

KEPLER CHEUVREUX **LONDON ISR**

December 13, 2013



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- 1 MICHELIN PERFORMANCE AND RESPONSIBILITY:
SIX MAJOR SUSTAINABLE DEVELOPMENT
AMBITIONS FOR 2020**
- 2 CORPORATE GOVERNANCE**
- 3 TIRE REGULATION**
- 4 UPDATE ON OECD INDIA CASE**



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MICHELIN PERFORMANCE AND RESPONSIBILITY: SIX MAJOR SUSTAINABLE DEVELOPMENT AMBITIONS FOR 2020

Michelin Performance and Responsibility:

Six Major Ambitions for 2020



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**



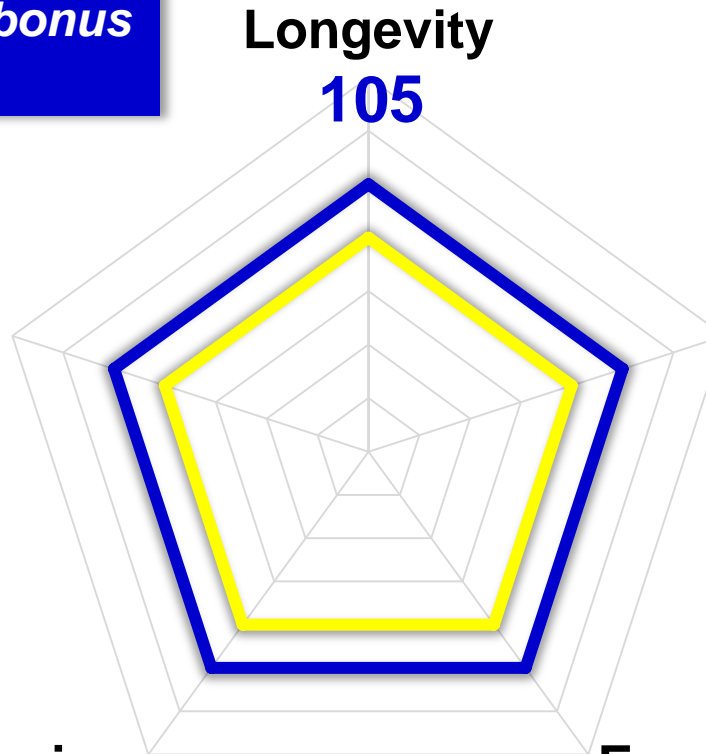
**Mass reduction
105**

**Road noise
105**

**Longevity
105**

**Safety
105**

**Energy saving
105**

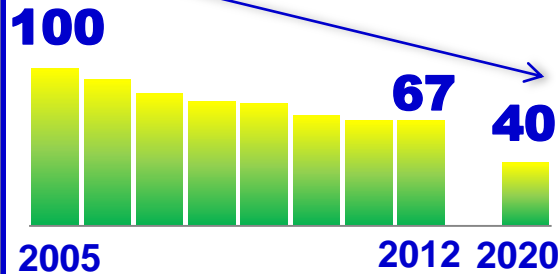


2 Leadership in Responsible Operations

Resource consumption

Air emissions

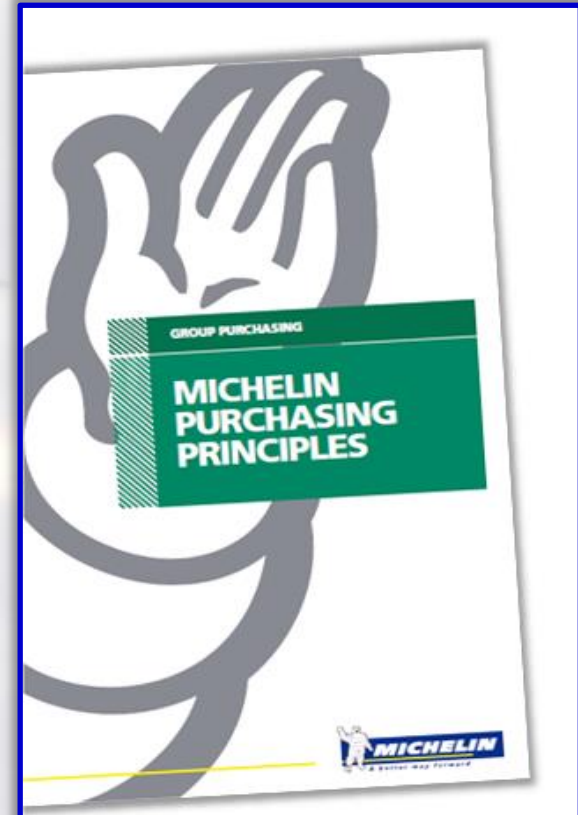
Waste



Responsible
Production Process



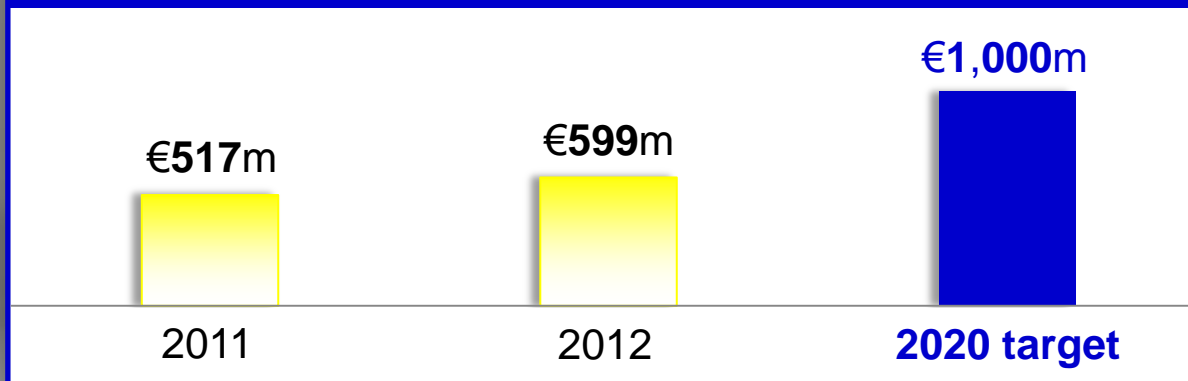
Responsible logistics
to contribute to 10% CO₂ cut



