



July 25, 2017

# FIRST-HALF 2017 RESULTS

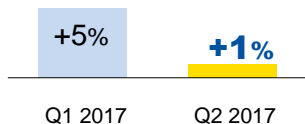
# Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap

- Volumes up 4.1% (3.6% at constant scope of consolidation) dampened in Q2 by heavy buying in Q1 ahead of price increases
  - Growth in Passenger car and Light truck tire volumes (up 3%) and stable Truck tire volumes
  - Sustained rebound in Earthmover tire demand and much faster growth in OE Agricultural tire sales,
  - Acquisition of Brazilian two-wheel tiremaker Levorin in December 2016.
- Price-mix effect positive, at 1.4%, accelerating to 2.8% in Q2, reflecting the initial impact of price increases and resulting, as announced, in a €186 million net negative price-mix/raw materials effect
- Competitiveness plan gains offset inflation, as expected
- Net income of €863 million, up 12%
- Free cash flow stable, (-€29 million), before acquisitions and capitalized interest on OCEANE bonds, despite the impact of higher raw materials costs
- 2017 guidance confirmed

# Expanding markets in H1, dampened in Q2 by Q1 early buying



## PASSENGER CAR: +3%



### Global OE: +3%

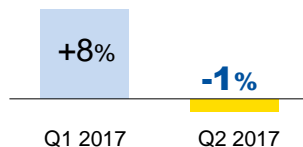
- Growth led by the new markets. Europe, North America and China up over the first half but down in Q2

### Global RT: +4%

- Sustained growth in China and the new markets. Europe and North America up, with a decline in Q2 after the Q1 surge in early buying



## TRUCK: +3%



### Global OE: +9%

- Strong growth in China, Europe and India; rebound in North America in Q2

### Global RT: +1%

- Sudden slowdown in Q2 (especially in North America and China) after the Q1 buying ahead of price increases



## SPECIALTY: +8%/+10%

- Mining tires: demand lifted by the end of destocking and rising production
- OE Earthmover tires: upturn
- OE Agricultural tires: signs of a rebound in Q2
- RT Agricultural and Infrastructure tires: markets supported by price hikes
- Aircraft\* and Two-Wheel\*\* tires: continued growth

\* Commercial aircraft

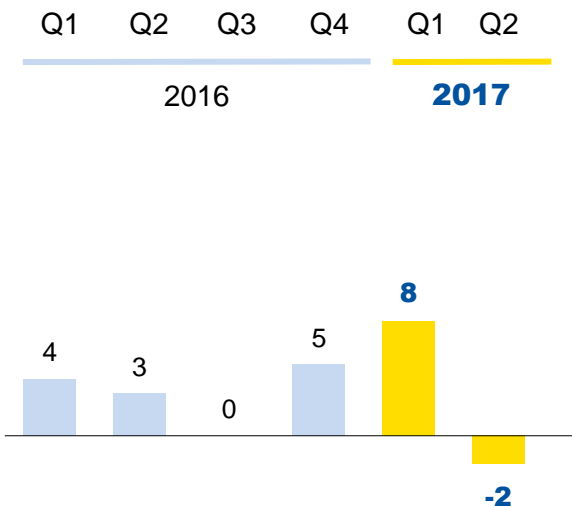
\*\* Motorcycle tires in Europe, the United States and Japan

Source: Michelin

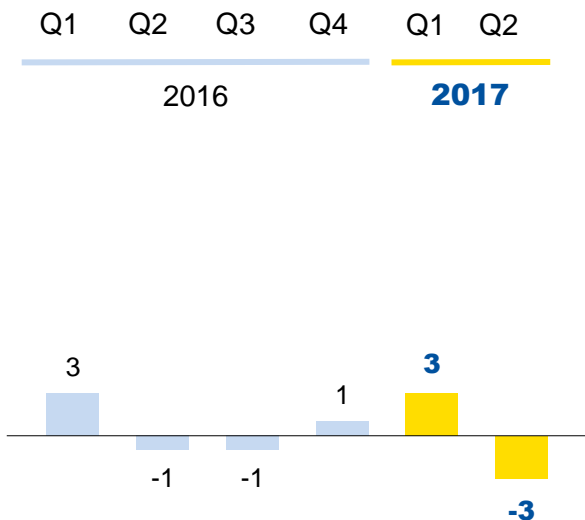
# Q2 volumes dampened by early buying in PC and Truck tires; strong growth in Specialty businesses

▲ YoY quarterly change  
(in %)

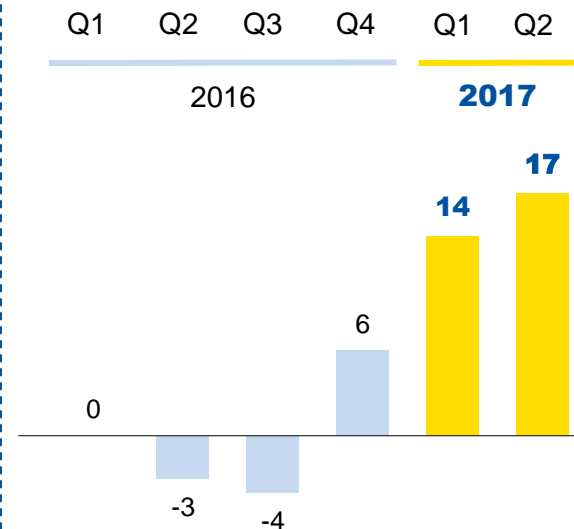
## Passenger car tires\*



## Truck tires\*



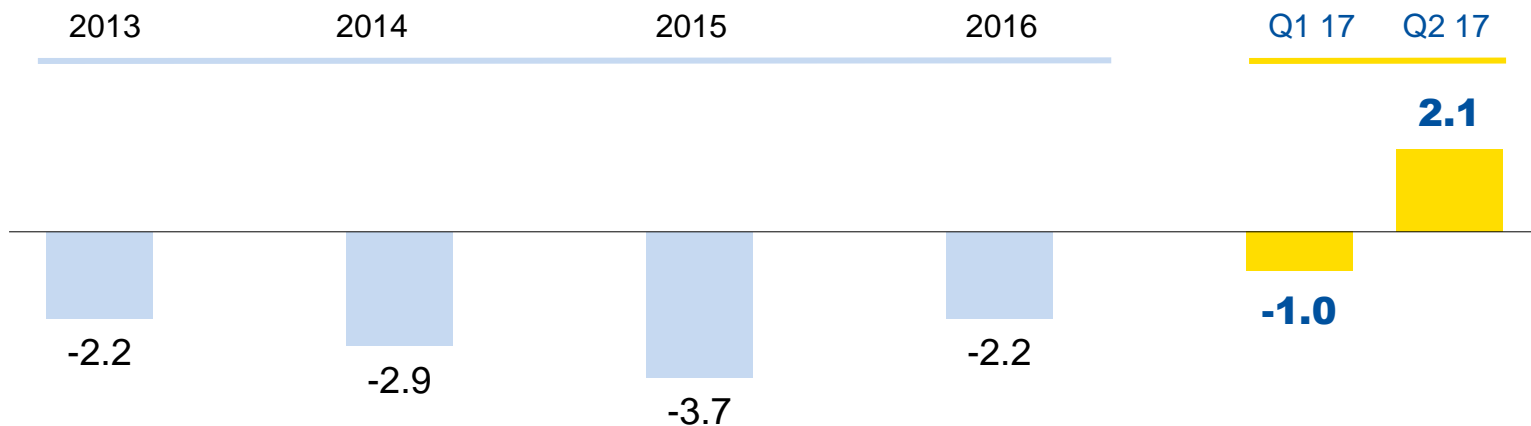
## Specialty businesses



\* & related distribution

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

▲ (in %)

