



2018 **SHAREHOLDER ADDITIONAL INFORMATION BROCHURE**

Combined Shareholders' Meeting

Wednesday May 23, 2018, 2:30 p.m.

at Pavillon Vendôme
362-364, avenue Saint-Honoré, 75001 Paris

Permanent magnet synchronous motor (85 kW)
Valeo Siemens eAutomotive technology

SMART TECHNOLOGY FOR SMARTER CARS



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SPECIAL REPORT ON STOCK PURCHASE OPTIONS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

This text is a free translation from the French language and is supplied for information purpose. Only the original version in the French language has legal force.

The characteristics of the Company's stock purchase option plans in force as at December 31, 2017, taking into account the three-for-one stock split decided by the General Shareholders' Meeting of May 26, 2016 (nineteenth resolution) and implemented by the Board of Directors on that same day, as well as the related adjustment⁽¹⁾, are described in the table attached in [Schedule 1](#) to this report. The information provided in this report also takes into account the above-mentioned stock split and adjustment.

As at December 31, 2017, the total number of stock purchase options allotted and not yet exercised amounted to 267,695 stock purchase options for the June 24, 2010 plan, 82,175 stock purchase options for the June 8, 2011 plan and 226,735 stock purchase options for the March 27, 2012 plan.

Number of beneficiaries of stock purchase options as at December 31, 2017

As at December 31, 2017, the residual number of beneficiaries of stock purchase options amounted to 114 for the June 24, 2010 plan, 46 for the June 8, 2011 plan and 76 for the March 27, 2012 plan.

Stock purchase options allotted in the course of the financial year

It is specified, as necessary, that the tenth resolution adopted by the General Shareholders' Meeting of June 4, 2012, lapsed on August 5, 2014, and that no other resolution with the same object

was proposed by the Board of Directors at the General Shareholders' Meeting during the financial years ended December 31, 2014, December 31, 2015, December 31, 2016 and December 31, 2017.

Exercise of stock purchase options in the course of the financial year

In the course of the financial year ended December 31, 2017, 62,868 stock purchase options were exercised pursuant to the June 24, 2010 plan, 33,480 stock purchase options were exercised pursuant to the June 8, 2011 plan and 145,620 stock purchase options were exercised pursuant to the March 27, 2012 plan. The 10 employees (other than corporate officers) with the highest number of purchased shares received, pursuant to the exercise of their stock purchase options, 113,850 shares, at the average price of €12.30.

During the financial year ended December 31, 2017, no stock purchase or subscription option was exercised by the Chairman and Chief Executive Officer or the other members of the Board of Directors (the latter are not entitled to stock purchase or subscription options).

⁽¹⁾ For the purpose of protecting the interests of the beneficiaries of stock purchase options, the Board of Directors of May 26, 2016, decided to adjust the exercise price of the options to be exercised by the beneficiaries, by dividing it by three and multiplying the number of options by three.

SPECIAL REPORT ON STOCK PURCHASE OPTIONS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Schedule 1

Characteristics of the Company's stock purchase option plans in force as at December 31, 2017 in the Company

	2010 plan	2011 plan	2012 plan
Date of Board meeting	06/24/2010	06/08/2011	03/27/2012
Date of Shareholders' Meeting	06/03/2010	06/08/2011	06/08/2011
Total number of shares that can be purchased	3,000,000	878,520	1,101,480
■ Total number of options allotted to corporate officers ⁽¹⁾	300,000	90,900	105,900
■ Total number of options allotted to employees	2,700,000	787,620	995,580
■ Number of corporate officer grantees ⁽¹⁾	1	1	1
■ Number of employee grantees	727	275	282
Start of exercise period	06/24/2012	06/08/2014	03/27/2015
Expiration date	06/23/2018	06/07/2019	03/26/2020
Purchase price	€8.02	€14.13	€13.59
Performance criteria⁽²⁾			
■ Chairman and Chief Executive Officer, Operations Committee	Operating margin	Operating margin – ROCE – ROA	Operating margin – ROCE – ROA
■ Liaison Committee	Operating margin	Operating margin – ROCE	Operating margin – ROCE
■ Main direct reports of the Liaison Committee members	Operating margin	Operating margin – ROCE	Operating margin – ROCE
■ High-potential managers	Operating margin	-	-
■ All employees	-	-	-
Performance criteria - rate of achievement			
■ Chairman and Chief Executive Officer, Operations Committee	100%	60%	100%
■ Liaison Committee and main direct reports of the Liaison Committee members	100%	50%	100%
■ High-potential managers	100%	75%	100%
■ All employees	-	-	-
Number of options exercised at Dec. 31, 2017	2,276,569	414,445	756,095
Number of stock options canceled or forfeited at Dec. 31, 2017 (cumulative)	455,736	381,900	118,650
Number of options outstanding at Dec. 31, 2017	267,695	82,175	226,735
Number of grantees at Dec. 31, 2017	114	46	76

