



**Exane BNPP – March 7, 2017**  
**Los Angeles**

# 2016: a year of progress, in line with our 2020 roadmap

	2016 guidance		2016 actual
Volumes	Above-market growth	✓	+2.1%
Operating income from recurring activities at constant exchange rates	> 2015	✓	€2,692m up €235m
Structural FCF	> €800m	✓	€961m

# Objectives met: €2,692m in operating income from recurring activities (up €235m at constant exchange rates), above €1bn in FCF

- Volumes up 2.1%, outpacing the markets
- €159m positive impact from changes in price mix and raw materials costs, thanks to effective management
- Competitiveness plan: €1.2bn target met over the 2012-2016 period
- Strong free cash flow for the year, at €1,024m
  - With €961m in structural free cash flow, up €128m
- Two-year, €750m share buyback program completed and 4.5% of outstanding shares canceled, of which 1.8% (for €301m) in 2016
- Proposed dividend of €3.25\* per share, for a payout of 36.5% of consolidated net income before non-recurring items
- 2017 guidance in line with 2020 objectives

\* Subject to shareholder approval at the Annual Meeting on May 19, 2017

# Volumes up 2.1%, outpacing the markets

% change in volumes YoY	2016
<b>Passenger car and Light truck tires*</b> Markets	+3% +3%
<b>Truck tires*</b> Markets	+1% -1%
<b>Specialty tires</b> Markets	-1% -4 %

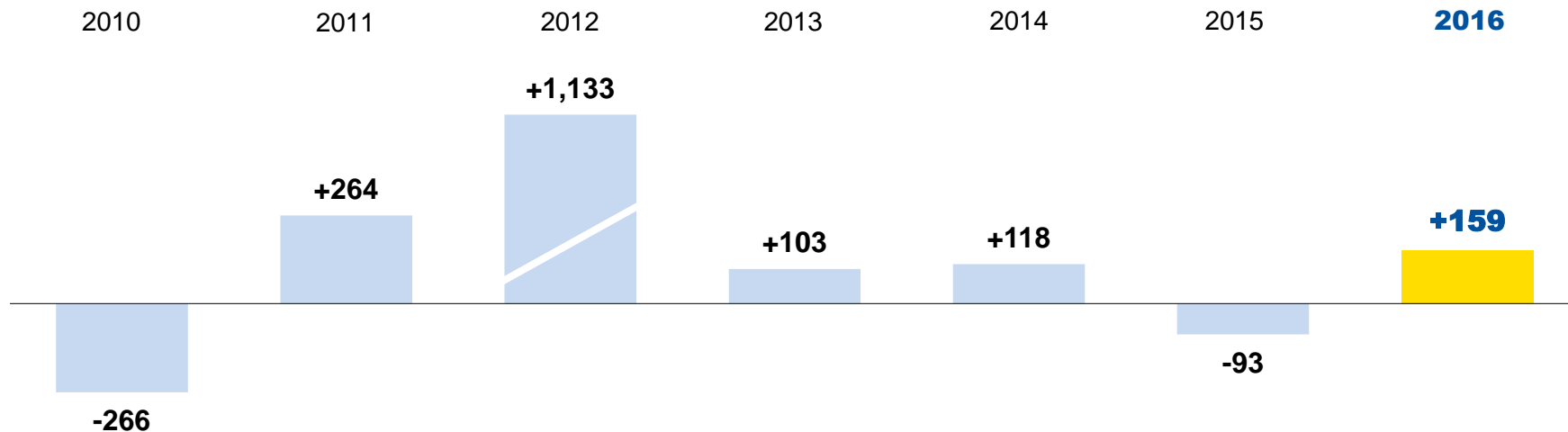
\* And related distribution

Source: Michelin



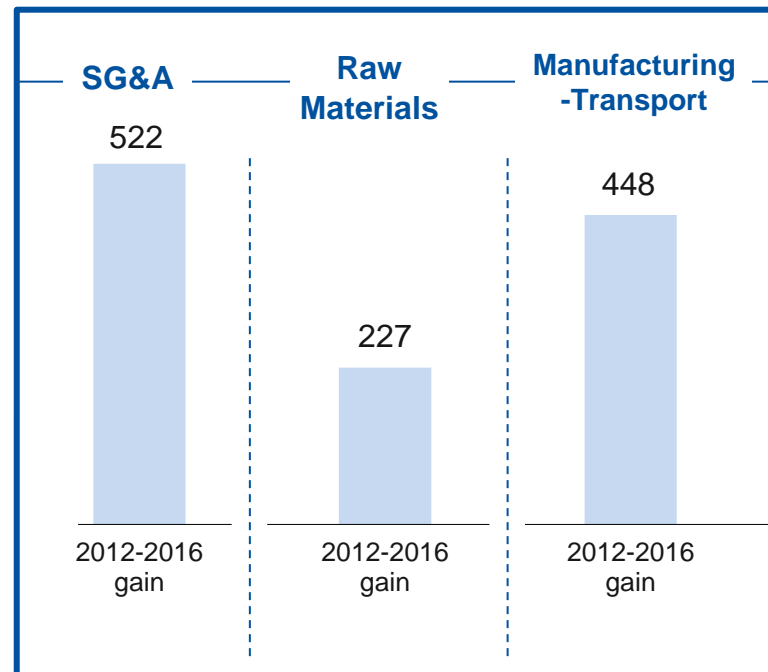
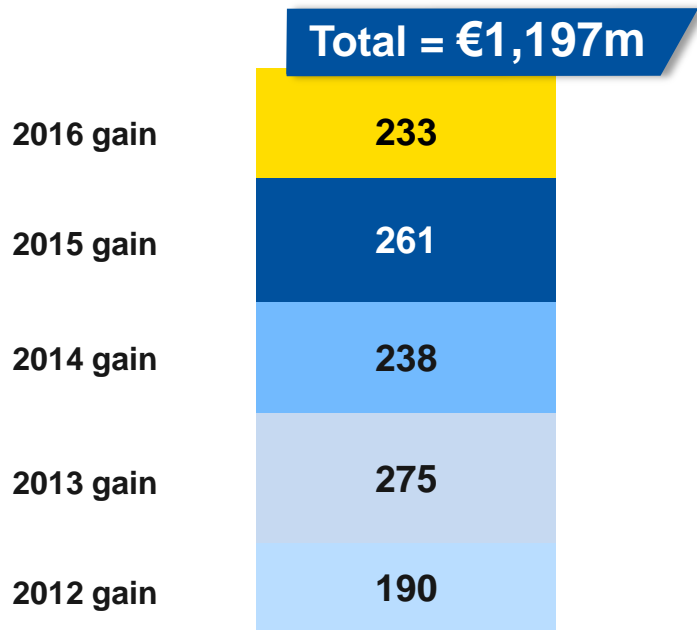
# Improvement in unit margin due to effective pricing management over time

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



# Competitiveness plan's 2012-2016 target met

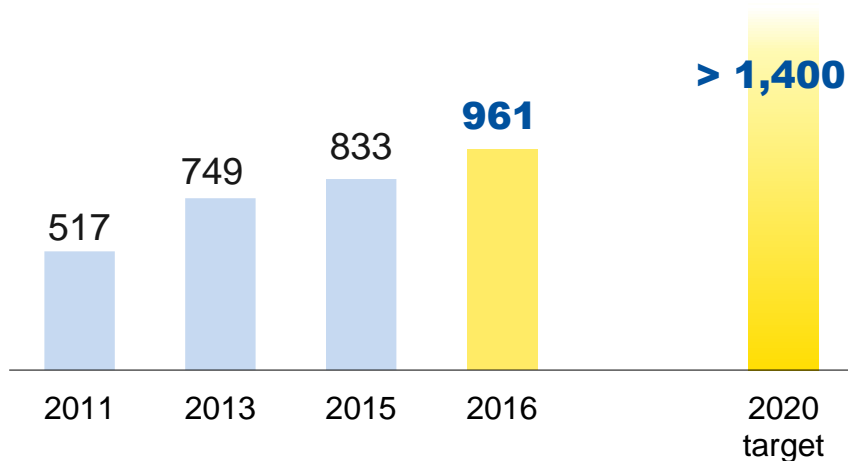
▲ Targeted gains\*, 2012-2016: €1,200m ✓



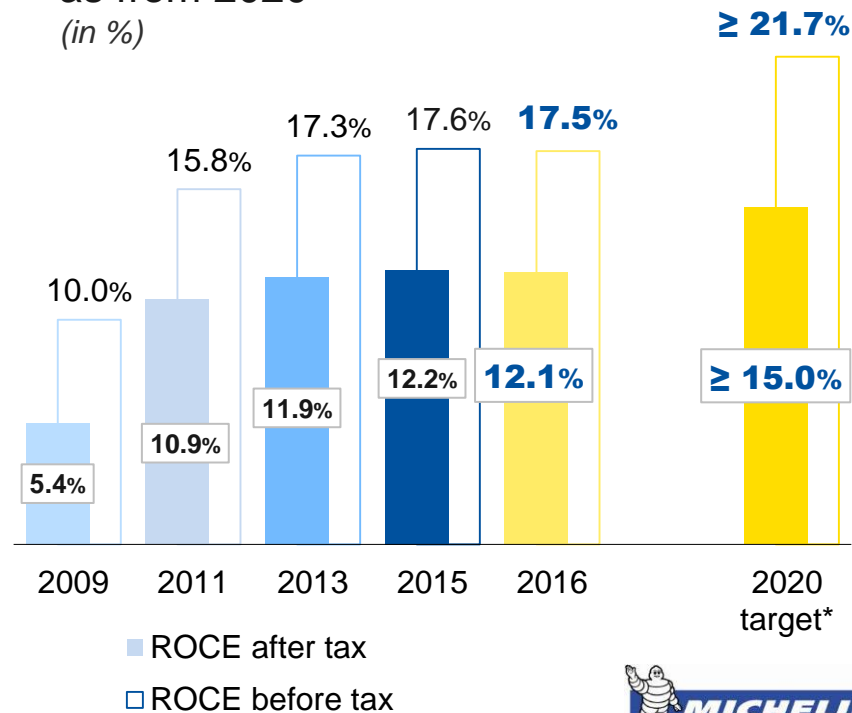
\* Before inflation and including avoided costs.

