



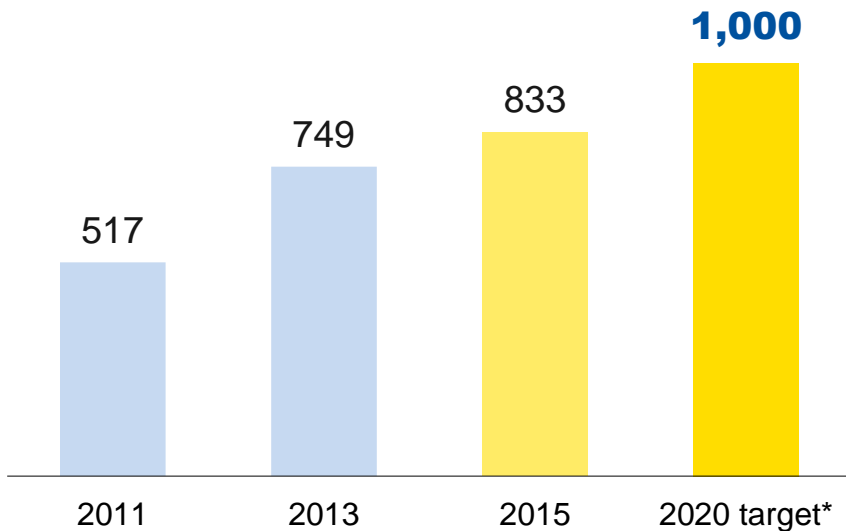
**UBS – May 19, 2016**

# **Nordic Investor Day Stockholm**

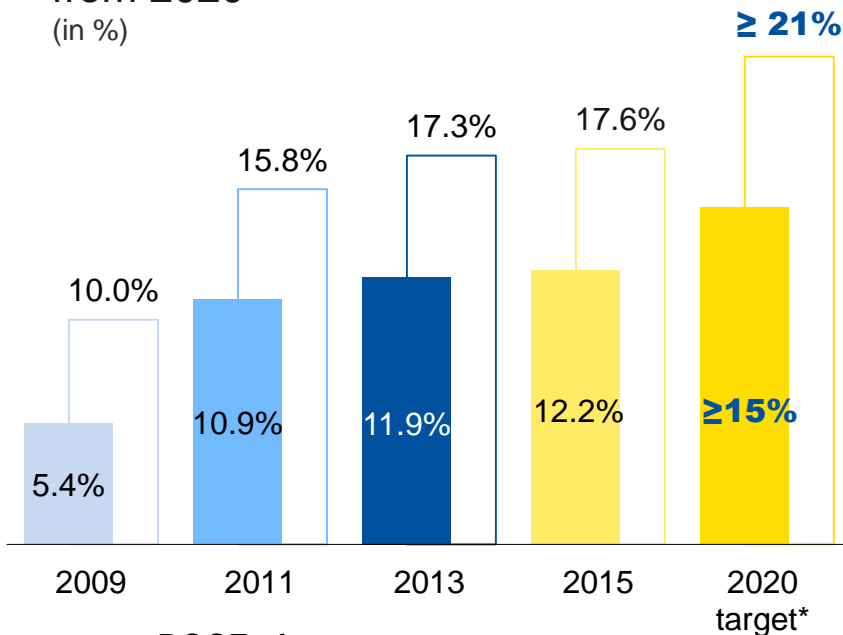


# 2020: ambitious value creation targets

▲ Deliver a structural €1,000m 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

# New operating margin guidance\* for 2016-2020

	 <b>RS1</b>	 <b>RS2</b>	 <b>RS3</b>
Previous target ranges	Between 10% and 12%	Between 7% and 9%	Between 20% and 24%
<b>2016-2020 target ranges**</b>	Between 11% and 15%	Between 9% and 13%	Between 17% and 24%

\* Before non-recurring items

\*\* 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

# Boosting innovations to catch profitable growth

## PRODUCTS



**MICHELIN**  
CrossClimate  
(Europe)



**MICHELIN**  
Pilot Sport 4  
(World)



**MICHELIN**  
X Line Energy D2  
Total Convoy  
A Labelled in RR  
(Europe)



**MICHELIN**  
X Multi XD  
(India)



**MICHELIN**  
XDR 250  
(Mining)

## SERVICES



**MICHELIN TIRE CARE**



## NEW BUSINESSES

**Bookatable**

**blackcircles.com**  
click & fit™ tyres



**MICHELIN OnSite**



**Additive manufacturing**  
(3D Metal Printing)



**Tweel**



**Luli**



# Net sales of €5.1 billion with volumes outperforming the markets

- Markets
  - Robust Passenger car and Truck demand in mature markets
  - Mixed demand in emerging markets, with sustained growth in China in PC, buoyant demand in India and a steep decline in South America
  - Specialty businesses still affected by ending inventory drawdowns at mining companies
- Volumes up 3.7%, outpacing the market in all business segments
- Price effect of -0.8%, an improvement shaped by the Group's active management approach
- Guidance confirmed



- 1 / Q1 2016 net sales growth lifted by volumes**
- 2 / 2010-2015: a stronger Group**
- 3 / 2016 guidance**



**1**

**Q1 2016 net sales growth lifted by volumes**

# Markets mixed in Q1 2016, favorable to the Group's global model



## PASSENGER CAR: +3%

**Global OE: +1%**  
**Global RT: +4%**

- Robust demand in Western Europe, North America, China and India
- Down in the rest of the world



## TRUCK: -2%

**Global OE: -3%**  
**Global RT: -2%**

- Growth in Western Europe, RT in North America and India
- Contraction in emerging markets and OE in North America



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

**Raw materials prices dampened Earthmover and Agricultural tire demand**

- Mining: demand down as drawdowns continued in their final year
- Agricultural OE: improvement underway in Europe
- Aircraft\*\* and Two-Wheel\*\*\*: continued growth

\* Full year market expectation

\*\* Commercial aircraft

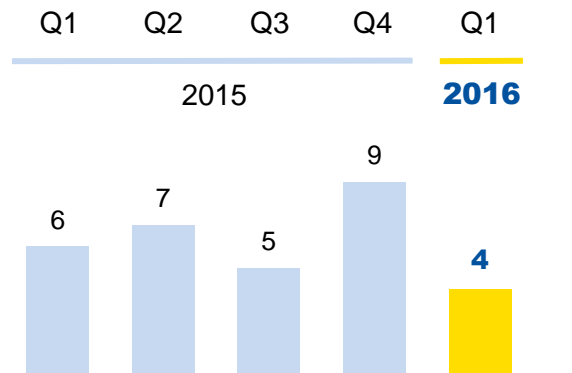
\*\*\* Motorcycle tires in Europe, USA and Japan



