



Copenhagen  
May 23, 2017

## **Equita Nordics**

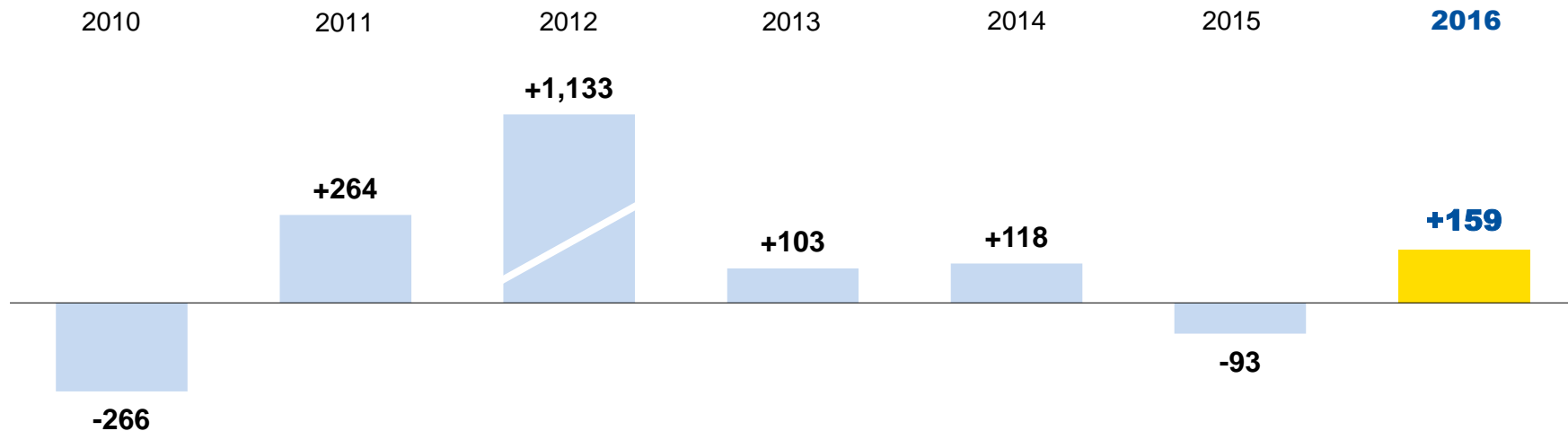


# 2016: a year of progress, in line with our 2020 roadmap

	2016 guidance		2016 actual
Volumes	Above-market growth	✓	+2.1%
Operating income from recurring activities at constant exchange rates	> 2015	✓	€2,692m up €235m
Structural FCF	> €800m	✓	€961m

# Improvement in unit margin due to effective pricing management over time

▲ Net effect of price mix and raw materials prices on operating income  
(in € millions )



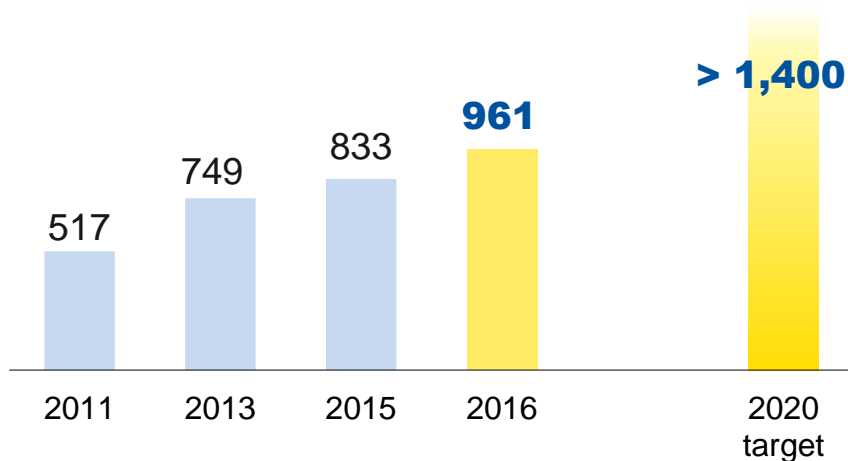
# New 2017-2020 competitiveness plan: €1.2bn targeted over 4 years only

Objectives met 

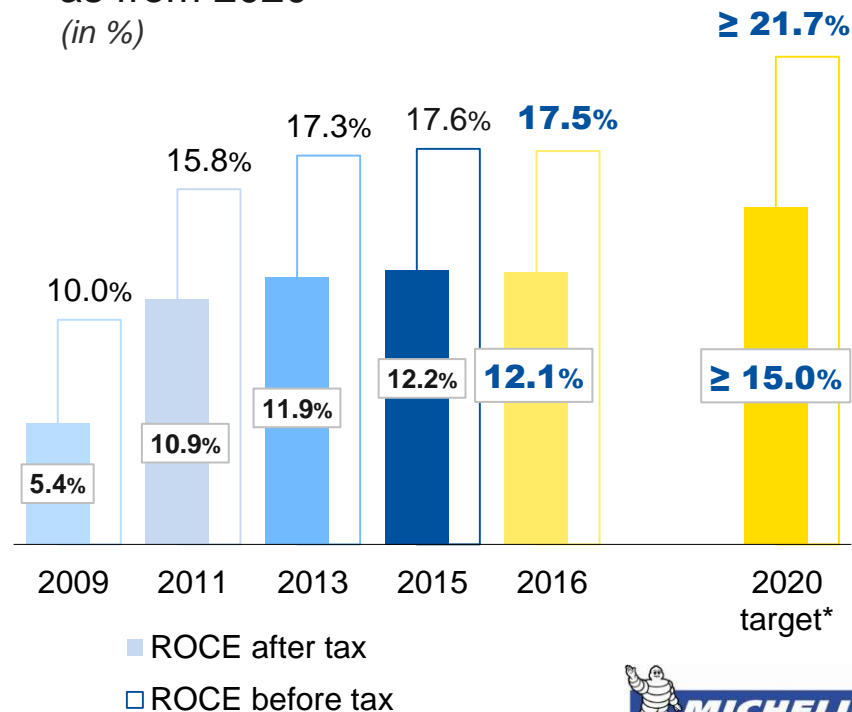
<i>In € millions</i>	2007-2010 plan Target: €1,000m	2012-2016 plan Target: €1,200m	2017-2020 plan
SG&A	251	522	500/550
Manufacturing -Transport	406	448	450/500
Raw materials	365	227	150/200
<b>Total</b>	<b>1,022</b>	<b>1,197</b>	<b>~1,200</b>

# 2016 performance in line with 2020 objectives

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



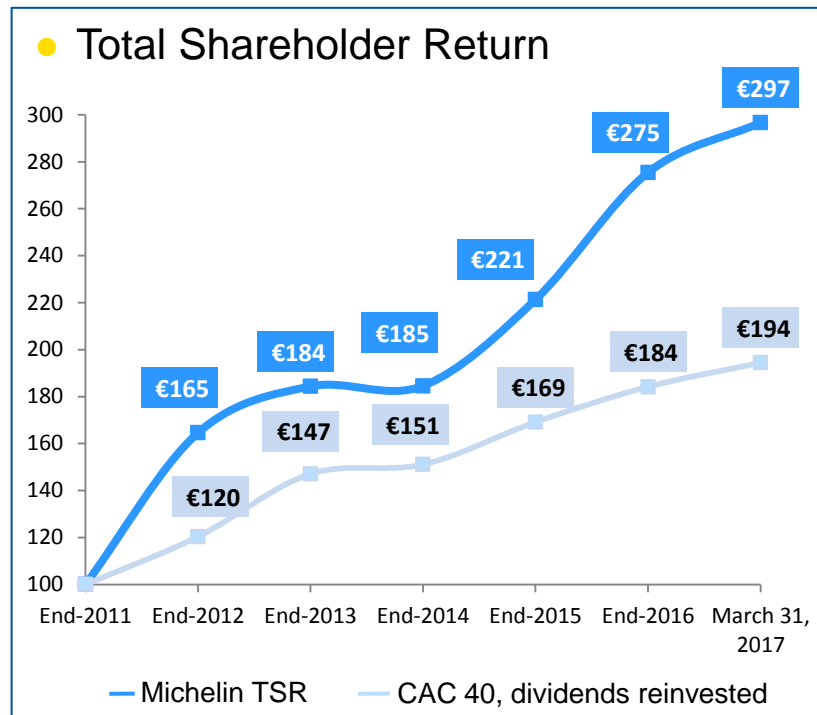
▲ Deliver an after-tax ROCE ≥ 15%  
as from 2020  
(in %)



\* At constant scope of consolidation excluding goodwill

# Sustained shareholder return policy: dividends and share buybacks

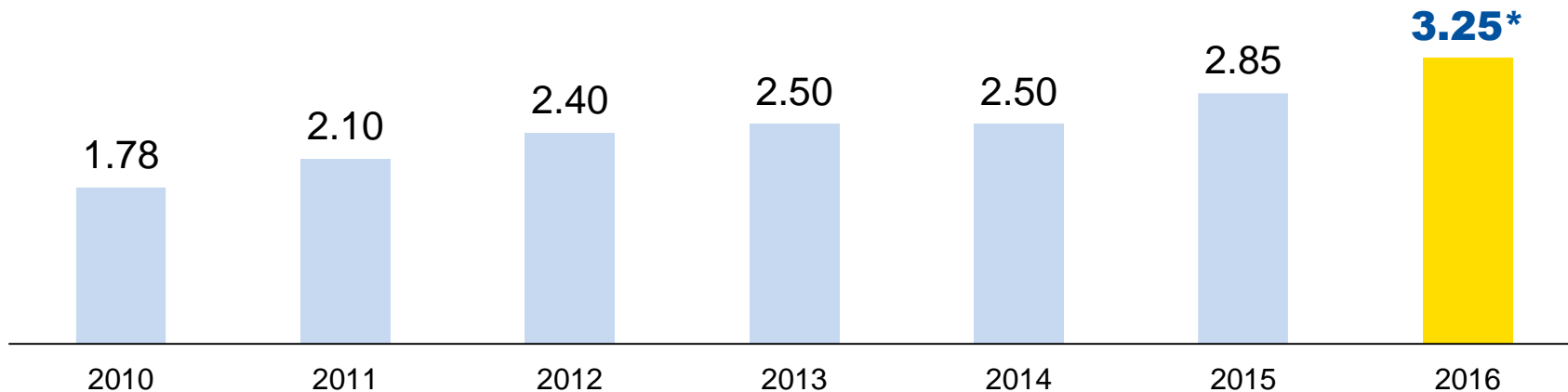
- Share buyback program
  - €750m committed in 2015-2016 and cancellation of 4.5% of outstanding shares
  - 2017: €100m in buybacks planned to offset the dilutive impact of share-based compensation
- Payout commitment
  - At least 35% of net income before non-recurring items
  - 2016: €3.25\* per share, representing a payout ratio of 36.5%



