



**October 19, 2016**

**Net Sales at September 30, 2016**

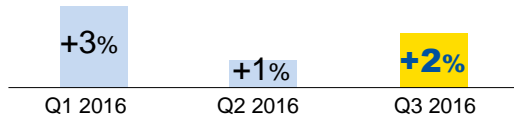
# Net sales of €15.5 billion supported by volume and improving price-mix

- Markets
  - Flattish to slightly declining Passenger car and Truck Q3 demand in mature markets
  - Mixed demand in emerging markets, with still buoyant growth in China in PC, and a continuing decline in South America
  - Specialty businesses impacted by lower Agricultural demand, weak OE earthmover segment and ending inventory drawdowns at mining companies
- Volumes up 1.4% YTD, outpacing year-to-date markets, including sluggish Q3 in Europe linked to a challenging pricing environment
- Better price-mix effect of -1.7% YTD (-1.0% in Q3) shaped by the Group's value-driven pricing management and the 11% growth in the Premium 17'+ segment
- Guidance confirmed

# Sluggish market growth in Q3



**YTD PASSENGER CAR: +2%**



## Q3:

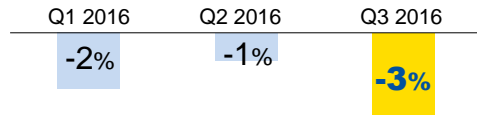
- Growth in emerging markets excluding Russia and Brazil.
- Sluggish in mature zones with delayed winter sales. Some growth on low-tier.

## YTD:

- OE: +4% with growth in mature zones, China and India
- RT: +2% with momentum in Western Europe and North America driven by low tier segments and sustained growth in China



**YTD TRUCK: -2%**



## Q3:

- Negative markets due to OE in Americas and RT in Asia.

## YTD:

- OE: -1% with growth in Western Europe and in India, decrease in North America on high levels
- RT: -2% with increasing markets in Western Europe and in North America on high low-tier imports. Down in China, the world's largest market



**FY 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




\* Full year market expectation

\*\* Europe and North America

\*\*\* Commercial aircraft

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

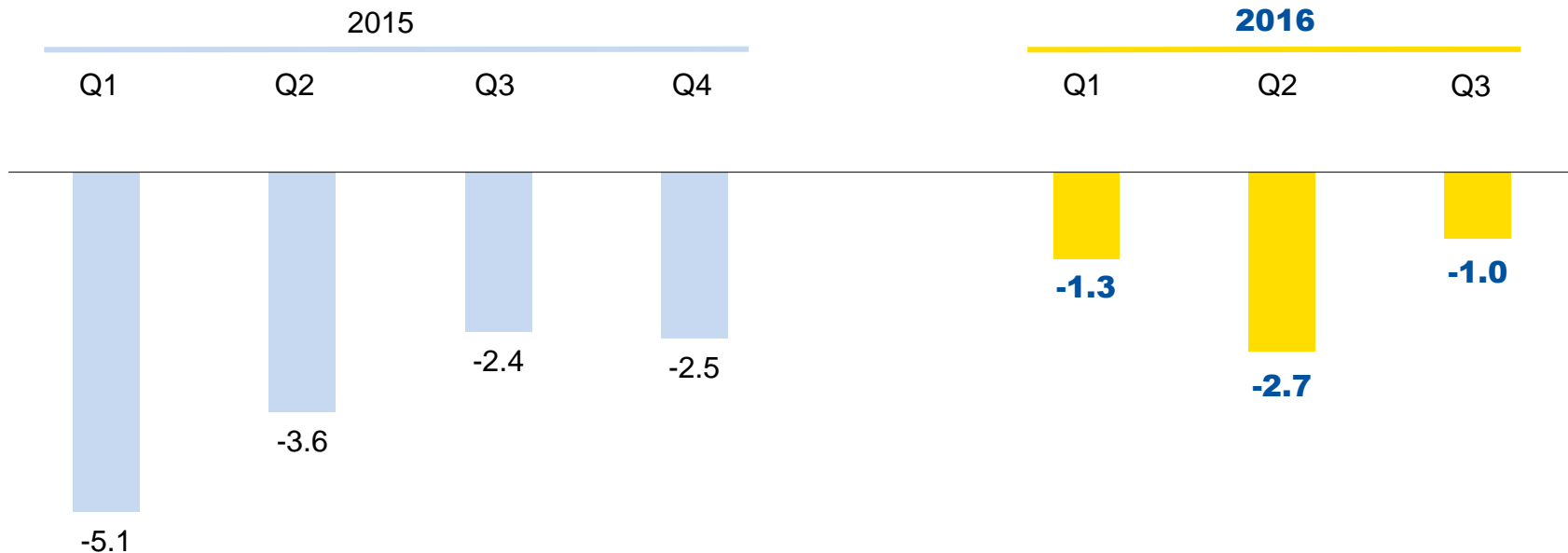
# Stronger positions in all of the Group's businesses

