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JEAN-DOMINIQUE SENARD  
CHIEF EXECUTIVE OFFICER

### DEAR SHAREHOLDER,

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

During the Meeting, I discussed the highlights of our company's business performance and strategy with the attending shareholders.

**Michelin is in good shape.** Thanks to a very robust balance sheet, backed in particular by the ability to generate high cash flow, your company has been able to invest heavily to build its future and secure its competitiveness. Since 2010-2011, around € billion in capital expenditure, or the equivalent of nearly 10% of annual revenue, has been deployed every year and, since early 2014, some €500 million has been spent on acquisitions, notably in digital capabilities to enhance the customer experience.

In addition to making these major outlays, your company has also reduced its debt and now enjoys extensive financial leeway.

**Our main priority is to drive faster growth through responsible innovation.** You'll find a few illustrations in this newsletter, but I can't help saying again how proud we all felt in presenting the new CrossClimate tire, or when Boeing recognized us as Supplier of the Year to factory equip the Boeing 737 MAX, the new version of the world's best-selling airliner. We have to drive this growth in a sustainable manner. The new partnership in Indonesia with Barito Pacific Group and the WWF will enable us to develop new rubber-tree plantations while exercising our environmental responsibility by protecting the primary forest. This outstanding eco-friendly natural rubber production initiative will position Michelin as the leader in responsible development and give us direct access to rubber-tree markets. As you know, we are pursuing our assertive growth strategy in every market around the world, based on our diverse capabilities and expertise.

I'd like to thank you for your ongoing commitment, loyalty and trust.

# HORIZONS

Michelin's letter to its shareholders

NUMBER 12  
JUNE 2015



**MICHELIN**

A better way forward



## FINANCIAL INFORMATION MARS 31, 2015

**MARC HENRY,**  
DIRECTEUR FINANCIER DU GROUPE

### › NET SALES OF MICHELIN IN THE FIRST QUARTER 2015

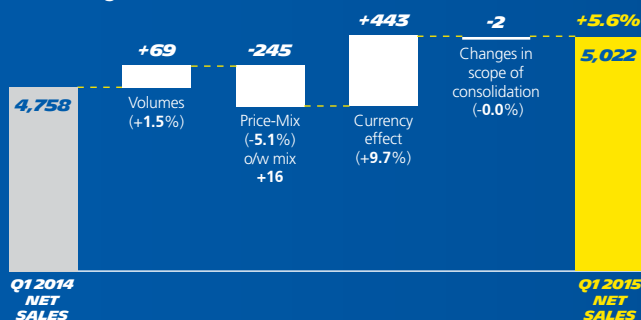
Over the first 3 months of the year, the net sales arise to 5,022 d'€million, rising of 5,6% compared to the same period of 2014, under the effect of the following factors:

- **volumes in growth of 1.5%** in markets in withdrawal and on bases of comparison raised in the 1st quarter 2014,
- **the price-mix effect in retreat of 5,1%** correspondent to the price effect (- 261 d'€million) which integrates the application of the escalator clauses and the falls operated in 2014, and to favorable effect mix (+ 16 d'€million) which reflects the continuation of strategic planning premium to the MICHELIN brand and the clear one recovery volumes of the other brands of the Group,
- **favorable impact of the currency values**, related to the withdrawal of the Euro vis-a-vis the principal operational currencies of the Group.

### › EVOLUTION OF THE NET SALES AND ANALYZES BY OPERATIONAL SECTOR

#### NET SALES UP 5.6% OF WHICH 1.5% DUE TO HIGHER VOLUMES

YoY change (in € millions)



#### CAR AND LIGHT TRUCK TIRES & RELATED DISTRIBUTION: strong volume growth

in € millions	Q1 2015	Q1 2014	% CHANGE
Net sales	2,777	2,520	+10.2%
Volume growth	+6%		

#### VOLUMES enhanced by improved service:

- ➔ MICHELIN brand up 5%
- ➔ Strong BFGoodrich sales in North America, led by launch of new product (All Terrain K02) and brand communication

#### PRIX-MIX:

- ➔ Application of raw materials-based indexation clauses in OE, and price repositioning in Replacement market over 2014-2015 period due to declining oil prices
- ➔ Steady MICHELIN brand mix improvement: 17" + volumes up 12%

