



## **IR FORUM in CANADA**

**ODDO SECURITIES**

---

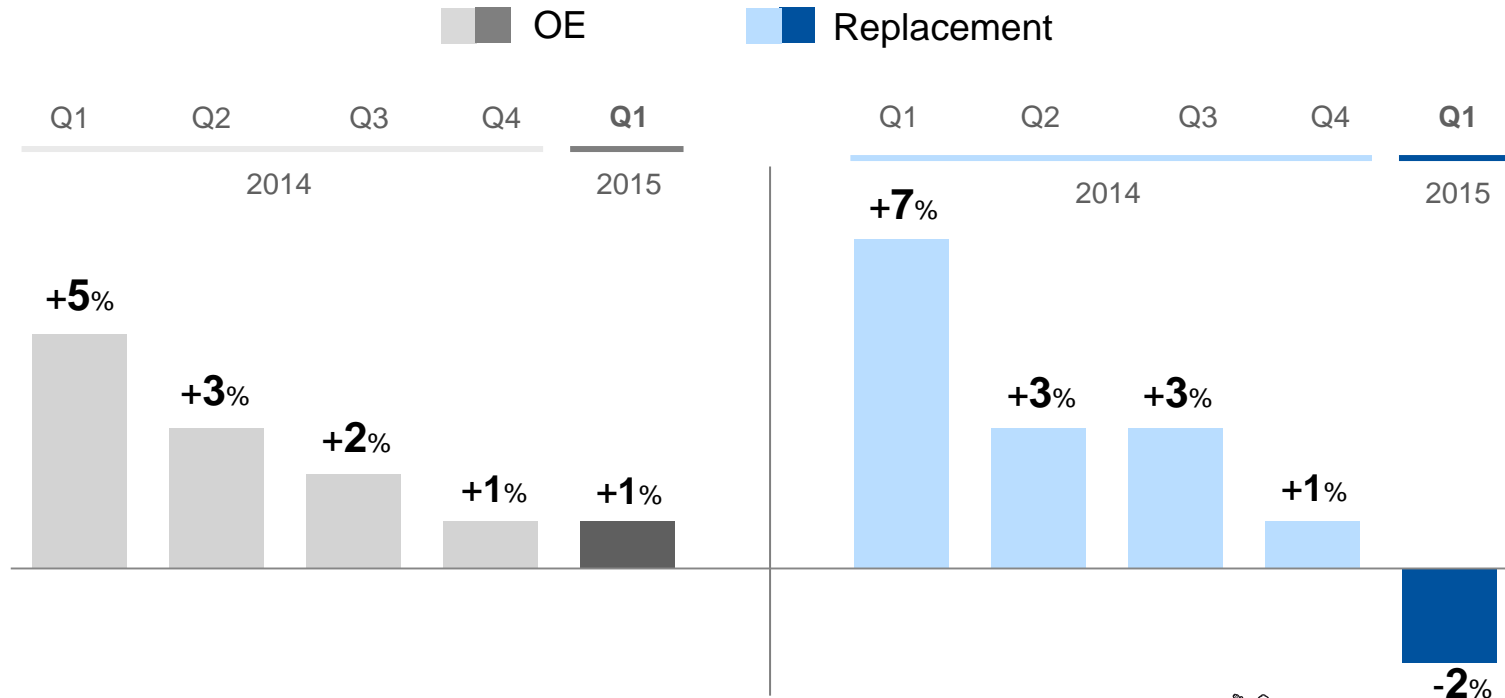
May 11 & 12, 2015

# 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

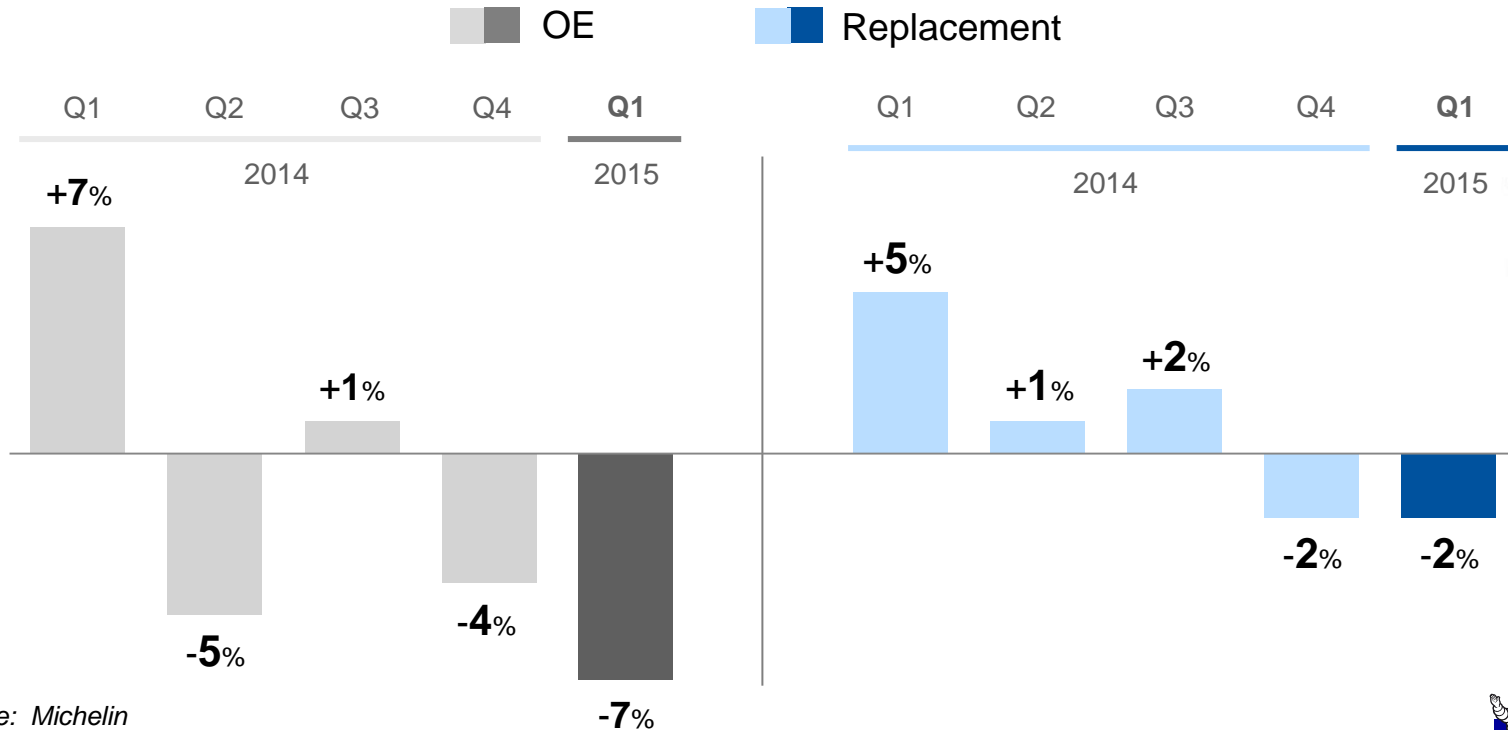
## ► YoY change in number of tires



Source: Michelin

# Global Truck tire markets down in Q1 2015

## ▶ YoY change in number of new tires



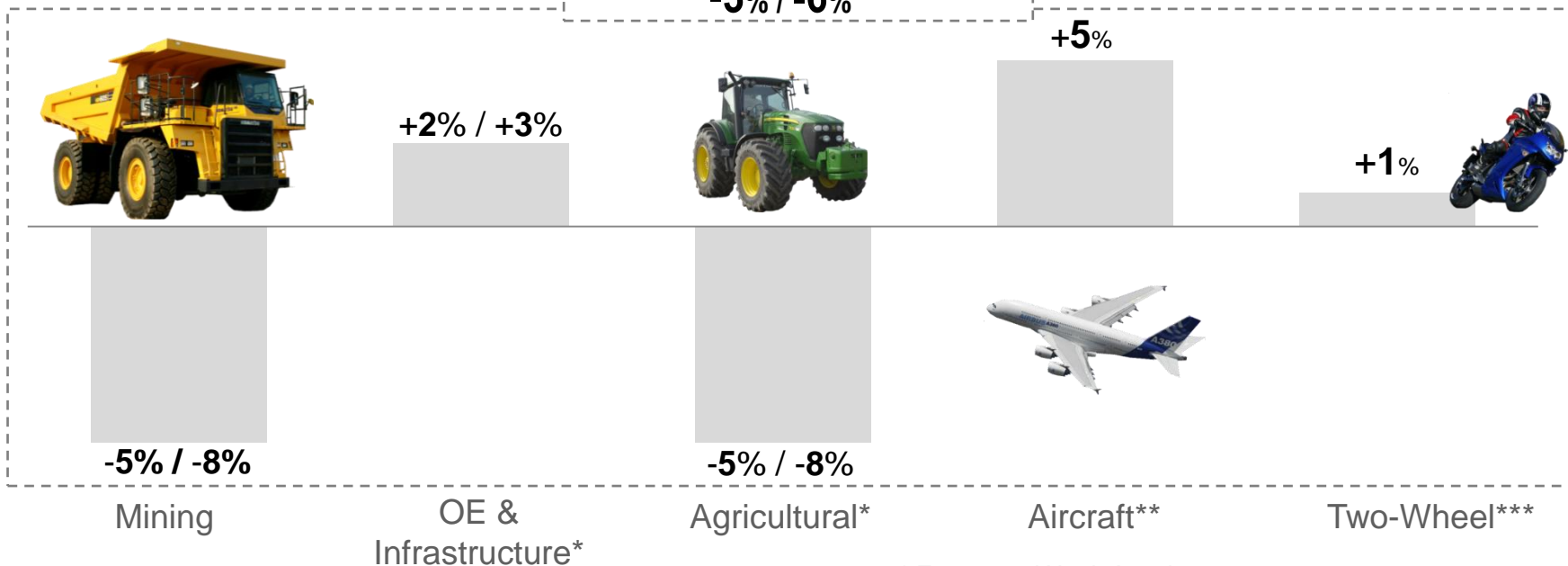
Source: Michelin

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

► 2015e / 2014 in tons

Weighted Specialty tire markets

-3% / -6%



\* Europe and North America

\*\* Commercial aircraft

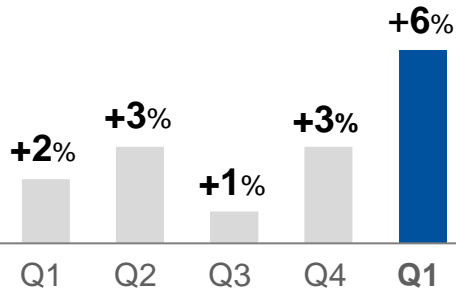
\*\*\* Motorcycle Europe, USA, Japan

Source : Michelin

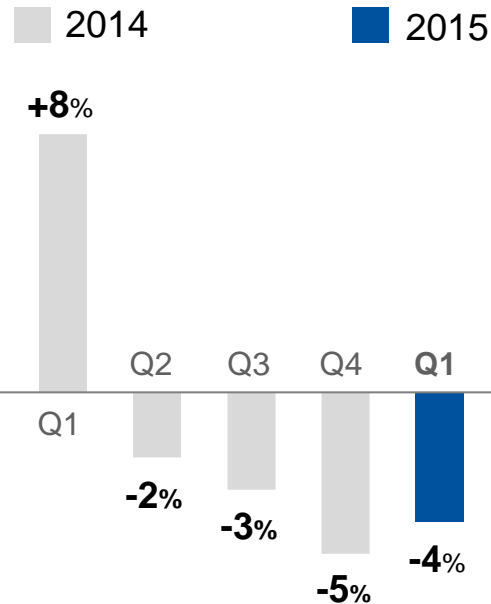
# Strong growth in Passenger car/Light truck tire volumes sold, Truck and Specialty volumes in line with markets

