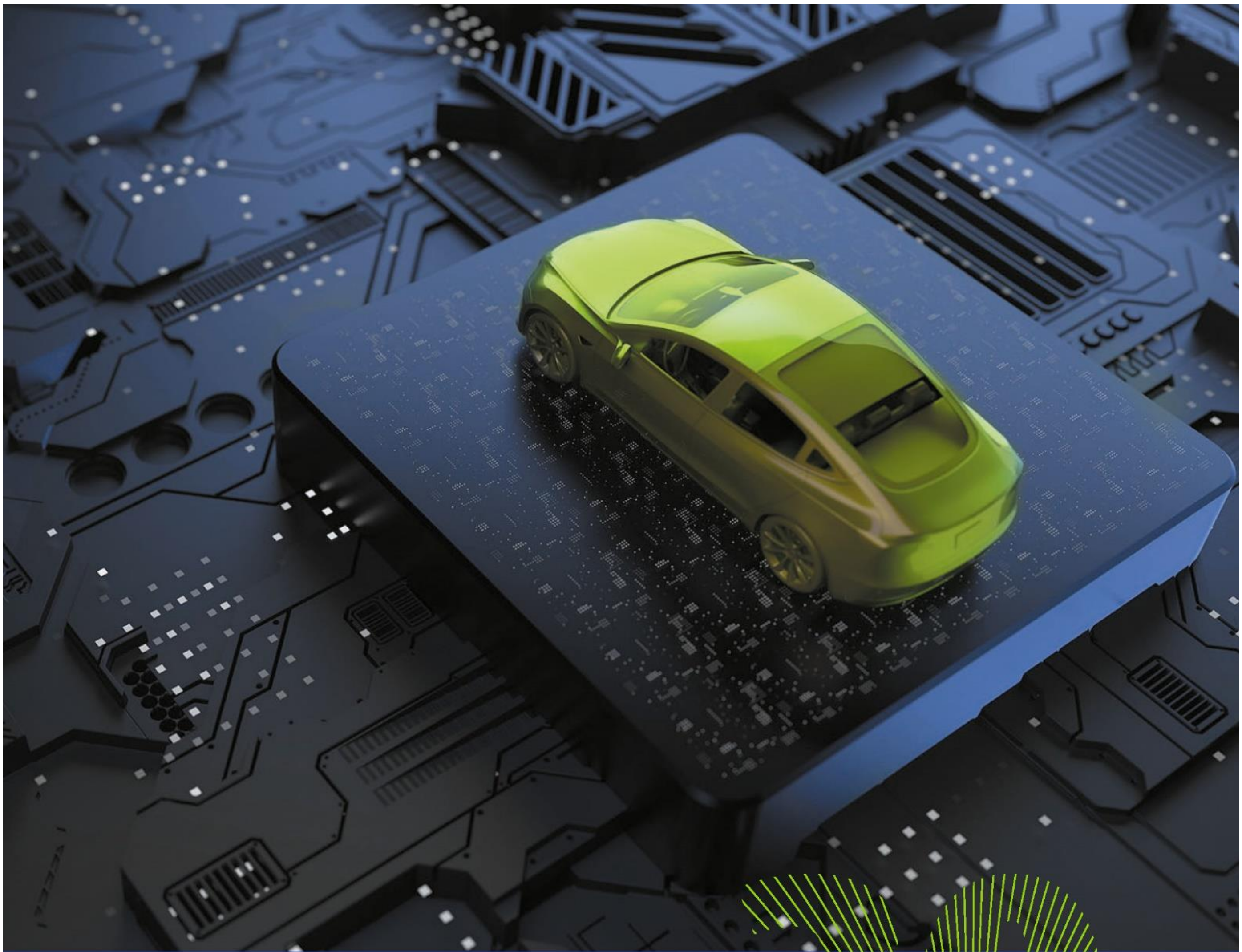


HALF-YEAR FINANCIAL REPORT

2022

Valeo

SMART TECHNOLOGY FOR SMARTER MOBILITY

Contents

1. GROUP PROFILE AND CORPORATE GOVERNANCE

As a technology company and partner to all automakers and new mobility players, Valeo is innovating to make mobility cleaner, safer and smarter. Valeo enjoys technological and industrial leadership in electrification, driving assistance systems, reinvention of the interior experience and lighting. These four areas are vital to the transformation of mobility and will drive the Group's growth in the coming years.

In the first half of 2022, the Group generated sales of 9.4 billion euros and invested 959 million euros in Research and Development. At June 30, 2022, Valeo had 185 plants, 21 research centers, 44 development centers and 18 distribution platforms, and employed 104,400 people in 31 countries worldwide.

Valeo is listed on Euronext Paris.

Board of Directors at June 30, 2022

- **Jacques Aschenbroich**
  Chairman of the Board of Directors
- **Christophe Périllat**
  Chief Executive Officer
- **Bruno Bézard**
- **Bpifrance Participations,**
  represented by Stéphanie Frachet
- **C. Maury Devine***
- **Fonds Stratégique de Participations,**
  represented by Julie Avrane
- **Mari-Noëlle Jégo-Laveissière**
- **Gilles Michel**
- **Thierry Moulonguet**
- **Éric Poton**
  Director representing employees
- **Patrick Sayer**
- **Ulrike Steinhorst**
- **Grzegorz Szelag**
  Director representing employees
- **Véronique Weill**

Committees at June 30, 2022

Audit & Risks Committee

- **Thierry Moulonguet**
  Chairman
- **Bruno Bézard**
- **Fonds Stratégique de Participations,**
  represented by Julie Avrane
- **Mari-Noëlle Jégo-Laveissière**
- **Éric Poton**, *director representing employees*
- **Véronique Weill**

Compensation Committee

- **Gilles Michel**
  Chairman
- **Bpifrance Participations,**
  represented by Stéphanie Frachet
- **C. Maury Devine***
- **Patrick Sayer**
- **Ulrike Steinhorst**
- **Grzegorz Szelag**, *director representing employees*
- **Véronique Weill**

Governance, Appointments & Corporate Social Responsibility Committee

- **Gilles Michel**
  Chairman
- **Bpifrance Participations,**
  represented by Stéphanie Frachet
- **C. Maury Devine***
- **Patrick Sayer**
- **Ulrike Steinhorst**, *in charge of CSR issues*
- **Véronique Weill**

Strategy Committee*

- **Patrick Sayer**
  Chairman
- **Bpifrance Participations,**
  represented by Stéphanie Frachet
- **Gilles Michel**
- **Thierry Moulonguet**
- **Ulrike Steinhorst**

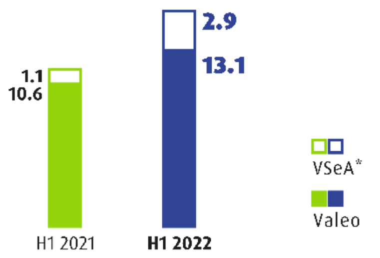
** It should be noted that C. Maury Devine stepped down as a director on July 26, 2022 and that the Board of Directors co-opted Alexandre Dayon as an independent director on the same date. He will also be a member of the Strategy Committee as from July 26, 2022..*

2. KEY FIGURES

Financial performance

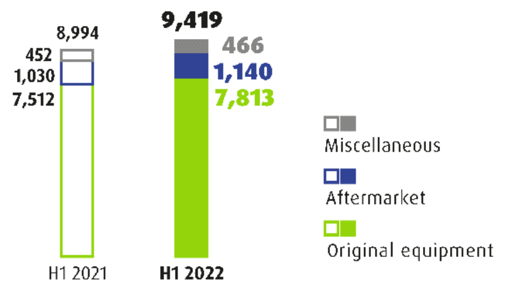
ORDER INTAKE(1)

In billions of euros



SALES

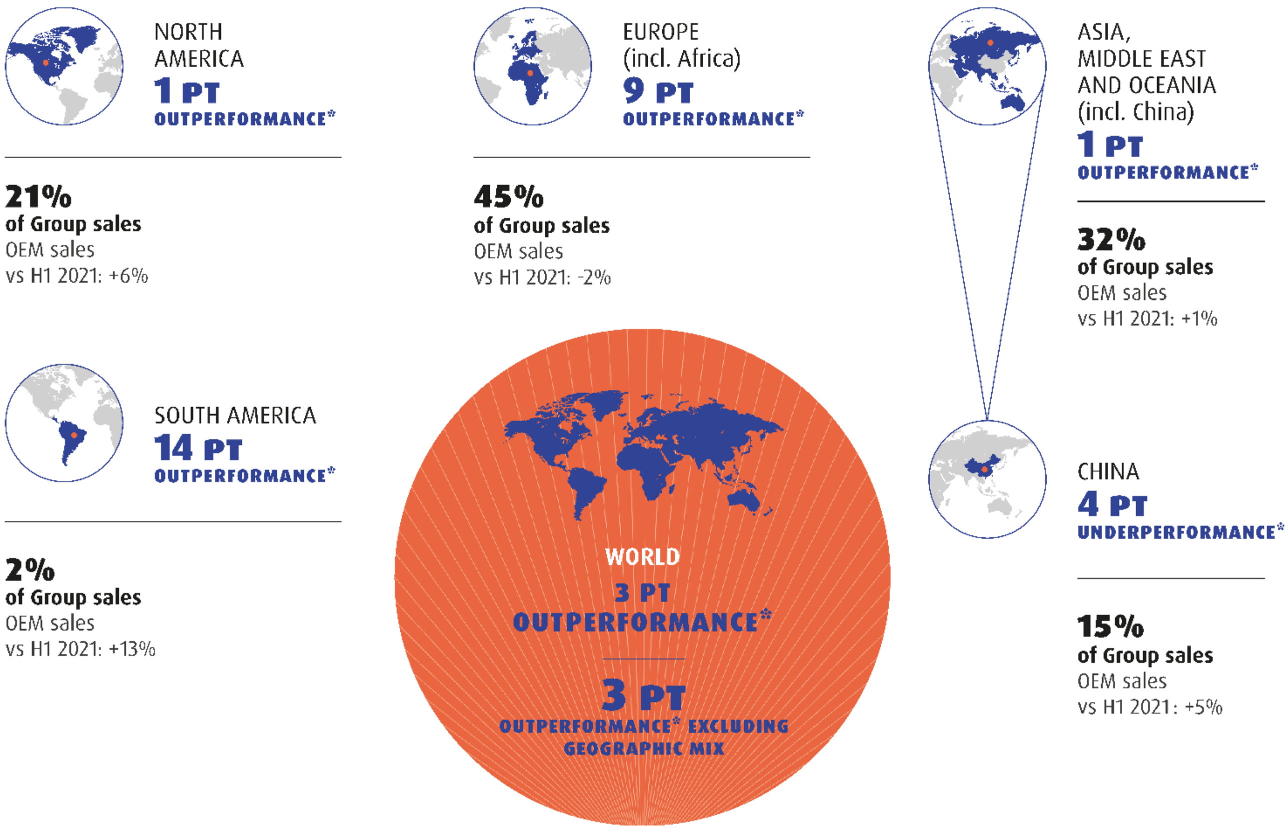
Breakdown by type
In millions of euros



** Valeo Siemens eAutomotive.*
*** Products and technologies in series production for less than three years.*

ORIGINAL EQUIPMENT SALES:

GROWTH, OUTPERFORMANCE* AND BREAKDOWN BY DESTINATION REGION
Like for like(1)

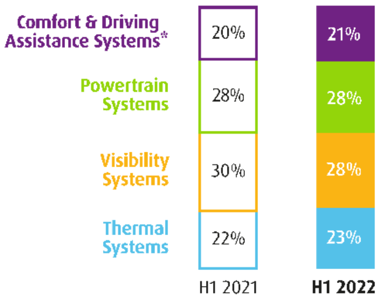


** Compared to the automotive market, based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.*

[1] *See financial glossary, page 64.*

SALES BY BUSINESS GROUP

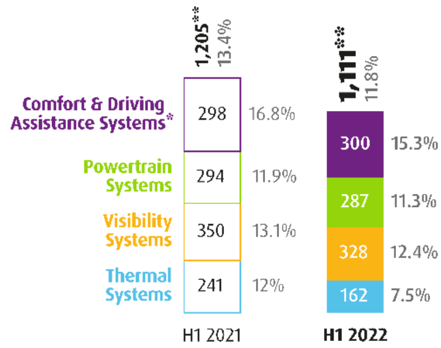
*As a % of total sales**



** Excluding the Top Column Module business.*

TOTAL EBITDA[1] AND EBITDA BY BUSINESS GROUP

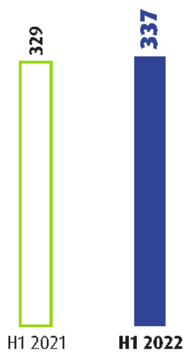
In millions of euros and as a % of each Business Group's sales



** Excluding the Top Column Module business.*
*** Includes other items for €22 million in H1 2021 and €34 million in H1 2022.*

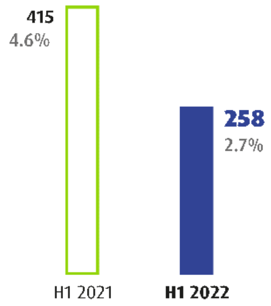
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS*

** Excluding capitalized development expenditure*
In millions of euros



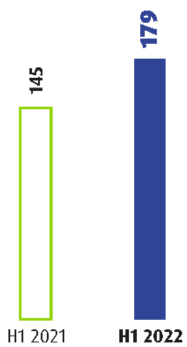
OPERATING MARGIN

Excluding share in net earnings of equity-accounted companies
In millions of euros and as a % of sales



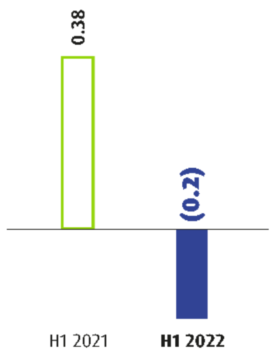
FREE CASH FLOW[1]

In millions of euros



BASIC EARNINGS PER SHARE

In euros



[1] *See financial glossary, page 64.*

3. INTERIM MANAGEMENT REPORT

"The resilience of Valeo's first-half 2022 results in a difficult environment marked by high inflation, the electronic components shortage, lockdown measures in China and the conflict in Ukraine reflects our ability to overcome the major challenges we are currently facing.

Thanks to the excellent work of Valeo's teams, our sales growth outperformed automotive production in all regions worldwide, while our free cash flow generation exceeded expectations at 179 million euros.

We are particularly pleased with the high level of order intake, including several particularly strategic orders in electrification and ADAS, illustrating Valeo's accelerating momentum and the strong growth outlook set out in our Move Up plan.

The integration of Valeo Siemens eAutomotive is progressing as planned and will enable us to achieve the 120 million euros in synergies announced by 2025.

Based on the automotive production estimates published by S&P Global Mobility for the second half of the year, we are confident in our ability to achieve our 2022 guidance. This puts us perfectly in line with our Move Up plan."

July 26, 2022.

Christophe Périllat, *Chief Executive Officer of Valeo*

3.1. Implementation of the Move Up plan:

Strong business momentum validating Valeo's growth outlook

In the first six months of 2022, Valeo enjoyed strong business momentum and recorded a significant increase in order intake, which reached 13.1 billion euros or 1.7 times its original equipment sales. In addition, innovations[1] accounted for 65% of the order intake. Valeo Siemens eAutomotive's order intake amounted to 2.9 billion euros. The Group is seeing a sharp rise in the average value of orders it receives for ADAS and electrification technologies, driven by a rise in content per vehicle and the increasing use of platforms by OEMs.

In ADAS, Valeo recorded key strategic orders with:

– Stellantis, for its third generation LiDAR (Valeo SCALA 3), whose technical features in terms of resolution and field of view enable vehicles to reach a high level of autonomy (level 3);
– BMW, in a major partnership for which Valeo will supply the ADAS domain controller, sensors (ultrasonic sensors, surround view cameras and a multifunctional interior camera) and software for parking and low-speed maneuvering on the next generation BMW "Neue Klasse" platform due to launch in 2025.

The Group is also seeing its order intake accelerate in the field of electrification:

– Valeo Siemens eAutomotive beat its target of more than 4 billion euros in order intake for high-voltage electrification technologies for the 2021-2022 period. The goal was met more than seven months ahead of its roadmap, attesting to Valeo's momentum in the fast accelerating high-voltage electrification market;
– in the Thermal Systems Business Group, the acceleration of electrification led to new order intake in the area of thermal management for electrified vehicles (battery cooling systems, specific climate control systems for electric vehicles, etc.). In the first half of the year, order intake relating to electrified vehicles accounted for more than 60% of the Business Group's new orders.

In the interior and exterior lighting business (the "lighting everywhere" component of the Move Up plan), Valeo received its first orders for front-end lighting and illumination for automaker badges following the phasing out of radiator grilles on electric vehicles, with the booming electrification market offering automakers new opportunities to liven up their design features.

Integration of Valeo Siemens eAutomotive, July 4, 2022

On July 4, **Valeo Siemens eAutomotive was integrated within the Powertrain Systems Business Group.** The Business Group intends to harness synergies from the integration, particularly in R&D. The amount of these synergies, estimated in the Move Up plan at 120 million euros on an annual basis by 2025, is confirmed.

[1] *Products and technologies in series production for less than three years.*

Valeo, committed to sustainable mobility for the long term

Positioned in the four megatrends set out in the Move Up plan – acceleration of electrification and ADAS, reinvention of the interior experience and lighting everywhere – and committed to diversity and inclusion, Valeo is in step with the United Nations' key Sustainable Development Goals.