#### TRUCK TIRES AND RELATED DISTRIBUTION: volumes in line with a contracting market, given a high basis of comparison

in € millions	Q1 2015	Q1 2014	% CHANGE
Net sales	1,474	1,462	+0.8%
Volume growth	-4%		

#### VOLUMES:

- ➔ Good OE performance in mature markets
- ➔ Higher exports from Europe to meet American demande

#### PRICE:

- ➔ Impact of indexation clauses of prices in OE and of price adjustments decided in 2014

#### PRODUCT AND SERVICES LAUNCH:

- ➔ New MICHELIN® X® WORKS™ free damage guarantee in Europe: better cost control and peace of mind guaranteed for worksite supply activities

#### SPECIALITY BUSINESSES: resilience in contracting markets

in € millions	Q1 2015	Q1 2014	% CHANGE
Net sales	771	775	-0.6%
Volume growth	-4%		

#### VOLUMES:

- ➔ Decline in Mining tire volumes following inventory drawdowns and scaled-back operations at some mines
- ➔ Growth in Earthmover OE and Infrastructure
- ➔ Decrease in Agricultural OE due to farm machinery renewal in recent years
- ➔ Strong increase in the Two-wheel segment

#### PRICE:

- ➔ Application of indexation clauses

#### PRODUCT LAUNCH:

- ➔ MICHELIN XDR 250 mining tire: productivity enhanced by up to 25%

### › CONFIRMED AND SPECIFIED PROSPECTS 2015:

- **With a favorable impact of the raw materials estimated from now on at approximately €600 million** over the year, the Group has for objective an effect positive Price-Mix/Raw materials over the year, the second half-year compensating for the negative effect of first half of the year,
- **The favorable effect of the parities on the operational result is estimated to date beyond €350 million for 2015, Michelin maintains its objectives:**
  - ➔ of a growth of volumes on line with the worldwide trends in the markets on which the Group operates,
  - ➔ of an operational result before nonrecurring elements in growth beyond the exchange bill,
  - ➔ of a profitability of capital employed higher than 11%,
  - ➔ of generation of a free cash-flow structural of approximately €700 million, in parallel of the investment plan of approximately €1.8 billion,
- **Utilization of the treasury available:**
  - ➔ Michelin will continue creative investments of value: activities Tourism van in growth, innovation, services with the fleets Heavyweight and DIGITAL, raw materials and semi-finished products, customer service,
  - ➔ The Group decided the launching of a programme of purchase of shares of €750 million spread out on 18 to 24 months.

## HIGHLIGHTS



## SUPPLIER OF THE YEAR

### MICHELIN HONOURED BY BOEING

Michelin Group's Aircraft Tire Division has been recognized as Supplier of the Year by The Boeing Company. Frank MOREAU, director of Michelin Group's Aircraft Tire Division, accepted the Supplier of the Year award on Michelin's behalf during the awards ceremony. "As the awards are based on quality, on-time delivery, post-delivery support and affordability goals, and demonstrating the ability to anticipate and respond to changing requirements, we are proud to receive this award."

## ACQUISITIONS

### A EUROPEAN COMMITMENT IN THE E-TRADE

In a few weeks, Michelin reached several stages in the implementation of an active strategic planning of E-trade. Mid-April, Michelin announced its acquisition of a 40% stake in **ALLOPNEUS SAS**, the leading French internet tyre retailer on the web. Allopneus sold some 3 million tires in France in 2014, and is enjoying strong growth, accounting today for 7% of the French market. It was essential thanks to a powerful economic model and on the reliability of its services.

Then, at the beginning of May, took place the acquisition of Blackcircles.com, number 1 of the trade of pneumatic tyres on Internet in the United Kingdom, for an amount of 50 million pounds sterling. Based in Edinburgh, **BLACKCIRCLES.COM** carried out 28 million pounds sterling of turnover in 2014 and knew since 2008 a growth of approximately 20% per annum, in particular thanks to its formula "Click & fit", which includes the trade of the product and the service. The acquisition of Blackcircles.com will make it possible Michelin to return more powerful sound mix of distribution networks to the United Kingdom, and to develop synergies with its traditional splitter in particular ATS Euromaster.

