

Forum Relation Investisseurs

ODDO

14 Novembre 2013



The Pillars of our Strategy

1 Innovate to drive differentiation and loyalty

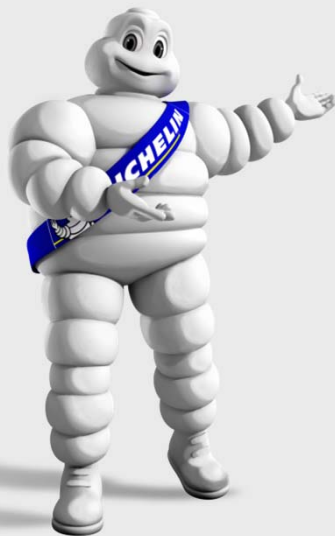
Continuously become more competitive **2**



3 Drive faster growth



ODDO- Forum Relation Investisseurs – 14 Novembre 2013



- 1 SIX MAJOR AMBITIONS FOR 2020**
- 2 Q3 2013 NET SALES IN LINE WITH FULL-YEAR OUTLOOK**
- 3 2013 GUIDANCE**
- 4 2014 OUTLOOK**
- APPENDICES**



1 SIX MAJOR AMBITIONS FOR 2020

1

Product Performance Leadership:

Performance composit index specific to each market segment

- **Safety**
- **Energy saving**
- **Longevity**
- **Road noise reduction**

with a mass reduction bonus when applicable

**2020 new product performance objective:
up 10% vs. 2010 product performance**

1

Product Performance Leadership: Example

**5% on performance
+ 5% on mass reduction bonus
= 10% global**



**Mass reduction
105**

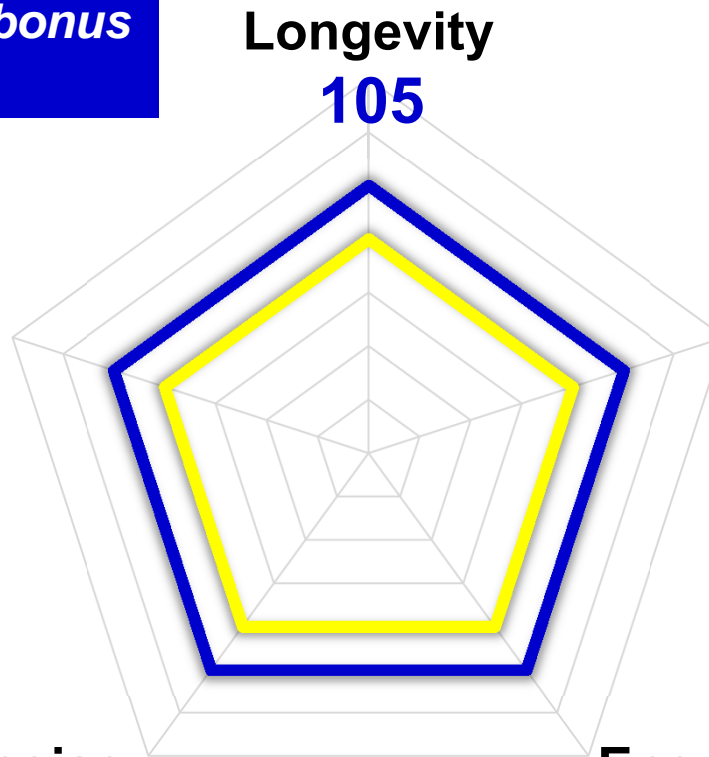
**Road noise
105**

**Longevity
105**

**Safety
105**

**Energy saving
105**

— 2010
— 2020

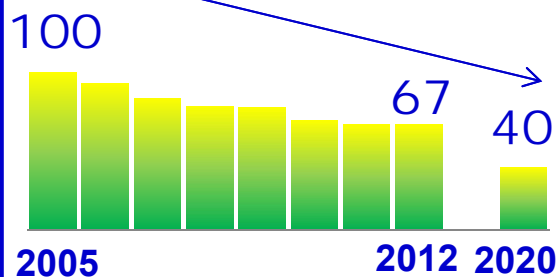


2 Leadership in Responsible Operations

Resource consumption

Air emissions

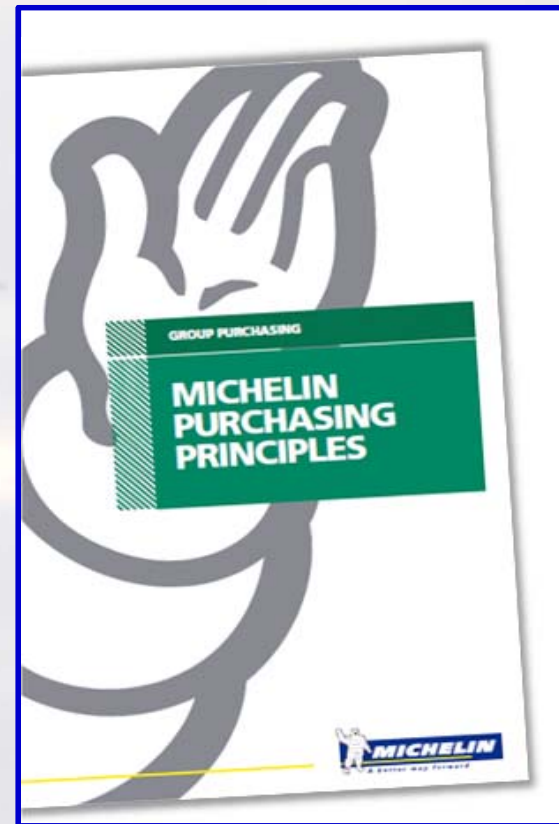
Waste



**Responsible
Production Process**



**Responsible logistics
to contribute to 10% CO₂ cut**

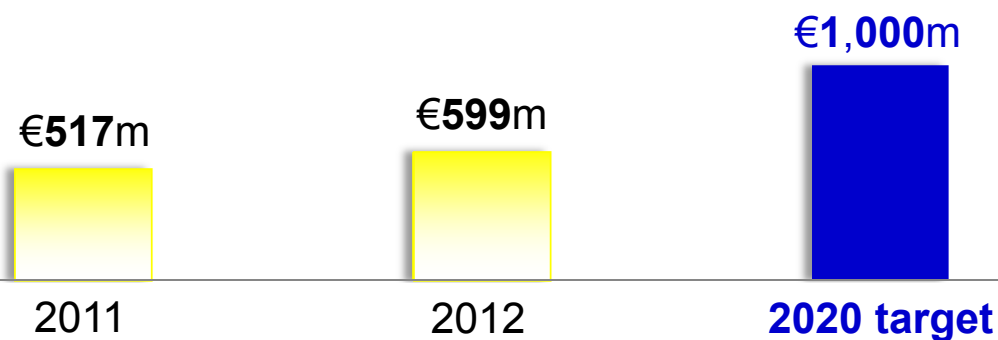


**70% of suppliers in line with
Michelin corporate standards**

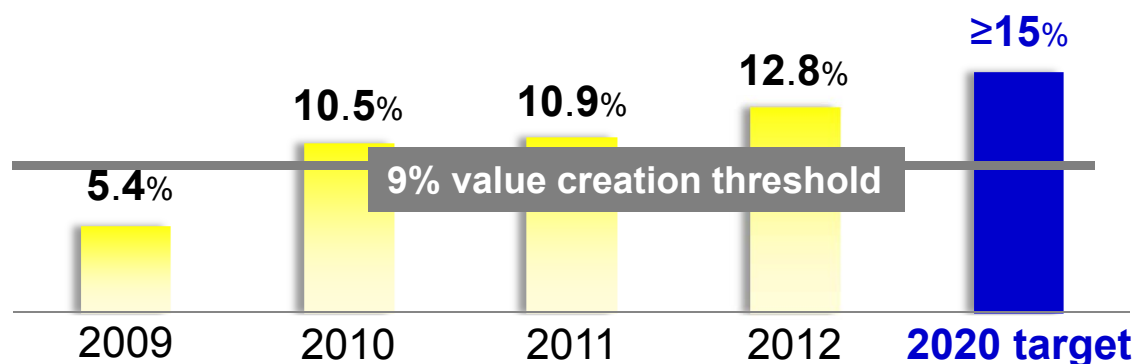
3

Sustainable Financial Performance

**Deliver a structural €1billion
Free Cash Flow from 2020**



2020 ROCE: $\geq 15\%$

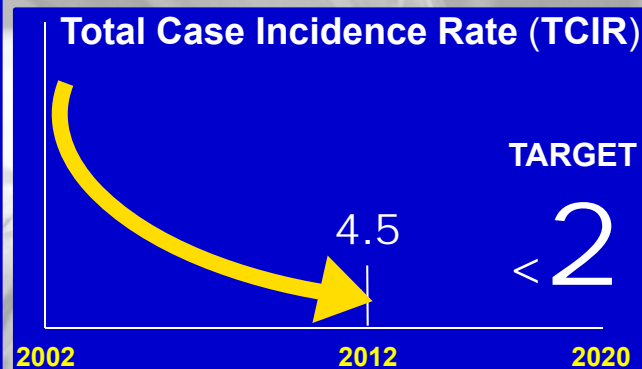


4 Commitment to the Well-being and Development of our Employees

Managers: **75%** coming from within the company

Women managers:

from 18% to **30%**



Achieve and maintain an **85%** Employee Engagement Rate at Group level



5

Live in Harmony with our Communities



30,000 working days per year donated by Michelin employees to support communities



> 2,000 jobs created annually with Michelin involvement to support local businesses



100% of Michelin sites deploy a community involvement program

6

Advocacy: Fostering Better Life through Sustainable Mobility



Rallying together
towards sustainable road mobility



2014 edition in China



Promote mobility
solutions



Action for road safety

Cement kiln



Synthetic sport grounds



Re-use in new tires



Recycling tires





2

Q3 2013 NET SALES IN LINE WITH FULL-YEAR OUTLOOK

Net Sales of €15,282m over First 9 Months, Sales Volumes Up 2% in 3rd Quarter

► Markets: **up in Q3**

- Europe: Q2 rebound confirmed, but level still weak
- North America: recovery in Car & Light truck tires, especially Tier 3; Truck tires still uncertain
- Emerging markets: good overall trend

► Sales volumes: **up 2% in Q3**

- Stable over 9 months, in line with annual objective

► Price effect: **stable in Q3 in relation to H1**

- Price rises in countries experiencing currency depreciation

► Currency effect: **-5.3% in Q3**

- Combined impact of decline in the USD and CAD (30%), JPY (10%), BRL and ARS (20%) and other currencies



