



**July 26, 2016**

# **FIRST-HALF 2016 RESULTS**

# Operating income from recurring activities of €1.4bn, up €241m at constant exchange rates

- Passenger car and Light truck tire markets rose over the period, but leveled off in the second quarter; Truck tire markets less dynamic and Earthmover markets still decreasing
- Volumes up 2.5%, beating the market in every segment
- 13.7% operating margin on 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
- Share buybacks: a €150m tranche was completed in the first half; a new €150m tranche is scheduled for launch in the second half
- 2016 guidance confirmed

# 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>Specialty</b> Markets	-2% -2%/-5%**

\* And related distribution

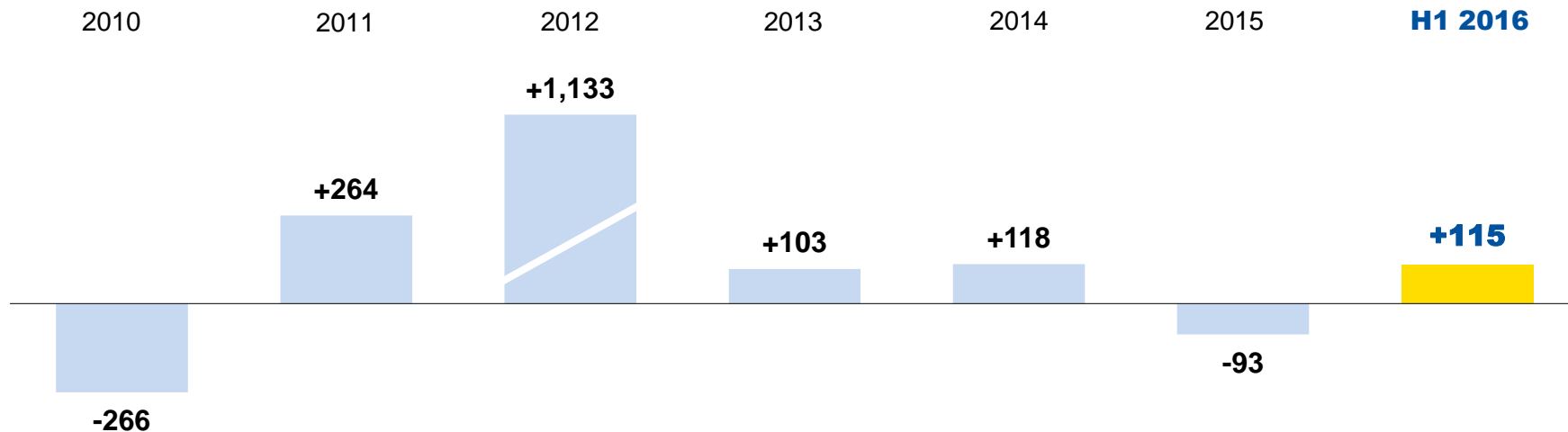
\*\* Annual markets estimate

Source: Michelin



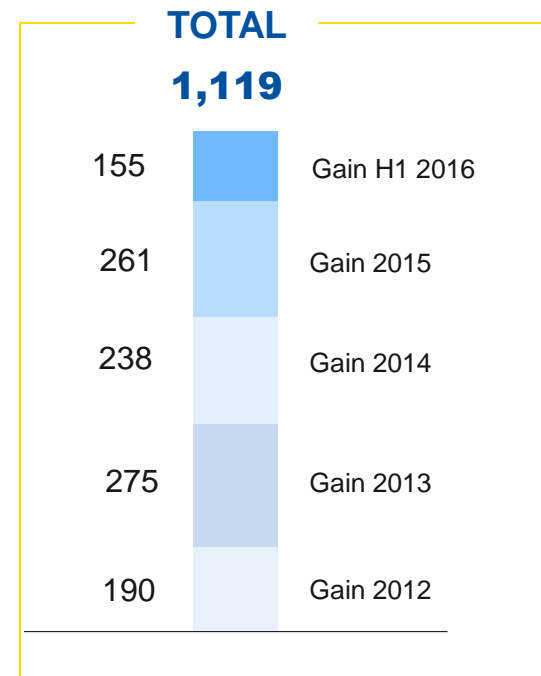
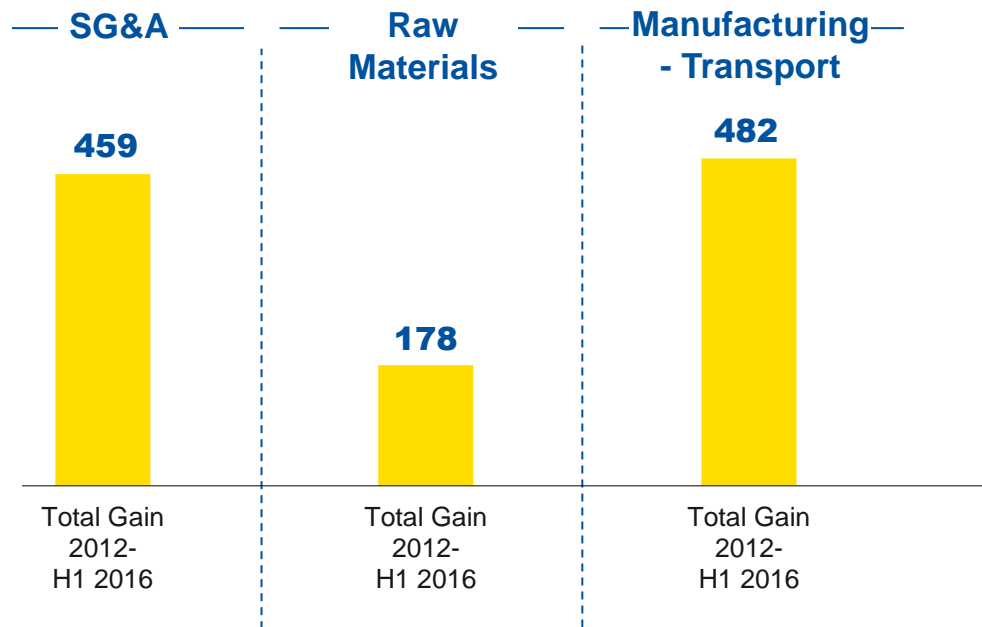
# Improvement in unit margin due to effective pricing management over time

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



# Competitiveness plan on track to reach €1.2bn target

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



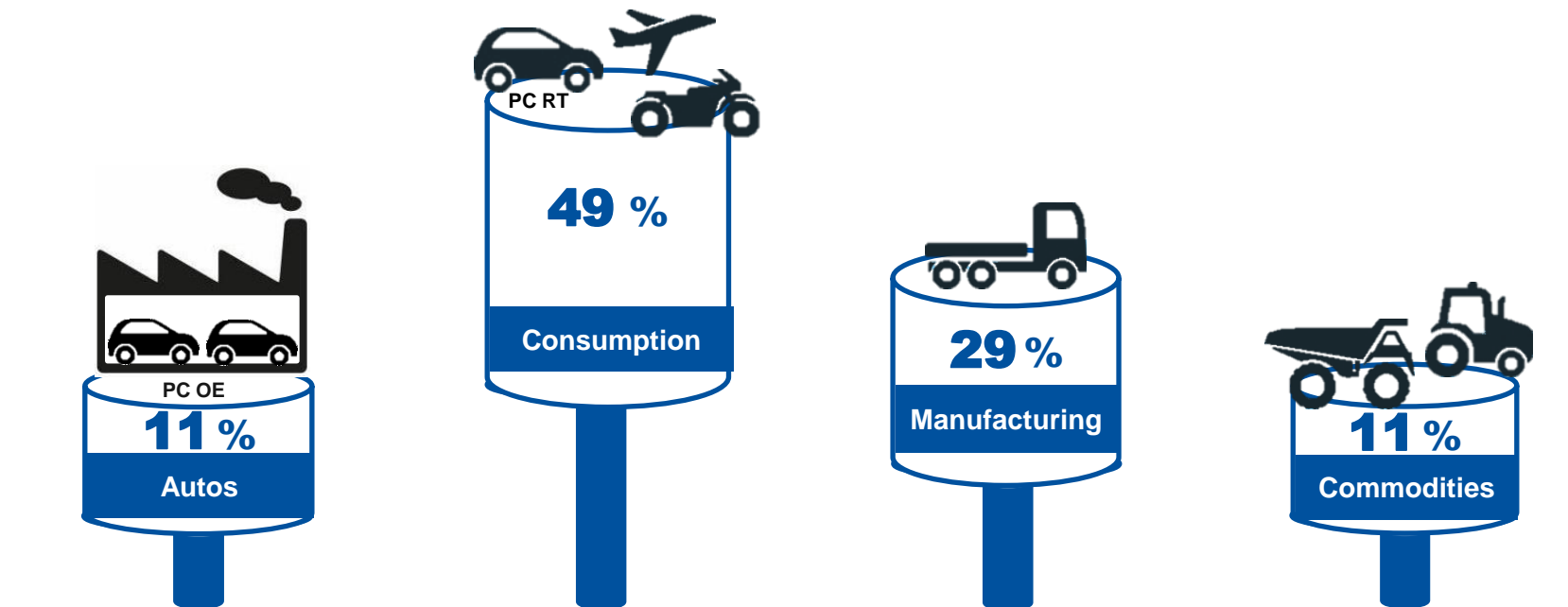
\* Before inflation and including avoided costs