## ► YoY change in tons

Car and Light truck tires  
& related distribution



Truck tires  
& related distribution

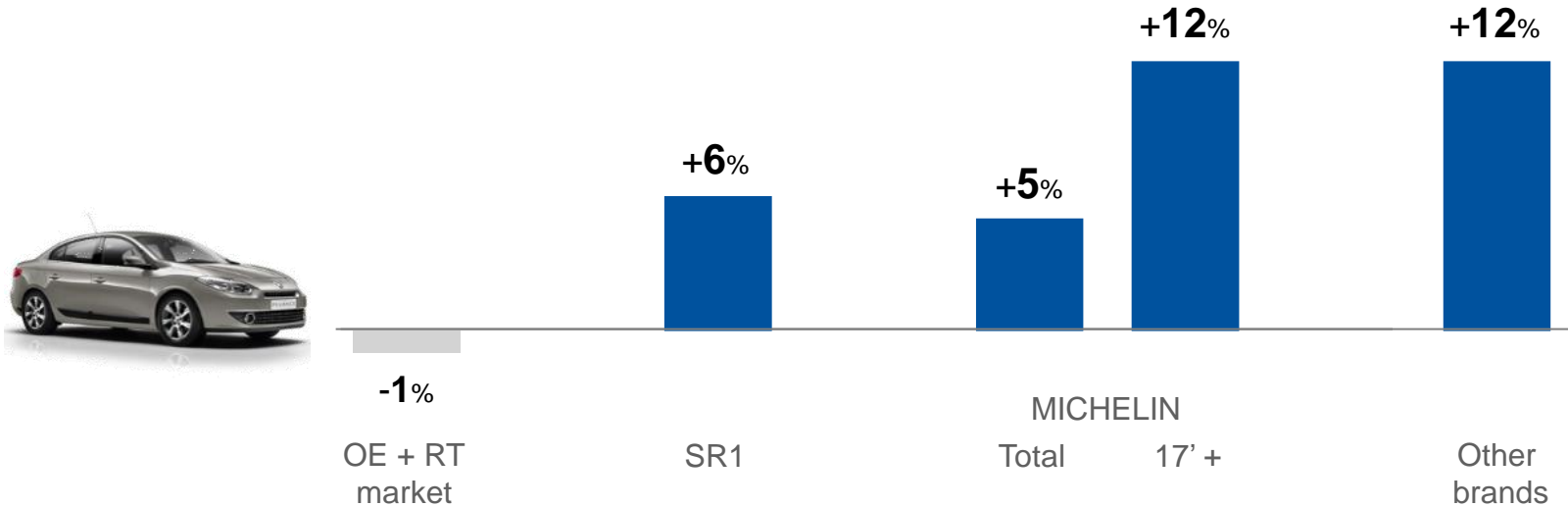


Specialty businesses



# 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 11&12, 2015

## IR FORUM in CANADA

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



May 11&12, 2015

## IR FORUM in CANADA

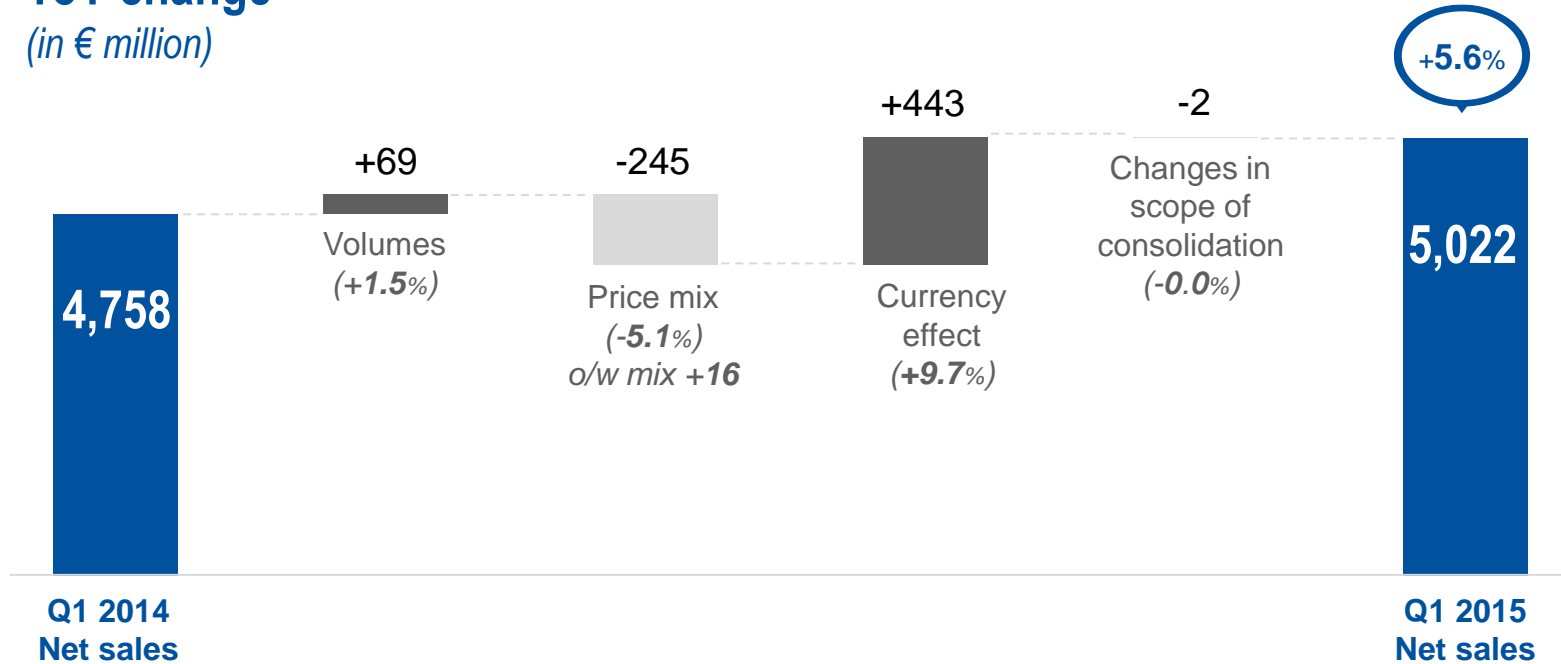
1

Net sales growth lifted by volumes and the currency effect



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

