



SOCIÉTÉ GÉNÉRALE PREMIUM REVIEW

December 3, 2014





December 3, 2014

Société Générale Premium Review



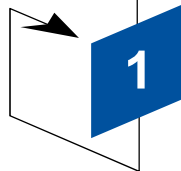
- 1 INVESTOR DAY DIGEST:**
 - CHINA STRATEGY DIGEST
 - T&B STRATEGY DIGEST
- 2 CONTINUED MARKETS SLOWDOWN**
- 3 OUTLOOK**





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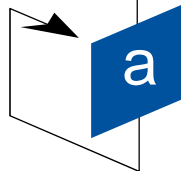
1 INVESTOR DAY - DIGEST





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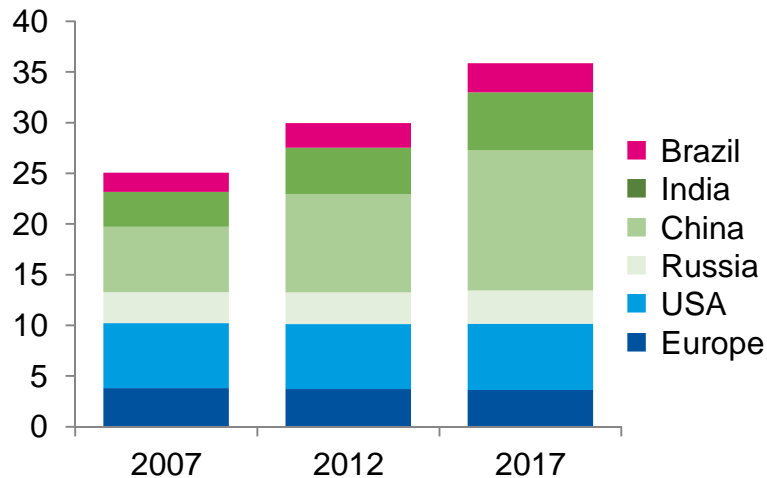


MICHELIN Ambition in China: more than double the business over the next 10 years

Already the largest in Truck & bus park and still growing Growing tire market which is getting sophisticated

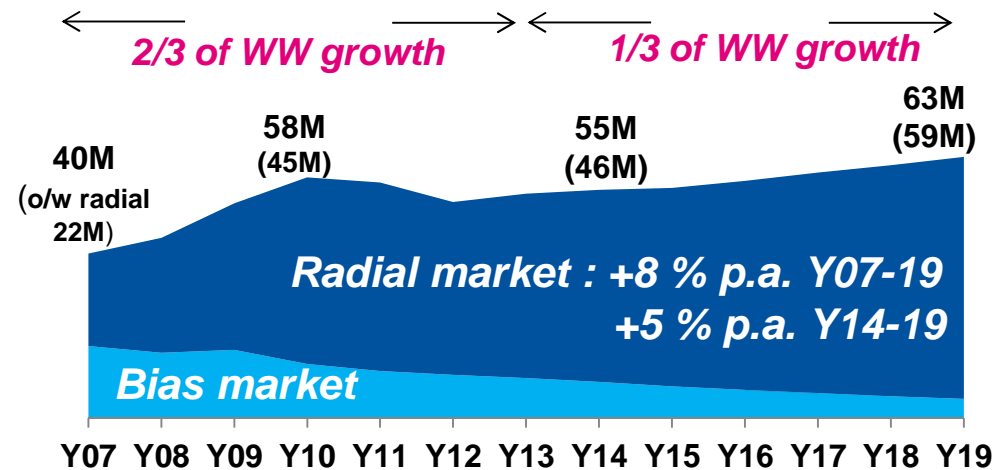


Truck & Bus park
(in millions of vehicles)



China to represent over 50% of worldwide vehicle growth

Truck & Bus tire market
(in millions of tires)



Our TB Strategy: to grow profitably in 5 high-value segments, where our differentiated offer is recognized



Coach

- ▶ Go west / low tier city, still **60% population**
- ▶ Safety First



Urban Bus

- ▶ Urbanization from 54% to **70% in 2030**
- ▶ Safety, Environment, Efficiency



Dangerous Goods



- ▶ **20%+ CAGR** of natural gas import in next 5 years, **#2** in world
- ▶ Reliability



Express Delivery



- ▶ E-commerce booming, up to **50%** share of retailing in next 10 years (vs 7% now)
- ▶ Uptime



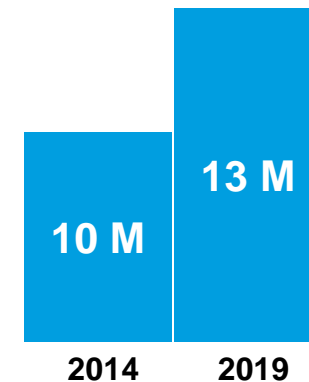
Cold Chain



- ▶ Only **10%** population covered by cold chain logistics, while **80%** in US/Europe
- ▶ Uptime



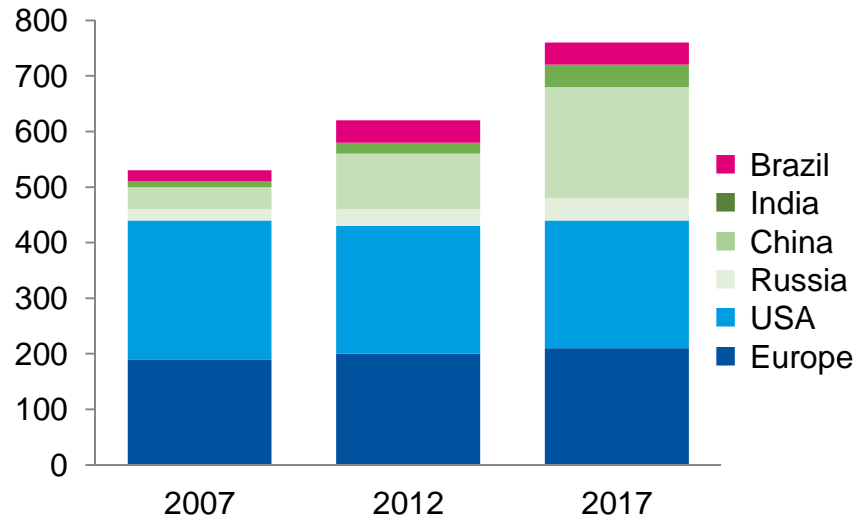
Target segments size
28% radial Market
Faster growth than market



Fast growing to be the worldwide largest in Passenger car and fast growth of tire market with higher mix

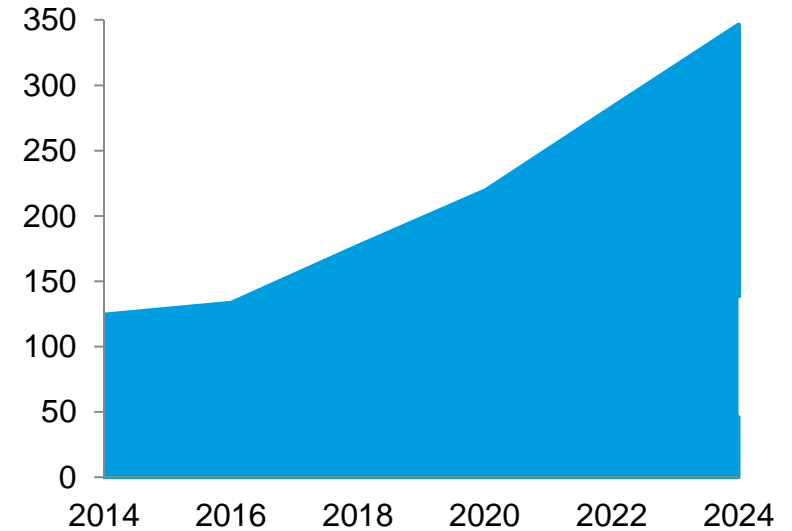


Car park
(in millions of vehicles)