(1) Chairman and Chief Executive Officer.

(2) For definitions of operating margin, ROCE and ROA, see Financial Glossary, page 36 of the 2017 Reference Document.

SPECIAL REPORT ON THE ALLOTMENT OF FREE SHARES FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

This text is a free translation from the French language and is supplied for information purpose. Only the original version in the French language has legal force.

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, the purpose of this report is to inform you of the allotment, in the course of the financial year ended December 31, 2017, of free existing or newly issued shares, to employees of the Company or of companies or groups related to it under the conditions set forth in Article L. 225-197-2 of the French Commercial Code and to corporate officers referred to in Article L. 225-197-1-II of the French Commercial Code.

Pursuant to the authorisation granted under the twentieth resolution of the Ordinary and Extraordinary General Shareholders' Meeting of May 26, 2016, the Board of Directors, during its meeting of March 22, 2017, allotted a maximum number of 1,012,043 free or performance shares of the Company, the breakdown of which, by category, is as follows: 51,030 performance shares to the Chairman and Chief Executive Officer, Jacques Aschenbroich (discretionary plan), 121,545 performance shares to the members of the Operations Committee (discretionary plan), 47,096 performance shares to

the members of the Liaison Committee (discretionary plan), 246,880 performance shares to the main direct reports of the Liaison Committee members (discretionary plan), 498,992 free shares to all employees of the Group's companies (collective plan) and an exceptional allotment of 46,500 free shares to certain high potential managers on the basis of 150 free shares per beneficiary ("high potential managers" plan).

The value of the performance shares and free shares, excluding Shares4U plan, allotted by the Board of Directors of March 22, 2017, amounts to €52.91 per share (average market price for the last 20 trading days (closing market price) as at March 21, 2017 inclusive).

The value of the free shares allotted in connection with the implementation of the Shares4U plan amounts to €61.69 per share (average market price for the last 20 trading days (closing market price) as at July 27, 2017 inclusive, date of allotment of the free shares).

Discretionary plan

The vesting date of the performance shares was set by the Board of Directors at March 22, 2020 for beneficiaries of the Group who are French tax residents and at March 22, 2022 for beneficiaries of the Group who are not French tax residents, provided (i) concerning the Chairman and Chief Executive Officer, Jacques Aschenbroich, that he is still in office as Chairman and Chief Executive Officer on the vesting date (however, the condition of presence may be waived at the Board of Directors' discretion, unless the departure is attributable to gross negligence or wilful misconduct) or has retired, and concerning the other beneficiaries, that their employment contract or corporate mandate is in force and that the beneficiary

is not in a notice period on the vesting date, due to resignation, dismissal or contractual termination, except in limited cases (death, total and permanent disability, retirement or early retirement, beneficiary whose entity was transferred or in case of discretionary decision of the Board of Directors) and (ii) that the performance criteria applicable to all of the performance shares allotted to the Chairman and Chief Executive Officer, Jacques Aschenbroich, the members of the Operations Committee, the members of the Liaison Committee (other than operational members), and the main direct reports of the Liaison Committee members are met.

