

- Third-quarter sales of 4.4 billion euros
 - Original equipment sales performance in line with the market
 - Full-year outperformance of around 5 percentage points confirmed
 - AAA rating from ESG rating agency MSCI

 - Financial objectives revised upward:
 - EBITDA margin⁽¹⁾ representing more than 12% in the second half
 - Free cash flow⁽¹⁾ generation exceeding 600 million euros in the second half
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Jacques Aschenbroich, Valeo’s Chairman and Chief Executive Officer, commented:

“First of all, I would like to thank our teams following the strong recovery we have seen since April. As well as strictly adhering to the health protocol, they have continued efforts to variabilize costs and achieved excellent operating performances following the resumption of operations in all our plants, in a health environment that remains complex.

The measures implemented have enabled the Group to reduce structural costs in all our host countries and across all our businesses. Thanks to our rigorous management of overheads and inventories, our cash generation has improved and we can therefore continue our investments with a focus on our technology platforms, particularly for 48V systems in France and for front cameras in Germany and in China.

In view of the action taken by the Group and the upturn in business, we are raising our second-half 2020 outlook, as announced in July, and are confident in our ability to achieve the revised objectives, unless of course the market deteriorates significantly amid a resurgence in Covid-19.”

Protecting our employees: our top priority

The Group has put in place a health protocol to allow all sites to operate as normal, while ensuring maximum protection for all of our employees. The protocol is audited, mandatory and applicable systematically and consistently at all Valeo sites worldwide, whether in plants, R&D centers or head offices.

⁽¹⁾ See financial glossary, page 7.

A sharp upturn in business versus the second quarter Original equipment sales performance in line with the market

Consolidated **sales** totaled 4,389 million euros, down 6% on a like-for-like basis⁽¹⁾.

Original equipment sales totaled 3,751 million euros, a like-for-like⁽¹⁾ decrease of 5% in line with market performance:

- in Europe, original equipment sales outpaced automotive production by 5 percentage points, led by a favorable product mix in 48V, ADAS and lighting systems;
- in China, the 4-percentage point outperformance was driven by good momentum in vision and parking assistance systems (Comfort & Driving Assistance Systems Business Group) and lighting systems;
- in North America, original equipment sales underperformed automotive production by 5 percentage points, due to a negative comparison basis (14-percentage point outperformance in third-quarter 2019) and an unfavorable customer mix (exposure to the Nissan group);
- in Japan, the Group was impacted by an unfavorable customer mix (exposure to the Nissan group), trailing automotive production by 10 percentage points;
- in South Korea, original equipment sales underperformed automotive production by 15 percentage points, due to a temporarily unfavorable product mix with Hyundai.

In the first nine months of the year, the Group outpaced automotive production by 4 percentage points. All Business Groups outperformed the market, spurred by production start-ups and ramp-ups on numerous high-tech innovations, including cameras and other ADAS-related products, 48V electrification and LED lighting systems.

Despite the impact of the health crisis on automotive production, Valeo was able to maintain the balanced alignment of its businesses across the main automotive production regions and the main automaker customers.

For full-year 2020, the Group confirms its objective of outperforming automotive production by around 5 percentage points.

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 any significant adverse impact on production, supply chain and market evolution of a second wave of Covid-19.

Based on this scenario, i.e., a fall of 3% in automotive production during the second half of the year, the Group has set itself the following objectives:

- outperformance of around 5 percentage points over the full year;
- confirmed reduction in 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).

For the second half, the financial outlook is being revised upward:

- EBITDA margin⁽¹⁾ representing more than 12% of sales (*up from "representing around 10% of sales"*);
- free cash flow⁽¹⁾ exceeding 600 million euros (*up from "exceeding 400 million euros"*).

(1) See financial glossary, page 7.

Third-quarter 2020 sales

Global automotive production

Automotive production (year-on-year change)	First-half 2020	Third-quarter 2020	Nine months ended September 30
	IHS + CPCA*	IHS + CPCA*	IHS + CPCA*
Europe & Africa	-40%	-8%	-30%
Asia, Middle East & Oceania	-28%	-4%	-20%
<i>o/w China</i>	-23%	+7%	-13%
<i>o/w Japan</i>	-26%	-12%	-22%
<i>o/w South Korea</i>	-20%	0%	-14%
<i>o/w India</i>	-51%	-9%	-38%
North America	-40%	+1%	-26%
South America	-51%	-21%	-41%
TOTAL	-35%	-5%	-25%

* Based on IHS automotive production estimates released on October 16, 2020/CPCA estimates for data relating to China⁽²⁾.

