



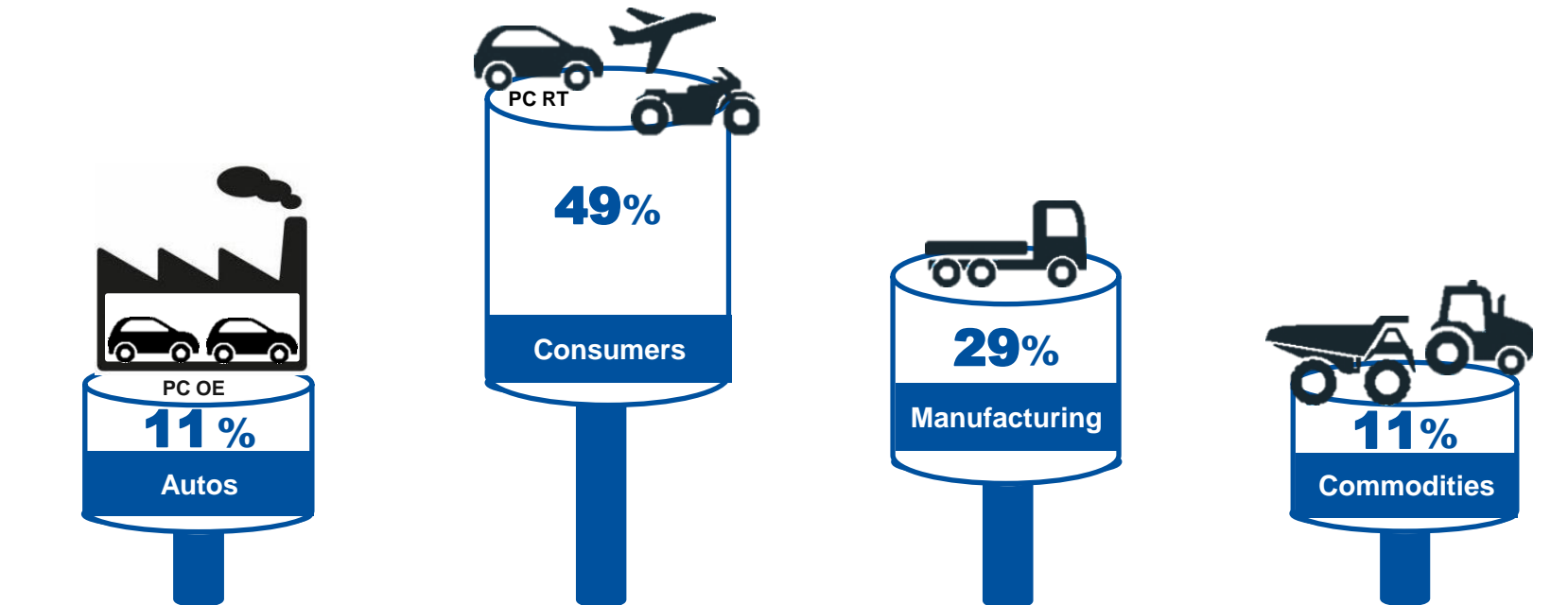
**Oddo Securities - November 24, 2016**

**7<sup>th</sup> Paris IR Forum**



# A business model strongly linked to consumption

## ▲ Net sales by drivers

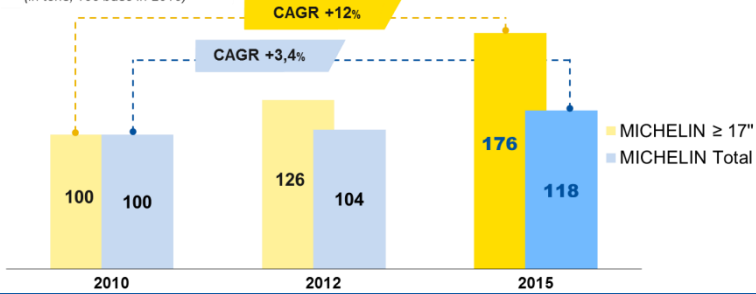


Breakdown of 2015 Net sales

# A stronger Group

## ● RS1 volume growth

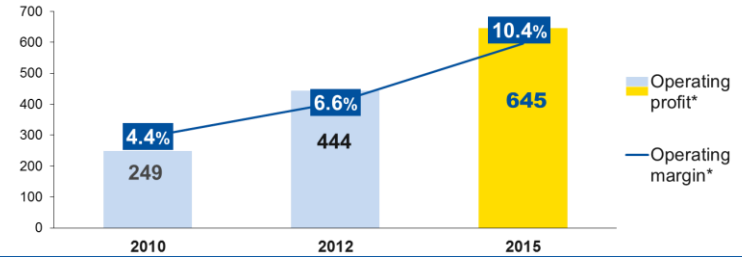
(in tons, 100 base in 2010)



## ● RS2 operating margin

▲ Operating profit and margin\*

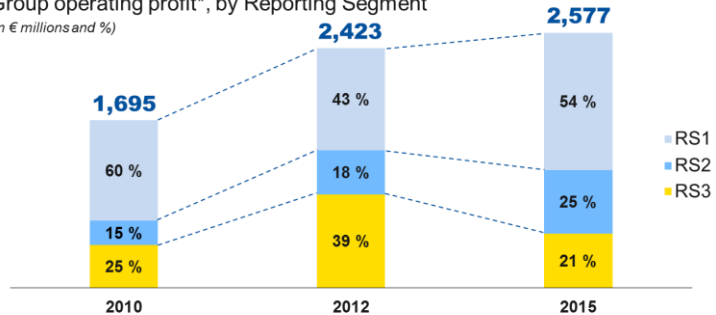
(in € millions and %)



## ● Margin by RS

▲ Group operating profit\*, by Reporting Segment

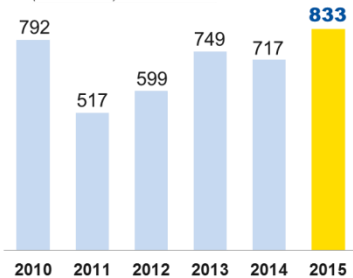
(in € millions and %)



## ● Structural FCF and ROCE

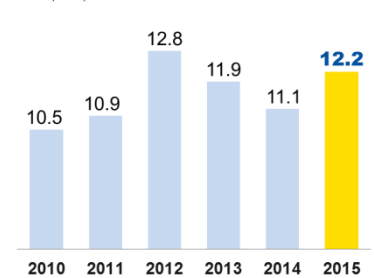
▲ Structural FCF

(in € millions)



▲ ROCE after tax

(in %)



\* Before non-recurring items

November 24, 2016

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# 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”



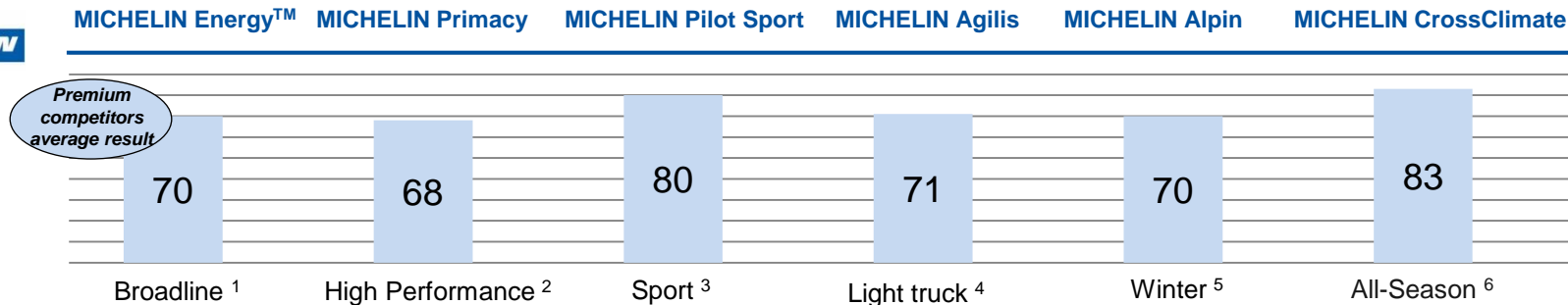
- MICHELIN summer tire with winter certification
- Best ‘all-season’ tire ranked by



“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 **Auto Bild**

**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)

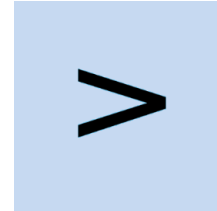
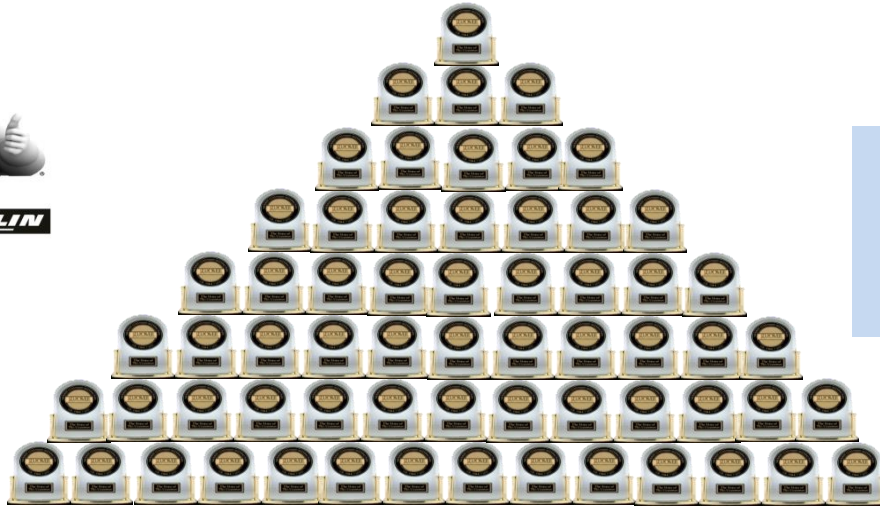
(1) Broadline on 14"/15"/16" – (2) High Performance on 16"/17" – (3) Sport on 18" – (4) Light truck on 16" – (5) Winter on 15"/16"/17" – (6) Test conducted by TÜV SÜD, in July and August 2016, on dimension 205/55R16 on VW Golf 7 vs Premium A/S Competitors



