

ASIA

November 2013



The Pillars of our Strategy

1 Innovate to drive differentiation and loyalty

Continuously become more competitive **2**



3 Drive faster growth



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- 1 SIX MAJOR AMBITIONS FOR 2020
- 2 Q3 2013 NET SALES IN LINE WITH FULL-YEAR OUTLOOK
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1 SIX MAJOR AMBITIONS FOR 2020

1

Product Performance Leadership:

Performance composite 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**

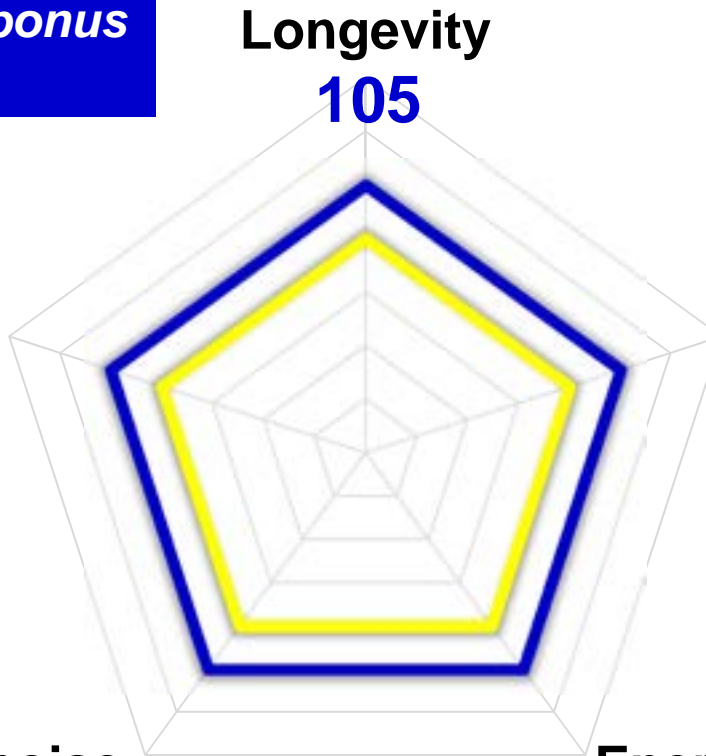
**Road noise
105**

**Longevity
105**

**Energy saving
105**

**Safety
105**

— 2010
— 2020



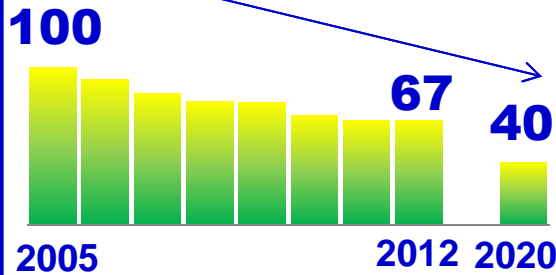
2

Leadership in Responsible Operations

Resource consumption

Air emissions

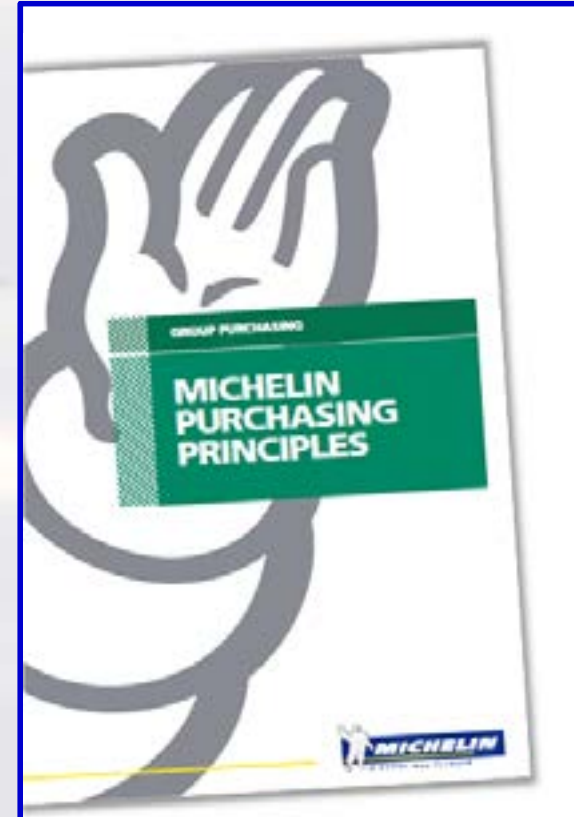
Waste



Responsible Production Process



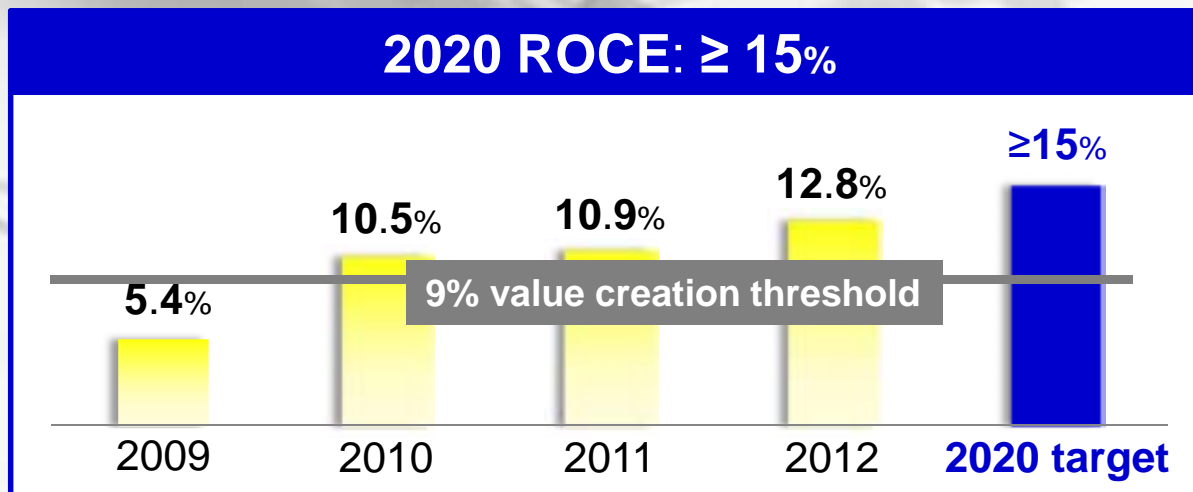
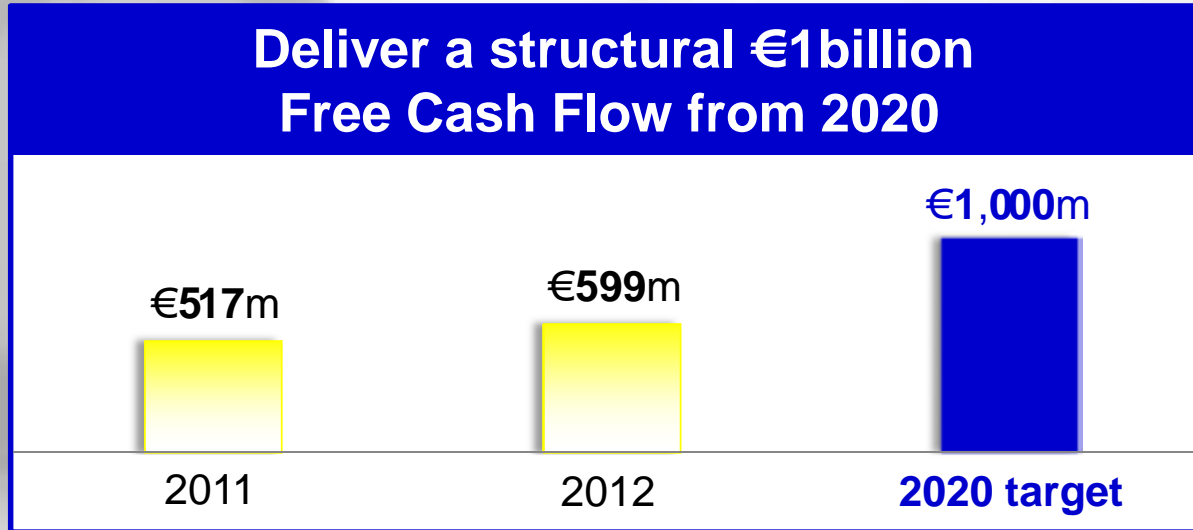
Responsible logistics to contribute to 10% CO₂ cut



70% of suppliers in line with Michelin corporate standards

3

Sustainable Financial Performance

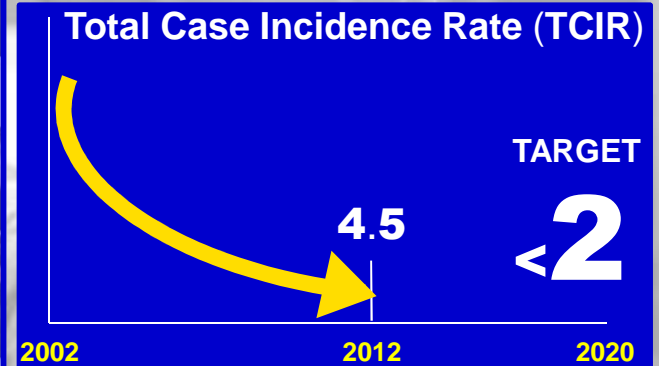


4 Commitment to the Well-being and Development of our Employees

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



MICHELIN
CHALLENGE
BIBENDUM

*Rallying together
towards sustainable road mobility*



2014 edition in China



Promote mobility solutions

Keep an eye on the pressure!



गैरिस्ट
INDIA - PETROL PUMP
TYRES - PUMPS - OILS

Check the wear and the pressure of your tyres regularly, not forgetting the spares.

