



**EXANE BNP PARIBAS - March 9, 2016**

**California**



## €2,577m operating income before non-recurring items, up €407m, and FCF before acquisitions of nearly €1bn




- Volumes up 3.2%, outpacing the market, especially in Passenger Car (up 6.7%)
- Strong free cash flow before acquisitions, at €965m considering €1,804m Capex lowered from 2014
- Significantly improving operating margin with a high H2 (12.3%) particularly for:
  - The price mix/raw materials effect added €105m in H2, as expected
- €261m in competitiveness plan gains, offsetting inflation
- 2.7% of outstanding shares bought back and canceled, for €451m
- Dividend of €2.85\*/share, up 14% compared with 2014, for a 37% payout

\* Subject to shareholder approval at the May 13, 2016 Annual Meeting

# Guidance 2016

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

# 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%

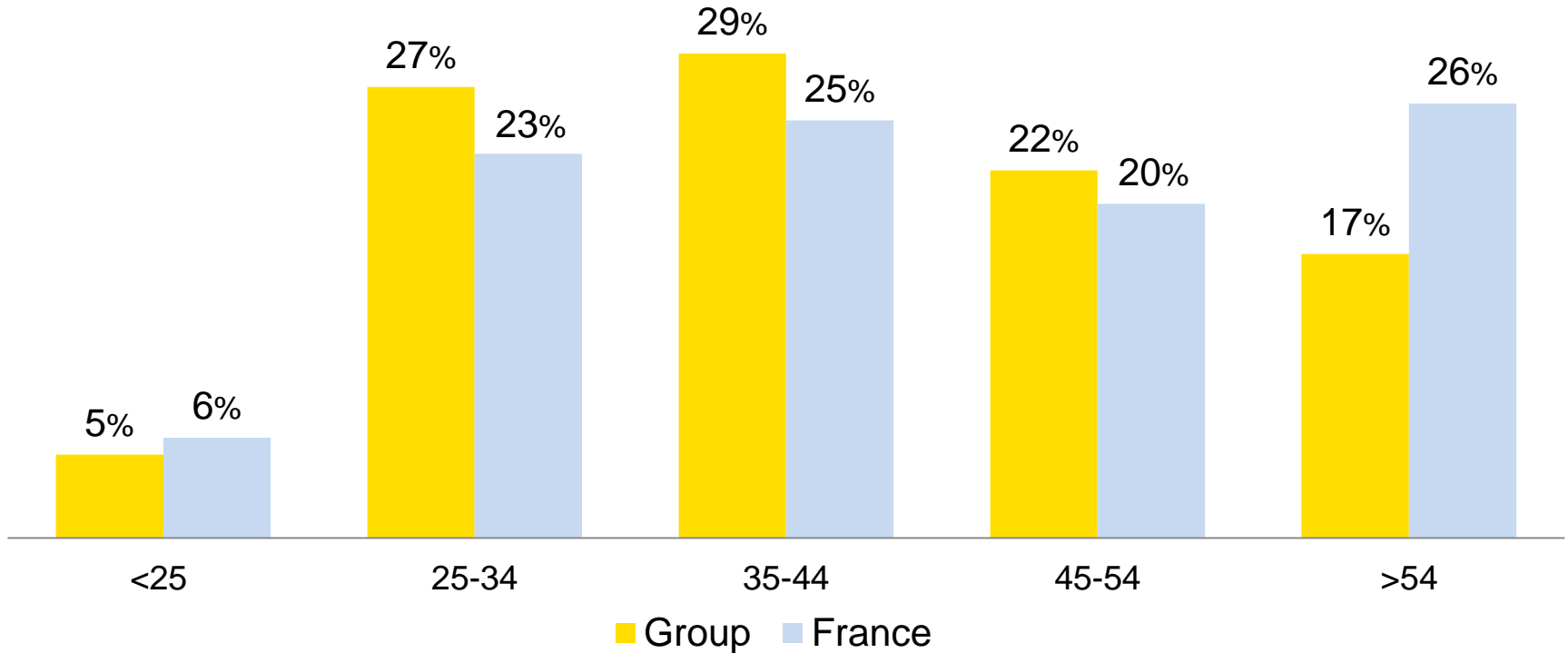
\* Before non-recurring items

\*\* 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

# 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



California - March 9, 2016

# EXANE BNP PARIBAS



- 1 / 2015: sustained growth delivering record-high margins and FCF**
- 2 / 2010-2015: a stronger Group**
- 3 / 2016 guidance**

California - March 9, 2016

**EXANE BNP PARIBAS**



**1**

**2015: sustained growth delivering record-high margins and FCF**



# Markets in 2015: on the rise in mature geographies, China and India



## PASSENGER CAR: +2%

**Global OE: +2%**

**Global RT: +3%**

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



## TRUCK: -2%

**Global OE: -7%**

**Global RT: -1%**

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



## SPECIALTY: -6%

**Mining: -8%**

**Earthmover OE & Infra: +1%\***

**Agricultural: -8%\***

**Two-Wheel: +2%\*\***

**Aircraft: +4%\*\*\***

*\* Europe & North America*

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

*\*\*\* Commercial aircraft*

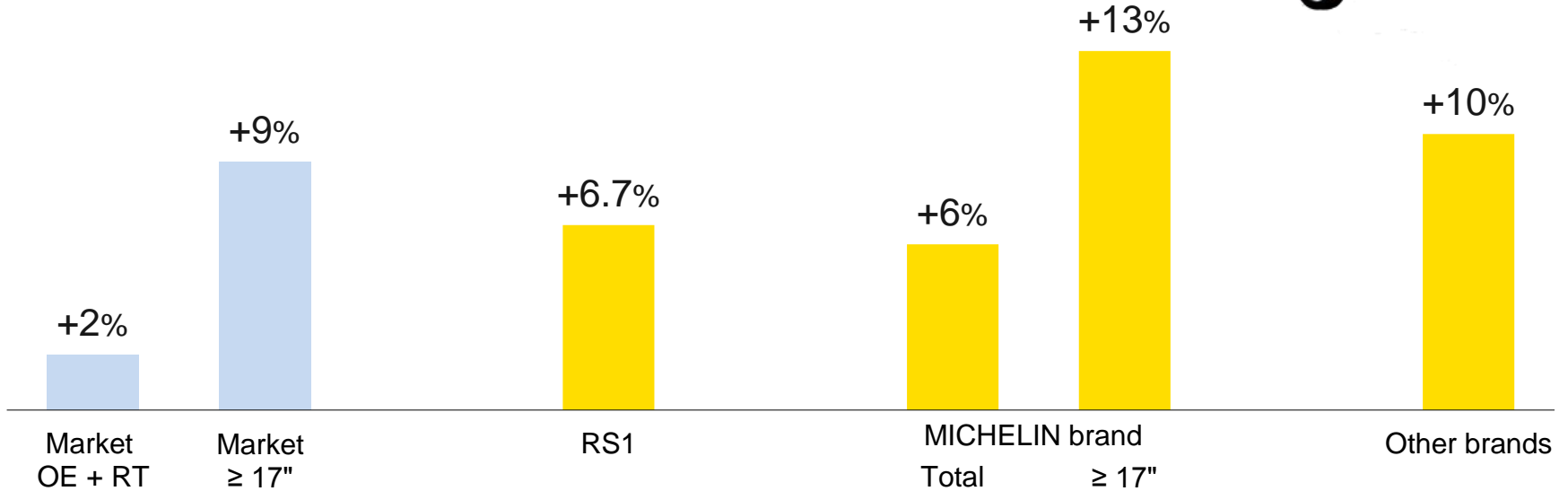
# Over-market growth in every business segment

	2015
<b>RS1 tonnages</b> Passenger car tire markets	<b>+6.7%</b> +2%
<b>RS2 tonnages</b> Truck tire markets	<b>+0.3%</b> -2%
<b>RS3 tonnages</b> Specialty tire markets	<b>-4.0%</b> -6%



# Passenger car: 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



# 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**

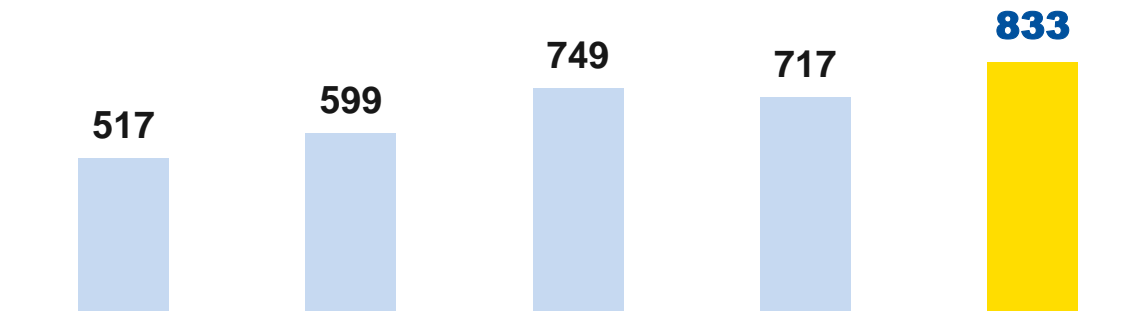


**Luli**



# A business that structurally generates Free Cash Flow

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



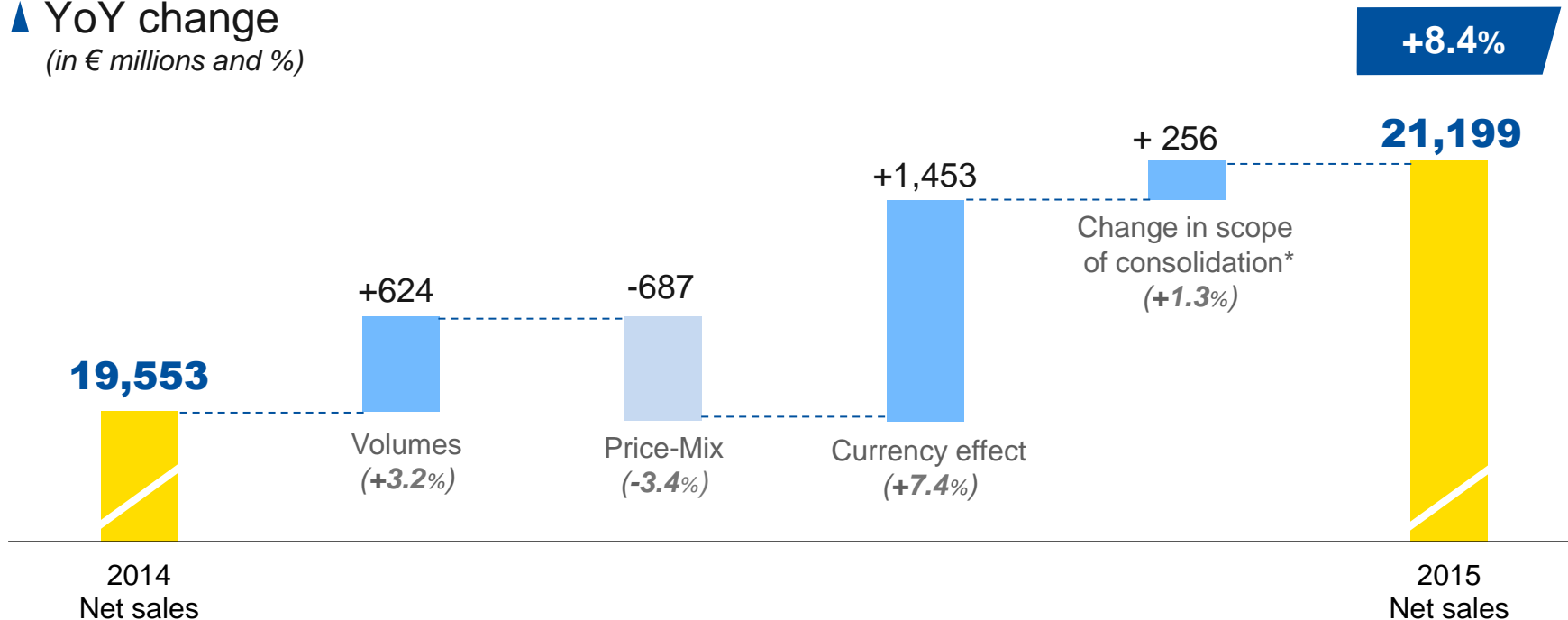
	2011	2012	2013	2014	2015
<b>Free cash flow excluding disposals &amp; acquisitions* (1)</b>	<b>(422)</b>	<b>964</b>	<b>1 154</b>	<b>722</b>	<b>965</b>
WCR impact of raw materials costs (2)	(739)	21	405	177	132
Year-end volume effect on WCR (3)	(200)	344	nm	(172)	nm
<b>Structural free cash flow (1) – (2) – (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



