

OCTOBER 18, 2018

**NET SALES  
AT SEPTEMBER 30, 2018**

# 2018 guidance reminder

	2018
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2017
Structural FCF	> €1,100m

## Downward revision of 2018 markets scenario, EBIT guidance refined and Structural Free Cash Flow confirmed

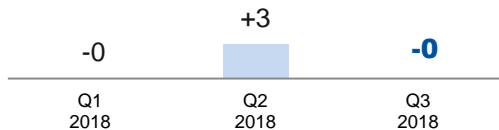
- Q3 net sales up on favorable prior-year comparatives, with a +3.4% price-mix-volume effect, as expected, in a weakening environment late in the period
- Downward revision of Passenger car and Truck markets with a substantial slowdown end of Q3 and Q4
- Effective management of unit margin in Passenger car and Truck:
  - Volume decline due to price increase to offset currency depreciations in emerging markets
- Sustained market share gains in Passenger car and Light truck  $\geq 18'$  and Specialty markets
- Refined guidance :
  - Slight increase in volumes over the full year
  - Growth in operating income from recurring activities of at least €200m excluding currency effect
    - Competitiveness plan expected to offset inflation over the year
    - Net neutral price-mix / raw materials effect over H2
- Confirmed Structural Free Cash Flow > €1,100m

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



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

vs. +1.5%/+1.8% estimated in Sept

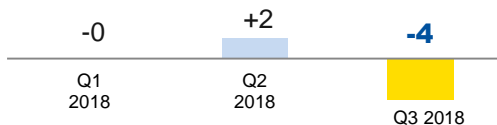


- OE: sharp slowdown in the global market
- RT: cooling demand in ≤16" tires, sustained growth in ≥18' tires
- Slowdown in the Chinese market
- Impact on markets of currency depreciation in emerging countries



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

vs. +0.5%/+1% estimated in Q2



- 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%**

vs. +6%/+8% estimated in Q2

- 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

\* Full year market estimates

# Update of 2018 scenario

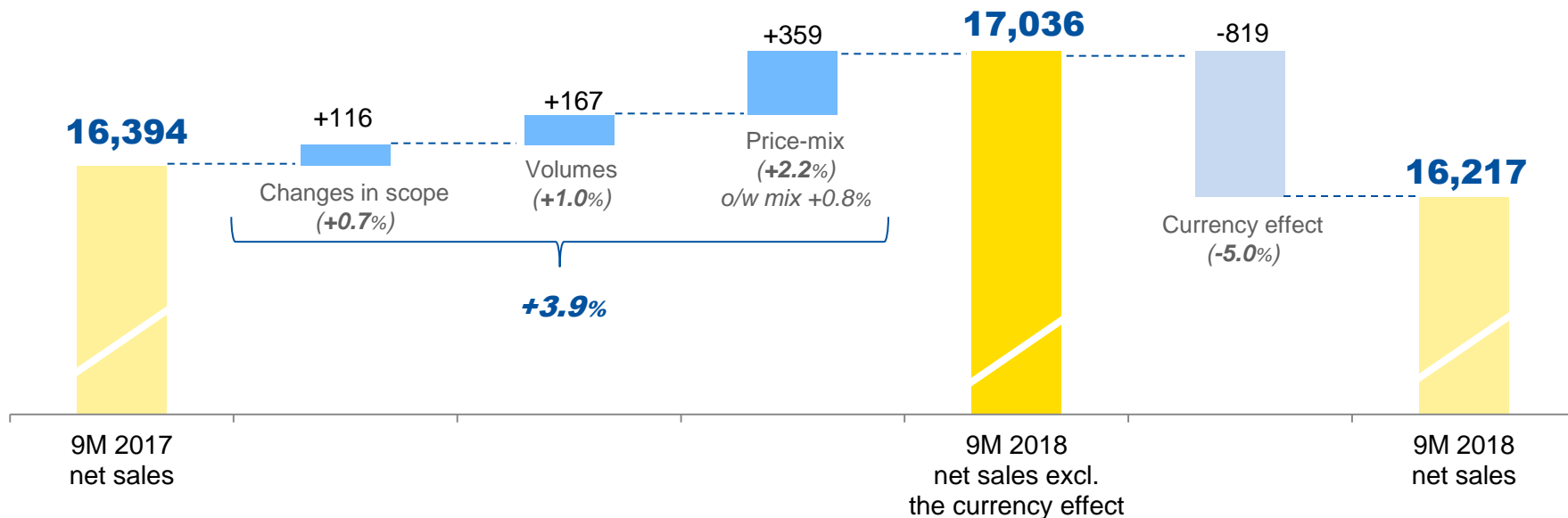
	H1 actual	H2 2018	2018
Net impact of price-mix and raw materials prices	+ €264m	<b>Stable</b> <i>vs slightly negative</i>	<b>Positive</b>
Including impact from raw materials costs	- €67m	around - €50m <i>vs stable</i>	around - €120m * <i>vs - €50m</i>
Competitiveness plan gains vs. inflation	- €42m	<b>around + €40m</b> <i>vs positive</i>	<b>neutral</b> <i>vs positive</i>
Currency effect	- €218m	<b>around - €60m **</b>	<b>environ - €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 September currency effect with an average €/€ at 1.17

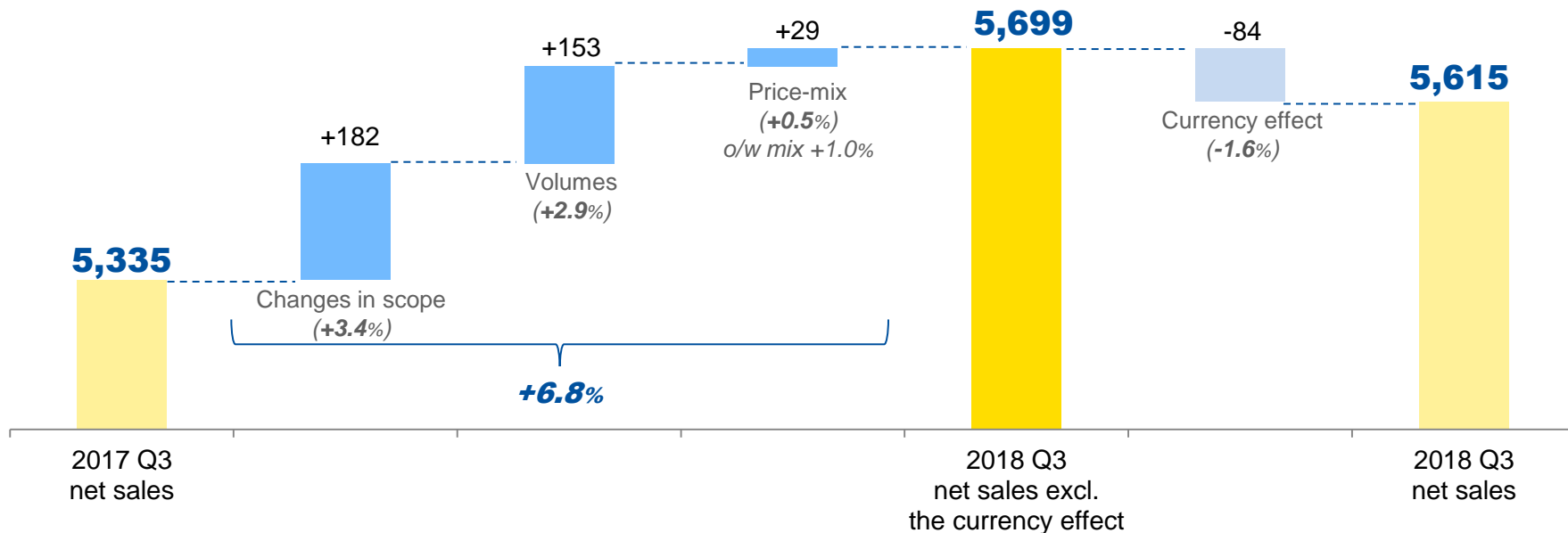
# Nine-month net sales up 3.9% excluding the currency effect

▲ YoY change 9M 2017/2018  
(in € millions and %)



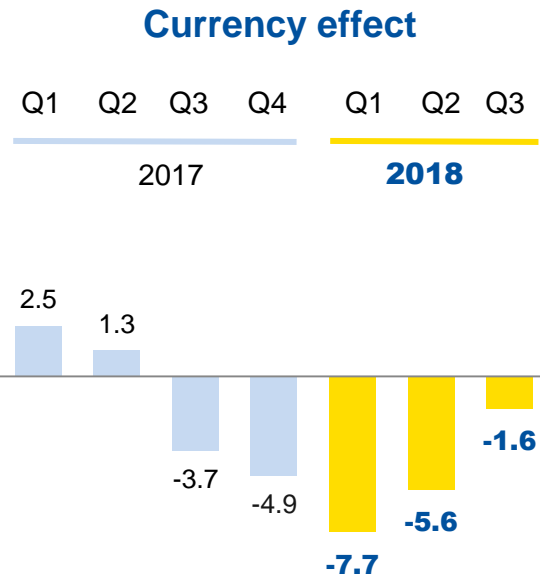
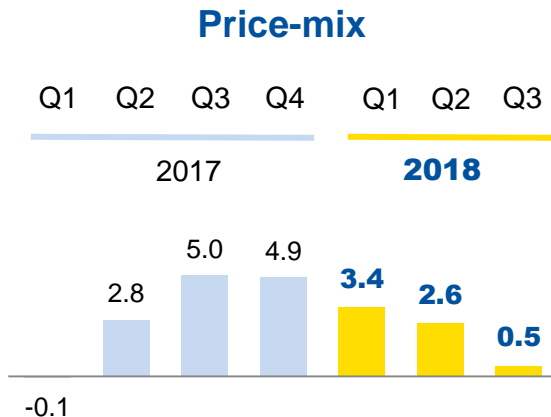
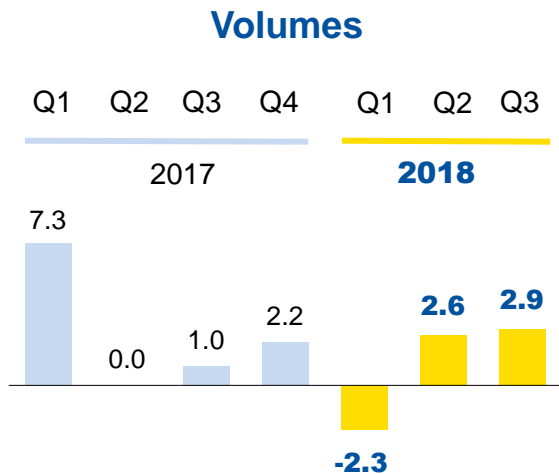
# Q3 2018 net sales up 6.8%, excluding the currency effect, lifted by a highly favorable volume-price-mix effect

