



***ANNUAL SHAREHOLDERS  
MEETING***

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*MAY 22, 2015*

May, 22 2015

## ANNUAL SHAREHOLDERS MEETING

- 1 2014 : Solid results in generally sluggish markets
- 2 Q1 2015 : Net sales of €5 billion, up 5.6%
- 3 Objectives 2015 : growth in line with markets

May, 22 2015

## ANNUAL SHAREHOLDERS MEETING

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**2014 : Solid results in generally sluggish markets**



## 2014 : Solid results in generally sluggish markets

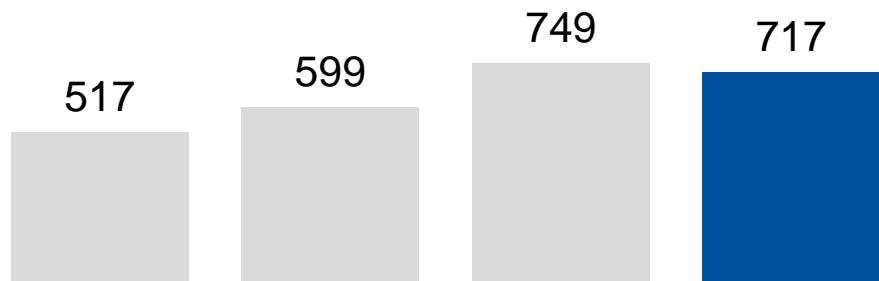
- Strong free cash flow generation before acquisitions: €722m
- €118m positive impact from changes in price mix/raw materials costs, as expected
- Competitiveness plan absorbing the effects of inflation on production costs and overheads
- Volumes up by a slight 0.7%:
- Operating income before non-recurring income at €2,170m, up €81m at constant scope of consolidation and exchange rates
- Recommended dividend of €2.50 per share\*, unchanged from 2013

\* Subject to approval by the Annual Shareholders Meeting of May 22, 2015



# A business that structurally generates Free Cash Flow

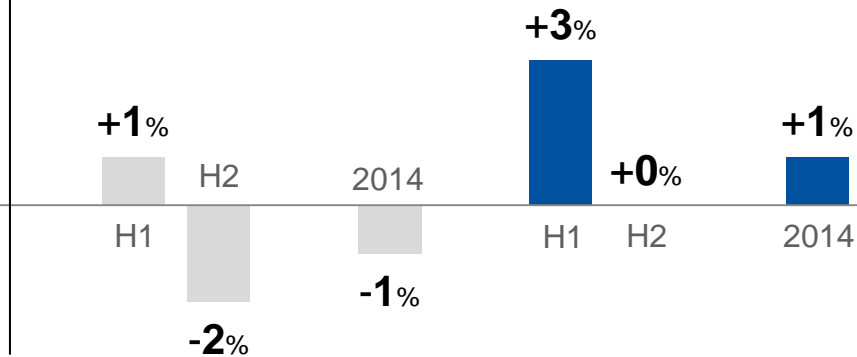
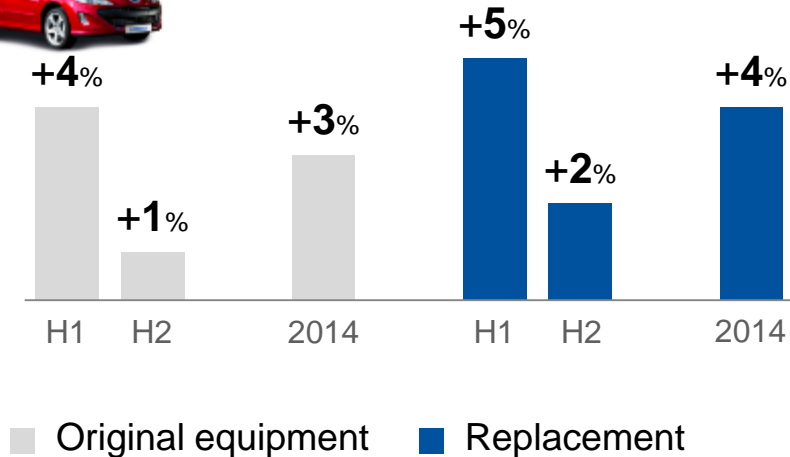
## ► Structural free cash flow



