



Exane BNP Paribas
September 20, 2017

TOKYO

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

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1 / Levers for Growth

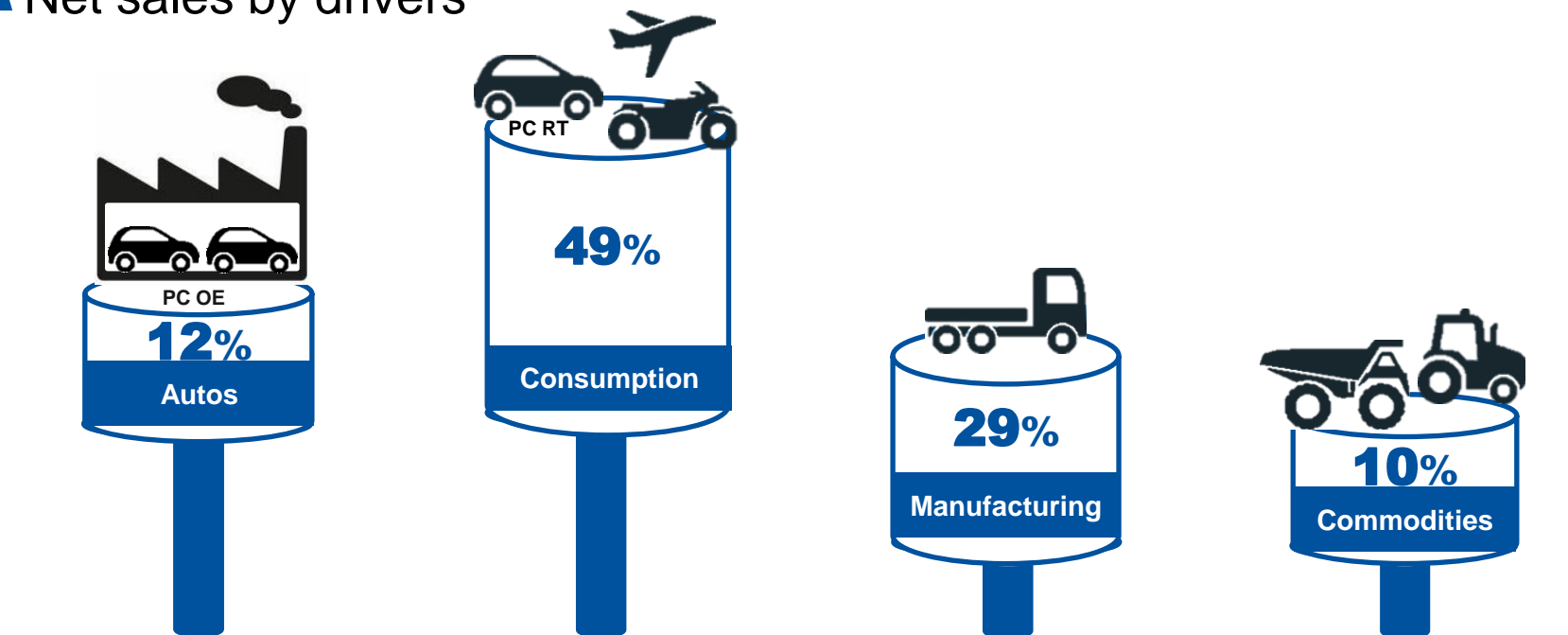
Four domains of growth

| | Tires | Services | Experience | Materials |
|-----------------------------|--|--|---|------------------------------|
| 2015-2020 ambition | Net sales +20% | Net sales x 2 | Net sales x 3 | Capitalize on our leadership |
| Action plan and first steps |           |         |      | |

CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS

A business model strongly linked to consumption

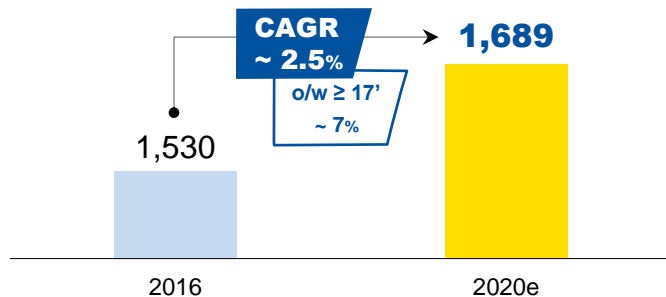
▲ Net sales by drivers



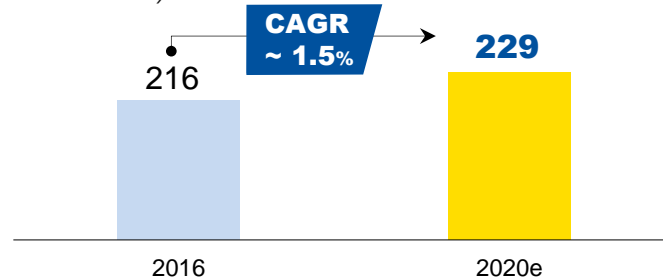
2016 net sales by sector

2016-2020 projections: growing worldwide demand

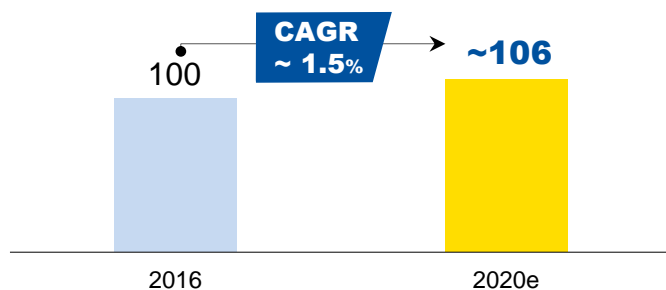
- PC OE&RT market projection (in millions of units)



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

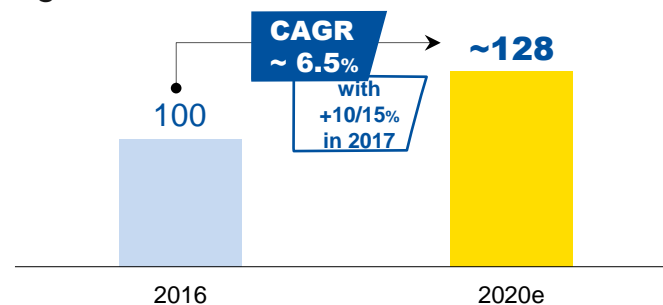


- Agricultural tires* (base 100 in 2016, in tonnes)