▲ YoY change Q3 2017/2018  
(in € millions and %)






# Q3 2018: growth in volumes and a positive price-mix

▲ YoY change, by quarter  
(in %)





## Net sales buoyed by a strong price-mix effect, helping to offset adverse exchange rate movements

(in € millions)		9M 2018*	9M 2017*	Change	9M 2017 reported
	RS1 net sales	8,332	8,850	-5.9%	9,242
	RS2 net sales	4,324	4,454	-2.9%	4,605
	RS3 net sales	3,561	3,090	+15.2%	2,547

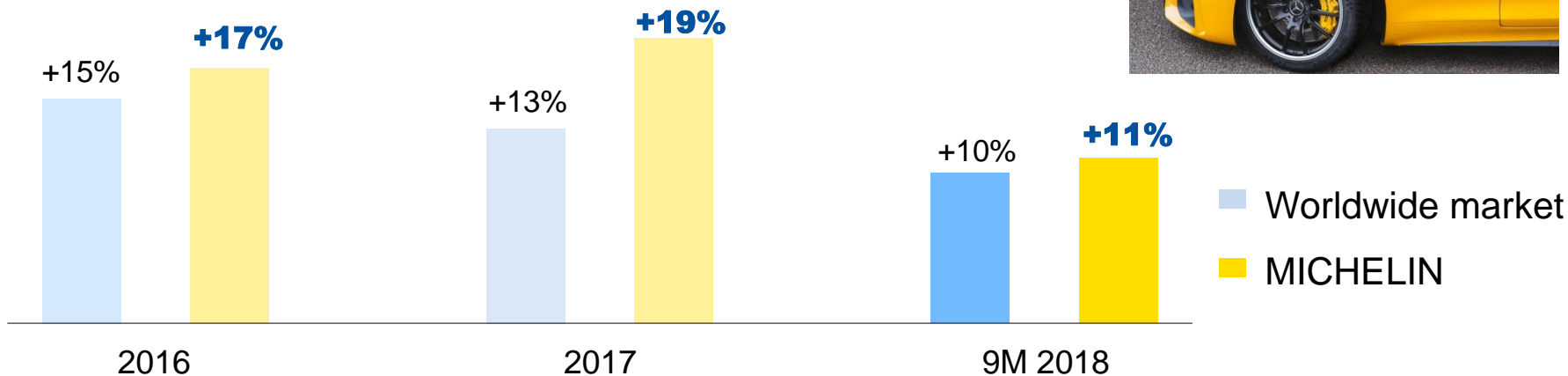
- RS1 net sales shaped by the deconsolidation of the TCi tire wholesaling chain in North America (-2% scope effect)
- RS3 net sales impacted by the consolidation of Fenner (+10% scope effect)

\*Based on the new organization

# ≥18' tires: the market recognizes the power of Michelin's line-up in the premium segment

## ▲ Growth in ≥18' tire sales

(YoY change, markets in units and sales in kt)



- Customers who value the MICHELIN brand and its product performance: price positioning in line with the reputation of the MICHELIN brand
- Sustained growth momentum, made possible by aligning production capacity
  - Faster implementation of the plant project in Leon, Mexico

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

MICHELIN  
MEMS  
Evolution 4



MICHELIN  
XDR 3



Restart of the  
Anderson  
plant



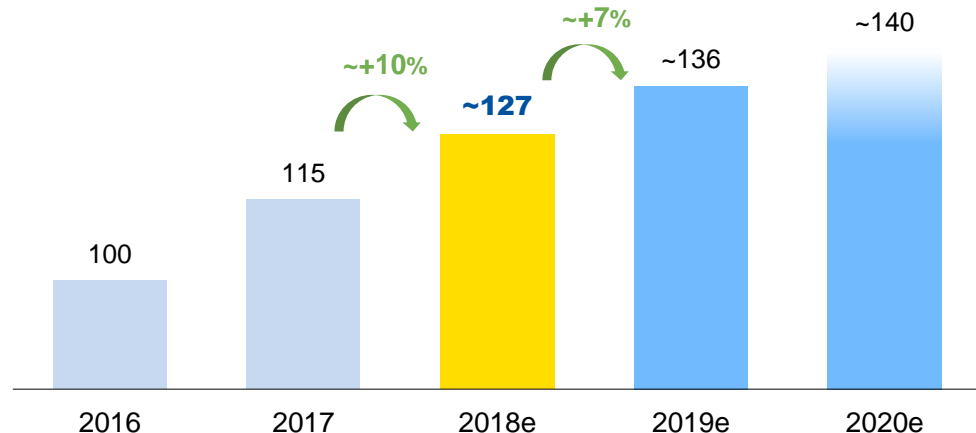
Conveyor belts



Services and  
solutions



● Mining tires\*



\*\*base 100 en 2016, en tonnes

# 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

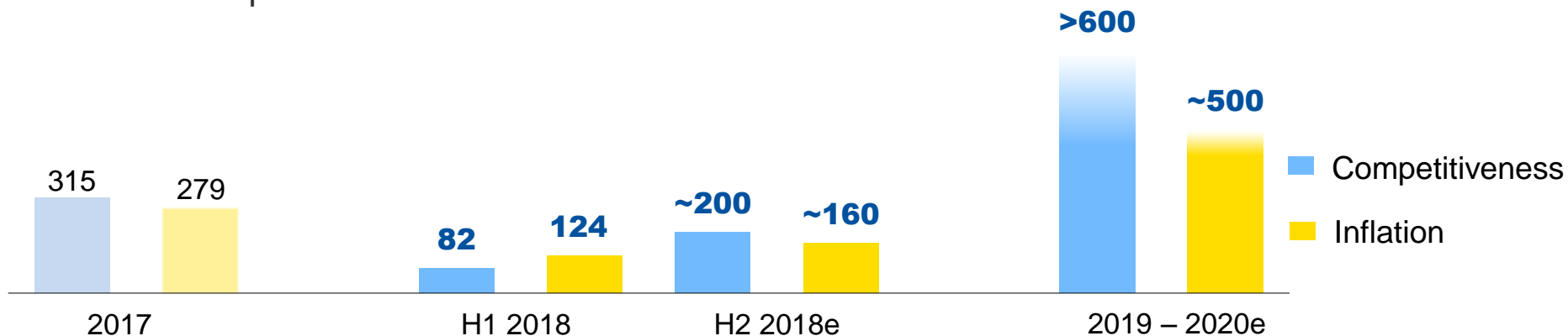
## Fenner key 2018 figures

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



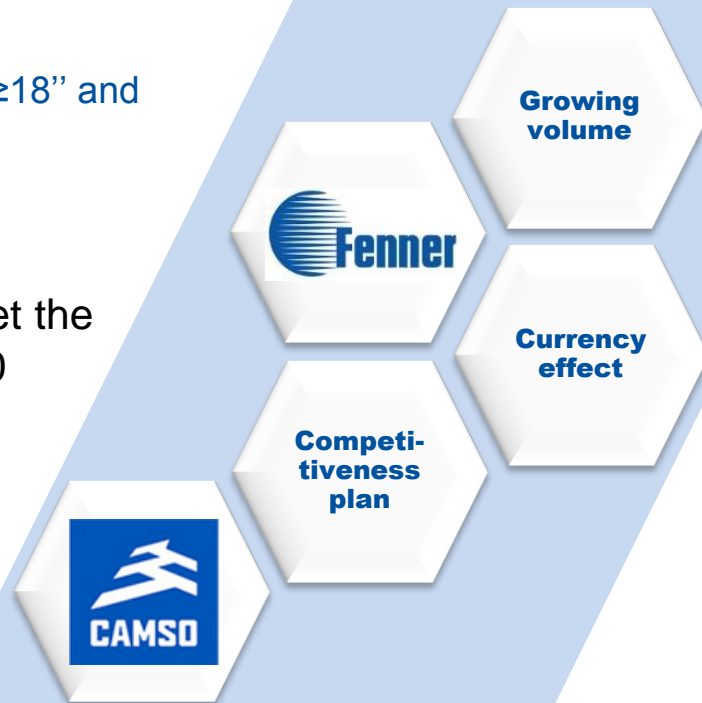
# Confirmation of the competitiveness plan: €1.2 billion savings over the 2017-2020 period

