SMART TECHNOLOGY
FOR SMARTER MOBILITY

2021 Financial Results

Paris, February 25, 2022

2021 annual results in line with the preliminary financial information published on January 26, 2022

- **Sales of 17,262 million euros**
- **EBITDA margin at 13.4% of sales**
- **Free cash flow of 292 million euros**
- **Valeo Siemens eAutomotive negative contribution to "Share in net earnings of equity-accounted companies" of 255 million euros**

2021 Annual Results

		2021	2020	Change	2019	Change
Sales	*(in €m)*	17,262	16,436	+5%	19,477	-11%
Original equipment sales	*(in €m)*	14,151	13,810	+2%	16,360	-14%
Gross margin	*(in €m)*	3,040	2,155	+41%	3,454	-12%
	(as a % of sales)	*17.6%*	*13.1%*	*+4.5 pts*	*17.7%*	*-0.1 pts*
R&D expenditure	*(in €m)*	(1,510)	(1,695)	-11%	(1,550)	-3%
	(as a % of sales)	*(8.7%)*	*(10.3%)*	*+1.6 pts*	*(8.0%)*	*-0.7 pts*
Selling and administrative expenses	*(in €m)*	(831)	(832)	-0.1%	(870)	-4%
	(as a % of sales)	*(4.8%)*	*(5.1%)*	*+0.3 pts*	*(4.4%)*	*-0.4 pts*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	699	(372)	N/A	1,034	-32%
	(as a % of sales)	*4.0%*	*(2.3%)*	*+6.3 pts*	*5.3%*	*-1.3 pts*
Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(243)	(278)	-13%	(237)	+3%
	(as a % of sales)	*(1.4%)*	*(1.7%)*	*+0.3 pts*	*(1.2%)*	*-0.2 pts*
Operating margin including share in net earnings (losses) of equity-accounted companies*	*(in €m)*	456	(650)	N/A	797	-43%
	(as a % of sales)	2.6%	*(4.0%)*	*6.6 pts*	*4.1%*	*-1.5 pts*
Net attributable income (loss)	*(in €m)*	175	(1,089)	N/A	313	-44%
	(as a % of sales)	*1.0%*	*(6.6%)*	*+7.6 pts*	*1.6%*	*-0.6 pts*
Basic earnings per share	*(in €)*	0.73	(4.55)	N/A	1.31	-44%
EBITDA*	*(in €m)*	2,308	1,505	+53%	2,496	(8%)
	(as a % of sales)	*13.4%*	*9.2%*	*+4.2 pts*	*12.8%*	*+0.6 pts*
Change in operating working capital	*(in €m)*	(460)	266	N/A	301	N/A
Investments in property, plant and equipment	*(in €m)*	(1,109)	(1,329)	-17%	(1,766)	-37%
Free cash flow*	*(in €m)*	292	294	-1%	519	-44%
Net debt*	*(in €m)*	3,104	2,944	+160m	2,817	+287m
ROCE*		9%	(13%)	N/A	13%	N/A
ROA*		5%	(12%)	N/A	8%	N/A

** See financial glossary, page 14.*

2021 dividend

At the next Shareholder's Meeting, Valeo will ask shareholders to approve an increase in the dividend to 0.35 euros per share (up 17% compared to 2020).

2021 sales

2021 automotive production was up by only 4% year on year. Hit by the Covid crisis in 2020, business was severely disrupted by the electronic components crisis in 2021.

Sales (in millions of euros)	As a % of 2021 sales	2021	vs. 2020			vs. 2019		
			2020	LFL* change	Change	2019	LFL* change	Change
Original equipment	82%	14,151	13,810	+4%	+2%	16,360	-11%	-14%
Aftermarket	12%	2,068	1,748	+22%	+18%	1,990	+10%	+4%
Miscellaneous	6%	1,043	878	+20%	+19%	1,127	-3%	-8%
Total	***100%***	**17,262**	**16,436**	**+6%**	**+5%**	**19,477**	**-9%**	**-11%**

** Like for like[1].*

Compared to 2020

Consolidated sales came in at 17,262 million euros, up 5%. Changes in exchange rates had a negative 1.1% impact, primarily due to the depreciation of the euro against the US dollar and the Japanese yen. Changes in Group structure had a negative 0.2% impact for the period.

