



## Milano Non deal Roadshow EQUITA

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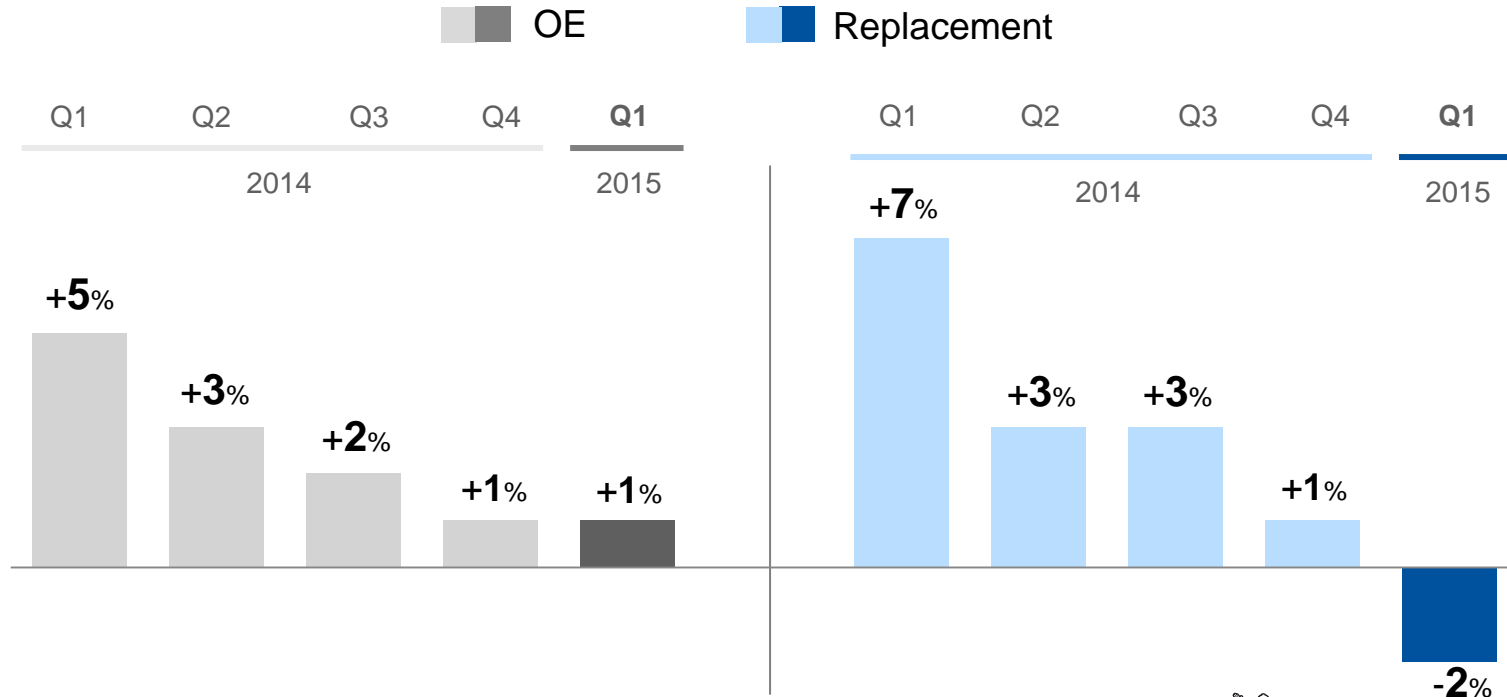
May 27, 2015

## Q1 2015 Net sales of €5 billion, up 5.6%

- Above-market sales volumes growth of 1.5%
  - Volumes in line with the B2B markets
  - Above-market growth in the B2C markets
- Unfavorable change in price mix of 5.1%, of which 2.4% due to indexation clauses and 2014 price decrease
- 2015 guidance confirmed, with additional details: growing EBIT before non recurring items excluding currency effect
  - Raw materials tailwind revised upward to €600m for the full year
  - Currency effect on operating income (EBIT) raised to more than €350m
- Use of cash:
  - Further value-creating investment (Passenger car/Light truck tire growth, Truck services, Upstream)
  - €750m share buyback program over 18-24 months
- Moody's long-term rating upgraded from Baa1 to A3

# Global Passenger car/Light truck tire markets slightly down in Q1 2015

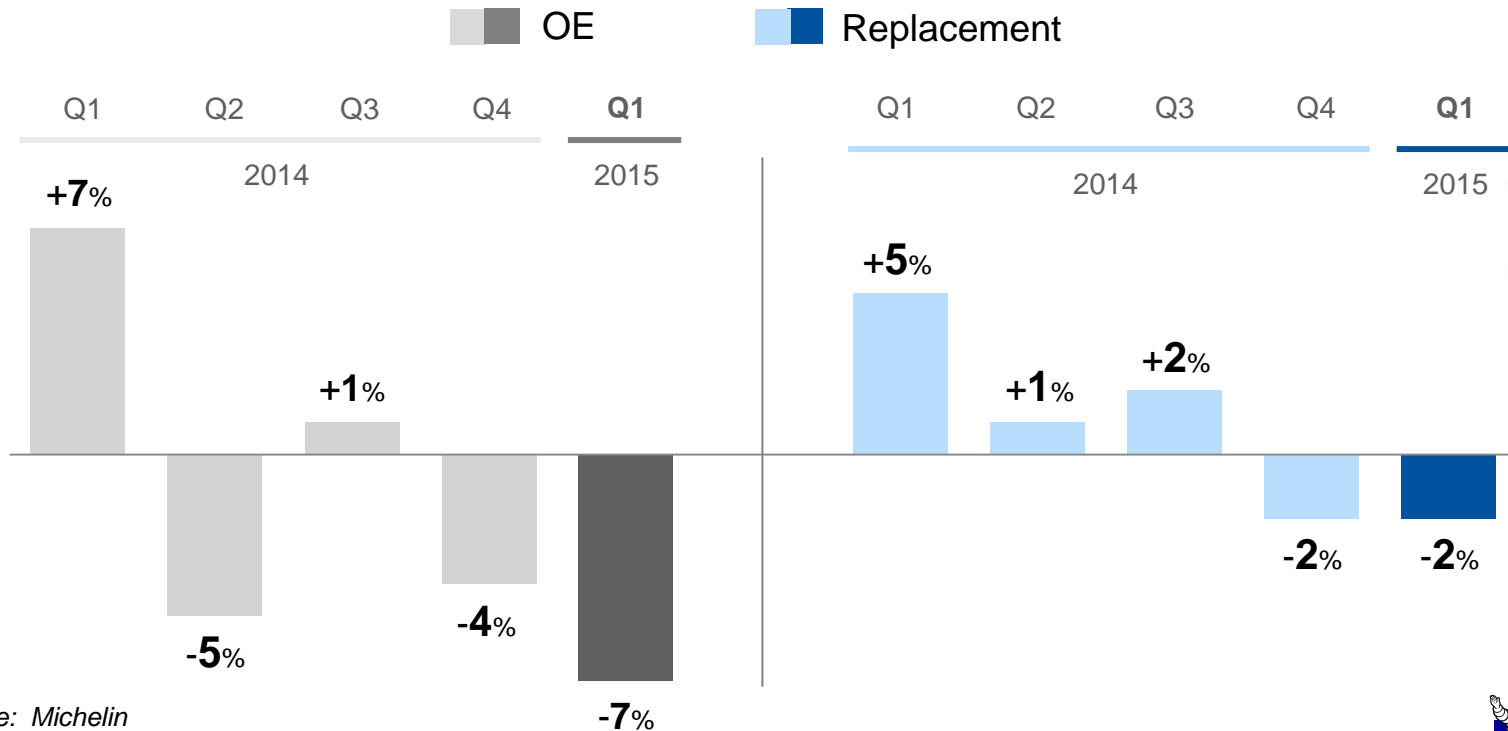
## ▶ YoY change in number of tires



Source: Michelin

# Global Truck tire markets down in Q1 2015

## ► YoY change in number of new tires



Source: Michelin

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

► 2015e / 2014 in tons

Weighted Specialty tire markets

-3% / -6%

+5%

+2% / +3%

+1%

-5% / -8%

-5% / -8%

Mining

OE &  
Infrastructure\*

Agricultural\*

Aircraft\*\*

Two-Wheel\*\*\*



\* Europe and North America

\*\* Commercial aircraft

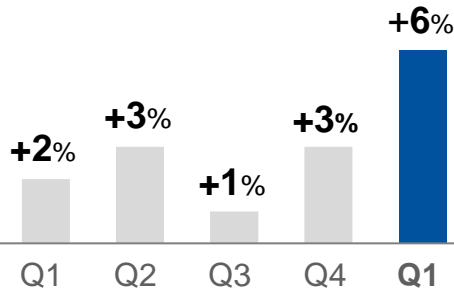
\*\*\* Motorcycle Europe, USA, Japan

Source : Michelin

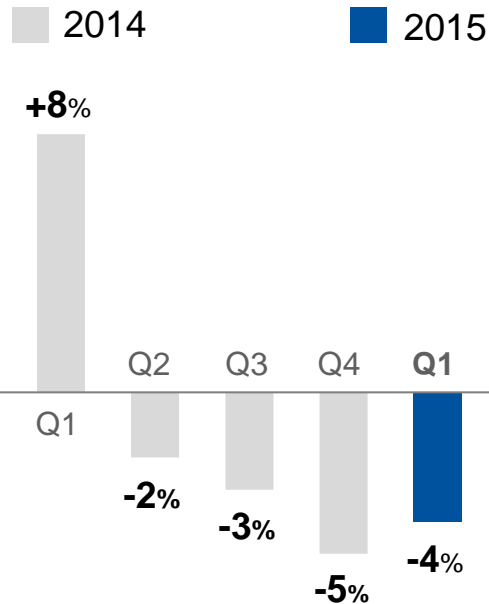
# Strong growth in Passenger car/Light truck tire volumes sold, Truck and Specialty volumes in line with markets