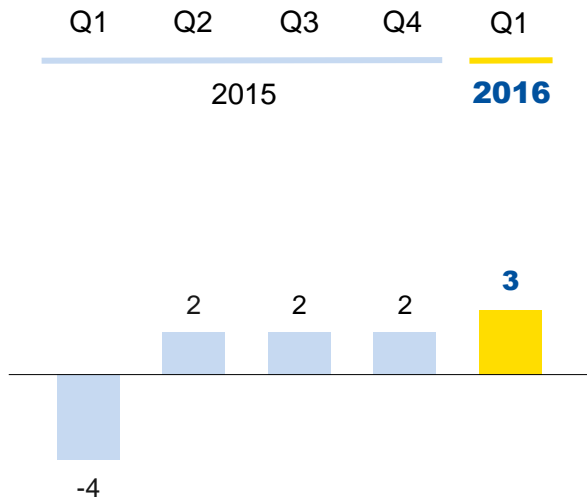
# Continued above-market growth

## ▲ YoY quarterly change (in %)

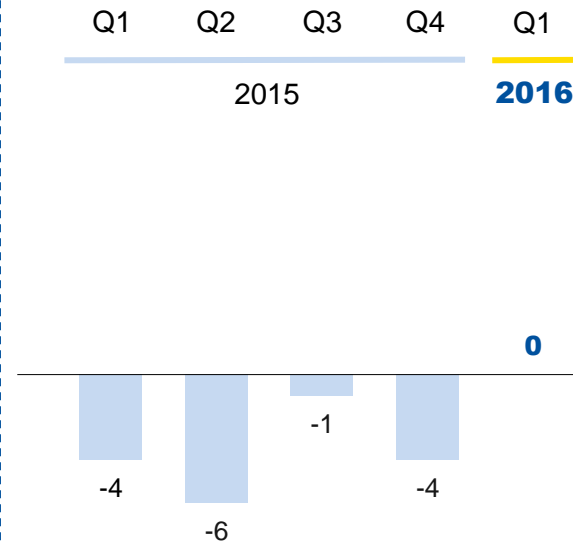
### Car and Light truck tires\*



### Truck tires\*



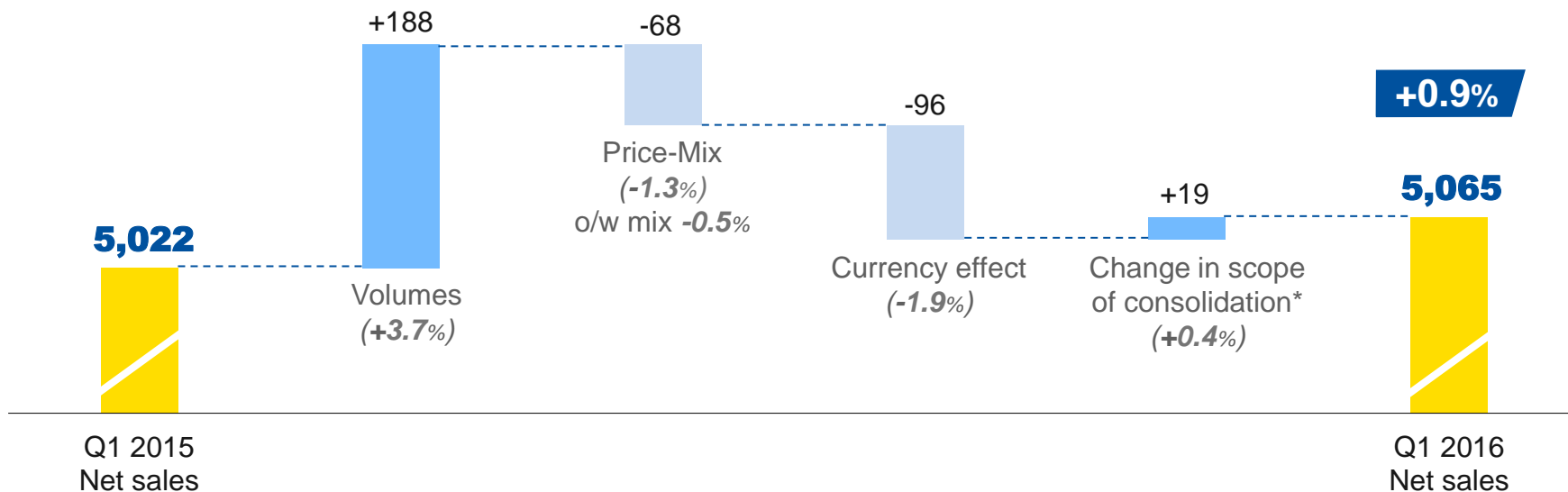
### Specialty businesses



\* And related distribution

# Net sales boosted by higher volumes

## ▲ YoY change (in € millions and %)

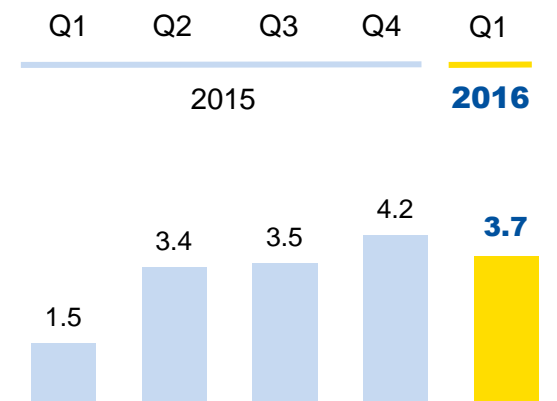


\* Ihle, Meyer Lissendorf, Blackcircles

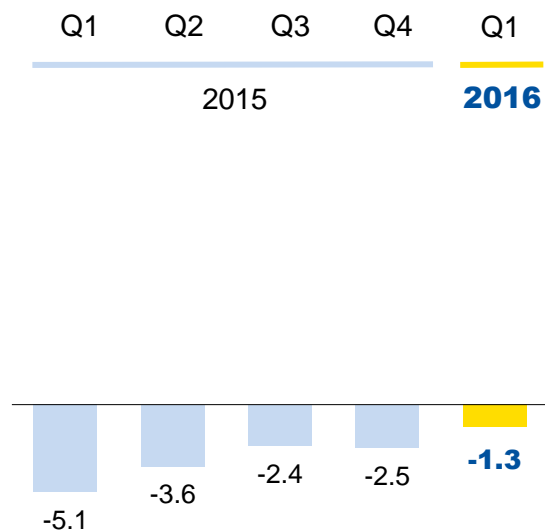
# Improved price mix thanks to the Group's active management approach

▲ YoY quarterly change  
(in %)

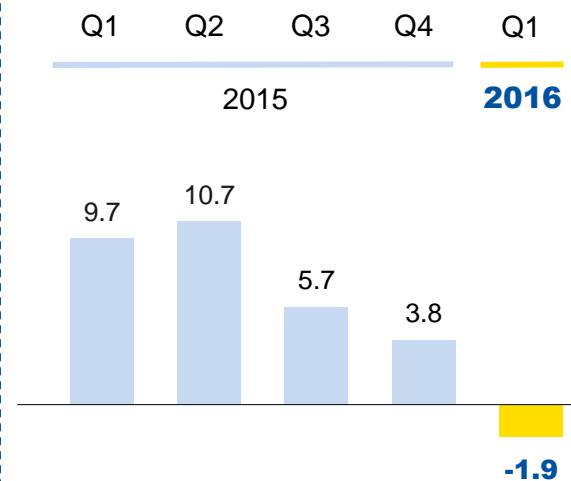
## Volumes



## Price mix






## Currency effect



# Stronger positions in all of the Group's businesses

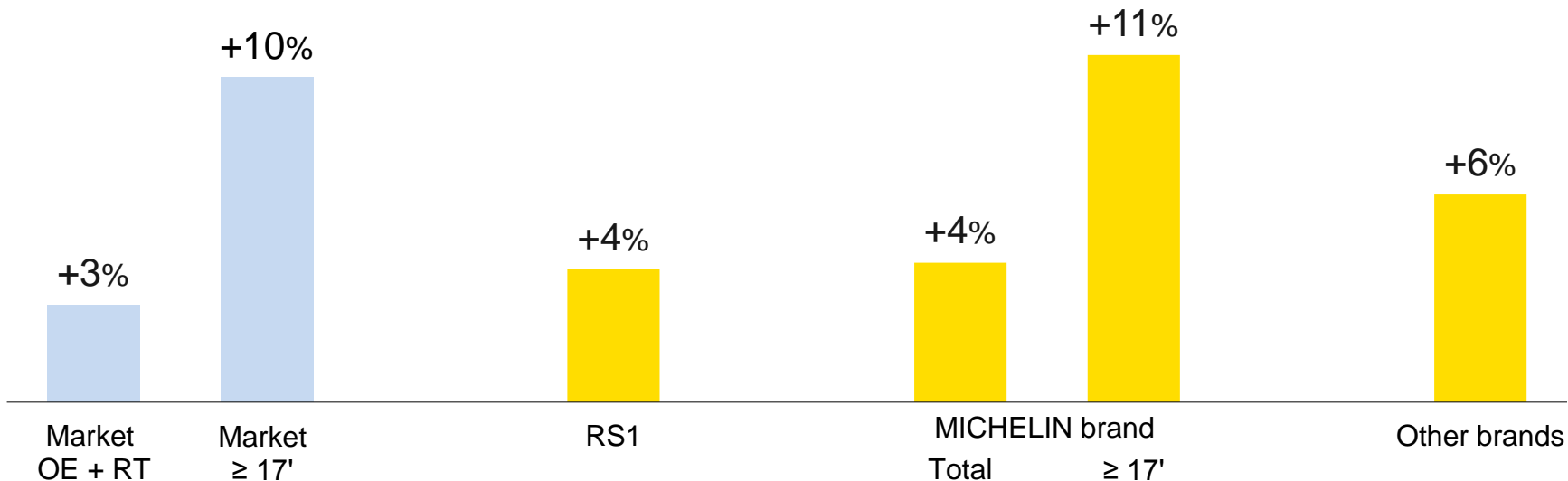
(In € millions)

		Q1 2016	Q1 2015
	<b>RS1 Net sales</b> <b>Volume growth</b> Market growth	<b>2,897</b> <b>+4%</b> <b>+3%</b>	2,777 +6% -1%
	<b>RS2 Net sales</b> <b>Volume growth</b> Market growth	<b>1,430</b> <b>+3%</b> <b>-2%</b>	1,474 -4% -3%
	<b>RS3 Net sales</b> <b>Volume growth</b> Market growth	<b>738</b> <b>+0%</b> <b>-2%/-5%*</b>	771 -4% -6%*

\* Full-year market estimate

# Passenger car tires: strong growth in all brands and segments

## ▲ Passenger car growth (YoY)



Source: Michelin

# CrossClimate: one year later

- MICHELIN summer tire with winter certification
  - Intelligent new mix of compounds
  - Combination of an unique v-shaped tread pattern with new 3D self-locking sipes
  - Innovative association of bevel-edged tread blocks with higher-performing sipes
- Over 2.5 million units sold in 2016
- 33% above initial target





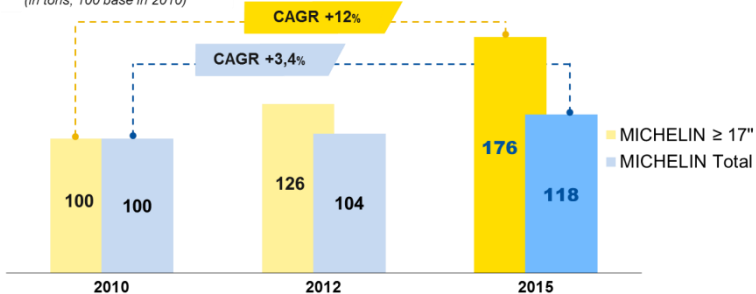
# 2 / 2010-2015: a stronger Group



# A stronger Group

## RS1 volume growth

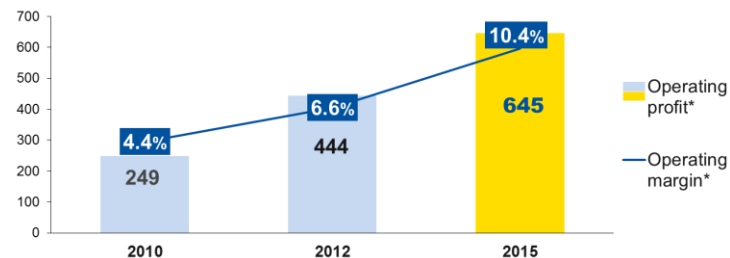
(in tons, 100 base in 2010)



## RS2 operating margin

▲ Operating profit and margin\*

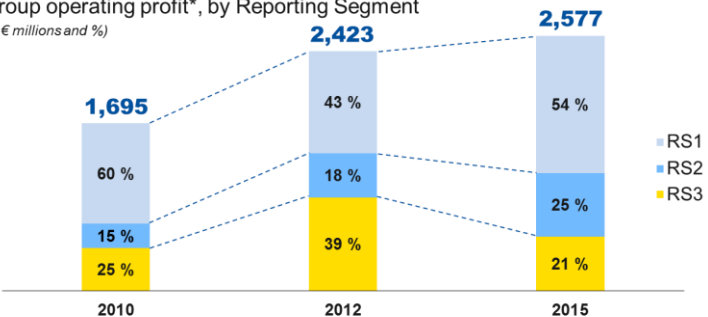
(in € millions and %)



## Margin by RS

▲ Group operating profit\*, by Reporting Segment

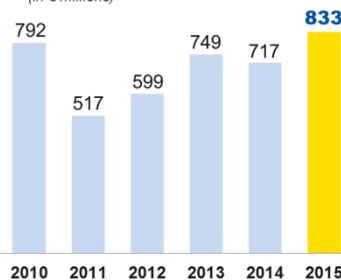
(in € millions and %)



## Structural FCF and ROCE

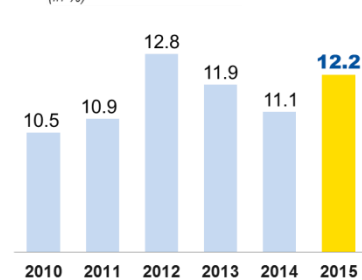
▲ Structural FCF

(in € millions)



▲ ROCE after tax

(in %)



\* Before non-recurring items



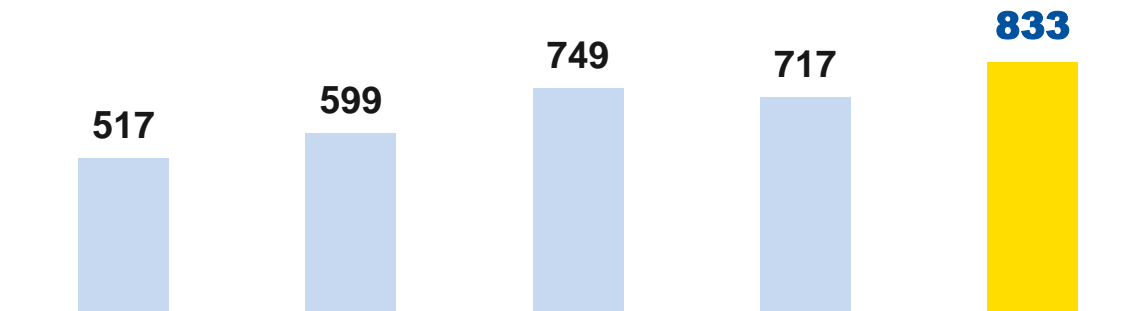
# 2012 – 2016 competitiveness plan in line with the objective