Global automotive production rebounded sharply in third-quarter 2020, following a first half of the year that was particularly hard hit by the Covid-19 pandemic.

Compared to the prior-year period, automotive production fell by 5% during third-quarter 2020 (down 35% in the first half):

- in China, automotive production advanced 7% year on year, surpassing the pre-crisis level;
- in North America, automotive production rose 1% year on year, returning to the level seen in third-quarter 2019;
- in Europe, the recovery has been slower than in China and North America, with automotive production falling by 8% versus the same period in 2019.

Change in sales

Sales (in millions of euros)	As a % of 2020 nine- month sales	First-half				Third-quarter				Nine months ended September 30			
		2020	2019	LFL* change	Change	2020	2019	LFL* change	Change	2020	2019	LFL* change	Change
Original equipment	84%	5,863	8,220	-29%	-29%	3,751	4,046	-5%	-7%	9,614	12,266	-21%	-22%
Aftermarket	10%	824	1,005	-18%	-18%	448	477	-2%	-6%	1,272	1,482	-13%	-14%
Miscellaneous	6%	371	551	-32%	-33%	190	249	-22%	-24%	561	800	-30%	-30%
Total	100%	7,058	9,776	-28%	-28%	4,389	4,772	-6%	-8%	11,447	14,548	-21%	-21%

* Like for like⁽¹⁾.

In third-quarter 2020, **sales** totaled 4,389 million euros, down 8% year on year.

Changes in exchange rates had a negative 2.6% impact during the period, primarily due to the appreciation of the euro against the US dollar and the Chinese yuan.

Changes in Group structure had a negligible impact on sales in the third quarter.

Original equipment sales totaled 3,751 million euros, down 5% on a like-for-like basis⁽¹⁾.

⁽¹⁾ See financial glossary, page 7.

⁽²⁾ CPCA: China Passenger Car Association.

Despite a challenging economic environment, **aftermarket sales** fell by a slight 2% on a like-for-like basis⁽¹⁾, thanks to the resilience of the repair and maintenance services of workshops that have been able to continue operating.

“**Miscellaneous**” sales including tooling revenues (and revenues relating to customer contributions to R&D) dropped 22% on a like-for-like basis⁽¹⁾, due to a slowdown in customer projects as a result of the health crisis.

Change in original equipment sales by region

Original equipment sales (in millions of euros)	First-half				Third-quarter				Nine months ended September 30			
	2020	2019	LFL* change	Outperf. vs. IHS/ CPCA**	2020	2019	LFL* change	Outperf. vs. IHS/ CPCA**	2020	2019	LFL* change	Outperf. vs. IHS/ CPCA**
Europe & Africa	2,765	4,025	-31%	+9 pts	1,729	1,795	-3%	+5 pts	4,494	5,820	-23%	+7 pts
Asia, Middle East & Oceania	1,925	2,381	-20%	+8 pts	1,149	1,286	-7%	-3 pts	3,074	3,667	-15%	+5 pts
<i>o/w China</i>	<i>797</i>	<i>861</i>	<i>-8%</i>	<i>+15 pts</i>	<i>563</i>	<i>519</i>	<i>+11%</i>	<i>+4 pts</i>	<i>1,360</i>	<i>1,380</i>	<i>-1%</i>	<i>+12 pts</i>
<i>o/w Japan</i>	<i>486</i>	<i>637</i>	<i>-27%</i>	<i>-1 pt</i>	<i>243</i>	<i>325</i>	<i>-22%</i>	<i>-10 pts</i>	<i>729</i>	<i>962</i>	<i>-25%</i>	<i>-3 pts</i>
<i>o/w South Korea</i>	<i>498</i>	<i>651</i>	<i>-22%</i>	<i>-2 pts</i>	<i>259</i>	<i>320</i>	<i>-15%</i>	<i>-15 pts</i>	<i>757</i>	<i>971</i>	<i>-20%</i>	<i>-6 pts</i>
<i>o/w India</i>	<i>47</i>	<i>89</i>	<i>-45%</i>	<i>+6 pts</i>	<i>35</i>	<i>41</i>	<i>-8%</i>	<i>+1 pt</i>	<i>82</i>	<i>130</i>	<i>-34%</i>	<i>+4 pts</i>
North America	1,070	1,624	-36%	+4 pts	803	862	-4%	-5 pts	1,873	2,486	-25%	+1 pt
South America	103	190	-35%	+16 pts	70	103	-10%	+11 pts	173	293	-26%	+15 pts
TOTAL	5,863	8,220	-29%	+6 pts	3,751	4,046	-5%	0 pts	9,614	12,266	-21%	+4 pts

* Like for like⁽¹⁾.

