2020

HALF-YEAR FINANCIAL REPORT

SMART TECHNOLOGY FOR SMARTER MOBILITY

Valeo

Contents

1. GROUP PROFILE AND CORPORATE GOVERNANCE

Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of intuitive driving.

In the first half of 2020, the Group generated sales of 7.1 billion euros and invested 14.7% of its original equipment sales in Research and Development. At June 30, 2020, Valeo had 190 plants, 20 research centers, 43 development centers and 15 distribution platforms, and employed 102,400 people in 33 countries worldwide.

Valeo is listed on the Paris Stock Exchange.

Board of Directors at June 30, 2020

- **Jacques Aschenbroich**
  Chairman and Chief Executive Officer
- **Gilles Michel**
  Lead Director
- **Éric Chauvirey**
  Director representing employees
- **Bruno Bézard**
- **Bpifrance Participations,**
  represented by Stéphanie Frachet
- **C. Maury Devine**
- **Fonds Stratégique de Participations,**
  represented by Julie Avrane-Chopard
- **Mari-Noëlle Jégo-Laveissière**
- **Thierry Moulonguet**
- **Olivier Piou**
- **Patrick Sayer**
- **Ulrike Steinhorst**
- **Véronique Weill**

Committees at June 30, 2020

Audit & Risks Committee

- **Thierry Moulonguet**
  Chairman
- **Bpifrance,** *represented by Stéphanie Frachet*
- **Bruno Bézard**
- **Fonds Stratégique de Participations,**
  represented by Julie Avrane-Chopard
- **Mari-Noëlle Jégo-Laveissière**
- **Olivier Piou**
- **Véronique Weill**

Governance, Appointments & Corporate Social Responsibility Committee

- **Gilles Michel**
  Chairman
- **Bpifrance,** *represented by Stéphanie Frachet*
- **C. Maury Devine**
- **Patrick Sayer**
- **Ulrike Steinhorst**
- **Véronique Weill**

Compensation Committee

- **Gilles Michel**
  Chairman
- **Bpifrance,** represented by Stéphanie Frachet
- **Éric Chauvirey**
- **C. Maury Devine**
- **Patrick Sayer**
- **Ulrike Steinhorst**
- **Véronique Weill**

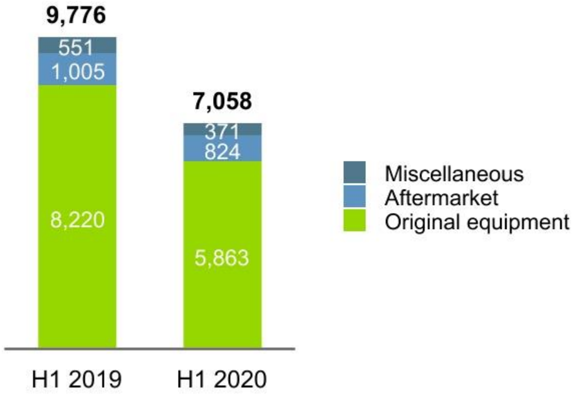
Strategy Committee

- **Ulrike Steinhorst**
  Chair
- **Thierry Moulonguet**
- **Olivier Piou**
- **Patrick Sayer**

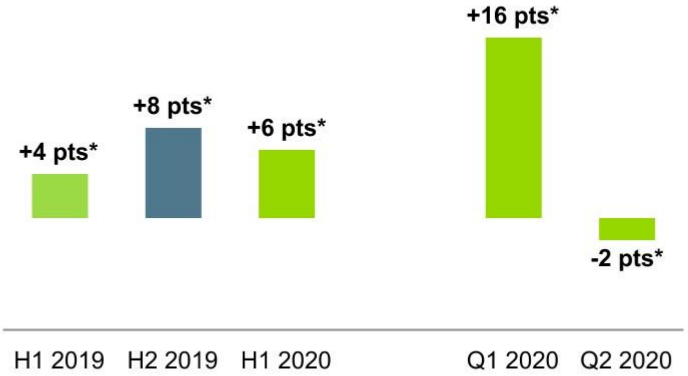
2. KEY FIGURES

2.1. Business review and results

SALES
Breakdown by type
In millions of euros

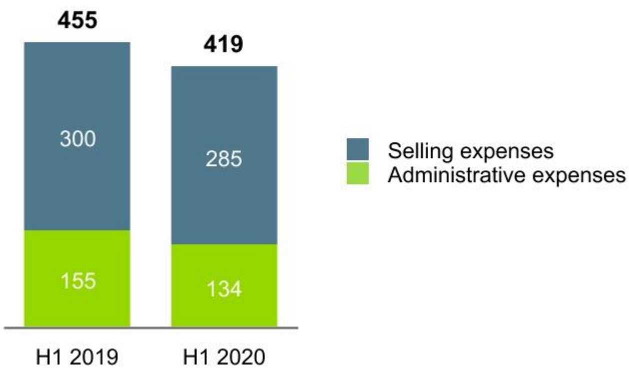


OUTPERFORMANCE
Like for like (constant Group structure and exchange rates)[(1)]
In percentage points

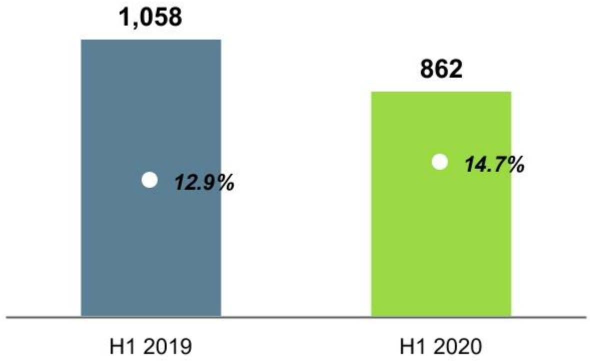


** IHS estimates/CPCA (China Passenger Car Association) estimates for data relating to China.*

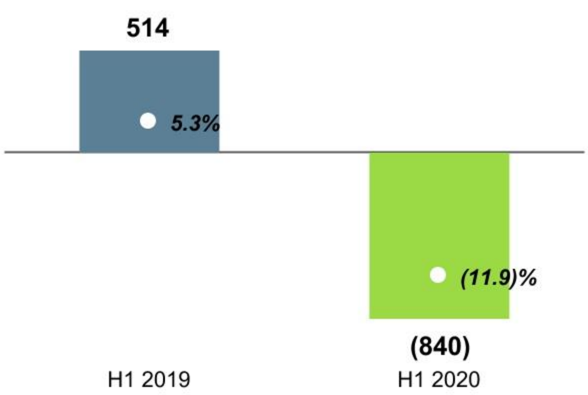
ADMINISTRATIVE AND SELLING EXPENSES
In millions of euros



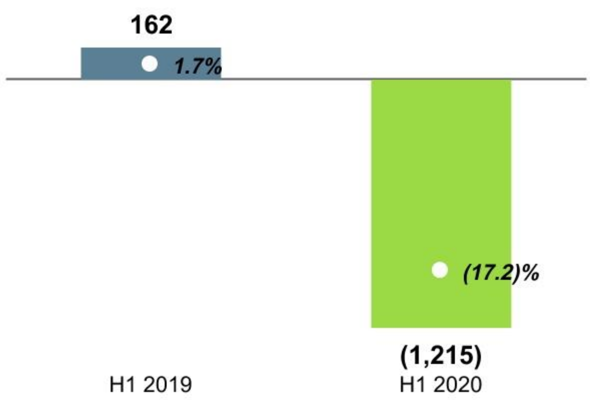
GROSS RESEARCH AND DEVELOPMENT EXPENDITURE
In millions of euros and as a % of sales



OPERATING MARGIN
Excluding share in net earnings of equity-accounted companies
In millions of euros and as a % of sales



NET ATTRIBUTABLE INCOME (LOSS)
In millions of euros and as a % of sales

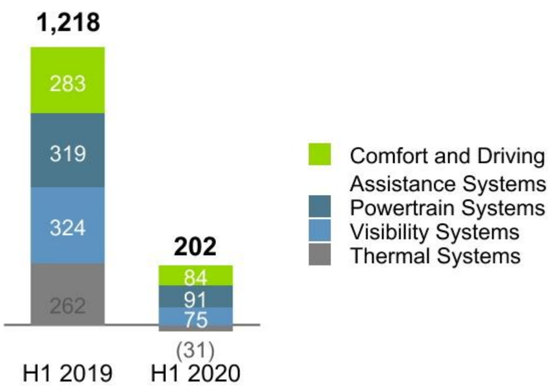


(1) *See financial glossary, page 58.*

2.2. Cash flow and financial position

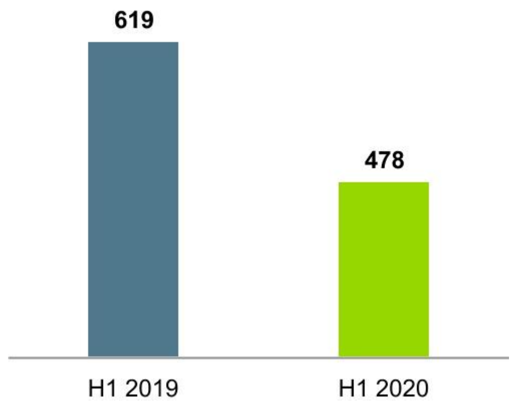
TOTAL EBITDA[1] AND EBITDA BY BUSINESS GROUP

In millions of euros and as a % of each Business Group's sales



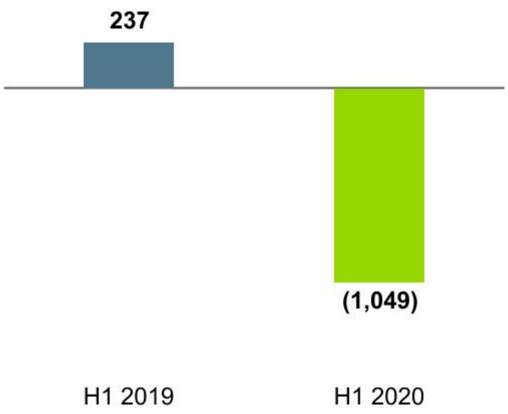
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

In millions of euros



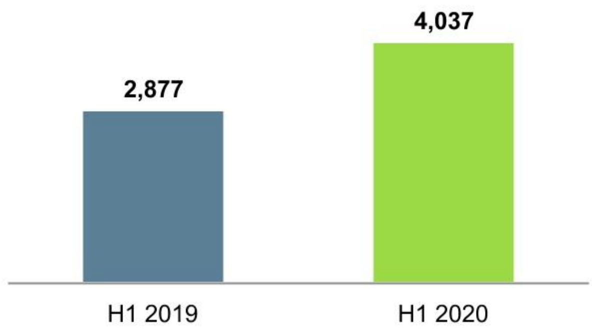
FREE CASH FLOW[1]

In millions of euros

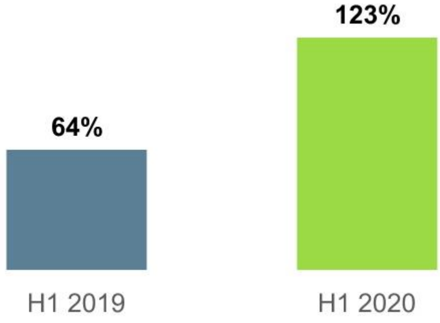


NET DEBT[1]

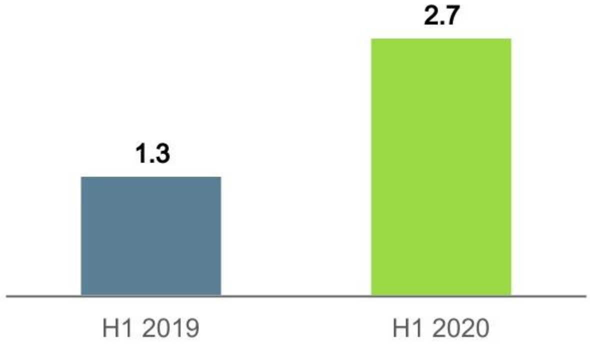
In millions of euros



GEARING *(net debt[1] to stockholders' equity excluding non-controlling interests)*



LEVERAGE *(net debt[1] to EBITDA[1] over a 12-month rolling period)*



(1) *See financial glossary, page 58.*

3. INTERIM MANAGEMENT REPORT

"With the Covid-19 crisis, we are witnessing both a growing preference for individual mobility and accelerating demand for safer, electric mobility all over the world. This trend further demonstrates the relevance of our strategic choices.

Protecting all of our employees has been of the utmost importance during this pandemic. This is the rationale behind the safety protocol – which is mandatory and audited – put in place at all of the Group's sites. Measures have also been taken on an exceptional scale to ensure the continuity of our operations going forward, including cost savings of 570 million euros and a reduction of 384 million euros in investments and gross inventories. The Group also recognized 622 million euros in one-off charges.

I would like to thank all of our staff for their extraordinary, unwavering commitment and reiterate my confidence in the future of our Group in a post-Covid world which is proving the relevance of the strategy we have pursued over the past few years."

July 21, 2020

Jacques Aschenbroich

Chairman and Chief Executive Officer of Valeo

3.1. Main information concerning the impact of the Covid-19 crisis on the Group's operations and results

3.1.1. Valeo's strategic choices have been validated

In a post Covid-19 world, the transformation of the market is picking up pace, driven by the following revolutions:

- "greener" mobility based on powertrain electrification;
- safer mobility based on advanced driver assistance systems (ADAS) and autonomous cars.

Valeo has made strategic choices to carve out a leading position in these market segments and to support its customers in launching flagship models, while sharply increasing the average content per vehicle. These choices are proving even more relevant in a post Covid-19 world.

Valeo now occupies a front-ranking position in powertrain electrification, both for 48V systems and high-voltage electric solutions through our Valeo Siemens eAutomotive joint venture. It also continues to strengthen its leadership on the driving assistance market.

This has been achieved thanks to the significant investments made over the past few years to develop 12 new technological platforms. These platforms are already up and running, giving the Group a major competitive and technological advantage.

The results of this strategy are now clear and are in line with the outlook presented at our Investor Day on December 10, 2019: in the second half of the year, Valeo is expecting sales of its 48V systems to triple and sales of its front cameras to grow by more than 50% as compared to the second half of 2019.

3.1.2. Protecting our employees: our top priority

The Group has put in place a health protocol to allow operations to resume in order to meet customer demand, while ensuring maximum protection for all of our employees. The measures are mandatory and applicable systematically and consistently at all Valeo sites worldwide, whether in plants, R&D centers or head offices.

The protocol has been audited. It represents a negative impact of around 10% on plant productivity and will remain in place as long as the virus is active.

