



SMART TECHNOLOGY
FOR SMARTER MOBILITY

PRESS RELEASE

Paris, July 26, 2022

First-half 2022 results

Resilient performance, strong business momentum and guidance confirmed

- Sales of 9,419 million euros, up by 5%
- Outperformance in all production regions: 3 percentage points worldwide
- Strong growth in aftermarket sales, up 11% year on year on a like-for-like basis
- Free cash flow of 179 million euros
- EBITDA margin at 11.8% of sales and EBIT margin at 2.7% of sales
- Share in net earnings of equity-accounted companies representing a loss of 76 million euros, in line with the objective of halving the losses from Valeo Siemens eAutomotive over the full year
- 2022 guidance confirmed
- Strong business momentum with order intake of 13.1 billion euros for Valeo and 2.9 billion euros for VSeA, validating the growth outlook set out in the Move Up plan and confirming Valeo's status as a committed sustainable mobility player

"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."

Christophe Périllat, Chief Executive Officer

First-half 2022 key figures

		H1 2022	H1 2021	Change
Sales	(in €m)	9,419	8,994	+5%
Original equipment sales	(in €m)	7,813	7,512	+4%
Gross margin	(in €m) (as a % of sales)	1,589 16.9%	1,586 17.6%	—% -0.7 pts
R&D expenditure	(in €m) (as a % of sales)	(893) (9.5%)	(756) (8.4%)	+18% -1.1 pts
Selling and administrative expenses	(in €m) (as a % of sales)	(438) (4.7%)	(415) (4.6%)	+5.5% -0.1 pts
Operating margin excluding share in net earnings of equity-accounted companies	(in €m) (as a % of sales)	258 2.7%	415 4.6%	-38% -1.9 pts
Share in net earnings of equity-accounted companies	(in €m) (as a % of sales)	(76) (0.8%)	(119) (1.3%)	-36% +0.5 pts
Operating margin including share in net earnings of equity-accounted companies*	(in €m) (as a % of sales)	182 1.9%	296 3.3%	-39% -1.4 pts
Net attributable income (loss)	(in €m) (as a % of sales)	(48) (0.5%)	90 1.0%	-153% -1.5 pts
Basic earnings per share	(in €)	(0.20)	0.38	N/A
EBITDA*	(in €m) (as a % of sales)	1,111 11.8%	1,205 13.4%	-8% -1.6 pts
Change in operating working capital	(in €m)	(35)	(218)	N/A
Investments in property, plant and equipment and intangible assets	(in €m)	(589)	(570)	+3%
Free cash flow*	(in €m)	179	145	+23%
Net debt*	(in €m)	3,281	3,147	+€134m

* See financial glossary, page 15.

Implementation of the Move Up plan:

- strong business momentum validating Valeo's growth outlook
- integration of Valeo Siemens eAutomotive on July 4, 2022

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.

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.

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.

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

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.

H1 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.

First-half 2022 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 2021	LFL* change	Outperf.**
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⁽²⁾.

** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.

² See financial glossary, page 15.

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.

First-half 2022 segment reporting

Sales by Business Group

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group (in millions of euros)	H1 2022	vs. H1 2021			
		H1	Change in sales	Change in OE sales*	Outperf.**
Comfort & Driving Assistance Systems***	1,958	1,779	+10%	+5%	+7%
Powertrain Systems	2,549	2,468	+3%	-2%	—%
Thermal Systems	2,171	2,009	+8%	+3%	+5%
Visibility Systems	2,639	2,662	-1%	-3%	-1%

* Like for like⁽³⁾.

** 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.

³ See financial glossary, page 15.

EBITDA⁽⁴⁾ 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.

⁴ See financial glossary, page 15.

First-half 2022 results

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 15.

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 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⁽⁵⁾ 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⁽⁵⁾ 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⁽⁵⁾) and return on assets (ROA⁽⁵⁾) stood at 7% and 4%, respectively.

⁵ See financial glossary, page 15.

Free cash flow generation

(in millions of euros)	H1 2022	H1 2021
EBITDA⁽⁶⁾	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⁽⁶⁾	179	145
Net financial expenses	(64)	(13)
Other financial items	(335)	(188)
Net cash flow⁽⁶⁾	(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⁽⁶⁾ 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⁽⁶⁾ 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.

Net debt⁽⁶⁾

Net debt 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.

⁶ See financial glossary, page 15.

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.

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

- in February 2021, the European Investment Bank (EIB) approved 600 million euros in financing for Valeo's European Research and Development projects focused on reducing CO₂ emissions and improving 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.

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.

Upcoming events

Third-quarter 2022 sales: October 27, 2022

Full-year 2022 results: February 23, 2023

Highlights

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, 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 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. The Board of Directors thanks C. Maury Devine for her exceptional contribution to the Board and its specialized Committees since she was appointed as a member of the Board of Directors on April 23, 2015.

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.

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.

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.

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.

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.

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.

Financial glossary

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

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

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

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

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

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

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

Net cash flow corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of equity interests without a change in control, and (iii) changes in non-recurring sales of receivables.

Net debt comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

Appendices

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⁽⁷⁾.

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 pt
South America	2%	92	65	+26%	+13 pts
Q2 total	100%	3,881	3,575	+4%	+4 pts

* Like for like⁽⁷⁾.

** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.

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 pts

* Like for like⁽⁷⁾.

** Based on S&P Global Mobility (formerly IHS Markit) automotive production estimates released on July 15, 2022.

*** Excluding the Top Column Module business.

⁷ See financial glossary, page 15.

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 & Canada	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%

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.

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. Valeo is listed on the Paris Stock Exchange. Valeo in figures: In 2021, the Group generated sales of 17.3 billion euros and invested 12% of its original equipment sales in R&D. At December 31, 2021, Valeo had 184 plants, 21 research centers, 43 development centers and 16 distribution platforms, and employed 103,300 people in 31 countries worldwide.

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