



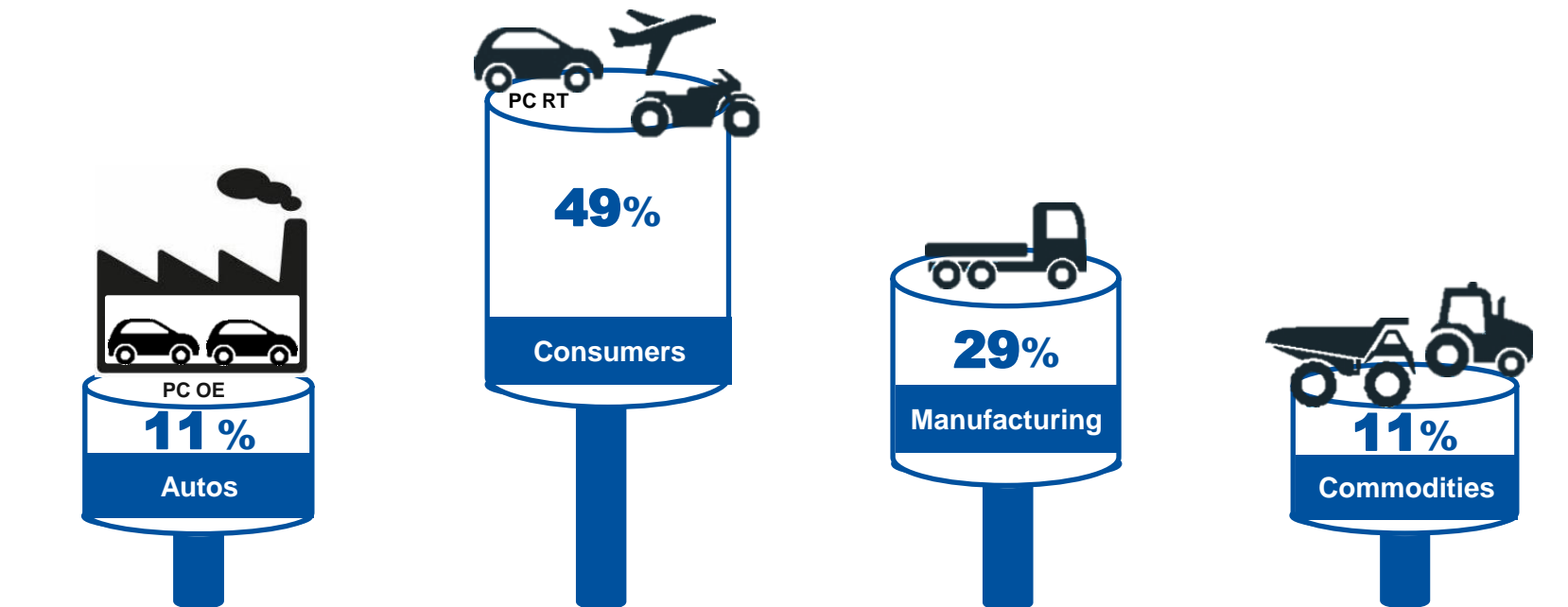
**Kepler Cheuvreux - September 15, 2016**

**AUTUMN CONFERENCE 2016 - Paris**



# A business model strongly linked to consumption

## ▲ Net sales by drivers



Breakdown of 2015 Net sales

Paris – September 15, 2016

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## Michelin's Strategy

# Michelin's 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**

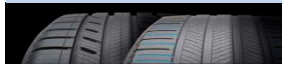
- Leverage our expertise in high-technology materials – in particular those involving elastomers

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

# 2013-2015: average of 4 breakthrough innovations per year with “Game Changer” impact

## Passenger Car

MICHELIN Premier A/S



2014

MICHELIN Alpin5 DT



2015

MICHELIN CrossClimate



2015

Premium Touch



2014

Selfseal®



2015

Cavity Foam « Acoustic »