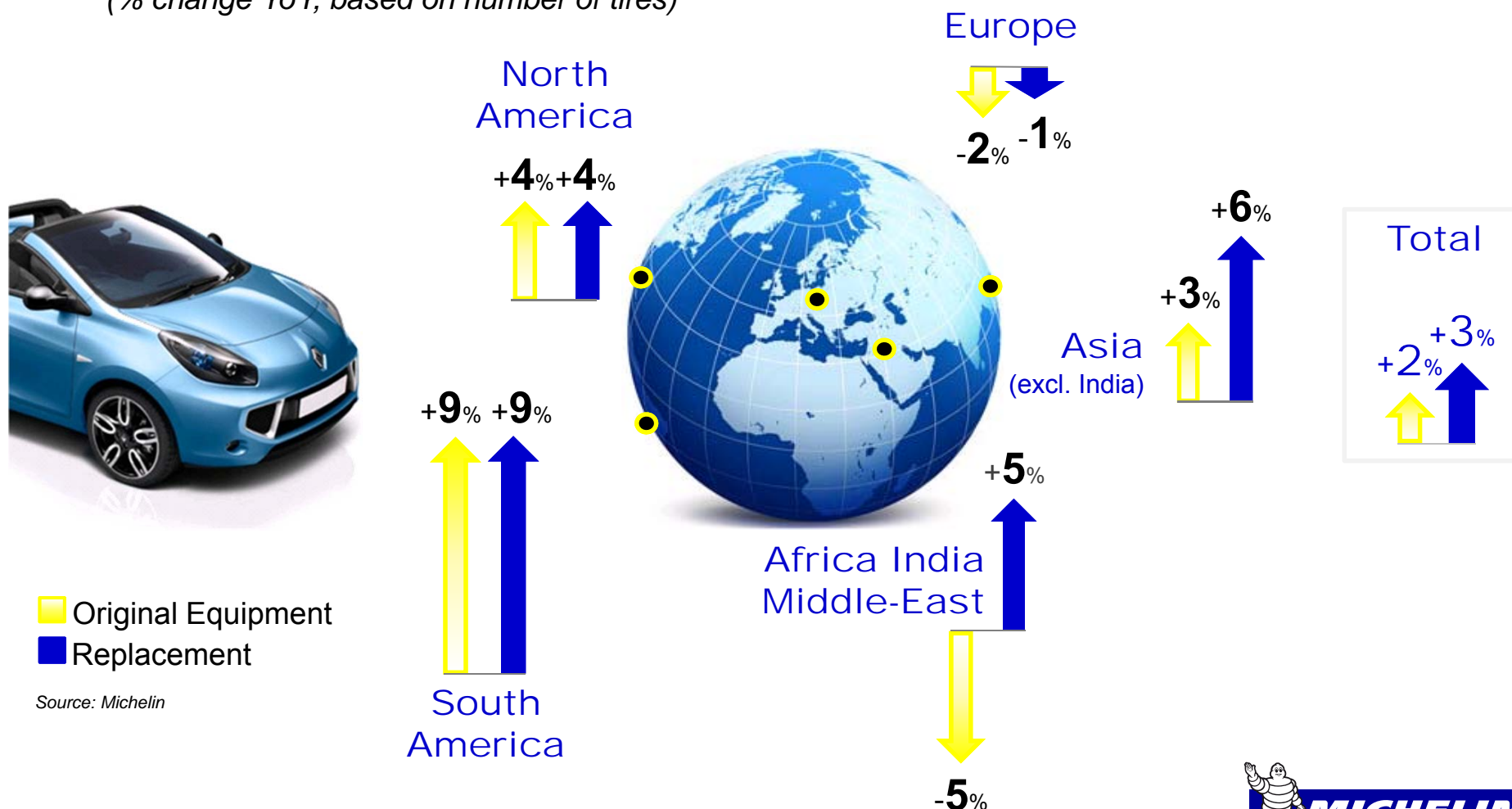


**MARKETS ON A GOOD TREND
IN Q3 AS EXPECTED**

Car & Light Truck: All Markets Up in Q3 except Eastern Europe

Markets at September 30, 2013

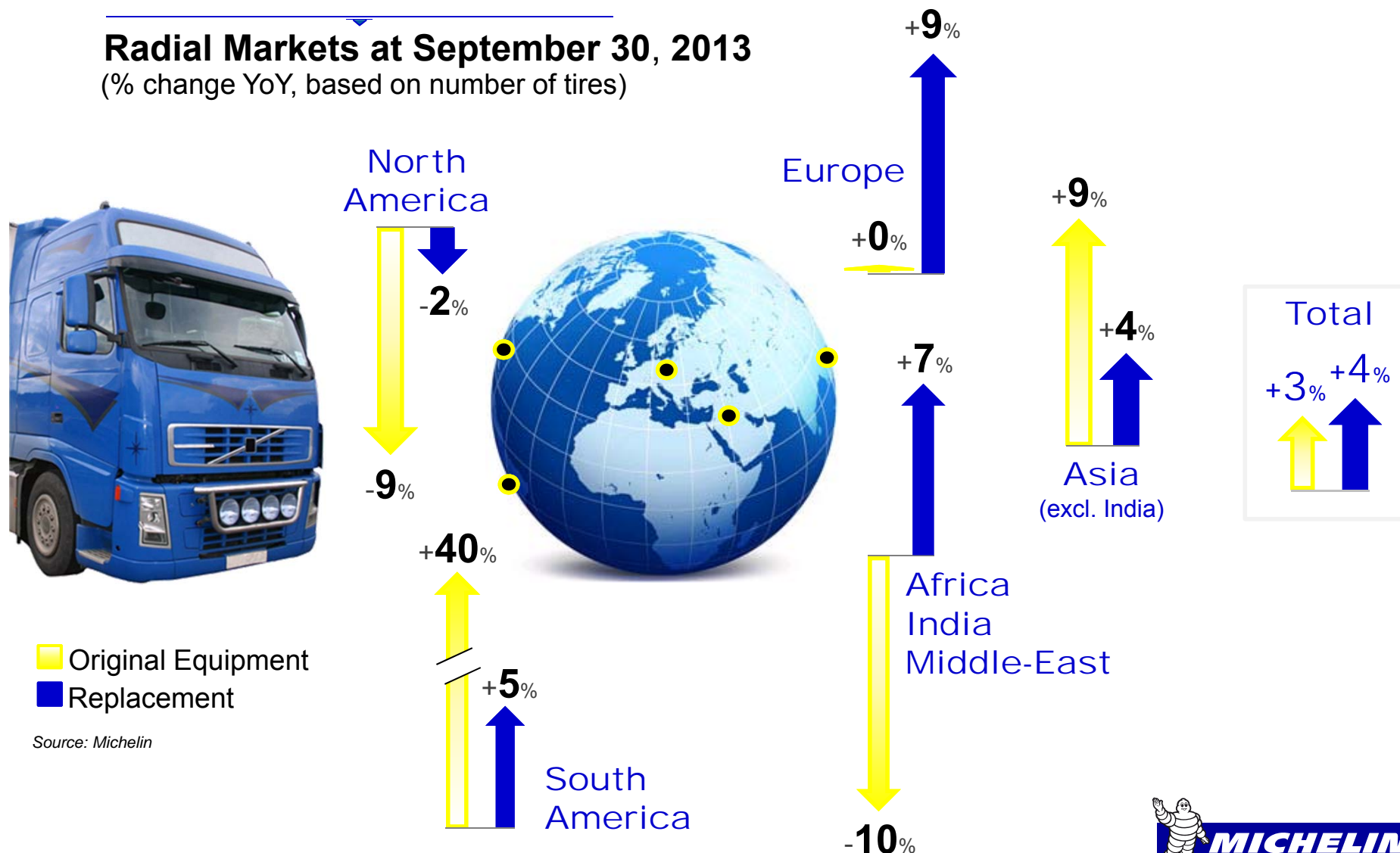
(% change YoY, based on number of tires)



Truck: Technical Rebound in Europe but still Uncertain in North America

Radial Markets at September 30, 2013

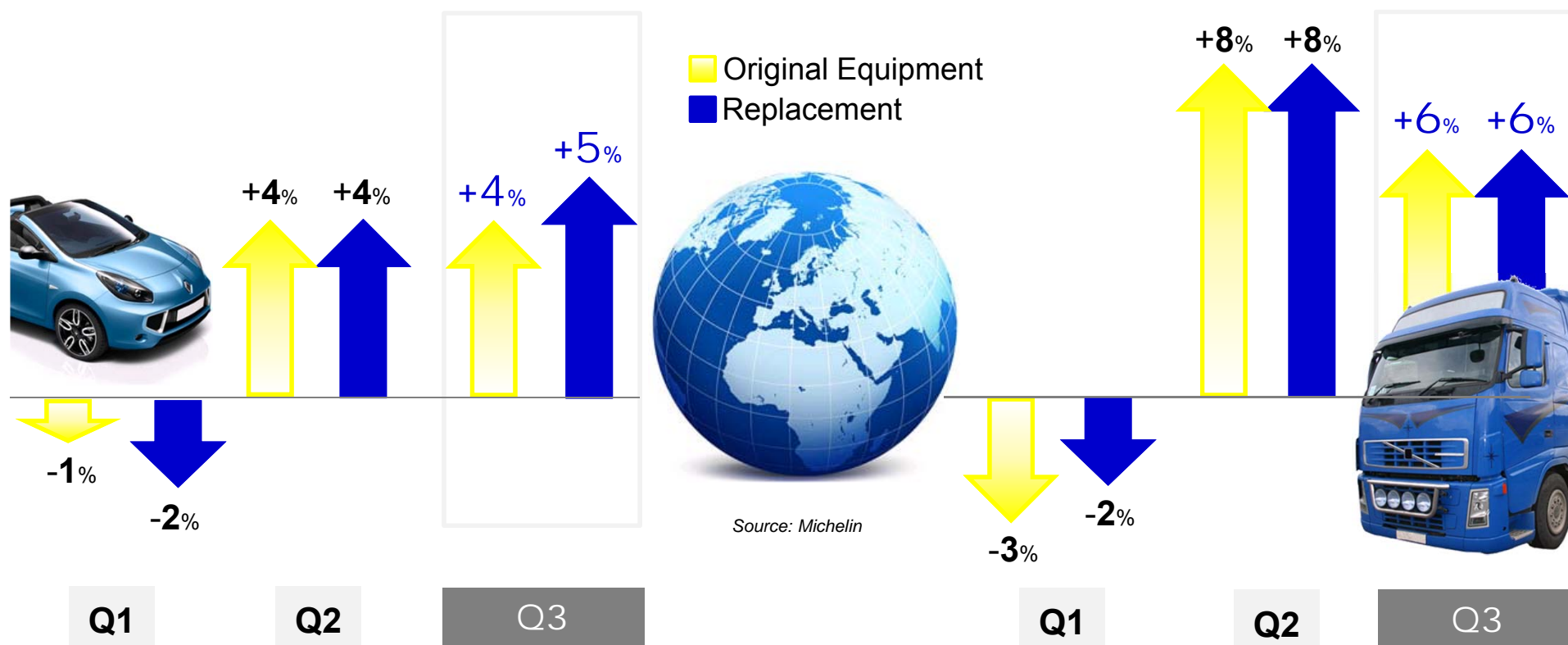
(% change YoY, based on number of tires)



