



January 3, 2018

**Michelin and
Sumitomo Corporation
to Create Second-
Largest Wholesale
Player
in the US and Mexico**

Disclaimer

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Michelin and Sumitomo Corporation to Create Second-Largest Wholesale Player in the US and Mexico

To create a joint venture owned 50%/50% by Michelin and Sumitomo Corporation

- combining TBC Corporation + TCi wholesale businesses to provide greater service and market access,
- forming the second-largest player in the wholesale market in the United States.

This JV supports the companies' joint goal by:

- Creating a best-in-class wholesale distributor with
 - expanded geographic footprint,
 - better availability of products at all price points, across all product categories
 - e-commerce initiatives
 - shorter delivery
 - higher efficiency
- Focusing on the growing service and tire needs for fleets and personal vehicles
- Michelin to contribute USD 630m and TCi wholesale business

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Michelin and Sumitomo Corporation to Combine Tire Distribution Units



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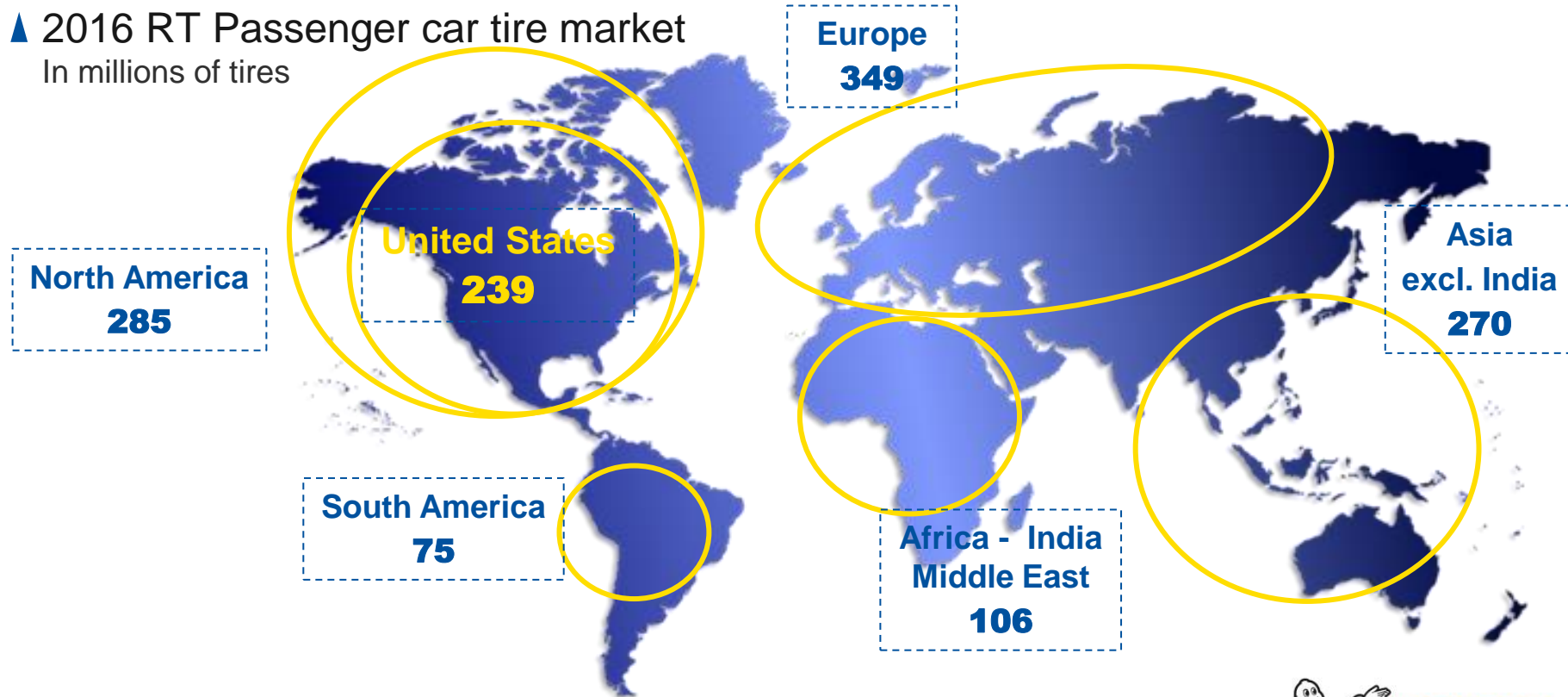