	SG&A	Materials	Manufacturing & Transports	Total
2012-2016* Objective	-€300m / -€400m	-€200m / -€300m	-€600m / -€700m	<b>-€1,200m</b>
<b>Achieved</b> at end 2015	<b>-€421m</b>	<b>-€149m</b>	<b>-€394m</b>	<b>-€964m</b>
Enablers	<ul style="list-style-type: none"> <li>● Efficiency program</li> <li>● OPE</li> <li>● Shared Service Centers</li> <li>● Simplification</li> </ul>	<ul style="list-style-type: none"> <li>● New lines</li> <li>● New materials</li> <li>● Scrap process materials</li> </ul>	<ul style="list-style-type: none"> <li>● Best practices (MMW)</li> <li>● Standardization</li> <li>● Flexibility</li> <li>● Footprint optimization</li> </ul>	

\* Before inflation and including avoided costs

# A business that structurally generates Free Cash Flow

## ▲ Structural free cash flow (in € millions)



	2011	2012	2013	2014	2015
<b>Free cash flow excluding disposals &amp; acquisitions* (1)</b>	<b>(422)</b>	<b>964</b>	<b>1 154</b>	<b>722</b>	<b>965</b>
WCR impact of raw materials costs (2)	(739)	21	405	177	132
Year-end volume effect on WCR (3)	(200)	344	nm	(172)	nm
<b>Structural free cash flow (1) – (2) – (3)</b>	<b>517</b>	<b>599</b>	<b>749</b>	<b>717</b>	<b>833</b>
<b>ROCE after taxes</b>	<b>10.9%</b>	<b>12.8%</b>	<b>11.9%</b>	<b>11.1%</b>	<b>12.2%</b>

\* Disposals in 2011-2012; Acquisitions in 2014-2015



# Investing to create value

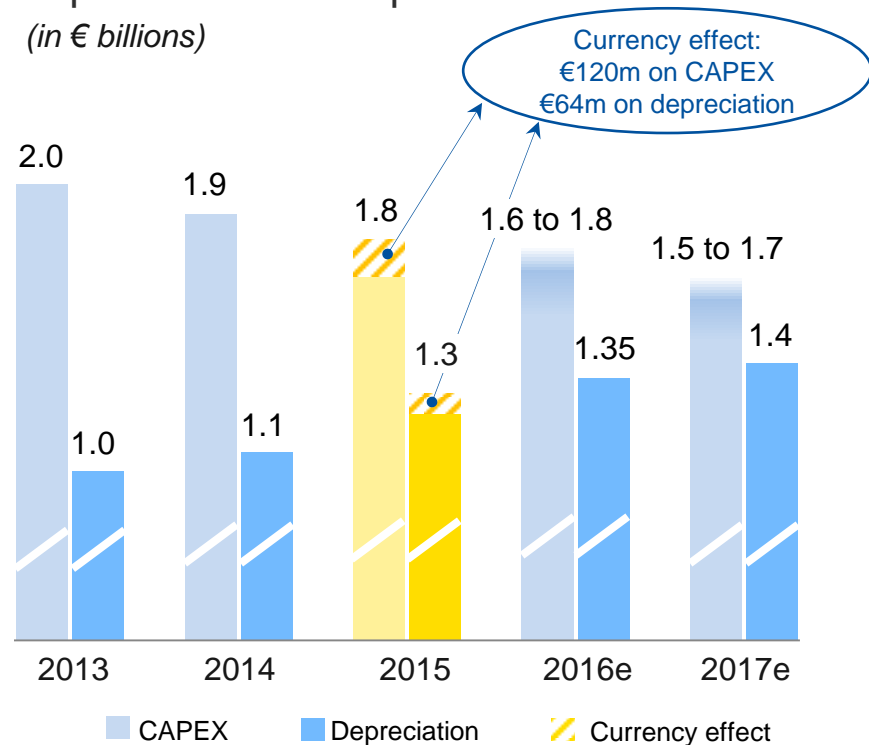
## ▲ Succeed in our priority Capex and M&A investment to capture growth

- In the supply chain, to improve customer services (IS, logistics centers)
- In growing markets: PC premium tires, North America, Asia
- In Digital services
- In raw materials and semi-finished products



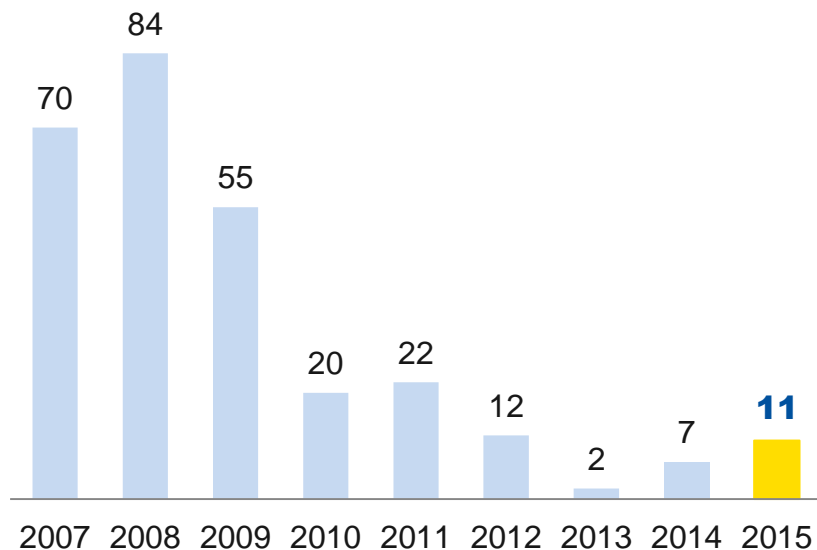
## ▲ Reducing the gap between capital expenditure and depreciation

(in € billions)



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

## ▲ Gearing – Net debt/Equity (in %)

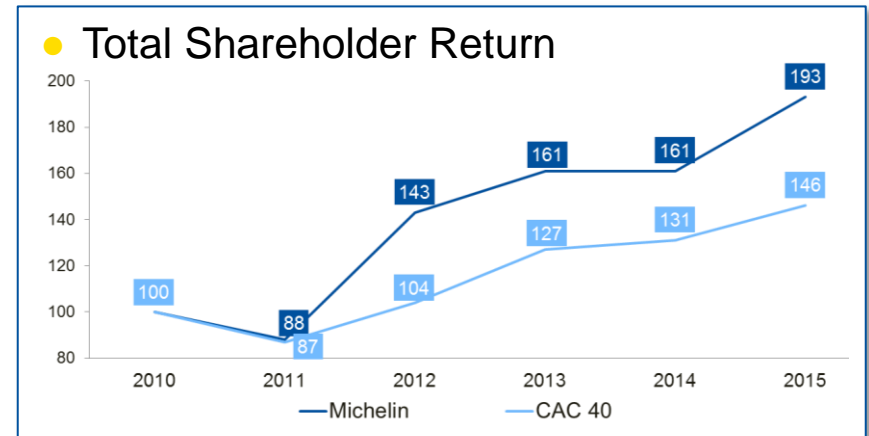
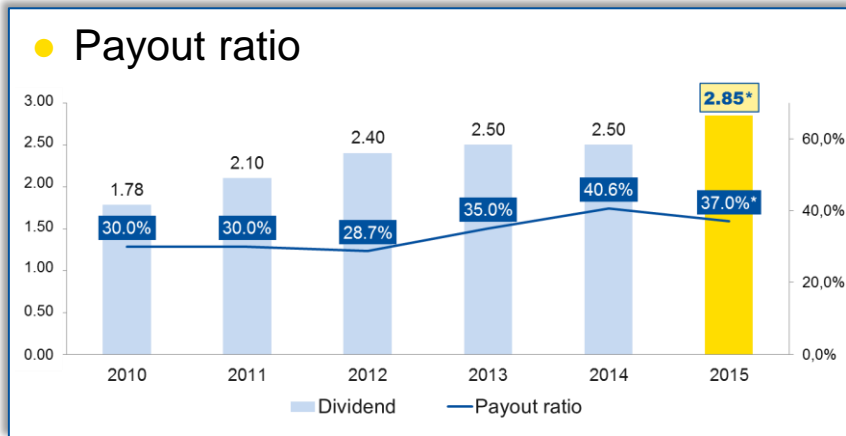


## ▲ S&P raised our Long term Debt rating

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

# 2015-2016 shareholder return: €981m dividend and €750m share buyback

- Dividend of €2.85\*/share and payout of 37% of net income before non-recurring items
- €750m share buyback plan
  - Number of shares repurchased and cancelled in 2015: 4,961,534 shares or 2.7% of capital
  - €451m committed in 2015 and a new €150m tranche launched in January 2016
  - Q1 2016: €73m committed



\* Submitted to shareholders for approval at the May 13, 2016 Annual Meeting



# 3 / 2016 guidance

# 2016 market outlook



## PASSENGER CAR: +2%/+3%

Growth in line with long-term trends (CAGR  $\approx$  2.5%)

- Faster growing demand in Western Europe, North America and China.



## TRUCK: +0%/+2%

Slight growth of the worldwide demand

- Markets expanding in Western Europe and continuing to trend upwards in the North American replacement segment.



## SPECIALTY: -2%/-5%

Earthmover and Agricultural markets impacted by commodity prices

- Mining: weaker demand and last year of destocking.
- Earthmover OE\*: trending downwards.
- Agricultural OE\*: stable to weak.