# 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**

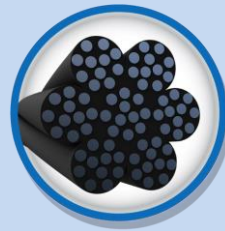
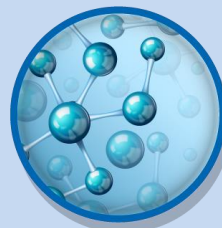
- The most productive tire with at least **25% more TKPH\*** ... with no trade-off on tire life



**MICHELIN  
XDR 3  
40.00 R 57**

## 3 MAJOR INNOVATIONS:

### NEW COMPOUNDS

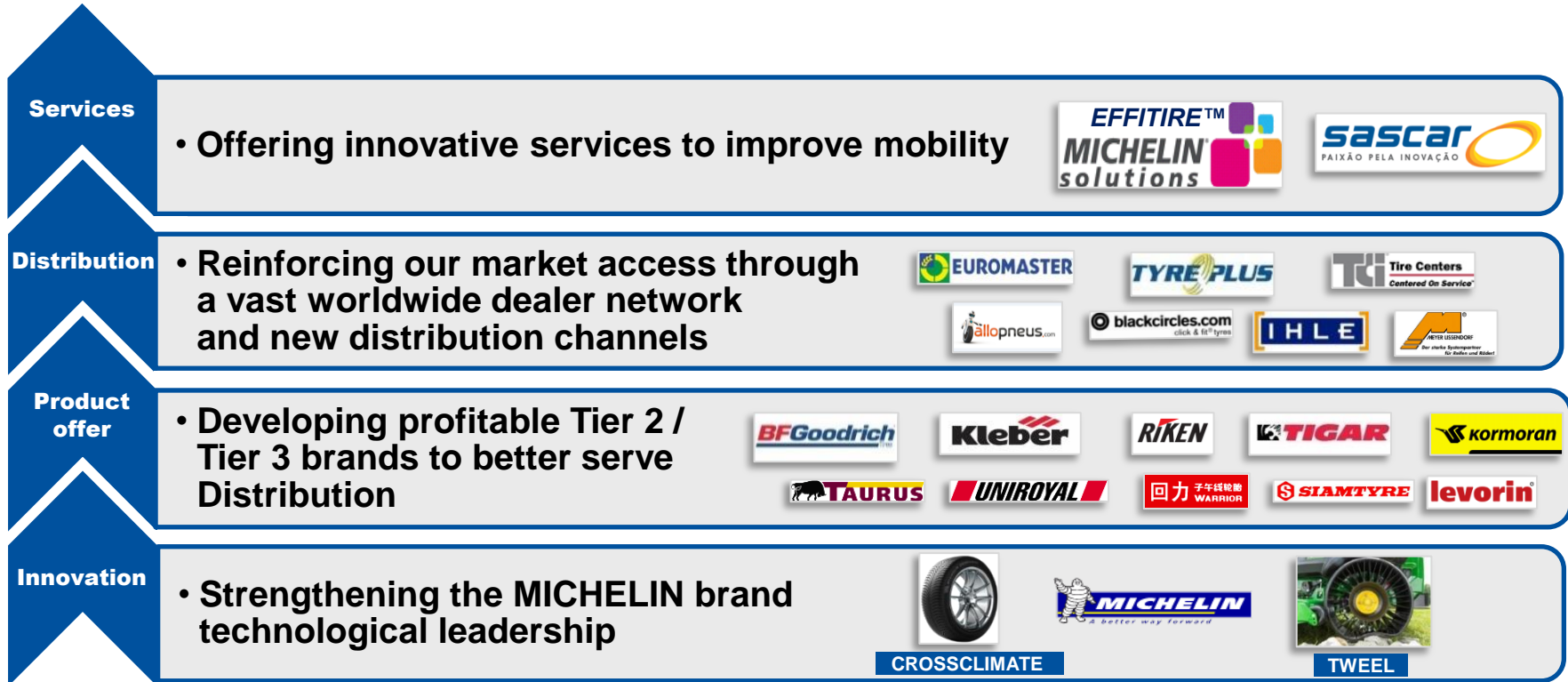


**A NEW TREAD PATTERN**

**CORROSION-PROOF  
CABLES**

\* Ton Kilometer Per Hour

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



# 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**

November 24, 2016

## 7<sup>th</sup> Paris IR Forum

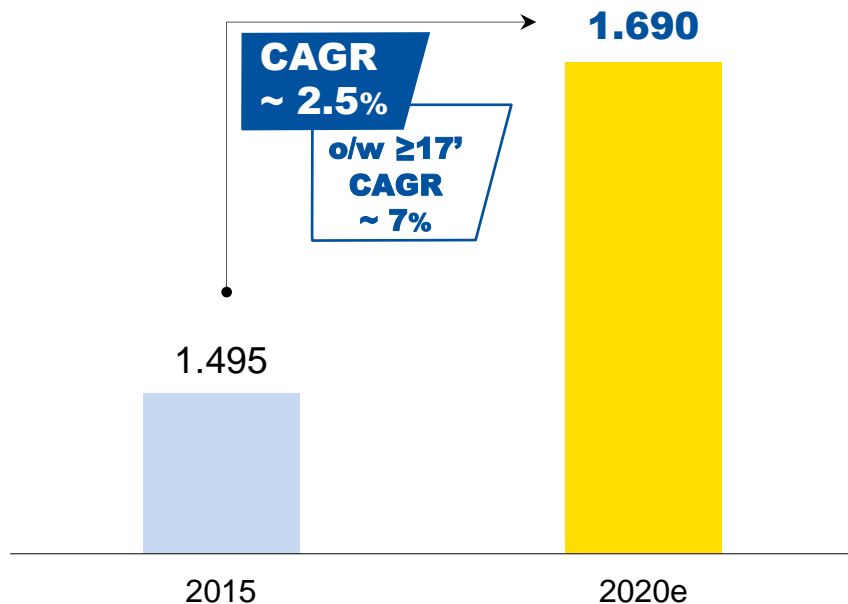


# 2020 ambitious value creation targets

# 2015-2020 scenario: a growing worldwide demand

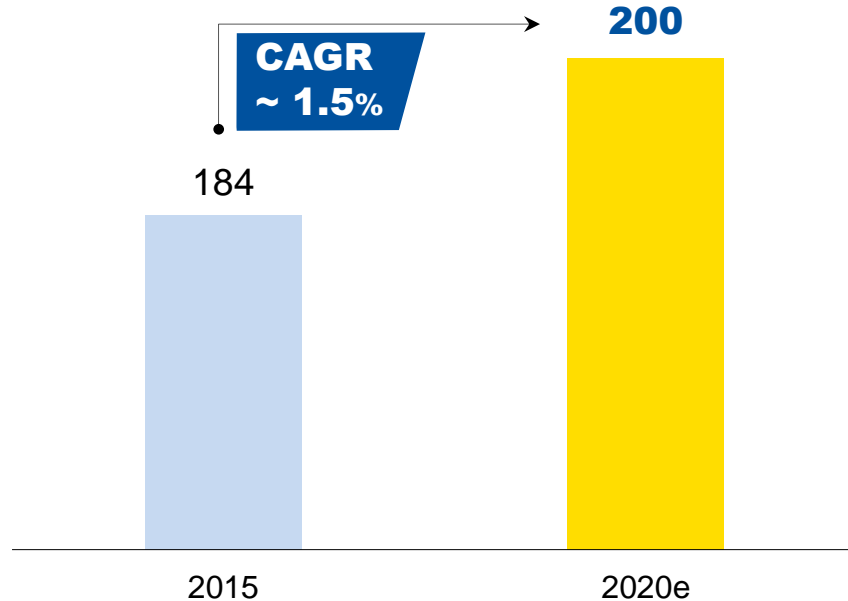
## ▲ PC OE&RT market projection

(in millions of units)



