# 8.3 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS AND STATEMENT OF THE REASONS FOR THE RESOLUTIONS

Ladies and Gentlemen, dear Shareholders,

This report is part of the management report of the Board of Directors on the resolutions submitted to the Combined General Meeting for the General Meeting of April 17, 2014.

## EARNINGS FOR THE YEAR

The consolidated and individual financial statements are included in this registration document and annual financial report, chapter 4, page 109.

## INFORMATION ON THE CAPITAL

See chapter 6, page 215 of this registration document and annual financial report.

## ACQUISITION AND DISPOSAL OF HOLDINGS

See chapter 3, page 106 of this registration document and annual financial report.

## RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS TO THE GENERAL MEETING – ORDINARY BUSINESS

Your Statutory Auditors will provide you with their reports on the accounts for 2013 and on agreements and undertakings relative to Article L. 225-38 of the French Commercial Code. See chapter 5, page 197 of this registration document and annual financial report.

In the resolutions that are submitted to you, we propose that you:

- **approve the parent company and consolidated financial statements for 2013, as well as the transactions recorded in the statements;**

Market trends, activities, results and financial results of TF1 over the past five years are set forth in the management report of the Board of Directors, in this registration document and annual financial report (chapter 3, page 79). In the 1st and 2nd resolutions that are submitted to you for approval, we propose that you approve the parent company and consolidated financial statements for 2013.

- **approve the regulated agreements and undertakings;**

The 3rd and the 4th resolutions concern the approval of the related-party agreements and undertakings described in Article L. 225-38 of the French Commercial Code, mentioned in the Statutory Auditors' special report, excluding routine operations, decided by the Board and in particular those entered between the company and other companies with Directors or officers in common, or between the company and shareholders owning more than 10% of capital.

Related-party agreements and undertakings, submitted to the vote of the Combined General Meeting of April 17, 2014, are covered by separate resolution. One resolution covers related-party agreements and undertakings between TF1 and Bouygues. Another resolution relates to related-party agreements and undertakings to which Bouygues is not a party.

## PROCESS FOR AUTHORISING REGULATED AGREEMENTS AND UNDERTAKINGS

French legislation on related-party agreements, which cover both agreements and undertakings, is intended to prevent any conflicts of interest that may arise for a Director and/or a major shareholder entering into agreements with the company.

These agreements are subject to the prior authorisation of the Board of Directors on the terms stipulated by the relevant legislation. The Board of Directors takes cognisance of the agreements entered into by a Group company, and agreements between the company and other companies with Directors or officers in common, or between the company and shareholders owning more than 10% of capital. Significant related-party transactions are reviewed by the Board of Directors of TF1, which considers the value of each agreement to TF1 and its group, and the associated financial terms. The preceding provisions do not apply to agreements relating to routine operations entered into on conventional terms.

The Board of Directors of TF1 takes the decision to sign or renew such agreements at its beginning - and end-of-year meetings in principle. Directors concerned by the agreements do not take part in the vote. The Statutory Auditors are given notice of new agreements concluded over the course of the year and ongoing agreements authorised in previous years.

Agreements are then submitted to the TF1 Annual General Meeting for approval after having read the report of the Statutory Auditors. When the Meeting votes on the resolutions, quorum and majority are determined by deducting the number of shares held by the persons concerned by the agreements.

## TYPES OF REGULATED AGREEMENTS AND UNDERTAKINGS

Assistance agreements represent most of these agreements presented in the Statutory Auditors' special report. TF1 Directors considered it relevant and financially more advantageous for TF1 to be able to access the expert services of Bouygues. Similarly, it seemed appropriate to TF1 Directors for TF1 subsidiaries to be able to benefit from TF1's corporate services.

