



SMART TECHNOLOGY
FOR SMARTER MOBILITY

PRESS RELEASE

Paris, July 22, 2021

Solid operating performance in the first half, in an environment marked by the shortage of electronic components:

- Sales of 4,327 million euros in the second quarter, up 73% on a like-for-like basis versus second-quarter 2020
- Sales of 8,994 million euros in the first half, up 31% on a like-for-like basis versus first-half 2020
- EBITDA margin at 13.4% of sales
- Free cash flow of 145 million euros
- Strong order intake of 10.6 billion euros for Valeo, plus 1.1 billion euros for Valeo Siemens eAutomotive
- Confirmation of 2021 objectives despite weaker-than-expected growth in automotive production and the rise in raw material prices

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

"I'd like to thank our teams once again for their unrelenting commitment – particularly in managing the shortage of electronic components. Thanks to their efforts, we were able to supply our customers without any interruption and achieve very solid performances in our plants.

Leveraging our unique positioning in electrification and ADAS, we outperformed automotive production by more than 10 percentage points in all regions compared to first-half 2019.

Additionally, the deployment of our technological platforms enables us to structurally reduce our gross Research and Development expenditure by 207 million euros and capital spending by 228 million euros, while offering increasingly innovative solutions to our customers, and to generate free cash flow of 145 million euros.

The EBITDA margin, which is up 90 basis points versus 2019 at 13.4% of sales, reflects our operating efficiency and strict management of all of our costs.

In a challenging environment marked by a shortage of electronic components and rising raw material prices, we can confirm our objectives for full-year 2021."

Paris, July 22, 2021. At today's meeting, Valeo's Board of Directors approved the condensed interim consolidated financial statements for the six months ended June 30, 2021⁽¹⁾. The results for first-half 2021 shown below have been prepared in accordance with IFRS.

To provide readers with a better understanding of how Valeo's business has performed, the Group has decided to present an analysis of its performance compared to 2019, the year before the crisis.

		H1 2021	H1 2020	Change	H1 2019	Change
Sales	(in €m)	8,994	7,058	+27%	9,776	-8%
Original equipment sales	(in €m)	7,512	5,863	+28%	8,220	-9%
Gross margin	(in €m)	1,586	507	+213%	1,754	-10%
	(as a % of sales)	17.6%	7.2%	+10.4 pts	17.9%	-0.3 pts
R&D expenditure	(in €m)	(756)	(928)	-19%	(785)	-4%
	(as a % of sales)	(8.4%)	(13.1%)	+4.7 pts	(8.0%)	-0.4 pts
Selling and administrative expenses	(in €m)	(415)	(419)	-1%	(455)	-9%
	(as a % of sales)	(4.6%)	(5.9%)	+1.3 pts	(4.6%)	0.0 pts
Operating margin excluding share in net earnings (losses) of equity-accounted companies	(in €m)	415	(840)	-149%	514	-19%
	(as a % of sales)	4.6%	(11.9%)	+16.5 pts	5.3%	-0.7 pts
Share in net earnings (losses) of equity-accounted companies	(in €m)	(119)	(166)	-28%	(107)	+11%
	(as a % of sales)	(1.3%)	(2.4%)	+1.1 pts	(1.1%)	-0.2 pts
Operating margin including share in net earnings (losses) of equity-accounted companies*	(in €m)	296	(1,006)	-129%	407	-27%
	(as a % of sales)	3.3%	(14.3%)	+17.6 pts	4.2%	-0.9 pts
Net attributable income (loss)	(in €m)	90	(1,215)	-107%	162	-44%
	(as a % of sales)	1.0%	(17.2%)	+18.2 pts	1.7%	-0.7 pts
Basic earnings per share	(in €)	0.38	(5.08)	N/A	0.68	-44%
EBITDA*	(in €m)	1,205	202	+497%	1,218	-1%
	(as a % of sales)	13.4%	2.9%	+10.5 pts	12.5%	+0.9 pts
Change in operating working capital	(in €m)	(218)	(574)	N/A	230	N/A
Investments in property, plant and equipment and intangible assets	(in €m)	(570)	(714)	-20%	(966)	-41%
Free cash flow*	(in €m)	145	(1,049)	-114%	237	-39%
Net debt*	(in €m)	3,147	4,037	-890m	2,877	+270m
ROCE*		13%	N/A	N/A	12%	N/A
ROA*		7%	N/A	N/A	8%	N/A

* See financial glossary, page 14.