# 2016 guidance confirmed

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

# A business model with a low correlation to the auto sector

## ▲ Net sales by economic drivers



Breakdown of 2015 Net sales

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# FIRST-HALF 2016 RESULTS



- 1 / Improved operating income in H1 2016**
- 2 / Solid Balance Sheet**
- 3 / 2016 guidance confirmed**



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# FIRST-HALF 2016 RESULTS

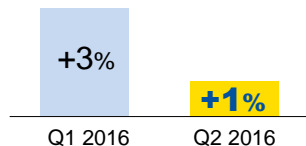


## 1 / Improved operating income in H1 2016

# Sluggish market growth in Q2



## PASSENGER CAR: +2%



### Global OE: +2%

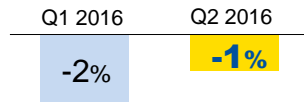
- Growth in mature zones, China and India

### Global RT: +2 %

- Dynamic demand in Western Europe and in North America driven by imports and high inventories
- Sustained growth in China



## TRUCK: -1%



### Global OE: +0 %

- Growth in Western Europe and in India, decrease in North America on high basis

### Global RT: -2 %

- Increasing markets in Western Europe and in North America on high imports
- Down in China, the world's largest market



## SPECIALTY: -2%/-5%\*

- Mining tires: demand down as mining companies complete inventory drawdowns
- Agricultural tires: stabilizing at low level in mature economies
- Aircraft and Two-Wheel tires: continued growth

\* Full-year market estimate

# Keeping up with dynamic products launches

## Passenger car

MICHELIN Defender LTX



MICHELIN Pilot Sport 4



MICHELIN CrossClimate



MICHELIN XCD2



Cavity Foam  
« Acoustic »



## Truck & Bus

MICHELIN X-One Urban bus



MICHELIN X Multi3D



MICHELIN XWorks



Convoi TripleA



MICHELIN X Line Energy Z



## Specialty



MICHELIN Anakee Wild



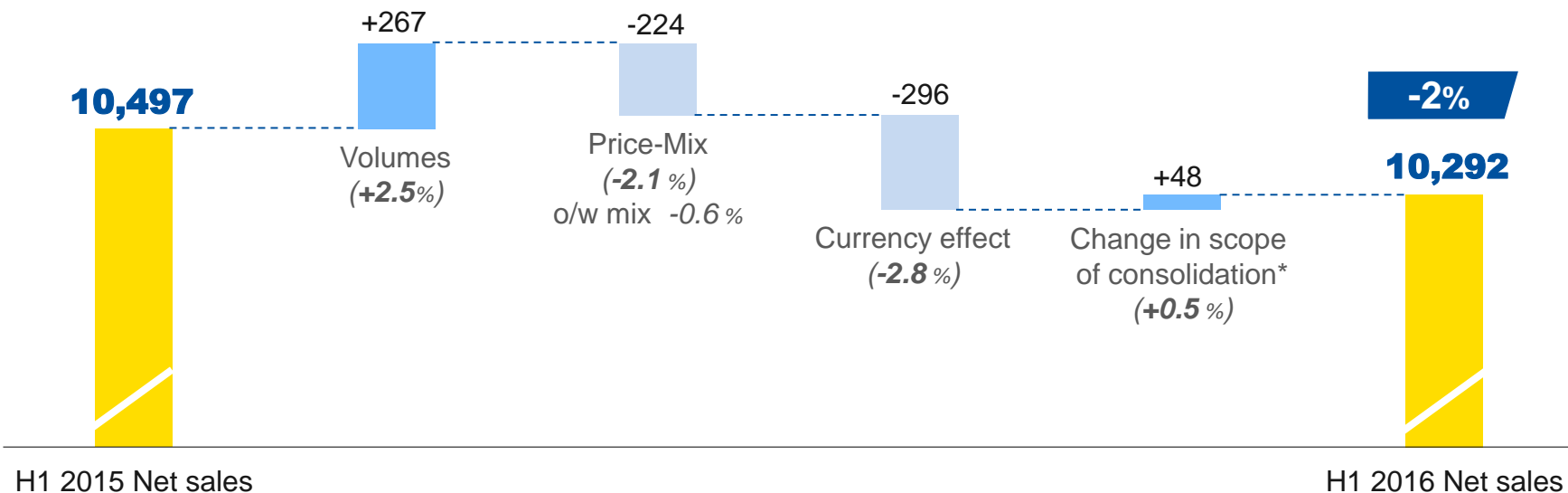
MICHELIN XDR250



Brazil: first tire produced locally

# Net sales lifted by higher volumes

▲ YoY change:  
(in € millions and %)

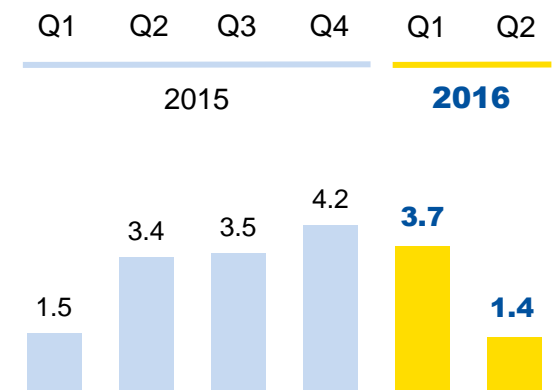


\* Meyer Lissendorf, Blackcircles, BookaTable

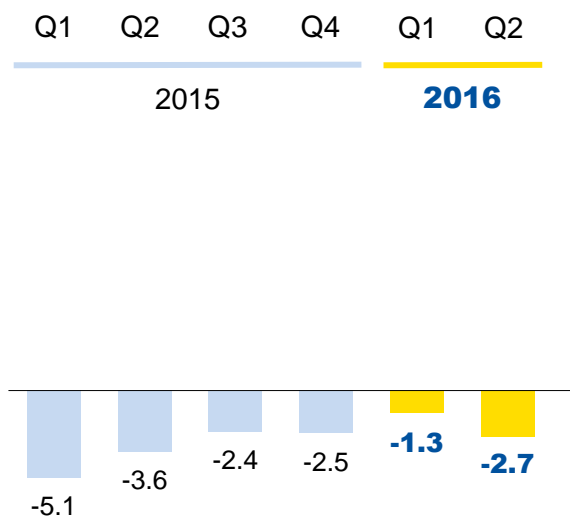
# Less favorable basis for comparison in Q2

