

INVESTOR DAY @ SHENYANG

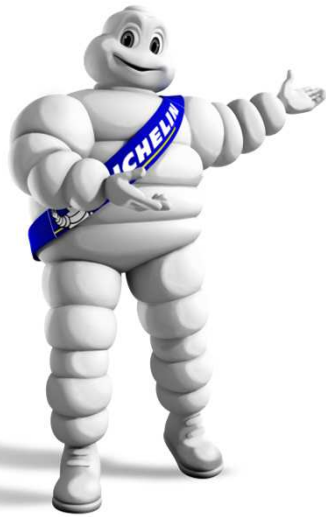
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MICHELIN CHINA
November 10, 2014



Outline



Truck & Bus Strategy in China

1. Truck & bus market overview
2. Strategy & Growth levers in China
3. Customer Stories: Our strategy delivering values
4. Takeaways



TRUCK & BUS MARKET OVERVIEW

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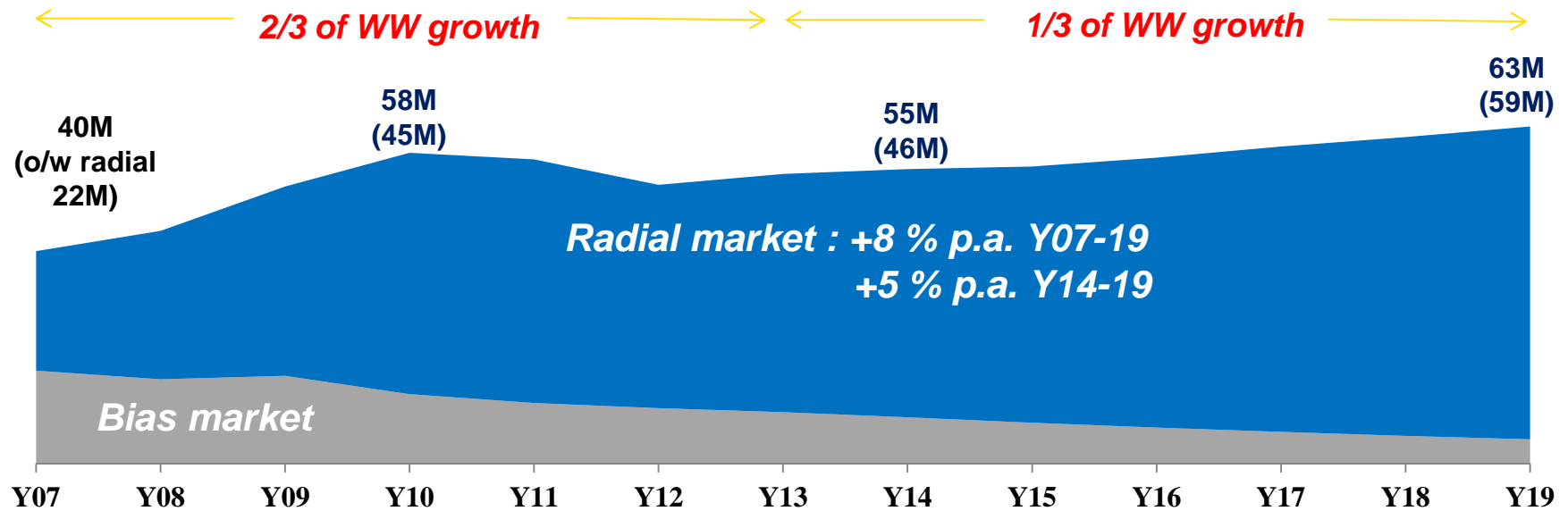
Fragmented road transport market: 16 million vehicles, 30 million drivers



Still inefficient (loading rate 60%)
Increasing transportation needs
Modernization and professionalization through consolidation



Fast growing tire market with high radialization rate



6x4 tractor +3 axle trailer



4x2 Rigid



4x2 Coach



4x2 city bus



引领进步之道

50% of worldwide TB tire production in China Competitive & low value market, local players dominating