SPECIAL REPORT ON THE ALLOTMENT OF FREE SHARES FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

As of the vesting date and provided the above conditions are met, the beneficiaries will own the shares allotted to them for free and will benefit from all shareholder rights. A two-year holding period as of March 22, 2020 for beneficiaries employed by the Group and who are French tax residents and also for the Chairman and Chief Executive Officer will follow, during which they may not transfer their vested shares (except in the event of death or total and permanent disability), it being specified that at the end of this two-year period,

the Chairman and Chief Executive Officer must hold at least 50% of vested shares in registered form until the end of his term of office and, in accordance with the AFEP-MEDEF Code and Valeo's Code of good conduct, he shall not use hedging transactions to reduce his risk. There is no holding period for beneficiaries who are not French tax residents; they may transfer their shares as of the vesting date, *i.e.* March 22, 2022.

Collective plan and "high potential managers" plan

The beneficiaries are (i) regarding the collective plan, (a) all employees of the Group's companies in France and in the countries which do not participate in the Shares4U employee shareholding plan (without performance condition) and (b) all employees of the Group's companies who subscribed shares pursuant to the Shares4U employee shareholding plan outside France (without performance condition) and (ii) regarding the "high potential managers" plan, 310 high potential managers.

(i) Collective plan

a) Allotment to all employees of the Group's companies in France and in the countries which do not participate in the Shares4U employee shareholding plan

The vesting date was set by the Board of Directors at March 22, 2020, for beneficiaries employed by the Group and who are French tax residents, and at March 22, 2022 for beneficiaries who are not French tax residents, provided that their employment contract is in force and that the beneficiary is not in a notice period on the vesting date, due to resignation, dismissal or contractual termination, except in limited cases (death, total and permanent disability, retirement or early retirement, beneficiary whose entity was transferred or in case of discretionary decision of the Board of Directors). No performance condition applies.

As of the vesting date and provided the above condition of presence is met, the beneficiaries will own the shares allotted to them for free and will benefit from all shareholder rights. A two-year holding period as of March 22, 2020 will follow for employee beneficiaries who are French tax residents, during which they may not transfer their vested shares (except in the event of death or of total and permanent disability). There is no holding period for employee beneficiaries who are not French tax residents; they may transfer their shares as of the vesting date, *i.e.* March 22, 2022.

b) Allotment to all the employees of the Group's companies who subscribed shares pursuant to the Shares4U employee shareholding plan outside France

The vesting date was set (i) at July 27, 2020 for beneficiaries employed by the Group and who are Italian and Spanish tax residents, (ii) at July 27, 2022 for beneficiaries employed by the Group who are Belgian and Irish tax residents, and (iii) at June 30, 2022 for beneficiaries employed by the Group who are tax residents from other countries which participate in the Shares4U plan, and outside France, provided that their employment contract was not terminated before the vesting date (*i.e.* during the vesting period) due to resignation or dismissal for misconduct. In the event of termination of the employment contract before the end of the vesting period for any other purpose, the rights to free shares are maintained. Similarly, if the employer is no longer part of the Valeo group, the rights to free shares are not affected. In the event of death or disability, the free shares will be delivered in advance. No performance condition is required.

As of the vesting date and provided the condition of presence is met, the beneficiaries will own the shares allotted to them for free and will benefit from all shareholder rights. However, a three-year holding period as of July 27, 2020 is required for employee beneficiaries who are Italian and Spanish tax residents, during which they may not transfer their vested shares (except in the event of death or total and permanent disability). Regarding other countries, there is no holding period and the beneficiaries may transfer their shares as of the vesting date, *i.e.* June 30, 2022 (or July 27, 2022 for the beneficiaries who are Belgian and Irish tax residents).

SPECIAL REPORT ON THE ALLOTMENT OF FREE SHARES FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(ii) “High potential managers” plan

The vesting date was set by the Board of Directors at March 22, 2020 for beneficiaries employed by the Group and who are French tax residents, and at March 22, 2022 for beneficiaries who are not French tax residents, provided that their employment contract is in force and that the beneficiary is not in a notice period on the vesting date, due to resignation, dismissal or contractual termination, except in limited cases (death, total and permanent disability, retirement or early retirement, beneficiary whose entity was transferred or in case of discretionary decision of the Board of Directors). No performance condition applies.

