

## **ASIA – EXANE BNP PARIBAS**

NOVEMBER 27-30, 2018

**November 27-30, 2018**

**ASIA – EXANE BNP PARIBAS**



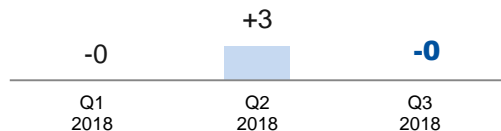
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**2018 & 2019 outlook**

# 2018 market scenario: significant slowdown in Passenger car and Truck tires in H2; sustained growth in Specialties



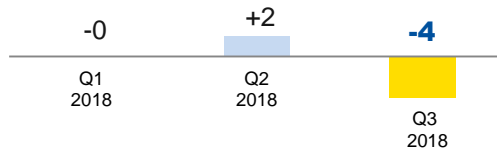
PC/LT 2018: +0,5% / +0,7%



- OE: sharp slowdown in the global market
- RT: cooling demand in ≤16" tires, sustained growth in ≥18" tires
- China: Slowdown in OE market and RT impacted by inventory drawdown
- Impact on markets of currency depreciation in emerging countries



TRUCK 2018: -1,5% / -2%



- OE and RT markets dampened by slowing demand in Asia, particularly in China
- Slight growth in markets excluding China
- Impact on markets of currency depreciation in emerging countries



SPECIALTIES 2018 : +6% / +7%

- Mining tires: sustained strong demand (~ +10%), led by growth in the global economy and the end of destocking
- Off-road: strong growth in OE Construction; OE Ag slowing down in H2, RT Ag stable
- Growth in the Two-wheel, Commuting and Aircraft segments

# 2018 scenario

|  | H1 actual | H2 2018                 | 2018                     |
|--|-----------|-------------------------|--------------------------|
| Net impact of price-mix and raw materials prices | + €264m   | <b>Stable</b>           | <b>Positive</b>          |
| Including impact from raw materials costs        | - €67m    | around - €50m           | around - €120m *         |
| Competitiveness plan gains vs. inflation         | - €42m    | <b>around + €40m</b>    | <b>neutral</b>           |
| Currency effect                                  | - €218m   | <b>around - €60m **</b> | <b>around - €280m **</b> |
| Standard effective tax rate 2018                 |           |                         | <b>ETR of 28%</b>        |

\*2018 average prices: Natural rubber: \$1.45/kg; butadiene (US, Europe and Asia): \$1346/t; Brent: \$74/bbl

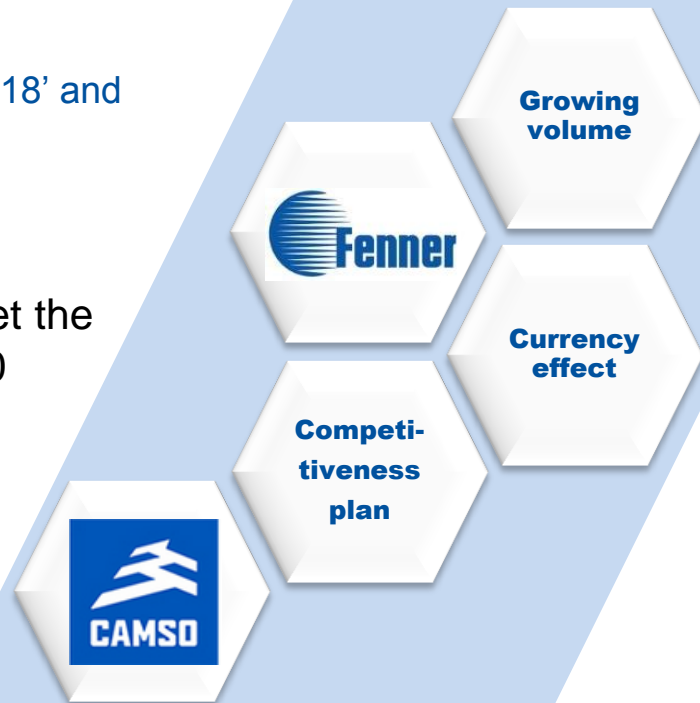
\*\* with 2018 October currency effect with an average €/€ at 1.15

# 2018 guidance reminder

|  | 2018                            |
|--|---------------------------------|
| Volumes  | Growth in line with the markets |
| Operating income from recurring activities<br>at constant exchange rates | > €200m vs. 2017                |
| Structural FCF   | > €1,100m                       |

# Preliminary 2019 scenario

- Market trends
  - Passenger car & Light truck: ~+1.5% of which ~+10% in ≥18' and slight upturn in the Chinese market
  - Truck: ~0%
  - Specialties: from +4% to +5%
- Faster deployment of the competitiveness plan to meet the target of saving more than €600m over the 2019-2020 period
- Around €150m in additional EBIT vs. 2018 from the Fenner and Camso\* acquisitions including synergies
- Currency effect expected to be slightly favorable\*\*

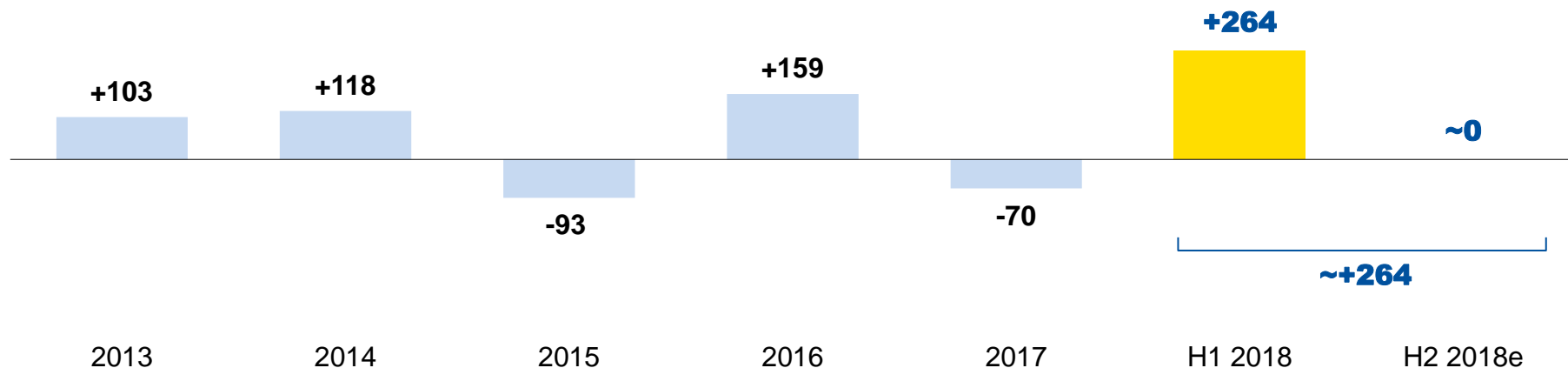


\* Pending the regulatory approvals expected to be obtained in December 2018

\*\* Based on average exchange rates of October 2018 (o/w €/€ at 1.15)

# An assertive pricing policy

▲ Net impact of price mix and raw materials prices on operating income\*  
(in € millions)



- Steady pricing policy offsetting raw materials changes
- Recent price increases announced in North America for 2019 in PC and TB

\* from recurring activities



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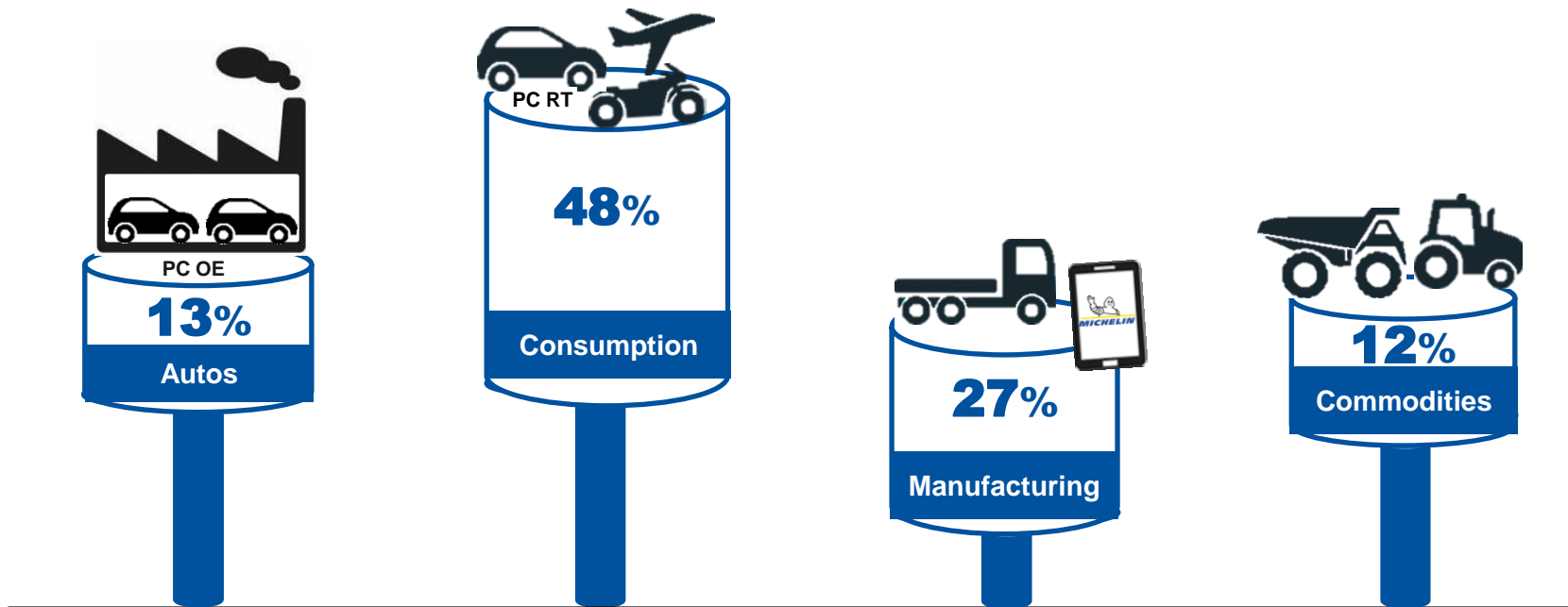
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**Levers for Growth**