Valeo develops solutions that contribute to significantly reducing greenhouse gas emissions, such as hybrid and electric powertrain systems, including rare earth-free EESM eMotor and 800V SiC technologies. It also manufactures solutions that help improve road safety, with a panel of sensors that is unmatched worldwide, including its most advanced third generation LiDAR.

Valeo's commitment in these areas and those made by the Group in terms of ESG are reflected in its leading position with non-financial rating agencies and its inclusion in the main global ESG indices.

3.2. Business review

3.2.1. Change in sales

In first-half 2022, automotive production contracted by 2% compared to the same period in 2021.

The automotive industry faced a number of challenges during the period:

- disruption in the supply chain for electronic components which, as expected, are showing signs of gradual improvement;
- lockdown measures in China, which had a significant impact on sales in April. Since then, business has recovered rapidly, returning to normal levels in early June;
- the Russia-Ukraine crisis, which affected the activity of certain manufacturers in February and March.

Sales *(in millions of euros)*	As a % of H1 2022 sales	H1 2022	vs H1 2021		
			H1	LFL* change	Change
Original equipment	83%	**7,813**	**7,512**	+1%	+4%
Aftermarket	12%	**1,140**	**1,030**	+11%	+11%
Miscellaneous	5%	**466**	**452**	—%	+3%
H1 total	**100%**	**9,419**	**8,994**	**+2%**	**+5%**

** Like for like[2].*

Consolidated sales of 9,419 million euros in the first half, up 5% compared with the same period in 2021. Changes in exchange rates had a positive 3.4% impact, primarily due to the depreciation of the euro against the US dollar and the Chinese yuan. Changes in Group structure had a negative 0.4% impact for the period.

Original equipment sales increased by 1% on a like-for-like basis despite the decline in automotive production. Thanks to an increase in content per vehicle, the Group was able to more than offset the contraction in global automobile production.

Like-for-like aftermarket sales rose sharply by 11%, buoyed by an attractive offering for customers as well as market momentum.

"Miscellaneous" sales were stable on a like-for-like basis, supported by customer contributions to the Group's R&D efforts.

[2] See financial glossary, page 64.

3.2.2. Change in original equipment sales by destination region

Original equipment sales *(in millions of euros)*	As a % of H1 2022 sales	H1 2022	vs H1 2021 H1	LFL* change	Outperformance**
Europe & Africa	**45%**	**3,548**	**3,606**	**-2%**	**+9 pts**
Asia, Middle East & Oceania	**32%**	**2,485**	**2,379**	**+1%**	+1 pt
o/w China	***15%***	***1,184***	*1,022*	*+5%*	*+4 pts*
o/w Japan	***6%***	***505***	*548*	*-6%*	*+8 pts*
o/w South Korea	***7%***	***528***	*583*	*-6%*	*-4 pts*
o/w India	***1%***	***106***	*93*	*+9%*	*-7 pts*
North America	**21%**	**1,614**	**1,390**	**+6%**	+1 pt
South America	**2%**	**166**	**137**	**+13%**	+14 pts
H1 total	**100%**	**7,813**	**7,512**	**+1%**	**+3 pts**

** Like for like[3].*
*** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.*

First-half 2022 original equipment sales outperformed global automotive production by 3 percentage points (3 percentage points excluding the geographic mix)**.**

Valeo outperformed automotive production in the main production regions:

– **in Europe and Africa**, original equipment sales were down 2% on a like-for-like basis, outpacing automotive production by 9 percentage points, mainly driven by the Comfort and Driving Assistance and Thermal Systems Business Groups;

– in Asia, original equipment sales grew by 1% on a like-for-like basis, outpacing automotive production by 1 percentage point:

  - **in China**, like-for-like original equipment sales were up 5%, outperforming automotive production by 4 percentage points. Business was well above pre-crisis levels despite lockdown measures which significantly affected the Group's activity during the second quarter. The Comfort & Driving Assistance Systems Business Group saw a significant acceleration in its camera business with its Chinese and international customers, and the Thermal Systems Business Group benefited from an acceleration in sales to German customers. The Visibility Systems Business Group, however, was negatively impacted by an unfavorable product mix (lower electronics content), while the Powertrain Systems Business Group experienced a decline in its truck business due to an unfavorable basis of comparison (strong growth in first-quarter 2021),

  - **in Japan**, original equipment sales declined by 6% on a like-for-like basis, representing an outperformance of 8 percentage points, driven by a favorable customer mix amid supply chain disruption;

– **in North America**, original equipment sales increased by 6% on a like-for-like basis, outperforming automotive production by 1 percentage point, driven mainly by the ramp-up of numerous projects in ADAS and market share gains with several automakers in powertrains;

– **in South America**, original equipment sales expanded by 13% on a like-for-like basis, outperforming automotive production by 14 percentage points.

[3] *See financial glossary, page 64.*

3.3. Segment reporting

3.3.1. 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)	H1 2022	vs H1 2021			
		H1	Change in sales	Change in OE sales*	Outperfor-mance**
Comfort & Driving Assistance Systems***	1,958	1,779	+10%	+5%	+7 pts
Powertrain Systems	2,549	2,468	+3%	-2%	— pts
Thermal Systems	2,171	2,009	+8%	+3%	+5 pts
Visibility Systems	2,639	2,662	-1%	-3%	-1 pt

** Like for like[4].*
*** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.*
**** Excluding the Top Column Module business.*

The Comfort & Driving Assistance Systems Business Group outperformed global automotive production by 7 percentage points, thanks to the start-up of numerous ADAS projects (particularly for cameras), notably in China and North America, thereby strengthening its position as a world leader.

The Powertrain Systems Business Group performed in line with global automotive production in an environment where vehicles with high-voltage electrical systems are rapidly gaining market share, thereby reducing the relative size of the Powertrain Systems Business Group's target market in its current scope. This trend will reverse thanks to the takeover of Valeo Siemens eAutomotive, whose growth is expected to accelerate in the second half of the year. The Business Group's sales were also affected by the slowdown in its truck business in China and by supply disruptions in Europe (electronic components and wiring harnesses from Ukraine), particularly with its German customers. However, the Business Group gained market share with several manufacturers in North America.

The Thermal Systems Business Group outperformed global automotive production by 5 percentage points, buoyed by brisk sales of systems for electrified vehicles (battery cooling systems, climate control systems for electric vehicles, etc.) in Europe with German and French customers. The Business Group also benefited in China from an acceleration in sales to German customers.

The Visibility Systems Business Group underperformed global automotive production by 1 percentage point, reflecting an unfavorable product mix (lower electronics content) in Europe and China due to the electronic components crisis and an unfavorable customer mix in Japan.

[4] *See financial glossary, page 64.*

3.3.2. EBITDA[5] by Business Group

EBITDA *(in millions of euros and as a % of sales by Business Group)*	H1 2022	H1 2021	Change
Comfort & Driving Assistance Systems	300 *15.3%*	298 *16.8%*	+1% *-1.5 pts*
Powertrain Systems	287 *11.3%*	294 *11.9%*	-2% *-0.6 pts*
Thermal Systems	162 *7.5%*	241 *12.0%*	-33% *-4.5 pts*
Visibility Systems	328 *12.4%*	350 *13.1%*	-6% *-0.7 pts*
Other*	34 *N/A*	22 *N/A*	+55% *N/A*
Group	**1,111** ***11.8%***	**1,205** ***13.4%***	**-8%** ***-1.6 pts***

** Including the Top Column Module business.*

Valeo's Business Groups saw their profitability unevenly impacted by high inflation in the first half of the year. **The Thermal Systems Business Group** was hit hardest, due to the lag in obtaining compensation for the increase in prices of aluminum and related components, and low production volumes for certain vehicles in Europe.

All the Business Groups are negotiating compensation with their customers to reduce the impact of inflation (electronic components, raw materials, energy, transportation and salaries) on their earnings. These negotiations also aim to increase the use and frequency of reviews of price indexation clauses provided for in commercial contracts.

At Group level, Valeo confirms that the net impact of the increase in cost of raw materials, energy and transportation in 2022 is expected to amount to 200 million euros.

[5] *See financial glossary, page 64.*

3.4. Earnings

In an environment impacted by volume losses due to the shortage of electronic components and lockdown measures in China, as well as by the increase in raw material prices, EBITDA and EBIT margins stood at 11.8% and 2.7% of sales respectively.

		H1 2022	H1 2021	Change
Sales	(in €m)	9,419	8,994	+5%
Gross margin	*(in €m)*	1,589	1,586	—%
	(as a % of sales)	16.9%	17.6%	-0.7 pts
EBITDA*	(in €m)	1,111	1,205	-8%
	(as a % of sales)	11.8%	13.4%	-1.6 pts
Operating margin excluding share in net earnings of equity-accounted companies	(in €m)	258	415	-38%
	(as a % of sales)	2.7%	4.6%	-1.9 pts
Share in net earnings of equity-accounted companies	*(in €m)*	(76)	(119)	-36%
	(as a % of sales)	(0.8%)	(1.3%)	+0.5 pts
Operating margin including share in net earnings of equity-accounted companies*	(in €m)	182	296	-39%
	(as a % of sales)	1.9%	3.3%	-1.4 pts
Net attributable income (loss)	(in €m)	(48)	90	-153%
	(as a % of sales)	(0.5%)	1.0%	-1.5 pts

** See financial glossary, page 64.*

Gross margin decreased by 0.7 percentage points versus first-half 2021 to 16.9% of sales, breaking down as follows:

– volume effect (negative 0.3 percentage point impact);

– rising raw material and energy prices and transportation costs (negative net 1.3 percentage point impact);

– pay increases (in addition to the increase in 2021) (negative 0.3 percentage point impact);

– partially offset by the product mix and the efficiency program (positive 1.2 percentage point impact).

		H1 2022	H1 2021	Change
Sales	*(in €m)*	9,419	8,994	+5%
Gross Research and Development expenditure	*(in €m)*	**(959)**	**(851)**	**+13%**
	(as a % of sales)	*(10.2%)*	*(9.5%)*	**-0.7 pts**
IFRS impact*	*(in €m)*	3	46	-93%
Subsidies and grants, and other income	*(in €m)*	63	49	+29%
Research and Development expenditure	*(in €m)*	**(893)**	**(756)**	**+18%**
	(as a % of sales)	**(9.5%)**	**(8.4%)**	**-1.1 pts**
IFRS impact*	***(in €m)***	3	46	-93%
	(as a % of sales)	—%	0.5%	-0.5 pts
Capitalized development expenditure	*(in €m)*	295	291	+1%
	(as a % of sales)	*3.1%*	*3.2%*	-0.1 pts
Amortization, net of the impact of investment subsidies, and impairment losses**	*(in €m)*	(292)	(245)	+19%
	(as a % of sales)	*(3.1%)*	*(2.7%)*	-0.4 pts

** Difference between capitalized development expenditure and amortization, net of the impact of investment subsidies, and impairment losses.*
*** Impairment losses recorded in operating margin only.*

Research and Development expenditure rose 1.1 percentage points in first-half 2022 to 9.5% of sales.

Net Research and Development expenditure (after taking into account contributions from customers) totaled 669 million euros, or 7.1% of sales, in line with the Move Up plan, which sets a target of approximately 6.5% of sales by 2025.

Gross Research and Development expenditure represented 10.2% of sales, in line with the Group's business and project momentum.

The IFRS impact (the difference between capitalized development expenditure and amortization, net of the impact of investment subsidies, and impairment losses) decreased to zero over the period, thereby underlining the quality of the Group's earnings composition:

– the level of capitalization of Research and Development expenditure was stable at 3.1% of sales;

– amortization was up 0.4 percentage points compared with the first half of 2021, to 3.1% of sales, as a result of the start of production on numerous innovative projects.

Administrative and selling expenses came out 0.1 percentage points higher than in 2021, at 4.7% of sales.

Operating margin excluding the share in net earnings of equity-accounted companies came in at 258 million euros, or 2.7% of sales.

EBITDA margin[(6)] came in at 11.8% of sales, in line with 2022 guidance (EBITDA margin of between 11.8% and 12.3% of sales).

The share in net earnings of equity-accounted companies represented a loss of 76 million euros. It takes into account:

– the share in net earnings of the Valeo Siemens eAutomotive joint venture (representing a loss of 82 million euros in the first half of 2022 versus a loss of 124 million euros in the first half of 2021), which is in line with the trajectory set out for its recovery. The reduction in the activity's losses will continue in the second half, thanks in particular to an acceleration in sales and a decrease in Research and Development expenditure. Thanks to this momentum, we confirm that losses for the high-voltage activity should halve in 2022;

– the share in the net earnings of other joint ventures, negatively affected by lockdown measures in China in the second quarter.

Operating margin including the share in net earnings of equity-accounted companies[(6)] amounted to 182 million euros, or 1.9% of sales.

Operating income came to 111 million euros. This includes other income and expenses for an overall amount of 71 million euros, of which 32 million euros in impairment charged against Valeo’s assets in Russia.

In an environment marked by rising interest rates, cost of debt amounted to 50 million euros (up 28 million euros compared with first-half 2021), following the issue of 700 million euros' worth of bonds in July 2021 and the drawdown of (in two tranches of 300 million euros each, in June 2021 and February 2022) of the 600 million euros in financing granted by the European Investment Bank (EIB).

The effective tax rate was a high 62%, reflecting an unfavorable country mix.

The Group recorded a net attributable loss of 48 million euros for the period, or a negative 0.5% of sales, after deducting non-controlling interests in an amount of 32 million euros.

Return on capital employed (ROCE[(6)]) and return on assets (ROA[(6)]) stood at 7% and 4%, respectively.

[6] *See financial glossary, page 64.*

3.5. Cash flow and financial position

3.5.1. Cash generation

(in millions of euros)	H1 2022	H1 2021
EBITDA[7]	**1,111**	**1,205**
Change in operating working capital	(35)	(218)
Restructuring costs	(17)	(54)
Income tax	(139)	(133)
Provisions for pensions and other employee benefits	(16)	(7)
Net payments for the principal portion of lease liabilities	(50)	(42)
Other operating items	(86)	(36)
Investments in property, plant and equipment and intangible assets	(589)	(570)
- Investments excluding capitalized development expenditure	*(337)*	*(329)*
- Capitalized development expenditure	*(252)*	*(241)*
Free cash flow[7]	**179**	**145**
Net financial expenses	(64)	(13)
Other financial items	(335)	(188)
Net cash flow[7]	**(220)**	**(56)**

The Group generated free cash flow of 179 million euros **in the first half of 2022**, chiefly reflecting:

– strictly controlled investments in property, plant and equipment and intangible assets, which amounted to 589 million euros, breaking down as:
  - 337 million euros in investments excluding capitalized development expenditure, or 3.6% of sales,
  - 252 million euros in capitalized development expenditure, or 2.7% of sales;

partially offset by:

– the EBITDA[7] contribution of 1,111 million euros, down by 94 million euros from the same period in 2021, due to the loss of volumes linked to the shortage of electronic components and lockdown measures in China, as well as the considerable increase in the price of raw materials borne by Valeo;

– the 35 million euro negative change in operating working capital, impacted by the increase in inventories excluding tooling due to (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 reverse as supply chains return to normal conditions.

Net cash flow(7) was negative at 220 million euros, chiefly comprising 51 million euros for the share buyback program, 35 million euros for dividends paid to non-controlling shareholders of Group subsidiaries, 84 million euros for dividends paid to shareholders of Valeo SE and 112 million euros for loans granted to the Valeo Siemens eAutomotive joint venture.

3.5.2. Net debt

Net debt[7] stood at 3,281 million euros at June 30, 2022 versus 3,147 million euros at December 31, 2021.

At June 30, 2022, the leverage ratio (net debt/EBITDA) came out at 1.48x EBITDA and the gearing ratio (net debt/stockholders' equity) stood at 89.4% of equity.

On July 15, 2022, Valeo set up a 12-month bridge-to-bond facility in the form of undrawn credit lines. The facility provides for two six-month extension options exercisable at Valeo's discretion.

[7] *See financial glossary, page 64.*

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 was drawn down on February 10, 2022;
– a Euro Medium Term Note (EMTN) financing program for a maximum of 5 billion euros, of which 3.7 billion euros had been drawn at June 30, 2022;
– the average maturity of gross long-term debt stood at 2.8 years at June 30, 2022, compared with 3.1 years at December 31, 2021;
– Valeo has available cash of 3.1 billion euros and a total of 1.8 billion euros in undrawn credit lines.

3.6. 2022 outlook confirmed

Based on the latest automotive production estimates released by S&P Global on July 15, 2022, current levels of raw material and energy prices, constructive pricing discussions with our customers and the operational efficiencies identified in our plants, we confirm our 2022 financial objectives as published on February 25.

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

** Based on:*

– *the integration of Valeo Siemens eAutomotive at July 4, 2022 following the acquisition by Valeo of the 50% stake held by Siemens in the joint venture;*
– *S&P Global Mobility (formerly IHS Markit) annual automotive production estimates released in February 2022 reduced by 1.5%, corresponding to around 82.9 million vehicles – falling within the range of 79.9 million to 84.1 million vehicles (with slight growth in the first half of 2022 and more than 10% growth in the second half);*
– *an expected 50% reduction in Valeo Siemens eAutomotive's losses in 2022 compared to 2021.*

3.7. Highlights

3.7.1. Corporate governance

On January 26, 2022, Valeo announced the appointment of Christophe Périllat as Chief Executive Officer in accordance with the succession plan published on October 27, 2020, with Jacques Aschenbroich continuing to serve as Chairman of Valeo's Board of Directors.

