



MICHELIN WINNING THE FUTURE

**2015 ANNUAL
AND SUSTAINABLE
DEVELOPMENT REPORT**



MICHELIN

A better way forward

GAINING MOMENTUM



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TO WIN THE FUTURE



▲ The 2015 Registration Document, including the Annual Financial Report, is available on request from the Michelin Investor Relations Department.



**OFFERING EVERYONE
A BETTER WAY FORWARD**

Because we believe that mobility is essential for human development, we are innovating passionately to make it safer, more efficient and more environmentally friendly. Our priority and firm commitment is to offer our customers uncompromising quality. Because we believe that all of us deserve personal fulfillment, we want to enable everyone to do his or her best, and to make our differences a valuable asset. Proud of our values of respect, we are all sharing the adventure of better mobility for everyone.

**THE GLOBAL
TIRE
INDUSTRY'S
LEADING
SOURCE OF
INNOVATION**

No.1
**THE WORLD LEADER IN
ENERGY-EFFICIENT TIRES**

68
**PRODUCTION
FACILITIES
IN 17 COUNTRIES**

111,700
PEOPLE

4,150
**DEALERSHIPS
AND SERVICE
CENTERS**

SINCE 1889, MICHELIN HAS CONSTANTLY INNOVATED TO FACILITATE THE MOBILITY OF PEOPLE AND GOODS. TODAY, WE ARE SETTING THE STANDARD ACROSS EVERY TIRE AND TRAVEL-RELATED SERVICES MARKET, WHILE LEADING A GLOBAL STRATEGY TO DRIVE RESPONSIBLE, SUSTAINABLE AND PROFITABLE GROWTH.



1 / CUSTOMERS

NEW

EXPECTATIONS

NEW

SOLUTIONS

Self-balancing vehicles are increasingly popular with people who want a clean way of getting around the city. Michelin teams at the US technology center designed the wheel and tire for the technology-packed first-generation Segway machines.



MAKING MOBILITY SAFER

All-weather performance with MICHELIN CrossClimate

No other tire is as safe or easy-to-use as the new MICHELIN CrossClimate, which combines the performance features of both summer and winter tires. It brakes quickly on dry pavement, has earned the top grade in wet braking, and has been certified for winter use, even in countries that require special fitments for winter driving. And like all MICHELIN tires, it also provides long mileage, energy efficiency and a comfortable ride. In this way, the MICHELIN CrossClimate offers a compelling illustration of MICHELIN Total Performance – combining advanced technologies that deliver more performance to meet a wide array of customer expectations and driving needs.



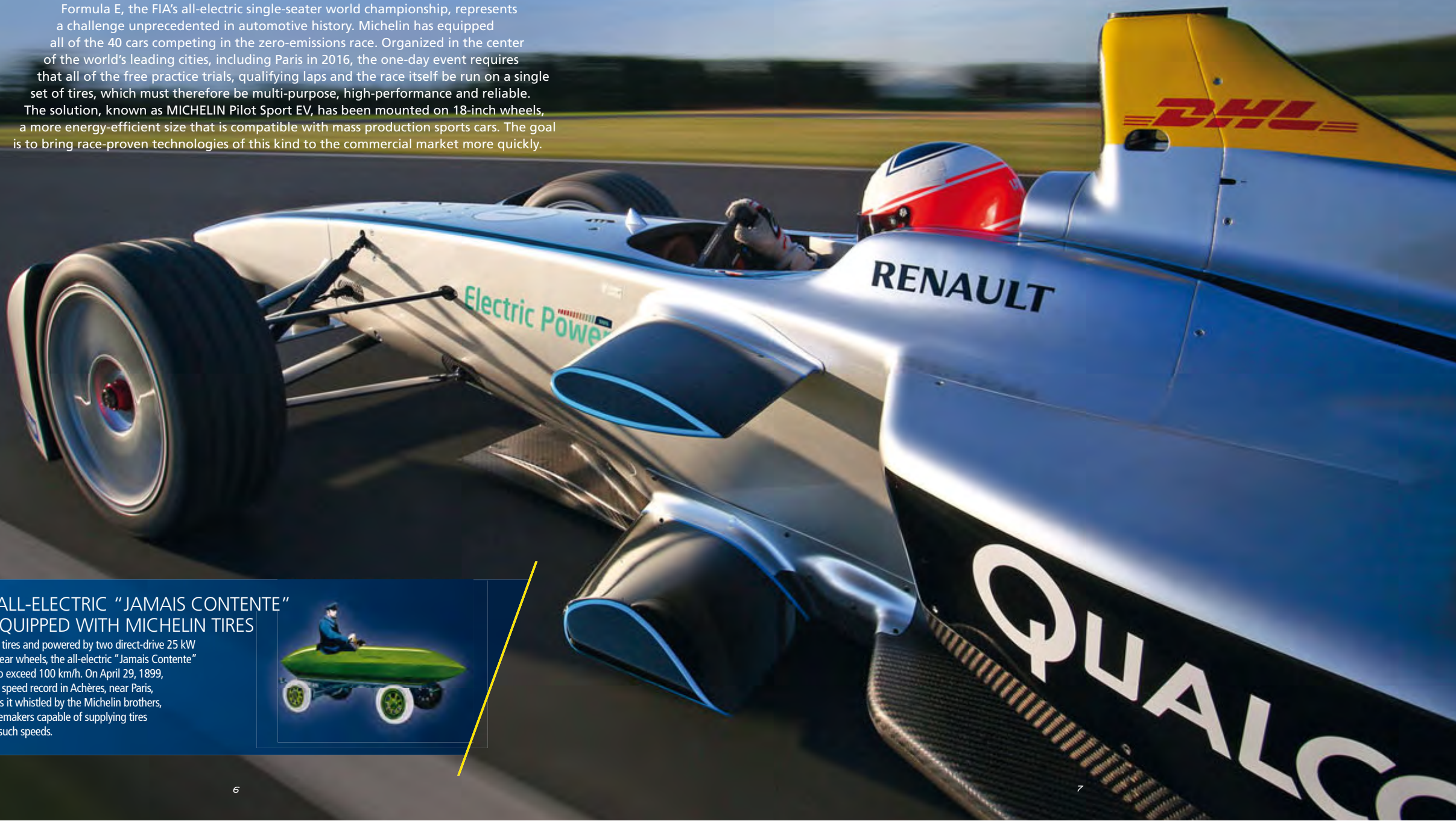
1946: THE RADIAL TIRE USHERS IN A DRIVING REVOLUTION

Thanks to its metal casing and steel-belt stabilized tread, the MICHELIN X radial tire attenuated high speed heat build-up, improved driving comfort and road grip, shortened braking distances, lasted 50,000 to 60,000 kilometers when other tires barely made it to 30,000, improved fuel efficiency by 30% and reduced the amount of process rubber by 30%. Seventy years ago, Michelin was already revolutionizing the tire industry and delivering MICHELIN Total Performance.

MAKING MOBILITY CLEANER

Formula E: an extraordinary laboratory for the tires of tomorrow

Formula E, the FIA's all-electric single-seater world championship, represents a challenge unprecedented in automotive history. Michelin has equipped all of the 40 cars competing in the zero-emissions race. Organized in the center of the world's leading cities, including Paris in 2016, the one-day event requires that all of the free practice trials, qualifying laps and the race itself be run on a single set of tires, which must therefore be multi-purpose, high-performance and reliable. The solution, known as MICHELIN Pilot Sport EV, has been mounted on 18-inch wheels, a more energy-efficient size that is compatible with mass production sports cars. The goal is to bring race-proven technologies of this kind to the commercial market more quickly.



1899: THE ALL-ELECTRIC "JAMAIS CONTENTE" ALREADY EQUIPPED WITH MICHELIN TIRES

Fitted with MICHELIN tires and powered by two direct-drive 25 kW motors between the rear wheels, the all-electric "Jamais Contente" was the first vehicle to exceed 100 km/h. On April 29, 1899, it beat the world land speed record in Achères, near Paris, hitting 105.88 km/h as it whistled by the Michelin brothers, even then the only tiremakers capable of supplying tires that could withstand such speeds.



MAKING MOBILITY MORE CONNECTED

Introducing mobility 2.0 with the new ViaMichelin

Available in 13 European countries, the new ViaMichelin site enables users to personalize their itinerary searches and compare alternatives, with data displayed in an optimized format on all screens.

The power-sipping free smartphone and tablet app features an easy-to-use, accurate voice-guided GPS navigation system, audible speed warnings and real-time alerts from the user community. In France, for example, the app's 300,000 users report 3,000 incidents and 30,000 hazardous areas every day. The app also displays weather warnings and service station and parking lot locations, along with a variety of tourist information from the Green Guide and good deals from the Michelin Guide.



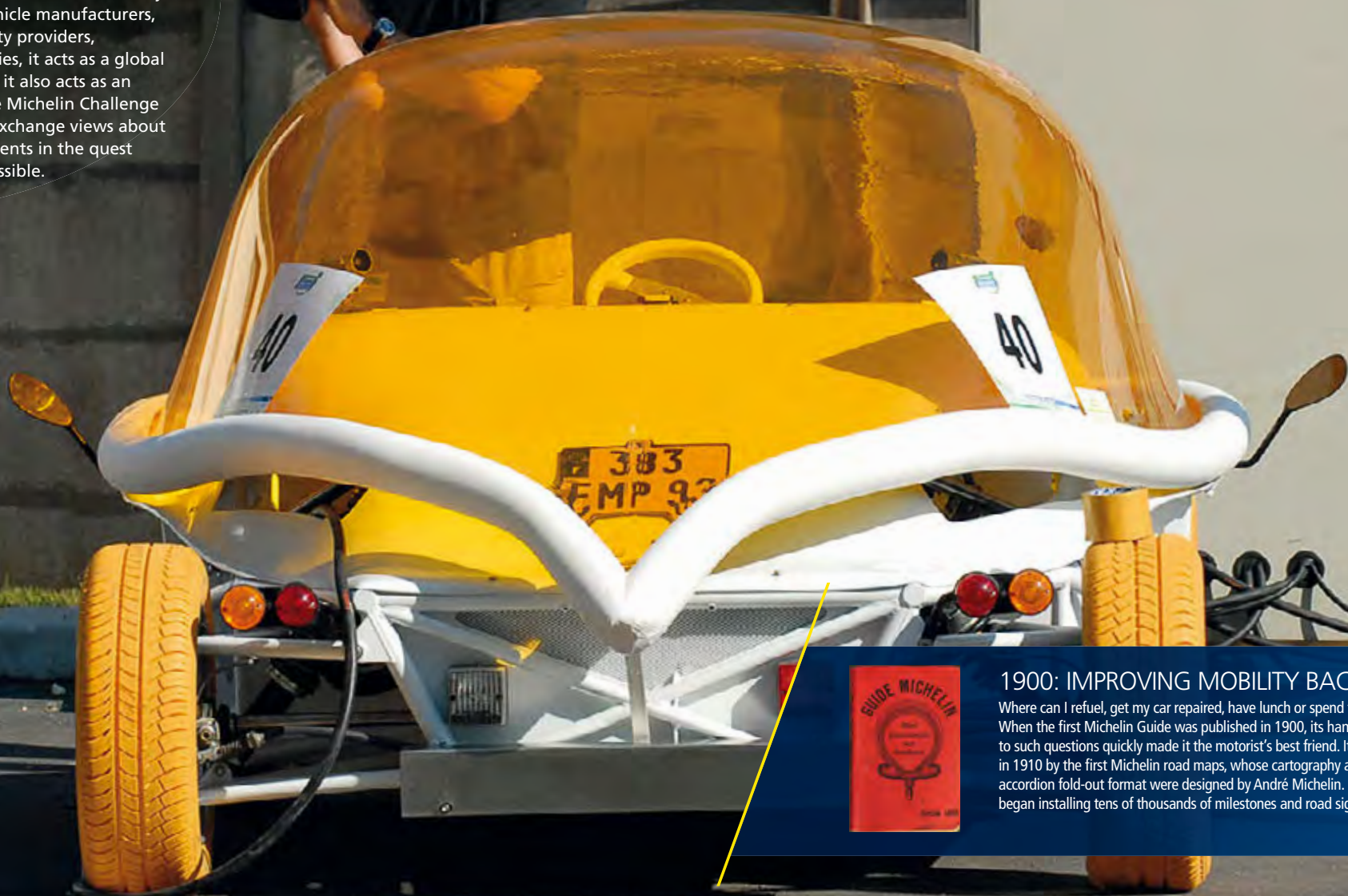
1907: THE TOURING OFFICE FOR PERSONALIZED ITINERARIES

Outside the Michelin Touring Office's specially constructed building was a poster promising that the new service would "show you the best route for all your business, pleasure or holiday travel." Twelve years later, 120 employees were handling 155,000 requests a year, indicating the right itinerary, distances, possible stages, recommended hotels and restaurants, points of interest and safe driving tips.

IMPROVING MOBILITY FOR EVERYONE

Michelin Challenge Bibendum: imagining the future of mobility

Created for the 100th anniversary of the Michelin Man (Bibendum), the Michelin Challenge Bibendum showcases and encourages the sharing of the latest advances in mobility. As the only event that brings together vehicle manufacturers, OEMs, energy engineers, connected mobility providers, research scientists and government authorities, it acts as a global summit on sustainable mobility. And because it also acts as an ongoing cooperative innovation platform, the Michelin Challenge Bibendum enables communities of experts to exchange views about the challenges, advances and possible developments in the quest to make mobility clean, safe, connected and accessible.



1900: IMPROVING MOBILITY BACK IN THE DAY

Where can I refuel, get my car repaired, have lunch or spend the night? When the first Michelin Guide was published in 1900, its handy answers to such questions quickly made it the motorist's best friend. It was joined in 1910 by the first Michelin road maps, whose cartography and distinctive accordion fold-out format were designed by André Michelin. In 1930, Michelin began installing tens of thousands of milestones and road signs across France.

2

SUSTAINABLE, PROFITABLE GROWTH

INTERVIEW WITH
JEAN-DOMINIQUE SENARD,
CHIEF EXECUTIVE OFFICER

**“WE’RE
PREPARING
FOR THE FUTURE,
10, 15 YEARS
AND EVEN
FURTHER OUT,
TO BECOME
THE WORLD’S
SUSTAINABLE
MOBILITY LEADER.”**



How did the tire market do in 2015?

Jean-Dominique Senard: We saw robust demand in Western Europe and North America in the truck and light vehicle segments. Situations varied in the emerging markets, with a sharp contraction in truck tires in South America and Asia. There was a noticeable decline in demand for mining and farm machinery tires. The two-wheel and aircraft tire markets continued to trend upwards.

How did Michelin perform in this mixed environment?

One of our priorities for 2015 was to step up the pace of growth, which we did by increasing tonnages sold by more than 3% over the year. All of our businesses outperformed their markets. This was particularly the case in car and light truck tires, where we grew three times faster than the global market with a nearly 7% increase in volumes.

This growth was accompanied by a historically high operating margin of more than 12%, reflecting the 18.8% surge in operating income⁽¹⁾ to €2.58 billion. In a highly

competitive environment shaped by falling raw materials prices and overcapacity in Asia, we successfully defended our margins and reaped the benefits from our 2012-2016 competitiveness plan. In four years, the plan has delivered €964 million in gains, or 80% of the targeted €1.2 billion. Our continuing operations, excluding acquisitions, generated €965 million in available cash flow, after €1.8 billion in capital expenditure.⁽²⁾ This strong cash flow meant that we could invest in growth, competitiveness and flexibility while maintaining a robust balance sheet.

As a result, at the next Annual Meeting, we're going to ask shareholders to approve a 14% increase in the dividend, to €2.85 a share. At the same time, in January 2016, we launched a new tranche of our share buyback and cancellation program, which already reduced the share capital by 2.7% in 2015. In this way, we would like to thank shareholders for enabling us to finance our dynamic growth strategy by massively subscribing the €1.2 billion rights issue in 2010.



(1) Before non-recurring items.

(2) Excluding the €312 million invested in acquisitions during the year.



// MICHELIN'S STRENGTH IS TO BE PRESENT EVERYWHERE, IN EVERY TIRE MARKET AROUND THE WORLD, SO THAT WE CAN CAPTURE GROWTH WHEREVER IT MAY BE. //

How do you explain such record earnings in a highly competitive environment?

They benefited from the quality and continuous enhancement of our offering, the increasing agility of our production base and our balanced global footprint. Our strength is to be present everywhere, in every tire market around the world, so that we can capture growth opportunities. In 2015, the European and US markets saw strong gains, which we were able to leverage thanks to our dedicated efforts in recent years to become more competitive and responsive in every market, to serve our customers more effectively and to respond to the wide fluctuations in demand.

Last but far from least, innovation has been a fantastic engine driving faster growth. In every line, we launched new products that were very well received and worked with customers to develop highly appreciated solutions. In car tires, the MICHELIN CrossClimate was a huge success, while in the OE segment, the MICHELIN brand was certified on a record number of vehicles, which will feed through to more replacement sales in the future. In the truck tire market, we're introducing innovative services that enable customers to lower their fuel bills, with money-back performance guarantees. More than 600 truck fleets have already taken up these offers.

In the Specialty segments, our radial tires were recently certified as exclusive fittings on the new line of Boeing 777 long-haul jets, beginning in July 2016.

These wins underscore the technical superiority of MICHELIN tires and our expertise in materials, which is making a big difference today and will make an even bigger one tomorrow.

You've emphasized the performance of the MICHELIN brand. What about the others?

We're developing a portfolio of brands in every segment to meet the different expectations of our users and dealers. For 2015, I would note the success of the new range of BFGoodrich tires in North America and our advances in the value-line segment, which represents around 400 million tires sold every year around the world. It also occupies an important place on dealer racks, and we can't leave it to the competition. We now know how to drive profitable growth in this segment thanks to a new business model that has demonstrated its effectiveness and is going to be widely deployed.

80%
OF THE 2012-2016
COMPETITIVENESS
PLAN

completed by the end of 2015, or €964 million out of the targeted €1.2 bn-gain



THREE QUESTIONS FOR ARUNA JAYANTHI

MEMBER OF THE MICHELIN SUPERVISORY BOARD
CHIEF EXECUTIVE OFFICER OF CAPGEMINI INDIA, MEMBER OF THE CAPGEMINI EXECUTIVE COMMITTEE

"IN INDIA, YOU HAVE TO BE VERY GOOD IN EVERYTHING AND AT VERY LOW COST"

Member of the Supervisory Board since May 2015, Aruna Jayanthi leads a company of 60,000 employees in India. She shares with us her vision of the Indian market.

DREAM BIG

After earning degrees in mathematics and management, Aruna Jayanthi began her career in the Tata Group's IT services business, holding several positions in Europe. Since 2000, she has been supporting the expansion of French IT services company Capgemini in India, where its operations have grown from 200 to 60,000 employees. Her motto is "dream big and never give up".

Is India the next big growth market?

I think so. India is already enjoying strong momentum, with more than 7% growth expected in 2015 and 2016, according to the IMF. It offers immense potential due to its population and, more importantly, its youth, since half of its 1.3 billion inhabitants are under 25. Did you know that India is the world's third largest smartphone market, that Indians account for 10% of all Internet users worldwide, and that their number rose by 50% in 2015 to more than 400 million?⁽¹⁾

What can Michelin do?

India's road network is the world's third largest, but half of it is unpaved. Motorways account for 2% of total kilometers, but handle 40% of the traffic. There are a lot of breakdowns and accidents, and maintenance is very costly, even as the number of vehicles is rising very quickly and the population is increasingly urbanized. Delhi has 25 million people and Mumbai more than 20 million. Michelin can deliver tires that are safe, robust and engineered for local driving conditions, along with high-quality maintenance services and connected solutions to facilitate mobility.

What are the keys to success?

You have to address the country's diversity, embrace its unique challenges to deliver new solutions and constantly improve them through feedback from users. Pricing is very important in India, and so is quality of service. In other words, you have to be very good in everything and at very low cost. It's not for nothing that the concept of frugal innovation was developed in India.



(1) Source: Internet and Mobile Association of India, 2015.



THE WORLD'S THIRD LARGEST AUTO MARKET IN 2020?

With nine million vehicles sold, the Indian automobile market could become the world's third largest in 2020. This would make the Indian market as big as Europe's. To serve it, the new truck and bus tire plant came on stream in Chennai in late 2013, with capacity to ultimately produce 1.8 million tires a year.

embrace them by stepping up our efforts in four main areas: improving the quality of our customer service, simplifying our operating procedures, empowering our teams and digitalizing every aspect of our business. These four initiatives will help us to grow sustainably far into the future. The quality of our customer service has to be impeccable, and we are working tirelessly to make that a reality, while also expanding our proprietary and franchised dealership networks. We've sharply increased our presence in digital channels through major acquisitions and investments, which are helping us to better understand our customers' online buying experience, while more responsively meeting their needs. At the same time, we're leading an assertive services strategy to improve customer satisfaction. Service is in our genes. In 1900, Michelin was already publishing guides to make travel easier for its tire users. We're investing in tire-related digital services to make mobility more efficient. With MICHELIN Tire Care for example, we're offering customers the possibility of optimizing their truck fleet operations. Lastly, we intend to seize the opportunities offered by the digital revolution to enhance our mobility-assistance services. That's why in early 2016, we acquired Bookatable, the European leader in online restaurant booking services. We're transforming our operating procedures to make life easier for our employees and customers. This simplification concerns the entire organization, with the support, in particular, of a new business process management system and harmonized information systems. This far-reaching initiative is scheduled for completion in two years.