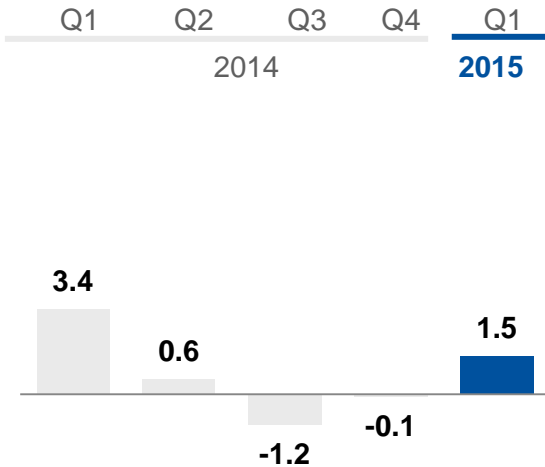
## ► YoY change (in € million)



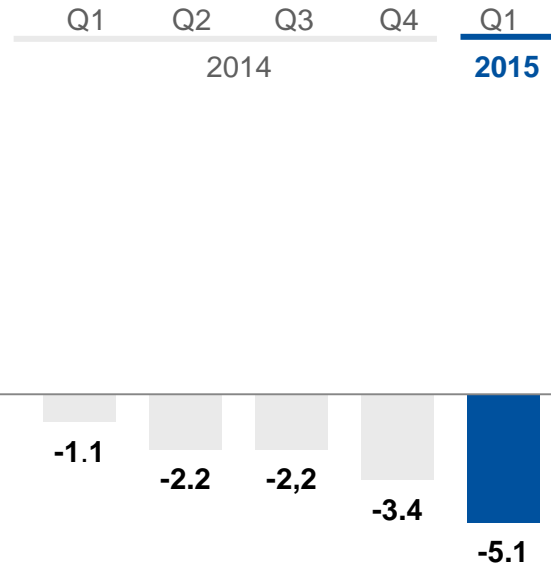
# Q1: volumes up on high prior-year comparatives, prices adjusted in light of weaker raw materials prices

## ▶ YoY change in %

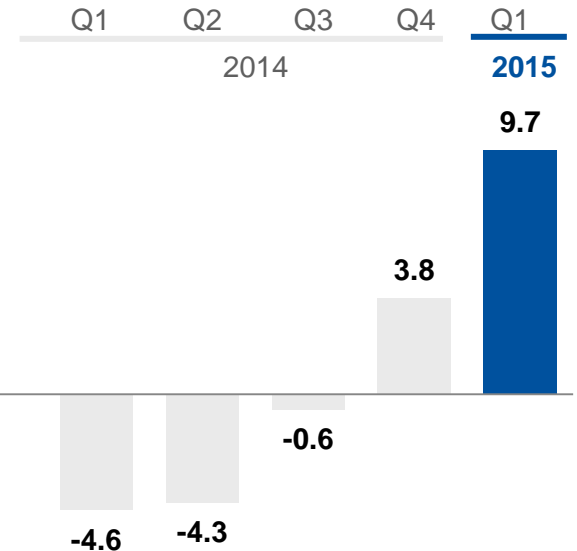
### ▶ Volumes



### ▶ 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%



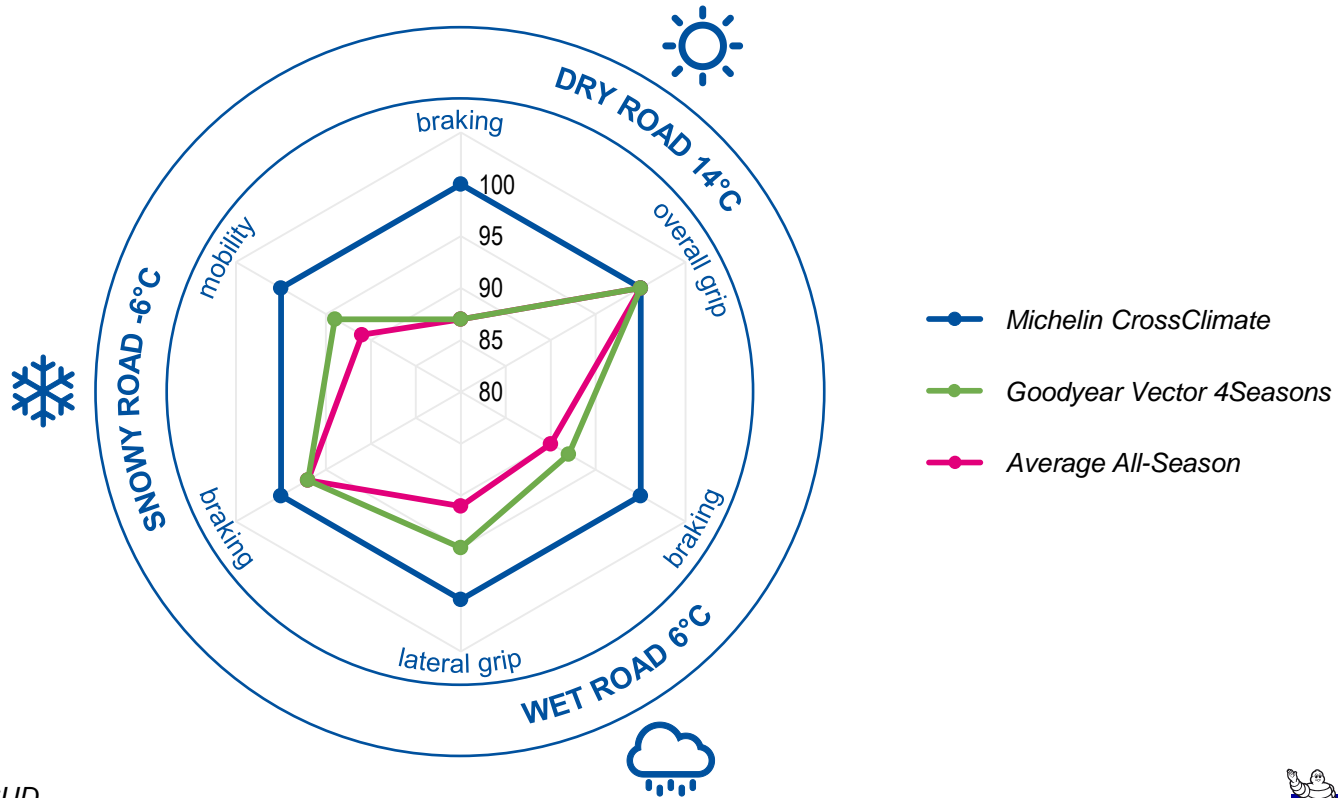
# MICHELIN CrossClimate, a disruptive innovation to support volume growth

