First Supplement dated 23 July 2021
to the Base Prospectus dated 14 June 2021

Valeo

Euro 5,000,000,000
Euro Medium Term Note Programme
Due from one month from the date of original issue

This prospectus supplement no. 1 (the "**Prospectus Supplement no. 1**") is supplemental to, and should be read in conjunction with the Base Prospectus dated 14 June 2021 (the "**Base Prospectus**") prepared by Valeo, *société européenne* (the "**Issuer**" or "**Valeo**") in connection with its €5,000,000,000 Euron Medium Term Note Programme (the "**Programme**"), which receveived the approval no. 21-223 on 14 June 2021 by the *Autorité des marchés financiers* (the "**AMF**"). The Base Prospectus as supplemented (including by this Prospectus Supplement no. 1) constitutes a base prospectus for the purpose of Article 8 of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Terms defined in the Base Prospectus have the same meaning when used in the Prospectus Supplement no. 1.

Application has been made for approval of this Prospectus Supplement no. 1 to the AMF in its capacity as competent authority pursuant the Prospectus Regulation.

This Prospectus Supplement no. 1 has been prepared pursuant to Article 23 of the Prospectus Directive for the purpose of updating the sections entitled "Terms and Conditions of the Notes", "Documents Incorporated by Reference", "Description of Valeo" and "General Information" of the Base Prospectus.

Save as disclosed in this Prospectus Supplement no. 1, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes to be issued under the Programme since the publication of the Base Prospectus. To the extent there is any inconsistency between (a) any statement in this Prospectus Supplement no. 1 or any statement incorporated by reference into the Base Prospectus by this Prospectus Supplement no. 1, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Copies of this Prospectus Supplement no. 1 will be available on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.valeo.com) and copies may be obtained, free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, and at the specified offices of the Paying Agents.

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TERMS AND CONDITIONS OF THE NOTES

The definition of "Carbon Reduction KPI" in the Section "Terms and Conditions of the Notes" of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"**Carbon Reduction KPI**" means the key performance indicator directly based on the Issuer's commitments to carbon neutrality by 2050 and its 2030 decarbonation trajectory measuring the Issuer's carbon footprint across all of its operational activities and emissions related to its supply chain and use of products (scope 1, scope 2 and scope 3) measured on the Issuer's perimeter at the Target Observation Date, to be approved by the SBTi and defined in the Framework and includes:

- direct green house gas emissions ("GHG"): combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as volatile organic compounds incinerators and direct fugitive emissions relating to refrigerant leaks;
- indirect GHG emissions: associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources;
- indirect GHG emissions linked to the purchase of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- indirect GHG emissions related to the use of products; and
- other indirect GHG emissions regarded as not material (including emissions related to waste management, emissions from the Issuer's assets used with third parties, emission from energy production, emissions from the installation of the Issuer's products in vehicles by automakers, emission related to the processing of end-of-life products and emission from downstream product transportation.

The methodology is based on a set of two calculations:

(i) Fulfilling the requirements of SBTi by 2030 of the baseline of scopes in 2019 for the entire portfolio of solutions of Valeo:

  - -75% scope 1+ scope 2;
  - -15% scope 3 upstream;
  - -15% scope 3 downstream, and

(ii) The net avoided emissions[1] for the vehicles in which Valeo contributes directly through the use of its sold technologies in place in the vehicles: the targeted avoided emissions correspond to -50% by 2030.

The SPTs related to Carbon Reduction KPI for any specific Sustainability Linked Notes will vary based on the maturity of the instrument but will be calibrated off the 2025 and 2030 emissions reduction targets:

(i) Intermediary reduction target: 37.95 million CO2eq tons in 2025

For information purposes only, Valeo intends to pursue the following objectives, on a best efforts basis, to achieve this intermediary reduction target:

[1] For further details, please refer to Section 4.3.3, item CO2 emissions related to the use of Valeo products (Scope 3) of the 2020 URD.

- reducing CO2eq emissions (scope 1 & 2) from 1.1 million tons emitted in 2019 to 0.65 million tons in 2025
- reducing CO2eq emissions (scope 3 upstream) from 9.5 million tons emitted in 2019 to 8.9 million tons in 2025
- reducing CO2eq emissions (scope 3 downstream) from 39 million tons emitted in 2019 to 28.4 million tons in 2025 (including electrification portfolio)

(ii) 2030 reduction target: 27.88 million CO2eq tons in 2030

For information purposes only, Valeo intends to pursue the following objectives, on a best efforts basis, to achieve this 2030 reduction target:

- reducing CO2eq emissions (scope 1 & 2) from 1.1 million tons emitted in 2019 to 0.28 million tons in 2030
- reducing CO2eq emissions (scope 3 upstream) from 9.5 million tons emitted in 2019 to 8.1 million tons in 2030
- reducing CO2eq emissions (scope 3 downstream) from 39 million tons emitted in 2019 to 19.5 million tons in 2030 (including electrification portfolio)

