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## ÉDITO

JEAN-DOMINIQUE SENARD  
CHIEF EXECUTIVE OFFICER  
OF THE MICHELIN GROUP

### "THE FUTURE OF MICHELIN"

#### DEAR SHAREHOLDER,

At the last Annual Meeting, you demonstrated your continuing confidence in Michelin by adopting all of the proposed resolutions by a large majority. I am deeply grateful to you for showing this support, which is extremely encouraging to me and the entire Michelin executive team.

During the Meeting, I shared my vision for Michelin's future with the shareholders in attendance, as I recently did with more than 2,500 Group managers from around the world.

I am convinced that Michelin has a bright future ahead of it. But we will have to transform as a company in order to reap the rewards of our strategy, which aims to sustainably improve customer mobility in four key focus areas.

The first of these involves delivering tires that are seamlessly aligned with customer needs, with the aim of increasing tire sales by 20% in value by 2020. Here, our capacity for innovation and understanding of usage practices will enable us to continue bringing to market products that are even more closely in tune with customer expectations.

The second area of focus concerns tire-related services and solutions, where we are aiming to double our services and solutions revenue by 2020. As you know, services have always been part of our DNA, and we intend to take advantage of the new opportunities offered by the digital revolution.

The third focus area encompasses businesses that offer customers an outstanding mobility experience, where we aim to achieve a three-fold increase in revenue by 2020. These mobility experiences are built on an excellent foundation of maps and guides, and we plan to put digital technology to its best possible use to improve profitability in this field.

The fourth and final key area entails leveraging our expertise in high-tech materials, where we will play a pro active role and affirm our technological leadership. We have made critical advances in the areas of synthetic and natural rubber, molds, cables and fabrics, and we are capable of implementing extremely high-tech manufacturing processes.

As you can see, my strong belief is that by undertaking an in-depth transformation in the 21st century, Michelin will remain true to its founding spirit and values.

Thank you for your ongoing trust and loyalty.

# HORIZONS

Michelin's letter to its shareholders

NUMBER 13  
JUNE 2016



MICHELIN

A better way forward



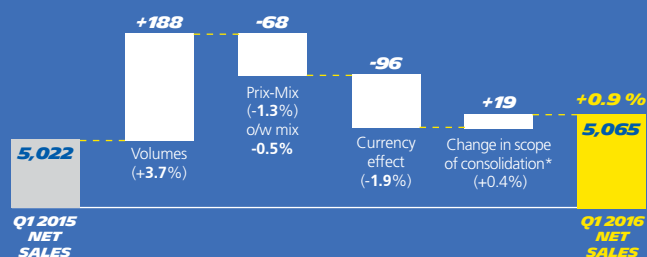
## FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2016

**MARC HENRY,**  
CHIEF FINANCIAL OFFICER

Michelin announces first-quarter 2016 net sales of €5.1 billion, with growth in volumes outperforming the markets. 2016 outlook confirmed.

### NET SALES BOOSTED BY HIGHER VOLUMES

YoY change (in € millions and %)



\*Ihle, Meyer Lissendorf, Blackcircles

### PASSENGER CAR AND LIGHT TRUCK TIRES & RELATED DISTRIBUTION



	Q1 2016
RS1 Net sales	2,897
Volume growth	+4%
Market growth	+3%

Volumes rose by 4% in the first quarter of 2016 thanks to the 4% gain by the MICHELIN brand (including an 11% rise for 17" and larger tires in a segment up 10%). The Group strengthened its positions in Original Equipment markets, in the value line segments and, in a fiercely competitive environment, in all emerging regions.

The price effect reflected the price strategy implemented in 2015 in the Replacement segment and the impact of indexation clauses on raw materials.

The mix effect remained favorable, with the MICHELIN brand's 11% growth in the 17" and larger segment allowing it to offset the less favorable effects of higher volumes in value lines, OE and emerging markets.

### CURRENCY EFFECT

The 1.9% unfavorable currency effect (equivalent to €96 million) stemmed from fluctuations in the euro against the Group's main operating currencies: the favorable effect linked to the US dollar only partially limited the unfavorable impacts of the Brazilian real, the Argentine peso and, to a lesser extent, the Mexican peso, the Russian ruble, the Turkish lira, the South African rand and the Chinese yuan.

