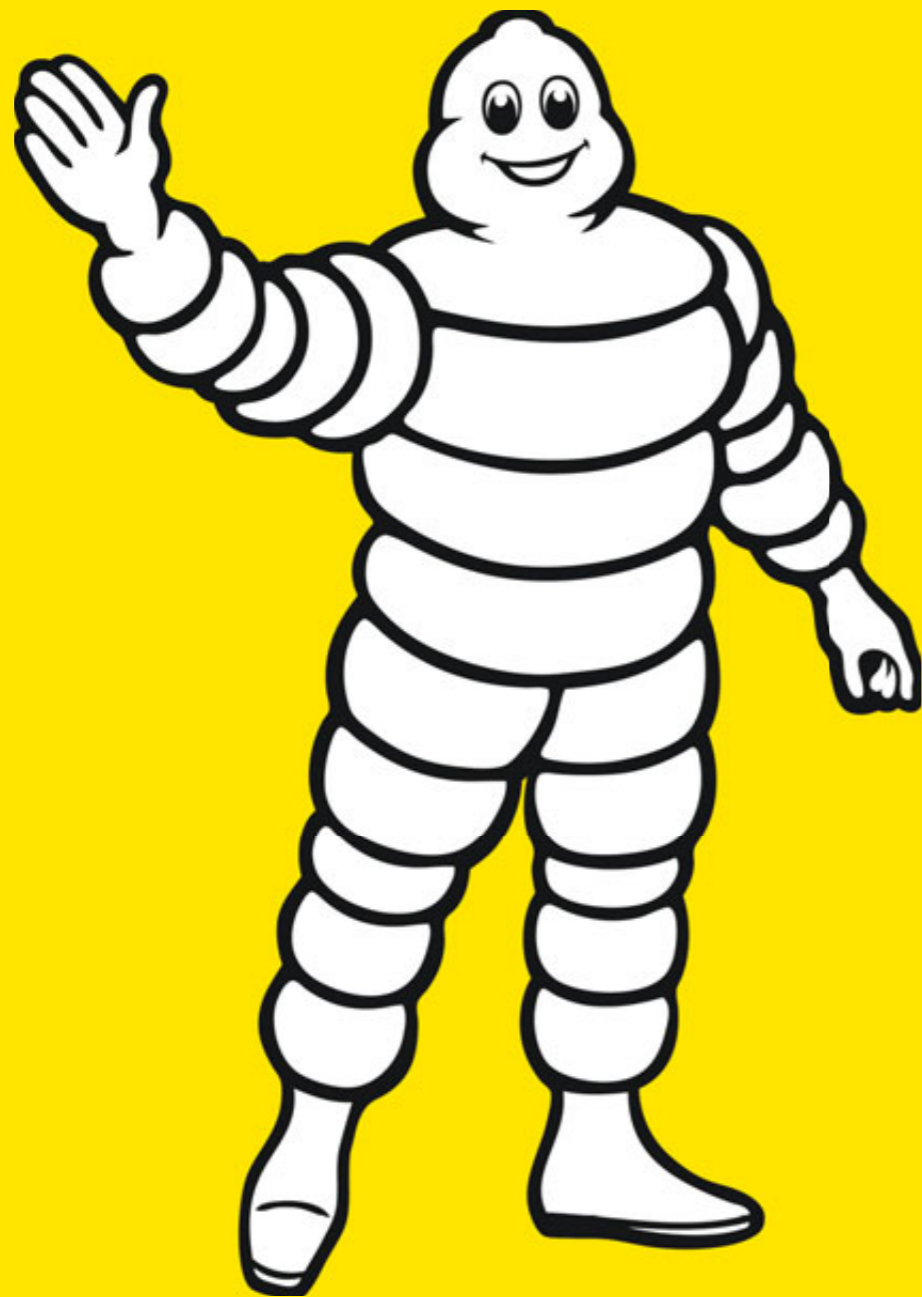




WITH YOU, FOR YOU

2016 ANNUAL AND SUSTAINABLE DEVELOPMENT REPORT





Our brand is a living entity that represents the Company and changes in sync with its development, its markets and society as a whole.

The birth of the Michelin Man in 1898 coincided with the emergence and phenomenal rise of the automobile. In late 2016, the Michelin Man design continued to evolve to reflect a softer, more accessible and more dynamic character. Ever faithful to his role as facilitator, the Michelin Man is becoming an increasingly present feature in our daily lives, in a way that is more symbolic, more iconic, and seamlessly aligned with the spirit of mobility that defines our times.

WITH YOU, FOR YOU

2016 ANNUAL AND SUSTAINABLE DEVELOPMENT REPORT

*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 for customers, people, shareholders, the environment and facts, we are all sharing the adventure of better mobility for everyone.

NO. 1
SOURCE OF INNOVATION
IN THE GLOBAL TIRE INDUSTRY

NO. 1
PLAYER WORLDWIDE IN
ENERGY-EFFICIENT TIRES

Since 1889, Michelin has constantly innovated to sustainably improve the mobility of people and goods. Today, the Group is the leader in tire technology for mobility of every form, leveraging its expertise in high-tech materials to deliver services that increase travel efficiency and products that enable customers to enjoy the unique experience of Michelin mobility.

111,700
PEOPLE IN 171 COUNTRIES

187
MILLION TIRES PRODUCED

68
PRODUCTION FACILITIES
IN 17 COUNTRIES

4,300
DEALERSHIPS AND SERVICE
CENTERS

A SUITE OF DIGITAL APPLICATIONS AND SOLUTIONS

**WITH YOU,
FOR YOU**

**CUSTOMERS,
EMPLOYEES,
SHAREHOLDERS,
STAKEHOLDERS...**

**OUR ADVANCES,
FOR YOU.**

2016
81%



SATISFIED DRIVERS

“Are you satisfied with your new car’s tires?”

Since 1989, market research firm J.D. Power has been asking the same question to tens of thousands of new car owners all over the world. What are the results? Everywhere, the answers demonstrate the excellent performance for the Michelin brand, especially in the USA, where we won 84 of the 104 J.D. Power awards, 4.5 times as many accolades as all our competitors combined.

MICHELIN
WITH YOU, FOR YOU

CUSTOMERS

**MORE
INNOVATIVE,
CLOSER TO
CUSTOMERS**

MORE THAN
400

field engineers. These Michelin experts work every day at our customers’ and partners’ facilities, observing how tires are used and maintained, measuring their performance and gauging expectations. Their aim is to meet the needs of customers as closely as possible by involving them in the development of tires and services right from the design stage.

250

research partners, €700 million invested each year and 6,000 researchers and technicians working in Europe, North America and Asia. We spare no expense in developing useful innovations for our customers, which enables us to pursue our ambition of:

- Delivering increasingly high-performance tires.
- Enhancing our mobility solutions with new services.
- Bringing innovations to market twice as quickly.

EMPLOYEES

MICHELIN, SAFER, MORE EMPOWERING

94,978

ALL

progress ideas applied in the past four years, including 26,519 in 2016. Thanks to the help of our employees, Michelin as a whole is becoming a safer, more pleasant place to work. Our TCIR (Total Case Incident Rate)¹ global workplace safety indicator currently stands at 2.54. Our target is to reduce this rate to below 2 by 2020.

1. Total Case Incident Rate: the number of workplace incidents affecting employees health per 200,000 hours worked.

Michelin employees have access to MyLearning@Michelin. Available in every country, this online training system enables all employees to become active players in their professional development. By 2020, we aim for 75% of our managers to have been promoted from within.

EMPLOYEE ENGAGEMENT

Since 2013, our annual "Moving Forward Together: Your Voice for Action" survey has been measuring employee engagement at Michelin. In 2016, the response rate was 90% and our Engagement rate was 80%: it has risen by 8 points in the past four years. The results are shared with managers and their teams, who together decide on what action to take to continue the upward trend. By 2020, our target is to achieve an engagement rate of 85%.

2016
80%

2015
77%

2014
74%

2013
72%



SHAREHOLDERS

MICHELIN, STRONGER, HIGHER PERFORMING

€3.15
BILLION

in available cash flow generated from recurring activities¹ in the past four years. Over this period, we invested €7.5 billion in growth initiatives, including acquisitions. At the same time, we maintained the strength of our balance sheet, with a net debt-to-equity ratio of 9% at end-2016. By 2020, we aim to have available cash flow in excess of €1.4 billion.

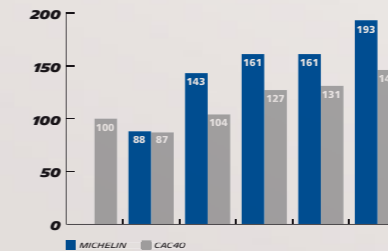
¹ Before payment of dividends and financing operations.

€1.89
BILLION

in dividends paid out to Michelin shareholders in 2016, representing 37% of average annual consolidated net income before non-recurring items for the period 2013-2016. This percentage is in line with our commitment to pay out at least 35% of net income from recurring activities. We hope to maintain this figure for the years 2017 through 2020.

REWARDING SHAREHOLDERS

109,410 individual, 79,284 employee and 5,023 institutional-investor shareholders. By massively subscribing our €1.2 billion rights issue in 2010, all of these investors helped support our development by giving us the means to achieve our dynamic growth and transformation strategy. To thank them, we have increased earnings per share by buying back and canceling €750 million worth of Michelin shares in 2015 and 2016, representing 5% of share capital. As a result, when taking into account both dividends and the share buyback program, Michelin shareholders received more than €2.6 billion in respect of the period 2013-2016.



MICHELIN
WITH YOU, FOR YOU

DEALERS

MICHELIN, MORE AGILE, MORE EFFICIENT

4.4 MILLION

tires sold online and mounted directly by our partner service centers in 2016. Our goal is to bring our customers the best possible service by combining the benefits of e-commerce and brick & mortar sales networks.

600

franchised Michelin Commercial Service Network dealerships across the United States, offering our customers an array of uniformly high-quality emergency replacement and retreading services. With sometimes more than 10,000 trucks to oversee, major fleet managers can count on this solution to keep their vehicles on the road.

TYREPLUS AND MICHELIN: A WIN-WIN PARTNERSHIP

More than 2,000 TyrePlus product and service centers in 18 countries in 2016. This win-win partnership benefits both our customers and our network of franchisees, which has been catering to growth markets since 2002. It provides our franchised dealerships and services centers with a reliable business model backed by our operational support. And it allows our customers to benefit from high-quality maintenance services and advice, which in turn boost confidence in our brands.

+2,000 TYREPLUS
CENTRES



TOGETHER INVENTING THE FUTURE OF MOBILITY

Michelin is committed to developing accessible, clean, safe and connected mobility solutions that promote ride- and car-sharing services and are based on smart transportation systems. In short, the Group wants to invent a new form of mobility capable of addressing the transportation challenge facing humanity in 2030, when 60% of the population will live in cities.

The Michelin Challenge Bibendum has been helping to prepare the future of mobility since 1998. This year, the event will be transformed into the Movin'on by Michelin global sustainable mobility summit, to be held in June in Montreal. Intended as a forum for discussing ideas and putting forward solutions, the summit will host carmakers, automotive equipment suppliers, energy companies, service providers, financial institutions, government agencies, non-profit organizations, NGOs and other contributors to the future of mobility. But this year, the event will also be open to a wider audience in recognition of the global nature of the challenge.

MICHELIN
WITH YOU, FOR YOU

THE PLANET AND SOCIETY

**MICHELIN,
MORE
ENGAGED,
MORE
SUSTAINABLE**



-30 MT OF CO₂

Five generations of green tires have been released since 1992. Our ambition is to continue shrinking our tires' carbon footprint by 20% between 2010 and 2030, thereby reducing CO₂ emissions by 30 million tonnes.

31,612

paid working days dedicated to local community outreach by Michelin employees in 2016. As part of this commitment, facilities organized a variety of initiatives relating to social welfare, the local economy, skills development and the environment, often with the support of the Michelin Corporate Foundation. By 2020, all of our facilities will be involved in the program.

INTERVIEW WITH

JEAN-DOMINIQUE SENARD

CHIEF EXECUTIVE OFFICER

On the back of record-level 2016 results and an in-depth transformation of its operating procedures in response to innovation-hungry markets and major environmental challenges, Michelin is making sustainable mobility the defining feature of the 21st century.



How would you describe 2016?

JEAN-DOMINIQUE SENARD : We delivered good results and met all our objectives. I'd like to thank all of our employees, whose commitment and professionalism made this performance possible. Our volumes increased by 2.1%, outpacing the market in all our product lines, including Truck, Earthmover and Agricultural tires, whose markets contracted over the year. Our growth was profitable at a time of declining market prices. Despite the negative currency effect, operating income rose by nearly 5% to €2.7 billion, or 12.9% of net sales.

This performance was achieved on the strength of the MICHELIN brand, supported by dynamic innovation in products and services, which our customers highly appreciate, as well as the success of the intermediate lines deployed in every segment to beat back the competition. It attests to our ability to satisfy customer demand more effectively, thanks to our more responsive sales and production processes.

Everyone's commitment to lowering costs and improving our day-to-day management delivered the expected

€1.2 billion in gains from our 2012-2016 competitiveness plan, which helped to generate a good level of cash flow. Free cash flow ended the year at more than €1 billion and net debt remained low, at 9% of equity compared with 11% a year earlier.

Net income came in at more than €1.66 billion, enabling us to recommend that shareholders at the Annual Meeting on May 19, 2017 approve the payment of a dividend of €3.25 per share, compared with €2.85 for the previous year. This would represent a payout of 36.5% of our net income excluding non-recurring items.

We completed our €750 million share buyback program over 2015 and 2016 and canceled 4.5% of outstanding Michelin shares, in line with the commitments we made to our shareholders. We also carried out a new employee share issue, and now intend to offer the same opportunity every two years to give employees a stake in the performance that their engagement is helping to create.

You often talk about Michelin's transformation. What are your priorities?

J.D.S.: To maintain our leadership in sustainable mobility, we are activating four transformation drivers. The first is to focus intensely on the customer, so that we can meet each one's needs faster and more precisely, and to make a difference not only with our products but also with the quality of our service and the entire customer experience.

The second driver is to digitalize our operations to nurture closer relationships and more enriching interactions with our customers, facilitate sharing, cooperation and access to training for all our employees, to help our production operators in every aspect of their work.

Simplifying our operating procedures is the third transformation driver. In a more complex, more volatile world, we have to be very agile in making decisions and taking action. That means staying as simple as possible.



"I'D LIKE TO THANK ALL OUR EMPLOYEES, WHOSE COMMITMENT MADE THIS PERFORMANCE POSSIBLE."

Jean-Dominique Senard



Our fourth driver is to empower people at every level, so that everyone can feel engaged in driving the Group's transformation. We're empowering front-line teams to organize themselves and find the right solutions to meet a given objective in a framework defined by Management. In this way, managers are resuming their role as advisors, who develop people's capabilities and train their teams. This transformation is already underway in several businesses with very positive results, in such areas as motivation and job fulfillment, performance and labor relations. It is thanks to this empowerment process that we've been able to sign the competitiveness agreements that will secure the future of our French plants.

What is the Group's outlook for 2017 and beyond?

J.D.S.: 2017 should be another year of growth, in line with our 2020 targets of more than €3 billion in operating income from recurring activities and more than €1.4 billion in structural free cash flow. Markets are expected to track the trends observed in late 2016, with in particular a recovery in the mining tire market. On the other hand, we will be faced with an increase in raw materials costs, currently estimated at €900 million. To defend our margins, we have announced price increases of up to 8%. In this environment, we expect to see volume growth in line with global market trends and operating income from

recurring activities excluding the currency effect at least on a par with 2016.

I am very confident in the future. Our outlook for growth is bright, as mobility needs continue to increase, particularly in India, China and Africa.

Our goal is to increase the tire division's net sales by 20% over the 2015-2020 period. The robust demand for large tires, the new hybrid and electric powertrains, and the connected, self-driving car are all developments that require tires with higher technology content. This is very good news for Michelin, which has always made innovation a cornerstone of its strategic vision and which enjoys unrivaled, world-class resources with its global research and technology center in Ladoux, near Clermont-Ferrand.

We also want to double sales in Services and Solutions for business customers, developing an offering that allows them to manage their vehicle fleets more effectively, and triple sales in Mobility Experiences – those increasingly mobile and digitally delivered activities like maps and itinerary planning services, restaurant guides and booking services, which were strengthened in 2016 with the purchase of European market leader BookaTable. Lastly, we want to consolidate and capture the value of our leadership in high-tech materials and their applications, particularly additive metal 3D printing and the biomaterials that are paving the way to the post-oil era and supporting our commitment to sustainable mobility.



"THE DRIVERS BEHIND OUR TRANSFORMATION ARE CUSTOMER FOCUS, DIGITALIZATION, SIMPLIFICATION AND EMPOWERMENT."



"WE WON'T PLAY THE PLANNED OBSOLESCENCE GAME."

At the same time, we will pursue our competitiveness programs with the goal of realizing €1.2 billion in gains over the 2017-2020 period. This commitment will go hand in hand with innovative labor practices and investments in state-of-the-art technologies, with the purpose of demonstrating that it is possible to manufacture competitively in mature economies. We have already signed six competitiveness agreements to close the gap with our competitors by 10% to 15%. In the future, we will continue to innovate, progress and open new pathways to sharing the adventure of better mobility for everyone.

Authorities generally say that tires must be changed when their tread depth wears down to 1.6 mm. Some believe that a limit of 3 mm would be safer. This would result in more frequent tire changes, but Michelin isn't in favor of that. Can you clarify your position?

J.D.S.: Michelin is committed to being a leader in sustainable mobility. We don't play the planned obsolescence game. Contrary to what we so often hear, there is no need for trade-offs between safety and the environment. They can easily be reconciled, as the technologies exist and are available. One of the best ways to demonstrate that would be to test tire safety not when tires are new but when they are worn. This would raise the performance of the entire category, for the greater benefit of every customer.

Changing tires at 3 mm instead of 1.6 mm would lead to the purchase of around 400 million more tires a year worldwide and the release of an additional 35 million tonnes of CO₂ every year, which can clearly be avoided. It's up to each stakeholder to assume their responsibilities with regard to safety and the environment. This is what we do at Michelin by designing tires that last as long as possible, so as to save raw materials, and we make sure that their performance remains the same over time. A Michelin tire delivers the same superior performance, first and foremost in terms of safety, until the very end of its useful life. That's our commitment to customers.



OUR STAKEHOLDERS QUESTION AND CHALLENGE US

Michelin anticipates the challenges of tomorrow's mobility by engaging in ongoing, open and fertile dialogue with users, customers, employees and partners. Jean-Dominique Senard, Michelin's Chief Executive Officer, embraces this spirit by fielding questions from the stakeholders below.



AJIT RANADE,
SENIOR PRESIDENT AND CHIEF
ECONOMIST, ADITYA BIRLA
GROUP (INDIAN CARBON
BLACK SUPPLIER)

How do you reconcile the Group's sustainable development ambitions, its strategic vision and its business objectives?

J.D.S.: Being the leader in sustainable mobility has been our corporate mission since the beginning, even if the vocabulary was different 125 years ago. But what inspires us has not changed, namely a passion for innovation, for quality and for everyone's personal development. We want to be sustainable and efficient in everything we do and in all our areas of responsibility. Our strategy is shaped by our corporate mission and integrates our sustainable development goals. In this way, we are preparing for the future of sustainable mobility, for example, by offering tire lines that deliver more performance with less raw materials and better fuel economy. Our Services and Solutions offering, whose growth we expect to see double by 2020, is based on the connected tire, which helps professionals to improve productivity and reduce their environmental footprint. High-tech materials, a core performance enabler for our tires, are also a key component of our strategy to foster a circular economy based on eco-design, retreading, recycling and biomaterials. Our business objectives are part of the same overall method of taking sustainable development priorities into account. The process of becoming more competitive more quickly is being driven by social dialogue, empowerment and self-managing shop floor teams. Lastly, our capital expenditure decisions are based on an internal carbon price, and that leads us to make the best decisions when it comes to the environment.



MARY CRASS
HEAD OF POLICY AND SUMMIT
PREPARATION, INTERNATIONAL
TRANSPORT FORUM, OECD

What are you doing to ensure that this sustainable development strategy is reflected in each employee's personal targets?

J.D.S.: Bonus calculations take into account the progress made on sustainability indicators such as the Michelin Site Environmental Footprint (MEF), which very accurately measures the environmental footprint of each of our plants. There is also the Total Case Incident Rate, which assesses safety in the workplace for every employee, in every facility and every department. In addition, the Michelin Total Performance indicator, which assesses a new tire's energy efficiency and carbon footprint, is encouraging the Research and Process Engineering Department to combine durability, longevity and light weight.

