

Shareholders' Letter

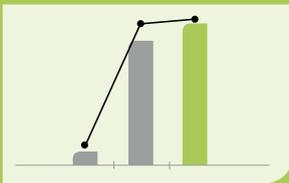
April 2012 ■■■■■■



Limoges Plant – Powertrain Systems Business Group

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Dear Shareholders,

Valeo's results in 2011 demonstrate the Group's strong momentum. With the growing success of its new technologies, Valeo reported net sales for 2011 of 10.9 billion euros – once again outperforming the organic growth of global automobile production.

Our development strategy focusing on products that reduce CO₂ emissions and growth in Asia and other emerging markets has enabled us to intensify the realignment of the Group's geographical positioning and customer bases towards the most dynamic areas and stakeholders in the sector. Asian customers have become our largest market along with German customers. Together these clients account for nearly 60% of our original equipment sales, in line with our goal of generating more than 30% of our sales in Asia by 2015.

Our 2011 results also demonstrate the Group's ability to maintain profitability in line with our long-term objectives. Even with higher commodity prices in 2011, as well as the tragic events that took place in Japan and Thailand, and the temporary capacity shortages at certain plants, Valeo generated an operating margin of 6.5% of sales and net income up 17% to 427 million euros.

Our record level of order intake at 14.9 billion euros is another key achievement for 2011. It shows our



customers' confidence in our products, in particular our innovations in CO₂ emission reduction, and our potential for continued organic growth in the main production regions and in all of our businesses.

We have a strong financial structure and are confident about the Group's prospects. Therefore, in 2012, we plan to pay out a dividend of 1.40 euros per share, which is 17% more than in 2011.

On behalf of all our employees, I would like to thank you again for supporting Valeo. I look forward to seeing you at our next Shareholders' Meeting, which will take place in Paris on June 4.

“ Our record level of order intake at 14.9 billion euros is another key achievement for 2011. ”

Jacques Aschenbroich
Chief Executive Officer

2011 results



In 2011, Valeo reported record level order intake and sales up 13% to 10.9 billion euros

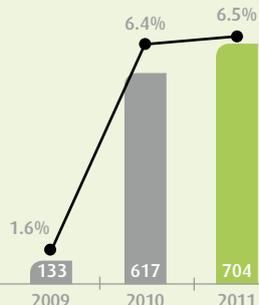
- Sales up 13%
- Order intake up to a record 14.9 billion euros
- Operating margin at 6.5% of sales
- Net income of 427 million euros, or 3.9% of sales
- Earnings per share of 5.68 euros, up 17%

Gross margin

Gross margin (1,843 million euros) stood at 17% sales for 2011 (18% en 2010).

Operating margin

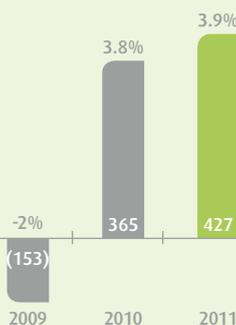
(in millions of euros and as a % of sales)



Operating margin for 2011 came in at 704 million euros, or 6.5% of sales.

Net income

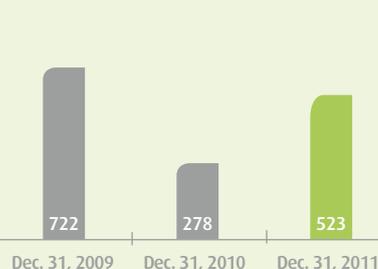
(in millions of euros and as a % of sales)



In 2011, Valeo reported **net income** of 427 million euros, or 3.9% of sales.

Net debt

(in millions of euros)



On the back of its strong operating performance in 2011, the Group generated 232 million euros in free cash flow*, and net debt was 523 million euros at December 31, 2011, further to the acquisition of Niles.