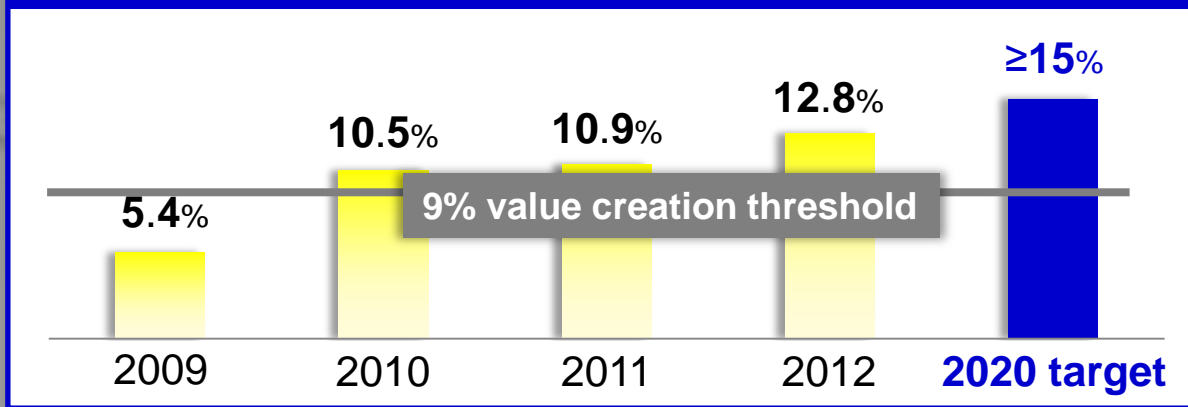
70% of supply in line with
Michelin corporate standards

3 Sustainable Financial Performance

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



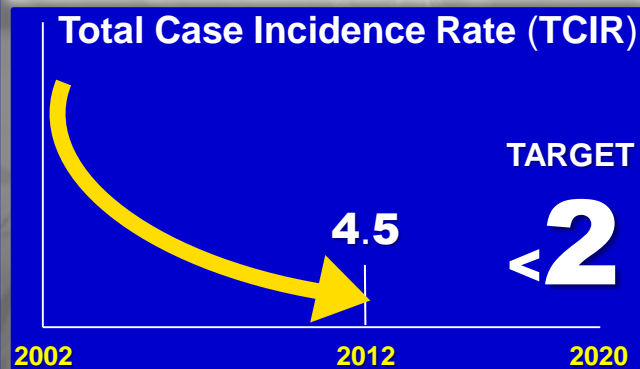
2020 ROCE: $\geq 15\%$



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



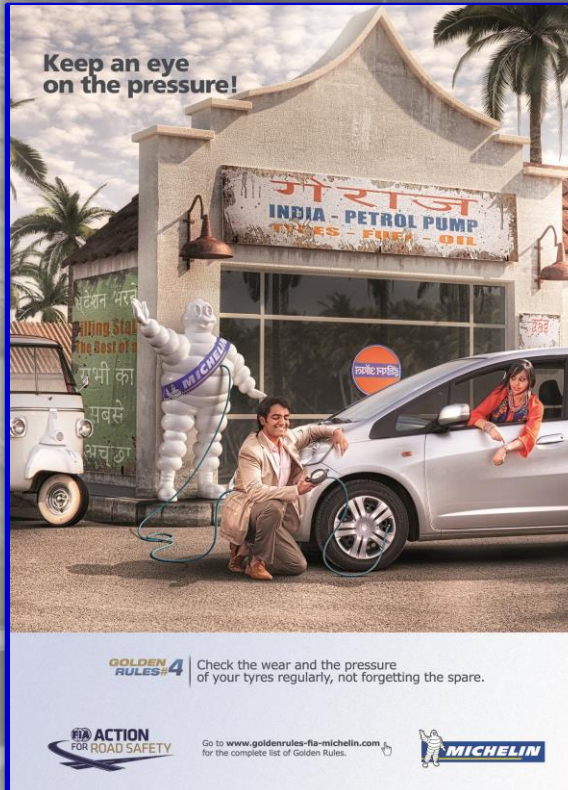
*Rallying together
towards sustainable road mobility*



2014 edition in China



**Promote mobility
solutions**



Action for road safety



Recycling tires



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CORPORATE GOVERNANCE

Managing General Partners

- ▶ Candidates for election
 - Proposed by the Non-Managing Partner (SAGES) after consulting the Supervisory Board
 - Elected by shareholders for a 4-year term
 - May be re-elected directly by the Non-Managing Partner, with the endorsement of the Supervisory Board
- ▶ May be removed from office according according to the same simplified procedure applicable to their re-election
- ▶ May resign provided that
 - The decision is announced at least 6 months before the next AGM
 - Shareholders adopt an extraordinary resolution at the Meeting accepting the resignation



