

Investor Day in Ladoux – June 6, 2016

# Industrial Performance

*Jean-Christophe Guérin,  
Executive Vice President, Materials Product Line*



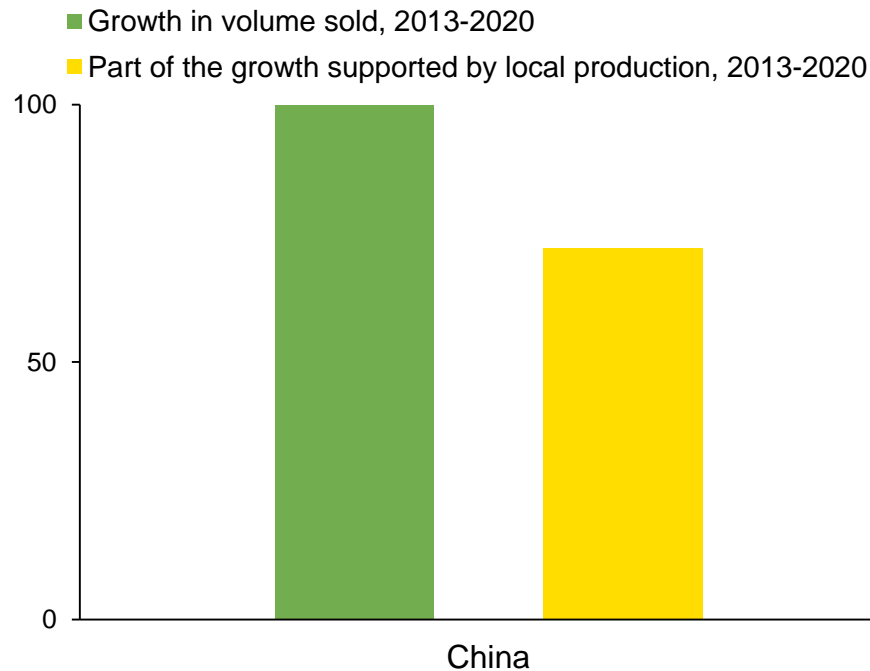
June 2016

# INVESTOR DAY

- 1 / Continuation of the initiatives underway for the past five years**
- 2 / New drivers**
- 3 / Cost-savings targets**

# Continuation of the initiatives underway for the past five years: greater regional empowerment

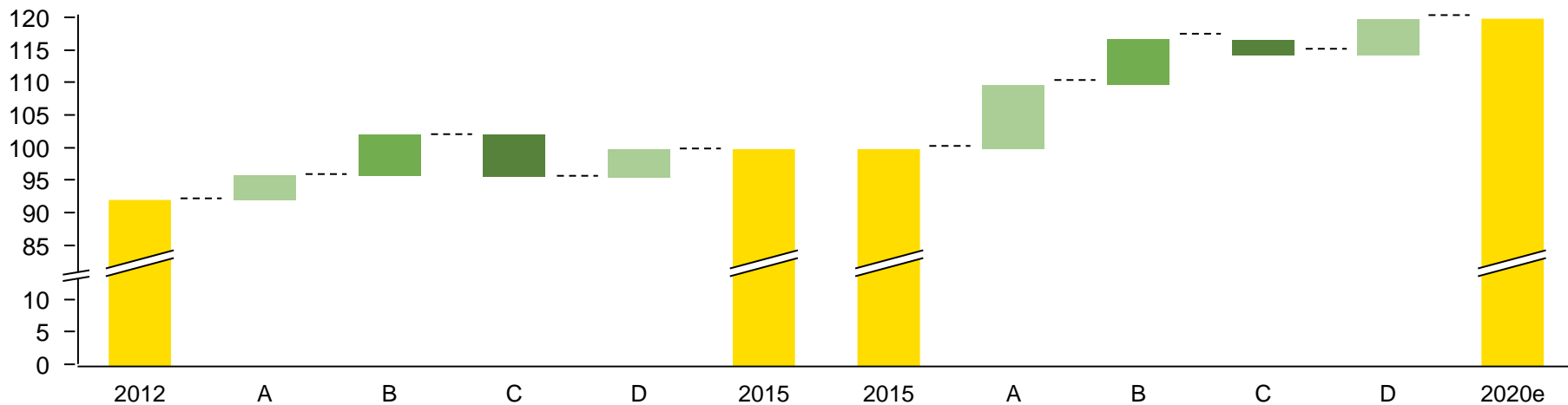
- The new plants are playing a strong role in driving sales growth in emerging markets
- Exports are lifting utilization rates at the European plants, adding to sales growth
- Opening of Agricultural tire production lines in South America