**"HIGH-TECH MATERIALS
MAKE CIRCULAR ECONOMY
POSSIBLE"**



NICOLAS ESTUPINAN
TRANSPORT UNIT COORDINATOR,
DEVELOPMENT BANK OF LATIN
AMERICA (CAF)

How do you transition from a tiremaker model to a mobility enabler model? What are you doing to make that transformation happen?

J.D.S.: Michelin is already a mobility enabler for airlines, mining companies and truck fleet operators, by managing their tires and invoicing them based on landings made, weight transported or distance covered. With the digital revolution, tires, a vehicle's point of contact with the ground, have become a major source of data. We created the Michelin Solutions business in Europe, then expanded it to North America and later to South America with the 2014 acquisition of Sascar, the leading provider of digital fleet management services in Brazil. The technology is enabling us to enhance our services in Europe, North America and China and to provide our business customers with solutions to improve their performance. In the online tire retailing segment, we acquired a stake in Allopneus in France and purchased Blackcircles.com in the United Kingdom, which brought in new skills and capabilities. Michelin also acts as a mobility provider by offering its customers a variety of travel-assistance products and services through its digital and printed maps and guides. In this area of business, the goal is to triple sales and deliver customers a unique mobility experience, before, during and after their journey. We have also created or acquired stakes in business incubators in Europe, the United States, China and Africa, which are getting us more closely involved in start-ups and innovative models in the mobility services market. In fact, several of the start-ups that we support were created by Michelin employees. We have an intensive, highly stimulating internal system to encourage participatory innovation and make it grow.

**"WITH THE DIGITAL REVOLUTION,
TIRES HAVE BECOME A SOURCE
OF DATA"**



PASCAL CANFIN
CHIEF EXECUTIVE OFFICER,
WWF FRANCE

The number of vehicles is going to double, from 800 million to 1.6 billion. How do you address the challenge of air quality in an increasingly urbanized world?

J.D.S.: In several ways. First, you improve the fuel efficiency of internal combustion vehicles, and thereby lower their CO2 and particulate emissions, by reducing tire rolling resistance, which uses up around 20% of the fuel burned by a conventional vehicle. Over the past 20 years, we've cut it in half and we're aiming to drive further reductions of 30% by 2020 and 50% by 2030 compared to 2005. We are also helping to drive progress in electric mobility, with tires that improve EV range, and with the development of fuel cells and hydrogen fuel cell range extenders, which increase mileage without emitting anything but steam. Michelin Solutions conducts eco-driving courses, and ViaMichelin helps drivers avoid traffic jams. We maintain and manage tires for bus fleets, reducing air pollution in city centers. This is the case in several cities in China, where a dedicated subsidiary is also facilitating carpooling for city travel. Lastly, since 1998 we have been organizing the global sustainable mobility summit to promote progress in this field. The Michelin Challenge Bibendum, which will become Movin'on by Michelin for its 13th edition to be held in Montreal in June 2017, is the only global event to bring together large companies, SMEs, start-ups, scientists, public decision-makers and NGOs to offer sustainable mobility solutions, particularly for cities, where most of the world's population lives.

OUR SIX AMBITIONS FOR SUSTAINABLE DEVELOPMENT

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



CUSTOMER SATISFACTION
Improving our customers' satisfaction



PERSONAL WELL-BEING AND DEVELOPMENT
Work together to continuously improve health and safety in the workplace, while promoting personal growth and diversity.



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



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



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



HOST COMMUNITIES AND SUSTAINABLE MOBILITY
Strengthen our ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society. Promoting energy-efficient, low-emissions mobility.

¹All six ambitions for 2020 are backed by quantifiable targets and closely tracked metrics. For more information, please refer to the 2016 Registration Document, pp. 14 and 15.

See what progress we have made in achieving our ambitions all throughout this report thanks to the associated symbol.

OUR STRATEGY FOR SUSTAINABLE GROWTH

"Sustainably improving customer mobility."
Our strategy stems from our purpose and our ambitions for sustainable development. It is deployed in four areas:

1. TIRES

Designing and marketing tires that are more seamlessly aligned with customer expectations. Because we know our customers, we are focusing our innovation capacity on developing and marketing tires that anticipate their needs.

+20%

BY 2020, WE WILL INCREASE REVENUE FROM TIRES SALES BY 20%

3. EXPERIENCE

Giving our customers the unique Michelin mobility experience

Our customers have always counted on our maps and guides. Whether before, during or after their journey, they know that we are there to support them with innovative services. All of these activities enrich the Michelin mobility experience. We will continue improving and promoting this experience in the years to come, extending the scope of our services through digital technology.

+200%

BY 2020, WE WILL GROW REVENUE FROM THESE OPERATIONS BY 200%

2. SERVICES AND SOLUTIONS

Inventing and developing services and solutions for a new era of mobility

Customer service has been the bedrock of our corporate culture for more than 125 years. Proof of this today is the connected tire, a Michelin disruption that enables business customers to optimize fleet management, increase safety, productivity and competitiveness and still do more to protect the environment. We are also sharing our big data expertise with our business customer partners to create new opportunities.

+100%

BY 2020, WE WILL RAISE REVENUE FROM OUR SERVICES AND SOLUTIONS BUSINESS BY 100%

4. MATERIALS

Leveraging our expertise in high-tech materials

We are making our expertise in high-tech materials a key driver of tire performance, experimenting with elastomers, cords, molds, high-tech fabrics, biomaterials and metal 3D printing. Thanks to this know-how, we are expanding our range of products and services and exploring new fields.

WE WILL BE PROACTIVE AND AFFIRM OUR TECHNOLOGICAL LEAD

OUR FOUR PROGRESS INITIATIVES

To ensure our strategy is effectively deployed, we are unleashing our energy and accelerating the transformation process. Since late 2015, four progress initiatives have been redefining our organization:

1. REFOCUSING ON CUSTOMERS

For our customers, our services should meet the same high standards of excellence as our products. Our future growth depends on it. We can only rise to this challenge if everyone gets involved. Thanks to the OPE business process management system and new satisfaction indicators monitored at the highest levels of management, we have everything we need to achieve our ambition.

3. SIMPLIFYING OUR OPERATING PROCEDURES

We are streamlining our organizational structures in order to gain in responsiveness and efficiency. In addition to having each entity concentrate on its core mission, we have implemented faster decision-making processes as well as pooled support functions and simplified, nimbler management. These efforts all go toward increasing customer satisfaction and, by extension, Group performance.

2. DIGITALIZING OUR OPERATIONS

The digital revolution offers a tremendous opportunity to get closer to our customers, more fully understand their needs and offer them new products and services. By digitalizing our operations, we are increasing our responsiveness and making sharing, cooperation, access to training and recruitment easier.

4. EMPOWERING EMPLOYEES TO TAKE PART IN THE TRANSFORMATION

Team empowerment goes hand in hand with simplification. Not only does it foster initiative and dialogue, it also enables decisions to be made close to operations and customers. Our Empowering Organizations are being developed throughout the Group, building trust-based relationships that encourage all employees to take part in our transformation.

OUR TARGETS FOR 2020¹

The only path to sustainable growth is profitable growth. We achieved this in 2016 in line with our targets for 2020, which will make Michelin one of the leading global players in sustainable mobility.

GROW FASTER THAN THE MARKET AND HAVE A POSITIVE PRODUCT MIX IN ALL DIVISIONS

+20%
 Increase revenue from tire sales by 20%

X2

Double revenue from our services and solutions businesses

X3

Triple revenue from our mobility experiences operations

ACCELERATE COMPETITIVENESS GAINS

€1.2BN FOR 2017-2020
 or €300m/year
 (vs. €1,2bn/year for 2012-2016)

OPERATING INCOME²

>€3 BN IN 2020
 (€2,69bn in 2016)
 with an operating margin for 2016-2020 of:

11-15%
 for Passenger car and Light truck tires and related distribution

9-13%
 for Truck tires and related distribution

17-24%
 for Specialty businesses

STRUCTURAL FREE CASH FLOW

>€1.4 BN AS OF 2020
 (vs. €961m in 2016)

RETURN ON CAPITAL EMPLOYED

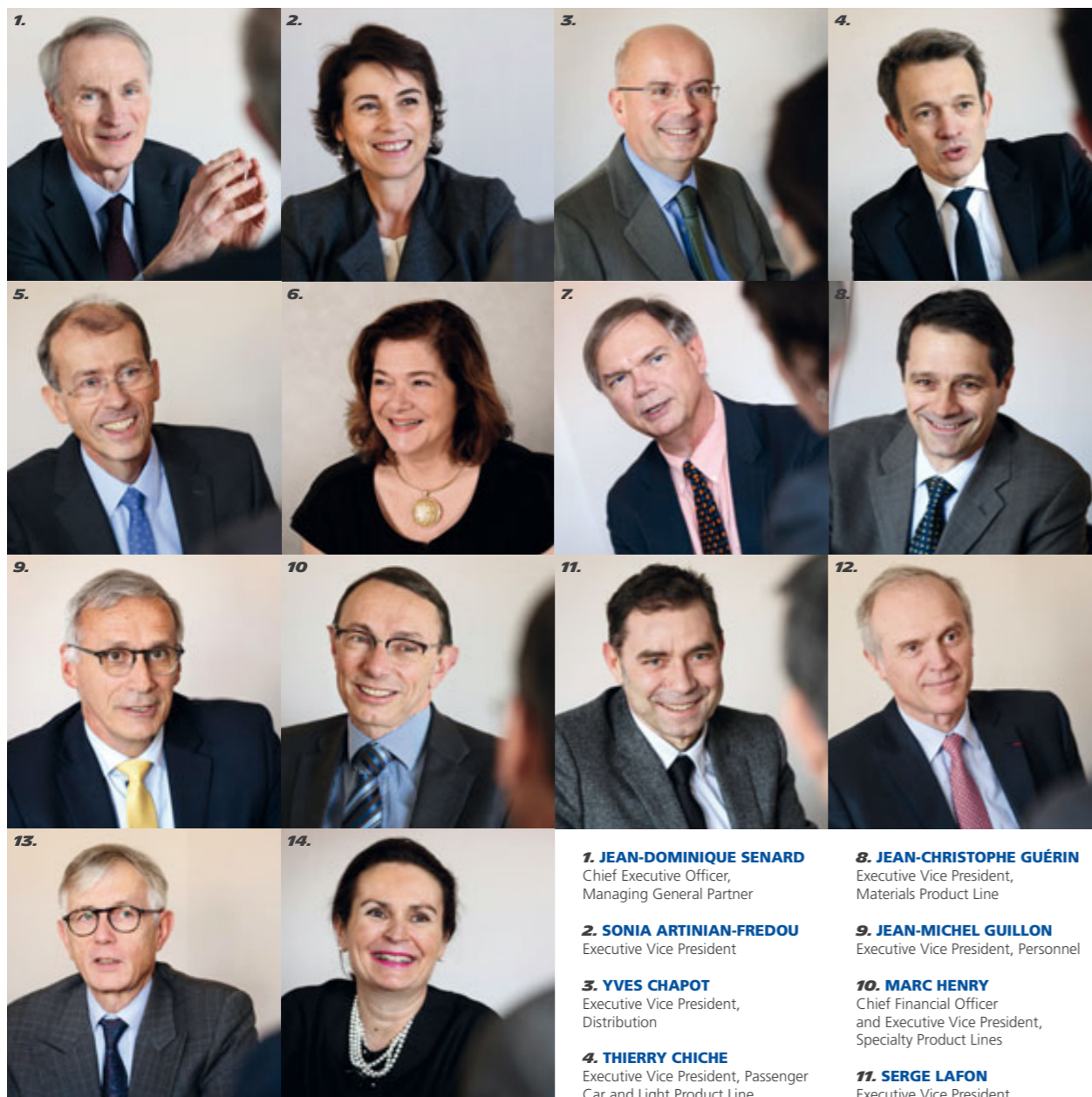
15% IN 2020³
 (vs. 12.1% in 2016)

MAINTAIN CAPITAL EXPENDITURE

€1.5BN-€1.8BN /YEAR

1. At constant scope of consolidation and before non-recurring items.
 2. At constant scope of consolidation and raw materials costs, and assuming average annual growth in demand of 2.5% for passenger car and light truck tires and of 1.5% for truck tires.
 3. Based on a stable tax rate of 31%.

THE CHIEF EXECUTIVE OFFICER AND THE 2016 EXECUTIVE COMMITTEE



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

2. SONIA ARTINIAN-FREDOU
Executive Vice President

3. YVES CHAPOT
Executive Vice President,
Distribution

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

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

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

7. TERRY K. GETTYS
Executive Vice President,
Research and Development

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

9. JEAN-MICHEL GUILLOIN
Executive Vice President, Personnel

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

11. SERGE LAFON
Executive Vice President,
Truck Product Line

12. FLORENT MENEGAUX
Chief Operating Officer

13. LAURENT NOUAL
Executive Vice President,
Mergers and Acquisitions

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

III. WITH YOU, FOR YOU

XIV. INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER

XX. AMBITIONS, STRATEGY AND TARGETS FOR 2020

26. NEW MOBILITY EXPERIENCES

- 28. The experience of driving
- 36. The experience of service
- 42. The unique experience of discovery
- 48. The experience of materials

54. NEW PROGRESS EXPERIENCES

- 56. Customers: everyone's concern
- 60. Digital revolution: ubiquitous connectivity
- 66. Organization: the simpler the better
- 69. Empowerment: all onboard

76. NEW SHARED GROWTH EXPERIENCES

- 78. Corporate governance and financial results



The 2016 Registration Document,
including the Annual Financial
Report, is available on request in
French and English from the Michelin
Investor Relations Department.

READ MORE
WWW.MICHELIN.COM





NEW
MOBILITY
EXPERIENCES

CUSTOMER MOBILITY IS CHANGING,
CONTINUOUSLY REINVENTING ITSELF
TO BECOME SAFER, CLEANER, FREER,
MORE CONNECTED AND MORE SHARED,
WHILE OFFERING NEW EXPERIENCES
THAT WE ENHANCE WITH OUR EXPERTISE.

FOR OUR "TIRE" CUSTOMERS

THE EXPERIENCE OF DRIVING

There are currently nearly 1.5 billion cars, vans, buses and trucks on the road worldwide, and the market is growing every day. Whether because of the pleasure, freedom or convenience they provide, cars still spark enthusiasm among 90% of motorists, 88% of whom say their vehicle is an essential part of daily life.¹



"I couldn't live without my car. I need it to do the shopping, go to work, drop the kids off at school out of town [...]. I don't know what I'd do without a car, I'm really attached to mine."



"THINGS LIKE COMFORT, ONBOARD TECHNOLOGY AND HIGH-QUALITY MATERIALS ALL MAKE ME FEEL GOOD IN A CAR. I LIKE DRIVING, I ENJOY THE EXPERIENCE."



"A car represents independence, freedom! Even though I use public transportation when I can because it's better for the environment, you can't beat a car for independence."

"WITH MY CAR I CAN COME AND GO AS I LIKE, I CAN LISTEN TO WHATEVER MUSIC I LIKE, I CAN SING, MY KIDS CAN PLAY – IT'S TOTAL FREEDOM!"



1. All quotes taken from L'Observatoire Cetelem 2017.

FOR OUR "TIRE" CUSTOMERS
THE EXPERIENCE OF DRIVING

ALL-WEATHER PERFORMANCE WITH MICHELIN CROSSCLIMATE



Customer satisfaction
Improving our customers' satisfaction



PRODUCT PERFORMANCE
Widen our lead in product performance by delivering more performance while using less raw materials and improving fuel efficiency and developing the circular economy of the tire.

In Europe, 65% of motorists who drive only occasionally in winter weather conditions believe that changing their tires every season is too much of a hassle, instead using their summer tires all year long. With the MICHELIN CrossClimate tire, they no longer jeopardize their safety in the event of snow or black ice. **MICHELIN CrossClimate is the first summer tire to be certified for winter use, offering performance and safety in all weather conditions, all in a single tire.** It also boasts the same level of comfort, durability and fuel economy that is standard to all MICHELIN Total Performance tires. And launched on the market in February 2017, the MICHELIN CrossClimate+ will offer an even higher-performing option, guaranteeing outstanding traction on snowy roads throughout its full lifespan.

RATED

4.5/5

RECOMMENDED BY

97%

OF USERS



SUPERIOR GRIP
IN ALL WEATHER CONDITIONS

EXCELLENT DRY BRAKING

A-RATED WET GRIP

GOOD TRACTION ON SNOW

HIGH-PERFORMANCE FUEL ECONOMY AND DURABILITY

6,430 KM LONGER LASTING ON AVERAGE THAN COMPETING PRODUCTS



"After observing the needs and habits of European drivers, we designed the CrossClimate to meet a key expectation: safe, all-around performance in summer and winter. We rose to this challenge on the strength of our materials expertise, which enabled us to develop and bring to market the tire in record time. And it has been a great success: after a launch exceeding our expectations in 2015, a 30% volume growth in 2016 in Europe, Turkey and Russia attesting to the effectiveness of our customer-focused mindset."

Pierre Barrard,
Marketing Director, Passenger Car and Light Truck Business

OUR GOAL

DELIVER TIRES THAT ARE SEAMLESSLY ALIGNED WITH CUSTOMER NEEDS

For 125 years, Michelin has been developing innovative ways to facilitate mobility, offering tires that more effectively meet customer expectations.



Customer satisfaction
Improving our customers' satisfaction



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



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

A WINNING FOCUS ON CUSTOMERS

We design game-changing tires based on a thorough understanding of our customers' needs and constraints as well as how and in what conditions they use their vehicles. Our approach is based on observation and dialogue. Thanks to our global footprint, we can stay close to all of our customers, sharing and understanding their environment in order to innovate usefully and deliver the tires they expect.

BUILDING CUSTOMER TRUST AND LOYALTY

In the original equipment market, Michelin equips everything on wheels in all climates and on all terrains, +with forefront positions in every segment, including cars, vans, trucks, farm equipment, earthmovers, two wheels, subway trains and aircraft. We use our tire and suspension-system expertise to assist automakers, making their goals our own and then helping to achieve them. Tires will continue to play a major role in vehicle performance regardless of electrification, automation or any other automotive trends, and we have the technology to support these changes.

In the replacement market, we are committed to offering product lines and brands that satisfy the expectations of all of our customers, whether they are driving enthusiasts, ordinary consumers, business users, tire dealers or distributors looking for intermediate or competitively priced ranges.

OUR TARGETS

- Increase revenue from tire sales by 20% between 2015 and 2020.
- Reduce our tires' carbon footprint in use by 20% between 2010 and 2030.

OFFERING VALUE IN EVERY SEGMENT

As the world's leading premium tire brand for individual and corporate consumers, MICHELIN accounts for 80% of our sales. We invest to satisfy the buoyant demand resulting from the rising number of premium vehicles worldwide in both mature and emerging markets. We have increased our production capacity for high-performance tires by 70% since 2012, and are working to expand it even more. The most recent illustration of this commitment is the new MICHELIN tire plant that is being built in Mexico and slated to come on stream in late 2018.

At the same time, we are developing our operations in other market segments thanks to a comprehensive brand portfolio and tires designed to different specifications.

OFFERING VALUE IN EVERY SEGMENT

| A GLOBAL PREMIUM BRAND | STRONG REGIONAL BRANDS | MARKET-LEADING NATIONAL BRANDS |
|------------------------|------------------------|--------------------------------|
| | | |

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

CLOSE-UP ON PRODUCTS



MICHELIN X GUARD

Launched in September 2016, the MICHELIN X GUARD line was designed to offer truckers in India and China the best of Michelin technology at a highly competitive price.

Michelin revolutionized the tire in 1946 by inventing the radial design, which was adapted to trucks in 1952. Offering enhanced safety, robustness, durability, comfort and fuel economy, the radial tire has now become the standard for light vehicles. However, the technology's popularity in the truck segment is more mixed. In China and India, radialisation is still relatively low, despite the fact that vehicle loads in these countries and the state of the local road networks increase the risk of flat tires and accidents. Specially adapted to these operating conditions, the new MICHELIN X GUARD line leverages our latest technologies to offer strength, fuel economy and longevity at a competitive price. As a result, independent truckers as well as small- and medium-sized truck fleet operators can make efficiency gains in a cost effective manner.

MICHELIN X LINE ENERGY

Saving fuel is a priority for long-haul truckers on both sides of the Atlantic. The latest generation of MICHELIN X LINE ENERGY tires delivers more mileage and consumes less fuel.

