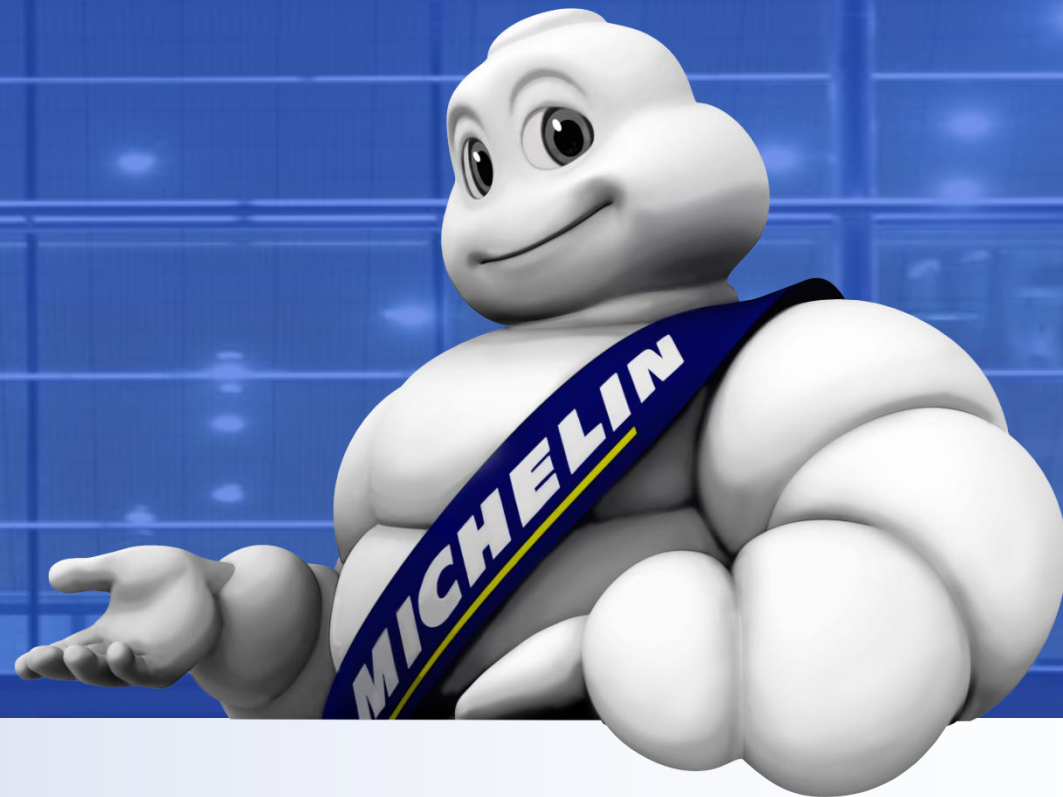


**MILAN**

**EQUITA**

October, 2013



# The Pillars of our Strategy

**1** Innovate to drive differentiation and loyalty

Continuously become more competitive

**2**



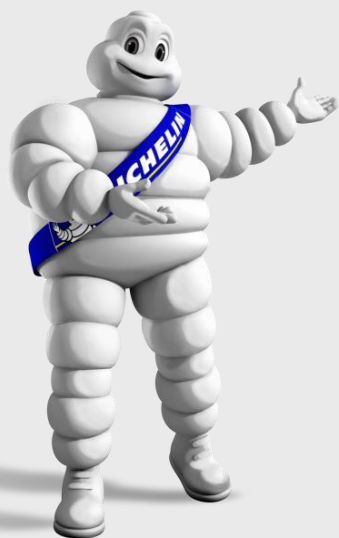
**3** Drive faster growth



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## MILAN ROADSHOW 2013

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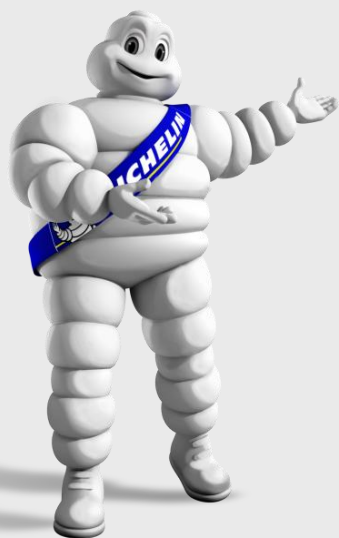


- 1 SIX MAJOR AMBITIONS FOR 2020
- 2 Q3 2013 NET SALES IN LINE WITH FULL-YEAR OUTLOOK
- 3 2013 GUIDANCE
- 4 2014 OUTLOOK
- APPENDICES

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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**



