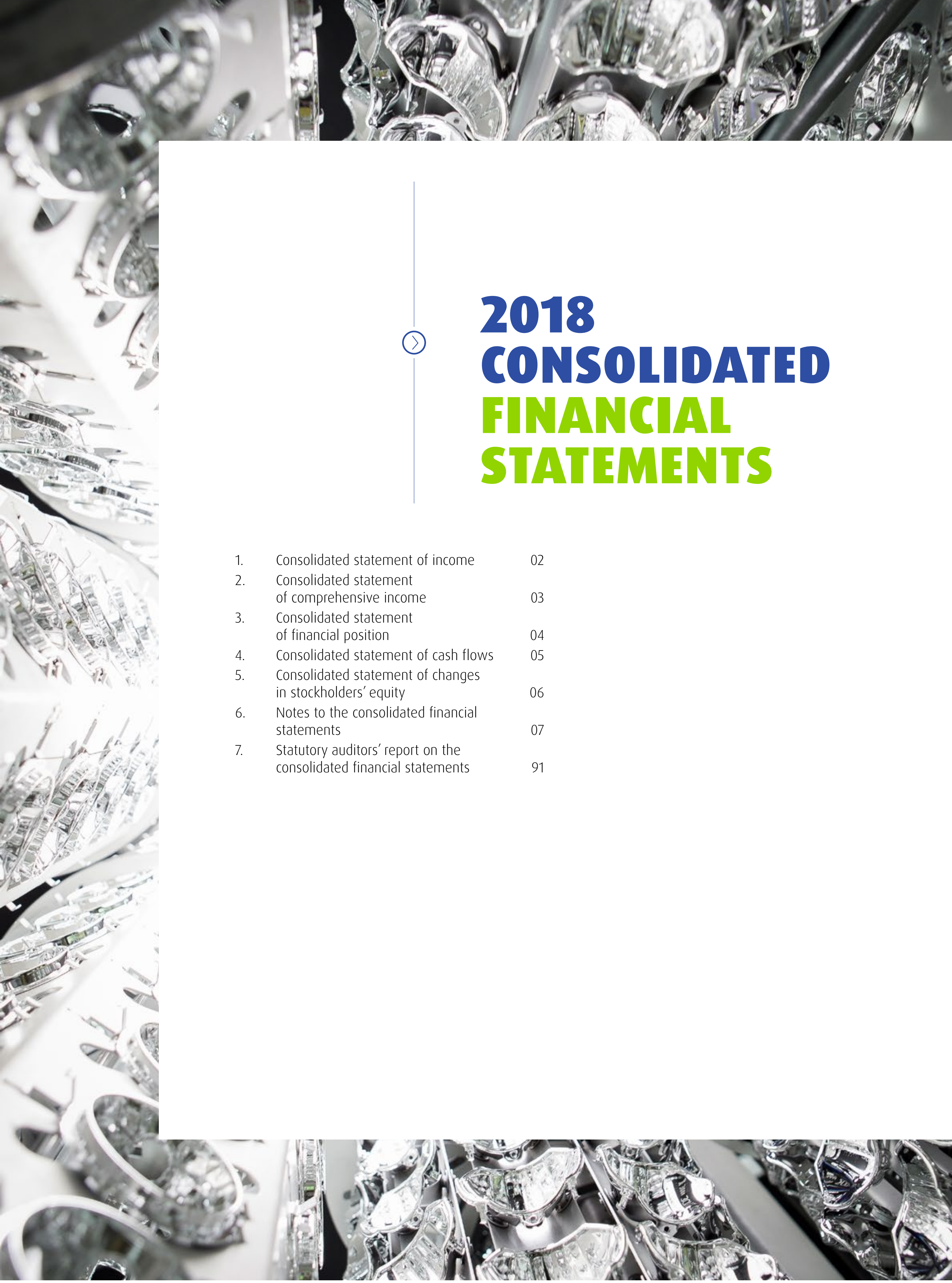


2018 CONSOLIDATED FINANCIAL STATEMENTS

2018 Consolidated Financial Statements

1. Consolidated statement of income

(in millions of euros)	*Notes*	2018	2017 restated[(1)]
SALES	*4.1*	**19,124**	**18,484**
Cost of sales	*4.3*	(15,450)	(14,652)
Research and Development expenditure	*4.5.1*	(1,560)	(1,494)
Selling expenses		(316)	(303)
Administrative expenses		(595)	(587)
OPERATING MARGIN		**1,203**	**1,448**
as a % of sales		6.3%	7.8%
Share in net earnings (losses) of equity-accounted companies	*4.5.3.1*	(111)	20
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.5*	**1,092**	**1,468**
as a % of sales		5.7%	7.9%
Other income and expenses	*4.6.2*	(56)	(66)
OPERATING INCOME INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.6.1*	**1,036**	**1,402**
Cost of net debt	*8.2.1*	(66)	(75)
Other financial income and expenses	*8.2.2*	(25)	(47)
INCOME BEFORE INCOME TAXES		**945**	**1,280**
Income taxes	*9.1*	(303)	(324)
NET INCOME FOR THE YEAR		**642**	**956**
Attributable to:			
▪ Owners of the Company		546	877
▪ Non-controlling interests	*10.1.4*	96	79
Earnings per share:			
▪ Basic earnings per share *(in euros)*	*10.2*	2.30	3.69
▪ Diluted earnings per share *(in euros)*	*10.2*	2.28	3.64

(1) The consolidated statement of income for the year ended December 31, 2017 differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of retrospectively applying new standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see Notes 1.1.1 and 1.2), and of allocating the purchase price for FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

The Notes are an integral part of the consolidated financial statements.

2. Consolidated statement of comprehensive income

(in millions of euros)	2018	2017 restated[1]
NET INCOME FOR THE YEAR	**642**	**956**
Share of changes in comprehensive income from equity-accounted companies that may subsequently be recycled to income	1	(7)
o/w income taxes	*-*	*-*
Translation adjustment	62	(330)
Cash flow hedges:		
■ Gains (losses) taken to equity	(7)	44
■ (Gains) losses transferred to income for the year	(4)	(26)
o/w income taxes	*(4)*	*(1)*
Remeasurement of available-for-sale financial assets	(18)	4
o/w income taxes	*3*	*(1)*
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY SUBSEQUENTLY BE RECYCLED TO INCOME	**34**	**(315)**
Share of changes in comprehensive income from equity-accounted companies that may not subsequently be recycled to income	-	-
o/w income taxes	*-*	*-*
Actuarial gains (losses) on defined benefit plans	16	51
o/w income taxes	*34*	*(18)*
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY NOT SUBSEQUENTLY BE RECYCLED TO INCOME	**16**	**51**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**50**	**(264)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**692**	**692**
Attributable to:		
■ Owners of the Company	589	634
■ Non-controlling interests	103	58

(1) The consolidated statement of comprehensive income for the year ended December 31, 2017 differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of retrospectively applying new standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see Notes 1.1.1 and 1.2), and of allocating the purchase price for FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

The Notes are an integral part of the consolidated financial statements.

3. Consolidated statement of financial position

(in millions of euros)	*Notes*	December 31, 2018	December 31, 2017 restated[(1)]
ASSETS			
Goodwill	*6.1*	2,550	2,512
Other intangible assets	*6.2*	2,419	2,042
Property, plant and equipment	*6.3*	4,621	4,110
Investments in equity-accounted companies	*4.5.3.2*	187	360
Other non-current financial assets	*8.1.1*	590	419
Assets relating to pensions and other employee benefits	*5.3*	4	5
Deferred tax assets	*9.2*	486	458
NON-CURRENT ASSETS		**10,857**	**9,906**
Inventories, net	*4.4*	1,906	1,706
Accounts and notes receivable, net	*4.2*	2,781	2,906
Other current assets		522	484
Taxes receivable		34	42
Other current financial assets	*8.1.1*	15	40
Cash and cash equivalents	*8.1.3.2*	2,357	2,436
Assets held for sale	*2.2.2.1*	-	41
CURRENT ASSETS		**7,615**	**7,655**
TOTAL ASSETS		**18,472**	**17,561**
EQUITY AND LIABILITIES			
Share capital	*10.1.1*	240	240
Additional paid-in capital	*10.1.1*	1,513	1,487
Translation adjustment	*10.1.3*	17	(36)
Retained earnings		2,801	2,696
STOCKHOLDERS' EQUITY		**4,571**	**4,387**
Non-controlling interests	*10.1.4*	807	719
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**5,378**	**5,106**
Provisions for pensions and other employee benefits – long-term portion	*5.3*	1,051	1,019
Other provisions – long-term portion	*7.1*	357	397
Long-term portion of long-term debt	*8.1.2*	3,466	3,227
Other financial liabilities – long-term portion	*8.1.1*	16	162
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	*8.1.2.2*	17	17
Subsidies and grants – long-term portion		56	43
Deferred tax liabilities	*9.2*	89	119
NON-CURRENT LIABILITIES		**5,052**	**4,984**
Accounts and notes payable		4,475	4,395
Provisions for pensions and other employee benefits – current portion	*5.3*	104	117
Other provisions – current portion	*7.1*	273	207
Subsidies and grants – current portion		39	19
Taxes payable		125	116
Other current liabilities		1,569	1,453
Current portion of long-term debt	*8.1.2*	434	383
Other financial liabilities – current portion	*8.1.1*	42	15
Liabilities associated with put options granted to holders of non-controlling interests – current portion	*8.1.2.2*	72	65
Short-term debt	*8.1.2.3*	900	664
Liabilities held for sale	*2.2.2.1*	9	37
CURRENT LIABILITIES		**8,042**	**7,471**
TOTAL EQUITY AND LIABILITIES		**18,472**	**17,561**

(1) The consolidated statement of financial position at December 31, 2017 differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of retrospectively applying new standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see Notes 1.1.1 and 1.2), and of allocating the purchase price for FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

The Notes are an integral part of the consolidated financial statements.

4. Consolidated statement of cash flows

(in millions of euros)	*Notes*	2018	2017 restated[(1)]
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year[(1)]		642	956
Share in net (earnings) losses of equity-accounted companies		111	(20)
Net dividends received from equity-accounted companies		64	46
Expenses (income) with no cash effect[(1)]	*11.1*	1,180	884
Cost of net debt[(1)]		66	75
Income taxes (current and deferred)[(1)]		303	324
GROSS OPERATING CASH FLOWS		**2,366**	**2,265**
Income taxes paid		(267)	(265)
Changes in working capital[(1)]	*11.2*	71	39
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**2,170**	**2,039**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(777)	(627)
Acquisitions of property, plant and equipment		(1,291)	(1,158)
Investment subsidies and grants received		35	9
Disposals of property, plant and equipment and intangible assets		8	31
Net change in non-current financial assets		(212)	(91)
Acquisitions of investments with gain of control, net of cash acquired	*11.3*	(41)	(537)
Acquisitions of investments in associates and/or joint ventures		(2)	(7)
Disposals of investments with loss of control, net of cash transferred	*11.4*	(7)	(1)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(2,287)**	**(2,381)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(296)	(297)
Dividends paid to non-controlling interests in consolidated subsidiaries		(28)	(20)
Capital increase		26	26
Sale (purchase) of treasury stock	*11.5*	(118)	(73)
Issuance of long-term debt	*11.6*	603	1,486
Loan issue costs and premiums	*11.6*	(5)	(7)
Interest paid		(64)	(72)
Interest received		6	9
Repayments of long-term debt	*11.6*	(360)	(630)
Acquisitions of investments without gain of control		(2)	(16)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(238)**	**406**
CASH AND CASH EQUIVALENTS RELATING TO ASSETS HELD FOR SALE		**6**	**(6)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**34**	**(103)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(315)**	**(45)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,772**	**1,817**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,457**	**1,772**
Of which:			
▪ Cash and cash equivalents		2,357	2,436
▪ Short-term debt		(900)	(664)

(1) The consolidated statement of cash flows for the year ended December 31, 2017 differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of retrospectively applying new standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see Notes 1.1.1 and 1.2), and of allocating the purchase price for FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

The Notes are an integral part of the consolidated financial statements.

5. Consolidated statement of changes in stockholders' equity

Number of shares outstanding	*(in millions of euros)*	Share capital	Additional paid-in capital	Cumulative translation adjustment	Retained earnings[1]	Total stockholders' equity including non-controlling interests restated[1]: Stockholders' equity	Non-controlling interests	Total
237,902,266	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2016**	**239**	**1,462**	**282**	**2,134**	**4,117**	**236**	**4,353**
	Adoption of IFRS 15	-	-	-	(30)	(30)	-	**(30)**
	Adoption of IFRS 9	-	-	-	11	11	-	**11**
237,902,266	**STOCKHOLDERS' EQUITY AT JANUARY 1, 2017[1]**	**239**	**1,462**	**282**	**2,115**	**4,098**	**236**	**4,334**
	Dividends paid[2]	-	-	-	(297)	(297)	(20)	**(317)**
(488,256)	Treasury shares[3]	-	-	-	(73)	(73)	-	**(73)**
509,990	Capital increase[4]	1	25	-	-	26	-	**26**
	Share-based payment	-	-	-	27	27	-	**27**
	Put options granted[5]	-	-	-	1	1	(4)	**(3)**
	Other movements[6]	-	-	-	(29)	(29)	449	**420**
	TRANSACTIONS WITH OWNERS	**1**	**25**	**-**	**(371)**	**(345)**	**425**	**80**
	Net income for the year[1]	-	-	-	877	877	79	**956**
	Other comprehensive income (loss), net of tax[1]	-	-	(318)	75	(243)	(21)	**(264)**
	TOTAL COMPREHENSIVE INCOME	**-**	**-**	**(318)**	**952**	**634**	**58**	**692**
237,924,000	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2017[1]**	**240**	**1,487**	**(36)**	**2,696**	**4,387**	**719**	**5,106**
	Dividends paid[2]	-	-	-	(296)	(296)	(28)	**(324)**
(1,236,492)	Treasury shares[3]	-	-	-	(118)	(118)	-	**(118)**
599,979	Capital increase[4]	-	26	-	-	26	-	**26**
	Share-based payment	-	-	-	3	3	-	**3**
	Put options granted[5]	-	-	-	(5)	(5)	(2)	**(7)**
	Other movements[6]	-	-	-	(15)	(15)	15	**-**
	TRANSACTIONS WITH OWNERS	**-**	**26**	**-**	**(431)**	**(405)**	**(15)**	**(420)**
	Net income for the year	-	-	-	546	546	96	**642**
	Other comprehensive income (loss), net of tax	-	-	53	(10)	43	7	**50**
	TOTAL COMPREHENSIVE INCOME	**-**	**-**	**53**	**536**	**589**	**103**	**692**
237,287,487	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2018**	**240**	**1,513**	**17**	**2,801**	**4,571**	**807**	**5,378**

(1) The consolidated statement of changes in stockholders' equity for the years ended December 31, 2016 and December 31, 2017 differs from that presented in the 2016 and 2017 consolidated financial statements, respectively published in February 2017 and February 2018, since it has been adjusted to reflect the impacts of retrospectively applying new standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see Notes 1.1.1 and 1.2), and of allocating the purchase price for FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2.2).

(2) A cash dividend of 1.25 euros per share was paid in 2018, representing a total payout of 296 million euros. The per-share amount was unchanged from June 2017.

(3) Changes in stockholders' equity attributable to treasury shares for 2017 and 2018 include the impact of share buyback programs entered into with an investment services provider on March 6, 2017 in an amount of 75 million euros and on March 7, 2018 in an amount of 100 million euros (see Note 10.1.1.3).

(4) The terms and conditions of the June 28, 2018 capital increase reserved for employees are detailed in Note 10.1.1.1.

(5) This item includes changes in the fair value of liabilities relating to put options granted to holders of non-controlling interests (see Note 8.1.2.2).

(6) Other movements mainly include transactions with owners (see Note 10.1.3).

The Notes are an integral part of the consolidated financial statements.

6. Notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements of the Valeo Group for the year ended December 31, 2018 include:

- the accounts of Valeo;
- the accounts of its subsidiaries;
- Valeo's share in the net assets and earnings of equity-accounted companies (joint ventures and associates).

Valeo is an independent group fully focused on the design, production and sale of components, integrated systems, modules and services for the automotive sector. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of intuitive driving. Valeo is one of the world's leading automotive suppliers and is a partner to all automakers across the globe.

Valeo is a French legal entity listed on the Paris Stock Exchange. Its head office is at 43 rue Bayen, 75017 Paris, France.

Valeo's consolidated financial statements for the year ended December 31, 2018 were authorized for issue by the Board of Directors on February 21, 2019.

They will be submitted for approval to the next Annual Shareholders' Meeting.

1.1 Accounting standards applied

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS as adopted by the European Union can be consulted on the European Commission's website(1).

The financial statements include the information deemed material as required by the ANC in Standard no. 2016-09.

(1) https://ec.europa.eu/info/law.

1.1.1 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2018

The following standards, amendments and interpretations have been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations	**IFRS 15 – Revenue from Contracts with Customers** Effective as of January 1, 2018
Presentation and general principles	On May 28, 2014, the IASB published a standard on revenue recognition, under which revenue must be recognized upon transfer of control of the goods or services sold in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. IFRS 15, and the related clarifications published by the IASB on April 12, 2016, replace IAS 11 and IAS 18, as well as the associated IFRIC and SIC interpretations. The European Union adopted IFRS 15 on September 22, 2016.

Impacts for the Group	Together with the Business Groups and Valeo Service, Valeo selected the principal transactions and contracts representing the Group's current and future activity. These were analyzed in light of the five-step model required by IFRS 15 in order to identify areas where it needs to exercise judgment and any potential changes resulting from application of the standard. The general findings of this analysis are presented below.
	Analysis of the Group's main promises
	For each automotive project, the three main promises made by Valeo to an automaker typically identified within the scope of the analysis are:
	▪ Product Development, which includes determining the intrinsic technical features of parts and those related to the relevant production process. This promise is usually considered to be related to the promise to Supply Parts; any contributions from customers in respect of Product Development are therefore recognized in sales over the period of series production, as the promise to deliver the parts is fulfilled. However, the accounting treatment applied may vary based on each project's specific contractual or operational features;
	▪ Supply of Tooling such as molds and other equipment used to manufacture parts:
	  ▪ for certain businesses, the supply of molds may be considered to be a distinct promise in view of the manner in which control is transferred. In such cases, sales are recognized at the start of series production for the project,
	  ▪ the supply of other equipment used to manufacture parts is considered to be related to the Supply of Parts. Any contributions received in this respect are therefore deferred and recognized over the duration of the manufacturing phase of the project and as the promise to deliver the parts is fulfilled;
	▪ Supply of Parts, sales of which are recognized when control of the parts is transferred to the customer, i.e., generally upon delivery.
	Valeo also considers that the contractual promise made to the automaker in the form of warranties for the parts supplied does not meet the definition of a separate performance obligation as it does not give rise to an "additional service". Warranty costs therefore continue to be accounted for in accordance with IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".
	Impacts on the presentation of sales and the Group's consolidated statement of income
	Under specific contracts, analysis of the relationship with the end customer leads Valeo to consider that it acts as agent when it supplies said end customer with "imposed" components. As such, the transactions in which Valeo acts as agent are now recognized based on their net amount. As a result, a presentation impact of 425 million euros for 2017 was recognized as a deduction from Sales on the one hand and Raw materials consumed within Cost of sales on the other. This reclassification mainly concerns the Thermal Systems Business Group's front-end module operations.
	Customer contributions to development costs and prototypes, which were previously presented as a deduction from Research and Development expenditure, are now presented under Sales as they result from a contract with a customer with a view to obtaining goods or services that are an output of the Group's ordinary activities in exchange for consideration. This reclassification represented an amount of 364 million euros for 2017. As research and development costs continue to be presented under Research and Development expenditure, gross margin is no longer included in the consolidated statement of income.

Application by the Group	Valeo has applied IFRS 15 since January 1, 2018, with restatement of comparative periods, i.e., a reduction in equity at January 1, 2017 of 30 million euros. The impacts of the retrospective application of IFRS 15 on the Group's consolidated financial statements are described in Note 1.2.

Standards, amendments and interpretations	IFRS 9 – Financial instruments Effective as of January 1, 2018
Presentation and general principles	On July 24, 2014, the IASB published the full version of IFRS 9, marking the completion of its project to replace IAS 39 on financial instruments. IFRS 9 introduces some important changes to IAS 39: ▪ the approach for classifying and measuring financial assets is now based on an analysis of both the business model for each asset portfolio and the contractual terms of the financial asset in question; ▪ the impairment model no longer uses the approach based on identified credit losses but an approach based on expected credit losses; ▪ the accounting for hedges has been significantly improved and is now more closely aligned with the Group's risk management strategy.
Impacts for the Group	Owing to the nature of its operations, the Group has not identified any significant changes to the classification and measurement of its financial assets, with the exception of its interests in investment funds, for which changes in fair value will henceforth be recognized in income. When the Group considers that a long-term investment in equity instruments is not held for trading but for the purposes of establishing close and lasting business relationships and/or as part of technological monitoring, the Group may apply the irrevocable option under which changes in the fair value of such investments are recognized in other comprehensive income. As part of the transition to IFRS 9, Valeo elected to apply this option to the reciprocal shareholdings held by Ichikoh and the stakes acquired in the start-ups Aledia and Navya. Application of this option under the transition to IFRS 9 did not have a material impact on the consolidated financial statements. The expected credit loss impairment model prescribed by IFRS 9 results in recognizing impairment losses against accounts and notes receivable not yet due. A detailed analysis of the impairment model for financial assets, and particularly accounts and notes receivable, led the Group to recognize additional impairment of 1 million euros at January 1, 2017. The Group considers that its existing hedging relationships meeting the qualifying criteria as effective hedges continue to meet IFRS 9 hedge accounting criteria. Lastly, the impacts of applying IFRS 9 to the debt renegotiation that took place in January 2014 represent: ▪ an increase of around 12 million euros in consolidated retained earnings (excluding deferred tax) at January 1, 2017; ▪ an additional annual financial expense of around 2 million euros, to be recognized over the remaining term of the renegotiated debt (i.e., over a period up to 2024).
Application by the Group	Valeo has applied IFRS 9 since January 1, 2018, with restatement of comparative periods, i.e., a positive impact of 11 million euros on consolidated retained earnings at January 1, 2017. The impacts of the retrospective application of IFRS 15 on the Group's consolidated financial statements are described in Note 1.2.

The following standards, amendments and interpretations have also been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2018	
Annual Improvements to IFRSs 2014-2016 cycle	Various provisions
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRIC 22	Foreign Currency Transactions and Advance Consideration

These new publications did not have a material impact on the Group's consolidated financial statements.

1.1.2 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning after January 1, 2018 and not early adopted by the Group

The following standards, amendments and interpretations have been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations	**IFRS 16 – Leases** Effective as of January 1, 2019
Presentation and general principles	On January 13, 2016, the IASB published IFRS 16 – "Leases". IFRS 16 will replace IAS 17 and the related IFRIC and SIC interpretations. IFRS 16 introduces major changes in the principles for measuring, recognizing and presenting leases in the financial statements of lessees. As of January 1, 2019, IFRS 16 requires lessees to recognize most leases using a single accounting model, i.e., the same model as that used to recognize finance leases under IAS 17. The lessee will recognize: ▪ a non-current asset representing its right to use the leased asset, in the consolidated statement of financial position; ▪ a financial liability representing its obligation to pay for the right to use the asset, in the consolidated statement of financial position; ▪ amortization of the right-of-use asset and interest expenses on the lease liability, in the consolidated statement of income.
Impacts for the Group	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. Valeo mainly has lease contracts for land and buildings (production facilities, warehouses and offices) which are currently accounted for as operating leases and for which it will be required to recognize a right-of-use asset under IFRS 16. The main measures included in IFRS 16 to simplify application and adopted by the Group are: ▪ exclusion of short-term leases; ▪ exclusion of leases of low-value assets. The potential impacts at the transition date on the 2019 consolidated financial statements, based on the budget and on the leases 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(1)	Deterioration	Additional financial expense of around 20 million euros
2019 net income before taxes(1)	-	Minimal

(1) 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.

The difference between future minimum lease payments on operating leases under IAS 17 and estimated lease liabilities that will be recognized by the Group under IFRS 16 is described in Note 6.5.

Application by the Group	Valeo will apply IFRS 16 using the modified retrospective approach. This simplified approach does not require restatement of financial statements published before the date IFRS 16 is first applied. Within the scope of its transition to IFRS 16, the Group has elected the following main options to simplify application: ▪ exclusion of leases with a residual term of 12 months or less at the transition date, along with leases of low-value assets; ▪ application of IFRS 16 only to contracts previously identified as leases; ▪ use of the initial lease term to determine the discount rate at the transition date; ▪ exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The IASB has also published the following guidance, which is not expected to have a material impact on the Group's consolidated financial statements:

Standards, amendments and interpretations		Effective date
Amendments to IFRS 9	Prepayment Features	January 1, 2019

1.1.3 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The IASB has published the following standards, amendments and interpretations:

Standards, amendments and interpretations		Effective date(1)
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRSs 2015-2017 cycle	Various provisions	January 1, 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
Revised Conceptual Framework for Financial Reporting	Amendments to references to the Conceptual Framework in IFRS Standards	January 1, 2020
Amendments to IFRS 3	Definition of a Business	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020

(1) Subject to adoption by the European Union.

1.2 Restatement of comparative periods

The consolidated financial statements for the year ended December 31, 2017, which were published in February 2018, have been restated to reflect the impacts of:

- retrospectively applying IFRS 15 – "Revenue from Contracts with Customers" and IFRS 9 – "Financial Instruments" (see Note 1.1.1);
- the definitive allocation of the FTE automotive purchase price to the entity's assets and liabilities (see Note 2.2.1.3); and
- the definitive allocation of the Valeo-Kapec purchase price to the entity's assets and liabilities (see Note 2.2.1.2).

1.2.1 Consolidated statement of income

(in millions of euros)	Full-year 2017 published	IFRS 15	IFRS 9	Valeo-Kapec allocation	Full-year 2017 restated
SALES	**18,550**	**(66)**	**-**	**-**	**18,484**
Cost of sales	(15,076)	425	-	(1)	(14,652)
Research and Development expenditure(1)	(1,130)	(364)	-	-	(1,494)
Selling expenses	(302)	-	-	(1)	(303)
Administrative expenses	(587)	-	-	-	(587)
OPERATING MARGIN	**1,455**	**(5)**	**-**	**(2)**	**1,448**
as a % of sales	*7.8%*				*7.8%*
Share in net earnings of equity-accounted companies	22	(2)	-	-	20
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	**1,477**	**(7)**	**-**	**(2)**	**1,468**
as a % of sales	*8.0%*				*7.9%*
Other income and expenses	(67)	-	-	1	(66)
OPERATING INCOME INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	**1,410**	**(7)**	**-**	**(1)**	**1,402**
Cost of net debt	(73)	-	(2)	-	(75)
Other financial income and expenses	(47)	-	-	-	(47)
INCOME BEFORE INCOME TAXES	**1,290**	**(7)**	**(2)**	**(1)**	**1,280**
Income taxes	(325)	1	-	-	(324)
NET INCOME FOR THE PERIOD	**965**	**(6)**	**(2)**	**(1)**	**956**
Attributable to:					
▪ Owners of the Company	886	(6)	(2)	(1)	877
▪ Non-controlling interests	79	-	-	-	79

(1) In 2017, Research and Development expenditure was presented net of customer contributions to Research and Development, which are now presented under Sales.

