

# KEPLER CHEUVREUX **LONDON ISR**

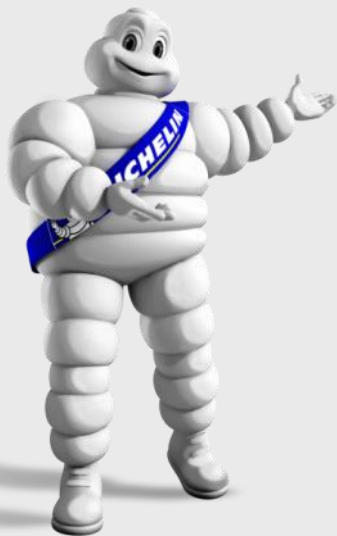
December 13, 2013



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**



December 13, 2013

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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**



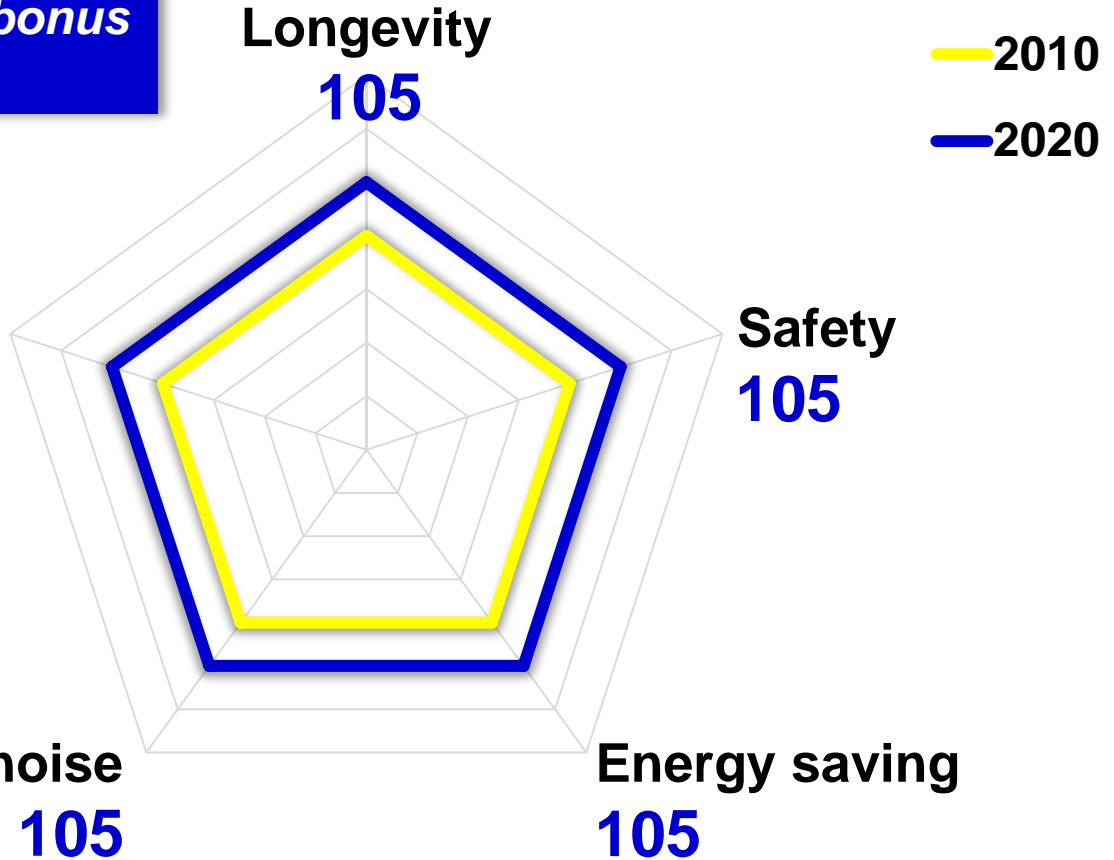
**Mass reduction  
105**

**Road noise  
105**

**Longevity  
105**

**Energy saving  
105**

**Safety  
105**

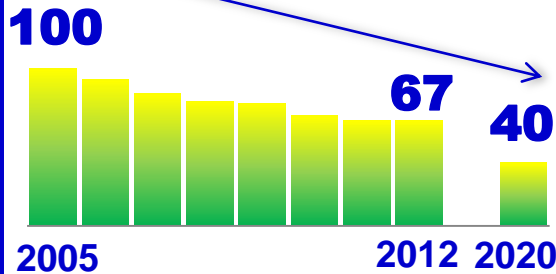