An experienced, stable and responsible management team

Group Executive Committee



JEAN-DOMINIQUE SENARD
Managing Chairman



FRANCOIS CORBIN
President, Growth Regions



TERRY GETTYS
Executive Vice President,
Research & Development



MARC HENRY
Chief Financial Officer



LAURENT NOUAL
Executive Vice President,
Corporate Development



ERIC DE CROMIERES
Executive Vice President,
Sales & Marketing Performance



JEAN-CHRISTOPHE GUERIN
President, Materials
Product Line



SERGE LAFON
President, Truck Product Line



BERNARD VASDEBOCEUR
President,
Specialty Product Lines



CLAIRE DORLAND-CLAUZEL
Executive Vice President,
Communication & Brands



JEAN-MICHEL GUILLON
Executive Vice President,
Personnel & Organization



FLORENT MENEGAUX
President, Passenger Car &
Light Truck Product Line



Independent Supervisory Board reporting directly to shareholders

- ▶ 8 members
- ▶ Oversees the Company's management
 - Quarterly financial results (April, July, October, February)
 - Strategy (December)
 - Risks
 - Compensation (April-October)
 - Succession plans (October)
 - Governance



Independent Supervisory Board reporting directly to shareholders



**Michel
Rollier**
Chairman



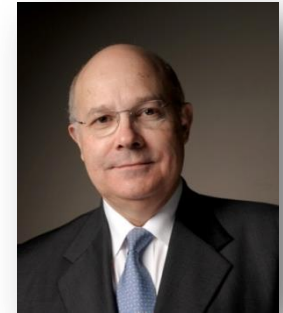
Olivier Bazil



Pat Cox



**Barbara
Dalibard**



**Jean-Pierre
Duprieu**



**Louis
Gallois**



**Anne-Sophie
de La Bigne**



**Laurence
Parisot**



Audit Committee

► Members

- Olivier Bazil, Chairman
- Jean-Pierre Duprieu
- Anne-Sophie de la Bigne

► Role and responsibilities

- Review of the income statement and balance sheet
- Cash flows, balance sheet, financial ratios
- Financing
- Internal control and risk management



SAGES: A non-managing general partner, guaranteeing the company's long term viability

- ▶ *Société par actions simplifiée*, whose Chairman is Jacques de Chateaueux
- ▶ Purpose
 - Assume the responsibilities of General Partner of CGEM
 - Make recommendations concerning the election of the Managing Partners,
 - With the endorsement of Supervisory Board, re-elect or remove from office of the Managing Partners
 - In the absence of a Managing Partner, act as CGE's Managing Partner and call an Extraordinary Shareholder Meeting to elect a new Managing Partner
- ▶ Shareholders, each of which having the same number of seats on its Board of Directors
 - Members of the founding family
 - Current and former Michelin executives
 - Qualified persons from outside the Group



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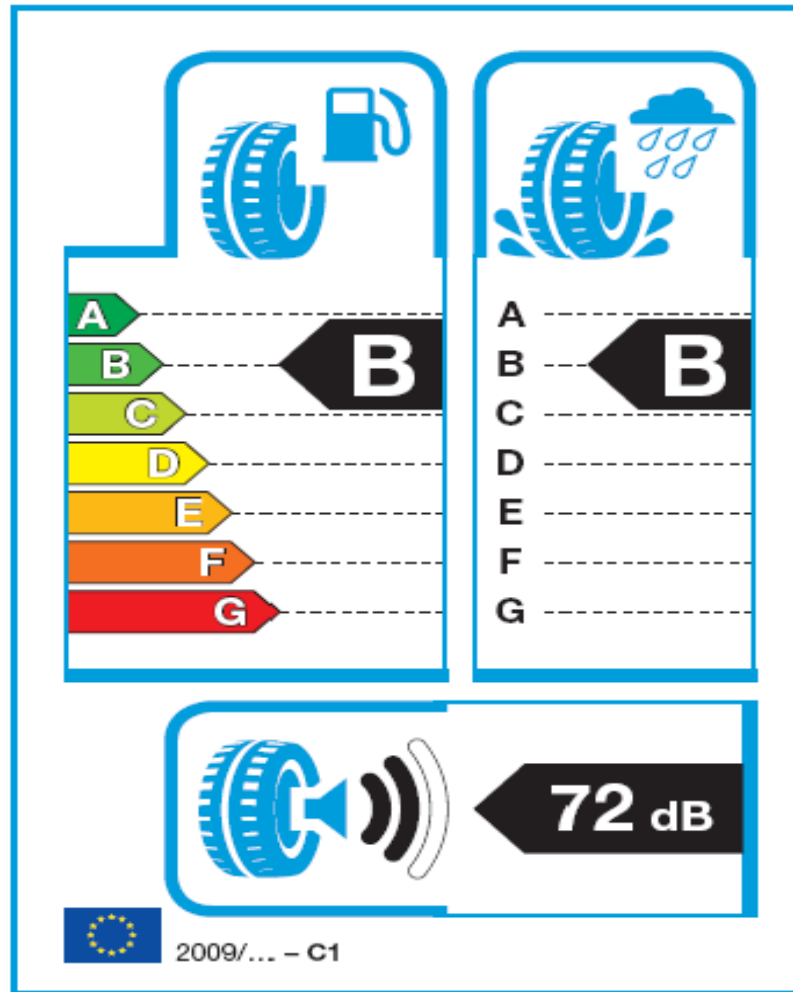
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TIRE REGULATION

