



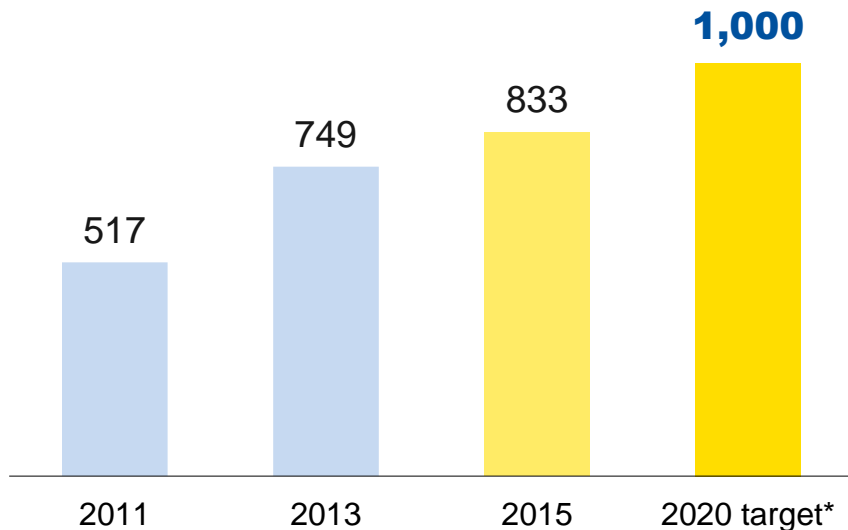
**Deutsche Bank – April 26-28, 2016**

**Germany & Denmark**

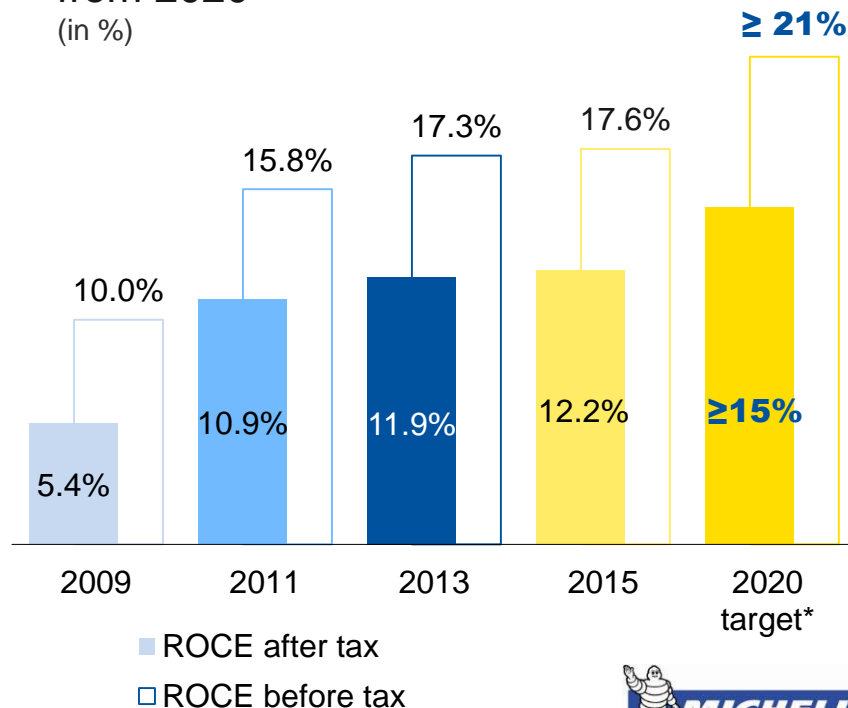


# 2020: ambitious value creation targets

▲ Deliver a structural €1,000m Free cash flow from 2020\*  
(in € millions)






▲ Deliver a ROCE (after tax)  $\geq 15\%$  from 2020\*  
(in %)



\* 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



**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

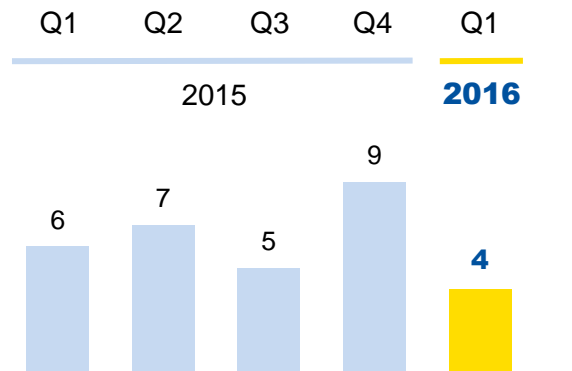
\*\*\* Motorcycle tires in Europe, USA and Japan



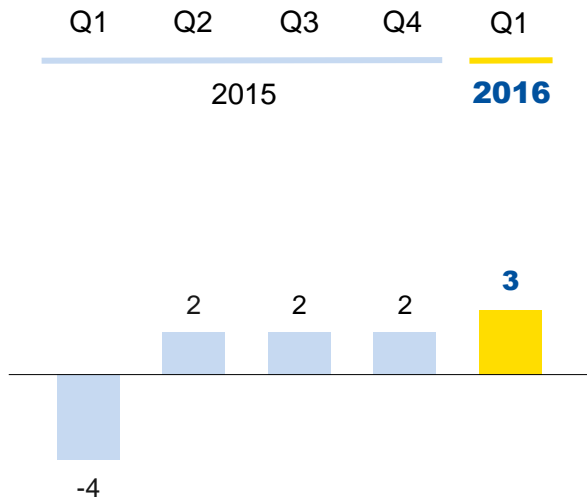
# Continued above-market growth

## ▲ YoY quarterly change (in %)

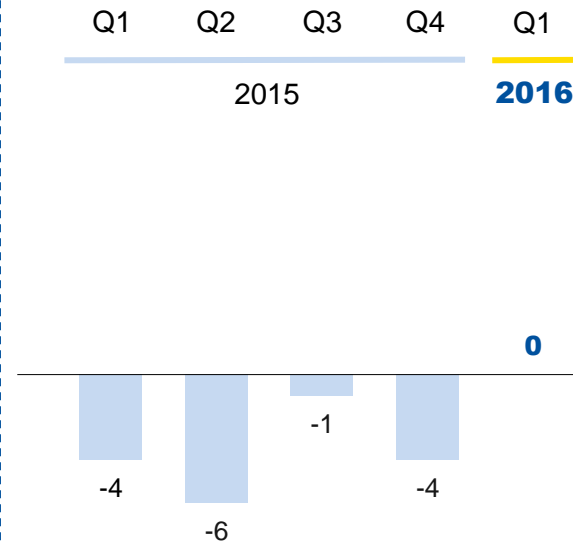
### Car and Light truck tires\*



### Truck tires\*



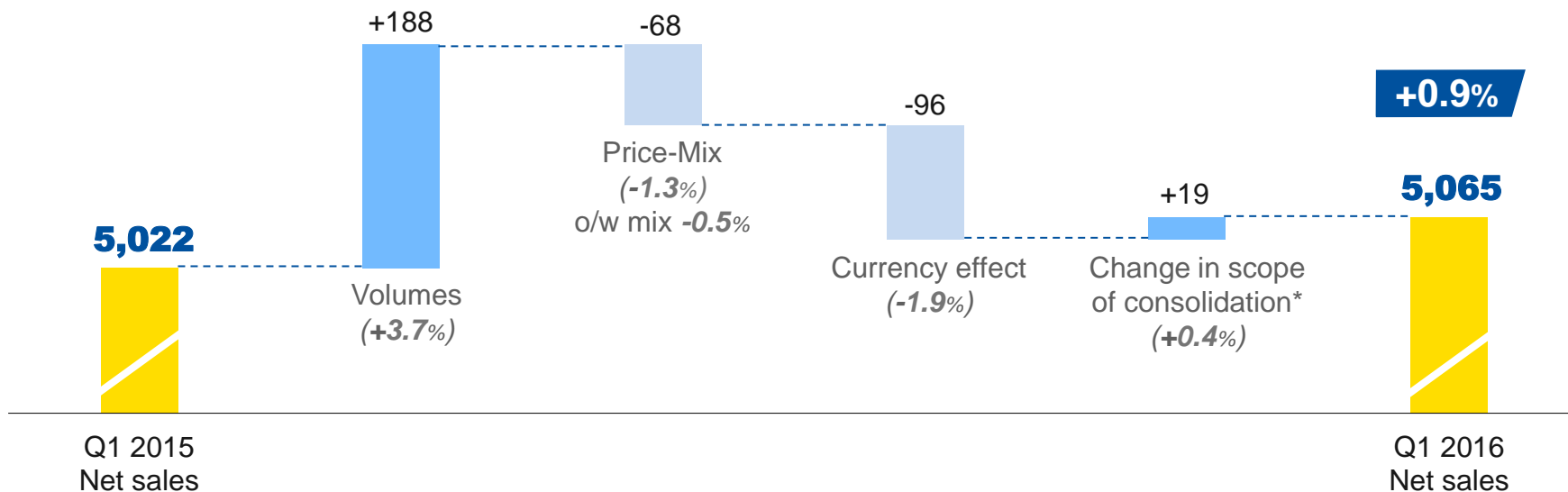
### Specialty businesses



\* And related distribution

# Net sales boosted by higher volumes

▲ YoY change  
(in € millions and %)

