

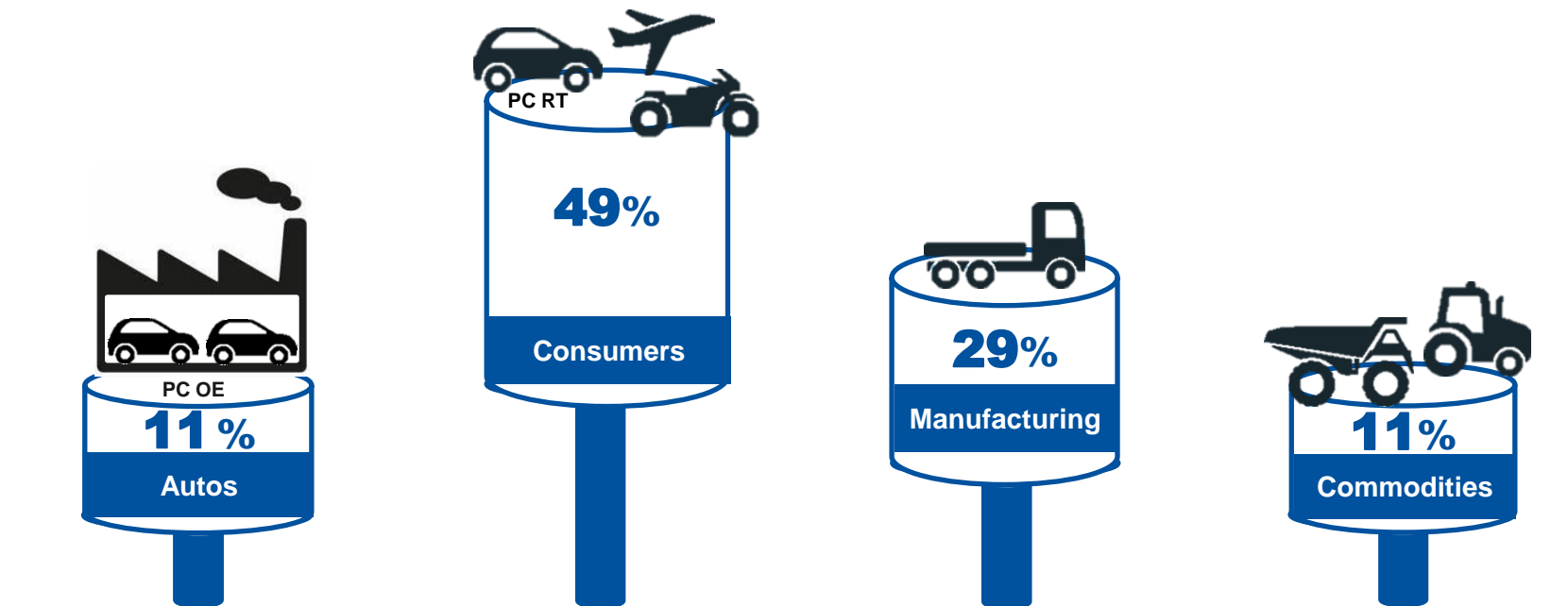


**London, December 8, 2016**

# **Goldman Sachs, 8<sup>th</sup> Annual Global Automotive Conference**

# A business model strongly linked to consumption

## ▲ Net sales by drivers

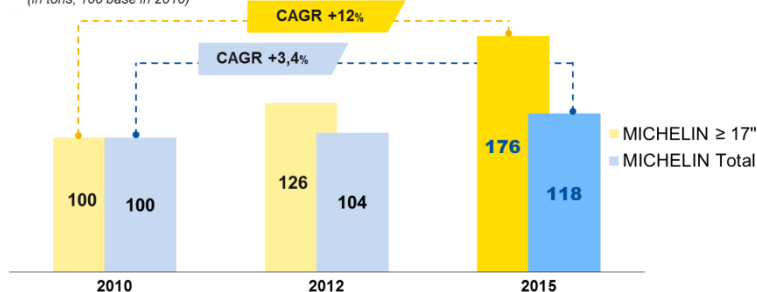


Breakdown of 2015 Net sales

# A stronger Group

## ● RS1 volume growth

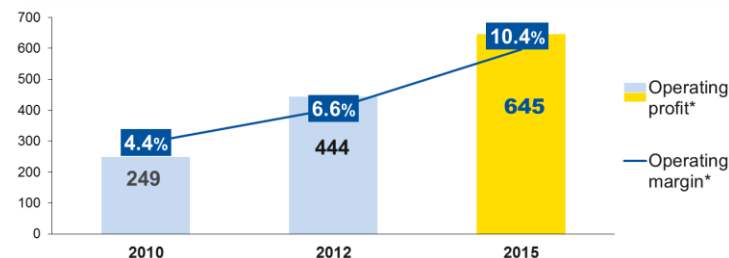
(in tons, 100 base in 2010)



## ● RS2 operating margin

▲ Operating profit and margin\*

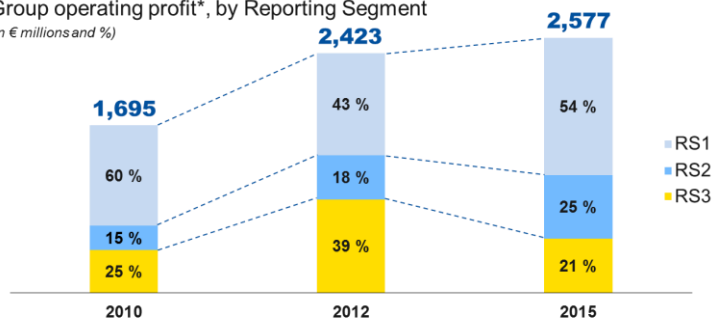
(in € millions and %)



## ● Margin by RS

▲ Group operating profit\*, by Reporting Segment

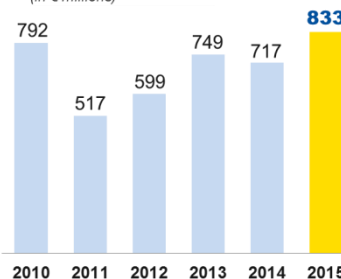
(in € millions and %)



## ● Structural FCF and ROCE

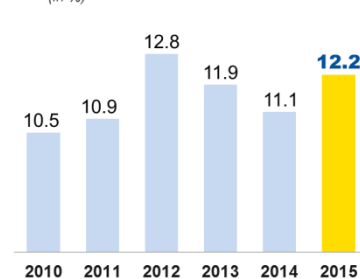
▲ Structural FCF

(in € millions)



▲ ROCE after tax

(in %)



\* Before non-recurring items

December 8, 2016

# 8<sup>th</sup> Annual Global Automotive Conference



## Michelin's Strategy

# Michelin's value creation strategy

## ▲ Four domains of growth for 2016-2020

- Provide our customers with tires that truly meet their needs

**Increase by 20% our revenue from our tire business**

- Develop tire-related services and solutions that further enhance mobility

**Double revenue in our services and solutions business**

- Strengthen all the activities that enable our customers to enjoy unique mobility experience

**Triple the revenue generated by these mobility experience businesses**

- Leverage our expertise in high-technology materials – in particular those involving elastomers

**Be proactive and assert our technological leadership in the area of high technology materials**

# MICHELIN CrossClimate, “the ideal ‘all-season’ tire”



- MICHELIN summer tire with winter certification
- Best ‘all-season’ tire ranked by

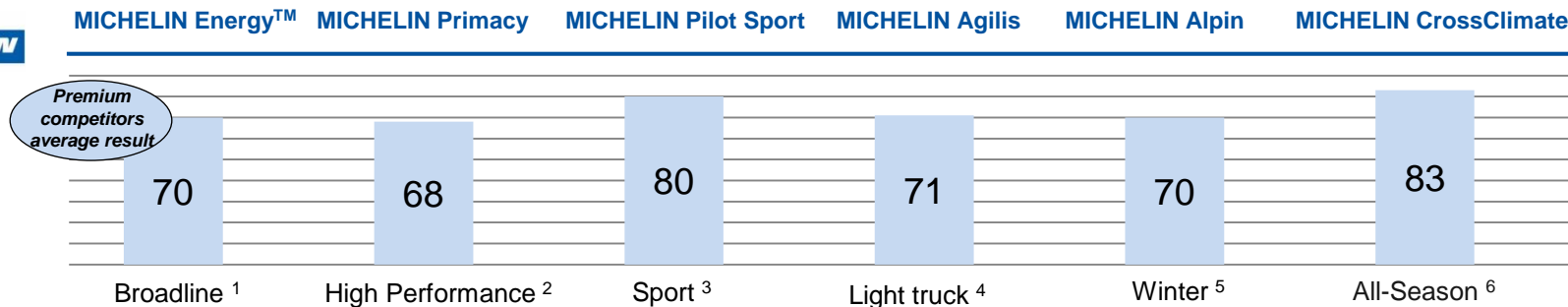


“There is only one candidate that meets all the requirements of an ideal, uncompromising ‘all-season’ tire,” says  magazine, “and that’s the MICHELIN CrossClimate.”