 BRIDGESTONE

 GOODYEAR

100+ TB tire manufactures in China

~20% Capacity in surplus

 Giti
佳通轮胎

 正新轮胎
ZENGSIN TIRE

4:6 Export vs. domestic sales by local players

>90% Market share dominated by local tire brands

 CHAOYANG
朝阳轮胎



5 Chinese players among global top 20 tire manufacturers

Top 4 International brands in premium segment:
Michelin, Bridgestone, Goodyear, Pirelli

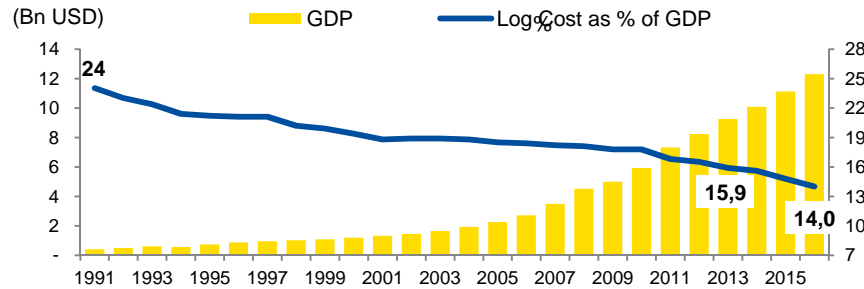
 TRIANGLE

 玲珑轮胎
ZENYU

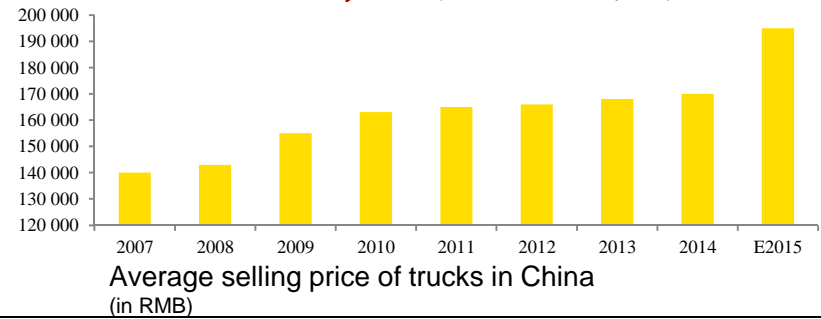


Modernization on the way

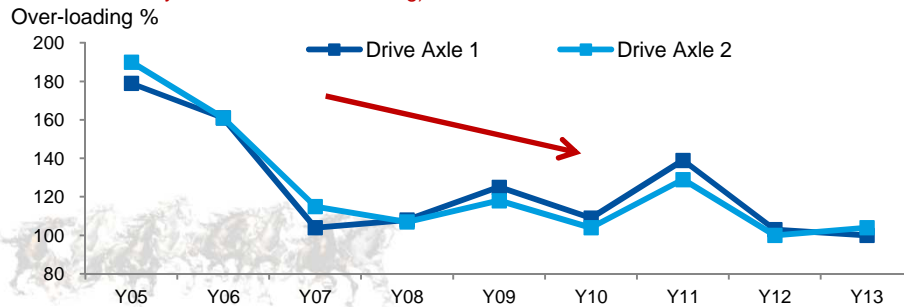
Decreasing total logistics cost as % of GDP through consolidation and professionalization
(source: TUC Institute)



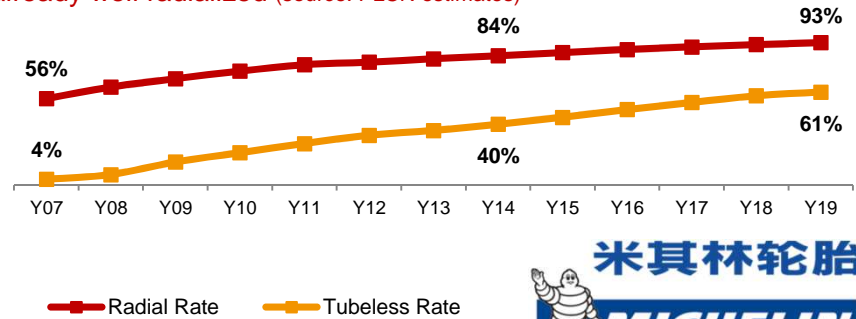
Average truck selling price raised significantly since 2009, >RMB 400K upper-end trucks expected to represent 10% of total sales by 2020 (source: IHS, Macquarie)