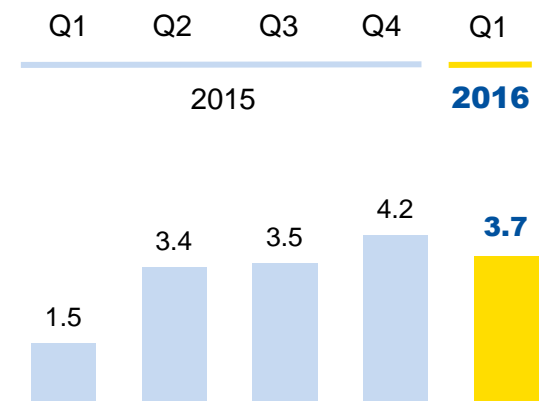


\* Ihle, Meyer Lissendorf, Blackcircles

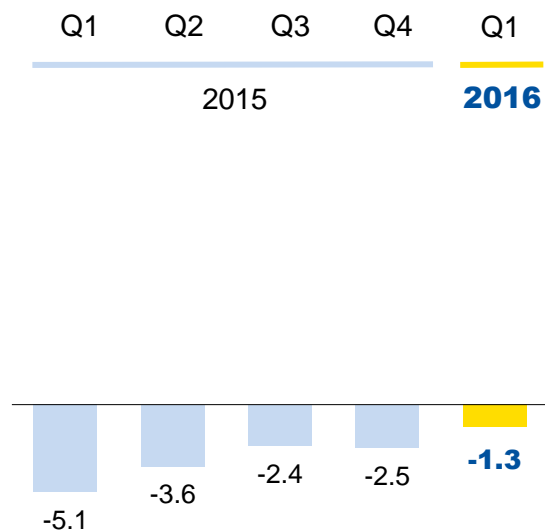
# Improved price mix thanks to the Group's active management approach

▲ YoY quarterly change  
(in %)

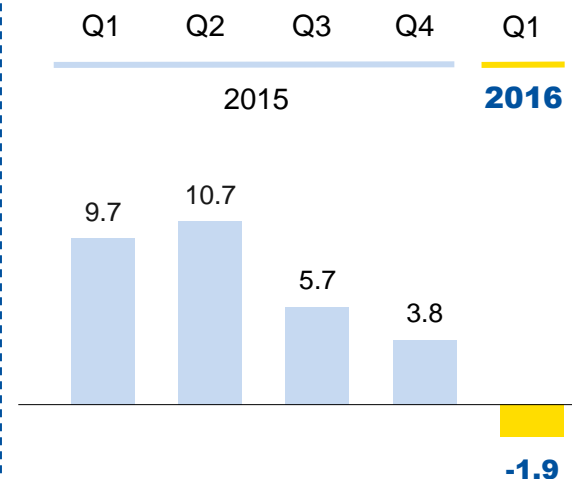
## Volumes



## Price mix






## Currency effect



# Stronger positions in all of the Group's businesses

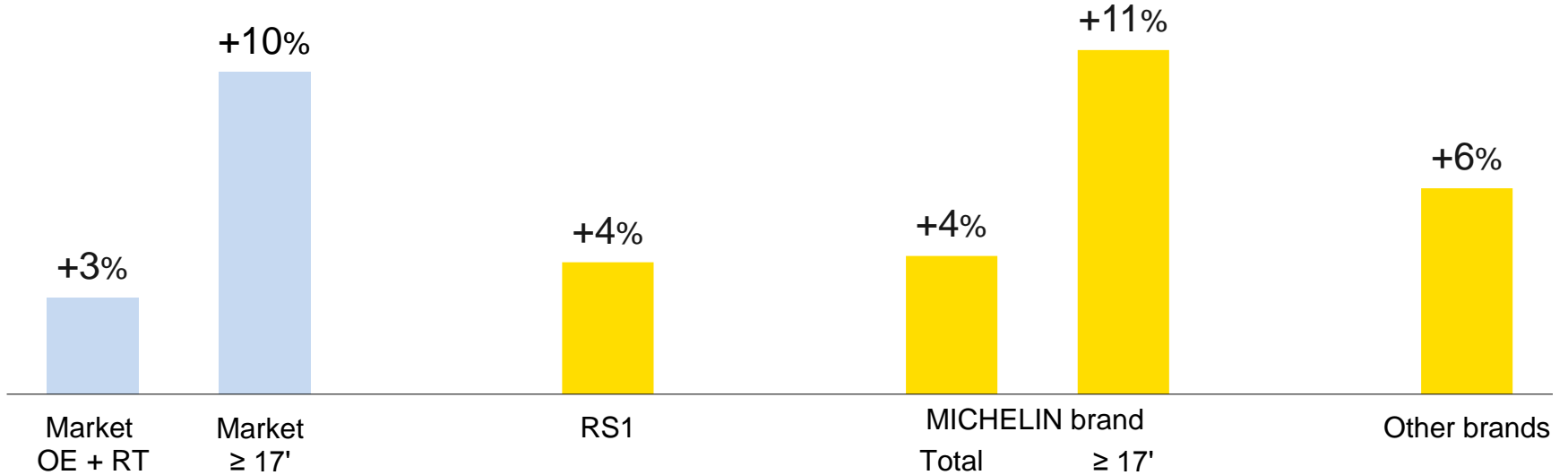
(In € millions)

		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
- 33% above initial target



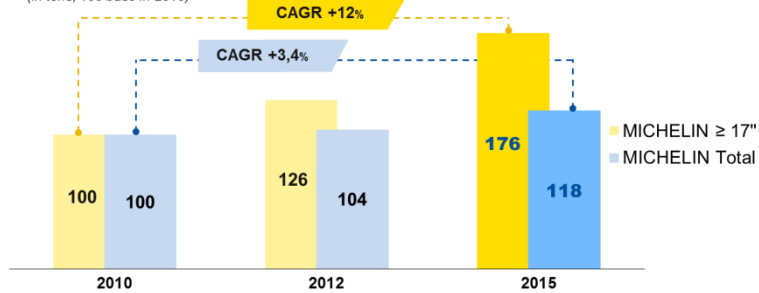


# 2 / 2010-2015: a stronger Group

# A stronger Group

## ● RS1 volume growth

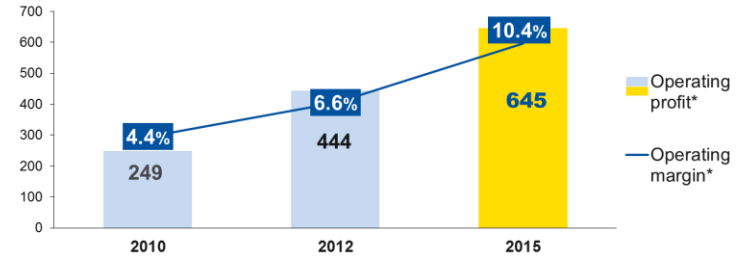
(in tons, 100 base in 2010)



## ● RS2 operating margin

▲ Operating profit and margin\*

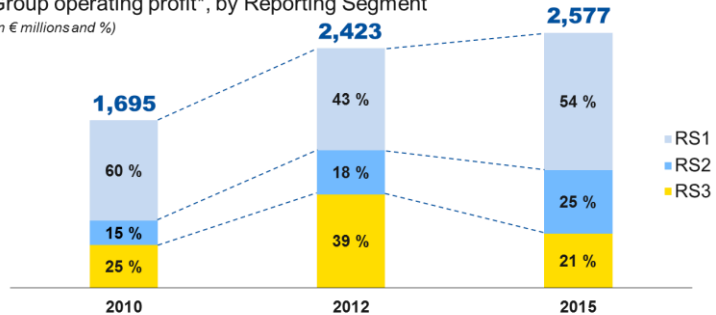
(in € millions and %)



## ● Margin by RS

▲ Group operating profit\*, by Reporting Segment

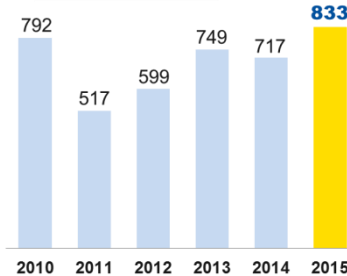
(in € millions and %)



## ● Structural FCF and ROCE

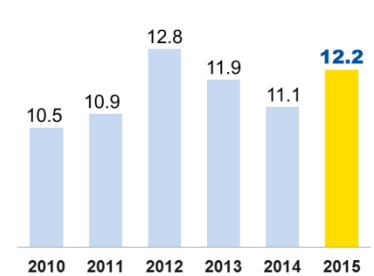
▲ Structural FCF

(in € millions)



▲ ROCE after tax

(in %)



\* Before non-recurring items



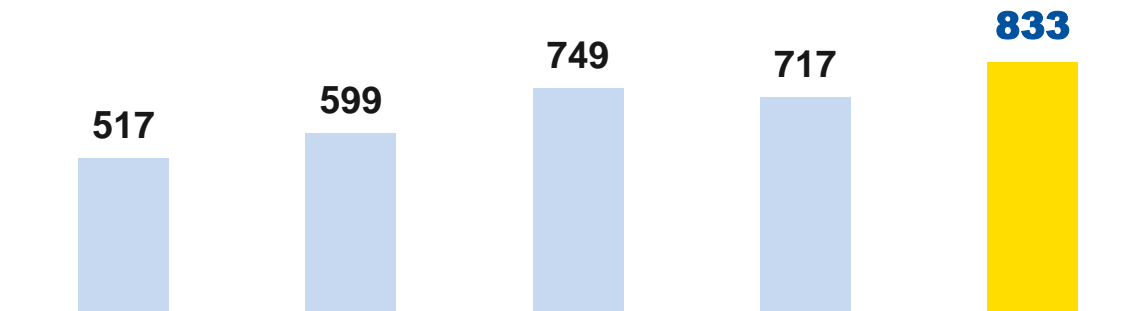
# 2012 – 2016 competitiveness plan in line with the objective