# A business model strongly linked to consumption

## ▲ Net sales by drivers\*

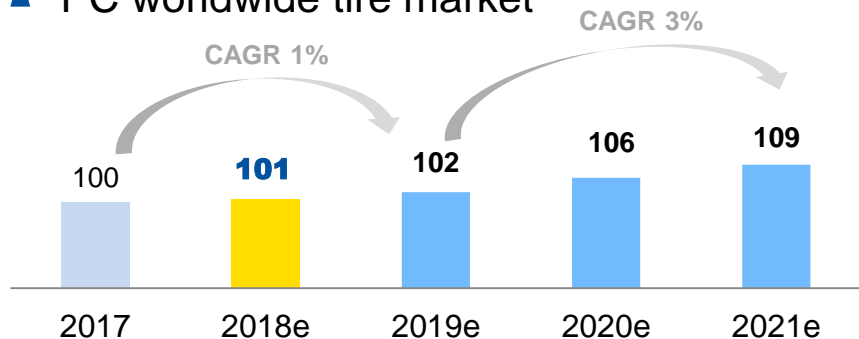


\*2017 net sales by sector

# 2017-2021 projections: structurally sustained worldwide demand driven by a strong growth in ≥18'



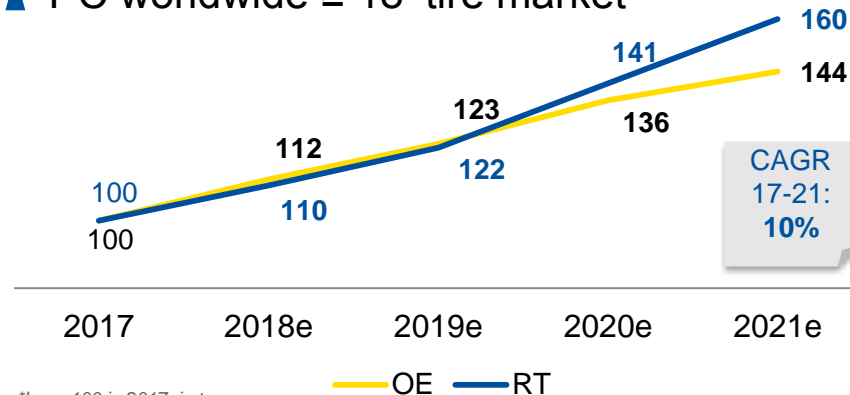
## ▲ PC worldwide tire market\*



\*base 100 in 2017, in tonnes



## ▲ PC worldwide ≥ 18' tire market\*

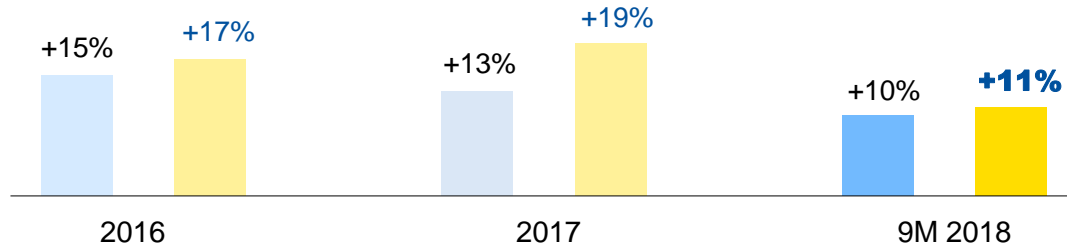


\*base 100 in 2017, in tonnes

## ▲ Growth in ≥18' tire sales\*\*

Worldwide market

MICHELIN

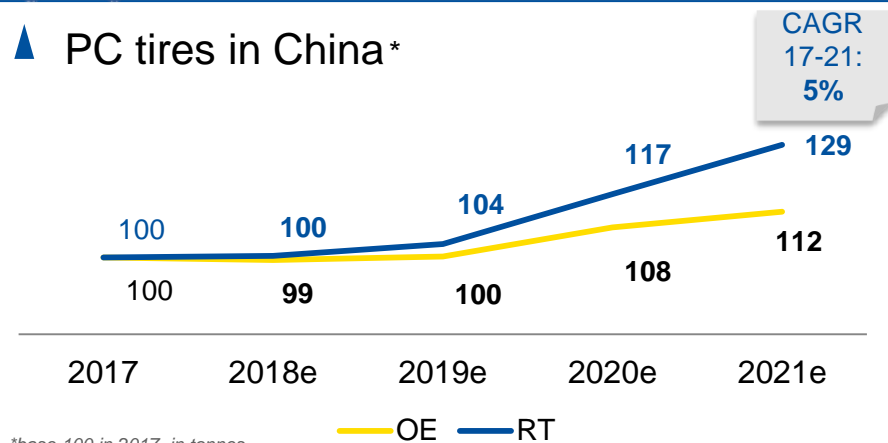


\*\* YoY change, markets in units and sales in kt

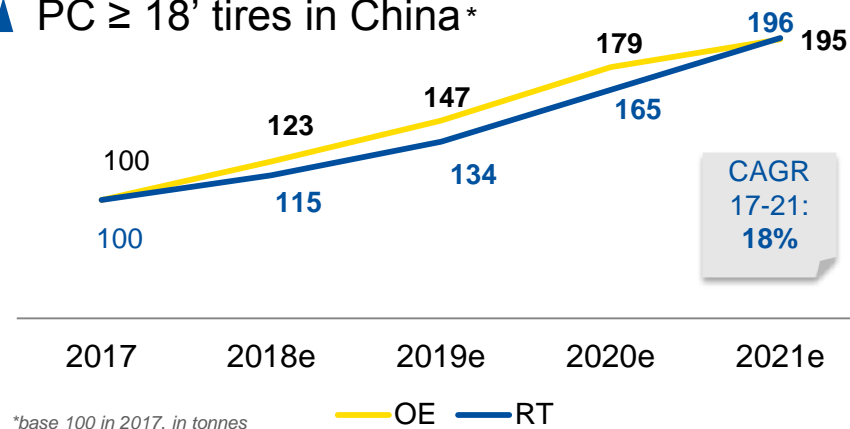
# China: Michelin brand leadership on a structurally growing market driven by $\geq 18'$ demand



## ▲ PC tires in China\*

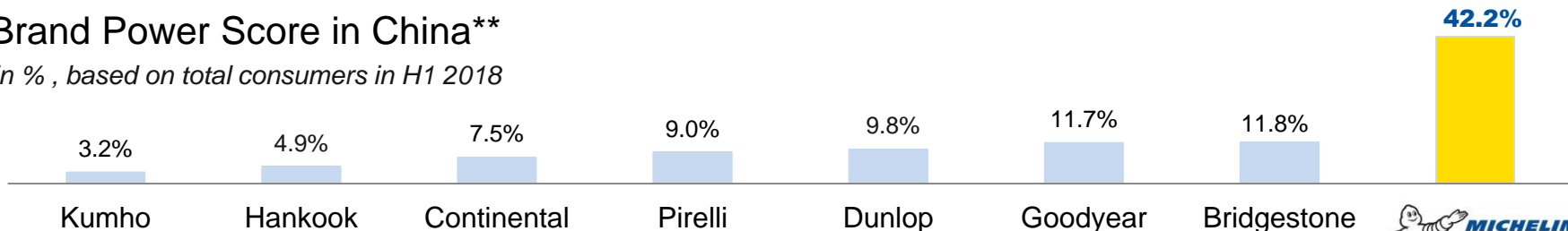


## ▲ PC $\geq 18'$ tires in China\*



## ▲ Brand Power Score in China\*\*

in % , based on total consumers in H1 2018



\*\* BCM study conducted by market research institute Millward Brown, based on the reduced brand list of 8 brands



# MICHELIN, THE premium brand

## Michelin position at Prestige OEM

*Leader Leader Leader Leader Leader Co-leader Co-leader Top 2*



FERRARI

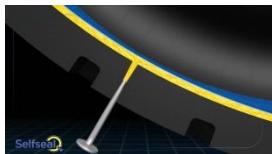
## Technologies

*Acoustic*



*Reduces the rolling noise generated by the tire inside the car*

*Selfseal*



*Self sealing solution: a rubber compound that immediately plugs anyholes in the tread*

*Track connect*



*The first connected tire to own the track*

*Premium Touch*



*Full ring checked sidewall. Patented premium touch velvet finish*

*Acorus*



*A flexible wheel that improves the ride and comfort*

# Michelin Primacy 4: safe when new, safe when worn<sup>(1)</sup>

## **NEW** **MICHELIN PRIMACY 4**

**SAFE**  
WHEN  
**NEW**



**SAFE**  
WHEN  
**WORN\***

\*New and Worn (worn means 2 mm tread depth), on 205/55 R16 91V. MICHELIN PRIMACY 4 is above the R117 European regulation wet grip threshold

### **LASTS LONGER** (2)



### **WET BRAKING WHEN WORN** (3)



1) Whether new or worn, the 205/55 R16 91V MICHELIN PRIMACY 4 exceeded the R117 European regulation wet grip threshold. Worn means worn on a machine (buffed) to the depth of the tread wear indicator according to European regulation for Tread Wear Indicator ECE R30r03f.

(2) Test conducted by DEKRA TEST CENTER, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus the average of the following competitor tires: BRIDGESTONE TURANZA T001 EVO, CONTINENTAL PREMIUM CONTACT 5, DUNLOP BLURESPONSE, GOODYEAR EFFICIENT GRIP PERFORMANCE, PIRELLI CINTURATO P7 BLUE. Longevity test run in average real usage (Michelin test D50) with 10,000 km run and estimated longevity at 1.6mm.

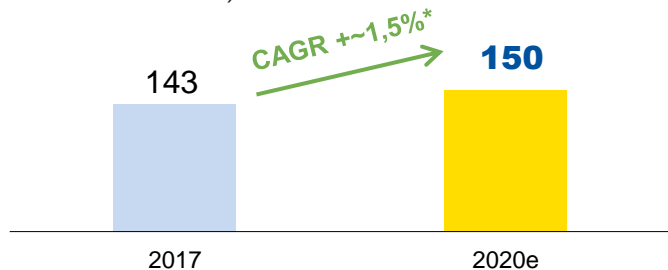
(3) Wet braking test, between 80 and 20 kph, conducted by TÜV SÜD product service, on Michelin's request, between June and July 2017, on dimension 205/55 R16 91V on VW Golf 7 comparing MICHELIN PRIMACY 4 versus the average of the following competitor tires: BRIDGESTONE TURANZA T001 EVO, CONTINENTAL PREMIUM CONTACT 5, DUNLOP BLURESPONSE, GOODYEAR EFFICIENT GRIP PERFORMANCE, PIRELLI CINTURATO P7 BLUE. Worn, MICHELIN PRIMACY 4 is joint-leader with BRIDGESTONE TURANZA T001 EVO. Worn means worn on a machine (buffed) to the depth of the tread wear indicator according to European regulation for Tread Wear Indicator ECE R30r03f.

Information valid as of the date of publication – 01/2018 MFP Michelin, registered in Clermont Ferrand, no. 855 200 507, partnership limited by shares with capital of €504,000,004. Created by: All Contents - 10/2017 - © Michelin - 17060238

# Truck : sustained demand in every zone except China, favorable impact from services



- TB OE&RT market projection (*Radial & Bias in millions of units*)



\*excluding China

- Expanding service offers



More than 840 000  
of trucks with contracts

- Deploying Sascar in Americas



**MICHELIN X® MULTI™ ENERGY™ Z & D**  
Energy efficiency on versatile usage  
with a high level of mileage and safety  
**Save up to 1,2 L of fuel / 100km\*\***

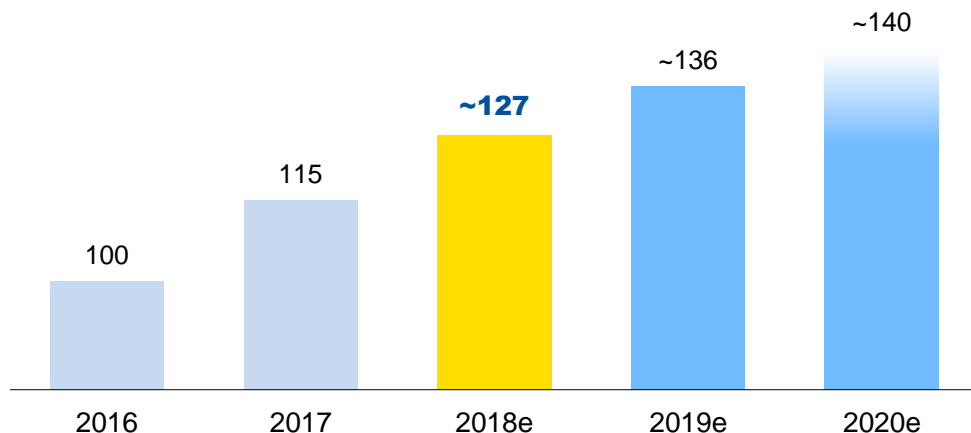
\*\* Calculations made with the VECO tool configured on the basis of a 4x2 tractor unit and 3-axle semi-trailer equipped with new tires 315/70 R 22.5 MICHELIN X® MULTI™ ENERGY™ Z and D vs equipment 315/70 R 22.5 MICHELIN X® MULTIWAY™ 3D XZE and XDE, traveling an average of 100,000 km / year, based on average vehicle use between 5 and 7 years old.



# Mining tire markets: customer-aligned solutions and Fenner acquisition to capture strong market growth

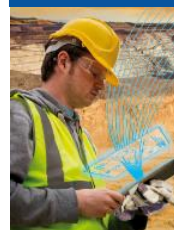


▲ Mining tires\*



\*base 100 in 2016, in tonnes

MICHELIN  
MEMS  
Evolution 4



MICHELIN  
XDR 3



Restart of the  
Anderson  
plant



















Conveyor belts



Services and  
solutions



# Four areas of growth: Capex and acquisitions to support our value creation strategy

|                                       | Tires  | Services  | Experiences  | Materials   |
|---------------------------------------|--|---|--|---|
| 2015-2020 target                      | Net sales +20%   | Net sales doubled   | Net sales tripled  | Capitalize on our leadership  |
| 2018 partnerships and acquisitions... |         |   |  |    |
| ...in line with the 2020 strategy     |  <p>Capital expenditure</p>   | <p>Distribution</p>  <p>Telematics and services</p>  | <p>Experiences: travel and fine dining</p>  |  <p>High-tech materials</p>  |

# Fenner integration proceeding as planned: £60m in synergies expected by 2021



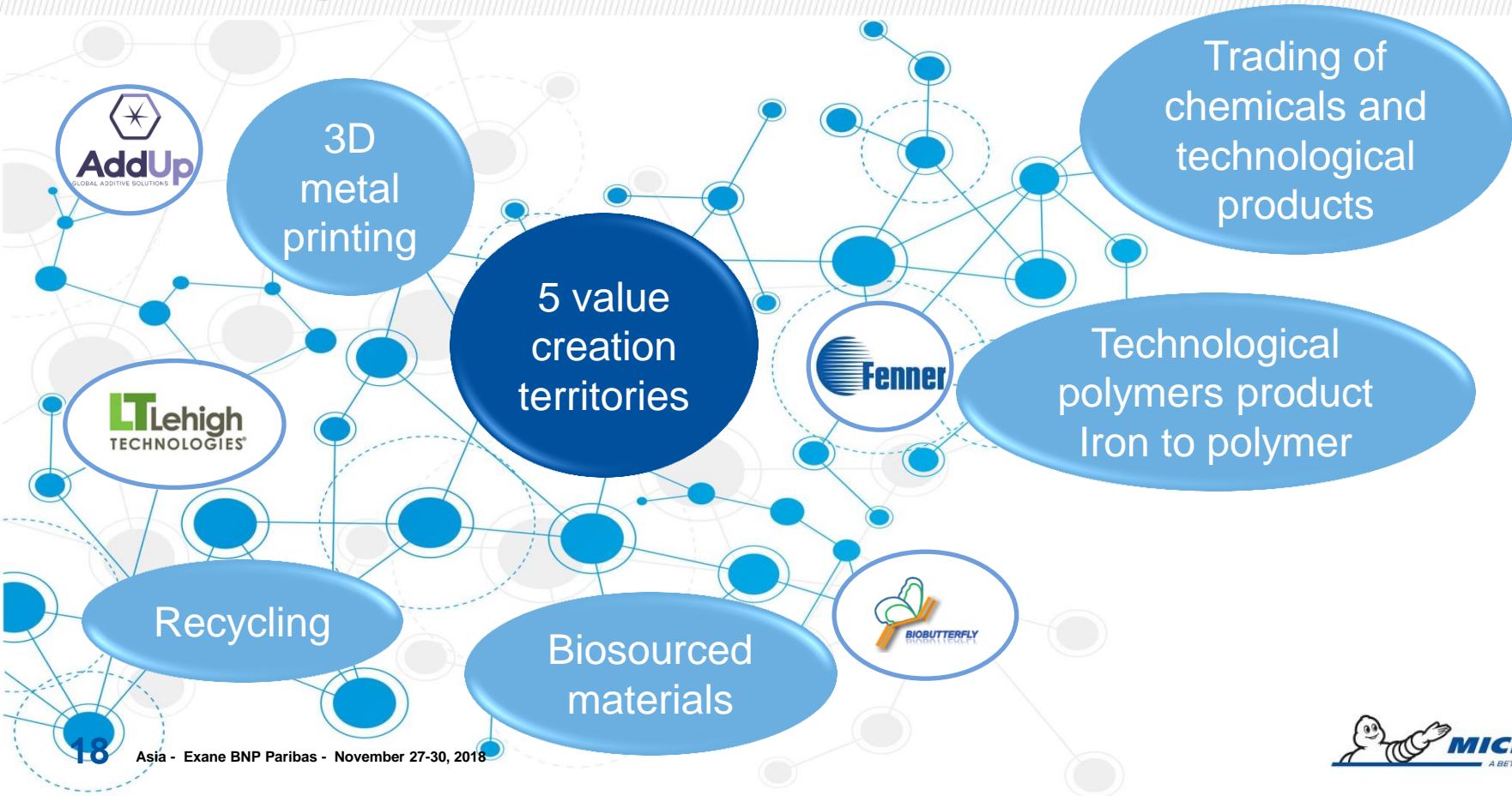
- Faster growth in net sales and improved margins in 2018
- Fenner expected to contribute around €40m in EBIT in 2018
- Synergies expected to total £60m by 2021, of which £30m in 2019

