

KEPLER CHEUVREUX

LONDON ISR

December 13, 2013



December 13, 2013

KEPLER CHEUVREUX LONDON



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



December 13, 2013

KEPLER CHEUVREUX LONDON



1

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

Michelin Performance and Responsibility: 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**



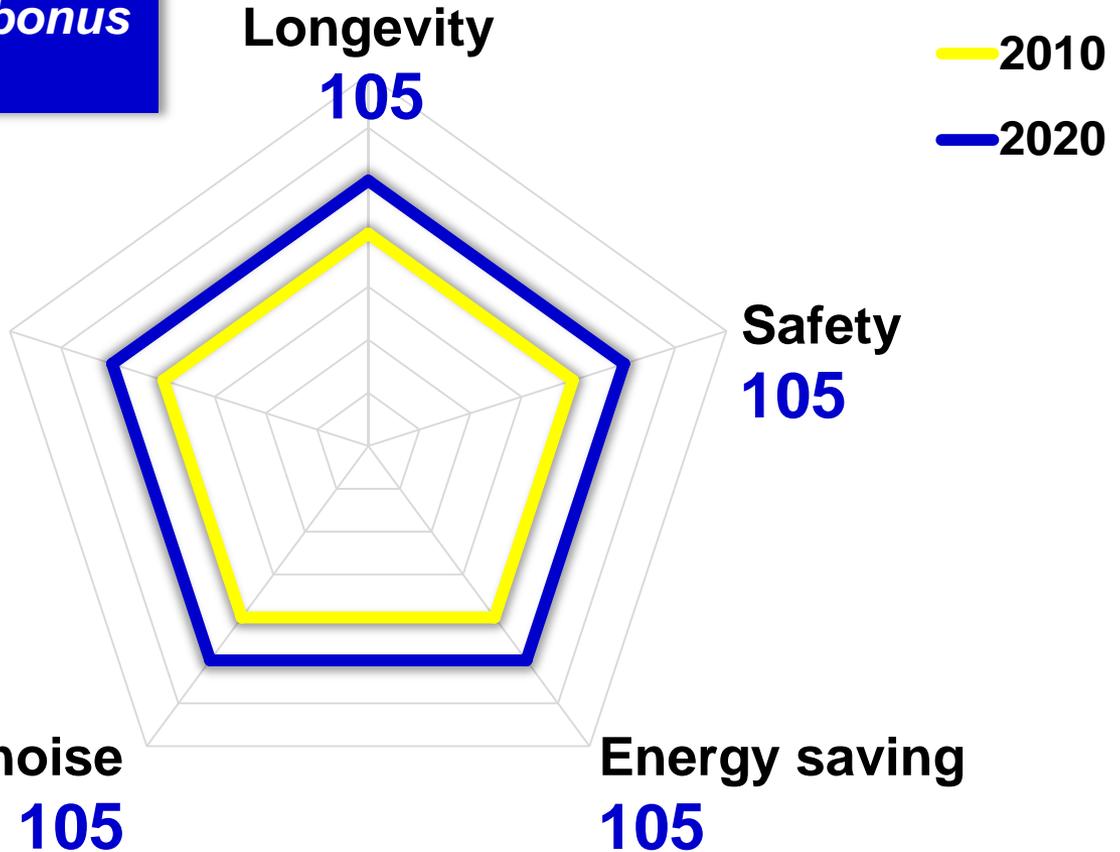
**Mass reduction
105**

**Road noise
105**

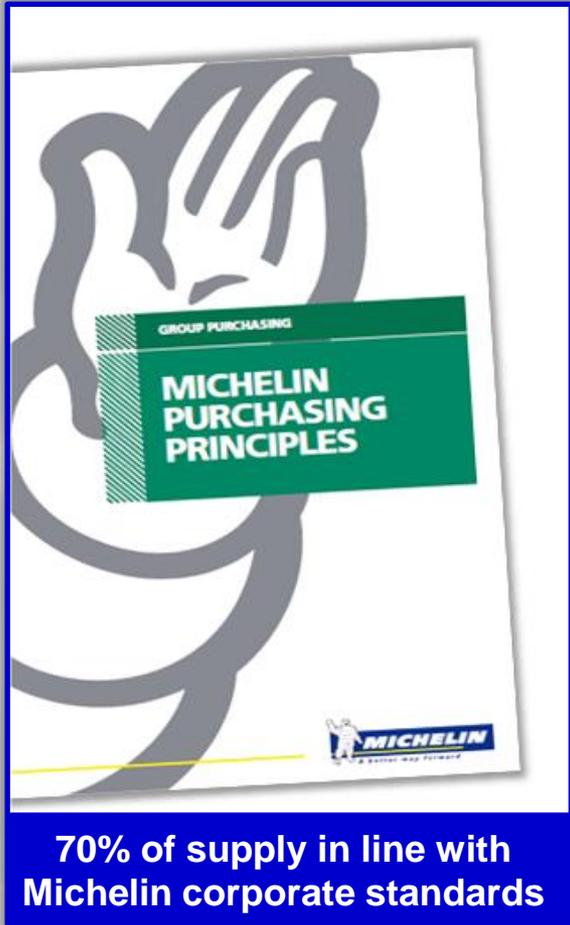
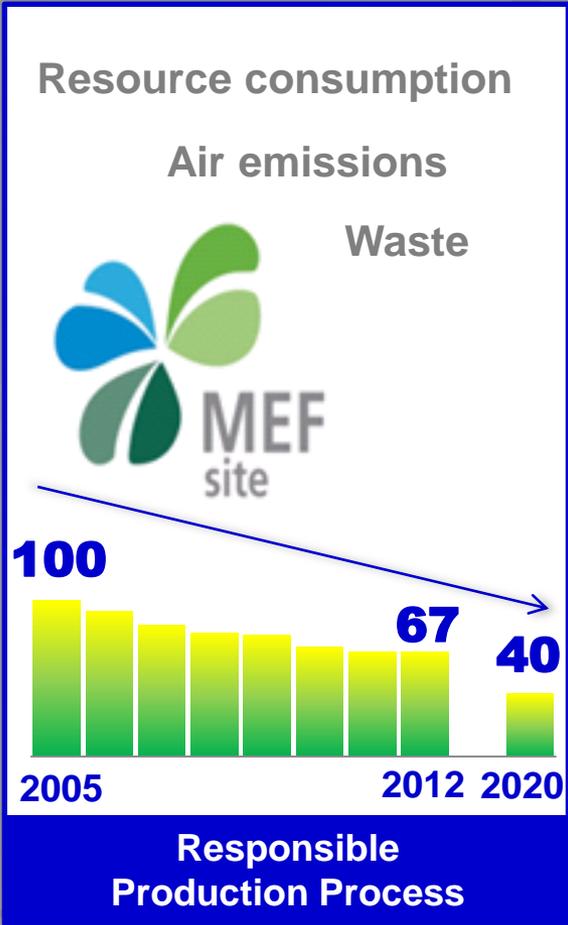
**Longevity
105**

**Energy saving
105**

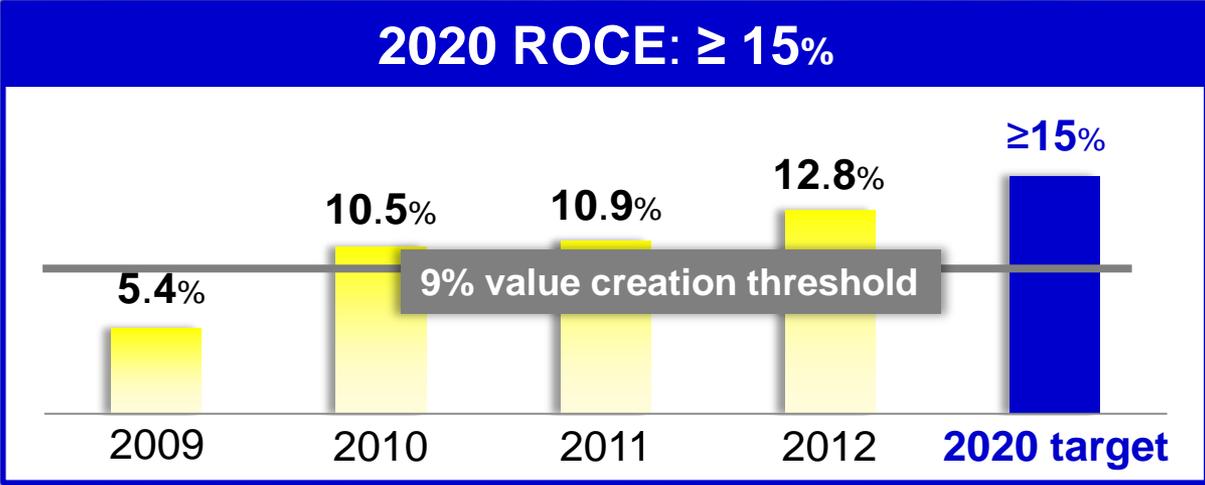
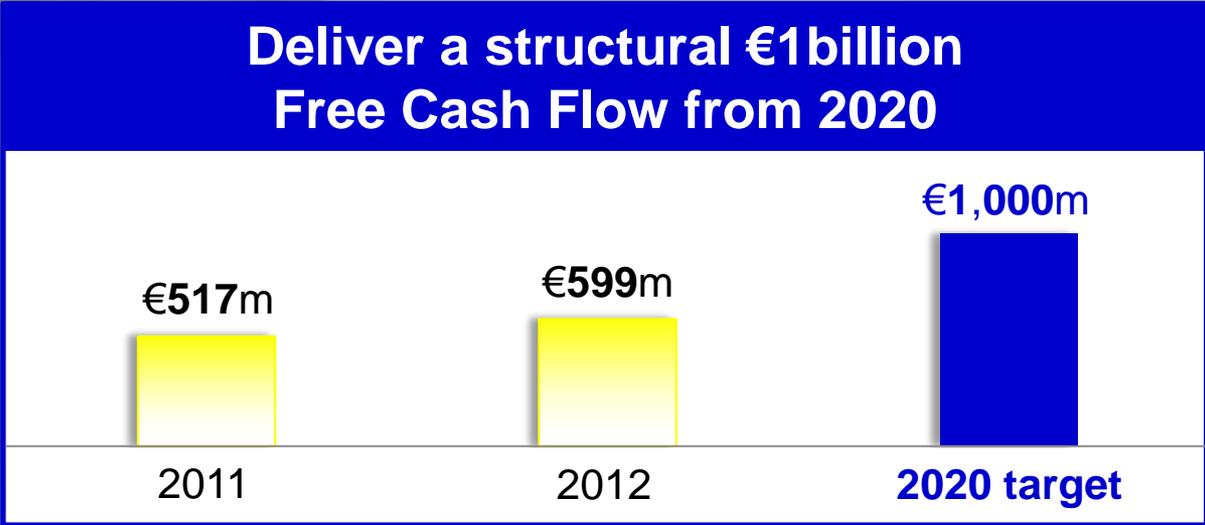
**Safety
105**