** Based on IHS automotive production estimates released on October 16, 2020/CPCA estimates for data relating to China.

In third-quarter 2020, original equipment sales fell by 5% on a like-for-like⁽¹⁾ basis, in line with global automotive production (IHS/CPCA estimates):

- **in Europe (including Africa)**, like-for-like⁽¹⁾ original equipment sales fell by 3%, reflecting an outperformance of 5 percentage points versus the market, led by a favorable product mix in 48V, ADAS and lighting systems;
- **in Asia**, like-for-like⁽¹⁾ original equipment sales retreated by 7%, underperforming automotive production by 3 percentage points:
 - in China, like-for-like⁽¹⁾ original equipment sales increased by 11%, outpacing the market by 4 percentage points, driven by sales of vision and parking assistance systems (Comfort & Driving Assistance Systems Business Group) and lighting systems,
 - in Japan, like-for-like⁽¹⁾ original equipment sales fell by 22%, representing an underperformance of 10 percentage points due to an unfavorable customer mix (exposure to the Nissan group),
 - in South Korea, like-for-like⁽¹⁾ original equipment sales dropped by 15%, representing an underperformance of 15 percentage points due to a temporarily unfavorable product mix with Hyundai;
- **in North America**, like-for-like⁽¹⁾ original equipment sales declined by 4%, underperforming automotive production by 5 percentage points, due to a negative comparison basis (14-percentage point outperformance in third-quarter 2019) and an unfavorable customer mix (exposure to the Nissan group),
- **in South America**, like-for-like⁽¹⁾ original equipment sales fell by 10%, representing an outperformance of 11 percentage points versus automotive production, buoyed by sales in the Thermal Systems Business Group.

In the first nine months of the year, like-for-like⁽¹⁾ original equipment sales declined by 21%, representing an outperformance of 4 percentage points over global automotive production.

⁽¹⁾ See financial glossary, page 7.

Balanced customer portfolio

The share of original equipment sales among the Group's customers remained stable versus the same period of 2019:

- Asian customers accounted for 32% of original equipment sales;
- German customers accounted for 31% of original equipment sales;
- American customers accounted for 19% of original equipment sales;
- French customers accounted for 13% of original equipment sales.

Balanced geographic alignment of Valeo's businesses

Year-on-year changes in the share of original equipment sales in the four main production regions in the first nine months of 2020 were as follows:

- a rise of 2 percentage points for Asia, accounting for 31% of original equipment sales, due to the strong recovery in China;
- stable for North America, accounting for 21% of original equipment sales;
- a fall of 1 percentage point for Europe, accounting for 47% of original equipment sales;
- a fall of 1 percentage point for South America, accounting for 1% of original equipment sales.

Change in sales by Business Group

Sales by Business Group* (in millions of euros)	First-half					Third-quarter				
	2020	2019	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***	2020	2019	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***
Comfort & Driving Assistance Systems****	1,380	1,810	-24%	-24%	+11 pts	873	920	-3%	-5%	+2 pts
Powertrain Systems	1,897	2,565	-27%	-26%	+8 pts	1,149	1,249	-7%	-8%	-2 pts
Thermal Systems	1,560	2,330	-33%	-33%	+2 pts	1,017	1,130	-5%	-10%	0 pts
Visibility Systems	2,169	3,014	-30%	-28%	+5 pts	1,322	1,458	-5%	-9%	0 pts

Sales by Business Group* (in millions of euros)	Nine months ended September 30				
	2020	2019	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***
Comfort & Driving Assistance Systems****	2,253	2,730	-17%	-18%	+8 pts
Powertrain Systems	3,046	3,814	-21%	-20%	+4 pts
Thermal Systems	2,577	3,460	-24%	-26%	+1 pt
Visibility Systems	3,491	4,472	-21%	-22%	+4 pts

* Including intersegment sales.

** Like for like⁽¹⁾.

*** Based on IHS automotive production estimates released on October 16, 2020/CPCA⁽²⁾ estimates for China.

**** Excluding the Top Column Module business.

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.

