%	4,917	4,767	+3%	+1%

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

It should be noted that the integration of Ichikoh, FTE automotive and Valeo-Kapec is going according to plan.

Original equipment sales were up 2% (up 1% like for like⁽¹⁾) after taking into account the negative 0.3 percentage point impact resulting from the decline in Hyundai's sales in China.

Aftermarket sales rose by 3% over the period on a like-for-like basis⁽¹⁾.

Miscellaneous sales, mainly consisting of tooling revenues related to the launch of new projects, fell 2% like for like⁽¹⁾.

Original equipment sales growth by geographic area

Original equipment sales advanced 1% like for like in first-quarter 2018:

Original equipment sales by destination (in millions of euros)	First-quarter				
	2018	2017	LFL* change	Outperforman ce vs. LMC**	Outperforman ce vs. IHS***
Europe & Africa	2,081	2,001	+1%	-2 pts	+1 pt
Asia, Middle East & Oceania	1,296	1,189	+1%	0 pts	+2 pts
of which China	551	564	-3%	-2 pts	0 pts
excluding China	745	625	+4%	+1 pt	+3 pts
North America	796	895	-2%	+1 pt	+1 pt
South America	102	89	+29%	+18 pts	+17 pts
TOTAL	4,275	4,174	+1%	0 pts	+2 pts

* Like for like (constant Group structure and exchange rates)⁽⁴⁾.

** Based on LMC automotive production estimates released on April 10, 2018.

*** Based on IHS automotive production estimates released on April 16, 2018.

In first-quarter 2018, the Group's like-for-like growth was in line with global automotive production, as estimated by LMC. This performance was achieved despite the negative impact (-0.3 percentage points of growth) resulting from the decline in Hyundai's sales in China:

- in **Europe** (including Africa), like-for-like original equipment sales rose 1%, underperforming automotive production (LMC estimates) by 2 percentage points. Excluding Russia, the underperformance came in at around 1 percentage point;

⁴ See Financial Glossary, page 9.

- in **China**, like-for-like original equipment sales fell 3%, underperforming automotive production (LMC estimates) by 2 percentage points;
- in **Asia excluding China**, like-for-like original equipment sales were up 4%, outpacing automotive production (LMC estimates) by 1 percentage point. The Group's performance in South Korea was particularly impacted (negative impact of 5.6 percentage points of growth) by the Group's exposure to South Korean customers, given the difficult geopolitical climate between China and South Korea;
- in **North America**, like-for-like original equipment sales fell by 2%, outpacing automotive production (LMC estimates) by 1 percentage point;
- in **South America**, like-for-like original equipment sales surged 29%, outpacing automotive production (LMC estimates) by 18 percentage points.

Balanced geographic alignment of Valeo's businesses

Taking account of the external growth transactions carried out in 2017, year-on-year changes in the share of original equipment sales in the four main production regions were as follows during first-quarter 2018:

- a rise of 2 percentage points for Asia, accounting for 30% of original equipment sales;
- a rise of 2 percentage points for Europe, accounting for 50% of original equipment sales;
- a fall of 4 percentage points for North America, accounting for 18% of original equipment sales;
- stable for South America, accounting for 2% of original equipment sales.

Balanced customer portfolio

Taking account of the external growth transactions carried out in 2017, year-on-year changes in the share of original equipment sales among the Group's customers were as follows during first-quarter 2018:

- a rise of 1 percentage point for Asian customers, accounting for 33% of original equipment sales, further to the takeover of Ichikoh as of February 1, 2017 and the creation of Valeo-Kapec, fully consolidated since December 1, 2017;
- German customers accounted for 28% of original equipment sales, stable year on year;
- US customers accounted for 18% of original equipment sales, down 1 percentage point;
- French customers⁽⁵⁾ accounted for 15% of original equipment sales, stable year on year.