* OE & RT in Europe and North America

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



Product launches driving volume and market share gains

Passenger Car

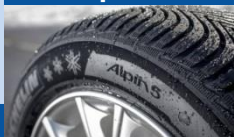
MICHELIN CrossClimate +



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



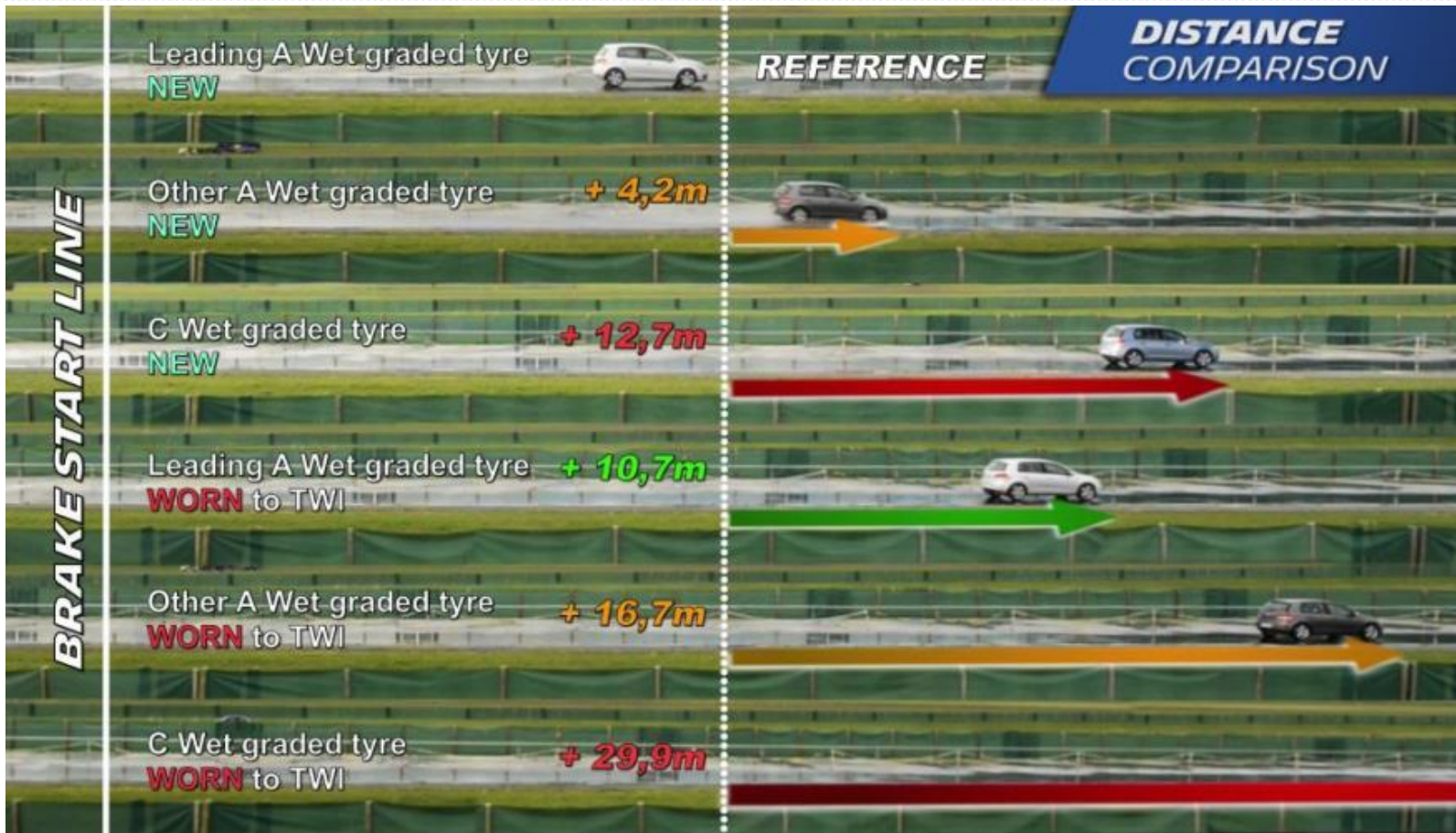
MICHELIN XDR3



2 tires in 1 technology



MICHELIN tire – Highest performance new and worn out



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

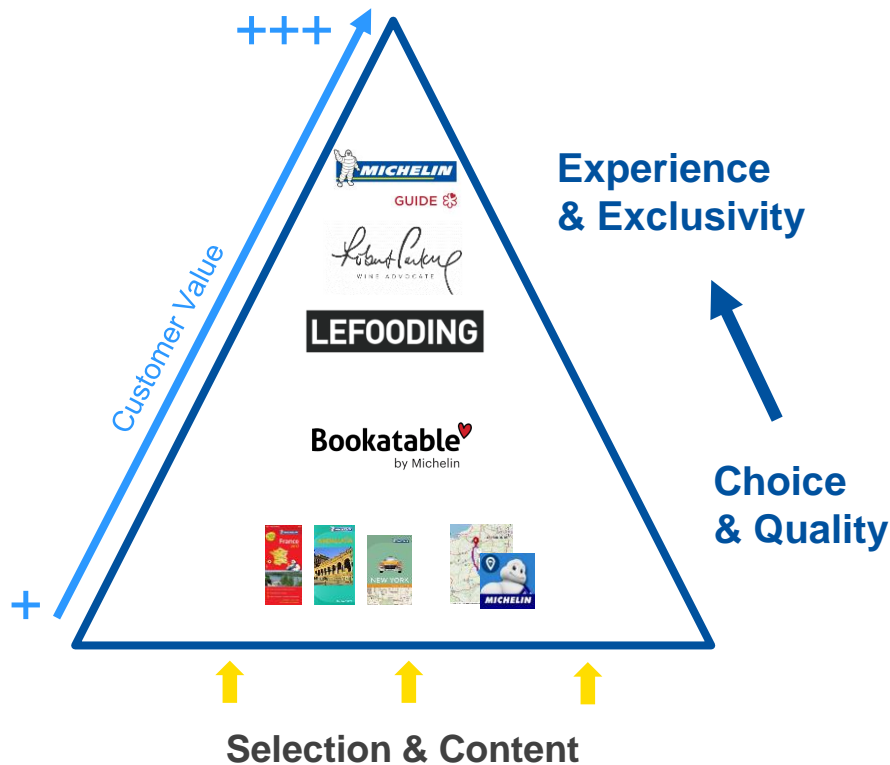


- Leader in SaaS fleet management for small-to medium-size businesses (Class 3-5 fleets ranging from 2 to 50 vehicles)
- NexTraq helps customers with driver behavior, scheduling, route optimization, vehicle trip history, fuel card integration, vehicle maintenance, and data integration enhancing fleet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

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2 / Levers for Competitiveness

H1 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 |

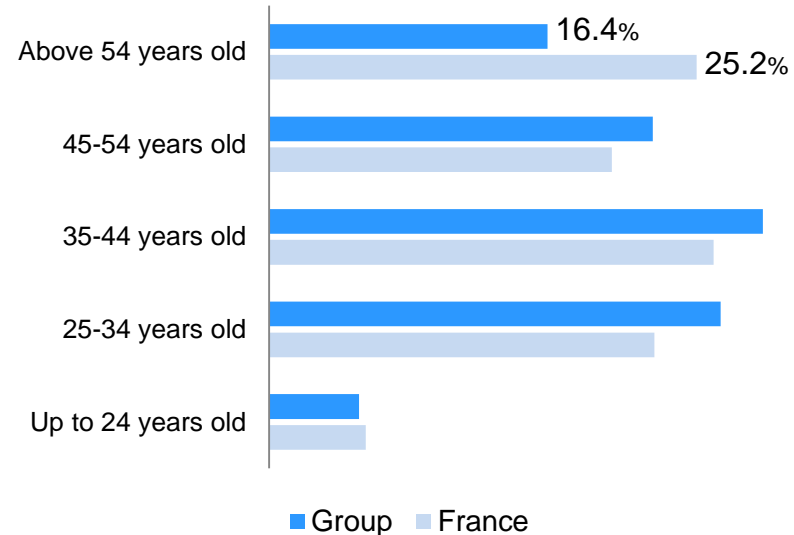
The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide

▲ 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

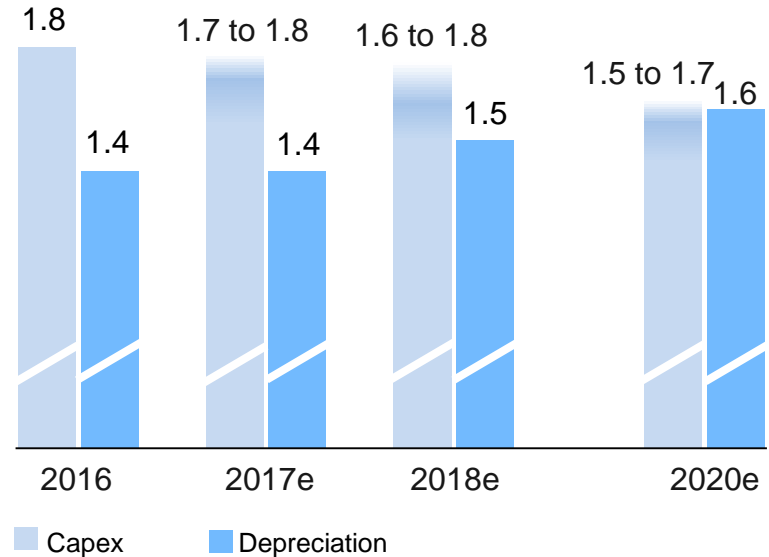
▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

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

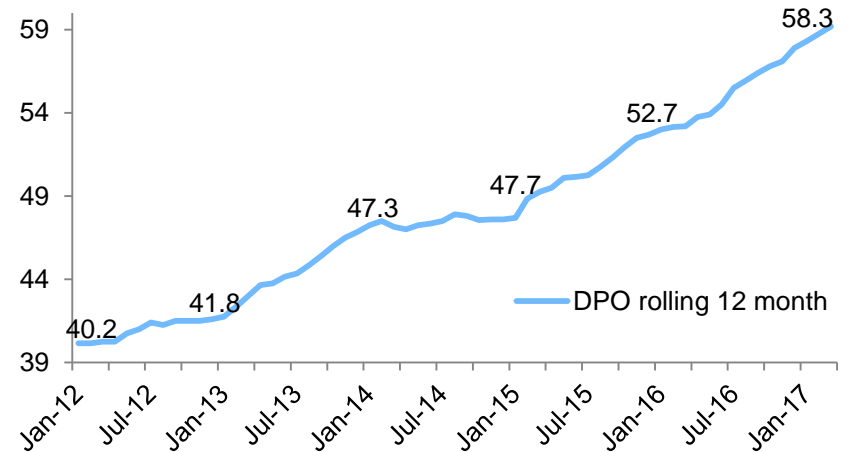
- At least a €250m reduction expected from OPE by 2020 from 2016

- Receivables:

- Benchmark position around 13% of net sales

- Payables:

- Further improvement through TOP and reverse factoring

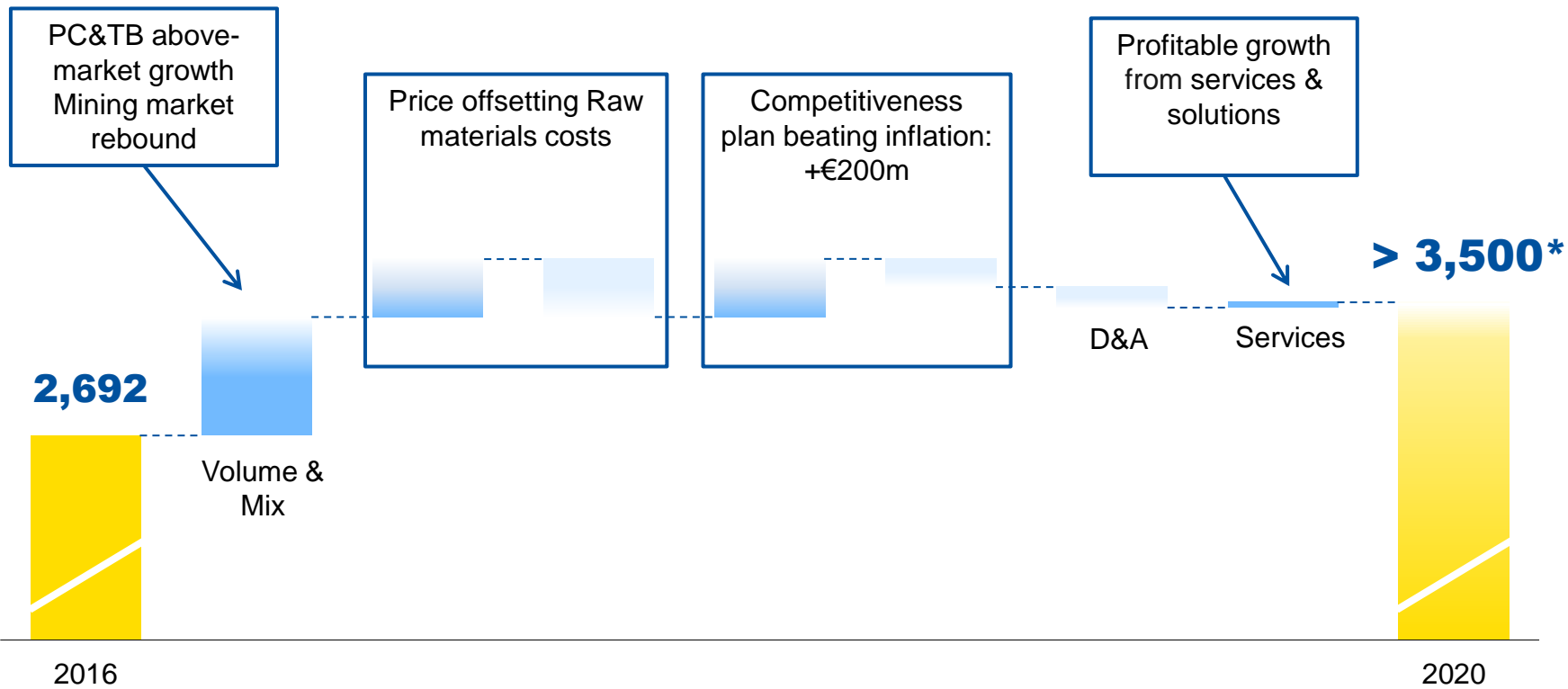


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3 / Ambition for Profitability

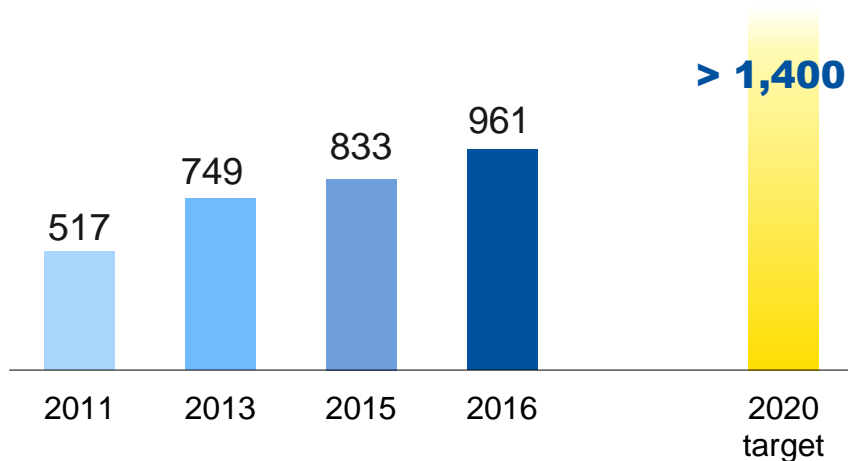
2016-2020 organic scenario: profitability levers



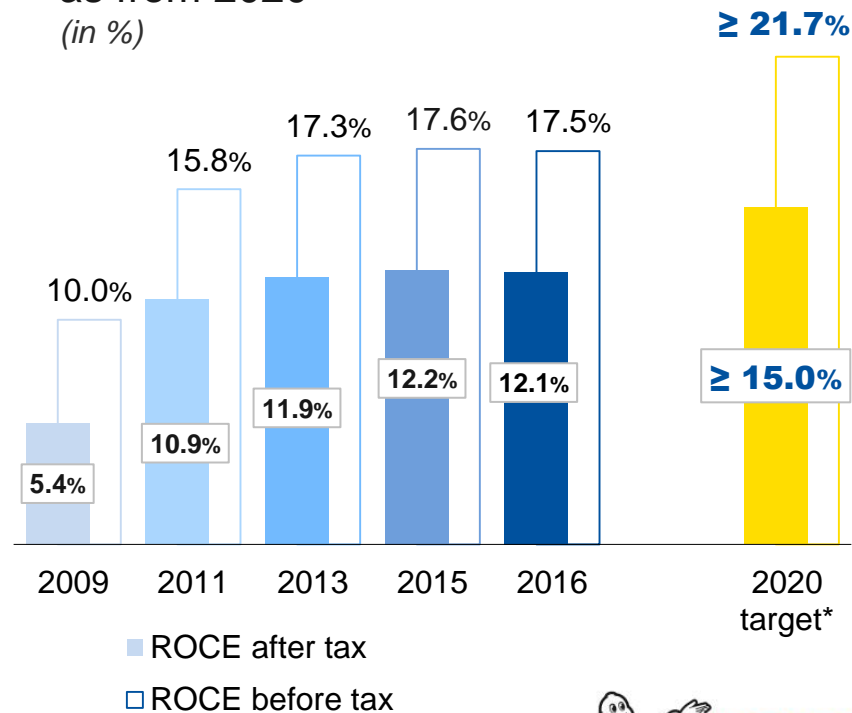
* At 2016 exchange rates

2016 performance in line with 2020 objectives

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



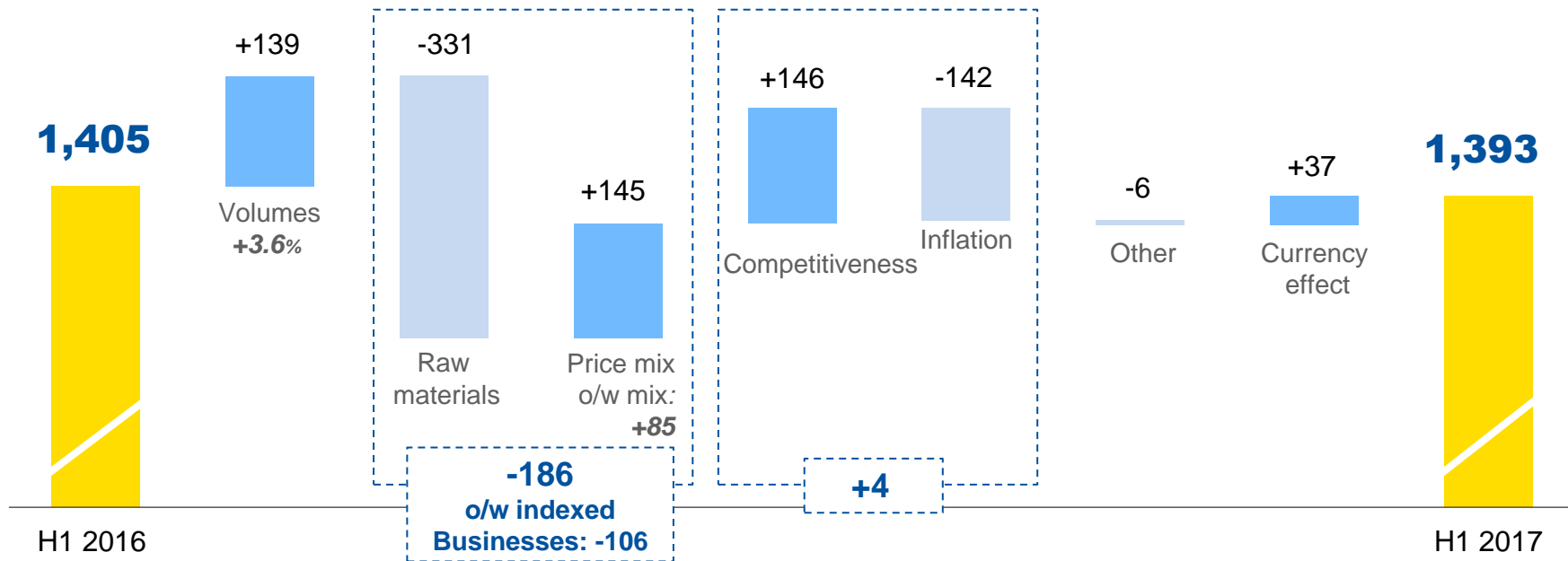
▲ Deliver an after-tax ROCE* ≥ 15%
as from 2020
(in %)



* At constant scope of consolidation excluding goodwill

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)



2017 guidance confirmed: on the road to our 2020 objectives

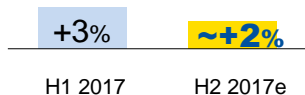
| | 2017 |
|---|---------------------------------|
| Volumes | Growth in line with the markets |
| Operating income from recurring activities at constant exchange rates | > 2016 |
| Net price-mix/raw materials effect | Non-indexed businesses: neutral |
| Structural FCF* | > €900m |

* Adjusted for the payment in January 2017 of the €193m capitalized interest on OCEANE bonds

2017 market scenario: agile management in a highly volatile environment



PASSENGER CAR: +2%/+3%



Growth in line with long-term trends

- H2 slightly better than Q2, which saw a fall-off in demand after the Q1 buying surge



TRUCK: +0%/+2%

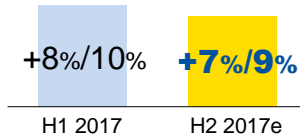


Growth in line with long-term trends

- H2 down due to H1 pre-buy



SPECIALTY: +8%/+10%



- Of which Mining tires: +10%/+15%
- Of which Agricultural tires: rebound in OE in Q2; slight increase in RT over the year
- Expanding markets in the other businesses