1.2.2 Consolidated statement of financial position

(in millions of euros)	December 31, 2017 published	IFRS 15	IFRS 9	FTE automotive allocation	Valeo-Kapec allocation	December 31, 2017 restated
ASSETS						
Goodwill	2,615	-	-	(31)	(72)	2,512
Other intangible assets	1,830	-	-	89	123	2,042
Property, plant and equipment	4,055	-	-	27	28	4,110
Investments in equity-accounted companies	357	(2)	-	5	-	360
Other non-current financial assets	420	-	-	(1)	-	419
Assets relating to pensions and other employee benefits	5	-	-	-	-	5
Deferred tax assets	456	2	-	-	-	458
NON-CURRENT ASSETS	**9,738**	**-**	**-**	**89**	**79**	**9,906**
Inventories, net	1,720	-	-	(14)	-	1,706
Accounts and notes receivable, net	2,919	-	(1)	(11)	(1)	2,906
Other current assets	483	-	-	1	-	484
Taxes receivable	42	-	-	-	-	42
Other current financial assets	40	-	-	-	-	40
Cash and cash equivalents	2,436	-	-	-	-	2,436
Assets held for sale	41	-	-	-	-	41
CURRENT ASSETS	**7,681**	**-**	**(1)**	**(24)**	**(1)**	**7,655**
TOTAL ASSETS	**17,419**	**-**	**(1)**	**65**	**78**	**17,561**
EQUITY AND LIABILITIES						
Share capital	240	-	-	-	-	240
Additional paid-in capital	1,487	-	-	-	-	1,487
Translation adjustment	(36)	1	-	-	(1)	(36)
Retained earnings	2,723	(36)	9	-	-	2,696
STOCKHOLDERS' EQUITY	**4,414**	**(35)**	**9**	**-**	**(1)**	**4,387**
Non-controlling interests	649	-	-	-	70	719
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS	**5,063**	**(35)**	**9**	**-**	**69**	**5,106**
Provisions for pensions and other employee benefits – long-term portion	1,018	-	-	1	-	1,019
Other provisions – long-term portion	388	-	-	29	(20)	397
Long-term portion of long-term debt	3,237	-	(10)	-	-	3,227
Other financial liabilities – long-term portion	162	-	-	-	-	162
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	17	-	-	-	-	17
Subsidies and grants – long-term portion	43	-	-	-	-	43
Deferred tax liabilities	73	-	-	11	35	119
NON-CURRENT LIABILITIES	**4,938**	**-**	**(10)**	**41**	**15**	**4,984**
Accounts and notes payable	4,394	-	-	1	-	4,395
Provisions for pensions and other employee benefits – current portion	117	-	-	-	-	117
Other provisions – current portion	207	-	-	6	(6)	207
Subsidies and grants – current portion	19	-	-	-	-	19
Taxes payable	116	-	-	-	-	116
Other current liabilities	1,401	35	-	17	-	1,453
Current portion of long-term debt	383	-	-	-	-	383
Other financial liabilities – current portion	15	-	-	-	-	15
Liabilities associated with put options granted to holders of non-controlling interests – current portion	65	-	-	-	-	65
Short-term debt	664	-	-	-	-	664
Liabilities held for sale	37	-	-	-	-	37
CURRENT LIABILITIES	**7,418**	**35**	**-**	**24**	**(6)**	**7,471**
TOTAL EQUITY AND LIABILITIES	**17,419**	**-**	**(1)**	**65**	**78**	**17,561**

1.3 Basis of preparation

The financial statements are presented in euros and are rounded to the nearest million.

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions concern both risks specific to the automotive supply business, such as those relating to quality and safety, as well as more general risks to which the Group is exposed on account of its industrial operations across the globe.

The Group exercises its judgment based on past experience and other factors considered to be decisive given the environment and the circumstances. The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in Valeo's future financial statements may differ from the amounts resulting from these current estimates.

Significant estimates, judgments and assumptions adopted by the Group to prepare its financial statements for the year ended December 31, 2018 chiefly concern:

- the measurement of intangible assets recognized as part of the allocation of the purchase price for Valeo-Kapec and FTE automotive to the relevant entity's assets and liabilities (see Notes 2.2.1.2 and 2.2.1.3);
- the conditions for capitalizing development expenditure (see Note 4.5.1.1);
- estimates of provisions, particularly provisions for pensions and other employee benefits and provisions for risks linked to product warranties (see Notes 5.3 and 7.1);
- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see Note 6);
- the likelihood that deferred tax assets will be able to be utilized (see Note 9.2).

NOTE 2 SCOPE OF CONSOLIDATION

2.1 Accounting policies relating to the scope of consolidation

2.1.1 Consolidation methods

2.1.1.1 Full consolidation

The accounts of companies under Valeo's direct and indirect control are included in the consolidated financial statements using the full consolidation method. Control is deemed to exist when the Group:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee's relevant activities.

All intercompany transactions are eliminated, as are gains on intercompany disposals of assets, intercompany profits included in inventories and intercompany dividends.

The earnings of subsidiaries acquired are consolidated as from the date the Group has control.

2.1.1.2 Equity-method accounting for joint ventures and associates

Joint arrangements organize the sharing of control of an entity by two or more parties. An arrangement in which the parties have rights to the net assets of that arrangement is called a joint venture. An arrangement in which the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, is known as a joint operation.

Valeo also exercises significant influence over certain entities, known as associates. Significant influence is the power to participate in decisions affecting the entity's financial and operating policies, but is not control or joint control over those policies. Significant influence is deemed to exist when Valeo holds over 20% of the voting rights of another entity.

Joint ventures and associates are accounted for using the equity method. Under the equity method, an investment in an equity-accounted company is recognized in the consolidated statement of financial position on the date on which the entity becomes an associate or joint venture.

The investment is initially recognized at cost. In accordance with IFRS 10.25, in the specific case of loss of control of a subsidiary leading to recognition of an interest in a joint venture or associate, the initial cost of this investment is equal to its fair value at the date control is lost. The investment is subsequently adjusted after the acquisition date to reflect the Group's share of the retained comprehensive income of the investee. These items may be adjusted in line with Group accounting policies.

Goodwill arising on the acquisition of associates or joint ventures is included in the carrying amount of investments in equity-accounted companies.

The procedure used to test investments in equity-accounted companies for impairment is governed by IFRS 9 – "Financial Instruments: Recognition and Measurement" and IAS 28 (revised) – "Investments in Associates and Joint Ventures".

Any impairment losses taken against investments in equity-accounted companies, along with any gains or losses on remeasuring the previously-held equity interest at fair value (on acquisition of a controlling interest in an equity-accounted company) are recorded in Share in net earnings of equity-accounted companies.

2.1.2 Foreign currency translation

2.1.2.1 Foreign currency financial statements

The Group's consolidated financial statements are presented in euros.

The financial statements of each consolidated Group company are prepared in its functional currency. The functional currency is the currency of the principal economic environment in which it operates, and is generally the local currency.

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros as follows:

- statement of financial position items are translated into euros at the year-end exchange rate;
- statement of income items are translated into euros at the exchange rates applicable at the transaction dates or, in practice, at the average exchange rate for the period, as long as this is not rendered inappropriate as a basis for translation by major fluctuations in the exchange rate during the period;
- unrealized gains and losses arising from the translation of the financial statements of foreign subsidiaries are recorded under Translation adjustment in other comprehensive income that may subsequently be recycled to income.

2.1.2.2 Foreign currency transactions

General principle

Transactions carried out in a currency other than Valeo's functional currency are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are recognized at the historical exchange rate prevailing at the transaction date.

Differences arising from the translation of foreign currency transactions are generally recognized in income.

Net investment

Certain foreign currency loans and borrowings are considered in substance to be an integral part of the net investment in a subsidiary whose functional currency is not the euro when settlement is neither planned nor likely to occur in the foreseeable future. The foreign currency gains and losses arising on these loans and borrowings are recorded under Translation adjustment in other comprehensive income for their net-of-tax amount. This specific accounting treatment applies until the disposal of the net investment, or when partial or full repayment of these loans or borrowings is highly probable.

When the net investment is derecognized, the translation adjustment arising after said date is taken to Other financial income and expenses in the consolidated statement of income. Translation adjustments previously recognized in other comprehensive income are only recycled to income when the foreign operation is partially or fully disposed of. The Group examines whether these partial or full repayments of loans or borrowings equate to a partial or full disposal of the subsidiary.

2.1.3 Business combinations

Business combinations are accounted for using the acquisition method, whereby:

- the cost of a combination is determined at the acquisition-date fair value of the consideration transferred, including any contingent consideration. After the measurement period, any subsequent changes in the fair value of contingent consideration is recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standards;
- the difference between the consideration transferred and the acquisition-date fair value of the net identifiable assets acquired and liabilities assumed is classified as goodwill within assets in the statement of financial position.

Adjustments to the provisional fair value of identifiable assets acquired and liabilities assumed resulting from independent analyses in progress or supplementary analyses are recognized as a retrospective adjustment to goodwill if they are made within 12 months of the acquisition date ("measurement period") and result from facts and circumstances that existed as of that date. The impact of any adjustments made after the measurement period is recognized directly in income as a change of accounting estimate.

Intangible assets may be recognized in respect of customer relationships that correspond in substance to contracts in progress at the date control is acquired and/or to relationships with regular customers of the acquired entity (opportunity to enter into new contracts). These intangible assets are measured based on the "excess earnings" method, whereby the value of the intangible asset corresponds to the present value of the cash flows generated by this asset, less a capital charge representing a return on the other assets concerned. Intangible assets may also be recognized in respect of patented or unpatented technologies and trademarks. These assets are measured based on the "royalties" method or "replacement cost" method.

For each business combination in which the acquirer holds less than 100% of the equity interests in the acquiree at the acquisition date, the amount of the non-controlling interest is measured:

- either at fair value: in this case, goodwill is recognized on the non-controlling interest ("full goodwill method");
- or at the proportionate share in the recognized amounts of the acquiree's net identifiable assets, in which case goodwill is recognized only on the interest acquired ("partial goodwill method").

Costs directly attributable to the combination are included within Other income and expenses in the period in which they are incurred.

Adjustments to contingent consideration in a business combination are measured at the acquisition-date fair value, even if the consideration is not expected to materialize. After the acquisition date, changes to the estimated fair value of contingent consideration involve an adjustment to goodwill only if they are made within the measurement period (up to 12 months after the date of the combination) and result from facts and circumstances that existed as of that date. In all other cases, such changes are recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standard.

In a business combination achieved in stages, the Group's previously-held interest in the acquiree is remeasured at its acquisition-date fair value in income. To determine goodwill at the acquisition date, the fair value of the consideration transferred (e.g., price paid) is increased by the fair value of any interest previously held by the Group. The amount previously recognized within other comprehensive income in respect of the previously-held interest is recycled to the statement of income.

2.1.4 Transactions involving non-controlling interests

Changes in transactions involving non-controlling interests that do not result in a change of control are recognized in equity. In the event of an acquisition of additional shares in an entity already controlled by the Group, the difference between the acquisition price of the shares and the additional interest acquired by the Group in consolidated equity is recorded in Stockholders' equity. The value of the entity's identifiable assets and liabilities (including goodwill) for consolidation purposes remains unchanged.

2.1.5 Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or a group of assets through its sale rather than through continuing use, such assets are presented separately under Assets held for sale in the statement of financial position. Any liabilities related to such assets are presented on the Liabilities held for sale line in the statement of financial position. Assets classified as held for sale are valued at the lower of their carrying amount and their estimated sale price less costs to sell, and are therefore no longer subject to depreciation and amortization.

In accordance with IFRS 5, a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date of sale or at an earlier date if the business meets the criteria to be recognized as an asset held for sale. Income or losses generated by these operations, as well as any capital gains or losses on disposal, are presented net of tax on a separate line of the statement of income. To provide a meaningful year-on-year comparison, the same treatment is applied to these items in the previous year.

For assets not classified as discontinued operations, any related impairment losses or proceeds from their disposal are recognized through operating income.

2.2 Changes in the scope of consolidation

2.2.1 Transactions that were completed

The main changes that impacted the Group's structure and consolidated financial statements during the period are as follows:

Description	Business Group	Transaction type	Transaction date	Note
Passive Hydraulic Actuator business	Powertrain Systems	Sale	March 28, 2018	2.2.1.1
Valeo-Kapec	Powertrain Systems	Company created with Pyeong Hwa	November 30, 2017	2.2.1.2
FTE automotive	Powertrain Systems	Takeover	October 31, 2017	2.2.1.3

2.2.1.1 Sale of the Passive Hydraulic Actuator business

On March 28, 2018, Valeo sold its Passive Hydraulic Actuator business, part of the Powertrain Systems Business Group, to the Italian group Raicam.

In accordance with IFRS 5, following the July 2017 announcement of the planned sale, the assets and liabilities relating to this business were classified as assets and liabilities held for sale in the consolidated statement of financial position at December 31, 2017 in an amount of 41 million euros and 37 millions of euros, respectively.

The business represented sales of 18 million euros for the three months of activity in first-half 2018, versus 69 million euros in 2017 (12 months of activity).

The sale of this business represented a loss of 33 million euros, primarily reflecting (i) an impairment loss, and (ii) future costs to be incurred directly in connection with the divestment of this business. These items have been recognized in Other income and expenses (see Note 4.6.2).

The residual liabilities held for sale in the consolidated statement of financial position at December 31, 2018 represent obligations that remain to be fulfilled by Valeo.

2.2.1.2 Creation of Valeo-Kapec

On February 6, 2017, Valeo announced it had signed an agreement with the Pyeong Hwa group, its long-standing South Korean partner in transmission manufacturing, to create Valeo-Kapec, in which Valeo owns a 50% stake. Valeo-Kapec, headquartered in Daegu in South Korea, has a global manufacturing footprint and aims to become the world leader in torque converters for automatic and continuously variable transmissions. The partners have contributed their respective torque converter businesses, located for Valeo at Nanjing (China), Atsugi (Japan), San Louis Potosi (Mexico) and Troy (United States), and for Kapec in Daegu, Waegwan and Seongju (South Korea).

Having received the necessary regulatory clearance, Valeo and its partner Pyeong Hwa group announced the completion of the transaction on November 30, 2017.

Valeo-Kapec employs around 3,150 people. The new company is controlled by Valeo and has therefore been fully consolidated in its consolidated financial statements since December 1, 2017.

Valeo's contribution of assets and liabilities to Valeo-Kapec has been accounted for as an equity transaction in accordance with IFRS 10.

The opening balance sheet following the definitive allocation of the purchase price to the assets and liabilities contributed by the partner is as follows:

(in millions of euros)	December 1, 2017
PURCHASE PRICE	**457**
Intangible assets acquired[(1)]	142
Property, plant and equipment acquired	202
Other non-current assets acquired	331
Current assets acquired	169
Net cash and cash equivalents acquired	4
Non-controlling interests assumed	(340)
Provisions for pensions and other employee benefits assumed	(13)
Other provisions assumed	(14)
Deferred tax assets acquired and liabilities assumed	(41)
Other current liabilities assumed	(111)
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE	**329**
GOODWILL ARISING ON THE ACQUISITION	**128**

(1) Including customer relationships, representing a gross amount of 82 million euros (for the most part amortized over 13 years), technology representing a gross amount of 28 million euros (amortized over eight years) and the trademark, representing a gross amount of 14 million euros, which has an indefinite useful life.

The definitive amount of goodwill resulting from this acquisition was calculated at 128 million euros and reflects strong geographic, product and business complementarity to create purchasing, manufacturing and Research and Development synergies.

(in millions of euros)	December 31, 2017	December 31, 2018
Net cash and cash equivalents acquired	4	-
Consideration paid	(114)	-
Acquisition costs paid during the period	(1)	(8)
NET CASH FLOWS RESULTING FROM THE ACQUISITION	**(111)**	**(8)**

The new South Korean operations acquired contributed 524 million euros to consolidated sales in 2018, compared with 42 million euros over a one-month period in 2017.

2.2.1.3 Acquisition of FTE automotive

On June 2, 2016, Valeo announced it had signed an agreement with Bain Capital Private Equity, owner of FTE automotive, to acquire the entire share capital of the company for an enterprise value of 819.3 million euros, which represents an estimated 8x EBITDA for 2016.

FTE automotive, headquartered in Germany, is a leading producer of clutch and gear actuators. Its product portfolio and customer base are highly complementary to Valeo's. The acquisition will enable the Group to expand its offering of active hydraulic actuators, a strategic and fast-growing market driven by the rise of dual-clutch technology and hybrid vehicles. FTE automotive will also strengthen Valeo's aftermarket business. The company has 3,800 employees and a diversified industrial footprint in eight countries, including Germany, the Czech Republic, Slovakia, Mexico and China. In 2016, FTE automotive generated sales of around 550 million euros.

Clearance from the Brazilian antitrust authorities was obtained on November 3, 2016. Further to its decision to sell its Passive Hydraulic Actuator business (see Note 2.2.1.1), Valeo received clearance from the European Commission on October 13, 2017 and completed its acquisition of FTE automotive on October 31, 2017.

The opening balance sheet following the definitive allocation of the purchase price to FTE automotive's assets and liabilities is as follows:

(in millions of euros)	November 1, 2017
PURCHASE PRICE	**414**
Intangible assets acquired[(1)]	201
Property, plant and equipment acquired	137
Other non-current assets acquired	9
Current assets acquired	166
Net cash and cash equivalents acquired	30
Provisions for pensions and other employee benefits assumed	(68)
Other provisions assumed	(60)
Long-term debt acquired	(344)
Deferred tax assets acquired and liabilities assumed	(32)
Other current liabilities assumed	(81)
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE	**(42)**
GOODWILL ARISING ON THE ACQUISITION	**456**

(1) Including customer relationships representing a gross amount of 94 million euros (amortized over 10 years), technology representing a gross amount of 92 million euros (amortized over a period of between 11 and 15 years) and the trademark, representing a gross amount of 13 million euros, which has an indefinite useful life.

The definitive amount of goodwill resulting from this acquisition was calculated at 456 million euros and chiefly reflects operating synergies, particularly purchasing and industrial synergies.

(in millions of euros)	December 31, 2017	December 31, 2018
Net cash and cash equivalents acquired	30	-
Consideration paid	(414)	-
Acquisition costs paid during the period	(2)	(6)
NET CASH FLOWS RESULTING FROM THE ACQUISITION	**(386)**	**(6)**

FTE automotive contributed 501 million euros to consolidated sales in 2018, compared with 86 million euros over a two-month period in 2017.

2.2.1.4 Other completed transactions affecting the scope of consolidation

On September 5, 2018, Valeo sold its Lighting business in Argentina, resulting in a loss of 30 million euros during the year, included within Other income and expenses (see Note 4.6.2.1).

In November 2018, Valeo transferred its 35% stake in Nanjing Valeo Clutch Co, Ltd to Valeo Pyeong Hwa International Co, Ltd for a consideration of 26 million euros. Valeo Pyeong Hwa International Co, Ltd is controlled by Valeo and 50%-owned by the Group. This transaction between owners did not affect the control of Nanjing Valeo Clutch Co, Ltd, which continues to be fully consolidated in the Group's financial statements. Accordingly, it has no impact on the Group's consolidated statement of income, but resulted in a reduction in Valeo's shareholding in Nanjing Valeo Clutch Co, Ltd. Nanjing Valeo Clutch Co, Ltd is now 75%-owned by Valeo Pyeong Hwa International Co, Ltd, representing an indirect shareholding of 37.5% for the Valeo Group, compared to 55% previously.

2.3 Off-balance sheet commitments relating to the scope of consolidation

2.3.1 Commitments given

2.3.1.1 Put option granted in respect of Detroit Thermal Systems

Valeo and V. Johnson Enterprises set up the company Detroit Thermal Systems in 2012. At December 31, 2018, Valeo and V. Johnson Enterprises had a respective 49% and 51% interest in this company.

V. Johnson Enterprises has a put option that may be exercised under certain conditions unrelated to either changes in shareholdings or to the level of earnings. The option is exercisable in the event that Valeo is unable to contribute to the financing of the venture or if it sold all or part of its interest to a third party. If the put is exercised, all of the shares owned by V. Johnson Enterprises at that time will be sold to Valeo, with the price to be determined according to the provisions of the agreement defining the company's governance arrangements.

The Group reviewed the contingency clauses governing the exercise of this option in light of the present situation and considered that the conditions underlying these clauses were unlikely to materialize. No liability was therefore recognized in this respect.

2.3.1.2 Other commitments given

Other commitments given relate to guarantees granted by Valeo in connection with divestments. They represented 33 million euros at December 31, 2018 (31 million euros at December 31, 2017), and mainly include commitments given on the creation of the joint venture with Siemens on December 1, 2016 and on the sale of the Engine Control business in 2016.

2.3.2 Commitments received

Commitments received totaled 492 million euros at December 31, 2018 (490 million euros at December 31, 2017) and correspond principally to guarantees granted to Valeo in connection with its acquisitions, namely FTE automotive, gestigon and Valeo Malaysia CDA Sdn (formerly Precico), and in connection with the creation of the Valeo Siemens eAutomotive joint venture.

NOTE 3 SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments", the Group's segment information below is presented on the basis of internal reports that are regularly reviewed by the Group's General Management in order to allocate resources to the segments and assess their performance. General Management represents the chief operating decision maker within the meaning of IFRS 8.

Four reportable segments have been identified, corresponding to Valeo's organization into Business Groups. There is no aggregation of operating segments.

The Group's four reportable segments are:

- Comfort & Driving Assistance Systems, which has three Product Groups: Driving Assistance, Connected Cars and Interior Controls. Tomorrow's cars will be automated and connected. Innovative, intuitive interfaces will be needed to support this functional enhancement. The Comfort & Driving Assistance Systems Business Group focuses on driver experience, developing solutions to make mobility safer, more intuitive and more connected ;
- Powertrain Systems, comprising four Product Groups: Electrification and Powertrain Systems, Transmission Systems, Combustion Engine Systems and Active Hydraulic Actuator Systems. This Business Group is at the heart of the vehicle electrification revolution. Combining the expertise of the Business Group's four Product Groups, Valeo manufactures comprehensive, integrated electric powertrain solutions as well as a range of products for cleaner thermal engines ;
- Thermal Systems, comprising five Product Groups: Thermal Climate Control, Thermal Powertrain, Thermal Compressor, Thermal Front End and Thermal Bus and Commercial Vehicle Systems. To address the new challenges facing the automotive industry, the strategic objectives of this Business Group are three-fold: reduce harmful emissions from vehicles with internal combustion engines, increase travel range and battery life for hybrid and electric vehicles, and promote passenger health and well-being ;
- Visibility Systems, comprising two Product Groups: Interior and Exterior Lighting Systems and Wiper Systems. This Business Group designs and produces efficient and innovative lighting and wiper systems which support the driver and passengers in all weather, day and night, and in their various onboard activities.

Each of these Business Groups is also responsible for production and for some of the distribution of products for the aftermarket. Income and expenses for Valeo Service, which sells almost exclusively products manufactured by the Group, have been reallocated among the Business Groups identified.

In addition to these four Business Groups, the Other line includes the holding companies and eliminations between the four operating segments.

3.1 Key segment performance indicators

The key performance indicators for each segment as presented in the tables below are as follows:

- sales;
- EBITDA, which corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends received from equity-accounted companies;
- Research and Development expenditure;
- investments in property, plant and equipment and intangible assets;
- segment assets, comprising property, plant and equipment and intangible assets (including goodwill), investments in equity-accounted companies and inventories.

2018

(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales:						
▪ segment (excluding Group)	3,741	5,036	4,517	5,699	131	**19,124**
▪ intersegment (Group)	25	105	52	84	(266)	**-**
EBITDA	**528**	**674**	**495**	**642**	**71**	**2,410**
Research and Development expenditure	(556)	(319)	(285)	(377)	(23)	**(1,560)**
Investments in property, plant and equipment and intangible assets	582	458	454	538	21	**2,053**
Segment assets	2,683	3,495	2,526	2,838	141	**11,683**

2017

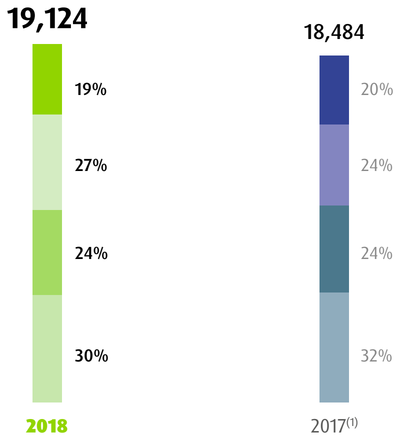
(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales:						
▪ segment (excluding Group)(1)	3,674	4,274	4,611	5,825	100	**18,484**
▪ intersegment (Group)	25	80	50	96	(251)	**-**
EBITDA	**525**	**564**	**536**	**764**	**42**	**2,431**
Research and Development expenditure(1)	(518)	(272)	(286)	(395)	(23)	**(1,494)**
Investments in property, plant and equipment and intangible assets	537	390	430	508	37	**1,902**
Segment assets(2)	2,271	3,520	2,251	2,544	144	**10,730**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2).

(2) The segment assets shown for the Powertrain Systems Business Group differ from those presented in the 2017 consolidated financial statements published in February 2018 since they have been adjusted to reflect the definitive allocation of goodwill for Valeo-Kapec and FTE automotive (see Note 1.2).

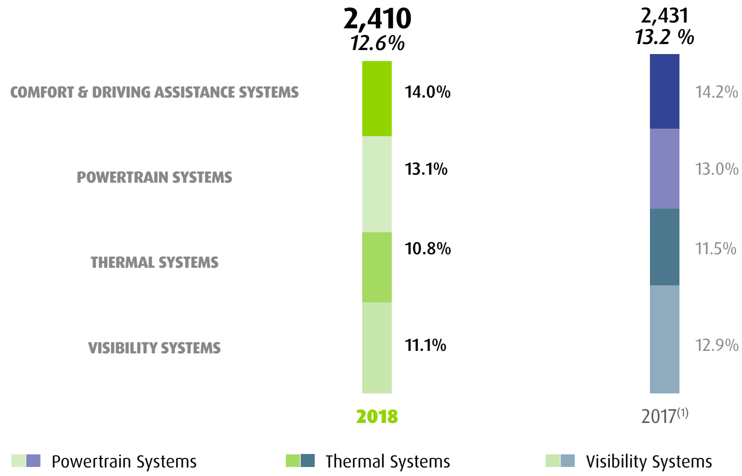
Breakdown of sales by Business Group (including intersegment sales)

(in millions of euros and as a % of sales)



EBITDA by Business Group

(in millions of euros and as a % of sales)



(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2).