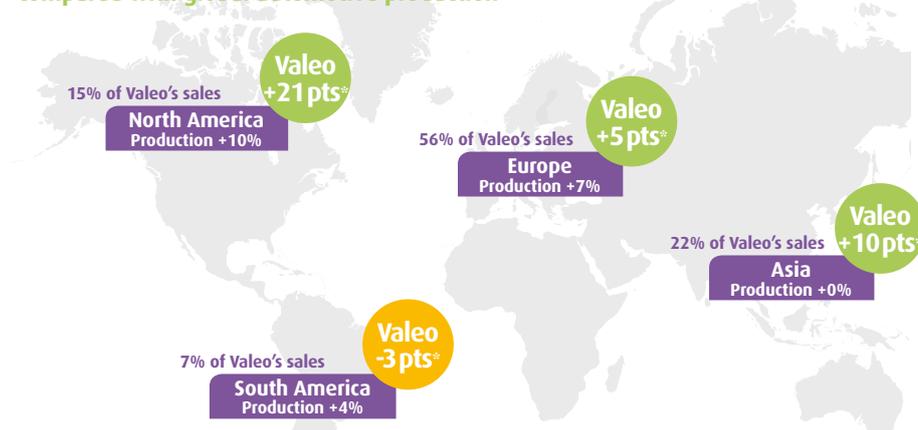
*Free cash flow corresponds to net operating cash flow less net disbursements on property, plant and equipment and intangible assets.

Sales growing steadily

Valeo is growing faster than automotive production in the main production regions

Valeo's sales

compared with global automotive production



Valeo's OEM sales

vs. production of light vehicles

(in pts)



* Like-for-like (constant Group structure and exchange rates).



Technology – key for the environment, comfort, easy driving, and safety



Dual dry clutch

Certain maneuvers such as parking, starting on incline or even city driving when traffic is heavy, are easier with an automatic transmission. However, drivers do not want to see their fuel consumption rise.

The dual dry clutch offers a good compromise with the convenience and flexibility of an automatic transmission, while maintaining the sporty response and consumption of a manual transmission.

With independent clutches for odd and even gears, the dual dry clutch system cuts CO₂ emissions by between 6% and 10% compared with traditional automatic transmissions and dual wet clutch transmissions.

This system is also more reliable as it uses fewer components, and can be adapted to a wide variety of transmissions.

Key figures

R&D, driving growth to support the development

6,500 engineers and

60 different skills areas

20 research centers

40 development centers

Second-generation Park4U®

After the system finds the right parking space for the vehicle, it automatically calculates the exact maneuvers needed to park the vehicle. When parking, the driver only has to adjust the speed with the accelerator and the brake, and the system guides the vehicle.

The second generation of Park4U® makes it possible to park in tighter spaces (just 40cm of clearance) at an angle to the curb, and to exit a parking space.

At the September 2011 Frankfurt Motor Show, Valeo also presented an even more advanced version, Park4U® Remote, which makes it possible to park the car without the driver in the vehicle – using a smartphone as a remote control.



BeamAtic® Premium LED

Camera-assisted adaptive BeamAtic® Premium LED headlamp systems make it possible to use high beams without dazzling other drivers.

When a vehicle is passed or overtaken, it is detected and located by a camera equipped with powerful image processing software. The system then uses a mobile shield to block out the part of the beam occupied by the other vehicle, and tracks its trajectory.

Vehicles passed or overtaken are therefore no longer in the light, and their drivers are never dazzled, because from their viewpoint the BeamAtic® Premium lights look just like low beams.

LED lighting is twice as efficient as Xenon and five times as efficient as halogen, reducing energy consumption by 70%. In addition, the life of these systems exceeds that of vehicles.



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technicians in 2011

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New air inlet design: the Air Intake Module

The role of air (an oxidizing agent) is crucial for combustion engines. By improving the properties of the vaporized air/fuel mixture taken in by the engine, the Air Intake Module paves the way for more compact turbo engines that produce less pollution. It offers a shorter, more dynamic air inlet circuit making the supercharged engine more responsive. This system offers better control of the temperature and more homogeneous air intake, and hoses may be eliminated while still integrating many functionalities.

Valeo's Air Intake Module helps reduce pollutant emissions with its low pressure EGR (Exhaust Gas Recirculation), which reduces the formation of nitrogen oxide, and its Dual Air Throttle, which reduces unburned gases and fine particles.





Valeo in Asia: many new developments

In line with its growth strategy in Asia and emerging markets, Valeo undertook several initiatives in this region during the first quarter of 2012.

