



Wien
HSBC Kapitalmarktforum

June 16, 2015

**NEW MICHELIN
CROSSCLIMATE TYRE.
ARM YOURSELF FOR EVERY
WEATHER CONDITION.**



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performances in dry braking, wet grip ("A" rating for wet braking)

Test the MICHELIN CrossClimate Innovation at: www.crossclimate.michelin.co.uk

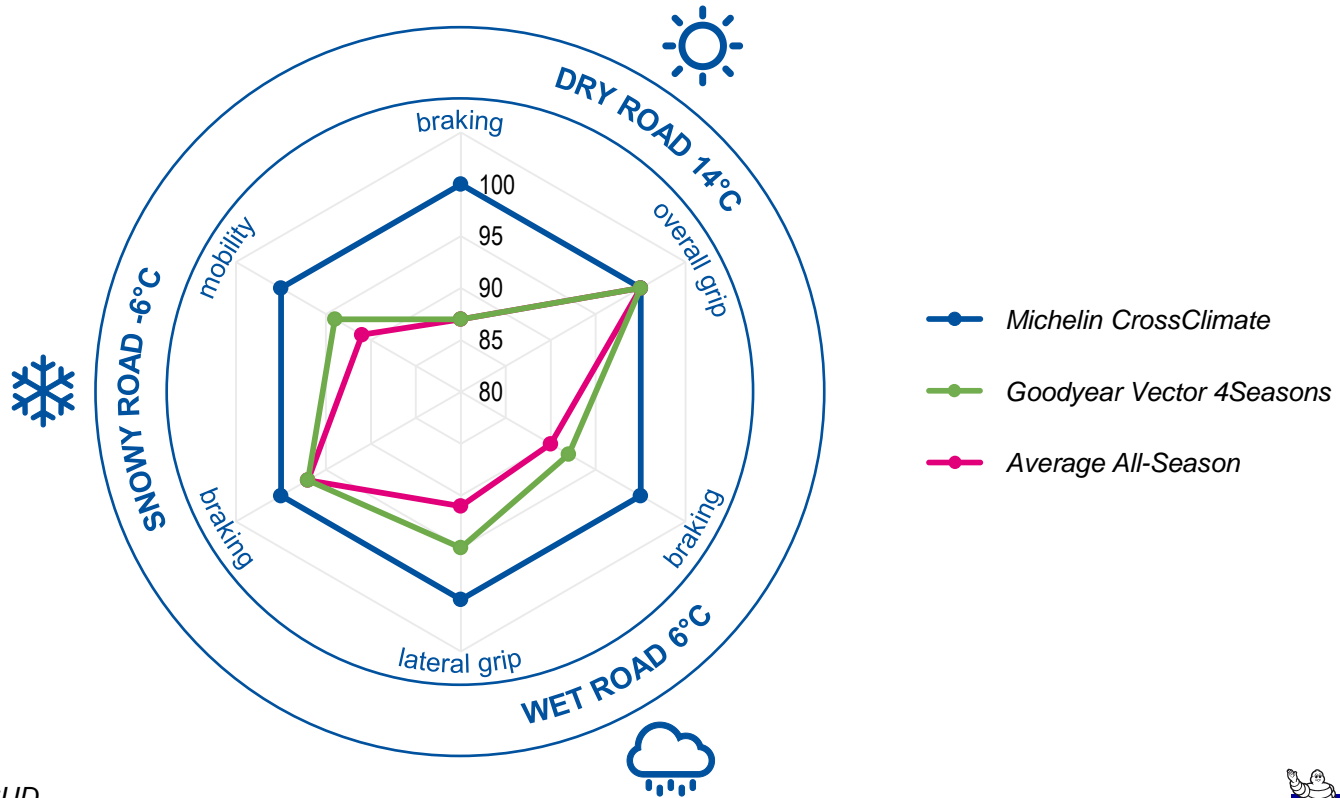


MICHELIN CrossClimate, a disruptive innovation to support volume growth

- ▶ **The first-ever MICHELIN summer tire certified for winter use**
 - MICHELIN CrossClimate is 'A' wet braking label in all weather conditions according to European labelling
 - It keeps you safe in all types of weather, and brakes 3 meters shorter than the average all-season tire
 - 3PMSF certification for winter use
 - Launched in Europe in May 2015



MICHELIN CrossClimate: technology leadership demonstrated by TÜV SÜD



Source : TÜV SÜD

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- 1 Q1 highlights
- 2 2015 guidance confirmed
- 3 Use of Cash

