



FIRST-HALF 2014 RESULTS

July 29, 2014



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





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- 
- 1 EXPANDING MARKETS, SLOWER GROWTH IN Q2
 - 2 SOLID PERFORMANCE
 - 3 RESULTS BY REPORTING SEGMENT
 - 4 ROBUST FINANCIAL POSITION
 - 5 FURTHER PROGRESS ON THE COMPETITIVENESS PLAN
 - 6 OUTLOOK



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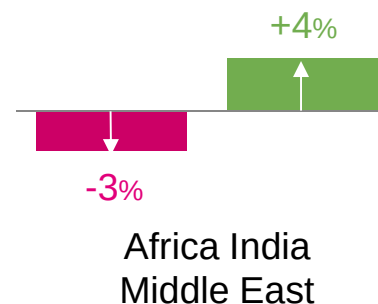
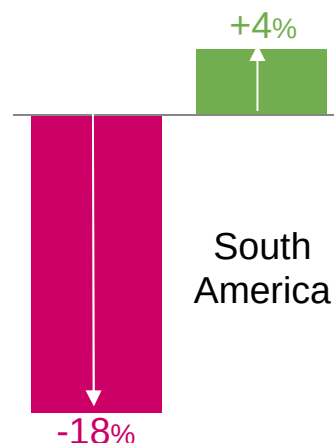
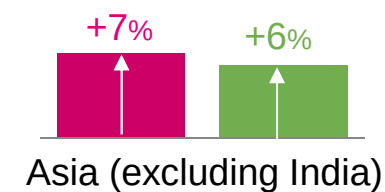
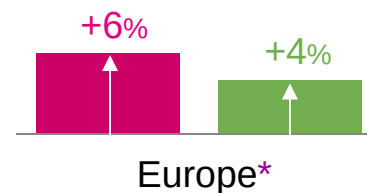
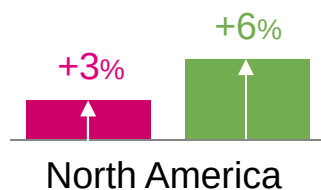
EXPANDING MARKETS, SLOWER GROWTH IN Q2

Car and Light truck: Growing demand in mature markets; OE demand down in the new markets except China



Markets at June 30, 2014

(% change YoY, in number of tires)



■ Original equipment
■ Replacement

* including Russia and Turkey

Source: Michelin



Truck: sustained growth in North America, stabilization in Europe and contraction in the new markets



Markets at June 30, 2014

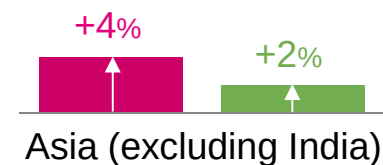
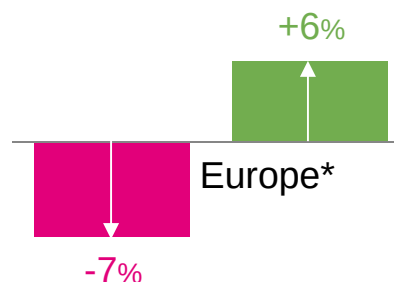
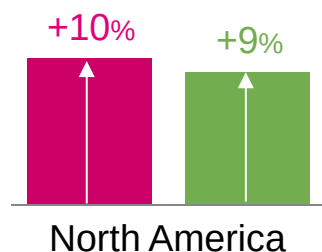
(% change YoY, in number of new tires)



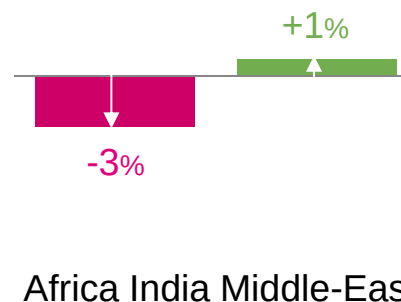
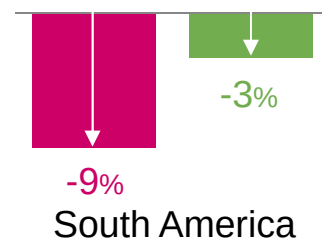
■ Original equipment
■ Replacement

* including Russia and Turkey

Source: Michelin



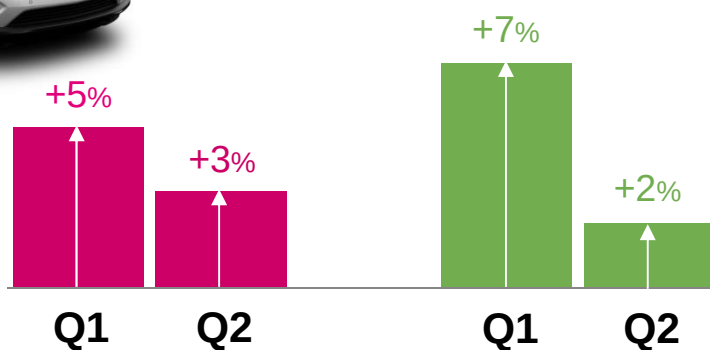
GLOBAL MARKET



Car and Light truck & Truck: slower growth in Q2 off of high prior-year comparatives

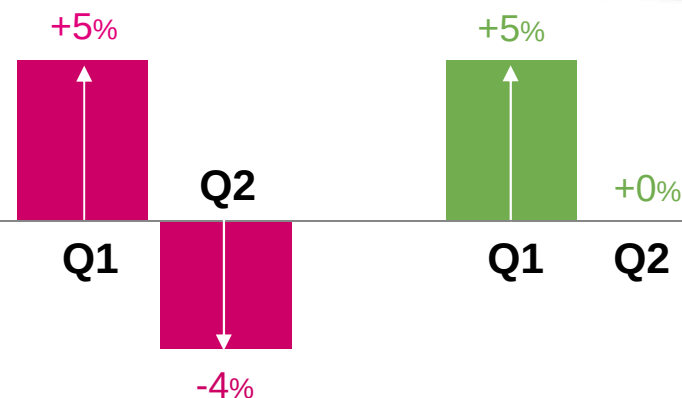


Worldwide markets by quarter, first-half 2014 (% change YoY, in number of new tires)



■ Original equipment
■ Replacement

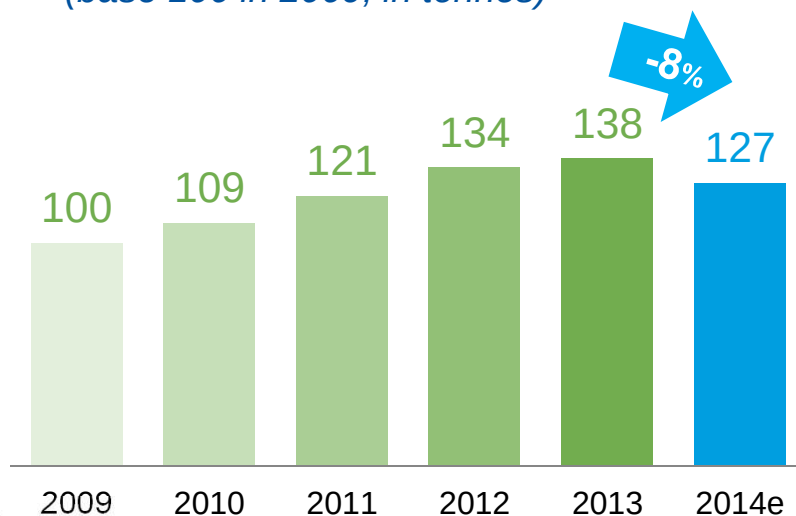
Source: Michelin



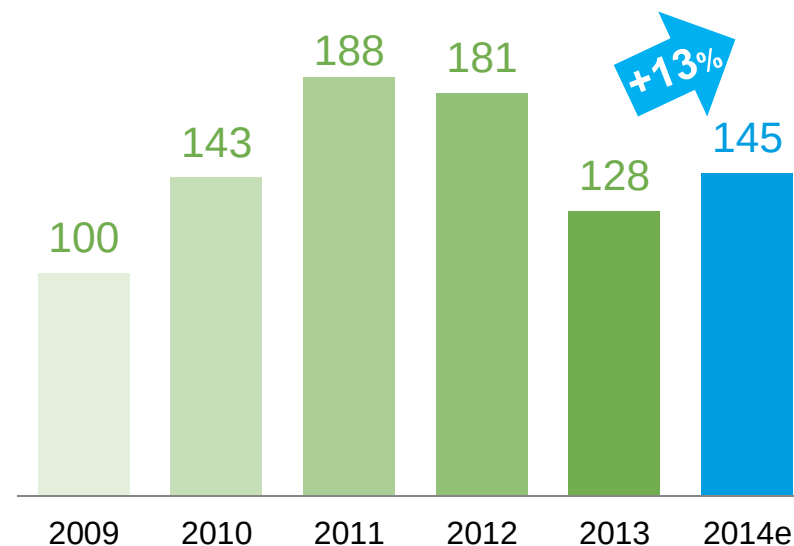
Uneven Earthmover markets



Earthmover markets (base 100 in 2009, in tonnes)



