Press release

Paris, February 18, 2021

Sharp rebound in Valeo's financial performance in second-half 2020:

- **EBITDA margin at 13.9% of sales**
- **Free cash flow of 1.34 billion euros**
- **Net debt reduced to less than 3 billion euros**
- **Dividend of 0.30 euros per share to be proposed to shareholders at the forthcoming Shareholders' Meeting**

The Group's annual results for 2020 are set out on page 3 of this press release.

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

"*In a market strongly impacted by the health crisis in 2020, I would like to thank the Valeo teams once again for their unwavering commitment.*

Following the unprecedented drop in global automotive production in the first half of the year, Valeo delivered solid results in the second half, demonstrating its strengths and its capacity to bounce back in the current climate. These results were achieved thanks to the rigorous operational management of our teams during the crisis – particularly when our plants resumed production – and to continuous efforts to strictly control our costs. At a time when demand for safer, electric mobility is accelerating, Valeo has a unique positioning in the fields of electrification and ADAS.

In the second half of the year, with EBITDA representing 13.9% of sales, free cash flow amounting to a record 1.34 billion euros, and debt having been reduced to less than 3 billion euros one year ahead of our objective, we are in a sound financial position.

Now more than ever, the strategic decisions we have made over the past few years are delivering results. This gives us confidence in our ability to outperform the global automotive market over the long term and improve our margins, while remaining cautious in 2021 due to the shortage of electronic components triggered by the crisis."

2021 outlook

Our base scenario for the top end of our 2021 guidance range is 10% growth in global automotive production. This scenario is based on the assumption that production losses resulting from electronic component shortages in the first half of the year will be offset in the second half.

In this context, the Group has set the following objectives for 2021:

- continued outperformance;
- improved financial performance despite additional costs, estimated at around 80 million euros, related to supply disruptions and the increase in certain raw material prices:

		2021	2020
Sales*	*in billions of euros*	17.6-**18.2**	**16.2**
Original equipment sales*	*in billions of euros*	14.9-**15.5**	**13.6**
EBITDA**	*in millions of euros*	2,250-**2,450**	**1,505**
	as a % of sales	*12.8%-13.4%*	*9.2%*
Free cash flow**	*in millions of euros*	330-**550**	**294**

** Excluding the Top Column Module business.* *** Including the Top Column Module business.*

- acceleration in growth for the Valeo Siemens eAutomotive joint venture and a reduction in its negative contribution to "Share in net earnings of equity-accounted companies".

Valeo's order intake[1] returned to pre-crisis levels in the second half, at 13.3 billion euros

After a first half defined by the Covid-19 crisis, which triggered a sharp slowdown in sales, Valeo saw its order intake return to normal levels in the six months to December 31. Incoming orders represented 13.3 billion euros (versus 10.9 billion euros in the same period in 2019), or 1.7x original equipment sales for the same period.

In all, 56% of the order intake related to innovative products[2], confirming the successful positioning of Valeo's new technologies and products in the powertrain electrification and ADAS segments.

Valeo commits to achieving carbon neutrality by 2050, and aims to reach almost 50% of this objective by 2030

By 2030, Valeo's emissions will have decreased by 45% across its entire value chain – including emissions from its suppliers, its own operating activities and the end use of its products – compared with 2019.

By 2050, Valeo intends to be carbon neutral across all of its operating activities and its entire supply chain worldwide, and will be 100% carbon neutral (including the end use of its products) in Europe.

Valeo is a signatory of the "Business Ambition for 1.5°C" campaign that brings together companies committed to achieving carbon neutrality by 2050 in line with the strict framework of the Science Based Targets initiative.

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[1] *See financial glossary, page 15.*
[2] *Products and technologies in series production for less than three years, including Valeo Siemens eAutomotive.*

Paris, February 18, 2021. At today's meeting, Valeo's Board of Directors approved the consolidated and parent company financial statements for the year ended December 31, 2020[3]. The results for 2020 shown below have been prepared in accordance with IFRS:

		H2 2020	H2 2019	Change	2020	2019	Change
Sales	*(in €m)*	9,378	9,701	-3%	16,436	19,477	-16%
Original equipment sales	*(in €m)*	7,947	8,140	-2%	13,810	16,360	-16%
Gross margin	*(in €m)*	1,648	1,700	-3%	2,155	3,454	-38%
	(as a % of sales)	*17.6%*	*17.5%*	*+0.1 pts*	*13.1%*	*17.7%*	*-4.6 pts*
R&D expenditure	*(in €m)*	(767)	(765)	—%	(1,695)	(1,550)	+9%
	(as a % of sales)	*(8.2%)*	*(7.9%)*	*-0.3 pts*	*(10.3%)*	*(8.0%)*	*-2.3 pts*
Selling and administrative expenses	*(in €m)*	(413)	(415)	— %	(832)	(870)	-4%
	(as a % of sales)	*(4.4%)*	*(4.3%)*	*-0.1 pts*	*(5.1%)*	*(4.5%)*	*-0.6 pts*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	468	520	-10%	(372)	1,034	-136%
	(as a % of sales)	*5.0%*	*5.4%*	*-0.4 pts*	*(2.3%)*	*5.3%*	*-7.6 pts*
Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(112)	(130)	N/A	(278)	(237)	N/A
	(as a % of sales)	*(1.2%)*	*(1.3%)*	*+0.1 pts*	*(1.7%)*	*(1.2%)*	*-0.5 pts*
Operating margin including share in net earnings (losses) of equity-accounted companies*	*(in €m)*	356	390	-9%	(650)	797	-182%
	(as a % of sales)	*3.8%*	*4.0%*	*-0.2 pts*	*(4.0%)*	*4.1%*	*-8.1 pts*
Net attributable income (loss)	*(in €m)*	126	151	-17%	(1,089)	313	-448%
	(as a % of sales)	*1.3%*	*1.6%*	*-0.3 pts*	*(6.6%)*	*1.6%*	*-8.2 pts*
Basic earnings per share	*(in €)*	N/A	N/A	N/A	(4.55)	1.31	-447%
ROCE*		N/A	N/A	N/A	15%***	13%	N/A
ROA*		N/A	N/A	N/A	9.0%	8%	N/A
Consolidated net position	*(in €m)*	N/A	N/A	N/A	3,226	4,629	-30%
EBITDA*	*(in €m)*	1,303	1,278	+2%	1,505	2,496	-40%
	(as a % of sales)	*13.9%*	*13.2%*	*+0.7 pts*	*9.2%*	*12.8%*	*-3.6 pts*
Change in operating working capital**	*(in €m)*	840	71	N/A	266	301	N/A
Investments in property, plant and equipment and intangible assets	*(in €m)*	(615)	(800)	-23%	(1,329)	(1,766)	-25%
Free cash flow*	*(in €m)*	1,343	282	+376%	294	519	-43%
Net debt including the impact of IFRS 16*	*(in €m)*	2,944	2,817	+€127m	2,944	2,817	+€127m

** See financial glossary, page 15.*

*** Change in working capital excluding (i) changes in non-recurring sales of accounts and notes receivable in a positive amount of 21 million euros in 2020 and a positive amount of 45 million euros in 2019 and (ii) the restatement of cash contributions to R&D reclassified within investments in property, plant and equipment and intangible assets.*

**** In light of the exceptional situation relating to the impact of the Covid-19 crisis on the Group's first-half results, ROCE and ROA for 2020 have been calculated based on annualized second-half data.*

The Group recorded a net attributable loss of 1,089 million euros during the year, representing a negative 6.6% of sales. The consolidated net position stood at 3,226 million euros at December 31, 2020, down 30% year on year, mainly as a result of (i) the net loss for the year and (ii) the negative change in translation adjustments in an amount of 342 million euros, reflecting the fall in value against the euro of the main foreign currencies used by the Group for its commercial and industrial transactions

[3] Further to their statutory audit, the Statutory Auditors issued an unqualified opinion on the consolidated financial statements for the year ended December 31, 2020.

Global automotive production

Automotive production (year-on-year change)	Fourth-quarter 2020	Second-half 2020	Full-year
	IHS + CPCA*	IHS + CPCA*	IHS + CPCA*
Europe & Africa	1%	-3%	-22%
Asia, Middle East & Oceania	5%	1%	-13%
o/w China	*8%*	*8%*	*-7%*
o/w Japan	*2%*	*-5%*	*-16%*
o/w South Korea	*-5%*	*-1%*	*-10%*
o/w India	*20%*	*8%*	*-23%*
North America	—%	—%	-20%
South America	—%	-11%	-31%
TOTAL	**3%**	**—%**	**-17%**

** Based on IHS automotive production estimates released on January 16, 2021/CPCA estimates for data relating to China.*

Global automotive production contracted by 17% in 2020, reflecting the impact of the Covid-19 crisis in the first half (34% decline compared with first-half 2019) and the sharp rally in the second half, especially in China (8% growth in automotive production).

