



Paris,
November 30, 2017

Société Générale, The Premium Review 2017

November 30, 2017

SG Premium Review 2017



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

November 30, 2017

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1 / Levers for Growth

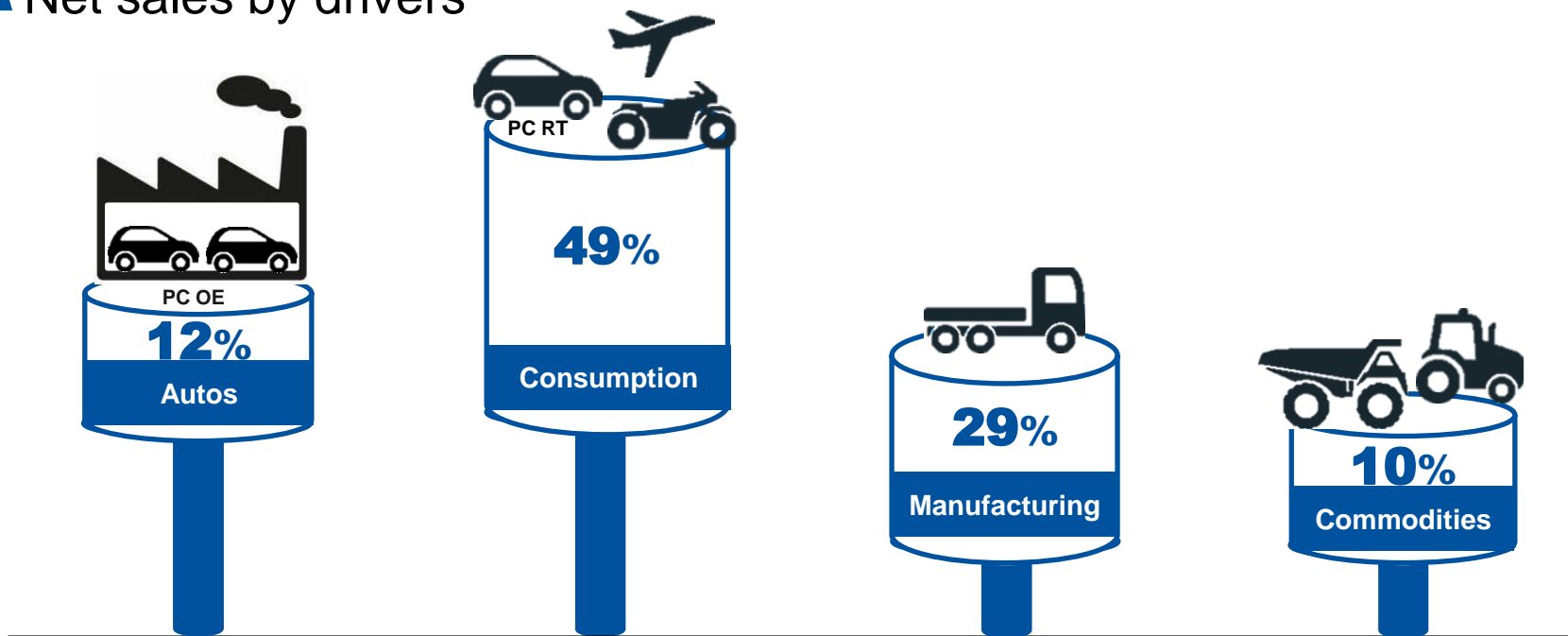
Four domains of growth

	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	 MICHELIN Net promoter Score   Shorter product time-to-market   	    	      	      3D metal printer 

CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS

A business model strongly linked to consumption

▲ Net sales by drivers



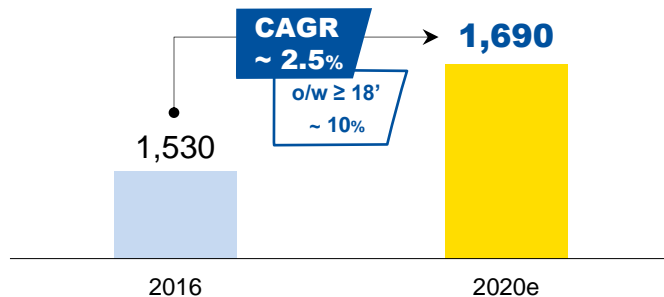
2016 net sales by sector

A robust reputation in the world

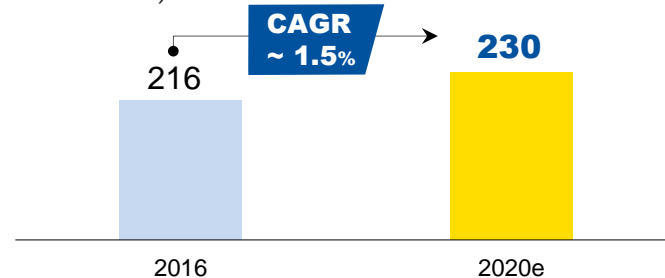


2016-2020 projections: growing worldwide demand

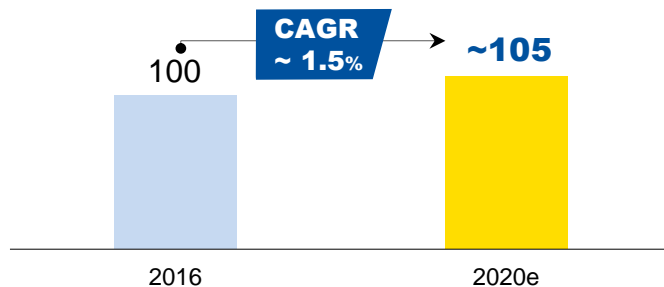
- PC OE&RT market projection (in millions of units)



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

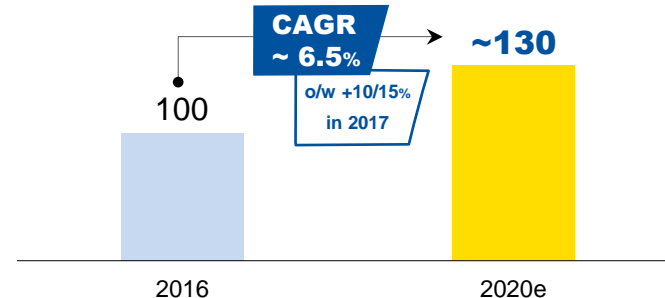


- Agricultural tires* (base 100 in 2016, in tonnes)



* OE & RT in Europe and North America

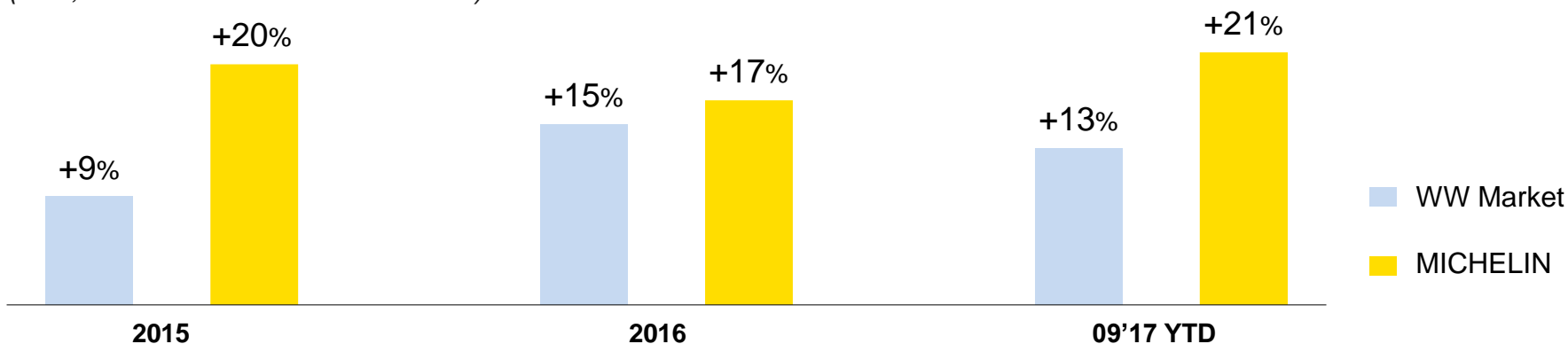
- Mining tires (base 100 in 2016, in tonnes)



≥ 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



Product launches driving volume and market share gains

Passenger Car

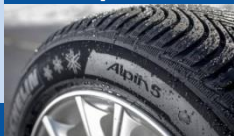
MICHELIN
CrossClimate +



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



MICHELIN
XWorks



Convoy
TripleA



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

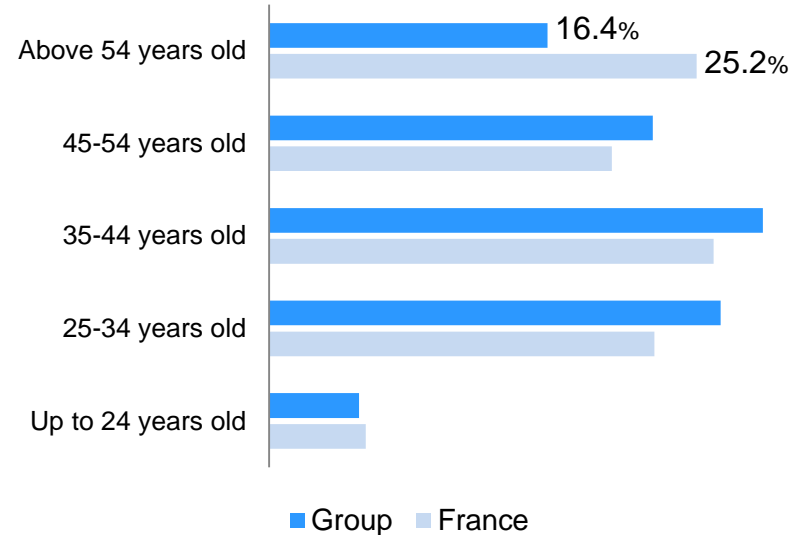
The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide

▲ 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

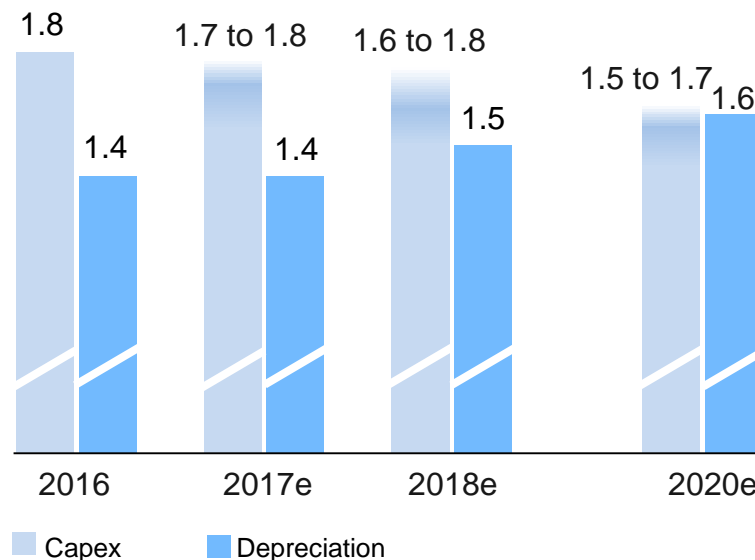
▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

- 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:

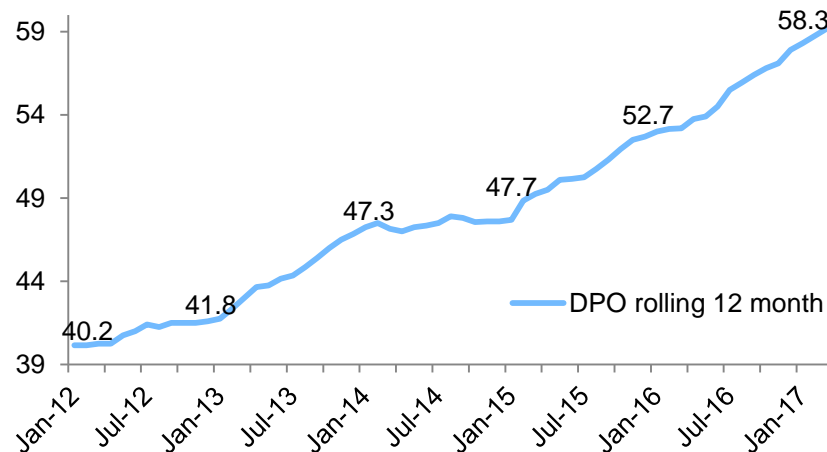
- At least a €250m reduction expected from OPE by 2020 from 2016

- Receivables:

- Benchmark position around 13% of net sales

- Payables:

- Further improvement through TOP and reverse factoring



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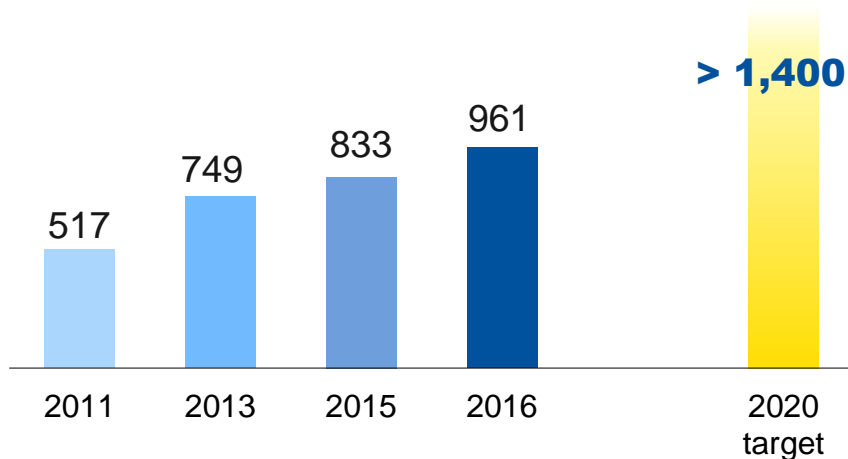
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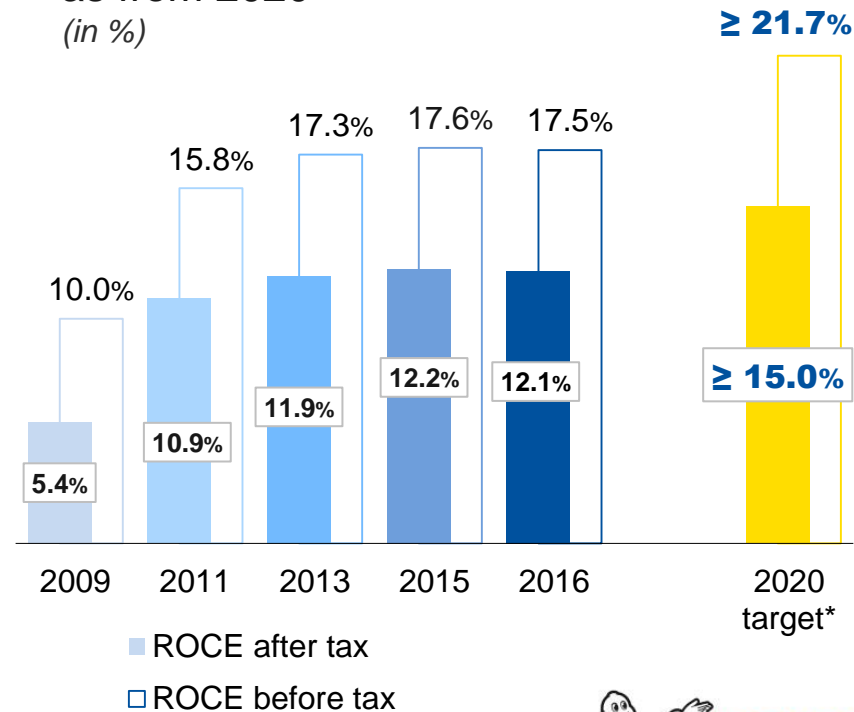
3 / Ambition for Profitability

2016 performance in line with 2020 objectives

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

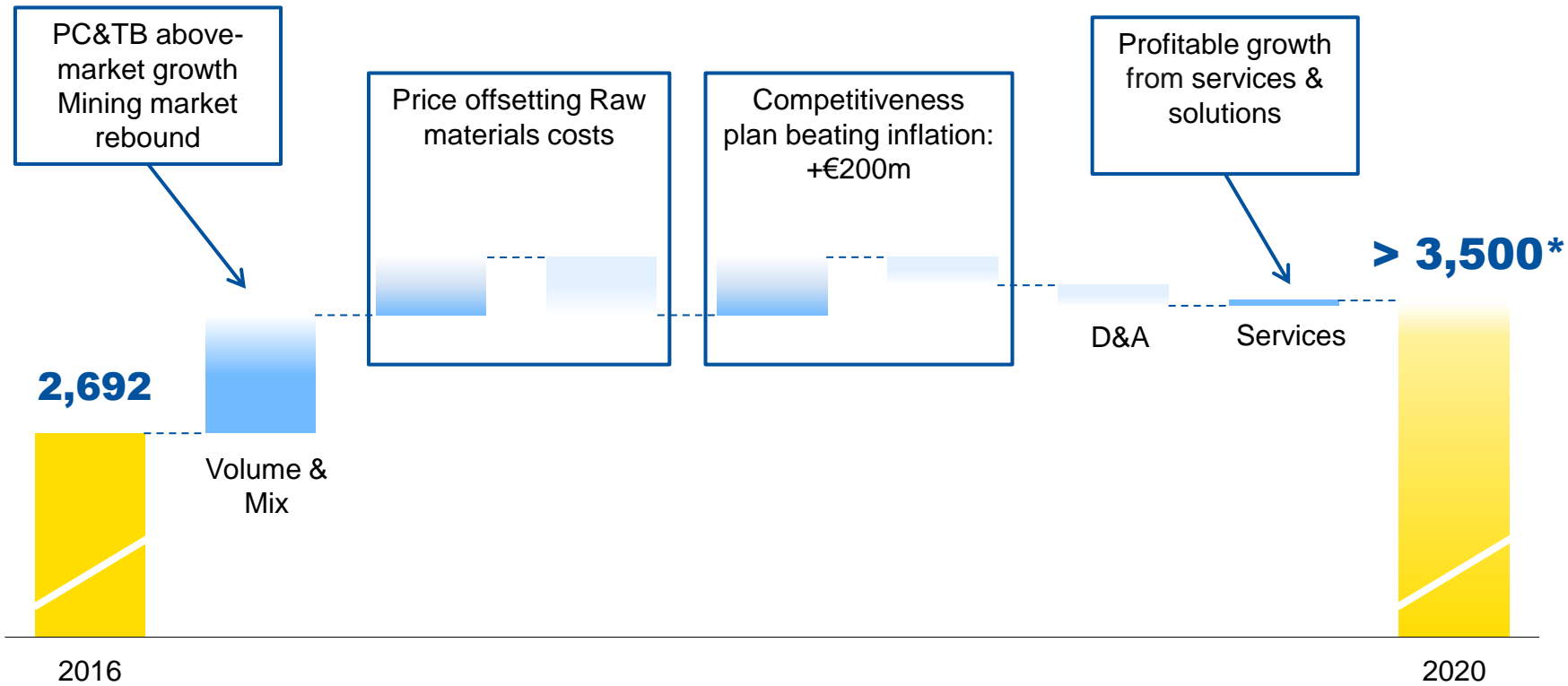


▲ Deliver an after-tax ROCE* ≥ 15%
as from 2020
(in %)