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

# Passenger car/Light truck & Truck: slowdown starting from the second quarter

## ► Global market, 2014 / 2013 (% change YoY, in number of new tires)



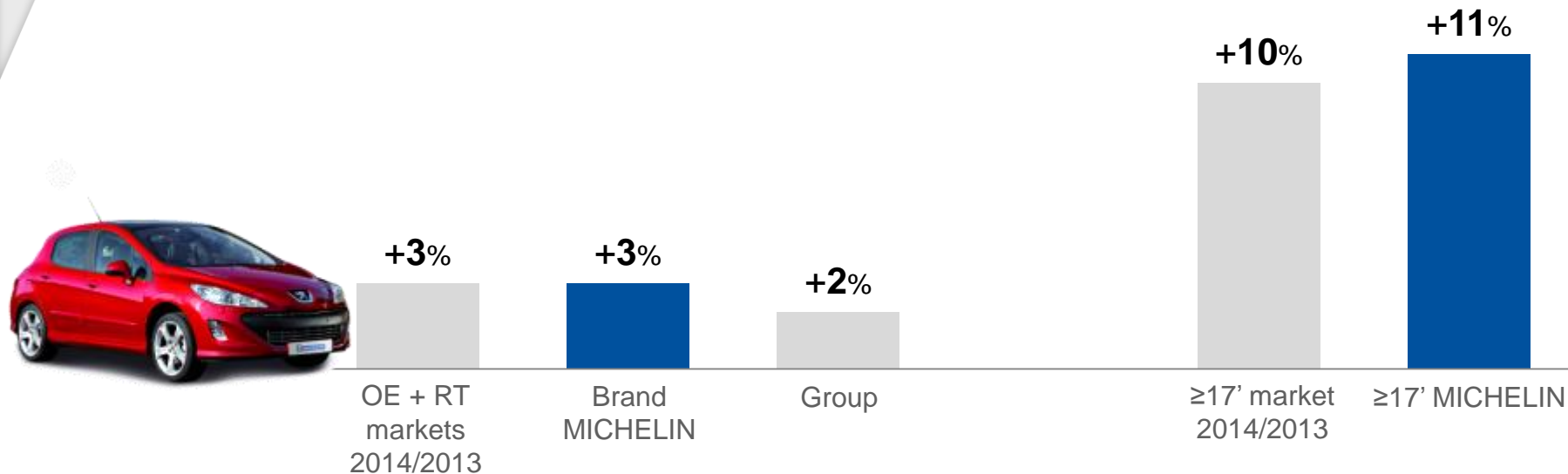
Source: Michelin



# Passenger car/Light truck: resilient performance by the MICHELIN brand, with an improved product mix, in a challenging market environment

## ► Passenger car/Light truck - Growth

(in tonnage and number of tires, YoY change)

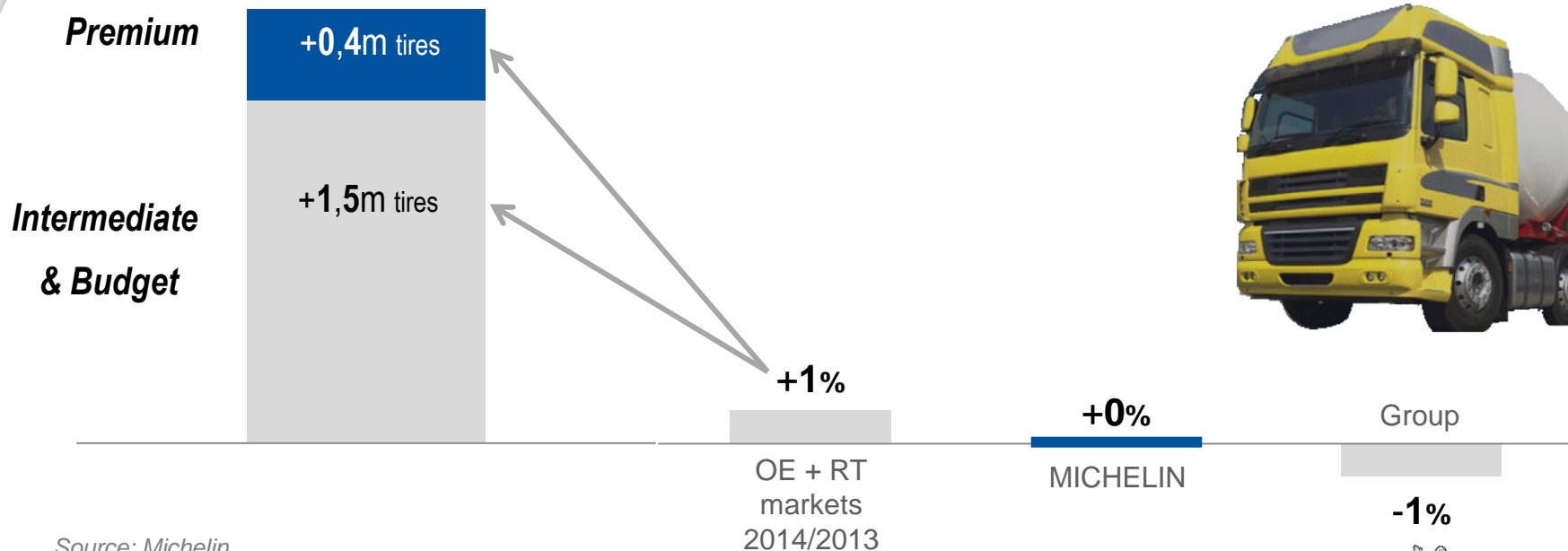


Source: Michelin

# Truck: resilient MICHELIN brand in a market boosted by strong growth in the Intermediate and Budget segment

## ▶ Truck - Growth

(in tonnage and number of tires, YoY change)