Change in sales

Sales (in millions of euros)	Fourth-quarter				Second-half			
	2020	2019	LFL* change	Change	2020	2019	LFL* change	Change
Original equipment	4,196	4,094	+5.3%	+2.5%	7,947	8,140	—%	-2%
Aftermarket	476	508	-1.5%	-6.3%	924	985	-2%	-6%
Miscellaneous	317	327	-1.9%	-3.1%	507	576	-11%	-12%
Total	**4,989**	**4,929**	**+4.1%**	**+1.2%**	**9,378**	**9,701**	**-1%**	**-3%**

** Like for like[(4)].*

Sales (in millions of euros)	Full-year				*As a % of 2020 sales*
	2020	2019	LFL* change	Change	
Original equipment	13,810	16,360	-14%	-16%	*84%*
Aftermarket	1,748	1,990	-10%	-12%	*11%*
Miscellaneous	878	1,127	-21%	-22%	*5%*
Total	**16,436**	**19,477**	**-14%**	**-16%**	***100%***

** Like for like[(4)].*

Consolidated sales totaled 16,436 million euros in 2020, down 14% on a like-for-like basis[(4)]:

– original equipment sales came in at 13,810 million euros, down 14% on a like-for-like basis;

– aftermarket sales retreated 10% on a like-for-like basis;

– “miscellaneous” sales including tooling revenues (and revenues relating to customer contributions to R&D) dropped 21% on a like-for-like basis, due to a slowdown in customer projects as a result of the health crisis.

[4] *See financial glossary, page 15.*

Consolidated sales picked up in the fourth quarter, advancing 4% on a like-for-like basis:

- changes in exchange rates had a negative 2.9% impact during the period, primarily due to the appreciation of the euro against the US dollar, the Brazilian real and the Chinese yuan. Changes in Group structure had a negligible impact on sales;
- original equipment sales rose 5.3% on a like-for-like basis, confirming the acceleration in Group sales (decline of 5% in third-quarter 2020);
- aftermarket sales retreated 2% on a like-for-like basis;
- "miscellaneous" sales were stable on a like-for-like basis, confirming the upturn in business and the forthcoming production launches.

Change in original equipment sales by destination region

Original equipment sales (in millions of euros)	Fourth-quarter				Second-half			
	2020	2019	LFL* change	Outperf. vs. IHS/CPCA**	2020	2019	LFL* change	Outperf. vs. IHS/CPCA**
Europe and Africa	**1,940**	**1,904**	**+2%**	**+1 pt**	**3,650**	**3,699**	**-1%**	**+2 pts**
Asia, Middle East & Oceania	**1,417**	**1,355**	**+7%**	**+2 pts**	**2,582**	**2,641**	**+1%**	**0 pts**
o/w China	*686*	*591*	*+18%*	*+9 pts*	*1,265*	*1,110*	*+16%*	*+8 pts*
o/w Japan	*299*	*309*	*-1%*	*-3 pts*	*542*	*634*	*-12%*	*-7 pts*
o/w South Korea	*323*	*340*	*-3%*	*+2 pts*	*582*	*660*	*-9%*	*-8 pts*
o/w India	*45*	*39*	*+23%*	*+3 pts*	*80*	*80*	*+7%*	*-1 pt*
North America	**759**	**748**	**+8%**	**+7 pts**	**1,565**	**1,610**	**+2%**	**+2 pts**
South America	**80**	**87**	**+23%**	**+23 pts**	**150**	**190**	**+5%**	**+16 pts**
TOTAL	**4,196**	**4,094**	**+5%**	**+2 pts**	**7,947**	**8,140**	**—%**	**0 pts**

** Like for like[5].*
*** Based on IHS automotive production estimates released on January 16, 2021/CPCA estimates for data relating to China.*

Original equipment sales (in millions of euros)	Full-year			
	2020	2019	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	**6,389**	**7,724**	**-17%**	**+5 pts**
Asia, Middle East & Oceania	**4,527**	**5,022**	**-9%**	**+4 pts**
o/w China	*2,082*	*1,971*	*+7 %*	*+14 pts*
o/w Japan	*1,028*	*1,271*	*-19 %*	*-3 pts*
o/w South Korea	*1,080*	*1,311*	*-15 %*	*-5 pts*
o/w India	*127*	*169*	*-21 %*	*+2 pts*
North America	**2,641**	**3,234**	**-17%**	**+3 pts**
South America	**253**	**380**	**-15%**	**+16 pts**
TOTAL	**13,810**	**16,360**	**-14%**	**+3 pts**

** Like for like[5].*
*** Based on IHS automotive production estimates released on January 16, 2021/CPCA estimates for data relating to China.*

Against the backdrop of the global health crisis and the ensuing severe market disruption throughout 2020, original equipment sales fell 14% on a like-for-like basis during the year, outperforming global automotive production by 3 percentage points (IHS/CPCA estimates).

[5] *See financial glossary, page 15.*

The signs of an upturn observed in third-quarter 2020 were also apparent in the fourth quarter. On a like-for-like basis, original equipment sales gained 5.3% in the fourth quarter, outperforming global automotive production by 2.3 percentage points (1 percentage point underperformance in the third quarter).