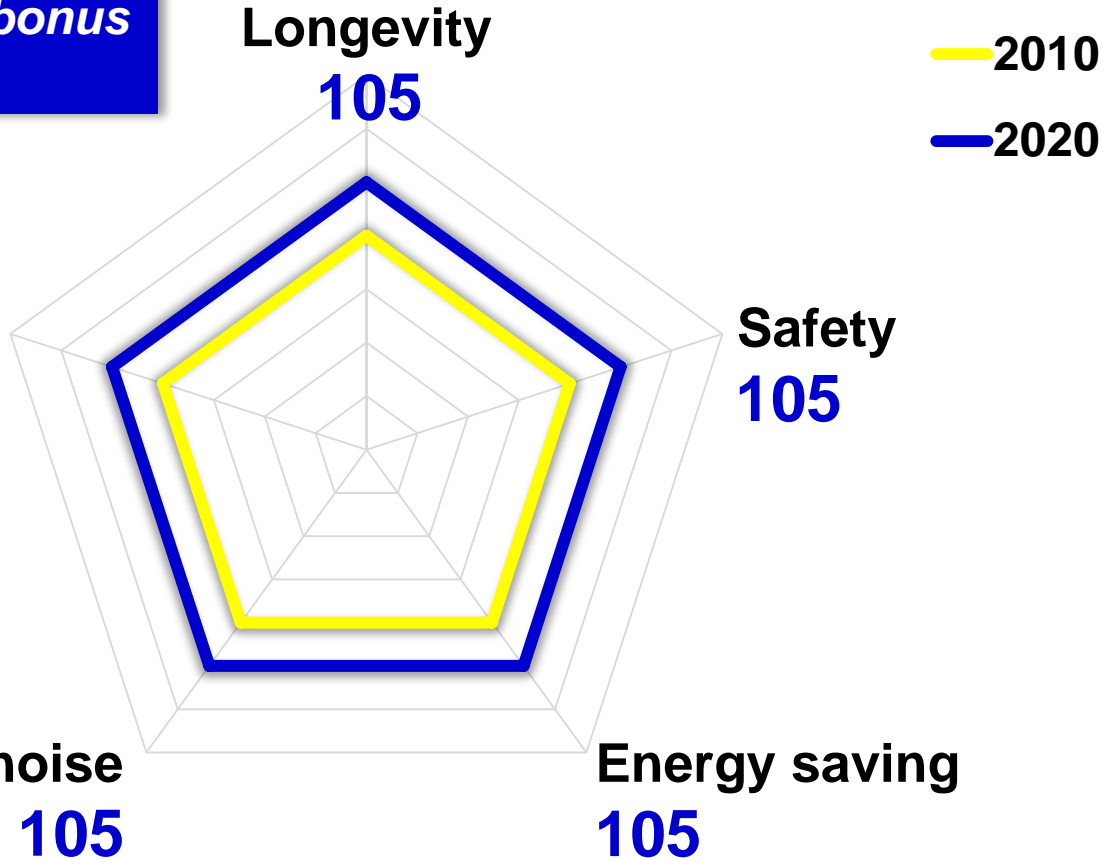
**Mass reduction  
105**

**Road noise  
105**

**Longevity  
105**

**Energy saving  
105**

**Safety  
105**

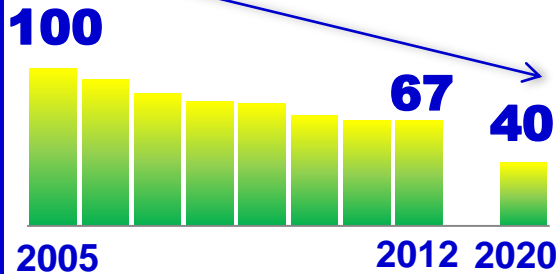


# 2 Leadership in Responsible Operations

Resource consumption

Air emissions

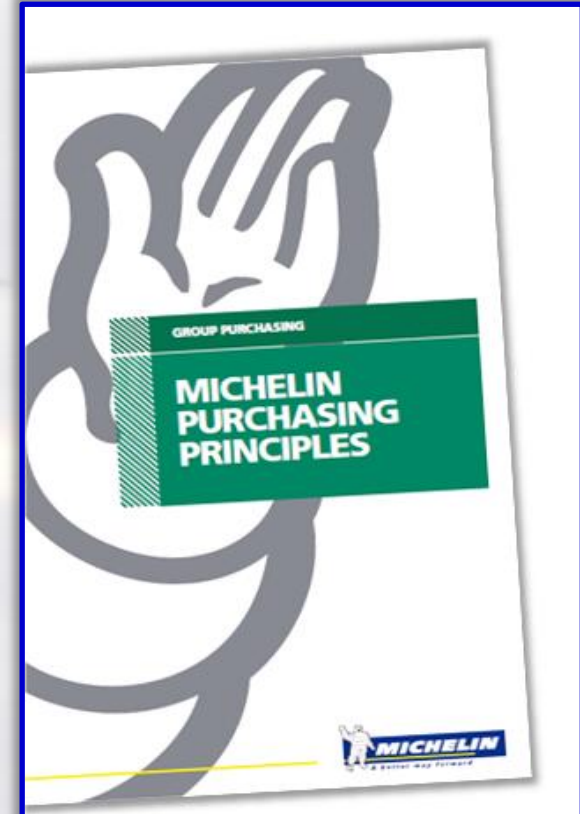
Waste



Responsible  
Production Process

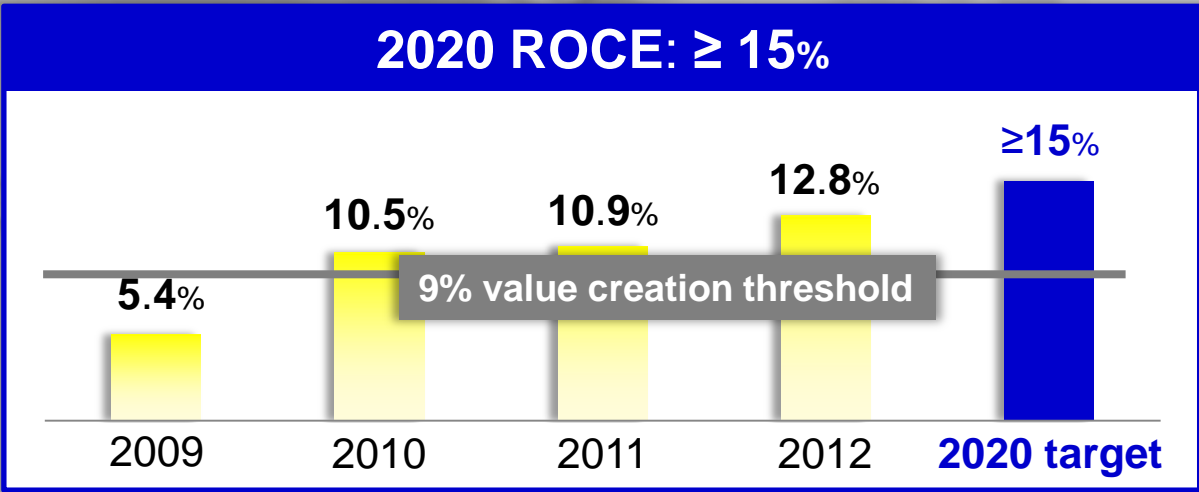
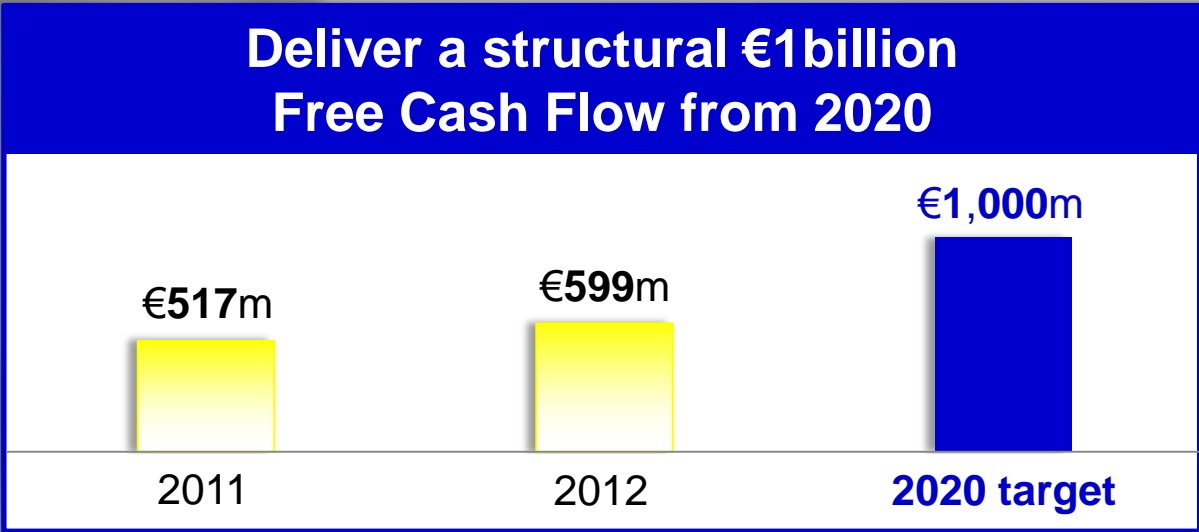


Responsible logistics  
to contribute to 10% CO<sub>2</sub> cut



70% of suppliers in line with  
Michelin corporate standards

# 3 Sustainable Financial Performance

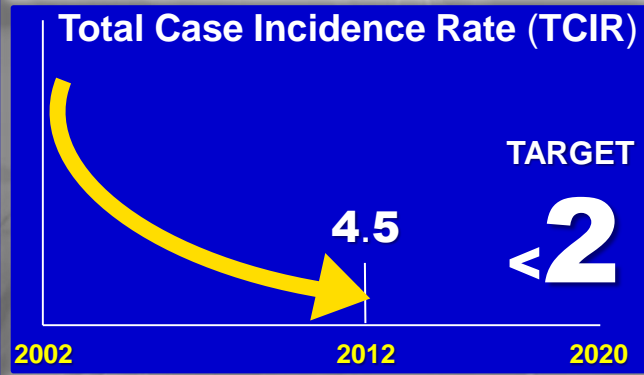




# 4 Commitment to the Well-being and Development of our Employees

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



Rallying together towards sustainable road mobility



2014 edition in China

Promote mobility solutions



**GOLDEN RULES #4** Check the wear and the pressure of your tyres regularly, not forgetting the spare.



Go to [www.goldenrules-fia-michelin.com](http://www.goldenrules-fia-michelin.com) for the complete list of Golden Rules.



Action for road safety



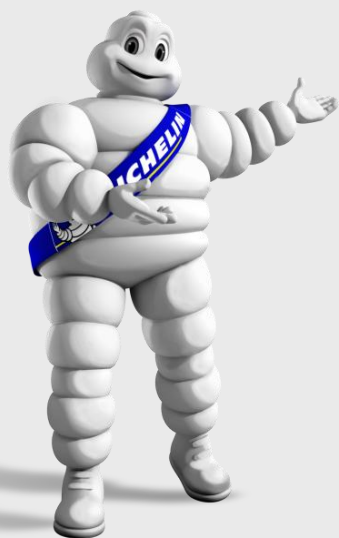
Recycling tires



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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 3<sup>rd</sup> 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

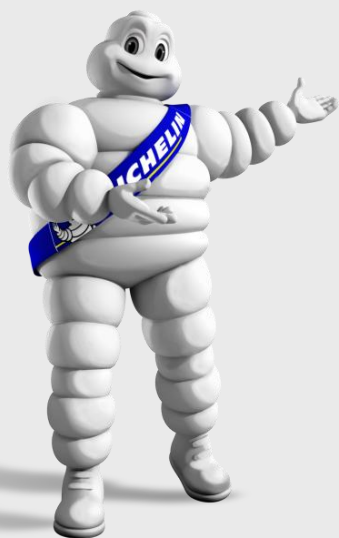
- Combined impact of decline in the USD and CAD (30%), JPY (10%), BRL and ARS (20%) and other currencies



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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)

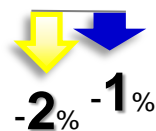


**North America**

+4% +4%

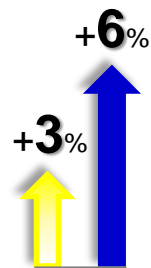


**Europe**



**Asia**

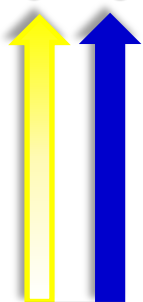
(excl. India)