FOR ACTION OF ROAD SAFETY



Action for road safety

Cement kiln



Synthetic sport grounds



Re-use in new tires



Recycling tires



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

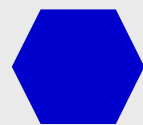
- Price rises in countries experiencing currency depreciation

▶ **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



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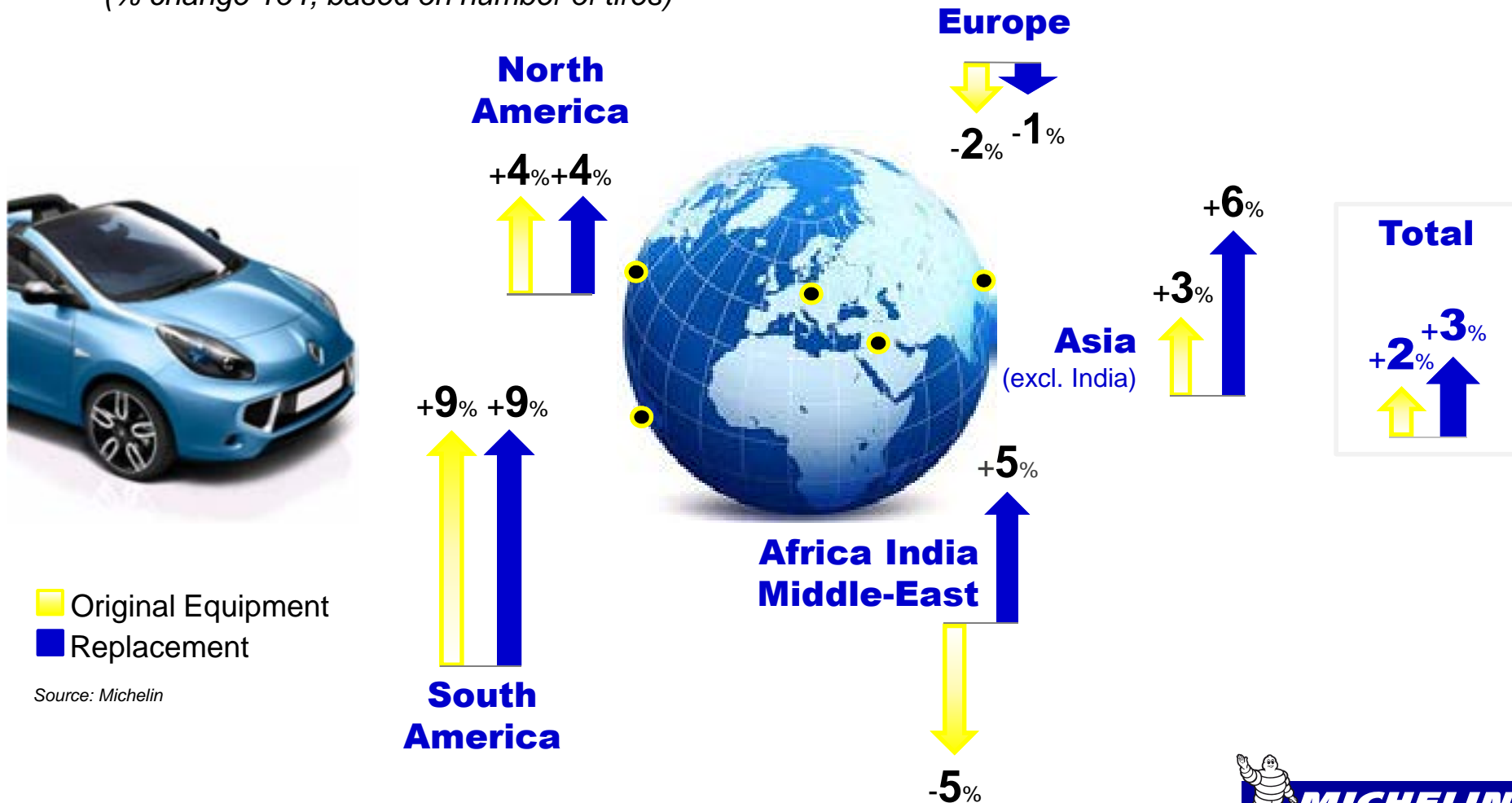


**MARKETS ON A GOOD TREND
IN Q3 AS EXPECTED**

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

Markets at September 30, 2013

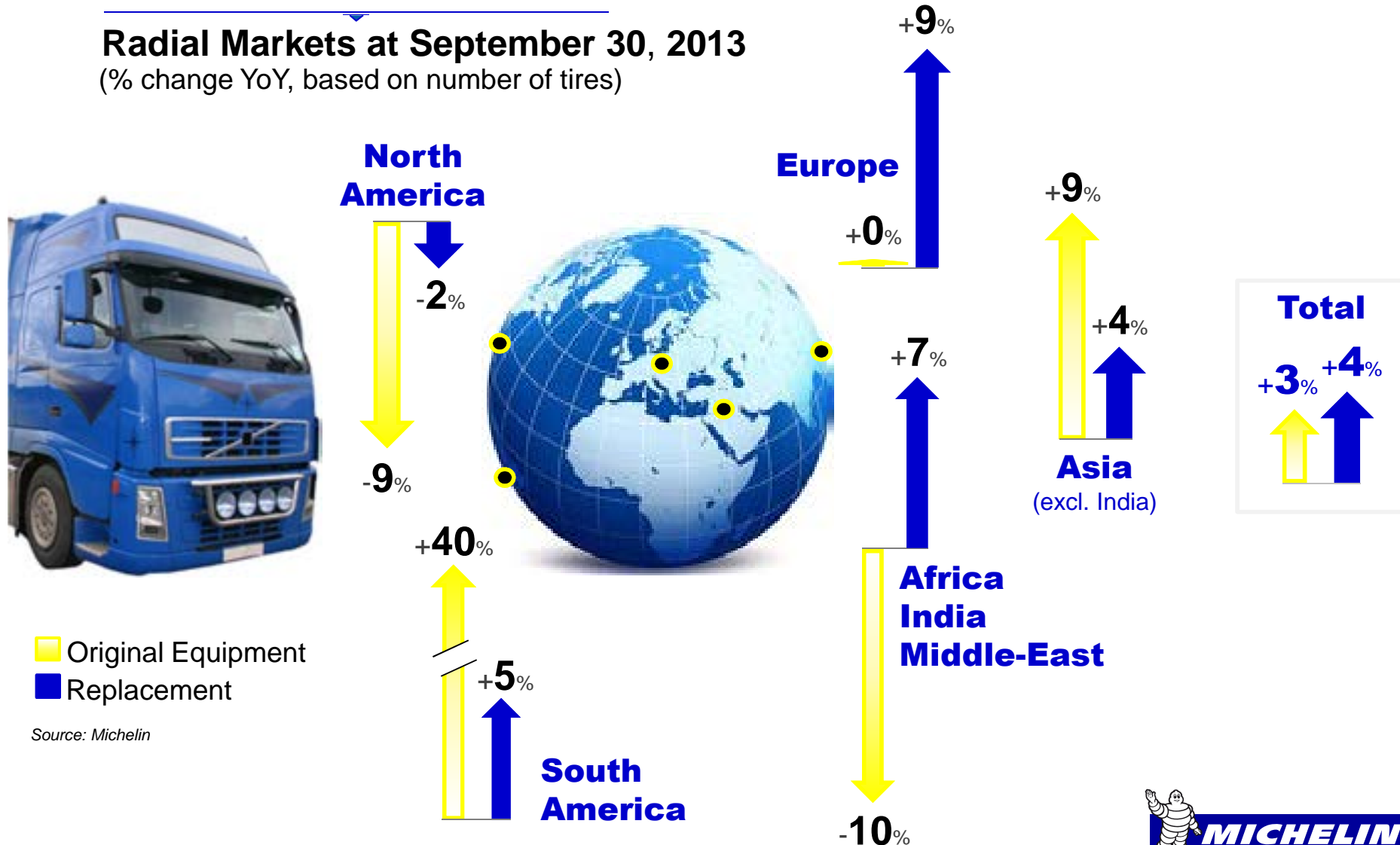
(% change YoY, based on number of tires)



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

Radial Markets at September 30, 2013

(% change YoY, based on number of tires)