2 Leadership in Responsible Operations



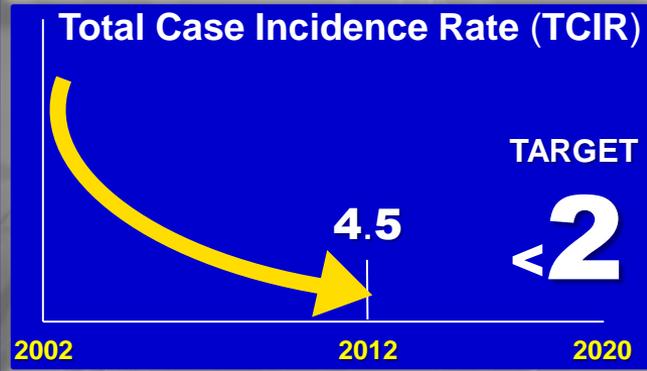
3 Sustainable Financial Performance



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



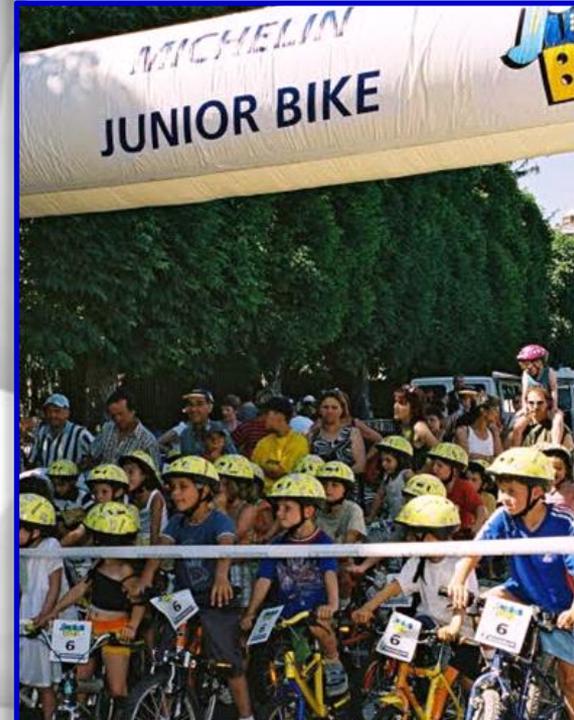
5 Live in Harmony with our Communities



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

Keep an eye
on the pressure!

An advertisement for Golden Rules #4. It shows a man in a suit kneeling next to a silver car, checking the tire pressure. A Michelin Man character is standing next to him. The background is a building with a sign that says "गोराज INDIA - PETROL PUMP TYRES - FUEL - OIL".

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

FIA ACTION FOR ROAD SAFETY Go to www.goldenrules-fia-michelin.com for the complete list of Golden Rules.

