



London,  
December 1, 2017

# **Goldman Sachs, 9<sup>th</sup> Annual Global Automotive Conference**

**London - December 1, 2017**

## **9<sup>th</sup> Annual Global Automotive Conference**



- 1 / Levers for Growth**
- 2 / Levers for Competitiveness**
- 3 / Ambition for Profitability**
- 4 / 2017 outlook**

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# 1 / Levers for Growth

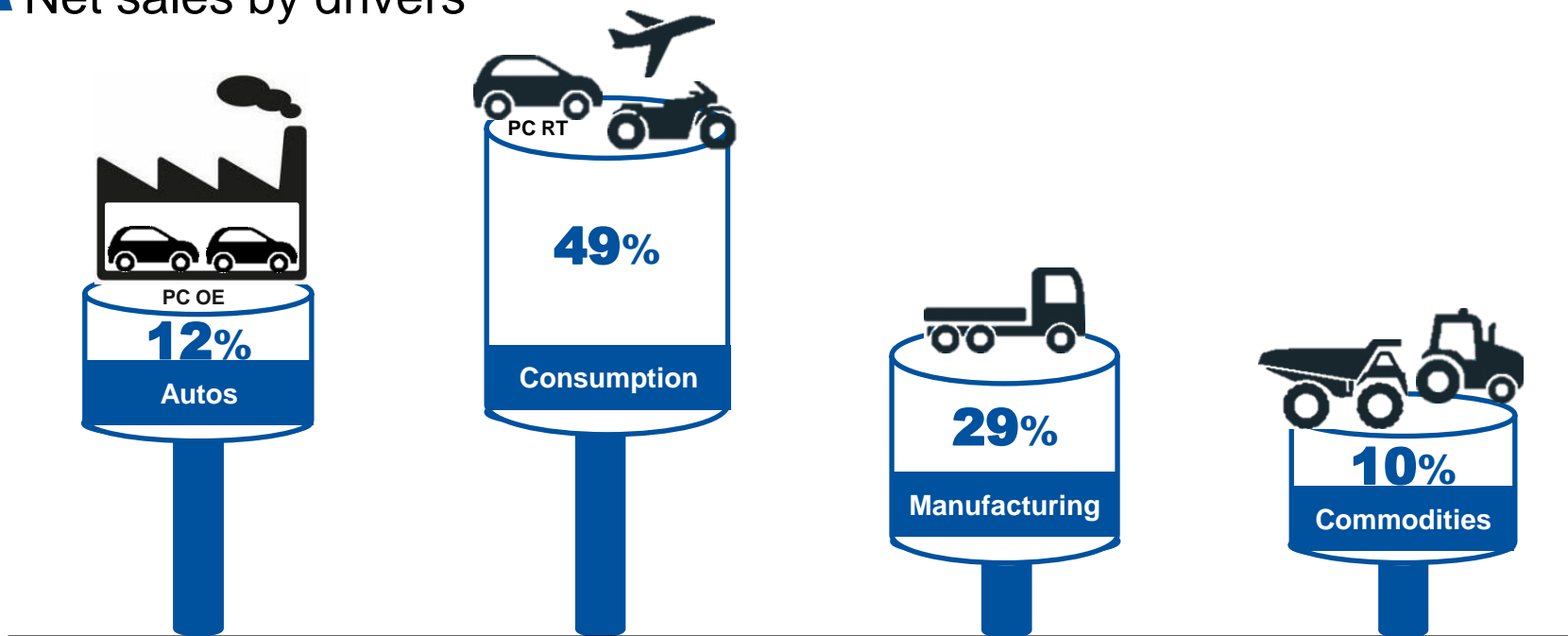
# Four domains of growth

	Tires	Services	Experiences	Materials
2015-2020 ambition	Net sales +20%	Net sales x 2	Net sales x 3	Capitalize on our leadership
Action plan and first steps	 <p>MICHELIN Net promoter Score</p>   <p>Shorter product time-to-market</p>   	    	       	      <p>3D metal printer</p> 

**CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS**

# A business model strongly linked to consumption

## ▲ Net sales by drivers



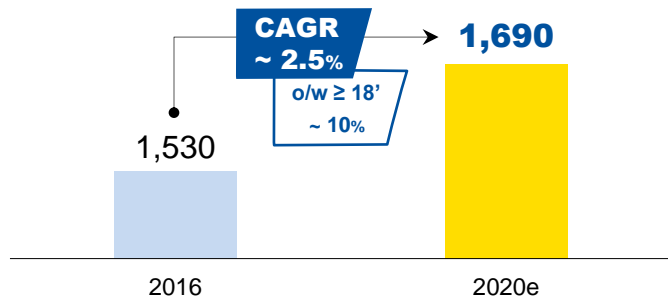
2016 net sales by sector

## A robust reputation in the world

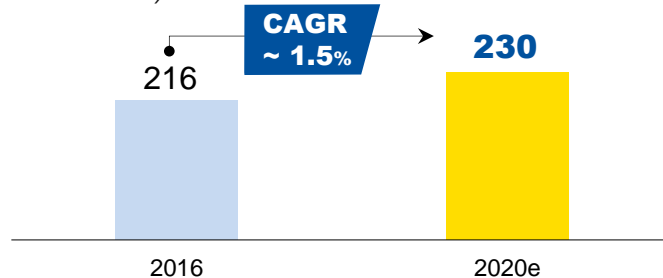


# 2016-2020 projections: growing worldwide demand

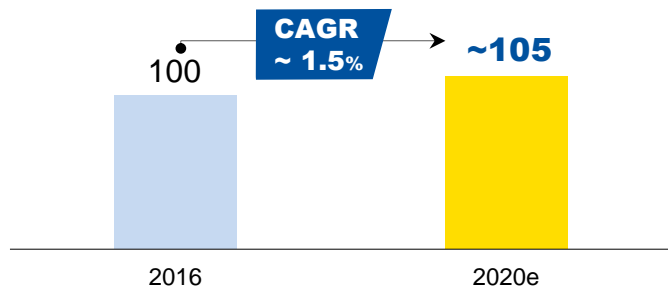
- PC OE&RT market projection (in millions of units)



- TB OE&RT market projection (Radial & Bias in millions of units)

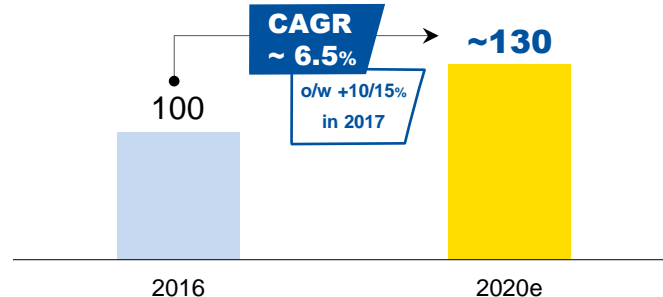


- Agricultural tires\* (base 100 in 2016, in tonnes)



\* OE & RT in Europe and North America

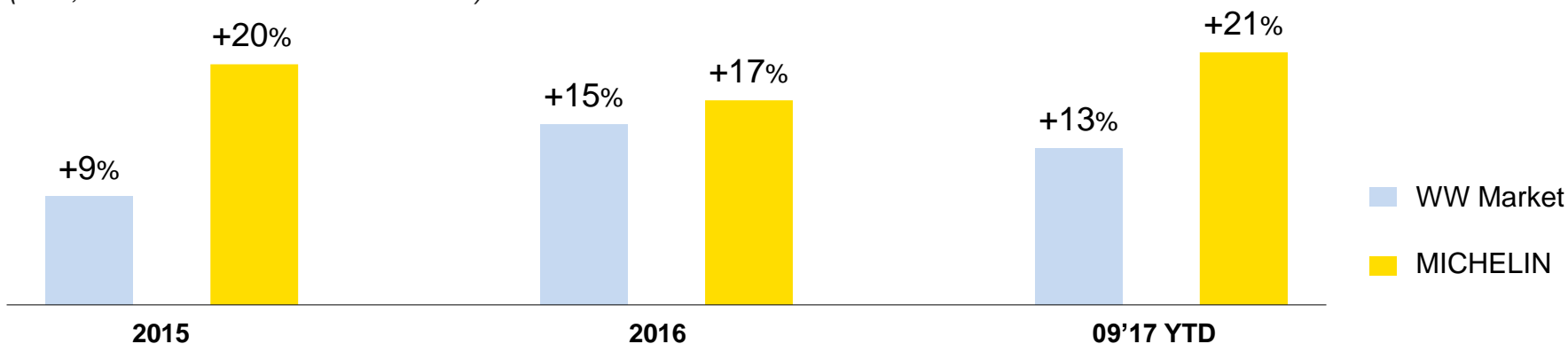
- Mining tires (base 100 in 2016, in tonnes)



# ≥ 18" tires : a successful Premium strategy delivering continuous market share gains

## ▲ ≥ 18" tire growth

(YoY, markets in units and sales in kt)



- Customers who value the MICHELIN brand and its product performance: a price premium of around 10% compared to Premium competitors
- A force of innovation sought by premium manufacturers
- Continuous growth made possible by new industrial capabilities

# Leading position at premium OEMs and prestige vehicles



## AMG Project One

Concept presented at the Frankfurt Motor Show  
will be launched in 2019

These two vehicles are fitted with

MICHELIN  
*Pilot Sport Cup 2*



## Porsche GT2 RS

beat the record of the German circuit of  
the Nürburgring



FERRARI



PORSCHE



# Product launches driving volume and market share gains

## Passenger Car

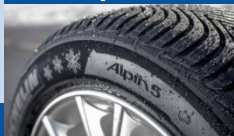
**MICHELIN**  
CrossClimate +



**MICHELIN Pilot**  
Sport 4 S



**MICHELIN**  
Alpin 5



**BFGoodrich**  
All Terrain T/A K02



**MICHELIN**  
Premier LTX



## Truck

**MICHELIN**  
X-One Urban Bus



**MICHELIN**  
X®Guard



**Convoy**  
TripleA



**MICHELIN**  
XWorks



**MICHELIN**  
X Line Energy Z



## Specialty



**MICHELIN**  
Power RS



**MICHELIN**  
XDR3



2 tires in 1  
technology



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## **2 / Levers for Competitiveness**

# H1 2017 savings in line with 2017-2020 competitiveness plan

<i>In € millions</i>	<b>H1 2017</b>	<b>2017-2020 plan</b>
SG&A	64	500/550
Manufacturing - Logistics	60	450/500
Materials	22	150/200
<b>Total</b>	<b>146</b>	<b>~1,200</b>