\* Europe & North America

# 2016 guidance confirmed

	2016 new	2016 old
Volumes	Above-market growth	Growth at least in line with the markets
EBIT before NR and at constant exchange rates	> 2015	> 2015
Structural FCF	> €800m	> €800m



# 2016 scenario based on March raw material prices and currencies

	2016
Raw materials	Around €400m tailwind
Net price mix vs. raw materials	Indexed businesses: negative Non indexed businesses: neutral
Competitiveness plan vs. inflation	Neutral

# 2016 Upcoming events

- **2016 Events:**
  - **May, 13:** Annual Shareholders' Meeting
  - **June, 6:** Investor Day (Ladoux, France)
  - **July, 26:** H1 Results
  - **October, 19:** Q3 Net Sales
  
- **Dates related to 2015 dividend:**
  - **May, 17:** Ex Date
  - **May, 18:** Record date
  - **May, 19:** Payment date

# The Power of New Products



BFGOODRICH  
g-Force™ COMP-2™ A/S

MICHELIN  
Defender® LTX

MICHELIN  
Premier® A/S

MICHELIN  
CrossClimate

MICHELIN  
Pilot Sport<sup>+</sup>

MICHELIN  
Premier® LTX

BFGOODRICH  
All-Terrain T/A® KO2



# Appendices

# Passenger car Tire Market

## ▲ First-quarter 2016/2015

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/Middle East	Total
Original equipment	▲ +2%	▲ +4%	▲ +4%	▼ -0%	▼ -23%	▲ +7%	▲ +1%
Replacement	▲ +3%	▲ +3%	▲ +6%	▲ +5%	▼ -2%	▲ +4%	▲ +4%

\* Turkey included

# Truck & Bus Tire Market

## ▲ First-quarter 2016/2015

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Asia (excluding India)	South America	Africa/India/Middle East	Total
Original equipment	▲ +6%	▲ +7%	▼ -12%	▼ -3%	▼ -39%	▲ +8%	▼ -3%
Replacement	▲ +2%	▲ +3%	▲ +4%	▼ -5%	▼ -4%	▲ +0%	▼ -2%

\* Turkey included

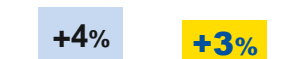
# Passenger car and Light truck tires: strong demand in Western Europe, North America, China and India; demand down elsewhere

▲ Passenger car market at March 31, 2016  
(YoY in %, in number of tires)

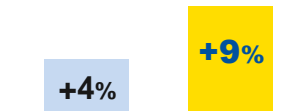
## North America



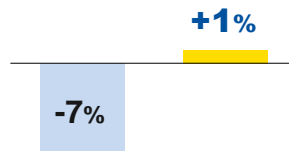
## Europe excluding Russia & CIS



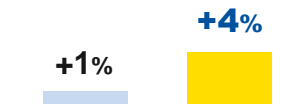
## China



## New markets excluding China



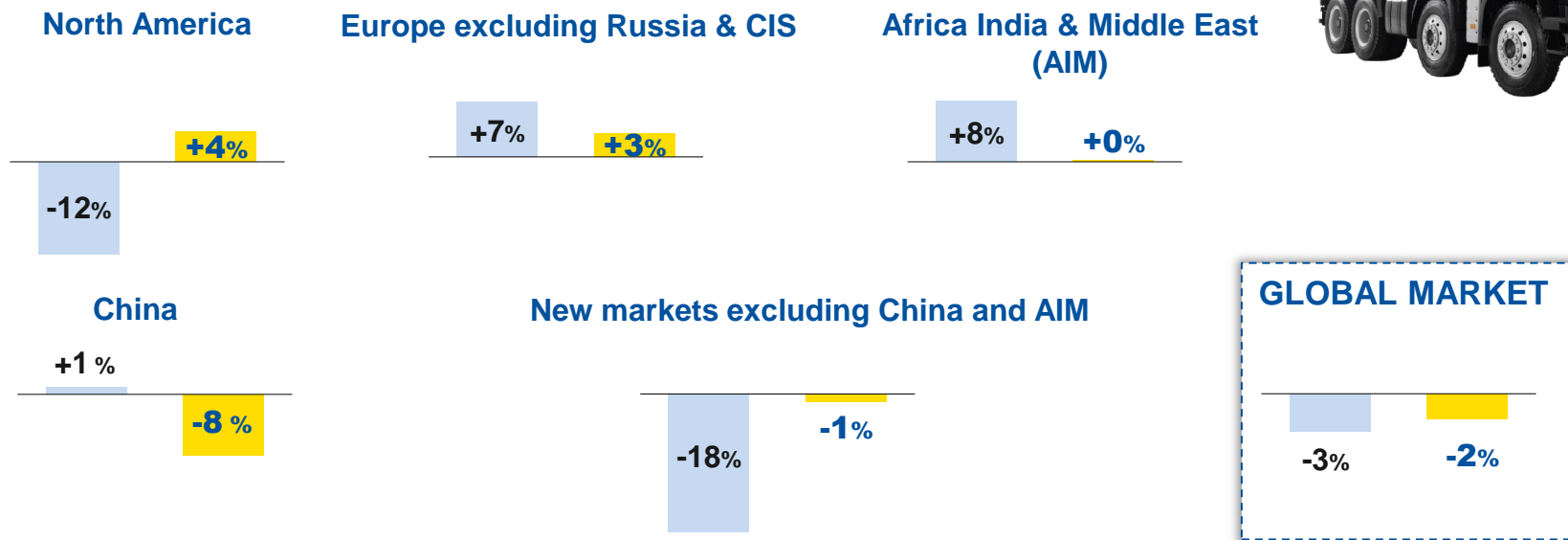
## GLOBAL MARKET



Source: Michelin

# Truck tires: growth in Western Europe, the North America Replacement market and India; contraction in emerging markets and Original Equipment in North America

▲ Truck tires market at March 31, 2016  
(YoY in %, in number of new tires)



Source: Michelin

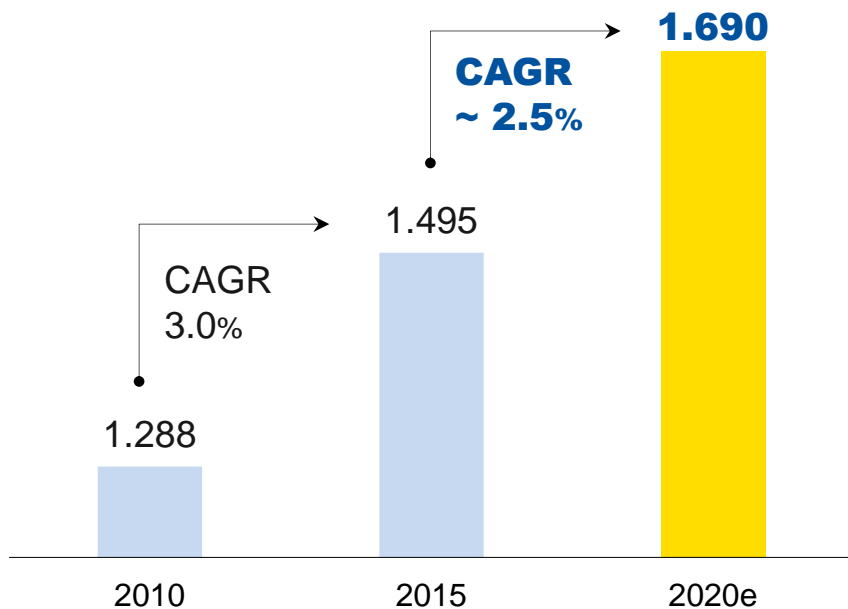
■ OE ■ RT



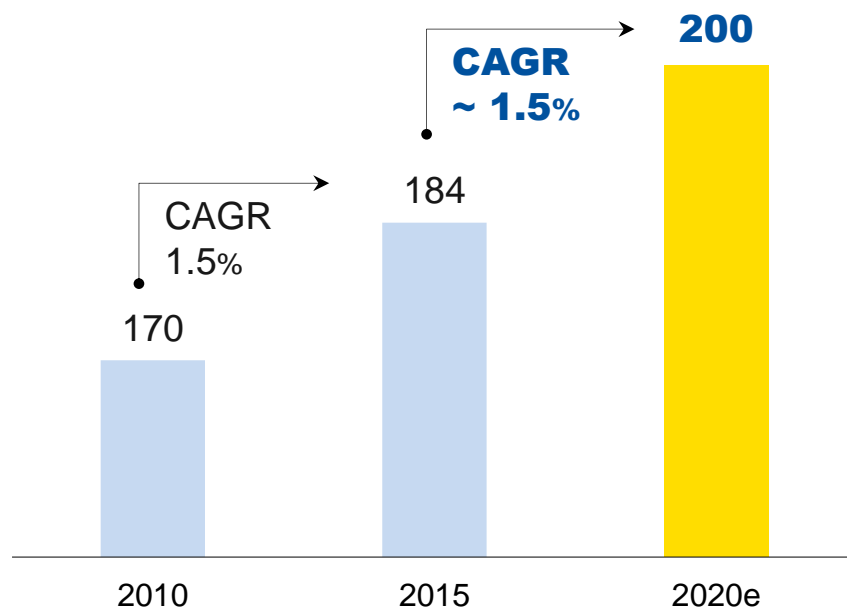


# A growing worldwide demand

▲ PC OE&RT market projection 2015-2020  
(in millions units)



▲ TB OE&RT market projection 2015-2020  
(Radial & Bias in millions units)