On March 30, 2022, the Board of Directors of Valeo acknowledged the decision of the Board of Directors of Orange to appoint Jacques Aschenbroich as Chairman of the Board of Directors of Orange following its General Shareholders' Meeting held on May 19, 2022, subject to his appointment as Director. Jacques Aschenbroich's appointment as Chairman of the Board of Directors of Orange took effect on May 19, 2022.

In line with the commitment undertaken by Jacques Aschenbroich, as stated in the press release dated March 30, 2022, he will continue to act as Director and Chairman of the Board of Directors of Valeo until the appointment of the new Chairman and no later than 2022 year's end. Valeo's Board of Directors, under the guidance of the Governance, Appointments & Corporate Social Responsibility Committee, stepped up the selection process it had already begun.

On May 24, 2022, the Shareholders' Meeting approved all the resolutions submitted to it, including the renewal of the terms of office as director of Bruno Bézard, Bpifrance Participations (represented by Stéphanie Frachet) and Gilles Michel.

On July 26, 2022, on the recommendation of the Governance, Appointments and Corporate Social Responsibility Committee, Valeo's Board of Directors unanimously decided to co-opt Alexandre Dayon as an independent director. Alexandre Dayon will replace C. Maury Devine. This co-optation will be submitted for ratification at Valeo's next Ordinary Shareholders' Meeting. Alexandre Dayon will also be a member of the Strategy Committee. A French and American entrepreneur, Alexandre Dayon is currently President and Chief Strategy Officer of Salesforce. Salesforce is an American cloud-based software company listed on Nasdaq and headquartered in San Francisco (United States). Alexandre Dayon’s experience in the digital and software sectors, and more generally his knowledge of new technologies and related strategic issues, strengthen the Board of Directors’ skill set in these key sectors which have an increasingly significant place in Valeo’s strategy. With a career – mainly in the United States but also in France – characterized by the successful creation and development of companies, Alexandre Dayon brings to the Board of Directors his vision of what an entrepreneur and a senior officer should be.

3.7.2. Strategic operations

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. The transaction took effect on **July 4, 2022**. Siemens' 50% stake in Valeo Siemens eAutomotive was acquired for 277 million euros on a debt-free basis. The impact of the acquisition on Valeo's net debt is around 700 million euros.

On June 7, 2022, Valeo Siemens eAutomotive announced that it had already exceeded its target of more than 4 billion euros in order intake for high-voltage electrification technologies for the 2021-2022 period. The goal was met more than seven months ahead of Valeo's roadmap, attesting to Valeo Siemens eAutomotive’s robust momentum in the fast-growing high-voltage electrification market.

Orders booked since early 2021 cover end-to-end powertrain assemblies and their components (electric motors, inverters, reducers, onboard chargers and DCDC converters). In particular, they concern the new 800V silicon carbide (SiC) technologies and cover European, Chinese and North American customers.

3.7.3. Medium-term plan: Move Up

On February 25, 2022, during its Investor Day held in Paris, Valeo launched its Move Up plan, a value creation strategy built on the sustainable mobility megatrends.

It also presented its new financial objectives for 2025, including in particular:

– outperformance for original equipment sales of more than 5 percentage points per year on average over the 2021-2025 period;
– EBITDA margin of around 14.5% by 2025;
– free cash flow generation of between 800 million and one billion euros in 2025;
– divestiture of around 500 million euros’ worth of non-strategic assets over the term of the plan;
– optimized capital allocation and deleveraging.

3.7.4. Industrial partnership

On February 10, 2022, Valeo announced that it had signed a memorandum of understanding with Renault Group and Valeo Siemens eAutomotive to create 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. The three partners will combine their know-how and recognized expertise to design a unique electric powertrain system that is unparalleled worldwide, offering more power on less energy, without the use of rare earths. Under this partnership, each of the three partners will contribute to the development and production of the two key parts of the electric motor: the rotor and the stator.

On June 21, 2022, Valeo announced that it had signed a memorandum of understanding with Atul Greentech Private Limited and Honda Powerpack Energy Private Limited, through which it will electrify three-wheelers in India. Whether it be small electric urban vehicles, electric motorcycles or scooters, autonomous last-mile delivery droids or e-bikes, Valeo is accelerating its growth in the new mobility markets.
Valeo will supply the 48V electric powertrain systems and powertrain control unit for Atul's electric three-wheelers, which will run on Honda's swappable battery solution. Atul's upcoming all-electric cargo and passenger three-wheelers will soon be launched in India. This accelerated time-to-market is one of the key benefits of the partnership. In addition, Valeo will provide technological support to facilitate the integration of the electrical system into vehicles.

3.7.5. Products/technologies and patents

On January 4, 2022, Valeo was named a CES® 2022 Innovation Awards Honoree for its UV Air Purifier, the world's most powerful air sterilization system for bus and coach cabins. Upon activation, the system eliminates, in a single airflow cycle, more than 95% of viruses, including Covid-19, as well as any bacteria or mold present in the air circulating in the cabin. The Valeo-designed modules are effective throughout the vehicle's journey with passengers on board.

On February 16, 2022, 14 months after the launch of its initiative to create a range of motors for electric bikes, Valeo announced that it had won the trust of 14 bicycle manufacturers, the first customers for its electric assistance technology, combining efficiency, intelligence, comfort, robustness and ease of use. At a time when cities are being transformed to encourage low-carbon mobility – through zero-emission zones, investments in cycling infrastructure and the provision of car-share fleets – the electric bike is an ideal urban transportation solution.
Whether it be small electric urban vehicles, electric motorcycles or scooters, autonomous last-mile delivery droids or e-bikes, Valeo is accelerating its growth in the new mobility markets.

On March 3, 2022, Valeo received the Honda Supplier Award in the Development category for its contribution to the world's first SAE (Society of Automotive Engineers) Level 3 Automated Driving System authorized for commercial use. Valeo widely contributed to this unique achievement, by supplying a high-performance onboard control unit as well as most of the sensors used to achieve Level 3 functionality. The Honda Legend is equipped with no less than five Valeo SCALA® 3D LiDARs and two front cameras observe the car's surroundings. Valeo also provides the brains of the technology – the hardware and software – which combine and process the data collected.

On March 22, 2022, it was announced that Valeo SCALA® 2, Valeo's second-generation LiDAR – "the technology that sees what the human eye, cameras and radars cannot see" – was to play an important role in the Mercedes-Benz DRIVE PILOT system for conditionally automated driving (SAE-Level 3).

Valeo SCALA® also:

– measures the distance to surrounding objects to the nearest centimeter, by calculating the time it takes its laser beam to travel to an obstacle and back again. This enables it to build a complete 3D map of the vehicle's surroundings and anticipate open space where the car can drive safely;
– distinguishes between static and moving objects, by capturing their shape and position. SCALA 2 can also measure their speed and keep tracking them, even when they are no longer in the driver's line of sight;
– spots small or hard-to-see objects, for example a tire that has fallen on the road;
– uses a specific algorithm to recognize road markings based on their contrast with the road;
– transforms the raw data from the sensor into useful data by eliminating any data that could alter its calculations, filtering the information to validate only relevant data;
– cancels out any "echoes" caused by raindrops on its light pulse;
– uses its software to self-troubleshoot: its cleaning and heating system is triggered whenever its field of vision is blocked, for example by dust or ice.

Valeo's LiDAR is the successful combination of hardware (high-precision mechanics, optics and electronics) and software (algorithms and artificial intelligence) which make it reliable, sharp and intelligent. Valeo is the world leader in ADAS, with one out of every three vehicles produced worldwide equipped with its technologies including ultrasonic sensors, cameras and radars, as well as the first automotive-grade LiDAR on the market.

On June 14, 2022, Stellantis announced it had chosen Valeo's third-generation LiDAR to equip multiple models of its different automotive brands from 2024. The Valeo SCALA 3 LiDAR will enable these vehicles to be certified for level 3 automation, allowing drivers to safely take their hands off the steering wheel and their eyes off the road. The third-generation Valeo SCALA LiDAR offers a resolution 50 times that of the second-generation device and can identify abandoned objects, such as a tire, more than 150 meters ahead that neither cameras, radars, nor even the driver's eye can. The SCALA 3 LiDAR makes driving safer and gives time back to the driver in bothersome driving situations, such as when traveling at low or medium speed in heavy traffic. These challenges are central to the partnership between Stellantis and Valeo, as are the device's data collection capabilities.

On June 14, 2022, Valeo was ranked the world's leading French patent applicant, with 1,777 patents issued in one year, including 46% in France, according to the rankings published by France's intellectual property institute (INPI), which lists the first applications granted by the world's main patent offices. Valeo also came third in the 2021 ranking of patent applicants in France, with a total of 721 patents. Its innovations are now protected by a portfolio of almost 35,000 patents worldwide.

On June 28, 2022, Valeo signed a major contract with the BMW Group for which Valeo will provide the ADAS domain controller, sensors and software for parking and low-speed maneuvering on the next generation BMW "Neue Klasse" platform due to launch in 2025. Valeo will develop and produce the ADAS domain controller capable of managing all data flows from all sensors in BMW Group vehicles based on the "Neue Klasse" platform. The platform will also feature the next generation of Valeo's ultrasonic sensors, the full set of surround view cameras, as well as a new multifunctional interior camera that will contribute to improved safety and create a new level of user experience.

3.7.6. Other financial operations

On March 24, 2022, Valeo announced a share buyback program to cover performance share plans and the allotment of shares to employees via an investment services provider. On May 13, 2022, Valeo acquired 3,031,189 shares at an average price of 16.4952 euros.

3.8. Other information relating to sales

3.8.1. Second-quarter 2022 sales

Q2 sales (in millions of euros)	As a % of Q2 2022 sales	Q2 2022	vs Q2 2021		
			Q2	LFL* change	Change
Original equipment	83%	**3,881**	**3,575**	+4%	+9%
Aftermarket	12%	**561**	**522**	+7%	+7%
Miscellaneous	5%	**224**	**230**	-7%	-3%
Q2 total	**100%**	**4,666**	**4,327**	**+4%**	**+8%**

** Like for like[(8)].*

3.8.2. Second-quarter 2022 original equipment sales by destination region

Original equipment sales (in millions of euros)	As a % of Q2 2022 sales	Q2 2022	vs. Q2 2021		
			Q2	LFL* change	Outperf.**
Europe & Africa	46%	1,781	1,710	+3%	+8 pts
Asia, Middle East & Oceania	31%	1,184	1,143	-1%	+1 pt
o/w China	*14%*	*546*	*504*	*-2%*	*+4 pts*
o/w Japan	*6%*	*240*	*254*	*-2%*	*+13 pts*
o/w South Korea	*7%*	*263*	*280*	*-2%*	*-6 pts*
o/w India	*1%*	*53*	*43*	*+17%*	*-15 pts*
North America	21%	824	657	+12%	0 pts
South America	2%	92	65	+26%	+13 pts
Q2 total	**100%**	**3,881**	**3,575**	**+4%**	**+4 pts**

** Like for like[(8)].*
*** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.*

3.8.3. Second-quarter 2022 sales by Business Group

Sales by Business Group *(in millions of euros)*	Q2 2022	vs Q2 2021			
		Q2	Change in sales	Change in OE sales*	Outperf.**
Comfort & Driving Assistance Systems***	983	861	+14%	+8%	+8 pts
Powertrain Systems	1,238	1,177	+5%	+2%	+2 pts
Thermal Systems	1,092	986	+11%	+6%	+6 pts
Visibility Systems	1,284	1,265	+2%	+1%	+1 pt

** Like for like[(8)].*
*** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.*
**** Excluding the Top Column Module business.*

[8] *See financial glossary, page 64.*

3.8.3. Balanced geographic positioning and customer portfolio

Production regions	H1 2022	H1 2021
Western Europe	31%	33%
Eastern Europe & Africa	15%	16%
China	16%	14%
Asia excluding China	16%	17%
United States	8%	8%
Mexico	12%	11%
South America	2%	1%
Total	**100%**	**100%**
Asia and emerging countries	**61%**	**59%**

Customers	H1 2022	H1 2021
German	30%	32%
Asian	31%	32%
American	19%	17%
French	14%	14%
Other	6%	5%
Total	**100%**	**100%**

3.9. Subsequent events

On July 4, 2022, Valeo announced it had acquired Siemens' 50% stake in Valeo Siemens eAutomotive, as provided for in the agreement signed with Siemens on February 9. As a result, Valeo now holds 100% of Valeo Siemens eAutomotive, the leader in high-voltage electrification, which has been integrated within its Powertrain Systems business.

This strategic transaction strengthens Valeo's position as a major player in electrification with a full range of low- and high-voltage electric powertrain solutions covering all uses and needs, and creates champion of electric mobility.

With Valeo Siemens eAutomotive, Valeo is bringing on board a recognized technological and industrial leader with approximately 4,000 employees, including more than 1,600 engineers, 7 plants in 4 countries (China, Germany, Hungary and Poland) as well as cutting-edge R&D (laboratories, test benches, simulation tools) and production capacities.

Proving its momentum, Valeo Siemens eAutomotive announced in early June that it had already exceeded its target of more than 4 billion euros in orders for the 2021-2022 period, more than seven months ahead of its roadmap.

The integration of Valeo Siemens eAutomotive will enable Valeo to:

– accelerate its growth;
– accelerate its technology roadmap to offer its customers increasingly efficient solutions (new 800-volt silicon carbide-based technologies, co-development and co-production with Renault of a rare-earth-free electric motor, new bidirectional onboard chargers);
– unlock major synergies, with a synergy objective representing a total annual amount of 120 million euros by 2025. These synergies will be achieved progressively, with the full benefit delivered in 2025 (50% in 2023, 75% in 2024 and 100% in 2025).

With this integration, Valeo aims to achieve annual sales growth of more than 12% (pro forma) for its Powertrain Systems business over the 2021–2025 period and to reach sales of more than 8.5 billion euros in 2025 (compared to pro forma sales of 5.4 billion euros in 2021), including roughly 7.5 billion euros in original equipment sales. 80% of the original equipment sales objective for 2025 has already been booked.

The pro forma EBITDA margin for the Powertrain Systems business will increase rapidly from 5.8% in 2021 to more than 8% in 2022, more than 11% in 2025 and around 13% in 2026. Pro forma pre-tax free cash flow for this business will break even from 2022, reaching around 350 million euros in 2025 and enabling the new entity to self-finance its growth.

The transaction results in a net cash outflow of 277 million euros for Valeo, representing the acquisition of Siemens' stake on a debt-free basis, financed by the Group's available cash. Net debt increased by around 700 million euros, without substantially modifying the overall equilibrium of Valeo's financial position. Valeo expects to reduce its debt from 2023.

Following the transaction and based on IHS production assumptions, Valeo has set the following pro forma objectives for the new Valeo Powertrain Systems Business Group, as already announced:

	2022	2025
Sales	Around €6.3bn	>€8.5bn
EBITDA margin	>8% of sales	>11% of sales
Pre-tax free cash flow	Breakeven	Around €350m

Given the timing of the transaction and an expected 50% reduction in losses for Valeo Siemens eAutomotive in 2022 compared with 2021, the impact of the consolidation of Valeo Siemens eAutomotive on the Group's net income will be less than that recorded in 2021.

The project has been authorized by the relevant antitrust authorities and the relevant employee representative bodies have been informed and consulted.

On July 15, 2022, 650 million euros in undrawn bridge-to-bond credit lines were made available to Valeo through four international banks. These lines have a 12-month maturity and provide the Valeo Group with two six-month extension options. They include the same early repayment clauses in the event of a breach of the financial covenants or a change of control.

3.10. Stock market data

3.10.1. Share performance

During the first half of 2022, the share's average closing price was 20.31 euros, with a high of 28.50 euros on January 5, 2022 and a low of 13.80 euros on March 8, 2022. Over the first six months of the year, the Valeo share price fell 30.7% from 26.58 euros on December 31, 2021 to a closing price of 18.43 euros on June 30, 2022.

The Valeo share (down 30.7%) underperformed the CAC 40 index (down 17.2%) by 13.5 percentage points. The share underperformed the DJSTOXX Auto index (down 24.8%) by 5.9 percentage points.

3.10.2. Changes in ownership structure

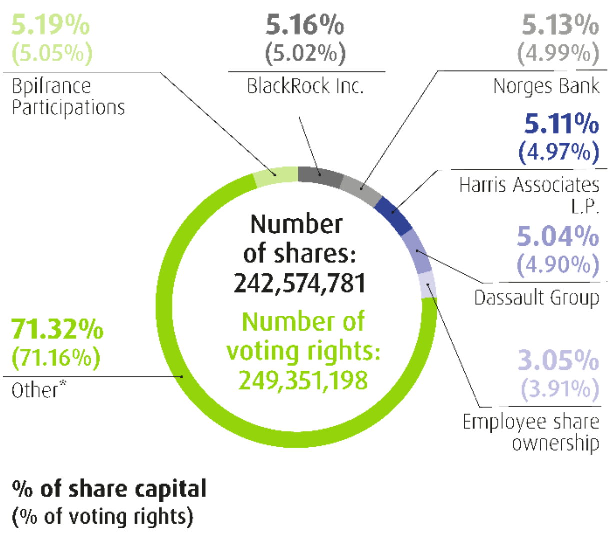
At June 30, 2022, the Company's share capital comprised 242,574,781 shares. In accordance with Article 223-11 *et seq.* of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), the number of voting rights declared was 249,351,198. Excluding treasury shares, the number of voting rights came out at 246,945,294.

