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No. 11
NOVEMBER 2014

Horizons

MICHELIN'S LETTER TO ITS SHAREHOLDERS

SPECIAL REPORT

Michelin solutions

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Dear shareholder,

Due to the tire market slowdown in some geographical regions where the Group has a strong presence, we have slightly revised our growth outlook for the current year.

This has led to a **dip in the share price** and I well understand that this is a matter of concern to you. However, we should not let the economic environment overshadow the fact that

Michelin's robustness and strengths remain intact and give us every reason to be confident about the future.

In these uncertain times, Michelin has been able to maintain the brand's global positions by leveraging not only the power of a **continuous stream of innovations** hailed by carmakers and consumers alike, particularly at the Paris Motor Show, but also an ambitious **responsible manufacturing strategy**. In addition, the Paris Motor Show provided an excellent opportunity to demonstrate the role that the Group plays in enhancing mobility. Michelin acts as a market leader through the quality and technology of its products and services as well as its commitment to corporate citizenship.

The **Dow Jones Global Index** rankings published a few weeks ago attest to **the progress that Michelin has achieved in sustainable development and innovation**. Michelin scored Industry Best in six areas, including **innovation management and environmental management**, highlighting the ability of Michelin's governance system to effectively manage these two powerful growth drivers that are part of the Group's DNA.

The recent acquisition of Sascar, Brazil's leading fleet management company, also demonstrates our determination to build **ever-more innovative solutions** based on digital technologies, to ensure the **Group's development and robust growth in the future**.

I'd like to thank you for your dedication, loyalty and trust. You can be assured of our utmost commitment to serving your Company.

Jean-Dominique Senard
Chief Executive Officer of the Michelin Group



MICHELIN

A better way forward



Marc Henry,
Chief Financial Officer

Financial Information September 30, 2014:

➔ **Michelin Announced €14.6 Billion in Net Sales and a 1% Increase in Volumes for the First Nine Months of 2014**

➤ Market review

The market slowdown observed since the second quarter continued into the third with weakening demand in Europe, especially in Truck tires, a contraction in original equipment demand in new markets, except China and the sustained solid growth in North America.

	9 months % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment		+ 4%	+ 5%	+ 6%	- 18%	- 2%	+ 3%
Replacement		+ 3%	+ 5%	+ 5%	+ 5%	+ 4%	+ 4%

	9 months % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment**		- 8%	+ 12%	+ 2%	- 17%	+ 4%	+ 1%
Replacement**		+ 3%	+ 9%	+ 3%	- 3%	- 0%	+ 3%

* Including Russia and Turkey
** Radial and bias-ply market

➤ Michelin Net Sales

Net sales totaled €14,558 million in the first nine months of 2014, down 4.7% year-on-year or €724 million due to the combined impact of the following factors:

- **the 1% growth in volumes over the period (+€136 million)**, shaped by the firm resilience of the MICHELIN brand's market share in the Passenger car and Light truck and Tuck segments and, in the Earthmover tire segment, the increase in OE and Infrastructure business and the sustained drawdown of mining tire inventory.
- **the price-mix effect, which was a negative 1.9% over the nine months (-€284 million)**, primarily reflecting the reduction in prices (a negative €397 million impact), of which around 45% corresponded to adjustments stemming from raw materials-based indexation clauses. The mix effect, which was a positive €113 million over the nine months, was led by the success of the MICHELIN brand's premium strategy.
- **the unfavorable currency effect was a negative 3.2% (-€484 million)** which until the summer reflected the increase in the euro in particularly against the US dollar. It swung to positive in September with the decline in the euro against the US dollar.

➤ Full-year outlook

In a global environment shaped by economic uncertainty and geopolitical difficulties, demand for Passenger car and Light truck and Truck tires should remain buoyant in North America and China and stable in Europe. In the new markets other than China, the slowdown observed, particularly in the original equipment segment, is expected to continue, while replacement tire demand should remain robust in the Passenger car and Light truck segment and ease back somewhat in the Truck segment.

Given this environment, Michelin has lowered its outlook for volume growth, in line with the market, to a range of 1% to 2% for the entire year. Specialty tire tonnages should end the year on a par with 2013, with favorable prior-year comparatives in the fourth quarter for mining tires.