In North America, the new MICHELIN X LINE ENERGY Z long-haul steer tire launched in March 2016 delivers 20% more mileage than the main competing brands while consuming 5% less fuel. Combined with the X LINE ENERGY drive tire and trailer tire, it provides a total solution for long haul trucking that is compliant with the United States Environmental Protection Agency's SmartWay fuel and emissions reduction program, offering even wear, maximum mileage and energy efficiency on every axle.

In Europe, the MICHELIN X LINE ENERGY range of steer, drive and trailer tires is the first to have received a A rating for rolling resistance on each position. For truckers, this can translate into savings of as much as 1 liter of fuel and 2.66 kilograms of CO₂ per 100 kilometers, without compromising on durability. Truck manufacturer Iveco has chosen the range to fit its new Stralis XP and NP models.



CLOSE-UP ON PRODUCTS



PREMIUM LEISURE MICHELIN PILOT POWER 3 MOTOGP LTD EDITION

Spanning five continents and 19 Grand Prix events, the MotoGP World Championship is one of the two most closely followed contests among motorsports enthusiasts. This tire has been specially designed for their enjoyment.

Michelin returned to the MotoGP circuit in 2016, becoming the exclusive supplier to all of the competing teams. There is no room for error in a contest where the motorcycles have in excess of 250 horsepower! The championship is a life-size testing ground for new technological solutions before they are brought to market. Running from March to November and attracting the best motorcycle racers in the world, it also helps boost the MICHELIN brand image, not least because Michelin won 360 races and claimed 26 world titles between 1973 and 2008. To give European motorcyclists a taste of the MotoGP experience, Michelin unveiled the MICHELIN Pilot Power 3 MotoGP Ltd Edition at the French MotoGP Grand Prix in 2016. This special edition is limited to just 5,000 high-performance tires.

EVERYDAY JOURNEYS

LEVORIN JOINS MICHELIN

Fully 90% of two-wheel tires sales worldwide are made in emerging economies, representing more than 335 million units a year. The main application is the daily commute.

While Michelin has historically focused its two-wheel efforts on the premium leisure segment, we are now looking to support the growth of the highly promising commuter market, thereby introducing the MICHELIN brand to the daily lives of a new group of consumers. In line with this goal, Michelin has acquired Brazil-based family business Levorin¹, which was originally founded in 1943. In 2016, this commuter specialist generated revenue of €135 million, had 2,000 employees and operated two production facilities, one in São Paulo

and the other in Manaus. As a result of the acquisition, Levorin will gain access to the resources needed to secure its future growth and sustainability, our Two-Wheel business will be able to capitalize on Levorin's expertise, and consumers in new markets will benefit from safe, robust tires for their daily commute.

¹ Acquisition subject to the approval of the Brazilian authorities.



CLOSE-UP ON PRODUCTS



MICHELIN NZG FOR BOEING

The Boeing 737 MAX completed its maiden flight in January 2016, equipped with the latest-generation MICHELIN NZG radial. This tire was chosen because it offers fuel savings and a greater number of landings.

Michelin also became the sole tire supplier for the main landing gear of the Boeing 777 300ER, 200LR and Cargo in July 2016. Thanks to the addition of a layer of Kevlar to the composite structure of NZG (Near Zero Growth) technology, the tires are stronger and 10%-to-15% lighter, thereby delivering up to 300 landings per year while limiting fuel consumption and CO₂ emissions. These results won Michelin the *Boeing Performance Excellence Award* in 2015 and the Supplier of the Year Award in early 2016. Michelin and Boeing are also strengthening cooperation in distribution. To more effectively meet the needs of airport service providers and airlines, Michelin has signed a collaboration agreement with Boeing subsidiary Aviall, the world's leading aircraft parts supplier. Michelin's Aircraft Tire Division now benefits from Aviall's international distribution network and 40 service centers in North America, Europe and Asia-Pacific.



Customer satisfaction
Improving our customers' satisfaction

MICHELIN XDR3

Designed for rigid dump trucks working in open-pit mines and quarries, the world's largest tire has achieved its goal of boosting operational efficiency while reducing per-tonne transportation costs.

Mining is hard work for both people and tires due to the harsh terrain, extreme temperatures, 24-hour operations, loads of up to 400 tonnes and steep slopes. And when commodity prices are volatile, it is also tough to generate an operating profit. To address this challenge, the MICHELIN XDR3 was launched on the market in September 2016. Thanks to heavy duty durability, the MICHELIN XDR3 offers a 10% longer lifespan than the XDR2, thereby helping to reduce operating costs. The tire also features three innovations:

- A new tread pattern, which more effectively dissipates heat.
- A larger footprint in contact with the ground, which reduces and more evenly distributes wear.
- Highly resilient cords encased in the rubber, which reinforce the structure and prevent corrosion.

To meet the specific demands of any site, the MICHELIN XDR3 is also available in four types of rubber compound that offer ultra-high performance in a particular area, such as abrasion resistance for rough terrain and heat absorption for transporting loads at speed. The MICHELIN XDR3 can also be fitted with the MICHELIN Earthmover Management System (MEMS) to anticipate equipment downtime. Using sensors implanted in each tire, this system sends real-time tire temperature and pressure data by text or email, thereby optimizing preventive maintenance.



FOR OUR "SERVICES AND SOLUTIONS" CUSTOMERS

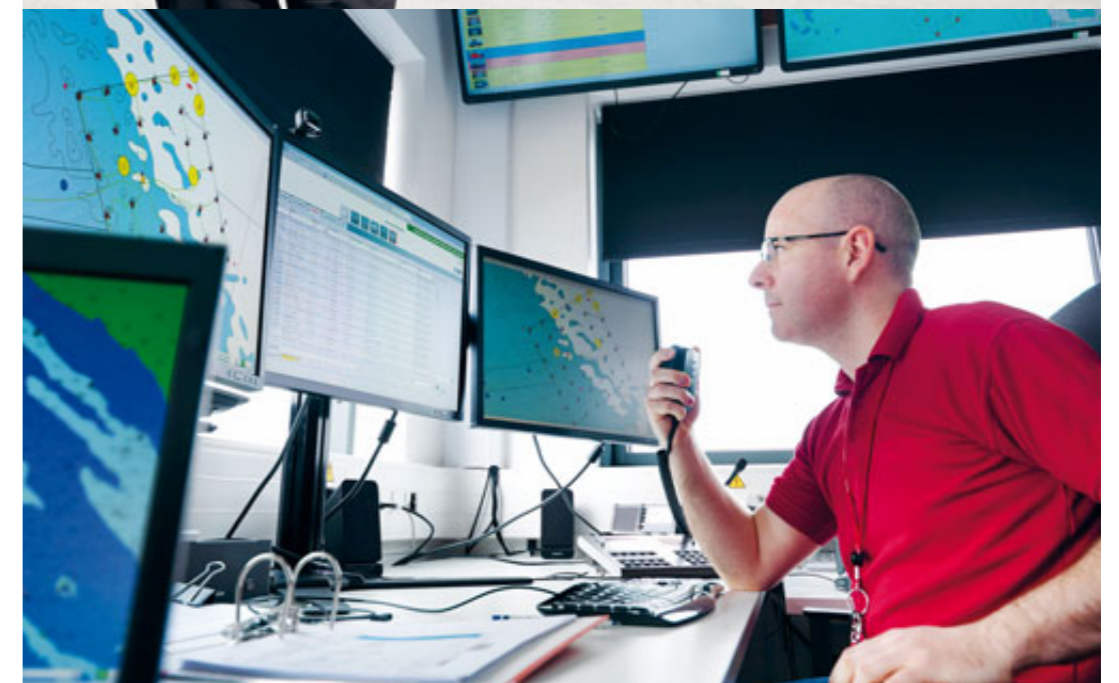
THE EXPERIENCE OF SERVICE

The world of mobility is opening up to new technologies, new players and new professions, including logistics analysts, application designers and big data experts. At the same time, digitalization and instant communication are revolutionizing truck fleets.



Carlos operates a fleet of 1,400 trucks specialized in shipping fresh produce. His priorities are to maintain the cold chain and deliver to customers within the agreed time frame.

He can have each truck's fuel use accurately monitored. He is alerted to any excessive fuel consumption and reminded of maintenance operations that need scheduling.



Everything is digital. The drivers are required to abide by strict safety standards, but deadlines are sometimes very tight. Continuing education and driver-manager dialogue and trust are extremely important for limiting stress and anticipating risks.

"Our industry has undergone fast-paced change. We now have huge amounts of data thanks to telematics, sensors, RFID chips and geolocation technology. Apart from day-to-day operations, the challenge is knowing how to analyze this information to advance the company as a whole."

Carlos Da Silva
Brazil

FOR OUR "SERVICES AND SOLUTIONS" CUSTOMERS
THE EXPERIENCE OF SERVICE

SASCAR AND MICHELIN SOLUTIONS BOOST FLEET MANAGEMENT



Truck, bus, van and commercial vehicle fleet operators carry out their business in an increasingly complex, competitive and restrictive environment, juggling demands such as on-time delivery, the safety and security of people and goods, compliance with environmental standards, maintenance and renewal management and continuous efficiency and competitiveness gains.

PARTNERS IN PERFORMANCE

Like our Sascar subsidiary, which is Brazil's leading digital fleet management firm, Michelin Solutions relies on onboard telematics, connected tires, geolocation and cloud computing to gather vehicle data in real time. Then, after analyzing vehicle and driver performance, Michelin Solutions makes recommendations on how to enhance the safety, availability and productivity of fleets while reducing their operating costs and environmental impact. Michelin Solutions commits to minimizing vehicle downtime, cutting CO₂ emissions and saving fuel as part of a proven approach.

WELL-MANAGED SEMI-TRAILER FLEETS

In Europe, 20% of journeys by semi-trailers are made with no cargo. Nearly one-third of truck roadside repairs are for tire-related problems, with semi-trailer tires at issue in 70% of cases.

Available throughout Europe in 2016, Michelin Solutions' EFFITRAILER offering is designed for fleets of more than 100 semi-trailers. The system optimizes fleet management by tracking vehicle locations in real time and sending instant alerts when it detects an abnormal situation, such as downtime, unsuitable tire pressure, a malfunction in the electronic braking system (EBS) or overloading. Action plans are then developed based on performance analyses by our logistics experts.

For a company with 150 tractor units and 200 semi-trailers, the potential gains can exceed €90,000 per year.

Source: DP Effitrailer

ALMOST
600,000
VEHICLES



OPTIMIZED TOTAL COST OF OWNERSHIP

INCREASED AVAILABILITY

ENHANCED SAFETY AND SECURITY OF TRANSPORTED PEOPLE AND GOODS

GREATER FUEL ECONOMY, SMALLER CARBON FOOTPRINT



"Our mission is to help our fleet operator customers achieve better business performance. There's a difference between simply relaying data, on the one hand, and analyzing that data to transform it into alerts, advice and action plans, on the other. That's what sets us apart. Michelin Solutions makes a contractual commitment to achieving results, then does so as a genuine partner. If we achieve the targets, we share the gains. If we don't, we give the customer a refund."

Philippe Miret
Michelin Solutions

OUR GOAL

WORKING ALONGSIDE CUSTOMERS TO OPTIMIZE MOBILITY

Michelin has been providing services to complement its tire lines for more than a century. We are now harnessing the digital revolution to enhance our offering, designing high-tech solutions to improve our business customers' performance.



HOST COMMUNITIES AND SUSTAINABLE MOBILITY

Strengthen our ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society. Promoting energy-efficient, low-emissions mobility.

GETTING THE MOST OUT OF TIRES

At Michelin, our services portfolio originated from a determination to enable our customers to get the most out of their tires, use them longer and save more fuel. Proof of this commitment can be seen in our installation of roadside air pumps and development of service centers and specialized networks, such as ExelAgri for farmers, mobile tire-fitting vans and on site maintenance services.

A PIONEER IN ECO-FUNCTIONALITY AND CONNECTED TIRES

For years now, we have been supplying and managing tires for our trucking, airline and mining company customers, and invoicing them based on the distance covered, number of landings made or weight transported. The solution also uses onboard pressure monitoring systems to optimize preventive maintenance and reduce vehicle downtime. Well-maintained tires last longer, which is good for the planet and good for our customers' business. Today, Michelin Fleet Solutions manages the tires of 300,000 trucks and light trucks in 24 countries. We take care of every aspect of tire management, including selection, mounting, maintenance, assistance,

retreading and end-of-life recycling, and invoice customers on a per-kilometer basis. After North America and Europe, we are now deploying this service in South Africa and Asia.

FROM SERVICES TO SOLUTIONS

We believe that the digital revolution, connected vehicles and big data are opportunities to expand our business and create value, enabling us to gradually shift the focus from product to service and from service to solutions and the customer experience. We seize these opportunities by forming complementary partnerships.

One example is Sascar, a pure-player in digital solutions for business fleets, and a Michelin subsidiary since 2014. Together, we are developing solutions that leverage our knowledge of the needs of large fleets. The partnership has already opened up a number of excellent prospects thanks to Sascar's expansion into Mexico, the fast-paced deployment of Michelin Solutions, and the new sustainable mobility offering developed for Brazil's leading fuel retailer, which combines leading tire and telematics technologies with eco-driving training for drivers.

OUR TARGETS

➤ Double revenue from our corporate services and solutions businesses by 2020.

CLOSE-UP ON DISTRIBUTION

DELIVERING QUALITY SERVICES, BOOSTING GROWTH

A MULTI-CHANNEL STRATEGY

Michelin is strengthening its proprietary dealer networks, driving faster growth in the franchised and partner networks and investing in wholesaling operations and online retailing. Our aim is to make our tires easier to access across all channels, satisfy the needs of consumers and businesses thanks to quality services, and make tire and vehicle maintenance positive experiences that strengthen the reputation of our brands and the trust they inspire. To deliver this high level of service to our customers, we rely on our Michelin Commercial Service Network (MCSN) of partners and franchises in the United States, our Euromaster proprietary and franchise dealer network in Europe (No. 1 continent-wide) and our TyrePlus franchise network in China (No. 1 nation wide).

TAILORING SERVICES TO CUSTOMER EXPECTATIONS

To tailor our services to customer expectations, we offer a full spectrum of solutions ranging from generalist and specialist brick-&-mortar networks, mobile services, online sales with professional mounting services and online sales with delivery to the customer. Nearly half of all tires sold in Europe and the United States pass through wholesalers first. With the increasing number of product types and the rise of online retailing, wholesalers are more necessary than ever in meeting the demand of networks, key accounts and online buyers. We are present in these markets through TCI in the United States and Euromaster, IHLE and Meyer Lissendorf in Europe.

DEVELOPING CROSS-CHANNEL SYNERGIES

Before making a purchase, 65% of tire buyers carry out online research, 90% of which takes place on dealer websites. We support buyers through this process. We have invested in online retailing through PopGom, Allopeus and BlackCircle. We give our European dealers the means to automatically update their websites using a specially developed digital content sharing platform. And we develop local synergies among wholesalers, online retailers and service centers in order to speed up tire delivery and ensure a smooth and easy customer journey, from initial inquiry to tire mounting.



2020 TARGET: > 5,500 PROPRIETARY AND FRANCHISED CENTERS: 2,500 EUROMASTER AND 3,000 TYREPLUS





FOR OUR "LEISURE AND TRAVEL" CUSTOMERS

THE UNIQUE EXPERIENCE OF DISCOVERY

Digital technology has put the full spectrum of experiences within everyone's reach, whether they wish to enjoy a gourmet meal, discover a quaint village, prepare a business trip or plan a big holiday in an exotic location.

"There are so many restaurant, hotel and travel offers these days that it's tough keeping track. And some are much better value than others. The hardest part is choosing between them."

Jérôme Viallon
France

FOR OUR "LEISURE AND TRAVEL" CUSTOMERS
THE UNIQUE EXPERIENCE OF DISCOVERY

DINING MADE EASY, WITH MICHELIN RESTAURANTS AND BOOKATABLE



There are currently **15,000** restaurants listed on BookaTable and more than **25,000** on the Michelin Restaurants site, with **39 million** covers booked in 2016. Given the growing number of consumers reserving restaurants via their PC or mobile device, Michelin, the world standard for restaurant guides, and BookaTable, Europe's leading online restaurant reservation service, have joined forces to improve service quality, enhance the range of offers and extend geographic coverage. To achieve this, the partners leverage their highly complementary portfolios of restaurants, with Michelin Restaurants catering to France and Germany and BookaTable and Restaurantes.com serving the United Kingdom, Spain and the Nordic countries. Now diners can reserve a restaurant on their cell phones all throughout Europe, with other regions to follow.

RATED
4/5



**MORE THAN 40,000 RESTAURANTS
LISTED ACROSS 9 COUNTRIES**

**39 MILLION COVERS BOOKED
IN EUROPE IN 2016**



"More and more people are using their cell phones to reserve a table before they eat out. With the acquisition of BookaTable and Restaurantes.com, Michelin has become Europe's No. 1 player in online restaurant bookings. By pooling expertise, our two teams ensure a smoother customer journey while at the same time assisting restaurant owners, who are first and foremost chefs or hospitality professionals rather than online marketing experts. Our solutions increase their appeal."

Nicolas Beaumont
Chief Executive Officer Michelin Travel Partner

OUR GOAL

GIVE OUR CUSTOMERS UNIQUE EXPERIENCES

Michelin is leveraging its wealth of expertise in maps and guides and fast-tracking development in activities that give customers a unique mobility experience, before, during and after their journey.



THE MICHELIN TOUCH
Michelin-licensed vehicle accessories, personal equipment and collectors' items help embed the brand in consumers' day-to-day lives.

ENRICHING THE MICHELIN BRAND EXPERIENCE

Motorists change their tires every 2.5 years on average. The MICHELIN Maps, Guides and Digital Services businesses, which are grouped together within Michelin Travel Partner, are tasked with nurturing customer relations and developing and enriching the MICHELIN brand experience to make it the first choice of consumers. In the 1900s, the Michelin brothers began creating guides and maps to facilitate motorists' journeys. Since then, Michelin has never stopped developing products and services that make the traveling experience simpler, more enjoyable and rewarding, before, during and after the journey. Today, we are expanding these high-potential businesses by incorporating them into digital systems that add value to our full range of offerings.

A SUITE OF APPS

These businesses also provide outstanding media visibility for the MICHELIN brand. As the world leader in restaurant guides, the European leader in maps and a major player in travel guides, Michelin leverages its travel services assistance activities to significantly boost the brand's digital presence through a suite of applications. These include MICHELIN MyCar for safe driving; ViaMichelin, which celebrated its 15th anniversary in 2016; the free, community-based MICHELIN Navigation GPS; MICHELIN Restaurants; MICHELIN Hotels; and MICHELIN Travel,

which lists more than 30,000 points of interest in 80 countries worldwide.

Motorists can also benefit from Michelin's own traffic information, travel tips and dining recommendations directly through their vehicle's onboard system. Several automakers including BMW, Peugeot and Volkswagen have already chosen the Michelin Travel Partner service for their customers.

NEW SERVICES: START-UPS AND INNOVATION

We are expanding initiatives to uncover innovative ideas both internally and externally as well as exploring new connected mobility services in Europe, the United States, China and Africa.

Start-ups currently supported by our incubators include Révisersavoiture.com, which connects motorists with maintenance networks, and eDaiBo.com, which provides valet and maintenance services in China's main airports. In addition, the WOOM mobile application has reinvented the concept of "word-of-mouth" by proposing crowd-sourced suggestions for local leisure activities.

OUR TARGETS

📈 Triple revenue from our experiences operations by 2020.

CLOSE-UP ON EXPERIENCES



VIAMICHELIN: GOING THE EXTRA MILE

Available in eight languages on smartphones and GPS systems, ViaMichelin is used some 400 million times a year to find the faster route from A to B, making it the second-most popular itinerary planner in Europe. But the advantages do not stop there.

ViaMichelin consists of a PC- and mobile-optimized website and a free application that enable users to prepare their journey then to manage it effectively with the ViaMichelin GPS. By combining our map and itinerary expertise with real-time information from a community of users on the road, ViaMichelin delivers both peace of mind and enjoyable travel. ViaMichelin also helps users optimize their time and their budget by offering them a choice between the fastest, cheapest or most scenic route. It enriches the traveling experience with hotel and restaurant selections from the MICHELIN Guide and route and tourist-attraction suggestions from the MICHELIN Green Guide. And it provides a simple way of making reservations online, either on the way or after arriving at the destination.

E DAI BO THE VALET THAT CARES FOR YOUR CAR

A valet service that also does maintenance work on the cars it parks.

Parking is a real problem in China, where the number of vehicles is growing much faster than the number of parking spaces. In response, start-up e Dai Bo has developed an online valet service. Operational in most of the country's main airports, the platform is also expanding in Shanghai and Beijing, where demand for parking is high.