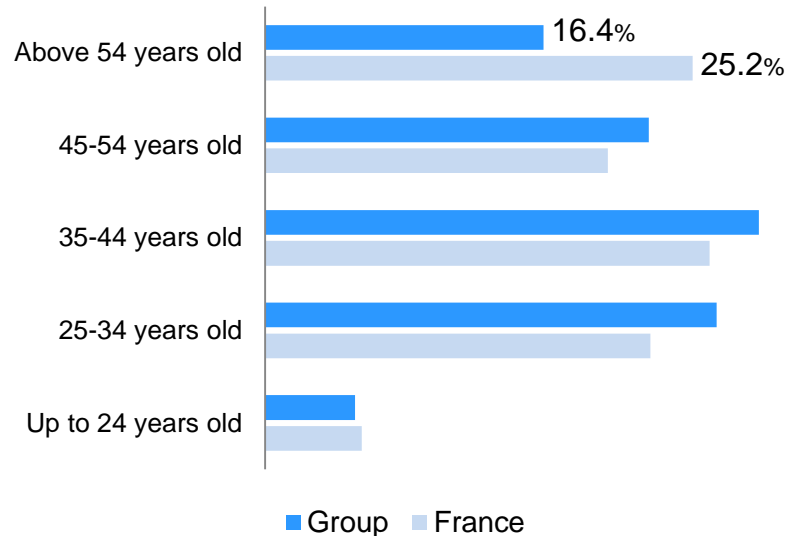
# The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide

▲ A more agile, customer-focused Group capable of unleashing all its power

- Leverage the age pyramid:
  - 3,500 employees retiring in France and the United States between 2018 and 2021
- Optimize hiring:
  - 2,080 new hires in France and the United States between 2018 and 2021



## ● Age pyramid, Group and France\*



\* Manufacture Française des Pneumatiques Michelin

# Investing to create value

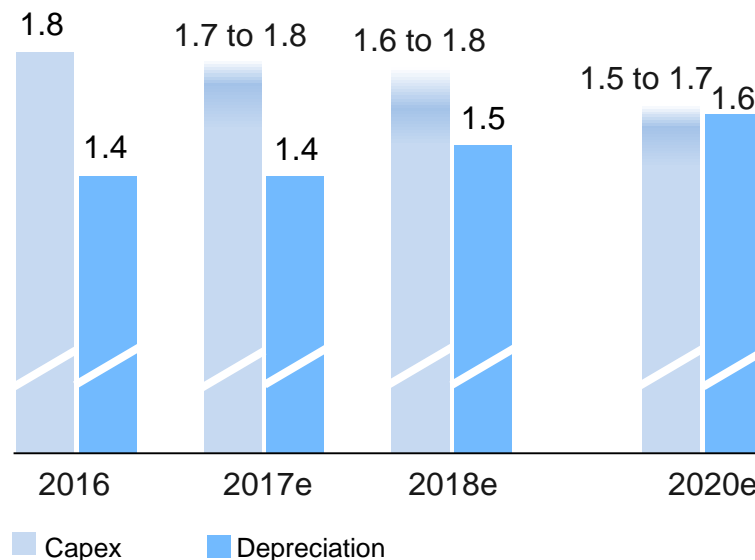
## ▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

- In growing markets: Premium PC, North America and Asia
- In the supply chain to improve customer service (information systems, logistics)
- In digital services and distribution
- In raw materials and semi-finished products



## ▲ Closing the gap between Capex and depreciation:

(in € billions, at current exchange rates)



# Optimizing Working Capital Requirements

- Inventory:

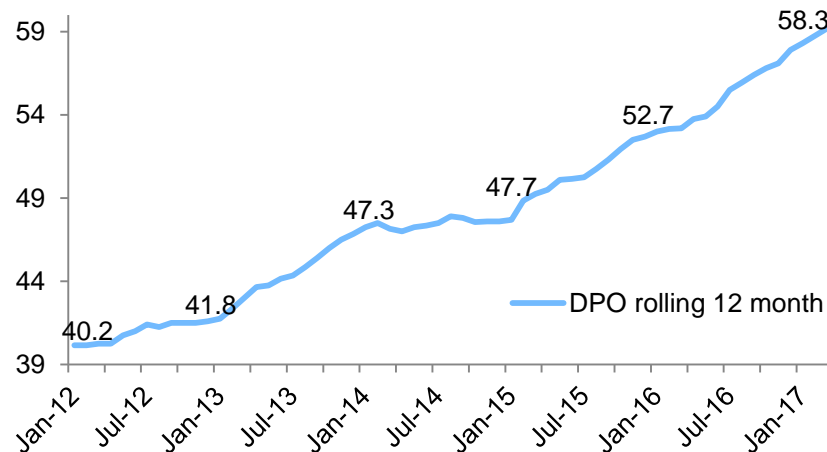
- At least a €250m reduction expected from OPE by 2020 from 2016

- Receivables:

- Benchmark position around 13% of net sales

- Payables:

- Further improvement through TOP and reverse factoring



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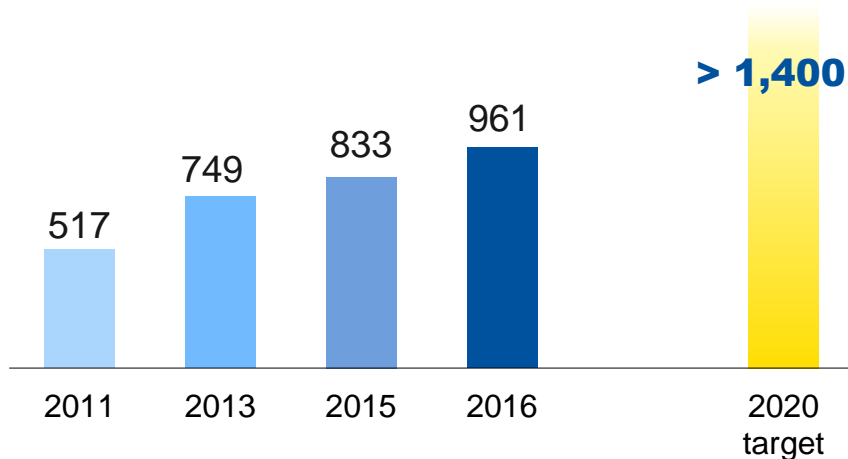
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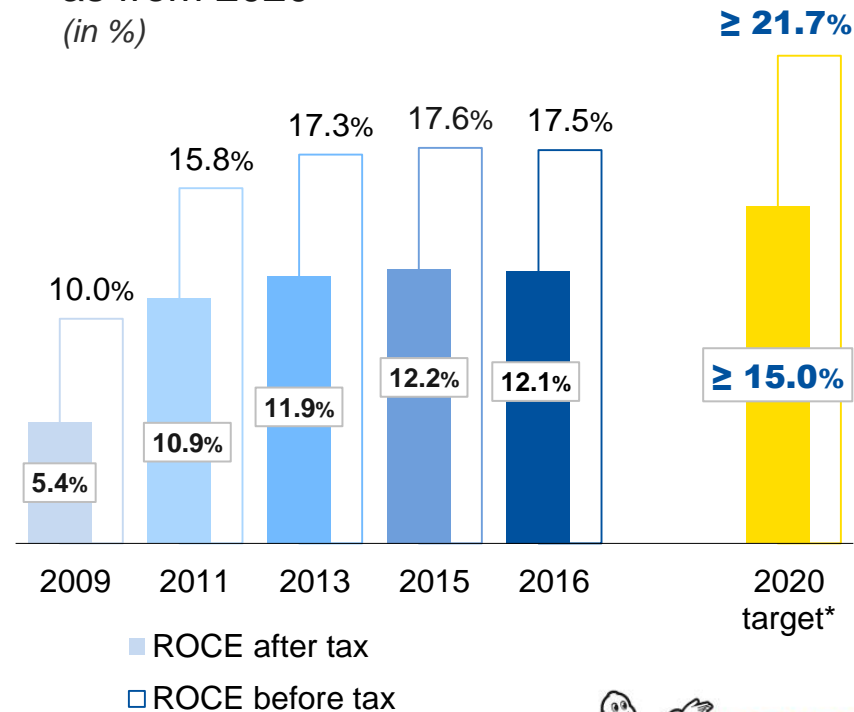
# 3 / Ambition for Profitability

# 2016 performance in line with 2020 objectives

- ▲ Deliver structural FCF > €1,400m  
as from 2020  
(in € millions)

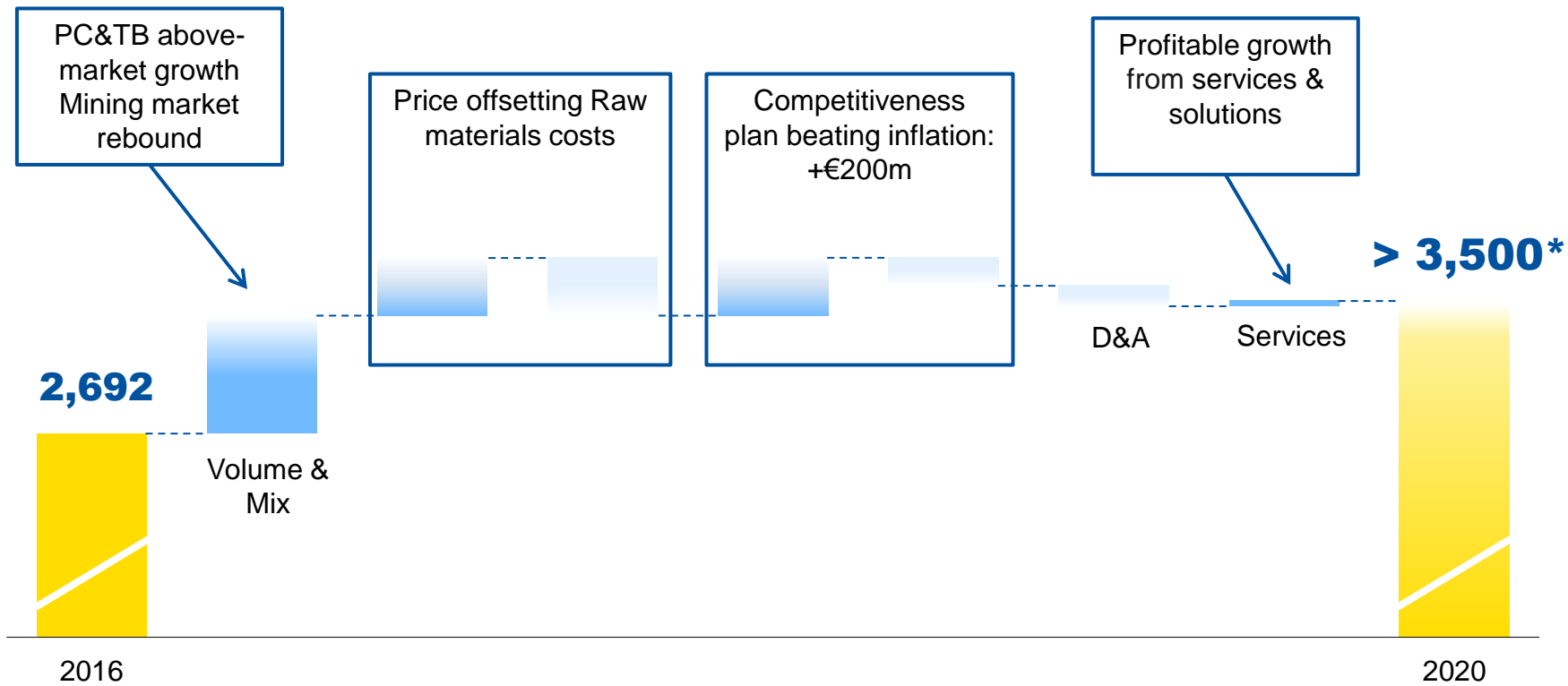


- ▲ Deliver an after-tax ROCE\* ≥ 15%  
as from 2020  
(in %)



