

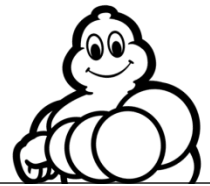


# 2013 ANNUAL RESULTS

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February 11, 2014

# Very strong Free Cash Flow, at €1,154 million



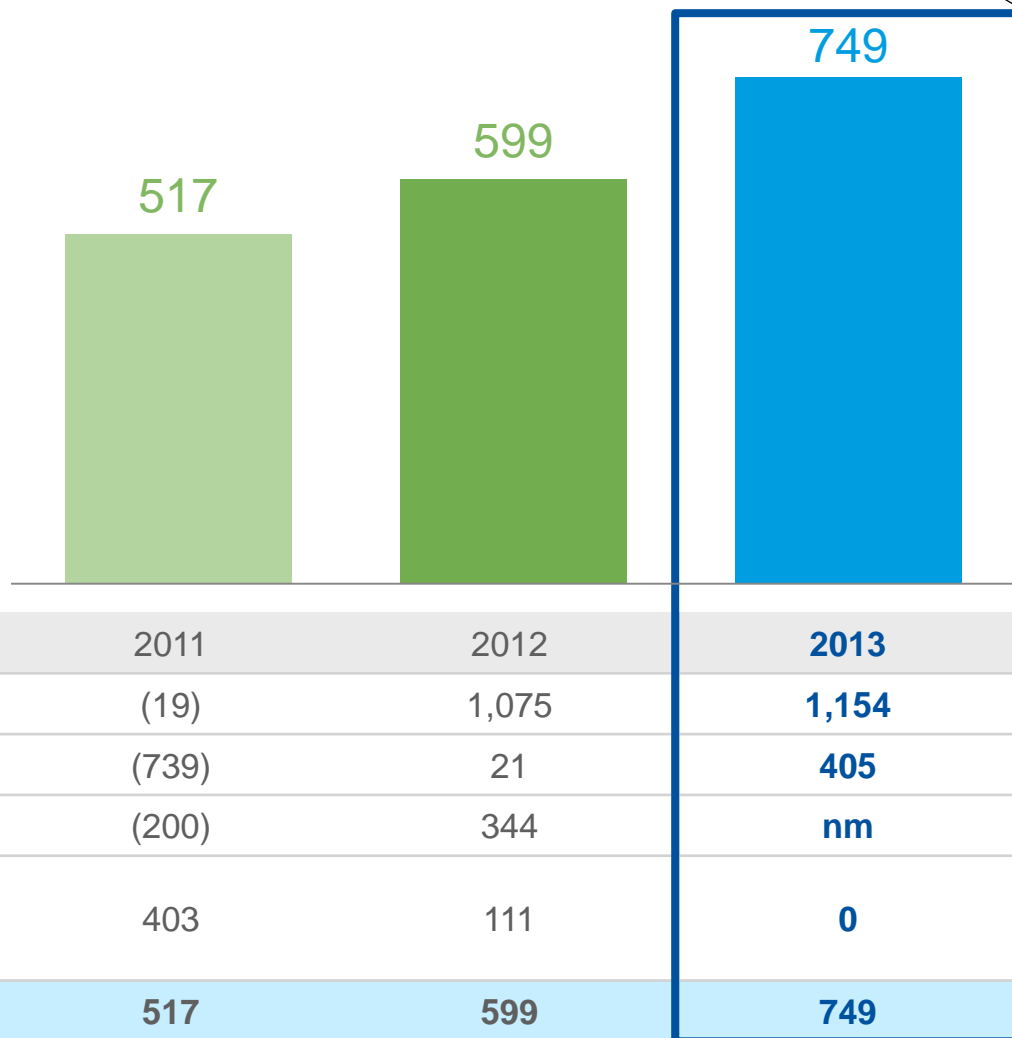
- ▶ **Very strong free cash flow, at €1,154 million**, resulting from:
  - The Group's ability to structurally generate cash
  - The value creation target assigned to every unit
  
- ▶ **Fourth straight year of value creation**, with a ROCE of 11.9%
  
- ▶ **Volumes** stable, as expected
  
- ▶ **Operating income** before non-recurring items **structurally high** at €2,234 million, up €41 million at constant scope of consolidation and exchange rates
  - A well managed margin through a positive price / raw materials effect (€69m)
  - An effective Competitiveness Plan
  - A better balance among the contributions from each business, especially in the case of Truck tires
  
- ▶ **Net debt lowered to €142m**



# A business that structurally generates Free Cash Flow



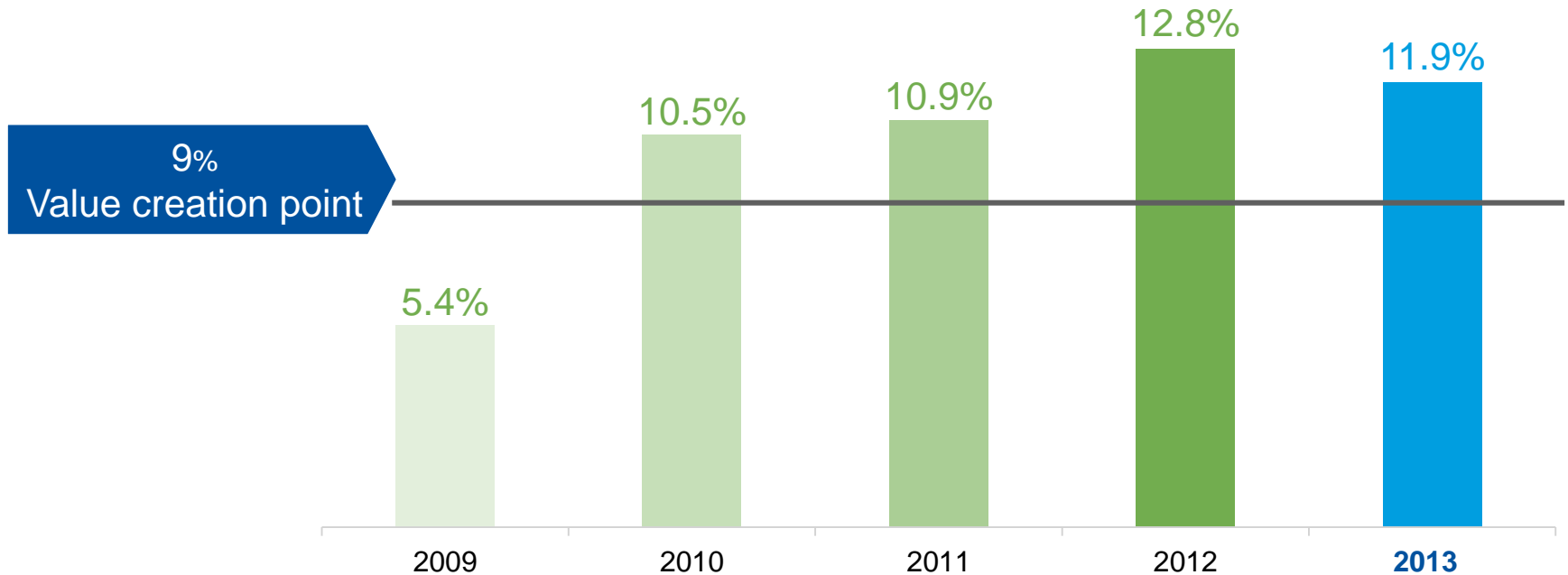
## Structural free cash flow



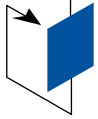
# Significant value created while investing in the growth regions