**Total**



+9% +9%





**South America**

**Africa India Middle-East**

+5%



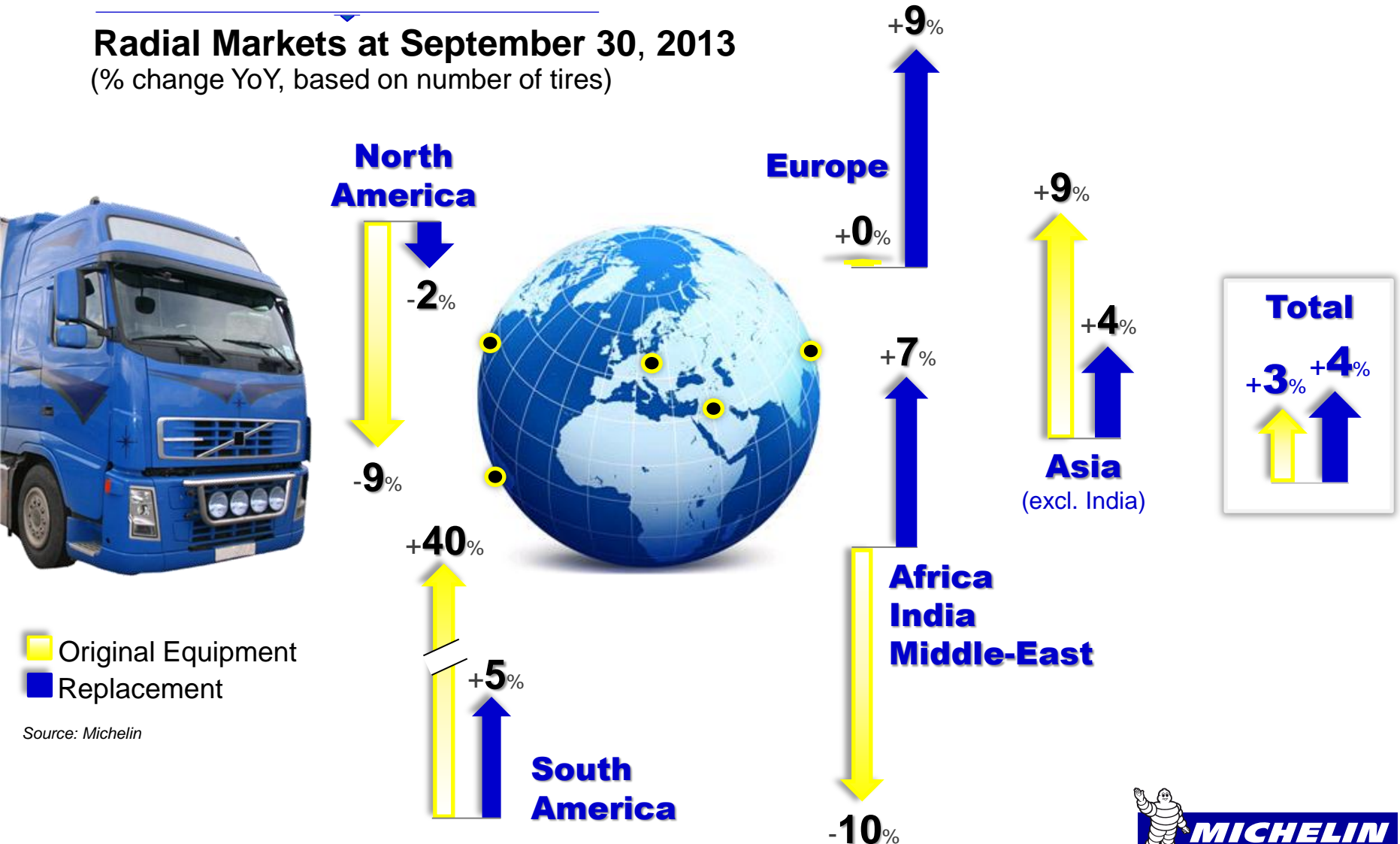
 Original Equipment  
 Replacement

Source: Michelin



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

**Radial Markets at September 30, 2013**  
 (% change YoY, based on number of tires)



■ Original Equipment  
■ Replacement

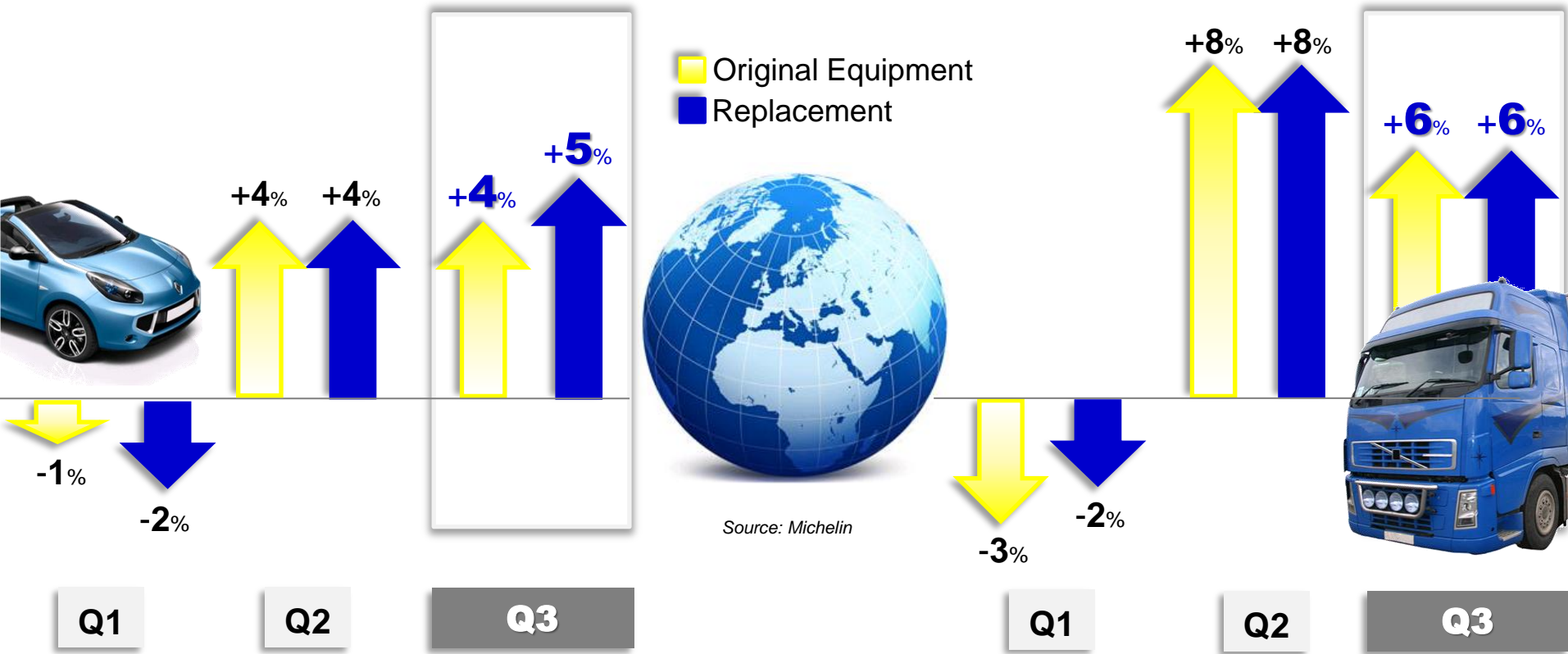
Source: Michelin





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

## 2013 worldwide markets by quarter (% change YoY, based on number of tires)

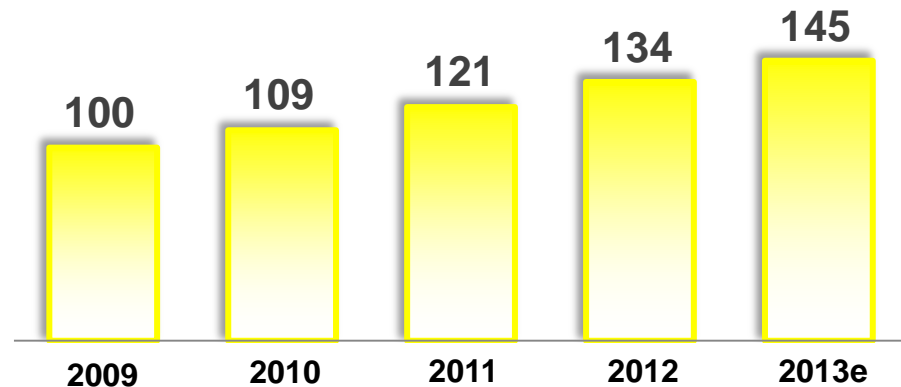


# Earthmover: Slower Growth in Mining; Other Markets Sensitive to the Business Environment

## ► Mining: slower growth



Mining Markets (in tons, base 100 in 2009)



## ► Other Earthmover: difficult market conditions

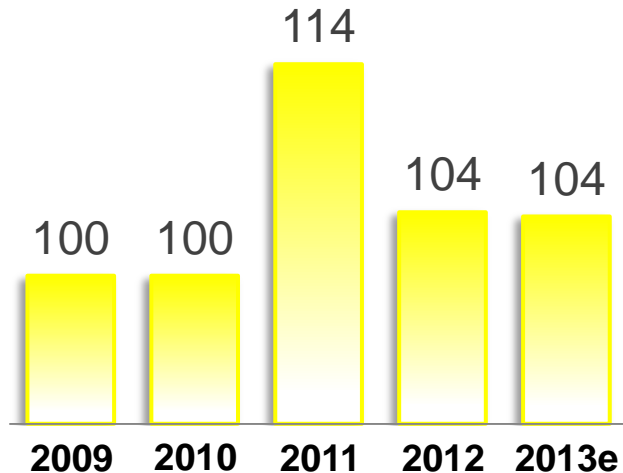
- Original Equipment: sharp decline
- Infrastructure: continued inventory draw-downs



# Agricultural: Stable Overall, with Growth in Technical Tires

## Agricultural Markets

(base 100 in 2009, in number of tires)



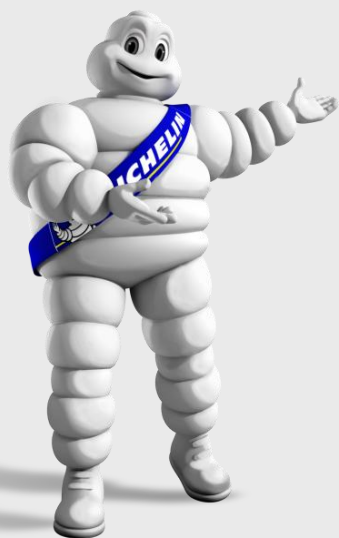
- ▶ Slower demand for OE tires
- ▶ Slight recovery for RT in Europe
- ▶ Growth in demand for technical tires



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## MILAN ROADSHOW 2013

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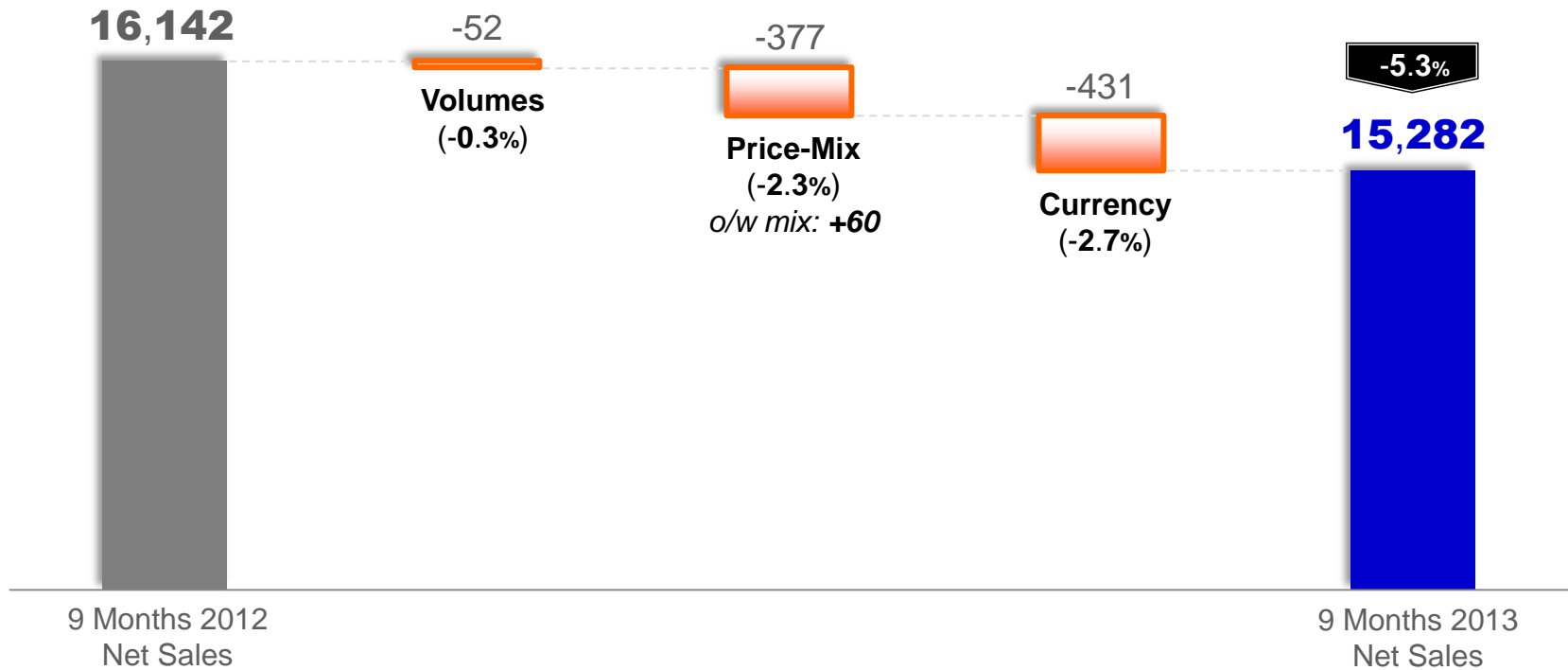


**NET SALES IN LINE WITH  
FULL-YEAR OUTLOOK**

# Volumes in Line with Full-Year Forecasts

## YoY change

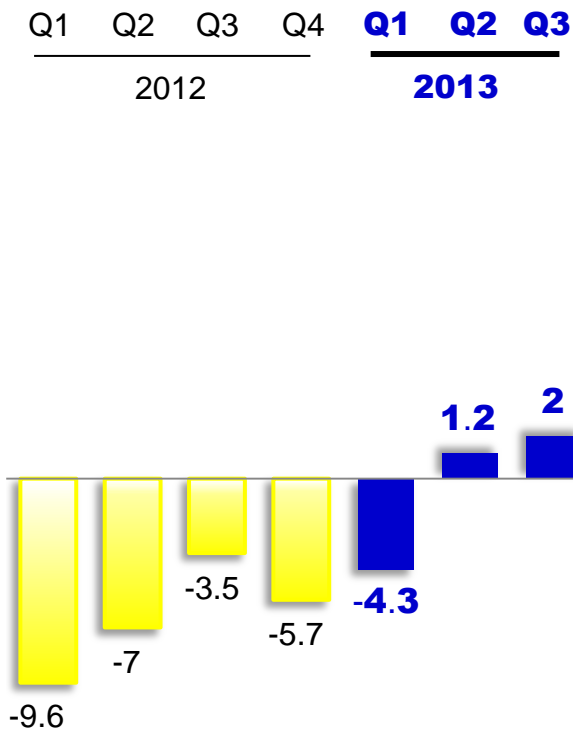
(in € millions and as a % of net sales)



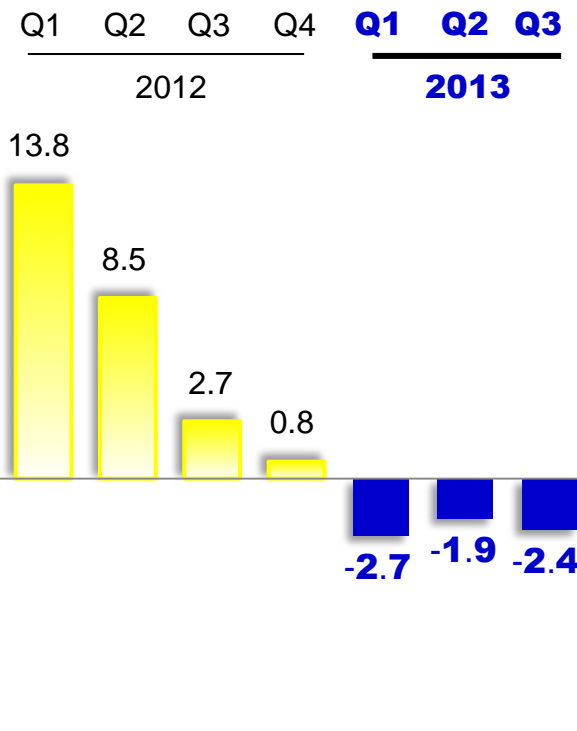
# Continued Growth in Q3, Stable Price Effect and Significant Currency Effect

