



KEPLER CHEUVREUX

AUTUMN CONFERENCE

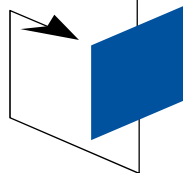
Paris, September 17, 2014





September 17, 2014

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MARKET UPDATE



Car and Light truck & Truck - Europe: softening growth in Europe in a competitive environment

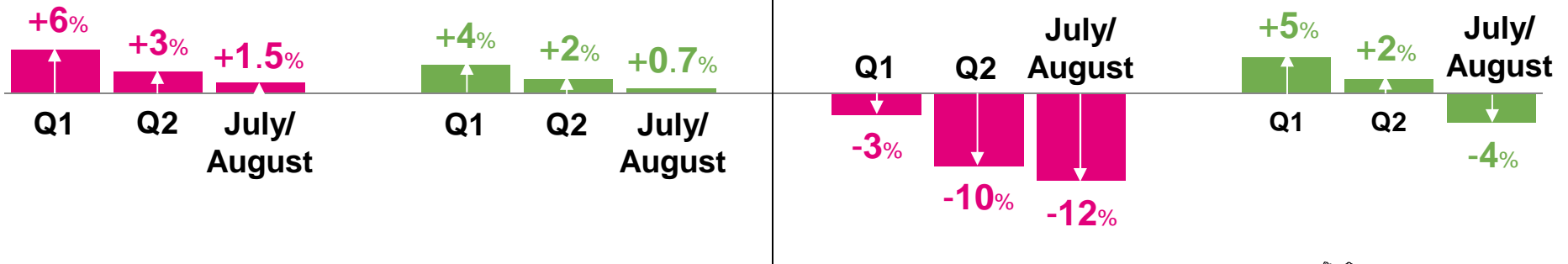


2014 markets, quarter by quarter – Europe* (% change YoY, in number of new tires)



- Original equipment
- Replacement

Source: Michelin



* Including Russia and Turkey



Car and Light truck & Truck - North America: steady growth on OE in a strong economic environment, RT demand reflecting Chinese import basis for comparison

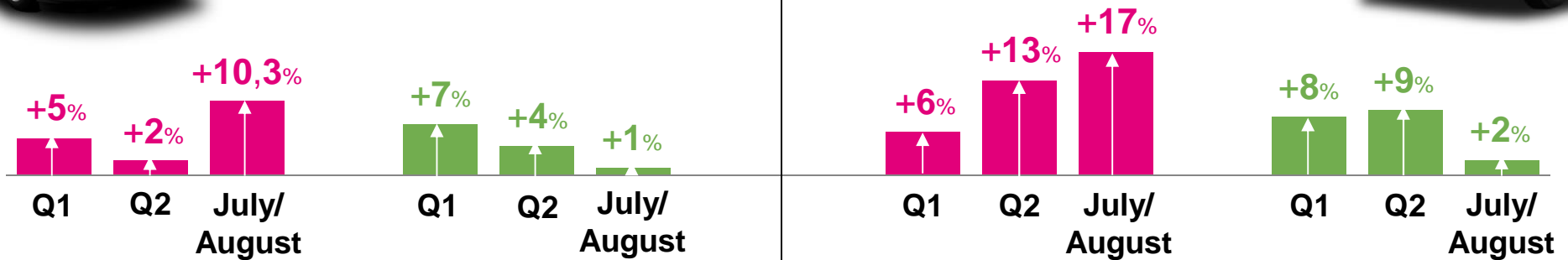


2014 markets, quarter by quarter - North America (% change YoY, in number of new tires)



■ Original equipment
■ Replacement

Source: Michelin



China market TC: still expanding market



2014 markets, quarter by quarter – China* (% change YoY, in number of new tires)



- Original equipment
- Replacement

Source: Michelin



Car and Light truck & Truck – Brazil: low OE, wait & see attitude in Truck RT and growing Passenger car RT

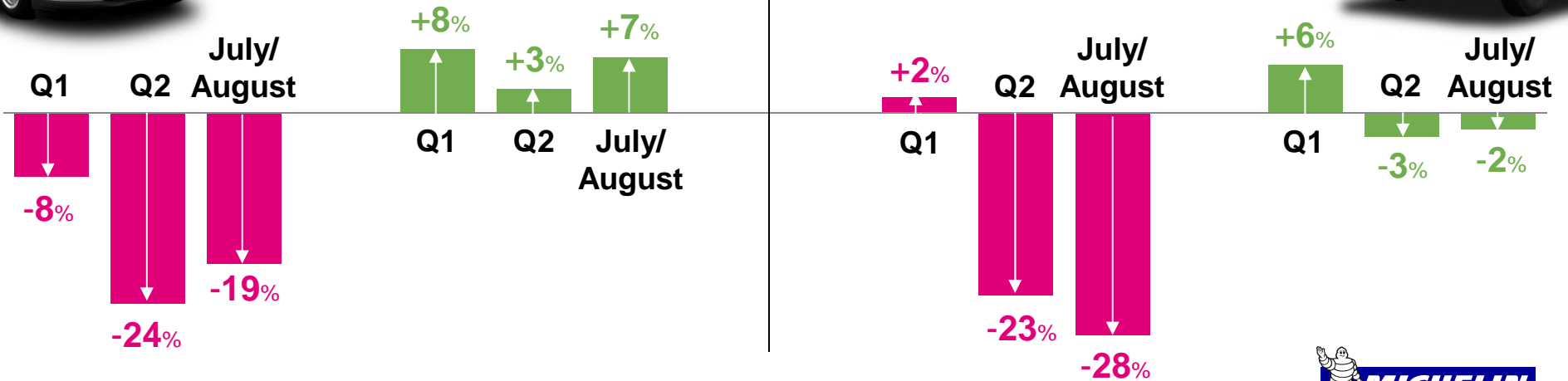


2014 markets, quarter by quarter - Brazil (% change YoY, in number of new tires)



■ Original equipment
■ Replacement

Source: Michelin

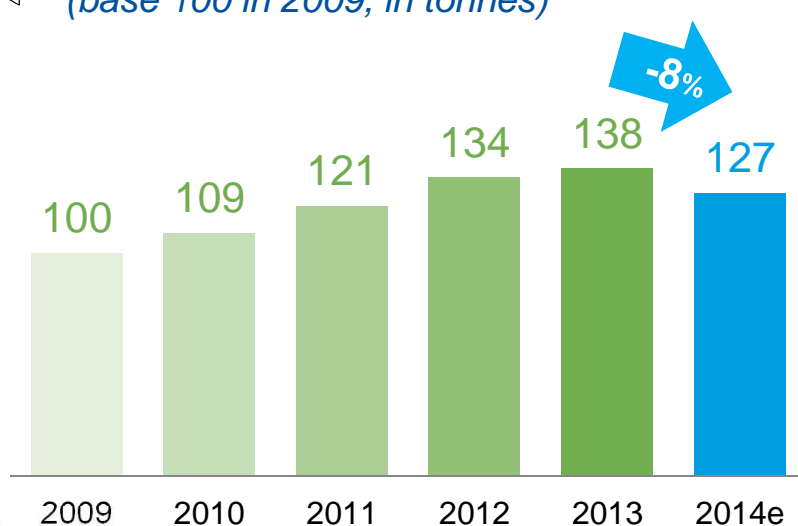


Uneven Earthmover markets

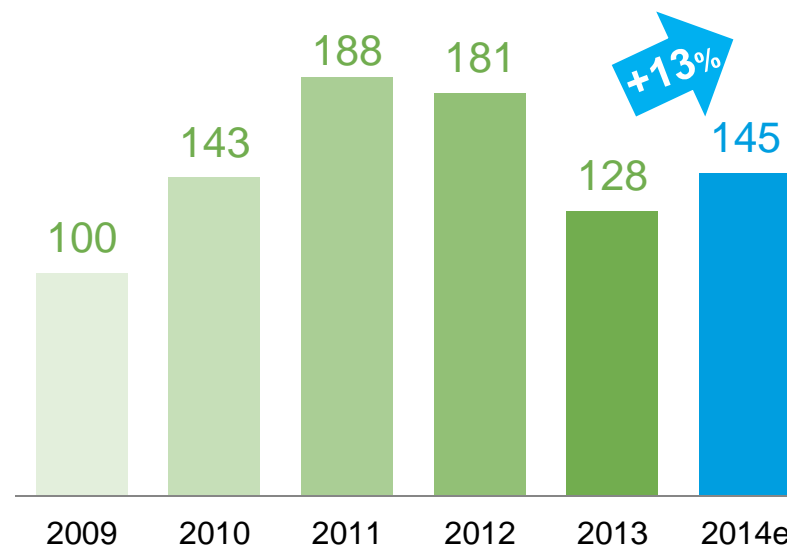


Earthmover markets

(base 100 in 2009, in tonnes)



