SMART TECHNOLOGY
FOR SMARTER MOBILITY

PARIS
July 27, 2023

Valeo records operating margin of 3.2% for first-half 2023 and reaffirms its full-year objectives

- **Sales of 11.2 billion euros, up by 19%**
  - **Valeo's leadership position consolidated in both areas of innovation: ADAS (up 26% LFL[(1)]) and powertrain electrification (up 108% LFL)**
  - **Original equipment sales up 19 % LFL on an adjusted basis[(2)] (up 26% in Q2)**
  - **Outperformance versus automotive production of 8 pts LFL on an adjusted basis (10 pts in Q2)**
  - **Strong growth in aftermarket sales, up 5% LFL on an adjusted basis**
- **Operating margin of 3.2%, up 200 basis points compared with first-half 2022 as adjusted, a further step forward in improving our margins, as set out in our Move Up strategic plan**
- **Inflation-related negotiations with customers mostly complete**
- **Time lag of 260 million euro inflow resulting from these negotiations – amount recorded at end-June with cash impact in Q3 – leading to free cash flow of -156 million euros**
- **Strong business momentum: order intake of 18.8 billion euros, with profitability levels up versus 2022, when profitability was already above the levels set out in the Move Up plan. More than half of these orders are linked to innovations in driving assistance, driven by strong worldwide demand for software defined vehicles and Valeo's strong position in this market**
- **Financial performance to improve in H2, leading us to reaffirm our 2023 objectives**

"In the first half of 2023, our sales rose by 19% to 11.2 billion euros. This performance reflects strong momentum in driving assistance (ADAS) and electrification.

At the end of June, our operating margin stood at 3.2% of sales, an improvement of 200 basis points compared with the same period in 2022. Our margin was lifted by the strong growth in our sales, the success of our cost reduction program, the recovery in our high-voltage electric powertrain business, and the conclusion of negotiations relating to inflation.

Our first half results and the improvement in our financial performance in the second half in line with expectations enable us to reaffirm all of our objectives for full-year 2023.

Lastly, the Group continued to record an excellent business performance in the first half, with order intake reaching 18.8 billion euros. We recorded several particularly strategic orders in the areas of ADAS and electrification. This order intake was recorded at a higher level of profitability than the objective set out in the Move Up strategic plan and the order intake recorded in 2022. The distribution of these orders across the three major regions (the United States, Asia and Europe) reflects Valeo's performance in the global automotive market as a whole.

Once again, I would like to thank all our teams for their commitment."

Christophe Périllat, Valeo's Chief Executive Officer

(1) *Like for like.*
(2) *Adjusted data: data for first-half 2022 has been adjusted as though the high-voltage electrification business (formerly Valeo Siemens eAutomotive) had been consolidated in the Group's financial statements as of January 1, 2022.*

First-half 2023 key figures

Order intake		H1 2023	H1 2022	Change	H1 2022 (adjusted)*
Order intake*	*(in €bn)*	18.8	16.0	+18 %	-

Income statement		H1 2023	H1 2022	Change	H1 2022 (adjusted)*
Sales	***(in €m)***	**11,212**	**9,419**	**+19 %**	**9,789**
Original equipment sales	*(in €m)*	9,544	7,813	+22 %	8,170
Outperformance*	***(in pts)***	***+3pts***	***+3pts***	***N/A***	-
Aftermarket sales	*(in €m)*	1,167	1,140	+2 %	1,153
R&D expenditure***	*(in €m)*	(1,000)	(893)	+12 %	(984)
	(as a % of sales)	*-8.9 %*	*-9.5 %*	*+0.6 pts*	*10.0 %*
EBITDA*	***(in €m)***	**1,302**	**1,111**	**+17 %**	**1,033**
	(as a % of sales)	***11.6 %***	***11.8 %***	***-0.2 pts***	***10.6 %***
Operating margin **excluding share in net earnings of equity-accounted companies**	***(in €m)***	**363**	258	**+41 %**	**117**
	(as a % of sales)	*3.2 %*	***2.7 %***	***+0.5 pts***	***1.2 %***
Share in net earnings of equity-accounted companies	*(in €m)*	4	(76)	N/A	2
Cost of debt	*(in €m)*	(108)	(50)	**+116 %**	(66)
Non-controlling interests and other	*(in €m)*	(34)	(32)	**+6 %**	(30)
Net attributable income (loss)	*(in €m)*	**119**	**(48)**	**N/A**	**(130)**
	(as a % of sales)	***1.1 %***	***-0.5 %***	***+1.6 pts***	***-1.3 %***
Basic earnings per share	*(in €)*	0.5	(0.2)	N/A	-