Source: Michelin

2017 scenario: agile management in a highly volatile environment

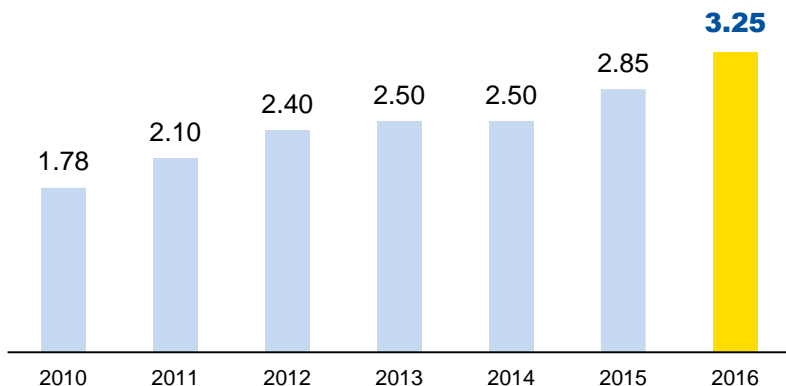
| | H1 2017 as reported | H2 2017 | 2017 |
|---|-------------------------------------|------------------------|--|
| Impact of raw materials costs | -€331m | Around €450m headwind | Around €800m headwind |
| Currency effect | +€37m | €120 to €150m headwind | €85m to €115m headwind* |
| Net price-mix/ raw materials effect | Indexed -€106m Non-indexed -€80m | Positive | Indexed businesses: negative Non-indexed: neutral |
| Competitiveness plan gains vs. inflation | +€4m | Neutral | Slightly positive |

* Based on August average exchange rates extended to December 2017, with 2013-2016 droptrough ranging from 30% to 48%

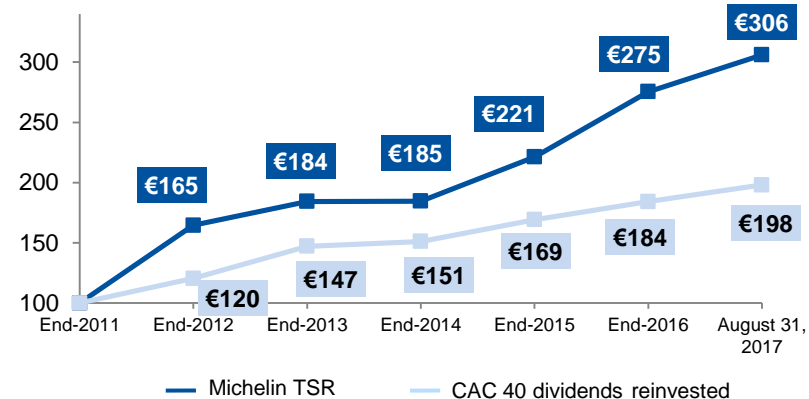
Sustained shareholder return policy: dividends and share buybacks

- 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: €71m delivered out of a €100m program to offset the dilution from share-based compensation

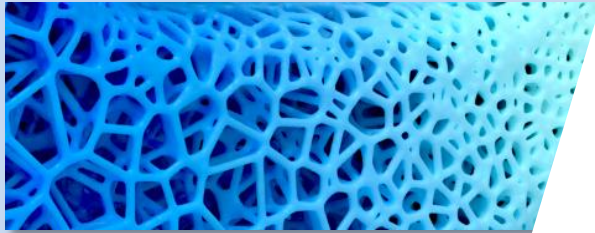
● Dividend per share (in €)



● Total Shareholder Return



Michelin unveiled a concept tire that illustrates its vision of the mobility of the future in a combination of groundbreaking technologies and services.



An airless wheel



A tread which you can top up,
with a 3D printer



Connected tire

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Appendices

PC Tire Market: Good momentum in OE markets except in North America where vehicle sales are declining. Replacement demand shaped by high dealer inventories in Europe, North America and sustained market in China.

▲ July 2017/2016

| % YoY change in number of tires | Europe including Russia & CIS* | Europe excluding Russia & CIS* | North America | Brazil | China |
|---------------------------------|--------------------------------|--------------------------------|---------------|--------|-------|
| Original equipment | ▲ +4% | ▲ +5% | ▼ -2% | ▲ +3% | ▲ +6% |
| Replacement | ▲ +2% | ▼ -1% | ▼ -2% | ▲ +0% | ▲ +6% |

▲ YTD July 2017

| % YoY change in number of tires | Europe including Russia & CIS* | Europe excluding Russia & CIS* | North America | Brazil | China |
|---------------------------------|--------------------------------|--------------------------------|---------------|--------|-------|
| Original equipment | ▲ +1% | ▲ +1% | ▼ -0% | ▲ +11% | ▲ +4% |
| Replacement | ▲ +4% | ▲ +2% | ▼ -0% | ▲ +7% | ▲ +7% |

* Turkey included

TB Tire Market : Flat replacement demand in Europe and strong growth in all other zones/segments helped by the comparison basis and a favorable economic environment.

▲ July 2017/2016

| % YoY change in number of tires (Radial + Bias) | Europe including Russia & CIS* | Europe excluding Russia & CIS* | North America | Brazil |
|---|--------------------------------|--------------------------------|---------------|--------|
| Original equipment | ▲ +7% | ▲ +7% | ▲ +27% | ▲ +40% |
| Replacement | ▲ +2% | ▲ +0% | ▲ +25% | ▲ +17% |

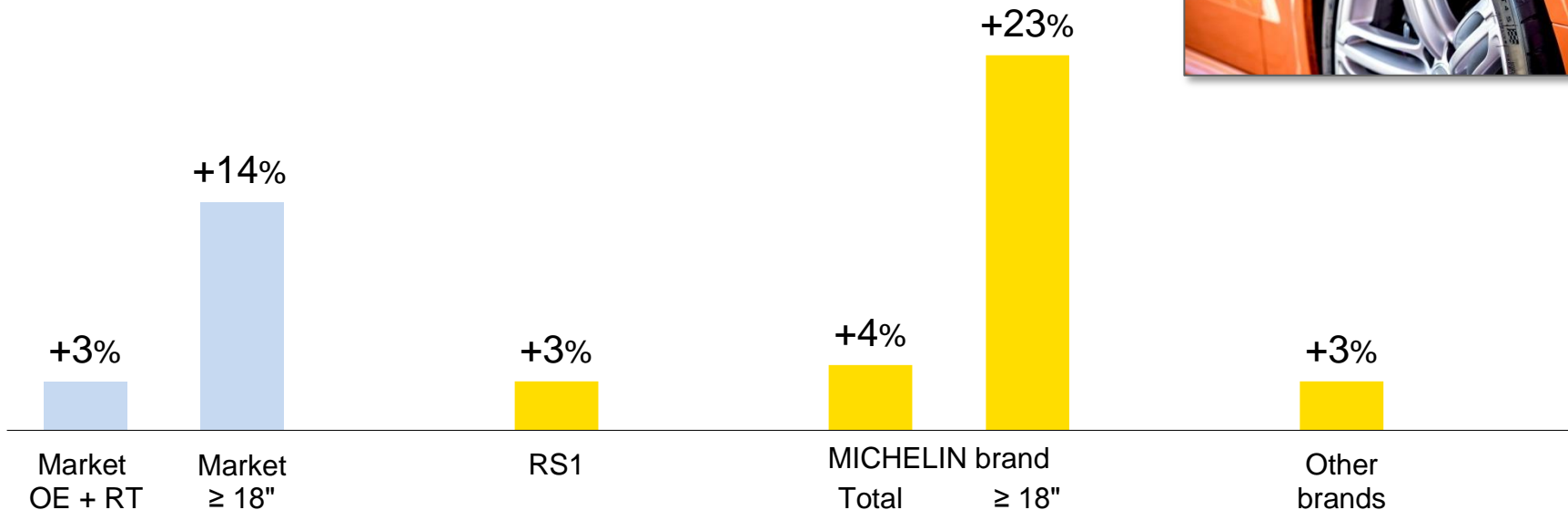
▲ YTD July 2017

| % YoY change in number of tires (Radial + Bias) | Europe including Russia & CIS* | Europe excluding Russia & CIS* | North America | Brazil |
|---|--------------------------------|--------------------------------|---------------|--------|
| Original equipment | ▲ +7% | ▲ +6% | ▲ +7% | ▲ +8% |
| Replacement | ▲ +7% | ▲ +5% | ▲ +1% | ▲ +12% |