\* At constant scope of consolidation excluding goodwill

# 2016-2020 organic scenario: profitability levers



\* At 2016 exchange rates

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# 4 / 2017 outlook

# 2017 guidance confirmed: on the road to our 2020 objectives

	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2016
Net price-mix/raw materials effect	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* Reported FCF adjusted for acquisitions and the impact of raw materials prices on trade receivables, trade payables and inventory, and end-of-year volumes on WCR, and for 2017, the payment in January of the €193m capitalized interest on OCEANE bonds

# 2017 scenario: agile management in a highly volatile environment

Impact on operating income from recurring activities	H1 2017 as reported	H2 2017	2017
Impact of raw materials costs	-€331m	Around €450m headwind	Around €800m headwind
Currency effect	+€37m	Around €150m headwind	Around €110-120m headwind*
Net price-mix/ raw materials effect	Indexed -€106m Non-indexed: -€80m	Positive	Indexed businesses: negative Non-indexed: neutral
Competitiveness plan gains vs. inflation	+€4m	Slightly positive	Slightly positive

\* Based on September rates

## At 2017 year-end: A robust and responsive profile

- As announced, operating income from recurring activities excluding FX
  - Was stable in H1 thanks to volume growth,
  - Is expected to increase in H2 on higher pricing.
- Michelin played its price leader role in a challenging environment
  - 2017 first year of price increase following more than 4 years of decline linked to raw materials price trend
  - Solid price point at mid-year allowing for improving unit gross profits in H2
  - Indexed pricing: favorable net impact to continue early 2018

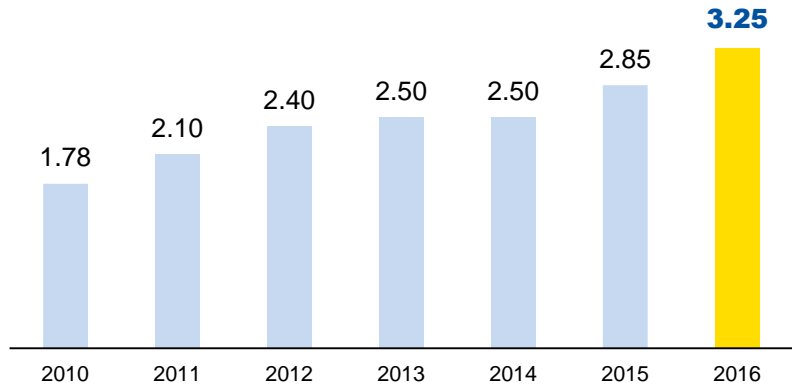
# At 2017 year-end: A robust and responsive profile

- Passenger car tires
  - Continuous market share gains in 18'+ tire segment
  - Relevant price positioning in 18'+ segment
- Truck tires
  - Priority focus on raising prices and improving margins
- Specialties
  - Strong growth, notably in Mining & Agriculture segments
  - Manufacturing volume at record highs

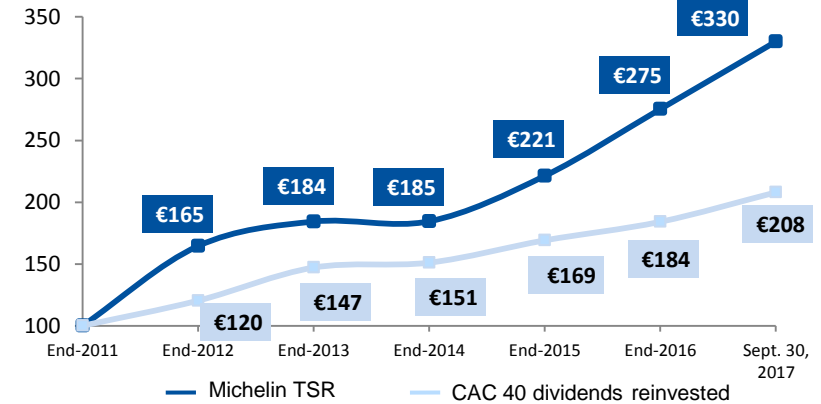
# Sustained shareholder return policy: dividends and share buybacks

- 2016 dividend: €3.25 per share, representing a payout ratio of 36.5%
- Share buyback programs
  - €750m committed in 2015-2016 and cancellation of 4.5% of outstanding shares
  - 2017: €100m program delivered to offset the dilution from share-based compensation

## ● Dividend per share (in €)



## ● Total Shareholder Return



**SAFE WHEN NEW,  
SAFE WHEN WORN<sup>(1)</sup>.**



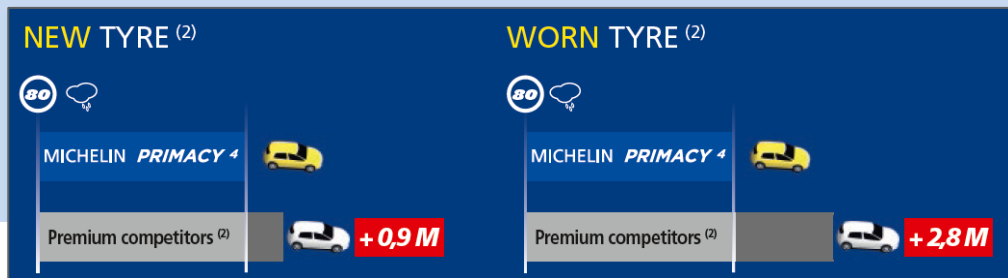
# MICHELIN PRIMACY 4

**New Passenger car tire,  
launched in 64 sizes  
from January 2018**



- **SUPERIOR SAFETY**

Outstanding **wet braking** performances when **new** and still when **worn**<sup>(2)</sup>



- **#1 in longevity<sup>(3)</sup>**

Lasts 18,000 kms longer than its competitors on average<sup>(3)</sup>

<sup>(1)</sup> New and Worn (worn means 2 mm tread depth), on 205/55 R16 91V MICHELIN PRIMACY 4, is above the R117 European regulation wet grip threshold.

<sup>(2)</sup> Wet braking test, between 80 and 20 kph, conducted by TÜV SÜD product service, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus BRIDGESTONE TURANZA T001 EVO; CONTINENTAL PREMIUM CONTACT 5; DUNLOP BLUESPONSE; GOODYEAR EFFICIENT GRIP PERFORMANCE; PIRELLI CINTURATO P7 BLUE competitors.

<sup>(3)</sup> Test conducted by DEKRA TEST CENTER, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus BRIDGESTONE TURANZA T001 EVO; CONTINENTAL PREMIUM CONTACT 5; DUNLOP BLUESPONSE; GOODYEAR EFFICIENT GRIP PERFORMANCE; PIRELLI CINTURATO P7 BLUE competitors. Longevity test run in average real usage (D50) with 10,000 kms run and estimated longevity at 1.6mm.

## 2018 Upcoming events

- **February, 12** (after market): 2017 Annual Results
- **April, 23** (after market): Q1 Net Sales
- **May, 18**: Annual Shareholders' Meeting
- **July, 24** (after market): H1 Results
- **October, 22** (after market): Q3 Net Sales

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# Appendices

**PC Tire Market:** In October with one additional business day, OE markets well oriented, except in North America; stable replacement markets in mature areas, well oriented in China and strong rebound in Brazil.

## ▲ October 2017/2016

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +6%	▲ +5%	▼ -7%	▲ +6%	▲ +2%
Replacement	▲ +3%	▲ +2%	▲ +4%	▲ +28%	▲ +8%

## ▲ YTD October 2017

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +1%	▲ +1%	▼ -4%	▲ +19%	▲ +3%
Replacement	▲ +4%	▲ +1%	▲ +0%	▲ +16%	▲ +7%

\* Turkey included

**TB Tire Market:** In October with one additional business day and in a favorable economic context, sustained growth in OE segment and in Brazil market and a slight slowdown in Europe Replacement demand.

## ▲ October 2017/2016

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +15%	▲ +16%	▲ +14%	▲ +79%
Replacement	▲ +1%	▲ +2%	▲ +14%	▲ +31%

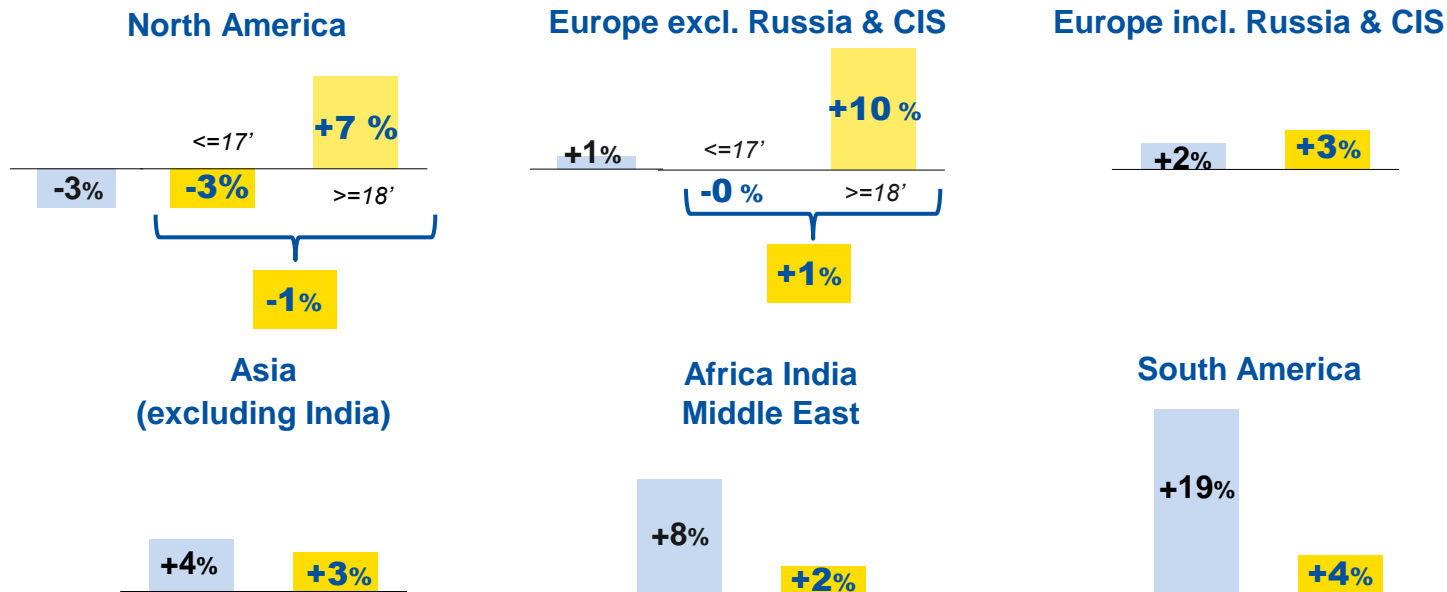
## ▲ YTD October 2017

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +8%	▲ +7%	▲ +11%	▲ +17%
Replacement	▲ +6%	▲ +4%	▲ +5%	▲ +16%