2015

## Truck & Bus

MICHELIN X® Line Tropic™



2013

Convoy TripleA



2015

X-One Urban bus



2015

MICHELIN X Multi3D



2015

## Specialties



MICHELIN Pilot Road4 2CT Techno



2014



MICHELIN XDR250



2015



MICHELIN AxioBib IF900/65R46



2013

# 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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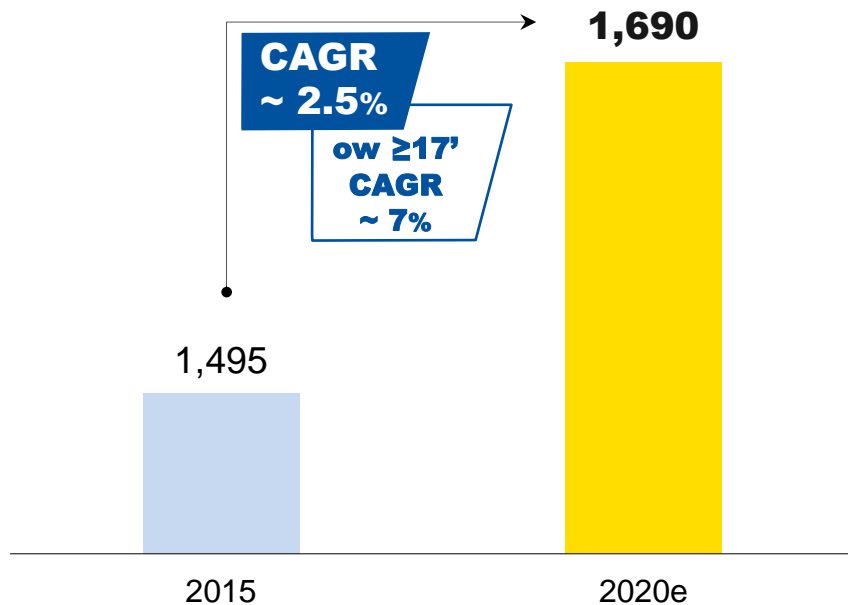


## 2020 Ambitious value creation targets

# 2015-2020 scenario: a growing worldwide demand

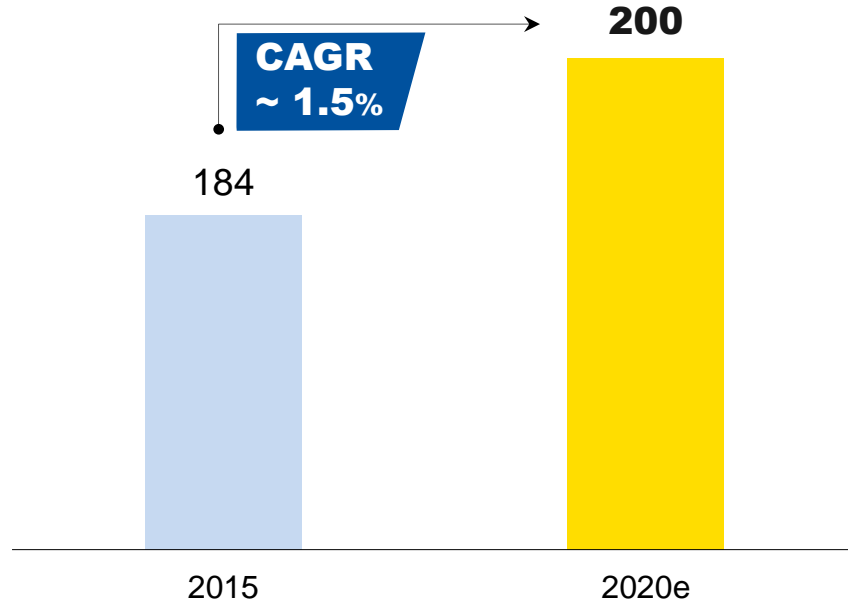
## ▲ PC OE&RT market projection

(in millions of units)