¹ The Statutory Auditors issued an unqualified review report on the condensed interim consolidated financial statements.

Change in sales

Business in the first half of the year was impacted by the shortage of electronic components, penalizing the supply chain and our customers' production schedules. The second quarter was particularly hard hit by a fall of around 10% in automotive production compared to the first quarter of 2021.

H1 2021 sales (in millions of euros)	As a % of H1 2021 sales	2021	vs. 2020			vs. 2019		
		H1	H1 2020	LFL* change	Change	H1 2019	LFL* change	Change
Original equipment	84%	7,512	5,863	+32%	+28%	8,220	-6%	-9%
Aftermarket	11%	1,030	824	+30%	+25%	1,005	+8%	+2%
Miscellaneous	5%	452	371	+25%	+22%	551	-15%	-18%
Total H1	100%	8,994	7,058	+31%	+27%	9,776	-5%	-8%

* Like for like⁽²⁾.

Consolidated sales advanced 31% on a like-for-like basis **compared to first-half 2020**, to 8,994 million euros. Changes in exchange rates had a negative 4% impact, primarily due to the appreciation of the euro against the US dollar and the Japanese yen. Changes in Group structure had a negligible impact on sales for the period.

Like-for-like **original equipment** sales grew by 32%, spurred by the good momentum enjoyed by the Group in fast-growing technologies such as front cameras and 48V.

Like-for-like **aftermarket sales** rose 30%, an excellent performance led by customers' stockpiling to meet the upturn in demand and manage the shortage of electronic components.

"**Miscellaneous**" sales rose by 25% on a like-for-like basis, confirming the upturn in business and the forthcoming production launches.

Q2 2021 sales (in millions of euros)	As a % of Q2 2021 sales	2021	vs. 2020			vs. 2019		
		Q2	Q2 2020	LFL* change	Change	Q2 2019	LFL* change	Change
Original equipment	83%	3,575	2,066	+78%	+73%	4,099	-10%	-13%
Aftermarket	12%	522	333	+63%	+57%	504	+9%	+4%
Miscellaneous	5%	230	171	+37%	+35%	332	-28%	-31%
Total Q2	100%	4,327	2,570	+73%	+68%	4,935	-9%	-12%

* Like for like⁽²⁾.

Like-for-like sales **in the second quarter** came in 73% higher year on year at 4,327 million euros, buoyed by a highly favorable comparison basis on account of plant shutdowns in second-quarter 2020.

² See financial glossary, page 14.

Change in original equipment sales by destination region

Original equipment sales (in millions of euros)	As a % of 2021 sales	2021		vs. 2020		vs. 2019		
		H1	H1	LFL* change	Outperf. vs. IHS/CPCA**	H1	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	48%	3,606	2,765	+32%	+2 pts	4,025	-10%	+11 pts
Asia, Middle East & Oceania	32%	2,379	1,925	+26%	-2 pts	2,381	+3%	+10 pts
o/w China	14%	1,022	797	+26%	-2 pts	861	+19%	+21 pts
o/w Japan	7%	548	486	+22%	+7 pts	637	-10%	+6 pts
o/w South Korea	8%	583	498	+19%	+8 pts	651	-7%	+4 pts
o/w India	1%	93	47	+105%	+22 pts	89	+11%	+20 pts
North America	18%	1,390	1,070	+40%	+8 pts	1,624	-9%	+11 pts
South America	2%	137	103	+57%	-5 pts	190	+4%	+25 pts
Total H1	100%	7,512	5,863	+32%	+2 pts	8,220	-6%	+8 pts

* Like for like⁽³⁾.

