

Board of Directors Report on the resolutions presented to the Meeting

Introduction

This report describes the proposed resolutions that are being submitted to the Meeting by the Board of Directors. It consists of an introduction, a summary table of financial resolutions, and a glossary. Its purpose is to draw your attention to the important points in the resolutions, in accordance with relevant laws and regulations and with best corporate governance practices for companies listed in Paris. It is not intended as an exhaustive guide, and it is essential that you read the proposed resolutions carefully before exercising your vote.

The presentation of the financial situation, business and performance of Valeo and its group over the past fiscal year, as well as various information required by applicable legal and regulatory provisions, also appear in the report on the 2010 fiscal year, which you should read.

I. Ordinary Business

a. Approval of financial statements (1st and 2nd resolutions)

First, this Meeting is convened to approve the unconsolidated financial statements (first resolution) and consolidated financial statements (second resolution) of the Company, to allocate the profits and to set the amount of the dividend (fourteenth resolution – please refer to the term “dividend” in the glossary for the tax related information relating to the dividend for the past three fiscal years).

b. Appointment of directors (3rd to 11th resolutions)

(i) Co-opting of Ulrike Steinhorst (3rd resolution)

We propose that you ratify the co-opting by the Board of Directors on February 24, 2011 of Mrs. Ulrike Steinhorst to replace the resigning Mr. Behdad Alizadeh, as Director, for the remainder of Mr. Alizadeh’s term of office, *i.e.* until the closing of the Shareholders’ Meeting called to approve the financial statements for the fiscal year ending on December 31, 2011.

Ulrike Steinhorst has been the Cabinet Director of Louis Gallois, the Executive President of EADS, since April 2007. Ulrike Steinhorst began her career as a project executive for the Ministry of European Affairs, in charge of relations with Germany at the time of its reunification. From 1990 to 1998, she was employed by EDF as a member of the International Management team and was then in charge of international then institutional issues within the company’s General Management, and was finally in charge of international subsidiaries within the industry division (*Pôle Industrie*). In 1999, she joined the Degussa AG group where she first worked as Human Resources Director for a division, then as Managers Development Director at the group level. She then assumed the management of the Degussa France subsidiary and was in charge of the Group Representation Bureau in Brussels. Ulrike Steinhorst is a graduate of the University of *Paris II – Panthéon* and from the *Ecole Nationale d’Administration*.

It should be noted that the ratification of the cooptation of Mrs. Ulrike Steinhorst as Director would increase, subject to the renewal of the term of office as Director of Mrs. Helle Kristoffersen by this Shareholders’ Meeting, the number of women in the Board of Directors to three, which represent 25 % of the Board of Directors’ members.

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(ii) Renewal of the term of office of Jacques Aschenbroich (4th resolution)

We propose that you renew the term of office as Director of Mr. Jacques Aschenbroich for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Jacques Aschenbroich is the Chief Executive Officer of your Company and has been a Director of your Company since March 20, 2009. He has held a number of positions within the French administration and was a member of the French Prime Minister's cabinet in 1987 and 1988. He later pursued an industrial career within the Saint-Gobain group from 1988 to 2008. After managing subsidiaries in Brazil and in Germany, he managed the Glazing Branch of Compagnie de Saint-Gobain and became President of Saint-Gobain Vitrage in 1996. Then, as Vice-Executive President of Compagnie de Saint-Gobain from October 2001 to December 2008, he managed in particular the High Performance Glazing and Materials from January 2007, and the group's operations in the United States as Director of Saint-Gobain Corporation and Agent General for the United States and Canada starting in September 1, 2007. Jacques Aschenbroich is an Engineer from the *Corps des Mines*.

(iii) Renewal of the term of office of Gérard Blanc (5th resolution)

We propose that you renew the term of office as Director of Mr. Gérard Blanc for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Gérard Blanc is the Chairman and Chief Executive Officer of Marignac Gestion S.A.S and a Director of Sogclair. He was Executive Vice-President of Programs at Airbus until 2003, then Executive Vice-President of Operations until 2005. Gérard Blanc is a graduate of the *École des Hautes Études Commerciales*. Gérard Blanc has been a Director of the Company since May 21, 2007.

(iv) Renewal of the term of office of Pascal Colombani (6th resolution)

We propose that you renew the term of office as Director of Mr. Pascal Colombani for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Pascal Colombani is Chairman of the Board of Directors of your Company and Senior Advisor for innovation, high technology and energy at the strategic advice firm A.T. Kearney. He has been a Director of the Company since May 21, 2007. Member of the *Académie des Technologies*, he is also a member of the Board of Directors of Alstom, British Energy Group p.l.c. (until June 9, 2011), Rhodia, Technip and Energy Solutions Inc. In January 2000, he was appointed as General Director of the *Commissariat à l'Energie Atomique* (CEA – Atomic Energy Commission), he held this position until December 2002. He was at the origin of the restructuring of the industrial interests of the CEA and of the creation of Areva in 2000, and chaired its Supervisory Board until May 2003. Between 1997 and 1999, he was Director of Technology at the Ministry of Research. Pascal Colombani spent close to 20 years (1978-1997) at Schlumberger holding various management positions, in Europe and in the United States, before managing the Japanese subsidiary of the group in

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Tokyo. Pascal Colombani is an *alumnus* from the *Ecole Normale Supérieure* de Saint-Cloud, is a Doctor of Science (*Docteur ès-sciences*) and holds an *agrégation de physique*.