You often talk about agility. What does that word mean for a multi-national like Michelin?

For an organization like Michelin, being agile primarily means being able to adjust to circumstances, from market volatility to shopfloor events. In Europe, we experienced difficulties due to the recession and Asian imports, especially in the new and retread truck tire markets. We shouldn't wait until things turn bad before taking action and aligning ourselves with changing markets. It is our duty to plan ahead so that we can build robust manufacturing situations. Reorganizations have to be carried out before a crisis hits, calmly and effectively. We make a point of honor of doing so in the best conditions with regard to employee issues, and that's what we did in Europe when we had to reorganize several production units in the United Kingdom, Germany and Italy. We are investing so that we have powerful, competitive production capacity in the selected segments. We also have to be agile in organizing work so that the entire Group can be more flexible in serving demand that is less and less predictable. These adjustments have to be made as part of an open, constructive social dialogue process that we want to deploy in every plant and office facility.

What are your priorities for the future?

We're in the midst of a digital revolution that offers a powerful lever for transforming our business and driving faster growth. It is changing our customer relationships, our operating procedures and our management practices. Rather than resisting these changes, we want to proactively

//CUSTOMER SERVICE, SIMPLIFICATION, EMPOWERMENT AND DIGITALIZATION ARE OUR PRIORITIES. //



THREE QUESTIONS FOR MIKE WELCH
 FOUNDER AND CHIEF EXECUTIVE OFFICER OF BLACKCIRCLES.COM

"LEVERAGING THE SYNERGIES BETWEEN THE DIGITAL CHANNEL AND THE PHYSICAL NETWORK IS A PROMISING MODEL FOR THE FUTURE"



blackcircles.com
 click & fit® tyres

BLACKCIRCLES.COM
 After starting as a tire fitter and salesman at 16, Mike Welch created Blackcircles.com in 2001, when he was 21. Led by the success of its "click & fit" business model, the company is expanding by around 20% a year. It currently serves 500,000 customers through a network of 1,000 independent garages and reported more than £40 million in revenue in 2015. Blackcircles.com became a wholly-owned Michelin subsidiary in May 2015.

ATS EUROMASTER
 The United Kingdom was the first country where Michelin developed a network of tire service centers through a series of acquisitions and start-ups, beginning in 1963. Today, ATS Euromaster operates 343 service centers and a van fleet to offer year-round, 24/7 on-demand tire fitting and maintenance for trucks, vans and farm machinery.

As the CEO of Britain's leading online tire dealer, Mike Welch decided to join forces with Michelin to take his company's growth to the next level.

What do you think accounts for Blackcircles.com's success?

The Blackcircles.com success is attributable in most part to listening to our customers. It seems so simple but so few businesses actually do it and then act on it. It is our customers who encouraged us to major on our "click & fit" business model when most others were investing in online mail order. At Blackcircles customers choose, order and pay for their tires online. The tires are then delivered to one of our conveniently located partner garages, where

they are fitted on the vehicle. Our lean business model allows us focus on the things that matter most; the customer experience, recruiting and managing the best garage network, developing and maintaining a competitive range and delivering market leading customer service.

How do you see the future of tire retailing?

Three-quarters of consumers go online to check out products and compare prices, and 90% of the time they visit dealer sites. Fewer than 10% of Britons buy their tires online, but that percentage is increasing very quickly. This means that there's enormous potential for e-tailers capable of satisfying and retaining these new customers. I'm convinced that our business model, which leverages the synergies between the digital channel and the physical network, is a promising model for the future.

Why did you decide to join forces with Michelin?

I have great ambitions for Blackcircles.com. Michelin shares our passion for customer service, innovation and technology. Its powerful backing will enable us to broaden our multi-brand offering and develop synergies with ATS Euromaster.





// WE WANT TO FREE UP THE CREATIVITY, SENSE OF INITIATIVE AND ENTERPRISING SPIRIT OF ALL OUR EMPLOYEES. //

By ranking Michelin as “Industry Best” in six sustainability categories in 2015, the DJSI World Index recognized our ability to fulfill our commitments.

In this way, we’re better equipped to drive growth over the long term.

What is the outlook for 2016 and beyond?

The market trends observed in 2015 are likely to remain operative in 2016. As a result, we expect to see growth in sales volumes at least in line with global markets, a further increase in operating income⁽³⁾ and more than €800 million in structural free cash flow. We have specified our operating margin⁽⁴⁾ targets for the 2016-2020 period, which now stand at 11% to 15% in the Passenger Car and Light Truck tire segment, 9% to 13% in the Truck tire segment and 17% to 24% in the Specialty tire segment.

We will continue to expand, while striving to halve the environmental footprint of our production facilities⁽⁵⁾ and further improving employee engagement, which is already high thanks to the attention paid to working conditions and everyone’s professional growth.

The future of mobility is very bright and we enjoy unrivaled strengths in addressing the challenges ahead. I am totally confident in the ability of our teams to fulfill our ambitions by embodying and demonstrating our corporate mission of offering everyone a better way forward so that we can all share the adventure of better mobility.

(3) Before non-recurring items at constant exchange rates.
 (4) Before non-recurring items, at constant scope of consolidation and raw materials prices, and assuming average annual growth in demand of 2.5% for car and light truck tires and of 1.5% for truck tires.
 (5) Compared with 2005.

We need to simplify to innovate more quickly, get our solutions to market sooner, reduce our costs and improve our efficiency.

We also want to free up the creativity, sense of initiative and enterprising spirit of all our employees. The factory of the future will be a factory connected to its market, where employee empowerment and delegation will be critical performance factors. That’s why we’re going to massively deploy our empowering organizations.

You’ve embedded sustainable development deep in your strategic vision. How is this being demonstrated in practice?

We’re confronted with a huge challenge because the worldwide demand for transportation is expected to double by 2050. But we’re going to address it sustainably and responsibly, just as we’ve done for the past 125 years. Our corporate mission – “offering everyone a better way forward” – is encouraging us to design and bring to market products and services capable of sustainably improving mobility.

A MICHELIN tire is an outstanding piece of technological equipment that ensures maximum safety. It is also a product that cuts down on carbon emissions. We’re working to use our raw materials more wisely and more effectively by designing tires that are lighter, more robust and longer-lasting.

That’s why we partnered the COP21 conference held in Paris last December. During the event, we reaffirmed our support for the introduction of a global carbon pricing system and announced our ambitious 2030 target of cutting the in-use CO₂ emissions from our products by 20% compared with 2010. This would represent a decline of 1% per tire per year. We are also actively involved in sustainable rubber tree farming, biosourced materials and end-of-life tire recycling.



THREE QUESTIONS FOR CLAIRE DORLAND-CLAUZEL

EXECUTIVE VICE PRESIDENT,
 BRANDS AND EXTERNAL RELATIONS
 MEMBER OF THE EXECUTIVE COMMITTEE

“OUR TIRES WILL AVOID THE RELEASE OF 30 MILLION TONNES OF CO₂ IN 2030”

As a pioneer in sustainable mobility, Michelin was an official partner of the international COP21 climate conference held in Paris from November 30 to December 11, 2015 under the auspices of the United Nations.

Why did Michelin support the COP21 conference?

Because mobility is essential for human development, we feel duty-bound to make it cleaner, safer, more affordable – in a word, more sustainable. With a corporate mission like that, we were a natural partner for the COP21 conference.

What are your goals?

First of all, to keep on effectively doing what we really know how to do, which is to increase a tire’s impact on fuel efficiency while improving all its other performance factors. In 2030, our goal is to cut the amount of fuel burned to move the tires by 20% compared with 2010. That would represent 30 million tonnes of CO₂ – an enormous amount. That’s the same as six months of emissions from a city like New York!

But we also want our plants to be cleaner and more cost-effective. We’re committed to reducing their greenhouse gas emissions by 50% from 2010 to 2050, not only by using new, more energy-efficient

equipment, but also by increasing renewable energies to around two-thirds of our energy mix. We can’t do this alone, which is why around the world we are supporting policies that encourage investment in energy efficiency and the development of renewable energies.

What role did Michelin play during COP21?

Michelin was an official COP21 partner. Naturally, we were also present both at the Solutions COP21 exhibition in the Grand Palais, which showcased clean technologies, and in Le Bourget, where we offered cleaner transportation solutions.

Michelin played its role as industry leader by organizing, at the UN’s initiative and in association with SLoCaT,⁽¹⁾ the conference’s Transport Focus in Le Bourget. We also organized the Transport Day on December 6 in Paris, which brought together more than 300 transportation industry decision-makers and opinion leaders.

Getting involved in a multi-stakeholder transportation alliance has followed on seamlessly from our Michelin Challenge Bibendum commitment, which we undertook more than ten years ago and which today makes our corporate mission so worthwhile.



CARBON PRICING LEADERSHIP COALITION
 In May 2015, Michelin joined the World Bank’s initiative to encourage the introduction of effective carbon pricing policies. The CPLC brings together around 100 leaders from across government, the private sector and civil society.
www.carbonpricingleadership.org

⁽¹⁾ The Partnership on Sustainable, Low Carbon Transport (SLoCaT) is a multi-stakeholder partnership comprising UN agencies, NGOs and other organizations. In 2014, Michelin Challenge Bibendum joined with it to form Paris Process Mobility & Climate (PPMC) to promote sustainable transport in the run-up to the COP21 conference.

THE CHIEF EXECUTIVE OFFICER AND THE EXECUTIVE COMMITTEE



2



3



4



5



6



1



7



8



9



10



11



12



13

1. JEAN-DOMINIQUE SENARD
Chief Executive Officer,
Managing General Partner

2. YVES CHAPOT
Executive Vice President,
Distribution

3. THIERRY CHICHE
Executive Vice President, Passenger
Car and Light Truck Product Line

4. FRANÇOIS CORBIN
Executive Vice President,
Progress and Geographic Zones

5. CLAIRE DORLAND-CLAUZEL
Executive Vice President,
Brands and External Relations

6. TERRY GETTYS
Executive Vice President,
Research and Development

7. JEAN-CHRISTOPHE GUÉRIN
Executive Vice President,
Materials Product Line

8. JEAN-MICHEL GUILLON
Executive Vice President, Personnel

9. MARC HENRY
Chief Financial Officer
and Executive Vice President,
Specialty Product Lines

10. SERGE LAFON
Executive Vice President,
Truck Product Line

11. FLORENT MENEGAUX
Chief Operating Officer

12. LAURENT NOUAL
Executive Vice President,
Corporate Development

13. FLORENCE VINCENT
Executive Vice President,
Quality, Audit
and Risk Management

A GLOBAL STRATEGY TO DRIVE SUSTAINABLE, PROFITABLE GROWTH

IN 2011, MICHELIN EMBARKED ON A NEW PHASE OF DYNAMIC GROWTH TO EXTRACT GREATER VALUE FROM ITS UNIQUE COMPETITIVE STRENGTHS:

> A long-term growth market

Population growth and the development of the new economies are spurring a substantial increase in personal mobility and global trade.

> A global footprint

Around the world and for every purpose, Michelin equips everything on wheels and holds forefront

positions in every segment. The geographic and segment diversity of our operations helps to drive steady performance, while opening up a widening array of opportunities.

> Unrivaled products and services

Alongside the MICHELIN brand, we market a portfolio of brands offering the right performance

at the right price in each segment and an unrivaled range of mobility-enhancing services.

> Technology leadership spearheading the development of sustainable mobility

As the world's leading producer of energy-efficient tires, Michelin has built sustainable mobility into all its products and services by leveraging its capacity for innovation and the Michelin Performance and Responsibility process.

> Engaged people

The *Moving Forward Together* program, which establishes a common foundation of commitments between Michelin and its employees, is encouraging everyone to focus on our shared success. The *Six Ambitions for 2020* program is aligning all our teams around shared objectives that will benefit all our stakeholders.



* Except in Europe (including the countries in the former Soviet Union) and in Africa and the Middle East.

SIX AMBITIONS FOR 2020

DEPLOYED ACROSS THE GROUP, OUR SIX AMBITIONS FOR 2020 ARE DESIGNED TO MAKE MICHELIN A LEADER IN SUSTAINABLE MOBILITY AND ONE OF THE WORLD'S TOP-PERFORMING COMPANIES IN FULFILLING ALL ITS RESPONSIBILITIES. ⁽¹⁾

1 PRODUCT PERFORMANCE

Widen our lead in product performance by delivering more performance while using less raw materials and improving fuel efficiency.

2 A RESPONSIBLE MANUFACTURER

Set the industry standard for responsible manufacturing, logistics and purchasing.

3 FINANCIAL PERFORMANCE

Secure our financial performance by pursuing excellence in every aspect of our business.

4 PERSONAL WELL-BEING AND DEVELOPMENT

Work together to continuously improve health and safety in the workplace, while promoting personal growth and diversity.

5 HOST COMMUNITIES

Strengthen ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society.

6 SUSTAINABLE MOBILITY

Improve everyone's quality of life through sustainable mobility by strengthening our road safety initiatives, promoting energy-efficient, low-emissions mobility, especially in cities, and contributing to the development of a circular economy by advocating renewable and recycled solutions.

⁽¹⁾ All six ambitions for 2020 are backed by quantifiable objectives and metrics that are regularly measured. For more information, please refer to the 2015 Registration Document, pp. 19 and 20.

FOUR DRIVERS OF FASTER VALUE CREATION

BY 2020, MICHELIN IS COMMITTED TO GENERATING €1 BILLION IN STRUCTURAL FREE CASH FLOW ⁽¹⁾ AND A RETURN ON CAPITAL EMPLOYED OF AT LEAST 15%. ⁽¹⁾

1 INNOVATION

Innovating to nurture differentiation and loyalty

- The tire industry's most extensive R&D base, a global incubator program focused on intelligent, sustainable mobility.
- Efficient tires offering the best performance for the price in each segment.
- Innovative solutions combining tires and services to create shared value.
- Designs and production processes that use fewer raw materials and less energy, with biosourced and recycled materials.

2 GROWTH

Seizing every opportunity

- New production capacity to support rising mobility in the new markets and to meet demand for 17-inch and larger tires.
- Increasingly specialized, powerful, flexible plants.
- Fast-growing proprietary and franchised dealer networks in both physical and digital channels.
- Advanced digital services that are helping improve the performance of fleet managers and dealers.

3 COMPETITIVENESS

Becoming increasingly competitive

- A €1.2-billion competitiveness plan for 2012-2016.
- Two worldwide programs to make the organization more efficient, agile and digital: Efficiency and OPE.
- Global standards and systems to drive continuous improvement: Michelin Manufacturing Way.
- Efficient industrial organizations: Managing Daily Performance, Empowering Organizations, Autonomous Management of Performance and Progress.

4 MOVING FORWARD TOGETHER

Encouraging engagement and contribution

- 77% of employees engaged.
- 64 hours of training per trainee, 5,000 mentors to help everyone achieve their full potential.
- 68% of top managers in the growth regions were born there.
- High-quality working environments and trustworthy relationships with front-line management.

⁽¹⁾ At constant scope of consolidation.

3

Michelin is taking action on every front, from connected services and online distribution to metal 3D printing, eco-friendly rubber farming and the COP21.

2015 ACTION

**JANUARY
FEBRUARY
MARCH**



High-performance motorcycle tires
Michelin has revamped its line of motorcycle hypersport and track tires with the launch of six new models incorporating the latest technologies to meet the needs of every rider, from professional racers to track-day enthusiasts.



Michelin joins Air Liquide, Orange, SNCF and Total as an investor in Ecomobility Ventures, a European investment fund dedicated to innovation in sustainable mobility.

MICHELIN CROSSCLIMATE LAUNCHED ACROSS EUROPE
THE EUROPEAN ROLL-OUT OF THE MICHELIN CROSSCLIMATE, THE FIRST SUMMER TIRE CERTIFIED FOR WINTER USE, WAS VERY WELL RECEIVED BY CONSUMERS, DEALERS AND AUTOMAKERS. MORE THAN TWO MILLION UNITS WERE SOLD IN JUST A FEW MONTHS AND FULL-YEAR SALES FORECASTS WERE EXCEEDED BY MORE THAN 30%.

A world of innovation at the SIMA farm machinery trade fair
By leveraging its MICHELIN Ultraflex low-pressure technology and advanced tire and IT innovation capabilities, Michelin is developing new tires and connected services to improve farm productivity and soil protection.

SIAMTYRE introduces an affordable radial tire for Southeast Asia truckers
SIAMTYRE has entered the value-for-money segment of the truck tire market with the launch of the SIAMTYRE Highway Radial. Manufactured in Thailand, these affordable radials offer truckers a safer, more robust and longer-lasting solution than bias-ply models, while also delivering better fuel economy.

BFGoodrich broadens its lineup
BFGoodrich has released 16 new sizes of its All-Terrain T/A® KO2 light-truck tire. Engineered from BFGoodrich's championship off-road motorsports racing technology, the KO2 combines durability, long tread life and firm grip even on the roughest terrains or the most difficult roads.



**APRIL
MAY
JUNE**

A €750-million share buyback program
A €750-million share buyback program is being carried out over a period of 18 to 24 months, at an average price not to exceed €140. All of the acquired shares will be canceled.

A new line of aircraft tires
At the Paris Air Show, Michelin unveiled the new line of MICHELIN Air X aircraft tires, whose Near Zero Growth radial technology enables them to make up to twice as many landings as a non-radial tire.

TWO PARTNERSHIPS FOR ECO-FRIENDLY RUBBER PRODUCTION
MICHELIN AND BARITO PACIFIC GROUP HAVE CREATED A JOINT VENTURE IN INDONESIA TO PRODUCE ECO-RESPONSIBLE NATURAL RUBBER. IN ADDITION, MICHELIN HAS JOINED FORCES WITH THE WWF TO PROMOTE SUSTAINABLE RUBBER TREE FARMING AND FIGHT AGAINST DEFORESTATION.

Expanding our online retail capabilities
Michelin has strengthened its multi-channel retailing strategy by investing in two market-leading online tire dealers, Allopneus in France, with a 40% stake, and Britain's Blackcircles, now a wholly-owned subsidiary. This has diversified our market access in synergy with our Euromaster and ATS Euromaster dealers.

Michelin successfully places bonds in three tranches: a €300 million, seven-year tranche with a 1.125% coupon, a €300 million, 12-year tranche with a 1.75% coupon and a €209 million, 30-year tranche with a 3.25% coupon.



Innovative digital services to improve mining productivity
The new Michelin Earthmover Management System (MEMS) Evolution3 displays tire pressure and temperature data in real time, and alerts operators by text or email if the driver needs to slow down or stop for repairs.



**JULY
AUGUST
SEPTEMBER**



Michelin Total Performance in pictures

The MICHELIN brand promise is to combine maximal performance in each new tire to ensure a safe, comfortable ride regardless of road or weather conditions. That promise was illustrated in a viral campaign featuring several animated online films.

German wholesaler Meyer Lissendorf acquired

The acquisition of car tire wholesaler Meyer Lissendorf, which serves an extensive network of specialty dealers and independent garages, has consolidated our geographic coverage of the German market.

Introduction of MICHELIN StarCross 5, a range of high-performance motocross tires for all riders and all conditions.

A JOINT VENTURE IN 3D METAL PRINTING MICHELIN AND FIVES, THE GLOBAL LEADER IN HIGH VALUE-ADDED MACHINERY, HAVE CREATED FIVES MICHELIN ADDITIVE SOLUTIONS IN VIEW OF SERVING THE AUTOMOTIVE, AEROSPACE AND HEALTHCARE INDUSTRIES.

Michelin invests in Luli Information Technology, a ride-sharing start-up in China selected by the Michelin Incubator Program Office.

Working with Tesla to advance innovation

Michelin is helping the manufacturer of fully electric vehicles to perfect its documentation and process practices, while Tesla will enable Michelin to bring its innovations to market more quickly. One example is the new Tesla Model X, an electric SUV capable of carrying seven adults and their luggage, which will be introduced in 2016 with MICHELIN fitments.

MICHELIN Acoustic technology available as standard on Mercedes-AMG Class S models in Europe

The new technology, featured on the MICHELIN Pilot Sport tire, reduces the rolling noise generated by the tire inside the car, thereby improving both passenger comfort and the driving experience.



**OCTOBER
NOVEMBER
DECEMBER**

Digital services for trucking companies

MICHELIN Tire Care offers North American and European truckers a suite of digital and connected solutions to optimize their tire management in ways that improve safety, increase productivity and lower costs.

After winning an FIA tender, Michelin will remain the exclusive supplier of tires and related services for the Federation's Formula E Championship series until the end of the 2018/19 season.

MICHELIN SOLUTIONS INTRODUCES EFFITRAILER MICHELIN SOLUTIONS' LATEST OFFERING WILL HELP TRUCKING COMPANIES TO IMPROVE THEIR BOTTOM LINE BY OPTIMIZING THEIR SEMI-TRAILER MANAGEMENT PROCESS. AS WITH EFFIFUEL AND EFFITIRES, MICHELIN SOLUTIONS IS SUPPORTING THE PRODUCT WITH MONEY-BACK PERFORMANCE GUARANTEES.