DOCUMENTS INCORPORATED BY REFERENCE

The section entitled "Documents Incorporated by Reference" of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"This Base Prospectus should be read and construed in conjunction with the following sections identified in the cross-reference table below of the following documents which have been previously published and have been filed with the *Autorité des marchés financiers* ("**AMF**") as competent authority in France for the purposes of the EU Prospectus Regulation. Such sections shall be incorporated in, and shall be deemed to form part of, this Base Prospectus:

(i) the sections identified in the cross-reference table below of the 2021 *Rapport Financier Semestriel* in the French language relating to the Issuer filed with the AMF on 22 July 2021 (the "**2021 HYFR**");

(ii) the sections identified in the cross-reference table below of the 2020 *Document d'enregistrement universel* in the French language relating to the Issuer filed with the AMF on 6 April 2021 under no. D.21-0260, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2020 and the related notes thereto (the "**2020 URD**");

(iii) the sections identified in the cross-reference table below of the 2019 *Document d'enregistrement universel* in the French language relating to the Issuer filed with the AMF on 28 April 2020 under no. D.20-0385, including the audited statutory and consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2019 and the related notes thereto (the "**2019 URD**");

(iv) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 5 July 2017 which received visa no. 17-337 from the AMF, (the "**2017 EMTN Conditions**");

(v) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 3 May 2016 which received visa no. 16-161 from the AMF, (the "**2016 EMTN Conditions**");

(vi) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 7 May 2015 which received visa no. 15-178 from the AMF as well as the Supplement no. 1 dated 9 March 2016, which received visa no. 16-073 from the AMF, (the "**2015 EMTN Conditions**"); and

(vii) the terms and conditions of the notes contained in the base prospectus of the Issuer dated 23 April 2013 which received visa no. 13-174 from the AMF, (the "**2013 EMTN Conditions**" and together with the 2015 EMTN Conditions, the 2016 EMTN Conditions and the 2017 EMTN Conditions, the "**Previous EMTN Conditions**").

Free translations in the English language of the 2020 URD and the 2019 URD are available on the Issuer's website (www.valeo.com). These documents are available for information purposes only and are not incorporated by reference in this Base Prospectus. The only binding versions are the French language versions.

For as long as any Notes are outstanding, this Base Prospectus, any supplement to this Base Prospectus and all documents incorporated by reference into this Base Prospectus may be obtained, free of charge, (i) at the office of the Fiscal Agent and the Paying Agents set out at the end of this Base Prospectus during normal business hours, (ii) at the registered office of the Issuer during normal business hours, and (iii) on the website of the Issuer (www.valeo.com). Provision of such documents does not constitute a representation that such documents have not been modified or superseded in whole or in part as specified above. Written or oral requests for such documents should be directed to the principal office of BNP Paribas Securities Services in its capacity as Fiscal Agent (as defined in the "Terms and Conditions" of the Notes below) or to the Issuer at its registered office set out at the end of this Base Prospectus. This Base Prospectus and any supplement to this Base Prospectus will also be available on the website of the AMF (www.amf-france.org).

The Final Terms related to Notes admitted to trading on Euronext Paris will be published on the websites of (x) the AMF (www.amf-france.org) and (y) the Issuer (www.valeo.com). If the Notes are admitted to trading on a Regulated Market other than Euronext Paris, the relevant Final Terms will provide whether additional methods of publication are required and what they consist of.

Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Base Prospectus (including, for the avoidance of doubt, any information on the websites which appear in the documents incorporated by reference) refers does not form part of this Base Prospectus and has not been scrutinised or approved by the AMF.

The following table cross-references the pages of the Documents Incorporated by Reference. For the avoidance of doubt, the information requested to be disclosed by the Issuer as a result of Annex 7 of the Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation, as amended, and not referred to in the cross reference list below is either contained in the relevant sections of this Base Prospectus or is not relevant to the investors. Any information not listed in the cross-reference list but included in the documents incorporated by reference is considered as additional information and is not required by the relevant schedules of the Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation, as amended.