3.2 Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating margin:

(in millions of euros)	2018	2017[1]
Operating margin	**1,203**	**1,448**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses[2]	1,156	950
Impact of government subsidies and grants on non-current assets recognized in the statement of income	(13)	(13)
Dividends paid by equity-accounted companies	64	46
EBITDA	**2,410**	**2,431**
as a % of sales	*12.6%*	*13.2%*

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the application of IFRS 15 and the definitive allocation of accounting items for FTE automotive and Valeo-Kapec (see Note 1.2).
(2) Impairment losses recorded in Operating margin only.

This indicator is used by Management to monitor and track Business Group performance and to decide on the allocation of resources.

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	2018	2017[1]
Segment assets	**11,683**	**10,730**
Accounts and notes receivable	2,781	2,906
Other current assets	522	484
Taxes receivable	34	42
Financial assets	2,966	2,900
Deferred tax assets	486	458
Assets held for sale[2]	-	41
TOTAL GROUP ASSETS	**18,472**	**17,561**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the application of IFRS 15 and the definitive allocation of accounting items for FTE automotive and Valeo-Kapec (see Note 1.2).
(2) At December 31, 2017, assets held for sale corresponded to the assets of the Passive Hydraulic Actuator business (see Note 2.2.1.1).

3.3 Reporting by geographic area

Non-current assets consist of property, plant and equipment, intangible assets (excluding goodwill) and investments in equity-accounted companies. Goodwill balances cannot be broken down by geographic area as they are allocated to Business Groups which belong to several areas.

2018

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	1,334	2,983	834
Other European countries and Africa	7,950	6,709	2,609
North America	3,373	3,476	1,148
South America	485	405	103
Asia	5,982	6,295	2,535
Eliminations	-	(744)	(2)
TOTAL	**19,124**	**19,124**	**7,227**

2017

(in millions of euros)	External sales by market[(1)]	Sales by production area[(1)]	Non-current assets[(1)]
France	1,463	3,189	736
Other European countries and Africa	7,632	6,378	2,449
North America	3,287	3,378	903
South America	495	431	69
Asia	5,607	5,905	2,357
Eliminations	-	(797)	(2)
TOTAL	**18,484**	**18,484**	**6,512**

(1) *These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the application of IFRS 15 and the definitive allocation of accounting items for FTE automotive and Valeo-Kapec (see Note 1.2).*

NOTE 4 OPERATING DATA

4.1 Sales

For each automotive project, the three main typically identified promises made by Valeo to an automaker are:

- Product Development, which includes determining the intrinsic technical features of parts and those related to the relevant production process. This promise is usually considered to be related to the promise to Supply Parts; any contributions from customers in respect of Product Development are therefore recognized in sales over the period of series production as the promise to deliver the parts is fulfilled, within a period of four years. However, the accounting treatment applied may vary based on each project's specific contractual or operational features;
- Supply of Tooling such as molds and other equipment used to manufacture parts:
  - for certain businesses, the supply of molds may be considered to be a distinct promise in view of the manner in which control is transferred. In such cases, sales are recognized at the start of series production for the project,
  - the supply of other equipment used to manufacture parts is considered to be related to the Supply of Parts. Any contributions received in this respect are therefore deferred and recognized over the duration of the manufacturing phase of the project as the promise to deliver the parts is fulfilled, within a period of four years;
- Supply of Parts, sales of which are recognized when control of the parts is transferred to the customer, i.e., generally upon delivery.

In this respect, sales primarily include sales of finished goods and all tooling revenues and customer contributions to Research and Development expenditure and prototypes. Sales are measured at the fair value of the consideration receivable, net of any trade discounts and volume rebates and excluding any VAT or other taxes.

Under specific contracts, analysis of the relationship with the end customer leads Valeo to consider that it acts as agent when it supplies said end customer with "imposed" components. As such, the transactions in which Valeo acts as agent are recognized based on their net amount. This business model primarily concerns the Thermal Front-End operations of the Thermal Systems Business Group.

The price reductions granted upstream to automakers are deferred in the consolidated statement of financial position at the time of payment and subsequently deducted from sales and reported under income on a straight-line basis as from the start of volume production.

Valeo has a contractual right to supply parts for a specific project on an exclusive basis. Estimated future volumes cannot be included in the order book as defined by IFRS 15 until the customer has placed an order for a firm volume. Accordingly, this information is not considered relevant.

Group sales rose 3.5% to 19,124 million euros in 2018 from 18,484 million euros in 2017.

Changes in exchange rates had a negative 2.1% impact, relating mainly to the depreciation of the US dollar, Brazilian real, Chinese renminbi and Japanese yen, while changes in the scope of consolidation during the year had a positive 5.2% impact. Like for like (comparable Group structure and exchange rate basis), consolidated sales climbed 0.4% during the year.

4.1.1 Sales by type

Sales can be analyzed by type as follows:

(in millions of euros)	2018	2017[1]
Original equipment	16,146	15,695
Aftermarket	2,010	1,887
Other	968	902
SALES	**19,124**	**18,484**

(1) These data have been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2).

4.1.2 Original equipment sales by customer portfolio

Original equipment sales can be analyzed by customer portfolio as follows:

(in millions of euros)	2018	%	2017[1]	%
German automakers	4,812	30%	4,516	29%
Asian automakers	5,348	33%	4,958	31%
US automakers	2,830	17%	2,958	19%
French automakers	2,192	14%	2,321	15%
Other	964	6%	942	6%
ORIGINAL EQUIPMENT SALES	**16,146**	**100%**	**15,695**	**100%**

(1) These data have been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2).

4.2 Accounts and notes receivable

Accounts and notes receivable are current financial assets which are initially recognized at fair value and subsequently carried at amortized cost, less any accumulated impairment losses. The fair value of accounts and notes receivable is deemed to be their nominal amount, since payment periods are generally less than three months.

Accounts and notes receivable may be written down for impairment. Impairment is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. The Group uses two impairment testing methods:

- impairment estimated taking into account historical loss experience, the age of the receivables, and a detailed risk assessment;
- impairment estimated taking into account customer credit risk.

Impairment losses are recognized in Operating income or in Other financial income and expenses if they relate to a credit risk on a debtor.

Accounts and notes receivable may be discounted and sold to banks within the scope of recurring or one-off transactions. In accordance with the principles for derecognizing financial assets, an analysis is performed at the time of these transactions to determine the extent to which the risks and rewards inherent to ownership of the receivables have been transferred, particularly in terms of credit, late payment and dilution risks. If the analysis shows that both the contractual rights to receive the cash flows relating to the receivables and substantially all of the risks and rewards have been transferred, the accounts and notes receivable are removed from the consolidated statement of financial position and all of the rights created or retained on transfer are recognized as appropriate.

If this is not the case, the accounts and notes receivable continue to be carried on the consolidated statement of financial position and a debt is recorded to the extent of the discounted amount.

Accounts and notes receivable can be analyzed as follows:

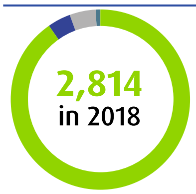
(in millions of euros)	December 31, 2018	December 31, 2017[1]
Accounts and notes receivable, gross	2,814	2,936
Impairment	(33)	(30)
ACCOUNTS AND NOTES RECEIVABLE, NET	**2,781**	**2,906**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and Valeo-Kapec as well as the application of IFRS 9 (see Note 1.2).

At December 31, 2018, Valeo's largest automotive customer accounted for 14% of the Group's accounts and notes receivable, compared to 13% at December 31, 2017.

The average days' sales outstanding stood at 50 days at December 31, 2018, compared to 51 days at December 31, 2017.

The table below presents an aged analysis of accounts and notes receivable at the end of the reporting period:



(in millions of euros)		December 31, 2018	December 31, 2017[1]
90.3%	– Not yet due	2,541	2,744
4.3%	– Less than 1 month past due	121	99
4.6%	– More than 1 month but less than 1 year past due	130	76
0.8%	– More than 1 year past due	22	17
	ACCOUNTS AND NOTES RECEIVABLE, GROSS	**2,814**	**2,936**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and Valeo-Kapec as well as the application of IFRS 9 (see Note 1.2).

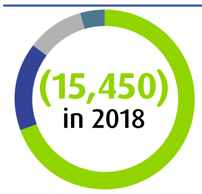
Gross accounts and notes receivable not yet due and less than one month past due at December 31, 2018 totaled 2,541 million euros and 121 million euros, respectively, and represented 95% of total gross accounts and notes receivable (97% at end-2017). Past due receivables were written down in an amount of 33 million euros at December 31, 2018 (30 million euros at December 31, 2017).

Accounts and notes receivable falling due after December 31, 2018, for which substantially all of the risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position, represented an amount of 368 million euros at December 31, 2018 versus 312 million euros at December 31, 2017. A total of 165 million euros out of the 368 million euros relates to sale operations carried out on a recurring basis (93 million euros at December 31, 2017). The financial cost of these transactions, recognized in cost of net debt, was around 3 million euros in 2018 (around 4 million euros in 2017).

4.3 Cost of sales

Cost of sales may include insurance indemnities paid out for claims made within the scope of the Group's operations. These claims can relate to product quality issues or property damage. An insurance gain is recognized in the statement of income at the date of the claim, if it is demonstrated that the claim is duly covered by a valid insurance policy. If this right is contingent on the subsequent completion of repairs or on the acquisition of new assets (contingent claim), the associated gain should be recognized at the time the aforementioned repairs or acquisitions are made.

Cost of sales can be analyzed as follows:



(in millions of euros)		2018	2017
56.2%(1)	– Raw materials consumed(2)	(10,741)	(10,355)
12.9%(1)	– Labor	(2,476)	(2,275)
8.2%(1)	– Direct production costs and production overheads	(1,567)	(1,471)
3.5%(1)	– Depreciation and amortization(3)	(666)	(551)
	COST OF SALES	**(15,450)**	**(14,652)**

(1) *As a % of sales.*
(2) *The amount shown for Raw materials consumed differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2).*
(3) *This amount does not include amortization charged against capitalized development costs, which is recognized in Research and Development expenditure. It includes the impact of government subsidies and grants on non-current production assets (excluding Research and Development) recognized in the statement of income.*

4.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Impairment losses are booked when the probable realizable value of inventories is lower than their cost price.

Inventories of raw materials and goods for resale are carried at purchase cost.

Inventories of finished products and work-in-progress are carried at production cost. Production cost includes the cost of raw materials, supplies and labor used in production, and other direct production and indirect plant costs, excluding overheads not related to production. These costs are determined by the "First-in-First-out" (FIFO) method which, due to the rapid inventory turnover rate, approximates the latest cost at the end of the reporting period.

Tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position (see Note 6.3 on property, plant and equipment) when Valeo has control over these risks and rewards, or is otherwise carried in inventories (until it is sold). A provision is made for any potential loss on the tooling contract (corresponding to the difference between the customer's contribution and the cost of the tooling) as soon as the amount of the loss is known.

At December 31, 2018, inventories break down as follows:

	December 31, 2018			December 31, 2017(1)
(in millions of euros)	Gross carrying amount	Impairment	Net carrying amount	Net carrying amount
Raw materials	840	(120)	720	613
Work-in-progress	197	(26)	171	157
Finished goods and supplies	650	(104)	546	529
Specific tooling	474	(5)	469	407
INVENTORIES, NET	**2,161**	**(255)**	**1,906**	**1,706**

(1) *These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive (see Note 1.2).*

Impairment losses taken against inventories amounted to 255 million euros at December 31, 2018 (231 million euros at December 31, 2017), including an allowance (net of reversals) of 24 million euros during the period. Allowances to provisions for impairment of inventories net of reversals amounted to 9 million euros in 2017.

4.5 Operating margin including share in net earnings of equity-accounted companies

Operating margin is equal to sales less direct costs to sell, Research and Development expenditure and selling and administrative expenses.

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

In 2018, operating margin including share in net earnings of equity-accounted companies totaled 1,092 million euros, or 5.7% of sales (7.9% of sales in 2017).

Share in net earnings of equity-accounted companies represented a loss of 111 million euros in 2018 and a gain of 20 million euros in 2017. See Note 4.5.3 for more information.

4.5.1 Research and Development expenditure

4.5.1.1 Capitalized development costs

Innovation can be analyzed as either research or development. Research is an activity which can lead to new scientific or technical knowledge and understanding. Development is the application of research findings with a view to creating new products, before the start of commercial production.

Research costs are recognized in expenses in the period in which they are incurred.

Development costs are capitalized where the Group can demonstrate that:

- it has the intention and the technical and financial resources to complete the development, evidenced mainly by an engagement letter from the customer stating that Valeo has been chosen as supplier for the project;
- the intangible asset will generate future economic benefits in excess of its carrying amount, i.e., based on whether the project is expected to generate an adequate margin; and
- the cost of the intangible asset can be measured reliably.

Capitalized development costs recorded in assets in the statement of financial position therefore correspond to projects for specific customer applications drawing on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of volume production are considered as production costs.

Capitalized development costs are subsequently amortized on a straight-line basis over a maximum period of four years as from the start of volume production.

Changes in capitalized development costs in 2017 and 2018 are analyzed below:

(in millions of euros)	2018	2017[(1)]
GROSS CARRYING AMOUNT AT JANUARY 1	**2,734**	**2,300**
Accumulated amortization and impairment	(1,432)	(1,307)
NET CARRYING AMOUNT AT JANUARY 1	**1,302**	**993**
Capitalized development expenditure	716	577
Disposals	(1)	-
Changes in scope of consolidation[(1)]	-	31
Impairment	(8)	(4)
Amortization	(302)	(263)
Translation adjustment	8	(33)
Reclassifications	5	1
NET CARRYING AMOUNT AT DECEMBER 31	**1,720**	**1,302**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and Valeo-Kapec (see Note 1.2).

4.5.1.2 Research and Development expenditure

Research and Development expenditure comprises the costs incurred during the period, including amortization charged against capitalized development costs, less research tax credits and the portion of Research and Development subsidies granted to the Group and taken to income.

Research and Development expenditure can be analyzed as follows for 2018 and 2017:

(in millions of euros)	2018	2017[(1)]
Gross Research and Development expenditure	(2,073)	(1,895)
Subsidies and grants, and tax credits	107	91
Capitalized development expenditure	716	577
Amortization and impairment of capitalized development expenditure	(310)	(267)
RESEARCH AND DEVELOPMENT EXPENDITURE	**(1,560)**	**(1,494)**

(1) Research and Development expenditure differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the application of IFRS 15 (see Notes 1.1.1 and 1.2), particularly the obligation to present customer contributions to development expenditure under Sales.

The Group continued to step up its Research and Development efforts in 2018 to meet the sharp increase in its order intake over the past few years and in line with its strategy geared to products incorporating innovative technologies.

The research tax credit in France is calculated based on certain research expenditure on "eligible" projects and is paid by the French State, regardless of the entity's income tax position. If the company collecting the research tax credit is liable for income tax, the credit will be deducted from its income tax liability. Otherwise, it will be paid by the French State within a period of three years. The French research tax credit, or any other similar tax provision in other jurisdictions, does not therefore fall within the scope of IAS 12 – "Income Taxes" and is recognized as a deduction from Research and Development expenditure within the Group's operating margin as and when the related costs are taken to income.

The French research tax credit recognized in income for the year totaled 53 million euros in 2018 (51 million euros in 2017).

4.5.2 Other current assets

Consistent with the treatment for accounts and notes receivable, amounts receivable in respect of the French research tax credit or the CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi – see Note 5.2) may be discounted and sold to banks. By analogy, the Group has applied the principles for derecognizing financial assets. An analysis is performed to determine the extent to which the risks and rewards inherent to ownership of the receivables are transferred. If the analysis shows that substantially all of the risks and rewards are transferred, these receivables are removed from the consolidated statement of financial position. If this is not the case, the receivables continue to be carried on the consolidated statement of financial position and a debt is recorded for the discounted amount.

At December 31, 2018, amounts receivable in respect of the CICE tax credit for 2016, 2017 and 2018 and the French research tax credit for 2015, 2016 and 2017 are no longer carried in the consolidated statement of financial position, which now includes only the estimated 58 million euros receivable in respect of the 2018 research tax credit.

These derecognized receivables were transferred as follows:

- the 2015 CICE tax credit receivable on December 18, 2015 for 15 million euros;
- the 2015 research tax credit receivable on June 22, 2016 for 54 million euros;
- the 2016 CICE tax credit receivable on December 21, 2016 for 15 million euros;
- the 2016 research tax credit receivable on June 22, 2017 for 57 million euros;
- the 2017 CICE tax credit receivable on December 22, 2017 for 17 million euros;
- the 2017 research tax credit receivable on June 27, 2018 for 63 million euros;
- the 2018 CICE tax credit receivable on December 19, 2018 for 16 million euros.

The cost of these transfers for the Group, recognized in cost of net debt for the period, was 1 million euros, stable compared to 2017.

At December 31, 2017, only the 2017 research tax credit receivable was still carried on the consolidated statement of financial position for an estimated 55 million euros.

4.5.3 Associates and joint ventures

4.5.3.1 Share in net earnings of equity-accounted companies

(in millions of euros)	2018	2017[(1)]
Share in net earnings of associates	3	30
Share in net earnings (losses) of joint ventures	(114)	(10)
SHARE IN NET EARNINGS (LOSSES) OF EQUITY-ACCOUNTED COMPANIES	**(111)**	**20**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

All investments accounted for using the equity method, either joint ventures or associates, contribute to the Group's operations and belong to one of its four operating segments. They are included in the Group's internal reporting within the meaning of IFRS 8 and their operating performance is reviewed at the level of the Business Groups to which they belong. Accordingly, the Group considers it appropriate to recognize the share in net earnings of equity-accounted companies within Operating margin.

Share in net earnings of associates

(in millions of euros)	2018	2017
Ichikoh Industries Limited[(1)]	-	20
Detroit Thermal Systems	3	8
Other	-	2
SHARE IN NET EARNINGS OF ASSOCIATES	**3**	**30**

(1) Ichikoh has been consolidated by Valeo with effect from February 1, 2017. In 2017, the share in net earnings of associates relating to Ichikoh covered a period of four months (from October 1, 2016 to January 30, 2017), along with the disposal gain resulting from the remeasurement of the previously-held interest in Ichikoh amounting to 14 million euros.

Share in net earnings of joint ventures

(in millions of euros)	2018	2017[1]
Valeo Siemens eAutomotive	(147)	(55)
CloudMade	(3)	(3)
Chinese joint ventures	33	43
Other	3	5
SHARE IN NET EARNINGS (LOSSES) OF JOINT VENTURES	**(114)**	**(10)**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

4.5.3.2 Investments in equity-accounted companies

Investments in associates

Changes in the Investments in associates caption can be analyzed as follows:

(in millions of euros)	2018	2017[1]
INVESTMENTS IN ASSOCIATES AT JANUARY 1	**34**	**86**
Share in net earnings of associates	3	30
Dividend payments	(9)	(8)
Impact of changes in scope of consolidation[1][2]	-	(76)
Other movements	-	2
Translation adjustment	1	-
INVESTMENTS IN ASSOCIATES AT DECEMBER 31	**29**	**34**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).
(2) Changes in the scope of consolidation in 2017 mainly included the impacts of the change in the consolidation method for Ichikoh following the takeover on January 20, 2017.

The Group's investments in associates are detailed below:

	Percentage interest *(in %)*		Carrying amount *(in millions of euros)*	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017[1]
Detroit Thermal Systems	49.0	49.0	14	18
Valeo Pyeong Hwa Metals Co. Ltd[2]	49.0	49.0	-	(1)
Kuantic	33.3	33.3	5	6
Other	N/A	N/A	10	11
INVESTMENTS IN ASSOCIATES			**29**	**34**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).
(2) At December 31, 2017, the investment in Valeo Pyeong Hwa Metals Co. Ltd was recorded in "Other financial liabilities – long-term portion".

Investments in joint ventures

Changes in the "Investments in joint ventures" caption can be analyzed as follows:

(in millions of euros)	2018	2017(1)
INVESTMENTS IN JOINT VENTURES AT JANUARY 1	**325**	**385**
Net earnings (losses) of joint ventures	(114)	(10)
Dividend payments	(55)	(38)
Impact of changes in scope of consolidation	-	(3)
Other movements	1	(2)
Translation adjustment	1	(7)
INVESTMENTS IN JOINT VENTURES AT DECEMBER 31	**158**	**325**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

The Group's investments in joint ventures are detailed below:

	Percentage interest *(in %)*		Carrying amount *(in millions of euros)*	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017(1)
Valeo Siemens eAutomotive	50.0	50.0	23	180
Chinese joint ventures	N/A	N/A	100	109
CloudMade	50.0	50.0	22	24
Other	N/A	N/A	13	12
INVESTMENTS IN JOINT VENTURES			**158**	**325**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

4.5.3.3 Financial information on equity-accounted companies

This information is presented based on a 100% holding and according to IFRS.

Information for equity-accounted associates is provided on an aggregate basis since the entities are not material taken individually.

Associates

Summarized financial data in respect of associates are set out in the table below:

(in millions of euros)	December 31, 2018	December 31, 2017(1)
Non-current assets	70	71
Current assets	85	85
Non-current liabilities	48	25
Current liabilities	67	70

(in millions of euros)	2018	2017(1)
Sales	306	307
Operating expenses	(311)	(286)

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

Joint ventures

Summarized financial data in respect of joint ventures are set out in the table below:

(in millions of euros)	December 31, 2018	December 31, 2017(1)
Non-current assets	815	612
Current assets	953	813
Non-current liabilities	612	253
Current liabilities	966	768

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

(in millions of euros)	2018	2017(1)
Sales	997	925
Operating expenses	(1,220)	(992)

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

4.5.3.4 Transactions with equity-accounted companies (related parties)

The consolidated financial statements include transactions carried out in the normal course of operations between the Group and its associates and joint ventures. These transactions are carried out at arm's length.

Transactions with associates

(in millions of euros)	December 31, 2018	December 31, 2017(1)
Accounts and notes receivable	4	5
Accounts and notes payable	6	9
Net debt (cash)	(4)	(2)

(in millions of euros)	2018	2017(1)
Sales of goods and services	33	32
Purchases of goods and services	(42)	(41)

(1) Due to Valeo's takeover of Ichikoh on January 20, 2017, the transactions carried out with this company in 2017 are not presented above.

Transactions with joint ventures

(in millions of euros)	December 31, 2018	December 31, 2017(1)
Accounts and notes receivable	46	27
Accounts and notes payable	21	27
Net debt (cash)	(260)	(95)

(in millions of euros)	2018	2017(1)
Sales of goods and services	88	52
Purchases of goods and services	(7)	(16)

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for FTE automotive and the application of IFRS 15 (see Note 1.2).

4.6 Operating income and other income and expenses

4.6.1 Operating income

Operating income includes all income and expenses other than:

- interest income and expense;
- other financial income and expenses;
- income taxes.

Operating income including share in net earnings of equity-accounted companies totaled 1,036 million euros in 2018 versus 1,402 million euros in 2017.

4.6.2 Other income and expenses

In order to facilitate interpretation of the statement of income and Group performance, unusual items that are material to the consolidated financial statements are presented separately within operating income under Other income and expenses.

This caption mainly includes:

- transaction costs and capital gains and losses arising on changes in the scope of consolidation;
- major litigation and disputes unrelated to the Group's operations (this therefore excludes the cost of any disputes relating to the quality of products sold, customers, suppliers or contract losses);
- costs relating to restructuring plans;
- impairment losses on non-current assets chiefly recognized as a result of impairment tests on cash-generating units (CGUs) and goodwill.

Other income and expenses can be analyzed as follows in 2018 and 2017:

(in millions of euros)	*Notes*	2018	2017[1]
Transaction costs and capital gains and losses arising on changes in the scope of consolidation:			
■ Acquisition fees		(2)	(4)
■ Sale of the Lighting business in Argentina	*4.6.2.1*	(30)	-
■ Sale of the Passive Hydraulic Actuator business	*2.2.1.1*	(5)	(14)
Claims and litigation:	*4.6.2.2*		
■ Antitrust investigations		(2)	(3)
■ Other disputes		(2)	(13)
Restructuring plans	*4.6.2.3*	(15)	(18)
Impairment of the Passive Hydraulic Actuator business	*2.2.1.1*	-	(14)
OTHER INCOME AND EXPENSES		**(56)**	**(66)**

(1) These data differ from the data presented in the 2017 consolidated financial statements since they have been adjusted to reflect the definitive allocation of accounting items for Valeo-Kapec (see Note 1.2).

4.6.2.1 Transaction costs and capital gains and losses arising on changes in the scope of consolidation

On September 5, 2018, Valeo sold its Lighting business in Argentina, resulting in a loss of 30 million euros during the year (see Note 2.2.1.4).

4.6.2.2 Claims and litigation

At the end of July 2011, antitrust investigations were initiated against numerous automotive suppliers (including Valeo) by the US and European antitrust authorities in the area of components and systems supplied to the automotive industry.

In 2018, claims and litigation mainly comprised legal advisory costs relating to these investigations (see Note 7.2).

4.6.2.3 Restructuring plans

Restructuring costs for 2018 chiefly include expenses relating to early retirement plans in Germany and additional costs in connection with a restructuring plan in South Korea.

Restructuring costs for 2017 primarily related to the costs of a plan announced in South America in first-half 2017, the impact of a plant closure in China and the cost of early retirement plans in Germany.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

5.1 Headcount

Including temporary staff, the Group's headcount is as follows:

	2018	2017
Total employees at December 31	113,600	111,600
Average employees during the year	114,125	105,350

5.2 Employee benefits

Employee benefits are measured in accordance with IAS 19. They comprise both short- and long-term benefits.

Group employees are entitled to short-term benefits such as paid annual leave, paid sick leave, bonuses and other benefits (other than termination benefits), payable within 12 months of the end of the period in which the corresponding services are rendered by employees.

These benefits are shown in current liabilities and expensed in the period in which the related service is rendered by the employee.

Long-term benefits cover two categories of employee benefits:

- post-employment benefits, which include statutory retirement bonuses, supplementary pension benefits, and coverage of certain medical costs for retirees and early retirees;
- other long-term benefits payable (during employment), corresponding primarily to long-service bonuses.

Benefits offered to each employee depend on local legislation, collective bargaining agreements, or other agreements in place in each Group entity.

These benefits are broken down into:

- defined contribution plans, under which the employer pays fixed contributions on a regular basis and has no legal or constructive obligation to pay further contributions. These are recognized in expenses based on calls for contributions;
- defined benefit plans, under which the employer guarantees a future level of benefits. An obligation under defined benefit plans (see Note 5.3) is recognized in liabilities in the statement of financial position.

The statement of income presents personnel expenses by function. They include the following items:

(in millions of euros)	2018	2017
Wages and salaries[(1)]	3,450	3,137
Social security charges	675	617
Share-based payment	3	27
Pension expenses under defined contribution plans	112	109
TOTAL	**4,240**	**3,890**

(1) Including temporary staff.

