

Investor Day in Almeria – April 04, 2019

Michelin Group Financials Beyond 2020

Yves CHAPOT, General Manager

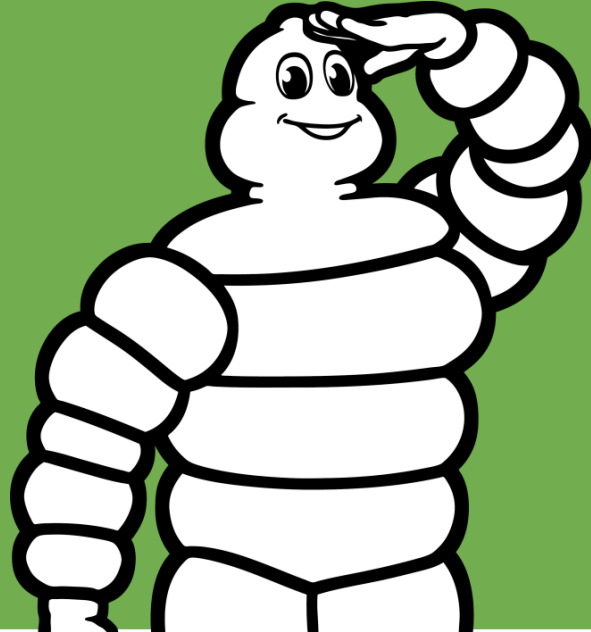


Materials

Services

Tires

Experiences





Group SWOT in a nutshell

Strengths

- Michelin brand power
- Comprehensive brands portfolio
- Global sound financials
- Balanced business exposure
- Innovation capacity
- Historical skills in materials
- People engagement

Opportunities

- Strong demand for sustainability
- Digital transformation
- Strong know how in reinforced polymers
- “Fleetization”

Weaknesses




- Overall exposure to mild growth markets
- Supply chain and Inventory level
- Velocity
- Still room for improvement in cost competitiveness

Threats

- Market access disruption
- Industry over-capacity
- Growth of protectionism



Tire market growth prospects

<i>(in millions units)</i>		Markets beyond 2020	Michelin growth ambitions
	RS1	~ +2% CAGR	<i>Growth in line with markets</i>
	RS2	0 to +1% CAGR	<i>Value-creating growth</i>
	RS3	~ +3% CAGR	<i>Growth above markets</i>



Fenner growth prospects



	Conveyor belts	Services
Net sales 2018	£414m	
% ECS sales	78%	22%
Customers	Mines, Industrials	
Products		
Growth macro lever	GDP	
Growth driver	Commodity demand	Energy consumption and China demand



	Advanced Sealing Technologies	Precision Polymers	Solesis Medical
Net sales 2018	£328m		
% AEP sales	44%	37%	19%
Customers	O&G, construction, energy, industrials	Industrials, agriculture, mining	Medical
Products			
Growth macro lever	GDP+		+10%
Growth driver	Industrial activity and product innovation		Regenerative medicine; Bioresorbables and cell therapy



Reinforce our manufacturing efficiency: competitiveness gains boosted by 35% beyond 2020

INDUSTRIAL FOOTPRINT

- Produce locally and increase flexibility to constantly adapt to local demand
- Optimise low cost plants loading and ramp-up
- Increase the number of large plants and their loading (>100ktons)

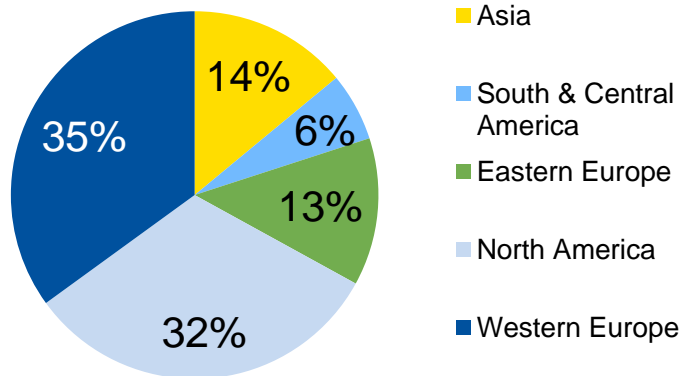
PRODUCTIVITY GAINS

- Process standardization
- Digital Manufacturing
- Empowerment and Michelin Manufacturing Way deployment
- Simplicity