# Continuation of the initiatives underway for the past five years: growth in worldwide output

- New capacity in the growth regions is offsetting the impact of restructuring in the mature regions
- Increasing existing capacity and utilization rates is a key factor in covering fixed costs

2012 - 2020 output drivers



**A:** Increased marginal capacity at existing plants

**B:** Capacity at new plants

**C:** Impact of announced restructurations

**D:** Improved utilization rates

# Continuation of the initiatives underway for the past five years: increase in average plant size

- Plants exceeding 100,000 T/yr account for an increasing percentage of consolidated output

## Production of plants exceeding 100,000 T/yr

	2012	2015	2020	2020 (excl. niche product plants)
Number of plants	12	15	18	18
Share of consolidated output	49%	65%	70%	75%
Capacity utilization	75%	87%	93%	93%

# Continuation of the initiatives underway for the past five years: a rationalized industrial footprint

- After restructuring PC/LT operations, continuation in the truck division (closure of 10 PC/LT plants and 11 Trucks plants over 2005 - 2016)
- Competitiveness agreements in Europe (France, Germany, Spain, ...)

## Plant Closures

2005	Truck tires, Poitiers (France) Semi-finished products, Trento (Italy)
2006	Passenger car tires, Kitchener (Canada) Passenger car tires, Bourges (France)
2007	Passenger car tires, Toul (France) Truck & Passenger car tires, Port Harcourt (Nigeria) Passenger car tires, Lasarte (Spain) Passenger car tires, Mogadore, Ohio (USA) Semi-finished products, Budapest (Hungary)
2008	Passenger car tires, Turin (Italy)
2009	Passenger car tires, Lille (France) Passenger car tires, Ota (Japan) Retread operations, Queretaro (Mexico) Passenger car tires, Opelika (USA)

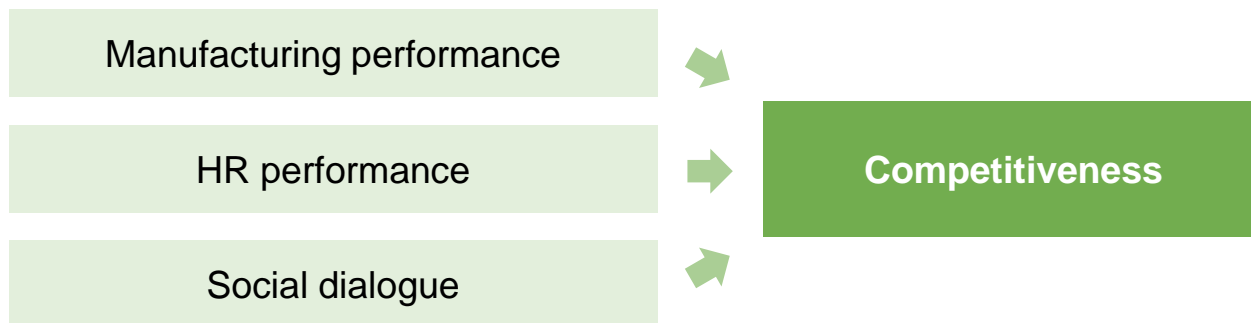
## Plant Closures

2013	Truck tires, Hussein Bay (Algeria) Truck & Passenger car tires, Cali, Bogota (Columbia) Truck tires, Tours (France)
2014	Passenger car tires, Pictou (Canada) Truck tires, Budapest (Hungary)