Information incorporated by reference ***(Annex 7 of the Commission Delegated Regulation (EU) 2019/980)***	**2021 HYFR**	**2020 URD**	**2019 URD**
3. RISK FACTORS			
3.1 A description of the material risks that are specific to the issuer and that may affect the issuer's ability to fulfil its obligations under the securities, in a limited number of categories, in a section headed "Risk Factors".	p. 18	pp. 81 to 92	-
4. INFORMATION ABOUT THE ISSUER			
4.1. History and development of the Issuer			
4.1.1. The legal and commercial name of the issuer.	-	p. 450	-
4.1.2. The place of registration of the issuer, its registration number and legal entity identifier ('LEI').	-	p. 450	-
4.1.3. The date of incorporation and the length of life of the issuer, except where the period is indefinite.	-	p. 450	-
4.1.4. The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus.	-	p. 450	-
5. BUSINESS OVERVIEW			
5.1. Principal activities			
5.1.1. A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed.	p. 1	pp. 28 to 47 pp. 52 to 71	-

Information incorporated by reference ***(Annex 7 of the Commission Delegated Regulation (EU) 2019/980)***	**2021 HYFR**	**2020 URD**	**2019 URD**
5.1.2. The basis for any statements made by the issuer regarding its competitive position.	p. 2 pp. 4 to 8	pp. 28 to 33 p. 37 pp. 42 to 44 pp. 45 to 47 pp. 52 to 71	-
6. ORGANISATIONAL STRUCTURE			
6.1. If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure.	-	pp. 51 to 52 p. 453	-
6.2.If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	-	pp. 385 to 392 p. 422 p. 452	-
7. TREND INFORMATION			
7.1. A description of: (a) any material adverse change in the prospects of the issuer since the date of its last published audited financial statements; and (b) any significant change in the financial performance of the group since the end of the last financial period for which financial information has been published to the date of the registration document. If neither of the above are applicable then the issuer should include (an) appropriate negative statement(s).	p. 11	pp. 310 to 311 p. 423	-
9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES			
9.1 Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	p.1 p. 12	p. 5 p. 14 pp. 101 to 154	-
10. MAJOR SHAREHOLDERS			
10.1. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.	p. 15	pp. 435 to 440	-
10.2. A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change of control of the issuer	-	p. 447	-

Information incorporated by reference ***(Annex 7 of the Commission Delegated Regulation (EU) 2019/980)***	**2021 HYFR**	**2020 URD**	**2019 URD**
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES			
11.1 Historical Financial Information			
11.1.1 Historical financial information covering the latest two financial years (at least 24 months) or such shorter period as the issuer has been in operation and the audit report in respect of each year.	**Condensed interim consolidated financial statements for the six months ended June 30, 2021** pp. 19 to 51	**Consolidated financial statements** 312 to 398 **Non consolidated financial statements** pp. 401 to 426	**Consolidated financial statements** pp. 298 to 387 **Non consolidated financial statements** pp. 390 to 415
11.1.3 Accounting standards The financial information must be prepared according to International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002. If Regulation (EC) No 1606/2002 is not applicable the financial statements must be prepared according to: (a) a Member State's national accounting standards for issuers from the EEA as required by Directive 2013/34/ EU; (b) a third country's national accounting standards equivalent to Regulation (EC) No 1606/2002 for third country issuers. Otherwise the following information must be included in the registration document: (a) a prominent statement that the financial information included in the registration document has not been prepared in accordance with International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No 1606/2002 been applied to the historical financial information; (b) immediately following the historical financial information a narrative description of the differences between Regulation (EC) No 1606/2002 as adopted by the Union and the accounting principles adopted by the issuer in preparing its annual financial statements.	**Condensed interim consolidated financial statements for the six months ended June 30, 2021** p.25	**Consolidated financial statements** p. 318	**Consolidated financial statements** p. 304

Information incorporated by reference ***(Annex 7 of the Commission Delegated Regulation (EU) 2019/980)***	**2021 HYFR**	**2020 URD**	**2019 URD**
11.1.4 Where the audited financial information is prepared according to national accounting standards, the financial information must include at least the following:	**Condensed interim consolidated financial statements for the six months ended June 30, 2021**	**Non consolidated financial statements**	**Non consolidated financial statements**
(a) the balance sheet;	Balance sheet: p. 22	Balance sheet: p. 402	Balance sheet: p. 391
(b) the income statement;	Income statement: p. 20	Income statement: p. 401	Income statement: p. 390
(c) the accounting policies and explanatory notes.	Explanatory notes: pp. 25 to 50	Explanatory notes: pp. 404 to 422	Explanatory notes: pp. 393 to 415
11.1.6 Age of financial information			
The balance sheet date of the last year of audited financial information may not be older than 18 months from the date of the registration document	30 June 2021	31 December 2020	
11.2 Auditing of Historical financial information			
11.2.1 The historical annual financial information must be independently audited. The audit report shall be prepared in accordance with the Directive 2006/43/EC and Regulation (EU) No 537/2014. Where Directive 2006/43/EC and Regulation (EU) No 537/2014 do not apply, the historical financial information must be audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard. Otherwise, the following information must be included in the registration document: (a) a prominent statement disclosing which auditing standards have been applied; (b) an explanation of any significant departures from International Standards on Auditing.	-	**Consolidated financial statements** pp. 393 to 398 **Non consolidated financial statements** pp. 423 to 426	**Consolidated financial statements** pp. 383 to 387 **Non consolidated financial statements** pp. 412 to 415
11.2.1(a) Where audit reports on the historical financial information have been refused by the statutory auditors or where they contain qualifications, modifications of opinion,	-	-	p. 383