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US Tire Market, A Profitable Growth Opportunity

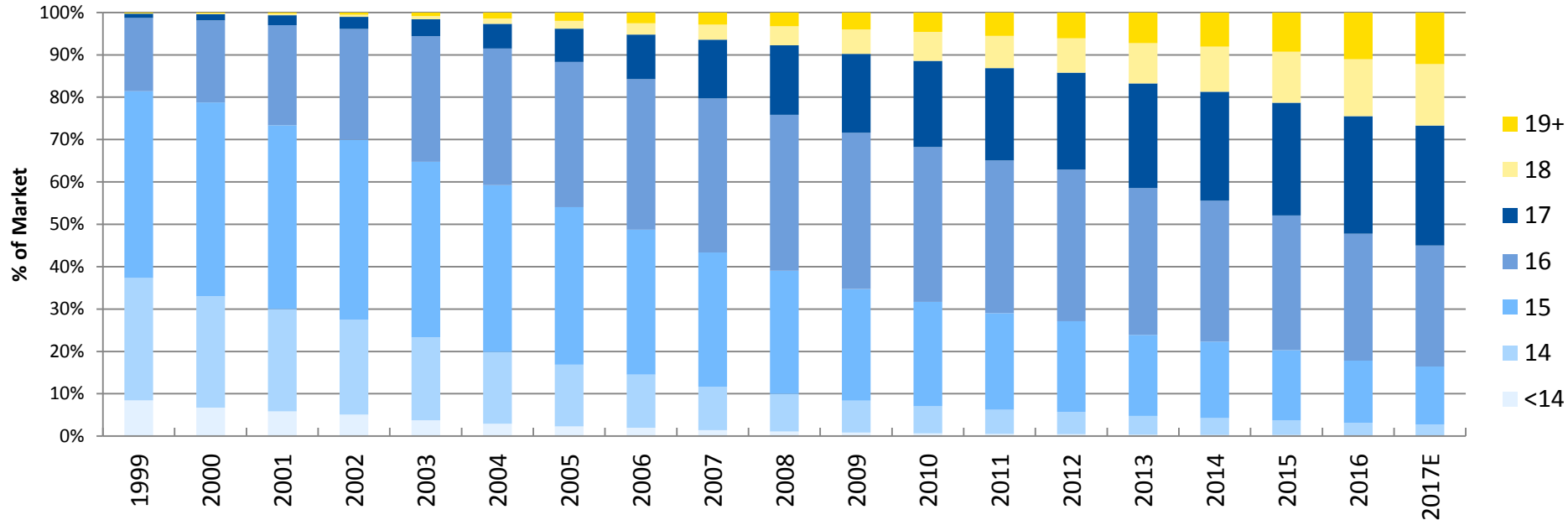
US, One of The Largest Replacement Passenger car Tire Market