## ▶ YoY change in tons

Car and Light truck tires  
& related distribution



Truck tires  
& related distribution

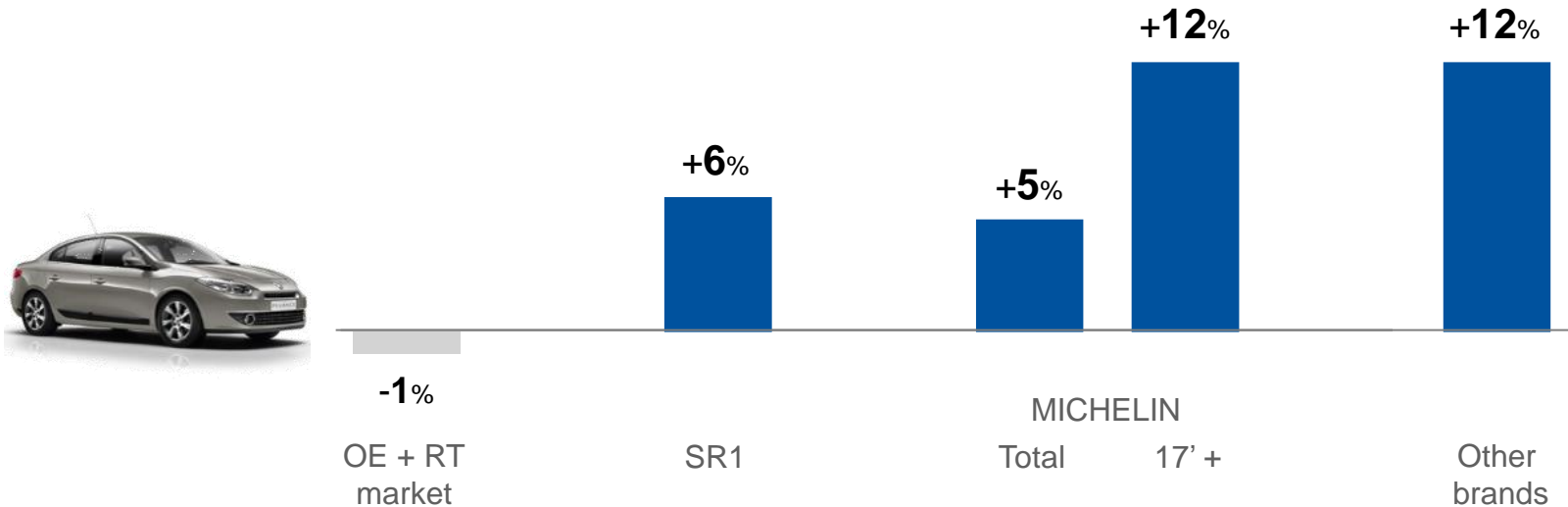


Specialty businesses



# 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

May 27, 2015

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- 1 Net sales growth lifted by volumes and the currency effect
- 2 2015 guidance confirmed
- 3 Use of cash



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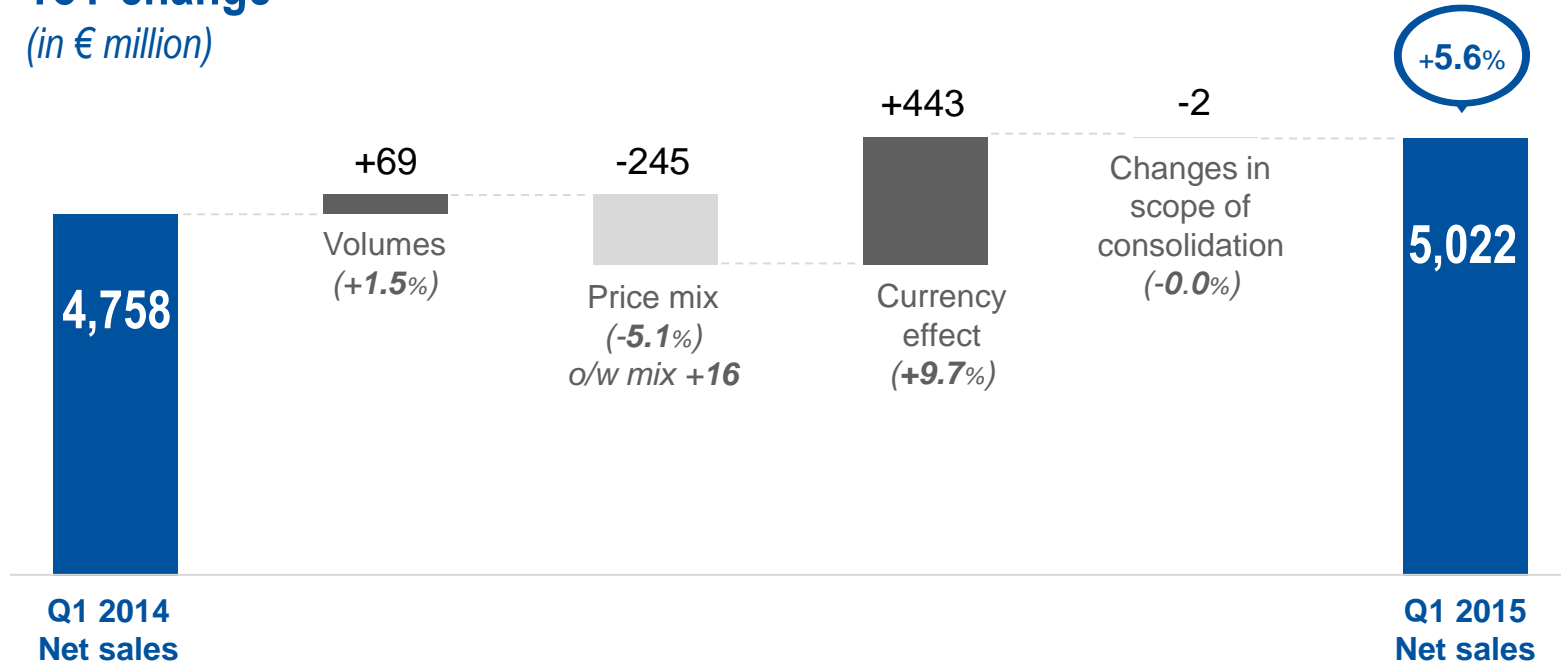
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Net sales growth lifted by volumes and the currency effect



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

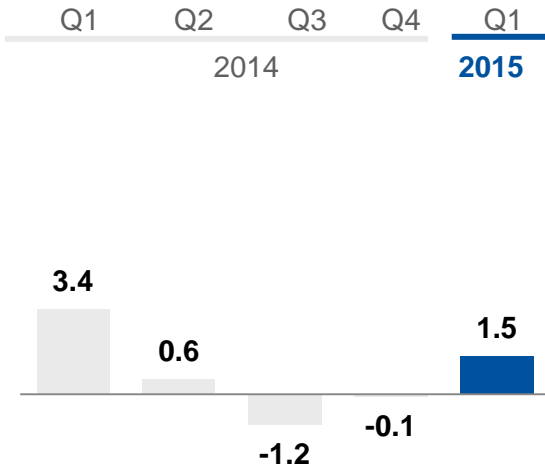
## ► YoY change (in € million)



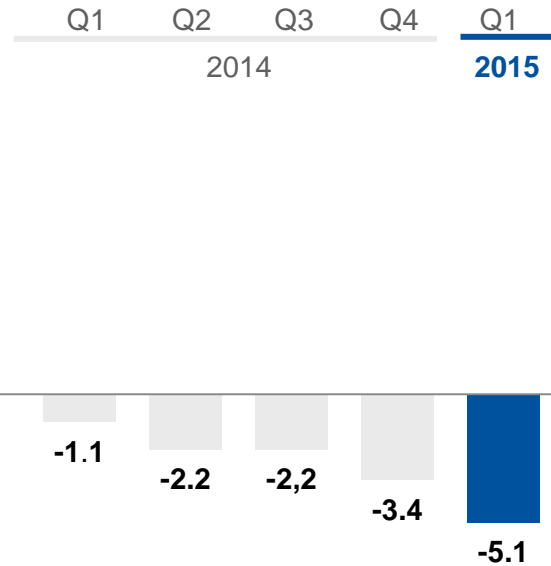
# Q1: volumes up on high prior-year comparatives, prices adjusted in light of weaker raw materials prices

## ▶ YoY change in %

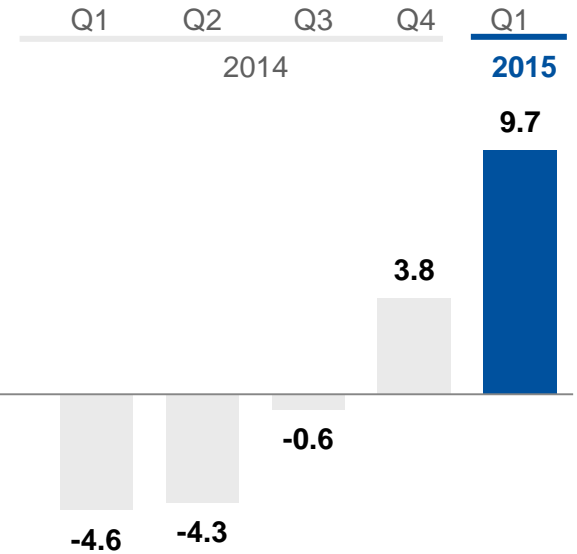
### ▶ Volumes



### ▶ Price mix



### ▶ Currency effect



# Car and Light truck tires & Related Distribution: strong volume growth



In € millions	Q1 2015	Q1 2014	% change
<b>Net sales</b> <i>Volume growth</i>	<b>2,777</b> +6%	<b>2,520</b>	<b>+10.2%</b>