(v) *Renewal of the term of office of Michel de Fabiani (7th resolution)*

We propose that you renew the term of office as Director of Mr. Michel de Fabiani for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Michel de Fabiani was the first Frenchman to become President, in 2005 and again in 2009, of the Franco-British Chamber of Commerce and Industry, an institution founded in 1873 to promote and develop business and trade between France and the United Kingdom. He is also a member of the Board of Directors of BP France, Rhodia Group, Vallourec Group and EB Trans/Luxembourg. In addition, he is Chairman of the Board of Directors of British Hertford Hospital Corporation in Levallois and Founding President of the *Cercle Economique Sully* and of the Association for the Promotion of Ecological Vehicles. After joining the BP Group in 1969, he held a number of positions in the Nutrition, Chemicals, Finance and Oil sectors in Milan, Paris and Brussels. In May 1995, Michel de Fabiani was named Chairman and Chief Executive Officer of BP France. In September 1997, he was appointed Chief Executive Officer of the BP/Mobil Joint Venture in Europe and in 1999, President Europe of the BP Group and Vice-President of Europia (European Oil Industry Association) in Brussels until 2004, when he left his executive functions after 35 years with the BP Group. Michel de Fabiani is a graduate from the *École des Hautes Études Commerciales*. Michel de Fabiani has been a Director of the Company since October 20, 2009.

(vi) *Renewal of the term of office of Michael Jay (8th resolution)*

We propose that you renew the term of office as Director of Mr. Michael Jay for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Michael Jay is an independent member of the House of Lords. He also holds the position of non-executive Director of Associated British Foods (ABF) and of Candover Investments Plc, Chairman of the House of Lords Appointments Commission, Chairman of Merlin (international medical charity) and of Culham Languages and Sciences (educational charity), Vice Chairman of Business for New Europe and Director of Crédit Agricole and EDF. Michael Jay was also a member of the European Sub-Committee on European Union law and institutions and of the select committee on international institutions of the House of Lords, a Member of GLOBE, an inter-parliamentary group on climatic changes. He was Permanent Under-Secretary within the ministry of Foreign Affairs of the United Kingdom and in charge of Diplomatic Services, from 2002 to 2006. He was also, in 2005 and 2006, the personal representative of the British Prime minister at the G8 summits in Gleneagles and in Saint-Pétersbourg. Michael Jay of Ewelme is Honorary Fellow of the Magdalen College of Oxford. He has been a Director of the Company since May 21, 2007.

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(vii) *Renewal of the term of office of Helle Kristoffersen (9th resolution)*

We propose that you renew the term of office as Director of Mrs. Helle Kristoffersen for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Helle Kristoffersen is Deputy Director in charge of Strategy and Economic Intelligence at Total. She formerly held the positions of Senior Vice-President Vertical Markets and, until December 31, 2008, of Director of Strategy and Secretary of the Strategic Committee within the Alcatel-Lucent group, formerly Alcatel group, which she joined in 1994 in the capacity as Financial Transactions Manager. From 1989 to 1991, she worked as an analyst within the Business division of the Bank Lazard & Cie, before joining the Bolloré group, where she held the following positions: Deputy Financial Director in charge of mergers and acquisitions, Manager of operational strategy of the Maritime Branch, then Manager of mergers and acquisitions with the Chairman and Chief Executive Officer. Helle Kristoffersen holds a master's degree in econometrics of the *Université Paris I*, she is also a graduate from the *ENSAE (École Nationale de la Statistique et de l'Administration Économique)* and an *alumna* of the *École Normale Supérieure*. Helle Kristoffersen has been a Director of the Company since March 22, 2007.

(viii) *Renewal of the term of office of Georges Pauget (10th resolution)*

We propose that you renew the term of office as Director of Mr. Georges Pauget for a new four year period, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

Georges Pauget is Chairman and Chief Executive Officer of Economie Finance et Stratégie S.A.S. and Director of Viel & Cie as well as of Eurazeo. He is also President of Amundi Group since December 2009 and President of the *Pôle de Compétitivité Finance Innovation* of Paris-Europlace. He worked most of his career with the Crédit Agricole group, and in particular was Chief Executive Officer of the group from September 2005 to March 2010. He was Permanent Representative of Crédit Agricole SA at the Supervisory Board of the *Fonds de Garantie des Dépôts* and Delegated Chief Executive Officer, Member of the Executive Committee and Director of the *Pôle Caisse Régionale* of Crédit Agricole S.A. He was also notably Chairman of the Board of Directors of LCL – Le Crédit Lyonnais and Chairman of the Board of Directors of Calyon until March 2010, Chief Executive Officer – Chairman of the Executive Committee of LCL – Le Crédit Lyonnais, Permanent Representative of LCL - Le Crédit Lyonnais at the *Fondation de France*, Chairman of the Executive Committee of the French Banking Federation until September 2009 and President of the *Union des Assurances Fédérales*. Georges Pauget is a Doctor of Economic Sciences and holds a master's degree in Economic Sciences, with econometrics as a speciality, of the *Université de Lyon*. Georges Pauget has been a Director of the Company since April 10, 2007.

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(ix) *Appointment of [●] in the capacity as Director (11th resolution)*

We propose that you appoint [●] in the capacity as Director, for a four year term, *i.e.* until the closing of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2014.

The application of the new director is still being examined on the date of publication of this report. The Board of Directors will issue an additional report as soon as the candidate is selected and the text of the resolution proposed to the Ordinary Shareholders' Meeting will be published in the convening notice.

c. Approval of the severance pay of Mr. Jacques Aschenbroich (12th resolution)

The agreement described in this section is discussed in the statutory auditors' special report, which we urge you to read.

The Board of Directors' meeting of February 24, 2010, acting on a recommendation of the Appointment, Compensation and Governance Committee, and after having sought the opinion of the *Comité des Sages* (established by the MEDEF employers' federation), decided that Jacques Aschenbroich would be entitled, in the event of a forced departure related to a change in the Company's ownership or strategy (forced resignation or revocation of his term of office as Chief Executive Officer, except in the event of misconduct) to severance pay subject to the satisfaction of performance criteria (see Chapter 4, Section 4.H.1.2.7 of the Registration Document (*Document de référence*) for 2010). The Board also provided an option to require Jacques Aschenbroich to sign a non-compete agreement if he leaves the Company (see Chapter 4, Section 4.H.1.2.7 of the Registration Document (*Document de référence*) for 2010). The severance pay and the non-compete agreement have been approved by the Shareholders' Meeting held on June 3, 2010.