## ▲ YoY quarterly change (in %)

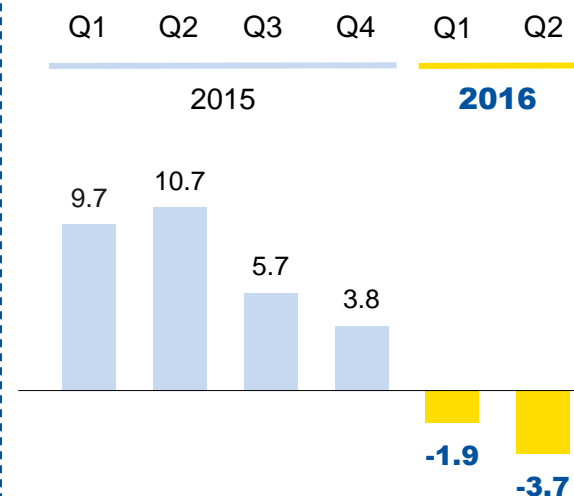
### Volumes



### Price-Mix

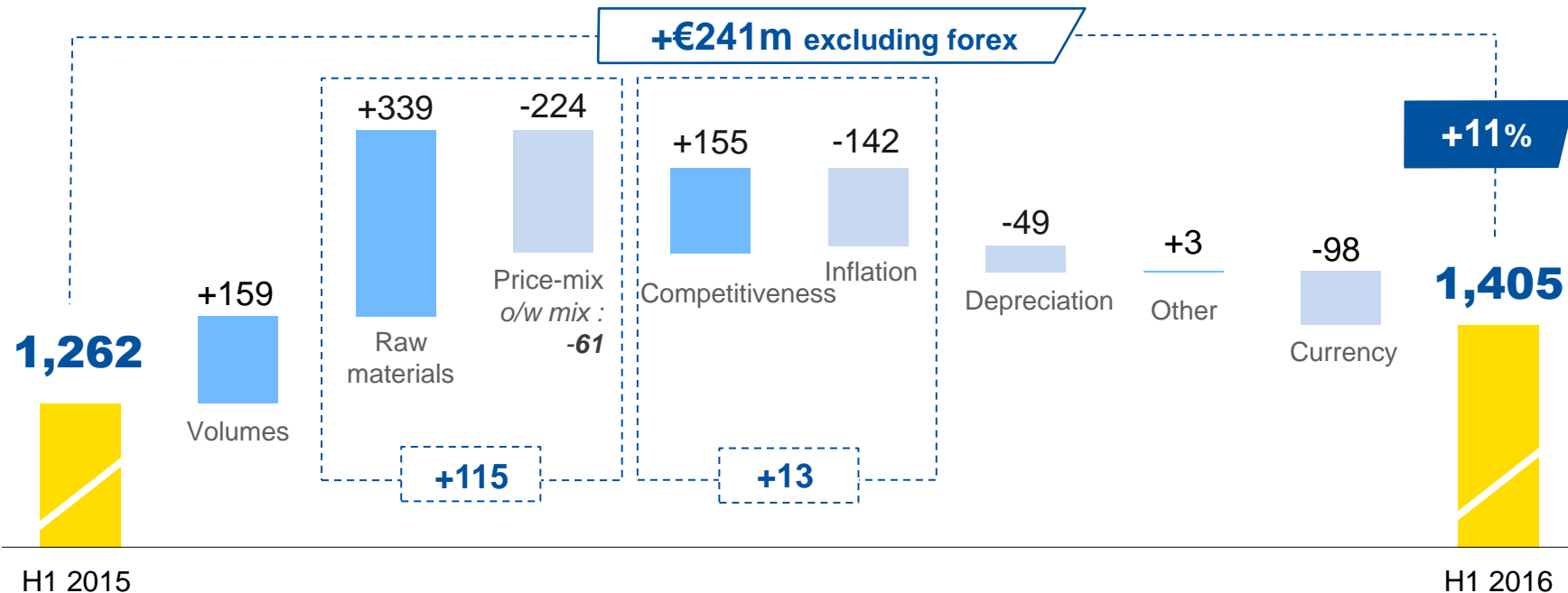


### Currency effect



# Operating income up €241m at constant exchange rates

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

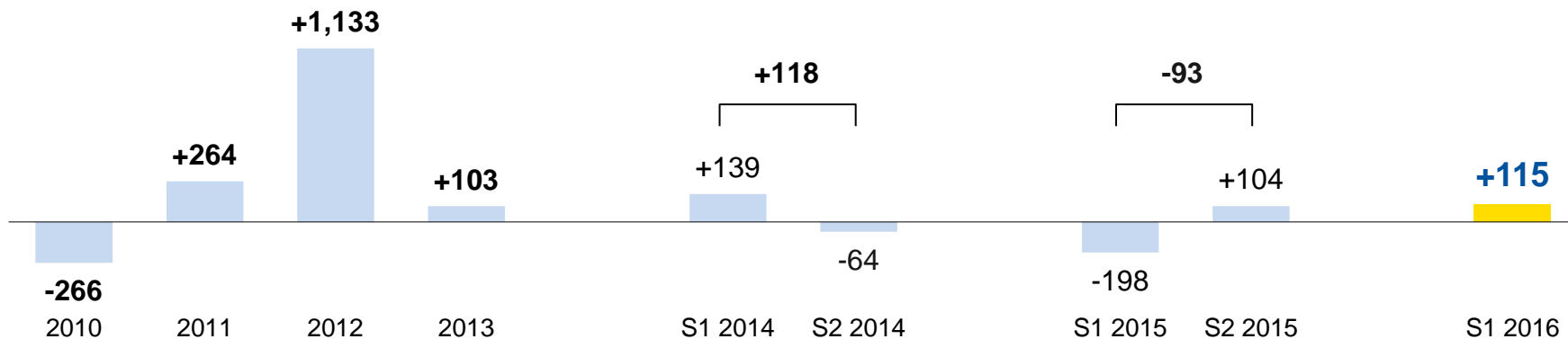


\* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

# 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

# High margins for RS1 and RS2 and firm resilience in RS3

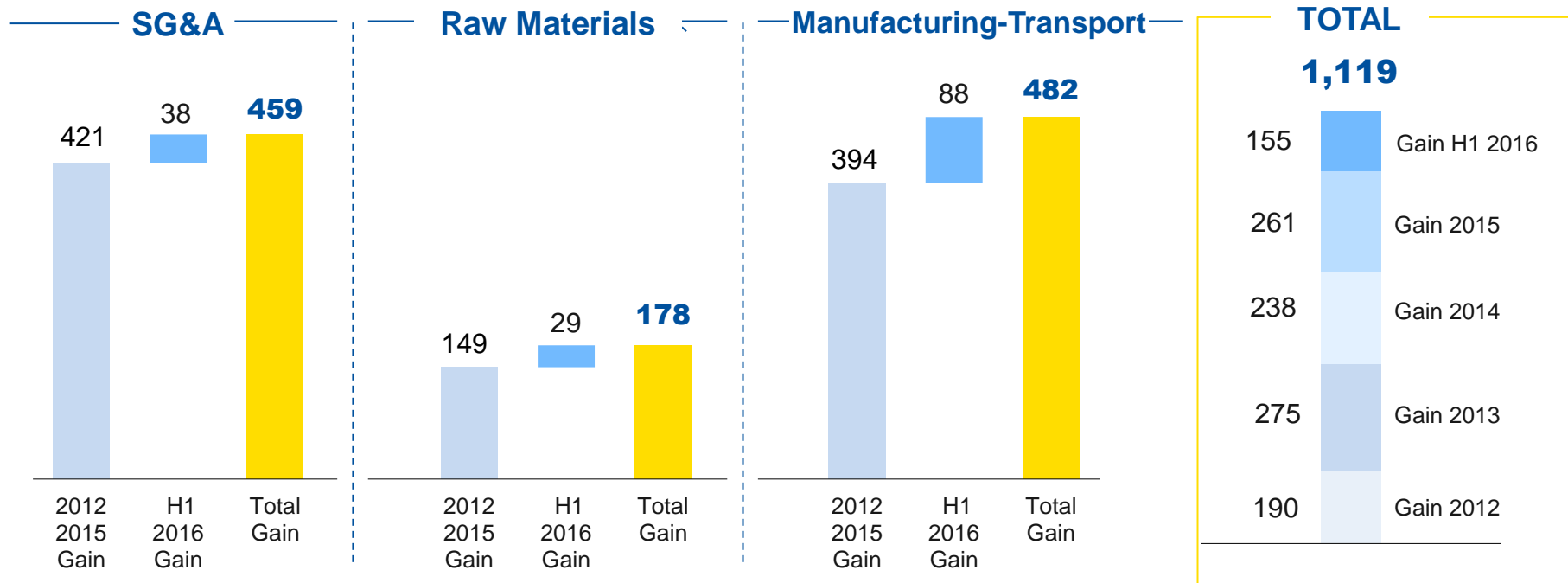
<i>(in € millions)</i>		<b>H1 2016</b>	H1 2015	<i>% change</i>
	<b>RS1 Net sales</b>	<b>5,916</b>	5,860	+1 %
	<b>Operating profit*</b>	<b>814</b>	632	+29 %
	<b>Operating margin*</b>	<b>13.8 %</b>	10.8 %	+3 pts
	<b>RS2 Net sales</b>	<b>2,907</b>	3,068	-5 %
	<b>Operating profit*</b>	<b>288</b>	293	-2 %
	<b>Operating margin*</b>	<b>9.9 %</b>	9.6 %	+0.3 pts
	<b>RS3 Net sales</b>	<b>1,469</b>	1,569	-6 %
	<b>Operating profit*</b>	<b>303</b>	337	-10 %
	<b>Operating margin*</b>	<b>20.6 %</b>	21.5 %	-0.9 pts