### TRUCK TIRES & RELATED DISTRIBUTION



	T1 2016
RS2 Net sales	1,430
Volume growth	+3%
Market growth	-2%

Volumes continued to rise, up 3% in sluggish global markets, thanks to OE sales, new Intermediate offers, the firm performance of the MICHELIN brand in the premium segment and a favorable geographic mix.

Price adjustments mainly corresponded to the application of raw-materials indexation clauses, partially offset by tire price increases introduced to counter the drop in currencies in Brazil and Russia.

### SPECIALTY BUSINESSES



	T1 2016
RS3 Net sales	738
Volume growth	+0%
Market growth	-2%/ -5%**

\*\*Full-year market estimate

**Earthmover tires:** net sales declined, reflecting the unfavorable impact of raw-materials indexation clauses and the decrease in volumes sold.

**Agricultural tires:** net sales were stable, with the rise in volumes offsetting the negative impact of lower prices, linked to raw-materials indexation clauses in particular and to exchange rates.

**Two-Wheel tires:** net sales remained stable, with higher volumes offsetting the adverse impact of the geographic mix and exchange rates.

**Aircraft tires:** net sales increased due to growth in volumes.

## 2016 OUTLOOK CONFIRMED

Over the full year, tire markets are forecast to remain mixed, with demand for Passenger Car, Light Truck and Truck tires expected to continue rising in mature markets while staying in line with 2015 trends in new markets. These developments will remain favorable for Michelin. The Specialty tires market is expected to continue to be affected by mining company inventory drawdowns.

**In this environment, for 2016, Michelin is targeting volume growth that outpaces global markets, and confirms its objectives to increase operating income before non-recurring items at constant exchange rates and generate structural free cash flow of more than €800 million.**

## HIGHLIGHTS

### INNOVATION

## MICHELIN IS DEVELOPING TIRE-RELATED SERVICES AND SOLUTIONS FOR CUSTOMERS

Michelin has introduced a unique approach in the world of tires by fitting out more than 3,000 vehicles in Europe with ultra-sophisticated electronic sensors that transmit real-time information about usage, temperature conditions and how motorists drive. This technological mechanism for analyzing driver behavior and usages in real time has made it possible to collect information concerning more than 38 million kilometers of travel over several months.

Thanks to this highly precise information, to the partnerships with the world's biggest car manufacturers, to feedback from motorsports competitions and to its Technology Center, Michelin is today capable of proposing major innovations that are perfectly suited to the needs of its customers.



### SURVEY

## MICHELIN COMES OUT ON TOP AGAIN

In 2016, the Reputation Institute ranked Michelin No. 15 overall in its list of the 100 most reputable companies worldwide, across all categories.

As the top-ranked French company in the global ranking, Michelin has once again confirmed the solidity of its reputation.

For the second year running, Michelin was also named the most reputable company in France's top 100 as part of a country-specific survey carried out by the same organization in partnership with Burson Marsteller i&e.

According to the survey, Michelin is the company that inspires the most trust and admiration in France.



### ACQUISITION

## MICHELIN BECOMES THE EUROPEAN ONLINE RESERVATION LEADER

With the acquisition of **BOOKATABLE**, Michelin has become the European No. 1 in online restaurant reservation. The Michelin and BookaTable teams are combining their expertise to ensure a smoother customer journey, while offering restaurant owners new services to help them grow their businesses.

BookaTable, with its head office in London, is the European leader in the online restaurant reservation market with more than 15,000 establishments using its service, and more than 34 million covers booked in 2015 in Europe. In addition to giving it a presence in many European countries where BookaTable is already established, this acquisition strengthens and accelerates the development of **MICHELIN RESTAURANTS**.

The association between Michelin, the world restaurant guide leader with its MICHELIN guide, and BookaTable helps restaurateurs develop their business by offering new solutions and helps customers by making it easier to book.

**Bookatable**



## THE ANNUAL SHAREHOLDERS MEETING

THE ANNUAL MEETING OF MICHELIN SHAREHOLDERS WAS HELD ON MAY 13, 2016 IN CLERMONT-FERRAND.