It should be noted in particular that:

- (i) The amount of the severance pay is adjusted according to the year of departure, as follows:
 - 12 months for a non-voluntary departure in 2011;
 - 18 months for a non-voluntary departure in 2012; and
 - 24 months for a non-voluntary departure in 2013.

- (ii) The severance pay is also conditional on the following performance criteria:
 - payment at least twice in the three previous years of all or part of the exceptional target-based bonus (or the two last fiscal years if termination of term of office after two years);
 - achievement of a positive net income during the last fiscal year;
 - achievement of an operating margin in the last fiscal year exceeding 3.6%;
 - achievement of a gross margin in the last fiscal year exceeding 16%;
 - achievement of an order intake to original equipment sales ratio exceeding 1.3 on average during the two previous fiscal years (or the last fiscal year if expiration of the term of office after one year).

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- (iii) The compensation taken into account for calculating the severance pay is the average compensation (fixed and variable) paid during the two fiscal years preceding the year in which the termination occurs, provided that the compensation for 2009 being would be calculated on an annualized basis.
- (iv) The total amount payable as a severance pay is calculated as follows:
- if 5 criteria achieved: Jacques Aschenbroich would receive 100% of the amounts concerned;
 - if 4 criteria achieved: Jacques Aschenbroich would receive 80% of the amounts concerned;
 - if 3 criteria achieved: Jacques Aschenbroich would receive 60% of the amounts concerned;
 - if 2 criteria achieved: Jacques Aschenbroich would receive 40% of the amounts concerned;
 - if less than 2 criteria achieved: Jacques Aschenbroich would receive 0% of the amounts concerned.
- (v) The Board would reduce by 20% the amount resulting from the above calculations if a major plan affecting employment was implemented in the year preceding the date Jacques Aschenbroich's term of office would be terminated.

The non-competition undertaking that would be imposed to Jacques Aschenbroich would forbid him, for 12 months following the termination of his office as Valeo's Chief Executive Officer, regardless of the reason, to collaborate in any manner whatsoever with an automotive supplier or, more generally, with any company that is a competitor to Valeo and would result in the payment of a non-competition indemnity to Jacques Aschenbroich amounting to 12 months of compensation (calculated on the same basis as the compensation taking into account for the severance pay).

If the Company exercises this non-competition clause, the amount of the payment due would be charged to the severance pay. Thus, depending on the case, the maximum payment of compensation due to be paid to Jacques Aschenbroich in terms of non-competition and/or severance payment would be:

	Forced departure with exercise of the non-compete agreement	Forced departure without exercise of the non-compete agreement
Departure in 2011	12 months	12 months
Departure in 2012	18 months	18 months
Departure in 2013	24 months	24 months

The Board of Directors' meeting of February 24, 2011, acting on a recommendation of the Appointment, Compensation and Governance Committee, decided, subject to the renewal of the term of office as Director of Jacques Aschenbroich by the Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2010, and of the renewal of his term of office as Chief Executive Officer, to renew the existing severance pay commitment, by extending it for 24 months starting in 2013. We request that you approve the renewal of this undertaking.

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In the event of payment of the severance pay and of decision of the Board of Directors to submit Jacques Aschenbroich to the non-compete undertaking (which is an agreement already approved and would be carried on, see 13th resolution), the amount of the non-compete compensation would still be charged to the amount of the severance pay, so that, depending on the case, the amount of the compensation to be paid to Jacques Aschenbroich as non-compete compensation and/or severance pay would still be limited to the amounts referred above.

d. Approval of the related party agreements concluded during the 2010 fiscal year
(13th resolution)

We propose that you approve the special report of the Company's statutory auditors on the fiscal year's related party agreements mentioned in article L. 225-38 *et seq* of the French Commercial Code. This report mentions the following agreements previously authorized by the Shareholders' Meeting that have been carried on in the fiscal year 2010:

- (i) the agreements authorized by the Board of Directors during its meeting of December 15, 2005 between the Company and the operational subsidiaries of the Group relating to royalty agreements (*contrats de redevance de marque*);
- (ii) the agreement authorized by the Board of Directors during its meeting of May 21, 2008 between the Company, Pardus Capital Management L.P. and Behdad Alizadeh which was terminated effective December 18, 2010 ;
- (iii) the grant to the Chief Executive Officer, Jacques Aschenbroich, authorized by the Board of Directors during its meeting of April 9, 2009, of a life insurance policy to cover death or disability or any other consequence of an accident occurring during business travel;
- (iv) the grant to the Chief Executive Officer, Jacques Aschenbroich, authorized by the Board of Directors during its meeting of October 20, 2009, of the benefit of the new additional retirement defined-benefit scheme that has applied to the Group's Senior Executives since January 1, 2010.
- (v) the agreements entitling Jacques Aschenbroich to severance pay that will be paid in the event of a forced departure resulting from a change in the Company's control or strategy (forced resignation or revocation of his term of office as CEO, except in the event of misconduct) and allowing the Board of Directors to require Jacques Aschenbroich to sign a non-compete agreement that were approved by the Shareholders' Meeting of June 3, 2010.

These agreements, having already been approved by the Shareholders' Meeting are not being resubmitted for a vote at this Meeting, with the exception of the severance pay agreement which represents, as the statutory auditors' special report indicates, a new undertaking in favor of Jacques Aschenbroich. The approval of this new undertaking is the object of the 12th resolution.

With the exception of this new commitment that you are asked to approve pursuant to the 12th resolution, no new agreement requiring the approval of the Shareholders' Meeting has been concluded as of the date of this report.