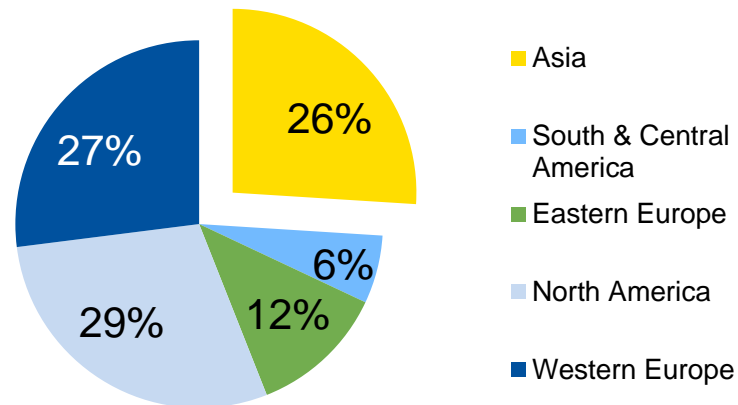


Footprint evolution to answer tire market geo-mix

▲ Production by region in 2018 (in KT)



▲ Production by region in 2023 (in KT)
Including Camso and Multistrada



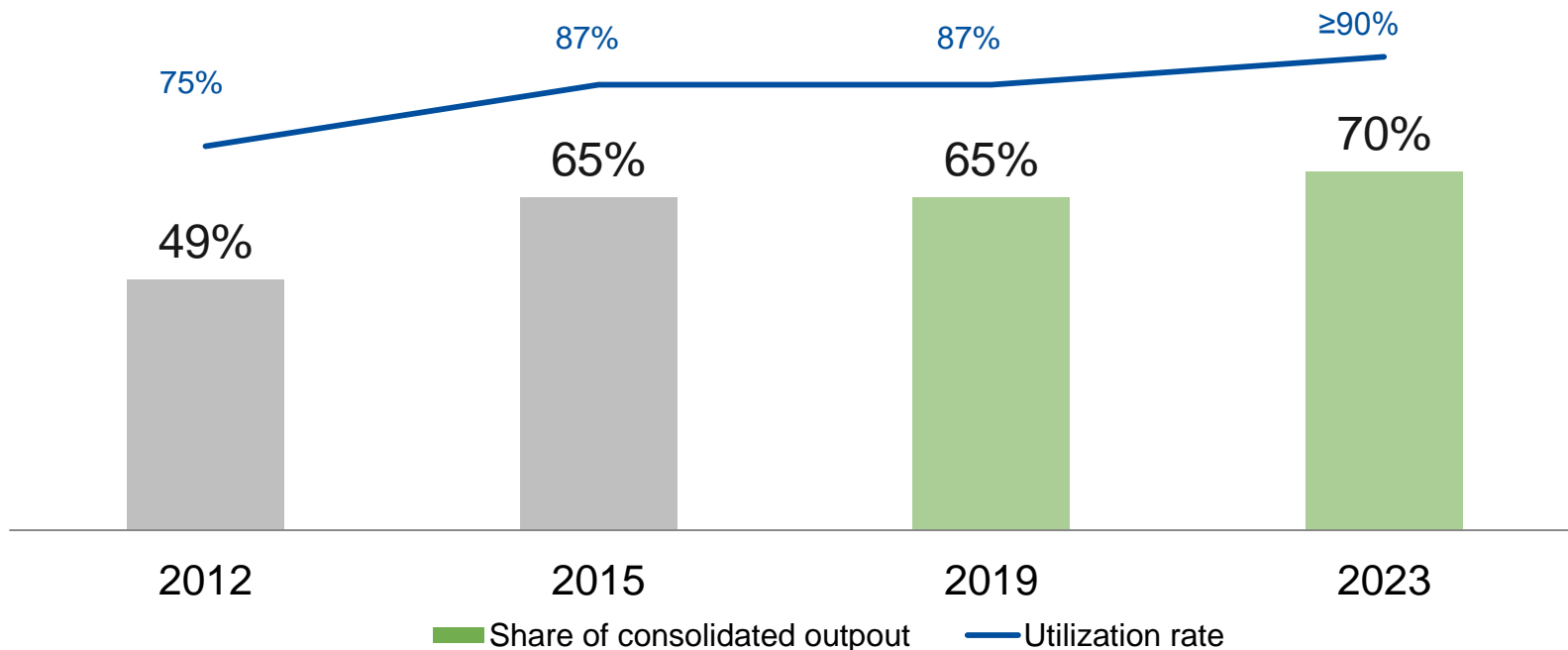
2018

2023



Focus on large factories (above 100KT annual output)

▲ Share of consolidated output by +100KT per year plants and their utilization rate

