

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

**2016 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 2016. These criteria were recommended by the Compensation and Appointments Committee and agreed to by the General Partners

As in 2015, the basis of Mr. Senard's variable compensation has been set at 0.6% of 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 2015, 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.



2. Multi-criteria annual variable compensation

This component corresponds to between 0% and 14% of the Consolidated Base, depending 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 2016 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 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.
- Two qualitative criteria, together accounting for up to 50/150ths and concerning:
 - Senior management succession plan
 - Deployment of four Group progress initiatives (improving the quality of our customer service, simplifying our operating procedures, empowering our teams and digitalizing every aspect of our business).



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 2016-2018.

The results of this adjustment will be modulated by the result, over the three years 2016-2018, 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 on pages 299-301 of the 2015 Registration Document.

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 2016, 2017 and 2018.

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 four years.

OTHER COMPONENTS OF JEAN-DOMINIQUE SENARD'S COMPENSATION PACKAGE

The other components of Mr. Senard's 2016 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 2016, unchanged from 2015.
- 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 2015. As was the case in 2015, he was not granted any stock options or performance shares in 2016. For more details, refer to the 2015 Registration Document (page 106).

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