Improving our competitiveness in Europe

Michelin's production and supply chain organization is being aligned with new market conditions. In the truck tire business, production will be terminated in 2016 at the semi-finished product unit in Fossano, Italy and at the retreading facility in Oranienburg, Germany, followed by operations in Ballymena, Northern Ireland in 2018. Retreading activities will be consolidated at the Avallon, France plant, and the Alessandria, Italy facility will be refocused on new tires. In the Passenger Car and Light Truck tire business, the plants in Roanne, France and Dundee, UK will be moved upscale and the facility in Cuneo, Italy will be expanded.

Capturing the growth in scooter demand

In first-quarter 2016, two new tire ranges will be launched for touring scooters, a fast-growing market in Europe, where demand has doubled in less than eight years.

COP21 Michelin guides COP21 participants

In addition to acting as an official partner of the COP21 climate conference, Michelin designed a box set for participants, comprising three guides and a pamphlet listing a selection of restaurants, tourist attractions and shopping venues in Paris. The 60,000 specially printed copies were given away at event locations.



4

INNOVATION

From the very beginning, innovation has fostered Michelin's growth in all aspects of its business, whether in tires, materials, processes, services, sales or management.



**INVESTING IN
INNOVATION**

WITH THE COMMISSIONING OF THE FIRST PHASE OF URBALAD, MICHELIN HAS SUCCESSFULLY COMPLETED THE MAJOR UPGRADE TO THE LADOUX WORLDWIDE RESEARCH CENTER IN CLERMONT-FERRAND

In its commitment to remaining the most innovative company in the field of mobility, Michelin is building its success on bold technological leaps and a passion for innovation. In this way, we are stepping up the pace of innovation and pushing back boundaries by delivering increasingly high performance, responsible solutions.

The global tire industry's leading source of innovation

By 2018, Michelin will have invested €270 million to boost the innovation potential of its Technology Center in Ladoux, France, which celebrated its 50th anniversary in 2015. Our primary research complex, Ladoux is also the world's largest center for tire research.

"This is where our greatest inventions were born," says Pierre Robert, Managing Director of the Ladoux facility and the Group's Europe Technology Center. *"From radial truck, mining and aircraft tires to the MICHELIN CrossClimate; from the MICHELIN Ultraflex low-pressure technology that protects farmland to our six generations of energy-efficient tires. This is also where the world's leading, most prestigious carmakers – Porsche, Ferrari, Tesla, BMW, Audi, PSA, Renault, Hyundai, Kia, Toyota – come to test their prototypes."* Seventy percent of MICHELIN-brand tires are designed in Ladoux.

Bringing together every capability

The cornerstone of this mega-project is the new research center, a complex measuring 320 meters long by 130 meters wide being built on a seven-hectare site. Its eight buildings, covered by an enormous shade roof, will offer 67,000 sq.m of premises that will ultimately house 1,600 workstations. Some 620 researchers and technicians began working in the new facilities in December 2015.





LADOUX TURNS 50
As part of the celebrations for the Ladoux Technology Center's 50th anniversary, Jean-Dominique Senard and Pierre Robert, the Center's Managing Director, conducted a tour of the new building for their guests and Michelin teams.

MICHELIN'S RESEARCH, DEVELOPMENT AND PROCESS ENGINEERING CAPABILITIES AT LADOUX CLERMONT-FERRAND

350
PROFESSIONS

3,300
PEOPLE

450
HECTARES

21
TEST TRACKS

15,000
PROTOTYPES A YEAR

75,000
TRIALS A YEAR

2
BILLION KILOMETERS A YEAR



THE INNOVATION AWARD
Created in 2015, the Innovation Award is encouraging everyone to help sustain our innovation and creativity dynamic.

BRINGING INNOVATIONS TO MARKET TWICE AS FAST

"Michelin's strength lies in its ability to understand changing customer needs and usage patterns and to focus all of its research, development and process engineering capabilities on meeting the market's expectations," emphasizes Terry Gettys, Executive Vice President, Research and Development (RDI).⁽¹⁾ *"Bringing all these capabilities together will facilitate collaborative working and encourage cross-fertilization. In this way, we hope to bring our innovations to market twice as fast."*

This is a real challenge because a tire is technically quite complex. As the only point of contact with the ground, it has to support the vehicle and its load, transmit steering, acceleration and braking inputs, and absorb surface noise and irregularities – all for as long as possible while using as little energy as possible. Only tires with high technology content can combine these areas of performance at the highest level and continue to improve them, simultaneously and without compromise.

Encouraging cross-fertilization

The new building's architecture has been designed to encourage greater interaction and make it easier to work in project mode.

A total of 80 platforms, adjustable as needed, will enable teams of around 20 people to cooperate in a cross-functional, multidisciplinary fashion. A 320-meter long atrium, called Rue de l'Innovation ("Innovation Street"), will encourage informal interaction between departments. It crosses the facility's no. 1 test track, linking teams in the two core competencies that drive product performance: materials science and tire architecture. Collaborative ventures with our seven other research, development and process engineering centers in Europe, America and Asia, as well with outside teams, will also be facilitated in a commitment to maximizing the power of innovation and shortening time-to-market.



THANKS TO THE MORE THAN 6,000 PEOPLE working in seven research, development and process engineering facilities around the world, Michelin is meeting customer needs with innovative products and services.

(1) RDI is a French acronym for Research, Development and Process Engineering.

INTERVIEW WITH

TERRY GETTYS

EXECUTIVE VICE PRESIDENT, RESEARCH AND DEVELOPMENT
MEMBER OF THE EXECUTIVE COMMITTEE

"MICHELIN'S GROWTH HAS ALWAYS BEEN INNOVATION-DRIVEN."

Michelin allocates more than €600 million a year to R&D. Why do you invest so much?

Terry Gettys. Michelin's growth has always been innovation-driven, in the same way that our strategic vision has always been informed by a commitment to meeting challenges, exploring new pathways and improving mobility with technology and services. We employ more than 6,000 people in research and development on three continents and we have tripled our patent portfolio over the past ten years.

Florent Menegaux. Innovation is actually even more deeply embedded than that. It's in our corporate DNA and it's everybody's business because it's everywhere – in our tires, our materials and our production processes; in our services and our sales, management and training practices; and in the partnerships we're forging with dealers and the relationships we're nurturing with customers.

Can you give us some examples?

T. G. Most of our key technologies have been derived from innovations in materials. Thanks to those advances, we're the world leader in energy-efficient tires, a very promising market given the trend towards stricter environmental standards. Materials are also increasingly the primary source of our product differentiation, which is why we're engaged in several research partnerships to drive faster innovation.

F. M. In sales and services, Michelin has been a pioneer in pay-per-use invoicing. We supply tires to our business customers that we maintain and invoice based on the number of kilometers traveled, the number of tonnes transported or the number of landings carried out. These services create more value for our customers and for Michelin, while helping to protect the environment because well-maintained tires are more fuel efficient and longer lasting. This reduces the amount of raw materials and energy they use and avoids the release of CO₂. On the distribution side, we're developing new models, like franchised dealerships with TYREPLUS and online retailing. MICHELIN's brand image is enhanced, we retain our customers and we sell more tires.



MORE THAN
6,000
people in research
and development
on 3 continents

AND

FLORENT MENEGAUX

CHIEF OPERATING OFFICER
MEMBER OF THE EXECUTIVE COMMITTEE

"INNOVATION IS IN OUR CORPORATE DNA. IT'S EVERYONE'S BUSINESS."

How are you making innovation everybody's business?

F. M. In addition, more than 66,000 employees can submit their innovation and improvement ideas on a dedicated online platform. Challenges are regularly organized to devise solutions to a given problem. We also issue calls for ideas for new business activities that could help improve mobility, with the most promising ones submitted to our incubators in Europe, America and Asia. Lastly, we are participating in several funds that invest in innovative start-ups in the field of eco-mobility and digital services.

T. G. To further enhance Michelin's innovation culture, in 2015 we also created the first Innovation Award which, alongside our R&D initiatives, aims to encourage and motivate all employees to contribute to the innovation and creativity process. Then, in terms of governance, we have a Group Innovation Committee, open to outside experts and involving all of our leadership teams. It makes sure that our research is open to the outside world, prioritizes the innovations that we want to develop and encourages cooperation between marketing and research to bring such innovations to market very quickly.

What about digital technology?

F. M. The Internet and big data are wonderful tools for getting to know more about the people who buy our tires and how they use them. In this way, we can design better tires, more closely aligned with user needs. Next, we can help our customers to make the right choice. And lastly, we can offer services that maximize the value of their tires and make traveling easier. Enhancing and enriching this relationship is a sustainable growth driver that encourages repeat business.



FAST-TRACKING INNOVATION, TIME-TO-MARKET AND TAKE-UP WITH NETWORKS, ALLIANCES AND PARTNERSHIPS

MICHELIN IS NURTURING MORE THAN 300 RESEARCH AND INNOVATION PARTNERSHIPS, WHILE SHARING BREAKTHROUGHS TO ENCOURAGE FASTER MARKET TAKE-UP, AS SEEN IN THE FOLLOWING EXAMPLES.



Four partnerships to develop biosourced and renewable materials

- A research alliance has been formed with Axens and IFPEN to develop butadiene from biomass to replace petroleum derivatives. In addition, to supply the project with its alcohol feedstock, another partnership has been set up with Tereos.
- Michelin is partnering with Amyris to develop and market renewable isoprene with the support of Brazil's Braskem, the world's leading biopolymer producer.
- A partnership with the French Alternative Energies and Atomic Energy Commission (CEA), Protéus (PCAS Group) and SDTech is developing two innovative uses for scrap tires.

Bringing our advanced 3D printing expertise to market

In 2015, Michelin and Fives created a joint venture in the field of metal additive manufacturing technology, which consists in building complex, three-dimensional components layer by layer from metal powders. Michelin has used it to make the molds for high-performance tires. Our machines are considered to be best-in-class, and we would like to market our advanced expertise to other industries. Present in around 30 countries, Fives is a specialist in the



design and manufacture of production equipment. It will bring its skills and marketing network to the partnership. With an estimated worth in excess of €600 million, the global 3D metal printing market is expanding by more than 20% a year.

Sharing our leadership in RFID

Equipping tires with Radio Frequency Identification (RFID)⁽¹⁾ chips makes monitoring them easier throughout their life cycle, which in turn improves their safety performance, longevity and fuel efficiency. A global leader in tire-related RFID systems, Michelin has opened its patents to support the adoption of a global standard and speed the spread of this technology.



(1) Radio frequency identification.

WIDEN OUR LEAD IN PRODUCT PERFORMANCE

THE MICHELIN BRAND PROMISE IS TO CONSTANTLY PUSH THE ENVELOPE, TO COMBINE MORE AND MORE PERFORMANCE IN THE SAME TIRE SO THAT EACH PRODUCT IS SIMPLY THE BEST. IN 2015, THIS WAS MANIFESTED IN THE LAUNCH OF SEVERAL HIGHLY INNOVATIVE NEW TIRES, STARTING WITH THE MICHELIN CROSSCLIMATE TIRE.



MICHELIN CrossClimate: for drivers who want the best of summer and winter without changing their tires

Representing a world first, the MICHELIN CrossClimate is a summer tire certified for driving on snowy roads, so that premium tire lovers can keep the same set of tires all year round.

Developed in just three years, the technology-packed tire features:

- A new dual-layer rubber compound.
- A V-shaped, beveled-block tread pattern that

guarantees grip and safety on dry, wet or snow-covered roads.

- EverGrip self-regenerating tread technology.

Thanks to this outstanding blend of performance, more than 2.5 million MICHELIN CrossClimate tires were sold in 2015, exceeding full-year sales forecasts by 30%. This major innovation was launched just in time to offset the impact of very warm temperatures on winter tire demand during the year.

LEADING THE WAY IN CONNECTED TIRES AND DIGITAL SERVICES

THE MICHELIN SPIRIT IS ALL ABOUT BREAKING NEW GROUND, EXPLORING NEW PATHS AND FINDING NOVEL SOLUTIONS TO HELP OUR BUSINESS CUSTOMERS IMPROVE THEIR OPERATIONS, FACILITATE MOBILITY AND ENABLE EVERYONE TO ENJOY WONDERFUL FREEDOM OF MOVEMENT.



Digital expert services for farmers

With a smartphone or tablet, the new MICHELIN Pressure Calculator mobile app requires only a photo and a few clicks to instantly display the right tire pressure for each type of use.

Another digital innovation is the QR code stamped on the sidewall of the Michelin AxioBib IF 900/65 R46 tire, the largest tractor tire in the world, that owners can scan to register with Michelin and get advice on how to use the tires more effectively.

The Agro-pro online support service, accessible on computers, tablets and smartphones, offers a comprehensive range of farm machinery technical data. Our ExelAgri-certified dealers have been equipped with a tablet pre-loaded with the Pressure Calculator and with product-related technical data sheets, videos and descriptions to enhance their support for farmers, even out in the field.

Optimizing mine productivity with communicating tires

Not only has Michelin increased the load capacity of its new tire for large mining dump trucks, the MICHELIN XDR 250, by 25% to 67 tonnes, it has now launched MEMS⁽¹⁾ Evolution3, a mining tire temperature and pressure monitoring system that alerts operators in real-time online or via email or text message. This helps them to avoid having to stop on a steep slope to change a giant tire more than four meters tall, weighing five tonnes and mounted on trucks worth \$3.5 million apiece.

On tires fitted with the MEMS Evolution3, slow leaks are detected so that maintenance can be programmed. Operators are alerted to any rise in tire temperature so that routes can be adjusted. In this way, the tire lasts longer and mining operations gain in productivity and safety.

(1) Michelin Earthmover Management System.



Truckers can get more from their tires with MICHELIN TIRE CARE

MICHELIN TIRE CARE is a suite of three digital tire management solutions that offer truckers compelling benefits, including fewer breakdowns (one-third of which in Europe are caused by under-inflated tires) and lower costs. They include TireLog, a simple, free logbook for small fleets that outsource their tire servicing; iCheck, a predictive diagnostic program to help schedule servicing at the right time in fleets with their own maintenance centers; and iManage, an application to manage connected tires equipped with RFID chips to schedule regrooving, retreading and rotation operations at just the right time. The cost ranges from €1 to €9 per truck per month, compared with up to four times that amount without the app. Available in the United States, Brazil, Europe and Russia, the innovative service hopes to support one million trucks five years from now.

(2) The first European investment fund dedicated to innovation in sustainable mobility. In 2015, Michelin and Air Liquide joined the original investors, Orange, SNCF and Total.

Making road mobility easier for us all

In 2015, Michelin introduced MICHELIN Navigation, a free mobile app that includes a voice-guided GPS navigation system, traffic information and real-time alerts from the user community. We also invested in start-ups offering innovative services to facilitate mobility, both directly and via Ecomobility Ventures.⁽²⁾ Example include: ReviserSaVoiture.com, which makes car servicing easier and less expensive in France, Wecare, which does the same thing in China in synergy with TYREPLUS, and Luli Information Technology, which provides ride-sharing matches in China.

Guaranteed performance with MICHELIN solutions

Following on from EFFIFUEL, a comprehensive fleet fuel economy solution, and EFFITIRES, an outsourced tire management program, EFFITRAILER has been introduced to help manage semi-trailers. If any of these solutions does not deliver the expected gains, MICHELIN solutions reimburses the customer.



5

MANUFACTURING

Michelin wants to drive and encourage the worldwide development of mobility while reducing the environmental impact of its products and manufacturing facilities.

INTERVIEW WITH

SERGE LAFON

EXECUTIVE VICE PRESIDENT, TRUCK PRODUCT LINE
MEMBER OF THE EXECUTIVE COMMITTEE

“WE’RE IMPROVING THE FLEXIBILITY AND RESPONSIVENESS OF OUR PLANTS TO DELIVER SUPERIOR QUALITY CUSTOMER SERVICE.”

By 2020, the global tire market is expected to increase by nearly 200 million car tires and some 20 million bus and truck tires.⁽¹⁾ Since 2012, Michelin has invested nearly 10% of its revenue to effectively address every aspect of this demand.

What are the main objectives of the Group’s capital expenditure strategy?

Serge Lafon. We want to have production facilities that are competitive, right-sized and capable of effectively serving customer demand in all our markets.

That’s why we have built new capacity in China, India and Brazil, in line with the needs and outlook of these major markets. We’re investing in the performance of our MICHELIN brand solutions in Europe and North America. We’re broadening our value proposition with other brands to meet dealer demand and defend our market share.

Lastly, we’re investing to develop the materials we need to drive our growth strategy and support sustainable mobility.

Can you give us an update on the mega-projects in China, India and Brazil?

Jean-Christophe Guérin. At the heart of our dynamic growth strategy has been the construction of three new high-capacity



AND

JEAN-CHRISTOPHE GUÉRIN

EXECUTIVE VICE PRESIDENT, MATERIALS PRODUCT LINE
MEMBER OF THE EXECUTIVE COMMITTEE

“WE’RE INVESTING TO DEVELOP THE MATERIALS WE NEED TO DRIVE OUR GROWTH STRATEGY.”

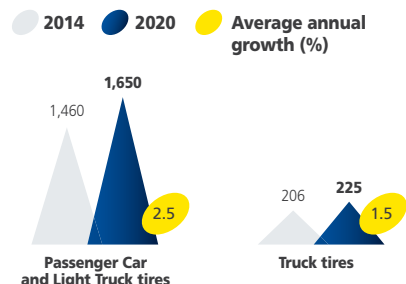
tire plants – in Brazil for car and light truck tires, in India for truck tires and in China for both market segments – that together represent an investment of €2.1 billion. The new facilities are now quickly ramping up, attesting to the quality of the local teams and their training.

How are you strengthening the MICHELIN brand line-up in the mature markets?

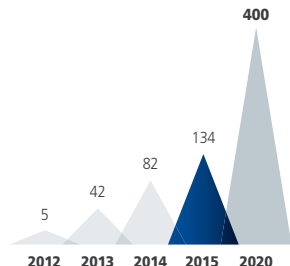
S.L. We’re investing to switch over capacity to large specialty tires, which are in high demand. The MICHELIN brand has earned a record number of OE certifications from such premium carmakers as AMG, Audi, BMW, Cadillac, Corvette, Ferrari, Koenigsegg, Lexus, Mercedes, Porsche and Tesla, which will help to drive new growth in replacement sales. At the same time, we’re improving the flexibility and responsiveness of our plants. This is the key to success in the premium market, where production runs are short and outstanding quality and service play a critical role.



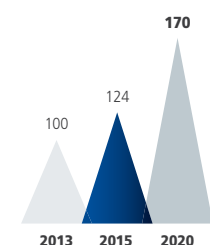
Estimated growth in the global tire market (in millions of tires)



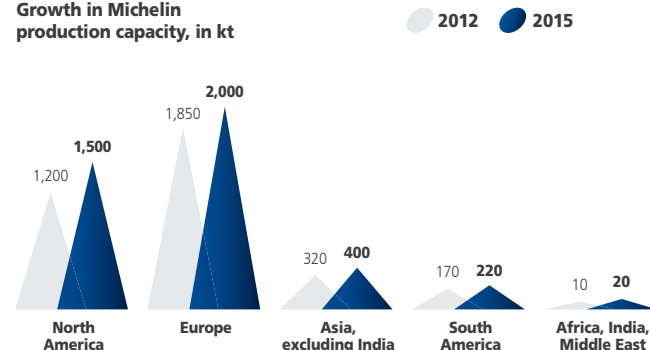
Production ramp-up at the new plants in China, Brazil and India, in kt



Increase in production capacity for MICHELIN brand 17-inch and larger tires Base 100



Growth in Michelin production capacity, in kt



CHINA, THE WORLD’S LARGEST AUTOMOBILE MARKET

MICHELIN, CHINA’S LEADING TIRE BRAND

(1) Compared with 2014 – Michelin estimates.

INTERVIEW



And what are the latest developments in the other segments?

J-C.G. In the car tire segment, in 2013 we created a business unit dedicated to value line tires, with low overheads and a highly efficient supply chain. We need to be present in this segment, which represents 400 million tires worldwide, so that we can offer dealers a comprehensive range of solutions. Our commitment to driving profitable growth in this segment in Europe is being supported by the Pirot plant in Serbia, where a €215-million capital project is increasing capacity by 50%, to 12 million tires a year in 2016. The same process will be deployed in 2016 in South America following the transformation of the plant in Queretaro, Mexico.

S.L. In the truck market, we're investing to strengthen the MICHELIN brand's positions in the premium segment, which is growing in line with the overall market. But the strongest growth is in the mid-tier, which could take share from the value lines and account for more than a third of the global market in 2020.

We're serving this fast-growing segment with a line-up

focused on reliability and cost per kilometer. It is being led by different brands depending on the region, backed by the appealing benefits of standardized, optimized production processes.

And on the materials side?

J-C.G. To supply its booming tire production in Southeast Asia, Michelin is building a synthetic rubber plant in Indonesia, in which it owns a 55% stake alongside butadiene producer Petrokimia Butadiene Indonesia (PBI). Construction began in 2015, with commissioning scheduled for 2018, for an estimated investment of \$435 million.

By eliminating the need to import the engineered synthetic rubbers used in the production of low rolling resistance tires from the plants in Bassens, France or Louisville, Kentucky, the new facility will make our Asia-produced energy-efficient tires even more competitive.



