

ANNUAL SHAREHOLDERS MEETING

May 19, 2017

Annual Shareholders Meeting

- 1. Compensation of the Chief Executive Officer**
 - Compensation policy
 - 2016 compensation

- 2. Compensation of the Chairman of the Supervisory Board**
 - Compensation policy
 - 2016 compensation

- 3. Election of Supervisory Board members**

Jean-Dominique Senard, Chief Executive Officer

Compensation policy

● Compensation

- Fixed compensation
- Annual variable compensation
- Long-term incentive bonus
- Other benefits

} subject to financial and social responsibility criteria shared with management

● Other items

- Supplementary pension benefits
- Compensation for loss of office
- Non-compete clause

Jean-Dominique Senard, Chief Executive Officer

Compensation policy

- **Fixed compensation: stable and consistent** with the fixed compensation paid to the top executives of other CAC 40 companies and **in harmony** with his annual variable compensation
- **Variable compensation** paid out of the profit shares approved each year by the Shareholders Meeting and paid to the General Partners (**Mr. Senard and SAGES**)
- Unlike the head of a French joint stock company (*société anonyme*), Mr. Senard has **unlimited joint and personal liability** for the Company's debts in his capacity as General Partner

Jean-Dominique Senard, Chief Executive Officer

Compensation policy – Variable component

- **Annual variable compensation** subject to the achievement of performance conditions **measured on the basis of quantitative criteria** (financial and social responsibility criteria shared with the Group's management) **and qualitative criteria**, set and measured by the Supervisory Board
- **Long-term incentive bonus** subject to the achievement of performance conditions over a three-year period, in compliance with the **recommendations of the AFEP/MEDEF Code**

Jean-Dominique Senard, Chief Executive Officer

Compensation policy

- **Other benefits**

- Company car
- No stock options, performance shares or attendance fees

- **Supplementary pension benefits**

- applicable **to all senior executives** of the two main French companies who have served for at least five years as a senior executive
- Only the **fixed component** of their compensation is taken into account to calculate the annuity, its maximum amount and the maximum replacement rate
- Replacement rate capped at 35% of the variable component (including entitlements under compulsory plans), which is **well below the 45% ceiling for fixed and variable compensation recommended in the AFEP/MEDEF code**
- Payment of a gross annual maximum annuity of €165,000 after 10 years of service, conditional on his ending his career with the company

Jean-Dominique Senard, Chief Executive Officer

Compensation policy

Compensation for loss of office and non-compete indemnity

In line with the AFEP/MEDEF Code, the amount of these items would be reduced, if applicable, so that the total sum paid would not result in an aggregate severance package in excess of the prior two years' compensation

- **Compensation for loss of office** as a result of a change of strategy or a change of control would be subject to **performance conditions** decided by the Supervisory Board
- **Non-compete indemnity**

Jean-Dominique Senard, Chief Executive Officer

2016 compensation: fixed and variable components

- **Fixed compensation: €1,100,000 (unchanged since 2014)**
- **Other benefits**
 - Company car: €8,000
 - No stock options, performance shares or attendance fees
- **Variable compensation based on the level of net income: €800,281**

paid out of profit shares approved annually by the Shareholders Meeting and paid to the General Partners, who have **unlimited joint and personal liability** for the Company's debts

Jean-Dominique Senard, Chief Executive Officer

2016 compensation: variable component by type of criteria

Quantitative criteria	Annual growth in sales	Annual savings from the Efficiency project to reduce overheads	Annual structural free cash flow
Achievement rate	50.71/150 ^{ths}		
Qualitative criteria	Chief Executive Officer succession plan	Deployment of the Group's four progress initiatives (Customer Service, Simplification of Operating Procedures, Empowerment, Digitalization)	
Achievement rate	48.00/50 ^{ths}		
Overall achievement rate <i>(rounded)</i>	100.00/150 ^{ths}		
Amount awarded based on criteria	€900,316		
Total amount payable for the year	€1,700,597		

Jean-Dominique Senard, Chief Executive Officer

2016 compensation: long-term incentive bonus due in the future

Criteria <i>(over the 2014-2016 period)</i>	Growth in the Michelin share price compared with that of the CAC 40 index	Average annual growth in Group net sales*	Average annual return on capital employed (ROCE)*
Overall achievement rate	22%		
Amount due	€495,116		

* On a like-for-like basis, excluding changes in exchange rates and non-recurring items

Jean-Dominique Senard, Chief Executive Officer

Compensation over the past three years

<i>(in € thousands)</i>	2016	2015	2014
Fixed compensation	1,100	1,100	1,100
Annual variable compensation	1,700	1,277	750
Company car	8	7	7
Total	2,808	2,384	1,857
Long-term incentive bonus	495	-	-

Compensation of Michel Rollier, Chairman of the Supervisory Board

● Compensation policy

- No compensation is awarded to Michel Rollier aside from attendance fees, consistent with the policy applied for the top executives of other CAC 40 companies
- Most of the fee is contingent on his attendance rate at meetings of the Supervisory Board and the Committee of which he is a member

● 2016 compensation

- Total amount for the year: €90 thousand
- 60% of this amount is subject to his attendance rate at meetings of the Supervisory Board and the Compensation and Appointments Committee
- Individual attendance rate in 2016: 100%

Election of a Supervisory Board member



Michel Rollier

- Chairman of Supervisory Board, member of the Compensation and Appointments Committee
- Former General Managing Partner of Michelin
- Chairman of *Plateforme de la Filière Automobile*
- Chairman of *Association Nationale des Sociétés par Actions*
- Member of the AFEP/MEDEF High Committee on Corporate Governance

Election of a Supervisory Board member



Olivier Bazil

- Chairman of the Audit Committee, independent member
- Former Deputy Chief Executive Officer of Legrand
- Director of Legrand and member of its Strategy Committee and Nominating Committee
- Director of Vallourec, Chairman of its Audit Committee and member of its Strategy Committee