# Net sales lifted by higher volumes and favorable exchange rates

▲ YoY change  
(in € millions and %)

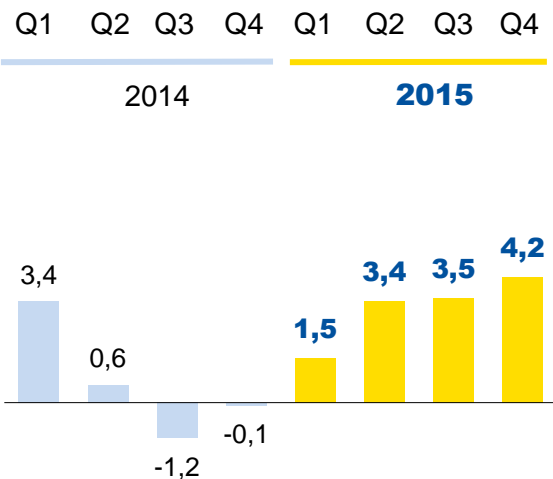


\* Sascar, Ihle, Blackcircles

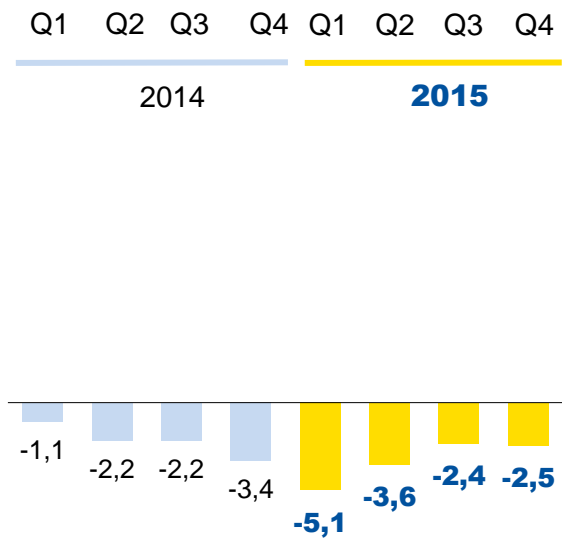
# Accelerating growth and a declining currency effect

▲ YoY quarterly change  
(in %)

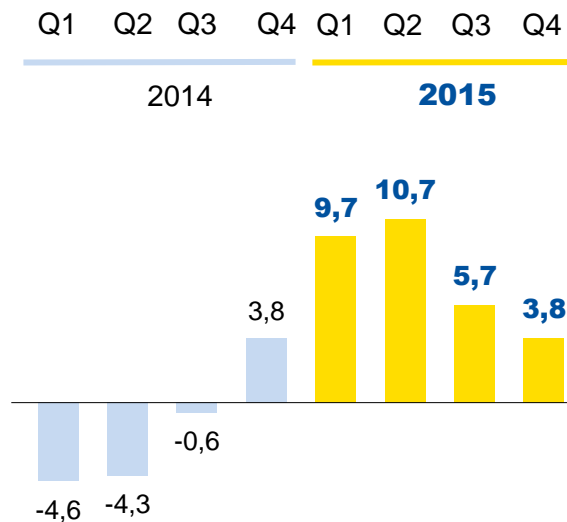
## Volumes



## Price-Mix



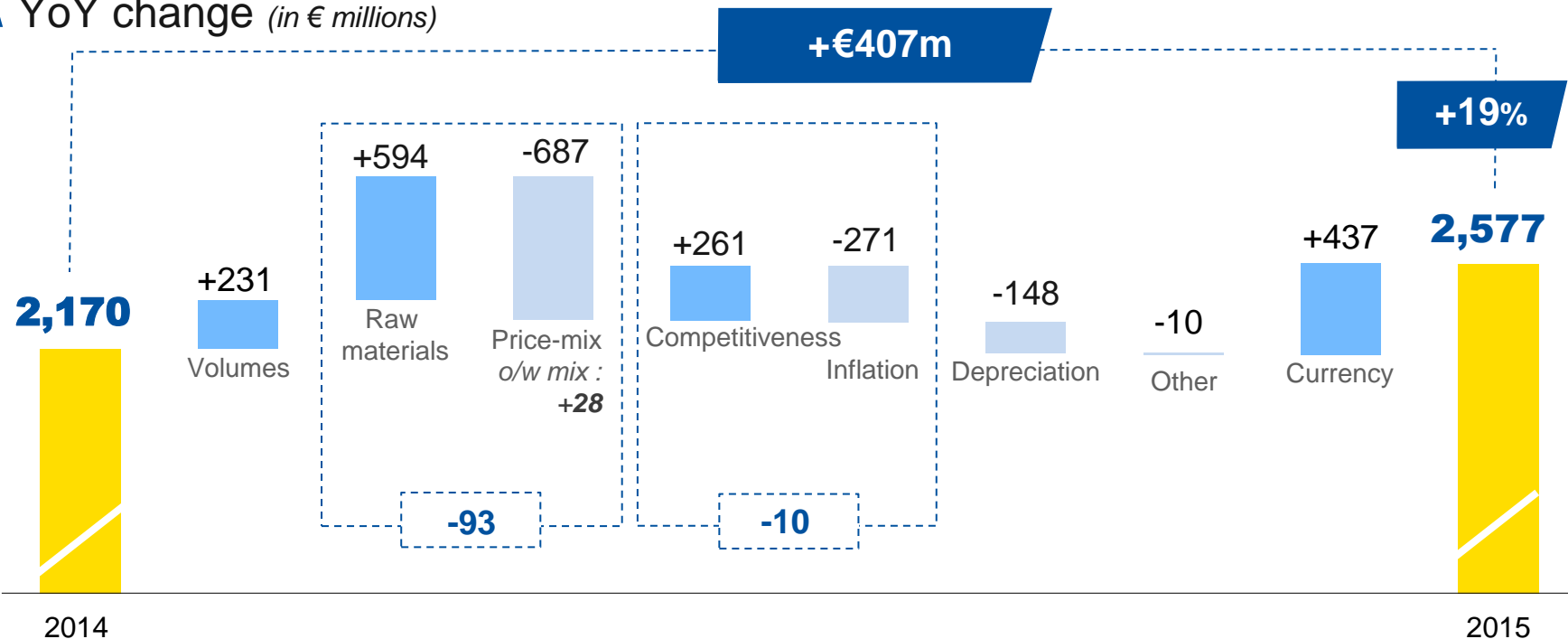
## Currency effect





# 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

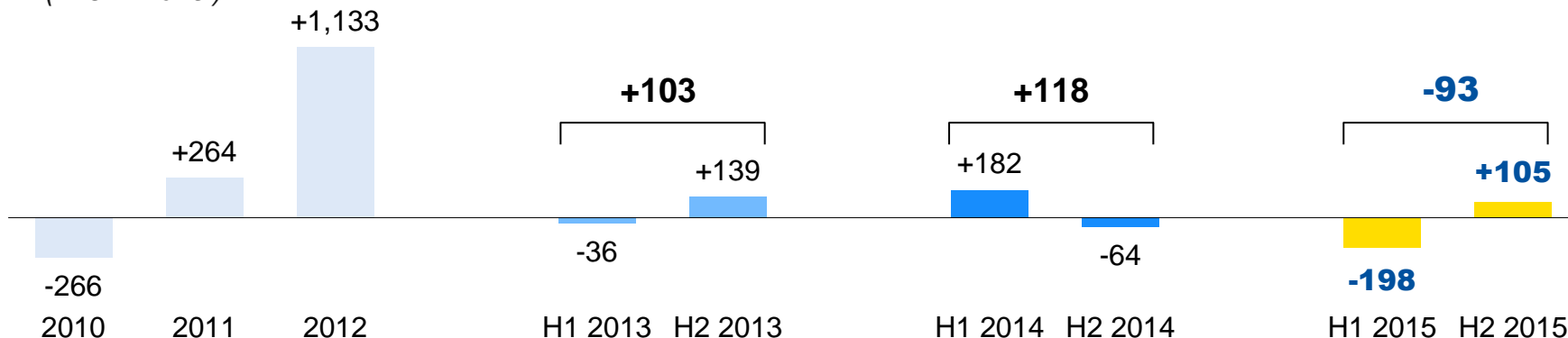
▲ YoY change (in € millions)



# 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

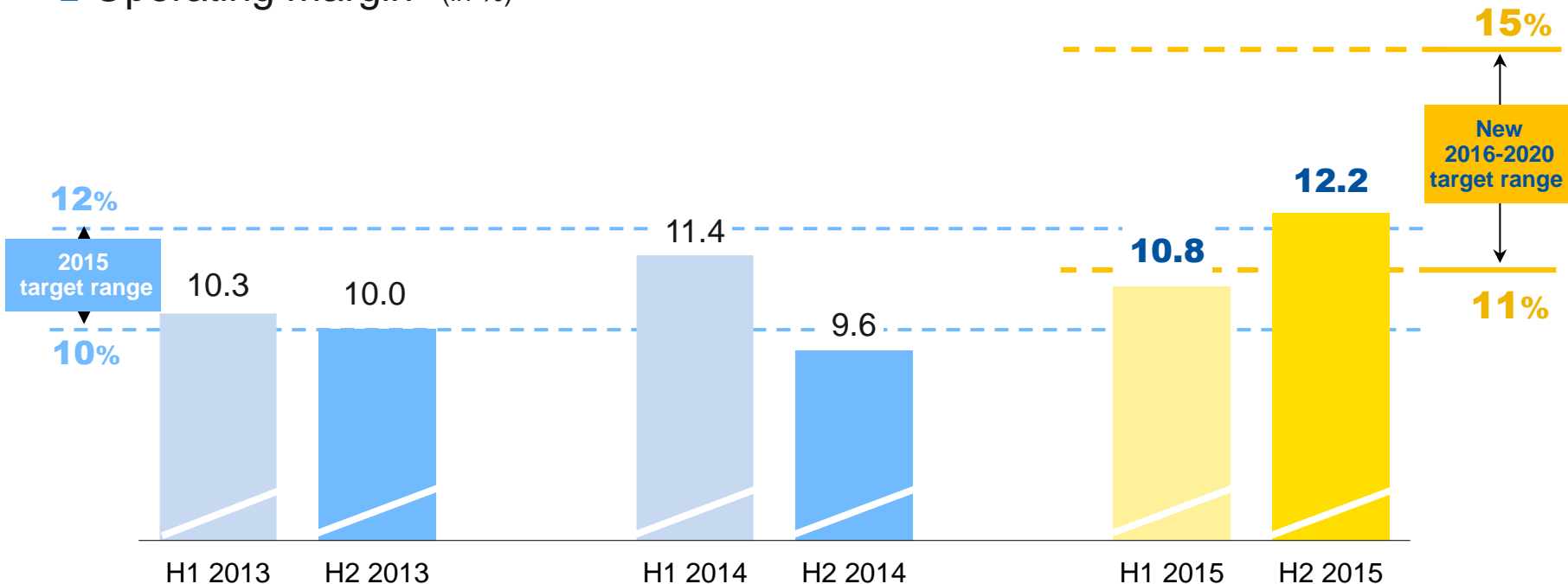
# Historically high margins for RS1 and RS2 and firm resilience in RS3

<i>(in € millions)</i>		2015	2014	% change
	<b>RS1 Net sales</b>	<b>12,028</b>	10,498	+14.6%
	<b>Operating profit*</b>	<b>1,384</b>	1,101	+25.7%
	<b>Operating margin*</b>	<b>11.5%</b>	10.5%	+1 pt
	<b>RS2 Net sales</b>	<b>6,229</b>	6,082	+2.4%
	<b>Operating profit*</b>	<b>645</b>	495	+30.6%
	<b>Operating margin*</b>	<b>10.4%</b>	8.1%	+2.3 pts
	<b>RS3 Net sales</b>	<b>2,942</b>	2,973	-1%
	<b>Operating profit*</b>	<b>548</b>	574	-4.5%
	<b>Operating margin*</b>	<b>18.6%</b>	19.3%	-0.7 pts