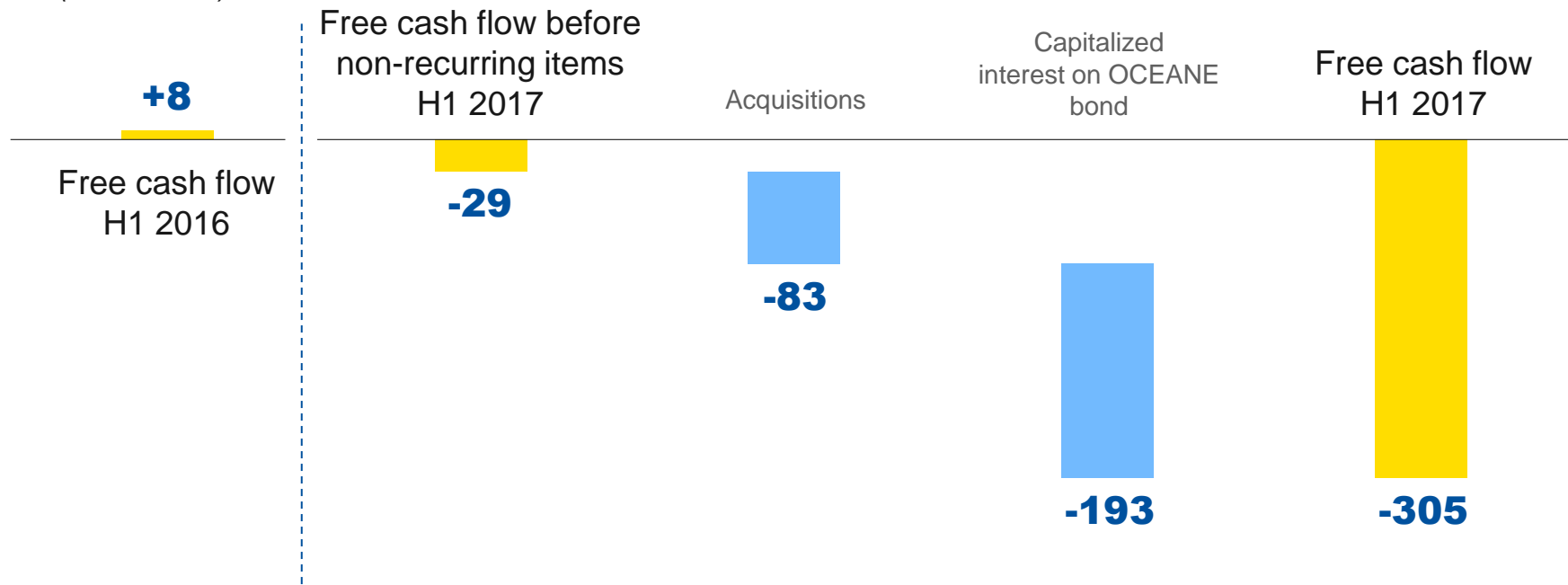


- Q2 2017: initial impact of the price increases ahead of their full impact in H2

# Solid free cash flow performance at a time of rising raw materials prices

▲ Free cash flow stable before non-recurring items:

(in € millions)





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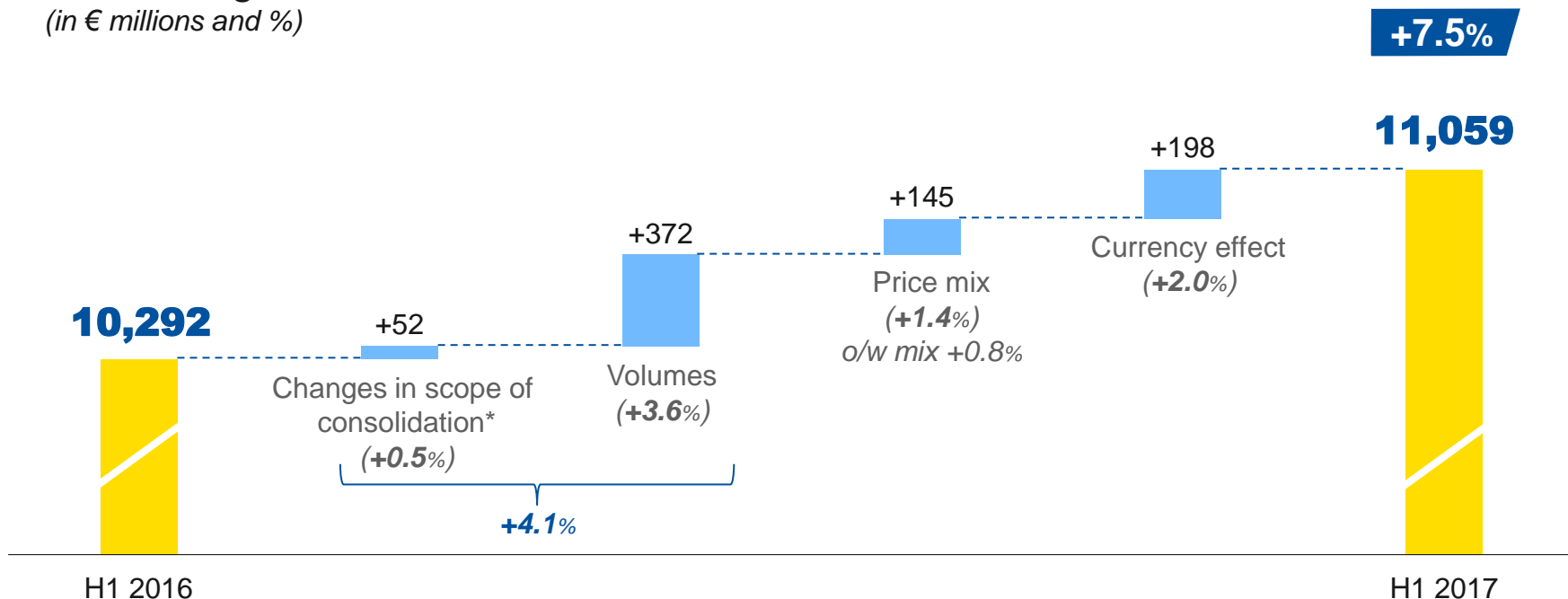
# FIRST-HALF 2017 RESULTS



**H1: Stable operating income,  
in line with the roadmap**

# Net sales supported by growth in volumes and price increases

▲ YoY change:  
(in € millions and %)

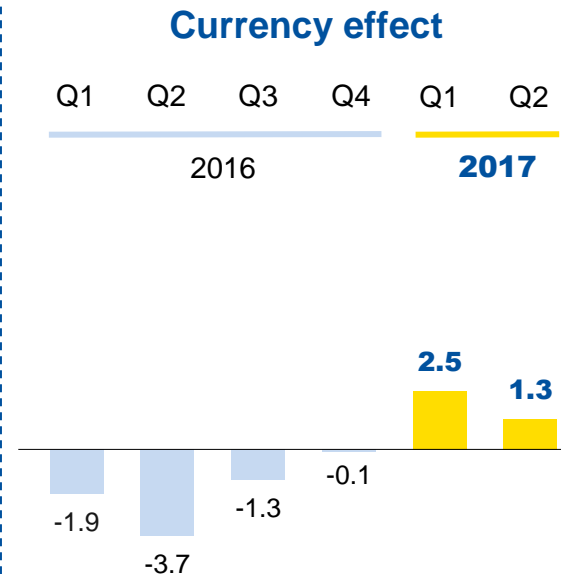
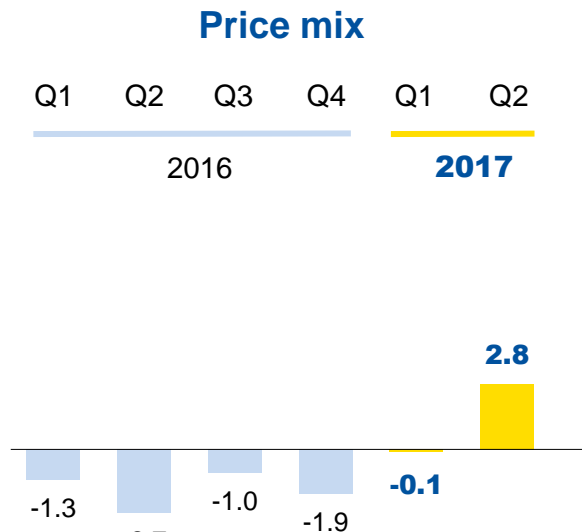
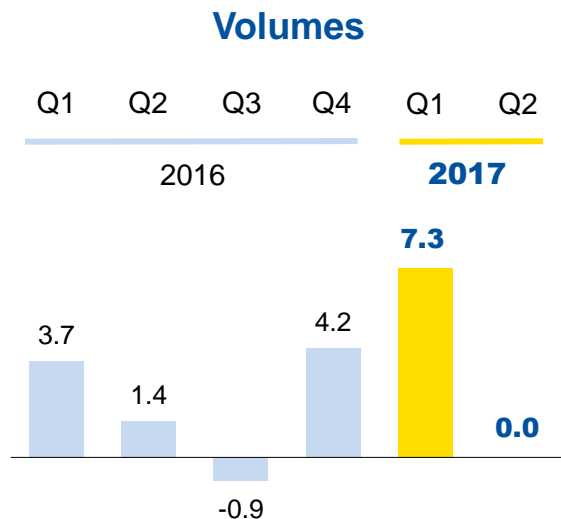