# 2 Leadership in Responsible Operations

Resource consumption

Air emissions

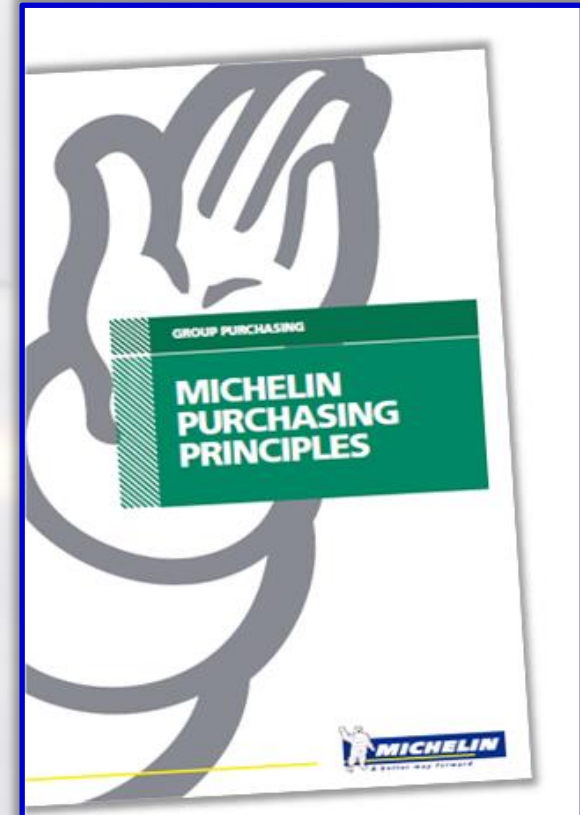
Waste



Responsible  
Production Process

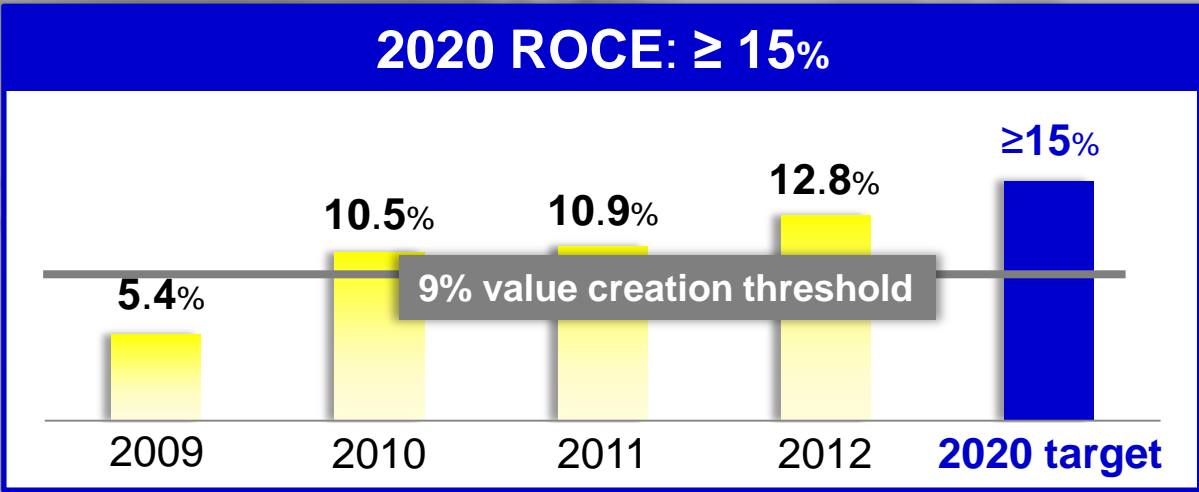
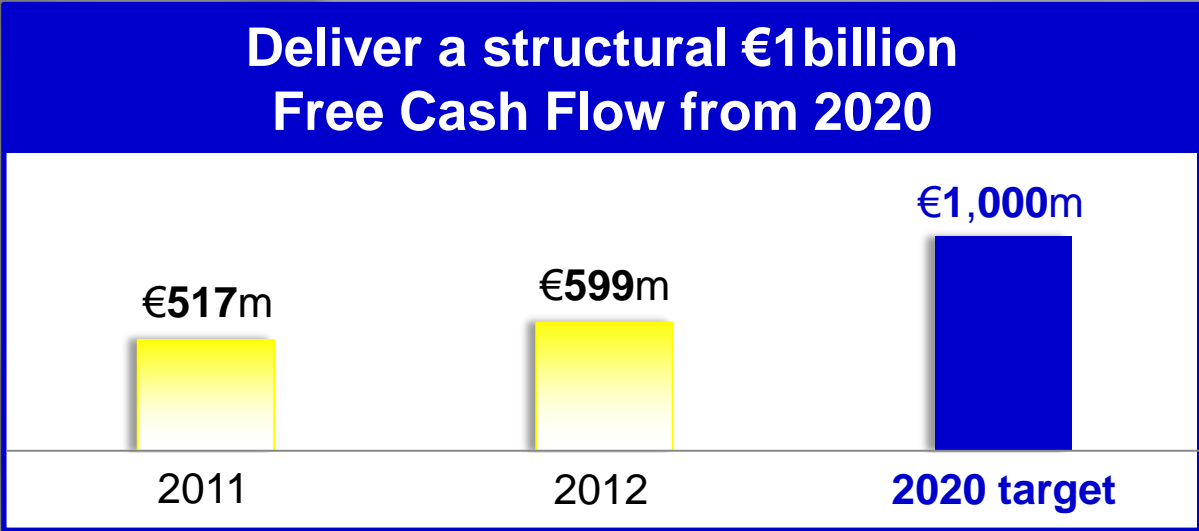