\* Before non-recurring items

# Passenger car: H2 2015 operating margin exceeded 2015 target range

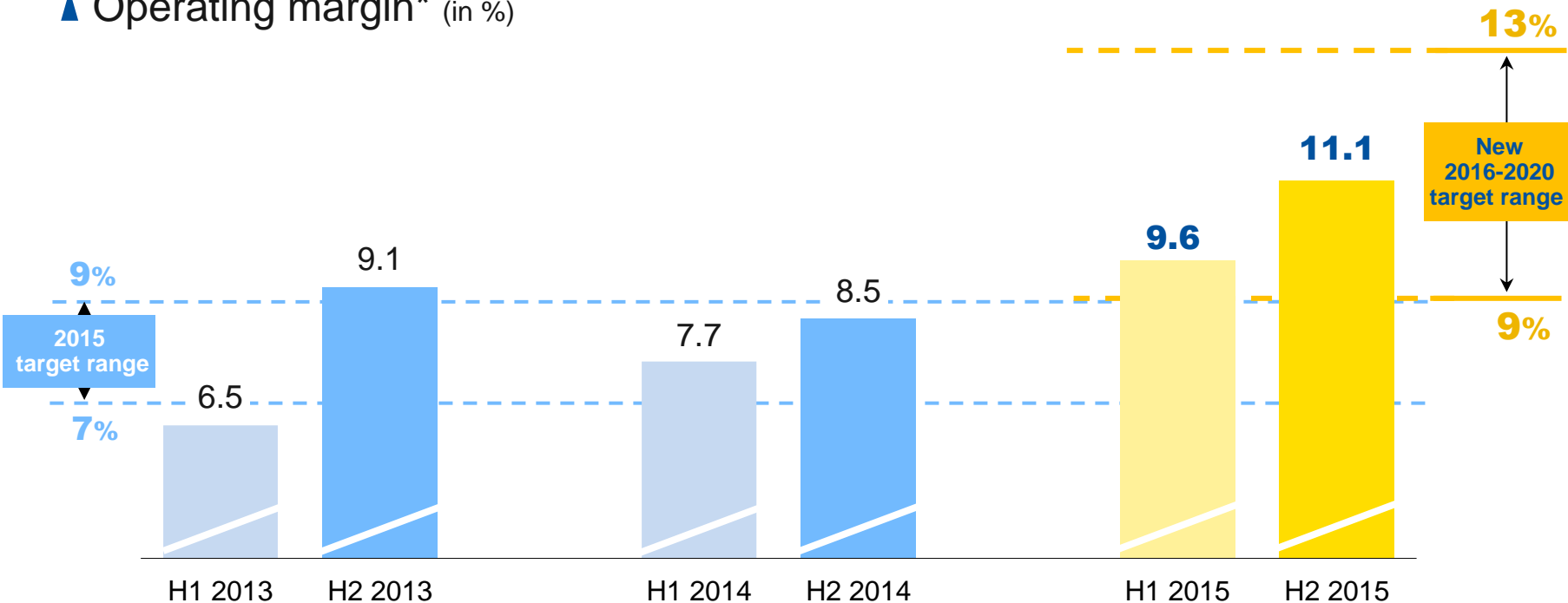
▲ Operating margin\* (in %)



\* Before non-recurring items

# Truck: FY operating margin exceeded 2015 target range

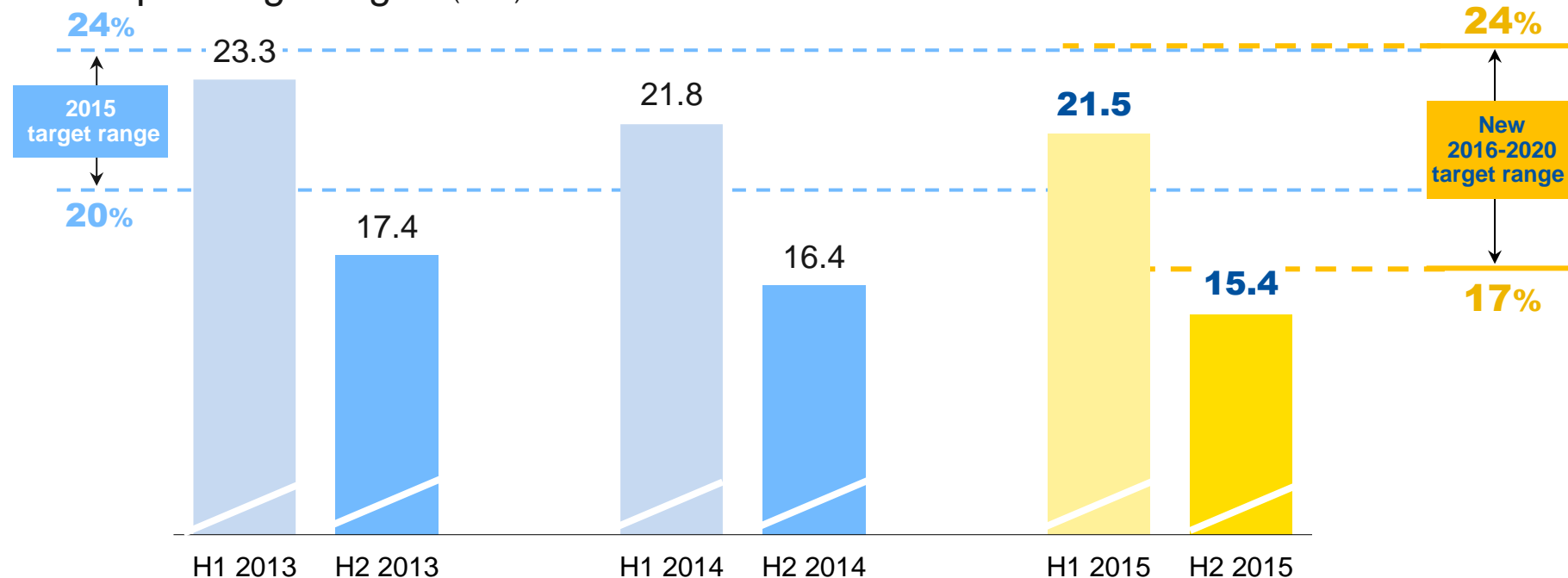
▲ Operating margin\* (in %)



\* Before non-recurring items

# Specialty tires: H2 2015 operating margin shaped by the usual seasonal trends and by raw materials costs

▲ Operating margin\* (in %)



\* Before non-recurring items



# Faster gains from the competitiveness plan in H2, to end the year at €261m, 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 at end 2015</b>	<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

# 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>



# Investing to create value

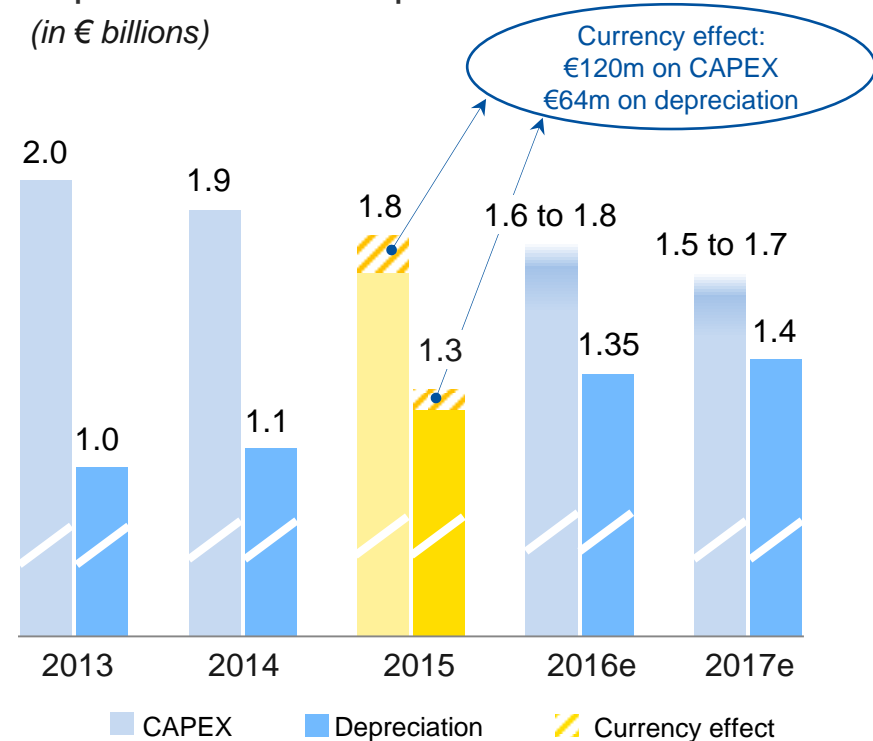
## ▲ Succeed in our priority Capex and M&A investment to capture growth

- 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



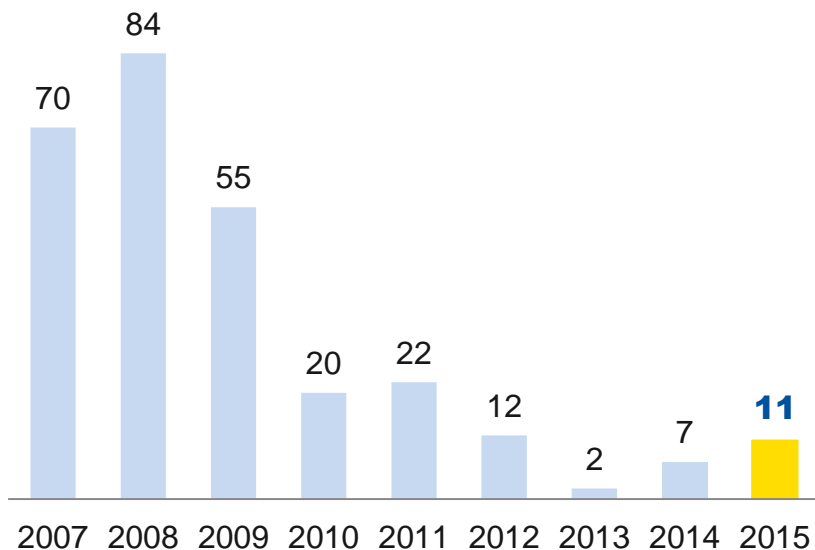
## ▲ Reducing the gap between capital expenditure and depreciation

(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

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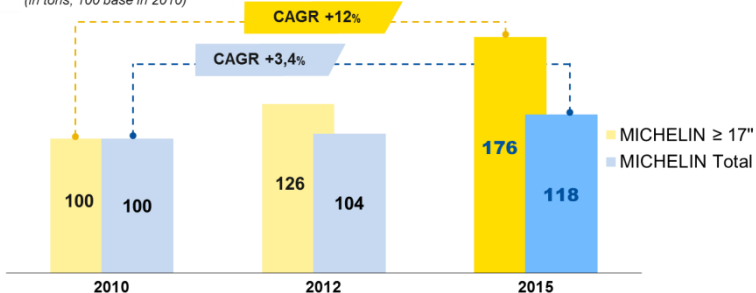
# 2

## 2010-2015: a stronger Group

# A stronger Group

## ● RS1 volume growth

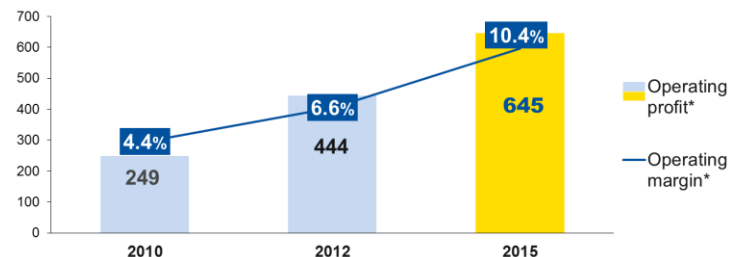
(in tons, 100 base in 2010)