\* from recurring activities



# Competitiveness plan on track to reach €1.2bn target

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



\* Before inflation and including avoided costs

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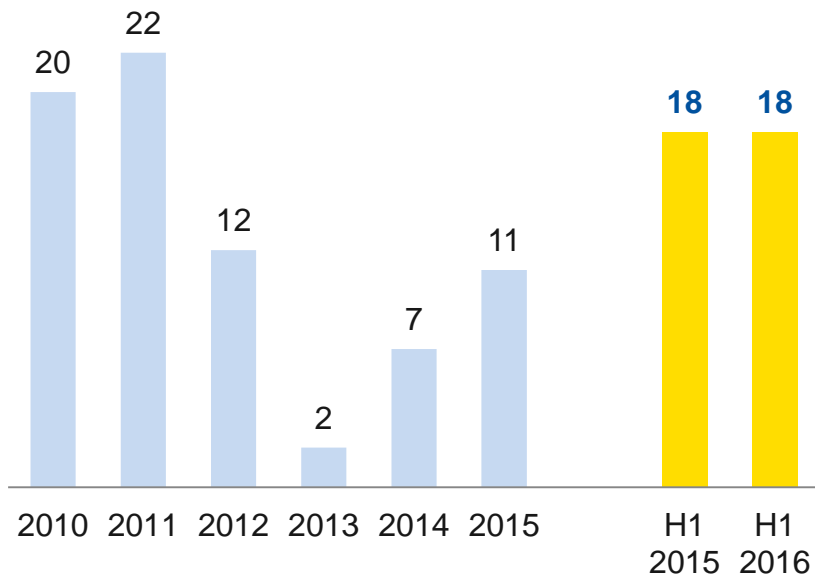


## 2 / Solid Balance Sheet

# Balance sheet still robust after share buybacks, greeted by the rating agencies

## ▲ Gearing

Net debt/Equity, in %



## ▲ S&P raised our Long term Debt rating

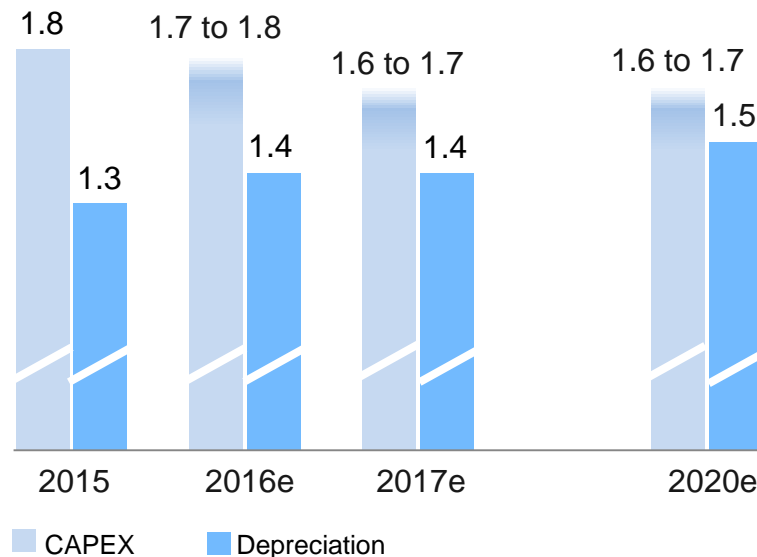
Short term	S&P Moody's	A-2 P-2
Long term	S&P Moody's	A- A3
Outlook	S&P Moody's	Stable Stable

# 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, Mexico and Asia
  - In Digital services
  - In raw materials and semi-finished products



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



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

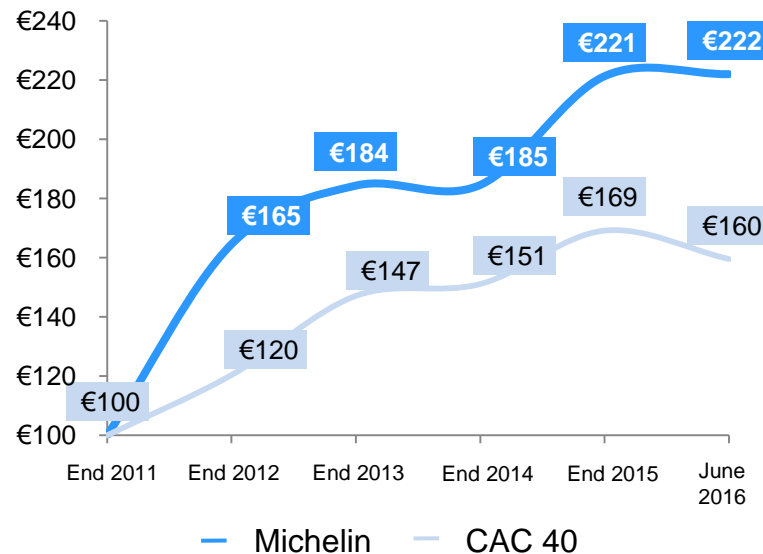
- Capacity:
  - First tranche: 4 to 5 million MICHELIN PC tires
  - Approx. 60,000 tonnes
  - 80% of tires produced are 18' and more
- Investment:
  - €450m including semi-finished
- Target:
  - Automakers in Mexico
  - North American premium market
- First tire to roll off the production line at the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



# 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 to be launched in H2 2016

## ● Total Shareholder Return



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# FIRST-HALF 2016 RESULTS



## 3 / 2016 guidance confirmed

# Adjusted 2016 markets outlook



**PASSENGER CAR: +1%/+3%**

Old: +2% / +3%

**Growth in line with long-term trends**

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



**TRUCK: -2% / 0%**

Old: +0% / +2%

**Slight decline in worldwide demand**

- Decline in China, the world's largest market
- Resilience in Europe
- Stabilization at a high level in North America RT



**SPECIALTY: -2% / -5%**

**Earthmover and Agricultural markets impacted by commodity prices**

- Mining: weaker demand and last year of destocking
- Earthmover OE\*: trending downward
- Agricultural\*: stable at low level