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

Compared to first-half 2019, original equipment sales delivered an outperformance of more than 10 percentage points in all production regions, reflecting the Group's strong positioning:

- in Europe and Africa, original equipment sales fell by 10% on a like-for-like basis, outperforming automotive production by 11 percentage points, thanks in particular to the robust performance of the Comfort & Driving Assistance Systems (ADAS) and Powertrain Systems (48V, transmission systems and actuation systems) Business Groups;
- in Asia, original equipment sales grew by 3% on a like-for-like basis, outpacing automotive production by 10 percentage points:
 - o in China, original equipment sales were up 19% on a like-for-like basis, outperforming automotive production by 21 percentage points. China is the only region that recorded first-half 2021 sales significantly above pre-Covid-19 levels. All of Valeo's Business Groups contributed to this momentum (more particularly, the Comfort & Driving Assistance Systems, Thermal Systems and Visibility Systems Business Groups) serving both international and Chinese automakers,
 - o in Japan, original equipment sales declined by 10% on a like-for-like basis, representing an outperformance of 6 percentage points, driven in particular by the solid performance of the Visibility Systems Business Group for Toyota through its subsidiary Ichikoh,
 - o in South Korea, original equipment sales retreated by 7% on a like-for-like basis, outpacing automotive production by 4 percentage points, driven mainly by the ramp-up of new contracts with Hyundai for 48V and actuation systems;
- in North America, original equipment sales dropped by 9% on a like-for-like basis, outperforming automotive production by 11 percentage points, driven mainly by the ramp-up of a number of projects in ADAS and lighting systems for North American customers;
- in South America, original equipment sales expanded by 4% on a like-for-like basis, outperforming automotive production by 25 percentage points.

³ See financial glossary, page 14.

Original equipment sales (in millions of euros)	As a % of 2021 sales	2021 Q2	vs. 2020			vs. 2019		
			Q2	LFL* change	Outperf. vs. IHS/CPCA**	Q2	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	48%	1,710	872	+99%	+9 pts	1,996	-14%	+11 pts
Asia, Middle East & Oceania	32%	1,143	908	+29%	+5 pts	1,181	0%	+8 pts
o/w China	14%	504	508	-3%	0 pts	433	+17%	+15 pts
o/w Japan	7%	254	162	+75%	+23 pts	306	-11%	+9 pts
o/w South Korea	8%	280	208	+36%	+25 pts	330	-13%	+3 pts
o/w India	1%	43	7	+459%	+52 pts	42	+9%	+28 pts
North America	18%	657	270	+164%	+32 pts	824	-15%	+10 pts
South America	2%	65	16	+357%	+56 pts	98	-4%	+23 pts
Total Q2	100%	3,575	2,066	+78%	+24 pts	4,099	-10%	+7 pts

* Like for like⁽⁴⁾.

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

Compared to second-quarter 2019, original equipment sales outperformed in all production regions. On a global level, the outperformance came out at 7 percentage points. Performance was impacted by an unfavorable geographic mix and difficulties related to production disruptions, which were particularly severe during the quarter.

Balanced customer portfolio and geographic positioning

Production regions	H1 2021	H1 2020	H1 2019
Western Europe	33%	32%	32%
Eastern Europe & Africa	16%	16%	17%
China	14%	14%	11%
Asia excluding China	17%	18%	18%
United States	8%	9%	9%
Mexico	11%	10%	11%
South America	1%	1%	2%
Total	100%	100%	100%
Asia and emerging countries	59%	59%	59%

Customers	H1 2021	H1 2020	H1 2019
German	32%	30%	31%
Asian	32%	33%	31%
American	17%	18%	19%
French	14%	13%	14%
Other	5%	6%	5%
Total	100%	100%	100%

⁴ See financial glossary, page 14.

EBITDA margin⁽⁵⁾ at 13.4% of sales in first-half 2021

The EBITDA margin rose by 0.9 percentage points compared to first-half 2019, to stand at 13.4% of sales. EBITDA margin growth reflects the efficiency of our technological platforms and the unwavering commitment of our teams in supplying all of the Group's customers in an environment marked by the shortage of electronic components.

		H1 2021	H1 2020	Change	H1 2019	Change
Sales	(in €m)	8,994	7,058	+27%	9,776	-8%
Gross margin	(in €m)	1,586	507	+213%	1,754	-10%
	(as a % of sales)	17.6%	7.2%	+10.4 pts	17.9%	-0.3 pts
EBITDA*	(in €m)	1,205	202	+497%	1,218	-1%
	(as a % of sales)	13.4%	2.9%	+10.5 pts	12.5%	+0.9 pts
Operating margin excluding share in net earnings (losses) of equity-accounted companies	(in €m)	415	(840)	-149%	514	-19%
	(as a % of sales)	4.6%	(11.9%)	+16.5 pts	5.3%	-0.7 pts
Share in net earnings (losses) of equity-accounted companies	(in €m)	(119)	(166)	-28%	(107)	+11%
	(as a % of sales)	(1.3%)	(2.4%)	+1.1 pts	(1.1%)	-0.2 pts
Operating margin including share in net earnings (losses) of equity-accounted companies*	(in €m)	296	(1,006)	-129%	407	-27%
	(as a % of sales)	3.3%	(14.3%)	+17.6 pts	4.2%	-0.9 pts
Net attributable income (loss)	(in €m)	90	(1,215)	-107%	162	-44%
	(as a % of sales)	1.0%	(17.2%)	+18.2 pts	1.7%	-0.7 pts