Mining



Infrastructure and Original Equipment

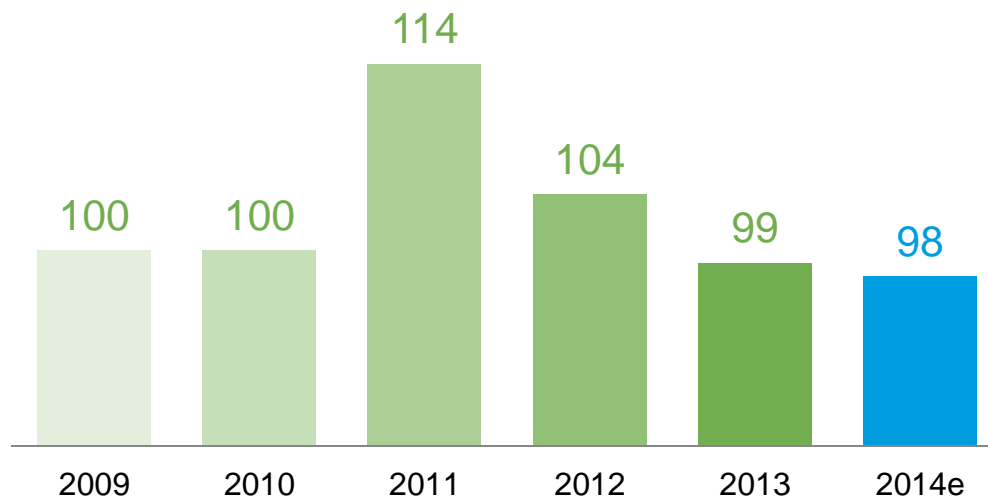
(Europe and North America)



Agricultural: slowing demand as OEMs reduce output



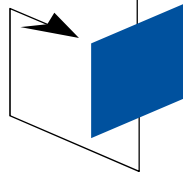
Agricultural tire markets – Europe and North America (in number of tires, base 100 in 2009)





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MICHELIN: TO REMAIN FOCUSED



Innovation in products and services



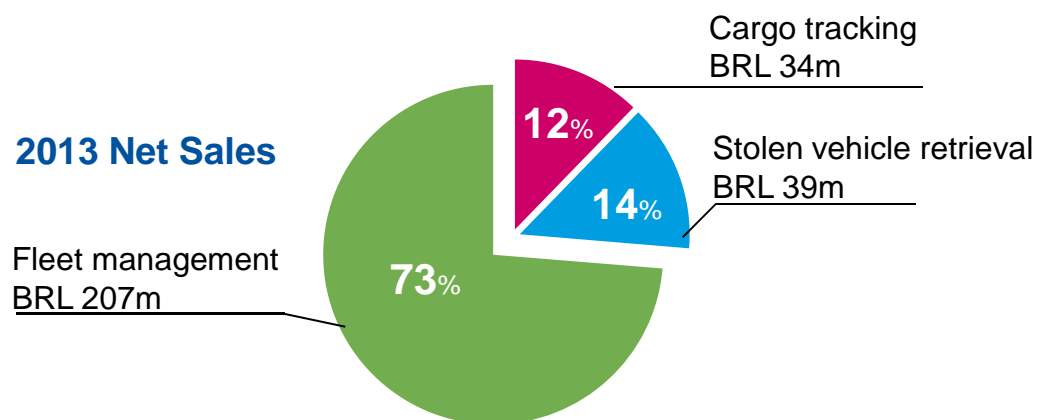
Innovation in products and services



Sascar acquisition accretive to consolidated earnings



Sascar: an emerging market champion with leading technology



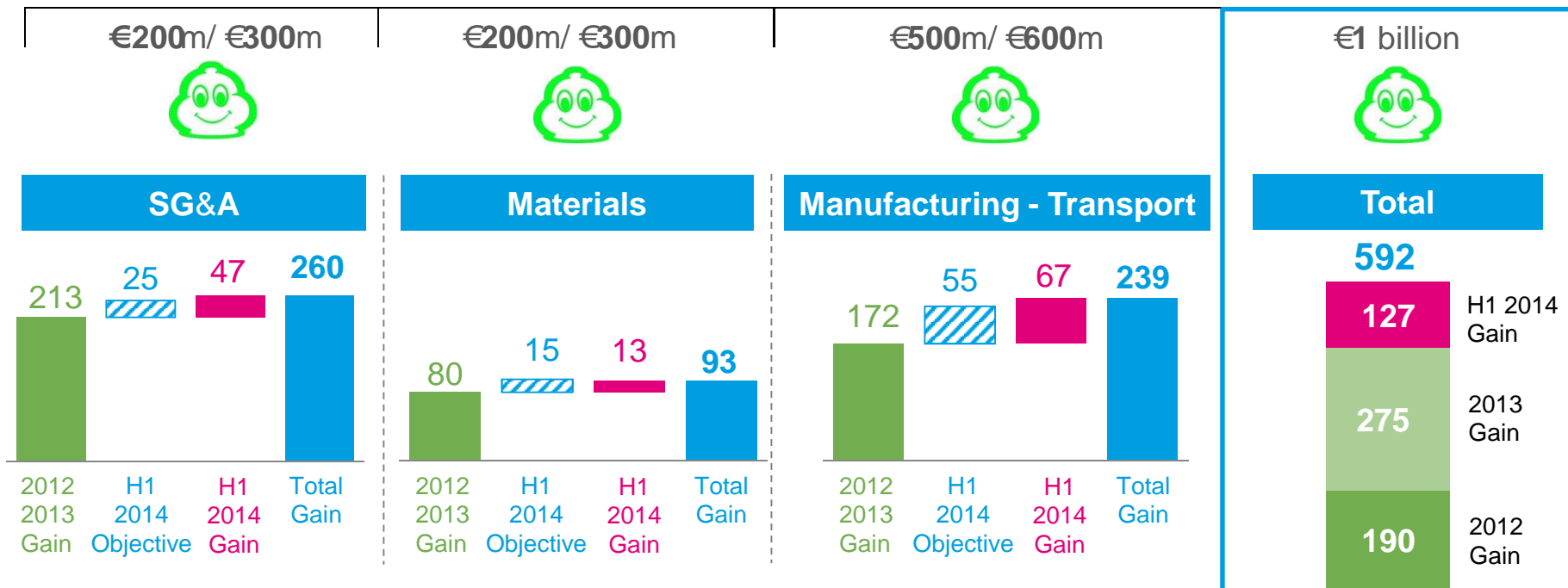
- ▶ 2013 Net Sales: BRL 280m
- ▶ 2013 Net Sales Growth: 24%
- ▶ 2013 EBITDA Margin: 37% of net sales
- ▶ Vehicle Base: 230K (TB & PC)
- ▶ Employees: 870 as of June 1, 2014

<i>Outlook</i>	2014e	5-year horizon
Revenue growth	up 14%	up 15% - 20% per annum
EBIT (in % of net sales)	23%	20% - 25%

2012-2016 Competitiveness Plan: at mid-point, 60% of target delivered at a time of slow growth



