

GOLDMAN SACHS

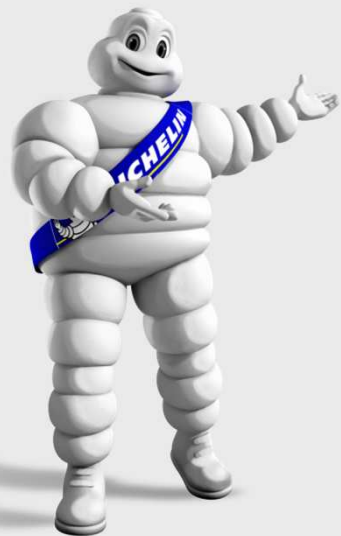
5th Annual Global Automotive Conference

London – December 5, 2013



December 5, 2013

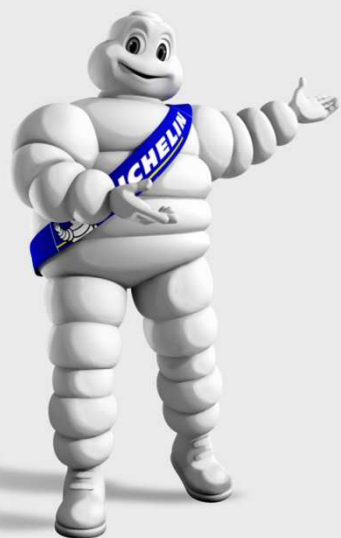
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- 1 STRATEGY & 2020 AMBITIONS**
- 2 ACTIVATING GROUP LEVERS**
- 3 FREE CASH FLOW AMBITION**
- 4 COMMITMENT TO SHAREHOLDERS**
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1 STRATEGY & 2020 AMBITIONS

The Pillars of our Strategy

1 Innovate to drive differentiation and loyalty

Drive faster growth **2**



3 Continuously become more competitive



2020 Ambitions: 6 Objectives

1 ■ Product performance leadership

2 ■ Leadership in responsible operations

3 ■ Sustainable financial performance

4 ■ Commitment to the well-being and development of our employees

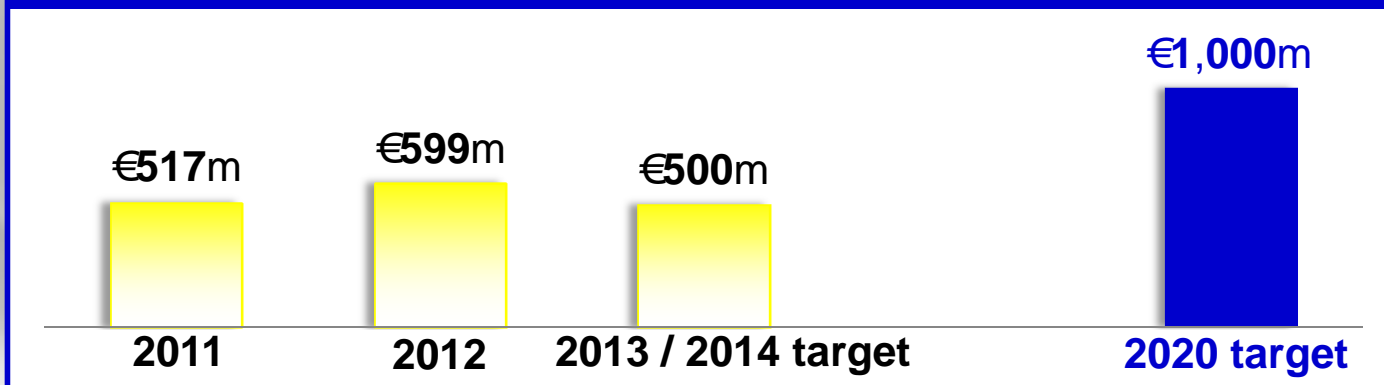
5 ■ Live in harmony with our communities

6 ■ Advocacy: fostering better life through sustainable mobility

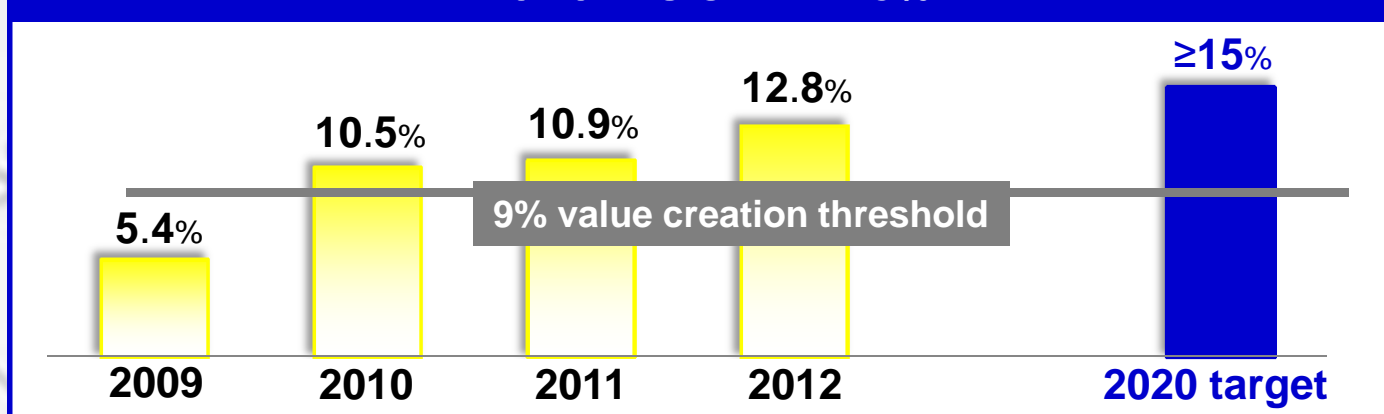
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Sustainable Financial Performance

Deliver a structural €1 billion
Free Cash Flow from 2020

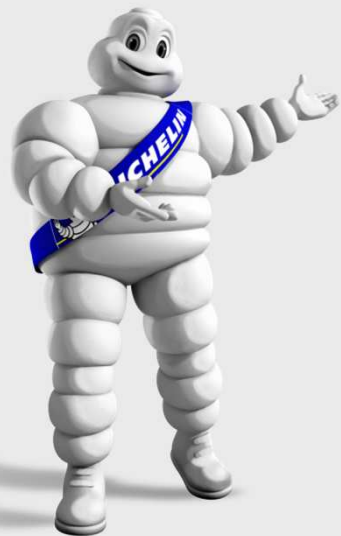


2020 ROCE: $\geq 15\%$



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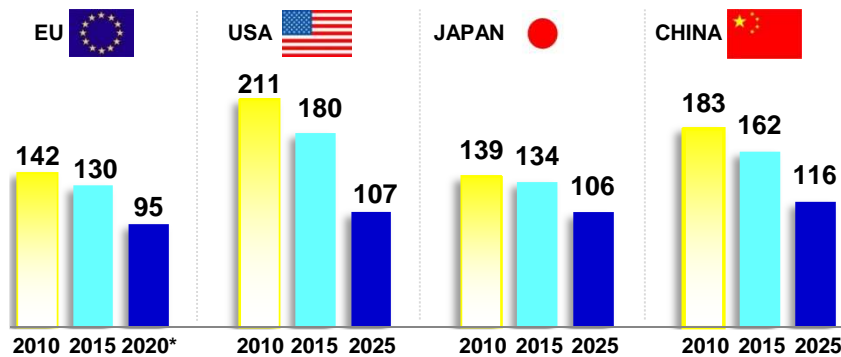
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ACTIVATING GROUP LEVERS:

- **Innovation, the Michelin's DNA**
- **Capturing Growth**
- **Competitiveness Plan**

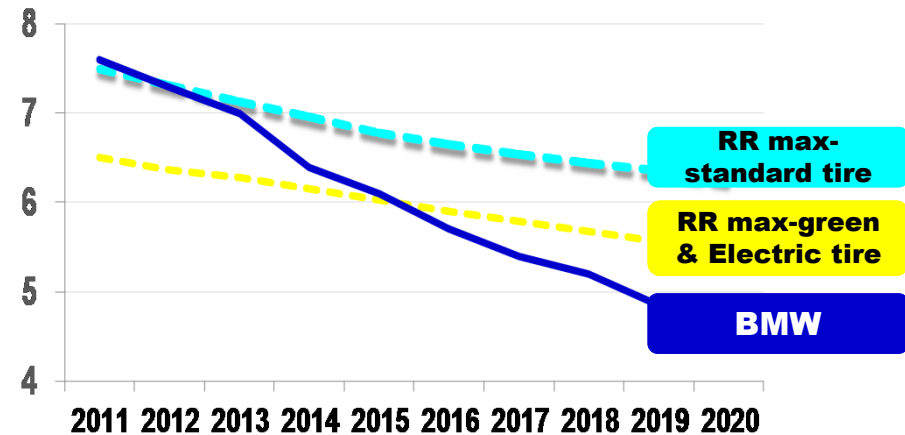
Innovation: Emissions Regulations Drive a Valorized Demand for Energy-Saving Tires

CO₂ fleet emission targets (g(CO₂)/km)



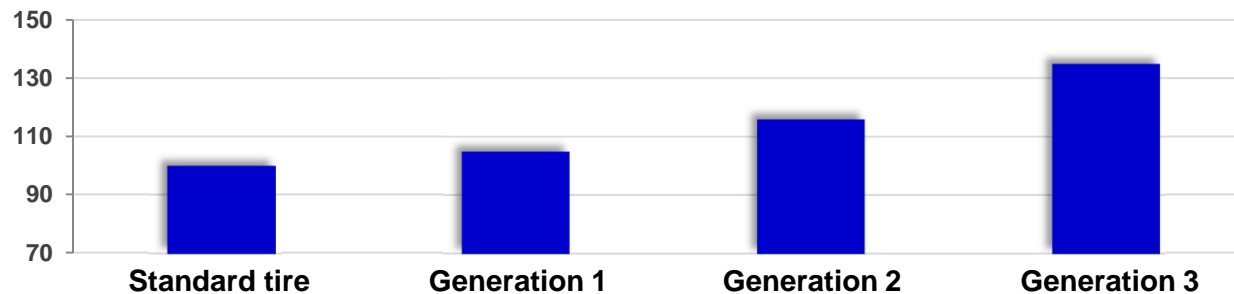
Source: EU Commission (*to be validated), Parliament and Council; EPA, DOT and NHTSA; JAMA; ICCT; Roland Berger