* 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

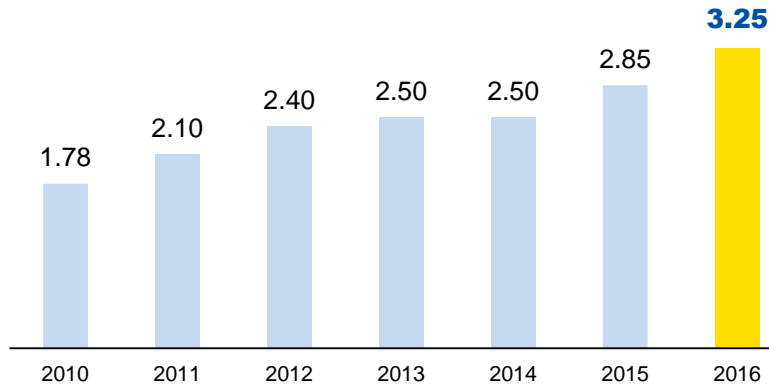
At 2017 year-end: A robust and responsive profile

- 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

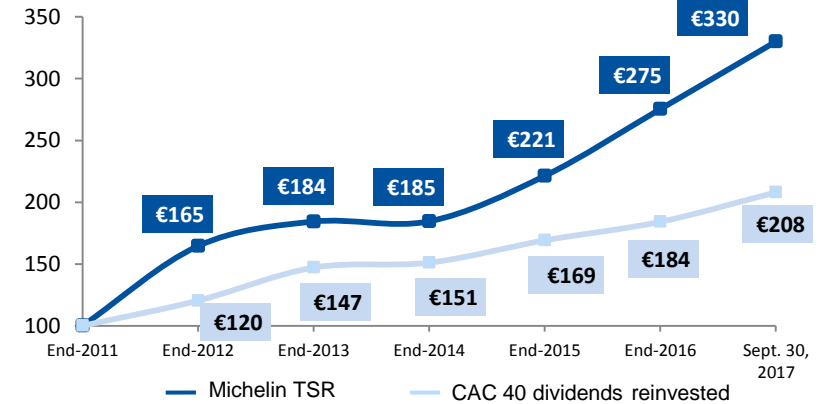
Sustained shareholder return policy: dividends and share buybacks

- 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⁽¹⁾.**



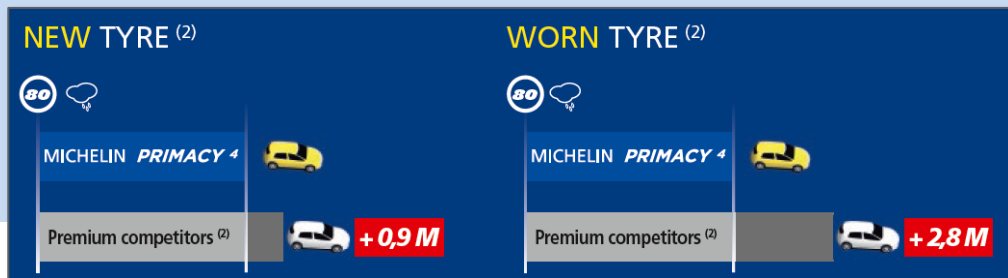
MICHELIN *PRIMACY 4*

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



- **SUPERIOR SAFETY**

Outstanding **wet braking** performances when **new** and still when **worn**⁽²⁾



- **#1 in longevity⁽³⁾**

Lasts 18,000 kms longer than its competitors on average⁽³⁾

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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

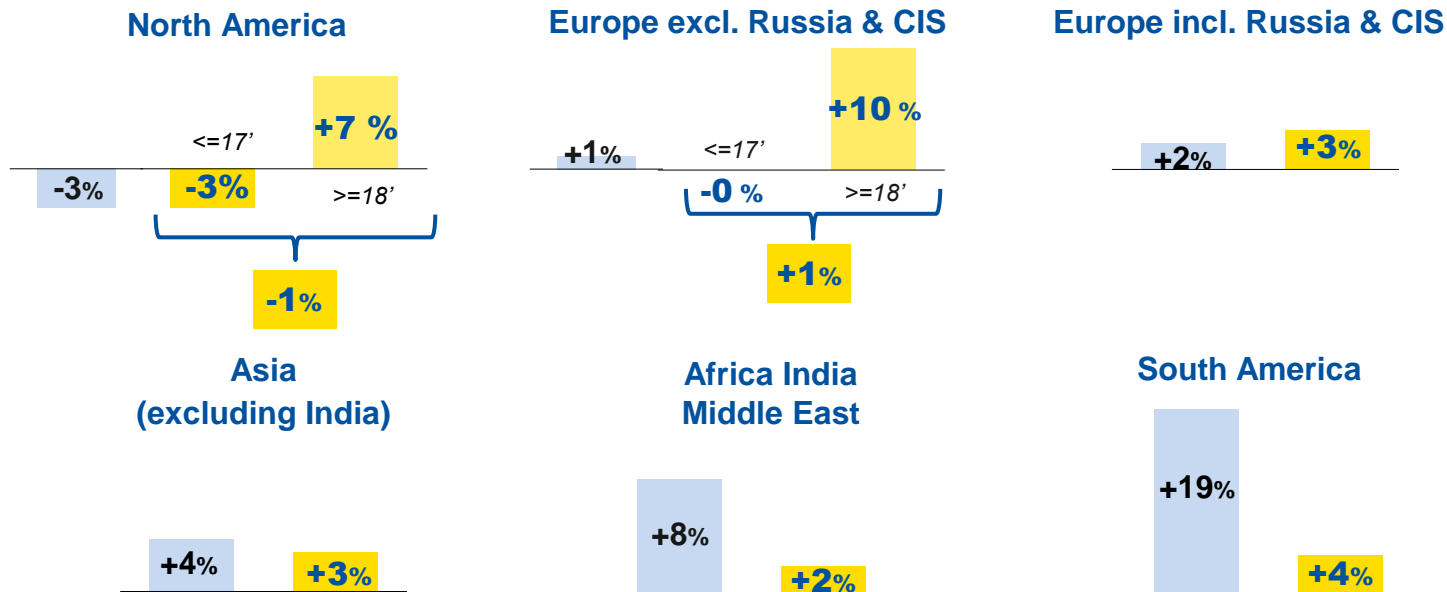
% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +8%	▲ +7%	▲ +11%	▲ +17%
Replacement	▲ +6%	▲ +4%	▲ +5%	▲ +16%

* 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%

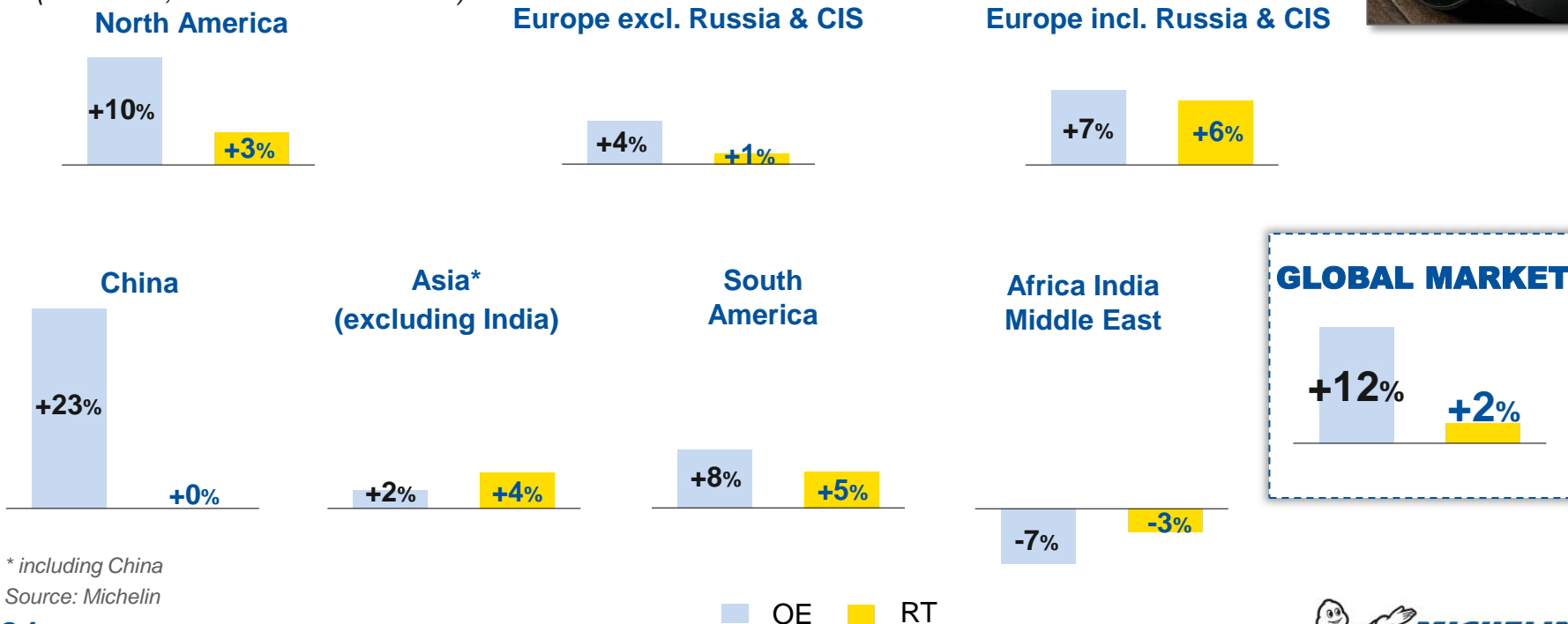
* Source: Michelin

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)