\* Levorin



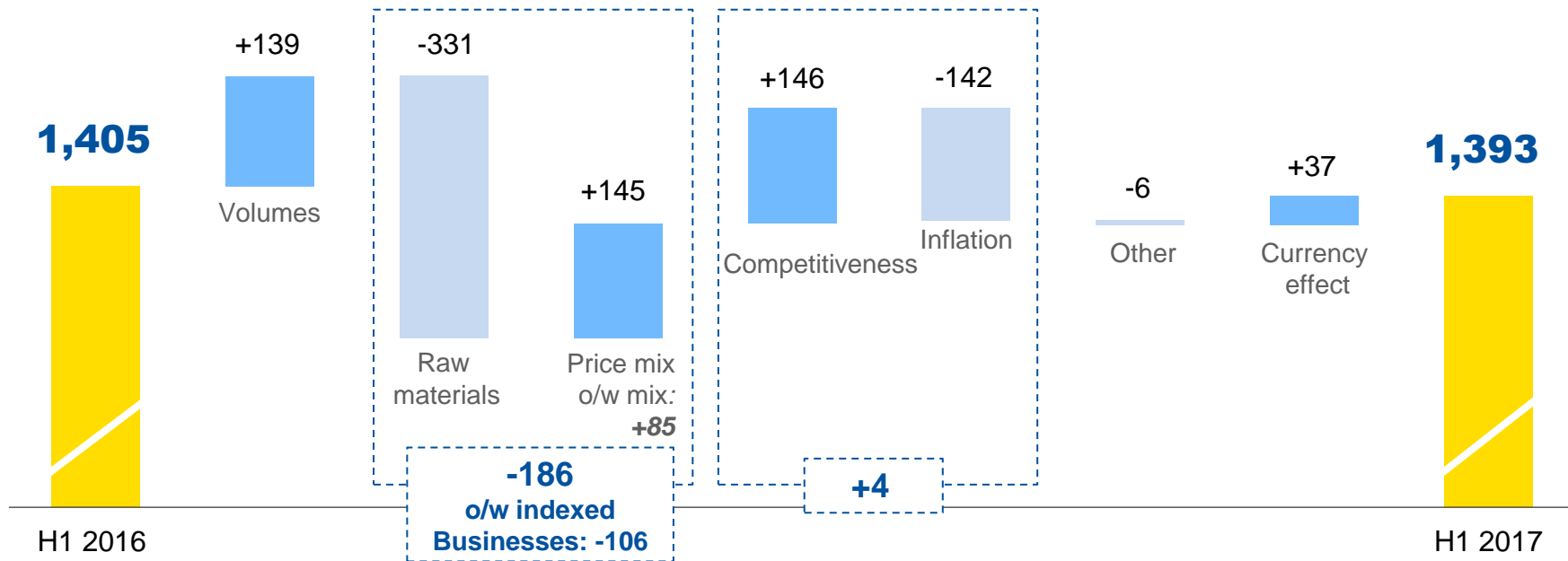
# Q2: volumes stable given the Q1 surge in early buying; initial impact of higher prices

▲ YoY quarterly change  
(in %)




# 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)



# PC: Firm margin resistance in the face of rising raw materials costs, from a high basis of comparison

<i>(in € millions)</i>		H1 2017	H1 2016	% change
	RS1 net sales	6,263	5,916	+6%
	Operating profit*	800	814	-2%
	Operating margin*	12.8%	13.8%	-1pt

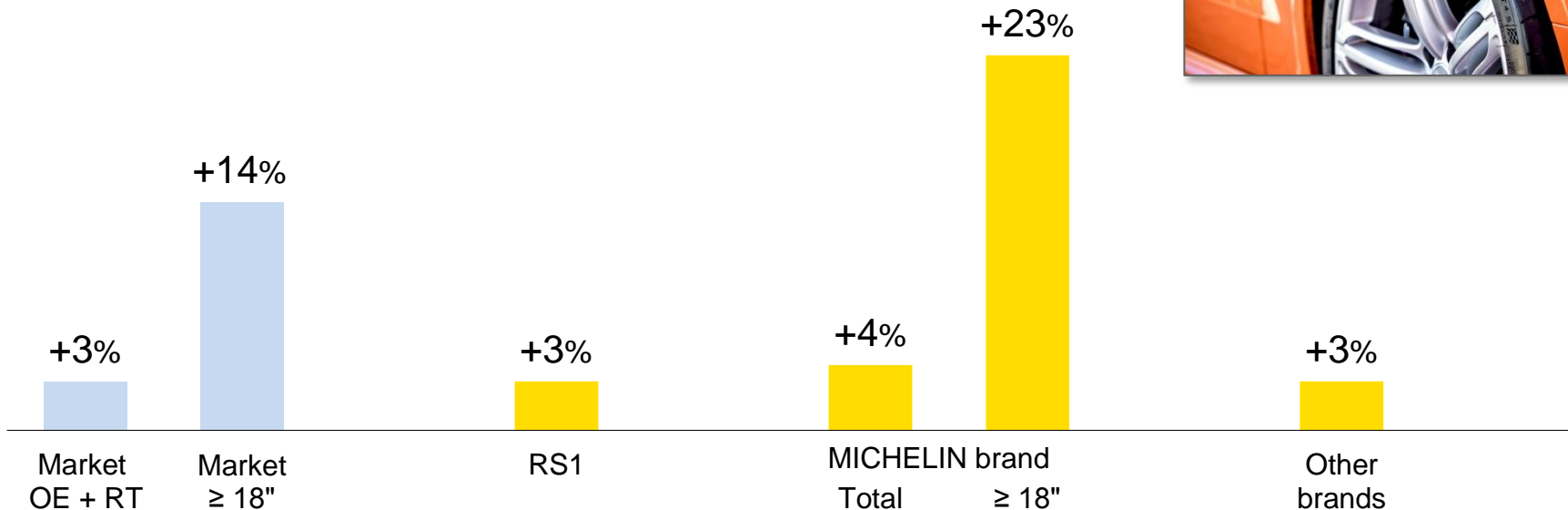
- Volumes up 3%
- RT price increases as early as Q2
- Still robust product mix effect
- Successful sales of the MICHELIN CrossClimate+ and MICHELIN Pilot Sport 4S lines



\* On recurring activities


# PC: still a robust product mix momentum

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



Source: Michelin

# Truck: from a high basis of comparison, hit by the sharp increase in natural rubber prices

(in € millions)		H1 2017	H1 2016	% change
	RS2 net sales	3,041	2,907	+5%
	Operating income*	229	288	-20%
	Operating margin*	7.5%	9.9%	-2.4pts

- Volumes stable, reflecting the priority focus on raising prices to deliver higher margins in the second half
- An aggressive product and services plan, led by the success of the MICHELIN X Multi, MICHELIN X Works, *Intermediate* tire lines and the Tire Care solution



\*On recurring activities.

# Specialty businesses: higher earnings boosted by volumes

(in € millions)

**H1 2017**

H1 2016

% change

**RS3 net sales**  
**Operating profit\***  
 Operating margin\*

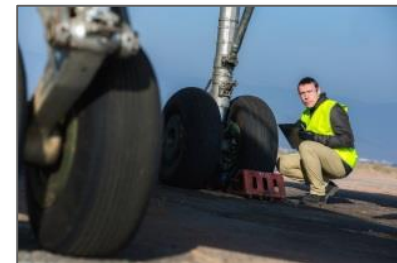
**1,755**  
**364**  
**20.8%**

1,469  
 303  
 20.6%

+19%  
 +20%  
 +0.2pts



- Volumes up a steep 16%, driven by the Mining tire business and OE Earthmover and Agricultural tire sales
- After the price cuts in January, the indexation clauses will trigger increases in July
- Successful sales of new Infrastructure tires, the MICHELIN XDR 3 mining tire and the MICHELIN Power RS motorcycle tire. Launch of the EvoBib innovations in Agricultural tires and the PresSense-equipped e-tire in Aircraft tires