# Innovation aimed at delivering total performance

▲ Up to 32% more longevity vs Tier 1 Competitors in Europe  
(MICHELIN = base 100)



100

**MICHELIN CrossClimate:**  
**"Total cost of ownership champion"**  
according to



**MICHELIN TYRES**  
**LAST 8,000 KM LONGER,\***  
**FOR 8,000 MORE KM**  
**OF BEAUTIFUL STORIES.**

\*SEE LEGAL NOTICES ON WWW.MICHELIN.CO.UK



Source : Ranking based on the results of tests conducted on several times sizes by independant test centers (Dekra 2012-2013-2014, TÜV SÜD Product Service 2010-2011) and press tests (Autobild 2011-2014)

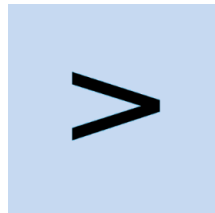
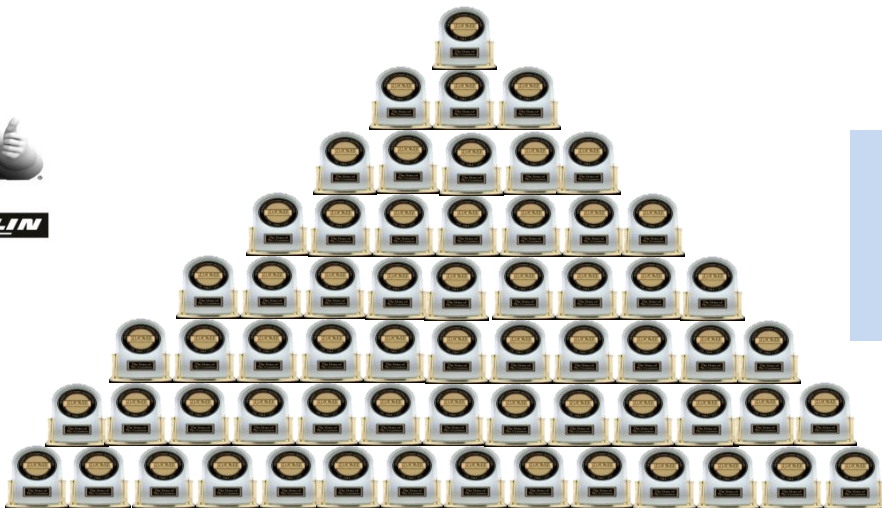
(1) Broadline on 14"/15"/16" – (2) High Performance on 16"/17" – (3) Sport on 18" – (4) Light truck on 16" – (5) Winter on 15"/16"/17" – (6) Test conducted by TÜV SÜD, in July and August 2016, on dimension 205/55R16 on VW Golf 7 vs Premium A/S Competitors



# J.D. Power OE Tire Award History

- Since 1989 in the United States, Michelin and BFGoodrich have won 63 of the 76 awards for OE Tire Satisfaction
- This highlights Michelin's commitment to total performance throughout the life of the tire

**5x more than the competition combined!**





# Outperforming new products allowing increased mining productivity



**MICHELIN  
XDR 250  
50/80 R 57**

- The most productive tire with at least  
**25% more TKPH\***  
... with no trade-off on tire life



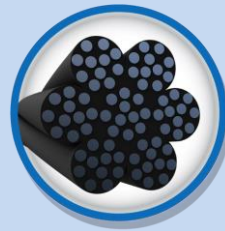
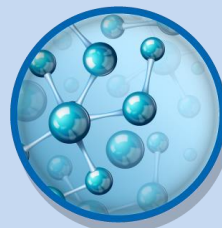
**MICHELIN  
XDR 3  
40.00 R 57**

## 3 MAJOR INNOVATIONS:

### NEW COMPOUNDS



**A NEW TREAD PATTERN**



**CORROSION-PROOF  
CABLES**

\* Ton Kilometer Per Hour

# Products, distribution and services matching customer needs to capture growth opportunities

## Services

- Offering innovative services to improve mobility



## Distribution

- Reinforcing our market access through a vast worldwide dealer network and new distribution channels



## Product offer

- Developing profitable Tier 2 / Tier 3 brands to better serve Distribution

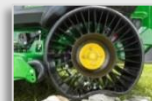


## Innovation

- Strengthening the MICHELIN brand technological leadership



CROSSCLIMATE



TWEEL

# New materials play a dominant role in our innovation

▲ For several reasons:

Strong impact on the performances of our products



Less industrial intrusiveness



Aligned with sustainable development ambitions



## 2017-2020 levers

- Above market growth in all divisions and positive product mix
- Increased Net Sales and EBIT contribution from service and solutions
- Acceleration in competitiveness ambition
- Capital expenditure in line with scenario already announced
- Initiatives to foster a new Group mindset
  - **Putting our customers at the heart of our business**
  - **Leveraging the digital revolution**
  - **Simplifying our structures and processes**
  - **Empowering employees**

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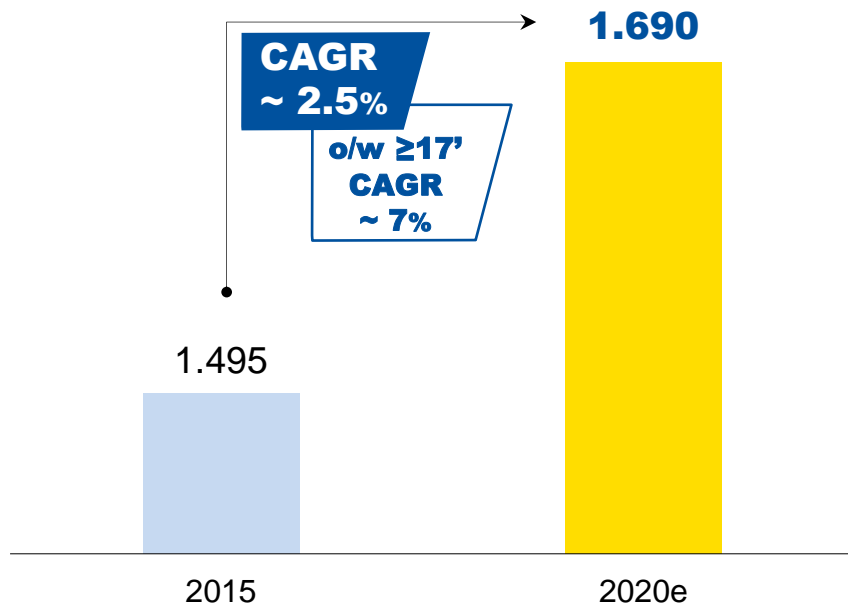


# 2020 ambitious value creation targets

# 2015-2020 scenario: a growing worldwide demand

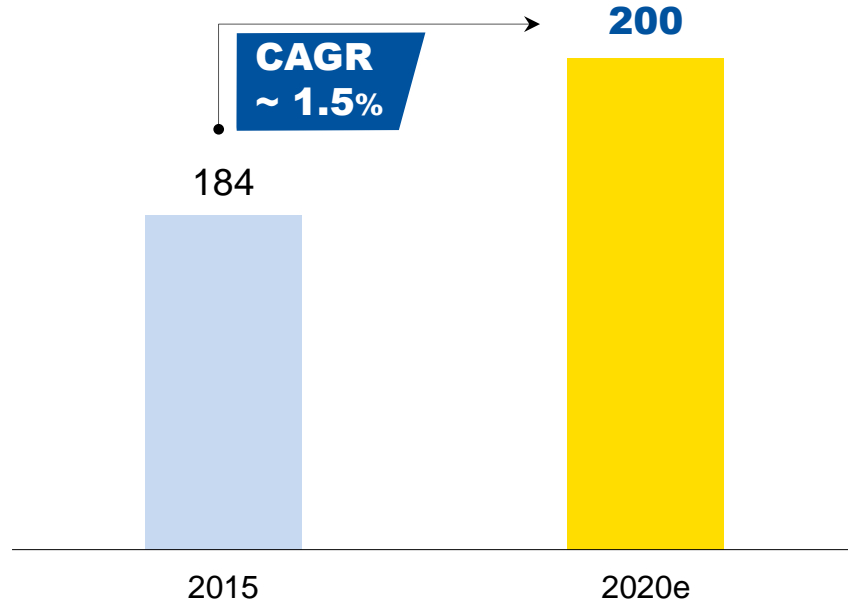
## ▲ PC OE&RT market projection

(in millions of units)



## ▲ TB OE&RT market projection

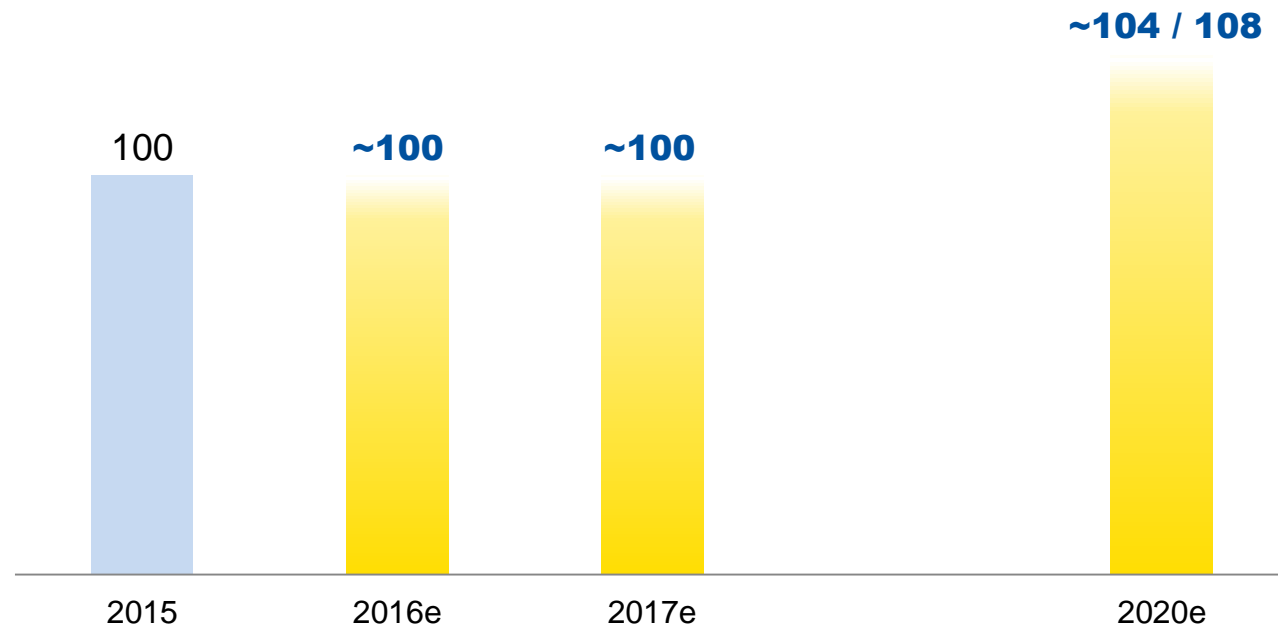
(Radial & Bias in millions of units)