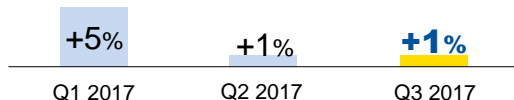
* including China

Source: Michelin

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



PASSENGER CAR – YTD: +3%

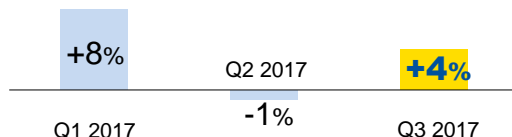


Q3:

- 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



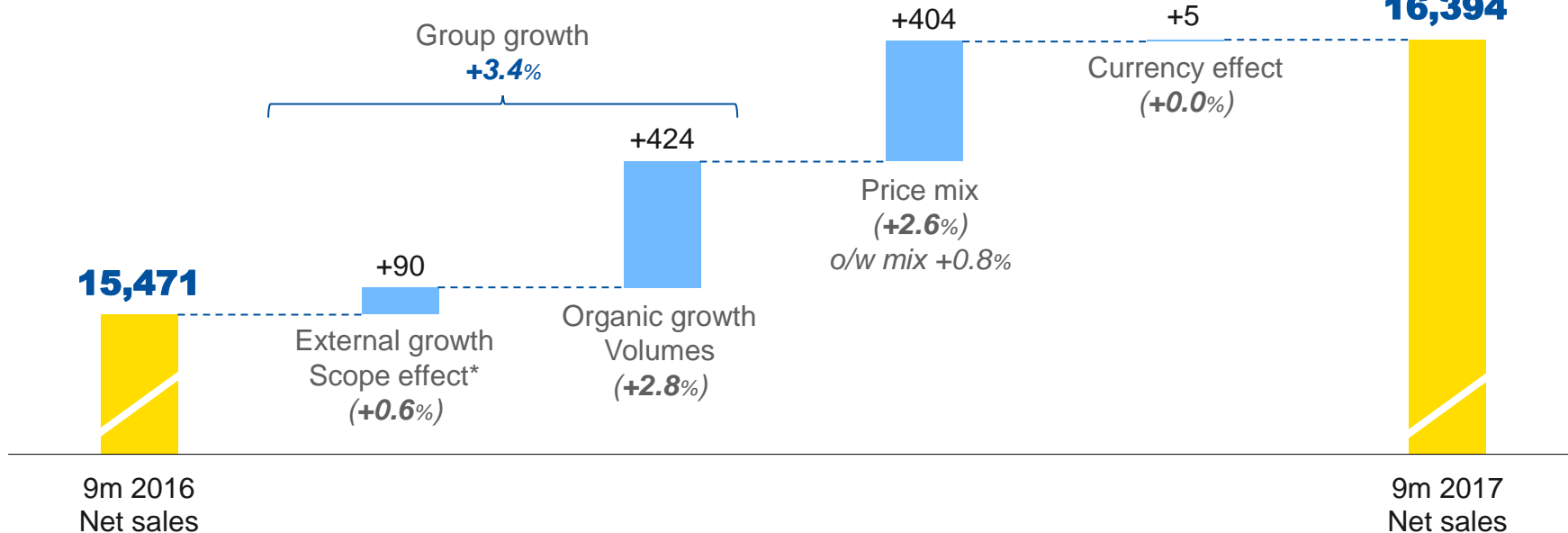
SPECIALTIES: +8%/+10%*

- 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 %)

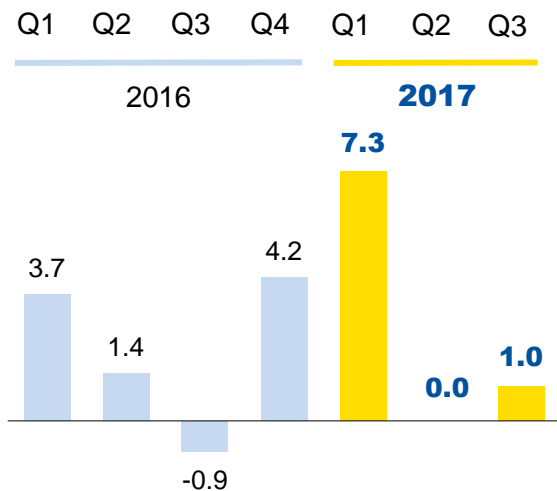


* Levorin, NexTraq

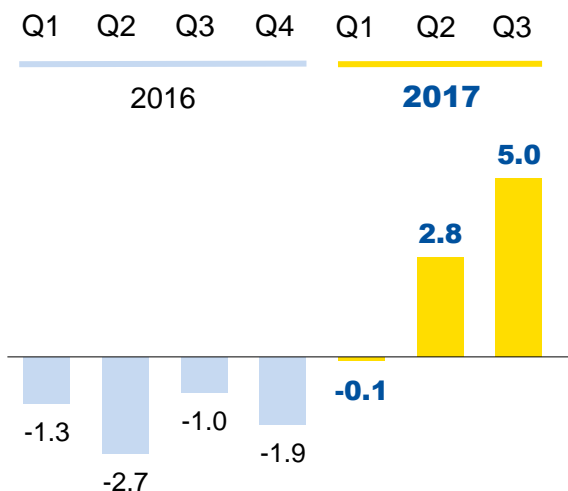
Improving price mix, despite a less favorable RT market environment in Q3

▲ YoY quarterly change
(in %)