- 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



# 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\*\*

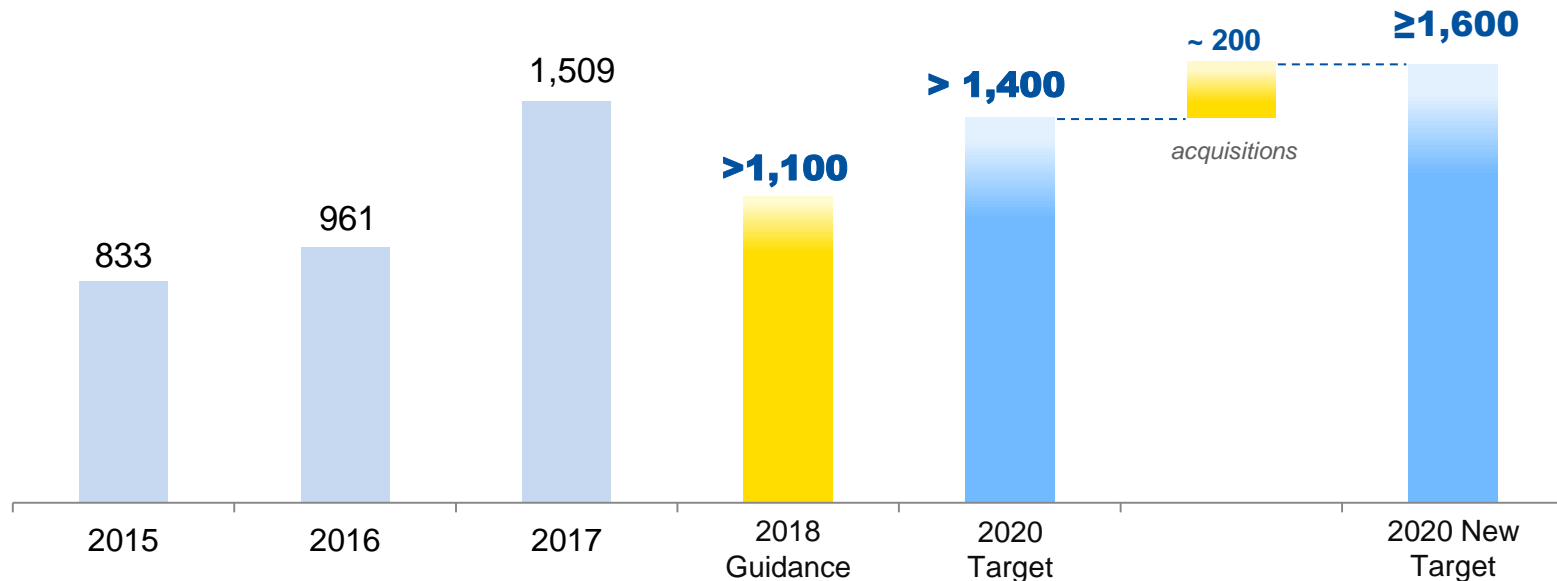


*\*Pending the regulatory approvals expected to be obtained in November 2018*

*\*\*Based on average exchange rates of September 2018 (o/w €/€ at 1.17)*

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

▲ Structural free cash flow (in € millions)





# **MICHELIN Track Connect : the first connected tire to own the track**

**4 tires**



**4 sensors**



**1 receiver**



**1 mobile application**





October 18, 2018

Net sales at September 30, 2018



## Appendices

# PC Tire Market - OE markets: continuing decline in Europe and China, growing demand in North America on favorable basis of comparison. Slowdown in RT markets.

## September 2018 / 2017

Market	Europe including Russia & CIS *	Europe excluding Russia & CIS *	North America	South America	China
Original equipment tires	▼ -6%	▼ -6%	▲ +10%	▲ +12%	▼ -7%
Replacement tires	▼ -0%	▼ -2%	▼ -1%	▼ -12%	▲ +3%

## YTD (September 2018)

Market	Europe including Russia & CIS *	Europe excluding Russia & CIS *	North America	South America	China
Original equipment tires	▼ -1%	▼ -1%	▼ -3%	▲ +10%	▲ +0%
Replacement tires	▲ +2%	▲ +1%	▲ +3%	▼ -7%	▼ -1%

\* Turkey included

# TB Tire Market – slowing demand in Europe, dynamic markets in North America supported by fret and imports in RT. OE demand in South America driven by exports.

September 2018 / 2017

Market (Radial + Bias)	Europe including Russia&CIS *	Europe excluding Russia&CIS *	North America	South America
Original equipment tires	▼ -1%	▼ -1%	▲ +9%	▲ +41%
Replacement tires	▲ +1%	▼ -1%	▲ +4%	▼ -3%

YTD (September 2018)

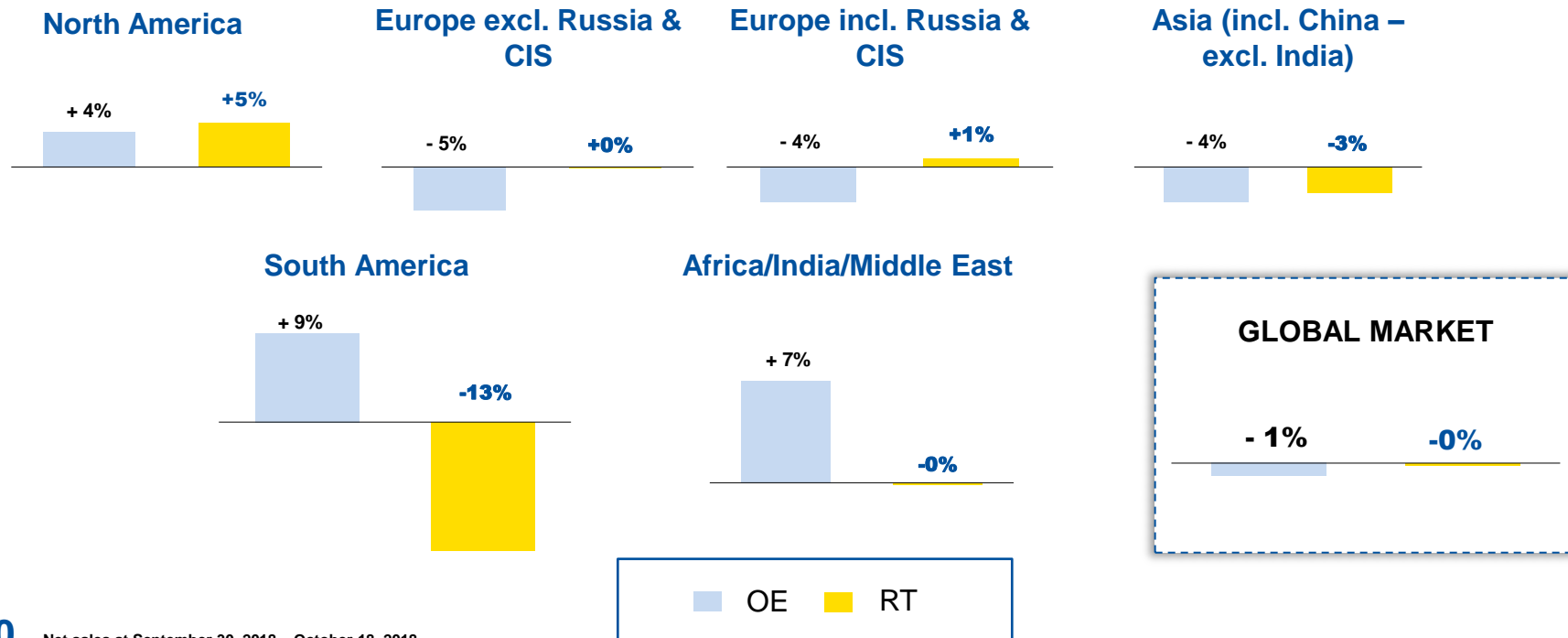
Market (Radial + Bias)	Europe including Russia&CIS *	Europe excluding Russia&CIS *	North America	South America
Original equipment tires	▲ +5%	▲ +5%	▲ +16%	▲ +62%
Replacement tires	▲ +1%	▼ -1%	▲ +6%	▲ +3%

\* Turkey included

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



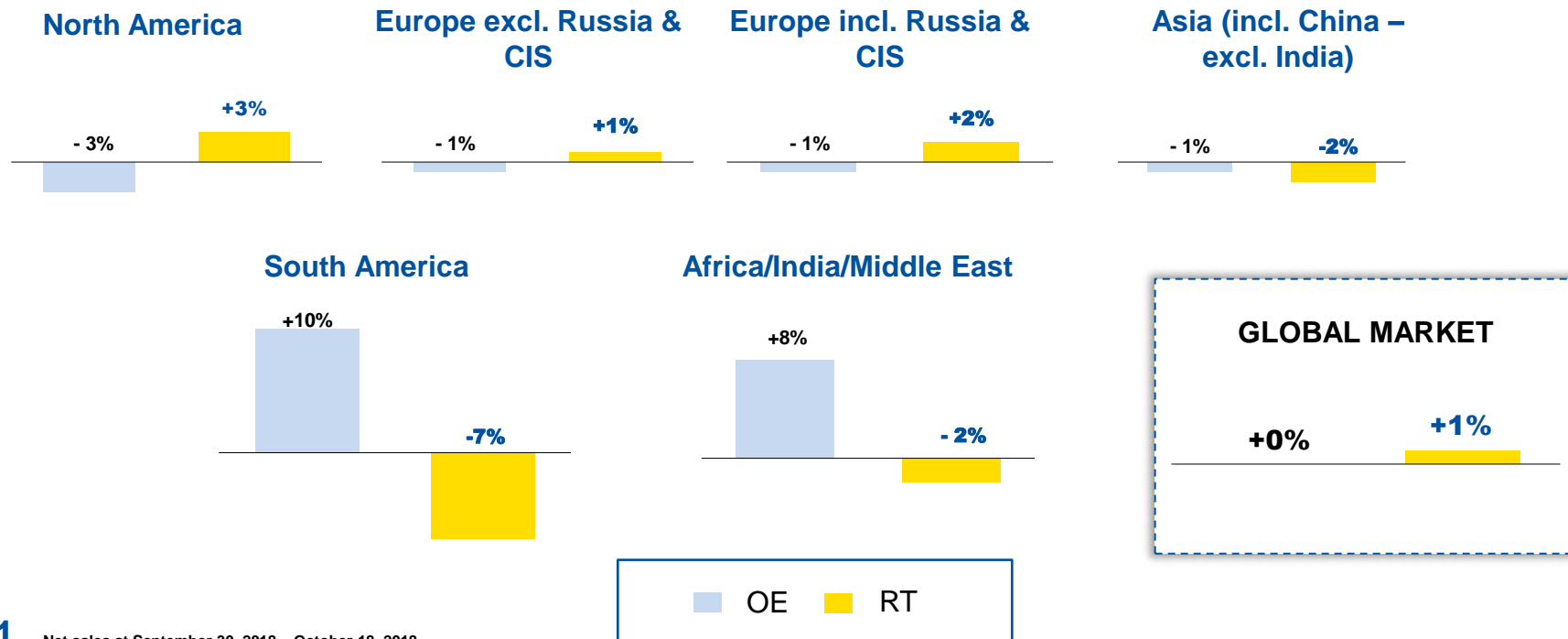
### ▲ Passenger car tire market, Q3 2018 (% change YoY, in number of tires)