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It should be noted that the Board of Directors' Meeting of February 24, 2011, acting on recommendation of the Appointment, Compensation and Governance Committee, duly noted that (i) the non-compete indemnity, (ii) the additional pension scheme, and (iii) the life insurance policy to cover death or disability or any other consequence of an accident occurring during business travel for the benefit of Jacques Aschenbroich, will continue without any modification, subject to the renewal of his term of office as Director by the Shareholders' Meeting called to approve the financial statements for the fiscal year ending on December 31, 2010 and to the renewal of his term of office as Chief Executive Officer by the Board of Directors' meeting which will be held after the Shareholders' Meeting.

e. Allocation of earnings (14th resolution)

We propose that you allocate the distributable profits for the 2010 fiscal year to dividends and to the retained earnings account.

The dividend is set at €1.20 per share for each share entitled to dividends.

f. Share repurchase plans (15th resolution)

We propose that you authorize your Board to repurchase Valeo shares for the reasons and pursuant to the terms set forth in the summary table that follows this introduction, which we urge you to read and which is incorporated by reference in this report.

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II. Extraordinary business

a. Modification of the Articles of Association (16th to 18th resolutions)

- (i) *Modification of article 14, point 1 of the Articles of Association relating to the “Directors’ term of office – Age limit – Conditions – Compensation”*

The Board of Directors of January 20, 2011, acting on the recommendation of the Appointment, Compensation, and Governance Committee, decided to propose to the Shareholders’ Meeting the implementation of a renewal of the directors on a rolling basis, in order to avoid a renewal of the Board of Directors by block, and to favor a harmonious renewal of the directors.

- (ii) *Modification of article 14, point 4 of the Articles of Association relating to the “Directors’ term of office – Age limit – Conditions – Compensation”*

The Board of Directors of July 27, 2010, acting on the recommendation of the Appointment, Compensation, and Governance Committee, decided to propose to the General Meeting to raise the Directors’ shareholding requirement to 500 shares.

- (iii) *Modification of article 23 of the Articles of Association relating to “Attendance of meeting; Proxies”*

This modification of the Articles of Association is proposed to you in order to harmonize the Company’s Articles of Association with the new regulatory provisions relating to proxy voting. The Decree of June 23, 2010 (no. 2010-689) modified article R. 225-79 of the French Commercial Code which now specifies that “*companies whose shares are listed on a regulated market allow the notification of the appointment and the dismissal of directors by electronic means.*”

b. Financial management of the Company (19th to 23rd resolutions)

We now propose a series of resolutions that are intended to provide the Company with the financial means to develop and properly carry out its strategy, in order to share its success with all of the constituents of your Company, shareholders, employees, and corporate officers. These proposed resolutions are summarized below, and set forth in greater detail in the chart that follows this introduction, which we urge you to read and which is hereby incorporated in this report.

- (i) *Cancellation of shares*

We propose that you authorize your Board to repurchase the Company’s shares (15th resolution – Ordinary business) for the reasons and according to the terms set forth in the summary table that follows this introduction. The 23rd resolution is intended to allow the cancellation of the Company’s treasury shares, in particular as a result of these repurchases.

(ii) Other financial authorizations

1. The 19th to the 22nd resolutions are all intended to empower the Board to financially manage the Company. In particular, they grant the Board of Directors powers to decide capital increases in accordance with the various terms and conditions set forth in the table that follows this introduction. Each resolution corresponds to a specific objective in furtherance of which the Board would be authorized to increase the capital, except for the 19th and 20th resolutions, which grant a general authorization, respectively with and without preferential subscription rights. The purpose of these financial authorizations is to provide your Board of Directors with flexibility in respect of the choice of possible issuances and to adapt, when the time comes, the nature of the financial instruments to be issued based on the conditions and the options available on the French and international financial markets.

2. These resolutions can be divided into two main categories: those that may result in capital increases with preferential subscription rights, and those that may result in capital increases without preferential subscription rights.

Any capital increase made by issuing shares for cash entitles existing shareholders to a “preferential subscription right”, which is detachable and may be traded during the subscription period: for a period of at least five trading days after the opening of the subscription period, each shareholder has the right to subscribe for a number of new shares in proportion to his/her existing interest in the capital.

In some of these resolutions, the Board of Directors is asking you to give it the option of canceling this preferential subscription right. Indeed, depending on market conditions, the type of investors targeted by the issuance and the type of securities issued, it may be preferable or even necessary to cancel shareholders’ preferential subscription rights in order for the newly-issued securities to be offered on the best possible terms – for example, when speed is essential to the success of an issuance or when an issuance is made on foreign financial markets. Cancelling preferential subscription rights can make it easier to obtain a more important quantity of capital by offering better issue terms. Finally, in some cases, the law provides for such cancellation: in particular, the approval of the resolutions delegating authority to the Board of Directors to issue shares reserved for members of employee savings plans (24th resolution), or to grant performance shares (26th resolution) entails by law the express waiver by the shareholders of their preferential subscription rights in favor of the beneficiaries of these issuances or grants.

3. These authorizations are of course subject to a number of limitations. First, each authorization would be granted for a limited period. Second, the Board of Directors would only be able to increase the share capital up to strictly defined ceilings, above which the Board of Directors could not carry out another capital increase without calling a new general meeting of shareholders. These ceilings are set forth in the chart that follows this introduction.

4. If the Board of Directors uses a delegation of authority granted by the Shareholders’ Meeting, it will prepare, if applicable and in accordance with the law and regulations

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applicable at the time of its decision, an additional report describing the final terms of the transaction and indicating its impact on holders of equity instruments or securities giving access to the capital, in particular with respect to their share of shareholders' equity. This report, as well as, if applicable, that of the statutory auditors, will be made available to the holders of equity instruments or securities giving access to the capital, then presented at the following Shareholders' Meeting.

a. Share incentive schemes for your Company's employees and corporate officers
(24th to 26th resolutions)

(i) *General description*

We propose that you approve a series of resolutions designed to enable the Company to involve employees and corporate officers in the Group's success, by allowing them to acquire shares in the Company. The purpose of these resolutions is to foster loyalty and create incentives for employees, and to strengthen Valeo's position in both historic and emerging markets, which is essential to the Group's continued growth.