# Agriculture: a slow worldwide growth assuming stable grain prices

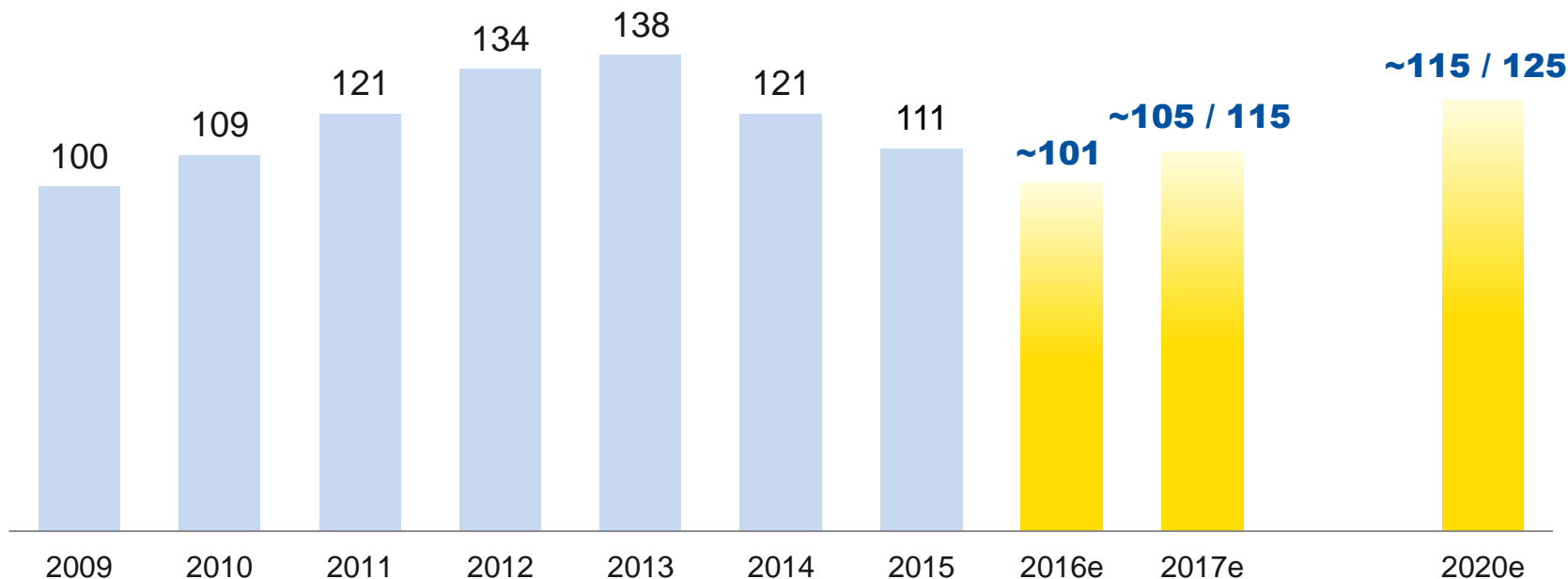
▲ (base 100 in 2015, in tonnes)



\* OE & RT in Europe and North America

# Mining: 2016 last year of destocking

▲ (base 100 in 2009, in tonnes)



# New 2017 – 2020 Competitiveness Plan: accelerating to ~€300m per annum

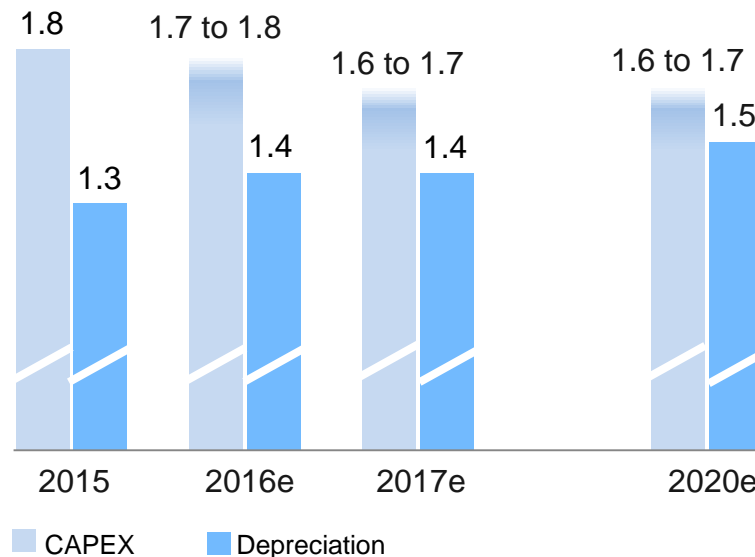
In €m	Plan 2007-2010 achieved	Plan 2012-2016 Target: €1,200m		Plan 2017-2020
		2012-2015 achieved	2016(e)	
SG&A	251	421		500/550
Manufacturing Costs	406	394		450/500
Materials	365	149		150/200
<b>Total</b>	<b>1,022</b>	<b>964</b>	<b>~250</b>	<b>~1,200</b>

# Investing to create value

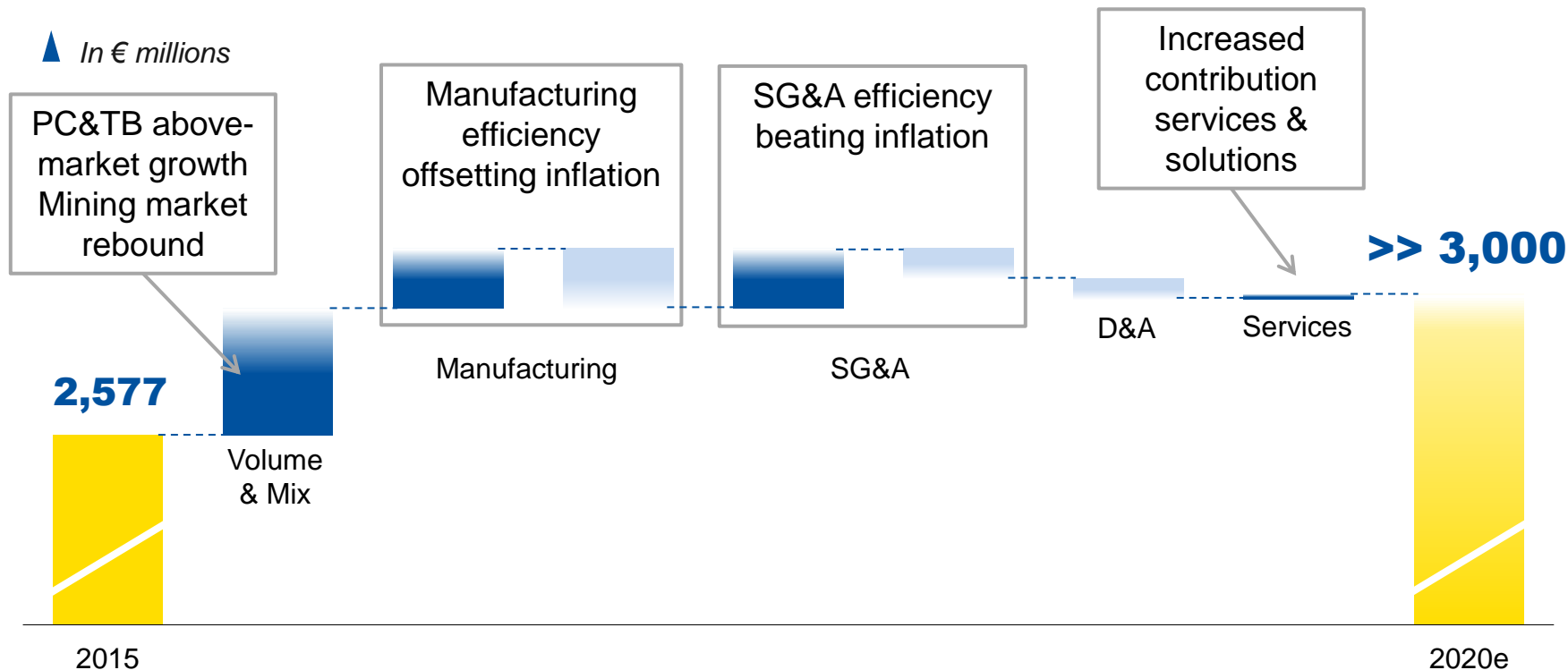
- ▲ Succeed in our priority Capex and M&A investment to capture growth
  - In the supply chain, to improve customer services (IS, logistics centers)
  - In growing markets: PC premium tires, in North America and in Asia
  - In Digital services
  - In raw materials and semi-finished products






- ▲ Reducing the gap between capital expenditure and depreciation  
*(in € bn, at constant exchange rates)*



# 2015-2020 organic scenario: Consistency of 2020 financial targets



# Reporting segment operating margin guidance\* for 2016-2020

	 RS1	 RS2	 RS3
<b>2016-2020 target ranges**</b>	<b>Between 11% and 15%</b>	<b>Between 9% and 13%</b>	<b>Between 17% and 24%</b>

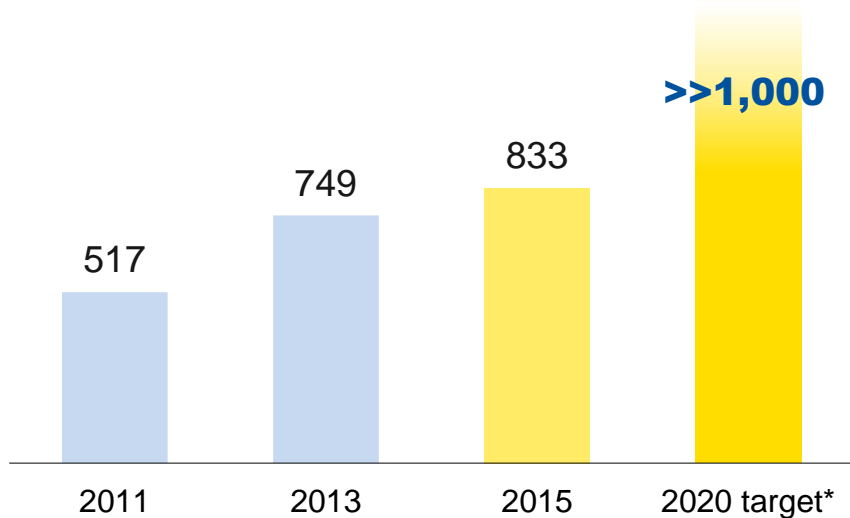
\* From recurring activities

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding by a CAGR of 2.5% in PC tires and of 1.5% in Truck tires