- **Volumes** enhanced by improved customer service
  - MICHELIN brand up 5%
  - Strong BFGoodrich sales in North America, led by launch of new product (All Terrain KO2) and brand communication
- **Price mix:**
  - Application of raw materials-based indexation clauses in OE, and price repositioning in Replacement market over 2014-2015 period due to declining oil prices
  - Steady MICHELIN brand mix improvement: 17'+ volumes up 12%



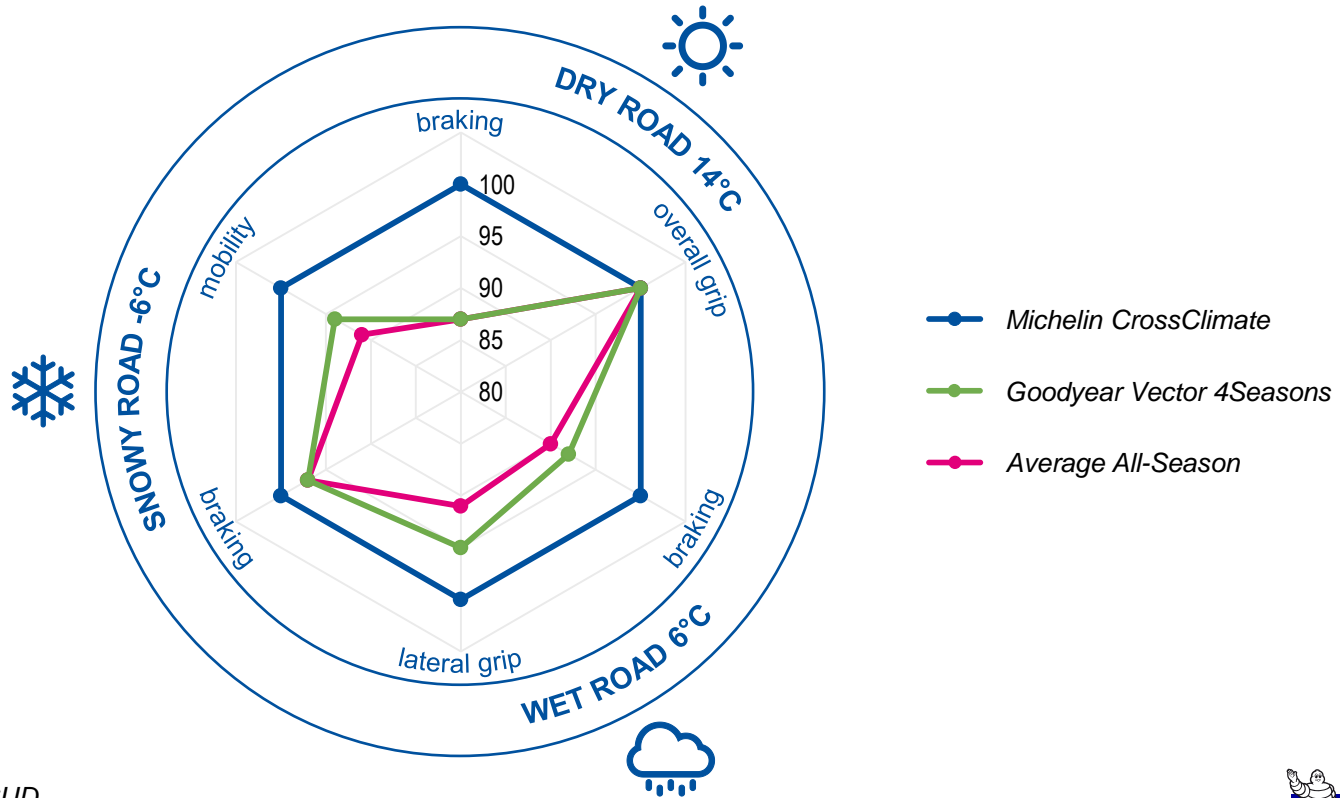
# MICHELIN CrossClimate, a disruptive innovation to support volume growth

## ▶ 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
- Will be launched in Europe in May 2015



# MICHELIN CrossClimate: technology leadership demonstrated by TÜV SÜD



Source : TÜV SÜD

# Truck tires and related distribution: volumes in line with a contracting market, given a high basis of comparison



In € millions	Q1 2015	Q1 2014	% change
<b>Net sales</b> <i>Volume growth</i>	<b>1,474</b> -4%	<b>1,462</b>	<b>+0.8%</b>

- **Volumes:**

- Good OE performance in mature markets
- Higher exports from Europe to meet North American demand

- **Price:**

- Impact of indexation clauses on prices in OE and of price adjustments decided in 2014

- **Product and services launch:**

- New MICHELIN X® WORKS™ free damage guarantee in Europe: better cost control and peace of mind guaranteed for worksite supply activities

# Specialty businesses: resilience in contracting markets



**Net sales** in € millions  
*Volume growth*

**Q1 2015**

**771**  
-4%

Q1 2014

**775**

*% change*

**-0.6%**

- **Volumes:**

- Decline in Mining tire volumes following inventory drawdowns and scaled-back operations at some mines
- Growth in Earthmover OE and Infrastructure
- Decrease in Agricultural OE due to farm machinery renewal in recent years
- Strong increase in the Two-wheel segment

- **Price:**

- Application of indexation clauses

- **Product launch:**

- MICHELIN XDR 250 mining tire: productivity enhanced by up to 25%





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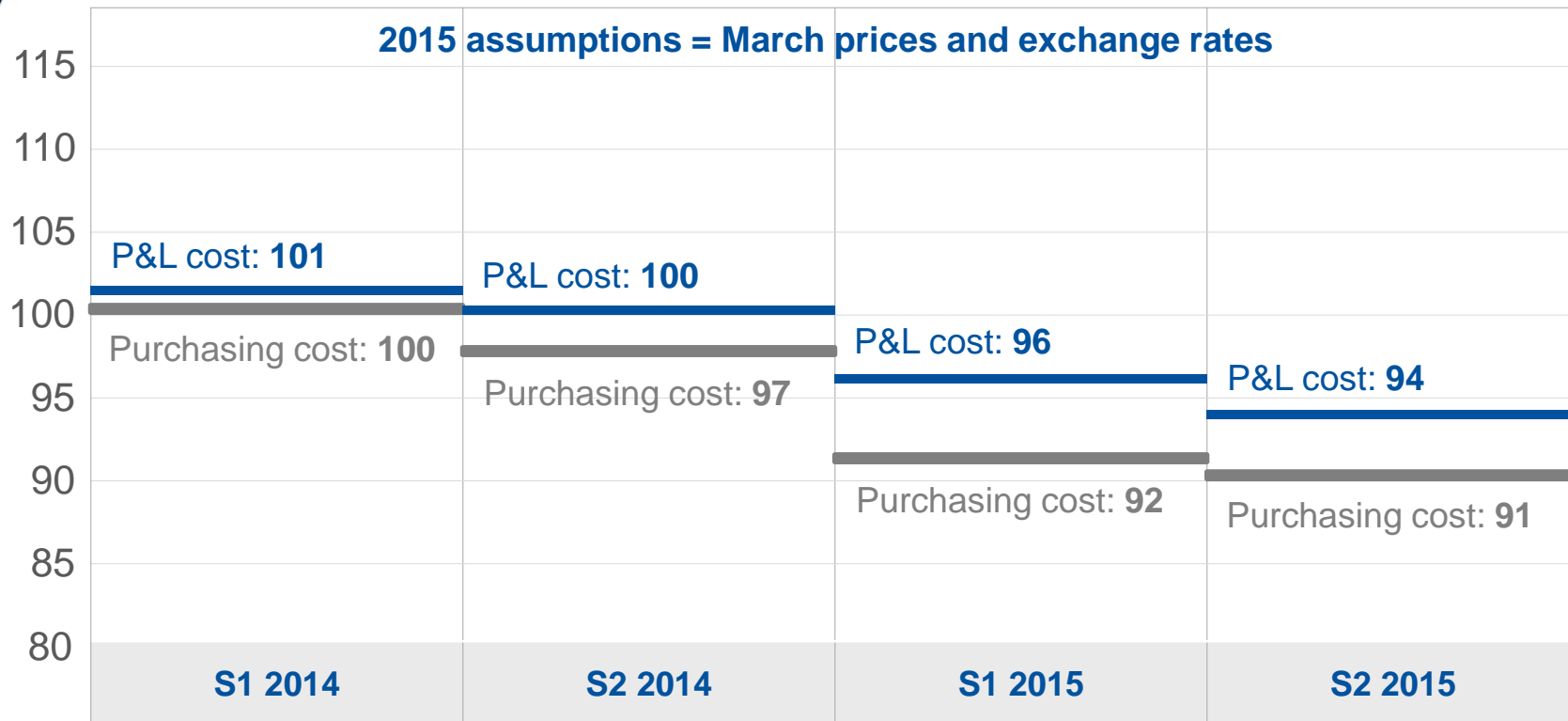
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2015 guidance confirmed

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

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

# Raw materials tailwind to lift EBIT by around €600m, mainly in H2



May 27, 2015

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3

### Use of cash

# Invest to create value

- Succeed in our priority investments to capture growth
  - In the supply chain, to improve customer service (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
  
- Keep up with innovation, specifically through vertical integration
  - Ensure high performing synthetic rubber production
  - Step up capacity to manufacture innovative molds (e.g. CrossClimate and Premier A/S tire lines)

# 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

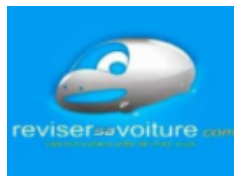


# Acquisitions in line with Michelin's strategy

- 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 up for renewal at the Annual Shareholders' Meeting: 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