▲ 2016 RT Passenger car tire market
In millions of tires

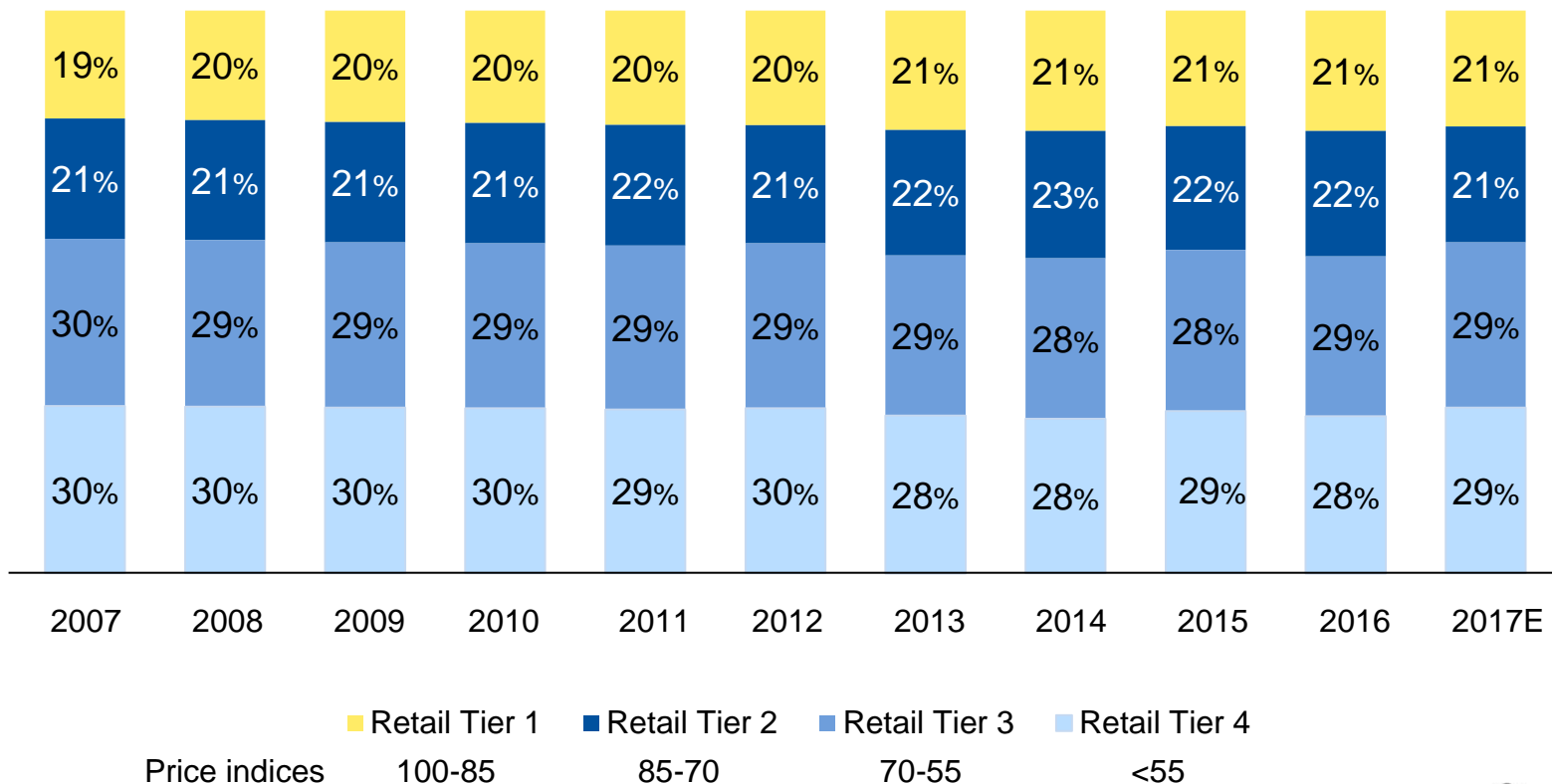


US Replacement Tire Market, A Rich Mix By Rim Size

▲ U.S. Replacement Passenger car Tire Market by Rim Size

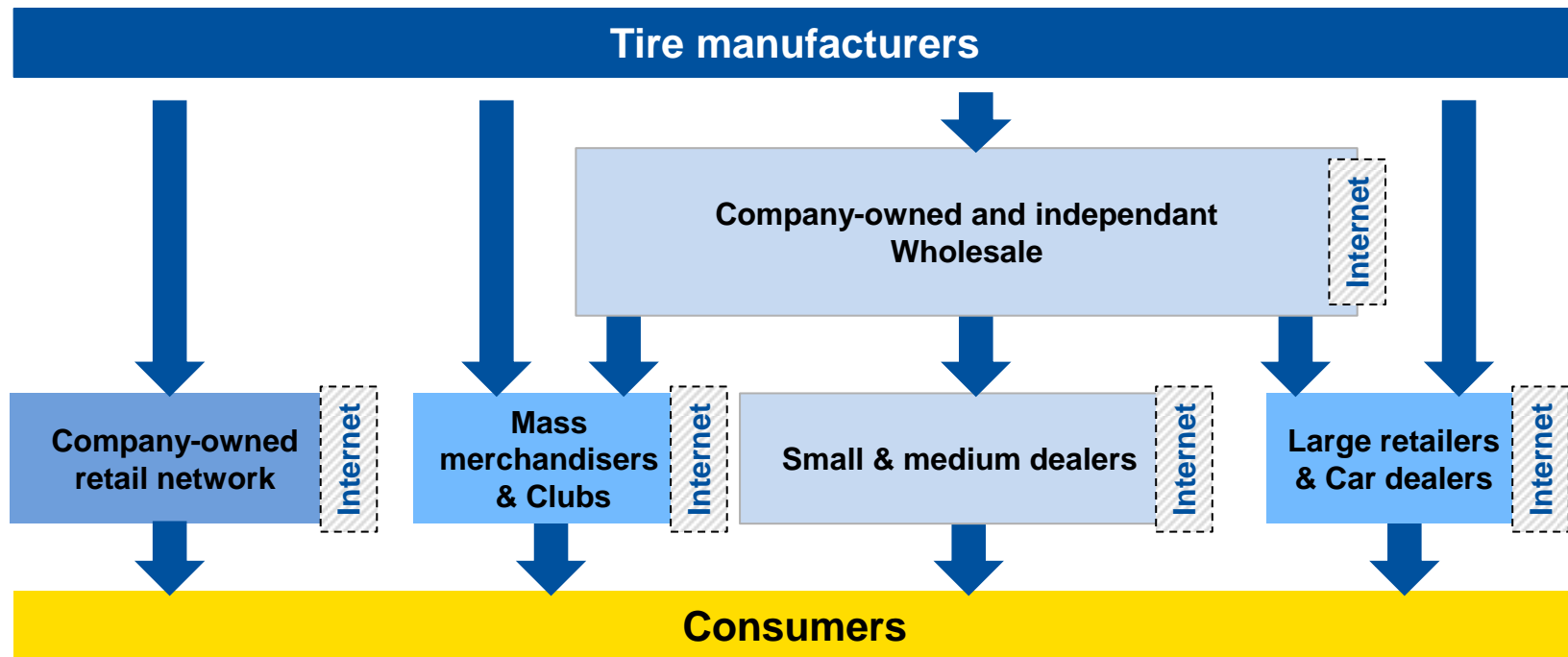


US Replacement Passenger car Tire Market, A Stable Tier 1-pricing Segment Over Time



Distribution: Increasing Importance of Wholesale and Internet

- USD13 bn Wholesale business, representing 50% of sell-in market in 2016 and growing one %-point a year by 2025



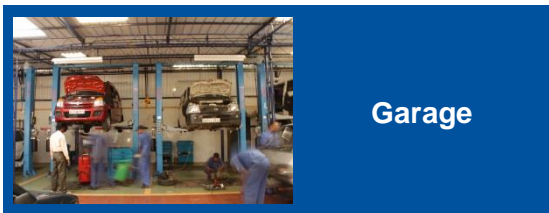
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2 / Michelin Distribution Organization in North America Today