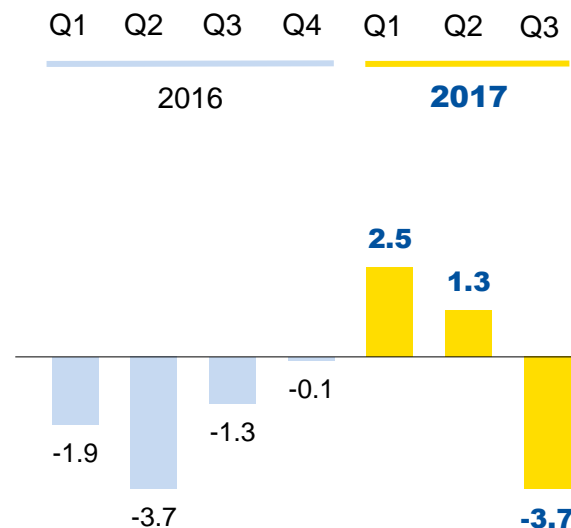
Volumes



Price mix

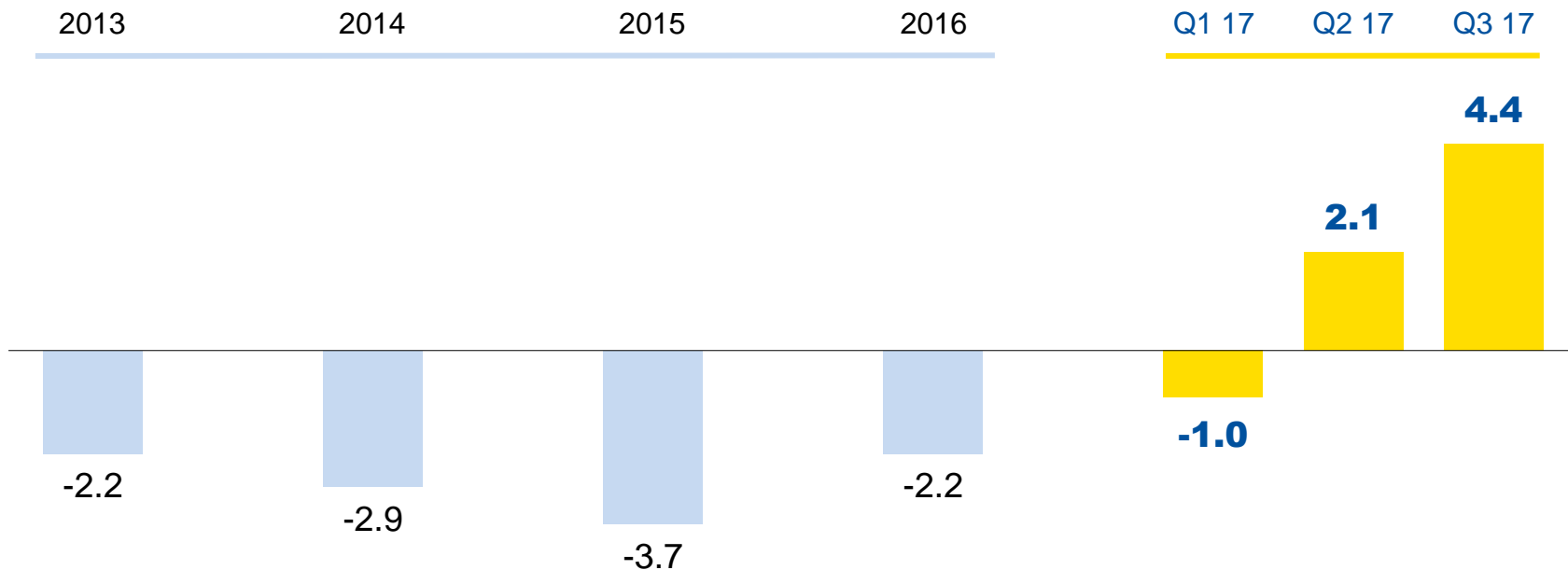


Currency effect



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

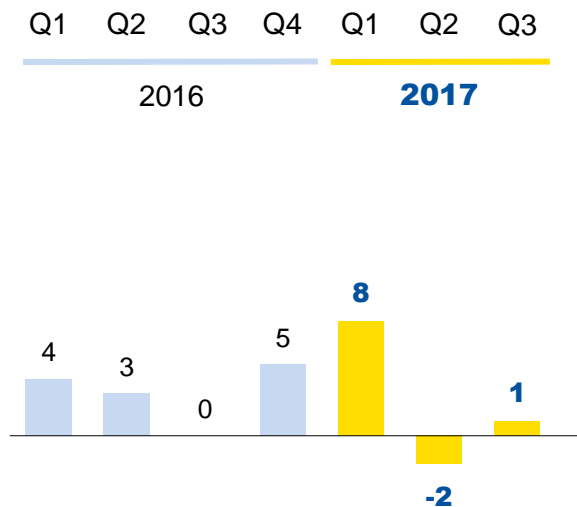
▲ (in %)



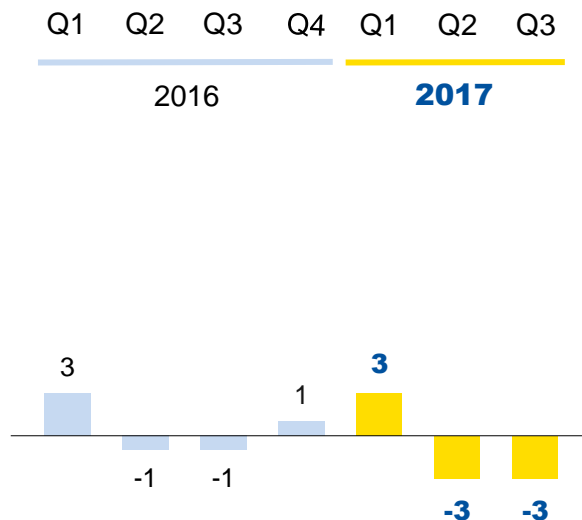
Dealer inventory back to normal, priority given to profitability in Truck, strong growth in the Specialty businesses

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

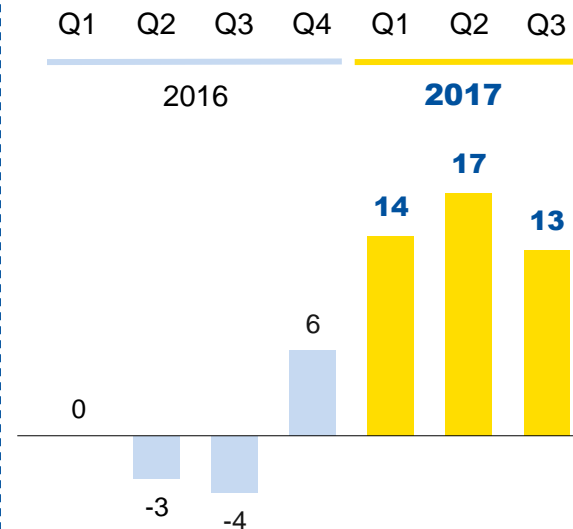
Passenger car tires*



Truck tires*

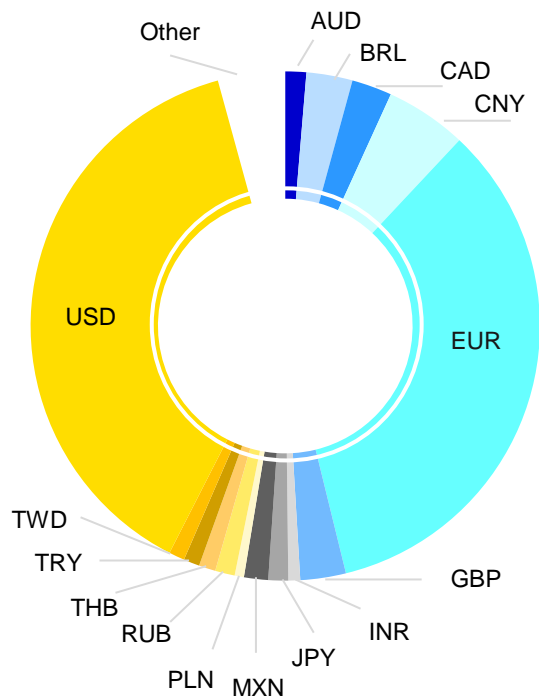


Specialty businesses



* & related distribution

H1 2017: Net sales breakdown by currency and EBIT impact

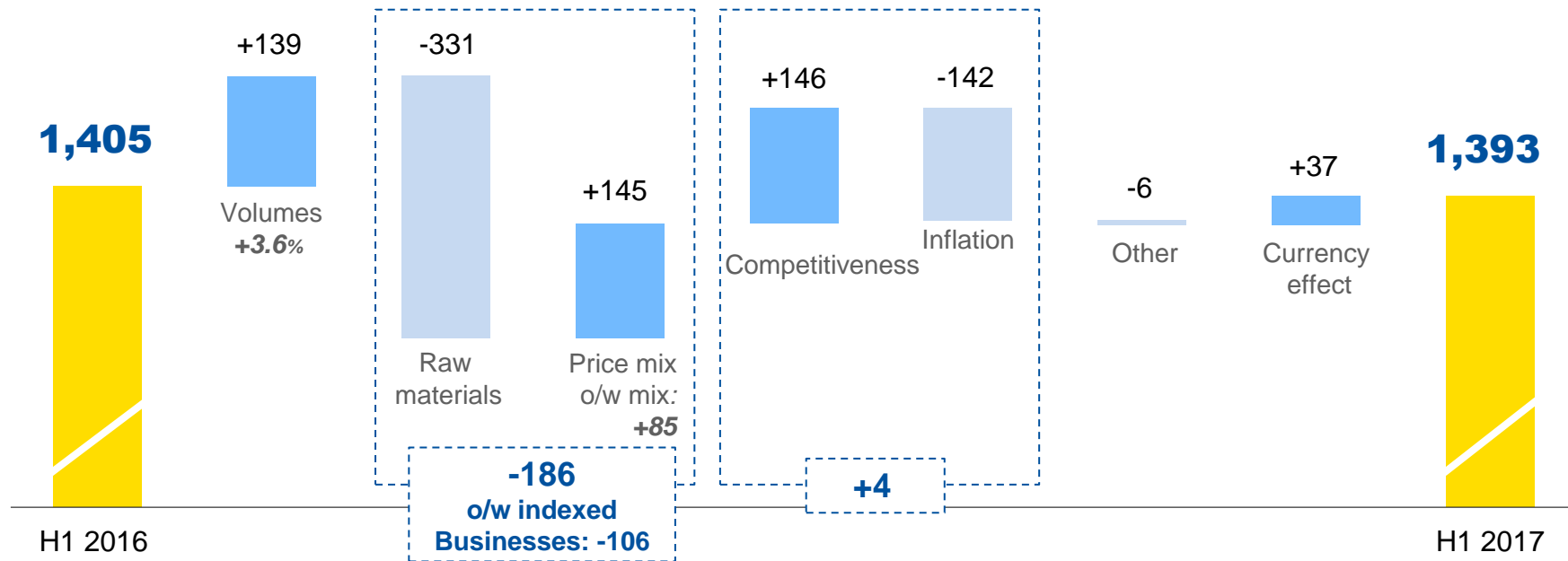


% of net sales		9M17 / 9M16 YoY Currency Change /€	Net sales to EBIT droptthrough*
AUD	1%	+3%	80% - 85%
BRL	3%	+10%	-20% / - 30%
CAD	3%	+1%	25% - 30%
CNY	5%	-3%	25% - 30%
EUR	34%	NA	-
GBP	3%	-9%	25% - 30%
INR	1%	+3%	25% - 30%
JPY	1%	-3%	80% - 85%
MXN	2%	-3%	25% - 30%
PLN	1%	+2%	25% - 30%
RUB	1%	+15%	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 droptthrough 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