## % change YoY

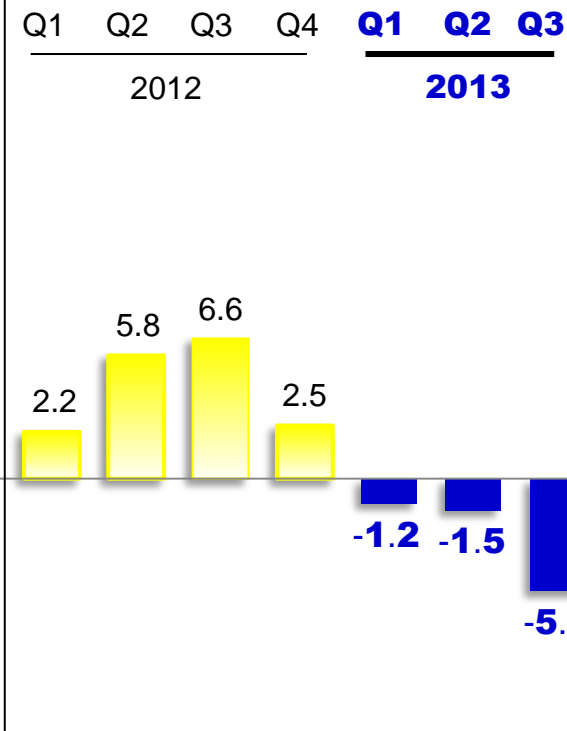
### ► Volumes



### ► Price-mix

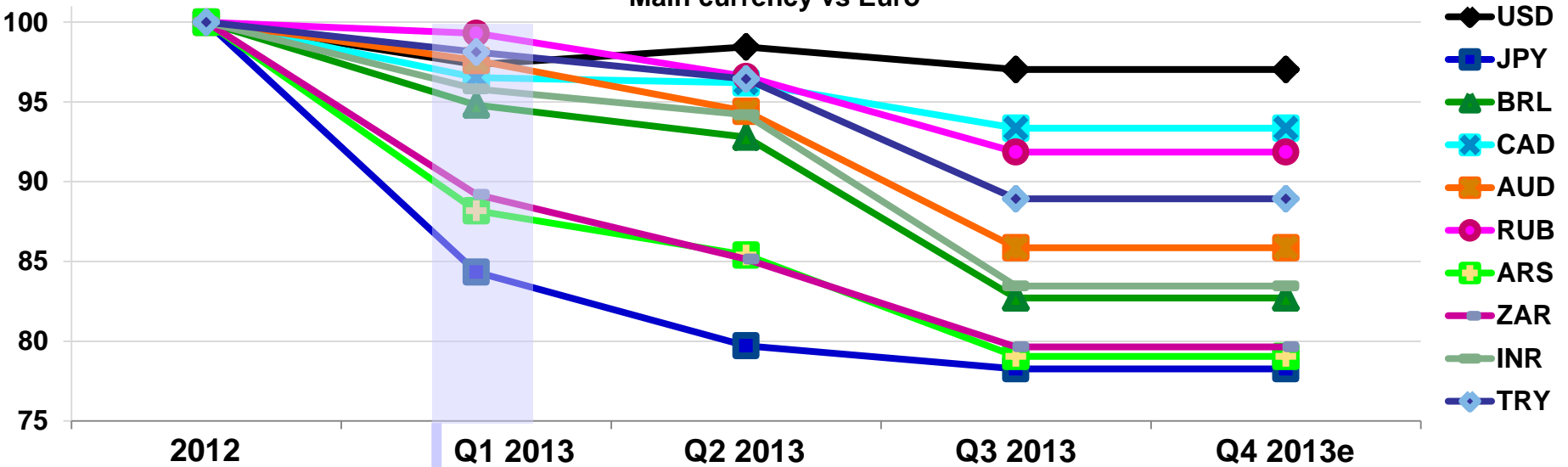


### ► Currency



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

Main currency vs Euro



	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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## MILAN ROADSHOW 2013

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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
<b>Net Sales</b>	<b>8,023</b>	8,298	
Volume growth	+0.9%		-3.3%

### ► Volumes

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

### ► Price-Mix

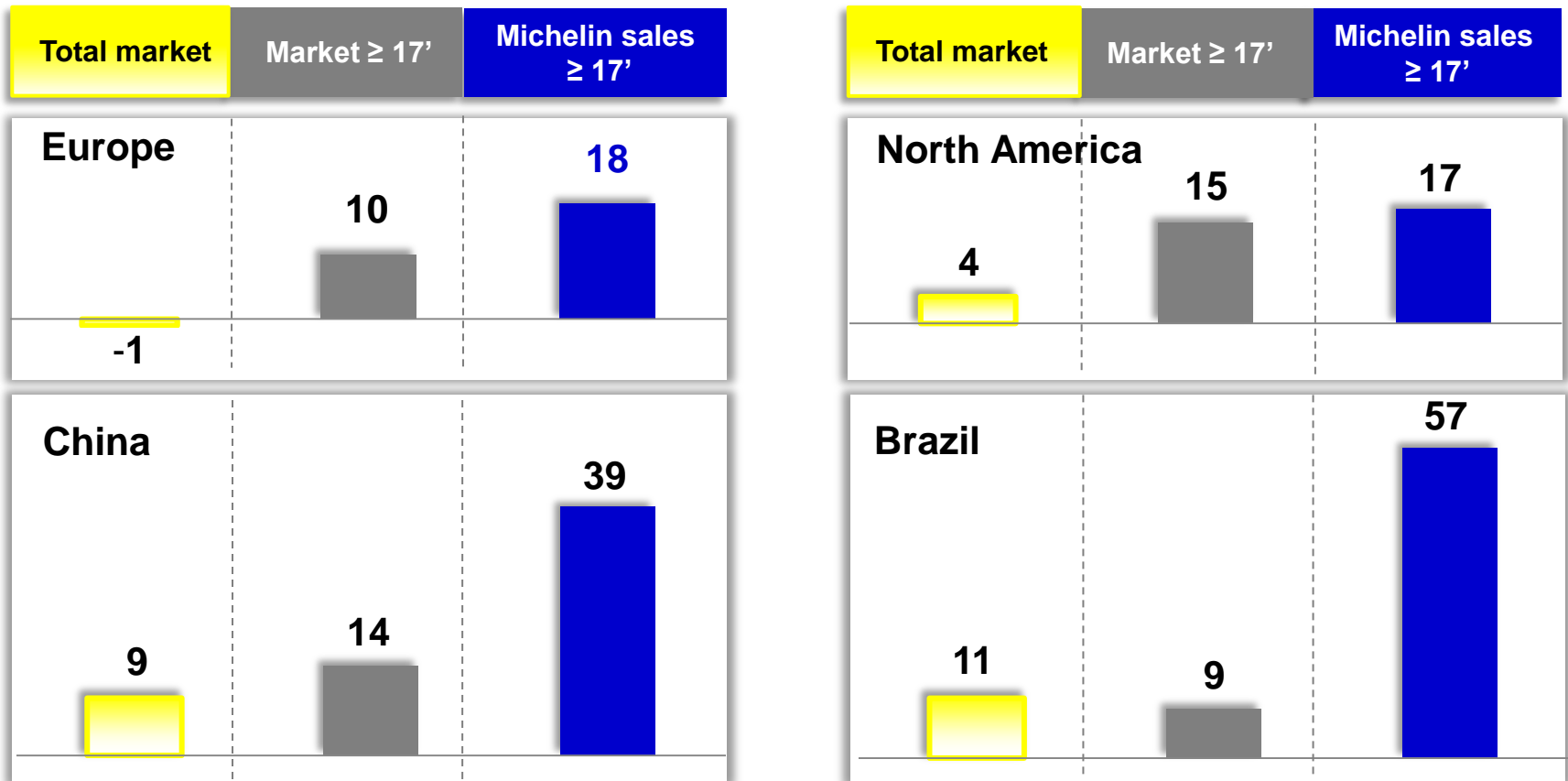
- Price: managed repositioning
- Mix: favorable, led in particular by ≥17'



# 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
<b>Net Sales</b>	<b>4,781</b>	5,044	-5.2%
Volume growth	-0.6%		

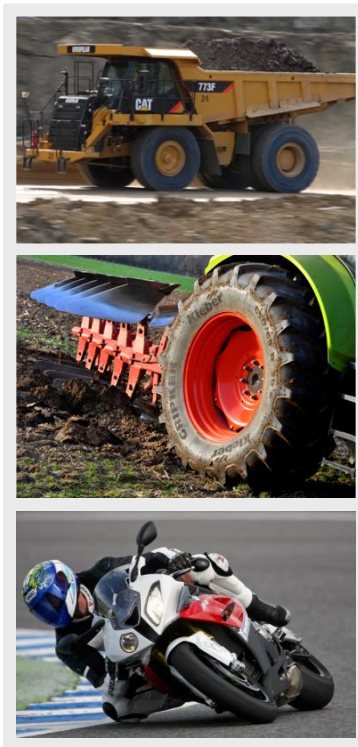
- ▶ Priority given to Truck tire profitability improvement
- ▶ Favorable impact from raw materials
- ▶ Unfavorable currency effect cushioned by price increases in markets experiencing currency depreciation




# Specialty: Resilience in a Difficult Environment

## Specialty Businesses

(in € millions)

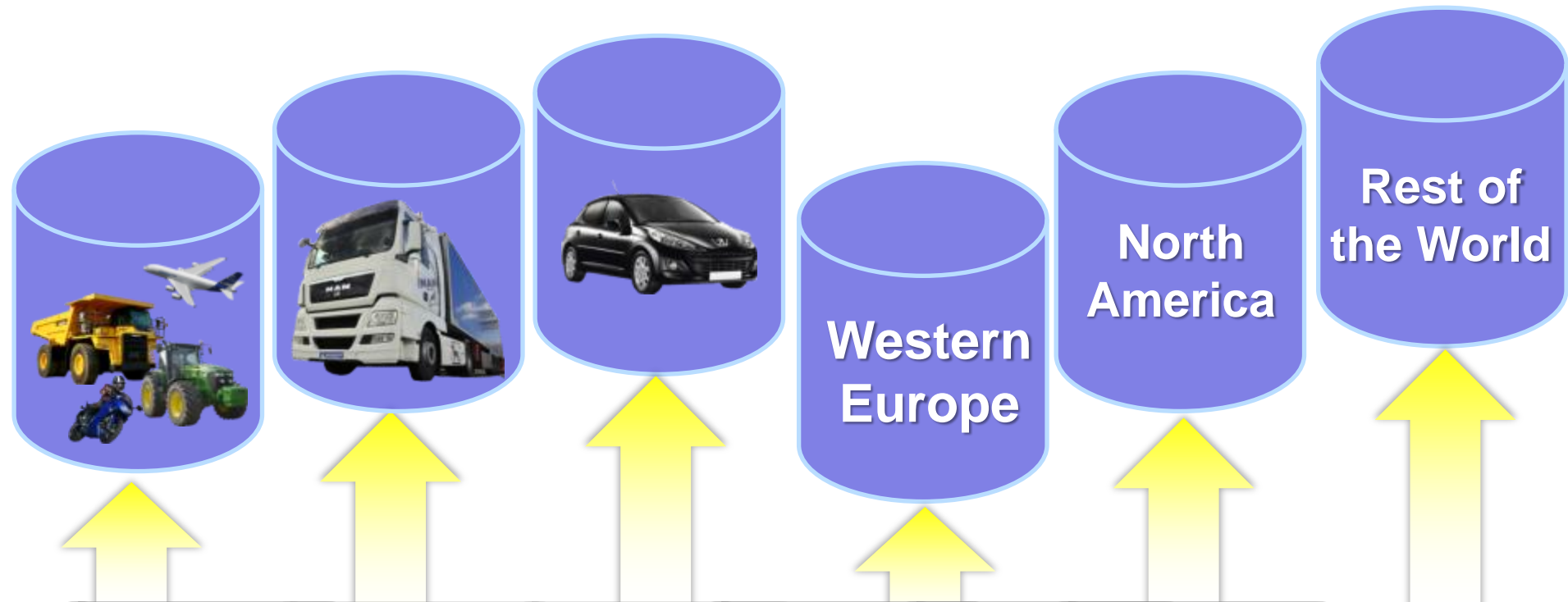


	9 months 2013	9 months 2012	Change
<b>Net Sales</b>	<b>2,478</b>	2,800	-11.5%
Volume growth	-4.2%		