## Announced Plant Closures

2015	Truck tires retread, Oranienburg (Germany) by 2016 Truck tires retread, Alessandria (Italy) by 2016 Semi-finished products, Fossano (Italy) by 2016 Truck tires, Ballymena (UK) by 2017
2016	Truck tires retread, La Combaude (France) by 2017

# Continuation of the initiatives underway for the past five years: future-securing agreements (Roanne case)



- Transparent social dialogue
- Quantifiable commitments : volumes, production costs, target workforce (720 vs. a current 950), quality, responsiveness
- Plant refocused on premium tires
- Processes upgraded (~€80m in capex)
- Highly effective flexibility agreement

SHARED DIAGNOSIS CONDUCTED  
WITH STAKEHOLDERS  
JUNE 2014

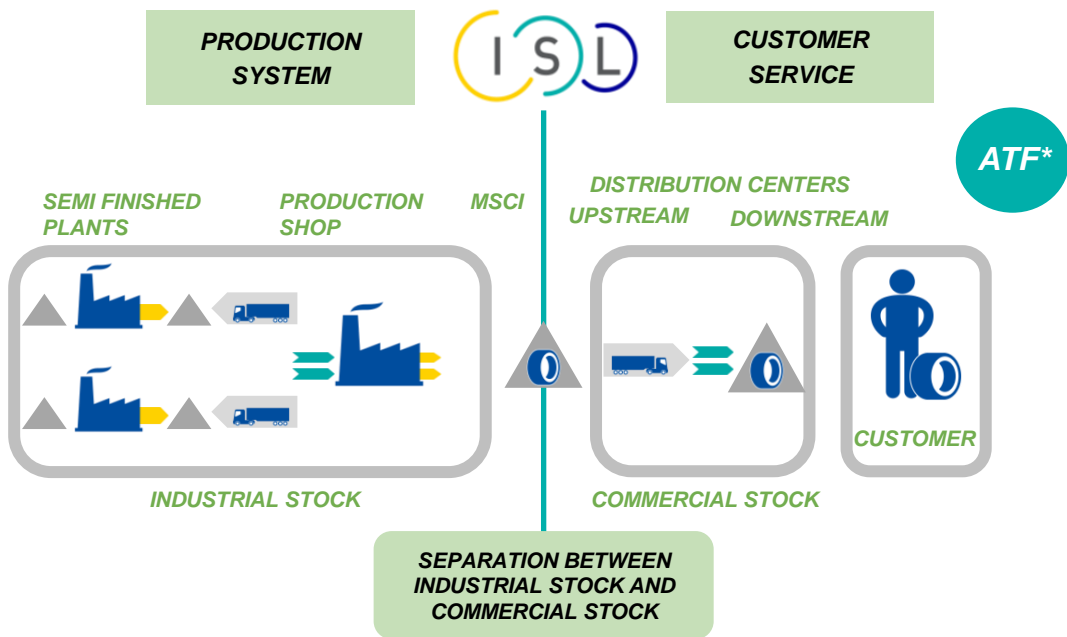
SHARED FINDINGS  
NOVEMBER 7, 2014

PROPOSED SOLUTIONS  
MARCH 30, 2015

ROLL-OUT  
MAY 19, 2015

# Continuation of the initiatives underway for the past five years: improved plant flexibility

- Stepping up the customer service improvement initiatives launched in 2012 (IFP – Production Flexibility Index) by bringing plants closer to their markets and giving them fulfillment targets (ISL – Industrial Service Level)
- Deployment completed by year-end 2016
- Improving fulfillment rates will be a key factor driving growth