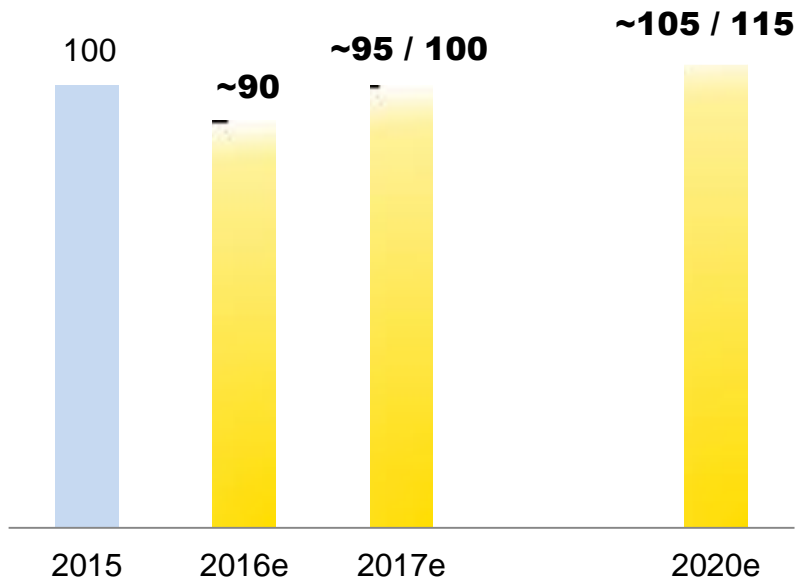
## ▲ TB OE&RT market projection

(Radial & Bias in millions of units)

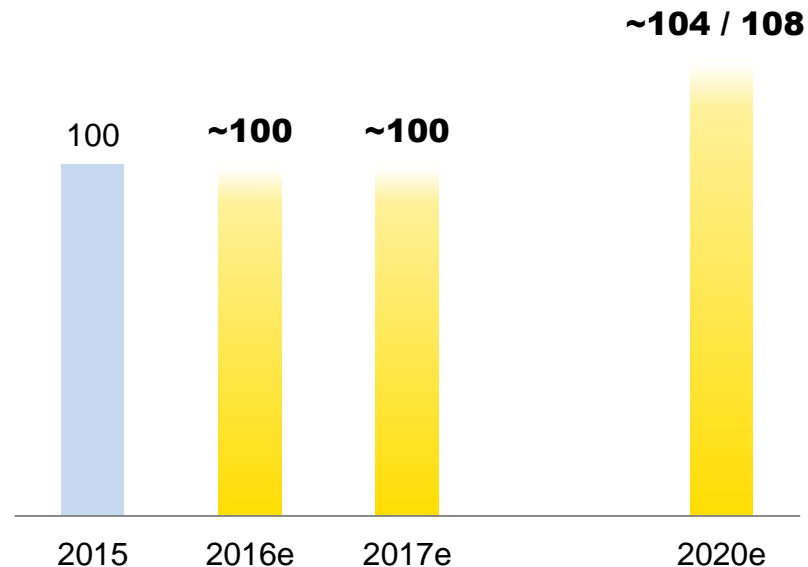


# 2015-2020 scenario: a growing worldwide demand

▲ Mining: 2016 last year of destocking



▲ Agriculture\*: OE tipping point in 2017



\* OE & RT in Europe and North America

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

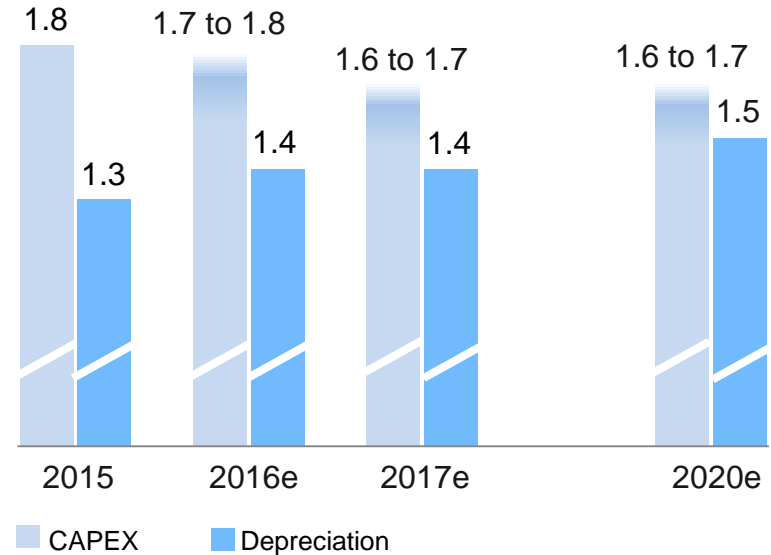
In €m	Plan 2007-2010 achieved	Plan 2012-2016 Target: €1,200m		Plan 2017-2020
		2012-2015 achieved	2016(e)	
SG&A	251	421		500/550
Manufacturing Costs	406	394		450/500
Materials	365	149		150/200
<b>Total</b>	<b>1,022</b>	<b>964</b>	<b>~250</b>	<b>~1,200</b>