	(In € millions)	9m 2016
	<b>RS1 Net sales</b> <b>Volume growth</b> Market growth	<b>8,880</b> <b>+2.5%</b> +2%
	<b>RS2 Net sales</b> <b>Volume growth</b> Market growth	<b>4,440</b> <b>+ 0.3%</b> -2%
	<b>RS3 Net sales</b> <b>Volume growth</b> Market growth	<b>2,151</b> <b>-2.3%</b> -4%/-5%*

\* Full-year market estimate

# Better price-mix thanks to the Group's value driven management

## ▲ Price-mix, YoY quarterly change (in %)



# 2016 guidance confirmed

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

\*  $\geq$  for H2

October 19, 2016

# Net Sales at September 30, 2016



- 1 / Net sales of €15.5 billion supported by volume and improving price-mix**
- 2 / 2016 guidance confirmed**

October 19, 2016

# Net Sales at September 30, 2016



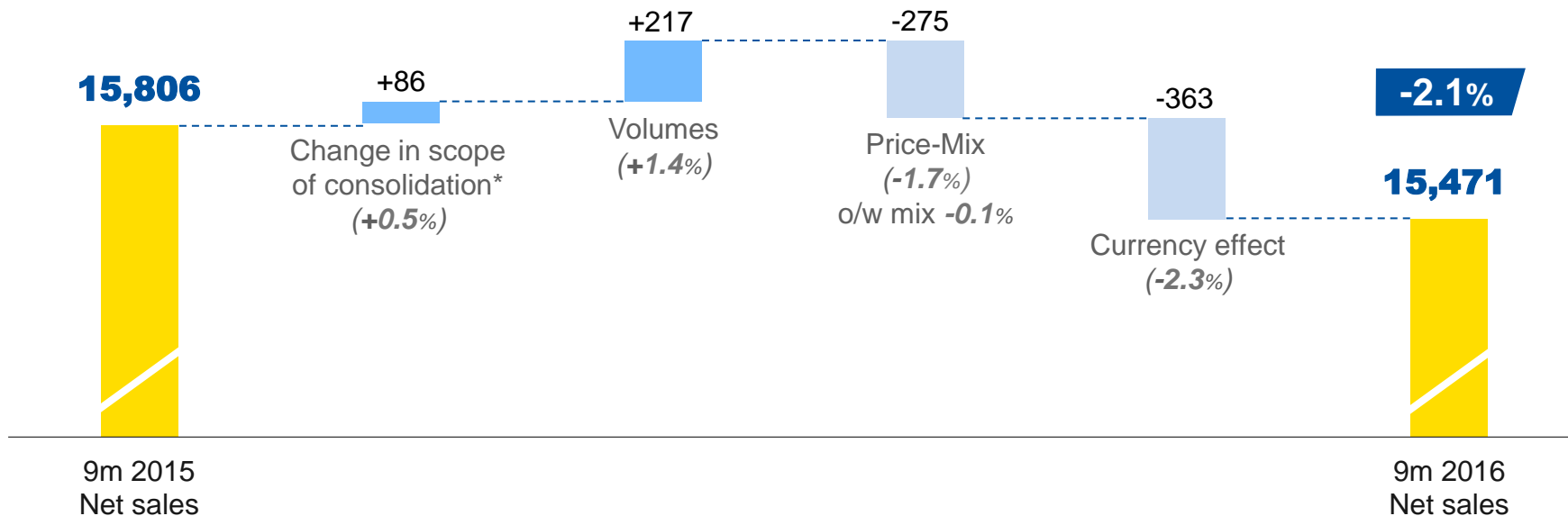
**1**

**Net sales of €15.5 billion supported by volume and improving price-mix**



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

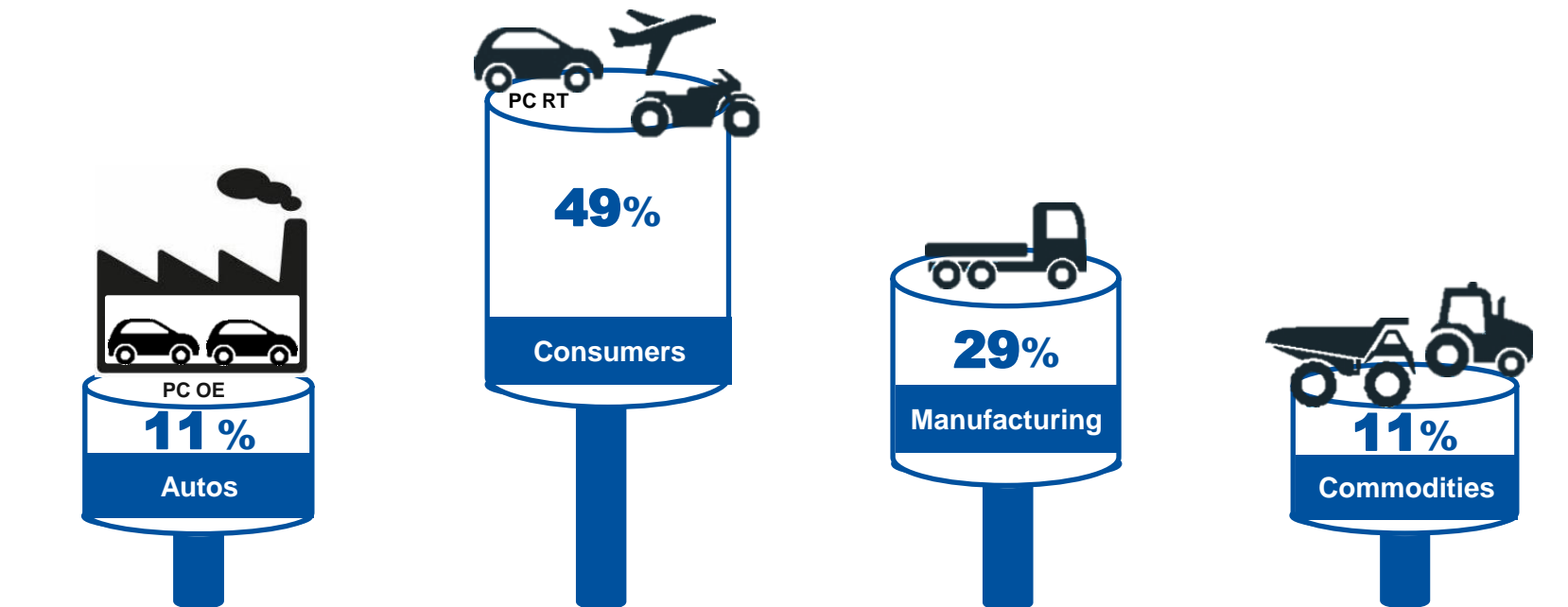
▲ YoY change  
(in € millions and %)



\* Meyer Lissendorf, Blackcircles, BookaTable

# A business model strongly linked to consumption

## ▲ Net sales by drivers



Breakdown of 2015 Net sales

10

Net Sales at September 30, 2016 - October 19, 2016



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



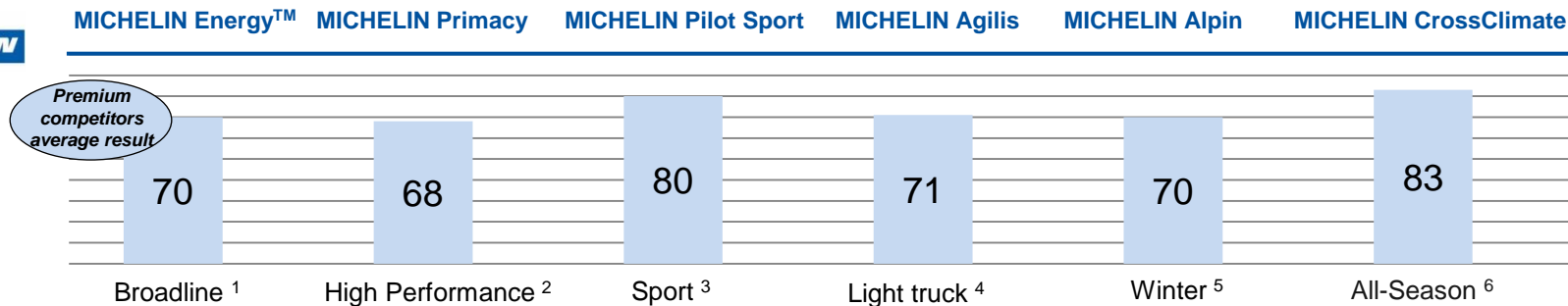
- MICHELIN summer tire with winter certification
- Best All Seasons tire ranked by