Responsible logistics  
to contribute to 10% CO<sub>2</sub> cut



70% of supply in line with  
Michelin corporate standards

# 3 Sustainable Financial Performance

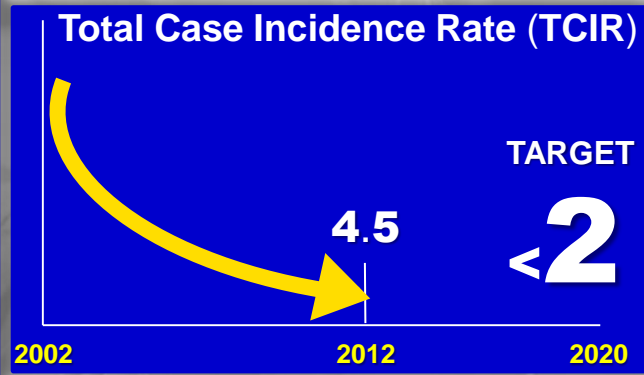




# 4 Commitment to the Well-being and Development of our Employees

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.



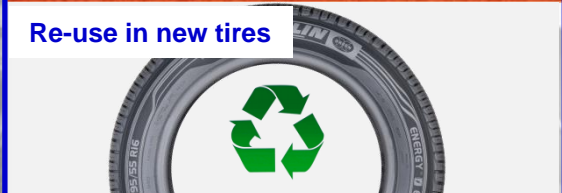
Action for road safety



Cement kiln



Synthetic sport grounds



Re-use in new 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



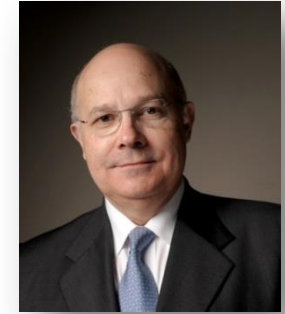
**Olivier Bazil**



**Pat Cox**



**Barbara Dalibard**



**Jean-Pierre Duprieu**



**Michel Rollier**

**Chairman**



**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**

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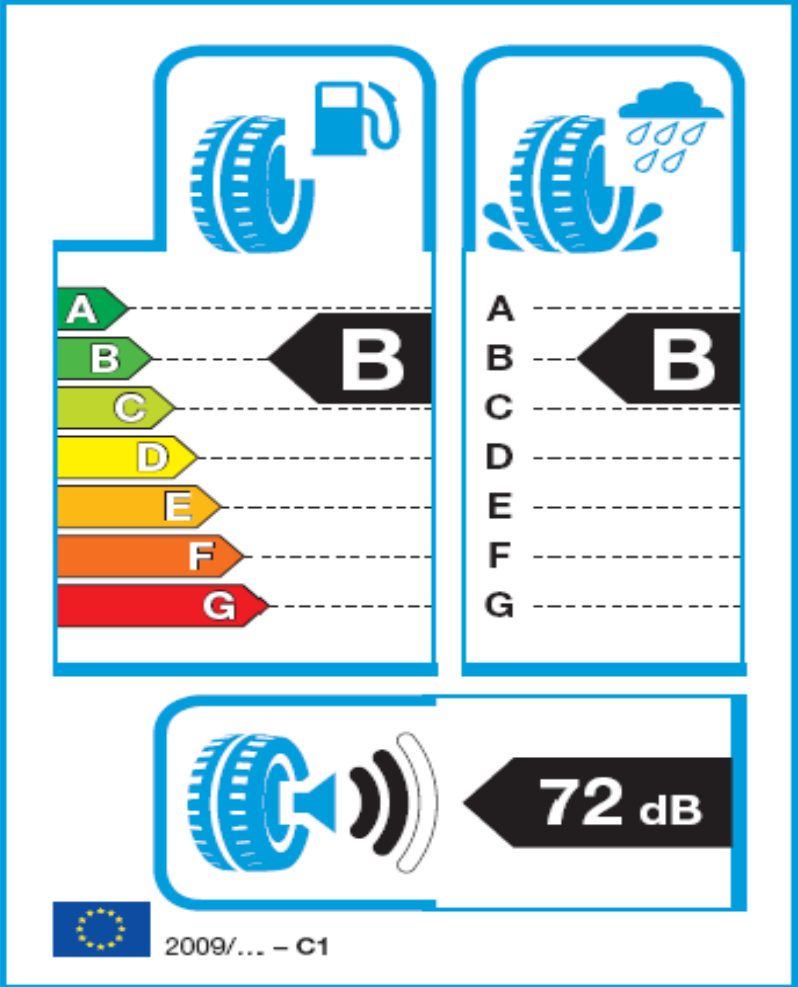


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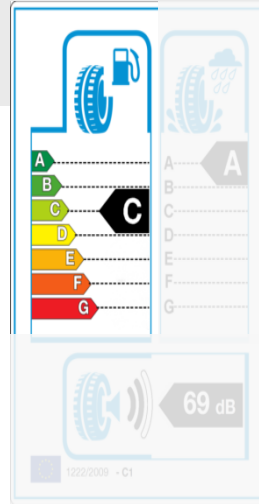
# **TIRE REGULATION**