In the final quarter, Michelin expects to adjust its cost management process in response to changing market conditions, while enjoying a more favorable currency environment. Michelin's competitiveness plan, with €169 million in savings over nine months, attests to its industrial efficiency.

The Group confirms its objective of reporting higher operating income before non-recurring items and at constant exchange rates.

Michelin also confirms its objective of delivering a more than 11% return on capital employed and generating structural free cash flow of more than €500 million.

The capital expenditure program is maintained at around €2 billion in 2014 and will be revised downwards in 2015 and 2016.



#6

AMBITIONS

2013 ▶ 2020

MICHELIN PERFORMANCE AND RESPONSIBILITY

Six ambitions to move the company forward

In the November 2013 issue of our Horizons newsletter, we shared with you Michelin's six major Ambitions for 2020, which are designed to make Michelin a global leader in sustainable mobility, as well as one of the world's most innovative, responsible and top-performing companies in fulfilling its financial, environmental and social responsibility commitments.

Each upcoming issue of our newsletter will address one of the six Ambitions for 2020 with the aim of explaining, developing and commenting on that Ambition while reporting on our progress relative to objectives.

In this issue, Horizons 11, we are giving priority focus to Ambition 6: Sustainable Mobility. **The goal is to improve everyone's quality of life, based on the following objectives:**

- Step up our road safety initiatives to ensure that all Michelin sites are ISO-39001 certified by 2020.
- Promote energy-efficient, low-emissions mobility, particularly in cities, to reduce carbon emissions generated by the transportation industry.
- Contribute to the development of the circular economy so that 30% of the raw materials used by Michelin to make tires will be from renewable sources or recycled end-of-life tires.

As the world's leading tire company, Michelin wants to assume its share of responsibility for developing a form of sustainable mobility that will tackle the challenges of pollution, climate change, city congestion and road accidents. This is why, in 1998, Michelin created Michelin Challenge Bibendum, an exceptional event where thousands of stakeholders come together as a giant think and action tank to discuss the future of mobility.

The 12th annual Michelin Challenge Bibendum, an event that falls within the scope of the second Ambition 6 objective, was held from November 11 to 15, 2014 in Chengdu, China, where 4,000 participants discussed "innovation in mobility to drive growth and enhance urban wellbeing". Participants included the traditional mobility stakeholders, i.e. carmakers and sub-contractors, but also major players in information systems, connectivity and robotics, as well as politicians, experts, academics and media representatives. They attended hundreds of conferences, workshops and presentations concerning the urban environment and the future shape of mobility.

"We're convinced that sustainable mobility will benefit individuals as well as society as a whole and create new economic opportunities," said Patrick Oliva, Corporate Vice President, Advanced Research and Sustainable Development. "So it's no coincidence that we decided to organize this year's event in Chengdu, in western China. After all, this city is one of the most important hubs for development, urbanization and transportation innovation."





MICHELIN[®]
solutions



a company of Michelin group



With the creation of Michelin solutions, Michelin is partnering trucking companies to help them to reduce their fuel bill with an initial innovative solution called EFFIFUEL™.

EFFIFUEL™ : an initial innovative solution available since mid-2013

With Michelin solutions, Michelin is innovating in fleet services. Michelin solutions is committed to partnering trucking companies to help them to reduce their fuel bill.

With the launch of **EFFIFUEL™**, its first solution for truck fleets, Michelin solutions is working with truckers to reduce their fleet fuel bill.

An innovation in the trucking segment and in the mobility sector in general, this mutual commitment provides new solutions to an industry in search of profitability, after several years in which demand has been hampered by the European economic environment.

EFFIFUEL™ enables Michelin to enter a new phase in the product-service system and to further extend this new business model, developed from **Michelin Fleet Solutions**.

Michelin solutions deploys a variety of levers to help trucking companies reduce their fuel consumption. Among the most important are:

- Eco driving training of the drivers delivered by experts.
- **Michelin solutions Fuel Analysts** with expertise in acquiring and analyzing data that influence fuel consumption.
- The installation of telematic display units that give trucking companies greater visibility and help them remotely analyze vehicle parameters and monitor fuel use.
- Outsourcing and optimization of tire management, based on a per-kilometer price, to reduce fuel consumption.



CASE STUDY

What gains can a trucking company hope for with EFFIFUEL™?