“There is only one candidate that meets all the requirements of an ideal, uncompromising ‘all-season’ tire,” says **Auto Bild** 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

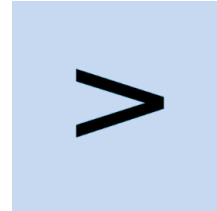
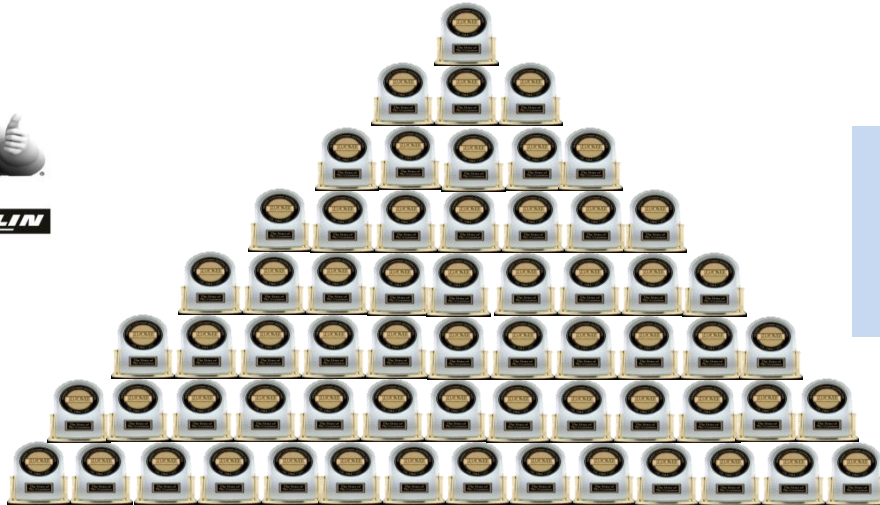
**12** Net Sales at September 30, 2016 - October 19, 2016



# 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**

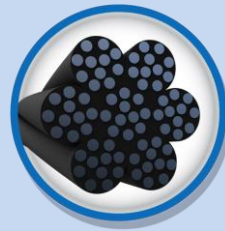
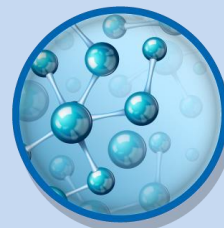
- The most productive tire with at least **25% more TKPH\*** ... with no trade-off on tire life