# 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

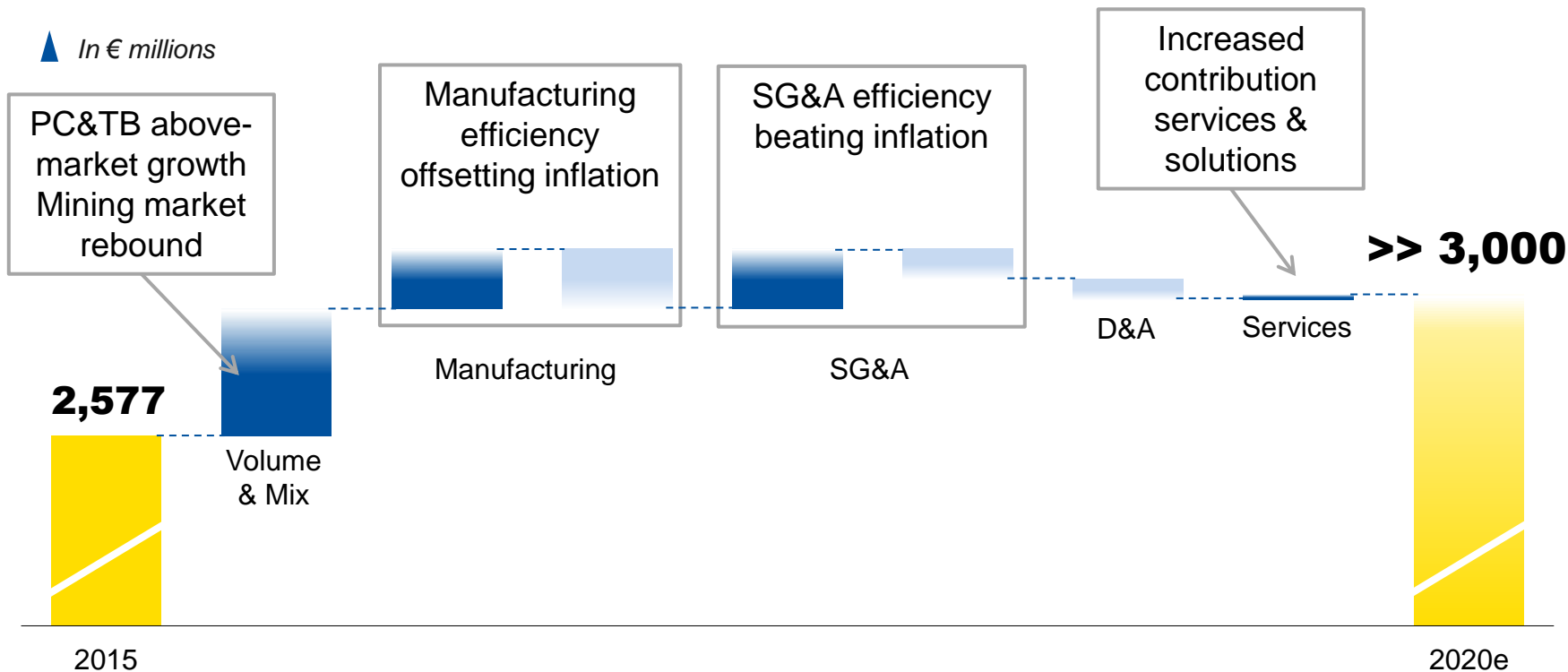


- ▲ Reducing the gap between capital expenditure and depreciation  
*(in € bn, at constant exchange rates)*