As well as having their car parked, users of the service can get their car washed,

oil changed, tires and brake pads checked and replaced and other maintenance operations performed during their absence.

Launched in 2016 at Shanghai Pudong International Airport under the name *The Car Care*, this maintenance service is now provided by TyrePlus, Michelin's network in China.



FOR OUR CUSTOMERS AND HUMANKIND

THE EXPERIENCE OF MATERIALS

Global Footprint Network¹ has calculated that, by August 8, 2016, humankind had already used up all of the resources that the planet could provide for the entire year. We currently require the equivalent of 1.6 Earths to meet our needs and, according to the World Wide Fund for Nature (WWF), this will rise to more than two by 2030 if we do not change our production and consumption habits. The main factor behind this overshoot is CO₂ emissions, which represent 60% of our global ecological footprint.²



"WE NEED TO FIND MORE ENVIRONMENTALLY FRIENDLY WAYS OF PRODUCING AND CONSUMING."



"SAVING ENERGY AND RAW MATERIALS IS A GOAL THAT SHOULD BE FACTORED IN FROM THE PRODUCT DESIGN PHASE. WE NEED TO TAKE A STAND AGAINST PLANNED OBSOLESCENCE, OUR THROW-AWAY CULTURE, AND INSTEAD REUSE AND RECYCLE PARTS AS MUCH AS POSSIBLE."



"Development needs to be in harmony with nature. Everything from climate change to fossil fuel depletion points to the need for more effective energy use."



"WE CANNOT CONTINUE TO OVEREXPLOIT OUR NATURAL RESOURCES FOREVER."



1. This Canadian NGO has been calculating Earth Overshoot Day since 1986. In 2000, Overshoot Day was October 1. In 1960, by contrast, humankind only consumed 50% of the planet's biocapacity. See www.footprintnetwork.org.
2. WWF's ecological footprint indicator assesses the surface area needed to produce the resources used by a given population and to absorb the waste that it creates. See www.wwf.fr.

MICHELIN AND ITS PARTNERS ARE INVESTING IN BIO BASED RENEWABLE MATERIALS



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



THE 4R STRATEGY

The tire industry uses 32 million tonnes of materials every year, only 25% of which is from renewable sources. To reduce the use of fossil fuels and secure supply, Michelin has made a firm commitment to the circular economy through its 4R strategy: Reduce, Reuse, Recycle and Renew.

BIOMASS-DERIVED MATERIALS

Michelin has formed three partnerships with the aim of creating production channels for synthetic elastomers (rubber) derived from biomass rather than petroleum products. Michelin has partnered with Amyris, which specializes in the chemistry of renewable materials, to develop and market biomass-derived isoprene. The partnership has also been extended to include Brazil's Braskem, the world's leading biopolymer producer. The resulting polymer is used to complement natural rubber. We currently make heavy use of bio-based materials, including natural rubber as well as plant-derived oils and resins.

Since 2013, we have also been engaged in a process to develop a production channel for biomass-derived butadiene in partnership with Axens and France's Institute of Petroleum and New Energies (IFPEN). The resulting bio-butadiene is used to produce elastomers following polymerization. Codenamed BioButterfly, this project is supported by France's Agency for the Environment and Energy Management (ADEME) as part of the Investing in the Future program. Michelin has also set up a partnership with sugar cooperative Tereos to foster the development of innovative biomass conversion processes with a view to supplying the new production channel with its alcohol feedstock.

200 COMPONENTS

BREAKDOWN PER 100 TONNES OF MICHELIN TIRES

- 25 T NATURAL RUBBER
- 20 T SYNTHETIC RUBBER
- 26 T SILICA AND CARBON BLACK
- 12 T CHEMICALS
- 12 T METAL CORD
- 3 T TEXTILE CORD



REDUCING DEPENDENCE ON OIL

DIVERSIFYING AND SECURING SUPPLIES

DECREASING THE ENVIRONMENTAL FOOTPRINT



"Most of Michelin's key technologies have been derived from innovations in materials. We'd like to build on this momentum by being even more open-minded. More than half of our 300 research partnerships concern new materials. The post-oil world is being invented today. A major challenge in our sustainable mobility innovation strategy is to incorporate an increasingly large share of renewable materials into our tires. However, this research is part of a long-term process. Our BioButterfly project started in late 2013 and is scheduled to run over at least eight years. That shows we're in it for the long run."

Maude Portigliatti
Scientific Director, Michelin

OUR GOAL

HIGH-TECH MATERIALS

Leveraging our expertise in high-tech materials to accelerate innovation for our customers and the planet



HOST COMMUNITIES AND SUSTAINABLE MOBILITY

Strengthen our ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society. Promoting energy-efficient, low-emissions mobility.



PRODUCT PERFORMANCE

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



LONG-TERM PERFORMANCE, THROUGHOUT ITS FULL LIFESPAN

The MICHELIN brand's commitment to sustainable performance and its promise to individual and business customers alike is to combine the most suitable and comprehensive characteristics in the one tire, to guarantee performance throughout its full lifespan regardless of the conditions of use, and to offer continuous improvement with every new tire. This commitment is made possible by our ability to develop innovative materials, our talent for blending them to significantly enhance their performance, and our skill in rolling out the most complex combinations and designs on an industrial scale while guaranteeing the quality of our tires.

OPTING FOR PLANNED DURABILITY

Proficiency in high-tech materials and leading-edge industrial processes is an integral part of our tire differentiation strategy. It enables us to combine typically contradictory performance characteristics, such as robustness and lightness, to the highest degree possible. It also sustains the unfailing superiority of MICHELIN tires in terms of fuel economy and durability, to the greater benefit of our customers, the climate and the environment.

Instead of planned obsolescence, Michelin has opted for planned durability. Our tires maintain the same level of safety and meet their fuel consumption commitments throughout their entire lifespan, which we work to extend regularly. Long-term durability and performance limit the consumption of raw materials and mitigate use-related CO₂ emissions, which account for between 85% and 98% of a tire's carbon footprint due to rolling resistance. Here again, it is our knowledge of materials science that enables us to boost the energy efficiency of our tires and to commit to shrinking their carbon footprint by 20% between 2010 and 2030.

NEW PRODUCTS, NEW APPLICATIONS

Michelin has built up extraordinary expertise in such diverse areas as elastomers, cords, molds, high-tech fabrics, biomaterials and metal 3D printing. Our portfolio of material patents has doubled since 2011.

We showcase this unrivaled wealth of knowledge by fast-tracking the launch of increasingly innovative tires that are always more closely aligned with customer needs.

We harness our polymer expertise to develop new products and applications, such as the Tweel ultra resistant airless tire now equipping industrial loaders and mowers, and technical shoe soles for Babolat tennis shoes and Millet hiking shoes.

We are also capitalizing on our lead in metal 3D printing technology – the key to producing the MICHELIN CrossClimate – as part of Fives Michelin Additive Solutions. Created with Fives in 2016, this joint venture has already proved its potential through a number of remarkable achievements.

OUR TARGETS

- Be proactive. Affirm our technological leadership.

CLOSE-UP ON MATERIALS



SUSTAINABLE RUBBER MICHELIN – BARITO PACIFIC GROUP – WWF

Michelin and Barito Pacific Group are building an eco-responsible natural rubber production channel in Indonesia with the support of WWF.

Natural rubber's 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 responsibly is a critical challenge that these partnerships seek to address. Through a 49-51 joint venture, Michelin and Barito Pacific Group are working on the islands of Sumatra and Borneo to rehabilitate three concessions totaling 88,000 hectares devastated by deforestation. Half of the plots will be planted with rubber trees, and the other half will be earmarked for growing subsistence crops and reintroducing native plant species. The project will ultimately create 16,000 local jobs and enable Michelin to secure 80,000 tonnes of natural rubber, or around 10% of its needs, while attenuating the impact of price volatility. In parallel, Michelin has signed an international cooperation agreement with WWF for the period 2015-2018. To lead the project, Michelin and Barito Pacific Group have formed a governance body with WWF representatives, who advise on the most suitable plantation solutions. The local cooperation between Michelin and WWF also helps safeguard the Bukit Tigapuluh National Park and Limau Protected Forest, which are under threat of deforestation.



A RESPONSIBLE MANUFACTURER

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

METAL 3D PRINTING FIVES MICHELIN ADDITIVE SOLUTIONS

Created in April 2016 by Michelin and Fives, this joint venture provides a global showcase for the Group's expertise in metal additive manufacturing, a market that is growing by 20%¹.

Michelin has developed unrivaled expertise in metal additive manufacturing, which it uses to mass-produce mold parts for top performing tires such as the MICHELIN CrossClimate. Fives is a world leader in the design and development of high value added machines and production lines.

Thanks to these synergies, the Fives Michelin Additive Solutions joint venture has hit the ground running in its quest to conquer the global aerospace construction, automotive and energy markets.

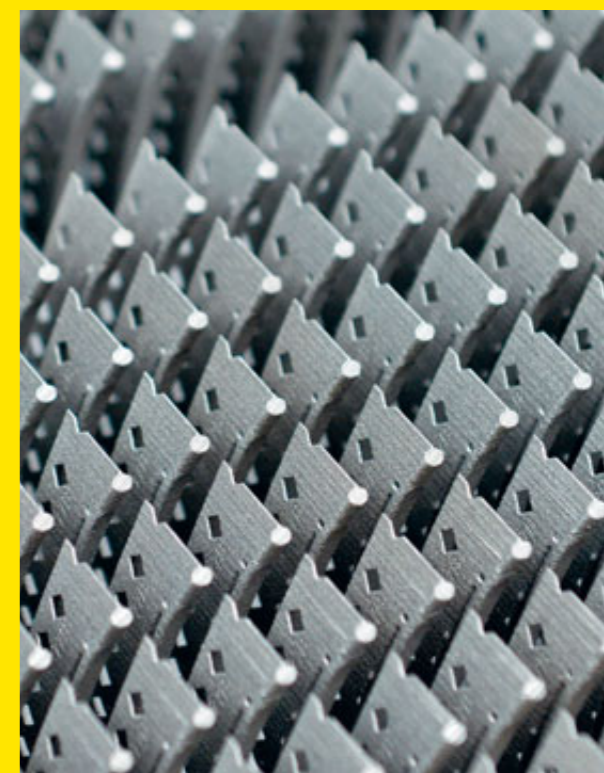
Following its creation in 2016, the joint venture launched AddUp, a comprehensive industrial solution encompassing all aspects of metal additive manufacturing, from machine design and supply to part production as well as all related services.

AddUp has brought to market FormUp 350, an innovative, flexible, scalable and robust machine that can produce a prototype or whole production run of parts by melting

together layers of metal powder with a laser. Fives Michelin Additive Solutions has also opened a 2,000 square meter technology platform, where SMEs are given the chance to test machines free of charge for ten-part production runs. And for even faster-paced innovation, the joint venture has initiated the €50 million, France-wide SOFIA research program². Funded jointly with BPI France and the Auvergne-Rhône Alpes region, this program aims to set up an entire French metal additive manufacturing production channel, spanning from powder production to printing processes. Fives Michelin Additive Solutions has set itself the target of capturing 20% of the market within a decade.

¹ Wohlers 2015.

² SOFIA is a Fives Michelin Additive Solutions-led initiative that brings together corporates, namely Aubert & Duval, Safran, Voluum-e, Michelin, Zodiac, Fusia and ESI Group, and research institutions, including CNRS, CentraleSupélec, Ecole Polytechnique and ENS Paris-Saclay.



NEW
PROGRESS
EXPERIENCES



*"TO ACHIEVE OUR STRATEGIC AMBITIONS,
WE NEED **TO FOCUS MORE ON CUSTOMERS**,
SEIZE THE OPPORTUNITIES OFFERED BY
DIGITALIZATION, SIMPLIFY OUR INTERNAL
OPERATIONS AND ENABLE ALL OF OUR
TALENTED EMPLOYEES TO MAKE
THEMSELVES HEARD."*

JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER

CUSTOMERS: EVERYONE'S CONCERN

Providing customer service that meets the same high standards as our products has the potential to drive significant growth.



CUSTOMER SATISFACTION
Improving our customers' satisfaction

At Michelin, we are meeting this challenge by rolling out every aspect of the OPE business process management system, overhauling our supply chain, using new tools to offer increasingly personalized customer service and fostering employee engagement in new organizational structures. We are measuring our progress with new customer satisfaction indicators, which are monitored at the highest levels of management.

OPE: AGILE PROCESS MANAGEMENT

Launched in late 2012, the OPE business process management program aims to increase agility and efficiency, thereby boosting growth, competitiveness and customer satisfaction. Deployed around the world, it offers solutions for improving product availability, ensuring seamless delivery and invoicing, and optimizing supply chain costs.



There are three aspects to the transformation:

- ➔ Upstream OPE increases the responsiveness of the raw-materials and semi-finished-products supply chain by tracking inventories in real time.
- ➔ Downstream OPE redefines how we serve our customers according to their needs and facilitates relations with Michelin.
- ➔ Finance/Purchasing OPE provides the data needed to constantly improve production-cost and margin management.

OPE has already increased our flexibility, improving customer satisfaction and service quality.

QUALITY PRODUCTS... AND SERVICES

At Michelin, we are working to make the quality of our services one of our key strengths, as is already the case for the quality of our products. To this end, the Quality teams' mission was extended in 2016 to ensuring our customer promises are fulfilled.

This involves checking and guaranteeing all of our explicit and implicit commitments with regard to products and services.

CUSTOMER SERVICE: EVERYBODY'S BUSINESS

From upstream to downstream, all employees are helping to improve customer service in one of the following ways:

- ➔ Ensuring that suitable tires are available.
- ➔ Delivering tires on the agreed date.
- ➔ Facilitating truck unloading at customer sites.
- ➔ Guaranteeing that invoices meet expectations.
- ➔ Swiftly replying to each request.
- ➔ Optimizing customer inventories.
- ➔ Delivering small quantities, several times a day if necessary.
- ➔ Speedily processing warranty claims.
- ➔ Ensuring easy, valued relations with Michelin.



ENGAGING...

The new ENGAGE program aims to give front-line employees the resources they need to more effectively understand and satisfy customer expectations.

The program provides a 360 degree perspective thanks to four tools:

- A single online portal for all dealers of all Product Lines worldwide.
- A special portal for business users.
- Marketing automation software to personalize our relations with business customers.
- Sales force automation software to enable sales teams to manage contracts, identify decisionmakers, share information, and send prospects a tailored proposal in just a few clicks. The software works anywhere with an Internet connection.

Following deployment in North America, ENGAGE is scheduled to start expanding worldwide in 2017, with the portal component to be completed in mid-2018, in coordination with OPE. The two, fully complementary initiatives form part of the Group's new customer relationship management (CRM) tool, with ENGAGE providing relationship assistance and OPE transaction assistance.

... AND MEASURING OUR PROGRESS

As there can be no improvement without a standard of measure, the Group is tracking its progress using two indicators.

GLOBALLY – THE NET PROMOTER SCORE

How likely is it that you would recommend our brand to a colleague or friend?

Customers respond on a scale from 0 to 10 (with 0 being highly unlikely and 10 being extremely likely), which determines whether they fall into the Promoter, Passive or Detractor category. The Net Promoter Score (NPS) is calculated by subtracting the percentage of Detractors from that of Promoters. The NPS will be included in the Group's scorecard in 2017.

LOCALLY – THE CUSTOMER EFFORT SCORE

Do you agree with the following statement: "Michelin made it easy for me to handle my [order, delivery, invoice, claim]"?

Customers are asked this question shortly after a transaction and respond on a scale from 0 to 10. The Customer Effort Score (CES) is calculated as the percentage of customers who answer 8 to 10. There are also questions at each stage. The higher the score, the easier customers feel it is to work with us. The CES is tracked and followed up on locally. Roll-out began in late 2016 in North America, Spain, Italy, Thailand and Africa/India/Middle East.

IN PRACTICE



PROD'AGILE, CONNECTING PLANTS TO CUSTOMERS

In plants, top customer service involves manufacturing the right amount of the right tires by the agreed deadline. To ensure this happens, the Prod'Agile program was launched in 2015 as an extension of Downstream OPE. Six plants have piloted the Industrial Service Level (ISL) indicator to identify their contribution. The availability of every item manufactured by the plant is calculated on a daily basis. Each plant has total freedom to choose which of the 14 proposed methods it will implement to accelerate flows, increase manufacturing flexibility, more effectively manage inventories and more. The goal is to achieve an ISL target of 98% by 2019.

In just six months, the pilot plants' ISL has risen from 55% to 91%. Currently deployed in 40 of the 51 designated plants, the indicator will be extended to all plants by the end of 2017 and the resulting best practices integrated into the Michelin Manufacturing Way (MMW) system during the next update.

A COLLABORATIVE SUPPLY CHAIN

The Earthmover teams have set up a collaborative supply chain with mining conglomerate Rio Tinto. Given the steep fall in commodity prices, mining companies are looking for ways to protect their cash flows, with inventory reduction at the top of the list. When our customer Rio Tinto announced plans to reduce its inventories to zero, we had to become more responsive to provide it with on-demand delivery. The solution was a collaborative

supply chain, where Michelin and Rio Tinto first set out their needs and constraints before agreeing on a realistic supply plan. By eliminating interfaces between organizations, we can ensure smooth operations and achieve a high level of reliability with reduced inventories. The new OPE information systems, which were introduced in 2016, have made this approach easier by aligning plants with their markets.



EFFICIENTLY LOADED TRUCKS

Dealers often make several orders with us before they receive their delivery. Previously, we used to load tires into trucks by order, not by type. This is no longer the case in Europe, where we sort our tires by type before packing them into the truck, meaning faster unloading times and easier storage for our customers. At the same time, we have also updated our delivery slips to facilitate checks.



READY FOR THE FACTORY OF THE FUTURE

A number of technologies are shaping up to make manufacturing operations exponentially more flexible for customers, including digital manufacturing, connected machines and devices, advanced robotics, augmented reality, 3D printing, and real-time data collection and processing. Some of these leading-edge technologies are already a reality in Michelin plants.



TWO DIFFERENT PERSPECTIVES

DIGITAL REVOLUTION: UBIQUITOUS CONNECTIVITY



“We can use big data to enhance our offering.”

Michelin is experiencing a transformation. While we are still a manufacturing company, our business model – historically based almost entirely on product sales – is expanding to include the provision of services, which themselves depend on the quality of our products. IT teams are on the front line of this transformation, working to determine what we can bring to the businesses, professions and regions, how information systems are being used on a day-to-day basis, how we can make them more effective, and how we can understand new user expectations.

We work using fast iteration cycles in small teams of both business and IT professionals, which means we can quickly find out if a project is working and focus on the essentials while aligning the project as closely as possible to the reality on the ground. We have been applying this agile method for more than five years now.

At the same time, we are developing a big data platform. Here the goal is to enhance the Group's product and service offering by giving the Research, Marketing and Sales teams access to useful information about usage practices. Making smart use of big data is a vital challenge for a company like Michelin. We can learn a lot about mobility conditions and the real impact they have by analyzing data from connected objects, starting with tires.

Agnès Mauffrey
Chief Information Officer



“Closeness to customers and fast response times are key factors.”

The digital revolution is shaking up every aspect of the Company and unlocking new sources of value. Customers expect more services and less fuss, with a comprehensive offering that improves their mobility.

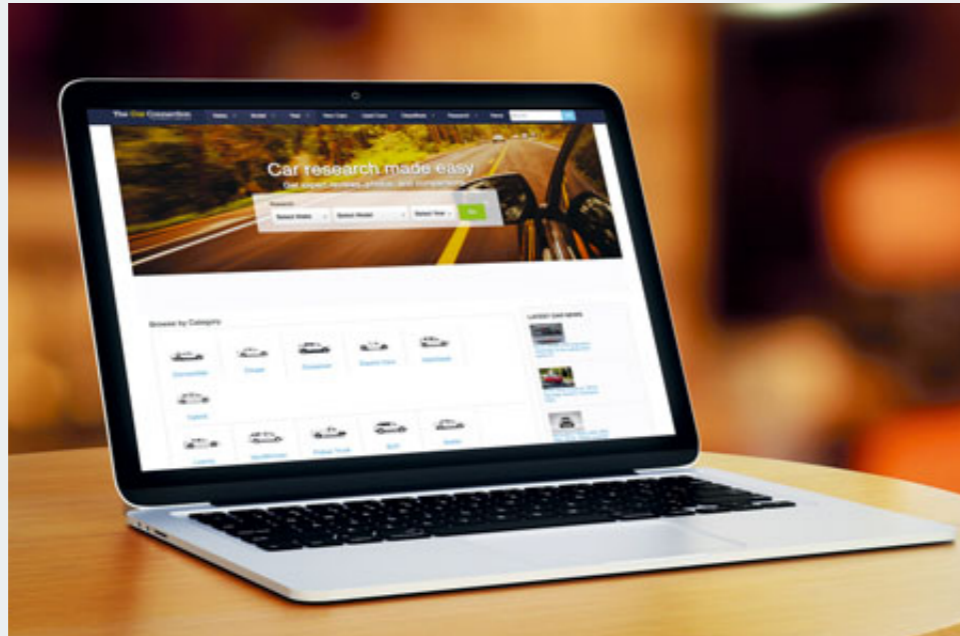
Digital technology offers a tremendous opportunity to get closer to these customers, better understand their needs, interact with them, offer them new products and services more quickly, relay information to them directly and play a role in their lives like we do through our fleet management services. Michelin's future lies in a comprehensive range of tires and connected services. Digitalization also improves our ability to satisfy customer demand by empowering teams to make quick decisions. The digital revolution increases our agility and makes sharing, cooperating and training easier – not to mention attracting talent. We can seize these opportunities and more by digitalizing our operations and taking a more connected, participatory approach to communication.