## DESCRIPTION OF THE AGREEMENTS AND UNDERTAKINGS BETWEEN TF1 AND ITS SUBSIDIARIES

The related-party agreements between TF1 and its subsidiaries, described in the Statutory Auditors' special report on such agreements, relate to:

- permanent access by the subsidiaries to TF1 corporate services (management, HR, counsel, finance and strategy). Access to these functions is invoiced to each subsidiary of the Group in proportion to its headcount and individual-company revenues. The total amount invoiced for the year ended December 31, 2013 was €13.8 million. Additional services provided on request are invoiced on an arm's length basis,
- business management leases and commercial leases.

Under an agreement dated October 12, 2005, LCI may in the event of a major breaking news story switch its output to the TF1 channel so as to provide immediate news coverage. In 2013, LCI received an annual fixed fee of €5 million.

## DESCRIPTION OF THE AGREEMENTS AND UNDERTAKINGS BETWEEN TF1 AND ITS MAIN SHAREHOLDER

Since TF1 was privatised in 1987, Bouygues has been the main shareholder in TF1, and held 43.5% of the capital on February 18, 2014.

The terms and condition of the agreements are decided only by voting Directors; particularly with regard to agreements with Bouygues, Martin Bouygues, Olivier Bouygues and Nonce Paolini did not vote. Their decision is notified to the Statutory Auditors.

The related-party agreements between TF1 and Bouygues, as described in the Statutory Auditors' special report on such agreements, cover:

- **an agreement governs access by TF1 to Bouygues corporate services.** Access to these services is charged by dividing up the corresponding cost among the various user companies of Bouygues. In 2013, Bouygues invoiced TF1 a total of €3.4 million, equivalent to 0.14% of the total revenue generated by the TF1 group (versus €3.6 million and 0.14% of total revenue for 2012).

  The actual cost of these shared corporate functions is recharged to TF1 using a formula tailored to the nature of the service: the ratio of TF1 headcount to total Bouygues group headcount for human resources, long-term capital for financial matters, and revenue for all other functions.

  The services provided break down into two kinds: expertise and coordination.

  Bouygues provides the various companies in the Bouygues group with expert services in a variety of fields such as finance, legal, human resources, administration, information systems and new technologies.

  TF1 has a contractual right to call upon these services in response to issues as and when they arise, in accordance with the terms of an agreement approved annually by the Board of Directors. TF1 can consult Bouygues group experts at any time in areas where they have limited in-house expertise.

  As well as providing advice and assistance on request, the Bouygues group corporate functions co-ordinate activities within their areas of expertise, in particular by arranging meetings at which specialists can exchange views, discuss technical issues and familiarise themselves with new developments; examples include accounting standards.

In 2013 examples of this type of assistance and cooperation included the following.

In HR, a number of senior managers from the TF1 group got the opportunity to receive training on Bouygues group techniques and values at the Bouygues Management Institute. New recruits at the TF1 group took part in a Welcome Day organised by the Bouygues group. The TF1 group Management Committee participates in the four annual meetings of the Bouygues group Board. Bouygues coordinates HR expert groups drawn from different areas of the group (workplace relations, training, relations with educational institutions, etc.). The Legal and Workplace Relations Division organises a one-day training session to inform TF1 HR directors and managers about the latest legal developments. And the HR and Organisation Division has access to the Bouygues HR data query system.

The TF1 group also receives support from Bouygues with internal control tools and methods. To continually improve the internal control system, regular meetings were held in 2013, particularly to ensure the consistency of the internal control assessment methods used in different Bouygues group businesses and subsidiaries, share entities' views on future developments for the system, and improve performance in terms of internal control reporting to group Audit Committees. In addition, several meetings were organised on priority changes for the internal control system in 2013-2014.

In addition, Bouygues organised meetings over the course of the year to talk with TF1 about the scope and methods of campaigns to assess the enforcement of internal control principles, and about risk-mapping methodology.

The Bouygues group also organised a seminar on organisation of the Internal Control function within the group, procedures for sharing with Internal Audit, potential areas of improvement for risk mapping and modifications to the system, particularly in terms of Compliance Programmes.