* See financial glossary, page 14.

Compared to first-half 2019

Despite the downturn in business as a result of the shortage of electronic components, the Group's gross margin represented 17.6% of sales, in line with the 17.9% margin recorded for first-half 2019 and reflecting the operating efficiency of the Group's plants.

The change in the gross margin in the first half was attributable to the following factors:

- a decrease in volumes (versus the same period in 2019): negative 0.7 percentage point impact;
- an increase in fixed costs (primarily depreciation and amortization) as a percentage of sales in light of the significant downturn in business: negative 0.7 percentage point impact;

offset by:

- manufacturing efficiencies; positive 0.9 percentage point impact;
- the positive contribution of sales of miscellaneous items: positive 0.1 percentage point impact;
- a positive scope and exchange rate effect: positive 0.1 percentage point impact.

The structural decline in gross **Research and Development expenditure**, which fell by 207 million euros or 20% compared with first-half 2019, to 851 million euros, is linked to the efficiency of our technological platforms and largely offsets the reduction of the IFRS impact (net positive difference between capitalized development expenditure, and amortization and impairment).

		H1 2021	H1 2020	Change	H1 2019	Change
Gross Research and Development expenditure	(in €m)	(851)	(862)	-1%	(1,058)	-20%
	(as a % of sales)	-9.5%	-12.2%	+2.7 pts	-10.8%	+1.3 pts
IFRS impact	(in €m)	39	(113)	-135%	214	-82%
Subsidies and grants, and other income	(in €m)	56	47	+19%	59	-5%
Research and Development expenditure	(in €m)	(756)	(928)	-19%	(785)	-4%
	(as a % of sales)	-8.4%	-13.1%	+4.7 pts	-8.0%	-0.4 pts
IFRS impact	(in €m)	39	-113	-135%	214	-82%
	(as a % of sales)	0.4%	-1.6%	+2.0 pts	2.2%	-1.8 pts
Capitalized development expenditure	(in €m)	291	319	-9%	400	-27%
	(as a % of sales)	3.2%	4.5%	-1.3 pts	4.1%	-0.9 pts
Amortization and impairment*	(in €m)	(252)	(432)	-42%	(186)	+35%
	(as a % of sales)	-2.8%	-6.1%	+3.3 pts	-1.9%	-0.9 pts

* Impairment losses recorded in operating margin only.

⁵ See financial glossary, page 14.

This 1.8 percentage point reduction in the IFRS impact is attributable to:

- the decrease in capitalized development expenditure (0.9 percentage points) owing to the Group's improved R&D efficiencies resulting from the deployment of its new technological platforms;
- the increase in amortization (0.9 percentage points) related to production launches on many innovative new projects.

Research and Development expenditure recorded in the income statement fell 4% to 756 million euros, or 8.4% of sales.

Thanks to tight control over fixed costs, **administrative and selling expenses** fell 9% to 415 million euros, or 4.6% of sales.

Operating margin excluding the share in net earnings (losses) of equity-accounted companies came in at 415 million euros, or 4.6% of sales.

The EBITDA margin rose by 0.9 percentage points compared to first-half 2019, to stand at 13.4% of sales. It takes into account the 1.8 percentage point increase in amortization between first-half 2019 (6.9% of sales) and first-half 2021 (8.7% of sales).

The share in net earnings (losses) from equity-accounted companies represented a loss of 119 million euros, taking into account the share of the 124 million euro loss reported by Valeo Siemens eAutomotive (acceleration in sales relating to new key programs expected in the second half).

Operating margin including share in net earnings (losses) of equity-accounted companies⁽⁶⁾ came in at 296 million euros, or 3.3% of sales.