* Turkey included

PC: still a robust product mix momentum

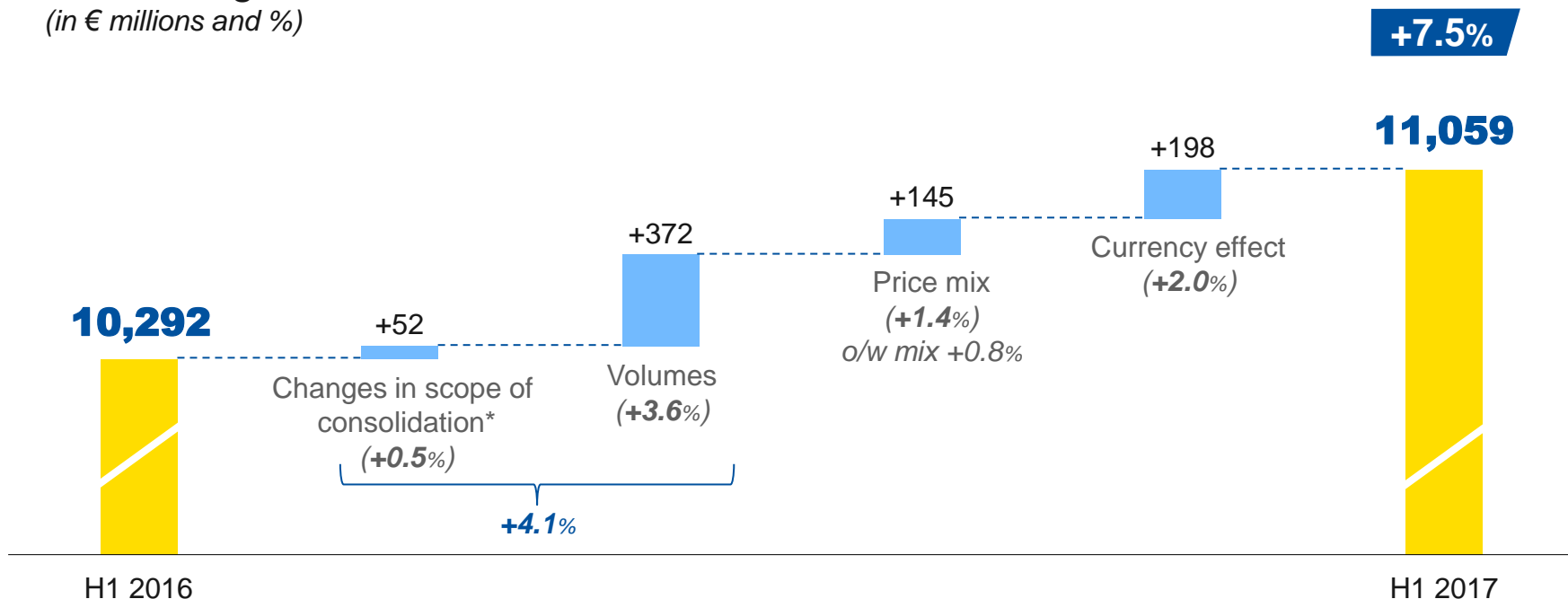
▲ Passenger car growth (YoY, markets in units and sales in kt)



Source: Michelin

H1 2017 Net sales supported by growth in volumes and price increases

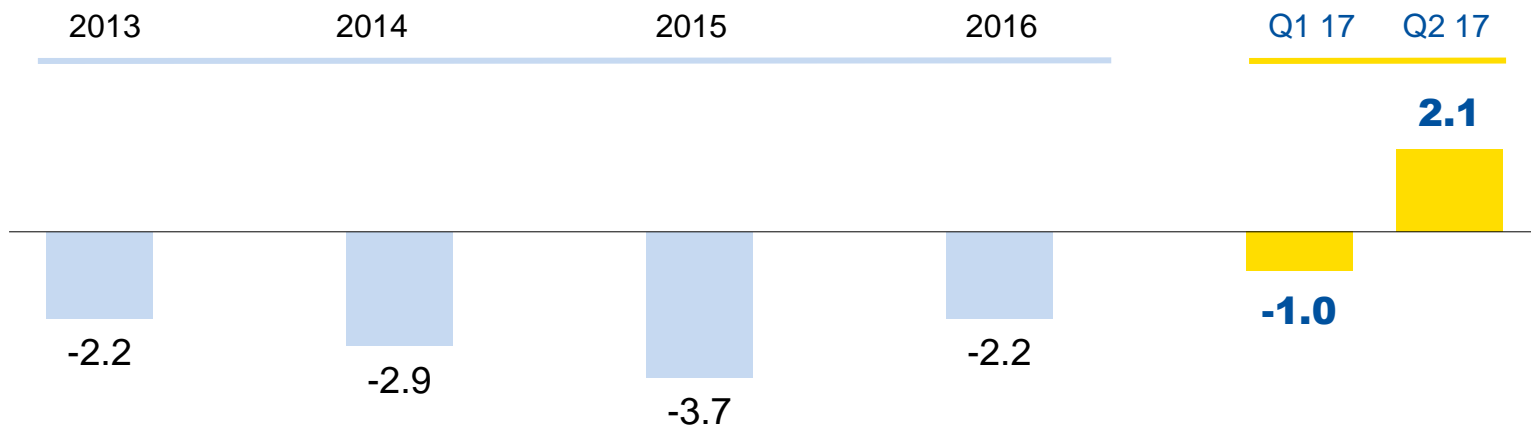
▲ YoY change:
(in € millions and %)



* Levorin

Q2 2017 price effect: first quarter of increase after more than four years of decline linked to raw materials price trend

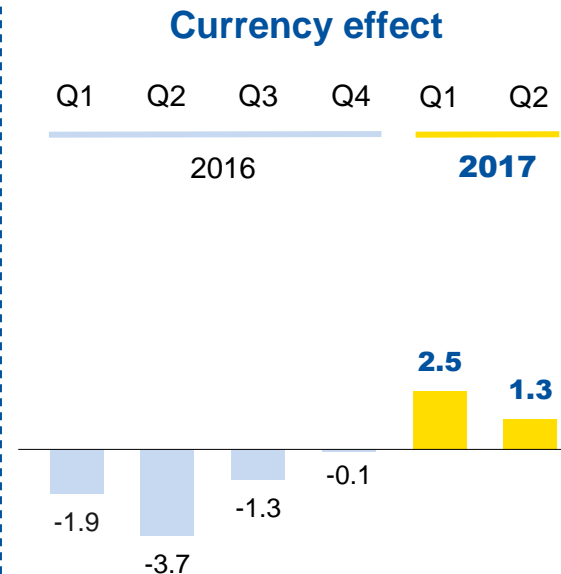
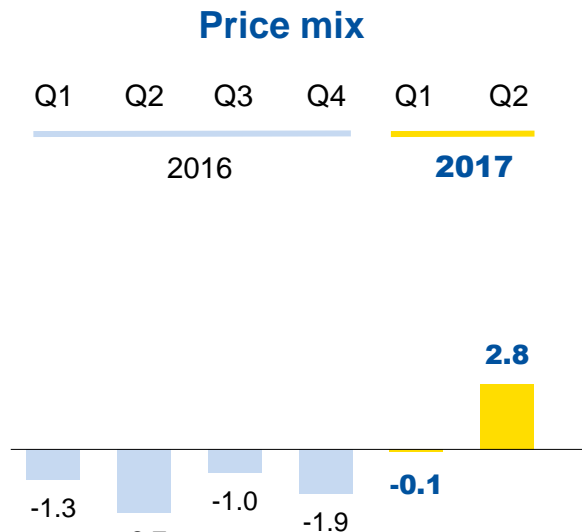
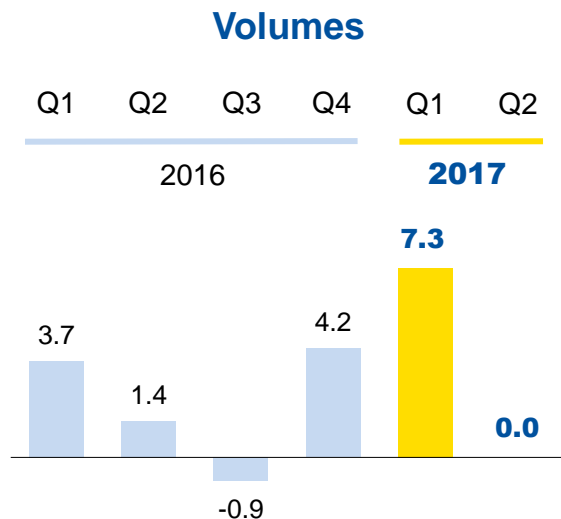
▲ (in %)



- Q2 2017: initial impact of the price increases ahead of their full impact in H2

Q2 2017: volumes stable given the Q1 surge in early buying; initial impact of higher prices

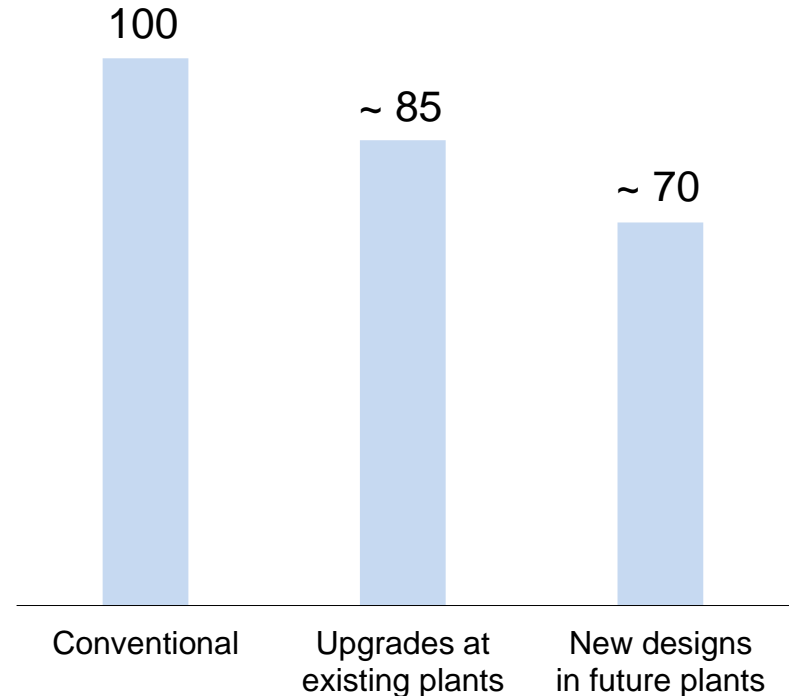
▲ YoY quarterly change
(in %)