Rolling resistance demanded by premium OEM's



2012 OE Valorization of Michelin new low rolling resistance technologies

Price index 100 for standard tire



Innovation: Vertical Integration to Insource the Technology and Retain Value Added

▶ The Indonesian project

- Synthetic rubber plant scheduled to come on stream in 2017
- Joint venture with Petrokimia Butadiene Indonesia
- Total investment: \$435m
 - Michelin contribution: 55%

▶ Strategic vision for vertical integration

- Secure supply
- Maintain and protect the technology
- Retain the value added
- Costs

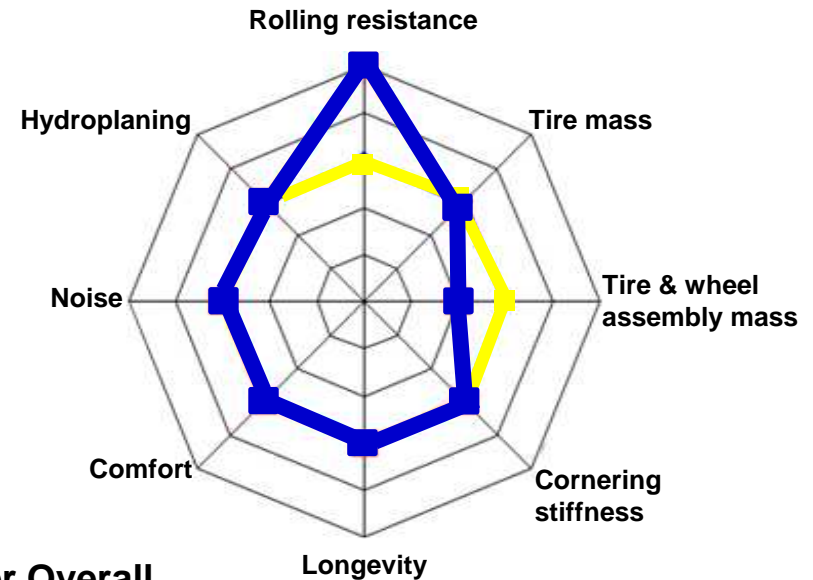


Innovation: Benefits of Tall and Narrow Tires Carrying the Same Load as a Standard Tire



— REFERENCE SIZE (ex: 205/60-16)

— TALL & NARROW SIZE (ex: 185/65-19)



- ▶ Tall & Narrow tires take advantage from their larger Overall Diameter to reduce rolling resistance & noise and improve aquaplaning & comfort
- ▶ Natural benefits of Tall & Narrow tires in aquaplaning, noise & comfort can be exchanged to reduce even more rolling resistance through:
 - Tread pattern optimization
 - Tire pressure increase



A Continuing Focus on Innovation through Michelin Innovation Ecosystem

▶ Group R&D in 2012:

- 622M€
- 2,9% of Net Sales
- 6,600 people

* Corporate Innovation Board:

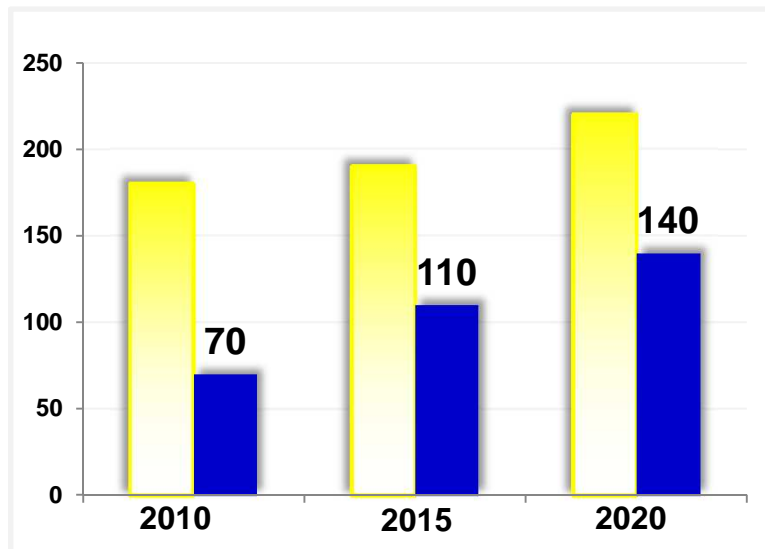
■ Mission:

- Define Group's innovation strategy to serve its growth.
- Govern the innovation dynamics in line with the strategy.
- **11 Members:** Group CEO; Head of RDI; Heads of Business Lines and Materials; Directors of Commerce, Corporate Development, Strategic Anticipation and Sustainable Development and 2 External expert members

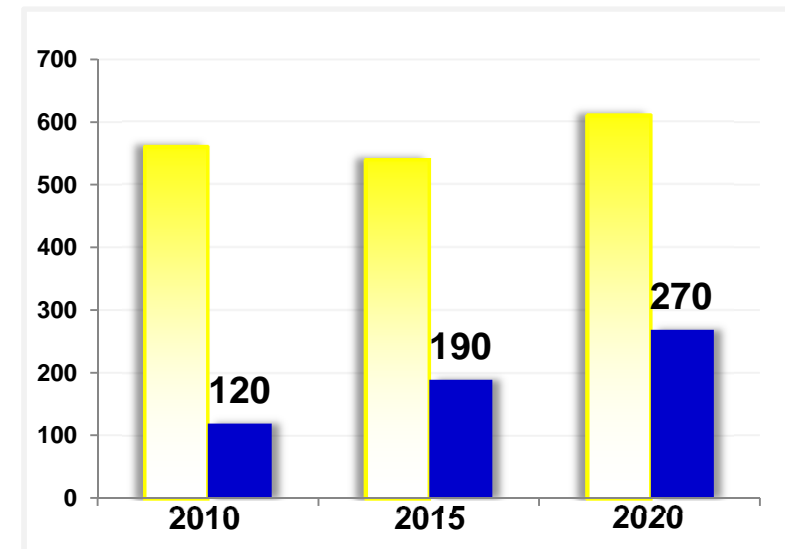


OE and Replacement Premium Tire Growth Outpaces the Market

OE North America, South America, China, Europe market
(in million of tires)



RT North America, South America, China, Europe market
(in million of tires)



► Overall premium market to rise by more than 50% between 2010 and 2015.

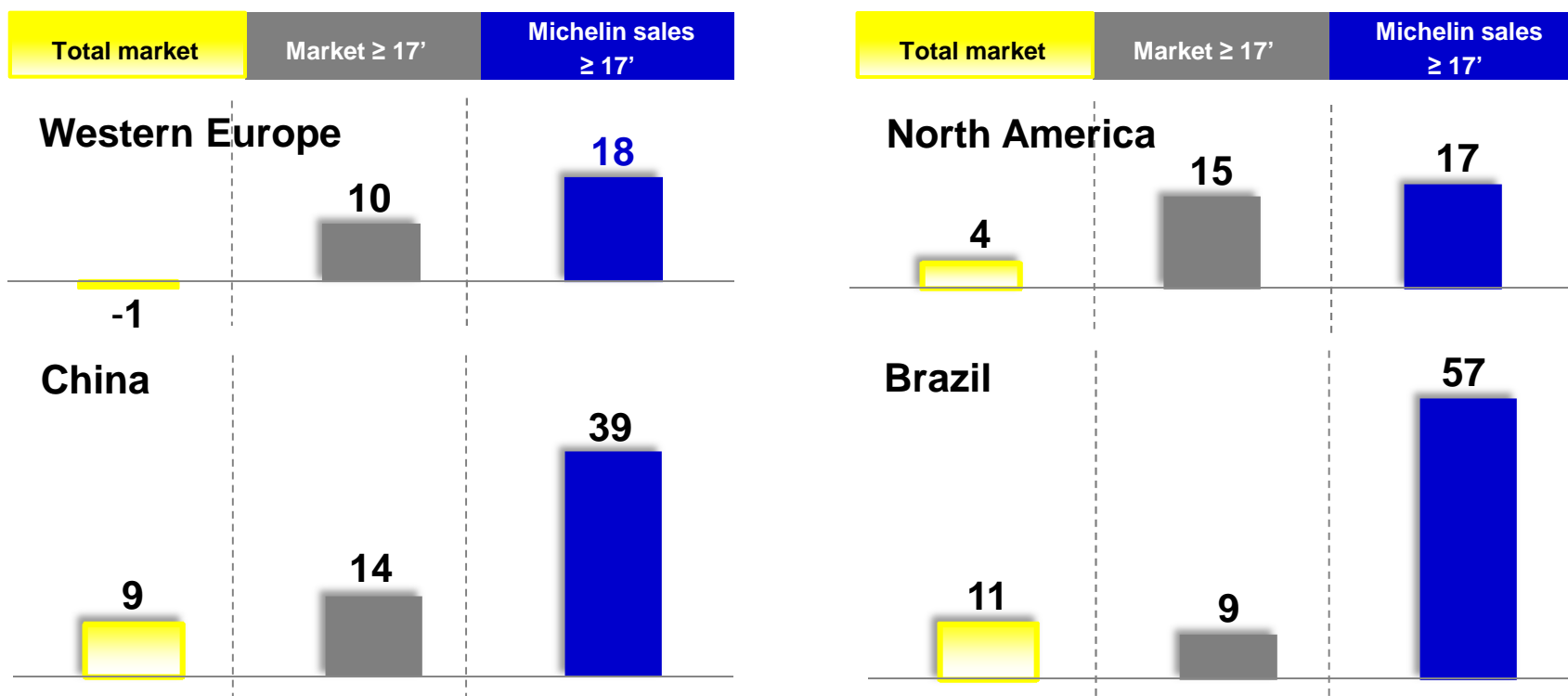


Premium Car Tire Segment is a Major Growth Opportunity Being Seized by Michelin

Passenger Car OE: 57% of 2012 homologations on $\geq 17'$ tires

Growth in the replacement Car & Light truck market

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



Growth: Partner Distribution is a Strong Asset for Premium Brands

	FRANCHISED DEALERS	OWNED DEALERS
Share of Account	High	High
Working Capital	Nil	Intensive
Entrepreneurship	++	+
Strategy	Offensive	Defensive