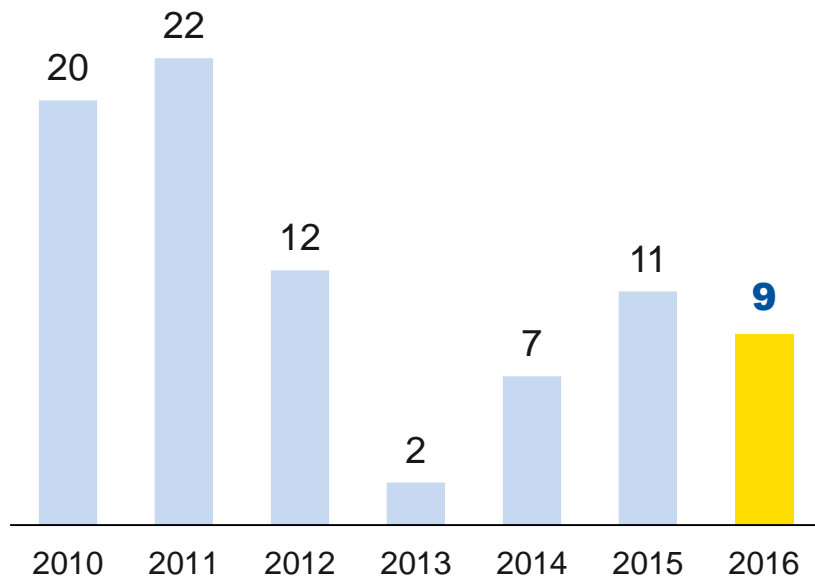
+18.4%



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

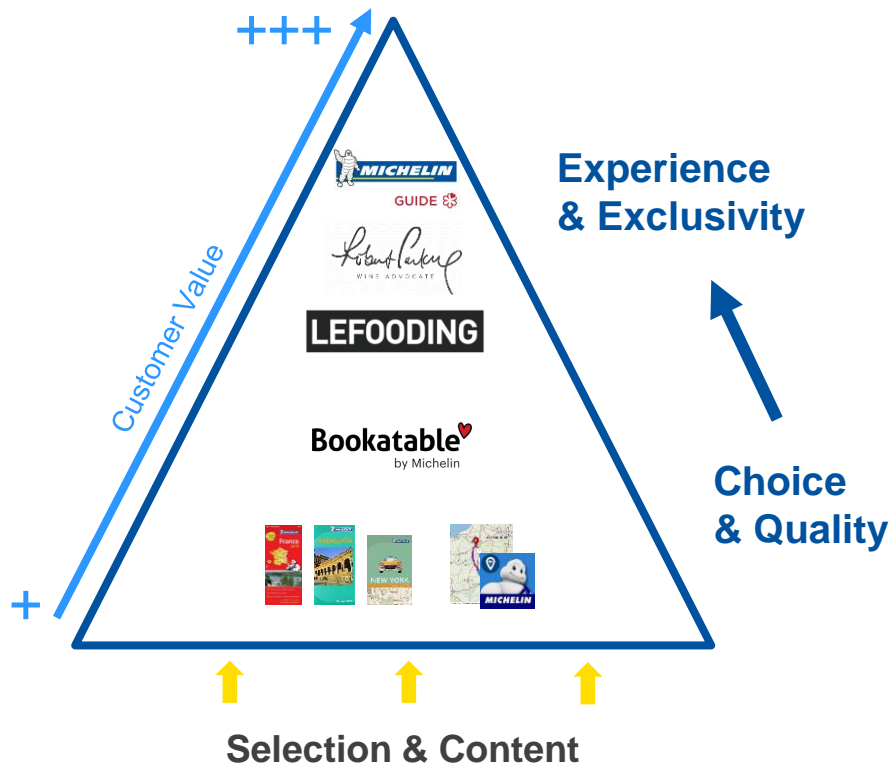


- Leader in SaaS fleet management for small-to medium-size businesses (Class 3-5 fleets ranging from 2 to 50 vehicles)
- NexTraq helps customers with driver behavior, scheduling, route optimization, vehicle trip history, fuel card integration, vehicle maintenance, and data integration enhancing fleet 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

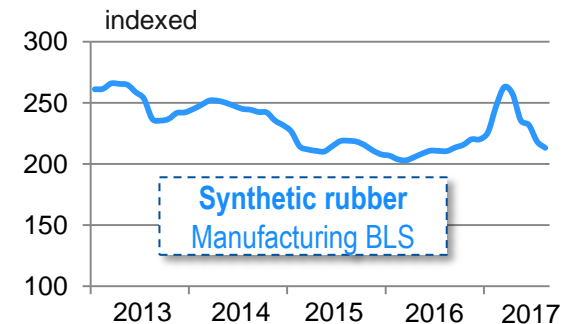
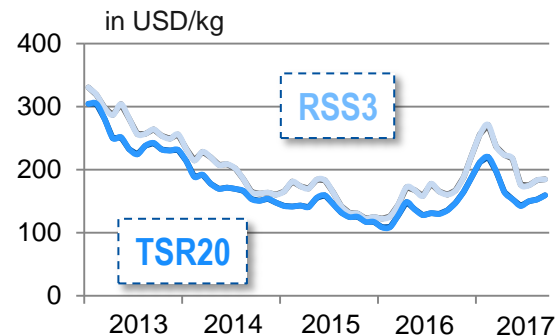
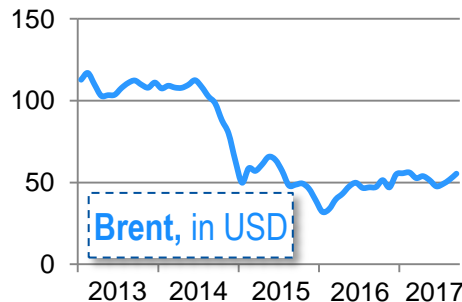
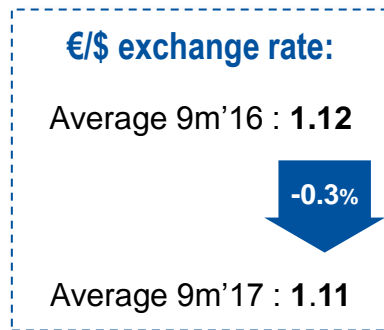
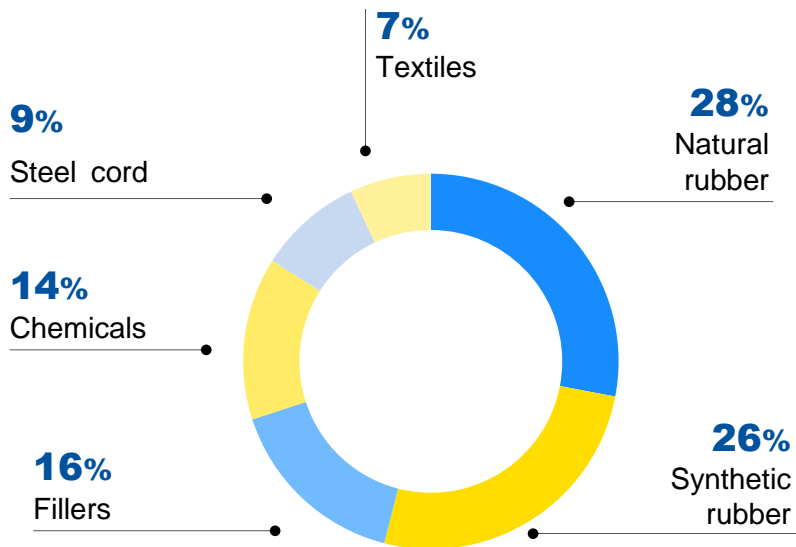
Michelin Experiences: Become the global “Selection” benchmark in the world of gourmet dining and travel services