\* Turkey included

# PC: Growth in line with long-term trends. OE rebound in new markets. Dealer inventory drawdown.

▲ Passenger car market at September 30, 2017/2016  
(YoY in %, in number of tires)



## GLOBAL MARKET

+3% +3%

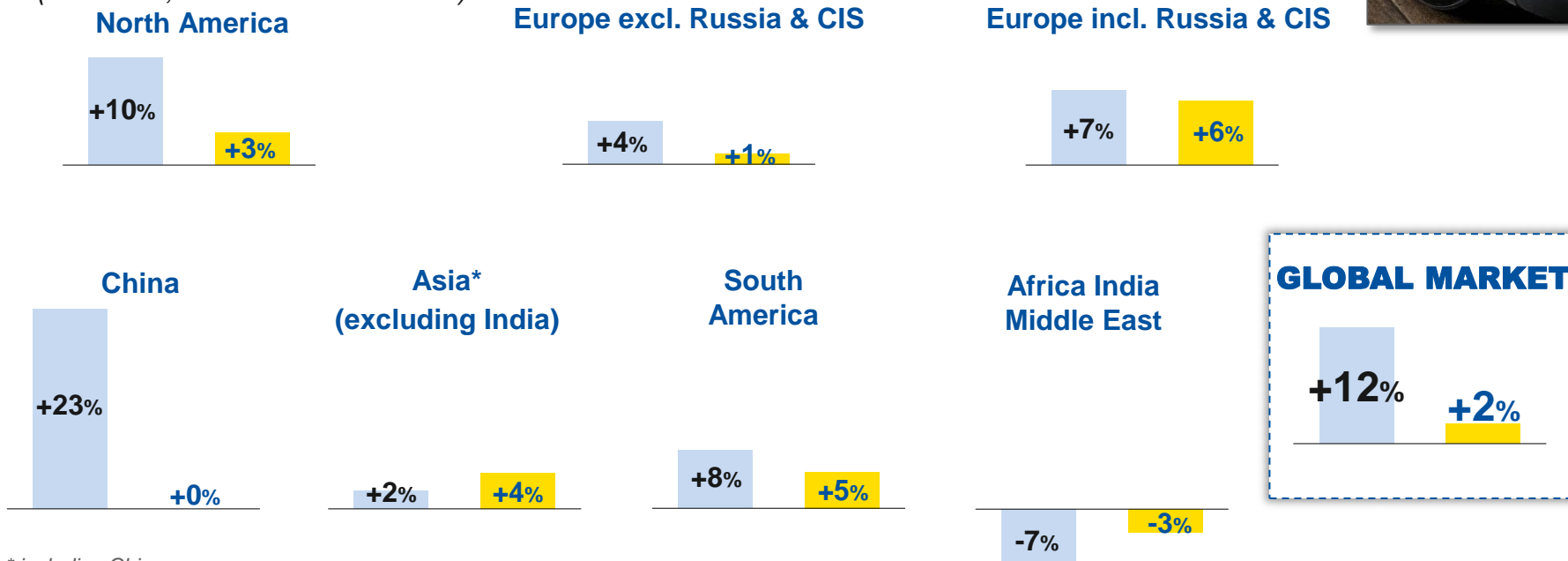
\* Source: Michelin

# Truck & Bus: Rebound in global market fueled by sharp OE growth in China and North America



## ▲ Truck & Bus tire market at September 30, 2017/2016

(YoY in %, in number of new tires)



\* including China

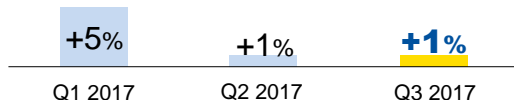
Source: Michelin

■ OE ■ RT

# Q3: cooling RT Passenger car and Truck tire markets; robust Specialty and OE Truck tire markets



## PASSENGER CAR – YTD: +3%

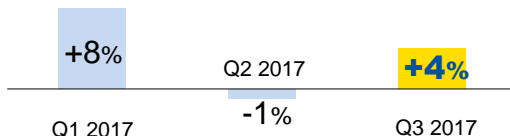


### Q3:

- Decline in mature regions as dealers drew down excess inventory. Growth in emerging markets in line with previous quarters
- Decrease in OE demand in North America



## TRUCK – YTD: +4%



### Q3:

- Growth led by surging OE demand notably in China and North America (+23%)
- Cooling growth in the RT segment, due to a slowdown in Europe (up 1.5%) and a contraction in China and India



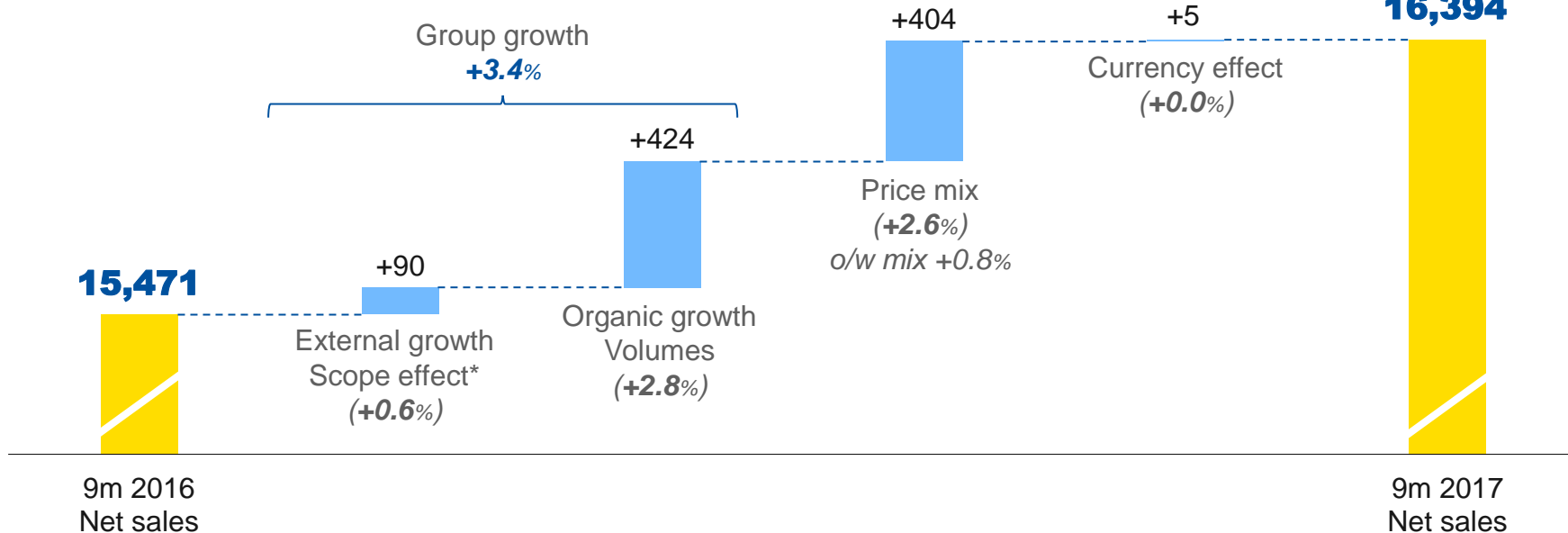
## SPECIALTIES: +8%/+10%\*

- Mining tires: +10%/+15%
- Agricultural tires: rebound in OE demand starting in Q2, decrease in RT sales following the Q1 spike in early buying
- Growth in demand in the other businesses

*\*Full-year market estimate*

# 9M 2017 net sales supported by growth in volumes and price mix effect

▲ YoY change  
(in € millions and %)

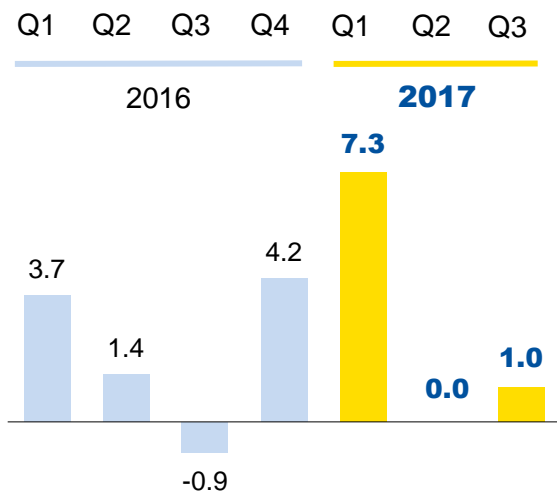


\* Levorin, NexTraq

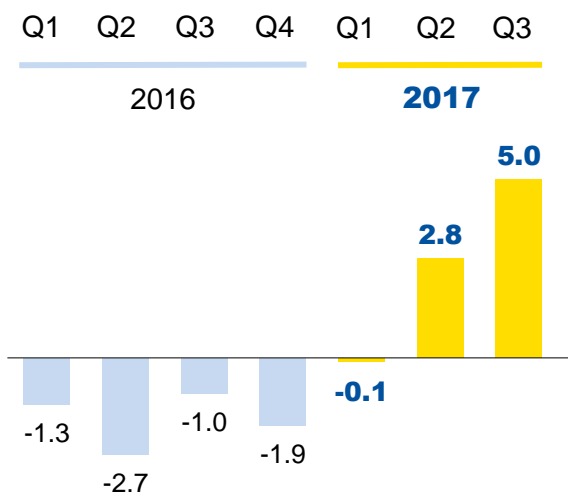
# Improving price mix, despite a less favorable RT market environment in Q3

▲ YoY quarterly change  
(in %)