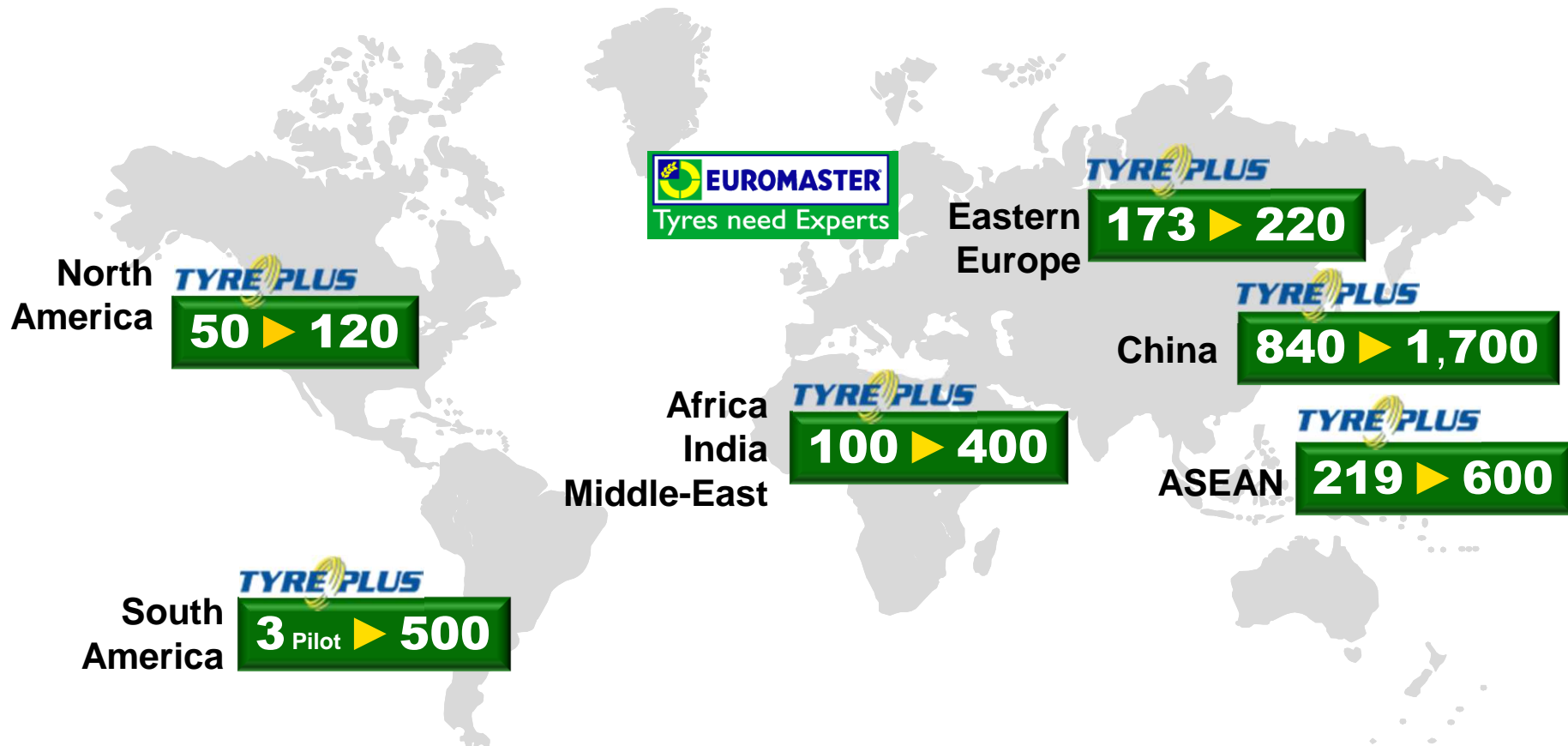
Growth: Increasing Network of Franchised Dealers from 2,000 Points of Sale Today to 5,000 by 2017

TYREPLUS Franchise

1,385 ▶ 3,540

EUROMASTER Franchise

628 ▶ 1,700



2012-2016 Competitiveness Plan: €1billion*

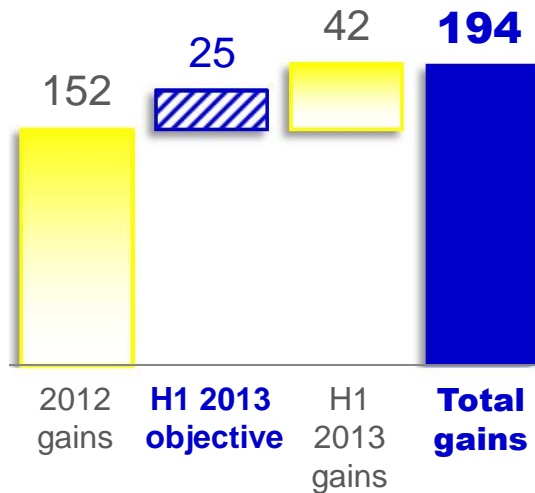
€317m achieved in 18 months with weak volumes

OBJECTIVES

-€200m/ -€300m



SG&A



-€200m/ -€300m



Materials



-€500m/ -€600m



**Manufacturing
- Transport**



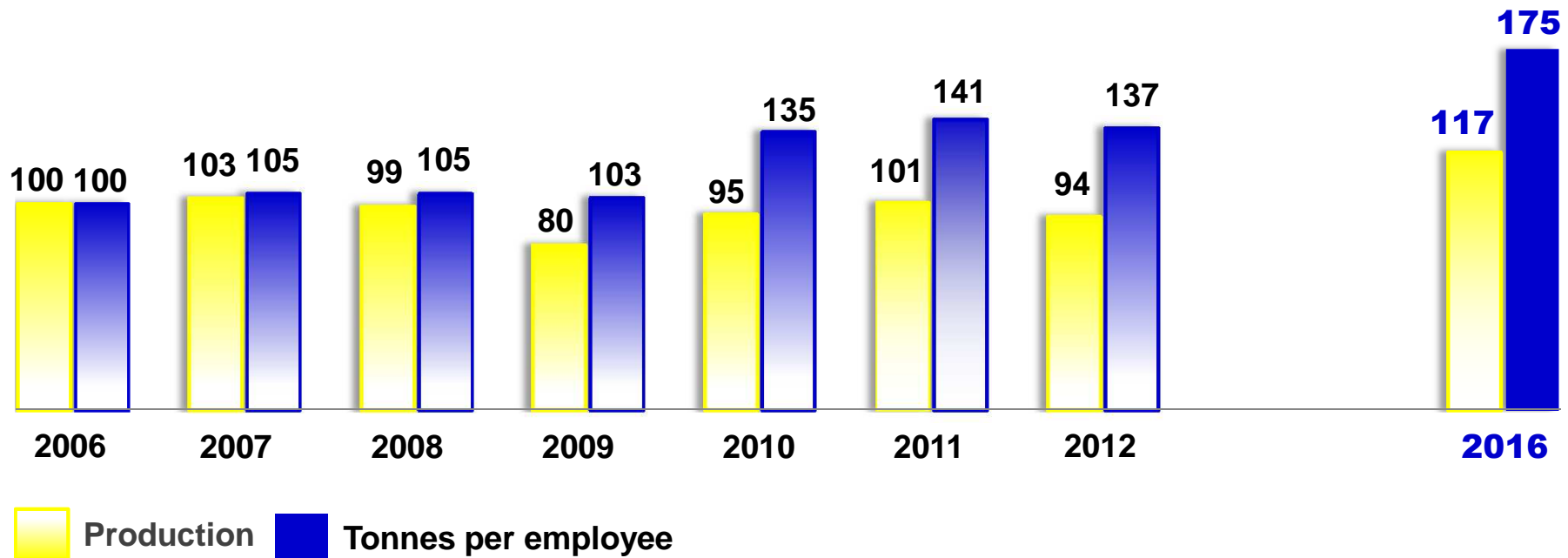
*before inflation and including avoided cost



Competitiveness: Improve our Manufacturing Efficiency

Tonnes per employee
(base 100 in 2006)

**Continuous improvement +
industrial footprint**



Competitiveness: Improve our Manufacturing Efficiency

Plant size,
in '000 of tonnes



- ▶ In 2018, half of all finished product output will come from plants with more than 150,000 Tonnes of capacity
- ▶ If market demand falls short of our growth forecast, we'll have to adapt our manufacturing footprint

Plant capacity utilization		
	2013	2018
PC/LT	85%	91%
Truck	76%	90%
Specialty	90%	94%



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



Competitiveness: Deploying New, Standardized, Cross-Functional Operating Procedures and IS

Becoming more Agile and Competitive

- ▶ Increase sales and market share by offering customers differentiating services
- ▶ Increase the efficiency of accounting & finance, purchasing and sales administration processes
- ▶ Significantly improve supply chain responsiveness and reduce inventory
- ▶ Manage margins more precisely and reduce production costs

- ▶ Annual program costs: around €100 million over the next five years
- ▶ Expected outcomes in 2017:
 - At least a €200 million reduction in annual SG&A and supply chain costs
 - At least a €250 million reduction in inventory