Éric Chaniot
Chief Digital Officer

IN PRACTICE

MANAGE AN ONLINE CAR-LOVERS COMMUNITY CAR CONNECTIONS

Car Connections is a new online community where supercar fans, design buffs and vintage and motorsports enthusiasts can indulge their passion. Launched by Michelin in 2016, this global video and news platform can be accessed via the automotive sections of MSN and AOL.



CONNECT TIRES AND SELL DIGITAL SERVICES MICHELIN TIRE CARE

The Michelin Tire Care service program for bus and truck fleets is based on the belief that connected tires can lead to substantial savings. The program involves planting an RFID chip in new or in-use tires, which may or may not remain Michelin property. The chip then transmits data about the state of the tire, which we analyze to optimize maintenance and replacement management. These monitoring and diagnostic services are available as part of a monthly plan. For customers, the advantages include fewer breakdowns (one-third of which are tire-related, and due to incorrect tire pressure in 90% of the cases) as well as savings on tire retreading and replacements, which are often performed prematurely. Our target is to support one million vehicles within five years.



GET CLOSER TO CUSTOMERS WECHAT

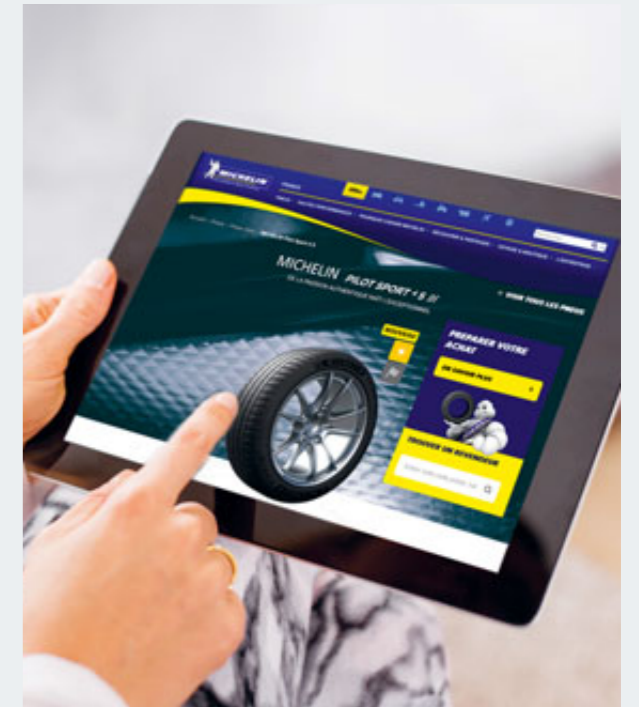
WeChat is a Chinese messaging application that boasts 570 million daily users, 200 million of whom have linked their payment card to their account.¹ Michelin China leverages every one of the network's functionalities, providing information tailored to users' interests, promoting the brand with a monthly theme, helping customers choose the right tire and find a dealer, and managing customer relations through a members club. With WeChat, club members gain access to useful services including complaint filing, and are given the opportunity to take part in outreach initiatives, such as support for charities. Michelin has 940,000 followers and customers on WeChat.

¹ Agence Marketing Chine, September 2016

SELL OUR TIRES DIRECTLY MICHELIN PILOT SPORT 4

For the launch of the MICHELIN Pilot Sport 4, the first tire to be sold directly through Michelin.com, we decided to match this exceptional tire with exceptional service. As part of an exclusive offer, buyers of the new, ultra-high performance tire were given the opportunity to book directly with a partner dealer to have their tires delivered and

mounted, either at the dealer site or their home. The deal also included a "satisfied or money back" guarantee, advice through an instant messaging service, monthly tire pressure checks, and checks of the tires themselves, every 10,000 kilometers, by their dealer.





CONNECTED FARMING TODAY AND TOMORROW, WITH MICHELIN

With the development of wireless networks and Internet services, the farming sector has stepped up the pace of digitalization, embracing GPS systems, drones, sensors, robots and decision-making tools. As the interface of choice for these new services, smartphones and tablets accompany farmers in their day-to-day work, taking Michelin along for the ride.

IN PRACTICE



PRODUCT PERFORMANCE

Widen our lead in product performance by delivering more performance while using less raw materials and improving fuel efficiency and by developing the circular economy of the tire.



JUST THE RIGHT PRESSURE

With the MICHELIN Pressure Calculator mobile app, users can scan their tire's QR code with a smartphone and in just a few clicks obtain the right tire pressure for each type of use.

The tire pressure monitoring system (TPMS) enables farmers to optimize their tire pressure on the road or in the field. Michelin has joined forces with specialist operators PTG, STG and Teleflow to promote the solution. Particularly suited to this system are the MICHELIN AxioBib UltraFlex tires, which protect the soil by limiting compaction – a key factor in maximizing crop yield – while at the same time enabling heavy loads. Unveiled in 2016, the latest generation AxioBib 2 can operate across a wide range of air pressures (0.6 to 2 bars), allowing users to get the most out of the TPMS while reducing fuel consumption by around 30%.

GOLD AT THE SIMA 2017 INNOVATION AWARDS

Michelin is currently working on an assisted TPMS capable of adapting tire pressure to the work at hand in real time. In the meantime, the new MICHELIN Evobib allows users to transition smoothly from the road to the field thanks to innovative hinged-lug tread technology. This groundbreaking new two-in-one tire was honored with the gold medal at the SIMA 2017 Innovation Awards.



NEW CONNECTED SERVICES

Another connected innovation is Flash Services, which was launched in 2016 for farmers using the largest AxioBib tires. Users simply scan the QR code molded into the sidewall to benefit from personalized advice and exclusive offers on their smartphone or tablet.

To offer farmers a greater range of choices, in 2016 Michelin and Limagrain each acquired a 20% interest in Exotic Systems, a start-up specialized in easy-to-use connected solutions.

ONLINE SALES AND ON-DEMAND MOUNTING

To save time for farmers, forest managers and park maintenance workers, Euromaster has developed a specialist e-commerce website that offers some 2,500 products across three segments. Using the platform, customers can order their tires and have them delivered to their location. They can also request to have the tires mounted at a Euromaster service center or, for even greater convenience, at their farm, forest or park.

OUR FIRST WEB SERIES

Michelin has partnered with *Cultivar* magazine to launch the *Capital Terre* web series, in which farmers share best soil conservation practices.



ORGANIZATION: THE SIMPLER THE BETTER

In an increasingly complicated world, simplification has become an absolute necessity. To increase agility, efficiency and competitiveness, we are streamlining our organizational structures and aligning them closer with markets, thereby benefiting customers, growth and profitability.

At Michelin, our research and innovation efforts have been revitalized by new resources, new approaches and new partnerships. Our manufacturing base and supply chain have been optimized through the use of flexible, appropriately sized units. Our corporate functions have been streamlined and our support functions pooled. Each entity can now concentrate on its core mission, making management easier and decision-making faster.

These transformations are helping to improve our competitiveness. Gains from the 2012-2016 competitiveness plan amounted to €1,197 million, in line with the €1.2 billion target. The 2017-2020 plan aims to reap similar rewards over a shorter period by intensifying and accelerating programs that are already underway. Facilitated by the roll-out of OPE, procedure simplification has become particularly vital given that the Group plans to continue replacing only two-thirds of the 3,000 employees retiring each year.

COMPETITIVENESS PLANS

Expected gains before inflation and including avoided costs

| IN € MILLIONS | 2007-2010 | 2012-2016 | 2017-2020 target |
|---------------------|--------------|--------------|------------------|
| Overhead costs | 251 | 522 | 500/550 |
| Production costs | 406 | 448 | 450/500 |
| Raw materials costs | 365 | 227 | 150/200 |
| TOTAL | 1,022 | 1,197 | 1,200 |

PLANTS PRODUCING MORE THAN 100,000 TONNES PER YEAR

Larger, more efficiently used plants

| IN € MILLIONS | 2012 | 2016 | 2020 |
|---------------------------|------|------|------|
| Number of plants | 12 | 15 | 18 |
| Share of total production | 49% | 65% | 70% |
| Capacity utilization rate | 75% | 87% | 93% |

NIMBLER MANAGEMENT: THE EXECUTIVE COMMITTEE LEADING BY EXAMPLE

The Group Executive Committee is also opting for a simpler, more agile management style. To this end, it has urged managers to embody the simplification drive among their teams, notably by using fewer, more comprehensive indicators and replacing the Plan with forecasts that continuously adapt to changes in market conditions and the environment.



COLLABORATION PROGRAM: SIMPLIFYING, CONNECTING

Introduced in 2016, the Collaboration Program provides all connected employees with new, collaborative tools designed to simplify their work, help them build stronger relationships and increase their agility. The tools include email, instant messaging, a calendar, web conferencing, a highcapacity online storage space, a collaborative writing tool and an online file sharing platform. A team of 1,100 "champions" has been designated to help everyone get the most out of the program.

ENCOURAGING TEAMS TO SHARE IDEAS

Bibspace is Michelin's Group-wide social network, which reached the 36,000 member milestone in 2016. In just three years, Bibspace has become an essential means of working collaboratively and sharing ideas. Innovago is an online platform for innovation and progress ideas in all fields. Open to 60,000 people, it was used to register 59,601 ideas in 2016.

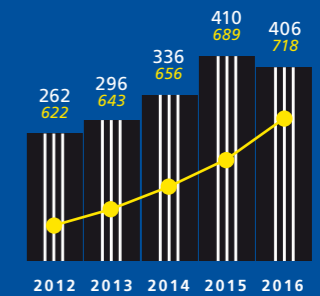
PICKING UP THE PACE OF INNOVATION

At Michelin, innovation has always been the driving force behind growth. Research, development and process engineering make a vital contribution to our performance. They enable us to set our products apart from the competition and justify our prices. They help control costs, secure raw materials and guarantee manufacturing performance. And they deliver sustainable solutions.

SYNERGIES AND CROSS-FERTILIZATION

Between 2007 and 2018, the Group will invest €270 million to upgrade the unrivaled Ladoux Technology Center in Clermont-Ferrand, France. Set on 450 hectares, the facility brings together a full array of skills in areas ranging from advanced research to test tracks, hosting a total of 3,500 people, including 2,700 engineers, representing 170 professions. Its challenge is to step up innovation, deliver disruptive solutions and reduce time to market by mobilizing the combined strengths of marketing specialists, engineers and process experts. To give shape to this new approach to innovation, the Group inaugurated the RDI Campus in 2016. The site brings together all professions related to research, development and process engineering (RDI in French), thereby facilitating collaboration and encouraging crossfertilization. Even the architecture has been designed

Powerful, productive research, development and process engineering



to foster interaction, with 80 modular platforms available to host multidisciplinary teams working in project mode. Thanks to this approach, the MICHELIN CrossClimate tire was completed in three years instead of five.

WORKING AS A NETWORK

Michelin's innovative measures are also designed to facilitate interaction and project management with the Group's other R&D centers in Spain, Switzerland, the United States, Brazil, China, Thailand, Japan and India. Backed by this worldwide network, we can swiftly adapt global concepts to local driving conditions and collaborate more closely with automakers. Since 2013, Michelin has opened seven schools for research, development and process engineering to more effectively satisfy customer demand in new markets.

INCUBATORS, CHALLENGES AND HACKATHONS

At Michelin, we search far and wide to uncover the trends that will shape the mobility of tomorrow, organizing research partnerships, joint ventures and internal and external innovation competitions. We are involved in several start-up accelerators and have set up three incubators in Europe, the United States and China. These structures support some 20 start-ups and innovative projects in the areas of digital services, connected devices, big data, additive manufacturing and hydrogen vehicles, and are working in synergy with the Group's own advances in fuel-cell technology.





CAPITAL EXPENDITURE: STANDARDIZING TO REDUCE COSTS

The Group's capital expenditure is expected to amount to €1.7 billion per year over the period 2017-2020, compared with €1.9 billion under the 2012-2016 plan, which was characterized by the simultaneous construction of three major plants in China, India and Brazil.

Michelin's target is to reduce unit investment costs by 30% for new plants and by 15% for upgrades. The Group plans to achieve this by purchasing less customized equipment, designing more modular buildings, co-designing products and processes and improving development and scheduling procedures.

As part of this process, Michelin plans to reorganize engineering operations between now and 2018 to create Manufacturing Engineering. The new unit's teams will focus on the global management of the business, which is based in Clermont-Ferrand, France, as well as on the coordination of process improvements worldwide and the development of highly innovative projects with the Ladoux Technology Center.

MERGED UNITS, SHARED SERVICES: BETTER TOGETHER

The Efficiency program is instilling the support and corporate functions with the same culture of continuous improvement that has proven its worth in production by "right-sizing" resources.

A good example are the shared services centers. Pooling all purchasing, sales back office, accounting and human resources administration activities, the six Michelin Business Services centers are located in Greenville and Queretaro for North and South America, Clermont-Ferrand and Bucharest for Europe, Africa and the Middle East, and Bangkok and Shanghai for Asia. They provide excellent, cost-effective service, ensuring efficiency, quality and compliance.

As part of the same move toward leaner, more streamlined entities focused on their core mission, the Group has combined Japan, South Korea, Southeast Asia and Oceania into a single region. Europe and Eastern Europe have also been merged into a single operating unit, and the continent's ten sales regions have been reduced to seven.



EMPOWERMENT: ALL ONBOARD

Team empowerment goes hand in hand with our simplification drive, enabling decisions to be made close to operations and customers and encouraging initiative and dialogue. This trust-based relationship fosters employee engagement and accelerates our transformation.



SERVING CUSTOMERS

In 1928, Edouard Michelin said: "One of our principles is to give responsibility to the person who carries out a given task because he knows a lot about it. In addition, this often makes him realize that he has capabilities that he didn't know he had and enables him to move forward." This belief is still alive and well today in the form of the *Empowering Organizations and the Autonomous Management of Performance and Progress* (MAPP) program.

Improved customer service hinges on employee engagement. The MAPP program, for example, empowers operators to come up with their own solutions by trusting each production station team to achieve the set targets using whatever organization they see fit. The result is a new manager-team relationship based on individual initiative and trust. In addition to work organization, this approach is also applied to safety, ergonomics, training and induction.

Team engagement at Michelin is growing every year, matched by an appetite for responsibility. We want to empower employees in all professions and all functions, so managers can focus on their main role of developing talent.



EXPERIENCE

"Employees who use the MAPP¹ approach have greater visibility and a better understanding of the business. They have access to more information, meaning they can make the right decisions faster. If a problem arises, it is up to the operators to find a solution. This means station managers can more effectively fulfill their coaching duties and spend more time developing their teams' skills."

Mathilde Vadrines,
Station Manager

1. Autonomous Management of Performance and Progress.



BELIEF

"Employee empowerment is one of our areas of progress. We are seeing the increasing benefits of implementing empowering organizations within our industry and our support functions. Everyone takes ownership of their work as part of a well understood strategy governed by clear, widely accepted rules. The advantages of this change are increased innovation and agility as well as better quality worklife, workplace relationships and human resources management, all around the world. Everyone, regardless of their grade, should feel like they are in charge and able to put forward solutions for the future. As well as being extremely motivating, it is also a key demand among the younger generations."

Jean-Dominique Senard,
Chief Executive Officer

EMPOWERMENT, TRANSPARENCY, TRUST AND FLEXIBILITY

These are the four priorities of our agreements to secure future competitiveness. Empowerment transforms labor relations, giving facilities a chance to address slipping competitiveness and invent a new future. In this way, Michelin, its employees and their representatives commit to a jointly developed project to secure the future.



"THE SPIRIT OF EMPOWERMENT HAS ALWAYS BEEN ONE OF OUR VALUES AND IS PART OF THE MICHELIN GROUP'S 'GENETIC CODE'. ONE OF OUR PRINCIPLES IS TO GIVE RESPONSIBILITY TO THE PERSON WHO CARRIES OUT A GIVEN TASK BECAUSE HE KNOWS A LOT ABOUT IT. IN ADDITION, THIS OFTEN MAKES HIM REALIZE THAT HE HAS CAPABILITIES THAT HE DIDN'T KNOW HE HAD AND ENABLES HIM TO MOVE FORWARD."

Édouard Michelin, 1928

This approach is based on open, transparent employee dialogue with input from the unions. Employees are involved in discussions through working groups on possible facility repositioning options. The aim is to devise solutions to improve productivity and flexibility and thereby develop a solid, sustainable project. In return, the Group undertakes to provide the resources to make the transformation possible. An agreement is then drawn up defining the project and the mutual commitments concerning performance and investment, before being put to a vote by employees. Implementation may take place in several stages and over several years, with regularly tracked milestones.

THE ROCHE-SUR-YON PLANT REIMAGINES ITS ORGANIZATION

The Roanne plant in France kicked off the process by signing the first future-securing agreement in May 2015. With the plant repositioned in the ultra-high performance tire segment, the employees have adopted solutions to make it one of the most flexible plants of its type and thereby satisfy customer demand.

The Roche-sur-Yon truck tire plant in France entered into a similar agreement in April 2016. The product of one-and-a-half years of negotiations by employees, the unions and management, the Skipper 360° agreement is based on a comprehensive change in work organization, with extended use of weekend shifts and greater flexibility. At the same time, the agreement provides for a €56 million investment to increase production capacity, upgrade equipment and install new technology to move the plant up market.



"A plant is a community where everyone feels like they have a stake. Giving employees a say in the corporate agreement boosts engagement."

Rémi de Verdilhac,
Director, France



"We should pay just as much attention to our employees as we do to our customers. This symmetry is vital to our success. We are entering a new world, governed by new rules. We will have to invent new solutions faster by being more agile and taking a simpler approach to innovation, all while developing a winning mentality."

François d'Avout,
Chairman and President,
Michelin Europe

POTENTIAL AGREEMENT IN VANNES IN 2017

In 2017, the Vannes plant in France may finish negotiating its own agreement to secure future competitiveness. Manufacturing the fine-cord metal reinforcements used for the structure of truck tires, the facility supplies the Roche-sur-Yon plant as well as Group units in China, India and Brazil, highlighting the importance of addressing competitiveness challenges.

Michelin believes in making industrial facilities in mature markets viable over the long term. Team empowerment and customer-oriented flexibility play a key part in achieving this goal.

COME FOR THE JOB, STAY FOR THE CAREER

At Michelin, our human resources policy is to put people and their potential first, and to give everyone the resources they need to grow and succeed. Michelin North America is a perfect illustration of this. The Anderson rubber compound plant in South Carolina, for example, has an average employee seniority of 13 years and an engagement rate of 92%. This is because 60% of the workforce started as production or maintenance workers, including the managers.



PERSONAL WELL-BEING AND DEVELOPMENT
Work together to continuously improve health and safety in the workplace, while promoting personal growth and diversity.

INVENTING THE PROFESSIONS AND CAREER PATHS OF TOMORROW

The 2016 Careers Forum, which was held over four days at Michelin's headquarters, featured presentations of 20 professions and talks by 90 speakers, as well as 50 conferences on mobility, new organizations and the professions of tomorrow. The purpose of the event was to inform employees about possible career paths in the Company so they could think ahead and become active players in their professional development. The Group agreement on job and career path management, which was signed in September 2016 for a three-year term, facilitates and encourages mobility in all of its forms.