China to represent over 50% of worldwide vehicle growth

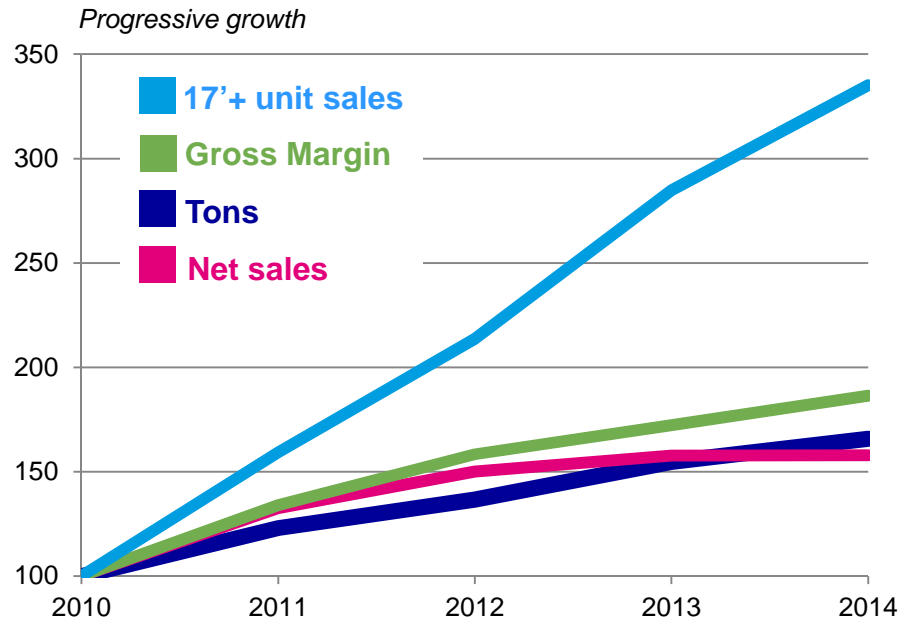
PC tire market
(in millions of tires)



Our PC strategy: grow quicker than the market



Business growth 2010-2014 (100 based in 2010)



- ▶ Mix machine to support profitability
- ▶ Increase OE lift
- ▶ Penetrate "Emerging China"



Core strengths to capture growth

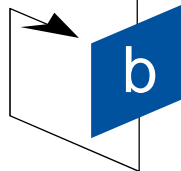


- ▶ MICHELIN brand: capitalize on a superior equity
 - **Leading consumer advocacy and purchasing intention**
- ▶ Product: deliver the “total performance”
 - **an outstanding performance in safety and wear while not compromising in others** (*2014 Autobild test rated Michelin No.1 for China*)
- ▶ Local Footprint: high customer intimacy and supply chain reactivity
 - **8 Sales Offices**
 - **4 plants** (*Production in K tons/year*: 250 by 2017, JV excluded*)
- ▶ Distribution network:
 - **# PC tire dealers: 7,800**
 - **# T&B tire dealers: 1,800**



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Group Truck tire ambition:

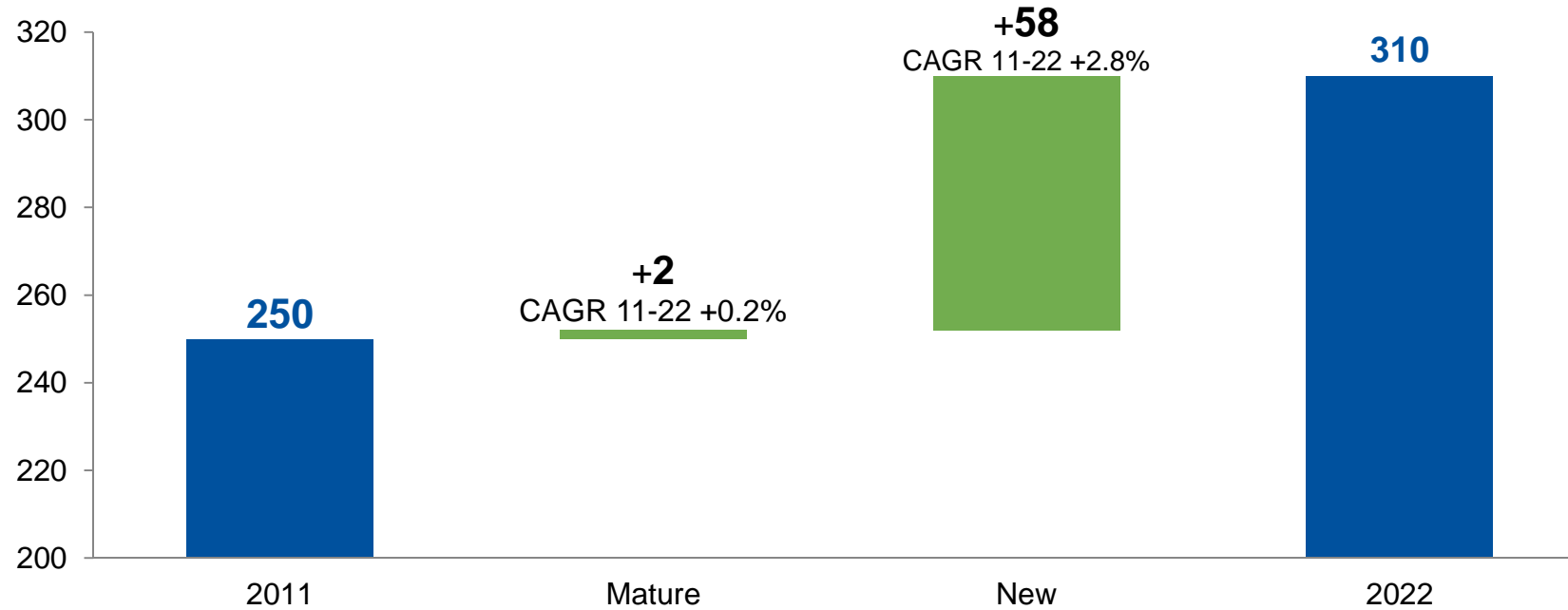
- Grow MICHELIN share of Premium segment
- Expand in Intermediate
- Keep improving profitability