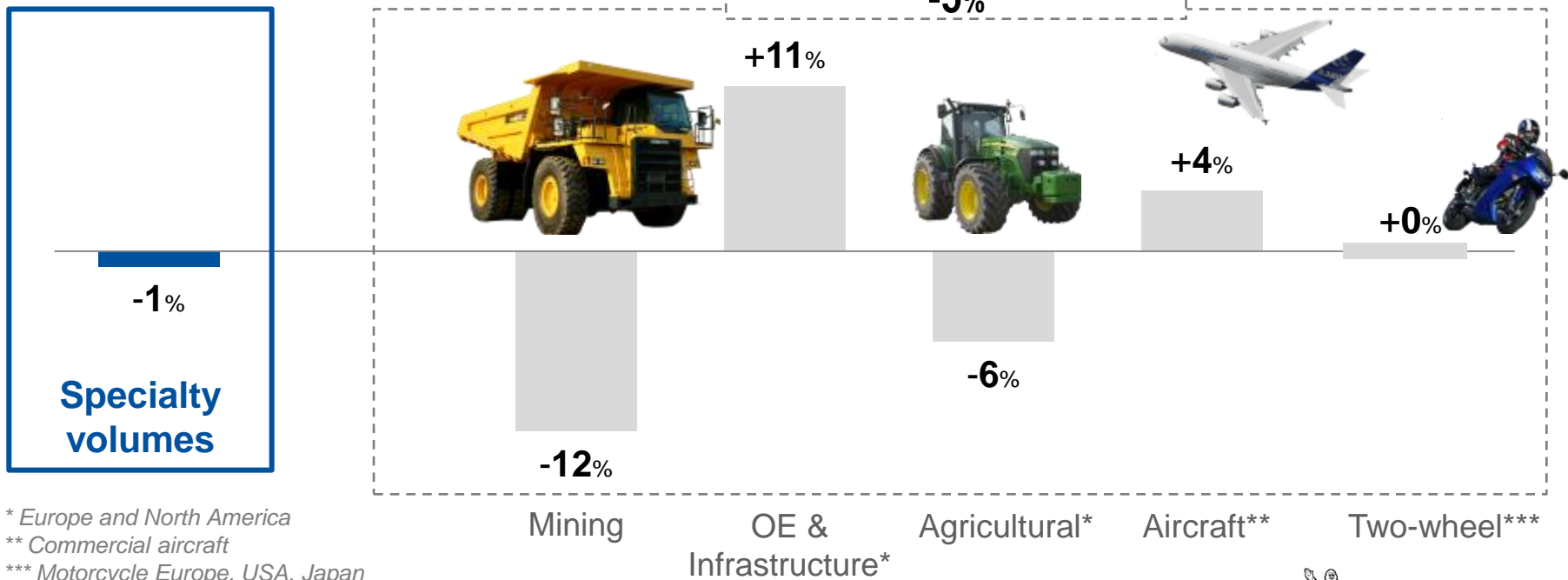
Source: Michelin





# Specialty tires: volumes nearly stable despite mining tire inventory drawdowns and weaker demand for Agricultural tires