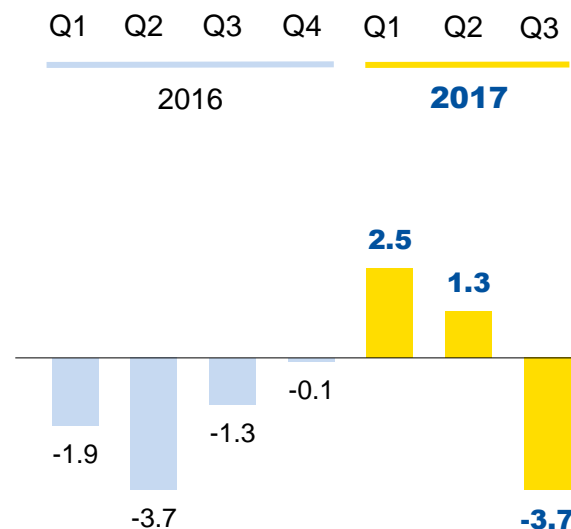
## Volumes



## Price mix

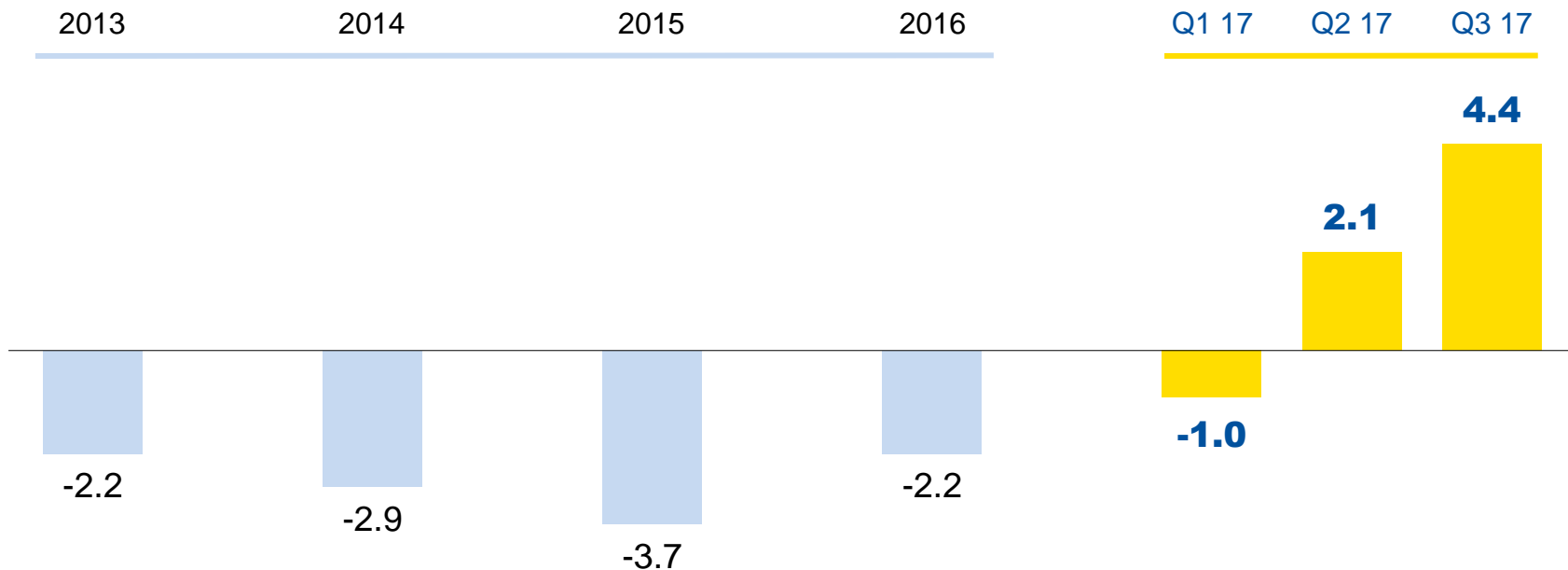


## Currency effect



## Q3 price effect: much faster improvement, as announced, led by RT price increases and the application of indexation clauses

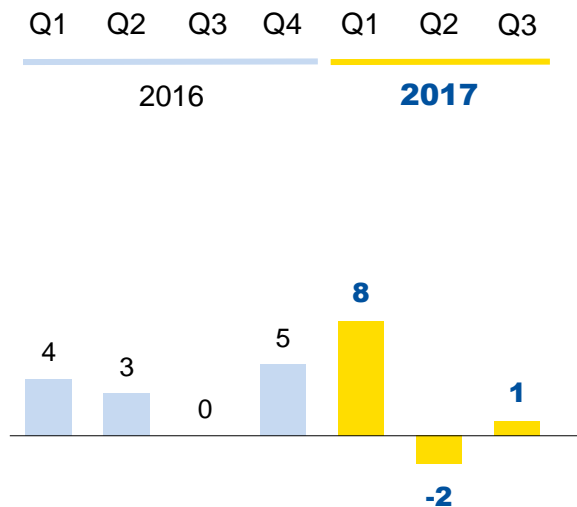
▲ (in %)



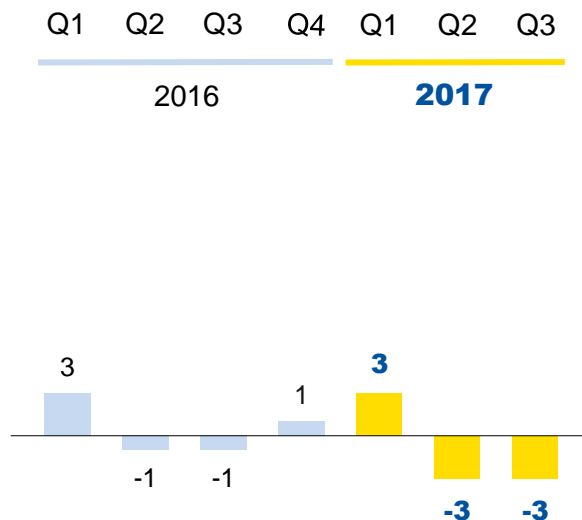
# Dealer inventory back to normal, priority given to profitability in Truck, strong growth in the Specialty businesses

▲ YoY quarterly change in volume  
(in % & in tonnes)

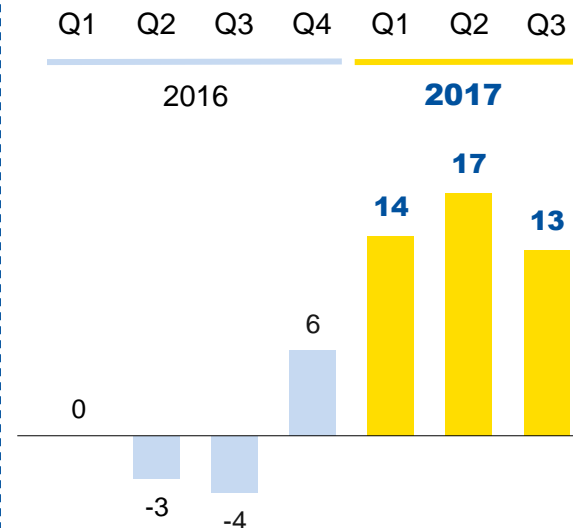
## Passenger car tires\*



## Truck tires\*

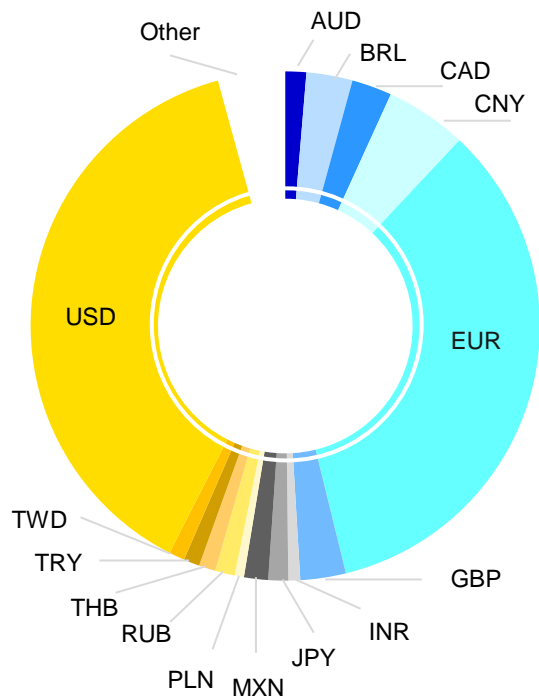


## Specialty businesses



\* & related distribution

# H1 2017: Net sales breakdown by currency and EBIT impact

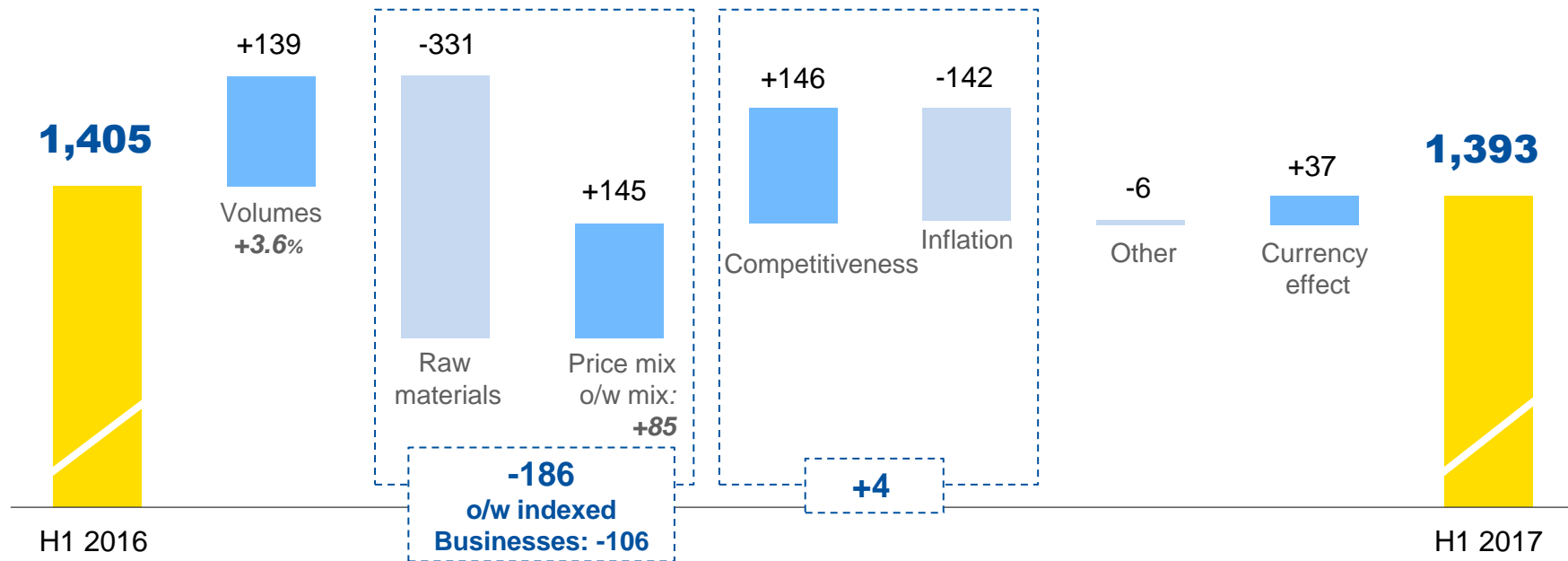


	% of net sales		9M17 / 9M16 YoY Currency Change /€	Net sales to EBIT droptrough*
	AUD	1%	+3%	80% - 85%
	BRL	3%	+10%	-20% / - 30%
	CAD	3%	+1%	25% - 30%
	CNY	5%	-3%	25% - 30%
	EUR	34%	NA	-
	GBP	3%	-9%	25% - 30%
	INR	1%	+3%	25% - 30%
	JPY	1%	-3%	80% - 85%
	MXN	2%	-3%	25% - 30%
	PLN	1%	+2%	25% - 30%
	RUB	1%	+15%	25% - 30%
	THB	1%	+3%	-100% / -130%
	TRY	1%	-22%	80% - 85%
	TWD	1%	+6%	80% - 85%
	USD	38%	-0%	25% - 30%
	Other	4%		80% - 85%