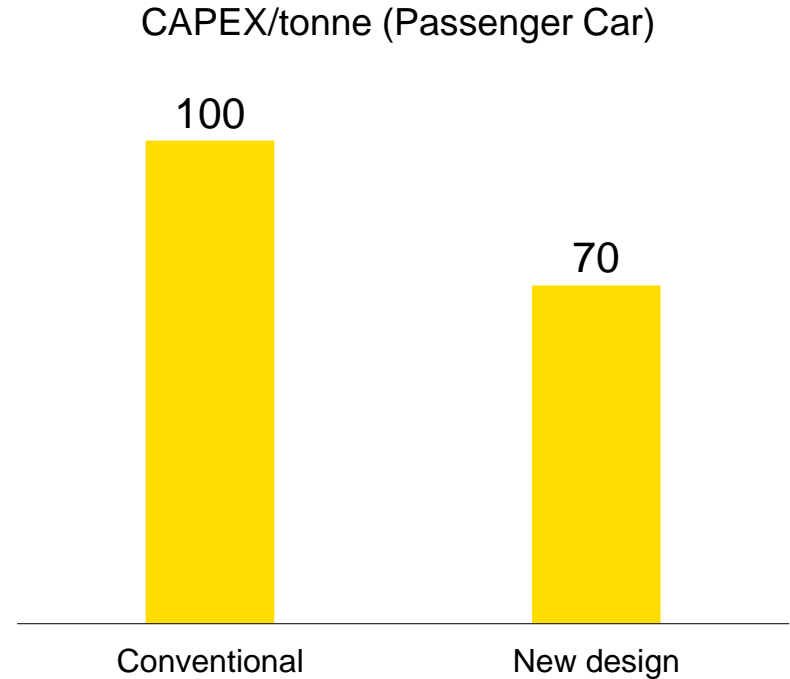


\* Available to fulfill



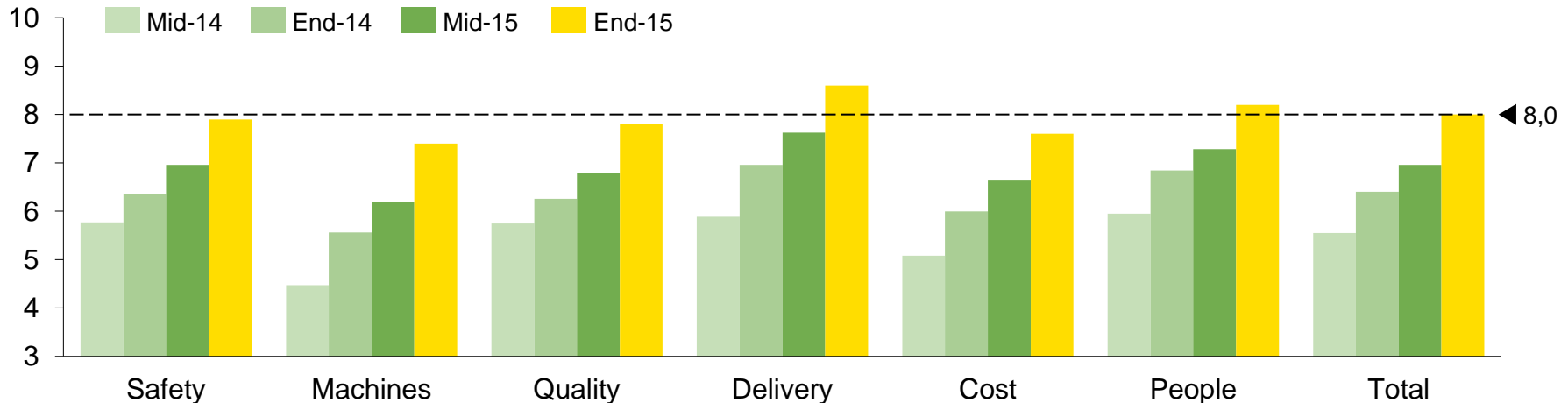
# New drivers: decreasing capital expense costs

