

**Message from the Supervisory Board  
of Compagnie Générale des Etablissements Michelin**

<b>2014 Compensation Package of Jean-Dominique Senard, Chief Executive Officer, Managing General Partner</b>
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At the Annual Shareholders Meeting on May 16, 2014, Laurence Parisot, Chairman of the Compensation and Appointments Committee, presented the new compensation package for Jean-Dominique Senard, Chief Executive Officer and General Partner, as approved by the Supervisory Board on April 28, 2014. The principles governing the determination of this compensation are described in the Registration Document (p. 108) published on March 5, 2014.

**VARIABLE COMPENSATION**

For 2014, three components of Mr. Senard's variable compensation will be paid out of the share of profit allocated to the two General Partners of CGEM - Jean-Dominique Senard and SAGES – that is now split between them on a mutually agreed basis.

Note that the allocated share of profit is capped at 0.6% of the Group's consolidated net income.

No new agreement or commitment has been entered into between CGEM and Mr. Senard concerning his compensation.

1. Annual variable compensation

This corresponds to 8% of the allocated share of profit.

2. Multi-criteria annual variable compensation

This component corresponds to between 0% and 14% of the allocated share of profit, depending on the level of achievement of the following eight criteria set by the Supervisory Board:

- Four quantitative criteria – the same as those applied to determine the 2014 variable compensation of the Executive Committee members – which together count for up to 100/150ths:



- Annual growth in unit sales, for 28%.
  - Annual savings from the Efficiency project to reduce overheads, measured on the basis of an appropriate SG&A/gross margin ratio, for 28%
  - Annual free cash flow (after capital expenditure and financial investments), for 27%.
  - Annual increase in market share in certain tire segments, for 17%.
- Four qualitative criteria linked to the Group's strategy, management and financial communications, which together count for up to 50/150ths.

If the cumulative achievement rate for the eight criteria is less than 50/150ths, Mr. Senard will not be entitled to any multi-criteria variable compensation.

He will be awarded the maximum 14% of the allocated share of profit only if the cumulative achievement rate for the eight criteria is 150/150ths.

### 3. Variable long-term incentive

The long-term incentive will be calculated on a base amount of €1,800,000, as adjusted to reflect Michelin's stock market performance over the three years 2014-2016.

The adjustment will be based on performance over the three-year period against the following three criteria set by the Supervisory Board:

- Growth in the Michelin share price compared with that of the CAC 40 index, for 33.3%
- Average annual growth in Group net sales, for 33.3%
- Average annual return on capital employed (ROCE), for 33.3%.

The targets for the second and third criteria concern like-for-like growth in net sales and ROCE (i.e. based on a comparable structure and at constant exchange rates, excluding any changes in accounting policies and any non-recurring items), and may be revised following the occurrence of any exceptional events.

The achievement rate under this long-term incentive plan will be



equal to 100% only if the targets for all three criteria are met in full.

The final amount receivable under the long-term incentive plan will be:

- Capped at 150% of the average of the annual variable and multi-criteria variable compensation paid to Mr. Senard for 2014, 2015 and 2016.
- Deducted from the share of profit allocated to the General Partners in respect of 2016, after deducting the other components of his variable compensation due for that year.

In addition, Mr. Senard has undertaken to invest in Michelin shares 20% of the variable long-term incentive received at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years.

The achievement rate for these criteria will be determined by the Compensation and Appointments Committee, which will report its conclusions to the Supervisory Board.

#### **OTHER COMPONENTS OF JEAN-DOMINIQUE SENARD'S COMPENSATION PACKAGE**

The other components of Mr. Senard's 2014 annual compensation package are as follows:

- Gross fixed annual compensation to be received from Manufacture Française des Pneumatiques Michelin (MFPM) for his duties as MFPM's Managing Partner, increased to €1,100,000 for 2014.
- Allocated share of profit receivable from Compagnie Financière du Groupe Michelin (CFM), for his duties as CFM's Managing Partner. The amount of this allocated share of profit will depend on CFM's profit for the year and will be deducted from the variable annual compensation payable to him by CGEM (see paragraph 1 above).
- Fringe benefit, corresponding to a company car.

The other components of his compensation (compensation for loss of office, consideration for non-compete clause, supplementary pension benefits) are unchanged compared with 2013. Details are provided in the 2013 Registration Document (page 107).