As part of this, the Bouygues group commissioned a consulting firm to identify key areas for improvement in the internal control framework and method, based on a comparison of internal control targets set by the group in 2008 and implementation through to 2013.

In the area of Corporate Social Responsibility, the head of CSR at the TF1 group and other employees in charge of CSR in their divisions draw support from initiatives implemented by Bouygues Group's division in charge of sustainable development.

By attending joint meetings and information and training sessions, they share experience on specific issues (non-financial indicators, carbon assessment, electronic and electrical product recycling, responsible purchasing, responsible communications). Through Bouygues, they have access to updates on CSR news and legal developments, as well as shared tools (CSR reporting with Enablon).

In 2013, a major project was undertaken to harmonise the indicators used by different business areas, with a view to facilitating consolidation at group level.

The TF1 group Information Systems Department benefits from synergies with Bouygues group departments, thanks to active coordination by Bouygues. As a result, TF1 belongs to a virus-warning network and enjoys more general benefits such as IT security and global purchasing for IT hardware and tools.

Finally, in 2013, the Bouygues group, as reference shareholder, has regularly provided support, either through formal and/or informal exchanges, on operational topics in different fields, notably legal and financial:

- meetings were organised on the impact and on the implementation of EMIR;
- several meetings have taken place regarding either financing issues (linked to the regulatory developments in the banking sector) or the awareness about counterparty risks;
- Standard & Poor's new rating methodology was reviewed to gain a clearer understanding of the related issues;
- some occasional exchanges on specific topics also took place with the General Counsel and Legal Department of the Bouygues Group, notably with regards to the strategic partnership signed between Discovery Communications and TF1.

- **An agreement sets the amount of the supplementary retirement pension** granted to Nonce Paolini, Chairman and Chief Executive Officer of TF1, who is employed by the Bouygues Group. The Board of Directors approved the renewal of the supplementary retirement pension under the agreement on the collective pension plan with defined benefits for the members of the Bouygues Senior Management Committee, which includes Nonce Paolini. Under this supplementary plan, beneficiaries accrue 0.92% of the reference salary (average of the best three years) for each year in the plan. The supplementary annual pension is capped at eight times the social security annual cap. This supplementary pension plan is outsourced to an insurance company.

  The agreement is intended to enable Bouygues to retain the members of its Senior Management Committee.

  Remuneration in 2013 totalled €601,109 ex. VAT, corresponding to the share of the premiums paid to the insurance company.

- **An agreement offers TF1 the use of aircraft operated by AirBy,** a company owned indirectly by Bouygues and SCDM. TF1 is entitled to use Airby's Global 5000, or, failing that, an equivalent aircraft. Use of the Airby's Global 5000 is charged at a flat rate of €7,000 (ex. VAT) per flight hour, which includes the aircraft and all associated services (pilot, fuel, etc.). Each time Airby provides an aircraft that it has rented on the market, the rental charge shall be paid plus €1,000 (excl. tax) for chartering services rendered by Airby. An invoice is prepared each time an aircraft is provided.

TF1 has not used this facility since 2009.

- **An agreement also provides for the use granted to TF1 by the "32 avenue Hoche" joint venture** of function and meeting rooms located on the 1st floor of 32 avenue Hoche, as well as for related services such as reception, computer facilities and secretarial services. For 2013, the joint venture received €15,815 (ex. VAT) of consideration in this respect.

- **appropriate and distribute the profits for the year;**

In the 5th resolution, having noted the existence of distributable profits of €316,868,711.42, comprising net profit for the period of €16,937,937.71 and retained earnings of €299,930,773.71, we are asking you to appropriate this sum as follows:

- distribution of a cash dividend of €116,193,007.15 (i.e. a dividend of €0.55 per share of €0.20 face value),
- the balance of €200,675,704.27 to be carried forward as retained earnings.