\* Actual droptrough linked to the export/manufacturing/sales base

# H1 2017 Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap

▲ YoY change in operating income from recurring activities (in € millions)



# 9M 2017 net sales growth driven by volumes and price increases

(in € millions)

**9m 2017**

9m 2016

% change

**RS1 net sales**

**9,242**

8,880

+4.1%



**RS2 net sales**

**4,605**

4,440

+3.7%



**RS3 net sales**

**2,547**

2,151

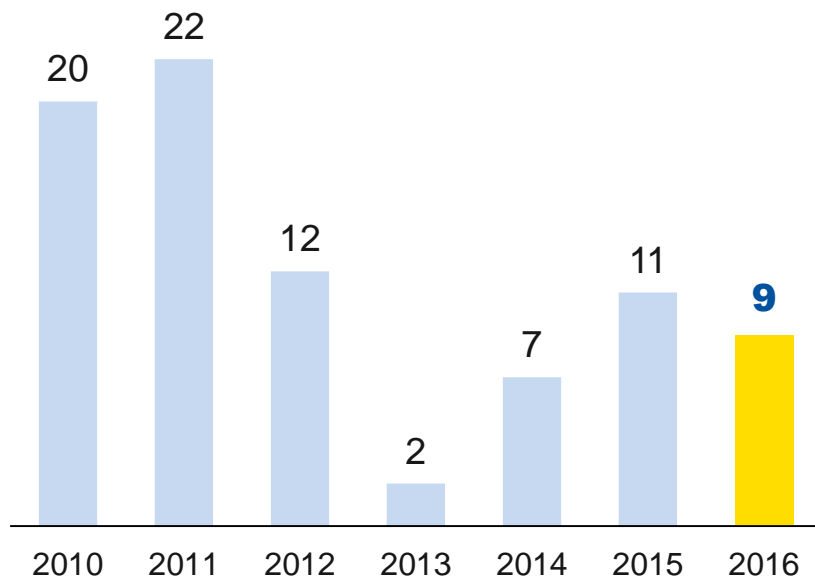
+18.4%



# A robust balance sheet after the share buybacks, confirmed by the rating agencies

## ▲ Gearing

Net debt/equity, in %



## ▲ Solid long-term ratings

Short term	S&P Moody's	A-2 P-2
Long term	S&P Moody's	A- A3
Outlook	S&P Moody's	Stable Stable

# MICHELIN ACORUS technology makes the tire and wheel assembly flexible: it bends but does not break

- Michelin patented new technology for the PC incorporates two flexible rubber flanges mounted on a special wheel body, developed by Maxion Wheels, world's leading manufacturer of wheels.
- A flexible tire and wheel assembly that improves the ride and comfort and also absorbs impacts from potholes and kerbs.
- Initially sold in 19" and above sizes to the OE premium automakers, this Michelin innovation is compatible with all tires on the market.

In tests\* with a 21" tire driven through a pothole:

- standard assembly version punctured the tire at 28kph
- the MICHELIN ACORUS technology flexible assembly did not puncture at any speed



\* Tire dimension: 285/30R21; pothole: 80mm deep, 700mm long, 70° impact angle

# Acquisition of NexTraq, a US industry leader in the field of commercial-fleet telematics

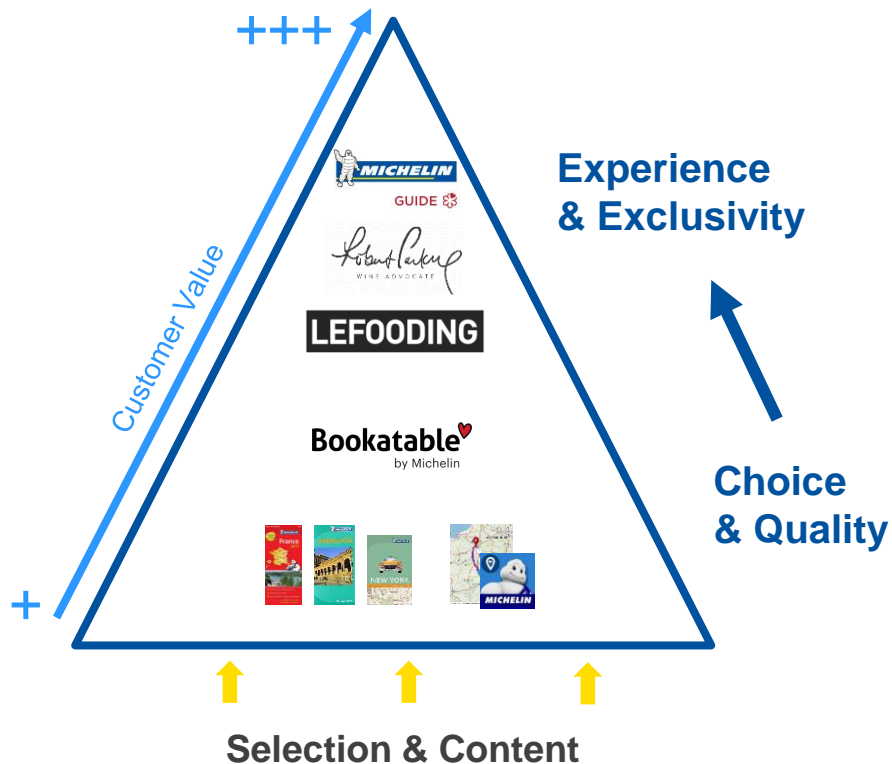


- Leader in SaaS fleet management for small-to medium-size businesses (Class 3-5 fleets ranging from 2 to 50 vehicles)
- NexTraq helps customers with driver behavior, scheduling, route optimization, vehicle trip history, fuel card integration, vehicle maintenance, and data integration enhancing fleet productivity
- Significant synergies expected with the Michelin Group through:
  - Service and solutions platform in North America
  - Technology expertise cross-fertilization between Sascar, Michelin solutions and NexTraq
  - Volume growth thanks to the strategic fit between Michelin and NexTraq customer bases;

## KEY FIGURES

- Turnover: ~\$50m
- EBITDA: ~50%
- **110,000** subscribers in 2016 (67,000 in 2010)
- **100** employees

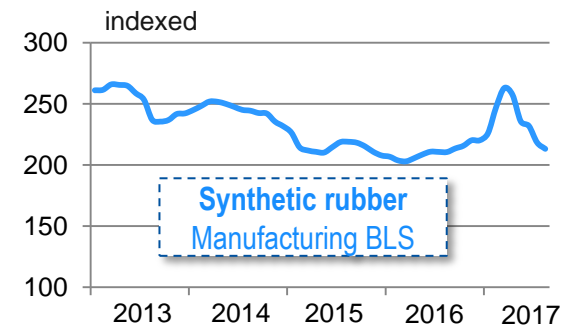
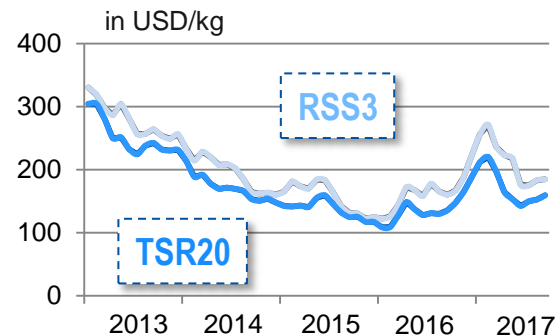
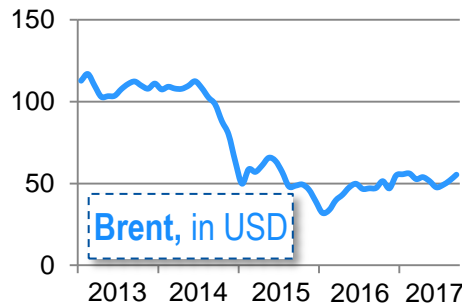
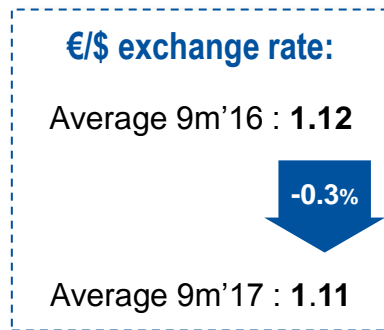
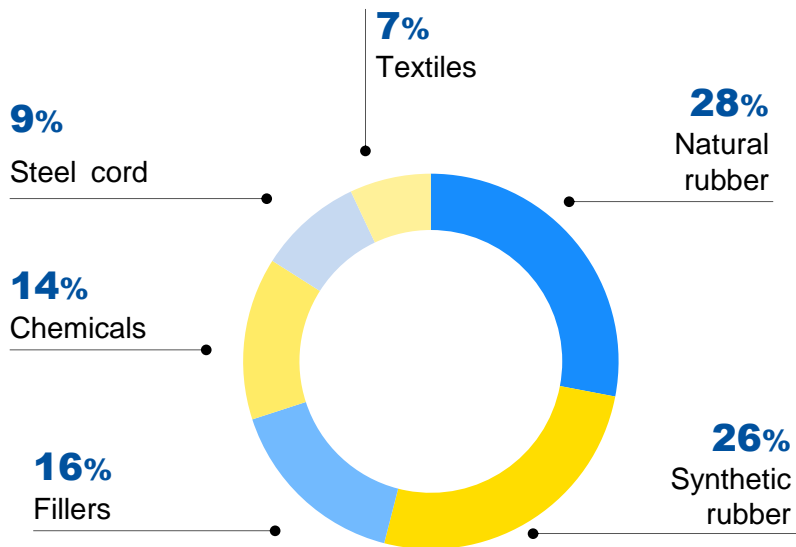
# Michelin Experiences: Become the global “Selection” benchmark in the world of gourmet dining and travel services