Original equipment sales trends by geographic areas were as follows:

- in Europe and Africa (46% of original equipment sales), like-for-like original equipment sales declined by 17% over the year, outperforming automotive production by 5 percentage points. Like-for-like original equipment sales rose by 2% in the fourth quarter, outperforming global automotive production by 1 percentage point;
- in Asia (33% of original equipment sales), like-for-like original equipment sales fell by 9% in 2020, outperforming automotive production by 4 percentage points. Like-for-like original equipment sales in fourth-quarter 2020 climbed 7%, as the Group's performance improved in all main countries in the region:
    - in China, Valeo's like-for-like original equipment sales for 2020 climbed 7%, outpacing automotive production by 14 percentage points. Outperformance accelerated in the fourth quarter (up 9 percentage points), driven by strong sales in ADAS and thermal systems,
    - in Japan, like-for-like original equipment sales were 19% lower in 2020, underperforming automotive production by 3 percentage points. This performance results mainly from an unfavorable customer mix (strong exposure to Nissan), which particularly hit the Group's third-quarter sales. Like-for-like sales for the fourth quarter were down just 1% (underperforming automotive production by 3 percentage points), due mainly to the launch of new ADAS and lighting systems projects,
    - in South Korea, like-for-like original equipment sales were 15% lower in 2020, underperforming automotive production by 5 percentage points. This performance is attributable to an unfavorable product mix with Hyundai (expiration of certain contracts), which impacted the Group's sales in the second and third quarters. Original equipment sales for the fourth quarter outperformed automotive production by 2 percentage points, buoyed by new project launches in the electrical systems segment (48V);
- in North America (19% of original equipment sales), like-for-like original equipment sales fell by 17% in 2020, outperforming automotive production by 3 percentage points. Like-for-like sales for the fourth quarter accelerated, gaining 8% and outperforming automotive production by 7 percentage points, buoyed mainly by the ramp-up of new projects for North American customers in the ADAS (cameras) and lighting systems segments;
- in South America (2% of original equipment sales), like-for-like original equipment sales fell by 15% in 2020, outpacing automotive production by 16 percentage points owing mainly to the upturn in sales in thermal systems.

Balanced geographic alignment of businesses

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

- Europe and Africa accounted for 47% of original equipment sales, down 1 percentage point;
- Asia accounted for 32% of original equipment sales, up 2 percentage points;
- North America accounted for 20% of original equipment sales, stable year on year;
- South America accounted for 1% of original equipment sales, down 1 percentage point.

Balanced customer portfolio

The share of original equipment sales among the Group's customers was as follows at the end of 2020:

– Asian customers accounted for 32% of original equipment sales, down 1 percentage point;

– German customers accounted for 30% of original equipment sales, stable year on year;

– American customers accounted for 19% of original equipment sales, up 1 percentage point;

– French customers accounted for 13% of original equipment sales, stable year on year.

EBITDA[6] margin at 13.9% of sales in second-half 2020

Following a first half to the year during which Valeo put in place an action plan to reduce costs (570 million euros), the Group continued its strict control of costs, working capital and investments in the second half as its business picked up.

Thanks to the efficiency of its technological platforms and the unwavering commitment of its teams, Valeo was able to restart production at all of its plants in excellent operating conditions, despite a challenging health environment and a slower upturn in Europe (the Group's main production region) than in China and North America.

H2 2020	H2 2019	Change			2020	2019	Change
9,378	9,701	*-3%*	Sales	(in €m)	16,436	19,477	*-16%*
1,648	1,700	*-3%*	Gross margin	*(in €m)*	2,155	3,454	*-38%*
17.6%	*17.5%*			*(as a % of sales)*	*13.1%*	*17.7%*	
468	520	*-10%*	Operating margin excluding share in net earnings (losses) of equity-accounted companies	(in €m)	(372)	1,034	*-136%*
5.0%	*5.4%*			*(as a % of sales)*	*(2.3%)*	*5.3%*	
(112)	(130)	*-14%*	Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(278)	(237)	*+17%*
(1.2%)	*(1.3%)*			*(as a % of sales)*	*(1.7%)*	*(1.2%)*	
356	390	*-9%*	Operating margin including share in net earnings (losses) of equity-accounted*	(in €m)	(650)	797	*-182%*
3.8%	*4.0%*			*(as a % of sales)*	*(4.0%)*	*4.1%*	
284	355	*-20%*	Operating income (loss)	*(in €m)*	(857)	732	*-217%*
3.0%	*3.7%*			*(as a % of sales)*	*(5.2%)*	*3.8%*	
126	151	*-17%*	Net attributable income (loss)	(in €m)	(1,089)	313	*-448%*
1.3%	*1.6%*			*(as a % of sales)*	*(6.6%)*	*1.6%*	
1,303	1,278	+2%	EBITDA*	(in €m)	1,505	2,496	*-40%*
13.9%	*13.2%*			*(as a % of sales)*	*9.2%*	*12.8%*	

** See financial glossary, page 15.*

In the second half of the year, Valeo's gross margin was 0.1 percentage points higher than for the year-ago period, at 17.6% of sales versus 17.5% of sales in second-half 2019. Excluding the Top Column Module (TCM) business, gross margin came in at 17.7% of sales.