## ▶ 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%





May 11&12, 2015

## IR FORUM in CANADA

2

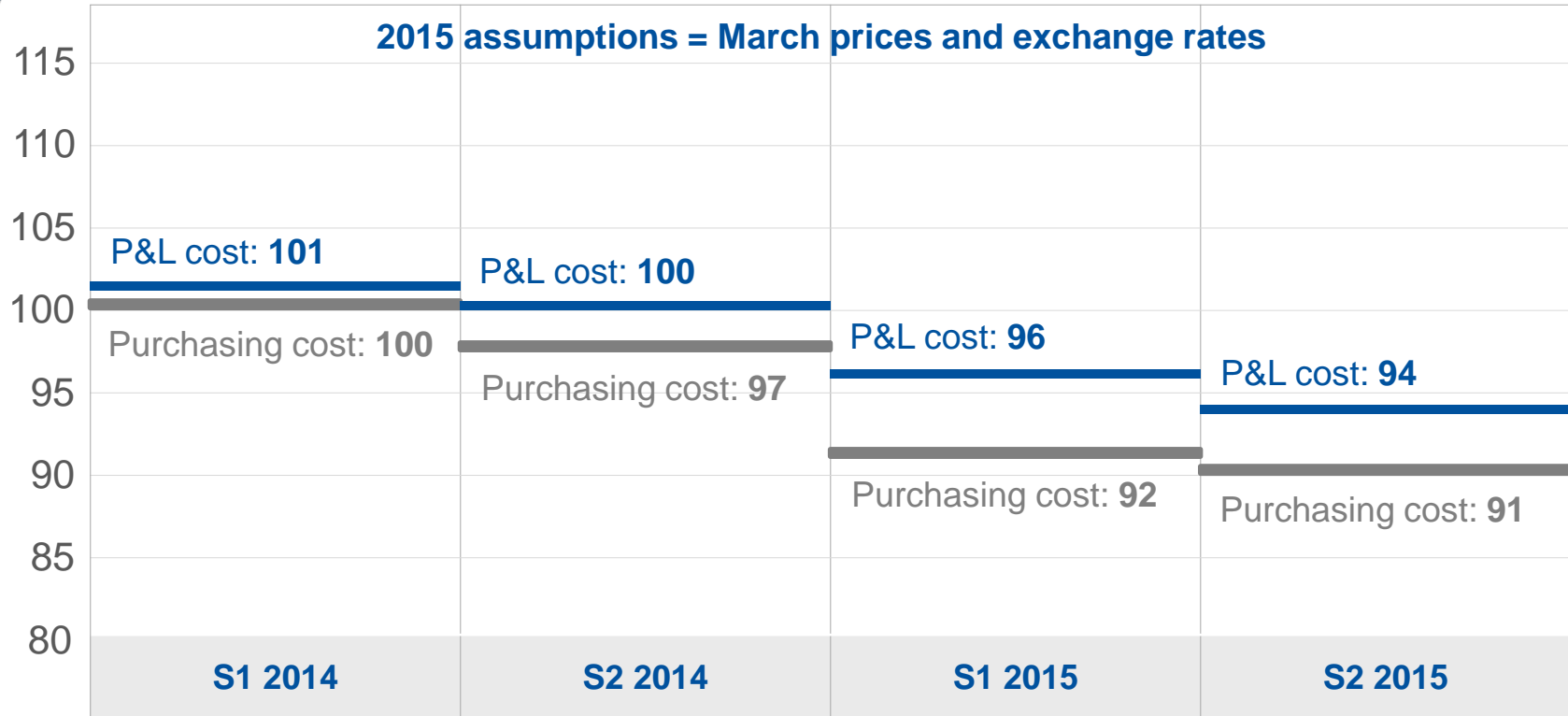
2015 guidance confirmed



# 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 11&12, 2015

## IR FORUM in CANADA

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

- Acquisition of a 40% stake in France's leading tire e-tailer, for a total of €60m
- Group synergies:
  - Develop market access through a fast-growing channel (up 10%/year in France)
  - Increase Digital know-how
  - Generate additional traffic for Euromaster
- AlloPneus in figures:
  - 2014 net sales: €210m
  - 3 million tires sold
  - Accounts for over half of online tire sales in France, including 7% of the Replacement tire market



# 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

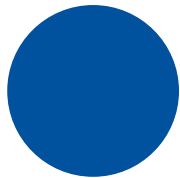
- Above-market unit sales growth of 1.5%
- Unfavorable change in price mix of 5.1%, of which 2.4% due to indexation clauses and 2014 price cuts
- 2015 guidance confirmed, with additional details: EBIT before non recurring items up excluding any currency effects
  - Price mix / materials effect negative 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 22, 2015:** Annual Shareholders' Meeting
- **May 25, 2015:** Last day of trading cum-dividend
- **May 26, 2015:** Ex-dividend date
- **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 11&12, 2015

## IR FORUM in CANADA



## Appendices



# 2015 Q1 Car & Light truck markets

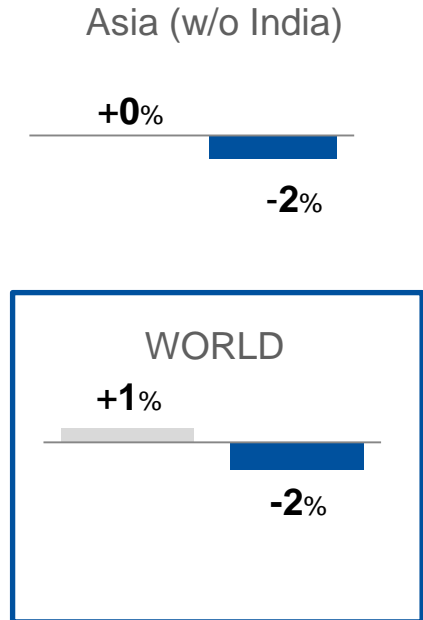
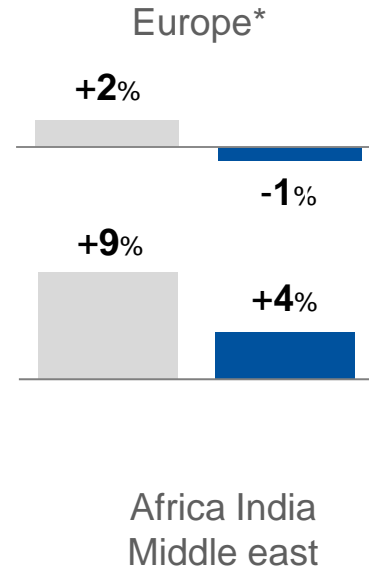
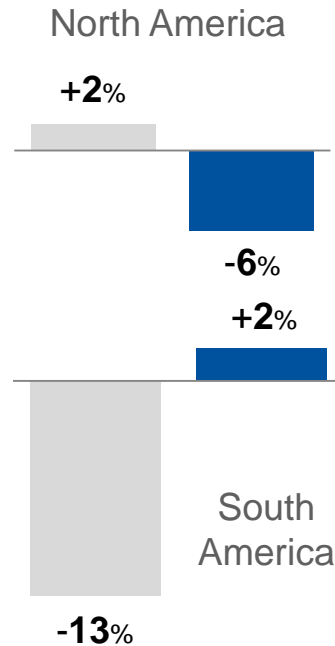
## ▶ YoY change, in number of tires



■ OE  
■ Replacement

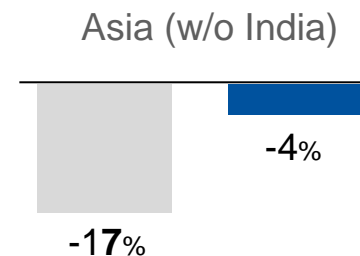
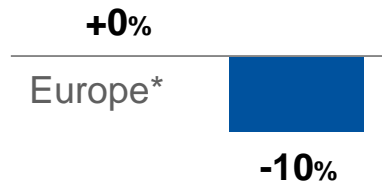
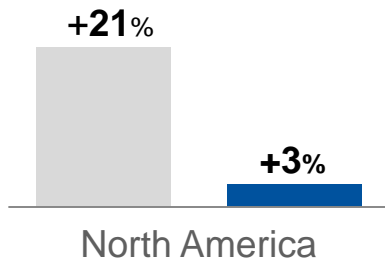
\* Including Russia and Turkey