Statement of cash flows		H1 2023	H1 2022	Change	H1 2022 (adjusted)*
Investments in property, plant and equipment	*(in €m)*	(456)	(307)	+49 %	(345)
Investments in intangible assets	*(in €m)*	(480)	(350)	+37 %	(355)
including capitalized development expenditure	*(in €m)*	*(461)*	*(295)*	*+56 %*	*(298)*
Change in working capital	*(in €m)*	(237)	28	N/A	44
Free cash flow*	***(in €m)***	**(156)**	**179**	**-187 %**	**(4)**

Financial structure		June 30, 2023	Dec. 31, 2022	Change	Dec. 31, 2022 (adjusted)*
Net debt*	*(in €m)*	4,550	**4,002**	+548	-
Leverage ratio (net debt to EBITDA)	*N/A*	1.76	1.67	N/A	-

** See financial glossary, page 14.*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023. (H1 2023 global production growth: 11%).*
**** For a comprehensive view of Research and Development expenditure, see page 9 of the press release.*

Order intake of 18.8 billion euros, with a profitability level significantly higher than the objective set out in the Move Up strategic plan and that recorded in 2022

In the first half of 2023, Valeo posted an excellent business performance, with order intake[2] reaching 18.8 billion euros, i.e., double original equipment sales.

This order intake was recorded at a profitability level significantly higher than that recorded in 2022 (which was already an improvement on the same period in 2021), and the operating margin objective set out in the Move Up plan, paving the way for an acceleration in growth and continued improvement in our margins beyond 2025.

Business momentum was excellent in ADAS, with order intake representing over half of the orders received by the Group, including several particularly strategic orders:

- Thanks to the new, more centralized electrical/electronic vehicle architecture required for software-defined vehicles (SDVs), the size of new ADAS orders is increasing sharply;
- Since 2022, Valeo has received five new orders for high-performance computing units, including two new major partnership agreements in 2023, one with Renault and the other with a North American automaker;
- The partnership with Renault forms part of the tech ecosystem also involving Google (software) and Qualcomm (hardware), which aims to develop the electrical/electronic architecture of next generation vehicles. As part of the partnership, Valeo will supply key electrical and electronic components for the SDV, including the high-performance computing unit (or domain controller), as well as zone controllers, power distribution modules and ADAS components including ultrasonic sensors and driving and parking cameras. Valeo engineers will work close to the Renault sites and collaborate closely with the Renault Software Factory teams on software development. Valeo will also provide onboard application software, such as parking assistance;
- Along with an Asian automaker and an American robotaxi company, Stellantis adopted the third-generation Valeo LiDAR (SCALA 3), whose technical features in terms of resolution and field of vision enable vehicles to reach a high level of automation (level 3). Total orders for the Valeo SCALA 3 LiDAR currently stand at 1 billion euros.

In the field of electrification, the Powertrain Systems Business Group's order intake for high-voltage electrified vehicles amounts to 5 billion euros:

- Orders have been placed by both existing and new customers;
- They concern end-to-end powertrain assemblies and their components (electric motors, inverters, reducers, onboard chargers and DC/DC converters) and include the new 800-volt silicon carbide (SiC) technologies;
- With these new orders, Valeo demonstrates its aim of supporting its customers' electrification in Europe, China and, most recently, North America.

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(2) *See financial glossary, page 14.*

Sales up 19 % to 11,212 million euros in first-half 2023, lifted by the acceleration in ADAS and electrification

In the first half of the year, automotive production was up 11%[3] compared with the same period in 2022, thanks to a favorable basis of comparison (low production levels in first-half 2022 due to (i) tensions in the supply chain for electronic components, (ii) the Russia-Ukraine crisis, and (iii) lockdown measures in China) and a low level of new vehicle inventories.

Sales (in millions of euros)	**As a % of H1 2023 sales**	**H1 2023**	**H1 2022**	**Change**	**FX**	**Scope**	**LFL* change**	**H1 2022 (adjusted)**	**LFL change (adjusted)****
Original equipment	85 %	9,544	7,813	+22 %	-2 %	+10 %	+14 %	8,170	+19 %
Aftermarket	10 %	1,167	1,140	+2 %	-4 %	+2 %	+5 %	1,153	+5 %
Miscellaneous	5 %	501	466	+8 %	-2 %	+6 %	+3 %	466	+8 %
Total	**100 %**	**11,212**	**9,419**	**+19 %**	**-2 %**	**+9 %**	**+13 %**	**9,789**	**+17 %**

** Like for like[4]*
*** See financial glossary, page 14.*

Total sales for first-half 2023 came in at 11,212 million euros, up 19 % compared with the same period in 2022.