Original equipment sales grew by 4% on a like-for-like basis, spurred by a slight rebound in trading. Hit by the Covid crisis in 2020, business was severely disrupted by the electronic components crisis in 2021. Valeo nevertheless managed to supply all of its customers without interruption.

Like-for-like **aftermarket sales** rose sharply by 22%, driven by price increases and an excellent service rate in the aftermarket business.

"Miscellaneous" sales rose by 20% on a like-for-like basis, supported by customer contributions to R&D.

Q4 sales (in millions of euros)	As a % of Q4 2021 sales	2021 Q4	vs. 2020			vs. 2019		
			Q4 2020	LFL* change	Change	Q4 2019	LFL* change	Change
Original equipment	*80%*	3,456	4,196	-19%	-18%	4,094	-14%	-16%
Aftermarket	*12%*	518	476	+10%	+9%	508	+9%	+2%
Miscellaneous	*8%*	330	317	+5%	+4%	327	+26%	+1%
Q4 total	***100%***	**4,304**	**4,989**	**-15%**	**-14%**	**4,929**	**-9%**	**-13%**

** Like for like[1].*

In fourth-quarter 2021, business was affected by the shortage of electronic components, which disrupted the supply chain and our customers' production schedules, while automotive production fell by 10% compared with 2020. Sales totaled 4,304 million euros, down 15% on a like-for-like basis. Original equipment sales slid by 19% compared with 2020 on a like-for-like basis, reflecting the impact of the electronic components crisis on activity for certain automaker platforms. Like-for-like aftermarket sales rose by 10% compared to 2020.

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

Original equipment sales by destination region

Original equipment sales (in millions of euros)	As a % of 2021 sales	2021	vs. 2020 2020	vs. 2020 LFL* change	vs. 2020 Outperf. vs. IHS/CPCA**	vs. 2019 2019	vs. 2019 LFL* change	vs. 2019 Outperf. vs. IHS/CPCA**
Europe & Africa	45%	6,375	6,389	— %	+3 pts	7,724	-17%	+8 pts
Asia, Middle East & Oceania	34%	4,838	4,527	+8%	0 pts	5,022	-2%	+3 pts
o/w China	16%	2,261	2,082	+5%	-3 pts	1,971	+12%	+12 pts
o/w Japan	7%	1,024	1,028	+6%	+10 pts	1,271	-15%	+4 pts
o/w South Korea	8%	1,084	1,080	+3%	+4 pts	1,311	-14%	-2 pts
o/w India	1%	198	127	+59%	+31 pts	169	+25%	+26 pts
North America	19%	2,677	2,641	+5%	+5 pts	3,234	-13%	+7 pts
South America	2%	261	253	+17%	+1 pts	380	— %	+20 pts
Total	**100%**	**14,151**	**13,810**	**+4%**	**0 pts**	**16,360**	**-11%**	**+3 pts**

** Like for like[2].*
*** Based on IHS automotive production estimates released on February 14, 2022/CPCA estimates for data relating to China.*

Compared to 2020

In 2021, original equipment sales outperformed automotive production in all major production regions, despite an unprecedented electronic components crisis disrupting our customers' production schedules. In this environment, the Group posted an overall outperformance of 2 percentage points, excluding the impact of the geographic mix:

– in Europe and Africa, original equipment sales remained stable on a like-for-like basis, outpacing automotive production by 3 percentage points driven in particular by a solid performance from Thermal Systems in electrification;

– in Asia, original equipment sales grew by 8% on a like-for-like basis, in line with growth in automotive production:

  - in China, original equipment sales were up 5% on a like-for-like basis, underperforming automotive production by 3 percentage points. Original equipment sales in China were higher than pre-crisis levels – even though an unfavorable customer mix is affecting growth in the country amid strong performances from certain local automakers,
  - in Japan, original equipment sales were up 6% on a like-for-like basis, representing an outperformance of 10 percentage points, driven in particular by Group subsidiary Ichikoh (Visibility Systems Business Group) and by a favorable customer mix,
  - in South Korea, original equipment sales advanced by 3% 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 increased by 5% on a like-for-like basis, outperforming automotive production by 5 percentage points, driven mainly by the ramp-up of numerous projects in ADAS for North American and Japanese customers;

– in South America, original equipment sales expanded by 17% on a like-for-like basis, outperforming automotive production by 1 percentage point.

