



## PRESS RELEASE

Paris, October 28, 2021

### Valeo displays sound financial resilience in an environment marked by the semiconductor shortage:

- Sales up<sup>1</sup> 15% over the first nine months of 2021, with third-quarter sales of 3,964 million euros, down<sup>1</sup> 10%
- Aftermarket business sales up<sup>1</sup> 26% over the first nine months and up 18% in the third quarter
- Automotive production up 11% over the first nine months despite an 18% contraction in the third quarter
- Original equipment sales outperformance in all production regions
- Tightening of 2021 EBITDA margin objective to upper end of range at 13.0% to 13.4%, compared with 12.8% to 13.4% previously
- Confirmation of free cash flow generation objective of between 330 and 550 million euros

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

*"I'd like to thank all of the Valeo teams who worked hard to supply all of our customers without the slightest interruption, despite the semiconductor shortage, and to continuously adapt our production facilities to the extreme volatility of automaker programs.*

*In addition, the strict management of our costs, price adjustments obtained from our customers, and the excellent performance of the aftermarket business enable us to tighten, to the upper end of the range, our 2021 EBITDA margin objective, which now stands at between 13.0% and 13.4% of sales, an improved margin compared to 2019 despite the 16% decline in automotive production in the year to September. We also confirm our free cash flow generation objective of between 330 and 550 million euros.*

*We are also confident in our ability to achieve our 2021 CO<sub>2</sub> emissions reduction objective, and therefore confirm our long-term sustainable development commitments."*

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<sup>1</sup> Like for like (constant Group structure and exchange rates).

## 2021 outlook

In an environment marked by Covid-19 and the electronic component shortage, assuming global automotive production<sup>2</sup> of 71 million vehicles, Valeo has set the following objectives:

- continued outperformance;
- tightening of 2021 EBITDA margin objective to the upper end of the range (13.0% to 13.4%);
- confirmation of the free cash flow generation objective of between 330 and 550 million euros;
- Valeo Siemens eAutomotive:
  - Valeo Siemens eAutomotive’s sales are expected to come out at around 750 million euros, representing a year-on-year increase of approximately 45%, with growth slower than initially projected in the second half due to the semiconductor shortage;
  - the joint venture’s negative contribution to “Share in net earnings of equity-accounted companies” is now expected to be in line with that recorded in 2020 (versus a previously announced “reduction” in the joint venture’s negative contribution).

<i>(reported data)</i>		New 2021 guidance	Previous 2021 guidance
<b>Sales</b>	<i>in billions of euros</i>	<b>16.9 - 17.2</b>	<b>17.6 - 18.2</b>
<b>EBITDA*</b>	<i>as a % of sales</i>	<b>13.0% - 13.4%</b>	<b>12.8% - 13.4%</b>
<b>Free cash flow*</b>	<i>in millions of euros</i>	<b>330 - 550</b>	<b>330 - 550</b>

\* See financial glossary, page 9.

<sup>2</sup> Based on IHS automotive production estimates released on October 16, 2021, adjusted for CPCA data relating to China – excluding light commercial vehicles in China.

## Change in sales

Business in the third quarter of the year was particularly impacted by the shortage of electronic components, penalizing the supply chain and our customers' production schedules. Over the period, automotive production was down 18% compared to third-quarter 2020.

Q3 2021 sales (in millions of euros)	As a % of Q3 2021 sales	2021 Q3	vs. 2020			vs. 2019		
			Q3 2020	LFL* change	Change	Q3 2019	LFL* change	Change
Original equipment	80%	3,183	3,751	-16%	-15%	4,046	-19%	-21%
Aftermarket	13%	520	448	+18%	+16%	477	+16%	+9%
Miscellaneous	7%	261	190	+36%	+37%	249	+6%	+5%
<b>Q3 total</b>	<b>100%</b>	<b>3,964</b>	<b>4,389</b>	<b>-10%</b>	<b>-10%</b>	<b>4,772</b>	<b>-14%</b>	<b>-17%</b>

\* Like for like<sup>(3)</sup>.

In third-quarter 2021, consolidated sales fell by 10% compared to 2020, to 3,964 million euros. Changes in exchange rates had a positive 0.8% impact, primarily due to the depreciation of the euro against the Chinese yuan. Changes in Group structure had a negative 0.3% impact on sales for the period.

**Original equipment** sales were down 16% compared with 2020 on a like-for-like basis, reflecting a decline in business as a result of the electronic components crisis.

Like-for-like **aftermarket sales** rose sharply by 18% compared to 2020, driven by price increases and an excellent service rate in the aftermarket business.