Valeo acquires an 80% stake in Chery Group's lighting company in China

As part of its development strategy in high-growth countries and particularly China, Valeo has acquired an 80% shareholding in Chinese lighting company Ruby from Chery Technology, a subsidiary of the Chinese automaker Chery Automobile. Chery Technology will retain a 20% stake in the company.

Located at Wuhu in Anhui province, this joint venture, which will be renamed Wuhu Valeo Automotive Lighting Systems, will design, manufacture and sell Valeo Lighting Systems products, mainly for Chery Automobile on the Chinese market.

The business will be integrated into Valeo's Visibility Systems Business Group. The Chinese automaker Chery Automobile, created in 1997, is based at Wuhu in Anhui province. With 2011 annual production estimated at nearly 700,000 vehicles, Chery Automobile has become one of China's leading automakers.

VIPL doubles the surface area of its premises in Chennai

Valeo India Private Limited (VIPL) inaugurated its new premises in Chennai on March 9, 2012. VIPL includes over 200 R&D engineers, the Thermal Systems team, the Comfort and Driving Assistance Systems team, the Wipers Systems Product Group as well as the National Directorates team.

Valeo has been operating in India since 1997 and works with the country's main automakers. Over 2,000 employees work at the five production sites in Chennai and Pune. The Chennai R&D center started up in 2005 with a small team of 16 employees. Over the last three years, the center has welcomed some 200 engineers in a 3,250 sq.m building. The center specializes in creating products such as clutches, alternators and air conditioning systems for emerging markets (e.g., Brazil, Russia, India and China) and provides a range of solutions for R&D plants worldwide.

The VIPL R&D center was awarded CMMI SVC Level 3 certification for its robust Quality Management System.

Valeo presented at BOI Fair in Thailand for first time

Valeo presented at the Board of Investment (BOI) Fair in Bangkok, Thailand for first time. Valeo, one of the 13 companies selected by the Franco-Thai Chamber of Commerce to be part of the French Pavilion, presented a selection of air conditioning systems, thermal powertrain systems, compressors and interior control products manufactured by Valeo and Valeo Niles in Chonburi and Rayong, in Thailand.

The BOI Fair, the most important trade event in Thailand, had to be postponed until January 2012 due to severe floods. Despite the flooding, several million people visited the pavilions of the main automakers operating in Thailand (Toyota, Honda, Nissan, Mitsubishi, Ford, GM/Chevrolet, Suzuki and Isuzu), as well as automotive suppliers such as Michelin, Denso and Bosch.

This event also gave Valeo the opportunity to increase the visibility of its technologies and strengthen its presence in countries within ASEAN (Association of South-East Asian Nations).

Auto Show in Delhi

Valeo's first time at the Auto Show in Delhi

For the first time, Valeo took part in the Auto Expo trade show held in Delhi from January 7 to 11, 2012.

In the coming years, the company plans to localize the entire range of Valeo global products. This includes some advanced technologies and innovations, making them accessible to Indian customers.

Re-Start, a reinforced starter, is a component of the Valeo Stop-Start system that allows the vehicle to start up immediately and silently.

Integrated Speaker Control Unit for parking assistance is an innovative solution especially adapted to the Indian market. A loud speaker connected to the ultrasonic sensor is integrated into the control unit, making this solution a compact and cost-effective system that can be easily installed on any vehicle.

LEDs are the most efficient sources for front lighting – twice as good as Xenon and five times better than Halogen – offering distinctive style opportunities and day-like super white light for safe and comfortable night driving.

Wi-Fi® Rear Camera is a vision camera using Wi-Fi technology, allowing users to directly link a rear vision camera to a smartphone, which can be used as the navigation screen.

Water Cooled Charge Air Cooler is a compact water cooled brazed aluminum heat exchanger that cuts fuel consumption and reduces emissions. The system can be fitted on supercharged, diesel and gasoline engines.

Valeo's presence at Auto Expo is in line with the Group's strategy to reduce CO₂ emissions and develop in high-growth countries.