Changes in exchange rates had a negative 2% impact, primarily due to the appreciation of the euro against the Chinese yuan and the Japanese yen.

Changes in Group structure had a positive 9% impact. This mainly resulted from the integration of the high-voltage electric powertrain business within the Powertrain Systems Business Group as of July 1, 2022. Sales for this business came in at 847 million euros in the first half, up 118% compared with the same period in 2022.

On a like-for-like basis, sales advanced by 13 %. On an adjusted basis[4], consolidated sales accelerated, rising 17 % like for like compared with the same period in 2022 (up 23% in the second quarter).

Original equipment sales were up 14 % on a like-for-like basis, lifted by (i) the recovery in global automotive production, (ii) an increase in content per vehicle, notably in ADAS (original equipment sales up 26% like for like), and (iii) compensation from customers for the impact of inflation on our costs. On an adjusted basis[4], original equipment sales grew 19 % (up 26% in the second quarter), driven by growth in the high-voltage electrical powertrain business (up 108% over the period).

Aftermarket sales moved up 5 % on a like-for-like basis, fueled by the increased number and age of vehicles on the road, a more attractive offering with a shift towards more value-added products (transmissions systems kits), and the impact of price increases. On an adjusted basis[4], aftermarket sales rose 5 % like for like compared with the same period in 2022.

"Miscellaneous" sales (tooling and customer contributions to R&D) advanced 3 % like for like.

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[3] Based on S&P Global Mobility automotive production estimates released on July 14, 2023.
[4] See financial glossary, page 14.

In first-half 2023, outperformance of 8 percentage points on an adjusted basis versus global automobile production

Original equipment sales*** (in millions of euros)	As a % of sales	H1 2023	H1 2022	LFL* change	Perf.**	Perf. (adjusted)[5]
Europe & Africa	**49 %**	**4,752**	**3,548**	**+16 %**	**0 pt**	**+11 pts**
Asia, Middle East & Oceania	**30 %**	**2,824**	**2,485**	**+15 %**	**+6 pts**	**+4 pts**
of which Asia (excluding China)	*16 %*	*1,530*	*1,301*	*+21 %*	*+9 pts*	*+12 pts*
o/w China	*14 %*	*1,294*	*1,184*	*+8 %*	*+1 pt*	*-5 pts*
North America	**19 %**	**1,784**	**1,614**	**+10 %**	**-2 pts**	**-2 pts**
South America	**2 %**	**184**	**166**	**+10 %**	**0 pts**	**0 pts**
Total	**100 %**	**9,544**	**7,813**	**+14 %**	**+3 pts**	**+8 pts**

** Like for like[5].*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023.*
**** Original equipment sales by destination region.*

In the first half of 2023, Valeo posted an outperformance of 8 percentage points (10 percentage points in the second quarter) including the scope effect related to the integration of the high-voltage electric powertrain business (adjusted basis[5]):

- **in Europe and Africa**, the Group recorded an outperformance of 11 percentage points on an adjusted basis, driven by growth in the Comfort & Driving Assistance Systems Business Group (strong growth in ADAS, particularly in the area of front cameras), the Powertrain Systems Business Group on an adjusted basis[5] thanks to the acceleration in the high-voltage electric powertrain business, and the Thermal Systems Business Group, particularly in the field of electrified vehicles (battery cooling systems, dedicated air conditioning systems for electric vehicles, heat pumps, etc.);

- **in Asia**, the Group outperformed automotive production by 4 percentage points on an adjusted basis[5]:
  - in Asia (excluding China), Valeo delivered an outperformance of 12 percentage points (on an adjusted basis) thanks to the strong momentum of the Comfort & Driving Assistance Systems, Thermal Systems and Visibility Systems Business Groups in Japan, where the Group posted an outperformance of 12 percentage points (on an adjusted basis);
  - in China, the Group recorded a 5 percentage point underperformance due to an unfavorable customer mix. Nonetheless, the Comfort & Driving Assistance Systems Business Group reported strong growth in its camera business. The Group is implementing a plan to reposition its customer portfolio over the coming periods to focus on players offering the best growth prospects;
- **in North America**, original equipment sales underperformed automotive production by 2 percentage points on a like-for-like basis, reflecting (i) a temporarily unfavorable vehicle mix on certain key platforms for North American customers in the Visibility Systems Business Group, and (ii) the expiry of a contract with a Japanese automaker in the area of front-end modules affecting the Thermal Systems Business Group. On the other hand, the Group benefited from the ramp-up of several projects in the Comfort & Driving Assistance Systems Business Group (strong growth in ADAS, particularly in front cameras);
- **in South America**, the Group performed in line with global automotive production.