## Return on capital employed (ROCE) (after tax)

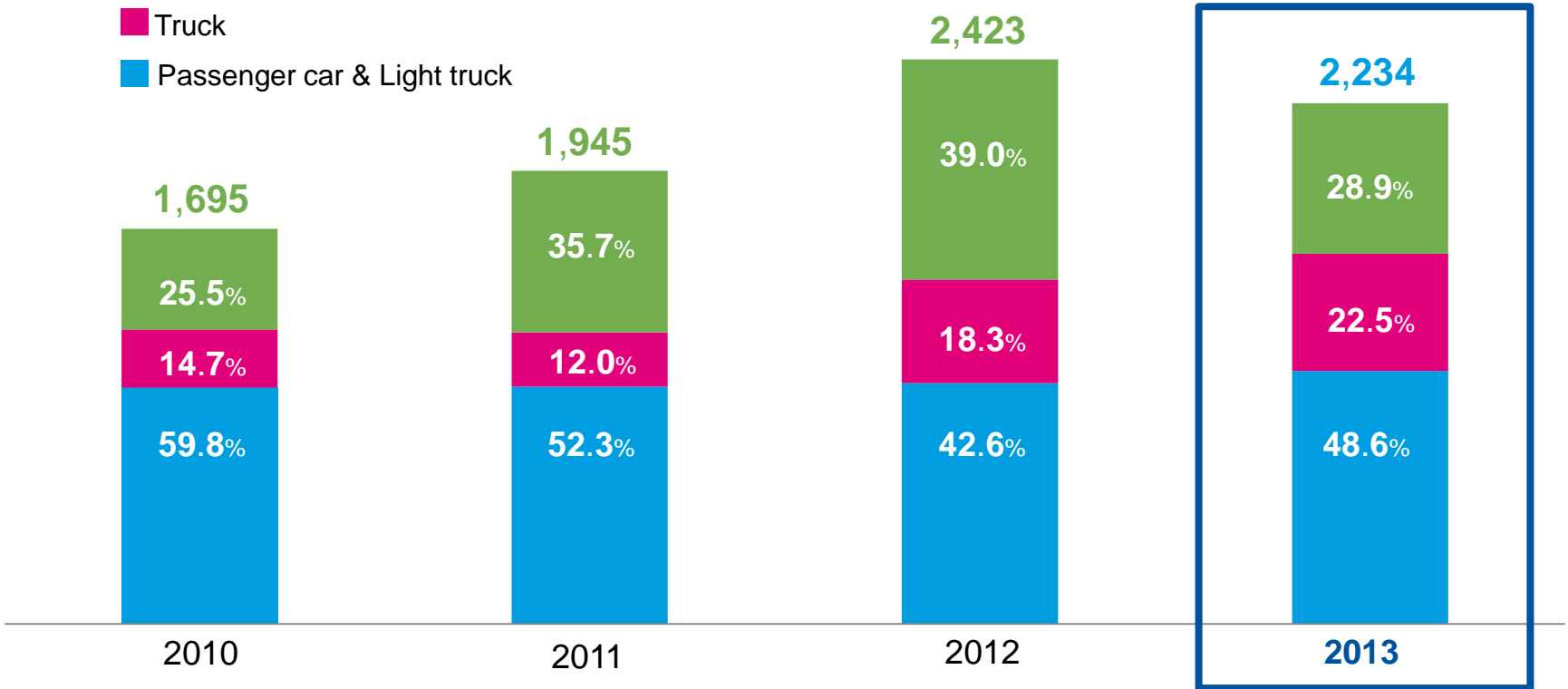


# A better balance among the contributions from each business



## Operating income by reporting segment

- Specialty businesses
- Truck
- Passenger car & Light truck



# Financial Highlights



## 2013 and 2012 figures as reported

<i>In € millions</i>	2013	2012
<b>Net sales</b>	<b>20,247</b>	21,474
<b>Operating income</b> <i>(before non-recurring items)</i>	<b>2,234</b>	2,423
<b>Operating margin</b> <i>(before non-recurring items)</i>	<b>11.0%</b>	11.3%
<b>Net income</b>	<b>1,127</b>	1,571
<b>Capital expenditure</b>	<b>1,980</b>	1,996
<b>Net debt</b>	<b>142</b>	1,053
<b>Gearing</b>	<b>2%</b>	12%
<b>Employee benefit obligations</b>	<b>3,895</b>	4,679
<b>Free cash flow*</b>	<b>1,154</b>	1,075
<b>ROCE</b>	<b>11.9%</b>	12.8%
<b>Dividend per share</b>	<b>€2.50**</b>	€2.40

\*Cash flows from operating activities less cash flows used in investing activities

\*\* Submitted to shareholder approval at the May 16, 2014 Annual Meeting





February 11, 2014

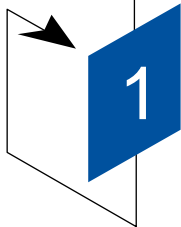
## 2013 ANNUAL RESULTS

- 1 **MARKETS UNEVEN, BUT GENERALLY IMPROVING**
- 2 **SOLID PERFORMANCE**
- 3 **ROBUST FINANCIAL POSITION**
- 4 **FURTHER PROGRESS ON THE COMPETITIVENESS PLAN**
- 5 **OUTLOOK**



February 11, 2014

## 2013 ANNUAL RESULTS

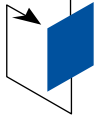


# MARKETS UNEVEN, BUT GENERALLY IMPROVING



# Car and Light truck:

Markets up except for the Western European winter tire market, whose slight decline was expected



## Markets at December 31, 2013

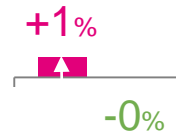
(% change YoY, in number of tires)



### North America



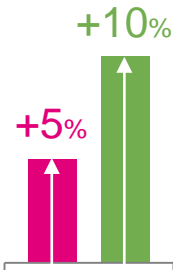
### Europe



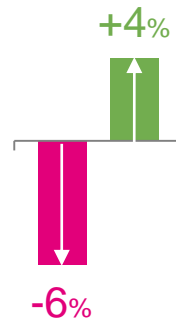
### Asia (excluding India)



