



Le Président

11 May 2010

Dear Valeo Shareholder,

I wish, before your Annual General Meeting, to direct your attention to the importance of Resolutions 15 and 16. These resolutions present tools essential to incentivizing and motivating the personnel and you will find attached additional information about the incentive grant policy envisaged by the Company.

The plans that we intend to grant are destined for groups essential to Valeo's future: key-management, high-potential executives and the recently promoted. These beneficiaries, just like all of the Group's employees, have demonstrated all their worth during the difficult period that the Company and the whole automobile sector have faced. Nevertheless, in 2009 there were neither salary increases for engineers and executives in countries where the cost of labor is high (except in cases of promotion) nor any type of stock option grants. Furthermore, Valeo faces extremely volatile employment markets in countries such as China, India, Turkey, and in Thailand. The approval by shareholders of resolutions 15 and 16 will permit Management to strengthen loyalty, motivate better the personnel and reinforce Valeo's position both in historic markets as well as emerging markets that are essential to the future growth of the Group.

Your Board of Directors hopes that you will support all the ordinary and extraordinary resolutions at the Annual General Meeting, after a particularly challenging period during which the personnel demonstrated remarkable resilience.

Sincerely yours,

A handwritten signature in blue ink that reads "Pascal Colombani". The signature is written in a cursive style with a long horizontal line underneath.

Pascal Colombani
Chairman of the Board of Directors



New Stock Option and Free Share Grants (Resolutions 15 & 16 presented for approval at Valeo's AGM on June 3, 2010)

Valeo's ISIN: FR0000130338

Date: May 11, 2010

Resolution 15's approval will grant a new purchase stock option plan of 1 million options that represent 1.28% of Valeo's capital. The grant discussed in Resolution 16 will allow your company to grant 400,000 free shares to this same population; this free share grant represents 0.5% of the Group's capital.

Category	Purchase Stock Option Plan Resolution 15	Free Shares Resolution 16	% dependent on performance criteria	Beneficiaries
Chief Executive Officer	100,000	50,000	100%	1
Operational Committee & Liaison Committee	280,000	75,000	50%	25
Population « A »	270,000	68,000	50%	250
Population « B »	350,000	74,000	25%	500
100% of personnel	0	133,000 (3/person)	0%	44,333
	1,000,000	400,000		

Valeo proposes new incentive plans for the first time since 2005. Great care has been taken by your Company to propose plans which must meet rigorous and understandable qualitative and quantitative criteria. In particular, the grant policy for the stock options and free shares for Valeo's CEO, Mr. Jacques Aschenbroich, was formulated by the Nomination, Remuneration and Corporate Governance Committee ("NRCGC"), after examination and commentary from the Committee of Wise Men (a body set up by the French employers' federation (MEDEF) and presided over by Mr. Claude Bébéar, Honorary President of the Axa Group). Given the NRCGC's proposals and the Committee of Wise Men's observations, the Board approved on February 24, 2010 in principal the proposals that were made to it noting that any final decision could not occur until the actual grant and with the reservation that approvals needed to be given by investors by approving Resolutions 15 & 16. Please note that Valeo's President, Mr. Pascal Colombani, does not benefit from these programs.

New Stock Option and Free Share Plans with Limited Dilutive Effect

As described in the table below, the stock option and free share programs will have a limited dilutive effect on the capital of the Valeo group. The stock option plan proposed in Resolution 15 is a purchase stock option plan and therefore will not have a dilutive effect because there will be no additional shares created when the options are exercised in the future for these plans. The dilutive effect of the new free share grant should be moderate due to the fact that almost as many options from existing subscription stock option plans are currently under water and will expire at the end of this year.



Limited Dilutive Effect of Stock Options and Free Shares			
	Amount	Dilution	% of dilution
Situation as of 31/12/09			
Total Shares as of 31/12/09	78,209,617		
including Purchase Stock Option Plans	3,856,730	NO	
including Subscription Stock Option Plans	1,598,323	YES	2.04%
including Free Shares	79,000	YES	0.10%
Estimated Dilution as of 31/12/09	1,677,323		2.14%
Situation as of 31/12/10			
Subscription & Purchase Stock Option and Free Share plans ending in 2010	- 354,891		
6% turnover impact (on current stock option plans of 5,179,162 options)	- 310,750		
Existing Purchase Stock Option Plans	3,625,326	NO	
Existing Subscription Stock Option Plans	1,243,086	YES	1.59%
New Purchase Stock Option Plan Proposed by Res. 15	1,000,000	NO	
New Free Share Plan proposed by Res. 16	400,000	YES	0.51%
Estimated Dilution as of 31/12/10	1,643,086		2.10%

Performance criteria details

The stock option and free share grants to Valeo's CEO is 100% conditional on attaining certain performance criteria.

In regard to the stock options, they will be fully granted only if the Group's operating margin is greater than that which Valeo has proposed in its guidance for the current year. If the operational margin attains only the guidance level (3.6%), the CEO will only be granted 70% of the total amount. To the contrary, if the margin is inferior to the guidance, none of the options will be granted. Upon granting, no option exercises are allowed before two years. Shares from exercised options cannot be sold before the end of a 4 year delay following their grant.

For the definitive granting of the free shares to the CEO, half of the shares fall under the same 2010 performance conditions as the stock options and must be held for two years. Furthermore, the other half of the free shares will be definitively granted at the end of a two-year long grant period and under the condition that Jacques Aschenbroich remains CEO at the time of the 2011 AGM and the operational margin has continued to progress further in 2011. Mr. Aschenbroich must hold a minimum of 50% of the granted shares in registered form until the end of his functions. In addition, their grant will occur only if he is the CEO at the time of the actual grant.

The same performance criteria will apply to the granting of stock options and free shares for 50% of the grant in favor of the members of the Operational Committee, the Liaison Committee and the Population "A" and for 25% of the grants for Population "B".