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

Original equipment sales (in millions of euros)	*As a % of 2021 sales*	2021 Q4	vs. 2020 Q4	vs. 2020 LFL* change	vs. 2020 Outperf. vs. IHS/CPCA**	vs. 2019 Q4	vs. 2019 LFL* change	vs. 2019 Outperf. vs. IHS/CPCA**
Europe & Africa	41%	1,432	1,895	-26%	-3 pts	1,904	-25%	-2 pts
Asia, Middle East & Oceania	38%	1,307	1,453	-10%	-7 pts	1,355	-3%	-6 pts
o/w China	20%	691	722	-6%	-7 pts	591	+11%	+2 pts
o/w Japan	7%	236	299	-19%	-1 pts	309	-18%	-3 pts
o/w South Korea	7%	256	323	-17%	-10 pts	340	-20%	-6 pts
o/w India	2%	52	45	+14%	+25 pts	39	+41%	+32 pts
North America	19%	655	768	-18%	-4 pts	748	-10%	+4 pts
South America	2%	62	80	-18%	-10 pts	87	+4%	+11 pts
Q4 total	**100%**	**3,456**	**4,196**	**-19%**	**-9 pts**	**4,094**	**-14%**	**-7 pts**

** Like for like[3].*
*** Based on IHS automotive production estimates released on February 14, 2022/CPCA estimates for data relating to China.*

In fourth-quarter 2021, business continued to be impacted by the electronic components crisis, which caused disruptions in our customers' production schedules. Original equipment sales were 5 percentage points lower than automotive production, excluding the impact of the geographic mix.

Balanced geographic positioning and customer portfolio

Production regions	2021	2020	2019
Western Europe	30%	32%	32%
Eastern Europe & Africa	16%	15%	16%
China	16%	15%	12%
Asia excluding China	17%	17%	18%
United States	8%	9%	9%
Mexico	11%	11%	11%
South America	2%	1%	2%
Total	**100%**	**100%**	**100%**
Asia and emerging countries	**62%**	**59%**	**59%**

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

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

2021 income statement

The EBITDA margin represented 13.4% of sales, in line with the 2021 guidance (EBITDA margin of between 13% and 13.4% of 2021 sales).

In an environment marked by the shortage of electronic components, this performance underlines the improved operating efficiency of the Group's plants.

		2021	2020	Change	2019	Change
Sales	*(in €m)*	17,262	16,436	*+5%*	19,477	*-11%*
Gross margin	*(in €m)*	3,040	2,155	*+41%*	3,454	*-12%*
	(as a % of sales)	*17.6%*	*13.1%*	*+4.5 pts*	*17.7%*	*-0.1 pts*
EBITDA*	*(in €m)*	2,308	1,505	*+53%*	2,496	*-8%*
	(as a % of sales)	*13.4%*	*9.2%*	*+4.2 pts*	*12.8%*	*+0.6 pts*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	699	(372)	*N/A*	1,034	*-32%*
	(as a % of sales)	*4.0%*	*(-2.3%)*	*+6.3 pts*	*5.3%*	*-1.3 pts*
Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(243)	(278)	*-13%*	(237)	*+3%*
	(as a % of sales)	*(1.4%)*	*(1.7%)*	*+0.3 pts*	*(1.2%)*	*-0.2 pts*
Operating margin including share in net earnings (losses) of equity-accounted companies*	*(in €m)*	456	(650)	*N/A*	797	*-43%*
	(as a % of sales)	*2.6%*	*(4.0%)*	*+6.6 pts*	*4.1%*	*-1.5 pts*
Net attributable income (loss)	*(in €m)*	175	(1,089)	*N/A*	313	*-44%*
	(as a % of sales)	*1.0%*	*(6.6%)*	*+7.6 pts*	*1.6%*	*-0.6 pts*

** See financial glossary, page 14.*

Compared to 2020

Despite the disruptions caused by the electronic components shortage, the extra costs resulting from customers abruptly suspending production and the impact of higher raw material prices in the second half of the year, the gross margin represented 17.6% of sales, attesting to the operating efficiency of the Group's plants.