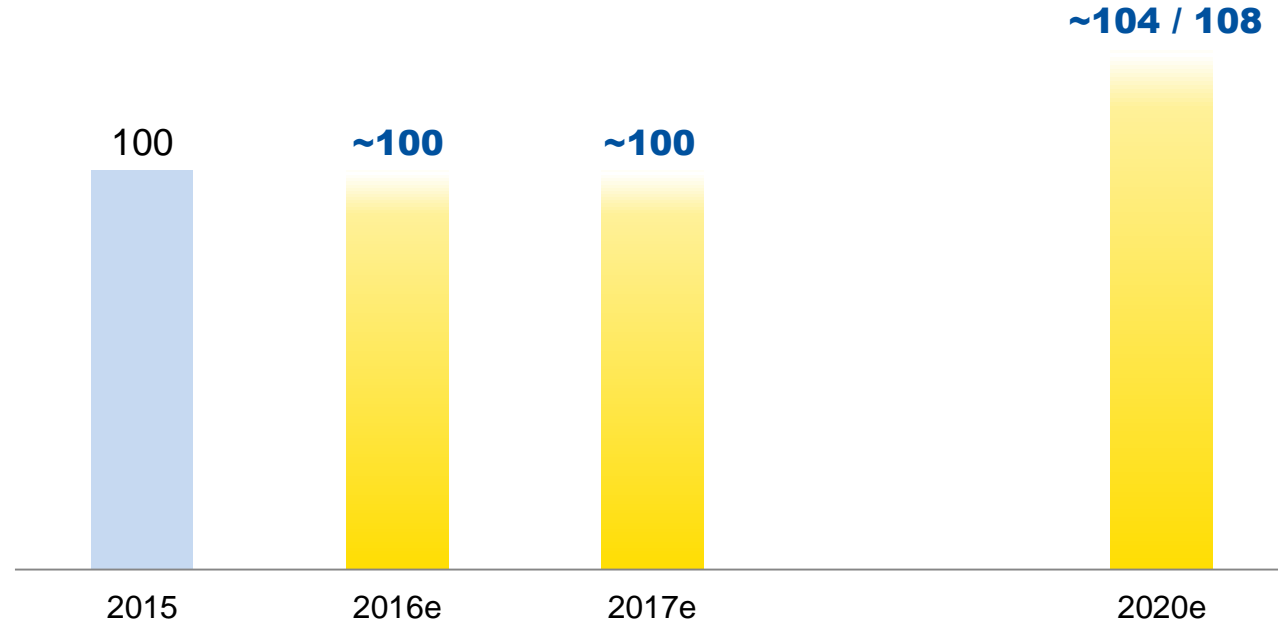
## ▲ TB OE&RT market projection

(Radial & Bias in millions of units)



# Agriculture: a slow worldwide growth assuming stable grain prices

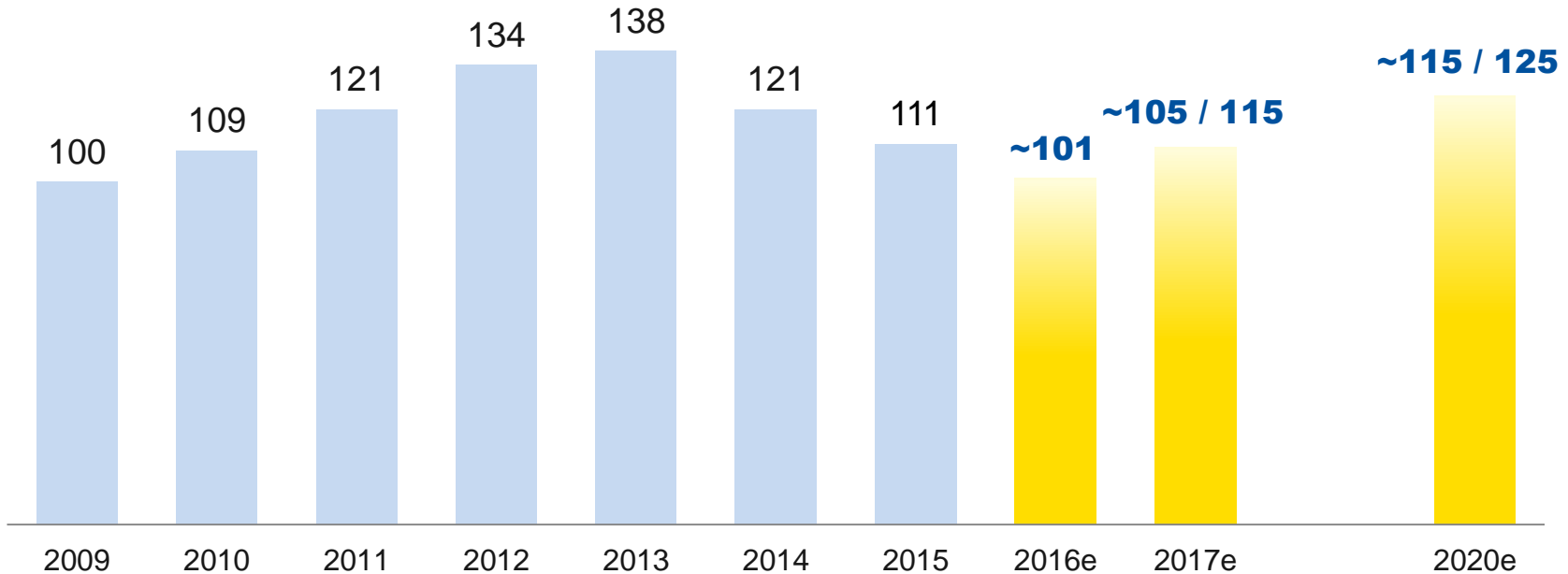
▲ (base 100 in 2015, in tonnes)



\* 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

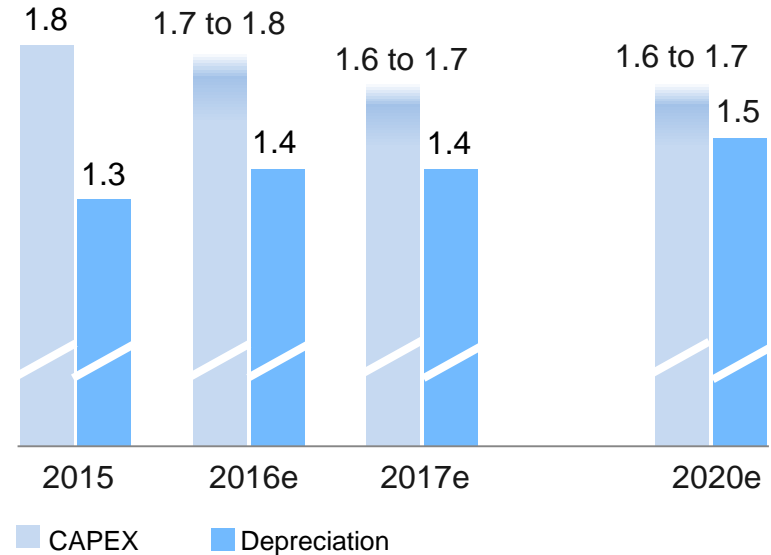
<i>In €m</i>	Plan 2007-2010 achieved	Plan 2012-2016 Target: €1,200m		Plan 2017-2020
		2012-2015 achieved	2016(e)	
SG&A	251	421		500/550
Manufacturing Costs	406	394		450/500
Materials	365	149		150/200
<b>Total</b>	<b>1,022</b>	<b>964</b>	<b>~250</b>	<b>~1,200</b>

# Investing to create value

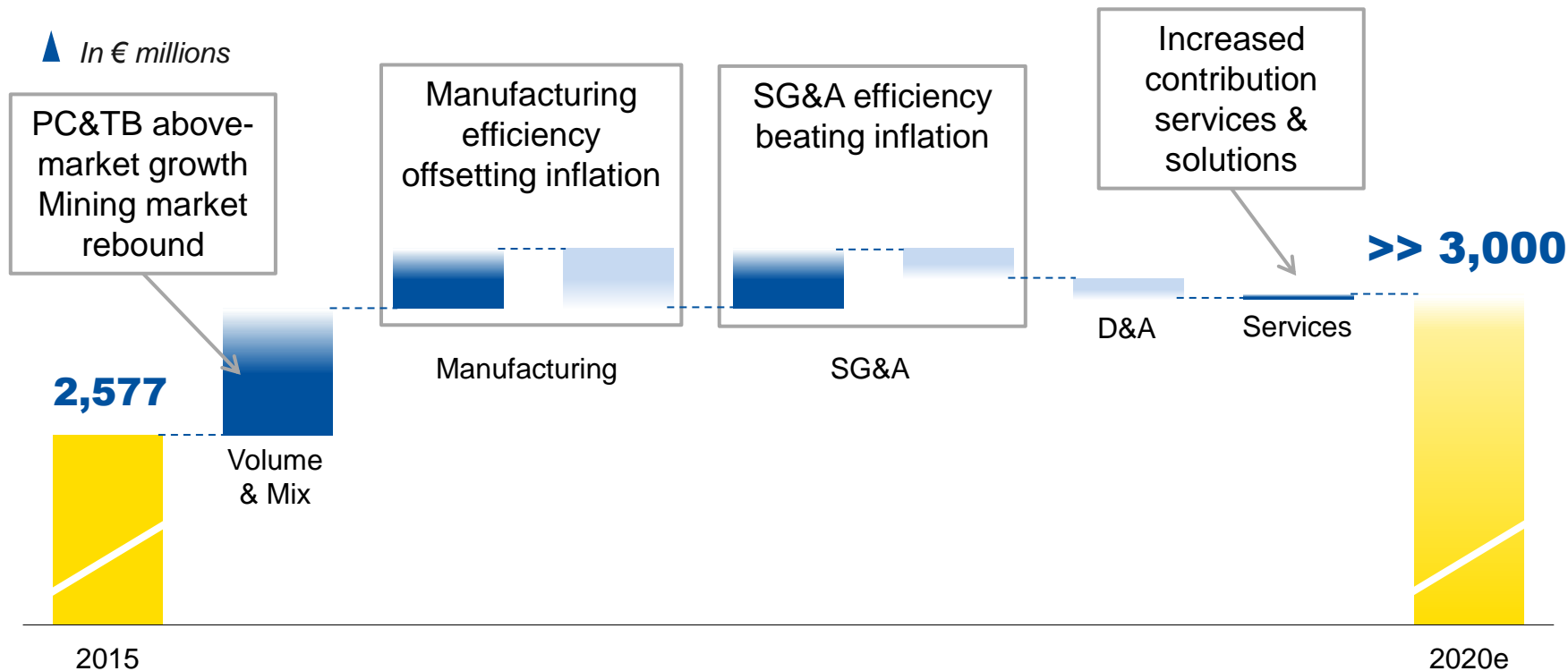
- ▲ Succeed in our priority Capex and M&A investment to capture growth
  - In the supply chain, to improve customer services (IS, logistics centers)
  - In growing markets: PC premium tires, in North America and in Asia
  - In Digital services
  - In raw materials and semi-finished products