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(5) *See financial glossary, page 14.*

Segment reporting

In first-half 2023, acceleration of ADAS and electric powertrain businesses

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 2023	H1 2022	Change in sales	Change in OE sales*	Perf.**	H1 2022 (adjusted)[5]	Change in OE sales (adjusted)*	Perf. (adjusted)**
Comfort & Driving Assistance Systems***	2,331	1,958	+19%	+20%	+9 pts	1,958	+20%	+9 pts
Powertrain Systems	3,571	2,549	+40%	+14%	+3 pts	2,919	+29%	+18 pts
Thermal Systems	2,384	2,171	+10%	+14%	+3 pts	2,171	+14%	+3 pts
Visibility Systems	2,816	2,639	+7%	+11%	0 pts	2,639	+11%	0 pts
Other	110	102	+8%	-16%	-27 pts	102	-1%	0 pts
Group	**11,212**	**9,419**	**+19%**	**+14%**	**+3 pts**	**9,789**	**+19%**	**+8 pts**

* *Like for like[6].*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023. (H1 2023 global production growth: 11%).*
***** Excluding the TCM (Top Column Module) business.*

During the first half, all Business Groups conducted negotiations with customers in an effort to obtain compensation for the effects of inflation, particularly on wages, electronic component prices and energy costs. At this stage, most of the negotiations are complete, with the exception of a few customers with whom Valeo aims to reach an agreement in the second half of the year.

The Comfort & Driving Assistance Systems Business Group recorded an outperformance of 9 percentage points, thanks to strong growth in the main production regions (Europe, North America and China) for ADAS, particularly front cameras, strengthening its position as world leader. In the first half of the year, like-for-like original equipment sales were up by 26% for ADAS and 10% for Reinvention of the interior experience.

The Powertrain Systems Business Group recorded an outperformance of 18 percentage points on an adjusted basis (3 percentage points as reported), after taking into account the high-voltage electric powertrain business, whose original equipment sales rose by 108% during the period.

The Thermal Systems Business Group delivered an outperformance of 3 percentage points. In Europe, the Business Group's performance was powered by the ramp-up of certain platforms for manufacturing high-voltage electrified vehicles (battery cooling systems, dedicated air conditioning systems for electric vehicles, heat pumps, etc.), despite reduced production volumes for certain customers. In China, the Business Group was impacted by the expiry of a front-end modules contract with a Japanese automaker.

The Visibility Systems Business Group performed in line with automotive production. As expected, this performance began to improve in the second quarter (outperforming automotive production by 2 percentage points), thanks to start of production for lighting projects, particularly in Europe, and an improved product mix as component supplies returned to normal.

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

EBITDA (in millions of euros and as a % of sales by Business Group)	**H1 2023**	H1 2022	**H1 2022 (adjusted)****	Change (adjusted)
Comfort & Driving Assistance Systems	343 ***14.7 %***	300 *15.3 %*	300 ***15.3 %***	+14% *-0.6 pts*
Powertrain Systems	411 ***11.5 %***	287 *11.3 %*	209 ***7.1 %***	+97% *+4.4 pts*
Thermal Systems	158 ***6.6 %***	162 *7.5 %*	162 ***7.5 %***	-2% *-0.9 pts*
Visibility Systems	372 ***13.2 %***	328 *12.4 %*	328 ***12.4 %***	+13% *+0.8 pts*
Other*	18	34	34	-47%
Group	**1,302** ***11.6 %***	1,111 *11.8 %*	**1,033** ***10.6 %***	**+26%** *+1.0 pt*

** Including the Top Column Module business.*
*** See financial glossary, page 14.*

All Business Groups saw their profitability impacted by inflation (wages, electronic components and energy) and are in the process of negotiating price adjustments. At this stage, most of the negotiations are complete, with the exception of a few customers with whom Valeo aims to reach an agreement in the second half of the year.

In accordance with the Move Up strategic plan, **the Comfort & Driving Assistance Systems Business Group** is leveraging its leading-edge ADAS technologies, which are currently seeing robust growth, and higher penetration rates for its new driving assistance solutions. In this environment, Comfort & Driving Assistance Systems posted an EBITDA margin of 14.7%, lifted by sales of ADAS and products related to the reinvention of the interior experience, which reported margins of 16.6% and 10.8%, respectively.

The Powertrain Systems Business Group posted an EBITDA margin of 11.5%, ahead of the recovery trajectory set out in the Move Up strategic plan, in which the Group set itself the objective of achieving an EBITDA margin of 11% for the Powertrain Systems Business Group by 2025.

The Thermal Systems Business Group's margin came out at 6.6%. The Business Group has launched a recovery plan that will enable it to improve its EBITDA margin by around an additional 2 percentage points in the second half compared to the first half of the year. The plan involves (i) finalizing customer negotiations and (ii) reducing costs resulting from multiple production start-ups during the first half of the year in the front-end module activity.