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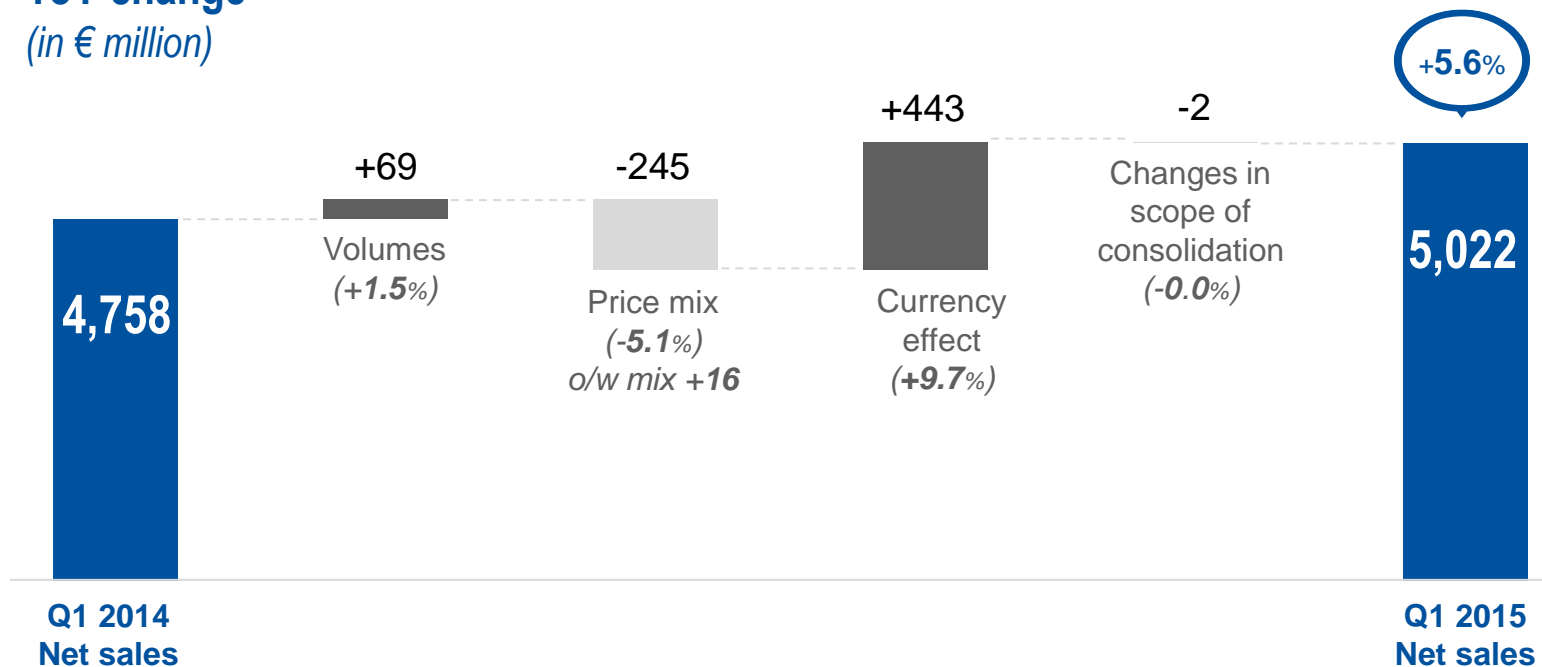
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Q1 highlights