The improvement in the gross margin in the second half was attributable to the following factors:

– tight control over variable costs: positive 0.3 percentage point impact (mainly personnel expenses);

– reduction in fixed costs: positive 0.1 percentage point impact;

– decrease in volumes (versus the same period in 2019): negative 0.1 percentage point impact;

– increase in depreciation and amortization: negative 0.2 percentage point impact;

– decline in R&D sales: negative 0.2 percentage point impact.

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[6] *See financial glossary, page 15.*

Gross margin for the full year represented 13.1% of sales.

The efficiency of the Group's technological platforms, along with its sustained cost-cutting efforts, helped drive down gross Research and Development expenditure by 198 million euros in the second half (20% lower year on year). Over the year as a whole, gross Research and Development expenditure contracted by 394 million euros (down 19% on 2019) to 1,660 million euros (2,054 million euros in 2019).

This is consistent with the decrease in activity and the 1.7 percentage point reduction in the net positive impact of capitalizing development expenditure. The reduction in this net positive impact reflects:

– the 0.8 percentage point decrease in capitalized development expenditure owing to strict compliance with cost-cutting measures and to the high level of new technological platform standardization;

– the 0.9 percentage point increase in amortization and impairment of capitalized development expenditure.

After taking into account the decrease in the net impact of capitalizing development expenditure, Research and Development expenditure represented 767 million euros in the second half and 1,695 million euros for 2020 as a whole.

Thanks to its tight control over fixed costs, administrative and selling expenses fell slightly, to 413 million euros in the second half versus 415 million euros in second-half 2019. Administrative and selling expenses for full-year 2020 totaled 832 million euros.

The second-half operating margin excluding the share in net earnings (losses) of equity-accounted companies came in at 468 million euros, or 5.0% of sales (5.4% of sales in second-half 2019). Excluding the Top Column Module business, operating margin represented 5.2% of sales.

Over the full year, operating margin excluding the share in net earnings (losses) of equity-accounted companies came in at a negative 372 million euros, or a negative 2.3% of sales.

The share in net earnings (losses) of equity-accounted companies represented a loss of 112 million euros in the second half, compared to a loss of 130 million euros in second-half 2019, taking into account:

– the share of the loss reported by Valeo Siemens eAutomotive, which 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 was 124 million euros for the second half (258 million euros for the full year);

– the positive 10 million euro second-half contribution of Chinese joint ventures, which benefited from the strong uptick in business (13 million euros over the full year).

Operating margin including share in net earnings (losses) of equity-accounted companies(7) came in at 356 million euros in the second half, or 3.8% of sales. Over the year as a whole, it was a negative 650 million euros, representing a negative 4.0% of sales.

Operating income totaled 284 million euros in the second half, after taking into account the 47 million euro rise in restructuring costs, recognized on the "Other costs" line. The Group reported an operating loss of 857 million euros for the full year.

The effective tax rate came out at 29.2% in the second half, and 20.0% for the year as a whole.

Net attributable income was 126 million euros in the second half, or 1.3% of sales. Over the year as a whole, the Group reported a net loss of 1,089 million euros.

Return on capital employed (ROCE(7)) and return on assets (ROA(7)) stood at 15% and 9%, respectively, for 2020. In light of the exceptional situation relating to the impact of the Covid-19 crisis on the Group's first-half results, ROCE and ROA for 2020 have been calculated based on annualized second-half data.

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[7] *See financial glossary, page 15.*

Segment reporting

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)	Fourth-quarter					Second-half				
	2020	2019	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	2020	2019	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	976	919	6%	7%	+4 pts	1,849	1,839	1%	2%	+2 pts
Powertrain Systems	1,324	1,307	1%	5%	+2 pts	2,473	2,556	-3%	-1%	-1 pt
Thermal Systems	1,126	1,122	—%	4%	+1 pt	2,143	2,252	-5%	—%	— pts
Visibility Systems	1,533	1,542	-1%	5%	+2 pts	2,855	3,000	-5%	—%	— pts

** Like for like[8].*
*** Based on IHS automotive production estimates released on January 16, 2021/CPCA estimates for data relating to China.*
**** Excluding the Top Column Module business.*

Sales by Business Group (in millions of euros)	Full-year				
	2020	2019	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	3,229	3,649	-12%	-11%	+6 pts
Powertrain Systems	4,370	5,121	-15%	-14%	+3 pts
Thermal Systems	3,703	4,582	-19%	-17%	— pts
Visibility Systems	5,024	6,014	-16%	-15%	+2 pts

** Like for like[8].*
*** Based on IHS automotive production estimates released on January 16, 2021/CPCA estimates for data relating to China.*
**** Excluding the Top Column Module business.*

In the last quarter of the year, all Business Groups outperformed automotive production. In 2020 as a whole, all Business Groups outpaced automotive production with the exception of Thermal Systems, which performed in line with the market. This business is expected to see an acceleration in organic growth from 2022 onwards.