- 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

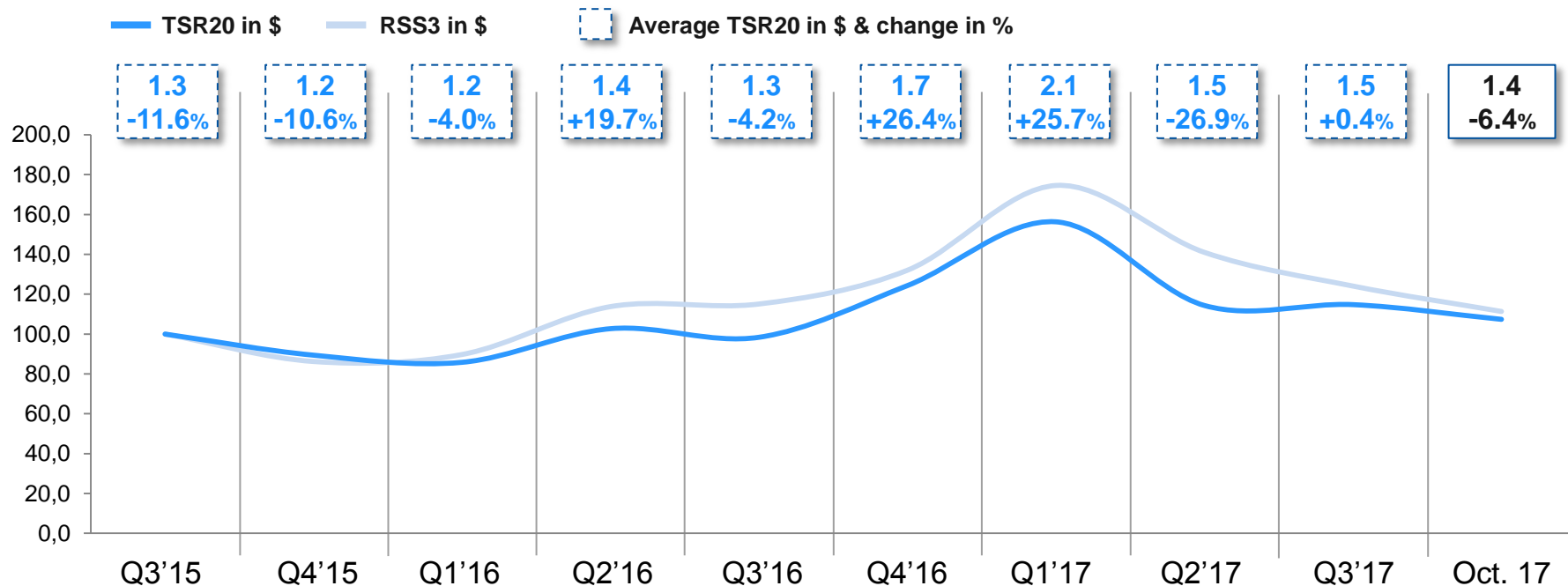
Raw materials in H1 2017

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



Natural rubber price trend

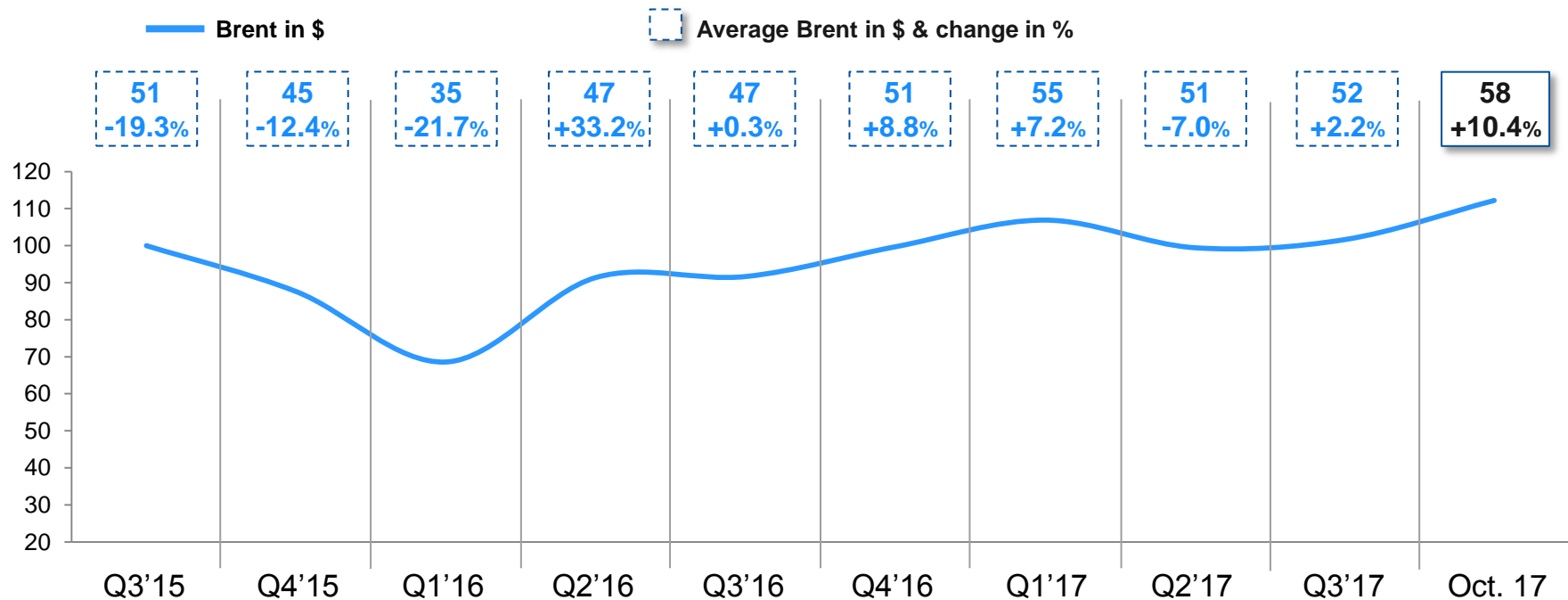
▲ At end-October 2017 (per kg, base 100 in Q3'15)



Source: SICOM

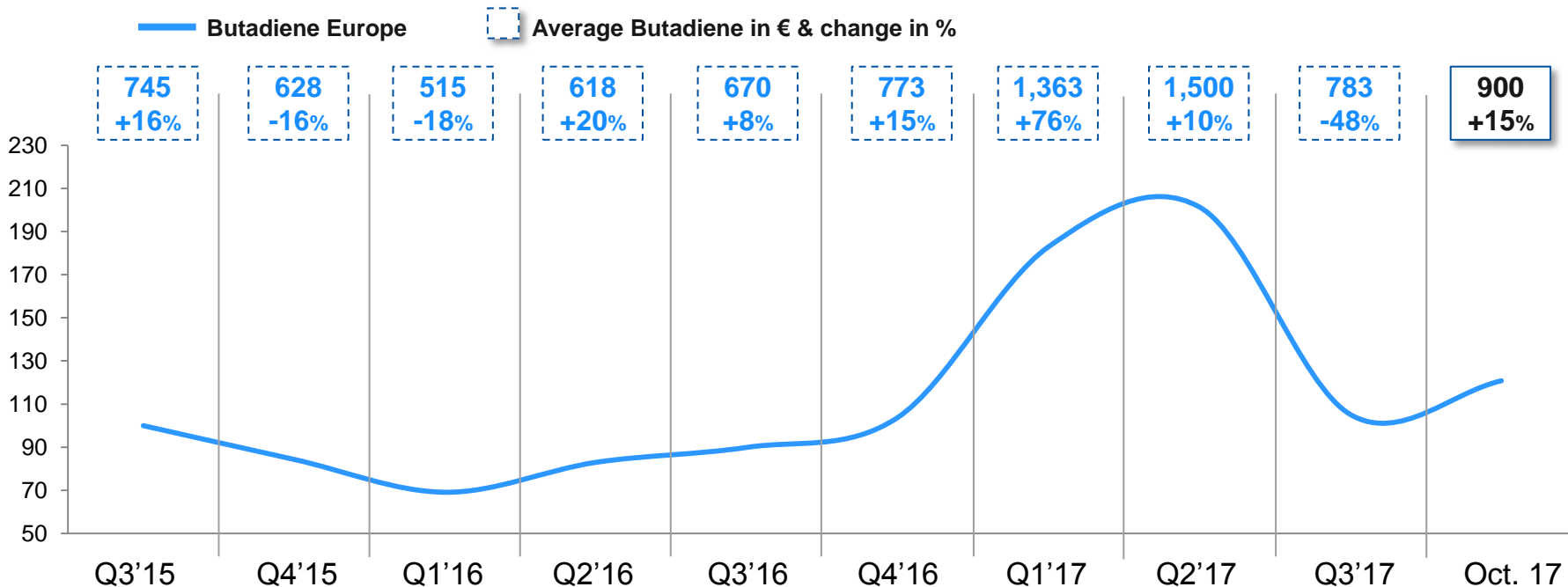
Brent price trend

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



Butadiene price trend

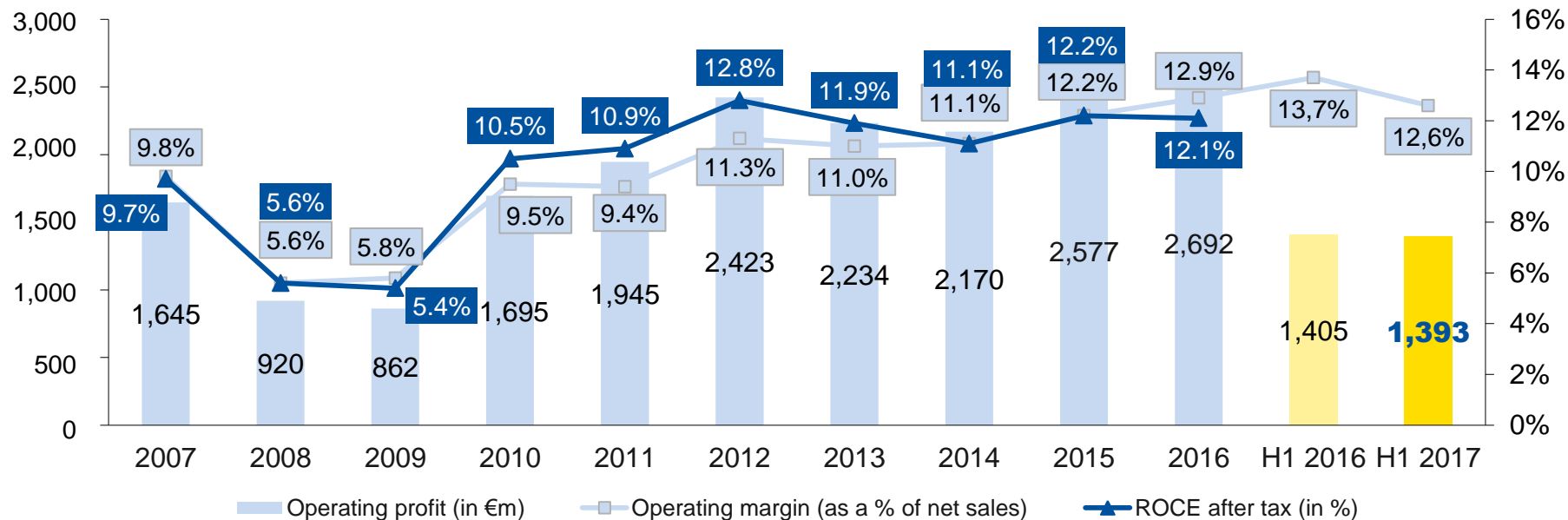
▲ At end-October 2017 (per tonne, base 100 in Q3'15)