# Europe Regulation: Thresholds and Labelling



# Tire Labelling: Energy Efficiency

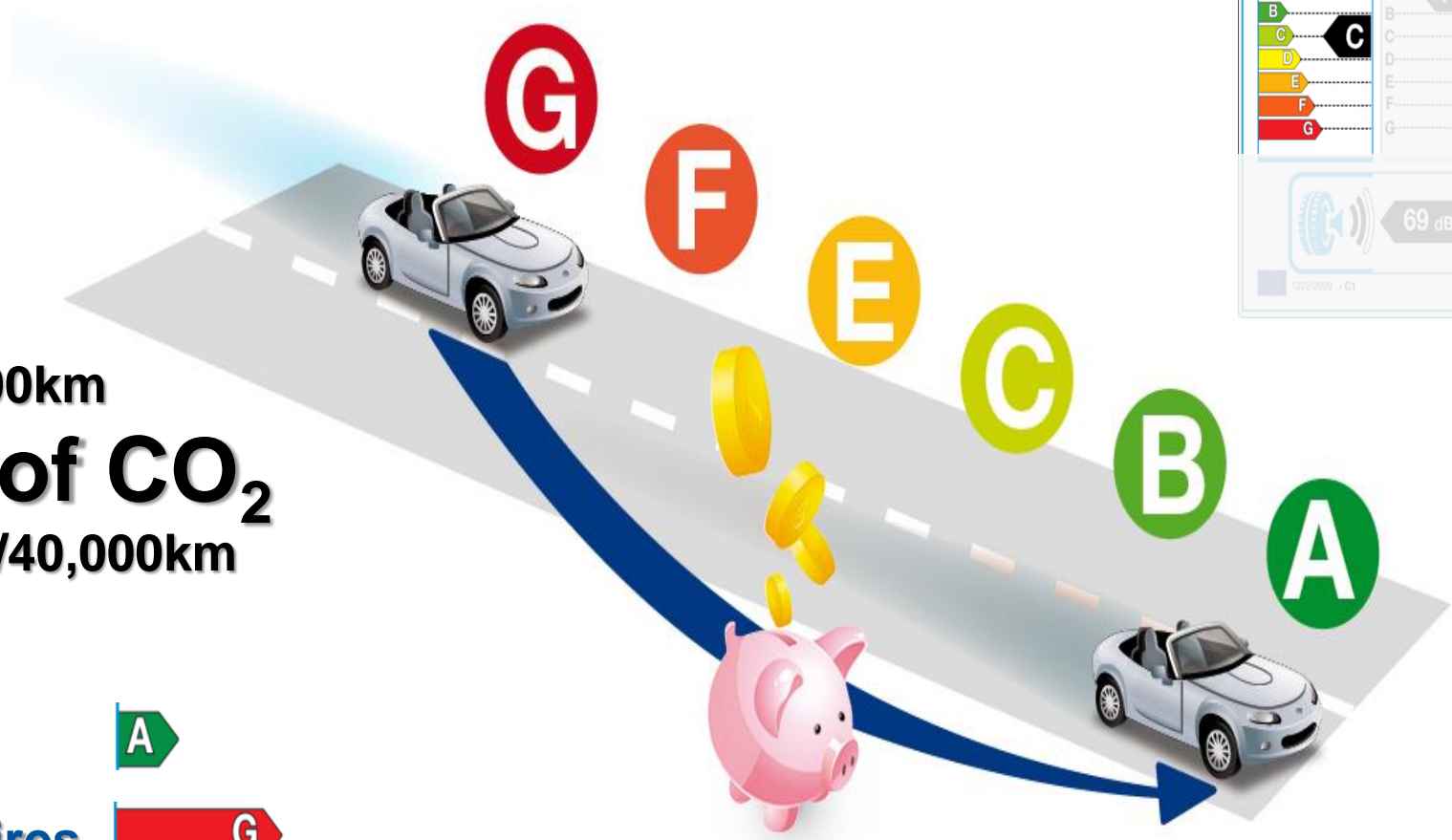


**300 €**  
saved/40,000km  