The proposed plans target individuals who are essential to Valeo's future performance: key personnel, high-potential juniors, and recently promoted employees. These potential beneficiaries, like all of the Group's employees, have proven their value and their enthusiasm over the past year. Moreover, Valeo must respond to highly volatile employment markets, particularly in emerging countries.

We therefore propose that the Shareholders' Meeting delegate to the Board of Directors the authority to:

- increase the capital by issuing shares or securities giving access to the capital reserved for members of employee savings plans with a waiver of the preferential subscription right in their favor (24th resolution); and
- grant stock options to the Group's employees and corporate officers up to a limit of 660,000 shares (25th resolution); and
- allot free existing shares or issue free new shares to some or all Group employees and corporate officers up to a limit of 540,000 shares (26th resolution).

These proposed resolutions are presented in greater detail in the summary table that follows this introduction, which we urge you to read.

(ii) *Proposals in respect of stock options and performance shares*

The policy on the allotment of stock options and free shares is described in the Report of the Chairman of the Board of Directors relating to the composition and the application of the principle of the equal representation of women and men, to the method by which the Board's work is prepared and conducted, as well as the internal control and risk management procedures implemented by the Valeo group, which is incorporated in the Registration Document (*Document de Référence*), Chapter 4, Section 4.D.

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The Board of Directors of February 24, 2011, acting on the recommendation of the Appointment, Compensation and Governance Committee, established the principles that apply to the allotment of stock options and performance shares qualifying for allotment by virtue of the 25th and 26th resolutions, subject to their adoption by this Shareholders' Meeting.

The Board of Directors decided that :

- the allotments should be distributed in the 2011 and 2012 fiscal years;
- no stock option or performance share should be allotted to the Company's Chairman;
- the beneficiaries would be : the Chief Executive Officer, the members of the Operational Committee, the members of the Steering Committee, the immediate subordinates of the members of the Steering Committee and, as for 140 000 free shares, to the employees;
- the maximum number of stock options that may be allotted to the Chief Executive Officer, in application of the 25th resolution, subject to its adoption by this General Meeting, is 66,000 stock options, and that the maximum number of performance shares that may be allotted in application of the 26th resolution, subject to its adoption by this General Meeting, is 27,000 performance shares. The Board of Directors also decided that the allotment of stock options and free shares appraised using IFRS norms that may be allotted to the Chief Executive Officer in respect of a given fiscal year may not exceed 100% of his fixed annual compensation and, provided that, as an exception to the foregoing, for the 2011 fiscal year in light of the Company's spectacular performances, he will receive 130% of his fixed compensation for 2010;
- the number of stock options and performance shares allotted to the Chief Executive Officer and to the Operating Committee in 2011 will be subject to the satisfaction of the demanding performance conditions over a time period of several years. Thus,
 - (i) the exercise of the stock options allotted in 2011 would be possible only following a minimum holding period of three years and until the expiration of a maximum of eight years from their allotment date;
 - (ii) the final allotment of the performance shares allotted in 2011 would be possible only following the three year acquisition period from the date of their allotment; and
 - (iii) these exercise and final allotment would depend on Valeo's achieving a performance measured for the period including the 2011, 2012 and 2013 fiscal years by reaching an average operating margin rate for the period exceeding or equal to a level that will be determined by the Board of Directors and will be greater than the annual guidelines for 2011, by reaching an average rate of return on capital employed (ROCE) for the period equal to or greater than 30% and by reaching an average rate of return pre-tax on assets (ROA) for the period equal to or greater than 12.5%.
Then:

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- If these three average rates during the period including the 2011, 2012 and 2013 fiscal years are reached, all of the allotted options may be exercised and the allotment of all of the performance shares will become final.
- If only two of these average rates during the period including the 2011, 2012 and 2013 fiscal years are reached, only 60% of the allotted stock options may be exercised and only 60% of the allotment of performance shares will become final, and the remainder will be forfeited.
- If only one of these average rates during the period including the 2011, 2012 and 2013 fiscal years is reached, only 30% of the allotted stock options may be exercised and only 30% of the allotment of performance shares will become final, and the remainder will be forfeited.
- If none of these average rates during the period including the 2011, 2012 and 2013 fiscal years is reached, none of the allotted options may be exercised and none of the performance shares will be finally acquired.

140 000 free shares, which are not submitted to performance criteria, would be allotted to the employees.

The allotments of stock options and performance shares in 2011 to the members of the Steering Committee and their immediate subordinates would be subject, for 100% concerning the allotments to the members of the Steering Committee and for 50% concerning the allotments to the immediate subordinates of the members of the Steering Committee, to the satisfaction of two performance criteria: the reaching of an average operating margin rate for the period including the 2011, 2012 and 2013 fiscal years exceeding or equal to a level that will be determined by the Board of Directors and will be greater than the annual guidelines for 2011 and the reaching of an average ROCE for the same period equal to or greater than 30% and the following scale would be applicable to the allotments subject to performance criteria:

- If these two average rates during the period including the 2011, 2012 and 2013 fiscal years are reached, all of the allotted options may be exercised and the allotment of all of the performance shares will become final.
- If only one of these average rates during the period including the 2011, 2012 and 2013 fiscal years is reached, only 50% of the allotted options and performance shares subject to performance criteria will be exercised or become final respectively, and the remainder of options and shares subject to performance criteria will be forfeited.
- If none of these average rates during the period including the 2011, 2012 and 2013 fiscal years is reached, none of the allotted options and performance shares subject to performance criteria will be exercised or will be finally acquired respectively.

As for any stock options and performance shares allotted in 2012, the same rules would apply but the level of the average rates of operating margin, ROCE and ROA conditioning the

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allotments would be set by the Board of Directors at the beginning of 2012 applying the same high standards and strictness for a period covering 2012, 2013 and 2014.