*\* Europe and North America*



# 2016 guidance confirmed

	2016
Volumes	Above-market growth
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Structural FCF	> €800m

## H2 2016 scenario based on June rates

	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



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# FIRST-HALF 2016 RESULTS



## Appendices

# H1 2016 and H1 2015 financial highlights as reported

<i>(in € millions)</i>	<b>H1 2016</b>	H1 2015
Net sales	<b>10,292</b>	10,497
EBITDA from recurring activities	<b>2,085</b>	1,913
EBITDA margin on recurring activities	<b>20.3%</b>	18.2%
Operating income from recurring activities*	<b>1,405</b>	1,262
Operating margin on recurring activities	<b>13.7%</b>	12.0%
Operating income/(loss) from non-recurring activities	<b>-51</b>	-17
Net income	<b>769</b>	707
Earnings per share (attributable to shareholders of the Company, in €)	<b>4.24</b>	3.79
Capital expenditure (excluding acquisitions)	<b>623</b>	632
Free Cash flow**	<b>+8</b>	-219
Gearing	<b>18%</b>	18%

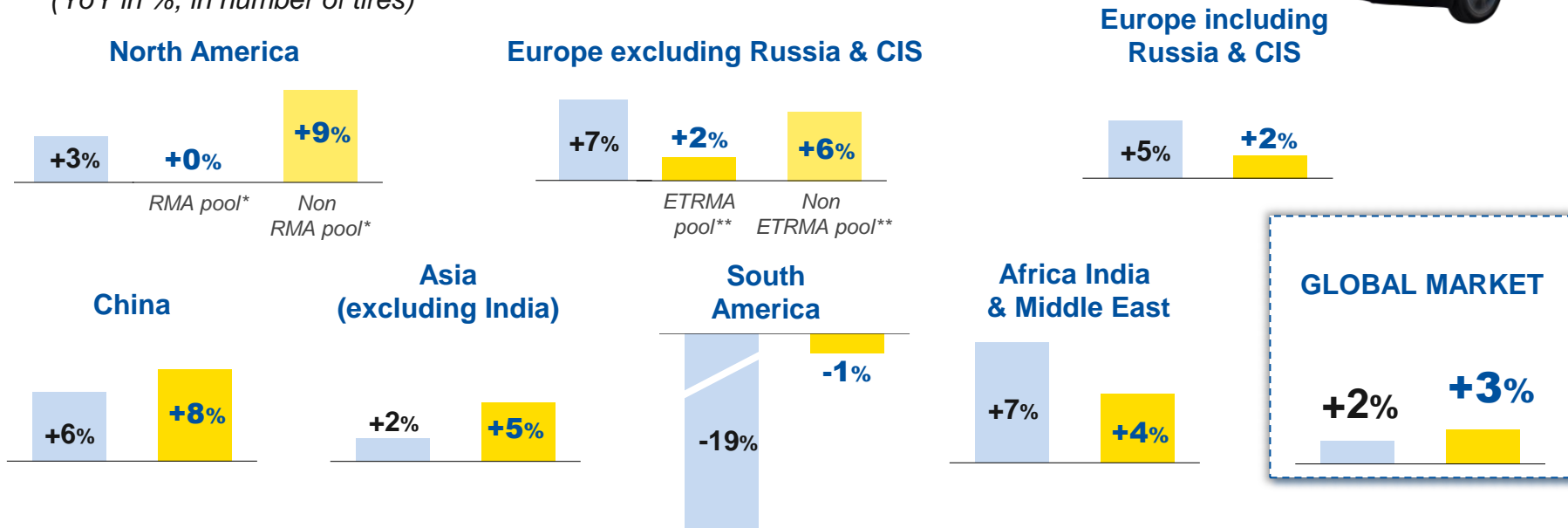
\* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

\*\* Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.

# PC: dynamic demand in mature zones, with rising imports and inventories in RT



## ▲ Passenger car market at June 30, 2016/2015 (YoY in %, in number of tires)



\* RMA pool: Rubber Manufacturers Association members

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

Source: Michelin

■ OE ■ RT

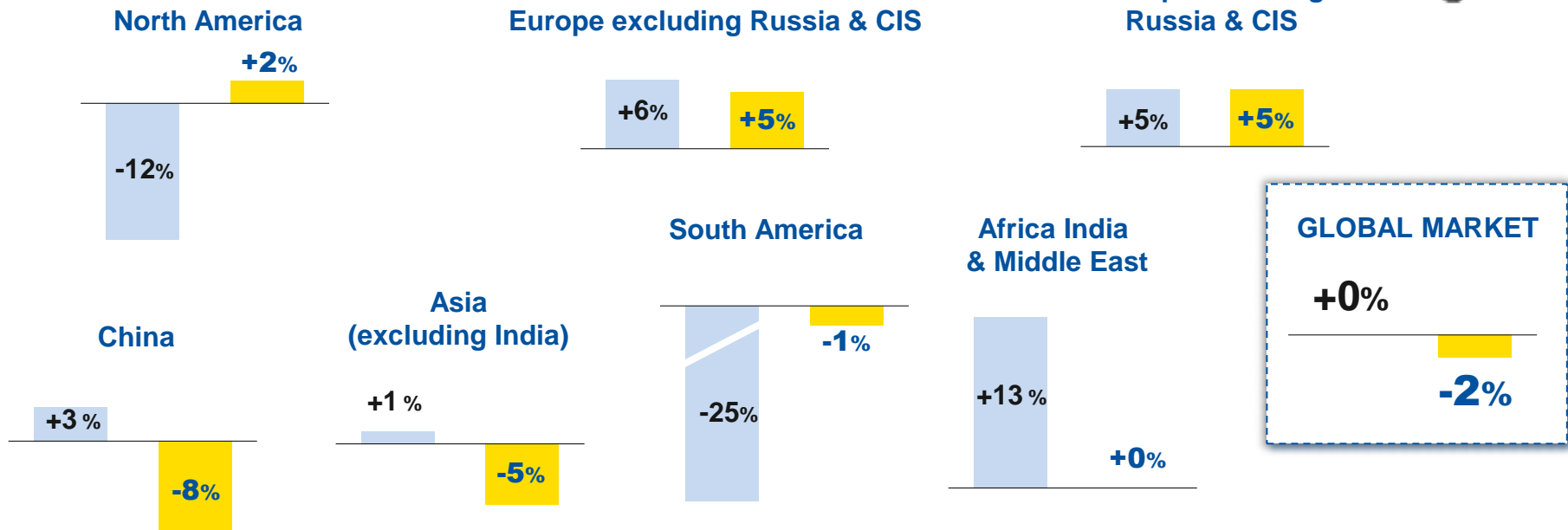


# TB: global demand trending down due to the Chinese decrease in RT not fully compensated by mature zones growth



## ▲ Truck tires market at June 30, 2016/2015

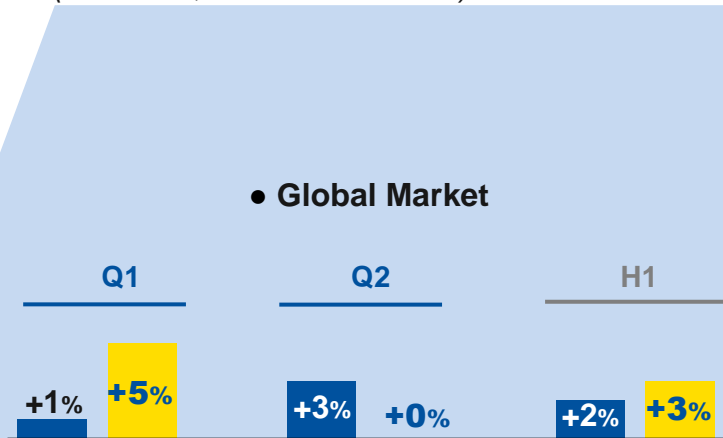
(YoY in %, in number of new tires)