# 2016 performance in line with 2020 objectives

▲ Deliver structural FCF > €1,400m  
as from 2020  
(in € millions)



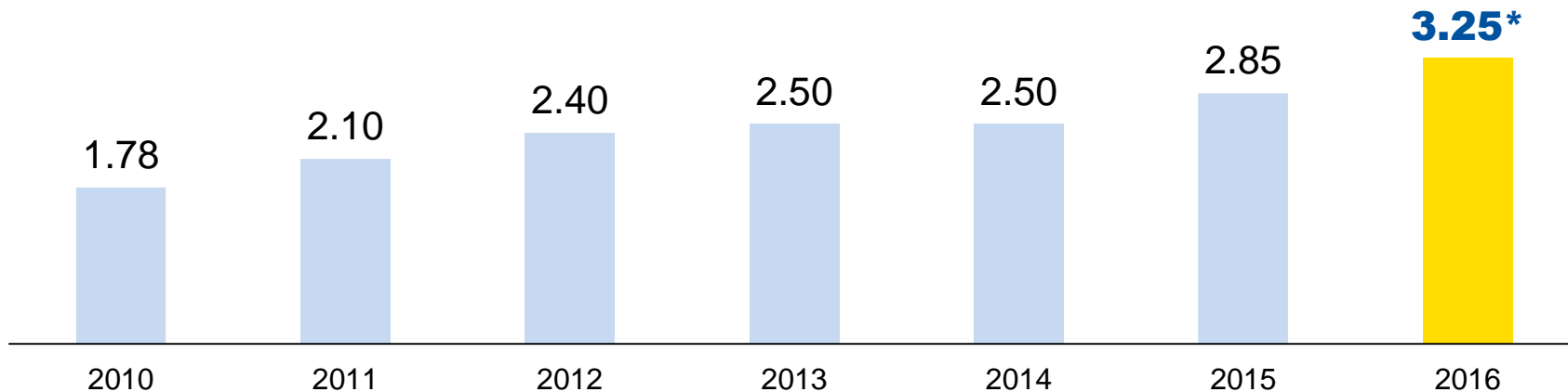
▲ Deliver an after-tax ROCE ≥ 15%  
as from 2020  
(in %)



\* At constant scope of consolidation excluding goodwill

# Dividend increase in line with Group gains

▲ Per share data (in €)



**2013-2020 payout ratio:  $\geq$  35% of consolidated net income**  
(before non-recurring items)

\* Subject to shareholder approval at the Annual Meeting on May 19, 2017



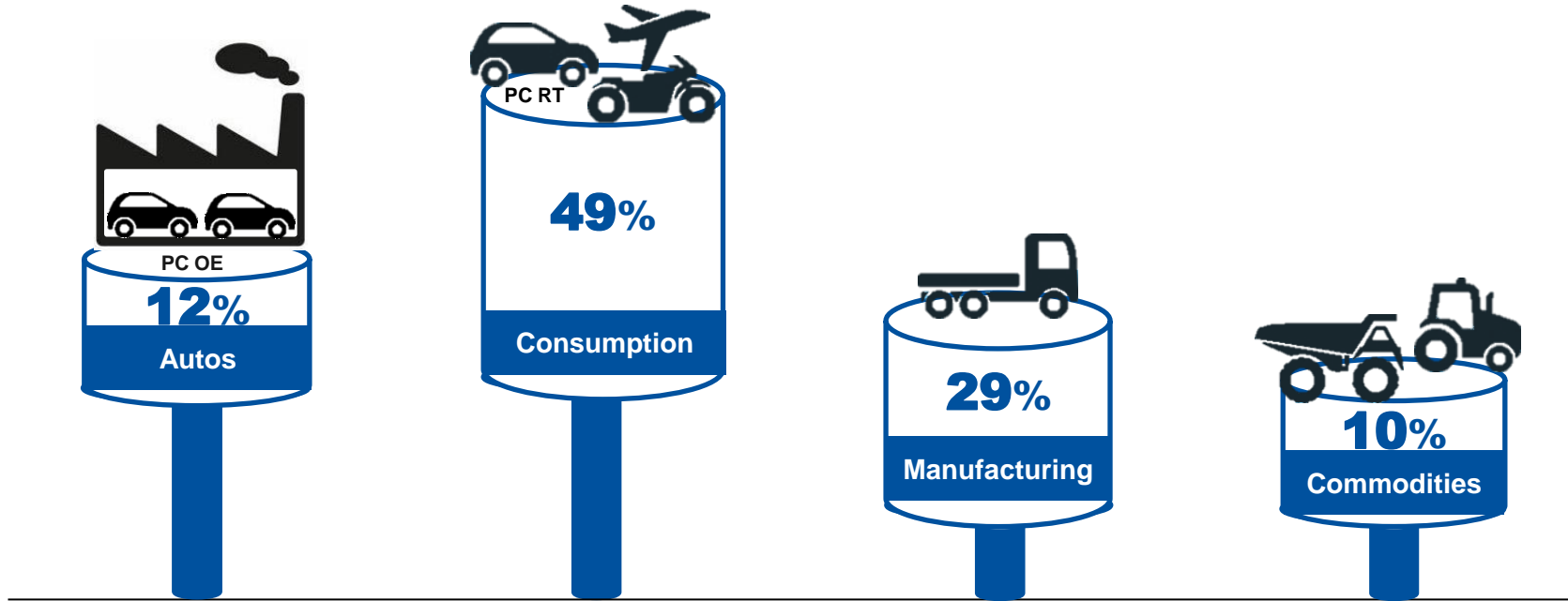
# 2017 guidance: on the road to our 2020 objectives

	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	≥ 2016
Net price-mix effect vs. raw materials	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* Adjusted for the payment in January 2017 of the €193m in interest on the zero-coupon Océanes 2017 convertible bonds

# A business model strongly linked to consumption

## ▲ Net sales by drivers



2016 net sales by sector

March 7, 2017

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- 1 / 2016: a stronger business performance**
- 2 / 2017 guidance**
- 3 / On the road to 2020**

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# 1 / **2016: a stronger business performance**

# 2016 demand: robust in PC, down in Truck and rebounding in Q4 in mining tires



## PASSENGER CAR: +3%

### Global OE: +4%

- Growth in the mature markets, China and India

### Global RT: +2%

- Robust demand in Western Europe and in the last quarter, rebound in North America and recovery in Russia and Brazil
- Sustained growth in China
- Further growth in budget lines



## TRUCK: -1%

### Global OE: +0%

- Growth in China and India and contraction in North America off of high prior-year figures

### Global RT: -1%

- Growth in Western Europe and, in the last quarter, Brazil
- Demand in China up in H2
- Further growth in budget lines



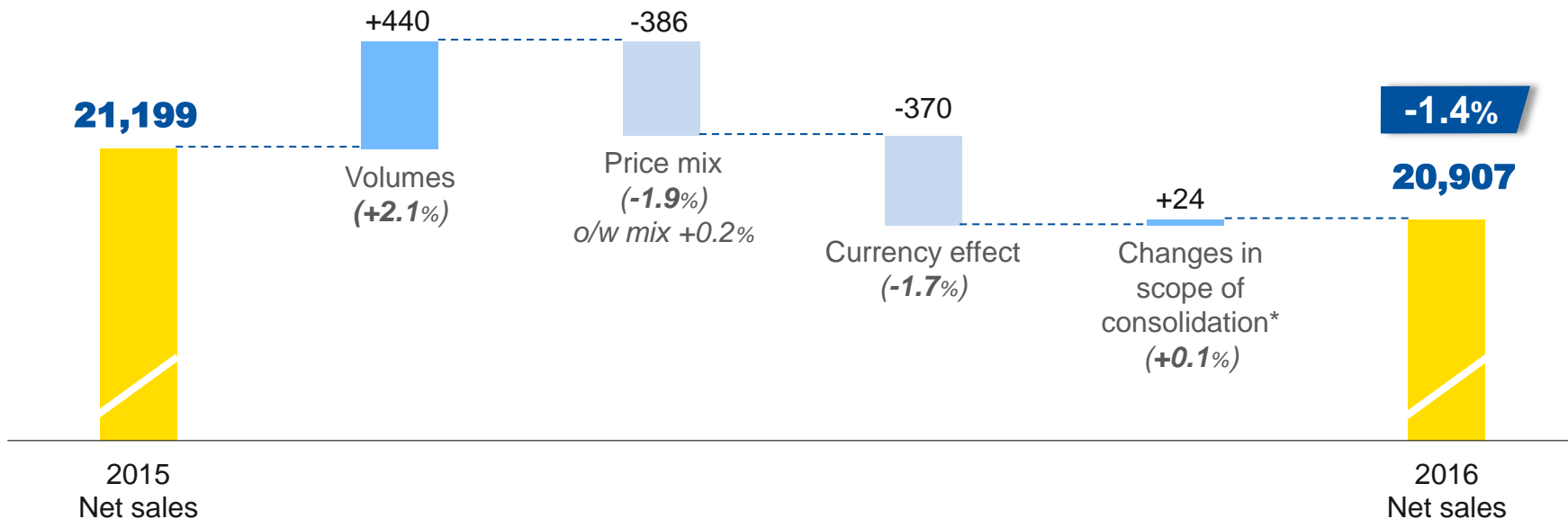
## SPECIALTY: -4%

- Mining: rebound in the final quarter
- Agricultural: slight decline in the mature markets
- Aircraft and Two-Wheel tires: continued growth

Source: Michelin

# Net sales lifted by higher volumes

▲ YoY change  
(in € millions and %)

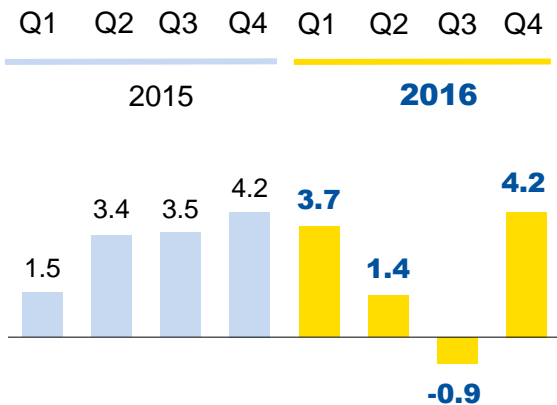


\* Booka Table

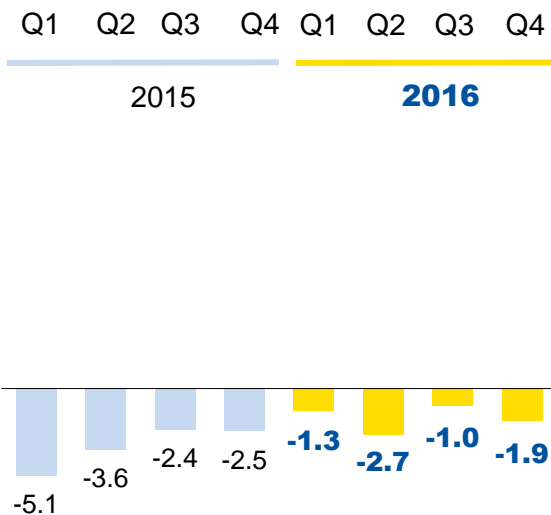
# Volumes up sharply in Q4, particularly in RS1 (+5%) and RS3 (+6%)

▲ YoY quarterly change  
(in %)