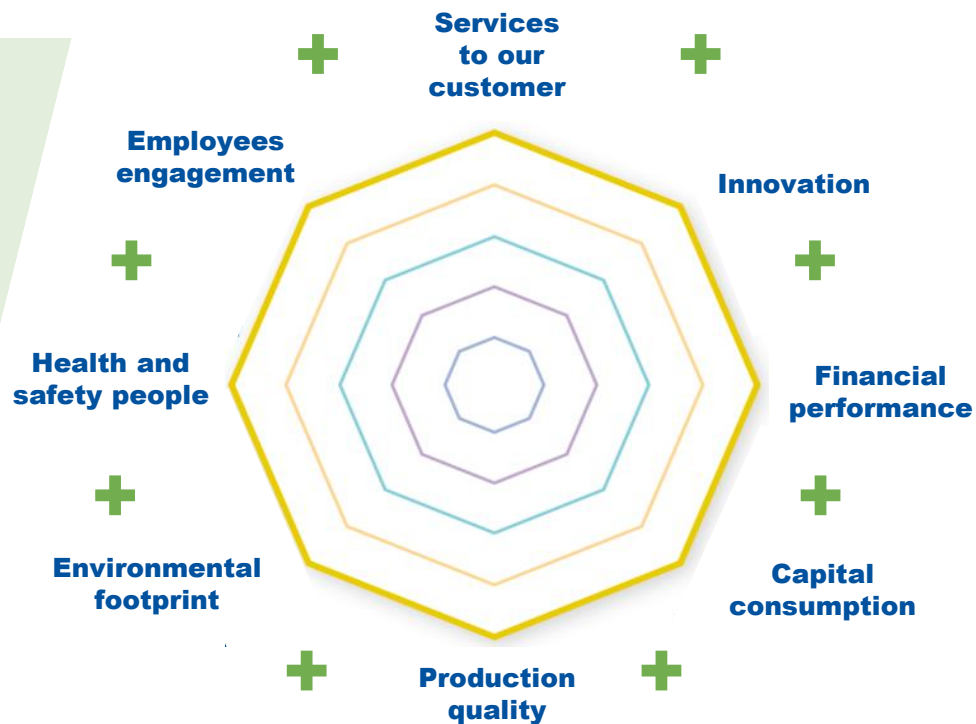




MMW* is relying on total performance approach in factory

● Objectives

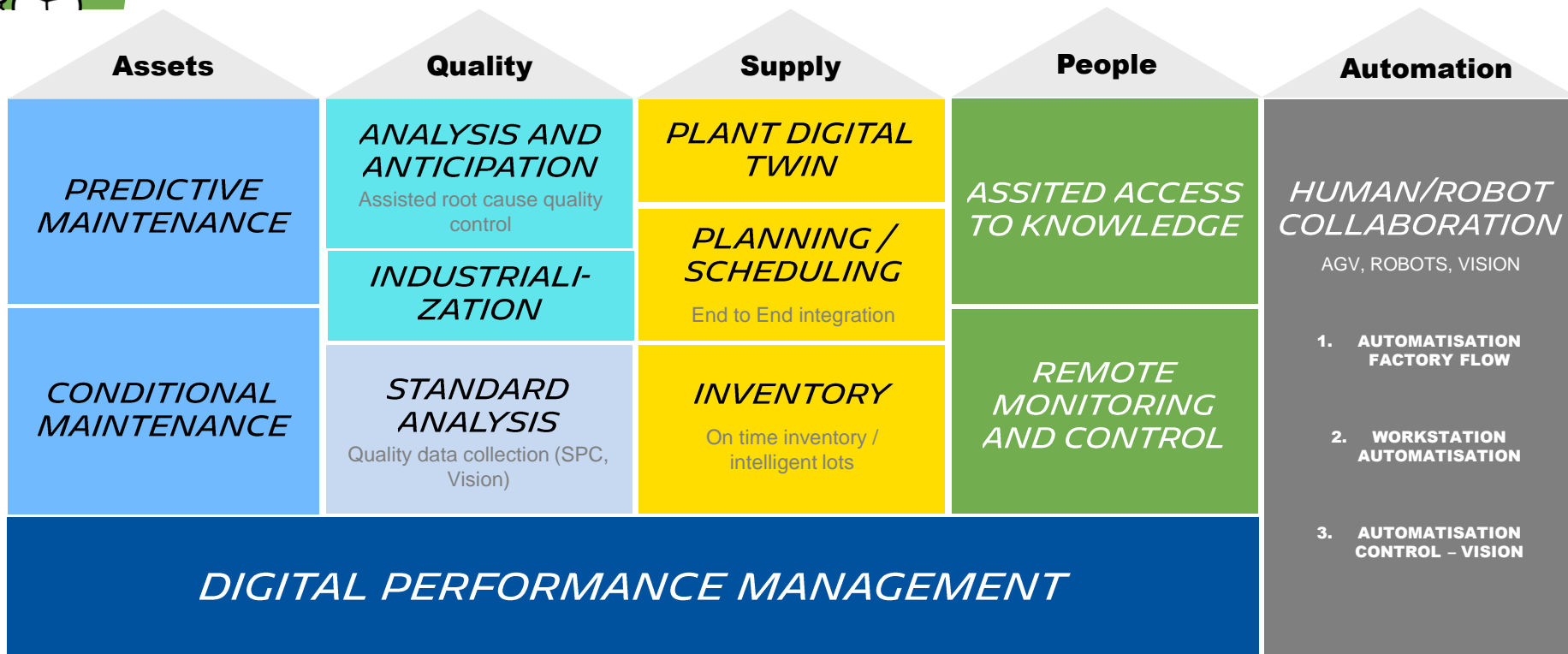
- Accelerate the progress to be an Excellent factory: **master 8 KPI's all together**
- Make the performance **sustainable**



* Michelin Manufacturing Way



Digital manufacturing: 50 demonstrators launched





Digital manufacturing: demonstrators examples

Alerting with smartwatch