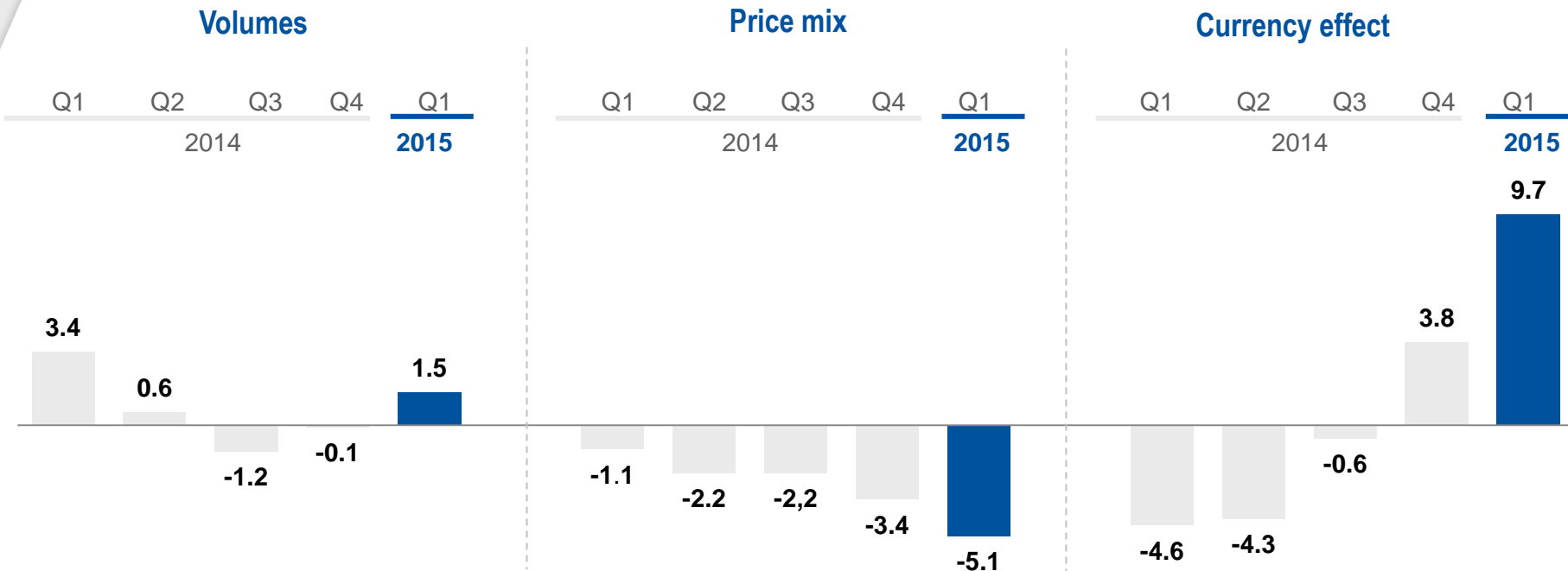
Net sales up 5.6%, of which 1.5% due to higher volumes

► YoY change (in € million)



Q1: volumes up on high prior-year comparatives, prices adjusted in light of weaker raw materials prices

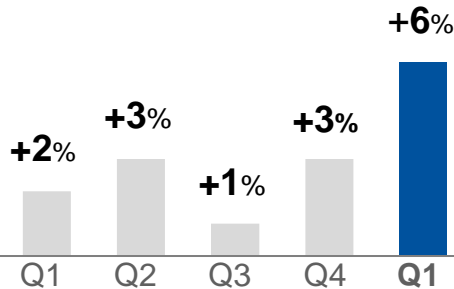
► YoY change in %



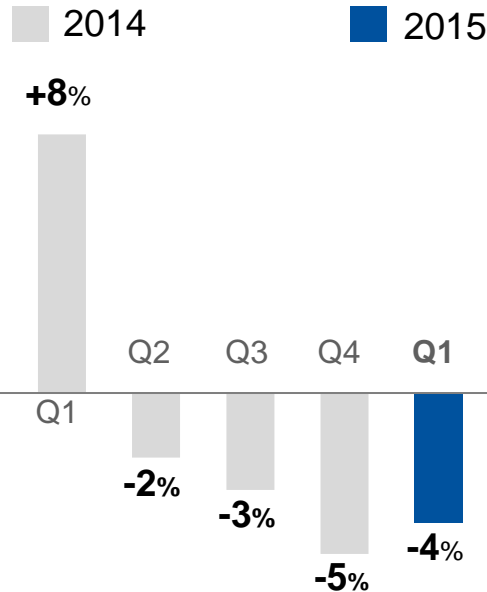
Strong growth in Passenger car/Light truck tire volumes sold, Truck and Specialty volumes in line with markets