Fuel represents around 29% of per-kilometer operating costs for a 40-tonne tractor-trailer combination driven some 120,000 kilometers a year.

For the same category of vehicle driven 90,000 kilometers on regional roads, fuel represents 26% of per-kilometer operating costs. While a regional transport vehicle covers fewer kilometers, its fixed costs are the same and the number of kilometers traveled when the trailer is empty is generally higher.

Since it was launched, **EFFIFUEL™** has delivered average fuel savings of 1.5 liters per 100 kilometers to its trucking company customers, with potential savings even higher.

If the entire European trucking industry were to achieve the same fuel savings of 1.5 l/100 km over one year, the use of **EFFIFUEL™** from MICHELIN® solutions could result in more than three billion liters of fuel not used, nine million tons of CO₂ not released into the atmosphere and more than €3 billion in additional added value for the trucking industry or more than €1,300 per tractor per year.

"EFFIFUEL™ integrates the main factors that influence vehicle fuel consumption, with driver training and support, the deployment of a dedicated team of Fuel Analysts to design actions that enhance fuel efficiency and the implementation of systems to ensure real-time traceability of vehicle data. Other solutions to improve mobility for our business customers are being developed and will help to enrich the Michelin solutions portfolio in the years ahead. By creating Michelin solutions, Michelin is providing its customers with the full extent of its expertise to support their transition to a world of safer, cleaner, more efficient mobility. At the same time, Michelin solutions is addressing powerful societal expectations for sustainable progress and the constant search for greater efficiency."

Philippe Miret, Managing Director, Michelin solutions

MICHELIN SOLUTIONS FACTS & FIGURES

800 Michelin solutions employees

MICHELIN® solutions created in **2012**

EFFIFUEL™ launched in **2013**

EFFITIREST™ launched in **2014**

500,000 vehicles under contract for Europe and North America



Michelin completed the acquisition of Sascar

The São Paulo-based company, generated revenue of BRL 280 million (around EUR 91 million) in 2013 and has enjoyed robust average growth of 16% over the past three years, with solid and consistent performances (EBITDA of 37% in 2013). The innovative and dynamic company, which has 870 employees, Sascar, the leading Brazilian digital fleet management and freight security company has developed a strong presence in the independent trucker and small truck fleet segment in Brazil, which underpins the country's land transportation market.

The acquisition of this company, whose business model has proved its worth in Brazil (33,000 fleets managed, 190,000 trucks), will enable Michelin to expand its service offering for truckers and to speed the growth of its truck tire business in Brazil. By joining the Michelin Group, Sascar will gain access to its major customers in South America.

The enterprise value, which stands at BRL 1,600 million (around EUR 520 million), includes the purchase price of BRL 1,353 million (around EUR 440 million) and BRL 247 million (around EUR 80 million) in debt.

ENERGY EFFICIENCY

Triple-A Rating for Truck Tire Range

With more than 200,000 tires sold since January 2013, the new MICHELIN X[®] LINE™ Energy range has proven its ability to deliver meaningful fuel savings to long-haul truckers.

Until now, only the trailer tires were rated "A" for energy efficiency. Today, the drive tires and steering axle tires also carry the «A» rating, for the market's first triple-A range.

PRM

Michelin wins the Human Capital Award

Last summer, the Michelin Group, with its 111,200 employees in 49 countries around the world, received the Michael Page/Le Monde Human Capital Award in recognition of the Group's outstanding human resources policy and the importance it places on people and their development. In particular, the jury cited the policy's alignment with the Group's total performance strategy and management's commitment to applying that strategy.

Renewable Isoprene: Braskem, a new partner

«We are pleased to have a renowned industrial partner join our ongoing collaboration with Amyris. Braskem's chemical industry solid experience, coupled with Amyris's biotechnology expertise, will support Michelin's goal of addressing the long-term needs of the tire industry for sustainable sourcing with renewable chemicals.» declared Jean-Christophe Guerin, Director of the Materials Product Line of the Michelin group.

Amyris, Braskem and Michelin announced that Braskem is joining a collaboration already launched in 2011 between Michelin and Amyris. The partnership aims to develop and produce renewable isoprene for production of tire and other rubber applications.

This joint project, with Amyris and Braskem, will give Michelin an additional sustainable sourcing channel for poly-isoprene for the production of quality tires, providing a high-performance, environmentally responsible material.