The ex-date of the dividend on the Euronext Paris market will be April 24, 2014. The date of record (i.e. the day at the end of which the post-settlement positions entitled to the dividend are determined) will be April 28, 2014. The payment date of the dividend will be April 29, 2014.

This payment is eligible for the 40% tax relief referred to in Article 158.3.2 of the General Tax Code.

We are also asking for your authority to transfer to retained earnings the amount of dividend accruing to any of its own shares that TF1 may hold, in accordance with Article L. 225-210 of the French Commercial Code.

The amount of dividend distributed in respect of the three previous financial years was as follows:

| Year ended | Dividend per share* |
|---|---|
| December 31, 2010 | €0.55 |
| December 31, 2011 | €0.55 |
| December 31, 2012 | €0.55 |

* *Dividend eligible for the 40% tax relief available to individuals tax-resident in France under Article 158.3.2 of the French General Tax Code.*

- **renew the appointment of a Director whose term of office expires in 2014 for a two-year-term:**

The term of office of Janine Langlois-Glandier expires at the end of the next General Meeting. Acting on advice from the Selection Committee, we are submitting for your approval in the 6th resolution for the renewal of her term of office as a Director for a two-year-term i.e. until the General Meeting convened to approve the 2015 financial statements.

Ms Langlois-Glandier, who chairs the Forum des Médias Mobiles, was appointed as Director at the General Meeting on April 19, 2012. A diligent Board member in the last two years, Ms Langlois-Glandier has made a valuable contribution, guiding the work of the Board with her in-depth understanding of the French audio-visual environment.

We inform you that Janine Langlois-Glandier would still qualify as independent in accordance with the criteria set down in the AFEP/MEDEF Code presented in this registration document and annual financial report, on page 28. Ms Langlois-Glandier's CV is provided as well in chapter 2.1.3 of the present registration document and annual financial report on page 34.

The Board of Directors would still include 4 independent Directors and 4 women out of the 12 Directors (please see part 2.1.1, page 33 of the current registration document and annual financial report).

- **recognise the election of directors representing employees**

We remind you that, since privatisation, two directors have represented TF1 employees. In accordance with legal and statutory requirements, these directors are elected for two-year terms by the college of TF1 SA employees. One director is elected from among the college of executives and journalists, while the other is drawn from employees and technical and supervisory staff. All employees who have had a contract of employment at the date of the election for three months or more are required to vote. Any employee who has had an employment contract for two years or more at the time of the elections is eligible to run.

The terms of office of Fanny Chabirand and Jean-Pierre Pernaut expire in 2014, after the announcement of the votes of the electoral colleges appointing Board members; this appointment must normally take place within the two weeks preceding the General Meeting. The elections will be held on April 3, 2014.

At the General Meeting on April 17, 2014, the Chairman will inform you of the names of the employee-representative Directors elected by the electoral colleges and you are required in the 7th resolution to take note of their election and appointment for two years as employee-representative Directors.

A summary of the information concerning Fanny Chabirand and Jean-Pierre Pernaut is shown in chapter 2.1.3 of the present registration document and annual financial report, on pages 32 and 37.

The composition of the Board will be updated on the Group's website (www.groupe-tf1.fr, Homepage > Finance > Governance > Corporate Governance) with the names and CV of elected staff representative Directors after the elections.

- **approve the components of remuneration due or allocated in respect of FY 2013 to the executive director of the company**

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (article 24.3), which is the code to which the company refers pursuant to Article L.225-37 of the Commercial Code, the shareholders shall be consulted on the components of remuneration due or allocated in respect of the closed financial year to the executive director of the company, including:

- the fixed portion;
- the annual variable portion and where necessary the multi-year variable portion along with the objectives that contribute to the determination of this variable portion;
- extraordinary remuneration;
- stock options, performance shares, and any other component of long-term remuneration;
- benefits linked to taking up or terminating office;
- supplementary pension scheme;
- any other benefits.

Only the remuneration due or allocated for 2013 exercice to Chairman and CEO, Nonce Paolini, is concerned by the vote.