## ► Specialty volumes vs. markets (% change YoY)



\* Europe and North America

\*\* Commercial aircraft

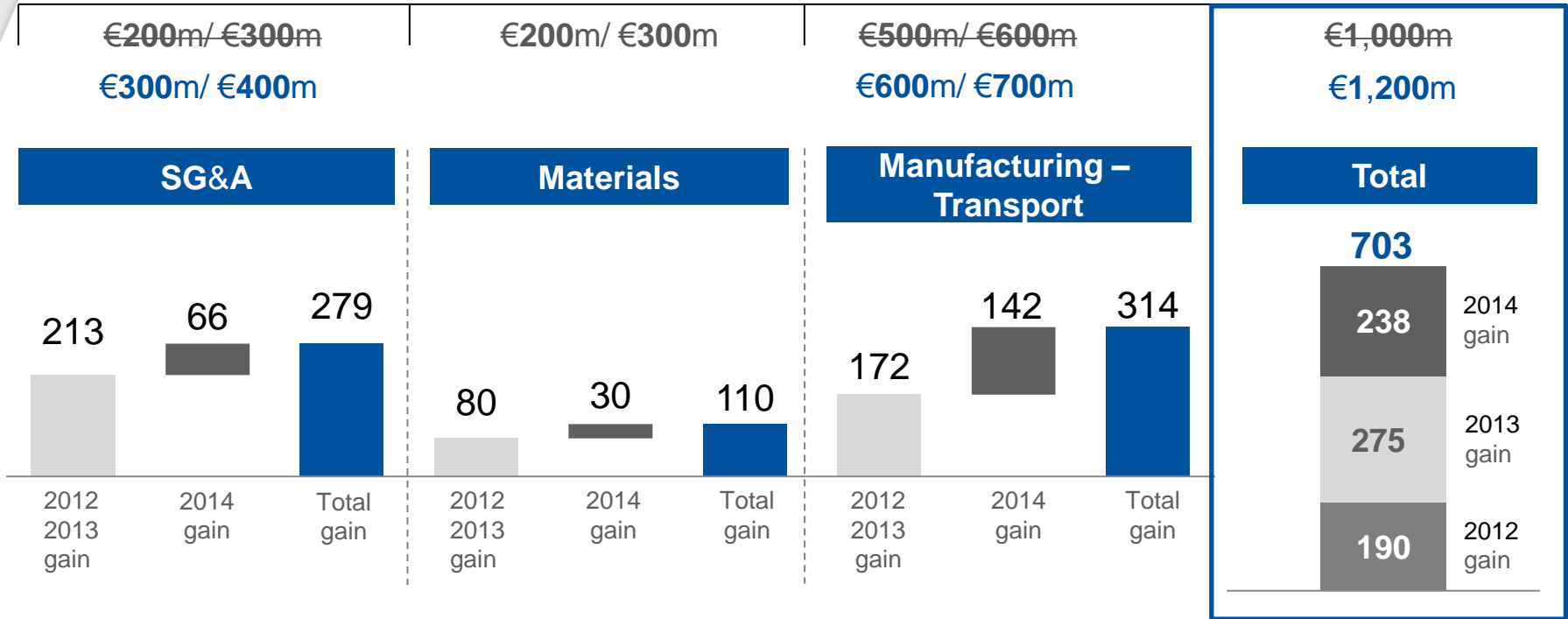
\*\*\* Motorcycle Europe, USA, Japan

Source: Michelin



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

## TARGETED GAINS\*, 2012 – 2016

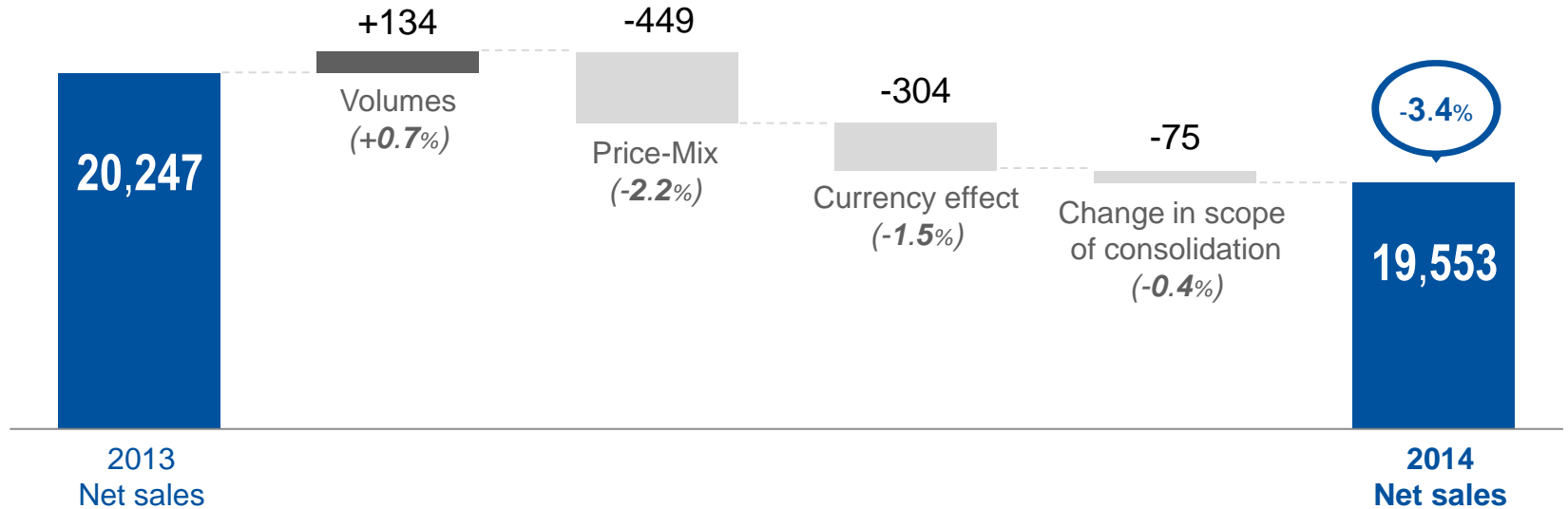