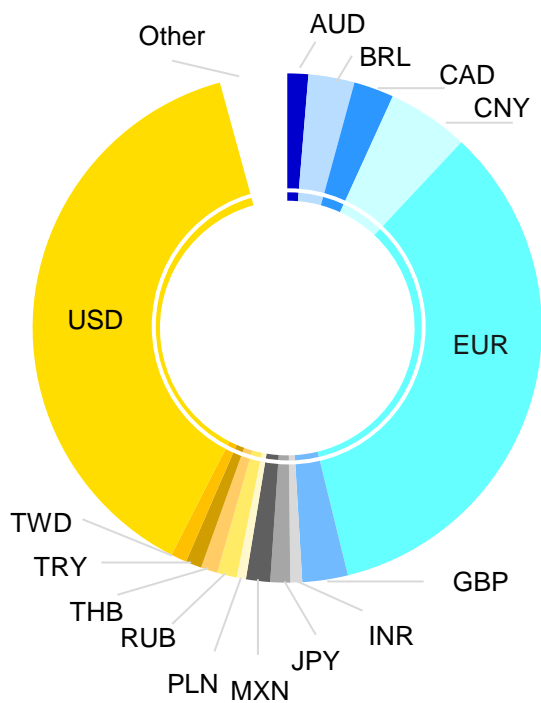
New drivers: decreasing capital expense costs

- **Future plants** will cost 30% less per tonne of passenger car tire than previous projects, thanks to:
 - The purchase of less customized machinery
 - Streamlined flows
 - More flexible building blocks
 - Co-designing products and processes
 - Optimized engineering processes
- The selected solutions will be aligned with the upgrades at **existing plants**, with the goal of reducing unit capex cost by 15%
- Differentiation of our products will remain unchanged

▲ CAPEX/tonne 100-indexed
(Passenger Car)



2016 net sales by currency



| % of net sales | |
|----------------|-----|
| AUD | 1% |
| BRL | 3% |
| CAD | 3% |
| CNY | 5% |
| EUR | 34% |
| GBP | 3% |
| INR | 1% |
| JPY | 1% |
| MXN | 2% |
| PLN | 1% |
| RUB | 1% |
| THB | 1% |
| TRY | 1% |
| TWD | 1% |
| USD | 38% |
| Other | 4% |

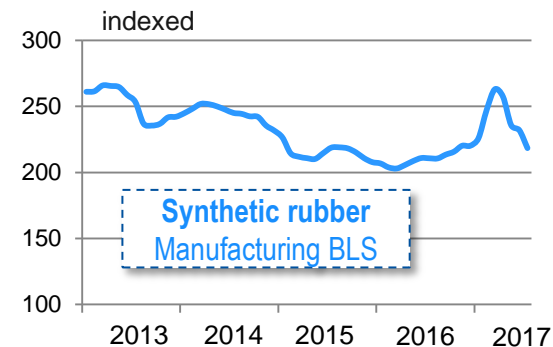
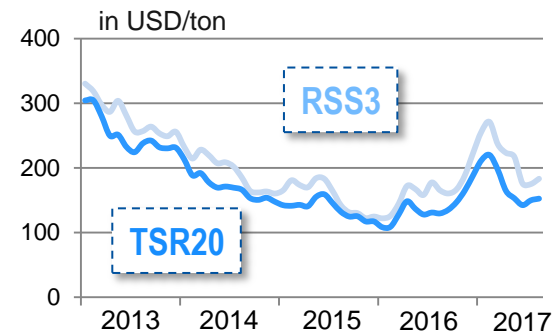
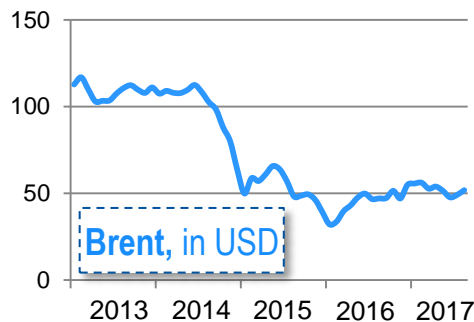
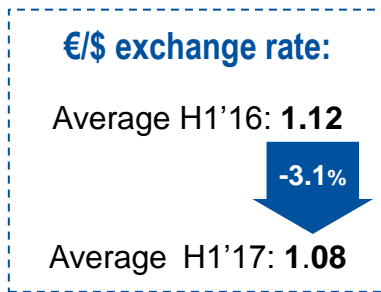
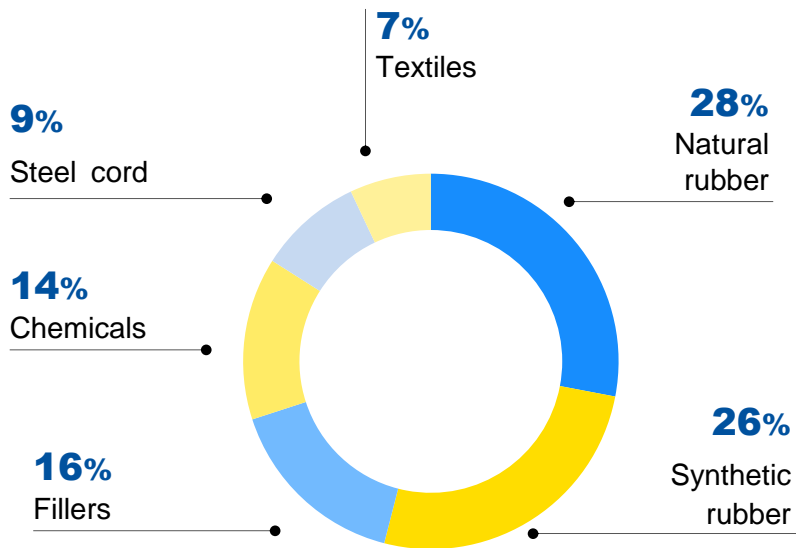
- EBIT sensitivity to €/€ exchange rate:

A one cent change in the average annual €/€ exchange rate would lead to a € 15-20 million change in EBIT for the year.

- Reminder: annual Net sales to EBIT droptthrough ranging from 30% to 48% over 2013-2016