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



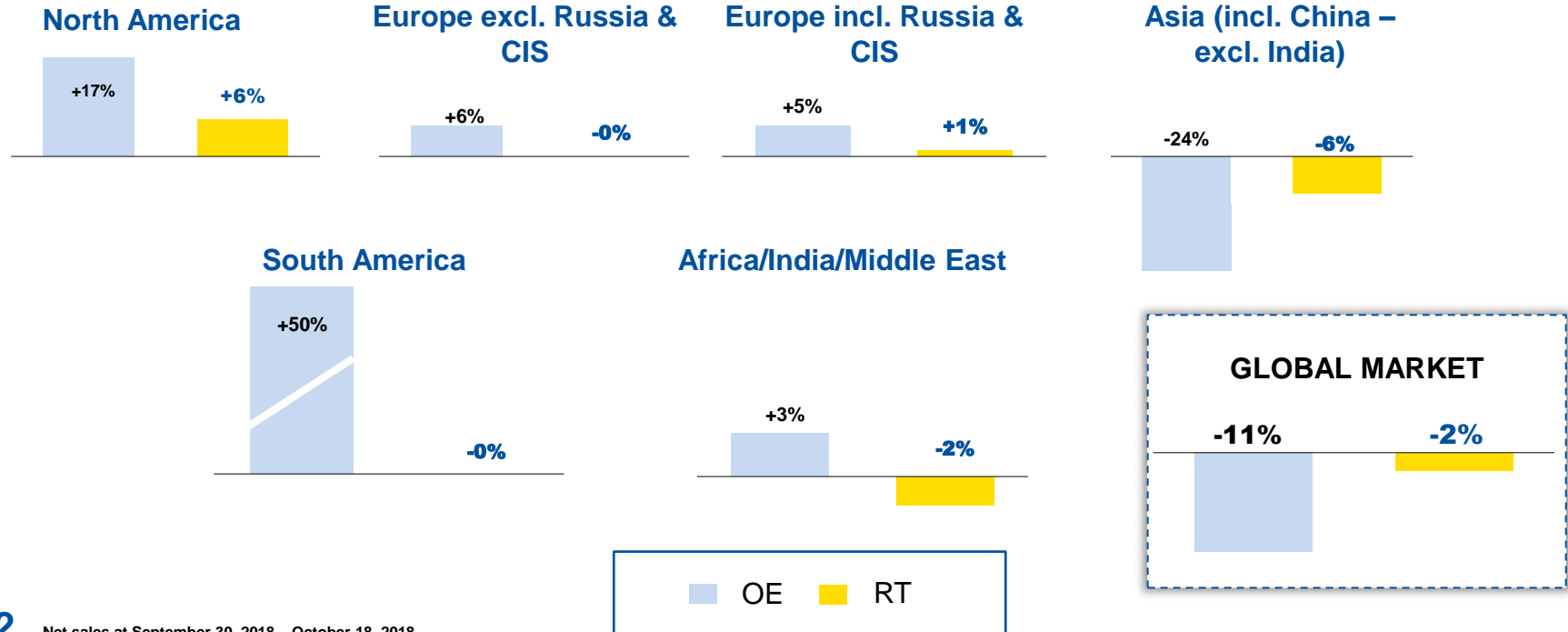
## ▲ Passenger car tire market, 9M 2018 (% change YoY, in number of tires)



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



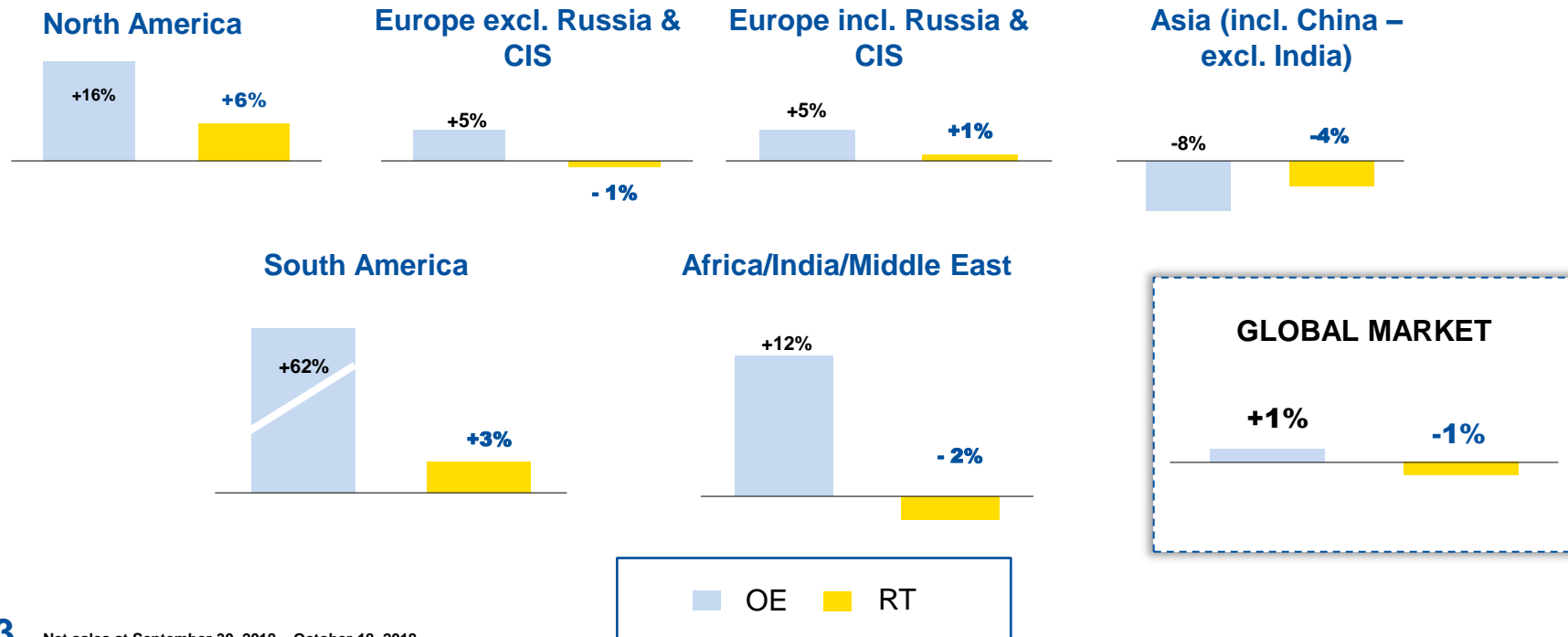
### ▲ Truck tire market, Q3 2018 (% change YoY, in number of tires)