The **Comfort & Driving Assistance Systems Business Group** outperformed global automotive production by 2 percentage points, the highest outperformance among Valeo's Business Groups. This performance was driven by high content per vehicle (take rates) in the driving assistance segment as well as a favorable geographic mix.

The **Powertrain Systems Business Group** underperformed the market by 2 percentage points due to an unfavorable customer mix in North America and Japan and a temporarily unfavorable product mix in South Korea with the Hyundai group. The situation in South Korea is expected to improve slightly in the last quarter of 2020, with a ramp-up in sales of 48V systems to the Hyundai group.

⁽¹⁾ See financial glossary, page 7.

⁽²⁾ CPCA: China Passenger Car Association.

The original equipment sales performance for the **Thermal Systems and Visibility Systems Business Groups** was in line with automotive production. Both Business Groups were impacted by an unfavorable customer mix as a result of their exposure to the Nissan group and the Visibility Systems Business Group by a negative comparison basis (11-percentage point outperformance in third-quarter 2019).

Top Column Module business

In 2019, the Group decided to withdraw from the TCM segment.

The following table reconciles reported consolidated data for third-quarter 2020 with data excluding the TCM business:

		Group	TCM	Excluding TCM
Sales	(in €m)	4,389	(55)	4,334
Original equipment sales	(in €m)	3,751	(49)	3,702

Significant events

On October 27, 2020, Valeo announced:

- the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer as from January 2022, with Jacques Aschenbroich continuing to serve as Chairman of the Board of Directors until the end of his current term of office as a director, and with Christophe Perillat, currently Chief Operating Officer of Valeo, being appointed as Chief Executive Officer;
- the appointment of Christophe Perillat as Associate Deputy Chief Executive Officer (*Directeur Général Adjoint*) as of today and as Deputy Chief Executive Officer (*Directeur Général Délégué*) as from the Annual Shareholders' Meeting to be held in May 2021. The Board of Directors will also propose the appointment of Christophe Perillat as a director at said Shareholders' Meeting.

On September 30, 2020, Valeo signed a majority agreement for competitiveness and collective performance with French unions CFE-CGC and FO. The agreement will reduce costs and preserve the competitiveness of the Group's French operations, with no impact on jobs. Under the agreement, Valeo has made a firm commitment to keep all of its sites open and refrain from any compulsory redundancies in France over the next two years.

On September 24, 2020, Valeo announced that it had developed the world's most powerful air sterilization system for bus and coach cabins. Upon activation, the system eliminates, in a single airflow cycle, more than 95% of viruses, including Covid-19, as well as any bacteria or mold present in the air. The Valeo solution has been integrated as original equipment in vehicles manufactured by a Brazilian automaker. It is designed to be compatible with buses and coaches of all types and sizes, air-conditioned or not, and to withstand all weather conditions. Valeo now plans to bring these systems to markets in Europe, the Americas and Asia. Valeo is also working to roll out this technology to private cars.

In August 2020, Valeo was rated AAA – the highest possible score – by non-financial rating agency MSCI in recognition of the Group's sound governance and ESG performance.

On July 31, 2020, Standard & Poor's downgraded its long- and short-term issuer ratings for Valeo from "BBB- /A-3" to "BB+/B", with a stable outlook.

Ratings assigned to Valeo's long- and short-term debt by rating agencies Moody's and Standard & Poor's:

- Moody's: "Baa3/P3" long- and short-term issuer rating, negative outlook;
- Standard & Poor's: "BB+/B" long- and short-term issuer rating, with a stable outlook.

Upcoming events

Full-year 2020 results: February 18, 2021

Financial glossary

Like for like (or LFL): the currency impact is calculated by multiplying sales for the current period by the exchange rate for the previous period. The Group structure impact is calculated by (i) eliminating, for the current period, sales of companies acquired during the period, (ii) adding to the previous period full-year sales of companies acquired in the previous period, and (iii) eliminating, for the current period and for the comparable period, sales of companies sold during the current or comparable period.

Free cash flow corresponds to net cash from operating activities (excluding changes in non-recurring sales of receivables and net payments for the principal portion of lease liabilities) after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.

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.

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 is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO₂ emissions and to the development of intuitive driving. In 2019, the Group generated sales of 19.5 billion euros and invested 13% of its original equipment sales in Research and Development. At September 30, 2020, Valeo had 189 plants, 20 research centers, 43 development centers and 15 distribution platforms, and employed 109,051 people in 33 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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