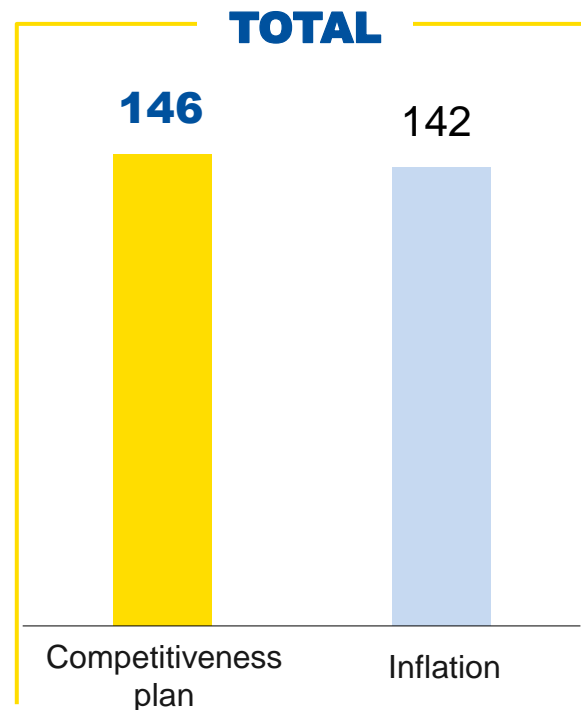
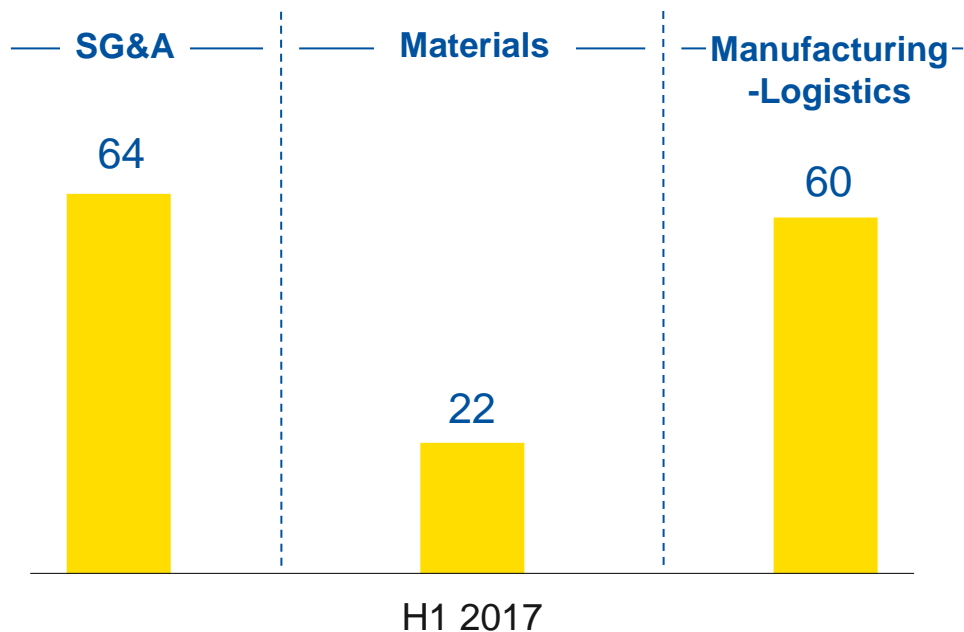


\* On recurring activities



# Competitiveness plan on track to reach €1.2bn 2020 target

▲ €300m in targeted average annual cost savings\*



\* Before inflation and including avoided costs

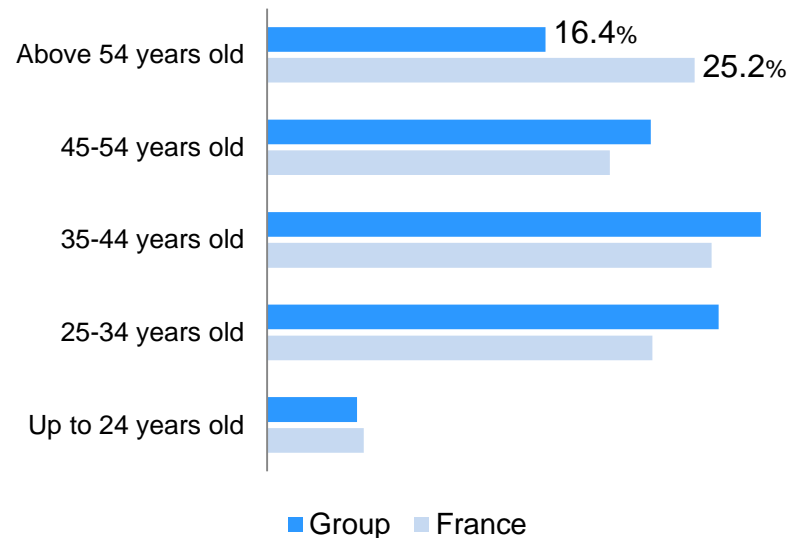
# The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide

▲ 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

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# FIRST-HALF 2017 RESULTS



**2017 guidance confirmed,  
in line with our 2020 objectives**

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

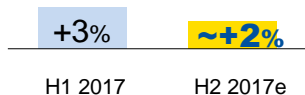
	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2016
Net price-mix/raw materials effect	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* 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%**

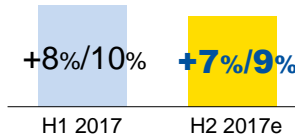


**Growth in line with long-term trends**

- H2 down due to the Chinese RT market



**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

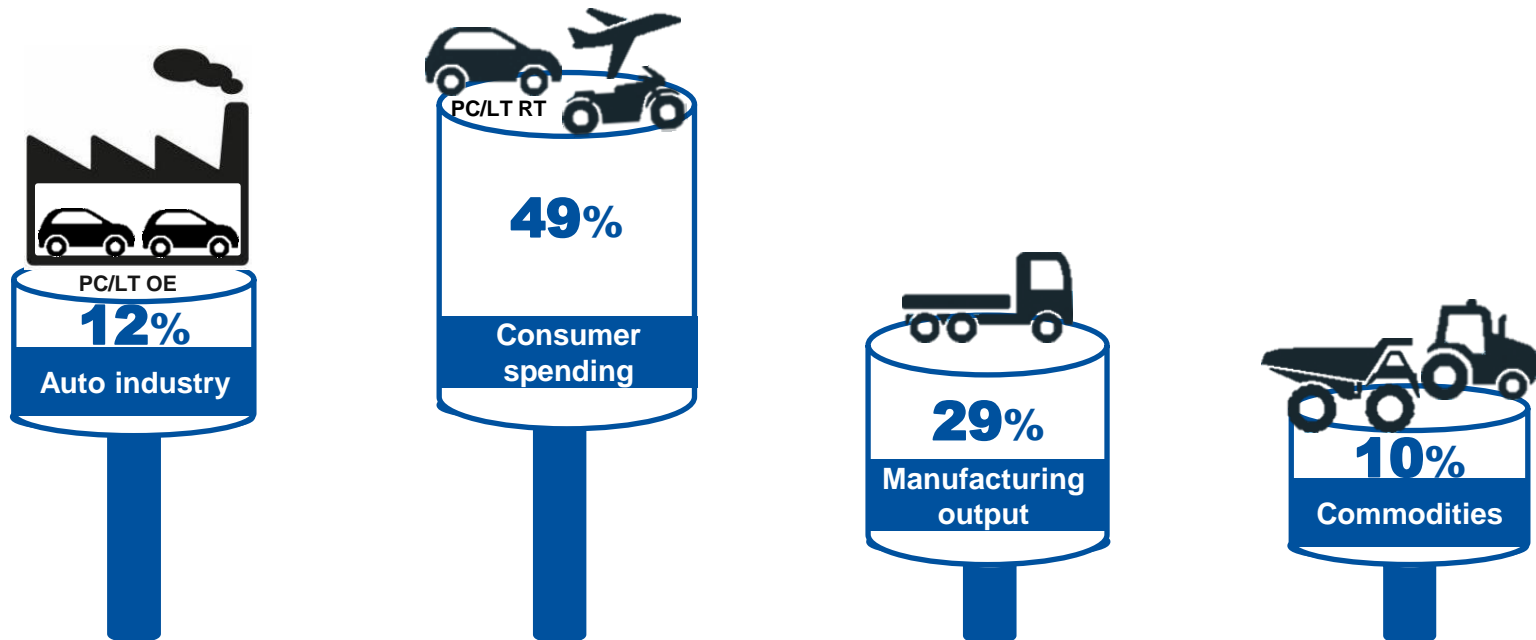
# 2017 scenario: agile management in a highly volatile environment

	H1 2017 as reported	H2 2017	2017
Impact of raw materials costs	-€331m	Around €450m headwind	Around €800m headwind
Currency effect	+€37m	Around €40m headwind	Neutral
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



# A highly consumer spending-driven business model

## ▲ Net sales exposure by sector



2016 net sales by sector



**MICHELIN**

**PILOT SPORT 4 S** 

## **1<sup>st</sup> in (the largest number of) essential performances:**

- 1<sup>st</sup> in DRY braking <sup>(1)</sup>
- 1<sup>st</sup> in WET braking <sup>(1)</sup>
- 1<sup>st</sup> in DRY laptime <sup>(1)</sup>
- 1<sup>st</sup> in longevity <sup>(2)</sup>

### **LEGAL MENTIONS**

(1): Thanks to external tests realized by TÜV SÜD in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.

(2): Thanks to external tests realized on Michelin request by DEKRA Test Center in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.

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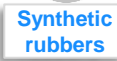




## Appendices

# H1 2017 and H1 2016 financial highlights

<i>(in € millions)</i>	<b>H1 2017</b>	H1 2016
Net sales	<b>11,059</b>	10,292
Operating income from recurring activities	<b>1,393</b>	1,405
Operating margin on recurring activities	<b>12.6%</b>	13.7%
Operating income/(loss) from non-recurring activities	<b>27</b>	(51)
Net income	<b>863</b>	769
Earnings per share (attributable to shareholders of the Company, in €)	<b>4.76</b>	4.24
Capital expenditure (excluding acquisitions)	<b>585</b>	623
Free cash flow*	<b>(305)</b>	+8
Gearing	<b>16%</b>	18%

\* Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.