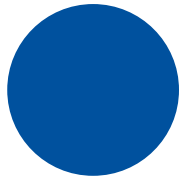
- Above-market unit sales growth of 1.5%
- Unfavorable change in price mix of 5.1%, of which 2.4% due to indexation clauses and 2014 price cuts
- 2015 guidance confirmed, with additional details: EBIT before non recurring items up excluding any currency effects
  - Price mix / materials effect negative in H1, positive full year
  - Raw materials tailwind revised upward to €600m for the full year
  - Currency effect on operating income (EBIT) raised to more than €350m
- Use of cash:
  - Investments for growth and innovation
  - €750m share buyback program

## Upcoming events

- **May 27, 2015:** Record date
- **May 28, 2015:** Payment date
- **July 28, 2015:** First-half 2015 results
- **October 22, 2015:** Net sales at September 30, 2015

May 27, 2015

## MILANO Non deal Roadshow



## Appendices



# Passenger Car and Light Truck Tire Market

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

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

# 2015 Q1 Car & Light truck markets

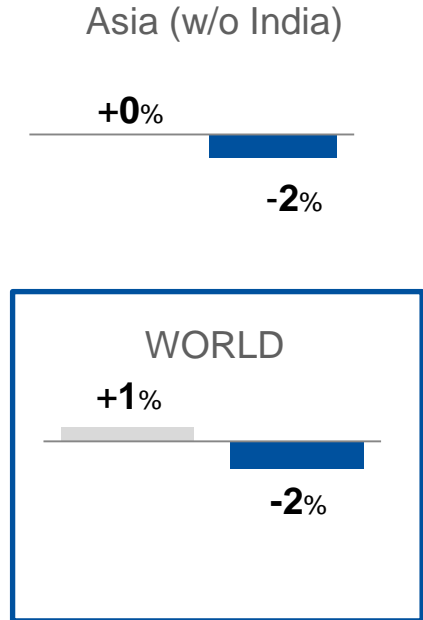
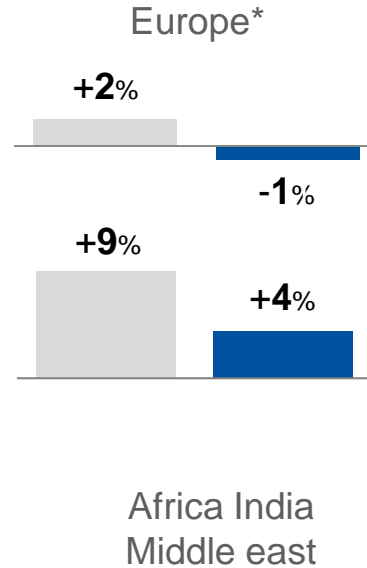
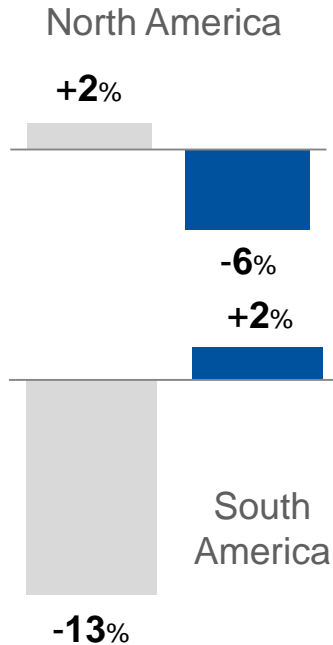
## ▶ YoY change, in number of tires



OE  
 Replacement

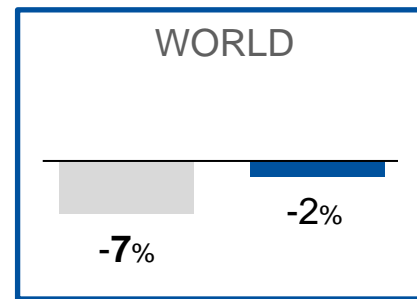
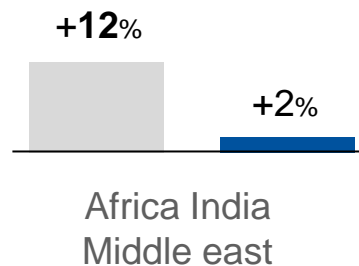
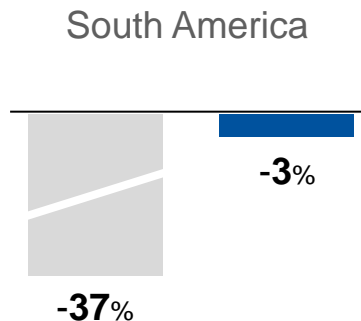
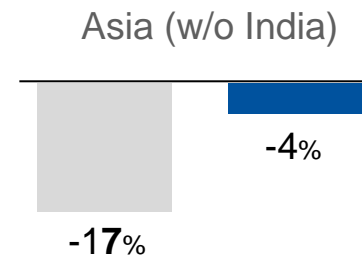
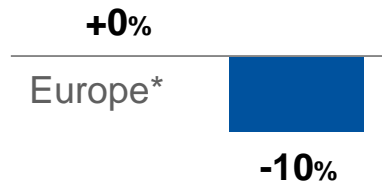
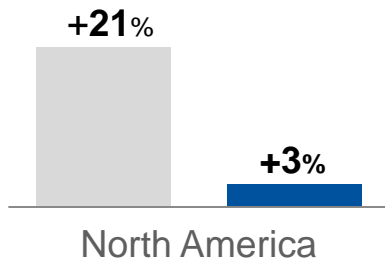
\* Including Russia and Turkey