## ● RS2 operating margin

▲ Operating profit and margin\*

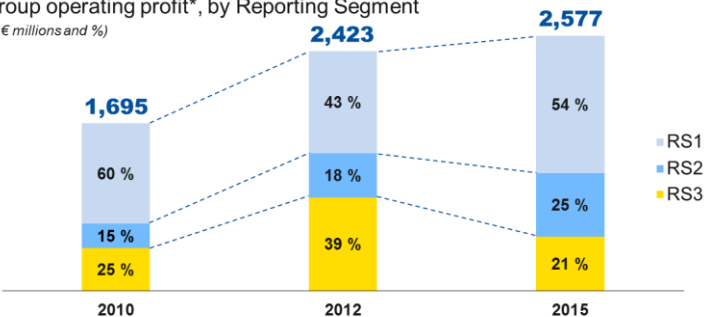
(in € millions and %)



## ● Margin by RS

▲ Group operating profit\*, by Reporting Segment

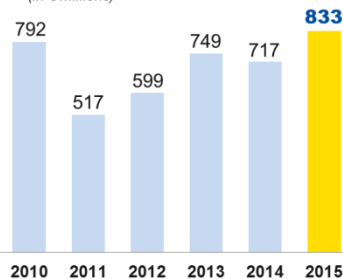
(in € millions and %)



## ● Structural FCF and ROCE

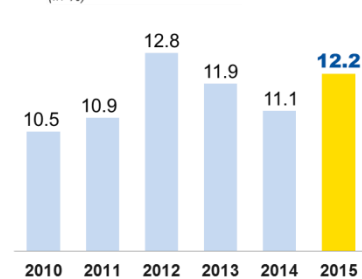
▲ Structural FCF

(in € millions)



▲ ROCE after tax

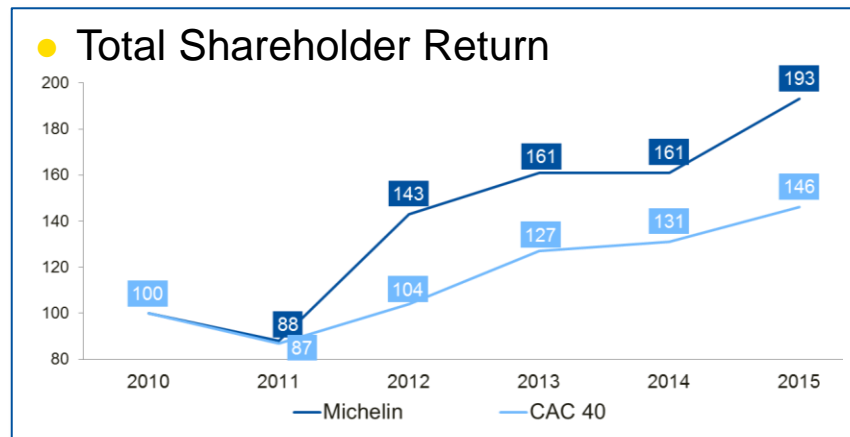
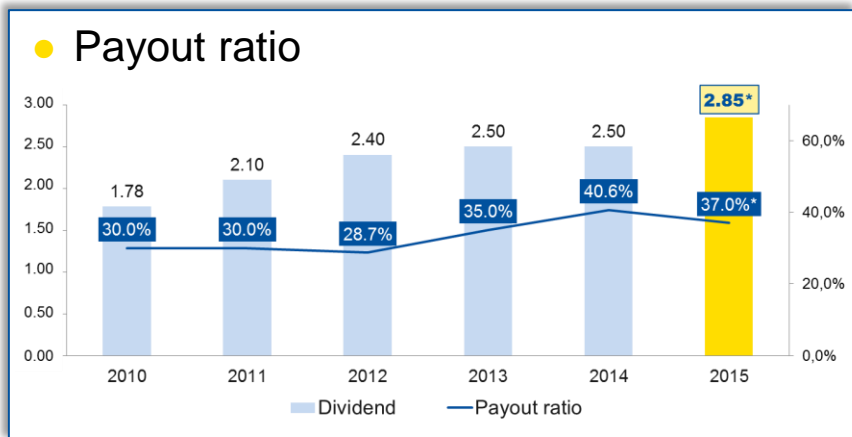
(in %)



\* Before non-recurring items

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

- Earnings per share of €6.28, up 14% on 2014
- 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
  - €46m committed in 2016 to date



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

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# EXANE BNP PARIBAS



## 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

# Passenger car Tire Market, January 2016

- Growing demand in mature markets and strongly increasing in China. Brazil market hit by the difficult economic environment.

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +1%	▲ +3%	▲ +6%	▼ -10%	▲ +8%
Replacement	▲ +1%	▲ +1%	▲ +2%	▼ -7%	▲ +9%

\* Turkey included



# Truck & Bus Tire Market, January 2016

- Sustained market growth in Europe, on low basis for comparison in Eastern Europe. Slowing OE demand on high H1 2015 basis in North America compensated by replacement. Brazil plummeting demand in a difficult economic environment.

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +7%	▲ +8%	▼ -16%	▼ -57%
Replacement	▲ +3%	▲ +5%	▲ +5%	▼ -9%

\* Turkey included




# Guidance 2016

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

# 2016 scenario based on January raw material prices

	2016
Raw materials	Around €400m tailwind
Net Price-mix vs Raw materials	Indexed businesses: negative Non indexed businesses: neutral
Competitiveness plan vs Inflation	Neutral

# 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%
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\* 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

# 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

# 2016 Upcoming events

- **2016 Events:**
  - **April, 20:** Q1 Net Sales
  - **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

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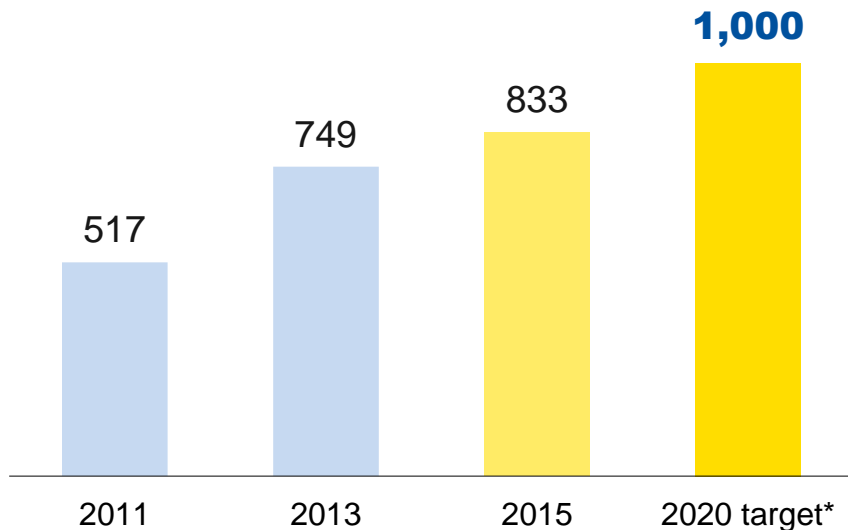
**EXANE BNP PARIBAS**



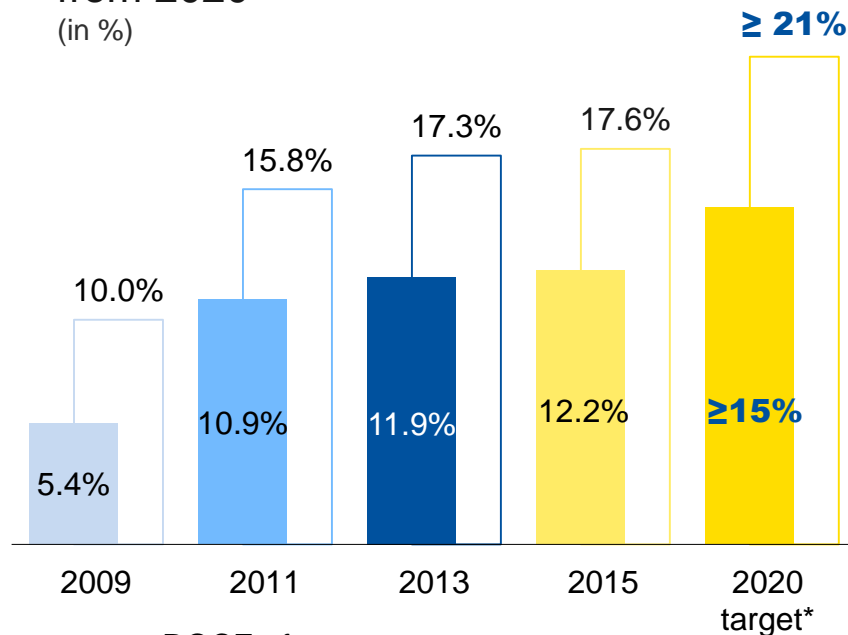
# Appendices

# 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 %)



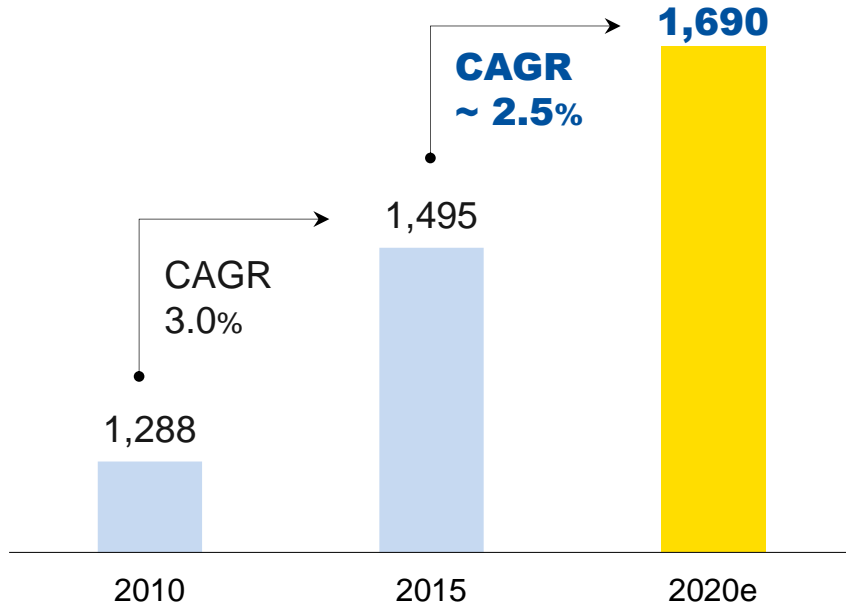
■ ROCE after tax  
□ ROCE before tax

\* At constant scope of consolidation

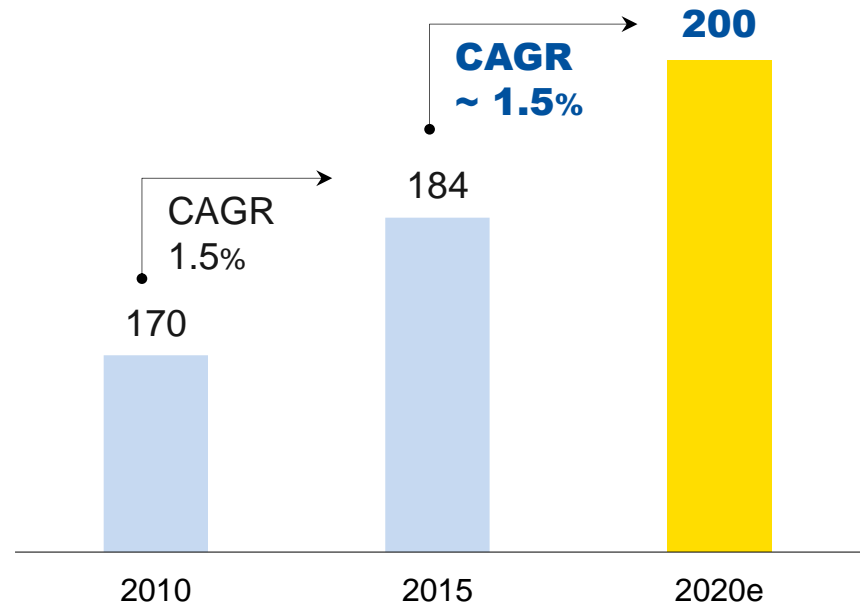


# A growing worldwide demand

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



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



Source: Michelin

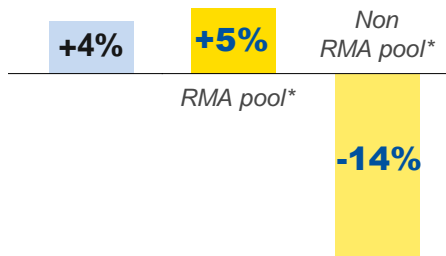


# PC: growth in mature countries with stable winter market in Europe, and sustained demand in China

▲ Passenger car market at December 31, 2015  
(YoY in %, in number of tires)