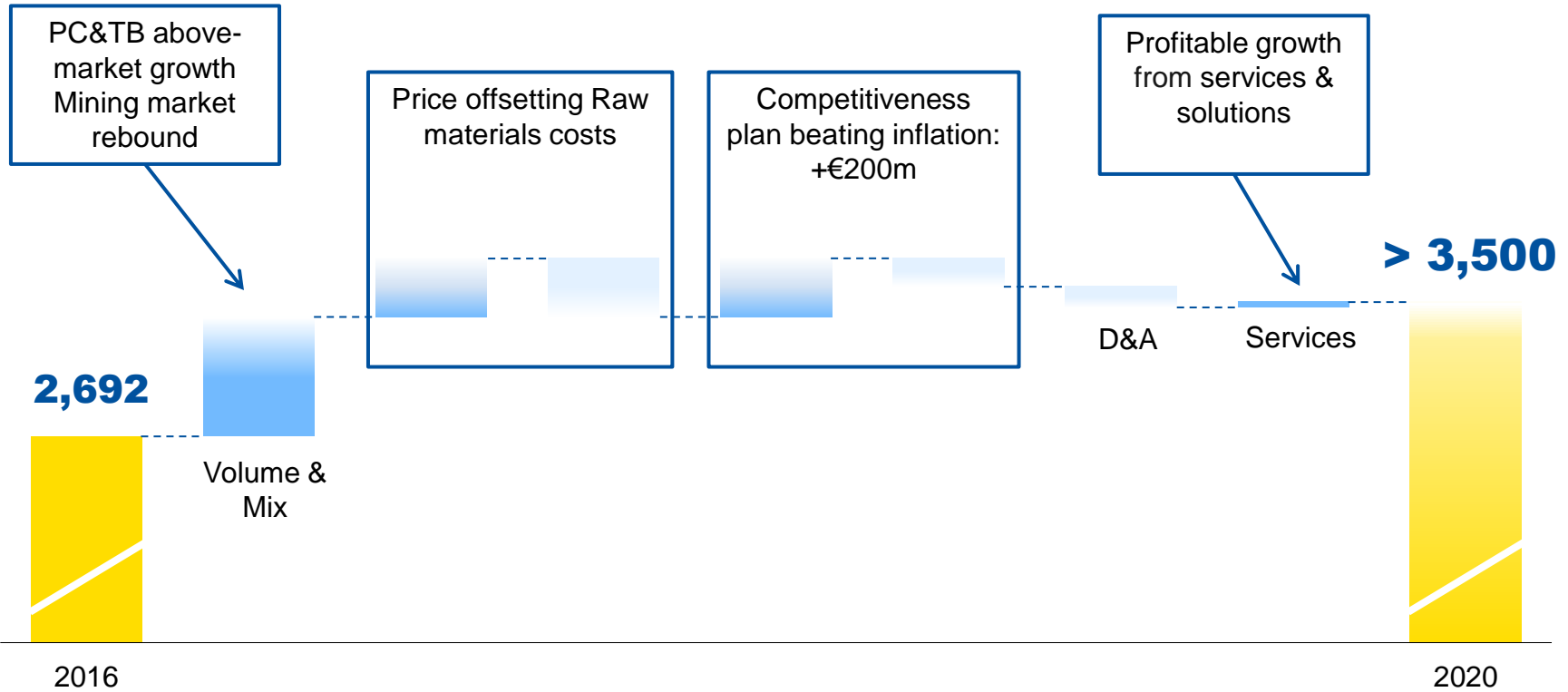
# An ambitious value creation target: ROCE at 15%\* from 2020

	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

\* At constant scope of consolidation excluding goodwill

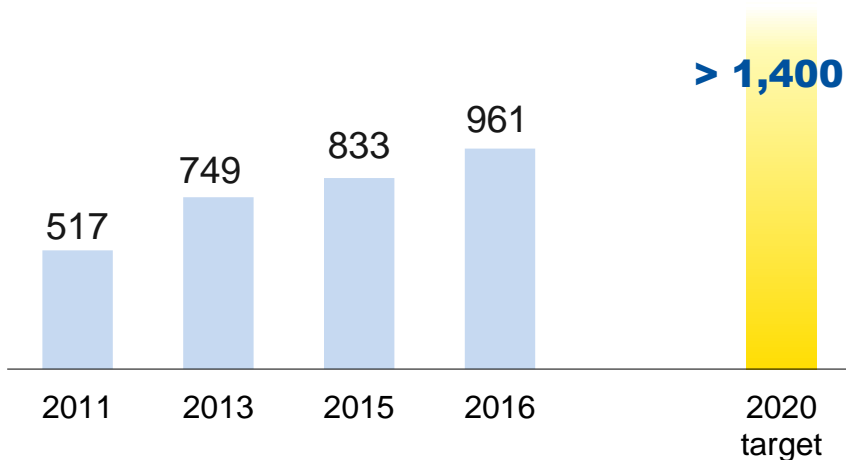
# 2016-2020 organic scenario: profitability levers



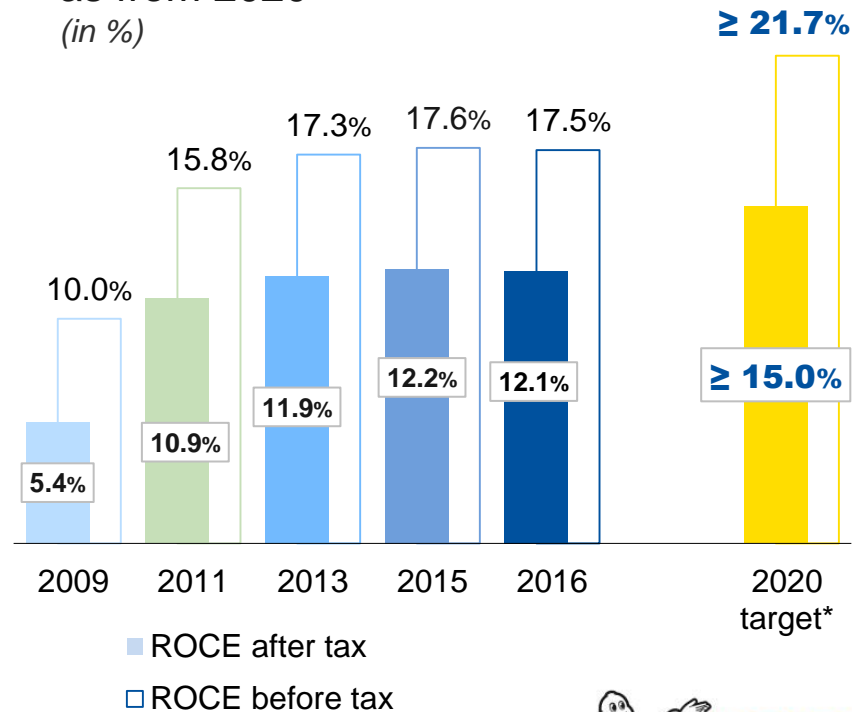


# 2016 performance in line with 2020 objectives

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



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

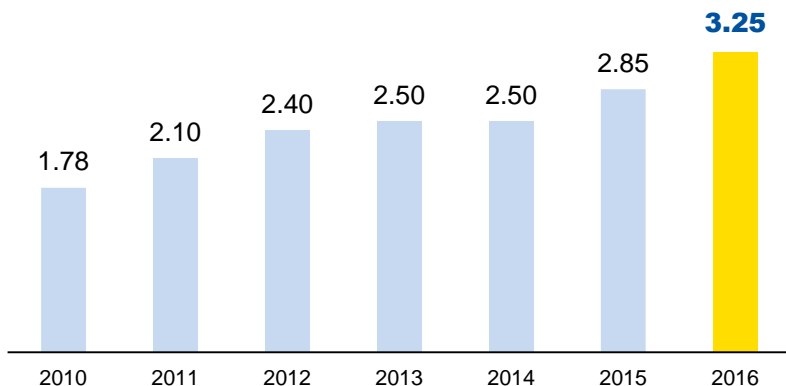


\* At constant scope of consolidation excluding goodwill

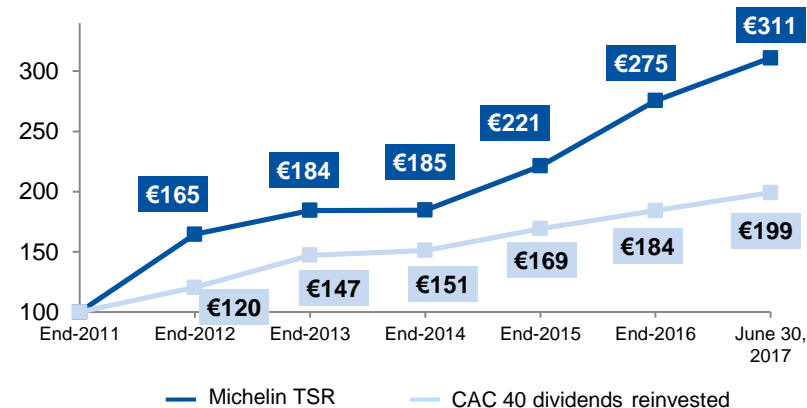
# Sustained shareholder return policy: dividends and share buybacks