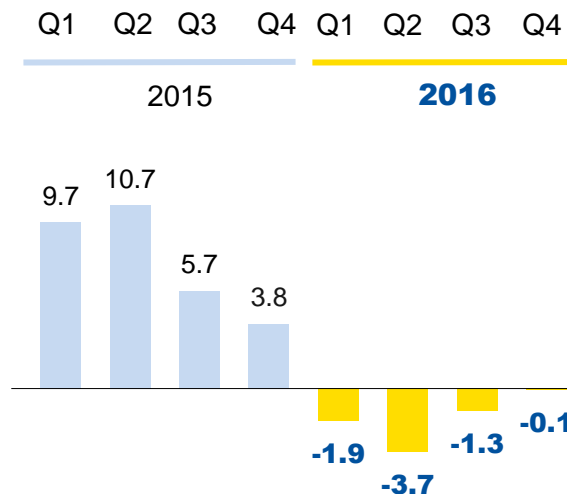
## Volumes



## Price mix

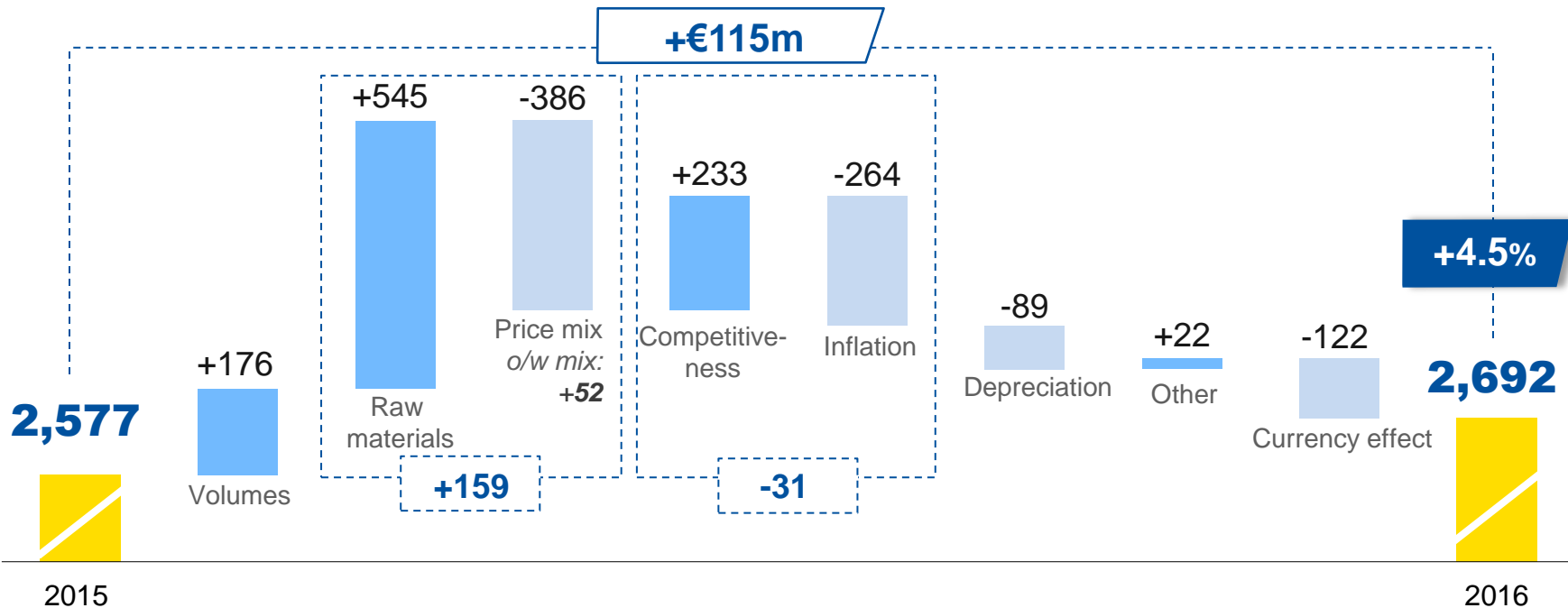


## Currency effect



# Operating income up €235m at constant exchange rates

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

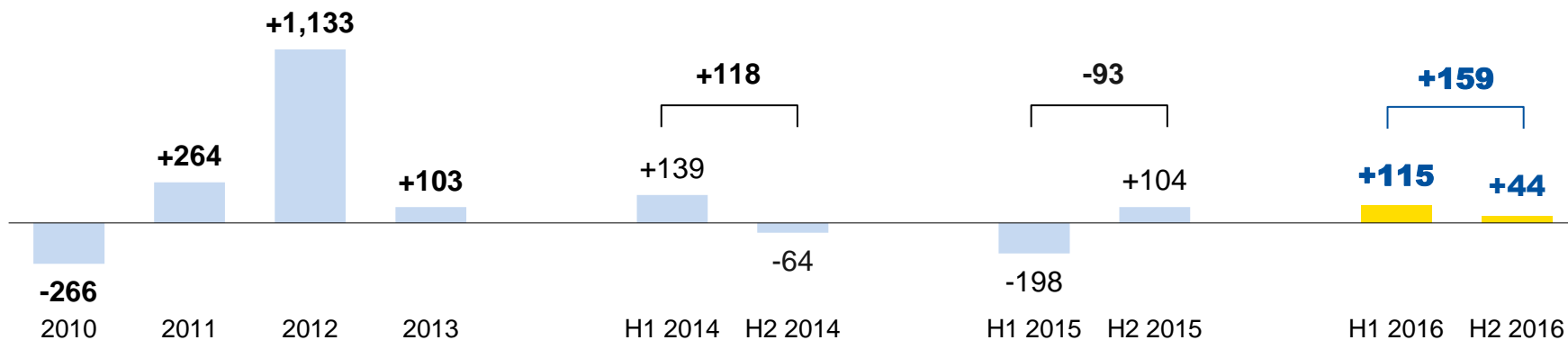




# Improvement in unit margin due to effective pricing management over time




## ▲ Net effect of price mix and raw materials prices on operating income

(in € millions)



- 2016: net impact of changes in price mix and raw materials costs was a negative €28m for indexed businesses and a positive €187m for the other businesses

# Sustained margin improvement in RS1, consolidation in RS2 and firm resistance in RS3

<i>(in € millions)</i>		2016	2015	% change
	<b>RS1 net sales</b>	<b>12,105</b>	12,028	+1%
	<b>Operating income*</b>	<b>1,585</b>	1,384	+15%
	<b>Operating margin*</b>	<b>13.1%</b>	11.5%	+1.6 pts
	<b>RS2 net sales</b>	<b>5,966</b>	6,229	-4%
	<b>Operating income*</b>	<b>580</b>	645	-10%
	<b>Operating margin*</b>	<b>9.7%</b>	10.4%	-0.7 pts
	<b>RS3 net sales</b>	<b>2,836</b>	2,942	-4%
	<b>Operating income*</b>	<b>527</b>	548	-4%
	<b>Operating margin*</b>	<b>18.6%</b>	18.6%	+0 pt

\* On recurring activities

# Product launches driving volume and market share gains

## Passenger Car

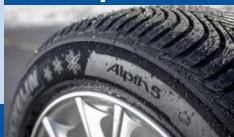
MICHELIN CrossClimate +



MICHELIN Pilot Sport 4 S



MICHELIN Alpin 5



BFGoodrich All Terrain T/A K02



MICHELIN Premier LTX



## Truck

MICHELIN X-One Urban Bus



MICHELIN X®Guard



Convoy TripleA



MICHELIN XWorks



MICHELIN X Line Energy Z



## Specialty



MICHELIN Power RS



MICHELIN XDR3

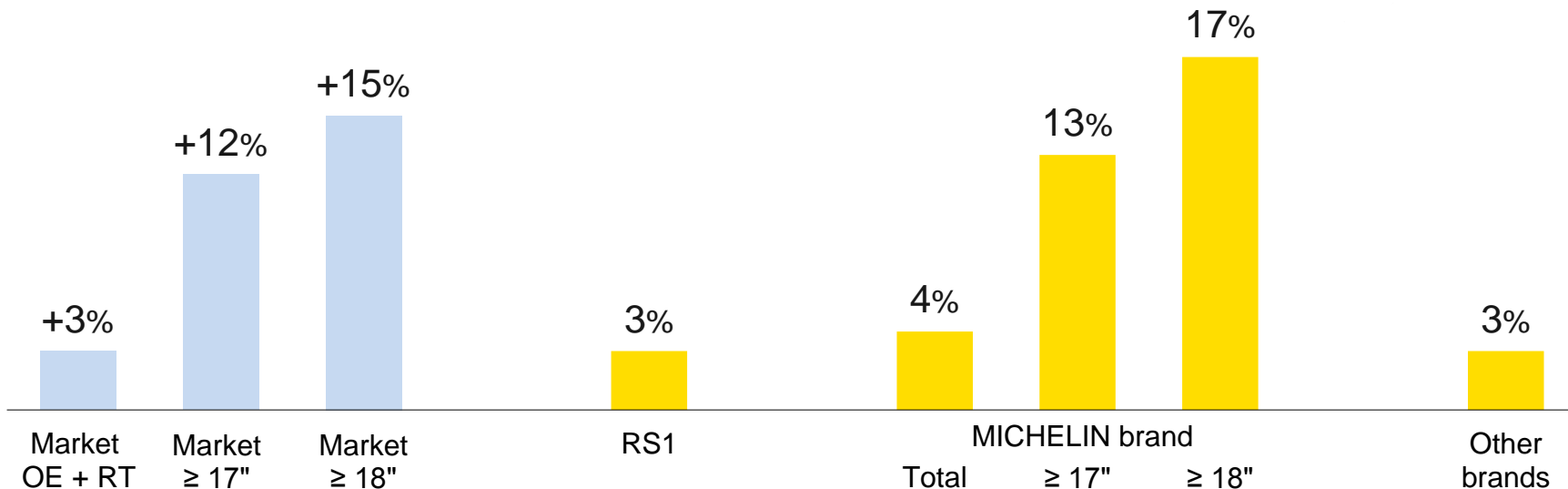


2 tires in 1 technology



# Passenger car/Light truck tires: solid performance across every brand and segment

▲ Passenger car and Light truck growth (YoY)



Source: Michelin



# MICHELIN CrossClimate: volumes up nearly 30%



- MICHELIN summer tire with winter certification
- Best All Seasons tire ranked by



“There is only one candidate that meets all the requirements of an ideal, uncompromising ‘all-season’ tire,” says  magazine, “and that’s the MICHELIN CrossClimate.”

# New 2017-2020 competitiveness plan: €1.2bn targeted over 4 years only

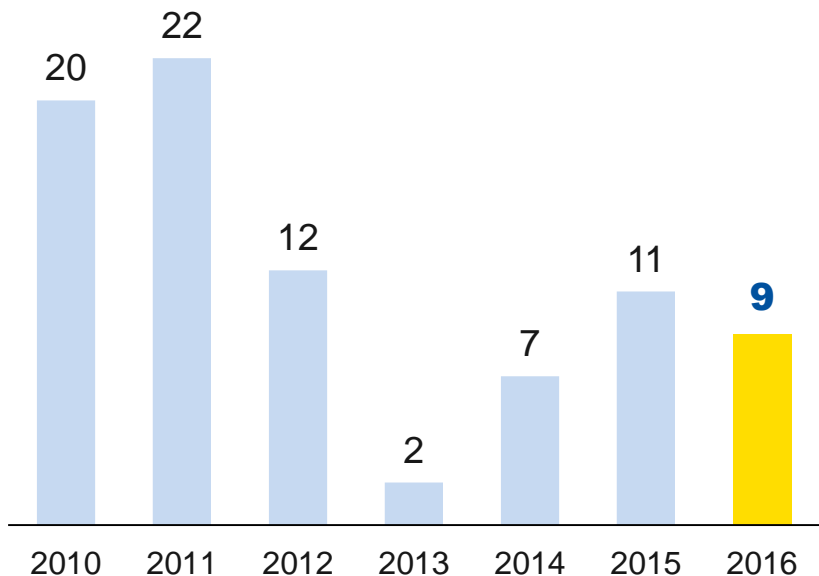
Objectives met 

<i>In € millions</i>	2007-2010 plan Target: €1,000m	2012-2016 plan Target: €1,200m	2017-2020 plan
SG&A	251	522	500/550
Manufacturing -Transport	406	448	450/500
Raw materials	365	227	150/200
<b>Total</b>	<b>1,022</b>	<b>1,197</b>	<b>~1,200</b>

