



Michelin announces proposed reorganization of its Truck and Earthmover tire production base

November 3, 2015

Key takeaways

- Unfavorable market trends in Truck tires Europe and Earthmover OE & Infrastructure
- Proposed Truck industrial footprint optimization in the UK, Italy and Germany:
 - Around €280m non-recurring charge in 2015
 - €140m in projected annual productivity gains
- Impairment on India project Earthmover assets:
 - Around €75m non-recurring charge in 2015

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Proposed reorganization of Truck & Earthmover Tire Production Base

- 1 Proposed reorganization of Truck production base in Europe
- 2 Suspension of the Earthmover tire facility project in India
- 3 Detailed reorganization projects

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Proposed reorganization of Truck & Earthmover Tire Production Base

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Proposed reorganization of Truck production base in Europe



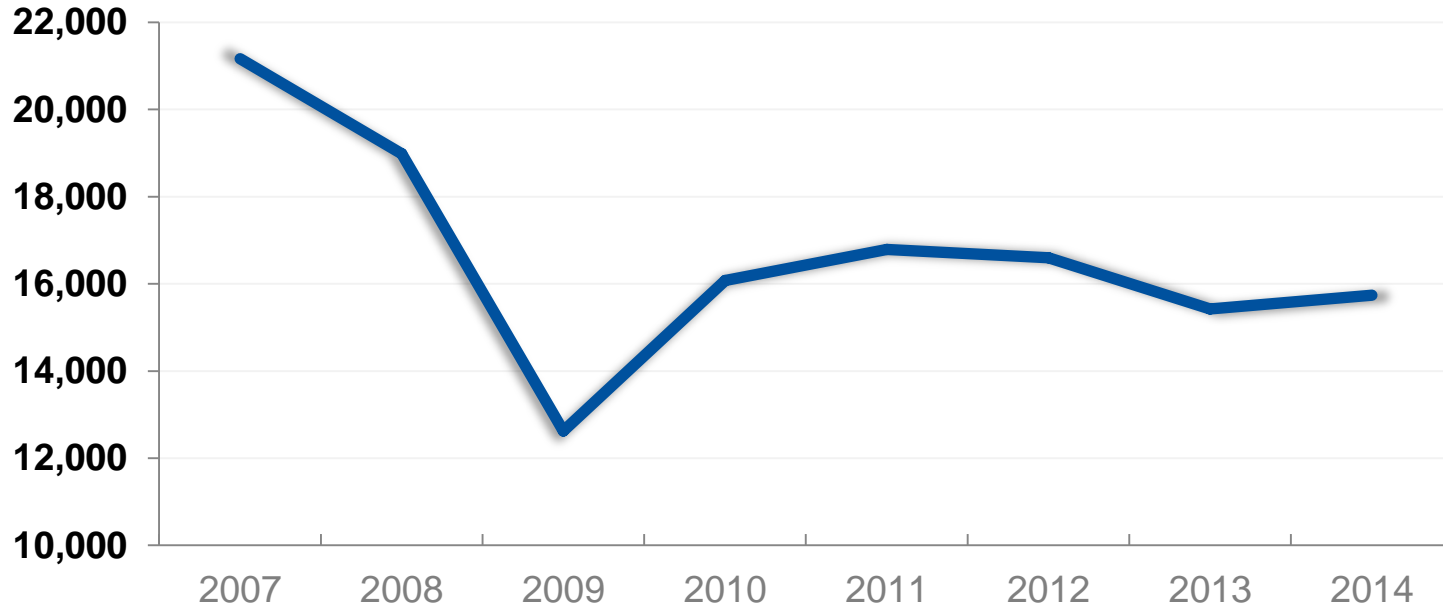
European Truck tire market still weak following the recession in 2009

- Europe's freight business was down 8% in 2014 vs. 2007
- Heightened competition among freight companies
 - Average freight price down 20% in 2014 from 2012
 - Increased focus on transport company costs
- Truck tire market stabilizing at a significantly lower level than 2007 record high
 - Europe Truck market lost 5m tires between 2007 and 2014 (OE & RT new tires)
 - Growth of new entrants into the market on the back of strong overcapacity in Asia and more specifically in China
 - Low cost of raw materials challenging the retread market