9 Sell-out Market Access Channels To Leverage



Garage



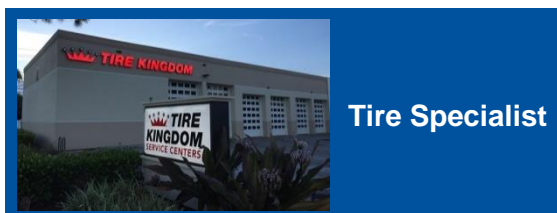
Car Dealer



Fast Fitter



Vehicle & Tire Accessory



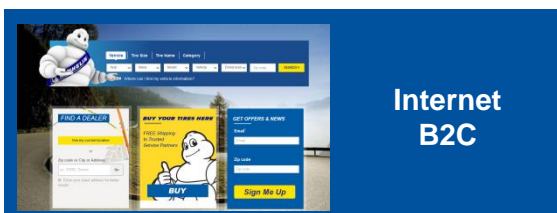
Tire Specialist



Club



Gas Station



Internet B2C



Mass Merchandiser

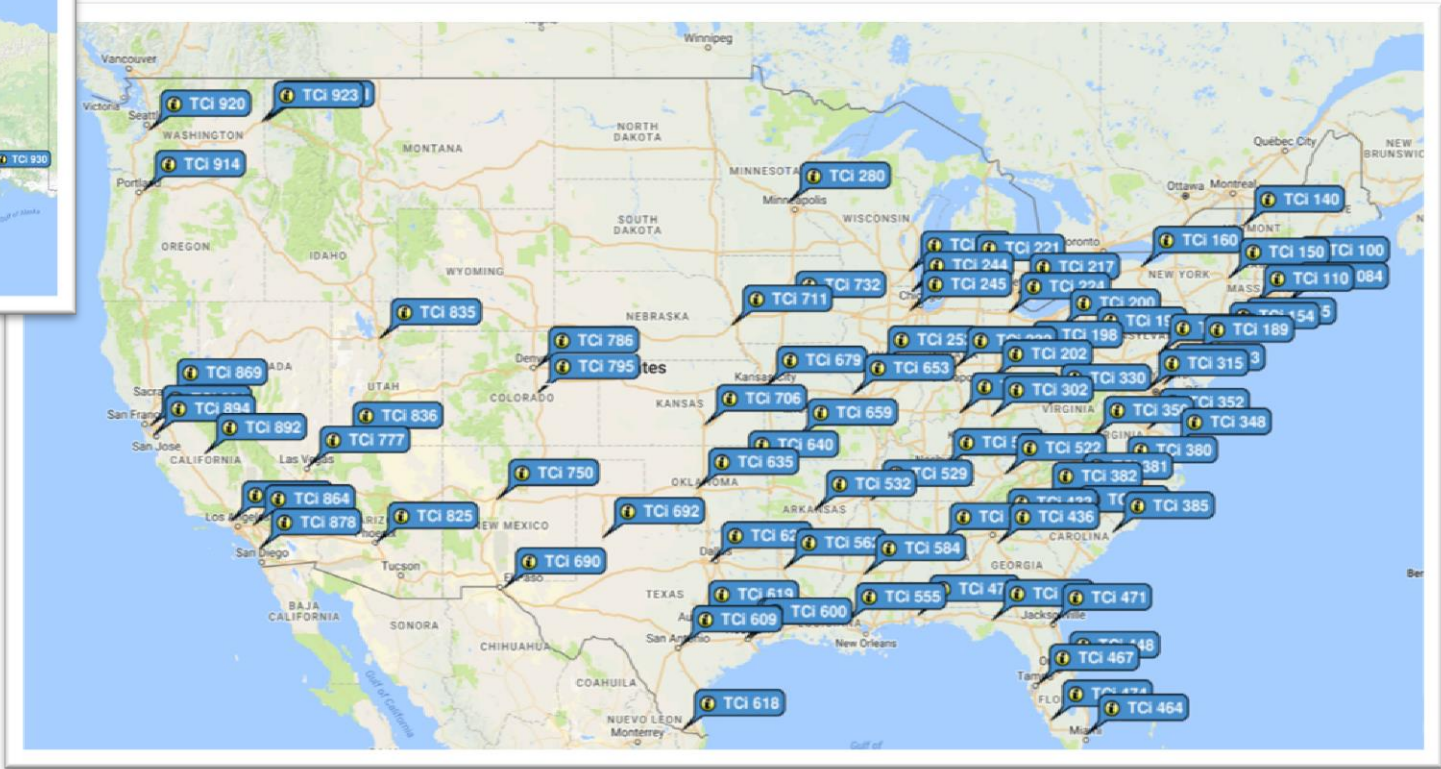
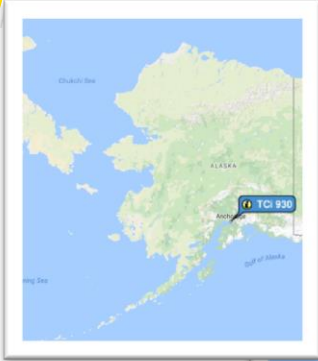
TCi Wholesale Division: 8.6 million Tires