In France, the Group is eligible for the CICE tax credit, which is calculated on a proportion of compensation paid by French companies to their employees. It is paid by the French state, regardless of an entity's income tax position. If an entity is not liable for income tax, it is paid by the State within a period of three years.

The CICE tax credit does not therefore fall within the scope of IAS 12 – "Income Taxes". It is recognized as a deduction from personnel expenses within consolidated operating income and represented income of 16 million euros in 2018 versus income of 17 million euros in 2017.

Pension expenses under defined benefit plans are set out in Note 5.3.

Provisions for restructuring plans and employee disputes are set out in Note 7.1.

5.3 Provisions for pensions and other employee benefits

As indicated in Note 5.2, long-term benefits arising under defined benefit plans give rise to an obligation which is recognized in Provisions for pensions and other employee benefits.

The pension provision is equal to the present value of Valeo's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. An asset is only recognized on overfunded plans if it represents future economic benefits that are available to the Group.

The provision for other long-term benefits is equal to the present value of the future benefit obligation. The expected cost of these benefits is recorded in personnel expenses over the employee's working life in the Company.

The calculation of these provisions is based on valuations performed by independent actuaries using the projected unit credit method and end-of-career salaries. These valuations incorporate both macroeconomic assumptions specific to each country in which the Group operates (discount rate, increases in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

Discount rates are determined by reference to market yields at the valuation date on high-quality corporate bonds with a term consistent with that of the employee benefits concerned.

The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. Actuarial gains and losses arising on long-term benefits payable during employment are recognized immediately in income. However, actuarial gains and losses arising on post-employment benefits are taken directly to other comprehensive income net of deferred tax.

Past service costs resulting from the adoption of a new plan or change in an existing defined benefit plan are recognized immediately in income.

The expense recognized in the statement of income includes:

- service cost for the period, past service costs, and the impact of any plan curtailments or settlements;
- net interest cost on pension obligations recognized in financial income (including the impact of unwinding) and the expected yield on hedging assets.

5.3.1 Description of the plans in force within the Group

The Group has set up a large number of defined benefit plans covering most of its current and former employees. The specific characteristics of these plans (benefit formula, funded status) varies depending on the laws and regulations prevailing in each country in which its employees work. At December 31, 2018, 94% of provisions are related to post-employment benefits, while the remaining 6% cover other long-term benefits.

The main post-employment defined benefit plans concern:

- supplementary pension benefits in Germany, Japan, the United Kingdom and the United States, which top up the statutory pension plans in force in those countries:
  - Pension entitlement is calculated based on end-of-career salaries and number of years' service within the Group. Certain plans are pre-funded due to local legal requirements in some countries (United States/South Korea/United Kingdom) or as a result of the choice made by the company on setting up the plan (Japan).
  - Most plans in the United States have been frozen and no longer give rise to any additional benefits;
- retirement termination benefits in France or severance benefits in South Korea, Mexico and Italy:
  - These benefits are fixed amounts and are calculated depending on the number of years' service and the employee's annual compensation, either at the retirement date (as in France) or at the date the employee leaves the company for whatever reason (retirement, resignation or redundancy) – as in Italy, Mexico and South Korea;
- health cover during retirement in the United States:
  - Valeo pays into health plans and life insurance plans for certain retired employees in the United States. These plans are not funded and have all been frozen (the last plan was frozen as of January 1, 2012). Accordingly, no additional benefits have since been offered by these plans to plan participants still working for the Group;
- top-up retirement plans for certain Group managers and executives in France, now closed to new entrants (the last plan in force concerning a specific level of Valeo management (*cadres hors catégorie*) was closed on June 30, 2017). The portion of these obligations relating to the Group's executive managers is detailed in Note 5.5.

The table below shows the average duration of the Group's main plans and the employees covered by these plans in each region at December 31, 2018:

	France	Other European countries	North America	Asia	Total
Active Valeo employees	13,101	22,276	10,542	10,880	56,799
Active employees having left the Group	-	2,077	1,823	598	4,498
Retirees	7	4,878	4,610	1,672	11,167
Total employees	**13,108**	**29,231**	**16,975**	**13,150**	**72,464**
Average duration of post-employment benefit plans *(years)*	**12**	**21**	**12**	**10**	**15**

The Group also grants other long-term benefits, chiefly long-service bonuses or loyalty awards in France, Germany, Japan and South Korea.

All of these plans are accounted for as described above.

5.3.2 Actuarial assumptions

The discount rates used for each geographic area are determined by reference to expected benefit payments under the plans and a yield curve based on a diverse basket of investment-grade (AA-rated) corporate bonds. In countries where the market for investment-grade corporate bonds is insufficient, discount rates are determined by reference to the yield on government bonds.

The discount rates used to measure obligations in the countries representing the Group's most significant obligations were as follows:

Country	December 31, 2018	December 31, 2017
Eurozone	1.90	2.00
United Kingdom	2.50	2.30
United States	4.05	3.60
Japan	0.45	0.50
South Korea	3.25	3.25

The weighted average long-term salary inflation rate was around 3.1% at December 31, 2018, largely unchanged from December 31, 2017.

The sensitivity of the Group's main obligations to a 0.5 point rise or fall in discount rates and the inflation rate is set out in Note 5.3.7.

5.3.3 Breakdown and movements in obligations

Pension obligations and provisions break down as follows by major geographic area:

2018

(in millions of euros)	France	Other European countries	North America[(1)]	Asia	Total
Present value of unfunded obligations	227	484	97	125	**933**
Present value of funded obligations	46	163	392	234	**835**
Market value of plan assets	(8)	(84)	(327)	(198)	**(617)**
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2018	**265**	**563**	**162**	**161**	**1,151**
Permanent employees at December 31, 2018[(2)]	13,242	31,691	14,641	22,285	**81,859**

(1) Unfunded pension obligations in North America include medical plans in the United States representing 71 million euros.
(2) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

2017

(in millions of euros)	France	Other European countries[(1)]	North America[(2)]	Asia	Total
Present value of unfunded obligations	220	471	99	117	**907**
Present value of funded obligations	41	172	405	225	**843**
Market value of plan assets	(6)	(87)	(336)	(190)	**(619)**
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2017	**255**	**556**	**168**	**152**	**1,131**
Permanent employees at December 31, 2017[(3)]	12,610	31,114	13,306	21,072	**78,102**

(1) The present value of unfunded pension obligations in other European countries differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive (see Notes 2.2.1.3 and 1.2).
(2) Unfunded pension obligations in North America include medical plans in the United States representing 74 million euros.
(3) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

Movements in obligations in 2018 and 2017 are shown in the tables below by major geographic area:

2018

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2018	**261**	**643**	**504**	**342**	**1,750**
Actuarial gains and losses recognized in other comprehensive income	6	6	(27)	(1)	**(16)**
Benefits paid	(17)	(20)	(34)	(34)	**(105)**
Translation adjustment	-	(3)	23	18	**38**
Expenses (income) for the year:	23	21	23	34	**101**
▪ *Service cost*	*21*	*15*	*3*	*27*	***66***
▪ *Interest cost*	*5*	*13*	*18*	*5*	***41***
▪ *Other[(1)]*	*(3)*	*(7)*	*2*	*2*	***(6)***
BENEFIT OBLIGATIONS AT DECEMBER 31, 2018	**273**	**647**	**489**	**359**	**1,768**

(1) Other mainly includes actuarial gains and losses recognized immediately in income, as well as past service costs and gains on settlements.

Actuarial gains totaling 16 million euros in 2018 primarily reflect the impact of the rise in discount rates in the United States and United Kingdom, partially offset by the fall in discount rates in eurozone countries.

2017

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2017	**262**	**592**	**568**	**160**	**1,582**
Actuarial gains and losses recognized in other comprehensive income	(5)	(26)	16	-	**(15)**
Benefits paid	(17)	(20)	(36)	(24)	**(97)**
Translation adjustment	-	(5)	(69)	(25)	**(99)**
Changes in scope of consolidation(1)	-	72	-	207	**279**
Reclassifications(2)	-	(2)	-	-	**(2)**
Expenses (income) for the year:	21	32	25	24	**102**
▪ *Service cost*	*20*	*21*	*2*	*21*	***64***
▪ *Interest cost*	*4*	*12*	*21*	*3*	***40***
▪ *Other(3)*	*(3)*	*(1)*	*2*	*-*	***(2)***
BENEFIT OBLIGATIONS AT DECEMBER 31, 2017	**261**	**643**	**504**	**342**	**1,750**

(1) Changes in the scope of consolidation in 2017 related to the acquisitions of Ichikoh, FTE automotive and Valeo-Kapec. The amount shown for changes in the scope of consolidation in other European countries differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive (see Notes 2.2.1.3 and 1.2).
(2) Pension obligations relating to the Passive Hydraulic Actuator business were reclassified within Liabilities held for sale at December 31, 2017 (see Note 2.2.2.1).
(3) Other mainly includes actuarial gains and losses recognized immediately in income, as well as past service costs and gains on settlements.

Actuarial gains totaling 15 million euros in 2017 primarily reflected the impact of the rise in discount rates in eurozone countries, partially offset by the impact of a fall in discount rates in the United States.

5.3.4 Movements in provisions

Movements in provisions in 2018 and 2017, including items relating to pensions and other employee benefits, are shown in the table below:

(in millions of euros)	France	Other European countries	North America	Asia	Total
PROVISIONS AT JANUARY 1, 2017	**255**	**512**	**234**	**71**	**1,072**
Actuarial gains and losses recognized in other comprehensive income	(5)	(32)	(23)	(9)	**(69)**
Amounts utilized during the year	(16)	(18)	(31)	(26)	**(91)**
Translation adjustment	-	(3)	(25)	(14)	**(42)**
Changes in scope of consolidation(1)	-	69	-	108	**177**
Reclassifications(2)	-	(2)	-	-	**(2)**
Expenses (income) for the year:	21	30	13	22	**86**
▪ *Service cost*	*20*	*21*	*2*	*21*	***64***
▪ *Net interest cost*	*4*	*10*	*9*	*1*	***24***
▪ *Other*	*(3)*	*(1)*	*2*	*-*	***(2)***
PROVISIONS AT DECEMBER 31, 2017	**255**	**556**	**168**	**152**	**1,131**
Actuarial gains and losses recognized in other comprehensive income	6	10	(1)	3	**18**
Amounts utilized during the year	(19)	(21)	(23)	(34)	**(97)**
Translation adjustment	-	(1)	7	9	**15**
Expenses (income) for the year:	23	19	11	31	**84**
▪ *Service cost*	*21*	*15*	*3*	*27*	***66***
▪ *Net interest cost*	*5*	*11*	*6*	*2*	***24***
▪ *Other*	*(3)*	*(7)*	*2*	*2*	***(6)***
PROVISIONS AT DECEMBER 31, 2018	**265**	**563**	**162**	**161**	**1,151**
Of which current portion (less than one year)	24	21	42	17	**104**

(1) The amount shown for changes in the scope of consolidation in other European countries differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive (see Notes 2.2.1.3 and 1.2).
(2) Provisions relating to the Passive Hydraulic Actuator business were reclassified within Liabilities held for sale at December 31, 2017.

An expense of 84 million euros was recognized in 2018 in respect of pensions and other employee benefits (stable compared to 2017), with 58 million euros included in Operating margin, 24 million euros in Other financial income and expenses and 2 million euros in Other income and expenses.

5.3.5 Breakdown and movements in plan assets

The breakdown of plan assets at December 31, 2018 and 2017 is shown in the tables below:

2018

(in millions of euros)	France	Other European countries	North America	Asia[1]	Total
Cash at bank	-	-	-	41	**41**
Shares	8	31	196	63	**298**
Government bonds	-	34	66	57	**157**
Corporate bonds	-	16	65	34	**115**
Real estate	-	-	-	-	**-**
Other	-	3	-	3	**6**
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2018	**8**	**84**	**327**	**198**	**617**

(1) *At December 31, 2018, a Japanese plan was overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized a non-current financial asset for the amount of the surplus, i.e., 4 million euros, as it considers the right to a refund is unconditional within the meaning of IFRIC 14.*

2017

(in millions of euros)	France	Other European countries	North America	Asia[1]	Total
Cash at bank	-	1	3	44	**48**
Shares	6	49	203	48	**306**
Government bonds	-	18	65	42	**125**
Corporate bonds	-	16	65	15	**96**
Real estate	-	-	-	3	**3**
Other[2]	-	3	-	38	**41**
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2017	**6**	**87**	**336**	**190**	**619**

(1) *At December 31, 2017, a Japanese plan was overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized a non-current financial asset for the amount of the surplus, i.e., 5 million euros, as it considers the right to a refund is unconditional within the meaning of IFRIC 14.*
(2) *Other mainly relates to investments in financing vehicles.*

These assets are managed by specialized asset management companies.

In managing the risk arising on these assets, the diversification of the funds among the different asset classes (equities, bonds, cash equivalents) is defined by the Investment Committees or trustees specific to each country concerned, acting on recommendations from external advisors. Asset allocation decisions depend on the market outlook and the characteristics of the pension obligations.

These committees carry out regular reviews of the investments made and of their performance.

The Group is not exposed to margin calls on its pension obligations due to the nature of its plan assets.

Movements in the value of plan assets in 2018 and 2017 can be analyzed as follows:

2018

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2018	**6**	**87**	**336**	**190**	**619**
Expected return on plan assets	-	2	12	3	**17**
Contributions paid to external funds	4	4	15	20	**43**
Benefits paid	(2)	(3)	(26)	(20)	**(51)**
Actuarial gains and losses	-	(4)	(26)	(4)	**(34)**
Translation adjustment	-	(2)	16	9	**23**
PLAN ASSETS AT DECEMBER 31, 2018	**8**	**84**	**327**	**198**	**617**

The relative stability in the fair value of plan assets in 2018 is chiefly attributable to the favorable impact of the US dollar and Japanese yen, offset by the actual return on plan assets for the period representing a loss of 17 million euros.

Contributions totaling 43 million euros were paid to external funds in 2018, down 3 million euros compared to estimates. Contributions are estimated at 57 million euros for 2019.

2017

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2017	**7**	**80**	**334**	**89**	**510**
Expected return on plan assets	-	2	12	2	**16**
Contributions paid to external funds	4	4	23	18	**49**
Benefits paid	(5)	(6)	(28)	(16)	**(55)**
Actuarial gains and losses	-	6	39	9	**54**
Changes in scope of consolidation[1]	-	3	-	99	**102**
Translation adjustment	-	(2)	(44)	(11)	**(57)**
PLAN ASSETS AT DECEMBER 31, 2017	**6**	**87**	**336**	**190**	**619**

(1) Changes in the scope of consolidation in 2017 related to the acquisitions of Ichikoh, FTE automotive and Valeo-Kapec.

The increase in the fair value of plan assets in 2017 was chiefly attributable to acquisitions in the period for 102 million euros, as well as a good fund performance. The actual return on plan assets for the period totaled 70 million euros.

5.3.6 Data for previous years

Benefit obligations, financial assets and actuarial gains and losses for previous years can be analyzed as follows:

(in millions of euros)	2018	2017	2016	2015	2014
Benefit obligations	1,768	1,750	1,582	1,526	1,552
Financial assets	(617)	(619)	(510)	(526)	(493)
NET BENEFIT OBLIGATIONS	**1,151**	**1,131**	**1,072**	**1,000**	**1,059**
Actuarial (losses) gains recognized in other comprehensive income	(18)	69	(92)	93	(225)

Actuarial gains and losses recognized in other comprehensive income in 2018 include:

- 21 million euros in actuarial gains on changes in financial assumptions, chiefly due to the rise in discount rates in the United States and partially offset by the fall in discount rates in the eurozone;
- 5 million euros in actuarial losses on changes in demographic assumptions, chiefly due to changes in the mortality table used for Germany; and
- 34 million euros in actuarial losses arising on the return on plan assets.

5.3.7 Sensitivity of obligations

The discount rates and inflation rates applied in each geographic area or country have a significant impact on the amount of the Group's benefit obligations.

A 0.5-point increase or decrease in these rates would have the following impact on the projected benefit obligation at December 31, 2018:

(in millions of euros)	France	Other European countries	North America	Asia	Total
Discount rate					
Impact of a 0.5-point increase	(14)	(65)	(26)	(18)	**(123)**
Impact of a 0.5-point decrease	15	71	28	18	**132**
Salary inflation rate					
Impact of a 0.5-point increase	15	2	1	6	**24**
Impact of a 0.5-point decrease	(13)	(1)	(1)	(6)	**(21)**

At December 31, 2018, the value of the Group's benefit obligation is less sensitive to changes in the salary inflation rate than to changes in the discount rate, particularly in the United States and the United Kingdom. This is due to the existence of plans which have now been frozen and which only bear obligations in relation to the Group's former employees.

Changes in the discount and inflation rates only have a limited impact on 2018 service cost. A 0.5-point decrease in the discount rate would lead to an additional expense of 4 million euros, while a 0.5-point increase in the discount rate would reduce the expense by 4 million euros.

5.3.8 Estimated payouts over the next ten years

Payouts due over the next ten years by the Group in respect of pension plans and other employee benefits can be estimated as follows:

(in millions of euros)	France	Other European countries	North America	Asia	Total
2019	19	15	7	8	**49**
2020	8	16	7	11	**42**
2021	9	17	7	9	**42**
2022	16	18	7	11	**52**
2023	23	20	6	11	**60**
2024/2028	95	111	37	58	**301**
TOTAL	**170**	**197**	**71**	**108**	**546**

5.4 Share-based payment

Some Group employees receive equity-settled compensation in the form of share-based payment.

Free share plans

The fair value of the benefit granted to employees within the scope of free share plans is estimated based on the share price at the grant date, taking into account a discount corresponding to the dividends forfeited over the vesting period and a discount to reflect the lock-up period requirement, calculated using the approach set out in the French national accounting board's (CNC) December 2004 statement.

The overall cost of equity-settled plans is calculated and fixed at the grant date of the plan concerned. The number of instruments that Valeo expects to deliver to beneficiaries factors in the turnover of the beneficiary populations concerned by each plan. Since the final allotment of free shares is subject to a presence condition, this personnel expense is recognized against equity on a straight-line basis over the rights vesting period. The Group periodically reviews the number of free shares to be allotted in light of expectations as regards the achievement of performance conditions. Where appropriate, the consequences of revising the number of free shares are reflected in the statement of income.

Stock purchase option plans

The cost of stock purchase option plans is also recorded in personnel expenses. It corresponds to the fair value of the instrument issued and is recognized over the applicable vesting period. Fair value is estimated on the basis of valuation models adapted to the characteristics of the instruments (Black-Scholes-Merton model for options). The Group regularly reviews the number of potentially exercisable options. Where appropriate, the impact of any changes in these estimates is recorded in the statement of income.

Stock purchase options and free shares are included in the calculation of diluted earnings per share, as described in Note 10.2.

An expense of 3 million euros was recognized in 2018 in respect of stock purchase option and free share plans, compared to an expense of 27 million euros in 2017. The decrease in this expense is primarily attributable to changes in the share price and to revised estimates of the number of instruments that Valeo expects to remit to beneficiaries.

5.4.1 Free share plans

The terms and conditions of the shareholder-approved employee free share plans operated by the Valeo Group at December 31, 2018 were as follows:

Year in which plan was set up	Number of free shares authorized	*of which subject to conditions*[(1)]	Outstanding shares not yet remitted at Dec. 31, 2018	Year of vesting[(2)]
2013	1,421,442	*669,942*	117	2016/2018
2014	970,440	*316,770*	336,381	2017/2019
2015	957,027	*260,805*	394,623	2018/2020
2016	1,267,022	*573,522*	819,794	2019/2021
2017	1,012,043	*466,551*	707,593	2020/2022
2018	1,234,623	*570,123*	933,327	2021/2023
TOTAL	**6,862,597**	**2,857,713**	**3,191,835**	

(1) These free shares are subject to the Group meeting performance conditions over the three years following their grant.
(2) The vesting year varies depending on the country in which the plan's beneficiaries are resident.

The main data and assumptions underlying the valuation of free share plans at fair value were as follows:

Free shares	2018 France	2018 Other countries	2017 France	2017 Other countries
Share price at authorization date (*in euros*)	55.7	55.7	59.0	59.0
Risk-free rate *(%)*	0.1	N/A	0.0	N/A
Dividend rate *(%)*	2.7	N/A	1.4	N/A
FAIR VALUE OF EQUITY INSTRUMENTS *(IN EUROS)*	**48.4**	**46.7**	**50.9**	**51.4**

5.4.2 Stock purchase option plans

The terms and conditions of the employee stock purchase option plans operated by the Valeo Group at December 31, 2018 were as follows:

Year in which plan was set up	Number of shares under option	*of which subject to conditions*[1]	Option exercise price[2] *(in euros)*	Number of options not yet exercised at Dec. 31, 2018	Expiration date
2011	878,520	631,110	14.14	50,390	2019
2012	1,101,480	795,690	13.59	127,823	2020
TOTAL	**1,980,000**	**1,426,800**		**178,213**	

(1) These stock purchase options are subject to the Group meeting performance conditions.
(2) The exercise price equals 100% of the average Valeo share price over the 20 trading days preceding the Board of Directors' meeting granting the options, or 100% of the average purchase price of treasury shares held if this is higher than the Valeo quoted share price.

5.4.3 Movements in stock purchase option and free share plans

Movements in stock purchase option and free share plans in 2018 are detailed below:

	Number of options and free shares	Weighted average exercise price
OPTIONS NOT EXERCISED/FREE SHARES OUTSTANDING AT JANUARY 1, 2018	**3,819,472**	**1.67**
Options/free shares granted	962,893	-
Options/free shares canceled[1]	(1,127,782)	-
Options/free shares expired	(75,094)	7.10
Options exercised/free shares remitted	(1,153,821)	2.95
OPTIONS NOT EXERCISED/FREE SHARES OUTSTANDING AT DECEMBER 31, 2018	**2,425,668**	**1.01**
OPTIONS THAT MAY BE EXERCISED AT DECEMBER 31, 2018	**178,213**	**13.75**

(1) Including 944,380 shares considered to have been canceled owing to a failure to meet some or all of the performance conditions.

5.4.4 Employee share ownership plan: Shares4U

In countries that meet the Group's eligibility criteria and where permitted by local laws and regulations, Valeo offers its employee beneficiaries the possibility of becoming shareholders through an employee share issue carried out specifically for this purpose.

As in 2016 and 2017, a new standard plan was offered to employees during first-half 2018, under which they could subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set by the Group's Chairman and Chief Executive Officer acting on the authority of the Board of Directors on May 2, 2018. The subscription price of 43.58 euros is the average of the Group's opening share price on the 20 trading days preceding the date of the decision, less a 20% discount. The shares are locked up for five years (except in the case of an early release event provided for by the applicable local law). Employees bear the risk of fluctuations in the share price relative to the subscription price.

By subscribing to shares within the scope of the Group Employee Savings Plan (*Plan d'Épargne de Groupe* – PEG), employees can benefit from a contribution from their employer. Outside France, employees are awarded free shares subject to certain conditions, governed by the regulations applicable to the Group-approved free share plan. Free shares awarded are existing Valeo shares repurchased on the market.

In all, 599,979 shares were subscribed at a price of 43.58 euros each, representing a 26 million euro capital increase on June 28, 2018 (see Note 10.1).

The cost of this plan was estimated in accordance with the CNC statement, taking into account the applicable five-year lock-up period for employees.

The assumptions used to value the equity instruments were as follows:

	2018	2017
Date rights granted	May 2	June 3
Reference price *(in euros)*	54.47	64.52
Face value discount *(%)*	20.00	20.00
Subscription price *(in euros)*	43.58	51.62
Beneficiary's 5-year interest rate *(%)*	3.83	3.93
Risk-free interest rate *(%)*	0.37	0.26
Repo rate *(%)*	0.350	0.480

Including a discount to reflect the lock-up period requirement, the total cost of Shares4U 2018 is 16 million euros, of which 8 million euros were recognized in personnel expenses for 2018 (including social security charges).

5.5 Executive compensation (Related party transactions)

The Group's key management personnel include the Chairman and Chief Executive Officer, the members of the Board of Directors, and the members of the Operations Committee. At December 31, 2018, the Operations Committee had 14 members.

Valeo's Board of Directors approved a number of agreements resulting in the Chairman and Chief Executive Officer's eligibility for the following benefits:

- life insurance covering death, disability, or any consequences of accidents during business travel;
- a non-competition payment over a period of 12 months in the event of his departure from Valeo. If this clause is adopted, the Chairman and Chief Executive Officer will receive a non-competition payment equal to 12 months of compensation. A prior decision of the Board of Directors is required to decide whether or not the non-competition agreement will be upheld at the time the Chairman and Chief Executive Officer leaves, in particular when he leaves Valeo to claim or after having claimed his pension rights;
- a defined benefit pension including the option of paying over benefits to the surviving beneficiary in the event of death if the main beneficiary is still working and if the event occurs after the legal voluntary retirement age. The supplementary pension is capped at 20% of the reference salary. The reference salary takes into account the basic fixed compensation and the portion of variable compensation actually paid for the periods after February 1, 2014. Since February 18, 2016, vesting of rights to this supplementary pension is subject to a performance condition, the attainment of which is reviewed each year.

Compensation and other benefits accruing to the members of the Board of Directors and to the members of the Operations Committee can be analyzed as follows:

(in millions of euros)	2018	2017
SHORT-TERM BENEFITS		
▪ Fixed, variable, exceptional and other compensation	14	13
▪ Attendance fees	1	1
OTHER BENEFITS		
▪ Post-employment benefits	2	3
▪ Share-based compensation(1)	(5)	7

(1) The 5 million euro gain from share-based payments in 2018 is primarily attributable to the impact of the failure to meet some or all of the performance obligations.

At December 31, 2018, provisions included in the Group's statement of financial position in respect of pension obligations accruing to executive managers amounted to 24 million euros, compared with 19 million euros in 2017.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

Goodwill is initially recognized on business combinations as described in Note 2.1.3.

Goodwill is not amortized but is tested for impairment at least once a year and whenever there is an indication that it may be impaired. Impairment tests in 2018 and 2017 were carried out as described in Note 6.4.

Changes in goodwill in 2018 and 2017 are analyzed below:

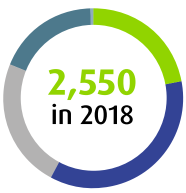
(in millions of euros)	2018	2017(1)
NET GOODWILL AT JANUARY 1	**2,512**	**1,944**
Acquisitions during the year	3	663
Disposals during the year	-	-
Impairment(2)	-	(14)
Translation adjustment	35	(81)
NET GOODWILL AT DECEMBER 31	**2,550**	**2,512**
Including accumulated impairment losses at December 31	-	-

(1) *The amount shown for Acquisitions during the year for 2017 differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).*
(2) *Goodwill allocated to the Passive Hydraulic Actuator business was written down in full at December 31, 2017 and reclassified within Assets held for sale (see Note 2.2.1.1).*

The increase in goodwill in 2018 mainly reflects the appreciation in the Japanese yen (20 million euros) and the US dollar (16 million euros) against the euro between the two periods.