	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

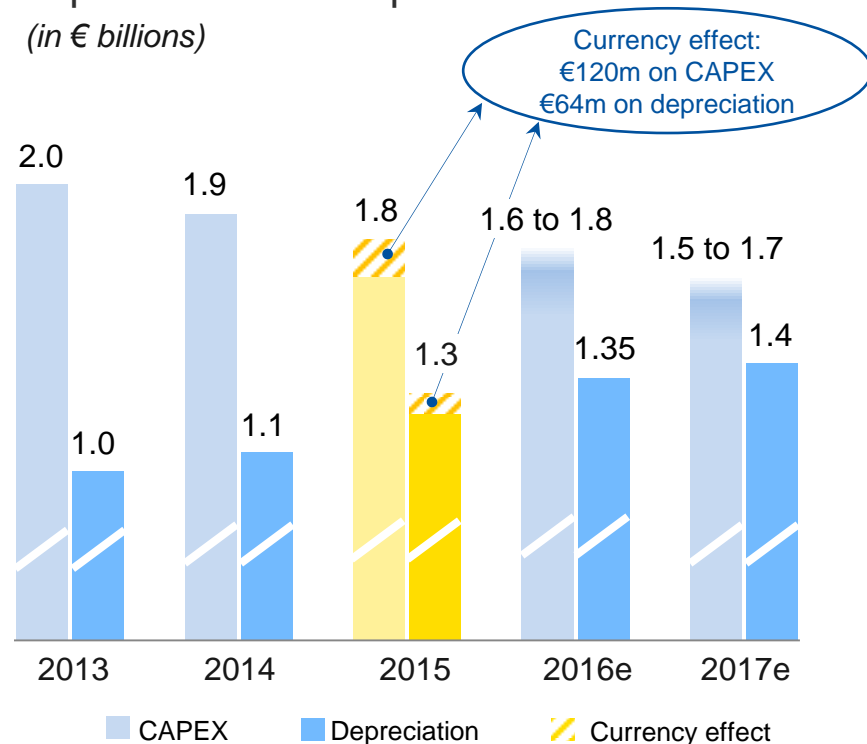
## ▲ Succeed in our priority Capex and M&A investment to capture growth

- 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



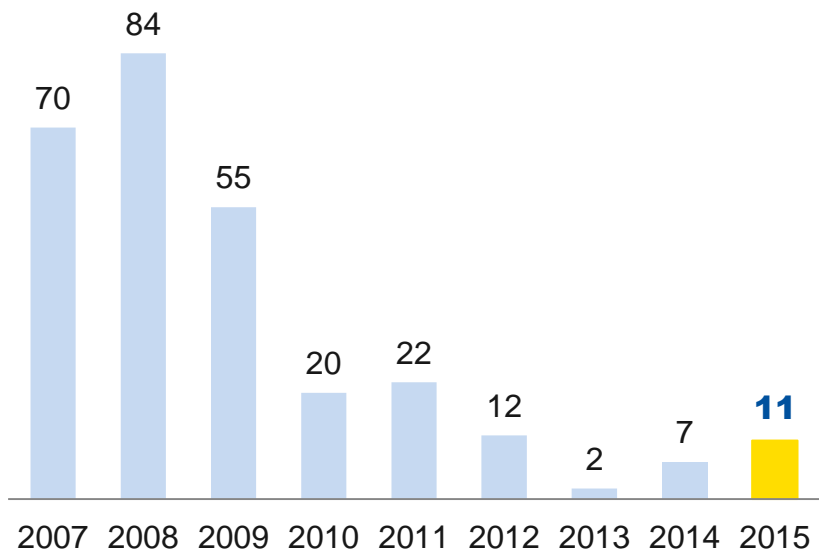
## ▲ Reducing the gap between capital expenditure and depreciation

(in € billions)



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

## ▲ Gearing – Net debt/Equity (in %)

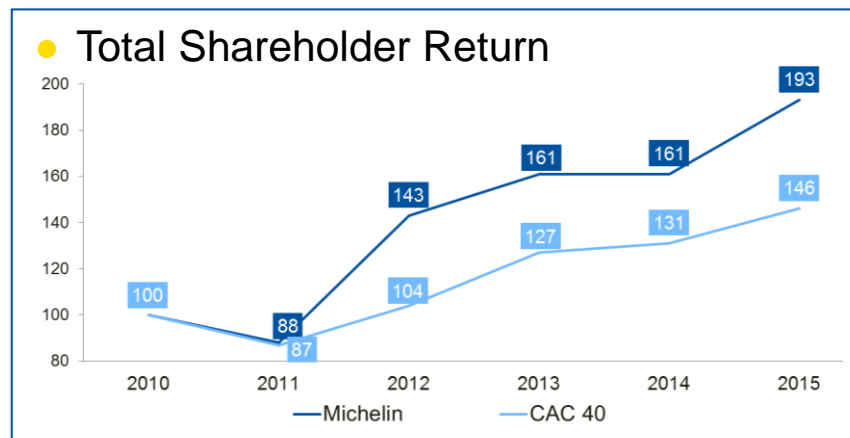
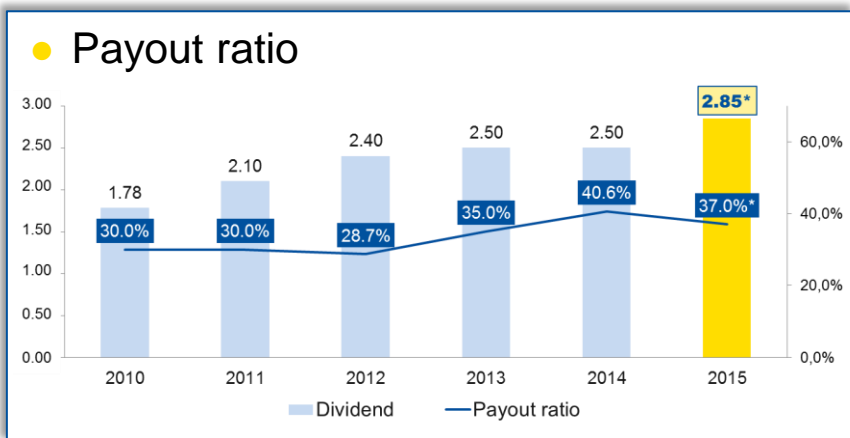


## ▲ S&P raised our Long term Debt rating

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: Strong Q1 figures in mature countries with softer March on high basis for comparison. Sustained growth in China

## ▲ March 2016/2015

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▼ -1%	▲ +1%	▼ -3%	▼ -37%	▲ +5%
Replacement	▲ +0%	▲ +1%	▼ -1%	▼ -4%	▲ +8%

## ▲ YTD (March 2016)

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +2%	▲ +4%	▲ +4%	▼ -23%	▲ +4%
Replacement	▲ +3%	▲ +3%	▲ +6%	▼ -5%	▲ +9%

\* Turkey included

# Truck & Bus Tire Market: Strong Q1 demand in mature countries with weaker March on high basis for comparison

## ▲ March 2016/2015

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +2%	▲ +2%	▼ -13%	▼ -35%
Replacement	▲ +0%	▲ +0%	▼ -3%	▼ -5%

## ▲ YTD (March 2016)

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +6%	▲ +7%	▼ -12%	▼ -43%
Replacement	▲ +2%	▲ +3%	▲ +4%	▼ -6%

\* Turkey included

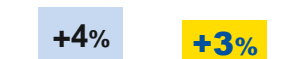
# Passenger car and Light truck tires: strong demand in Western Europe, North America, China and India; demand down elsewhere