The Michelin logo.

Action for road safety

Cement kiln

A photograph of a large industrial cement kiln structure.

Synthetic sport grounds

A photograph of a hand touching a red synthetic sport ground surface.

Re-use in new tires

A photograph of a tire with a green recycling symbol overlaid on it.

Recycling tires



December 13, 2013

KEPLER CHEUVREUX LONDON



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



December 13, 2013

KEPLER CHEUVREUX LONDON

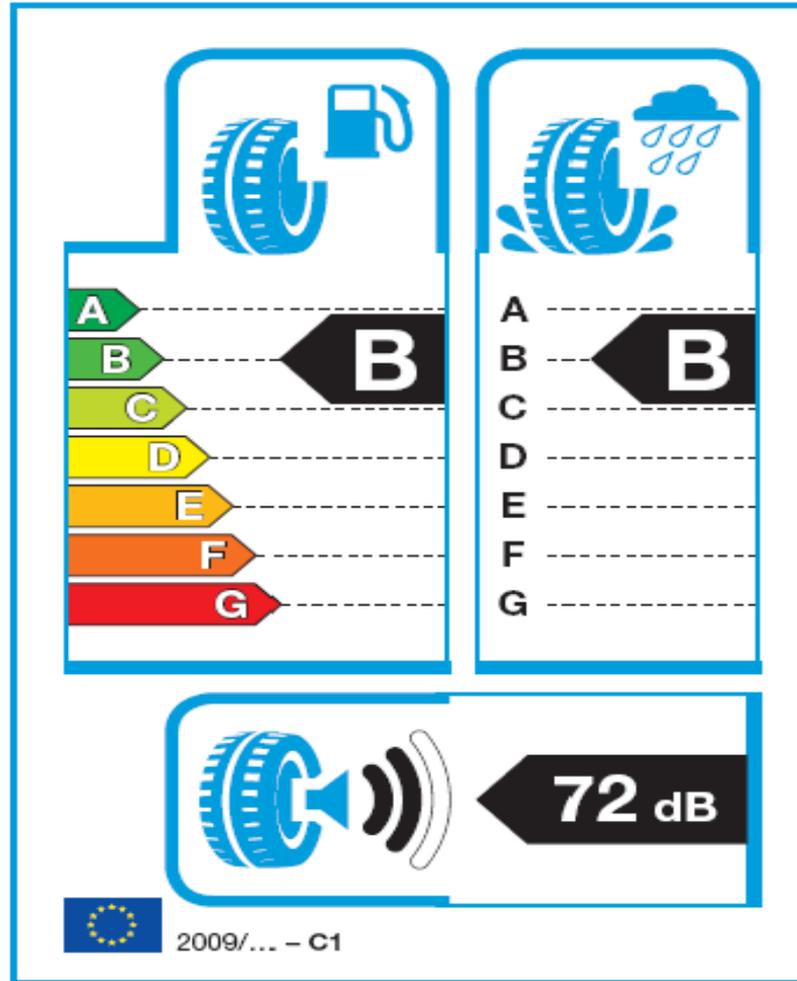


3

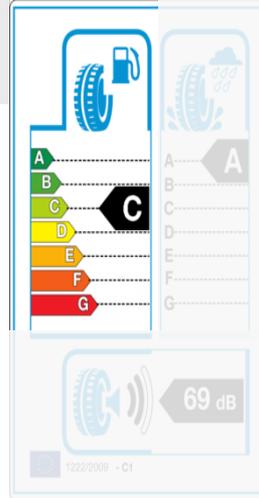
TIRE REGULATION