The increase in goodwill in 2017 primarily reflected goodwill generated on the creation of Valeo-Kapec (see Note 2.2.1.2), and on the acquisition of controlling interests in FTE automotive (see Note 2.2.1.3), Ichikoh, gestigon and Valeo Malaysia CDA Sdn (formerly Precico). These impacts were very slightly offset by the depreciation in the US dollar (45 million euros) and the Japanese yen (26 million euros) against the euro between the two periods.

Goodwill can be broken down by Business Group as follows:



(in millions of euros)		December 31, 2018	December 31, 2017(1)
22%	– Comfort & Driving Assistance Systems	566	557
36%	– Powertrain Systems	912	911
23%	– Thermal Systems	597	581
18%	– Visibility Systems	468	456
1%	– Other	7	7
	GOODWILL	**2,550**	**2,512**

(1) *The amount of goodwill allocated to the Powertrain Systems Business Group differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).*

6.2 Other intangible assets

Separately acquired intangible assets are initially recognized at cost in accordance with IAS 38. Intangible assets acquired as part of a business combination are recognized at fair value, separately from goodwill. Intangible assets are subsequently carried at cost, less accumulated amortization and impairment losses. They are tested for impairment using the methodology described in Note 6.4.

Capitalized development costs recognized within Other intangible assets in the statement of financial position correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization described in Note 4.5.1.1. Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of volume production are considered as production costs.

Intangible assets are amortized on a straight-line basis over their expected useful lives:

- software — 3 to 5 years
- patents and licenses — based on their useful lives or duration of protection
- capitalized development expenditure — 4 years
- customer relationships acquired based on their useful lives — up to 25 years
- other intangible assets — 3 to 5 years

Other intangible assets can be analyzed as follows:

(in millions of euros)	December 31, 2018 Gross carrying amount	December 31, 2018 Amortization and impairment losses	December 31, 2018 Net carrying amount	December 31, 2017[1] Net carrying amount
Software	396	(299)	97	95
Patents and licenses	246	(119)	127	148
Capitalized development expenditure	3,359	(1,639)	1,720	1,302
Customer relationships and other intangible assets	700	(225)	475	497
OTHER INTANGIBLE ASSETS	**4,701**	**(2,282)**	**2,419**	**2,042**

(1) The amount shown for Other intangible assets for 2017 differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

Changes in intangible assets in 2018 and 2017 are analyzed below:

2018

(in millions of euros)	Software	Patents and licenses[(1)]	Capitalized development expenditure[(1)]	Customer relationships and other intangible assets[(1)]	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2018	**364**	**239**	**2,734**	**672**	**4,009**
Accumulated amortization and impairment	(269)	(91)	(1,432)	(175)	**(1,967)**
NET CARRYING AMOUNT AT JANUARY 1, 2018	**95**	**148**	**1,302**	**497**	**2,042**
Acquisitions	34	9	716	21	**780**
Disposals	-	-	(1)	-	**(1)**
Impairment	-	1	(8)	2	**(5)**
Amortization	(39)	(21)	(302)	(48)	**(410)**
Translation adjustment	-	1	8	9	**18**
Reclassifications	7	(11)	5	(6)	**(5)**
NET CARRYING AMOUNT AT DECEMBER 31, 2018	**97**	**127**	**1,720**	**475**	**2,419**

(1) The amount shown for Other intangible assets for 2017 differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

2017

(in millions of euros)	Software	Patents and licenses[(1)]	Capitalized development expenditure[(1)]	Customer relationships and other intangible assets[(1)]	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2017	**320**	**179**	**2,300**	**361**	**3,160**
Accumulated amortization and impairment	(238)	(96)	(1,307)	(147)	**(1,788)**
NET CARRYING AMOUNT AT JANUARY 1, 2017	**82**	**83**	**993**	**214**	**1,372**
Acquisitions	35	10	577	9	**631**
Disposals	-	-	-	(2)	**(2)**
Changes in scope of consolidation[(1)]	6	92	31	295	**424**
Impairment	-	1	(4)	-	**(3)**
Amortization	(34)	(10)	(263)	(26)	**(333)**
Translation adjustment	(2)	(1)	(33)	(16)	**(52)**
Reclassifications	8	(27)	1	23	**5**
NET CARRYING AMOUNT AT DECEMBER 31, 2017	**95**	**148**	**1,302**	**497**	**2,042**

(1) The amount shown for Other intangible assets for 2017 differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of allocating goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

Changes in the scope of consolidation in 2017 resulted primarily from the takeover of Ichikoh and FTE automotive.

6.3 Property, plant and equipment

Separately acquired property, plant and equipment are initially recognized at cost. Cost includes expenses directly attributable to the acquisition of the asset and the estimated cost of the Group's obligation to rehabilitate certain assets, where appropriate. Property, plant and equipment acquired as part of a business combination are recognized at fair value, separately from goodwill.

Property, plant and equipment are subsequently carried at cost, less accumulated depreciation and impairment losses. Material revaluations, recorded in accordance with laws and regulations applicable in countries in which the Group operates, have been eliminated in order to ensure that consistent valuation methods are used for all capital assets in the Group.

Any subsequent costs incurred in respect of property, plant and equipment are expensed as incurred, unless they are designed to extend the asset's useful life.

Property, plant and equipment are tested for impairment using the methodology described in Note 6.4.

Depreciation method and useful life

All property, plant and equipment except land are depreciated over their estimated useful lives using the components approach.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- buildings 20 years
- fixtures and fittings 8 years
- machinery and industrial equipment 8 to 15 years
- other property, plant and equipment 3 to 8 years

Tooling

Depending on its nature, tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position when Valeo has control of the tooling, or is otherwise carried in inventories (until control is transferred).

Any financing received from customers in respect of capitalized tooling is recognized under liabilities in the statement of financial position and taken to income under Sales in line with the depreciation charged against the related assets.

Tooling is depreciated on a straight-line basis over its estimated useful life, not exceeding four years.

Tax credits

In certain countries, the government can contribute to the Group's investment expenditure in the form of tax credits. The tax credits received are analyzed to determine whether they fall within the scope of IAS 12 – "Income Taxes" or whether they should be considered as a government subsidy. In the latter case, the tax credit is recognized in income over the period during which the subsidized assets are depreciated, as a deduction from depreciation expense.

Property, plant and equipment can be analyzed as follows:

	December 31, 2018			December 31, 2017[1]
(in millions of euros)	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	Net carrying amount
Land	352	(15)	337	323
Buildings	1,815	(1,074)	741	668
Machinery and industrial equipment	7,635	(4,834)	2,801	2,499
Specific tooling	2,181	(1,781)	400	338
Other property, plant and equipment	821	(529)	292	245
Property, plant and equipment in progress	50	-	50	37
PROPERTY, PLANT AND EQUIPMENT	**12,854**	**(8,233)**	**4,621**	**4,110**

(1) The amounts shown for Land, Buildings, Machinery and industrial equipment and Specific tooling differ from the amounts presented in the 2017 consolidated financial statements published in February 2018 since they have been adjusted to reflect the impacts of the allocation of goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

Certain items of property, plant and equipment were pledged as security at December 31, 2018 (see Note 6.5.2).

Changes in property, plant and equipment in 2018 and 2017 are analyzed below:

2018

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2018[1]	**338**	**1,664**	**6,931**	**1,983**	**792**	**37**	**11,745**
Accumulated depreciation and impairment	(15)	(996)	(4,432)	(1,645)	(547)	-	**(7,635)**
NET CARRYING AMOUNT AT JANUARY 1, 2018[1]	**323**	**668**	**2,499**	**338**	**245**	**37**	**4,110**
Acquisitions	12	128	754	183	165	31	**1,273**
Disposals	-	(1)	(35)	(2)	(1)	(3)	**(42)**
Impairment	(1)	-	(6)	3	1	-	**(3)**
Depreciation	-	(76)	(479)	(135)	(48)	-	**(738)**
Translation adjustment	9	5	11	-	(3)	-	**22**
Reclassifications	(6)	17	57	13	(67)	(15)	**(1)**
NET CARRYING AMOUNT AT DECEMBER 31, 2018	**337**	**741**	**2,801**	**400**	**292**	**50**	**4,621**

(1) The amounts shown for Land, Buildings, Machinery and industrial equipment and Specific tooling differ from the amounts presented in the 2017 consolidated financial statements published in February 2018 since they have been adjusted to reflect the impacts of the allocation of goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

2017

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2017[1]	**257**	**1,383**	**6,023**	**1,924**	**633**	**13**	**10,233**
Accumulated depreciation and impairment	(12)	(906)	(4,115)	(1,644)	(493)	-	**(7,170)**
NET CARRYING AMOUNT AT JANUARY 1, 2017[1]	**245**	**477**	**1,908**	**280**	**140**	**13**	**3,063**
Acquisitions	20	103	868	146	115	19	**1,271**
Disposals	(21)	(1)	(23)	(7)	(3)	(1)	**(56)**
Changes in scope of consolidation[1]	93	158	281	17	39	17	**605**
Impairment	-	-	5	2	-	-	**7**
Depreciation	-	(65)	(387)	(123)	(44)	-	**(619)**
Translation adjustment	(16)	(27)	(102)	(11)	(10)	-	**(166)**
Reclassifications	2	23	(51)	34	8	(11)	**5**
NET CARRYING AMOUNT AT DECEMBER 31, 2017	**323**	**668**	**2,499**	**338**	**245**	**37**	**4,110**

(1) The amounts shown for Land, Buildings, Machinery and industrial equipment and Specific tooling differ from the amounts presented in the 2017 consolidated financial statements published in February 2018 since they have been adjusted to reflect the impacts of the allocation of goodwill to FTE automotive and Valeo-Kapec (see Notes 2.2.1.3, 2.2.1.2 and 1.2).

Changes in the scope of consolidation in 2017 resulted primarily from the creation of Valeo-Kapec and the takeover of FTE automotive and Ichikoh.

Finance leases

Finance leases transferring substantially all of the risks and rewards related to ownership of the leased asset to the Group are accounted for as follows:

- the leased assets are recognized in property, plant and equipment in the Group's statement of financial position at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset and the present value of future minimum lease payments. This amount is then reduced by depreciation and by any impairment losses;
- the corresponding financial obligation is recorded in debt;
- lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Leases in which the lessor retains substantially all of the risks and rewards related to ownership of the leased asset are classified as operating leases. Lease payments under an operating lease are recognized as an operating expense on a straight-line basis over the lease term. Outstanding lease payments are detailed in Note 6.5.1.

Finance leases included within property, plant and equipment can be analyzed as follows:

(in millions of euros)	December 31, 2018	December 31, 2017
Buildings	9	10
Machinery and industrial equipment	10	15
Specific tooling	-	4
Other property, plant and equipment	4	4
TOTAL	**23**	**33**

6.4 Impairment losses on non-current assets

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment whenever objective indicators exist that they may be impaired. Goodwill and intangible assets not yet ready to be brought into service are tested for impairment at least once a year and whenever there is an indication that they may be impaired.

Cash-generating units (CGUs) and goodwill

CGUs are operating entities that generate independent cash flows. Based on the Group's organizational structure, CGUs generally correspond to groups of plants belonging to the same Product Line or Product Group. At December 31, 2018, there was a total of 27 CGUs.

CGUs represent the level at which all property, plant and equipment and intangible assets are tested for impairment if there is an indication that they may be impaired. However, specific impairment tests may be carried out on certain idle property, plant and equipment and intangible assets. Valeo may review the value in use of certain assets and recognize non-recurring impairment losses where appropriate, if significant, prolonged adverse factors arise for the Group such as a deterioration in a country's economic environment or in one of the Group's plants, or contractual disputes.

Goodwill is tested for impairment at the level of the Business Groups, as set out in Note 3 on segment information. The Business Groups are groups of CGUs and correspond to the level at which management monitors goodwill.

At the end of the year, goodwill is tested for impairment using the same methodology and assumptions as those used for CGUs and as described below.

Impairment tests

Impairment tests compare the recoverable amount of a non-current asset with its net carrying amount. If the asset's carrying amount is greater than its recoverable amount, it is written down to its recoverable amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined using available information allowing Valeo to establish a best estimate of the selling price net of the costs necessary to make the sale, between knowledgeable, willing parties in an arm's length transaction.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or group of assets, taking into account its residual value.

Since there is seldom a reliable basis to measure the fair value less costs to sell of a group of assets belonging to Valeo, the Group uses value in use for CGUs and goodwill impairment tests to determine the recoverable amount of such assets or groups of assets, unless otherwise specified.

The value in use of CGUs and goodwill is determined as follows:

- post-tax cash flow projections covering a period of five years, prepared on the basis of the budgets and medium-term business plans drawn up by Group entities and approved by General Management, are discounted;
- cash flows beyond the five-year period are extrapolated by applying a perpetuity growth rate to normative forecast cash flows, corresponding to the last year of the medium-term plan adjusted where applicable for non-recurring items;
- cash flows are discounted based on a rate which reflects current market assessments of the time value of money and the risks specific to the asset (or group of assets). This rate corresponds to the post-tax weighted average cost of capital (WACC). The use of a post-tax rate applied to post-tax cash flows results in recoverable amounts that are similar to those that would have been obtained by applying pre-tax rates to pre-tax cash flows.

The impairment loss to be recognized against a CGU is allocated to the CGU's assets in proportion to their net carrying amount.

Impairment losses recognized for goodwill may not be reversed.

Impairment losses recognized for assets other than goodwill may only be reversed if there are indications that the impairment may no longer exist or may have decreased. If this is the case, the carrying amount of the asset is increased to its revised estimated recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

6.4.1 Impairment testing

The tests are carried out using the following assumptions:

- the projections used are based on past experience, macroeconomic data for the automotive market, order intake and products under development;
- a perpetuity growth rate of 1.5%, which is the same as that used in 2017 and is in line with the average long-term growth rate for the Group's business sector;
- a post-tax discount rate (WACC) of 9.5% (0.5% higher than in 2017 to reflect uncertainties across the automotive industry), calculated using the discount rate method reviewed by an independent expert in 2015. The sample of comparable companies includes around a dozen companies from the automotive equipment industry. The main components of WACC are a market risk premium, a risk-free rate corresponding to the average interest rate on long-term government bonds, and beta calculated based on a sample of companies in the industry, which came out at 1.15 (1.08 in 2017).

The key assumptions underpinning the perpetuity growth rate and the discount rate are the same for each group of CGUs to which goodwill has been allocated. Business Groups were created in the organization set up in 2010 to adapt to the increasing globalization of automotive markets and customers. Business Groups are largely similar in terms of market and positioning, and enjoy a global geographic base as well as relations with the world's leading automakers.

To prepare these medium-term business plans and the budget used to perform impairment tests on CGUs and goodwill, the Group based itself in particular on projected data for the automotive market, as well as its own order intake and its development prospects on emerging markets.

Forecasts are made at the smallest level (for each CGU), based on detailed projections of the automotive market by automaker, country, model and powertrain, taking into account expected product developments in the CGU's official and potential order intake.

The medium-term business plans for 2019-2023 are underpinned by the following assumptions:

- world automotive production of 107 million vehicles in 2023, representing average annual growth of 2.4% for 2018-2023. This assumption is consistent with several independent external forecasts available in September 2018, when the business plan was revised. At the end of the period covered by the business plan, Asia and the Middle East should represent 55% of global production, Europe and Africa 25%, North America 17% and South America 3%;
- exchange rate assumptions are based on projections of a panel of banks. The exchange rates used for the main currencies featured in the business plan are 1 euro for: 1.25 US dollars, 8.13 Chinese renminbi, 138 Japanese yen, 1,375 South Korean won and 4.75 Brazilian real at the end of the plan;
- Group sales were forecast based on the orders known at the time the business plan was drawn up and by reference to an estimate of the orders to be taken over the term of the business plan. These target order numbers represent less than 30% of cumulative original equipment sales over the five-year forecast period and less than 60% of original equipment sales for the final year.

6.4.2 Goodwill

No impairment losses were recognized against goodwill in 2018 as a result of the impairment tests carried out at the level of Business Groups in line with the methodology described above. This was also the case in 2017.

6.4.3 Sensitivity of goodwill impairment tests

A one-year pushback in medium-term business plans would have no impact on the results of goodwill impairment tests.

The following changes in the three main assumptions were used to check the sensitivity of goodwill impairment tests:

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 0.7-point decrease in the rate of operating income over sales used to calculate the terminal value.

No additional impairment losses would be recognized as a result of these changes in assumptions, either individually or taken as a whole.

The headroom of the tests, representing the difference between the value in use and the net carrying amount, as well as the impacts of changes in key assumptions on this margin, are presented by Business Group in the table below:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2018 assumptions	WACC of 10.5% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	0.7-pt decrease in the operating income used to calculate the terminal value	Combination of all three factors
Comfort & Driving Assistance Systems Business Group	1,330	(496)	(216)	(267)	(877)
Powertrain Systems Business Group	2,358	(635)	(253)	(339)	(1,102)
Thermal Systems Business Group	2,817	(597)	(256)	(298)	(1,035)
Visibility Systems Business Group	3,048	(613)	(263)	(333)	(1,084)

6.4.4 Property, plant and equipment and intangible assets (excluding goodwill)

The main impairment indicators used by the Group as the basis for impairment tests of cash-generating units (CGUs) are a negative operating margin for 2018, a fall of more than 20% in 2018 sales compared to 2017, and a recurring substantial shortfall with respect to the objectives set in the medium-term plans.

The scope of the CGUs tested for impairment was defined at the end of December 2018. Seven CGUs were selected:

- the Electronic Systems Product Group (part of the Powertrain Systems Business Group);
- the Air Charging Systems Product Line (part of the Powertrain Systems Business Group);
- the Combustion Engine Systems Product Line – mechanical actuators and sensors (part of the Powertrain Systems Business Group);
- the Active Safety Systems Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Top Column Modules Product Line (part of the Comfort & Driving Assistance Business Group);
- the Valeo Telematics & Acoustics Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Compressors Product Group (part of the Thermal Systems Business Group);

No impairment losses were recognized in 2018.

6.4.5 Sensitivity of CGU impairment tests

Changes in the following assumptions were used to check the sensitivity of CGU impairment tests:

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 0.7-point decrease in the rate of operating income over sales used to calculate the terminal value.

The impact on this headroom of changes in key assumptions is set out in the following table for each of the seven CGUs tested for impairment:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2018 assumptions	WACC of 10.5% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	0.7-pt decrease in the operating income used to calculate the terminal value	Combination of all three factors
Electronic Systems Product Group CGU	5	(43)	(15)	(44)	(90)
Air Charging Systems Product Line CGU	17	(8)	(3)	(3)	(13)
Combustion Engine Systems Product Line – mechanical actuators and sensors CGU	224	(47)	(18)	(23)	(80)
Active Safety Systems Product Line CGU	886	(174)	(77)	(66)	(286)
Top Column Modules Product Line CGU	167	(47)	(19)	(31)	(86)
Valeo Telematics & Acoustics Product Line CGU	98	(27)	(10)	(21)	(52)
Compressors Product Group CGU	2	(31)	(13)	(41)	(74)

6.5 Off-balance sheet commitments relating to leases and investments

6.5.1 Leases

Future minimum lease commitments outstanding at December 31, 2018 and 2017 (excluding capital leases) are as follows:

(in millions of euros)	December 31, 2018	December 31, 2017
Less than 1 year	91	77
1 to 5 years	231	167
More than 5 years	152	103
TOTAL	**474**	**347**

Lease rentals recognized as expenses in the period in respect of outstanding leases (excluding payments under capital leases) totaled 120 million euros in 2018 and 100 million euros in 2017.

Lease commitments in respect of capital leases are as follows at December 31, 2018 and 2017:

(in millions of euros)	December 31, 2018	December 31, 2017
Future minimum lease payments:		
Less than 1 year	12	15
1 to 5 years	14	17
More than 5 years	10	7
TOTAL	**36**	**39**
Of which interest charges	(4)	(2)
Present value of future lease payments:		
Less than 1 year	12	14
1 to 5 years	13	16
More than 5 years	7	7
TOTAL	**32**	**37**

At January 1, 2019, the financial liability measured in accordance with IFRS 16 is estimated at between 440 million euros and 480 million euros (see Note 1.1.2). The difference between the financial liability estimated under IFRS 16 and the future minimum lease commitments reported above is primarily due to the effect of discounting future lease payments, which reduces the reported commitment, and an increase in the terms of the leases under consideration.

6.5.2 Other commitments given

Valeo had given binding asset purchase commitments totaling 718 million euros at December 31, 2018, versus 496 million euros at December 31, 2017, as well as other commitments relating to operating activities in the amount of 19 million euros.

The following items recognized in assets in the Group's statement of financial position have been pledged as security:

(in millions of euros)	December 31, 2018	December 31, 2017
Property, plant and equipment	1	11
Financial assets	2	2
TOTAL	**3**	**13**

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1 Other provisions

A provision is recognized when:

- the Group has a present legal, contractual or constructive obligation resulting from a past event;
- it is probable that future outflows of resources embodying economic benefits will be necessary to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Provisions are measured in accordance with IAS 37 and take into account assumptions deemed most probable at the end of the reporting period.

Provisions for customer warranties are set aside to cover the estimated cost of returns of goods sold and are computed either on a statistical basis or based on specific quality risks. Statistical warranty provisions cover risks related to contractual warranty obligations, and are determined based on both historical data and probability calculations. The provision for specific quality risks covers costs arising in specific situations not covered by usual warranties. The corresponding expense is recognized in Cost of sales.

Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or by announcing its main features.

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under said contracts.

Provisions for tax disputes relate to probable risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines.

Provisions intended to cover commercial risks and disputes arising in the ordinary course of operations are also included in this caption.

Provisions relating to events that are expected to materialize in more than one year or whose timing cannot be reliably determined are classified within Other provisions – long-term portion.

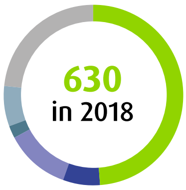
Movements in provisions in 2018 are shown in the table below:

(in millions of euros)	Provisions for product warranties	Provisions for restructuring costs	Other provisions	Total
PROVISIONS AT JANUARY 1, 2018(1)	**259**	**55**	**290**	**604**
Additions	156	14	50	**220**
Amounts utilized during the year	(74)	(23)	(34)	**(131)**
Reversals	(36)	(2)	(33)	**(71)**
Changes in scope	-	-	-	**-**
Translation adjustment and other movements	4	(2)	6	**8**
PROVISIONS AT DECEMBER 31, 2018	**309**	**42**	**279**	**630**
Of which current portion (less than one year)	161	18	94	**273**

(1) *The amount shown for Provisions differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of the definitive allocation of goodwill to FTE automotive and Valeo-Kapec (see Note 1.2).*

At December 31, 2018, the Group recognized two material accrued income items with respect to product warranties. The Group did not recognize any other individually material income items offsetting expected outflows of resources in respect of the other provisions mentioned above.

At December 31, 2018 and 2017, provisions break down as follows:



(in millions of euros)		December 31, 2018	December 31, 2017(1)
49%	– Provisions for product warranties	309	259
7%	– Provisions for restructuring costs	42	55
12%	– Provisions for tax-related disputes	73	57
2%	– Environmental provisions	15	16
7%	– Provisions for onerous contracts	45	56
23%	– Provisions for employee-related and other disputes	146	161
	PROVISIONS FOR OTHER CONTINGENCIES	**630**	**604**

(1) *The amount shown for Provisions for other contingencies differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of the definitive allocation of goodwill to FTE automotive and Valeo-Kapec (see Note 1.2).*

Provisions for employee-related and other disputes, which totaled 146 million euros at December 31, 2018, cover risks arising in connection with former employees (in particular relating to asbestos), intellectual property disputes and various other disputes related to Valeo's operating activities across the globe, as well as the main risks relating to antitrust investigations. Each known dispute was reviewed at the end of the reporting period. Based on the opinions of the Group's legal counsel, the provisions set aside are considered adequate to cover the estimated risks.

7.2 Antitrust investigations

At the end of July 2011, antitrust investigations were initiated against several automotive suppliers (including Valeo) by the US and European antitrust authorities in the area of components and systems supplied to the automotive industry.

In the United States, a settlement was reached on September 20, 2013 between the Department of Justice and the Japanese subsidiary Valeo Japan Co. Ltd, which agreed to pay a fine of 13.6 million US dollars. This agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Valeo Group for practices that came to light during their investigations.

Three class actions were filed against Valeo Group companies with the United States District Court for the Eastern District of Michigan, which Valeo has settled. The first class action, which was brought by automotive dealers, was settled on August 25, 2016 and was definitively approved by the competent court on November 30, 2016. The second, which was brought by automotive end purchasers, was settled on September 28, 2016 and was definitively approved by the competent court on April 19, 2017. The third and final class action in the United States, which was brought by direct customers, was settled on March 21, 2017 following definitive approval by the competent court on November 21, 2018.

Separately, two class actions remain ongoing in Canada.

Investigations by the European antitrust authorities have been concluded and the related fines, totaling 26.7 million euros, were paid in June 2017.

Actions for damages can or may be brought further to the aforementioned antitrust investigations. The Group sets aside provisions whenever the payment of compensation is likely and can be quantified.

7.3 Contingent liabilities

Unlike a provision (see definition above), a contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving Valeo or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

In its decision of November 20, 2018, the Nancy Administrative Court of Appeal ordered the French Ministry of Labor to list the Reims site as a facility which may give rise to rights to benefits under the French early retirement scheme for asbestos workers (*Allocation de Cessation Anticipée d'Activité des Travailleurs de l'Amiante* – ACAATA). The impacts of this decision cannot be quantified at the date of this document.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly comprise:

- long-term debt, liabilities relating to put options granted to holders of non-controlling interests, and short-term debt and bank overdrafts, which make up gross debt (see Note 8.1.2);
- loans and other non-current financial assets (see Note 8.1.3.1);
- cash and cash equivalents (see Note 8.1.3.2);
- derivative instruments (see Note 8.1.4);
- other current and non-current financial assets and liabilities (see Note 8.1.5);
- accounts and notes receivable (see Note 4.2) and payable.