► YoY change in tons

Car and Light truck tires
& related distribution



Truck tires
& related distribution

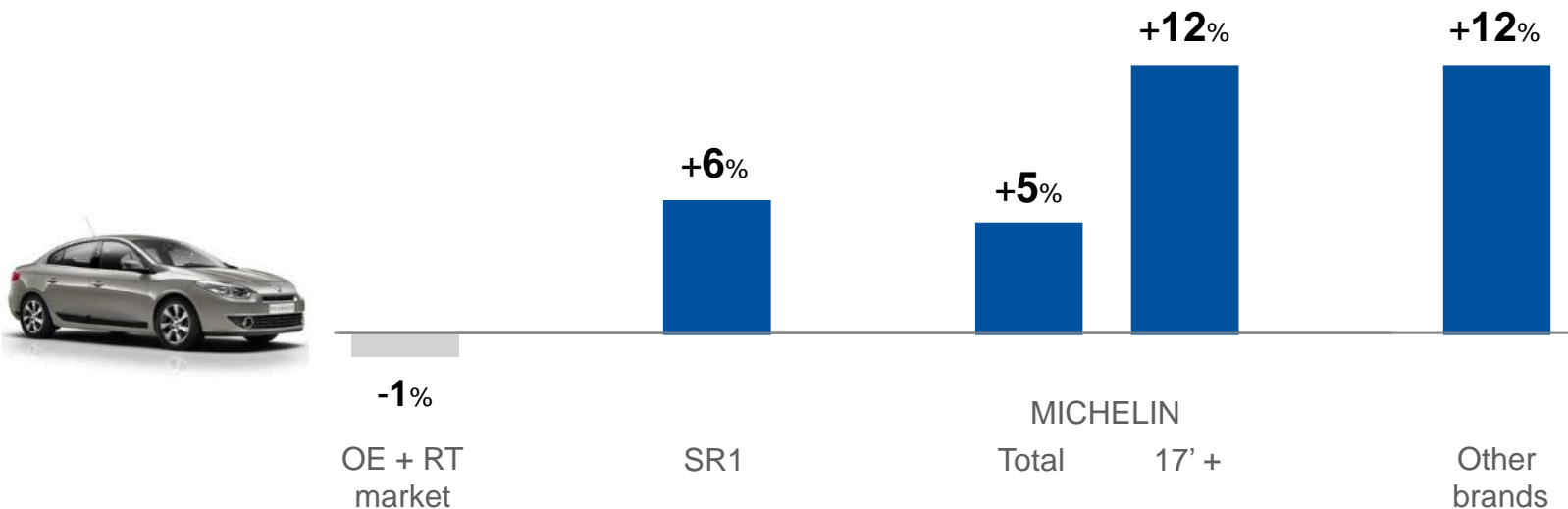


Specialty businesses



Q1 PC: Strong volume growth, steady mix improvement for the MICHELIN brand, sharp upturn in sales volumes for other brands

► Car and Light truck volume growth (YoY, in '000 tons)



Source: Michelin



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2015 guidance confirmed

Passenger car Tire Market:

- ▶ Growing demand in Europe outside Eastern Europe; Slight slowdown in North America under the impact of the strong low-tier imports in 2014; Sharp decline in Brazil OE demand; China markets showing momentum, on historic highs.

April 2015 / 2014

Market	Europe*	North America	Brazil	China
Original equipment tires	▲ +3%	▲ +6%	▼ -19%	▲ +5%
Replacement tires	▲ +2%	▼ -1%	▲ +6%	▲ +5%

YTD (April 2015)

Market	Europe*	North America	Brazil	China
Original equipment tires	▲ +4%	▲ +3%	▼ -14%	▲ +8%
Replacement tires	▲ +1%	▼ -4%	▲ +1%	▲ +5%

* Russia and Turkey included



Truck Tire Market: Growing European market despite Russia difficulties ; Demand drop in Brazil in a weaker economic environment ; Still well oriented demand in NA.

April 2015 / 2014

Market (Radial + Bias)	Europe*	North America	Brazil
Original equipment tires	▲ +9%	▲ +20%	▼ -33%
Replacement tires	▲ +2%	▲ +5%	▼ -5%

YTD (April 2015)