Moreover, the stock options and performance shares allotted would be subject, for the Chief Executive Officer to his term of office being in force on the date of the exercise or final allotment, as applicable (this presence condition may, however, be waived by the Board of Directors unless the departure is due to misconduct or gross misconduct), and concerning the other beneficiaries to their employment contract or term of office being in force and that the beneficiary would not be on notice period due to resignation or dismissal at the date of exercise of the options of final allotment, as applicable, save the defined exceptions (death, total and permanent invalidity, retirement or pre-retirement, beneficiary whose entity has been sold or discretionary decision of the Board of Directors).

The Chief Executive Officer will also be subject to obligations to retain his shares. He may not transfer the shares resulting from the exercise of his stock options for a period of four years from the date on which they are granted. After transferring the number of shares required to finance the exercise of the options and to pay the taxes, the social security withholdings and the fees relating to the transaction, he must retain at least 50% of the number of remaining shares resulting from the exercise of the options in registered form until the termination of his term of office. Likewise, at the end of a of three-year acquisition period and of the legal two-year holding period, he must retain at least 50% of the number of performance shares definitely allotted in registered form until the termination of his term of office.

Moreover, the Chief Executive Officer may not use hedging transactions to reduce his risk.

This allotment of stock options and performance shares will have a limited dilutive effect on your group's share capital. The allotment of stock options proposed in the 25th resolution is a stock option plan that will not result in the creation of new shares when the plan's options are exercised in the future. The outstanding options and performance shares as of December 31, 2010 represented 7.3% of the share capital. Excluding the stock option plans whose exercise price has always exceeded the average price of Valeo shares held by the Company in its portfolio at the time of the allotment, outstanding options and performance shares as of December 31, 2010 represented 1.7% of the share capital. In case of exercise of all the stock options and final allotment of all free shares proposed in these resolutions, these percentages would increase to 7.6% and 1.8% of the share capital, respectively, based on the amount of the share capital as of December 31, 2010.

Pursuant to articles L.225-186-1 and L. 225-197-6 of the French Commercial Code enacted by law no. 2008-1258 of December 3, 2008, the allotment of stock options and/or performance shares to the Company's corporate officers may not occur unless the Company implements one of the measures described in these articles.

d. Power for formalities (27th resolution)

Finally, we ask you to grant all powers to perform any necessary formalities following the Shareholders' Meeting.

III. Information relating to ongoing business since the beginning of the 2011 fiscal year.

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The beginning of the year 2011 was marked by the following developments:

- Crossing downward of the 5% threshold by Pardus Investments Sarl on January 12, 2011, which owns now 4.96% of Valeo's capital and 4.82% of voting rights;
- the appointment of Christophe Périllat-Piratoine as the Group's Chief Operating Officer with effect from March 1, 2011. He will replace Luc Blériot who has occupied this position since 2005 and who is retiring. Marc Vrecko will become President of the Comfort and Driving Assistance Systems Business Group;
- the announcement of a record number of patents in 2010, amounting 612 initial patents throughout the year, representing an increase of more than 20% versus the average of the past five years. This places Valeo among the top patent filers in France;
- the arrival of Fabienne de Brébisson as the Group's Corporate Communications Vice-President; and
- the signing of an agreement between Valeo, RHJ International SA and Nissan on February 23, 2011, to acquire Niles, a Japanese automotive supplier for 320 million Euros (enterprise value) in order to reinforce Valeo's Comfort and Driving Assistance Systems Business Group. This external growth project, with accretive effect from the first year, is within the framework of the strategy presented to the Group's shareholders in 2010, aiming to reinforce Valeo's presence in Asia. The agreement is subject to various preconditions, such as approval of the relevant anti-trust authorities, before it can enter into effect.

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A glossary is provided at the end of this table; the terms that are defined therein are indicated by an asterisk.

No.	Purpose	Period of validity	Possible reasons for use of the delegation of authority	Specific ceiling	Price (or method for determining price)	Other information and comments
15	Authorization to carry out transactions in shares issued by the Company	18 months	<p><u>Possible reasons why the Company might wish to repurchase its own shares:</u></p> <ul style="list-style-type: none"> - Implementation of Company stock option plans or any similar plan - Allocation of free shares to employees or corporate officers - Allotment or sale of shares to employees to allow them to share in the profits of the company's expansion or for the implementation of any employee savings plan (or similar plan) as provided for by law - Generally, to comply with obligations in connection with stock option programs or other allotments of shares to employees or corporate officers - Delivery of shares on exercise of rights attached to securities giving access to the capital * - Cancellation of some or all of the securities repurchased (subject to adoption of the twenty-third resolution) - Delivery of shares in connection with external growth, mergers, spin-offs or contribution transactions - Market-making in the secondary market or maintenance of liquidity of Company shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the French stock market regulator (<i>Autorité des Marchés Financiers</i>) - Any other reason authorized or that may subsequently be authorized by the laws or 	<ul style="list-style-type: none"> - The Company may not at any time hold a number of shares representing more than 10% of its share capital, as adjusted to reflect transactions affecting the share capital subsequent to this Meeting - The number of shares acquired with a view to their retention or future delivery in connection with a merger, spin-off or contribution transactions may not exceed 5% of the share capital - Maximum total amount allocated to the share repurchase program: €350,000,000 	Maximum purchase price of €70 per share	<ul style="list-style-type: none"> - This delegation of authority may not be used during a public offer