Valeo has been extremely active in its commitment to the fight against Covid-19, providing resources to a consortium for the manufacture of 10,000 ventilators, and donating 80,000 FFP2/FFP3 masks to hospitals. It has also manufactured masks in some of its own plants.

3.1.3. Stronger liquidity position

Valeo has arranged 1.1 billion euros in additional credit lines with its major banking partners and now has 2.3 billion euros available in undrawn credit lines.

The Group now has a stronger liquidity position:

- no debt repayments falling due before June 2021;
- average debt maturity of 3.4 years;
- sufficient headroom under its bank covenant (net debt[1] to EBITDA[1] calculated over a 12-month rolling period);
- net cash and cash equivalents of 2.1 billion euros at June 30, 2020.

3.1.4. Strong outperformance in all automotive production regions

Consolidated sales came in at 7,058 million euros in first-half 2020, down 28% on a like-for-like basis[1] compared with first-half 2019.

The Group significantly outperformed automotive production in all production regions, ahead by 9 percentage points in Europe, 15 percentage points in China, 7 percentage points in Asia excluding China, 4 percentage points in North America, and 16 percentage points in South America. On a global scale, the Group outpaced automotive production by 6 percentage points, slightly less than in second-half 2019 (8-percentage-point outperformance), reflecting an unfavorable geographic mix in the context of the health crisis.

In China, sales rallied sharply from March onwards, after very sluggish activity levels in February. The Group expects business to continue at a sustained pace throughout third-quarter 2020.

In North America, activity levels were very subdued in April and May before plants resumed production from end-May. The Group expects business to continue at a sustained pace throughout the summer and particularly in July, with automakers deciding to cancel their summer shutdowns.

In Europe, following very low sales figures between mid-March and mid-May, the return to 2019 business levels is proving slower and more gradual than in China or North America.

In South Korea and Japan, automotive production was hard hit by the fall in export sales due to the health crisis.

In Brazil and India, where the economic situation is still extremely fragile, the recovery remains very slow.

In the second half of the year, the Group's outperformance will continue at a sustained pace thanks to strong growth for the Powertrain Systems Business Group's 48V solutions and the Comfort & Driving Assistance Systems Business Group's front cameras.

3.1.5. Order intake[1]: many requests for quotation suspended during the health crisis

In the first half of the year, the Group recorded an order intake of 5.6 billion euros, negatively impacted by customer decisions to suspend requests for quotation in light of the disruptions caused by the health crisis.

[1] *See financial glossary, page 58.*

3.1.6. Major action plan quickly put in place to variabilize costs and limit cash consumption

The measures taken by Valeo have enabled costs to be reduced by 570 million euros compared to first-half 2019 (of which 90% in the second half), and investments and gross inventories to be reduced by 384 million euros.

Valeo's action plan involved the following measures:

- variabilization of personnel costs, representing cost savings of 248 million euros, including a reduction of headcount by 12,000;
- reduction of 196 million euros in gross R&D expenditure in first-half 2020, of which 80% in the second quarter;
- reduction of 97 million euros in production overheads;
- other cost savings representing 29 million euros;
- reduction of 141 million euros in investments in property, plant and equipment in first-half 2020, of which 153 million euros in the second quarter;
- reduction of 243 million euros in gross inventories in first-half 2020;
- reduction of 249 million euros in dividends.

Valeo Siemens eAutomotive has implemented the same measures as Valeo to mitigate the impact of the crisis on its business as far as possible: the joint venture's loss of 134 million euros for the first half is in line with the Group's expectations, despite the Covid-19 crisis.

The Group confirms that Valeo Siemens eAutomotive's loss and cash consumption for the year as a whole is expected to be slightly lower than in 2019, in line with the Group's expectations.

3.1.7. One-off charges: Valeo acknowledges the new post Covid-19 environment

Given the steep decline in business in the second quarter, Valeo conducted a thorough analysis of the value of its assets based on significantly more downbeat production scenarios.

As a result of the Covid-19 health crisis, the automotive market has deteriorated in the regions where Valeo and its customers are present. The deterioration has led to business disruptions in many countries, a decline in sales, operating losses and a downward revision of short- and medium-term forecasts for automotive production. Amid the unfavorable economic climate which has significant consequences for Valeo, the Group reviewed the value in use of its capitalized development costs, the assets allocated to certain cash-generating units (CGUs), including the Top Column Module (TCM) business and the Business Groups, as well as the value in use of its Brazilian assets and the residual assets operated by its diesel-related businesses.

As a result, the Group recognized one-off charges for the period of 622 million euros, as detailed below:

- impairment charged against operating assets, particularly those relating to the Group's Brazilian operations, to diesel-related businesses and to capitalized R&D costs for a certain number of projects (392 million euros);
- other operating risks (109 million euros);
- Top Column Module business (53 million euros);
- investments in certain start-ups (31 million euros);
- impairment of deferred tax assets (37 million euros).

90% of these mainly non-cash charges are directly linked to the Covid-19 crisis.

3.1.8. First-half results impacted by Covid-19

The measures taken by Valeo have enabled costs to be reduced by 570 million euros compared to first-half 2019 (of which 90% in the second half), and investments and gross inventories to be reduced by 384 million euros.

Thanks to the cost savings made, Valeo has been able to:

- variabilize costs representing 58% of the margin on purchases in the second quarter;
- limit the operating margin[2] drop-through (before amortization and capitalized Research and Development expenditure) to 25% for the second quarter and 28% for the first half.

The operating margin[2] drop-through (before amortization and capitalized Research and Development expenditure) is calculated as follows:

(in millions of euros)	First-half 2020	First-half 2019	Change
Sales	7,058	9,776	(2,718)
Operating margin*	(840)	514	(1,354)
One-off charges	457	0	457
Capitalized development expenditure	(319)	(400)	81
Amortization of capitalized development expenditure	236	184	52
Restated** operating margin*	(466)	298	(764)
		Drop-through	**28%**

** Excluding share in net earnings (losses) of equity-accounted companies.*
*** Excluding one-off charges and capitalized Research and Development expenditure (capitalized costs less amortization).*

This performance was achieved despite a decline in operating productivity of around 10%, owing to the measures taken to protect employees in the context of the health crisis.

Operating margin[2] was impacted by one-off charges in an amount of 457 million euros.

The Group reported a net attributable loss of 1,215 million euros for the period, which includes 622 million euros in non-recurring items.

Free cash flow for the period was a negative 1,049 million euros. This chiefly results from:

- EBITDA[2] of 202 million euros;
- an adverse change in the net balance of accounts and notes receivable and payable, which represented a negative contribution to cash generation of 691 million euros;
- the reduction in inventories, which represented a positive contribution to cash generation of 204 million euros;
- investments in property, plant and equipment and intangible assets for 714 million euros.

Accordingly, net debt totaled 4,037 million euros at June 30, 2020.

3.1.9. Outlook

For the second half of 2020, Valeo has based its guidance on production volume estimates published by IHS. These estimates do not factor in a second phase of Covid-19 lockdown restrictions or any adverse impact on production, supply chain and market evolution.

Based on this scenario, i.e., a fall of 10% in automotive production, the Group's objectives for the second half of the year are:

- a continued, strong outperfomance by production region;
- restructuring expenses of between 50 and 100 million euros designed to accelerate the structural reduction in costs;
- EBITDA[2] representing around 10% of sales;
- free cash flow[2] exceeding 400 million euros;
- reduced losses for the Valeo Siemens eAutomotive joint venture compared with the second half of 2019 (in line with the Group's expectations of a slight reduction in losses in 2020).

[2] *See financial glossary, page 58.*

3.2. Business review

3.2.1. Change in global automotive production

Amid the health crisis, automotive production fell by 35% in first-half 2020, according to IHS/CPCA[3] estimates.

Automotive production *(year-on-year change)*	**Second-quarter** IHS + CPCA*	**First-half** IHS + CPCA*
Europe & Africa	-63%	-40%
Asia, Middle East & Oceania	-27%	-28%
o/w China	+5%	-23%
o/w Japan	-47%	-26%
o/w South Korea	-24%	-20%
o/w India	-86%	-51%
North America	-69%	-40%
South America	-82%	-51%
TOTAL	**-47%**	**-35%**

* *Based on IHS automotive production estimates released on July 16, 2020/CPCA (China Passenger Car Association)[5] estimates for data relating to China.*

3.2.2. Change in sales

In the first half of 2020, **sales** were down 28% like for like[3].

The impacts of changes in exchange rates and in Group structure were negligible in the first six months of the year (positive 0.1%).

Sales *(in millions of euros)*	**As a % of total H1 2020 sales**	**Second-quarter** 2020	2019	LFL* change	Change	**First-half** 2020	2019	LFL* change	Change
Original equipment	83%	2,066	4,099	-49%	-50%	5,863	8,220	-29%	-29%
Aftermarket	12%	333	504	-33%	-34%	824	1,005	-18%	-18%
Miscellaneous	5%	171	332	-48%	-49%	371	551	-32%	-33%
TOTAL	**100%**	**2,570**	**4,935**	**-48%**	**-48%**	**7,058**	**9,776**	**-28%**	**-28%**

* *Like for like (constant Group structure and exchange rates)[3].*

Like-for-like **original equipment sales** fell by 28%, representing a 6-percentage-point outperformance versus global automotive production. The Group delivered an outperformance in all of its production regions, but its global outperformance was affected by an unfavorable geographic mix in the context of the health crisis.

Aftermarket sales declined by 18% like for like, with automotive repair services remaining open during the crisis.

Miscellaneous sales were down 32% like for like, mainly due to the decline in tooling sales.

[3] *See financial glossary, page 58.*

3.2.3. Change in original equipment sales by region

Original equipment sales *(by destination, in millions of euros)*	Second-quarter 2020	2019	LFL* change	Outperf. vs. IHS/CPCA**	First-half 2020	2019	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	872	1,996	-56%	+7 pts	2,765	4,025	-31%	+9 pts
Asia, Middle East & Oceania	908	1,181	-23%	+4 pts	1,925	2,381	-20%	+8 pts
o/w China	*508*	*433*	*+17%*	*+12 pts*	*797*	*861*	*-8%*	*+15 pts*
o/w Japan	*162*	*306*	*-49%*	*-2 pts*	*486*	*637*	*-27%*	*-1 pt*
o/w South Korea	*208*	*330*	*-36%*	*-12 pts*	*498*	*651*	*-22%*	*-2 pts*
o/w India	*7*	*42*	*-78%*	*+8 pts*	*47*	*89*	*-45%*	*+6 pts*
North America	270	824	-68%	+1 pts	1,070	1,624	-36%	+4 pts
South America	16	98	-72%	+10 pts	103	190	-35%	+16 pts
TOTAL	**2,066**	**4,099**	**-49%**	**-2 pts**	**5,863**	**8,220**	**-29%**	**+6 pts**

* *Like for like (constant Group structure and exchange rates)(4).*
*** Based on IHS automotive production estimates released on July 16, 2020/CPCA (China Passenger Car Association) estimates for data relating to China.*

The Group was held back by an unfavorable geographic mix in second-quarter 2020, with original equipment sales outperforming automotive production in each of its regions, but underperforming automotive production at the global level.

Like-for-like(4) original equipment sales fell by 29% over the first six months of 2020, outperforming global automotive production (IHS and CPCA estimates) by 6 percentage points:

- **in Europe**, following very low sales figures between mid-March and mid-May, the return to 2019 business levels is proving slower and more gradual than in China or North America. Like-for-like sales fell by 31% over the first six months of 2020, representing a 9 percentage point outperformance versus automotive production (IHS estimates);
- in **Asia**, like-for-like original equipment sales fell 20%, reflecting an outperformance of 8 percentage points over automotive production (IHS/CPCA estimates):
  - **in China**, sales rallied sharply from March onwards, after very sluggish activity levels in February. Like-for-like sales fell by 8% over the first six months of 2020, representing a 15 percentage point outperformance versus automotive production (CPCA estimates). The Group expects business to continue at a sustained pace throughout the third quarter,
  - **in Japan** and **South Korea**, like-for-like original equipment sales were down 27% and 22%, respectively, slightly below automotive production (IHS estimates). Business in these countries was hard hit by the fall in exports due to the crisis;
- in **North America**, activity levels were very subdued in April and May before plants resumed production from end-May. Sales fell by 36% over the first six months of 2020, representing a 4 percentage point outperformance versus automotive production (IHS estimates); The Group expects business to continue at a sustained pace throughout the summer and particularly in July, with automakers deciding to cancel their summer shutdown.
- in **South America**, like-for-like original equipment sales decreased by 35%, outpacing automotive production (IHS estimates) by 16 percentage points.

[4] *See financial glossary, page 58.*

3.3. Results

(in millions of euros and as a % of sales)		First-half 2020	First-half 2019	Change
Sales	*(in €m)*	7,058	9,776	*(28%)*
Gross margin	*(in €m)*	507	1,754	*(71%)*
	(as a % of sales)	*7.2%*	*17.9%*	*-10.7 pts*
R&D expenditure	*(in €m)*	(928)	(785)	*+18%*
	(as a % of sales)	*(13.1%)*	*(8.0%)*	*-5.1 pts*
Administrative and selling expenses	*(in €m)*	(419)	(455)	*(8%)*
	(as a % of sales)	*(5.9%)*	*(4.7%)*	*-1.2 pts*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	(840)	514	*(263%)*
	(as a % of sales)	*(11.9%)*	*5.3%*	*-17.2 pts*
Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(166)	(107)	*N/A*
	(as a % of sales)	*(2.4%)*	*(1.1%)*	*-1.3 pts*
Operating margin including share in net earnings (losses) of equity-accounted companies*	*(in €m)*	(1,006)	407	*(347%)*
	(as a % of sales)	*(14.3%)*	*4.2%*	*-18.5 pts*
Other income and expenses	*(in €m)*	(135)	(30)	*+350%*
	(as a % of sales)	*(1.9%)*	*(0.3%)*	*-1.6 pts*
NET ATTRIBUTABLE INCOME (LOSS)	***(in €m)***	**(1,215)**	**162**	**(850%)**
	(as a % of sales)	***(17.2%)***	***1.7%***	***-18.9 pts***

The measures taken by Valeo have enabled costs to be reduced by 570 million euros compared to first-half 2019 (of which 90% in the second quarter).

Valeo's action plan involved the following measures:

- variabilization of personnel costs, representing cost savings of 248 million euros, including a reduction of headcount by 12,000;
- reduction of 196 million euros in gross R&D expenditure in first-half 2020, of which 80% in the second quarter;
- reduction of 97 million euros in production overheads;
- other cost savings representing 29 million euros.