"**Miscellaneous**" sales rose by 36% on a like-for-like basis compared to 2020, confirming the upturn in business supported mainly by sales of tooling ahead of forthcoming production launches.

YTD sales (in millions of euros)	As a % of YTD sales	2021 YTD	vs. 2020			vs. 2019		
			YTD	LFL* change	Change	YTD	LFL* change	Change
Original equipment	83%	10,695	9,614	+13%	+11%	12,266	-10%	-13%
Aftermarket	12%	1,550	1,272	+26%	+22%	1,482	+10%	+5%
Miscellaneous	5%	713	561	+29%	+27%	800	-10%	-11%
<b>YTD total</b>	<b>100%</b>	<b>12,958</b>	<b>11,447</b>	<b>+15%</b>	<b>+13%</b>	<b>14,548</b>	<b>-8%</b>	<b>-11%</b>

\* Like for like<sup>(3)</sup>.

In the year to September, sales amounted to 12,958 million euros, up 15% compared to 2020 on a like-for-like basis thanks to a favorable basis of comparison.

<sup>3</sup> See financial glossary, page 9.

## Change in original equipment sales by destination region

### Third-quarter outperformance of 6 percentage points excluding geographic mix

Original equipment sales (in millions of euros)	As a % of 2021 sales	2021 Q3	vs. 2020			vs. 2019		
			Q3	LFL* change	Outperf. vs. IHS/CPCA**	Q3	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	42%	1,337	1,729	-22%	+6 pts	1,795	-25%	+9 pts
Asia, Middle East & Oceania	36%	1,152	1,149	-3%	+9 pts	1,286	-8%	+6 pts
o/w China	17%	548	563	-10%	+2 pts	519	+3%	+9 pts
o/w Japan	8%	240	243	+2%	+25 pts	325	-20%	+12 pts
o/w South Korea	8%	245	259	-6%	+11 pts	320	-21%	-7 pts
o/w India	2%	53	35	+53%	+50 pts	41	+39%	+40 pts
North America	20%	632	803	-22%	+3 pts	862	-23%	+2 pts
South America	2%	62	70	-7%	+4 pts	103	-12%	+18 pts
<b>Q3 total</b>	<b>100%</b>	<b>3,183</b>	<b>3,751</b>	<b>-16%</b>	<b>+2 pts</b>	<b>4,046</b>	<b>-19%</b>	<b>+3 pts</b>

\* Like for like<sup>(4)</sup>.

\*\* Based on IHS automotive production estimates released on October 16, 2021 – CPCA estimates for data relating to China.

In the third quarter of 2021, original equipment sales, which were hard hit by the shortage of electronic components and the volatility of our customers' production, outperformed automotive production in all regions (up 2 percentage points globally). Excluding the impact of the geographic mix, the outperformance came out at 6 percentage points:

- in Europe and Africa, original equipment sales fell by 22% on a like-for-like basis, outperforming automotive production by 6 percentage points, thanks in particular to the ADAS activities (particularly front cameras and vision systems) of the Comfort & Driving Assistance Systems Business Group, and the vehicle electrification activities (particularly 48V, transmission systems, battery thermal management and heat pumps) of the Powertrain Systems and Thermal Systems Business Groups;
- in Asia, original equipment sales declined by 3% on a like-for-like basis, driven by a favorable customer mix and outpacing automotive production by 9 percentage points:
  - in China, the only region in the world where third-quarter 2021 sales were above pre-Covid-19 crisis levels, like-for-like original equipment sales outperformed automotive production by 2 percentage points. Performance was particularly robust in the Comfort & Driving Assistance Systems (ADAS/front cameras) Business Group,
  - in Japan, like-for-like original equipment sales advanced by 2%, an outperformance of 25 percentage points, owing mainly to a favorable customer mix and the strong performance of the Comfort & Driving Assistance Systems Business Group (ADAS/front cameras),
  - in South Korea, original equipment sales retreated by 6% on a like-for-like basis, outpacing automotive production by 11 percentage points, driven mainly by a favorable customer mix;
- in North America, original equipment sales contracted by 22% on a like-for-like basis, an outperformance of just 3 percentage points resulting from the impact of the electronic component shortage on certain North American automakers' SUV platforms where Valeo has a high content per vehicle. In this context, the Comfort & Driving Assistance Systems and Visibility Systems Business Groups performed well thanks to their respective ADAS/front camera and innovative LED lighting systems businesses;
- in South America, like-for-like original equipment sales slid 7%, outperforming automotive production by 4 percentage points.