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



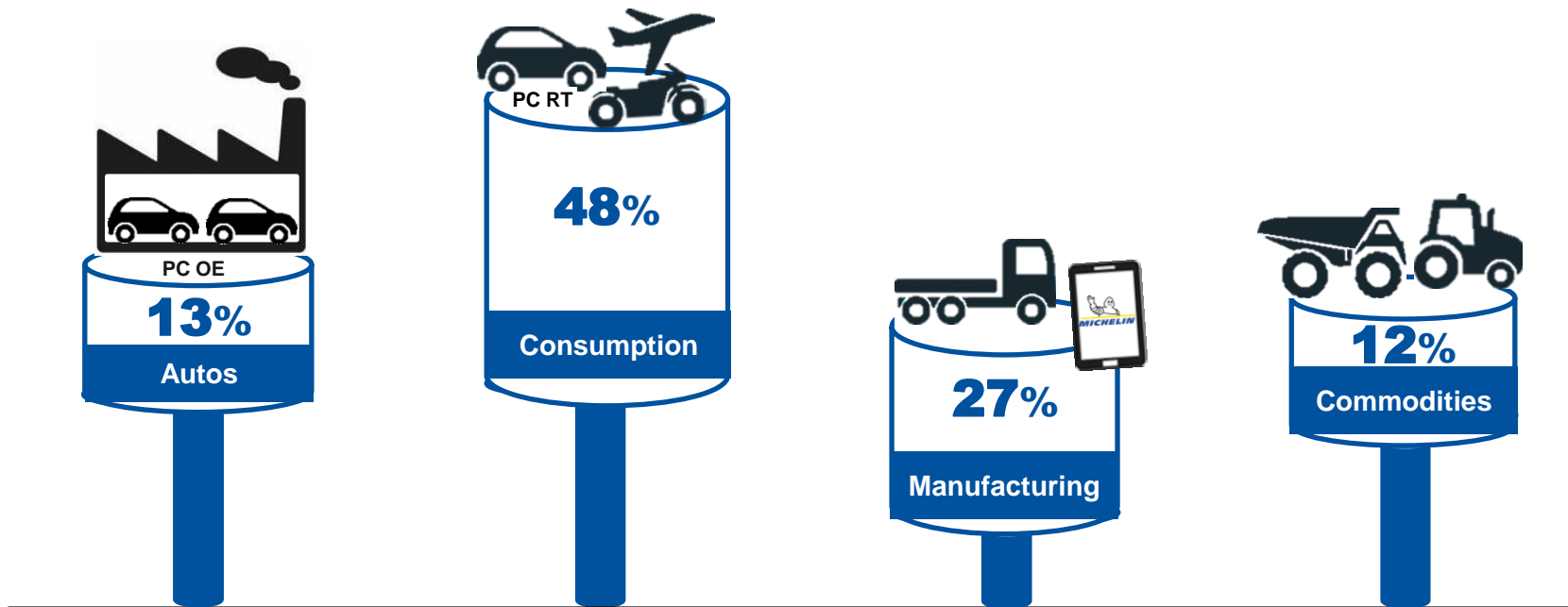
## ▲ Truck tire market, 9M 2018 (% change YoY, in number of tires)





# A business model strongly linked to consumption

## ▲ Net sales by drivers\*



\*2017 net sales by sector



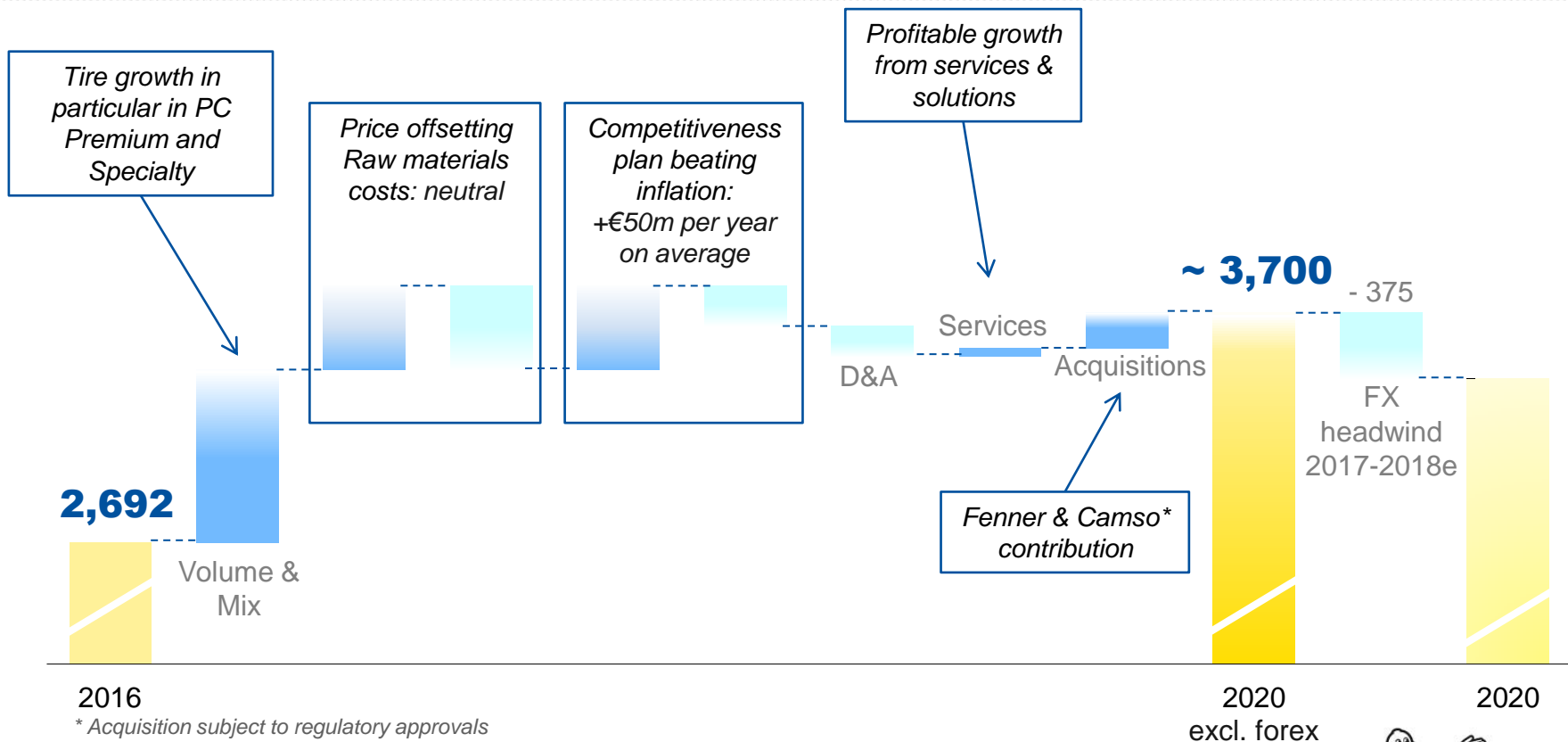
# Net sales by currency and impact on EBIT

	% of net sales H1 2018		Change in € vs. currency, H1 2018/H1 2017	Droptthrough 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 H1 2018		Change in € vs. currency, H1 2018/H1 2017	Droptthrough 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%
	Other	1%		80% - 85%

\*Droptthrough depends on the export/production/sales base

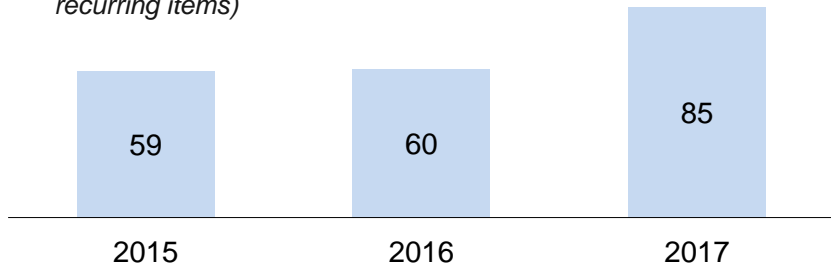
# 2016-2020: profitability levers



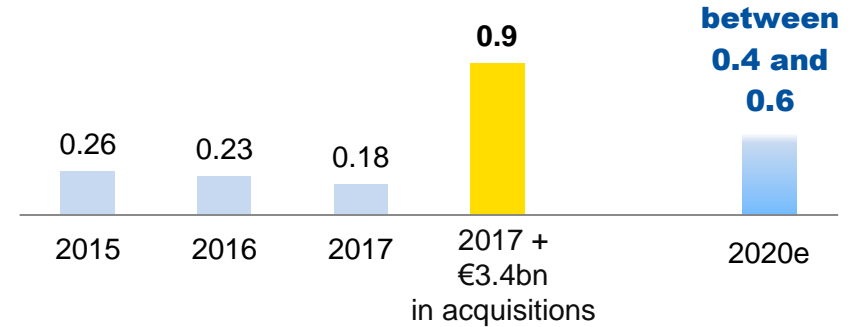
# High free cash flow and a robust financial position

## ▲ Cash conversion ratio

(in % - structural free cash flow/net income before non-recurring items)



## ▲ Net debt/EBITDA\*

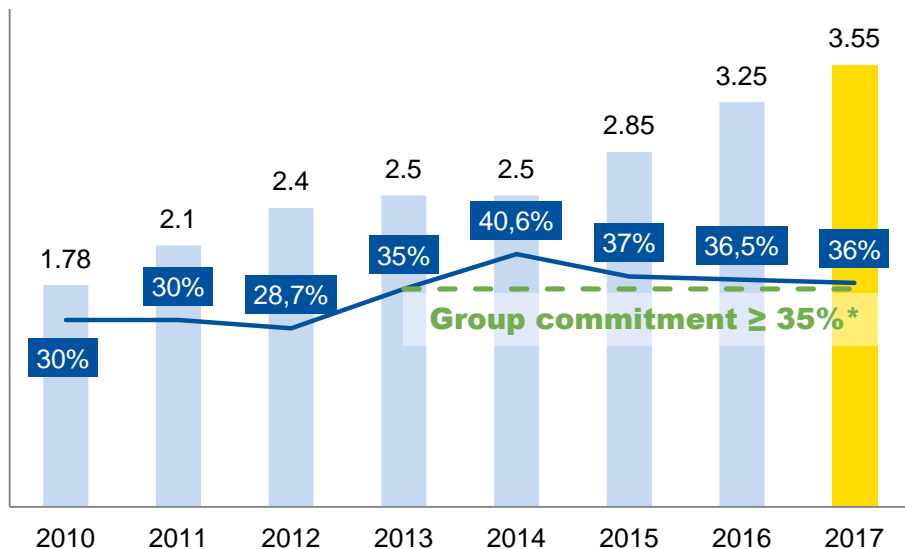


- Net debt/EBITDA peaking in 2018 due to cash out for planned acquisitions during the year, before easing to between 0.4 and 0.6 in 2020
- Rating agencies Moody's, Standard & Poor's and Fitch have confirmed an A-/A3 credit rating after the Camso acquisition project announcement bringing to €3.4bn the 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: €101m in buybacks and 0.5% of outstanding shares canceled
- 2018: €75m in buybacks and 0.4% of outstanding shares canceled to offset the dilutive impact of share-based compensation