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No.	Purpose	Period of validity	Possible reasons for use of the delegation of authority	Specific ceiling	Price (or method for determining price)	Other information and comments
			regulations in force			
19	Issuance, with preferential subscription rights* of shares and/or securities giving access to the capital* of the Company and/or securities entitling holders to the allotment of debt securities*	26 months	<ul style="list-style-type: none"> - May be used by the Board of Directors to provide the financial resources needed for the development of the Company and of its group with speed and flexibility. 	<ul style="list-style-type: none"> - €40,000,000, plus any additional amount issued to preserve the rights of holders of securities giving access to the capital * - Ceiling counted towards the Overall Ceiling* 	Price set by the Board	<ul style="list-style-type: none"> - See the glossary for information about securities giving access to the capital* and securities entitling holders to the allotment of debt securities* - Possibility of introducing a reducible subscription right* - Possibility of authorizing issuance of securities giving access to the capital of Subsidiaries* of the Company
20	Issuance, without preferential subscription rights*, of shares and/or securities giving access to the capital* of the Company and/or of securities entitling holders to the allotment of debt	26 months	<ul style="list-style-type: none"> - May be used by the Board of Directors to decide upon these issuances and carry out issuances by public offering both on the international market and on the French market, without preferential subscription rights for shareholders. - May be used to issue shares or securities giving access to the capital* as compensation for the securities of a company satisfying the criteria set forth in article L.225-148 of the French Commercial Code within the framework of a public exchange offer initiated by the Company in France or abroad according to local rules 	<ul style="list-style-type: none"> - €46,000,000, plus any additional amount issued to preserve the rights of holders of securities giving access to the capital * - Ceiling counted towards the Overall Ceiling* 	<p><u>Shares:</u></p> <ul style="list-style-type: none"> - Price set by the Board at least equal to the regulatory minimum price per share on the date of the issuance <p><u>Securities giving access to the capital*:</u></p> <ul style="list-style-type: none"> - Price set by the Board such that, for any share issued by virtue of securities giving access to the capital*, the total received by Company in connection with these securities giving access to the capital* will be at 	<ul style="list-style-type: none"> - Currently, the regulatory minimum price is the volume weighted average of the prices quoted on the regulated market of Euronext Paris during the three trading days preceding the determination of the subscription price minus 5%, after making any adjustment to this average in the event of a difference in the dates of ranking for dividend, if any - Possibility of authorizing the issuance of shares or securities giving access to the capital* further to the issuance by Subsidiaries* of securities giving access to the capital of the Company (in this case cancellation of preferential subscription rights* is required by law) - Possibility of authorizing the issuance of

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No.	Purpose	Period of validity	Possible reasons for use of the delegation of authority	Specific ceiling	Price (or method for determining price)	Other information and comments
	securities*				least equal to the minimum regulatory price per share (as of the date of the issuance of the securities giving access to the capital*).	securities giving access to the capital* of the Company's subsidiaries - Possibility of introducing, on the French market and if circumstances so allow, a non-negotiable priority subscription right* which may be reduced*, the terms of exercise of which will be set by the Board
21	Incorporation of share premium, reserves, profits or other items	26 months	- May be used to incorporate reserves, profits or other items into the share capital, enabling the capital to be increased without any contribution of "fresh money" being necessary.	- €40,000,000 - Ceiling included in the Overall Ceiling*	The Board determines the amounts incorporated, and the number of new equity instruments and/or the new par value of existing equity instruments	-
22	Increasing the number of shares to be issued in the event of a capital increase with or without preferential subscription rights*	26 months	- May be used to reopen a capital increase at the same price as the original issuance in the event of oversubscription (also known as a "green shoe" clause)	- For each issuance, the ceiling is the regulatory limit applicable on the issuance date (currently 15% of the initial issuance) - Included in the initial issuance, i.e. €40,000,000 in those transactions where the preferential subscription right* is maintained, and	Same price as the initial issuance	-

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No.	Purpose	Period of validity	Possible reasons for use of the delegation of authority	Specific ceiling	Price (or method for determining price)	Other information and comments
				€46,000,000 in those where the preferential subscription right is cancelled, and in the Overall Ceiling*		
23	Cancellation of treasury shares	26 months	May be used to reduce the Company's share capital	No more than 10% of the capital may be cancelled during any 24-month period	-	-
24	Issuance of shares or securities giving access to the capital* reserved for members of employee savings plans	26 months	<ul style="list-style-type: none"> - Enables the Board to offer to employees of the Valeo group in France and abroad the possibility to subscribe new shares or securities giving access to the capital of the Company, in order for them to share in the Company's success - Resolution meeting the requirement of article L. 225-129-6 of the French Commercial Code, which requires the Shareholders' Meeting to decide upon a draft resolution allowing for a capital increase reserved for employees that are members of an employee savings plan when the agenda of such Shareholders' Meeting includes the adoption of resolutions approving an increase of capital through a cash contribution, unless the capital increase results from a prior issuance of securities giving access to the capital. 	<ul style="list-style-type: none"> - €5,000,000 - Included in the Overall Ceiling* 	<ul style="list-style-type: none"> - Price set by the Board subject to a minimum issuance price for the shares or securities giving access to the capital of: <ul style="list-style-type: none"> o 80% of the Reference Price* o 70% of the Reference Price* where the lock-up period stipulated by the plan is 10 years or more. - Possibility to reduce or cancel the discounts, within legal and regulatory limits, in order to take into account, in particular, local legal, accounting, tax and social security regimes. 	

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No.	Purpose	Period of validity	Possible reasons for use of the delegation of authority	Specific ceiling	Price (or method for determining price)	Other information and comments
25	Granting of stock options	26 months	May be used to allow the beneficiaries of these options to share in the Company's success	660,000 shares	Price set by the Board in accordance with applicable law on the date when the shares are granted, within the limit of a minimum issuance price equal to the higher of 100% of the average of the first listing prices of the share preceding the date on which the options are allocated, and 80% of the average purchase price of all treasury shares	The share purchase options are granted to the employees and corporate officers by the Board of Directors acting on the proposal of the Appointment, Compensation and Governance Committee
26	Allotment of free shares to the benefit of some or all employees and corporate officers of the group	26 months	<ul style="list-style-type: none"> - May be used to create a system encouraging employee shareholding and/or employee and/of corporate officers profit sharing scheme, that would complement the current employee savings scheme and share purchase options - Cancellation of the preferential subscription right required by the law 	<ul style="list-style-type: none"> - 540,000 shares - Included in the Overall Ceiling* 		<ul style="list-style-type: none"> - Possibility to adjust the number of free shares allotted to preserve the rights of beneficiaries based on the potential transactions relating to the Company's capital