Thanks to the cost savings made, Valeo has been able to:

- variabilize costs representing 58% of the margin on purchases in the second quarter;
- limit the operating margin[3] drop-through (before amortization and capitalized Research and Development expenditure) to 25% for the second quarter and 28% for the first half.

The operating margin drop-through before amortization and capitalized Research and Development expenditure is calculated as follows:

(in millions of euros)	First-half 2020	First-half 2019	Change
Sales	7,058	9,776	(2,718)
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Amortization of capitalized development expenditure	236	184	52
Restated** operating margin*	(466)	298	(764)
		Drop-through	**28%**

** Excluding share in net earnings (losses) of equity-accounted companies.*
*** Excluding one-off charges and capitalized Research and Development expenditure (capitalized costs less amortization).*

This performance was achieved despite a decline in operating productivity of around 10%, owing to the measures taken to protect employees in the context of the health crisis.

The share in net earnings (losses) of equity-accounted companies represented a loss of 166 million euros in the first half, compared to a loss of 107 million euros in first-half 2019. This line item is affected by the share in the loss reported by Valeo Siemens eAutomotive, which is bearing the costs needed to expand its order book in a context defined by the health crisis and by the decline in profitability of the Group's Chinese joint ventures. It also includes impairment recognized against the Group's equity investments for 31 million euros. Valeo Siemens eAutomotive's loss of 134 million euros for the first half is in line with the Group's expectations, despite the Covid-19 crisis.

Operating margin including share in net earnings (losses) of equity-accounted companies amounted to a negative 1,006 million euros in the first half.

The operating loss of 1,141 million euros takes into account other income and expenses for a net negative amount of 135 million euros, of which 98 million euros in respect of impairment charged against fixed assets. The impairment charges related to the Group's assets in Brazil (63 million euros), the Top Column Module business (23 million euros), and assets operated by diesel-related businesses (13 million euros).

The cost of net debt was 33 million euros.

The effective tax rate came out at 2.3% and includes write-downs of 37 million euros recognized against deferred tax assets following revised assumptions as to automotive production volumes over the next five years.

The net attributable loss was 1,215 million euros and includes non-recurring items totaling 622 million euros.

3.4. Segment reporting

3.4.1. Change in sales by Business Group

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group* *(in millions of euros)*	Second-quarter 2020	2019	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***	First-half 2020	2019	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***
Comfort & Driving Assistance Systems****	494	909	-46%	-46%	+1pt	1,380	1,810	-24%	-24%	+11 pts
Powertrain Systems	712	1,299	-48%	-45%	-1pt	1,897	2,565	-27%	-26%	+8 pts
Thermal Systems	560	1,187	-53%	-53%	-6 pts	1,560	2,330	-33%	-33%	+2 pts
Visibility Systems	779	1,512	-50%	-48%	-3 pts	2,169	3,014	-30%	-28%	+5 pts

* *Including intersegment sales.*
** *Like for like (constant Group structure and exchange rates)[5].*
*** *Based on IHS automotive production estimates released on July 16, 2020/CPCA (China Passenger Car Association) estimates for China.*
**** *Excluding the Top Column Module business.*

3.4.2. Impairment by Business Group

(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	TOTAL
Operating assets	(87)	(39)	(72)	(65)	(263)
Investments in start-ups	(31)				(31)
Top Column Module business	(22)				(22)
Group assets in Brazil		(11)	(41)	(11)	(63)
TOTAL	**(140)**	**(50)**	**(113)**	**(76)**	**(379)**

3.4.3. EBITDA[5] by Business Group

EBITDA* *(in millions of euros and as a % of sales by Business Group)*	First-half 2020	First-half 2019	Change
Comfort & Driving Assistance Systems**	84	283	(70%)
	6.1%	*15.6%*	*-9.5 pts*
Powertrain Systems	91	319	(71%)
	4.8%	*12.4%*	*-7.6 pts*
Thermal Systems	(31)	262	(112%)
	(2.0%)	*11.2%*	*-13.2 pts*
Visibility Systems	75	324	(77%)
	3.5%	*10.7%*	*-7.2 pts*
GROUP	**202**	**1,218**	***(83%)***
	2.9%	**12.5%**	***-9.6 pts***

* *See financial glossary, page 58.*
** *Excluding the Top Column Module business.*

5 *See financial glossary, page 58.*

3.5. Cash flow and financial position

3.5.1 Free cash flow[6] consumption of 1 billion euros

(in millions of euros)	First-half 2020	First-half 2019
EBITDA	**202**	**1,218**
Change in operating working capital*	(574)	230
Income tax	(106)	(152)
Change in provisions	232	(36)
Other operating items, of which	(89)	(57)
Payments for the principal portion of lease liabilities	*(43)*	*(46)*
Restructuring costs	*(30)*	*(10)*
Provisions for pensions	*(16)*	*(1)*
Investments in property, plant and equipment and intangible assets	(714)	(966)
FREE CASH FLOW[6]	**(1,049)**	**237**
Net financial expenses	(62)	(56)
Other financial items	(161)	(447)
NET CASH FLOW[6]	**(1,272)**	**(266)**

* *Change in working capital excluding (i) the change in non-recurring sales of accounts and notes receivable in a negative amount of 29 million euros in first-half 2020 and a negative amount of 6 million euros in first-half 2019 and (ii) the restatement of R&D cash contributions for a negative amount of 39 million euros in the first half reclassified in investments in property, plant and equipment and intangible assets.*

Free cash flow[6] for the period was a negative 1,049 million euros. This chiefly results from:

- EBITDA[6] of 202 million euros;
- an adverse change in the net balance of accounts and notes receivable and payable, which represented a negative contribution to cash generation of 691 million euros;
- the reduction in inventories, which represented a positive contribution to cash generation of 204 million euros;
- investments in property, plant and equipment and intangible assets for 714 million euros.

Net cash flow[6] amounted to a negative 1,272 million euros, reflecting:

- 62 million euros in net financial expenses paid;
- other financial items totaling 161 million euros, mainly relating to loans granted by the Group to the Valeo Siemens eAutomotive joint venture.

3.5.2. Net debt[6]

Net debt stood at 4,037 million euros at June 30, 2020, up 1,220 million euros compared with end-December 2019.

The **leverage ratio** (net debt/EBITDA) came out at 2.7 times EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 123% of equity.

The average maturity of gross long-term debt stood at 3.4 years at June 30, 2020, versus 4 years at December 31, 2019.

[6] *See financial glossary, page 58.*

3.6. One-off charges recognized in first-half 2020

The Group recognized one-off charges during the period, as detailed below:

(in millions of euros)	Operating assets	Investments in start-ups	Top Column Module business	Deferred tax assets	Other operating liabilities	Total
Gross margin	**(121)**		**(31)**		**(109)**	**(261)**
R&D expenditure	(196)					(196)
Operating margin excluding share in net earnings (losses) of equity-accounted companies	**(317)**		**(31)**		**(109)**	**(457)**
Share in net earnings (losses) of equity-accounted companies		(31)				(31)
Other income and expenses	(76)		(22)			(98)
Operating income (loss)	**(392)**	**(31)**	**(53)**		**(109)**	**(585)**
Income tax expense*				(37)		(37)
Net income (loss)	**(392)**	**(31)**	**(53)**	**(37)**	**(109)**	**(622)**

* *In light of the Covid-19 health crisis, the Group assessed the recoverability of its tax loss carryforwards using future taxable profit projections covering a period of five years, prepared based on a revised medium-term business plan. As a result, a write-down of 37 million euros was recognized at June 30, 2020.*

3.7. Reconciliation of Valeo and Top Column Module business data

The Group has decided to withdraw from the Top Column Module segment and is no longer taking orders for this product line.

The following table reconciles published consolidated data with data excluding the Top Column Module business:

		H1 2020 (reported)	TCM	First-half 2020 excluding TCM
Sales		**7,058**	**85**	**6,973**
Gross margin	*(in €m)*	507	(35)	542
	(as a % of sales)	*7.2%*	*(41.2%)*	*7.8%*
R&D expenditure	*(in €m)*	(928)	(9)	(919)
	(as a % of sales)	*(13.1%)*	*(10.6%)*	*-13.2%*
Administrative and selling expenses	*(in €m)*	(419)	(6)	(413)
	(as a % of sales)	*(5.9%)*	*(7.1%)*	*(5.9%)*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	***(in €m)***	**(840)**	**(50)**	**(790)**
	(as a % of sales)	***(11.9%)***	***(58.8%)***	***(11.3%)***

3.8. Highlights

3.8.1. Corporate governance

On March 24, 2020, Valeo's Board of Directors made a unanimous decision to co-opt the Fonds Stratégique de Participations (FSP) as a director, to replace Georges Pauget. The FSP is represented on Valeo's Board of Directors by Julie Avrane-Chopard, formerly Senior Partner at McKinsey & Company's Paris office. On the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors confirmed the independence of the Fonds Stratégique de Participations and its permanent representative. The co-optation of the FSP reflects the increased stake it holds in Valeo's share capital. For Pierre de Villeneuve, Chairman of the FSP, "this investment again illustrates the FSP's aim to participate in financing and transforming businesses with a long-term growth objective".

On June 25, 2020, Valeo's Annual Shareholders' Meeting approved the transformation of Valeo into a European Company. The transformation will be effective following the end of negotiations relating to the involvement of employees in the European Company.

3.8.2. Ratings assigned to Valeo's long- and short-term debt by rating agencies

- Moody's: "Baa3/P3" long- and short-term issuer rating, negative outlook;
- Standard & Poor's (under review): "BBB-/A-3" long- and short-term issuer rating, creditwatch negative.

3.8.3. Opening of a new plant

On June 3, 2020, Ichikoh inaugurated its new Atsugi plant in Japan. This plant was recently built and will gradually take over the production operations of the Isehara plant. It will be home to innovative technologies (collaborative robots, automated guided vehicles, etc.), and will enable Ichikoh to improve its competitiveness and the quality of the products it sells.

3.8.4. Valeo's participation in CES, Las Vegas

In January 2020, Valeo took part in the Consumer Electronics Show (CES) in Las Vegas (United States) for the seventh year in a row.

- In a world first, Valeo unveiled its autonomous, electric delivery droid, developed in partnership with Meituan Dianping, China's leading e-commerce platform for services, which operates the country's popular food delivery service, Meituan Waimai. The droid's autonomy and electric power are delivered by Valeo technologies that are already series produced and aligned with automotive industry standards, thereby guaranteeing a high level of safety. The modularity of the platforms means the Group's technologies can just as easily be fitted to cars, autonomous shuttles, robotaxis and even droids. These new markets will allow Valeo to further consolidate its leadership around the world in vehicle electrification, driver assistance systems and autonomous driving.
- Hexagon, Hyundai and Valeo unveiled a new technology which enables a vehicle to pinpoint its exact location with centimeter-level precision, thereby improving a vehicle's active safety technologies and enhancing road safety.

3.8.5. Distinctions

In first-half 2020, the Group enjoyed widespread recognition from its customers and partners for innovation capability and product and service quality, attesting to its operational excellence:

- In January 2020, Valeo was once again the leading automotive company in the new edition of the Corporate Knights annual global ranking of the 100 most sustainable corporations, which is published every January at the Davos Summit in Switzerland, replicating the performance achieved in 2019. On February 13, 2020, Valeo also secured an excellent ranking in the Corporate Knights/As You Sow Carbon Clean200 list of publicly traded companies that are leading the way with solutions for the transition to a clean energy future.
- In March 2020, Valeo received the 2020 Road Safety Innovation Award in the "Preventing the consequences of an accident" category for its Valeo Rescuer™ solution. This is the first emergency e-Call system to comply with European standards that is applicable for vehicles already on the road.

- In April 2020, Valeo won a PACE (Premier Automotive Suppliers' Contribution to Excellence) Award for its XtraVue™ Trailer, the world's first system enabling drivers to "see through" the trailer or caravan they are towing. This unique and innovative driving assistance technology makes towing objects simpler and safer for drivers. Using cameras and software developed by Valeo, the system combines the data recorded by the vehicle and trailer cameras into a single, homogenous image. The image is displayed on screen in front of the driver, enabling them to see what's going on behind their vehicle as if they could see right through the trailer or caravan. For more than 20 years, these PACE awards given by Automotive News have crowned top innovations by automotive suppliers in terms of technological advances and business performance. The prestigious accolade serves as a reference worldwide for automotive innovation.
- In June 2020, Valeo took second place in France's INPI industrial property institute rankings, with 1,034 patents published in 2019, confirming its high capacity for innovation. In March, Valeo was also ranked France's second biggest patent filer with the European Patent Office (EPO) for 2019, with 539 patents (37th worldwide). These two rankings underline Valeo's commitment to protecting the cornerstone of its strategy: innovation.

3.8.6. Community initiatives during the Covid-19 crisis

The Group forms part of a consortium led by Air Liquide in response to requests from the French government to supply 10,000 ventilators in 50 days between the beginning of April and mid-May. Within this task force, Valeo is supporting the Air Liquide teams by mobilizing buyers and R&D teams and engineers specialized in wide-scale industrial production.

The Group has also donated equipment to various hospitals and medical centers, including tens of thousands of face masks, goggles, gloves, medical caps and protective gowns. For example, Valeo donated 80,000 FFP2/FFP3 masks to French hospitals.

On April 14, 2020, Chairman and Chief Executive Officer Jacques Aschenbroich pledged to donate 25% of his compensation for the duration of the shutdown to support Covid-19-related solidarity initiatives. The members of the Board of Directors and the Operations Committee have unanimously decided to follow this initiative.

On April 21, 2020, the Group also appealed for solidarity among its French employees, including:

- an appeal for donations from employees. The funds raised are being paid over to the Fondation de France to support healthcare professionals and researchers, as well as people who are vulnerable and living in isolation;
- a Solidarity Fund to help compensate non-managerial staff currently on short-time working arrangements for lost pay To build up the fund, all managerial staff in France are contributing one day's annual leave, and an appeal has been extended to all Group employees to donate some of their annual leave in the same spirit of solidarity.

Valeo is also getting behind various local solidarity initiatives. For example, the Group's sites in Zaragoza and Martos in Spain are manufacturing protective visors for hospitals, and nurses at French sites that are temporarily closed are making themselves available to local hospitals.

3.9. Stock market data

3.9.1. Share performance

During the first half of 2020, the share's average closing price was 22.10 euros, with a high of 33.00 euros on January 9, 2020 and a low of 10.51 euros on March 18, 2020. Over the first six months of the year, the Valeo share price fell 25.6% from 31.41 euros on December 31, 2019 to a closing price of 23.36 euros on June 30, 2020.

