March 22, 2018

Information on the allotment of performance shares of the Company

Further to the recommendation of the Compensation Committee and pursuant to the twentieth resolution of the General Shareholders' Meeting of May 26, 2016 in force for a 26-month period as from this General Shareholders' Meeting, the Board of Directors, during its meeting of March 22, 2018, decided to allot 1,234,623 free shares and performance shares to employees and corporate officers of the Group, including 55,026 performance shares to the Chairman and Chief Executive Officer.

The terms and conditions for the allotment of performance shares comply with the 2018 compensation policy which will be submitted to the General Shareholders' Meeting of May 23, 2018 for approval. The terms and conditions for the allotment of performance shares are similar (subject to specifications on the condition of presence described below) to those approved by the General Shareholders' Meeting of May 23, 2017 under its tenth resolution. If the General Shareholders' Meeting does not approve the compensation policy applicable for the 2018 financial year, the Board of Directors will be able to cancel the allotment to the Chairman and Chief Executive Officer or amend its conditions to comply with the conditions of the policy approved by the General Shareholders' Meeting of May 23, 2017.

The amount of the allotment of the 55,026 performance shares to the Chairman and Chief Executive Officer, valued under IFRS standards, represents 260% of the Chairman and Chief Executive Officer's fixed compensation, which is lower than the maximum amount of this compensation provided for in the 2018 compensation policy, which is set at 270% (identical to that provided for in the 2017 compensation policy).

The performance shares allotted to the Chairman and Chief Executive Officer are conditional upon the achievement of performance measured over the 2018, 2019 and 2020 financial years by reaching an operating margin rate, a rate of return on capital employed ("ROCE") and a pre-tax rate of return on assets ("ROA"), such that the arithmetic average over the reference period of three financial years, of the ratio between the rate effectively achieved and the target rate set by the Board of Directors at the beginning of each reference financial year (without the possibility of subsequent modification), which must be at least equal to the guidance for the relevant financial year, is greater than or equal to one.[1]

Then:

- if the three criteria are met over the 2018, 2019 and 2020 financial years, all the performance shares initially allotted will vest;

- if two of the performance criteria are met over the 2018, 2019 and 2020 financial years, only 60% of the performance shares initially allotted will vest and the remainder will be forfeited;

- if only one performance criterion is met over the 2018, 2019 and 2020 financial years, only 30% of the performance shares initially allotted will vest and the remainder will be forfeited;

[1] For 2018, the guidance is 25% for the ROCE rate (after acquisitions and taking into account the Valeo Siemens JV), 16% for the ROA rate (after acquisitions and taking into account the Valeo Siemens JV) and as regards the operating margin rate (after acquisitions, excluding income from companies accounted for by the equity method (*sociétés mises en équivalence*)), of the same order of magnitude as the operating margin (after acquisitions, excluding income from companies accounted for by the equity method (*sociétés mises en équivalence*)) of 7.8% recorded in 2017.

- if none of the performance criteria is met over the 2018, 2019 and 2020 financial years, none of the performance shares initially allotted will vest.

Entitlement to performance shares is lost in the event of (i) departure due to gross negligence or wilful misconduct or (ii) forced departure for reasons attributable to the performance of the Chairman and Chief Executive Officer, before the expiry of the vesting period. The Board of Directors' choice to maintain, apart from the above-mentioned cases, the benefit of the performance shares allotments to the Chairman and Chief Executive Officer before the expiry of the vesting period will result from an in-depth, detailed and justified analysis of the conditions under which the departure occurred. In any case, the definitive acquisition of the shares remains subject to the achievement of performance criteria. By way of exception to the foregoing, in the event of termination of corporate office in connection with the liquidation of mandatory and supplementary pension plans and death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

The performance shares will vest after the expiration of a three-year vesting period. The Chairman and Chief Executive Officer will then have to hold the shares for two years. In addition, at the end of this two-year period, he must hold at least 50% of the vested performance shares in registered form until the end of his term of office.

In accordance with the provisions of the AFEP-MEDEF Code and the Group's Code of Conduct, the Chairman and Chief Executive Officer shall not use hedging transactions to reduce his risk.

Finally, it is recalled that further to the recommendation of the Compensation Committee, the Board of Directors of February 22, 2018 decided that the performance shares allotted to the Chairman and Chief Executive Officer as of the 2019 financial year (on the basis of the resolution which will be submitted to the vote of the General Shareholders' Meeting on May 23, 2018) will be conditional upon achieving performance measured on the basis of two previously used internal performance criteria, *i.e.* the operating margin rate and the pre-tax rate of return on assets (ROA), and an external performance criterion, the Total Shareholder Return (TSR), which will replace the internal performance criterion relating to the ROCE rate already present in the short term variable compensation. Valeo's TSR will be measured against the CAC 40 index and a panel of companies in the European automotive sector. The details concerning these new conditions are described in the release dated February 22, 2018 available on the Company's website (www.valeo.com).