**500kg of CO<sub>2</sub>**  
not emitted/40,000km

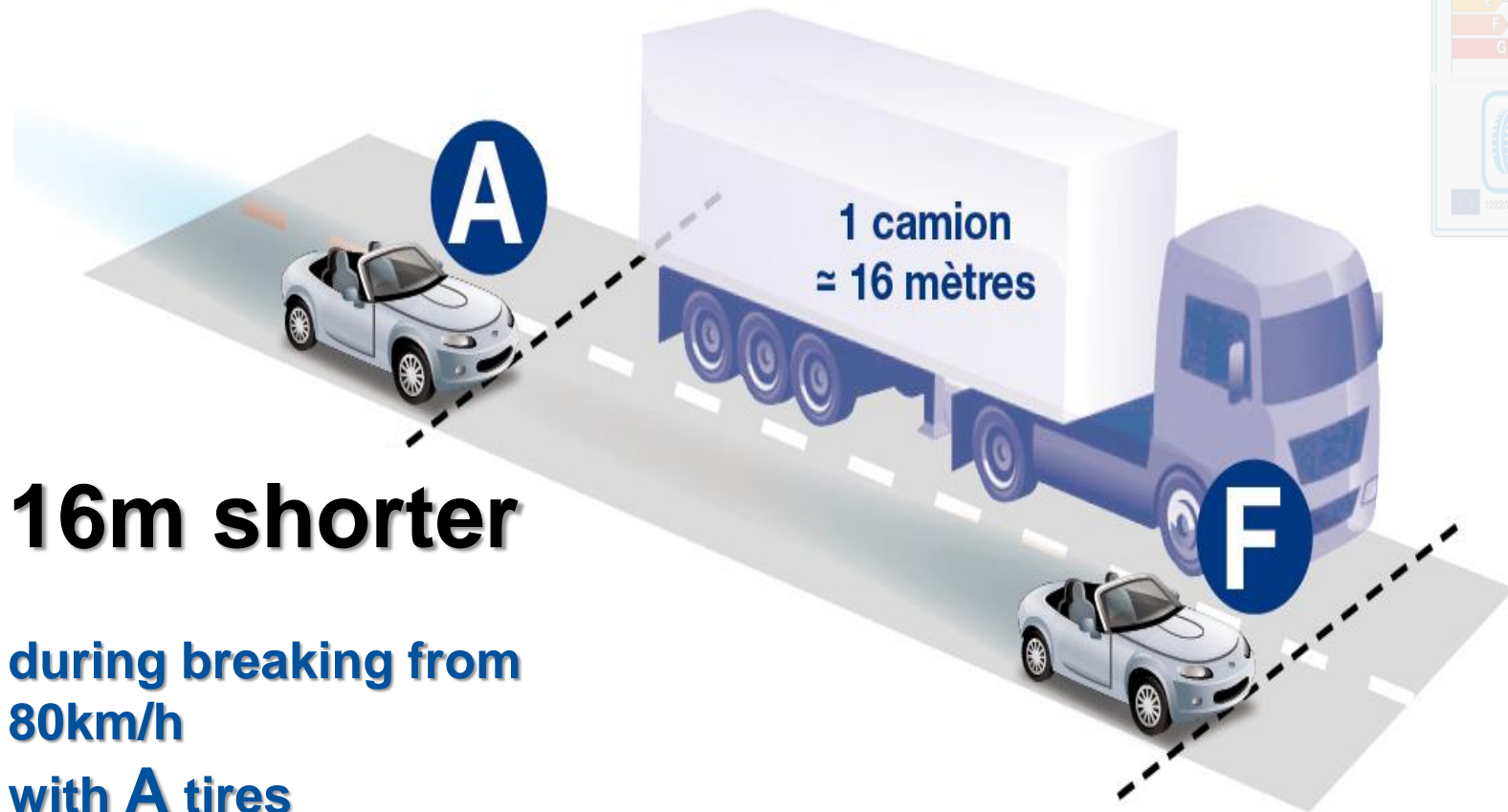
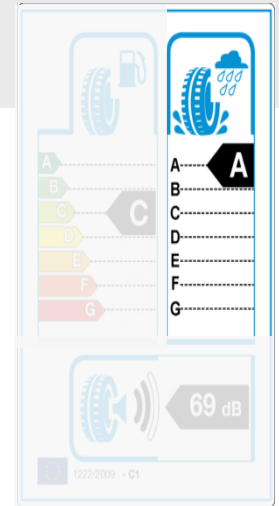
With tires