The Valeo share (down 25.6%) underperformed the CAC 40 index (down 17.4%) by 8.2 percentage points. It underperformed the DJSTOXX Auto index (down 23.0%) by 2.6 percentage points.

3.9.2. Changes in ownership structure

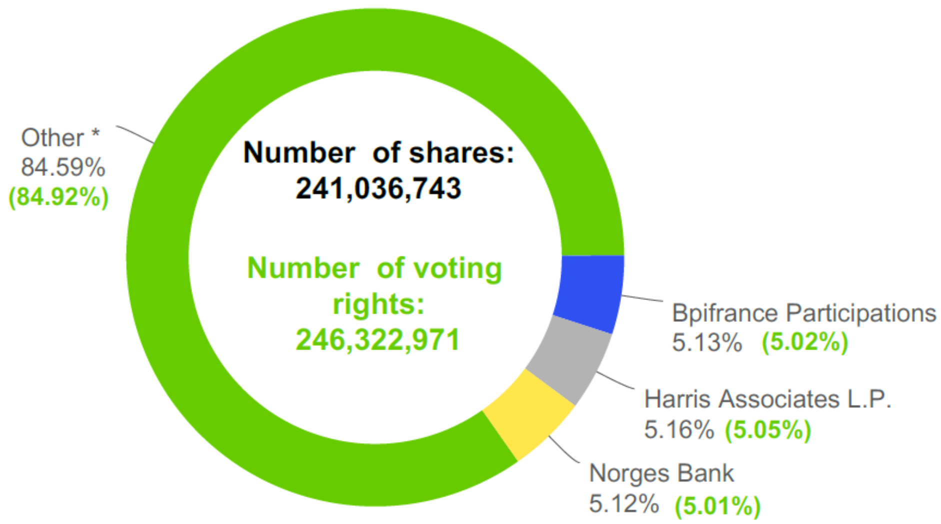
At June 30, 2020, the Company's share capital comprised 241,036,743 shares. In accordance with Article 223-11 *et seq.* of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), the number of voting rights declared was 246,322,971. Excluding treasury shares, the number of voting rights came out at 244,738,780.

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at June 30, 2020, other than:

- Bpifrance Participations, which held 12,368,826 shares in the Company, i.e., 5.13% of the share capital and 5.02% of the voting rights;
- Harris Associates LP, which, acting on behalf of funds and clients it manages, held 12,429,136 shares in the Company, i.e., 5.16% of the share capital and 5.05% of the voting rights;
- Norges Bank Investment Management, which held 12,337,905 shares, i.e., 5.12% of the Company's share capital and 5.01% of the voting rights.

At June 30, 2020, Valeo held 1,584,191 treasury shares (i.e., 0.66% of the share capital without voting rights) versus 2,007,632 shares at December 31, 2019 (0.83% of the share capital without voting rights).

OWNERSHIP STRUCTURE AT June 30, 2020



% of share capital
(% of voting rights)
** Including 1,584,191 treasury shares (0.66% of the share capital).*

3.9.3. Stock market data

	First-half 2020	2019
Market capitalization at period-end *(in billions of euros)*	5.63	7.57
Number of shares	241,036,743	241,036,743
Highest share price *(in euros)*	33.00	37.02
Lowest share price *(in euros)*	10.51	23.06
Average share price *(in euros)*	22.10	28.73
Share price at period-end *(in euros)*	23.36	31.41

3.9.4. Per share data

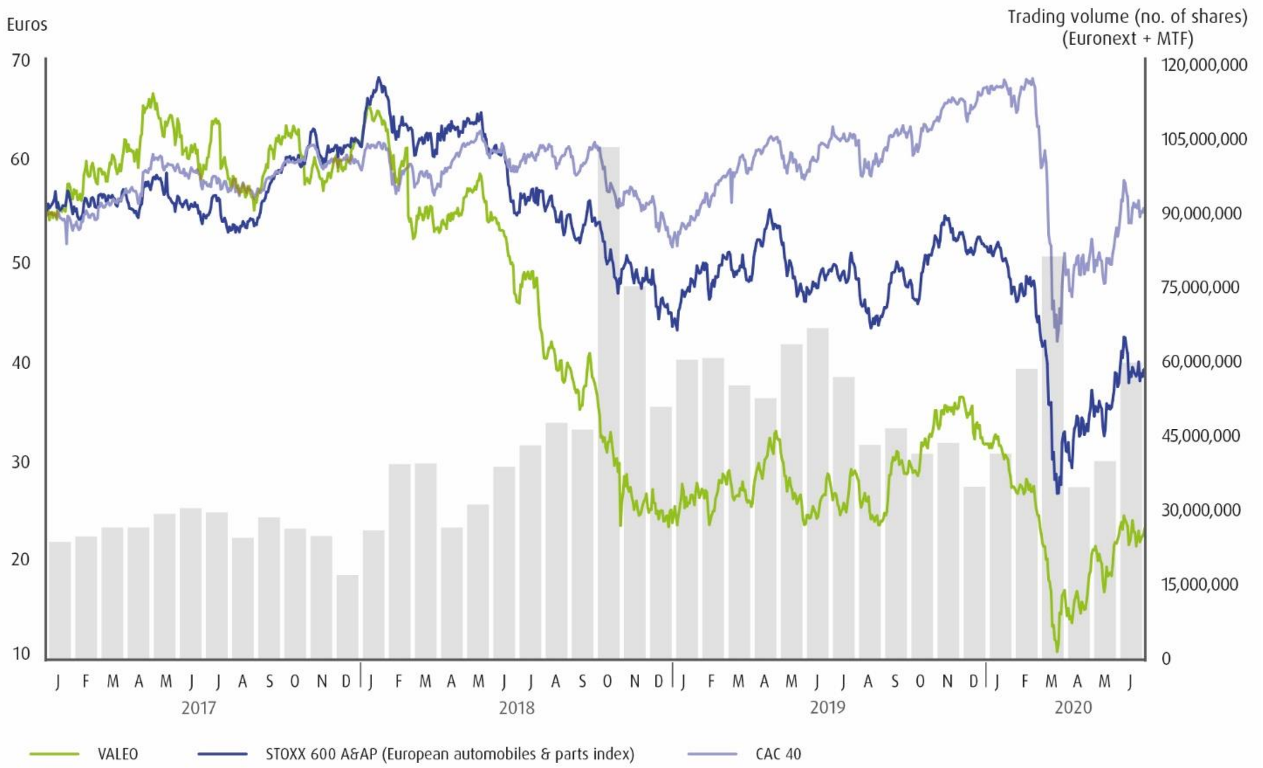
(in euros)	First-half 2020	First-half 2019
Basic earnings per share	(5.08)	0.68

(in euros)	2019	2018
Net dividend per share	0.20*	1.25*

** Eligible for the 40% tax allowance provided for in Article 158-3-2 of the French Tax Code (*Code général des impôts*).*

In April 2020, Valeo announced that in view of the exceptional circumstances created by the Covid-19 pandemic, its Board of Directors had decided to reduce the dividend to 0.2 euros per share, compared to the 1.25 euro dividend per share that had been announced in February 2020 at the time of publishing its 2019 results. This decision is designed to preserve the Group's cash in an amount of 249 million euros in a context of significant economic uncertainty.

3.9.5. Share price and monthly trading volumes



3.9.6. Investor relations

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Provisional financial publications calendar

- Third-quarter 2020 sales: October 27, 2020
- Full-year 2020 results: second half of February 2021
- First-quarter 2021 sales: second half of April 2021
- First-half 2021 results: second half of July 2021

3.10. Risk factors and related party transactions

3.10.1. Risk factors

The risk factors are identical to those identified in Chapter 2 of the 2019 Universal Registration Document.

However, as an automotive supplier, Valeo is particularly impacted by the Covid-19 health crisis, which has led to a deterioration in the automotive market in the regions where Valeo and its customers are present. The deterioration has led to business disruptions in many countries, a decline in sales, operating losses and a downward revision of short- and medium-term forecasts for automotive production. Amid the unfavorable economic climate which has significant consequences for Valeo, the Group reviewed the value in use of its capitalized development costs, the assets allocated to certain cash-generating units (CGUs), including the Top Column Module business and the Business Groups, as well as the value in use of its Brazilian assets and the residual assets operated by its diesel-related businesses.

Current Covid-19 situation

At the date of this document, sales in China have rallied sharply from March onwards, after very sluggish activity levels in February. The Group expects business to continue at a sustained pace throughout third-quarter 2020. In North America, activity levels were very subdued in April and May before plants resumed production from end-May. The Group expects business to continue at a sustained pace throughout the summer and particularly in July, with automakers deciding to cancel their summer shutdowns. In Europe, following very low sales figures between mid-March and mid-May, the return to 2019 business levels is proving slower and more gradual than in China or North America. In South Korea and Japan, automotive production was hard hit by the fall in export sales due to the health crisis. In Brazil and India, where the economic situation is still extremely fragile, the recovery remains very slow.

The Group has put in place a health protocol to allow operations to resume in order to meet customer demand, while ensuring maximum protection for all of our employees. The measures are mandatory and applicable systematically and consistently at all Valeo sites worldwide, whether in plants, R&D centers or head offices.

The protocol has been audited. It represents a negative impact of around 10% on plant productivity and will remain in place as long as the virus is active.

The Group has rapidly put in place a major action plan aimed at variabilizing its costs and reducing cash consumption. More specifically, it has taken measures to (i) variabilize personnel costs, including a reduction of headcount by 12,000 (ii) reduce gross R&D expenditure and production overheads (iv) ensure strict control of accounts and notes receivable, (v) reduce inventories, (vi) reduce investments in property, plant and equipment and (vii) reduce dividends.

Concerning cash, Valeo has arranged 1.1 billion euros in additional credit lines with its major banking partners and now has 2.3 billion euros available in undrawn credit lines. In addition, the Group has a solid financial position: no debt repayments falling due before June 2021, average debt maturity of 3.4 years and sufficient headroom under its bank covenant (net debt to EBITDA ratio calculated over a 12-month rolling period of <3.5).

3.10.2. Related party transactions

There were no significant changes in related party transactions during the first half of 2020.

4. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

4.1. Consolidated statement of income

(in millions of euros)	*Notes*	First-half 2020	First-half 2019
SALES	*4.1*	**7,058**	**9,776**
Cost of sales	*4.2*	(6,551)	(8,022)
Research and Development expenditure	*4.3.1*	(928)	(785)
Selling expenses		(134)	(155)
Administrative expenses		(285)	(300)
OPERATING MARGIN		**(840)**	**514**
as a % of sales		(11.9)%	5.3%
Share in net earnings (losses) of equity-accounted companies	*4.3.2*	(166)	(107)
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS (LOSSES) OF EQUITY-ACCOUNTED COMPANIES	*4.3*	**(1,006)**	**407**
as a % of sales		(14.3)%	4.2%
Other income and expenses	*4.4.2*	(135)	(30)
OPERATING INCOME (LOSS) INCLUDING SHARE IN NET EARNINGS (LOSSES) OF EQUITY-ACCOUNTED COMPANIES	*4.4.1*	**(1,141)**	**377**
Cost of net debt	*8.4.1*	(33)	(37)
Other financial income and expenses	*8.4.2*	(22)	(4)
INCOME (LOSS) BEFORE INCOME TAXES		**(1,196)**	**336**
Income taxes	*9*	(24)	(130)
NET INCOME (LOSS) FOR THE PERIOD		**(1,220)**	**206**
Attributable to:			
■ Owners of the Company		(1,215)	162
■ Non-controlling interests		(5)	44
Earnings per share:			
■ Basic earnings per share *(in euros)*	*10.2*	(5.08)	0.68
■ Diluted earnings per share *(in euros)*	*10.2*	(5.08)	0.68

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

4.2. Consolidated statement of comprehensive income

(in millions of euros)	First-half 2020	First-half 2019
NET INCOME (LOSS) FOR THE PERIOD	**(1,220)**	**206**
Share of changes in comprehensive income from equity-accounted companies that may subsequently be recycled to income	1	1
o/w income taxes	—	—
Translation adjustment	(118)	22
Cash flow hedges:		
▪ Gains (losses) taken to equity	(14)	23
▪ (Gains) losses transferred to income for the period	19	(1)
o/w income taxes	*2*	—
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY SUBSEQUENTLY BE RECYCLED TO INCOME	**(112)**	**45**
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	(6)	(61)
o/w income taxes	*3*	*3*
Remeasurement of long-term investments	(5)	—
o/w income taxes	*2*	—
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY NOT SUBSEQUENTLY BE RECYCLED TO INCOME	**(11)**	**(61)**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**(123)**	**(16)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(1,343)**	**190**
Attributable to:		
▪ Owners of the Company	(1,317)	151
▪ Non-controlling interests	(26)	39

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

4.3. Consolidated statement of financial position

(in millions of euros)	*Notes*	June 30, 2020	December 31, 2019[1]
ASSETS			
Goodwill	*6.1*	2,558	2,571
Other intangible assets		2,478	2,694
Property, plant and equipment		5,099	5,346
Investments in equity-accounted companies		108	152
Other non-current financial assets		681	702
Assets relating to pensions and other employee benefits	*5.1*	13	13
Deferred tax assets		444	437
NON-CURRENT ASSETS		**11,381**	**11,915**
Inventories, net		1,653	1,896
Accounts and notes receivable, net		2,078	2,821
Other current assets		552	455
Taxes receivable		49	33
Other current financial assets		72	20
Cash and cash equivalents	*8.2.4*	2,113	1,773
CURRENT ASSETS		**6,517**	**6,998**
TOTAL ASSETS		**17,898**	**18,913**
EQUITY AND LIABILITIES			
Share capital		241	241
Additional paid-in capital		1,531	1,531
Translation adjustment		(29)	71
Retained earnings		1,529	2,786
STOCKHOLDERS' EQUITY		**3,272**	**4,629**
Non-controlling interests		777	835
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**4,049**	**5,464**
Provisions for pensions and other employee benefits – long-term portion	*5.1*	1,192	1,185
Other provisions – long-term portion	*7.1*	349	313
Long-term portion of long-term debt	*8.2.1*	3,905	4,417
Other financial liabilities – long-term portion		15	38
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	*8.2.3*	19	20
Subsidies and grants – long-term portion		100	87
Deferred tax liabilities		71	76
NON-CURRENT LIABILITIES		**5,651**	**6,136**
Accounts and notes payable		3,328	4,762
Provisions for pensions and other employee benefits – current portion	*5.1*	62	69
Other provisions – current portion	*7.1*	393	201
Subsidies and grants – current portion		24	41
Taxes payable		68	124
Other current liabilities		1,655	1,578
Current portion of long-term debt	*8.2.1*	645	193
Other financial liabilities – current portion		61	14
Liabilities associated with put options granted to holders of non-controlling interests – current portion	*8.2.3*	50	59
Short-term financing	*8.2.2.5*	1,909	247
Bank overdrafts	*8.2.2.5*	2	22
Liabilities held for sale		1	3
CURRENT LIABILITIES		**8,198**	**7,313**
TOTAL EQUITY AND LIABILITIES		**17,898**	**18,913**