8.1.1 Fair value of financial assets and liabilities

	2018 carrying amount under IFRS 9			December 31, 2018	December 31, 2017(1)
(in millions of euros)	Amortized cost	Fair value through equity	Fair value through income	Carrying amount	Carrying amount
ASSETS					
Other non-current financial assets:					
▪ Long-term investments	-	217	-	217	172
▪ Long-term loans and receivables	295	-	-	295	78
▪ Deposits and guarantees	32	-	-	32	26
▪ Other non-current financial assets	5	-	-	5	5
▪ Hedging derivatives	-	25	-	25	3
▪ Trading derivatives	-	-	16	16	135
Assets relating to pensions and other employee benefits	-	4	-	4	5
Accounts and notes receivable(1)	2,781	-	-	2,781	2,906
Other current financial assets:					
▪ Hedging derivatives	-	6	-	6	14
▪ Trading derivatives	-	-	7	7	26
▪ Interest accrued on long-term loans	-	-	2	2	-
Cash and cash equivalents	-	-	2,357	2,357	2,436
LIABILITIES					
Non-current financial liabilities:					
▪ Hedging derivatives	-	9	-	9	36
▪ Trading derivatives	-	-	7	7	125
Bonds(1)	3,745	-	-	3,745	3,379
EIB (European Investment Bank) loans	-	-	-	-	21
Other long-term debt	155	-	-	155	210
Liabilities associated with put options granted to holders of non-controlling interests	-	89	-	89	82
Accounts and notes payable(1)	4,475	-	-	4,475	4,395
Other current financial liabilities:			-		
▪ Hedging derivatives	-	10	-	10	5
▪ Trading derivatives	-	-	32	32	10
Short-term debt	900	-	-	900	664

(1) The amounts shown for Accounts and notes receivable, Bonds, and Accounts and notes payable differ from the amounts presented in the 2017 consolidated financial statements published in February 2018 since they have been adjusted to reflect the impacts of applying IFRS 9 and allocating the purchase price for FTE automotive (see Notes 1.1.1, 2.2.1.3 and 1.2.2, respectively).

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments based on the following categories:

- Level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

The fair value of bonds is calculated based on prices quoted on an active bond market. This method corresponds to Level 1 in the fair value hierarchy.

The fair value of other components of Group debt, as well as of accounts and notes payable and receivable, is equal to their carrying amount.

(in millions of euros)	December 31, 2018 Carrying amount	Fair value	Level	December 31, 2017[1] Carrying amount	Fair value	Level
ASSETS						
Cash and cash equivalents	2,357	2,357	1	2,436	2,436	1
Derivative financial instruments[2]	54	54	2-3	178	178	2-3
LIABILITIES						
Bonds[1]	3,745	3,598	1	3,379	3,494	1
EIB (European Investment Bank) loan	-	-		21	21	2
Other long-term debt	155	155	2	210	210	2
Loans recognized at amortized cost	**3,900**	**3,753**		**3,610**	**3,725**	
Short-term debt	900	900	1-2	664	664	1-2
Derivative financial instruments[2]	58	58	2-3	176	176	2-3
Put options granted to holders of non-controlling interests	89	89	3	82	82	3

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).
(2) The method used to estimate the fair value of derivative financial instruments recorded in assets and liabilities corresponds to Level 2 in the fair value hierarchy for derivatives hedging foreign currency, commodity and interest rate risks. The method used to estimate the fair value of other derivative financial instruments corresponds to Level 2 or Level 3 in the fair value hierarchy.

IFRS 13 prescribes the methods for assessing fair value and for taking into account the credit risk on derivatives, through:

- a Credit Value Adjustment (CVA), which is a component of the market value of a derivative financial instrument that reflects the exposure in the event of counterparty default;
- a Debit Value Adjustment (DVA), which is an adjustment to fair value reflecting the entity's own credit risk.

The net impact of taking into account credit risk was calculated according to the probabilities of default issued by Bloomberg.

At December 31, 2017 and 2018, this has only a minimal impact on the Group.

8.1.2 Gross debt

Gross debt includes long-term debt, liabilities relating to put options granted to holders of non-controlling interests, and short-term debt and bank overdrafts.

At December 31, 2018, the Group's gross debt can be analyzed as follows:

(in millions of euros)	December 31, 2018 Non-current	Current	Total	December 31, 2017[1] Non-current	Current	Total
Long-term debt	3,466	434	**3,900**	3,227	383	**3,610**
Put options granted to holders of non-controlling interests	17	72	**89**	17	65	**82**
Short-term debt	-	900	**900**	-	664	**664**
GROSS DEBT	**3,483**	**1,406**	4,889	**3,244**	**1,112**	4,356

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).

8.1.2.1 Long-term debt

This caption primarily includes bonds and other borrowings.

Bonds and other borrowings are valued at amortized cost. The amount of interest recognized in financial expenses is calculated by multiplying the loan's effective interest rate by its carrying amount. Any difference between the expense calculated using the effective interest rate and the actual interest payment impacts the value at which the loan is recognized.

Analysis of long-term debt

(in millions of euros)	December 31, 2018	December 31, 2017[1]
Bonds	3,745	3,379
EIB (European Investment Bank) loans	-	21
Lease obligations	32	37
Other borrowings	84	132
Accrued interest	39	41
LONG-TERM DEBT	**3,900**	**3,610**

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).

Change in and characteristics of long-term debt

(in millions of euros)	Bonds[1]	EIB (European Investment Bank) loans	Other loans and lease obligations	Accrued interest	Total
CARRYING AMOUNT AT JANUARY 1, 2018	**3,379**	**21**	**169**	**41**	**3,610**
Increases/subscriptions	600	-	3	-	**603**
Redemptions/repayments	(274)	(22)	(64)	-	**(360)**
Changes in scope of consolidation[1]	-	-	-	-	**-**
Value adjustments	20	-	-	-	**20**
Translation adjustment	20	1	8	-	**29**
Other movements	-	-	-	(2)	**(2)**
CARRYING AMOUNT AT DECEMBER 31, 2018	**3,745**	**-**	**116**	**39**	**3,900**

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).

As part of the Euro Medium Term Note financing program, on June 18, 2018 Valeo issued 600 million euros' worth of seven-year bonds maturing in 2025 and paying a fixed coupon of 1.50%.

The Group also made the following redemptions and repayments in the period:

- in May 2018, the Group redeemed the 274 million euro bond issued in 2011 under the Euro Medium Term Note program;
- in November 2018, the Group repaid the final installment on the EIB loan for 25.75 million US dollars (22 million euros).

At December 31, 2018, the key terms and conditions of long-term debt were as shown below:

Type	Outstanding at Dec. 31, 2018 *(in millions of euros)*	Issuance	Maturity	Nominal *(in millions)*	Nominal amount outstanding *(in millions)*	Currency	Nominal interest rate	Other information
Bond (EMTN program)	350	November 2017	November 2019	350	350	EUR	3-month Euribor 0.25%	Variable rate floor: 0%
Convertible bond	475	June/ November 2016	June 2021	575	575	USD	0%	Euro/dollar cross currency swaps set up for each operation for a total of 575 million US dollars with the same maturity
Bond (EMTN program)	598	September 2017	September 2022	600	600	EUR	0.375%	-
Bond (EMTN program)	497	January 2017	January 2023	500	500	EUR	0.625%	-
Bond (EMTN program)(1)	637	January 2014	January 2024	700	700	EUR	3.25%	-
Bond (EMTN program)	596	June 2018	June 2025	600	600	EUR	1.50%	-
Bond (EMTN program)	592	March 2016	March 2026	600	600	EUR	1.625%	
Other long-term debt(2)	155	-	-	-	155	-	-	-
TOTAL LONG-TERM DEBT	**3,900**							

(1) The amount shown for the bond maturing in 2024 differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 on debt renegotiation (see Notes 1.1.1 and 1.2).

(2) Other long-term debt chiefly comprises debt contracted by Ichikoh entities in an amount of 71 million euros and debt contracted by Group subsidiaries at reduced rates in Spain along with accrued interest.

At December 31, 2018, the Group had drawn an amount of 3.3 billion euros under its Euro Medium Term Note financing program capped at 5 billion euros (versus 3 billion euros drawn at December 31, 2017).

The Group also has confirmed bank credit lines with an average maturity of 4.0 years, representing an aggregate amount of 1.1 billion euros. None of these credit lines had been drawn down at December 31, 2018. These bilateral credit lines were taken out with ten leading banks with an average rating of A+ from S&P and A1 from Moody’s.

Maturity of long-term debt

(in millions of euros)	Carrying amount	Maturity					
			≥ 1 year and ≤ 5 years				> 5 years
		< 1 year	2020	2021	2022	2023	2024 and beyond
Bonds	3,745	350	-	475	598	497	1,825
Lease obligations	32	11	10	2	1	1	7
Other borrowings	84	34	15	13	10	6	6
Accrued interest	39	39	-	-	-	-	-
LONG-TERM DEBT	**3,900**	**434**	**25**	**490**	**609**	**504**	**1,838**

At December 31, 2018, the current portion of long-term debt relates primarily to the 350 million euro private placement to be repaid in November 2019.

Contractual maturity of long-term debt

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile. At December 31, 2018, the average maturity of Valeo's (the parent company) debt was 4.6 years, down from 4.8 years at December 31, 2017.

The future cash flows presented below, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at December 31, 2018 was used for variable-rate interest.

		Contractual cash flows						
			≥ 1 year and ≤ 5 years				> 5 years	
(in millions of euros)	Carrying amount	< 1 year	2020	2021	2022	2023	2024 and beyond	Total
Bonds	3,745	397	47	549	647	545	1,970	**4,155**
Other long-term debt	155	84	25	15	11	7	13	**155**
LONG-TERM DEBT	**3,900**	**481**	**72**	**564**	**658**	**552**	**1,983**	**4,310**

Off-balance sheet commitments relating to Group financing

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenants:

Financing agreements	Ratios	Thresholds	Ratio at December 31, 2018[1]
Credit lines	Consolidated net debt/consolidated EBITDA	< 3.25	**0.9**

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The convertible loan also includes a change of control clause under which investors can request early repayment or – on the choice of the issuer – buyback.

The Group's bank credit lines and long-term debt include "cross default" clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date the consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

Group credit ratings

The ratings of Standard & Poor's and Moody's confirm Valeo's investment grade status and were as follows at December 31, 2018:

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	October 31, 2018	BBB	Stable	A-2
Moody's	November 2, 2018	Baa2	Negative	P-2

8.1.2.2 Liabilities associated with put options granted to holders of non-controlling interests

The Group may grant put options to third parties holding non-controlling interests, on all or some of their shares. These puts are considered by the Group as non-interest bearing debt.

This debt is recognized at the present value of the option exercise price. The offsetting entry for the debt associated with these commitments is a decrease in Stockholders' equity – Non-controlling interests. The difference between the present value of the exercise price of the options granted and the carrying amount of non-controlling interests is recorded in Stockholders' equity as a deduction from consolidated retained earnings.

The amount of the debt is adjusted at the end of each period in order to reflect changes in the option exercise price and a corresponding entry is recorded in Stockholders' equity.

(in millions of euros)	Total	Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	Spheros Climatização do Brasil SA
LIABILITIES AT JANUARY 1, 2017	**79**	**56**	**23**
Fair value adjustments recognized against non-controlling interests	**4**	4	-
Fair value adjustments recognized in retained earnings	**(1)**	5	(6)
LIABILITIES AT DECEMBER 31, 2017	**82**	**65**	**17**
Fair value adjustments recognized against non-controlling interests	**2**	(1)	3
Fair value adjustments recognized in retained earnings	**5**	8	(3)
LIABILITIES AT DECEMBER 31, 2018	**89**	**72**	**17**

At December 31, 2018, Valeo and STEC owned 73% and 27%, respectively, of China-based Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd. STEC has been granted a put option which it may exercise at any time up to June 2025.

At December 31, 2018, Valeo and Marco Polo owned 60% and 40%, respectively, of Spheros Climatização do Brasil SA. The Group's partner, Marco Polo, was granted a put option which it may exercise at any time following an agreed period of one year.

The maturity of these financial liabilities is as follows:

		Maturity						
				≥ 1 year and ≤ 5 years				> 5 years
(in millions of euros)	Carrying amount	On demand	< 1 year	2020	2021	2022	2023	2024 and beyond
Liabilities associated with put options granted to holders of non-controlling interests	89	72	-	17	-	-	-	-

8.1.2.3 Short-term debt

Short-term debt mainly includes credit balances with banks as well as Negotiable European Commercial Paper (NEU CP) (previously "commercial paper") issued by Valeo for its short-term financing needs. Commercial paper has a maturity of between three and six months and is valued at amortized cost.

(in millions of euros)	December 31, 2018	December 31, 2017
Negotiable European Commercial Paper	814	542
Short-term loans and overdrafts	86	122
SHORT-TERM DEBT	**900**	**664**

Valeo has a short-term commercial paper financing program for a maximum amount of 1.4 billion euros. At December 31, 2018, a total of 814 million euros (542 million euros at December 31, 2017) had been drawn on this program.

The 86 million euros in short-term bank loans relate mainly to overdraft facilities.

8.1.3 Net debt

Net debt includes all long-term debt, liabilities relating to put options granted to non-controlling interests (see Note 8.1.2.2), and 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 interest rate and currency risks associated with these items (see Note 8.1.4).

	December 31, 2018			December 31, 2017[1]		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	3,466	434	**3,900**	3,227	383	**3,610**
Put options granted to holders of non-controlling interests	17	72	**89**	17	65	**82**
Short-term debt	-	900	**900**	-	664	**664**
GROSS DEBT	**3,483**	**1,406**	**4,889**	**3,244**	**1,112**	**4,356**
Long-term loans and receivables (including accrued interest)	(295)	(2)	**(297)**	(78)	-	**(78)**
Cash and cash equivalents	-	(2,357)	**(2,357)**	-	(2,436)	**(2,436)**
Derivative instruments associated with interest rate and currency risks[2]	**5**	**8**	**13**	**15**	**(15)**	**-**
NET DEBT	**3,193**	**945**	**2,248**	**3,181**	**(1,339)**	**1,842**

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).
(2) The fair value of derivative instruments associated with an item of net debt solely comprises the fair value of derivatives hedging financial currency risk at end-December 2018 and end-December 2017.

8.1.3.1 Long-term loans and receivables

This category consists essentially of long-term loans, which are measured on an amortized cost basis using the effective interest rate. They are shown in the statement of financial position as Non-current financial assets.

8.1.3.2 Cash and cash equivalents

Cash and cash equivalents are comprised of marketable securities such as money market and short-term money market funds, deposits and very short-term risk-free securities which can be readily sold or converted into cash, and cash at bank. The cash equivalents included in this line are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. These current financial assets are carried at fair value through income and are held with a view to meeting short-term cash requirements.

(in millions of euros)	December 31, 2018	December 31, 2017
Marketable securities	738	1,182
Cash	1,619	1,254
CASH AND CASH EQUIVALENTS	**2,357**	**2,436**

Cash and cash equivalents totaled 2,357 million euros at December 31, 2018, consisting of 738 million euros of marketable securities with a low price volatility risk, and 1,619 million euros in cash. Marketable securities chiefly comprise money market mutual funds (FCP).

These items were measured using Level 1 inputs of the fair value hierarchy.

Short-term liquidity management

Cash is pooled whenever this is permitted by local legislation. In such cases, subsidiaries' surplus cash or financing requirements are pooled and invested or funded by Valeo, the parent company. The Group has set up a crossborder, multi-currency cash pooling arrangement in euros for European subsidiaries, in US dollars for US subsidiaries, and in Hungarian forints and Czech korunas for subsidiaries in Eastern Europe. This arrangement enables day-to-day cash to be managed on a centralized basis. In other countries, local cash pooling arrangements exist and loans and borrowings are regularly taken out with the parent company (Valeo). In some countries, these cross-border transactions can give rise to tax issues or may be subject to specific regulations and require approval from the local tax authorities.

The Group also manages liquidity by ensuring that dividends from subsidiaries are systematically transferred to Valeo.

Bank counterparty risk management

The Group invests its surplus liquidity according to the same principles, with asset management companies that are subsidiaries of leading banks. Securities are held by leading custodians.

8.1.3.3 Analysis of net debt by currency

Net debt can be analyzed as follows by currency:

(in millions of euros)	December 31, 2018	December 31, 2017[1]
Euro	2,624	2,136
US dollar	391	296
Japanese yen	(109)	20
Brazilian real	(19)	(25)
South Korean won	(117)	(55)
Chinese renminbi	(451)	(328)
Other currencies	(71)	(202)
TOTAL	**2,248**	**1,842**

(1) The amount shown for Bonds differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 9 (see Notes 1.1.1 and 1.2).

8.1.4 Derivative financial instruments

The Group uses derivative financial instruments to manage and reduce its exposure to foreign exchange and commodity risks.

Derivatives are recognized in the statement of financial position at fair value under Other non-current financial assets or Other non-current financial liabilities when the underlying transaction matures beyond one year, and under Other current financial assets or Other current financial liabilities when the underlying transaction matures within one year.

The accounting impact of changes in the fair value of these derivative instruments depends on whether or not hedge accounting is applied.

When hedge accounting is applied:

- for fair value hedges of assets and liabilities recognized in the statement of financial position, the hedged item of these assets or liabilities is stated at fair value. Changes in fair value are recognized through income and offset (for the effective portion of the hedge) by symmetrical changes in the fair value of the derivative;
- for future cash flow hedges, changes in the fair value of the derivatives relating to the effective portion of the hedge are recognized directly in other comprehensive income, while the ineffective portion is taken to other financial income and expenses. The amounts recognized in other comprehensive income are recycled to income when the hedged risk itself affects income.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in Other financial income and expenses.

Foreign currency derivatives

Although they may act as hedges, foreign currency derivatives hedging balance sheet positions do not always meet the criteria for hedge accounting (automatic hedging). In these cases, changes in the fair value of the derivatives are recognized in financial income and expenses and are generally offset by changes in the fair value of the underlying receivables and payables. However, foreign currency hedges of foreign currency financing are designated as fair value hedges in order to be eligible for the option available under IFRS 9 whereby forward points are amortized (on a straight-line basis over the term of the hedge) and recognized in the statement of income within Cost of net debt.

Foreign currency derivatives hedging highly probable future transactions that are generally material and will impact operating margin are classified as hedges. In these cases, changes in the fair value of the derivatives are recognized in other comprehensive income for the effective portion of the hedge, and subsequently taken to operating income when the hedged item itself affects operating income. The ineffective portion of the hedge is recognized in Other financial income and expenses.

Commodity derivatives

In principle, the Group applies cash flow hedge accounting to commodity derivatives. Gains and losses relating to the effective portion of the hedge are reclassified from other comprehensive income to operating margin when the hedged position itself affects income. Gains and losses relating to the ineffective portion of the hedge are recognized in Other financial income and expenses. When a forecast transaction is no longer highly probable, the cumulative gains and losses carried in other comprehensive income are transferred immediately to Other financial income and expenses.

The Group's operating entities are responsible for identifying, measuring and hedging financial risks. However, the Group's Finance Department is responsible for managing derivatives on behalf of subsidiaries with risk exposure. At monthly Treasury Committee meetings, the main risks and exposures are assessed, the required hedges are approved (in accordance with the strategy described below), and the results of these hedges are analyzed.

To reduce its exposure to market risk, the Group uses derivative financial instruments which had the following fair values at December 31, 2018 and December 31, 2017:

(in millions of euros)	Accounting classification	Nominal purchase price[1]	Nominal sale price[1]	OCI reserves	Other financial assets Non-current	Other financial assets Current	Other financial liabilities Non-current	Other financial liabilities Current	December 31, 2018 TOTAL	December 31, 2017 TOTAL
Forward foreign currency contracts	Cash flow hedge	862	(161)	19	18	6	(1)	(2)	**21**	**(2)**
Forward foreign currency contracts	Trading	200	(76)	-	-	2	-	(2)	-	-
Total operating foreign currency derivatives		**1,062**	**(237)**	**19**	**18**	**8**	**(1)**	**(4)**	**21**	**(2)**
Swaps	Fair value hedge	468	-	(14)	7	-	(8)	-	**(1)**	**(28)**
Swaps	Trading	169	-	-	-	5	(3)	(14)	**(12)**	**28**
Total financial foreign currency derivatives		**637**	**-**	**(14)**	**7**	**5**	**(11)**	**(14)**	**(13)**	**-**
Swaps – Purchases	Cash flow hedge	129	-	(7)	-	-	-	(8)	**(8)**	**6**
Total commodity derivatives		**129**	**-**	**(7)**	**-**	**-**	**-**	**(8)**	**(8)**	**6**
Convertible bond options	Trading	59	59	-	2	-	(2)	-	**-**	**-**
Cross options	N/A	N/A	N/A	N/A	14	-	(2)	(16)	**(4)**	**(2)**
Total other derivatives				**-**	**16**	**-**	**(4)**	**(16)**	**(4)**	**(2)**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS					**41**	**13**	**(16)**	**(42)**	**(4)**	**2**

(1) The nominal amounts of the derivatives are expressed in euros.

Bank counterparty risk management

The Group contracts derivatives with leading banks and sets limits for each counterparty, taking into account ratings provided by rating agencies. Special reports are drawn up enabling counterparty risk on each market to be monitored.

8.1.4.1 Fair value of foreign currency derivatives

Operational currency risk management

The Group's subsidiaries are exposed to foreign currency risk arising within the scope of their industrial and commercial activities. These risks and the related hedges are monitored by the Financing and Treasury Department.

The Group systematically hedges statement of financial position exposures (non-financial foreign currency receivables and payables). Subsidiaries primarily hedge their transactions with Valeo, the parent company, which then hedges net Group positions with external counterparties. The corresponding currency instruments are classified as trading derivatives within the meaning of IFRS 9 – "Financial Instruments".

The Group also hedges its operating margin against foreign currency risk, on a regular basis over the budget period and on an exceptional basis over a contractual period (beyond one year) for specific major contracts. In this case, it applies hedge accounting rules as permitted by IFRS 9 - "Financial Instruments".

The principal hedging instruments used by the Group are forward purchases and sales of foreign currencies.

The fair value of these derivatives is computed as follows: future cash flows are calculated using forward exchange rates at the end of the reporting period and are then discounted using the interest rate of the functional currency. This method corresponds to Level 2 in the fair value hierarchy.

As in 2017, the ineffective portion of these hedges of operational currency risk was not material in 2018.

Financial currency risk management

Centralizing cash surpluses, the financing needs of foreign subsidiaries and certain Group financing transactions exposes the Group to financial currency risk. This risk corresponds to the risk of changes in the value of financial receivables or payables denominated in currencies other than the functional currency of the borrowing or lending entity. This currency risk is primarily hedged by currency swaps.

The Group tends to finance its subsidiaries in their local currencies and systematically enters into hedges to protect itself against the resulting currency risk.

The Group's borrowings are generally denominated in euros, in particular for debt issues under the Euro Medium Term Note financing program.

The convertible bond subscribed on June 16, 2016 for 450 million US dollars, to which the Group added 125 million US dollars under the same conditions on November 16, 2016, is hedged by EUR/USD currency swaps through to maturity. These swaps have been documented as fair value hedges.

The unrealized loss of 13 million euros mainly includes currency swaps relating to hedges of intragroup loans and borrowings.

Analysis of the Group's overall net exposure

The Group's overall net exposure (on its balance sheet positions) based on notional amounts arises on the following main currencies (excluding entities' functional currencies):

	December 31, 2018				December 31, 2017
(in millions of euros)	USD	JPY	EUR	Total	Total
Accounts and notes receivable	166	67	1,060	**1,293**	**611**
Other financial assets	324	37	161	**522**	**597**
Accounts and notes payable	(205)	(53)	(860)	**(1,118)**	**(948)**
Long-term debt	(836)	(25)	(522)	**(1,383)**	**(1,448)**
GROSS EXPOSURE	**(551)**	**26**	**(161)**	**(686)**	**(1,188)**
Forward sales	(373)	(36)	(5)	**(414)**	**(763)**
Forward purchases	1,430	109	181	**1,720**	**(1,686)**
NET EXPOSURE	**506**	**99**	**15**	**620**	**(265)**

In the table above, the EUR column represents the euro exposure of Group entities whose functional currency is not the euro. Exposure arises chiefly on subsidiaries based in Central and Eastern Europe – mainly the Czech Republic – which are financed in euros by Valeo.

At December 31, 2017, the breakdown by currency of the net exposure in the statement of financial position (a negative 265 million euros) was as follows:

- a positive amount of 339 million euros relating to the US dollar;
- a positive amount of 37 million euros relating to the Japanese yen;
- a negative amount of 641 million euros relating to the euro.

Analysis of the sensitivity of net foreign currency risk exposure

The sensitivity analysis was based on an exchange rate of 1.15 US dollars, 125.85 Japanese yen, and 25.72 Czech koruna for 1 euro at December 31, 2018 (1.20 US dollars, 135.01 Japanese yen and 25.53 Czech koruna at December 31, 2017).

An increase of 10% in the value of the euro against these currencies at December 31, 2018 and December 31, 2017 would have had the following pre-tax impacts:

	December 31, 2018		December 31, 2017	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Exposure to US dollar	(23)	(28)	(4)	(29)
Exposure to Japanese yen	(3)	(7)	2	(6)
Exposure to euro	(10)	(6)	(35)	(29)
TOTAL	**(36)**	**(41)**	**(37)**	**(64)**

For the purpose of these analyses, it is assumed that all other variables, particularly interest rates, remained unchanged.

Assuming that all other variables remained unchanged, a 10% fall in the value of the euro against these currencies at December 31, 2018 would have had the opposite impact to the one shown above.

Remaining contractual maturities of foreign currency derivatives

The European Central Bank (ECB) closing rates and forward rates at December 31, 2018 were used to value foreign currency derivatives.

		Contractual cash flows						
			≥ 1 year and ≤ 5 years				> 5 years	
(in millions of euros)	Carrying amount	< 1 year	2020	2021	2022	2023	2024 and beyond	Total
Forward foreign currency contracts used as hedges:								
▪ Assets	26	8	2	3	3	4	6	**26**
▪ Liabilities	(5)	(4)	(1)	-	-	-	-	**(5)**
Currency swaps used as hedges:								
▪ Assets	12	5	-	7	-	-	-	**12**
▪ Liabilities	(25)	(14)	(3)	(8)		-	-	**(25)**

8.1.4.2 Fair value of commodity (non-ferrous metals) derivatives

Commodity risk management

The Group manages its exposure to raw materials by using price indexation clauses in commercial contracts as far as possible. This is the case particularly for non-ferrous metals and steel, for which such clauses cover approximately three-quarters and one-half of the Group's exposure, respectively.

Residual exposure to non-ferrous metals listed on the London Metal Exchange, and to a lesser extent exposure to propylene, is hedged with leading banks using hedging instruments. These hedges are designed to limit the impact of fluctuations in commodity prices on the Group's earnings and to give Valeo the time it needs to negotiate the corresponding price rises with its customers.

The Group favors hedging instruments which do not involve physical delivery of the underlying commodity (primarily swaps on the average monthly price). These transactions are eligible for cash flow hedge accounting within the meaning of IFRS 9.

Steel, most plastics, and rare-earth metals cannot be hedged on the financial market as they are not listed on an organized exchange.

Inventory values in the Group's statement of financial position are not significantly affected by the rise in commodity prices because the rapid inventory turnover and optimization of logistics flows reduce the amount.