Amid this downturn in business, **changes in the gross margin** reflect:

– rising raw material prices and transportation costs: negative 0.7 percentage point impact (particularly pronounced in the second half of the year);

more than offset by:

– industrial efficiencies: positive 3.6 percentage point impact;
– higher volumes: positive 0.9 percentage point impact;
– positive contribution of sales of miscellaneous items: positive 0.5 percentage point impact;
– lower fixed costs (mainly depreciation) as a percentage of sales: positive 0.2 percentage point impact.

Gross Research and Development expenditure is under control, increasing 3% year on year to 1,704 million euros. As a result of the 5% increase in sales (outpacing the rise in gross Research & Development expenditure), gross R&D expenditure as a percentage of sales fell by 0.2 percentage points to 9.9%.

		2021	2020	Change	2019	Change
Gross Research and Development expenditure	*(in €m)*	**(1,704)**	**(1,660)**	***+3%***	**(2,054)**	***-17%***
	(as a % of sales)	*(9.9%)*	*(10.1%)*	*+0.2 pts*	*(10.5%)*	*+0.6 pts*
IFRS impact	***(in €m)***	**52**	**(132)**	***N/A***	**364**	***-86%***
Subsidies and grants, and other income	*(in €m)*	142	97	*+46%*	140	*+1%*
Research and Development expenditure	***(in €m)***	**(1,510)**	**(1,695)**	***-11%***	**(1,550)**	***-3%***
	(as a % of sales)	*(8.7%)*	*(10.3%)*	*1.6 pts*	*(8.0%)*	*-0.7 pts*
IFRS impact	***(in €m)***	**52**	**(132)**	***N/A***	**364**	***-86%***
	(as a % of sales)	*0.3%*	*(0.8%)*	*+1.1 pts*	*1.8%*	*-1.5 pts*
Capitalized development expenditure	*(in €m)*	586	598	*-2%*	769	*-24%*
	(as a % of sales)	*3.4%*	*3.6%*	*-0.2 pts*	*3.9%*	*-0.5 pts*
Amortization and impairment*	*(in €m)*	(534)	(730)	*-27%*	(405)	*+32%*
	(as a % of sales)	*(3.1%)*	*(4.4%)*	*+1.3 pts*	*(2.1%)*	*-1.0 pts*

** Impairment losses recorded in operating margin only.*

Note the reduction of the IFRS impact (net difference between capitalized development expenditure and amortization/impairment expense) over the last few years, from 2.1 percentage points of sales in 2018 to 1.8 percentage points of sales in 2019 and 0.3 percentage points in 2021 (negative 0.8 percentage points of sales in 2020 due to one-off items). This lower impact is attributable to (i) the decrease in capitalized development expenditure due to the Group's improved R&D efficiencies resulting from the deployment of its new technological platforms and (ii) the increase in amortization expense linked to the start of production on numerous innovative projects.

Research and Development expenditure recorded in the income statement therefore fell 11% year on year to 1,510 million euros, or 8.7% of sales (down 1.6 percentage points).

Thanks to tight control over fixed costs, administrative and selling expenses remained stable at 831 million euros, or 4.8% of sales (down 0.3 percentage points on 2020).

Operating margin excluding the share in net earnings (losses) of equity-accounted companies came in at 699 million euros, or 4.0% of sales.

The EBITDA margin[(4)] came in at 13.4% of sales, in line with the guidance (EBITDA margin of between 13% and 13.4% of 2021 sales).