The Group reported **operating income** of 267 million euros for the period, which includes a negative 29 million euros in other income and expenses.

The effective tax rate came out at 31%.

Net attributable income was 90 million euros, or 1.0% of sales after deducting non-controlling interests in an amount of 41 million euros.

Return on capital employed (ROCE⁽⁶⁾) and return on assets (ROA⁽⁶⁾) stood at 13% and 7%, respectively, for first-half 2021.

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)	2021	vs. 2020				vs. 2019			
	H1	H1	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	H1	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	1,779	1,380	+29%	+34%	+4 pts	1,810	-2%	+2%	+16 pts
Powertrain Systems	2,468	1,897	+30%	+34%	+4 pts	2,565	-4%	-2%	+12 pts
Thermal Systems	2,009	1,560	+29%	+34%	+4 pts	2,330	-14%	-10%	+4 pts
Visibility Systems	2,662	2,169	+23%	+28%	-2 pts	3,014	-12%	-10%	+4 pts

* Like for like⁽⁶⁾.

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

*** Excluding the TCM business.

⁶ See financial glossary, page 14.

The Comfort & Driving Assistance Systems Business Group outperformed global automotive production by 16 percentage points compared to the first half of 2019, notably thanks to the launch of new projects in ADAS, in the following main production regions: North America, Europe and China, consolidating the Group's position as world leader in this segment.

The Powertrain Systems Business Group outperformed global automotive production by 12 percentage points compared to the first half of 2019, in particular in Europe and South Korea. Growth was mainly driven by:

- growth in 48V systems; and
- increase in average content per vehicle in transmission systems on the back of the growing use of automated gearboxes and hybrid systems.

The Thermal Systems Business Group outperformed first-half 2019 global automotive production by 4 percentage points, buoyed by accelerating sales in China and technologies related to the thermal management of electrified vehicles (battery cooling systems, dedicated climate control systems for electric vehicles, etc.), which represent new growth opportunities for the Business Group. Thermal technologies dedicated to electrified vehicles accounted for almost 45% of the Business Group's order intake in first-half 2021.

The Visibility Systems Business Group outperformed global automotive production by 4 percentage points compared to the first half of 2019, notably thanks to the robust performance of the lighting business in North America – sustained by the pick-up truck activities of North American customers – and in China.

Sales by Business Group (in millions of euros)	2021	vs. 2020				vs. 2019			
	Q2	Q2	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	Q2	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	861	494	+74%	+85%	+31 pts	909	-5%	-1%	+16 pts
Powertrain Systems	1,177	712	+65%	+73%	+19 pts	1,299	-9%	-9%	+8 pts
Thermal Systems	986	560	+76%	+86%	+32 pts	1,187	-17%	-13%	+4 pts
Visibility Systems	1,265	779	+62%	+71%	+17 pts	1,512	-16%	-15%	+3 pts

* Like for like⁽⁷⁾.

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

*** Excluding the TCM business.

In the second quarter, all Business Groups outperformed automotive production.

EBITDA⁽⁷⁾ by Business Group

EBITDA (in millions of euros and as a % of sales by Business Group)	H1 2021	H1 2020	Change	H1 2019	Change
Comfort & Driving Assistance Systems	298 16.8%	84 6.1%	+255% +10.7 pts	283 15.6%	+5% +1.2 pts
Powertrain Systems	294 11.9%	91 4.8%	+223% +7.1 pts	319 12.4%	-8% -0.5 pts
Thermal Systems	241 12.0%	(31) (2.0%)	-877% +14.0 pts	262 11.2%	-8% +0.8 pts
Visibility Systems	350 13.1%	75 3.5%	+367% +9.6 pts	324 10.7%	+8% +2.4 pts
Other*	22 N/A	(17) N/A	-229% N/A	30 N/A	-27% N/A
Group	1,205 13.4%	202 2.9%	+497% +10.5 pts	1,218 12.5%	-1% +0.9 pts

* Including the TCM business.

In first-half 2021, all Business Groups saw an increase in EBITDA margin compared to the same period in 2019, with the exception of the Powertrain Systems Business Group, whose EBITDA margin was impacted by the 14 million euro decrease in dividends received from equity-accounted Chinese joint ventures.

⁷ See financial glossary, page 14.