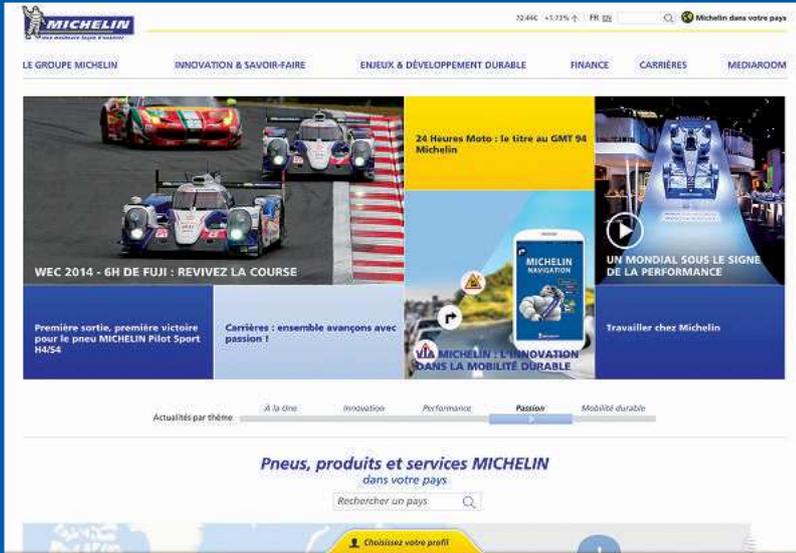


Michelin spins its web

As you have surely noticed, Michelin has recently stepped up its presence on digital media with:

- A new version of the **Michelin.com** website, now organized around four structuring themes: innovation, passion, performance and responsibility.
- A worldwide page on **Facebook**, a special place to demonstrate the Brand's commitment to the general public and its fans.
- A global **YouTube** channel, a space for visual expression and emotional connection.
- A stronger presence on **LinkedIn**, a forum for presenting the employer brand that includes a dedicated corporate news section.

More connected, more participative and more engaged, this new communication drive aims to provide employees, customers, shareholders, suppliers, partners, journalists, students, future hires and other stakeholders with opportunities to exchange ideas about sustainable mobility.



Paris Motor Show

On the road towards

Michelin takes the opportunity to the Paris Motor Show to present three new tires to the general public: the MICHELIN Alpin 5, the latest-generation winter tire. The MICHELIN Latitude Sport 3, a high-performance tires for SUVs; and the highly energy efficient, unusually sized MICHELIN Tall & Narrow tire. All three reflect the MICHELIN Total Performance design philosophy.

This also offered the opportunity to present for the first time in Europe MICHELIN EverGrip™ technology. Unveiled initially in the United States last January, it will be adapted in the years ahead to the needs of different markets to equip passenger cars. This technology will deliver unique performance in that a worn tire will continue to provide excellent wet grip throughout its entire life.

Finally, Michelin announced the creation of one of the largest road-use laboratories.

Deployed across Europe, it will make it possible to gather data in real about how 2,800 motorists with different driving habits use their vehicles every day. The findings will be added to the knowledge already stored at the Michelin technology center with the goal of supporting the innovation process.



MICHELIN LIFESTYLE

Michelin in the spotlight

For the first time, Michelin has launched a range of 16 lighting and electrical supply products. Intended for both consumers and automotive professionals for use – indoors or out – in the garage, mechanic shops, DIY, gardening or camping, the products stand out for their innovative properties, ease of use, ergonomic features and quality.