- 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: €44m delivered out of a €100m program to offset the dilution from share-based compensation

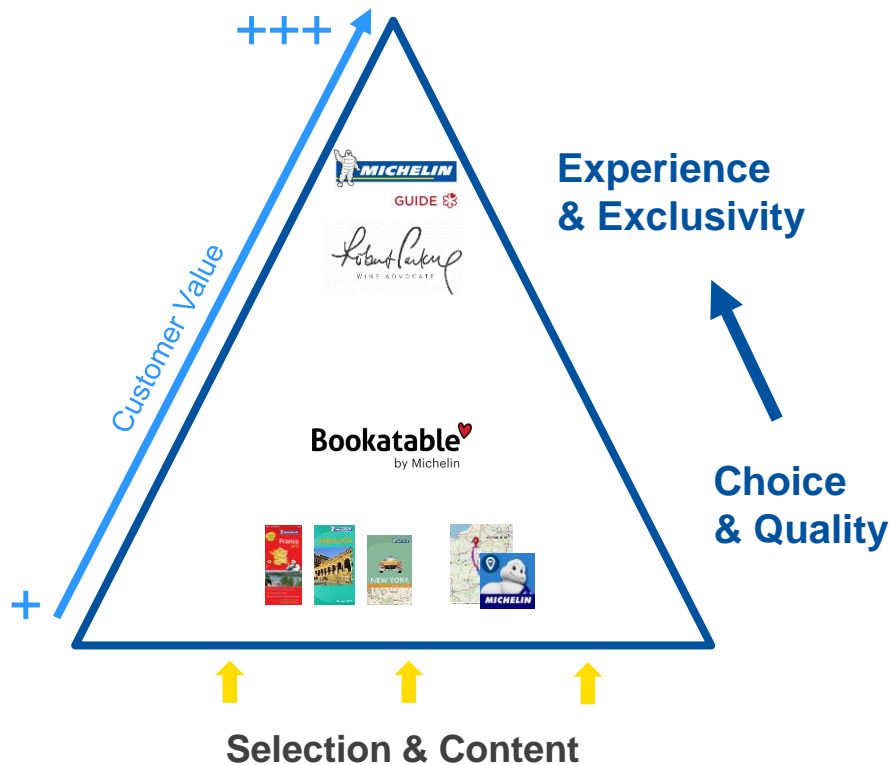
## ● Dividend per share (in €)



## ● Total Shareholder Return



# 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

# Acquisition of a 40% stake in Robert Parker's Wine Advocate, the world leader in wine events and ratings

- International authority on wine
- Independent ratings
- Expertise in fine wine and gourmet dining events
- Michelin partner since 2016
- Michelin's objectives
  - Strengthen our presence in gourmet dining
  - Offer customers very high value-added selections
  - Initially deploy in Asia and North America

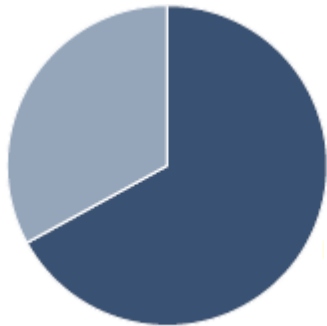


# Stake rise in SIPH up to 33,56%

- Acquisition of 493,452 SIPH shares
- At a price of €85 per share
- Total 89.15% stake held in concert with our Côte d'Ivoire partner SIFCA
- 220kT production, o/w 70kT from SIPH-owned plantations



SIPH production & remiling  
33%



Remiling by SIPH  
67%

SIPH Headquarters

SAPH in Cote d'Ivoire  
- 6 plantations  
- 5 plants

CRC in Liberia  
- 1 plantation  
- 1 plant

GREL in Ghana  
- 1 plantation  
- 1 plant

RENL in Nigeria  
- 4 plantations  
- 1 plant

# 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



# PC: expanding markets, especially in the new economies

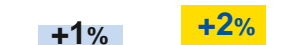


▲ PC market at June 30, 2017/2016  
(YoY in %, in number of tires)

## North America



## Europe excluding Russia & CIS



## Europe including Russia & CIS



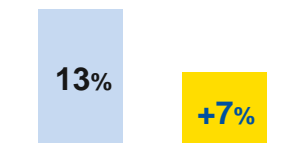
## China



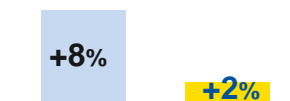
## Asia\* (excluding India)



## South America



## Africa India & Middle East



## GLOBAL MARKET



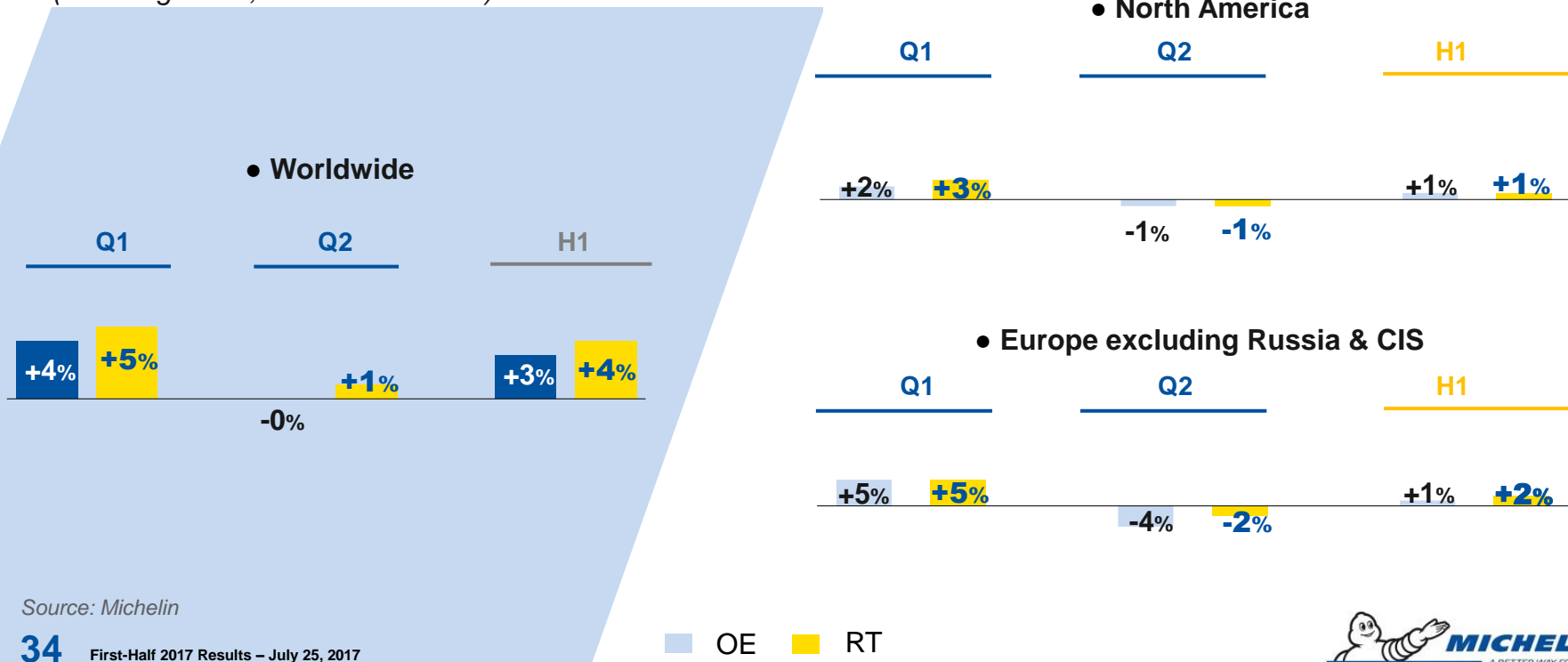
\* including China  
Source: Michelin

■ OE ■ RT

# PC: very different quarters due to Q1 buying ahead of price increases in RT and high OEM inventory in Q2

## ▲ PC tire markets – H1 2017

(% change YoY, in number of tires)