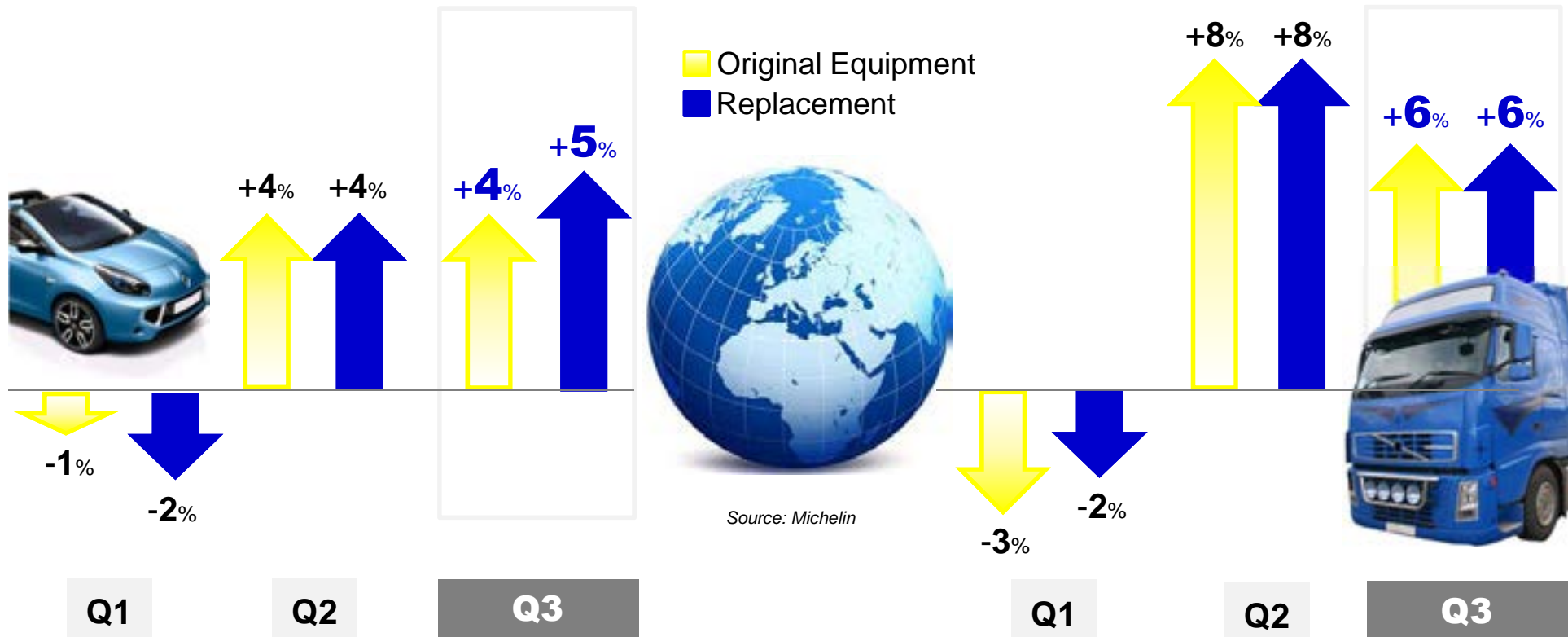
Source: Michelin



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

2013 worldwide markets by quarter

(% change YoY, based on number of tires)

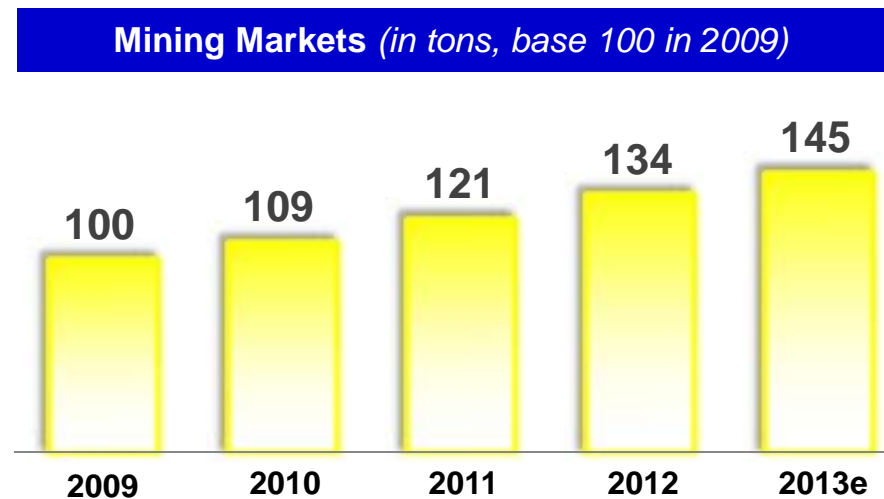


Source: Michelin



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

► Mining: slower growth



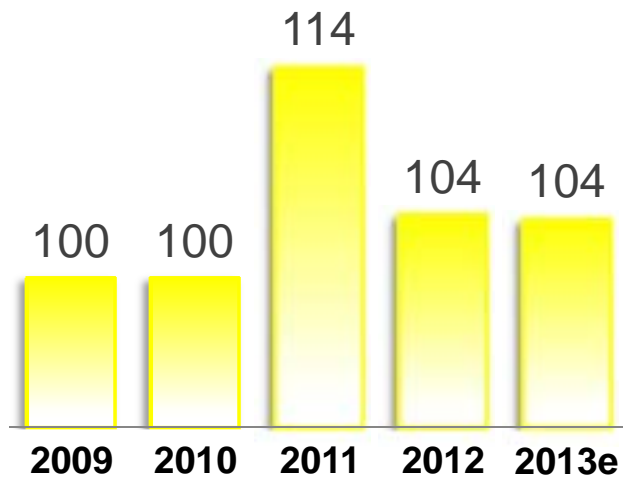
► Other Earthmover: difficult market conditions

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

Agricultural: Stable Overall, with Growth in Technical Tires

Agricultural Markets

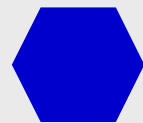
(base 100 in 2009, in number of tires)



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



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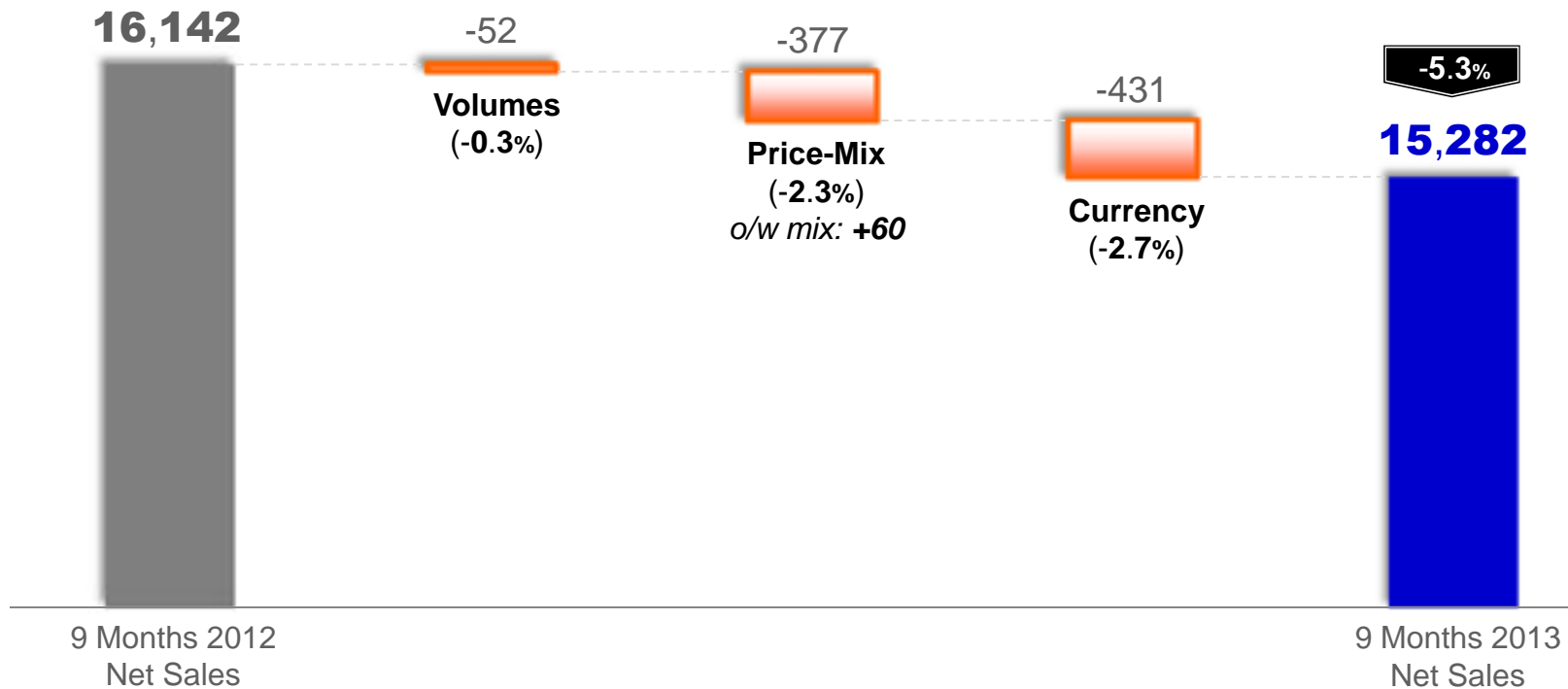


**NET SALES IN LINE WITH
FULL-YEAR OUTLOOK**

Volumes in Line with Full-Year Forecasts

YoY change

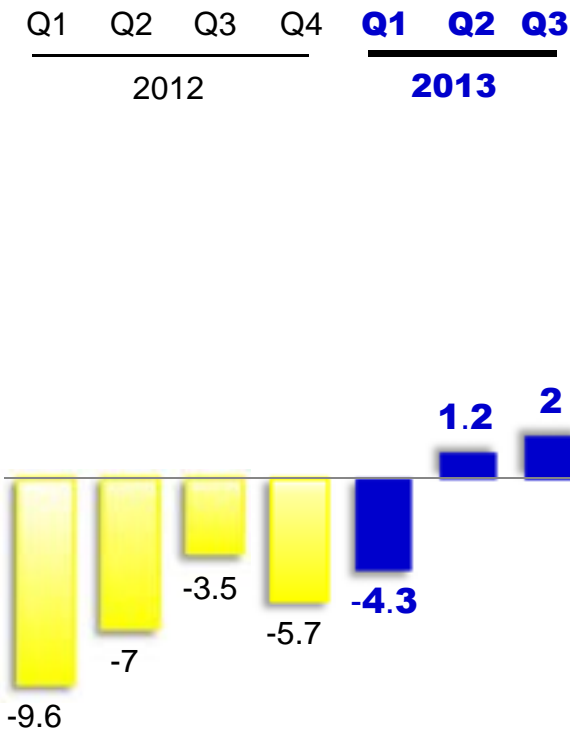
(in € millions and as a % of net sales)



