

Clermont-Ferrand, July 11, 2017

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

**2017 Compensation Package of Jean-Dominique Senard,  
Chief Executive Officer, Managing General Partner**

Jean-Dominique Senard's compensation package was determined by the Supervisory Board in application of the compensation policy presented at the Annual Shareholders Meeting of May 19, 2017 and available on the Michelin website: [www.michelin.com](http://www.michelin.com).

**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 2017. These criteria were recommended by the Compensation and Appointments Committee and agreed to by the General Partners.

As in prior years, the basis of Mr. Senard's variable compensation has been set at 0.6% of the Group's consolidated net income (the "Consolidated Base"), in accordance with the provisions of the Company's bylaws.

The extent to which he meets these criteria, which all concern Group performance objectives, will be analyzed by the Compensation and Appointments Committee, which will submit a report and a recommendation to the Supervisory Board. After reviewing this information, the Supervisory Board will submit its recommendation to the General Partners.

As in 2016, the 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, unchanged from 2016.

2. Multi-criteria annual variable compensation

This component corresponds to between 0% and 14% of the Consolidated Base, unchanged from 2016 and determined based on achievement rates for five criteria.

It will only be payable if the cumulative achievement rate for the five 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 five criteria is 150/150ths.

The five criteria are as follows:

- Three quantitative criteria that are the same as those used to determine the 2017 variable compensation of Group Executive Committee members and managers in the highest positions of responsibility. These criteria account for up to 100/150ths, as follows:
  - Annual growth in sales volumes (tonnes), 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 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.
- Two qualitative criteria, together accounting for up to 50/150ths and concerning:
  - Senior management succession plan, accounting for up to 25/50ths.
  - Deployment of four Group progress initiatives (accounting for up to 25/50ths): continuing our digital strategy, improving the quality of our customer service, simplifying our operating procedures and empowering our teams, and integrating and achieving profitable growth for three recently acquired companies (Sascar, Bookatable and Levorin).

### 3. Long-term incentive bonus

The long-term incentive bonus, similar to that of 2016, 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 2017-2019.

The results of this adjustment will be modulated by the result, over the three years 2017-2019, of criteria set by the Supervisory Board which are also applicable to performance share grants for Group employees. The criteria are: Michelin's comparative stock market performance, the environmental performance of manufacturing operations, employee engagement and growth in operating income.

These criteria are described in detail in the compensation policy available for consultation on the Michelin website: [www.michelin.com](http://www.michelin.com).

The maximum cumulative achievement rate for these criteria is 100%. The final amount receivable will be capped at 150% of the average of the annual variable compensation paid to Mr. Senard for 2017, 2018 and 2019.

In addition, Jean-Dominique Senard has undertaken to invest in Michelin shares 20% of the actual long-term incentive bonus 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 three years.

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

The other components of Mr. Senard's 2017 annual compensation package are as follows:

- Gross annual fixed 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 for 2017, unchanged from 2014.

- The share of profit of Compagnie Financière du Groupe Michelin (CFM) allocated to him in his capacity as CFM's Managing General Partner and calculated on the basis of CFM'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), presented at the Annual Shareholders Meeting of May 19, 2017, are unchanged compared with 2016. As was the case in 2016, he was not granted any stock options or performance shares in 2017.

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