Original equipment sales growth by Business Group

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)	First-quarter			
	2018	2017	Change in sales	Change in OE sales**
Comfort & Driving Assistance Systems	913	938	-3%	+1%
Powertrain Systems	1,310	1,105	+19%	-1%
Thermal Systems	1,240	1,312	-6%	+2%
Visibility Systems	1,491	1,458	+2%	+1%
Group	4,917	4,767	+3%	+1%

* Including intersegment sales.

** Like for like (constant Group structure and exchange rates)⁽⁶⁾.

⁵ Including Opel.

⁶ See Financial Glossary, page 9.

Overall sales for the **Powertrain Systems Business Group**, which rose 19%, include the contributions of FTE automotive and Valeo-Kaptec, which have been fully consolidated in Valeo's consolidated financial statements since November 1, 2017 and December 1, 2017, respectively. In first-quarter 2018, original equipment sales for the Powertrain Systems Business Group fell 1% on a like-for-like basis, after taking into account the negative 1.4 percentage point impact resulting from the difficult geopolitical climate between China and South Korea.

Application of the new IFRS 15 standard

Valeo has applied IFRS 15 since January 1, 2018, with comparative periods restated.

Impact on first-quarter 2018 and first-quarter 2017 sales:

- under IFRS 15, customer contributions to Research and Development (including prototypes), which were previously accounted for as a deduction from "Research and Development expenditure, net", are now presented in sales under "Miscellaneous". This reclassification to sales represented a positive amount of 85 million euros for first-quarter 2018 and 83 million euros for first-quarter 2017, and is expected to impact net Research and Development expenditure as a percentage of sales by 2 percentage points;
- under IFRS 15, the external cost of components imposed by customers (for which Valeo acts as an agent within the meaning of IFRS 15), which was previously accounted for in original equipment sales, is now presented as a deduction from "Raw materials consumed". This reclassification represented a negative amount of 121 million euros for first-quarter 2018 and 107 million euros for first-quarter 2017. It mainly concerns the Thermal Systems Business Group's front-end module operations.

Impact of IFRS 15

Sales (in millions of euros)	Q1 2018		Q1 2017		Q1 2018/Q1 2017 (LFL ⁷)	
	Before IFRS 15	After IFRS 15	Before IFRS 15	After IFRS 15	Non-IFRS 15	IFRS 15
Original equipment	4,275	4,154	4,174	4,067	+1%	0%
Aftermarket	523	523	487	487	+3%	+3%
Miscellaneous	119	204	106	189	-2%	+1%
TOTAL	4,917	4,881	4,767	4,743	+1%	0%

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

Original equipment sales by geographic area under IFRS 15

Original equipment sales by destination (in millions of euros)	First-quarter				
	2018	2017*	LFL** change	Outperforman ce vs. LMC***	Outperforman ce vs. IHS****
Europe & Africa	2,072	1,990	+1%	-2 pts	+1 pt
Asia, Middle East & Oceania	1,263	1,167	0%	-1 pt	+1 pt
of which China	526	545	-4%	-3 pts	-1 pt
excluding China	737	622	+3%	0 pts	+2 pts
North America	717	821	-4%	-1 pt	-1 pt
South America	102	89	+28%	+17 pts	+16 pts
TOTAL	4,154	4,067	0%	-1 pt	+1 pt

* The amounts differ from those presented in the first-quarter 2017 sales press release published in April 2017, since they have been adjusted to reflect the impact of applying IFRS 15.

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

*** Based on LMC automotive production estimates released on April 10, 2018.

**** Based on IHS automotive production estimates released on April 16, 2018.

⁷ See Financial Glossary, page 9.

Sales by Business Group under IFRS 15

Sales by Business Group* (in millions of euros)	First-quarter			
	2018	2017**	Change in sales	Change in OE sales***
Comfort & Driving Assistance Systems	938	962	-3%	+1%
Powertrain Systems	1,326	1,117	+19%	-1%
Thermal Systems	1,140	1,224	-7%	-1%
Visibility Systems	1,514	1,485	+2%	+1%
Group	4,881	4,743	+3%	0%

* Including intersegment sales.