The Visibility Systems Business Group saw its margins expand (EBITDA margin up 0.8 percentage points to 13.2%), thanks in particular to the strong momentum of its aftermarket business.

EBITDA and EBIT margins of 11.6% and 3.2% respectively, up 100 bps and 200 bps respectively compared with first-half 2022 on an adjusted basis

In an environment impacted by production volumes below their pre-crisis levels in the Group's two main regions (Europe and North America), and by rising wages, electronic component prices and energy costs, EBITDA and EBIT margins stood at 11.6% and 3.2% of sales respectively.

		H1 2023	H1 2022	Change	H1 2022 (adjusted)*
Sales	*(in €m)*	11,212	9,419	*+19 %*	9,789
EBITDA*	*(in €m)*	1,302	1,111	*+17 %*	1,033
	(as a % of sales)	*11.6 %*	*11.8 %*	*-0.2 pts*	*10.6 %*
Operating margin**	*(in €m)*	363	258	*+41 %*	117
	(as a % of sales)	*3.2 %*	*2.7 %*	*+0.5 pts*	*1.2 %*
Net attributable income (loss)	*(in €m)*	119	(48)	*-348 %*	(130)
	(as a % of sales)	*1.1 %*	*-0.5 %*	*+1.6 pts*	*-1.3 %*

** See financial glossary, page 14.*
*** Excluding share in net earnings of equity-accounted companies.*

EBITDA[7] came in at 1,302 million euros, or 11.6% of sales, an improvement of 100 basis points compared with the prior-year period on an adjusted basis.

Operating margin excluding share in net earnings of equity-accounted companies came out at 363 million euros, or 3.2% of sales, up 200 basis points compared with the prior-year period on an adjusted basis.

The increase mainly reflects:

- the outcome of i) improvements in operating efficiency, ii) negotiations to offset the impact of inflation, and iii) the impact of higher sales on operating margin (positive 1.1 percentage point impact);
- lower Research & Development expenditure (positive 1.1 percentage point impact);
- costs resulting from multiple production start-ups during the first half of the year in the Thermal Systems Business Group’s front-end module activity (negative 0.2 percentage point impact).

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

Research and Development

		H1 2023	H1 2022	Change	H1 2022 (adjusted)
Sales	*(in €m)*	**11,212**	**9,419**	***+19 %***	**9,789**
Gross Research and Development expenditure	*(in €m)*	(1,245)	(959)	*+30 %*	(1,042)
	(as a % of sales)	*-11.1%*	*-10.2%*	*-0.9 pts*	*-10.6%*
Capitalized development expenditure	*(in €m)*	461	295	*+56 %*	299
	(as a % of sales)	*4.1%*	*3.1%*	*+1.0 pt*	*3.1%*
Amortization, net of the impact of subsidies and grants, and impairment losses*	*(in €m)*	(272)	(292)	*-7 %*	(302)
	(as a % of sales)	*-2.4%*	*-3.1%*	*+0.7 pts*	*-3.1%*
Subsidies and grants, and other income	*(in €m)*	56	63	*-11 %*	61
Research and Development expenditure	***(in €m)***	**(1,000)**	**(893)**	***+12 %***	**(984)**
	(as a % of sales)	***-8.9%***	***-9.5%***	***+0.6 pts***	***10.0%***
Customer contributions to R&D	*(in €m)*	268	224	*+20 %*	238
Net R&D expenditure	***(in €m)***	**(732)**	**(669)**	***+9 %***	**(746)**
	(as a % of sales)	***-6.5%***	***-7.1%***	***+0.6 pts***	***-7.6%***

** Impairment losses recorded in operating margin only.*

In first-half 2023, the Group continued its Research and Development efforts in order to fulfill the order intake recorded over recent years and in line with its strategy geared toward products incorporating innovative technologies. Gross Research and Development expenditure represented 11.1% of sales (up 0.5 percentage points on 2022 on an adjusted basis), 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 subsidies and grants, and impairment losses) increased by 1.8 percentage points year on year on an adjusted basis to a positive 1.7%, reflecting:

– a 1 percentage point increase in capitalization, as a result of the increase in order intake with significantly improved profitability,
– a 0.7 percentage point reduction in amortization on an adjusted basis.

Research and Development expenditure represented 8.9% of sales versus 10.0% during the same period in 2022 on an adjusted basis.

Net Research and Development expenditure (after taking into account customer contributions in an amount of 732 million euros, versus 746 million euros for the same period in 2022 on an adjusted basis) represented 6.5% of sales, in line with the Move Up strategic plan, which sets the objective of around 6.5% of sales in 2025.