Cars & Light Trucks and Trucks: Q3 Continues on Q2 Trend

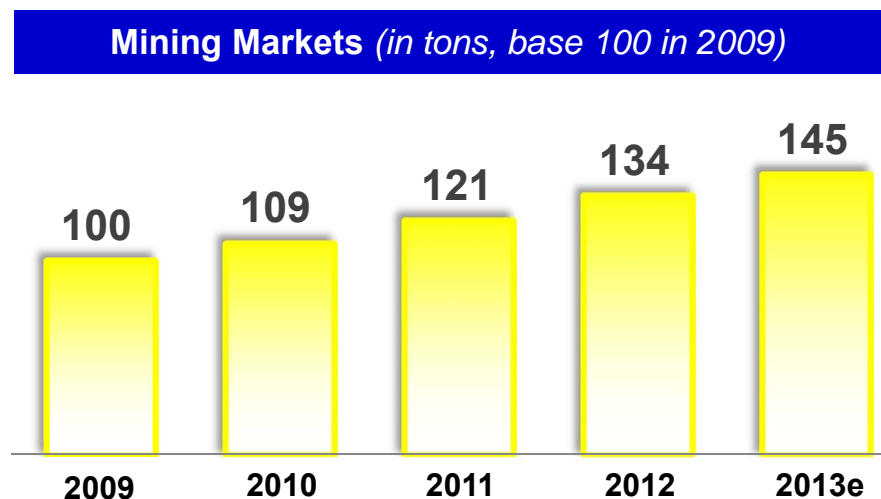
2013 worldwide markets by quarter

(% change YoY, based on number of tires)



Earthmover: Slower Growth in Mining; Other Markets Sensitive to the Business Environment

► Mining: slower growth



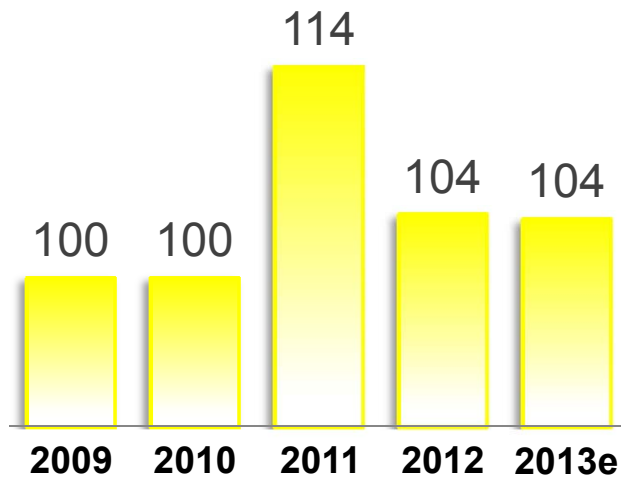
► Other Earthmover: difficult market conditions

- Original Equipment: sharp decline
- Infrastructure: continued inventory draw-downs

Agricultural: Stable Overall, with Growth in Technical Tires

Agricultural Markets

(base 100 in 2009, in number of tires)



- ▶ Slower demand for OE tires
- ▶ Slight recovery for RT in Europe
- ▶ Growth in demand for technical tires



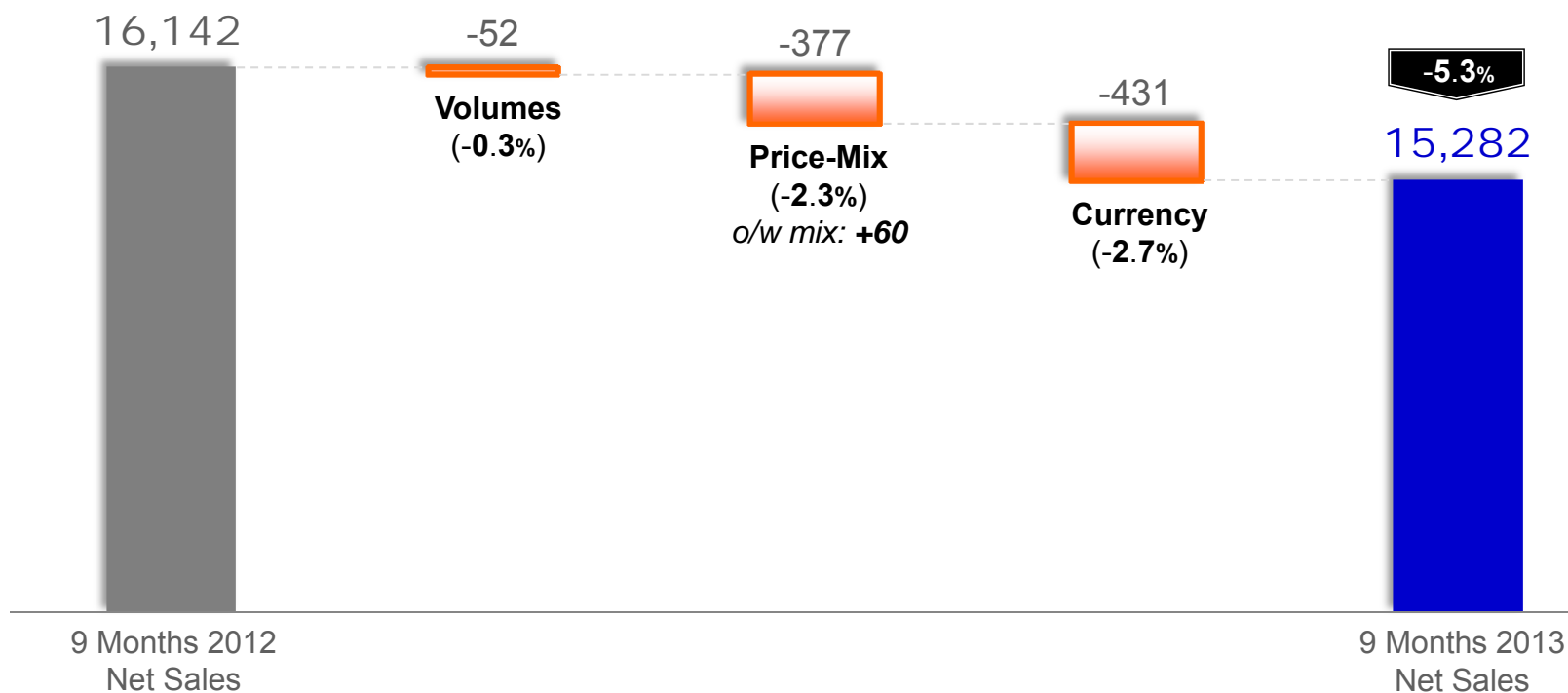


NET SALES IN LINE WITH FULL-YEAR OUTLOOK

Volumes in Line with Full-Year Forecasts

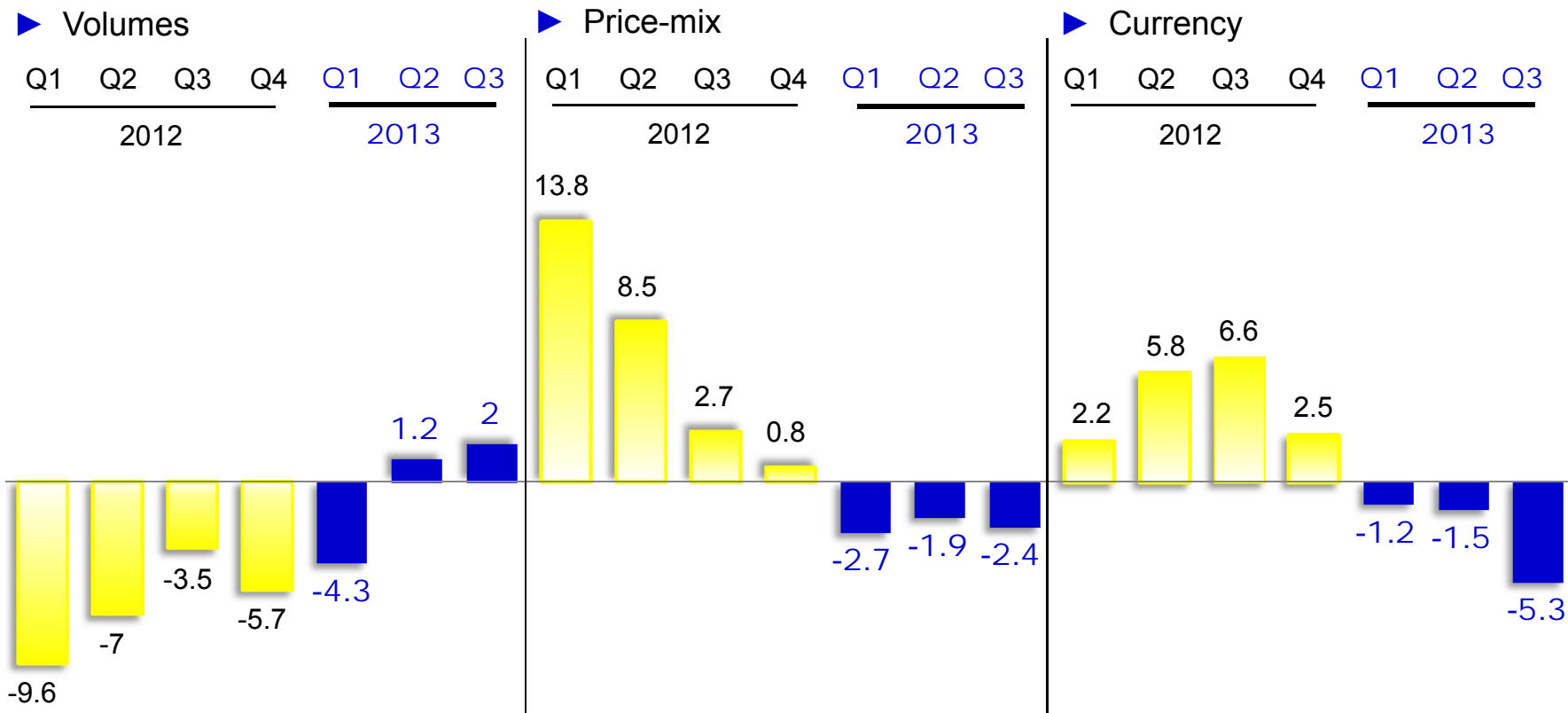
YoY change

(in € millions and as a % of net sales)