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at June 30, 2022, other than:

- Bpifrance Participations, which held 12,600,000 shares in the Company, i.e., 5.19% of the share capital and 5.05% of the voting rights;
- BlackRock Inc., which, acting on behalf of funds and clients it manages, held 12,519,631 shares in the Company, i.e., 5.16% of the share capital and 5.02% of the voting rights;
- Norges Bank, which held 12,452,105 shares in the Company, i.e., 5.13% of the share capital and 4.99% of the voting rights;
- Harris Associates LP, which, acting on behalf of funds and clients it manages, held 12,393,566 shares in the Company, i.e., 5.11% of the share capital and 4.97% of the voting rights;
- Dassault Group, which held 12,227,876 shares, i.e., 5.04% of the Company's share capital and 4.90% of the voting rights.

At June 30, 2022, Valeo held 2,405,904 treasury shares (i.e., 0.99% of the share capital without voting rights) versus 848,616 shares at December 31, 2021 (0.35% of the share capital without voting rights).

Ownership structure at June 30, 2022



** Including 2,405,904 treasury shares (0.99% of the share capital).*

3.10.3. Stock market data

	First-half 2022	2021
Market capitalization at period-end *(in billions of euros)*	4.47	6.45
Number of shares	242,574,781	242,574,781
Highest share price *(in euros)*	28.50	33.66
Lowest share price *(in euros)*	13.80	20.47
Average share price *(in euros)*	20.31	27.01
Share price at period-end *(in euros)*	18.43	26.58

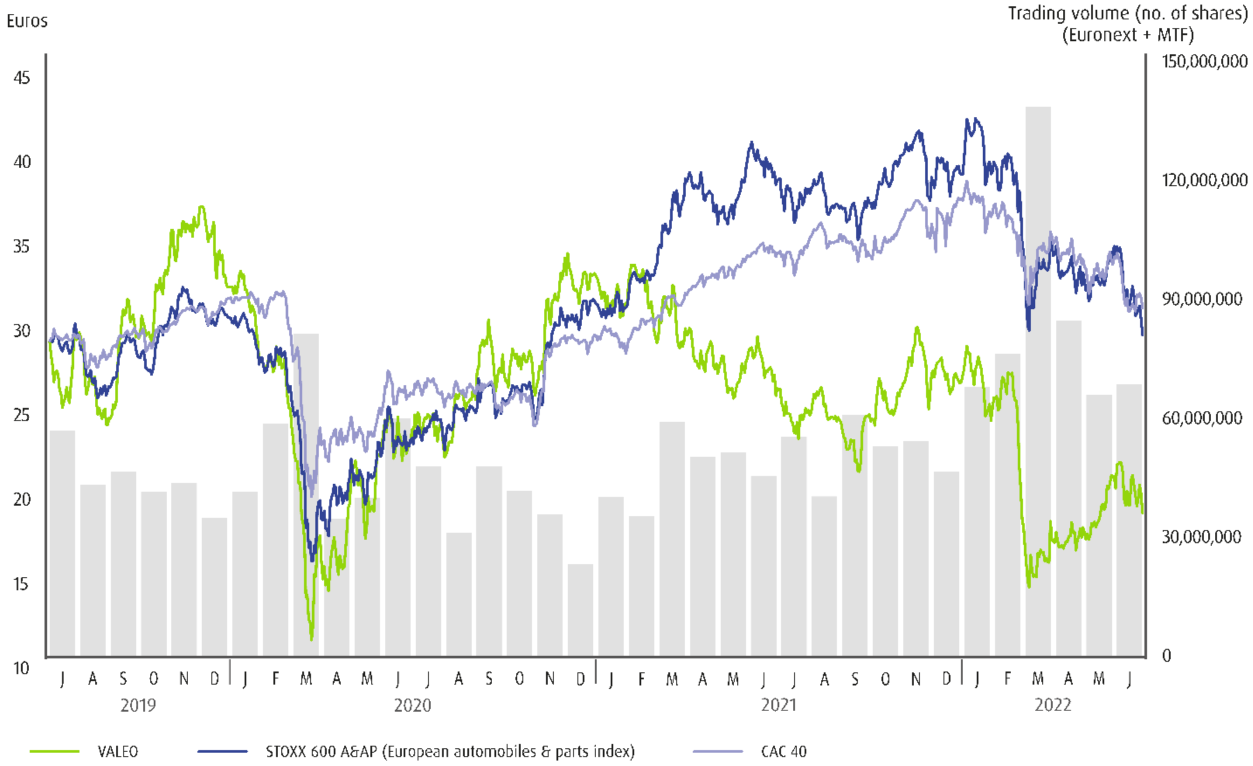
3.10.4. Per share data

(in euros)	First-half 2022	First-half 2021
Basic earnings per share	(0.20)	0.38

(in euros)	2021	2020
Net dividend per share*	0.35	0.30

* *Eligible for the 40% tax allowance provided for in Article 158-3-2 of the French Tax Code* (Code général des impôts).

3.10.5. Share price and monthly trading volumes



3.10.6 Investor relations

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Provisional financial publications calendar

- Third-quarter 2022 sales: October 27, 2022
- Full-year 2022 results: February 23, 2023

3.11. Risk factors and related party transactions

3.11.1. Risk factors

The risk factors are identical to those identified in Chapter 2 of the 2021 Universal Registration Document.

3.11.2. Related party transactions

There were no significant changes in related party transactions during the first half of 2022.

4. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

4.1. Consolidated statement of income

(in millions of euros)	*Notes*	First-half 2022	First-half 2021
SALES	*4.1*	**9,419**	**8,994**
Cost of sales	*4.2*	(7,830)	(7,408)
Research and Development expenditure	*4.3.1*	(893)	(756)
Selling expenses		(137)	(132)
Administrative expenses		(301)	(283)
OPERATING MARGIN		**258**	**415**
as a % of sales		2.7%	4.6%
Share in net earnings of equity-accounted companies	*4.3.2*	(76)	(119)
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.3*	**182**	**296**
as a % of sales		1.9%	3.3%
Other income and expenses	*4.4.2*	(71)	(29)
OPERATING INCOME INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.4.1*	**111**	**267**
Cost of net debt	*8.4*	(50)	(28)
Other financial income and expenses	*8.4*	20	6
INCOME BEFORE INCOME TAXES		**81**	**245**
Income taxes	*9*	(97)	(114)
NET INCOME (LOSS) FOR THE PERIOD		**(16)**	**131**
Attributable to:			
■ Owners of the Company		(48)	90
■ Non-controlling interests		32	41
Attributable earnings per share:			
■ Basic earnings per share *(in euros)*	*10.2*	(0.20)	0.38
■ Diluted earnings per share *(in euros)*	*10.2*	(0.20)	0.37

The Notes are an integral part of the condensed interim consolidated financial statements.

4.2. Consolidated statement of comprehensive income

(in millions of euros)	First-half 2022	First-half 2021
NET INCOME (LOSS) FOR THE PERIOD	(16)	131
Share of changes in comprehensive income from equity-accounted companies that may subsequently be recycled to income	—	(2)
o/w income taxes	—	—
Translation adjustment	222	90
Cash flow hedges:		
■ Gains (losses) taken to equity	17	49
■ (Gains) losses transferred to income for the period	(11)	(36)
o/w income taxes	*5*	*3*
OTHER COMPREHENSIVE INCOME THAT MAY SUBSEQUENTLY BE RECYCLED TO INCOME	**228**	**101**
Share of changes in comprehensive income from equity-accounted companies that may not subsequently be recycled to income	—	—
o/w income taxes	—	—
Actuarial gains (losses) on defined benefit plans	246	(2)
o/w income taxes	*(7)*	*(3)*
Remeasurement of long-term investments	(1)	(5)
o/w income taxes	—	—
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY NOT SUBSEQUENTLY BE RECYCLED TO INCOME	**245**	**(7)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**473**	**94**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**457**	**225**
Attributable to:		
■ Owners of the Company	422	182
■ Non-controlling interests	35	43

The Notes are an integral part of the condensed interim consolidated financial statements.

4.3. Consolidated statement of financial position

(in millions of euros)	*Notes*	June 30, 2022[(1)]	December 31, 2021
ASSETS			
Goodwill	*6.1*	2,564	2,552
Other intangible assets		2,365	2,367
Property, plant and equipment		4,910	4,962
Investments in equity-accounted companies		103	110
Other non-current financial assets		709	742
Assets relating to pensions and other employee benefits	*5.1*	42	29
Deferred tax assets		568	526
NON-CURRENT ASSETS		**11,261**	**11,288**
Inventories, net		2,067	1,990
Accounts and notes receivable, net		2,792	2,377
Other current assets		725	664
Taxes receivable		35	27
Other current financial assets		104	74
Cash and cash equivalents	*8.2.4*	3,093	2,415
CURRENT ASSETS		**8,816**	**7,547**
TOTAL ASSETS		**20,077**	**18,835**
EQUITY AND LIABILITIES			
Share capital		243	243
Additional paid-in capital		1,560	1,560
Translation adjustment		210	(14)
Retained earnings		1,657	1,906
STOCKHOLDERS' EQUITY		**3,670**	**3,695**
Non-controlling interests		801	796
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**4,471**	**4,491**
Provisions for pensions and other employee benefits – long-term portion	*5.1*	747	990
Other provisions – long-term portion	*7.1*	395	321
Long-term portion of long-term debt	*8.2.1*	3,797	4,350
Other financial liabilities – long-term portion		35	25
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	*8.2.3*	7	12
Subsidies and grants – long-term portion		121	99
Deferred tax liabilities		61	63
NON-CURRENT LIABILITIES		**5,163**	**5,860**
Accounts and notes payable		5,118	4,633
Provisions for pensions and other employee benefits – current portion	*5.1*	82	82
Other provisions – current portion	*7.1*	394	341
Subsidies and grants – current portion		18	23
Taxes payable		126	148
Other current liabilities		1,752	1,697
Current portion of long-term debt	*8.2.1*	1,580	781
Other financial liabilities – current portion		68	26
Liabilities associated with put options granted to holders of non-controlling interests – current portion	*8.2.3*	5	5
Short-term financing	*8.2.2.5*	1,299	748
Bank overdrafts	*8.2.2.5*	1	—
Liabilities held for sale		—	—
CURRENT LIABILITIES		**10,443**	**8,484**
TOTAL EQUITY AND LIABILITIES		**20,077**	**18,835**

(1) The consolidated statement of financial position at June 30, 2022 takes into account the impacts of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" (see Note 1.1.1) and of applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" to Turkish entities for the first time (see Note 2.3), as of January 1, 2022 without restatement of comparative periods.

The Notes are an integral part of the condensed interim consolidated financial statements.

4.4. Consolidated statement of cash flows

(in millions of euros)	*Notes*	First-half 2022	First-half 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period		(16)	131
Share in net (earnings) losses of equity-accounted companies		76	119
Net dividends received from equity-accounted companies		7	10
Expenses (income) with no cash effect	*11.1*	777	706
Cost of net debt	*8.4*	50	28
Income taxes (current and deferred)		97	114
GROSS OPERATING CASH FLOWS		**991**	**1,108**
Income taxes paid		(139)	(133)
Changes in working capital	*11.2*	28	(160)
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**880**	**815**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(307)	(299)
Acquisitions of property, plant and equipment		(350)	(377)
Investment subsidies and grants received		16	11
Disposals of property, plant and equipment and intangible assets		9	44
Net change in non-current financial assets		(180)	(92)
Acquisitions of investments with gain of control, net of cash acquired		—	—
Disposals of investments with loss of control, net of cash transferred		—	(9)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(812)**	**(722)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(84)	(72)
Dividends paid to non-controlling interests in consolidated subsidiaries		(35)	(17)
Sale (purchase) of treasury stock	*10.2*	(51)	(1)
Issuance of long-term debt	*11.3*	286	305
Loan issuance costs and premiums		—	—
Interest paid		(89)	(70)
Interest received		25	57
Repayment of long-term debt	*11.3*	(67)	(567)
Change in short-term financing	*8.2.2.5*	549	(383)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**534**	**(748)**
CASH AND CASH EQUIVALENTS RELATING TO OPERATIONS HELD FOR SALE		**—**	**1**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**75**	**(16)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**677**	**(670)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**2,415**	**2,945**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,092**	**2,275**
Of which:			
■ Cash and cash equivalents		3,093	2,280
■ Bank overdrafts		(1)	(5)

The Notes are an integral part of the condensed interim consolidated financial statements.

4.5. Consolidated statement of changes in stockholders' equity

						Total stockholders' equity including non-controlling interests – restated[1][2]		
Number of shares outstanding	*(in millions of euros)*	**Share capital**	**Additional paid-in capital**	**Cumulative translation adjustment**	**Retained earnings**	**Stockholders' equity**	**Non-controlling interests**	**Total**
240,250,718	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2020[1]**	**242**	**1,545**	**(271)**	**1,727**	**3,243**	**756**	**3,999**
	Dividends paid[3]	—	—	—	(72)	(72)	(16)	**(88)**
570,303	Treasury shares	—	—	—	(1)	(1)	—	**(1)**
	Share-based payment	—	—	—	10	10	—	**10**
	Put options granted[5]	—	—	—	4	4	(2)	**2**
	Other movements	—	—	—	(1)	(1)	(5)	**(6)**
	TRANSACTIONS WITH OWNERS	**—**	**—**	**—**	**(60)**	**(60)**	**(23)**	**(83)**
	Net income (loss) for the period	—	—	—	90	90	41	**131**
	Other comprehensive income, net of tax	—	—	84	8	92	2	**94**
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**84**	**98**	**182**	**43**	**225**
240,821,021	**STOCKHOLDERS' EQUITY AT JUNE 30, 2021[1]**	**242**	**1,545**	**(187)**	**1,765**	**3,365**	**776**	**4,141**
	Dividends paid	—	—	—	—	—	(21)	**(21)**
47,766	Treasury shares	—	—	—	1	1	—	**1**
857,378	Capital increase	1	15	—	—	16	—	**16**
	Share-based payment	—	—	—	18	18	—	**18**
	Put options granted[5]	—	—	—	(3)	(3)	2	**(1)**
	Other movements	—	—	—	(12)	(12)	(4)	**(16)**
	TRANSACTIONS WITH OWNERS	**1**	**15**	**—**	**4**	**20**	**(23)**	**(3)**
	Net income (loss) for the period	—	—	—	85	85	29	**114**
	Other comprehensive income, net of tax	—	—	173	52	225	14	**239**
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**173**	**137**	**310**	**43**	**353**
241,726,165	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2021**	**243**	**1,560**	**(14)**	**1,906**	**3,695**	**796**	**4,491**
	Application of amendments to IAS 37[2]	—	—	—	(343)	(343)	(3)	**(346)**
	First-time application of IAS 29[2]	—	—	—	12	12	—	**12**
241,726,165	**STOCKHOLDERS' EQUITY AT JANUARY 1, 2022**	**243**	**1,560**	**(14)**	**1,575**	**3,364**	**793**	**4,157**
	Dividends paid[3]	—	—	—	(84)	(84)	(26)	**(110)**
(1,532,288)	Treasury shares[4]	—	—	—	(51)	(51)	—	**(51)**
	Share-based payment	—	—	—	8	8	—	**8**
	Put options granted[5]	—	—	—	6	6	(1)	**5**
	Other movements	—	—	—	5	5	—	**5**
	TRANSACTIONS WITH OWNERS	**—**	**—**	**—**	**(116)**	**(116)**	**(27)**	**(143)**
	Net income (loss) for the period	—	—	—	(48)	(48)	32	**(16)**
	Other comprehensive income, net of tax	—	—	224	246	470	3	**473**
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**224**	**198**	**422**	**35**	**457**
240,193,877	**STOCKHOLDERS' EQUITY AT JUNE 30, 2022**	**243**	**1,560**	**210**	**1,657**	**3,670**	**801**	**4,471**

(1) The consolidated statement of stockholders' equity differs from that presented in the 2020 consolidated financial statements and the 2021 condensed interim consolidated financial statements published in February 2021 and July 2021 respectively, since it has been adjusted to reflect the impacts of retrospectively applying IFRIC interpretations relating to the periods of service to which an entity attributes benefit for certain defined benefit plans, as from January 1, 2020, with restatement of comparative periods. The application of these interpretations by Valeo as from the second half of 2021 constitutes a change in accounting method, resulting in a 17 million euro increase in the Group's retained earnings at January 1, 2020.

(2) The consolidated statement of changes in stockholders' equity at June 30, 2022 takes into account the impact of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" (see Note 1.1.1) and of applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" to Turkish entities for the first time (see Note 2.3), as of January 1, 2022 without restatement of comparative periods.

(3) A dividend of 0.35 euros per share was paid in June 2022, representing a total payout of 84 million euros. The dividend paid in June 2021 was 0.30 euros per share.

(4) Changes in stockholders' equity attributable to treasury stock for first-half 2022 include the impact of the share buyback program entered into with an investment services provider on March 24, 2022 in an amount of 50 million euros (see Note 10.2).

(5) This item includes changes in the fair value of liabilities associated with put options granted to holders of non-controlling interests (see Note 8.2.3).