Europe Regulation: Thresholds and Labelling



Tire Labelling: Energy Efficiency

300 €

saved/40,000km

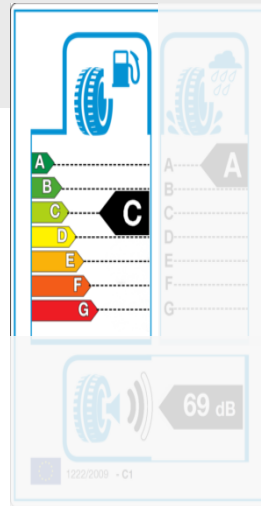
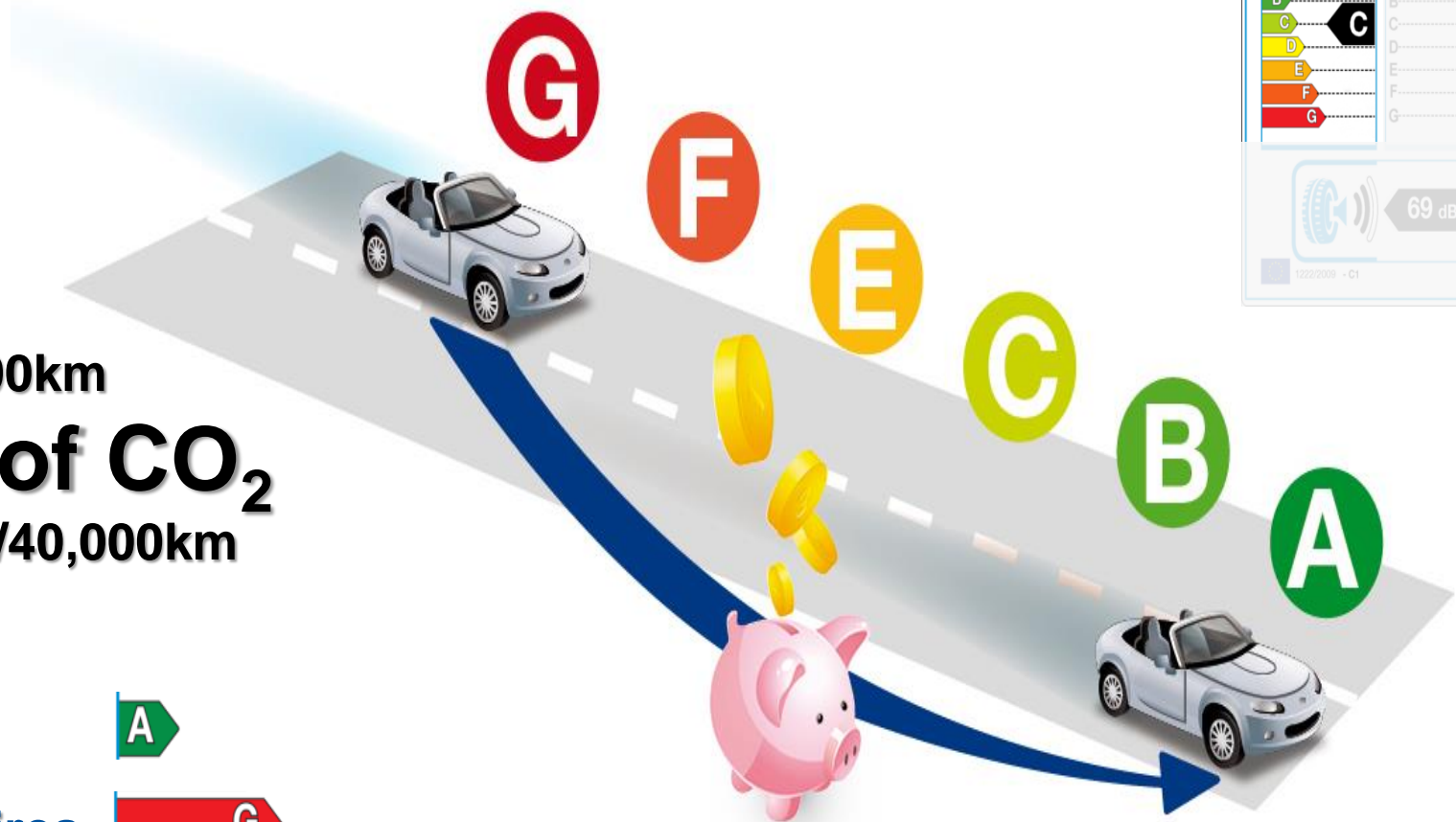
500kg of CO₂