## Fenner key 2018 figures

| <i>(in £ millions)</i> | 2018 (latest consensus) | 2018e/<br>2017 |
|------------------------|-------------------------|----------------|
| • Net sales            | 682                     | +4.1%          |
| • EBITDA               | 99                      | +15.1%         |
| • EBITDA margin        | 15%                     | +2 pts         |



# Technological materials: capitalizing on our R&D leadership to create more value with our assets



# Proposed acquisition of Camso to create the world leader in off-the-road mobility solutions



- Manufactures and supplies high performance products and services for off-the-road mobility markets
  - Technological leadership in rubber tracks and solid tires
  - Competitive production facilities, particularly in Sri Lanka and Vietnam.
- Up to \$55m in identified synergies by 2021 and around \$20m in WCR optimization
- Accretive to EPS from year one and creation of major value
- \$1.45bn in cash out and closing scheduled for November 2018 after regulatory approvals are obtained

## Camso\* key figures

| <i>(in \$ millions)</i> | 2018 | 2012 |
|-------------------------|------|------|
| • Net sales             | 974  | 865  |
| • EBITDA                | 136  | 105  |
| • EBITDA margin         | 14%  | 12%  |

- Fast growth and major improvement in margins
- 7,700 employees in 26 countries, of whom around 5,500 in Sri Lanka and 300 in Magog, Quebec
- 17 plants and 3 research centers

\*Fiscal year ends March 31



# Vision concept : identified and celebrated as a great product of the future by the Red Dot



*On September 28, 2018, Michelin received the famous Red Dot “Best of the Best” award in Singapore, for its VISION concept.*



**red**dot award  
best of the best

***Permanente structure***

**Airless  
Recycled  
Recyclable**

***On demand treat***

**3D printing  
Renewable  
Biodegradable**



# Renewable natural rubber's essential role in our sustainable mobility

- Reforestation of 88,000 hectares (o/w ~ 45,000 with hevea's tree) in Indonesia through a joint venture with Barito Pacific Group
- GPSNR: A Global Platform for Sustainable Natural Rubber, launched in Singapour in October 2018
  - Project initiated by the Tire Industry Project of which Michelin is one of the founding members
  - All the stakeholders in the natural rubber value chain were gathered for the occasion:
  - The ambition is to improve the environmental and socio-economic performance of the natural rubber industry
- Rubberway: an innovative application
  - Designed to map supply chain risks
  - Identify best practices in various regions concerned (Thailand, Indonesia...)



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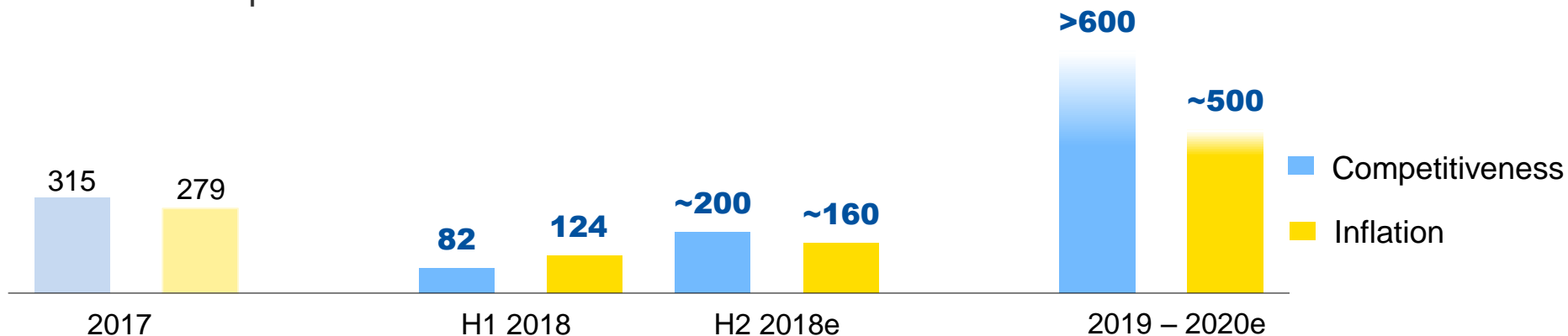


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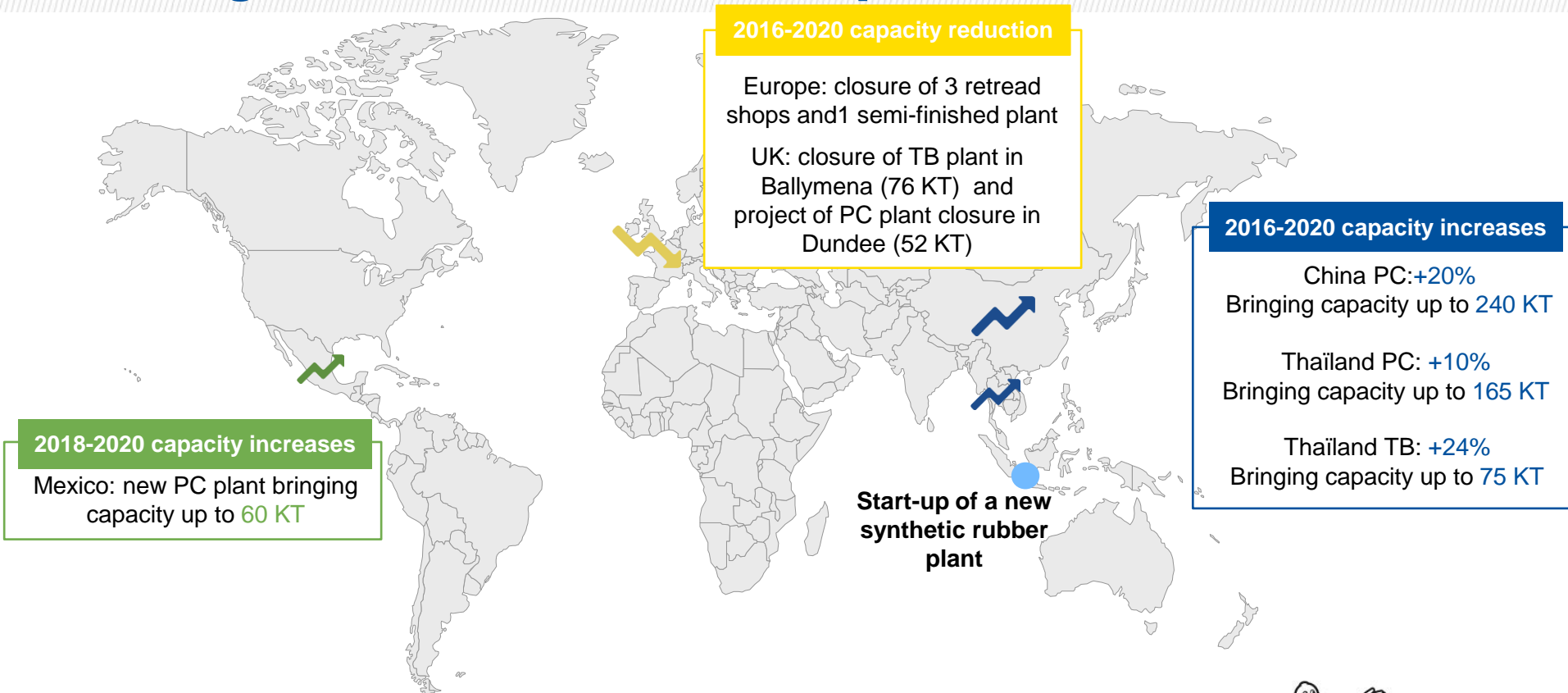
## **Levers for Competitiveness**

## Confirmation of the competitiveness plan: €1.2 billion savings over the 2017-2020 period

- Competitiveness plan gains to offset inflation in 2018, reflecting:
  - A €42m negative impact in H1, due to the roll-out of the new organization and the weak volume performance
  - A positive impact in H2 (estimated at around €40m) despite the slowdown in demand
  - A stronger inflation on energy and logistic costs of around €40m
- Competitiveness plan confirmed, with more than €600 million in savings forecast for the 2019-2020 period



# Keeping on improving Michelin's industrial footprint: serving local demand with local production



# Project of Dundee plant closure: adjusting our capacities to Passenger car market environment

- A UK site dedicated to  $\leq 16''$  MICHELIN tyres for passenger cars
- Unfavourable market trends shaped by a strong slow down of the  $\leq 16''$  market have made the plant unsuitable and its conversion not financially viable
- Plant closure by mid 2020
- Financial impacts:
  - £140m non recurring costs recorded in 2018
  - £50m cash out in 2019 and 2020
  - £40m annual productivity gains by 2021

| <i>In £m</i>       | <b>2018</b> | 2019 | 2020 | 2021 | Total non-recurring expense |
|--------------------|-------------|------|------|------|-----------------------------|
| Non-recurring cost | (140)       | 0    | 0    | 0    | (140)                       |
| o/w cash out       | 0           | (50) | (50) | 0    | (100)                       |
|                    |             |      |      |      | Following years             |
| Productivity gains | 0           | 0    | +20  | +40  | +40                         |

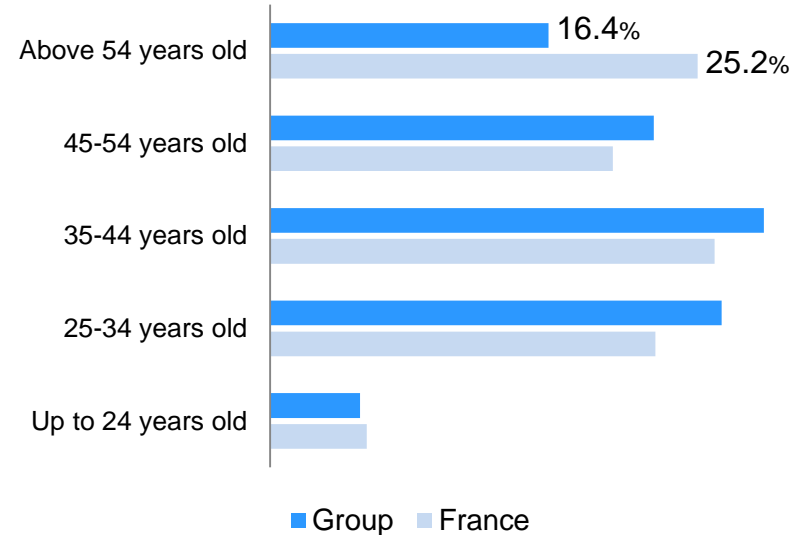
# Reorganization project announced in June 2017 on track: reduction of corporate positions by 1,420 worldwide

▲ A more agile, customer-focused Group capable of unleashing all its power

- Leverage the age pyramid:
  - 3,500 employees retiring in France and the United States between 2018 and 2020
- Optimize hiring:
  - 2,080 new hires in France and the United States between 2018 and 2020