(1) *The data presented for the year ended December 31, 2019 differ from the data presented in the 2019 consolidated financial statements published in February 2020 since they have been adjusted to reflect the exclusion of short-term financing from the definition of net cash and cash equivalents (see Note 8.2.2.5).*

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

4.4. Consolidated statement of cash flows

(in millions of euros)	*Notes*	First-half 2020	First-half 2019[1]
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period		(1,220)	206
Share in net (earnings) losses of equity-accounted companies		166	107
Net dividends received from equity-accounted companies		13	25
Expenses (income) with no cash effect	*11.1*	1,372	666
Cost of net debt		33	37
Income taxes (current and deferred)		24	130
GROSS OPERATING CASH FLOWS		**388**	**1,171**
Income taxes paid		(106)	(152)
Changes in working capital	*11.2*	(506)	268
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**(224)**	**1,287**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(332)	(427)
Acquisitions of property, plant and equipment		(430)	(593)
Investment subsidies and grants received		6	17
Disposals of property, plant and equipment and intangible assets		3	5
Net change in non-current financial assets		(143)	(115)
Acquisitions of investments with gain of control, net of cash acquired		(5)	(8)
Disposals of investments with loss of control, net of cash transferred		(5)	(5)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(906)**	**(1,126)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		—	(297)
Dividends paid to non-controlling interests in consolidated subsidiaries		(34)	(33)
Capital increase		—	19
Sale (purchase) of treasury stock		1	17
Issuance of long-term debt		21	616
Loan issuance costs and premiums		—	(2)
Interest paid		(80)	(63)
Interest received		18	7
Repayment of long-term debt	*11.3*	(94)	(66)
Change in short-term financing	*8.2.2.5*	1,662	(223)
Short-term investments		—	(26)
Acquisitions of investments without gain of control	*11.4*	—	(29)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**1,494**	**(80)**
CASH AND CASH EQUIVALENTS RELATING TO ASSETS HELD FOR SALE		**—**	**—**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4)**	**(11)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**360**	**70**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,751**	**2,282**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,111**	**2,352**
Of which:			
■ Cash and cash equivalents		2,113	2,411
■ Bank overdrafts		(2)	(59)

(1) *The data presented for the six months ended June 30, 2019 differ from the data presented in the first-half 2019 consolidated financial statements published in July 2019 since they have been adjusted to reflect the exclusion of short-term financing from the definition of net cash and cash equivalents (see Note 8.2.2.5).*

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

4.5. Consolidated statement of changes in stockholders' equity

						Total stockholders' equity including non-controlling interests		
Number of shares outstanding	*(in millions of euros)*	**Share capital**	**Additional paid-in capital**	**Cumulative translation adjustment**	**Retained earnings**	**Stockholders' equity**	**Non-controlling interests**	**Total**
237,287,487	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2018**	**240**	**1,513**	**17**	**2,801**	**4,571**	**807**	**5,378**
	Dividends paid[1]	—	—	—	(297)	(297)	(33)	**(330)**
749,541	Treasury shares	—	—	—	17	17	—	**17**
783,643	Capital increase[2]	1	18	—	—	19	—	**19**
	Share-based payment	—	—	—	13	13	—	**13**
	Put options granted[3]	—	—	—	8	8	(2)	**6**
	Other movements[4]	**—**	**—**	**—**	(7)	(7)	(22)	**(29)**
	TRANSACTIONS WITH OWNERS	**1**	**18**	**—**	**(266)**	**(247)**	**(57)**	**(304)**
	Net income (loss) for the period	—	—	—	162	162	44	**206**
	Other comprehensive income (loss), net of tax	—	—	27	(38)	(11)	(5)	**(16)**
	TOTAL COMPREHENSIVE INCOME (LOSS)	**—**	**—**	**27**	**124**	**151**	**39**	**190**
238,820,671	**STOCKHOLDERS' EQUITY AT JUNE 30, 2019**	**241**	**1,531**	**44**	**2,659**	**4,475**	**789**	**5,264**
	Dividends paid	—	—	—	—	—	(13)	**(13)**
208,440	Treasury shares	—	—	—	(2)	(2)	—	**(2)**
—	Capital increase	—	—	—	—	—	—	**—**
	Share-based payment	—	—	—	11	11	—	**11**
	Put options granted[3]	—	—	—	1	1	3	**4**
	TRANSACTIONS WITH OWNERS	**—**	**—**	**—**	**10**	**10**	**(10)**	**—**
	Net income (loss) for the period	—	—	—	151	151	37	**188**
	Other comprehensive income (loss), net of tax	—	—	27	(34)	(7)	19	**12**
	TOTAL COMPREHENSIVE INCOME (LOSS)	**—**	**—**	**27**	**117**	**144**	**56**	**200**
239,029,111	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2019**	**241**	**1,531**	**71**	**2,786**	**4,629**	**835**	**5,464**
	Dividends paid[1]	—	—	—	(48)	(48)	(39)	**(87)**
423,441	Treasury shares	—	—	—	1	1	—	**1**
	Share-based payment	—	—	—	4	4	—	**4**
	Put options granted[3]	—	—	—	3	3	7	**10**
	TRANSACTIONS WITH OWNERS	**—**	**—**	**—**	**(40)**	**(40)**	**(32)**	**(72)**
	Net income (loss) for the period	—	—	—	(1,215)	(1,215)	(5)	**(1,220)**
	Other comprehensive income (loss), net of tax	—	—	(100)	(2)	(102)	(21)	**(123)**
	TOTAL COMPREHENSIVE INCOME (LOSS)	**—**	**—**	**(100)**	**(1,217)**	**(1,317)**	**(26)**	**(1,343)**
239,452,552	**STOCKHOLDERS' EQUITY AT JUNE 30, 2020**	**241**	**1,531**	**(29)**	**1,529**	**3,272**	**777**	**4,049**

(1) A cash dividend of 0.20 euros per share was approved in June 2020, representing a total amount of 48 million euros. It will be paid on July 1, 2020. The dividend paid in June 2019 was 1.25 euros per share.
(2) The terms and conditions of the June 27, 2019 capital increase reserved for employees are detailed in Note 10.1.
(3) This item includes changes in the fair value of liabilities associated with put options granted to holders of non-controlling interests (see Note 8.2.3).
(4) Other movements reflect the impacts of acquiring an additional interest in Ichikoh.

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

4.6. Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Valeo Group for the six months ended June 30, 2020 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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 21, 2020.

NOTE 1 ACCOUNTING POLICIES

1.1 Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB), as adopted by the European Union and effective at January 1, 2020.

Pursuant to IAS 34, the notes to these condensed interim financial statements are designed to:

- update the accounting and financial information contained in the last published consolidated financial statements at December 31, 2019;
- include new accounting and financial information about significant events and transactions that occurred during the period.

These notes therefore discuss significant events and transactions that occurred in the first six months of 2020 and should be read in conjunction with the information set out in the consolidated financial statements for the year ended December 31, 2019 included in the Group's 2019 Universal Registration Document[1].

The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2020 are the same as those used to prepare the 2019 annual consolidated financial statements, except as regards the specific accounting treatments described in Notes 5.1 and 9.

(1) The 2019 Universal Registration Document is available on the Group's website (www.valeo.com) or on the website of the AMF (www.amf-france.org), and may be obtained from the Group by writing to the address stated above.

1.1.1 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2020

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

Standards, amendments and interpretations	**Amendments to IFRS 9, IAS 39 and IFRS 7** Effective as of January 1, 2020 and early adopted by the Group as of January 1, 2019
Impacts and applications for the Group	The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the IBOR reform. They modify certain hedge accounting provisions and require entities to provide investors with additional information on hedging relationships that are directly affected by these uncertainties. These amendments were published on September 26, 2019 by the IASB. The European Union adopted them on January 16, 2020. The Group elected to early adopt, as of January 1, 2019, the amendments to IFRS 9, IAS 39 and IFRS 7 published by the IASB in September 2019 in the context of the interest rate benchmark reform. These amendments enable the Group to disregard the uncertainties arising from interest rate benchmark reform when measuring the effectiveness of hedging relationships and/or determining whether the hedged risk is highly probable, ensuring that existing or future hedging relationships are secured until this uncertainty is no longer present.

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, 2020	
Revised Conceptual Framework for Financial Reporting	Amendments to references to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material

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

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

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[(1)]**
Amendments to IFRS 16	Covid-19-Related Rent Concessions	June 1, 2020
Annual Improvements to IFRSs 2018-2020 cycle	Various provisions	January 1, 2022
Amendments to IFRS 3	Updating a Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 1, 2022

(1) Subject to adoption by the European Union.

On May 14, 2020, the IASB also published amendments to IAS 37 relating to the costs to include when assessing whether a contract is onerous. Subject to adoption by the European Union, these amendments will be effective as of January 1, 2022. A more detailed analysis of the main impacts of these amendments on the Group's consolidated financial statements will be conducted in the coming months to assess any restatements that may be necessary.

1.2 Basis of preparation

The condensed interim consolidated 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 global presence.

The Group exercises its judgment based on its experience and all 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.

In addition to the main significant impacts of the Covid-19 health crisis on the financial statements for the six months ended June 30, 2020, presented in Note 2, the estimates, judgments and assumptions adopted by the Group to prepare its financial statements for the six months ended June 30, 2020 chiefly concern:

- the conditions for capitalizing development expenditure;
- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see Note 6.2);
- estimates of provisions, particularly provisions for pensions and other employee benefits and provisions for risks linked to product warranties (see Notes 5.1 and 7);
- the likelihood that deferred tax assets will be able to be utilized (see Note 9).

NOTE 2 IMPACTS OF THE COVID-19 HEALTH CRISIS

The Valeo Group's sales fell 27.8% to 7,058 million euros in first-half 2020, from 9,776 million euros in first-half 2019 (see Note 4.1). Business in first-half 2020 was heavily impacted by the ongoing global health crisis, which resulted in the closure of almost every plant for a number of weeks.

Activity picked up from February 2020 in China, and then from May in North America and Europe, where a return to 2019 production levels is proving slower and more gradual than in the two other main regions. In South Korea and Japan, automotive production was hard hit by the fall in exports. In Brazil and India, where the economic situation is still extremely fragile, the recovery remains very slow.

2.1 Going concern basis and cash management

In first-half 2020, Valeo negotiated credit lines for an additional 1.1 billion euros with its main banks, and therefore currently has 2.3 billion euros in undrawn credit lines, enabling it to withstand any prolongation of the current crisis.

In addition, the Group has a stable financial position:

- net cash and cash equivalents of 2.1 billion euros at June 30, 2020;
- no debt falling due before June 2021;
- average debt maturity of 3.4 years;
- net debt to EBITDA ratio of 2.7 (calculated over a 12-month rolling period) at June 30, 2020, i.e., below the 3.5 threshold.

Detailed information on the Group's borrowings and debt is presented in Note 8.2.

Based on the above and given that operations have resumed in all geographic areas, the use of the going concern basis of accounting was appropriate at the date on which the condensed interim consolidated financial statements were approved for issue.

2.2 Impairment testing of non-financial assets

As a result of the Covid-19 health crisis, the automotive market has deteriorated in the regions where Valeo and its customers are present. The deterioration has led to business disruptions in many countries, a decline in sales, operating losses and a downward revision of short- and medium-term forecasts. Amid this unfavorable economic climate, which has significant consequences for Valeo, the Group has reviewed the value in use of (i) its capitalized development costs (see Note 4.3.1), (ii) the assets allocated to certain cash-generating units (CGUs) and Business Groups (see Note 6.2.2) and (iii) its Brazilian assets (see Note 6.2.6). The Group also reviewed contracts currently in production in order to identify specific assets whose carrying amount will not be recovered by the economic benefits expected to arise from the contract.

As a result, the Group recognized impairment losses of 348 million euros on its property, plant and equipment and intangible assets that can be analyzed as follows:

(in millions of euros)	Impairment of capitalized development expenditure	Impairment of other intangible assets	Impairment of property, plant and equipment	Total
Review of contracts under development or in production	195	—	55	**250**
CGUs	31	—	4	**35**
Brazil	10	1	52	**63**
Total	**236**	**1**	**111**	**348**

2.3 Deferred tax assets

In light of the Covid-19 health crisis, the Group assessed the recoverability of its tax loss carryforwards using future taxable profit projections covering a period of five years, prepared based on a revised medium-term business plan. As a result, a write-down of 37 million euros was recognized at June 30, 2020.

2.4 Hedge accounting

The Group used the same hedge accounting principles as those described in the notes to the 2019 annual consolidated financial statements. Accordingly, for any forecast transaction that was no longer highly probable to occur due to factors such as the decline in activity during the period, cash flow hedge accounting was discontinued. The consequences of the discontinuation were reflected by the Group in the financial statements, with the ineffective portion of the change in the fair value of the derivative instruments recognized in other financial income and expenses (see Note 8.4.2).

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 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 Intuitive 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 connected and more autonomous;
- 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 Commercial Vehicles. The strategic objectives of the Thermal Systems Business Group are two-fold: intelligent management of thermal systems for all vehicles, and passenger health and well-being. Vehicle electrification calls for new thermal management solutions capable of ensuring a comfortable cabin temperature without reducing driving range. These solutions are also designed to maintain the battery cells in hybrid and electric vehicles at optimum operating temperature and to enhance vehicle performance through their lightweight and aerodynamic design;
- Visibility Systems, comprising two Product Groups and one Product Line: the Lighting Systems and Wiper Systems Product Groups and the Electronics for Visibility Systems Product Line. This Business Group designs and produces innovative and efficient exterior and interior lighting, wiper and sensor cleaning systems to support the driver. These systems enable automated vehicles to drive in all conditions and thereby improve the travel experience for all vehicle passengers.

Each of these Business Groups is also responsible for production and for some of the distribution of products in the aftermarket segment. A significant portion of income and expenses for Valeo Service, which almost exclusively sells products manufactured by the Group, is reallocated among the Business Groups identified. The external trading operations of Valeo Service are presented within “Other”, along with the holding companies and eliminations between the four operating segments. Following the announcement in 2019 of the Group’s decision to withdraw from the Top Column Module business, “Other” now also includes this product line.

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 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.