As of the vesting date and provided the above condition of presence is met, the beneficiaries will own the shares allotted to them for free and will benefit from all shareholder rights. A two-year holding period as of March 22, 2020 will follow for employee beneficiaries who are French tax residents, during which they may not transfer their vested shares (except in the event of death or total and permanent disability). There is no holding period for employee beneficiaries who are not French tax residents; they may transfer their shares as of the vesting date, *i.e.* March 22, 2022.

Performance shares allotted in 2017 to the Chairman and Chief Executive Officer, Jacques Aschenbroich⁽¹⁾

	Number of performance shares allotted	Value of shares (€)	Date of Board of Directors' meeting
Performance shares allotted in the course of the financial year to the Chairman and Chief Executive Officer by Valeo and by its affiliates under the conditions set forth in Article L. 225-197-2 of the French Commercial Code	51,030	52.91*	03/22/2017
Performance shares allotted in the course of the financial year to the Chairman and Chief Executive Officer by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code for the mandates he exercises therein	N/A	N/A	N/A

* Average market price for the last 20 trading days (closing market price) as at March 21, 2017, inclusive.

Free shares and/or performance shares allotted in 2017 to the 10 employees (who are not corporate officers) with the highest number of shares allotted

	Number of free shares allotted	Value of shares (€)	Date of Board of Directors' meeting
Free shares and/or performance shares allotted in the course of the financial year by Valeo and by its affiliates to the 10 Valeo employees (who are not corporate officers) with the highest number of shares allotted, under the conditions set forth in Article L. 225-197-2 of the French Commercial Code	104,380	52.91*	03/22/2017

* Average market price for the last 20 trading days (closing market price) as at March 21, 2017, inclusive.

Free shares allotted in 2017 to all employees of the Group

	Number of free shares allotted	Number of employee beneficiaries who received free shares	Value of shares (€)	Date of Board of Directors' meeting
Free shares allotted in the course of the financial year to all employees of the Group's companies in France and in the countries which do not participate in the employee shareholding plan	76,710	15,342	52.91*	03/22/2017
Free shares allotted in the course of the financial year abroad as part of the employee shareholding plan	182,811	16,173	61.69**	03/22/2017

* Average market price for the last 20 trading days (closing market price) as at March 21, 2017, inclusive.

** Average market price for the last 20 trading days (closing market price) as at July 27, 2017, inclusive, date of allotment of the free shares.

(1) The Chairman and Chief Executive Officer, Jacques Aschenbroich, is the only corporate officer benefitting from the allotment of performance shares during the financial year.

SUMMARY OF THE DELEGATIONS

GRANTED BY THE SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS RELATING TO CAPITAL INCREASE IN FORCE ON DECEMBER 31, 2017

Summary table of powers currently delegated by the Shareholders' Meeting to the Board of Directors with respect to raising new equity and the use made of such delegations during the year

Authorizations granted Date of Shareholders' Meeting (duration of authorization/delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
1. Authorization to increase capital <i>with</i> pre-emptive rights			
Delegation of authority to issue shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allotment of debt securities (A) Shareholders' Meeting of May 23, 2017 - 12 th resolution Expiring on July 23, 2019 (26 months)	70 million euros (A) + (B) + (C) + (D) + (E) + (F) + (G) combined share capital ceiling = 131 million euros	1.5 billion euros (A) + (C) + (D) + (E) + (F) + (G) combined debt ceiling = 1.5 billion euros	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (13 th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to increase the share capital by capitalization of reserves, profits, additional paid-in capital or other amounts that may be capitalized (B) Shareholders' Meeting of May 23, 2017 - 16 th resolution Expiring on July 23, 2019 (26 months)	30 million euros Included in combined share capital ceiling	N/A	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (16 th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
2. Authorization to increase capital <i>without</i> pre-emptive rights			
Delegation of authority to issue shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allotment of debt securities under a public tender offer (delegation that can also be used as consideration for securities tendered to a public exchange offer initiated by the Company) (C) Shareholders' Meeting of May 23, 2017 - 13 th resolution Expiring on July 23, 2019 (26 months)	23 million euros Ceiling for (C) + (D) + (E) Included in combined share capital ceiling	1.5 billion euros Included in combined debt ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (14 th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to issue shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allotment of debt securities by way of private placement (D) Shareholders' Meeting of May 23, 2017 - 14 th resolution Expiring on July 23, 2019 (26 months)	23 million euros Ceiling for (C) + (D) + (E) Included in combined share capital ceiling	1.5 billion euros Included in combined debt ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (15 th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year