# 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>

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



- Manufactures and supplies high performance products and services for the off-the-road mobility markets
  - Technological leadership in rubber tracks and solid tires
  - Competitive production facilities, particularly in Sri Lanka, Vietnam and North America
- 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 three research centers

\*Fiscal year ends March 31

# H1 2018 acquisitions and partnerships: €2bn in cash out

## Estimated Fenner synergies raised to £60m

- TBC & TCi joint venture:

- Create the leading US tire wholesaler
- Gain access to more to more than 2,400 retail locations
- Capitalize on TBC's expertise in importing Tier 3 and Tier 4 tires
- ⇒ Market pioneer, with a clear governance structure and agile management



- Fenner acquisition:

- Leverage the full value of the Group's technological leadership in materials in non-tire segments
- Expand the Group's portfolio for mining customers with a leading conveyor belt manufacturer
- Estimated synergies in 2022 raised to £60m from the initially projected £30m





# Michelin acquires Fenner, a world leader in conveyor belt solutions and reinforced polymer products



- A strategic acquisition with compelling value creation potential, in line with Michelin's ambition to leverage its expertise in high technology materials, in order to:
  - Provide a comprehensive offering to mining customers and create synergies, now estimated at £60m
  - Expand the engineered materials business, with a portfolio of strategically related polymers

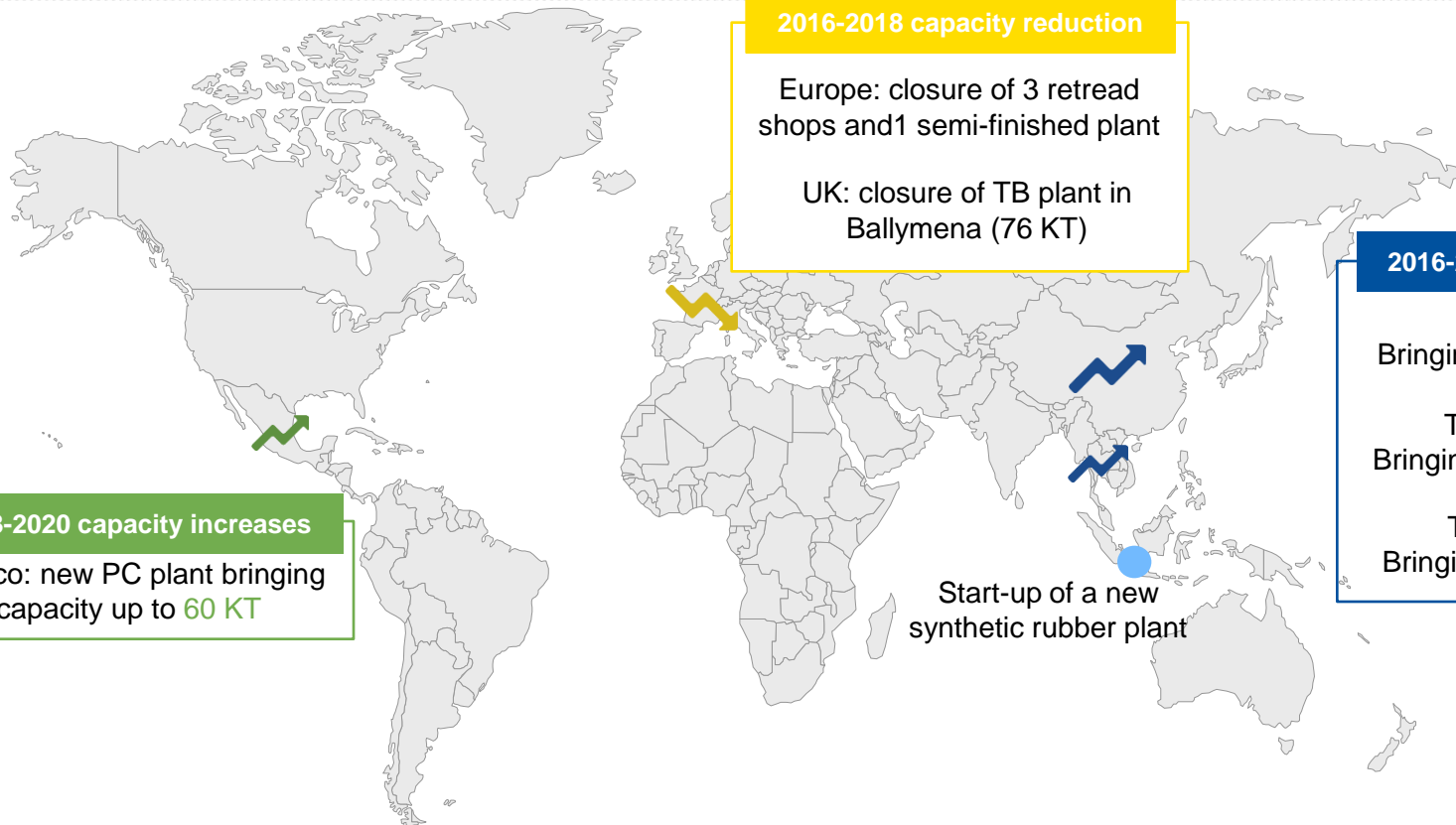
## Fenner key figures

<i>(in £ millions)</i>	2018 (latest consensus)	2017
• Net sales	682	655
• EBITDA	99	86
• EBITDA margin	15%	13%








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



# Impact of the new organization by RS in H1 2017

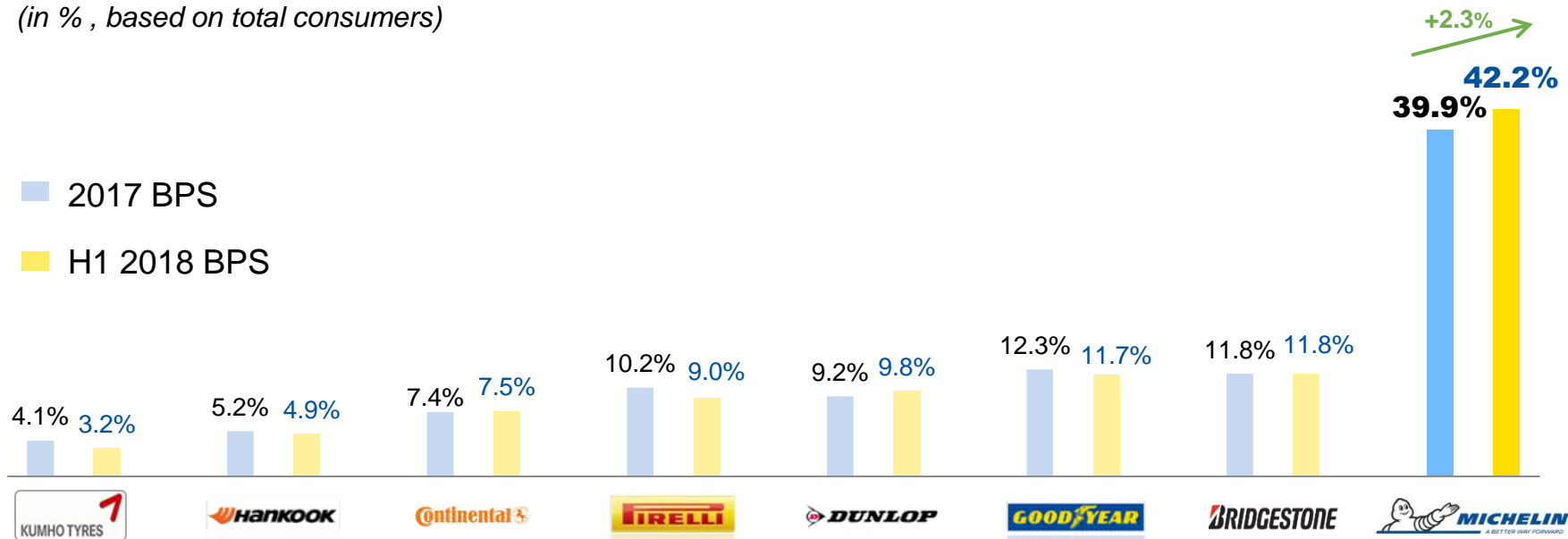
(en millions €)		H1 2017**	H1 2017 reported	Change
	RS1 net sales	6,009	6,263	-4%
	Operating income*	764	800	-5%
	Operating margin*	12.7%	12.8%	-0.1 pt
	RS2 net sales	2,928	3,041	-4%
	Operating income*	214	229	-7%
	Operating margin*	7.3%	7.5%	-0.2 pt
	RS3 net sales	2,122	1,755	+21%
	Operating income*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

\*From or on recurring activities.