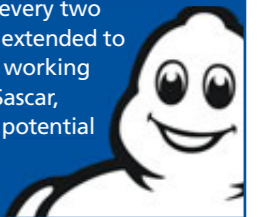
FAST, EFFECTIVE TRAINING

Career development requires the acquisition and validation of new skills. The Time to Competence program helps achieve this in a fast, personalized manner by focusing training on genuinely useful skills, with a reinforced validation and certification system. Classroom training is limited to the bare minimum as the focus is on tutoring from some 5,000 carefully selected tutors and on e-learning and 3D simulation self-training modules available at operators' workstations. The program makes it possible to train for more than 270 operator, technician, front-line supervisor and manager positions, with a 25% gain in training time for operators and technicians, and smoother skills transfer thanks to tutoring.



BIB'ACTION: NOW BIGGER AND BIENNIAL

At Michelin, we are committed to sharing profits with employees. Starting in 2016, the BIB'Action employee stock ownership plan will allow Michelin team members to purchase shares on preferential terms every two years. The plan has also been extended to 10,000 additional employees working at Euromaster, TyrePlus and Sascar, bringing the total number of potential beneficiaries to 107,000.



THE INAUGURAL MICHELIN AWARDS

The Michelin Awards were set up to reward the engagement and creativity of Group employees, more than 24,600 of whom suggested a Progress Idea in 2016. There are three main awards:

- ➔ The Quality Award, which went to the Agricultural Product Line for market share gains from service quality and customer satisfaction.
- ➔ The Progress Ideas Award, which was bestowed on Alberto Hernandez Herrero for his new blade design for RMS extruders. The innovation extends blade life 20 fold, reduces

manufacturing costs and lead times and improves production quality.

- ➔ The Innovation Award, which was given to the Metal 3D Printing unit for improving the precision of a performance-enhancing mold used on such tires as the MICHELIN CrossClimate. The award also recognized the unit's value-adding potential outside the Group, as evidenced by the creation of the Fives Michelin Additive Solutions joint venture.

2016 OVERVIEW

120 NATIONALITIES
6,456 PEOPLE HIRED
93% OF EMPLOYEES TRAINED DURING THE YEAR
56 HOURS OF TRAINING PER PERSON

IN PRACTICE

SOCIALLY RESPONSIBLE AND COMMUNITY-MINDED, WITH THE MICHELIN CORPORATE FOUNDATION

The Michelin Corporate Foundation supports WWF as part of a project to save tropical forest in the Bukit Tigapuluh region of Indonesia's Sumatra Island. Despite being home to some of the richest biodiversity in the world, with animals including elephants, orangutans and tigers, nearly 50% of Sumatra's forests have been destroyed in the past two decades.



more than 31,500 working days
Group employees dedicated more than 31,500 working days to supporting local communities.



HOST COMMUNITIES AND SUSTAINABLE MOBILITY
Strengthen our ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society. Promoting energy-efficient, low-emissions mobility.



ROAD SAFETY

Children of the Mekong is a non-governmental organization (NGO) that helps disadvantaged children access schooling in seven Southeast Asian countries. As a long-standing supporter of the Safe Mobility program, the Michelin Corporate Foundation has donated bicycles, scooters, helmets and vans to keep young children safe on their way to school. Michelin Asia employees take part in the road safety training.

SUSTAINABLE MOBILITY

The **Inclusive Mobility Laboratory** brings together major private- and public-sector mobility players with representatives from civil society to analyze the difficulties encountered by low-income communities, share experiences and put forward solutions. The Michelin Corporate Foundation is a proud partner.



ENVIRONMENTAL STEWARDSHIP

WWF and the Michelin Corporate Foundation have joined forces to protect the tropical forest of Bukit Tigapuluh, located on the Indonesian island of Sumatra and home to some of the richest biodiversity in the world. The initiative involves raising awareness among local populations of the need to stop deforestation, which has destroyed nearly half the island's forests in twenty years. In addition, inhabitants are given training in how to protect the environment and WWF helps them find other economic activities that do not harm the forest.

HEALTH

Institut Pasteur is leading a research program on mosquito species that thrive in rubber tree plantations and their interaction with humans. Conducted in Laos and Côte d'Ivoire, the research aims to determine during what periods the risk is highest and recommend ways to contain the spread of mosquito-borne diseases. The Michelin Corporate Foundation supports this research, which will be conducted over three years.

EDUCATION

The **Innovation Lab** in the Halifax Discovery Centre, a bastion of scientific knowledge in Nova Scotia, Canada, will give visitors the chance to learn about science and technology. Thanks to the support of the Michelin Corporate Foundation, children will be able to create and build their own designs.

CULTURE AND HERITAGE

The **Galerie des Carrosses at the Château de Versailles** reopened to the public in May 2016 in the former royal stables, which were designed by Jules Hardouin-Mansart between 1679 and 1682. The Michelin Corporate Foundation contributed to the renovations, notably the new layout, the installation of a disabled access bridge and the development of new multimedia tools.

SPORTS

ASM Omnisports, which was founded by Marcel Michelin in 1911, today brings together more than 5,000 members of all ages across 15 categories of sports. The Michelin Group has supported the club since its creation, viewing sports as way of strengthening social ties and encouraging individual and collective excellence. The Michelin Corporate Foundation will carry on the tradition of this historical partnership.



SUPPORTING LOCAL COMMUNITY DEVELOPMENT

Michelin employees devote more than 31,500 working days each year to initiatives to support local communities, volunteering their skills to help small players in the local economy, tutoring students and young professionals and developing the health and education eco systems. Alongside these initiatives, Michelin Development helps create 2,000 jobs every year as part of its drive to improve employability in all of the Group's host communities.





NEW
SHARED
GROWNTH
EXPERIENCES

**CORPORATE GOVERNANCE AND
FINANCIAL RESULTS**

BY HELPING TO ENSURE STABLE MANAGEMENT,
THE MICHELIN PARTNERSHIP LIMITED BY
SHARES FAVORS LONG-TERM STRATEGIES
THAT FOSTER INNOVATION IN INDUSTRIAL
TECHNOLOGY.

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 Établissements Michelin (CGEM), the Group's parent company, as a partnership limited by shares (S.C.A.).

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.



MICHELIN'S CORPORATE GOVERNANCE STRUCTURE IS BASED ON LONG-TERM PERSONAL LIABILITY, DRAWING ON AN INDEPENDENT SUPERVISORY BOARD AND A MANAGING PARTNER WHO IS FULLY ACCOUNTABLE FOR HIS DECISIONS.

SENIOR MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Michelin is led by Jean-Dominique Senard, Chief Executive Officer and Managing General Partner, assisted by a 13 member Executive Committee.

The operating activities, led by the General Operations Department, are organized into four Product Lines: Passenger car and Light truck, Truck, Specialty (Earthmover, Agricultural, TwoWheel 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.

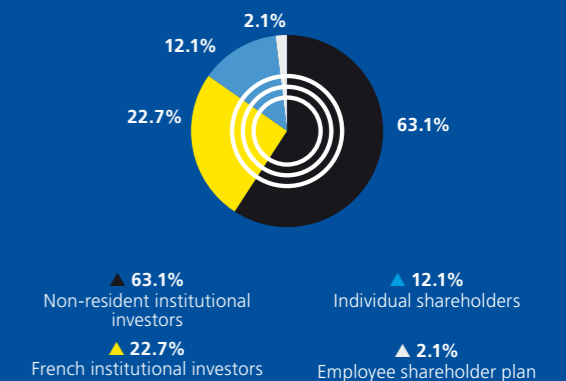
The Progress and Geographic Zones Department ensures that improvement initiatives are aligned with corporate strategy. It leads the Product Line support functions in our seven geographic zones: Africa/India/Middle East, North America, South America, East Asia and Australia, China, Europe, and Eastern 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.

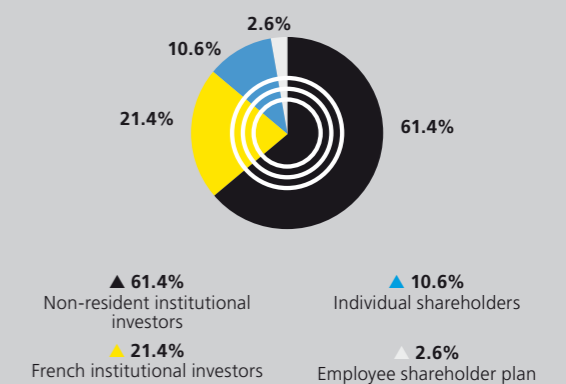
Ownership structure at December 31, 2016

Shares outstanding: 180,066,121



Voting rights structure at December 31, 2016

Voting rights outstanding: 241,849,548



SUPERVISORY BOARD

The Supervisory Board has nine members, including four women and three non-French people. Seven 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

3. PAT COX

Independent member
Member of the Compensation and Appointments Committee
Oversees Michelin Performance and Responsibility activities
President of the European Parliament Former Members Association

4. BARBARA DALIBARD

Independent Member
Chair of the Compensation and Appointments Committee
Member of the Group Innovation Committee
Chief Executive Officer of SITA

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. MONIQUE F. LEROUX

Independent Member
Chair of the Board, President
and Chief Executive Officer of Desjardins Group

9. CYRILLE POUGHON

Employee representative
Secretary of the Michelin European Works Council



“THE COMPOSITION OF THE SUPERVISORY BOARD GUARANTEES ENRICHING DISCUSSIONS. THE EXPERTISE AND DIVERSITY OF ITS MEMBERS, WITH THEIR ARRAY OF BACKGROUNDS, DIFFERING PERSPECTIVES AND CULTURAL COMPLEMENTARITY, IS A GENUINE ASSET FOR THE MICHELIN GROUP.”

Michel Rollier,

Chairman of the Supervisory Board, speaking at the Annual Shareholders Meeting on May 13, 2016.

THE ACTIVITIES OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board met 6 times in 2016. In particular, it assessed the results of the 2013-2016 strategic plan as well as reviewing the 2017-2020 strategic plan, proposed acquisitions, industrial restructuring programs and projects to simplify the Group's operating procedures.

As every year, it also had its procedures assessed by an independent firm and presented the findings in a dedicated report, which deemed them to be satisfactory.

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 4 times in 2016 with an attendance rate of 100%.

The Compensation and Appointments Committee studies the independence of the Board's members, examines all components of the Chief Executive Officer'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 4 times in 2016 with an attendance rate of 92%.

THE STATUTORY AUDITORS

PRICEWATERHOUSECOOPERS AUDIT
Represented by Eric Bulle, Partner, and his substitute Jean-Baptiste Deschryver

DELOITTE & ASSOCIÉS
Represented by Pascale Chastaing-Doblin, Partner, and her substitute, B.E.A.S.



A RESPONSIBLE MANUFACTURER

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



FOR MORE INFORMATION ABOUT SUPERVISORY BOARD MEMBERS, PLEASE REFER TO WWW.MICHELIN.COM AND THE REGISTRATION DOCUMENT, PAGE 96 ET SEQ.

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.



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



These values and standards are assembled into a solid collection of easily accessible codes, charters and manuals that are widely distributed and actively promoted across the Group.

Ethics and Compliance Committees have been set up in each of the geographic zones and in certain countries. A database provides access to all of our best practices, as well as useful information and decisions made by the Group.

To ensure compliance, all of the rules of conduct are regularly audited.

Anonymous, protected whistle-blowing procedures enable employees to report possible infractions. Reports are prepared on a regular basis to assess the overall situation and any new developments.

FURTHER PROGRESS ON HUMAN RIGHTS

These tools contribute to upholding human rights, particularly for salaried and subcontracted employees and communities near the Group's facilities. Michelin is a signatory of the United Nations Global Compact.

In 2016, Michelin introduced a zero deforestation policy for natural rubber sourcing in a bid to preserve the land that sustains its supplier communities.

In addition, Michelin used the Danish Institute for Human Rights reference guidelines to assess its mapping of 14 Group-level risks. The conclusion drawn from this assessment was that most human rights-related risks are covered, in whole or in part, by Michelin organizational procedures. Measures will be taken to cover the risks that are not yet covered.

Going a step further, Michelin decided to analyze human rights-related risks at the local level. Analyses of this kind were carried out in Thailand and Brazil in 2016. Other countries will be evaluated in 2017.



MICHELIN BELIEVES THAT STAKEHOLDER DIALOGUE IS A CORE COMPONENT OF GOOD GOVERNANCE, WHICH IT ACTIVELY ENCOURAGES AND PRACTICES LOCALLY, NATIONALLY AND GLOBALLY.



A SOLID COLLECTION OF DOCUMENTS

- ➔ Michelin Performance and Responsibility
- ➔ Code of Ethics
- ➔ Anti-Corruption Code of Conduct
- ➔ Purchasing Principles
- ➔ Governance Manual
- ➔ Quality Statement
- ➔ Security Charter
- ➔ Social Media Charter
- ➔ Stakeholder Relations Guidelines

STAKEHOLDER RELATIONS: A CORPORATE COMMITTEE IS CREATED

Stakeholder dialog is a core component of good governance, which is why Michelin actively encourages and practices it locally, nationally and globally. Plant chief executives, managers, supervisors, and public affairs and sustainable development correspondents have been trained in understanding NGOs and their expectations.

In order to instill ongoing dialog with stakeholders at the highest level, a dedicated Corporate Stakeholders Committee was set up in 2016. The committee assembles 13 eminent personalities from the Americas, Europe and Asia. They represent the organization's direct stakeholders – customers, suppliers, unions and investors – and include international organizations, two NGOs, an academic, a start-up and a professional association.

The Corporate Stakeholders Committee met for the first time on November 28 and 29 in Clermont-Ferrand in the presence of members of the Group Executive Committee and the Chief Executive Officer.

The meeting provided an opportunity to discuss the Group's strategy as regards sustainable mobility, sustainable development and technology, as well as Michelin's scope of influence and its role as a responsible employer.

The committee's next meeting will be held in 2017.

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 120 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.



**MICHELIN'S
193,717
SHAREHOLDERS,
ALL OF WHOM HOLD REGISTERED
SHARES, INCLUDE:
109,410 INDIVIDUALS,
79,284 EMPLOYEES
IN 47 COUNTRIES,
5,023 INSTITUTIONAL INVESTORS.**

**€3.25
THE RECOMMENDED 2016
DIVIDEND REPRESENTS A PAYOUT
RATIO OF 36.5%¹.**

1. Of consolidated net income before non-recurring items.

ONGOING DIALOGUE

In 2016, nearly 2,000 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 20 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 individual 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 individual shareholders. Its 14 members, including two employee shareholders, serve four year terms. It met twice in 2016 and helped to prepare the Annual Meeting.

A €3.25 DIVIDEND

Shareholders have been asked to approve a dividend of €3.25 per share, up 14% from the prior year. At the same time, a €750 million share buyback and capital reduction program was completed in 2016. Approved in 2015, the program reflects management's confidence in the Group's ability to structurally generate significant free cash flow. A total of 3.3 million shares were purchased in 2016 for €301 million, and canceled at yearend.



MORE INFORMATION AT WWW.MICHELIN.COM

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: 180,066,121 all fully paid up

Market capitalization

€19.0 billion at December 31, 2016

Average daily trading volume

554,262 shares in 2016

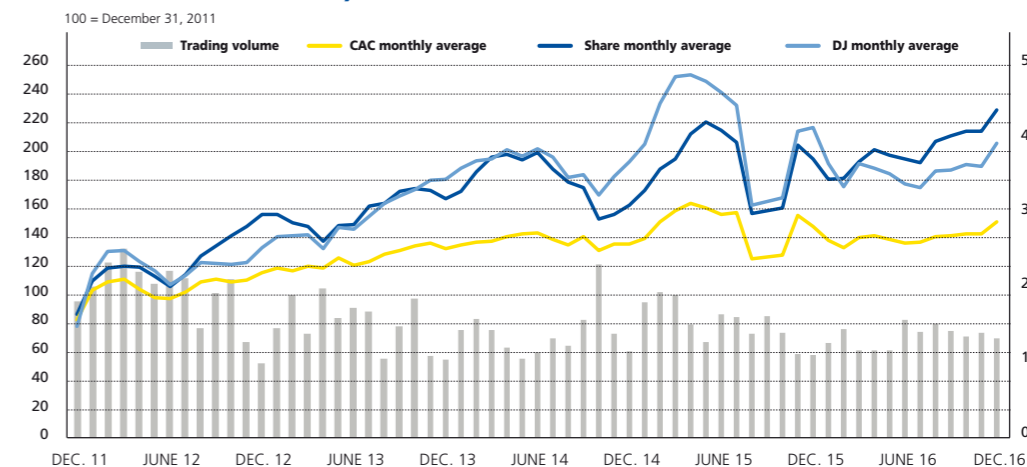
Stock index weighting at December 31, 2016

- 1.83% of the CAC 40 index
- 0.81% 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 2011 – DECEMBER 2016



| Share price IN € | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------|--------|--------|--------|--------|--------|
| High | 106.80 | 103.90 | 94.33 | 84.71 | 72.58 |
| Low | 77.40 | 71.60 | 65.10 | 57.23 | 45.32 |
| Closing price, end of period | 105.70 | 87.90 | 75.27 | 77.25 | 71.59 |
| Change over the period | +20.3% | +16.8% | -2.6% | +7.9% | +56.7% |
| Change in the CAC 40 index | +4.9% | +8.53% | -0.54% | +18.0% | +15.2% |

| PER-SHARE DATA IN € | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-------|------|------|------|-------|
| Net assets per share | 59.1 | 52.5 | 51.3 | 49.8 | 46.60 |
| Basic earnings per share | 9.21 | 6.28 | 5.52 | 6.08 | 8.62 |
| Diluted earnings per share ⁽¹⁾ | 9.03 | 6.19 | 5.45 | 5.98 | 8.41 |
| Price-earnings ratio | 11.5 | 14.0 | 13.6 | 12.7 | 8.3 |
| Dividend for the year | 3.25* | 2.85 | 2.50 | 2.50 | 2.40 |
| Payout ratio | 36.5 | 37% | 41% | 35% | 28.7% |
| Yield ⁽²⁾ | 3.1 | 3.2% | 3.3% | 3.2% | 3.4% |

* Subject to approval at the Annual Shareholders Meeting on May 19, 2017.

(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 divided by share price at December 31.

THE GLOBAL TIRE MARKET IN 2016



STRICTER STANDARDS FAVORING FUEL-EFFICIENT TIRES

The introduction of increasingly strict vehicle CO₂ emissions standards in Europe, North America and China is spurring demand for energy-efficient tires, of which Michelin is the world's largest producer. The OE segment could represent sales of up to 500 million units in 2020¹. In the replacement segment, the display of standardized performance ratings, which is effective 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. Michelin estimate.

1.72
BILLION TIRES
\$160
BILLION¹

60% FOR LIGHT VEHICLES
30% FOR TRUCKS²
25% ORIGINAL EQUIPMENT
75% REPLACEMENT²

(1) Tire Business 2016.
(2) Michelin estimate.
Source: 2015 sales in dollars – Tire Business 2016.

A MIXED GLOBAL MARKET IN 2016

By volume, worldwide demand rose by 3% for light vehicle tires. It contracted by 1% for truck tires.



CAR AND LIGHT TRUCK TIRES

Original equipment demand rose by 4% worldwide, with gains of 4% in Western Europe, 1% in North America, 9% in Africa/India/Middle East and 7% in Asia, where dynamic growth of 14% in China contrasted with declining demand in South Korea, ASEAN and Japan. Demand fell by 12% in Eastern Europe and by 12% in South America, with the market improving in Argentina and stabilizing in Brazil in the second half.

Replacement demand increased by 2% worldwide, expanding by 2% in Europe and North America and 3% in Africa/India/Middle East and 4% in Asia, driven by China (up 8%) and ASEAN. Demand declined by 5% in South America.



TRUCK TIRES

In the OE segment, demand is overall stable, reflecting growth of 1% in Europe, 6% in Asia (excl. India) driven by China (+9%) and 5% in Africa/India/Middle East, a stabilization in Asia (up 1% overall and 9% in China), an expected decline of 19% in North America due to fleet overhauls, and a drop of 17% in South America.

Replacement demand was down by 1%. The market expanded by 6% in Western Europe, a sharp 4% in Russia and was stable in North America. Demand declined by 1% in South America, by 3% in Africa/India/Middle East and by 3% in Asia, reflecting a 4% drop in China.



SPECIALTY TIRES

Earthmover tires: Mining tire demand contracted significantly for the third year in a row. Infrastructure and quarry tire markets also declined.

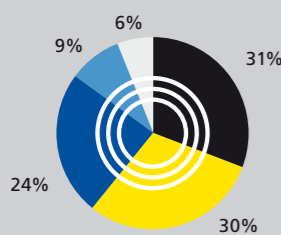
Agricultural tires: Demand was down in both the original equipment and replacement markets.

Two-wheel tires: The motorcycle and scooter tire market contracted in North America but rose in Europe and in new markets.

