

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

**2015 Compensation Package of Jean-Dominique Senard,  
Chief Executive Officer, Managing General Partner**

**VARIABLE COMPENSATION**

At the request of SAGES, CGEM's Non-Managing General Partner, the Supervisory Board of CGEM submitted to the General Partners a set of performance criteria to be applied to determine the variable compensation of Jean-Dominique Senard, Chief Executive Officer and Managing General Partner, for 2015. These criteria were recommended by the Compensation and Appointments Committee and agreed to by the General Partners.

The criteria all concern Group performance targets. As a result, in the interests of consistency, the components of Mr. Senard's annual variable compensation will now be calculated by reference to the Group's consolidated net income rather than to the net income of the CGEM holding company excluding dividend income. The basis of Mr. Senard's variable compensation has been set at 0.6% of consolidated net income (the "Consolidated Base"). As in prior years, the cap set in the Company's bylaws will continue to apply.

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

As in 2014, the three components of Jean-Dominique Senard's variable compensation will be paid out of the share of profit allocated to CGEM's two General Partners.

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

**1. Annual variable compensation**

This component corresponds to 8% of the Consolidated Base.



## 2. Multicriteria annual variable compensation (performance bonus)

This component corresponds to between 0% and 14% of the Consolidated Base, depending on the achievement rates for seven criteria.

It will be payable only if the cumulative achievement rate for the seven criteria represents at least 50/150ths.

Mr. Senard will be awarded the maximum 14% of the Consolidated Base if the cumulative achievement rate for the seven criteria is 150%.

The seven criteria are as follows:

- Three quantitative criteria that are the same as those used to determine the 2015 variable compensation of Group Executive Committee members and executives in the highest positions of responsibility. These criteria account for up to 100/150ths, as follows:
  - Annual growth in sales volumes, accounting for up to 50/100ths, with performance in relation to the target measured by reference to the observed increase.
  - Annual savings from the Efficiency project to reduce overheads, measured on the basis of an appropriate SG&A/gross margin ratio; this criterion accounts for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum ratio.
  - Annual level of structural free cash flow, accounting for up to 25/100ths, with performance in relation to the target based on the improvement compared to a minimum level.
- Four qualitative criteria, together accounting for up to 50/150ths and concerning:
  - Quality of research and development strategies and the digital transformation strategy
  - Quality of management
  - Quality of investor relations
  - Quality of operational control



### 3. Long-term incentive bonus

The long-term incentive bonus will be calculated on a base amount of €1,800,000, as increased or reduced to reflect the percentage gain or loss in Michelin's share price over the three years 2015-2017.

The amount obtained by applying the adjustment clause will be modulated by the application of three criteria set by the Supervisory Board and applicable over the above three-year period.

If the cumulative achievement rate for the three targets is 100%, the adjustment will be applied in full. In addition, the final amount of the long-term incentive bonus will be capped at 150% of the average of the annual variable compensation paid to Mr. Senard for 2015, 2016 and 2017.

The three criteria are as follows:

- Michelin's stock market performance in relation to that of the CAC 40 index, accounting for up to 33.3%, with the target gradually met from the point at which Michelin's stock market performance exceeds that of stocks in the third quartile.
- Average annual growth in consolidated net revenue, accounting for up to 33.3%, with the target gradually met based on growth in relation to a fixed starting point.
- Average annual return on capital employed (ROCE), accounting for up to 33.3%, with the target gradually met once observed ROCE is significantly greater than the weighted average cost of capital employed.

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.

Jean-Dominique Senard has given an additional undertaking to invest 20% of the long-term incentive bonus received at the end of the three-year period in Michelin shares that may be sold only when he stands down as Managing Partner and then over a four-year period.

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

The other components of Mr. Senard's 2015 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. This compensation amounts to €1,100,000, unchanged from 2014.
- The share of profit of *Compagnie Financière du Groupe Michelin* (CFGM) allocated to him in his capacity as CFGM's Managing General Partner and calculated on the basis of CFGM's income for the year.
- Fringe benefit, corresponding to a company car.

The other components of Jean-Dominique Senard's compensation package (compensation for loss of office, consideration for non-compete clause, supplementary pension benefits) are unchanged compared with 2014. As was the case in 2014, he was not granted any stock options or performance shares in 2015. For more details, refer to the 2014 Registration Document (page 108).

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