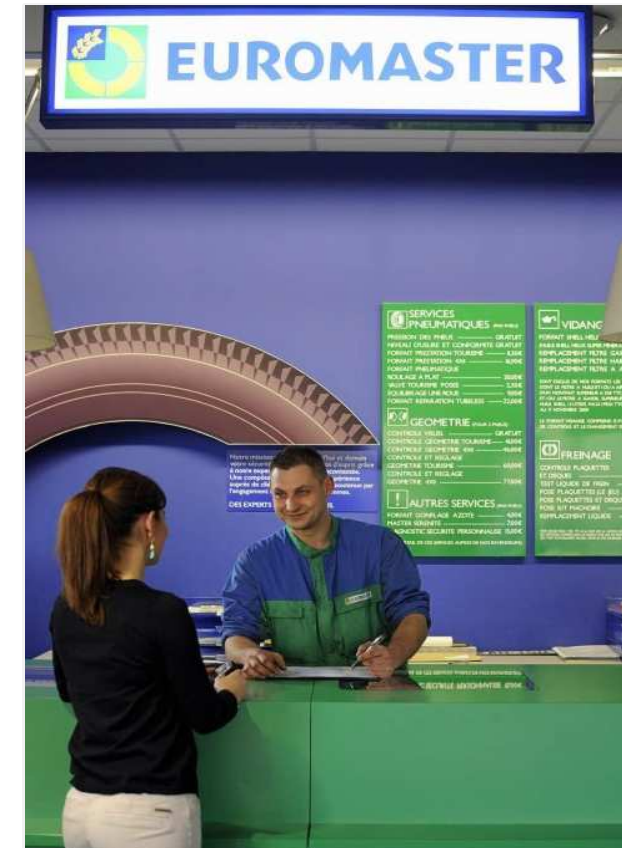
Competitiveness in our Distribution Network

► Euromaster key figures:

- 3,200 points of sales in 17 countries in Europe (including Turkey)
- 1st fleet provider in Truck and Passenger car
- €1,845m net sales in 2012
- Approx. 10% of Passenger car net sales and approx. 20% of Truck net sales

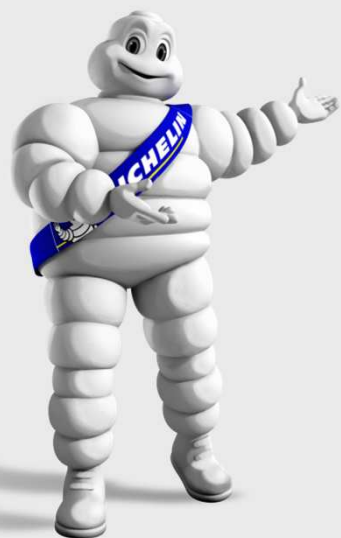
► An efficiency plan aligned with European market environment:

- Restructuring lower-profitability dealerships
- Optimizing SG&A



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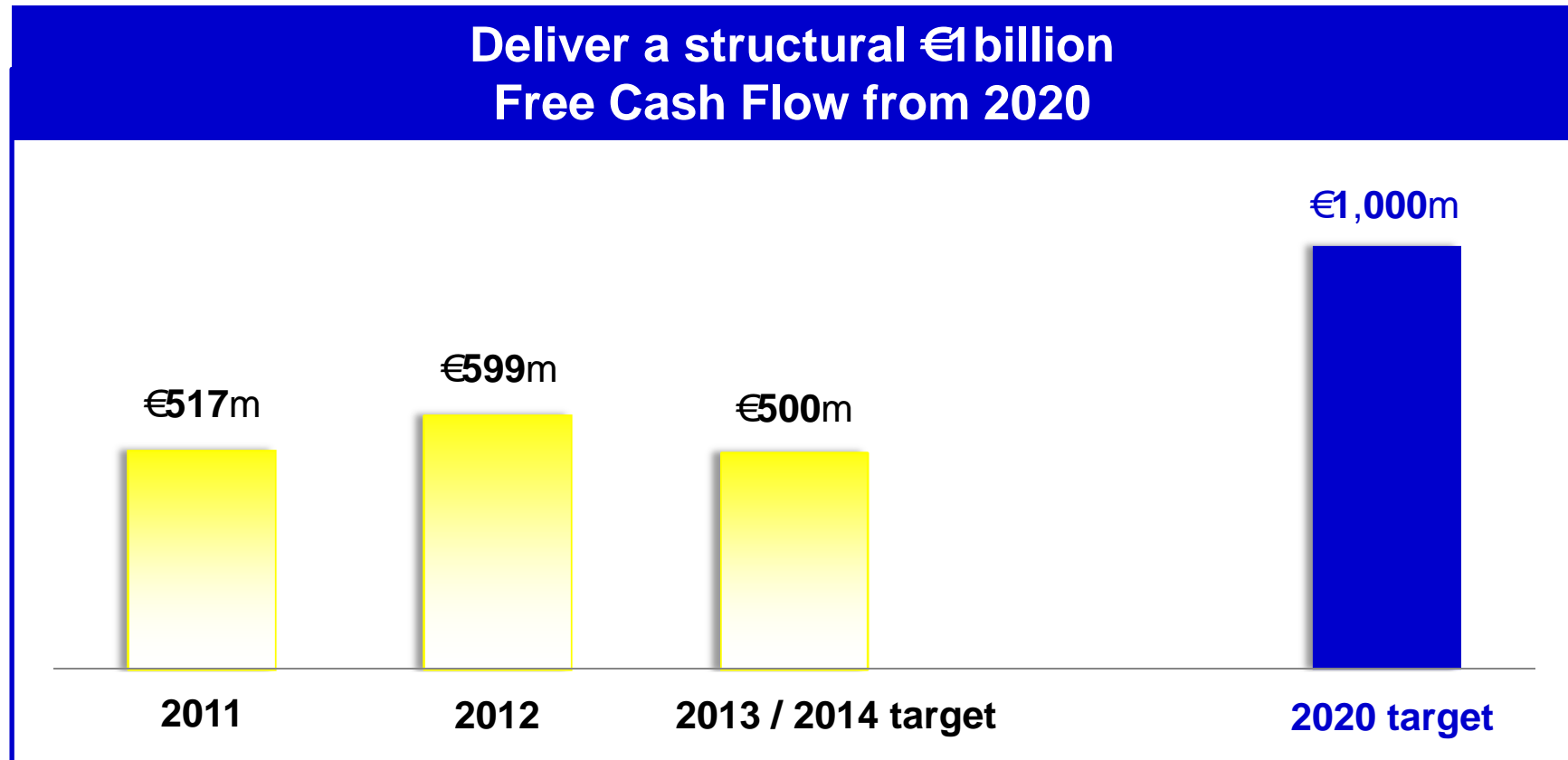
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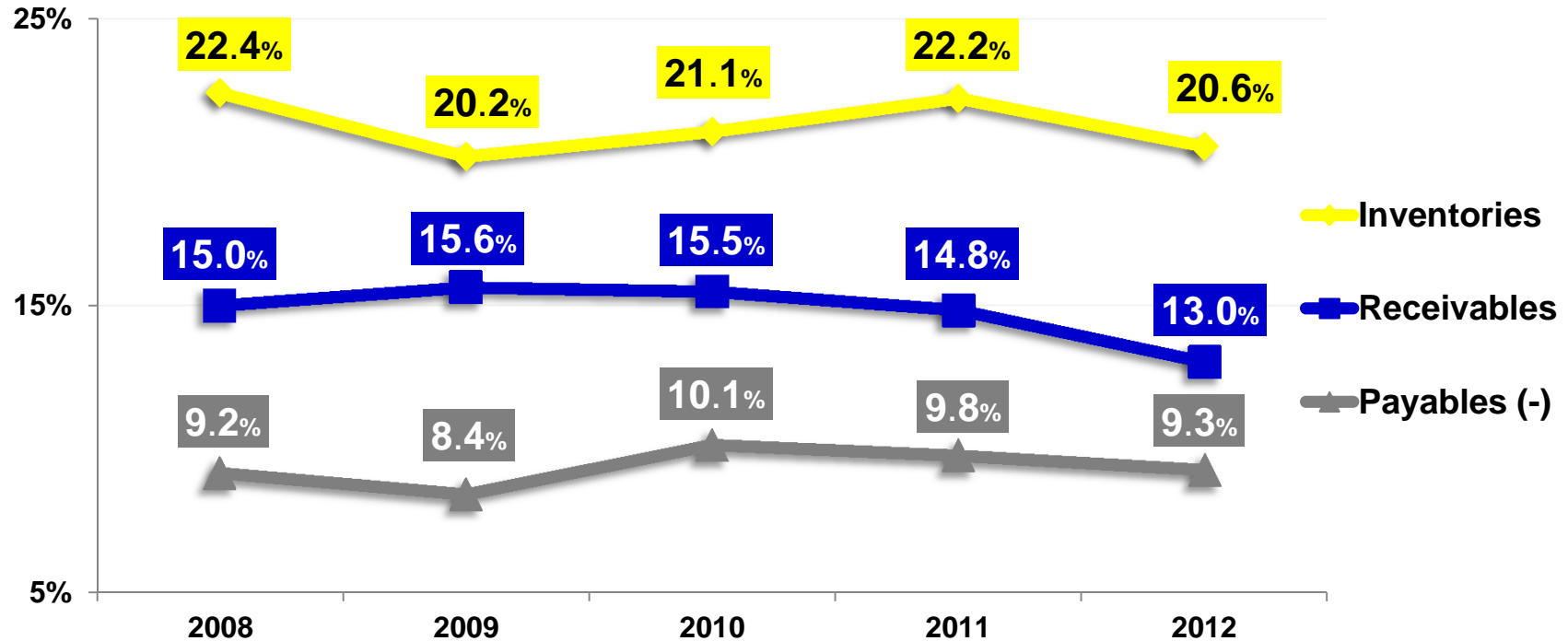
Free Cash Flow Ambition

Raising our structural FCF from €500m to €1billion



Working Capital Requirements: Continuing Improvement

In Net sales %



- ▶ Inventory improvement through new business management program and 'local for local' production
- ▶ Shorter customer terms of payments in new markets



FCF Generation: Deploying new, standardized, cross-functional operating procedures and IS