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

Car and light truck tires

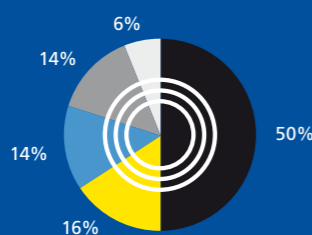
1.5 billion tires²



▲ Europe / 30%
▲ North America / 24%
▲ Asia / 31%
▲ Africa/Middle East / 9%
▲ South America / 6%

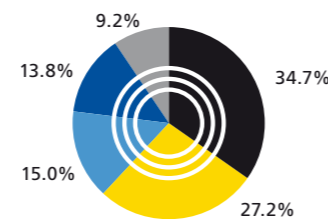
Truck and bus tires:

215 million tires²



▲ Europe / 14%
▲ North America / 14%
▲ Asia / 50%
▲ Africa/Middle East / 16%
▲ South America / 6%

Breakdown of the world market, in value



▲ Bridgestone / 15.0%
▲ Michelin / 13.8%
▲ Goodyear / 9.2%
▲ Mid-size tiremakers* / 27.2%
▲ Other tiremakers** / 34.7%

* Market share of 2% to 6%.
** Market share of less than 6%.
Source: 2015 sales in dollars – Tire Business 2016.

NEW AND RETREADED TRUCK TIRES: A MARKET WEAKENED BY LOW-COST ASIAN IMPORTS

Asian imports to Europe have doubled since 2007. This has led to intense price pressure on European tiremakers and a 25% reduction in retreading volumes on the same periods, prompting Michelin to reorganize its new and retreaded truck tire operations in the region. Pressure is also strong in the United States, where antidumping duties were introduced in August 2016 to slow Chinese imports.



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.



1 NORTH AMERICA

22,000 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 PLANT • 146 PROPRIETARY OR FRANCHISED DEALERSHIPS AND SERVICE CENTERS

• **Passenger car and Light truck tires:** Construction of a plant in León, Mexico, scheduled to begin operations in late 2018.

2 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

3 EUROPE

61,200 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:** Continuation of the major upgrade to the Urbalad worldwide research center at the Ladoux site near Clermont-Ferrand.
 • **Components and semi-finished products:** Termination of production at the Fossano plant in Italy in 2016. Capacity extensions at the La Combaude and Cataroux plants in France.
 • **Passenger car and Light truck tires:** Specialization at the Roanne, France plant, capacity extensions at the Cuneo, Italy and Gravanches, France plants, ramp-up at the Dundee, United Kingdom plant.
 • **Truck tires:** Consolidation of retreading operations in Avallon, France and shutdown of retreading operations in Oranienburg, Germany in 2016 and in La Combaude, France in 2017. Refocus on new tires at the Alessandria, Italy plant in 2016. Termination of new tire production in Ballymena, United Kingdom, scheduled for 2018.

4 ASIA (EXCLUDING INDIA)

14,800 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

• **Components and semi-finished products:** Ramp-up of the compounding plant in Thailand.
 • **Truck tires and Passenger car and Light truck tires:** Ramp-up of the Shenyang 2 plant in China.

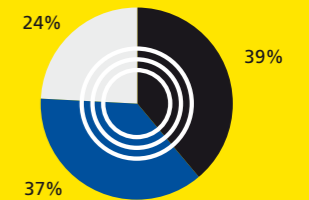
5 AFRICA/INDIA/MIDDLE EAST

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.

2016 NET SALES

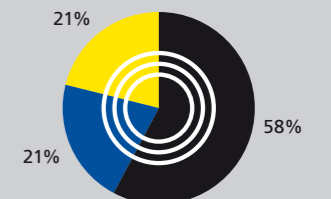
€20,907 Million



▲ 8,101 / -1.2% Europe¹
 ▲ 7,792 / -3.6% North America²
 ▲ 5,015 / +2.1% Other regions

2016 EMPLOYEE DATA³

105,700 people



▲ 61,200 / -0.3% Europe¹
 ▲ 22,000 / +1.4% North America²
 ▲ 22,500 / -0.9% Other regions

1. Including Russia and the CIS
 2. Including Mexico
 3. Full-time equivalent employees at December 31, 2016



**THE WORLD LEADER
IN ENERGY-EFFICIENT
TIRES**

30 FACILITIES

16 COUNTRIES

PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

2016 NET SALES

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

| IN € MILLIONS | 2016 | 2015 | 2016 / 2015 |
|---------------------------------|--------|--------|-------------|
| Net sales | 12,105 | 12,028 | +0.6 % |
| Operating income ⁽¹⁾ | 1,585 | 1,384 | +14.6 % |
| Operating margin ⁽¹⁾ | 13.1% | 11.5% | +1.6 pt |

THE GLOBAL MARKET IN 2015

| % YoY growth | ORIGINAL EQUIPMENT | REPLACEMENT |
|----------------------------|--------------------|-------------|
| Europe, Russia, CIS | +3 % | +2% |
| North America | +1% | +2% |
| Asia, excluding India | +7% | +4% |
| South America | -12% | +0% |
| Africa, India, Middle East | +9% | +3% |
| Total | +4% | +2% |

INITIATIVES & ACHIEVEMENTS

- New product performance and certifications drove faster growth over the year, with volumes up by 13% in the premium 17 inch and larger segment.
- MICHELIN CrossClimate is the first summer tire certified for winter use, with a 30% growth in units sold in 2016.
- The new MICHELIN Pilot Sport 4 for premium and sports sedans is the first tire to be sold directly online via michelin.com.
- The MICHELIN XCD2 has been successfully launched in Southeast Asia. Developed in close alignment with the market, the tire serves long-haul pick-up truck drivers making daily journeys with heavy loads.
- BFGoodrich and its flagship BFGoodrich® All-Terrain T/A KO2 tire performed well in the United States and Europe during the period.
- To deliver drivers the best possible service, Michelin is developing synergies between the e-commerce sites acquired in 2015 and its brick & mortar dealership network.
- Michelin plans to improve its service to carmakers by building a new premium passenger-car tire plant in the Mexican state of Guanajuato, where 18 such manufacturers have production facilities. The first tire is expected to roll off the line in late 2019.

1. From recurring activities.

2016 CONTRIBUTION

57%
OF CONSOLIDATED
NET SALES

54%
OF OPERATING
INCOME¹



**THE WORLD LEADER
IN ENERGY-EFFICIENT
RADIAL TIRES**

25 FACILITIES

15 COUNTRIES

TRUCK TIRES AND RELATED DISTRIBUTION

2016 NET SALES

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

| IN € MILLIONS | 2016 | 2015 | 2016 / 2015 |
|---------------------------------|-------|-------|-------------|
| Net sales | 5,966 | 6,229 | -4.2% |
| Operating income ⁽¹⁾ | 580 | 645 | -10.1% |
| Operating margin ⁽¹⁾ | 9.7% | 10.4% | -0.7 pt |

THE GLOBAL MARKET IN 2016

| % YoY growth | ORIGINAL EQUIPMENT | REPLACEMENT |
|----------------------------|--------------------|-------------|
| Europe, Russia, CIS | +1% | +5% |
| North America | -19% | +0% |
| Asia, excluding India | +6% | -3% |
| South America | -17% | -1% |
| Africa, India, Middle East | +5% | -3% |
| Total | +0% | -1% |

INITIATIVES AND ACHIEVEMENTS

- Volumes are holding firm in declining markets. Michelin is adapting its organization in Europe to consolidate improvements.
- Mileage and fuel economy play decisive roles in truckers' competitiveness.
- In Europe, regional and national truckers can count on the MICHELIN X MULTI ENERGY multi-purpose tire, while long-haul truckers are served by the MICHELIN X LINE ENERGY range, the first to receive a AAA energy efficiency rating.
- In North America, the latest version of the MICHELIN X LINE ENERGY Z range delivers 20% more mileage while reducing fuel consumption by 5%.
- In China and India, the new MICHELIN X GUARD line offers the best of Michelin technology at a highly competitive price.
- Michelin has successfully extended its offering to the intermediate segment, with the introduction of the BFGoodrich brand in Asia in 2016, and to the entry-level segment, with different brands depending on the country.

• At the same time, Michelin is stepping up the development of its Michelin Tire Care and Michelin Solutions services.

2. From recurring activities.

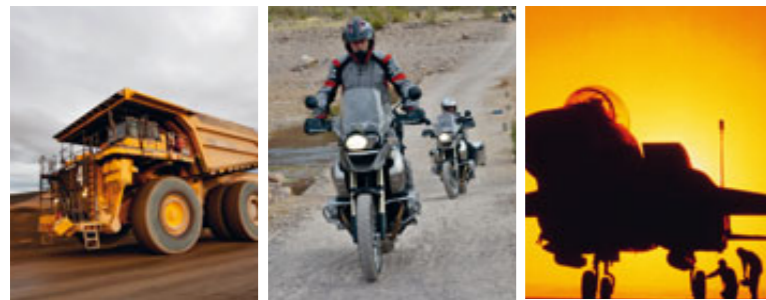
2016 CONTRIBUTION

29%
OF CONSOLIDATED
NET SALES

25%
OF OPERATING
INCOME²



SPECIALTY BUSINESSES



2016 NET SALES

28% in mature markets

72% in growth markets

| IN € MILLIONS | 2016 | 2015 | 2016 / 2015 |
|---------------------------------|-------|-------|-------------|
| Net sales | 2,836 | 2,942 | -3.6% |
| Operating income ⁽¹⁾ | 527 | 548 | -3.8% |
| Operating margin ⁽¹⁾ | 18.6% | 18.6% | +0.0 pt |

2016 CONTRIBUTION

14%
OF CONSOLIDATED
NET SALES

21%
OF OPERATING
INCOME¹

INITIATIVES AND ACHIEVEMENTS

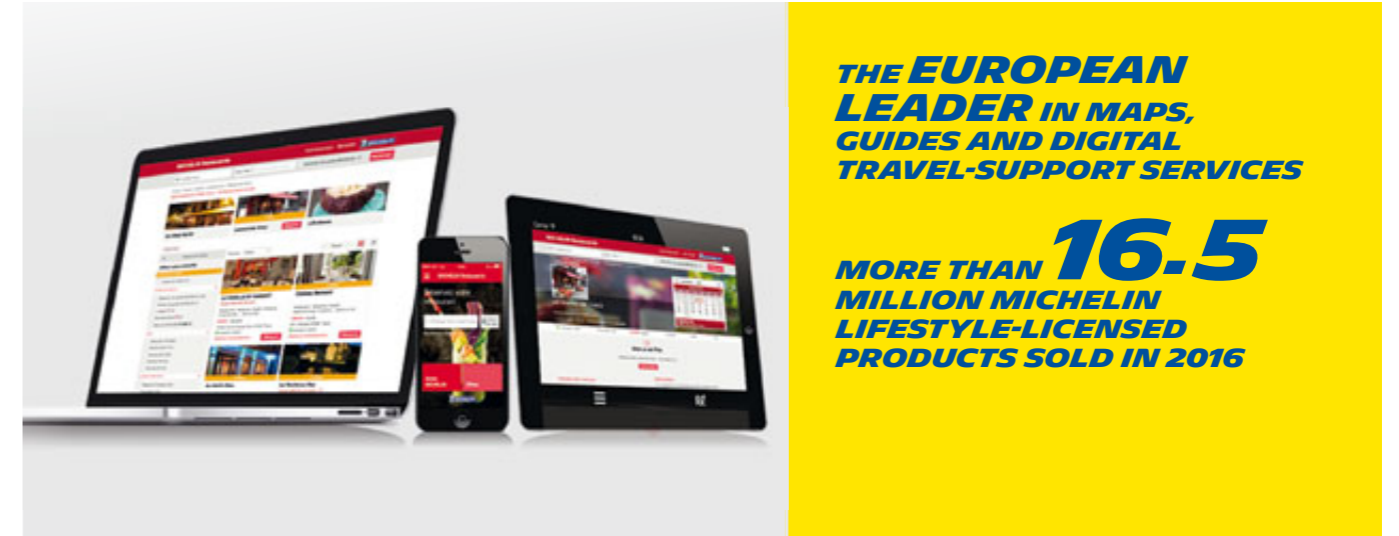
• Two-Wheel tires: As the exclusive supplier to the 2016 MotoGP championship, Michelin is well placed to cater to the two-wheel segment, serving amateur all terrain bikers, with the new MICHELIN Anakee Wild, people who use their scooter or motorcycle for the daily commute, thanks to the acquisition of Brazil's Levorin, and bicycle lovers, with the new global MICHELIN POWER line.

• Earthmover tires: Mining companies looking to improve their competitiveness can rely on the new MICHELIN XDR 3 tire for rigid dumpers, which delivers a 10% longer lifespan than its predecessor.

• Agricultural tires: Michelin is expanding its range of connected services, growing its market share and implementing a new production line in Campo Grande, Brazil. Euromaster has launched a specialist e-commerce site.

• Aircraft tires: Like the Airbus A350 and Boeing 737 and 777 airliners, the Rafale fighter jet and the Falcon 5X and 8X business jets before it, the new Bombardier CS100 airliner is equipped exclusively with MICHELIN NZG radial technology. To improve service quality, Michelin has also created a company in China and signed a strategic collaboration agreement with Aviall, Boeing's distribution subsidiary.

1. From recurring activities.



MICHELIN TRAVEL PARTNER MICHELIN LIFESTYLE



INITIATIVES AND ACHIEVEMENTS

• Michelin has become the European number one in online restaurant bookings with the acquisition of BookaTable.

• ViaMichelin celebrated its 15th anniversary, with more than one billion itineraries calculated in 2016.

• Michelin.Voyage 2.0 combines all of the Group's digital services to give travelers an up-to-the-minute experience, offering itineraries, maps and guides as well as hotel and restaurant reservation.

• The Michelin Guide has expanded its collection to include two new gourmet destinations, Singapore and Shanghai, and released its first regional guide, dedicated to Lyon and the surrounding region. Michelin has also introduced *Les Petits Explorateurs*, a travel guide designed specially for children aged 7 to 11, in partnership with *Quelle Histoire* publishing house.

• The world's lightest tennis shoe, designed by Babolat, features an exclusive Michelin-developed sole.



FINANCIAL INDICATORS

2016 was a year of good performance for Michelin and was in line with our commitments.

Net income

In € millions



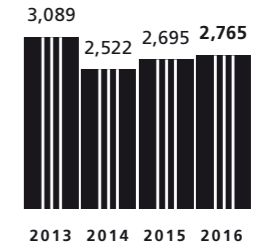
Return on capital employed²

As a %



Cash flows from operating activities

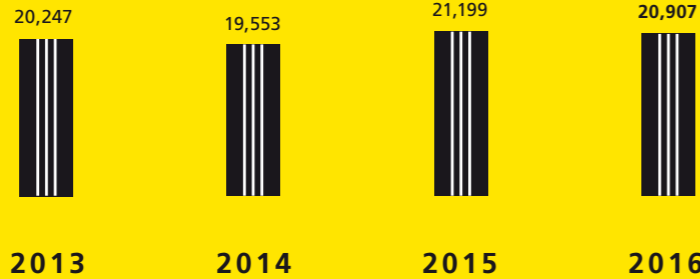
In € millions



2. Net operating profit after tax (NOPAT) divided by economic assets employed

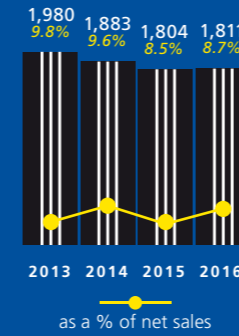
Net sales

In € millions



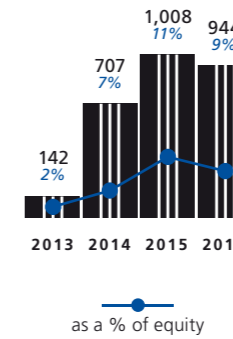
Gross capital expenditure

In € millions



Net debt

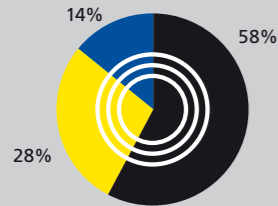
In € millions



Michelin's credit rating
has been upgraded
to A- by Standard & Poor's
and to A3 by Moody's

2016 net sales by business

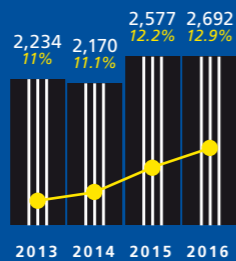
as a % of total in the chart.
In € millions and % change 2016/2015 below the chart.



- ▲ 12,105 / +0.6% Passenger car and Light truck tires and related distribution
- ▲ 5,966 / -4.2% Truck tires and related distribution
- ▲ 2,836 / -3.6% Specialty businesses

Operating income¹

In € millions

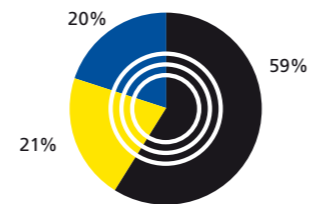


Operating margin¹
As a % of net sales

1. From recurring activities.

2016 operating income¹ by business

in € millions in the chart.
As a % of net sales and point change 2016/2015 below the chart.



- ▲ 1,585 / +14.6% Passenger car and Light truck tires and related distribution
- ▲ 580 / -10.1% Truck tires and related distribution
- ▲ 527 / -3.8% Specialty businesses

1. Before non-recurring items.

Structural free cash flow³

In € millions



3. Free cash flow adjusted for acquisitions and the impact of raw materials prices and end-of-year volumes on working capital requirements.

EMPLOYEE INDICATORS

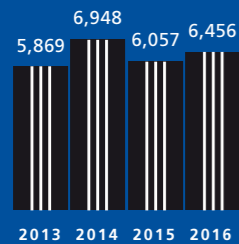
Michelin is a responsible employer and recognizes the fundamental conventions of the International Labour Organization and other benchmark standards. Quantitative indicators on health, safety, well-being, employee engagement, professional development and training are tracked on an annual basis to build on the momentum of Group-wide continuous improvement.



PERSONAL WELL-BEING AND DEVELOPMENT

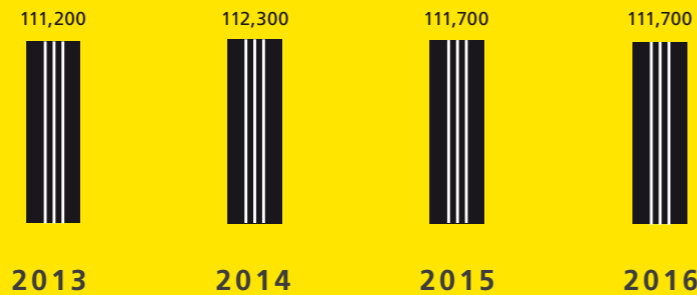
Work together to continuously improve health and safety in the workplace, while promoting personal growth and diversity.

New hires



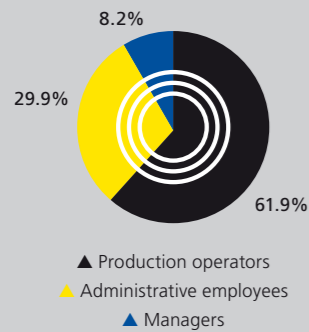
Employees on payroll¹

At December 31



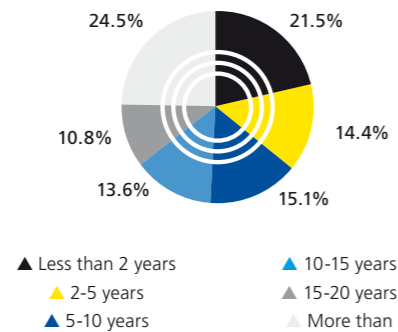
1. Full-time equivalent employees, consolidated companies, under any form of work contract, excluding temp agency workers.

2016 employee data by job category²



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

2016 employee data by length of service



SAFETY

22
industrial plants had no lost-time incidents in 2016.