Thanks to this alliance with two European players having succeeded in creating a new powerful business model of trade of pneumatic tyres, Michelin pursues its goal to answer new waitings of the motorists, and in particular to propose to them a course of simple and effective purchase at the best cost.



## MICHELIN TWEEL TECHNOLOGIES

### INNOVATION OF THE YEAR

Michelin group has earned multiple prestigious recognitions from Deere & Company (NYSE: DE), the U.S. heavy-equipment manufacturer based in Moline, Ill., for products and support Michelin's operating units deliver globally across various John Deere equipment segments. The Michelin group's Agricultural and Earthmover operating units were named "Supplier of the Year" as well as a Partner-level supplier for 2014. Partner-level supplier is Deere's highest rating for suppliers under its ongoing "Achieving Excellence" initiative.

Additionally, Michelin Tweel Technologies received the John Deere "Innovation of the Year Award" for the MICHELIN® X® TWEEL® TURF™ tire. In 2014, Michelin announced the installation of an exclusive partnership with John Deere for the equipment of origin of a range of mowers with these tires innovating without air.

Michelin believes firmly in this technology of break-up so much so that last November a new factory was especially dedicated to him in the United States.

## JOINT-VENTURE

### JOINT-VENTURE TO PRODUCE NATURAL, ECO-FRIENDLY RUBBER

Michelin announced the creation of a joint-venture in Indonesia with Barito Pacific Group (BPG) for producing natural, eco-friendly rubber. According to the terms of the agreement, Michelin's contribution to the joint-venture amounting to US\$55 million.

The project involves the reforestation of three concessions, representing a total surface area of 88,000 hectares, ravaged by uncontrolled deforestation. On half of these areas, rubber trees will be planted to produce natural rubber (approximately 80,000 tons per annum) and to transform 150,000 tons of them, that is to say more than 15% of the needs for the Group.

The purpose of other half of these pieces will be to recreate a natural environment, to create food crops for the local population, and to

reimplant other endemic plant species. This joint-venture will make it possible the Michelin group to make safe part of its requirements out of natural rubber.

In the framework of promoting practices of sustainable natural rubber production, Michelin has chosen to enter into long-term cooperation with the WWF, a non-governmental organization. The partnership comprises three panes which will relate to the promotion of best-practices of plantation of heveas, on the search and the installation of the best possible solutions in the areas of the plantations and on operations of protection, conservation and restoration of fauna and flora in and around the areas of the concessions.



## **THE NEW MICHELIN CROSSCLIMATE REPRESENTS A TURNING POINT**

*THANKS TO A COMBINATION OF SUMMER AND WINTER TIRE TECHNOLOGIES, THE NEW MICHELIN CROSSCLIMATE DELIVERS AN APPROPRIATE LEVEL OF SAFETY IN ALL WEATHER CONDITIONS, THROUGHOUT THE YEAR.*

New, different and unexpected!

**MICHELIN CROSSCLIMATE** is the only tire that combines the benefits of summer and winter tires. It brakes in short distances on dry ground, has earned the top "A" rating in wet braking on European tire labels and is approved for winter use, indicated with the Three Peak Mountain Snow Flake (3PMSF) certification (displayed on the sidewall) indicating that it can be used in all seasons, even in countries that require special equipment for winter driving.

The new MICHELIN CrossClimate offers reassurance, making it possible to deal with changes in the weather. But above all, the new tire delivers total safety performance simply and economically.

Motorists can drive the entire year in the most common weather situations, on just one set of MICHELIN CrossClimate tires.

The new MICHELIN CrossClimate is thus the fullest expression of the Group's strategy, MICHELIN Total Performance, which consists of delivering more performance in the same tire.



This is an exceptional new product with a bold objective: to fuel the Group's growth and meet society's mobility needs. As Jean-Dominique Senard said, "the performance attributes of the MICHELIN CrossClimate tire attest to the Group's extraordinary innovative capabilities and will help to tackle the increasingly tough challenges of mobility and growth."