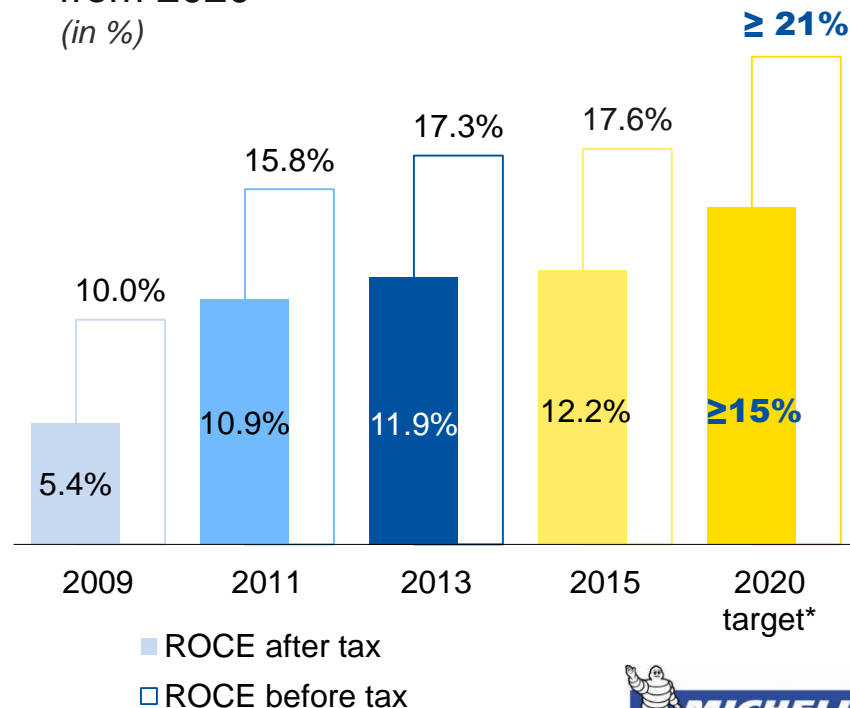


# 2020: ambitious value creation targets

▲ Deliver over €1bn of structural Free cash flow from 2020\*  
(in € millions)



▲ Deliver a ROCE (after tax)  $\geq 15\%$  from 2020\*  
(in %)

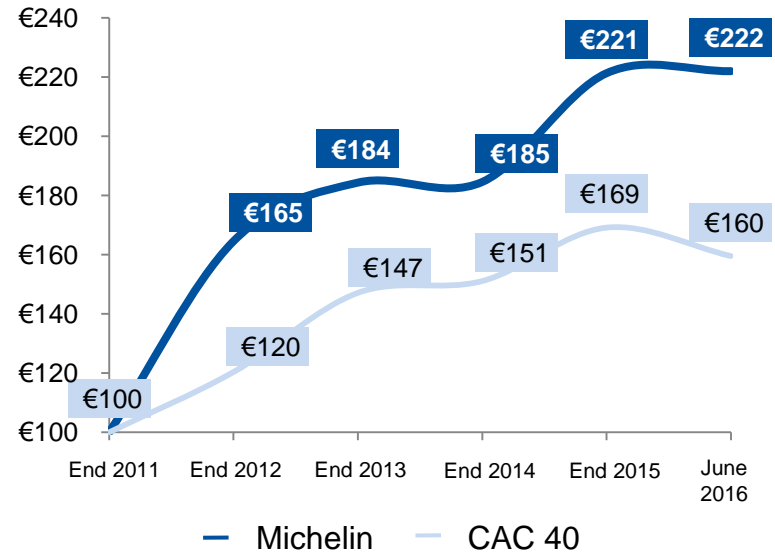


\* At constant scope of consolidation

# 2015-2016 shareholder return: €978m in dividends and €750m in share buybacks

- Share buyback program
  - €451m committed in 2015
    - 4,961,534 shares bought back at an average price of €90.72, all shares cancelled in December 2015.
  - €300m committed in 2016
    - 3,347,040 shares bought back at an average price of €89.63, all shares to be cancelled in December 2016.
- Pay-out commitment
  - At least 35% of net earnings excluding non recurring items

## ● Total Shareholder Return



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# 2 / 2016 guidance confirmed

# Adjusted 2016 markets outlook



## PASSENGER CAR: ~ +2%

Old: +1% / +3 %

- OE: Growth in mature zones, China and India
- RT: Demand momentum in Western Europe and North America driven by low tier segments. Sustained growth in China



## TRUCK: ~ -2%

Old: -2% / 0%

- OE: Growth in Western Europe and in India, decrease in North America on high levels
- RT: Increasing markets in Western Europe and in North America on high low-tier imports. Down in China, the world's largest market



## SPECIALTY: -4% / -5%

Old: -2% / -5%

- Mining tires: demand down as mining companies complete inventory drawdowns
- Earthmover slowdown
- Agricultural tires\*: declining OE markets
- Aircraft\*\* and Two-Wheel\*\*\* tires: continued growth

\* Europe and North America

\*\* Commercial aircraft

\*\*\* Motorcycle tires in Europe, USA and Japan

# 2016 guidance confirmed

	2016
Volumes	Above-market growth
Operating income from recurring activities at constant exchange rates	> 2015*
Structural FCF	> €800m

\*  $\geq$  for H2

# Updated EBIT scenario based on the improved Price-mix/Raw Materials and on September data

	H1 2016	FY 2016	
<i>(in € millions)</i>		old	new
Raw Materials	+339	~ +450	~ +550
Net Price-mix / Raw Materials	+115	Positive	Positive > +150
Competitiveness plan / inflation	+13	Neutral	Neutral
Currency effect	-98	~ -200	~ -160





**MICHELIN**

**PILOT SPORT 4 S** 

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## Appendices

**Passenger car Tire Market:** October markets in line with 3rd quarter, stable in mature countries and decreasing in the European winter segment. Still strong demand in China.

### ▲ October 2016/2015

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +1%	▲ +2%	▼ -1%	▲ +4%	▲ +18%
Replacement	▼ -1%	▼ -1%	▲ +2%	▼ -7%	▲ +7%

### ▲ YTD October 2016

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +4%	▲ +5%	▲ +1%	▼ -15%	▲ +14%
Replacement	▲ +1%	▲ +3%	▲ +1%	▼ -5%	▲ +8%

\* Turkey included

**Truck & Bus Tire Market:** Strong decrease in OE demand. On RT markets: technical rebound in Europe on low basis for comparison and continuing mechanical contraction in North America after H1 pre-buy ahead of import duties implementation on Chinese made tires.

## ▲ October 2016/2015

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▼ -11%	▼ -12%	▼ -24%	▼ -10%
Replacement	▲ +1%	▲ +7%	▼ -9%	▼ -2%

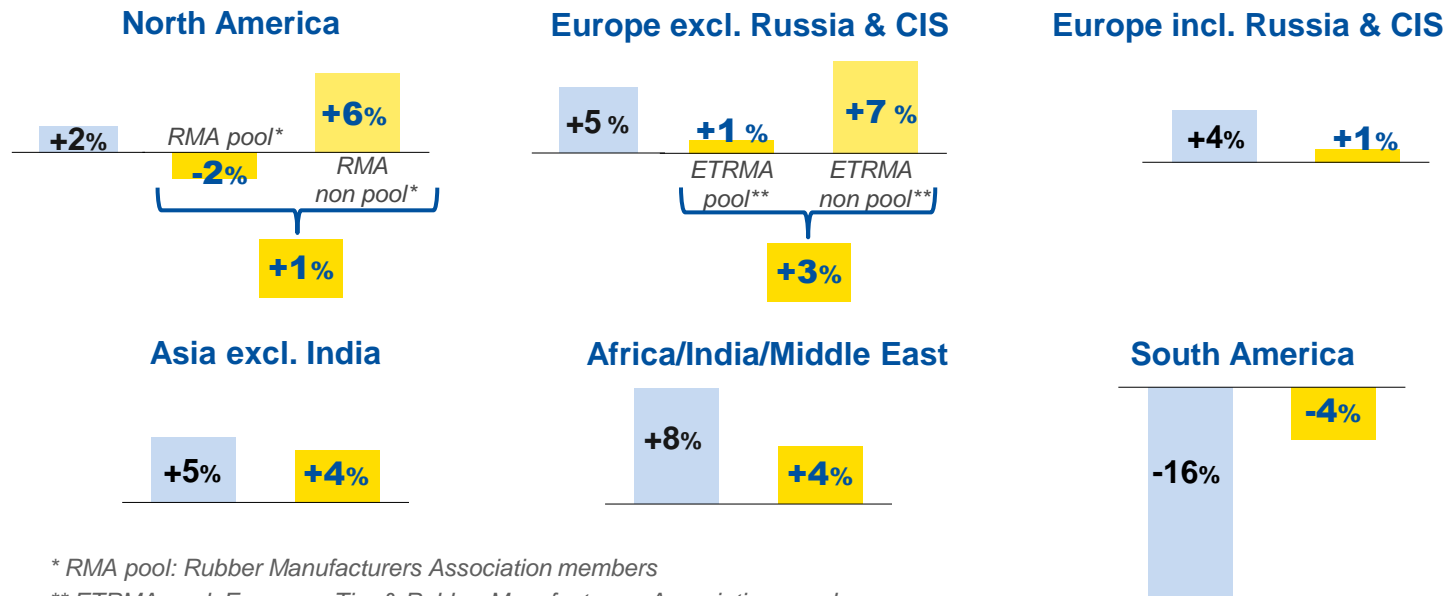
## ▲ YTD October 2016

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +2%	▲ +2%	▼ -18%	▼ -20%
Replacement	▲ +4%	▲ +5%	▲ +2%	▲ +0%

\* Turkey included

# PC tires: growth in Western Europe and North America driven by low-tier segments, growing emerging markets excl. South America

▲ Passenger car market at September 30, 2016  
(YoY in %, in number of tires)