First-half 2020

(in millions of euros)	Comfort and Driving Assistance Systems(1)	Powertrain Systems	Thermal Systems	Visibility Systems	Other(1)	Total
Sales:						
■ segment (excluding Group)	1,371	1,836	1,535	2,143	173	**7,058**
■ intersegment (Group)	9	61	25	26	(121)	**—**
EBITDA	**84**	**91**	**(31)**	**75**	**(17)**	**202**
Research and Development expenditure	(357)	(145)	(168)	(243)	(15)	**(928)**
Investments in property, plant and equipment and intangible assets	204	166	194	214	19	**797**
Segment assets	2,666	3,334	2,701	2,948	247	**11,896**

(1) Following the announcement in 2019 of the Group's decision to withdraw from the Top Column Module business, "Other" now includes this product line.

First-half 2019

(in millions of euros)	Comfort and Driving Assistance Systems(1)	Powertrain Systems	Thermal Systems	Visibility Systems	Other(1)	Total
Sales:						
■ segment (excluding Group)	1,772	2,503	2,301	2,968	232	**9,776**
■ intersegment (Group)	38	62	29	46	(175)	**—**
EBITDA	**283**	**319**	**262**	**324**	**30**	**1,218**
Research and Development expenditure	(285)	(155)	(137)	(189)	(19)	**(785)**
Investments in property, plant and equipment and intangible assets	272	205	259	256	27	**1,019**
Segment assets	2,703	3,501	2,766	3,064	310	**12,344**

(1) Following the announcement in 2019 of the Group's decision to withdraw from the Top Column Module business, "Other" now includes this product line.

3.2. Reconciliation with Group data

The table below reconciles EBITDA with consolidated operating margin:

(in millions of euros)	First-half 2020	First-half 2019
Operating margin	**(840)**	**514**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses[1]	1,037	686
Impact of government subsidies and grants on non-current assets recognized in the statement of income	(8)	(7)
Dividends paid by equity-accounted companies	13	25
EBITDA	**202**	**1,218**
as a % of sales	*2.9%*	*12.5%*

(1) Solely impairment losses recorded in operating margin.

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)	June 30, 2020	June 30, 2019
Segment assets	**11,896**	**12,344**
Accounts and notes receivable	2,078	2,947
Other current assets	552	544
Taxes receivable	49	38
Financial assets	2,879	3,104
Deferred tax assets	444	478
TOTAL GROUP ASSETS	**17,898**	**19,455**

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 that operate in several geographic areas.

First-half 2020

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	410	1,093	898
Other European countries and Africa	2,973	2,442	2,858
North America	1,239	1,307	1,263
South America	134	106	25
Asia	2,302	2,373	2,643
Eliminations	—	(263)	(2)
TOTAL	**7,058**	**7,058**	**7,685**

First-half 2019

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	700	1,518	905
Other European countries and Africa	4,159	3,534	2,924
North America	1,881	1,947	1,285
South America	241	201	115
Asia	2,795	2,941	2,731
Eliminations	—	(365)	(2)
TOTAL	**9,776**	**9,776**	**7,958**

NOTE 4 OPERATING DATA

4.1 Sales

Group sales fell 27.8% to 7,058 million euros in first-half 2020, from 9,776 million euros in first-half 2019.

This decrease reflects a positive 0.1% impact relating to changes in the scope of consolidation. Like for like (constant Group structure and exchange rates), consolidated sales declined 27.9% between first-half 2019 and first-half 2020.

4.1.1 Sales by type

Sales can be analyzed by type as follows:

(in millions of euros)	First-half 2020	First-half 2019
Original equipment	5,863	8,220
Aftermarket	824	1,005
Miscellaneous	371	551
SALES	**7,058**	**9,776**

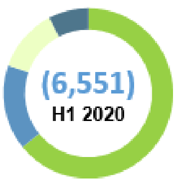
4.1.2 Original equipment sales by customer portfolio

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

(in millions of euros)	First-half 2020	%	First-half 2019	%
German automakers	1,783	30%	2,531	31%
Asian automakers	1,928	33%	2,575	31%
US automakers	1,041	18%	1,524	18%
French automakers	750	13%	1,133	14%
Other	361	6%	457	6%
ORIGINAL EQUIPMENT SALES	**5,863**	**100%**	**8,220**	**100%**

4.2 Cost of sales

Cost of sales can be analyzed as follows:



(in millions of euros)	First-half 2020	First-half 2019
59.5% [(1)] – Raw materials consumed	(4,202)	(5,579)
15.0% [(1)] – Labor	(1,061)	(1,285)
11.2% [(1)] – Direct production costs and production overheads	(788)	(769)
7.1% [(1)] – Depreciation, amortization and impairment [(2)]	(500)	(389)
COST OF SALES	**(6,551)**	**(8,022)**

(1) As a % of sales.
(2) This amount does not include amortization and impairment 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 for the period.

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

In first-half 2020, operating margin including share in net earnings of equity-accounted companies was a negative 1,006 million euros (or a negative 14.3% of sales), down 18.5 percentage points compared with first-half 2019.

Share in net earnings of equity-accounted companies represented a loss of 166 million euros in first-half 2020, compared with a loss of 107 million euros in first-half 2019. See Note 4.3.2 for more information.

4.3.1 Research and Development expenditure

Research and Development expenditure can be analyzed as follows:

(in millions of euros)	First-half 2020	First-half 2019
Gross Research and Development expenditure	(862)	(1,058)
Subsidies and grants and other income	47	59
Capitalized development expenditure	319	400
Amortization and impairment of capitalized development expenditure	(432)	(186)
RESEARCH AND DEVELOPMENT EXPENDITURE	**(928)**	**(785)**

In first-half 2020, the Group recognized impairment losses on capitalized development expenditure in the amount of 236 million euros, of which 41 million euros resulted from the allocation of impairment losses recognized against CGUs and Brazil (see Notes 6.2.2 and 6.2.6). In light of the Covid-19 health crisis, the Group significantly lowered its medium-term outlook for global automotive production (see Note 6.2.1) and also factored in the latest information provided by some of its customers. The impairment loss recognized reflects the impact of a decline in volumes on the profitability of certain projects under development.

4.3.2 Associates and joint ventures

Share in net earnings of equity-accounted companies can be analyzed as follows:

(in millions of euros)	First-half 2020	First-half 2019
Share in net earnings (losses) of associates	(2)	4
Share in net earnings (losses) of joint ventures	(164)	(111)
SHARE IN NET EARNINGS (LOSSES) OF EQUITY-ACCOUNTED COMPANIES	**(166)**	**(107)**

All companies consolidated 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.

In first-half 2020, the 164 million euro loss in respect of the Group's share in net earnings of joint ventures is mainly due to the share in the losses of Valeo Siemens eAutomotive in an amount of 134 million euros and an impairment loss of 30 million euros charged against an investment in a joint venture.

4.4 Operating income and other income and expenses

4.4.1 Operating income

In first-half 2020, the Group recorded an operating loss including share in net earnings of equity-accounted companies of 1,141 million euros, versus income of 377 million euros in first-half 2019.

4.4.2 Other income and expenses

Other income and expenses can be analyzed as follows:

(in millions of euros)	*Notes*	First-half 2020	First-half 2019
Sale of the Passive Hydraulic Actuator business		—	(1)
Claims and litigation	*4.4.2.1*	(12)	(8)
Restructuring plans	*4.4.2.2*	(26)	(12)
Impairment of fixed assets	*4.4.2.3*	(98)	(9)
Other		1	—
OTHER INCOME AND EXPENSES		**(135)**	**(30)**

4.4.2.1 Claims and litigation

In first-half 2020, this item includes the impacts of various disputes and the related legal advisory costs.

4.4.2.2 Restructuring plans

Restructuring costs at June 30, 2020 primarily include the additional impacts of a Group cost reduction plan launched in first-half 2019 in light of the downturn in the automotive market, and expenses relating to early retirement plans in Germany.

Restructuring costs for first-half 2019 chiefly included the impacts of a Group cost reduction plan launched in light of the downturn in the automotive market, and expenses relating to early retirement plans in Germany.

4.4.2.3 Impairment of fixed assets

As a result of the impairment tests carried out on CGUs in first-half 2020, impairment losses of 13 million euros and 22 million euros were recognized against the Air Charging Systems Product Line CGU and the Top Column Module Product Line, respectively (see Note 6.2.2). In addition, a non-recurring impairment loss was recognized against the Group’s Brazilian assets in an amount of 63 million euros (see Note 6.2.6).

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

5.1 Provisions for pensions and other employee benefits

The provision for pensions and other employee benefits is recognized based on projections made by actuaries using data from the end of the previous reporting period. The discount rates for the countries representing the Group's most significant obligations (United States, eurozone, United Kingdom, Japan and South Korea) are reviewed at June 30. Projections for the most significant plans are adjusted in order to reflect any major changes in assumptions over the period or one-off impacts linked to discount rates, applicable legislation or the population concerned.

At June 30, the value of the main plan assets is also reviewed and adjusted wherever the market value of the assets differs significantly from their carrying amount.

Net provisions for pensions and other employee benefits totaled 1,241 million euros at June 30, 2020, stable compared with December 31, 2019.

The discount rates used at end-June 2020 in the countries representing the Group's most significant obligations were as follows:

Country	June 30, 2020	December 31, 2019
Eurozone	1.15	1.15
United Kingdom	1.80	1.80
United States	2.55	3.15
Japan	0.50	0.50
South Korea	2.65	2.65

At June 30, 2020, the Group reviewed its discount rates and the market value of the assets relating to its most significant plans:

- changes in the benchmark indexes used by the Group in first-half 2020 led to a 34 million euro increase in its obligations in the United States. This adjustment was included in actuarial gains (losses) on defined benefit plans in the statement of other comprehensive income;
- the actual return on the Group's main plan assets in the United States, United Kingdom, Japan and South Korea gave rise to an actuarial gain of 25 million euros in first-half 2020 (recognized in other comprehensive income) and a corresponding reduction in the provision.

Excluding this negative 9 million euro impact, changes in provisions for pensions and other employee benefits chiefly reflect:

- utilizations in an amount of 41 million euros and reversals of unutilized provisions in an amount of 5 million euros;
- a net expense of 40 million euros during the period, of which 8 million euros was recorded in other financial income and expenses (see Note 8.4.2);
- a positive 8 million euro impact resulting from changes in foreign exchange rates.

5.2 Free share and performance share plans

On March 24, 2020, the Board of Directors approved a free share and performance share plan involving up to 2,342,306 shares. The plan will see the allotment of 1,208,190 free shares not subject to performance criteria and 1,134,116 shares subject to performance criteria, with a three-year vesting period for all employees. Only free shares allotted to the Chairman and Chief Executive Officer are subject to a two-year holding period.

In accordance with IFRS 2 and based on the fair value of the equity instruments at the authorization date, Valeo has estimated the fair value of the plan at 22 million euros (versus 25 million euros for the plan awarded in 2019). It will be recognized in personnel expenses over the vesting period, mainly with an offsetting entry to equity.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

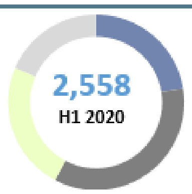
Changes in goodwill in first-half 2020 and full-year 2019 are analyzed below:

(in millions of euros)	June 30, 2020	December 31, 2019
NET GOODWILL AT JANUARY 1	**2,571**	**2,550**
Acquisitions during the period	—	1
Translation adjustment	(13)	20
NET GOODWILL	**2,558**	**2,571**
Including accumulated impairment losses	—	—

The change in goodwill in first-half 2020 mainly reflects the depreciation in the South Korean won against the euro between the two periods.

The increase in goodwill in 2019 mainly reflected the appreciation in the Japanese yen (9 million euros) and the US dollar (7 million euros) against the euro between the two periods.

Goodwill can be broken down by Business Group as follows:



(in millions of euros)		June 30, 2020	December 31, 2019
22%	– Comfort & Driving Assistance Systems	573	573
35%	– Powertrain Systems	900	910
24%	– Thermal Systems	604	607
18%	– Visibility Systems	474	474
1%	– Other	7	7
	GOODWILL	**2,558**	**2,571**

6.2 Impairment of fixed 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 June 30, 2020, there was a total of 23 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, "Segment reporting". 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 fixed 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 CGU and goodwill impairment tests to determine the recoverable amount of an asset or group 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 business 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.

Since the application of IFRS 16 – "Leases", the Group has applied the following methodology:

- the capital employed tested does not include right-of-use assets and lease liabilities;
- recoverable amount is calculated based on post-tax cash flows, including payments for the principal portion of lease liabilities (corresponds to the Group's definition of cash flow);
- post-tax WACC does not include the impact of IFRS 16.

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.

6.2.1. Impairment testing

In the absence of a new medium-term business plan taking into account the impacts of Covid-19, the Group revised the plan approved by General Management in 2019 using new operating assumptions that reflect the best estimate of the economic conditions at the end of the crisis, as determined at the interim reporting date. The revised medium-term business plan is based on two scenarios, constructed using:

- a study of automotive market trends prepared by an independent consulting firm, which predicts a return in 2024 to the medium-term business plan approved in 2019;
- forecast data for the automotive market, issued by an independent body, which reflect a more long-lasting crisis that will not see a return to the production levels of the previous plan within the next five years.

The revised medium-term business plan for July 1, 2020 to June 30, 2025 is underpinned by:

- revised sales assumptions by geographic area and by scenario, applied over the five years of the medium-term business plan approved in 2019 to construct the two forecast scenarios reflecting the impacts of Covid-19;

- an extrapolation of 2025 using the average rate of growth in Group sales over the term of the plan, applied to 2024. The rate may be adapted for each business in order to best reflect their outlook;
- a weighting of the two scenarios: the second scenario, which reflects a long-lasting crisis with no return to the previously approved plan ending in 2024, was selected for 70% of the final value in use. The weighted scenario does not predict a return to 2019 levels before 2023.

The tests are carried out using the following assumptions:

- the last year of the plan used to calculate the terminal value corresponds to the 12 months ended June 30, 2025 (i.e., July 1, 2024 to June 30, 2025);
- a perpetuity growth rate of 1.5%, which is the same as that used in 2019 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% (unchanged from end-2019), calculated at June 30, 2020 and using the discount rate method reviewed by an independent expert. The sample of comparable companies includes around ten issuers from the automotive equipment industry. The main components of WACC are a market risk premium, a risk-free rate corresponding to the average yield on long-term government bonds, and beta calculated based on a sample of companies in the industry, which came out at 1.08 (1.13 in 2019).

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.