OBJECTIVE: PRODUCTIVITY GAIN



Mold management connected application

OBJECTIVE: MOLD CAPEX REDUCTION



- Dimension change requests
- Capture mold location
- Update mold inventory
- Evaluate mold part condition (A/B/C/D)

Predictive maintenance vibration analysis

OBJECTIVE: PRODUCTIVITY GAIN

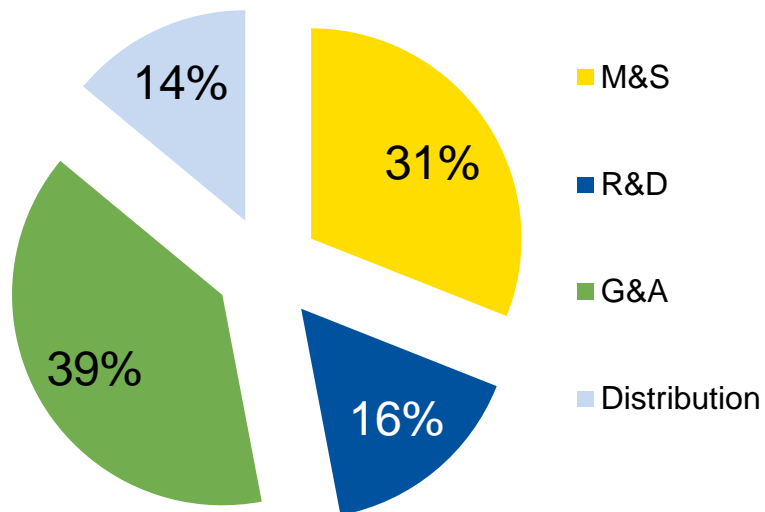


Routine measurements with a vibration analysis tool: comparison of usual peaks and changes (amplitude, new peaks...)