## ● Age pyramid, Group and France\*



\* Manufacture Française des Pneumatiques Michelin



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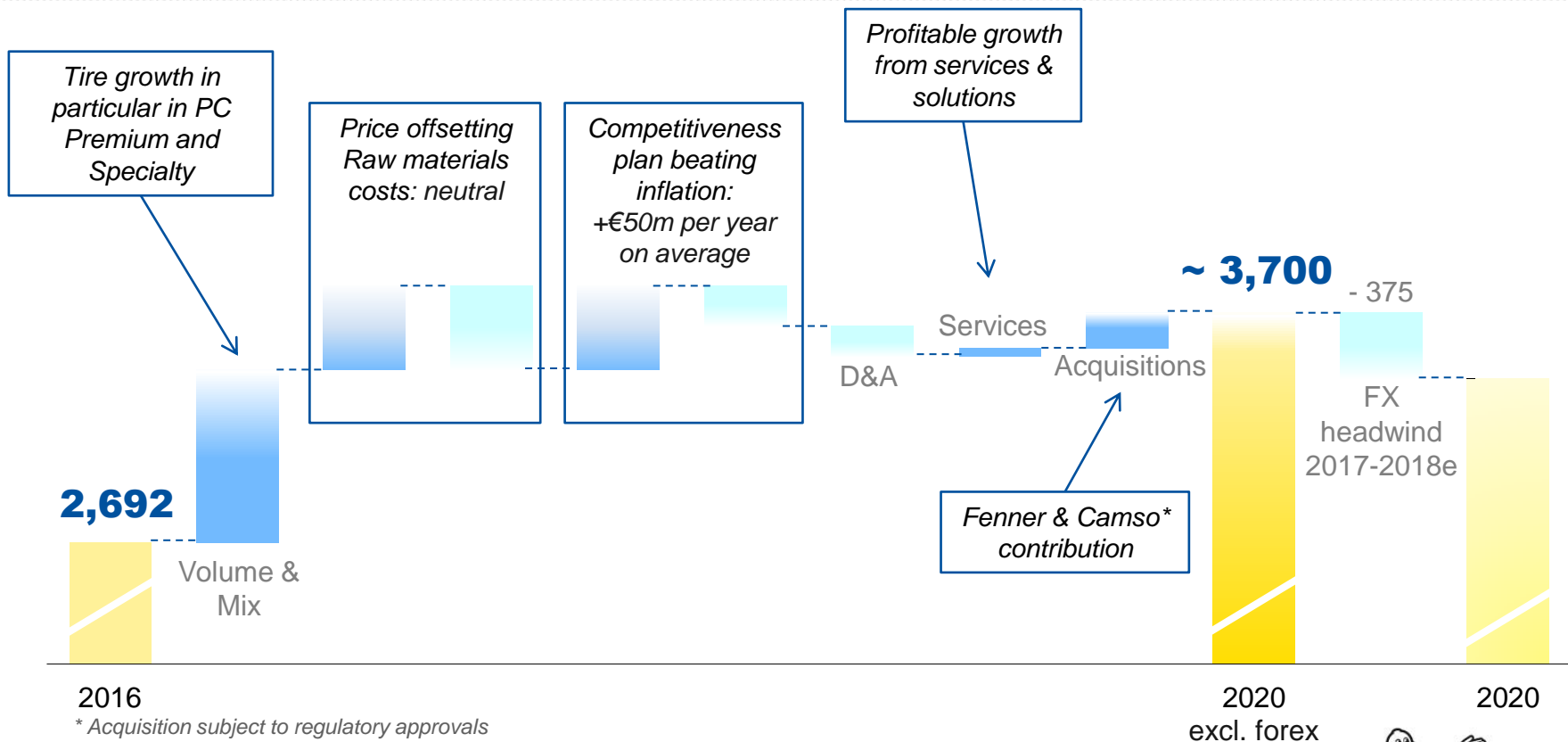
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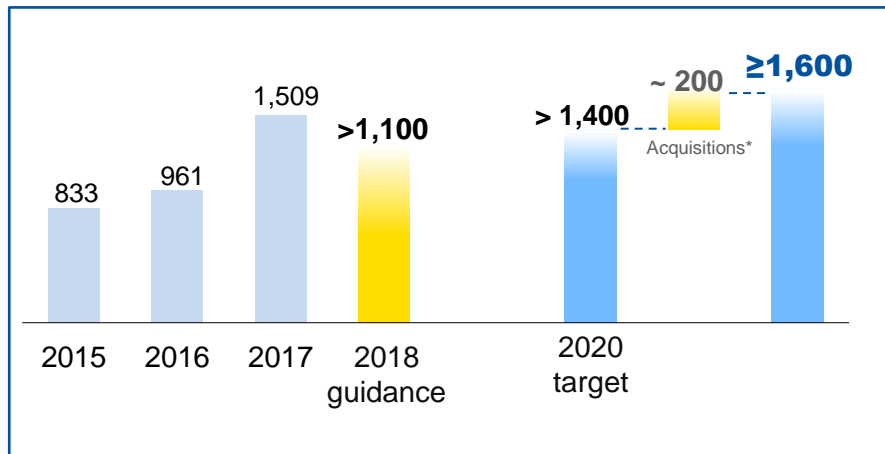
## **2020 Ambition for Profitability**

# 2016-2020: profitability levers



# Strong structural free cash flow of at least €1,600m in 2020

▲ Deliver structural FCF  $\geq$  €1,600m  
as from 2020  
(in € millions)



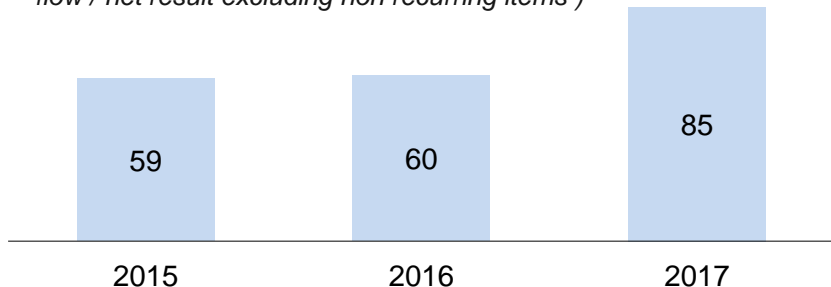
## Free cash flow improvement by 2020 Including acquisitions\*

- EBITDA excluding Forex of ~€5,300m
- Capex stabilizing at ~€1.7bn/€1.8bn
- Working capital management leading to €250m reduction in inventory

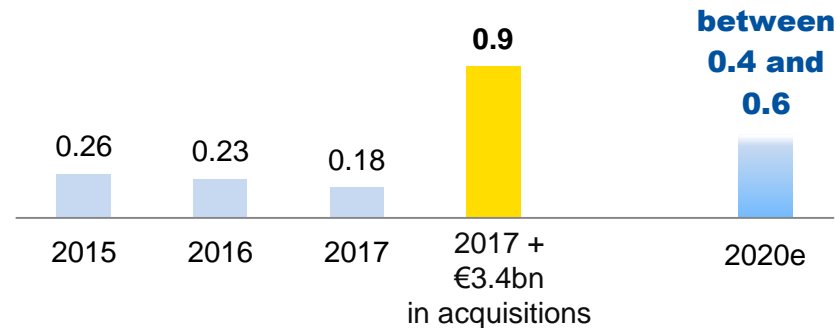
\*Fenner and Camso (subject to regulatory approvals)

# High free cash flow and a robust financial position

▲ Cash conversion (in % - structural free cash flow / net result excluding non recurring items )



▲ Net debt/EBITDA\*

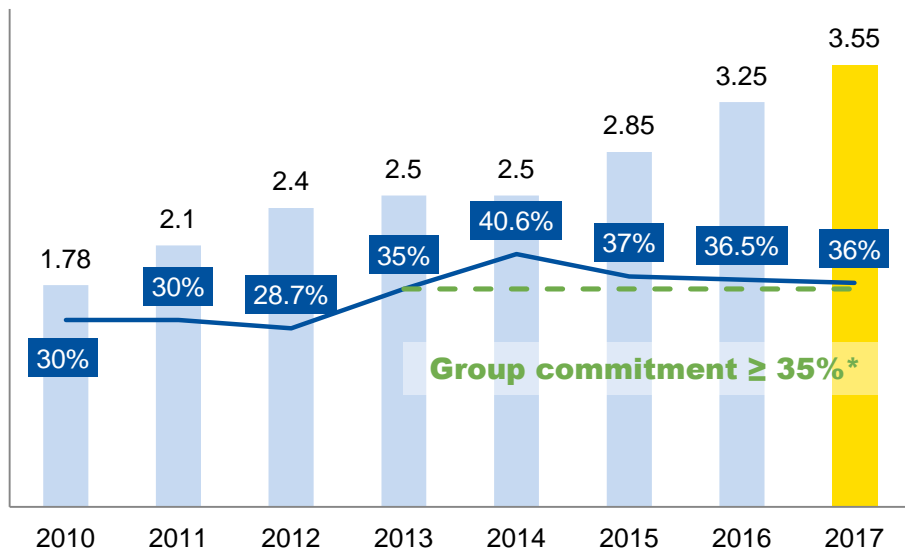


- Net debt/EBITDA peaking in 2018 due to cash out for planned acquisitions during the year, before easing to between 0.4 and 0.6 in 2020
- Rating agencies Moody's, Standard & Poor's and Fitch have confirmed an A-/A3 credit rating after the Camso acquisition project announcement bringing to €3.4bn the cash out in 2018
- Success of a three-tranche bond offering for a total amount of €2.5bn (of which a 20 year-tranche of €750m), rated A- by Standard & Poor's and A3 by Moody's.

\*See the 2017 Registration Document, notes 3.7.2 and 26 to the consolidated financial statements

# Sustained shareholder return policy: dividends and share buybacks

- 2017 dividend of €3.55 per share, or a payout ratio of 36%\*



— Dividend per share (in €)

— Payout ratio (in %)

— Group commitment: payout ratio  $\geq 35\%$ \* over the 2013-2020 period

\* of Net results adjusted from non-recurring items

## Share buyback programs

- 2015-2016: €750m in buybacks and 4.5% of outstanding shares canceled
- 2017-2018: €176m in buybacks and 0.9% of outstanding shares canceled

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# Appendices



**PC Tire Market:** In October, replacement markets in mature zones benefitting from one additional day of sales and increasing demand in North America, while emerging regions show a sharp slow down due to uncertain economic environment that results in delayed consumption notably in China. OE demand still declining in Europe and China, whereas North America benefits from favorable basis of comparison.

#### October 2018 / 2017

| Market                   | Europe including Russia & CIS * | Europe excluding Russia & CIS * | North America | South America | China  |
|--------------------------|---------------------------------|---------------------------------|---------------|---------------|--------|
| Original equipment tires | ▼ -1%                           | ▼ -1%                           | ▲ +7%         | ▲ +12%        | ▼ -12% |
| Replacement tires        | ▲ +4%                           | ▲ +3%                           | ▲ +8%         | ▼ -13%        | ▼ -6%  |

#### YTD (October 2018)

| Market                   | Europe including Russia & CIS * | Europe excluding Russia & CIS * | North America | South America | China |
|--------------------------|---------------------------------|---------------------------------|---------------|---------------|-------|
| Original equipment tires | ▼ -1%                           | ▼ -1%                           | ▼ -2%         | ▲ +10%        | ▼ -2% |
| Replacement tires        | ▲ +2%                           | ▲ +1%                           | ▲ +3%         | ▼ -7%         | ▼ -3% |

\* Turkey included

## TB Tire Market: In October, freight demand and one additional day of sales support strong OE and RT markets in Europe and North America.

October 2018 / 2017

| Market (Radial + Bias)   | Europe including Russia&CIS * | Europe excluding Russia&CIS * | North America | South America |
|--------------------------|-------------------------------|-------------------------------|---------------|---------------|
| Original equipment tires | ▲ +6%                         | ▲ +6%                         | ▲ +35%        | ▲ +31%        |
| Replacement tires        | ▲ +6%                         | ▲ +2%                         | ▲ +13%        | ▼ -3%         |

YTD (October 2018)

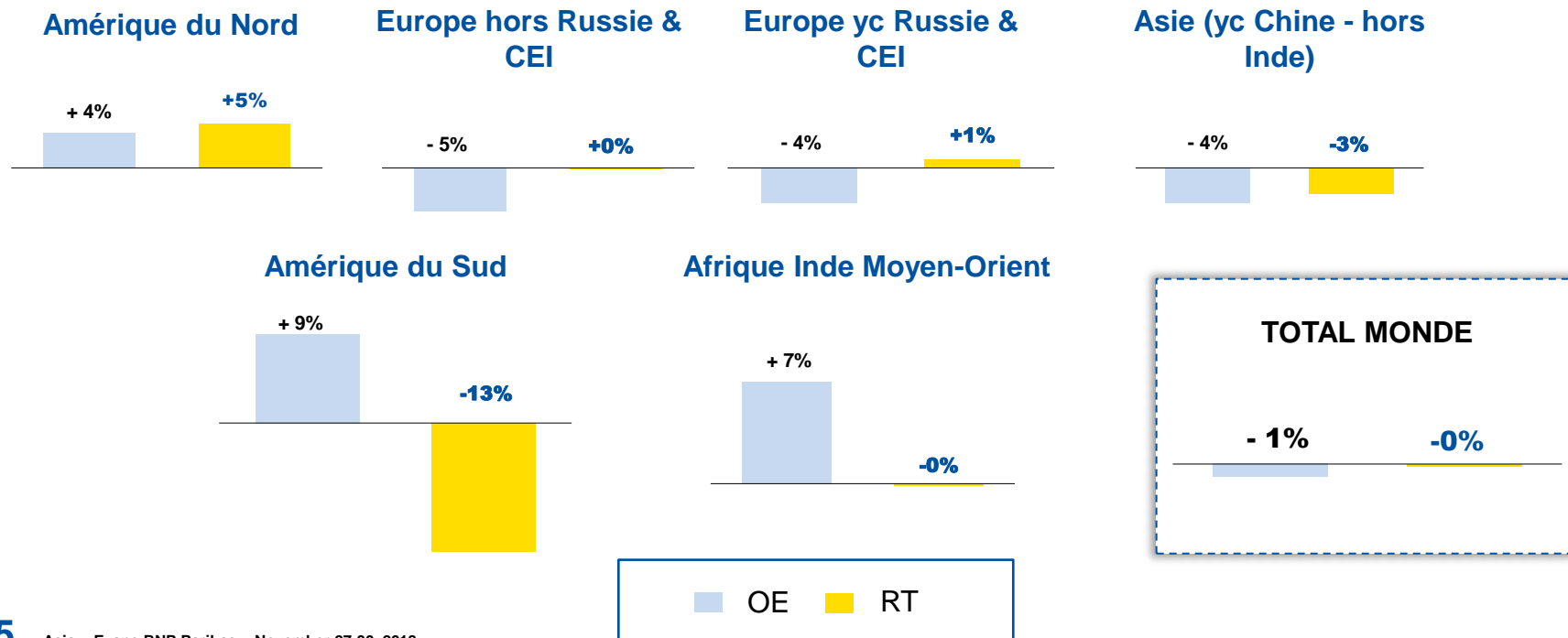
| Market (Radial + Bias)   | Europe including Russia&CIS * | Europe excluding Russia&CIS * | North America | South America |
|--------------------------|-------------------------------|-------------------------------|---------------|---------------|
| Original equipment tires | ▲ +5%                         | ▲ +5%                         | ▲ +18%        | ▲ +59%        |
| Replacement tires        | ▲ +1%                         | ▼ -0%                         | ▲ +9%         | ▲ +3%         |