Europe Regulation: Thresholds and Labelling



Tire Labelling: Energy Efficiency



300 €

saved/40,000km

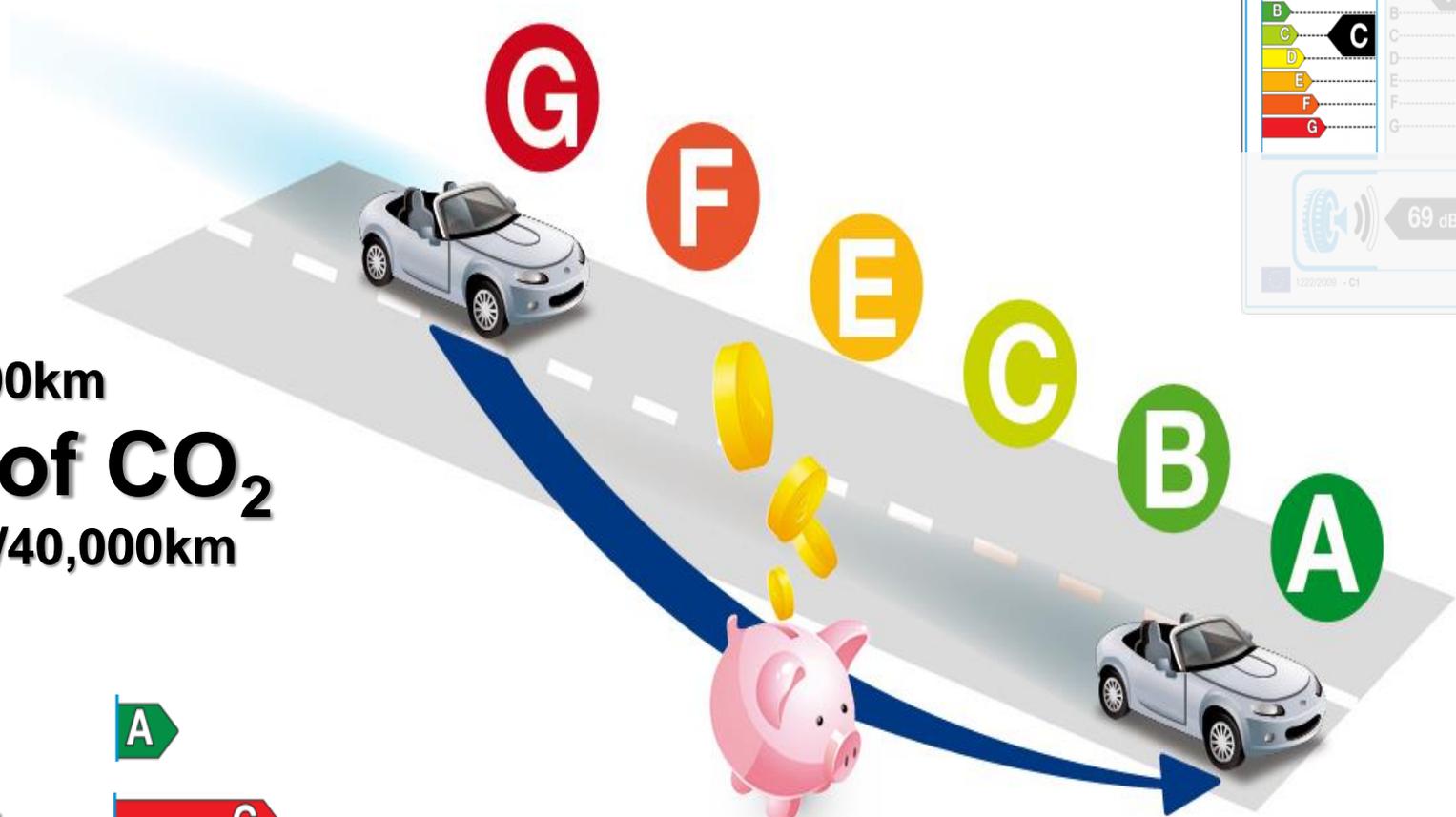
500kg of CO₂

not emitted/40,000km

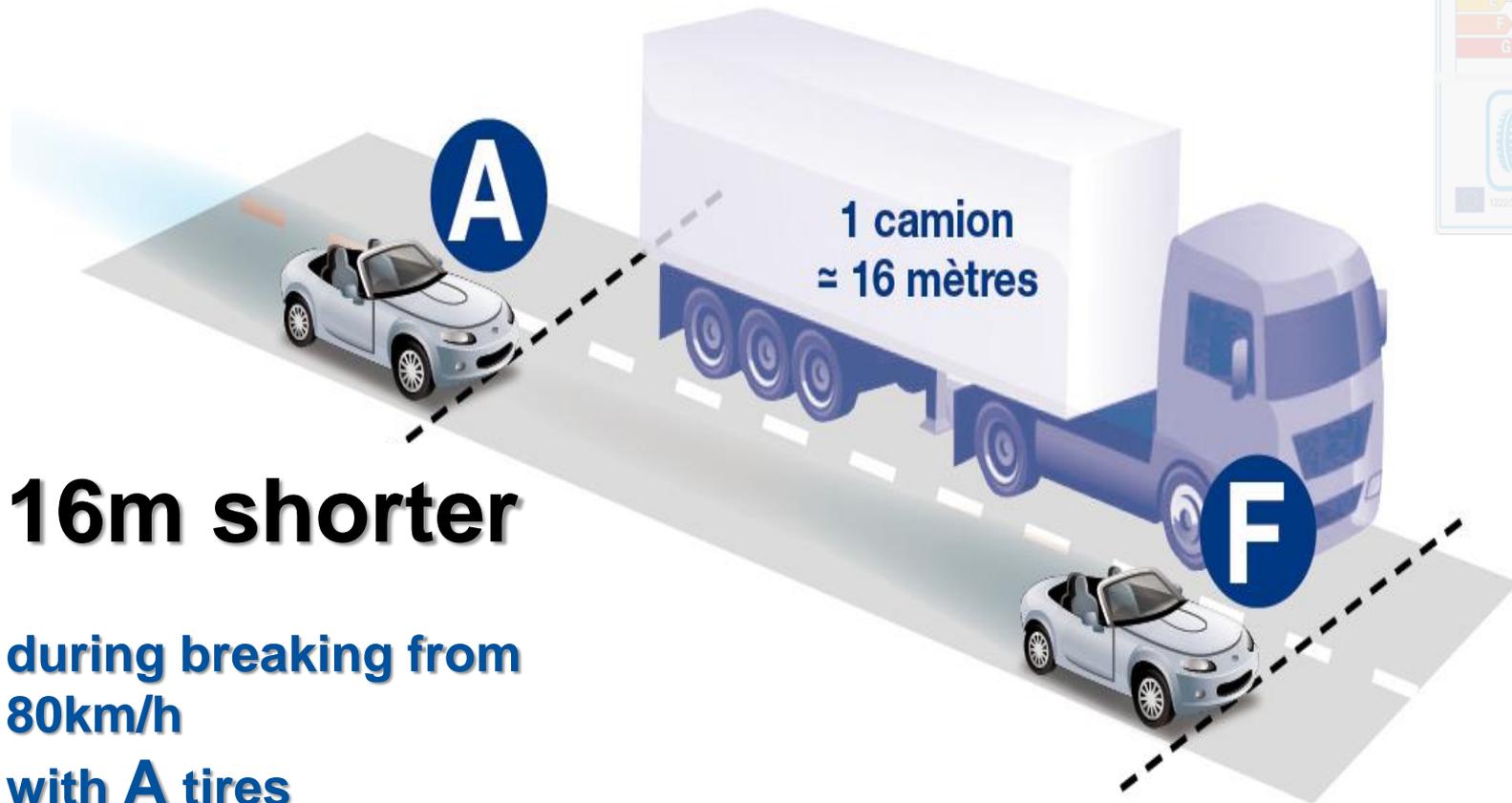
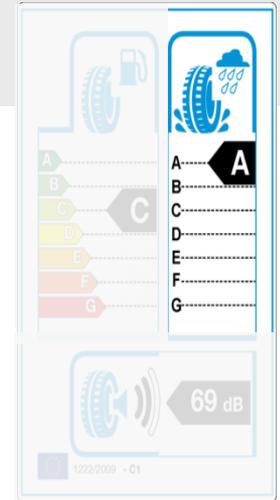
With tires