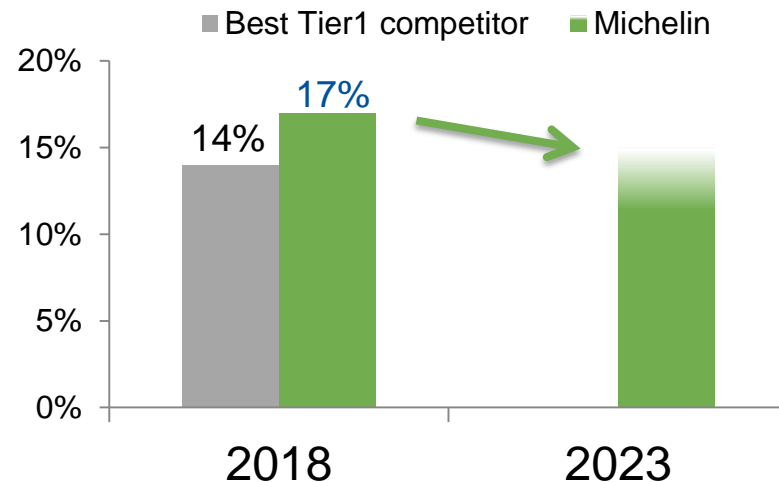


Targeting SG&A benchmark levels

▲ 2018 SG&A split (in €millions)



▲ Zoom SG&A excluding distribution (in % of sales)



**CLOSING THE GAP
VS TIER 1 BEST COMPETITOR**



Levers to improve our competitiveness

CORPORATE BUSINESS SERVICE IN BUCAREST (EUROPE), QUERETARO (AMERICAS) AND IN ASIA (SHENYANG, BANGKOK)

STRENGTHENING OF OUR PURCHASING ORGANIZATION AND PROCESSES

CULTURAL TRANSFORMATION: SIMPLIFICATION AND FRUGALITY

VALUE STREAM MAPPING ON LARGE TRANSVERSAL PROCESSES

COMPLETE THE DEPLOYMENT OF OUR BUSINESS MANAGEMENT PROGRAM (OPE)

CREATION OF MICHELIN TECHNOLOGY AND INNOVATION CENTER IN PUNE (INDIA)

DIGITIZATION OF HR AND CRM PROCESSES





Supply chain performance as a lever for a better ROCE

- Adjust our supply chain design
 - Produce locally/reduce intercontinental flows
 - Adapt supply chain design to fit business models
- Improve our operational performance
 - Improve forecast quality through artificial intelligence
 - Increase manufacturing flexibility
 - Digitize the ecosystem