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Dividend	<p>Amount of dividends distributed in the three prior fiscal years:</p> <p>2009 fiscal year: €0</p> <p>2008 fiscal year: €0</p> <p>2007 fiscal year: €91.9 million</p> <p>All of these amounts were eligible for the 40% abatement.</p>
Priority subscription rights	<p>In return for the cancellation of preferential subscription rights*, the Board may introduce a priority right, which may be reducible*. When provided for, this right, just as preferential subscription rights*, enable shareholders to subscribe to the proposed issuance in proportion to the number of existing shares they own. However, unlike preferential subscription rights*, priority subscription rights are exercisable within a priority subscription period (currently a minimum of three trading days) that is shorter than the period allowed for preferential subscription rights*, and not transferable. Priority subscription rights are not necessarily offered for every issuance: as with preferential subscription rights*, it may be preferable or even necessary not to offer them in order for the newly-issued securities to be placed on the best possible terms (in particular when speed is essential to the success of an issuance or when an issuance is made on foreign financial markets).</p>
Preferential subscription rights	<p>For a description of preferential subscription rights or (“DPS”) and discussion on motives of cancellation of preferential subscription rights, see section II.2 of the introduction.</p>
Subsidiaries	<p>Companies in which the Company directly or indirectly owns more than 50% of the share capital.</p>
Overall Ceiling	<p>General ceiling for capital increases made further to 19th, 20th, 21st, 22nd, 24th and 26th resolutions, subject to the adoption of the 19th resolution which defines it, and is equal to €131 million.</p>
Reference price	<p>Minimum issuance price required by law and average of the first prices of the Company’s shares quoted on the regulated market of Euronext during the twenty trading sessions preceding the day of the Board decision setting the opening for subscriptions by members of the employee savings plan.</p>
Reducible (reducible subscription rights)	<p>In some cases, the Board of Directors may institute reducible subscription rights in favor of the shareholders. This means that if irreducible subscriptions (<i>i.e.</i> subscriptions by shareholders exercising preferential subscription rights) fail to absorb the issuance, the unsubscribed shares are allotted to those shareholders who made a reducible application for additional shares (over and above the entitlement given by their preferential subscription rights) in proportion to their subscription rights, though the number of shares allotted to each shareholder may not exceed the number of shares applied for by that shareholder.</p>
Securities giving access to the capital	<p><u>Characteristics of securities giving access to the capital:</u></p> <p>The 19th, 20th and 24th resolutions submitted to this Meeting would allow the Board to decide the issuance of securities giving access to the</p>

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	<p>capital, either by issuing new shares (such as include bonds convertible into or redeemable for shares, or bonds with share warrants attached) or by delivering existing shares (such as “OCEANE” bonds, which are convertible into new shares or exchangeable for existing shares).</p> <p>These securities giving access to the capital may take the form either of debt instruments (as in the examples given above), or of equity instruments, as for example, shares with share warrants attached. However, the issuance of equity instruments that are convertible into debt instruments is prohibited by law.</p> <p><u>Methods of allocating the securities to which securities giving access to the capital give right, and dates when this right may be exercised:</u></p> <p>Securities giving access to the capital* in the form of debt securities (such as bonds convertible into or redeemable for shares, or bonds with share warrants attached) may entitle holders to shares at any time, or during specified periods, or on specified dates. This allotment of shares may be effected by conversion (<i>e.g.</i> convertible bonds), redemption (<i>e.g.</i> bonds redeemable for shares), exchange (<i>e.g.</i> bonds exchangeable for shares), or presentation of a warrant (<i>e.g.</i> bonds with share warrants attached) or by any other means during the term of the debt instruments, whether or not shareholders’ preferential subscription rights are maintained in respect of the securities thereby issued.</p> <p>In accordance with applicable law, the delegations of authority made by this Meeting in connection with the issuance of securities giving access to the capital entail the waiver by the shareholders of their preferential subscription rights for the shares issued in connection with these securities. For example, if this Meeting adopts the 18th resolution, you would by law waive your preferential subscription rights over any shares that the Company might issue in connection with the redemption of bonds redeemable for shares.</p>
<p>Securities entitling holders to the allotment of debt securities</p>	<p><u>Characteristics of securities entitling holders to the allotment of debt securities, allotment methods of the instruments to which these securities give entitlement, and dates when this right may be exercised:</u></p> <p>The 19th and 20th resolutions submitted to this Meeting would allow the Board to decide upon the issuance of securities entitling holders to the allotment of debt securities (such as bonds with bond warrants attached, bonds convertible into or redeemable for another debt instrument, or shares with bond warrants attached). As the case may be, these securities may be accompanied by warrants entitling holders to the allotment, purchase or subscription of bonds or other debt instruments.</p> <p>In the event of the adoption of these resolutions, the Board may set the nature and the characteristics of the securities giving access to the allotment of debt securities to be created, in particular their interest rates, their term, and the option to reduce or increase the par value of the securities. If needed, the Board could provide at the time of the issuance or during the life-span of the securities in question:</p> <ul style="list-style-type: none"> - that these securities will be attached to warrants entitled to, either during specified periods, or on specific dates, the allotment, the acquisition, or the subscription of bonds or other debt securities; or - that the Company will have the option to issue debt securities to pay interests that may have been suspended by the Company; or - that these securities will take the form of complex bonds as understood by the stock market authorities (<i>e.g.</i>, due to the means by

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	<p>which they are redeemed or compensated or other rights such as indexation, availability of options); or</p> <ul style="list-style-type: none">- that the securities may be subject to early redemption, including by delivery of assets of the Company as a amortization; or- that the securities may be repurchased on the market or be subject to a purchase or exchange offer by the Company.
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