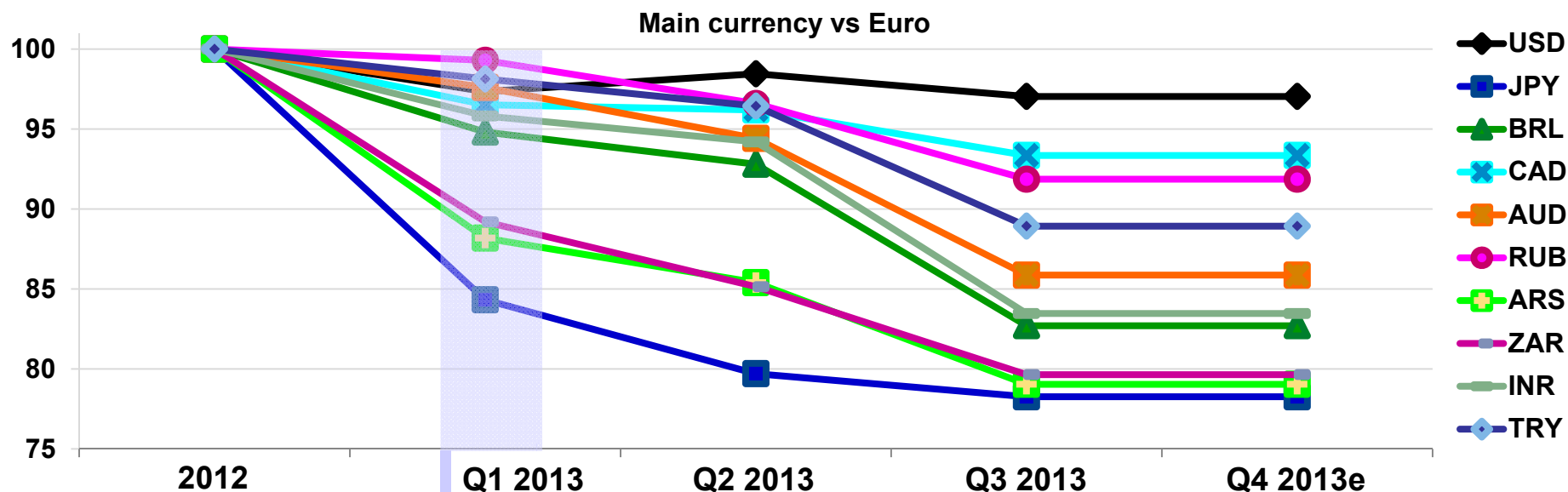


Continued Growth in Q3, Stable Price Effect and Significant Currency Effect

% change YoY



Significant Currency Effect: USD and JPY Generally in Line with our February Assumptions



	Guidance 02/2013	Q1 2013	Q2 2013	H1 2013	Q3 2013	9M 2013
Net sales		4,877	5,282	10,159	5,123	15,282
Currency effect / Net sales		-61	-82	-143	-288	-431
Operating income	Flat			1,153		
Currency effect / Op. income		-100/-150		-49		





OPERATING SEGMENTS

Passenger Car & LT and Related Distribution: Stepped-up Growth in Q3

Passenger car and Light truck

(in € millions)



	9 months 2013	9 months 2012	Change
Net Sales	8,023	8,298	-3.3%
Volume growth	+0.9%		

► Volumes

- Strong upturn in sales (up 4% in Q3)
- Winter market down as expected

► Price-Mix

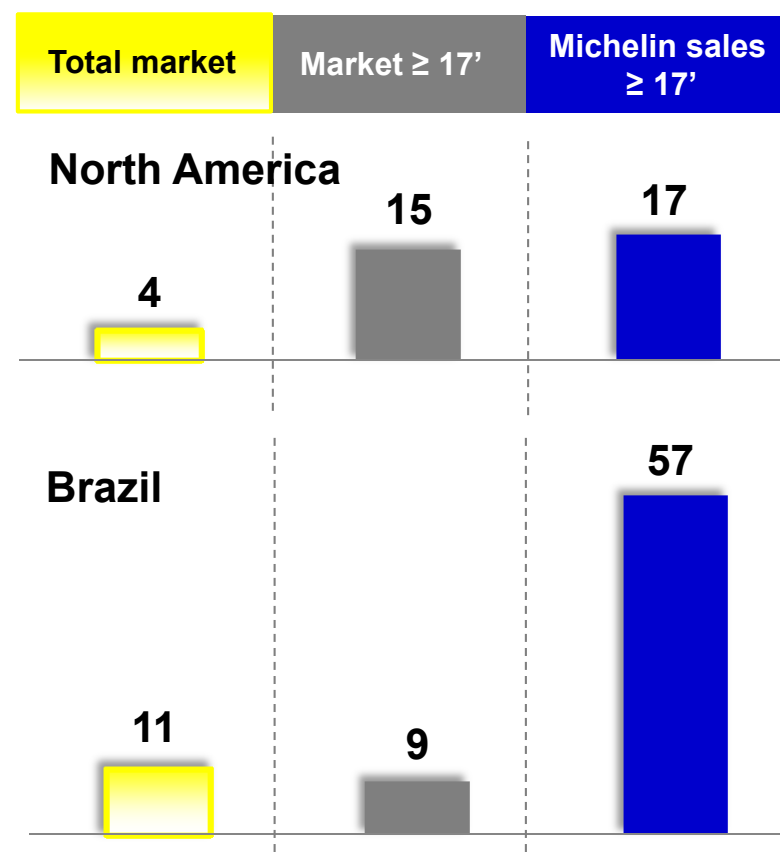
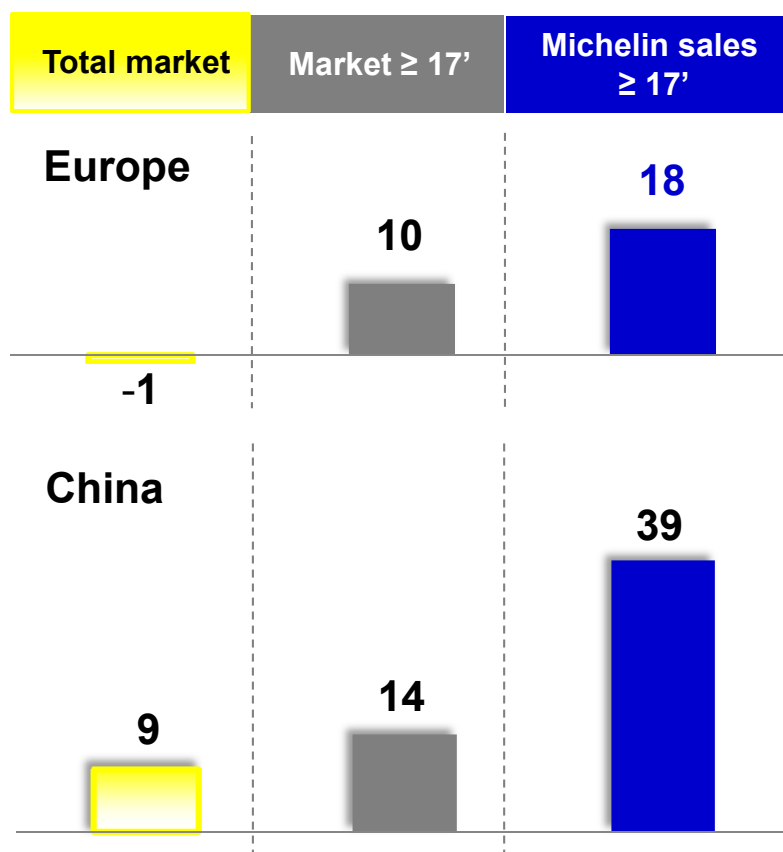
- Price: managed repositioning
- Mix: favorable, led in particular by ≥17'



The Premium Car & Light Truck Tire Segment: a Major Growth Opportunity Being Seized by Michelin

Growth in the replacement Car & Light truck market

(YoY change at end-September 2013, in %)



Truck & Associated Distribution: Continued Improvement

Truck

(in € millions)



	9 months 2013	9 months 2012	Change
Net Sales	4,781	5,044	-5.2%
Volume growth	-0.6%		

- ▶ Priority given to Truck tire profitability improvement
- ▶ Favorable impact from raw materials
- ▶ Unfavorable currency effect cushioned by price increases in markets experiencing currency depreciation



Specialty: Resilience in a Difficult Environment

Specialty Businesses

(in € millions)

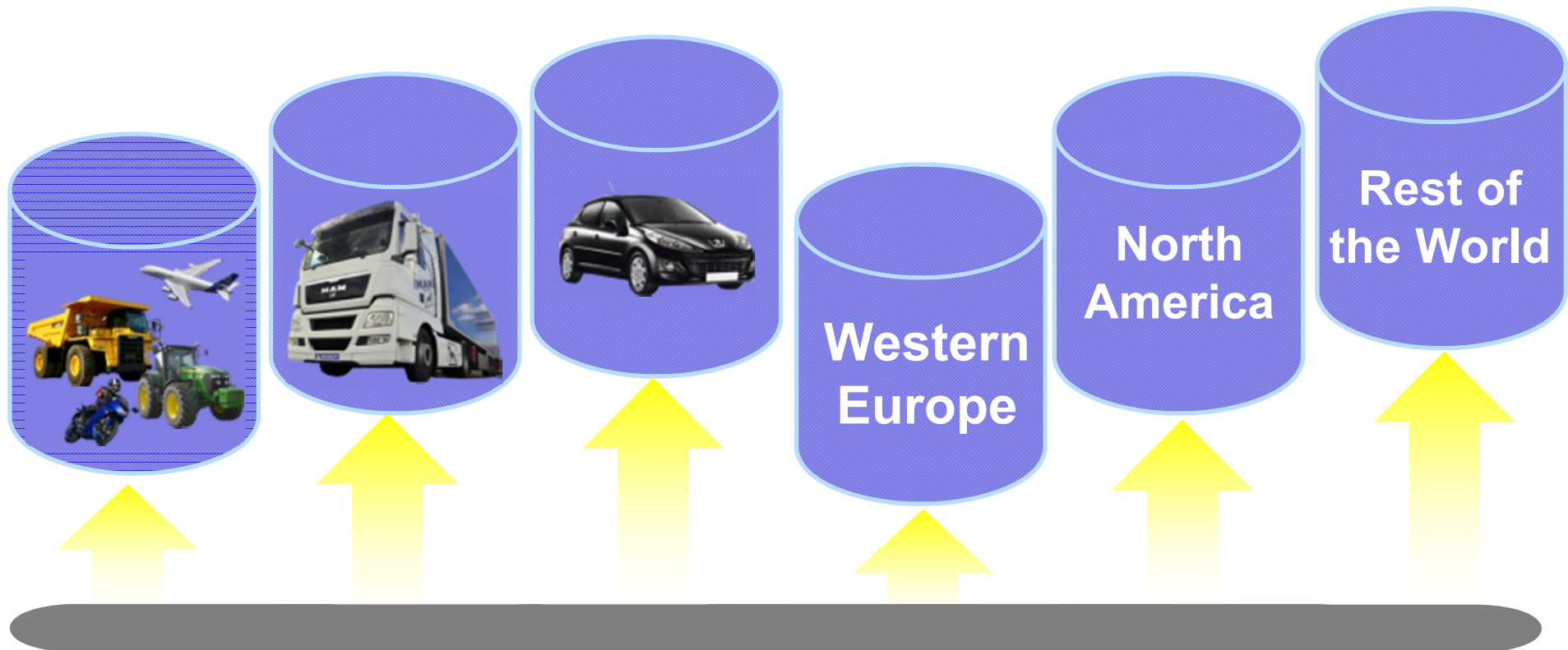


	9 months 2013	9 months 2012	Change
Net Sales	2,478	2,800	-11.5%
Volume growth	-4.2%		