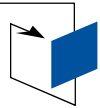
GAIN OBJECTIVES 2012 – 2016*



*Before inflation and including avoided costs

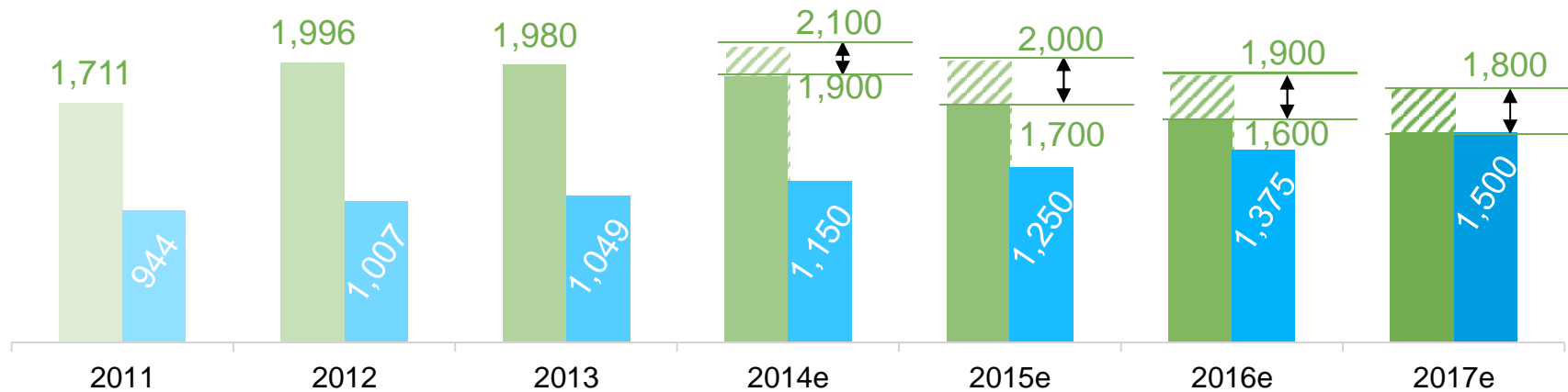


Capex will peak in 2014

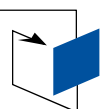


Capital expenditure and depreciation (In € millions)

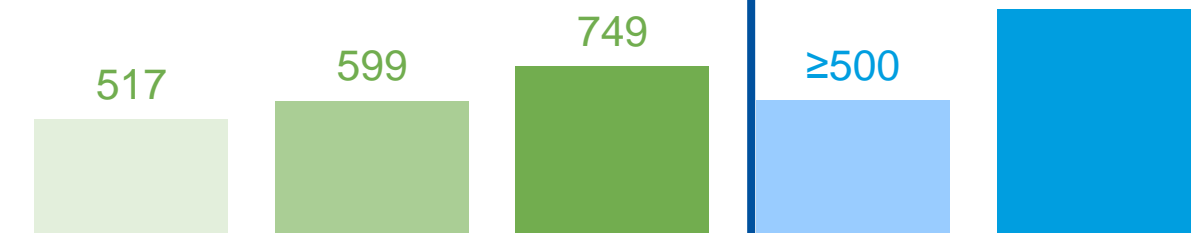
- Capital expenditure
- Depreciation



A business that structurally generates Free Cash Flow



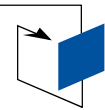
Structural free cash flow



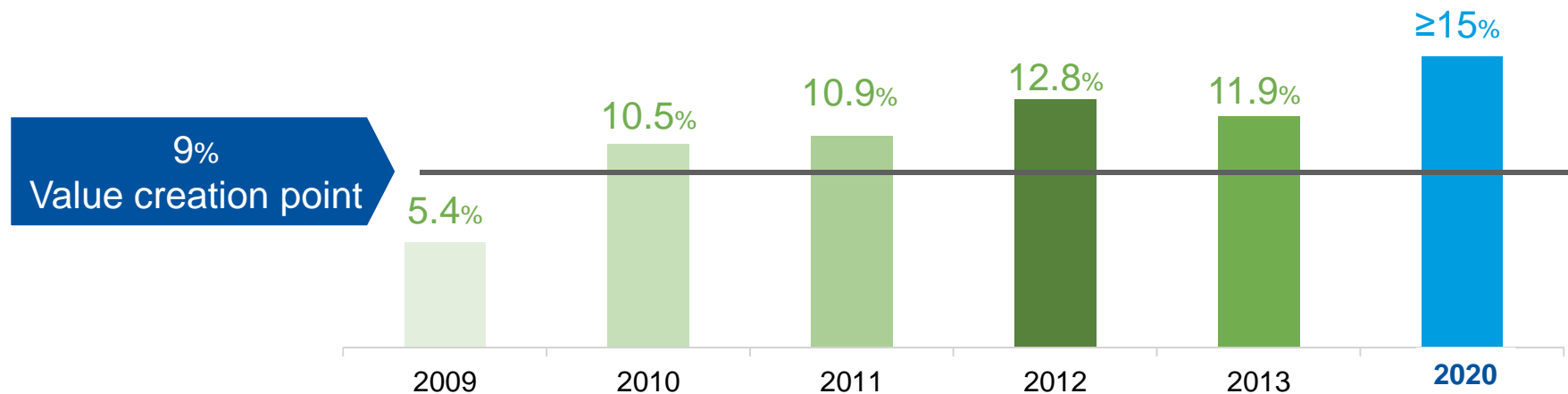
In € millions	2011	2012	2013	2014	2020
Reported free cash flow ⁽¹⁾	(19)	1,075	1,154		
WCR impact of raw materials costs ⁽²⁾	(739)	21	405		
Year-end volume effect on WCR ⁽³⁾	(200)	344	nm		
One off ⁽⁴⁾ <i>(Sales of Hankook shares in 2011, sale of the Parisian building 2012)</i>	403	111	0		
Structural free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



Significant value created while investing in the growth regions



Return on capital employed (ROCE) (after tax)

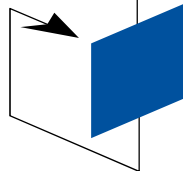






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APPENDICES



Robust operating income before non-recurring items, up 16% at constant scope of consolidation and exchange rates



- ▶ Improved Group operating performance in line with objectives
 - Operating margin before non-recurring items: 12% of net sales
 - Competitiveness plan: at mid-point, 60% of target delivered
- ▶ Carefully managed price positioning
 - Better-than-expected impact from the price-mix/raw materials balance
 - Volume up 1.9%, while demand started to slow in the second quarter
- ▶ Net income of €624 million, up 23%
- ▶ Free cash flow in line with the usual seasonal trends: €(243) million
 - €703 million in capital expenditure

Financial Highlights



H1 2014 and H1 2013 figures as reported

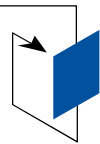
<i>In € millions</i>	H1 2014	H1 2013
Net sales	9,673	10,159
Operating income <i>(before non-recurring items)</i>	1,159	1,153
Operating margin <i>(before non-recurring items)</i>	12.0%	11.3%
Non-recurring items	(87)	(250)
Operating income <i>(after non-recurring items)</i>	1,072	903
Net income	624	507
Earnings per share*	3.34	2.76
Capital expenditure	703	762
Gearing	9%	12%
Employee benefit obligations	4,025	4,110
Free cash flow**	(243)	147

*Basic, in euros per share

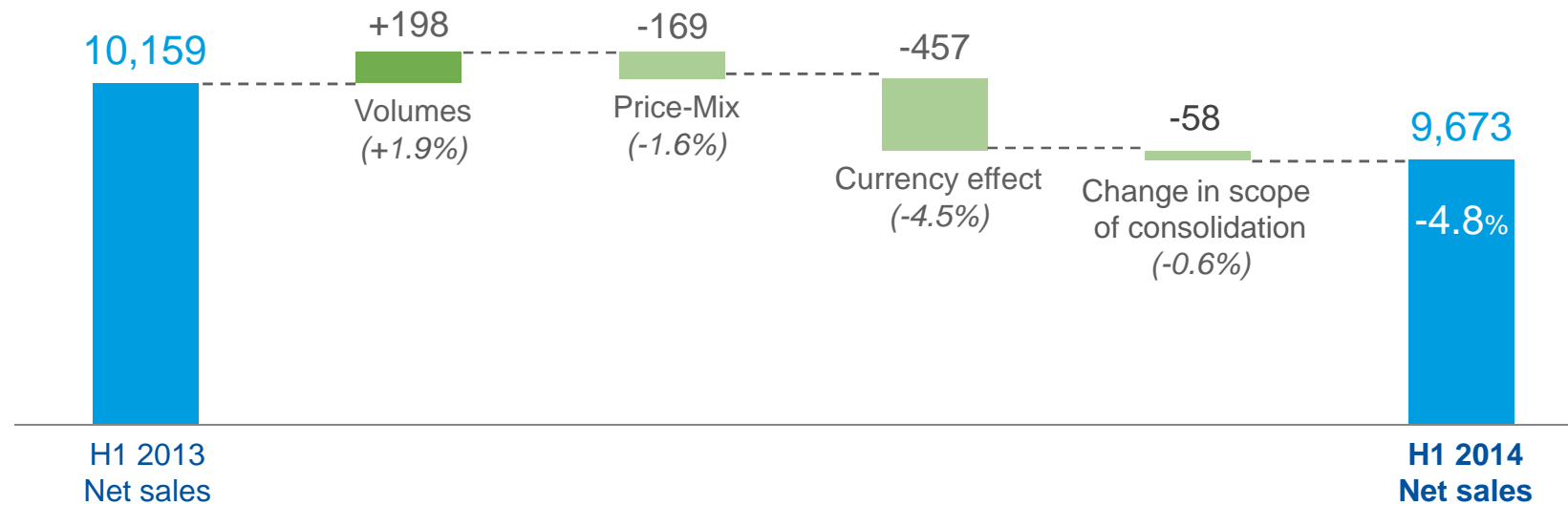
**Cash flows from operating activities less cash flows used in investing activities