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

▲ In € millions



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

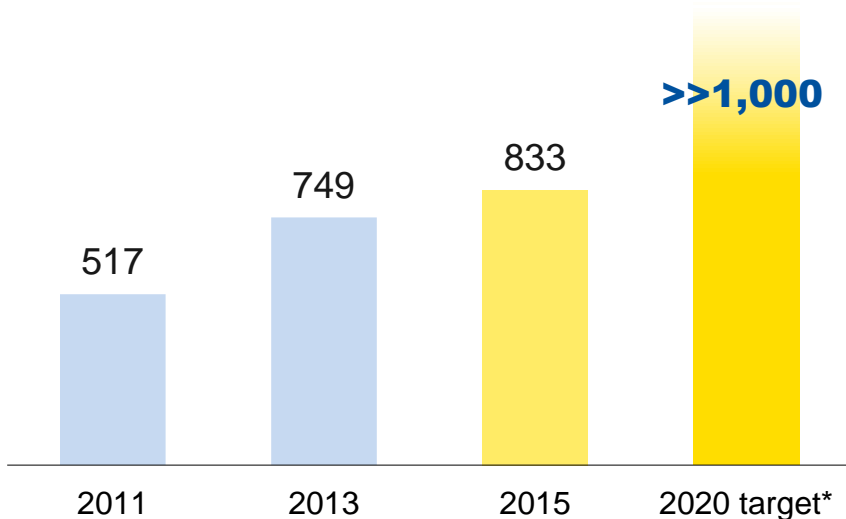
	 RS1	 RS2	 RS3
<b>2016-2020 target ranges**</b>	Between 11% and 15%	Between 9% and 13%	Between 17% and 24%

\* From recurring activities

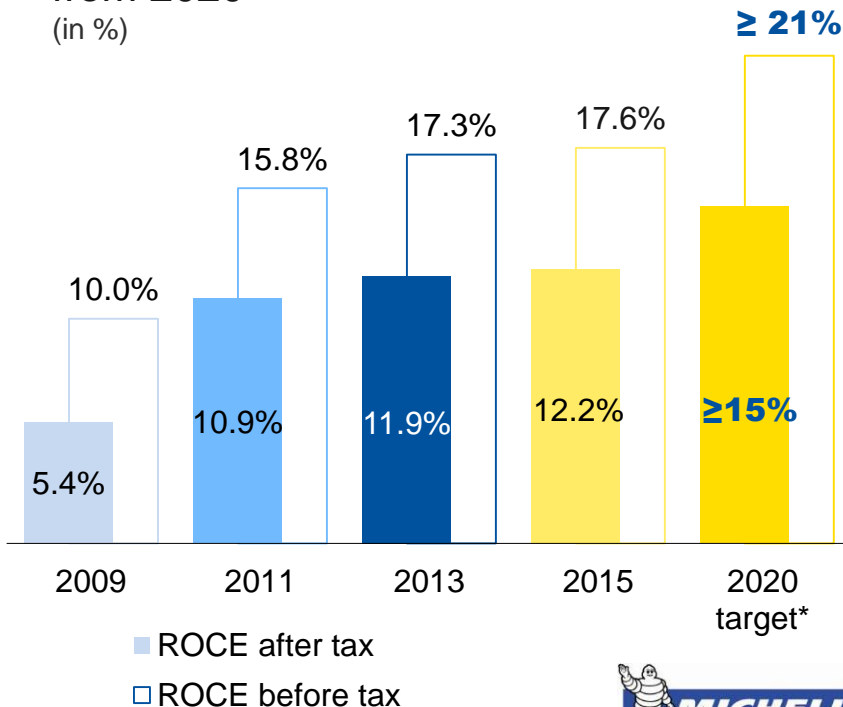
\*\* At constant scope of consolidation and raw materials prices, and with markets expanding by a CAGR of 2.5% in PC tires and of 1.5% in Truck tires