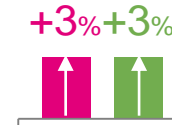
### South America



### Africa-India-Middle East



### GLOBAL MARKET

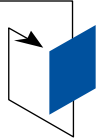


- Original equipment
- Replacement

Source: Michelin

# Truck:

Technical upturn in Western Europe off of low comparatives and robust demand trends in the growth regions

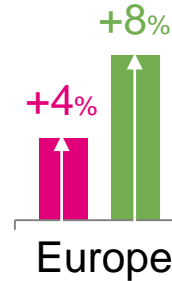
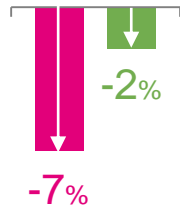


## Markets at December 31, 2013

(% change YoY, in number of new radial tires)



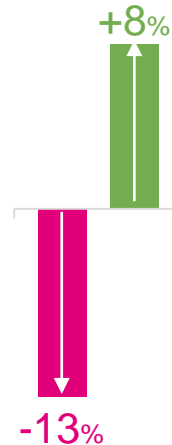
North America



South America



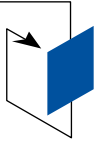
Africa-India-Middle East



Original equipment  
Replacement

Source: Michelin

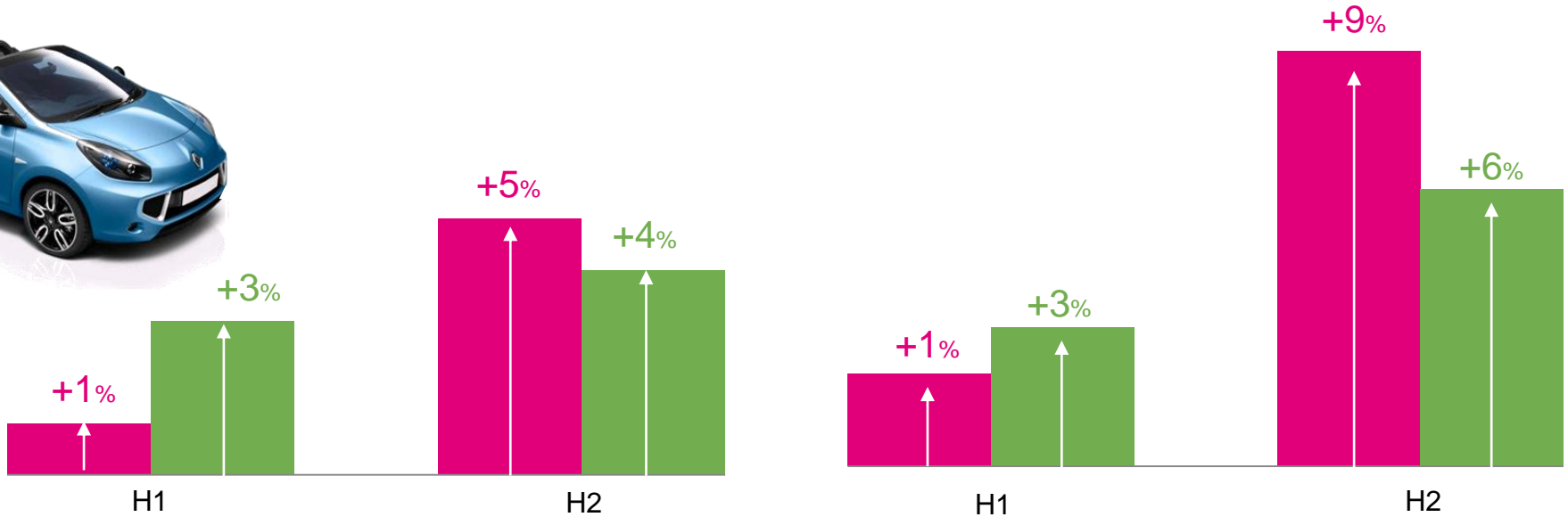
# Car and Light truck & Truck: more positive trends in the second half