① **JEAN-DOMINIQUE SENARD**, Chief Executive Officer, opened the meeting by reviewing the operating highlights of 2015. Then, he passed the floor to:

② **MARC HENRY**, Chief Financial Officer, Member of the Executive Committee and Executive Vice President, Specialty Product Lines, who gave a detailed presentation of the 2015 results and discussed the outlook for 2016.



③ **CLAIRE DORLAND-CLAUZEL**, Executive Vice President, Communication, Brands and External Relations and Member of the Executive Committee, who spoke about how environmental protection was central to the Group's strategy.



④ **PETE SELLECK**, Chairman and President, North America, who presented Michelin's position in the region.

### SHAREHOLDERS THEN ADOPTED ALL OF THE RESOLUTIONS SUBMITTED FOR THEIR APPROVAL:

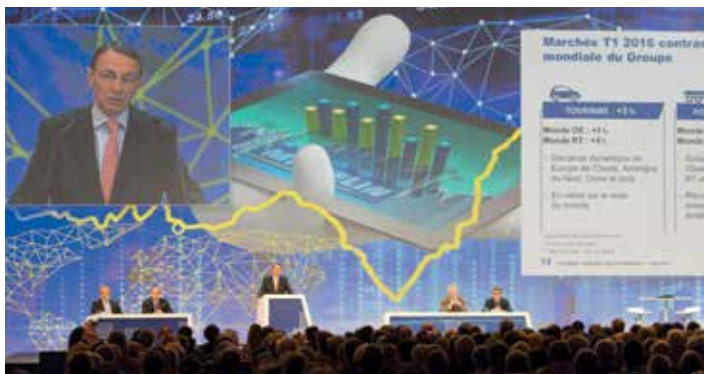
- The payment of a dividend of €2.85 per share, payable in cash as from May 19, 2016.
- The advisory vote on the components of Jean-Dominique Senard's compensation for 2015.
- The renewal of financial authorizations.
- The authorization to grant performance shares to employees, based on vesting criteria aligned with shareholders' interests.
- The renewal of the authorization to carry out a share buyback program at a maximum purchase price per share of €140 and the authorization to reduce the share capital by canceling the shares purchased under the program.



In addition, shareholders re-elected Anne-Sophie de La Bigne and Jean-Pierre Duprieu to the Supervisory Board for new four-year terms. They also ratified the appointment to the Supervisory Board of Monique Leroux, who had been appointed to replace Laurence Parisot at the Supervisory Board meeting of October 1, 2015.

Following these appointments, the Supervisory Board comprised nine members (seven independent; five men and four women; six French nationals and three foreign nationals, all from different continents).

**MONIQUE LEROUX**, a Canadian national, has been Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins, Canada's largest cooperative financial group, since 2008.



**CLAIRE DORLAND-CLAUZEL** then spoke about how environmental protection was central to the Group's strategy. The highlights are given below. :

"Michelin was a partner of the COP 21 climate conference for several reasons. First, COP 21 was an international conference designed to bring together all nations, and Michelin is a global group. Given that we operate in more than 170 countries, it was natural and normal for us to take part in the conference alongside other companies, associations and NGOs. It should be noted that COP 21 was the first time that civil society and businesses were invited to take part in a conference usually reserved for nations and, for this reason, it was important for Michelin to be present as a tire-industry leader."

"Widespread expansion in mobility can contribute to both human and economic development. Michelin still firmly believes this, but wants to reduce the side effects by implementing a sustainable growth strategy that includes environmental protection objectives. Michelin was a stakeholder in the COP 21 conference because it is a global Group that has been committed to green mobility since 1992."

By 2030, our ambition is to harness the Group's capacity for innovation to reduce our tires' share in a vehicle's fuel consumption by 20% compared with 2010 levels."

Michelin wants to contribute to designing the future of mobility, as we have done with the Michelin Challenge Bibendum event and urban mobility in particular."

The Group supports the implementation of a global carbon pricing scheme as part of the Carbon Pricing Leadership Coalition."

Our investment in sustainable natural rubber plantations is part of an agreement with the WWF aiming to use less land, protect biodiversity and preserve primary forests."