# A robust balance sheet after the share buybacks, confirmed by the rating agencies

## ▲ Gearing

Net debt/equity, in %



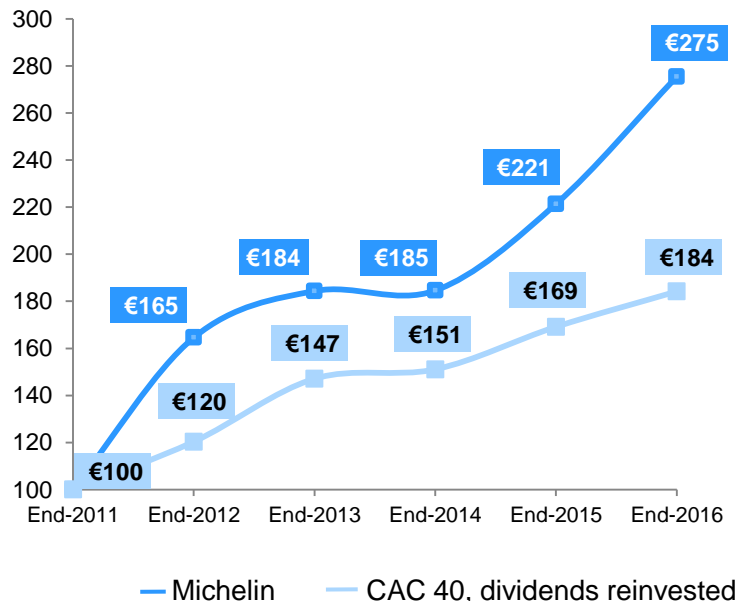
## ▲ Solid long-term ratings

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: €978m in dividends paid and €750m in share buybacks

- Share buyback program
  - €450m committed in 2015
  - €301m committed in 2016
    - 3.3 million shares bought back at an average price of €89.60
  - Share cancellations reduced issued capital by 4.5%
- Payout commitment
  - At least 35% of net income before non-recurring items
  - 2016: €3.25\* per share, representing a payout ratio of 36.5%

## ● Total Shareholder Return



\* Subject to shareholder approval at the Annual Meeting on May 19, 2017



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# 2 / 2017 guidance

# 2017 market outlook: announced price increases should drive H1 growth



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

### Growth in line with long-term trends

- Slower markets in the North America and Europe
- Still buoyant demand in China
- Recoveries in other regions



## TRUCK: +0%/+2%

### Growth in line with long-term trends

- China: return to growth in the world's largest market
- Europe: modest growth in RT and slight decline in OE
- North America: another year of decline in OE and leveling off but still strong in RT



## SPECIALTY: +2%/+3%

- O/w mining tires: +5%/+10%
- O/w agricultural tires: ~ -2%

# 2017 guidance: on the road to our 2020 objectives

	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	≥ 2016
Net price-mix effect vs. raw materials	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* Adjusted for the payment in January 2017 of the €193m in interest on the zero-coupon Océanes 2017 convertible bonds

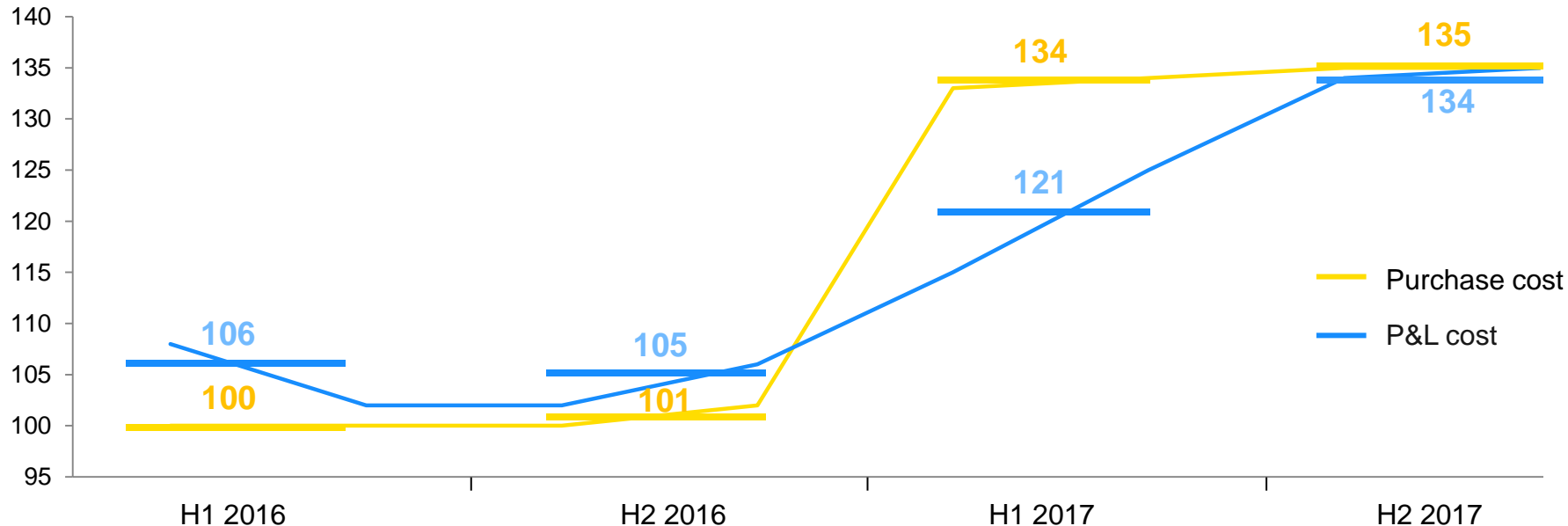
# 2017 scenario based on average January 2017 prices\*

	H1 2017	2017
Impact from raw materials cost		Around €900m headwind
Currency effect		Around a positive €100m
Net price-mix effect vs. raw materials	€100-200m headwind	Indexed businesses: negative Non-indexed businesses: neutral
Competitiveness plan gains vs. inflation		Slightly positive

\* Natural rubber: \$2.2/kg; butadiene (US and Europe): \$1,200/T; Brent: \$55/bbl; EUR/USD: \$1.06

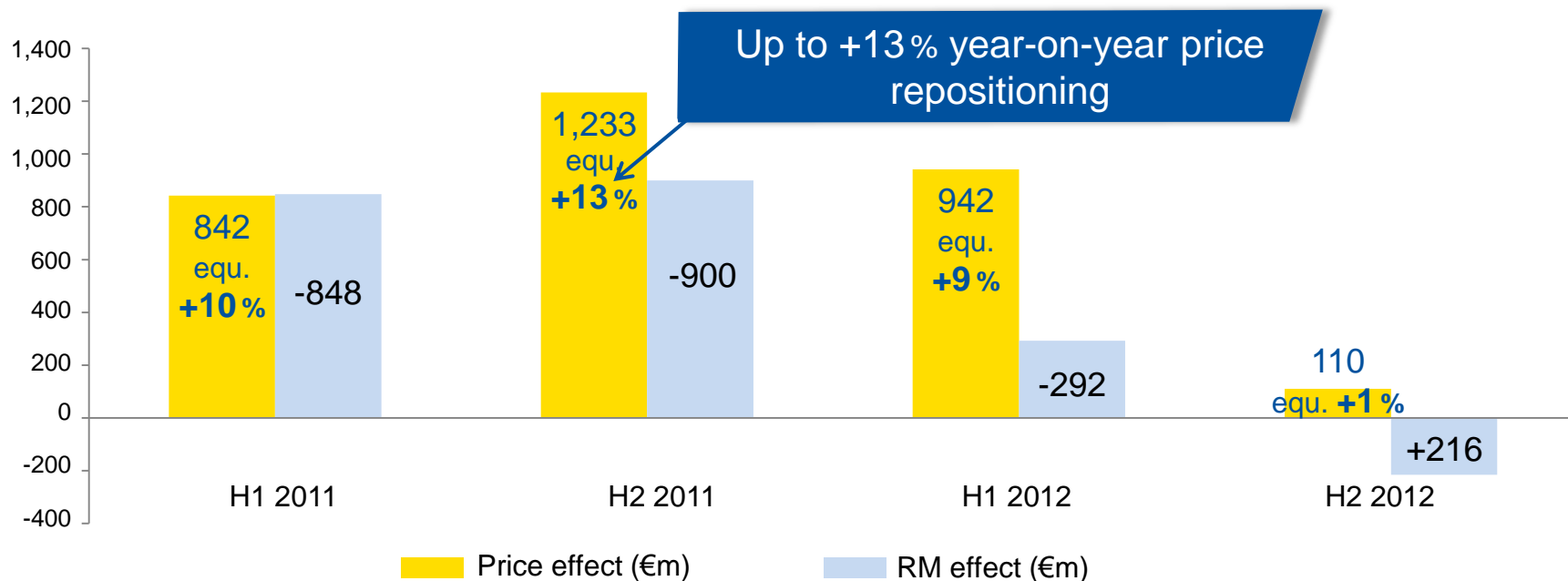
# Raw materials: a negative impact mainly in H2

▲ 2017 assumptions per half



# Demonstrated ability to pass along sharp price increases in response to surging raw materials costs

▲ Price and raw materials effects by half year, 2011-2012; price increases (in € millions and % of net sales, YoY)



# Worldwide price increases for Michelin

Europe	North America	South America	China	ASEAN
Up to 8% over the first four months	Up to 8% from Feb. to April	Up to 3% in January	Up to 8% in February	Up to 8% in March-April

- Depending on the changes in raw material costs, the Group may adjust the price positioning of its products.

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# 3 / On the road to 2020



# An ambitious value creation target: ROCE at 15%\* from 2020

	Tires	Services	Experience	Materials
2015-2020 objectives	Net Sales + 20%	Net Sales x 2	Net Sales x 3	Capitalize on our leadership
Action plan and first steps	     	   	    	     

**CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS**

\* At constant scope of consolidation excluding goodwill

**MICHELIN PILOT SPORT 4 S,  
GENUINE PASSION -  
EXCEPTIONAL DRIVES.**



Ranked N°1 for braking on dry surfaces and excellent on wet surfaces, the new Michelin Pilot Sport 4 S is engineered for superior safety and performance. Thanks to its Dynamic Response technology and ultra-reactive tread pattern, it delivers revolutionary steering control and instantaneous responsiveness. Acclaimed by most performance car makers, it's for those who love driving.

Find out how good a sports tyre can be at [michelin.country/tyre/michelin-pilot-sport-4s](http://michelin.country/tyre/michelin-pilot-sport-4s)

# Investor calendar

- **Coming events:**

- **April 20, 2017:** First-quarter 2017 net sales
- **May 19, 2017:** Annual Shareholders Meeting
- **July 25, 2017 after close of trading:** First-half 2017 results
- **October 19, 2016:** Third-quarter 2017 net sales

- **Dividend dates:**

- **May 24, 2017:** Ex-dividend date
- **May 25, 2017:** Record date
- **May 26, 2017:** Payment date

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# Appendices

# Reported 2016 and 2015 financial highlights

<i>(in € millions)</i>	<b>2016</b>	2015
Net sales	<b>20,907</b>	21,199
EBITDA from recurring activities	<b>4,084</b>	3,934
EBITDA margin on recurring activities	<b>19.5%</b>	18.6%
Operating income from recurring activities*	<b>2,692</b>	2,577
Operating margin on recurring activities	<b>12.9%</b>	12.2%
Operating income/(loss) from non-recurring activities	<b>99</b>	(370)
Net income	<b>1,667</b>	1,163
Basic earnings per share (in €)	<b>9.21</b>	6.28
Capital expenditure	<b>1,811</b>	1,804
Free cash flow**	<b>1,024</b>	653
Gearing	<b>9%</b>	11%