** The amounts differ from those presented in the first-quarter 2017 sales press release published in

April 2017, since they have been adjusted to reflect the impact of applying IFRS 15.

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

2017 quarterly sales by type

Sales (in millions of euros)	Published (before application of IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017
Original Equipment	4,174	4,061	3,751	4,134	16,120
Aftermarket	487	476	446	478	1,887
Miscellaneous	106	160	104	173	543
TOTAL	4,767	4,697	4,301	4,785	18,550

Sales (in millions of euros)	Pro forma (restated under IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017*
Original Equipment	4,067	3,960	3,648	4,021	15,696
Aftermarket	487	476	446	478	1,887
Miscellaneous	189	254	175	283	901
TOTAL	4,743	4,690	4,269	4,782	18,484

* Restated 2017 data unaudited.

Sales (in millions of euros)	Adjustment (restatement under IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017
TOTAL	(24)	(7)	(32)	(3)	(66)

2017 quarterly sales by Business Group

Sales (in millions of euros)	Published (before application of IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017
Comfort & Driving Assistance Systems	938	899	859	894	3,590
Powertrain Systems	1,105	1,058	963	1,174	4,300
Thermal Systems	1,312	1,282	1,157	1,252	5,003
Visibility Systems	1,458	1,495	1,355	1,500	5,808
Group	4,767	4,697	4,301	4,785	18,550

Sales <small>(in millions of euros)</small>	Pro forma (restated under IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017*
Comfort & Driving Assistance Systems	962	927	878	932	3,699
Powertrain Systems	1,117	1,072	972	1,190	4,351
Thermal Systems	1,224	1,201	1,070	1,167	4,662
Visibility Systems	1,485	1,529	1,381	1,526	5,921
Group	4,743	4,690	4,269	4,782	18,484

* Restated 2017 data unaudited.

Sales <small>(in millions of euros)</small>	Adjustment (restatement under IFRS 15)				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full-year 2017
Group	(24)	(7)	(32)	(3)	(66)

Highlights

On March 7, 2018, Valeo entered into an agreement with an Investment Services Provider to buy back Valeo shares, within the limit of 100 million euros, which will be fully allocated to cover the implementation of stock option purchase plans, performance share plans and company savings plans, as well as the allotment of shares to employees.

On April 12, 2018, Valeo entered into a partnership agreement with NTT Docomo, Japan's leading mobile operator, to jointly develop and offer connectivity solutions for vehicles. Under the agreement, Valeo and Docomo will combine their respective expertise and solutions to offer telecommunication services and onboard equipment for connected cars, including next-generation mobility services (5G/V2X⁽⁸⁾), digital services for cars using smartphones, and enhanced controls for onboard equipment.

Upcoming events

First-half 2018 results: July 25, 2018

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, 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.

2 May 2018 press release:

Valeo announces an employee share offering

Valeo announces the launch of a share subscription offering reserved for employees. Around 95 000 Group employees are eligible to the offering proposed in 22 countries.

The main terms of this offering are described below.

ISSUER

Valeo, a French Société Anonyme with a share capital of EUR 239,653,121 having its registered office at 43, rue Bayen – 75017 Paris Cedex 17 – France, and registered in the trade registry of Paris under number 552 030 967 (the “Company”) Listed on Euronext Paris (France)
ISIN code: FR0013176526 FR

⁸ V2X (vehicle-to-everything): a telecommunication solution that allows vehicles equipped with the necessary technology to communicate with any device in the vehicle or on the road, e.g., a pedestrian's smartphone, etc.

PURPOSE OF THE OFFERING

This plan is part of the development of the employee shareholding policy of Valeo in France and abroad with the goal to involve employees in the performance of the Group.

CONTEXT OF THE OFFER – SECURITIES OFFERED

The offer is proposed pursuant to Articles L. 3332-18 et seq. of the French Labor Code, in the context of the French group savings plan (*plan d'épargne de groupe, PEG*) and the international group savings plan (*plan d'épargne de groupe international, PEGI*) of Valeo.