Information about remuneration is presented in the corporate governance report by the Chairman of the Board of Directors (see part 2.3 of this registration document and annual financial report, page 62).

The information was also posted on the company's website on 19 February 2014, at www.groupe-tf1.fr, Home > Finance > Regulated Information > Governance > Compensation corporate officers (http://www.groupe-tf1.fr/en/finance/governance/internal-control-corporate/compensation-corporate-officers/compensation-corporate-officers-6050518-843.html).

The TF1 Board of Directors determines Nonce Paolini's remuneration, in accordance with Article L. 225-53 of the Commercial Code, after seeking the opinion of the Remuneration Committee. The Board of Directors determines this remuneration in the general interest of the company. Remuneration is assessed within the context of the different business areas of the group and in comparison with that of other executive directors in the sector and market. In addition, the Board deems that this remuneration reflects the work done and outcomes achieved over more than five years in a highly complex economic, regulatory and competitive environment.

Also, Nonce Paolini holds 4,050 TF1 shares of which 3,950 are held in regards to its retention obligation following the exercise of stock options in 2013.

When voting on the 8th resolution, we ask you to approve the components of remuneration due or allocated in respect of FY 2013 to Chairman and CEO Nonce Paolini, namely:

| Components of remuneration due or allocated in respect of the closed financial year | Amounts or value put to a vote | Description |
|---|---|---|
| Fixed remuneration | €920,000 | - Amount due, gross and before tax<br>- No change since 2011<br>**Past years fixed remuneration :**<br>- 2012: 920,000 euros<br>- 2011: 920,000 euros |
| Variable remuneration | €1,024,512<br>To be paid in March 2014<br>111% of fixed remuneration | **Quantitative:**<br>- change in consolidated net profit attributable to the Bouygues group,<br>- change, compared with the business plan, in consolidated net profit attributable to the TF1 group,<br>- year-on-year change in consolidated net profit attributable to the TF1 group.<br>**Qualitative:**<br>- Special importance is accorded to these criteria, since the performance of senior executives extends to areas other than simply financial results. These criteria depend both on the duties assigned and on specific group situations,<br>- For 2014, the Remuneration Committee decided to include a qualitative criterion on CSR performance (i.e. TF1's continued inclusion in at least three CSR rating indices).<br>**Indicators:**<br>- Measured with reference to significant economic indicators, which are intended to be stable and appropriate over time.<br>**Cap:**<br>- 150% of fixed salary.<br>**Past years variable remuneration :**<br>- 2012: 460,000 euros (50% of fixed remuneration),<br>- 2011: 936,284 euros (102% of fixed remuneration). |