- ▶ 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



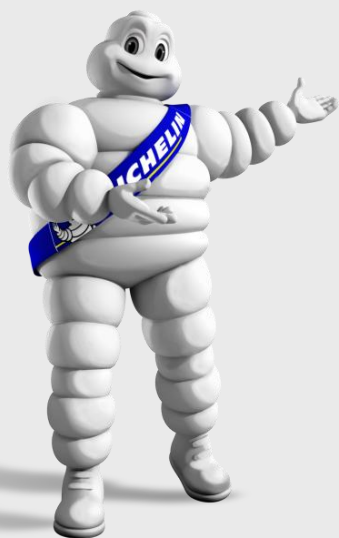
# A Natural Hedging through Balanced Geographic Exposure and Business Portfolio



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## MILAN ROADSHOW 2013

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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%**

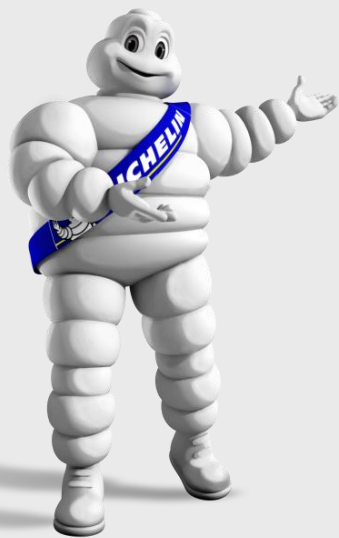
\* : *before non-recurring*





# 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



## 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

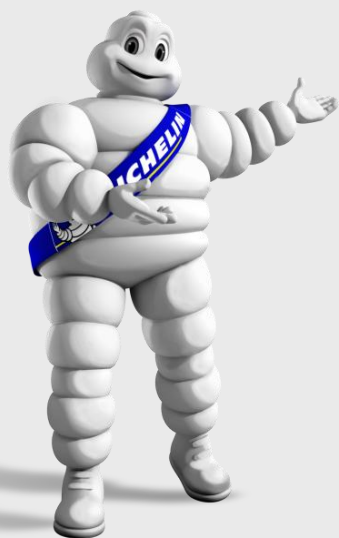
\* : *before non-recurring*



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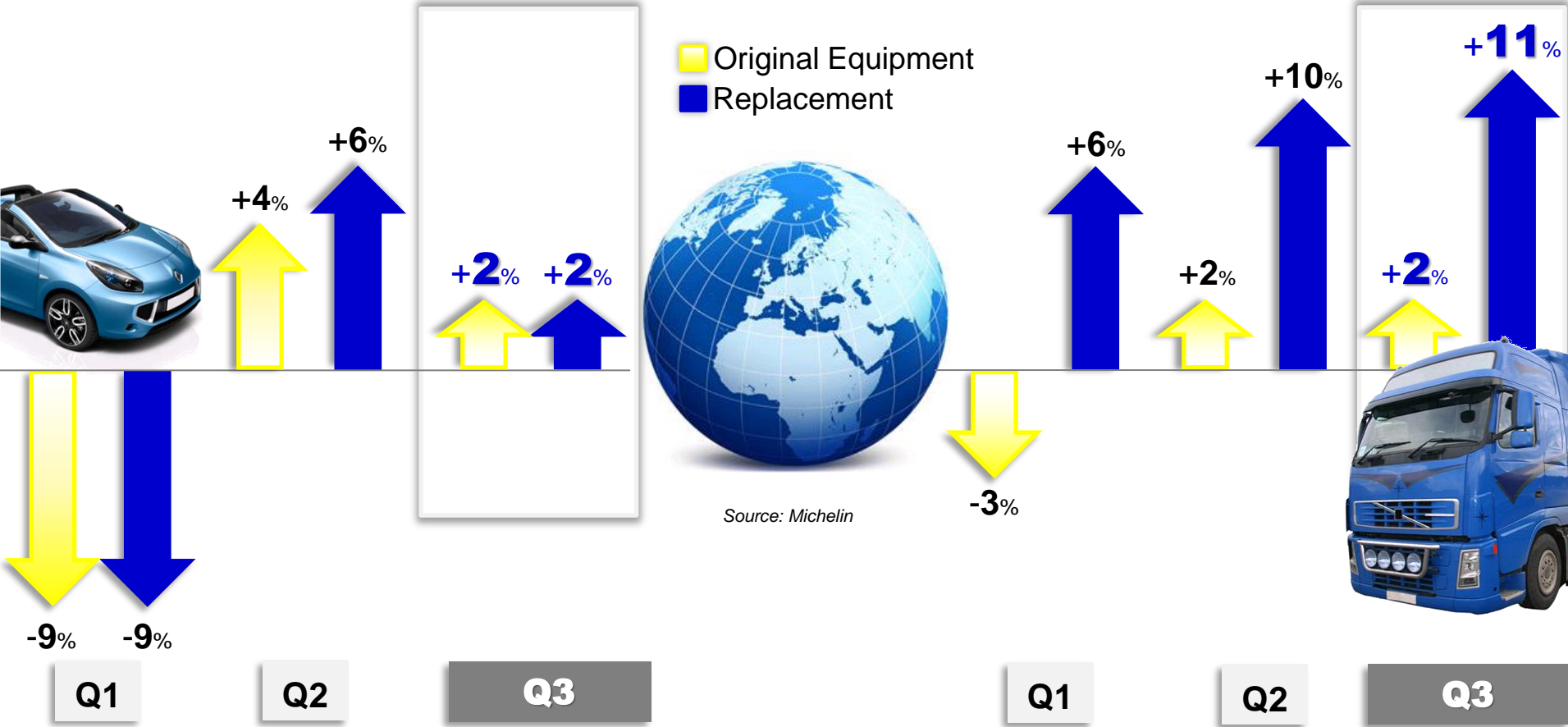
## APPENDICES



# Europe: Rebound Confirmed in the West and Downturn in Eastern Europe in 3<sup>rd</sup> Quarter

## Quarterly performance at September 30, 2013

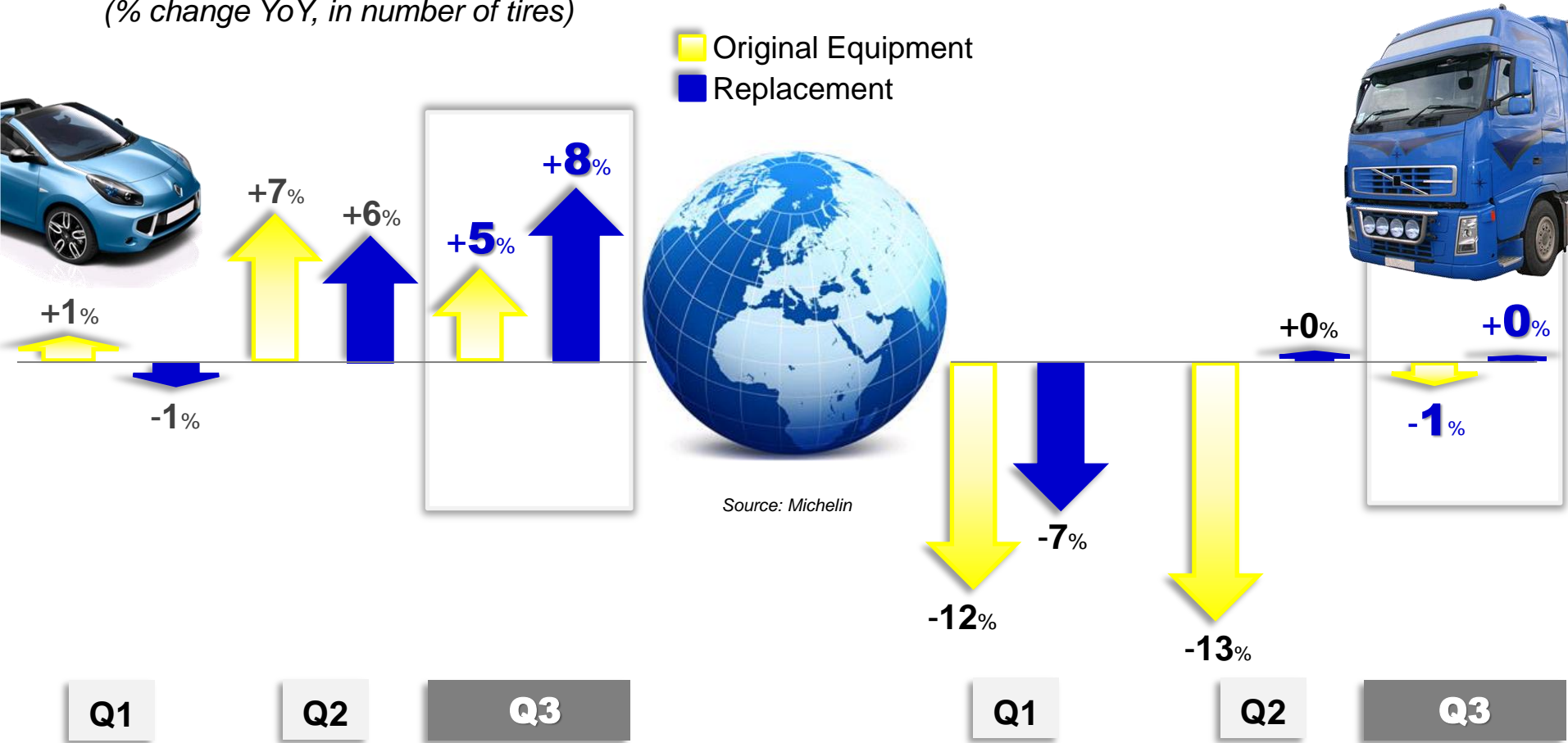
(% change YoY, in number of tires)