\* Turkey included

## Q3 Passenger car: Global market starting to slow Favorable comparatives in North America



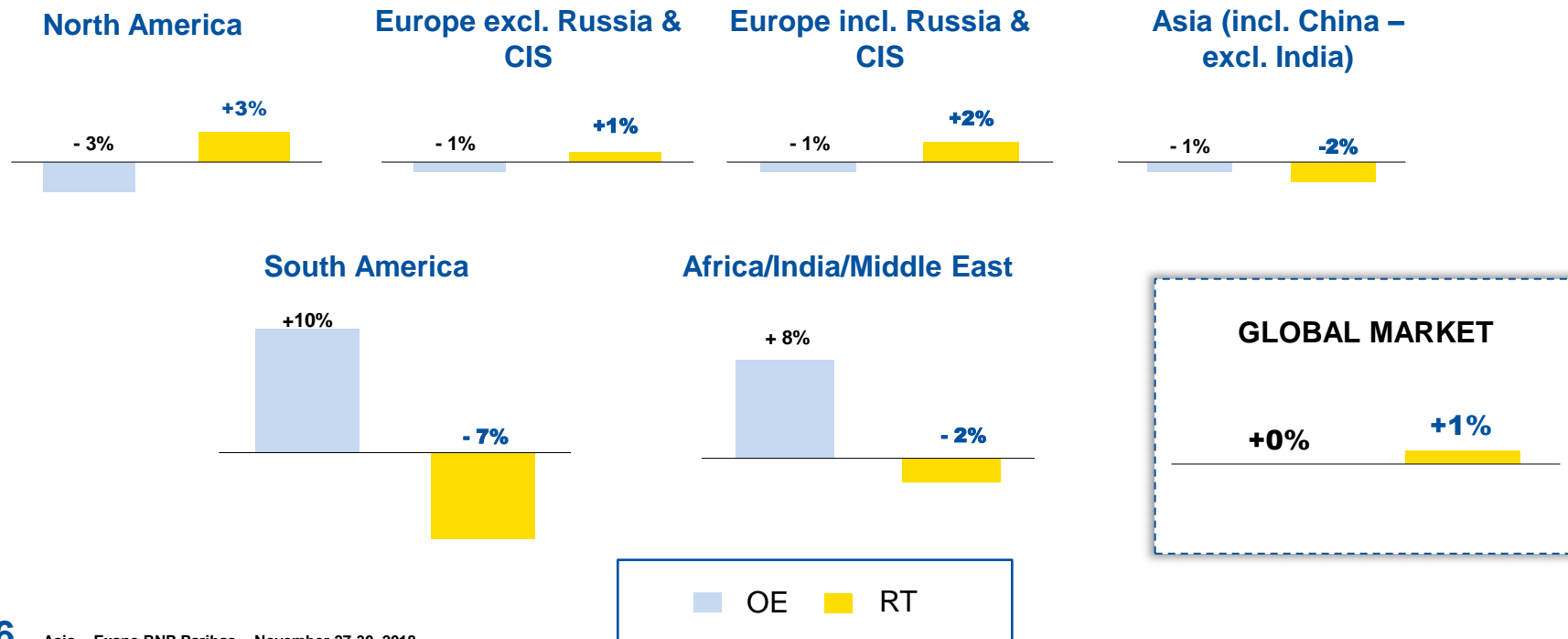
### ▲ Passenger car tire market, Q3 2018 (% change YoY, in number of tires)



# Nine-month Passenger car: Global demand remains strong and steady



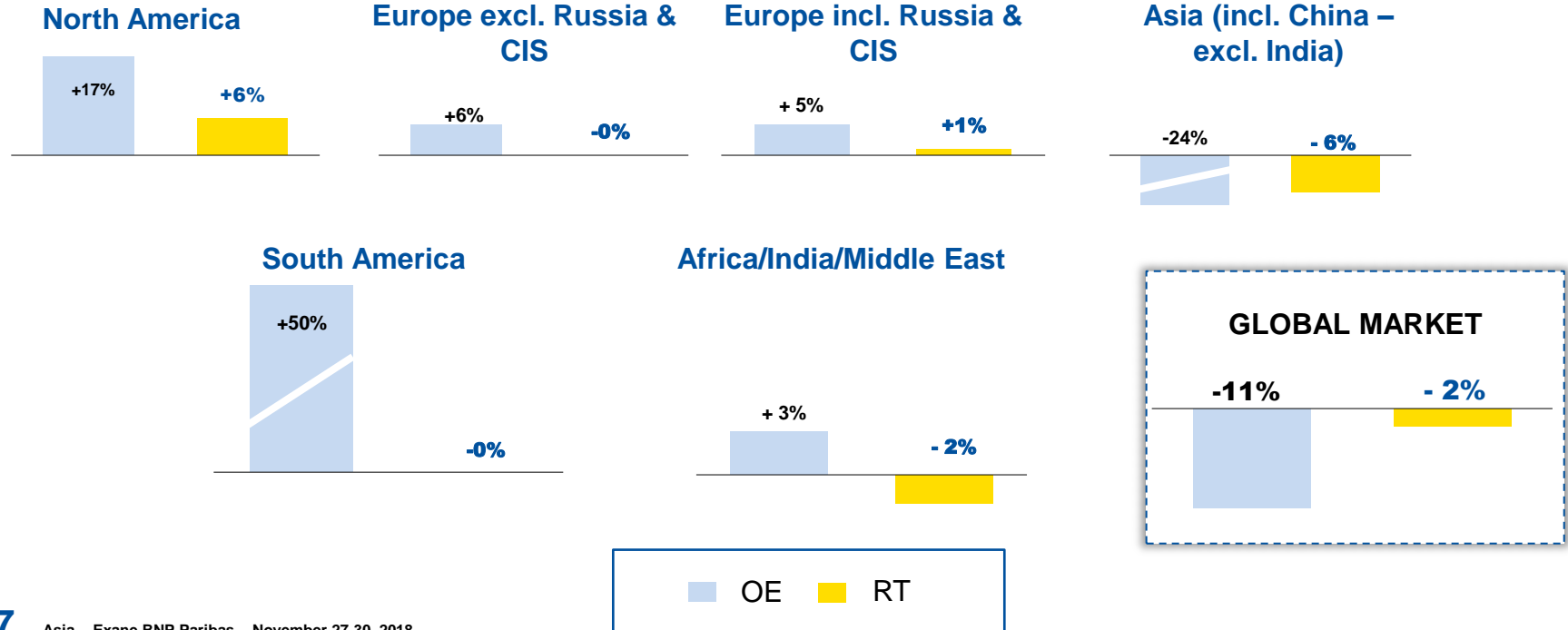
## ▲ Passenger car tire market, 9M 2018 (% change YoY, in number of tires)



## Q3 Truck: Global markets hurt by the steep falloff in demand in Asia



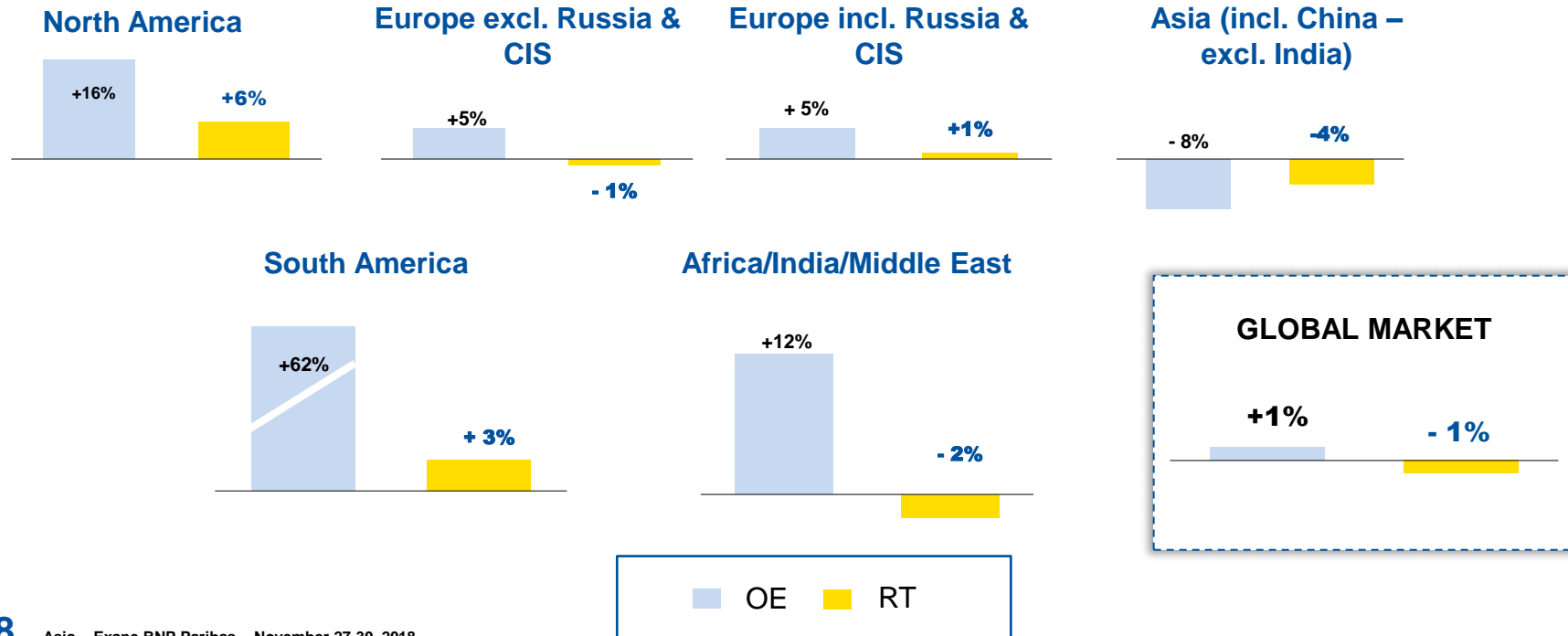
### ▲ Truck tire market, Q3 2018 (% change YoY, in number of tires)



# Nine-month Truck: Global markets hurt by the falloff in demand in Asia



## ▲ Truck tire market, 9M 2018 (% change YoY, in number of tires)








## 2017 – 2020 Competitiveness Plan: accelerating to ~€300m per annum\* generating a net €50m/year vs. inflation

| In €m                  | Plan 2007-2010<br>achieved<br>(4 year plan) | Plan 2012-2016<br>Achieved<br>(5 year plan) | Plan 2017-2020<br>(4 year plan) |                     |
|------------------------|---|---|---------------------------------|---------------------|
|                        |   |   | Target                          | 2017<br>achievement |
| SG&A                   | 251   | 522   | 500/550                         | 110                 |
| Manufacturing<br>Costs | 406   | 448   | 450/500                         | 153                 |
| Materials              | 365   | 227   | 150/200                         | 51                  |
| <b>Total</b>           | <b>1,022</b>                                | <b>1,197</b>                                | <b>~1,200</b>                   | <b>315</b>          |

\*before inflation and including avoided costs.

# First-half effects of the new organization by RS

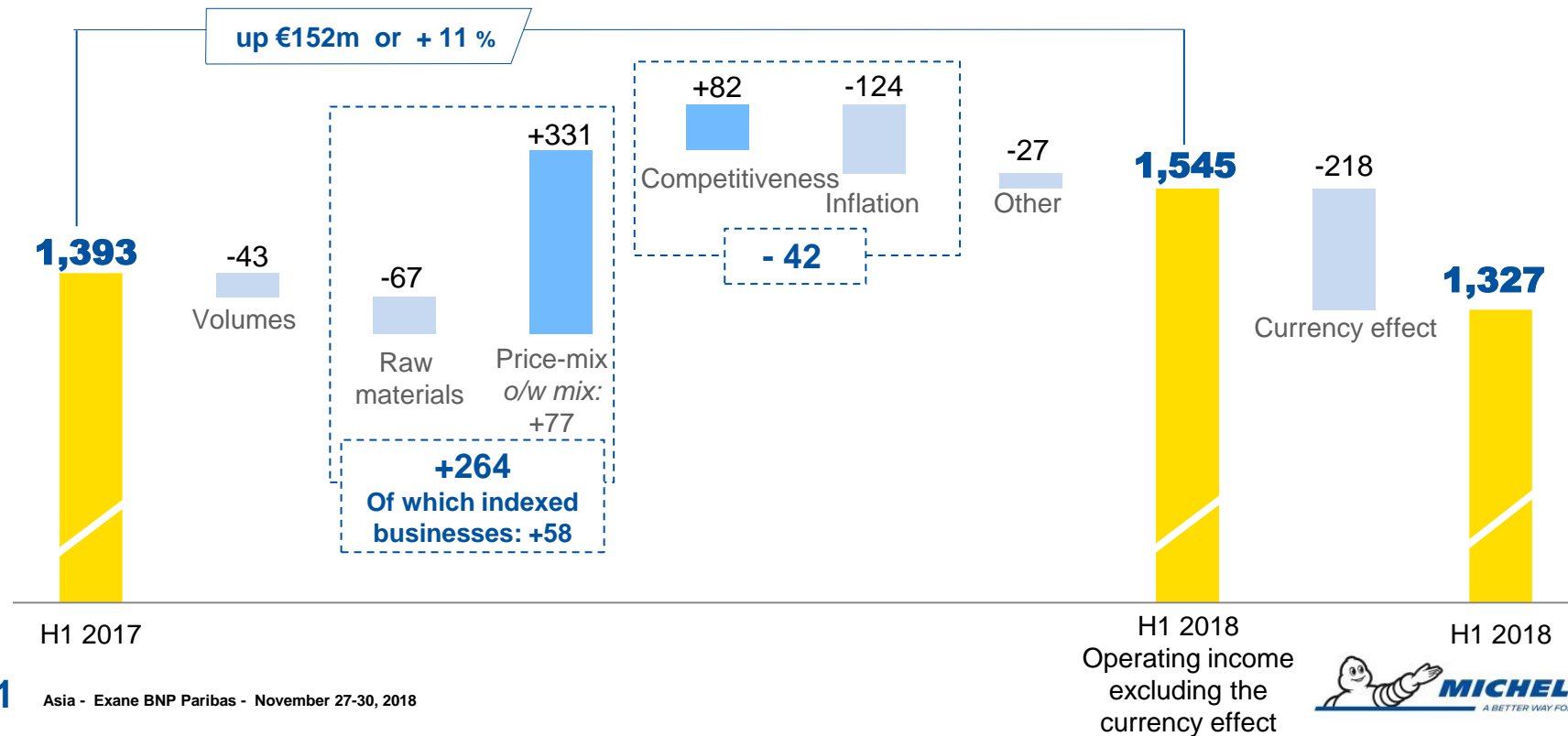
|   | (in € millions)   | H1 2017** | H1 2017 | Change   |
|---|-------------------|-----------|---------|----------|
|  | RS1 net sales     | 6,009     | 6,263   | -4%      |
|   | Operating income* | 764       | 800     | -5%      |
|   | Operating margin* | 12.7%     | 12.8%   | -0.1 pt  |
|  | RS2 net sales     | 2,928     | 3,041   | -4%      |
|   | Operating income* | 214       | 229     | -7%      |
|   | Operating margin* | 7.3%      | 7.5%    | -0.2 pts |
|  | RS3 net sales     | 2,122     | 1,755   | +21%     |
|   | Operating income* | 415       | 364     | +14%     |
|   | Operating margin* | 19.6%     | 20.8%   | -1.2 pts |