## GLOBAL MARKET



\* RMA pool: Rubber Manufacturers Association members

\*\* ETRMA pool: European Tire & Rubber Manufacturers Association members

Source Michelin



# Truck tires: global market down driven by Americas OE and China

▲ Truck tires market at September 30, 2016  
(YoY in %, in number of new tires)



## GLOBAL MARKET

-1% -2%

### North America

### Europe excl. Russia & CIS

### Europe incl. Russia & CIS

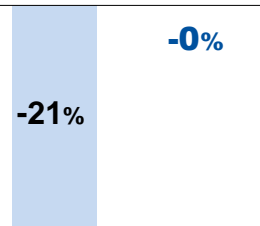
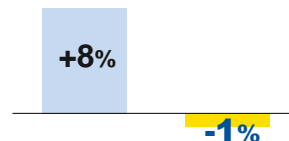
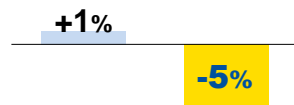
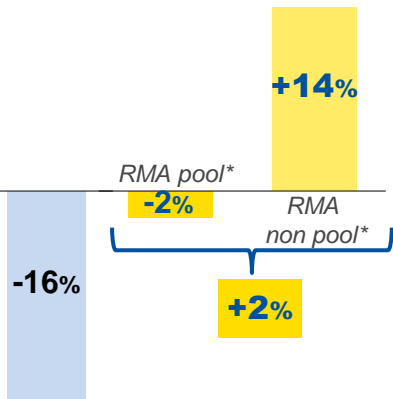
+4% +4%

+4% +4%

### Asia excl. India

### Africa/India/Middle East

### South America



\* RMA pool: Rubber Manufacturers Association members

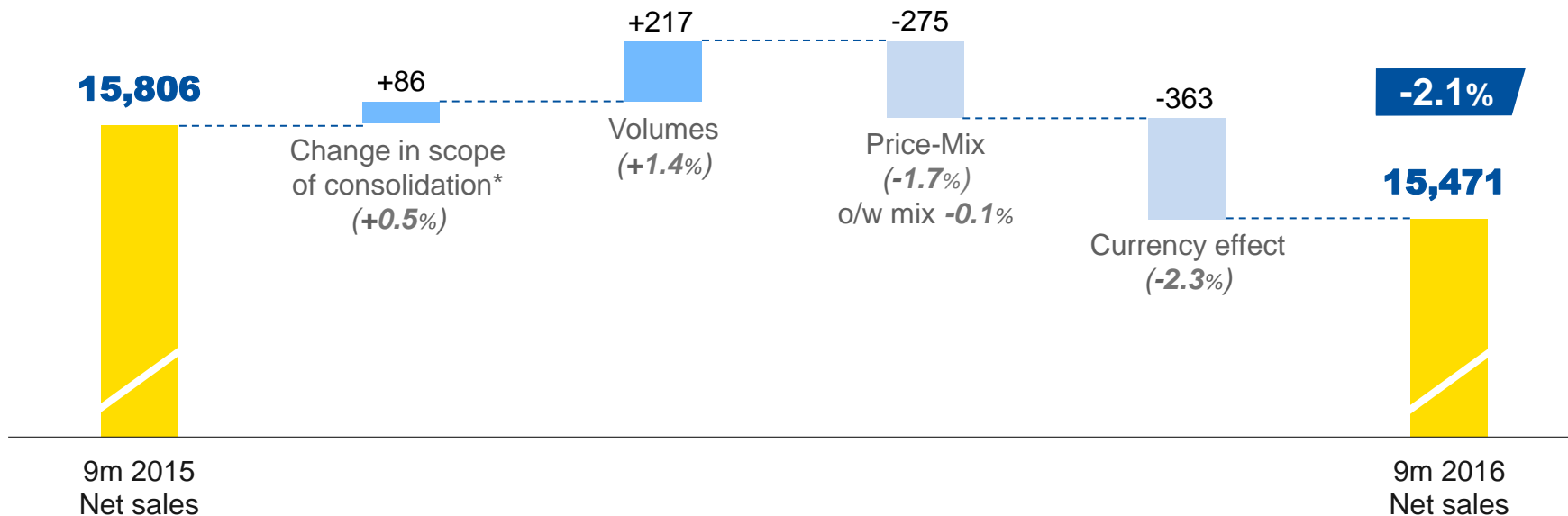
Source Michelin

OE RT



# Focused pricing management and better mix supporting net sales and driving better margins

▲ YoY change  
(in € millions and %)

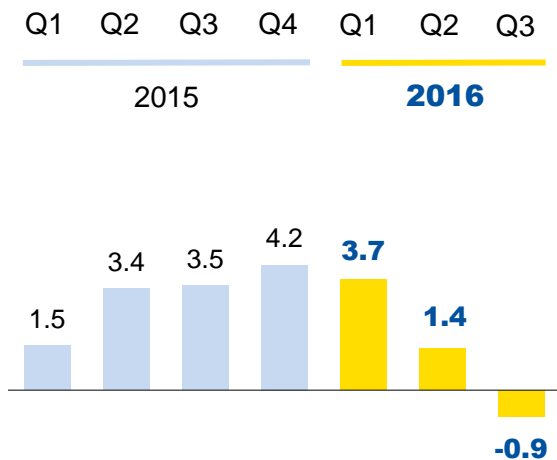


\* Meyer Lissendorf, Blackcircles, BookaTable

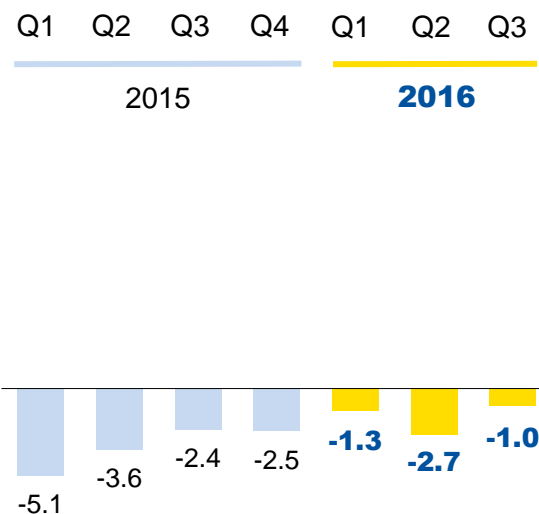
# Improvement in prices and the mix in a lackluster Q3 market environment

▲ YoY quarterly change  
(in %)

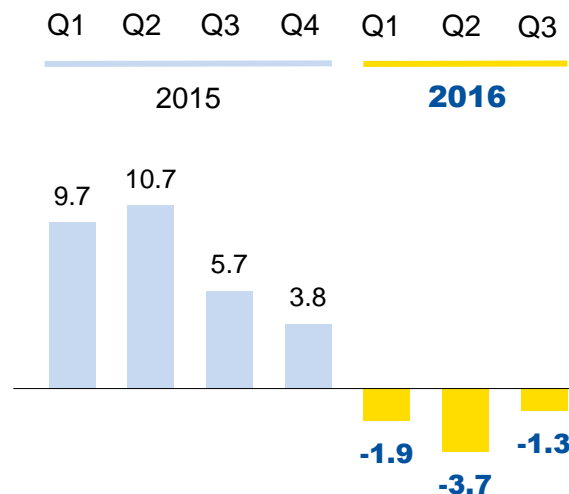
## Volumes



## Price-Mix



## Currency effect



# New plant in León, Mexico to produce premium Passenger car and Light truck tires

- Capacity:
  - First tranche: 4 to 5 millions MICHELIN PC tires
  - Approx. 60,000 tonnes
  - 80% of tires produced are 18' and more
- Investment:
  - €450m including semi-finished
- Target:
  - Automakers in Mexico
  - North American premium market
- First tire to roll off the production line at the end of 2018



# Continuation of the initiatives underway for the past five years: a rationalized industrial footprint

- After restructuring PC/LT operations, continuation in the truck division (closure of 10 PC/LT plants and 11 Trucks plants over 2005 - 2016)
- Competitiveness agreements in Europe (France, Germany, Spain, ...)

## Plant Closures

2005	Truck tires, Poitiers (France) Semi-finished products, Trento (Italy)
2006	Passenger car tires, Kitchener (Canada) Passenger car tires, Bourges (France)
2007	Passenger car tires, Toul (France) Truck & Passenger car tires, Port Harcourt (Nigeria) Passenger car tires, Lasarte (Spain) Passenger car tires, Mogadore, Ohio (USA) Semi-finished products, Budapest (Hungary)
2008	Passenger car tires, Turin (Italy)
2009	Passenger car tires, Lille (France) Passenger car tires, Ota (Japan) Retread operations, Queretaro (Mexico) Passenger car tires, Opelika (USA)

## Plant Closures

2013	Truck tires, Hussein Bay (Algeria) Truck & Passenger car tires, Cali, Bogota (Columbia) Truck tires, Tours (France)
2014	Passenger car tires, Pictou (Canada) Truck tires, Budapest (Hungary)

## Announced Plant Closures

2015	Truck tires retread, Oranienburg (Germany) by 2016 Truck tires retread, Alessandria (Italy) by 2016 Semi-finished products, Fossano (Italy) by 2016 Truck tires, Ballymena (UK) by 2018
2016	Truck tires retread, La Combaude (France) by 2017

## Continuation of the initiatives underway for the past five years: increase in average plant size

- Plants exceeding 100,000 T/yr account for an increasing percentage of consolidated output

Production of plants exceeding 100,000 T/yr				
	2012	2015	2020	2020 (excl. niche product plants)
Number of plants	12	15	18	18
Share of consolidated output	49%	65%	70%	75%
Capacity utilization	75%	87%	93%	93%