# 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)

■ Original Equipment  
■ Replacement

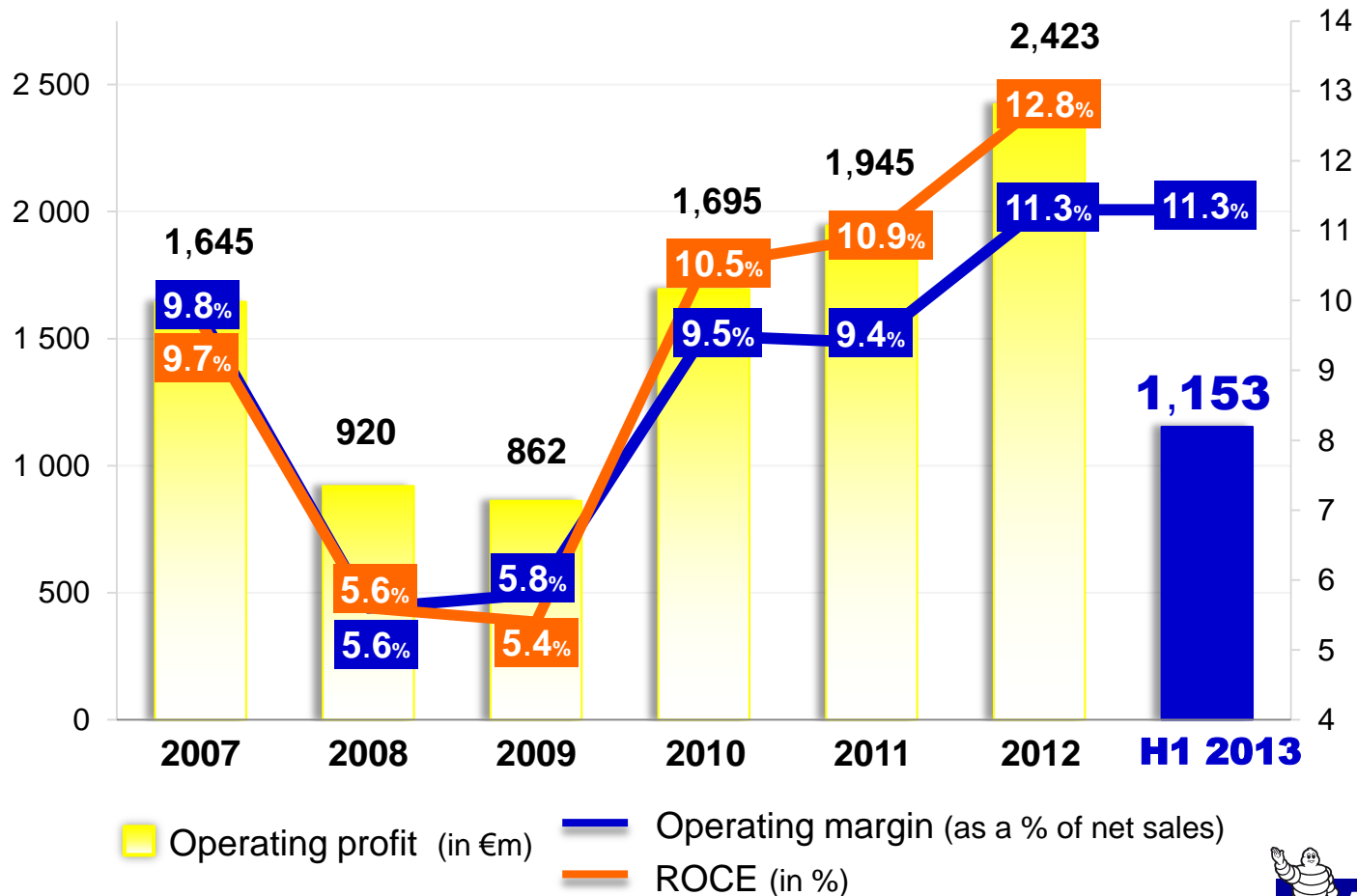


Source: Michelin



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

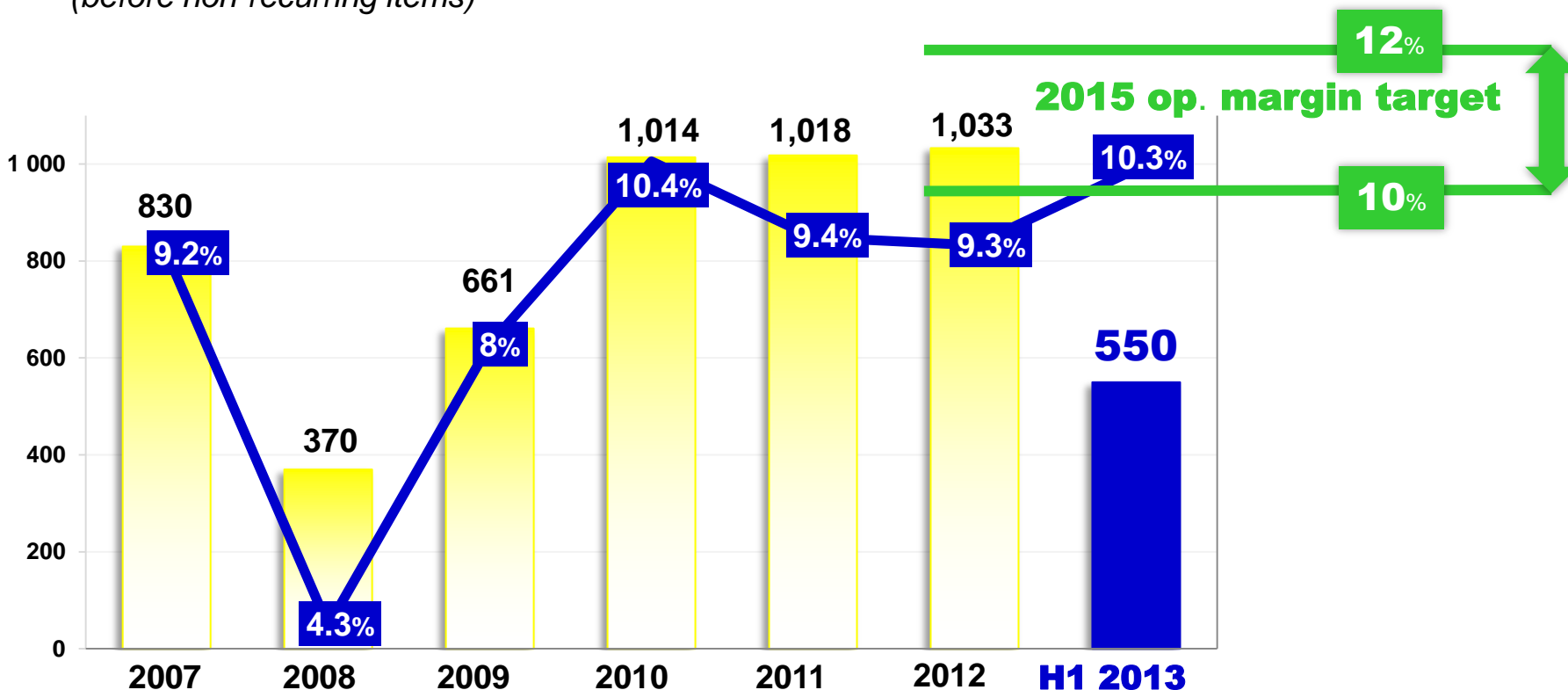
## Operating profit and margin (before non-recurring items) & ROCE



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

## Operating profit and margin

(before non-recurring items)



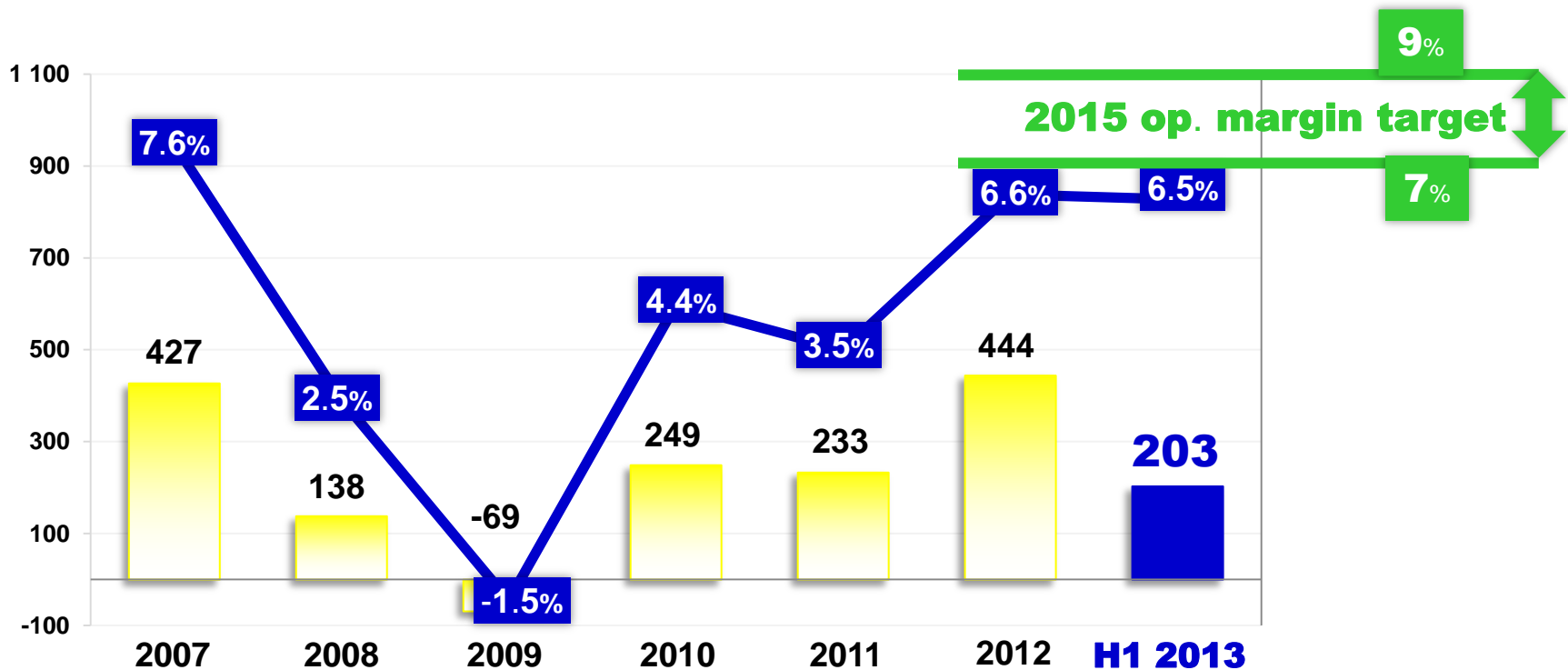
■ Operating profit (in €m) 
 — Operating margin (as a % of net sales)