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

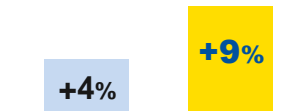
## North America



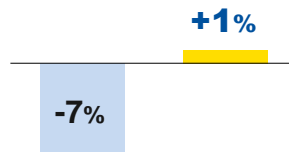
## Europe excluding Russia & CIS



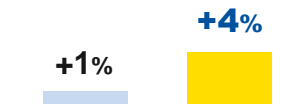
## China



## New markets excluding China



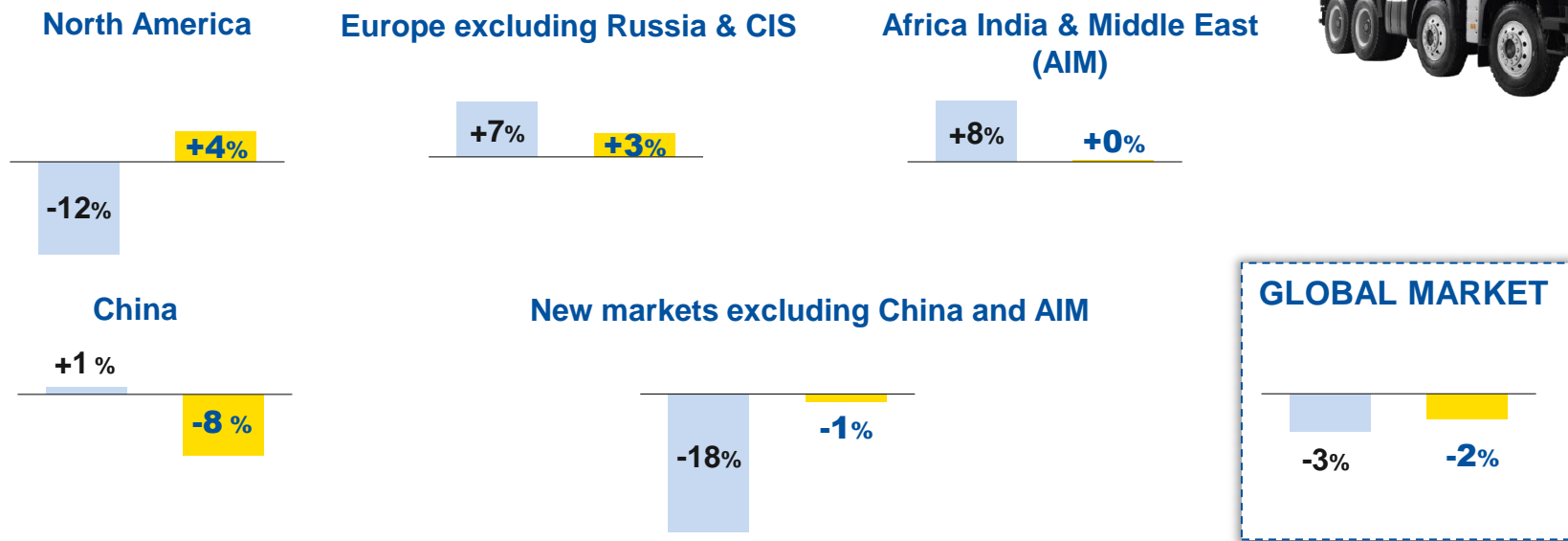
## GLOBAL MARKET



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

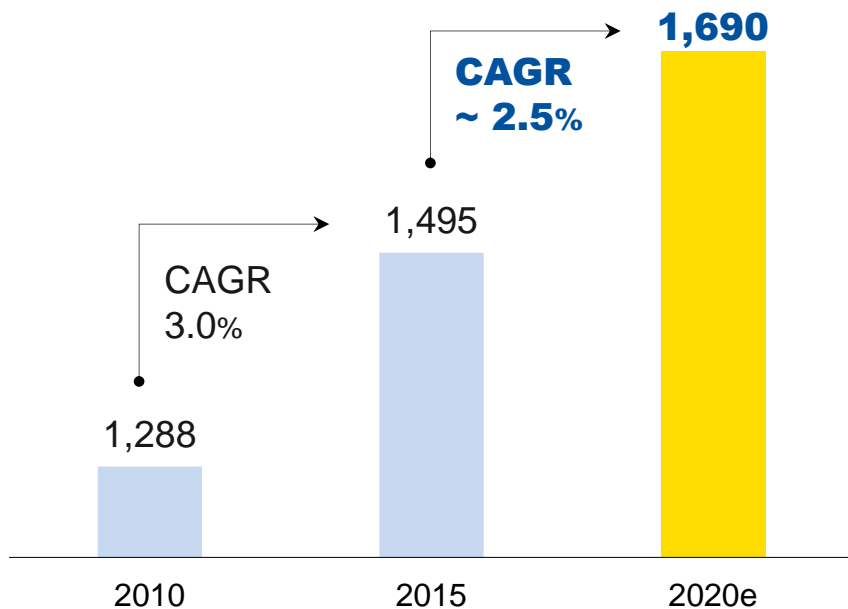
■ OE ■ RT



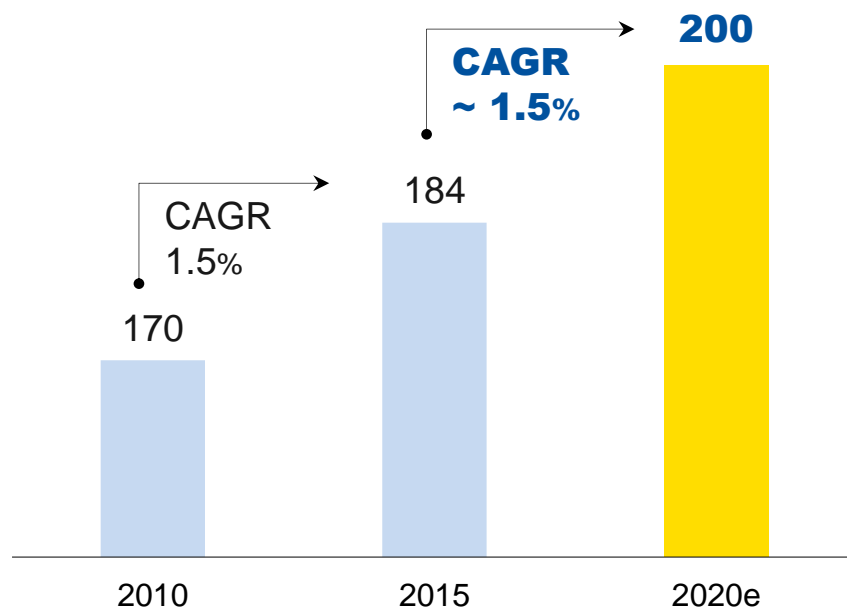


# A growing worldwide demand

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



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



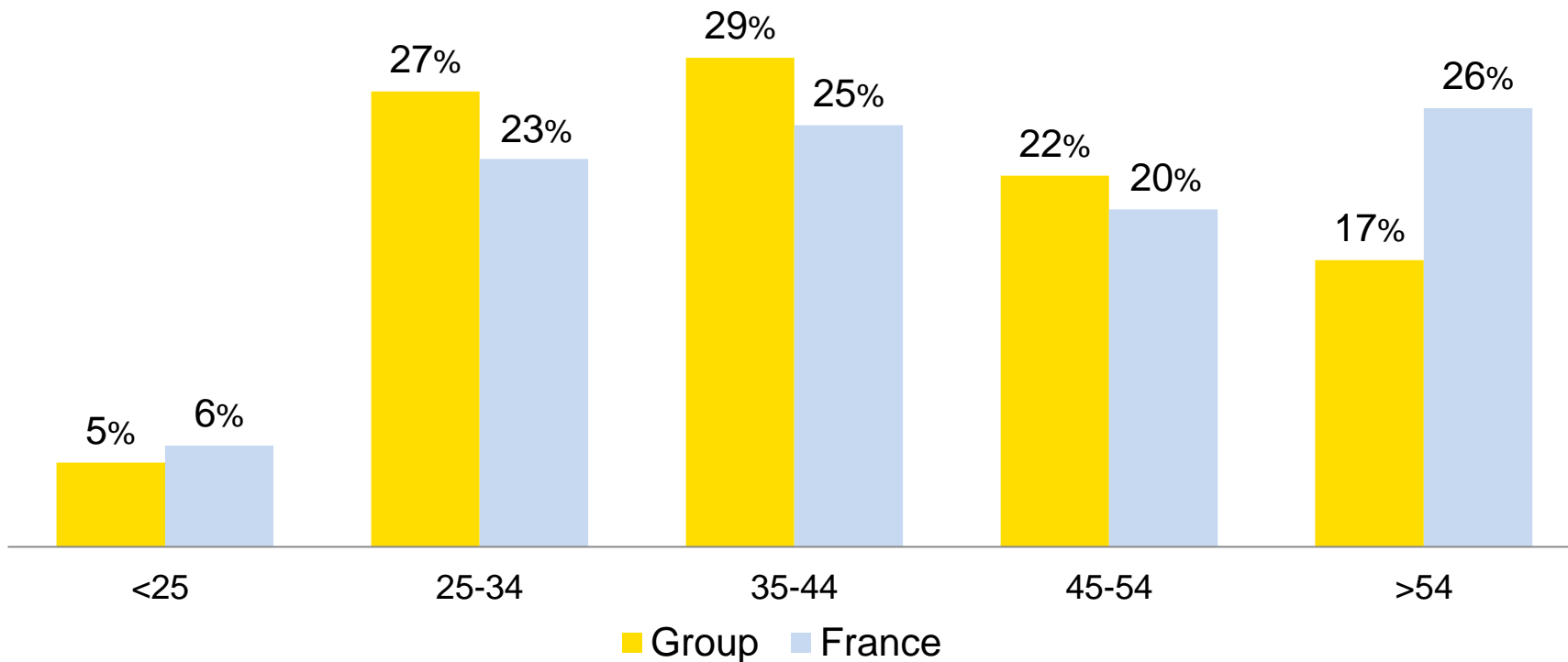
Source: Michelin



# Optimization of Clermont-Ferrand operations

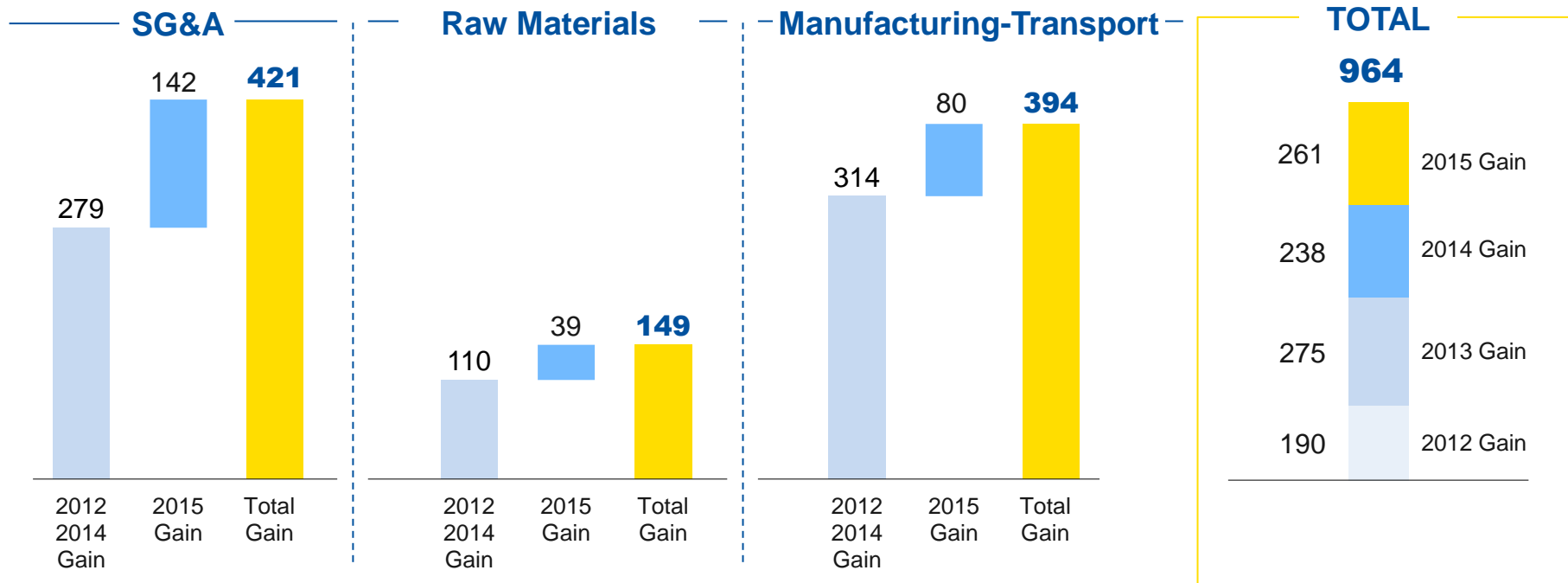
- Scale-back of retreading operations given the 25% decline in the markets since 2007
  - Closure of the retreading workshop at the La Combaude plant by end-2017
  - 330 workshop employees will be transferred internally or benefit from early retirement measures
- Reduction in capex due to a rebalanced 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