\* Before inflation and including avoided costs



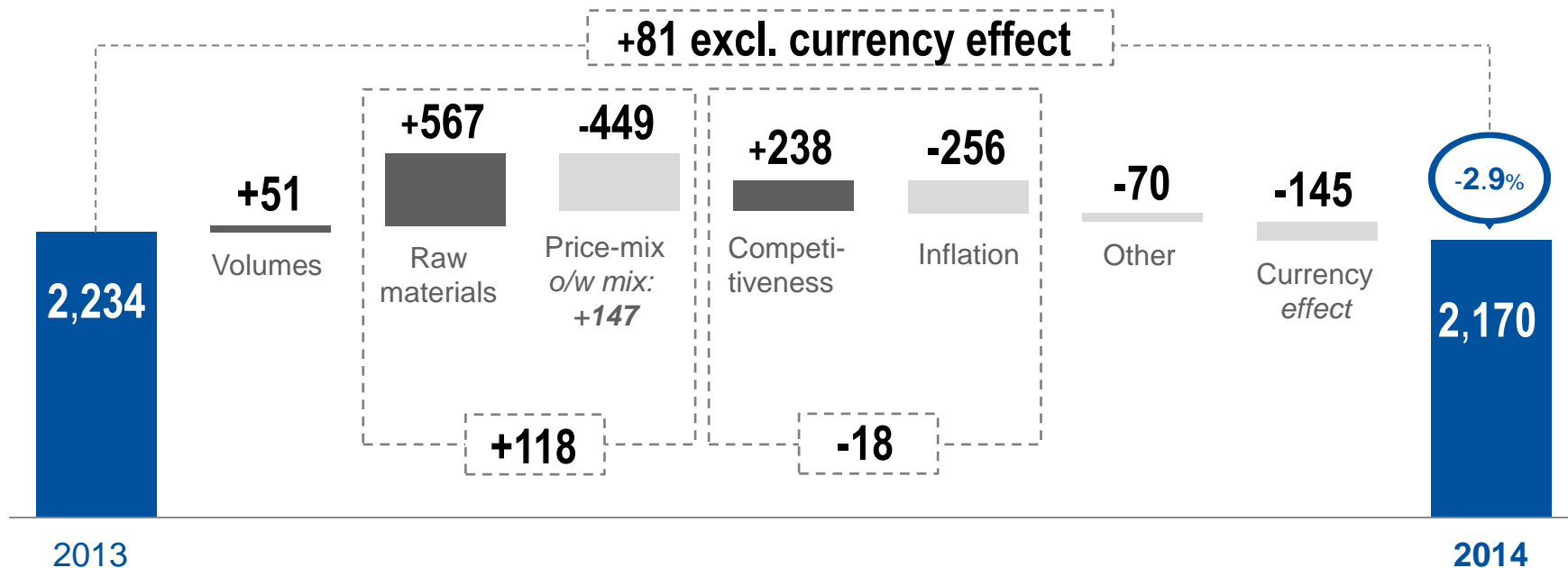
# Net sales: slightly higher unit sales

## ► YoY change (in € millions)



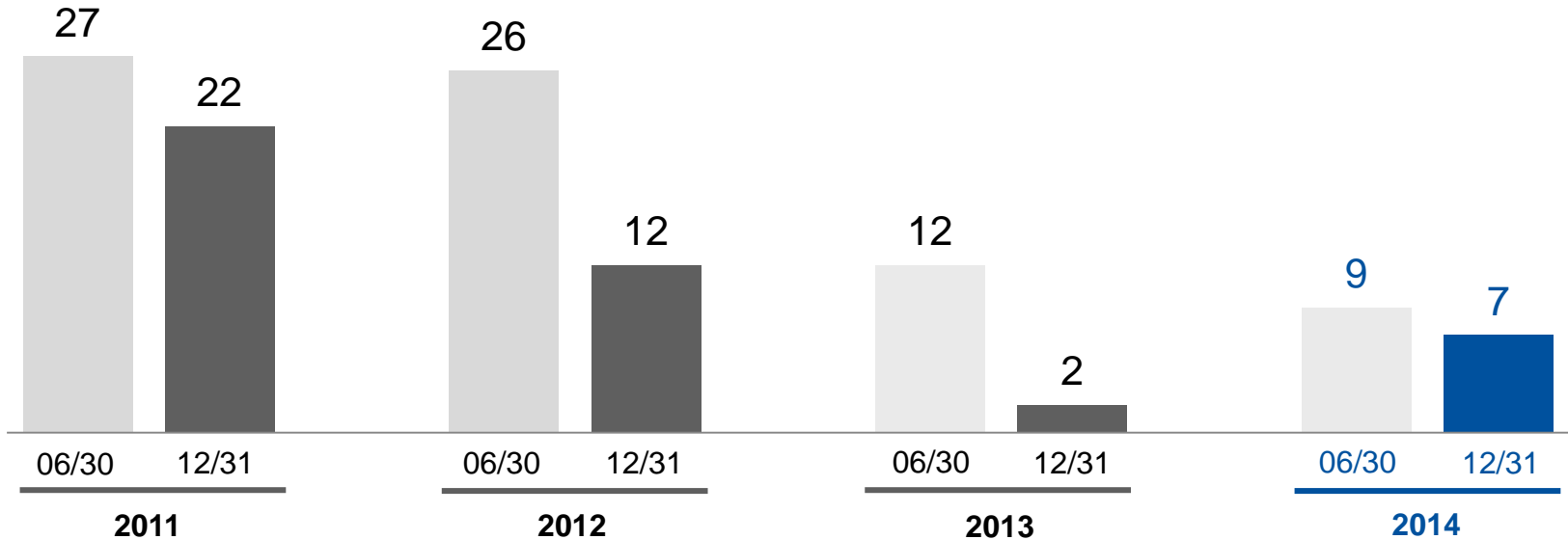
# Operating income before NR up by €81m before currency effect: effective price-mix vs. raw materials management and good cost discipline, as expected