The subscription of shares is made on the basis of the Company's shareholder's authorization given by the 18th resolution of the extraordinary general meeting of shareholders of May 23, 2017. Employees subscribing to offering out of France will benefit from the grant of shares for free based on the 20th resolution of the extraordinary general meeting of shareholders of May 26, 2016.

The share subscription offering covers a maximum of 600,000 Valeo shares with a nominal value of EUR 1 per share.

The shares will bear immediate dividend entitlements and will be fully fungible with existing shares upon their issuance.

SUBSCRIPTION TERMS

Beneficiaries of the offering

The offering is proposed to employees having a seniority of at least three months, achieved consecutively or not, between January 1, 2017 and the last day of the subscription period with a Valeo Group company member of the PEG or the PEGI, as the case may be. The scope of implementation of the offering comprises the following countries: France, Belgium, Brazil, China, Czech Republic, Egypt, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Romania, South Korea, Spain, Thailand, Turkey and USA.

The offer is also open in France to the employees on retirement or pre-retirement having kept assets in the PEG since their departure from the group.

Subscription formula

Employees may subscribe shares either through the company shareholding fund (fonds commun de placement d'entreprise, FCPE) "Shares4U Relais 2018" intended to merge with the FCPE "Valeorizon" after the approval of the Supervisory board of the FCPE and of the AMF, or, in some countries, through direct shareholding. The employee's investment will fluctuate in the same manner as the price of the Valeo share, both increasing or decreasing.

The subscription of shares allows employees subscribing in context of the PEG to benefit from a matching contribution of their employer.

Outside of France, employees will be awarded conditional shares for free according to the terms and conditions of the plan rules adopted by the Company. The free shares are existing shares of Valeo which have been repurchased by the Company.

Custody of shares – Exercise of voting rights

Subscription is carried out through an FCPE or, in certain countries, by direct shareholding.

When the shares are subscribed through an FCPE, the voting rights are exercised by the Supervisory Board (conseil de surveillance) of the FCPE.

With regard to the shares subscribed for directly, the voting rights are exercised by the subscribers.

Subscription price

The subscription price is set at 43,58 euros. It corresponds to the average of opening prices of Valeo shares on 20 trading days from April 3, 2018 to April 30, 2018 inclusive, after a discount of 20%.

Subscription period

The beneficiaries may subscribe to the offering from May 2, 2018 (inclusive) to May 16, 2018 (inclusive).

Lock-up of the shares

Subject to specific provisions applicable in certain countries, the FCPE units as well as the shares subscribed directly will be subject to a lock-up period of 5 years as provided for in the PEG and the PEGI, except early exit event provided for in Articles L. 3332-25 and R. 3324-22 of the French Labor Code, and as applicable in different countries of implementation of the offering.

CAPITAL INCREASE AND LISTING OF SHARES

The capital increase and the delivery of Valeo shares under the offer should take place on June 28, 2018. An application for listing on Euronext Paris of the Valeo shares issued in the context of this offering will be filed as soon as possible following the capital increase on the same line of listing as the existing shares.

LEGAL NOTICE

This press release should not be considered as a form of canvassing or solicitation for the subscription of Valeo shares.

The offering is strictly reserved to the beneficiaries mentioned in this press release and will be implemented only in countries where such an offering has been registered or notified to the competent local authorities and/or following the approval of a prospectus by the competent local authorities or in consideration of exemption from the requirement to prepare a prospectus or to proceed to registration or notification of the offering.

More generally, the offering will only be conducted in countries where all procedures of registering and/or notifications have been completed and the necessary authorizations have been obtained.

CONTACT

For any questions regarding the offering, beneficiaries may contact their Human Resources manager and/or any other person as indicated in the documentation relating to the offering provided to beneficiaries.

This document is established under Articles 212-4, 5° and 212-5, 6° of the General Regulations of the French *Autorité des marchés financiers* (AMF) and Article 19 of the AMF Instruction DOC-2016-04."