Net sales: agile management of the price/volumes balance in an uncertain raw materials environment



YoY change (in € millions)

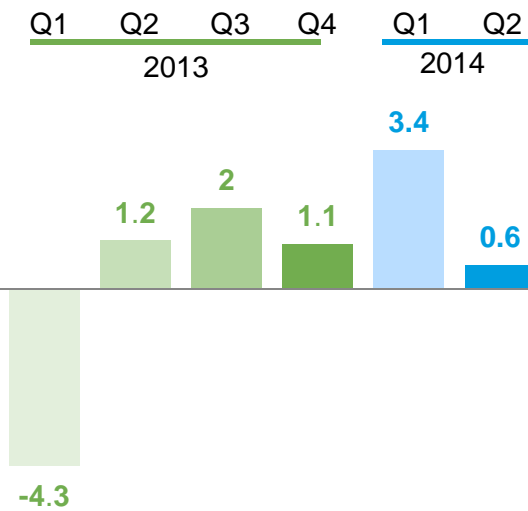


Q2: slight growth in volumes, a tighter price environment and a strong currency effect

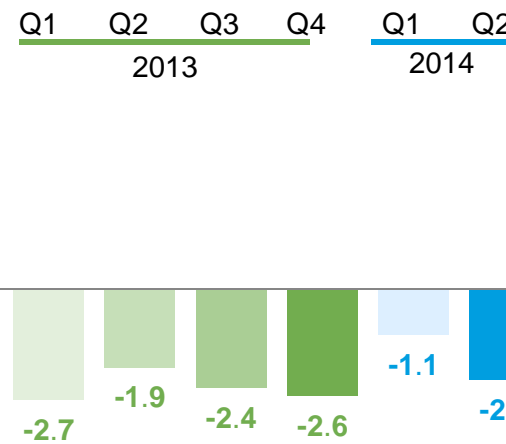


YoY change (In %)

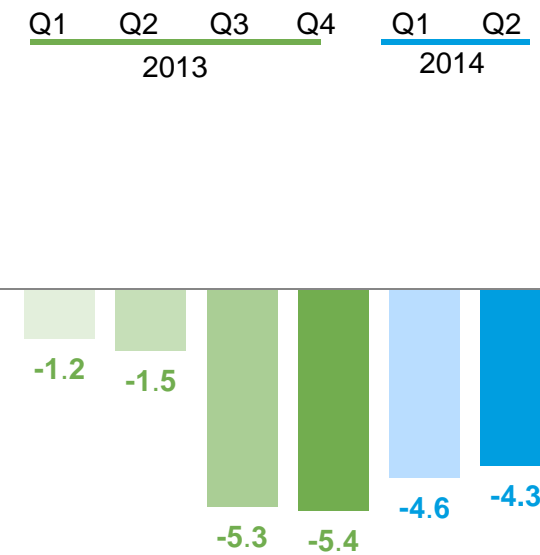
► Volumes



► Price-Mix



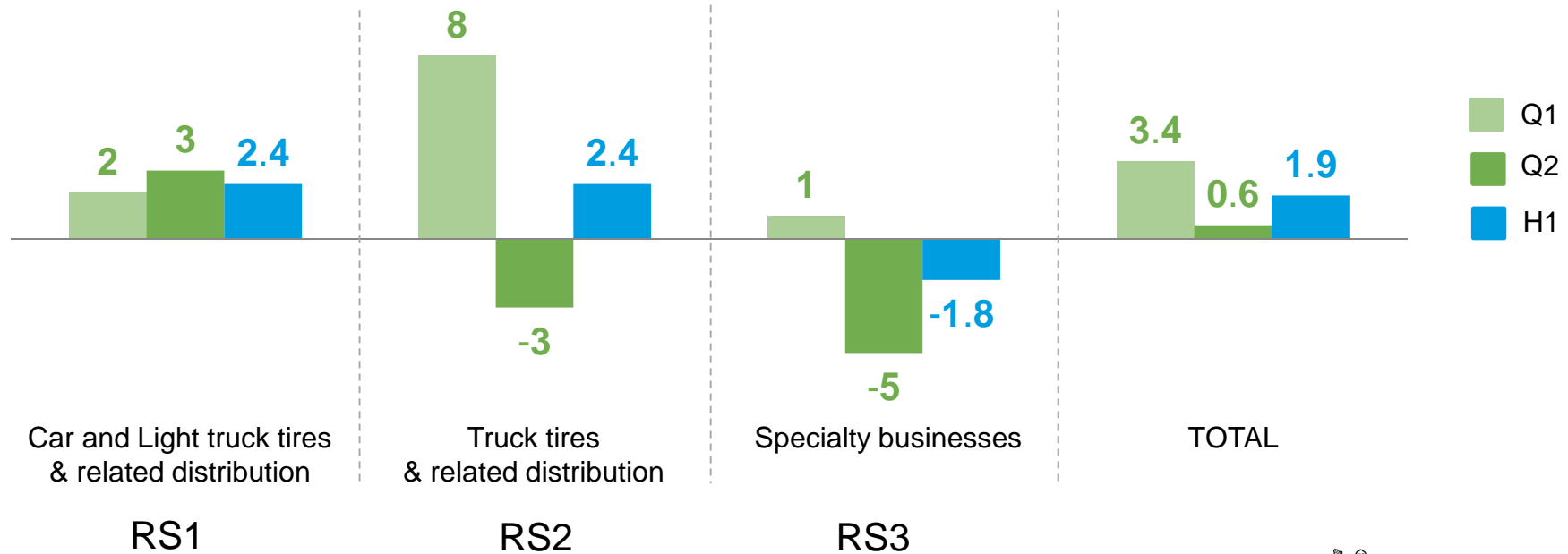
► Currency effect



Volumes: RS1 in line with the market in Q2, RS2 up over the first half, RS3 held back by the mining segment