not emitted/40,000km

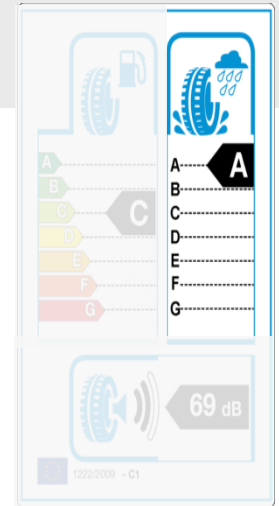
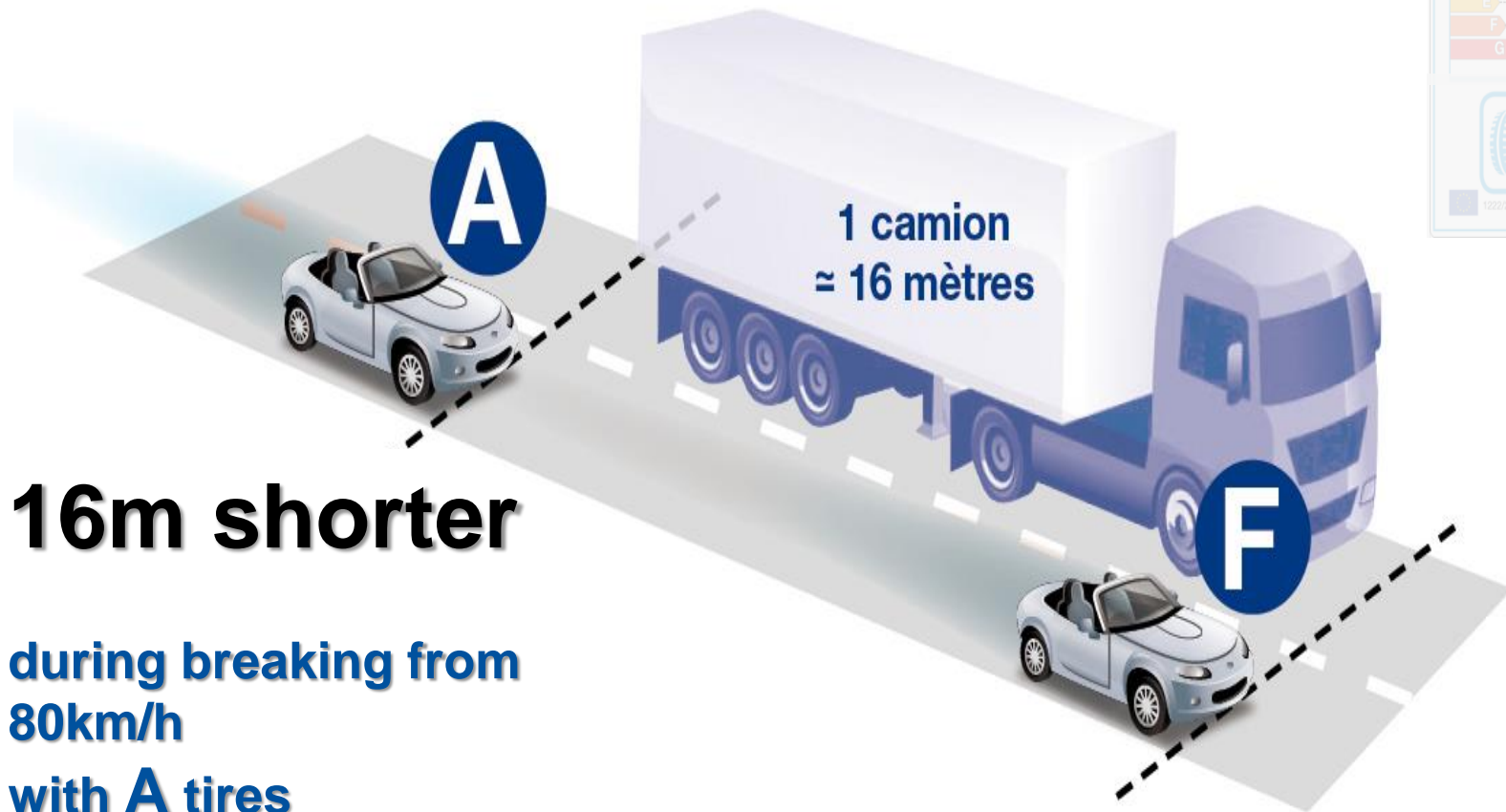
With tires