The **share in net earnings (losses) of equity-accounted companies** represented a loss of 243 million euros, and takes into account the share of the loss reported by Valeo Siemens eAutomotive amounting to 255 million euros.

Operating margin including the share in net earnings (losses) of equity-accounted companies[(4)] amounted to 456 million euros, or 2.6% of sales.

The Group reported **operating income** of 406 million euros for the year, which includes a negative 50 million euros in other income and expenses, or a negative 0.3% of sales.

Other financial items (which rose 96 million euros) were favorably impacted by the good performance of Group investments in various innovation funds.

The effective tax rate came out at 28.8%.

Net attributable income was 175 million euros, or 1.0% of sales after deducting non-controlling interests in an amount of 70 million euros.

Return on capital employed (ROCE[(4)]) and return on assets (ROA[(4)]) stood at 9% and 5%, respectively in 2021.

Segment reporting

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			
		2020	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	2019	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	3,417	3,228	+6%	+6%	+2 pts	3,649	-6%	-5%	+9 pts
Powertrain Systems	4,651	4,370	+6%	+4%	— pts	5,121	-9%	-11%	+3 pts
Thermal Systems	3,926	3,703	+6%	+5%	+1 pts	4,582	-14%	-13%	+1 pts
Visibility Systems	5,094	5,024	+1%	— %	-4 pts	6,014	-15%	-14%	— pts

** Like for like[(4)].*
*** Based on IHS automotive production estimates released on February 14, 2022/CPCA estimates for data relating to China.*
**** Excluding the Top Column Module (TCM) business.*

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

Compared to 2020

The Comfort and Driving Assistance Systems Business Group outperformed global automotive production by 2 percentage points, thanks to the start-up of numerous ADAS projects, notably in North America and China, thereby reinforcing the Group's position as a world leader in this field.

The Powertrain Systems Business Group performed in line with global automotive production, with sales led by growth in Asia (excluding China) in 48V systems and by the increase in the average content per vehicle in transmission systems.

The Thermal Systems Business Group outperformed global automotive production by 1 percentage point, buoyed by accelerating sales in Europe and Asia of technologies related to the thermal management of electrified vehicles (battery cooling systems, dedicated air conditioning systems for electric vehicles, etc.). These solutions offer new growth opportunities for the Business Group. Thermal technologies dedicated to electrified vehicles accounted for almost 57% of the Business Group's order intake in 2021.

The Visibility Systems Business Group underperformed global automotive production by 4 percentage points. In China, the performance was impacted by an unfavorable customer mix amid vigorous growth from certain local automakers. In Europe, the Visibility Systems Business Group was hit by disruptions in production on certain vehicle platforms, and by an unfavorable product mix (lower electronics content) following the electronic components crisis.

Sales by Business Group (in millions of euros)	2021	vs. 2020				vs. 2019			
	Q4	Q4	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**	Q4	Change in sales	Change in OE sales*	Outperf. vs. IHS/CPCA**
Comfort & Driving Assistance Systems***	844	975	*-13%*	*-16%*	-6 pts	919	*-8%*	*-10%*	-3 pts
Powertrain Systems	1,103	1,323	*-17%*	*-24%*	-14 pts	1,307	*-16%*	*-20%*	-13 pts
Thermal Systems	989	1,126	*-12%*	*-15%*	-5 pts	1,122	*-12%*	*-12%*	-5 pts
Visibility Systems	1,306	1,533	*-15%*	*-19%*	-9 pts	1,542	*-15%*	*-15%*	-8 pts

** Like for like[5].*
*** Based on IHS automotive production estimates released on February 14, 2022/CPCA estimates for data relating to China.*
**** Excluding the TCM business.*