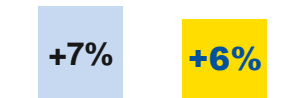


## North America



\* RMA pool :  
Rubber Manufacturers Association members

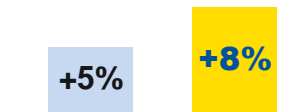
## Europe excluding Russia & CIS



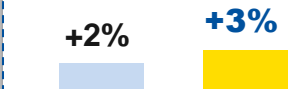
## New markets excluding China



## China



## GLOBAL MARKET



■ OE ■ RT

Source: Michelin

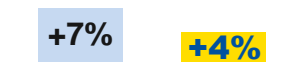


# Truck tires: negative trend worldwide due to emerging markets while mature and Indian markets are growing

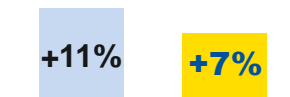


▲ Truck tires market at December 31, 2015  
 (YoY in %, in number of new tires)

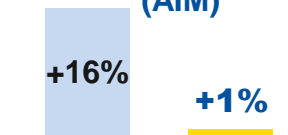
## North America



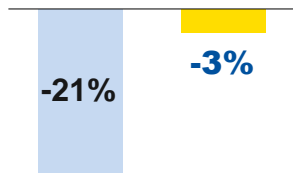
## Europe excluding Russia & CIS



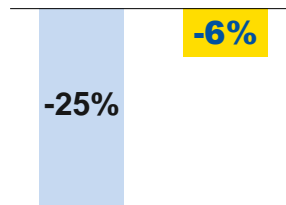
## Africa India & Middle East (AIM)



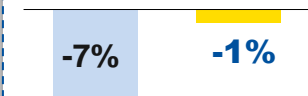
## China



## New markets excluding China and AIM



## GLOBAL MARKET



■ OE ■ RT

Source: Michelin



# 2015 and 2014 financial highlights as reported

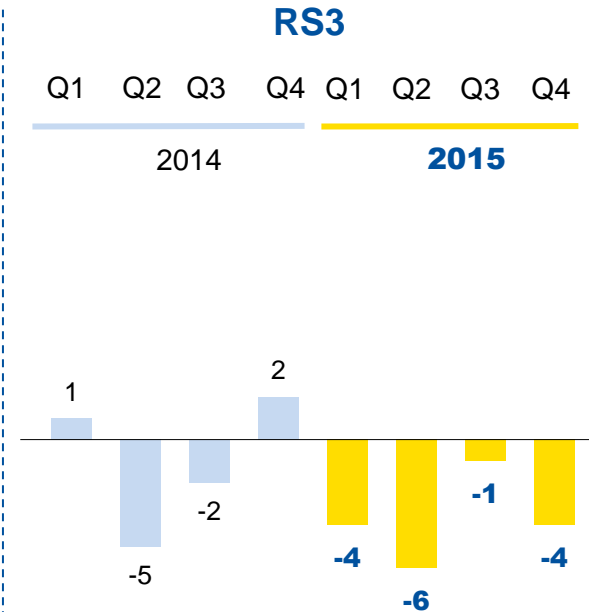
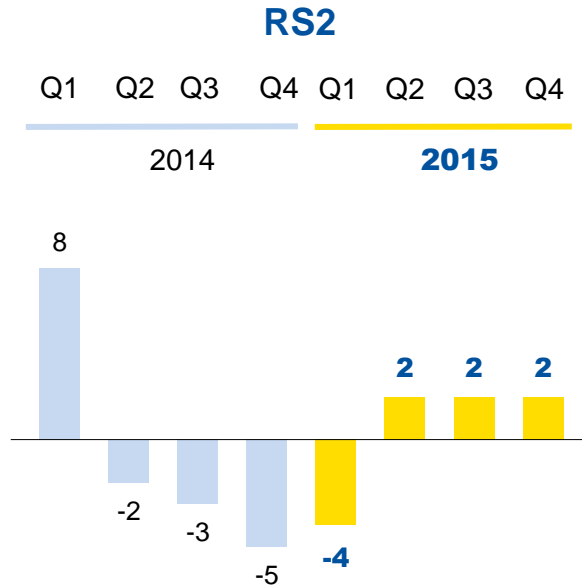
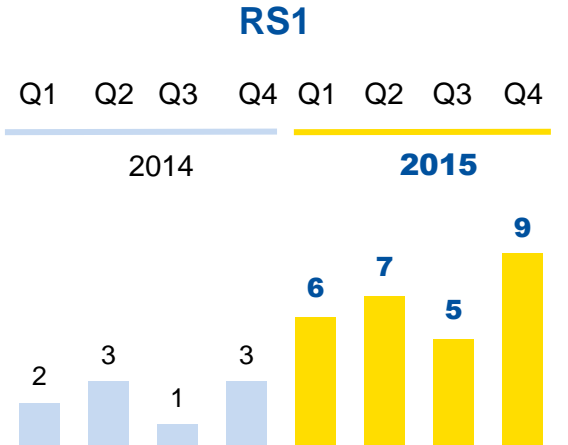
<i>(in € millions)</i>	<b>2015</b>	2014
Net sales	<b>21,199</b>	19,553
Operating profit (before non-recurring items)	<b>2,577</b>	2,170
Operating margin (before non-recurring items)	<b>12.2%</b>	11.1%
Non-recurring items	<b>-370</b>	-179
Net income	<b>1,163</b>	1,031
EBITDA (before non-recurring items)	<b>3,934</b>	3,286
Capital expenditure (excluding acquisitions)	<b>1,804</b>	1,883
Free cash flow before acquisitions*	<b>965</b>	722
Gearing	<b>11%</b>	7%
Employee benefit obligations	<b>4,888</b>	4,612
ROCE after tax	<b>12.2%</b>	11.1%
Earnings per share	<b>6.28 €</b>	5.52 €
Dividend per share	<b>2.85 €**</b>	2.50 €

\* Cash flows from operating activities less cash flows used in investing activities

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

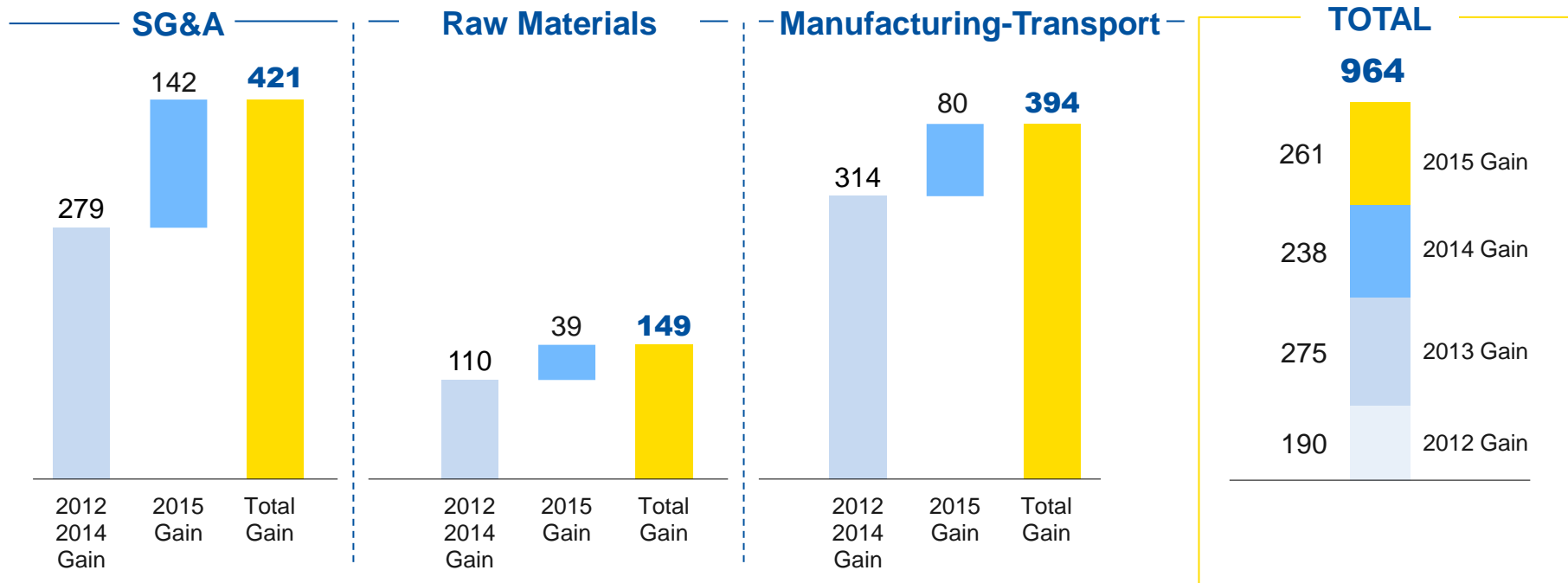
# Accelerating growth steered by Passenger car

▲ YoY quarterly change  
(in %)



# Competitiveness Plan: around €250m targeted in 2016

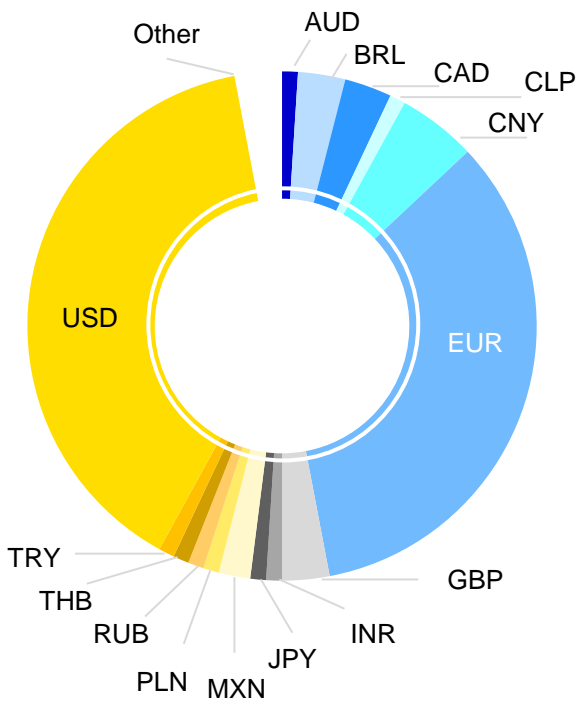
▲ Gain objectives\* 2012-2016 = €1,200m



\* Before inflation and including avoided costs



# 2015 net sales by currency

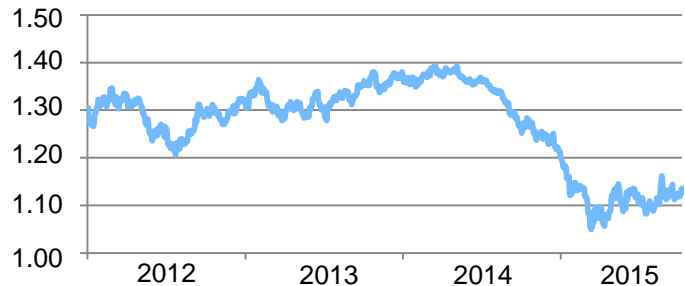


% of net sales	
AUD	1%
BRL	3%
CAD	3%
CLP	1%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
USD	39%
Other	3%