Inauguration of the new plant in Pirot, Serbia

The Tigar plant in Pirot, Serbia was inaugurated in October 2014 at a ceremony attended by Jean-Dominique Senard and Tomislav Nicolic, President of Serbia.



Petrokimia Butadiene Indonesia

The agreement signed in 2013 to set up a joint venture, PT Synthetic Rubber, led to the construction of a plant that will come on stream in early 2018.

BRAZIL

The Pau-Brasil plant in Rio de Janeiro state produced its first car tire in February 2012. 2015 capacity: more than 30,000 tonnes of car tires.

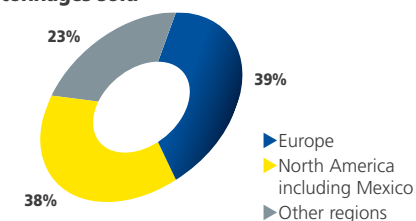
CHINA

Northeast of Beijing, the Shenyang 2 plant ramped up to full-scale production in 2012 for truck tires and 2013 for car tires. 2015 capacity: more than 132,000 tonnes of tires.

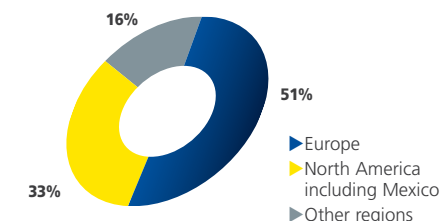
INDIA

The Chennai plant in Southeast India produced its first truck tire in late 2013. 2015 capacity: nearly 15,000 tonnes of tires.

2015 consolidated tonnages sold



2015 production capacity



RESPONSIBLE MANUFACTURING TO DRIVE ECO-FRIENDLY GROWTH

MICHELIN IS COMMITTED TO SUPPORTING THE WORLDWIDE DEVELOPMENT OF MOBILITY WHILE REDUCING THE ENVIRONMENTAL FOOTPRINT OF BOTH ITS PRODUCTION FACILITIES AND ITS TIRES.

Responsible manufacturing to drive energy-efficient growth

According to life-cycle assessments, a tire's production accounts for only 6% to 10% of its environmental footprint. Michelin is committed to further reducing this impact through disciplined management and extensive employee involvement in a continuous improvement process.

Environmental policies for manufacturing operations are supported by the Michelin Environmental Management System, which is based on the international ISO 14001 standard and a general policy specifying risk analysis procedures and the major standards and guidelines. The plants' environmental performance is tracked by the Michelin Environmental Footprint (MEF) indicator, which we are committed to reducing by 50% between 2005 and 2020, in particular by lowering energy used per tonne of tires produced by 38%.

Meeting these targets would make it possible to increase output as planned while keeping our overall environmental impact stable and even driving improvements in certain indicators.



(1) Compared with 2005. The MEF comprises energy use and five other weighted indicators.
(2) Compared with 2005.

95%
OF PRODUCTION AND RESEARCH FACILITIES ARE ISO 14001-CERTIFIED

ENVIRONMENTAL FOOTPRINT OF THE PRODUCTION PLANTS⁽¹⁾
DOWN 50% BY 2020
DOWN 37% AS OF END-2015

ENERGY USE⁽²⁾
DOWN 38% BY 2020
DOWN 25% AS OF END-2015

KEY SUPPLIERS ASSESSED FOR THEIR CSR PERFORMANCE
400 BY 2020
409 AS OF END-2015
(TARGET EXCEEDED)

SUPPLIERS CONFIRMED AS COMPLIANT WITH MICHELIN STANDARDS
70% BY 2020
66% AS OF END-2015



Products: the 4R strategy

1. Reduce the amount of resources needed to make a tire by practicing eco-design and optimize their use by lengthening tire lifespans.
 2. Reuse, repair, regroove, retread.
 3. Recycle scrap tires and recover their resources.
 4. Renew by using materials from renewable sources.
- With the 4R strategy, Michelin embraces the circular economy at every stage in the tire's lifecycle, withdrawing only what is necessary from the eco-system.

The supply chain: 4 pathways to improvement

1. Rationalize distances traveled with optimized routes, direct deliveries and fewer empty miles.
2. Maximize useful loads while maintaining product quality.
3. Increase the use of multi-modal rail, barge and maritime shipping solutions and reduce the use of air transport.
4. Encourage partnerships with carriers that share our commitment to energy efficiency and lower emissions.

CO₂ EMISSIONS
DOWN 10% BY 2020
DOWN 5%
AS OF END-2015⁽¹⁾



Responsible procurement: building sustainability together

Michelin's supplier relations are grounded in a commitment to moving forward together. The Purchasing Code reflects our fundamentals concerning ethical conduct, quality and corporate social responsibility. Buyers and technical specifiers are trained in sustainable procurement practices, while tenders now integrate sustainable development criteria. In addition, all construction and equipment contracts include workplace safety clauses. Sustainability issues are more effectively addressed by taking total cost of ownership (TCO) into account.

Since 2012, Michelin has assessed the CSR performance of its suppliers in four areas: the environment, employee relations, ethical practices and procurement. Under the assessments, which are conducted by EcoVadis every two years, suppliers must earn a "confirmed" maturity rating. If not, action plans are implemented and the supplier may be reassessed.

(1) In the overland supply chain operations.

IN PRACTICE BUILDING AN ECO-FRIENDLY RUBBER INDUSTRY

DEVELOPING VIABLE, SUSTAINABLE RUBBER FARMING PRACTICES IS A MAJOR CHALLENGE FOR MICHELIN, WHICH PURCHASES AROUND 8% OF THE WORLD'S NATURAL RUBBER PRODUCTION AND MUST THEREFORE SECURE ITS SUPPLY TO DRIVE GROWTH.



EXPERTISE IN RESPONSIBLE RUBBER FARMING
Long involved in research partnerships to improve rubber farming, Michelin is now investing locally in Africa, Latin America and Asia to share the outcomes with small farmers. In certain cases, these technical innovations can double per-hectare yields without impacting the environment. This would help to meet the growing worldwide demand for rubber without requiring any new farmland, while improving living conditions for small farmers.



**SMALL
PRODUCERS
SUPPLY 85%
OF THE
WORLD'S
RUBBER**

**MICHELIN IS
THE WORLD'S
LEADING
PURCHASER
OF NATURAL
RUBBER,
BUYING 8% OF
WORLDWIDE
OUTPUT**

RUBBER TREE FARMING FACTS AND FIGURES

- 12 MILLION HECTARES PLANTED.
- 12 MILLION TONNES OF NATURAL RUBBER PRODUCED A YEAR.
- 355 MILLION TONNES OF CO₂ SEQUESTERED A YEAR.
- 3 HECTARES, THE AVERAGE SIZE OF A PLANTATION.
- 4 MILLION FARMERS.
- A LIVELIHOOD FOR 30 MILLION PEOPLE.

Natural rubber's physical properties make it irreplaceable for truck, aircraft, agricultural and earthmover tires, which is why 75% of global output goes to the tire industry. And with demand steadily on the rise, increasing production is a critical challenge. To address it in a responsible, eco-friendly manner, two partnerships were formed in 2015.

A responsible rubber farming partnership with Barito Pacific Group

In May 2015, Michelin and Barito Pacific Group announced the creation of a joint venture to produce eco-responsible natural rubber in Indonesia. Michelin's 47% stake in the new company was valued at \$55 million. The project involves the reforestation of three concessions totaling 88,000 hectares in the provinces of Jambi (Sumatra) and Kalimantan Timur (Borneo), which have been devastated by uncontrolled deforestation.

Half of the plots will be planted with rubber trees capable of producing around 80,000 tonnes of natural rubber a year. The other half will be earmarked for growing subsistence crops for the local community and reintroducing plants native to the region. The project, which will ultimately create 16,000 direct and indirect local jobs, will enable Michelin to secure around 10% of its natural rubber needs, while attenuating the impact of high price volatility.

International cooperation agreement with the WWF

In April 2015, Michelin signed a four-year cooperation agreement with the WWF comprising three facets. The first involves defining responsible natural rubber and promoting best practices across the international bodies representing the rubber industry, from the plantation to natural rubber end-users. As part of this process, which is being carried out in collaboration with

other non-governmental organizations, Michelin was the first participant to perform a comprehensive review of its natural rubber supply chain.

The second aspect is a partnership with WWF France and WWF Indonesia for developing and deploying the best possible solutions in Indonesia's rubber producing regions, starting with the Michelin/Barito plantations.

To lead the project, Michelin and Barito Pacific Group have formed a governance body with WWF representatives. The local cooperation between Michelin and the WWF on the project also aims to safeguard the Bukit Tigapuluh National Park and Limau Protected Forest, two forests with very high environmental value that are home to certain endangered species.

Lastly, a partnership has been formed with the WWF France Foundation involving the protection, conservation and restoration of the fauna and flora in and around the concessions.



6

DISTRIBUTION AND SERVICES

1,900 TYREPLUS dealerships in 22 countries serve more than five million customers a year. Michelin provides its franchisees with a proven dealership design, standardized management methods and highly efficient operational support.

INTERVIEW WITH

YVES CHAPOT

EXECUTIVE VICE PRESIDENT, DISTRIBUTION
MEMBER OF THE EXECUTIVE COMMITTEE

“OUR SERVICES HAVE TO BE WORTHY OF THE MICHELIN BRAND PROMISE.”

Michelin is strengthening its proprietary dealer networks, driving faster growth in the franchised and partner networks, investing in wholesaling operations and acquiring a growing number of online retailers. We take a closer look at this aggressive strategy.

Why is so much being invested in distribution?

Yves Chapot. Nurturing close relationships with business customers and consumers, and understanding their needs and usage habits have always been one of Michelin’s strengths. Our involvement in distribution is enhancing our market intimacy. Being on the sell side also helps us to delight our customers, by paying attention to them, giving the right advice and providing friendly, efficient tire fitting, balancing and maintenance services. We have to offer customers service worthy of the MICHELIN brand promise throughout the life of the tire. The quality of customer service nurtures the brand’s reputation and trust, which drives repeat business and growth in all our markets.

Do you take a different approach in the new markets?

Thierry Chiche. The MICHELIN brand is introduced in emerging markets only if there are local, high-quality dealerships and services. This is why we’re expanding our franchised TYREPLUS network so quickly. By embodying our promise of performance and quality, it enables us to build trustworthy relationships with customers. The experience acquired with our Euromaster network has proven invaluable in expanding TYREPLUS and in assessing how well it is satisfying customers.

Why are you buying wholesalers?

Y. C. Today there are so many more tires and types of tires on offer that dealers, not to mention independent garages, can no longer hold all of them in stock. In addition,



AND

THIERRY CHICHE

EXECUTIVE VICE PRESIDENT,
PASSENGER CAR AND LIGHT TRUCK PRODUCT LINE
MEMBER OF THE EXECUTIVE COMMITTEE

“THE RISE OF DIGITAL TECHNOLOGY HAS RESHUFFLED THE DECK.”

sold in Europe and the United States pass through wholesalers first. We were already in the wholesale business in North America with TCi and in the Scandinavian countries with Euromaster. We seized the opportunities that arose in Europe by acquiring Ihle in 2014, then Meyer Lissendorf in 2015, and creating NEX in Spain.

What are your objectives in the online segment?

T. C. The digital revolution is creating a new paradigm. Most consumers now look up things on the Internet and online sales are surging.

In 2015, we sent 450 people to interview motorists around the world, and found that they expected a lot more than just tires from us – they also wanted more digital services and interaction. One example of the new possibilities offered by the Internet is the MyAccount service for small trucking companies.

All of this is encouraging us to invest in online retailing capabilities and to develop synergies with our brick & mortar networks to streamline the tire-buying experience, from the online search to having the tires mounted by dealer professionals. Our driving engine is still and will always be customer service.

Y. C. We have millions of customers that we couldn’t reach because we didn’t have the right tools. Now we can and, with Allopeus and Blackcircles, we’re enthusiastically embracing this exciting transformation.



tion, the development of online sales assumes that there is someone who can deliver a tire or set of tires nationwide. These trends mean that wholesalers are once again playing a crucial role in the market. In fact, nearly half of all tires



A CONNECTED WORLD IN 2025

It is projected that 80% of the world’s population will be connected to the Internet by 2025, compared with just 35% today.⁽¹⁾ Half of all vehicles on the road will also be connected, compared with just 15% of trucks and 5% of cars and vans today.

MYACCOUNT

A single point of entry to a world of special offers and MICHELIN services for small fleets, which account for half of all European demand. MyAccount spaces have already been set up by 15,000 truckers in 17 European countries (soon to be 25).

PARTNERSHIPS FOR EXCELLENCE

Michelin is developing high value-added partnership programs with dealers and excellence networks for tire users, like ExelAgri for farmers.

(1) Oliver Wyman.

A DYNAMIC, MULTI-CHANNEL STRATEGY

REPLACEMENT TIRES REPRESENT NEARLY THREE-QUARTERS OF THE GLOBAL MARKET. TO BROADEN ITS ACCESS TO THIS SEGMENT AND BUILD BRAND LOYALTY WITH OUTSTANDING SERVICE, MICHELIN IS DEPLOYING AN OFFENSIVE MULTI-CHANNEL DISTRIBUTION STRATEGY.



SERVICE CENTERS

260 opened in 2015

- ▶ The European market leader, Euromaster comprises 1,350 proprietary dealerships and more than 900 franchised outlets in 12 European countries and Turkey.
- ▶ In the United States, TCi Tire Center is the market leader for trucks and the country's second-largest wholesaler of car and van tires to independent dealers.

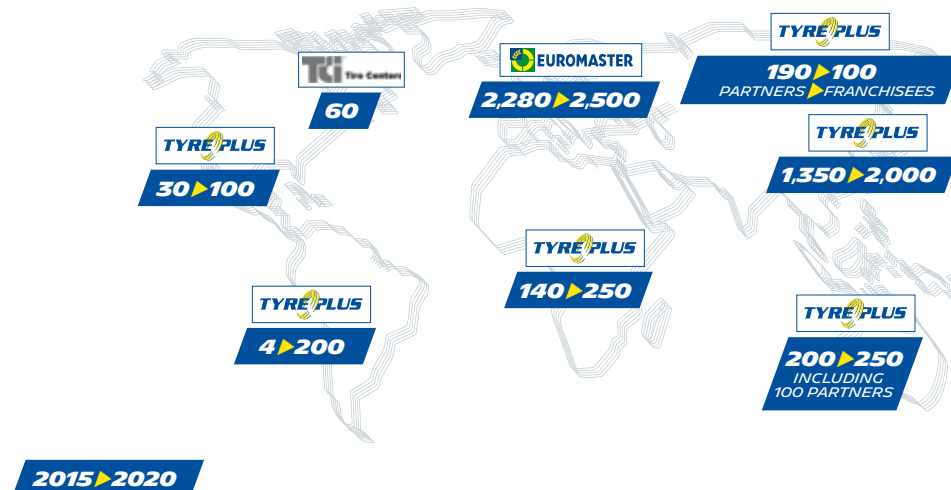
The franchised Michelin Commercial Service Network covers 600 truck tire dealerships. ▶ In the growth markets, TYREPLUS car tire dealerships and MICHELIN Truck Service Centers are enjoying very strong growth, with 2,100 outlets in 22 countries, of which 1,350 in China.



NURTURING AND ENRICHING THE MICHELIN BRAND EXPERIENCE

Car owners change their tires every 2.5 years on average. Nurturing this relationship and developing and enriching the MICHELIN brand experience every day is the role of the MICHELIN Maps, Guides and Digital Services business, which in 2015 launched the free Michelin Navigation mobile app. A similar role is played by Michelin-licensed vehicle accessories, personal equipment and collectors' items, whose sales exceeded 16 million units in 2015.

A GLOBAL NETWORK OF PROPRIETARY AND FRANCHISED DEALERSHIPS AND SERVICE CENTERS OBJECTIVE: MORE THAN 5,000 CENTERS IN 2020



WHOLESALE SEGMENT

A new acquisition

Following on from the 2014 purchase of Ihle, Germany's leading wholesaler with operations in around 15 European countries, Michelin has broadened its access to small and mid-sized German retailers by acquiring car tire wholesaler Meyer Lissendorf, which serves an extensive network of specialty dealers and independent garages.



E-TAILER

Gaining momentum in online sales

Keeping pace with today's tire-buying habits, Michelin acquired a 40% stake in Allopeus, France's leading online tire dealer, with 7% of the domestic market and more than three million tires sold in 2015. A few weeks later, Michelin purchased all outstanding shares of Blackcircles, the UK's leading tire e-tailer, with 2% of the market and sales that are growing by more than 50% a year.





COMPETITIVENESS

Competitiveness plan, streamlining of support functions, alignment of the production base with customer needs.. Michelin is simultaneously activating all of its performance levers.

INTERVIEW WITH

FRANÇOIS CORBIN

EXECUTIVE VICE PRESIDENT,
PROGRESS AND GEOGRAPHIC ZONES
MEMBER OF THE EXECUTIVE COMMITTEE

"BY EMBEDDING THE DECISION-MAKING PROCESS IN THE FRONT-LINE, EMPOWERMENT IS GOING TO DRIVE DRAMATIC IMPROVEMENTS FOR US."

To become more competitive and agile, Michelin is transforming its operating processes with progress initiatives focused on four priorities: customer service, simplification, empowerment and digitalization. Below, we take a closer look at the simplification and empowerment initiatives.

Why are you deploying the simplification and empowerment programs right now?

Marc Henry. To be competitive today, you have to be productive, agile, innovative and capable of offering solutions. Everything is pushing us to simplify our business practices – our customers, whose satisfaction should always be top-of-mind; our managers, who would like a faster decision-making process; and our performance targets, which shouldn't be held back by excessive overhead costs. Simplification will spur new growth by freeing up resources and making us faster and more agile. Digitalization is also going to play a big role. We want to develop an intense digital culture in every business and corporate function, so that we can be more efficient, more competitive, faster and more interactive – all with the goal of making our customers happier.

François Corbin. By embedding the decision-making process in the front-line, empowerment is going to drive dramatic improvements for us. It's a new relationship based on personal initiative and trust that resonates with widely expressed employee expectations. By positioning decision-making authority at the right level and empowering our teams, everyone will be able to realize their potential more fully and understand exactly how they are personally contributing to our success.

What are your goals for the simplification process?

F. C. Each unit is going to determine its core mission, allocate resources to fulfilling it and eliminate anything that doesn't make a direct contribution. It's not at all about making do with less; instead, it means focusing on what's essential and eliminating superfluous tasks, so that we can

become agile enough to meet our goals. At the same time, the remit of the shared services unit will be broadened. This will allow the operating units to focus on their mission, while the shared services will become more efficient. Opportunities for pooling services across geographies in the same time zone will be explored and, whenever possible, we want to reduce the number of geographic management levels for each process to two from the current four (corporate, zone, region and country).



AND

MARC HENRY

CHIEF FINANCIAL OFFICER
AND EXECUTIVE VICE PRESIDENT, SPECIALTY PRODUCT LINES
MEMBER OF THE EXECUTIVE COMMITTEE

"SIMPLIFICATION WILL SPUR NEW GROWTH BY FREEING UP RESOURCES AND MAKING US FASTER AND MORE AGILE."

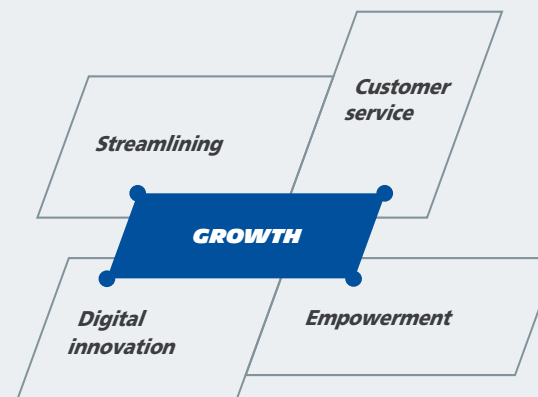
M. H. We're going to enhance the relationship between corporate and the operating units by distinguishing between guidelines, which everyone must follow, and recommendations, which each unit can decide to implement according to their issues and priorities. In this way, the operating units will have more leeway to manage their priorities and more direct responsibility for the results.

How are these transformations being deployed?

M. H. Instilling empowerment will be a collective process in the units, plants and teams, with a shift in our management practices and working environment. At the same time, the transformation is being supported by changes in our business processes and management system. **F. C.** Most likely, this process means that we'll end up with fewer people in our organization. Our age pyramid is an opportunity that should enable us to manage most of the reduction, and naturally we'll take advantage of it.

How are you measuring improvement?

M. H. The Executive Committee has decided to regularly review the performance of its four priority progress initiatives. The best indicator is each team's performance. We have seen very compelling gains in productivity, quality, customer service and employee engagement at the demonstrator sites where the Autonomous Management of Performance and Progress (MAPP) program is being deployed. **F. C.** I can attest that the Group Executive Committee is very involved in this transformation. We are very confident is the success of our simplification and empowerment process because everyone has embraced it. Michelin teams have already demonstrated just how quickly and how much they can improve when the objective is clearly set.