\* Subject to shareholder approval at the Annual Meeting on May 19, 2017

# Dividend increase in line with Group gains

▲ Per share data (in €)



**2013-2020 payout ratio:  $\geq 35\%$  of consolidated net income**  
(before non-recurring items)

\* Subject to shareholder approval at the Annual Meeting on May 19, 2017

# 2017 guidance: 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 effect vs. raw materials	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* Adjusted for the payment in January 2017 of the €193m in interest on the zero-coupon Océanes 2017 convertible bonds



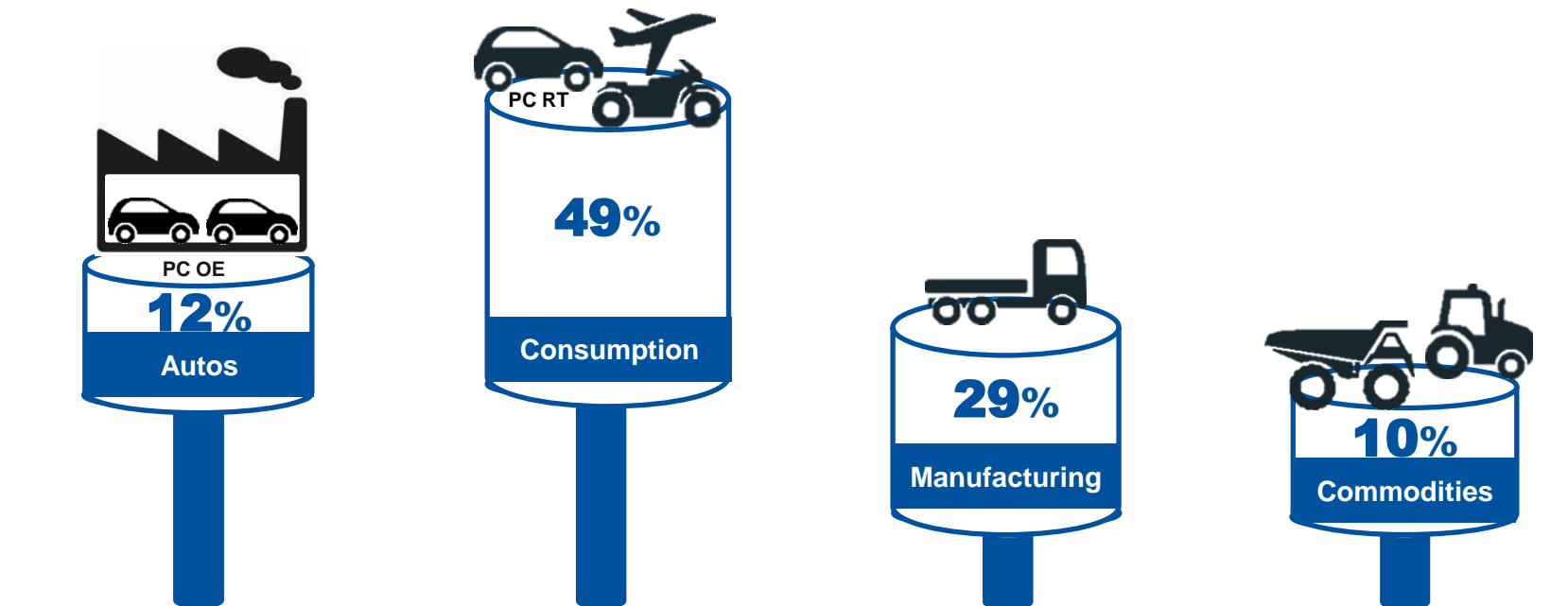
# Worldwide price increases for Michelin

Europe	North America	South America	China	ASEAN
Up to 8% over the first four months	Up to 8% from Feb. to April	Up to 3% in January	Up to 8% in February	Up to 8% in March-April

- Further price increases have been announced in Europe in the Truck (up 5% to 8% from May), Passenger car and Light truck (up 2% to 3% from June), and Agricultural (up 12% from July) segments.

# A business model strongly linked to consumption

## ▲ Net sales by drivers



2016 net sales by sector

May 23, 2017

## Equita – Nordics



- 1 / Q1 2017 Net Sales up 10% boosted by growth (+7,3%)**
- 2 / 2017 guidance**
- 3 / On the road to 2020**

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**1** / **Q1 2017: Net sales up 10%  
boosted by growth (+7,3%)**

# Q1 2017: €5.6 billion in net sales (up 10%), with strong growth in volumes

- Generally expanding market environment
  - Sustained OE demand
  - RT demand buoyed by early buying ahead of price increases
  - Rebound in Mining tire demand
- Q1 volumes up 7.3%, lifted by early dealer buying and the recovery in Mining tire sales
- The price-mix effect reduced net sales by just 0.1%, a sharp improvement led by:
  - The success of the new tire and services solutions aligned with customer needs
  - The favorable mix effect, primarily reflecting 31% growth in volumes in the premium 18”+ segment
- 2017 guidance confirmed, in line with our 2020 objectives

# Q1 2017 markets lifted by early buying ahead of RT price increases



## PASSENGER CAR: +5%

**Global OE: +4%**  
**Global RT: +5%**

- Robust demand in every region



## TRUCK: +8%

**Global OE: +9%**  
**Global RT: +7%**

- OE: sustained firm growth in China and Europe, declines in North and South America
- RT: demand boosted by price increases and by favorable global freight conditions



## SPECIALTY: +9%/+11%

- Mining tires: rising demand led by the end of destocking
- RT Agricultural and Infrastructure tires: markets supported by price hikes
- OE Agricultural: stable
- Aircraft\* and Two-Wheel\*\* tires: continued growth

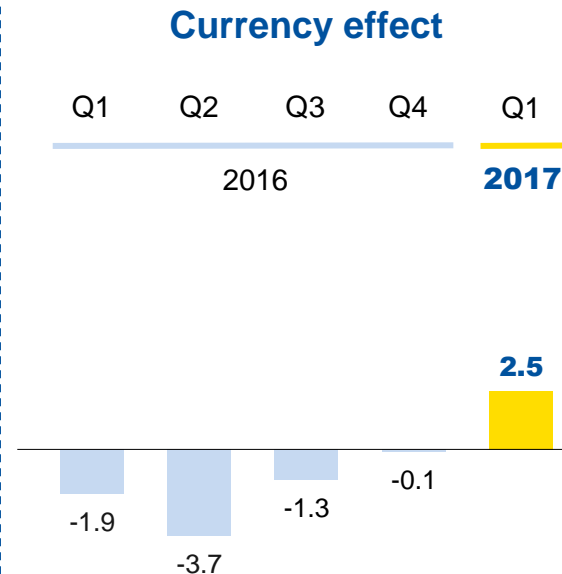
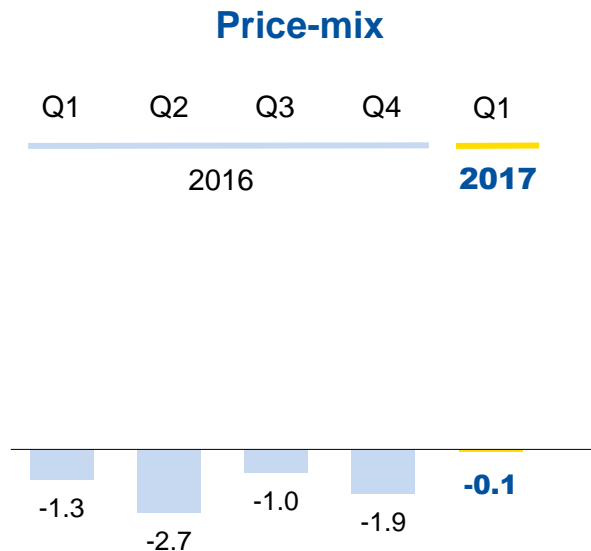
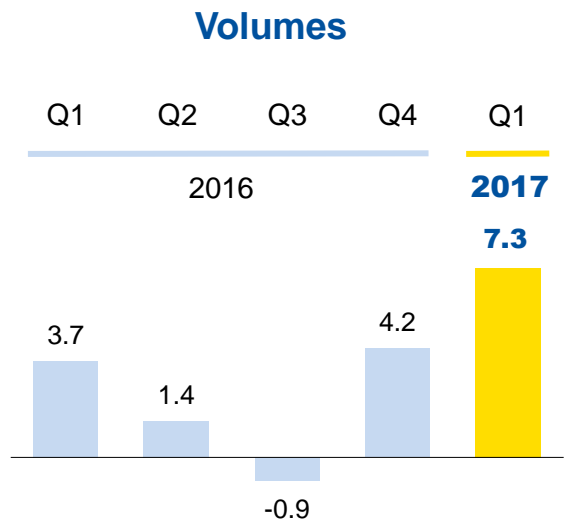
\* Commercial aircraft

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






# Strong growth in volumes vs. a high basis of comparison and price-mix stabilizing ahead of price increases

▲ YoY quarterly change  
(in %)



# Improved Group positions

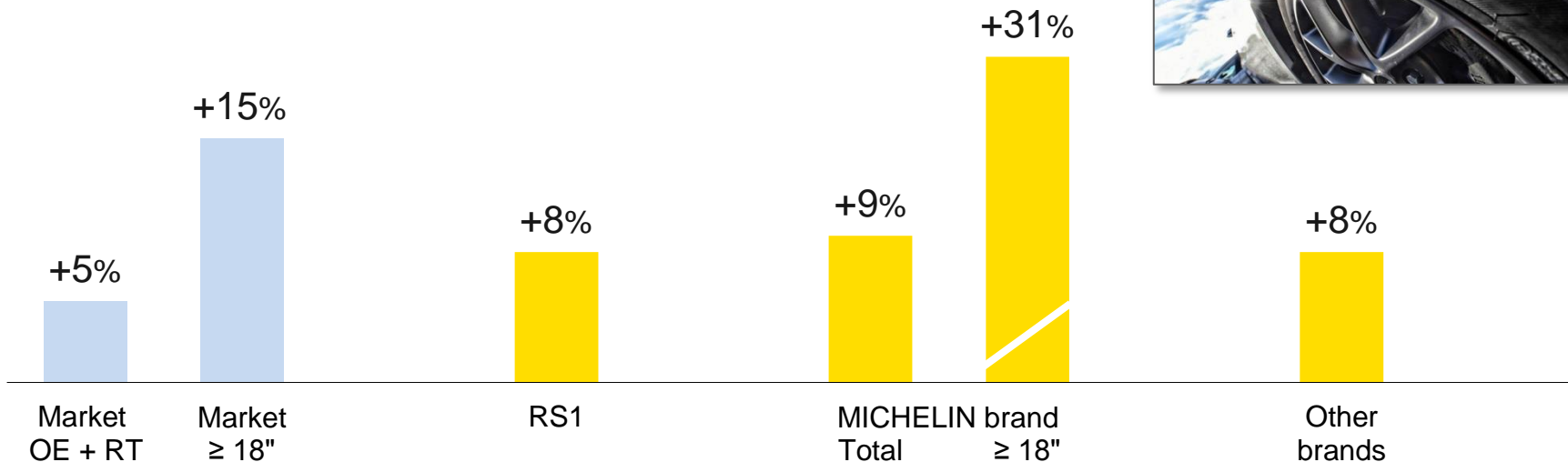
(in € millions and % in tonnes)