Source : Michelin



# 2015 Q1 Truck markets

## ▶ YoY change, in number of new tires



OE  
 Remplacement

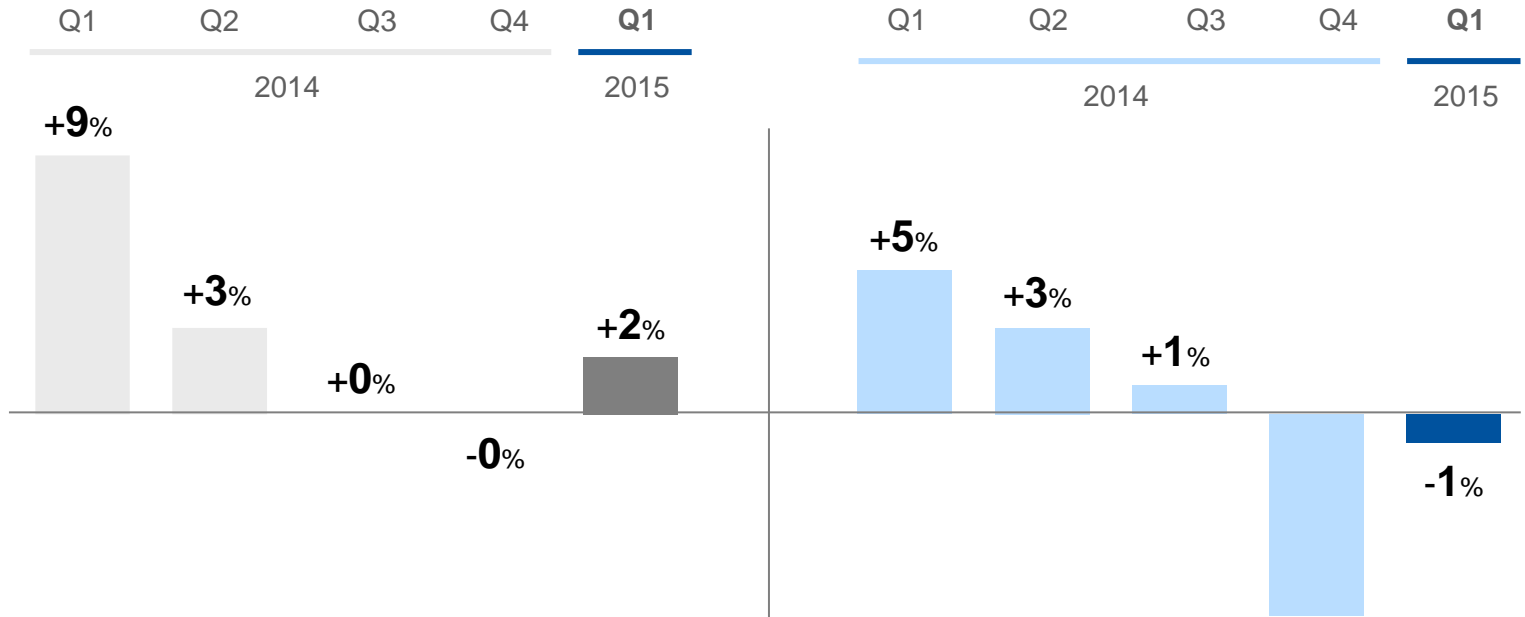
\* Including Russia and Turkey

Source : Michelin



# Car and Light Truck European\* Quarterly Markets

## ► YoY change, in number of tires



\* Including Russia and Turkey

Source : Michelin

OE

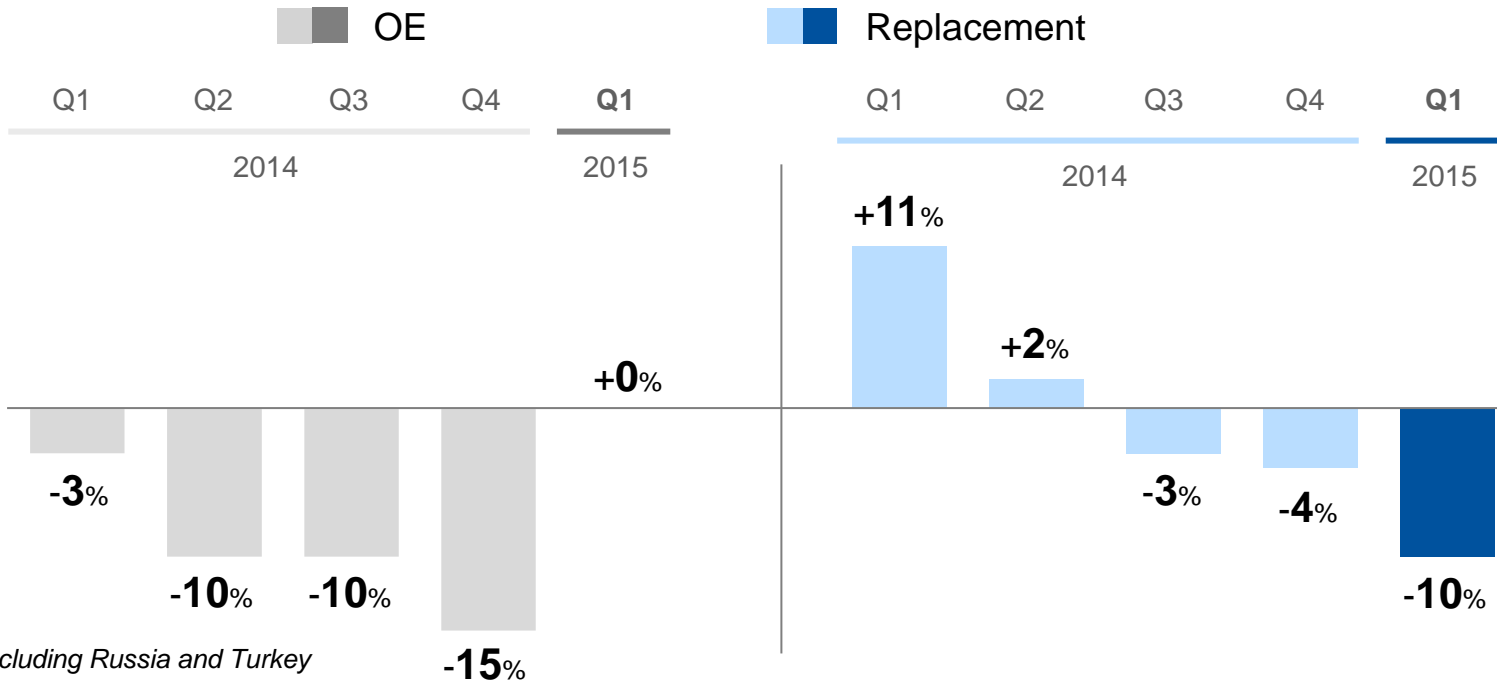
Replacement





# Truck European\* Quarterly Markets

## ► YoY change, in number of new tires

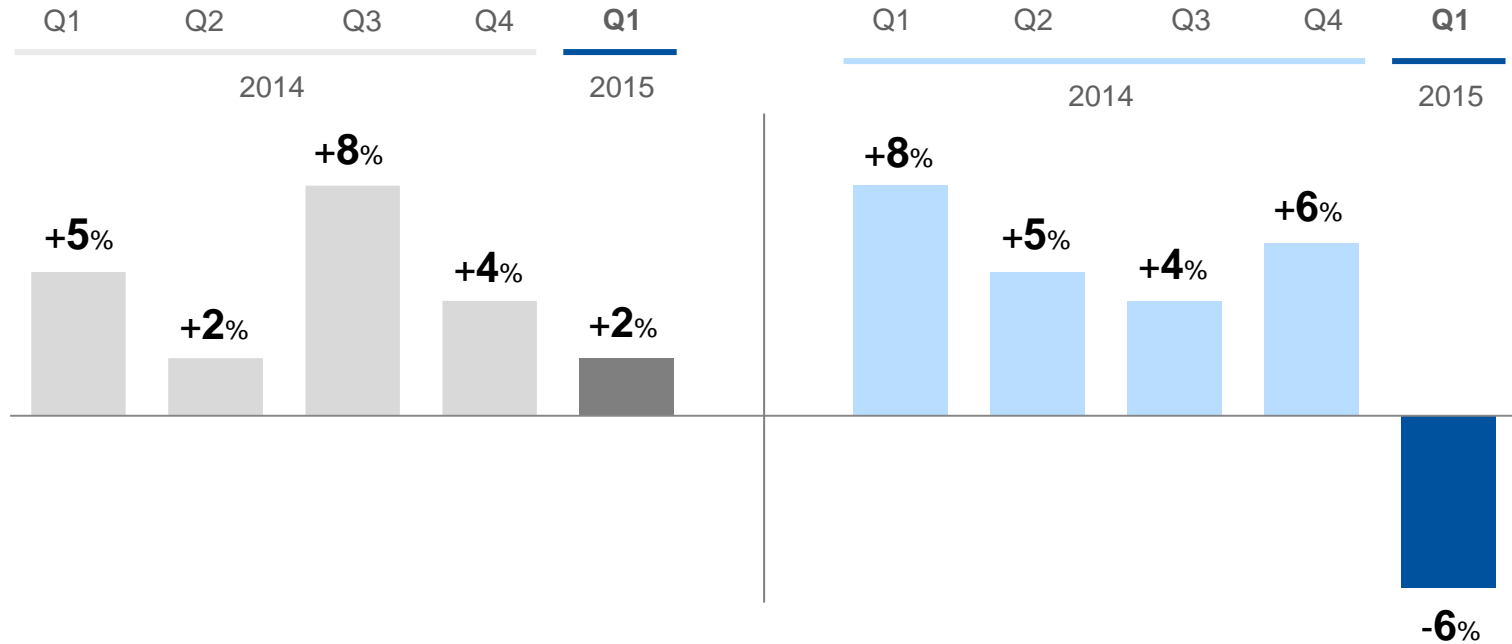


\* Including Russia and Turkey

Source : Michelin

# Car and Light Truck North American Quarterly Markets

## ► YoY change, in number of tires



Source : Michelin

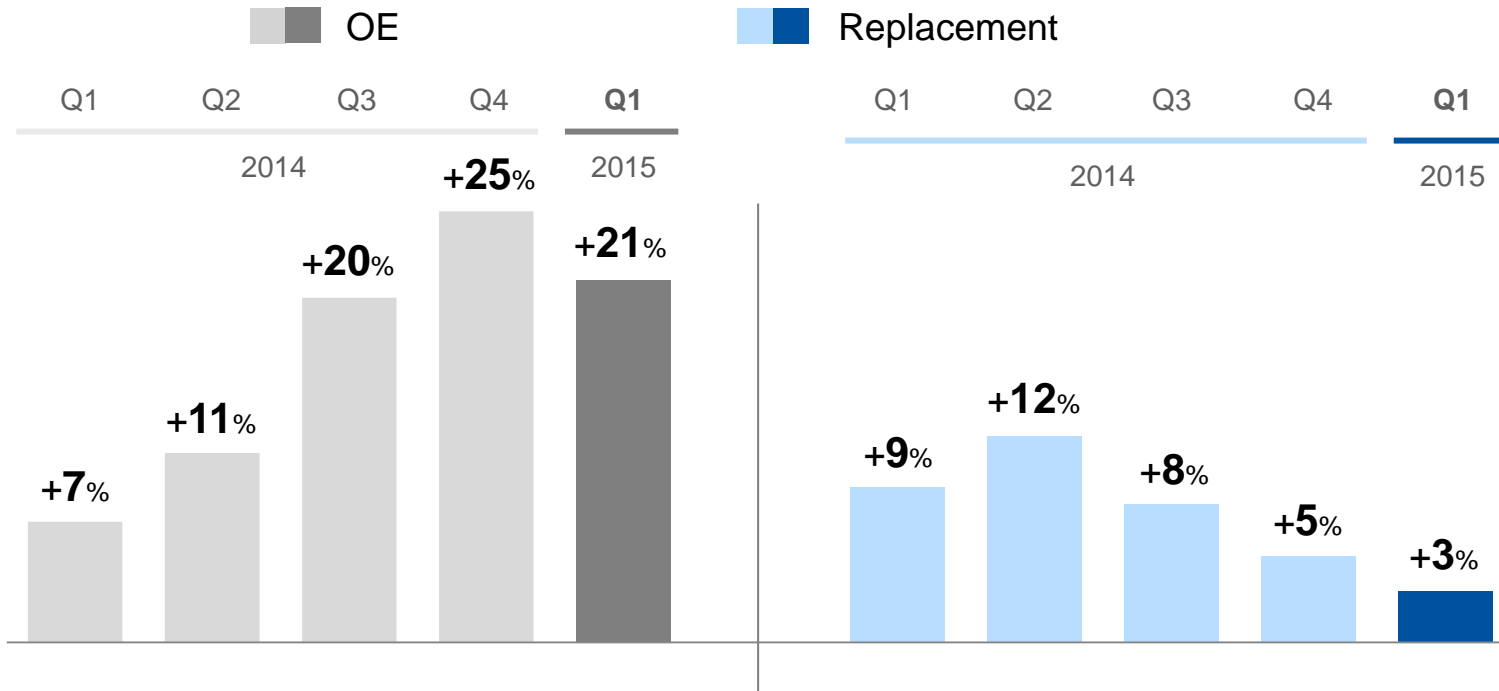
OE

Replacement



# Truck North American Quarterly Markets

## ▶ YoY change, in number of new tires



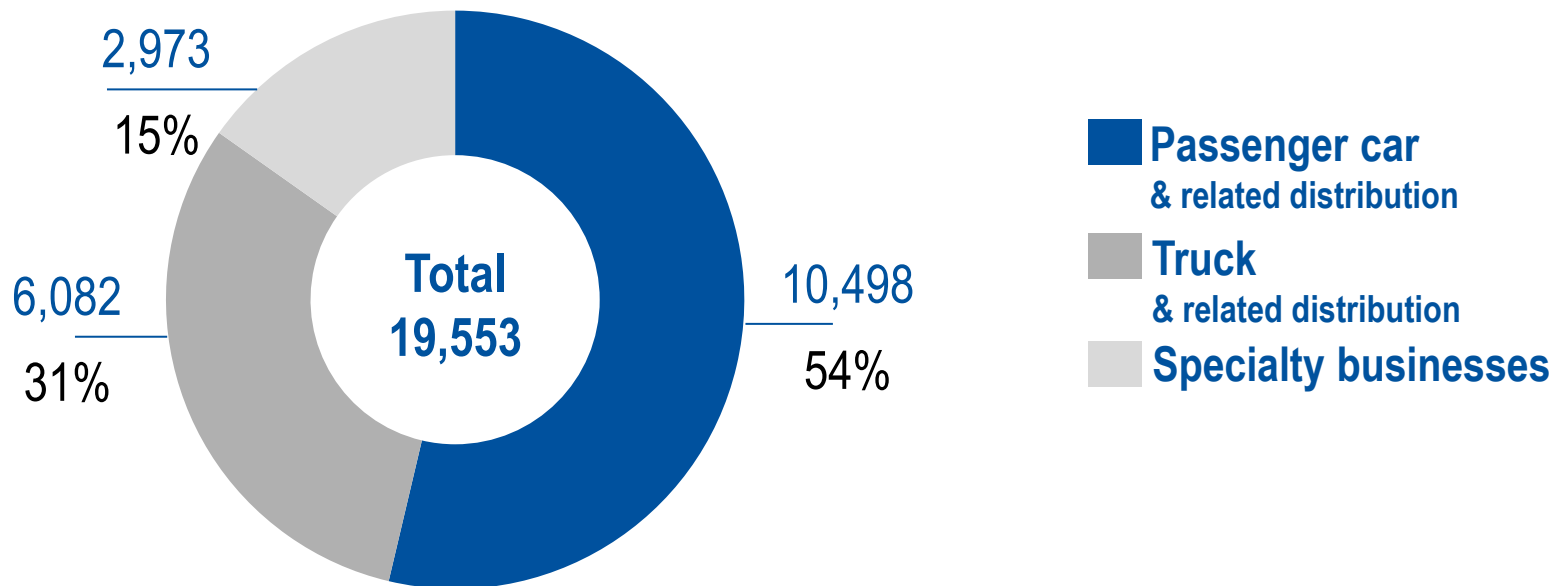