EBITDA[5] by Business Group

EBITDA (in millions of euros and as a % of sales by Business Group)	2021	2020	Change	2019	Change
Comfort & Driving Assistance Systems	587 *17.2%*	412 *12.8%*	+42% *+4.4 pts*	599 *16.4%*	-2% *+0.8 pts*
Powertrain Systems	566 *12.2%*	409 *9.4%*	+38% *+2.8 pts*	685 *13.4%*	-17% *-1.2 pts*
Thermal Systems	428 *10.9%*	247 *6.7%*	+73% *+4.2 pts*	502 *11.0%*	-15% *-0.1 pts*
Visibility Systems	675 *13.3%*	435 *8.7%*	+55% *+4.6 pts*	660 *11.0%*	+2% *+2.3 pts*
Other*	52 *N/A*	2 *N/A*	+2,500% *N/A*	50 *N/A*	+4% *N/A*
Group	**2,308** ***13.4%***	**1,505** ***9.2%***	**+53%** ***+4.2 pts***	**2,496** ***12.8%***	**-8%** ***+0.6 pts***

** Including the TCM business.*

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

2021 free cash flow[6] generation

(in millions of euros)	2021	2020	2019
EBITDA[6]	**2,308**	**1,505**	**2,496**
Change in operating working capital	(460)	266	301
Restructuring costs	(78)	(62)	(37)
Income tax	(237)	(188)	(292)
Provisions for pensions and other employee benefits	(18)	(86)	(33)
Net payments for the principal portion of lease liabilities	(86)	(86)	(84)
Other operating items	(28)	274	(66)
Investments in property, plant and equipment and intangible assets	(1,109)	(1,329)	(1,766)
Free cash flow[6]	**292**	**294**	**519**
Net financial expenses	(28)	(75)	(71)
Other financial items	(416)	(302)	(658)
Net cash flow[6]	**(152)**	**(83)**	**(210)**

The Group generated free cash flow of 292 million euros in 2021. This chiefly results from:

- 2,308 million euros in EBITDA[6], up 53% on 2020;
- the significant 460 million euro negative change in working capital owing to the 468 million euro increase in inventories excluding tooling resulting from (i) the voluntary increase in inventories to supply customers without disruption in response to the semiconductor shortage, (ii) the volatility of customer production, and (iii) ocean freight disruptions leading to an increase in "in transit" inventories. These negative factors are temporary and will largely reverse, resulting in a positive contribution to free cash flow generation in 2022;
- tight control over investments in property, plant and equipment and intangible assets, down 17% compared to 2020.

In 2021, net cash flow[6] amounted to a negative 152 million euros, taking into account 72 million euros in dividend payments to Group shareholders and 267 million euros in additional loans to the Valeo Siemens eAutomotive joint venture.

Net debt[6]

Net debt stood at 3,104 million euros at December 31, 2021 versus 2,944 million euros at December 31, 2020.

The leverage ratio (net debt/EBITDA) came out at 1.34 times EBITDA and the gearing ratio (net debt/stockholders' equity) stood at 84% 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 active vehicle safety. The Group has drawn down a total amount of 600 million euros, of which 300 million euros had been drawn down at December 31, 2021 and 300 million euros at February 10, 2022;
- a Euro Medium Term Note (EMTN) financing program for a maximum of 5 billion euros, on which 3.7 billion euros had been drawn at December 31, 2021;
- at the end of July 2021, Valeo became the first European player in the automotive industry to issue sustainability-linked bonds, with an issue of 700 million euros maturing in August 2028;
- the average maturity of gross long-term debt stood at 3.1 years at December 31, 2021, compared with 3 years at December 31, 2020;
- Valeo has available cash of 2.4 billion euros and a total of 1.7 billion euros in undrawn credit lines.

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

2021 order intake[7]

Valeo's order intake reached a significant 21 billion euros, close to pre-crisis levels (18.9 billion euros in the same period in 2020), representing 1.5x original equipment sales for the period.

As for Valeo Siemens eAutomotive, the joint venture has secured 1.1 billion euros in new orders. Calls for tender whose results were expected in the second half of 2021 were postponed to 2022. The Group confirms its order intake objective of more than 4 billion euros over the 2021-2022 period.

2022 guidance

In 2022, Valeo will focus its efforts on integrating Valeo Siemens eAutomotive, implementing its efficiency program and managing the impacts of inflation.