Instead of tires



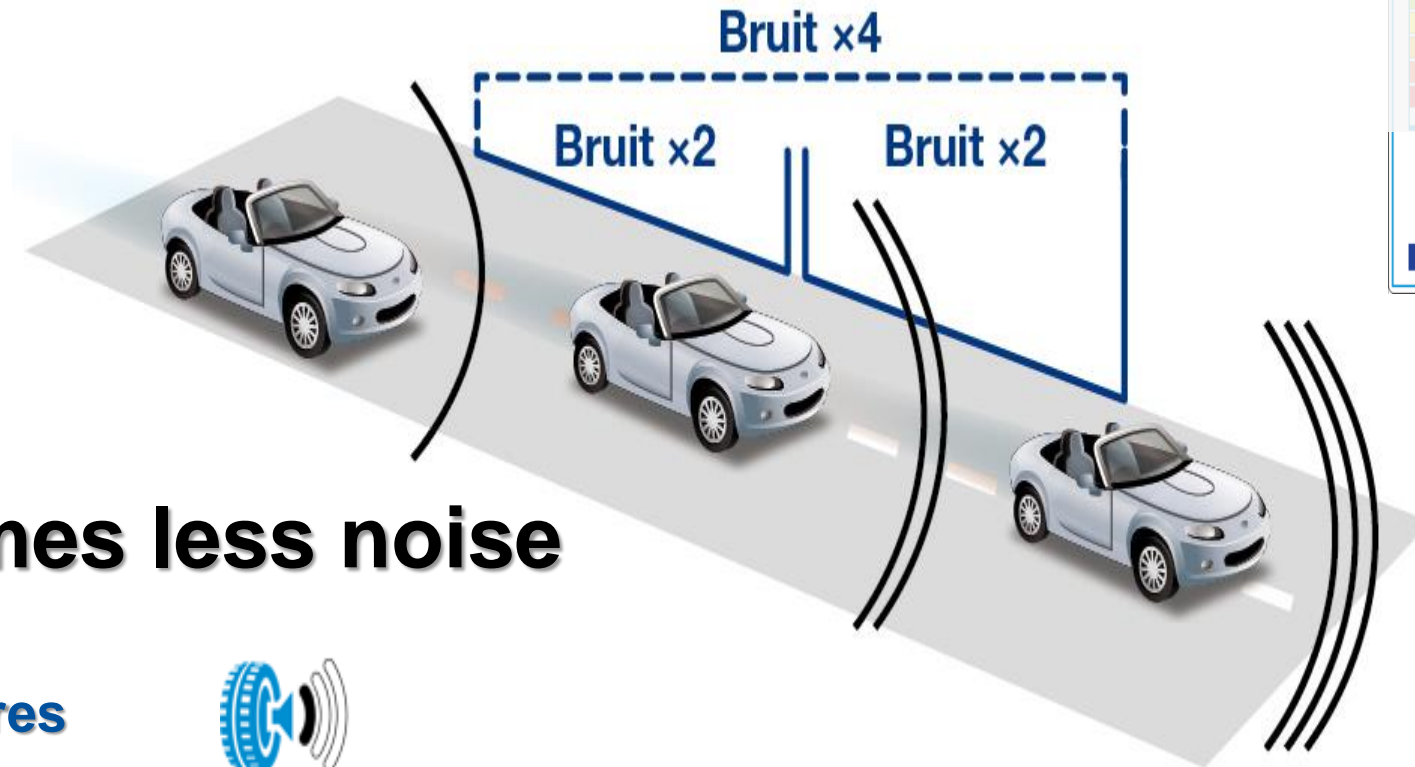
Tire Labelling: Wet Road Grip



16m shorter

during braking from
80km/h
with **A** tires
instead of **F** tires

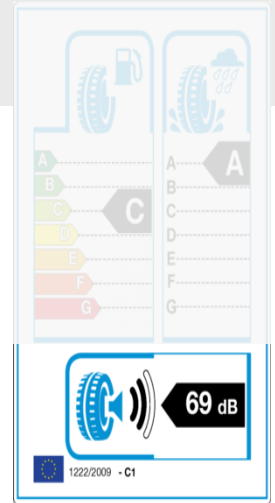
Tire Labelling: Noise



with tires



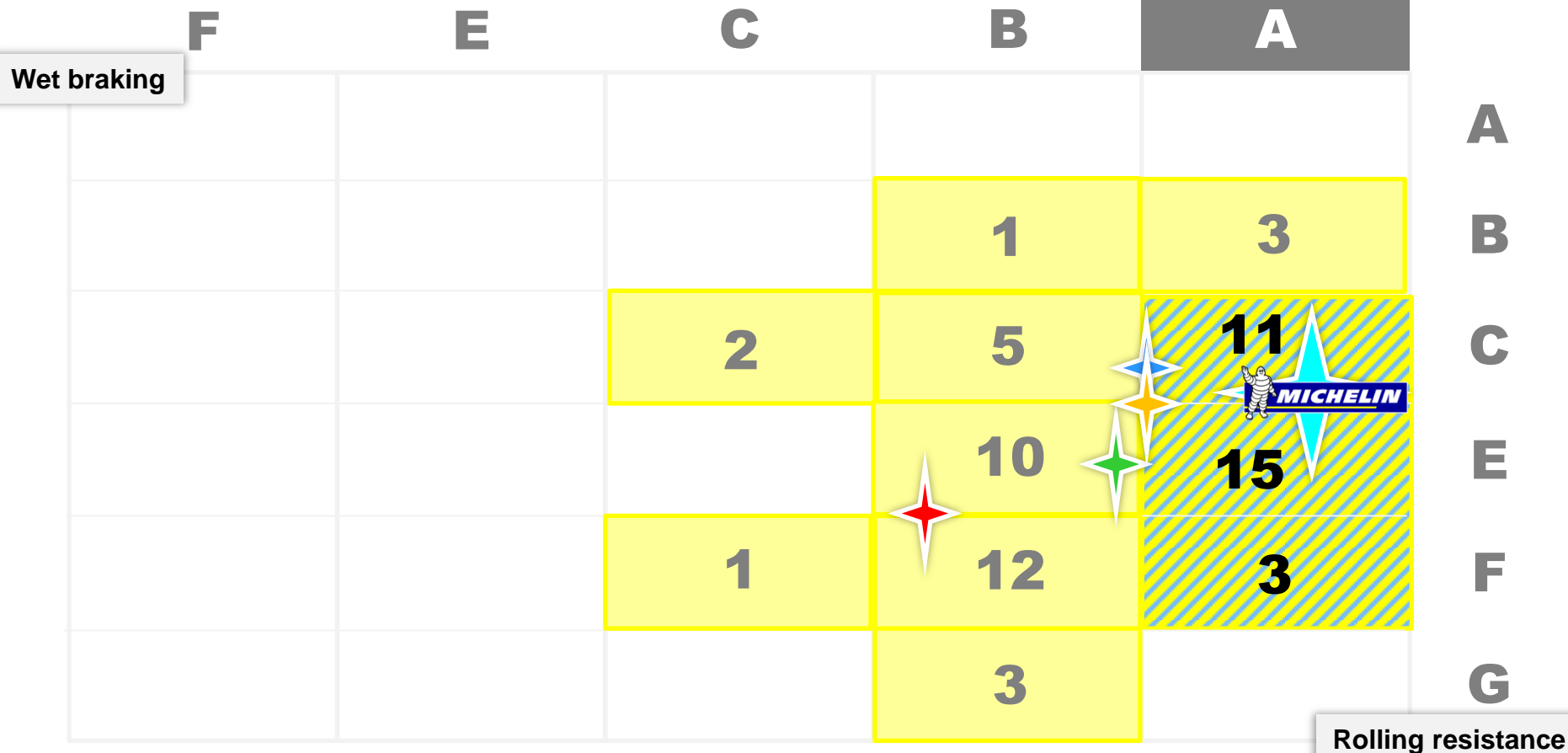
instead of tires



Labelling: Strong Positioning of Michelin with all "A" Grade in Wet Braking



17/18" – PC Summer Top 10 of most recent range of each size






Tier 1 competitors : A B C D



Latest *Motor Sport* Test by Rezulteo on a 18' Sport Tire Dimension

- *Michelin Pilot Sport 3* tire is ahead of all major competitors.
- According to *MotorSport*, MICHELIN tires are the most homogenous, showing effective management of the production process.