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

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

# A business that structurally generates free cash flow

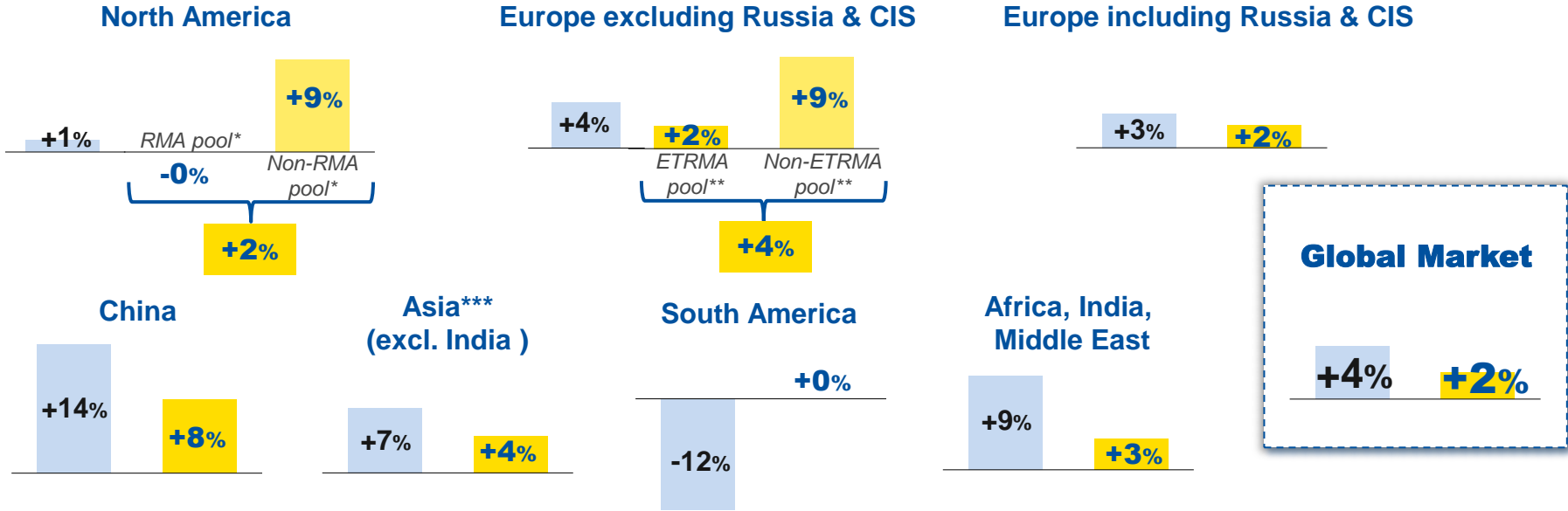
## ▲ Structural free cash flow (in € millions)

	2013	2014	2015	2016
	749	717	833	961
<b>Free cash flow <sup>(1)</sup></b>	1,154	322	653	1,024
Acquisitions <sup>(2)</sup>	0	(400)	(312)	(16)
WCR impact of raw materials costs <sup>(3)</sup>	405	177	132	79
WCR impact of year-end volumes <sup>(4)</sup>	nm	(172)	nm	nm
<b>Structural free cash flow <sup>(1) - (2) - (3) - (4)</sup></b>	<b>749</b>	<b>717</b>	<b>833</b>	<b>961</b>

# PC: robust demand in mature markets and China



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



\* RMA pool: members of the Rubber Manufacturers Association

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

\*\*\* Including China

Source: Michelin

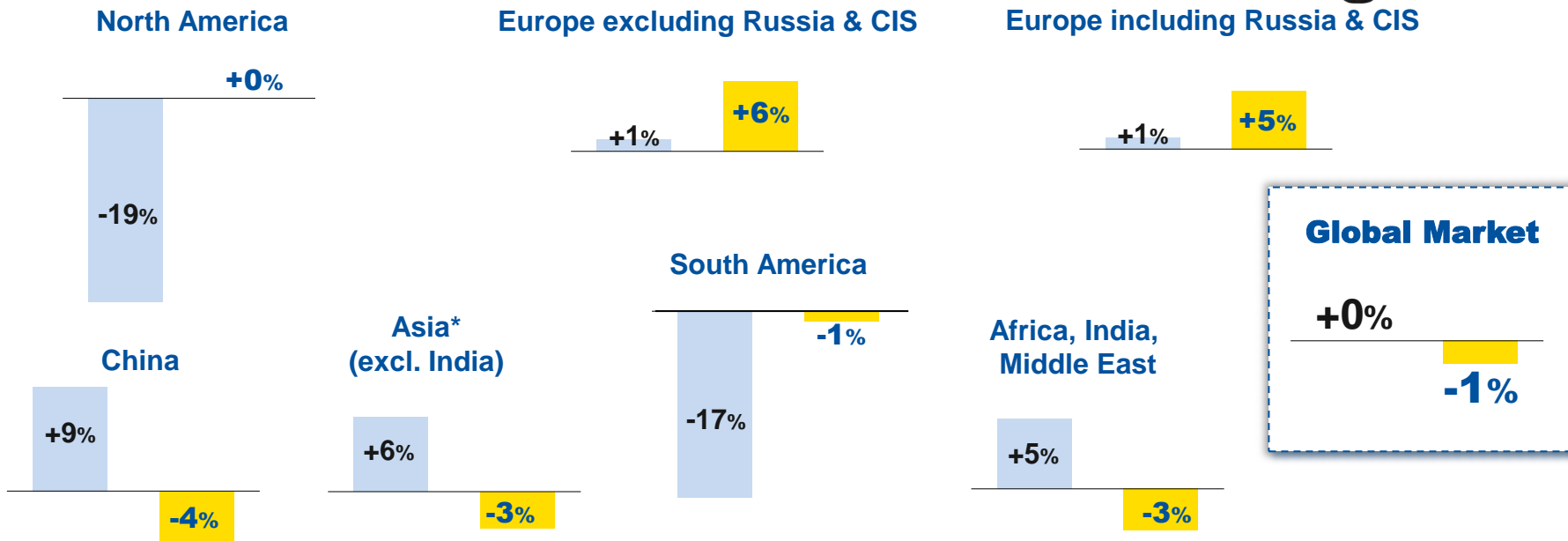
■ OE ■ RT



# TB: global demand trending downwards, as growth in the European RT market fails to offset cooling Chinese RT demand



## ▲ Truck and bus tire markets in 2016 (% change YoY, in number of tires)



\* Including China  
Source: Michelin

■ OE ■ RT





**PC Tire Market** : Stable demand in Europe and North America, given price increase announcement at the very end of January and 2 additional days of sales; stabilizing market in Brazil following price increases; still buoyant demand in China despite 2 fewer days of sales.

## ▲ January 2017/2016

% change YoY in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +8%	▲ +8%	▲ +4%	▲ +2%	▲ +3%
Replacement	▲ +7%	▲ +7%	▲ +4%	▲ +0%	▲ +5%

\* Turkey included

**TB Tire Market :** Stable demand in Europe, given price increase announcement at the very end of January and 2 additional days of sales; North America RT market boosted by Asian tire imports, price hike prospects and 2 additional days of sales; in Brazil, continuation of the rebound in RT observed in Q4 2016.

## ▲ January 2017/2016

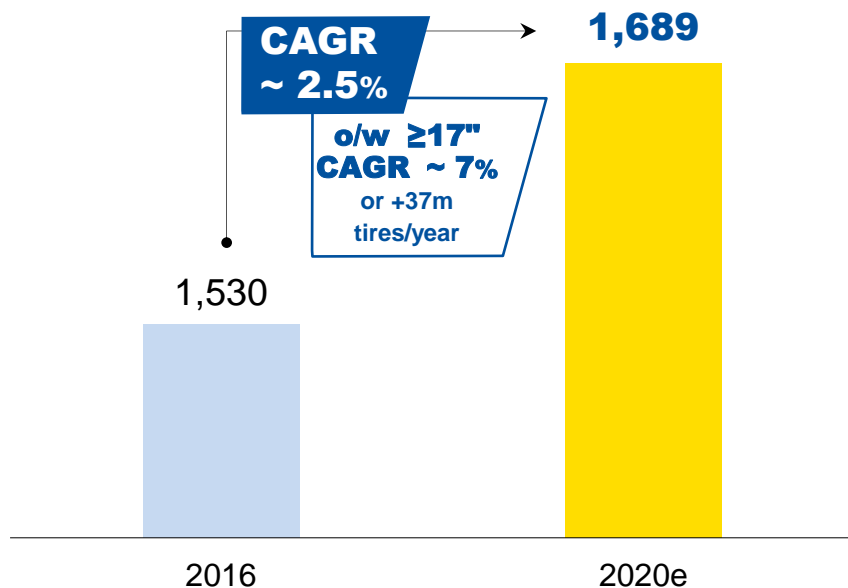
% change YoY in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +5%	▲ +5%	▼ -6%	▲ +1%
Replacement	▲ +6%	▲ +7%	▲ +18%	▲ +20%

\* Turkey included

# 2016-2020 projections: growing worldwide demand

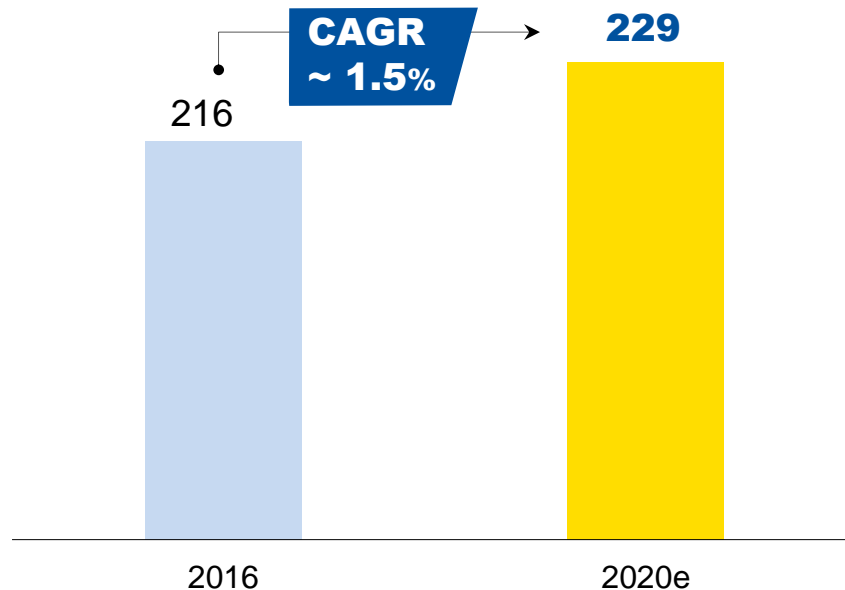
## ▲ PC OE&RT market projection

(in millions of units)



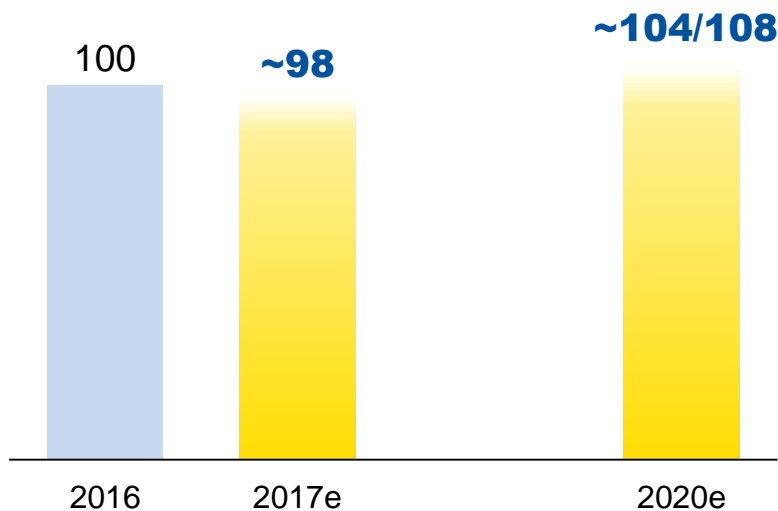
## ▲ TB OE&RT market projection

(Radial & Bias in millions of units)