Mining



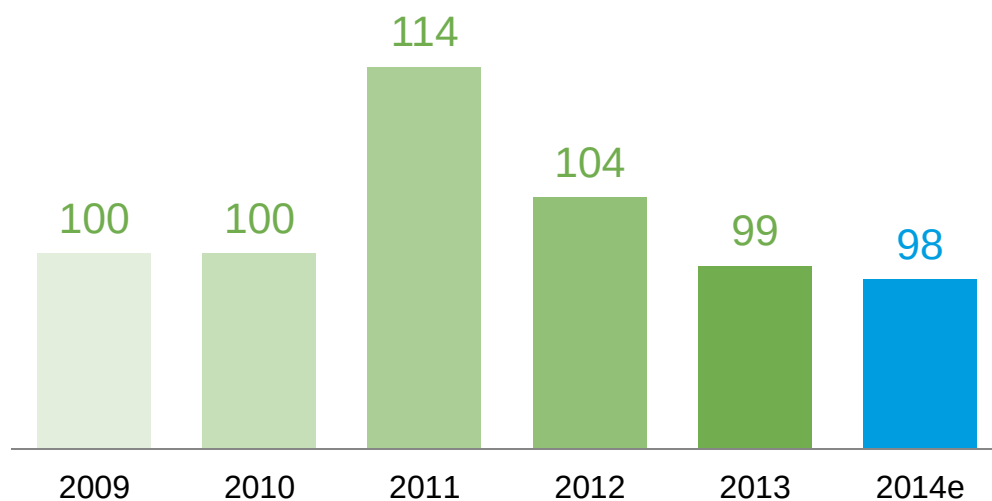
Infrastructure and Original Equipment (Europe and North America)



Agricultural: stable overall but with fast growing demand for technical tires



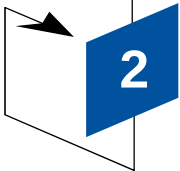
Agricultural tire markets – Europe and North America
(in number of tires, base 100 in 2009)





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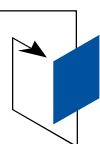
FIRST-HALF 2014 RESULTS



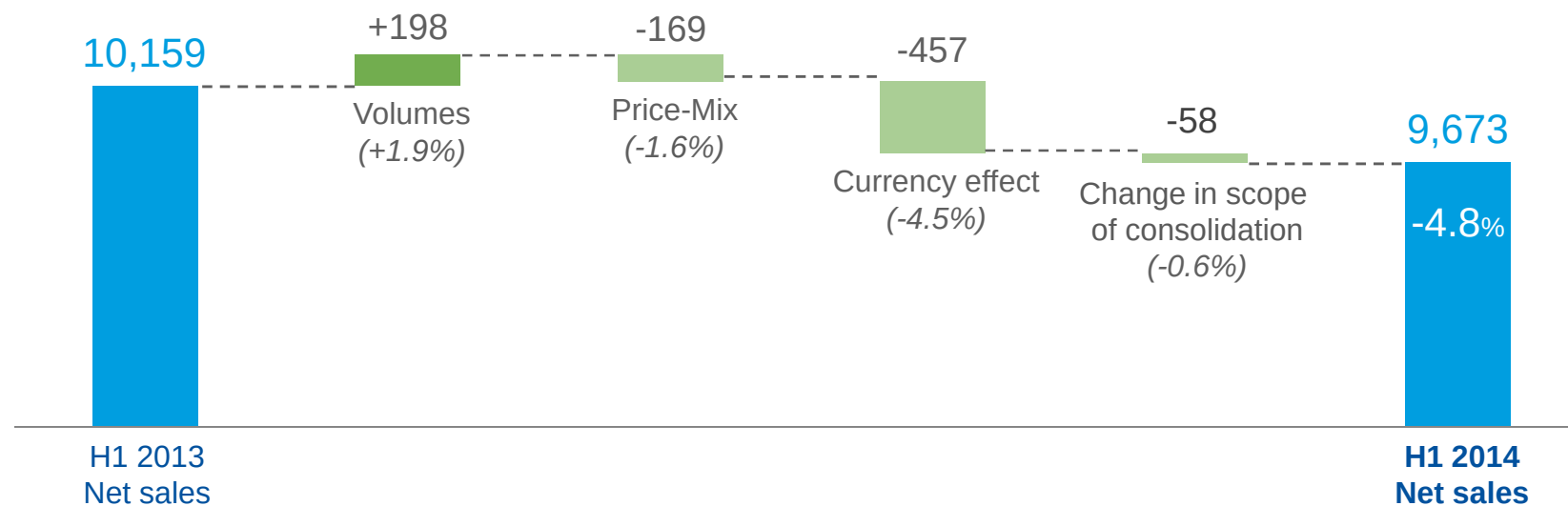
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SOLID PERFORMANCE

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



YoY change (in € millions)

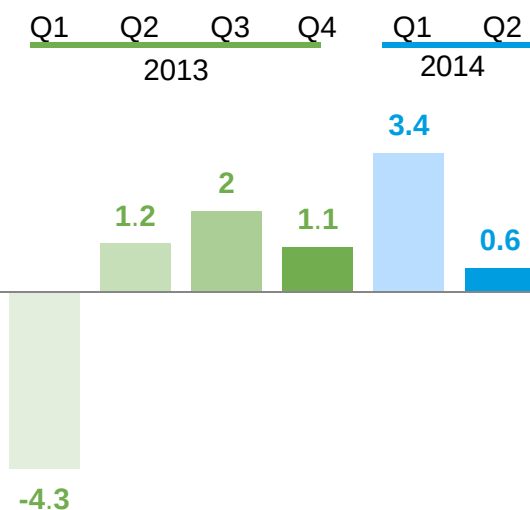


Q2: slight growth in volumes, a tighter price environment and a strong currency effect

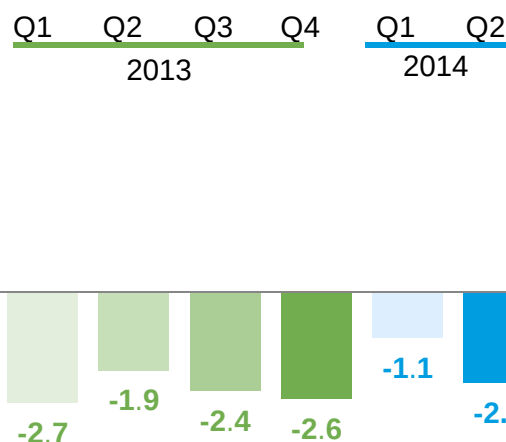


YoY change (In %)