- ▲ 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

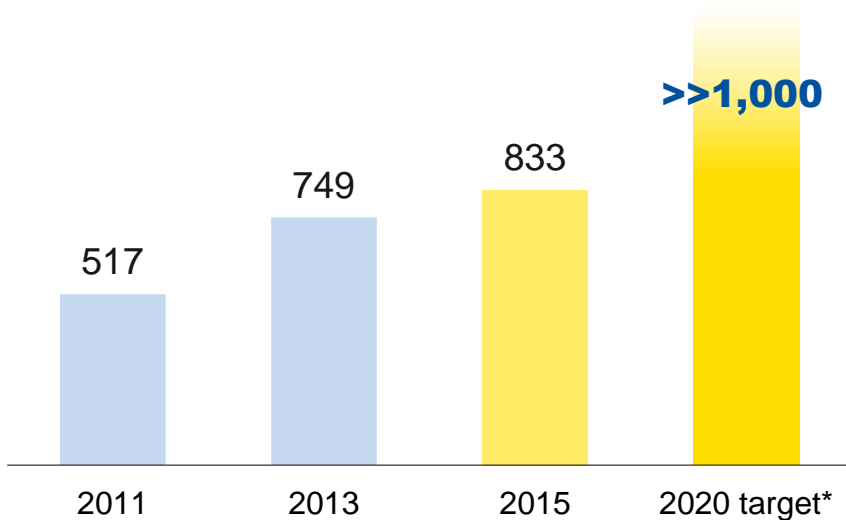
	 RS1	 RS2	 RS3
<b>2016-2020 target ranges**</b>	Between 11% and 15%	Between 9% and 13%	Between 17% and 24%

\* From recurring activities

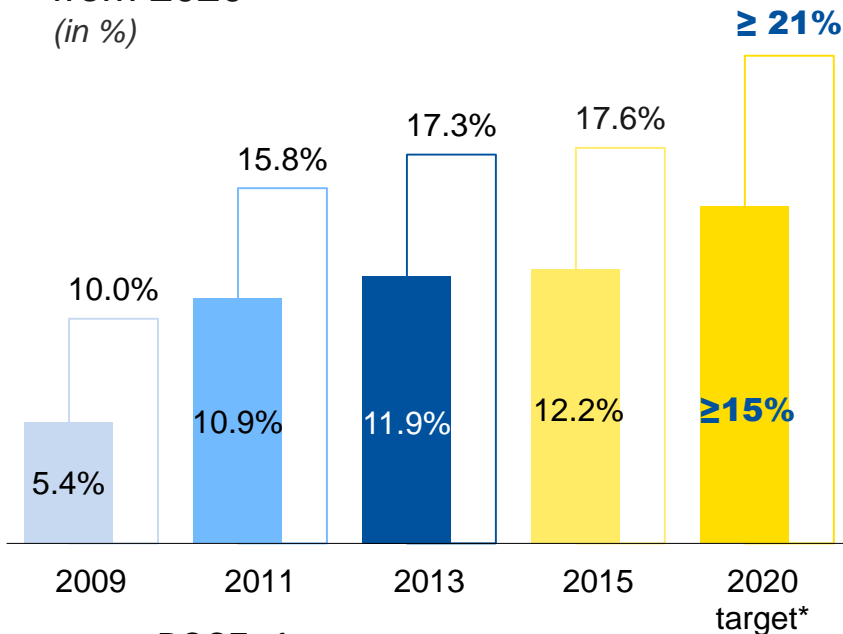
\*\* At constant scope of consolidation and raw materials prices, and with markets expanding by a CAGR of 2.5% in PC tires and of 1.5% in Truck tires

# 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 %)



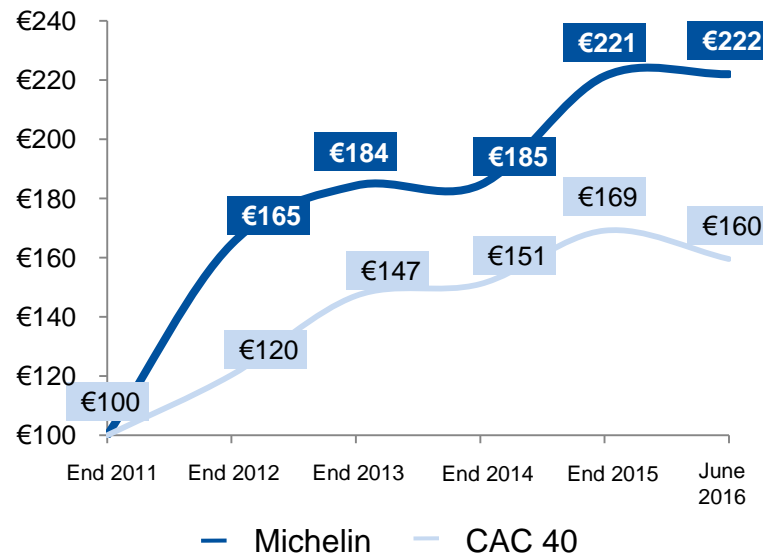
■ ROCE after tax  
□ ROCE before tax

\* At constant scope of consolidation

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

- Share buyback program
  - €451m committed in 2015
  - €150m committed in H1 2016
    - 1,757,440 shares bought back at an average price of €85.35
  - A new €150m tranche launched in H2 2016
    - As of September end, 841,490 shares bought back at an average price of €93.27
- 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

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



**MICHELIN**

**PILOT SPORT 4 S** 

November 24, 2016

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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%

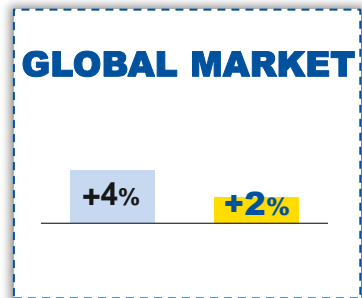
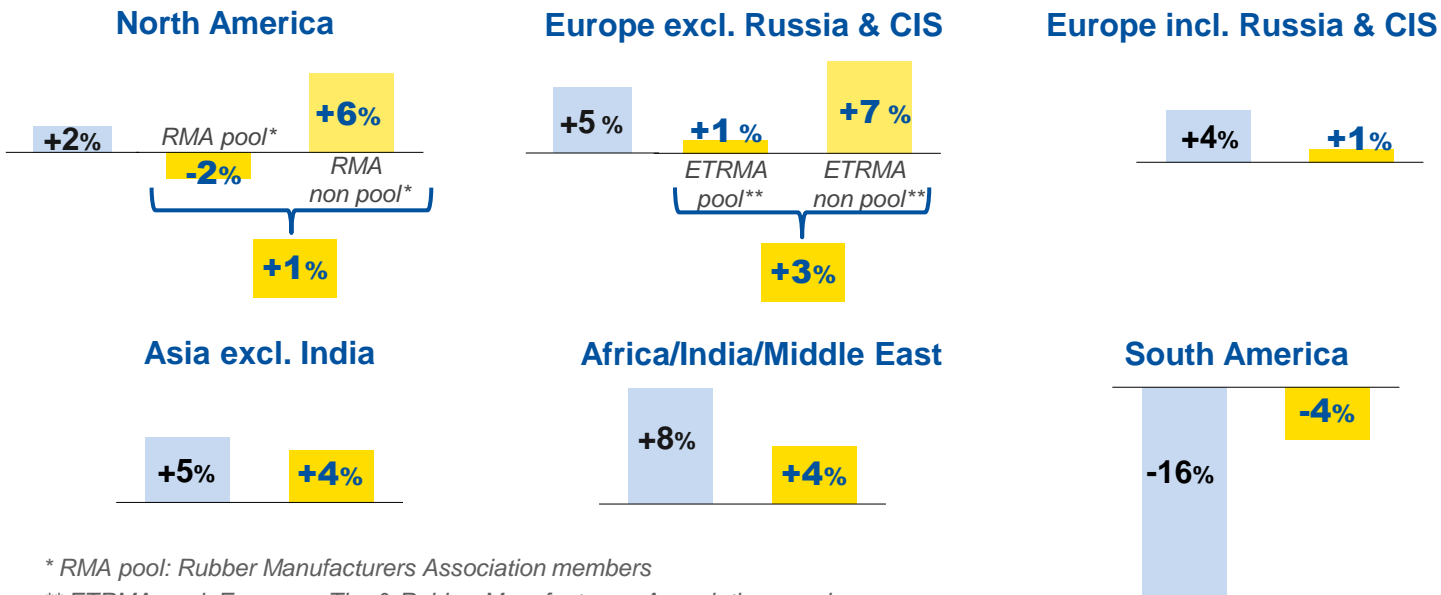
▲ YTD October 2016