Becoming more Agile and Competitive

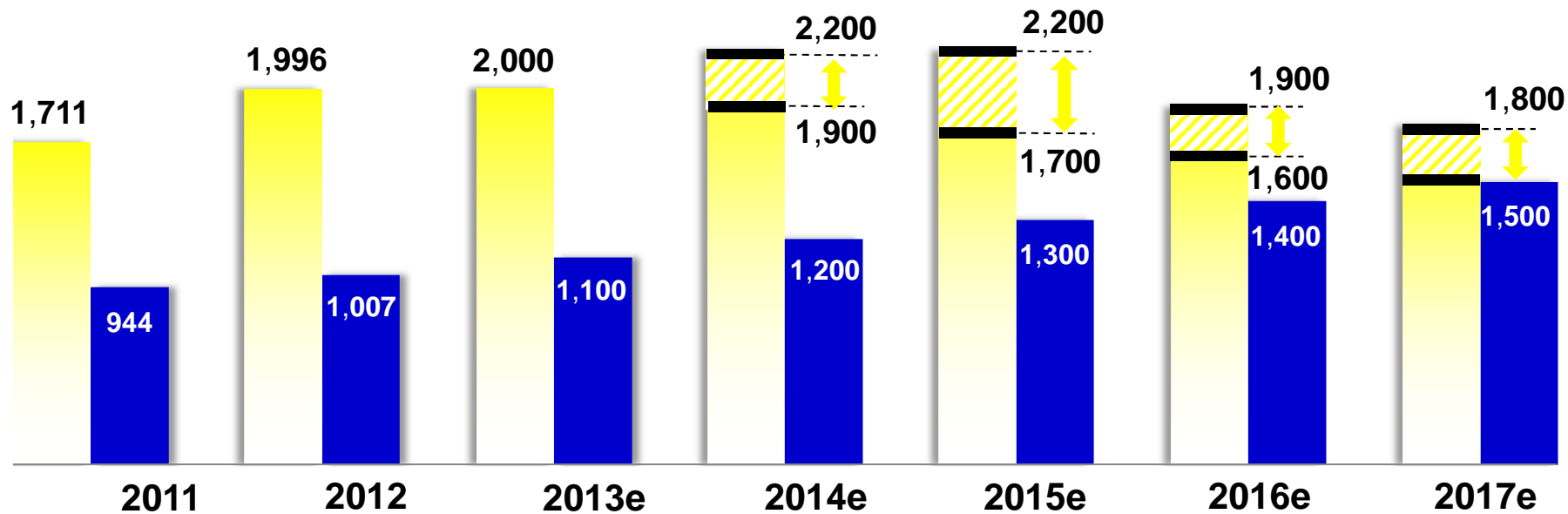
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FCF Generation: Reducing Capex beyond 2015

Capex and depreciation
(in € millions)



2013-2014 Capital Programs Being Deployed on Schedule to Capture Growth

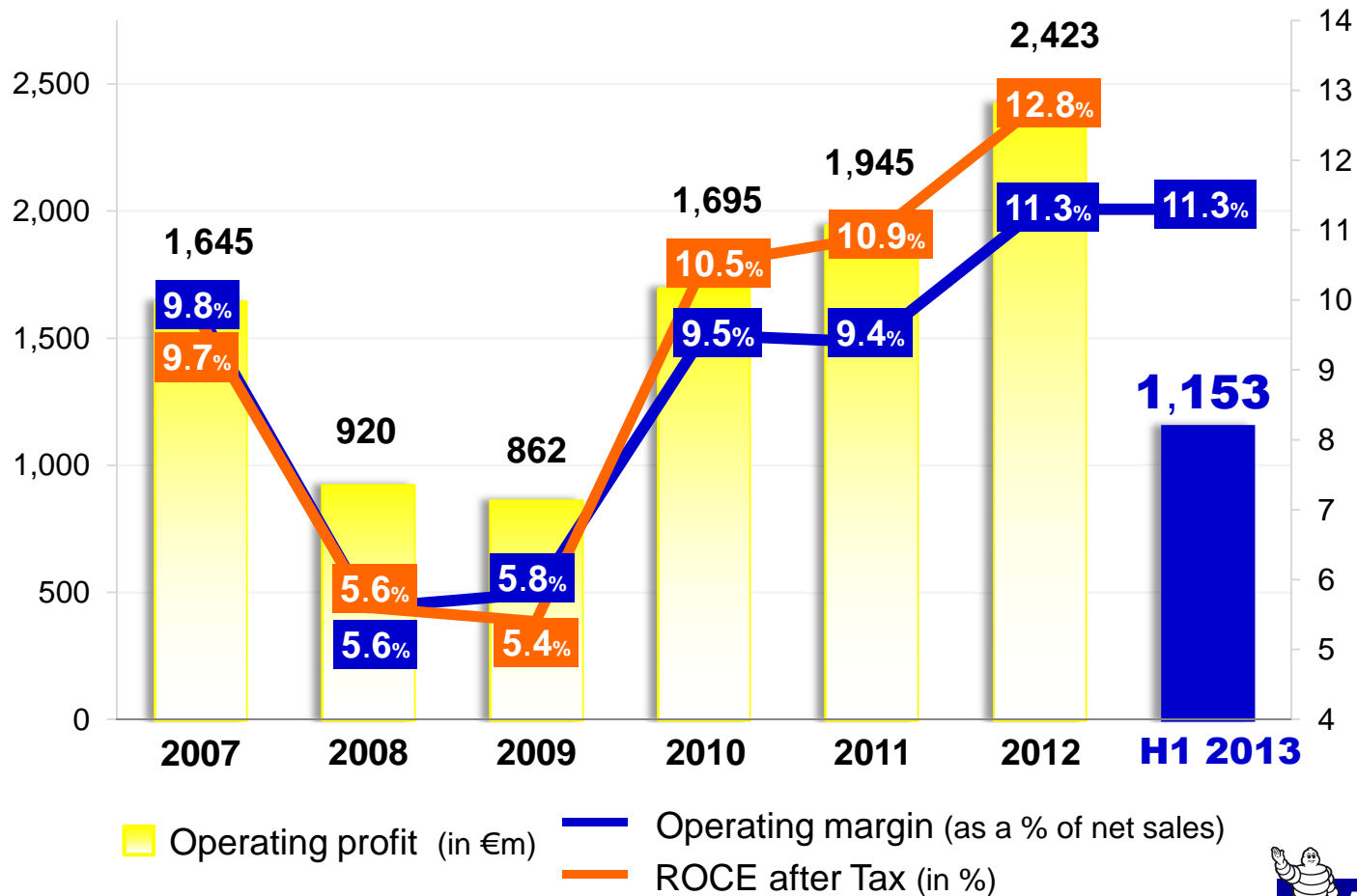
- ▶ **BRAZIL** (Michelin-brand Car & Light truck in large rim diam.): Ramp-up: from **17KT** end-2013 to **30KT** end-2014
- ▶ **CHINA** (Michelin-brand Car & Light truck in large rim diam. and Truck): Ramp-up: from **25KT** end-2013 to **57KT** end-2014
- ▶ **INDIA** (Michelin Radial Truck): **1st tire** in July 2013 ramping up to **12KT** in 2014
- ▶ **UNITED STATES** (Mining giant tires): **1st tire** end-2013



Gradual reduction in start-up costs from 2014

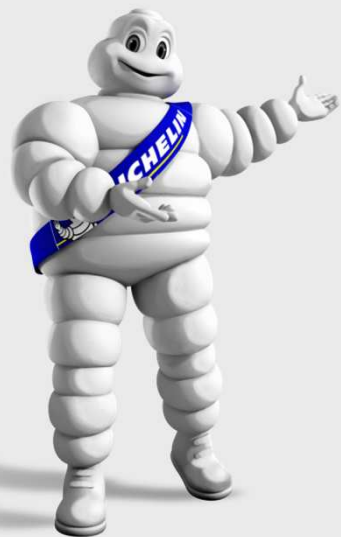
Our Asset: Profitability Remaining High Despite Weaker Markets

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



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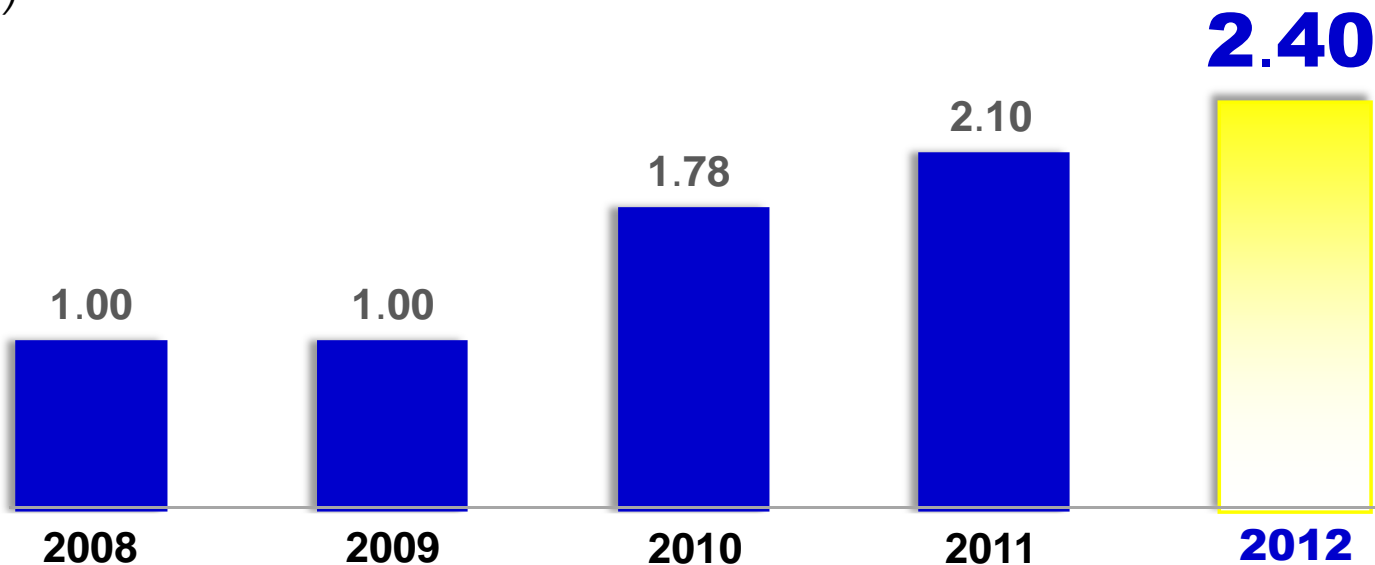


COMMITMENT TO SHAREHOLDERS



Dividend Policy: a 30% Pay-out

Dividend per share
(in €)



2010-2015 Pay-out target: 30% of Group Net Income
(excluding non recurring expenses)
Reinvestment option for 2010-2011-2012 dividends