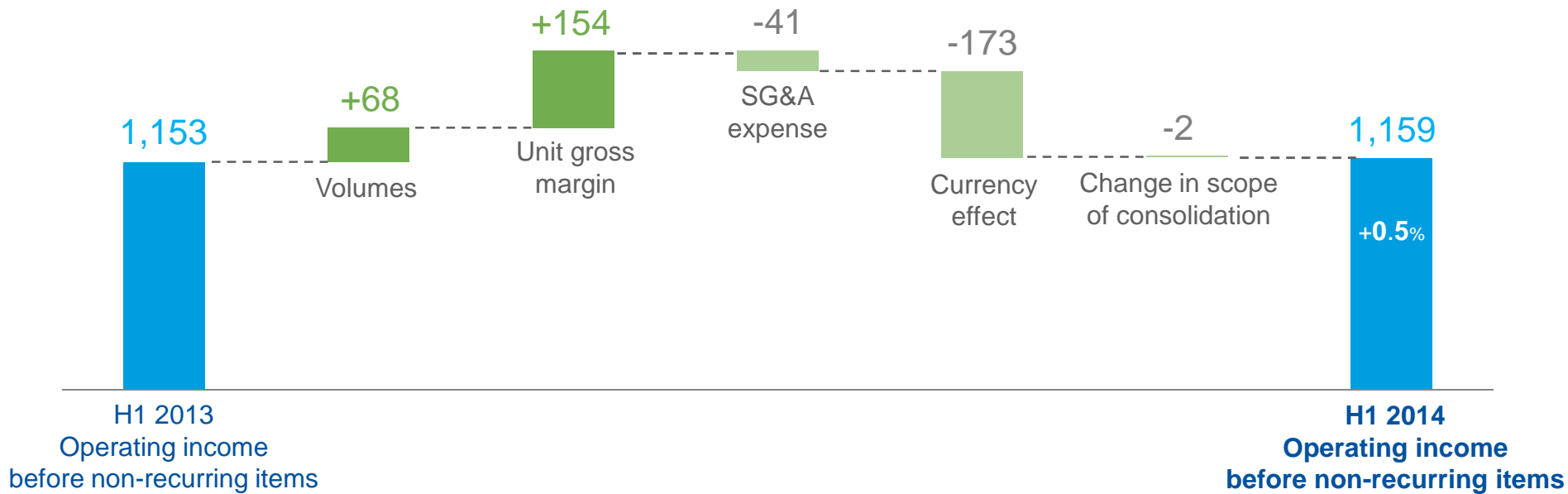
YoY change
(in %)



Operating income up €181 million at constant scope of consolidation and exchange rates, thanks to strict management of unit gross margin and SG&A expense



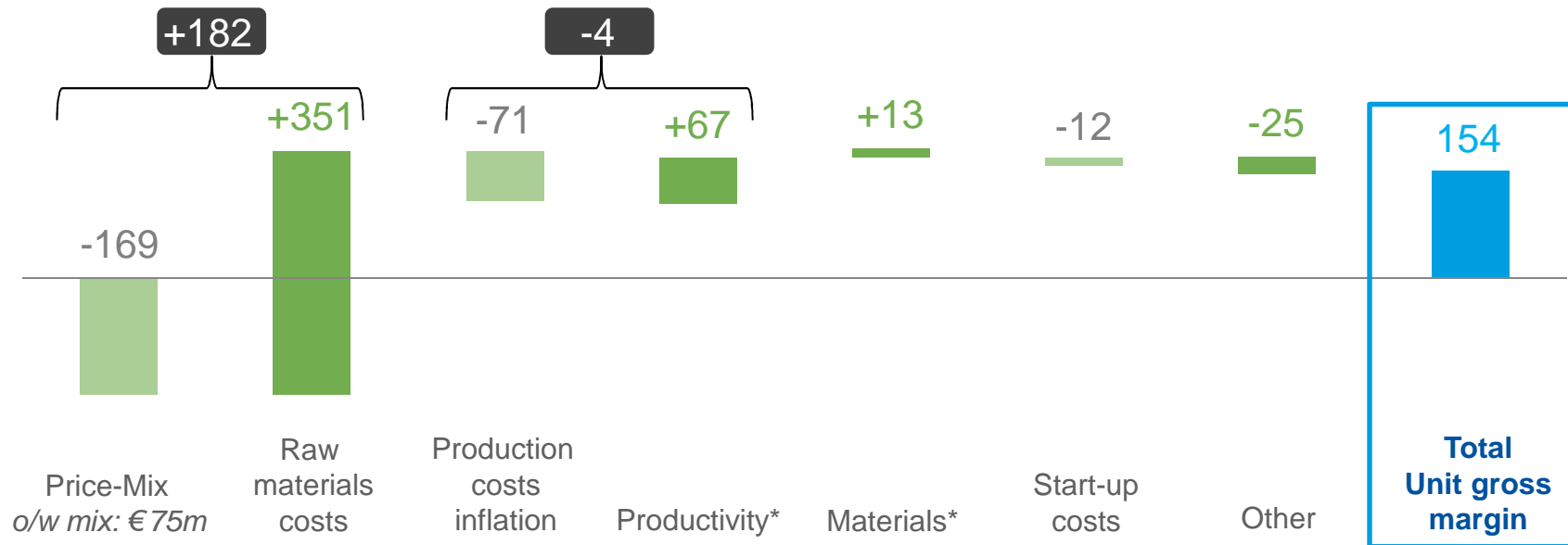
YoY change
(in € millions)



Unit gross margin: price/raw materials balance still positive, in line with the objective



YoY change in unit margin components (in € millions)



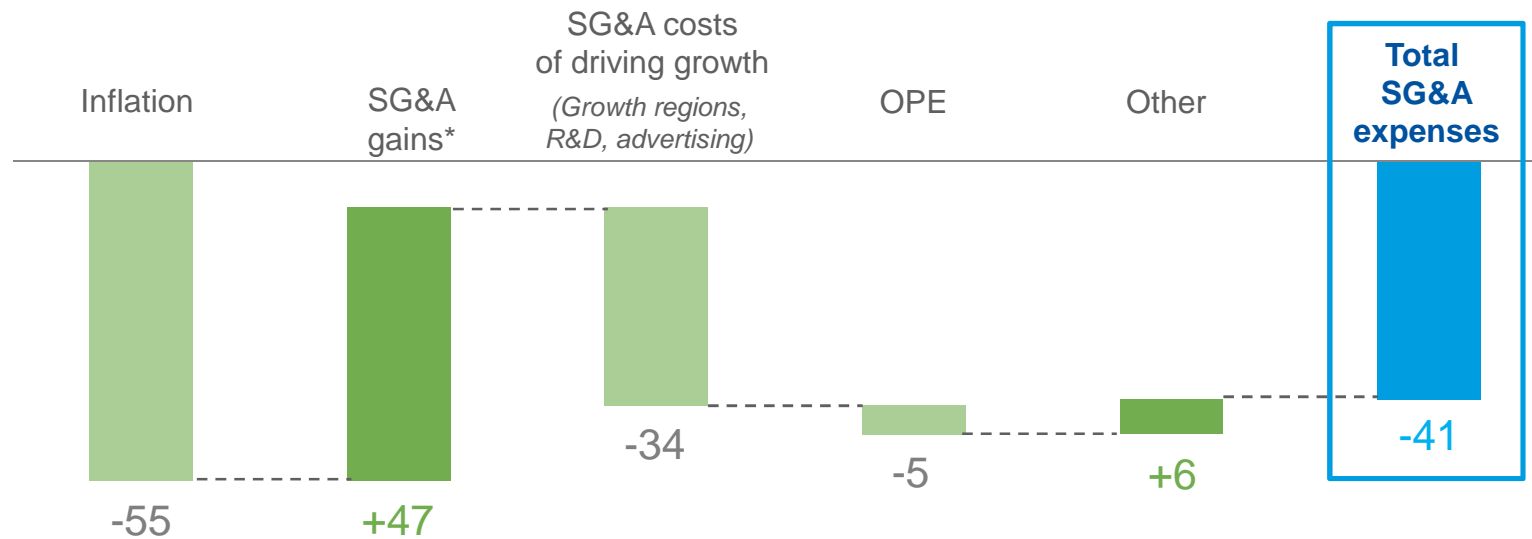
* Part of the Competitiveness Plan



Disciplined SG&A expense management



YoY change in SG&A (in € millions)