	Final Ranking 	Homogeneity (average weight variances)	
		In Grammes	Index
YOKOHAMA	1	11	157
	2	7	100
GOODYEAR	3	81	1,157
HANKOOK	4	74	1,057
VREDESTEIN	5	42	600
BRIDGESTONE	6	20	286
PIRELLI	7	91	1,300
CONTINENTAL	8	20	286
TOYO	9	22	314
NEXEN	10	18	257

Dimension tested: 235/40 R18 95Y



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UPDATE ON OECD INDIA CASE



Update on OECD India Case

- ▶ July 12, 2012: 5 NGOs put a complaint at the French OECD NCP against Michelin.
- ▶ Michelin denied the complaint and fully cooperated with NCP members: delivery of a 300-pages report + 2,500 pages of documentation + transparent communication.
- ▶ Sept. 2013: NCP released its final communiqué and concluded that Michelin has not violated its General Principals. The 5 NGOs withdrew their complaint.
- ▶ NCP expressed 4 reco, with which Michelin will comply (follow up of Madras judgment; implementation of EIA + HRIA, higher involvement of local communities; compliance with ILO principles regarding local employment).
- ▶ On site, situation is quiet and construction work is completed. Test production has started. More than 1,000 people are at work.



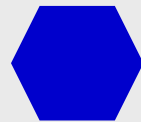
Key learnings from India case

- ▶ Doing right is not enough: need to formally comply with emerging soft laws (UN Principles, OECD Principles, ILO, ISO 26000, etc.).
- ▶ Need to insert soft law principles in internal procedures to ensure full compliance in advance (under progress).
- ▶ Need to strengthen communication with key NGOs (New Group Directive on NGOs adopted, internal training program, creation of a Director for relations with NGOs' position).
- ▶ Need to tighten relations with stakeholders at large (New Group Directive about stakeholder engagement under progress; stakeholders meeting in Europe in May 2013, in Asia in Nov. 2013, in Americas in 2015).



September 18, 2013

2013 AUTUMN CONFERENCE



APPENDICES

Respect for People: Diversity

Diversity is a tool for driving growth and improving competitiveness

**6,224 people hired in
2012**

**1 out of 3 people hired
is a woman
(excluding production workers)**

**9.1% of employees in
France have disabilities**

**46% of top managers
are non-French**



- ▶ 2020 objective: Achieve and maintain an 85% Employee Engagement Rate at Group level



Respect for People: Training

“People come to Michelin to grow by successfully meeting challenges”

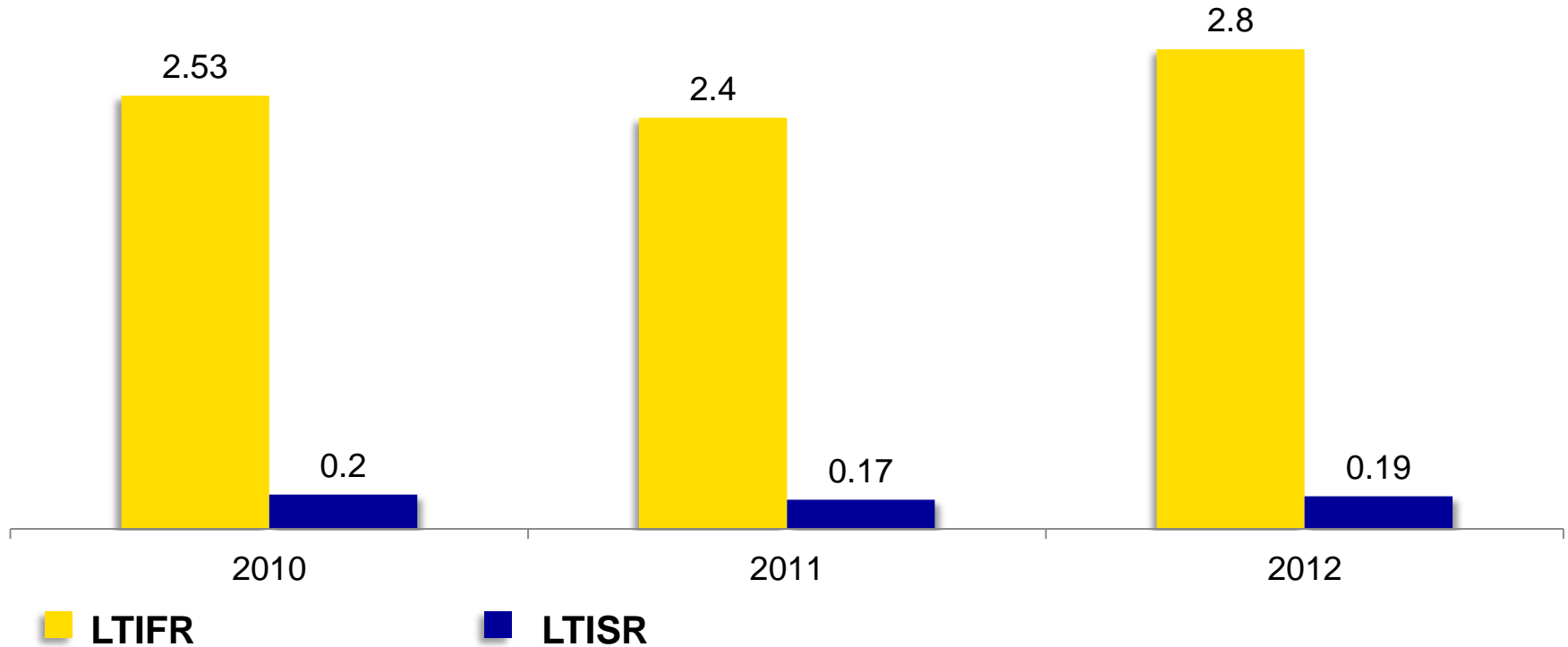


- ▶ **7.3 million hours** of training provided in 2012, equivalent to **4.9% of total payroll**
- ▶ **4,200 people** trained each day