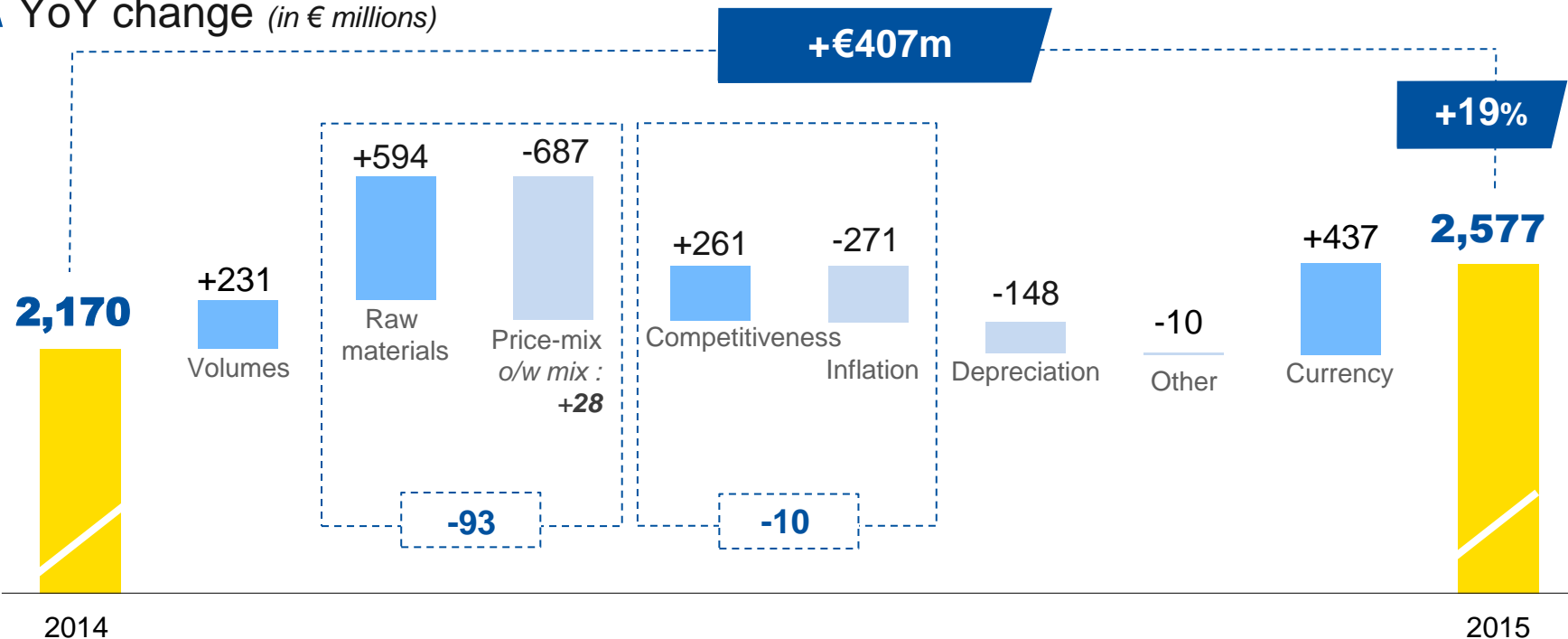


# More than €280m in annual productivity gains from the 2013-2016 industrial reorganization projects

<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>

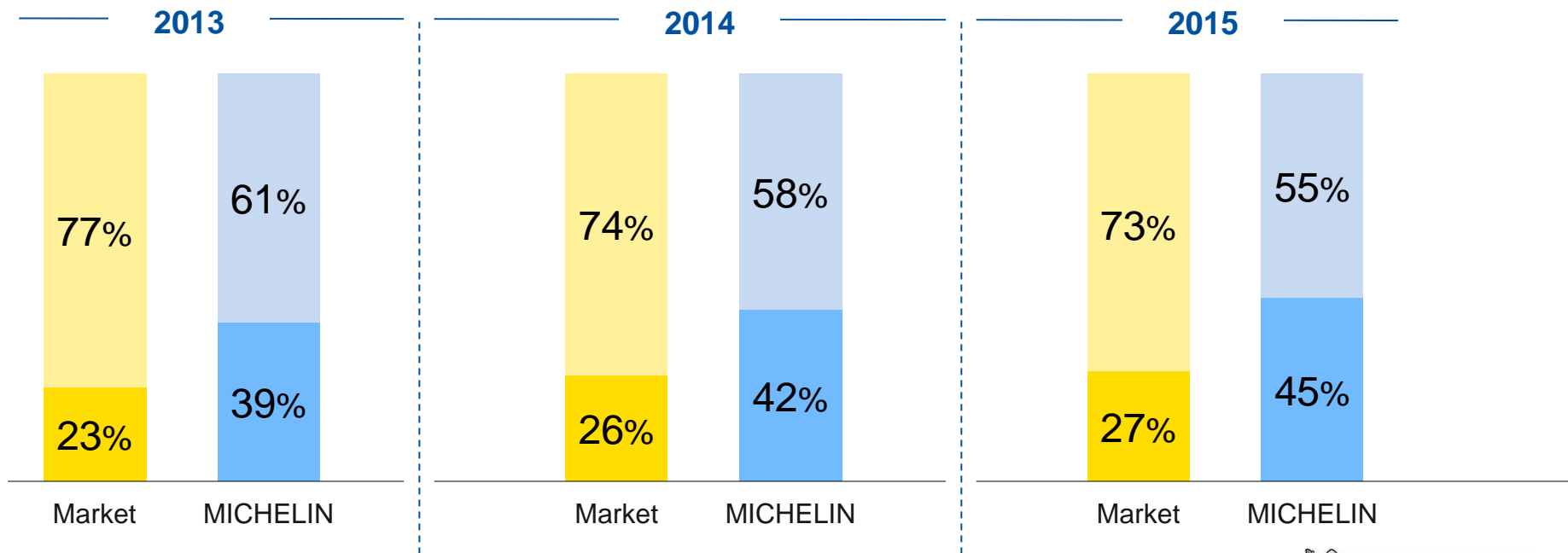
# Operating income before non-recurring items up €407m o/w €304m in H2 led by volume growth, price management, cost discipline and favorable exchange rates

▲ 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)

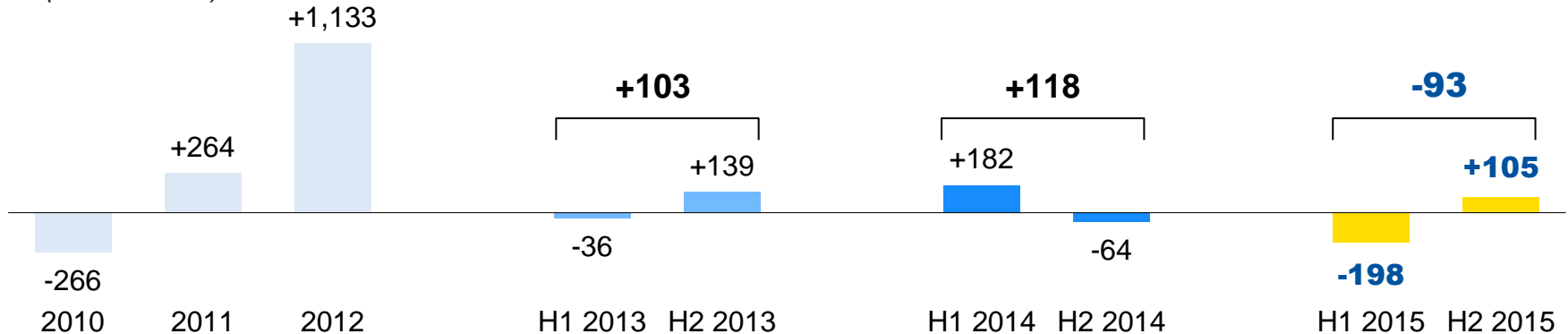


Source: Michelin estimate

# 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

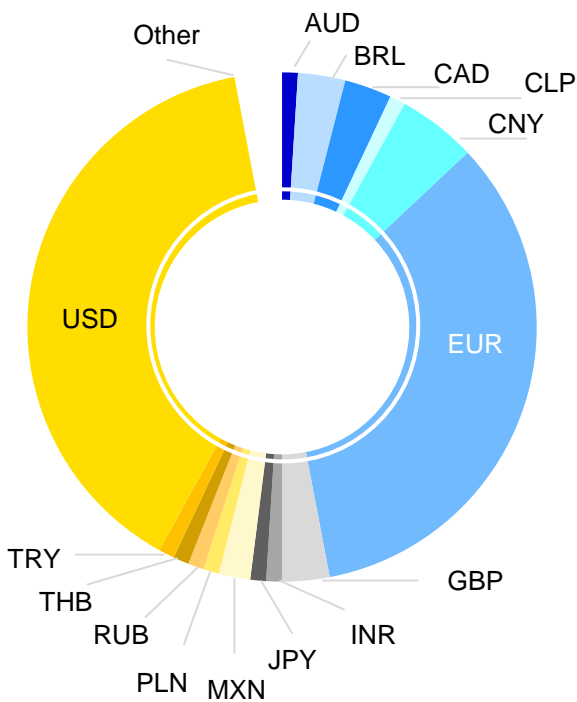
(in € millions)