EBITDA[8] by Business Group

H2 2020	H2 2019	Change	*EBITDA (in millions of euros and as a % of sales by Business Group)*	2020	2019	Change
328	316	+3.8%	Comfort & Driving Assistance Systems	412	599	-31.2%
17.7%	*17.2%*	*+0.6 pts*		*12.8%*	*16.4%*	*-3.7 pts*
318	366	-13.1%	Powertrain Systems	409	685	-40.3%
12.9%	*14.3%***	*-1.5 pts*		*9.4%*	*13.4%*	*-4.0 pts*
278	240	+15.8%	Thermal Systems	247	502	-50.8%
13.0%	*10.7%*	*+2.3 pts*		*6.7%*	*11.0%*	*-4.3 pts*
360	336	+7.1%	Visibility Systems	435	660	-34.1%
12.6%	*11.2%*	*+1.4 pts*		*8.7%*	*11.0%*	*-2.3 pts*
19	20	-5.0%	Other*	2	50	-96.0%
32.2%	*37.0%*	*-4.8 pts*		*1.8%*	*45.0%*	*-43.2 pts*
1,303	**1,278**	**2.0%**	**Group**	**1,505**	**2,496**	**-39.7%**
13.9%	***13.2%***	***0.7 pts***		***9.2%***	***12.8%***	***-3.7 pts***

** Including the Top Column Module business.*
*** Including non-recurring items that had a positive 1.2 percentage point impact on second-half 2019 EBITDA.*

[8] *See financial glossary, page 15.*

In second-half 2020, all Business Groups saw a year-on-year improvement in their EBITDA margins, with the exception of Powertrain Systems, where non-recurring items recorded in 2019 added 1.2 percentage points to the margin.

Record free cash flow[(9)] of 1.34 billion euros in the second half

H2 2020	H2 2019	*(in millions of euros)*	2020	2019
1,303	**1,278**	**EBITDA[(9)]**	**1,505**	**2,496**
840	71	Change in operating working capital*	266	301
(32)	(27)	Restructuring costs	(62)	(37)
(82)	(140)	Income tax	(188)	(292)
(70)	(32)	Provisions for pensions and other employee benefits	(86)	(33)
(43)		Payments for the principal portion of lease liabilities	(86)	(84)
42	(68)	Other operating items	274	(66)
(615)	(800)	Investments in property, plant and equipment and intangible assets	(1,329)	(1,766)
1,343	**282**	**Free cash flow[(9)]**	**294**	**519**
(13)	(15)	Net financial expenses	(75)	(71)
(141)	(211)	Other financial items	(302)	(658)
1,189	**56**	**Net cash flow[(9)]**	**(83)**	**(210)**

** Change in working capital excluding (i) changes in non-recurring sales of accounts and notes receivable in a positive amount of 21 million euros in 2020 and a positive amount of 45 million euros in 2019 and (ii) the restatement of cash contributions to R&D reclassified within investments in property, plant and equipment and intangible assets.*

The Group generated record free cash flow[(9)] of 1,343 million euros in the six months to December 31, 2020. The strong free cash flow generation in the second half mainly reflects:

– the upturn in EBITDA;

– the 840 million euro positive change in working capital requirement owing to the upturn in business during the period, especially in Europe and North America, and to the Group's strict management policy aimed at optimizing inventory levels, limiting overdues and accelerating tooling sales;

– the 185 million euro reduction in capital expenditure (including a 95 million euro reduction in investments in property, plant and equipment and a 90 million euro reduction in investments in intangible assets), resulting from the roll-out of the cost savings program and of new technological platforms.

Net cash flow[(9)] amounted to a positive 1,189 million euros in the second half and includes 88 million euros in dividend payments.

The Group generated 294 million euros in free cash flow over the year as a whole.

Net debt[(9)] at less than 3 billion euros and a robust liquidity position

Valeo has achieved its objective of bringing its net debt under 3 billion euros one year ahead of schedule. Net debt stood at 2,944 million euros at December 31, 2020 versus 4,037 million euros at June 30, 2020.