The share in net earnings of equity-accounted companies represented income of 4 million euros.

Operating income came to 349 million euros and includes other income and expenses for a net negative amount of 18 million euros, or a negative 0.2% of sales.

In an environment marked by a sharp rise in interest rates, the refinancing of Valeo's debt led to a 108 million euro increase in the cost of debt over the period. Other financial items represented an expense of 24 million euros.

The effective tax rate came out at 30%.

The Group recorded net attributable income of 119 million euros for the period, or 1.1% of sales, after deducting non-controlling interests in an amount of 34 million euros. This represents an improvement of 240 basis points compared with the prior-year period on an adjusted basis.

Return on capital employed (ROCE[8]) and **return on assets** (ROA[8]) stood at 15% and 9%, respectively.

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

Time lag on 260 million euro inflow resulting from customer negotiations – amount recorded in the first half with cash impact at the beginning of the third quarter – leading to free cash flow of -156 million euros for first-half 2023

(in millions of euros)	**H1 2023**	**H1 2022**	**H1 2022 (adjusted)[9]**
EBITDA[9]	**1,302**	**1,111**	**1,033**
Investment in property, plant and equipment	(456)	*(350)*	(345)
Investment in intangible assets	(480)	*(307)*	(355)
including capitalized development expenditure	*(461)*	*(295)*	*(298)*
Change in working capital	(237)	28	44
Income tax	(97)	(139)	(144)
Other*	(188)	(164)	(237)
Free cash flow [9]	**(156)**	**179**	**(4)**
Net financial expenses	(119)	(64)	(67)
Dividends	(114)	(119)	(119)
Other financial items	(18)	(216)	(216)
Net cash flow[9]	**(407)**	**(220)**	**(406)**

** Of which net payments for the principal portion of lease liabilities (IFRS 16 impact) + restructuring costs + pension obligations for a total amount of 118 million euros in first-half 2023 (90 million euros in first-half 2022, as adjusted).*

In first-half 2023, the Group's **free cash flow** consumption totaled 156 million euros, mainly reflecting:

– the contribution of EBITDA[9] in an amount of 1,302 million euros, up 269 million euros compared with the prior-year period on an adjusted basis;

– 456 million euros in investments in property, plant and equipment, and 480 million euros in investments in intangible assets (including 461 million euros in capitalized development expenditure) in connection with strong sales growth;

– a short-term increase in working capital requirement of 237 million euros, attributable in particular to the time lag on an inflow resulting from customer negotiations, recorded in the first half with cash impact in the third quarter;

– tax payments for 97 million euros.

Net cash flow[9] amounted to a negative 407 million euros, mainly reflecting:

– net interest of 119 million euros;

– 92 million euros in dividends paid to Valeo shareholders and 22 million euros in dividends paid to non-controlling shareholders of Group subsidiaries.

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

Capital allocation to reduce net debt[10]

Net debt stood at 4,550 million euros at June 30, 2023 versus 4 billion euros at December 31, 2022.

At June 30, 2023, **the leverage ratio** (net debt/EBITDA) came out at 1.76x EBITDA calculated over a rolling 12-month period and **the gearing ratio** (net debt/stockholders' equity) stood at 127% of equity.

Valeo has a robust financial structure:

- On January 11, 2023, Valeo redeemed the 500 million euro bond issued in 2017 under the Euro Medium Term Note (EMTN) financing program;
- On April 11, 2023, the Group also redeemed tranches 1 and 2 of the *Schuldschein* loan (German private placement) issued in 2019 for nominal amounts of 115 million euros and 221 million euros, respectively;
- At June 30, 2023:
  - the Group had drawn an amount of 3.35 billion euros (down 500 million euros compared with December 31, 2022) under its Euro Medium Term Note (EMTN) financing program capped at 5 billion euros;
  - the average maturity of gross long-term debt stood at 3.0 years, stable compared with December 31, 2022;
  - Valeo had available cash of 1.7 billion euros, undrawn credit lines totaling 1.7 billion euros, and bridge-to-bond financing in the form of undrawn credit lines totaling 650 million euros with a maturity of 12 months (as from July 2022) and two six-month extension options exercisable at Valeo's discretion. The first six-month extension option was exercised in June 2023, extending the maturity of these lines to January 2024.

Divestiture of non-strategic assets

As part of its Move Up strategic plan, Valeo aims to divest some 500 million euros' worth of non-strategic assets.

At June 30, 2023, under this disposal program:

- several disposal agreements were signed or concluded for a total value of around 80 million euros;
- negotiations are currently at an advanced stage for several disposals representing a total value of around 120 million euros;
- plans have been initiated for other asset disposals worth around 300 million euros.