	Q1 2017	Q1 2016
 RS1 net sales <i>Volume growth</i>	3,201 +8%	2,897 +4%
 RS2 net sales <i>Volume growth</i>	1,518 +3%	1,430 +3%
 RS3 net sales <i>Volume growth</i>	848 +14%	738 +0%



# Passenger car and Light truck tires: solid performance across all brands and in every segment

## ▲ Passenger car and Light truck growth (YoY)



Source: Michelin

# Product launches driving volume and market share gains

## Passenger Car

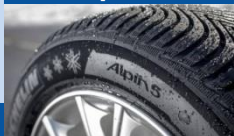
MICHELIN CrossClimate +



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 / 2017 guidance

# Markets in 2017: early-year growth driven by price increases



## PASSENGER CAR: +2%/+3%

### Growth in line with long-term trends

- Slowing momentum in the North American and European markets
- Still buoyant demand in China
- Recovery in the other regions



## TRUCK: +0%/+2%

### Growth in line with long-term trends

- China: Return to growth in the world's largest market
- Europe: Moderate growth
- North America: Another period of decline in OE and strong demand holding firm in RT



## SPECIALTY: +3%/+5%

- Of which Mining tires: +8%/+10%
- Of which Agricultural tires: stable

**PC Tire Market:** Eroding replacement markets in Europe, North America and China following earlier pre-buy and one fewer day of sales; demand volatility in Brazil in still fragile economic background. OE sales decreasing in all zones notably driven in Europe by fewer number of days of sales and slower exports, in the US and China by stepped down vehicle sales and in Brazil by a calendar effect.

### ▲ April 2017/2016

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▼ -15%	▼ -16%	▼ -4%	▼ -1%	▼ -3%
Replacement	▼ -4%	▼ -5%	▼ -4%	▲ +0%	▲ +2%

### ▲ YTD April 2017

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +0%	▲ +0%	▲ +1%	▲ +12%	▲ +4%
Replacement	▲ +3%	▲ +2%	▲ +1%	▲ +7%	▲ +9%

\* Turkey included

**TB Tire Market :** Still improving Europe replacement market based on some further pre-buy, better economic environment, despite one fewer day of sales; North America demand weaker following price hikes and strong early-year Chinese imports; OE markets trending down in Europe and Brazil due to fewer days of sales and still downwards demand in the US.

### ▲ April 2017/2016

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▼ -7%	▼ -9%	▼ -8%	▼ -16%
Replacement	▲ +1%	▲ +2%	▼ -7%	▼ -15%

### ▲ YTD April 2017

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +5%	▲ +5%	▼ -6%	▼ -7%
Replacement	▲ +9%	▲ +8%	▲ +5%	▲ +9%

\* Turkey included



# 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 in interest on the 2017 Océane zero-coupon convertible bonds.

# 2017 scenario\*: H1 lifted by volumes and H2 by price increases

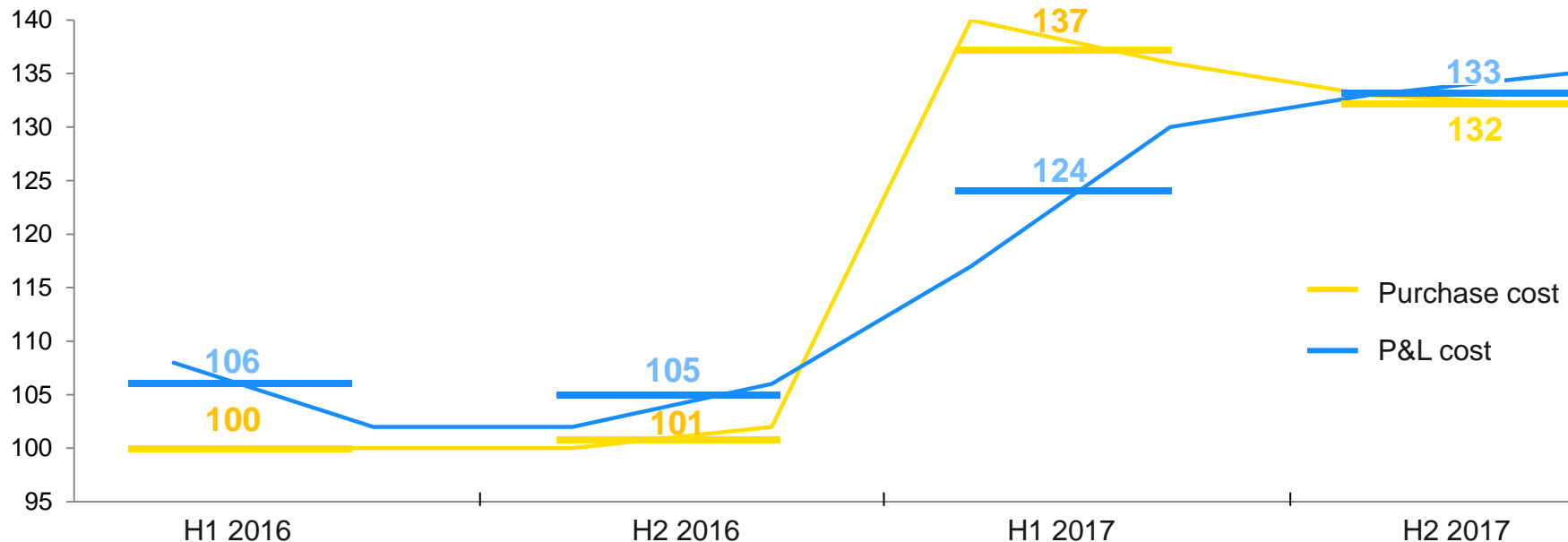
	H1 2017	2017
Impact of raw materials costs		Around €900m headwind
Currency effect		Around a positive €100m
Net price-mix/raw materials effect	€100-200m headwind	Indexed businesses: negative Non-indexed businesses: neutral
Competitiveness plan gains vs. inflation		Slightly positive

\* Based on the following prices: natural rubber: \$2/kg; butadiene (US and Europe): \$1,600/T; brent: \$55/bbl; EUR/USD: \$1.06



# Raw materials: a negative impact mainly in H2

▲ 2017 assumptions per half



# Worldwide price increases for Michelin

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# 3 / On the road to 2020

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

	Tires	Services	Experience	Materials
2015-2020 objectives	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

# Investor calendar

- **Upcoming events:**

- **July 25, 2017 after close of trading:** First-half 2017 results
- **October 19, 2017 after close of trading:** Third-quarter 2017 net sales

- **Dividend dates:**

- **May 24, 2017:** Ex-dividend date
- **May 25, 2017:** Record date
- **May 26, 2017:** Payment date



**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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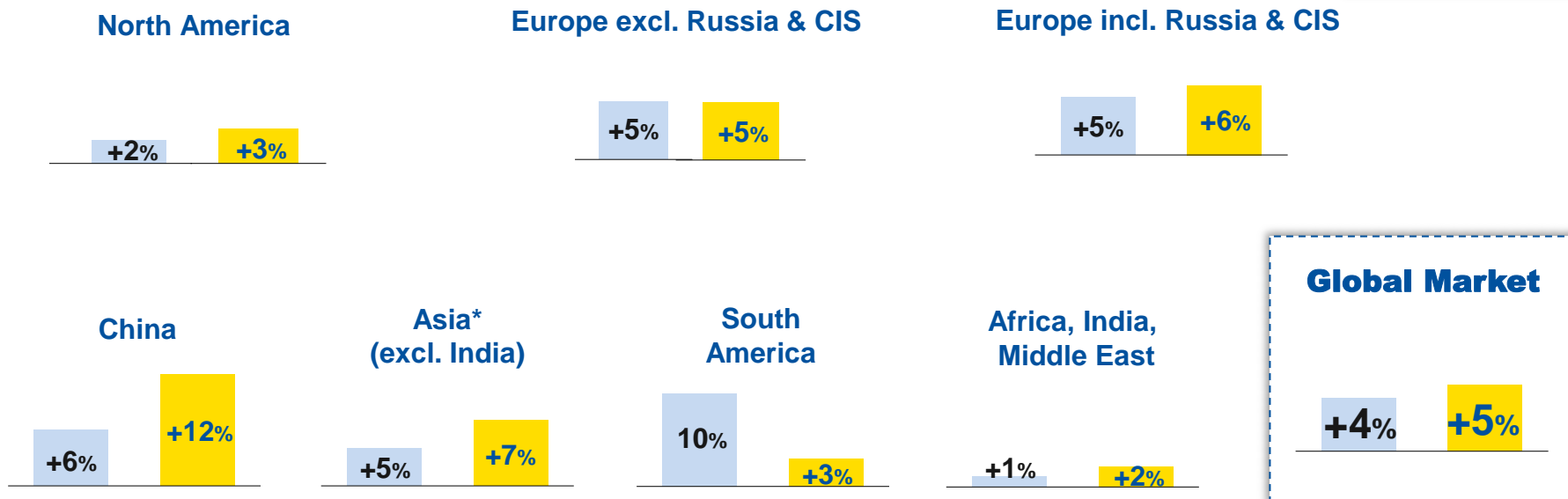


# Appendices

# PC and Light truck tires: Robust demand in every region and segment, lifted by early dealer buying



▲ Passenger car and Light truck market at March 31, 2017  
(YoY in %, in number of tires)