Source : Michelin

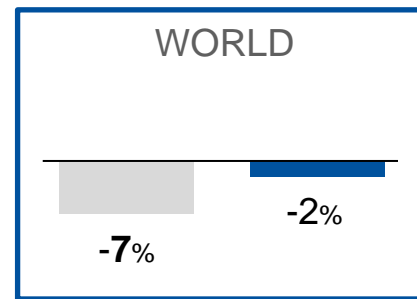
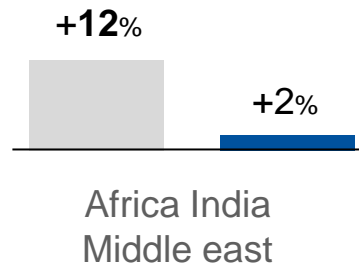
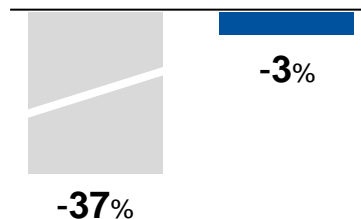


# 2015 Q1 Truck markets

## ▶ YoY change, in number of new tires



South America



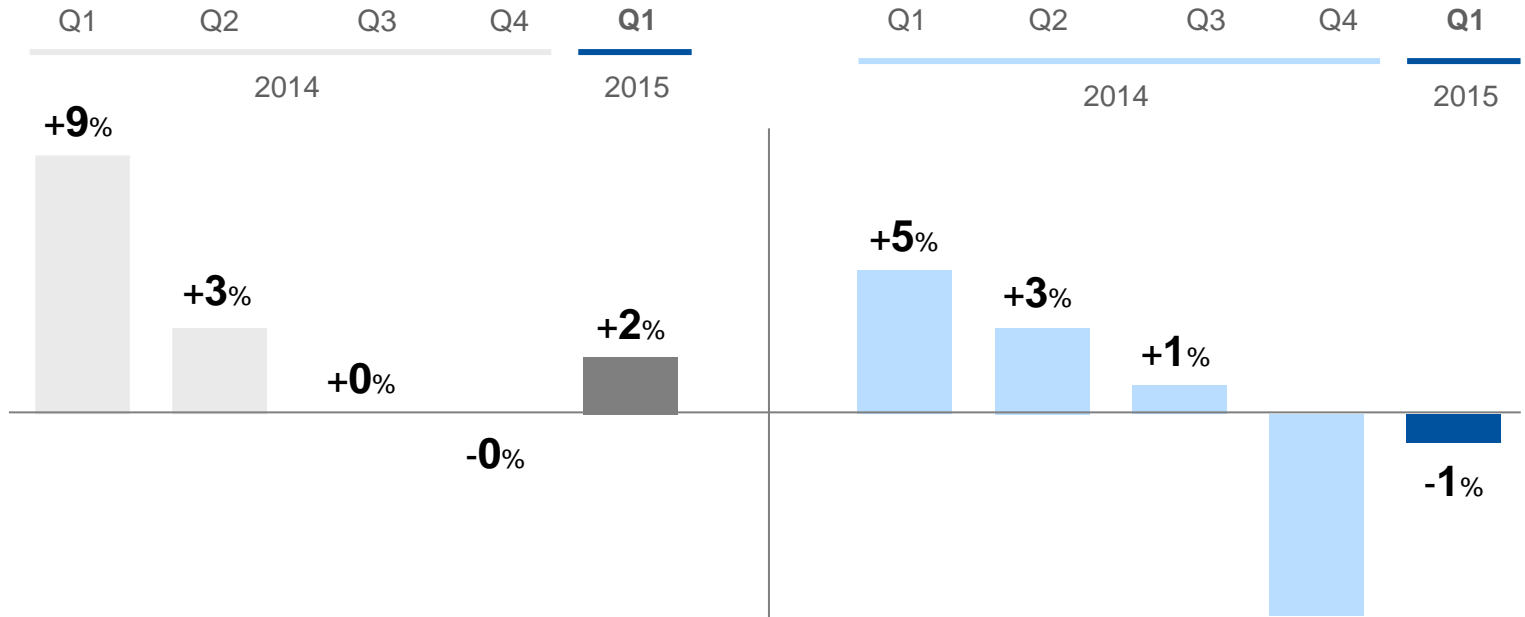
OE  
 Replacement

\* 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

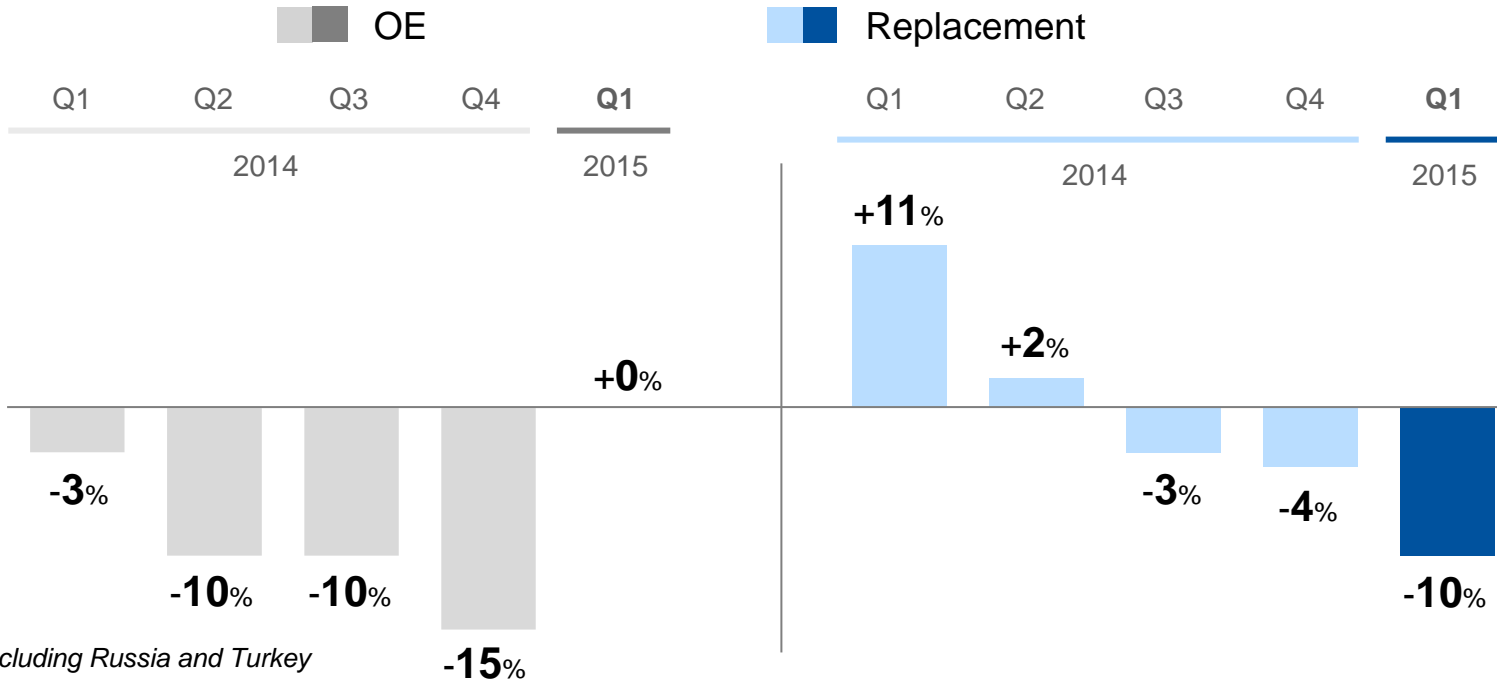
OE

Replacement



# Truck European\* Quarterly Markets

## ► YoY change, in number of new tires



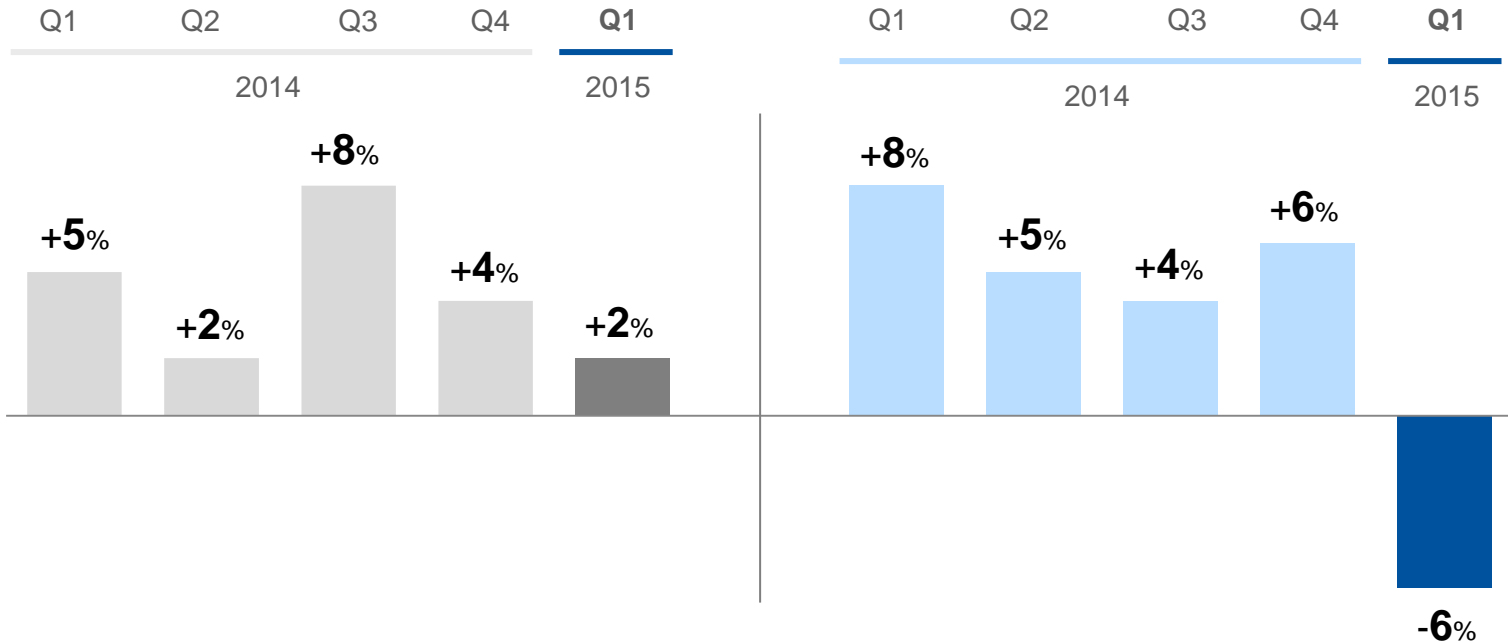