| Components of remuneration due or allocated in respect of the closed financial year | Amounts or value put to a vote | Description |
|---|---|---|
| Annual deferred remuneration | Not applicable | No deferred variable remuneration |
| Multi-year variable remuneration | Not applicable | No multi-year variable remuneration |
| Exceptional remuneration | Not applicable | No exceptional variable remuneration |
| Stock options, performance shares, and any other component of long-term remuneration | Not applicable | **TF1 stock options:**<br>- None granted in 2013.<br>- Nonce Paolini has received no TF1 options since 2010.<br>- He was not a beneficiary of Plans 12 and 13 allocated in 2011 and 2012.<br>**Bouygues stock options:**<br>- In 2013, Nonce Paolini was allocated 80,000 options that may be exercised from 2017 at an exercise price of €22,28. |
| Directors' fees | €56.000<br>*Gross amount, before tax* | - €18,500 in respect of his TF1 Directorship.<br>- Amount calculated in accordance with the provisions set at the 2003 General Meeting (see 2.3 of this registration document and annual financial report, page 64).<br>- €25,000 in respect of his Bouygues Directorship.<br>- €12,500 in respect of his Bouygues Telecom Directorship. |
| Value of other benefits | €5,037 | **In-kind benefits:**<br>- unchanged.<br>**Benefits provided:**<br>- company car,<br>- part-time assignment of a personal assistant,<br>- driver-bodyguard. |
| **Components of remuneration due or allocated in respect of the closed financial year that are or have been put to a vote by the General Meeting under the procedure governing regulated agreements and commitments** | **Amounts put to a vote** | **Description** |
| Termination benefit | Not applicable | **Termination or change of duties**<br>- No benefit<br>- No benefit due or likely to be due<br>- No commitment has been made and no promise made to grant termination benefits<br>- If termination benefits were paid to Nonce Paolini, they would be charged to TF1 in proportion to the years spent as an employee or corporate officer within the TF1 group. |
| Non-competition benefit | Not applicable | - No non-competition clause. |
| Supplementary pension scheme | No amount due or paid | - Under a policy governed by the French Insurance Code, Bouygues offers the members of its Senior Management Committee a supplementary pension set at 0.92% of the reference salary (average of three best years) for each year of membership. Nonce Paolini is a member of that committee. The supplementary pension is capped at eight times the upper earnings limit for social security contributions (currently €300,384).<br>- This entitlement is acquired after ten years of service at the Bouygues group and applies only to those who are at the group when they take their retirement.<br>- The annual supplementary pension is subject to the procedure on regulated agreements, and Bouygues charges TF1 for the portion corresponding to premiums paid to the insurance company. |

- **authorise your company to trade in its own shares;**

The 9th resolution authorises the company to trade in and buy back shares representing up to 10% of the company's share capital, within the limits set by the shareholders and in accordance with law. This resolution supersedes the authorisations given by the shareholders at previous General Meetings.

### DETAILS OF THE PROGRAMME SUBMITTED FOR APPROVAL

- Securities concerned: shares,
- Maximum percentage of the capital authorised for repurchase: 10%,
- Maximum overall amount: €300 million,
- Maximum price per share: €25,
- Duration: 18 months.

### AIMS

The aims of the buyback programme are the same as for the previous programme. A description of the share buyback programme is provided in this registration document and annual financial report (chapter 6, page 230).

Share buybacks, which must not exceed 10% of the capital, can be used in particular to cancel shares under the authorisation set forth in the 10th resolution, in order to offset the dilutive impact on shareholders from the exercise of stock options allocated to employees and corporate officers. Buybacks can also, in accordance with a market practice accepted by the AMF (Autorité des Marchés Financiers) ensure the liquidity of and organise the market for the company's shares, through an investment service provider acting completely independently. They can also be used as a medium of payment or exchange for acquisitions, mergers, demergers or transfers of assets or upon the exercise of rights attached to securities through redemption, conversion or exchange.

The purchased shares can subsequently be disposed of under the conditions set by the AMF in its position of November 19, 2009 on the implementation of the new rules on share buybacks.

These transactions may be carried out in any manner and at any time, except during a takeover bid, a public offer of exchange or a standing market offer for the company's shares, and using derivative financial instruments, in compliance with regulatory requirements, pursuant to Article L. 225-209 of the Commercial Code and the regulations set forth by the Autorité des Marchés Financiers (AMF). The Board of Directors wanted to expand the options for share buybacks by seeking authorisation to go through top-rated banks to use derivative financial instruments and make purchases on or off-market, on multilateral trading systems or on systematic internalisers or over the counter. The Board felt that the terms offered by this approach might be in the financial interest of the company and shareholders. The purchase price cannot exceed €25 per share. The maximum amount of funds that can be used for the share buyback programme is €300 million.

The authorisation for the company to buy back its own shares is subject to several legal limits, in particular:

- the company may not own, directly or through an intermediary acting in its own name but on behalf of the company, more than 10% of the total number of shares making up its share capital,
- the acquisition of shares must not reduce shareholders' equity below the amount of capital plus non-distributable reserves,
- throughout the period of ownership of the shares, the company must have reserves, in addition to the legal reserve, at least equal to the value of all the treasury shares it owns.