Instead of tires



# Tire Labelling: Wet Road Grip

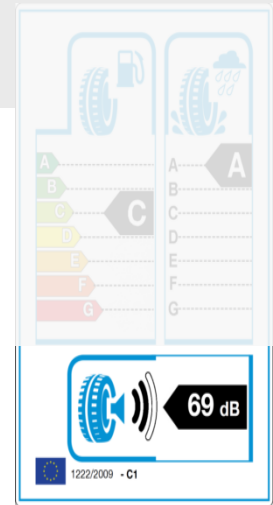
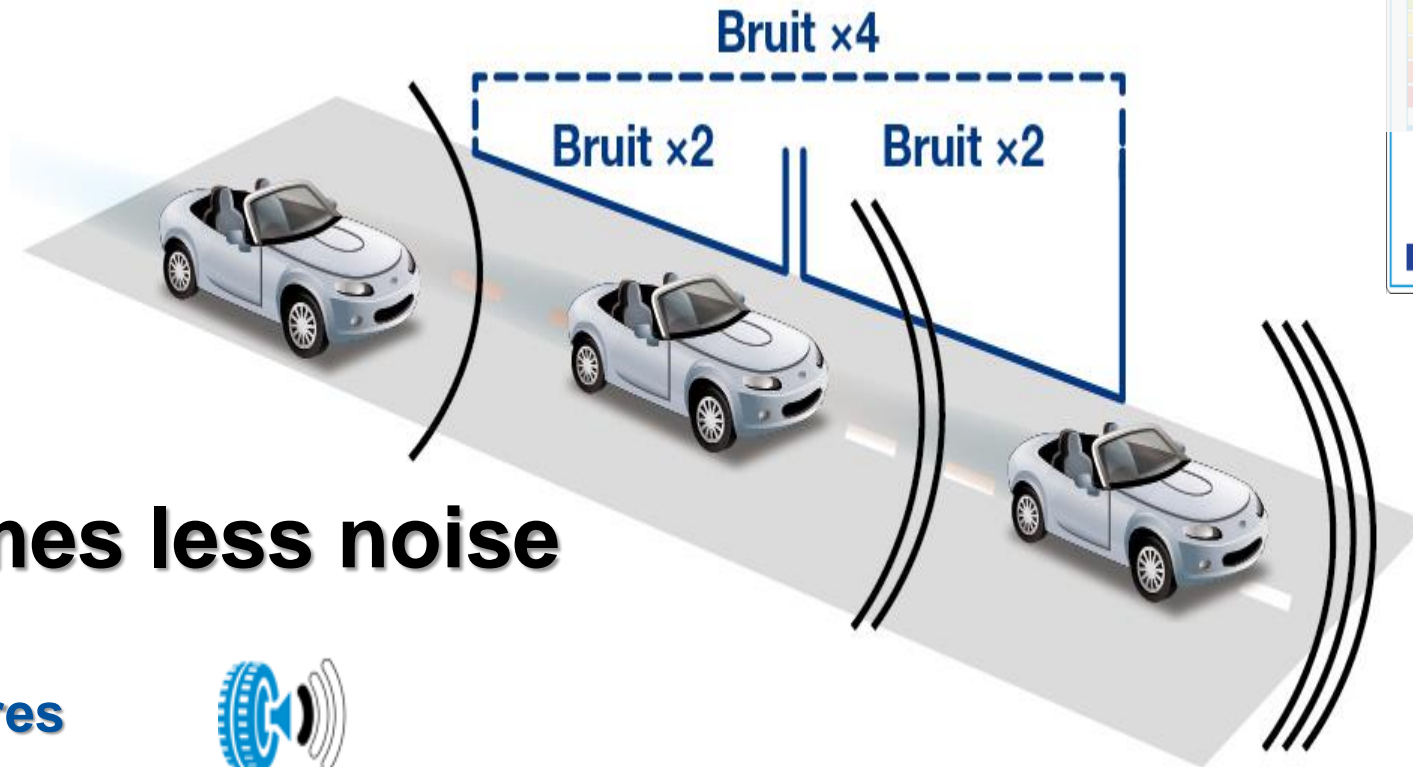


**16m shorter**

**during breaking 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
<b>YOKOHAMA</b>	1	11	157
	<b>2</b>	<b>7</b>	<b>100</b>
<b>GOODYEAR</b>	3	81	1,157
<b>HANKOOK</b>	4	74	1,057
<b>VREDESTEIN</b>	5	42	600
<b>BRIDGESTONE</b>	6	20	286
<b>PIRELLI</b>	7	91	1,300
<b>CONTINENTAL</b>	8	20	286
<b>TOYO</b>	9	22	314
<b>NEXEN</b>	10	18	257

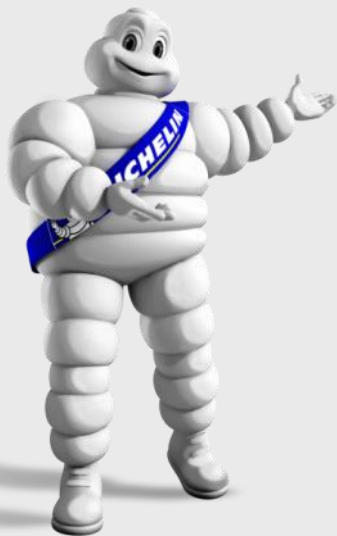
Dimension tested: 235/40 R18 95Y



December 13, 2013

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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

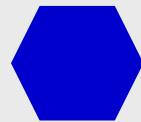
- ▶ Doing right is not enough: need to formally comply with emerging soft laws (UN Principles, OECD Principles, ILO, ISO 26000, etc.).
- ▶ Need to insert soft law principles in internal procedures to ensure full compliance in advance (under progress).
- ▶ Need to strengthen communication with key NGOs (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

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# 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”**