## ► YoY change (in € millions)



# Robust financial position

## ► Gearing – Net debt / Equity (in %)



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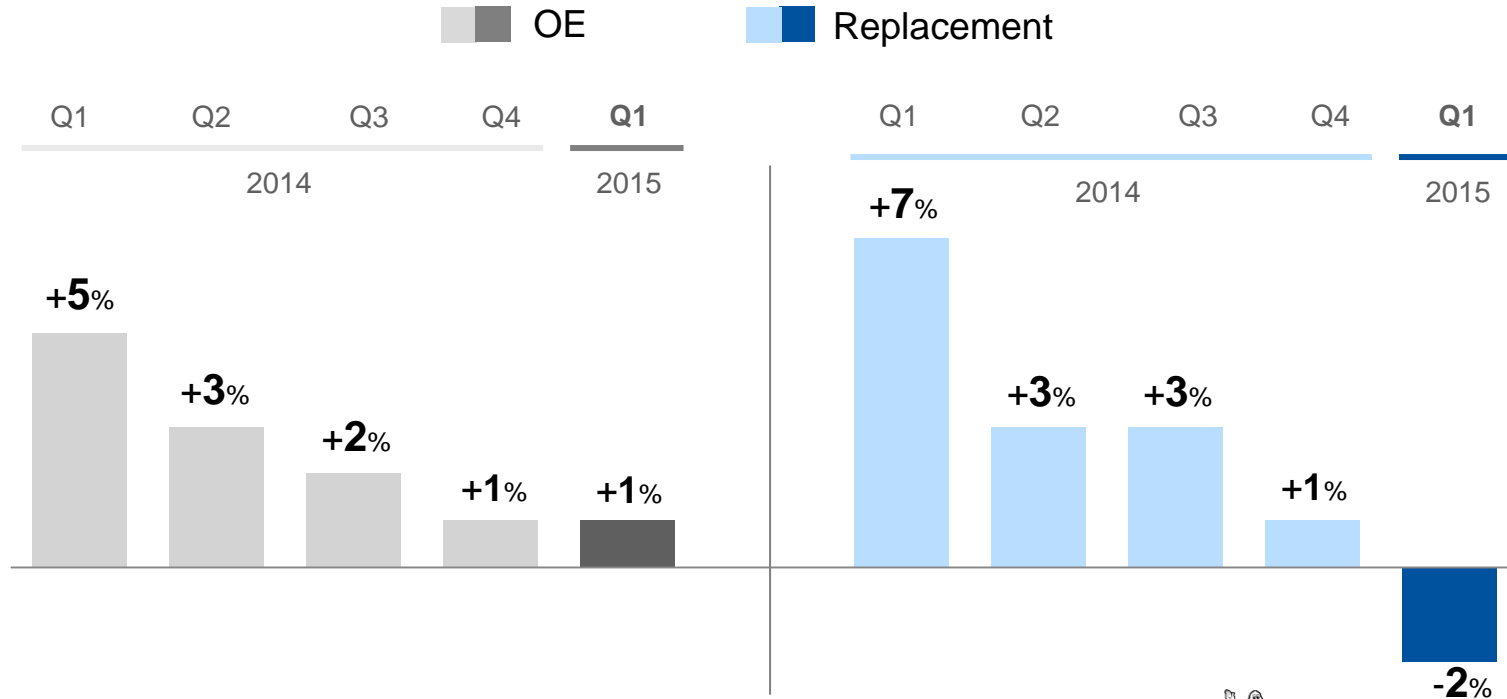
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Q1 2015 : Net sales of €5 billion, up 5.6%