- Passenger car & Light truck tire wholesale distribution to Independent Dealers
- Express delivery service to Michelin direct retail customers
- 85 locations: 95% coverage of U.S
- Multi-brand strategy with majority sales represented by Group Michelin brands
- Currently 4th largest wholesale distribution player in the US



- 8.6 million Tires
- Ebitda 2016: USD 15m

TCi: 85 Locations



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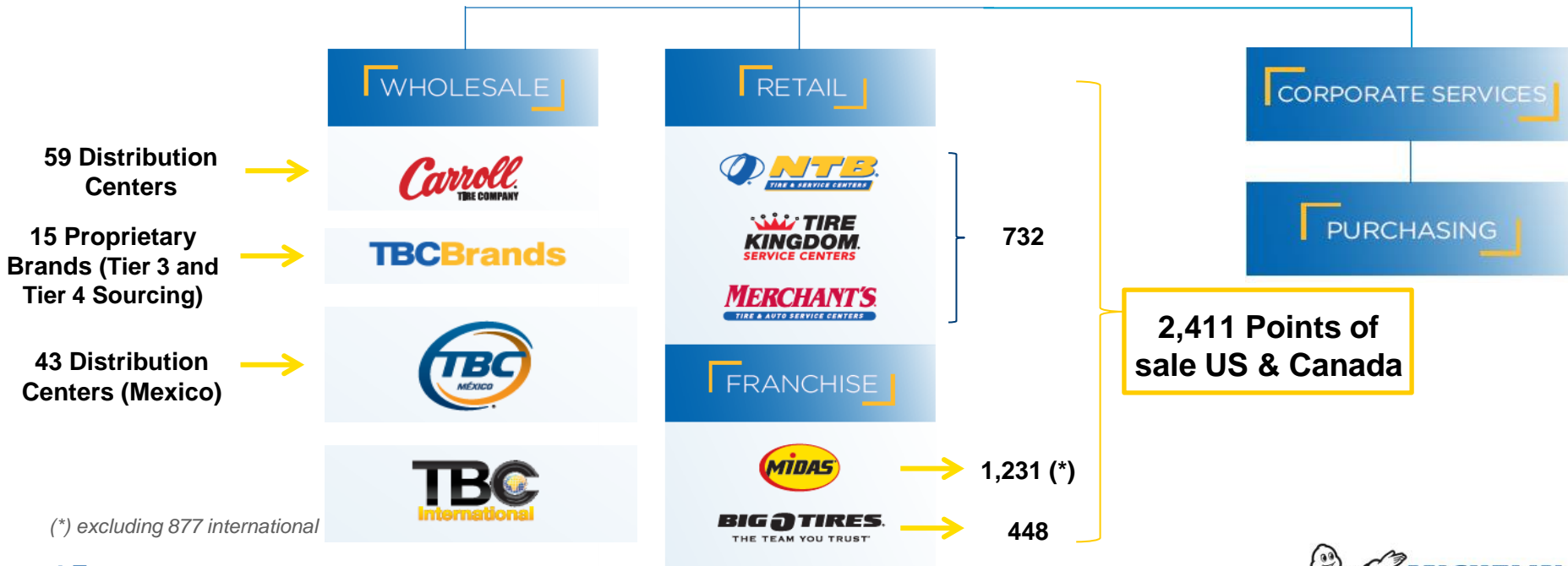


3 / TBC Corporation Today

TBC Corporation: 31 million Tires in 2016, o/w 25 million Passenger car & Light truck Tires