<sup>4</sup> See financial glossary, page 9.

## Year-to-date outperformance of 3 percentage points excluding geographic mix

Original equipment sales (in millions of euros)	As a % of 2021 sales	2021 YTD	vs. 2020			vs. 2019		
			YTD	LFL* change	Outperf. vs. IHS/CPCA**	YTD	LFL* change	Outperf. vs. IHS/CPCA**
Europe & Africa	46%	4,943	4,494	+11%	+4 pts	5,820	-15%	+10 pts
Asia, Middle East & Oceania	33%	3,531	3,074	+15%	+2 pts	3,667	-1%	+8 pts
o/w China	15%	1,570	1,360	+11%	0 pts	1,380	+13%	+16 pts
o/w Japan	7%	788	729	+16%	+14 pts	962	-13%	+8 pts
o/w South Korea	8%	828	757	+11%	+10 pts	971	-11%	0 pts
o/w India	1%	146	82	+83%	+35 pts	130	+20%	+25 pts
North America	19%	2,022	1,873	+14%	+7 pts	2,486	-14%	+7 pts
South America	2%	199	173	+32%	+3 pts	293	-1%	+23 pts
<b>YTD total</b>	<b>100%</b>	<b>10,695</b>	<b>9,614</b>	<b>+13%</b>	<b>+2 pts</b>	<b>12,266</b>	<b>-10%</b>	<b>+6 pts</b>

\* Like for like<sup>(5)</sup>.

\*\* Based on IHS automotive production estimates released on October 16, 2021 – CPCA estimates for data relating to China.

In the year to September, Valeo's original equipment sales delivered an outperformance in all production regions. On a global level, the outperformance came out at 2 percentage points. Excluding the impact of the geographic mix, the outperformance came out at 3 percentage points.

## Balanced customer portfolio and geographic positioning

Production regions	YTD 2021	YTD 2020	YTD 2019
Western Europe	31%	32%	32%
Eastern Europe & Africa	16%	15%	16%
China	15%	14%	11%
Asia excluding China	17%	17%	18%
United States	8%	10%	10%
Mexico	11%	11%	11%
South America	2%	1%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Asia and emerging countries</b>	<b>61%</b>	<b>58%</b>	<b>58%</b>

Customers	YTD 2021	YTD 2020	YTD 2019
German	31%	31%	31%
Asian	33%	32%	32%
American	18%	19%	19%
French	14%	13%	13%
Other	4%	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>5</sup> See financial glossary, page 9.

## 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			
	Q3	Q3	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	Q3	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	794	873	-9%	-12%	+6pts	920	-14%	-14%	+8pts
Powertrain Systems	1,080	1,150	-6%	-14%	+4pts	1,249	-14%	-19%	+3pts
Thermal Systems	928	1,017	-9%	-15%	+3pts	1,130	-18%	-18%	+4pts
Visibility Systems	1,126	1,322	-15%	-21%	-3pts	1,458	-23%	-24%	-2pts

\* Like for like<sup>(6)</sup>.

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

\*\*\* Excluding the TCM (Top Column Module) business.

In the third quarter of 2021, all Business Groups outperformed automotive production, except Visibility Systems, which suffered from an unfavorable customer mix in Europe and China.

The Comfort & Driving Assistance Systems Business Group's performance was lifted by growth in its ADAS (front cameras and vision systems) business and outperformed automotive production by 6 percentage points.

The Powertrain Systems and Thermal Systems Business Groups posted comparable outperformances (4 percentage points and 3 percentage points, respectively) thanks to vehicle electrification opportunities, particularly in Europe.

Sales by Business Group (in millions of euros)	2021	vs. 2020				vs. 2019			
	YTD	YTD	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	YTD	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	2,573	2,253	+14%	+16%	+5pts	2,730	-6%	-3%	+13pts
Powertrain Systems	3,548	3,047	+16%	+16%	+5pts	3,814	-7%	-8%	+8pts
Thermal Systems	2,937	2,577	+14%	+14%	+3pts	3,460	-15%	-13%	+3pts
Visibility Systems	3,788	3,491	+9%	+9%	-2pts	4,472	-15%	-14%	+2pts

\* Like for like<sup>(6)</sup>.

\*\* Based on IHS automotive production estimates released on October 16, 2021 – CPCA estimates for data relating to China.

\*\*\* Excluding the TCM business.

In the year to September, all Business Groups outperformed automotive production, except Visibility Systems, which suffered from an unfavorable customer mix in Europe and China.