## 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.

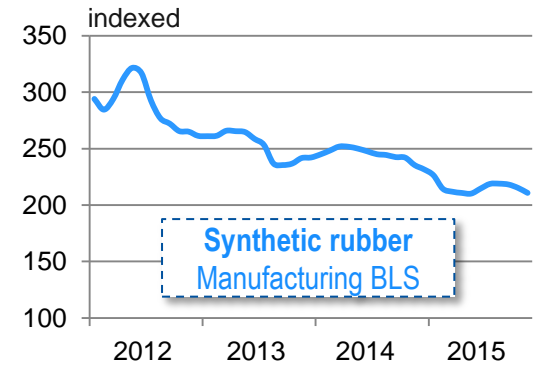
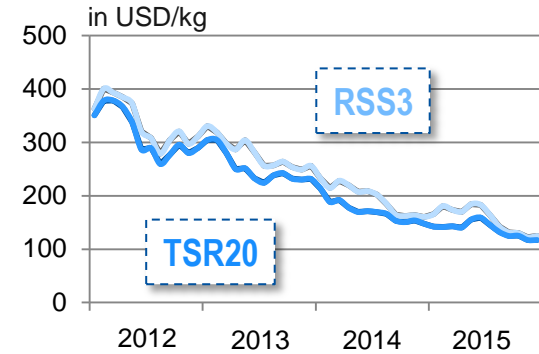
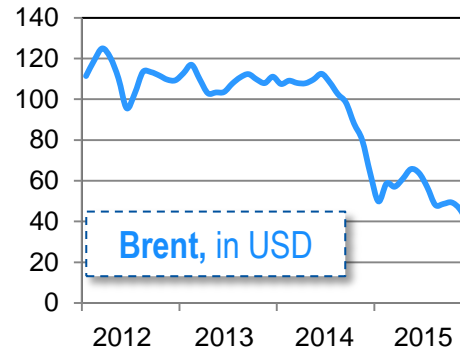
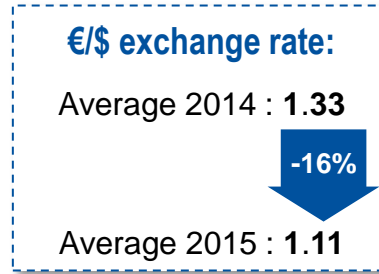
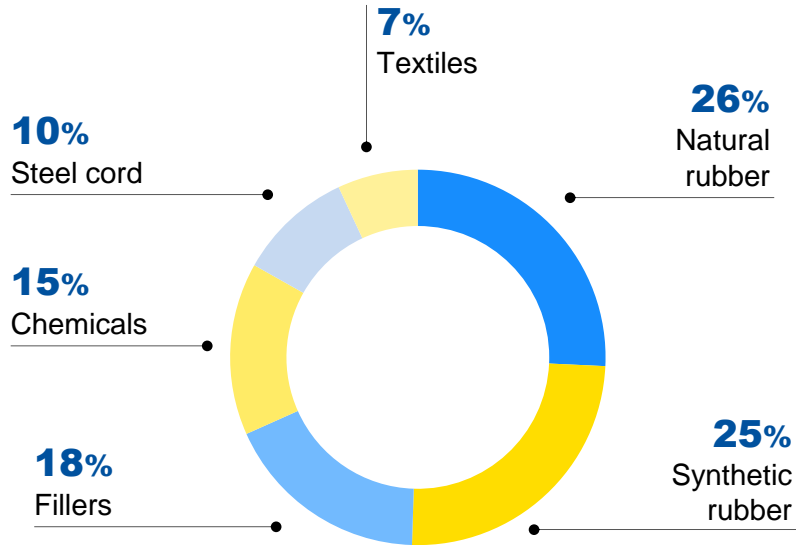
▲ €/€ exchange rate – 2012-2015



Source: ThomsonOne

# Raw materials trends in 2015

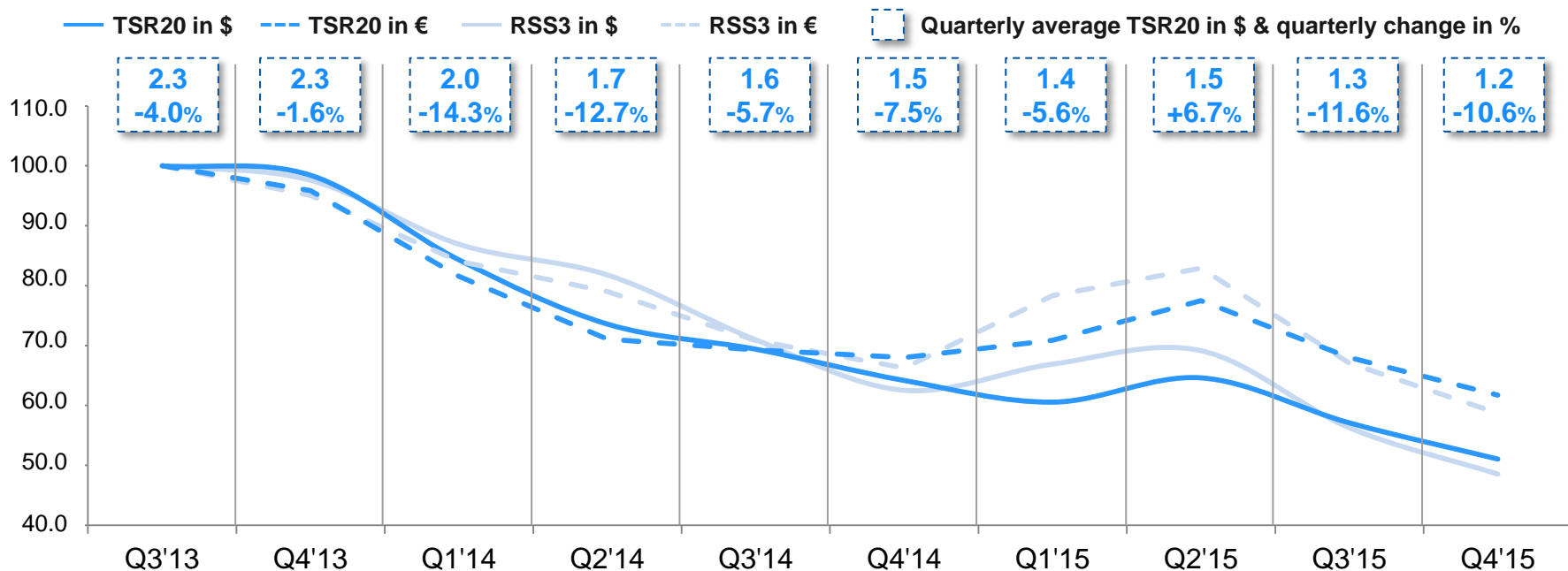
## ▲ Raw material purchases in 2015 (€4,711m)





# Natural Rubber price trend

▲ At end of December 2015 (per kg, base 100 in Q3'13)

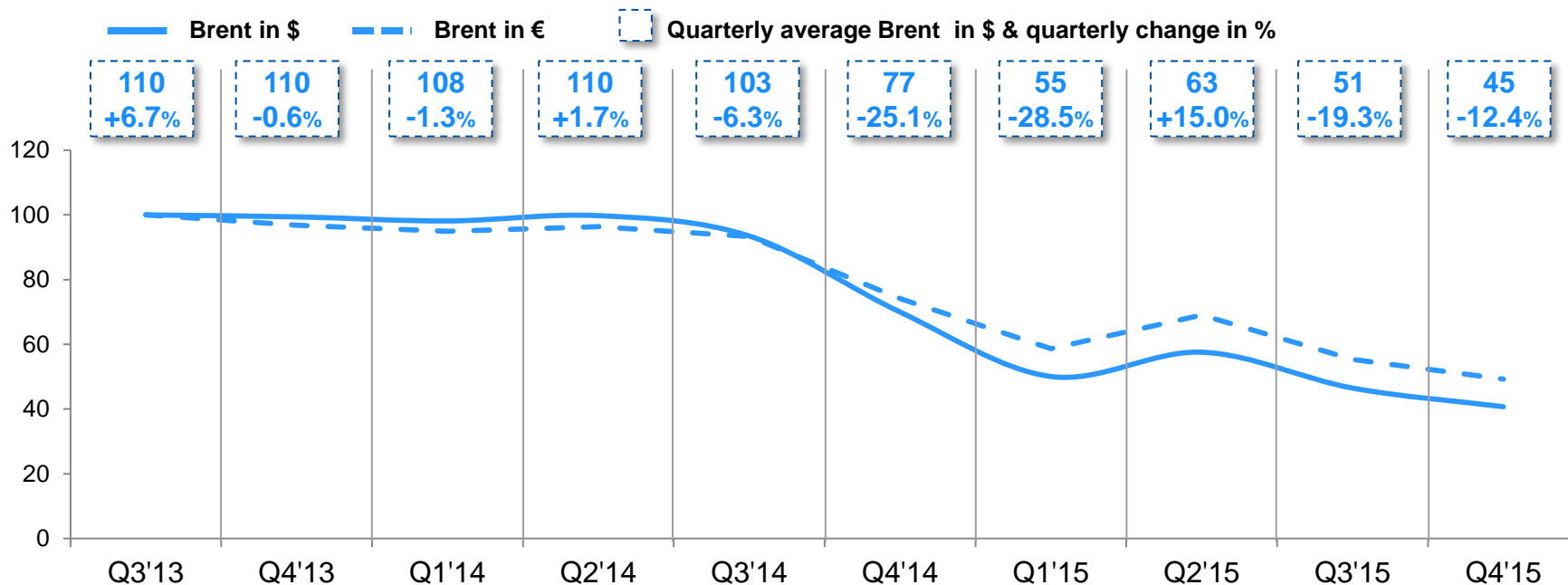


Source: SICOM



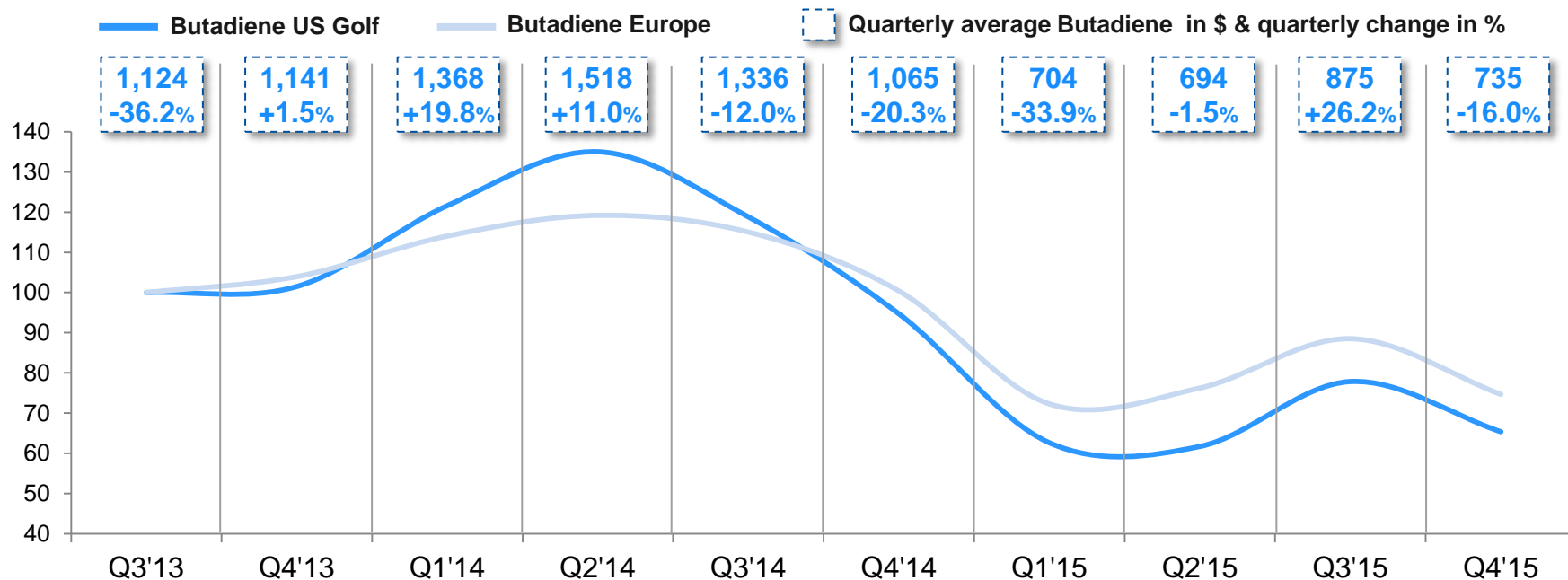
# Brent price trend

▲ At end of December 2015 (per barrel, base 100 in Q3'13)