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5 OUTLOOK



2013 Markets in Line with the Original Scenario

EUROPE



NORTH AMERICA



NEW MARKETS

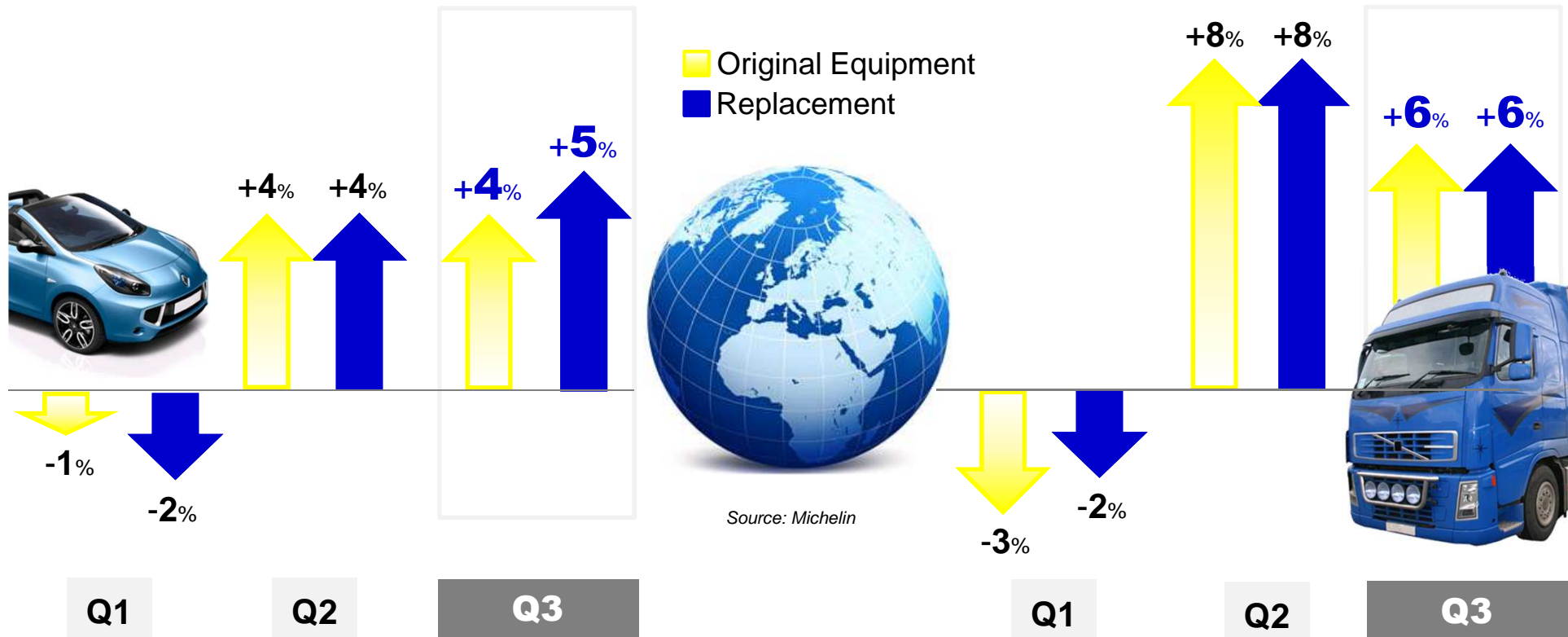


MINING



Markets on a Good Trend: Q3 Confirmed Q2 Positive Trend

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

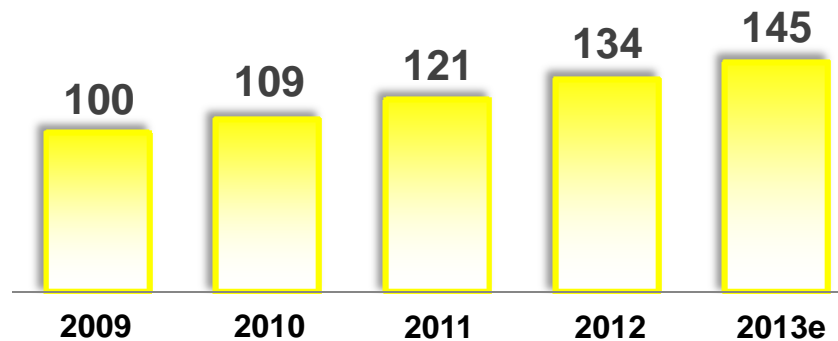


Specialty Main Markets: Contrasted Trends

► Earthmover 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

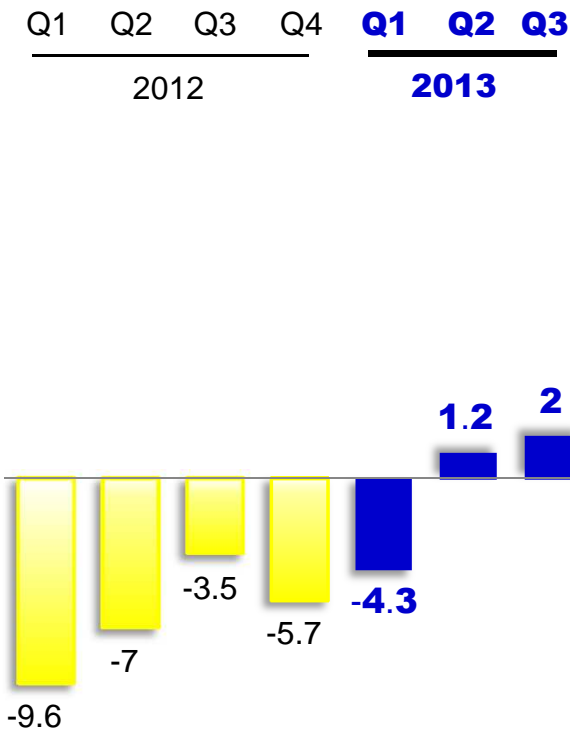
► Agricultural market: stable overall but dynamic in technical tires



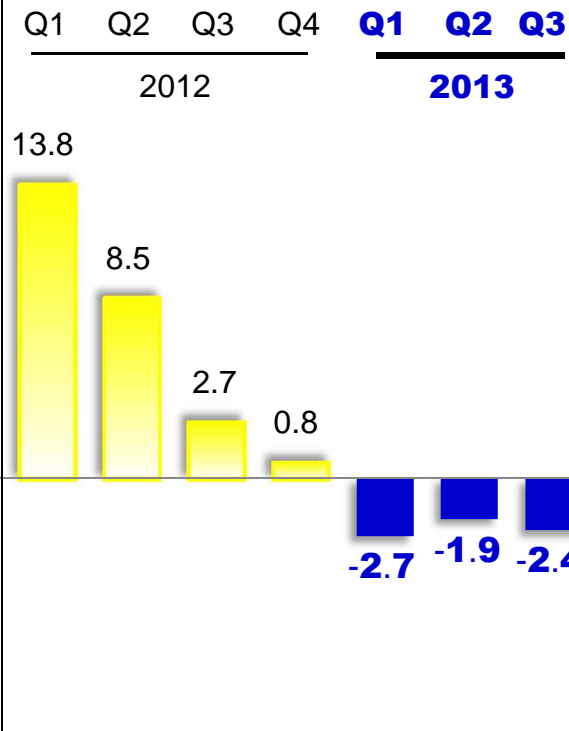
Michelin Benefitting from Market Growth in a Stabilizing Pricing Environment

% change YoY

► Volumes



► Price-mix



► Currency



2013: Steering FCF Well in Line with Structural €500m Objective

- ▶ FCF well in line with structural objective of €500m
 - Capital spending of around €2bn
- ▶ Unfavorable currency environment impact of around -€250m
- ▶ Operating Income* excluding the Currency Effect up around €150m YoY
 - Volumes up in Q4
 - Margin management: positive price-mix / raw materials ratio
 - Tighter management of production costs and SG&A
- ▶ ROCE > 11%

* : *before non-recurring*



2014 Outlook: Improving Market Demand Trend

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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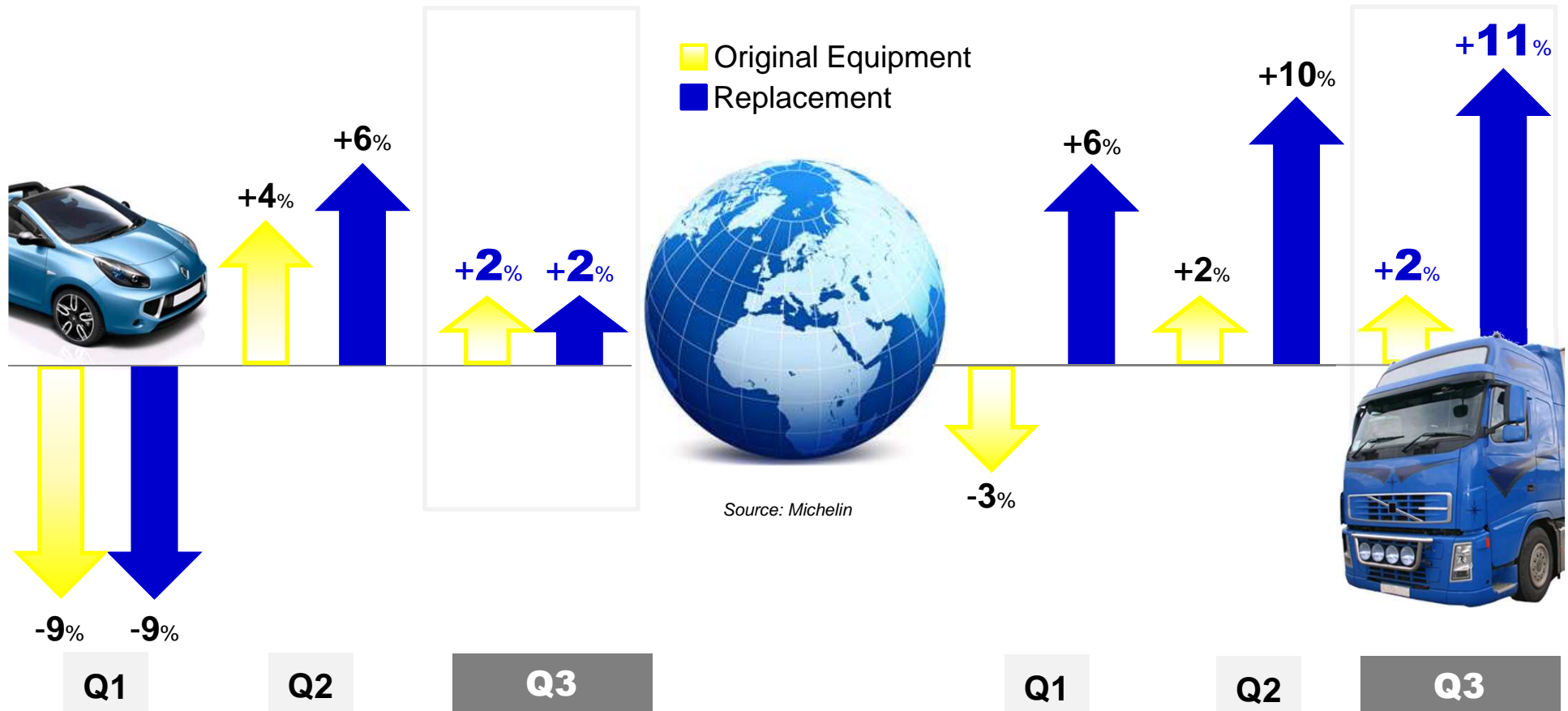
APPENDICES