- Net sales 2016: USD 3,234m
- Ebitda 2016: USD 166m



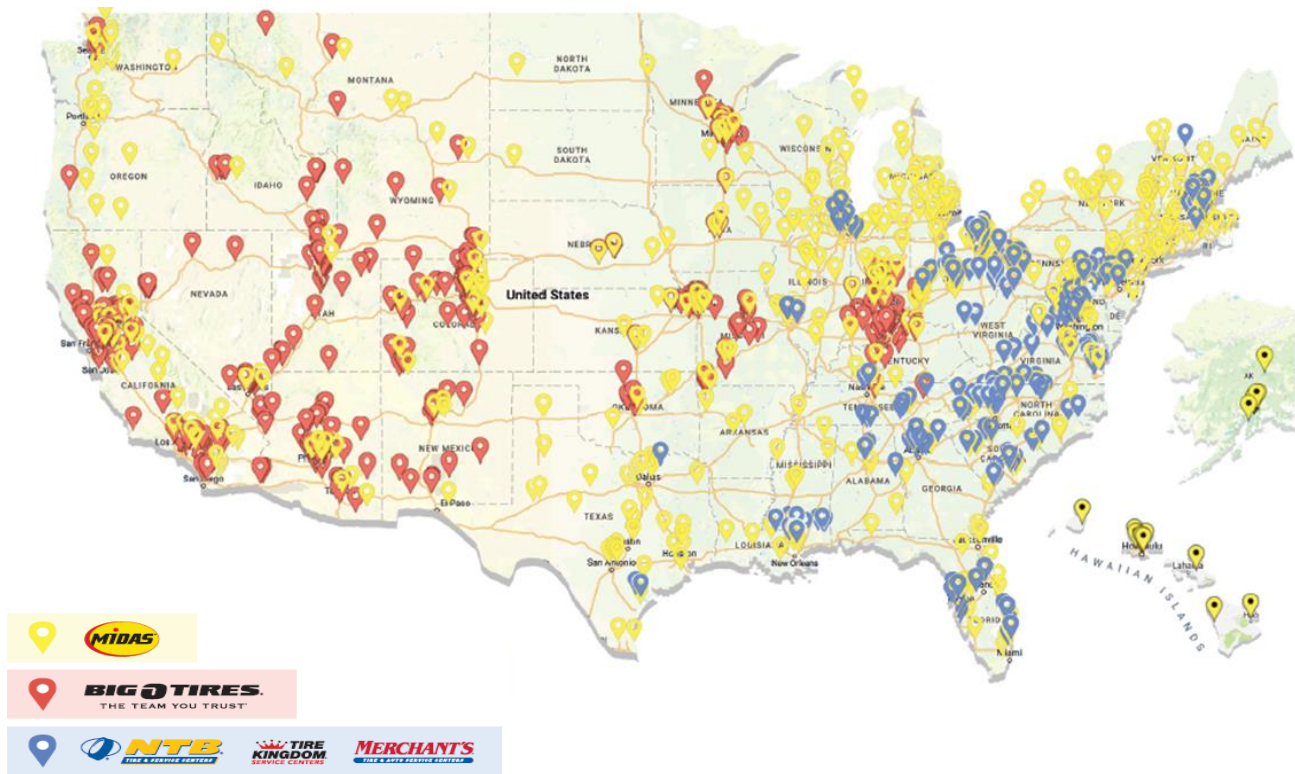
(*) excluding 877 international



Carroll: 59 Distribution Centers



US & Canada Retail and Franchise Footprint: 2,411 points of sale



TBC Mexico: One of the Major National Tire Wholesalers, 43 Distribution Centers



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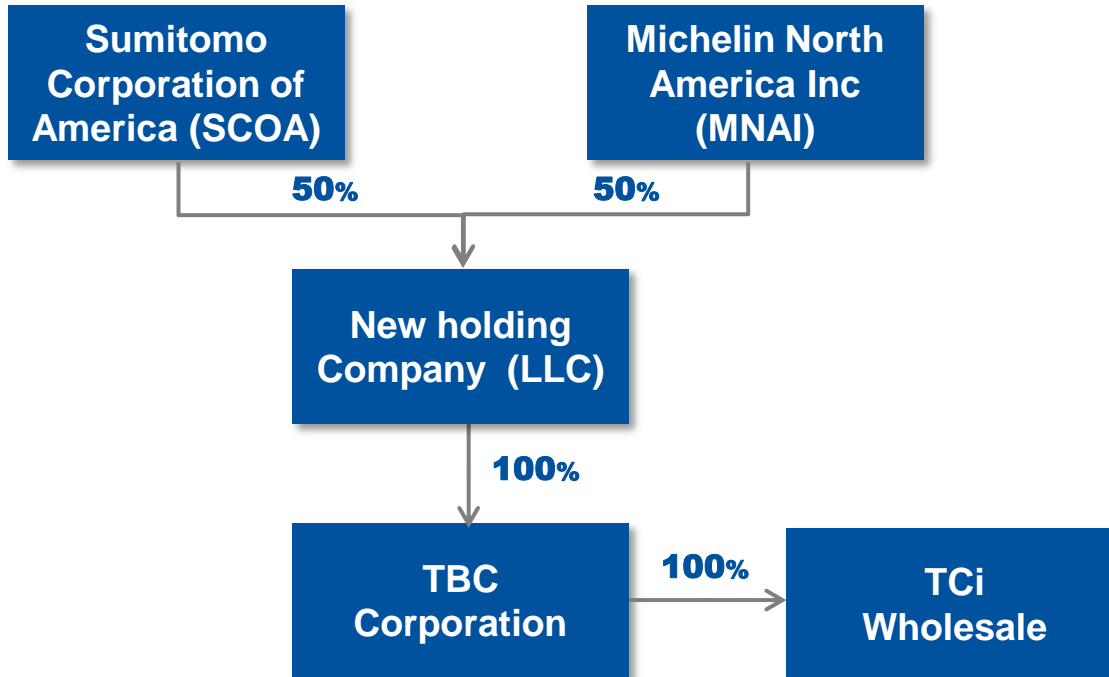
**The Project: To Create The
Second-largest Wholesale Player
In The US**

Michelin's Transaction Rationale

Combine TCi Wholesale and TBC Corporation tire distribution businesses in a 50/50 JV aiming at:

- Ensuring long-term passenger car & light truck market access for Michelin by
 - merging the wholesale activities of TCi Wholesale and TBC Corporation (respectively number 4 and 5) to form the second-largest player in the wholesale market
 - having access to a retail network with 2,411 points of sale
 - leveraging growing North America Wholesale business
- Expanding our offer to dealers and fleets
- Building on group e-commerce
- Strengthening our presence in Mexico by leveraging one of the two major wholesalers in this country
- Taking advantage of TBC's expertise in the import of Tier 3 and Tier 4 brands

JV Structure: 50%/50% Jointly Controlled by MNAI & SCOA



Main Levers and Synergies

● Growth

- Better market coverage through increased brand and product offers
- Significant Michelin brand growth driven by JV's better coverage, storage capacity and express delivery
- Expansion of wholesale and retail geographic footprint