Treasury shares have no voting rights and dividends accruing to them are carried forward as retained earnings.

Between February 19, 2013 and February 18, 2014, the company purchased 30,000 of its own shares on the market for €0.3 million.

On February 18, 2014, the company did not hold any of its own shares..

## RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS TO THE GENERAL MEETING – EXTRAORDINARY BUSINESS

The financial authorisations and powers granted by the previous General Meetings are listed in a table on page 230 et seq., chapter 6 in this registration document and annual financial report.

Between February 19, 2013 and February 18, 2014, the Board of Directors used the financial powers on reducing the capital, granted by the General Meeting of April 18, 2013.

In the resolutions that are submitted to you, we propose that you:

- **authorise a capital reduction through the cancellation of shares;**

The purpose of the 10th resolution is to authorise your Board of Directors to reduce the capital of the company, on one or more occasions and by up to 10% of the capital per 24-month period, by cancelling some or all of the shares acquired under the buyback programmes authorised by the General Meeting. This authorisation will be given for an 18-month period and replace the one given at the Combined Annual General Meeting of April 18, 2013.

Cancelling repurchased shares makes it possible, if the Board deems it appropriate, to offset the dilutive impact on shareholders arising from the creation of new shares following, for example, the exercise of stock options.

The company bought back 368,684 of its own shares between January 9, 2013 and February 21, 2013, then cancelled those shares. On February 18, 2014, no treasury shares were held.

- **authorise the allocation of stock options and performance shares to employees and corporate officers;**

The purpose of the 11th and 12th resolutions is to authorise the Board to proceed with a capital increase in one or more tranches for salaried members of staff or certain categories of employees and / or for corporate officers, both of TF1 and of companies and economic interest groupings related to it, by granting stock options or bonus shares in the company. The previous authorisation given at the Combined General Meeting of April 14, 2011 (28th and 29th resolutions) expires on June 14, 2014.

The Combined General Meeting of 14 April 2011 authorised the Board to grant options or performance shares, up to a common ceiling of 3% of capital, for a period of 38 months.

The Board of Directors allotted no shares and granted no options in 2013. The Board of Directors granted, subject to performance conditions, 1,500,000 stock options, equivalent to 0.7% of share capital, to 150 beneficiaries in 2011, and 1,437,200 options, equivalent to 0.7% of share capital, to 143 beneficiaries in 2012. These plans concerned the members of the three management bodies (Senior Management Committee, Executive Committee and Management Committee) with the exception of Chairman and CEO Nonce Paolini.

At December 31, 2013, a total of 5,157,013 options were unexercised, around 2.4% of the capital at that date.

The Company firmly believes that it is important to enable senior managers to benefit from the Group's success, to which they are key contributors. These allocations enable them to be directly rewarded and involved in the Group's current operations and future performance, which helps to enhance their motivation and commitment to the company.

We ask you to renew the authorisation granted to the Board of Directors, for a period of 38 months, to allocate stock options and performance shares.

The 11th and 12th resolutions on options and bonus shares provide that:

- there are plans for a common ceiling set at 3% of the authorised capital;
- the Board of Directors sets the conditions, notably the maximum sub-ceiling at 5%, for options or shares allotted to the Executive Directors, as well as the performance criteria applicable to them;
- the Board of Directors draws up a list or determines the categories of other beneficiaries of options or shares, as well as the performance criteria applicable to them.

Furthermore, the 11th resolution rules out any discounts. Depending on the case, the subscription or purchase price of shares will be equal to or greater than the average share price over the 20 days prior to their allotment, or to the average price at which they are purchased by the company

- **delegate powers to carry out corporate formalities;**

The purpose of the 13th resolution is to allow all legal and administrative formalities, filings and disclosures provided for by prevailing law to be carried out.

The indications on the progress of social affairs, to be provided under the law, contained in the report of management that you received.

You are asked to vote on the proposed resolutions.

The Board of Directors