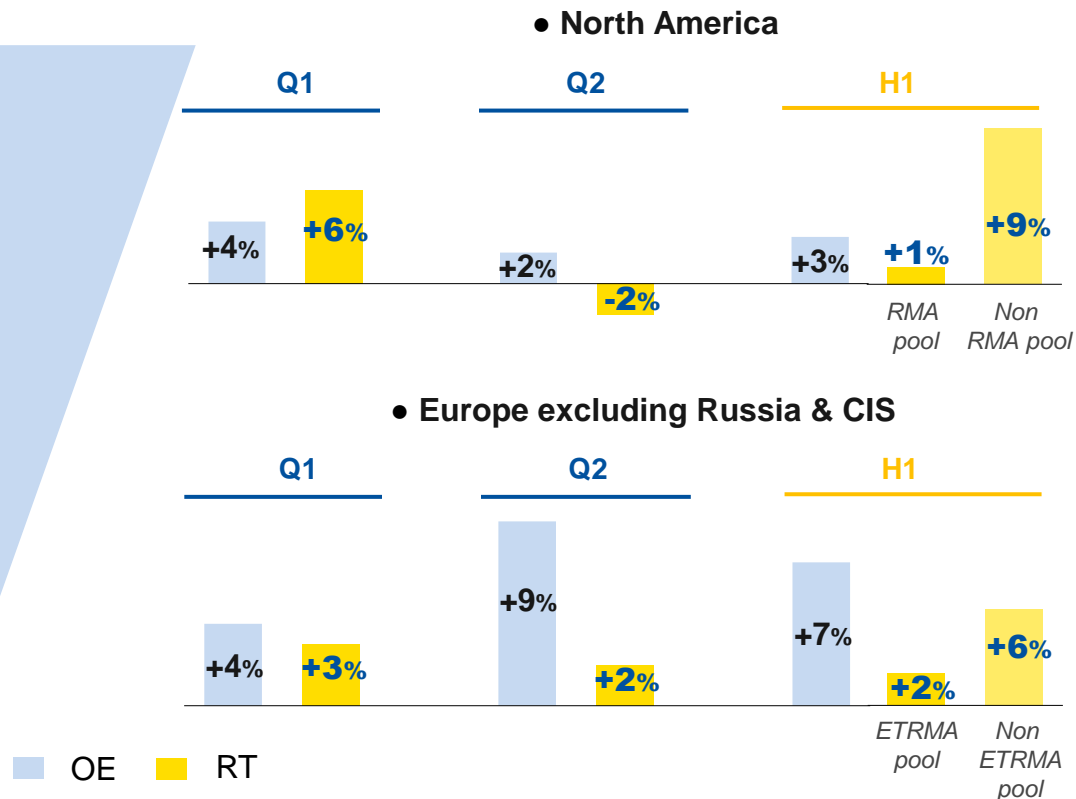
Source: Michelin

# PC: H1 markets boosted by Asian imports in mature zones; leveled off markets in Q2

## ▲ 2016 H1 Passenger car market (YoY in %, in number of tires)



Source: Michelin



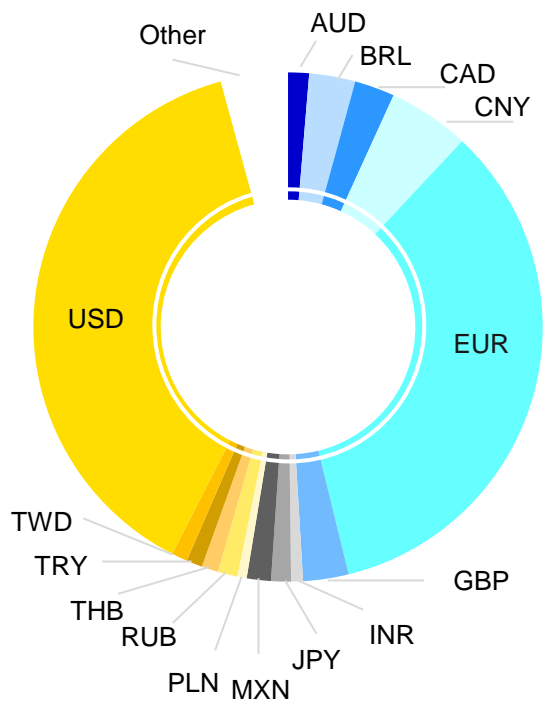


# Capital expenditure in line with the 2015-2016 timetable to capture growth: +50KT in 2016

- **Brazil** (Premium MICHELIN brand Car and Light truck tires)
  - Production ramp-up from **29KT** at end-2015 to **36KT** at end-2016
- **China** (Premium MICHELIN brand Car and Light truck tires and MICHELIN radial Truck tires)
  - Production ramp-up from **86KT** at end-2015 to **125KT** at end-2016
- **India** (MICHELIN radial Truck tires)
  - Production ramp-up from **15KT** at end-2015 to **18KT** at end-2016
- **Mexico** (Premium MICHELIN brand Car and Light truck tires)
  - First tire at end-2018



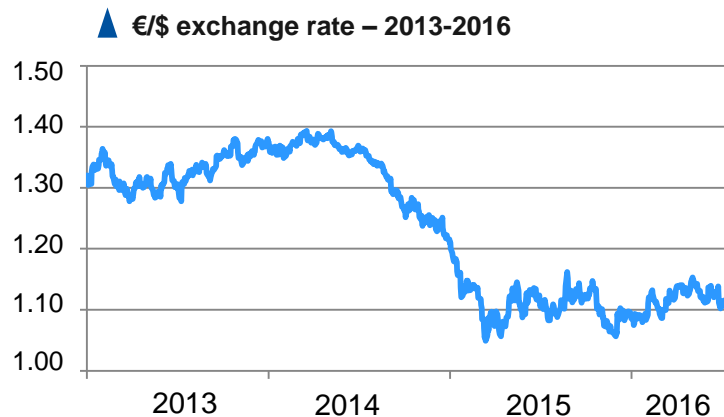
# H1 2016 net sales by currency



% 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.

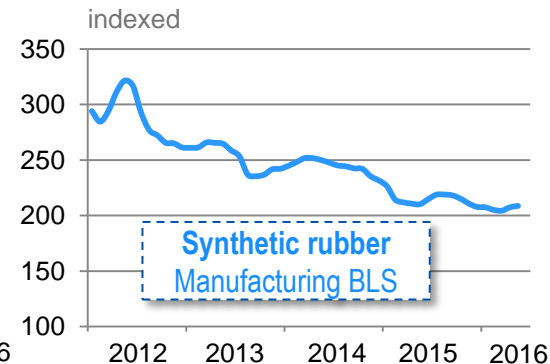
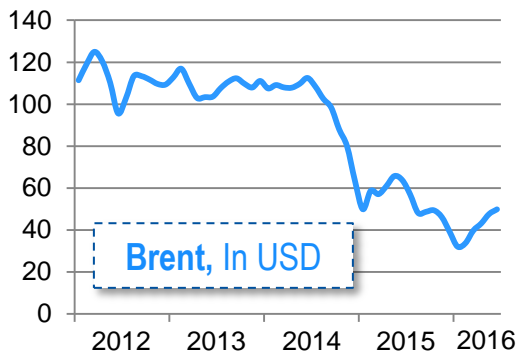
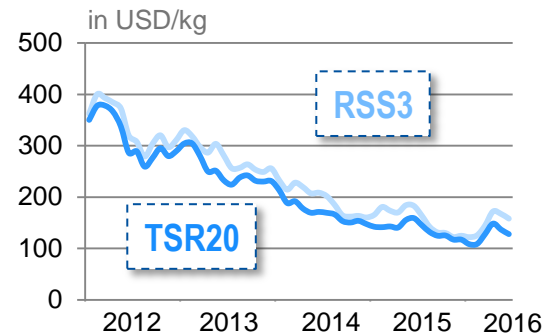
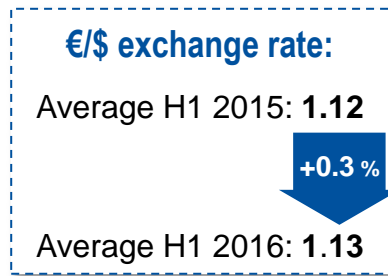
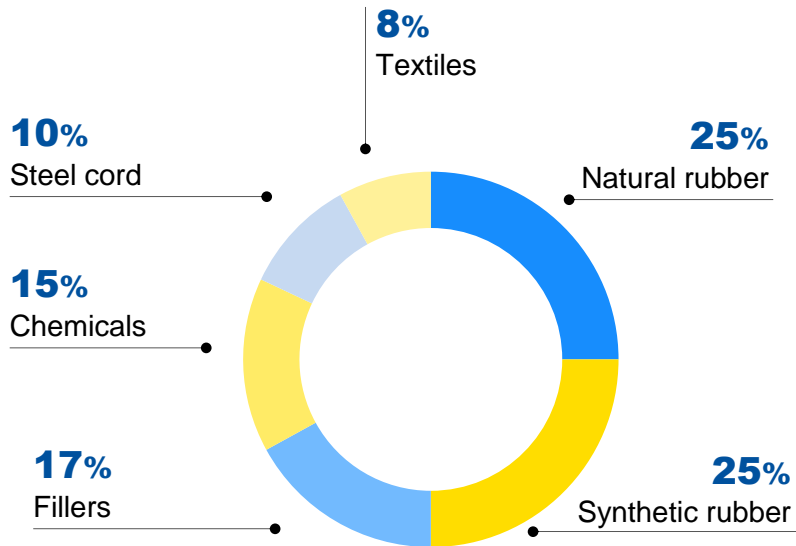