THE FOUR PRIORITY PROJECTS

COMPETITIVENESS PLAN ON TRACK TO MEET OUR OBJECTIVES

WITH €964 MILLION GENERATED BY THE END OF 2015, THE COMPETITIVENESS PLAN IS WELL ON THE WAY TO DELIVERING THE TARGETED €1.2 BILLION IN GAINS OVER THE 2012-2016 PERIOD.

80% OF THE COMPETITIVENESS PLAN COMPLETED BY THE END OF 2015

	SUPPORT FUNCTIONS	RAW MATERIALS	PRODUCTION AND TRANSPORTS	TOTAL
Targeted gains, 2012-2016	€300/400m	€200/300m	€600/700m	€1,200m
Actual gains	€421m	€149m	€394m	€964m
Drivers	<ul style="list-style-type: none"> • Efficiency program • OPE • Shared Services Centers • Simplification 	<ul style="list-style-type: none"> • Eco-design, Design to cost • Standardization • Innovation in materials, processes, production lines 	<ul style="list-style-type: none"> • MMW best practices • Standardization • Flexibility • Optimized siting 	

LOOKING BEYOND 2016

The years ahead will see further productivity gains, led by the final roll-out of the OPE system in 2017, the ramp-up to full capacity of the mega-plants in the new markets in 2018 and the Truck tire division's reorganization in Europe.

THE OPE BUSINESS PROCESS MANAGEMENT SYSTEM

A new enterprise resource planning (ERP) system

- Redesigned processes
- Harmonized information systems
- Tighter coordination across the value chain

PROJECTED SAVINGS:
€250M IN INVENTORY,
€200M IN COSTS BY 2019

MANUFACTURING EFFICIENCY 2018

More powerful, more productive plants: 96,000t on average, up 37% in five years

Higher capacity utilization, at over an estimated 90%,

compared with 2015 figures of:
87% in Passenger Car and Light Truck tires
83% in Truck tires
69% in Specialty tires

INDUSTRIAL REORGANIZATION IN EUROPE IN 2015

- Aligning production capacity with changing markets
- Increasing production plant flexibility and responsiveness

PROJECTED PRODUCTIVITY GAINS:
€140M A YEAR BY 2020

IN PRACTICE A COMPETITIVE FUTURE FOR THE ROANNE PLANT IN FRANCE

PREVIOUSLY THREATENED BY A LACK OF COMPETITIVENESS IN A HIGHLY DISPUTED MARKET, THE TIRE PLANT IN ROANNE, FRANCE IS NOW WELL POSITIONED FOR A BRIGHT FUTURE IN A PROMISING SEGMENT. WE LOOK BACK ON AN INNOVATIVE PROGRAM BUILT AROUND CONSTRUCTIVE SOCIAL DIALOGUE.



Signed on May 19, 2015, the forward-looking agreement at the Roanne plant is an example of a process successfully deployed to secure the future of a French plant by making it more competitive. Management, unions and employees all worked together to hammer out the right solutions and the procedures for implementing them.

Heading for Ultra-High Performance

Dedicated to 16 and 17-inch tires, where competition is fierce, the Roanne plant will be repositioned by 2019 in the Ultra-High Performance segment, where demand is growing by around 10% a year. The project is being supported by the acquisition of new skills, the investment of €80 million and the introduction of a new organization approved by employees and their representatives. Under the new system, the plant will operate in five shifts working seven days a week, with extended rest periods negotiated in advance depending on market needs. This will make it possible to adjust output and retain at least 720 employees under permanent work contracts in 2019, down from the current 860 jobs, through natural attrition.

Social dialogue built on mutual trust

To secure its sustainable future, the Roanne plant deployed our new FCI industrial competitiveness program dedicated to operations in France. Based on a new style of more open, transparent social dialogue, the FCI process comprises i) a review of the current industrial and social environment, conducted with input from the unions; ii) discussion groups with employees, who are asked to recommend innovative solutions based on the review; iii) a strategic analysis of the possible repositioning options; iv) an agreement signed by all parties defining the proposed project for the plant and the mutual commitments concerning performance and investment; and v) implementation, possibly in several stages and over several years, with regular tracked milestones. FCI programs have also been deployed at the Vannes plant in Brittany and the Roche-sur-Yon facility in the Vendée region.

95%
OF ROANNE PLANT EMPLOYEES
HAVE EMBRACED THE FUTURE-
SECURING AGREEMENT

IN PRACTICE RELEASING OUR ENERGIES WITH MAPP

TODAY, WITH MORE THAN 80% OF PRODUCTION TEAMS WORKING IN EMPOWERING ORGANIZATIONS, EMPOWERMENT AND SELF-MANAGEMENT IS BEING TAKEN TO THE NEXT LEVEL ACROSS THE ORGANIZATION WITH THE AUTONOMOUS MANAGEMENT OF PERFORMANCE AND PROGRESS (MAPP) MODEL.

Improving customer service with self-managing teams

For Jean-Dominique Senard, "the factory of the future will be a factory connected to its market, where empowerment and delegation will play a critical role. Employees have to understand what they have to do and why. The closer they are in contact with the

market and the customer, the better they'll understand the need to respond to the increasing volatility in our business. MAPP is transforming the worklife experience, working relationships and human resources practices, as everyone comes to feel more appreciated and empowered. This profound transformation will be one of my proudest achievements."

“SELF-MANAGEMENT JUST DIDN'T SEEM POSSIBLE FOR GUYS LIKE US ON THE PRODUCTION LINE. WE COULDN'T BELIEVE THAT THEY'D GIVE US RESPONSIBILITIES. THANKS TO THE VARIOUS WORKSHOPS, WE WERE ABLE TO MAKE A CASE FOR OURSELVES AND DEMONSTRATE OUR EXPERTISE ON OUR PRODUCTION STATIONS. THAT MEANS THAT WE'RE MORE AVAILABLE AND EMPOWERED, ALWAYS READY TO RESPOND IMMEDIATELY.”

Alexandre Bastian,
Operator, Homburg, Germany



“THE ENTIRE TEAM IS HIGHLY COMMITTED AND WANTS TO CHANGE THINGS SO THAT WE CAN WORK MORE EFFICIENTLY. IT'S VERY INSPIRING FOR THE FUTURE AND WE CAN SEE THAT PEOPLE ARE REALLY ENGAGED IN MAKING THINGS BETTER.”

Jolanta Szymczyk
Production Correspondent,
Olsztyn, Poland



“PEOPLE DON'T LIKE CHANGE BUT EVERYTHING WENT SMOOTHLY BECAUSE EVERYONE EMBRACED THE PROJECT AND COULD TAKE MORE PRIDE IN THE WORK THEY DID.”

Linda Johnson
Personnel Correspondent,
Greenville, SC



“YOU REALLY SEE THINGS HAPPENING, ON THE SHOPFLOOR. THE KEY TO MAPP IS TRUST. IT'S FANTASTIC TO SEE HOW FIRED UP PEOPLE GET WHEN YOU EMPOWER THEM TO TAKE RESPONSIBILITY.”

Dominique Foucard,
Production System Leader



IN PRACTICE PROGRESS IDEAS: WIN-WIN FOR EVERYONE

LAUNCHED IN 1927 AS THE "SUGGESTION PROGRAM", THE PROGRESS IDEAS INITIATIVE ATTESTS TO THE RESPONSIBLE COMMITMENT OF MICHELIN EMPLOYEES TO DRIVING THEIR COMPANY'S PERFORMANCE.



THE PERCENTAGE OF EMPLOYEES SUBMITTING PROGRESS IDEAS AND THE NUMBER OF IDEAS THAT GENERATE MORE THAN €500 IN SAVINGS ARE TWO CRITERIA USED IN DETERMINING DISCRETIONARY PROFIT-SHARES IN FRANCE.

The initiative enables everyone to suggest simple solutions to improve our practices and procedures in every aspect of our business, including customer service, the environment, cost-savings, safety and working conditions. More than 66,000 people can submit their ideas for improvements and innovation on the dedicated InnovaGo website. The objective is to receive 100,000 ideas a year in 2020.

Ideas that are rewarded and put into practice

Over 25,000 progress ideas were implemented in 2015, generating an aggregate gain of €15 million. The best ideas are celebrated every year and beginning in 2016, the Michelin Awards will honor the three best contributions from among the Progress Ideas Awards, the Quality Awards and the Innovation Awards.

Progress Ideas – Three examples

▼ CHINA	▼ FRANCE	▼ POLAND
IDEA		
Eliminate cutting errors on a given machine, reduce downtime and blade breakage.	Produce a new size requested by a customer without having the right drums.	Cut more piece-parts from steel sheets with a laser machine designed to make one cutting pass per sheet.
SOLUTION		
Change the adjustment angle of the blade holders.	Adjust the sizes of the unused drums.	Program crosscuts to cut several parts with a single pass.
OUTCOMES		
€15,000 a year saved in blade purchases. Less downtime, less wastage, fewer accidents.	€200,000 saved on the purchase of new drums. Faster fulfillment. Widely replicated.	€233,000 saved in steel purchases per year. 50% faster cutting speed. Replicated.

8 / EMPLOYEES AND SOCIETY

The Company's performance hinges on the engagement of its teams. Standing at 77% in 2015, the engagement level was higher than last year and 8 points above the average for comparable companies.

QUESTIONS FOR

JEAN-MICHEL GUILLON

EXECUTIVE VICE PRESIDENT, PERSONNEL
MEMBER OF THE EXECUTIVE COMMITTEE

“MANAGERS AND THEIR TEAMS WORK TOGETHER TO IDENTIFY WHICH IMPROVEMENT INITIATIVES TO DEPLOY.”



What did you learn from the 2015 engagement survey?

The survey was conducted in 26 languages in 53 countries for all employees, 86% of whom responded. This was three points higher than the year before, which attests to employee interest and trust in a process that can lead to tangible improvements in their working conditions and well-being.

How does the survey help to improve the workplace environment?

The findings are shared by managers with their teams on every site, to get dialogue started and build the improvement plans that they will implement together. They mutually determine the initiatives they want to deploy by focusing on what seems most important to them and on areas where they can make a difference.

In 2015, three out of four respondents were able to discuss the findings of the 2014 survey and define improvement plans. More than half of them felt that the survey has led to positive changes.

What are the good points and where are the areas for improvement?

Employees are proud to work for Michelin and care deeply about the quality of our products and services. They appreciate the attention paid to employee safety and the fact that management acts on their progress and innovation ideas. This point has improved sharply thanks to the initiatives undertaken over the past two years to facilitate the expression and recognition of everyone’s contribution.

Respect for people and the example set by managers have improved, and have to continue improving in the future.

Employees also expressed the need to be more agile and responsive. This is an issue where the Executive Committee has taken a position through the four improvement initiatives launched in 2015 to improve customer service, simplify our operating processes and procedures, empower our teams and digitalize our businesses.

COMMITMENT

77%

of employees feel engaged, up three points in a year and eight points more than the average percentage at comparable international corporations. ⁽¹⁾

(1) Companies in the IBM database.

TESTIMONIES

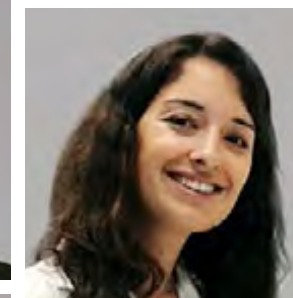
“IT’S MOTIVATING TO SEE THAT WE HAVE AN INFLUENCE IN THE COMPANY. THE DECISIONS AREN’T JUST TOP-DOWN, BUT ALSO BOTTOM-UP, FROM THE FRONT LINES.”

Jan Vlcek,
Sales Manager, Truck Product Line,
Czech Republic



“IN REVIEWING THE FINDINGS, WE SAW THAT WE NEEDED MORE INFORMATION ABOUT OUR CAREER DEVELOPMENT OPPORTUNITIES. THE MOVING FORWARD TOGETHER SURVEY ENABLED ME TO CHANGE JOBS MORE QUICKLY BY GIVING ME GREATER VISIBILITY.”

Fabienne Alves,
Manager, Outsourced Aviation Accounts



“THANKS TO THE MOVING FORWARD TOGETHER SURVEY, WE WENT TO THE PLANT IN JOUÉ LES TOURS, WHICH IS OUR CUSTOMER. THIS HELPED US TO GET A BETTER IDEA OF THE QUALITY STANDARDS THAT OUR PRODUCTS HAVE TO MEET. BY TALKING WITH PLANT EMPLOYEES, I WAS ABLE TO APPRECIATE THEIR DIFFICULTIES, SO THAT NOW IN MY OWN WORK, I PAY MORE ATTENTION TO THEIR NEEDS.”

Erwan Le Gougec,
Quality Agent in Vannes, France



“YES, ACTIONS ARE BEING TAKEN, WHICH IS DEFINITELY A POSITIVE SIGN FOR ME TO EXERCISE MY OPINION.”

Chandan Thakur,
Country Commercial Director
Malaysia

WINNING THE FUTURE BY HIRING AND DEVELOPING A WORLD OF TALENT

HUMAN RESOURCES DEVELOPMENT PLAYS A CORE ROLE IN DRIVING OUR BUSINESS PERFORMANCE. THAT'S WHY WE WANT TO ENABLE EVERY EMPLOYEE TO DO HIS OR HER BEST AND TO TURN OUR DIFFERENCES INTO VALUABLE ASSETS.



Employee ambassadors

To address the challenges of growth, Michelin is burnishing its employer brand around the world with a new global advertising campaign supported by innovative digital resources.

Because no one else says it better, employees highlight their contribution to innovation projects and talk about their commitment to strong values in a series of testimonials. They also discuss the opportunities they have for career development and personal growth, with personalized career management and appropriate training plans to enable everyone to realize his or her full potential.

Versions of the michelin-careers website are available in 35 countries and an active social media presence is being nurtured with a Twitter news feed, internship offers on Facebook and job vacancies on LinkedIn.

Offering career development opportunities within the Group

Michelin is a strong believer in transferring and promoting from within. As of year-end 2015, 75% of our managers had come up through the ranks, i.e., they had been promoted one or more times after their induction period. At every level of the business, the goal is to maintain a career development dynamic through transfers and promotions. All employees are hired with a view to giving them a career with the Company, not just for a specific job, and ongoing skills development enables everyone to realize his or her full potential.

Around the world, they are supported throughout their careers by a network of nearly 350 career managers, in accordance with their personal aspirations and the needs of the Company.

Alongside career managers and the employees themselves, managers also play a key role in the career management process, by helping employees to improve their performance and supporting their personal and professional growth.



6,057 NEW HIRES
IN 2015
33%
OF NEW HIRES⁽¹⁾
ARE WOMEN

Increasing the percentage of women employees

Michelin is convinced that its expansion in the global marketplace is being driven by a diversity of talents, especially gender equality. Bringing in more women managers across the organization is a global priority, in a commitment to raising the percentage to 30% in 2020 from 24% in 2015. A number of initiatives are underway to meet this goal, starting with our hiring practices. For example, we are striving to make manufacturing jobs more appealing to women, in particular by participating in student forums and job fairs. Over the past three years, 33% of new hires, excluding operators, have been women. However, shopfloor positions are also attracting more women as workstation ergonomics are steadily upgraded. This is also the case in sales and marketing jobs, where women are encouraged to apply, especially for transfers and promotions. A wide range of programs are also in place to facilitate work-life balance for parents, including daycare centers, telecommuting arrangements, corporate concierge services and financial assistance. Lastly, attention is paid to women managers, who are supported with individual and team mentoring programs.

(1) Administrative employees, technicians, supervisors and managers.

93%
OF EMPLOYEES
RECEIVED
TRAINING

AN AVERAGE
64 HOURS
PER TRAINEE

WITH 120
NATIONALITIES
AND 80% OF
EMPLOYEES WHO
ARE NOT FRENCH,
DIVERSITY IS
A WAY OF LIFE

LISTENING TO STAKEHOLDERS

MICHELIN ENCOURAGES AND PRACTICES STAKEHOLDER DIALOGUE LOCALLY, NATIONALLY AND INTERNATIONALLY AROUND THE WORLD AND IN EVERY ASPECT OF ITS BUSINESS.

These broad and deep stakeholder relationships enable us to gauge the changing expectations of society and public authorities, detect even the slightest latent risks and welcome the criticism and new ideas that fertilize our thinking, spur innovation and open new pathways to growth. By enabling us to prevent risks and foresee opportunities, stakeholder dialogue also helps us to manage strategic risks and prepare for the future more effectively.

A structured process

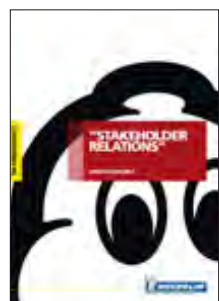
Our stakeholder dialogue process is supported by meetings:

- At corporate level, once a year with a Stakeholders Committee to discuss the important strategic sustainable development issues.
- At unit level, to explore issues of special interest to the Group with the stakeholders concerned.
- At the region, country or facility level.

The process is reviewed several times a year before the Michelin Performance and Responsibility (PRM) Council, led by the Chief Executive Officer, as well as once a year by the Supervisory Board.



MORE THAN 150 PLANT DIRECTORS, MANAGERS AND PUBLIC AFFAIRS AND SUSTAINABLE DEVELOPMENT CORRESPONDENTS HAVE BEEN TRAINED IN UNDERSTANDING NGOS AND THEIR EXPECTATIONS.



PUBLISHED IN 2015, THE STAKEHOLDER RELATIONS GUIDELINES ARE INTENDED FOR DEPARTMENTS THAT WOULD LIKE TO ENHANCE THEIR DIALOGUE AND THE PRM NETWORK THAT SUPPORTS THESE INITIATIVES.

IN PRACTICE

First stakeholder meeting in Canada

Following on from the stakeholder meetings in Clermont-Ferrand, France and Greenville, SC in 2014, 25 customers, suppliers, public decision-makers, academics and NGO representatives got together on October 14, 2015 in Wolfville, Nova Scotia. Welcomed by the Chairman and President of Michelin North America and the President of Michelin Canada, they participated in three round-table discussions with Michelin teams concerning sustainable mobility issues and our contribution to the region's economic prosperity.

PROGRESS

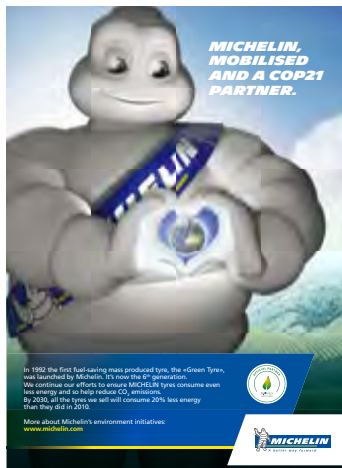
Making it easier for employees to participate in public life

Participating in public debate or holding elective office is another way to become involved in the local community. While this would help to improve mutual understanding between the political and the business worlds, in France, it is often difficult for private-sector employees to get involved, primarily due to a lack of time or concerns about being able to get their jobs back. To lower these obstacles, Michelin introduced a number of measures in 2015:

- Flexible working hours during electoral campaigns.
- Part-time work contracts for employees elected to local office.
- When returning to the company, the promise of a job that reflects the skills acquired during the employee's time in office.

SHARING THE ADVENTURE OF BETTER MOBILITY FOR EVERYONE

BECAUSE MOBILITY IS ESSENTIAL FOR HUMAN DEVELOPMENT, MICHELIN IS ASSERTIVELY DEVELOPING SOLUTIONS TO MAKE IT RESPONSIBLE AND SUSTAINABLE BY MINIMIZING ITS IMPACTS NOW AND FAR INTO THE FUTURE.



Transportation accounts for around 15% of global carbon emissions, of which a little less than 3% comes from the fuel burned to move the tires.

tire life by training truckers in eco-driving techniques, optimizing routes and properly maintaining tires.

Lastly, we are actively involved in research and future-facing projects, both directly and via the Michelin Challenge Bibendum, which for the past 20 years has brought together experts, public authorities, manufacturers and academics to devise real-world solutions to the challenges of sustainable urban mobility.

Real-world initiatives and solutions

Michelin has deployed a full range of resources to help meet COP21 carbon emissions targets, including programs to:

- Reduce the in-use carbon footprint of its tires by 20% over the period from 2010 to 2030.
- Reduce process carbon emissions from its plants by 50% over the period from 2010 to 2050.

Emissions are also being abated by:

- Developing tires purpose-engineered for hybrid and electric powertrains.
- Marketing products and services developed by MICHELIN solutions and its Sascar subsidiary that harness digital technology to improve fleet fuel efficiency and increase

QUESTIONS FOR

LAURENT NOUAL

EXECUTIVE VICE PRESIDENT, CORPORATE DEVELOPMENT
MEMBER OF THE EXECUTIVE COMMITTEE

"GROWING A BUSINESS OVER THE LONG TERM MEANS TAKING INTO ACCOUNT SUSTAINABLE DEVELOPMENT."



Speaking of which, how does Michelin define sustainable mobility?

For over a hundred years, Michelin has been a key mobility enabler, whose corporate mission is well expressed in the slogan, "A Better Way Forward". We feel that sustainable mobility reflects the commitment to continuously innovating to deliver the ever-increasing performance customers expect from our products, backed by services that make their Michelin experience easier, in particular through the growing use of digital technologies, all while limiting the environmental impact of our operations. The engagement of our employees is also part of our responsibility and their involvement in community outreach projects outside of Michelin also plays a critical role.

Is it easy to reconcile a growth strategy with a commitment to sustainability?