# Butadiene price trend

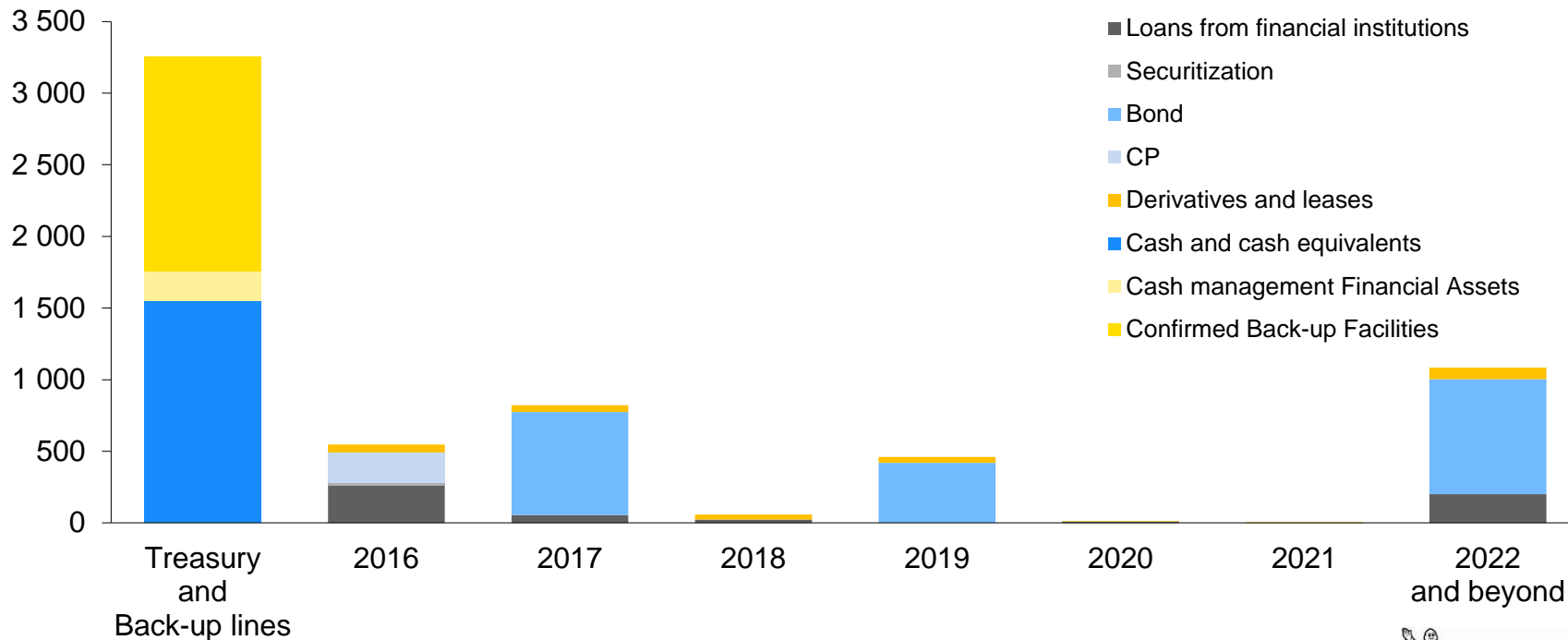
▲ At end of December 2015 (per ton, base 100 in Q3'13)



Source: IHS

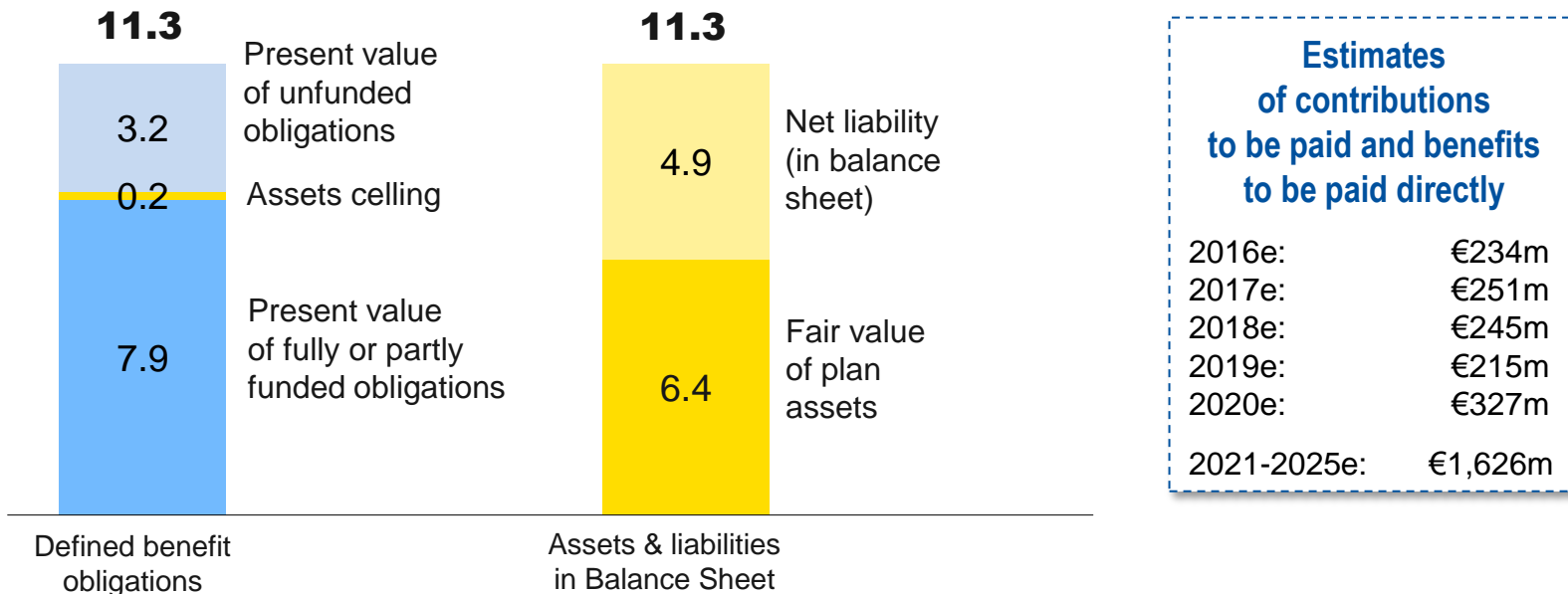
# Opportunistic refinancing of the Group: 7-, 12- and 30-year bonds for a total of €809m

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



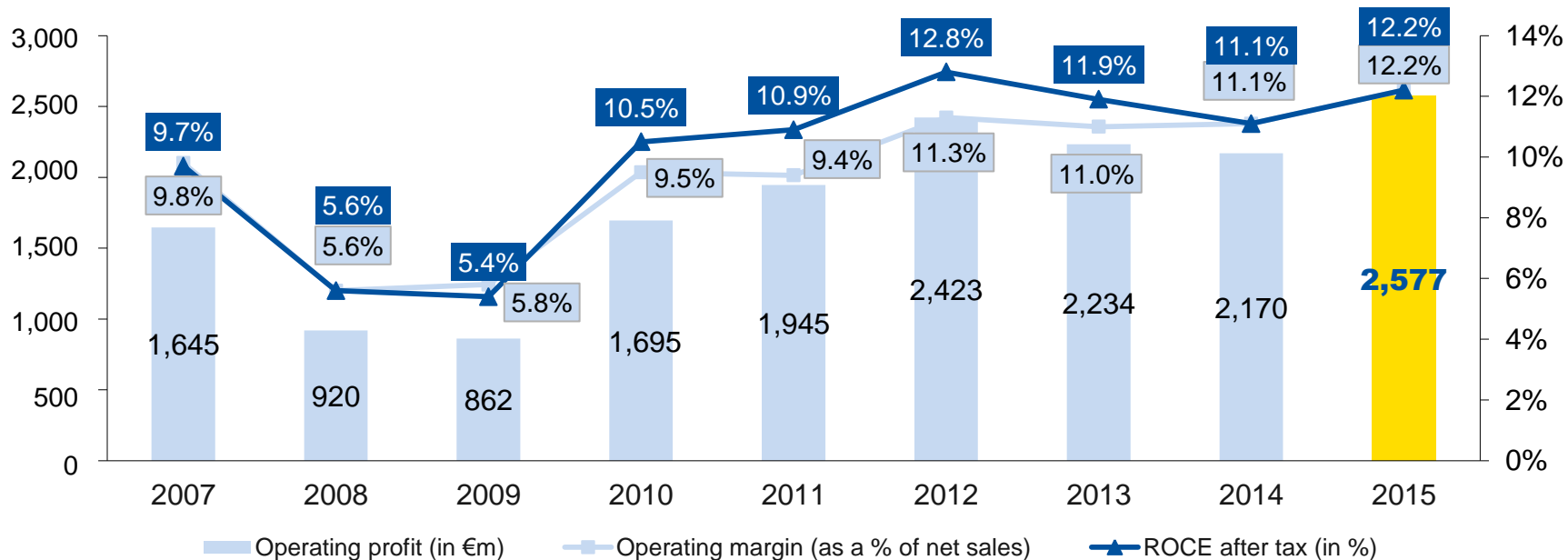
# Defined benefit plans as at December 31, 2015

▲ (in € billions)



# A stronger Group with improving profitability

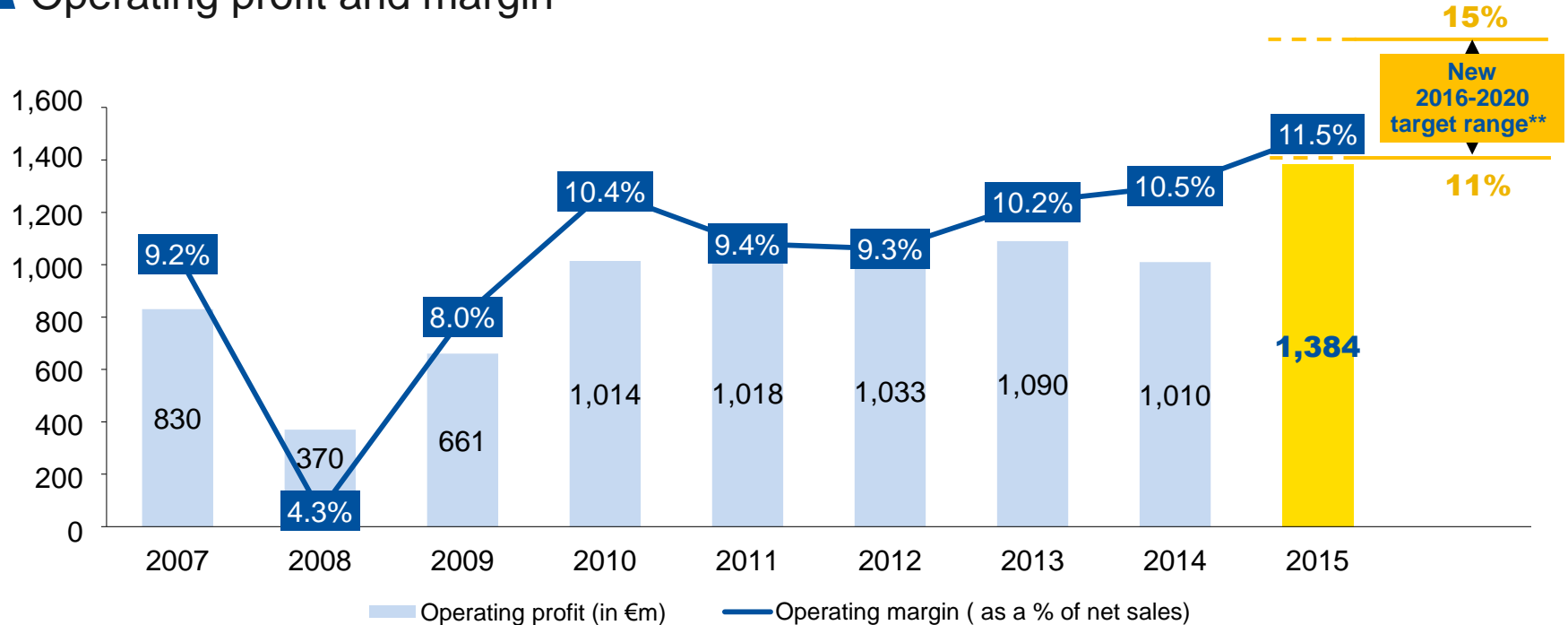
## ▲ Operating profit and margin\* & ROCE