\* Including China  
Source: Michelin

■ OE ■ RT

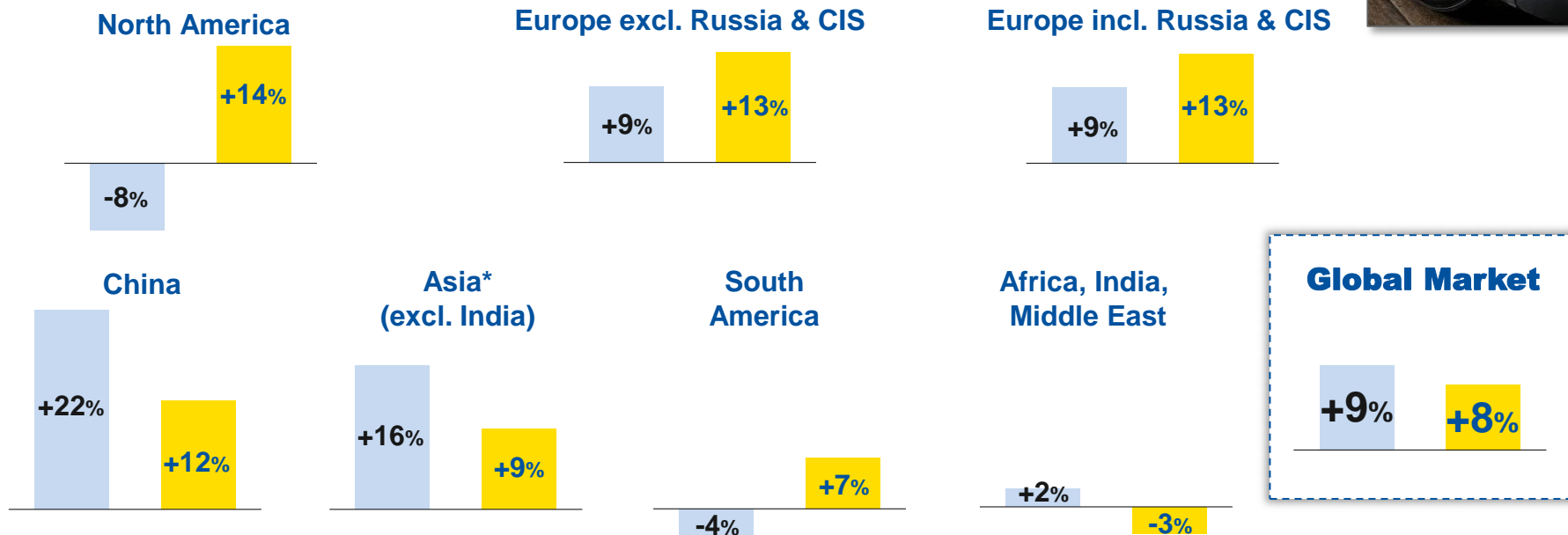




# Truck & Bus: rebound in global market fueled by sharp growth in China and sell in pre-buy



▲ Truck tire market at March 31, 2017  
(YoY in %, in number of new tires)



\* Including China  
Source: Michelin

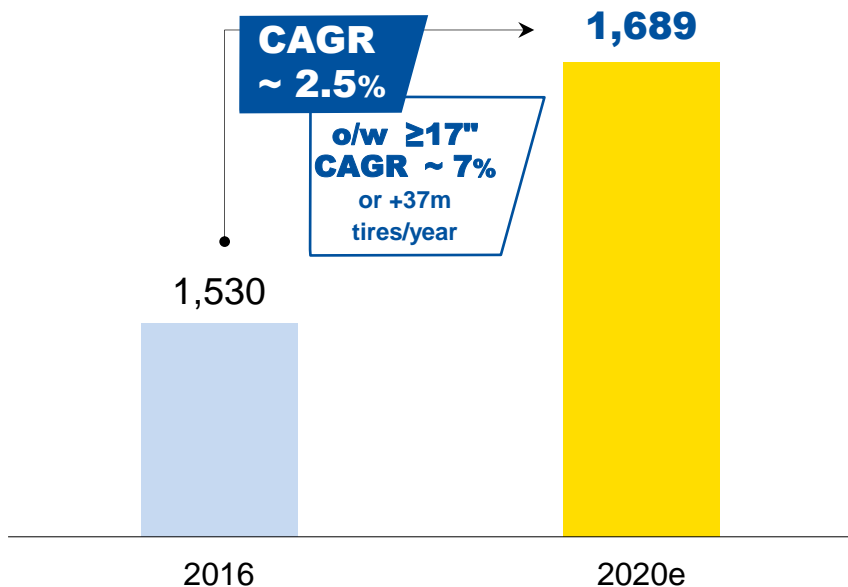
■ OE ■ RT



# 2016-2020 projections: growing worldwide demand

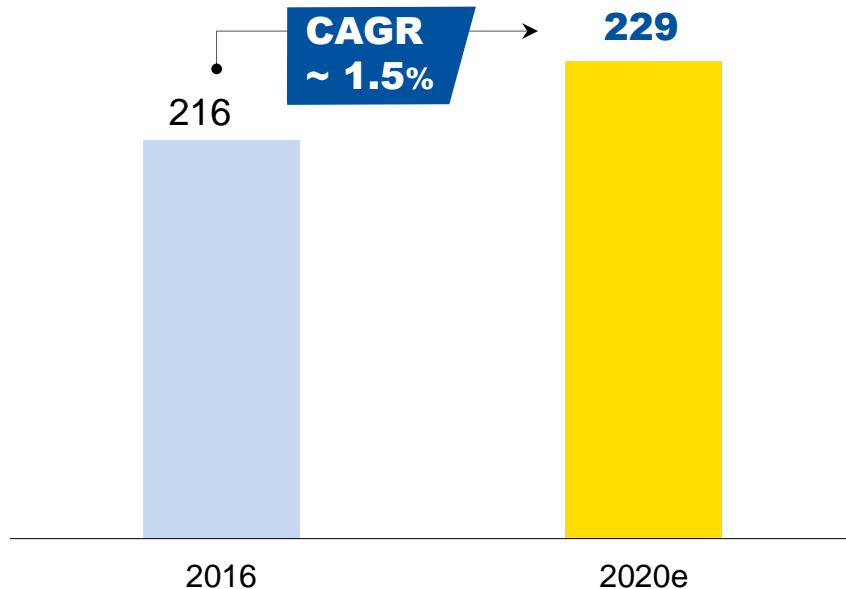
## ▲ PC OE&RT market projection

(in millions of units)



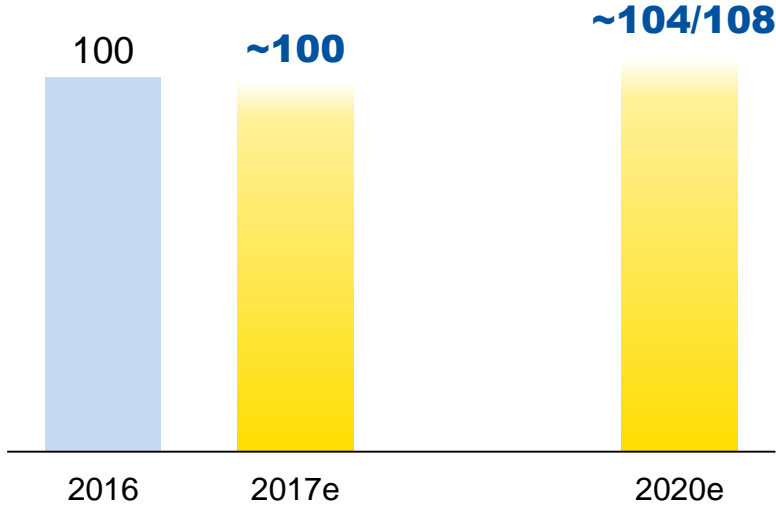
## ▲ TB OE&RT market projection

(Radial & Bias in millions of units)