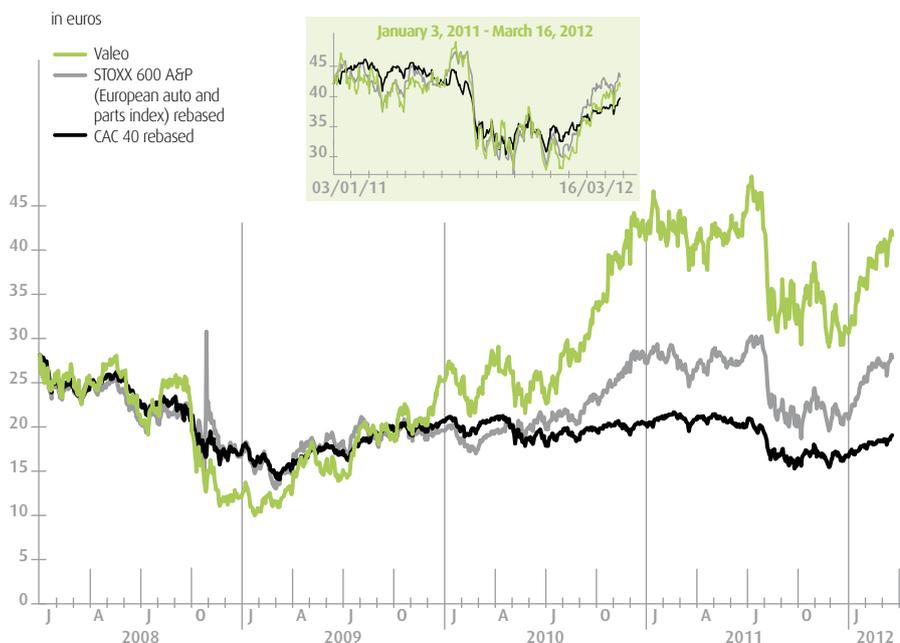
In India Valeo works with most automakers, supplying products that aim to provide maximum safety, better driving comfort, and more fuel efficiency to help reduce CO₂ emissions. Valeo has over 2,000 employees working out of five production sites and an R&D center in Chennai.

Valeo at a glance



Share price

January 1, 2008 – March 16, 2012



Stock market data

| | 2009 | 2010 | 2011 |
|---|------------|------------|------------|
| Market capitalization at year-end (in billion of euros) | 1.92 | 3.34 | 2.43 |
| Number of shares | 78,209,617 | 78,628,798 | 79,269,596 |
| Highest share price (in euros) | 25.46 | 45.70 | 49.88 |
| Lowest share price (in euros) | 8.00 | 20.07 | 27.46 |
| Average share price (in euros) | 15.54 | 29.03 | 39.00 |
| Share price at year-end (in euros) | 24.53 | 42.47 | 30.71 |

Per share data

| in euros | 2009 | 2010 | 2011 |
|--------------------------|--------|------|------------------------|
| Basic earnings per share | (2.04) | 4.86 | 5.68 |
| Net dividend | 0 | 1.20 | 1.40 ⁽¹⁾⁽²⁾ |

(1) Dividend of 1.40 euros proposed at the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2011.
 (2) Shareholders may choose to be either eligible for the 40% tax allowance provided for in Article 158-3-2° of the French Tax Code (*Code général des impôts* - CGI) or subject to the 21% flat-rate withholding tax provided for in Article 117 quater I.1 of the CGI.

New

Have our publications sent right to your mailbox

We can deliver all our publications by e-mail, keeping you right up to date with events at Valeo. This easy solution facilitates communication with our shareholders.

If you opt for e-mail delivery, you will receive an electronic version of our Shareholders' Letter, quarterly e-Newsletter, financial and other press releases, etc.

Going electronic is also good for the environment.

To register, go to: <http://valeo.relations-actionnaires.com>

Ownership structure

At February 29, 2012

Number of shares: 79,269,596

Number of voting rights: 81,701,967

| % of share capital | (% of voting rights) |
|--|----------------------|
| Caisse des Dépôts et Consignations (CDC) | 3.04% (5.48%) |
| Fonds Stratégique d'Investissement (FSI) | 5.83% (5.66%) |
| Blackrock Inc. | 4.97% (4.82%) |
| Other* | 86.16% (84.04%) |

* Including 3,909,380 treasury shares (4.93% of the share capital).

2012 Calendar

April 24, 2012

2012 first-quarter sales

June 4, 2012

Ordinary and Extraordinary Shareholders' Meeting

July 26, 2012

2012 half-year results

October 18, 2012

2012 third-quarter sales

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