## Highlights

### ESG and long-term financing

On July 27, 2021, Valeo issued 700 million euros' worth of sustainability-linked bonds with a 7-year maturity and a coupon of 1.00%, becoming the first European player in the automotive industry to issue this type of bond.

This transaction is a natural extension of Valeo's overall sustainable development efforts and is aligned with its commitment to achieving carbon neutrality by 2050.

<sup>6</sup> See financial glossary, page 9.

Valeo is recognized by non-financial rating agencies for its sustainable development (environmental, social and governance) performance. Valeo joined the new "CAC 40 ESG" index in March 2021.

**On September 20, 2021**, in line with its corporate governance policy, Valeo announced an employee share offering reserved for around 90,000 employees working in 21 countries in which the Group operates.

The offering, which aims to involve employees in the Group's development and performance, covers a maximum of 1.2 million shares.

### **Ratings assigned to Valeo's long- and short-term debt by rating agencies**

**On August 30, 2021**, Moody's confirmed Valeo's "Baa3/P3" long- and short-term issuer ratings, revising up its outlook from "negative" to "stable".

### **Industrial partnership**

**On September 7, 2021**, Valeo and Leoni announced that they were joining forces, aiming for a leading position in zone controllers.

Vehicle architecture is set to evolve significantly in the coming years to meet the demands of vehicles that are becoming more autonomous, connected and electric, increasingly equipped with ADAS, sensors, connectivity, electronics and software. These vehicles will communicate more and more with each other and with local infrastructure.

Together with domain controllers, in which Valeo holds a leading position, zone controllers will be the nerve centers of these new vehicle architectures: real hubs of connectivity, data relay and consolidation, centralization of electronic controls and intelligent power management.

The partnership aims to pool the expertise of each of company, both leaders in their respective fields.

### **Technical innovations and awards**

**On September 1, 2021** Valeo made its debut at Eurobike, the leading global trade show for the bike business, held from September 1 to 4 in Friedrichshafen, Germany. At the event, Valeo presented the new Valeo Smart e-Bike system, the most high-performance electric assistance system for bikes to date.

Recently launched on the market, the Valeo technology developed in partnership with France-based Effigear comprises a 48V electric motor and a seven-speed automatic, adaptive gearbox in a single unit located in the pedal assembly. With a torque of 130 Newton meters, it provides the best electric assistance for bikes on the market.

Valeo has already received orders from several customers for its technology, which is aimed at both bike manufacturers and fleet managers. Production for the first city bike to be fitted with its technology will begin in France in April 2022.

**On September 6, 2021**, Valeo presented six major innovations at the IAA Mobility, held in Munich from September 7 to 12, to address the need for safer, cleaner and more diverse mobility:

- Automated Valet Parking, which allows a car to park itself, with Valeo cameras and software installed in the car parks playing a key part in enabling vehicles to perform these autonomous maneuvers;
- new smart lighting systems with new functionalities that turn headlamps and rear lamps into valuable driving assistance features;
- an electric system (motors, transmission and inverter) developed by Valeo-Siemens eAutomotive for a premium German automaker. By 2023, more than 90 vehicle models will be fitted with the joint venture's technologies;
- thermal management dedicated to electric vehicles through comprehensive expertise covering battery cooling, heat pumps and electric compressors, as well as optimized management of in-vehicle thermal comfort;
- new charging stations that can be used to charge all electric and plug-in hybrid vehicles when electricity is cheapest. They can also redistribute electricity not used by the vehicle, either to the power grid or to a specific electric device;

- and lastly, a vital sign detector, that can evaluate a patient's health risks and quickly assess whether they are likely to have Covid or not, using a contactless process.

**On October 1, 2021**, Valeo won the 2021 Automotive News PACE<sup>(7)</sup> Award for the Valeo eAccess 48V, an all-electric powertrain solution for small urban vehicles.

The system contains an electric motor, transmission and inverter (the brain of the system). It can reach a maximum speed of 100 km/h and enjoy a range of 100 km, without emitting any CO<sub>2</sub>. The Valeo 48V eAccess is already on the market and is currently featured in the Citroën AMI.

This 2021 PACE Award-winning innovation aims to make mobility greener and more widely available.

In 2020, technologies that reduce CO<sub>2</sub> emissions accounted for 60% of Valeo's original equipment sales.

## Upcoming events

Full-year 2021 results: February 24, 2022

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<sup>7</sup> Premier Automotive suppliers' Contribution to Excellence, awarded by Automotive News magazine.



## Financial glossary

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

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

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

## 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 CO<sub>2</sub> 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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