**MICHELIN  
XDR 3  
40.00 R 57**

## 3 MAJOR INNOVATIONS:

### NEW COMPOUNDS



**A NEW TREAD PATTERN**

**CORROSION-PROOF  
CABLES**

\* Ton Kilometer Per Hour

**14**

Net Sales at September 30, 2016 - October 19, 2016



October 19, 2016

# Net Sales at September 30, 2016



## 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

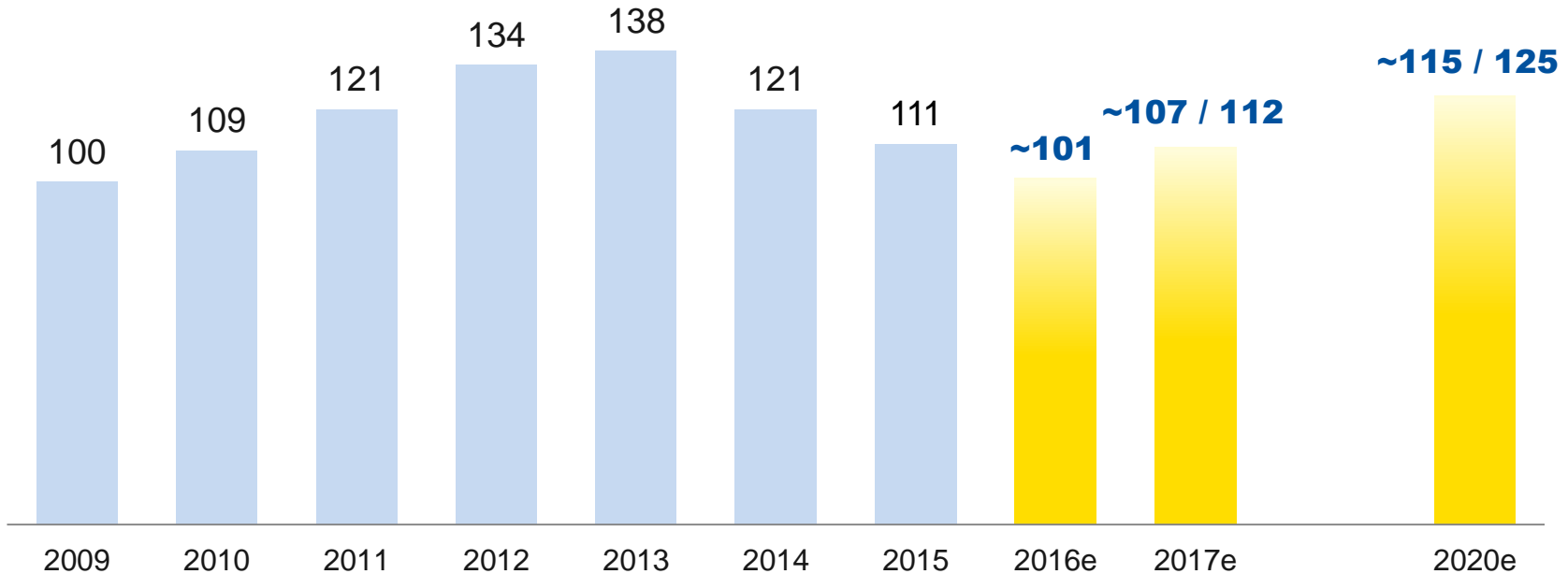
\*\* Commercial aircraft

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



# Mining market: 2016 last year of destocking

▲ (Market base 100 in 2009, in tonnes)



# 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** 

October 19, 2016

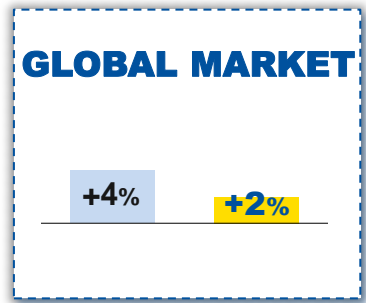
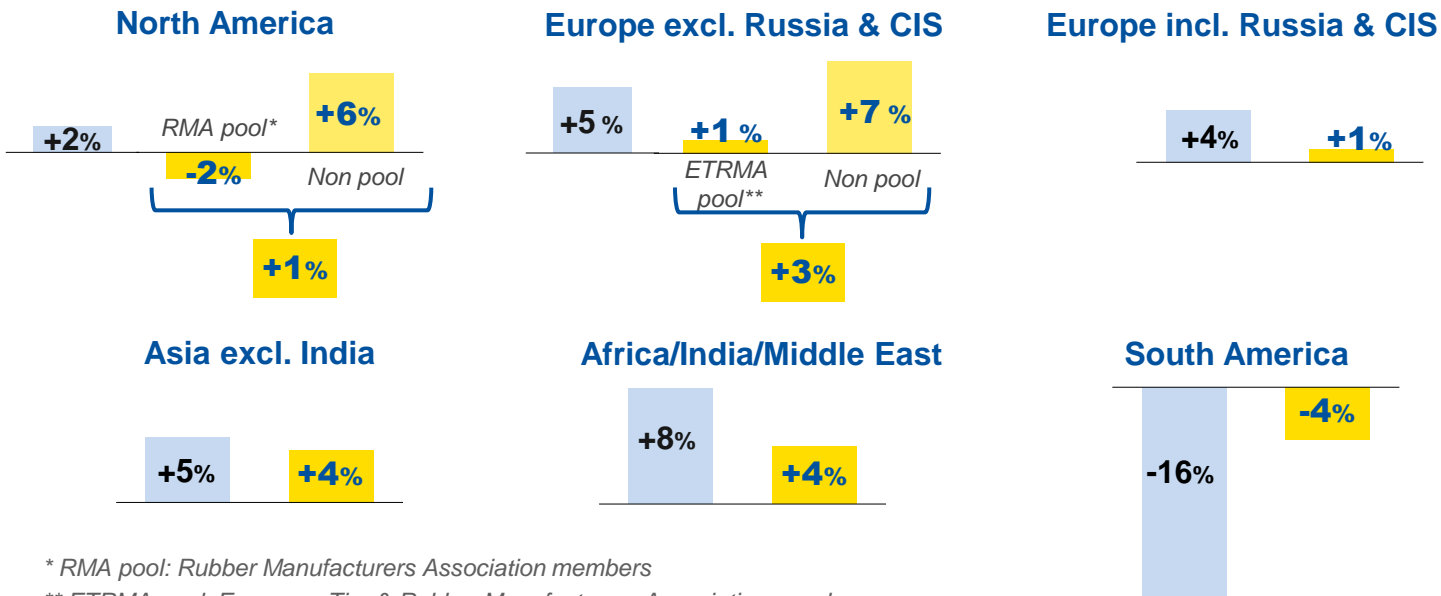
# Net Sales at September 30, 2016