The leverage ratio (net debt/EBITDA) came out at 1.96 times EBITDA and the gearing ratio (net debt/stockholders' equity excluding non-controlling interests) stood at 91.3% of equity.

Valeo's balanced debt profile and enhanced liquidity position give it a robust financial structure:

– the Group obtained total financing of 600 million euros from the European Investment Bank (EIB) (an initial loan for 300 million euros which had already been signed). The financing is to be allocated to Valeo's research projects in the field of CO_2 emissions reduction and ADAS;

[9] *See financial glossary, page 15.*

– the average maturity of gross long-term debt fell to 3 years at December 31, 2020 (excluding the EIB financing), from 4.0 years at December 31, 2019;

– Valeo also has available cash of 3 billion euros and a total of 2.3 billion euros in undrawn credit lines.

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:

H2 2020	TCM*	H2 2020 excluding TCM			2020	TCM*	2020 excluding TCM
9,378	111	9,267	Sales	(in €m)	16,436	196	16,240
1,648	5	1,643	Gross margin	(in €m)	2,155	(30)	2,185
17.6%	*4.5%*	*17.7%*		*(as a % of sales)*	*13.1%*	*(15.3%)*	*13.5%*
(767)	(11)	(756)	R&D expenditure	(in €m)	(1,695)	(20)	(1,675)
(8.2%)	*(9.9%)*	*(8.2%)*		*(as a % of sales)*	*(10.3%)*	*(10.2%)*	*(10.3%)*
(413)	(6)	(407)	Selling and administrative expenses	(in €m)	(832)	(12)	(820)
(4.4%)	*(5.4%)*	*(4.4%)*		*(as a % of sales)*	*(5.1%)*	*(6.1%)*	*(5.0%)*
468	(12)	480	Operating margin excluding share in net earnings (losses) of equity-accounted companies	(in €m)	(372)	(62)	(310)
5.0%	*(10.8%)*	*5.2%*		*(as a % of sales)*	*(2.3%)*	*(31.6%)*	*(1.9%)*

** Including intercompany transactions.*

Significant events

Governance

On October 27, 2020, Valeo announced:

– the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer from January 2022, with Jacques Aschenbroich continuing to act 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 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 such Shareholders' Meeting.

On June 25, 2020, the Shareholders' Meeting, which was held behind closed doors (without any shareholders physically in attendance) at the Group's headquarters and chaired by Jacques Aschenbroich, Chairman and Chief Executive Officer, approved all of the resolutions including the compensation paid to the directors and to the Chairman and Chief Executive Officer in or for 2019, along with the compensation policies applicable to the directors and to the Chairman and Chief Executive Officer in 2020. It should be noted that Jacques Aschenbroich agreed to donate 25% of his compensation for the duration of the partial Covid-19-related shutdown to support solidarity initiatives relating to the pandemic. The directors and members of the Group Operations Committee have decided to follow this initiative.

On March 25, 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.

Carbon Neutrality Plan

On February 4, 2021, Valeo unveiled its CO_2 emissions reduction plan. By 2030, it commits to reducing:

- 75%[10] of the CO_2 emissions relating to its operating activities (Scopes 1 and 2);

- 15%[10] of CO_2 emissions relating to its supply chain (upstream Scope 3);

- 15%[10] of CO_2 emissions relating to the end use of its products (downstream Scope 3); this reduction is expected to rise to 50% when taking into account emissions avoided thanks to the Group's electrification technologies.

By 2050, Valeo will have achieved carbon neutrality for all of its own operating activities and across its entire supply chain worldwide, and in Europe the Group will be 100% carbon neutral (including the end use of its products).

Labor relations

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.

Safety protocol and outreach initiatives in response to the Covid-19 crisis

The Group has put in place a strict health protocol to allow it to continue to operate while ensuring maximum protection for all of its employees. The measures are mandatory and applicable consistently at all Valeo sites worldwide (plants, R&D centers and head offices), and are audited on a regular basis.
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.

Results and financial structure

On February 10, 2021, the European Investment Bank (EIB) announced that it had approved 600 million euros in financing for Valeo's European R&D projects related to technologies in the field of CO_2 emissions reduction and ADAS. An initial loan of 300 million euros was signed on February 4, 2021.

On January 14, 2021, Valeo published preliminary second-half 2020 financial information, announcing that despite the acceleration of the second wave of the coronavirus, it recorded like-for-like growth in original equipment sales of 5.3% in the fourth quarter to 4.2 billion euros, for total sales of 5.0 billion euros. Thanks to effective cost control and solid operating performances, Valeo also announced that its EBITDA margin for the second half would represent more than 13.5% of sales, and that its free cash flow would reach more than 1.3 billion euros thanks to its strict control over investments and inventories.