\*from recurring activities

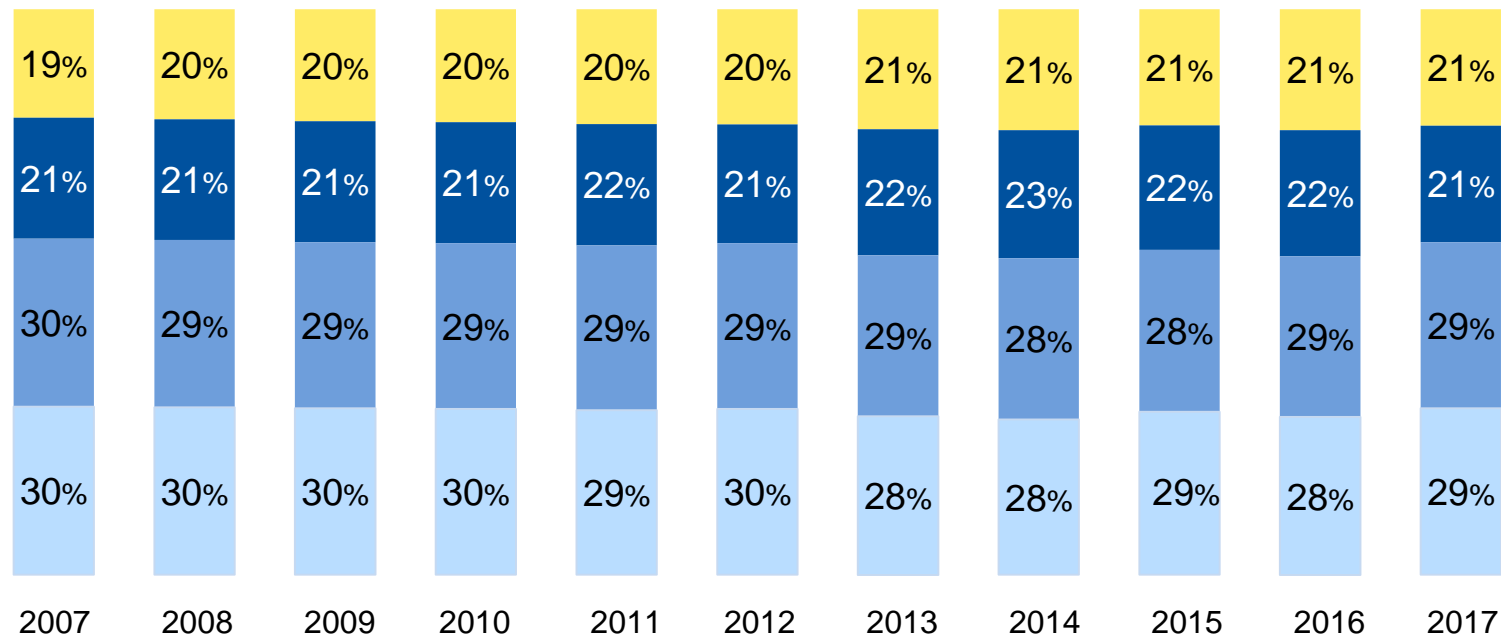
\*\*new organization

# H1 2018: €1,327m in operating income from recurring activities, up €152m or 11% at constant exchange rates

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



# US Replacement Passenger car Tire Market, A Stable Tier 1-pricing Segment Over Time



■ Retail Tier 1

■ Retail Tier 2

■ Retail Tier 3

■ Retail Tier 4

Price indices

100-85

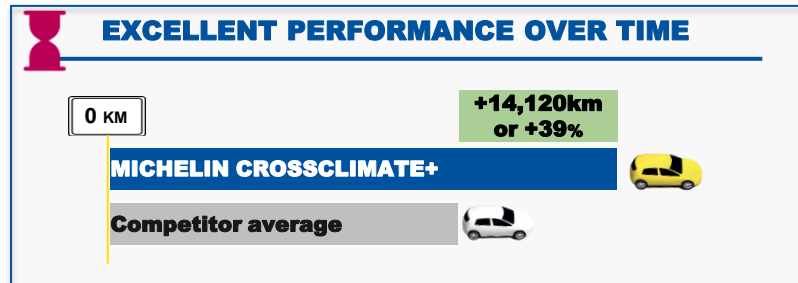
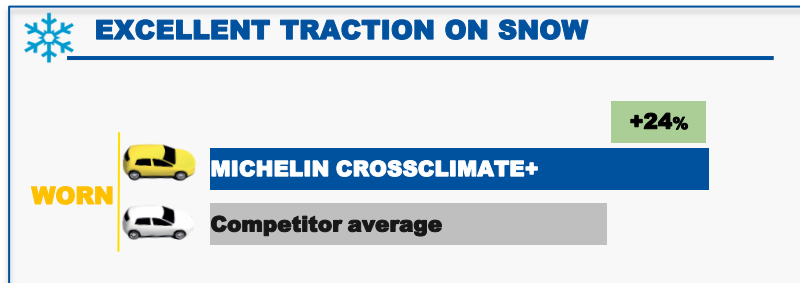
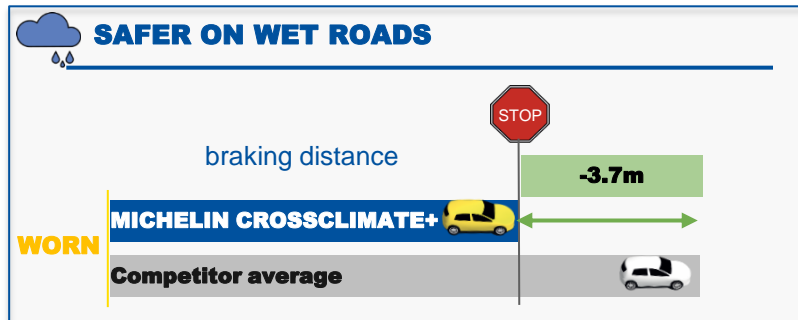
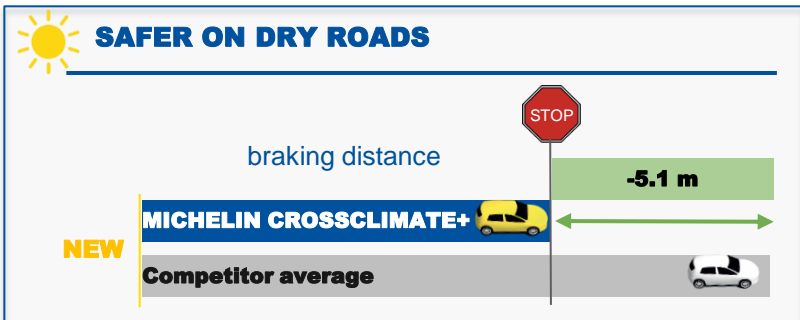
85-70

70-55

<55

# Addressing planned obsolescence: MICHELIN CrossClimate+ offers top performance regardless of new or worn tread

▲ Results of the Auto Bild all-season tire tests\*, November 2017



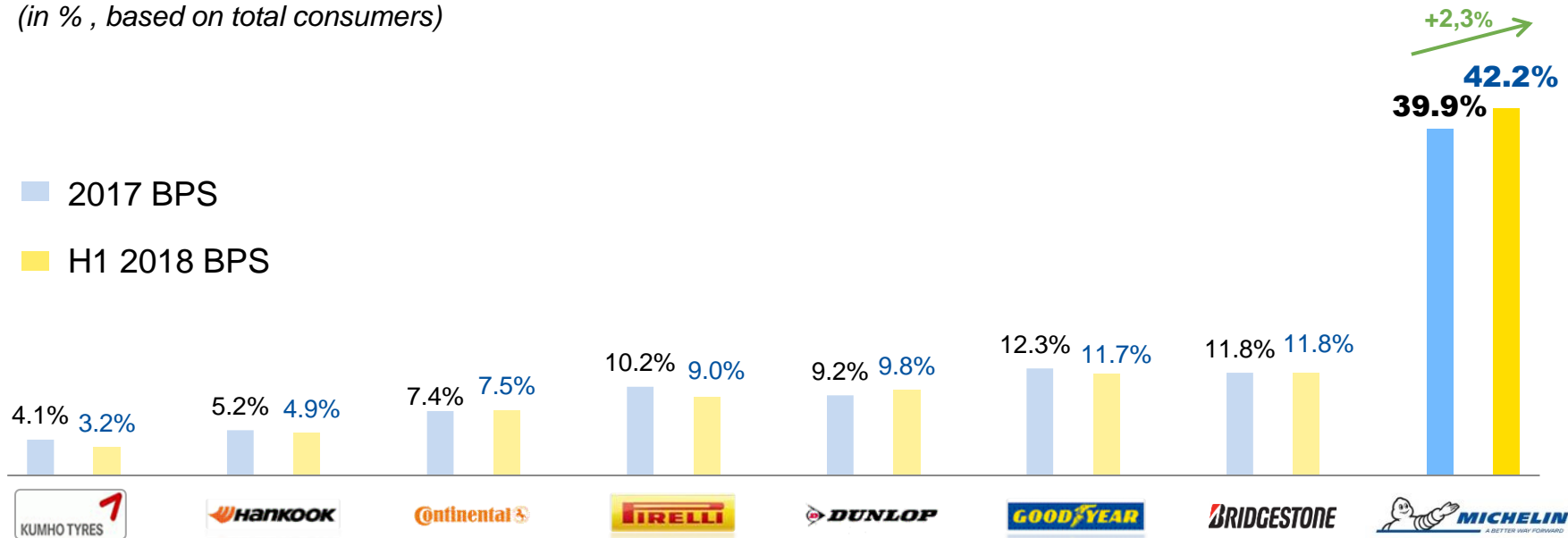
\*Comparative tests conducted by Auto Bild on 185/65 R15 tires, published on November 24, 2017. Competitors: GOODYEAR VECTOR 4S GEN-2, PIRELLI Cinturato all season, VREDESTEIN Quatrac 5, NOKIAN Weatherproof, HANKOOK Kinergy 4 S.

Scales on the graphs are adjusted to improve readability.



# BPS: MICHELIN, the most powerful tire brand in China still growing

▲ Brand Power Score in China\*  
(in % , based on total consumers)



\* BCM study conducted by market research institute Millward Brown, based on the reduced brand list of 8 brands



# Fenner Key figures



| (in £ millions )                      | 2017  | 2016   |
|---------------------------------------|-------|--------|
| Net sales                             | 655   | 573    |
| EBITDA                                | 86    | 61     |
| EBITDA margin                         | 13,1% | 10,6%  |
| EBIT                                  | 59    | 37     |
| EBIT margin                           | 9,0%  | 6,5%   |
| Net income                            | 34,1  | (26,3) |
| Earnings per share in pence (diluted) | 17,5  | (13,6) |
| Net debt                              | 102   | 150    |
| Gearing (Net debt/equity)             | 30%   | 54%    |
| Capex (including finance leases)      | 12,4  | 16,1   |
| Free cash flow*                       | 84,8  | 54,1   |

\* FCF = EBITDA – capex – change in WC – tax

Source: Fenner PLC

# Camso, a market leader in four of the Off-The-Road segments



## Material handling

Tires, wheels and services



- **No. 1\*** in solid forklift tires
- Largest network of forklift tire installation service



## Agriculture

Tracks and track systems

- **No. 1\*** in tracks and track systems



## Construction

Tires, wheels and tracks



- Among top 3\* leaders for construction compact tire segment (<25")
- Among top 3\* leaders for construction rubber tracks



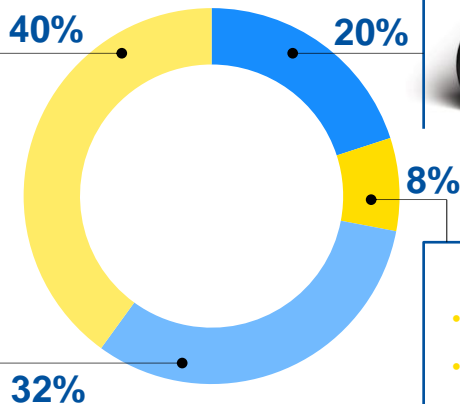
## PowerSport

Tracks and track systems

- **No. 1\*** in snowmobile tracks
- **No. 1\*** in UTV-ATV track systems



▲ Net sales by segment\*



\*Source: Camso 2018

# Camso: a perfect fit with Michelin to enhance value creation



## Transaction process

- Michelin is acquiring Camso based on an enterprise value of \$1.7bn
- Cash out for Michelin amounts to \$1.45bn
- The deal has been approved by all of Camso's shareholders

## Value creation

- Up to \$55m in identified synergies by 2021 and optimization of around \$20m in WCR
- Accretive to EPS from year one and strong value creation
- 8.3 x EBITDA\* post synergies

## Financing

- All-cash deal
- Strategy aligned with Michelin's financing policy, which should maintain a solid credit rating (A-/A3) even after €3.4bn external growth in 2018

## Support from both management teams

- An enthusiastic Camso and Michelin management team, motivated to meet the ambitious targets set for the new OTR unit
- The new OTR Mobility division's decision center will be based in Magog, Quebec, Canada