Volumes of non-ferrous metals hedged at December 31, 2018 and December 31, 2017 break down as follows:

(in tons)	December 31, 2018	December 31, 2017
Aluminum	39,158	40,321
Secondary aluminum	8,840	13,623
Copper	8,890	9,253
Zinc	895	708
Polypropylene	4,189	-
TOTAL	**61,972**	**63,905**

Base metals derivatives used by the Group are designated as cash flow hedges. An unrealized loss of 8 million euros relating to existing hedges was recognized directly in other comprehensive income for 2018.

An unrealized gain of 6 million euros recognized in other comprehensive income in 2017 and arising on existing commodity hedges was reclassified in full to operating income in 2018.

Analysis of the sensitivity of the net exposure to metal price risk

The table below shows the pre-tax impact on equity and income of a 10% variation in metal futures prices at December 31, 2018 and December 31, 2017:

	December 31, 2018		December 31, 2017	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Impact of a 10% rise in metal futures prices	-	10	-	13
Impact of a 10% fall in metal futures prices	-	(10)	-	(13)

For the purposes of the sensitivity analysis, it is assumed that all other variables remain unchanged over the period.

Remaining contractual maturities of commodity derivatives

Forward prices on the London Metal Exchange (LME) at December 31, 2018 were used to determine contractual maturities for commodity derivatives.

		Contractual cash flows						
			≥ 1 year and ≤ 5 years				> 5 years	
(in millions of euros)	Carrying amount	< 1 year	2020	2021	2022	2023	2024 and beyond	Total
Commodity derivatives:								
■ Assets	-	-	-	-	-	-	-	**-**
■ Liabilities	(8)	(8)	-	-	-	-	-	**(8)**

8.1.4.3 Fair value of interest rate derivatives

Interest rate risk management

The Group uses interest rate swaps to convert the interest rates on its debt into either a variable or a fixed rate, either at origination or during the term of the loan. Cash and cash equivalents are mainly invested in variable-rate instruments. At December 31, 2018, 91% of long-term debt (i.e., due in more than one year) was at fixed rates (90% at December 31, 2017).

The Group had no outstanding interest rate derivatives at either December 31, 2018 or December 31, 2017.

Analysis of the Group's net exposure

At the end of the reporting period, the Group's net interest rate position based on nominal values can be analyzed as follows:

2018

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	898	436	1,654	-	1,915	-	4,467	436	**4,903**
Loans	-	-	-	(295)	-	-	-	(295)	**(295)**
Cash and cash equivalents	-	(2,357)	-	-	-	-	-	(2,357)	**(2,357)**
NET POSITION BEFORE HEDGING	**898**	**(1,921)**	**1,654**	**(295)**	**1,915**	**-**	**4,467**	**(2,216)**	**2,251**
Derivative instruments	-	-	-	-	-	-	-	-	**-**
NET POSITION AFTER HEDGING	**898**	**(1,921)**	**1,654**	**(295)**	**1,915**	**-**	**4,467**	**(2,216)**	**2,251**

2017

(in millions of euros)	Less than 1 year Fixed portion	Less than 1 year Variable portion	1 to 5 years Fixed portion	1 to 5 years Variable portion	More than 5 years Fixed portion	More than 5 years Variable portion	Total nominal amount Fixed portion	Total nominal amount Variable portion	Total nominal amount Total
Financial liabilities	904	143	1,174	350	1,826	-	3,904	493	**4,397**
Loans	-	-	-	(78)	-	-	-	(78)	**(78)**
Cash and cash equivalents	-	(2,436)	-	-	-	-	-	(2,436)	**(2,436)**
NET POSITION BEFORE HEDGING	**904**	**(2,293)**	**1,174**	**272**	**1,826**	**-**	**3,904**	**(2,021)**	**1,883**
Derivative instruments	-	-	-	-	-	-	-	-	**-**
NET POSITION AFTER HEDGING	**904**	**(2,293)**	**1,174**	**272**	**1,826**	**-**	**3,904**	**(2,021)**	**1,883**

Financial liabilities include the nominal amount of long- and short-term debt and bank overdrafts.

Analysis of sensitivity to interest rate risk

At December 31, 2018, almost all long-term debt was at fixed rates. Fixed-rate debt carried at amortized cost is not included in the calculation of sensitivity to interest rate risk. The Group's exposure to interest rate risk therefore arises solely on its variable-rate debt.

The tables below show the pre-tax impact on income and other comprehensive income of a sudden 1% rise in the interest rates applied to variable-rate financial assets and liabilities, after hedging:

(in millions of euros)	December 31, 2018 Income Gain (loss)	December 31, 2018 Equity Gain (loss)	December 31, 2017 Income Gain (loss)	December 31, 2017 Equity Gain (loss)
Impact of a 1-point increase in interest rates	23	-	20	-

Similarly, at December 31, 2018, a sudden 1% fall in interest rates would have had the opposite impact for the same amount.

8.1.4.4 Fair value of other derivative financial instruments

At December 31, 2018, other derivative financial instruments included the following:

- Conversion options embedded in the June 2016 and November 2016 bond issues, along with call options purchased. These options are perfectly matched. They had a fair value of 2 million euros at December 31, 2018 versus 88 million euros at December 31, 2017.
- Put and call options granted by Valeo and Siemens on the creation of their joint venture:
  - Valeo has a call option by virtue of which Siemens is required to sell part or all of its stake in the joint venture on exercise of the option. The fair value of this call option was 12 million euros at December 31, 2018 and 28 million euros at December 31, 2017;
  - Siemens has a put option by virtue of which Valeo is required to purchase its entire stake in the joint venture on exercise of the option. The fair value of this put option was 16 million euros at December 31, 2018 and 31 million euros at December 31, 2017.

  These options are not perfectly matched given the specific contractual terms that govern their exercise. They were valued by an independent expert using a probability-based approach. This method corresponds to Level 3 in the fair value hierarchy.
- Put and call options granted by Valeo and the partners of the CloudMade joint venture, each valued at 2 million euros.

Contractual maturities of other material derivative financial instruments

(in millions of euros)	Carrying amount	Contractual cash flows < 1 year	≥ 1 year and ≤ 5 years 2020	2021	2022	2023	> 5 years 2024 and beyond
Convertible bond options:							
▪ Assets	2	-	-	2	-	-	-
▪ Liabilities	(2)	-	-	(2)	-	-	-
Put and call options relating to the Valeo-Siemens joint venture(1):							
▪ Assets	12	-	-	12	-	-	-
▪ Liabilities	(16)	(16)	-	-	-	-	-

(1) Options that can be exercised as from the date indicated if certain contractually specified criteria are met.

8.1.5 Other financial assets and liabilities

8.1.5.1 Other non-current financial assets and liabilities

This caption primarily includes guarantee deposits and long-term investments.

Guarantee deposits are valued at amortized cost.

Long-term investments primarily include investments in non-consolidated companies and mutual funds, which are measured at fair value.

Changes in the fair value of investments in non-consolidated companies are recorded in income, unless the investment is neither held for trading nor contingent consideration is recognized by an acquirer as part of a business combination. In such cases, the Group may make an irrevocable election at initial recognition of each investment to present subsequent changes in fair value in other comprehensive income, and dividend income in income. Once this election has been made, unrealized gains and losses recognized in other comprehensive income may not subsequently be recycled to income, even in the event of disposal of the related investment.

The election described above for equity instruments is not available for mutual funds. Accordingly, changes in fair value are recognized under Other financial income and expenses in the consolidated statement of income.

The fair value of securities listed on an active market is their stock market value.

Long-term investments totaled 217 million euros at end-December 2018 and can be analyzed as follows:

(in millions of euros)	2018	2017
LONG-TERM INVESTMENTS AT JANUARY 1	**172**	**44**
Acquisitions	43	79
Changes in scope of consolidation(1)	-	51
Changes in fair value recognized in equity	(21)	5
Changes in fair value recognized in income	22	-
Translation adjustment	1	(7)
LONG-TERM INVESTMENTS AT DECEMBER 31	**217**	**172**

(1) Changes in the scope of consolidation in 2017 related to the takeover of Ichikoh, which holds securities listed on an active market. The fair value of these securities corresponds to their stock market value.

They mainly comprise investments in the following funds:

(in millions of euros)	2018	2017
Hubei Cathay China	47	48
Sino-French Innovation Fund (Cathay)	47	25
Sino-French Innovation Fund II (Cathay)	25	-
Other long-term investments(1)	98	99
LONG-TERM INVESTMENTS AT DECEMBER 31	**217**	**172**

(1) Other investments for less than 25 million euros in investment funds and in listed companies over which Valeo exercises neither control nor significant influence.

8.1.5.2 Other current financial assets and liabilities

Other current financial assets and liabilities include accounts and notes receivable and payable.

Accounts and notes receivable and payable are initially recognized at fair value and subsequently carried at amortized cost, less any accumulated impairment losses. The fair value of accounts and notes receivable and payable is deemed to be their nominal amount, since payment periods are generally less than three months.

Accounts and notes receivable are detailed in Note 4.2. In the ordinary course of its operations in China, Valeo may be paid by its customers or may pay its suppliers using a payment instrument specific to the Chinese market known as a "bank acceptance draft". Owing to their nature, receivables and payables under bank acceptance drafts continue to be recognized within accounts and notes receivable and payable until they fall due. At December 31, 2018, these instruments represented 102 million euros of accounts and notes receivable and 102 million euros of accounts and notes payable (145 million euros and 92 million euros, respectively, at December 31, 2017).

Valeo also operates a reverse factoring program, which has been in place since 2014. This program involves a sale of accounts and notes receivable to a financial institution ("factor") initiated by Valeo (and not by the supplier). Relations between the parties are structured based on two separate agreements:

- Valeo suppliers enter into a sale agreement with the factor for the amounts they are owed by Valeo;
- Valeo enters into an agreement with the factor under which it agrees to pay the invoices sold by its suppliers to the factor at the date they fall due (pre-approved invoices), without recourse.

This program allows the suppliers concerned to ensure that their receivables will be promptly settled by the financial institution. Valeo settles the invoices with the factor at their contractual due dates.

An analysis by the Group indicates that the reverse factoring arrangement does not alter the substance of its payables, which continue to be included in working capital.

8.2 Financial income and expenses

Financial income and expenses comprise interest income, interest expense (cost of net debt), and other financial income and expenses.

8.2.1 Cost of net debt

Interest expense corresponds to interest recognized on debt, while interest income corresponds to interest earned on cash and cash equivalents.

(in millions of euros)	2018	2017
Interest expense[1]	(89)	(88)
Interest income	23	15
COST OF NET DEBT	**(66)**	**(73)**

(1) Including in 2018 finance costs for 1 million euros on undrawn credit lines and financial expenses for 4 million euros arising on discounting arrangements for accounts and notes receivable and amounts receivable under French research and CICE tax credits.

8.2.2 Other financial income and expenses

Other financial income and expenses notably include:

- the ineffective portion of gains and losses on interest rate hedging transactions;
- gains and losses on foreign exchange transactions or non-ferrous metals purchases that do not meet the definition of hedges on financial instruments;
- the cost of credit insurance and write-downs taken in respect of credit risk and losses on bad debts in the event of client default;
- the net interest cost arising on provisions for pensions and other employee benefits, which includes the impact of unwinding the discount on the obligations to take into account the passage of time, and financial income related to the expected return on plan assets;
- changes in the fair value of long-term investments held for trading.

(in millions of euros)	2018	2017
Net interest cost on provisions for pensions and other employee benefits[1]	(24)	(24)
Currency gains (losses)	(21)	(20)
Gains (losses) on commodity derivatives (trading and ineffective portion)	(1)	-
Gains (losses) on interest rate derivatives (ineffective portion)	-	1
Gains (losses) on long-term investments held for trading	22	-
Other	(1)	(4)
OTHER FINANCIAL INCOME AND EXPENSES	**(25)**	**(47)**

(1) See Note 5.3.4.

NOTE 9 INCOME TAXES

9.1 Income taxes

Income tax expense includes current income taxes and deferred taxes of consolidated companies.

Taxes relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income and not in income.

9.1.1 Breakdown of income tax expense

(in millions of euros)	2018	2017(1)
Current taxes	(319)	(229)
Deferred taxes	16	(95)
INCOME TAXES	**(303)**	**(324)**

(1) *The amount shown for Deferred taxes differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 15 (see Notes 1.1.1 and 1.2).*

The Group recognized income tax expense of 303 million euros for 2018, corresponding to an effective tax rate of 28.7%, in particular reflecting deferred taxes recognized. This notably includes deferred tax assets in the Czech Republic, the United States and France.

9.1.2 Tax proof

(in millions of euros)	2018	2017(1)
NET INCOME BEFORE INCOME TAXES EXCLUDING SHARE IN NET EARNINGS (LOSSES) OF EQUITY-ACCOUNTED COMPANIES	**1,056**	**1,260**
Standard tax rate in France	34.43%	34.43%
THEORETICAL INCOME TAX EXPENSE	**(364)**	**(434)**
Impact of:		
■ Unrecognized deferred tax assets and unused tax losses (current year)	(22)	(21)
■ Recognition of previously unrecognized deferred tax assets	35	87
■ Other tax rates	98	(15)
■ Utilization of prior-year tax losses	6	43
■ Permanent differences between accounting income and taxable income	(39)	35
■ Tax credits	2	2
■ *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE)	(19)	(21)
GROUP INCOME TAX EXPENSE	**(303)**	**(324)**

(1) *The amount shown for Net income before taxes and Unrecognized deferred tax assets differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 15 (see Notes 1.1.1 and 1.2).*

- In 2018, unrecognized deferred tax assets and unused tax losses by main country chiefly relate to Brazil, China and Hungary.
- Previously unrecognized deferred tax assets for 35 million euros essentially relate to deferred tax assets recognized in 2018 in the Czech Republic, the United States and France.

- The favorable 98 million euro impact relating to tax rates that are different from the standard tax rate breaks down as follows:

Country	Current tax rate(1)	2018	2017
China	25.0%	21	40
Poland	19.0%	13	17
South Korea	24.2%	25	11
Thailand	20.0%	2	8
Turkey	22.0%	6	5
Spain	25.0%	7	4
Czech Republic	19.0%	3	6
Japan	31.8%	2	3
United States	21.0%	26	(116)
Germany	27.8%	(8)	(6)
Other countries		1	13
TOTAL		**98**	**(15)**

(1) The current tax rate shown is the effective tax rate at the end of the reporting period. The tax rate used to calculate deferred taxes takes into account any changes adopted in the tax rate for the coming years.

- In addition to reductions granted in respect of the Group's Research and Development activities, which are considered as subsidies in substance, permanent differences between accounting income and taxable income comprise non-deductible interest expense and the impact of the Base Erosion and Anti-Abuse Tax (BEAT) introduced in the latest US tax reform.
- The Group considers that the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) tax on company value-added meets the definition of income tax set out in IAS 12. Income tax in 2018 therefore includes a net expense of 19 million euros in respect of the CVAE tax (21 million euros in 2017).

9.2 Deferred taxes

Deferred taxes are accounted for using the liability method for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, and for all tax loss carryforwards.

The main temporary differences relate to tax loss carryforwards, provisions for pensions and other employee benefits, other temporarily non-deductible provisions and capitalized development costs. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are only recognized to the extent that it appears probable that Valeo will generate future taxable profits against which these tax assets will be able to be recovered. The Group reviews the probability of future recovery of deferred tax assets on a periodic basis for each tax entity. This review can, where appropriate, lead the Group to derecognize deferred tax assets that it had recognized in prior years. The probability of recovery is assessed using the approach deemed most appropriate in light of the entity's legal and tax organization, tax history and projected taxable earnings outlook. These are assessed on the basis of a tax plan which uses assumptions consistent with those used in the medium-term business plans and budgets prepared by the Group's entities and approved by General Management. Taxes payable and tax credits receivable on planned dividend distributions by subsidiaries are recorded in the statement of income.

Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities concern income taxes levied by the same taxation authority. In France, Valeo has elected for tax consolidation. The tax group includes the parent company and its principal French subsidiaries that are eligible for tax consolidation. Valeo has also elected for tax consolidation for its subsidiaries in other countries where this is permitted by local legislation (Germany, Spain, the United Kingdom and the United States).

Deferred taxes broken down by temporary differences are shown below:

(in millions of euros)	**December 31, 2018**	**December 31, 2017[1]**
Loss carryforwards	655	701
Capitalized development expenditure	(293)	(242)
Pensions and other employee benefits	244	242
Other provisions	126	120
Inventories	67	61
Provisions for restructuring costs	7	9
Tooling	-	(2)
Non-current assets	(66)	(60)
Other	181	134
TOTAL DEFERRED TAXES, GROSS	**921**	**963**
Unrecognized deferred tax assets	(524)	(624)
TOTAL DEFERRED TAXES	**397**	**339**
Of which:		
▪ Deferred tax assets	486	458
▪ Deferred tax liabilities	(89)	(119)

(1) The amount shown for Deferred taxes differs from that presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of applying IFRS 15 and IFRS 9 as well as the definitive allocation of goodwill to FTE automotive and Valeo-Kapec (see Note 1.2).

At December 31, 2018, deferred tax assets not recognized by the Group can be analyzed as follows:

(in millions of euros)	**Tax basis**	**Potential tax saving**
Tax losses available for carryforward from 2019 through 2023	33	(7)
Tax losses available for carryforward in 2023 and thereafter	74	(17)
Tax losses available for carryforward indefinitely	1,395	(351)
CURRENT TAX LOSS CARRYFORWARDS	**1,502**	**(375)**
Unrecognized deferred tax assets on temporary differences		(149)
TOTAL		**(524)**

NOTE 10 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Stockholders' equity

10.1.1 Change in share capital

10.1.1.1 Change in the number of shares outstanding

The number of shares outstanding and the number of treasury shares held at December 31, 2018 can be analyzed as follows:

	2018	2017
NUMBER OF SHARES OUTSTANDING AT JANUARY 1	**237,924,000**	**237,902,266**
Number of treasury shares purchased/sold under the liquidity agreement(1) or delivered following the exercise of stock options or free shares granted	600,925	739,753
Number of shares purchased under the share buyback program(2)	(1,837,417)	(1,228,009)
Number of shares issued under employee stock ownership plans: Shares4U(3)	599,979	509,990
NUMBER OF SHARES OUTSTANDING AT DECEMBER 31	**237,287,487**	**237,924,000**
Number of treasury shares held by the Group	2,965,613	1,729,121
NUMBER OF SHARES REPRESENTING THE COMPANY'S SHARE CAPITAL AT DECEMBER 31(4)	**240,253,100**	**239,653,121**

(1) See Note 10.1.1.2.

(2) See Note 10.1.1.3.

(3) As part of the Shares4U 2018 plan (see Note 5.4.4), a capital increase reserved for employees took place on June 28, 2018, issuing 599,979 new shares, each with a par value of 1 euro. This new standard plan was offered to employees, under which they could subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set by the Group's Chairman and Chief Executive Officer, acting on the authority of the Board of Directors on May 2, 2018, at 43.58 euros. This gave rise to 26 million euros in additional paid-in capital.

(4) Each share has a par value of 1 euro at end-2017 and end-2018 and is fully paid up. Shares that have been registered in the name of the same holder for at least four years (5,476,768 shares at December 31, 2018) carry double voting rights.

10.1.1.2 Equity management

The Group seeks to maintain a solid capital base in order to retain the confidence of investors, creditors and the market, and to secure its future development. Its objective is to strike a balance between levels of debt and equity compatible with an investment grade rating.

The Group may be required to buy back treasury shares on the market to cover its obligations with regard to stock option and free share plans, as well as Company savings plans and the liquidity agreement. The liquidity agreement was signed with an investment services provider on April 22, 2004 pursuant to the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI). At December 31, 2018, 591,500 shares and 997,523 euros had been allocated to the liquidity agreement compared with 75,000 shares and 22,400,662 euros at December 31, 2017.

10.1.1.3 Share buyback program

As in 2017, during the year Valeo requested the assistance of an investment services provider to meet certain objectives of its 2018 share buyback program as authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 23, 2017.

Pursuant to the agreement signed on March 7, 2018, the parties agreed that the investment services provider would sell a certain quantity of Valeo shares to Valeo, which undertook to acquire them at term, within the limit of 100 million euros, at an average price determined in an objective and independent manner by the market during the full term of the agreement. This average price could not in any case exceed the maximum purchase price set by the Ordinary and Extraordinary Shareholders' Meeting of May 23, 2017.

Under the program, Valeo bought back a total of 1,837,417 shares. They have been allocated in full to cover any stock purchase option plans, the allotment of shares to employees under profit-sharing plans, and the implementation of any Company savings plans.

The main features of the 2017 and 2018 share buyback programs are as follows:

	2018 program	2017 program
Date agreement took effect	March 8, 2018	March 7, 2017
Expiration date	May 29, 2018	May 12, 2017
Maximum nominal amount of buyback *(in millions of euros)*	100	75
Treasury shares delivered *(in number of shares)*	1,837,417	1,228,009
Average share price *(in euros per share)*	54.42	61.07

10.1.2 Translation adjustment

Movements in the translation adjustment (attributable to the Group) in the year resulted in an unrealized gain of 53 million euros (unrealized loss of 318 million euros at December 31, 2017). In 2018, this essentially reflected the rise in the value of the US dollar (62 million euros) and the Japanese yen (48 million euros), partially offset by the fall in the Turkish lira (17 million euros) and the Chinese renminbi (13 million euros).

10.1.3 Non-controlling interests

Changes in non-controlling interests can be analyzed as follows:

(in millions of euros)	2018	2017 restated(1)
NON-CONTROLLING INTERESTS AT JANUARY 1	**719**	**236**
Share in net earnings	96	79
Dividends paid	(28)	(20)
Changes in scope of consolidation(2)	15	449
Fair value adjustments to put options granted to holders of non-controlling interests(3)	(2)	(4)
Other movements	(3)	-
Translation adjustment	10	(21)
NON-CONTROLLING INTERESTS AT DECEMBER 31	**807**	**719**

(1) The amount shown for Non-controlling interests differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of the definitive allocation of the purchase price to Valeo-Kapec (see Notes 2.2.1.2 and 1.2).
(2) Changes in the scope of consolidation in 2018 essentially reflect the impacts of the reduction in Valeo's shareholding in Nanjing Valeo Clutch Co, Ltd (see Note 2.2.1.4). At December 31, 2017, this item chiefly related to the acquisition of Ichikoh and the creation of Valeo-Kapec.
(3) See Note 8.1.2.2.

Non-controlling interests can be analyzed as follows:

	Percentage interest held by non-controlling interests *(%)*		Stockholders' equity attributable to non-controlling interests *(in millions of euros)*	
	December 31, 2018	December 31, 2017	2018	2017(1)
Pyeong Hwa Company(2)	50.0	50.0	585	532
Ichikoh China Alliance entities	6.7	6.7	27	25
Other Ichikoh entities	44.9	44.9	140	108
Other individually non-material interests	N/A	N/A	55	54
NON-CONTROLLING INTERESTS			**807**	**719**

(1) The amount shown for Non-controlling interests differs from the amount presented in the 2017 consolidated financial statements published in February 2018 since it has been adjusted to reflect the impacts of the definitive allocation of the purchase price to Valeo-Kapec (see Notes 2.2.1.2 and 1.2).
(2) Pyeong Hwa Company is our longstanding partner in Valeo Pyeong Hwa entities in South Korea and our partner in Valeo-Kapec (see Note 2.2.1.2).

10.2 Earnings per share

Earnings per share (before dilution) is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, excluding the average number of shares held in treasury stock.

Diluted earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, plus the weighted average number of ordinary shares that would be outstanding had all the potentially dilutive ordinary shares been converted. Stock options and free shares have a dilutive impact when their exercise price is below market price. This calculation method – known as the treasury stock method – serves to determine the "unpurchased" shares to be added to the shares of common stock outstanding for the purposes of computing the dilution.

	2018	2017
Net income attributable to owners of the Company *(in millions of euros)*	546	877
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	237,613	237,879
DILUTED EARNINGS PER SHARE *(IN EUROS)*	**2.30**	**3.69**

	2018	2017
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	237,613	237,879
Dilutive effect from *(in thousands)*:		
▪ Stock options	209	548
▪ Free shares	1,575	2,311
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING ADJUSTED FOR IMPACT OF DILUTIVE SHARES *(IN THOUSANDS OF SHARES)*	**239,397**	**240,738**
DILUTED EARNINGS PER SHARE *(IN EUROS)*	**2.28**	**3.64**

NOTE 11 BREAKDOWN OF CASH FLOWS

11.1 Expenses (income) with no cash effect

Expenses and income with no cash effect can be analyzed as follows in 2018 and 2017:

(in millions of euros)	2018	2017 restated
Depreciation, amortization and impairment of non-current assets	1,143	951
Net additions to (reversals from) provisions	(2)	(121)
Losses (gains) on sales of non-current assets	11	27
Expenses related to share-based payment	3	27
Losses (gains) on long-term investments	(22)	-
Losses (gains) on previously held interests	36	-
Other losses (gains) with no cash effect	11	-
TOTAL	**1,180**	**884**

11.2 Changes in working capital

Changes in the main components of working capital in 2018 and 2017 are shown in the table below:

(in millions of euros)	2018	2017 restated
Inventories	(200)	(205)
Accounts and notes receivable	124	(243)
Accounts and notes payable	80	394
Other receivables and payables	67	93
TOTAL	**71**	**39**

Accounts and notes receivable falling due after December 31, 2018 for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position are detailed in Note 4.2 (accounts and notes receivable) and in Note 4.5.2 (amounts receivable under French research and CICE tax credits).

11.3 Acquisitions of investments with gain of control, net of cash acquired

The outflow of 41 million euros relates mainly to additional impacts in connection with the takeover of FTE automotive (see Note 2.2.1.3), Valeo-Kapec (see Note 2.2.1.2) and peiker.

11.4 Disposals of investments with loss of control, net of cash transferred

In 2018, a net cash outflow of 7 million euros chiefly relates to the impact of the sale of the Lighting business in Argentina (see Note 2.2.1.4).

11.5 Sale (purchase) of treasury stock

The net cash outflow of 118 million euros chiefly relates to the impact of the share buyback program implemented during the period, giving rise to a cash outflow of 100 million euros (see Note 10.1.1.3).

11.6 Issuance and repayment of long-term debt

In 2018, the Group issued 600 million euros' worth of seven-year bonds maturing in 2025 and paying a fixed coupon of 1.50%. It also redeemed the 273 million euro bond issued in 2011 under the Euro Medium Term Note financing program, repaid a 22 million euro installment on the EIB loan, and repaid annual installments on loans taken out by Ichikoh's Japanese subsidiaries (see Note 8.1.2.1).

11.7 Free cash flow and net cash flow

Free cash flow corresponds to net cash from operating activities (excluding the change in non-recurring sales of accounts and notes receivable) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets. This indicator reflects the Group's ability to generate cash from its operations and is taken into account by General Management to define its investment strategy and financing policy.

Net cash flow corresponds to free cash flow less (i) cash flows from investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in Non-current financial assets, (ii) cash flows in respect of financing activities relating to share capital, dividends paid, treasury share purchases and sales, interest paid and received, loan issue costs and premiums and acquisitions of investments without gain of control, and (iii) changes in non-recurring sales of accounts and notes receivable.