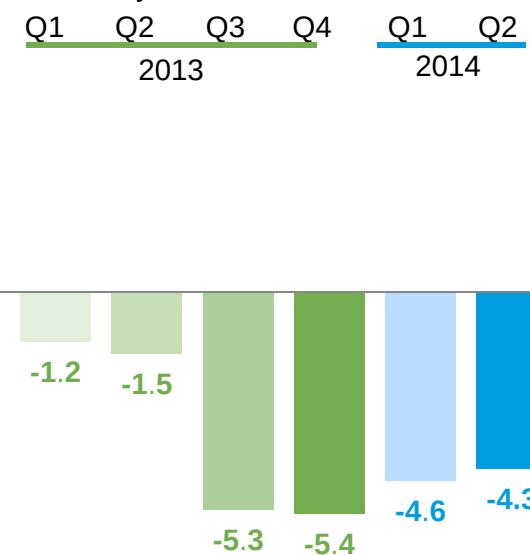
► Volumes



► 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



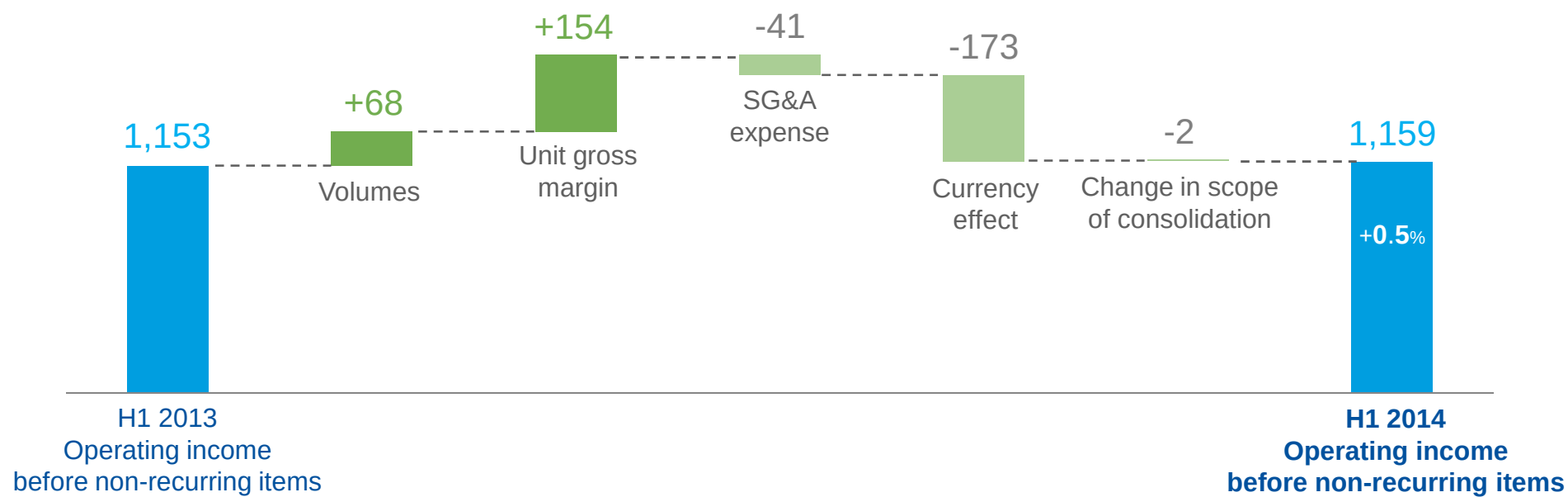
YoY change
(in %)



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



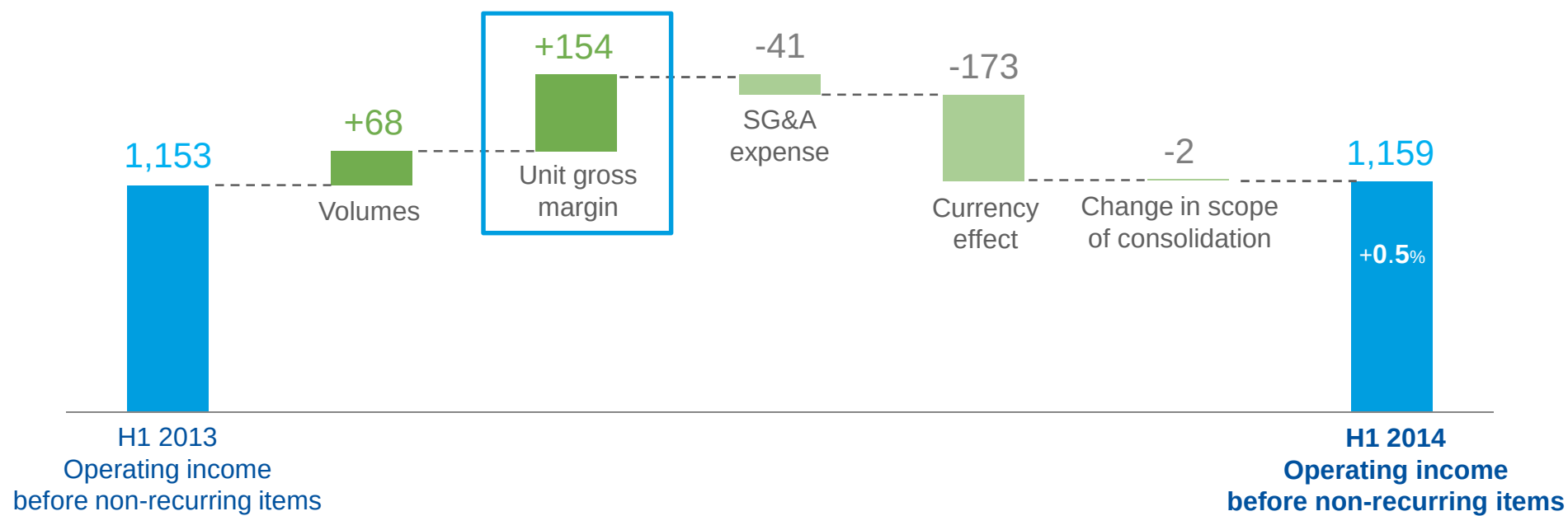
YoY change (in € millions)



Operating income: sharply higher unit gross margin



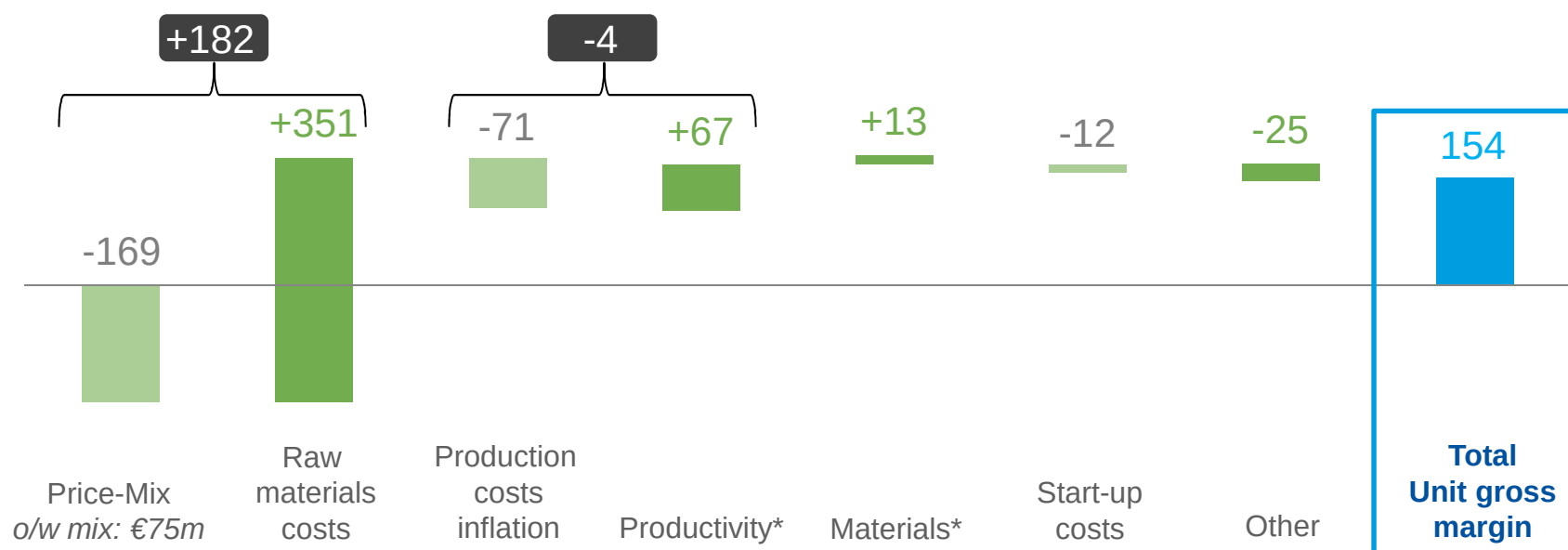
YoY change (in € millions)



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



YoY change in unit margin components (in € millions)