Market expansion driven by new countries



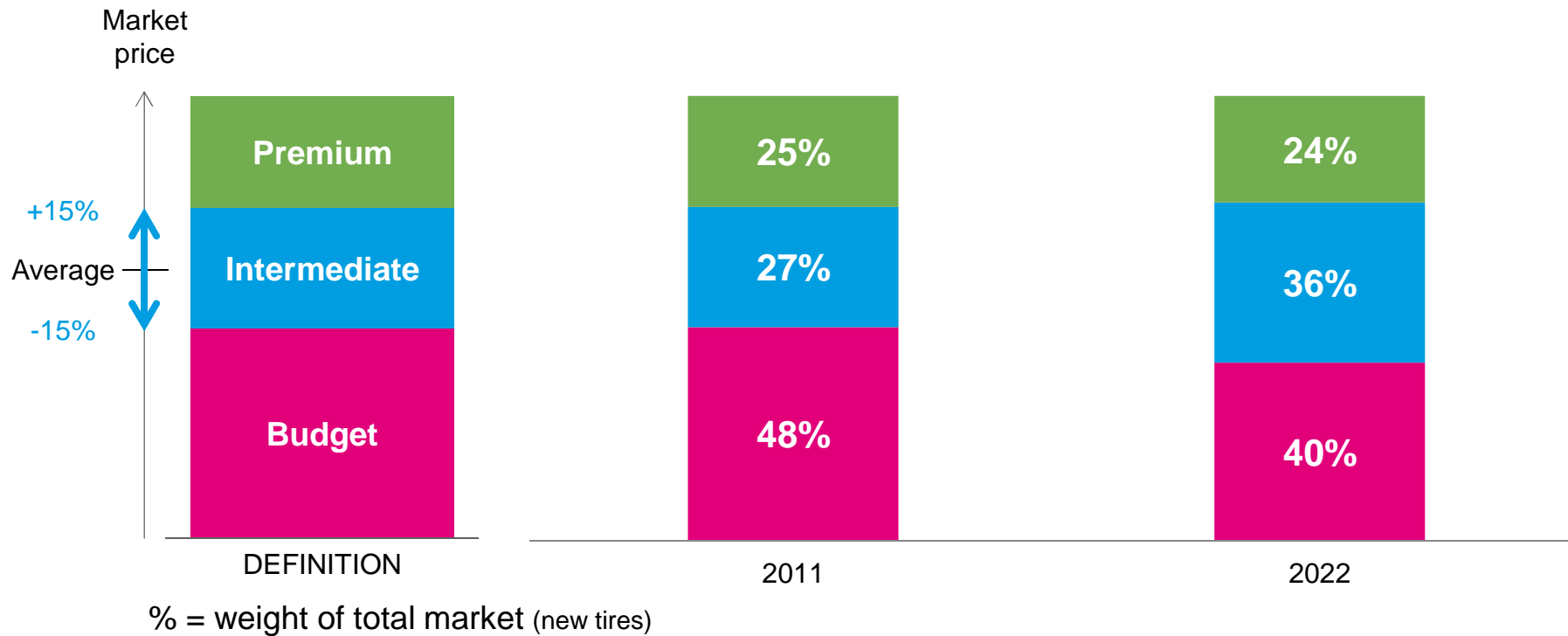
In million tires



Source: Michelin estimates



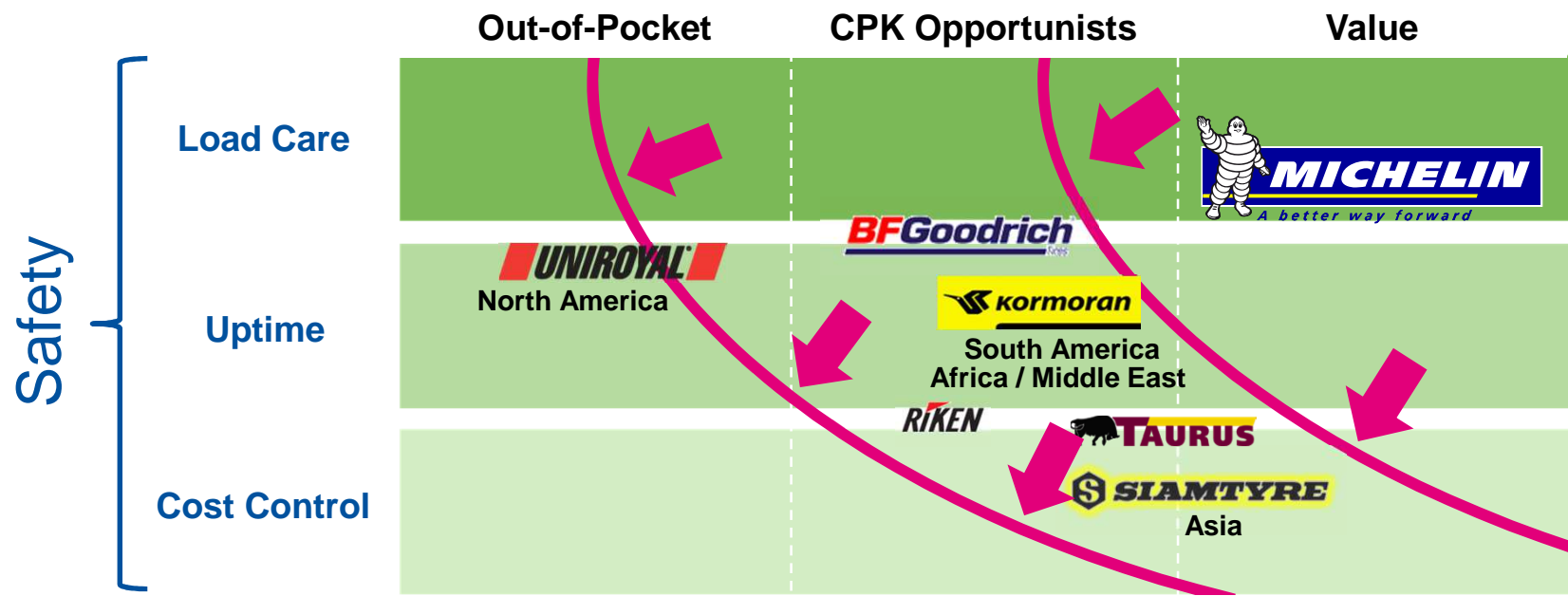
Pricing tiers: Premium increasing in line with market expansion Intermediate fastest growing segment at expense of Budget



Source: Michelin estimates



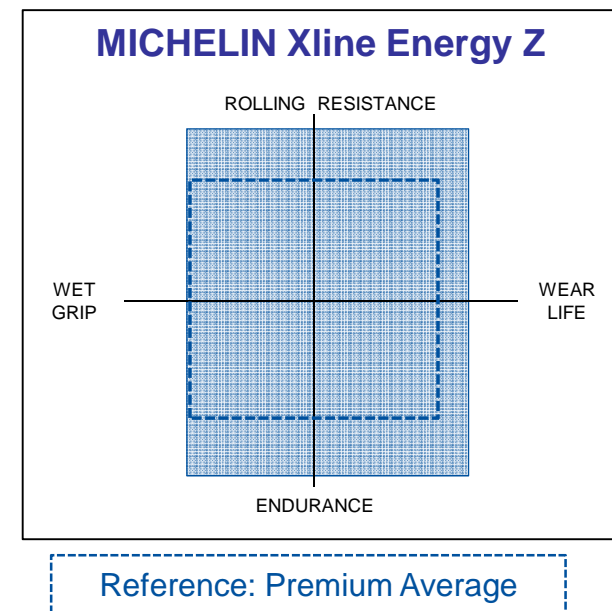
Strengthen MICHELIN: Best TCO and more affordable
Expand Intermediate: CPK, reliability



Strengthen MICHELIN brand: best TCO and more affordable



- ▶ Matching customer expectations (wear life and fuel efficiency) with innovation to deliver the best total cost of ownership
 - Performance lever
 - Patent clusters
 - Industrial Know-How
- ▶ Competitiveness plan: Truck division to contribute €400m to Group €1bn 2012 – 2016



Expand **INTERMEDIATE** brands: cost per Kilometer 1st life at low price and lean R&D and manufacturing



► Worldwide commercial launches from 2013:

■ Intermediate Product Design:

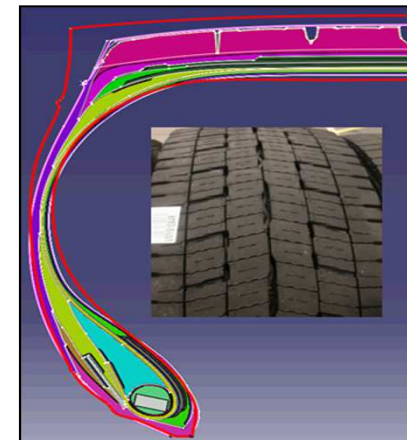
- Product wear life and balance of performance designed to targeted segments
- Reliable casing, excellent manufacturing quality
- Adaptation of material specification to reduce material cost
- Focus on lower mass & fewer components

■ A lean RDI process

- Small and efficient design team

■ A lean manufacturing

- Driven by standardization and process optimization

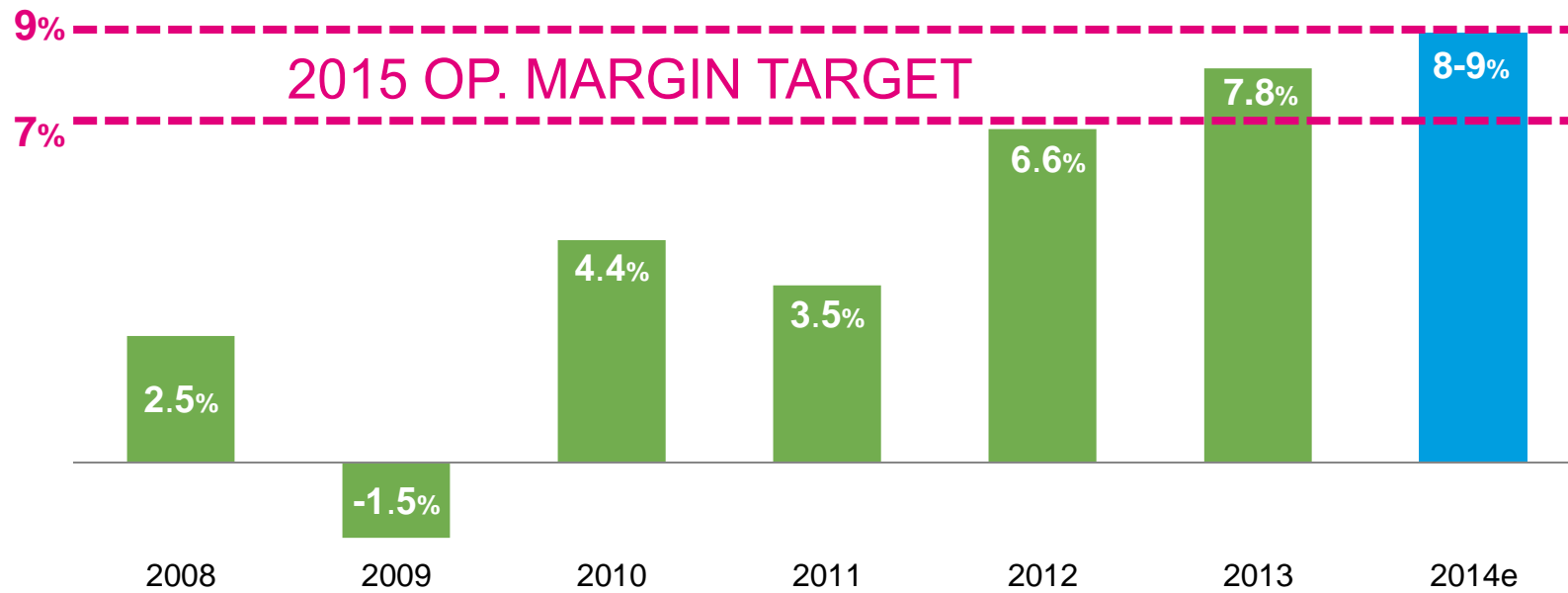


A recovering profitability



SR2 Operating margin

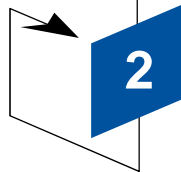
(before non-recurring items, in % of net sales)