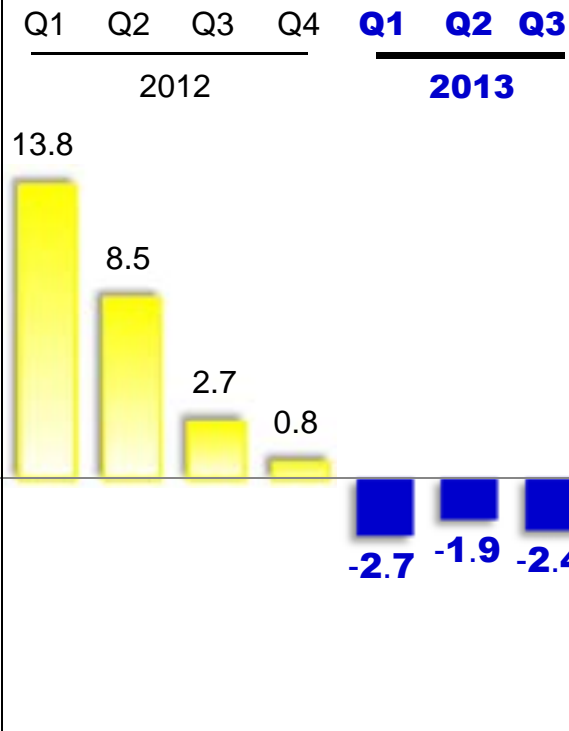
Continued Growth in Q3, Stable Price Effect and Significant Currency Effect

% change YoY

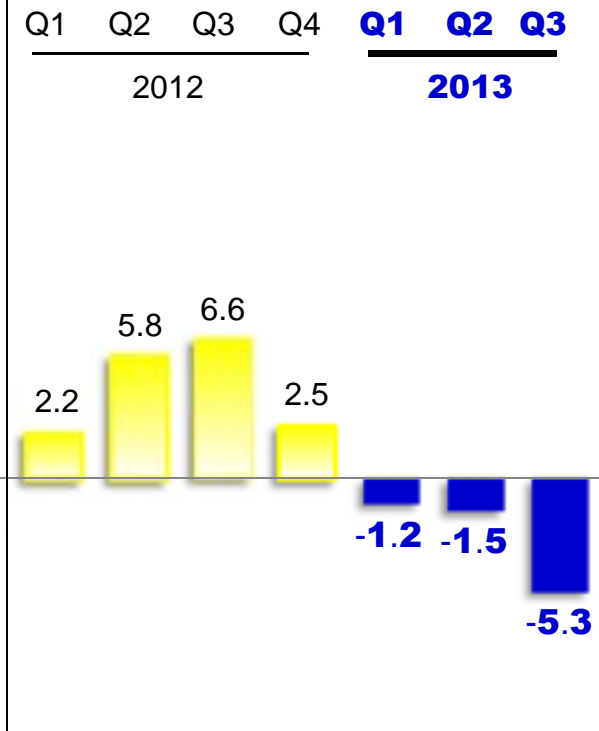
► Volumes



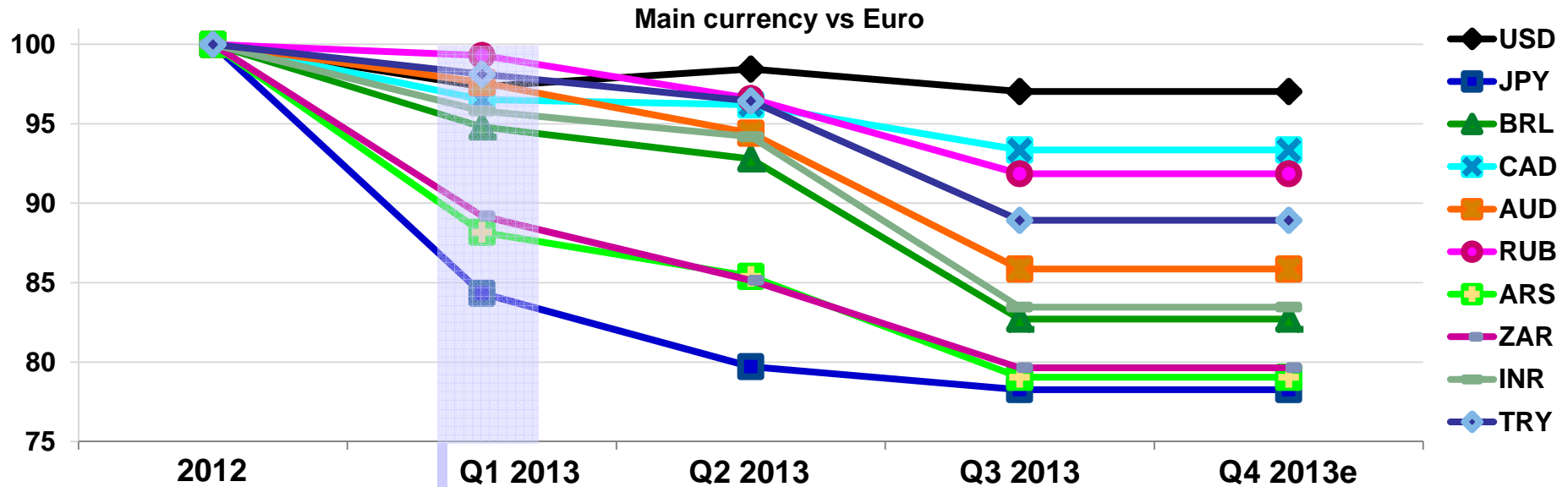
► Price-mix



► Currency



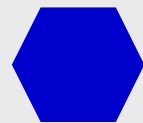
Significant Currency Effect: USD and JPY Generally in Line with our February Assumptions



| | 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 | | |



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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

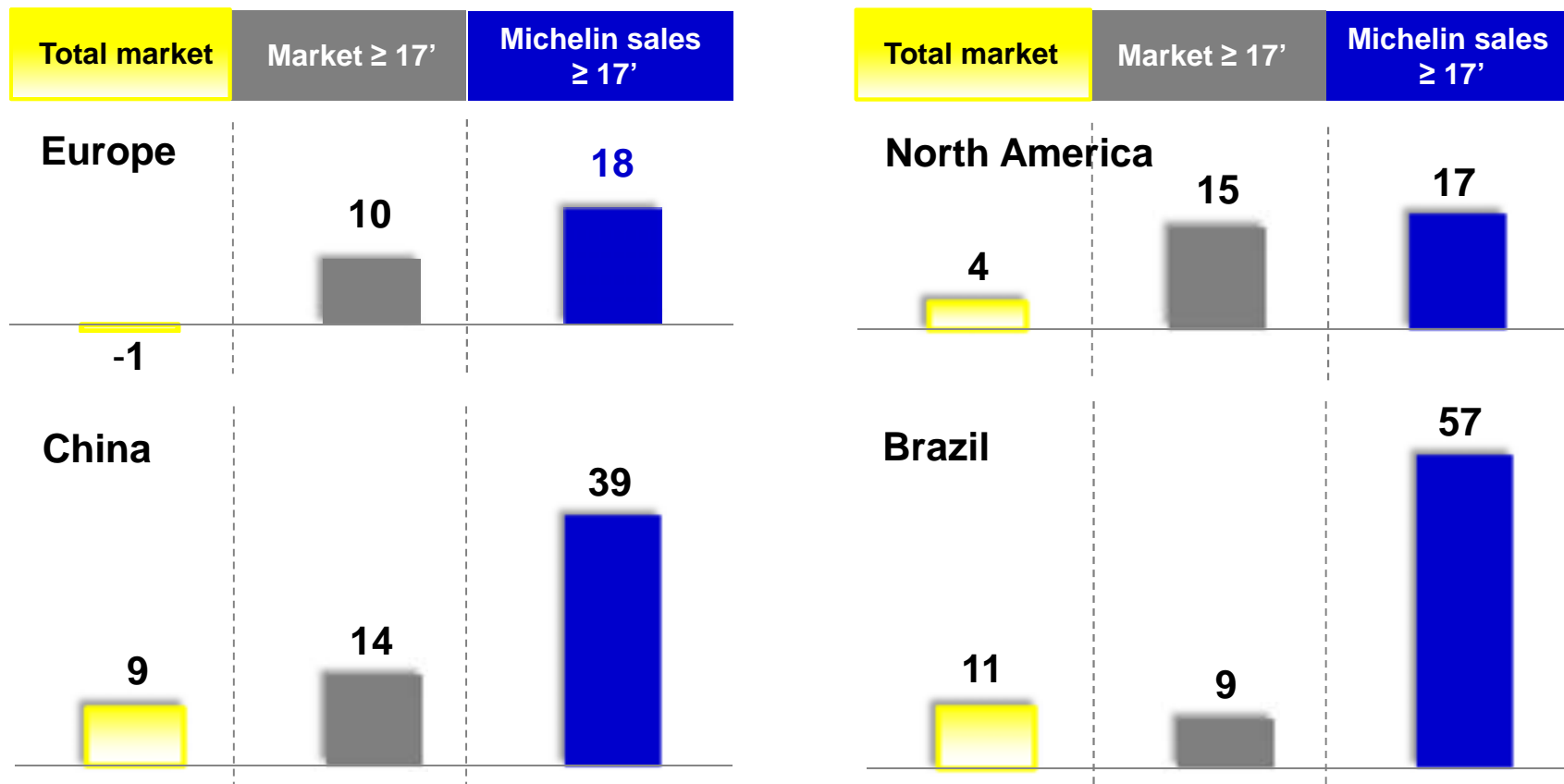
- Price: managed repositioning
- Mix: favorable, led in particular by ≥17'



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)