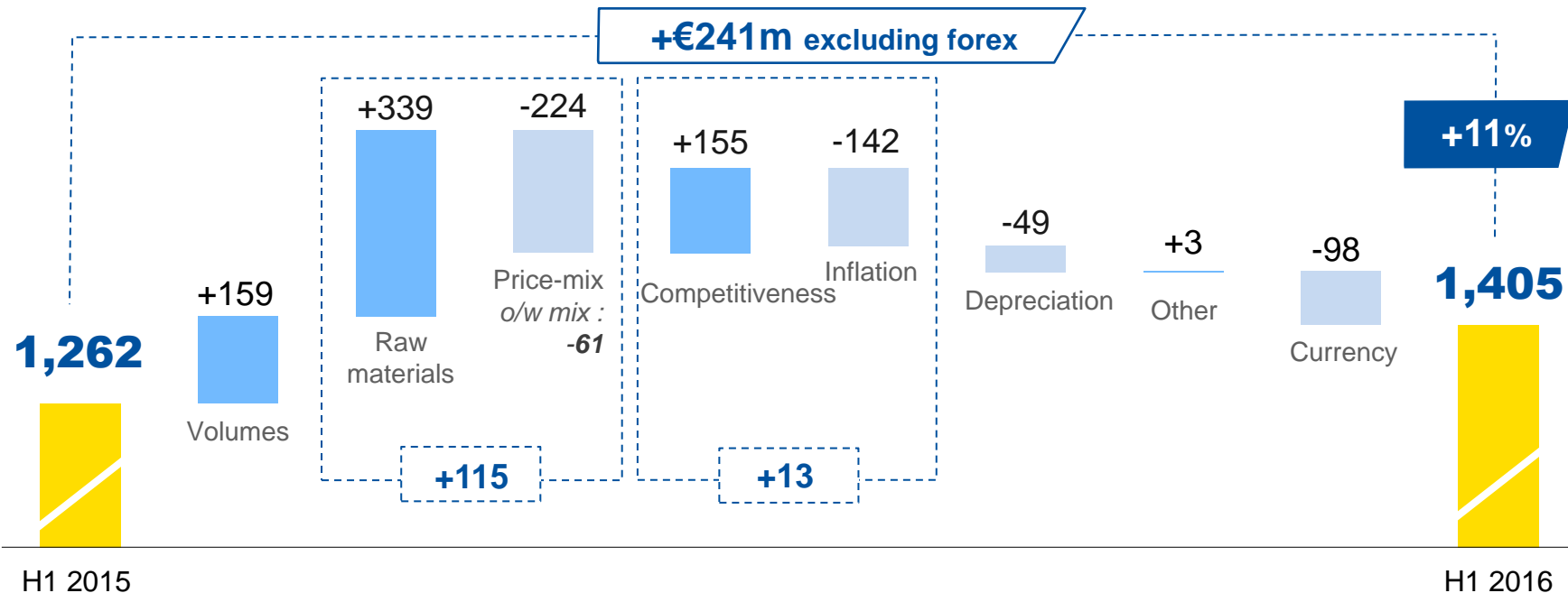
# H1 2016 Operating income of €1.4bn, up a sharp €241m at constant exchange rates

- Volumes up 2.5%, beating the market in every segment
- 13.7% operating margin from recurring activities, up 1.7 points
- Changes in the price mix / raw materials effect had a positive impact of €115m, thanks to effective management and a favorable basis of comparison
- €155m in gains from the competitiveness plan offset inflation
- Positive free cash flow of €8m, representing a €108m improvement from first-half 2015 before acquisitions



# Operating income up €241m at constant exchange rates

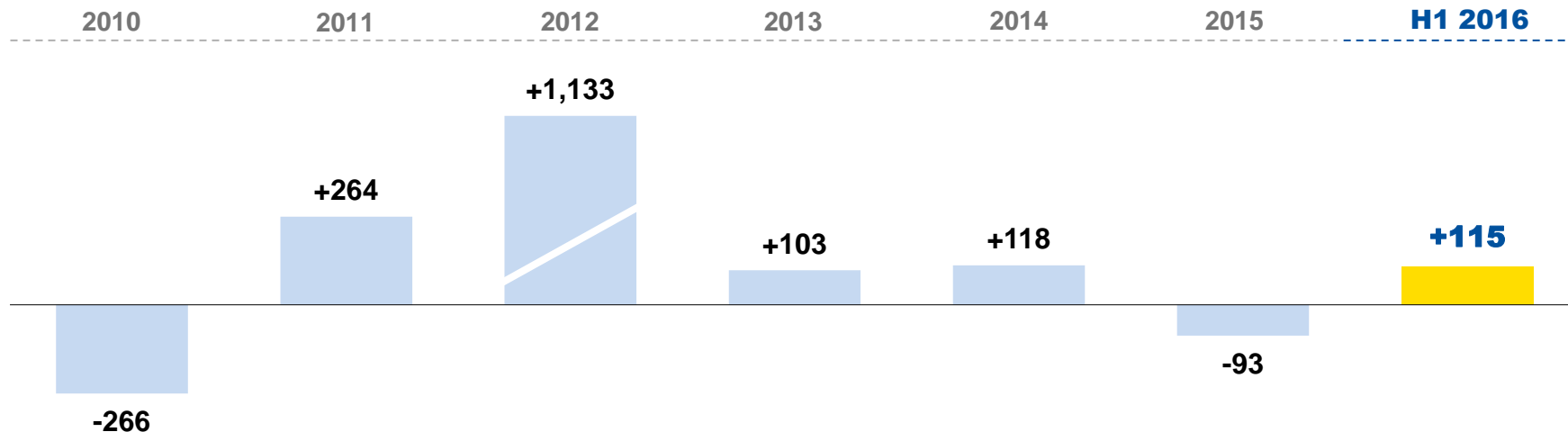
▲ YoY change in operating income from recurring activities\* (in € millions)



\* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

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

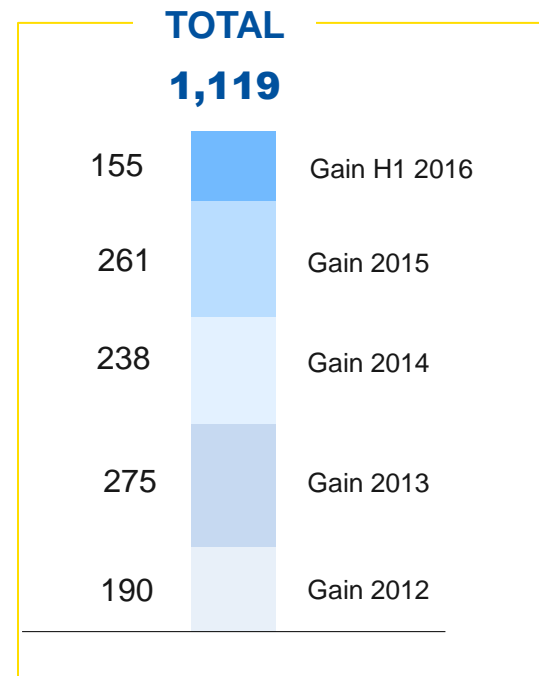
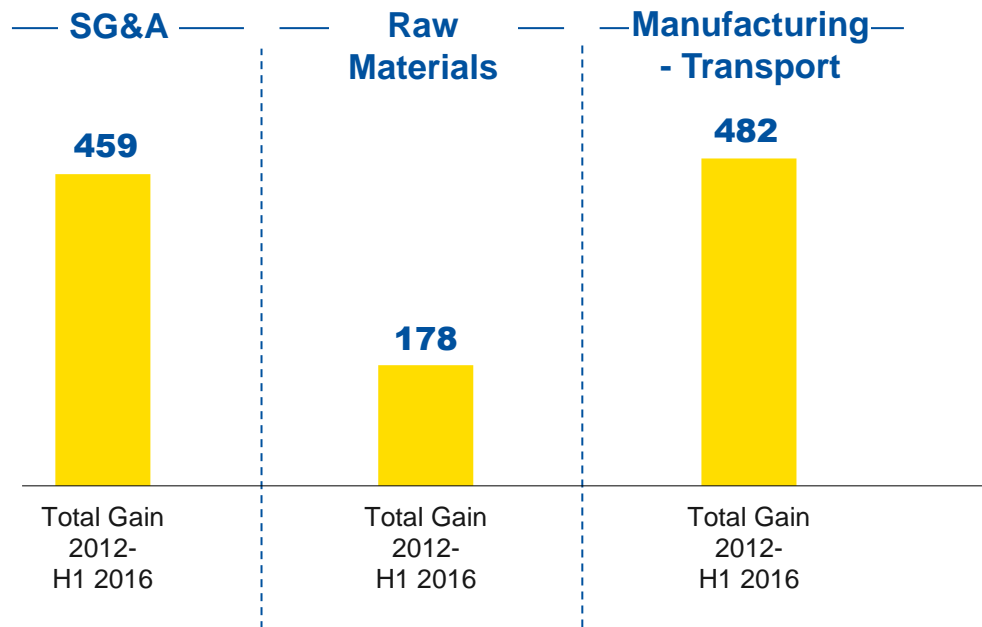
## ▲ Net effect of price mix / raw materials on operating income (in € millions )



- H1 2016: price mix / raw material effect was a negative €20m for indexed businesses and a positive €135m for the non indexed businesses