## Timing

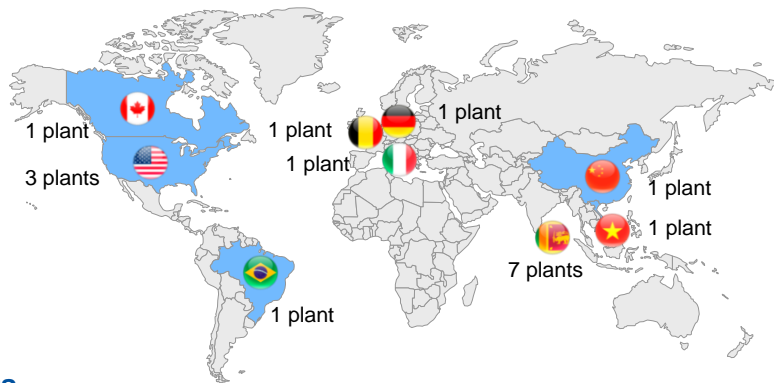
- Acquisition subject to customary due diligence procedures and regulatory approvals
- Closing expected in november 2018

\*EBITDA April 1, 2018 – March 31, 2019

# Camso, a global footprint

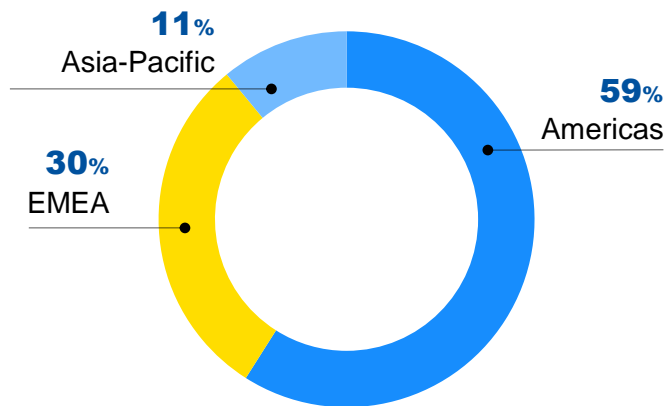


## Plant locations worldwide



**17 plants**  
Of which 10 in emerging countries

## Net sales by region\*



## Global marketing operations

Distributed in  
**100 countries**

**26 countries**  
Proprietary dealerships  
and services under the  
SOLIDEAL brand



\*Source: Camso 2018

# Material handling: with Camso and its SOLIDEAL brand, Michelin will become a major player in solid tires, with a competitive manufacturing base



## ■ Material handling markets and competitive environment\*



| Global market breakdown |              | Michelin      | Camso          | Competition | Growth CAGR 2019-2021 |
|-------------------------|--------------|---------------|----------------|-------------|-----------------------|
| Radial                  | ~ <b>10%</b> | <b>Strong</b> | Absent         | Normal      | <b>+5%</b>            |
| Bias                    | ~ <b>45%</b> | Absent        | <b>Present</b> | High        |                       |
| Solid                   | ~ <b>45%</b> | Absent        | <b>Strong</b>  | Normal      |                       |

- Michelin will broaden the range of solutions offered by Camso, the world leader with the SOLIDEAL brand, which enjoys high awareness and a major share of the OE market. Strong opportunity to drive growth in radial sales
- Camso's services are built around customer-centric solutions, which support their high market share
- Competitive production facilities in Vietnam and Sri Lanka
- Enhanced expertise and innovation capabilities

\*Source: Camso/Michelin, global market in \$ billions

# Construction: Camso strengthens Michelin's offering with a competitive production base



## ■ Construction markets and competitive environment\*



| Global market breakdown |              | Michelin      | Camso          | Competition | Growth<br>CAGR 2019-2021 |
|-------------------------|--------------|---------------|----------------|-------------|--------------------------|
| Radial                  | ~ <b>30%</b> | <b>Strong</b> | Absent         | High        | <b>3.5%</b>              |
| Bias                    | ~ <b>60%</b> | Absent        | <b>Present</b> | High        |                          |
| Tracks                  | ~ <b>10%</b> | Absent        | <b>Present</b> | High        |                          |

- Michelin's intimacy with OE customers to grow Camso's bias business
- Close fit between the dealership networks, to expand the bias and radial offerings
- Michelin will enhance its portfolio thanks to a highly competitive production base (Sri Lanka)
- Conversion from tire to track systems in certain sub-segments
- Growth potential in Asia

\*Source: Camso/Michelin, global market in \$ billions



# Agriculture: creation of a unique player providing its customers with comprehensive, premium solutions in radial tires and track systems



## ■ Agricultural markets and competitive environment\*



| Global market breakdown |              | Michelin      | Camso         | Competition | Growth CAGR 2019-2021                     |
|-------------------------|--------------|---------------|---------------|-------------|---|
| Radial                  | ~ <b>30%</b> | <b>Strong</b> | Absent        | Normal      | <b>+4%</b><br>o/w 9% in the track segment |
| Bias                    | ~ <b>60%</b> | Absent        | Absent        | High        |   |
| Tracks                  | ~ <b>10%</b> | Absent        | <b>Leader</b> | Normal      |   |

- Expanding agro-industry markets are driving strong demand for agriculture equipment, especially tracked vehicles
- A large number of synergy drivers:
  - A product offering that is both comprehensive (radial, tracks and tire pressure control systems) and technologically advanced
  - A tight fitting geographic footprint, especially in Europe and North America
  - Use of Michelin dealerships to drive sales of Camso solutions
  - Michelin R&D can help to optimize the lifespan of Camso treads
- Products that protect the environment and increase yields, with reduced soil compaction and better traction

\*Source: Camso/Michelin, global market in \$ billions

# Up to \$55 million in quantified synergies in 2021...



- Three sales growth drivers:
  - Products, geographies and customers
    - Generating additional sales, led by replacement markets, feeding through to \$25m in EBITDA
- Identified cost optimizations:
  - Improved raw materials purchasing conditions and in-sourcing options:
    - Up to \$15m in gains
  - Optimization of expenses, pooling of R&D capabilities
    - Up to \$15m in gains
  - Reduction in Camso's finance costs
- Optimization of working capital requirement to improve cash flow by around \$20m



# Camso key figures



| <i>In \$ millions</i>     | <b>2018</b> |
|---------------------------|-------------|
| Net sales                 | <b>974</b>  |
| EBITDA                    | <b>136</b>  |
| EBITDA margin             | <b>14%</b>  |
| Net income                | <b>68</b>   |
| Net debt                  | <b>251</b>  |
| Capex as a % of net sales | <b>5.5</b>  |
| Free cash flow*           | <b>17</b>   |

\*Free cash flow = EBITDA – investment – change in WCR - tax

Source: Camso

# H1 2018 net sales by currency and EBIT impact

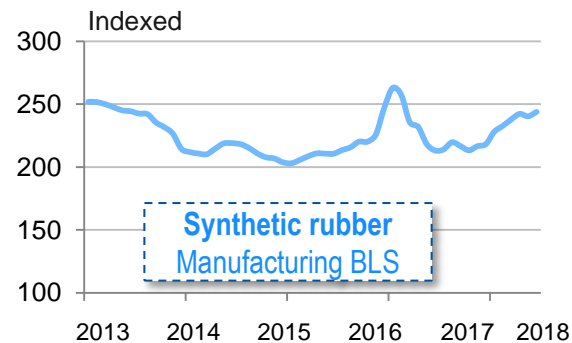
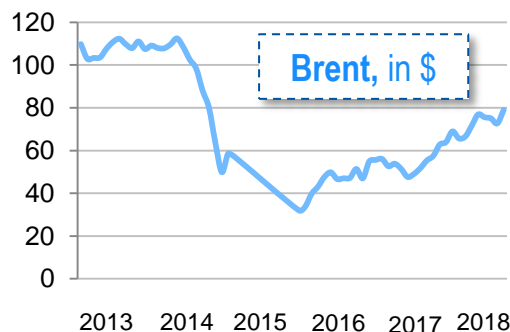
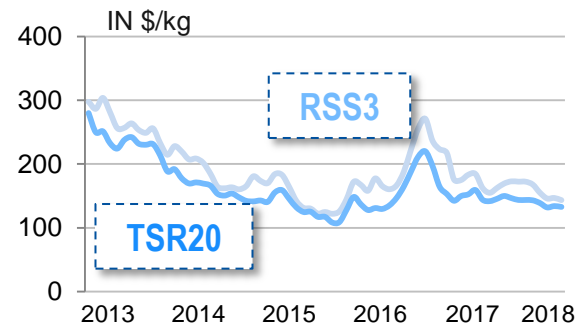
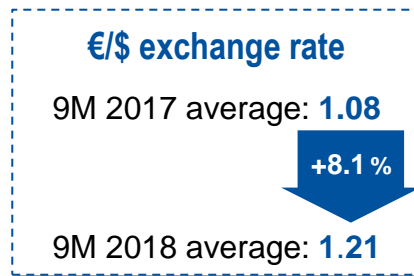
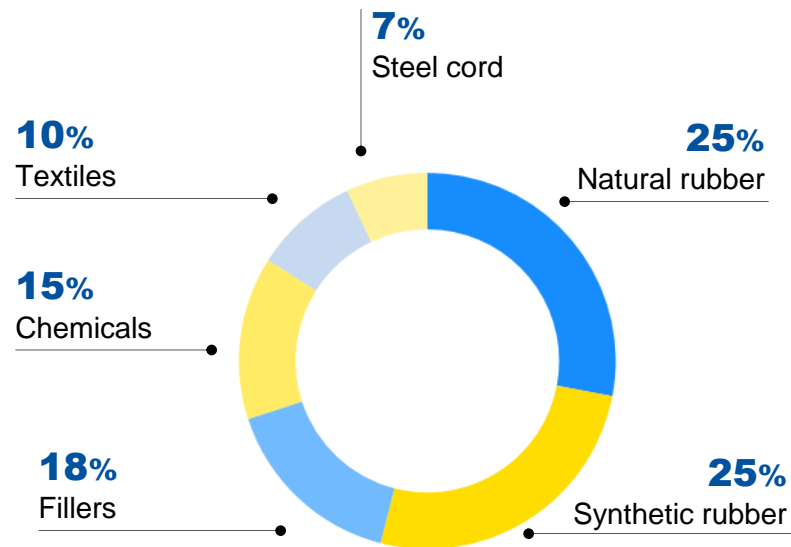
|  | % of net sales<br>H1 2018 |     | H1 2018 vs 2017<br>€ change vs.<br>currency | Droptthrough<br>Net sales/EBIT* |
|--|---------------------------|-----|---|---------------------------------|
|  | ARS                       | 1%  | +51%  | 80% - 85%                       |
|  | AUD                       | 2%  | +9%   | 80% - 85%                       |
|  | BRL                       | 3%  | +20%  | -20% / - 30%                    |
|  | CAD                       | 3%  | +7%   | 25% - 30%                       |
|  | CNY                       | 6%  | +4%   | 25% - 30%                       |
|  | EUR                       | 35% | NA  | -                               |
|  | GBP                       | 3%  | +2%   | 25% - 30%                       |
|  | INR                       | 1%  | +12%  | 25% - 30%                       |
|  | JPY                       | 1%  | +8%   | 80% - 85%                       |

|  | % of net sales<br>H1 2018 |     | H1 2018 vs 2017<br>€ change vs.<br>currency | Droptthrough<br>Net sales/EBIT* |
|--|---------------------------|-----|---|---------------------------------|
|  | MXN                       | 1%  | +10%  | 25% - 30%                       |
|  | PLN                       | 1%  | -1%   | 25% - 30%                       |
|  | RUB                       | 2%  | +14%  | 25% - 30%                       |
|  | THB                       | 1%  | +2%   | -100% / -130%                   |
|  | TRY                       | 1%  | +25%  | 80% - 85%                       |
|  | TWD                       | 1%  | +8%   | 80% - 85%                       |
|  | USD                       | 35% | +12%  | 25% - 30%                       |
|  | Autres                    | 1%  |   | 80% - 85%                       |

\* Droptthrough depending on countries specificities: export/production/sales base

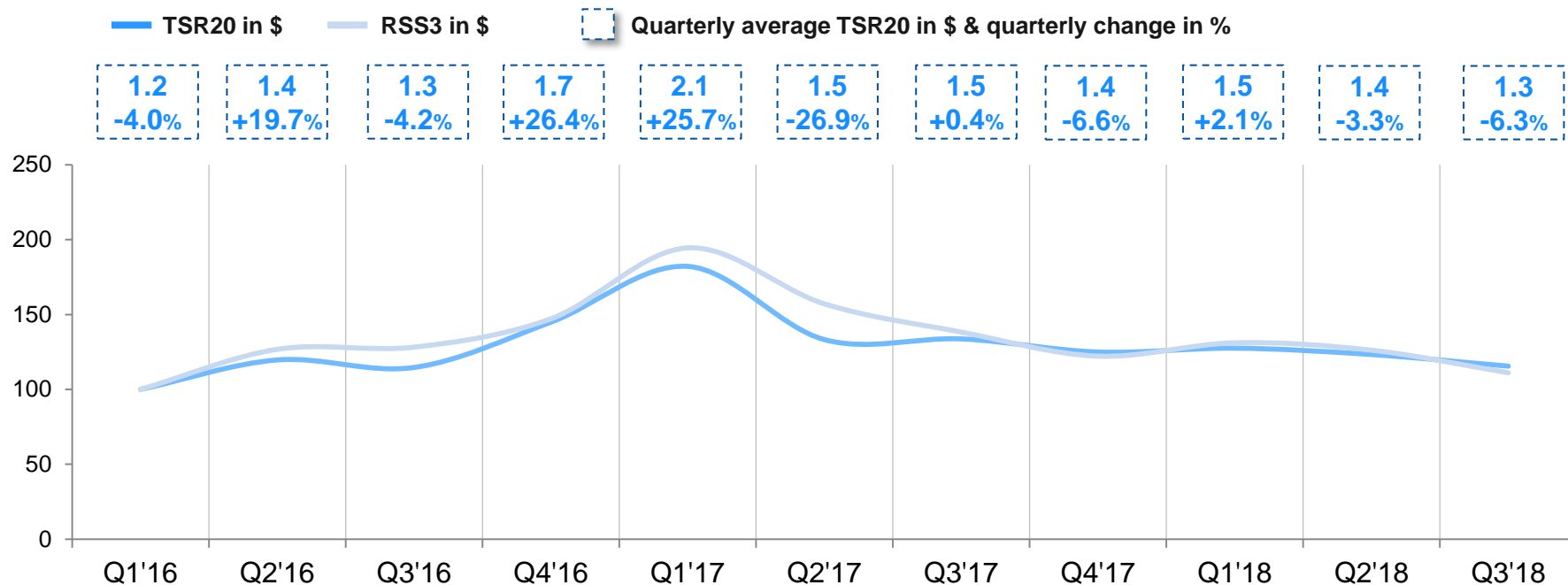
# Raw materials

## ▲ Raw materials purchases in H1 2018 (€2.5bn)



# Natural rubber prices

▲ Index as of September 30, 2018 (in \$/kg, base 100: Q1 2016)