Motorsport

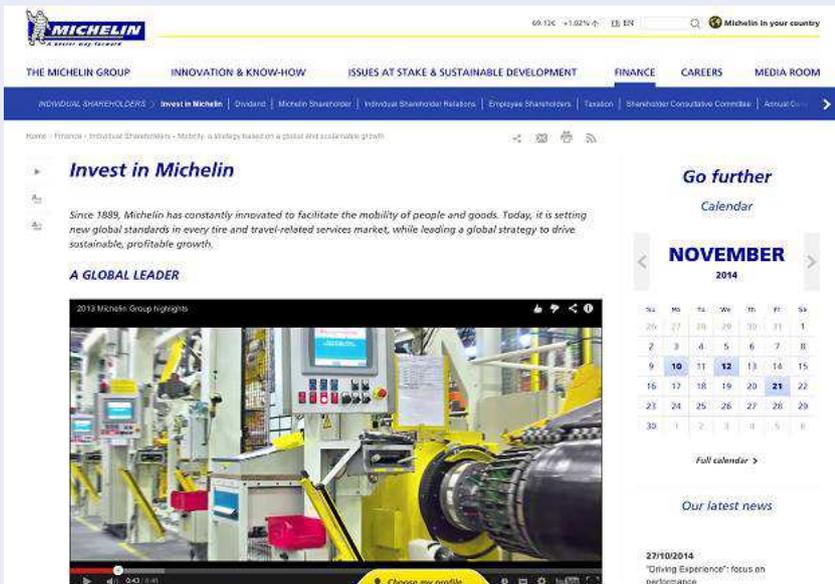
A historic race – in more ways than one

On September 13, automobile racing entered a new era with the first international event for all-electric single-seat vehicles, held in the streets of Beijing. An emissions-free race is certainly a powerful symbol for the city, where all the challenges of sustainable mobility come into play.

Specifically designed for the FIA Formula E championship, the MICHELIN Pilot Sport EV tire is just as revolutionary, and in more ways than one. Thanks to its all-around performance features, the tire can be used for a full day of racing, regardless of weather conditions. But what is also new is the tire's size – 18 inches – a first in the history of single-seater racing. Michelin Motorsport engineers and chemists can gather technical feedback from use of this size, commonly used for series-produced models, to then develop street tires. This is what Michelin means by transferring technology from the track to the road.



In close touch with our shareholders



INVESTOR CALENDAR

Upcoming events

- ▶ **February 10, 2015**
Annual 2014 results of Michelin Group (before start of trading)
- ▶ **April 22, 2015**
Third-quarter financial information (after closing of trading)
- ▶ **May 22, 2015**
Annual Shareholders Meeting

In close touch with our shareholders

- ▶ **Salon ACTIONARIA Investor fair – November 21-22, 2014 at the Palais des Congrès in Paris**
Organized as part of the Salon ACTIONARIA, the annual meeting will be led by **Jean-Dominique Senard**, Chief Executive Officer of the Michelin Group, Marc Henry, Financial Director and Pascal Couasnon, Director of MICHELIN Motor Sport, from 2:30 p.m. to 4:00 p.m.

Meeting with shareholders

- ▶ **November 12, 2014 in Toulouse**
- ▶ **December 15, 2014 in Biarritz**
- ▶ **March 30, 2015 in Lyon**
- ▶ **June 2, 2015 in Nancy**

A team at your service

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NEW SPACE SHAREHOLDERS OF OUR WEBSITE DEDICATED TO OUR INDIVIDUAL SHAREHOLDERS

<http://www.michelin.com/eng/individual-shareholder>

Go to our website especially conceived for you. A new Space Shareholders is especially dedicated to you; you find there:

Dividend	Taxation
History of the dividend since 2003.	<ul style="list-style-type: none"> • Dividends. • Capital gains. • French ISF Wealth Tax. • Request for exemption of installment on dividend 2015.
Michelin shareholder	Shareholder Consultative Committee
SOCIETE GENERALE Securities Services provides several online services to help you to: <ul style="list-style-type: none"> • Ask questions and receive answers about the management of your share account. • Do your banking operations in real time. 	Through its input and recommendations, the Shareholder Consultative Committee helps to improve the quality of the Michelin's financial and/or image communication with individual shareholders.
Individual Shareholder Relations	Annual General Meeting
Every year, Michelin actively reaches out to individual shareholders in France by organizing information meetings in the country's leading cities.	The Annual General Meeting was held on May 16, 2014 in Clermont-Ferrand, France. Watch the video of the event here.
Employee Shareholders	Documents
Following the four Employee Shareholder Plans in 2002, 2003, 2008 and 2013, more than 77,000 employees and former employees in 57 countries and five continents are now shareholders.	<ul style="list-style-type: none"> • Individual shareholder's guide. • The Horizons shareholder newsletter. • Annual and Sustainable Development Report. • Registration Document. Michelin systematically proposes complete information to you, transparent and clear, adapted to your needs, with the formats paper and electronics.

SHARE PERFORMANCE

(base 100 December 31, 2009). Closing price October 31, 2014: €69.19