- ▶ Growth in Mining sales and weakness in Earthmover OE and Infrastructure
- ▶ Good sales dynamic for Agricultural OE
- ▶ Contractual price adjustments in Mining and Earthmover and Agricultural OE
- ▶ Unfavorable currency effect



A Natural Hedging through Balanced Geographic Exposure and Business Portfolio





3 2013 GUIDANCE

2013 Markets in Line with the Original Scenario

EUROPE



NORTH AMERICA



NEW MARKETS



MINING



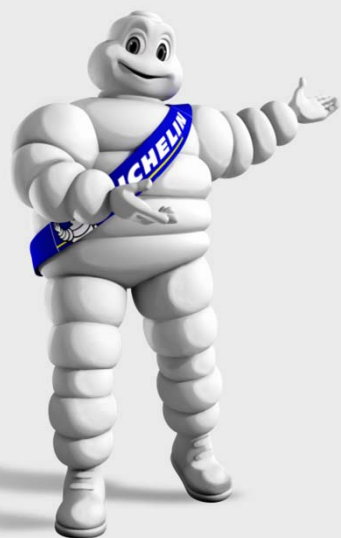
2013 Objective: Operating Income* excluding the Currency Effect up around €150m YoY

- ▶ **Unfavorable currency environment**
- ▶ **Group steering to offset the currency effect:**
 - Volumes up in Q4
 - Margin management: positive price-mix / raw materials ratio
 - Tighter management of production costs and SG&A
- ▶ **FCF confirmed in line with structural objective of €500m**
 - Capital spending of around €2bn
- ▶ **ROCE > 10%**

* : *before non-recurring*

Q3 2013 Key Takeaways

- ▶ **Volumes up in Q3 as expected**
- ▶ **Heavily unfavorable currency environment in Q3 and H2**
- ▶ **Group steering: objective to offset the annual currency effect as much as possible**



4 2014 OUTLOOK

2014 Outlook

MATURE MARKETS



NEW MARKETS



SPECIALTY MARKETS

Mining

EM OE & Infra

Agricultural

► 2014 operating margin* targets:

SR1

- from 10 to 12%
- in the middle

SR2

- from 7 to 9%
- at the upper end

SR3

- from 20 to 24%
- at the lower end

* : *before non-recurring*



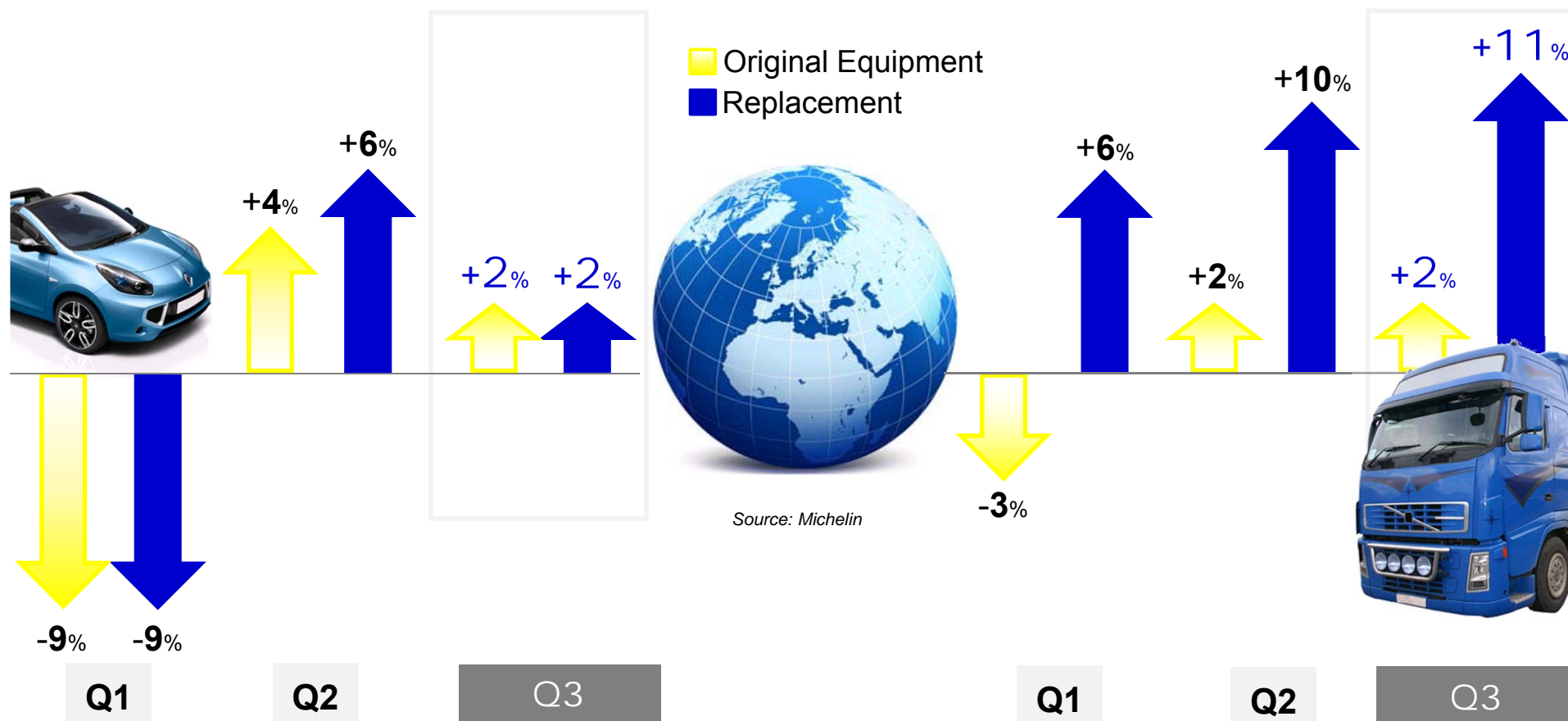


APPENDICES

Europe: Rebound Confirmed in the West and Downturn in Eastern Europe in 3rd Quarter

Quarterly performance at September 30, 2013

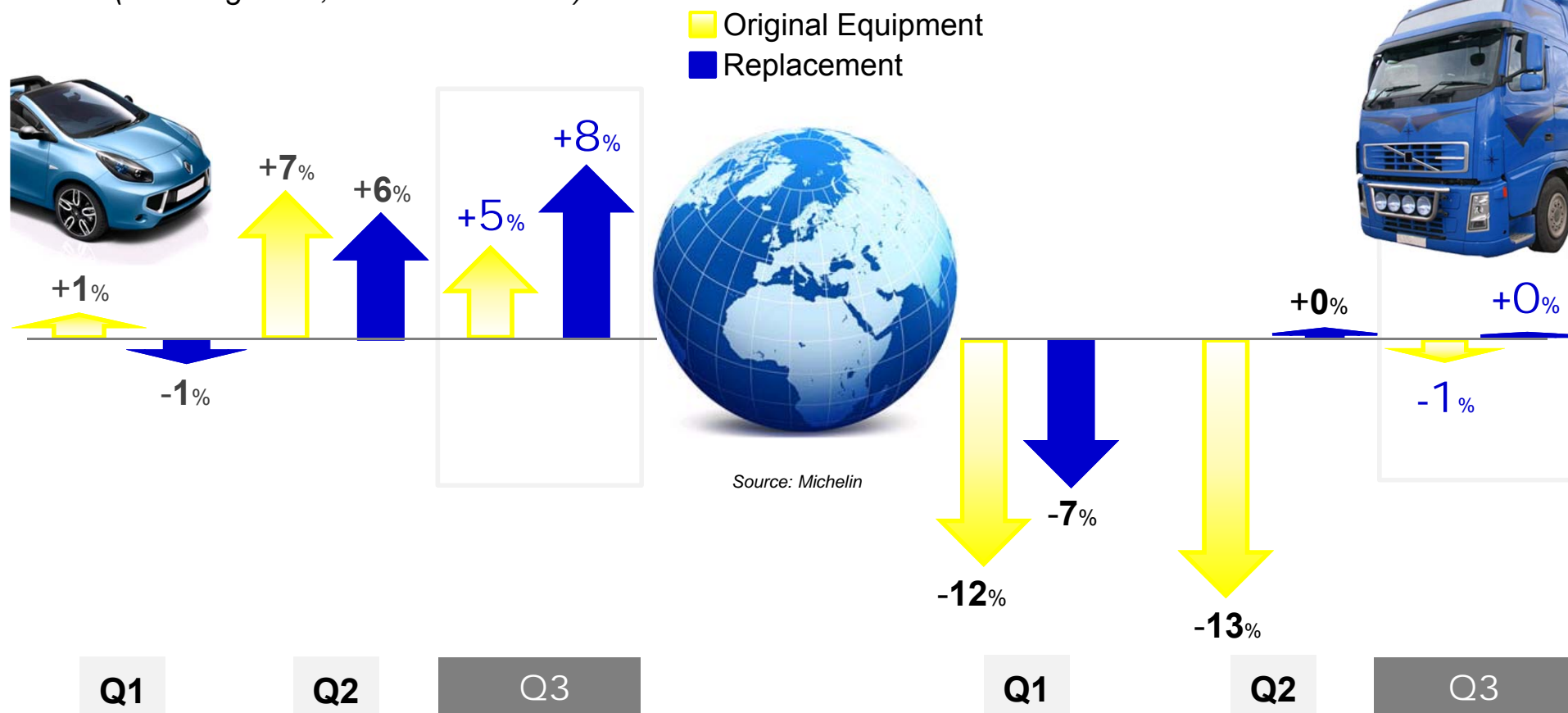
(% change YoY, in number of tires)



North America: Recovery in Car and Light Truck Market; Truck Market Still Uncertain

