

Investor Day in Ladoux – June 6, 2016

Drivers for competitiveness

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Michelin SWOT Analysis

STRENGTHS

- First worldwide tire brand
- Global and balanced sales footprint
- Pricing power
- **Demonstrated innovation capacity**
- **Strategic vertical integration**
- People commitment and skills
- FCF generation

OPPORTUNITIES

- **Fleet services demand**
- **E-business**
- Increasing presence in Tier 2 / Tier 3 segments
- Rising raw materials

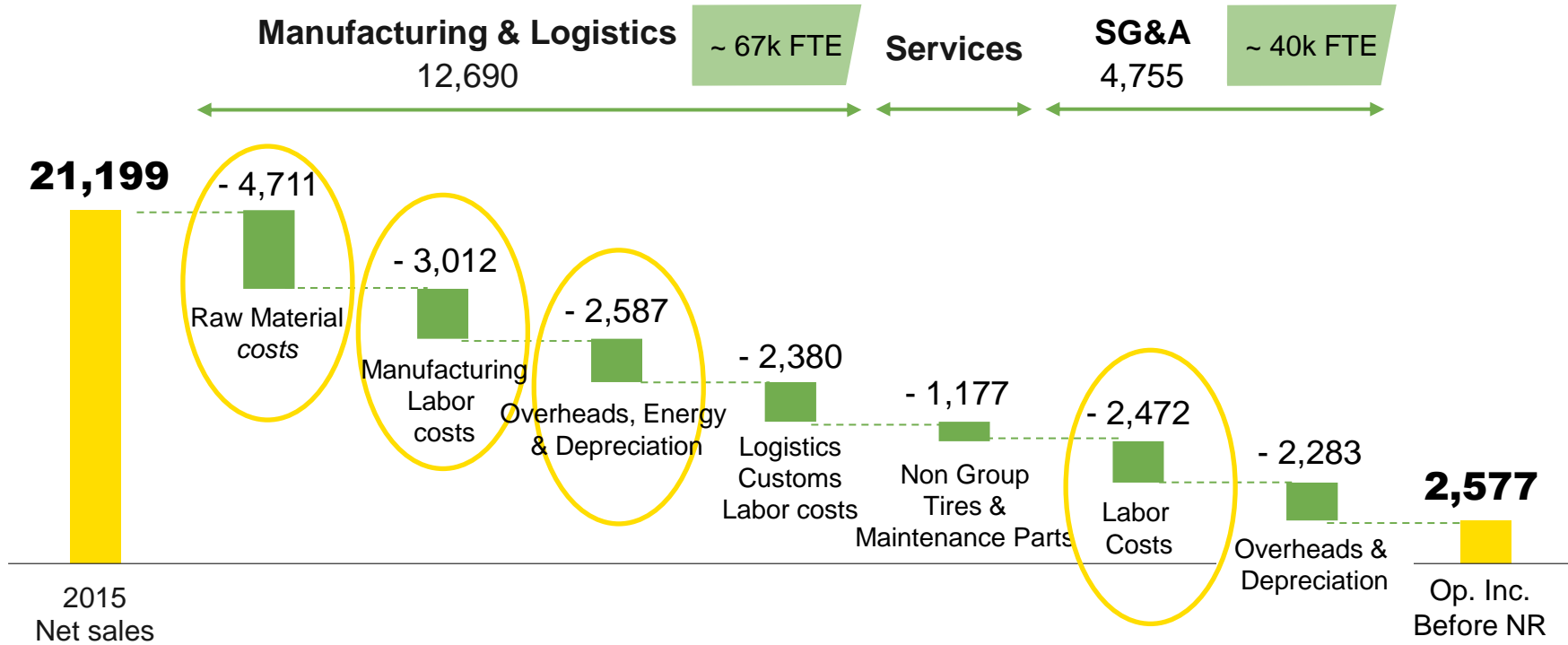
WEAKNESSES

- **Cost Structure**
- **Industrial Footprint**
- Supply chain effectiveness
- Management information systems

THREATS

- Worldwide GDP decline & weakening demand
- Tier 4 competition
- Industry over capacity and pricing pressure

2015: from Net Sales to EBIT



FTE: Full Time Equivalent

Target: Reduce SG&A/Gross Margin ratio

Valuation method of gains:

- Manufacturing and SG&A

$$\begin{array}{|c|} \hline \text{Costs*} \\ \hline \text{Year N} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Currency} \\ \hline \text{effect} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Volume} \\ \hline \text{effect} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Inflation} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Gains} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Costs*} \\ \hline \text{Year N+1} \\ \hline \end{array}$$

- Manufacturing flexibility assumption: variable costs vs. tonnage
 - Tonnage: 50%
- SG&A flexibility assumption: variable costs vs. Gross Margin change
 - Sales: 70%
 - R&D: 20%
 - Central costs: 10%

New 2017 – 2020 Competitiveness Plan: accelerating to ~€300m per annum

<i>In €m</i>	Plan 2007-2010 achieved	Plan 2012-2016 Target: €1,200m		Plan 2017-2020
		2012-2015 achieved	2016(e)	
SG&A	251	421		500/550
Manufacturing Costs	406	394		450/500
Materials	365	149		150/200
Total	1,022	964	~250	~1,200

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