\* Including Russia and Turkey

Source : Michelin



# Car and Light Truck North American Quarterly Markets

## ► YoY change, in number of tires



Source : Michelin

OE

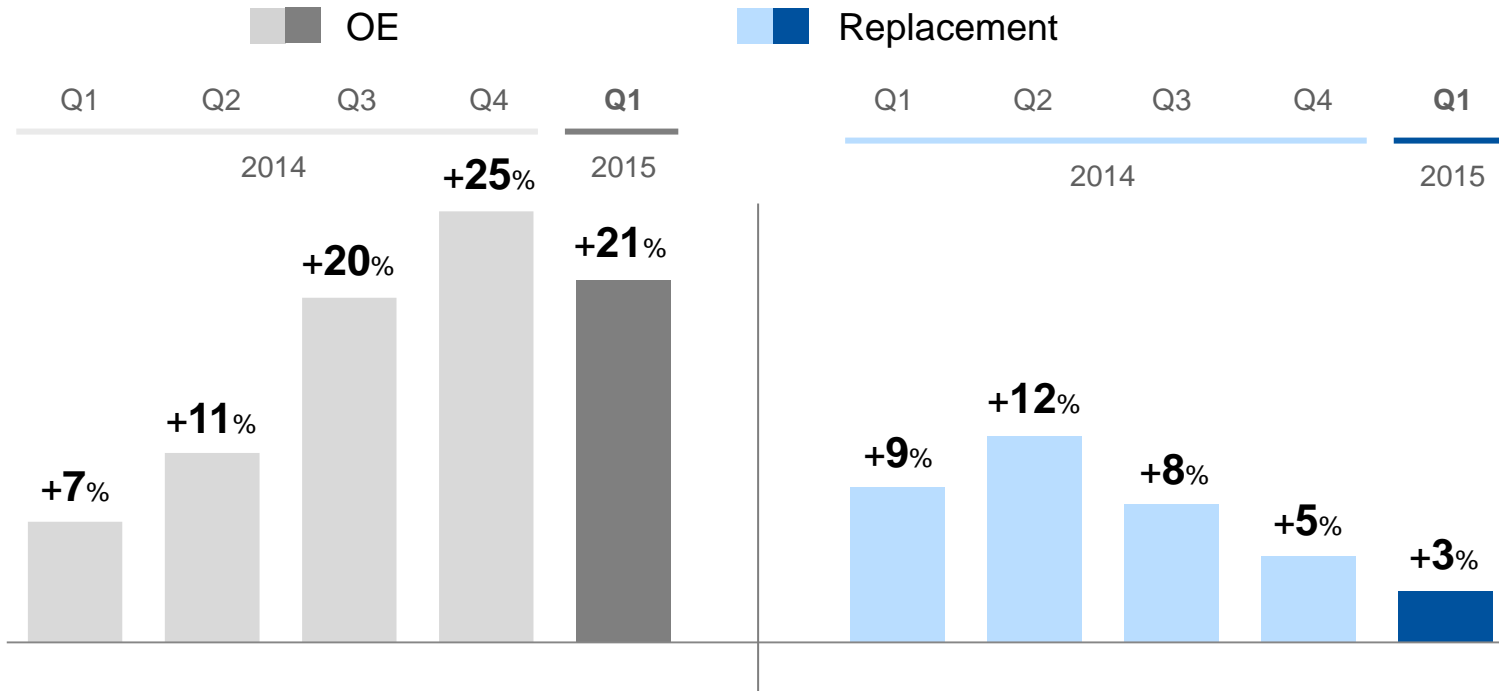
Replacement





# Truck North American Quarterly Markets

## ► YoY change, in number of new tires



Source : Michelin



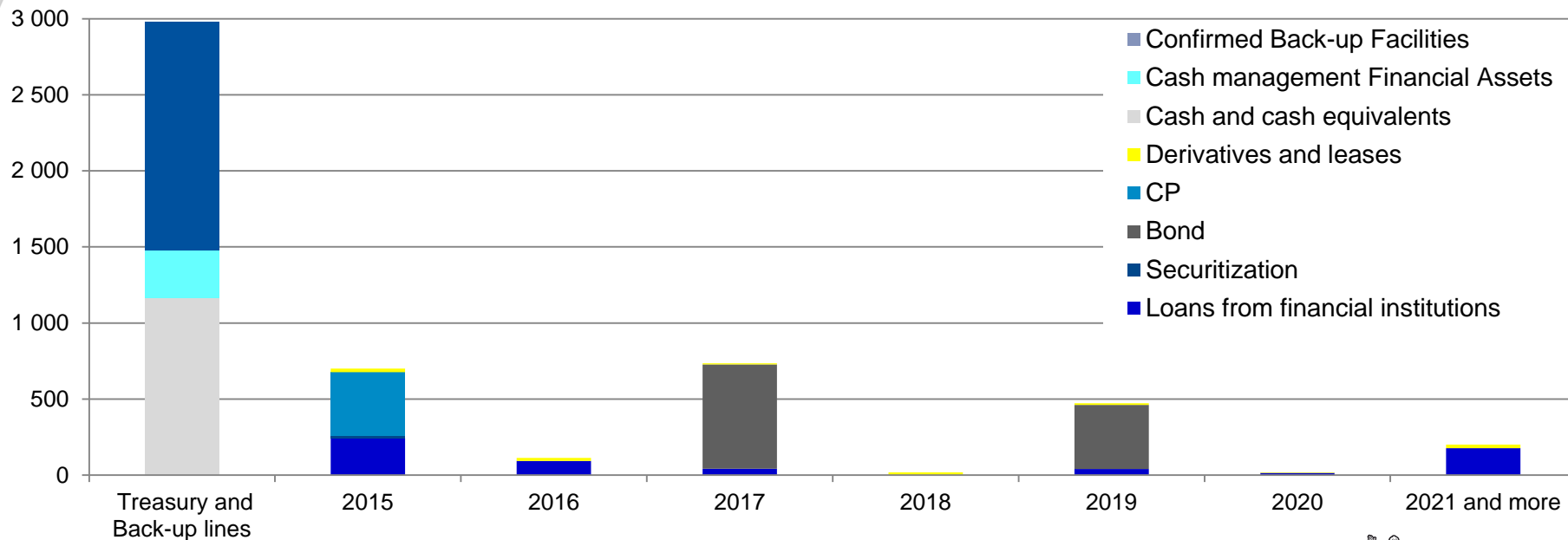
# Moody's upgraded Michelin long term rating