Quarterly performance at September 30, 2013

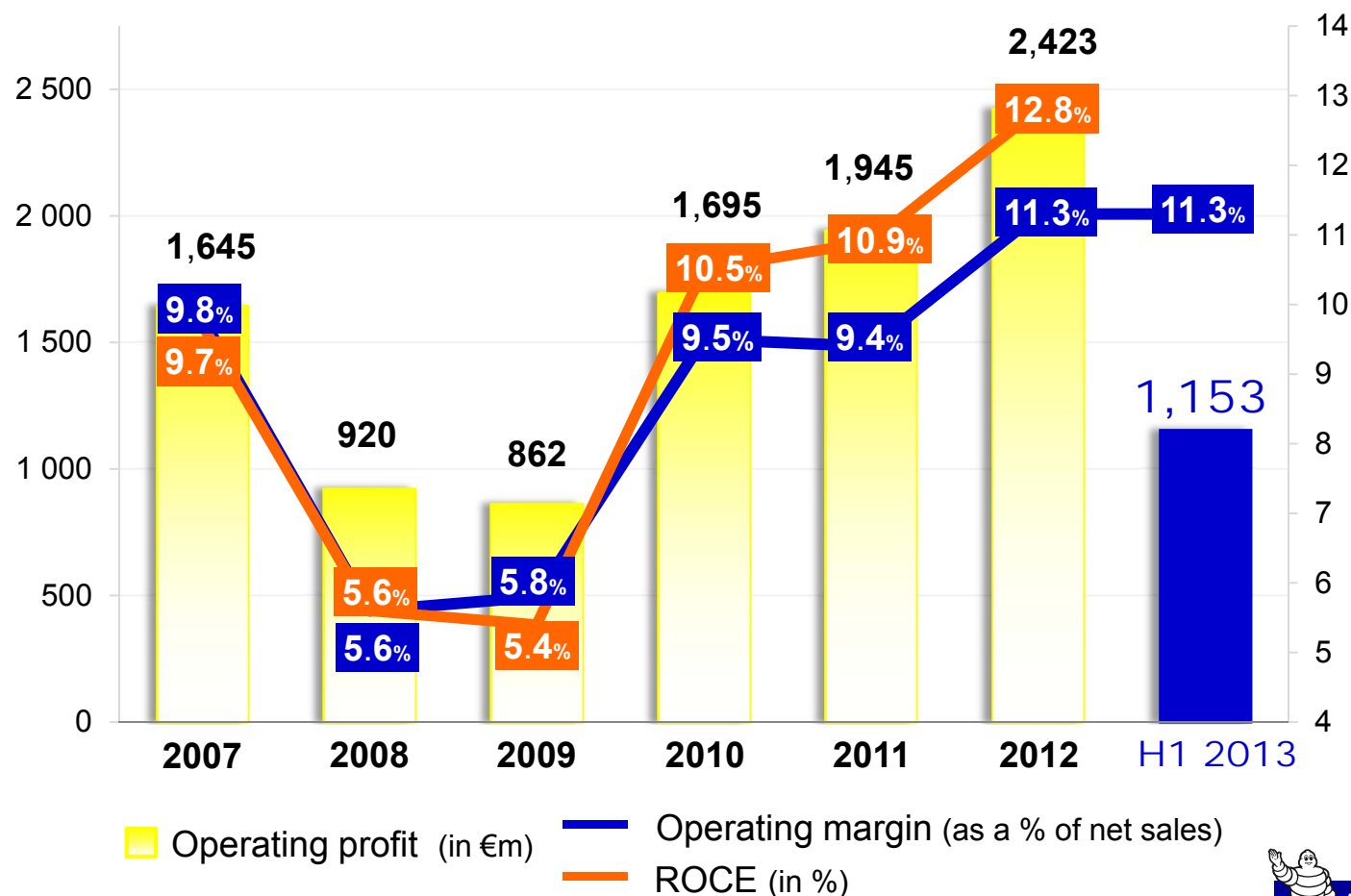
(% change YoY, in number of tires)



Group Key Figures: Leverage the Group's Strengths to Enhance Profitable Growth and Reduce the Cost Structure

Operating profit and margin

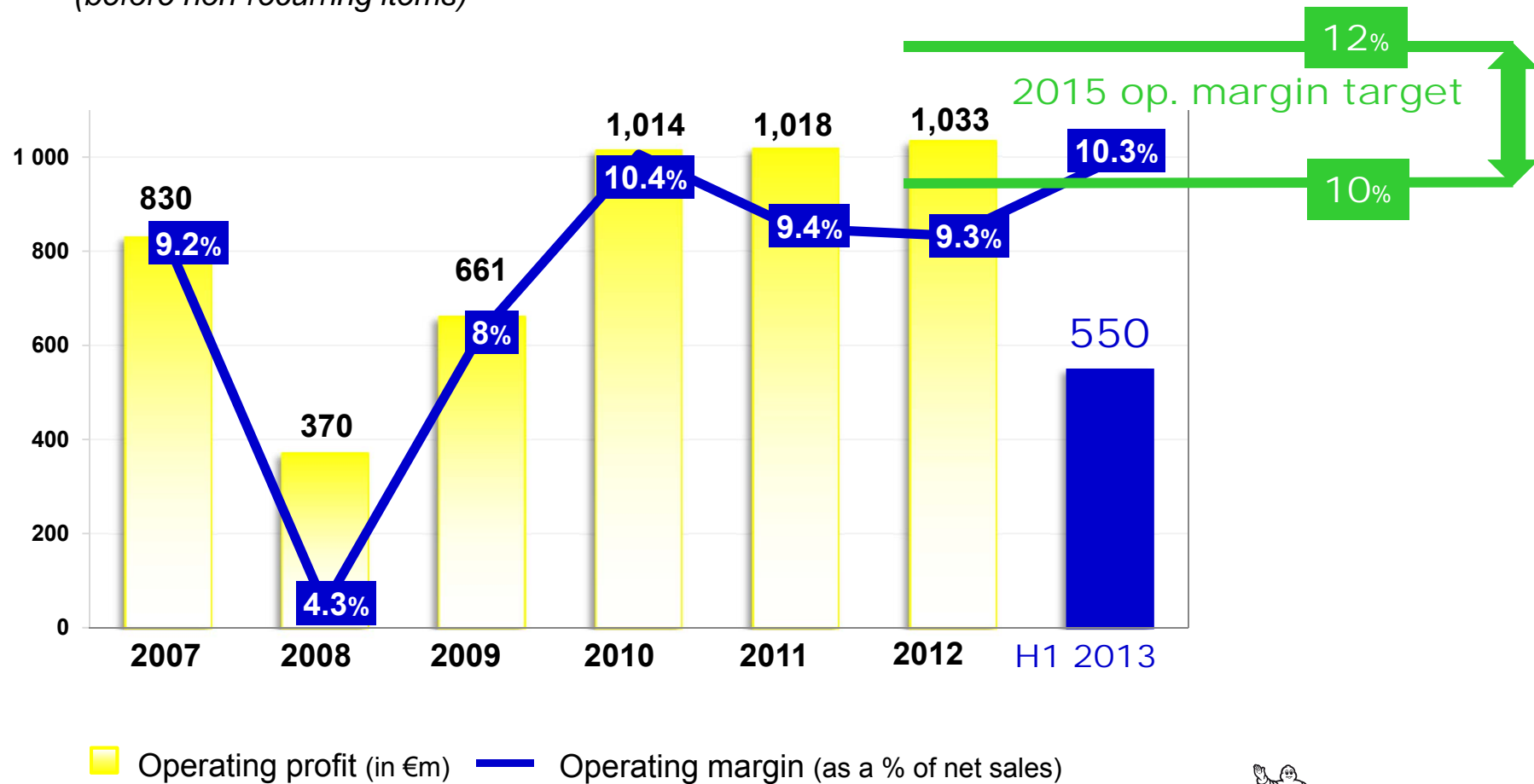
(before non-recurring items) & ROCE



Car & Light truck Margins: Grow OE Profitability and Lift Mix through Product Innovation and 17'+ Strategy

Operating profit and margin

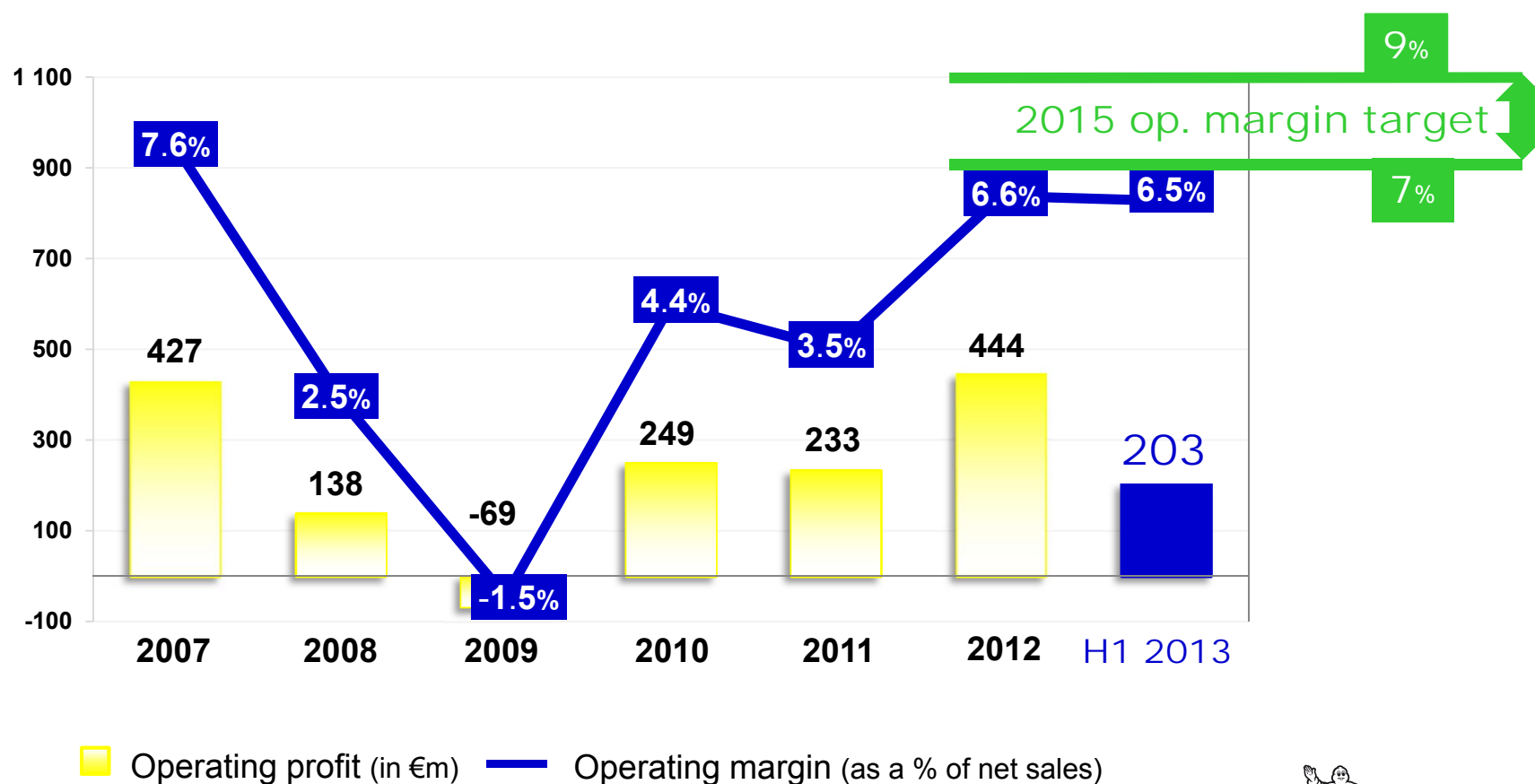
(before non-recurring items)