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CONTINUED SLOWDOWN IN MARKETS



Passenger Car and Light Truck Tire Market

October : Sharp decline in demand for winter tires in Europe, due to the mild weather



October 2014 / 2013

Market	Europe*	North America	Brazil	China
Original equipment tires	▲ +3%	▼ -1%	▼ -10%	▲ +7%
Replacement tires	▼ -7%	▲ +4%	▲ +8%	▲ +14%

YTD (October 2014)

Market	Europe*	North America	Brazil	China
Original equipment tires	▲ +4%	▲ +4%	▼ -17%	▲ +9%
Replacement tires	▲ +2%	▲ +6%	▲ +7%	▲ +8%

* Russia and Turkey included



Truck Tire Market:

Continued deceleration in the RT European market in October given the economic environment, OE and RT accentuated trends in North America and Brazil



October 2014 / 2013

Market (Radial + Bias)	Europe*	North America	Brazil
Original equipment tires	▼ -13%	▲ +23%	▼ -43%
Replacement tires	▼ -0%	▲ +5%	▼ -4%

YTD (October 2014)

Market (Radial + Bias)	Europe*	North America	Brazil
Original equipment tires	▼ -8%	▲ +14%	▼ -21%
Replacement tires	▲ +3%	▲ +10%	▲ +0%

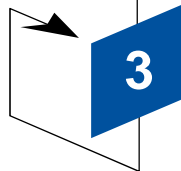
* Russia and Turkey included





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3 OUTLOOK

2014 guidance



	Previous	October
Volumes	Up by around 3%	Between 1% & 2%
Impact of raw materials prices	Tailwind	Confirmed
Price-mix / raw materials	Positive	Confirmed
Competitiveness / production costs	Neutral	Confirmed
Increase in SG&A expense	Slightly higher	Confirmed
Operating income before non-recurring items	Lifted by growth, excluding any currency effects	Confirmed
Op. margin before NR – Passenger car tires (RS1)	Middle of the 10-12% range	Confirmed
Op. margin before NR – Truck tires (RS2)	Top of the 7-9% range	Confirmed
Op. margin before NR – Specialty businesses (RS3)	Bottom of the 20-24% range	Confirmed
ROCE	More than 11%	Confirmed
CAPEX	Around €2,000m	Confirmed
Structural free cash flow	More than €500m	Confirmed

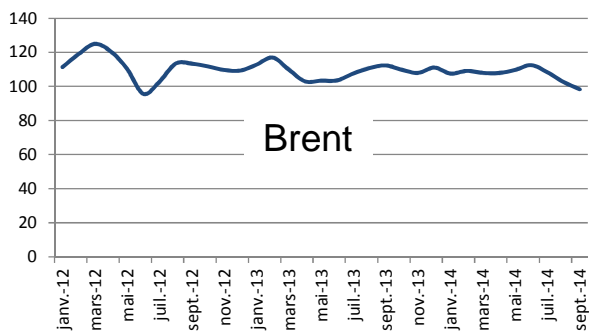


Raw material trends



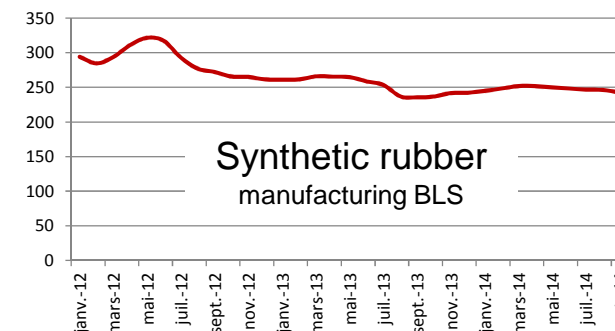
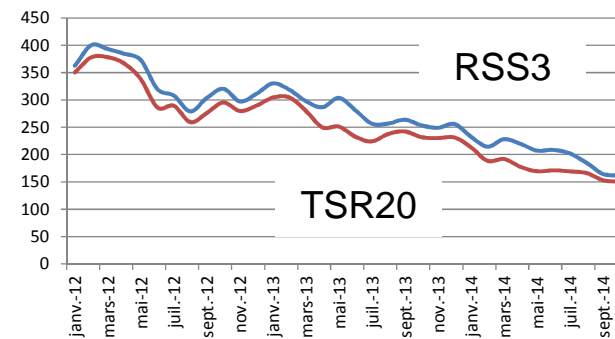
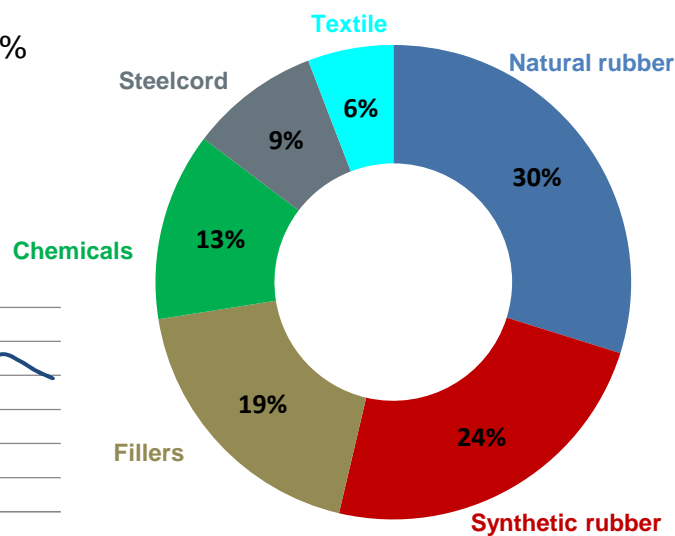
€/€ exchange rate

Average Q4 13: 1.36
 10/31/2014: 1.25 ↩ -8%



Raw material purchases H1'14

(2 522m€)



2015 Outlook: Improving Market Demand Trend



MATURE MARKETS



NEW MARKETS



SPECIALTY MARKETS

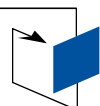
Mining

EM OE & Infra*

Agricultural*

** in Europe & North America*

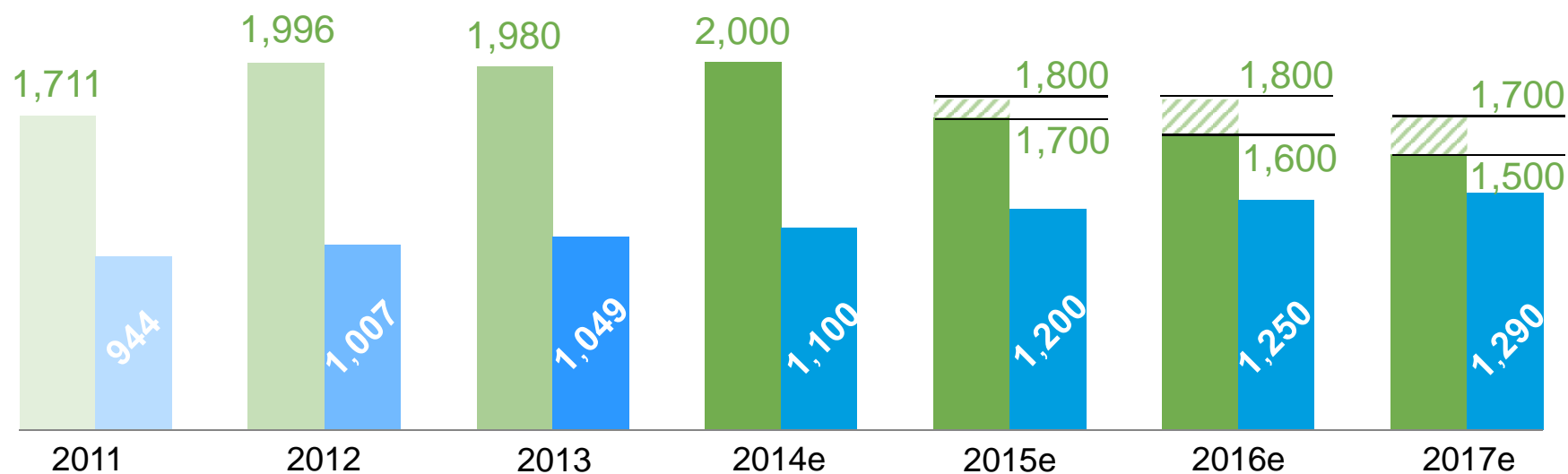
2015 & 2016 Capex further adjusted to allow higher asset turnover