\*\*Based on the new organization

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

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

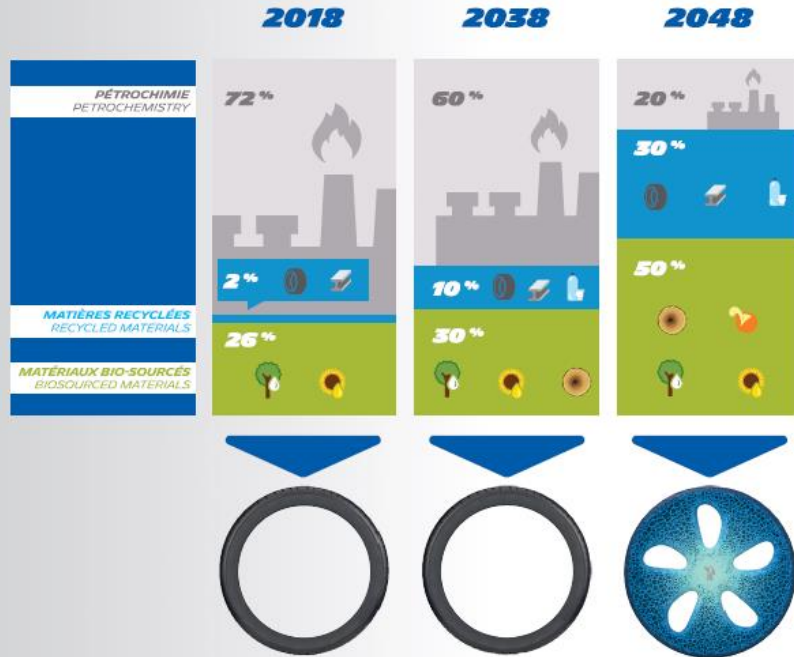


\* BCM study conducted by market research institute Millward Brown, based on the reduced brand list of 8 brands

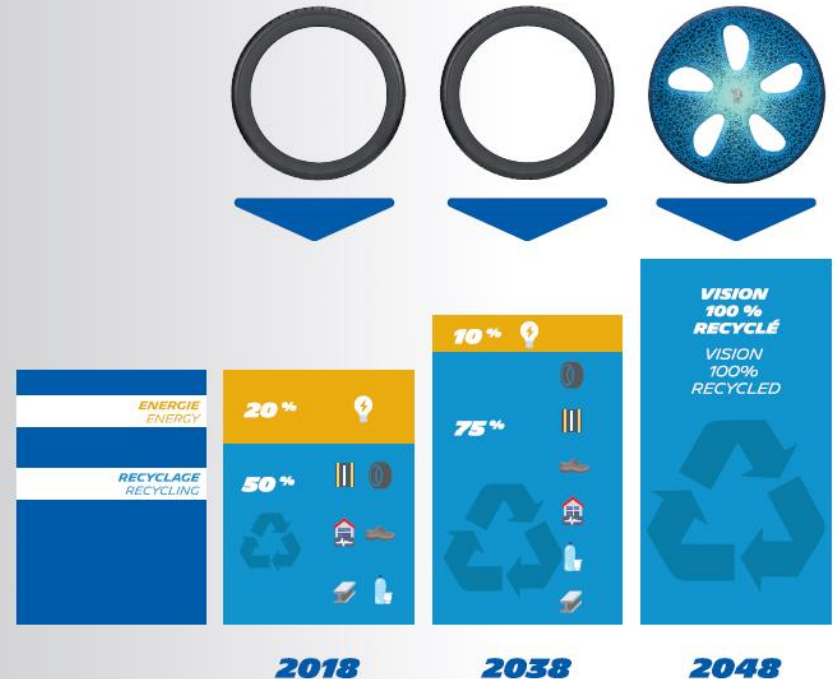
*WITH LONG LASTING PERFORMANCE, MICHELIN ACTS AGAINST  
PLANNED OBSOLESCENCE AND PUSHES FOR HIGHER  
TECHNOLOGICAL CONTENT*



## Michelin tires will be made using 80% sustainable materials



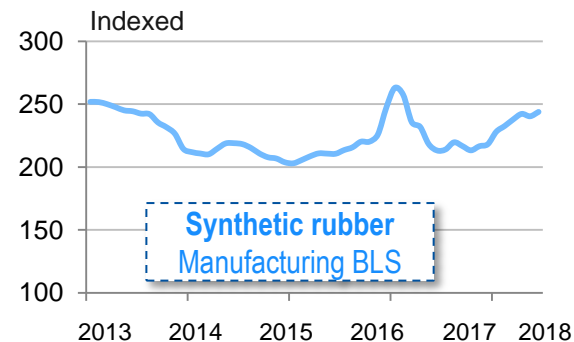
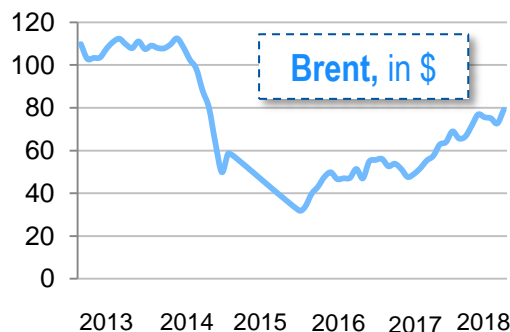
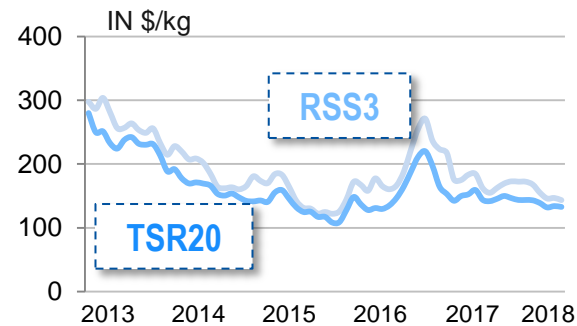
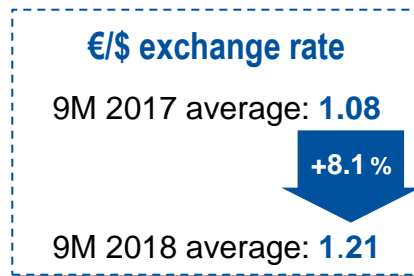
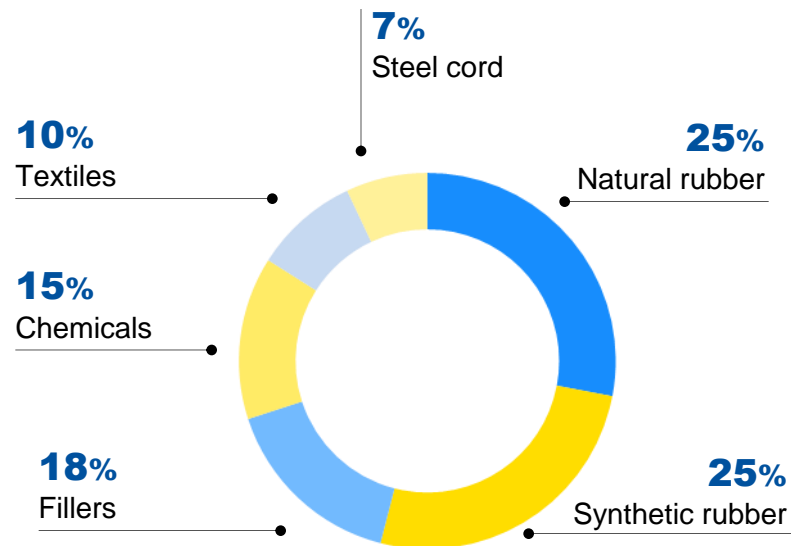
## 100% of tires will be recycled