The Group aims to sign agreements for all of these disposals by the end of the year.

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

Continued improvement in operating margin in the second half in line with expectations, annual objectives reaffirmed

	2022	2022 (adjusted)*	2023 guidance**	Move Up 2025
Sales (in billions of euros)	**20.0**	**20.4**	**22.0 - 23.0**	**~ 27.5**
EBITDA (as a % of sales)	**12.0%**	**11.4%**	**11.5 % - 12.3 %**	**~ 14.5%**
Operating margin (as a % of sales)	**3.2%**	**2.4%**	**3.2 % - 4.0 %**	**~ 6.5%**
Free cash flow	**€388m**	**€205m**	**> €320m**	**~ €0.8bn - €1bn**

** 2022 data has been adjusted to include the integration of the high-voltage business (formerly Valeo Siemens eAutomotive) within the Powertrain Systems Business Group as of January 1, 2022.*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023.*

Upcoming events

Third-quarter 2023 sales: October 26, 2023

Highlights

ESG

On March 31, Valeo announced that it had published its 2022 Universal Registration Document. Click here

On May 24, Valeo held its 2023 General Shareholders' Meeting. Click here

Industrial partnership

On January 4, NTT Data, Valeo and Embotech announced that they had formed a consortium to provide automated parking solutions. Click here

On February 14, BMW and Valeo announced that they had engaged in a strategic cooperation to co-develop the next-generation Level 4 automated parking experience. Click here

On May 17, ZutaCore and Valeo presented their new solution for cooling of data centers at Dell Technologies World 2023. Click here

On May 23, Renault Group and Valeo announced that they had signed a partnership in Software Defined Vehicle development. Click here

On May 29, Valeo and DiDi Autonomous Driving announced that they had reached a strategic cooperation and investment agreement to jointly develop safety solutions for robotaxis. Click here

On June 14, at VivaTech 2023 in Paris, Valeo and Equans signed a partnership agreement to meet the challenges facing cities. Click here

Products/technologies and patents

On January 3, Valeo announced that it would be taking part in the 2023 Consumer Electronics Show (CES) in Las Vegas between January 3 and January 8, 2023. Click here

On January 12, Valeo announced that it would be taking part in the 16th Auto Expo 2023 Components at Pragati Maidan in New Delhi, India from January 12 to January 15, 2023. Click here

On March 7, Valeo celebrated 100 years of innovating and constantly striving to make mobility simpler, safer and more sustainable. Click here

On March 20, Valeo announced that it would be taking part in the 2023 Taipei Cycle Show in Taiwan between March 22 and March 25, 2023. Click here

On March 23, Valeo received an Innovation award in the "Infrastructure and Vehicle Improvement" category from *Sécurité routière* – the French national road safety authority – for its new Everguard™ silicone wiper blades. Click here

On March 27, Valeo announced that it had been named Supplier of the Year in the Advanced Driver Assistance Systems (ADAS) category by General Motors at a ceremony held on March 23, 2023. Click here

On March 28, Valeo announced that it was the number one French patent filer with the European Patent Office (EPO), with 588 patent applications filed in 2022. Click here

On March 30, Valeo announced it had signed two new major contracts for its third-generation LiDAR. Click here

On April 11, Valeo announced it would be participating for the first time, from April 12 to April 14, 2023, in the Laval Virtual trade show, during which it presented its innovations in the field, both for accelerating the design of solutions and for in-vehicle applications. Click here

On April 14, Valeo announced it would be participating in Auto Shanghai 2023, where presented its latest technologies for smarter, safer and greener mobility. Click here

On April 21, Valeo announced it would be presenting its composite solutions at JEC World 2023, from April 25 to 27, for the third consecutive year. Click here

On May 4, at the Car Symposium 2023 (May 3-4, 2023) in Bochum, Germany, leading market participants discussed the key trends in the automotive industry. Christophe Périllat, Valeo Chief Executive Officer, was invited to give a keynote on the “Next Steps to the Green Car”. Click here

On May 11, Valeo received awards from three major customers for its aftermarket business. Click here

On May 16, Valeo's LiDAR technology received two new awards. Click here

On June 8, Valeo announced that it would be presenting its solutions for greener, safer and affordable mobility at the SIA Powertrain show, held in Paris on June 14 and 15. Click here

On June 15, Valeo announced it would be presenting at the Eurobike 2023 trade show, held from June 21 to 25 in Frankfurt. Click here

On June 21, Valeo received an award from Auto Plus for Ineez, a simple electric charging solution adapted to every use. Click here

On June 22, Valeo announced it would be taking part in Rematec, the world's leading remanufacturing trade show for industry professionals, which took place from June 27 to 29 in Amsterdam. Click here

On June 29, Valeo announced the launch of Canopy, the first wiper blade designed to reduce CO_2 emissions. Click here

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.