Over the long term, there's no way that a company can enjoy healthy growth without paying attention to every aspect of sustainable development. This belief is already being instilled across our organization through the Michelin Performance and Responsibility approach. For me, that's why strategy and sustainability go hand in hand, in terms of both objectives and the way we meet them. In this way, we'll widen our competitive lead, in both our customers' minds and in society as a whole.

What are the major mobility challenges of the future?

As we look out at the mobility of tomorrow, we foresee three major challenges, namely all forms of urbanization, the collaborative economy in its sharing economy aspects and the development of mobility in Africa. We feel that these long-term trends will have a substantial impact on our markets, on volume growth and on the nature of our products and their related services. In line with our commitments, we're addressing these issues with sustainability in mind.

**FOR OVER
A CENTURY,**

Michelin has been a key driver of mobility. Our core philosophy is expressed in our signature slogan, "A Better Way Forward".



COP21
The Michelin booth at the Solutions COP21 exhibition, organized by participating companies from December 4 to 10, 2015 at the Grand Palais in Paris.

A GLOBAL COMMITMENT TO ROAD SAFETY

MICHELIN AND ITS EMPLOYEES ARE ACTIVELY INVOLVED IN MAKING MOBILITY SAFER THROUGH A VARIETY OF HANDS-ON INITIATIVES TO ENHANCE SAFETY AWARENESS AMONG YOUNG PEOPLE, DRIVERS AND DECISION-MAKERS.



THE "SAVE KIDS LIVES" CAMPAIGN

Road accidents are already the leading cause of death among people in the 15 to 29 age bracket, and if urgent action isn't taken soon, they could also be the leading cause among children aged 5 to 14. Partner to the "Save Kids Lives" campaign conducted during the UN Global Road Safety Week in May 2015, Michelin is also deploying an increasing number of safety training and awareness initiatives for young people and new drivers on every continent.

Every year, traffic accidents kill 1.2 million people and injure 50 million more, with the situation especially dire in the developing world.⁽¹⁾

Spurring decision-makers to act

Michelin is leading discussions among international groups of experts on road safety issues. We also published the White Paper for Safe Roads in 2050, which helped to inspire the United Nations to organize the Decade of Action 2011-2020 for Road Safety. We also supported a similar project that commissioned 15 international experts from a range of fields to explore how connected technology could be harnessed to make mobility safer. Their findings were published in a new white paper, Road Safety and Connected Mobility and presented at the 12th Michelin Challenge Bibendum in Chengdu, China.

Saving five million lives

The UN Decade of Action 2011-2020 for Road Safety is designed to save five million lives over the period. A founding member of the Global Safety Initiative, Michelin worked with the International Automobile Federation (FIA) to launch the "Golden Rules" campaign, which uses ten visuals to illustrate the ten indispensable rules for safe driving. Many of our employees are also actively involved in promoting road safety in their local communities.



(1) Source: World Health Organization.

BEST DRIVER PROGRAM:
ROADSHOWS IN FOUR UNIVERSITIES, 10,000 PEOPLE REACHED, 1.3 MILLION VIA SOCIAL MEDIA, 400 TELEMATICS UNITS INSTALLED IN CARS DRIVEN BY YOUNG PEOPLE.

MICHELIN SAFETY ACADEMY:
CONFERENCES AND DYNAMIC WORKSHOPS FOLLOWING A SURVEY OF DRIVER BEHAVIOR IN 16 CHINESE CITIES.

SAFER ROADS THROUGH CONNECTED MOBILITY:
A HACKATHON ORGANIZED BY THE MICHELIN CHALLENGE BIBENDUM TEAM AND THE BEMYAPP AGENCY AT THE INTELLIGENT TRANSPORT SYSTEMS WORLD CONGRESS IN BORDEAUX, FRANCE.

BEYOND THE DRIVING TEST:
CLASSES IN DRIVING SCHOOLS IN EIGHT US STATES NOW INCLUDE SESSIONS ON TIRE PRESSURE AND ITS IMPACT ON WEAR. PLANS ARE UNDERWAY TO EXTEND THE PROGRAM TO ALL 50 STATES IN 2020.

THE MICHELIN CORPORATE FOUNDATION IS ALSO COMMITTED TO IMPROVING ROAD SAFETY

Created in 2014 with the goal of helping people move forward, the Michelin Corporate Foundation attests to our commitment to encouraging mobility that is both sustainable and accessible to all. As a natural reflection of this goal, road safety is one of its priority action areas, as seen in two examples.

€11.7 MILLION COMMITTED IN 2015



120 PROJECTS SUPPORTED IN 2014-2015



• **In France**, the Foundation is funding events organized by the French road safety association (APR) in schools and recreation centers, using a game that teaches children how to stay safe when walking, cycling, or riding in a car or public transport.



• **In Southeast Asia**, the Foundation is supporting the Safe Mobility program being deployed by the Children of the Mekong NGO in Cambodia, Thailand, the Philippines, Laos and Myanmar. Primarily designed to help keep children safe on their way to and from school, the program includes the purchase of bicycles and helmets, as well as road safety classes conducted by local Michelin employees.



9

***CORPORATE GOVERNANCE
AND FINANCIAL RESULTS***

RESPONSIBLE, SUSTAINABLE GOVERNANCE

AT MICHELIN, CORPORATE GOVERNANCE IS A ROBUST PROCESS FOCUSED ON LONG-TERM RESPONSIBILITY. THE SUPERVISORY BOARD ACTS INDEPENDENTLY AND THE MANAGING PARTNER HAS FULL MANAGEMENT RESPONSIBILITY.



The Michelin partnership limited by shares

Tire manufacturing is a capital-intensive industry in which the pace of technological innovation is relatively slow. Being able to deploy long-term strategies led by a stable, responsible management team acting in the shareholders' best interests is a major advantage. This is further enhanced by the incorporation of Compagnie Générale des Etablissements Michelin (CGEM), the Group's parent company, as a partnership limited by shares (SCA).

The Managing Partners are elected by shareholders at the Annual Meeting. When they are Managing General Partners, they have joint and several personal liability for the Company's debt. Since 2011, the term of office of any new Managing Partner, whether General or Non-General, has been limited to four years, renewable and revocable.

This is the case with Jean-Dominique Senard, who was elected by shareholders as Managing General Partner on May 13, 2011 and Chief Executive Officer on May 11, 2012. His four-year term was renewed in October 2014 at the initiative of the Non-Managing General Partner (SAGES) with the agreement of the Supervisory Board. Consequently, his term of office as Managing General Partner will expire at the close of the Annual Meeting called to approve the financial statements for the year ending December 31, 2018.

Senior management and organizational structure

Michelin is led by Jean-Dominique Senard, Chief Executive Officer and Managing General Partner, assisted by a 12-member Executive Council.

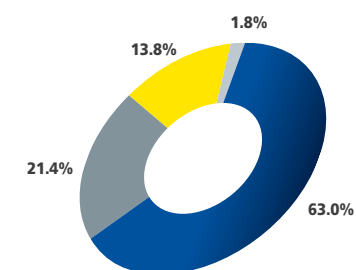
- **The operating activities**, led by the General Operations Department, are organized into four Product Lines: Passenger Car – Light Truck, Truck, Specialty (Earthmover, Agricultural, Two-Wheel and Aircraft tires) and Materials. Each line is dedicated to bringing products and services to its markets worldwide. They define their own strategy and are responsible for their results.
- **The Corporate Departments** ensure the consistency of the Group's policies. They provide specialized assistance to the Product Lines, lending expertise and guaranteeing process efficiency.
- **The Progress and Geographic Zones Department** ensures that improvement initiatives are aligned with corporate strategy and provides operating units with the appropriate resources to drive progress. It leads the Product Line support functions in our seven Geographic Zones: Africa-India-Middle East, North America, South America, East Asia and Australia, China, Europe, and Eastern Europe.

A clear separation of powers

The Supervisory Board exercises permanent oversight of Michelin's management and assesses its quality on behalf of the shareholders, presenting a report on its findings at each Annual Meeting. It issues opinions on strategy, capital expenditure, acquisitions and asset disposals, and approves the election or removal from office of Managing Partners and their compensation.

BASED ON THE PRINCIPLE OF PERSONAL RESPONSIBILITY OVER THE LONG TERM, MICHELIN'S CORPORATE GOVERNANCE STRUCTURE IS BUILT ON A SUPERVISORY BOARD THAT ACTS INDEPENDENTLY AND A MANAGING PARTNER WHO HAS FULL MANAGEMENT RESPONSIBILITY.

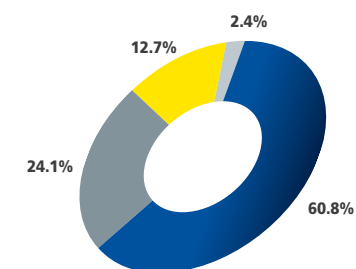
Ownership structure at December 31, 2015



- ▶ Non-resident institutional investors
- ▶ French institutional investors
- ▶ Individual shareholders
- ▶ Employee Shareholder Plan

Shares outstanding: 181,902,182

Voting rights structure at December 31, 2015



- ▶ Non-resident institutional investors
- ▶ French institutional investors
- ▶ Individual shareholders
- ▶ Employee Shareholder Plan

Voting rights outstanding: 242,005,720


SUPERVISORY BOARD

The Supervisory Board has nine members, including four women and three non-French people. Six members are independent based on the criteria prescribed in the AFEP-MEDEF Code. One member

represents employees and another is responsible for supervising Michelin Performance and Responsibility activities, which relate to our corporate social responsibility commitments.



1. MICHEL ROLLIER 
Chairman of the Supervisory Board
Member of the Compensation and Appointments Committee
Former Managing General Partner
President of France's Automotive Industry Platform (PFA)

2. OLIVIER BAZIL 
Independent Member
Chairman of the Audit Committee
Director of Legrand, Vallourec and Firmenich

3. PAT COX 
Member of the Compensation and Appointments Committee
Oversees Michelin Performance and Responsibility activities
Former President of the European Parliament

4. BARBARA DALIBARD 
Independent Member
Chair of the Compensation and Appointments Committee
Member of the Group Innovation Committee
Chief Executive Officer of SNCF Voyages

5. JEAN-PIERRE DUPRIEU 
Independent Member
Member of the Audit Committee
Executive Vice President of the Air Liquide Group

6. ARUNA JAYANTHI 
Independent Member
Chief Executive Officer of Capgemini India

7. ANNE-SOPHIE DE LA BIGNE 
Independent Member
Member of the Audit Committee
Vice President in charge of Civil Affairs, Public Affairs Division France, Airbus Group

8. CYRILLE POUGHON 
Employee representative
Secretary of the Michelin European Works Council
Michelin Quality of Worklife Project Leader



MONIQUE F. LEROUX 
Independent Member
Chair of the Board, President and Chief Executive Officer of Desjardins Group
Subject to the ratification of the appointment by the 2016 Annual Shareholders Meeting

The activities of the Supervisory Board and its Committees

The Supervisory Board met eight times in 2015. In particular, it reviewed the strategic plans of each of the major operating units, as well as the proposed acquisitions, industrial restructuring programs and projects to simplify the Group's organization and operating procedures.

As every year, it also assessed its procedures and presented its findings in a dedicated report, which deemed them to be satisfactory. It also praised the quality of the presentations made to the Board during the year.

The Audit Committee assists the Supervisory Board in fulfilling its oversight role, in particular by monitoring the preparation and control of accounting and financial information and reviewing the effectiveness of risk management systems. Chaired by Olivier Bazil, the committee has three members, all of whom are independent. It met four times in 2015 with an attendance rate of 100%.

The Compensation and Appointments Committee studies the independence of the Board's members, examines all components of the Managing General Partner's compensation package and oversees the compensation policy for senior executives as well as the allocation of stock options and performance shares. Chaired by Barbara Dalibard, the committee has three members, two of whom are independent. It met four times in 2015 with an attendance rate of 100%.

THE STATUTORY AUDITORS PRICEWATERHOUSECOOPERS AUDIT

Represented by Eric Bulle, Partner, and his substitute Pierre Coll

DELOITTE & ASSOCIÉS

Represented by Pascale Chastaing-Doblin, Partners, and their substitute, BEAS



THE GROUP REMAINS FOCUSED ON ITS KEY STRATEGIC PRIORITIES. THE SUPERVISORY BOARD IS AS CONFIDENT AS EVER IN THE CHIEF EXECUTIVE OFFICER AND RECOMMENDS THAT YOU VOTE IN FAVOR OF ALL THE RESOLUTIONS SUBMITTED TO YOUR APPROVAL. "

Michel Rollier, Chairman of the Supervisory Board, speaking at the Annual Shareholders Meeting on May 22, 2015.

For more information about Supervisory Board members, please refer to www.michelin.com and the Registration Document, p 88.

ETHICS, INTEGRITY, COMPLIANCE: COMMON RULES AND PRACTICES

MICHELIN EXPECTS EMPLOYEES TO ACT IN ACCORDANCE WITH THE STANDARDS OF INTEGRITY AND ETHICAL BEHAVIOR THAT FORM THE BEDROCK OF ITS CORPORATE CULTURE, AND HAVE BEEN ROBUSTLY DEFINED IN A NUMBER OF EASILY ACCESSIBLE, ACTIVELY PROMOTED REFERENCE DOCUMENTS.

The **Michelin Performance and Responsibility Charter** describes how our key values of respect for customers, shareholders, people, the environment and facts are put into practice.

It is supported by a regularly updated **Code of Ethics** available in 13 languages online and in a print version for team leaders. It defines the standards of ethical behavior applicable in 17 aspects of our business, which act as guidelines to be followed in making decisions on ethical issues.

Ethics and Compliance Committees have been set up in each of the geographic zones and in certain countries. A **shared database** provides access to all of our best practices, useful articles and documents concerning ethics and compliance, and the related decisions made by the Group.

Integrated reporting systems provide an overview of the general situation and developments concerning the initiatives underway in the regions, incidents of non-compliance and the corresponding corrective measures.



ANTI-CORRUPTION CODE OF CONDUCT

Published in 2015, this clear, factual guidebook contains examples, advice and best practices to show Michelin employees and agents how to avoid bribes and unfair or abusive contributions. It focuses on the right way to respond to each situation, so that Michelin is represented with integrity in its business relationships.

TO ENSURE COMPLIANCE, ALL OF THE RULES OF CONDUCT ARE REGULARLY AUDITED.

IN 2015, FRAUD AWARENESS CAMPAIGNS WERE CONDUCTED FOR ALL EMPLOYEES CONCERNED AND PROCEDURES TO COMBAT FRAUD WERE TIGHTENED DURING THE YEAR.

QUESTIONS FOR

FLORENCE VINCENT

EXECUTIVE VICE PRESIDENT, QUALITY, AUDIT AND RISK MANAGEMENT
MEMBER OF THE EXECUTIVE COMMITTEE



How can the Group instill its Code of Ethics and ensure compliance?

Awareness-building and other forms of training play a major role. At every level, an important component of our training programs is instilling a strong set of values – values that have been a part of the Group for many years – so that everyone is in a position to understand and comply with the Code of Ethics and managers of all grades can set the example. Ethics and Compliance committees have also been set up in each of the geographic zones and in several countries. They monitor the ongoing implementation of and compliance with the Code of Ethics, which are subject to internal controls and regular audits. The committees also take preventive or corrective action as needed.

What are the main issues?

You have to focus on ethical behavior in every situation, regardless of the circumstances or pressure to bend the rules. We have straightforward procedures that make it easy for employees to resolve any problems confidentially. It might be hard to meet your targets in today's business environment, but that's no excuse for failing to follow our ethical guidelines. They're not negotiable.

A solid collection of documents



A NEW CRISIS MANAGEMENT PROCESS TESTED IN 2014, THE NEW FULLY ALIGNED, HIGHLY EFFECTIVE CRISIS MANAGEMENT PROCESS WAS DEPLOYED ACROSS THE ORGANIZATION IN 2015.



INVESTOR RELATIONS

BY INVESTING IN MICHELIN, OUR SHAREHOLDERS BECOME PART OF AN EXTRAORDINARY HUMAN, TECHNOLOGICAL AND INDUSTRIAL SAGA THAT HAS BEEN IMPROVING MOBILITY FOR MORE THAN 125 YEARS. THEY ARE ALSO SUPPORTING A STRATEGIC VISION THAT COMBINES PERFORMANCE AND RESPONSIBILITY TO DRIVE SUSTAINABLE GROWTH AROUND THE WORLD AND CREATE MORE VALUE FOR EVERYONE.

Ongoing dialogue

In 2015, nearly 1,350 people attended the Annual Shareholders Meeting in Clermont-Ferrand. Management also met with individual shareholders in Paris and seven other French cities. In addition, the investor relations team participated in road shows in around twenty countries during the year in a commitment to ongoing dialogue with analysts and investors.

A dedicated team

Acting as a preferred point of contact for the entire investor relations process, a specialized team offers shareholders support and assistance in all their transactions, including opening accounts, issuing buy and sell orders, and preparing estate transfers and gifts, in liaison with notaries and heirs.

By providing guidance, the Shareholder Consultative Committee helps to improve communication and dialogue with private shareholders. Its 14 members, including two employee shareholders, serve four year terms. It met twice in 2015 and helped to prepare the Annual Meeting.

Nearly 200,000 shareholders support our ambitions. All of them hold registered shares

119,300 individuals

69,000 employees in 47 countries

3,200 institutional investors

THE MICHELIN SHARE

Michelin shares are traded on the NYSE Euronext Paris stock exchange

- ▶ Compartment A
- ▶ Eligible for the SRD deferred settlement system
- ▶ ISIN: FR 0000121261
- ▶ Par value: €2.00
- ▶ Traded in units of: 1
- ▶ Shares outstanding: 181,902,182 all fully paid up

Market capitalization

€16 billion at December 31, 2015

Average daily trading volume

719,709 shares in 2015

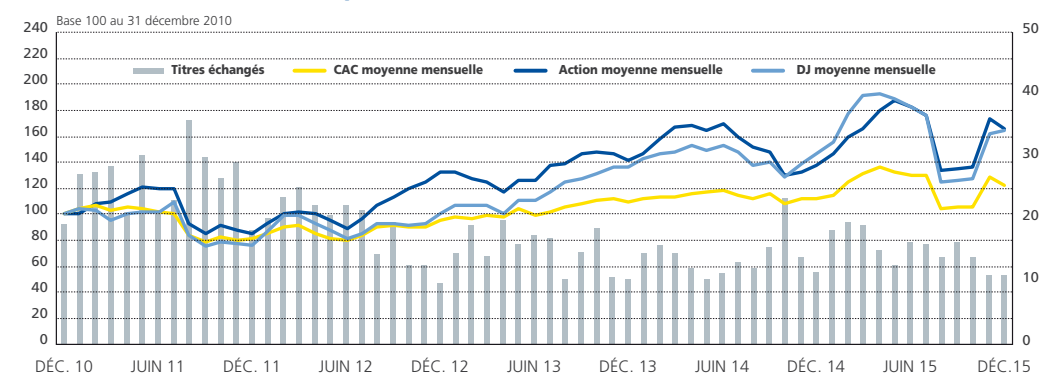
Stock index weighting at December 31, 2015

- ▶ 1.70% of the CAC 40 index
- ▶ 0.71% of the Euronext 100 index

Socially Responsible Investing (SRI)

- ▶ Dow Jones Sustainability Index for European sustainability leaders (DJSI Europe) and DJSI World for global sustainability leaders
- ▶ Ethibel Sustainability Index (ESI) Europe
- ▶ Advanced Sustainable Performance Index (ASPI) Eurozone

SHARE PERFORMANCE, DECEMBER 2010 – DECEMBER 2015



Share price IN €	2015	2014	2013	2012	2011
High	103.90	94.33	84.71	72.58	68.54
Low	71.60	65.10	57.23	45.32	40.20
Closing price, end of period	87.90	77.27	77.25	71.59	45.68
Change over the period	+16.78%	-2.56%	+7.9%	+56.7%	-14.9%
Change in the CAC 40 index	+8.53%	-0.54%	+18.0%	+15.2%	-20.4%

Per share data IN €	2015	2014	2013	2012	2011
Net assets per share	52.5	51.3	49.8	46.60	45.90
Basic earnings per share	6.28	5.52	6.08	8.62	8.14
Diluted earnings per share ⁽¹⁾	6.19	5.45	5.98	8.41	7.97
Price-earnings ratio	14.0	13.6	12.7	8.3	5.6
Dividend for the year	2.85*	2.50	2.50	2.40*	2.10*
Pay-out ratio	37%	41%	35%	28.7%	30%
Yield ⁽²⁾	3.2%	3.3%	3.2%	3.4%	4.6%

* To be submitted to shareholder approval at the Annual Meeting on May 13, 2016.

(1) Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.

(2) Dividend/share price at December 31.

A higher dividend and a major share buyback program

Shareholders have been asked to approve a dividend of €2.85 per share in respect to 2015, up 14% from the prior year.

At the same time, a €750-million share buyback and capital reduction program was launched in April 2015, to run for 18 to 24 months. Reflecting management's confidence in the Group's ability to structurally generate free cash flow, the program is part of Michelin's balanced, dynamic relationship with its shareholders, who have consistently supported its growth over the years.

Two initial tranches of 4.9 million shares were purchased in 2015 for a total of €451 million.