% 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)



\* RMA pool: Rubber Manufacturers Association members

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

Source Michelin

■ OE ■ RT



# 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

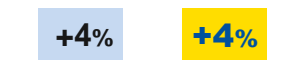
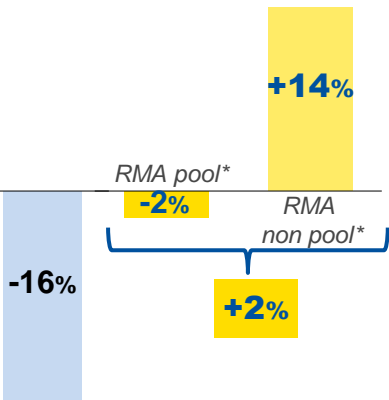
-1%      -2%

### North America

### Europe excl. Russia & CIS

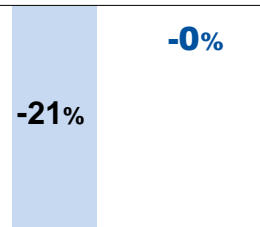
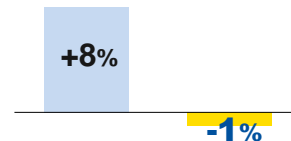
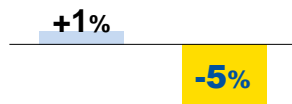
### Europe incl. Russia & CIS

### South America



### Asia excl. India

### Africa/India/Middle East



\* RMA pool: Rubber Manufacturers Association members

Source Michelin

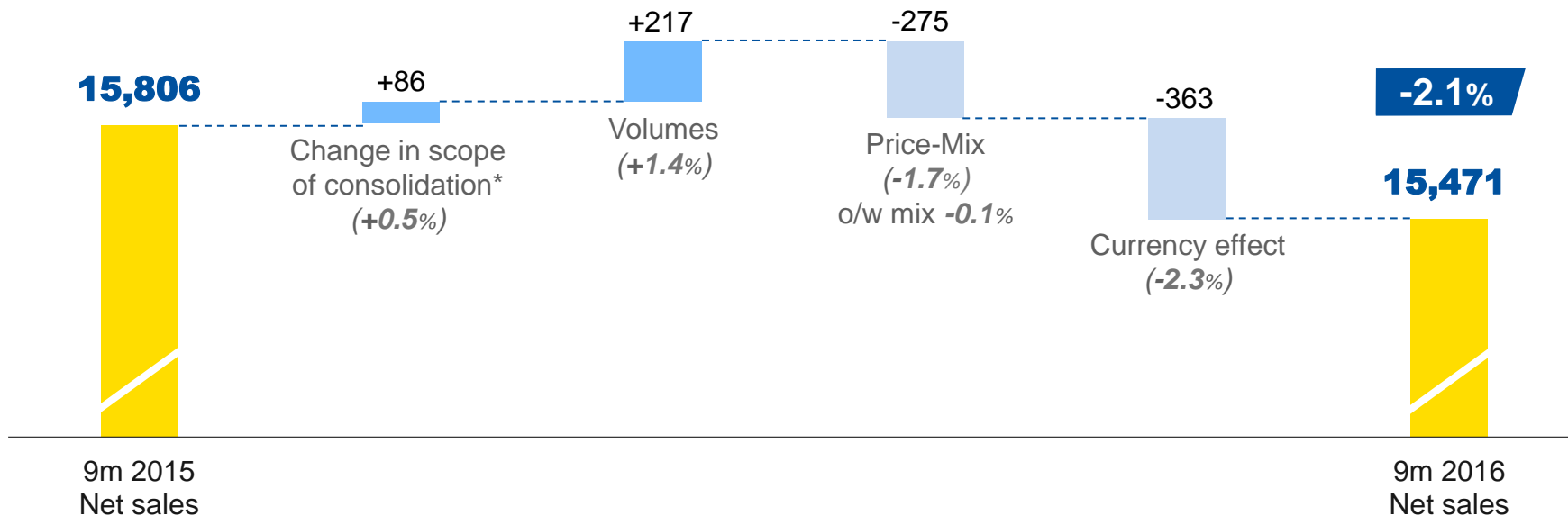
■ OE    ■ RT





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

## ▲ YoY change (in € millions and %)

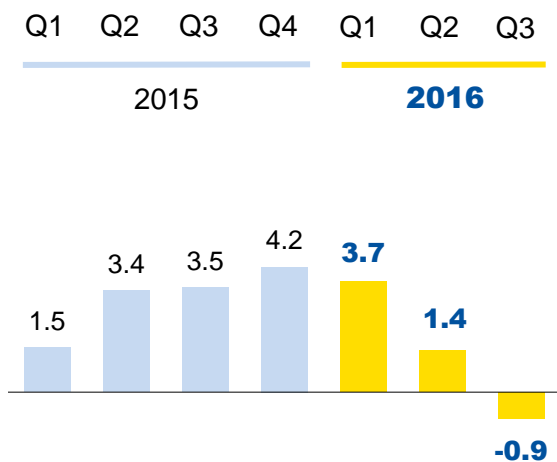


\* Meyer Lissendorf, Blackcircles, BookaTable

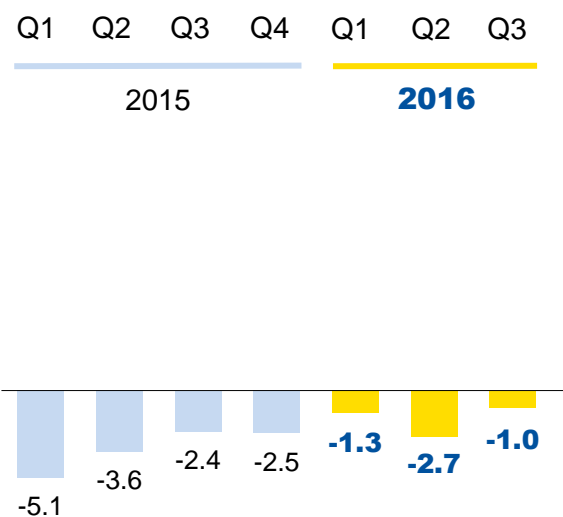
# Improvement in prices and the mix in a lackluster Q3 market environment

▲ YoY quarterly change  
(in %)

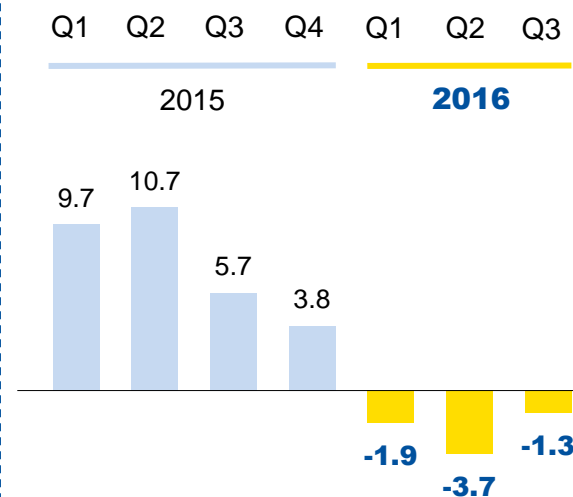
## Volumes



## 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



# Brazil: Michelin acquires Levorin

- Brazilian manufacturer of bicycle and motorcycle tires.
  - 2015 net sales: €135 million
  - 2,000 employees at its two plants in Sao Paulo and Manaus
- Specialized in the commuter segment in Brazil.
- Strategic objectives for Michelin:
  - consolidate its presence in Brazil in the significant, and expanding, commuter segment
  - strengthen the global development of its 2 Wheel tire ranges and complement the range of tires currently offered, which are historically oriented towards the high-end 2 Wheel leisure market
- Subject to the approval of the Brazilian competition authorities