6.2.2. Property, plant and equipment and intangible assets (excluding goodwill)

Based on an analysis of the impairment indicators for each of the Group's CGUs, all of the CGUs qualified for impairment testing at June 30, 2020. The scope of the CGUs tested for impairment was ultimately determined following a review of the headroom of the tests carried out at end-December 2019. The CGUs with substantial headroom were excluded from the scope. As a result, nine CGUs were selected:

- the Torque Converters Product Line (part of the Powertrain Systems Business Group);
- the Air Charging Systems Product Line (part of the Powertrain Systems Business Group);
- the Active Safety Systems Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Valeo Telematics & Acoustics Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Access & Remote Control Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Top Column Module Product Line, which forms a separate CGU following the Group's decision to withdraw from this business;
- the Thermal Powertrain Product Group (part of the Thermal Systems Business Group);
- the Compressors Product Group (part of the Thermal Systems Business Group);
- the Special Products – Lighting Systems Product Line (part of the Visibility Systems Business Group).

The CGU impairment tests led to the recognition of the following in other income and expenses (see Note 4.4.2.3):

- an impairment loss of 13 million euros against the Air Charging Systems Product Line CGU, in addition to the 9 million euro impairment loss recognized in first-half 2019;
- an impairment loss of 22 million euros against the Top Column Module Product Line CGU, reflecting the Group's decision to withdraw from this business, as announced in 2019.

6.2.3. Sensitivity of CGU impairment tests

The sensitivity of CGU impairment tests was verified with regard to the long-lasting crisis scenario weighted at 100% and the following changes in key assumptions:

- 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 of sensitivity on the headroom of the tests is shown in the following table for each of the nine CGUs tested for impairment:

	Headroom of the test	Impact on the headroom of the test				
(in millions of euros)	Based on 2020 assumptions	WACC of 10.5% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	0.7-pt decrease in the rate of operating income used to calculate the terminal value	Combination of the previous three factors	Long-lasting crisis scenario, weighted at 100%
Torque Converters Product Line CGU	87	(66)	(22)	(45)	(119)	(16)
Air Charging Systems Product Line CGU(1)	(13)	—	N/A	N/A	N/A	—
Active Safety Systems Product Line CGU	137	(70)	(25)	(50)	(129)	(33)
Valeo Telematics & Acoustics Product Line CGU	81	(24)	(10)	(17)	(45)	(12)
Access & Remote Control Product Line CGU	9	(11)	(3)	(9)	(20)	(1)
Top Column Modules Product Line CGU(1)	(22)	(3)	N/A	N/A	N/A	(3)
Thermal Powertrain Product Group CGU	365	(126)	(55)	(87)	(238)	(55)
Compressors Product Group CGU	9	(26)	(10)	(33)	(60)	(23)
Special Products – Lighting Systems Product Line CGU	17	(20)	(8)	(23)	(44)	(17)

(1) The impairment tests on the Air Charging Systems Product Line CGU and the Top Column Module Product Line CGU assume a finite time period.

6.2.4 Goodwill

No impairment losses were recognized against goodwill in first-half 2020 as a result of the impairment tests carried out at the level of the Business Groups in line with the methodology described above. This was also the case in 2019.

6.2.5 Sensitivity 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.

Using only the scenario reflecting a long-lasting crisis with no return to the medium-term plan over the time period tested in order to prepare the revised medium-term business plan would have no impact on the results of goodwill impairment tests.

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 the 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 2020 assumptions	WACC of 10.5% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	0.7-pt decrease in the rate of operating income used to calculate the terminal value	Combination of the previous three factors	Long-lasting crisis scenario, weighted at 100%
Comfort & Driving Assistance Systems Business Group	1,541	(465)	(198)	(240)	(809)	(259)
Powertrain Systems Business Group	936	(443)	(172)	(279)	(797)	(162)
Thermal Systems Business Group	669	(314)	(131)	(243)	(609)	(192)
Visibility Systems Business Group	1,255	(418)	(179)	(278)	(778)	(237)

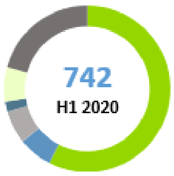
6.2.6 Impairment of the Brazilian assets

The Group faces a particularly adverse environment in Brazil, which has led to significant operating losses for its businesses in the region. Production forecasts were also revised drastically downwards in first-half 2020 in light of the ongoing health crisis. The amount of cash flows generated by the continuing use of the South American assets is considered minimal.

In response to this situation, the Group recognized a 63 million euro impairment loss at end-June 2020. The impairment loss was allocated to fixed assets, except those with a recoverable amount such as land, buildings and other machinery. It was recognized in other income and expenses in the consolidated statement of income (see Note 4.4.2.3).

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1 Other provisions



(in millions of euros)		June 30, 2020	December 31, 2019
53%	– Provisions for product warranties	397	266
7%	– Provisions for restructuring costs	49	45
6%	– Provisions for tax-related disputes	48	30
2%	– Provisions for environmental risks	14	14
7%	– Provisions for onerous contracts	50	25
25%	– Provisions for employee-related and other disputes	184	134
	PROVISIONS FOR OTHER CONTINGENCIES	**742**	**514**

A number of Group companies are involved in legal proceedings in the ordinary course of their operations. Each known dispute was reviewed at the date on which the condensed interim consolidated financial statements were approved for issue. Based on the advice of the Group's legal counsel, where appropriate, the provisions deemed necessary were set aside to cover the estimated outflows of resources. They take into account any compensation agreements signed between the various stakeholders.

Provisions for employee-related and other disputes, which totaled 184 million euros at June 30, 2020, 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 and proceedings.

The estimates underpinning these provisions are made based on information available at the date on which the condensed interim consolidated financial statements were approved for issue. The amounts reported in Valeo's future financial statements may differ from the amounts resulting from these estimates.

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 related to components and systems supplied to the automotive industry.

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving climate control products on September 20, 2013 as part of which Valeo Japan Co. Ltd agreed to pay a fine of 13.6 million US dollars. This settlement 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. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo amnesty and so did not fine Valeo for this conduct.

Also in the United States, three class actions were filed by automotive dealers, direct purchasers, and automotive endpayers against Valeo Group companies with the United States District Court for the Eastern District of Michigan, for alleged antitrust violations involving the sale of climate control products. Each of these class actions was settled with court approval. Separately, Valeo reached court-approved settlement agreements in connection with two prospective actions relating to access mechanisms over which automotive dealers and end customers were threatening to file claims. Certain customers opted out of the aforementioned US settlement agreements, and Valeo has reached settlements with some of these customers.

In Europe, the European Commission issued a decision on March 8, 2017, fining certain automotive air conditioning and engine cooling suppliers for conduct involving thermal systems products. Valeo was fined a total of 26.8 million euros. On June 21, 2017, the European Commission issued a further decision fining automotive lighting system suppliers and marking an end to all its investigations involving Valeo. Valeo was among those identified by the Commission in the automotive lighting systems case, but was granted immunity and was therefore not fined.

Valeo is in contact with a number of European automakers regarding claims for damages resulting from the European Commission's proceedings. One of those, BMW on November 25, 2019, filed a complaint with the Munich Regional Court in Germany naming Denso and Valeo and seeking compensation for alleged damages based, in Valeo's view, on unfounded claims related to conduct identified in the European Commission's March 2017 Thermal Systems decision.

In Canada, certain class actions remain ongoing.

Additional 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

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 date on which the condensed interim consolidated financial statements were approved for issue. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Fair value of financial instruments

(in millions of euros)	2020 carrying amount under IFRS 9			June 30, 2020	December 31, 2019
	Amortized cost	Fair value through equity	Fair value through income	Carrying amount	Carrying amount
ASSETS					
Non-current financial assets:					
■ Long-term investments	—	56	162	**218**	232
■ Long-term loans and receivables (including accrued interest)	350	—	—	**350**	344
■ Deposits and guarantees	27	—	—	**27**	28
■ Other non-current financial assets	6	—	—	**6**	6
■ Hedging derivatives	—	30	—	**30**	61
■ Trading derivatives	—	—	50	**50**	31
Assets relating to pensions and other employee benefits	—	13	—	**13**	13
Accounts and notes receivable	2,078	—	—	**2,078**	2,821
Other current financial assets:					
■ Hedging derivatives	—	61	—	**61**	13
■ Trading derivatives	—	—	6	**6**	4
■ Accrued interest	—	—	5	**5**	3
Cash and cash equivalents	—	—	2,113	**2,113**	1,773
LIABILITIES					
Non-current financial liabilities:					
■ Hedging derivatives	—	5	—	**5**	3
■ Trading derivatives	—	—	10	**10**	35
Bonds	3,444	—	—	**3,444**	3,429
Schuldschein loan (German private placement)	547	—	—	**547**	547
Other long-term debt	559	—	—	**559**	634
Liabilities associated with put options granted to holders of non-controlling interests	—	69	—	**69**	79
Accounts and notes payable	3,328	—	—	**3,328**	4,762
Other current financial liabilities:					
■ Hedging derivatives	—	22	—	**22**	2
■ Trading derivatives	—	—	39	**39**	12
Short-term financing	1,909	—	—	**1,909**	247
Bank overdrafts	—	—	2	**2**	22

The main terms and conditions of borrowings (in particular bonds) are set out in Note 8.2.2.

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.

For the *Schuldschein* loan, the fair value of the fixed portion is measured by discounting future cash flows at the market interest rate at the reporting date. This method corresponds to Level 2 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.

	June 30, 2020			December 31, 2019		
(in millions of euros)	**Carrying amount**	**Fair value**	**Level**	**Carrying amount**	**Fair value**	**Level**
ASSETS						
Cash and cash equivalents	2,113	2,113	1-2	1,773	1,773	1-2
Derivative financial instruments(1)	147	147	2-3	109	109	2-3
LIABILITIES						
Bonds	3,444	3,252	1	3,429	3,411	1
Schuldschein loan (German private placement)	547	554	2	547	552	2
Other long-term debt	559	559	2	634	634	2
Loans recognized at amortized cost	**4,550**	**4,365**		**4,610**	**4,597**	
Short-term financing	1,909	1,909	1-2	247	247	1-2
Bank overdrafts	2	2	1-2	22	22	1-2
Derivative financial instruments(1)	76	76	2-3	52	52	2-3
Put options granted to holders of non-controlling interests	69	69	3	79	79	3

(1) 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 uncollateralized 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 credit risk on derivatives is calculated according to historical probabilities of default and a recovery rate, as observed on the market.

At June 30, 2020 and December 31, 2019, this has only a minimal impact on the Group.

8.2 Debt

8.2.1 Net debt

The definition of gross debt was revised in 2020 in order to separate short-term financing from bank overdrafts. Short-term financing is now included within cash flows from financing activities in the consolidated statement of cash flows. It was previously recognized within net cash and cash equivalents.

Net debt is defined as all long-term debt, liabilities associated with put options granted to holders of non-controlling interests (see Note 8.2.3), short-term financing and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents, short-term investments not included in cash and cash equivalents, and the fair value of derivative instruments hedging interest rate and currency risks associated with these items.

	June 30, 2020			December 31, 2019		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	3,905	645	**4,550**	4,417	193	**4,610**
Put options granted to holders of non-controlling interests	19	50	**69**	20	59	**79**
Short-term financing	—	1,909	**1,909**	—	247	**247**
Bank overdrafts	—	2	**2**	—	22	**22**
GROSS DEBT	**3,924**	**2,606**	**6,530**	**4,437**	**521**	**4,958**
Long-term loans and receivables (including accrued interest)	(315)	(35)	**(350)**	(336)	(8)	**(344)**
Accrued interest	—	(2)	**(2)**	—	(3)	**(3)**
Cash and cash equivalents	—	(2,113)	**(2,113)**	—	(1,773)	**(1,773)**
Derivative instruments associated with interest rate and foreign currency risks(1)	**(20)**	**(8)**	**(28)**	**(26)**	**5**	**(21)**
NET DEBT	**3,589**	**448**	**4,037**	**4,075**	**(1,258)**	**2,817**

(1) At end-June 2020 and end-December 2019, the fair value of derivative instruments associated with an item of net debt comprises the fair value of derivatives hedging financial currency risk and the fair value of derivatives hedging interest rate risk.

8.2.2 Long-term debt

8.2.2.1 Breakdown of long-term debt

(in millions of euros)	June 30, 2020	December 31, 2019
Bonds	3,444	3,429
Schuldschein loan (German private placement)	547	547
Lease liabilities	417	441
Other borrowings	121	147
Accrued interest	21	46
LONG-TERM DEBT	**4,550**	**4,610**

8.2.2.2 Change in and characteristics of long-term debt

(in millions of euros)	Bonds	*Schuldschein* loan (German private placement)	Other loans and lease liabilities	Accrued interest	Total
CARRYING AMOUNT AT JANUARY 1, 2020	**3,429**	**547**	**588**	**46**	**4,610**
Increases/Subscriptions	—	—	21	—	**21**
New contracts/Renewals/Modifications	—	—	28	—	**28**
Redemptions/Repayments	—	—	(94)	—	**(94)**
Value adjustments	13	—	—	—	**13**
Translation adjustment	2	—	(5)	—	**(3)**
Other movements	—	—	—	(25)	**(25)**
CARRYING AMOUNT AT JUNE 30, 2020	**3,444**	**547**	**538**	**21**	**4,550**

At June 30, 2020, the key terms and conditions of long-term debt were as follows:

Type	Outstanding at June 30, 2020 *(in millions of*	Issuance	Maturity	Nominal *(in millions)*	Nominal amount outstanding *(in millions)*	Currency	Nominal interest rate	Other information
Convertible bond	502	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)	599	September 2017	September 2022	600	600	EUR	0.3752%	-
Bond (EMTN program)	498	January 2017	January 2023	500	500	EUR	0.625%	-
Bond (EMTN program)	654	January 2014	January 2024	700	700	EUR	3.25%	-
Bond (EMTN program)	597	June 2018	June 2025	600	600	EUR	1.5%	-
Bond (EMTN program)	594	March 2016	March 2026	600	600	EUR	1.625%	-
Schuldschein loan (German private	115	April 2019	April 2023	115	115	EUR	0.95%	-
Schuldschein loan (German private placement)	220	April 2019	April 2023	221	221	EUR	6-month Euribor +0.95%	Floored swap, exchanging the variable coupon with a 0% floor for a fixed rate of -0.041%
Schuldschein loan (German private	90	April 2019	April 2025	90	90	EUR	1.291%	-
Schuldschein loan (German private placement)	122	April 2019	April 2025	122	122	EUR	6-month Euribor +1.15%	Floored swap, exchanging the variable coupon with a 0% floor for a fixed rate of 0.145%
Lease liabilities	417	-	-	—	417	—	—	
Other long-term debt(1)	142	-	-	—	142	—	—	
LONG-TERM DEBT	**4,550**							

(1) Other long-term debt chiefly comprises debt contracted by Ichikoh entities in an amount of 69 million euros and debt contracted by Group subsidiaries at reduced rates in Spain along with accrued interest.