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

## ► YoY change in number of tires

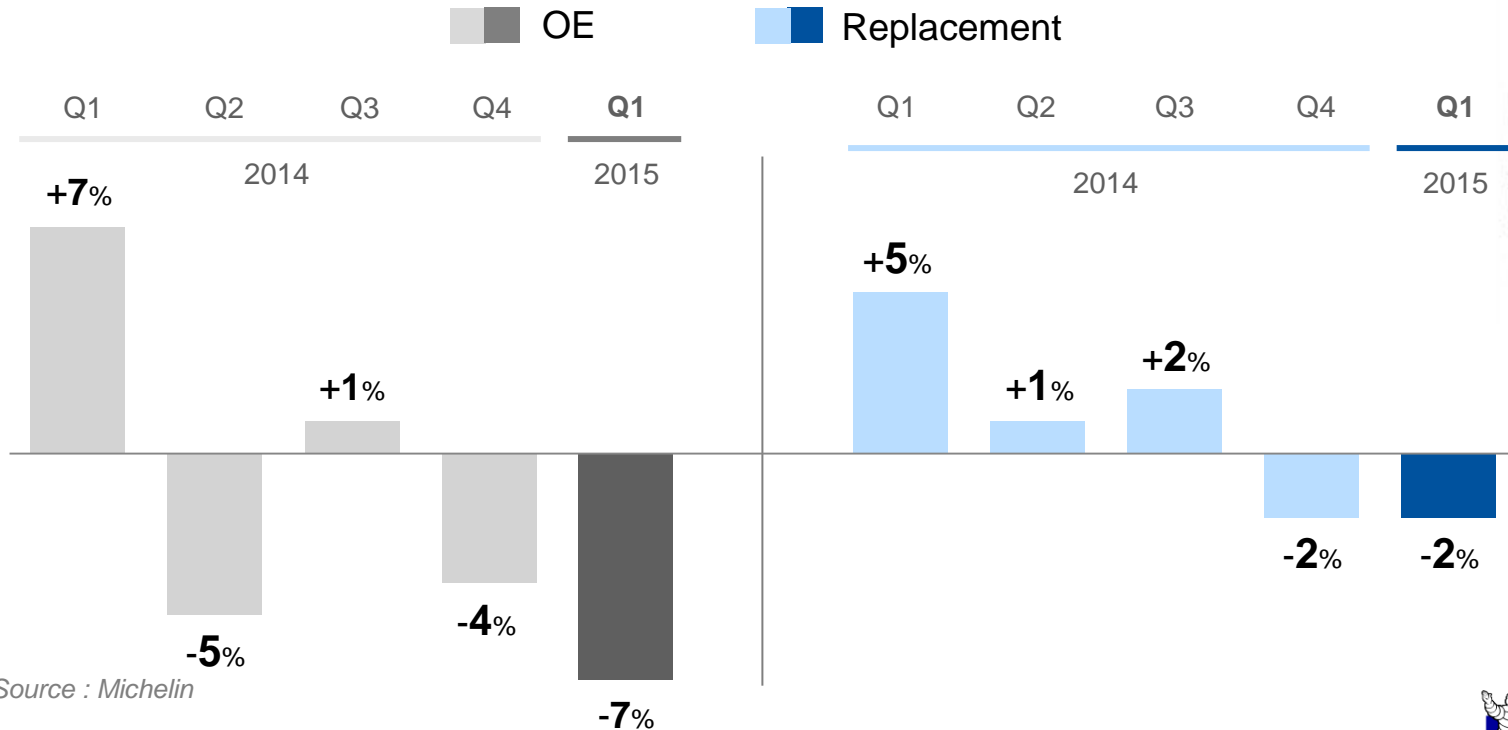


Source : Michelin



# Global Truck tire markets down in Q1 2015

## ► YoY change in number of new tires



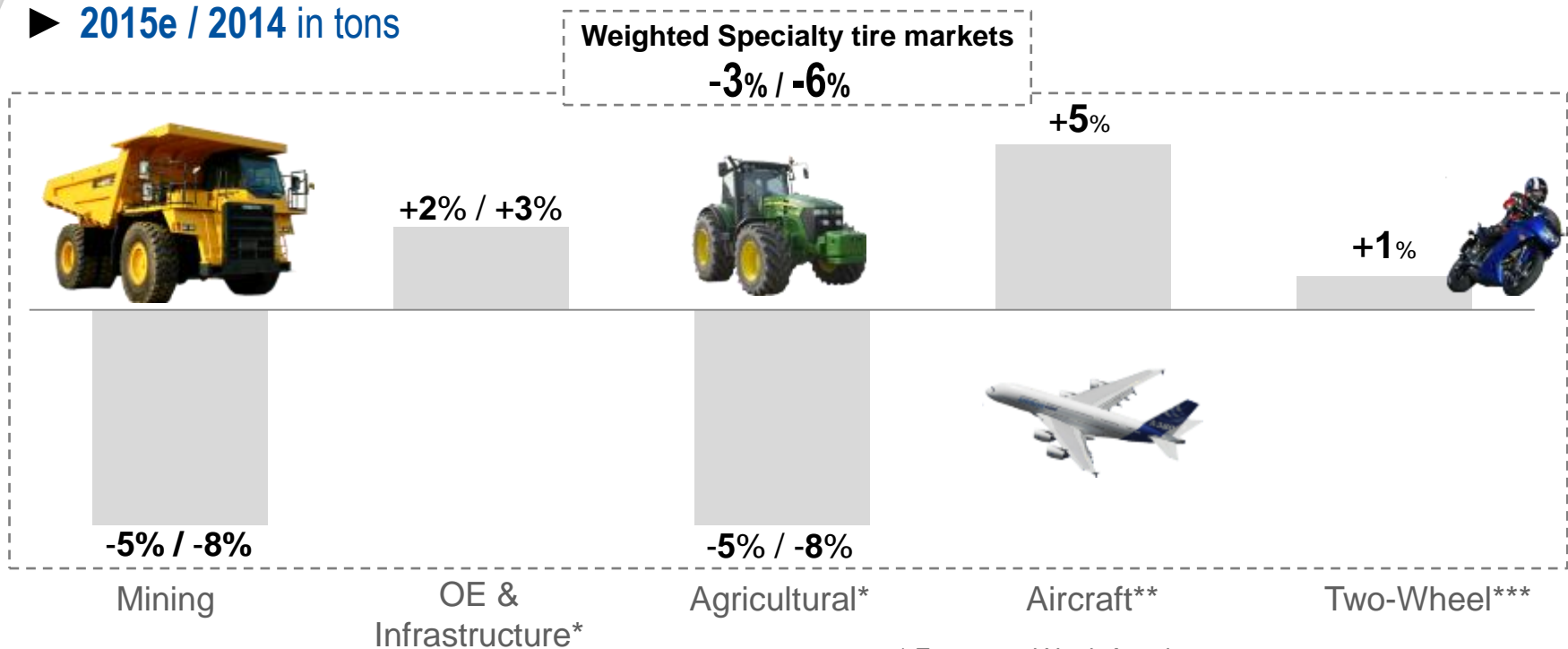
Source : Michelin





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

► 2015e / 2014 in tons



Source : Michelin

\* Europe and North America

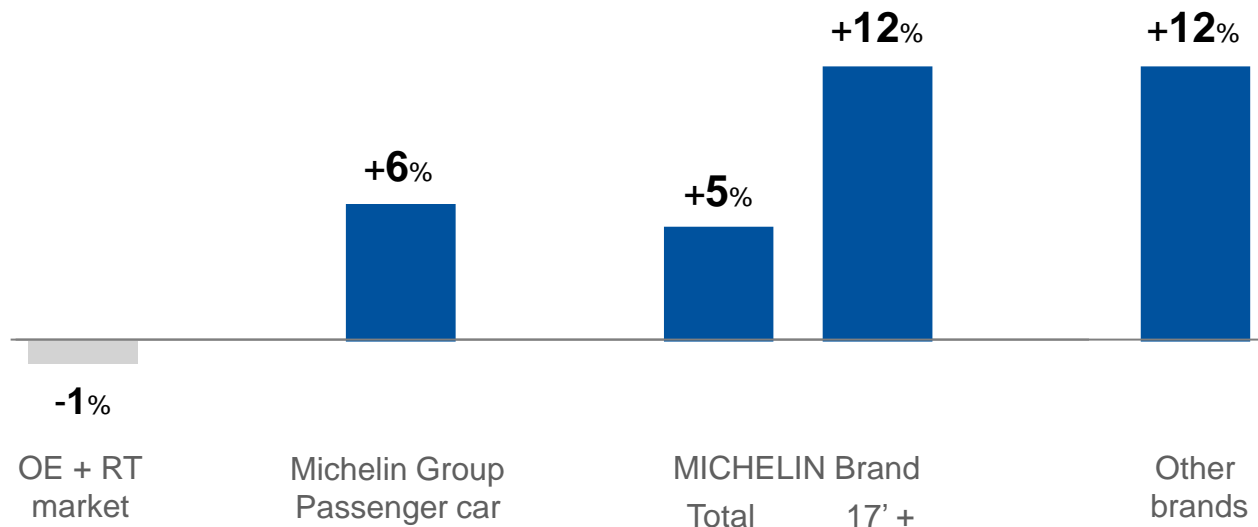
\*\* Commercial aircraft

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



# 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)

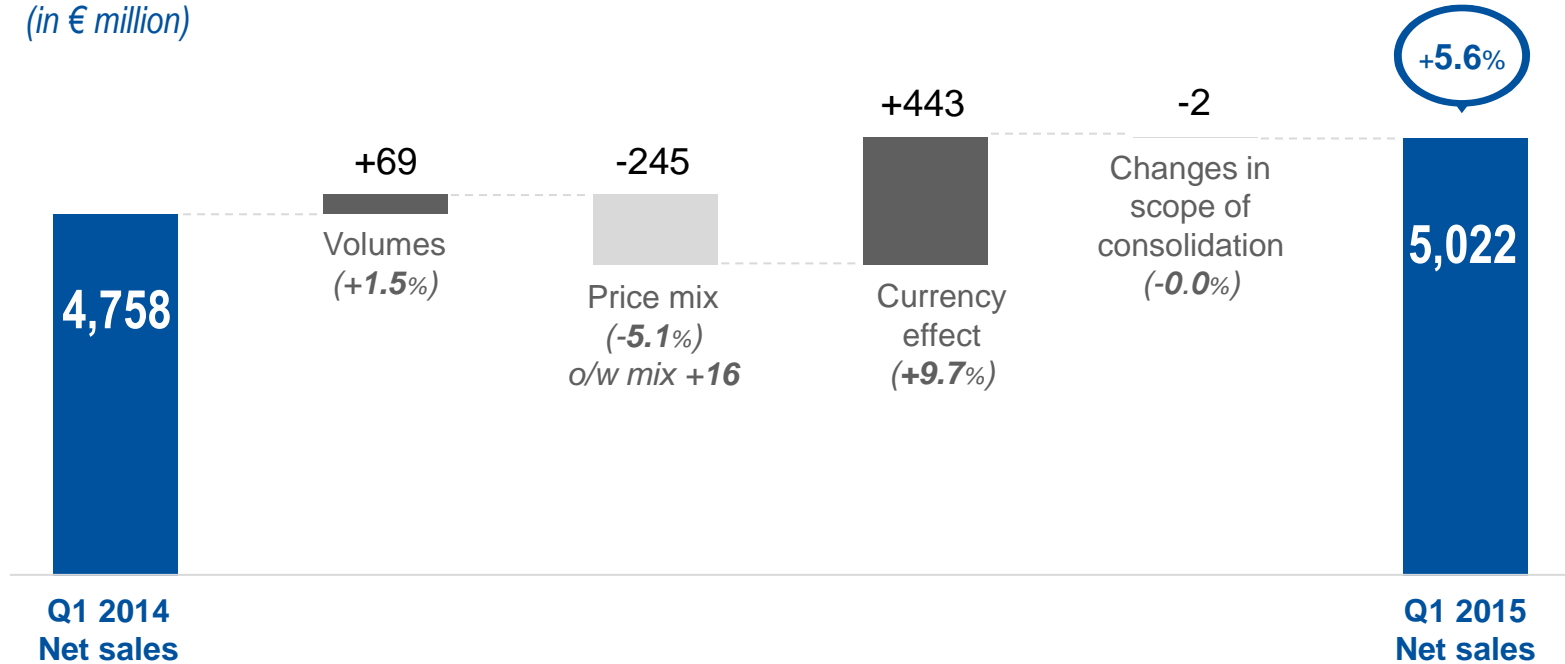


Source : Michelin



# First-quarter 2015 Net sales of €5bn, with above-market volume growth of 1.5%

## ► YoY change (in € million)



# Launch of a €750m share buyback program

- Proven ability to generate structural free *cash flow* on a recurring basis
  - EBITDA growth, Working Capital Requirement 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 free *cash flow* or slightly over 2 years worth of post dividend structural free *cash flow*
  - 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

# 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)

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**Objectives 2015 : growth in line with markets**



# 2015 outlook: continuation of last year's market trends

## MATURE MARKETS

North America



Europe



## NEW MARKETS



## SPECIALTY MARKETS

Mining



OE & Infra\*



Agricultural\*



\* in Europe and North America

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

	2015 Guidance
<b>Volumes</b>	Growth in line with the markets
<b>Impact of raw materials prices</b>	Around €600m tailwind
<b>Price-mix / Raw materials</b>	Negative in H1, positive full year
<b>Competitiveness/cost inflation</b>	Neutral over the year
<b>Currency effect on operating income</b>	Above €350m
<b>Operating income before non-recurring items</b>	Up excluding any currency effects
<b>ROCE</b>	More than 11%
<b>Investments</b>	Around €1,800m
<b>Structural free cash flow</b>	Approx. €700m



# Products, distribution and services matching customer needs to capture growth opportunities

SERVICE INNOVATION



EFFITIRE™ by MICHELIN solutions



MARKET ACCESS



PRODUCT INNOVATION