First-half 2021 free cash flow⁽⁸⁾ of 145 million euros

<i>(in millions of euros)</i>	H1 2021	H1 2020	H1 2019
EBITDA⁽⁸⁾	1,205	202	1,218
Change in operating working capital	(218)	(574)	230
Restructuring costs	(54)	(30)	(10)
Income tax	(133)	(106)	(152)
Provisions for pensions and other employee benefits	(7)	(16)	(1)
Net payments for the principal portion of lease liabilities	(42)	(43)	(46)
Other operating items	(36)	232	(36)
Investments in property, plant and equipment and intangible assets	(570)	(714)	(966)
Free cash flow⁽⁸⁾	145	(1,049)	237
Net financial expenses	(13)	(62)	(56)
Other financial items	(188)	(161)	(447)
Net cash flow⁽⁸⁾	(56)	(1,272)	(266)

The Group generated free cash flow⁽⁸⁾ of 145 million euros in the first half of 2021. This chiefly results from:

- EBITDA of 1,205 million euros, in line with the first-half 2019 figure despite the downturn in business in first-half 2021;
- the 218 million euro negative change in working capital due to an increase in inventories for an amount of 200 million euros in order to guarantee customer deliveries in a difficult environment (global shortage of electronic components);
- the 396 million euro reduction in investments (including a 109 million euro reduction in capitalized development expenditure), resulting from the deployment of new technological platforms.

In first-half 2021, net cash flow⁽⁸⁾ amounted to a negative 56 million euros, taking into account 89 million euros in dividend payments and 86 million euros in loans to the Valeo Siemens eAutomotive joint venture.

⁸ See financial glossary, page 14.

Net debt⁽⁹⁾ at 3.1 billion euros and a solid liquidity position

Net debt stood at 3,147 million euros at June 30, 2021 versus 2,944 million euros at December 31, 2020.

The leverage ratio (net debt/EBITDA) came out at 1.25 times EBITDA and the gearing ratio (net debt/stockholders' equity) stood at 94% of equity.

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

- in February 2021, the European Investment Bank (EIB) approved 600 million euros in financing for Valeo's European Research and Development projects focused on reducing CO₂ emissions and improving vehicle safety. The Group has drawn down a total amount of 600 million euros⁽¹⁰⁾;
- at June 30, 2021, the Group had drawn an amount of 3 billion euros under its Euro Medium Term Note financing program capped at 5 billion euros (stable versus December 31, 2020);
- Valeo has available cash of 2.3 billion euros and a total of 2.3 billion euros in undrawn credit lines;
- the average maturity of gross long-term debt stood at 3.2 years at June 30, 2021, compared with 3 years at December 31, 2020.

Order intake⁽⁹⁾ of 10.6 billion euros for Valeo, plus 1.1 billion euros for Valeo Siemens eAutomotive

Valeo's order intake reached a significant 10.6 billion euros, in line with pre-crisis levels (11.1 billion euros in the same period in 2019), representing 1.4x original equipment sales for the period.

As for Valeo Siemens eAutomotive, the joint venture has secured 1.1 billion euros in new orders to date.

2021 outlook confirmed

Our base scenario for the top end of our 2021 guidance range is growth in global automotive production of around 9%.

In this context, we confirm for 2021⁽¹¹⁾:

- continued outperformance;
- financial objectives for margin and cash maintained despite the decline in our assumptions for automotive growth in 2021 and the increase in raw material and semiconductor prices:

(reported data)		2021	2020
Sales	in billions of euros	17.6 - 18.2	16.4
Original equipment sales	in billions of euros	14.9 - 15.5	13.8
EBITDA	as a % of sales	12.8% - 13.4%	9.2%
Free cash flow	in millions of euros	330 - 550	294

- 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".

⁹ See financial glossary, page 14.

¹⁰ The second drawdown of 300 million euros was signed on July 15, 2021.

¹¹ The Group's guidance for 2021 also includes the following objectives: ROCE of 11.1% (excluding the TCM business (and taking into account the share in net earnings of equity-accounted companies)) and ROA of 5.0% (excluding the TCM business and taking into account the share in net earnings of equity-accounted companies).

Reconciliation of Valeo and TCM business data

The Group decided to withdraw from the TCM segment.