More information at www.michelin.com

* Of consolidated net income before non-recurring items.

THE GLOBAL TIRE MARKET IN 2015



STRICTER STANDARDS FAVORING FUEL-EFFICIENT TIRES

The introduction of increasingly strict vehicle emissions in a growing number of markets, starting in Europe, North America and China, is spurring demand for fuel-efficient, low rolling resistance tires, of which Michelin is the world's largest producer.

The OE segment could represent sales of up to 500 million units in 2020.

In the replacement segment, the display of standardized performance ratings, which has been introduced in the European Union, South Korea and Japan and is currently under study in the United States, Brazil and China, enables both business users and consumers to make informed choices in buying their tires.

1.7
BILLION TIRES
\$180
BILLION⁽¹⁾

60% FOR LIGHT VEHICLES
30% FOR TRUCKS⁽²⁾
25% ORIGINAL EQUIPMENT
75% REPLACEMENT⁽²⁾

A CONTRASTED GLOBAL MARKET IN 2015

BY VOLUME, WORLDWIDE DEMAND ROSE BY 2% FOR LIGHT VEHICLE TIRES AND CONTRACTED BY 2% FOR HEAVY VEHICLE TIRES.



Car and light truck tires

Original equipment demand rose by 2% worldwide, with gains of 7% in Western Europe, 4% in North America, 8% in the Africa, India, Middle East region and 1% in Asia (excluding India), of which 5% in China alone. On the other hand, it fell 24% in Eastern Europe and 19% in South America, two regions hard hit by recession.

Replacement demand rose in every region, by 1% in North America, 3% in Europe and Asia (excluding India), 5% in the Africa, India, Middle East region and 1% in South America.

Truck tires

In the OE segment, demand shrank 7% overall amid mixed regional performances. Strong growth of 11% in Western Europe, 7% in North America and 16% in Africa, India and the Middle East contrasted with declines of 20% in Eastern Europe, 19% in Asia excluding India, and 48% in South America.

Replacement demand slipped 1%, reflecting increases of 7% in Western Europe, 4% in North America and 1% in the Africa, India, Middle East region, and declines of 11% in Eastern Europe, 3% in Asia excluding India and 8% in South America.

Specialty tires

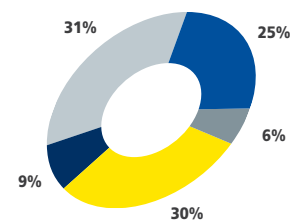
Earthmover tires. The decline in commodity prices caused a steep fall-off in mining tire demand, while the infrastructure and quarry tire markets edged up slightly in the mature geographies.

Agricultural tires. Demand was down in both the original equipment and replacement markets.

Two-wheel tires. The motorcycle and scooter tire markets improved in both mature and emerging economies.

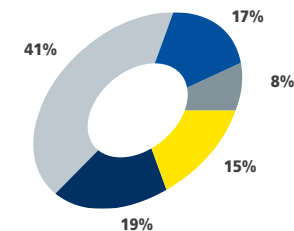
Aircraft tires. Demand in the commercial aircraft segment continued to grow, led by the increase in passenger traffic.

Car and light truck tires: 1.5 BILLION TIRES⁽²⁾



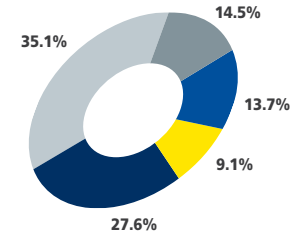
- ▶ North America
- ▶ South America
- ▶ Europe
- ▶ Africa, India, Middle East
- ▶ Asia (excluding India)

Truck and bus tires: 184 MILLION TIRES⁽²⁾



- ▶ North America
- ▶ South America
- ▶ Europe
- ▶ Africa, India, Middle East
- ▶ Asia (excluding India)

Breakdown of the world market, in value



- ▶ Bridgestone
- ▶ Michelin
- ▶ Goodyear
- ▶ Mid-size tiremakers*
- ▶ Other tiremakers**

* Market share of 2% to 6%.
** Market share of less than 2%.
Source: 2014 sales in dollars - Tire Business, September 2015.

A EUROPEAN TRUCK TIRE MARKET WEAKENED BY RECESSION AND ASIAN IMPORTS

As a whole, the European market remained nearly 20% below its 2007 pre-recession level, even as Asian imports continued to increase their market share, to more than 16% or four times their 2003 level.⁽¹⁾ This has led to intense price pressure that is weighing on European tiremakers, prompting Michelin to reorganize its truck tire operations in the region.



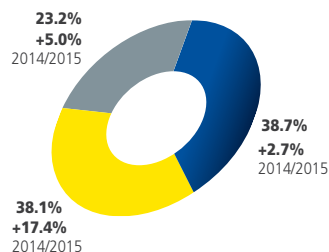
(1) Tire Business 2015. (2) Michelin estimate.

(1) According to the European Tyre & Rubber Manufacturers Association (ETRMA).

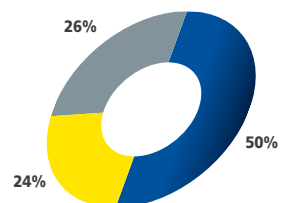
A GLOBAL FOOTPRINT

AS A GLOBAL LEADER IN EVERY TIRE MARKET AROUND THE WORLD, MICHELIN IS CONSTANTLY REALIGNING ITS PRODUCTION RESOURCES IN SYNC BOTH WITH TODAY'S SHIFTING DEMAND AND THE EMERGING TRENDS OF TOMORROW. IT IS ALSO OPTIMIZING ITS SUPPLY CHAIN ORGANIZATION AND STRENGTHENING ITS DEALERSHIP NETWORKS IN EVERY HOST COMMUNITY.

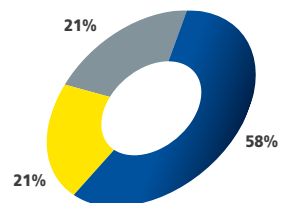
2015 net sales €21,199 MILLION



2015 capital expenditure €1,804 MILLION of which growth investments €808 MILLION



Full-time equivalent employees in 2015 105,800 PEOPLE



- ▶ Europe⁽¹⁾
- ▶ North America⁽²⁾
- ▶ Other regions

(1) Including Russia and the CIS.
(2) Including Mexico.

* Full-time equivalent employees at December 31, 2015.



EUROPE

61,400 EMPLOYEES*
1 RESEARCH, DEVELOPMENT AND PROCESS ENGINEERING FACILITY • 7 COMPONENT AND SEMI-FINISHED PRODUCT PLANTS
15 PASSENGER CAR AND LIGHT TRUCK TIRE PLANTS
15 TRUCK TIRE PLANTS • 9 SPECIALTY TIRE PLANTS
2,280 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

- ▶ Research, Development and Process Engineering: commissioning of the first phase of the Uralad worldwide research center in Ladoux-Clermont-Ferrand.
- ▶ Component and Semi-Finished Products: termination of production at the Fossano, Italy plant in 2016.
- ▶ Passenger Car and Light Truck tires: specialization at the Roanne, France plant, capacity extensions at the Cuneo, Italy plant, ramp-up at the Dundee, Scotland plant.
- ▶ Truck tires: termination of production at the Budapest, Hungary plant in 2015, at the Pneu Laurent retreading facility in Oranienburg, Germany in 2016 (with consolidation of retreading operations in Avallon, France) and at the Ballymena, Northern Ireland plant in 2018. Refocus on new tires at the Alessandria, Italy plant.

ASIA (EXCLUDING INDIA)

15,000 EMPLOYEES*
3 RESEARCH, DEVELOPMENT AND PROCESS ENGINEERING FACILITIES
3 COMPONENT AND SEMI-FINISHED PRODUCT PLANTS • 4 PASSENGER CAR AND LIGHT TRUCK TIRE PLANTS
3 TRUCK TIRE PLANTS • 2 SPECIALTY TIRE PLANTS
1,450 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

- ▶ Component and Semi-Finished Products: ramp-up of the new compounding plant in Thailand.
- ▶ Truck tires and Passenger Car and Light Truck tires: ramp-up of the Shenyang2 plant in China.

NORTH AMERICA

21,700 EMPLOYEES*
1 RESEARCH, DEVELOPMENT AND PROCESS ENGINEERING FACILITY • 2 COMPONENT AND SEMI-FINISHED PRODUCT PLANTS
10 PASSENGER CAR AND LIGHT TRUCK TIRE PLANTS • 4 TRUCK TIRE PLANTS • 2 SPECIALTY TIRE PLANTS • 146 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

SOUTH AMERICA

6,000 EMPLOYEES*
1 RESEARCH, DEVELOPMENT AND PROCESS ENGINEERING FACILITY • 1 PASSENGER CAR AND LIGHT TRUCK TIRE PLANT • 2 TRUCK TIRE PLANTS • 1 SPECIALTY TIRE PLANT
4 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

AFRICA, INDIA, MIDDLE EAST

1,700 EMPLOYEES*
1 TRUCK TIRE PLANT • 140 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

- ▶ Truck tires: ramp-up of the Chennai plant in India.
- ▶ Specialty tires: postponement of Chennai Earthmover tire project.



THE WORLD LEADER
IN ENERGY-EFFICIENT
TIRES

30 FACILITIES IN
16 COUNTRIES

PASSENGER CAR AND LIGHT TRUCK TIRES & RELATED DISTRIBUTION

2015 CONTRIBUTION

57% of consolidated net sales **54%** of operating income⁽¹⁾

2015 NET SALES

26% in original equipment **73%** in mature markets
74% in replacement **27%** in growth markets

IN € MILLIONS	2015	2014	Change
Net sales	12,028	10,498	+14.6%
Operating income ⁽¹⁾	1,384	1,101	+25.7%
Operating margin ⁽¹⁾	11.5%	10.5%	+1.0 pt

THE GLOBAL MARKET IN 2015

% YoY growth	ORIGINAL EQUIPMENT	REPLACEMENT
Europe, Russia, CIS	+4%	+3%
North America	+4%	+1%
South America	-19%	+1%
Asia, excluding India	+1%	+3%
Africa, India, Middle East	+8%	+5%
Total	+2%	+3%

INITIATIVES & ACHIEVEMENTS

- ▶ The performance of new products and a record number of original equipment certifications drive faster growth over the year.
- ▶ MICHELIN CrossClimate, the first summer tire certified for winter use, is a big hit in Europe.
- ▶ The MICHELIN Pilot Super Sport tires are exclusive fittings on the BMW X5 M and X6 M models.
- ▶ The Ford Focus Electric and the fully-electric Tesla S both run on MICHELIN tires.
- ▶ BFGoodrich markets 16 new sizes of its flagship BFGoodrich® All-Terrain T/A KO2 tire in the United States and introduces it in Europe.
- ▶ MICHELIN LTX Force, the first tire engineered specifically for the South American market, is launched.
- ▶ Michelin expands its distribution networks with two leading online retailers, Blackcircles in the UK (100%) and Allopneus in France (40%), German wholesaler Meyer Lissendorf (100%) and 260 new TCI, Euromaster and TYREPLUS dealerships in 2015.

(1) Before non-recurring items.



THE WORLD LEADER
IN ENERGY-EFFICIENT
RADIAL TIRES

25 FACILITIES IN
15 COUNTRIES

TRUCK TIRES & RELATED DISTRIBUTION

2015 CONTRIBUTION

29% of consolidated net sales **25%** of operating income⁽¹⁾

2015 NET SALES

28% in original equipment **63%** in mature markets
72% in replacement **37%** in growth markets

IN € MILLIONS	2015	2014	Change
Net sales	6,229	6,082	+2.4%
Operating income ⁽¹⁾	645	495	+30.3%
Operating margin ⁽¹⁾	10.4%	8.1%	+2.3 pt

THE GLOBAL MARKET IN 2015

% YoY growth	ORIGINAL EQUIPMENT	REPLACEMENT
Europe	+7%	+1%
North America	+7%	+4%
South America	-48%	-8%
Asia, excluding India	-19%	-3%
Africa, India, Middle East	+16%	+1%
Total	-7%	-1%

INITIATIVES & ACHIEVEMENTS

- ▶ Tonnages hold firm in declining markets, as margins continue to recover and the European production and supply chain organization is realigned to consolidate improvements.
- ▶ MICHELIN TIRE CARE delivers the power of digital solutions to raise productivity, improve safety and lower costs for trucking companies in North America and Europe.
- ▶ Michelin solutions offers European truckers guaranteed fuel savings with the EFFIFUEL, EFFITIRES and EFFITRAILER suite of services.
- ▶ 15,000 truckers in 17 European countries (soon to be 25) open their MyAccount space on the dedicated Michelin site.
- ▶ The product portfolio in Brazil is broadened with BFGoodrich radial bus and truck tires.
- ▶ In Southeast Asia, Michelin enters the mid-price radial market with the new SIAMTYRE Highway Radial tire.

(1) Before non-recurring items.



14 FACILITIES IN
7 COUNTRIES
THE WORLD LEADER
IN RADIAL TIRES FOR
EARTHMOVERS, FARM
MACHINERY AND AIRCRAFT
THE EUROPEAN LEADER
IN MOTORCYCLE
AND SCOOTER TIRES

SPECIALTY BUSINESSES



INITIATIVES & ACHIEVEMENTS

- ▶ **Two-wheel tires.** In its quest for high performance, Michelin revamped its hypersport and track motorcycle tire lines and announced plans to return to MotoGP in 2016.
- ▶ **Earthmover tires.** The new MICHELIN XDR 250 50/80 R57 tire offers 25% more load capacity for large mining dump trucks, while the third-generation MEMS Evolution3 temperature and pressure monitoring system takes “communicating” tires into the mines to improve productivity.
- ▶ **Agricultural tires.** An increasingly wide array of connected services and new applications for MICHELIN Ultraflex low-pressure technology are enabling farmers to feed the planet while protecting their cropland.
- ▶ **Aircraft tires.** Unveiled at the 2015 Paris Air Show, the new line of MICHELIN Air X tires featuring NZG radial technology can double the number of landings per tire. They are already equipping the Airbus A350 and Boeing 737 and 777 airliners, the Rafale fighter jet and, exclusively, Dassault Aviation’s new Falcon 5X and Falcon 8X business jets.



THE EUROPEAN LEADER
IN MAPS, GUIDES
AND DIGITAL TRAVEL-
SUPPORT SERVICES

MORE THAN 16.5
MICHELIN LIFESTYLE-
LICENSED PRODUCTS
SOLD IN 2015



MICHELIN TRAVEL PARTNER / MICHELIN LIFESTYLE



INITIATIVES & ACHIEVEMENTS

- ▶ **ViaMichelin.** The new version is easier to use on any screen, while the free mobile app features a GPS navigation system and real-time alerts from the user community.
- ▶ **Michelin Guides** introduce two new collections: *Le Carnet* for travelers who want to find authenticity on their own, and the city *In Your Pocket* guides for short city breaks, featuring a pocket-sized, highly informative fold-out map.
- ▶ **Michelin Lifestyle.** The licensed products catalog is enhanced with new accessories, including the MICHELIN Tire Sealant, an emergency repair solution that lets the tire safely roll for another 400 km. It is aerosol-based, so no air compressor is required.



2015 CONTRIBUTION

14% of consolidated net sales **21%** of operating income⁽¹⁾

2015 NET SALES

51% in mature markets **49%** in growth markets

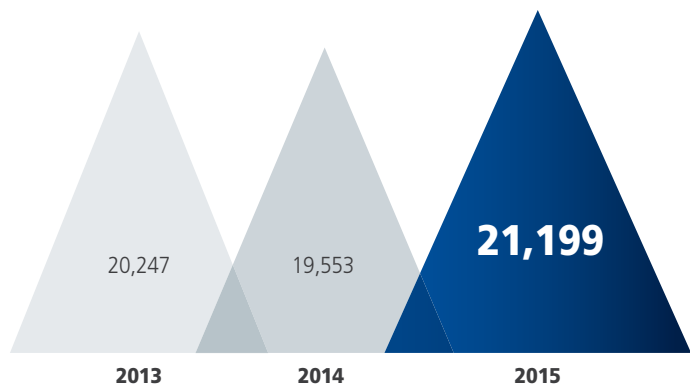
IN € MILLIONS	2015	2014	Change
Net sales	2,942	2,973	-1.0%
Operating income ⁽¹⁾	548	574	-4.5%
Operating margin ⁽¹⁾	18.6%	19.3%	-0.7 pt

(1) Before non-recurring items.

FINANCIAL PERFORMANCE
 MICHELIN'S VERY GOOD FINANCIAL RESULTS IN AN UNEVEN MARKET ENVIRONMENT ATTEST TO THE STRUCTURAL IMPROVEMENT IN ITS PERFORMANCE.

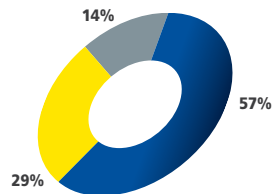
Net sales

In € millions



Net sales 2015 by business

as a % of total in the chart. In € millions and % change 2015/2014 below the chart.

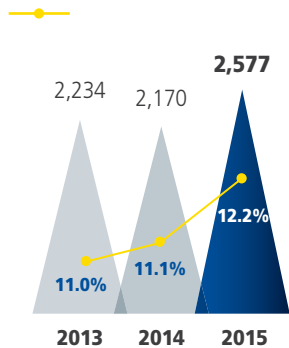


- ▶ **12,028 / +14.6%** Passenger Car and Light Truck tires & Related Distribution
- ▶ **6,229 / +2.4%** Truck tires & Related Distribution
- ▶ **2,942 / -1.0%** Specialty businesses

Operating income⁽¹⁾

In € millions

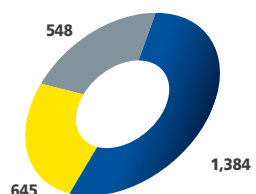
Operating margin⁽¹⁾ as a % of net sales



(1) Before non-recurring items.

Operating income⁽¹⁾ 2015 by business

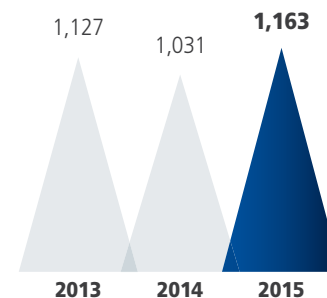
In € millions in the chart. As a % of net sales and point change 2015/2014 below the chart.



- ▶ **11.5% / +1.0pt** Passenger Car and Light Truck tires & Related Distribution
- ▶ **10.4% / +2.3pt** Truck tires & Related Distribution
- ▶ **18.6% / - 0.7pt** Specialty businesses

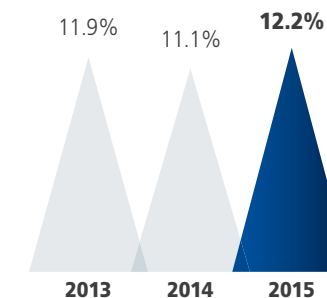
Net income

In € millions



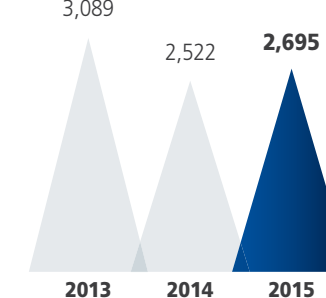
Return on capital employed⁽²⁾

As a %



Cash flow from operating activities

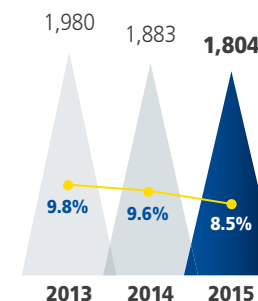
In € millions



Gross capital expenditure

In € millions

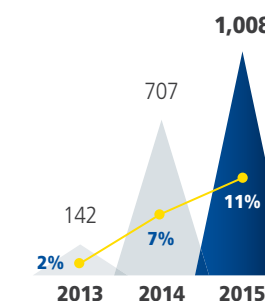
As a % of net sales



Net debt

In € millions

As a % of equity



(2) Operating income after tax/economic assets employed.

Structural free cash flow⁽³⁾

In € millions

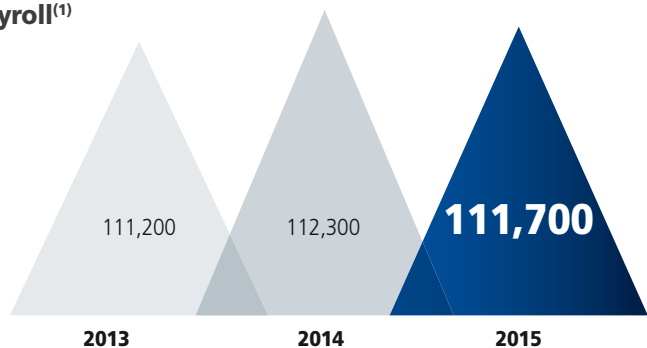


(3) After capital expenditure and before payment of dividends.

SOCIAL INDICATORS

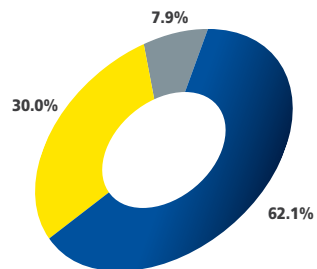
MICHELIN HIRED AND TRAINED 6,057 EMPLOYEES IN 2015.