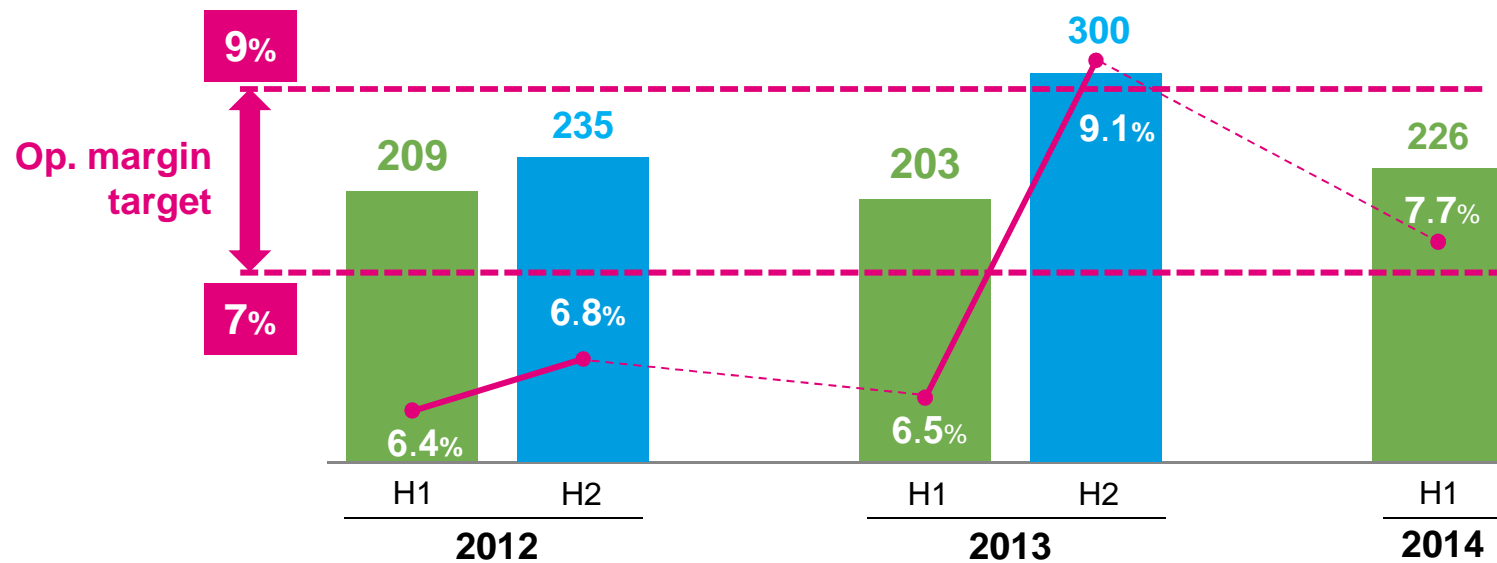
* Part of the Competitiveness Plan



Truck tires: full-year operating margin target confirmed at the top of the 7-9% range



Operating income



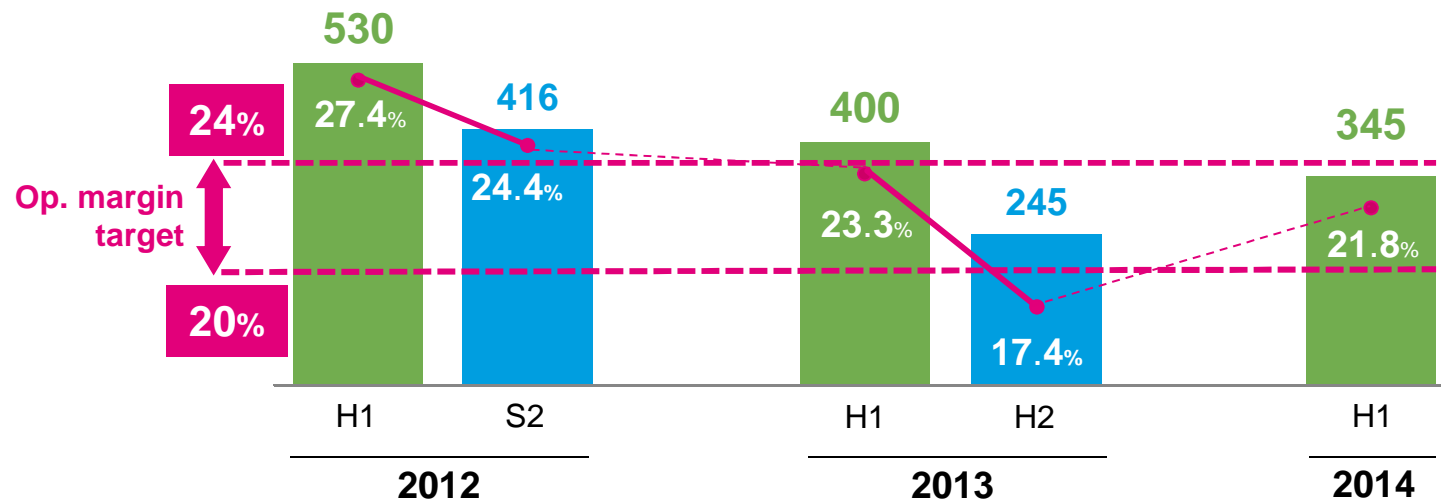
■ H1 operating income (before non-recurring items) ■ H2 operating income (before non-recurring items) ■ Operating margin (before non-recurring items)



Specialty businesses: H1 operating margin led by seasonal market trends



Operating income



■ H1 operating income (before non-recurring items)
 ■ H2 operating income (before non-recurring items)
 ■ Operating margin (before non-recurring items)



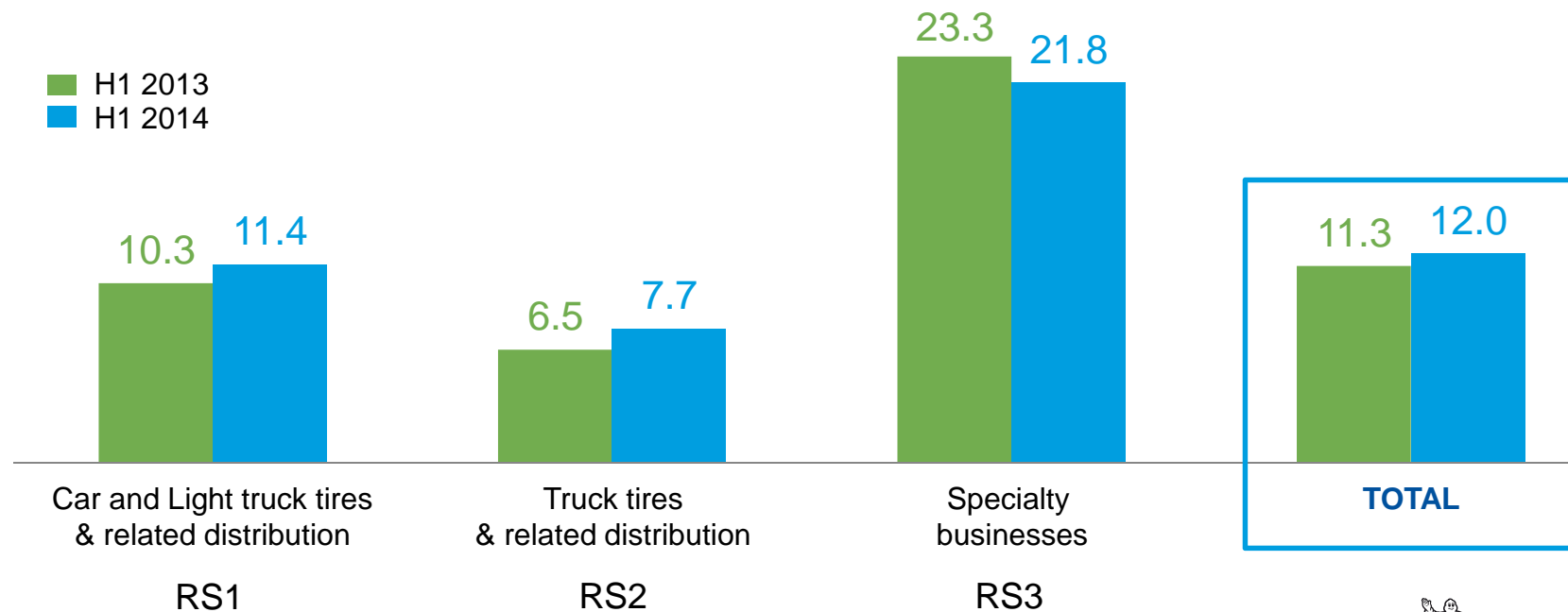
Operating margin:

in line with seasonal market trends and full-year targets



Operating margin before non-recurring items

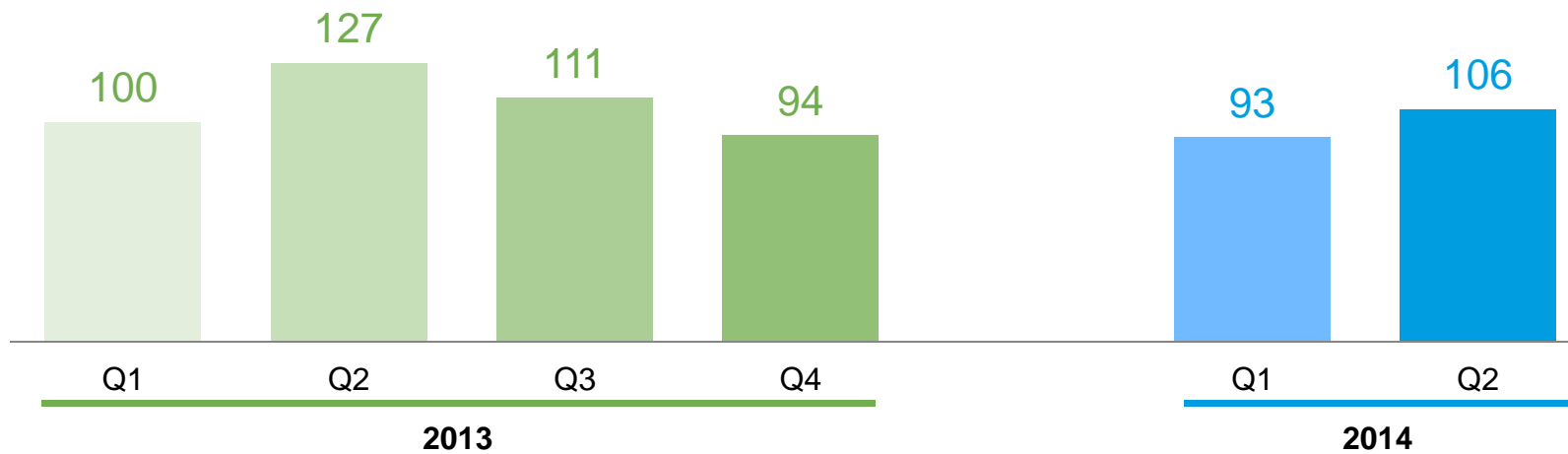
(as a % of net sales)



Mining tire volumes up slightly QoQ



Mining tire sales volumes (base 100 = Q1 2013)



Projects deployed in 2013 and 2014 to optimize the production base will deliver more than €100 million in annual gains



<i>In € millions</i>	2013	2014e	2015e	2016e	2017e	
						Total
Non recurring expense	(250)	(87)				(337)
<i>of which cash out</i>	(42)	(90)	(64)	(25)	0	(221)
Cash in (asset sales)			23			
						Annual gains after 2017
Productivity gains	0	54	71	110	114	114

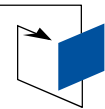


Free cash flow in line with full-year targets, given seasonal trends

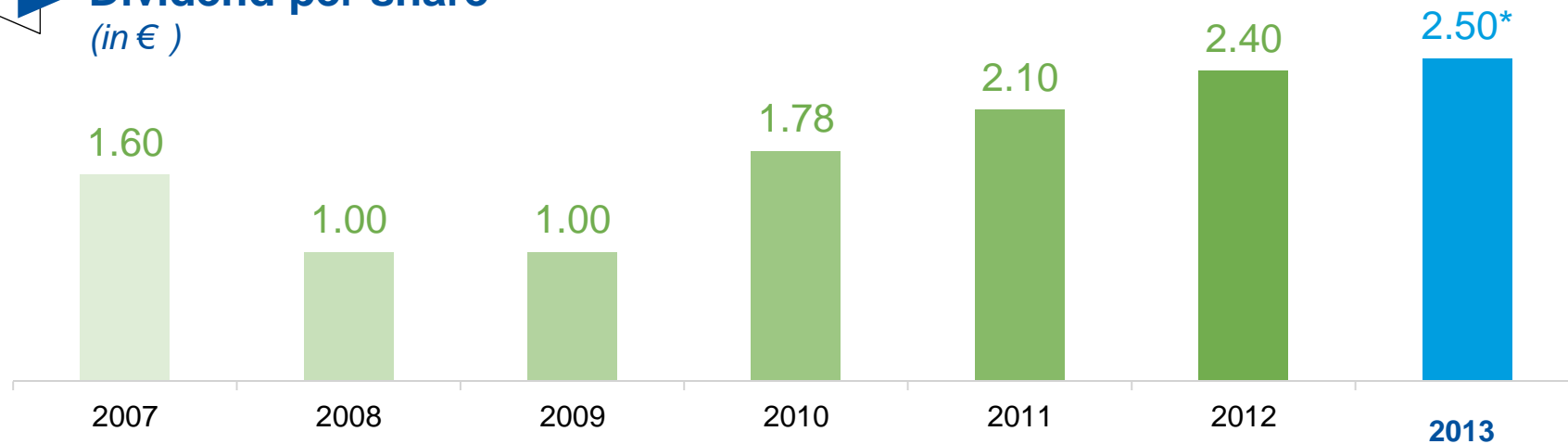


<i>In € millions</i>	H1 2014	H1 2013
EBITDA	1,687	1,675
Change in working capital requirement	(581)	(157)
Change in provisions	(85)	(109)
Cash flow from operations	1,021	1,409
Taxes and interest paid	(385)	(317)
Routine capital expenditure (<i>Maintenance, IS/IT, Dealerships</i>)	(312)	(290)
Available cash flow	324	802
Growth investments	(391)	(472)
Other cash flow used in investing activities	(176)	(183)
Free cash flow after capital expenditure	(243)	147

Shareholder commitment and cash redeployment: payout increased to 35%



Dividend per share (in €)



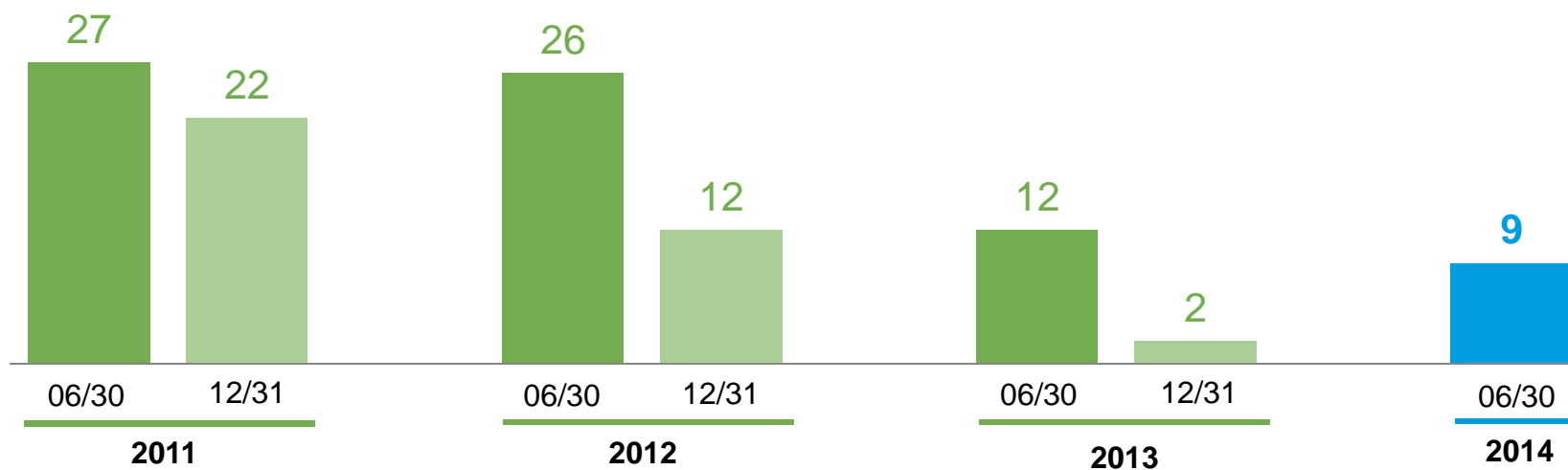
New payout ratio, 2013-2020:
35% of consolidated net income *(before non-recurring items)*