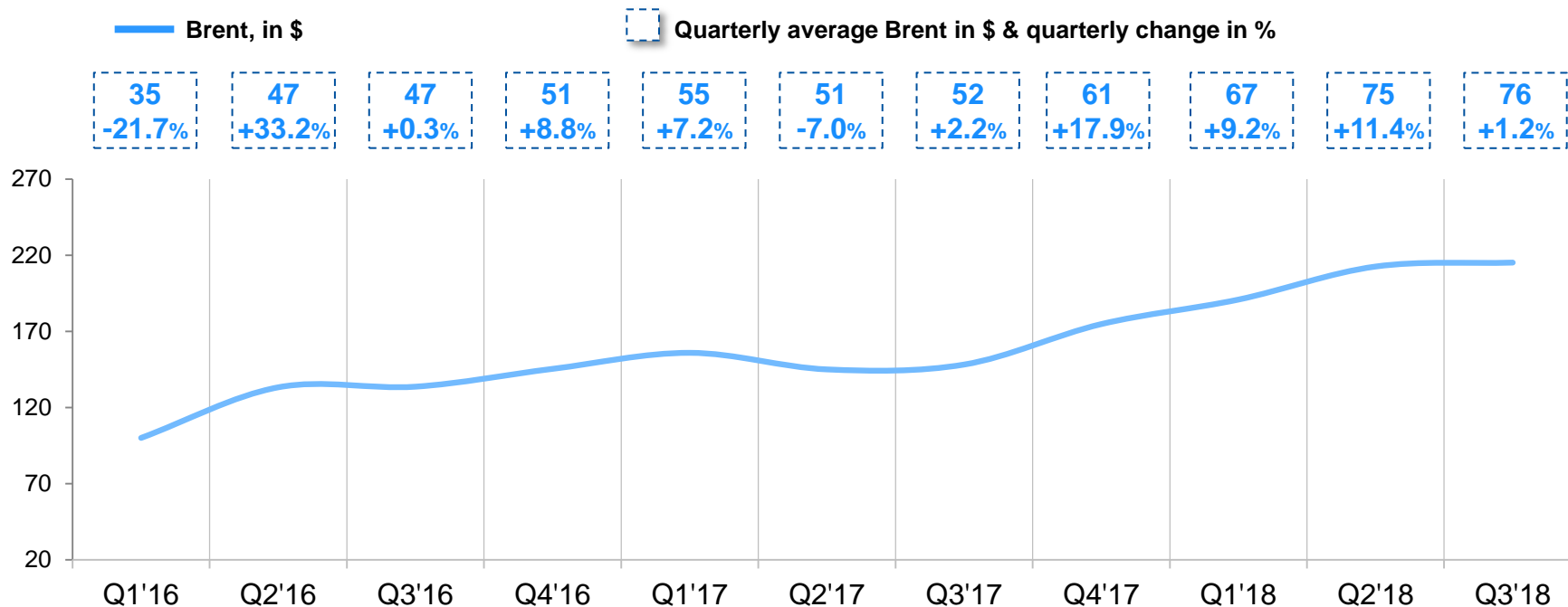


Source: SICOM



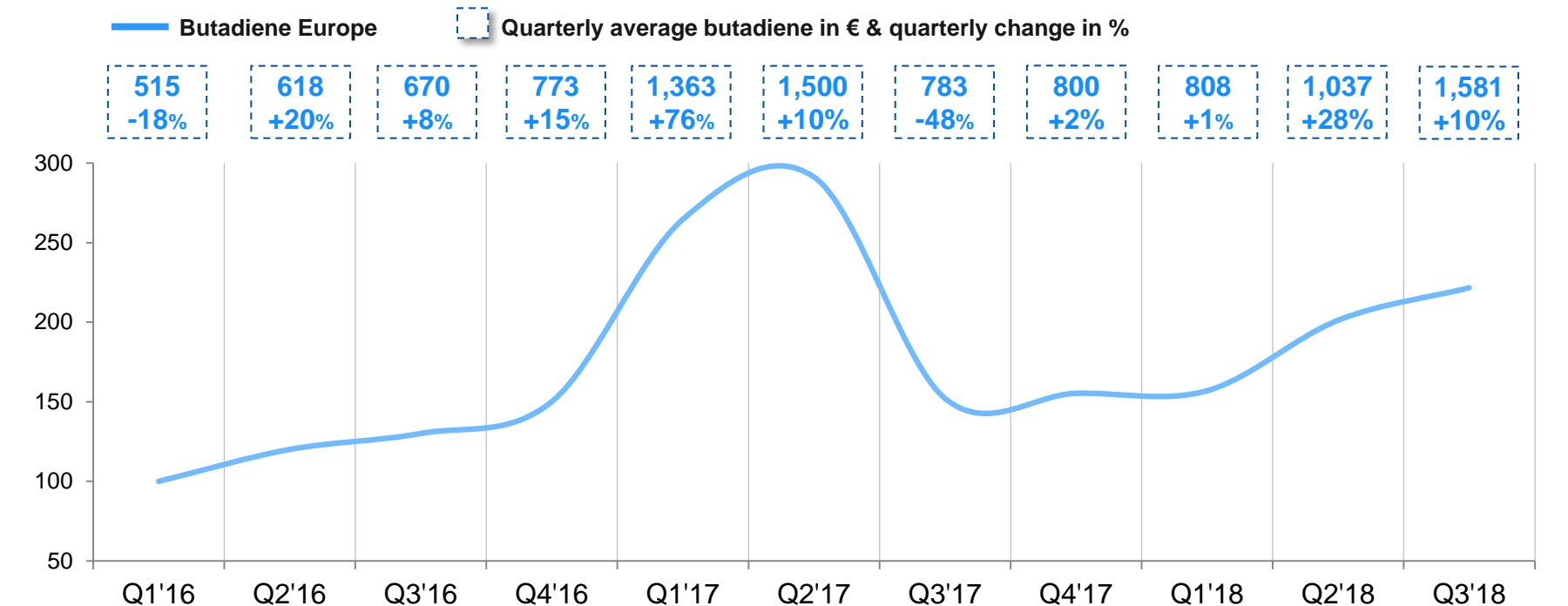
# Brent crude oil prices

▲ Index as of September 30, 2018 (\$ per barrel, base 100: Q1 2016)



# Butadiene prices

▲ Index as of September 30, 2018 (€ per tonne, base 100: Q1 2016)



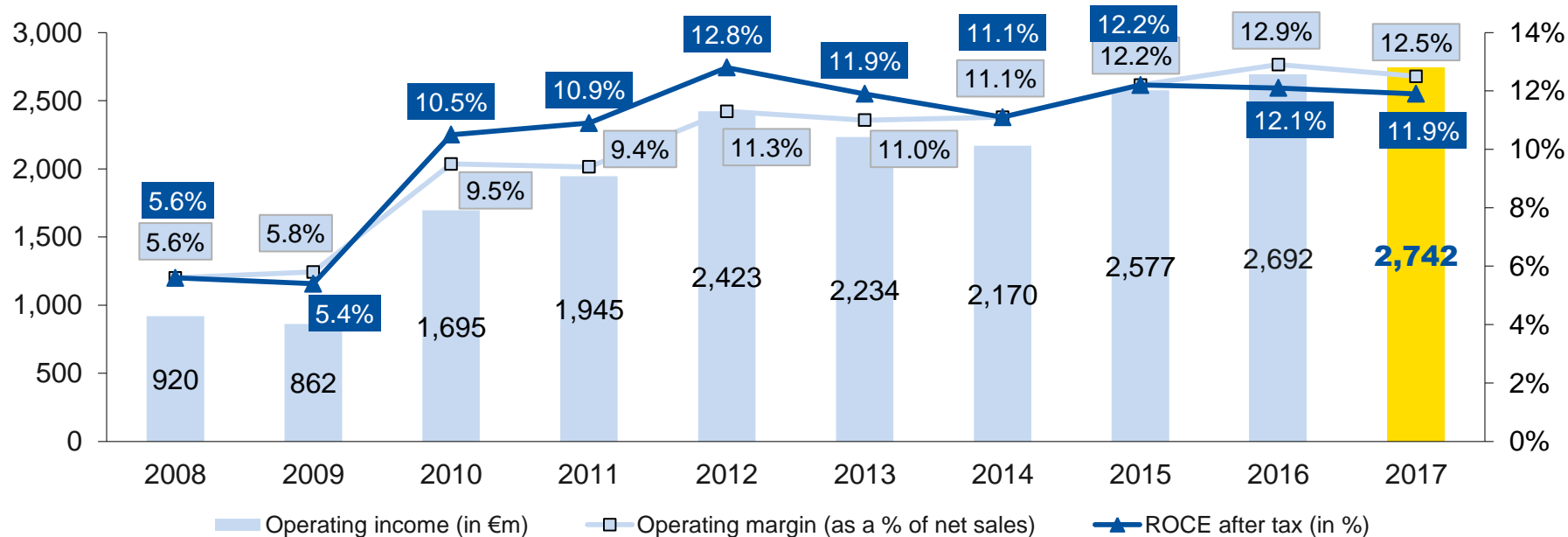
Source: IHS

# Bond issues outstanding (as of August 29, 2018)

| Issuer   | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN | Compagnie Générale<br>des Etablissements<br>MICHELIN  | Compagnie Générale<br>des Etablissements<br>MICHELIN  | MICHELIN<br>Luxembourg                          | MICHELIN<br>Luxembourg                          | MICHELIN<br>Luxembourg                          | MICHELIN<br>Luxembourg                          |
|--|--|--|--|---|---|---|---|---|---|
| <b>Issue</b>                                   | Senior Note  | Senior Note  | Senior Note  | Senior Note   | Senior Note   | Senior Note                                     | Senior Note                                     | Senior Note                                     | Senior Note                                     |
| <b>Type</b>                                    | Bond   | Bond   | Bond   | Convertible   | Convertible   | Bond  | Bond  | Bond  | Bond  |
| <b>Principal Amount</b>                        | € 750 mn   | € 1000 mn  | € 750 mn   | \$ 600 mn   | \$ 500 mn + TAP \$100 mn                              | € 302 mn  | € 300 mn  | € 300 mn  | € 400 mn  |
| <b>Offering price</b>                          | 99,099%  | 99,262%  | 99,363%  | 95,50%  | 100% & 103,85%  | 98,926%   | 99,967%   | 99,081%   | 99,912%   |
| <b>Rating corporation<br/>at Issuance date</b> | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                             | A- (S&P)<br>A3 (Moody's)                              | A- (S&P)<br>A3 (Moody's)                              | A- (S&P)<br>A3 (Moody's)                        | A- (S&P)<br>A3 (Moody's)                        | A- (S&P)<br>A3 (Moody's)                        | BBB+ (S&P)<br>Baa1 (Moody's)                    |
| <b>Current coporation rating</b>               | A- (S&P) ; A3 (Moody's) ; unsolicited A- (Fitch)     |  |  |   |   |   |   |   |   |
| <b>Coupon</b>                                  | 0,875% p.a   | 1,75% p.a  | 2,50% p.a  | ZERO<br>Conv premium 130%                             | ZERO<br>Conv premium 128%                             | 3,25% p.a                                       | 1,125% p.a                                      | 1,75% p.a                                       | 2,75% p.a                                       |
| <b>Issue Date</b>                              | 29-août-18   | 29-août-18   | 29-août-18   | 05/jan/2018   | 05/jan/2017 & 25/apr/2017                             | 21/sep/2015 &<br>27/sep/2016                    | 19-mai-15                                       | 19-mai-15                                       | 11-juin-12                                      |
| <b>Maturity</b>                                | 3-sept.-25   | 3-sept.-30   | 3-sept.-38   | 10-nov.-23  | 10-janv.-22   | 30-sept.-45                                     | 28-mai-22                                       | 28-mai-27                                       | 20-juin-19                                      |
| <b>Interest payment</b>                        | Annual<br>Sept 03                                    | Annual<br>Sept 03                                    | Annual<br>Sept 03                                    | N/A   | N/A   | Annual<br>Sept 30                               | Annual<br>May 28                                | Annual<br>May 28                                | Annual<br>June 20                               |
| <b>ISIN</b>                                    | FR0013357845   | FR0013357852   | FR0013357860   | FR0013309184  | FR0013230745  | XS1298728707                                    | XS1233732194                                    | XS1233734562                                    | XS0794392588                                    |
| <b>Denomination</b>                            | € 100'000 with min.<br>tradable amount<br>€ 100'000  | € 100'000 with min.<br>tradable amount<br>€ 100'000  | € 100'000 with min.<br>tradable amount<br>€ 100'000  | \$ 200'000 with min.<br>tradable amount<br>\$ 200'000 | \$ 200'000 with min.<br>tradable amount<br>\$ 200'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 | € 1'000 with min.<br>tradable amount<br>€ 1'000 |

# 2017: another year in line with our 2020 roadmap

## ▲ Operating income and margin\* & ROCE



\*from recurring activities.

# Investor calendar

- **Coming events:**
  - **February 11, 2019 (after close of trading):** 2018 full year results
  - **April 4, 2019:** Investor day

# 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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