- 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



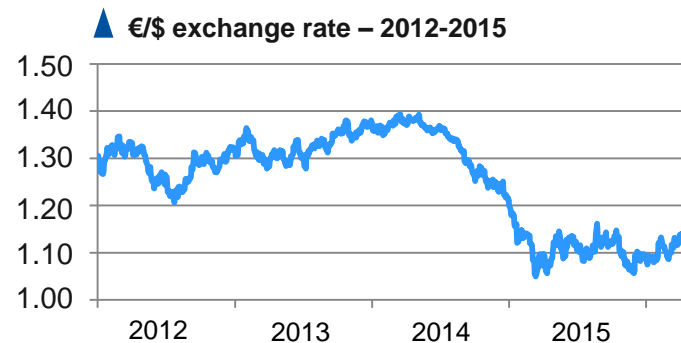
# 2015 net sales by currency



% 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:

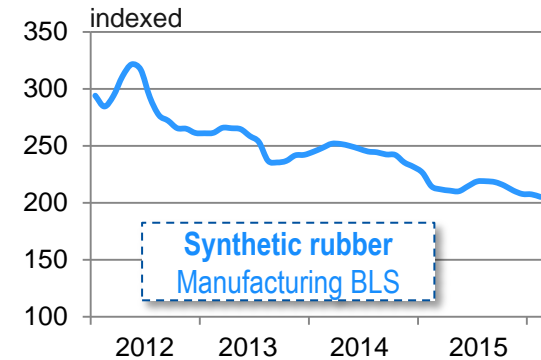
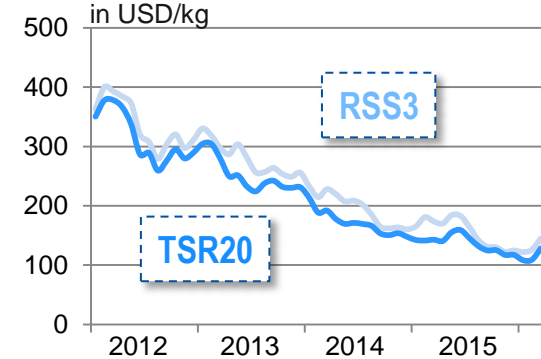
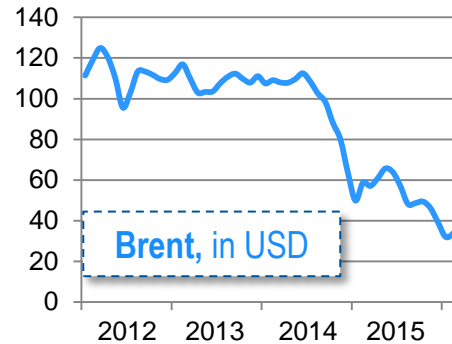
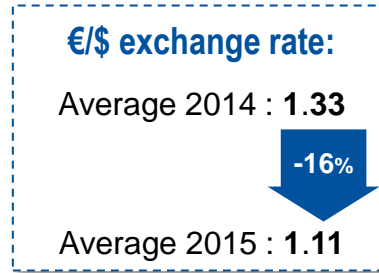
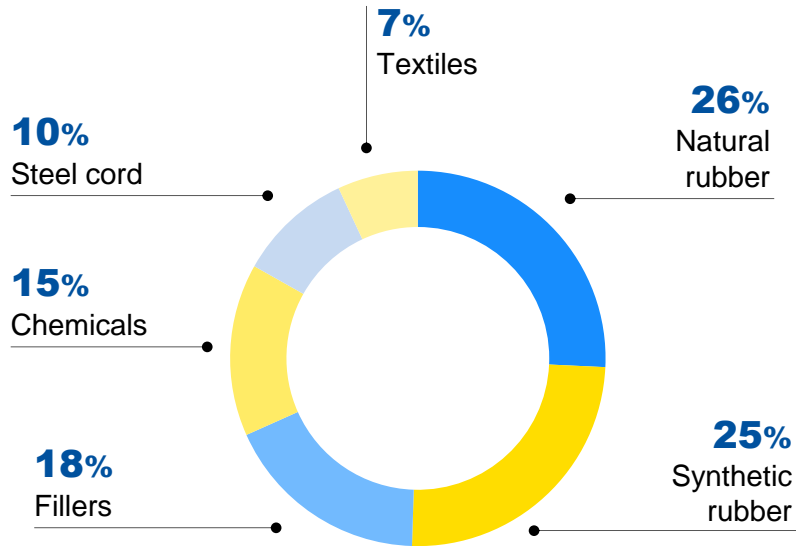
A one cent change in the average annual €/€ exchange rate would lead to a € 15-20 million change in EBIT for the year.



Source: ThomsonOne

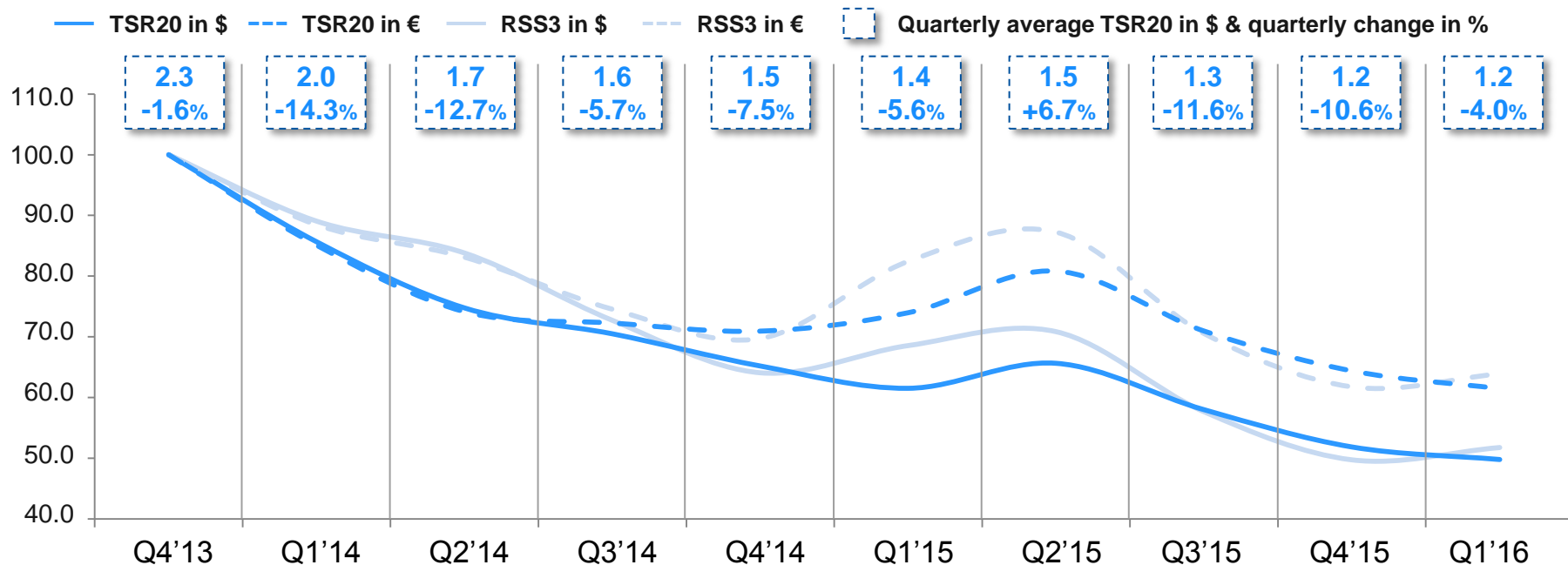
# Raw materials trends in 2015

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



# Natural Rubber price trend

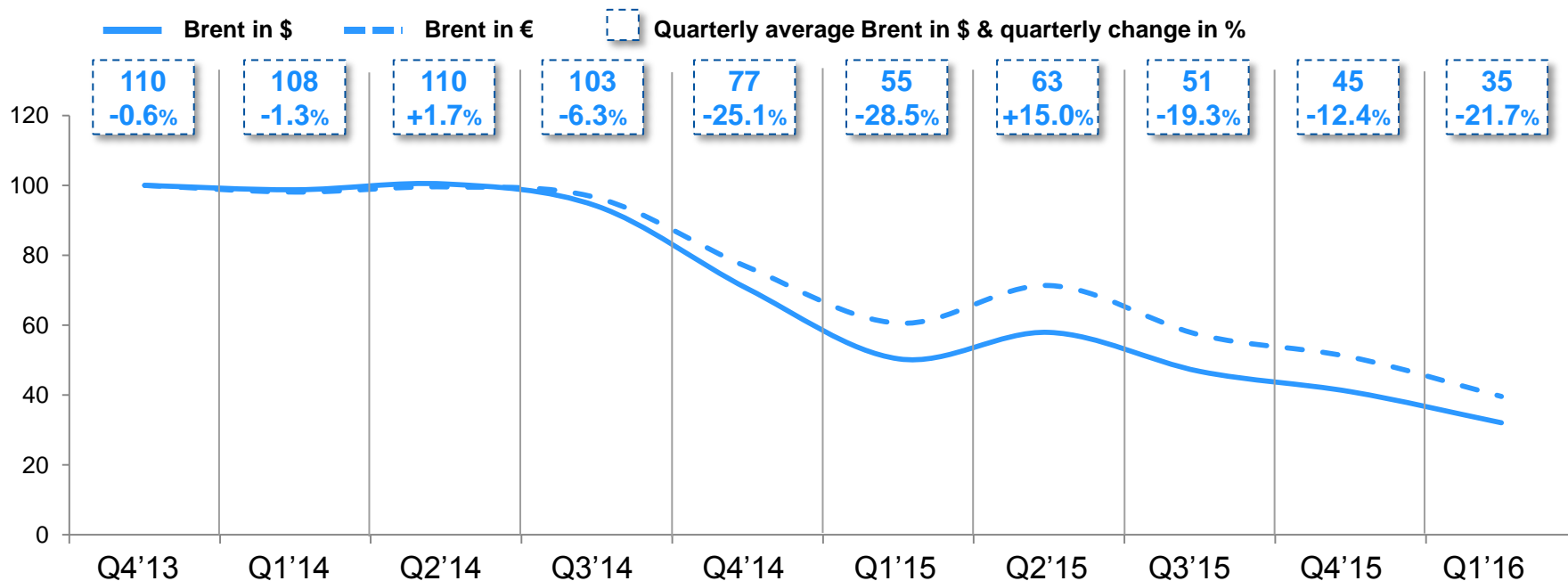
▲ At end of March 2016 (per kg, base 100 in Q4'13)