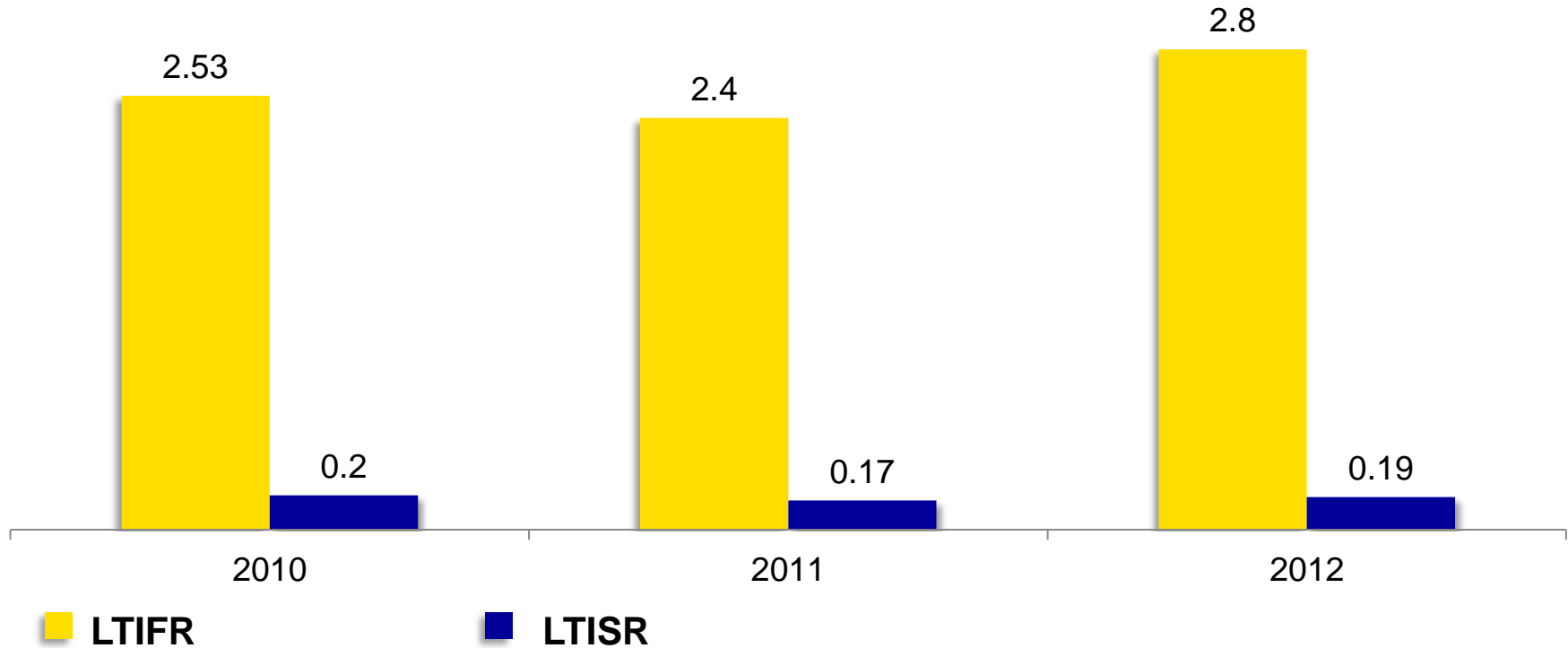


- ▶ **7.3 million hours** of training provided in 2012, equivalent to **4.9% of total payroll**
- ▶ **4,200 people** trained each day



# 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

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## 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

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

(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

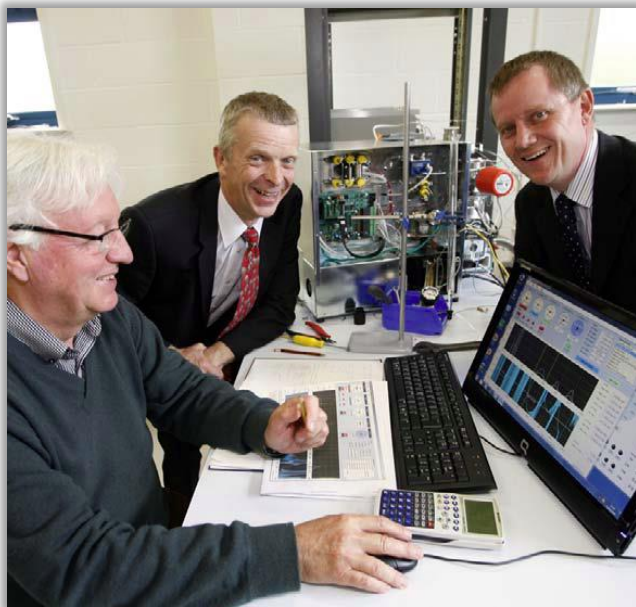




# Communities: Michelin Development A Spirit of Solidarity

**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

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## Michelin Performance & Responsibility

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