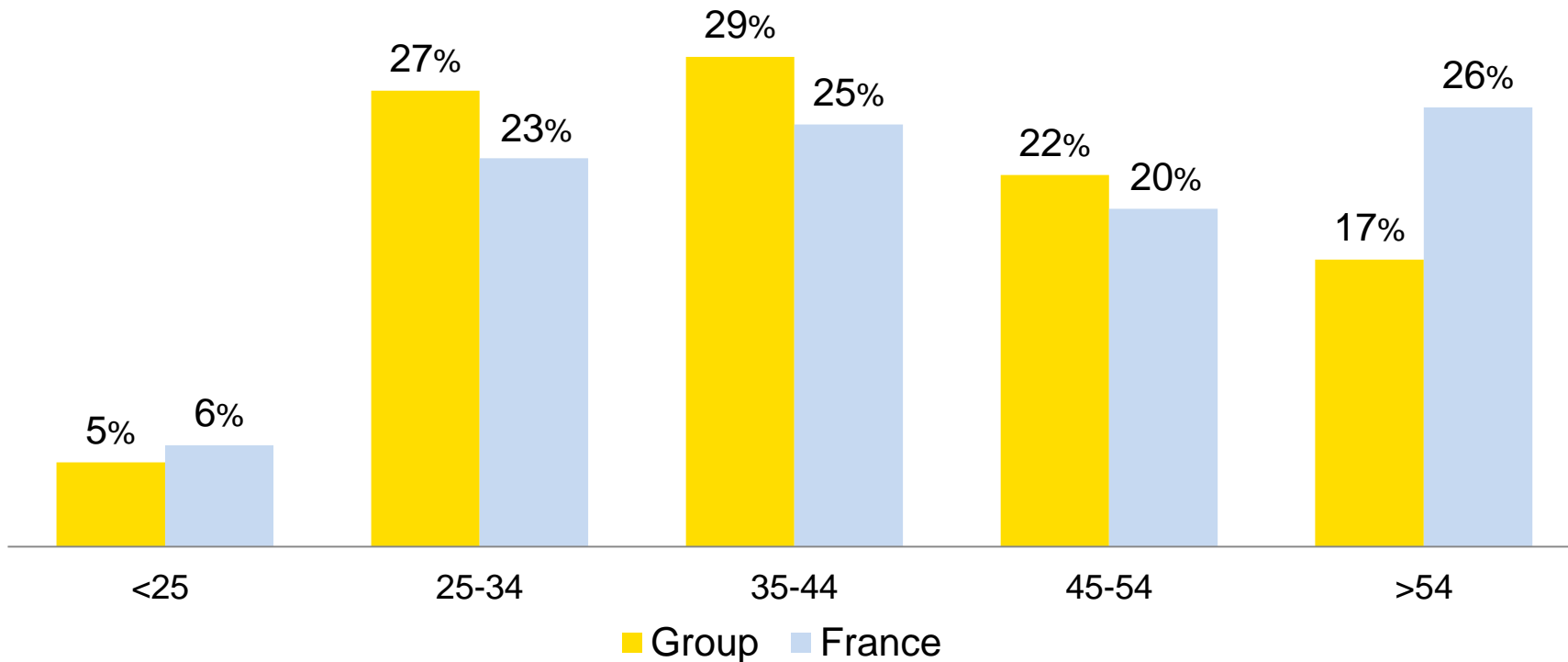
Source: Michelin



# Optimization of Clermont-Ferrand operations

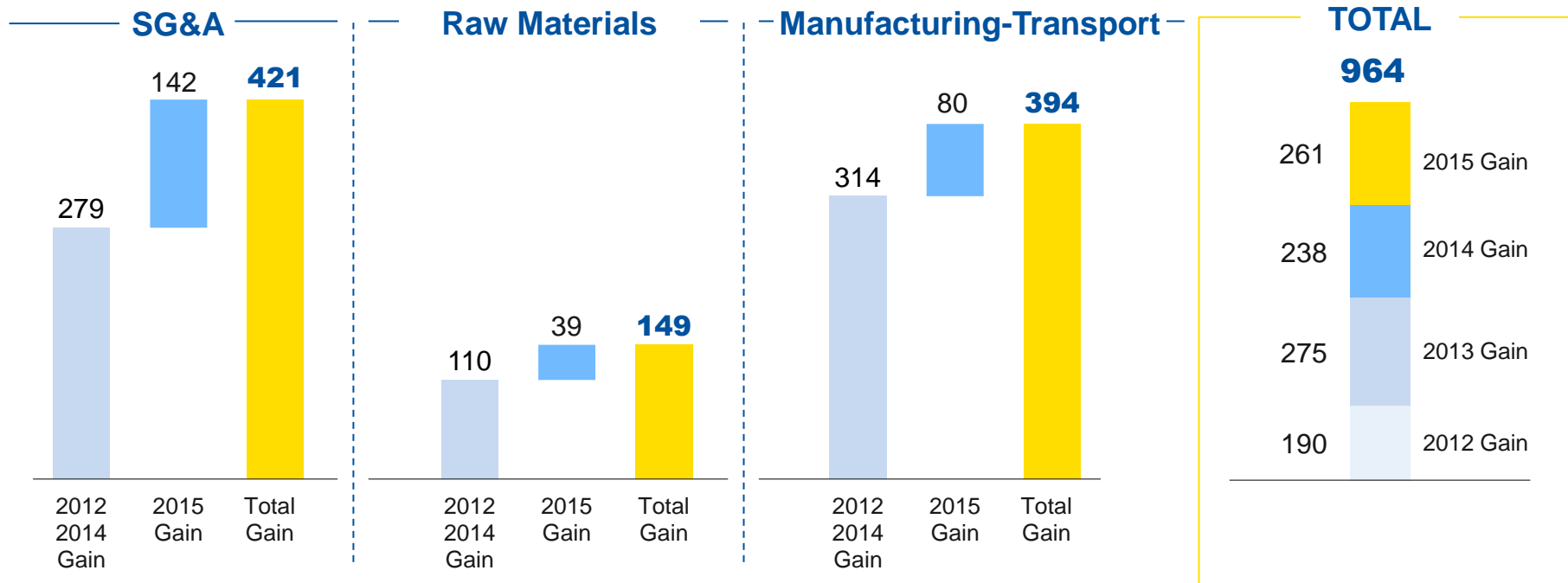
- Scale-back of retreading operations given the 25% decline in the markets since 2007
  - Closure of the retreading workshop at the La Combaude plant by end-2017
  - 330 workshop employees will be transferred internally or benefit from early retirement measures
- Reduction in capex due to a rebalanced make-or-buy policy
  - Reorganization of engineering operations by end-2018
  - 164 jobs to be eliminated
- Streamlining of the Group's support service processes
  - Personnel and skills planning process to be negotiated
- Job cuts via age-related measures and internal transfers, in light of the large number of employees nearing retirement
- Provision of around €55 million to be recorded in non-recurring expenses in the consolidated financial statements for the six months ending June 30, 2016

# Group and France Pyramid of age



# Competitiveness Plan: around €250m targeted in 2016

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



\* Before inflation and including avoided costs

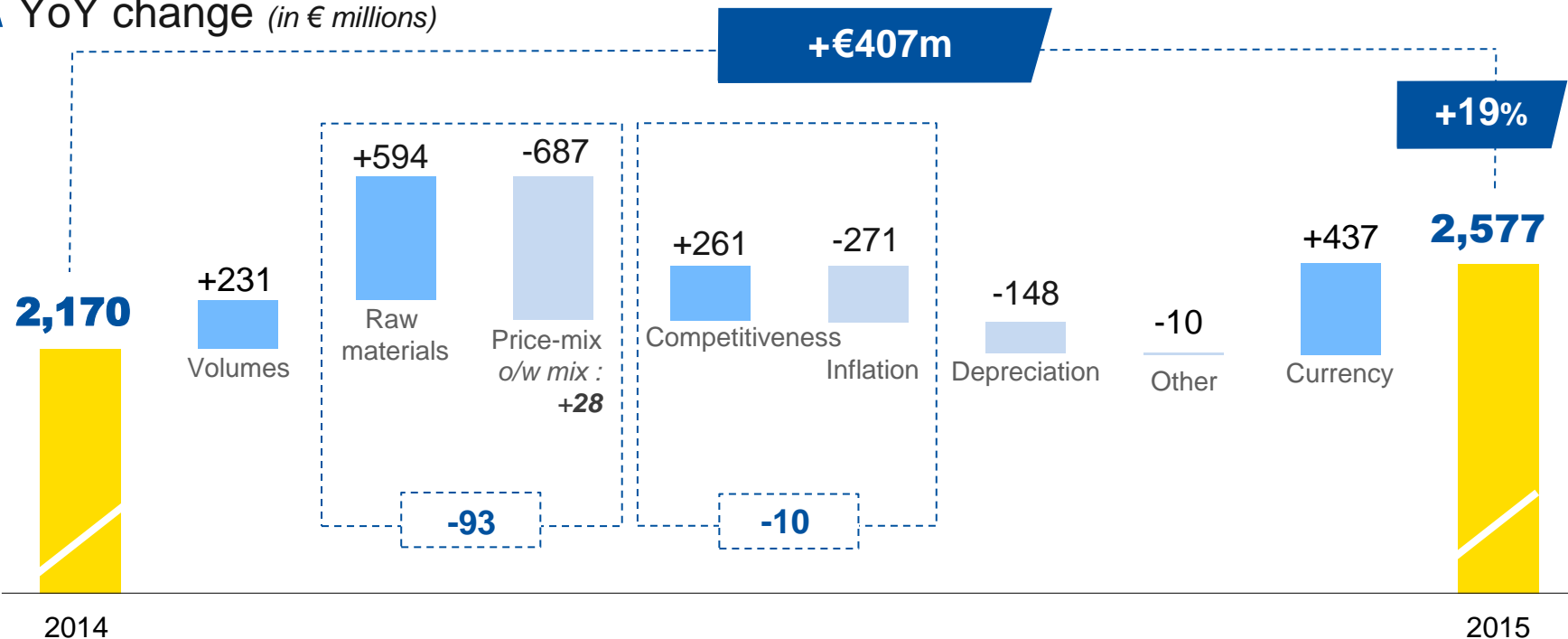


# More than €280m in annual productivity gains from the 2013-2016 industrial reorganization projects

<i>(in € millions)</i>	2013	2014	2015	2016e	2017e	2018e	2019e	
								<b>Total non-recurring expense</b>
Non-recurring cost	(250)	(84)	(275)	(55)	0	0	0	<b>(664)</b>
								<b>Following Years</b>
Productivity	0	+54	+71	+123	+167	+216	+259	<b>+281</b>

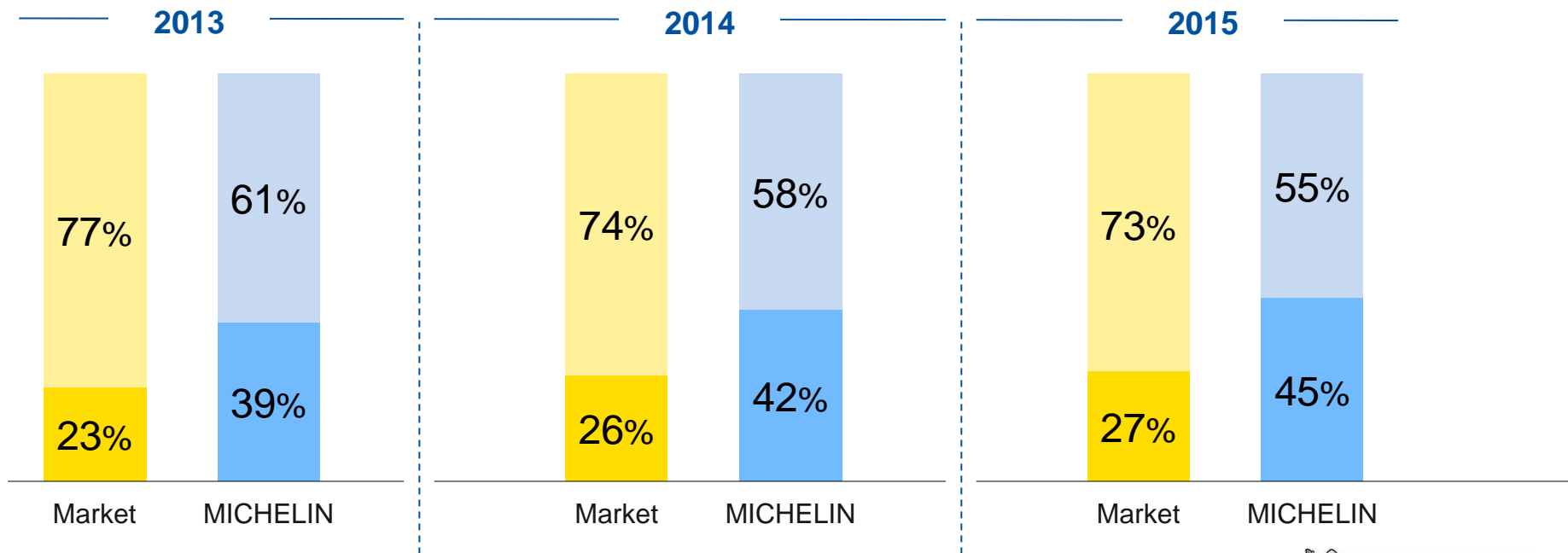
# Operating income before non-recurring items up €407m o/w €304m in H2 led by volume growth, price management, cost discipline and favorable exchange rates

▲ YoY change (in € millions)



# MICHELIN in the Passenger car segment: clearly positioned as the premium brand

▲ 17' Car and Light truck share of market and share MICHELIN brand sales  
(in number of tires)