The following table reconciles published consolidated data with data excluding the TCM business:

		H1 2021	TCM*	H1 2021 excluding TCM
Sales	(in €m)	8,994	103	8,891
Gross margin	(in €m)	1,586	7	1,579
	(as a % of sales)	17.6%	6.8%	17.8%
R&D expenditure	(in €m)	(756)	(9)	(747)
	(as a % of sales)	(8.4%)	(8.7%)	(8.4%)
Selling and administrative expenses	(in €m)	(415)	(5)	(410)
	(as a % of sales)	(4.6%)	(4.9%)	(4.6%)
Operating margin excluding share in net earnings (losses) of equity-accounted companies	(in €m)	415	(7)	422
	(as a % of sales)	4.6%	(6.8%)	4.7%

* Including intercompany transactions.

Upcoming events

Third-quarter 2021 sales: October 28, 2021

Full-year 2021 results: second half of February 2022

Highlights

Corporate governance

On March 11, 2021, Valeo announced that its transformation into a European company, as approved by the Board of Directors on February 20, 2020 and the Annual Shareholders' Meeting on June 25, 2020, had taken effect on March 9, 2021.

On May 26, 2021, the Board of Directors appointed Christophe Périllat Deputy Chief Executive Officer of Valeo. Christophe Périllat was also appointed director of Valeo by the Shareholders' Meeting held on the same date. These appointments as Deputy Chief Executive Officer and as director are in line with the succession plan for Jacques Aschenbroich. The succession plan provides that the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer will take place in 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 director, i.e., until May 2023, and being succeeded by Christophe Périllat as Chief Executive Officer from January 2022. In this context, Christophe Périllat was appointed as Associate Chief Executive Officer of Valeo on October 27, 2020.

On July 22, 2021, the Board of Directors noted Olivier Piou's decision to step down as a director for personal reasons, effective June 30, 2021.

The Board of Directors also noted the appointment by the Group Works Council on June 18, 2021 of Eric Poton to replace Eric Chauvirey as director representing employees.

Sustainable development – Carbon Neutrality Plan for 2050

On February 4, 2021, Valeo unveiled its CO₂ emissions reduction plan. By 2030, it commits to reducing:

- 75%⁽¹²⁾ of CO₂ emissions related to its operating activities (Scopes 1 and 2);
- 15%⁽¹²⁾ of CO₂ emissions related to its supply chain (upstream Scope 3);
- 15%⁽¹²⁾ of CO₂ emissions related 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 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.

On March 23, 2021, Valeo joined the new “CAC 40 ESG” index comprising 40 companies that have demonstrated the best environmental, social and governance practices.

On June 3, 2021, Valeo announced that it had been awarded the Corporate Social Responsibility prize by Stellantis at its inaugural Supplier Awards ceremony. Valeo was recognized for its environmental, social and ethical performance and the management of its subcontracting chain, highlighting the importance of the Group's global carbon neutrality strategy for 2050.

Collaboration and partnership agreements

On June 17, 2021, Valeo and Navya decided to step up their technological and industrial collaboration in the field of autonomous shuttles. The Navya shuttles (180 units sold as at December 31, 2020) which are operated worldwide are already equipped with Valeo technologies. The aim is to ramp up the Research and Development program to build level 4 autonomous driving systems that can be brought to market within the next three years.

On July 2, 2021, Valeo and Omega Seiki Mobility (OSM), part of Anglian Omega Group, announced they had teamed up to accelerate the electrification of two- and three-wheelers in India. Pursuant to the Memorandum of Understanding (MoU), Valeo will provide the electric powertrains for the OSM vehicle range. Valeo's 48V electric powertrain system (reducer, integrated motor and inverter) will be fitted on OSM's cargo three-wheelers “Rage+” and “Rage+ Frost”.

Innovation, technology and awards

On March 16, 2021, Valeo announced that the Valeo ClimSpray™ had been named Product of the Year 2021. With a simple spray, Valeo ClimSpray™ disinfects a vehicle cabin in 15 minutes and renders any coronavirus-like viruses, bacteria and fungi inactive. The solution contained in the product has been certified by an independent medical laboratory, demonstrating its compliance with European anti-microbial efficacy standards.