		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

# A comfortable cash position with a 7% gearing at end 2014

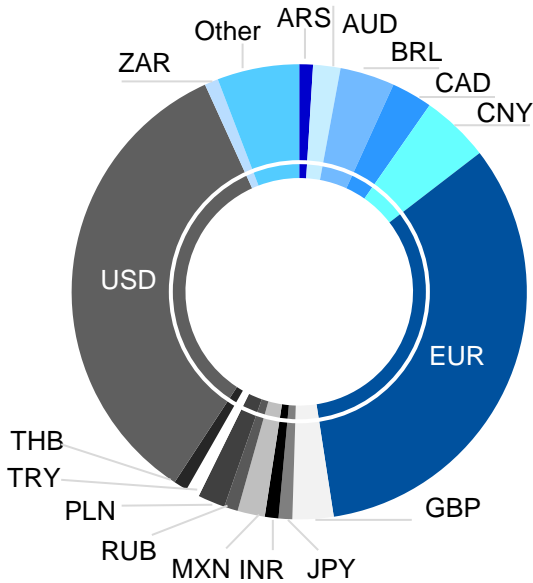
## ► Debt maturities at December 31, 2014

(Nominal value, in € millions)



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

## 2014 net sales by currency

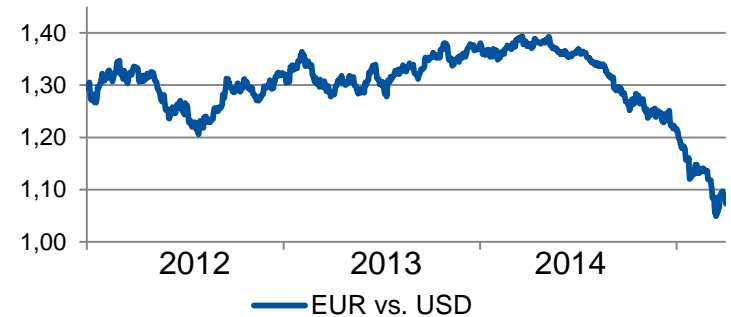


% of net sales	
ARS	1%
AUD	2%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
USD	36%
ZAR	1%
Other	4%

## 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.

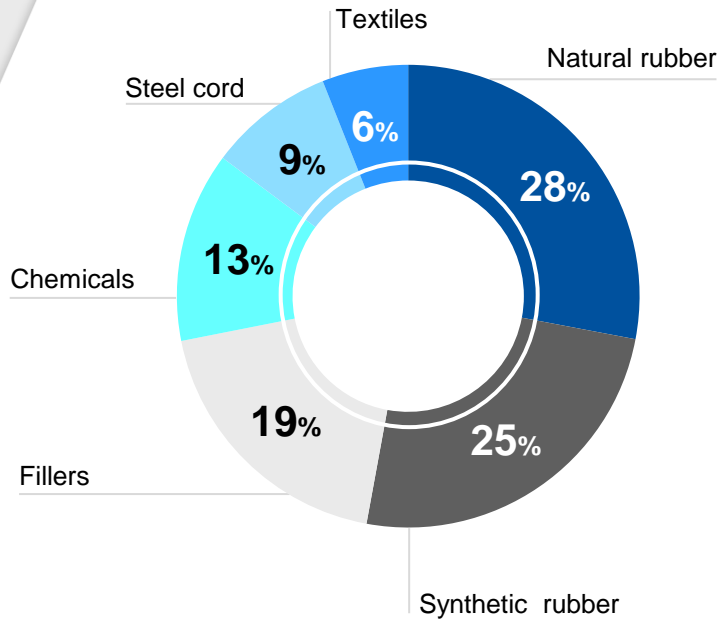
Forex Euro / USD – 12/31/2011 – 03/31/2015



Source: Thomson One

# 2014 Raw Material and price trends over Q1 2015

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

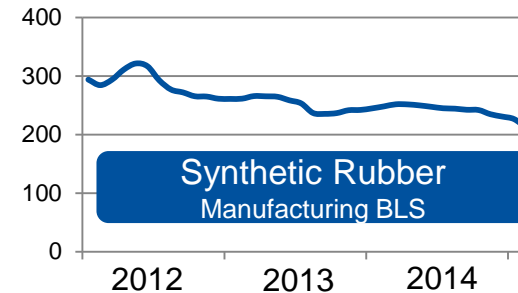
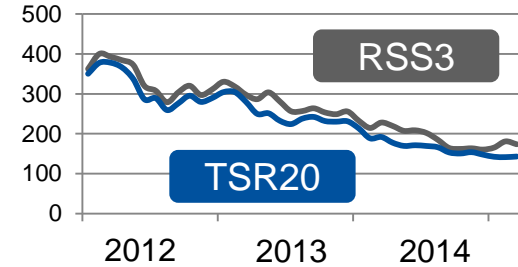
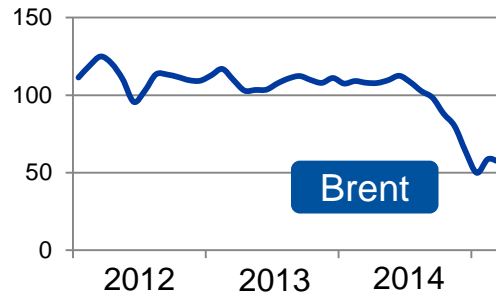