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)



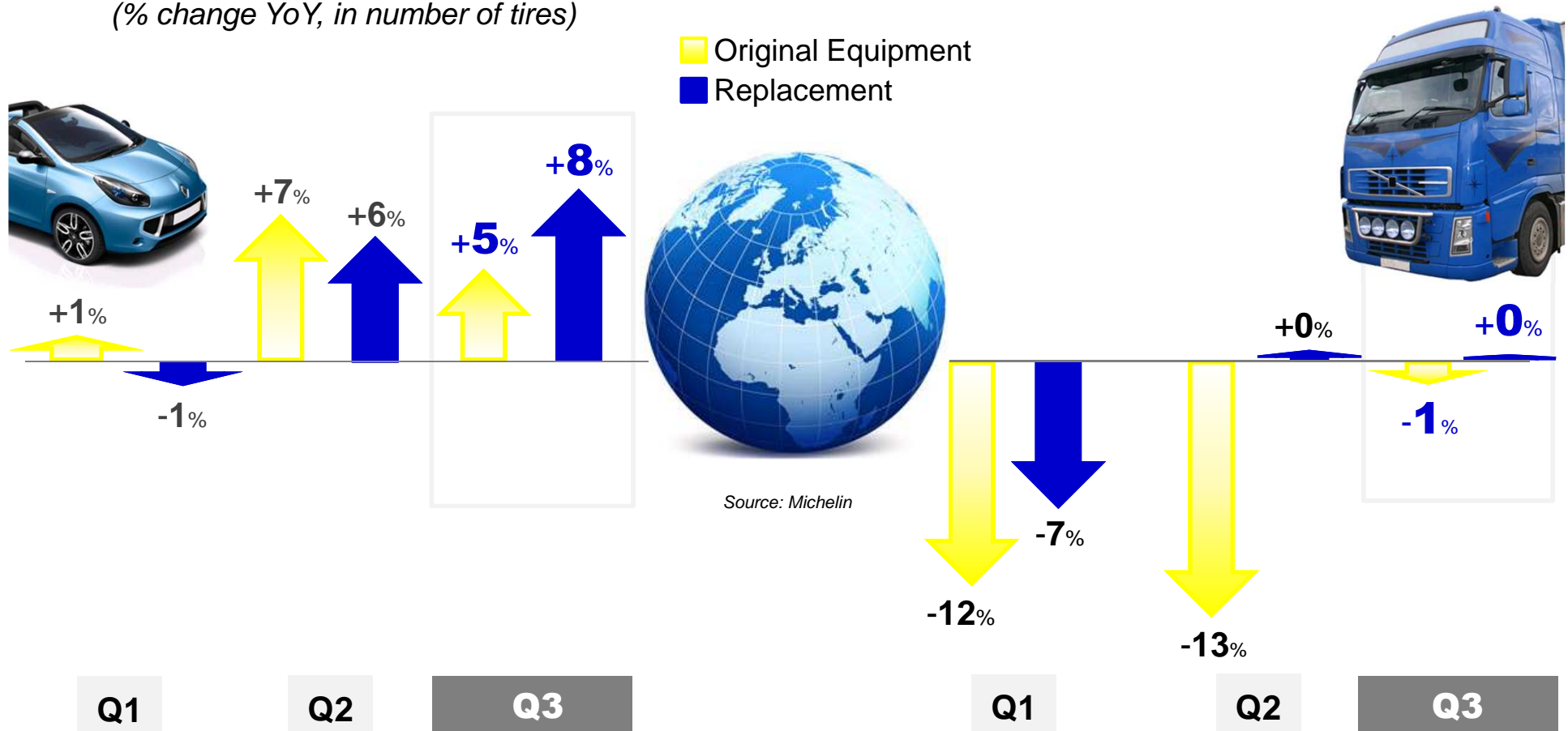
Source: Michelin



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)



Passenger Car and Light Truck Tire Market: Markets on a Good Trend in October as Expected

October 2013 / 2012

Market	Europe*	North America	Brazil	China
Original Equipment	▲ +2%	▲ +6%	▼ -8%	▲ +9%
Replacement	▲ +1%	▲ +1%	▲ +3%	▲ +5%

YTD (from January to October 2013)

Market	Europe*	North America	Brazil	China
Original Equipment	▼ -1%	▲ +5%	▲ +7%	▲ +12%
Replacement	▼ -1%	▲ +4%	▲ +11%	▲ +8%

* Russia and Turkey included



Truck Tire Market:

Confirmed rebound in October In Europe

October 2013 / 2012

Market (Radial)	Europe*	North America	Brazil
Original Equipment	▲ +15%	▲ +3%	▲ +16%
Replacement	▲ +8%	▲ +2%	▲ +13%

YTD (from January to October 2013)

Market (Radial)	Europe*	North America	Brazil
Original Equipment	▲ +2%	▼ -7%	▲ +41%
Replacement	▲ +9%	▼ -2%	▲ +14%

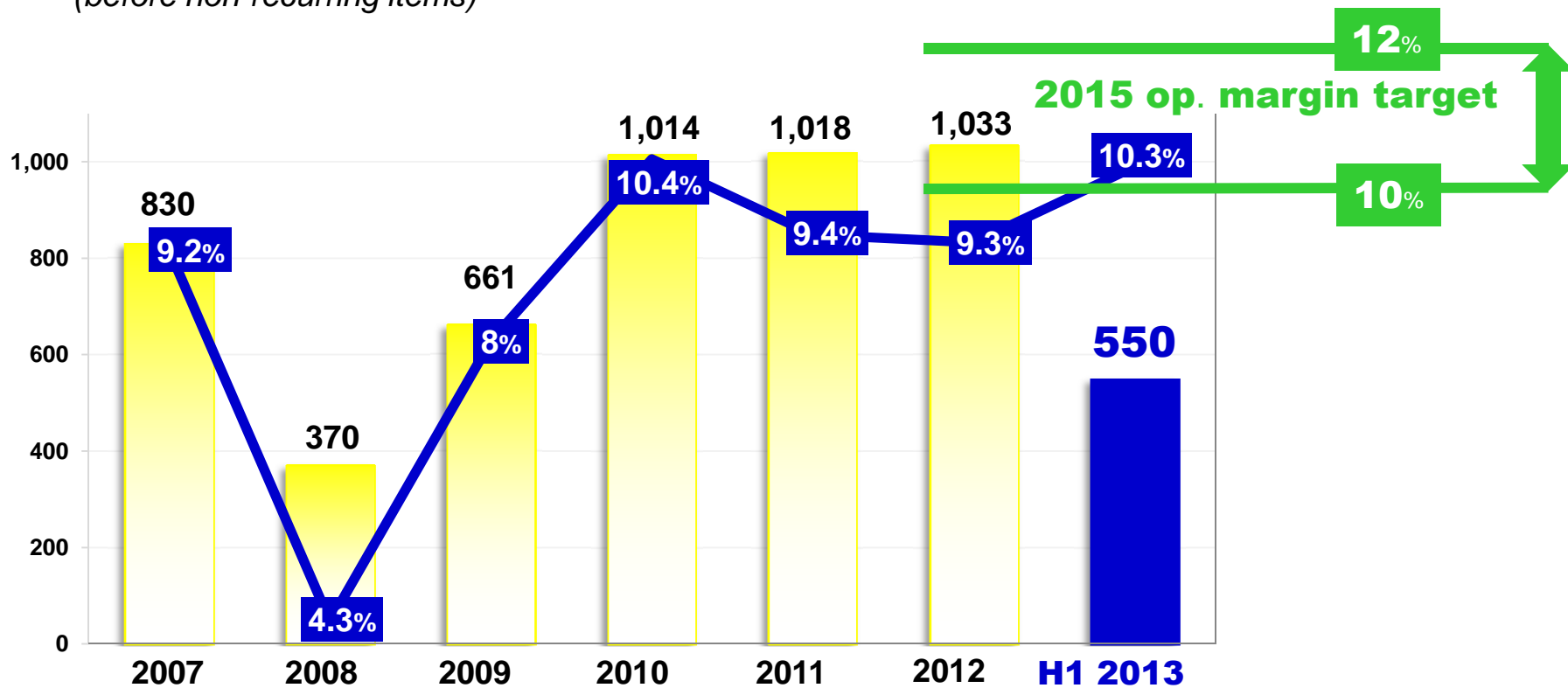
* Russia and Turkey included



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

Operating profit and margin

(before non-recurring items)