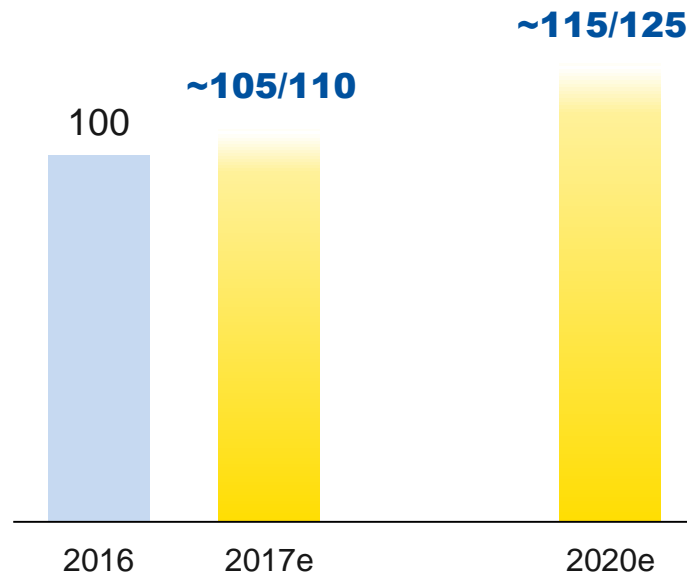


# 2017: Mining tires, return to growth – Agricultural tires, another year of slight decline before returning to growth

▲ Agricultural tires\* (base 100 in 2016, in tonnes)



▲ Mining tires (base 100 in 2016, in tonnes)



\* OE & RT in Europe and North America

# Investing to create value

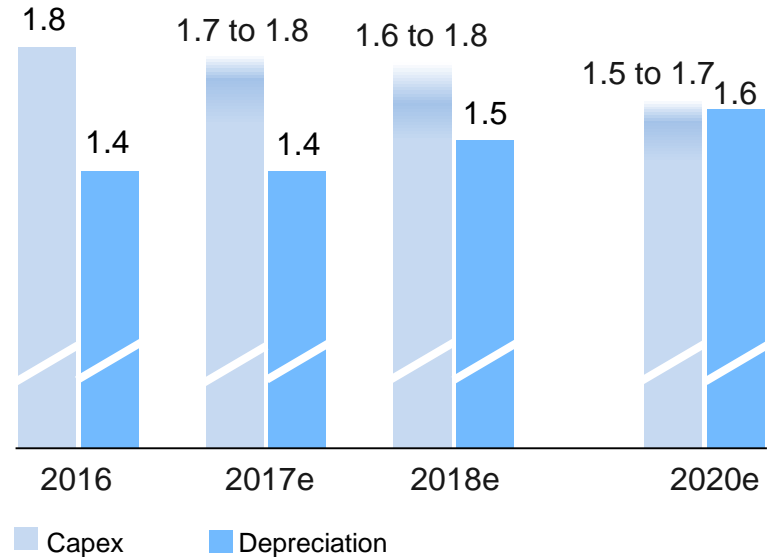
## ▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

- In growing markets: Premium PC, North America and Asia
- In the supply chain to improve customer service (information systems, logistics)
- In digital services
- In raw materials and semi-finished products

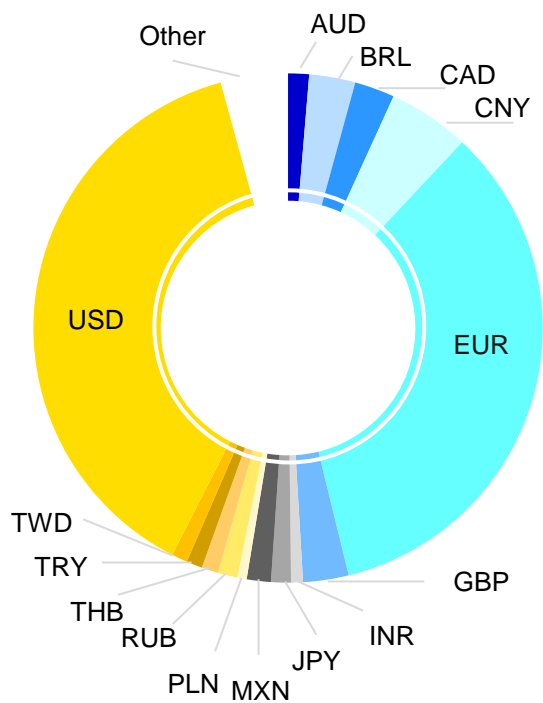


## ▲ Closing the gap between Capex and depreciation:

(in € billions, at current exchange rates)



# 2016 net sales by currency

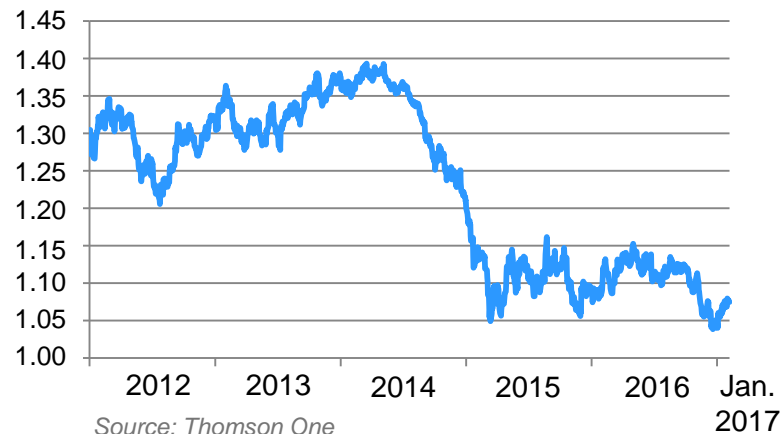


% of net sales	
AUD	1%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
TWD	1%
USD	38%
Other	4%

## EBIT sensitivity to €/€ exchange rate:

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

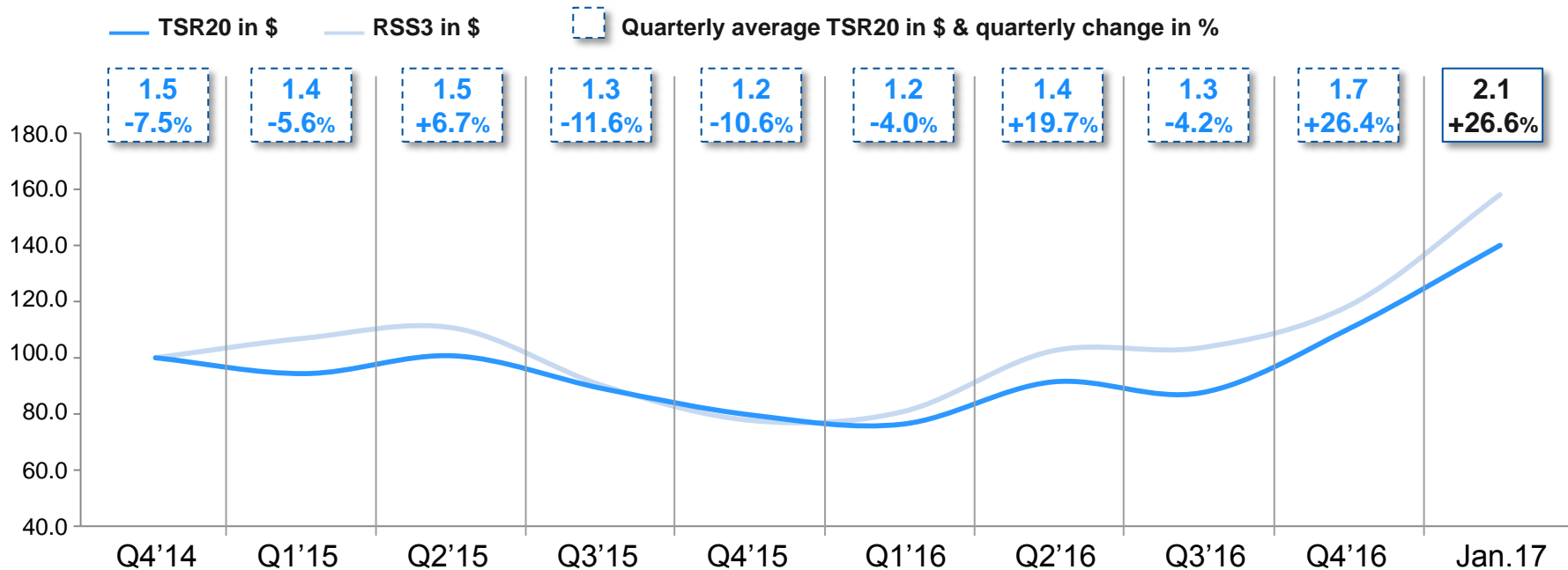
### ▲ €/€ exchange rate – 2012- Jan. 2017



Source: Thomson One

# Natural Rubber price trend

▲ At end of January 2017 (per kg, base 100 in Q4'14)