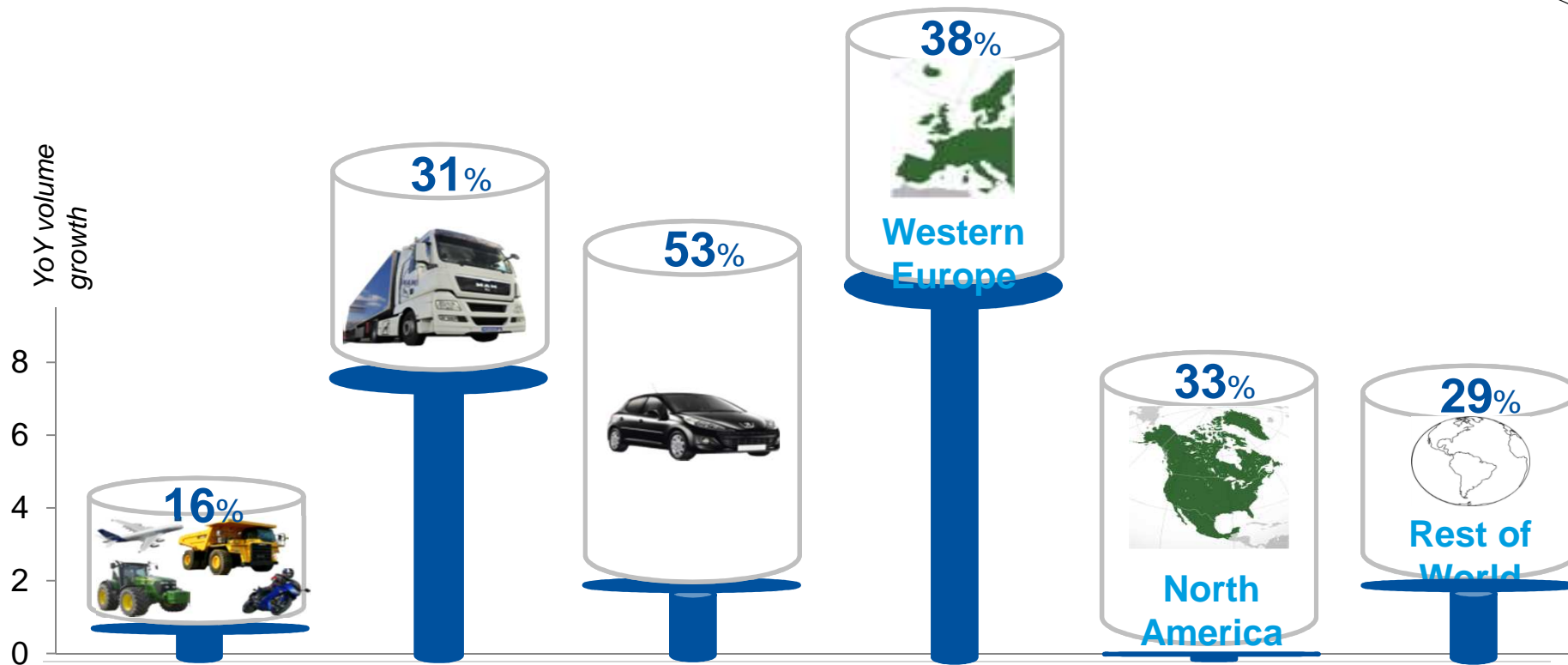
A robust financial position: historically low gearing



Gearing – Net debt / Equity (in %)



Natural hedging through a balanced geographic and product mix



Percentage contribution of each segment/region to total Q1 2014 consolidated net sales

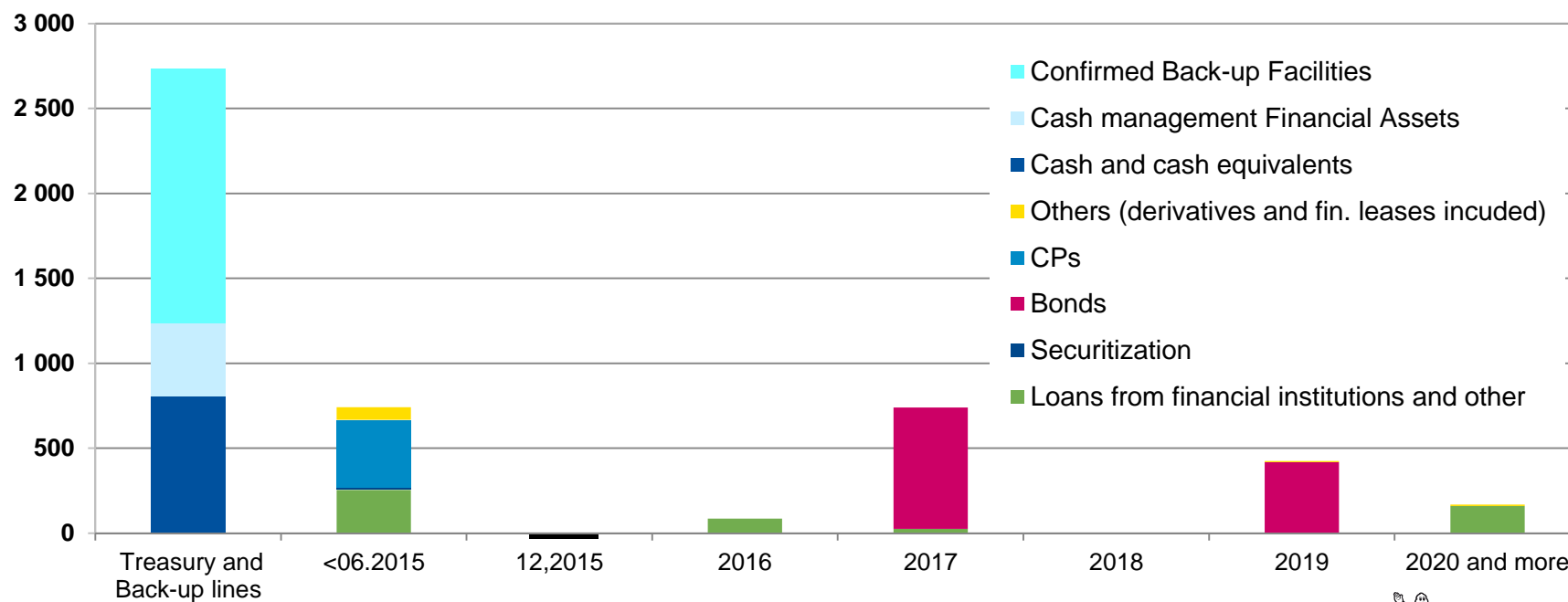


A comfortable cash position



Debt maturities at June 30, 2014

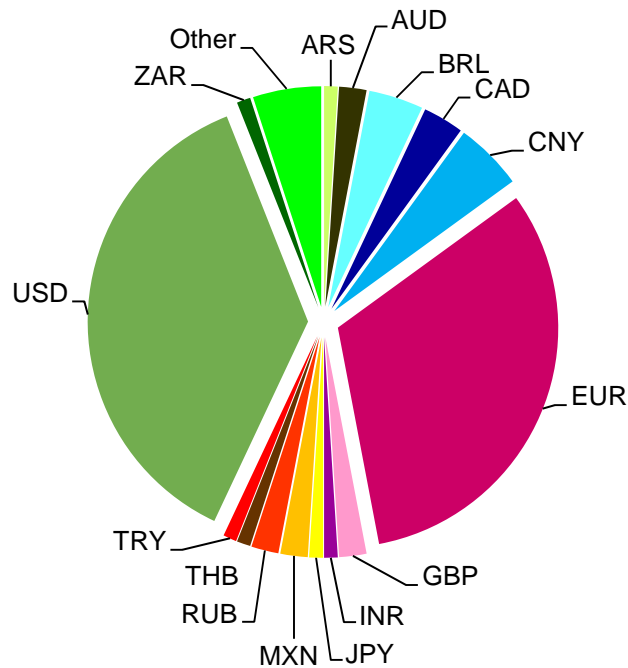
(Nominal value, in € millions)



High currency exposure given the Group's global footprint



H1 2014 net sales by currency



% of net sales	
ARS	1%
AUD	2%
BRL	4%
CAD	3%
CNY	5%
EUR	32%
GBP	2%
INR	1%
JPY	1%
MXN	2%
RUB	2%
THB	1%
TRY	1%
USD	37%
ZAR	1%
Other	5%



2014 investor calendar



- ▶ **October 22, 2014:** Third-quarter 2014 net sales
- ▶ **November 10, 2014:** Investor Day in Shenyang, China
- ▶ **February 10, 2015:** 2014 results
- ▶ **May 22, 2015:** Annual Shareholders Meeting

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