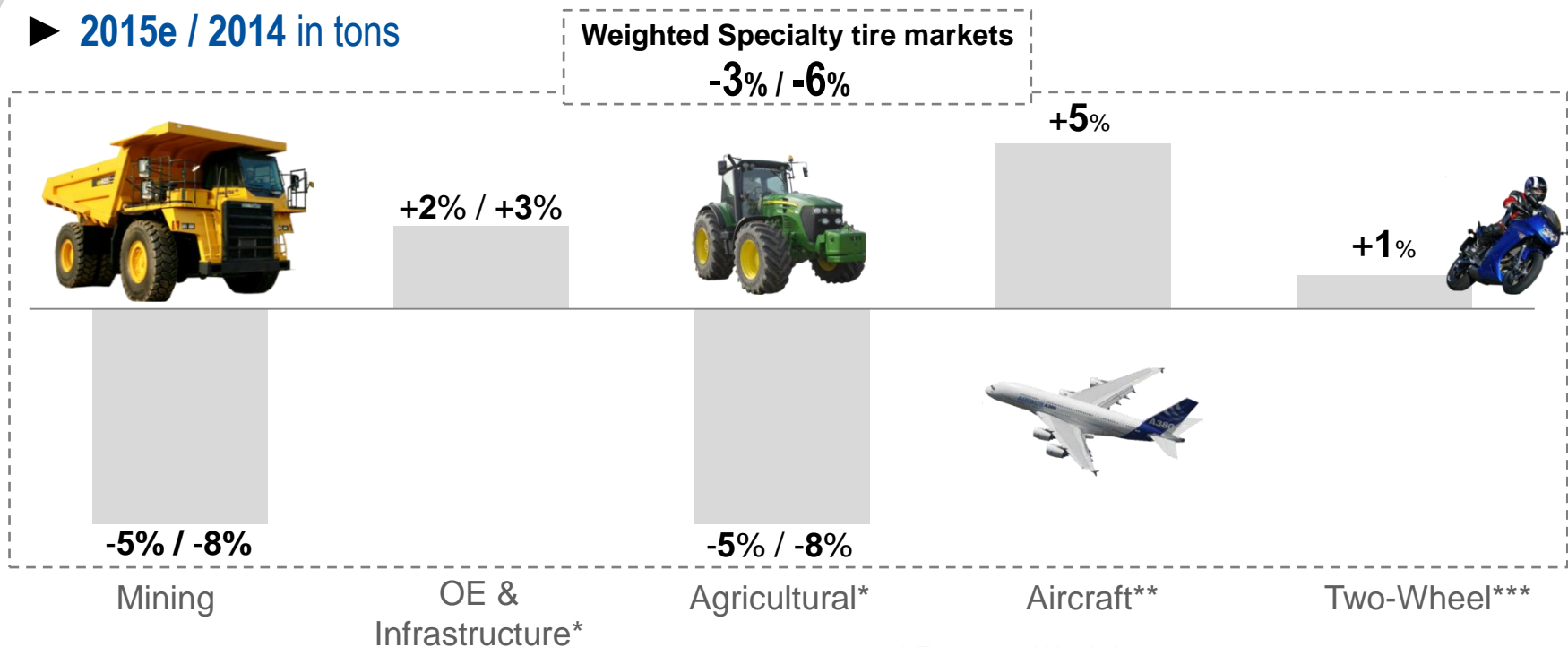
Market (Radial + Bias)	Europe*	North America	Brazil
Original equipment tires	▲ +3%	▲ +21%	▼ -40%
Replacement tires	▼ -3%	▲ +2%	▼ -6%

* Russia and Turkey included



Specialty markets to trend down by an estimated 3% to 6% in 2015

► 2015e / 2014 in tons



* Europe and North America

** Commercial aircraft

*** Motorcycle Europe, USA, Japan

Source : Michelin

2015 guidance confirmed: growth in line with the markets and EBIT before non recurring items up excluding any currency effects

	2015 new	2015 old
Volumes	Growth in line with the markets	Growth in line with the markets
Impact of raw materials prices	Around €600m tailwind	Around €450m tailwind
Price-mix / Raw materials	Negative in H1, positive full year	
Competitiveness/cost inflation	Neutral over the year	Neutral
Currency effect on operating income	Above €350m	Around + €150m (o/w +€250m from EUR/USD)
Operating income before non-recurring items	Up excluding any currency effects	Up excluding any currency effects
ROCE	More than 11%	More than 11%
CAPEX	Around €1,800m	Between €1,700m and €1,800m
Structural free cash flow	Approx. €700m	Approx. €700m

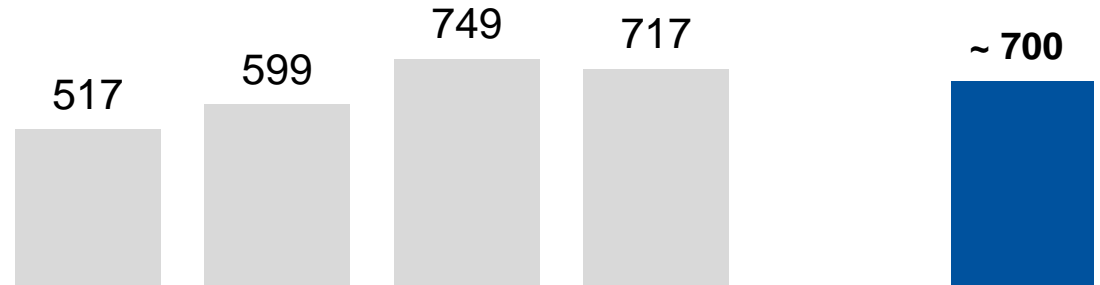
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Use of Cash