## **THE NEW TIRE FROM ROAD USAGE TO INNOVATIVE STRATEGY**

To design this innovative tire, Michelin has used its understanding of the behavior of motorists in the heart of the development process. Michelin's goal is to provide the most suitable tire for every application and every type of driving. The approach to achieve this is done in three stages:

**1. UNDERSTANDING.** Motorists face in their everyday life, unexpected weather changes, rain, snow and temperature drops. The solutions they have today or the attitudes they adopt do not satisfy them fully. Thus, according to the studies conducted by Michelin, it appears that:

➔ **65% OF EUROPEAN MOTORISTS** use summer tires all year, jeopardizing their safety in cold weather, snow and ice. These figures are 20% in Germany, where regulations require winter tires to be fitted in winter conditions, and 76% in France, where there is no regulatory constraints (Source GFK - Study European consumers behaviors - 2014).

➔ **4 IN 10 EUROPEAN MOTORISTS** consider the seasonal tire change is a constraint and leave it until the very last moment to change (Source Ipsos - Purchasing Behaviors tires Winter 2014/2015). For those who cannot or do not accept the cost and inconvenience, they refuse to put winter tires on their cars in winter.

➔ **3% OF DRIVERS IN GERMANY AND 7% OF DRIVERS IN FRANCE** use their winter tires all year, compromising dry braking, particularly in warm weather and increasing fuel consumption.

**2. INNOVATE.** Innovation allows Michelin to achieve the perfect balance between advanced technology and use. Each year, Michelin invests more than 640 million euros in its R & D activities, carries out 75,000 tests among its users around the world and surveys around 11,000 tire buyers.

**3. PROPOSE.** Upon its commercial launch in May 2015, the MICHELIN CrossClimate is proposed in 23 different sizes from 15 to 17 inches which covers 70% of the European market. Further sizes are scheduled for 2016.

### **DEVELOPMENT BACKGROUND OF THE MICHELIN CROSSCLIMATE IN 6 FIGURES**

**7:** The number of countries in which the tire has been tested: Canada, Finland, France, Germany, Poland, Spain and Sweden.

**36:** The number of months that the tire took to design, from a blank sheet of paper to the press launch of the tire, on March 2, 2015. It only took 3 years of development when, in a more regular schedule, 4 years and 8 months are required. The development time of the new MICHELIN CrossClimate was 1.5 times faster than other car tires.

**70:** The number of degrees Celsius that the temperature range of tests were conducted over. The tests were carried out with external temperatures ranging from -30° C to + 40° C.

**150:** The number of engineers and experts who have worked on the design, testing, industrialization and manufacture of the MICHELIN CrossClimate.

**MORE THAN 1,000:** The number of laboratory tests done on materials, tread and casing.

**5,000,000** The number of kilometers traveled during the dynamic, wear and endurance tests. This is 125 times around the earth, at the equator.



## SHAREHOLDERS' ANNUAL GENERAL MEETING

THE SHAREHOLDERS' ANNUAL GENERAL MEETING OF MICHELIN WAS HELD ON MAY 22, 2015, IN CLERMONT-FERRAND UNDER THE CHAIRMANSHIP OF JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE MANAGER.

First, a special tribute was paid to François Michelin, who had devoted his entire life to the Company.

**JEAN-DOMINIQUE SENARD**, Chief Executive Officer, then opened the meeting by reviewing the operating highlights of 2014. Afterwards, he passed the floor to Marc Henry, Chief Financial Officer, who gave a detailed presentation of the 2014 results and discussed the outlook for 2015.

**MARC HENRY**, CFO and Member of the Executive Committee, emphasized the Group's robust balance sheet and ability to regularly generate cash flow. In 2015, he noted, "we are aiming to increase volumes, in line with the markets."

**YVES CHAPOT**, Executive Vice President, Distribution and Member of the Executive Committee, explained the Group's three ambitious objectives for the retail business. "We want to secure our market access, offer a steadily expanding range of tire-related services and advice, and work on the customer experience by making it easier, more seamless and more practical." He also reiterated the importance of customer satisfaction, a core component of the retail strategy, adding that "our objective is to measure satisfaction after every purchase."

**ERIC FAIDY**, Regional Director, South Central Europe, and **JOHN YOUNG**, Regional Director, North Central Europe, presented a region that is "rich in opportunities and strengths", with a growth target of 3% in 2015. It is also a region characterized by a great diversity of cultures and a dynamic workforce. "We're going to enhance our market access", they said. "Our 12,000 dealerships across the region are already helping to effectively set us apart from the competition". Today, Central Europe is home to 11,000 employees and five production plants.