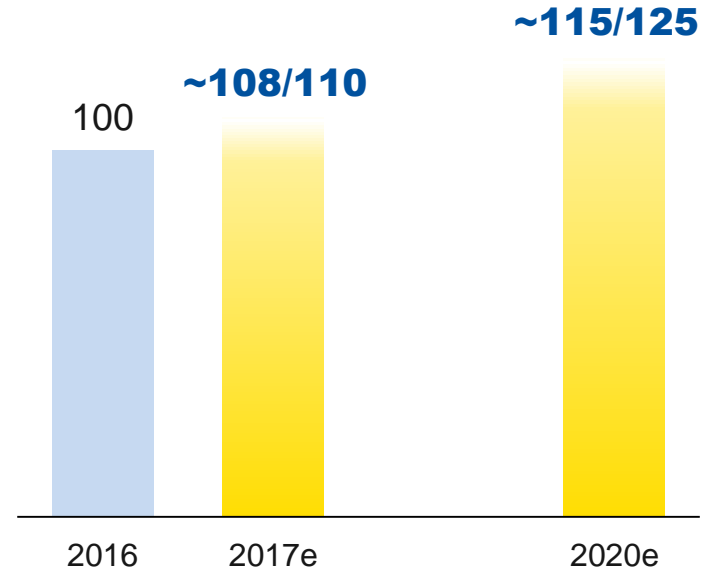


# 2017: Mining tires, return to growth – Agricultural tires, stabilizing before returning to growth

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



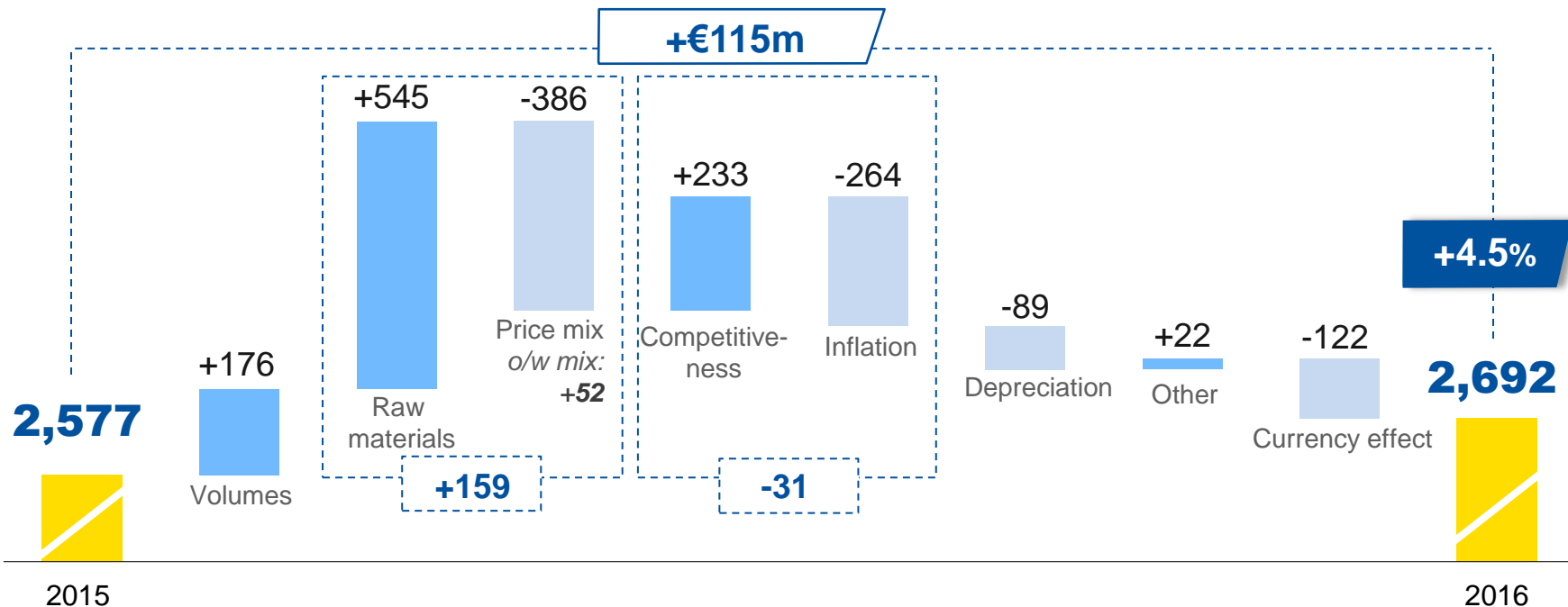
▲ Mining tires (base 100 in 2016, in tonnes)



\* OE & RT in Europe and North America

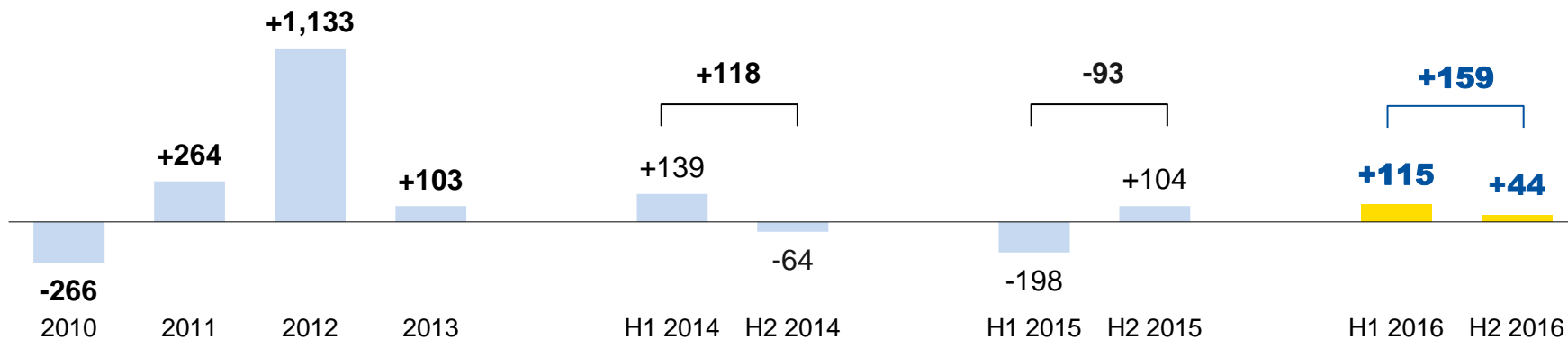
# 2016 Operating income up €237m at constant exchange rates

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



# Improvement in unit margin due to effective pricing management over time

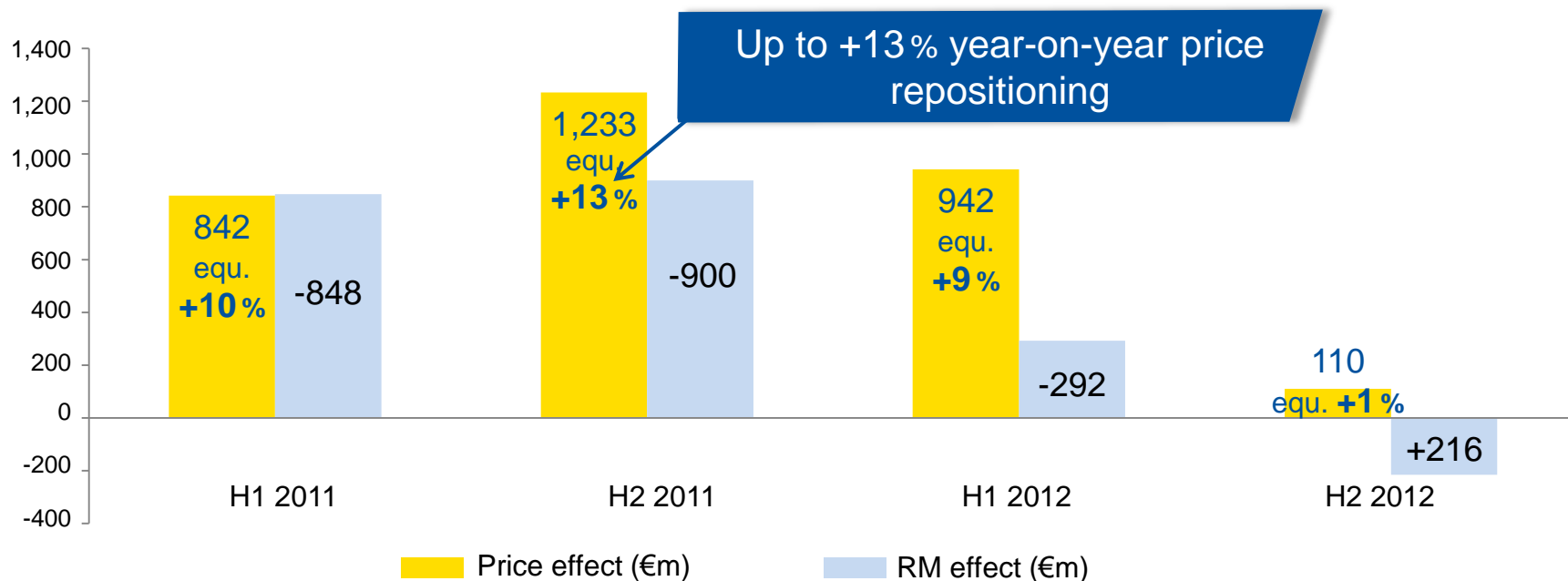
▲ Net effect of price mix and raw materials prices on operating income  
(in € millions)



- 2016: net impact of changes in price mix and raw materials costs was a negative €28m for indexed businesses and a positive €187m for the other businesses

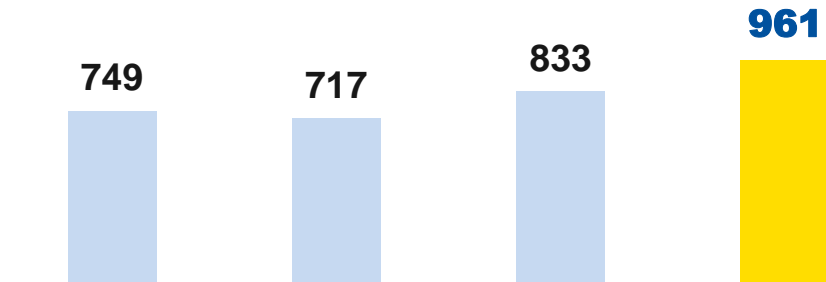
## Demonstrated ability to pass along sharp price increases in response to surging raw materials costs

▲ Price and raw materials effects by half year, 2011-2012; price increases (in € millions and % of net sales, YoY)



# A business that structurally generates free cash flow

## ▲ Structural free cash flow (in € millions)



	2013	2014	2015	2016
<b>Free cash flow <sup>(1)</sup></b>	<b>1,154</b>	<b>322</b>	<b>653</b>	<b>1,024</b>
Acquisitions <sup>(2)</sup>	0	(400)	(312)	(16)
WCR impact of raw materials costs <sup>(3)</sup>	405	177	132	79
WCR impact of year-end volumes <sup>(4)</sup>	nm	(172)	nm	nm
<b>Structural free cash flow <sup>(1) - (2) - (3) - (4)</sup></b>	<b>749</b>	<b>717</b>	<b>833</b>	<b>961</b>

# Investing to create value

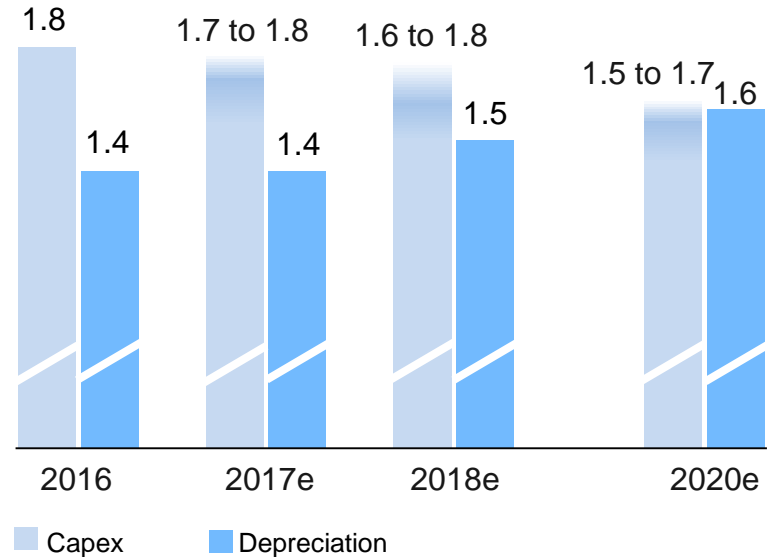
## ▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

- 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



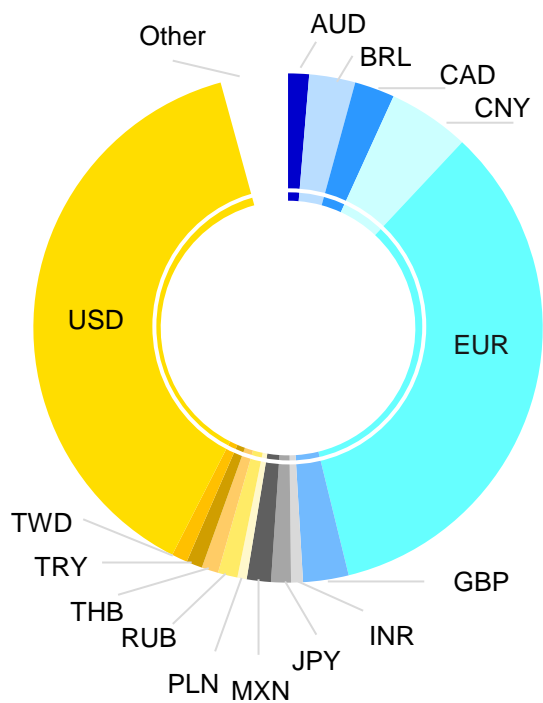
## ▲ Closing the gap between Capex and depreciation:

(in € billions, at current exchange rates)





# 2016 net sales by currency

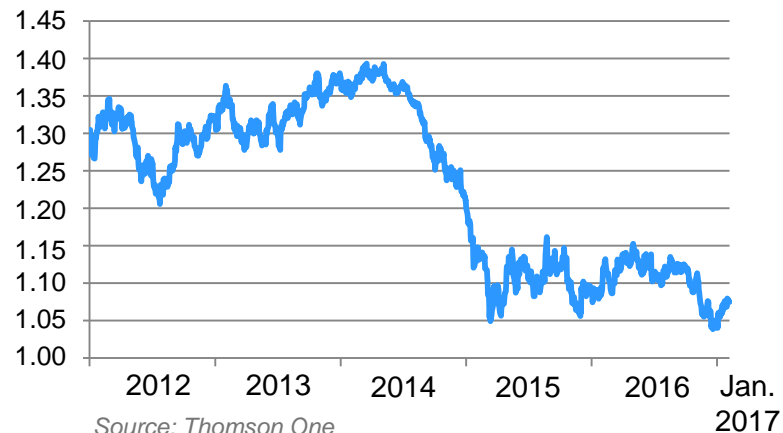


% of net sales	
AUD	1%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
TWD	1%
USD	38%
Other	4%

## 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.

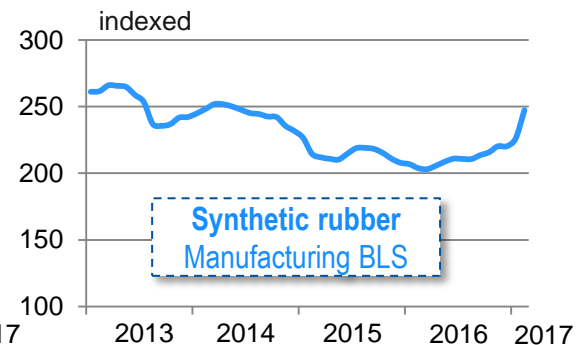
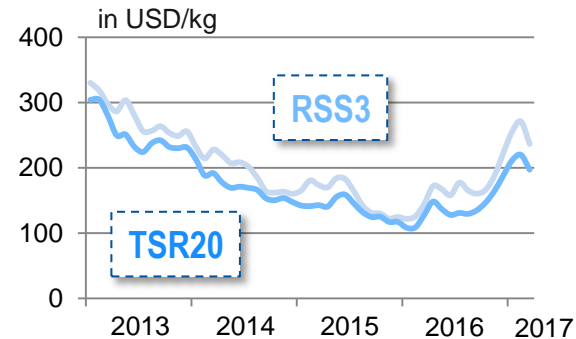
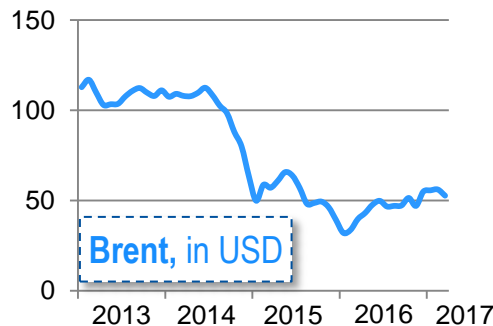
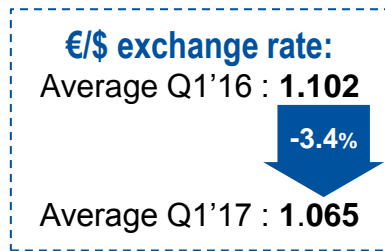
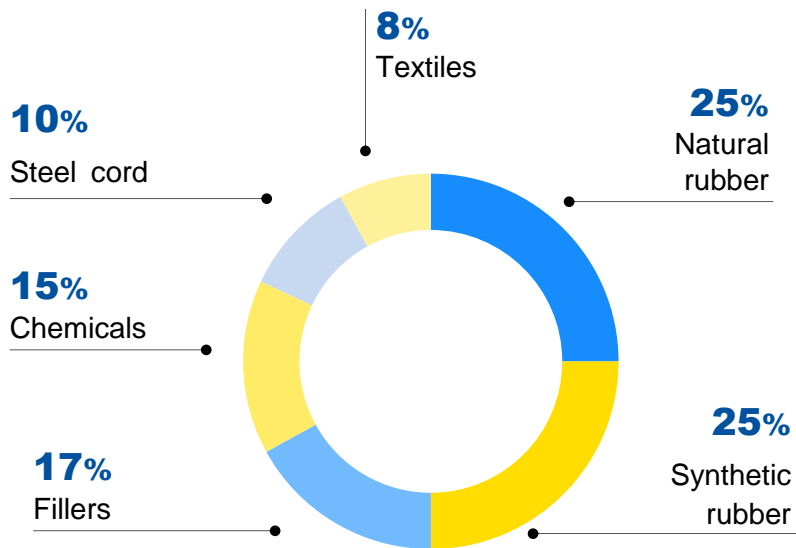
### ▲ €/€ exchange rate – 2012- Jan. 2017



Source: Thomson One

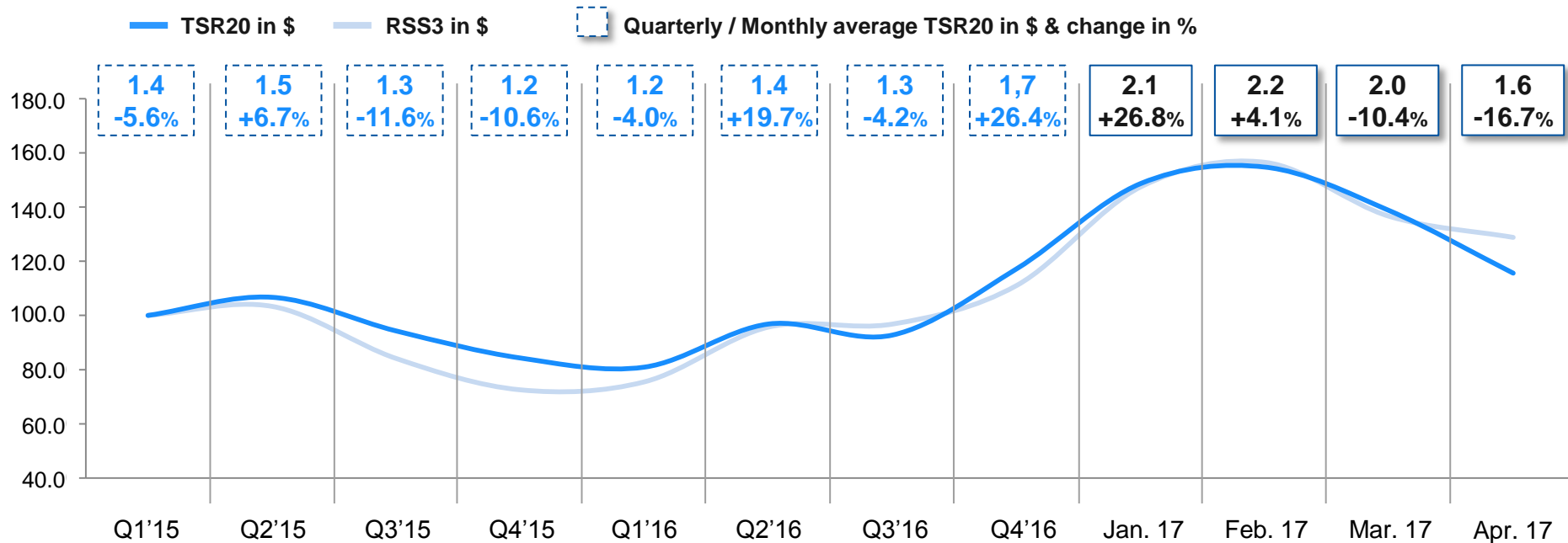
# Raw materials in 2016 and 2017

## ▲ Raw material purchases in 2016 (€4.3bn)



# Natural rubber price trend

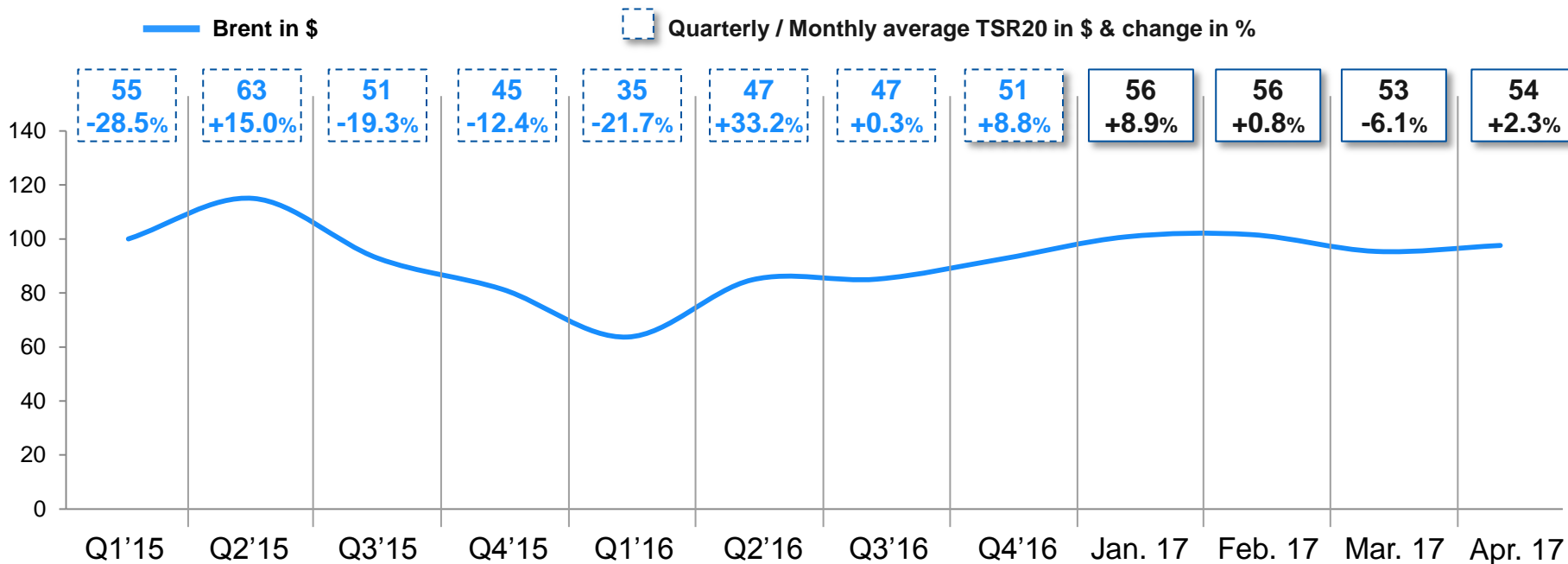
▲ Indexed, at end of April 2017 (per kg, base 100 in Q1'15)