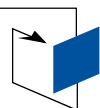
Capital expenditure and depreciation

(In € millions)

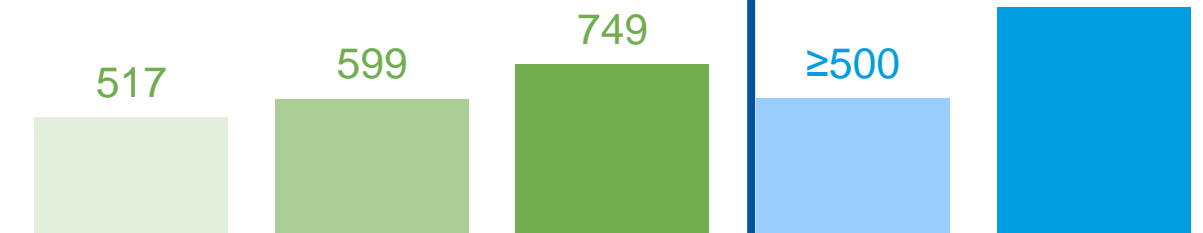
■ Capital expenditure
■ Depreciation



A business that structurally generates Free Cash Flow



Structural free cash flow (In € millions)



In € millions	2011	2012	2013	2014	2020
Reported free cash flow ⁽¹⁾	(19)	1,075	1,154		
WCR impact of raw materials costs ⁽²⁾	(739)	21	405		
Year-end volume effect on WCR ⁽³⁾	(200)	344	nm		
One off ⁽⁴⁾ <i>(Sales of Hankook shares in 2011, sale of the Parisian building 2012)</i>	403	111	0		
Structural free cash-flow ^{(1) - (2) - (3) - (4)}	517	599	749		



Cash deployment:

payout increased to 35%, no further dilution, external growth



▶ New payout ratio, 2013-2020:

- 35% of consolidated net income (*before non-recurring items*)

▶ Shareholder commitment:

- scrip dividend discontinued
- share bought back 2013-2014: 293M€
- shares cancelled: 225M€

▶ Acquisitions to accelerate group's strategy:

- on Services through Sascar's 440M€ acquisition
- on tires through active search in Asia

▶ Pensions:

- more than 85% of defined benefits plans funded (*for USA-Canada-UK plans*)



Next events

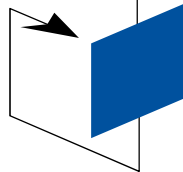


- ▶ **February 10, 2015:** 2014 results
- ▶ **April 22, 2015:** First-quarter 2015 net sales
- ▶ **May 22, 2015:** Annual general meeting of shareholders
- ▶ **July 28, 2015:** First-half 2015 results
- ▶ **October 22, 2015:** Third-quarter 2015 net sales



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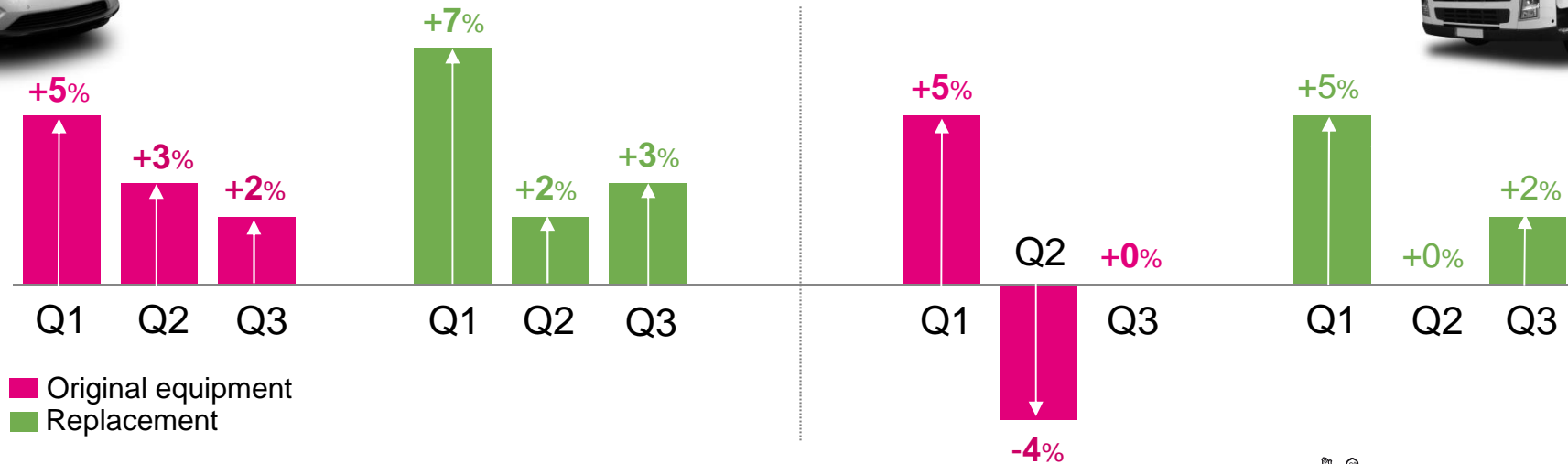


APPENDICES

Car and Light truck & Truck: Slowdown starting in Q2



2014 Worldwide markets, quarter by quarter (% change YoY, in number of new tires)



■ Original equipment
■ Replacement

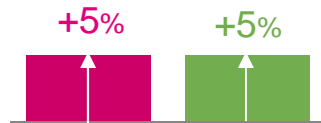
Source: Michelin



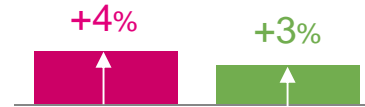
Car and Light truck: slowdown starting in Q2



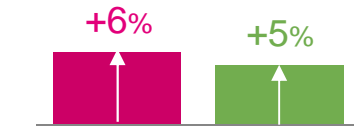
Markets at September 30, 2014 (% change YoY, in number of tires)



North America



Europe*



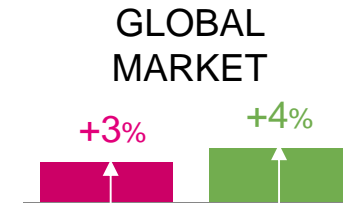
Asia (excluding India)



South America



Africa India Middle East



GLOBAL MARKET

■ Original equipment
■ Replacement

* Including Russia and Turkey

Source: Michelin



Truck: continued slowdown in Europe and lower growth in new markets



Markets at September 30, 2014 (% change YoY, in number of new tires)



■ Original equipment
■ Replacement

* Including Russia and Turkey

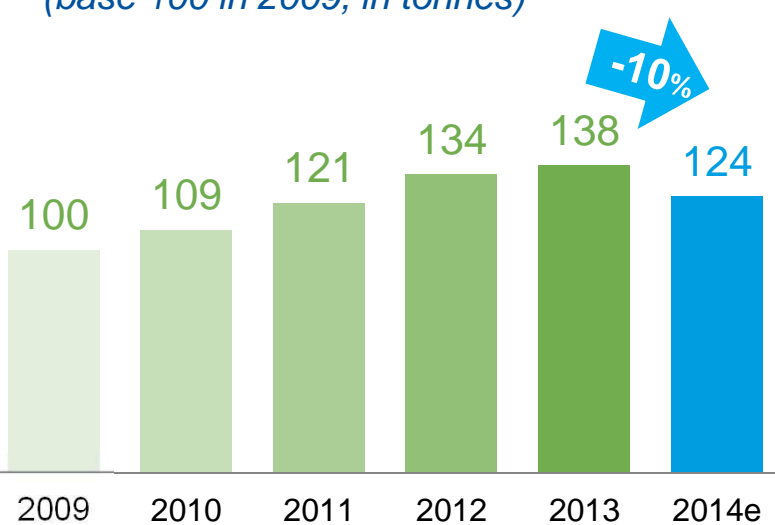
Source: Michelin



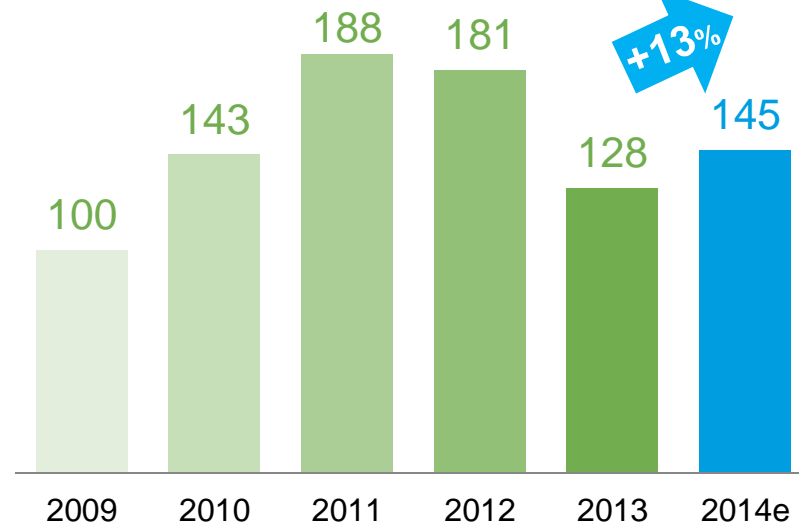
Earthmover markets: continued recovery in OE & Infrastructure and slightly stronger inventory drawdowns in mining