At June 30, 2020, the Group had drawn an amount of 3 billion euros under its Euro Medium Term Note financing program capped at 5 billion euros (unchanged versus December 31, 2019).

The Group also has confirmed credit lines representing an amount of 2.3 billion euros. None of these credit lines had been drawn down at June 30, 2020. These credit lines were taken out with ten leading banks with an average rating of A from S&P and A1 from Moody's.

8.2.2.3. Contractual maturity of long-term debt

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile. At June 30, 2020, the average maturity of Valeo's (the parent company) debt was 3.4 years, down from 4 years at December 31, 2019.

The future cash flows presented below, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at June 30, 2020 was used for variable-rate interest.

		Contractual cash flows						
			≥1 year and ≤5 years					
(in millions of euros)	Carrying amount	<1 year	Y+1	Y+2	Y+3	Y+4	>5 years	Total
Bonds	3,444	560	47	1,147	742	619	610	**3,725**
Schuldschein loan (German private placement)	547	9	9	345	4	216	—	**583**
Other long-term debt	559	122	104	85	72	44	111	**538**
LONG-TERM DEBT	**4,550**	**691**	**160**	**1,577**	**818**	**879**	**721**	**4,846**

8.2.2.4. Off-balance sheet commitments relating to Group financing

The Group's bank credit lines include early repayment clauses in the event of failure to comply with specified financial ratios, as set out in the table below:

Financing agreements	Ratios	Thresholds	Ratio at June 30, 2020(1)
Credit lines	Consolidated net debt/consolidated EBITDA	<3.5	2.7

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note (EMTN) 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 *Schuldschein* loan also includes a change of control clause under which investors can request early repayment.

The credit lines set up by the Group's subsidiaries include early repayment clauses in the event of failure to comply with specified financial ratios. Based on the due diligence performed, the Group believes that the subsidiaries concerned complied with these covenants at June 30, 2020.

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 condensed interim consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the coming months.

8.2.2.5. Short-term financing and bank overdrafts

(in millions of euros)	June 30, 2020	December 31, 2019
Negotiable European Commercial Paper	1,905	243
Other short-term financing	4	4
Bank overdrafts	2	22
SHORT-TERM FINANCING AND BANK OVERDRAFTS	**1,911**	**269**

Valeo has a short-term Negotiable European Commercial Paper (NEU CP) financing program for a maximum amount of 2.5 billion euros. At June 30, 2020, a total of 1,905 million euros had been drawn on this program, compared with 243 million euros at December 31, 2019.

In order to reflect the Group's cash requirements, short-term financing, which was previously recognized within net cash and cash equivalents, is now presented in net cash flows from financing activities in the consolidated statement of cash flows.

8.2.2.6. Group credit ratings

The ratings of Standard & Poor's and Moody's confirm Valeo's investment grade status and were as follows at June 30, 2020:

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's(1)	April 3, 2020	BBB-	CreditWatch negative	A-3
Moody's	June 11, 2020	Baa3	Negative	P-3

(1) Rating under review at the at the date on which the condensed interim consolidated financial statements were approved for issue.

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

(in millions of euros)	Total	Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	Spheros Climatização do Brasil SA
LIABILITIES AT JANUARY 1, 2019	**89**	**72**	**17**
Fair value adjustments recognized against non-controlling interests	(1)	(1)	—
Fair value adjustments recognized in retained earnings	(9)	(12)	3
LIABILITIES AT DECEMBER 31, 2019	**79**	**59**	**20**
Fair value adjustments recognized against non-controlling interests	(7)	(5)	(2)
Fair value adjustments recognized in retained earnings	(3)	(4)	1
LIABILITIES AT JUNE 30, 2020	**69**	**50**	**19**

At June 30, 2020, 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 June 30, 2020, Valeo and Marco Polo owned 60% and 40%, respectively, of Spheros Climatização do Brasil SA. Marco Polo has been granted a put option which it may exercise at any time following an agreed period of one year.

8.2.4. Cash and cash equivalents

(in millions of euros)	June 30, 2020	December 31, 2019
Marketable securities	305	102
Cash	1,808	1,671
CASH AND CASH EQUIVALENTS	**2,113**	**1,773**

Cash and cash equivalents totaled 2,113 million euros at June 30, 2020, consisting of 305 million euros of marketable securities with a low price volatility risk, and 1,808 million euros in cash. Marketable securities chiefly comprise money market mutual funds (FCP).

These items were measured using Level 1-2 inputs of the fair value hierarchy.

8.3 Long-term investments

Long-term investments totaled 218 million euros at end-June 2020 and can be analyzed as follows:

(in millions of euros)	June 30, 2020	December 31, 2019
LONG-TERM INVESTMENTS AT JANUARY 1	**232**	**217**
Acquisitions	—	13
Disposals	—	(8)
Changes in fair value recognized in equity	(7)	3
Changes in fair value recognized in income	—	29
Dividends paid by Company mutual funds	(7)	(24)
Translation adjustment	—	2
LONG-TERM INVESTMENTS	**218**	**232**

They mainly comprise investments in the following companies:

(in millions of euros)	June 30, 2020	December 31, 2019
Hubei Cathay China	49	49
Sino-French Innovation Fund (Cathay)	43	50
Sino-French Innovation Fund II (Cathay)	25	25
Toyota	27	31
Other long-term investments[1]	74	77
LONG-TERM INVESTMENTS	**218**	**232**

(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.

8.4 Financial income and expenses

8.4.1. Cost of net debt

The cost of net debt totaled 33 million euros at June 30, 2020, down on first-half 2019 primarily due to interest income from loans to non-Group companies. The cost of net debt also includes 2 million euros in finance costs relating to undrawn credit lines, as well as 1 million euros in expenses arising on sales of receivables.

8.4.2. Other financial income and expenses

(in millions of euros)	First-half 2020	First-half 2019
Net interest cost on provisions for pensions and other employee benefits[1]	(8)	(11)
Currency gains (losses)	(8)	(3)
Gains (losses) on commodity derivatives (trading and ineffective portion)	(5)	—
Gains (losses) on interest rate derivatives (ineffective portion)	(2)	(1)
Gains (losses) on long-term investments held for trading	—	10
Other	1	1
OTHER FINANCIAL INCOME AND EXPENSES	**(22)**	**(4)**

(1) See Note 5.1.

Gains and losses on commodity derivatives essentially reflect the consequences of the discontinuation of cash flow hedge accounting due to the decline in activity during the period.

NOTE 9 INCOME TAXES

In accordance with IAS 34 – "Interim Financial Reporting", the Group's income tax expense was calculated based on an estimated average tax rate for 2020. This estimated average rate was calculated on the basis of the tax rates likely to apply and on pre-tax earnings forecasts for the Group's tax entities.

In first-half 2020, income tax expense amounts to 24 million euros, reflecting an effective tax rate of 2.4%.

The income tax expense for first-half 2019 was calculated based on an effective tax rate of 29.3% and amounted to 130 million euros.

NOTE 10 STOCKHOLDERS' EQUITY

10.1 Change in the number of shares outstanding

The number of shares outstanding and the number of treasury shares held at June 30, 2020 can be analyzed as follows:

	June 30, 2020	December 31, 2019
NUMBER OF SHARES OUTSTANDING AT JANUARY 1	**239,029,111**	**237,287,487**
Number of treasury shares purchased/sold under the liquidity agreement[(3)] or delivered following the exercise of stock options or free shares granted	423,441	957,981
Number of shares issued under employee stock ownership plans: Shares4U[(2)]	—	783,643
NUMBER OF SHARES OUTSTANDING	**239,452,552**	**239,029,111**
Number of treasury shares held by the Group	1,584,191	2,007,632
NUMBER OF SHARES REPRESENTING THE COMPANY'S SHARE CAPITAL[(1)]	**241,036,743**	**241,036,743**

(1) At June 30, 2020 and December 31, 2019, each share had a par value of 1 euro and was fully paid up.

(2) As part of the Shares4U 2019 plan, a 19 million euro capital increase reserved for employees took place on June 27, 2019, issuing 783,643 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, 2019, at 23.72 euros. This gave rise to 18 million euros in additional paid-in capital.

(3) 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, which is consistent with the Code of Ethics published by the French Association of Investment Firms (Association Française des Entreprises d'Investissement – AFEI), was signed with an investment services provider on March 25, 2019, replacing the previous liquidity agreement signed on April 22, 2004. At June 30, 2020, 95,500 shares and 14,738,791 euros had been allocated to the liquidity agreement compared with 100,000 shares and 14,610,641 euros at December 31, 2019.

10.2 Earnings per share

	First-half 2020	First-half 2019
Net income attributable to owners of the Company *(in millions of euros)*	(1,215)	162
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	239,241	237,679
BASIC EARNINGS PER SHARE *(in euros)*	**(5.08)**	**0.68**

	First-half 2020	First-half 2019
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	239,241	237,679
Potential dilutive effect from[(1)] *(in thousands)*:		
■ Stock options	5	68
■ Free shares	1,267	1,189
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING ADJUSTED FOR IMPACT OF DILUTIVE SHARES *(in thousands of shares)*	**239,241**	**238,936**
DILUTED EARNINGS PER SHARE *(in euros)*	**(5.08)**	**0.68**

(1) Stock options and free shares are excluded from the calculation of diluted earnings per share for first-half 2020 as they are anti-dilutive.

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 millions of euros)	First-half 2020	First-half 2019
Depreciation, amortization and impairment of fixed assets	1,127	689
Net additions to (reversals from) provisions	229	(34)
Losses (gains) on sales of fixed assets	6	7
Expenses related to share-based payment	4	13
Losses (gains) on long-term investments	—	(10)
Other losses (gains) with no cash effect	6	1
TOTAL	**1,372**	**666**

11.2 Changes in working capital

(in millions of euros)	First-half 2020	First-half 2019
Inventories	204	89
Accounts and notes receivable	705	(164)
Accounts and notes payable	(1,374)	204
Other receivables and payables	(41)	139
TOTAL	**(506)**	**268**

Accounts and notes receivable falling due after June 30, 2020 for which substantially all risks and rewards have been transferred and which are no longer carried in assets represented an amount of 258 million euros at June 30, 2020 versus 290 million euros at December 31, 2019. A total of 71 million euros out of the 258 million euros relates to recurring sales of receivables (132 million euros at December 31, 2019).

At June 30, 2020, amounts receivable in respect of the CICE tax credit (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) and the French research tax credit for 2017, 2018 and 2019 are no longer carried in the consolidated statement of financial position.

These derecognized receivables were transferred as follows:

- 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 2018 research tax credit receivable on June 25, 2019 for 63 million euros;
- the prospective 2019 research tax credit receivable on December 17, 2019 for 60 million euros.

The cost of these transfers is shown under cost of net debt in the consolidated statement of income (see Note 8.4.1).

11.3 Issuance and repayment of long-term debt

In first-half 2020, net payments for the principal portion of lease liabilities amounted to 43 million euros.

In first-half 2019, the Group issued a *Schuldschein* loan (a German private placement) for a total amount of 548 million euros (see Note 8.2.2.2). Repayments made on long-term borrowings primarily concern the principal portion of lease liabilities recognized in accordance with IFRS 16 – "Leases" in an amount of 46 million euros.

11.4 Acquisitions of investments without gain of control

In 2019, the Group recorded a net cash outflow of 29 million euros, chiefly relating to the impacts of increasing its shareholding in Ichikoh during the first half of the year.

5. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

MAZARS

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S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
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Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

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Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

This is a translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Period from January 1 to June 30, 2020

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Valeo, for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 21, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

5.1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

We draw attention to the matter set out in note 2 "Impacts linked to the Covid-19 health crisis" to the condensed half-yearly consolidated financial statements which explains the various impacts of the health crisis on the activity of the Valeo group and its half-yearly financial statements. Our conclusion is not modified in respect of this matter

5.2. Specific verification

We have also verified the information presented in the half-yearly management report prepared on July 21, 2020 on the condensed half-yearly consolidated financial statements, subject of our review.

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

Courbevoie and Paris-La Défense, July 21, 2020

The Statutory Auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Jean-Marc Deslandes	Jean-François Ginies	Guillaume Rouger

6. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

"I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2020 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and of all the companies included in the consolidation scope, and that the accompanying interim management report gives a fair description of the material events that occurred in the first six months of the year and their impact on the financial statements, the main transactions with related parties as well as a description of the principal risks and uncertainties for the remaining six months of the year."

Paris, July 21, 2020

Jacques Aschenbroich

Chairman and Chief Executive Officer

7. FINANCIAL GLOSSARY

Cash conversion rate	Corresponds to the conversion of EBITDA into free cash flow.
Free cash flow	Corresponds to net cash from operating activities, after taking into account acquisitions and disposals of property, plant and equipment and intangible assets, and net payments for the principal portion of lease liabilities, excluding changes in non-recurring sales of receivables.
Net cash flow	Free cash flow less (i) cash flows in respect of 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 dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of equity interests without a change in control, and (iii) changes in non-recurring sales of receivables.
EBITDA	Corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends from equity-accounted companies.
Net debt	Comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term financing and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents, short-term investments not included in cash and cash equivalents and the fair value of derivative instruments hedging foreign currency and interest rate risks associated with these items.
Operating margin including share in net earnings of equity-accounted companies	Corresponds to operating income before other income and expenses.
Like for like (or LFL)	The currency impact is calculated by multiplying sales for the current period by the exchange rate for the previous period. The Group structure impact is calculated by (i) eliminating, for the current period, sales of companies acquired during the period, and (ii) adding to the previous period full-year sales of companies acquired in the previous period, and (iii) eliminating, for the current period and for the comparable period, sales of companies sold during the current or comparable period.
Valeo order intake	Corresponds to business awarded by automakers during the period (including joint ventures accounted for based on Valeo's share in net equity) less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. *Unaudited indicator*.

8. Safe Harbor Statement

Statements contained in this document, which are not historical fact, constitute “forward-looking statements”. These statements include projections and estimates and their underlying assumptions, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Even though Valeo’s Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo’s control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company’s ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Universal Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks, risks associated with the Covid-19 epidemic, as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the "Risk Factors" section of the 2019 Universal Registration Document registered with the AMF on April 28, 2020 (under number D.20-0385).

The Company assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo does not intend or assume any obligation to review or to confirm the estimates issued by analysts or to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

Valeo

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