2020 guidance in light of the Covid-19 crisis

Valeo's financial objectives for 2020 were published on February 20, 2020, at the time of its 2019 annual earnings announcement. On April 14, the Group announced that these objectives (profitability and free cash flow) were no longer valid due to the drop in business activity and lack of visibility regarding when the crisis will end. On July 21, 2020, in light of the strong uptick in business in the main automotive production regions, Valeo set itself new financial objectives for 2020, which were revised upwards on October 27, 2020.

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[10] According to the SBTi's (Science Based Targets initiative) calculation methodology. The SBTi provides companies with a clearly-defined path to reduce CO_2 emissions in line with the objective to limit global warming to 2°C.

Financial and non-financial ratings

On January 25, 2021, Valeo was included in the "Global 100 most sustainable companies" compiled by Corporate Knights, a Canadian media and research business which compiles rankings and evaluates financial products based on their sustainability performance. Valeo was 66th in the rankings and is still the only automotive parts supplier in the world to be included in the list. Corporate Knights rewarded the Group's commitment to sustainability and its efforts in the field of environmental protection and responsible stewardship, both through its initiatives and its growth strategy.

On November 22, 2020, Valeo was recognized by S&P Global for its sustainable development performance. The Group received an overall score of 76/100 in the Corporate Sustainability Assessment[11] (compared to the sector average of 35/100), making it the number one player in the auto components industry[12]. Thanks to this success, Valeo once again secured a place in the Dow Jones Sustainability World index, which identifies the 10% most sustainable companies worldwide out of the largest 2,500 companies tracked on Standard & Poor's Global Broad Market Index.

On September 29, 2020, Valeo was the top-ranked automotive parts supplier in the "ESG Risk" ranking compiled by Sustainalytics out of a total of 199 automotive parts suppliers analyzed, securing the 94th spot out of the overall sample of 13,410 companies analyzed by the ratings agency. The Sustainalytics report indicates that Valeo presents a "negligible risk" of incurring substantial financial impacts relating to ESG (environmental, social and governance) issues, and also recognizes the Group for its strong management of ESG risk.

For 2020, Valeo's leadership in sustainability was applauded by the Carbon Disclosure Project, which included the company in its "A List" in recognition of its contribution to the fight against climate change. CDP also recognized Valeo for the measures taken to reduce its CO_2 emissions, mitigate climate risks and help develop the low-carbon economy, based on data reported by Valeo in the CDP 2020 questionnaire on climate change.

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

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.

On June 11, 2020, Moody's confirmed Valeo's "Baa3/P3" long- and short-term issuer ratings, changing its outlook to "negative".

Products/technologies and patents

On December 15, 2020, Valeo announced that it had adapted its 48V electric motors to bikes. Valeo's technology, developed jointly with Effigear, represents a world first for electric bikes. The technology comprises a 48V electric motor and a seven-speed automatic, adaptive gearbox in a single unit located in the pedal assembly, providing the best electric assistance for bikes to date. With this high-end solution, Valeo is revolutionizing e-bike drivetrains with a system that already meets the best and most demanding automotive standards in terms of quality, robustness, durability and safety. The electric bike market is booming, with a fifteen-fold expansion expected over the next ten years, bringing global sales to 270 million euros in 2030 (McKinsey/Center For Future Mobility-2020).

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.

On June 26, 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

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[11] The Corporate Sustainability Assessment is an annual evaluation of companies' sustainability practices, recognized as one of the most advanced rating methods for environmental, social and governance (ESG) issues.
[12] Excluding tire manufacturers.

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.

On April 28, 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.

On March 26, 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.

Upcoming events

First-quarter 2021 sales: April 28, 2021

Shareholders' Meeting: May 26, 2021

First-half 2021 results: July 22, 2021

Third-quarter 2021 sales: October 26, 2021

Full-year 2021 results: second half of February 2022

Financial glossary

Order intake corresponds to business awarded by automakers during the period to Valeo, and to joint ventures and associates based on Valeo's share in net equity, (except Valeo Siemens eAutomotive, for which 100% of orders are taken into account), less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. *Unaudited indicator.*

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

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

ROCE, or return on capital employed, corresponds to operating margin (including share in net earnings of equity-accounted companies) divided by capital employed (including investments in equity-accounted companies), excluding goodwill.

ROA, or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies) including goodwill.

EBITDA corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends from equity-accounted companies.

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

Net cash flow corresponds to 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.

Net debt comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

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 CO_2 emissions and to the development of intuitive driving. In 2020, the Group generated sales of 16.4 billion euros and invested 12% of its original equipment sales in Research and Development. At December 31, 2020, Valeo had 187 plants, 20 research centers, 43 development centers and 15 distribution platforms, and employed 110,300 people in 33 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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