The Notes are an integral part of the condensed interim consolidated financial statements.

4.6. Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Valeo Group for the six months ended June 30, 2022 include:

- the accounts of Valeo;
- the accounts of its subsidiaries;
- Valeo’s share in the net assets and earnings of equity-accounted companies (joint ventures and associates).

Valeo is an independent group fully focused on the design, production and sale of components, systems and services that make sustainable mobility greener, cleaner, safer, more autonomous and more connected. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of driving assistance systems. Valeo is one of the world’s leading automotive suppliers and is a partner to all automakers across the globe.

Valeo is a European company listed on the Paris Stock Exchange. Its head office is located at 100, rue de Courcelles, 75017 Paris, France.

Valeo’s condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 26, 2022.

NOTE 1 ACCOUNTING POLICIES

1.1 Accounting standards applied

The condensed interim consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB), as endorsed by the European Union and effective at January 1, 2022.

Pursuant to IAS 34, the notes to these condensed interim financial statements are designed to:

- update the accounting and financial information contained in the last published consolidated financial statements at December 31, 2021;
- include new accounting and financial information about significant events and transactions that occurred during the period.

These notes therefore discuss significant events and transactions that occurred in the first six months of 2022 and should be read in conjunction with the information set out in the consolidated financial statements for the year ended December 31, 2021 included in the Group's 2021 Universal Registration Document[(1)].

The accounting principles used to prepare the condensed interim consolidated financial statements for the six months ended June 30, 2022 are the same as those used to prepare the 2021 annual consolidated financial statements, except as regards:

- the application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" as of January 1, 2022, without restatement of comparative periods. A description of the nature and impacts of these amendments is provided in Note 1.1.1;
- the application of the provisions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" to the financial statements of the Group's Turkish entities as of January 1, 2022 (see Note 2.3);
- the specific accounting treatments relating to employee benefits and income tax expense described in Notes 5.1 and 9, respectively.

(1) The 2021 Universal Registration Document is available on the Group's website (www.valeo.com) or on the website of the AMF (www.amf-france.org).

1.1.1 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2022

The following standards, amendments and interpretations have been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations	**Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract** Effective as of January 1, 2022
Presentation and general principles	On May 14, 2020, the IASB published amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", specifying which costs to include in estimating the cost of fulfilling a contract. These costs include both the incremental costs of fulfilling the contract, such as direct labor costs, and an allocation of other costs that relate directly to fulfilling the contract, such as an allocation of the depreciation charge for equipment used. The European Union adopted these amendments on June 28, 2021.
Impacts for the Group	An analysis of the main impacts of these amendments was carried out during the second half of 2021 in order to identify any necessary adjustments. The main change observed relates to the fact that the Group previously used incremental costs to estimate the cost of fulfilling its contracts. The amendments clarified which costs directly relate to a contract and identified other costs such as an allocation of the depreciation charge for generic fixed assets and overheads, which were not previously included in the Group's measurements. The impacts of the application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" on the Group's consolidated financial statements at January 1, 2022 are as follows: ▪ Consolidated statement of financial position

(in millions of euros)	**December 31, 2021**	**Amendments to IAS 37**	**January 1, 2022**
Investments in equity-accounted companies	110	(1)	109
Other non-current financial assets(1)	742	(169)	573
Deferred tax assets	526	20	546
NON-CURRENT ASSETS		**(150)**	
Accounts and notes receivable, net(2)	2,377	(14)	2,363
CURRENT ASSETS		**(14)**	
TOTAL ASSETS		**(164)**	
Retained earnings	1,906	(343)	1,563
Non-controlling interests	796	(3)	793
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**(346)**	
Other provisions – long-term portion	321	118	439
Deferred tax liabilities	63	(1)	62
NON-CURRENT LIABILITIES		**117**	
Other provisions – current portion	341	65	406
CURRENT LIABILITIES		**65**	
TOTAL EQUITY AND LIABILITIES		**(164)**	

(1) For Valeo Siemens eAutomotive, the methodology used to identify onerous contracts and estimate the impact on the joint venture's financial statements at the transition date is the same as that used within the Valeo Group. As its share in the losses of Valeo Siemens eAutomotive exceeds its interest in the joint venture, the Group allocates said share to the other components of its share in the joint venture, in accordance with IAS 28. Accordingly, the impacts of applying these amendments to Valeo Siemens eAutomotive have been allocated to the value of the loans granted to the joint venture by the Group, leading to an increase in the Group's net debt of 169 million euros at January 1, 2022.
(2) Of which contract assets.

Standards, amendments and interpretations	**IFRIC interpretation on accounting for configuration or customization costs in a Software as a Service arrangement** Effective as of January 1, 2021
Impacts and applications for the Group	In 2019 and April 2021, the IFRS Interpretations Committee ("IFRIC") issued two decisions on IAS 38 – "Intangible Assets". The April 2021 decision concerned the accounting for costs of configuring and customizing software made available in the cloud in a Software as a Service (SaaS) arrangement. The decision states that software configuration and customization costs incurred in an SaaS arrangement should be recognized as an expense either on the date the services are received or spread over the term of the SaaS arrangement, depending on the analysis carried out. The Group conducted work to identify SaaS arrangements for which costs have been capitalized and whose carrying amount was material at January 1, 2021 and December 31, 2021. No material impacts were identified in the application of the IFRIC decisions. Analyses related to the application of this decision on ongoing projects will be finalized in the second half of 2022.

The following standards, amendments and interpretations have also been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022	
Annual Improvements to IFRSs – 2018-2020 Cycle	Various provisions
Amendments to IFRS 3	Updating a Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use

These new publications did not have a material impact on the Group's consolidated financial statements.

1.1.2 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2023 and not early adopted by the Group

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2023	
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1	Presentation of Financial Statements – Disclosure of Accounting Policies

1.1.3 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The IASB has also published the following guidance, which is not expected to have a material impact on the Group's consolidated financial statements:

Standards, amendments and interpretations		**Effective date(1)**
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

(1) Subject to adoption by the European Union.

1.2 Basis of preparation

The condensed interim consolidated financial statements are presented in euros and are rounded to the nearest million.

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions concern both risks specific to the automotive supply business, such as those relating to quality and safety, as well as more general risks to which the Group is exposed on account of its global presence.

The Group exercises its judgment based on past experience and all other factors considered to be decisive given the environment and the circumstances. The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in Valeo's future financial statements may differ from the amounts resulting from these current estimates.

In addition to the main events having a significant impact on the financial statements for the six months ended June 30, 2022, presented in Note 2, the estimates, judgments and assumptions adopted by the Group to prepare its financial statements for the six months ended June 30, 2022 chiefly concern:

- the conditions for capitalizing development expenditure;
- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see Note 6.2);
- estimates of provisions, particularly provisions for pensions and other employee benefits and provisions for risks linked to product warranties (see Notes 5.1 and 7);
- the likelihood that deferred tax assets will be able to be utilized (see Note 9).

1.3 Consideration of the impacts of climate change

Under its Carbon Plan, which sets out the Group's environmental strategy, Valeo has committed to achieving carbon neutrality across its entire value chain by 2050. As a player in electrification technologies that are key for the decarbonization of mobility – including 48V and high-voltage electric motors, and vehicle thermal management solutions – Valeo is actively committed to the climate transition, which represents new business development opportunities for the Group. The different actions and opportunities already adopted by the Group have been incorporated into the assumptions used to prepare its medium-term plan, which serves as a basis for performing impairment tests on fixed assets (see Note 6.2), among other things.

NOTE 2 SIGNIFICANT EVENTS OF THE PERIOD

In the first half of 2022, the Valeo Group's consolidated sales came to 9,419 million euros, up 4.7% compared with the first half of 2021 (see Note 4.1).

Business over the period was achieved in a challenging environment marked, in particular, by disruption in the supply chain for electronic components, by lockdown measures in China, which had an adverse impact on sales in April, and by the Russia-Ukraine crisis (see Note 2.2). Automotive production contracted by 2% compared to the same period in 2021.

2.1. Going concern basis and cash management

At June 30, 2022, the Group had 1.8 billion euros available in undrawn credit lines.

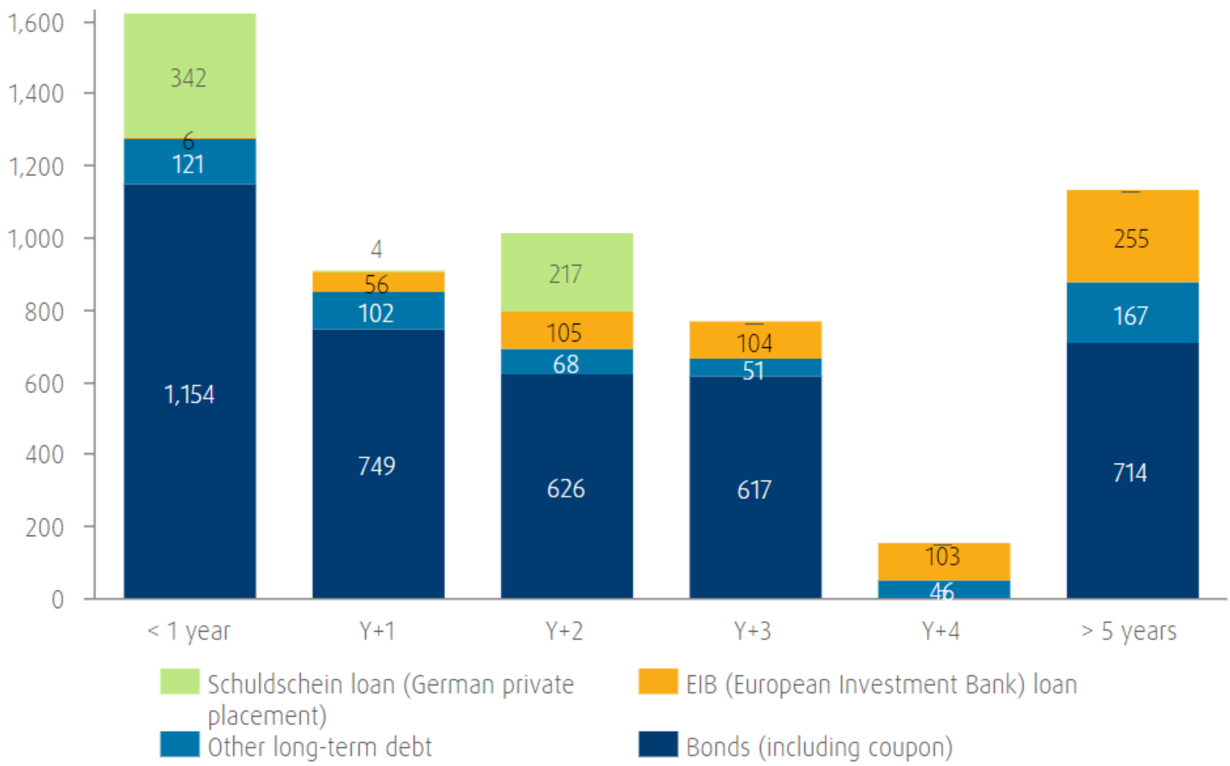
In addition, the Group has a stable financial position:

- net cash and cash equivalents of 3.1 billion euros at June 30, 2022;
- average debt maturity of 2.8 years;
- net debt to EBITDA ratio (EBITDA calculated over a 12-month rolling period) of 1.48 at June 30, 2022, i.e., below the 3.5 threshold.

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile.

Contractual maturity of long-term debt

(in millions of euros)



The future cash outflows presented above, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at June 30, 2022 was used for variable-rate interest.

Detailed information regarding the changes in and characteristics of the Group's borrowings and debt is presented in Note 8.2.

Based on the above, the use of the going concern basis of accounting was appropriate at the date on which the 2022 condensed interim consolidated financial statements were authorized for issue.

Subsequent events

On July 15, 2022, 650 million euros in undrawn bridge-to-bond credit lines were made available to Valeo through four international banks. These lines have a 12-month maturity and provide the Valeo Group with two six-month extension options.

2.2. Impact of the military conflict in Ukraine on the Group's business

On February 24, 2022, Russia invaded Ukraine. International economic sanctions were quickly imposed on Russia, with some manufacturers having to announce the discontinuation or suspension of their operations with and in Russia. The automotive industry has been particularly affected by the conflict.

The Valeo Group controls two entities in Russia, both of which were fully consolidated at June 30, 2022. They represented 0.6% of the Group's sales in 2021 and 0.3% of the Group's assets at December 31, 2021. At the date on which the condensed interim consolidated financial statements for the six months ended June 30, 2022 were authorized for issue, the Group considers that it still controls these entities.

Due to the lack of a timeframe in which most of Valeo's activities in Russia will resume, the Group has revised the recoverable amount of its assets relating to products affected by international sanctions. The Group has also reviewed contracts in place at its subsidiaries located outside of Russia that serve the Russian market, in order to identify any specific assets whose carrying amount will not be recovered by the economic benefits expected to arise from the contracts. Accordingly, in first-half 2022, the Group recognized a 32 million euro impairment loss within other income and expenses (see Note 4.4.2.4) of which 27 million euros was allocated to fixed assets.

At end-June 2022, cash subject to restrictions and held at Russian entities amounted to 6 million euros and will be used to meet local short-term cash commitments.

2.3. Impacts of hyperinflation in Turkey

In March 2022, Turkey was classified as a hyperinflationary country after its cumulative three-year inflation rate exceeded 100%. As from January 1, 2022, the Valeo Group has therefore applied the provisions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" to entities whose functional currency is the Turkish lira, without restatement of comparative data.

All of these subsidiaries' non-monetary assets and liabilities (property, plant and equipment, intangible assets, inventories and stockholders' equity) have therefore been adjusted for inflation by applying a general price index, so that they are expressed in terms of the measuring unit current at the end of the reporting period. Statement of income items have been restated to adjust for inflation over the period. At June 30, 2022 and in order to apply these provisions, the Group used a EUR/TRY closing rate of 17.32 and a general price index of 977.90, as published by the Turkish Statistical Institute (Tüik).

The impact of the application of IAS 29 – "Financial Reporting in Hyperinflationary Economies" on the Group's financial statements is as follows:

- 12 million euros on the Group's retained earnings at January 1, 2022, resulting from the remeasurement, at that date, of non-monetary assets and liabilities in order to reflect inflation since the initial recognition of these assets and liabilities in the consolidated statement of financial position;
- 4 million euros classified within other financial income and expenses, corresponding to the remeasurement of consolidated statement of income items for transactions carried out during the period, as well as the remeasurement of monetary assets and liabilities to reflect inflation during the period (see Note 8.4).

2.4. Changes in the scope of consolidation

There were no significant changes in the scope of consolidation during the first half of 2022.

Subsequent events

On July 4, 2022, in accordance with the agreement signed with Siemens on February 9, 2022, Valeo acquired Siemens' 50% stake in the Valeo Siemens eAutomotive joint venture. This acquisition led to a change in the governance of Valeo Siemens eAutomotive, marking the takeover by Valeo on that date. Valeo Siemens eAutomotive will be fully consolidated by Valeo within the Powertrain Systems Business Group from the second half of 2022.

With the takeover of Valeo Siemens eAutomotive, Valeo brings on board a recognized technological and industrial leader with approximately 4,000 employees, including more than 1,600 engineers, seven plants in four countries (China, Germany, Hungary and Poland), and cutting-edge R&D (laboratories, test benches and simulation tools) and production capacities.

The transaction resulted in a net cash outflow of 277 million euros for Valeo at the takeover date, representing the acquisition of Siemens' stake on a debt-free basis, financed by the Group's available cash. Net debt will increase by around 700 million euros, without substantially modifying the overall equilibrium of Valeo's financial position.

In the second half of 2022, the takeover will also result in (i) the fair value remeasurement of the Group's previously-held interest, accounted for using the equity method up to June 30, 2022, and (ii) the recognition at fair value of all the assets acquired and liabilities assumed from Valeo eAutomotive. This exercise will be finalized within 12 months of the acquisition in accordance with IFRS 3. Remeasuring the previously-held equity interest will give rise to the recognition of a material gain, the exact amount of which is still being measured, of around 180 million euros within share in net earnings of equity-accounted companies.

NOTE 3 SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments", the Group's segment information below is presented on the basis of internal reports that are reviewed by the Group's General Management in order to allocate resources to the segments and assess their performance. General Management represents the chief operating decision maker within the meaning of IFRS 8.

Four reportable segments have been identified, corresponding to Valeo's organization into Business Groups. There is no aggregation of operating segments.

The Group's four reportable segments are:

- Comfort & Driving Assistance Systems, which has three Product Groups: Driving Assistance, Connected Cars and Intuitive Interior Controls. Drivers now want their car to form an integral part of their digital lives. At the same time, the regulatory environment demands ever safer vehicles, with automated driving now a reality thanks to increasingly affordable technology. The Comfort & Driving Assistance Systems Business Group focuses on intuitive controls, connectivity and automated driving solutions, making mobility safer and more comfortable for all;
- Powertrain Systems, comprising three Product Groups: Powertrain Electrification Systems, Transmission Systems and Powertrain Actuator Systems. This Business Group is at the heart of the vehicle electrification revolution. Combining the expertise of the Business Group's three Product Groups, Valeo manufactures comprehensive, integrated electric powertrain solutions, as well as a range of products for cleaner thermal engines;
- Thermal Systems, comprising five Product Groups: Thermal Climate Control, Thermal Powertrain and Batteries, Thermal Compressor, Thermal Front End and Thermal Commercial Vehicles. The strategic objectives of the Thermal Systems Business Group address the emerging challenges facing the mobility market in two fields: intelligent management of electrified vehicle thermal systems, and passenger health and well-being;
- Visibility Systems, comprising two Product Groups and one Product Line: the Lighting Systems Product Group, the Wiper Systems Product Group and the Electronics for Visibility Systems Product Line. The Visibility Systems Business Group designs and produces innovative, efficient and smart exterior and interior lighting and wiper and sensor cleaning systems to support the driver in all driving situations. These systems enable all vehicles, including automated vehicles, to drive in all conditions and create a highly immersive experience for all vehicle passengers.