Road transport evolves towards standard loading
(over-loading % = actual weight carried by each of the axles / standard loading of the axle, measured by PLCN Product Marketing)



Tubeless-lization entered into a fast growth phase while the market is already well radialized (source: PLCN estimates)



Michelin Strategy Growth levers in China

2



Our 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



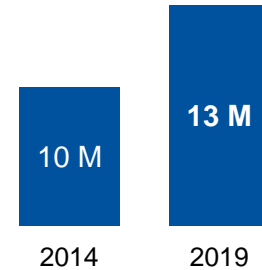
Cold Chain



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



Target segments size
28% radial Market
Faster growth than market



PRODUCT

- ▶ Full product range
- ▶ Technologic leadership on :



SERVICE

- ▶ From perceiving service as just maintenance, to pursuing service as solution

OE partnership

- ▶ To accelerate the new technology introduction



Our 6 Levers:

1. A solid understanding of Chinese end users

700,000



Vehicles recorded in Michelin database

45,000



End users in Michelin database

350,000



Vehicles checked by sales force

26,000



WYX members
Unique CRM in TB Market in China

300,000



End user face-to-face visits made

600



Roadshows in last 2 years

100,000



Vehicles approached by MFS contract

From data to insights



Our 6 Levers:

2. A dedicated product offer with adapted technological content

Shenyang2: State of the art



30% faster ramp-up, large standardization

Corporate Social Responsibility: female workers 10%



NEW Product: Performance with innovation



295/80R22.5 X Coach Energy Z
米其林首款为客运量身定做的轮胎

成本更节约!

- 最新一代产品独特的胎体结构
- 胎面进一步降低油耗 2%
- 米其林全新的结构设计
- 非硫化胎面工艺
- 优化的制造流程

行驶更安全!

- 特别加强的结构设计，比上一代产品增加了35%的冲撞强度
- 优化的胎口增加了耐久性能

80% product renew within next 3 years

Casing standardization



Our 6 Levers:

3. A professional service network, supported by unique digital applications

Service



From service outsourcing to onsite/mobile service
Digital : RFID, tire information system
CRM mobile: WYX 2.0



"In my shop, we attract new end users via Michelin product performance, afterwards we retain users and make them loyal to Michelin brand via our service."

--- One Michelin Service Center



"Today end user knows that services can not only extend tire life but also improve the productivity and cost efficiency of the fleets. In my shop, service margin contributes more and more".

--- One Michelin Certified Retailer



Our 6 Levers:

4. A complete access to market: direct approach with big fleets, large distribution network for other end users

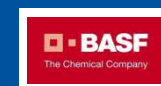
Direct approach for big fleets



80% T1/T2 urban bus fleet coverage, extension to T3/T4

100,000 vehicles in MFS direct contracts

30,000+ end user face-to-face visits annually



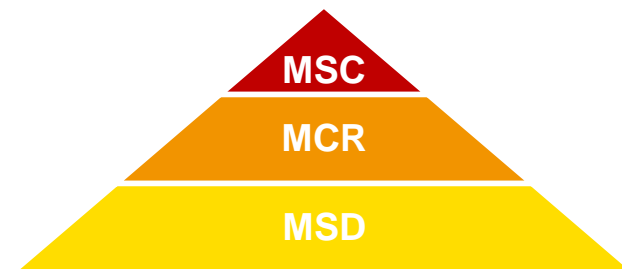
Large Distribution network for other end users



- Michelin Service Center (MSC)
- Michelin Certificated Retailer (MCR)
- Michelin Selected Dealer (MSD)

Service & end user experience in shop

Professional & trustful brand image



Our 6 Levers:

5. A powerful Michelin brand

Branding



99% Michelin brand awareness

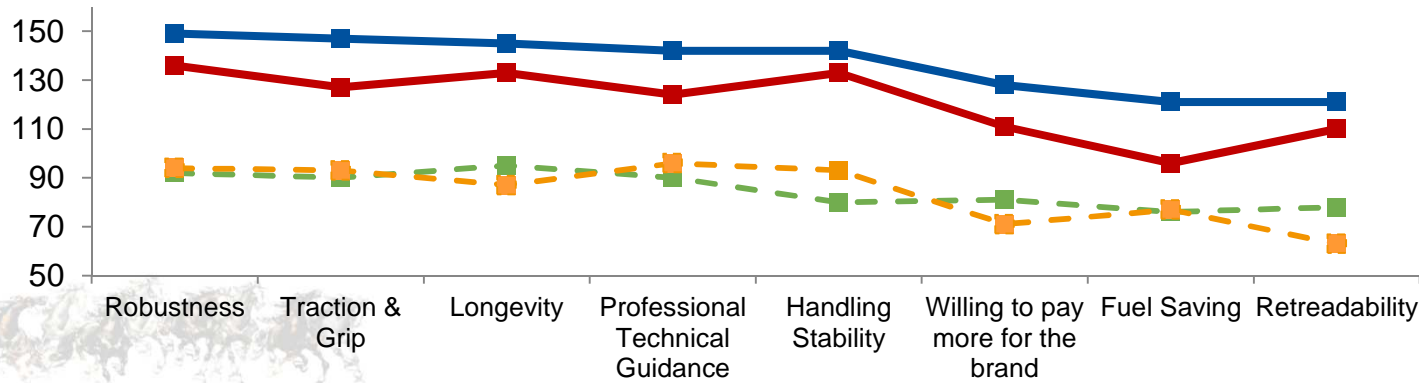
#1 “top of mind” brand of Michelin

#1 brand equity in terms of quality and uniqueness

#1 & 85% OE->RT loyalty



“I buy Michelin tires since 10 years because of safety. No other brands can give me such experience of safety & trust. Besides that Michelin technicians visit me, and give me a lot of advice.”
-- Coach EU in Chengdu



- MICHELIN
- Tier 1 competitor
- Chinese competitor 1
- Chinese competitor 2

Brand image index
Source: Brand Health Tracker 2013



Our 6 Levers:

6. A committed and talented team

Team



90%

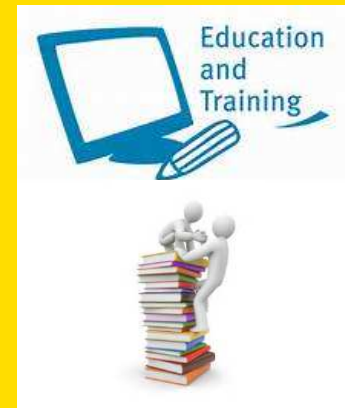
People retention rate (market average @ 79%)
Career management
Leadership team localization

12%

sales persons in “potential” program

260

training hours per person per year



CUSTOMER STORIES
our strategy is delivering value

3



Customer Story:

“Deliver safety to Beijing citizens with Michelin”



#1 Urban bus fleet in world, with 160K employees

22,000+ Buses on ground

Cooperation since 2005

Outsourced Service to Michelin

30% breakdown reduction

99% SOA in new 5-year contract



Customer Story:
“Being always on time with Michelin”



Largest fleet in express & parcel delivery industry

5,000+ self-owned Points of Sales

8,000+ trucks on ground

6% operating cost saving thanks to Michelin tires

95% share by Michelin in heavy duty truck tires

Outsourced services to 54 depots under deployment



KEY TAKEAWAYS

4



Takeaways

- ▶ A huge & competitive market, modernization on the way
- ▶ A relevant strategy
 - Targeting 5 high value segments
- ▶ Powerful levers
 - Customer insights
 - Innovative and differentiating product & services
 - Large market access: OE, distribution, major fleets
 - Brand & People

Ambition: Increase penetration in targeted market segments



THANK YOU