State-of-the-art management process that structurally generates Free Cash Flow



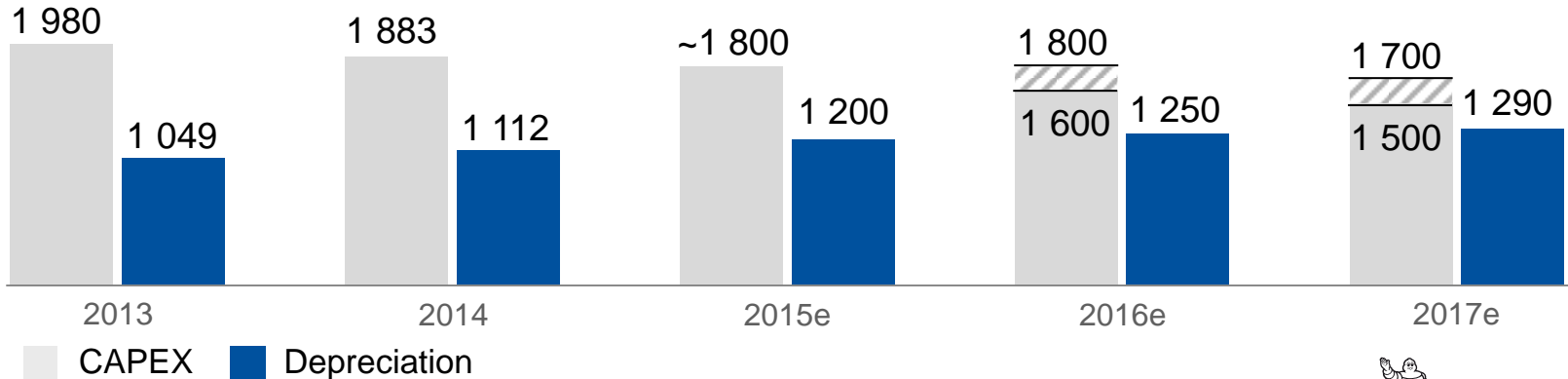
<i>In € millions</i>	2011	2012	2013	2014	Total	2015e
Reported free cash flow ⁽¹⁾	(19)	1,075	1,154	322	2,532	
WCR impact of raw materials costs ⁽²⁾	(739)	21	405	177	(136)	
Year-end volume effect on WCR ⁽³⁾	(200)	344	nm	(172)	(28)	
Non-recurring items ⁽⁴⁾	403	111	-	(400)	114	
Structural free cash flow ^{(1) - (2) - (3) - (4)}	517	599	749	717	2,582	Approx. 700

Invest to create value

► Succeed in our priority investments to capture growth and deliver innovative solutions

- In the supply chain, to improve customer services (IS, logistics centers)
- In growing markets: PC HVA tires, North America, China
- In Truck fleet and Digital services
- In raw materials and semi-finished products

► Reducing the gap between capital expenditure and depreciation (In € millions)



Acquisitions in line with Michelin's strategy

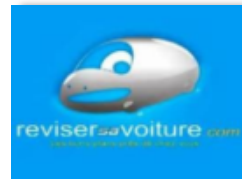
▶ Targeted acquisitions

▶ Types of businesses being explored:

- Tier 2/Tier 3 Asian tire makers
- Digital and telematics service providers in mature regions
- Upstream investments



Reasonable amounts allowing Michelin to maintain its rating, thanks to FCF generation



Optimize cost of capital through a €750m share buyback program

- ▶ **Proven ability to generate structural FCF on a recurring basis**
 - EBITDA growth, WCR optimization
 - Employee benefit obligations under control (defined benefit plans over 85%-funded at Dec 2014)
- ▶ **A value-creating opportunity for the Group**
- ▶ **Amount staggered over a 18-24 month period beginning on April 27, 2015:**
 - €750m, equivalent to over one year's worth of structural FCF or slightly over 2 years worth of post dividend structural FCF
 - In 3 tranches (of around 6 months and €250m each)
 - Existing authorization: buyback of up to 10% of the capital at a maximum purchase price of €140
 - Capital reduction planned through the cancellation of shares at year end

Key Takeways

- Strong Q1 with above-market unit sales growth of 1.5% including +6% in PC
- 2015 guidance confirmed: growing EBIT beyond Forex tailwind
- €750m share buyback program over 18-24 months

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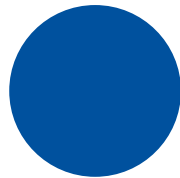


Upcoming events

- **July 28, 2015:** First-half 2015 results
- **October 22, 2015:** Net sales at September 30, 2015
- **February 15, 2016 :** 2015 results