Each of these Business Groups is also responsible for production and for some of the distribution of products in the aftermarket segment. A significant portion of income and expenses for Valeo Service, which almost exclusively sells products manufactured by the Group, is reallocated among the Business Groups identified. The external trading operations of Valeo Service and the Top Column Module business are presented within "Other", along with the holding companies and eliminations between the four operating segments.

3.1. Key segment performance indicators

The key performance indicators for each segment as presented in the tables below are as follows:

- sales;
- EBITDA, which 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 received from equity-accounted companies;
- Research and Development expenditure;
- investments in property, plant and equipment and intangible assets;
- segment assets, comprising property, plant and equipment and intangible assets (including goodwill), investments in equity-accounted companies and inventories.

First-half 2022

(in millions of euros)	**Comfort & Driving Assistance Systems**	**Powertrain Systems**	**Thermal Systems**	**Visibility Systems**	**Other**	**Total**
Sales						
■ segment (excluding Group)	1,940	2,490	2,135	2,617	237	**9,419**
■ intersegment (Group)	18	59	36	22	(135)	**—**
EBITDA	**300**	**287**	**162**	**328**	**34**	**1,111**
Research and Development expenditure	(367)	(173)	(155)	(190)	(8)	**(893)**
Investments in property, plant and equipment and intangible assets	240	120	132	208	12	**712**
Segment assets	2,882	3,256	2,677	2,880	314	**12,009**

First-half 2021

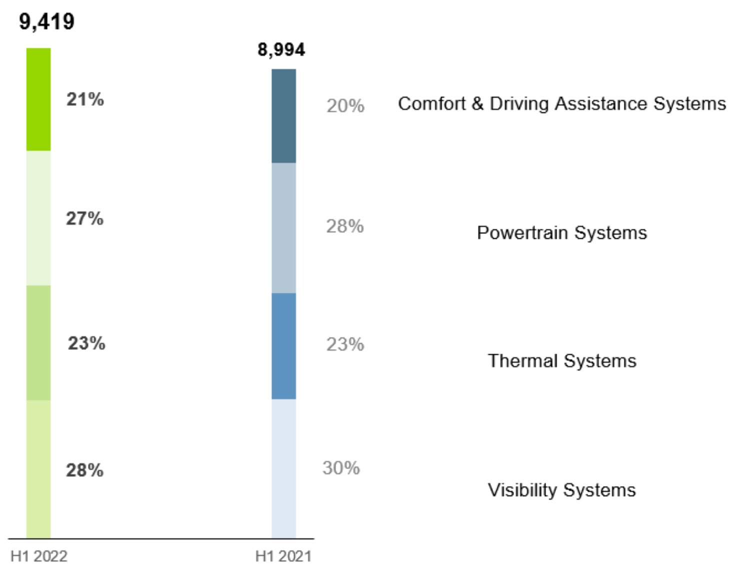
(in millions of euros)	**Comfort & Driving Assistance Systems**	**Powertrain Systems**	**Thermal Systems**	**Visibility Systems**	**Other**	**Total**
Sales						
■ segment (excluding Group)	1,767	2,403	1,980	2,632	212	**8,994**
■ intersegment (Group)	12	65	29	30	(136)	**—**
EBITDA	**298**	**294**	**241**	**350**	**22**	**1,205**
Research and Development expenditure	(268)	(150)	(131)	(191)	(16)	**(756)**
Investments in property, plant and equipment and intangible assets	280	144	131	210	71	**836**
Segment assets	2,678	3,303	2,651	2,828	279	**11,739**

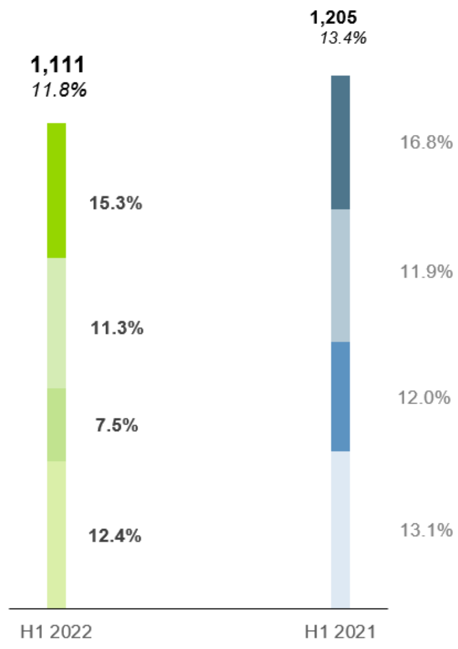
SALES BY BUSINESS GROUP (INCLUDING INTERSEGMENT SALES)

(in millions of euros and as a % of sales)

EBITDA BY BUSINESS GROUP

(in millions of euros and as a % of sales)





3.2. Reconciliation with Group data

EBITDA is used by Management to monitor and track Business Group performance and to decide on the allocation of resources. The table below reconciles EBITDA with consolidated operating margin:

(in millions of euros)	First-half 2022	First-half 2021
Operating margin	**258**	**415**
Depreciation and amortization of property, plant and equipment and intangible assets, and impairment losses(1)	857	795
Impact of government subsidies and grants on non-current assets recognized in the statement of income	(11)	(15)
Dividends paid by equity-accounted companies	7	10
EBITDA	**1,111**	**1,205**
as a % of sales	*11.8%*	*13.4%*

(1) *Impairment losses recorded in operating margin only.*

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	June 30, 2022	June 30, 2021
Segment assets	**12,009**	**11,739**
Accounts and notes receivable	2,792	2,491
Other current assets	725	616
Taxes receivable	35	25
Financial assets	3,948	2,998
Deferred tax assets	568	450
TOTAL GROUP ASSETS	**20,077**	**18,319**

3.3. Reporting by geographic area

Non-current assets consist of property, plant and equipment, intangible assets (excluding goodwill) and investments in equity-accounted companies. Goodwill balances cannot be broken down by geographic area as they are allocated to Business Groups that operate in several geographic areas.

First-half 2022

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	563	1,395	1,001
Other European countries and Africa	3,832	3,160	2,847
North America	1,860	1,835	1,094
South America	225	177	30
Asia	2,939	3,176	2,409
Eliminations	—	(324)	(3)
TOTAL	**9,419**	**9,419**	**7,378**

First-half 2021

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	503	1,411	1,073
Other European countries and Africa	3,894	3,190	2,839
North America	1,588	1,580	1,066
South America	183	139	30
Asia	2,826	2,964	2,436
Eliminations	—	(290)	(3)
TOTAL	**8,994**	**8,994**	**7,441**

NOTE 4 OPERATING DATA

4.1 Sales

Group sales rose 4.7% to 9,419 million euros in first-half 2022, from 8,994 million euros in first-half 2021.

Changes in the scope of consolidation had a negligible impact, while changes in exchange rates had a positive 3.4% impact, mainly relating to the US dollar and Chinese yuan. Accordingly, like for like (constant Group structure and exchange rates), consolidated sales rose 1.7% between first-half 2021 and first-half 2022.

4.1.1 Sales by type

Sales can be analyzed by type as follows:

(in millions of euros)	First-half 2022	First-half 2021
Original equipment	7,813	7,512
Aftermarket	1,140	1,030
Other	466	452
SALES	**9,419**	**8,994**

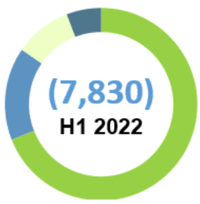
4.1.2 Original equipment sales by customer portfolio

Original equipment sales can be analyzed by customer portfolio as follows:

(in millions of euros)		First-half 2022	First-half 2021
31%	- Asian automakers	2,407	2,419
30%	- German automakers	2,381	2,373
19%	- US automakers	1,523	1,303
14%	- French automakers	1,072	1,036
6%	- Other	430	381
	ORIGINAL EQUIPMENT SALES	**7,813**	**7,512**

4.2 Cost of sales

Cost of sales can be analyzed as follows:



(in millions of euros)		First-half 2022	First-half 2021
57.4% (1)	– Raw materials consumed	(5,405)	(5,075)
12.9% (1)	– Labor	(1,217)	(1,171)
8.0% (1)	– Direct production costs and production overheads	(752)	(732)
4.8% (1)	– Depreciation, amortization and impairment(2)	(456)	(430)
	COST OF SALES	**(7,830)**	**(7,408)**

(1) As a % of sales.

(2) This amount does not include amortization and impairment charged against capitalized development expenditure, which is recognized in Research and Development expenditure. It includes the impact of government subsidies and grants on non-current production assets (excluding Research and Development) recognized in the statement of income for the period.

4.3 Operating margin including share in net earnings of equity-accounted companies

In first-half 2022, operating margin including share in net earnings of equity-accounted companies was 182 million euros (or 1.9% of sales), compared with 3.3% of sales in first-half 2021.

Share in net earnings of equity-accounted companies represented a loss of 76 million euros in first-half 2022, compared with a loss of 119 million euros in first-half 2021. See Note 4.3.2 for more information.

4.3.1 Research and Development expenditure

Research and Development expenditure can be analyzed as follows:

(in millions of euros)	**First-half 2022**	**First-half 2021**
Gross Research and Development expenditure	(959)	(851)
Subsidies and grants, and other income[1]	67	56
Capitalized development expenditure	295	291
Amortization and impairment of capitalized development expenditure[2]	(296)	(252)
RESEARCH AND DEVELOPMENT EXPENDITURE	**(893)**	**(756)**

*(1) The impacts of French research tax credits (*Crédits d'Impôt Recherche*), or any other similar tax arrangements in other jurisdictions outside the scope of IAS 12, as well as of the subsidy calculated on the loan taken out with the European Investment Bank (EIB) (see Note 8.2.2.2), are presented on this line.*
(2) Impairment losses recorded in operating margin only.

The Group continued its Research and Development efforts in first-half 2022 in order to fulfill the order intake recorded over the past few years and in line with its strategy geared to products incorporating innovative technologies.

4.3.2. Associates and joint ventures

Share in net earnings of equity-accounted companies can be analyzed as follows:

(in millions of euros)	**First-half 2022**	**First-half 2021**
Share in net earnings of associates	1	(2)
Share in net earnings of joint ventures	(77)	(117)
SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	**(76)**	**(119)**

All companies consolidated using the equity method, either joint ventures or associates, contribute to the Group's operations and belong to one of its four operating segments. They are included in the Group's internal reporting within the meaning of IFRS 8 and their operating performance is reviewed at the level of the Business Groups to which they belong. Accordingly, the Group considers it appropriate to recognize the share in net earnings of equity-accounted companies within operating margin.

In first-half 2022, the 77 million euro loss in respect of the Group's share in net earnings of joint ventures is mainly due to the share in the net losses of Valeo Siemens eAutomotive in an amount of 82 million euros, compared to the share in the net losses of Valeo Siemens eAutomotive in an amount of 124 million euros in first-half 2021.

4.4 Operating income and other income and expenses

4.4.1 Operating income

In first-half 2022, the Group recorded operating income including share in net earnings of equity-accounted companies of 111 million euros, versus 267 million euros in first-half 2021.

4.4.2 Other income and expenses

Other income and expenses can be analyzed as follows:

(in millions of euros)	*Notes*	First-half 2022	First-half 2021
Transaction costs and capital gains and losses arising on changes in the scope of consolidation	*4.4.2.1*	—	(7)
Claims and litigation	*4.4.2.2*	(21)	(7)
Restructuring plans	*4.4.2.3*	(17)	(15)
Impairment of assets	*4.4.2.4*	(32)	—
Other		(1)	—
OTHER INCOME AND EXPENSES		**(71)**	**(29)**

4.4.2.1 Transaction costs and capital gains and losses arising on changes in the scope of consolidation

In first-half 2021, this item included the additional impacts of the sale of (i) the Lighting business in Brazil and (ii) the Life Elex business in Japan.

4.4.2.2 Claims and litigation

In first-half 2022, this item includes the impacts of various disputes and the related legal advisory costs.

4.4.2.3 Restructuring plans

Restructuring costs for first-half 2022 chiefly include expenses relating to early retirement plans in Germany and costs in connection with restructuring plans.

4.4.2.4 Impairment of assets

At June 30, 2022, the Group recognized an impairment loss of 32 million euros to reflect the impacts of international sanctions imposed on Russia in response to the military conflict in Ukraine. This position may be reviewed at the end of future reporting periods as sanctions evolve (see Note 2.2).

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

5.1 Provisions for pensions and other employee benefits

The provision for pensions and other employee benefits is recognized based on projections made by actuaries using data from the end of the previous reporting period. The discount rates for the countries representing the Group's most significant obligations (United States, eurozone, United Kingdom, Japan and South Korea) are reviewed at June 30. Projections for the most significant plans are adjusted in order to reflect any major changes in assumptions over the period or one-off impacts linked to discount rates, inflation, applicable legislation or the population concerned.

At June 30, the value of the main plan assets is also reviewed and adjusted wherever said value differs significantly from the market value.

Net provisions for pensions and other employee benefits totaled 787 million euros at June 30, 2022, a decrease compared with December 31, 2021.

The discount rates used at end-June 2022 in the countries representing the Group's most significant obligations were as follows:

Country	June 30, 2022	December 31, 2021
Eurozone	3.40	1.35
United Kingdom	3.70	1.70
United States	4.70	2.60
Japan	1.35	0.70
South Korea	4.40	2.85

At June 30, 2022, the Group reviewed its financial assumptions (discount and inflation rates) and the market value of the assets relating to its most significant plans:

- changes in the benchmark indexes used by the Group in first-half 2022 led to a 373 million euro decrease in its obligations, of which 179 million euros in Germany, 103 million euros in the United States, 37 million euros in France and 35 million euros in the United Kingdom. This adjustment was included in actuarial gains (losses) on defined benefit plans in the statement of other comprehensive income;
- the actual return on the Group's main plan assets, particularly in the United States and the United Kingdom, gave rise to an actuarial loss of 120 million euros in first-half 2022 (recognized in other comprehensive income) and a corresponding increase in the provision.

Excluding this positive net 253 million euro impact, changes in provisions for pensions and other employee benefits chiefly reflect:

- utilizations in an amount of 47 million euros and reversals of unutilized provisions in an amount of 5 million euros;
- a net expense of 43 million euros during the period, of which 7 million euros was recorded in other financial income and expenses (see Note 8.4);
- a negative 6 million euro impact resulting from changes in foreign exchange rates.

Based on (i) the progress of pay negotiations, (ii) long-term salary inflation assumptions and (iii) the characteristics of the main contributing plans, it was not deemed necessary to update the salary inflation rate for the purposes of preparing the Valeo Group's condensed interim consolidated financial statements for the six months ended June 30, 2022. At December 31, 2021, the sensitivity of the Group's obligations to the salary inflation rate was presented in Note 6.3.7 to the consolidated financial statements, page 362 of the 2021 Universal Registration Document.

5.2 Free share and performance share plans

On March 23, 2022, the Board of Directors approved a free share and performance share plan involving up to 2,308,057 shares. The plan will see the allotment of 1,165,015 free shares not subject to performance criteria and 1,143,042 shares subject to performance criteria, with a three-year vesting period for all employees. Only performance shares allotted to the Chief Executive Officer are subject to a two-year holding period. Additionally, the number of free shares not subject to performance criteria includes 532,000 shares that may be allotted following the implementation of the 2022 Shares4U employee share ownership plan. In most countries, these shares will be subject to a vesting period in line with the lock-up period for subscribed shares.

In accordance with IFRS 2 and based on the fair value of the equity instruments at the authorization date, Valeo has estimated the fair value of the free shares allotted under the plan over the period at 18 million euros (versus 26 million euros for the plan awarded in 2021). It will be recognized in personnel expenses over the vesting period, mainly with an offsetting entry to equity.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

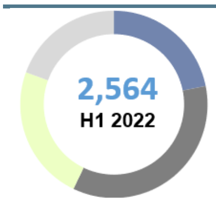
6.1 Goodwill

Changes in goodwill in first-half 2022 and full-year 2021 are analyzed below:

(in millions of euros)	June 30, 2022	December 31, 2021
NET CARRYING AMOUNT AT JANUARY 1	**2,552**	**2,512**
Acquisitions during the period	—	14
Disposals during the period	—	(3)
Translation adjustment	12	29
NET CARRYING AMOUNT	**2,564**	**2,552**
Including accumulated impairment losses	—	—

The increase in goodwill in first-half 2022 mainly reflects the appreciation in the US dollar (31 million euros) and the Chinese renminbi (4 million euros) against the euro between December 31, 2021 and June 30, 2022. These impacts were partially offset by the depreciation in the Japanese yen (22 million euros) against the euro over the same period.