# 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 %)



\* At constant scope of consolidation





# 2016 guidance confirmed

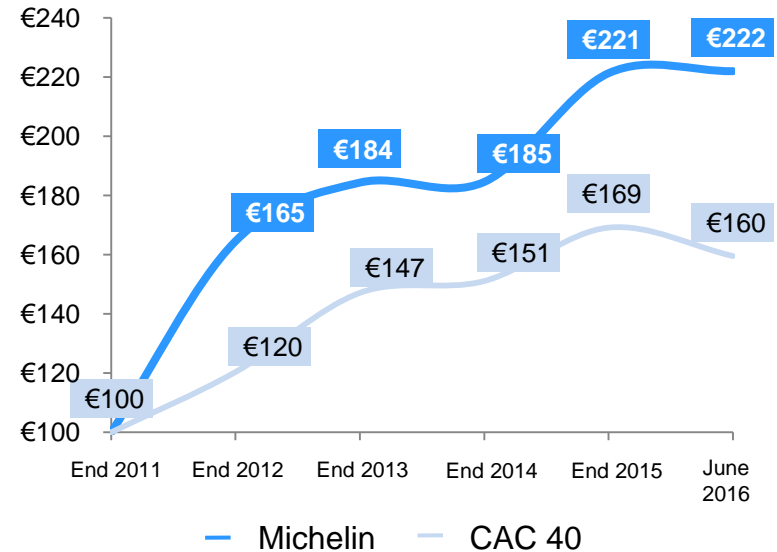
	2016
Volumes	Above-market growth
Operating income from recurring activities at constant exchange rates	> 2015*
Structural FCF	> €800m

\* ≥ for H2

# 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
- Pay-out commitment
  - At least 35% of net earnings excluding non recurring items

## ● Total Shareholder Return



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## Appendices

# Passenger car Tire Market: when adjusted for extra selling days, stable to low market growth. Strong demand in China, notably in OE.

## ▲ August 2016/2015

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +14%	▲ +11%	▲ +8%	▼ -14%	▲ +21%
Replacement	▲ +4%	▲ +7%	▲ +7%	▼ -6%	▲ +10%

## ▲ YTD August 2016

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +4%	▲ +5%	▲ +2%	▼ -18%	▲ +10%
Replacement	▲ +1%	▲ +3%	▲ +0%	▼ -5%	▲ +8%

\* Turkey included

**Truck & Bus Tire Market:** when adjusted for extra selling days, stable to low European market growth. North America demand still impacted by rejuvenated truck fleets and counter effects of duty introduction.

▲ August 2016/2015

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +5%	▲ +5%	▼ -20%	▼ -4%
Replacement	▲ +4%	▲ +2%	▼ -3%	▲ +4%

▲ YTD August 2016

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +4%	▲ +5%	▼ -17%	▼ -24%
Replacement	▲ +5%	▲ +3%	▲ +2%	▲ +0%

\* Turkey included

# 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

# Above-market growth in every business segment

Volumes variation	H1 2016
<b>Passenger car*</b> Markets	+4% +2%
<b>Truck*</b> Markets	+1% -1%
<b>Specialties</b> Markets	-2% -2%/-5%**