TCIR³
2020 target: TCIR of less than 2



3. Total Case Incident Rate: the number of workplace incidents affecting employee health per 200,000 hours worked.

ENGAGEMENT

80%
employee engagement rate.
2020 TARGET: 85%

Annual internal survey, 2016 – 90% participation rate

59,601
progress and innovation ideas submitted in 2016.
2020 TARGET: 100,000

TRAINING

Beneficiaries

Percentage of employees who received training



2013 2014 2015 2016

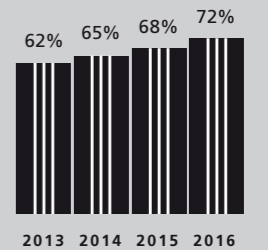
56
Number of hours of training per employee per year

3.3%
Percentage of training hours per total hours worked⁴

4. Percentage of training hours per total hours worked.

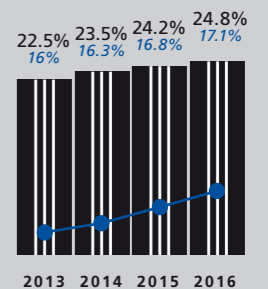
DIVERSITY

Percentage of local managers from growth regions



2013 2014 2015 2016

Percentage of women managers and supervisors⁵



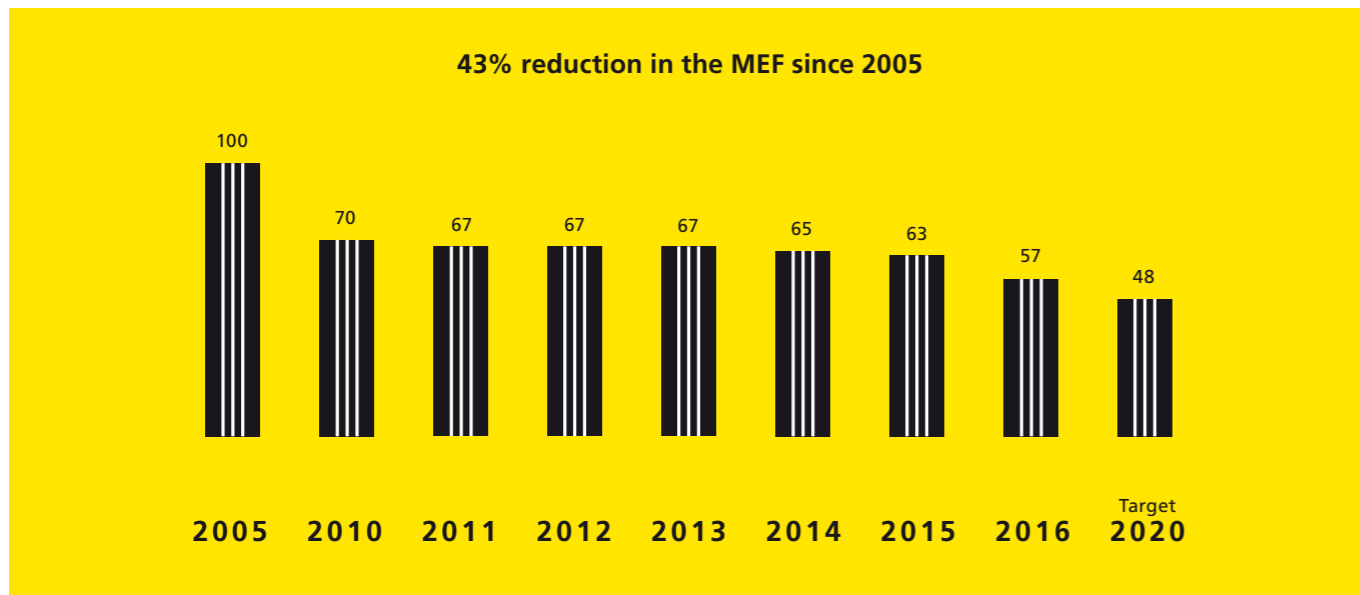
2013 2014 2015 2016

As a % of women on payroll

5. Employees with a level of responsibility of A to N, according to the Hay method.

ENVIRONMENTAL INDICATORS

The Michelin Site Environmental Footprint (MEF) indicator measures the environmental impact of our manufacturing and research facilities. Comprised of six weighted basic components, it is calculated for each facility and consolidated at the Group level. In line with the commitment to driving a 50% reduction in our footprint between 2005 and 2020, the MEF at the end of 2016 has been reduced by 43%.



MEF
Basic components and weighting
TARGET:
-50% reduction versus 2005

| | COMPONENTS | WEIGHTING |
|-----------------------|-------------------------|------------|
| Resources consumption | Energy | 15 |
| | Eau | 15 |
| Emissions | VOCs ¹ | 25 |
| | CO ₂ | 15 |
| Waste | Total weight produced | 15 |
| | Total weight landfilled | 15 |
| Total | | 100 |

95%
of manufacturing and research facilities
ISO 14001-certified

1. VOCs: Volatile organic compounds
Data related to all of these indicators have been verified by PricewaterhouseCoopers, whose report may be found in the 2016 Registration Document.

Energy consumption

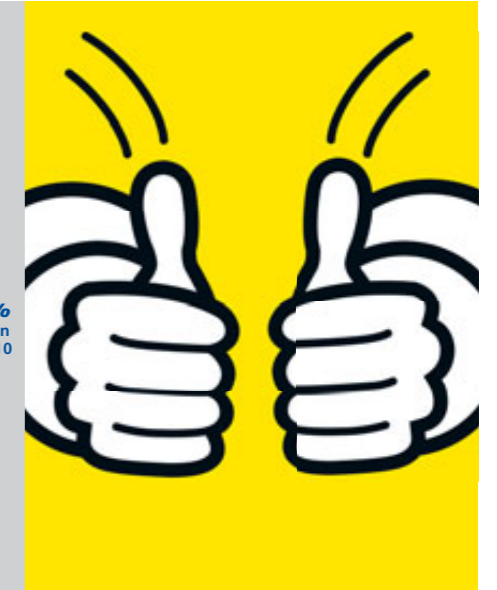
In GJ per tonne of tires produced



1 Gj = 277.5 kWh

Water consumption

In cu.m per tonne of tires produced



CO₂ emissions

In tonnes per tonne of tires produced



VOC emissions

In kg per tonne of tires produced



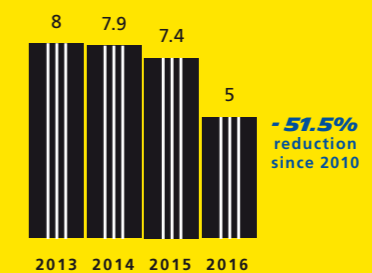
Waste production

In kg per tonne of tires produced



Landfilled waste

In kg per tonne of tires produced



SOCIETAL INDICATORS

Michelin is a signatory of the United Nations Global Compact and recognizes the Universal Declaration of Human Rights. The Group carries out philanthropic initiatives and plays an active role in local communities worldwide. Since 2014, these activities have been pooled within the Michelin Corporate Foundation, which supports outstanding, innovative projects that are aligned with Michelin's humanist culture and values. The Foundation works in five areas: sustainable mobility, sports and health, education and outreach, environmental stewardship and culture and heritage.

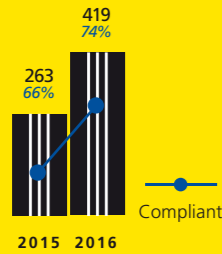


HOST COMMUNITIES AND SUSTAINABLE MOBILITY
Strengthen our ties with our host communities by contributing to the vitality of the regions and encouraging employees to get involved in society. Promoting energy-efficient, low-emissions mobility.

PERSONAL WELL-BEING AND DEVELOPMENT
Work together to continuously improve health and safety in the workplace, while promoting personal growth and diversity.

SUPPLIERS

Key suppliers assessed for their CSR performances
2020 TARGET: 400
of which 70% confirmed as compliant with Michelin standards

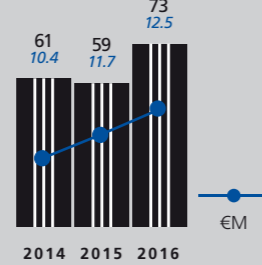


THE MICHELIN CORPORATE FOUNDATION

Helping people move forward
Projects supported in 2016 by category

- Sustainable mobility: **8 projects**, totaling €399,000
- Sports & Health: **9 projects**, totaling €7,509,316
 - Community engagement & Education: **23 projects**, totaling €1,894,000
- Environmental stewardship: **6 projects**, totaling €795,000
- Culture & Heritage: **27 projects**, totaling €1,912,500

Projects supported



€11.9 billion
in goods and services purchased in 2016

ROAD SAFETY

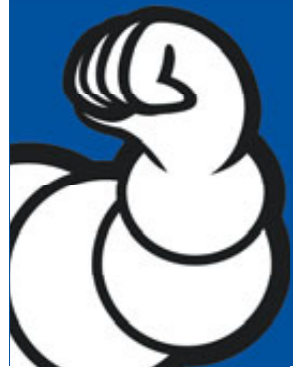
Michelin is a member of the United Nations Road Safety Collaboration (UNRSC), the Global Road Safety Partnership, and Youth for Road Safety (YOURS). As a partner to the United Nations Decade of Action for Road Safety 2011-2020 and the International Automobile Federation's FIA Action for Road Safety campaign, Michelin pursued local initiatives in 16 countries in 2016.

Local road safety initiatives

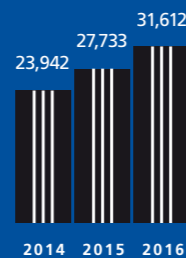
- Thailand:** 1,000 helmets distributed to motorbike taxi drivers and 1,000 more to students who ride their bicycle to school.
- United States:** 33 U.S. states out of 50 rolled out the tire safety awareness campaign. 35 million people were reached through social media.

LOCAL COMMUNITIES

Facilities involved as per Michelin guidelines
2020 TARGET: 100%



Paid working days devoted to initiatives to support the local community
2020 TARGET: 30,000



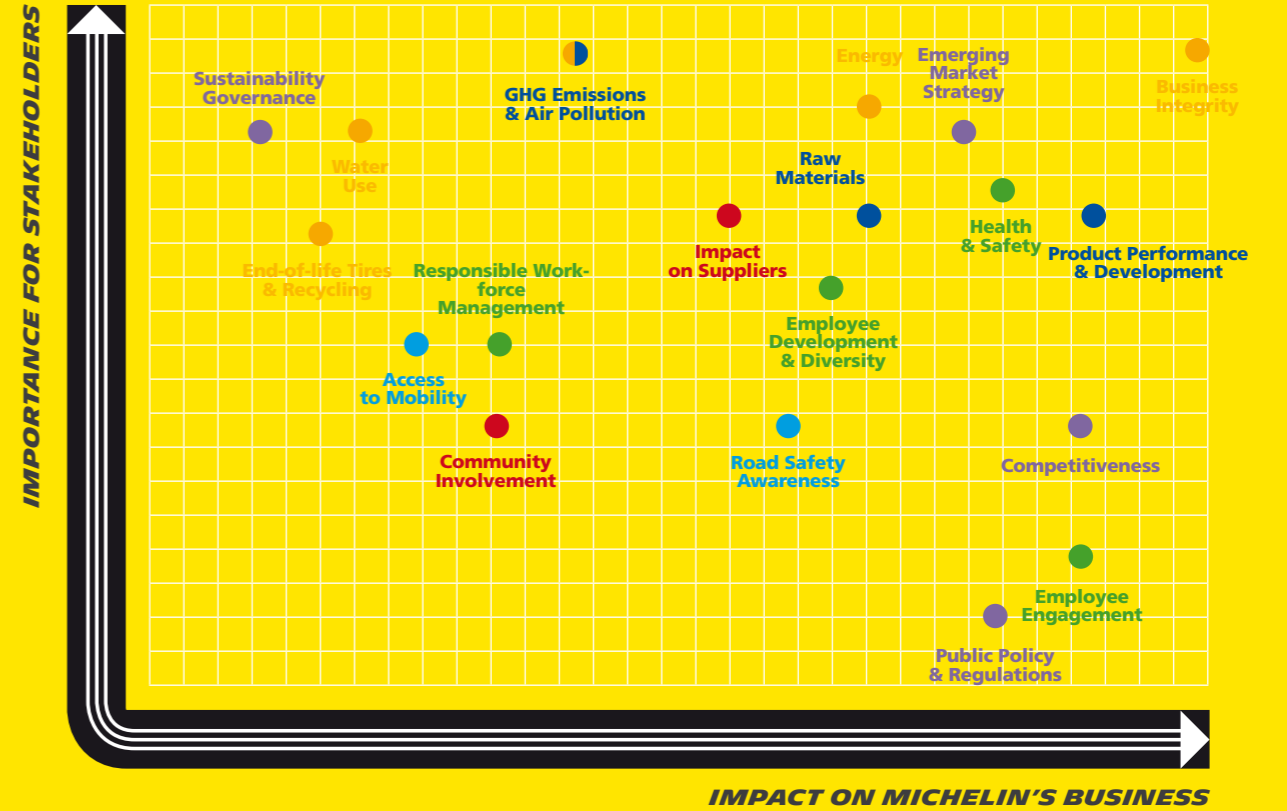
Local jobs created with the help of Michelin Development¹
2020 TARGET: 2,000 JOBS A YEAR



1. Active in labor markets surrounding Group facilities, Michelin Development has already helped create 23,000 jobs since 1990 in France, Spain, Italy, the United Kingdom, Canada and the United States.

MATERIALITY MATRIX

Michelin's materiality matrix identifies and prioritizes challenges depending on their importance for the Group and its stakeholders, taking into account environmental, employee, societal, economic, financial and governance issues. This helps guide Michelin's discussions with stakeholders.



SUSTAINABLE DEVELOPMENT GOALS BY THE UN

-
- 2 Zero hunger
 - 3 Good health and well-being
 - 5 Gender equality
 - 6 Clean water and sanitation
 - 8 Decent work and economic growth
 - 9 Industry, innovation and infrastructure
 - 10 Reduced inequalities
 - 11 Sustainable cities and communities
 - 12 Responsible consumption and production
 - 13 Climate action
 - 15 Life on land

PRIZES, AWARDS AND DISTINCTIONS



AN ADMIRER COMPANY

• Michelin ranked 15th (up two places) out of the 100 most reputable companies, as rated by the Reputation Institute's 2016 Global RepTrak survey. The results are based on the general public's trust, esteem, admiration and feelings for each company across 15 countries. Michelin placed number one in France and number one in the automotive equipment supplier category.

• In France, Michelin was the most reputable company in the Paris stock exchange's benchmark CAC 40 index, based on the seven criteria rated in the 2016 Reputation Institute and Burson and Marsteller i&e survey: products and services, governance, corporate citizenship, innovation, employer brand, leadership and performance. Michelin consolidated its lead with a score of 81.5, thereby crossing the excellence threshold.

• Michelin is France's favorite company according to the September 2016 Posternak/Ifop poll.

• Michelin once again topped the poll for product and service quality in the 2016 Publics Réputation survey by ViaVoice and Syntec Conseils en Relations Public.

A SOCIALLY ENGAGED ENTERPRISE

• Michelin ranked 14th (up three places) out of the world's top 100 companies in terms of CSR, as assessed by the 2016 Global CSR RepTrak survey. The results are based on the general public's admiration, respect, perception, trust and feelings for each company as across 15 countries.

• Michelin featured on the 2016 Climate A List compiled by CDP (formerly the Carbon Disclosure Project). The list comprises the 193 companies worldwide that have shown the most initiative in combatting climate change. ¹

• The Michelin share is included in the Dow Jones Sustainability Index (DJSI) World and Europe listings. RobecoSAM, which conducts non-financial analyses for these indices, awarded Michelin a Sustainability Award – Silver Class in 2017.

• The Michelin share is also part of the four Vigeo Eiris Euronext indices: World 120, Eurozone 120, Europe 120 and France 20

• Michelin entered the top ten in the 2016 HappyAtWork ranking, which rates French companies based on their actions to boost employee morale. The Group received the 2016 "Tell Us – Best in Class" label for its commitment to hiring and training young people. Michelin was also named the third-most popular company among interns and trainees in the 2016-2017 Happy Trainees survey.

• Michelin placed third in the 2016 Online Talent Communication poll, which rates companies on how effectively they use digital recruitment tools.

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

• Michelin won the Circular Economy Award and received the top honor in the "Combatting Climate Change" category at the 2016 Environment and Business Awards, held by the French Ministry for the Environment and environmental agency ADEME.

A VALUED PARTNER

• The PSA Group presented Michelin with its first Corporate Social Responsibility Award.

• Michelin won the SIMA gold medal for its innovative two-in-one agricultural tires, which perform equally well on the road and in the field.

• Club Cleantech, a unit of French capital investment association AFIC¹, honored the collaboration between Michelin and Symbio FCell with the 2016 award for best partnership between an innovative SMA and a major corporate.

HIGHLY APPRECIATED COMMUNICATION

• Michelin's 2015 annual report ranked among the 100 best worldwide, third among French companies and fourth in the global automotive industry according to ReportWatch's 2015 Annual Report. ³

• French investor magazine *Le Revenue* rated Michelin's investor website one of the best on the CAC 40 index, awarding the Group bronze for digital shareholder communications.

AN ACCLAIMED BRAND

• MICHELIN ranked 233rd (up 43 places) among the world's most valuable brands in the 2016 BrandFinance® Global 500 report. MICHELIN was valued at more than \$5 billion, up \$474 million on the previous year.

• MICHELIN was one of 2016's top 100 most powerful brands worldwide, according to Tenet Partners.

• MICHELIN was named one of the ten best brands in Europe, as rated by Germany's Serviceplan in its 2016 Best Brands survey.

• 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 2016 Harris Poll EquiTrend® ranking.

1. Association Française des Investissements en capital.



• MICHELIN is the most searched-for tire brand in Europe, ranking number one in 8 of the 15 countries surveyed and among the top three in every country according to tire price comparison service Tirecomp.

• MICHELIN is the best brand of automotive accessories and services in Germany, according to the 2016 BrandIndex published by YouGov and *Handelsblatt*.

SATISFIED CUSTOMERS

• According to J.D. Power surveys of customer satisfaction with original equipment:

- In the United States, MICHELIN was ranked number one in 2016 in the premium, passenger car and light truck tire segments.

- In China, MICHELIN is the leading mass-market brand.

- In Japan, MICHELIN has been front-ranked for the past 12 years in original equipment and replacement winter tires.

- In Brazil, MICHELIN is the preferred brand in the premium, passenger car and light truck segments.

• In Europe, the MICHELIN CrossClimate tire was recognized in the standard-setting ADAC tests as the best all-season tire.

WINNING TIRES

• Porsche and Michelin won the Manufacturers' and Drivers' cups in the LM GTE class at the 2016 FIA World Endurance Championship.

• After equipping most of the 354 motorcycles, cars, quads, trucks and other vehicles in the 2016 Dakar Rally, MICHELIN scored wins in every category. ²

• Michelin achieved its 25th victory at the 24 Hours of Le Mans with Porsche. The three top-placed cars in the LM GTE Pro category were all fitted with MICHELIN tires.

• Michelin was the Formula E champion, with every car running on MICHELIN Pilot Sport EV tires.

• Michelin was the proud supporter of the 2016 MotoGP™, equipping all of the teams in the event.

**2017 INVESTOR
CALENDAR**

RENNES
November 23

CAEN
October 22

BIARRITZ
September 21

PARIS
September 4

October
19

**THIRD-QUARTER 2017
NET SALES**

July
25

**FIRST-HALF 2017
RESULTS**

GRENOBLE
June 7

May
19

**ANNUAL SHAREHOLDERS
MEETING**


April
20

**FIRST-QUARTER 2017
NET SALES**

LILLE
March 15

February
14

**2016
ANNUAL RESULTS**

Design and production: 
Editorial advice and copywriting: Michelin, Information et Conseil

Photos: ©Michelin, ©BFGoodrich, ©Michelin/Pascal Aimar - CAPA, ©Michelin/Jérôme Cambier, ©Michelin/Gareth Carter, ©Michelin/Pierre Chambon, ©Michelin/Ludovic Combe, ©Euromaster, ©Michelin/Yann Geoffray, ©Michelin/Pierre-François Grosjean, ©Pascal Guittet, ©Michelin/InEfecto, ©Michelin/Le Studio Photo, ©Michelin/Eric Malherbe/Libre Attitude, ©Michelin/Camille Mazoyer, ©Michelin/Gérard Paris, ©Michelin/Mario Renzi, ©Michelin/David Reygondeau, ©Michelin/Riot House, ©Michelin/Shutterstock 2016, ©Michelin/Philippe Stroppa, Michelin/Eric Vargiolu/DPPI, ©Boeing, ©Enfants du Mékong, ©EPV/Thomas Garnier, ©123RF, ©Getty Images.

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Since 1889, Michelin has constantly innovated to sustainably improve the mobility of people and goods.

Today, the Group is the leader in tire technology for mobility of every form, leveraging its expertise in high-tech materials to deliver services that increase travel efficiency and products that enable traveling customers to enjoy the unique experience of Michelin mobility.

Open to opportunities in today's world, Michelin is rebalancing its footprint, strengthening its competitiveness, increasing its agility, accelerating its digital transformation and moving forward in all areas to fulfill its ambitions for 2020.

The goal is to ensure its long-term growth by becoming a leader in sustainable mobility, as well as one of the world's most innovative, responsible and highperformance companies.

MICHELIN

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