**MARC HENRY** noted that Michelin reported historically high margins and free cash flow in 2015 thanks to the sustained growth in volumes, which outpaced the market in every business segment.

Results for the year were also shaped by the faster deployment of the competitiveness plan in the second half and by the continued robustness of the Group's balance sheet in the wake of acquisitions and share buybacks, which has been recognized by the rating agencies.

In addition, Mr. Henry confirmed Michelin's objectives for 2016, i.e. volume growth that outpaces global markets, an increase in operating income before non-recurring items at constant exchange rates, and structural free cash flow of more than €800 million.

Mr. Henry finished his presentation by reminding shareholders of the Michelin Group's shareholder policy, which in 2015-2016 saw the payment of €981 million in dividends and a €750 million share buyback program.



**PETE SELLECK**, Chairman and President, North America, then presented an overview of Michelin's presence in the region.

"Michelin's presence in North America encompasses 20 plants in Canada, the United States and Mexico. We first began operations in Canada in 1971, then in 1975 expanded to Greenville, USA, where we currently have our North American headquarters and one of our three Technology Centers. Michelin employs 22,750 people in the region, including 16,643 in the United States."

"One of the reasons for our success is our unwavering commitment to quality, innovation and technological performance. In 2015, we made significant inroads into the safety market with the launch of the MICHELIN Premier A/S. Featuring revolutionary new EverGrip technology, this tire offers unbeatable safety performance even when worn. Our BFGoodrich brand recently launched the revolutionary KO2, a highly robust tire designed for optimal durability, traction and lifespan, even in extreme conditions."

We have introduced our "Michelin On Call" 24-hour roadside assistance service, and a Michelin tire maintenance and monitoring program for vehicle fleets."

The Michelin brand enjoys a high level of awareness, as shown by the many awards that we continue to receive from industry bodies and consumer groups. We dominate the J.D. Power awards, which reflect consumer satisfaction in the United States."

Michelin employees are among the most talented, devoted and innovative in our industry, and cultural diversity can be seen in a variety of ways throughout the region, whether in Mexico, the United States or Canada."



## SHAREHOLDER DIALOGUE

“ The Truck tire market is down in original equipment and stagnant in the replacement segment. It is facing competition from low-cost Chinese manufacturers, particularly in the European and North American markets where there are no barriers to entry. Michelin has adapted to this development by restructuring its operations. In light of the situation, what are Michelin's medium-/long-term prospects in the Truck tire business? ”

QUESTION FROM MARIE-FRANCE AMIC,  
A MEMBER OF MICHELIN'S SHAREHOLDER CONSULTATIVE COMMITTEE



ANSWERED BY SERGE LAFON, Executive Vice President, Truck Product Line and Member of the Group Executive Committee

"We have reached out to our customers to gain a better understanding of their needs. Customers fall into three categories: those who want lower prices, those who are more concerned about lead times and those who prioritize the people and goods they're transporting. At the same time, customers' tire-buying habits are based on everything from price to the value that tires represent in their business. This has created three main market segments.

The first is the premium segment, where on-time delivery is a predominant concern and where customers place value on tires. This is the Michelin brand's natural habitat, and currently represents a fifth of the world market.

At the other extreme is the budget segment, which makes up just under half of the global market today, and where prices are around 50% to 75% below Michelin tire prices.

Between the two is the fast-growing intermediate segment, which currently represents a third of the market and is expected to expand to more than 40% within five years.

To serve the needs of more than half of our potential customers, our strategic response is to invest and to develop comprehensive, Group-level solutions in the intermediate and budget segments.

We don't plan on forgetting the Michelin brand either, whose leadership we aim to consolidate by focusing on two areas. The first is digital solutions. The second is product lines based on technology that will bring the brand to an even stronger position in terms of total cost of ownership, both compared with where it is today and with the competition."