- Car dealer segment development
- Growth in fleet maintenance, with increasing complexity of service requirements and tire sizes
- E-commerce initiatives

● Efficiencies

- Wholesale efficiencies through scale, by combining two leading wholesale distributors
- Cost optimization and efficiencies

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5 / Financials

Valuation

- Company valuation (EV):
 - TBC Corporation: USD 1,520m
 - TCi Wholesale: USD 160m
- Michelin contribution for the deal USD 790m of which
 - USD 160m for TCi Wholesale
 - USD 630m in cash
- TCi Wholesale contribution will be a share deal
- Amounts might be adjusted at closing

Comparables

	Acquirer	date	x EBITDA	x Revenues
MIDAS	TBC Corp.	2012	10.75	1.50
Regional tires	Trican Tire Distributors	2013	9.45	0.60
Hercules Tires & Rubber	ATD	2014	18.82	0.72
Pep Boys initial Bid	Bridgestone Corp.	2015	12.80	0.50
Pep Boys transaction	Icahn Enterprises	2016	15.64	0.61
TBC JV implied valuation*		2018	9.30	0.43

* Based on 2016 combined net sales and Ebitda

Impact on Michelin's Financial statements

- 50%/50% JV to be consolidated using equity method
- Group sales: deconsolidation of TCi Wholesale (USD 670m in 2016)
- Group operating margin from recurring activities: light relative impact from TCi Wholesale deconsolidation
- Group net result: gradual accretive impact due to combined TBC/TCi Wholesale net result

A Powerful Tool for Michelin and Sumitomo Corporation



Sumitomo Corporation

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