## 2013 markets, H1 vs. H2 worldwide (% change YoY, in number of new radial tires)



■ Original equipment ■ Replacement



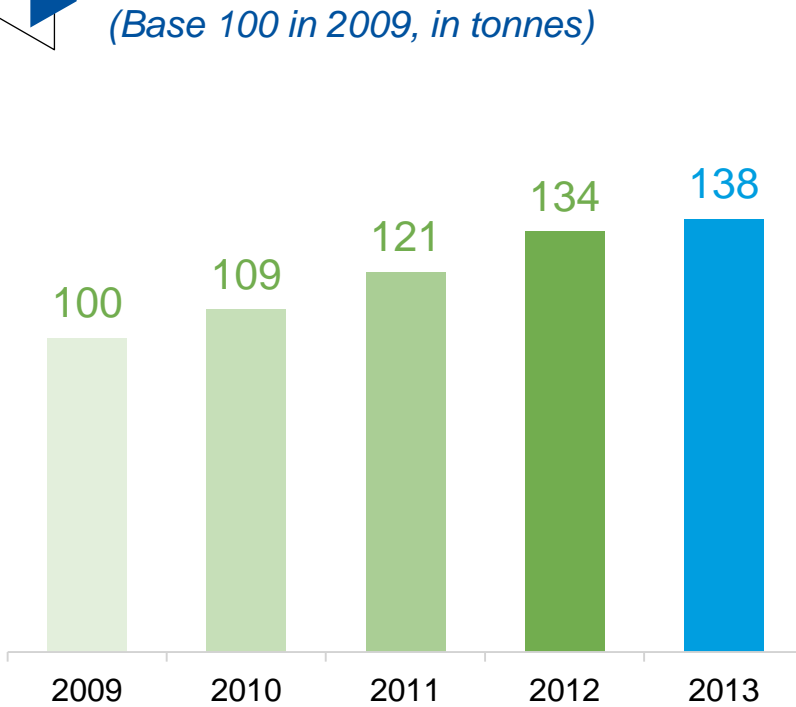
Source: Michelin



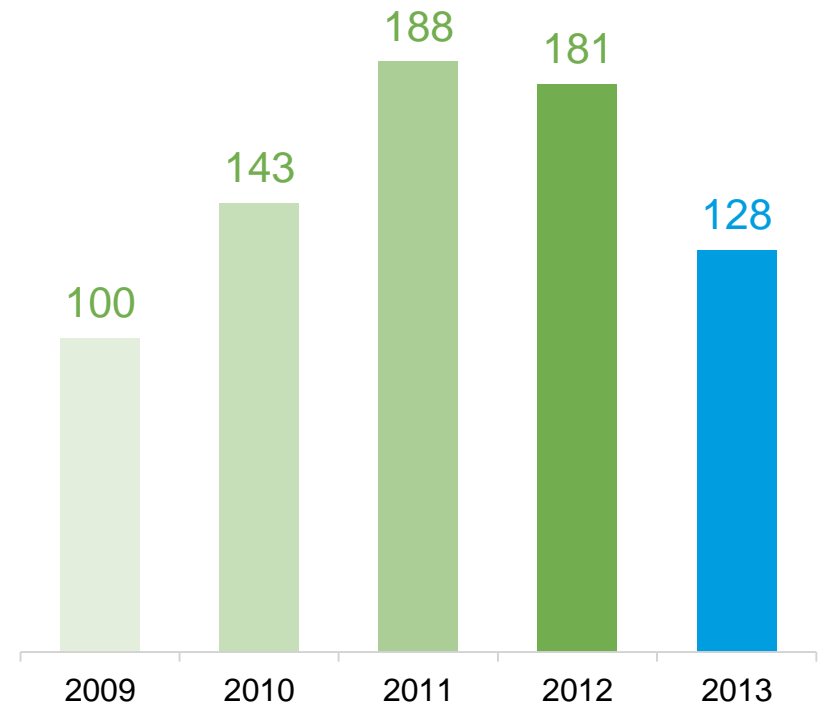
# Uneven Earthmover markets



**Earthmover markets**  
(Base 100 in 2009, in tonnes)



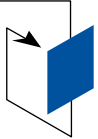
**Mining**



**Infrastructure  
and Original Equipment**  
(Europe and North America)



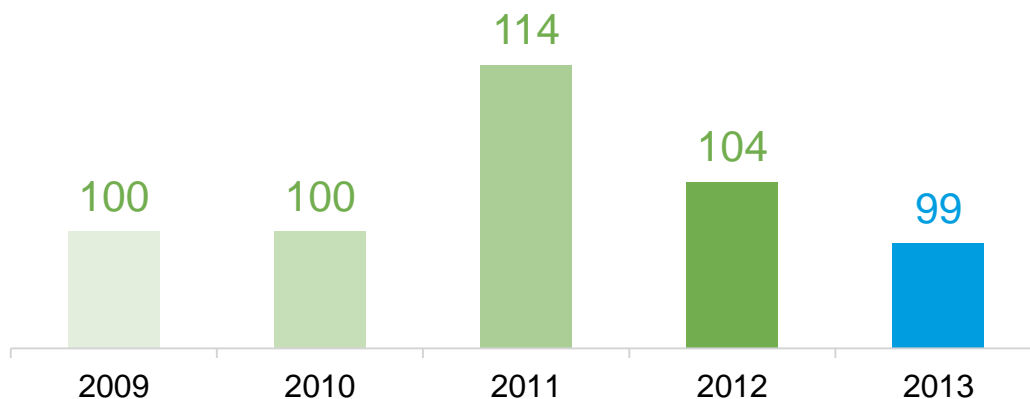
# Agricultural: down slightly overall, with higher demand for technical tires



## Agricultural tire markets – Europe and North America

(in number of tires, base 100 in 2009)

- ▶ Slight decline in OE
- ▶ Modest upturn in European replacement markets
- ▶ Growth in demand for technical tires
  - Average horsepower of tractors sold in North America has increased by nearly 40%\*