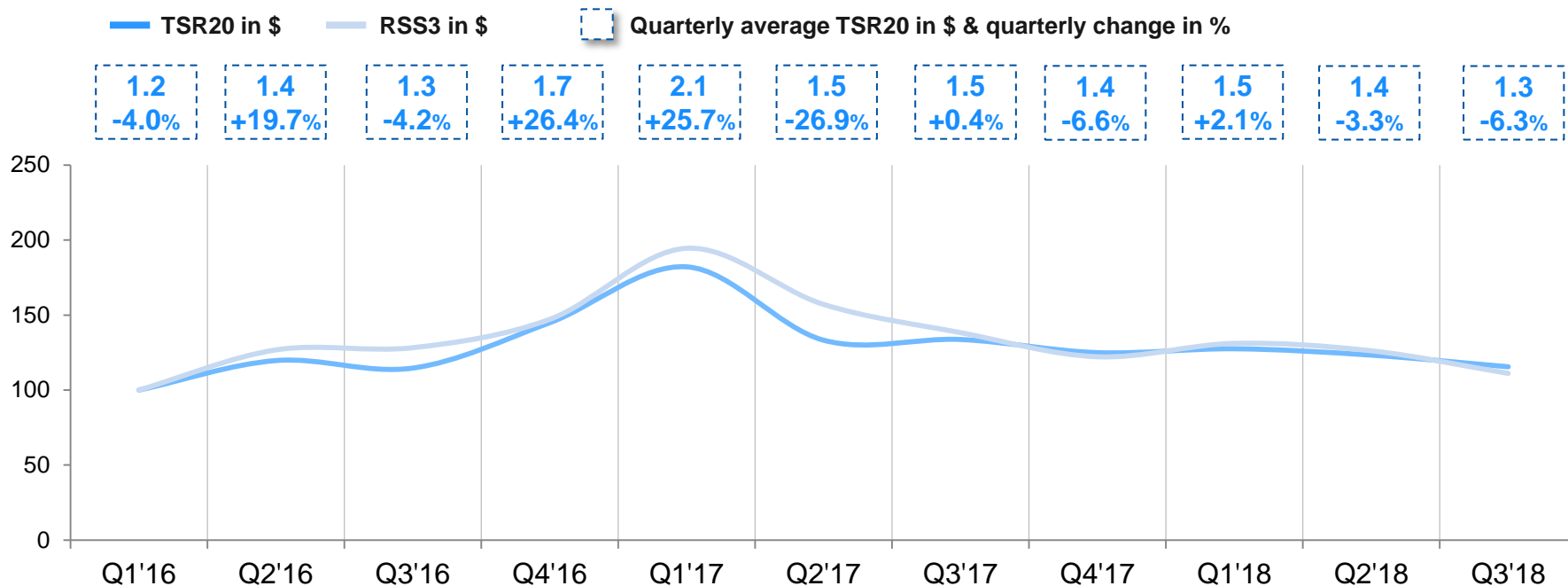
# Raw materials

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



# Natural rubber prices

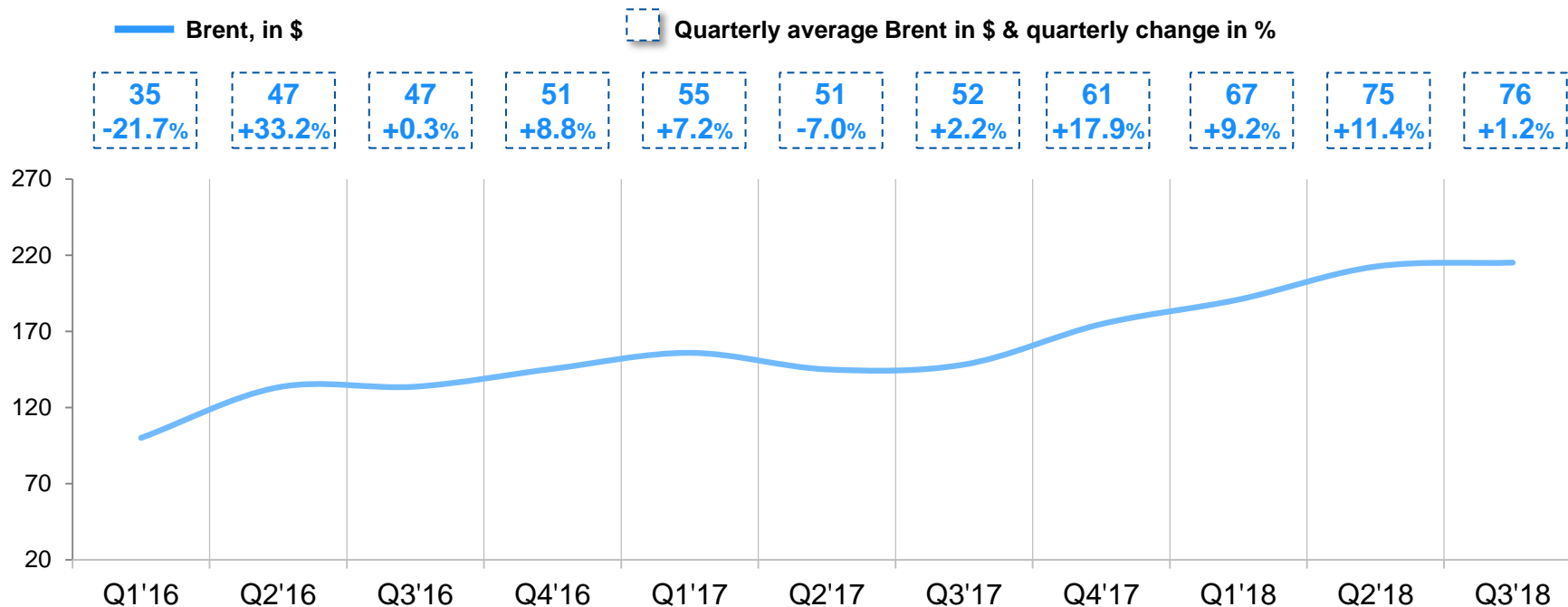
▲ Index as of September 30, 2018 (in \$/kg, base 100: Q1 2016)



Source: SICOM

# Brent crude oil prices

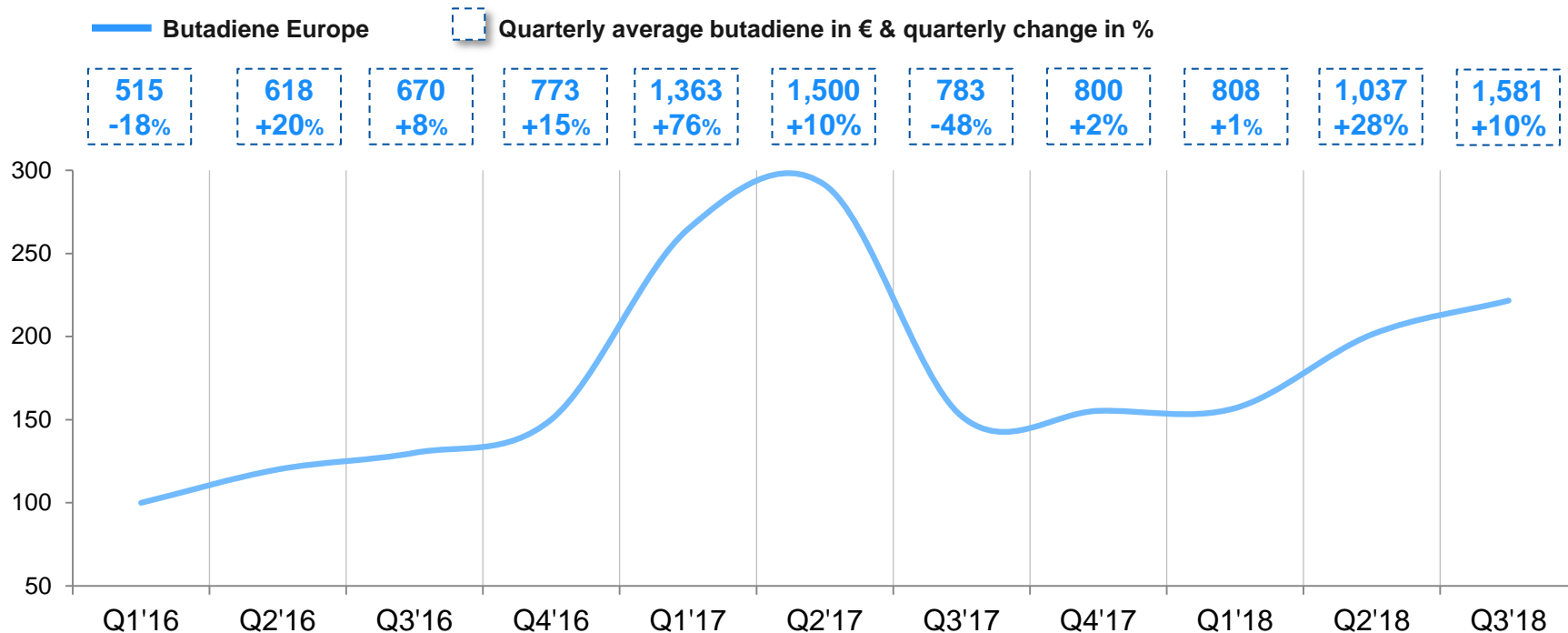
▲ Index as of September 30, 2018 (\$ per barrel, base 100: Q1 2016)





# Butadiene prices

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



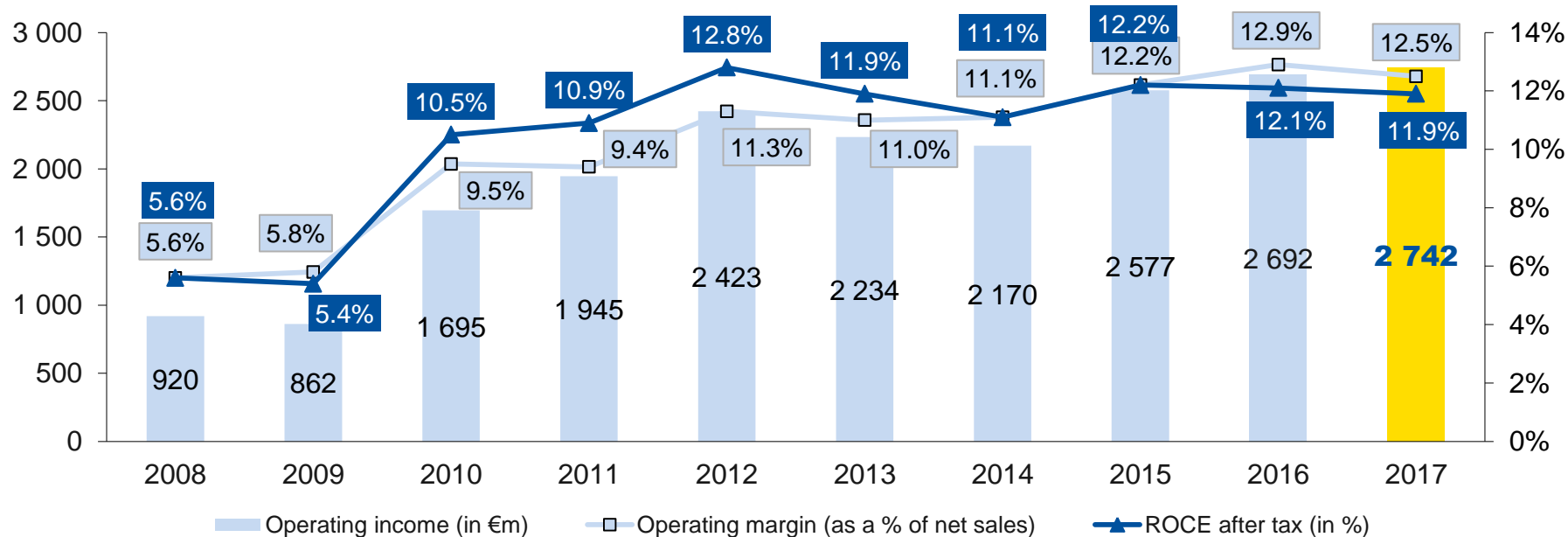
Source: IHS

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

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

# 2017: another year in line with our 2020 roadmap

## ▲ Operating income and margin\* & ROCE



\*from recurring activities.

# 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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