Truck Margins: Ready to Lift Margins thanks to Plant Efficiency, Product & Service Plan

Operating profit and margin

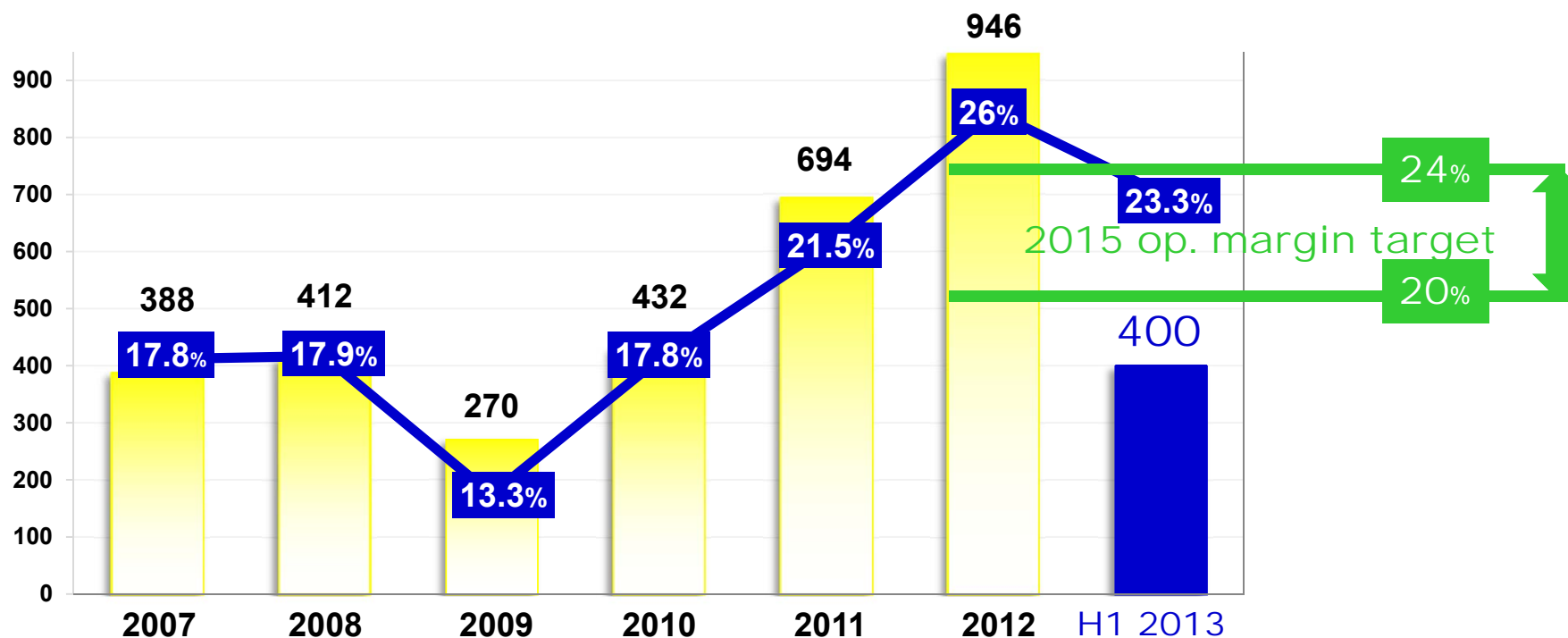
(before non-recurring items)



Specialty Tires: Strong Margins at Targetted Levels

Operating profit and margin

(before non-recurring items)

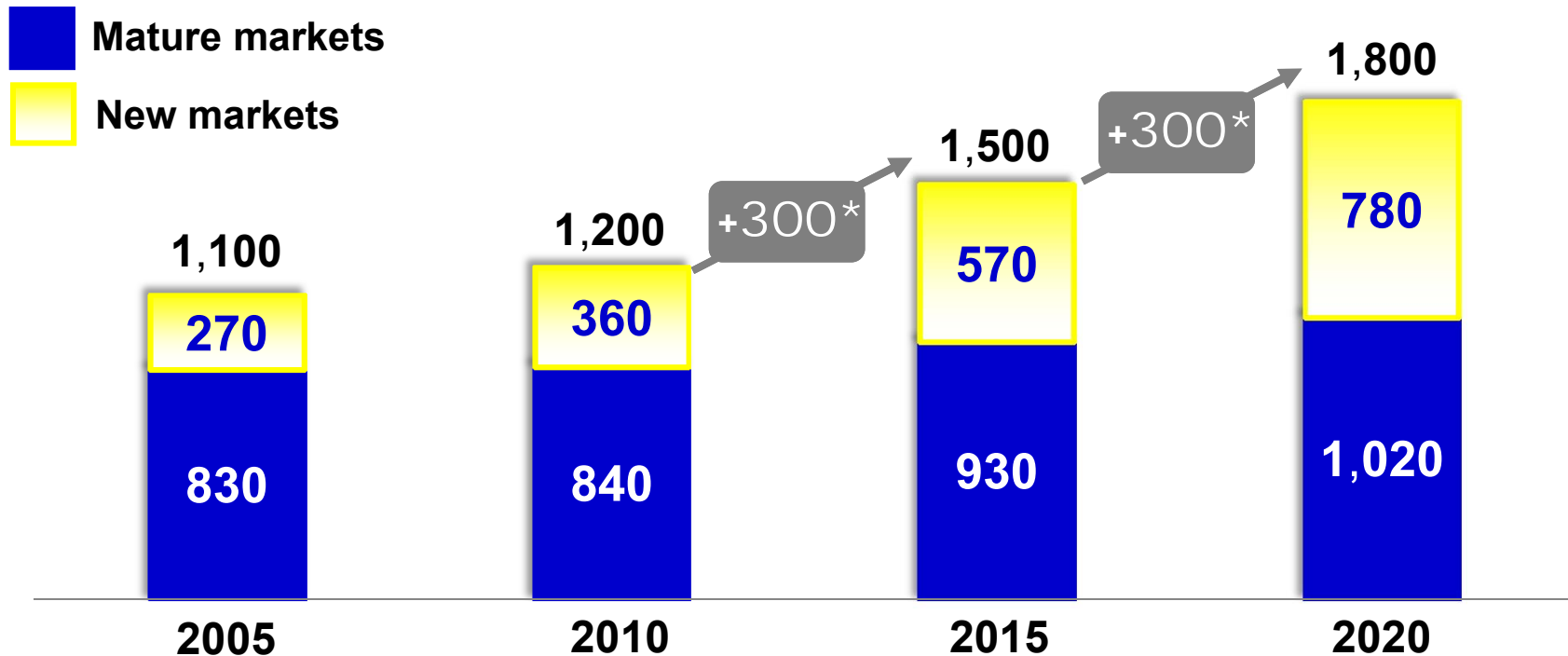


■ Operating profit (in €m) — Operating margin (as a % of net sales)



Passenger Car and Light Truck: Stronger Momentum Worldwide

Passenger car & Light truck tire markets (in millions of tires)



Michelin estimates

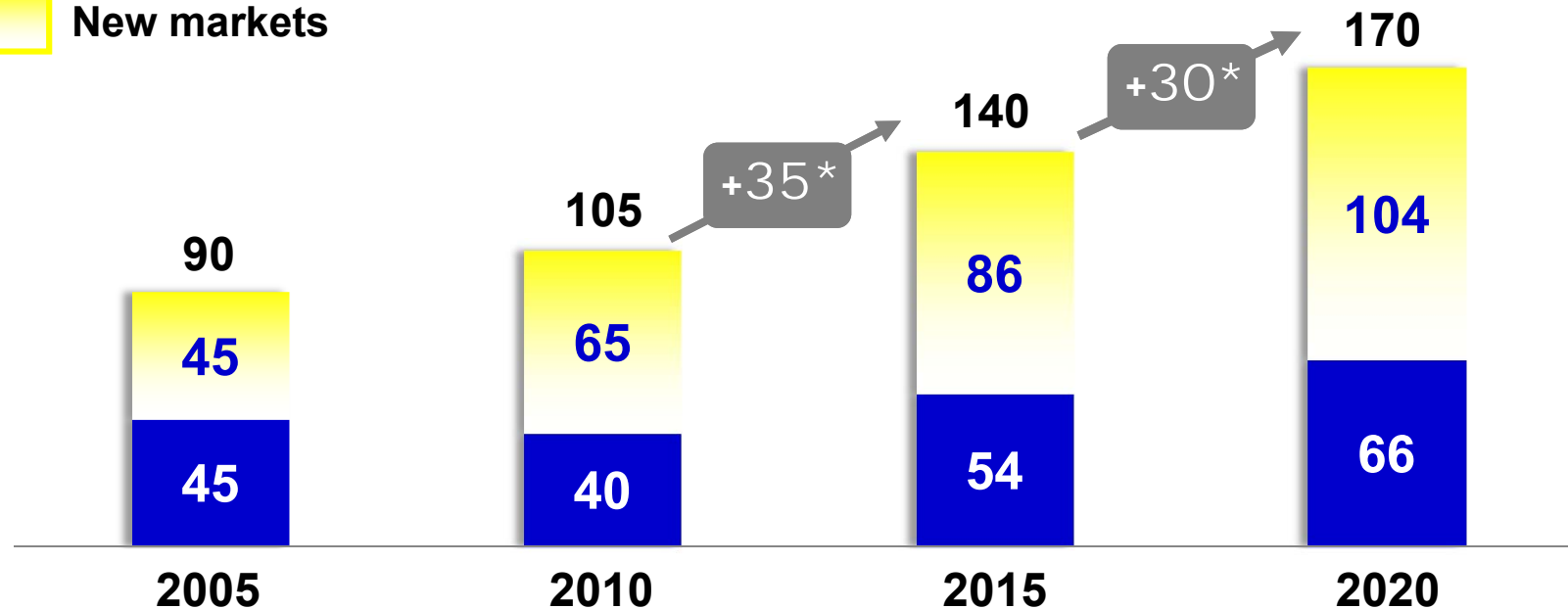
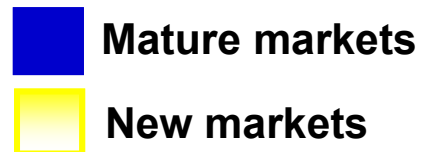
* Of which 70% in new markets