- **Future plants** will cost 30% less per tonne of passenger car tire than previous projects, thanks to:
  - The purchase of less customized machinery
  - Streamlined flows
  - More flexible building blocks
  - Co-designing products and processes
  - Optimized engineering processes
- The selected solutions will be aligned with the upgrades at **existing plants**, with the goal of reducing unit capex cost by 15%
- Differentiation of our products will remain unchanged



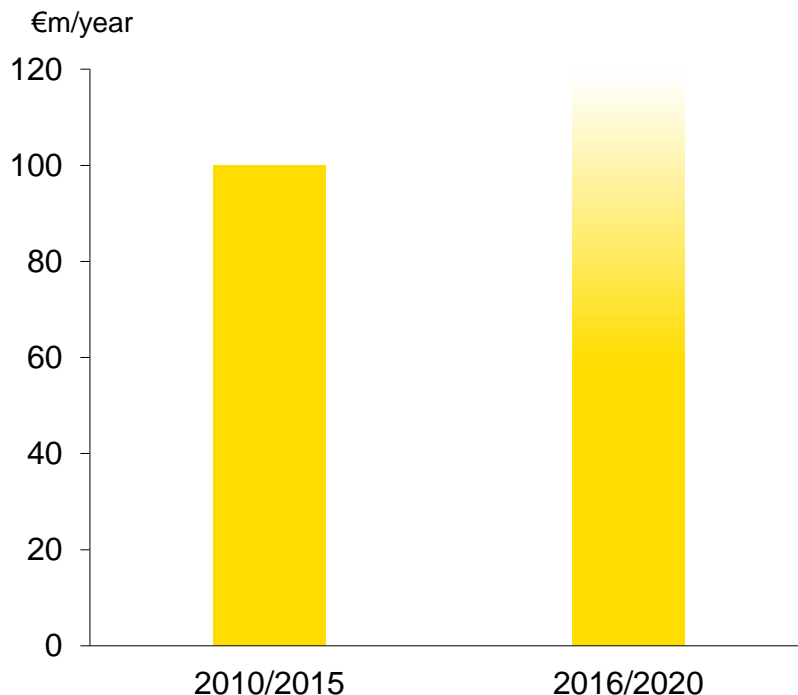
# New drivers: empowered self-management of performance and progress, built on the foundations of the production system

- The Michelin Manufacturing Way has now been fully deployed, with its foundations applied in 80% of our manufacturing operations
- The MMW tools are especially effective because they are used on the front lines, by motivated, empowered teams



# Commitments: €100 / 120m per year in recurring production cost savings by 2020

- Thanks to: :
  - The impact of restructuring
  - The efficiency of the MMW production system
  - Widespread employee empowerment
- Our manufacturing operations will be able to maintain their proven rate of improvement over the 2016-2020 period.



# Key Takeaways

REGIONS INCREASINGLY  
EMPOWERED AND  
SELF-MANAGING

NEW CAPACITY  
IS OFFSETTING THE IMPACT  
OF RESTRUCTURING

SUPPLY CHAIN IS BEING  
UPGRADED TO DELIVER  
BETTER SERVICE

MMW IS NOW MATURE AND  
EMPOWERMENT IS DEEPLY  
EMBEDDED ACROSS THE  
ORGANIZATION

CAPACIBILITY TO DRIVE  
IMPROVEMENTS IN  
FINANCIAL PERFORMANCE  
€100 – 120m/YR CONFIRMED

UNIT CAPEX COSTS  
WILL BE REDUCED BY  
REORGANIZING THE  
ENGINEERING PROCESS

# 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."

**Valérie MAGLOIRE**  
**Matthieu DEWAVRIN**  
**Humbert de FEYDEAU**

**+33 (0)1 78 76 45 36**

27, cours de l'île Seguin  
92100 Boulogne-Billancourt - France

*[investor-relations@fr.michelin.com](mailto:investor-relations@fr.michelin.com)*