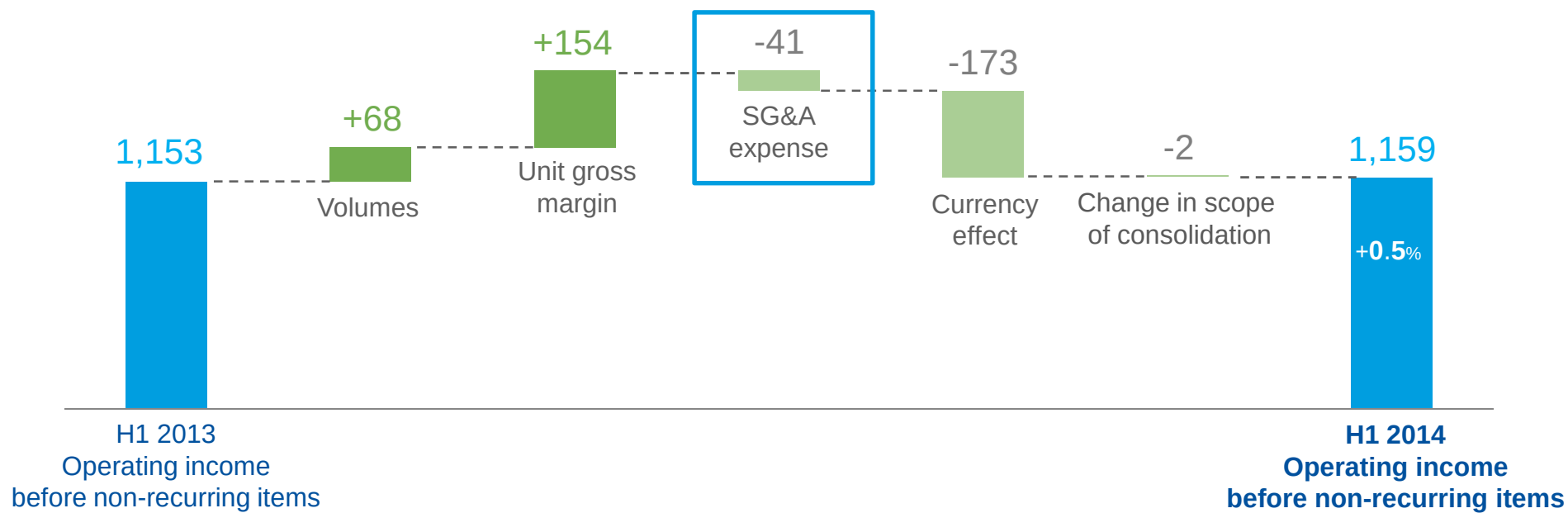
* Part of the Competitiveness Plan



Operating income: disciplined SG&A expense management



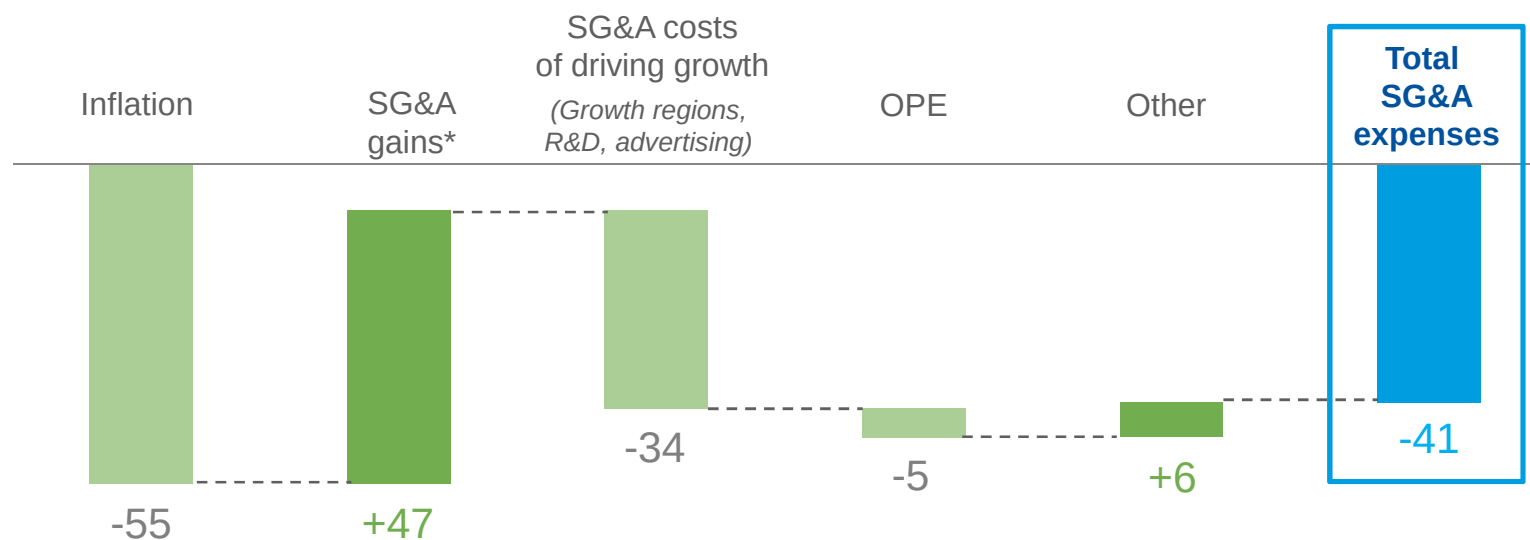
YoY change (in € millions)



Disciplined SG&A expense management



YoY change in SG&A (in € millions)



* Part of the Competitiveness Plan





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RESULTS BY REPORTING SEGMENT

Car and Light truck tires & related distribution: significant improvement in operating margin, in line with the full-year target



Car and Light truck tires (in € millions)



	H1 2014	H1 2013	% change
Net sales <i>Volume growth</i>	5,167 +2.4%	5,321	-2.9%
Operating income <i>(before non-recurring items)</i>	588	550	+6.9%
Operating margin <i>(before non-recurring items)</i>	11.4%	10.3%	+1.1 pt

► Unfavorable **Currency effect** on net sales (-4.0%) ► **Price-Mix**

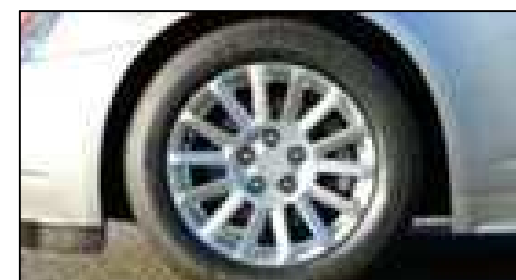
► **Volumes**

- MICHELIN brand grew in line with the market over the first half
- BFGoodrich and Kleber brands leveled out in Q2

- Application of raw materials clauses in OE and repositionings in RT
- Continued improvement in the mix



Innovation: MICHELIN Premier A/S exceeded initial sales forecasts by 35%



Safe when New, Safe when Worn, Safe when Worn vs. Competition



WET BRAKING DISTANCE



OVER A CAR LENGTH SHORTER WET BRAKING, WHEN WORN



Truck tires and related distribution: sustained improvement in margins



Truck tires (in € millions)



	H1 2014	H1 2013	% change
Net sales <i>Volume growth</i>	2,927 +2.4%	3,121	-6.2%
Operating income <i>(before non-recurring items)</i>	226	203	+11.3%
Operating margin <i>(before non-recurring items)</i>	7.7%	6.5%	+1.2 pt