Source : Thomson One



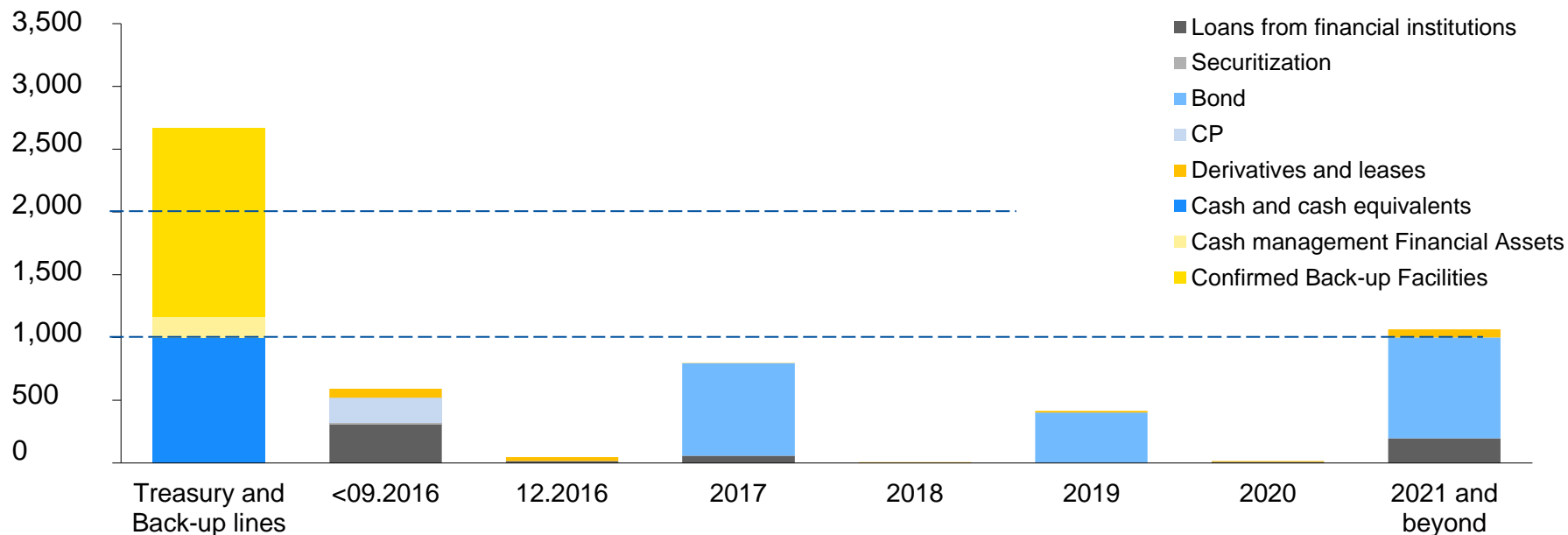
# Raw materials trends in H1 2016

## ▲ Raw material purchases in H1 2016



# A comfortable cash position

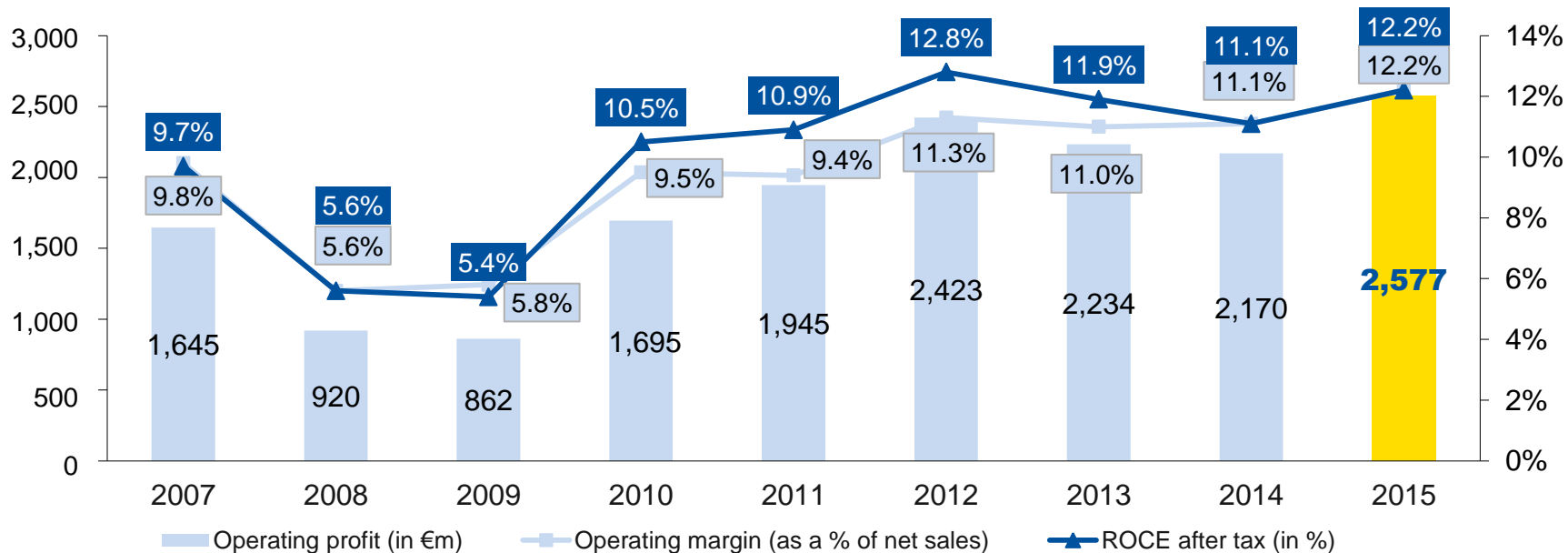
▲ Debt\* maturities at June 30, 2016 (nominal value, in € millions)