During the voting session, shareholders re-elected Barbara Dalibard to the Supervisory Board for another four-year term and elected **ARUNA JAYANTHI**, an Indian national and Chief Executive Officer of Caggemini India, as a new member.

Shareholders also adopted all of the other resolutions submitted for their approval, including the payment of a dividend of €2.50 per share, payable in cash on May 28, 2015, the renewal of the share buyback program at a maximum price of €140 per share and the capital reduction through the cancellation of the purchased shares.



## SHAREHOLDER DIALOGUE

“ The recently released 2014 results show that it was a complex year with growth that fell short of expectations. With the decline in raw material costs, price pressure is likely to become more intense, in particular from Asia tiremakers who are positioned in more volume-driven entry-level segments. Is Michelin going to adjust its positioning to maintain sales volumes? Will we see a decline, or a price war? ”

QUESTION FROM DOMINIQUE SERIN, MEMBER OF THE SHAREHOLDER CONSULTATIVE COMMITTEE



### ANSWERED BY JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER

As I said, our growth in 2014 wasn't as favorable as we would have liked. It perked up a bit in first-quarter 2015.

For the rest, you mentioned the issue of low-cost tires arriving in our regional markets, and that's a fact. There is considerable overproduction, especially of Chinese tires worldwide, and the excess is flowing into markets everywhere – in Africa, in the United States, sometimes at a flood's pace in Latin America, and now in Europe, with fairly massive shifts in recent months. These tires are cheaper than European tires and are taking market share in our regions.

We are responding very calmly over the long term. First, by maintaining the fundamentally healthy principle that the economics of a tire, especially a truck tire, should be based on several useful lives, because this is the only environmentally acceptable solution. We will not just let tires imported from far away, at rock-bottom prices, significantly endanger our retreading business in Europe. It's true that we have to adjust to circumstances.

If a customer prefers a single-life tire – that is, one that they don't want to retread – then we have to be able to supply it. As you know, in recent years, we've stepped back up our production capacity in this area to serve previously untapped market segments.

I would also remind you that the Michelin brand represents 80%-85% of consolidated tire sales. We are not changing our strategic vision but we're going to increase our capacity fairly significantly, in the passenger car and truck segments alike, to produce the midrange tires that meet this demand in Thailand, the United States, Latin America and Africa. Serving the markets that need these tires with our other brands, which get customers used to us and drive our growth, is a very long-term strategy and a good sign that we're on the right track. All of the changes I see in this area are now positive.



“ Historically, Michelin had a reputation for using somewhat edgy advertising to tell people about tires. When looking at long-term market share, I find, to my great surprise, that the general public doesn't know much about tires, just tires. No-one appreciates the challenges that tires still raise today. That's an advantage for tiremakers who don't have anything to say, I mean those that can only offer a cheap price. Longer term, could that penalize companies like Michelin, even if the communication and brand strategy is remarkable? ”

QUESTION FROM A SHAREHOLDER



### ANSWERED BY JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER

Concerning the issue of communication, I'm also constantly surprised at how little the general public knows about tires. This frustrates and surprises, to say the least, our customer-facing dealership executives.

There is an enormous amount of work to be done to educate our retail customers. The good news is that, in addition to advertising, we've deployed considerable resources around the world to educate people about the Michelin Total Performance concept. Integrating best practices takes a long time and we're finally going to get some help from outside factors.

By that I mean that our world is increasingly aware of the pressing need for environmental stewardship and energy efficiency. For many years now, we have been slowly but surely increasing the perceived value of Michelin research, which is helping to improve our overall performance.

We've noticed that our OEM customers, in particular, are starting to realize the importance of tire performance and the underlying technology. This growing awareness is enhancing our perceived value. Is it enough? No, but it's getting better. And we plan to continue. I am struck by that the fact that in some countries, like China, attitudes are now changing quickly just in response to tightening environmental standards. China is not alone and you know how influential its markets are.

In other words, I think that four or five years from now, we'll at last be able to increasingly improve the perceived value of tire technology.