Source : Michelin



# Diversification across all tire businesses

## ► 2014 Net sales by business

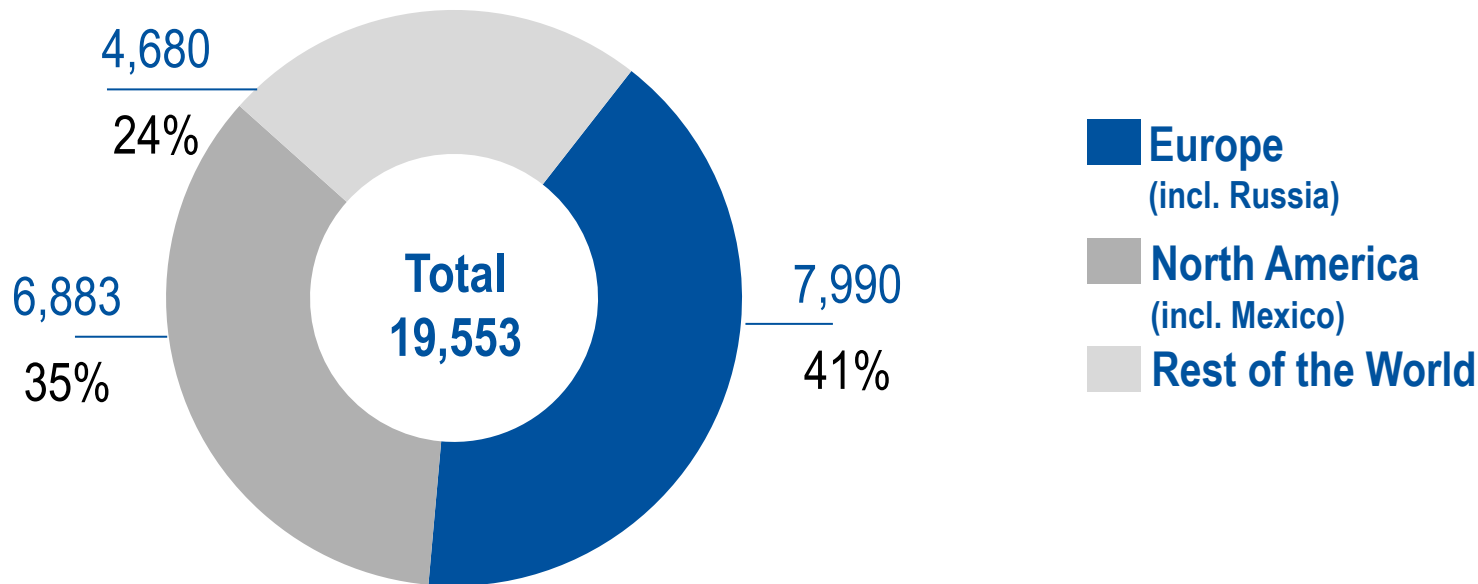
(in € millions and as a % of net sales)



## A balanced regional Presence

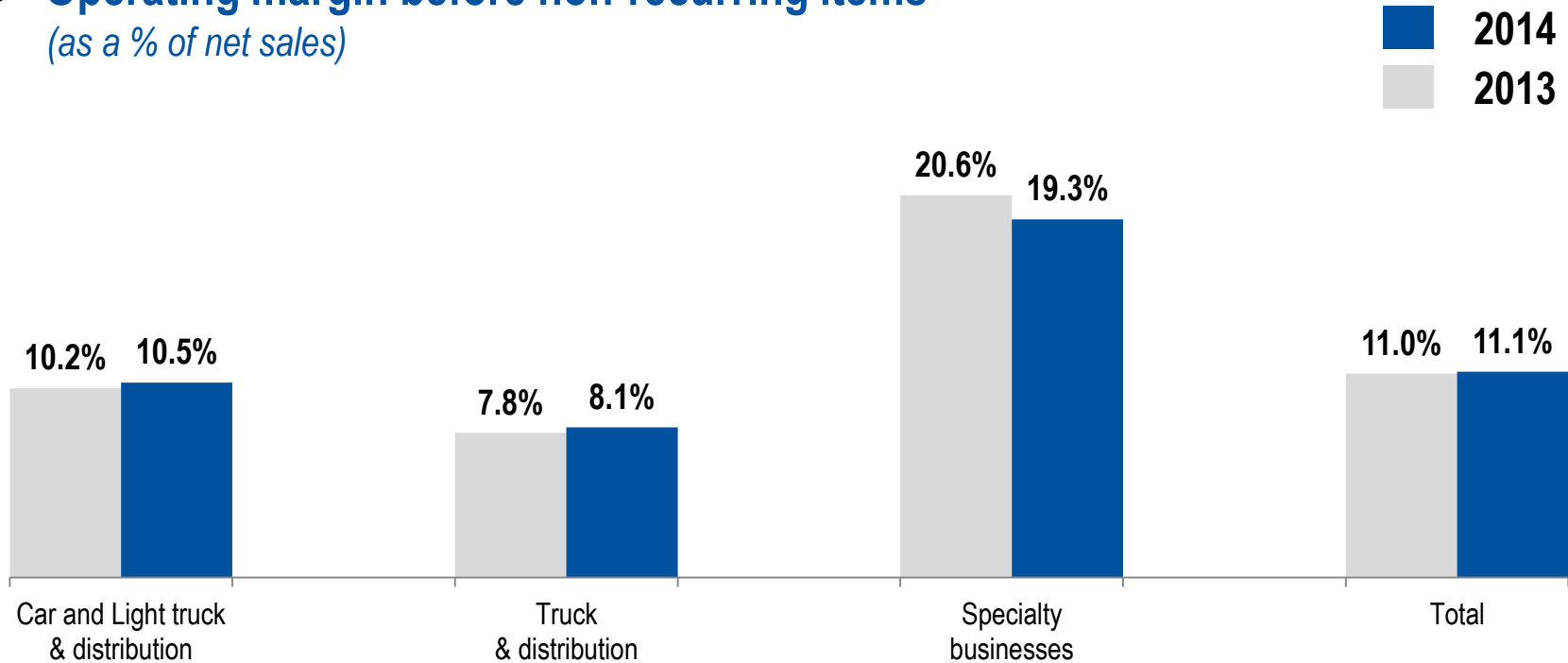
### ► 2014 Net sales by region

(in € millions and as a % of net sales)



# Operating margin by reporting segment in line with objectives

## ▶ Operating margin before non-recurring items *(as a % of net sales)*



# Strong position in the Passenger car Premium segment supporting Group's growth ambition

## 2014 Premium segment:

(referring to 17" and above tires)

- **42%** of MICHELIN brand Passenger car tire volume
- **72%** of the 253 OE technical certifications
- **26%** of the Passenger car global market