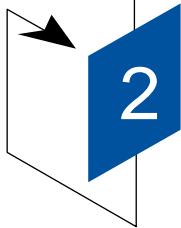
\* Michelin estimate, 2003 to 2013





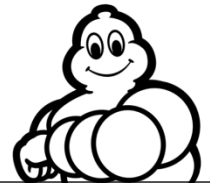
February 11, 2014

## 2013 ANNUAL RESULTS

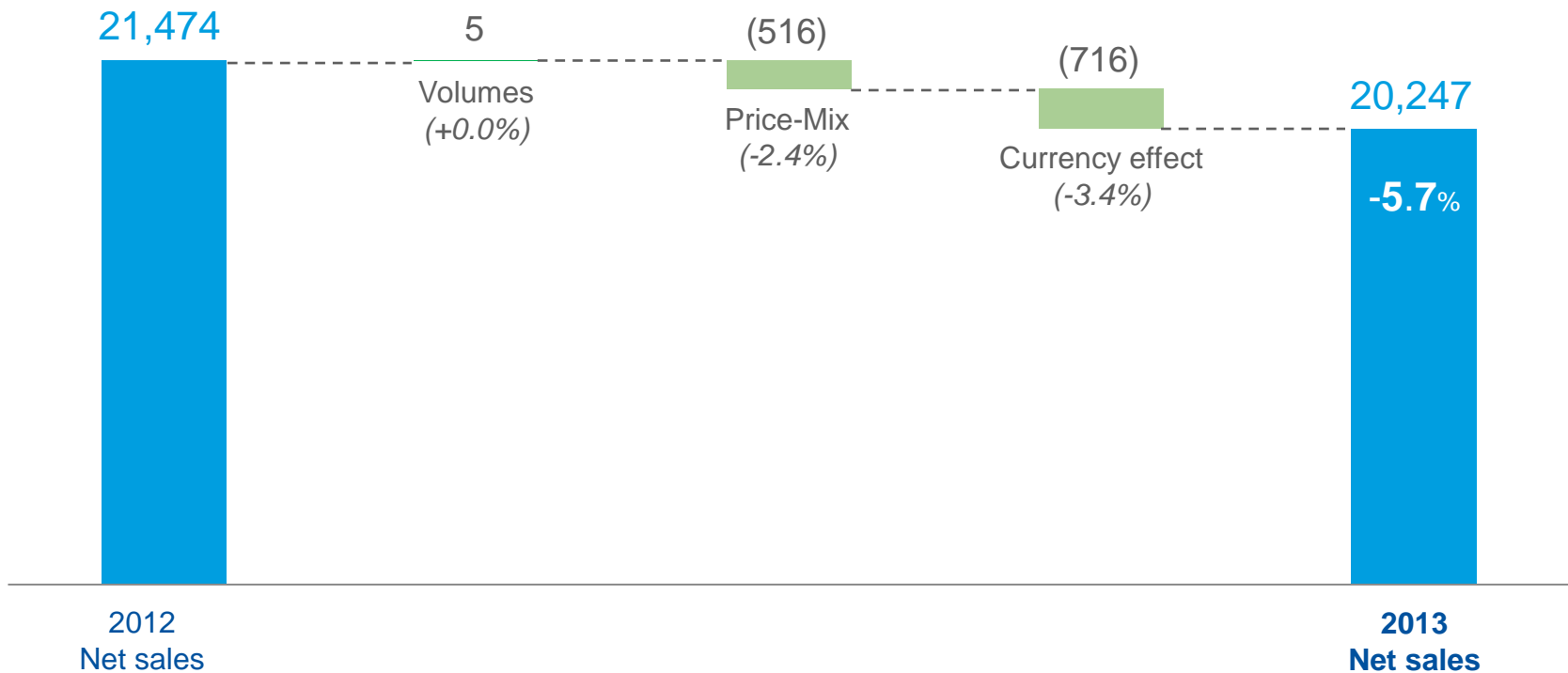


# SOLID PERFORMANCE

# Net sales: volumes stable, as expected



## YoY change (In € millions)



# Improved volumes, flat prices and a major currency effect in the second half

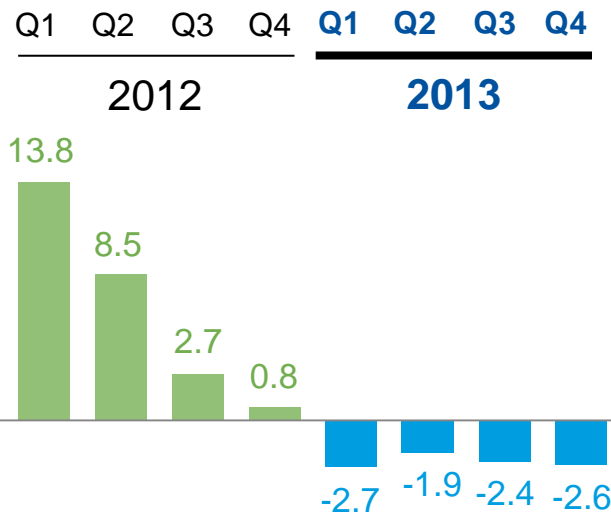


**YoY change**  
(In %)

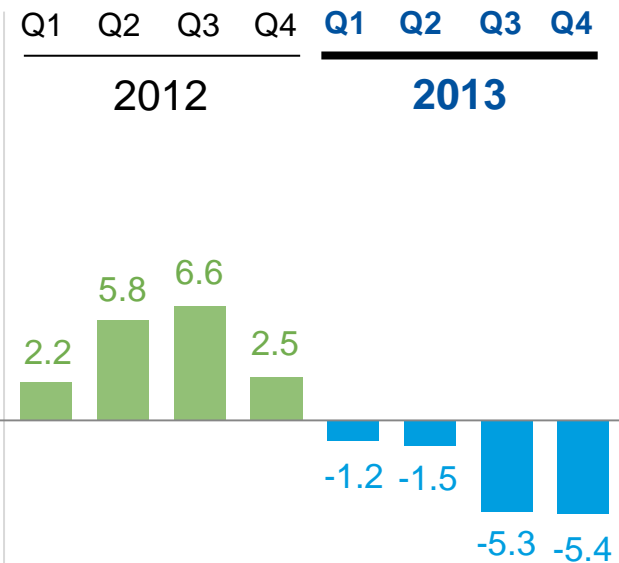