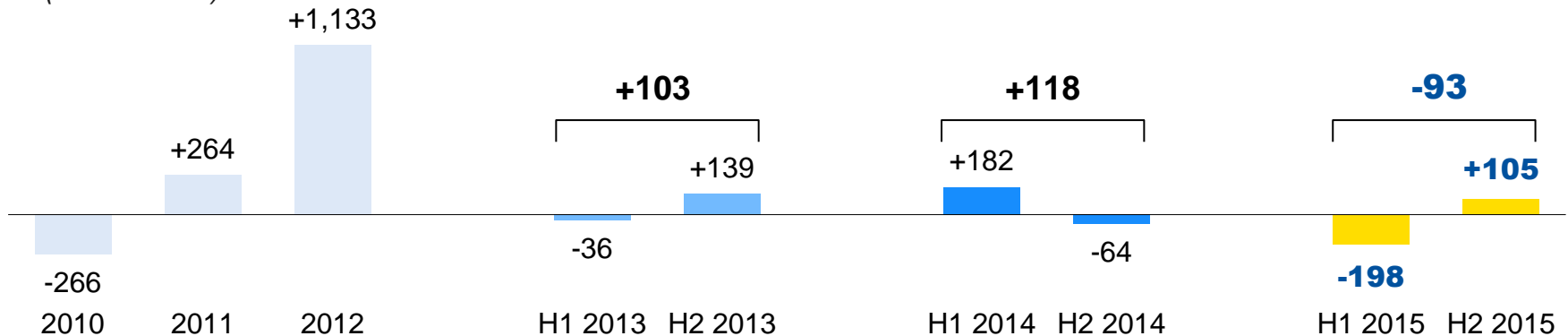


Source: Michelin estimate

# Effective management of pricing policy over time : aggregated net positive impact of more than €1,2bn since 2010

## ▲ Net effect of price mix and raw materials prices

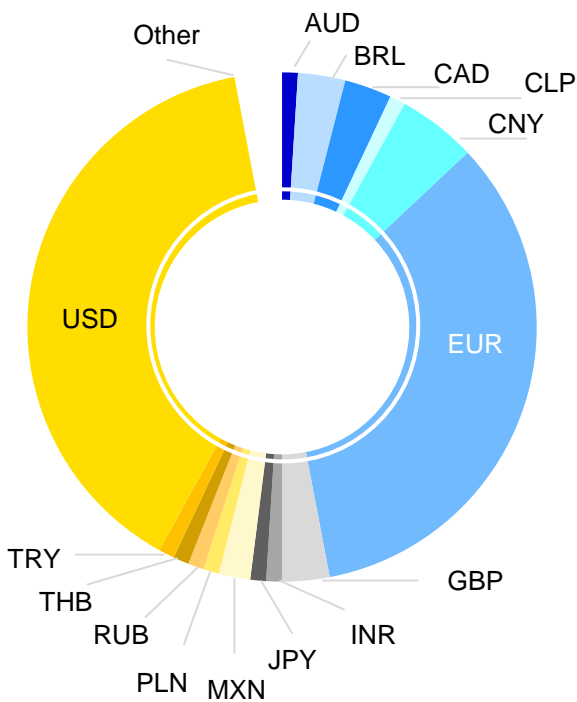
(in € millions)



- 2015: net impact of changes in price, mix and raw materials costs was a negative €116m for indexed businesses and a positive €23m for the other businesses



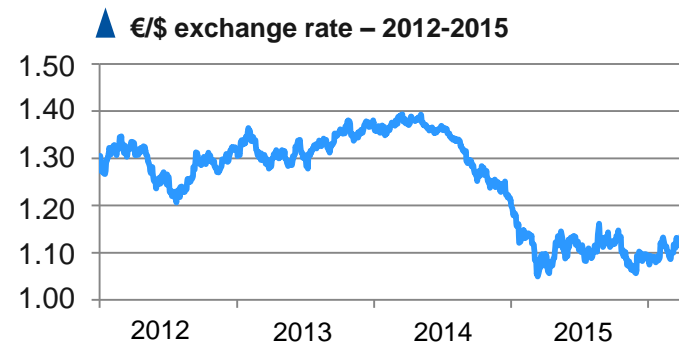
# 2015 net sales by currency



% of net sales	
AUD	1%
BRL	3%
CAD	3%
CLP	1%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
USD	39%
Other	3%

## EBIT sensitivity to €/€ exchange rate:

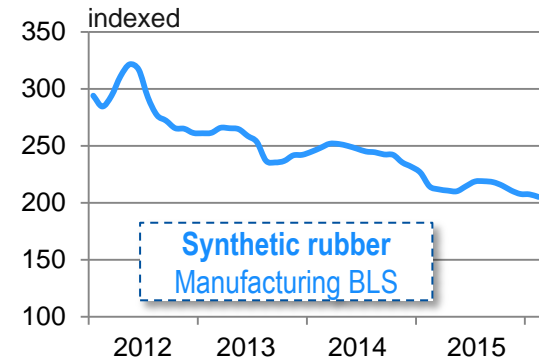
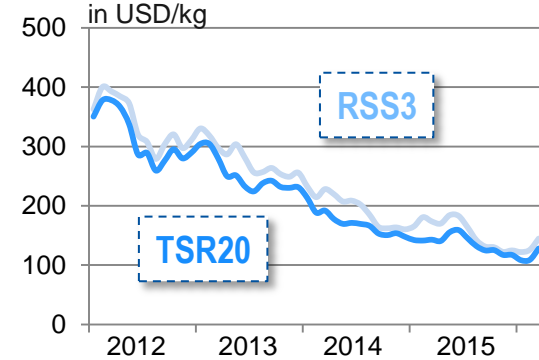
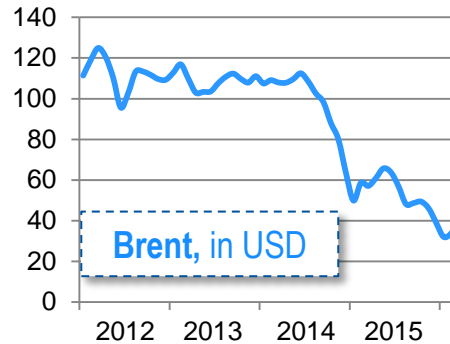
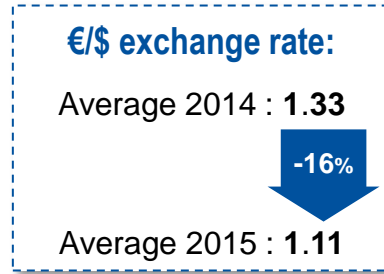
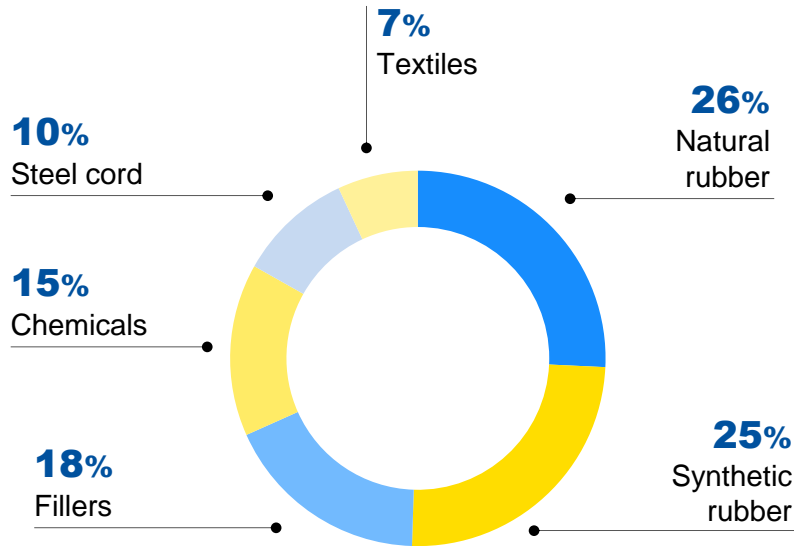
A one cent change in the average annual €/€ exchange rate would lead to a € 15-20 million change in EBIT for the year.