“ We were shown a film on your achievements and involvement in the history of auto and motorcycle sports. I'd like to know first whether you have measured the commercial benefits of this association and, second, whether you could explain how it relates to the development of premium tires, which are primarily marketed to customers involved in this sort of activity. ”

QUESTION FROM A SHAREHOLDER

ANSWERED BY FLORENT MÉNÉGAUX, Chief Operating Officer and Member of the Group Executive Committee



"We use motorsports as a testing ground prior to the development phase of our technologies. That is the fundamental reason for our commitment in the area. It allows us to develop the technologies that you will see in future tires. We use **endurance racing** to demonstrate how tires perform over time because of different weather conditions, and the **World Rally Championship (WRC)** to develop technologies that deliver robust tires and effective grip in all situations. And don't forget the **Formula E**, where the aim is to make the tires as versatile as possible, which also saves energy and by extension extends vehicle range. Lastly, we've also returned to the **MotoGP**, where our goal is to understand and improve progressive grip and performance, as well as work on extreme wet and dry grip.

So, as you can see, motorsports are extremely advantageous from a technical point of view. Obviously we measure the benefits in terms of sales and image too. And we compare the investment we make with the return we achieve in terms of image. Let me assure you, the result is very positive and very much in our favor."



## MOTORSPORTS

### FORMULA E IN PARIS

The Formula E championship has visited Paris for the first time in its short history. The French capital hosted this year's seventh race on Saturday April 23 – the city's first motorsports event since 1951! Because the cars are quiet and emissions-free, competitions can return to major city centers, allowing a wide audience to enjoy thrilling races against an exceptional backdrop.

Motorsport has always been a laboratory for automotive innovation. By using electric engines, Formula E is projecting itself into the future more than any other competition. By testing the latest innovations under extreme conditions, the event is helping to design the electric car of the future.

## BICYCLE TIRES

### ROLLING WITH THE BEST

The new range of MICHELIN POWER bicycle tires (available since April 1) achieves a new, unrivaled level of performance that meets the expectations of the most demanding cyclists. Improved energy efficiency, better grip on wet roads, greater resistance to punctures and a longer life are the result of the Group's very latest technological advances.

Characterized by extremely low rolling resistance, enhanced grip on wet roads, better protection against punctures and greater longevity, this new bicycle tire range benefits fully from Michelin's extensive research and development expertise. Indeed, passing innovations on to its customers has been the founding principle of the Group's development since its creation, not to mention a powerful differentiating strength.

The MICHELIN POWER range covers three major usage requirements to satisfy 90% of this market's needs: **Competition**, dedicated to road racing; **Endurance**, intended for sport touring enthusiasts; and **All Season**, designed for difficult conditions.



## REPORTING

### MICHELIN REPORTING REWARDED

Michelin has once again been honored for its financial and corporate communications, with its 2014 Annual and Sustainable Development Report receiving the Silver Topcom award in the Annual Report category for CAC 40 companies. Note that no Gold award was given out this year, with the result that Michelin and the Carrefour group tied for first place with a Silver. Awarded by a panel of publishing professionals, this honor is further recognition of the Group's commitment to communicating with shareholders and the finance industry as a whole.



## TOTAL SHAREHOLDER RETURN <sup>(1)</sup>

Question for Aldo Sicurani, Managing Director of F2iC (Fédération des Investisseurs individuels et des Clubs d'investissement)



**When you talk at shareholders meetings, your advice is always to assess a share's long-term performance based on the total shareholder return (TSR). Could you explain why?"**

Dividends are a determining factor when evaluating a portfolio's performance.

Over the past ten years, companies in France's benchmark index, the CAC 40, have paid out slightly more than €300 billion in dividends to shareholders.

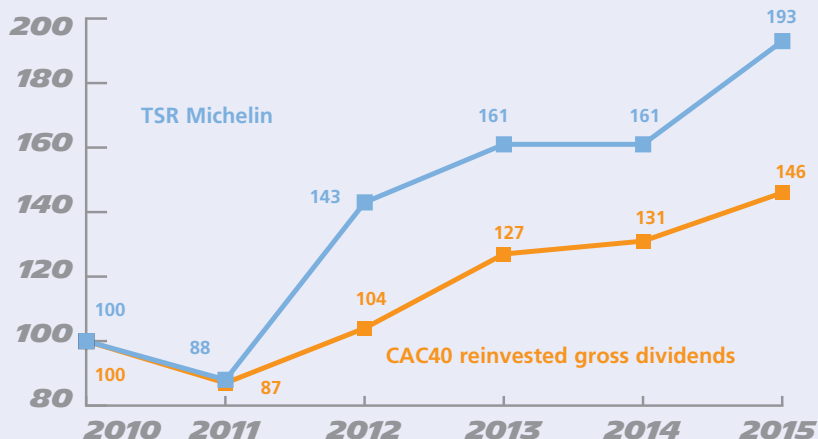
This "yield" doesn't appear anywhere, but it has a very real impact. Between May 2010 and April 2016, the CAC 40 rose by 26%, or an average of 3.9% a year. While that's not negligible, it's not substantially better than the rate of return on life insurance.