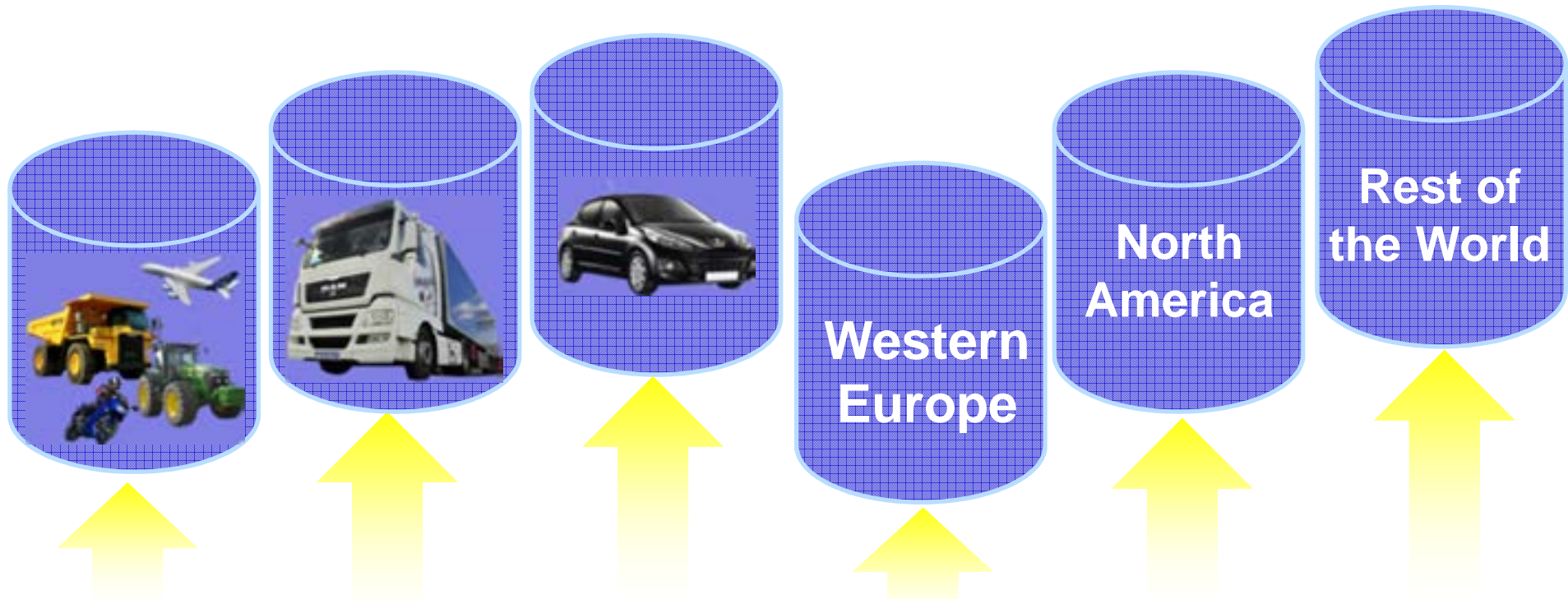


|  | 9 months 2013 | 9 months 2012 | Change |
|--|------------------|------------------|--------|
| Net Sales | 2,478 | 2,800 | -11.5% |
| Volume growth | -4.2% | | |

- ▶ 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



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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**

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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

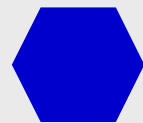
SR3

- from 20 to 24%
- at the lower end

* : *before non-recurring*



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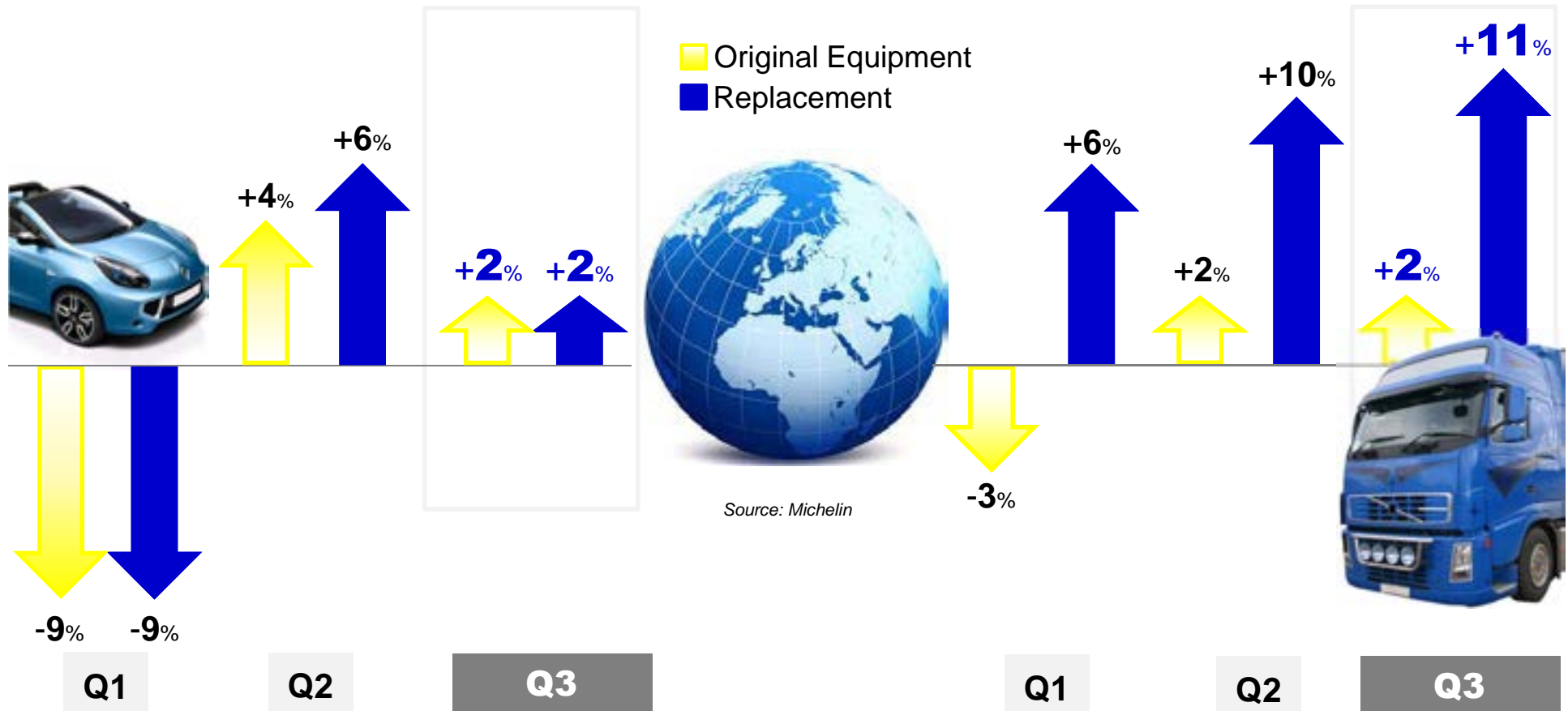


APPENDICES

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)