Based on IHS annual automotive production estimates (released in February 2022), reduced by 1.5%, corresponding to around 82.9 million vehicles (with slight growth in the first half of 2022 and growth of more than 10% in the second half), Valeo has set the following objectives:

	2022*
Sales (in billions of euros)	19.2-20.0
EBITDA[7] (as a % of sales)	11.8%-12.3%
Operating margin (as a % of sales)	3.2%-3.7%
Free cash flow[7] (in millions of euros)	~320

** Based on the integration of Valeo Siemens eAutomotive after July 2022 following the acquisition by Valeo of the 50% stake held by Siemens in the joint venture. The transaction is subject to authorization from the relevant antitrust authorities and the relevant employee representative bodies will be informed and consulted.*
The impacts of applying IAS 37 revised and IFRS 3 in connection with the accounting for the Valeo Siemens eAutomotive acquisition will be presented at a later date.

These objectives do not take into account the potentially unfavorable impacts of recent developments in the Russia-Ukraine crisis on the economic and financial environment, such as a decline in production volumes or an increase in energy or raw material prices to above those seen in early 2022.

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

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:

		2021	TCM*	2021 excluding TCM
Sales	*(in €m)*	17,262	199	17,063
Gross margin	*(in €m)*	3,040	10	3,030
	(as a % of sales)	*17.6%*	*5.0%*	*17.8%*
R&D expenditure	*(in €m)*	(1,510)	(18)	(1,492)
	(as a % of sales)	*(8.7%)*	*(9.0%)*	*(8.7%)*
Selling and administrative expenses	*(in €m)*	(831)	(11)	(820)
	(as a % of sales)	*(4.8%)*	*(5.5%)*	*(4.8%)*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	699	(19)	718
	(as a % of sales)	*4.0%*	*(9.5%)*	*4.2%*

** Including intercompany transactions and consolidation adjustments.*

Upcoming events

First-quarter 2022 sales: April 26, 2022

First-half 2022 results: July 26, 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 announced 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.

On January 26, 2022, the Board of Directors decided to appoint Christophe Périllat as Valeo Chief Executive Officer, in accordance with the succession plan announced on October 27, 2020. Jacques Aschenbroich will continue to act as Chairman of the Board of Directors until the end of his current term of office as a director.

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%[8][9] of CO_2 emissions related to its operating activities (Scopes 1 and 2);

- 15%[8][9] of CO_2 emissions related to its supply chain (upstream Scope 3);

- 15%[8][9] 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 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".

On September 7, 2021, Valeo and Leoni, a leading supplier of wiring systems and power distribution, joined forces to bring the best-in-class solution for zone controllers, key elements of future vehicles.

On February 10, 2022, Valeo, Valeo Siemens eAutomotive and Renault Group announced a strategic partnership for the design, co-development and manufacture in France of a new-generation automotive electric motor, eliminating the use of rare earths. Renault will develop and produce the EESM (Electrically Excited Synchronous Machine) rotor technology, while Valeo and Valeo Siemens eAutomotive will develop and produce the stator, which is based on Valeo's technological expertise in copper wire assembly.

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 one of the year's **major innovations in Germany by the VDA** (*Verband der Automobilindustrie* – the German association of automotive manufacturers and suppliers) on World Creativity and Innovation Day 2021.

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[8] 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.

[9] Compared to 2019.

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[10], 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 had been awarded the Overdrive prize by General Motors for its Valeo XtraVue^{TM} 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.

On October 1, 2021, Valeo won the 2021 Automotive News PACE Award for the Valeo eAccess 48V, an all-electric powertrain solution for small urban vehicles.

On November 23, 2021, Valeo unveiled its third-generation LiDAR scanner, set to make its market debut in 2024. Valeo's third generation LiDar delivers unrivalled performance in terms of range, resolution and frame rate per second. Up to 30% of premium new vehicles are due to reach level 3 automation by 2030, and to do so will need to be equipped with LiDAR technology.

On December 9, 2021, Valeo and Mercedes-Benz announced that the new Mercedes-Benz S-Class, capable of Level 3 automation, will be the world's first vehicle to be fitted with its second-generation Valeo SCALA LiDAR, allowing it to drive in conditionally automated mode under controlled conditions. The S-Class will also be the world's first car to include Valeo's new generation LiDAR Cleaning technology.