MICHELIN Pilot Sport Cup 2



MICHELIN Pilot Sport 3



MICHELIN Pilot Super Sport

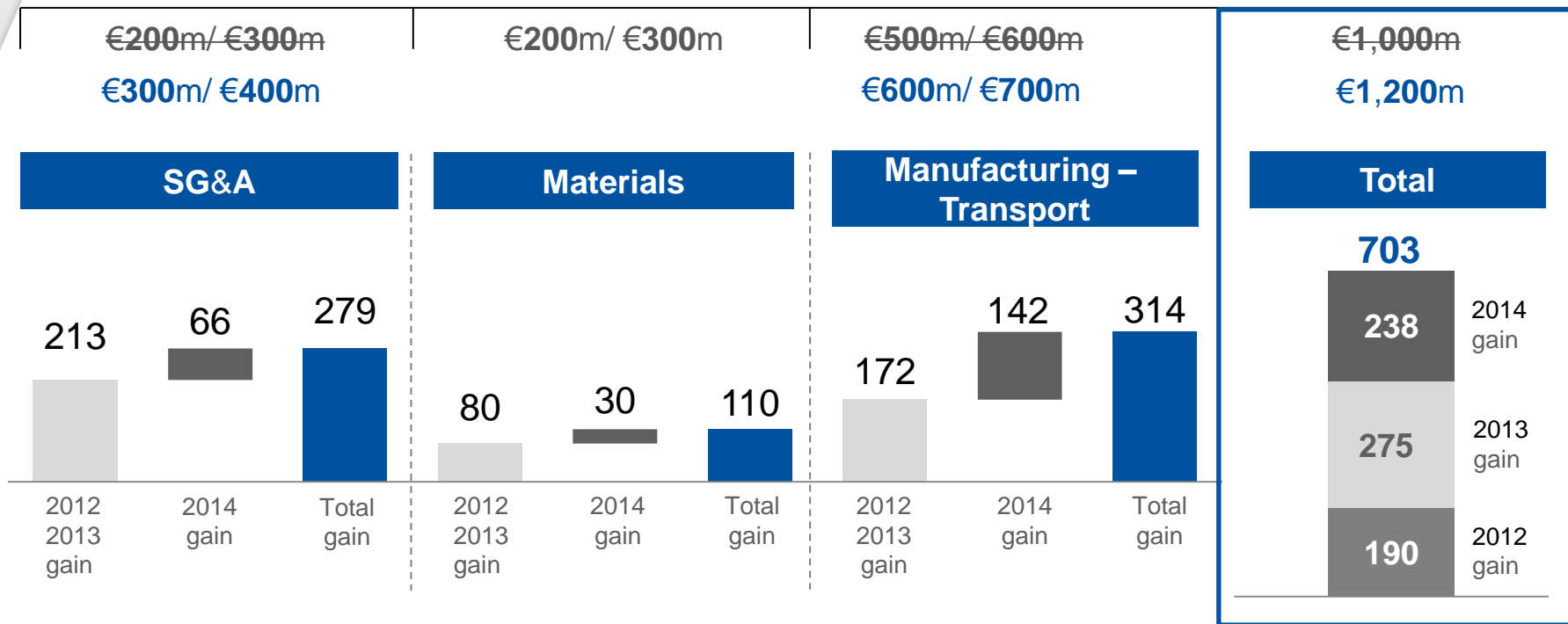


MICHELIN Primacy 3



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

## TARGETED GAINS\*, 2012 – 2016



\* Before inflation and including avoided costs

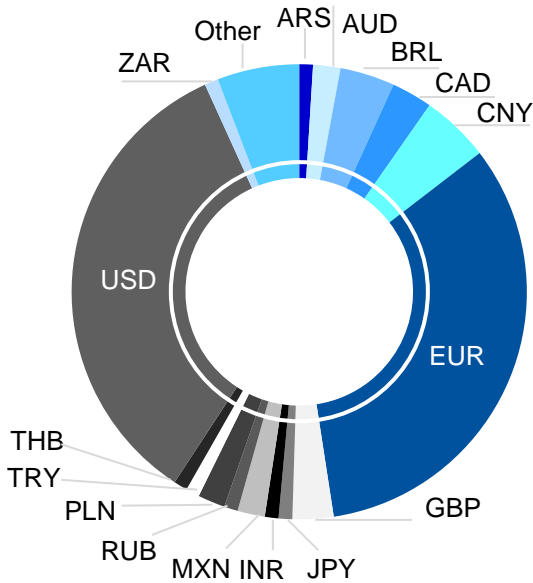


# Moody's upgraded Michelin long term rating

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

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

## 2014 net sales by currency

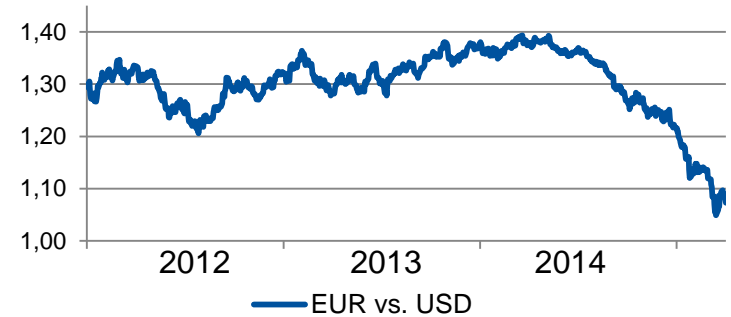


% of net sales	
ARS	1%
AUD	2%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
USD	36%
ZAR	1%
Other	4%

## 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.

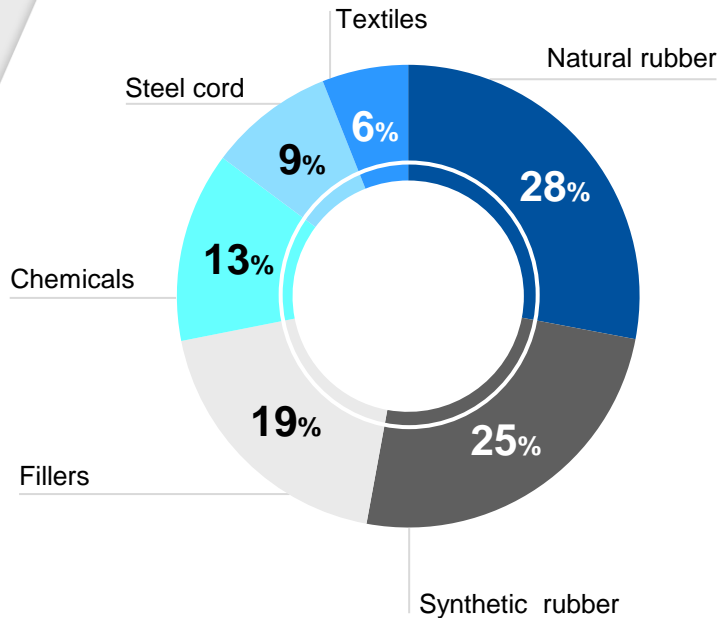
Forex Euro / USD – 12/31/2011 – 03/31/2015



Source: Thomson One

# 2014 Raw Material and price trends over Q1 2015

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

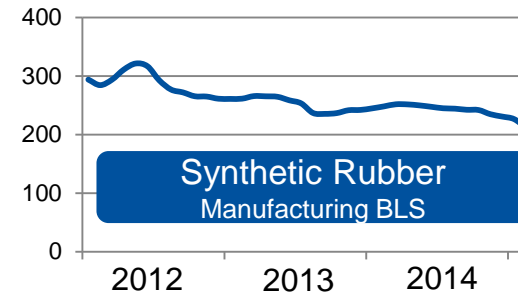
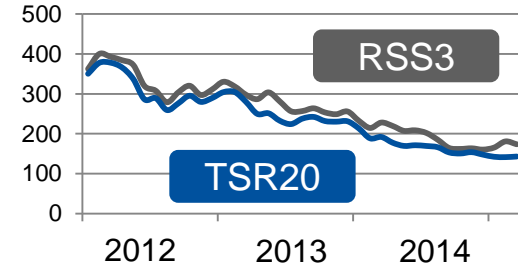
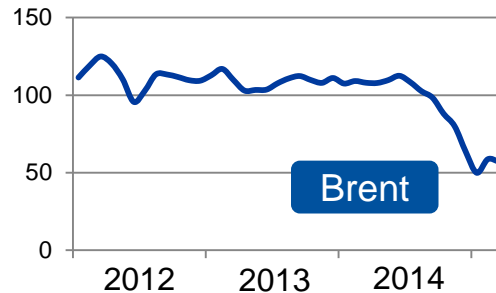