Earthmover markets
(base 100 in 2009, in tonnes)



Mining



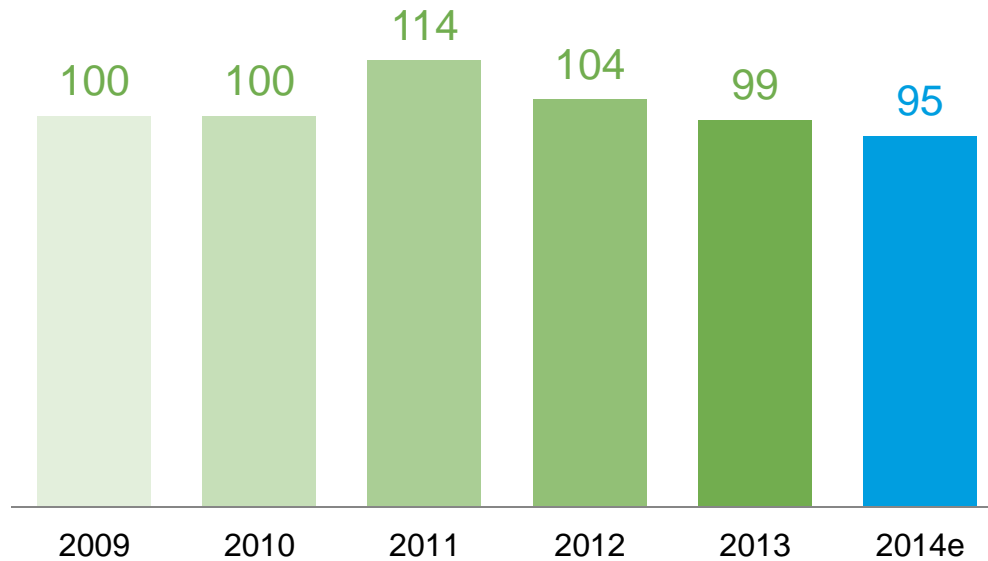
Infrastructure and Original equipment
(Europe and North America)



Agricultural: contracting OE demand



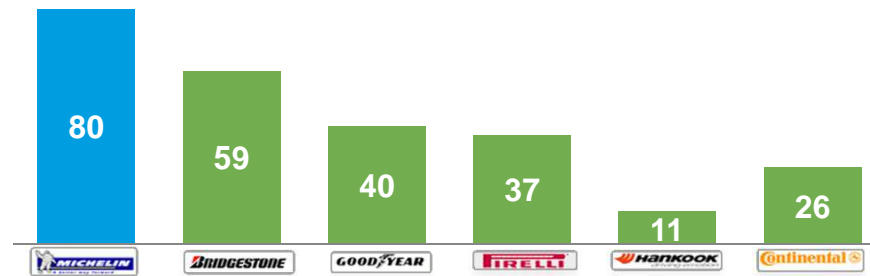
Agricultural tire markets – Europe and North America *(in number of tires, base 100 in 2009)*



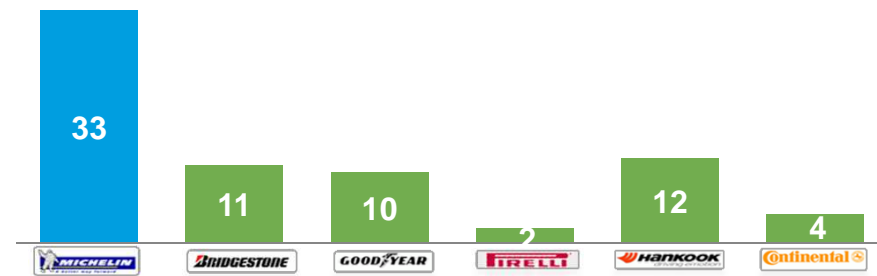
China core strength: Brand – MICHELIN capitalizes on a superior equity



Consumer Advocacy (%)



Purchasing intention (%)

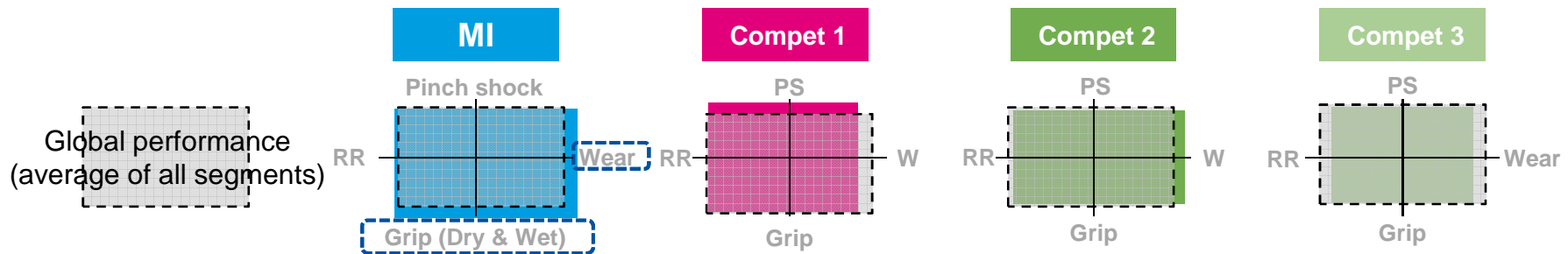


► MICHELIN a leading brand with a high purchasing intention

Period: 2013 H2 BCM report



China core strength : Product – Deliver the “total performance”



Source: Michelin

MICHELIN,
 an outstanding performance
 in **safety** and **wear**...
 ...while **not compromising** in others



China core strength: Local Footprint



8 Sales Offices

- Beijing
- Shenyang
- Xi'an
- Chengdu
- Shanghai
- Guangzhou
- Hong Kong
- Taipei



4 Plants

- ▶ **Shenyang** (TC & PL)
- ▶ **Shanghai** (TC)
- ▶ **Shanghai** (steel cord)
- ▶ **Wuhu** (TC Warrior)