## ► Volumes



## ► Price-Mix



## ► Currency effect

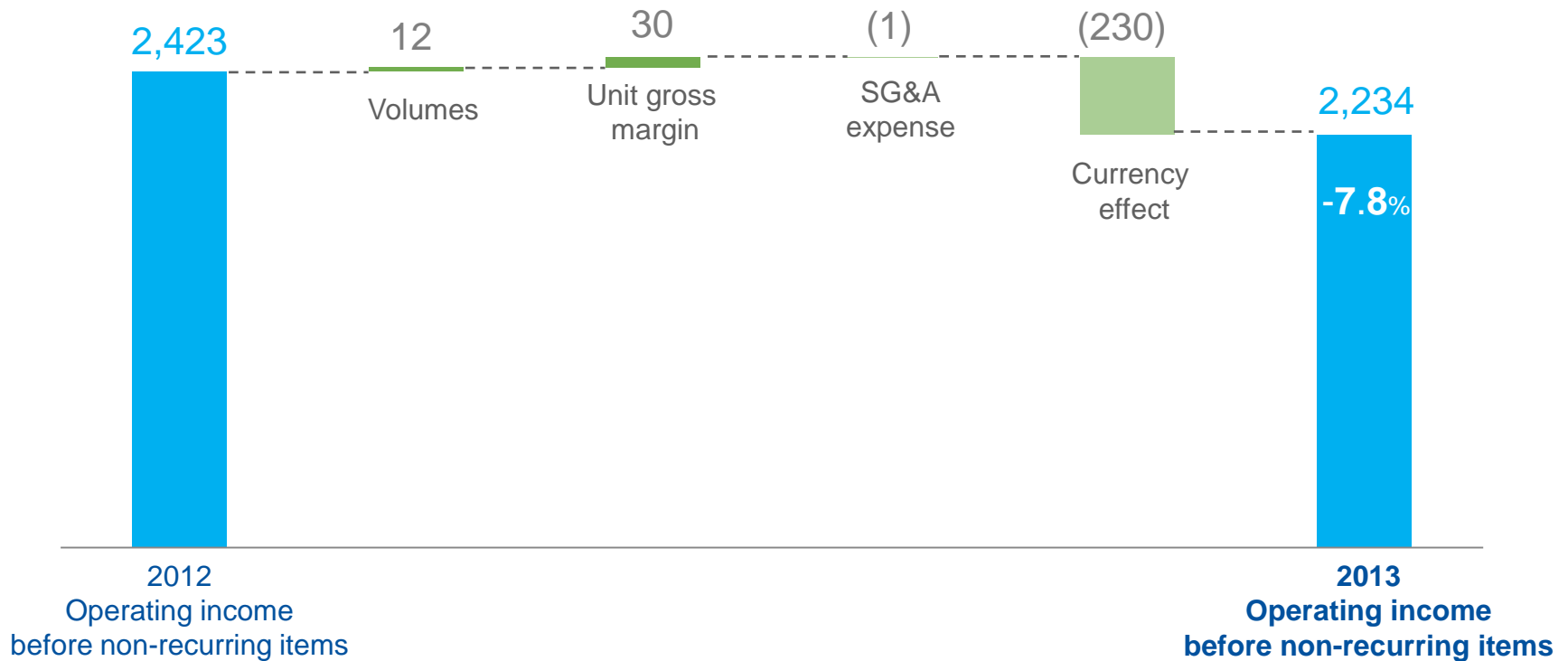




# Operating income: disciplined management of unit gross margin and SG&A expense



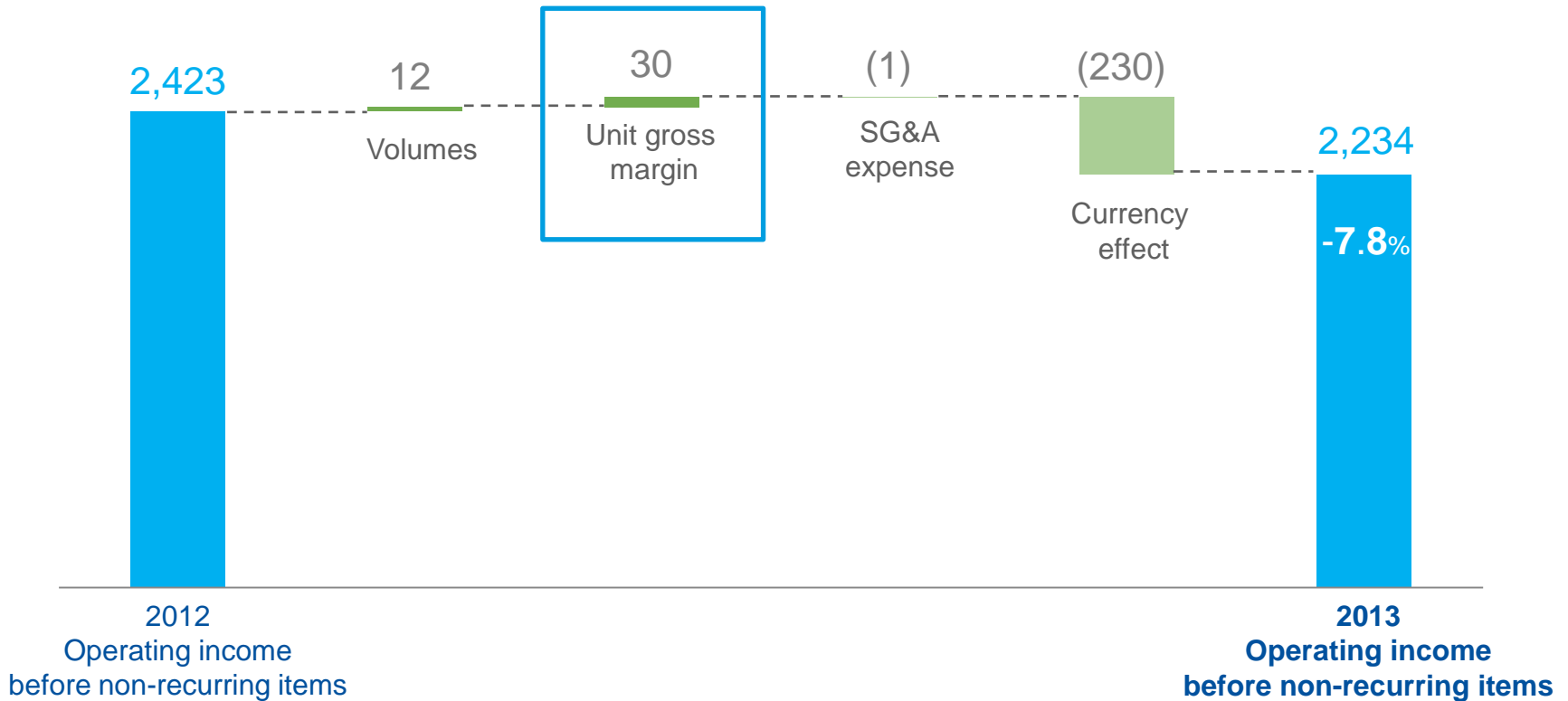
 **YoY change**  
(In € millions)



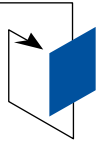
# Operating income: disciplined management of unit gross margin and SG&A expense



**YoY change**  
(In € millions)

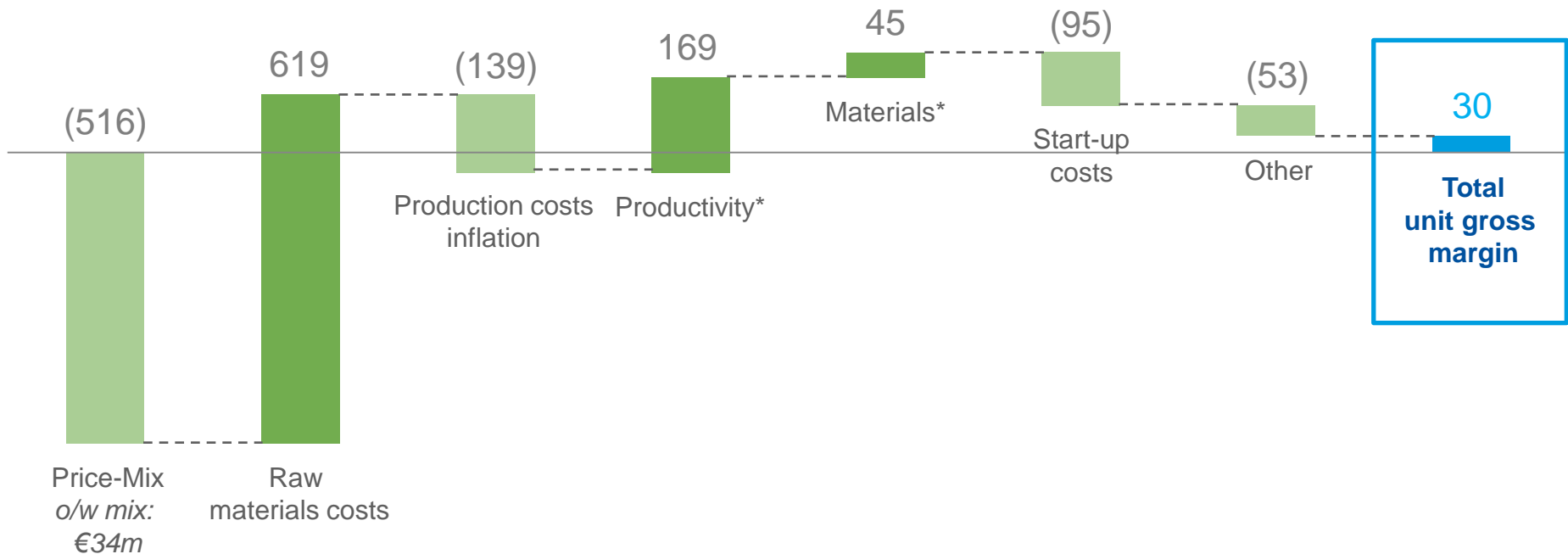


# Unit gross margin: positive price/raw materials effect



## YoY change in unit gross margin components

(In € millions)