\* Excluding accrued interests

# A stronger Group with improving profitability

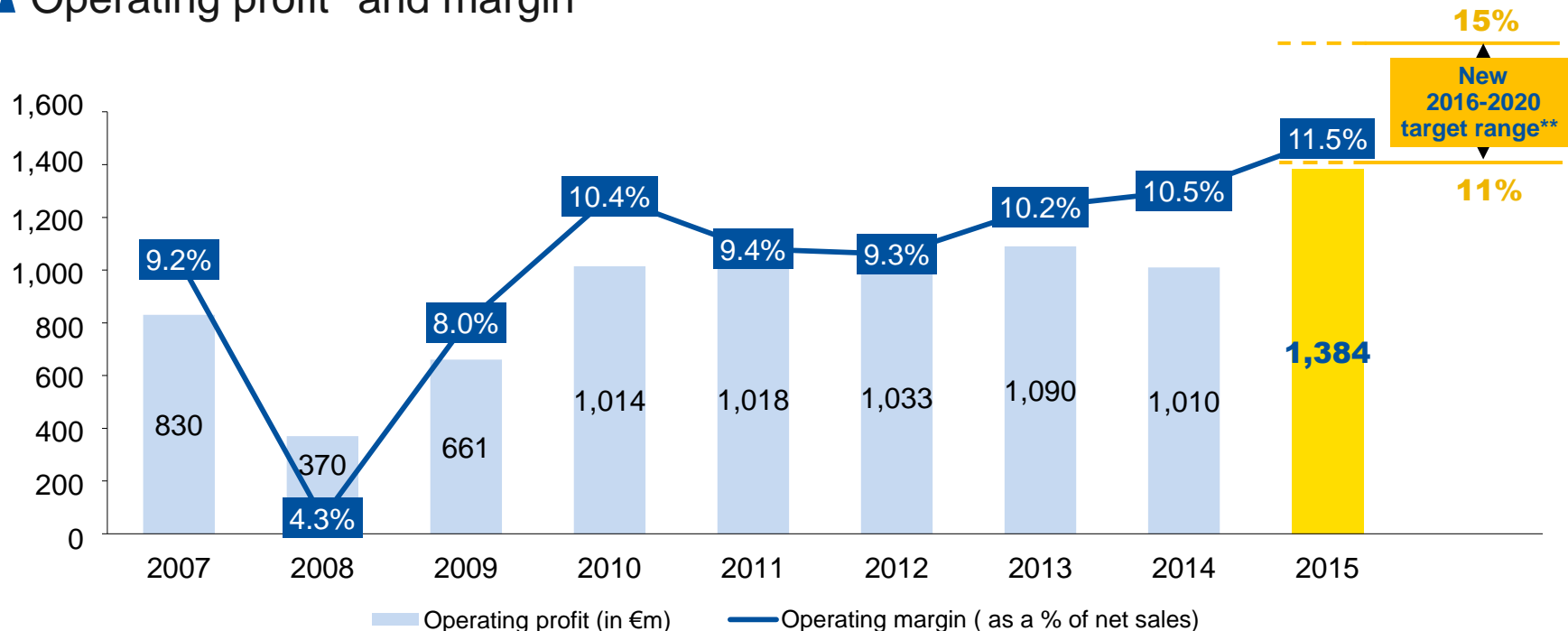
## ▲ Operating profit\* and margin\* & ROCE



\* From recurring activities

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

## ▲ Operating profit\* and margin\*

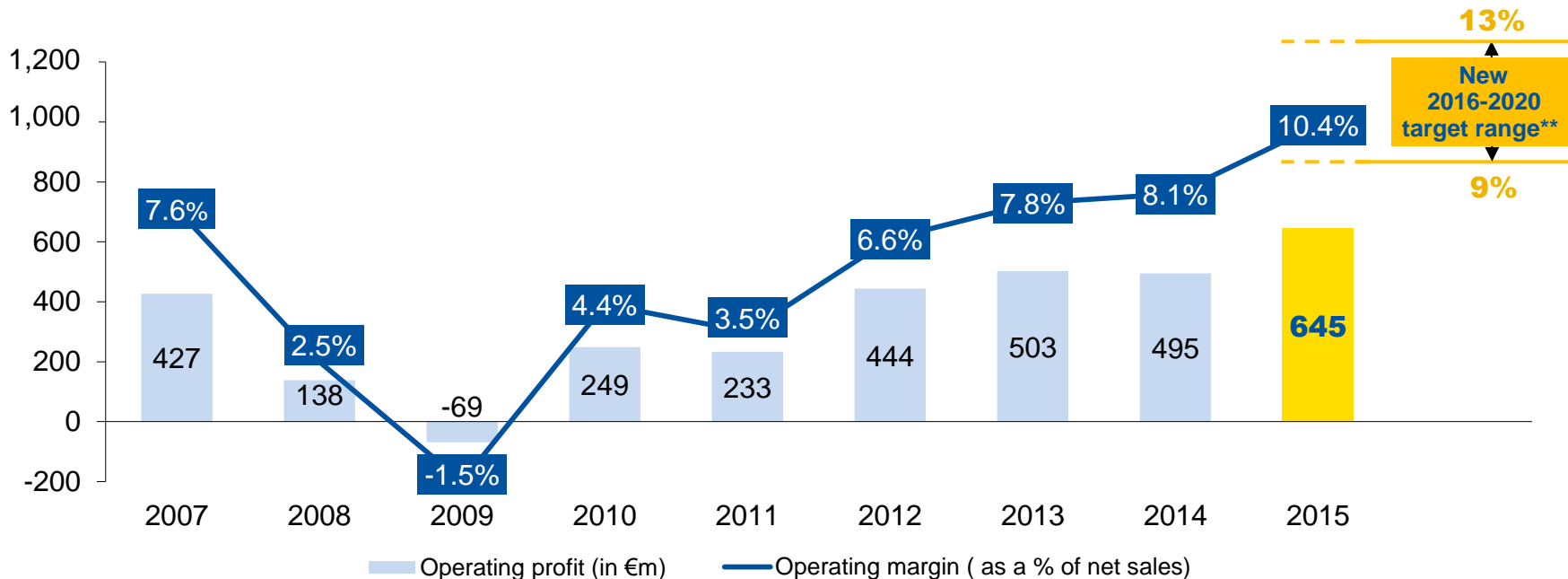


\* From recurring activities

\*\* 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\*

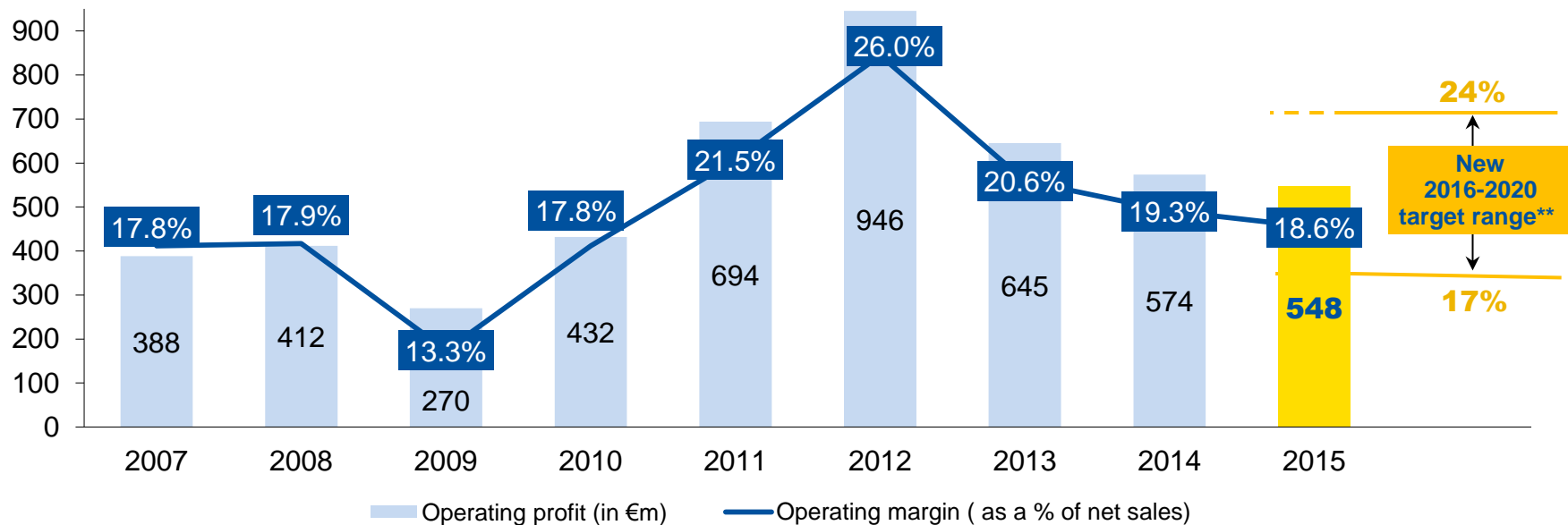


\* From recurring activities

\*\* 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\*



\* From recurring activities

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



# 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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