Adjusted data: data for first-half 2022 has been adjusted as though the high-voltage electrification business (formerly Valeo Siemens eAutomotive) had been consolidated in the Group's financial statements as of January 1, 2022. To calculate year-on-year changes in sales on an adjusted basis, first-half 2022 figures have been adjusted as though the high-voltage electric business had been consolidated in the Group's financial statements as of January 1, 2022.

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 2023 figures

Sales by type

Sales (in millions of euros)	As a % of Q2 2023 sales	Q2 2023	Q2 2022	Change	FX	Scope	LFL* change	Q2 2022 (adjusted)	LFL* change (adjusted)
Original equipment	86 %	4,907	3,881	+26 %	-4 %	+11 %	+19 %	4,038	+26 %
Aftermarket	10 %	552	561	-2 %	-6 %	+2 %	+3 %	567	+4 %
Miscellaneous	4 %	271	224	+21 %	-3 %	+10 %	+15 %	225	+22 %
Total	**100 %**	**5,730**	**4,666**	**+23 %**	**-4 %**	**+10 %**	**+17 %**	**4,830**	**+23 %**

** Like for like.*

Sales by destination region

Original equipment sales*** (in millions of euros)	As a % of sales	Q2 2023	Q2 2022	LFL* change	Perf.**	Perf.** (adjusted)
Europe & Africa	**50 %**	**2,459**	**1,781**	**+17 %**	**+3 pts**	**+20 pts**
Asia, Middle East & Oceania	**29 %**	**1,415**	**1,184**	**+25 %**	**+8 pts**	**+4 pts**
of which Asia (excluding China)	***15 %***	*753*	*638*	***+24 %***	*+10 pts*	*+12 pts*
o/w China	***13 %***	*662*	*546*	***+27 %***	*+7 pts*	*-4 pts*
North America	**19 %**	**937**	**824**	**+16 %**	**+1 pt**	**+1 pt**
South America	**2 %**	**96**	**92**	**+7 %**	**0 pts**	**0 pts**
Total	**100 %**	**4,907**	**3,881**	**19 %**	**+3 pts**	**+10 pts**

** Like for like.*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023.*
**** By destination region.*

Sales by Business Group

Sales by Business Group (in millions of euros)	Q2 2023	Q2 2022	Change in sales	Change in OE sales	Perf.**	Q2 2022 (adjusted)	Change in OE sales (adjusted)*	Perf.** (adjusted)
Comfort & Driving Assistance Systems***	1,172	983	+19%	+24%	+8 pts	983	+24%	+8 pts
Powertrain Systems	1,830	1,238	+48%	+19%	+3 pts	1,402	+42%	+26 pts
Thermal Systems	1,239	1,092	+13%	+21%	+5 pts	1,092	+21%	+5 pts
Visibility Systems	1,440	1,283	+12%	+18%	+2 pts	1,283	+18%	+2 pts
Other	49	70	-30%	-24%	+40 pts	70	-24%	+40 pts
Group	**5,730**	**4,666**	**+23%**	**+19%**	**+3 pts**	**4,830**	**+26%**	**+10 pts**

** Like for like.*
*** Based on S&P Global Mobility automotive production estimates released on July 14, 2023. (Q2 2023 global production growth: 16%)*
**** Excluding the TCM (Top Column Module) business.*

First-half 2023 figures

Original equipment sales by customer

Customers	H1 2023	H1 2022
German	33 %	30 %
Asian	31 %	31 %
American	17 %	19 %
French	13 %	14 %
Other	6 %	6 %
Total	**100 %**	**100 %**

Original equipment sales by region

Production regions	H1 2023	H1 2022
Western Europe	31 %	31 %
Eastern Europe & Africa	18 %	15 %
China	16 %	16 %
Asia excluding China	15 %	16 %
United States & Canada	7 %	8 %
Mexico	11 %	12 %
South America	2 %	2 %
Total	**100 %**	**100 %**
Asia and emerging countries	**62 %**	**61 %**

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 2022 Universal Registration Document registered with the AMF on March 30, 2023 (under number D.23-0200).

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.

About Valeo
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 everywhere. These four areas, vital to the transformation of mobility, are the Group's growth drivers.
Valeo in figures: 20 billion euros in sales in 2022 | 109,900 employees at December 31, 2022 | 29 countries, 183 plants, 21 research centers, 44 development centers, 18 distribution platforms.
Valeo is listed on the Paris Stock Exchange..

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