Free cash flow and net cash flow can be reconciled as follows with the consolidated statement of cash flows between 2018 and 2017:

(in millions of euros)	2018	2017 restated
Gross operating cash flows	2,366	2,265
Income taxes paid	(267)	(265)
Changes in working capital	71	39
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,170**	**2,039**
Net payments for purchases of intangible assets and property, plant and equipment	(2,025)	(1,745)
Elimination of change in non-recurring sales of accounts and notes receivable[1]	16	(16)
FREE CASH FLOW	**161**	**278**
Change in non-recurring sales of accounts and notes receivable[1]	(16)	16
Net change in non-current financial assets	(212)	(91)
Acquisitions of investments with gain of control, net of cash acquired	(41)	(537)
Acquisitions of investments in associates and/or joint ventures	(2)	(7)
Disposals of investments with loss of control, net of cash transferred	(7)	(1)
Acquisitions of investments without gain of control	(2)	(16)
Dividends paid to owners of the Company and to non-controlling interests of consolidated subsidiaries	(324)	(317)
Capital increase in cash	26	26
Sale (purchase) of treasury stock	(118)	(73)
Net interest paid/received	(58)	(63)
Loan issue costs and premiums	(5)	(7)
NET CASH FLOW	**(598)**	**(792)**

(1) Valeo carries out recurring and one-off sales of its accounts and notes receivable to banks. An agreement at a specific date is drawn up for one-off, or non-recurring, transactions of this type. An agreement spanning one or more years is drawn up for recurring transactions. Each contract is analyzed in light of IFRS 9 on the derecognition of financial assets in order to determine whether the risks and rewards inherent to ownership of the receivables has been transferred (see Note 4.2).

NOTE 12 FEES PAID TO THE STATUTORY AUDITORS

Fees paid to the Group's Statutory Auditors (excluding their network) and recognized in the consolidated statement of income for the Valeo parent company and the French subsidiaries, are as follows:

	Ernst & Young		Mazars	
(in millions of euros)	2018	2017	2018	2017
Audit				
Statutory audit, certification and review of the individual and consolidated financial statements	1.8	1.8	1.4	1.4
Non-audit services	0.1	0.1	0.1	0.1
TOTAL FEES	**1.9**	**1.9**	**1.5**	**1.5**

Non-audit services provided by Ernst & Young et Autres and Mazars to the Group and the entities it controls in 2018 concern (i) comfort letters in connection with bond issues, and (ii) statements issued to validate information presented in expenditure reports relating to subsidized projects and in connection with sales of receivables.

NOTE 13 LIST OF CONSOLIDATED COMPANIES

	December 31, 2018		December 31, 2017	
Company	Consolidation method	% interest	Consolidation method	% interest
EUROPE				
FRANCE				
Valeo (parent company)				
DAV	FC	100	FC	100
Equipement 2	FC	100	FC	100
Equipement 11	FC	100	FC	100
SC2N	FC	100	FC	100
Société de Participations Valeo	FC	100	FC	100
Valeo Bayen	FC	100	FC	100
Valeo Embrayages	FC	100	FC	100
Valeo Équipements Électriques Moteur	FC	100	FC	100
Valeo Finance	FC	100	FC	100
Valeo Management Services	FC	100	FC	100
Valeo Matériaux de Friction	FC	100	FC	100
Valeo Comfort and Driving Assistance	FC	100	FC	100
Valeo Service	FC	100	FC	100
Valeo Systèmes de Contrôle Moteur	FC	100	FC	100
Valeo Systèmes d'Essuyage	FC	100	FC	100
Valeo Systèmes Thermiques	FC	100	FC	100
Valeo Vision	FC	100	FC	100
peiker France SAS(5)	-	-	FC	100
Valeo Siemens eAutomotive France SAS	EM	50	EM	50
Spheros Climatechnics France SAS	FC	100	FC	100
Kuantic	EM	33	EM	33
Axodel(5)	-	-	EM	33
FTE automotive France S.a.r.l.(5)	-	-	FC	100
SPAIN				
Valeo Climatización, SAU	FC	100	FC	100
Valeo España, SAU	FC	100	FC	100
Valeo Iluminación, SAU	FC	100	FC	100
Valeo Service España, SAU	FC	100	FC	100
Valeo Termico, SAU	FC	100	FC	100
ITALY				
Valeo Service Italia, SpA	FC	100	FC	100
Valeo, SpA	FC	100	FC	100

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

	December 31, 2018		December 31, 2017	
Company	Consolidation method	% interest	Consolidation method	% interest
EUROPE				
GERMANY				
Valeo Auto-Electric GmbH(6)	FC	100	FC	100
Valeo GmbH(6)	FC	100	FC	100
Valeo Holding GmbH(6)	FC	100	FC	100
Valeo Klimasysteme GmbH(6)	FC	100	FC	100
Valeo Schalter und Sensoren GmbH(6)	FC	100	FC	100
Valeo Service Deutschland GmbH(6)	FC	100	FC	100
Valeo Wischersysteme GmbH(6)	FC	100	FC	100
peiker acustic GmbH(6)	FC	100	FC	100
Valeo peiker Telematik GmbH(5)	-	-	FC	100
CloudMade Deutschland GmbH	EM	50	EM	50
Valeo Thermal Commercial Vehicles Germany GmbH (formerly Spheros GmbH)(6)	FC	100	FC	100
Valeo Siemens eAutomotive GmbH	EM	50	EM	50
Valeo Siemens eAutomotive Germany GmbH	EM	50	EM	50
Valeo Siemens eAutomotive BSAES Holding GmbH	EM	50	EM	50
FTE Group Holding GmbH(6)	FC	100	FC	100
FTE Holding GmbH(5)	-	-	FC	100
FTE Verwaltungs GmbH(6)	FC	100	FC	100
FTE Asia GmbH(6)	FC	100	FC	100
FTE automotive GmbH(6)	FC	100	FC	100
FTE automotive systems GmbH(6)	FC	100	FC	100
FTE automotive Möve GmbH(6)	FC	100	FC	100
gestigon GmbH(6)	FC	100	FC	100
UNITED KINGDOM				
Valeo (UK) Limited	FC	100	FC	100
Valeo Climate Control Limited	FC	100	FC	100
Valeo Engine Cooling UK Limited	FC	100	FC	100
Valeo Management Services UK Limited	FC	100	FC	100
Valeo Service UK Limited	FC	100	FC	100
Valeo Air Management UK Limited	FC	100	FC	100
CloudMade Holdings Limited	EM	50	EM	50
CloudMade Limited	EM	50	EM	50
FTE automotive UK Limited	FC	100	FC	100
IRELAND				
Connaught Electronics Limited	FC	100	FC	100
HI-KEY Limited	FC	100	FC	100
Valeo Ichikoh Holding Limited	FC	93	FC	93

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018		December 31, 2017	
	Consolidation method	% interest	Consolidation method	% interest
BELGIUM				
Valeo Service Belgique	FC	100	FC	100
Valeo Vision Belgique	FC	100	FC	100
LUXEMBOURG				
Coreval	FC	100	FC	100
NORWAY				
Valeo Siemens eAutomotive Norway AS	EM	50	EM	50
DENMARK				
FTE automotive Denmark ApS	FC	100	FC	100
SWEDEN				
Valeo Climate Control Sweden	FC	100	FC	100
FINLAND				
Valeo Thermal Commercial Vehicles Finland Oy (Ltd) (formerly Spheros-Parabus Oy)	FC	100	FC	100
NETHERLANDS				
Valeo CV (Netherlands)	FC	100	FC	100
Valeo Holding Netherlands BV	FC	100	FC	100
Valeo International Holding BV	FC	100	FC	100
Valeo Service Benelux BV	FC	100	FC	100
CZECH REPUBLIC				
Valeo Autoklimatizace k.s.	FC	100	FC	100
Valeo Compressor Europe s.r.o.	FC	100	FC	100
Valeo Vymeniky Tepla s.r.o. (formerly Valeo Vymeniky Tepla k.s.)	FC	100	FC	100
FTE automotive Czechia s.r.o.	FC	100	FC	100
SLOVAKIA				
FTE automotive Slovakia s.r.o.	FC	100	FC	100
POLAND				
Valeo Autosystemy SpZOO	FC	100	FC	100
Valeo Electric and Electronic Systems SpZOO	FC	100	FC	100
Valeo Service Eastern Europe SpZOO	FC	100	FC	100
Valeo Siemens eAutomotive Poland SpZOO	EM	50	EM	50
HUNGARY				
Valeo Auto-Electric Hungary LLC	FC	100	FC	100
Valeo Siemens eAutomotive Hungary Kft.	EM	50	EM	50
ROMANIA				
Valeo Lighting Injection SA	FC	100	FC	100
Valeo Sisteme Termice SRL	FC	100	FC	100
RUSSIA				
Valeo Climate Control Tomilino LLC	FC	100	FC	100
Valeo Service Limited Liability Company	FC	100	FC	100

FC: fully consolidated/EM: equity method (see Note 2.1.1).

(1) Entity sold during the year (see Note 2.2.1.4).

(2) Transaction between owners (see Note 2.2.1.4).

(3) Acquisition in the period with no material impact on the consolidated financial statements.

(4) Transactions between owners with no material impact on the consolidated financial statements.

(5) Mergers and liquidations.

(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018 Consolidation method	% interest	December 31, 2017 Consolidation method	% interest
UKRAINE				
CloudMade Ukraine LLC	EM	50	EM	50
Spheros-Elektron TzOV	EM	20	EM	20
TURKEY				
Valeo Otomotiv Sanayi ve Ticaret AS	FC	100	FC	100
Valeo Ticari Tasitlar Termo Sistemleri AS (formerly Spheros Termo Sistemleri AS)	FC	100	FC	100
AFRICA				
TUNISIA				
DAV Tunisie SA	FC	100	FC	100
Valeo Embrayages Tunisie SA	FC	100	FC	100
Valeo Tunisie SA	FC	100	FC	100
MOROCCO				
Cablinal Maroc, SA	FC	100	FC	100
Valeo Vision Maroc, SA	FC	100	FC	100
EGYPT				
Valeo Internal Automotive Software Egypt	FC	100	FC	100
SOUTH AFRICA				
Valeo Systems South Africa (Proprietary) Ltd	FC	51	FC	51
Transfrig(3)	FC	100	-	-
Valeo Thermal Commercial vehicles SA (Pty) Ltd (formerly Spheros SA (Pty) Ltd)	FC	100	FC	100
NORTH AMERICA				
UNITED STATES				
Valeo North America, Inc.	FC	100	FC	100
Valeo Radar Systems, Inc.	FC	100	FC	100
Detroit Thermal Systems LLC	EM	49	EM	49
Detroit Thermal Systems Leverage Lender LLC	EM	49	EM	49
CloudMade, Inc.	EM	50	EM	50
Automotive Climate Control, Inc.(5)	-	-	FC	100
ValeoThermal Commercial Vehicles North America, Inc. (formerly Spheros North America, Inc.)	FC	100	FC	100
PIAA Corp., USA	FC	55	FC	55
Valeo Kapec North America, Inc.	FC	50	FC	50
FTE automotive USA, Inc.	FC	100	FC	100
FTE automotive North America, Inc.	FC	100	FC	100
CANADA				
Valeo Canada, Inc.	FC	100	FC	100

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018 Consolidation method	% interest	December 31, 2017 Consolidation method	% interest
MEXICO				
Delmex de Juarez, S de RL de CV	FC	100	FC	100
Valeo Sistemas Automotrices de México, SA de CV	FC	100	FC	100
Valeo Sistemas Electricos, SA de CV	FC	100	FC	100
Valeo Sistemas Electronicos, S de RL de CV	FC	100	FC	100
Valeo Iluminacion Servicios, S de RL de CV	FC	100	FC	100
Valeo Termico Servicios, S de RL de CV	FC	100	FC	100
Valeo Mexico Technical Center, SA de CV (formerly Valeo Technical Center)	FC	100	FC	100
Valeo Thermal Commercial Vehicles Mexico, SA de C.V. (formerly Spheros Mexico, SA de CV)	FC	60	FC	60
peiker acustic de Mexico, SA de CV	FC	100	FC	100
Valeo Kapec, SA de CV	FC	50	FC	50
FTE Mexicana, SA de CV	FC	100	FC	100
SOUTH AMERICA				
BRAZIL				
Valeo Sistemas Automotivos Ltda	FC	100	FC	100
Valeo climatizacao do Brasil - veiculos comerciais S/A (formerly Spheros Climatização do Brasil S/A)	FC	60	FC	60
Reparts Comercia de Peças para veiculos Ltda (formerly Reparts Industria E Comercio de Peças para veiculos Ltda)	FC	60	FC	60
Setbus Soluções Automotivas Ltda[4]	FC	60	FC	45
FTE Indústria e Comércio Ltda	FC	100	FC	100
ARGENTINA				
Cibie Argentina, SA[1]	-	-	FC	100
Emelar Sociedad Anonima	FC	100	FC	100
Valeo Embragues Argentina, SA	FC	100	FC	100
Valeo Termico Argentina, SA	FC	100	FC	100
Valeo Climatizacion de vehiculos comerciales SAS	FC	100	-	-
COLOMBIA				
Spheros Thermosystems Colombia Ltda	FC	60	FC	60

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018 Consolidation method	December 31, 2018 % interest	December 31, 2017 Consolidation method	December 31, 2017 % interest
ASIA PACIFIC				
THAILAND				
Valeo Niles (Thailand) Co. Ltd	FC	100	FC	100
Valeo Compressor Clutch (Thailand) Co. Ltd(5)	-	-	FC	100
Valeo Siam Thermal Systems Co. Ltd	FC	74.9	FC	74.9
Valeo Thermal Systems Sales (Thailand) Co. Ltd	FC	74.9	FC	74.9
Valeo Comfort and Driving Assistance Systems (Thailand) Ltd	FC	100	FC	100
Ichikoh Industries (Thailand) Co. Ltd	FC	55	FC	55
SOUTH KOREA				
Valeo Automotive Korea Co. Ltd	FC	100	FC	100
Valeo Electrical Systems Korea, Ltd	FC	100	FC	100
Valeo Pyeong HWA Co. Ltd	FC	50	FC	50
Valeo Pyeong Hwa Automotive Components Co. Ltd (VPHC)	FC	50	FC	50
Valeo Pyeong HWA International Co. Ltd	FC	50	FC	50
Valeo Samsung Thermal Systems Co. Ltd	FC	50	FC	50
Valeo Pyeong HWA Metals Co. Ltd	EM	49	EM	49
Valeo Kapec Co. Ltd	FC	50	FC	50
PHVS Co. Ltd	FC	49	FC	49
INDONESIA				
PT Valeo AC Indonesia	FC	100	FC	100
PH Asean Transmission (formerly VPH Indonesia Ltd)	FC	50	FC	50
PT. Ichikoh Indonesia	FC	55	FC	55
MALAYSIA				
Valeo Malaysia SDN BHD	FC	100	FC	100
Ichikoh (Malaysia) SDN BHD	FC	38.6	FC	38.6
Valeo Malaysia CDA SDN BHD (formerly Precico)	FC	100	FC	100
Spheros SDN BHD	FC	100	FC	100
UNITED ARAB EMIRATES				
Valeo Thermal Commercial Vehicles Middle East FZE (formerly Spheros Middle East FZE)	FC	100	FC	100
HONG KONG				
Spheros Ltd	FC	100	FC	100
TAIWAN				
Niles CTE Electronic Co. Ltd	FC	51	FC	51

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018		December 31, 2017	
	Consolidation method	% interest	Consolidation method	% interest
AUSTRALIA				
Valeo Service Australia Pty Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles Australia Pty Ltd (formerly Spheros Australia Pty Ltd)	FC	100	FC	100
JAPAN				
Ichikoh Industries Limited	FC	55.1	FC	55.1
Life Elex. Inc.	FC	32.6	FC	32.6
Kyushu Ichikoh Industries LTD	FC	55.1	FC	55.1
Hakuden LTD	FC	55.1	FC	55.1
Misato Industries LTD	FC	55.1	FC	55.1
PIAA Corporation	FC	55.1	FC	55.1
Valeo Japan Co. Ltd	FC	100	FC	100
Valeo Kapec Japan K.K. (formerly Valeo Unisia Transmissions K.K.)	FC	50	FC	50
Cloud Made Japan	EM	50	-	-
Nitto Manufacturing Co. Ltd	FC	87.2	FC	87.2

FC: fully consolidated/EM: equity method (see Note 2.1.1).
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(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2018		December 31, 2017	
	Consolidation method	% interest	Consolidation method	% interest
CHINA				
Faw-Valeo Climate Control Systems Co. Ltd	EM	36.5	EM	36.5
Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd	FC	93.3	FC	93.3
Fuzhou Niles Electronic Co. Ltd	FC	51	FC	51
Guangzhou Valeo Engine Cooling Co. Ltd	FC	100	FC	100
Huada Automotive Air Conditioner (Hunan) Co. Ltd	EM	45	EM	45
Nanjing Valeo Clutch Co. Ltd(2)	FC	37.5	FC	55
Shanghai Valeo Automotive Electrical Systems Company Ltd	EM	50	EM	50
Shenyang Valeo Auto Lighting Co. Ltd	FC	93.3	FC	93.3
Shenyang Valeo Pyeong-Hwa Transmission Systems Co. Ltd	FC	50	FC	50
Tianjin Valeo Xinyue Auto Parts Co. Ltd(5)	-	-	FC	100
Taizhou Valeo-Wenling Automotive Systems Co. Ltd	FC	73	FC	73
Valeo Auto Parts Trading (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Automotive Air Conditioning Hubei Co. Ltd	FC	100	FC	100
Valeo Kapec Torque Converters (Nanjing) Co. Ltd (formerly Valeo Automotive Transmissions Systems (Nanjing) Co. Ltd)	FC	50	FC	50
Valeo Engine Cooling (Foshan) Co. Ltd	FC	100	FC	100
Valeo Engine Cooling (Shashi) Co. Ltd(5)	-	-	FC	100
Valeo Compressor (Changchun) Co. Ltd	FC	100	FC	100
Valeo Friction Materials (Nanjing) Co. Ltd	FC	50	FC	50
Valeo Ichikoh (China) Auto Lighting Co. Ltd	FC	93.3	FC	93.3
Valeo Interior Controls (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Interior Controls (Shenzhen) Co. Ltd	FC	100	FC	100
Valeo Lighting Hubei Technical Center Co. Ltd	FC	93.3	FC	93.3
Valeo Management (Beijing) Co. Ltd	FC	100	FC	100
Valeo Management (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Comfort Driving Assistance Systems (Guangzhou) Co. Ltd (formerly Valeo Niles (Guangzhou) Electronics Co. Ltd)	FC	100	FC	100
Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	FC	73	FC	73
Wuhu Valeo Automotive Lighting Systems Co. Ltd	FC	93.3	FC	93.3
Wuxi Valeo Automotive Components and System Co. Ltd	FC	100	FC	100
Changshu Valeo Automotive Wiper System Co. Ltd	FC	73	FC	73
Shanghai VPHI Co. Ltd	FC	50	FC	50

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

	December 31, 2018		December 31, 2017	
Company	Consolidation method	% interest	Consolidation method	% interest
Valeo ePowertrain (Shenzhen) Co. Ltd	EM	50	EM	50
Valeo Siemens eAutomotive Shanghai Co. Ltd	EM	50	EM	50
Beijing Valeo Siemens Automotive E-Drive Systems Co. Ltd Changzhou	EM	30	EM	30
Foshan Valeo Electronic Auto Parts Co. Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles System (Suzhou) Co. Ltd (formerly Spheros (Suzhou) Co. Ltd)	FC	100	FC	100
Spheros (Yangzhou) Limited	FC	100	FC	100
peiker (Shanghai) Automotive Technology Co. Ltd	FC	100	FC	100
Ichikoh (Wuxi) Automotive Parts Co. Ltd	FC	55	FC	55
Roncheng Life	EM	10	EM	10
Valeo Powertrain (Nanjing) Co. Ltd	FC	100	FC	100
Valeo Powertrain (Shanghai) Co. Ltd	FC	100	-	-
Valeo Siemens eAutomotive (Tianjin) Co. Ltd	EM	50	EM	50
Valeo Siemens eAutomotive (Changshu) Co. Ltd	EM	50	EM	50
APG-FTE automotive Co. Ltd	EM	49	EM	49
Fawer Valeo Siemens eAutomotive	EM	27.5	-	-
FTE automotive (Taicang) Co. Ltd	FC	100	FC	100
INDIA				
Amalgamations Valeo Clutch Private Ltd	EM	50	EM	50
Valeo Friction Materials India Ltd	FC	60	FC	60
Valeo Lighting Systems (India) Private Ltd(5)	-	-	FC	100
Valeo India Private Ltd	FC	100	FC	100
Valeo Service India Auto Parts Private Limited(4)	FC	100	FC	60
Valeo Motherson Thermal Commercial Vehicles India Ltd (formerly Spheros Motherson Thermal Systems Ltd)	EM	51	EM	51

FC: fully consolidated/EM: equity method (see Note 2.1.1).
(1) Entity sold during the year (see Note 2.2.1.4).
(2) Transaction between owners (see Note 2.2.1.4).
(3) Acquisition in the period with no material impact on the consolidated financial statements.
(4) Transactions between owners with no material impact on the consolidated financial statements.
(5) Mergers and liquidations.
(6) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo SA, Paris, include the financial statements of the identified entities. They will be published in the German Federal Gazette.

7. Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2018

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Valeo for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

We draw attention to the following matter described in Notes 1.1.2 and 1.2 to the consolidated financial statements outlining the changes in accounting methods relating to IFRS 15 – "Revenue from Contracts with Customers" and IFRS 9 – "Financial Instruments", applied since January 1, 2018. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment tests of goodwill and CGUs

Risk identified

As of December 31, 2018, goodwill amounted to 2,550 million euros and other intangible assets and property, plant and equipment amounted to 7,040 million euros.

Every year management conducts an impairment test of goodwill balances at the level of the Business Groups, to measure the risk that these assets cannot be supported by sufficient future cash flows. All property, plant and equipment and other intangible assets are tested for impairment at the level of Cash-generating units (CGUs) if there is an indication that they may be impaired.

The implementation method of these tests and the main hypotheses are described in the Notes 6.1, 6.2, 6.3 and 6.4 of the financial statements.

We considered the recoverable value of goodwill and CGUs, which represent a particularly significant amount, to be a key audit matter as the evaluation of the recoverable amounts of the non-current assets, based on the discounted value of future cash flows, is based on significant estimates, judgments and assumptions of the management.

Our response

We analyzed the existence of impairment indicators, triggering impairment test of CGUs.

Through the expertise of our valuation specialists, we:

- reconciled the carrying amounts of each tested CGU and each Business Group with the consolidated financial statements;
- evaluated the consistency of the cash flow projections with the latest management's estimates, as they were reported to the board of directors during the preparation process of the medium-term business plan;
- examined the implementation methods, the valuation method of the recoverable values and its arithmetical implementation;
- conducted an analysis of the management's business plans, by Business Groups and, for the ones having a significant impairment risk, by CGUs, including by comparing with the financial performance of the fiscal year;
- analyzed the main valuation hypotheses (discount rate and long-term growth rate and perpetuity growth rate), which we compared with the values provided by the main financial analysts;
- evaluated the impact of variations in discount rate and main operational assumptions through sensitivity analyses.

Finally, we assessed the content of the disclosures in Note 6.4 of the financial statements regarding the impairment losses on goodwill and CGUs' assets.

Evaluation of the provisions for specific quality risks

Risk identified

Provisions for customer warranties are set aside to cover the estimated cost of future returns of goods sold. Those provisions are computed either on a statistical basis or based on specific quality risks.

These provisions cover costs related to legal or contractual warranty obligations and costs arising in specific situations not covered by usual warranties with respect to the products already sold.

The estimation of these costs is based on both historical data and probability calculations: returns rates observed by products for statistical provisions and reparation costs estimation for provisions for specific quality risks.

These provisions are described in the Notes 7.1 of the financial statements.

We considered the accounting of provisions for specific quality risk to be a key audit matter as the evaluation of those provisions requires significant estimates and judgments of the management.

Our response

We got acquainted with the identification and assessment process of these provisions.

As part of our audit work on this topic we also:

- assessed the group valuation methodology;
- assessed the completeness of provisions for specific quality risks by conducting interviews with the director in charge of the monitoring of quality at group level and with site financial controllers and by examining the group internal reporting procedures;
- analyzed the hypotheses used in the assessment of the warranties provisions, in particular with the briefing notes prepared by the quality department that summarize the main causes and reparation scenarios of identified technical issues;
- analyzed the available documentation, in particular the communication between the group and its customers;
- conducted interviews with site financial controllers and with financial direction of the Business Groups on specific quality risks, in order to assess the main hypotheses underlying the estimation of the risk.

Finally, we assessed the content of the disclosures in the financial statements regarding the customer warranties provisions in Note 7.1.

Initial accounting of Valeo-Kapec and FTE

Risk identified

In the context of its development, the Group was led to carry out targeted external growth operations.

The Korean company Valeo-Kapec and its subsidiaries are controlled since November 30, 2017. They are 50% owned as Valeo and its partner, Pyeong Hwa group, have contributed their respective businesses.

The German company FTE Automotive and its subsidiaries have been fully acquired since October 31, 2017.

In 2017, these acquisitions had led to a preliminary purchase price allocation to the acquired assets and liabilities. The definitive allocation exercise was conducted in 2018, resulting in the recognition of goodwill for 128 million euros (Valeo-Kapec) and 456 million euros (FTE Automotive).

The terms and details of these acquisition are described in Notes 2.1.3, 2.2.1.2 and 2.2.1.3 of the financial statements.

We considered the accounting of these acquisitions to be a key audit matter as these are significant transactions which require significant management judgement regarding the identification and evaluation of the fair value of each acquired asset and hability. Management has been accompanied by valuation external experts in this exercise of the purchase price allocation.

Our response

We have obtained and read the legal documentation of the transactions and assessed the related accounting treatment.

Through the expertise of our valuation specialists, we:

- assessed the identification of intangible assets acquired by corroborating it with (i) our discussion with management, (ii) sectorial benchmarks and (iii) our understanding of the business of the acquired entity;
- examined the valuation methodologies used by management and their external valuation expert in the fair value determination of acquired assets and liabilities;
- analyzed the valuation assumptions used, such as discount rate, fixed assets' useful lives, royalties rates and internal rate of return, by comparing them to source data and sectorial market data.

Finally, we assessed the content of the disclosures in Notes 2.2.1.2 and 2.2.1.3 of the financial statements regarding the implementation of these initial accountings.

Specific verifications

As required by law we have also verified, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement provided for by Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with the provisions of Article L.823-10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were initially appointed as statutory auditors of Valeo by the annual general meeting held on June 3, 2010.

As at December 31, 2018, our firms were in the 9th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 21, 2019

The Statutory Auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Jean-Marc Deslandes	Jean-François Ginies	Philippe Berteaux