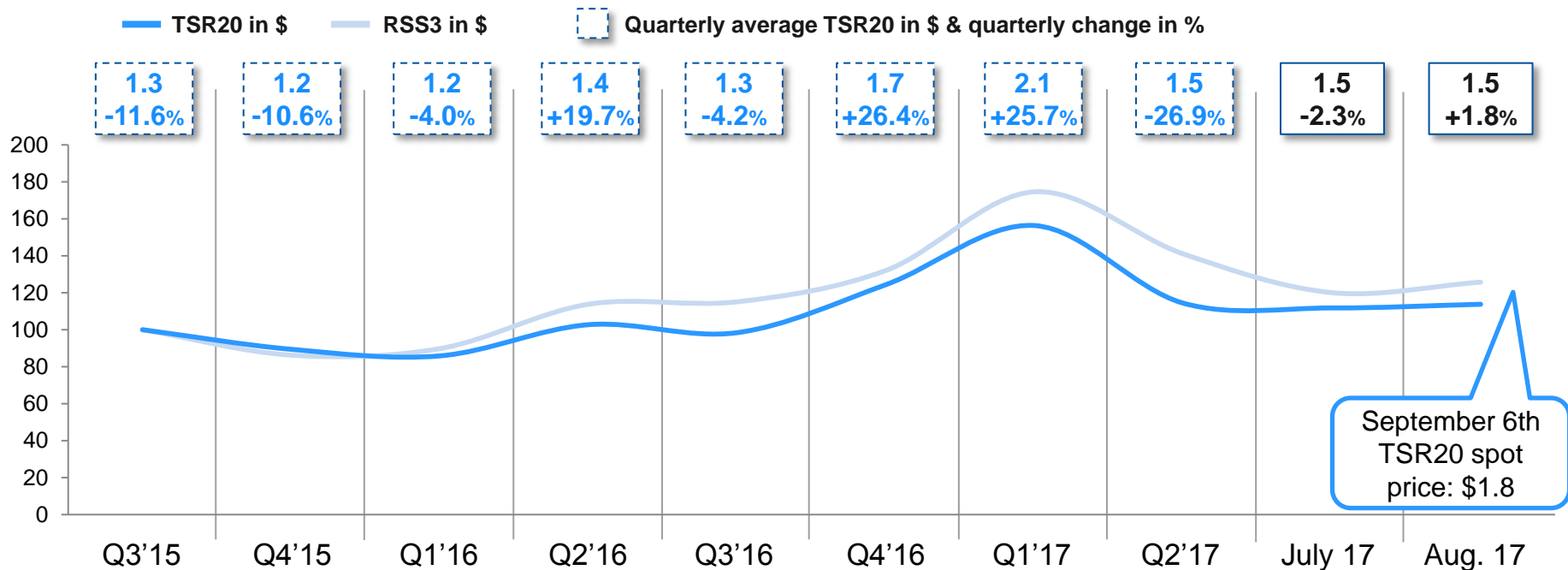
Raw materials in H1 2017

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



Natural rubber price trend

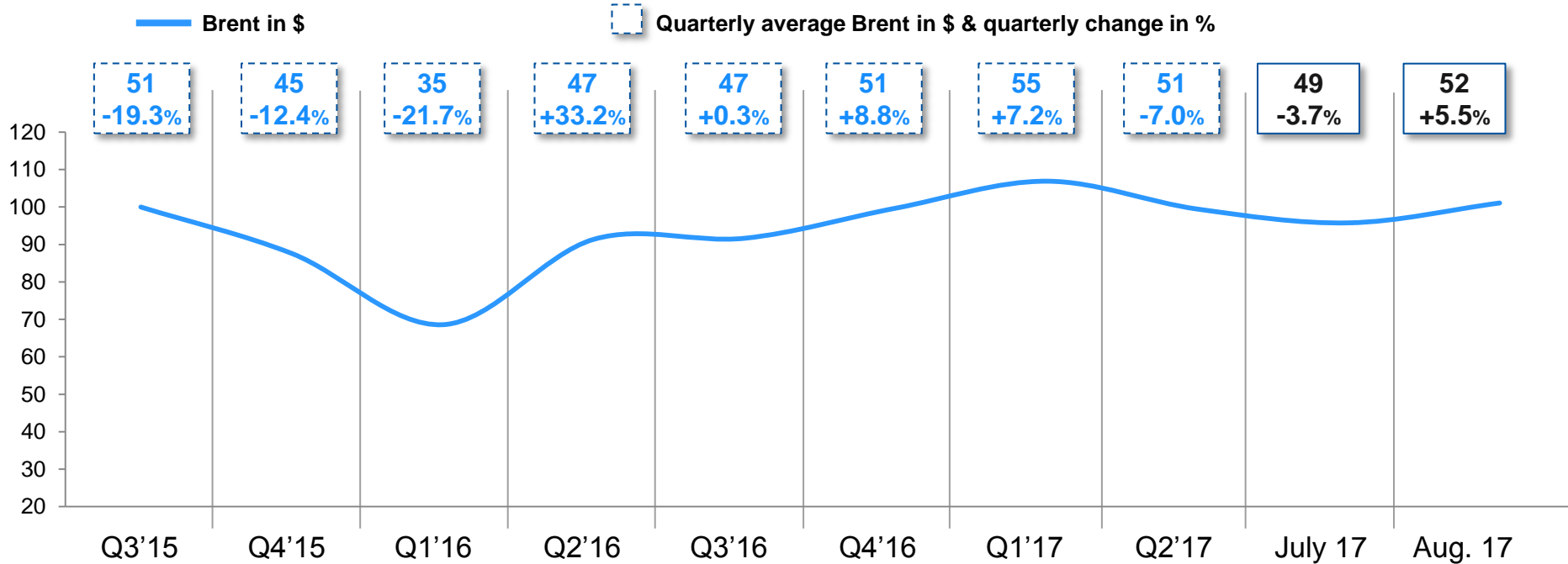
▲ At end-August 2017 (per kg, base 100 in Q3'15)



Source: SICOM

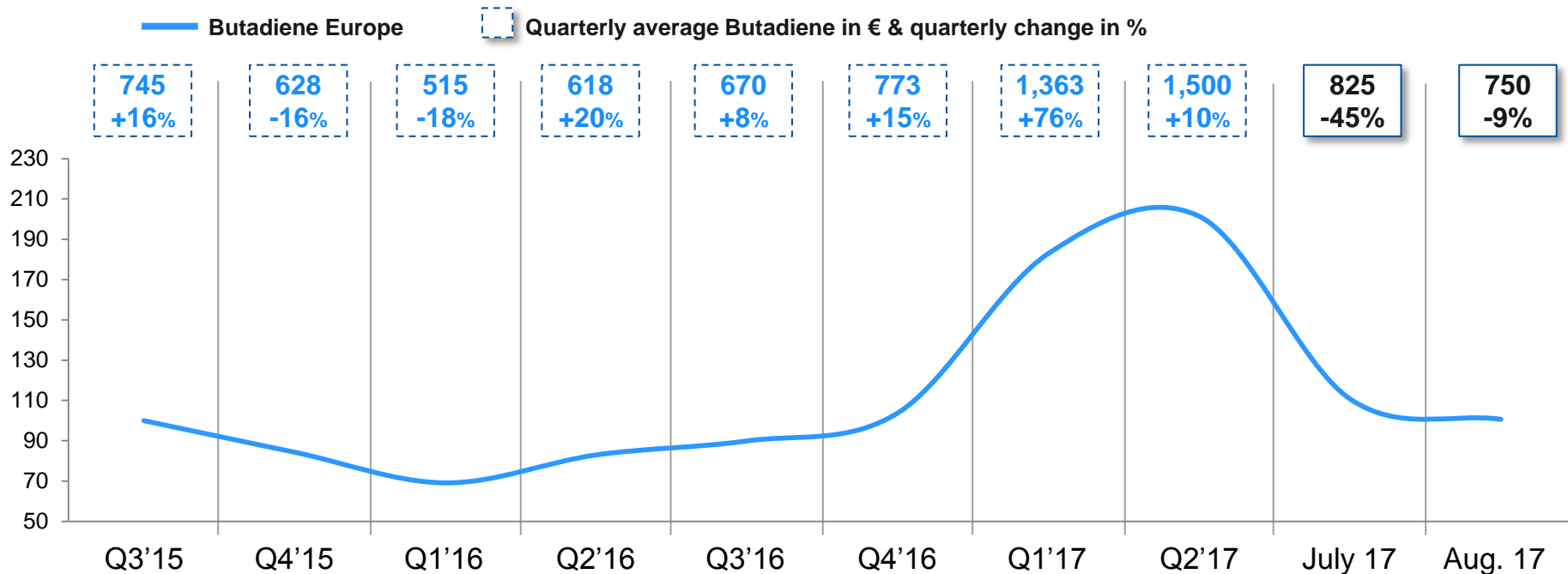
Brent price trend

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



Butadiene price trend

▲ At end-August 2017 (per ton, base 100 in Q3'15)

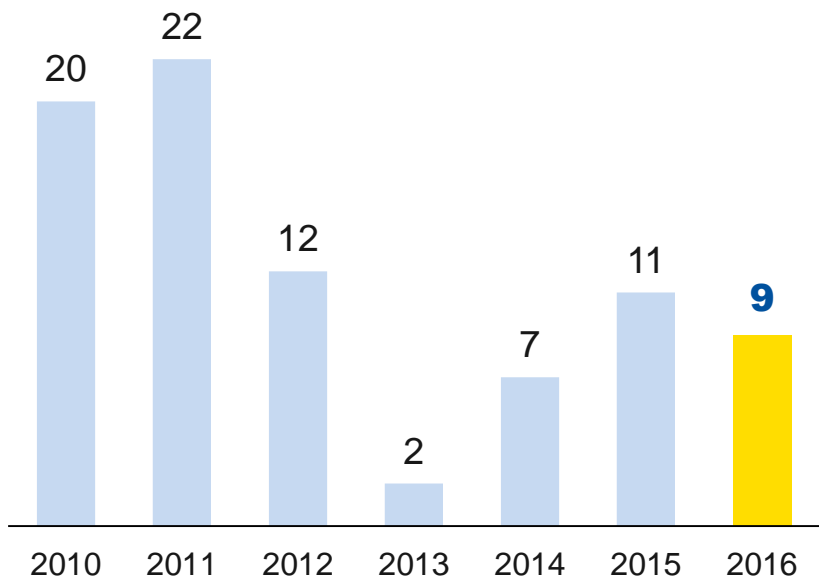


Source: IHS

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

▲ Gearing

Net debt/equity, in %

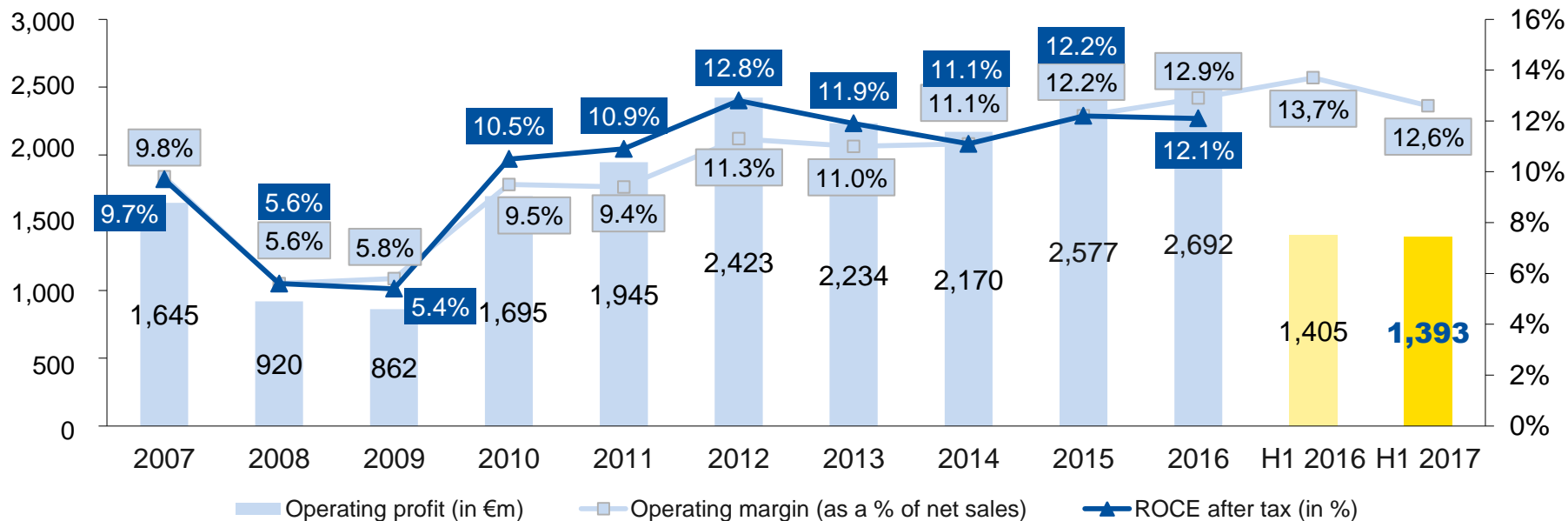


▲ Solid long-term ratings

| | | |
|------------|----------------|------------------|
| 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 |