## Appendices

# 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

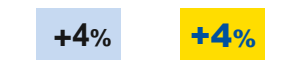
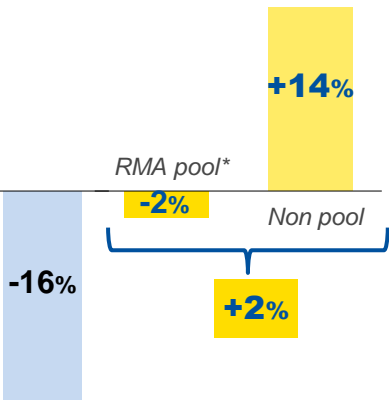
-1%      -2%

### North America

### Europe excl. Russia & CIS

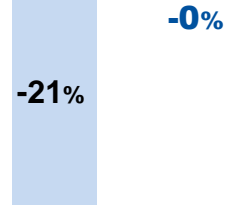
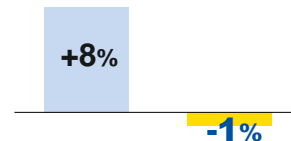
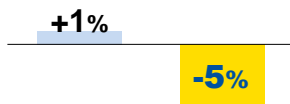
### Europe incl. Russia & CIS

### South America



### Asia excl. India

### Africa/India/Middle East



\* RMA pool: Rubber Manufacturers Association members

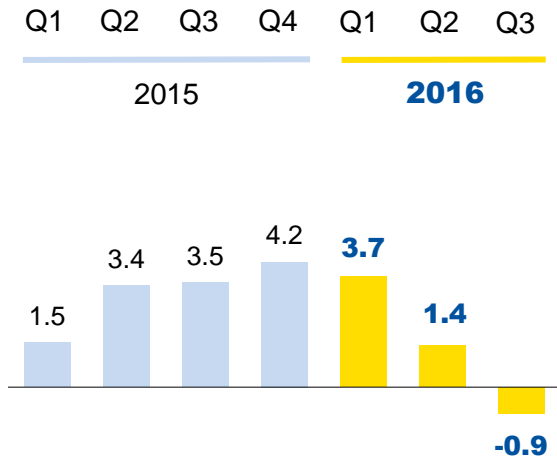
Source Michelin

■ OE    ■ RT

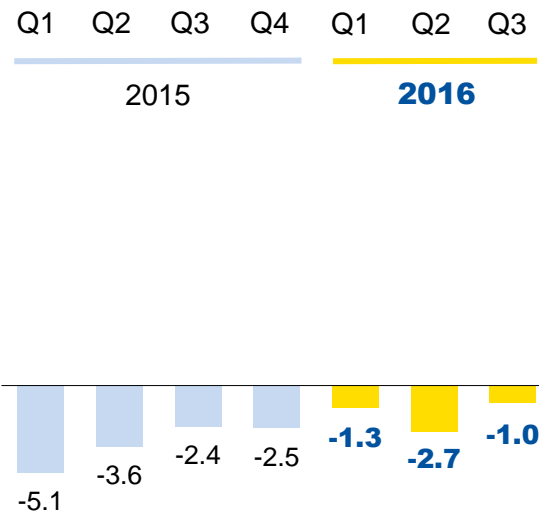
# Improvement in prices and the mix in a lackluster Q3 market environment

▲ YoY quarterly change  
(in %)