Truck: Robust Growth across every Truck Tire Market

Radial Truck Tire Markets

(in millions of tires)



Michelin estimates

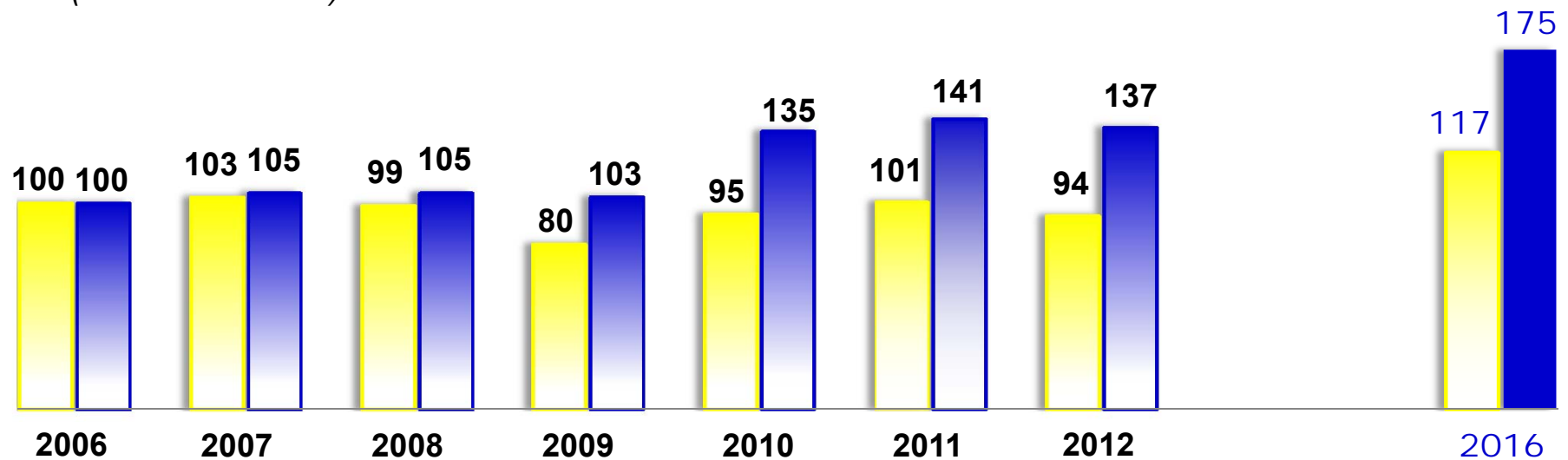
* Of which 70% in new markets



Enhance Productivity: Improving Output per Employee

Tonnes per employee

(base 100 in 2006)



 Production  Tonnes per employee

Continuous improvement + industrial footprint

2012-2016 Competitiveness Plan: €1billion*

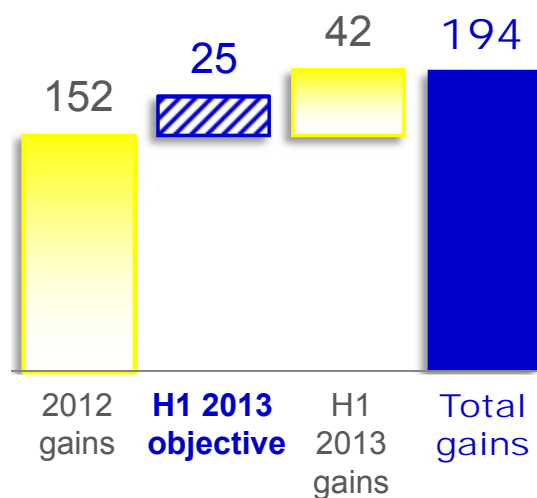
€317m achieved in 18 months with weak volumes

OBJECTIVES

▼
-€200m/ -€300m



SG&A



▼
-€200m/ -€300m



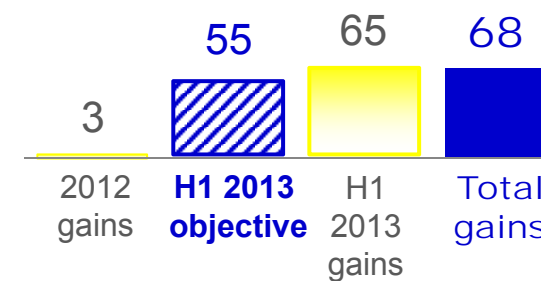
Materials



▼
-€500m/ -€600m



Manufacturing
- Transport



*before inflation and including avoided cost



The June-2013 Projects will Eventually Deliver more than €70m in Productivity Gains a Year mainly in Truck

- ▶ Development of a highly competitive Truck tire production center in La Roche-sur-Yon, doubling output from 800,000 to 1.6 million units a year by 2019
- ▶ Closure project of Truck tire facilities in France, Algeria and Colombia

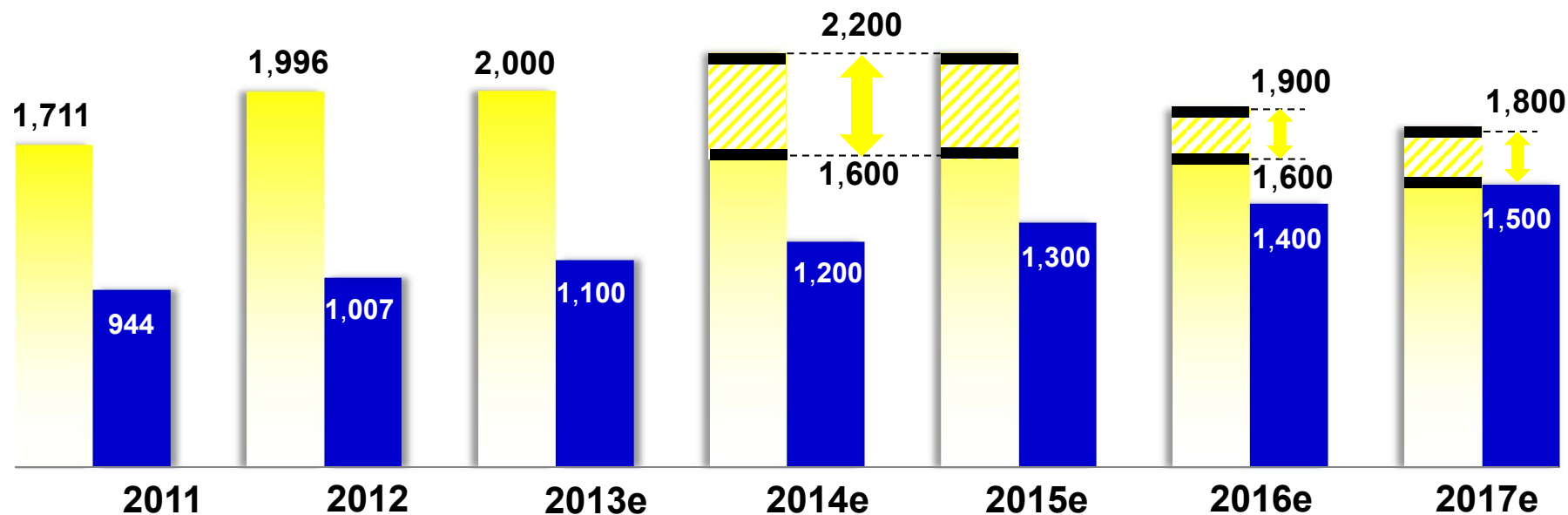
<i>In € millions</i>	2013	2014	2015	2016	
					Total Non-recurring expense
Non-recurring expense	(250)	0	0	0	(250)
o/w cash out	(42)	(70)	(25)	(10)	
					Net cash
Cash in (asset sales)			+23		(135)
					Annual gains after 2016
Productivity		+53	+65	+72	+72
o/w Truck		+38	+50	+57	+57



Investing to Enhance our Competitive Strengths and Drive New Growth

Capex and depreciation

(in € millions)



Capital Programs Being Deployed on Schedule to Capture Growth

- ▶ **Brazil** (Michelin-brand Car & Light truck in large rim diam.): production ramp-up (**17KT** in 2013)
- ▶ **China** (Michelin-brand Car & Light truck in large rim diam. and Truck): production ramp-up (**25KT** in 2013)
- ▶ **India** (Michelin Radial Truck): **1st tire**: July 2013
- ▶ **United States** (Mining giant tires): **1st tire**: end-2013



Mining Business: Favorable, Enduring Market Structure

Customer demand focused on cost reduction and dumper uptime

A wide base of profitable customers such as:



No credible substitute product



High degree of independence from suppliers:

- proprietary processes
- vertical integration in semi-finished products



Multiple barriers to entry:

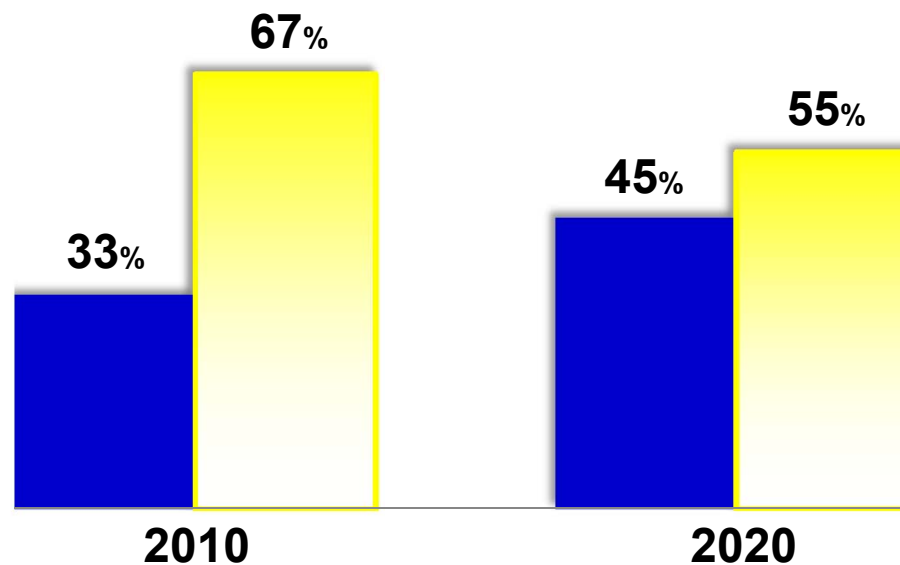
- capital intensity,
- no turnkey plant,
- high technological content,
- testing capabilities



Long-term partnership relations with customers

Sales in Mature and New Markets

As a % of net sales



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