Information incorporated by reference ***(Annex 7 of the Commission Delegated Regulation (EU) 2019/980)***	**2021 HYFR**	**2020 URD**	**2019 URD**
disclaimers or an emphasis of matter, the reason must be given, and such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full			
11.2.2 Indication of other information in the registration document which has been audited by the auditors.	-	-	-
11.3 Legal and arbitration proceedings			
11.3.1 Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	p. 34 pp. 38 to 39	pp. 90 to 91 p. 337 pp. 357 to 360	-
11.4 Significant change in the Issuer's financial position			
11.4.1 A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or provide an appropriate negative statement.	pp. 28 to 29	pp. 310	-
12. MATERIAL CONTRACTS			
12.1 A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligations to security holders in respect of the securities being issued	-	p. 454	-

The Previous EMTN Conditions are incorporated by reference in this Base Prospectus for the purpose only of further issues of notes to be assimilated (*assimilées*) and form a single series with Notes already issued with the Previous EMTN Conditions.

PREVIOUS EMTN CONDITIONS	
2017 EMTN Conditions	Pages 30 to 61
2016 EMTN Conditions	Pages 34 to 66
2015 EMTN Conditions	Pages 31 to 61
2013 EMTN Conditions	Pages 28 to 58

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DESCRIPTION OF VALEO

The section entitled "Description of Valeo" of the Base Prospectus is hereby completed and includes the following:

Press release dated 22 July 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[2]. 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.*

[2] *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(3).*

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.

[3] *See financial glossary, page 14.*

Change in original equipment sales by destination region

Original equipment sales	*As a % of 2021 sales*	2021 H1	vs. 2020 H1	vs. 2020 LFL* change	vs. 2020 Outperf. vs. IHS/CPCA**	vs. 2019 H1	vs. 2019 LFL* change	vs. 2019 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[4].*
*** 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:
  - 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,
  - 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,
  - 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.

[4] *See financial glossary, page 14.*

Original equipment sales	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[5].*
*** 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%**

[5] *See financial glossary, page 14.*

EBITDA margin[6] 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.

[6] *See financial glossary, page 14.*

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.*

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(7) 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.

[7] *See financial glossary, page 14.*

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.*

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[(8)] by Business Group

EBITDA	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.

[8] *See financial glossary, page 14.*

First-half 2021 free cash flow[9] of 145 million euros

(in millions of euros)	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.

[9] *See financial glossary, page 14.*

Net debt[10] 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 CO_2 emissions and improving vehicle safety. The Group has drawn down a total amount of 600 million euros[11];
- 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.

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[10] See financial glossary, page 14.

[11] The second drawdown of 300 million euros was signed on July 15, 2021.

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[12]:

– 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”.

[12] 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 CO_2 emissions reduction plan. By 2030, it commits to reducing:

- 75%[13] of CO_2 emissions related to its operating activities (Scopes 1 and 2);

- 15%[12] of CO_2 emissions related to its supply chain (upstream Scope 3);

- 15%[12] of CO_2 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,

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[13] 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.

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.

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[14], 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.

[14] *In 2019.*

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 CO_2 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.

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.

GENERAL INFORMATION

The paragraph (4) of the section entitled "General Information" of the Base Prospectus is deleted and replaced by the following:

(4) Material adverse change in the prospects of the Issuer

Save as disclosed in this Base Prospectus (including the documents incorporated by reference therein), there has been no material adverse change in the prospects of the Issuer since 30 June 2021.

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS SUPPLEMENT NO. 1

Person responsible for this Prospectus Supplement no. 1

Jacques Aschenbroich, Chairman of the Board and Chief Executive Officer.

Declaration by person responsible for this Prospectus Supplement no. 1

I declare, to the best of my knowledge, that the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Paris,23 July 2021

Valeo

43, rue Bayen
75848 Paris Cedex 17 France

Duly represented by Jacques Aschenbroich
Chairman of the Board and Chief Executive Officer

This Prospectus Supplement no. 1 has been approved on 23 July 2021 by the AMF in its capacity as competent authority under Regulation (EU) 2017/1129.
The AMF has approved this Prospectus Supplement no. 1 after having verified that the information it contains is complete, coherent and comprehensible within the meaning of Regulation (EU) 2017/1129.
This approval should not be considered as a favourable opinion on the Issuer.
This Prospectus Supplement no. 1 has been given the following approval number: 21-347.