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

## Operating profit and margin (before non-recurring items)

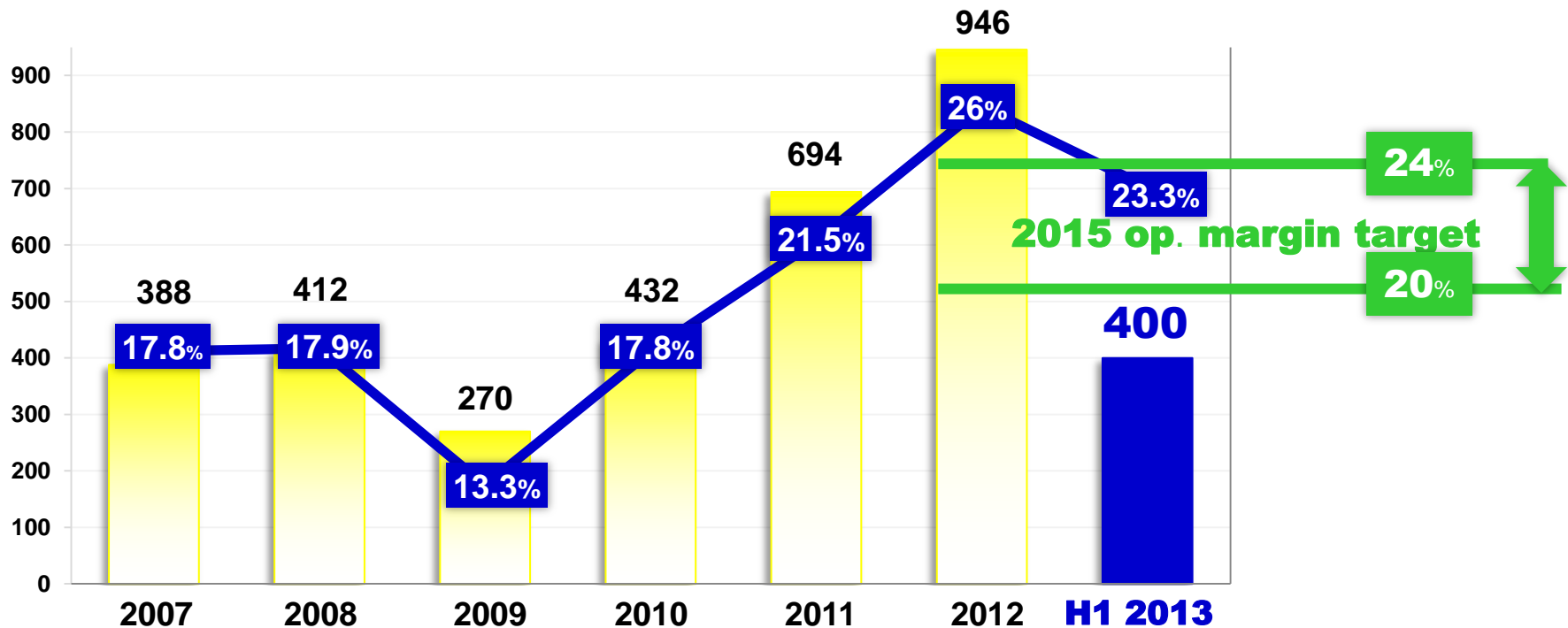


■ Operating profit (in €m) 
 — Operating margin (as a % of net sales)



# Specialty Tires: Strong Margins at Targetted Levels

## Operating profit and margin (before non-recurring items)

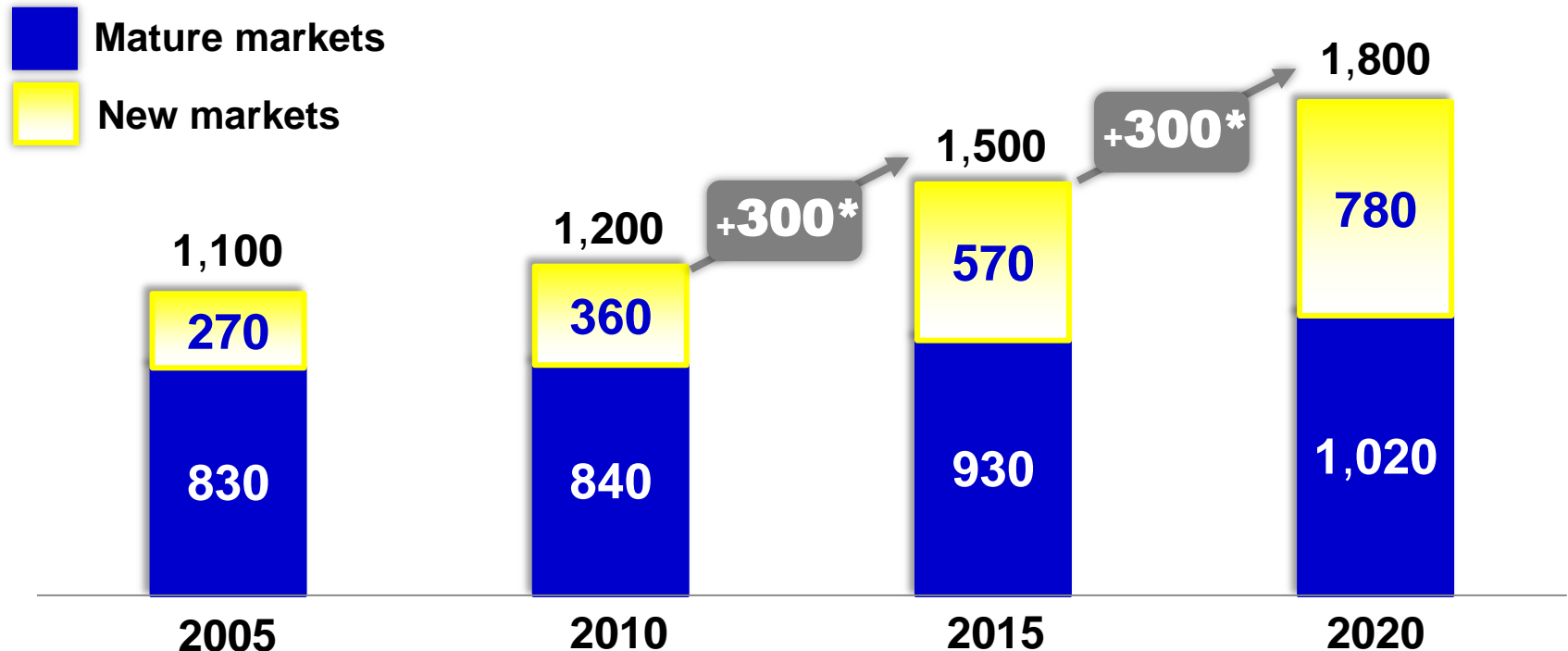


■ Operating profit (in €m) — Operating margin (as a % of net sales)



# Passenger Car and Light Truck: Stronger Momentum Worldwide

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



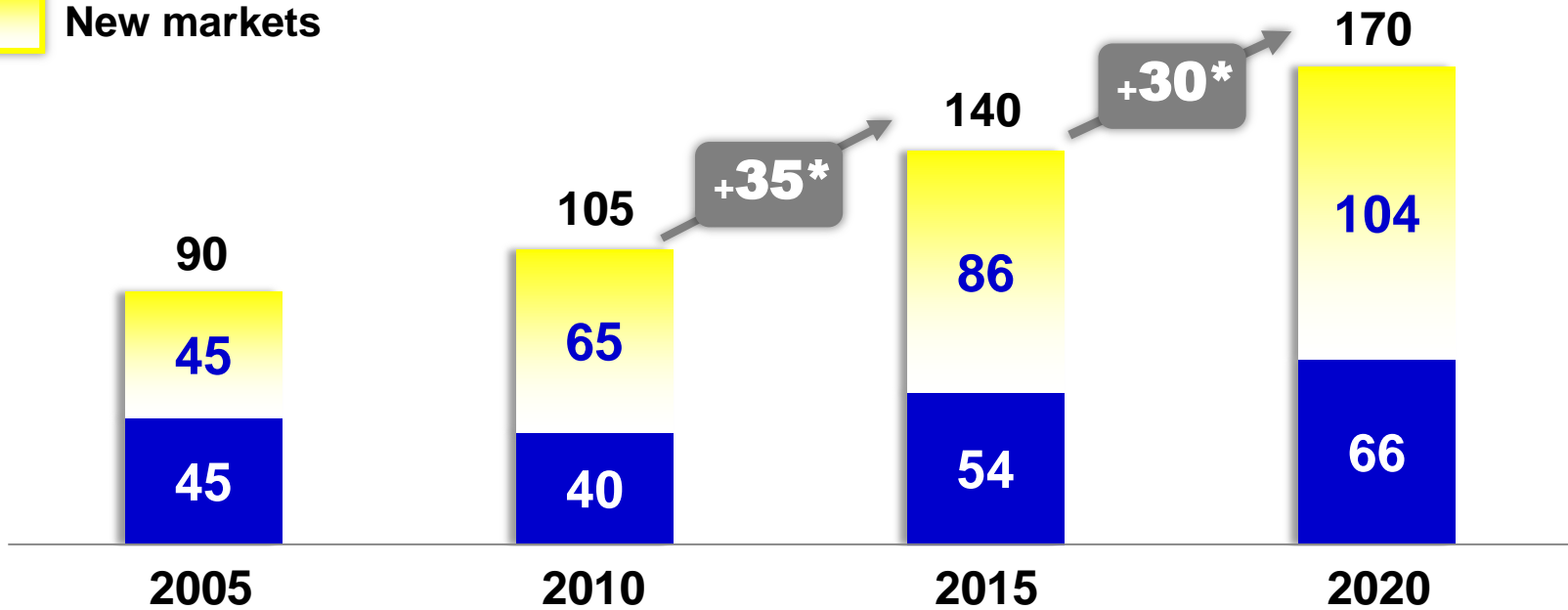
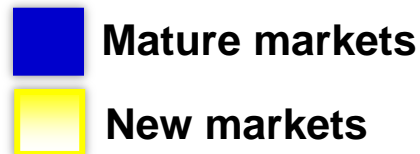
Michelin estimates