Source: SICOM

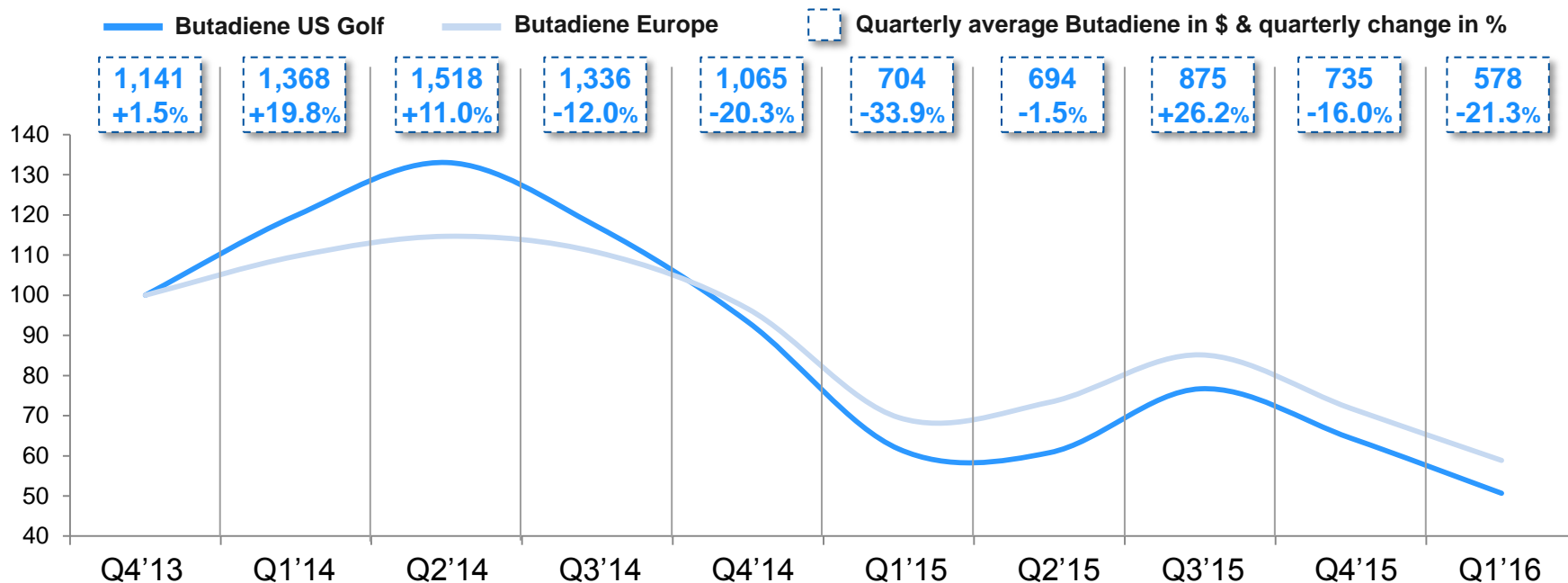
# Brent price trend

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



# Butadiene price trend

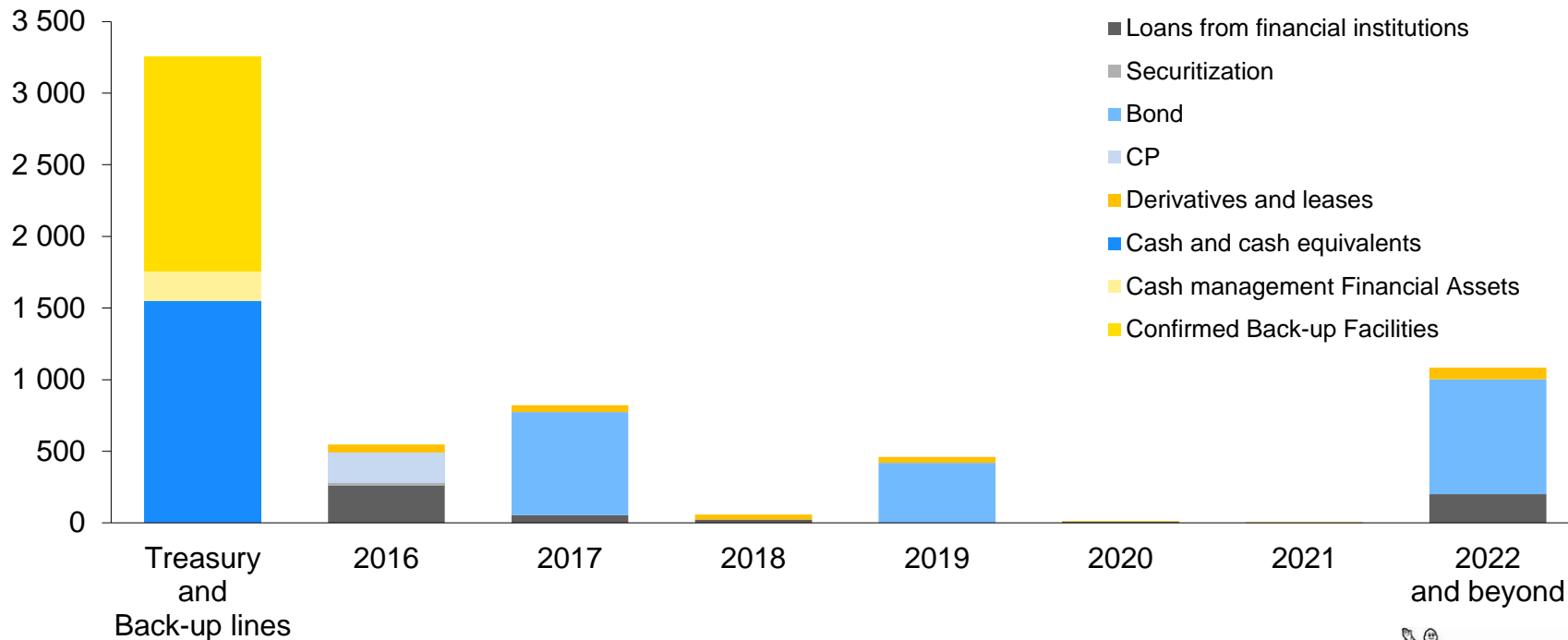
▲ At end of March 2016 (per ton, base 100 in Q4'13)



Source: IHS

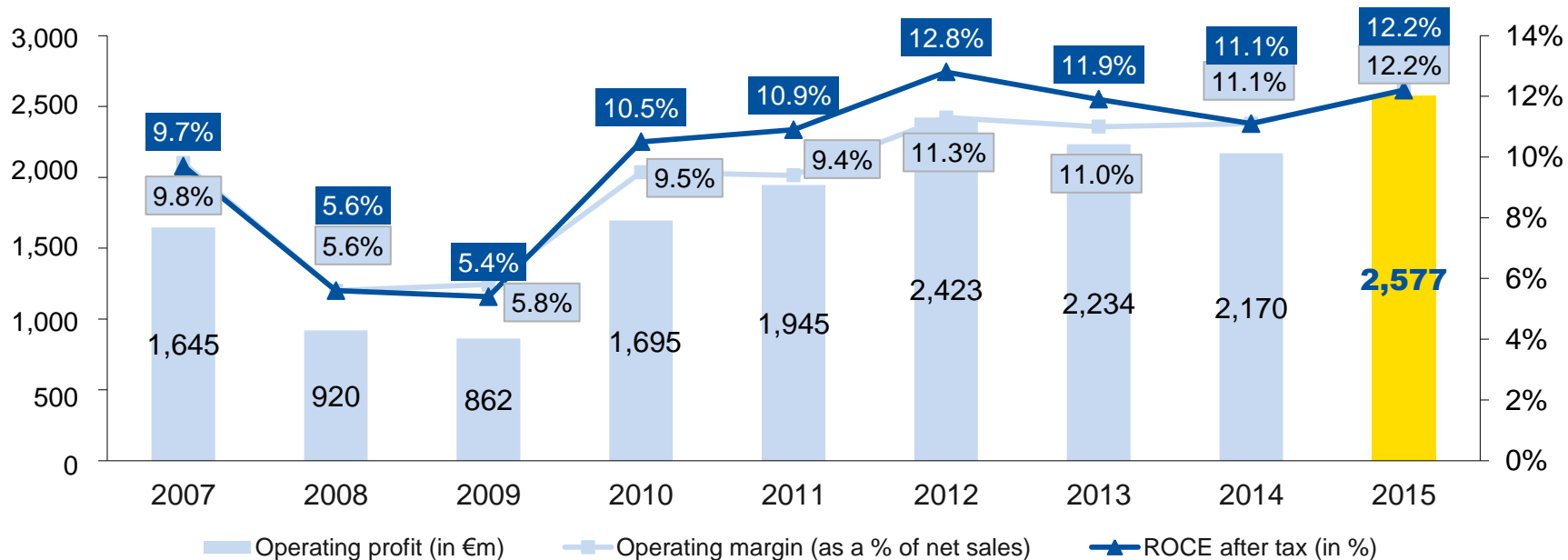
# Opportunistic refinancing of the Group: 7-, 12- and 30-year bonds for a total of €809m