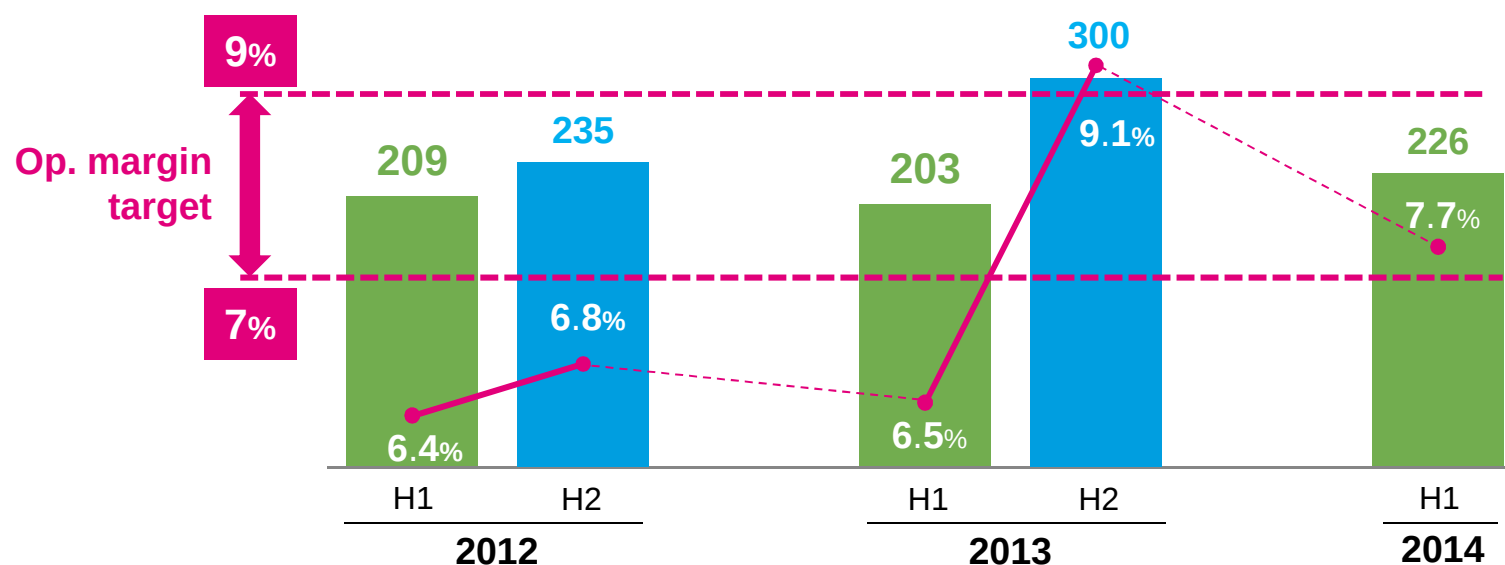
- ▶ Unfavorable **Currency effect** on net sales (-5.4%)
- ▶ **Volumes**
 - Performance in line with global market growth
- ▶ **Price-Mix**
 - Impact of indexation clauses in OE and price resistance in RT



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: margins still structurally high



Specialty businesses (in € millions)

	H1 2014	H1 2013	% change
 Net sales <i>Volume growth</i>	1,579 -1.8%	1,717	-8.0%
 Operating income <i>(before non-recurring items)</i>	345	400	-13.8%
 Operating margin <i>(before non-recurring items)</i>	21.8%	23.3%	-1.5 pt

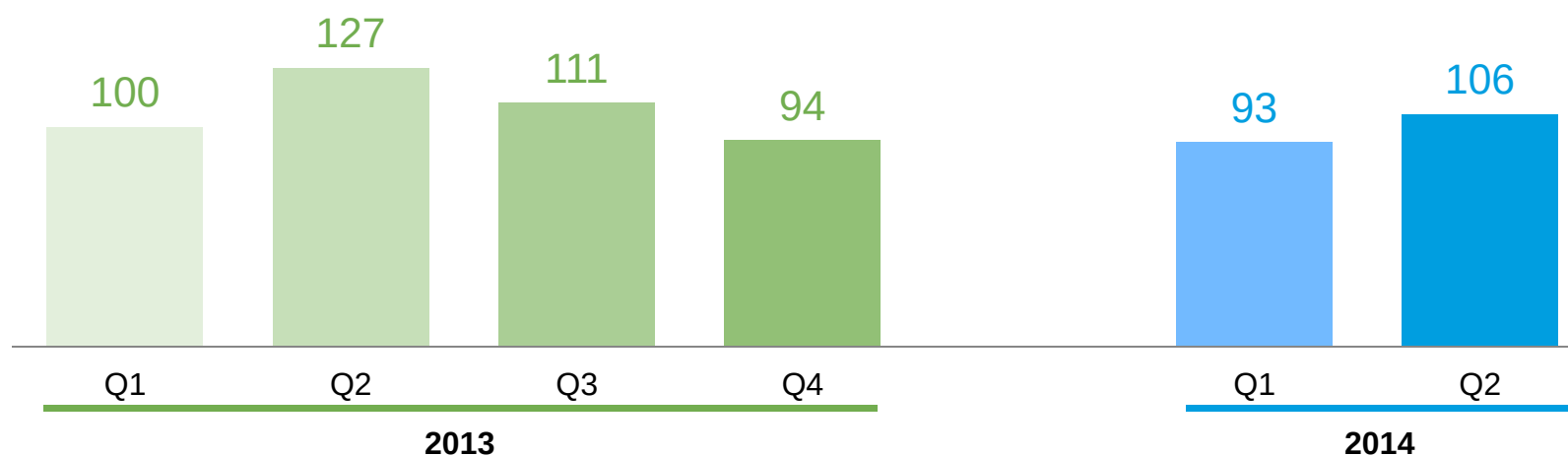
- ▶ Unfavorable **Currency effect** on net sales (-4.6%)
- ▶ **Volumes:** growth across every segment except mining
 - Mining volumes up QoQ after remaining flat in Q4 2013 and Q1 2014
 - OE Earthmover and Infrastructure improving
 - Strong growth in Agriculture, Two-Wheel and Aircraft volumes
- ▶ **Price:** application of raw materials indexation clauses



Mining tire volumes up slightly QoQ



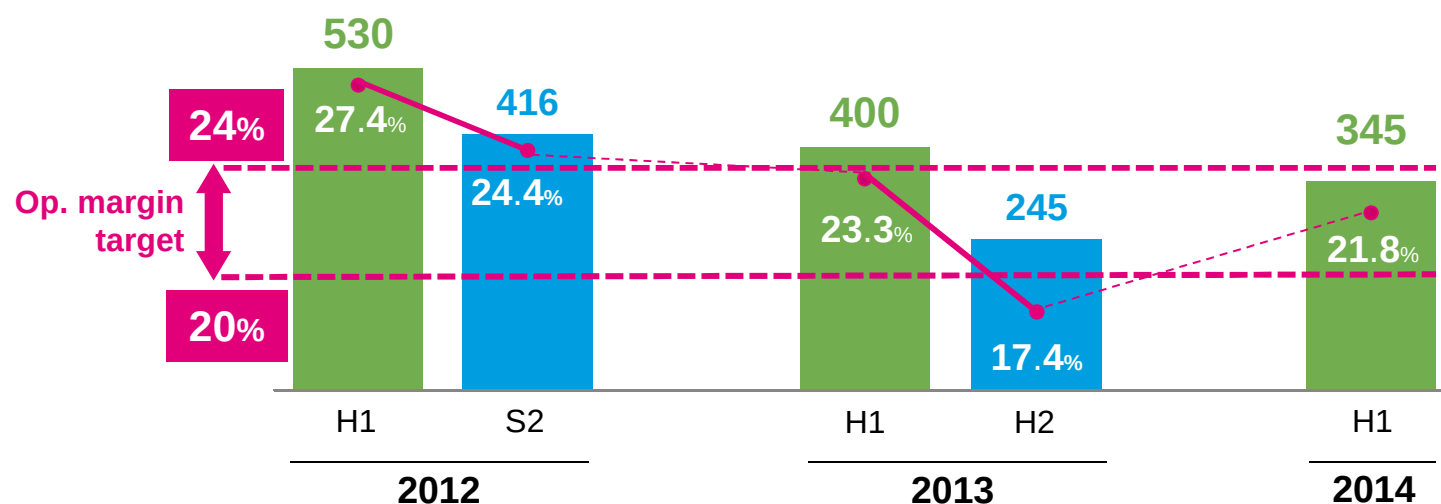
Mining tire sales volumes (base 100 = Q1 2013)