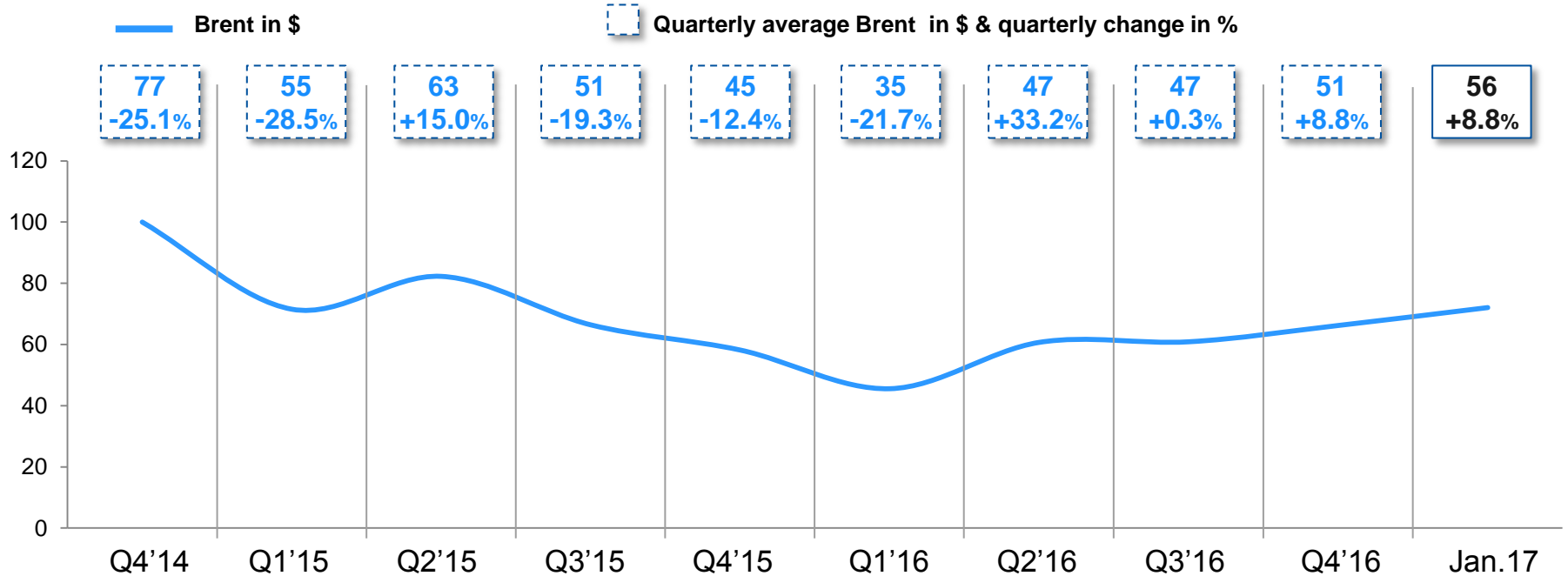


Source: SICOM



# Brent price trend

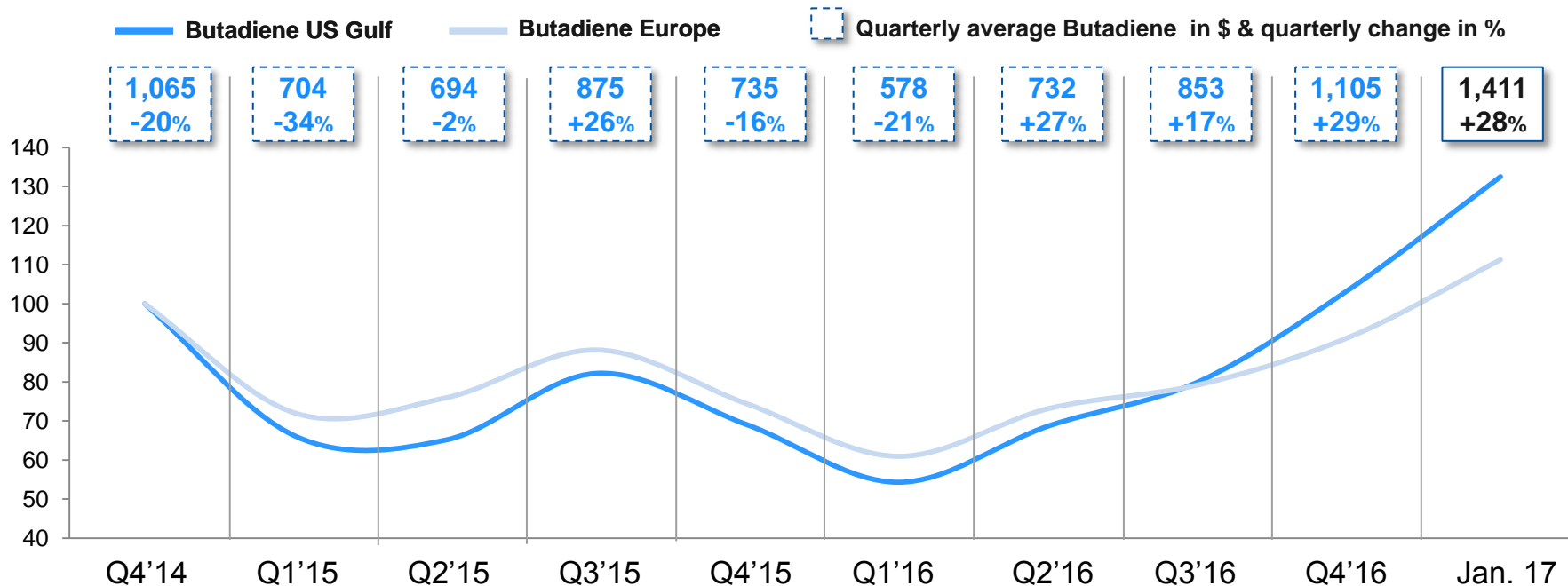
▲ At end of January 2017 (per barrel, base 100 in Q4'14)





# Butadiene price trend

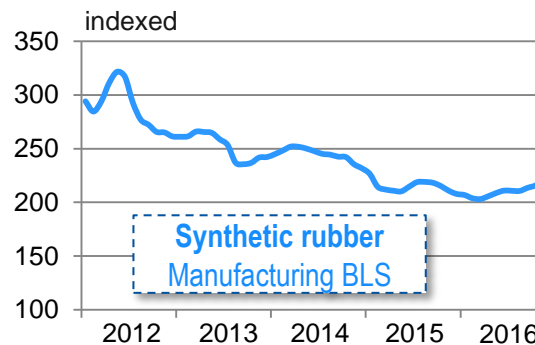
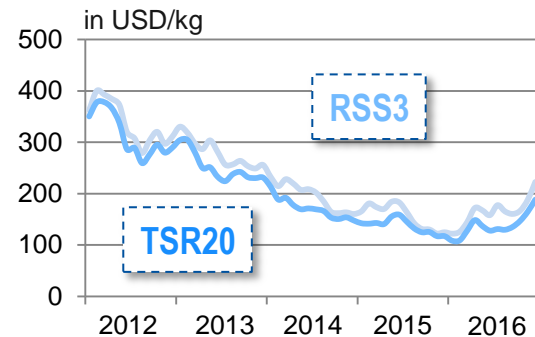
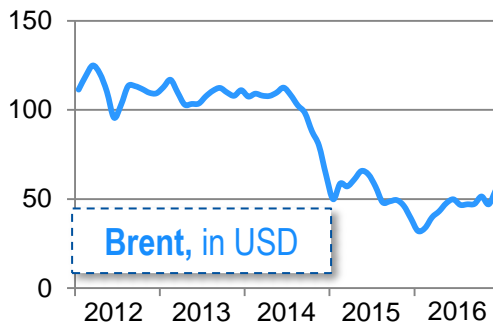
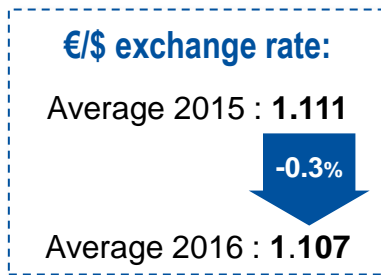
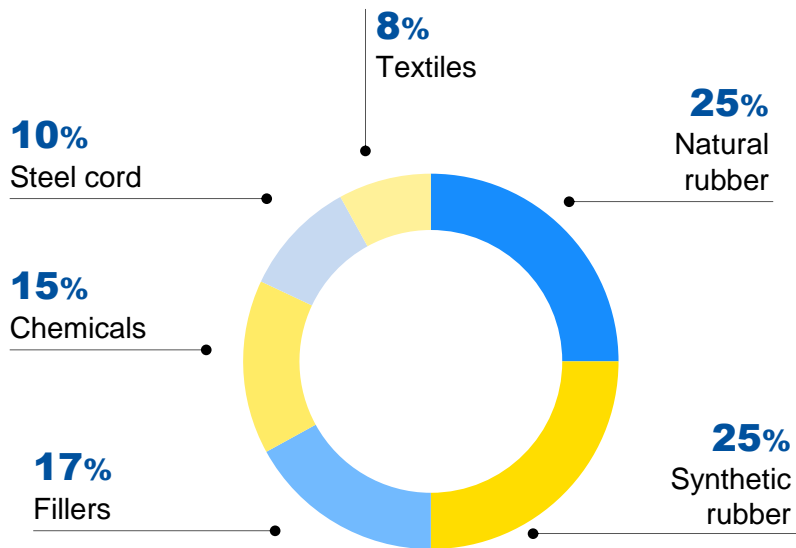
▲ At end of January 2017 (per ton, base 100 in Q4'14)



Source: IHS

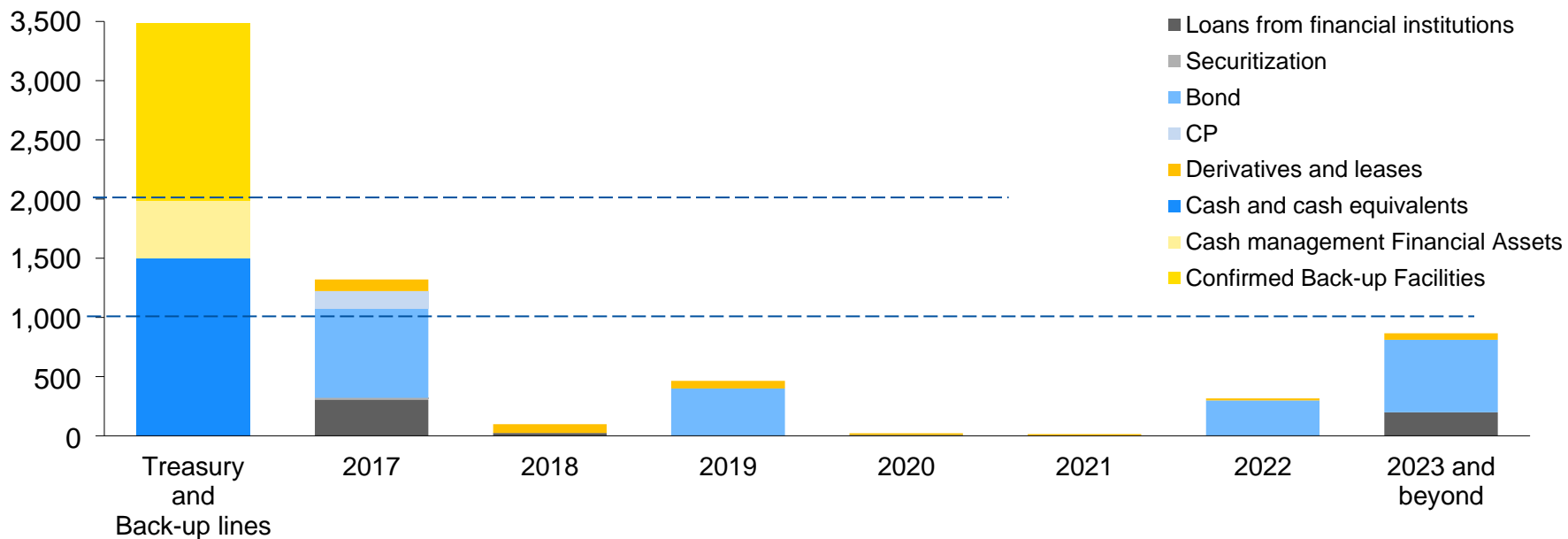
# Raw materials trends in 2016

## ▲ Raw material purchases in 2016 (€4.3bn)



# A comfortable cash position

▲ Debt\* maturities at Dec. 31, 2016 (book value, in millions €)