- Capitalize on the **MICHELIN Guide**’s worldwide reputation in the field of fine dining
- Expand the **geographic and segment footprint** with **aligned brands/solutions** for our customers
  - Destinations
  - Professionals (chefs, winemakers, hoteliers, etc.)
  - Advertisers
  - High-income consumers
- Create and engage a broad, qualified, committed audience in the **digital** world to benefit all of our businesses

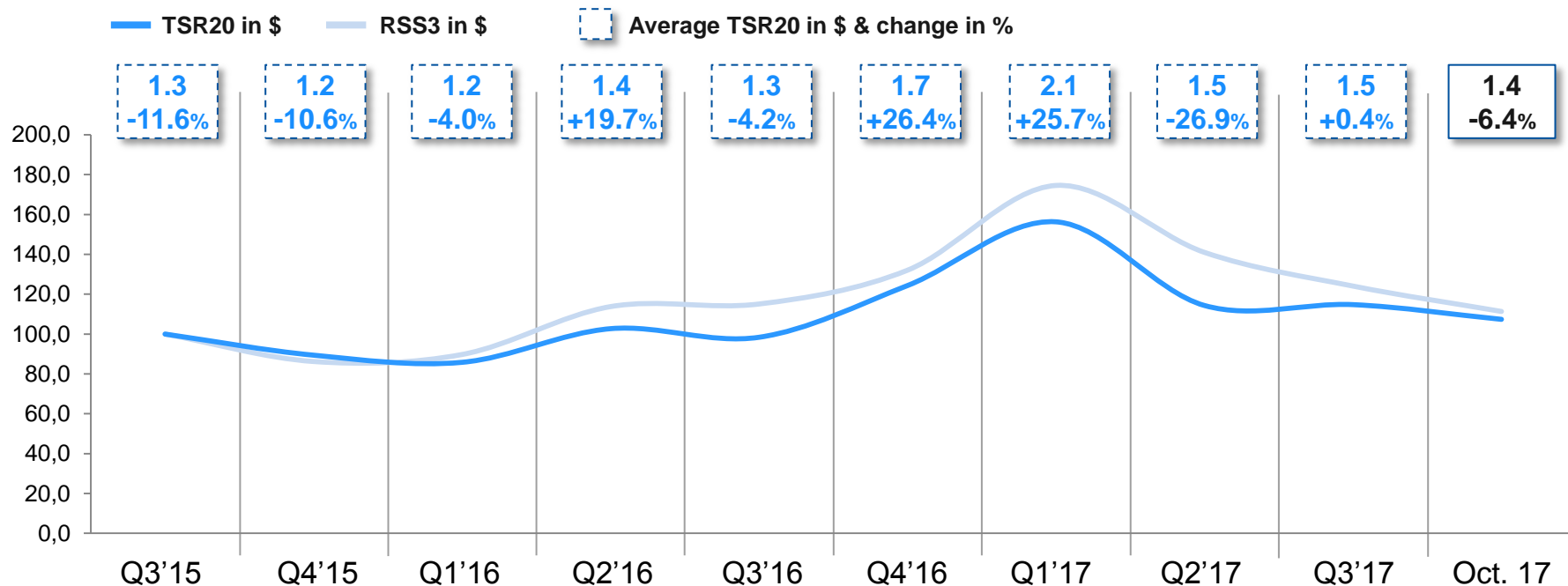
# Raw materials in H1 2017

▲ Raw material purchases in H1 2017 (€2.6bn)



# Natural rubber price trend

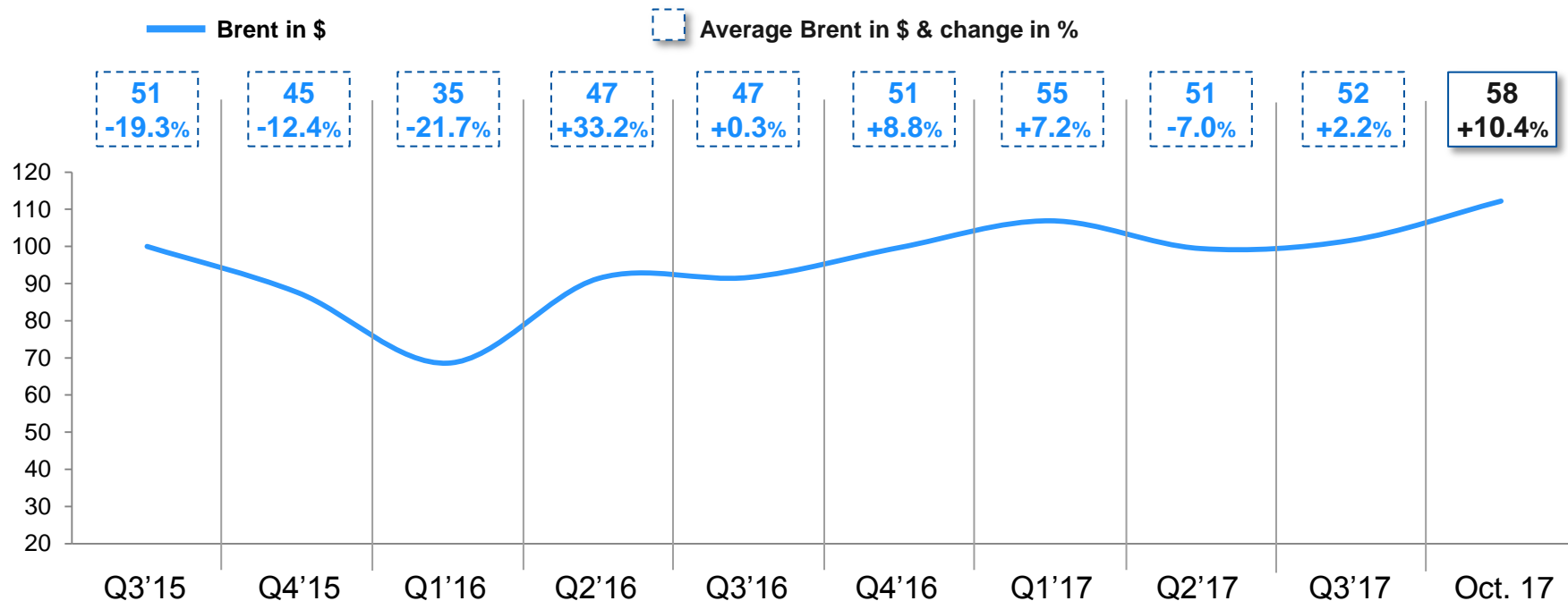
▲ At end-October 2017 (per kg, base 100 in Q3'15)



Source: SICOM

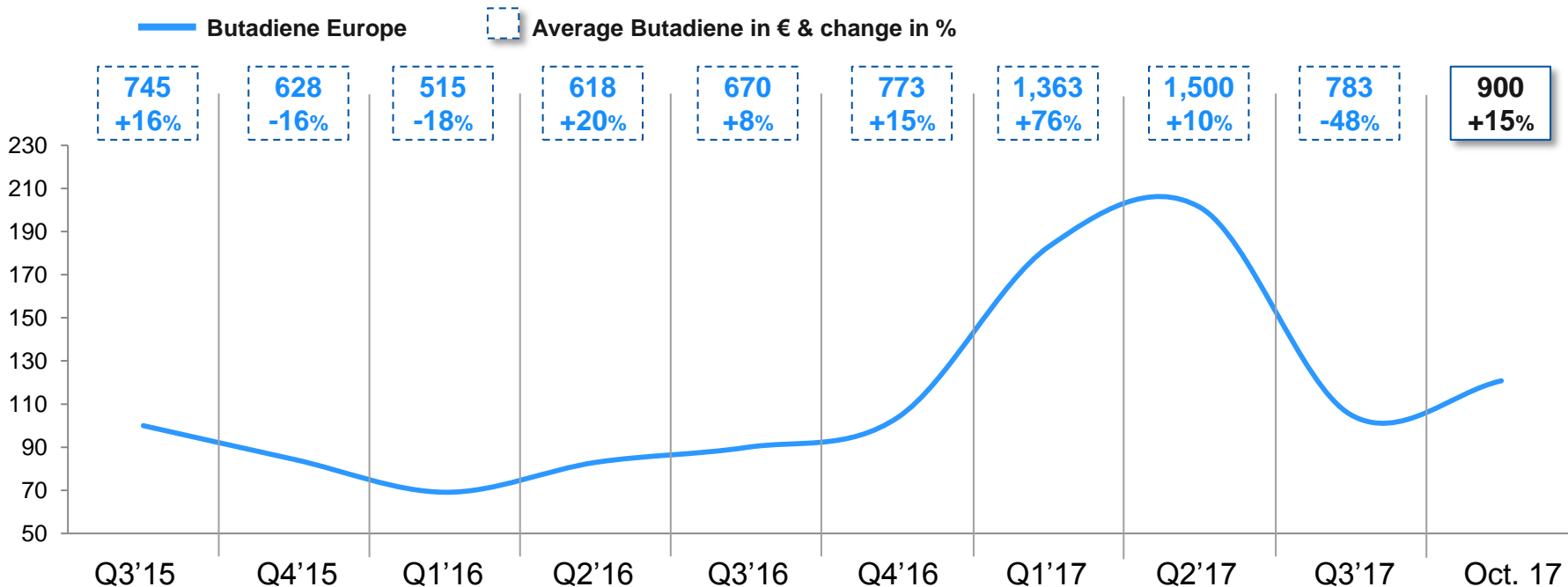
# Brent price trend

▲ At end-October 2017 (per barrel, base 100 in Q3'15)