Instead of tires



Tire Labelling: Wet Road Grip

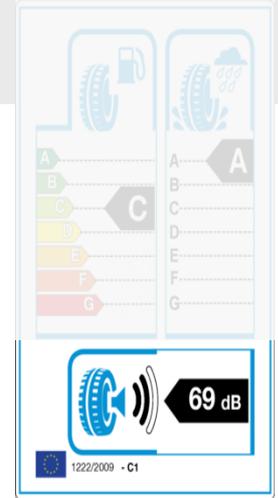
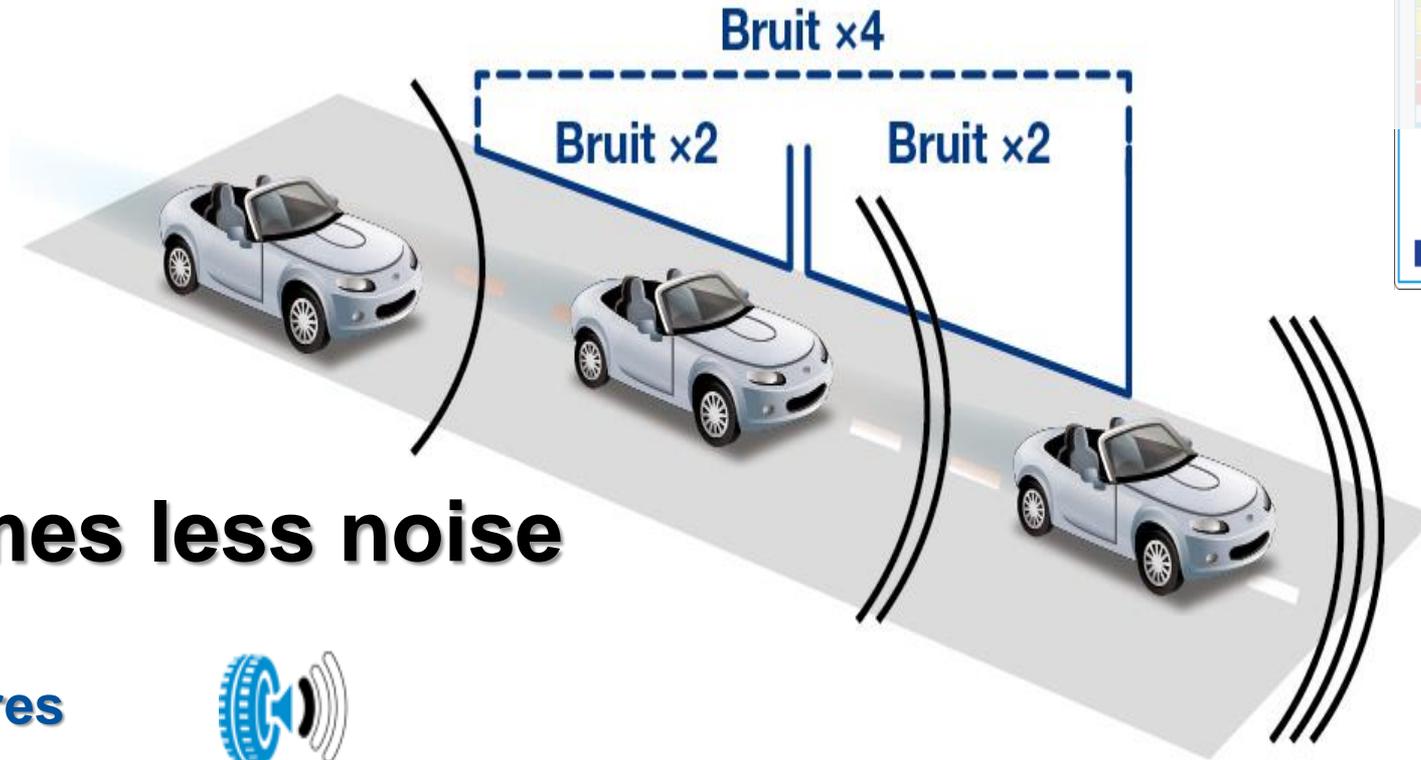


16m shorter

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



Tire Labelling: Noise



4 times less 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

	F	E	C	B	A	
Wet braking						
				1	3	A
			2	5	11	B
				10	15	C
			1	12	3	E
				3		F
						G
						Rolling resistance

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



December 13, 2013

KEPLER CHEUVREUX LONDON



4

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.



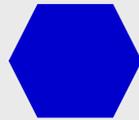
Key learnings from India case

- ▶ 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”