Specialty businesses: H1 operating margin led by seasonal market trends



Operating income

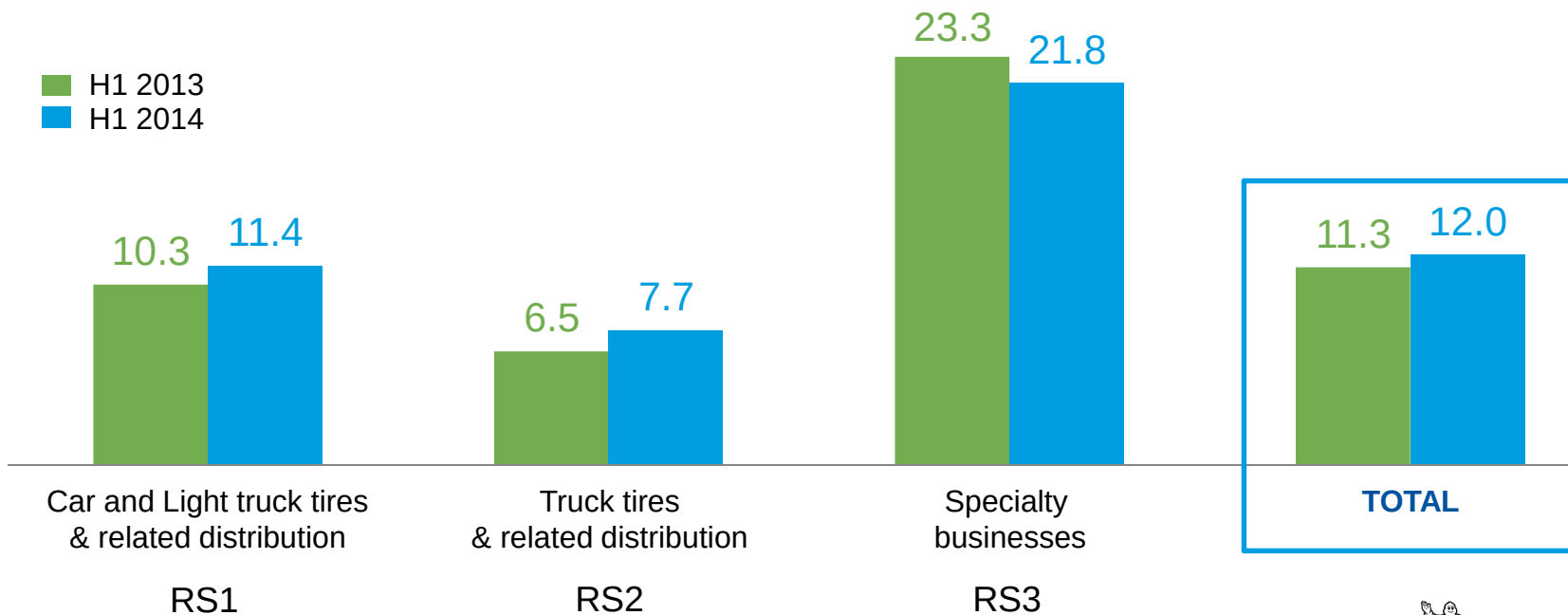


■ H1 operating income (before non-recurring items) ■ H2 operating income (before non-recurring items) ■ Operating margin (before non-recurring items)

Operating margin: in line with seasonal market trends and full-year targets



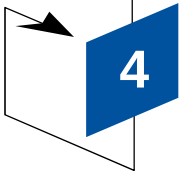
Operating margin before non-recurring items (as a % of net sales)





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A ROBUST FINANCIAL POSITION

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



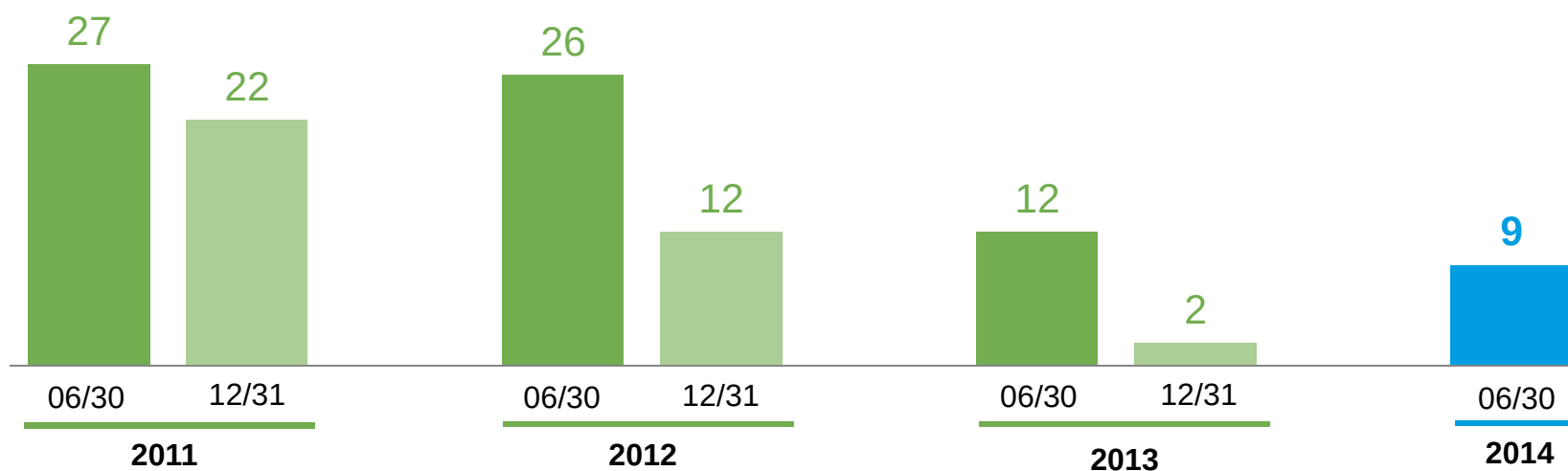
<i>In € millions</i>	H1 2014	H1 2013
EBITDA	1,687	1,675
Change in working capital requirement	(581)	(157)
Change in provisions	(85)	(109)
Cash flow from operations	1,021	1,409
Taxes and interest paid	(385)	(317)
Routine capital expenditure (<i>Maintenance, IS/IT, Dealerships</i>)	(312)	(290)
Available 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



A robust financial position: historically low gearing



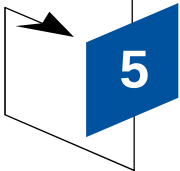
Gearing – Net debt / Equity (in %)





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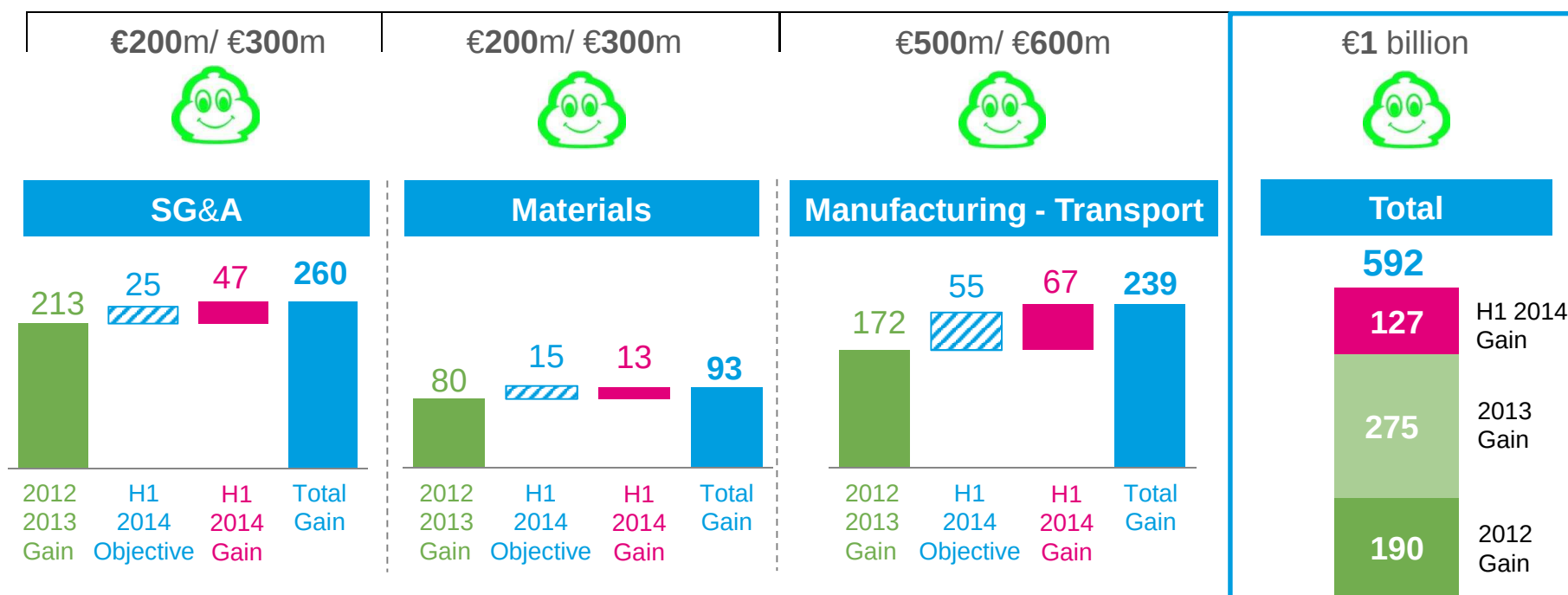
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FURTHER PROGRESS ON THE COMPETITIVENESS PLAN