Employees on payroll⁽¹⁾ at December 31



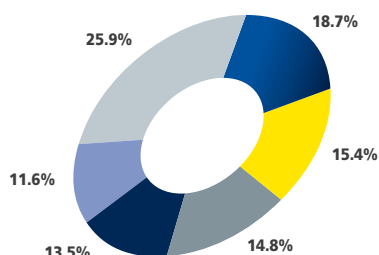
(1) Full-time equivalent employees, consolidated companies, under any form of work contract, excluding temp agency workers.

2015 employees by job category⁽²⁾



- ▶ Production operators
- ▶ Administrative employees, technicians and supervisors
- ▶ Managers

Employees on payroll in 2015 by length of service⁽²⁾



- ▶ Less than two years
- ▶ 2-5 years
- ▶ 5-10 years
- ▶ 10-15 years
- ▶ 15-20 years
- ▶ More than 20 years

(2) Michelin Group, excluding Euromaster, TCI, Tigar and companies acquired during the year.

SAFETY

27 PLANTS HAD NO LOST-TIME INCIDENTS IN 2015.

2020 TARGET: TCIR OF 2 OR LESS

(1) Total Case Incident Rate: the number of workplace incidents affecting employee health per number of hours worked.

TCIR⁽¹⁾

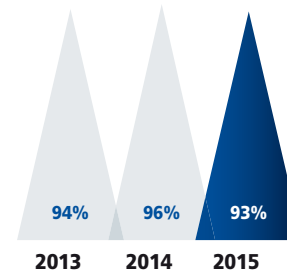
As a % Including dealership networks



TRAINING

Percentage of training hours per total hours worked: 3.5%
Number of hours of training per employee per year: 64

▶ % of employees who received training



DIVERSITY

68% OF THE TOP MANAGERS IN COUNTRIES IN GROWTH REGIONS WERE BORN IN THE REGION.

2020 TARGET: 80%

75% OF MANAGEMENT POSITIONS ARE HELD BY EMPLOYEES PROMOTED THROUGH INTERNAL MOBILITY.

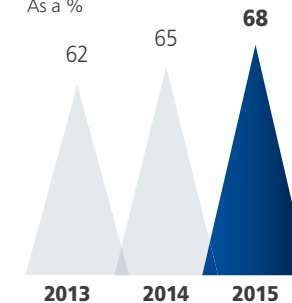
2020 TARGET: 75%

24% OF MANAGERS AND SUPERVISORS ARE WOMEN.

2020 TARGET: 30%

Percentage of managers coming from fast-growing regions

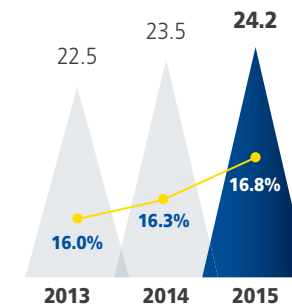
As a %



Percentage of women managers and supervisors⁽²⁾

As a %

▶ % of women on payroll



(2) Employees with a level of responsibility of A to N, according to the Hay method.

ENGAGEMENT

77% OF EMPLOYEES ARE ENGAGED

2020 TARGET: 85%

Annual internal survey, 2015 – 86% participation rate

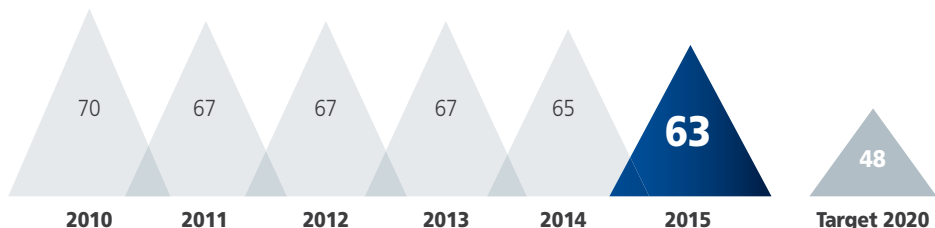
58,980 PROGRESS AND INNOVATION IDEAS SUBMITTED IN 2015.

2020 TARGET: 100,000

ENVIRONMENTAL INDICATORS

THE MICHELIN SITES ENVIRONMENTAL FOOTPRINT (MEF) MEASURES THE ENVIRONMENTAL IMPACT OF OUR MANUFACTURING, LOGISTICS AND RESEARCH FACILITIES. COMPRISED OF SIX WEIGHTED BASIC INDICATORS, IT IS CALCULATED FOR EACH FACILITY AND CONSOLIDATED AT GROUP LEVEL. IN LINE WITH THE COMMITMENT TO DRIVING A 50% REDUCTION IN OUR FOOTPRINT BETWEEN 2005 AND 2020, THE TOTAL REDUCTION SINCE 2005 CAME TO 37.2% IN 2015.

MEF reduced by 10% since 2010



MEF Basic components and weighting



Components	Weighting
Resources consumption	
Energy	15
Water	15
Emissions	
VOCs*	25
CO ₂	15
Waste	
Total weight produced	15
Total weight landfilled	15
Total	100

95%
OF MANUFACTURING
AND RESEARCH
FACILITIES HAVE BEEN
ISO 14001-CERTIFIED.

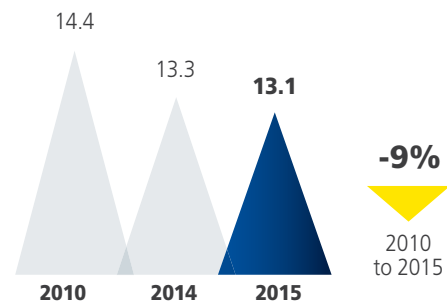
MEF performance

	2010	2014	2015	Unit ⁽¹⁾	In absolute value	Unit
Energy use	14.4	13.3	13.1	GJ/t TP	42,697	GJ '000s
Water use	11.8	11.2	10.5	cu.m/t TP	34,314	cu.m '000s
VOC* emissions	2.9	2.5	2.49	kg/t TP	8,145	T
CO ₂ emissions	1.3	1.2	1.09	t/t TP	3,564	t '000s
Waste produced	109.5	118.0	115.2	kg/t TP	376,192	T
Waste landfilled	10.2	7.9	7.4	kg/t TP	24,033	T
MEF (basis 100 in 2005)	70	65.1	62.8			

(1) Per tonne of tires produced.
* Volatile organic compounds.

Energy use reduced by 9% since 2010

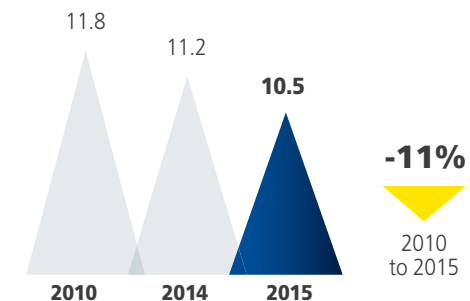
in GJ per tonne of tires produced



1 GJ = 277.5 kWh

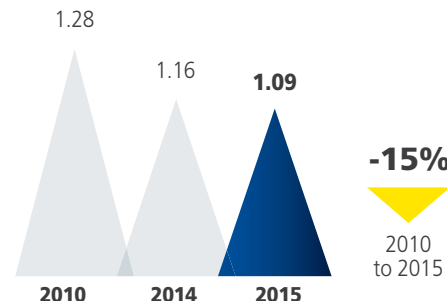
Water use reduced by 11% since 2010

in cu.m per tonne of tires produced



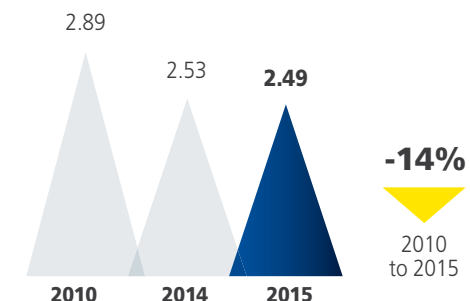
CO₂ emissions reduced by 15% since 2010

in tonnes per tonne of tires produced



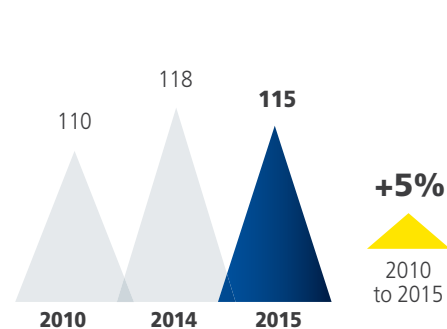
VOC emissions reduced by 14% since 2010

in kg per tonne of tires produced



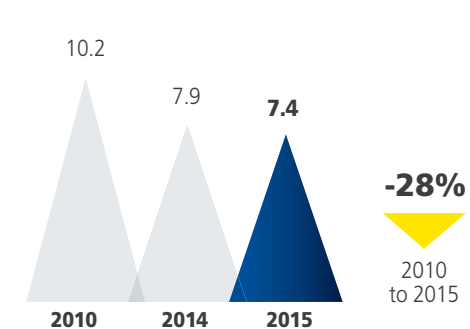
Waste production up by 5% since 2010

in kg per tonne of tires produced



Landfilled waste reduced by 28% since 2010

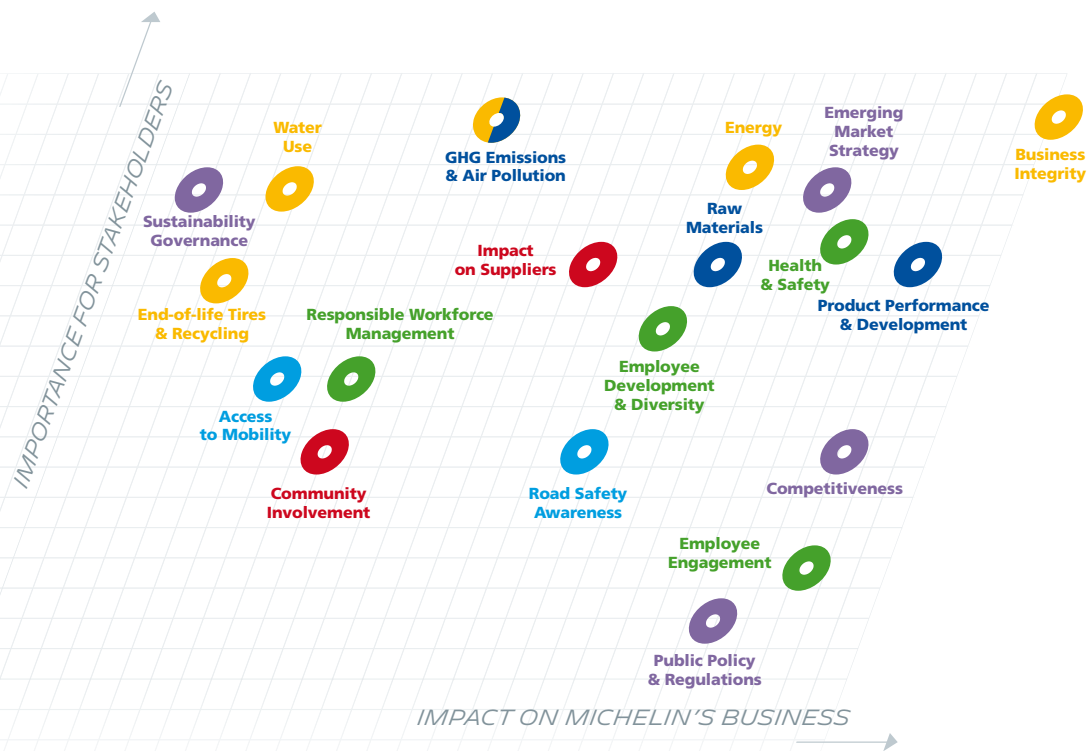
in kg per tonne of tires produced



Data related to all of these indicators have been reviewed by PricewaterhouseCoopers, whose review report may be found in the 2015 Registration Document.

MATERIALITY MATRIX

In 2014, 19 priority issues were cross-functionally identified from more than 100 business, environmental, employee relations, social responsibility and corporate governance issues and challenges. They were then organized into a GRI 4-compliant materiality matrix aligned with our identified opportunities and risks. Their degree of importance to civil society was assessed using a cross-documentary method. Understanding the materiality of each issue helps to guide our discussions with stakeholders.



- Product performance leadership
- Sustainable financial performance
- Live in harmony with our communities
- Leadership in responsible operations
- Commitment to the well-being and development of our employees
- Advocacy: Fostering better life through sustainable mobility

PRIZES, AWARDS AND DISTINCTIONS



AN ADMIRER COMPANY

▶ Michelin ranked 19th out of the world's 100 most reputable companies, as rated by the Global RepTrak 2015 survey of more than 61,000 consumers in 15 countries. Michelin was the leading French company and the top-ranked tiremaker.

▶ In France, Michelin was the third most reputable company in the Paris stock exchange's benchmark CAC 40 index, based on the seven criteria rated in the March 2015 Reputation Institute and Burson Marsteller i&e survey: products and services, governance, corporate citizenship, innovation, employer brand, leadership and performance.

▶ For the third year in a row, Michelin was France's favorite company, according to the November 2015 Posternak/Ifop poll.

▶ Michelin ranked first in product quality in the 2015 Publics Réputation Viavoce Syntec RP survey.

▶ At the Tire Technology International Awards 2015, Michelin was voted "Tire Manufacturer of the Year" and won the "Tire Technology of the Year" award for MICHELIN EverGrip™.

▶ According to the YouGov market research firm, Michelin ranks among the world's five most innovative companies.

A SOCIALLY ENGAGED ENTERPRISE

▶ Michelin ranks 17th out of the world's top 100 companies in terms of CSR, as assessed by the Global CSR RepTrak 2015 survey of more than 150,000 consumers in 15 countries.

Regularly rated for its CSR performance, Michelin is included the following socially responsible investment (SRI) indices:

▶ Dow Jones Sustainability Index for European sustainability leaders (DJSI Europe) since 2005 and DJSI World since 2006, based on surveys by Sustainable Asset Management (RobecoSAM) on behalf of the DJSI. In 2015, Michelin was ranked the global automotive equipment industry's sustainability leader with a score of 87/100.



▶ The Advanced Sustainable Performance Index (ASPI) Eurozone since 2002 and the NYSE Euronext Vigeo Index since 2013, based on annual sustainable responsibility assessments by Vigeo.

▶ Following an audit by the Vigeo agency, Michelin was awarded France's Responsible Supplier Relationships label by the government's supply dispute mediators and the French purchasing executives and buyers association.

A VALUED SUPPLIER

▶ Michelin received the "Boeing Performance Excellence Award" and was named Boeing "Supplier of the Year".

▶ CNH Industrial, one of the world's leading farm machinery manufacturers, honored Michelin with a "Best Supplier Award 2015" for its fittings on New Holland equipment.

▶ John Deere & Company triple-crowned Michelin in 2015, presenting the "Innovation of the Year" award to the airless Michelin Tweel Technology and naming the Group "Supplier of the Year" and "Partner-level Supplier", the highest rating accorded to suppliers as part of Deere's ongoing "Achieving Excellence" initiative. **1**

▶ Honda Brazil honored Michelin for its "Excellence in new car development".

▶ Farm machinery manufacturer ROPA and Michelin were awarded the silver medal in the Innovation category at the Agritechnica trade fair.



HIGHLY APPRECIATED COMMUNICATION

- Michelin won the “Best Improvement” award at the Grands Prix de la Transparence 2015.
- French investor magazine *Le Revenu* rated Michelin’s Annual Meeting and individual shareholder relations services among the best of the CAC 40 companies.
- Michelin’s 2014 annual report was ranked among the 100 best worldwide, third among French companies and third in the global automotive industry in ReportWatch’s 2015 Annual Report.
- The 2014 Annual and Sustainable Development Report won the Silver TopCom Award in the CAC 40 Annual Reports category. **2**

AN ACCLAIMED BRAND

- MICHELIN ranked 233rd among the world’s most valuable brands in the 2015 BrandFinance® Global 500 report. It was valued at more than €5 billion, up 31% on the previous year.
- MICHELIN is one of the world’s top 100 most powerful brands, according to Tenet Partners.
- MICHELIN has the most powerful online brand voice, a distinction it has held for the last ten years in the NetNames ranking.
- MICHELIN was “Tire Brand of the Year” in the 2015 Harris Poll EquiTrend® rankings.
- MICHELIN is the most searched for tire brand in Europe, ranking number one in seven of the 15 countries surveyed and among the top three in 13 countries, according to tire price comparison service Tirecomp.
- The Best Brands survey conducted by GfK and Serviceplan ranked MICHELIN 8th out of the best corporate brands in Europe.
- MICHELIN is the best brand of automotive accessories and services in Germany, according to the 2015

BrandIndex published by YouGov and *Handelsblatt*.
 ► For the tenth time, MICHELIN was voted best truck tire brand in Germany (Lastauto omnibus and Fernfahrer 2015).

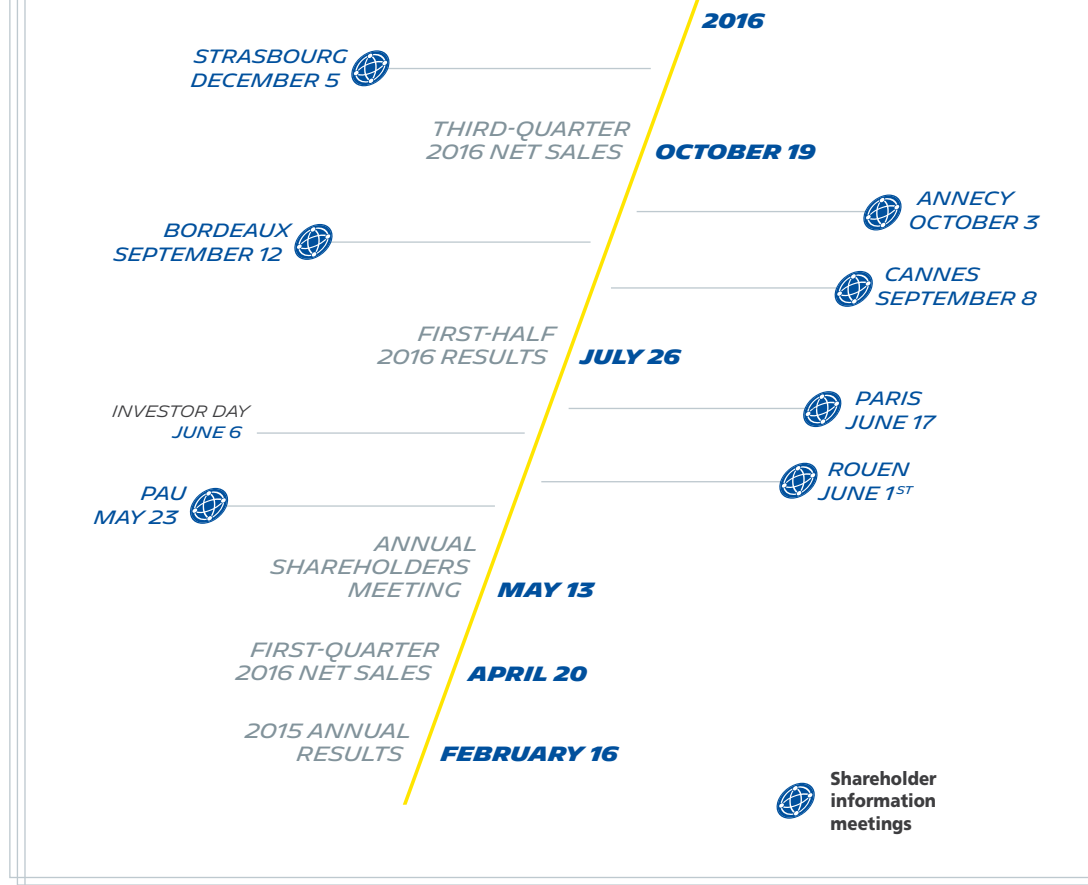
SATISFIED CUSTOMERS

According to J.D.Power surveys of customer satisfaction with original equipment:
 ► In the United States, MICHELIN has been ranked number one for the past five years in the premium and passenger car tire segments.
 ► In China, MICHELIN is the leading mass-market brand and ranks highest in the brand impression index, indicating very strong brand equity.
 ► In Japan, MICHELIN ranks highest in the four vehicle segments surveyed and has also been front-ranked for the past 12 years in original equipment and replacement winter tires.
 ► In the 2015 ADAC summer tire tests, the MICHELIN Primacy 3 tire was a triple winner, with best-in-class ratings in dry braking, wet braking and tread life.

WINNING TIRES

- 2015 FIA WEC: Porsche and Michelin won the Manufacturers’ and Drivers’ cups in the LM GTE class.
- MICHELIN scored victories in every category in the 2015 Dakar Rally:
 - **Cars:** A clean sweep of the podium for the MICHELIN Latitude C tire, while the new MICHELIN D15 tire shone on its debut Dakar.
 - **Two-wheels:** the combination of the MICHELIN Desert Race tire and the MICHELIN Bibmousse puncture-proof insert proved once again to be the solution to beat.
 - **Trucks:** the MICHELIN XZL+ tire dominated the field.
- 24th victory for Michelin at the 24 hours of Le Mans with Porsche, which racked up its 17th win. **3**
- Michelin was the Formula E champion with every car running on MICHELIN Pilot Sport EV tires.

2016 INVESTOR CALENDAR



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