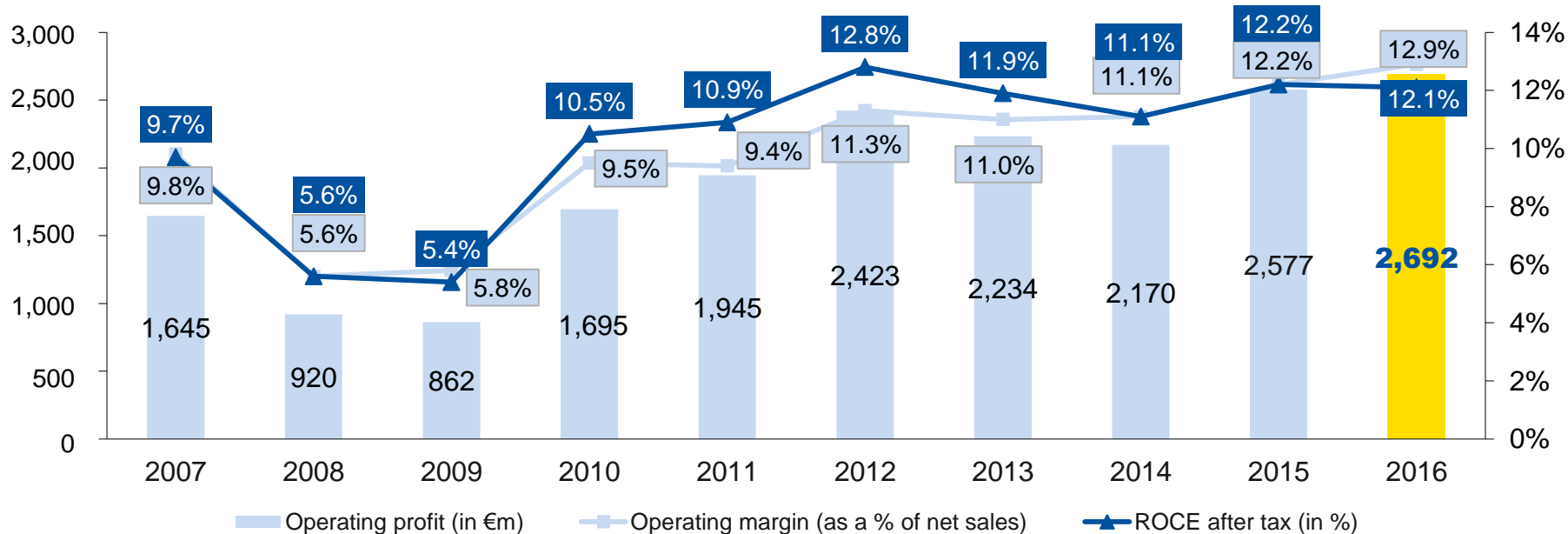
\* Including accrued interests

# Outstanding bond issues (as of February 14, 2017)

Issuer	MICHELIN Luxembourg	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg	MICHELIN Luxembourg
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Bond	Convertible	Bond	Bond	Bond
Principal amount	€ 400 mn	\$ 500 mn	€ 300 mn	€ 300 mn	€ 302 mn
Offering price	99.912%	100%	99.967%	99.081%	98.926%
Rating corporation at Issuance date	BBB+ (S&P) Baa1 (Moody's) BBB+ (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)	A- (S&P) A3 (Moody's) A- (Fitch)
Current corporation rating	A- (S&P) ; A3 (Moody's) ; A- (Fitch)				
Coupon	2.75% p.a	ZERO Conv premium 128%	1.125% p.a	1.75% p.a	3.25% p.a
Issue Date	11-juin-12	5-janv.-17	19-mai-15	19-mai-15	21/09/2015 & 27/09/2016
Maturity	20-juin-19	10-janv.-22	28-mai-22	28-mai-27	09/30/2045
Interest payment	Annual June 20	N/A	Annual May 28	Annual May 28	Annual Sept 30
ISIN	XS0794392588	FR0013230745	XS1233732194	XS1233734562	XS1298728707
Denomination	€ 1'000 with min. tradable amount € 1'000	\$ 200'000 with min. tradable amount \$ 200'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000

# 2016: a year of progress, in line with our 2020 roadmap

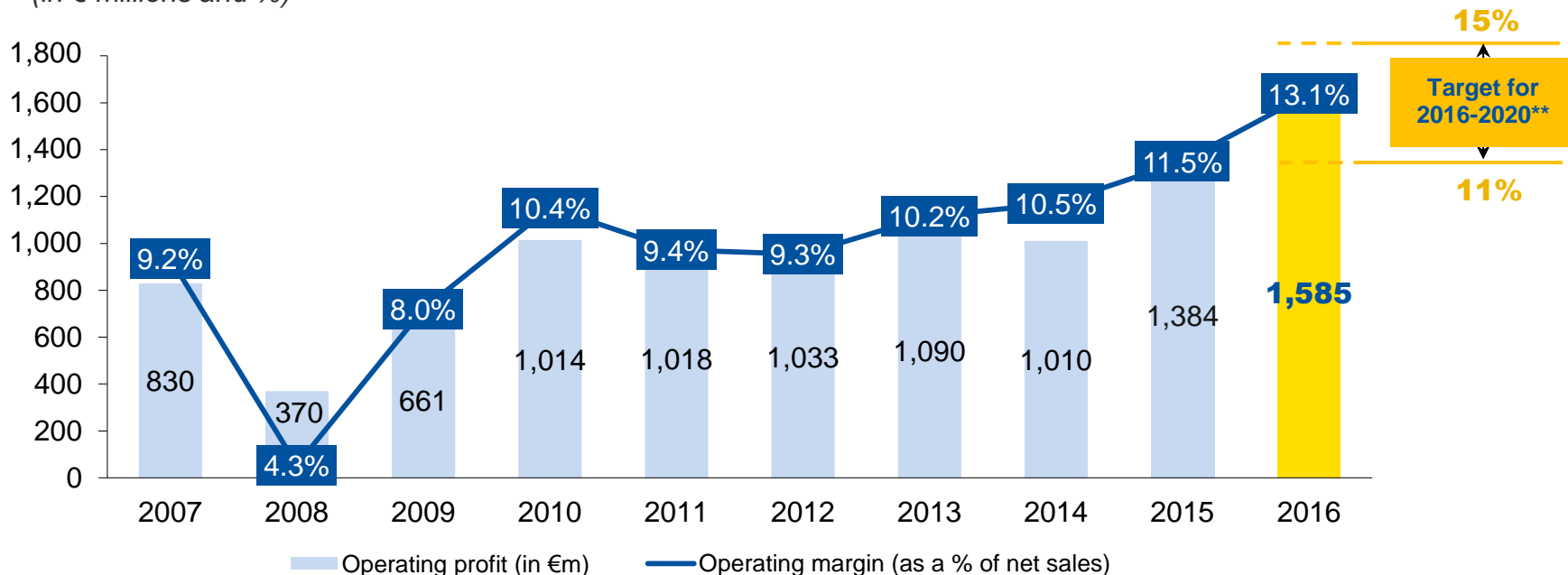
## ▲ Group operating income and margin\* & ROCE



\* On recurring activities.

# Improving PC margins: product innovation, contribution from the 17" and over strategy, better customer service

## ▲ RS1 operating income and margin\* (in € millions and %)



\* On recurring activities.

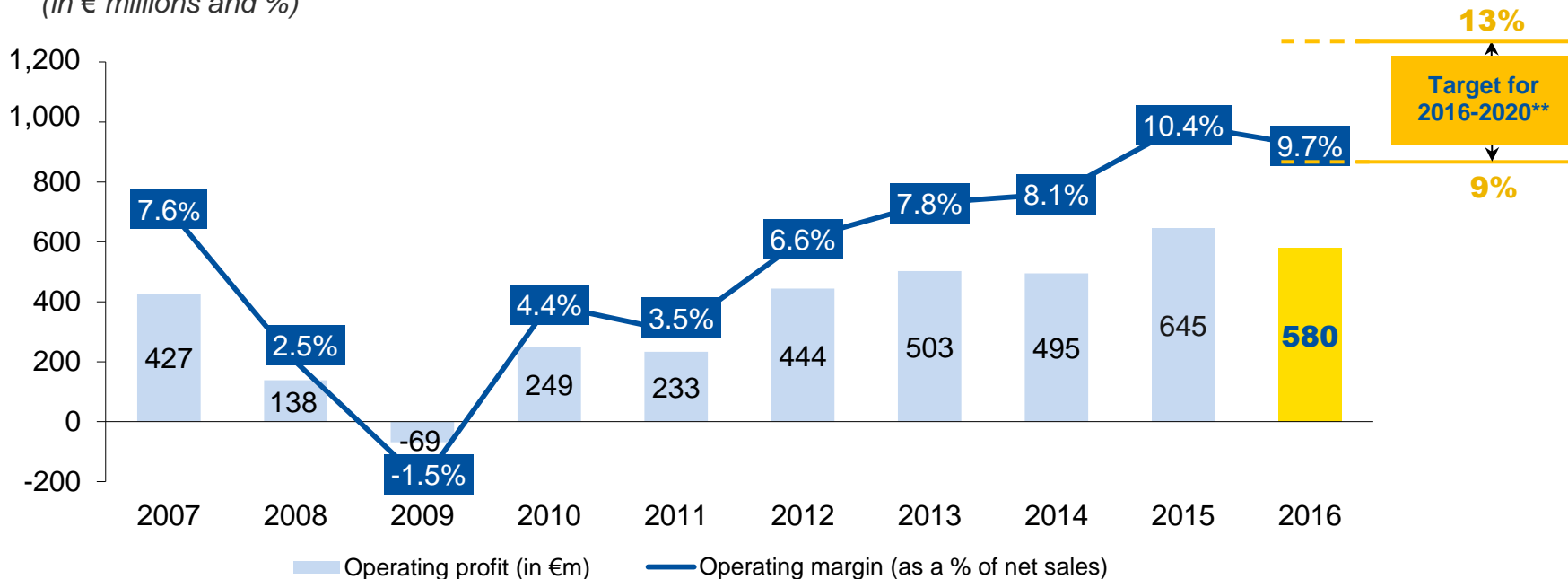
\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 2.5% CAGR



# Consolidation in TB margin led by competitiveness, product innovation and customer satisfaction

## ▲ RS2 operating income and margin\*

(in € millions and %)

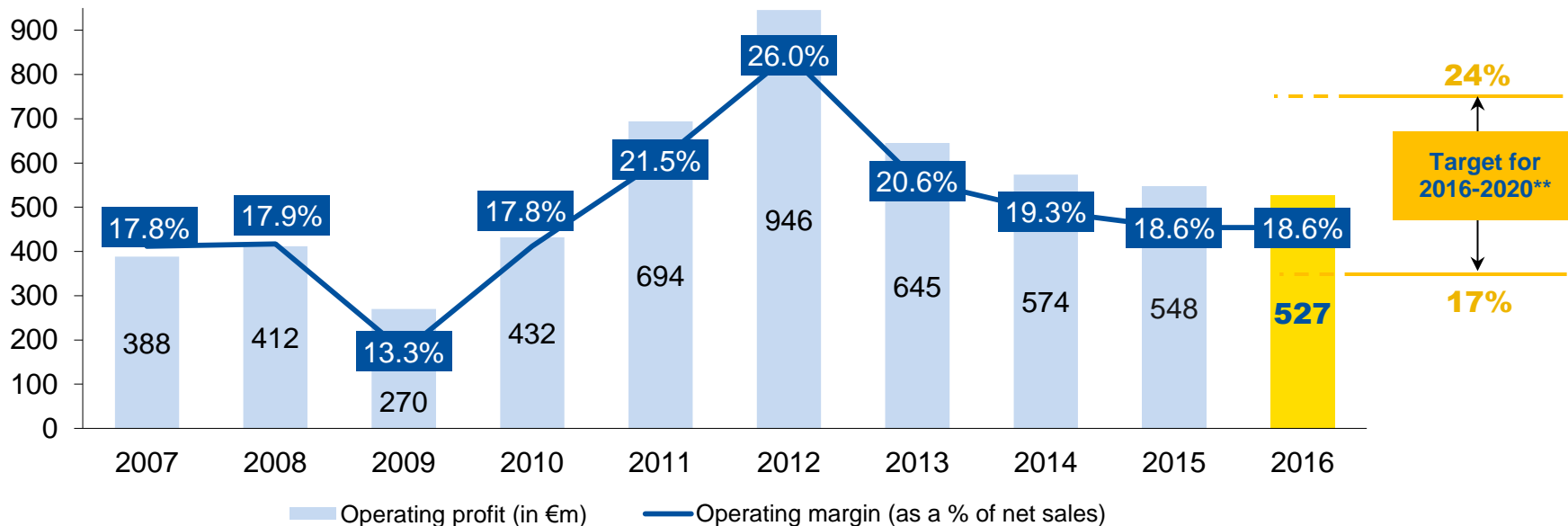


\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 1.5% CAGR

# Specialty businesses: solid margin resistance in challenging markets

## ▲ RS3 operating income and margin\* (in € millions and %)



\* On recurring activities.

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



# Disclaimer

"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des Marchés Financiers available from the <http://www.michelin.com/eng/> website.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."

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