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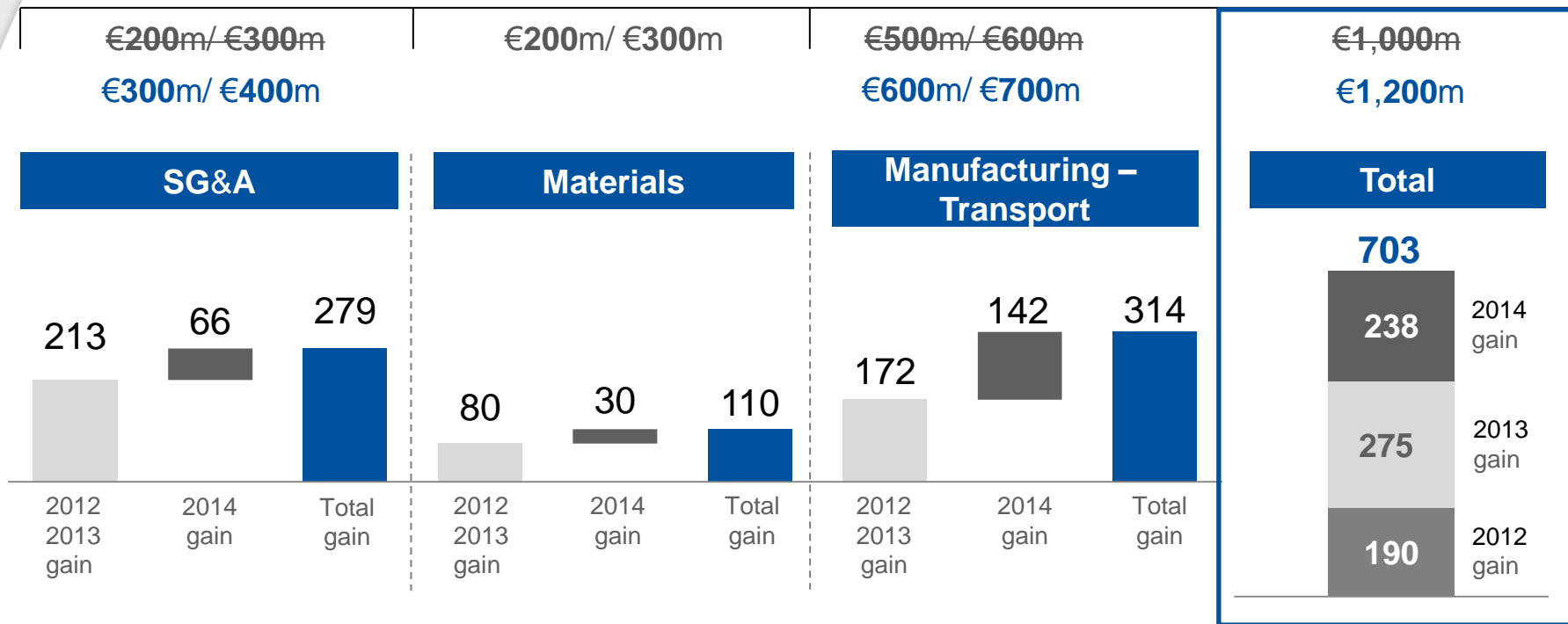
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Appendices

Speeding up the 2012-2016 competitiveness plan: target raised to €1,200m

TARGETED GAINS*, 2012 – 2016



* Before inflation and including avoided costs

AlloPneus & Blackcircles: a customer-oriented business aligned with Michelin's Digital strategy

- Acquisition of a 40% stake in **Allopneus**, France's leading tire e-tailer, for €60m
- Full acquisition of **Blackcircles**, UK's leading tire pure e-tailer for £50m
- Group synergies:
 - Develop market access through a fast-growing channel (up 10%/year in France)
 - Increase Digital know-how
 - Generate additional traffic for Euromaster and ATS
- Acquisitions in figures:
 - Allopneus 2014 net sales of €210m for 3 million tires sold
 - Blackcircles 2014 net sales of £28m for 0,3 million tires sold
 - Bothes #1 internet pure players in their domestic markets



600M€ in bonds issued to anticipate 2017 bond financing at low rates

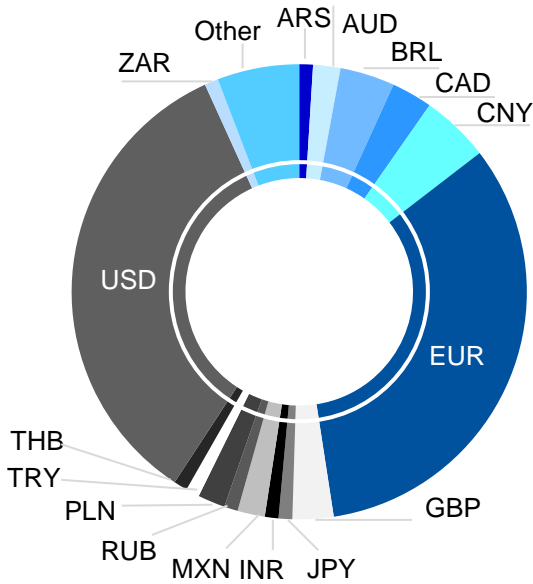
Issuer	MICHELIN LUXEMBOURG SCS
Guarantor	Compagnie Financière du groupe Michelin "Senard et Cie"
Type	– Senior Unsecured Bond
Expected issue ratings	– A3 (Moody's) / BBB+ (S&P)
Maturities	– 2 tranches : 7-year, 12-year
Size per tranche	– €300 million, €300 million,
Interest Rates (all in)	– 1,125% for the 7-year bond; 1,75% for the 12-year bond
Documentation	– Standalone / Luxembourg listing / English law / Change of Control / MWC / 3-month par call
Global Coordinator, Structuring Advisor & Active Bookrunner	– Crédit Agricole CIB
Structuring Advisor & Active Bookrunner	– Deutsche Bank
Active Bookrunners	– HSBC – MUFG – NATIXIS