### Forex €/€ :

Average Q1'14 : 1,37

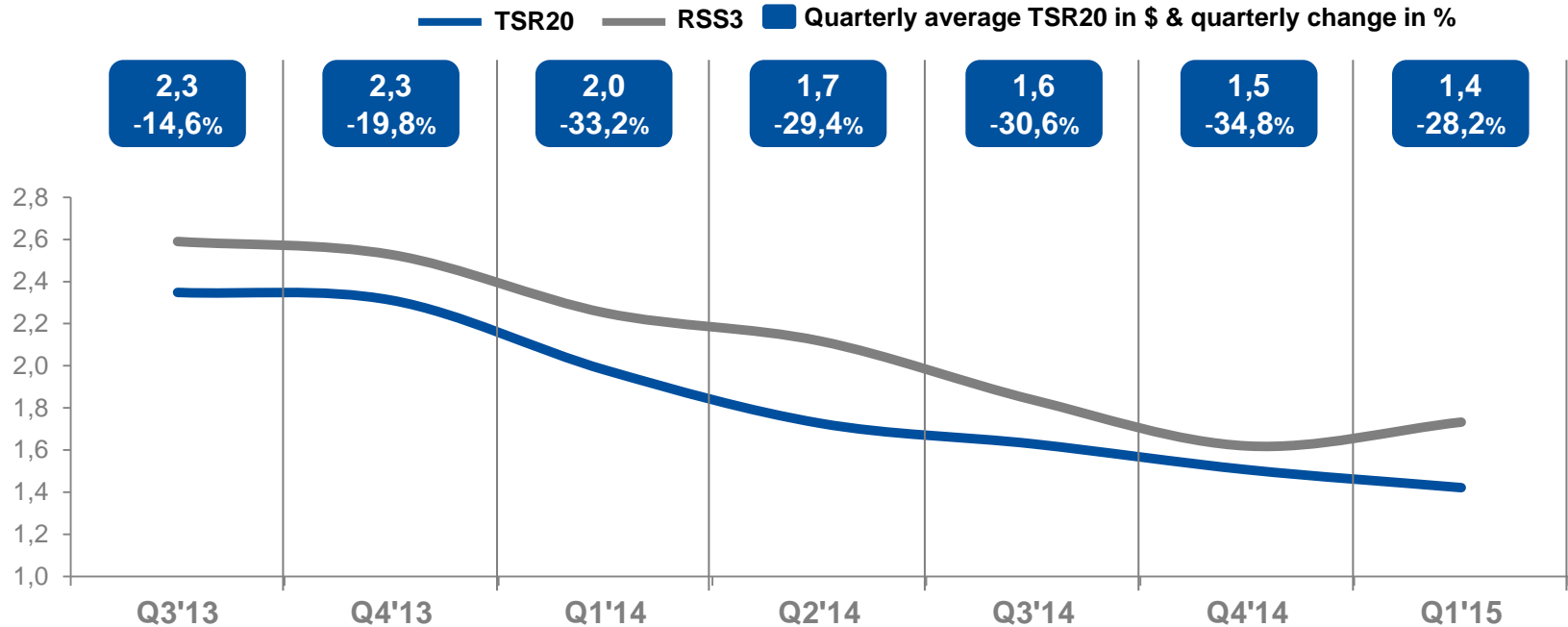
-17%

Average Q1'15 : 1,13



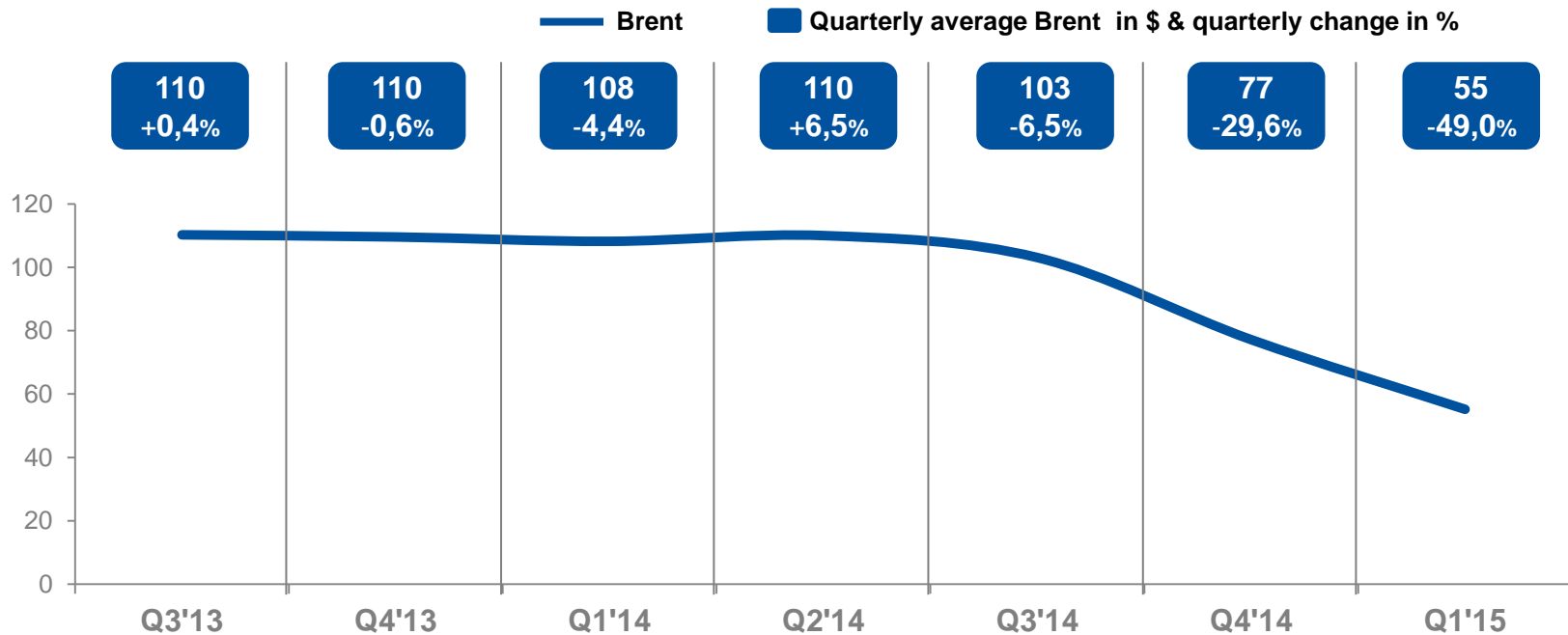
# Natural Rubber price (USD/kg)

At end of March 2015

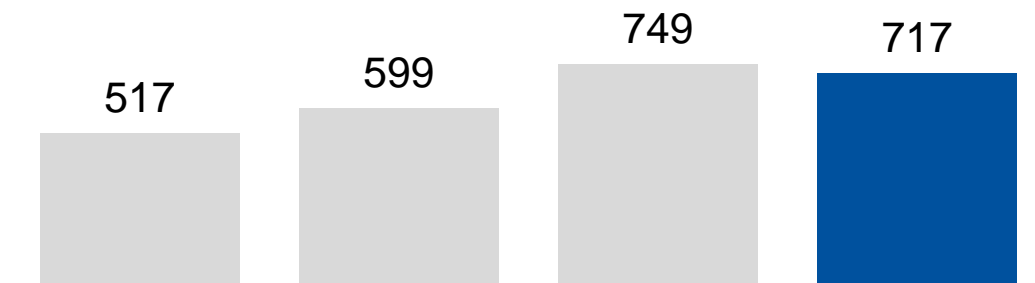


# Brent Price (USD/barrel)

At end of March 2015



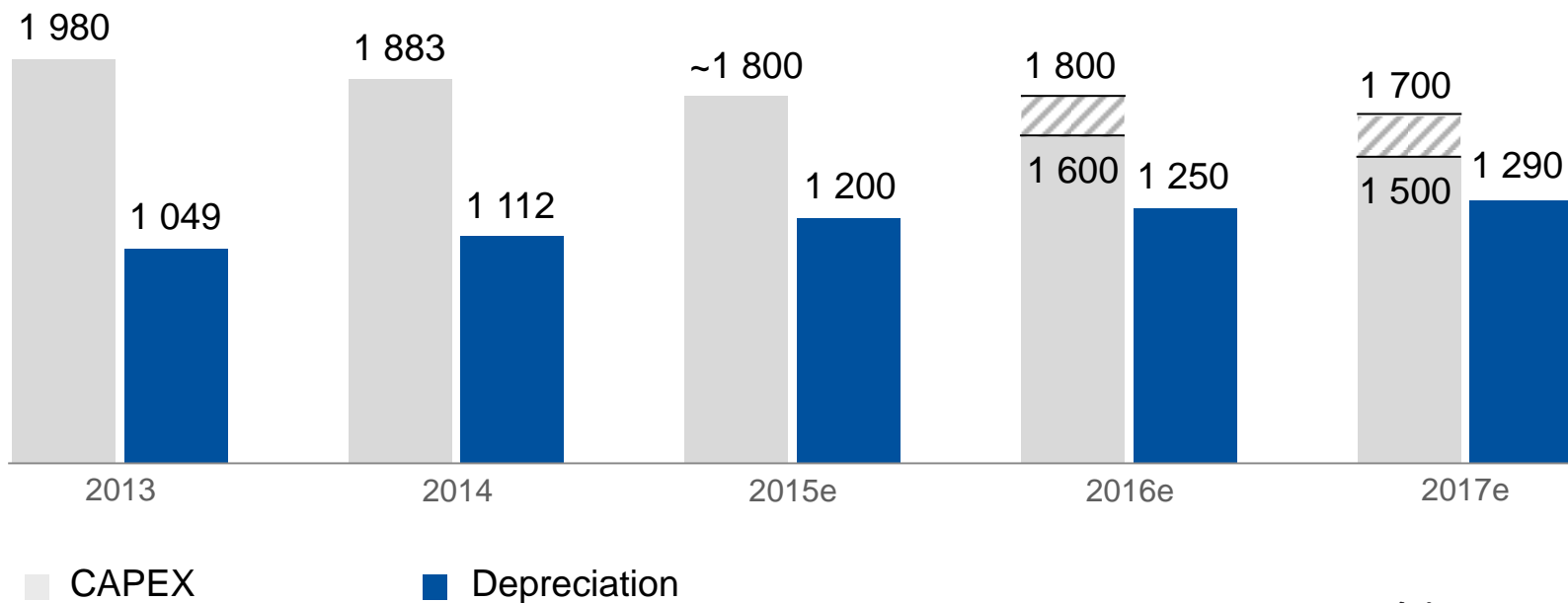
# State-of-the-art management process that structurally generates Free Cash Flow



<i>In € millions</i>	2011	2012	2013	2014
<b>Reported free cash flow <sup>(1)</sup></b>	(19)	1,075	1,154	<b>322</b>
<b>WCR impact of raw materials costs <sup>(2)</sup></b>	(739)	21	405	<b>177</b>
<b>Year-end volume effect on WCR <sup>(3)</sup></b>	(200)	344	nm	<b>(172)</b>
<b>Non-recurring items<sup>(4)</sup></b>	403	111	-	<b>(400)</b>
<b>Structural free cash flow <sup>(1) - (2) - (3) - (4)</sup></b>	<b>517</b>	<b>599</b>	<b>749</b>	<b>717</b>

# 2015 CAPEX adjusted due to forex

## ► Capital expenditure and depreciation (In € millions)



# Production ramp up on schedule to foster volume growth in emerging markets

- **Brazil** (*Premium MICHELIN brand Car and Light truck tires*)
  - Production ramp-up from **18KT** at end-2014 to **28KT** end-2015
- **India** (*MICHELIN radial Truck tires*)
  - Production ramp-up from **11KT** at end-2014 to **16KT** end-2015
- **China** (*Premium MICHELIN brand Car and Light truck tires and MICHELIN radial Truck tires*)
  - Production ramp-up from **53KT** at end-2014 to **90KT** at end-2015





## 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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