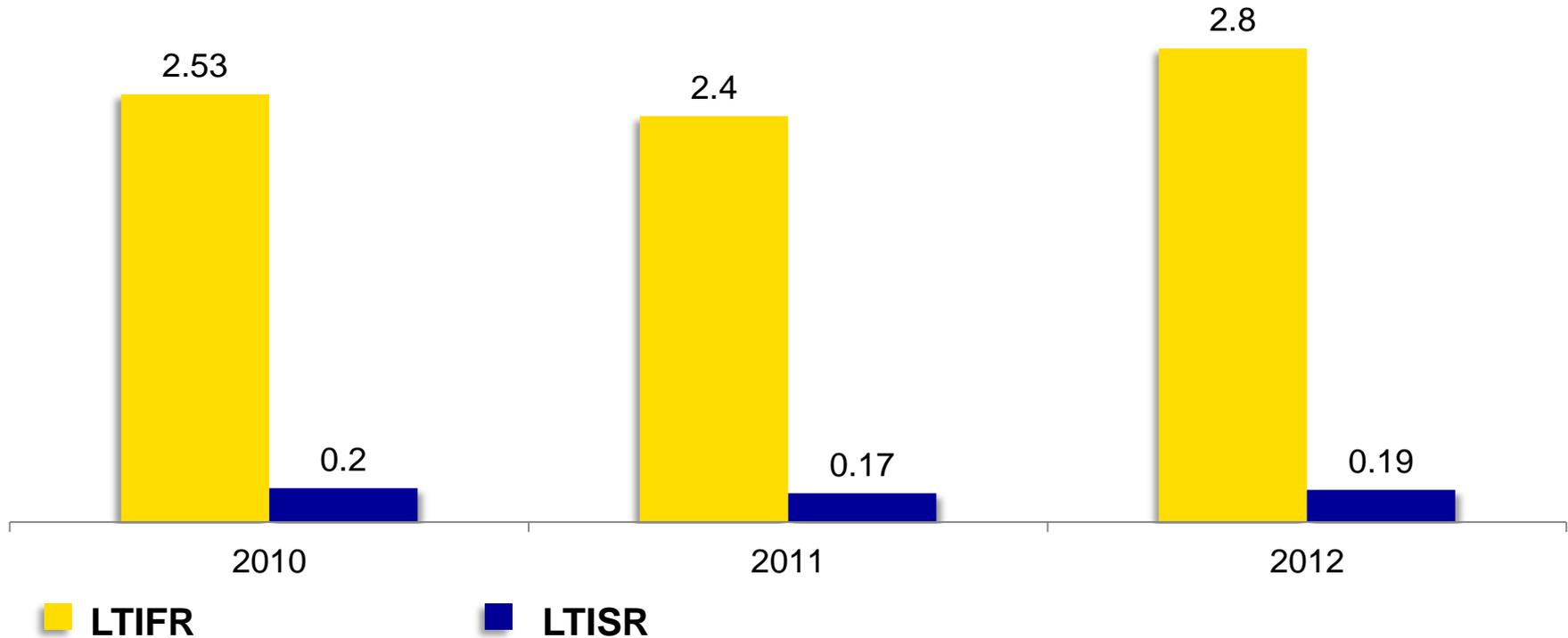


- ▶ **7.3 million hours** of training provided in 2012, equivalent to **4.9% of total payroll**
- ▶ **4,200 people** trained each day



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

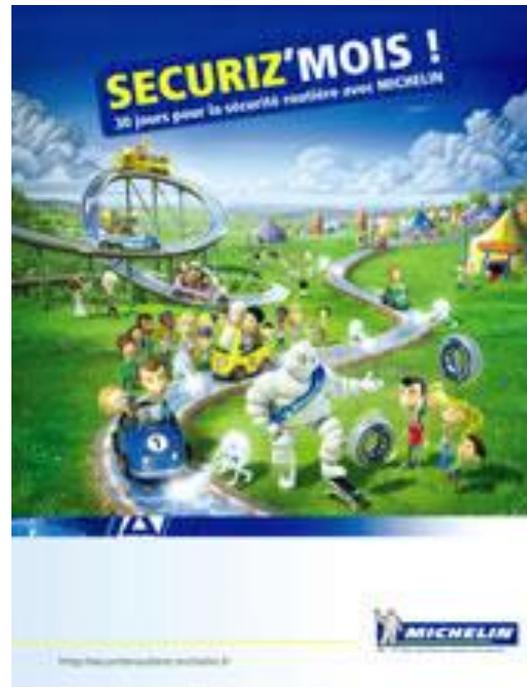
- ▶ Development of a highly competitive truck tire plant in La Roche-sur-Yon, France, which will double output from 800,000 to 1.6 million units per year by 2019.
- ▶ Closure of truck tire facilities in France, Algeria and Columbia.
- ▶ Capacity extensions for specialty tires.
- ▶ Modernization of the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

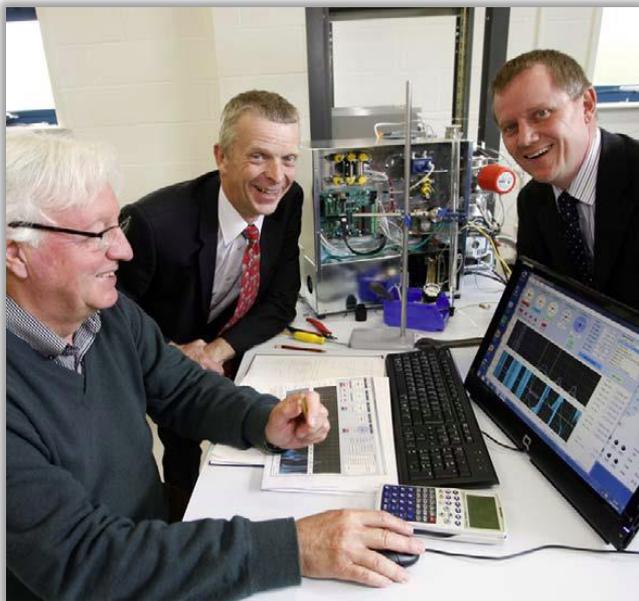
- ▶ **11th Michelin Challenge Bibendum** held in Berlin in May 2011
- ▶ Over **150** companies and organizations, **6,000** experts, decision-makers, researchers and academics from **80** countries
- ▶ More than **10,000** visitors and **650** journalists



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*



Contacts

Investor Relations

Valérie Magloire

investor-relations@fr.michelin.com

Michelin Performance & Responsibility

Hervé Deguine

performance-responsabilite@fr.michelin.com



Disclaimer

"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des marchés financiers available from the www.michelin.com website.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."