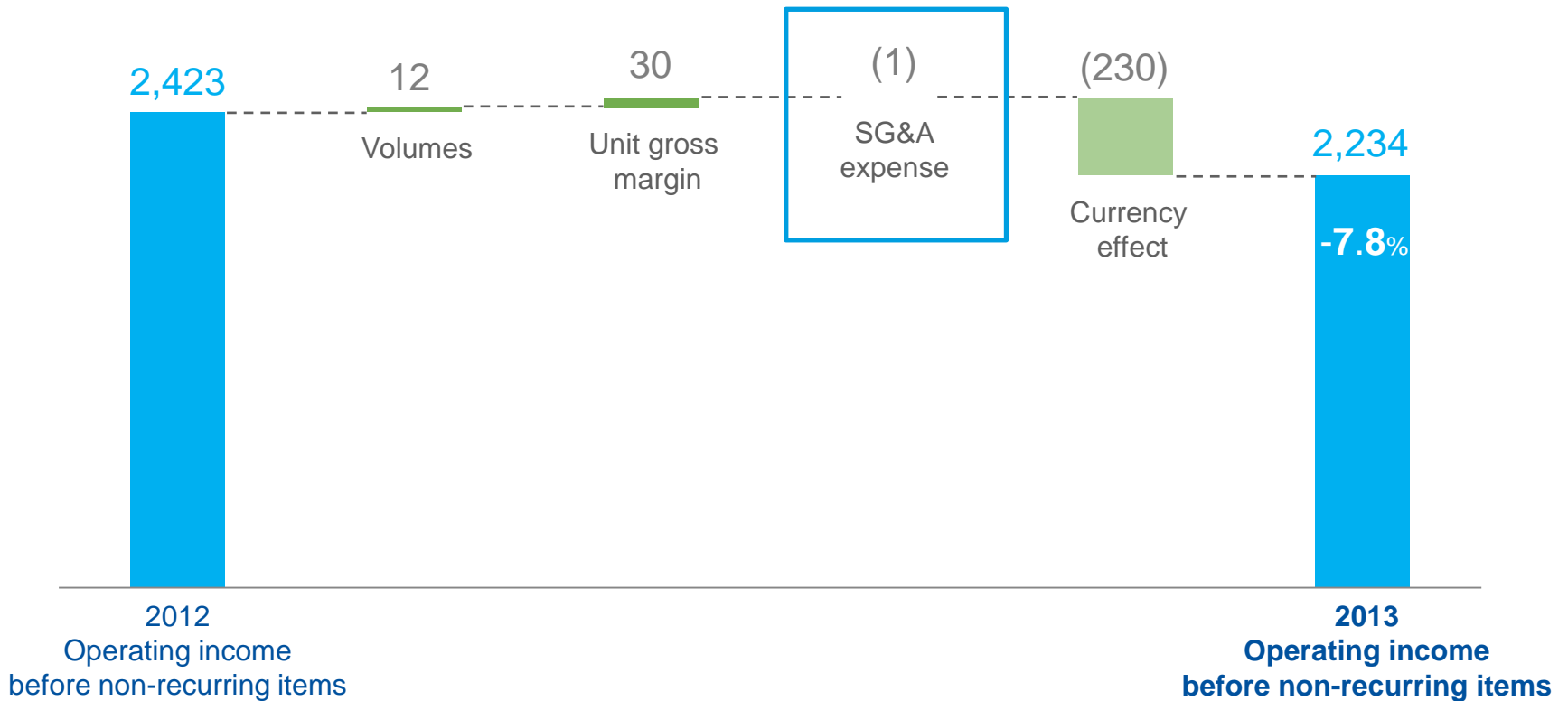
\* Part of the Competitiveness Plan



# Operating income: disciplined management of unit gross margin and SG&A expense



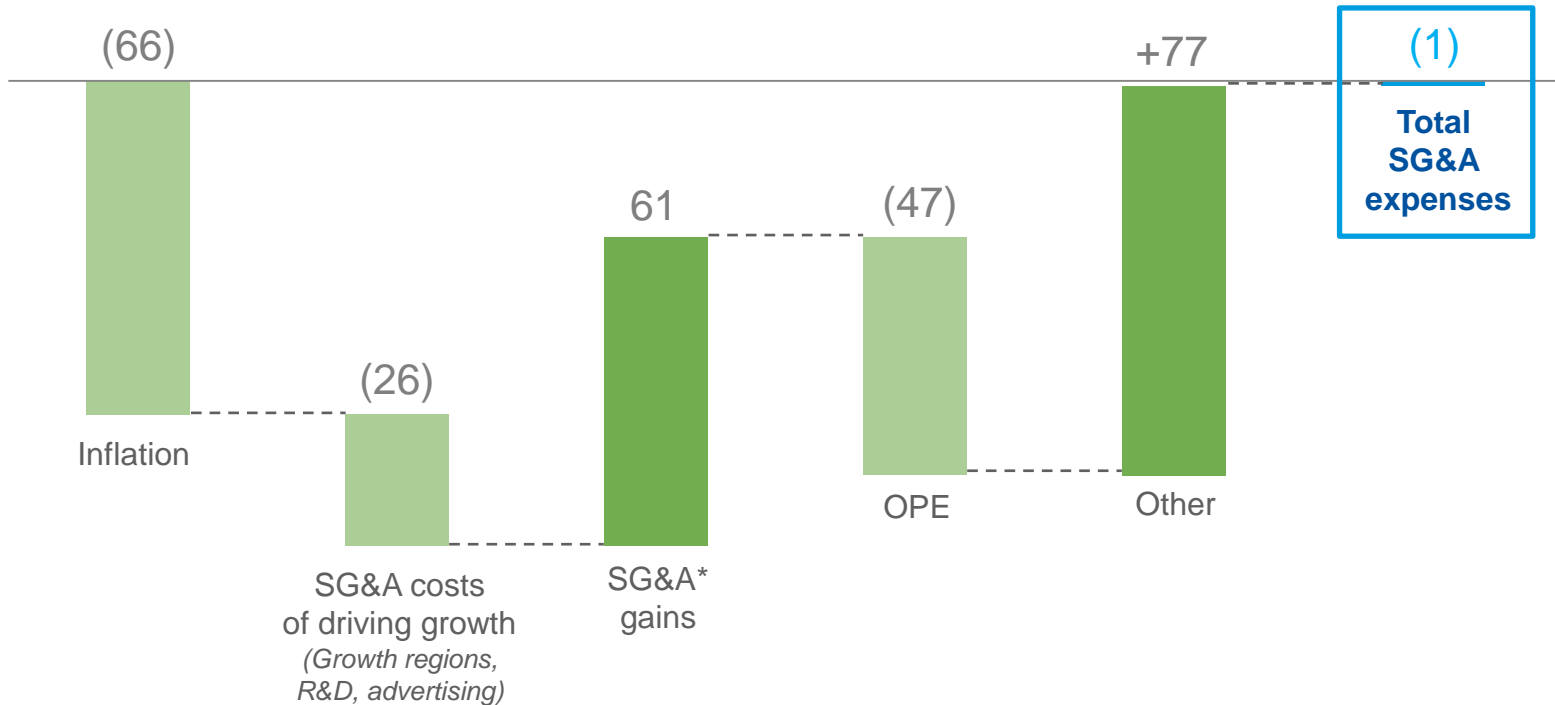
**YoY change**  
(In € millions)