**PRO FORMA FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF
SECURITIES WITH A DENOMINATION OF AT LEAST €100,000
TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET**

The following introductory paragraph is inserted immediately following the section heading entitled “Pro forma Final Terms for use in connection with issues of securities with a denomination of at least €100,000 to be admitted to trading on an EEA regulated market” of the Base Prospectus:

“**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes taking into account the five categories referred to in item 18 of the Guidelines on MiFID II product governance requirements published by ESMA dated 5 February 2018, has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.”

Part B, paragraph 5 of the section entitled “Pro forma Final Terms for use in connection with issues of securities with a denomination of at least €100,000 to be admitted to trading on an EEA regulated market” of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“5. [Floating Rate Notes only – HISTORIC INTEREST RATES

Historic Interest Rate

Details of historic [LIBOR/LIBID/LIMEAN/CMS/EURIBOR/other] rates can be obtained from [•].]

Benchmarks:

Amounts payable under the Notes will be calculated by reference to [•] which is provided by [•]. As at [•],[•] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “**Benchmark Regulation**”). [As far as the Issuer is aware the transitional provisions in Article 51 of the Benchmark Regulation apply, such that [•] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]/[Not Applicable]”

GENERAL INFORMATION

The section entitled “General Information” of the Base Prospectus is amended as follows:

1. The paragraph (3) is deleted in its entirety and replaced by the following:

“Save as disclosed in this Base Prospectus (including the Documents Incorporated by Reference), there has been no material adverse change in the prospects of the Issuer since 31 December 2017.”

2. The paragraph (4) is deleted in its entirety and replaced by the following:

“Save as disclosed in this Base Prospectus (including the Documents Incorporated by Reference), there has been no significant change in the financial or trading position of the Issuer since 31 December 2017.”

3. The paragraph (5) is deleted in its entirety and replaced by the following:

“Save as disclosed in this Base Prospectus (including the Documents Incorporated by Reference), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of 12 months prior to the date of this Base Prospectus which, to the Issuer’s knowledge, may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer..”

4. The following paragraph is added:

“Benchmarks Regulation

Amounts payable under the Floating Rate Notes may be calculated by reference to EURIBOR or LIBOR which are respectively provided by the European Money Markets Institute (“EMMI”) and ICE Benchmark Administration Limited (“ICE”). The ICE has been authorised as a regulated benchmark administrator pursuant to Article 34 of Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”) and appears on the public register of administrators established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to Article 36 of the Benchmarks Regulation. As at the date of this Base Prospectus, the EMMI does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that EMMI is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The relevant Final Terms in respect of an issue of Floating Rate Notes may specify the relevant benchmark, the relevant administrator and whether such administrator appears on the ESMA register referred to above. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update this Base Prospectus or the relevant Final Terms to reflect any change in the registration status of the administrator.”

PERSON RESPONSIBLE FOR THE PROSPECTUS SUPPLEMENT NO. 2

Person responsible for this Prospectus Supplement no. 2

Jacques Aschenbroich, Chairman of the Board of Directors and Chief Executive Officer

Declaration by the person responsible for this Prospectus Supplement no. 2

I declare, after having taken all reasonable care to ensure that such is the case and to the best of my knowledge, that the information contained in this Prospectus Supplement no. 2 is in accordance with the facts and contains no omission likely to affect its import.

Paris, 29 May 2018

Valeo
43, rue Bayen
75848 Paris Cedex 17
France

Duly represented by Jacques Aschenbroich
Chairman of the Board and Chief Executive Officer



Autorité des marchés financiers

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* (the "AMF"), in particular Articles 212-31 to 212-33, the AMF has granted to this Prospectus Supplement no. 2 the visa n°18-207 on 29 May 2018. This Prospectus Supplement no. 2 was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply an approval by the AMF of the opportunity of the transactions contemplated hereby nor that the AMF has verified the accounting and financial data set out in it. In accordance with Article 212-32 of the AMF's General Regulations, any issuance or admission to trading of notes on the basis of the Base Prospectus, as supplemented by this Prospectus Supplement no. 2, shall be subject to the publication of Final Terms setting out the terms of the securities being issued