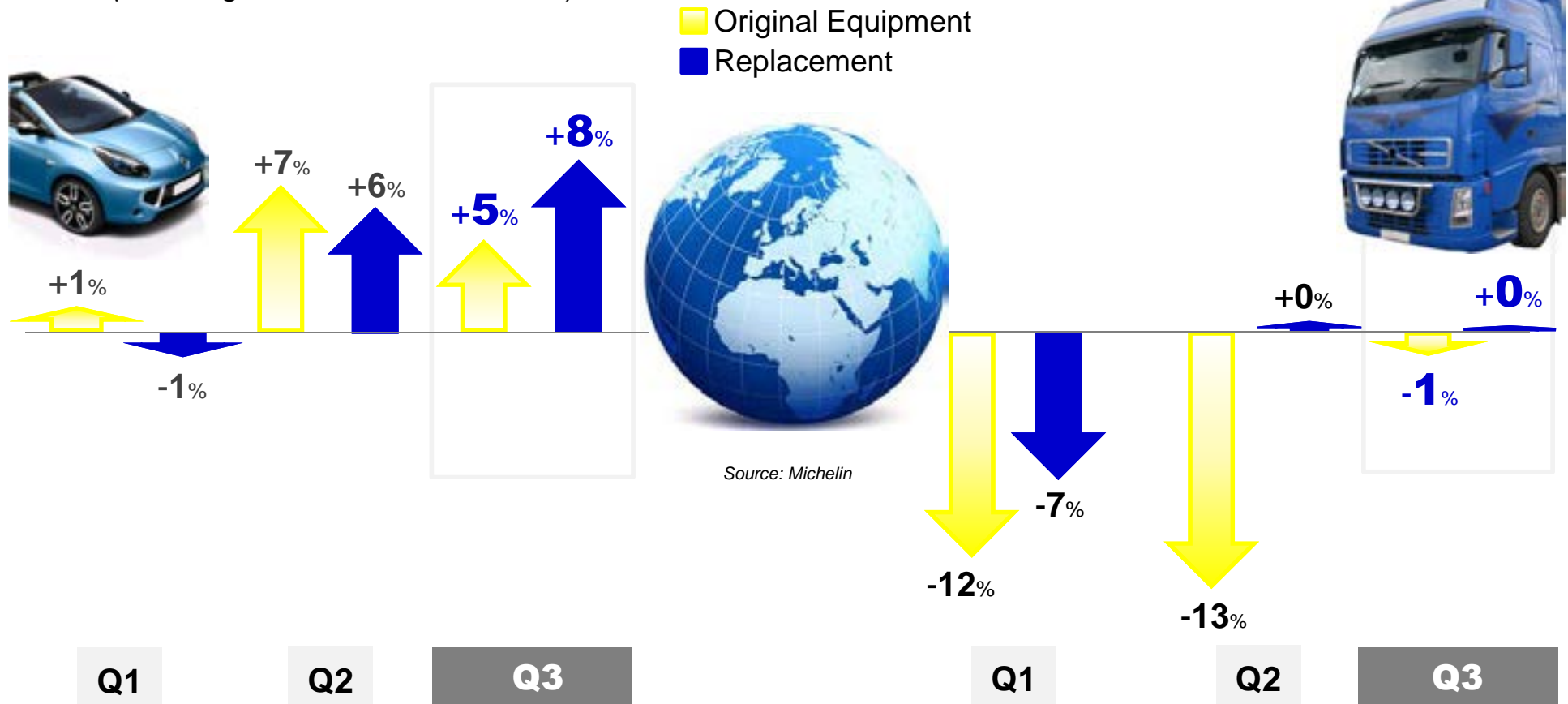
Source: Michelin



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

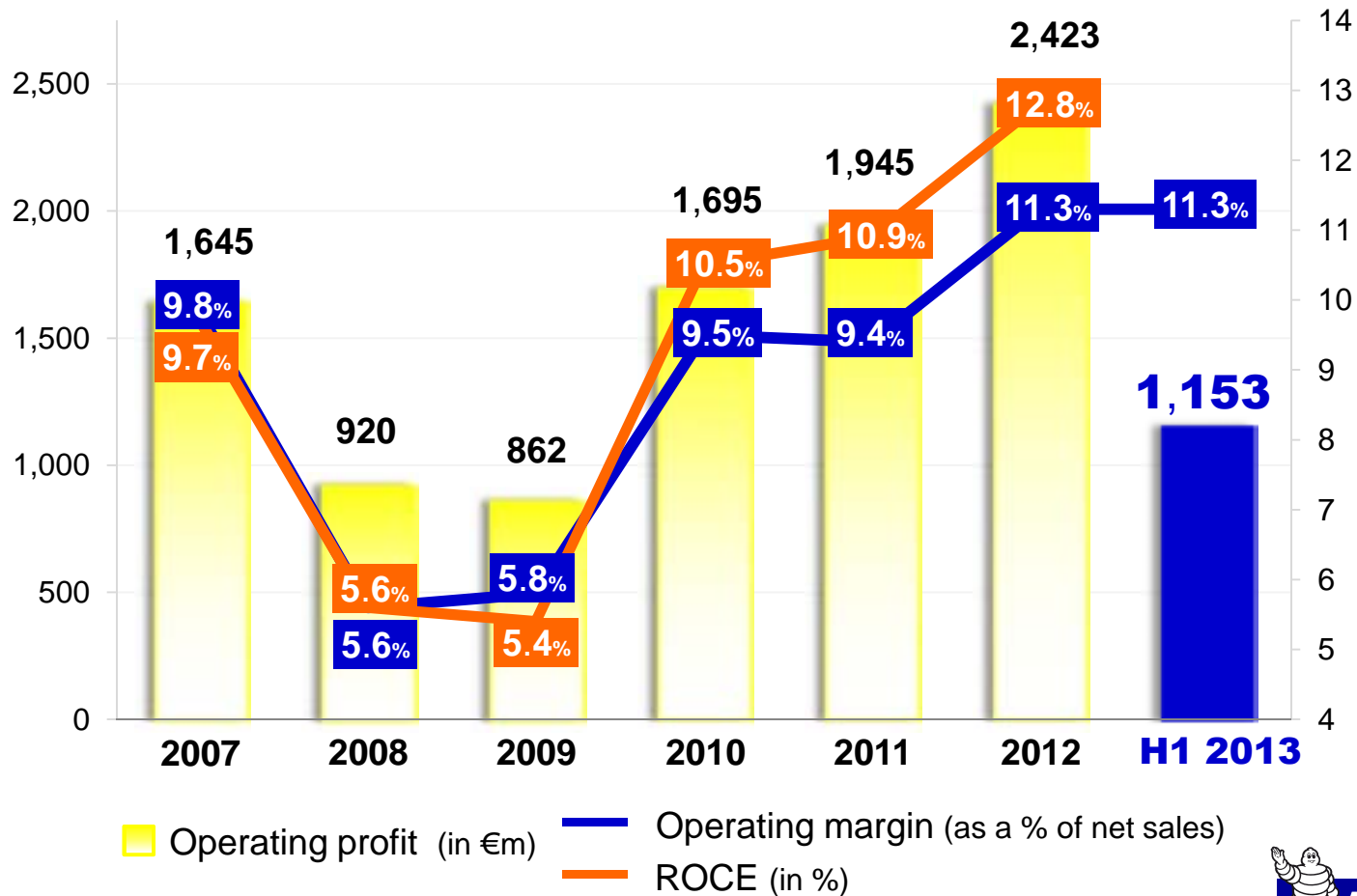
Quarterly performance at September 30, 2013

(% change YoY, in number of tires)



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

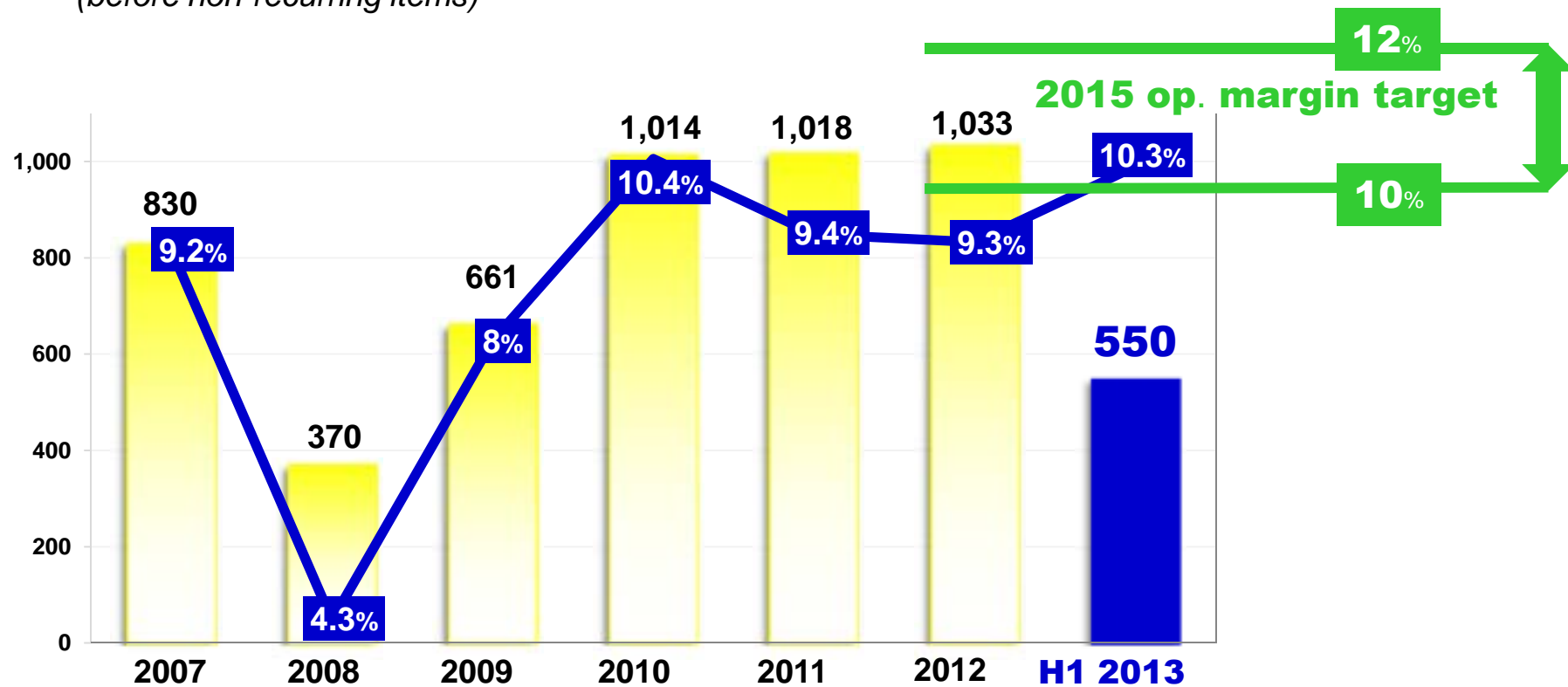
Operating profit and margin (before non-recurring items) & ROCE



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

Operating profit and margin

(before non-recurring items)

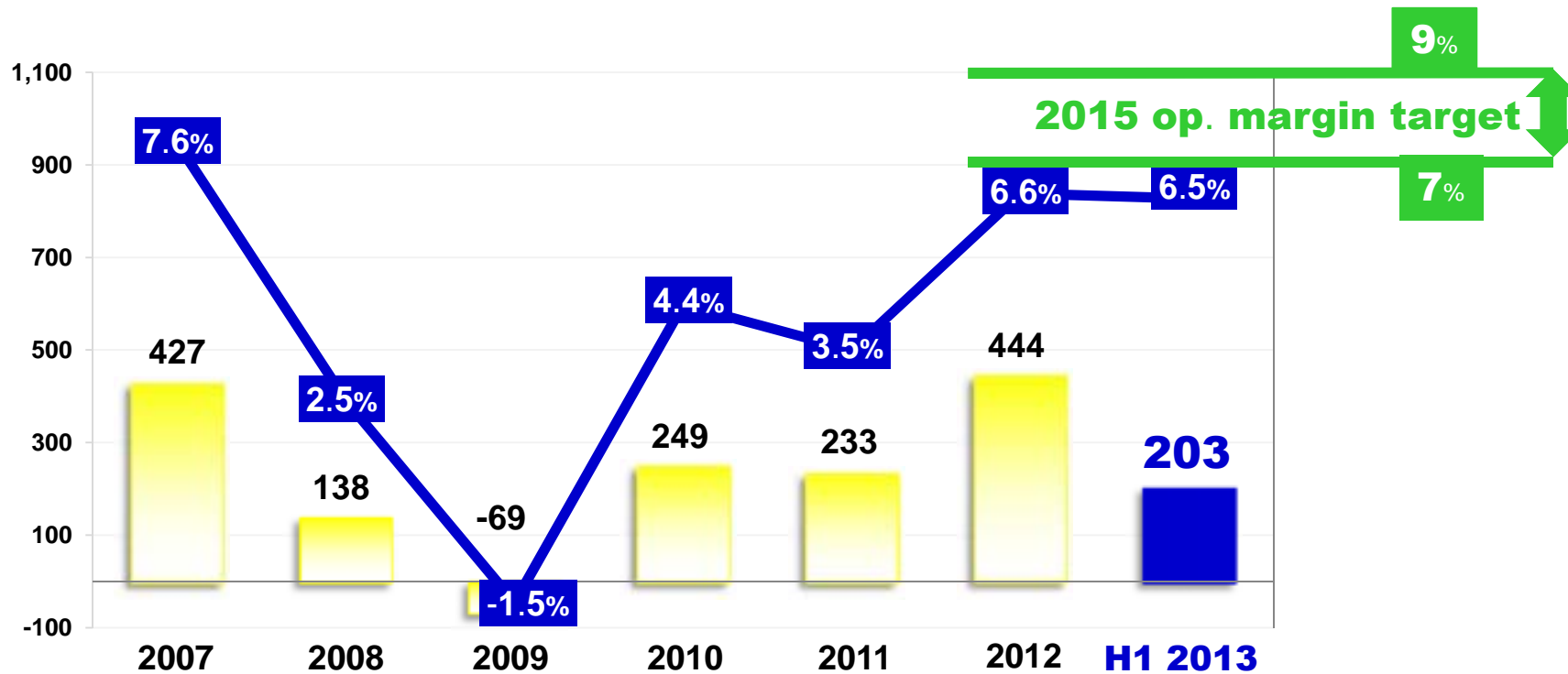


■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



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

Operating profit and margin (before non-recurring items)