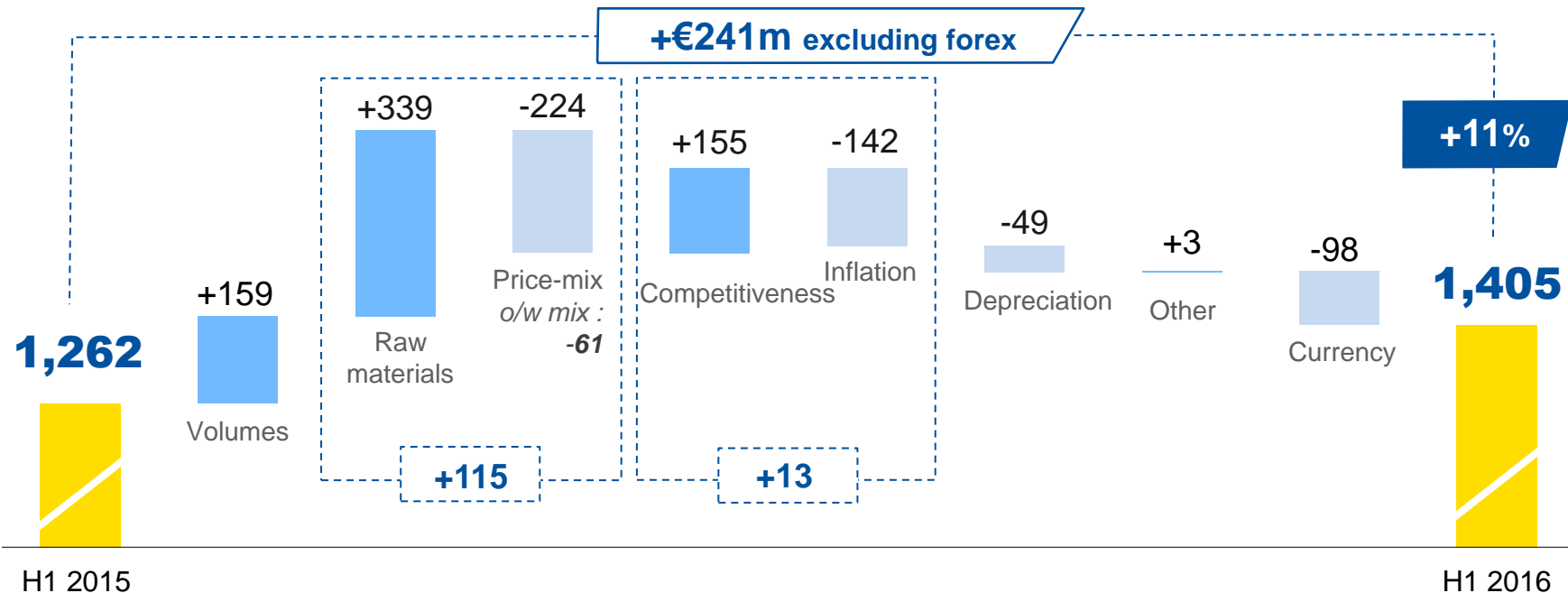


# H1 2016 Operating income of €1.4bn, up a sharp €241m at constant exchange rates

- 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)

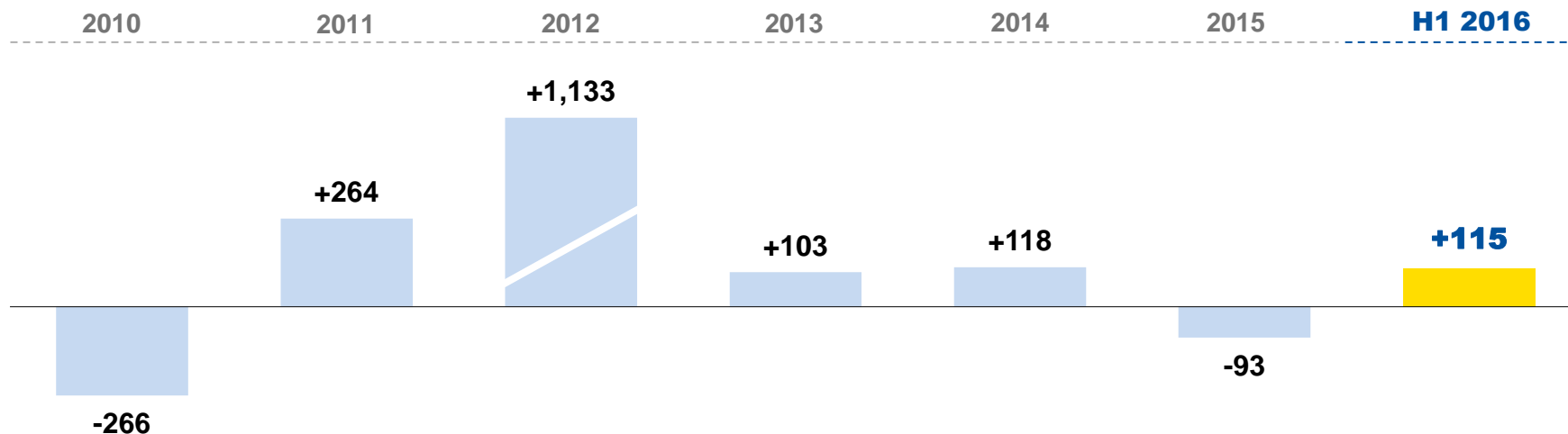


\* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

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

## ▲ Net effect of price mix / raw materials on operating income

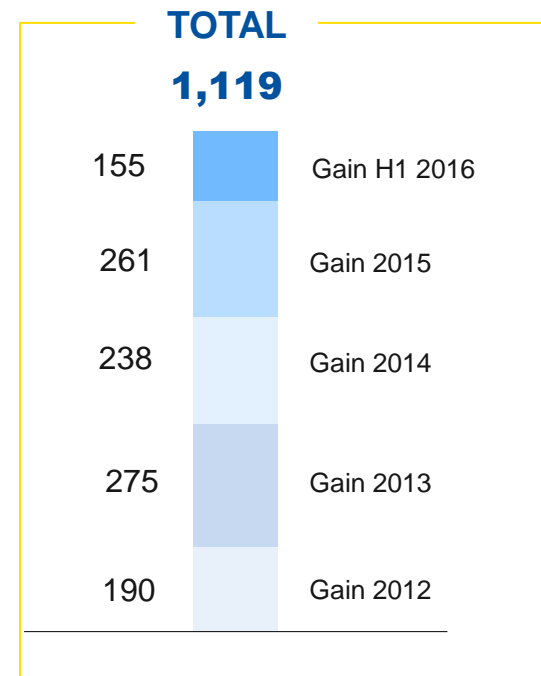
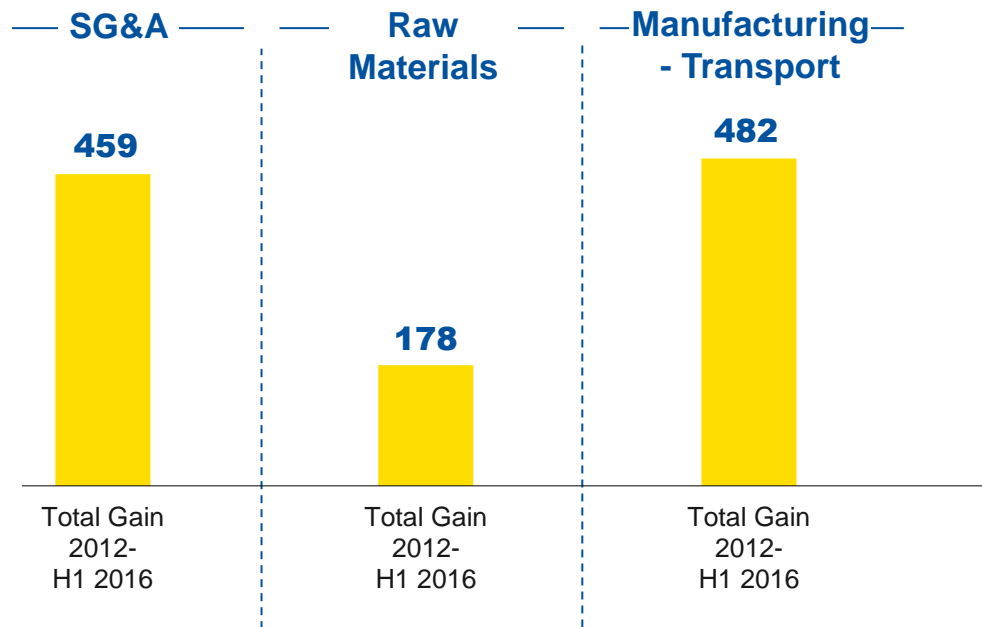
(in € millions)