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



# A stronger Group with improving profitability

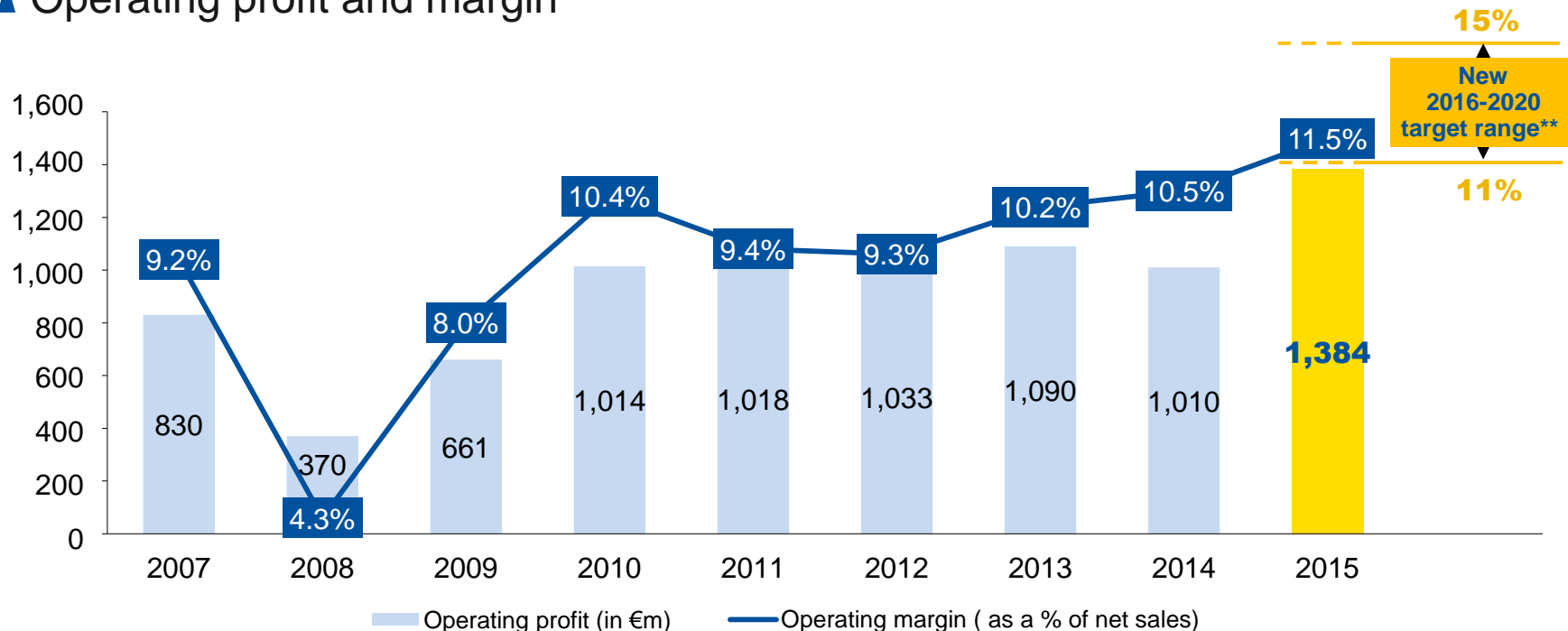
## ▲ Operating profit and margin\* & ROCE



\* Before non-recurring items

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

## ▲ Operating profit and margin\*



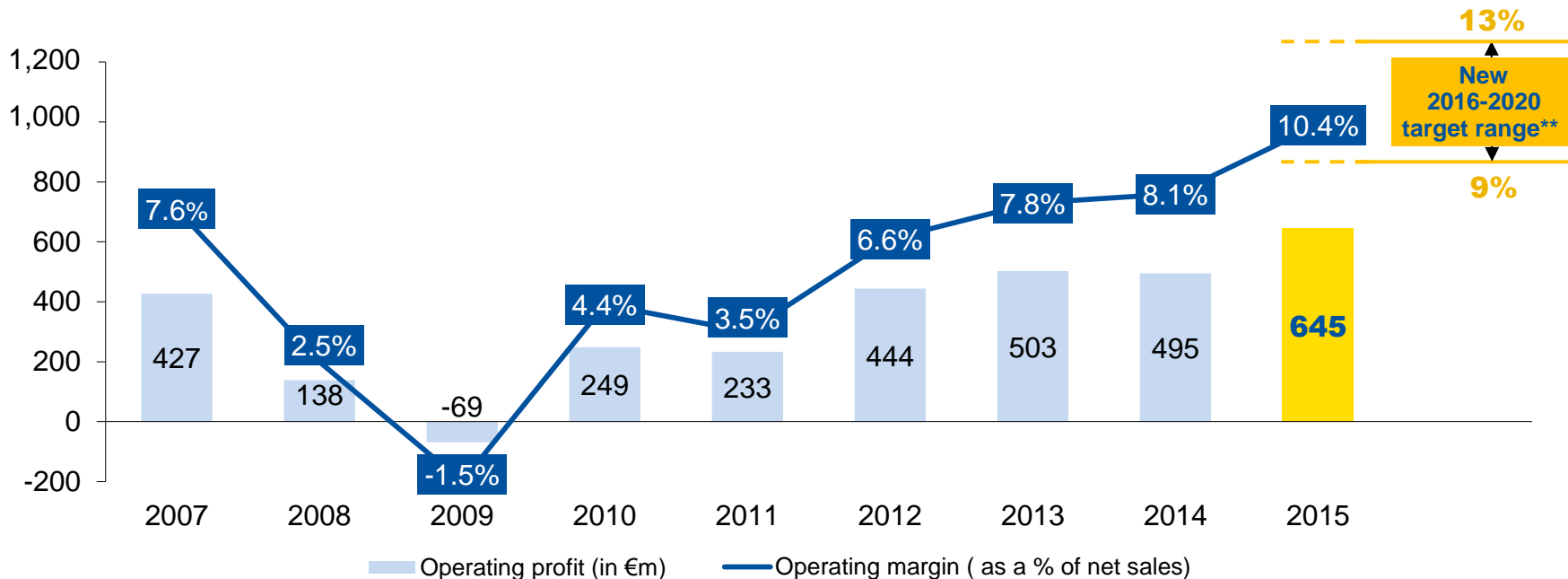
\* Before non-recurring items

\*\* 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\*

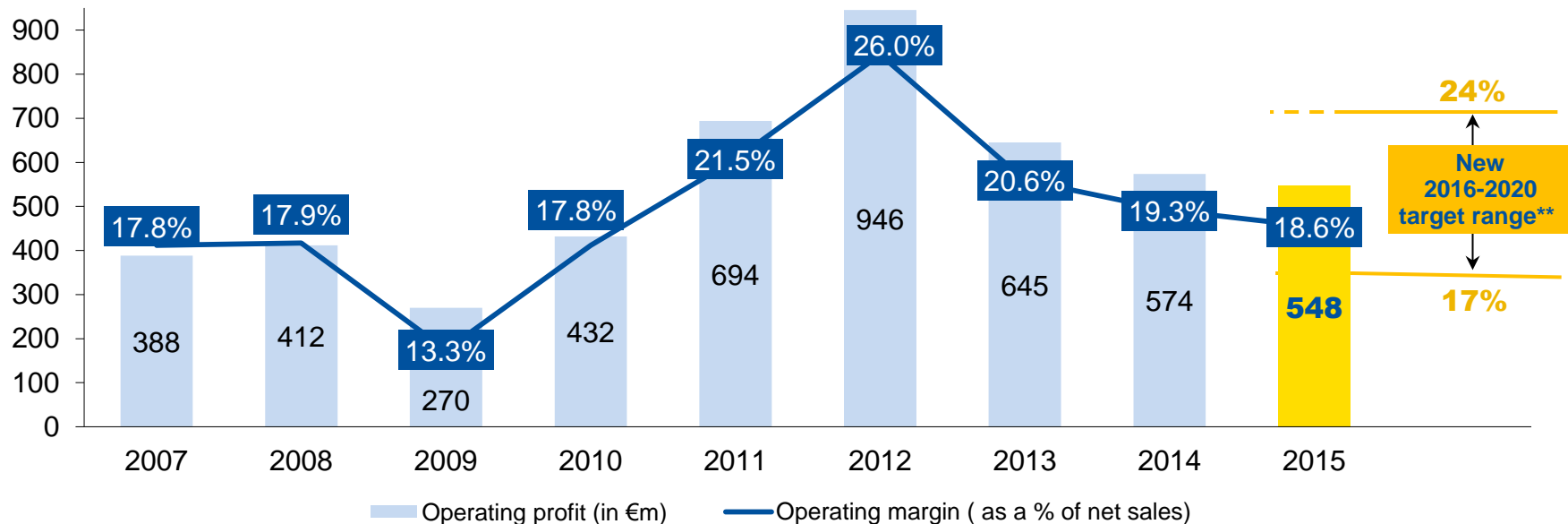


\* Before non-recurring items

\*\* 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.

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