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



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





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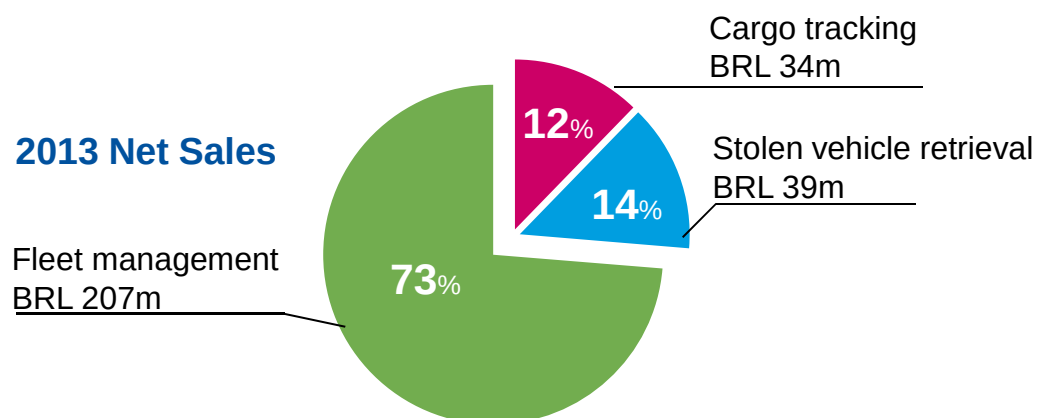
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OUTLOOK

Proposed Sascar acquisition would be 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

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

2014 guidance confirmed



2014 GUIDANCE

Volumes	Up by around 3%	confirmed
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
Operating margin before non-recurring items – Passenger car tires (RS1)	Middle of the 10-12% range	confirmed
Operating margin before non-recurring items – Truck tires (RS2)	Top of the 7-9% range	confirmed
Operating margin before non-recurring items – 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





2014 investor calendar

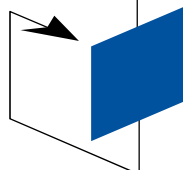


- ▶ **October 22, 2014:** Third-quarter 2014 net sales
- ▶ **November 10, 2014:** Investor Day in Shenyang, China
- ▶ **February 10, 2015:** 2014 results
- ▶ **May 22, 2015:** Annual Shareholders Meeting



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APPENDICES

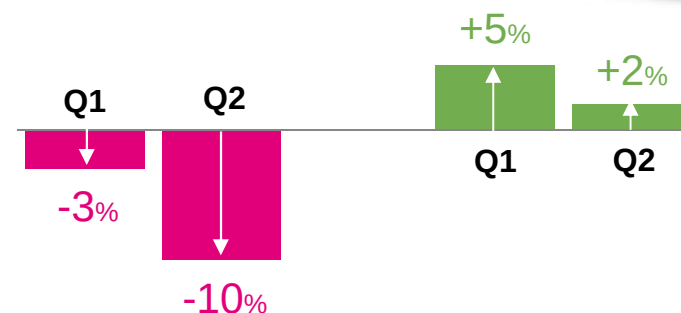
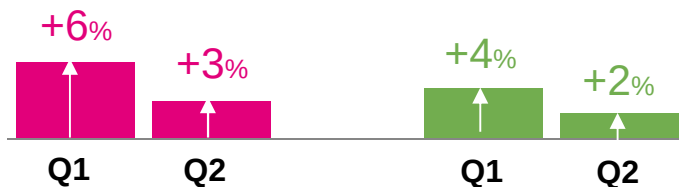
Car and Light truck & Truck - Europe: sustained strong growth excluding the CIS and Ukrain in Car and Light truck and a stable Q2 in Truck



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



■ Original equipment ■ Replacement



* Including Russia and Turkey

Source: Michelin



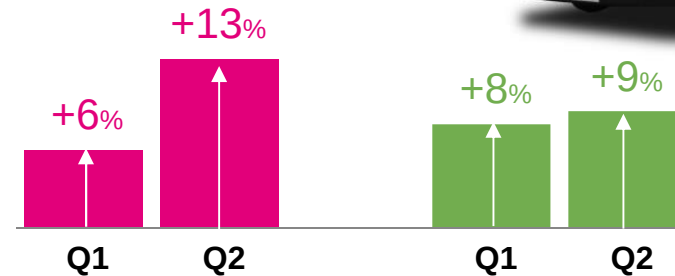
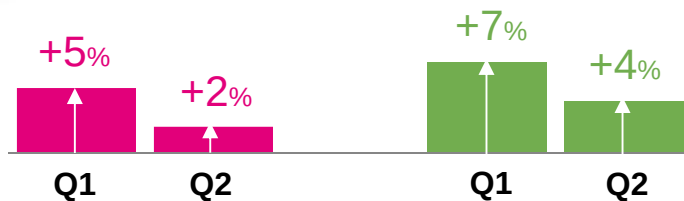
Car and Light truck & Truck - North America: still buoyant demand led by the Tier 3 segment



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



■ Original equipment ■ Replacement

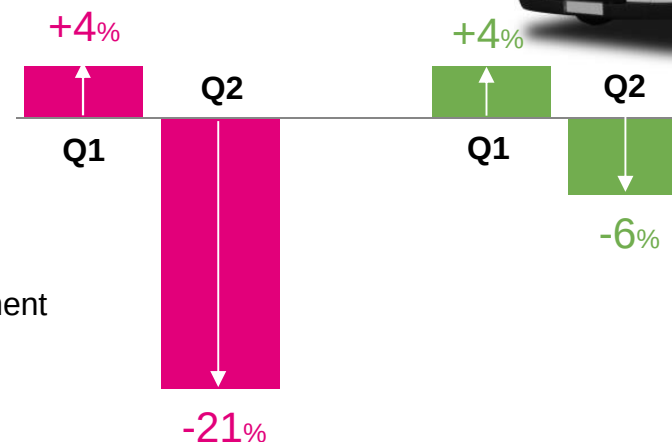
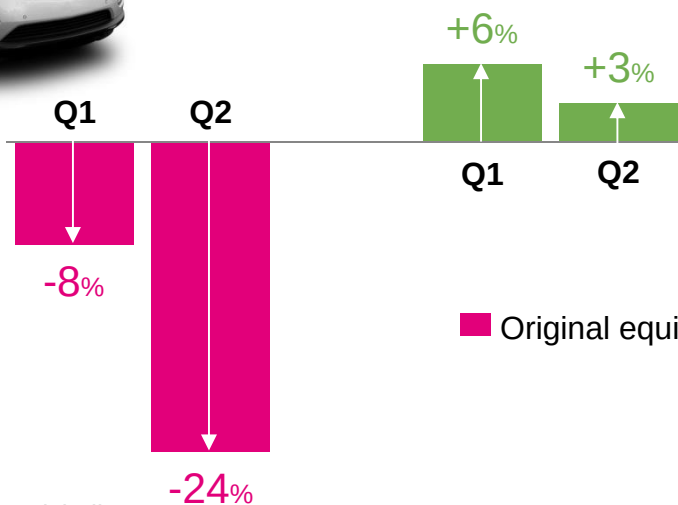


Source: Michelin

Car and Light truck & Truck - South America: slowing growth in the second quarter