Source : SICOM

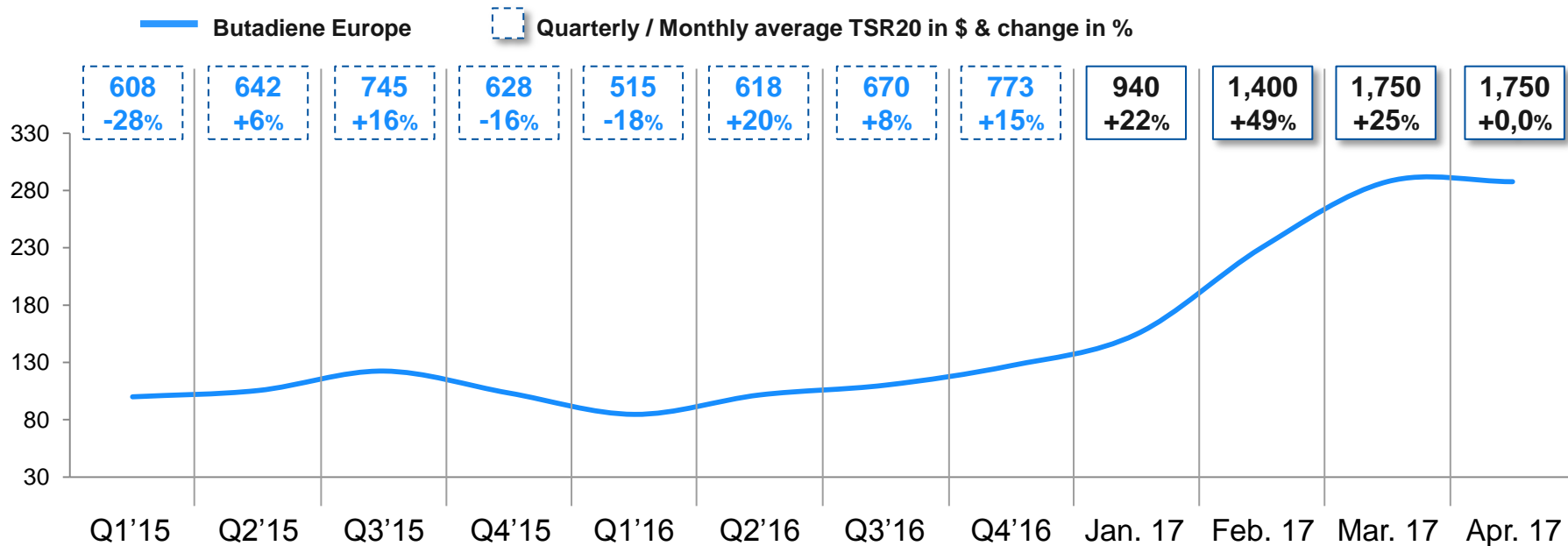
# Brent price trend

▲ Indexed, at end of April 2017 (per barrel, base 100 au Q1'15)



# Butadiene price trend

▲ Indexed, at end of April 2017 (per tonne, base 100 in Q1'15)