\* Of which 70% in new markets



# Truck: Robust Growth across every Truck Tire Market

## Radial Truck Tire Markets (in millions of tires)



Michelin estimates

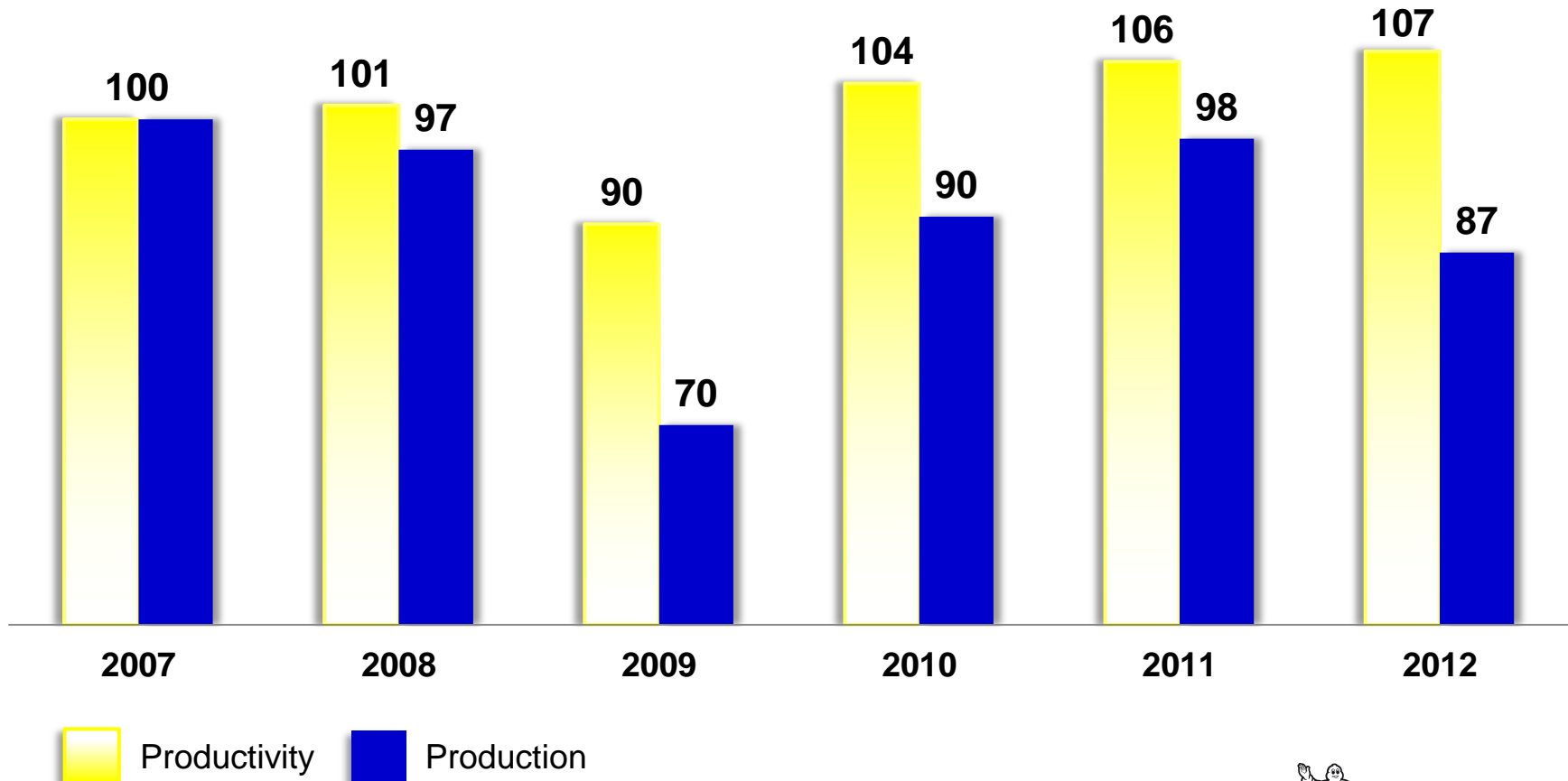
\* Of which 70% in new markets



# Enhanced Industrial Competitiveness More than Offsetting Volume Weakness

## Truck Productivity and Production indexes

(in base 100)



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



# 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

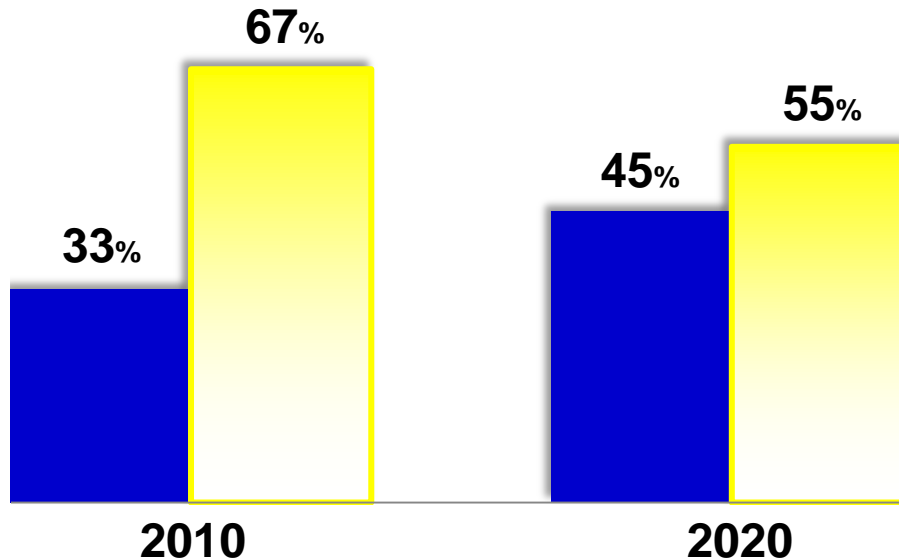


**Long-term partnership relations with customers**



# Sales in Mature and New Markets

As a % of net sales



-  As a % of net sales in mature markets
-  As a % of new markets





# 2012-2016 Competitiveness Plan: €1 billion\*

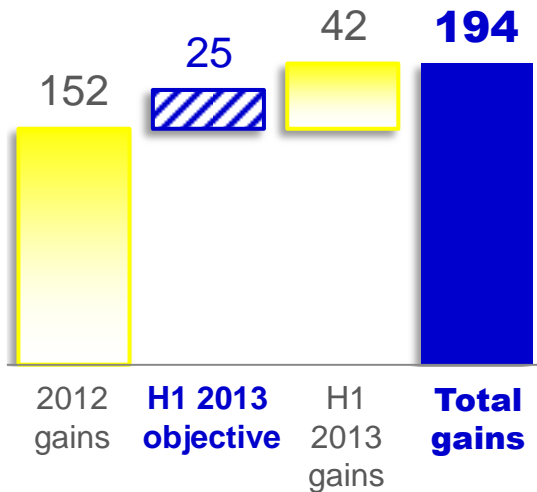
€317m achieved in 18 months with weak volumes

## OBJECTIVES

-€200m/ -€300m



**SG&A**



-€200m/ -€300m



**Materials**



-€500m/ -€600m



**Manufacturing  
- Transport**

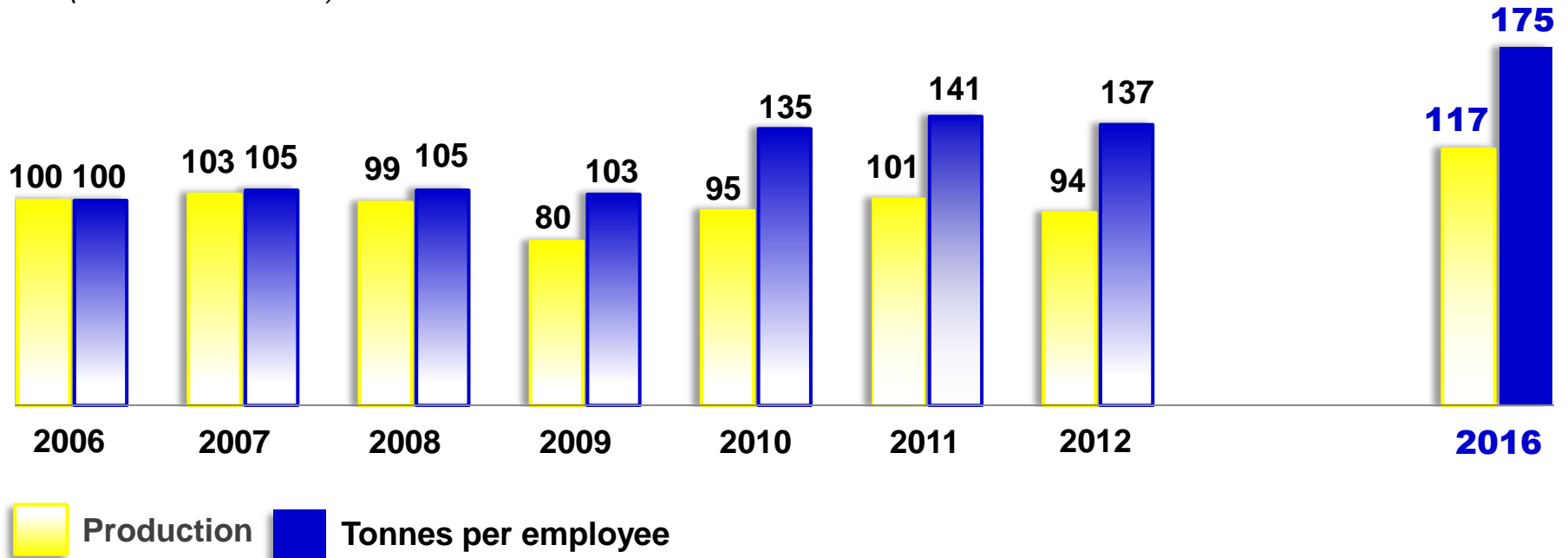


\*before inflation and including avoided cost



# Enhance Productivity: Improving Output per Employee

**Tonnes per employee**  
(base 100 in 2006)



**Continuous improvement + industrial footprint**



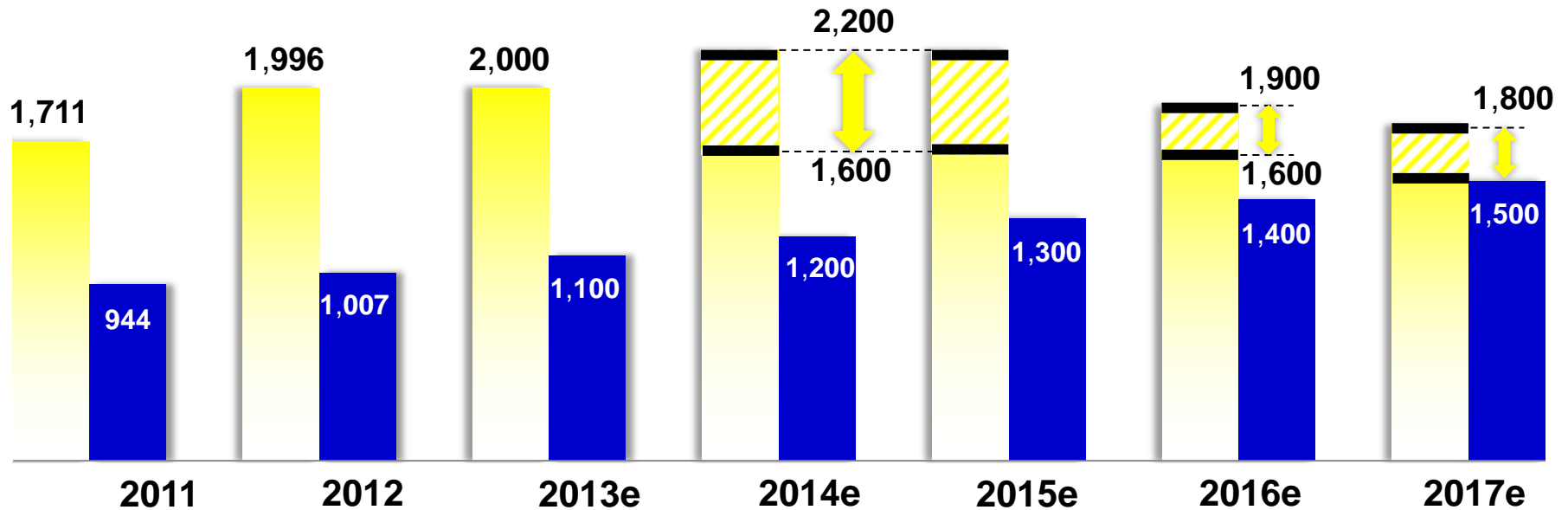
# Capital Programs Being Deployed on Schedule to Capture Growth

- ▶ **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): **1<sup>st</sup> tire**: July 2013
- ▶ **United States** (Mining giant tires): **1<sup>st</sup> tire**: end-2013



# Investing to Enhance our Competitive Strengths and Drive New Growth

**Capex and depreciation**  
(in € millions)



# Contacts

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