SUMMARY OF THE DELEGATIONS GRANTED BY THE SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS RELATING TO CAPITAL INCREASE

Authorizations granted Date of Shareholders' Meeting (duration of authorization/delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
<p>Delegation of power to issue shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allotment of debt securities to be used as consideration for contributions in kind granted to the Company (E) Shareholders' Meeting of May 23, 2017 – 17th resolution Expiring on July 23, 2019 (26 months)</p>	<p>23 million euros Ceiling for (C) + (D) + (E) Included in combined share capital ceiling</p>	<p>1.5 billion euros Included in combined debt ceiling</p>	<p>Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (18th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year</p>
<p>Delegation of authority to issue shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allotment of debt securities reserved for members of the employee share ownership plan (F) Shareholders' Meeting of May 23, 2017 – 18th resolution Expiring on July 23, 2019 (26 months)</p>	<p>5 million euros Included in combined share capital ceiling</p>	<p>1.5 billion euros Included in combined debt ceiling</p>	<p>Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (20th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Used in connection with the July 27, 2017 capital increase reserved for employees</p>
3. Authorization to increase capital <i>with or without</i> pre-emptive rights			
<p>Delegation of authority to increase the number of shares or securities to be issued with or without pre-emptive rights under an overallotment option (G) Shareholders' Meeting of May 23, 2017 – 15th resolution Expiring on July 23, 2019 (26 months)</p>	<p>The ceiling is specified in the applicable regulation (currently 15% of the initial issuance), not to exceed the ceiling applicable to the initial issuance, determined pursuant to resolution (A), resolution (C) or resolution (D)</p>	<p>The ceiling is determined pursuant to resolution (A), resolution (C) or resolution (D)</p>	<p>Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting of May 26, 2015 (17th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year</p>
4. Authorization to allot free shares			
<p>Authorization to allot free existing or new shares to Group employees and corporate officers (H) Shareholders' Meeting of May 26, 2016 – 20th resolution Expiring on July 26, 2018 (26 months)</p>	<p>Maximum number of shares (existing or to be issued) allotted: 3,467,000 (with a sub-ceiling of 195,000 shares for executive corporate officers), these allotments may not exceed more than 10% of the share capital at the date of the Board's decision Included in combined share capital ceiling</p>	<p>N/A</p>	<p>Used by the Board of Directors at its meeting on March 22, 2017 (1,012,043 shares allotted)</p>

STATUTORY AUDITORS' REPORT ON THE FREE ALLOCATION OF EXISTING SHARES OR SHARES TO BE ISSUED (12th RESOLUTION)

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed free allocation of existing shares or shares to be issued, reserved for the salaried employees of Valeo or of companies or groups affiliated with Valeo and to the corporate officers of Valeo or of companies or groups affiliated with Valeo, an operation upon which you are called to vote.

The total number of existing shares or shares to be issued pursuant to this authorisation may not exceed 3,485,404 shares and may not represent more than 10% of the share capital on the date of the Board of Directors' decision.

The total number of existing shares or shares to be issued pursuant to this authorisation for corporate officers of the Company may not exceed 196,035 shares on the date of the Board of Directors' decision.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of twenty-six months as from the term of validity set forth in the twentieth resolution of the General Shareholders' Meeting of May 26, 2016, *i.e.* July 27, 2018, to allocate, for free, existing shares or shares to be issued.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed those procedures which we considered necessary to comply in accordance with the professional guidance issued by the national auditing body (*Compagnie nationale des Commissaires aux comptes*) for this type of engagement. These procedures consisted mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed free allocation of existing shares or shares to be issued.

Courbevoie and Paris-La Défense, April 4, 2018

The Statutory Auditors

French original signed by

Mazars

Ernst & Young et Autres

Thierry Colin

Gaël Lamant

Jean-François Ginies

Philippe Berteaux

Valeo

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SMART TECHNOLOGY FOR SMARTER CARS