Source: IHS

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

▲ Group operating income and margin* & ROCE

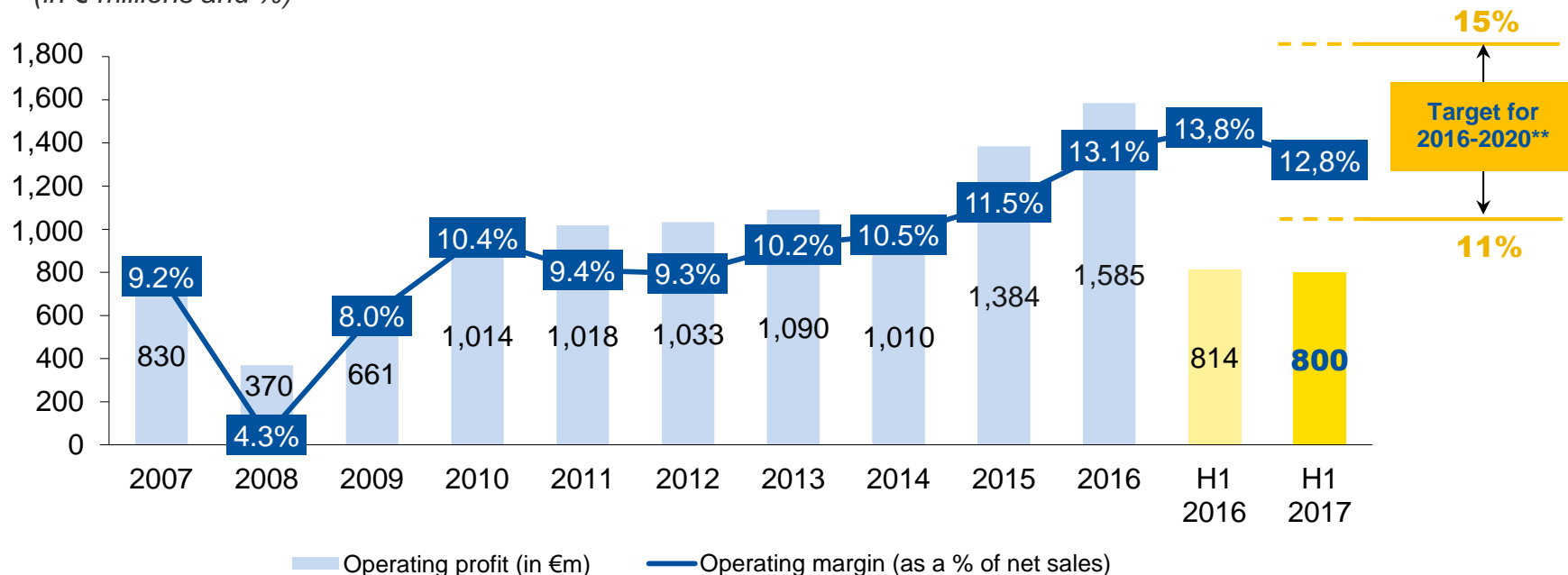


* On recurring activities.

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

▲ RS1 operating income and margin*

(in € millions and %)



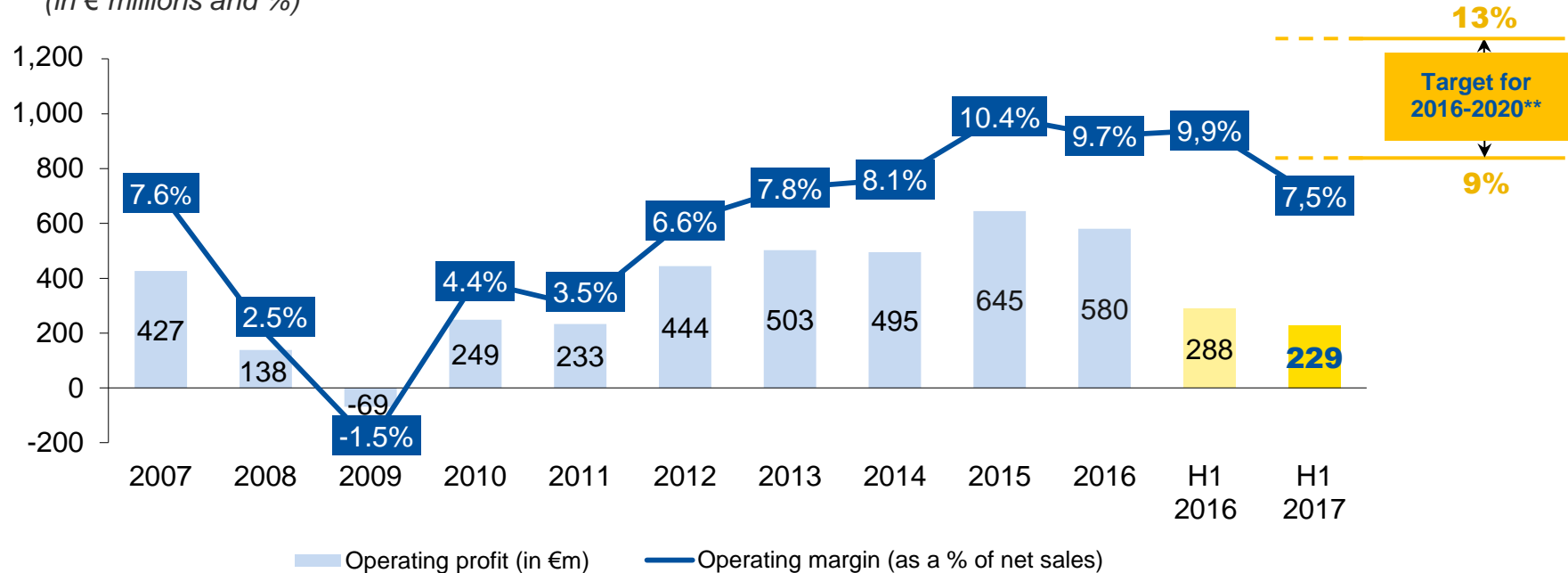
* On recurring activities.

** 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 %)



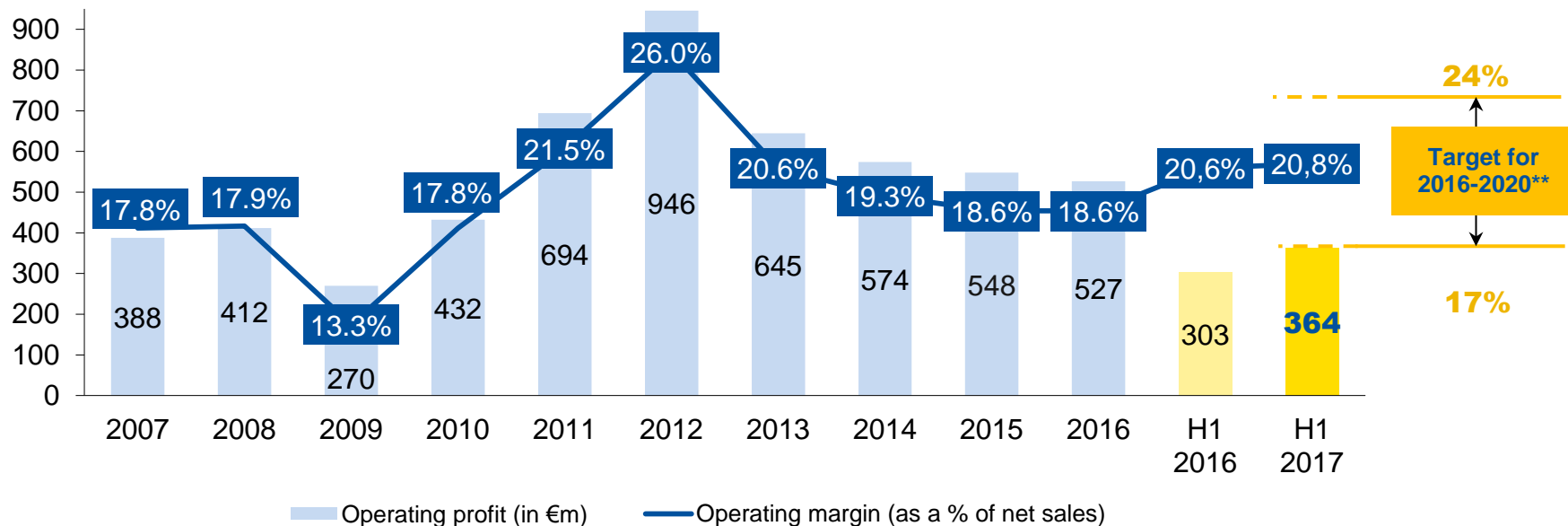
* On recurring activities.

** 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

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