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. An initial loan of 300 million euros was signed in February 2021. **On February 10, 2022**, the Group contracted a second 300 million loan maturing in 2030 and repayable in six equal annual installments from 2025**.**

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 sustainability efforts and is aligned with its commitment to achieving carbon neutrality by 2050.

Valeo financial ratings

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

Valeo is recognized by non-financial rating agencies for its sustainable development (environmental, social and governance) performance.

[10] *In 2019.*

Changes in the scope of consolidation

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.

On February 9, 2022, Valeo announced that it had signed an agreement with Siemens to hold 100% of Valeo Siemens eAutomotive, which will be integrated within Valeo's Powertrain Systems business after July 1, 2022, subject to authorization from the relevant antitrust authorities. The relevant employee representative bodies will be informed and consulted. Siemens' 50% stake in Valeo Siemens eAutomotive will be acquired for 277 million euros on a debt-free basis. The impact of the acquisition is an increase of 741 million euros in Valeo's net debt.

Key figures for second-half 2021

		H2 2021	H2 2020	Change	H2 2019	Change
Sales	*(in €m)*	8,268	9,378	-12%	9,701	-15%
Original equipment sales	*(in €m)*	6,639	7,947	-16%	8,140	-18%
Gross margin	*(in €m)*	1,454	1,648	-12%	1,700	-14%
	(as a % of sales)	*17.6%*	*17.6%*	*0.0 pts*	*17.5%*	*+0.1 pts*
R&D expenditure	*(in €m)*	(754)	(767)	-2%	(765)	-1%
	(as a % of sales)	*(9.1%)*	*(8.2%)*	*-0.9 pts*	*(8.0%)*	*-1.1 pts*
Selling and administrative expenses	*(in €m)*	(416)	(413)	+1%	(415)	— %
	(as a % of sales)	*(5.0%)*	*(4.4%)*	*-0.6 pts*	*(4.2%)*	*-0.8 pts*
Operating margin excluding share in net earnings (losses) of equity-accounted companies	*(in €m)*	284	468	-39%	520	-45%
	(as a % of sales)	*3.4%*	*5.0%*	*-1.6 pts*	*5.4%*	*-2.0 pts*
Share in net earnings (losses) of equity-accounted companies	*(in €m)*	(124)	(112)	+11%	(130)	-5%
	(as a % of sales)	*(1.5%)*	*(1.2%)*	*-0.3 pts*	*(1.3%)*	*-0.2 pts*
Operating margin including share in net earnings (losses) of equity-accounted companies*	*(in €m)*	160	356	-55%	390	-59%
	(as a % of sales)	*1.9%*	*3.8%*	*-1.9 pts*	*4.0%*	*-2.1 pts*
Net attributable income	*(in €m)*	85	126	-33%	151	-44%
	(as a % of sales)	*1.0%*	*1.3%*	*-0.3 pts*	*1.6%*	*-0.6 pts*
EBITDA*	*(in €m)*	1,104	1,303	-15%	1,278	-14%
	(as a % of sales)	*13.4%*	*13.9%*	*-0.5 pts*	*13.2%*	*+0.2 pts*
Change in operating working capital	*(in €m)*	(242)	840	N/A	71	N/A
Investments in property, plant and equipment	*(in €m)*	(539)	(615)	-12%	(800)	-33%
Free cash flow*	*(in €m)*	147	1,343	-89%	267	-48%
Net debt*	*(in €m)*	3,104	2,944	+160m	2,817	+287m

** See financial glossary, page 14.*

Financial glossary

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

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

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

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

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

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

Free cash flow corresponds to net cash from operating activities (excluding changes in non-recurring sales of receivables and 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 CO_2 emissions and to the development of intuitive driving. In 2021, the Group generated sales of 17.3 billion euros and invested 8.7% of its sales in Research and Development. At December 31, 2021, Valeo had 184 plants, 21 research centers, 43 development centers and 16 distribution platforms, and employed 103,300 people in 31 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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