# Competitiveness plan on track to reach €1.2bn target

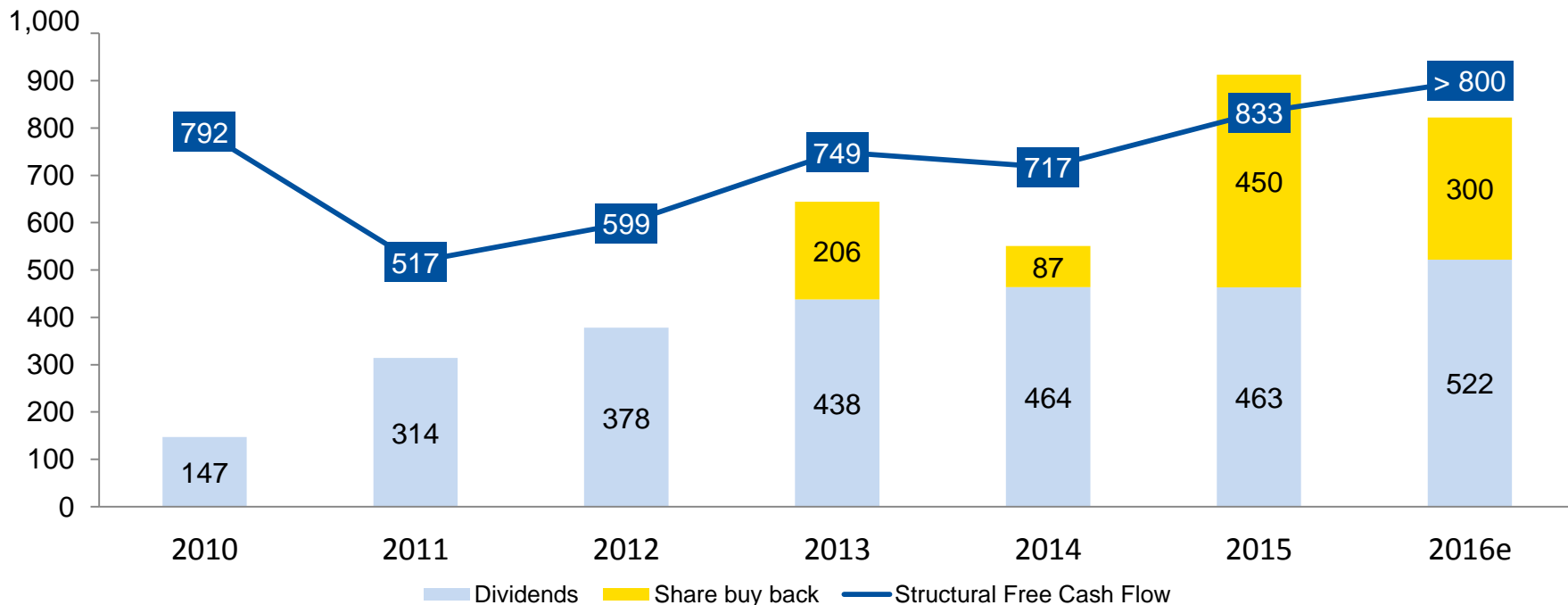
▲ Gain objectives\* 2012-2016: €1,200m



\* Before inflation and including avoided costs

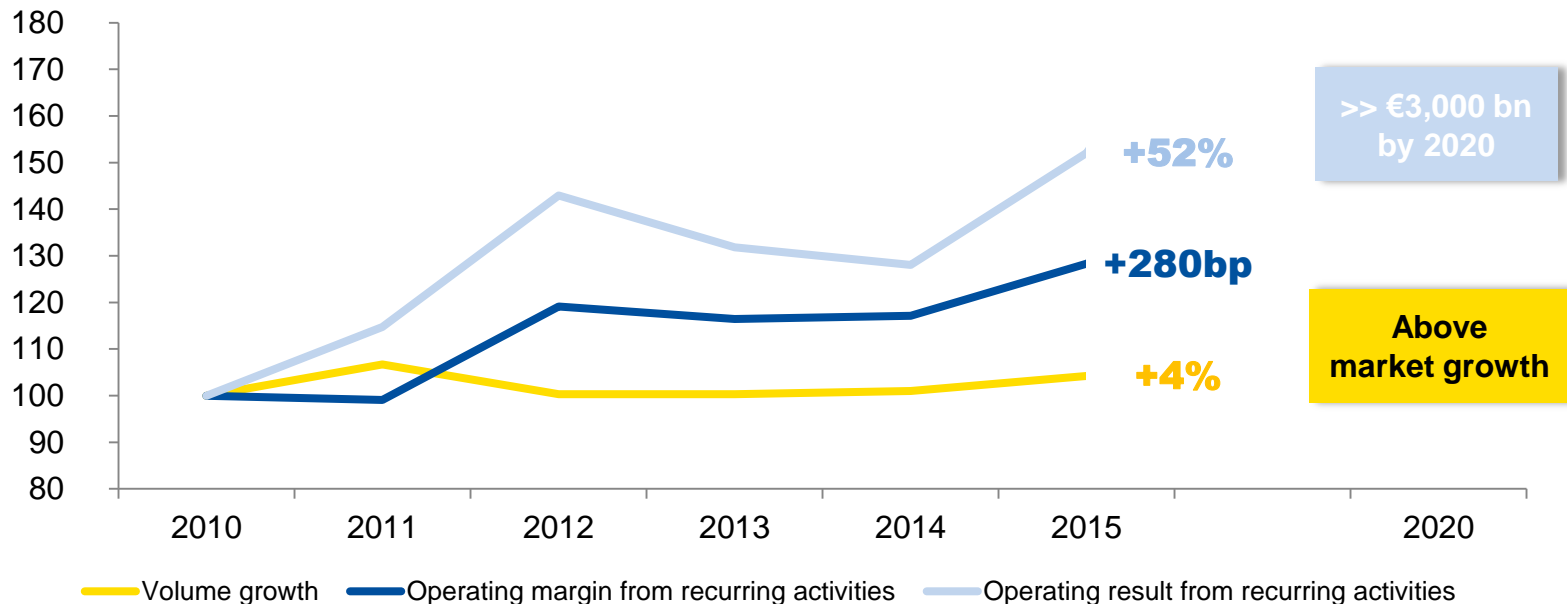
# Solid cash generation committed to shareholders