\* And related distribution

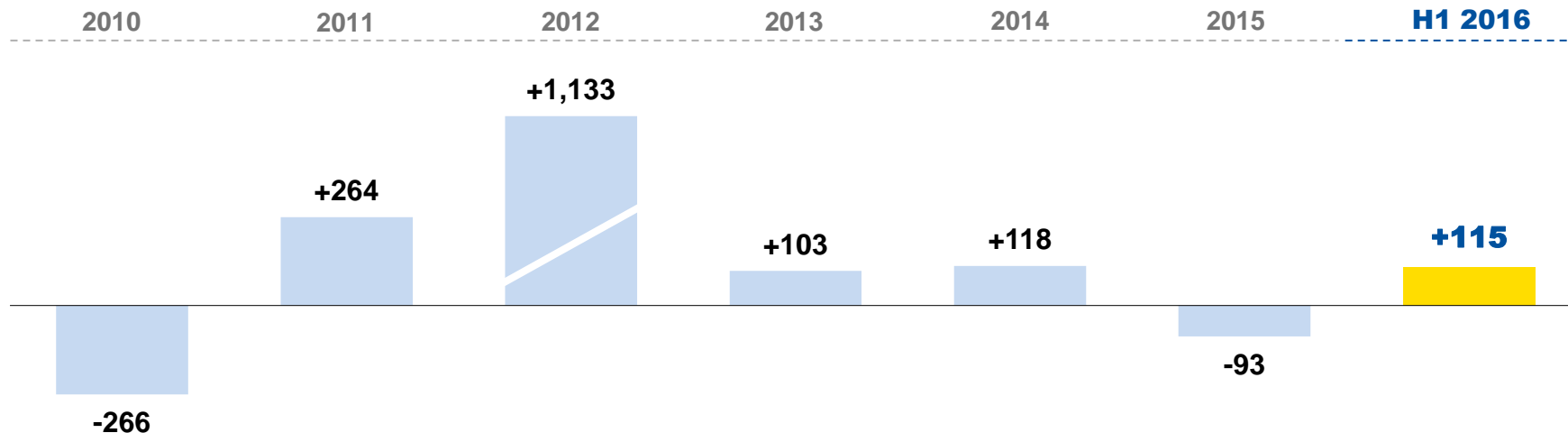
\*\* Annual markets estimate



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

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

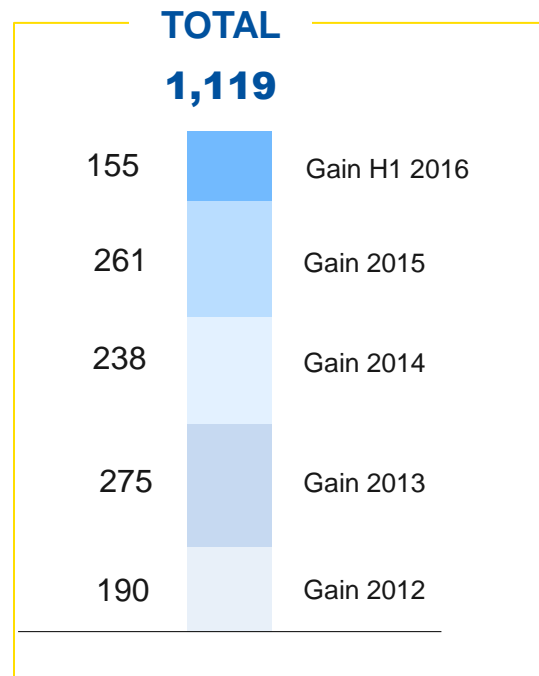
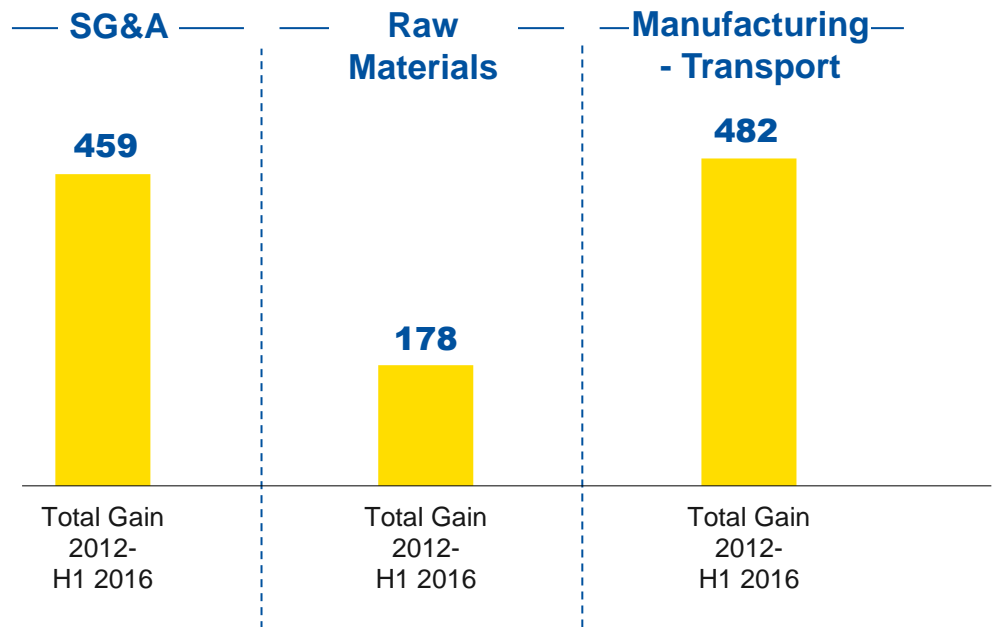
(in € millions)