## MICHELIN DECIDED TO IMPLEMENT A SHARE BUYBACK PROGRAM OF ABOUT €750 MILLION

**Question for Jean-Dominique Senard, Chief Executive Officer of the Michelin Group**

*What was this decision made?*

The shareholders trusted us in 2010 when the Group asked them to participate in a capital increase to ensure growth in the Michelin Group's investment capacity. The decision that we made sent a message that we recognize their contribution and, most importantly was a sign of great confidence in Group's future. I tend to think that when a relationship is fluid, simple and direct with the shareholders, and when they help us, they know that they will be able to reap the benefits and that is a very good thing for Michelin.

**Question for Valerie Magloire, Investor Relations Director**

*In concrete terms, how is that going to happen?*

The share buyback program will be spread over a period of 18 to 24 months, starting from the end of April 2015. It will be divided into three tranches of approximately 6 months and €250 million. Michelin requested the assistance of a financial institution, which agrees to acquire and sell to the Group a certain number of Michelin shares, at an average price to be determined in an objective and independent manner by the market and not to exceed the maximum purchase price set by the Annual Shareholders Meeting of May 22, 2015, i.e. €42 per share.

These shares will be completely cancelled at the end of the year, leading to reduction in equity capital and the number of outstanding shares. As a result, even though this was not the primary purpose, all other things being equal, there will be an arithmetic rise in earnings per share, which is known as the relative effect.

## INVESTOR CALENDAR

### Upcoming events

- ▶ **July 28, 2015**  
First-half 2015 results (before start of trading)
- ▶ **October 22, 2015**  
Third-quarter financial information (after closing of trading)

### Meetings with Individual Shareholders

- September 8, 2015:** Marseille
- September 28, 2015:** Nancy
- November 9, 2015:** Rennes
- November 30, 2015:** Montpellier

### A TEAM AT YOUR SERVICE

Individual Shareholder Relations Department

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## CALL FOR CANDIDATE

*Are you shareholder of Michelin, do you share its values and wish to take part in the reinforcement of its fame? Do you want to help the Group to touch the shareholders of the future via the development of its digital communication?*

**COME TO JOIN THE SHAREHOLDER CONSULTATIVE COMMITTEE OF MICHELIN!**

The Committee meets, on the initiative of Michelin, twice a year and at the time of the Annual general meeting of the Group, in Clermont-Ferrand, with the purpose of improving the communication of the Group near its individual shareholders.

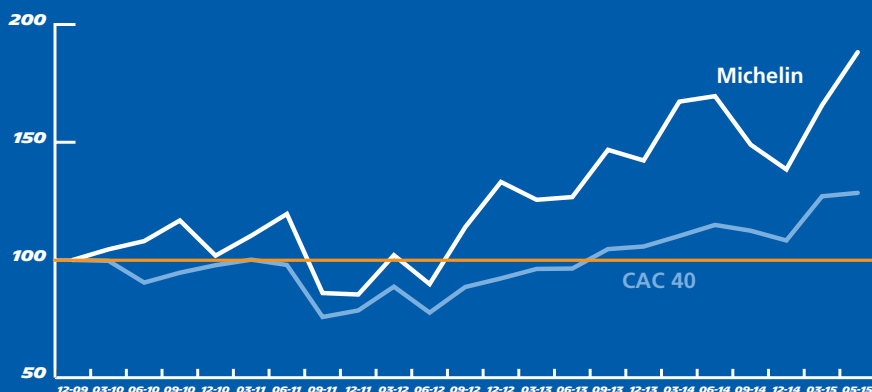
If you would like to join us, please visit the charter on our website:

[michelin.in/shareholdersconsultativecommittee](http://michelin.in/shareholdersconsultativecommittee), and to send your application for the following email address to us: [nancy.adam@fr.michelin.com](mailto:nancy.adam@fr.michelin.com)



## SHARE PERFORMANCE

(base 100: December 31, 2009)



[www.michelin.com](http://www.michelin.com)

## SHARE INFORMATION AT MAY 31, 2015

ISIN: FR0000121261

Shares outstanding: 185,726,200

Closing price: €97.57

Change since 01/01/15: 29.63%

Market value: Md€ 18.1

### Ownership structure as of 31/05/2015:

- ▶ Employees **1.6%**
- ▶ Resident Individual Shareholders **9.4%**
- ▶ Non Resident Individual Shareholders **3.8%**
- ▶ Auto détention **0.3%**
- ▶ Resident Institutional investors **31.4%**
- ▶ Non-résident institutional investors **53.5%**