However, if you include net dividends in the calculation, the result is totally different, showing an overall increase of 46%, or an annual yield of 6.35%.

The picture is even brighter if you look at the CAC 40 from when it was first launched. After starting with a base value of 1,000 points on December 31, 1987, the French benchmark grew 4.4 times as large in a little more than 28 years. That's not bad; not many assets could boast the same performance. On an annualized basis, that results in an average yield of 5.3%, in a period of low inflation. But if you look at the CAC 40 NR (Net Return), which includes dividends net of 30% in withholding tax, you will see that it has grown to 8.5 times its original size during the same period. With an average annual increase of 7.6%, that makes it the top-performing investment choice across all asset classes, including real estate."

*(1) The total shareholder return is a measure of a share's profitability rate over a given period. It reflects movements in the share price and dividends reinvested.*

### MICHELIN TSR PERFORMANCE COMPARED WITH THE CAC 40 TR



A €100 investment in Michelin shares on December 31, 2010 would be worth €193 on December 31, 2015.

## CALENDAR

### Upcoming events

- ▶ **July 26, 2016**  
First-half 2016 results (before start of trading)
- ▶ **October 19, 2016**  
Third-quarter financial information (after close of trading)

### Individual shareholder meetings

- September 8:** Cannes
- September 12:** Bordeaux
- October 3:** Annecy
- December 5:** Strasbourg

### A TEAM AT YOUR SERVICE

Individual Shareholder Relations Department

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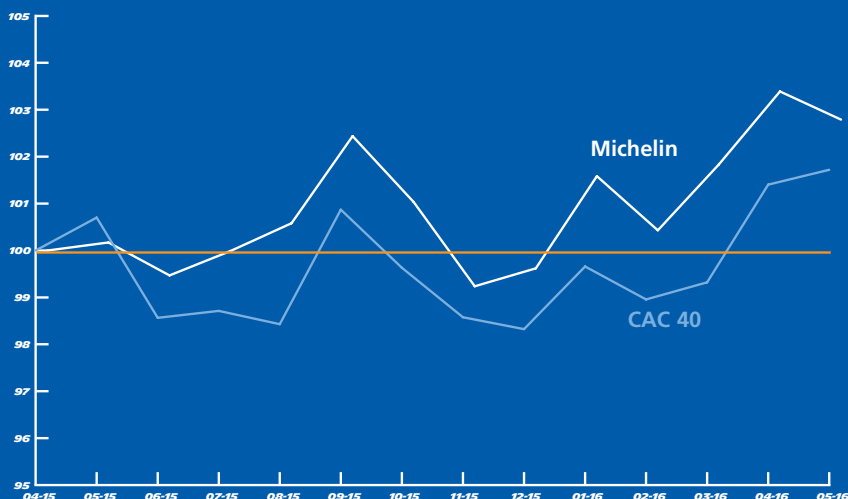
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## SHARE PERFORMANCE

(base 100: December 31, 2010)



## SHARE INFORMATION

### AT MAY 31, 2016

Code ISIN: FR0000121261  
Number of shares: 181 902 182  
Closing price: €91.34  
Change since January 1, 2016: 3.91 %  
Market capitalization: € 16.6 billion

### Ownership structure as of May 31, 2016:

- ▶ Employees **1.8%**
- ▶ Resident Individual Shareholders **9.1%**
- ▶ Non Resident Individual Shareholders **4.1%**
- ▶ Auto détention **0.7%**
- ▶ Resident Institutional investors **25.3%**
- ▶ Non-résident institutional investors **59.0%**