Production (K tons/year)*

	<u>2013</u>	<u>2017</u>
Wuhu	140	250

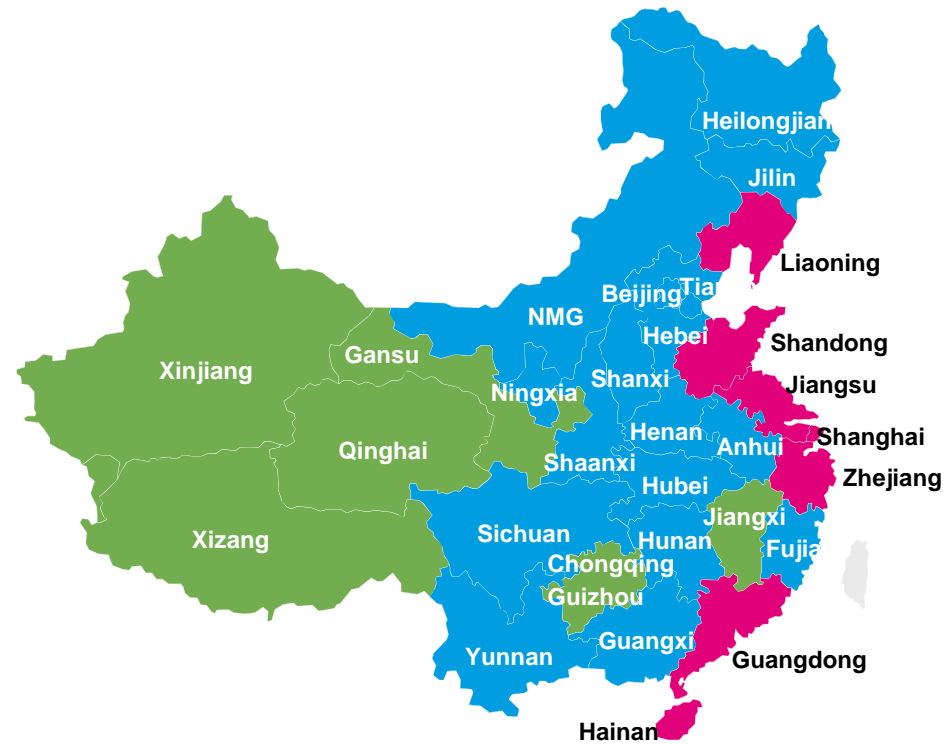
*JV excluded



China core strength: Distribution network



# Dealers	TC	PL
Durable	2,000	130
Advocate	3,000	70
Transactional	2,800	1,600
Total	7,800	1,800



- Sales >=5%**
- 2% < Sales < 5%**
- Sales <=2%**

% = weight of each province in Michelin China net sales



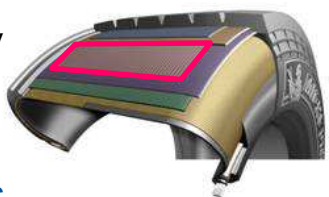
MICHELIN T&B brand

Matching customer expectations (wear life and fuel efficiency) with innovation



INFINICOIL™

Wear life
Fuel efficiency
Mass



Xone Multi
X Line Tropic

ENERGYFLEX™

Fuel efficiency
Mass
Retreadability

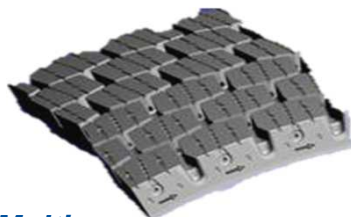


X Line
X Multi

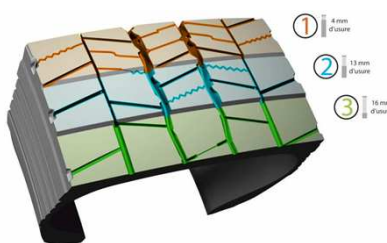
- ▶ Performance lever
- ▶ Patent clusters
- ▶ Industrial Know-How