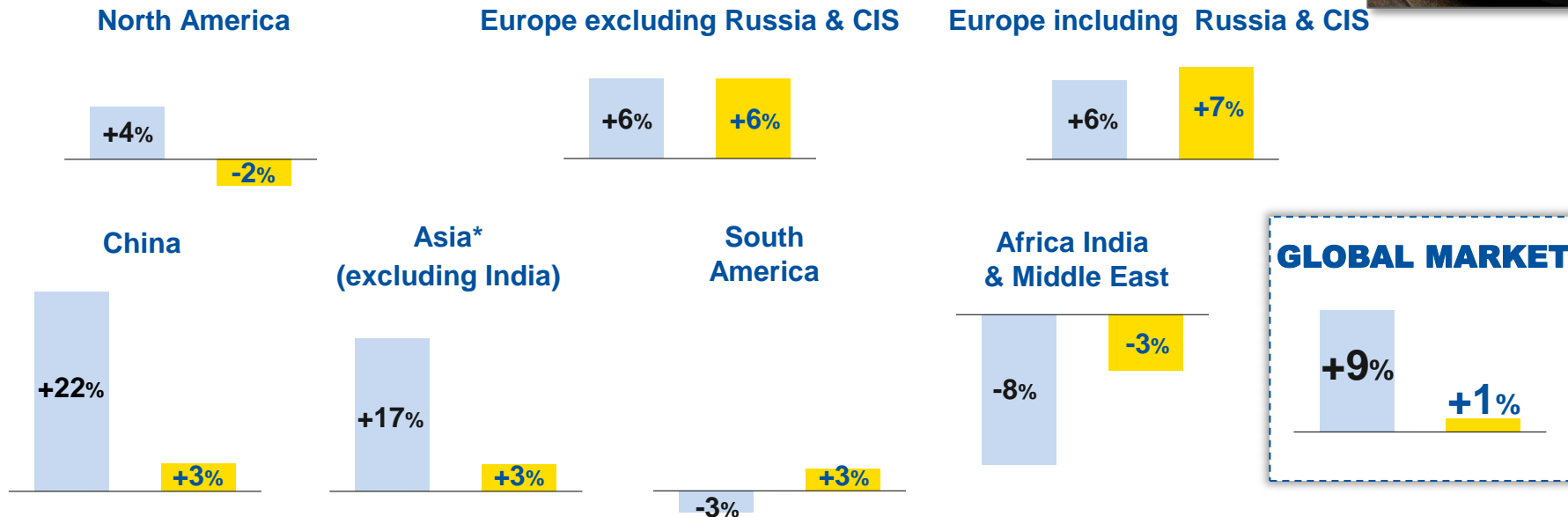


Source: Michelin

# Truck: strong growth in OE led by China, Europe and, in Q2, North America; RT up everywhere except the US and India



▲ Truck tire market at June 30, 2017/2016  
(YoY in %, in number of new tires)



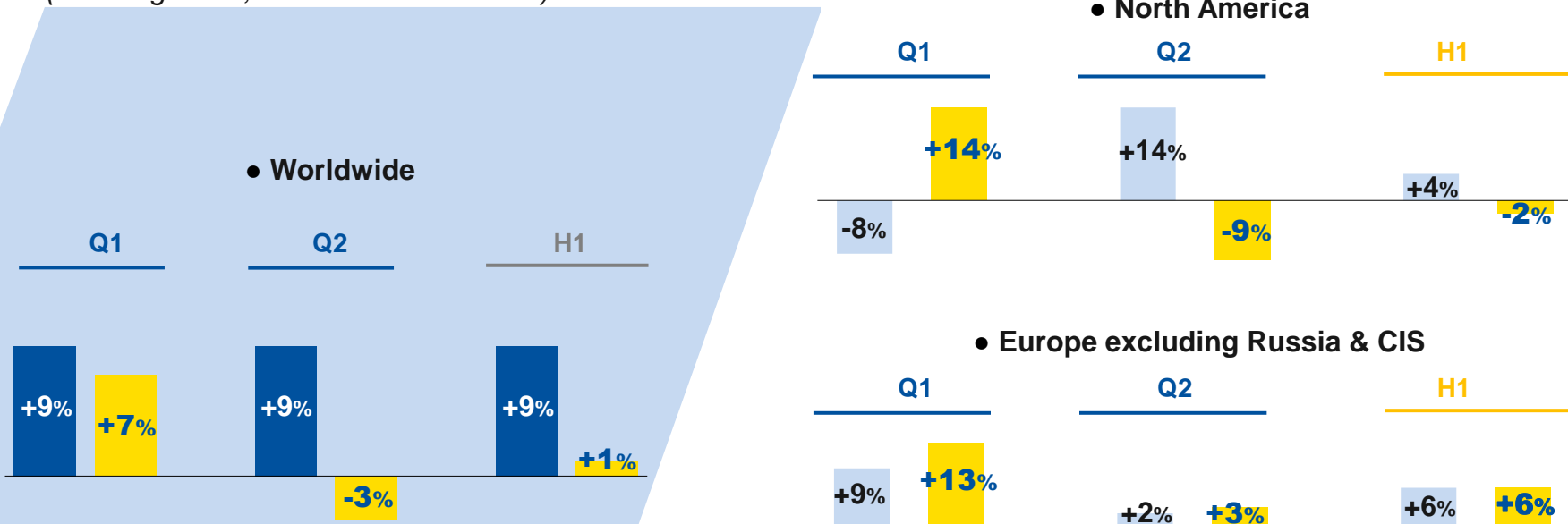
\* including China  
Source: Michelin

■ OE ■ RT

# Truck: very different quarters in RT due to Q1 buying ahead of price increases and in North American OE, which rebounded in Q2

## ▲ Truck tire markets – H1 2017

(% change YoY, in number of new tires)



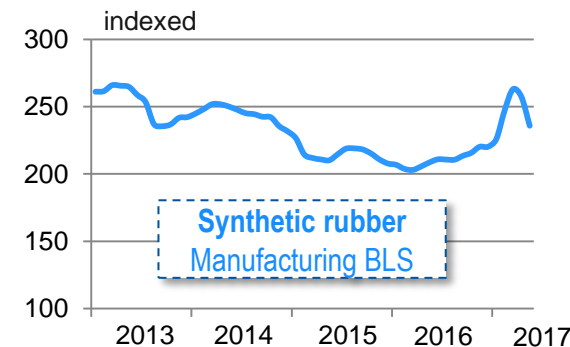
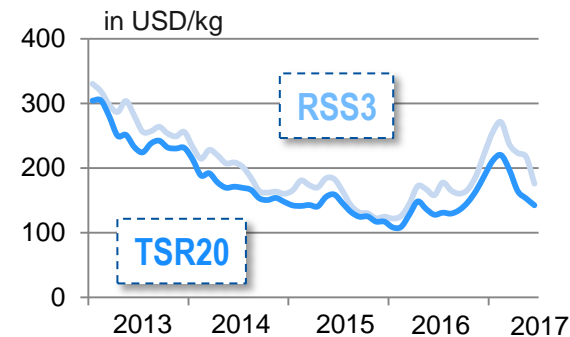
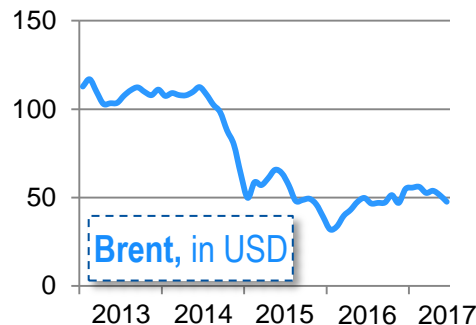
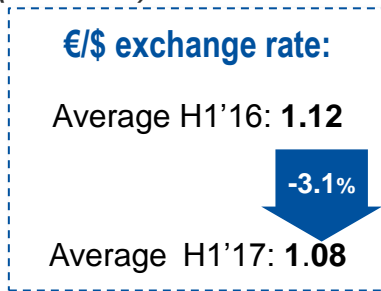
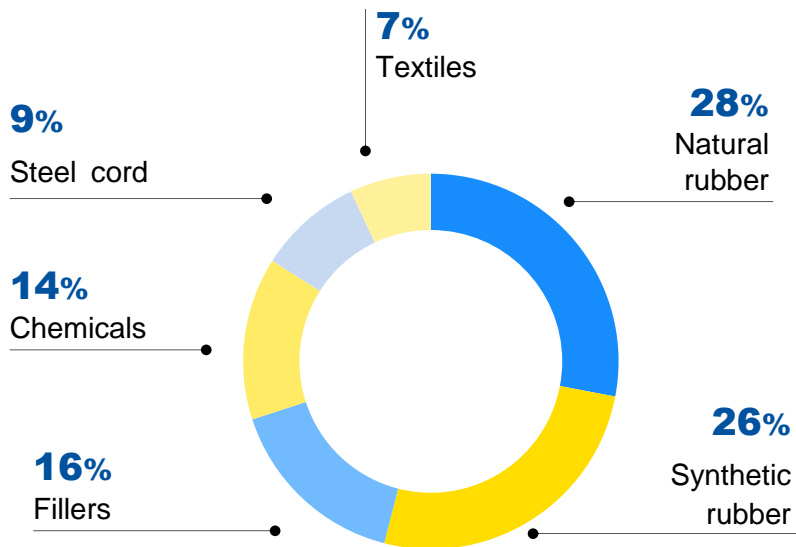
OE RT