### Forex €/\$ :

Average Q1'14 : 1,37

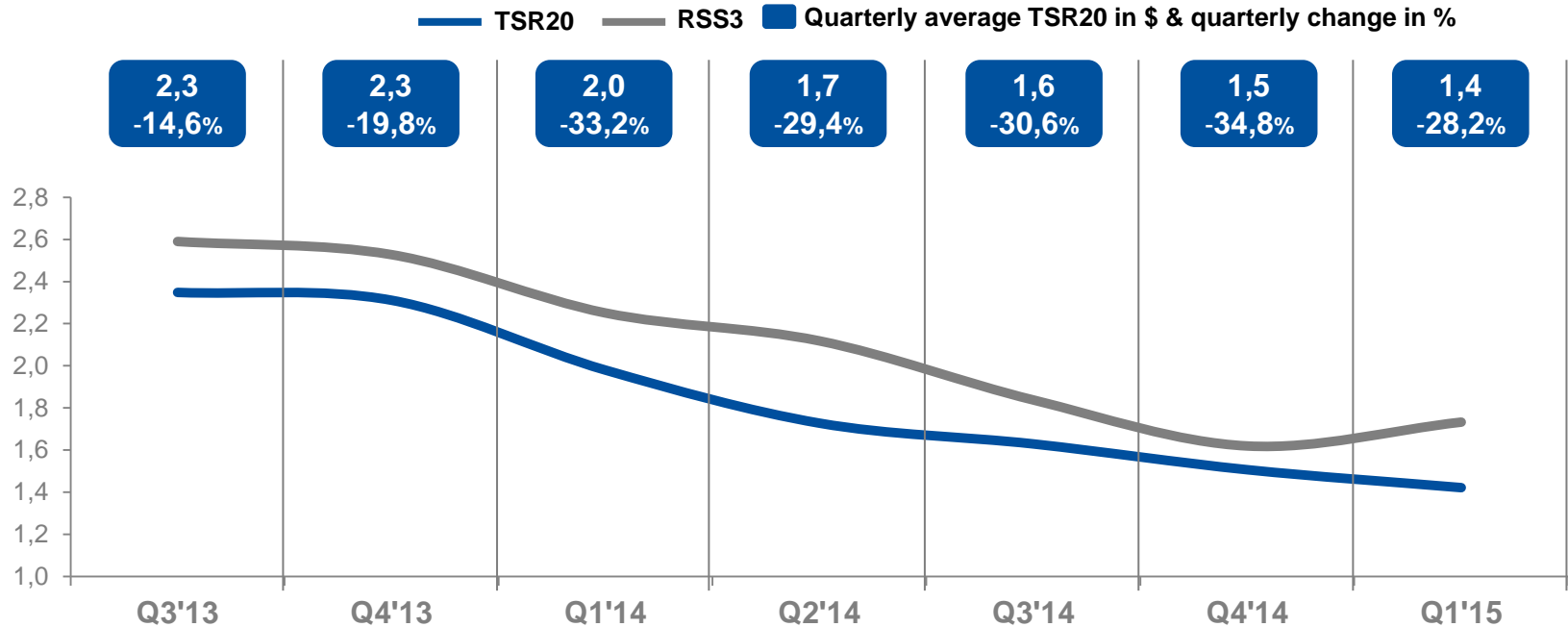
-17%

Average Q1'15 : 1,13



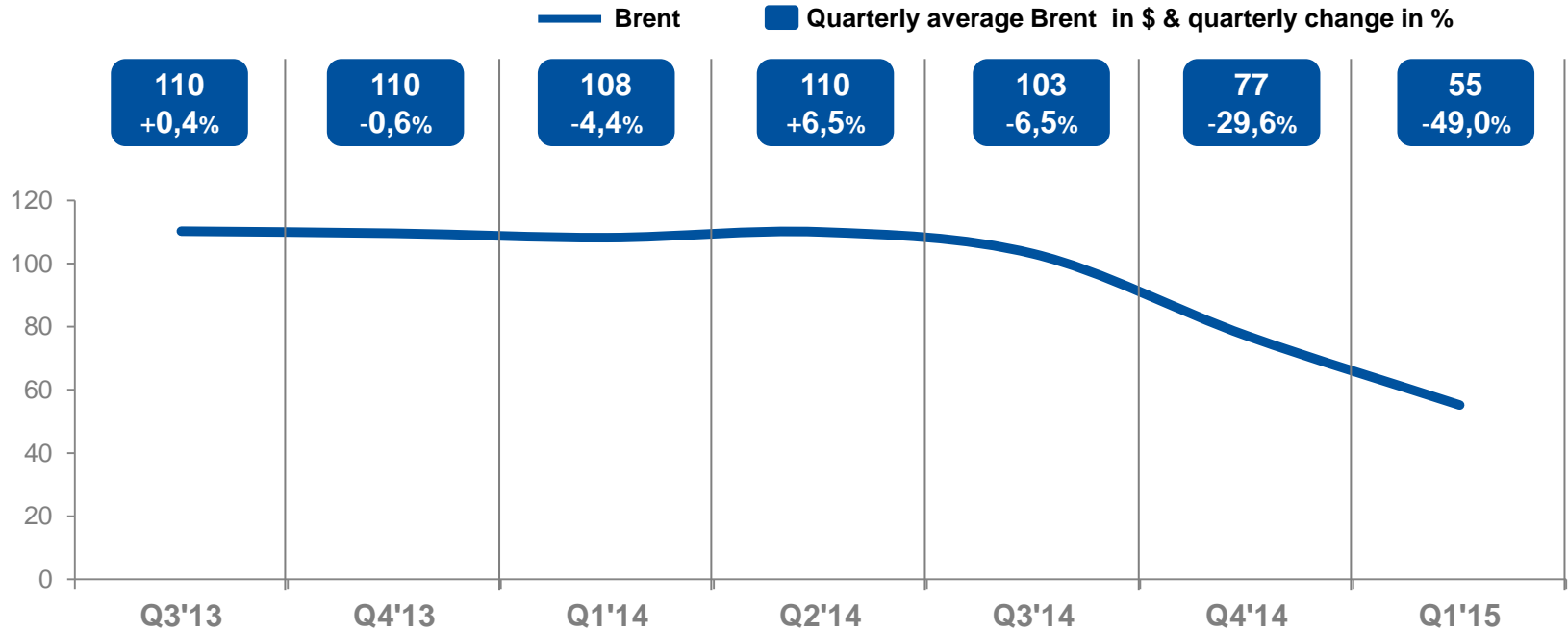
# Natural Rubber price (USD/kg)

At end of March 2015



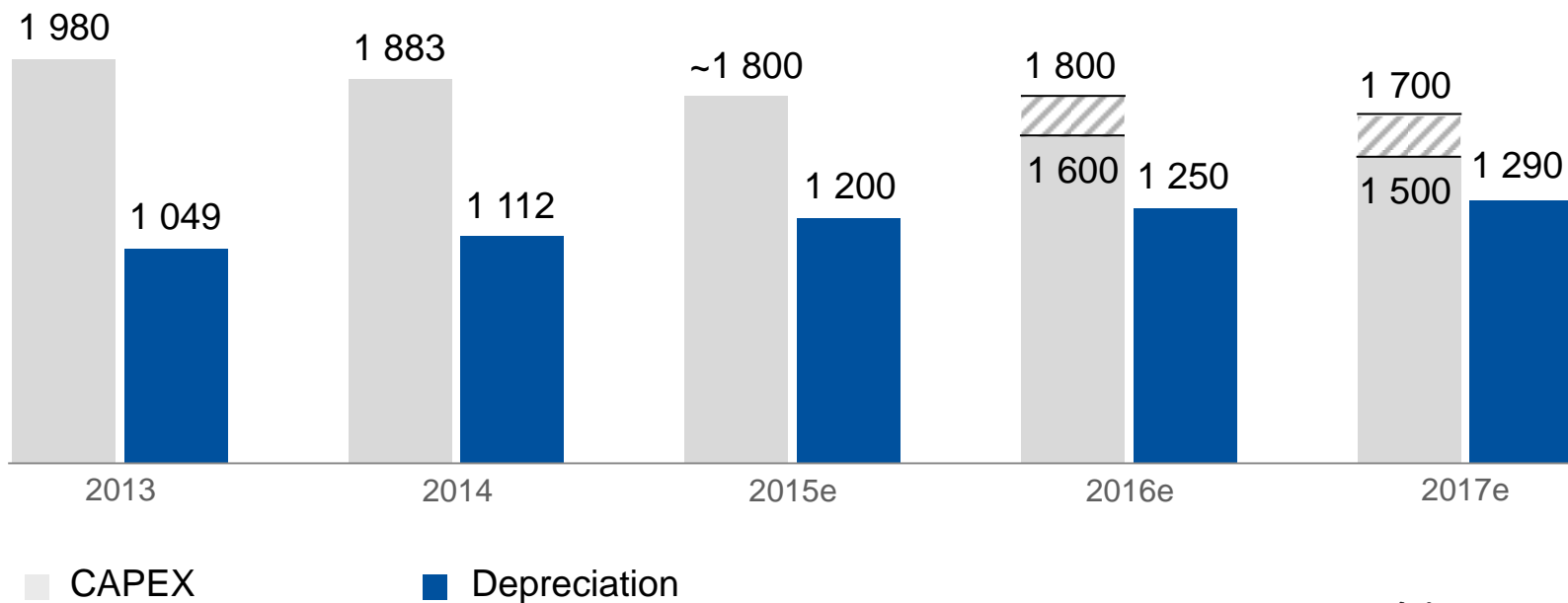
# Brent Price (USD/barrel)

At end of March 2015



# 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.*

*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**

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

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

*investor-relations@fr.michelin.com*