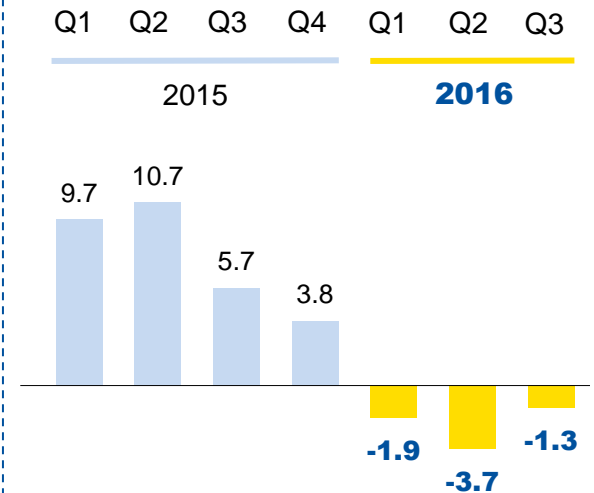
## Volumes



## Price-Mix



## Currency effect

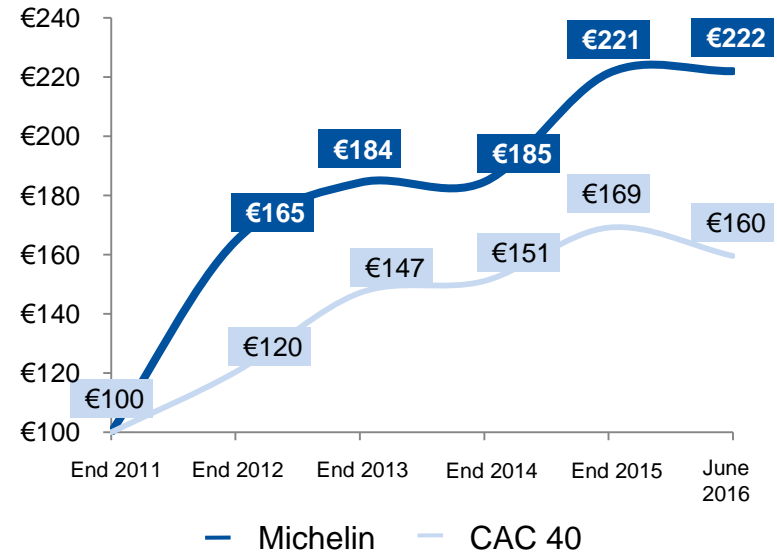




# 2015-2016 shareholder return: €978m in dividends and €750m in share buybacks

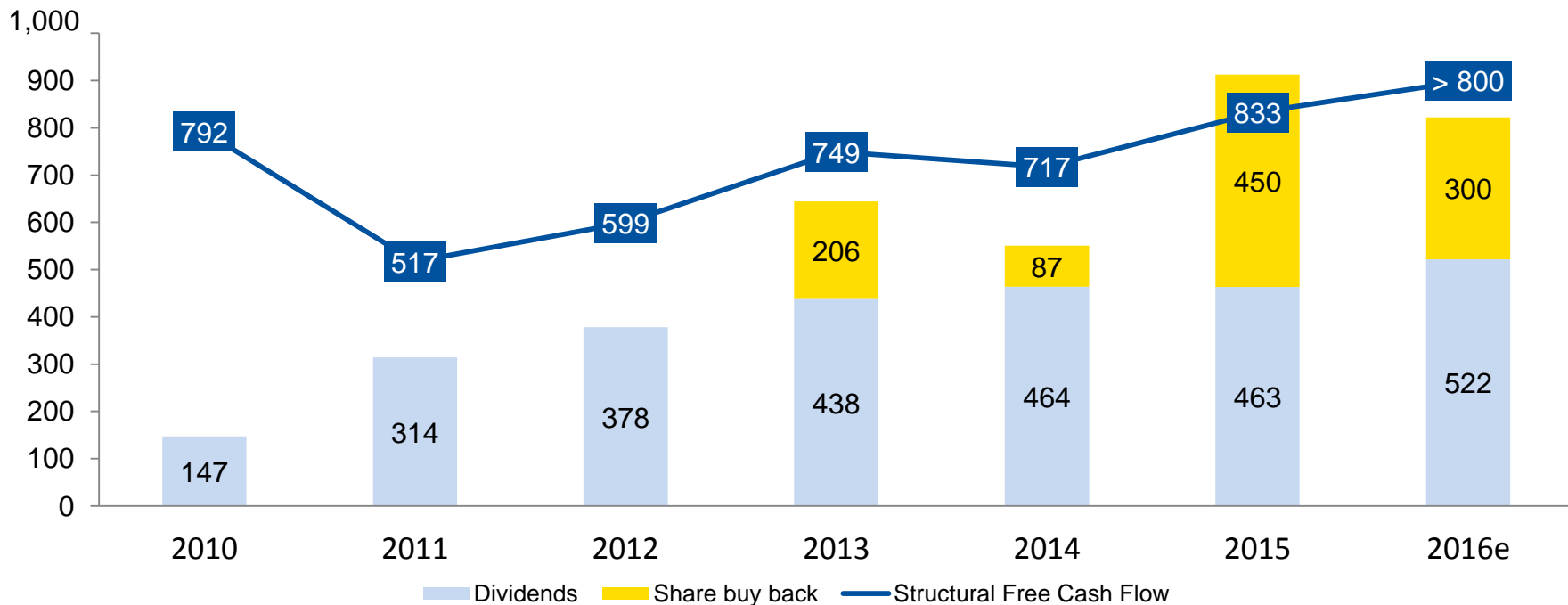
- Share buyback program
  - €451m committed in 2015
  - €150m committed in H1 2016
    - 1,757,440 shares bought back at an average price of €85.35
  - A new €150m tranche launched in H2 2016
    - As of September end, 841,490 shares bought back at an average price of €93.27
- Pay-out commitment
  - At least 35% of net earnings excluding non recurring items