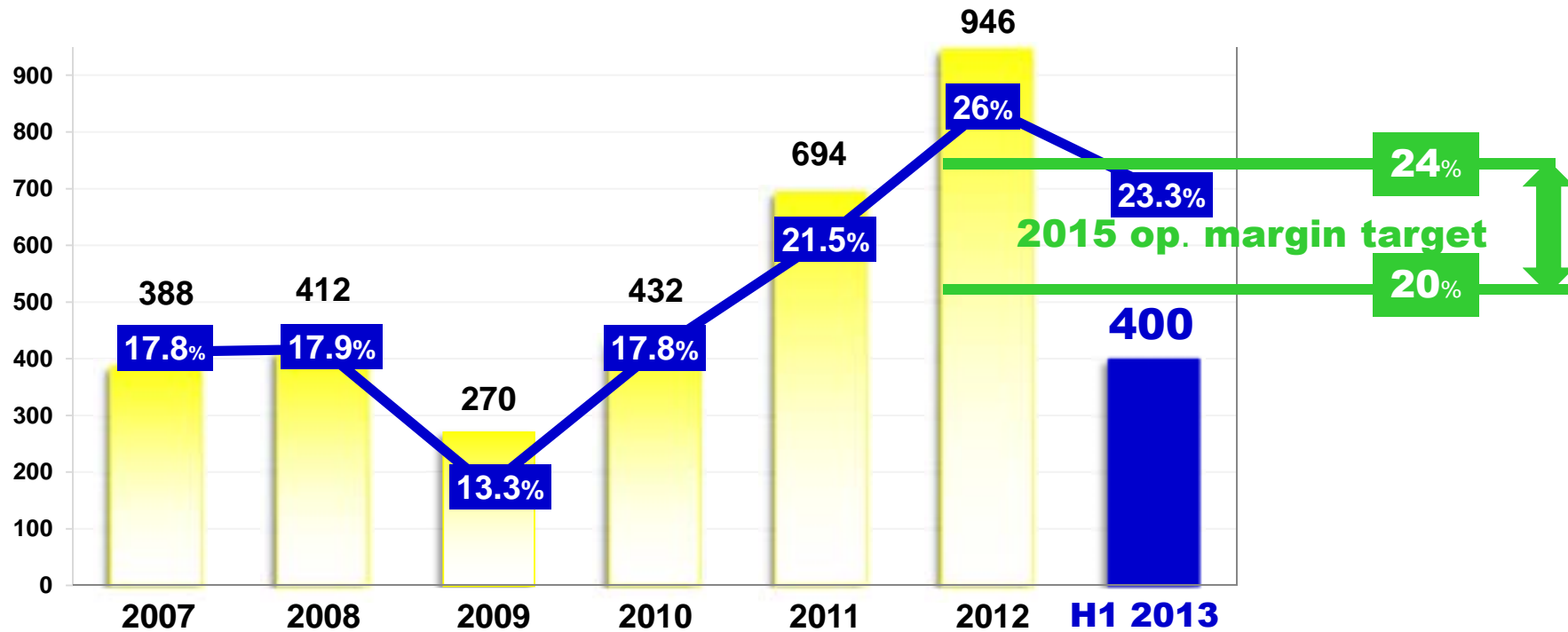
■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



Specialty Tires: Strong Margins at Targetted Levels

Operating profit and margin

(before non-recurring items)





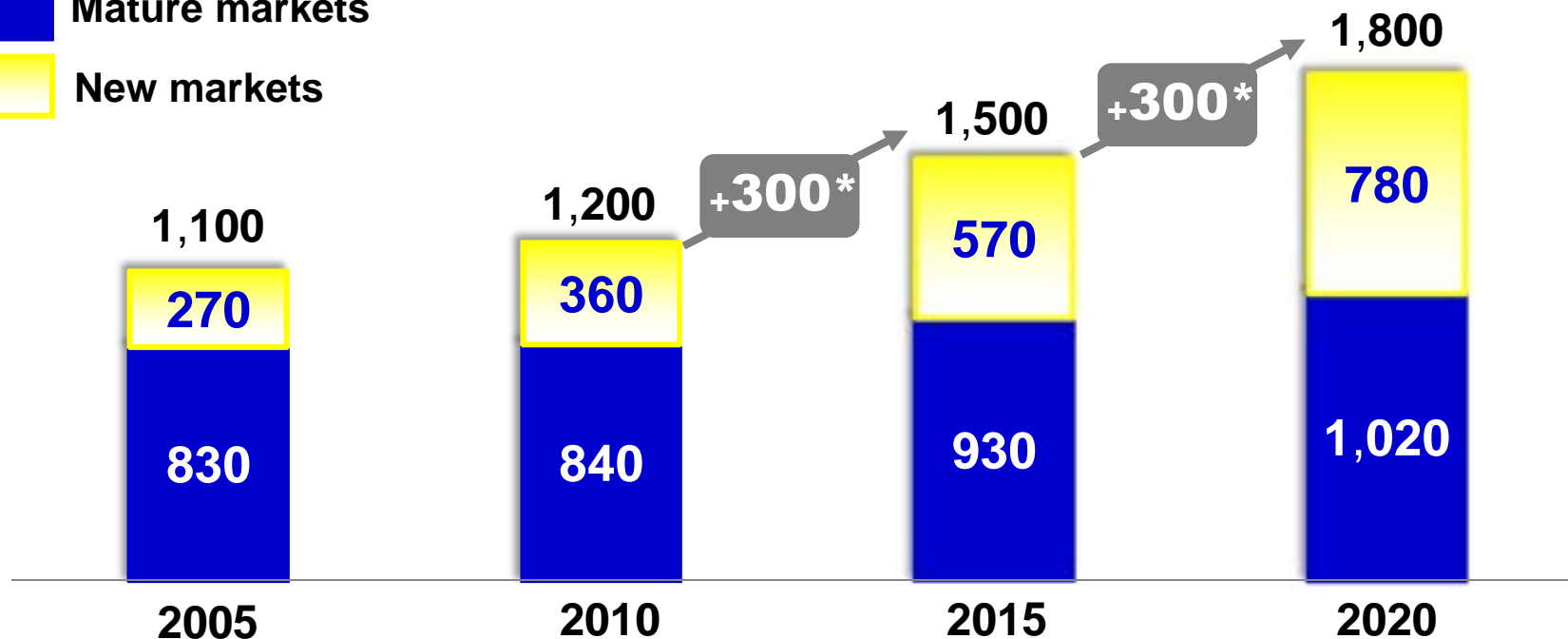
■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



Passenger Car and Light Truck: Stronger Momentum Worldwide

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

 Mature markets
 New markets



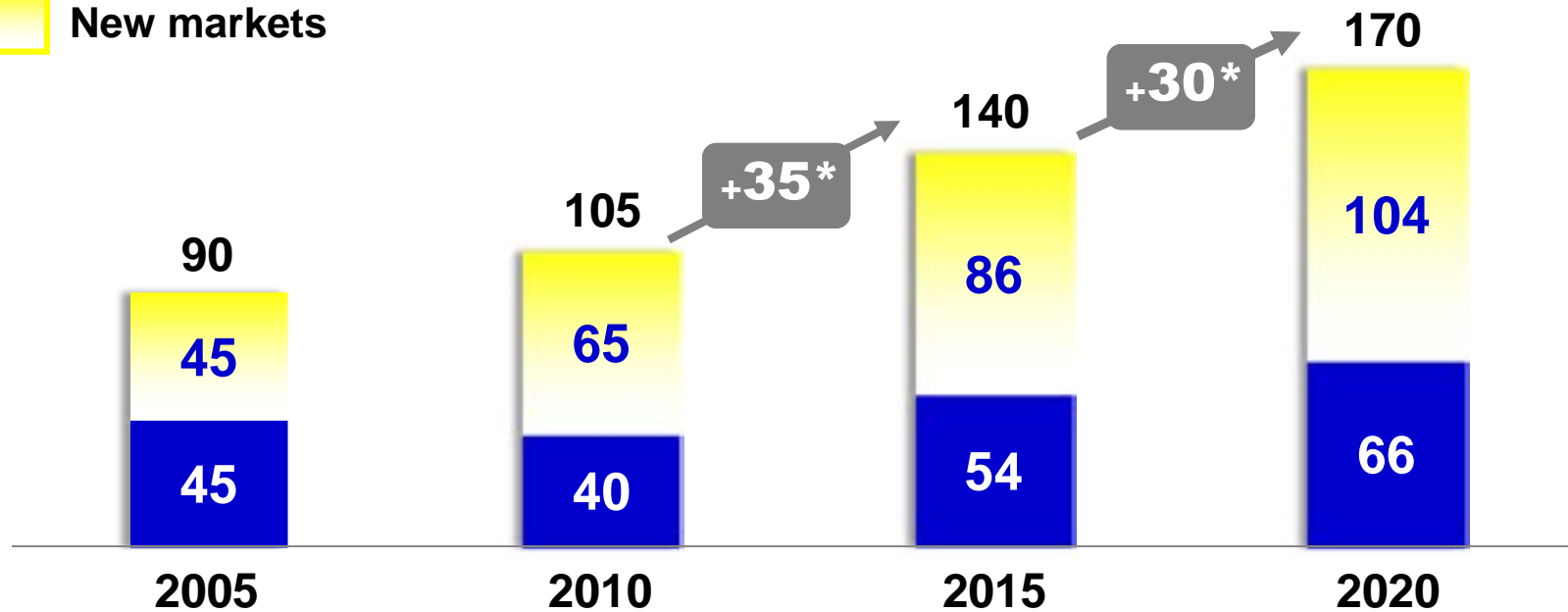
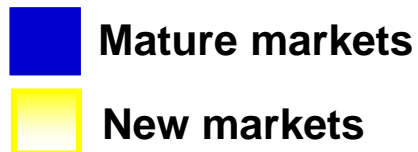
Michelin estimates