Goodwill can be broken down by Business Group as follows:



(in millions of euros)		June 30, 2022	December 31, 2021
22%	– Comfort & Driving Assistance Systems	559	564
35%	– Powertrain Systems	902	903
23%	– Thermal Systems	600	603
19%	– Visibility Systems	497	475
1%	– Other	6	7
	GOODWILL	**2,564**	**2,552**

6.2 Impairment of fixed assets

6.2.1. Impairment testing

Property, plant and equipment and intangible assets whose recoverable amount cannot be estimated on a stand-alone basis are grouped together into cash-generating units (CGUs). There were 23 CGUs at end-June 2022.

The net carrying amount of goodwill is monitored at the level of the Business Groups and is reviewed at least once a year and whenever there are indications that it may be impaired.

To prepare the medium-term business plans and the budget used to perform impairment tests on CGUs and goodwill at December 31, 2021, the Group based itself on projected data for the automotive market, as well as its order intake and its development prospects on emerging markets. The assumptions applied at the end of 2021 were still considered appropriate overall at the date on which the condensed interim consolidated financial statements for the six months ended June 30, 2022 were authorized for issue.

The main impairment indicators used to identify the CGUs to be tested were a negative operating margin in first-half 2022, a fall of more than 20% in first-half 2022 sales compared to first-half 2021, and a recurring substantial shortfall with respect to the objectives set in the medium-term plans. Any CGUs experiencing strong growth and whose value in use was significantly above their capital employed were excluded from the scope of the impairment tests.

The tests were performed using the same assumptions and the same method as those used to determine impairment for the year ended December 31, 2021, i.e., a discount rate (WACC) of 9.5% and a perpetuity growth rate of 1.5%.

6.2.2. Property, plant and equipment and intangible assets (excluding goodwill)

Based on the above, seven CGUs were tested for impairment at June 30, 2022:

- the Valeo Telematics & Acoustics Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Interior & Smart Devices Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Access & Remote Control Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Top Column Module Product Line, which has formed a separate CGU since 2019, when the Group decided to withdraw from this business;
- the Powertrain Actuator Systems Product Group (part of the Powertrain Systems Business Group);
- the Thermal Powertrain Product Group (part of the Thermal Systems Business Group);
- the Thermal Climate Control Product Group (part of the Thermal Systems Business Group).

The CGU impairment tests did not lead to the recognition of any additional impairment losses at June 30, 2022.

6.2.3. Sensitivity of CGU impairment tests

Changes in the following assumptions were used to check the sensitivity of CGU impairment tests assuming an infinite time period:

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 0.7-point decrease in the rate of operating income over sales used to calculate the terminal value.

The headroom of the tests represents the difference between value in use and net carrying amount. The headroom of the tests, as well as the impacts of changes in assumptions on this headroom, are presented in the table below:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on end-June 2022 assumptions	WACC of 10.5% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	0.7-pt decrease in the rate of operating income used to calculate the terminal value	Combination of all three factors
Valeo Telematics & Acoustics Product Line CGU	37	(22)	(10)	(22)	(46)
Interior & Smart Devices Product Line CGU	222	(49)	(19)	(28)	(87)
Access & Remote Control Product Line CGU	47	(14)	(6)	(9)	(26)
Powertrain Actuator Systems Product Group CGU	469	(90)	(37)	(42)	(152)
Thermal Powertrain Product Group CGU	807	(127)	(58)	(96)	(250)
Thermal Climate Control Product Group CGU	970	(145)	(64)	(98)	(273)

Since the impairment test on the Top Column Module Product Line CGU assumes a finite time period, its sensitivity to changes in the following assumptions was verified:

- 1-point increase in the discount rate;
- 5% fall in sales for each year of the plan, with no variabilization of fixed costs;
- 0.5-point decrease in the materials consumption rate for each year of the plan.

(in millions of euros)	Headroom of the test	Impact on the headroom of the test			
	Based on end-June 2022 assumptions	**WACC of 10.5% (+1 pt)**	**5% fall in sales for each year**	**0.5-pt decrease in the materials consumption rate**	**Combination of all three factors**
Top Column Module Product Line CGU	—	(1)	(4)	(4)	(8)

6.2.4 Goodwill

The impairment tests performed at December 31, 2021 did not lead to the recognition of any goodwill impairment at the end of the year.

At June 30, 2022, the Group considered that there had been no change in the assumptions used to determine the recoverable amount of goodwill at December 31, 2021 that would justify performing further impairment tests in the period.

6.2.5 Impairment of Russian assets

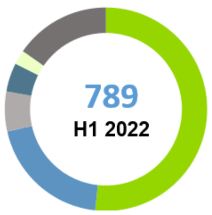
The operations of certain automakers both in and with Russia were halted or suspended during the period, leading the Group to revise the value in use of its Russian assets. Accordingly, in first-half 2022, the Group recognized a 32 million euro impairment loss within other income and expenses, of which 27 million euros was allocated to fixed assets (see Note 2.2).

6.2.6 Impairment of the Brazilian assets

Since cash flow forecasts remain very weak in Brazil and the environment is uncertain in the region, the Group has maintained the 49 million euro impairment losses recognized against its Brazilian assets and included in other income and expenses in the 2020 consolidated statement of income.

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1 Other provisions



(in millions of euros)	June 30, 2022	December 31, 2021
52% – Provisions for product warranties	408	401
20% – Provisions for onerous contracts(1)	156	10
6% – Provisions for restructuring costs	50	43
5% – Provisions for tax-related disputes	36	40
2% – Provisions for environmental risks	18	13
15% – Provisions for employee-related and other disputes	121	155
PROVISIONS FOR OTHER CONTINGENCIES	**789**	**662**

(1) At June 30, 2022, this amount includes the impacts of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", as set out in Note 1.1.1.

A number of Group companies are involved in legal proceedings in the ordinary course of their operations. Each known dispute was reviewed at the date on which the condensed interim consolidated financial statements were authorized for issue. Based on the advice of the Group's legal counsel, where appropriate, the provisions deemed necessary were set aside to cover the estimated outflows of resources. They take into account any compensation agreements signed between the various stakeholders.

Provisions for employee-related and other disputes, which totaled 121 million euros at June 30, 2022, cover risks arising in connection with former employees (in particular relating to asbestos), intellectual property disputes and various other disputes related to Valeo's operating activities across the globe, as well as the main risks relating to antitrust cases and investigations.

At December 31, 2020, the Group recognized a material accrued income item with respect to product warranties. During the period, the Group did not recognize any other individually material income items offsetting expected outflows of resources in respect of the other provisions mentioned above.

The estimates underpinning these provisions are made based on information available at the date on which the condensed interim consolidated financial statements were authorized for issue. The amounts reported in Valeo's future financial statements may differ from the amounts resulting from these estimates.

7.2 Antitrust investigations

At the end of July 2011, antitrust investigations were initiated against several automotive suppliers (including Valeo) by the US and European antitrust authorities related to components and systems supplied to the automotive industry.

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving climate control products on September 20, 2013, as part of which Valeo Japan Co. Ltd agreed to pay a fine of 13.6 million US dollars. This settlement agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Valeo Group for practices that came to light during their investigations. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo amnesty and so did not fine Valeo for this conduct.

Also in the United States, three class actions were filed by automotive dealers, direct purchasers, and automotive end-payers against Valeo Group companies with the United States District Court for the Eastern District of Michigan, for alleged antitrust violations involving the sale of climate control products. Each of these class actions was settled with court approval. Separately, Valeo reached court-approved settlement agreements in connection with two prospective actions relating to access mechanisms over which automotive dealers and end customers were threatening to file claims. Certain customers opted out of the aforementioned US settlement agreements, and Valeo has reached settlements with some of these customers.

There were no developments in the ongoing class actions in Canada. At the present time, the Group is not aware of any findings or conclusions that could have adverse consequences for Valeo.

In Europe, the European Commission issued a decision on March 8, 2017, fining certain automotive air conditioning and engine cooling suppliers for conduct involving thermal systems products. Valeo was fined a total of 26.8 million euros. On June 21, 2017, the European Commission issued a further decision fining automotive lighting system suppliers and marking an end to all its investigations involving Valeo. Valeo was among those identified by the Commission in the automotive lighting systems case, but was granted immunity and was therefore not fined.

Valeo remains in contact with a number of European automakers regarding ongoing claims for damages resulting from the European Commission's proceedings. On June 17, 2022, Valeo was informed that BMW had withdrawn a claim filed with the Munich Regional Court in Germany seeking compensation from Valeo for alleged damages, after a settlement was reached between the parties. Another automaker filed a claim against Valeo and other automotive suppliers with the UK's High Court of Justice.

Additional actions for damages can or may be brought further to the aforementioned antitrust investigations. The Group sets aside provisions whenever the payment of compensation is likely and can be quantified.

7.3 Contingent liabilities

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving Valeo or its subsidiaries were reviewed at the date on which the consolidated financial statements were authorized for issue. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Fair value of financial assets and liabilities

(in millions of euros)	2022 carrying amount under IFRS 9 Amortized cost	Fair value through OCI	Fair value through income	June 30, 2022 Carrying amount	December 31, 2021 Carrying amount
ASSETS					
Non-current financial assets:					
■ Long-term investments	—	33	297	**330**	290
■ Long-term loans and receivables (including accrued interest)	261	—	—	**261**	362
■ Deposits and guarantees	33	—	—	**33**	31
■ Other non-current financial assets	6	—	—	**6**	6
■ Hedging derivatives	—	79	—	**79**	53
■ Trading derivatives	—	—	—	**—**	—
Assets relating to pensions and other employee benefits	—	42	—	**42**	29
Accounts and notes receivable	2,792	—	—	**2,792**	2,377
Other current financial assets:					
■ Hedging derivatives	—	39	—	**39**	20
■ Trading derivatives	—	—	63	**63**	50
■ Accrued interest and other current financial assets	—	—	2	**2**	4
Cash and cash equivalents	—	—	3,093	**3,093**	2,415
LIABILITIES					
Non-current financial liabilities:					
■ Hedging derivatives	—	29	—	**29**	20
■ Trading derivatives	—	—	6	**6**	5
Bonds	3,669	—	—	**3,669**	3,661
Schuldschein loan (German private placement)	547	—	—	**547**	547
European Investment Bank (EIB) loan	581	—	—	**581**	293
Other long-term debt	580	—	—	**580**	630
Liabilities associated with put options granted to holders of non-controlling interests	—	12	—	**12**	17
Accounts and notes payable	5,118	—	—	**5,118**	4,633
Other current financial liabilities:					
■ Hedging derivatives	—	47	—	**47**	12
■ Trading derivatives	—	—	21	**21**	14
Short-term financing	1,299	—	—	**1,299**	748
Bank overdrafts	—	—	1	**1**	—

The main terms and conditions of borrowings (in particular bonds) are set out in Note 8.2.2.

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments based on the following categories:

- Level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

The fair value of bonds is calculated based on prices quoted on an active bond market. This method corresponds to Level 1 in the fair value hierarchy.

For the *Schuldschein* private placement and the European Investment Bank (EIB) loans, fair value is measured by discounting future cash flows at the market interest rate at the reporting date. This method corresponds to Level 2 in the fair value hierarchy.

The fair value of other components of Group debt, as well as of accounts and notes payable and receivable, is equal to their carrying amount.

	June 30, 2022			December 31, 2021		
(in millions of euros)	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
ASSETS						
Cash and cash equivalents	3,093	3,093	1-2	2,415	2,415	1-2
Derivative financial instruments[(1)]	181	181	2-3	123	123	2-3
LIABILITIES						
Bonds	3,669	3,438	1	3,661	3,783	1
Schuldschein loan (German private placement)	547	537	2	547	547	2
European Investment Bank (EIB) loan	581	494	2	293	294	2
Other long-term debt	580	580	2	630	630	2
LOANS RECOGNIZED AT AMORTIZED COST	**5,377**	**5,049**		**5,131**	**5,254**	
Short-term financing	1,299	1,299	1-2	748	748	1-2
Bank overdrafts	1	1	1-2	—	—	N/A
Derivative financial instruments[(1)]	103	103	2-3	51	51	2-3
Put options granted to holders of non-controlling interests	12	12	3	17	17	3

(1) The method used to estimate the fair value of derivative financial instruments recorded in assets and liabilities corresponds to Level 2 in the fair value hierarchy for derivatives hedging foreign currency, commodity and interest rate risks. The method used to estimate the fair value of other derivative financial instruments corresponds to Level 2 or Level 3 in the fair value hierarchy.

IFRS 13 prescribes the methods for assessing fair value and for taking into account the credit risk on uncollateralized derivatives, through:

- a Credit Valuation Adjustment (CVA), which is a component of the market value of a derivative financial instrument that reflects the exposure in the event of counterparty default;
- a Debit Valuation Adjustment (DVA), which is an adjustment to fair value reflecting the entity's own credit risk.

The credit risk on derivatives is calculated according to historical probabilities of default and a recovery rate, as observed on the market.

At June 30, 2022 and December 31, 2021, this has only a minimal impact on the Group.

8.2 Debt

8.2.1 Net debt

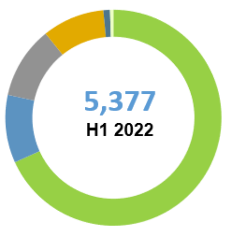
Net debt comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests (see Note 8.2.3), short-term financing and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents, short-term investments not included in cash and cash equivalents, and the fair value of derivative instruments hedging interest rate and currency risks associated with these items.

	June 30, 2022			December 31, 2021		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	3,797	1,580	**5,377**	4,350	781	**5,131**
Put options granted to holders of non-controlling interests	7	5	**12**	12	5	**17**
Short-term financing	—	1,299	**1,299**	—	748	**748**
Bank overdrafts	—	1	**1**	—	—	**—**
GROSS DEBT	**3,804**	**2,885**	**6,689**	**4,362**	**1,534**	**5,896**
Long-term loans and receivables (including accrued interest)	(230)	(31)	**(261)**	(275)	(87)	**(362)**
Accrued interest	—	(2)	**(2)**	—	(4)	**(4)**
Cash and cash equivalents	—	(3,093)	**(3,093)**	—	(2,415)	**(2,415)**
Derivative instruments associated with interest rate and foreign currency risks(1)	**(6)**	**(46)**	**(52)**	**(2)**	**(9)**	**(11)**
NET DEBT	**3,568**	**(287)**	**3,281**	**4,085**	**(981)**	**3,104**

(1) At end-June 2022 and end-December 2021, the fair value of derivative instruments associated with an item of net debt comprises the fair value of derivatives hedging financial currency risk and the fair value of derivatives hedging interest rate risk.

8.2.2 Long-term debt

8.2.2.1 Breakdown of long-term debt



(in millions of euros)		June 30, 2022	December 31, 2021
68%	- Bonds	3,669	3,661
10%	- *Schuldschein* loan (German private placement)	547	547
11%	- European Investment Bank (EIB) loan	581	293
9%	- Lease liabilities	500	510
1%	- Other borrowings	53	68
1%	- Accrued interest	27	52
	LONG-TERM DEBT	**5,377**	**5,131**

8.2.2.2 Change in and characteristics of long-term debt

(in millions of euros)	**Bonds**	***Schuldschein* loan (German private placement)**	**European Investment Bank (EIB) loan**	**Lease liabilities**	**Other borrowings**	**Accrued interest**	**Total**
CARRYING AMOUNT AT JANUARY 1, 2022	**3,661**	**547**	**293**	**510**	**68**	**52**	**5,131**
Increases/Subscriptions	—	—	286	—	—	—	**286**
New leases/Renewals/Modifications	—	—	—	44	—	—	**44**
Redemptions/Repayments	—	—	—	(54)	(13)	—	**(67)**
Value adjustments	8	—	2	—	—	—	**10**
Translation adjustment	—	—	—	—	(2)	1	**(1)**
Other movements	—	—	—	—	—	(26)	**(26)**
CARRYING AMOUNT AT JUNE 30, 2022	**3,669**	**547**	**581**	**500**	**53**	**27**	**5,377**

In February 2021, the European Investment Bank (EIB) approved 600 million euros in financing for Valeo's Research and Development projects focused on technologies that reduce CO_2 emissions and improve active vehicle safety. The funds are to be allocated to Valeo's Europe-based R&D projects, primarily in France, but also in Germany, the Czech Republic and Ireland. The Group drew down an initial amount of 300 million euros in 2021, followed by the remaining 300 million euro tranche on February 10, 2022. The loan, which matures in 2030, carries fixed-rate interest of 1.083% and is repayable in six equal annual installments from February 2025.

In accordance with IAS 20, when the Group receives public financing at lower-than-market interest rates, a subsidy is calculated as the difference between the market interest rate for a similar loan at the date the loan was granted, and the interest rate granted by the lender. The amount of the subsidy is recognized in liabilities in the statement of financial position. It is subsequently taken to income as a deduction from the costs financed by the subsidy as and when the costs are themselves recognized in the consolidated statement of income.

The amount of the subsidy for the second 300 million euro loan contracted from the EIB was measured at 14 million euros (7 million euros for the first tranche). The impact of these two subsidies on the statement of income for the six-month period ended June 30, 2022 was a gain of 5 million euros, recognized in Research and Development expenditure (see Note 4.3.1).