- 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

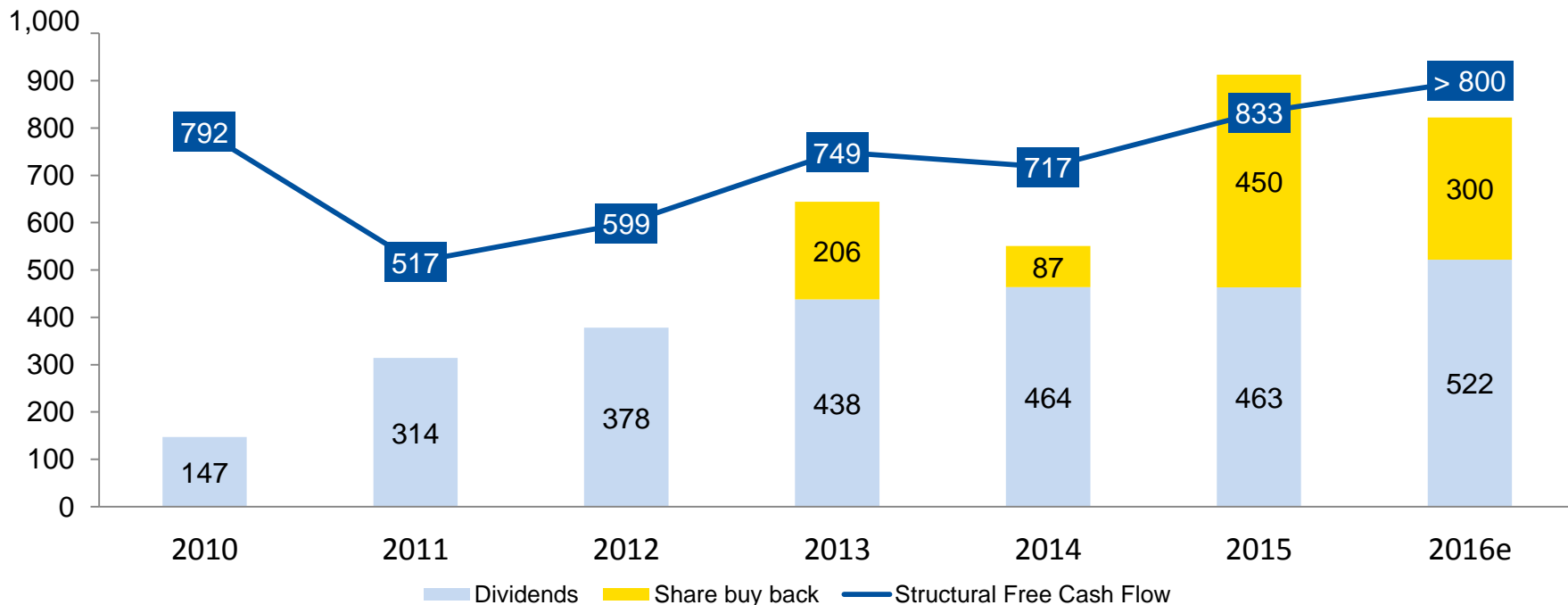


\* Before inflation and including avoided costs



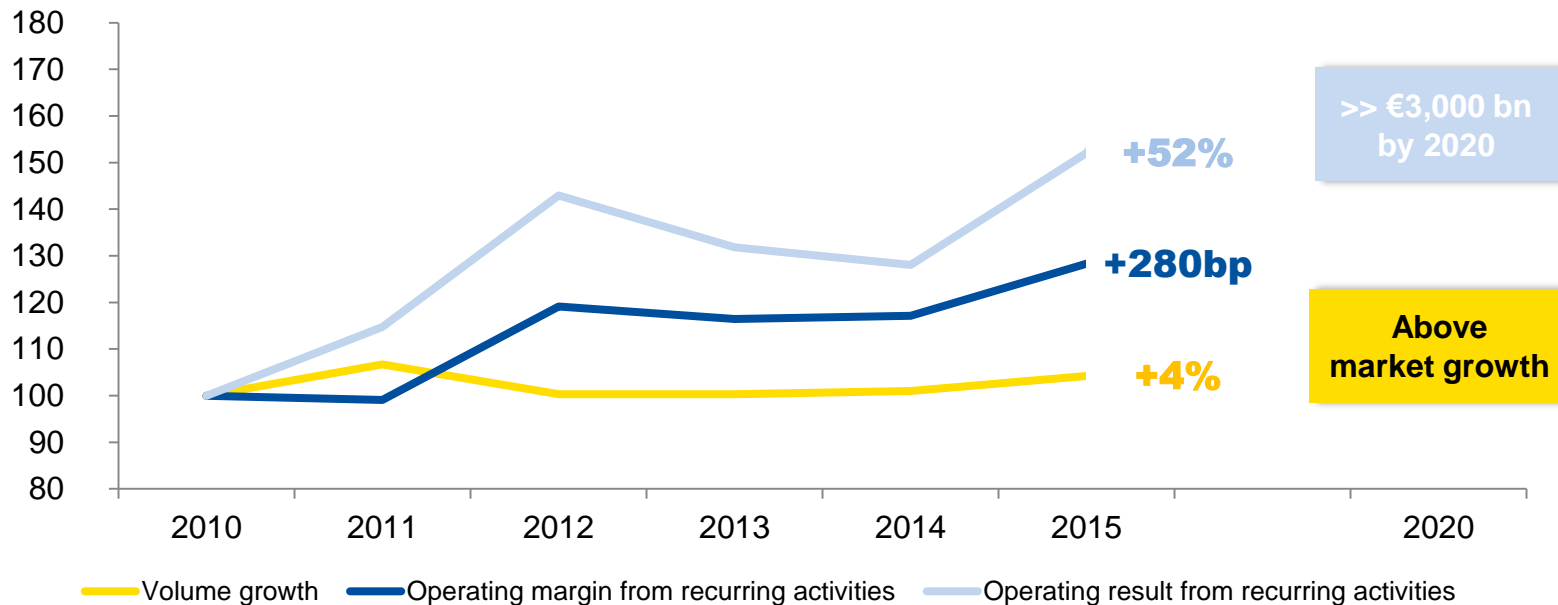
# Solid cash generation committed to shareholders

● In € millions



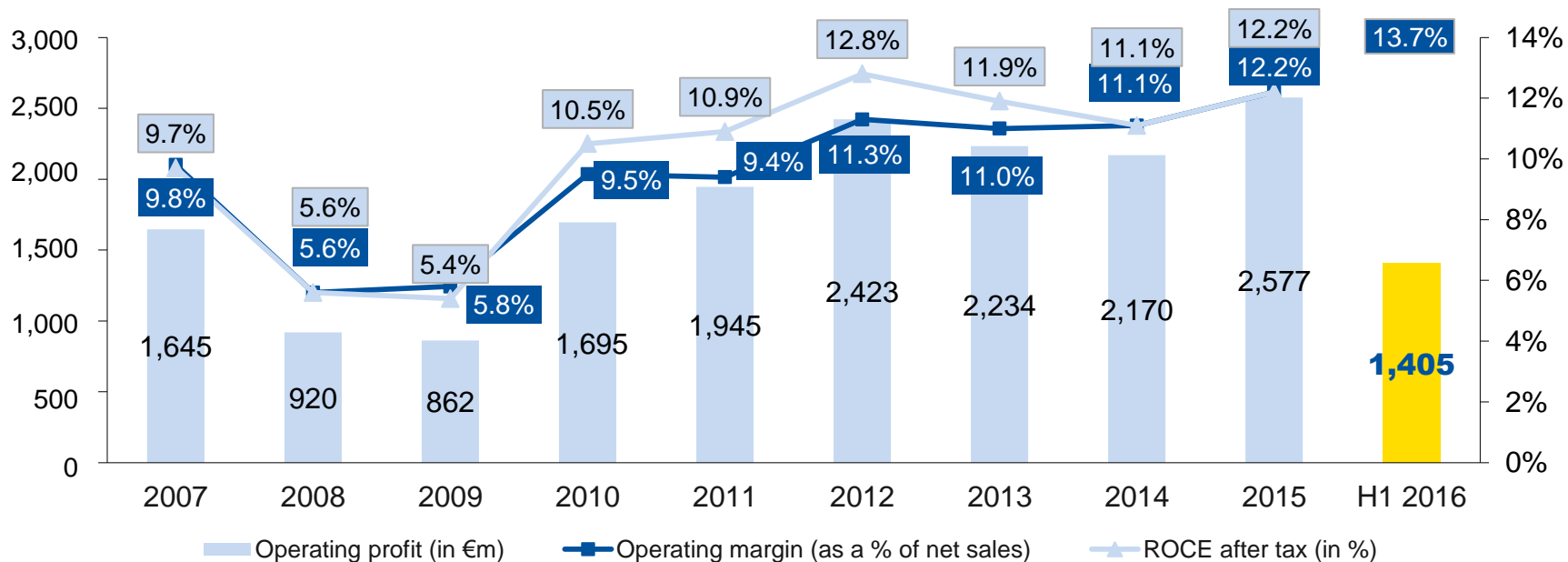
# Profitable growth ambition

- Base 100 in 2010



# A stronger Group with improving profitability

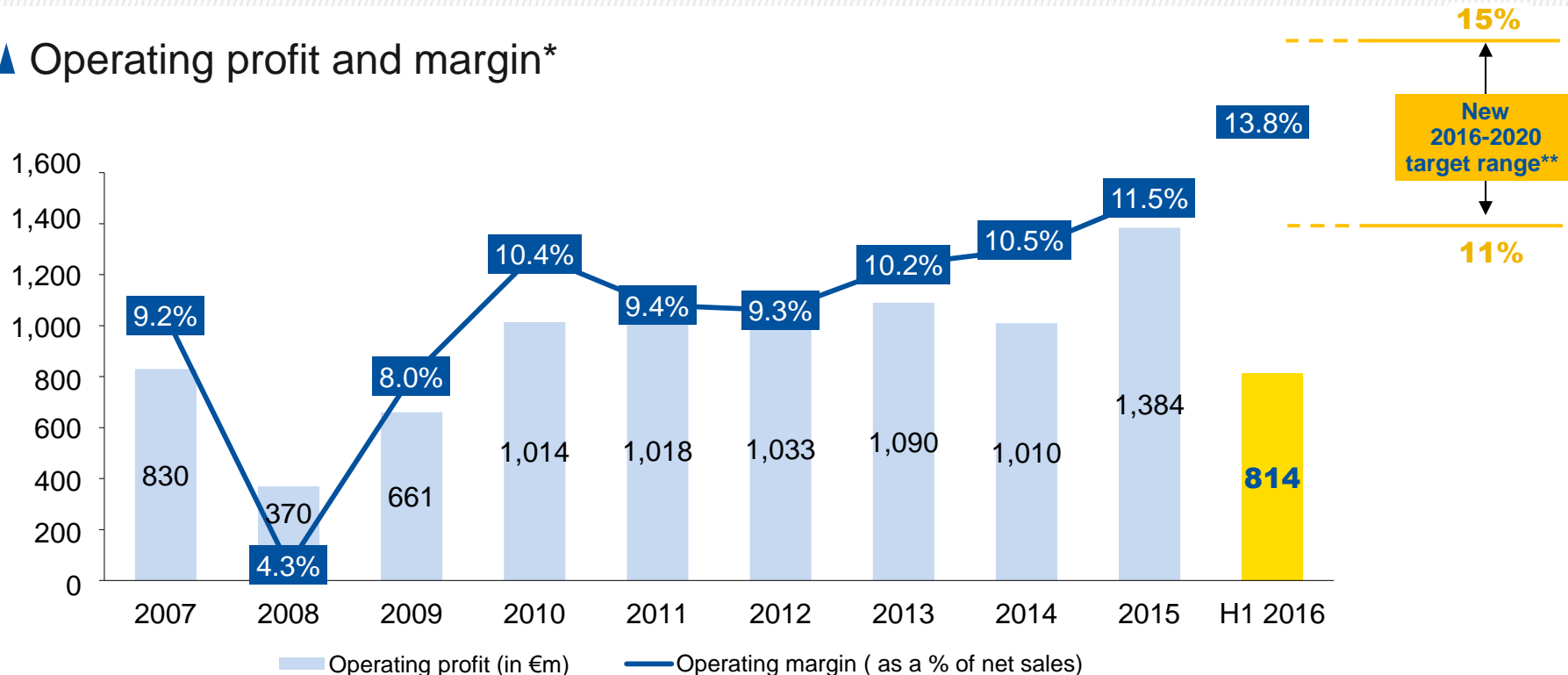
## ▲ Operating profit and margin\* & ROCE