* Of which 70% in new markets



Truck: Robust Growth across every Truck Tire Market

Radial Truck Tire Markets (in millions of tires)



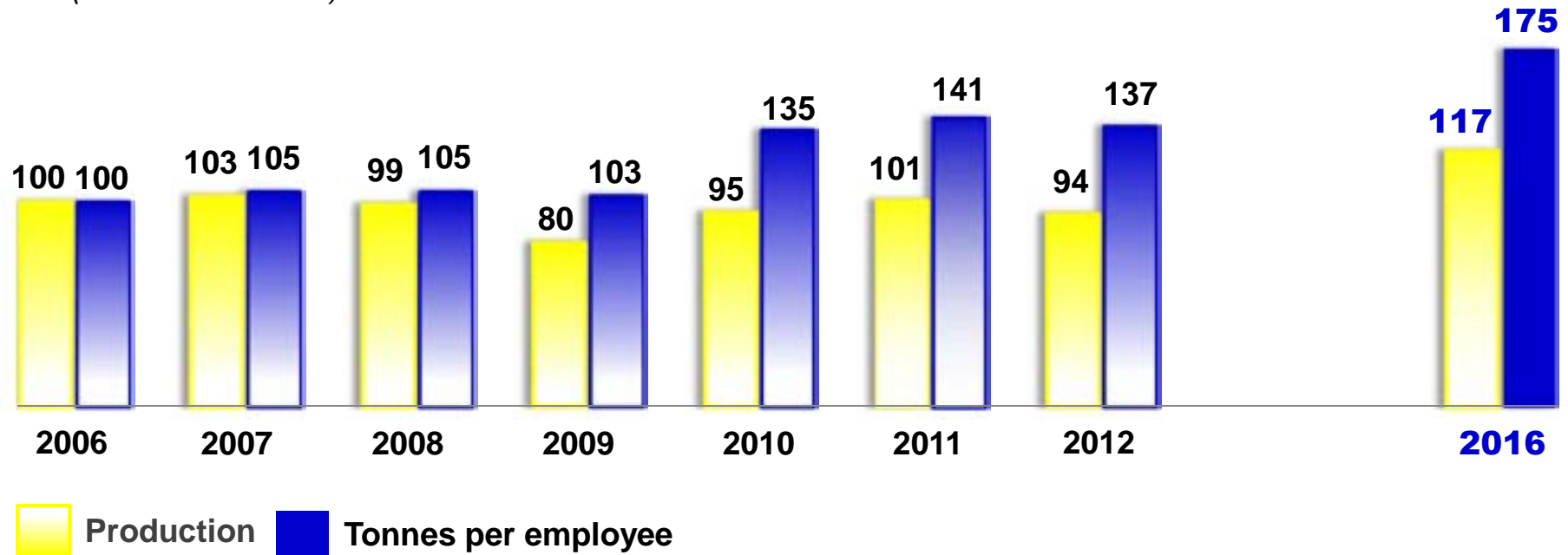
Michelin estimates

* Of which 70% in new markets



Enhance Productivity: Improving Output per Employee

Tonnes per employee
(base 100 in 2006)



Continuous improvement + industrial footprint



2012-2016 Competitiveness Plan: €1billion*

€317m achieved in 18 months with weak volumes

OBJECTIVES

-€200m/ -€300m



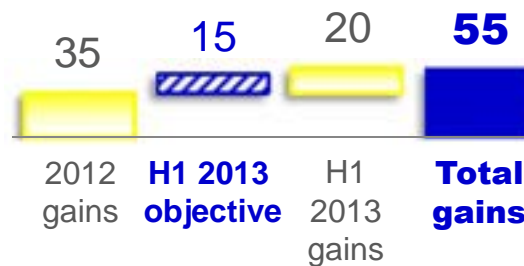
SG&A



-€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

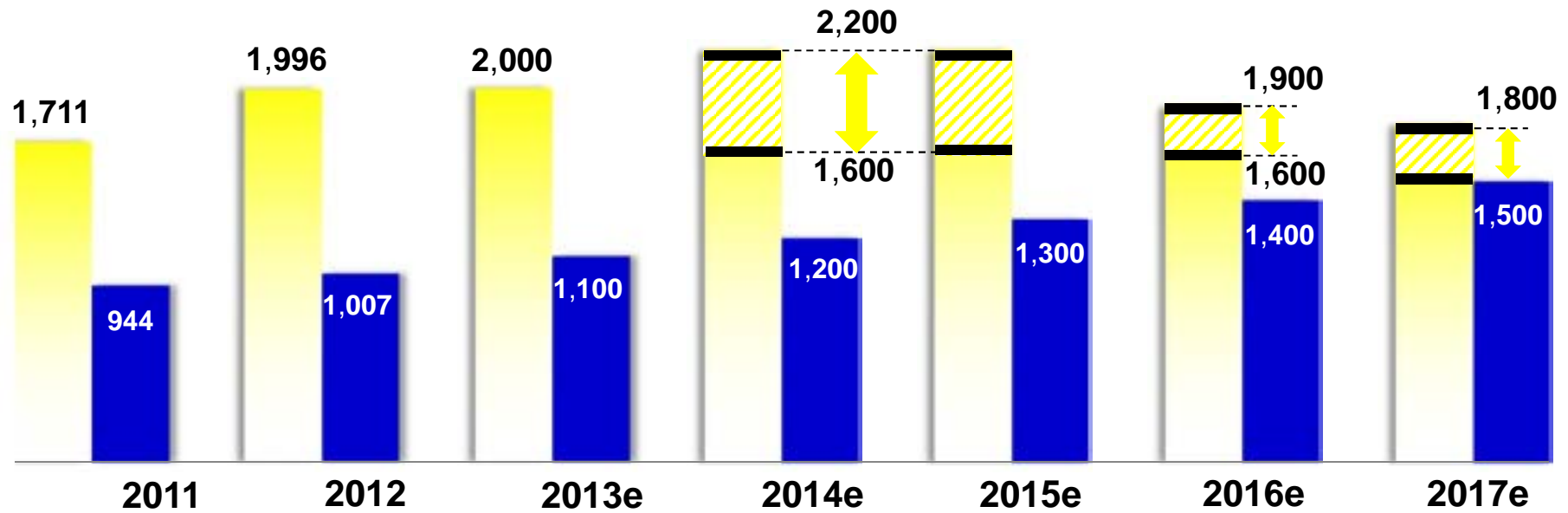
- ▶ Development of a highly competitive Truck tire production center in La Roche-sur-Yon, doubling output from 800,000 to 1.6 million units a year by 2019
- ▶ Closure project of Truck tire facilities in France, Algeria and Colombia

| <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:

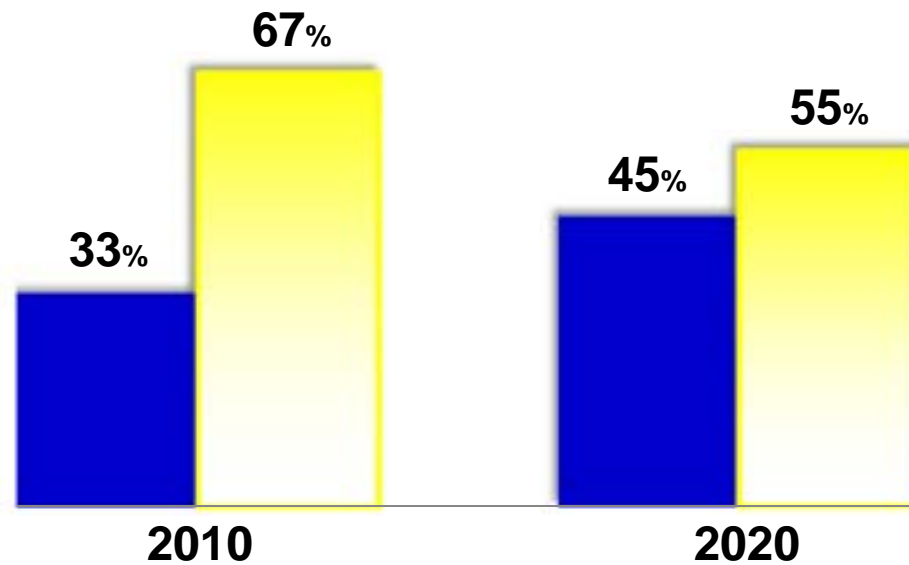
- capital intensity,
- no turnkey plant,
- high technological content,
- testing capabilities



Long-term partnership relations with customers

Sales in Mature and New Markets

As a % of net sales



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