REGENION™

Wear life
Fuel efficiency
Mass



X Multi



X Incity, X Line

CARBION™

Wear life
Fuel efficiency

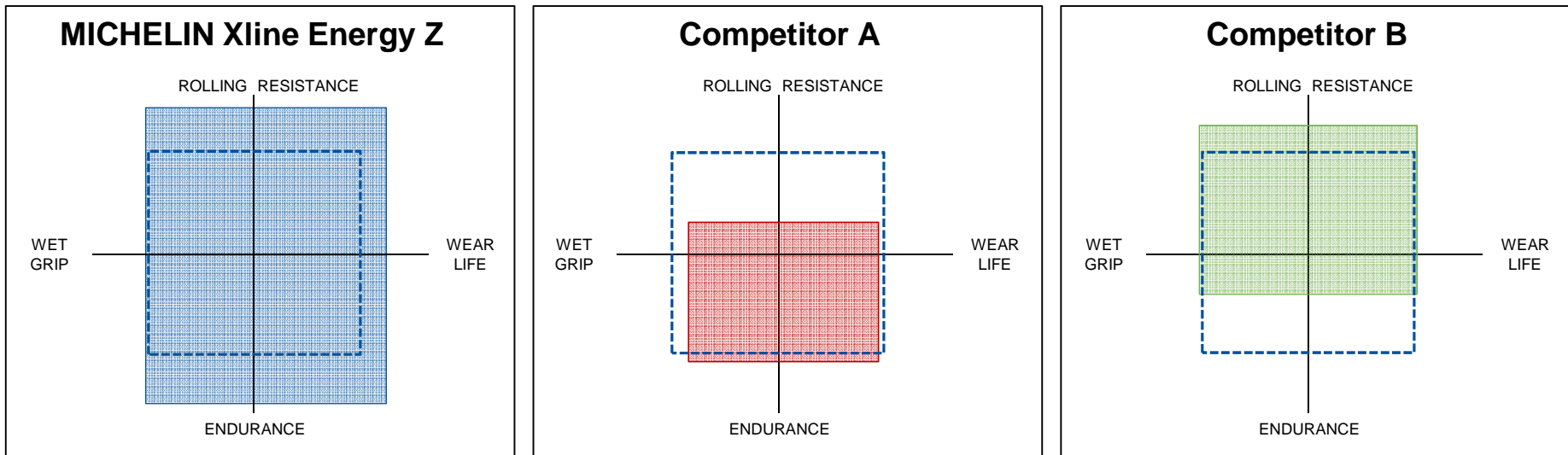


X Multi

The best total performance for customers



Europe: 315/70R22,5 Steer Axle – Long Haul



Reference: Premium Average

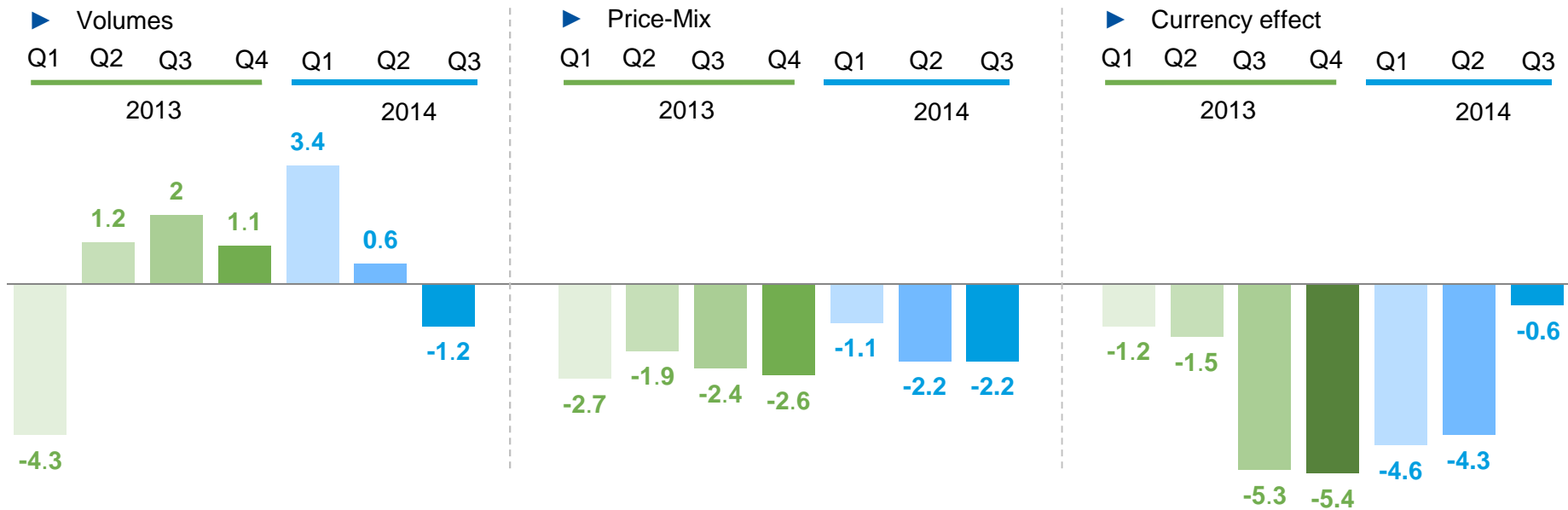
Source: Michelin estimates



Q3: stabilized price-mix effect in a very competitive environment



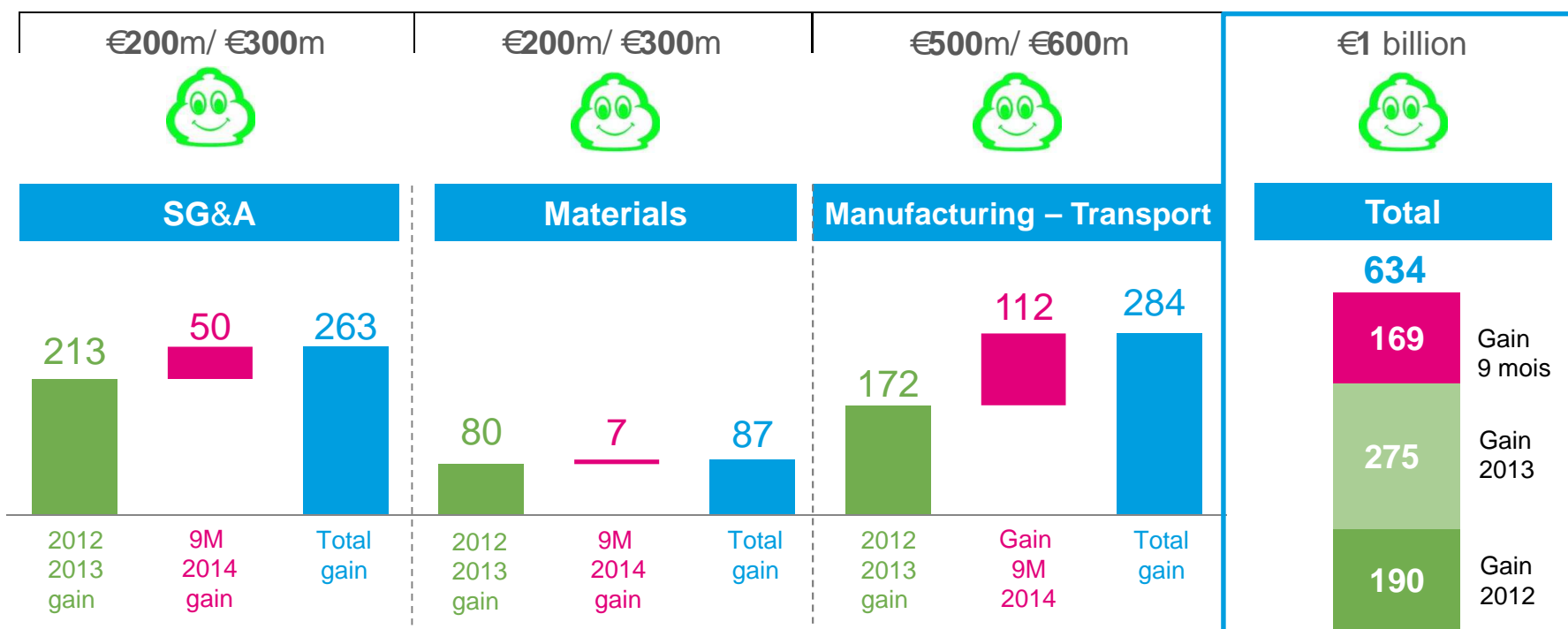
YoY change (in %)



2012-2016 Competitiveness Plan : as of end-September, acceleration in manufacturing gains in 2014 confirmed



GAIN OBJECTIVES 2012 – 2016*



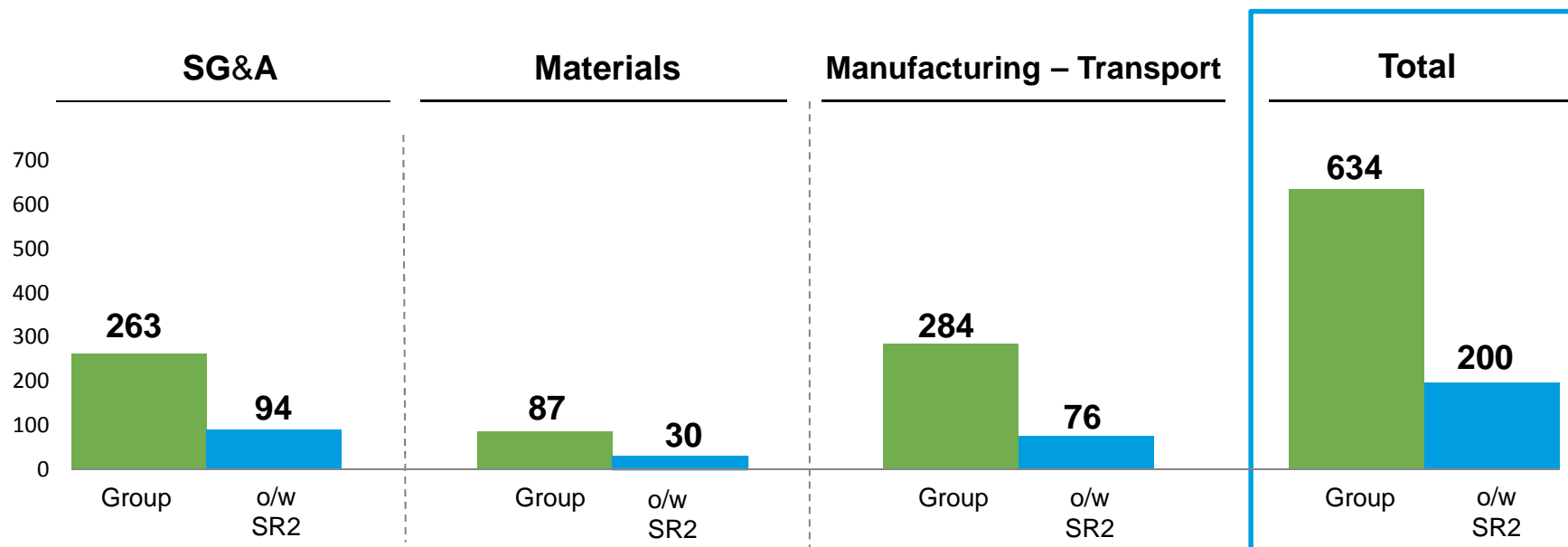
*Before inflation and including avoided costs



Truck division to contribute €400m to Group €1bn 2012 – 2016 competitiveness plan



Gains* achieved 2012 – Sept. 2014
(in € million)



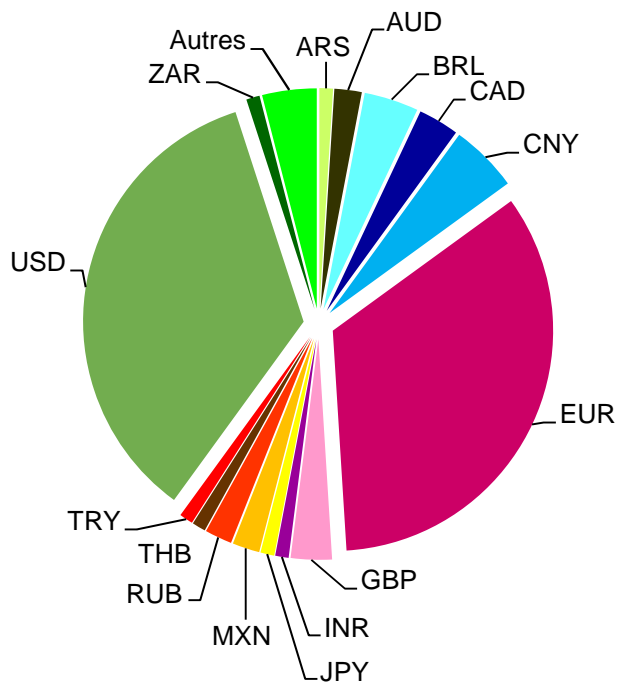
*Before inflation and including avoided costs



Positive 0.8% currency effect in September



9M 2014 net sales by currency

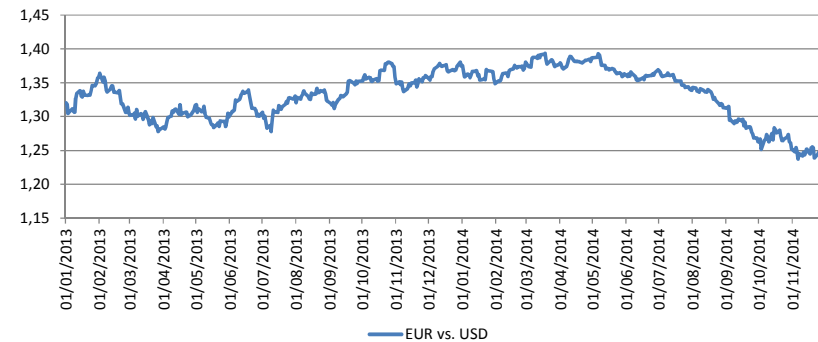


% of net sales	
ARS	1%
AUD	2%
BRL	4%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
RUB	2%
THB	1%
TRY	1%
USD	35%
ZAR	1%
Autres	4,0%

EBIT sensitivity to €/€ exchange rate

A one cent change in the average annual €/€ exchange rate leads to a variation of €15-20 million in annual EBIT.

€/€ exchange rate – Jan. 01, 2013 / Nov. 27, 2014



Source: Thomson One



Disclaimer



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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."



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