Source: Michelin

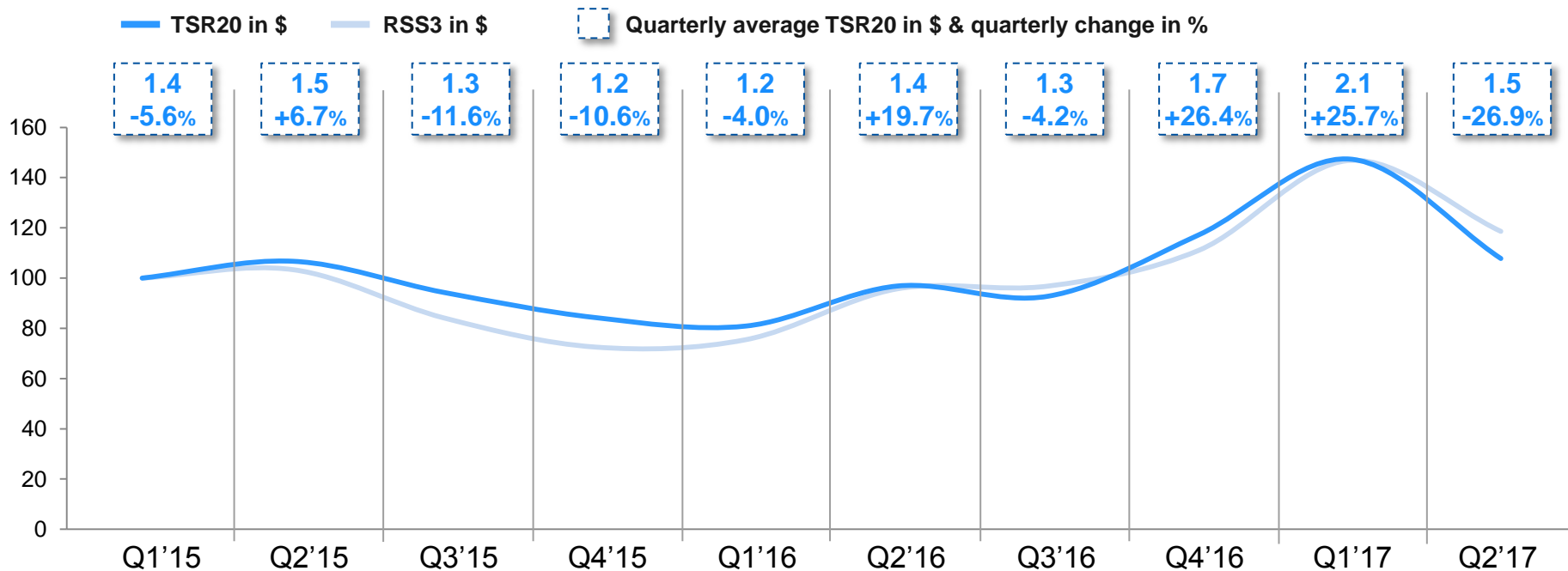
# Raw materials in H1 2017

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



# Natural rubber price trend

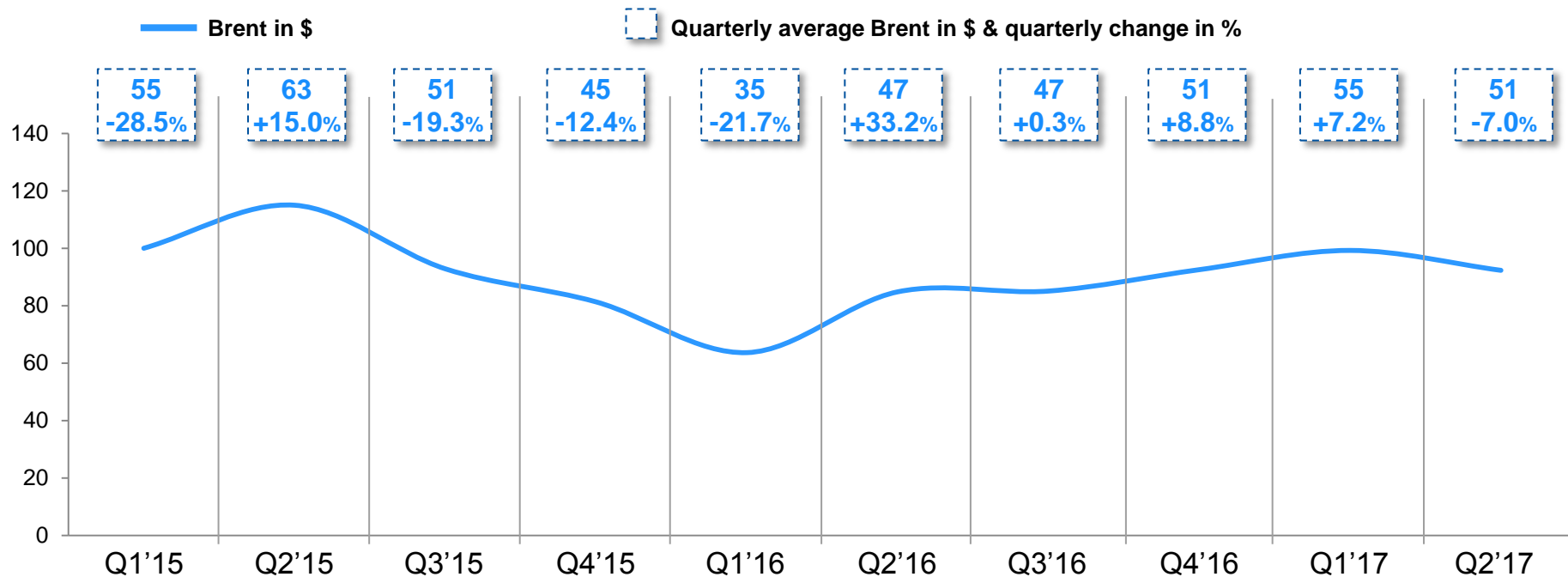
▲ At end-June 2017 (per kg, base 100 in Q1'15)



Source: SICOM

# Brent price trend

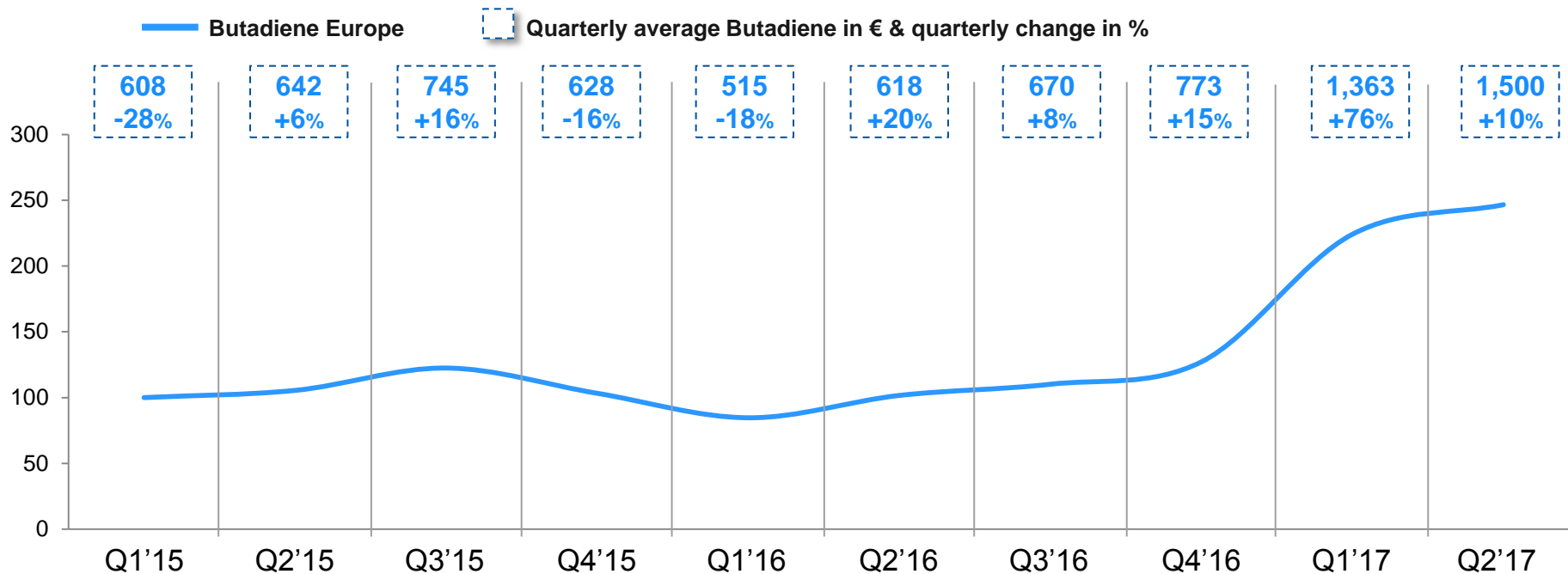
▲ At end-June 2017 (per barrel, base 100 in Q1'15)





# Butadiene price trend

▲ At end-June 2017 (per ton, base 100 in Q1'15)



Source: IHS

# 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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