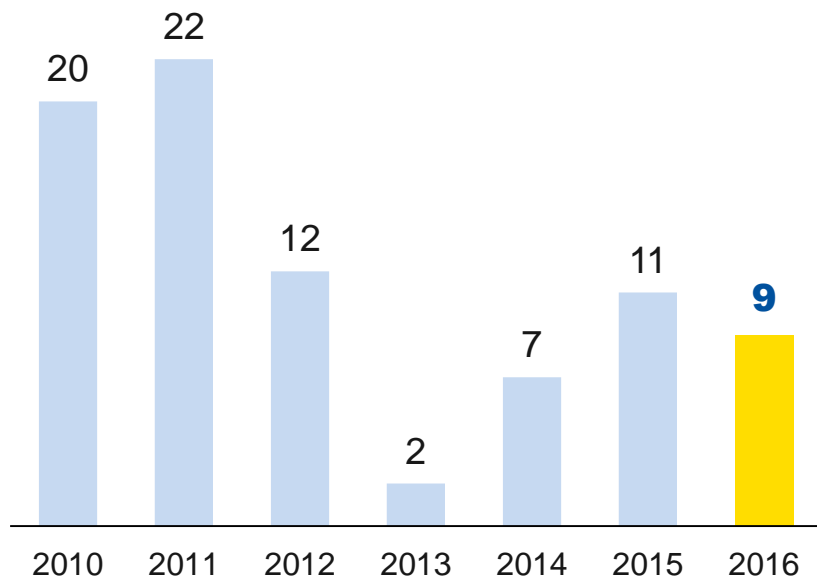


Source : IHS

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

## ▲ Gearing

Net debt/equity, in %

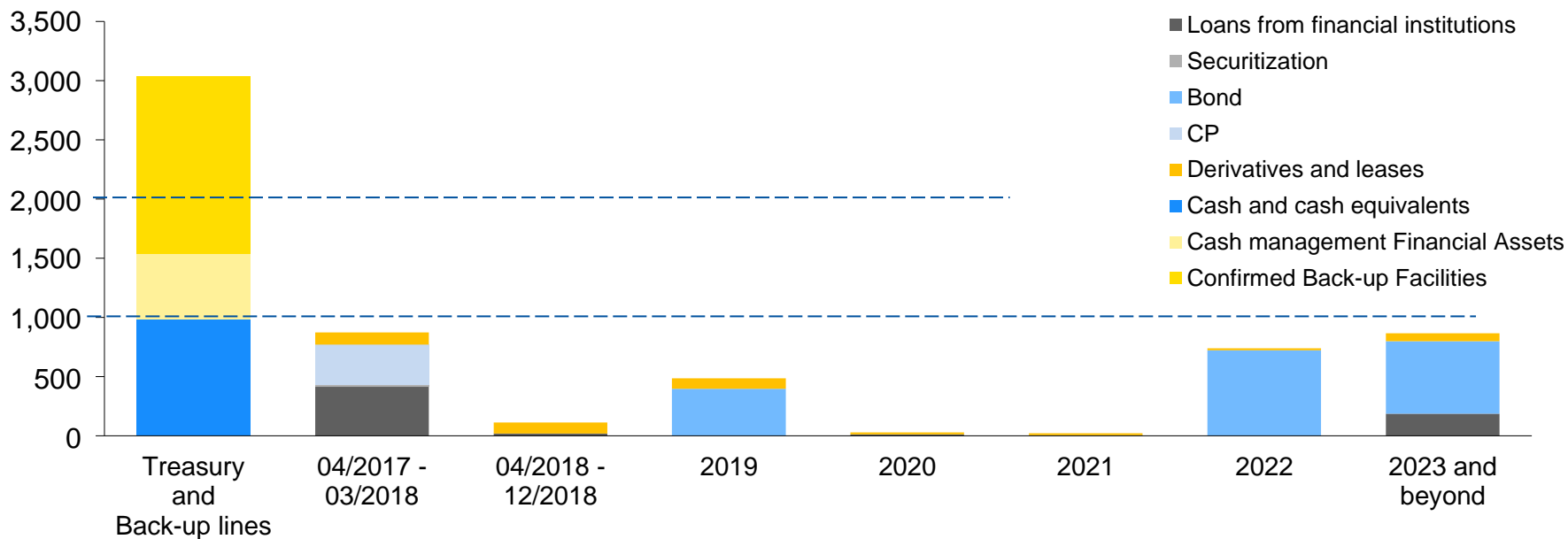


## ▲ Solid long-term ratings

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

# A comfortable cash position

## ▲ Debt\* maturities at Mar. 31, 2017 (book value, in millions €)



\* Including accrued interests

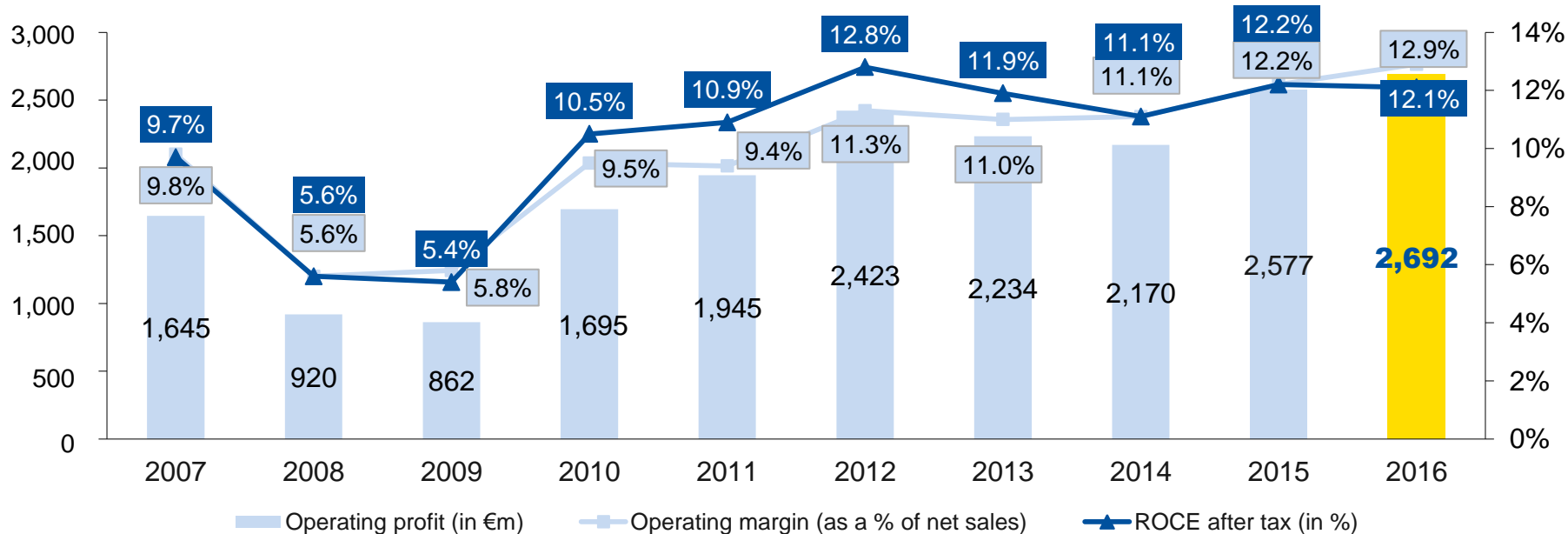


# Outstanding bond issues (as of May 5<sup>th</sup>, 2017)

Issuer	MICHELIN Luxembourg	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg	MICHELIN Luxembourg
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Bond	Convertible	Bond	Bond	Bond
Principal amount	€ 400 mn	\$ 500 mn + TAP \$100 mn	€ 300 mn	€ 300 mn	€ 302 mn
Offering price	99.912%	100% & 103,85%	99.967%	99.081%	98.926%
Rating corporation at Issuance date	BBB+ (S&P) Baa1 (Moody's) BBB+ (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)
Current corporation rating	A- (S&P) ; A3 (Moody's) ; A- (Fitch)				
Coupon	2.75% p.a	ZERO Conv premium 128%	1.125% p.a	1.75% p.a	3.25% p.a
Issue Date	June 11,2012	January 5, 2017 & April 25, 2017	May 19, 2015	May 19, 2015	September 21, 2015 & September 27, 2016
Maturity	June 20, 2019	January 10, 2022	May 28, 2022	May 28, 2027	September 30, 2045
Interest payment	Annual June 20	N/A	Annual May 28	Annual May 28	Annual Sept 30
ISIN	XS0794392588	FR0013230745	XS1233732194	XS1233734562	XS1298728707
Denomination	€ 1'000 with min. tradable amount € 1'000	\$ 200'000 with min. tradable amount \$ 200'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000

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

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

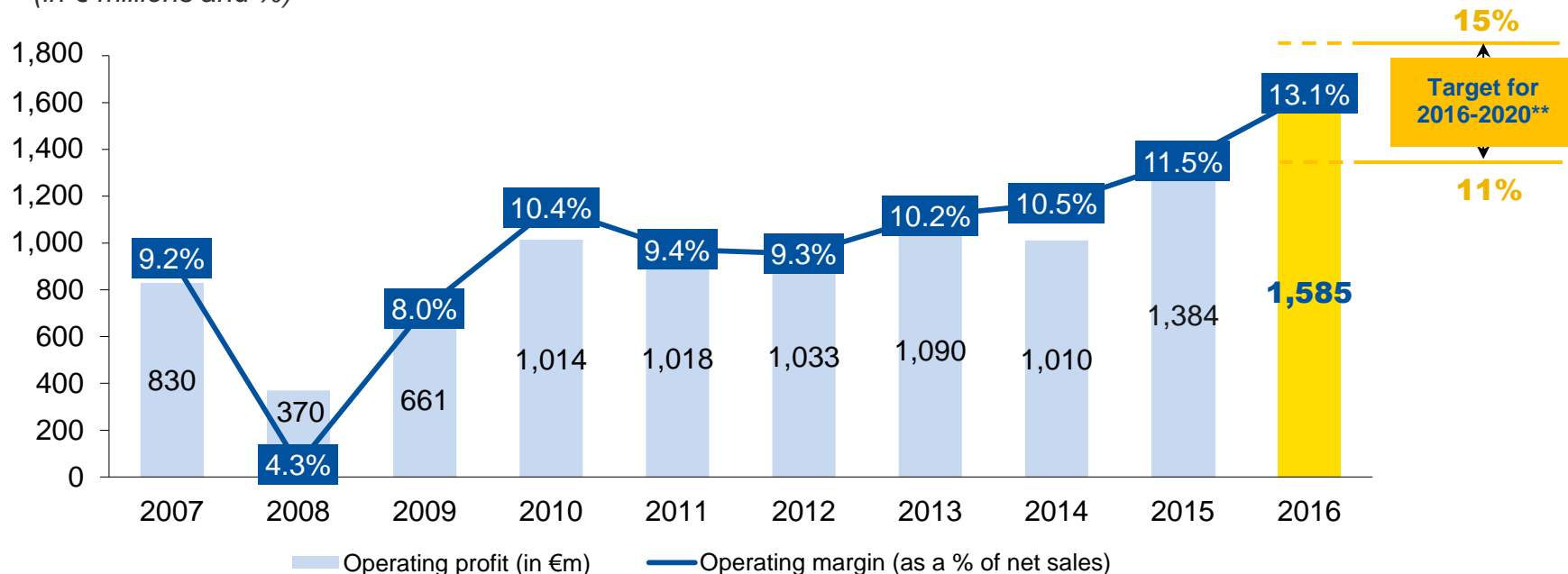


\* On recurring activities.

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

## ▲ RS1 operating income and margin\*

(in € millions and %)

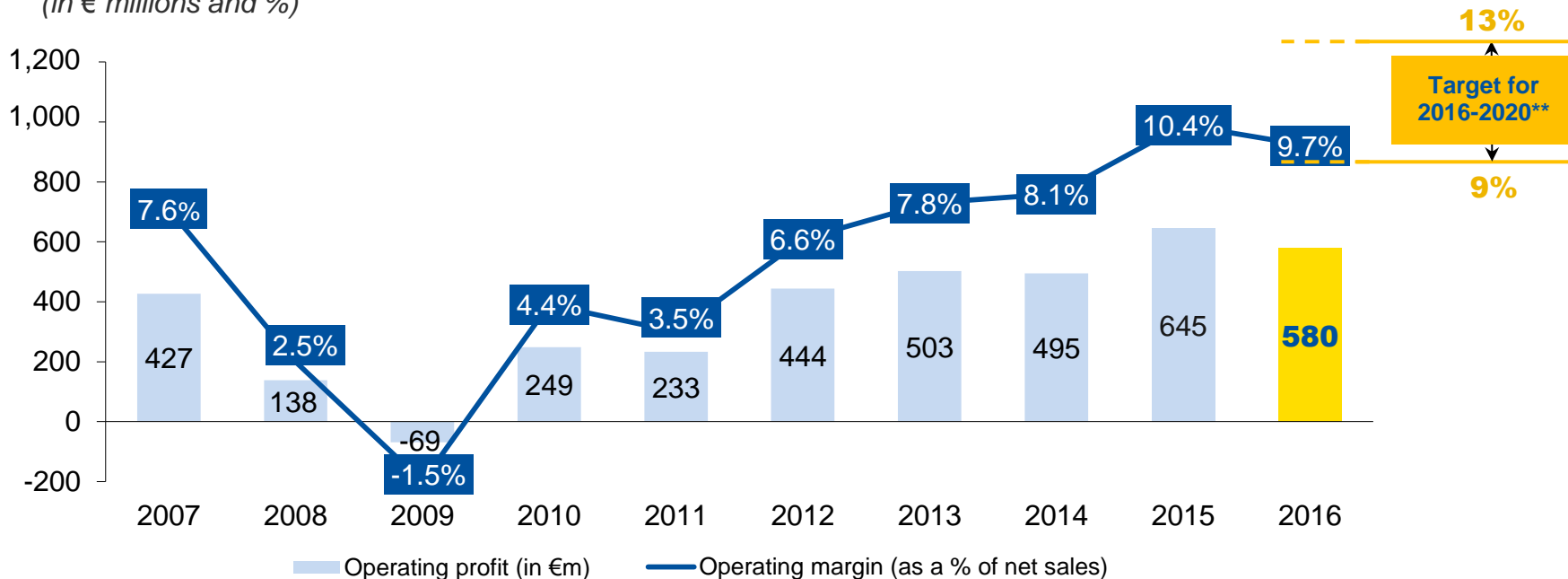


\* On recurring activities.

\*\* 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 %)

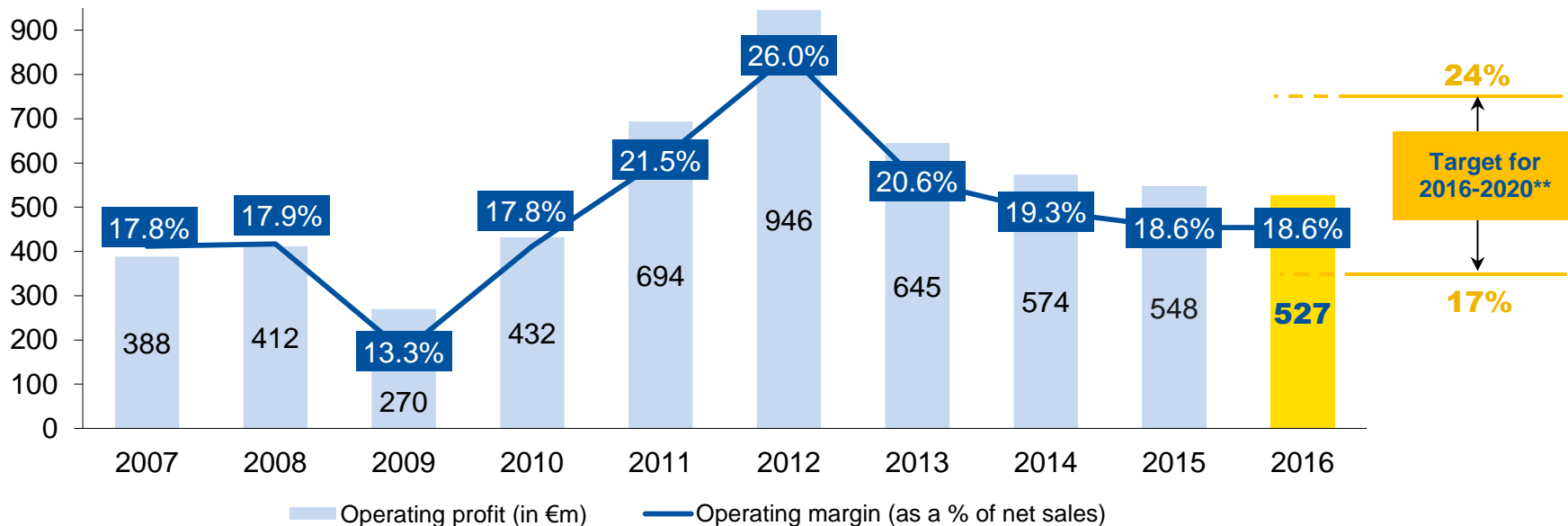


\* On recurring activities.

\*\* 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

# Disclaimer

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