Respect for People: Safety

Health and safety in the workplace: a priority for the Group



► 2020 objective: Total Case Incident Rate (TCIR) below 2 versus 4.5 in 2012



Respect for People: Compensation

A personalized compensation scheme that rewards performance

- ▶ All employees receive performance-based compensation
- ▶ Supplementary compensation may account for up to 30% of the total
- ▶ Profit-sharing represents up to 5% of an employee's salary.
In France, €59 million in profit shares were paid in 2012 (based on 2011 earnings).



Plants: A Responsible Purchasing Policy

Compliance with the Purchasing Code



- ▶ Purchasing code introduced in 2003
- ▶ Sustainable development criteria integrated into tenders
- ▶ 80% of raw materials purchased in volume are iso 14001-certified

Plants: Optimized Manufacturing Processes

Reducing environmental impact

- ▶ Significantly increase the use of renewable energies
- ▶ Reduce raw material used per tonne of load
- ▶ Improve the environmental management of production processes



Plants: Measure Improvements

MEF (Michelin sites Environmental Footprint)

- ▶ Site environmental footprint **reduced by 33% in 6 years**

	% CHANGE 2005-2012	2012	UNIT ⁽³⁾	ABSOLUTE VALUE	UNIT
Energy consumption	-21%	13.8	GJ/t TP	43,259	10 ³ GJ
Water consumption	-21%	11.9	m ³ /t TP	37,184	10 ³ m ³
COV ⁽²⁾ emissions	-37%	2.7	kg/t TP	8,344	t
CO ₂ emissions	-21%	1.2	t/t TP	3,763	10 ³ t
Waste produced	-21%	110.9	kg/t TP	346,698	t
Waste landfilled	-72%	9.3	kg/t TP	29,052	t
MEF	-33%	67.4			

(1) Michelin sites Environmental Footprint.

(2) Volatile Organic Compounds.

(3) t TP = tonne of tire produced.

- ▶ 2020 objective: **a new reduction of 40% (vs. 2012)**



Drivers of the Manufacturing Strategy

► Footprint Strategy:

- Local for local: to drive growth in each region
 - 80% volumes = 20% locally produced SKUs
- Use European capacity as a buffer

► Manufacturing productivity:

- **Sizing**
 - Critical mass > 100KT
- **Operating performance**
 - Workforce skills and training
 - Best practice sharing
- **Standardization**



A Commitment to Improving Competitiveness

- ▶ Development of a highly competitive truck tire plant in La Roche-sur-Yon, France, which will double output from 800,000 to 1.6 million units per year by 2019.
- ▶ Closure of truck tire facilities in France, Algeria and Columbia.
- ▶ Capacity extensions for specialty tires.
- ▶ Modernization of the worldwide research and innovation center in Clermont-Ferrand.



Communities: Road Safety A Responsible Commitment

In all its host countries, Michelin raises awareness of road safety best practices among government authorities and the general public

- ▶ Michelin, an official partner of the UN Decade of Action for Road Safety 2011-2020
- ▶ SECURIZ'MOIS !: The campaign reached 2 million people in France.
- ▶ ROSYPE: The campaign reached 730,000 young people in France



Communities: Michelin Challenge Bibendum A Laboratory for the Mobility of the Future

Michelin Challenge Bibendum : the global sustainable mobility summit

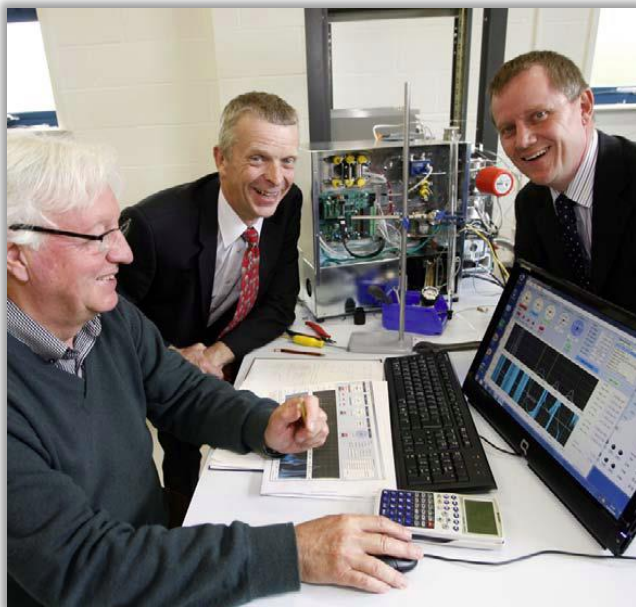
- ▶ **11th Michelin Challenge Bibendum** held in Berlin in May 2011
- ▶ Over **150** companies and organizations, **6,000** experts, decision-makers, researchers and academics from **80** countries
- ▶ More than **10,000** visitors and **650** journalists



Communities: Michelin Development A Spirit of Solidarity

In all its host countries, Michelin raises awareness of road safety best practices among government authorities and the general public

- ▶ In 22 years, **19,000** jobs supported in France, **7,500** in the rest of Europe and **2,000** in North America.



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*



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