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



■ Original equipment ■ Replacement

Source: Michelin



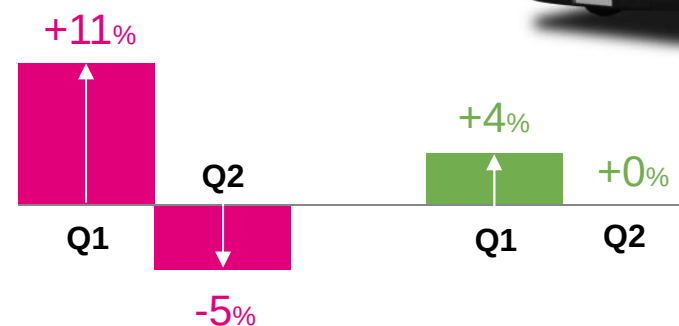
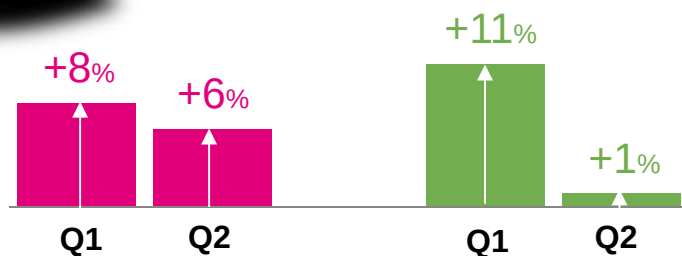
Car and Light truck & Truck - Asia (excluding India): slowdown in Q2, still buoyant demand for Car and Light truck tires in China



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



■ Original equipment ■ Replacement



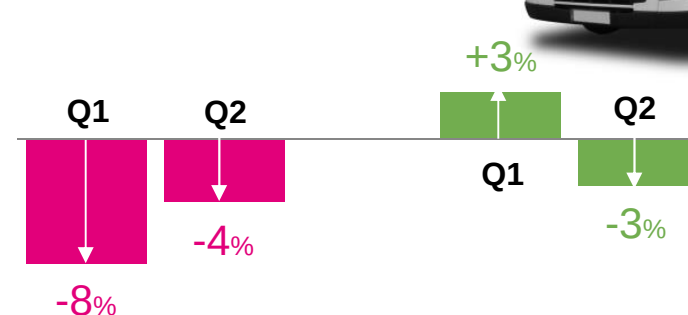
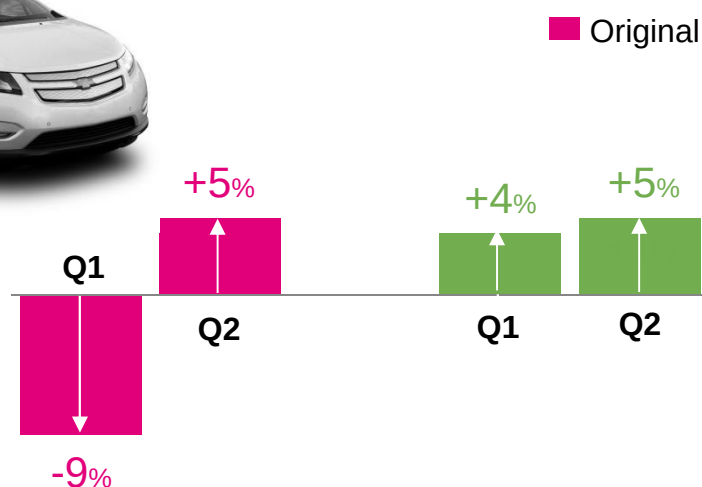
Source: Michelin



Car and Light truck & Truck - Africa, India, Middle-East: uneven markets



2014 markets, quarter by quarter – Africa, India, Middle-East (% change YoY, in number of new tires)



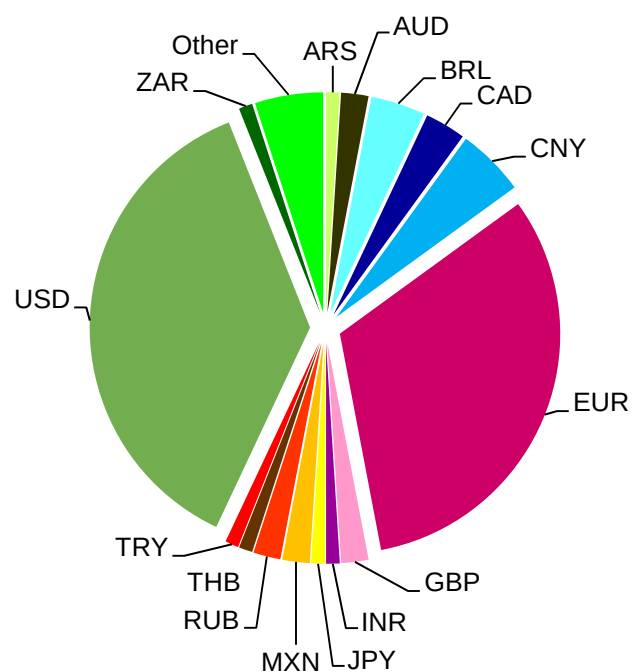
Source: Michelin



High currency exposure given the Group's global footprint



H1 2014 net sales by currency



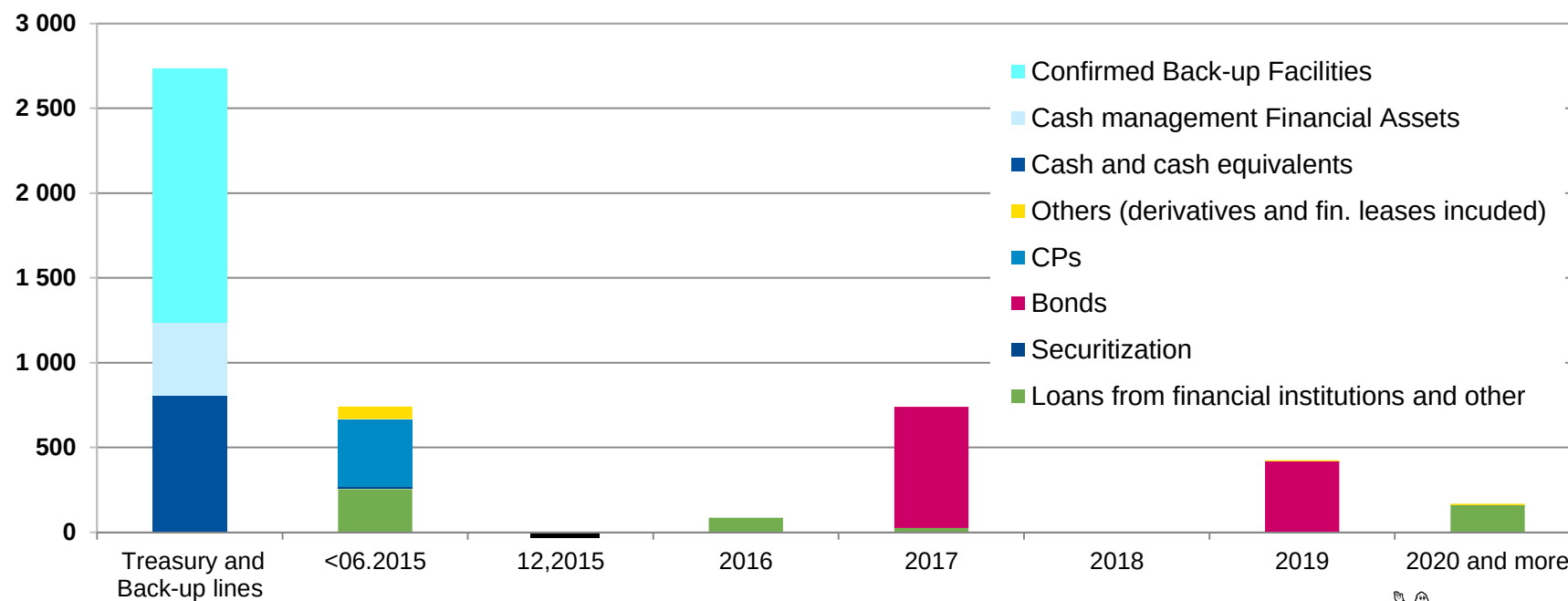
% of net sales	
ARS	1%
AUD	2%
BRL	4%
CAD	3%
CNY	5%
EUR	32%
GBP	2%
INR	1%
JPY	1%
MXN	2%
RUB	2%
THB	1%
TRY	1%
USD	37%
ZAR	1%
Other	5%

A comfortable cash position



Debt maturities at June 30, 2014

(Nominal value, in € millions)





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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