Moody's upgraded Michelin long term rating

		CGEM	CFM
Short term	S&P	A-2	A-2
	Moody's	P-2	P-2
Long term	S&P	BBB+	BBB+
	Moody's	A3	A3
Outlook	S&P	Stable	Stable
	Moody's	Stable	Stable

2015 guidance: positive currency effect on EBIT estimated above €350m

2014 net sales by currency



% of net sales	
ARS	1%
AUD	2%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
USD	36%
ZAR	1%
Other	4%

EBIT sensitivity to €/€ exchange rate:

A one cent change in the average annual €/€ exchange rate would lead to a €15-20 million change in EBIT for the year.

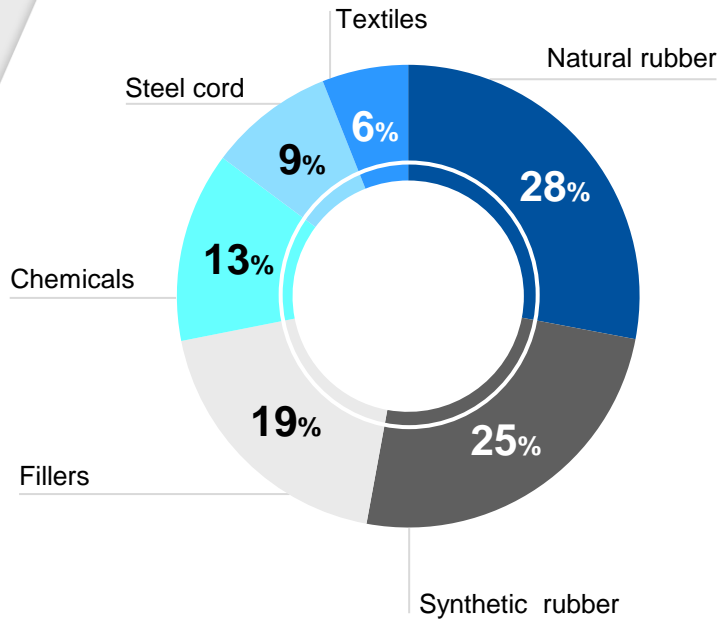
Forex Euro / USD – 12/31/2011 – 03/31/2015



Source: Thomson One

2014 Raw Material and price trends over Q1 2015

► Raw material purchases FY 2014 (€4,958m)

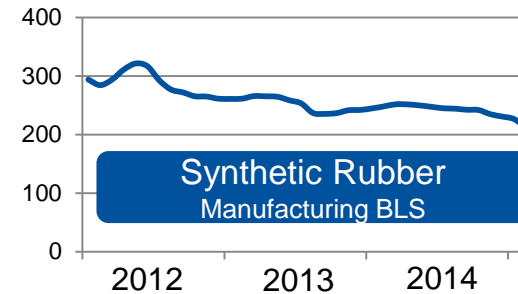
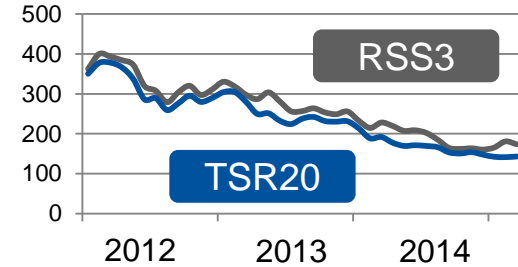
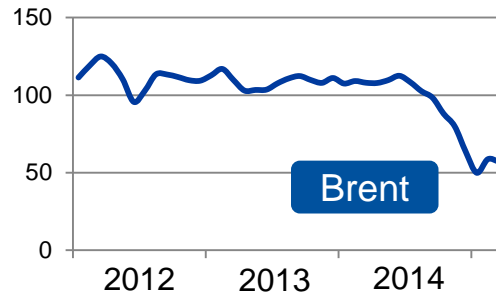


Forex €/€ :

Average Q1'14 : 1,37

-17%

Average Q1'15 : 1,13



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