\* Before non-recurring items

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

## ▲ Operating profit and margin\*

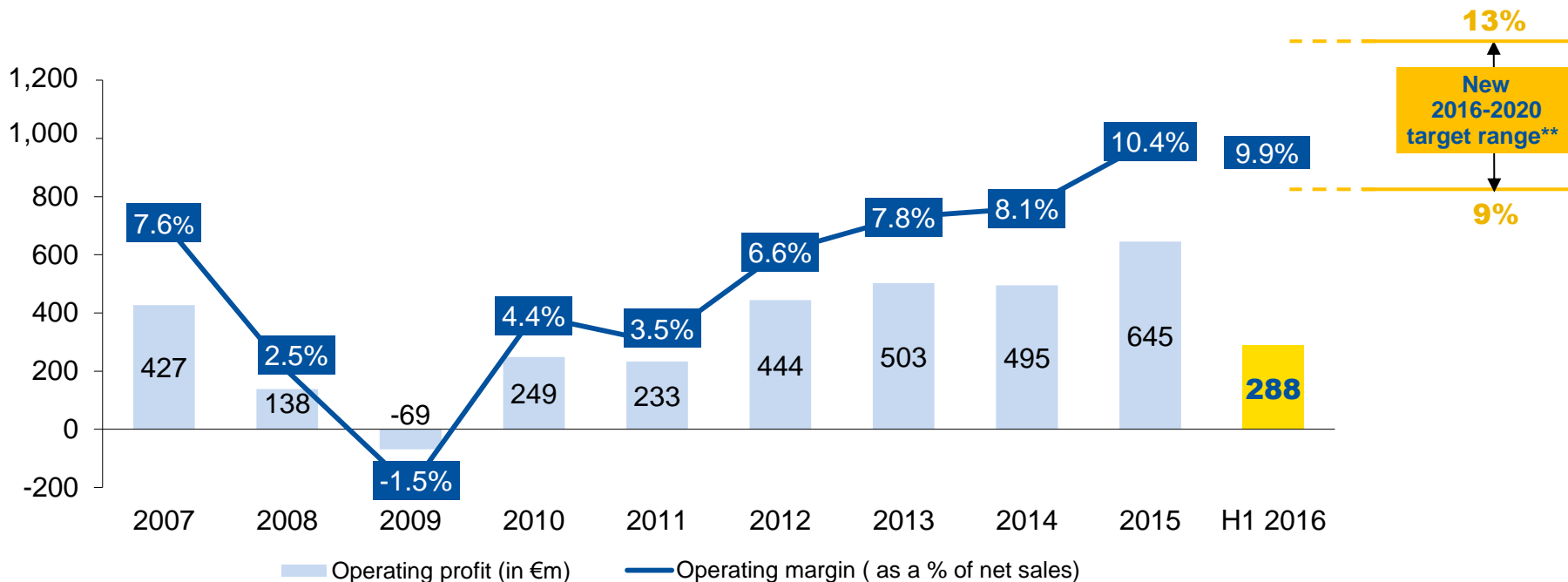


\* Before non-recurring items

\*\* 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\*

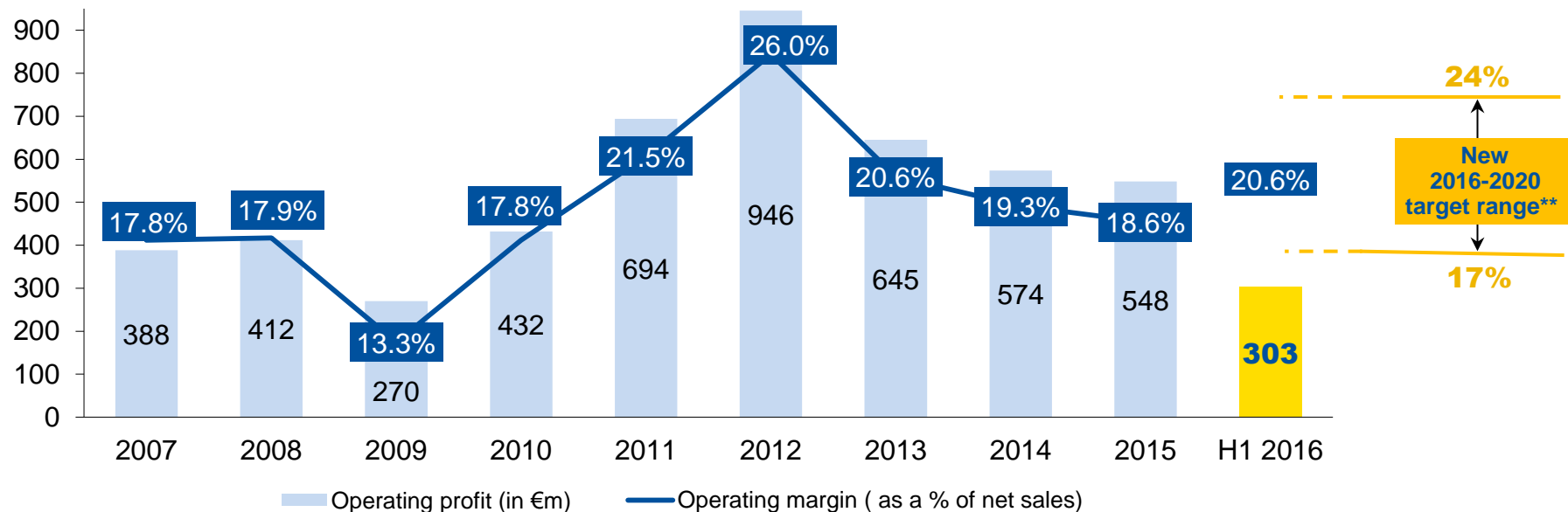


\* Before non-recurring items

\*\* 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\*

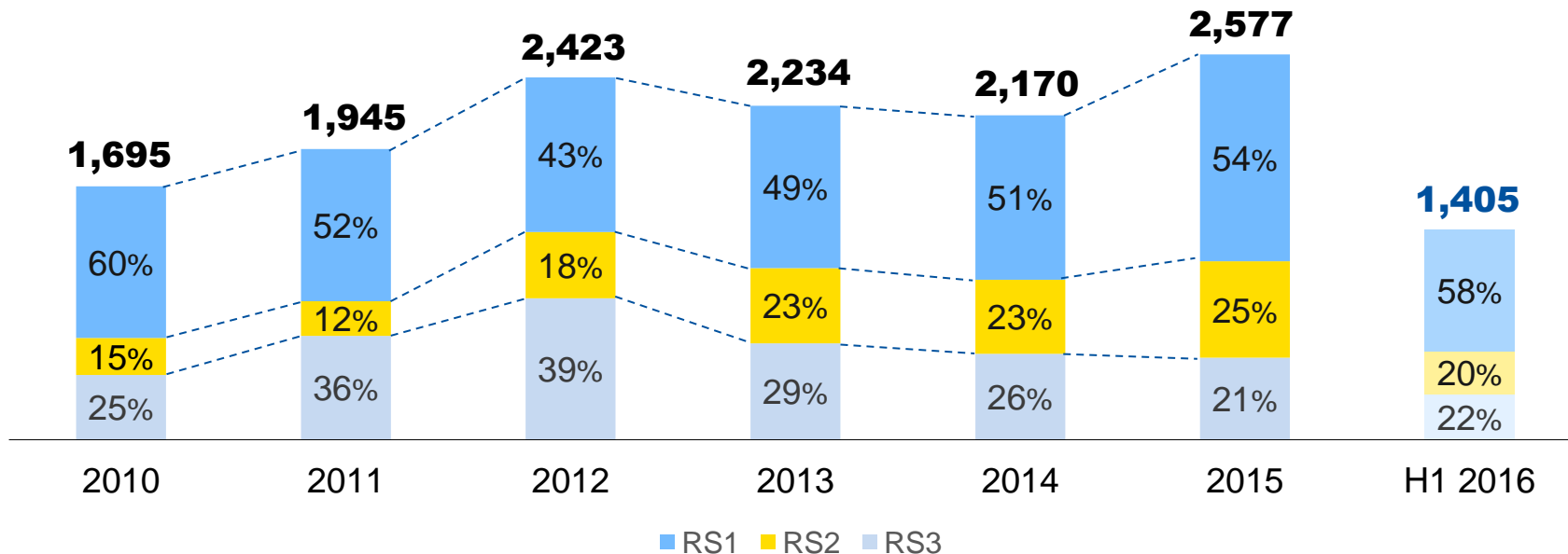


\* Before non-recurring items

\*\* 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



# 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.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."



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