# Butadiene price trend

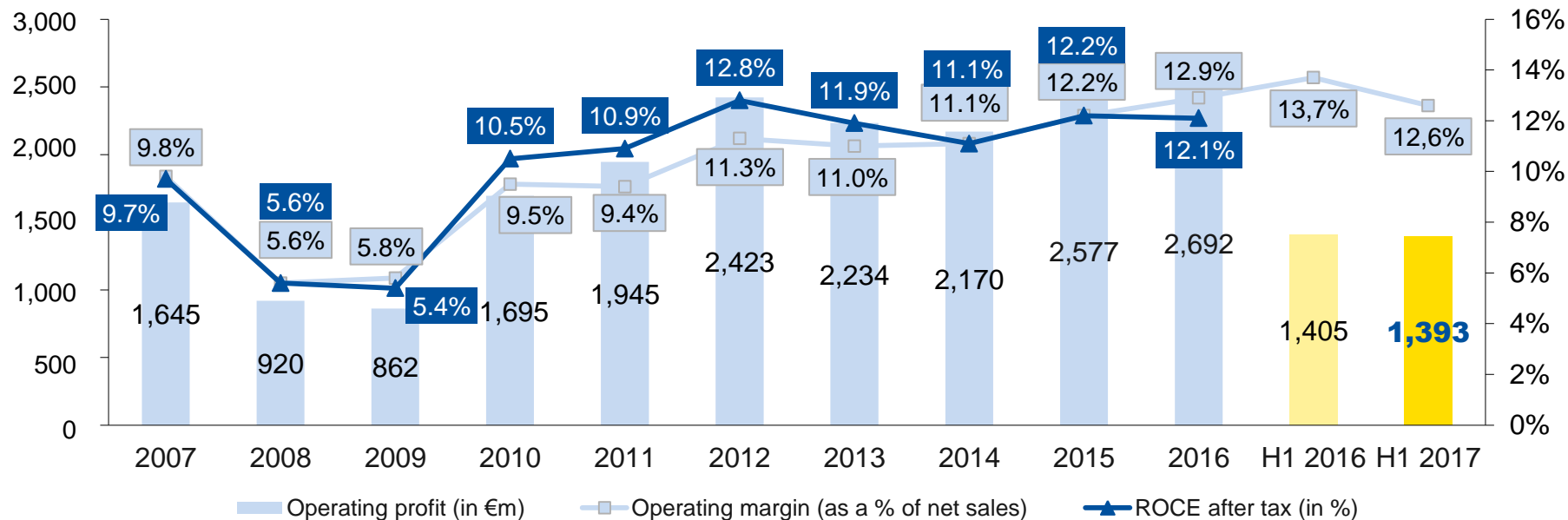
▲ At end-October 2017 (per tonne, base 100 in Q3'15)



Source: IHS

# 2016: a year of progress, in line with our 2020 roadmap

## ▲ Group operating income and margin\* & ROCE

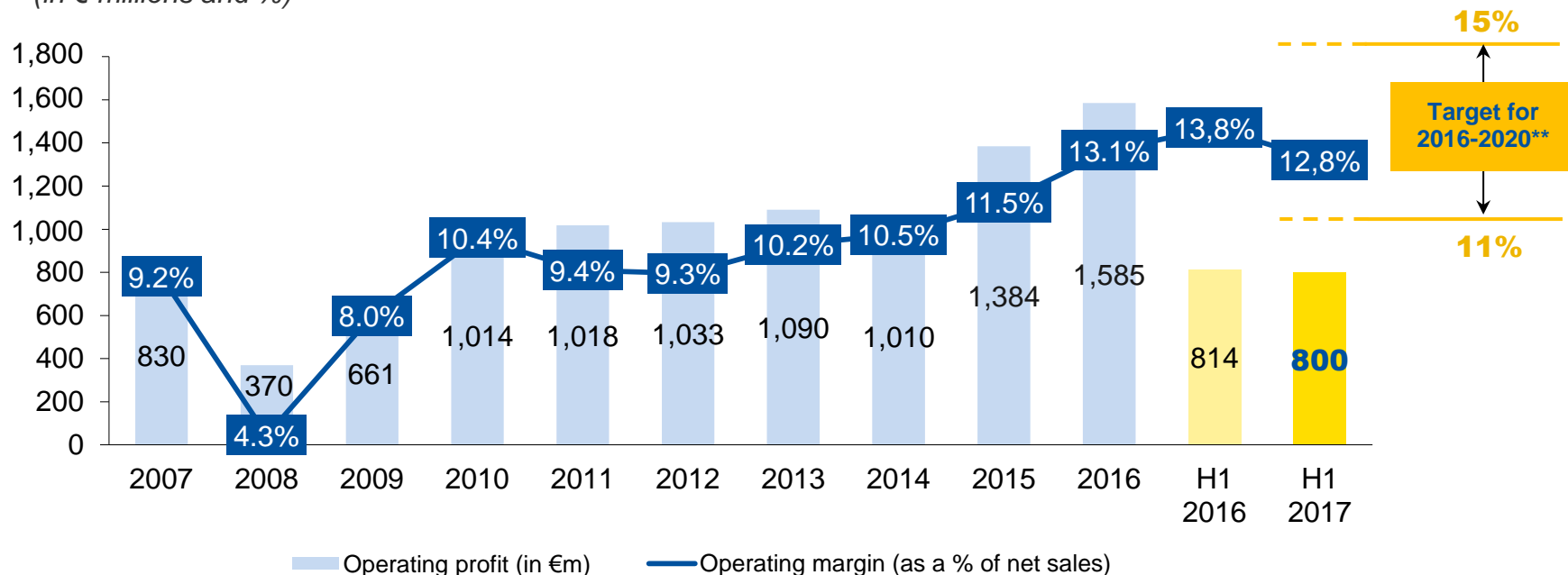


\* On recurring activities.

# PC margins led by product innovation, contribution from the 18" and above strategy, better customer service

## ▲ RS1 operating income and margin\*

(in € millions and %)



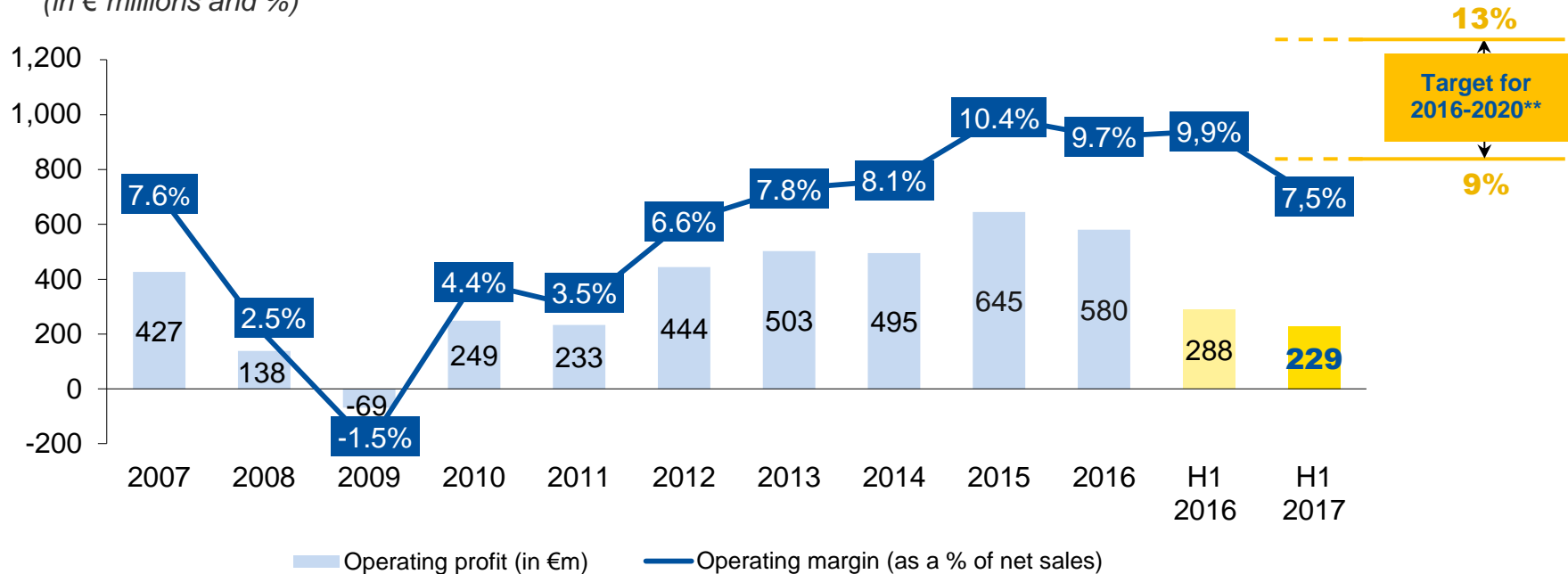
\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 2.5% CAGR

# Consolidation in TB margin led by competitiveness, product innovation and customer satisfaction

## ▲ RS2 operating income and margin\*

(in € millions and %)



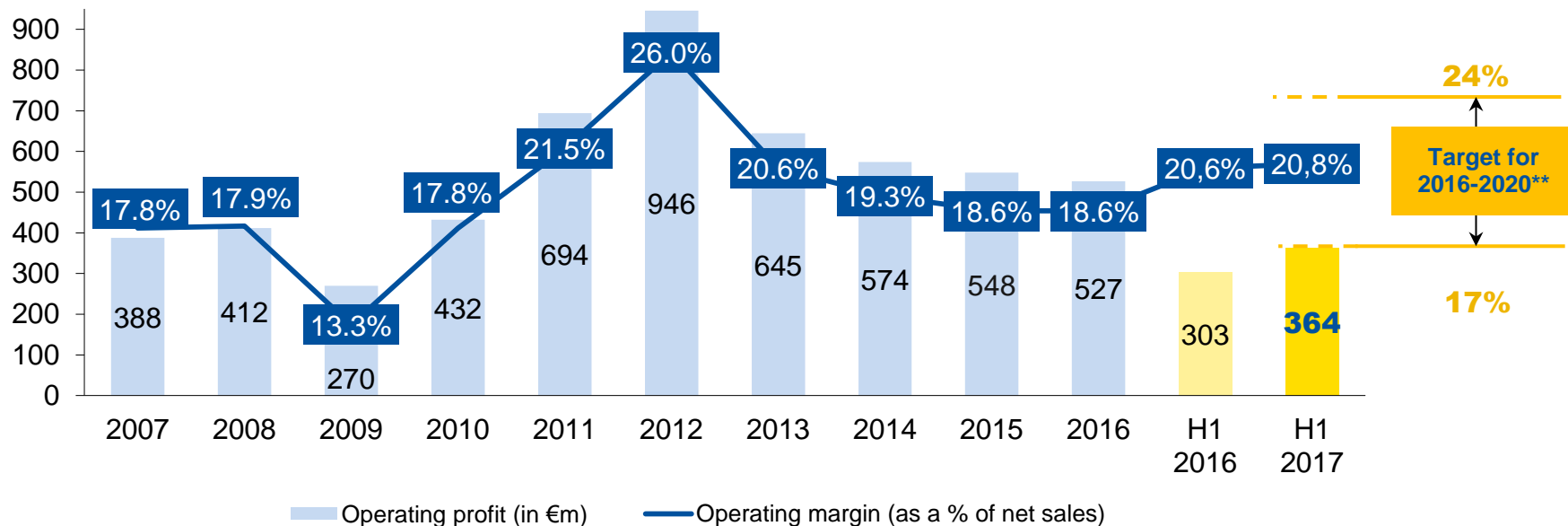
\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 1.5% CAGR

# Specialty businesses: solid margin despite raw material headwind

## ▲ RS3 operating income and margin\*

(in € millions and %)



\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding

## Disclaimer

"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des Marchés Financiers available from the <http://www.michelin.com/eng/> website.

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