On April 15, 2021, Valeo received the **International Busplaner Sustainability Award 2021** for its UV air purifier for buses and coaches. The technology, which is the most powerful in the world, clears the air of more than 95% of its microbes, viruses and bacteria while the vehicle is on the move with passengers on board. Its effectiveness against SARS-CoV-2 has been scientifically proven by the Frankfurt University Hospital and the Institute for Laser Technologies in Medicine and Metrology at the University of Ulm (ILM).

On April 21, 2021, the device, which acts as a protective shield against the Covid-19 virus in buses, was also named as the year's **top innovation in Germany by the VDA** (*Verband der Automobilindustrie* – the German association of automotive manufacturers and suppliers) on World Creativity and Innovation Day 2021.

¹² According to the SBTi's (Science Based Targets initiative) calculation methodology. The SBTi provides companies with a clearly-defined path to reduce CO₂ emissions in line with the objective to limit global warming to 2°C.

On April 19, 2021, at the 19th edition of the Shanghai Auto Show, Valeo unveiled six innovations in response to today's major mobility challenges, in which China is now leading the way:

- the new Valeo heat pump and the Valeo FlexHeater, which eliminate the dilemma of having to choose between travel range and in-vehicle thermal comfort;
- its first end-to-end all-electric powertrain system from its joint venture Valeo Siemens eAutomotive based in China. The technology offers 100 kW of power and includes the electric motor, the inverter (the brain of the system) and the reducer (the equivalent of the gearbox) and provides small sedans the world over with the performance they need at a reasonable cost;
- a series of technologies that transform vehicles into a sort of "health shield", providing the driver with a healthy environment;
- the development of a 360° lighting solution, which surrounds the vehicle with a band of light, projecting clear, simple and instantaneous indications that can be seen by nearby road users, thereby enhancing safety; and
- the Valeo Mobility Kit, which consists of sensors – “the vehicle's eyes and ears” – electronic control units and algorithms that can be integrated into new driverless vehicles such as droids and other small delivery robots.

On June 8, 2021, Valeo announced that it was ranked as the world's leading French patent applicant, with 1,913 patents filed in a year⁽¹³⁾, of which 53% in France, according to the list published for the first time by France's INPI Intellectual Property Institute. Valeo also came out in third place in the 2020 ranking of patent applicants in France, with 819 patents filed. Its innovations are now protected by a portfolio of almost 35,000 patents worldwide.

On June 22, 2021, Valeo announced that it would be equipping 250 commuter shuttles for employees with its technology that eliminates bacteria and viruses, including Covid-19. The system will ensure that over 25,000 of its employees across 12 countries can complete their daily commute in optimum health and safety conditions.

On June 22, 2021, Valeo announced that it had been awarded the Overdrive prize by General Motors for its Valeo XtraVue™ Trailer technology, the world's first system enabling drivers to “see through” the trailer or caravan they are towing. This 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.

Financing and ratings assigned to Valeo's long- and short-term debt by rating agencies

On July 15, 2021, a second loan of 300 million euros was contracted from the EIB. As a reminder, the EIB approved 600 million euros in financing for the Valeo Group's research projects in Europe focused on technologies that reduce CO₂ emissions and improve vehicle safety. The initial loan of 300 million euros was signed in February 2021.

Moody's: “Baa3/P3” long- and short-term issuer rating, “negative” outlook;

Standard & Poor's: “BB+/B” long- and short-term issuer rating, stable outlook.

Changes in the scope of consolidation

On December 25, 2020, Ichikoh signed a sales agreement on a portion of its stake in Life Elex, thereby reducing its interest in the company from 59.1% to 14.9%. The sale was completed at **end-June 2021**. The business represented sales of 15 million euros in first-half 2020, versus 8 million euros in first-half 2021.

At end-April 2021, Valeo sold its Lighting business in Brazil. The business represented sales of 10 million euros in first-half 2020, versus 9 million euros in first-half 2021.

¹³ In 2019.

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 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 net 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. It is also exposed to environmental and industrial risks, risks associated with the Covid-19 epidemic, including risks related to the Group’s supply of electronic components and the rise in raw material prices, 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 2020 Universal Registration Document registered with the AMF on April 6, 2021 (under number D.21-0260).

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 first-half 2021, the Group generated sales of 9.0 billion euros and invested 9.5% of its sales in Research and Development. At June 30, 2021, Valeo had 184 plants, 20 research centers, 42 development centers and 15 distribution platforms, and employed 104,000 people in 33 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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