Source: ThomsonOne

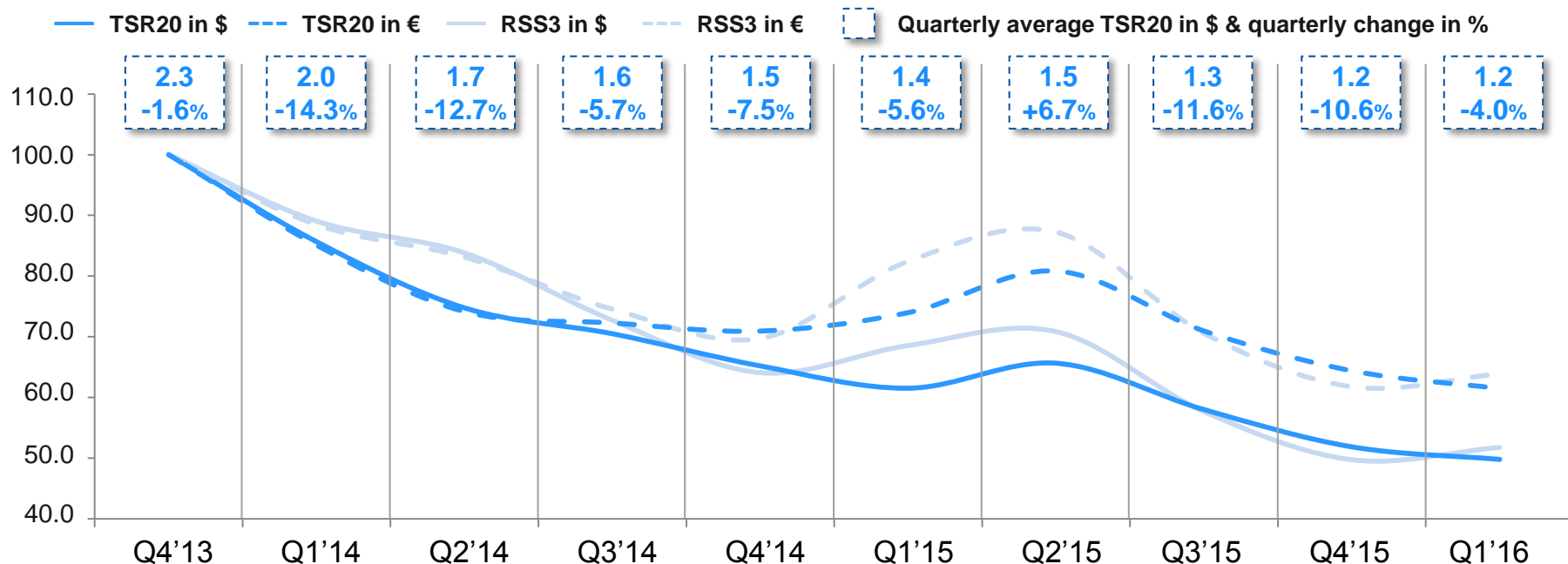
# Raw materials trends in 2015

## ▲ Raw material purchases in 2015 (€4,711m)



# Natural Rubber price trend

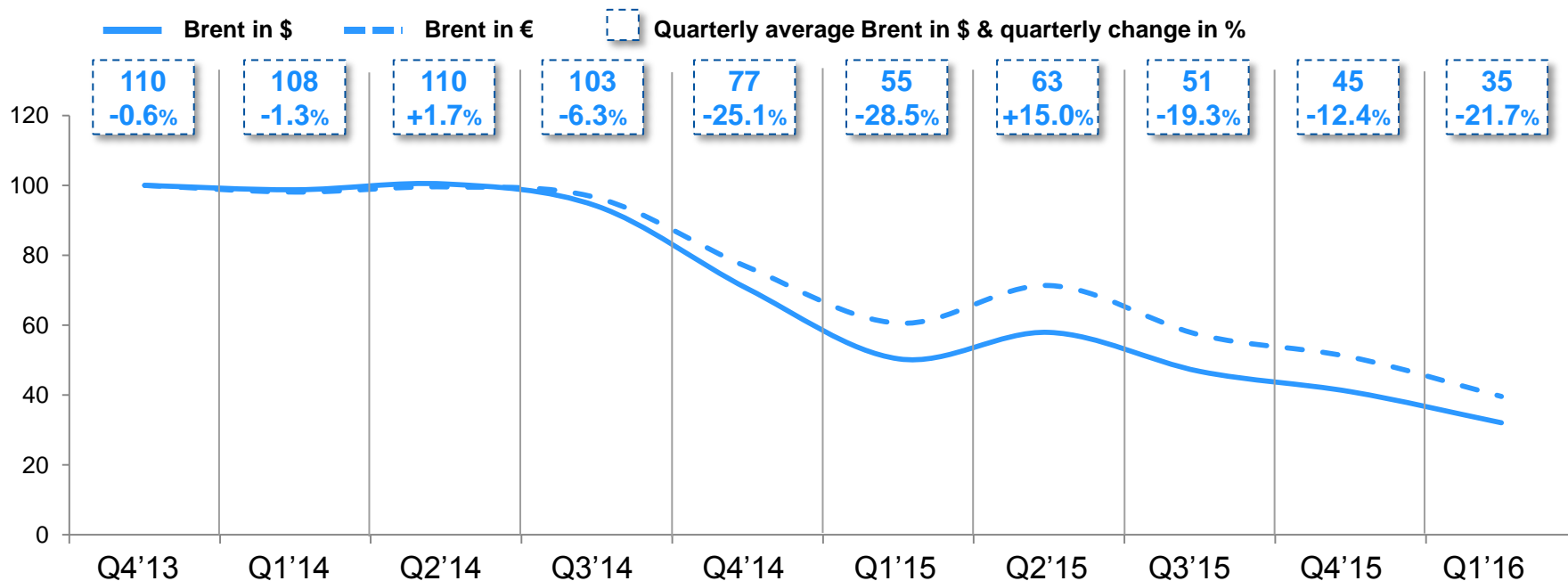
▲ At end of March 2016 (per kg, base 100 in Q4'13)



Source: SICOM

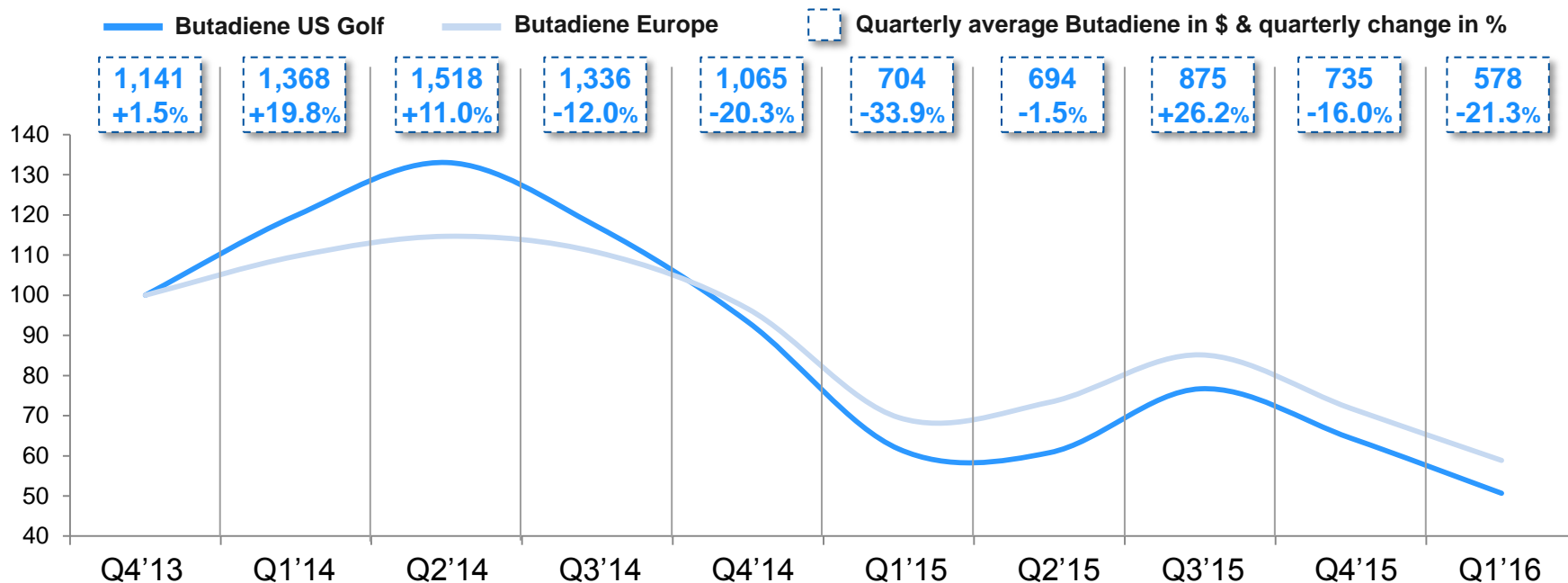
# Brent price trend

▲ At end of March 2016 (per barrel, base 100 au Q4'13)



# Butadiene price trend

▲ At end of March 2016 (per ton, base 100 in Q4'13)

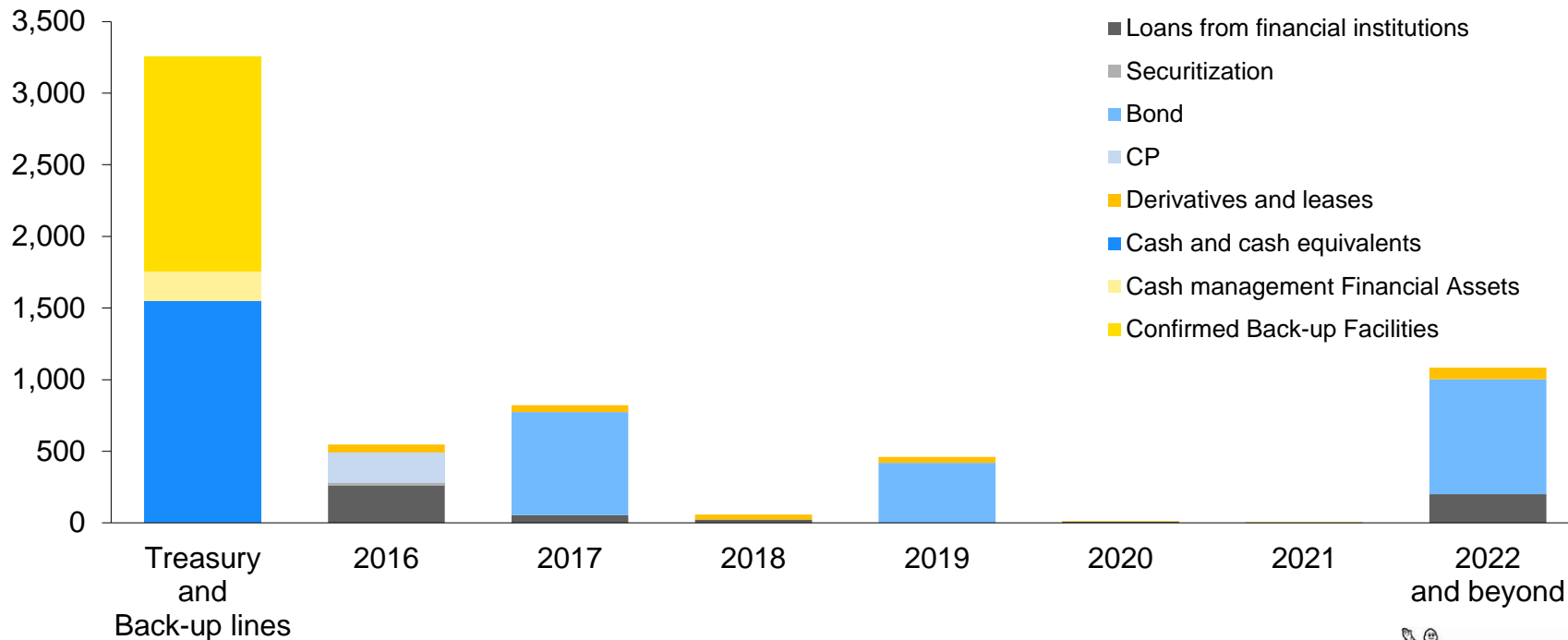


Source: IHS



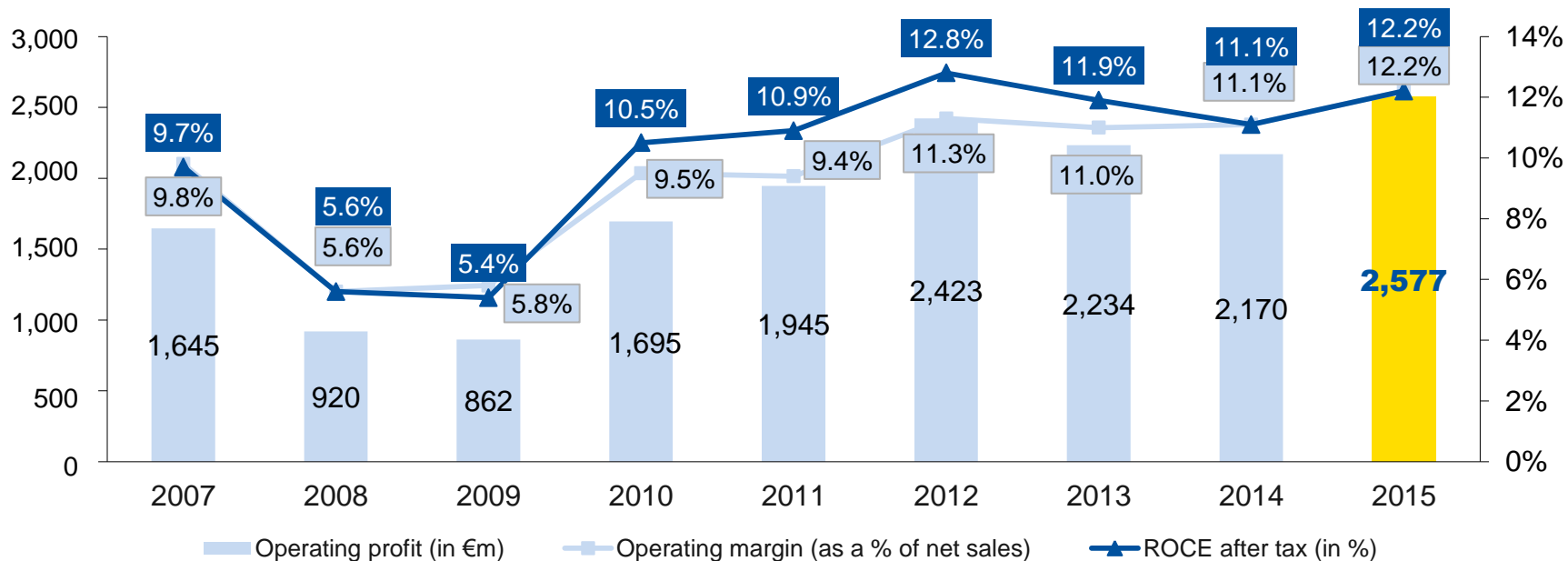
# Opportunistic refinancing of the Group: 7-, 12- and 30-year bonds for a total of €809m