At June 30, 2022, the key terms and conditions of long-term debt were as follows:

Type	Outstanding at June 30, 2022 *(in millions of euros)*	Issuance	Maturity	*Nominal (in millions)*	Nominal amount outstanding (in millions)	Currency	Nominal interest rate	Other information
Bond (EMTN program)	600	Sept. 2017	Sept. 2022	600	600	EUR	0.3752%	-
Bond (EMTN program)	500	Jan. 2017	Jan. 2023	500	500	EUR	0.625%	-
Bond (EMTN program)	679	Jan. 2014	Jan. 2024	700	700	EUR	3.25%	-
Bond (EMTN program)	598	June 2018	June 2025	600	600	EUR	1.5%	-
Bond (EMTN program)	596	Mar. 2016	Mar. 2026	600	600	EUR	1.625%	-
Bond (EMTN program)	696	July 2021	Aug. 2028	700	700	EUR	1%	Bonds indexed to a sustainability objective
Schuldschein loan (German private placement)								
Tranche 1	115	April 2019	April 2023	115	115	EUR	0.95%	-
Tranche 2	220	April 2019	April 2023	221	221	EUR	6-month Euribor +0.95%	Swap exchanging the variable coupon with 6-month Euribor for a fixed rate of -0.041%
Tranche 3	90	April 2019	April 2025	90	90	EUR	1.291%	-
Tranche 4	122	April 2019	April 2025	122	122	EUR	6-month Euribor +1.15%	Swap exchanging the variable coupon with 6-month Euribor for a fixed rate of 0.145%
European Investment Bank (EIB) loan								
Tranche 1	294	June 2021	June 2029	300	300	EUR	0.885%	Reduced-rate loan repayable in six annual installments of 50 million euros as from June 2024
Tranche 2	287	Feb. 2022	Feb. 2030	300	300	EUR	1.083%	Reduced-rate loan repayable in six annual installments of 50 million euros as from February 2025
Lease liabilities	500	-	-	—	500	—	—	
Other long-term debt[(1)]	80	-	-	—	80	—	—	
LONG-TERM DEBT	**5,377**							

(1) *Other long-term debt chiefly comprises debt contracted by Ichikoh entities in an amount of 29 million euros and debt contracted by Group subsidiaries at reduced rates in Spain along with accrued interest.*

At June 30, 2022, the Group had drawn an amount of 3.7 billion euros (stable compared with December 31, 2021) under its Euro Medium Term Note (EMTN) financing program capped at 5 billion euros.

The Group also has confirmed credit lines with an average maturity of 4.1 years (versus 4.6 years at December 31, 2021), representing an aggregate amount of 1.8 billion euros. None of these credit lines had been drawn down at June 30, 2022. These bilateral credit lines were taken out with leading banks with an average rating of A from S&P and A1 from Moody's.

8.2.2.3. Contractual maturity of long-term debt

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile. At June 30, 2022, the average maturity of Valeo's (the parent company) debt was 2.8 years.

The future cash outflows presented below, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at June 30, 2022 was used for variable-rate interest.

		Contractual cash flows						
			≥1 year and ≤5 years					
(in millions of euros)	Carrying amount	<1 year	Y+1	Y+2	Y+3	Y+4	>5 years	Total
Bonds (including coupons)	**3,669**	1,154	749	626	617	7	714	**3,867**
Schuldschein loan (German private placement)	**547**	342	4	217	—	—	—	**563**
European Investment Bank (EIB) loan	**581**	6	56	105	104	103	255	**629**
Other long-term debt	**580**	121	102	68	51	46	167	**555**
LONG-TERM DEBT	**5,377**	**1,623**	**911**	**1,016**	**772**	**156**	**1,136**	**5,614**

8.2.2.4. Off-balance sheet commitments relating to Group financing

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenant:

Financing agreements	Ratios	Thresholds	Ratio at June 30, 2022[1]
Credit lines European Investment Bank (EIB) loan *Schuldschein* loan (German private placement)	Consolidated net debt/consolidated EBITDA	<3.5	1.48

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note (EMTN) financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The *Schuldschein* loan and the European Investment Bank (EIB) loan also include a change of control clause under which investors can request early repayment.

The credit lines set up by the Group's subsidiaries include early repayment clauses in the event of failure to comply with specified financial ratios. Based on the due diligence performed, the Group believes that the subsidiaries concerned complied with these covenants at June 30, 2022.

The Group's bank credit lines and long-term debt include "cross default" clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date on which these condensed interim consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

8.2.2.5. Short-term financing and bank overdrafts

(in millions of euros)	June 30, 2022	December 31, 2021
Negotiable European Commercial Paper	1,246	665
Other short-term financing	53	83
Bank overdrafts	1	—
SHORT-TERM FINANCING AND BANK OVERDRAFTS	**1,300**	**748**

Valeo has a short-term Negotiable European Commercial Paper (NEU CP) financing program for a maximum amount of 2.5 billion euros. At June 30, 2022, a total of 1,246 million euros had been drawn on this program, compared with 665 million euros at December 31, 2021.

8.2.2.6. Group credit ratings

The Group is rated by several credit rating agencies. Moody's rating confirms Valeo's investment grade status.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	June 17, 2022	BB+	Stable	B
Moody's	August 30, 2021	Baa3	Stable	P-3

8.2.3. Liabilities associated with put options granted to holders of non-controlling interests

(in millions of euros)	Total	Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	Spheros Climatização do Brasil SA	Asaphus Vision GmbH
LIABILITIES AT JANUARY 1, 2021	**68**	**50**	**18**	**—**
New options	**5**	—	—	5
Fair value adjustments recognized against non-controlling interests	**—**	—	—	—
Fair value adjustments recognized in retained earnings	**(6)**	—	(6)	—
Exercise of options	**(50)**	(50)	—	—
LIABILITIES AT DECEMBER 31, 2021	**17**	**—**	**12**	**5**
Fair value adjustments recognized against non-controlling interests	**1**	—	1	—
Fair value adjustments recognized in retained earnings	**(6)**	—	(6)	—
LIABILITIES AT JUNE 30, 2022	**12**	**—**	**7**	**5**

At June 30, 2022, Valeo and Marco Polo owned 60% and 40%, respectively, of Spheros Climatização do Brasil SA. Marco Polo has been granted a put option which it may exercise at any time following an agreed period of one year.

On December 10, 2021 Valeo acquired a controlling interest in Asaphus Vision GmbH. It now holds a 60% stake along with a call option for the remaining 40%, worth 5 million euros.

In 2021, STEC exercised its put option on its entire stake in Valeo Shanghaï Automotive Electric Motors & Wiper Systems Co. Ltd. At December 31, 2021, the exercise of this option resulted in the recognition of a short-term liability of 55 million euros, which was settled in the first half of 2022.

8.2.4. Cash and cash equivalents

(in millions of euros)	June 30, 2022	December 31, 2021
Marketable securities	1,116	942
Cash and other liquid resources	1,977	1,473
CASH AND CASH EQUIVALENTS	**3,093**	**2,415**

Cash and cash equivalents totaled 3,093 million euros at June 30, 2022, consisting of 1,116 million euros of marketable securities with a low price volatility risk, and 1,977 million euros in cash and other liquid resources. Marketable securities consist solely of money market mutual funds (FCP).

These items were measured using Level 1 and 2 inputs of the fair value hierarchy.

8.3 Long-term investments

Long-term investments totaled 330 million euros at end-June 2022 and can be analyzed as follows:

(in millions of euros)	June 30, 2022	December 31, 2021
LONG-TERM INVESTMENTS AT JANUARY 1	**290**	**216**
Acquisitions	21	1
Disposals	—	(1)
Changes in fair value recognized in equity	(1)	(7)
Changes in fair value recognized in income	18	77
Dividends paid by Company mutual funds	(4)	(5)
Translation adjustment	6	9
LONG-TERM INVESTMENTS	**330**	**290**

They mainly comprise investments in the following companies:

(in millions of euros)	June 30, 2022	December 31, 2021
Hubei Cathay China	69	69
Hubei Cathay China II	22	—
Sino-French Innovation Fund (Cathay)	97	96
Sino-French Innovation Fund II (Cathay)	34	33
Iris Capital	38	26
Other long-term investments(1)	70	66
LONG-TERM INVESTMENTS	**330**	**290**

(1) Other investments for less than 21 million euros in investment funds and in listed companies over which Valeo exercises neither control nor significant influence.

8.4 Financial income and expenses

(in millions of euros)	First-half 2022	First-half 2021
Cost of gross debt[1]	(76)	(59)
Interest income on cash and investments	26	31
Cost of net debt	**(50)**	**(28)**
Net interest cost on provisions for pensions and other employee benefits[2]	(7)	(6)
Currency gains (losses)	3	6
Gains (losses) on commodity derivatives (ineffective portion)	—	—
Gains (losses) on interest rate derivatives (ineffective portion)	1	1
Gains (losses) on long-term investments held for trading[3]	18	5
Other[4]	5	—
Other financial income and expenses	**20**	**6**
NET FINANCIAL INCOME (EXPENSE)	**(30)**	**(22)**

(1) Including, in first-half 2022, finance costs for 2 million euros on undrawn credit lines, interest on lease liabilities for 7 million euros and financial expenses for 1 million euros arising on discounting arrangements for accounts and notes receivable and amounts receivable under French research tax credits.
(2) See Note 5.1.
(3) See Note 8.3.
(4) Of which 4 million euros related to hyperinflation in Turkey.

The cost of net debt totaled 50 million euros at June 30, 2022, up on first-half 2021 primarily due to conditions relating to borrowings set up in 2021.

NOTE 9 INCOME TAXES

In accordance with IAS 34 – "Interim Financial Reporting", the Group's income tax expense was calculated based on an estimated average tax rate for 2022. This estimated average rate was calculated on the basis of the tax rates likely to apply and on pre-tax earnings forecasts for the Group's tax entities.

In first-half 2022, income tax expense amounts to 97 million euros, representing an effective tax rate of 61.8% and reflecting an unfavorable country mix.

The income tax expense for first-half 2021 was calculated based on an effective tax rate of 31.3% and amounted to 114 million euros.

NOTE 10 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Change in the number of shares outstanding

The number of shares outstanding and the number of treasury shares held at June 30, 2022 can be analyzed as follows:

	June 30, 2022	December 31, 2021
NUMBER OF SHARES OUTSTANDING AT JANUARY 1	**241,726,165**	**240,250,718**
Number of treasury shares purchased/sold under the liquidity agreement(2) or delivered following the exercise of stock options or free shares granted	1,498,901	618,069
Number of shares purchased under the share buyback program(3)	(3,031,189)	—
Number of shares issued under employee stock ownership plans: Shares4U	—	857,378
NUMBER OF SHARES OUTSTANDING	**240,193,877**	**241,726,165**
Number of treasury shares held by the Group	2,380,904	848,616
NUMBER OF SHARES REPRESENTING THE COMPANY'S SHARE CAPITAL(1)	**242,574,781**	**242,574,781**

(1) *At June 30, 2022 and December 31, 2021, each share had a par value of 1 euro and was fully paid up.*
(2) *The Group may be required to buy back treasury shares on the market to cover its obligations with regard to free share plans, as well as employee stock ownership plans and the liquidity agreement. The liquidity agreement, which is consistent with the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement *– AFEI), was signed with an investment services provider on March 25, 2019, replacing the previous liquidity agreement signed on April 22, 2004. At June 30, 2022, 25,000 shares and 16,873,286 euros had been allocated to the liquidity agreement compared with 17,340,810 euros at December 31, 2021.*
(3) *See Note 10.2.*

10.2. Share buyback program

Valeo requested the assistance of an investment services provider to meet certain objectives of its 2022 share buyback program as authorized by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Pursuant to the agreement signed on March 24, 2022, the parties agreed that the investment services provider would sell a certain quantity of Valeo shares to Valeo, which undertook to acquire them at term, within the limit of 50 million euros, at an average price determined in an objective and independent manner by the market during the full term of the agreement. This average price could not in any case exceed the maximum purchase price set by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Under the program, Valeo bought back a total of 3,031,189 shares. They have been allocated in full to cover the allotment of shares to employees under free share plans designed to involve them in the Company's growth, and the implementation of any Company savings plans.

The main features of the 2022 share buyback program is as follows:

	2022 program
Date agreement took effect	March 25, 2022
Expiration date	May 13, 2022
Maximum nominal amount of buyback *(in millions of euros)*	50
Treasury shares delivered *(in number of shares)*	3,031,189
Average share price *(in euros per share)*	16.50

10.3. Earnings per share

	First-half 2022	First-half 2021
Net income (loss) attributable to owners of the Company (in millions of euros)	(48)	90
Weighted average number of ordinary shares outstanding (in thousands of shares)	240,960	240,536
ATTRIBUTABLE BASIC EARNINGS PER SHARE (IN EUROS)	**(0.20)**	**0.38**

	First-half 2022	First-half 2021
Weighted average number of ordinary shares outstanding (in thousands of shares)	240,960	240,536
Potential dilutive effect from free shares (in thousands)(1)	2,903	2,925
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING ADJUSTED FOR IMPACT OF DILUTIVE SHARES (IN THOUSANDS OF SHARES)	**240,960**	**243,461**
ATTRIBUTABLE DILUTED EARNINGS PER SHARE (IN EUROS)	**(0.20)**	**0.37**

(1) Free shares are excluded from the calculation of diluted earnings per share for first-half 2022 as they are anti-dilutive.

NOTE 11 BREAKDOWN OF CASH FLOWS

11.1 Expenses (income) with no cash effect

Expenses and income with no cash effect can be analyzed as follows:

(in millions of euros)	First-half 2022	First-half 2021
Depreciation, amortization and impairment of fixed assets	872	780
Net additions to (reversals from) provisions	(83)	(66)
Losses (gains) on sales of fixed assets	5	(19)
Expenses related to share-based payment	8	10
Losses (gains) on long-term investments	(18)	(5)
Losses (gains) on previously held interests	—	(2)
Other losses (gains) with no cash effect	(7)	8
TOTAL	**777**	**706**

11.2 Changes in working capital

(in millions of euros)	First-half 2022	First-half 2021
Inventories	(25)	(182)
Accounts and notes receivable	(381)	220
Accounts and notes payable	395	(105)
Other receivables and payables	39	(93)
TOTAL	**28**	**(160)**

Accounts and notes receivable falling due after June 30, 2022, for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position, break down as follows:

(in millions of euros)	June 30, 2022	December 31, 2021
Receivables sold:		
■ Recurring sales of receivables	94	97
■ Non-recurring sales of receivables	183	164
ACCOUNTS AND NOTES RECEIVABLE SOLD	**277**	**261**
Financial cost	1	3

At June 30, 2022, amounts receivable in respect of the French research tax credit for 2018, 2019 and 2020 are no longer carried in the consolidated statement of financial position.

These receivables were transferred as follows:

- the 2018 research tax credit receivable on June 25, 2019 for 63 million euros;
- the prospective 2019 research tax credit receivable on December 17, 2019 for 60 million euros, and in June 2020 for the remaining 4 million euros;
- the prospective 2020 research tax credit receivable on December 16, 2020 for 48 million euros, and in June 2021 for the remaining 5 million euros;
- the prospective 2021 research tax credit receivable on December 15, 2021 for 51 million euros, and in June 2022 for the remaining 4 million euros.

At June 30, 2022 and December 31, 2021, receivables in respect of the VAT credit in France were sold and, as a result, are no longer recorded in the consolidated statement of financial position. These receivables represented an amount of 19 million euros at June 30, 2022 versus 18 million euros at December 31, 2021.

The cost of these transfers is shown under cost of net debt in the consolidated statement of income (see Note 8.4).

11.3 Issuance and repayment of long-term debt

As part of the 600 million euros in financing approved by the European Investment Bank (EIB) in February 2021, the Valeo Group drew down the second 300 million euro tranche in full on February 10, 2022. The loan, which matures in 2030, carries fixed-rate interest of 1.083% and is repayable in six equal annual installments from 2025 (see Note 8.2.2.2). Repayments made on long-term borrowings primarily concerned net payments for the principal portion of lease liabilities recognized in accordance with IFRS 16 – “Leases” in an amount of 50 million euros.

5. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

MAZARS

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S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
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Membre de la compagnie régionale de
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Commissaire aux Comptes
Membre de la compagnie régionale de
Versailles et du Centre

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2-III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Valeo, for the period from January 1 to June 30, 2022;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

5.1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

5.2. Matter of emphasis

Without qualifying our conclusion, we draw your attention to Note 1.1.1 of the condensed half-yearly consolidated financial statements regarding a change in accounting policy related to the first-time application of the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" and the resulting impacts for the Group.

5.3. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La-Défense, July 26, 2022

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Jean-Marc Deslandes	Gonzague Senlis	Guillaume Rouger	Philippe Berteaux

6. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

“I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2022 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and of all the companies included in the consolidation scope, and that the accompanying interim management report gives a fair description of the material events that occurred in the first six months of the year and their impact on the financial statements, the main transactions with related parties as well as a description of the principal risks and uncertainties for the remaining six months of the year.”

Paris, July 26, 2022

Christophe Périllat

Chief Executive Officer

7. FINANCIAL GLOSSARY

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.
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 noncurrent assets, and (ii) net dividends from equity-accounted companies.
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.
Operating margin including share in net earnings of equity-accounted companies	corresponds to operating income before other income and expenses.
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.
Valeo 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.
ROA	or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies) including goodwill.
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.

8. 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, risks related to the Group’s supply of electronic components and the rise in raw material prices, risks related to the Russia-Ukraine conflict, 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 2021 Universal Registration Document registered with the AMF on April 7, 2022 (under number D.22-0254).

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

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