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

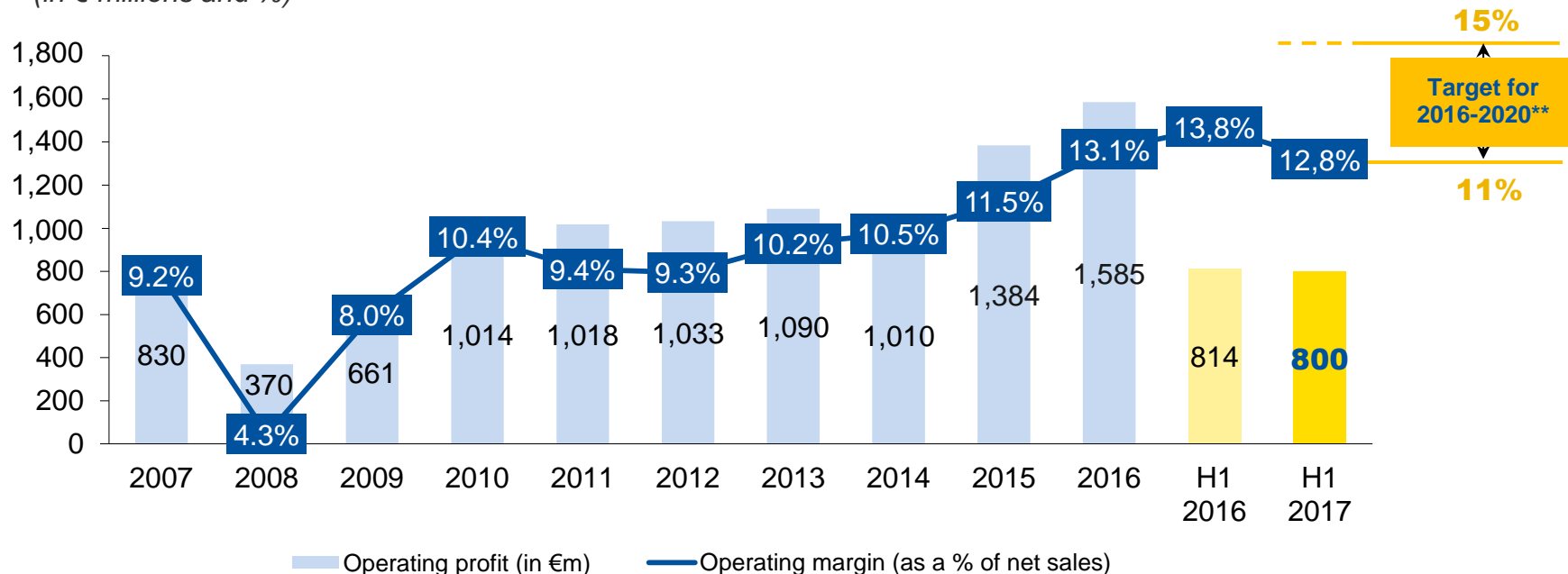
▲ Group operating income and margin* & ROCE



* On recurring activities.

Improving PC margins: product innovation, contribution from the 17" and over strategy, better customer service

▲ RS1 operating income and margin* (in € millions and %)

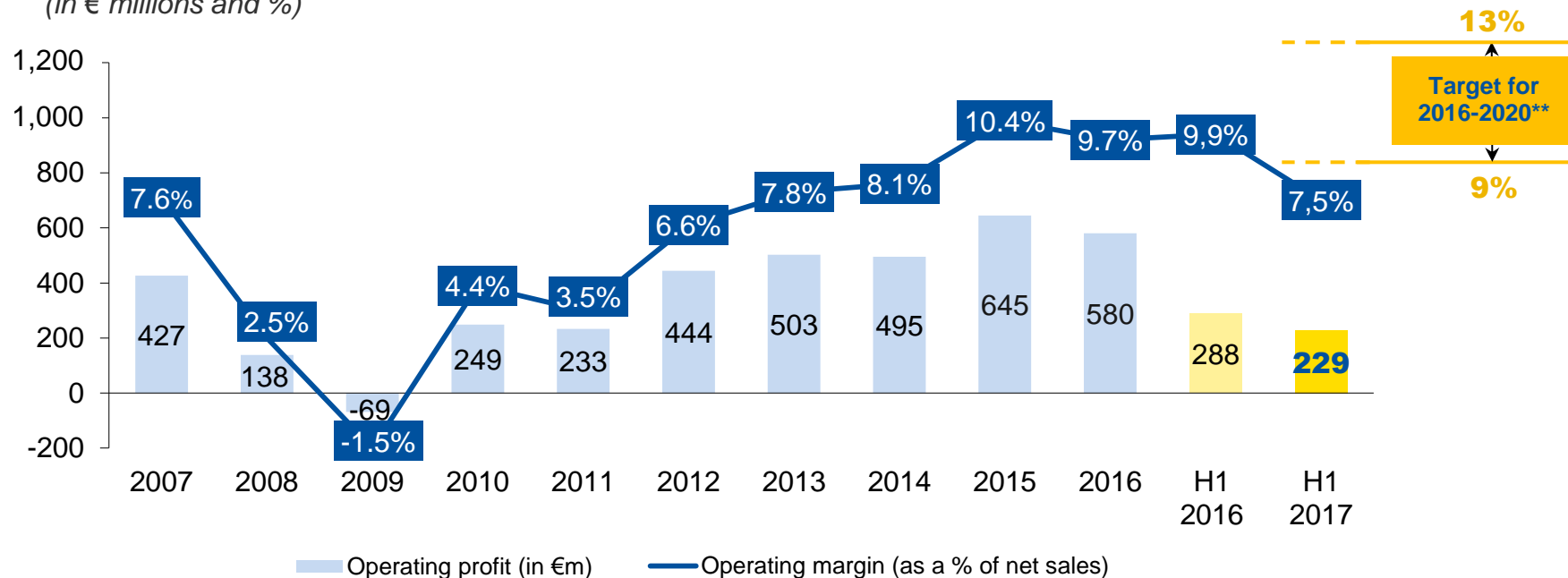


* On recurring activities.

** 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 %)

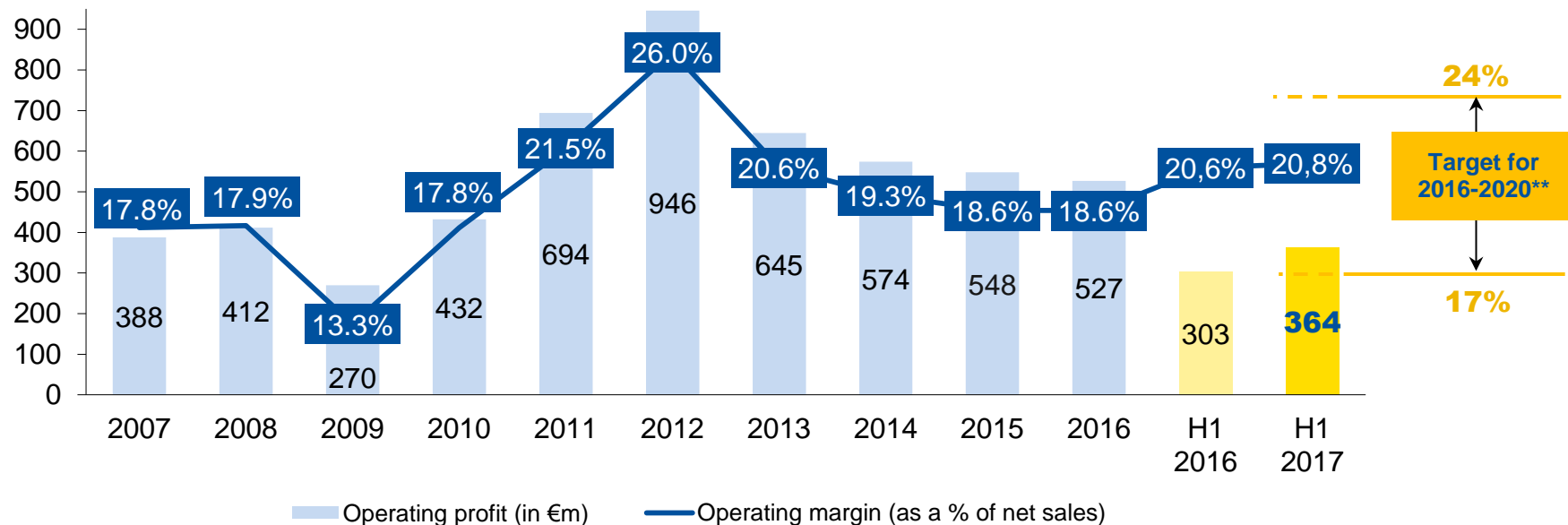


* On recurring activities.

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

Specialty businesses: solid margin resistance in challenging markets

▲ RS3 operating income and margin* (in € millions and %)



* On recurring activities.

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

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