\* Before non-recurring items

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

## ▲ Operating profit and margin\*

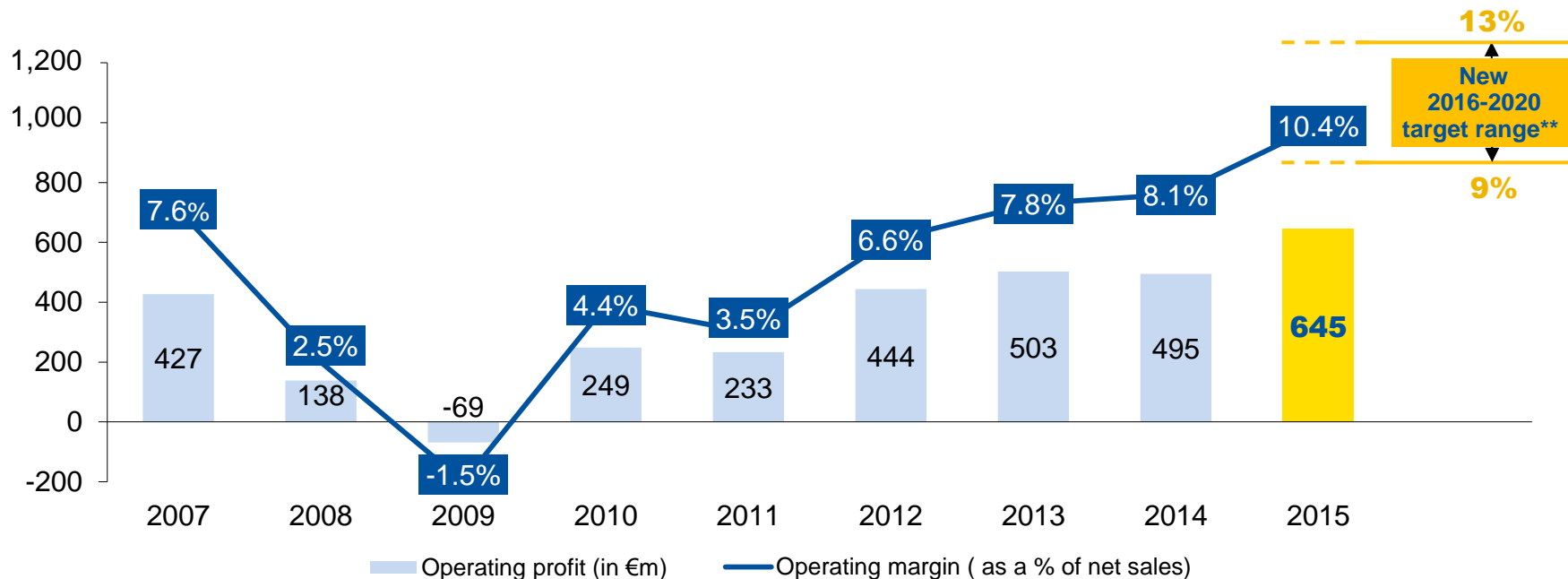


\* Before non-recurring items

\*\* 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\*



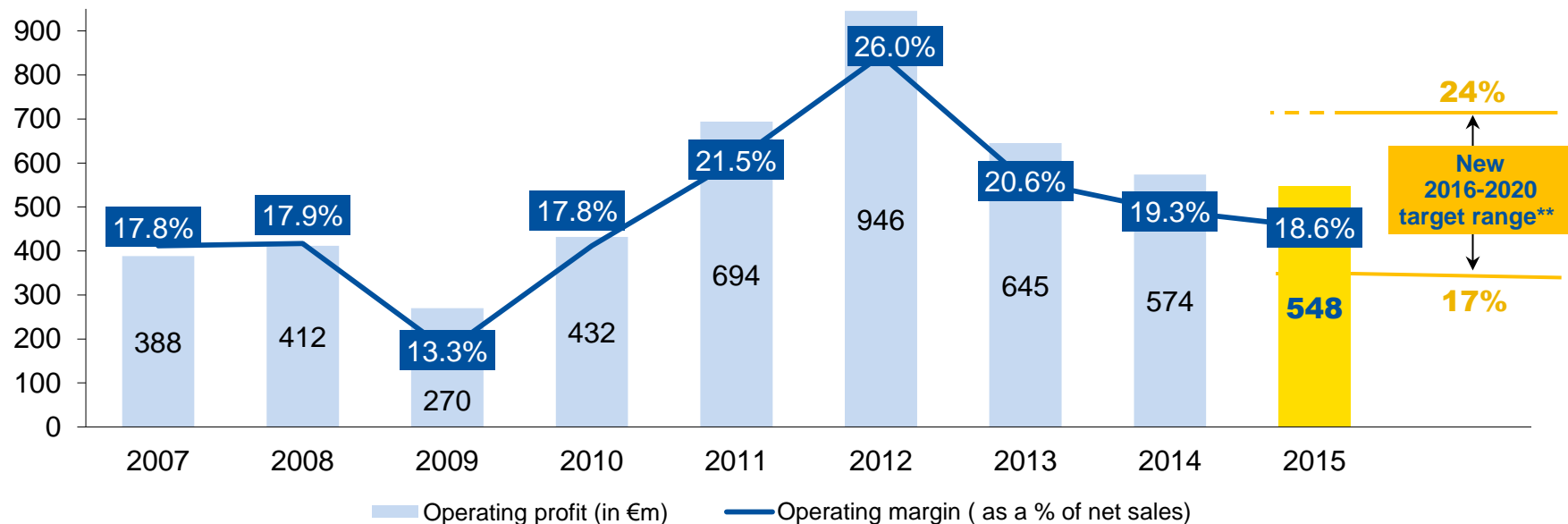
\* Before non-recurring items

\*\* 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\*

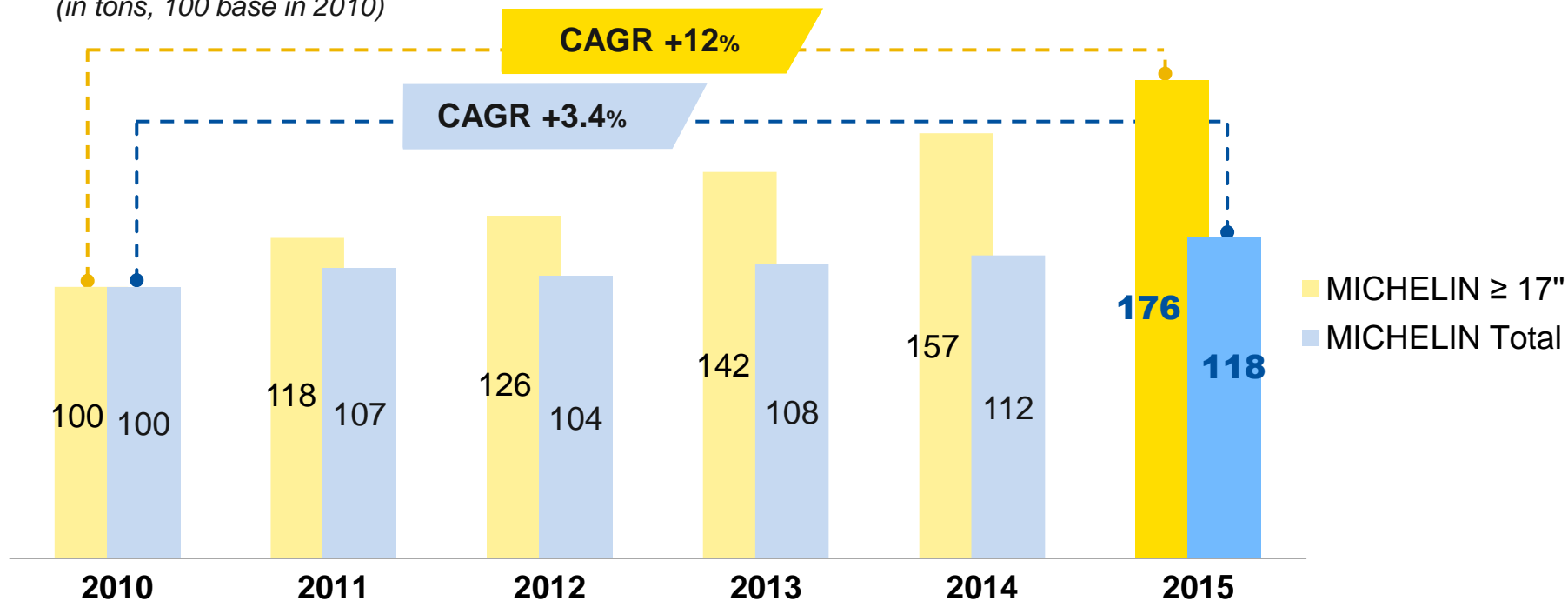


\* Before non-recurring items

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

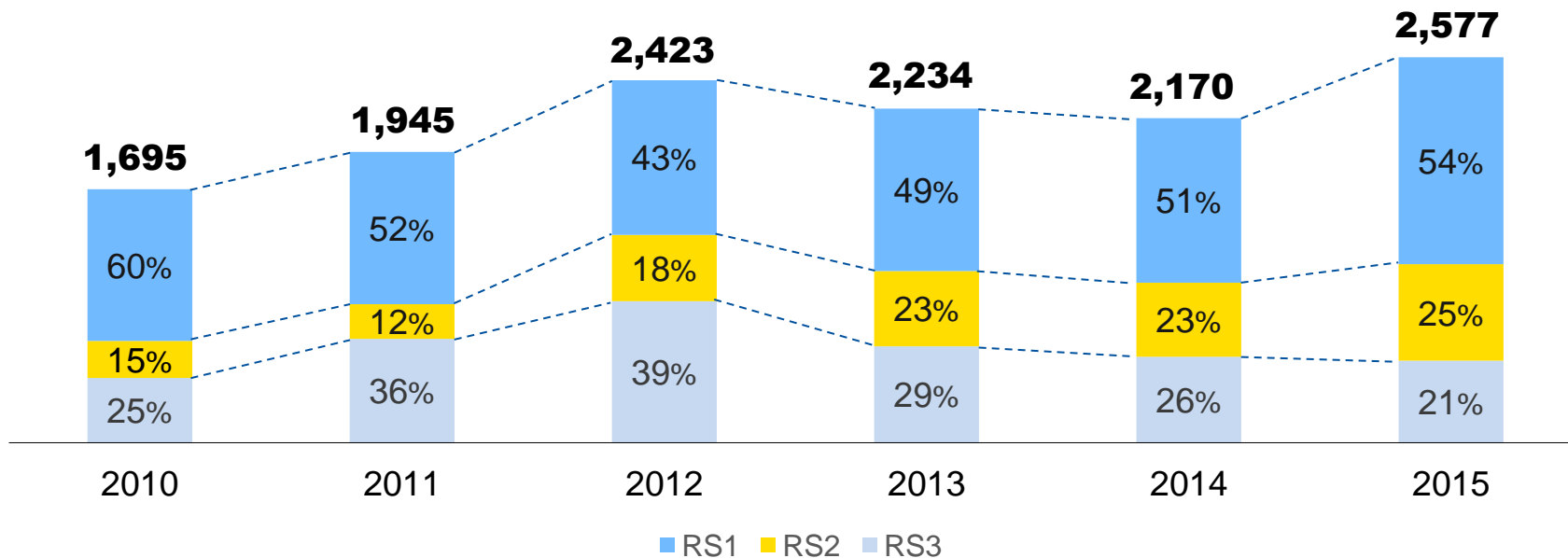
# MICHELIN brand Passenger car volume growth

(in tons, 100 base in 2010)



# Strong operating profit growth through diversified and worldwide footprint

▲ Group operating profit\*, by Reporting Segment (in € millions and %)



\* Before non-recurring items

# 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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