The Truck tire market in Europe has declined by more than 25% since 2007

▶ OE + RT truck new tire market

(excl. Russia and CIS, excl. Turkey, in millions of tires)



Optimization project of industrial footprint

- Closure of the Ballymena (UK) Truck tire plant, the Oranienburg (Germany) and Alessandria (Italy) retreading plants and the Fossano (Italy) cable plant
- 1,508 jobs at stake
- €265m investment in the UK and in Italy over the next 5 years
- Non-recurring restructuring charge of around €280m in 2015
- €140m in projected annual productivity gains by 2020

A commitment to supporting every employee in finding a new job

- Italy
 - Workforce reduced by 578 jobs by 2020
- UK
 - Phase out of 860 jobs at Ballymena by 2018
 - Creation of 110 new jobs at other sites
- Germany
 - 180 jobs phased out following the Oranienburg plant closure
- Global plan
 - Internal mobility, training, out-placement and early retirement arrangements
 - Regional renewal project with the help of Michelin Développement

Five-year, €265m capital expenditure program planned as part of these projects

- Italy: €180m planned investment by 2020 to:
 - Increase ≥ 17 " tire production and semi-finished output at the Cuneo Passenger car & Light truck tire plant
 - Grow the Alessandria plant's new Truck tire business
 - Reorganize the logistics hubs
- UK: €85m planned investment by 2020 to:
 - Move the Dundee Passenger car & Light truck tire plant upmarket
 - Reorganize the logistics hubs
- Above figures included in already disclosed capex targets

The industrial reorganization projects will eventually deliver more than €140m in productivity gains a year

	2015	2016	2017	2018	2019	
						Total non-recurring expense
Non-recurring cost	(280)	0	0	0	0	(280)
						Following Years
Productivity		+13	+41	+89	+130	+140

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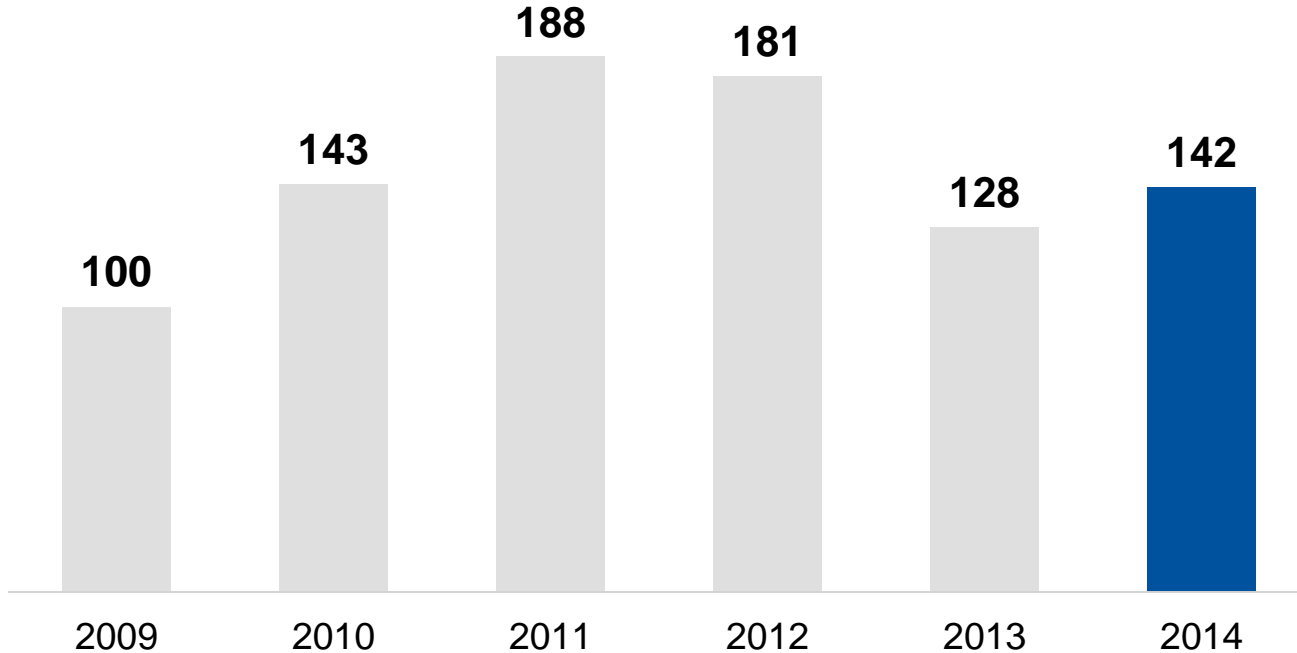
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Suspension of the Earthmover tire facility project in India