## ● Total Shareholder Return

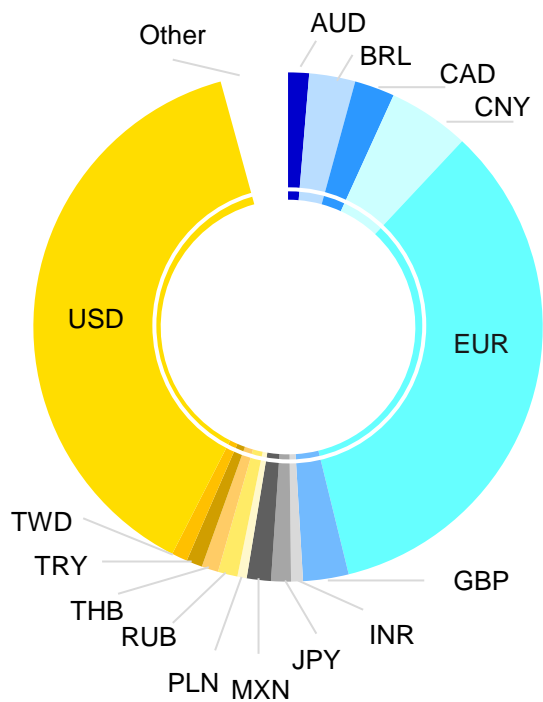


# Solid cash generation committed to shareholders

● In € millions



# H1 2016 net sales by currency

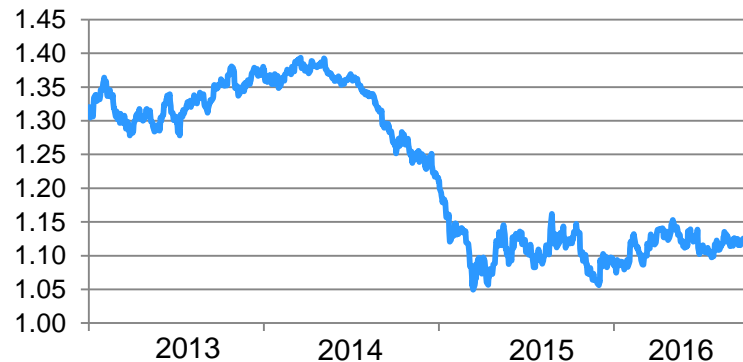


% of net sales	
AUD	1%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
TWD	1%
USD	38%
Other	4%

## 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 – 2013-2016



Source : Thomson One

## 2017 Upcoming events

- **February, 14:** 2016 Annual Results
- **April, 20:** Q1 Net Sales
- **May, 19:** Annual Shareholders' Meeting
- **July, 25:** H1 Results
- **October, 19:** Q3 Net Sales

# Disclaimer

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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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