- 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

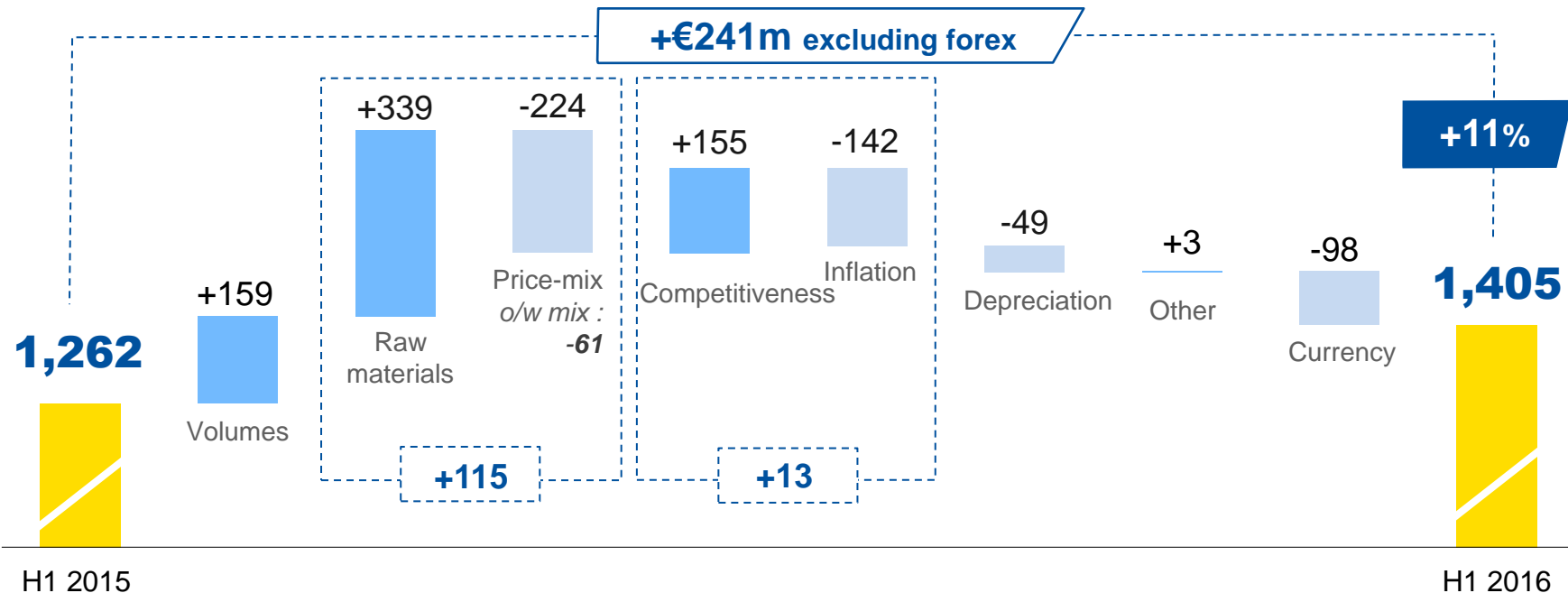
▲ Gain objectives\* 2012-2016: €1,200m



\* Before inflation and including avoided costs

# 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.

## H2 2016 scenario

	H2 2016	FY 2016
Raw materials	Around +€100m	Around +€450m
Net price-mix vs. raw materials	Indexed businesses: negative Non-indexed businesses: neutral	Positive
Competitiveness plan vs. inflation		Neutral
Currency effect		Around -€200m

# Scenario of net Price-mix vs Raw Material effect

(based on June rates)

<i>(in € millions)</i>	H1 2016	H2(e) 2016	FY(e) 2016
Raw Material tailwind	+339	~ +110	~ +450
Net Price-mix / Raw Material	+115	~ -70	~ +50
o/w indexed businesses	-20	~ -70	
o/w non-indexed businesses	+135	~ 0	

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