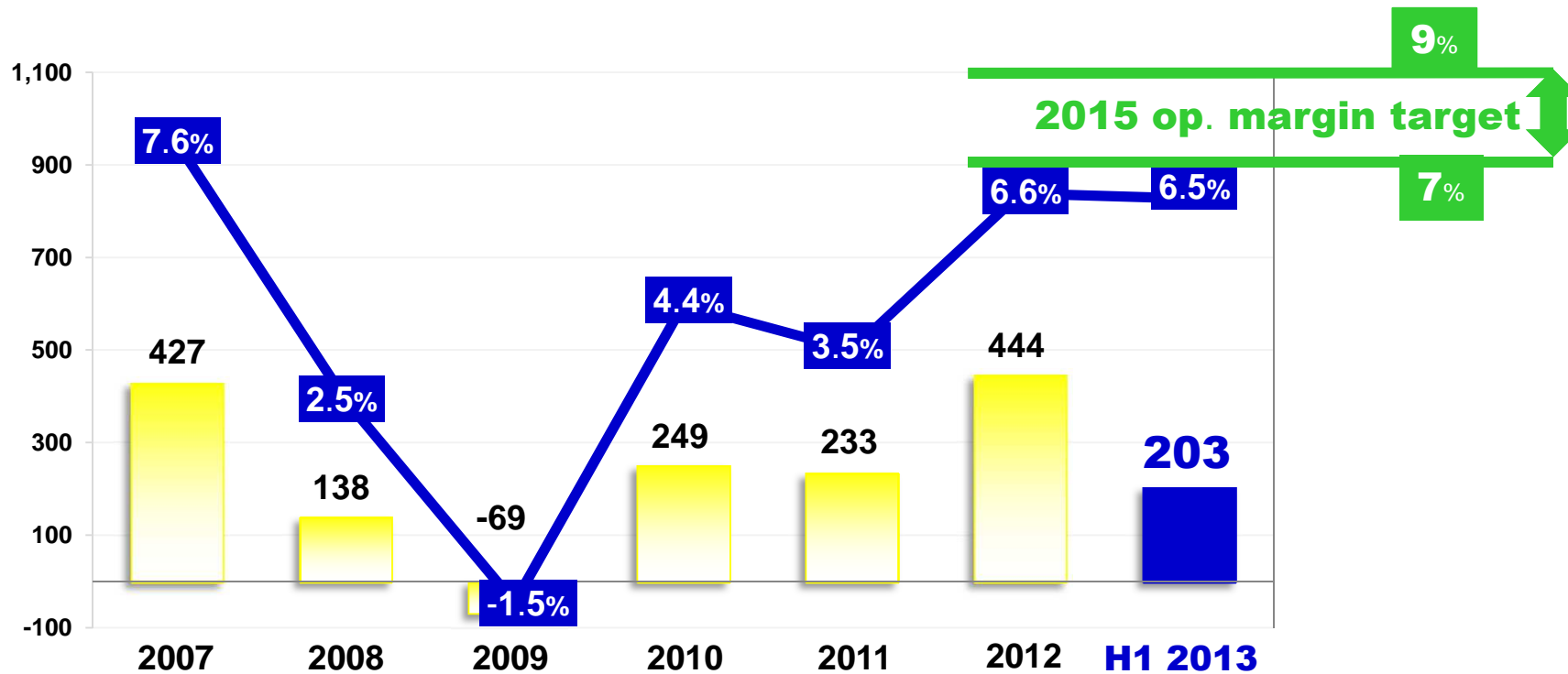


■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



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

Operating profit and margin (before non-recurring items)



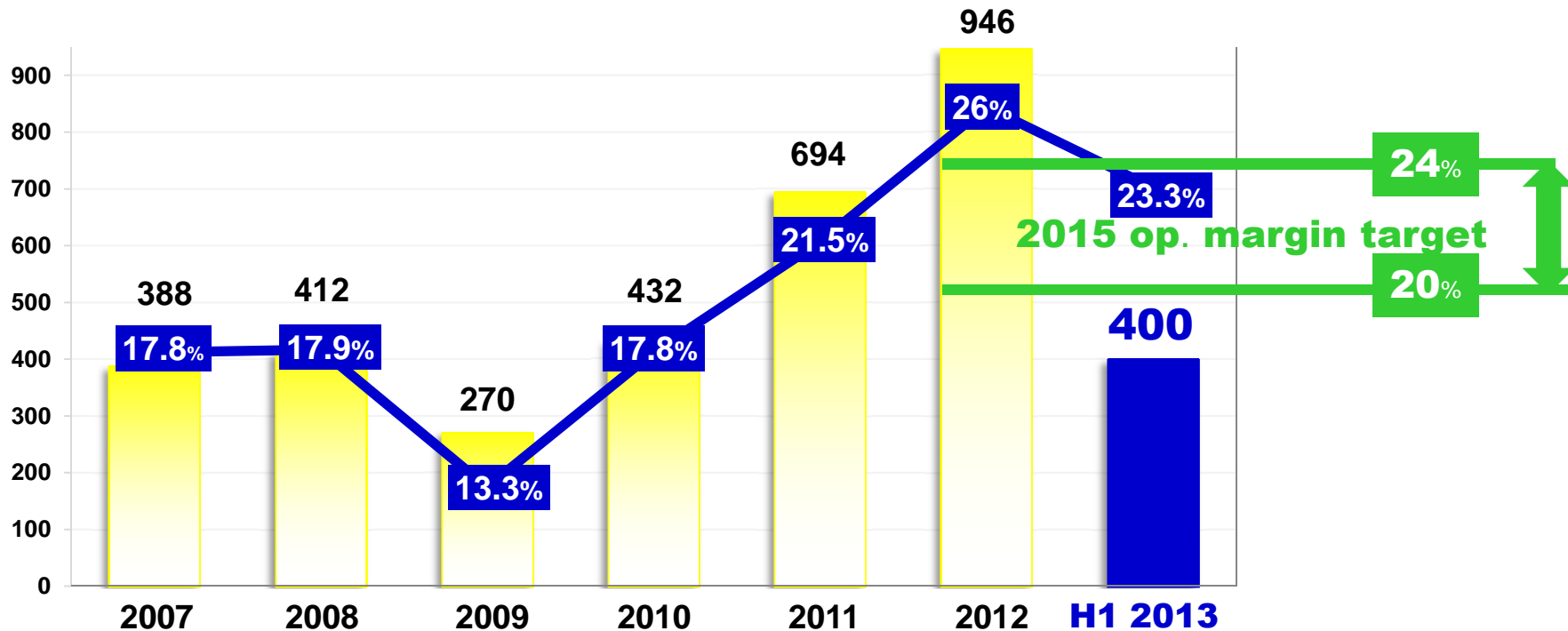
■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



Specialty Tires: Strong Margins at Targetted Levels

Operating profit and margin

(before non-recurring items)



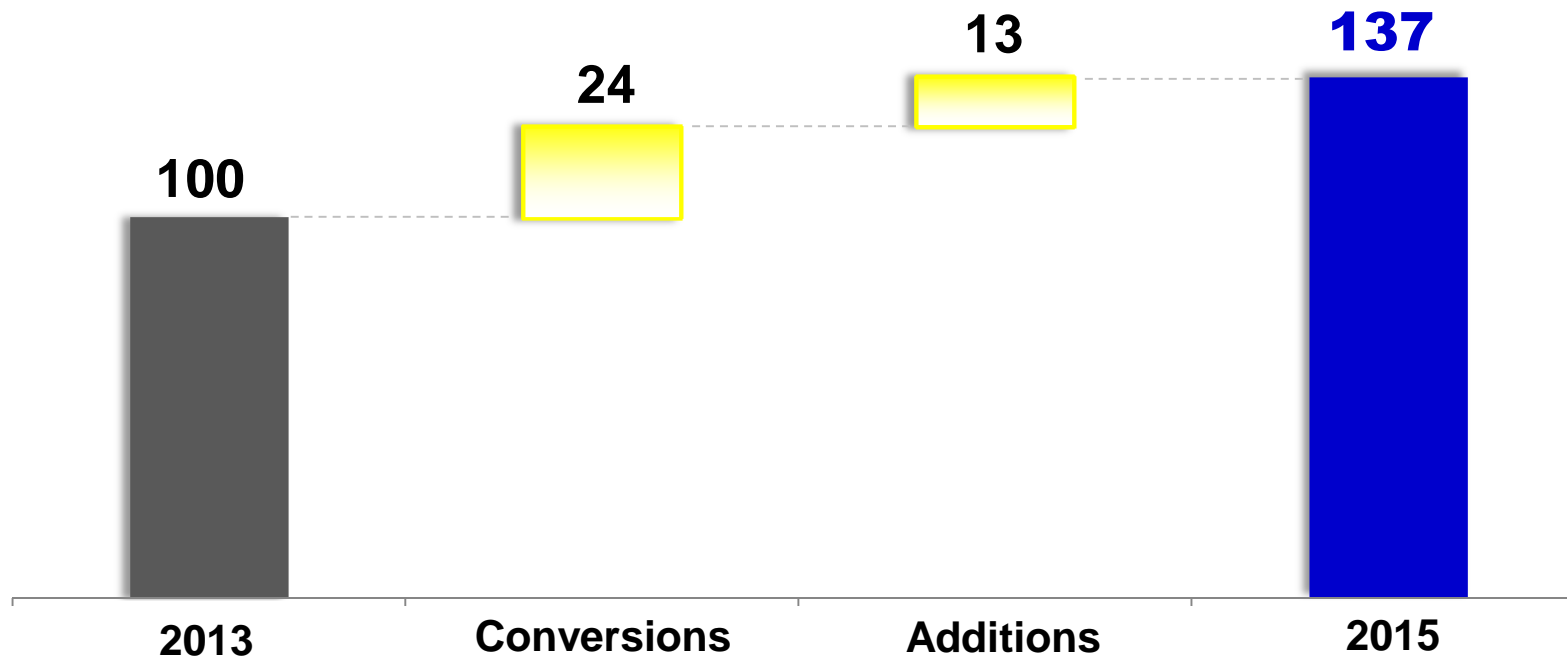
■ Operating profit (in €m)
 — Operating margin (as a % of net sales)



Investments on $\geq 17'$ Capacity and Flexibility: Optimizing Cash Use through Conversions

Group $\geq 17'$ maximum available capacity

(base 100, in millions of tires, all brands)



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

Contacts

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