● In € millions



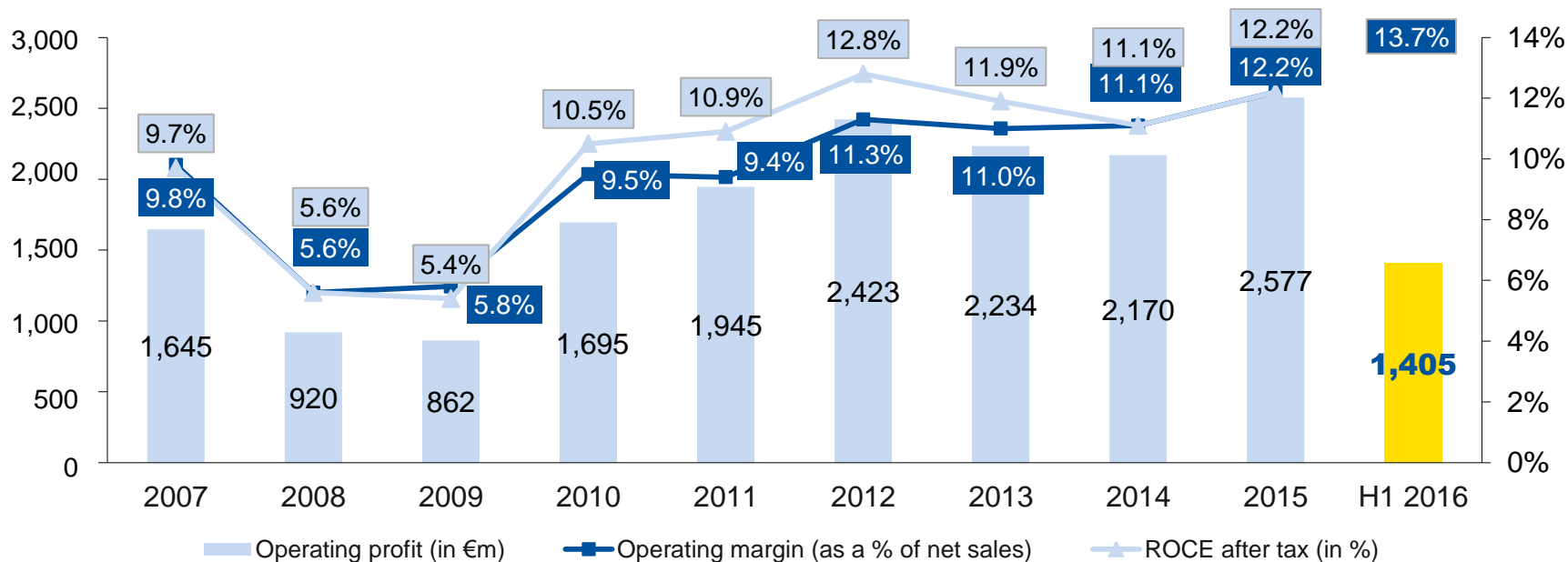
# Profitable growth ambition

- Base 100 in 2010



# A stronger Group with improving profitability

## ▲ Operating profit and margin\* & ROCE

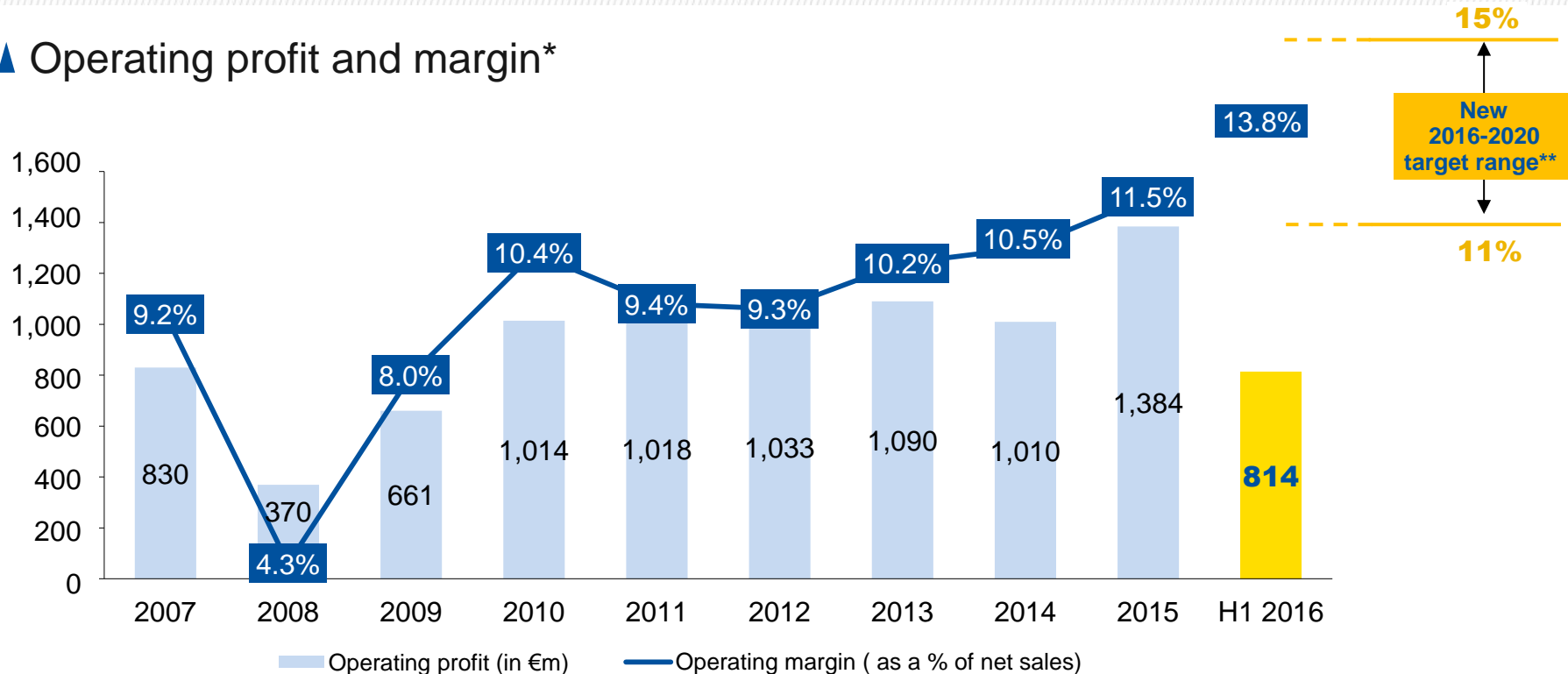


\* Before non-recurring items



# Growing Passenger car margin through product innovation, mix and improving customer service

## ▲ Operating profit and margin\*

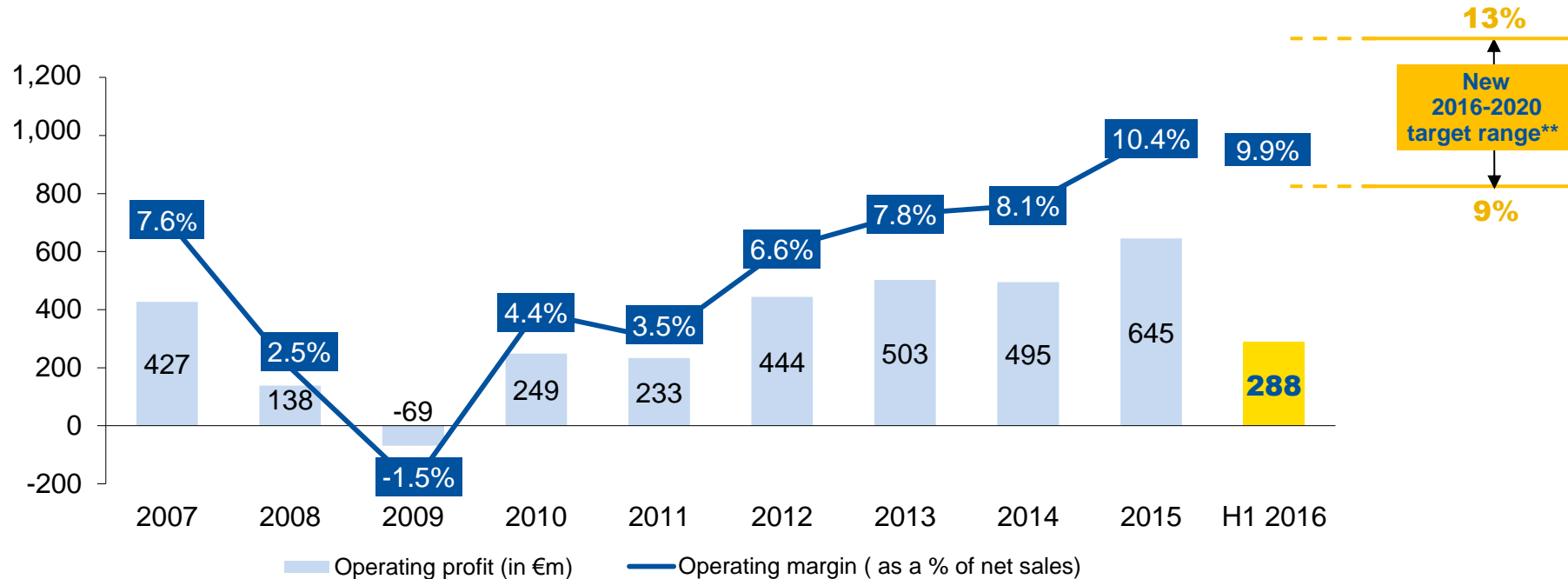


\* Before non-recurring items

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding (CAGR of 2.5%)

# Strong Truck profitability growth through competitiveness, product & service innovation and customer focus

## ▲ Operating profit and margin\*

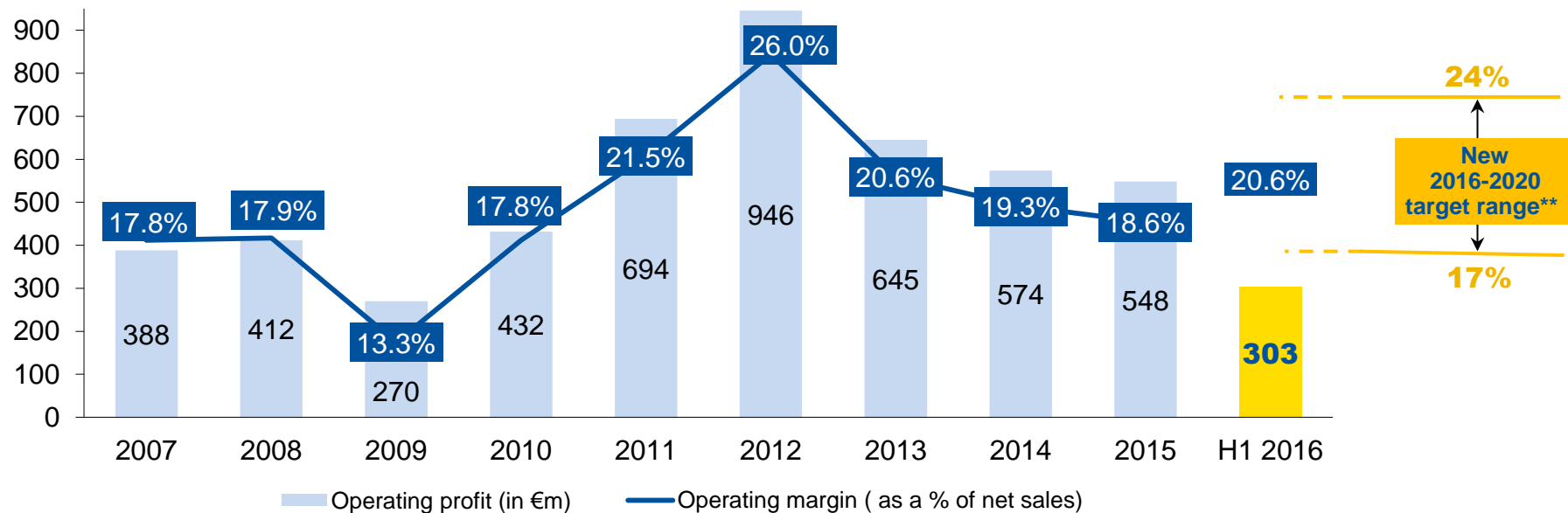


\* Before non-recurring items

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding (CAGR of 1.5%)

## Specialty: resilient profitability in a challenging environment

### ▲ Operating profit and margin\*

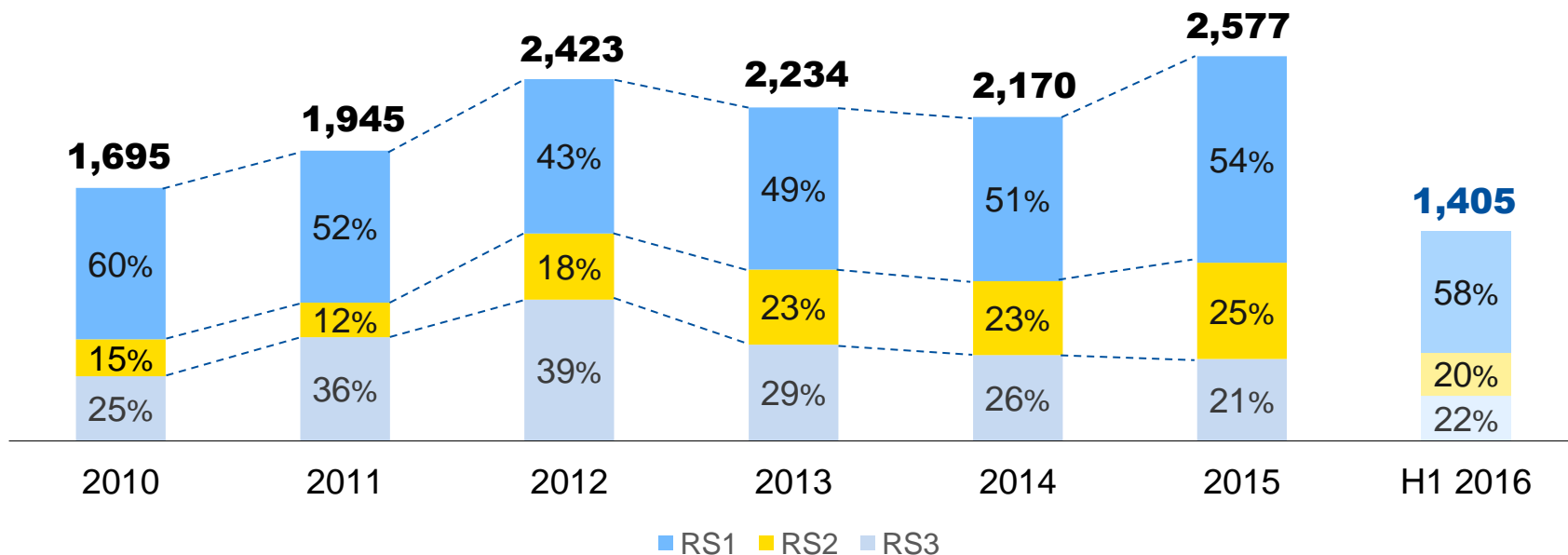


\* Before non-recurring items

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

# Strong operating profit growth through diversified and worldwide footprint

▲ Group operating profit\*, by Reporting Segment (in € millions and %)



\* Before non-recurring items

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