▲ Debt maturities at Dec. 31, 2015 (including accrued interests, in € millions)



# A stronger Group with improving profitability

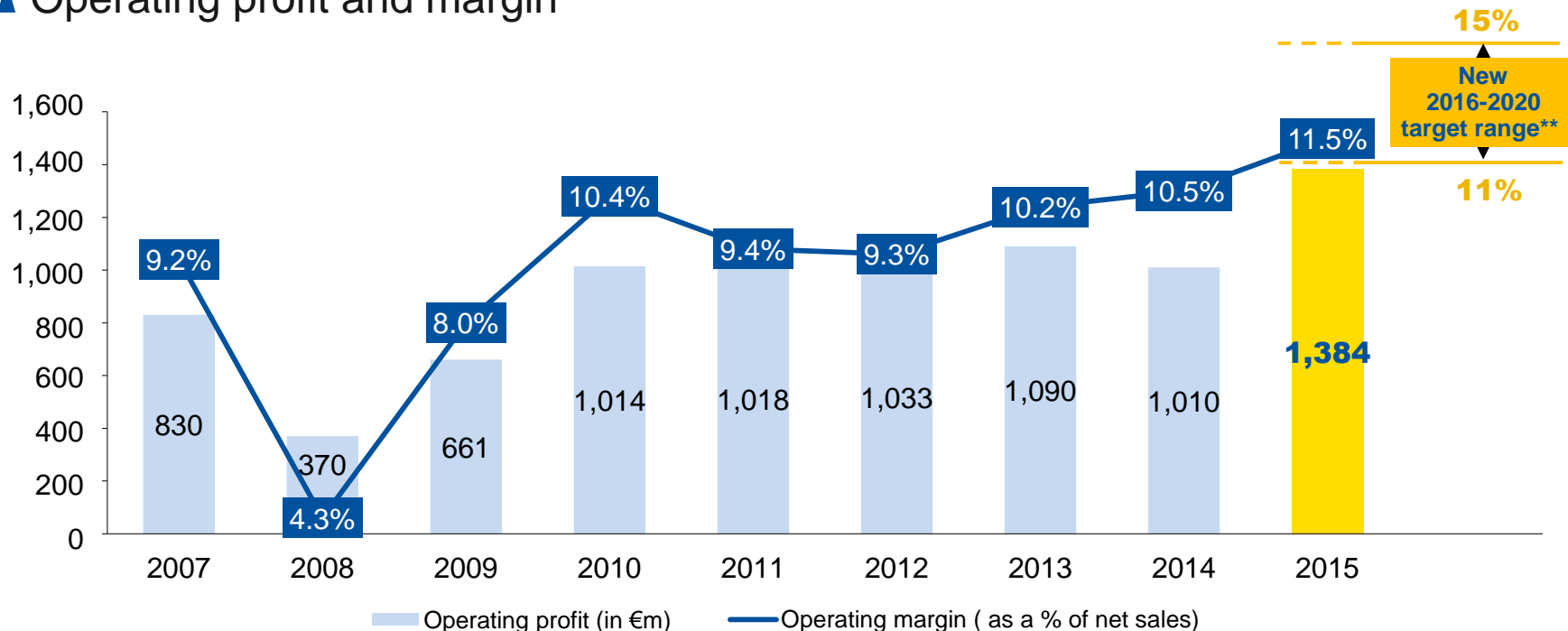
## ▲ Operating profit and margin\* & ROCE



\* Before non-recurring items

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

## ▲ Operating profit and margin\*



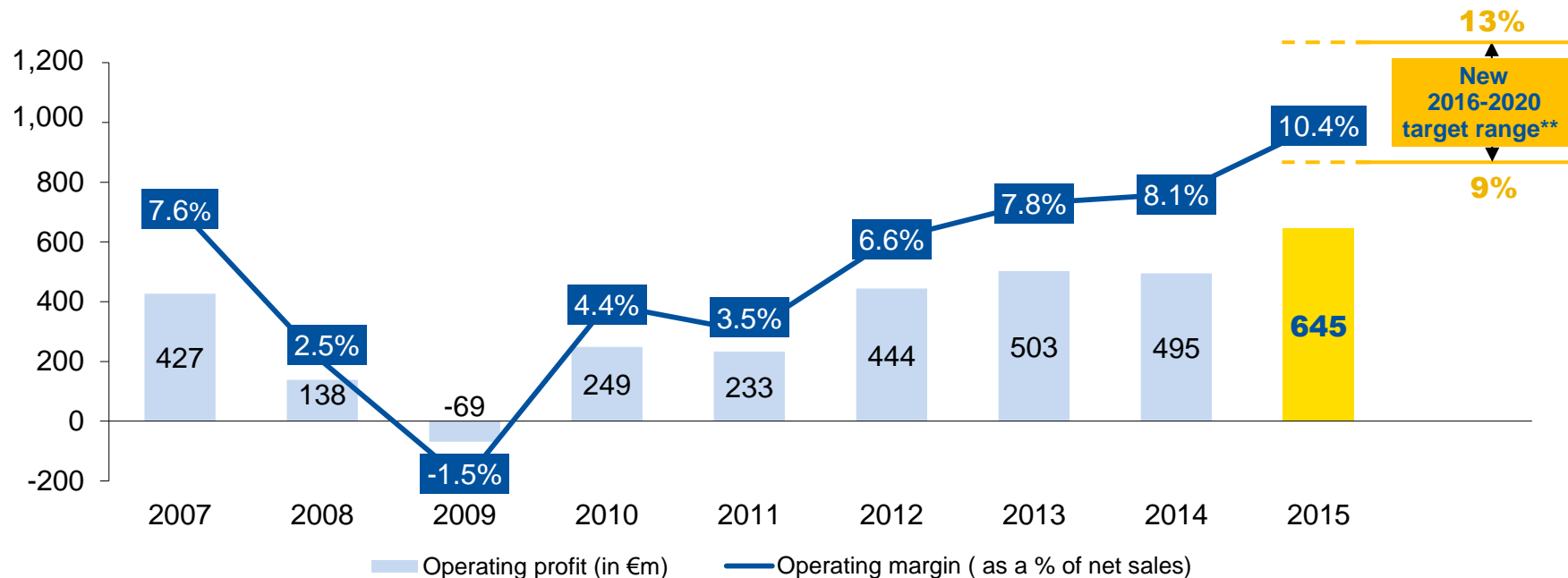
\* Before non-recurring items

\*\* 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\*



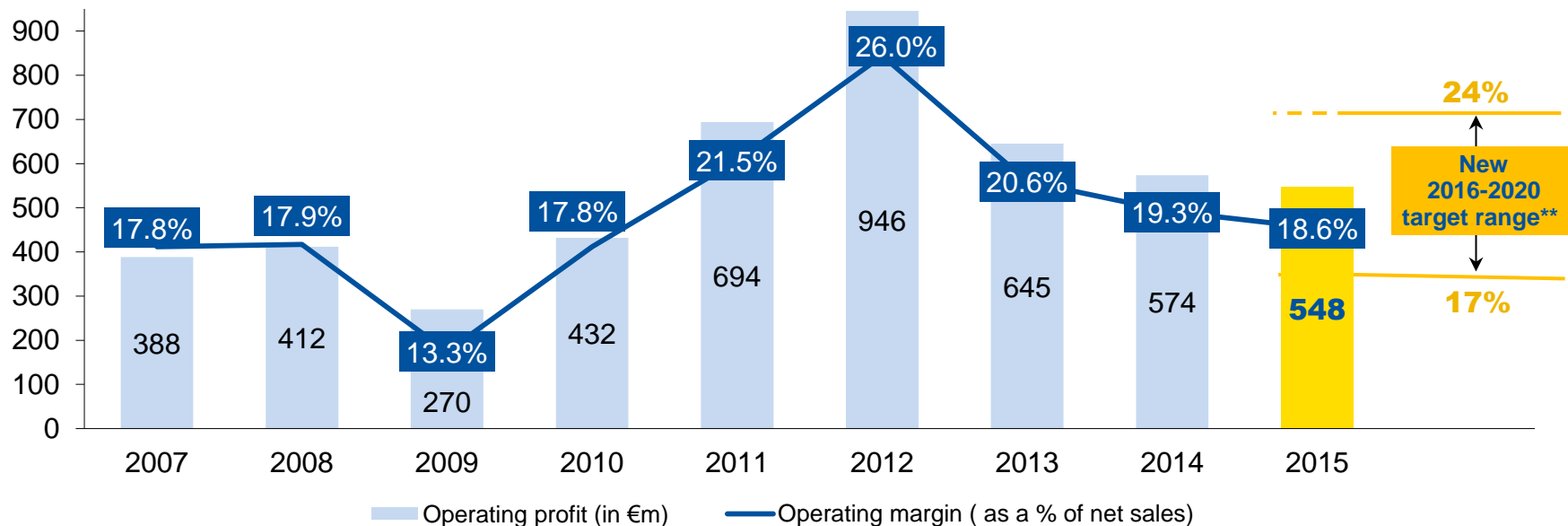
**13%**  
 New  
 2016-2020  
 target range\*\*  
**9%**

\* 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

# 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."

**Valérie MAGLOIRE**  
**Matthieu DEWAVRIN**  
**Humbert de FEYDEAU**

**+33 (0)1 78 76 45 36**

27, cours de l'île Seguin  
92100 Boulogne-Billancourt - France

*[investor-relations@fr.michelin.com](mailto:investor-relations@fr.michelin.com)*