Target 100% product availability by digitizing the ecosystem

SERVICE
100%

Supply chain performance

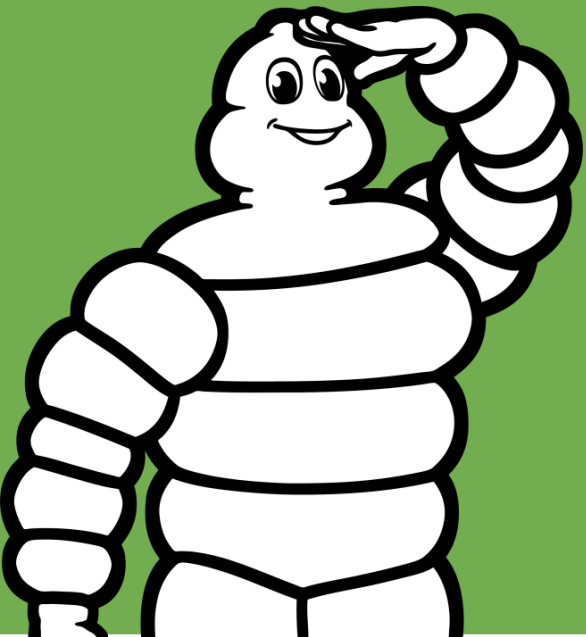
LOGISTICS COSTS

Offset the inflation through productivity gains

INVENTORY

Free up €500m of cash from inventories by 2025





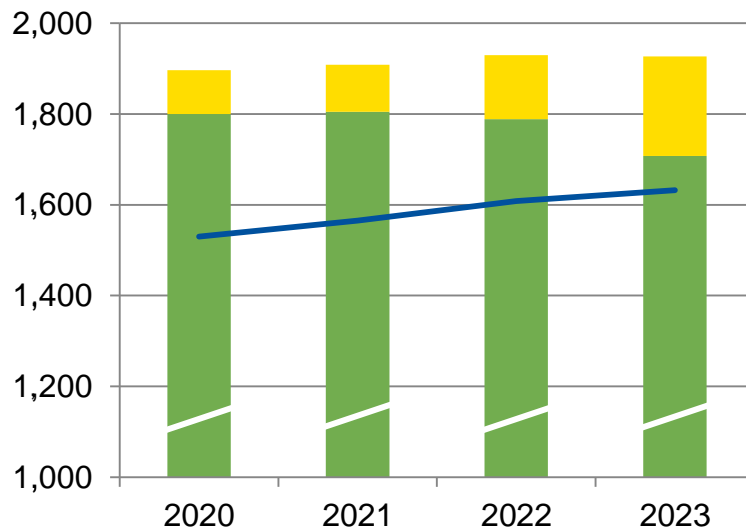
CAPEX STRATEGY



CAPEX strategy: securing core to boost new territories

- Reducing CAPEX on historical core-business towards depreciation level
 - Marginal low cost investments first
 - Michelin brand focused
 - Optimized maintenance CAPEX & molds
- Reinforcing Michelin footprint where the growth is
 - with a CAPEX/unit now back to best market practices
- Allowing CAPEX growth in Specialties businesses (RS3)
- Developing new territories: fleet management solutions & High Tech Materials excluding JVs
- Speeding up a comprehensive digitization plan

▲ CAPEX vs depreciation (in € millions)



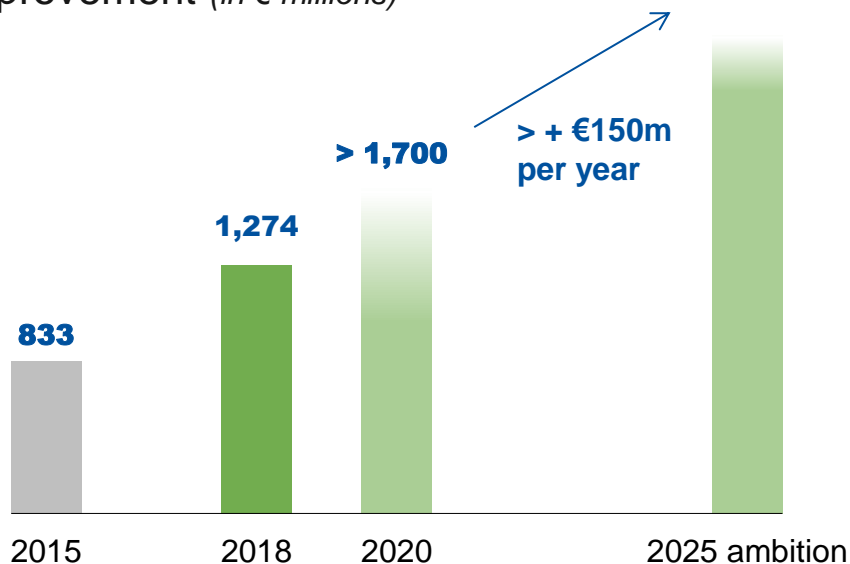
■ Core business ■ New territories — D&A

*Including Michelin tires,
Fenner conveyor belts,
Camso, Multistrada*



2020-2025 cash allocation roadmap

- ▲ Continue to deliver structural FCF progress with EBIT growth and working capital improvement (in € millions)



Financing Hydrogen and 3D metal printing development

- Around €100m/y for 2 JVs and other ventures over the period

Reinforcing our shareholder return policy

- Pay out ratio above 35%*
- Share buyback program: €500m over the next five years 2019-2023

Consolidating our credit rating



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