Earthmover OE and Infrastructure markets 25% below 2011 peak

► Earthmover OE & Infrastructure Markets

In Europe and North America (base 100 in 2009, in tons)



Approx. €75m impairment loss on the Earthmover tire assets in India

- Michelin suspended the construction of a facility to produce OE Earthmover and Infrastructure tires (≤ 49 "") at the Chennai, India plant
- Maintain and grow the Truck tire business in Chennai
- Non-recurring impairment loss of around €75-million in 2015 on
 - The Chennai Earthmover project's related assets
 - Capitalized process engineering costs

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Detailed reorganization projects

Italy is a key manufacturing base for Michelin

- Present for a century and the tire industry's largest employer
- Cuneo: largest Passenger car and Light truck tire plant in Europe
 - Premium and ultra-premium tires
- Alessandria: new and retreaded Truck tires
 - Retread capacity under-utilized
- Fossano: metal cable assembly and braided bead wires
 - Under-utilized capacity

Italy: a forward-looking project for Michelin's operations

- Cuneo (Passenger car & Light truck tires): increase ≥ 17 " tire production and semi-finished output
- Alessandria (Truck tires): specialize in new Truck tires and shut down the retreading plant by mid-2016
- Close the Fossano plant
- Upgrade the logistics hubs to align them with market needs and improve customer service

Michelin in the UK

- The Group wants to maintain its century-old presence in the long term
- Dundee (Scotland): mid-range Passenger car tires (13” to 15”)
- Ballymena (Northern Ireland): Truck tires
- Stoke-on-Trent: retread operations
- Dealerships: ATS-Euromaster in Harrow, BlackCircles in Edinburgh

UK: project to refocus the business on the growing segments of the Passenger car tire market and on the retread market

- Passenger car & Light truck: move the Dundee plant upmarket to serve the expanding premium segments
- Truck: phase out Ballymena's Truck tire production by mid-2018 due to the competitive environment
- Stoke-on-Trent: maintain Truck retread operations
- Upgrade the logistics hubs to align it with market needs and improve customer service

Michelin in Germany

- A large industrial and commercial organization
- Karlsruhe and Homburg: new and retreaded Truck tires
- Bad-Kreuznach and Bamberg: Passenger car & Light truck tires
- Oranienburg: retreaded Truck tires
- Treves: metal cable assembly
- Distribution: Euromaster, Meyer Lissendorf, Ilhe

Germany: project to make retreading solutions more competitive for European customers

- Oranienburg: the smallest retreading plant in Europe
- It is running at 50% of capacity
- Market forecasts show no sign of an upturn in the plant's business
- Project: to consolidate its operations at the Avallon plant in France

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 - Closure of the Ballymena Truck tire plant, the Fossano cable plant and the Oranienburg and Alessandria retreading plants
 - 1,508 jobs at stake
 - €265m investment in the UK, Italy and Germany over the next 5 years
 - Non-recurring restructuring charge of around €280m in 2015
 - €140m in projected annual productivity gains
- Impairment on India OE/Infra Earthmover assets: non-recurring charge of around €75m

2016 Agenda

- **February 16, 2016:** 2015 Results
- **April 20, 2016:** First-quarter 2016 Net Sales
- **May 13, 2016:** Annual General Meeting
- **July 26, 2016:** First-half 2016 Results
- **October 19, 2016 :** Third-quarter 2016 Net Sales

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