# Disciplined SG&A management

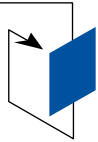


## YoY change in SG&A expense (In € millions)



\* Part of the Competitiveness Plan

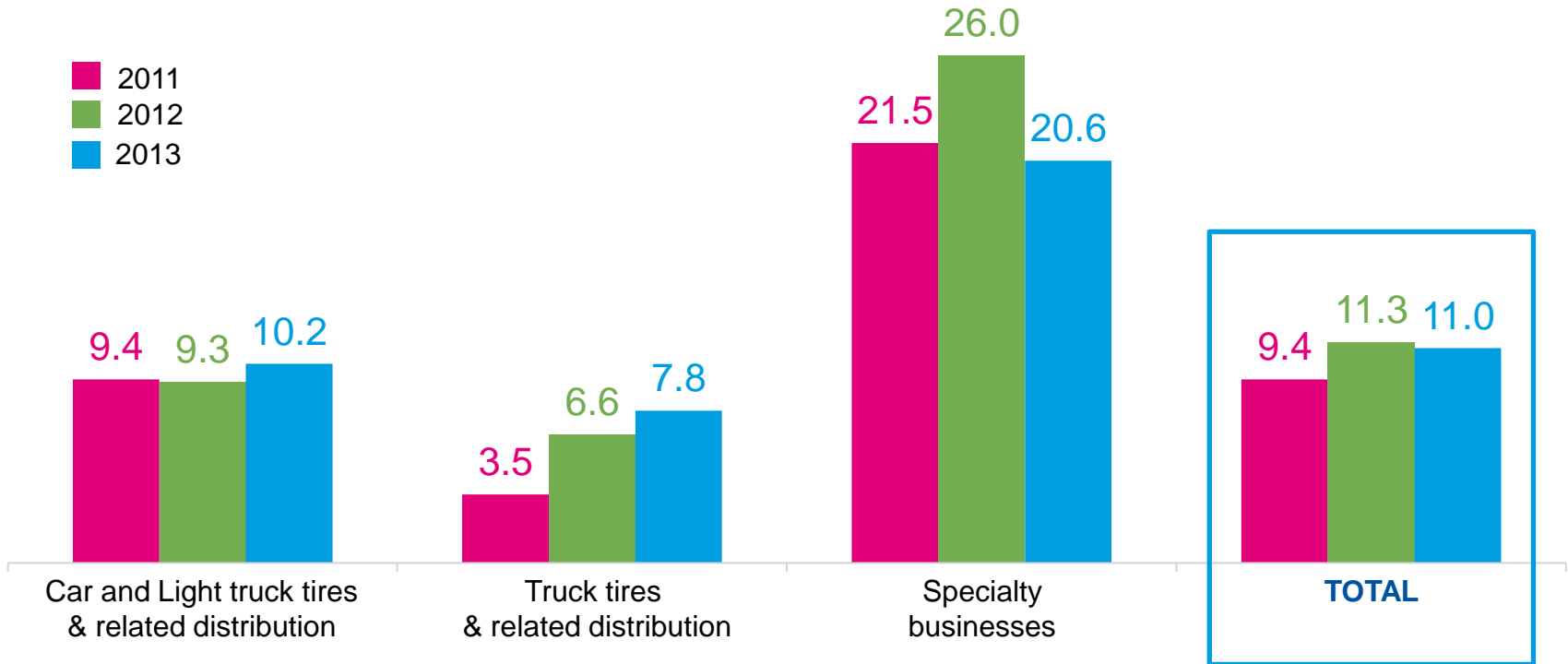
# Solid margins, improving in Passenger car/ Light truck and Truck tires



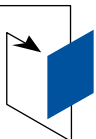
## Operating margin before non-recurring items

(as a % of net sales)

- 2011
- 2012
- 2013



# Car and Light truck tires and related distribution: growth in the MICHELIN brand and disciplined unit margin management



## Car and Light truck tires (In € millions)



	2013	2012	% change
<b>Net sales</b> <i>Volume growth</i>	<b>10,693</b> +1%	11,098	-3.6%
<b>Operating income</b> <i>(before non-recurring items)</i>	<b>1,086</b>	1,033	+5.1%
<b>Operating margin</b> <i>(before non-recurring items)</i>	<b>10.2%</b>	9.3%	+0.9 pt

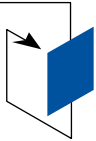
- ▶ Solid growth in the MICHELIN brand, especially in Europe, the Americas and China
  - Successful sales of the MICHELIN Pilot Super Sport, MICHELIN Alpin 4 and MICHELIN Defender lines
- ▶ Volumes up 3% in the second half
- ▶ Sustained offensive in the ≥ 17' segment
- ▶ Disciplined unit margin management to maintain a positive price-mix/raw materials ratio
- ▶ 1,430,000 tires sold by the AWTC joint venture in China, mainly through the Tyre Plus network



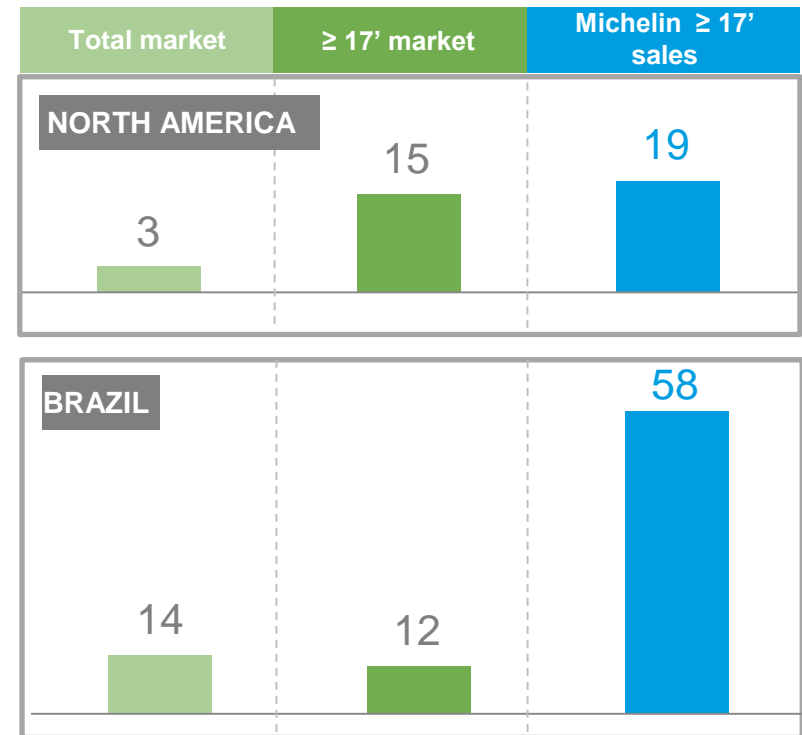
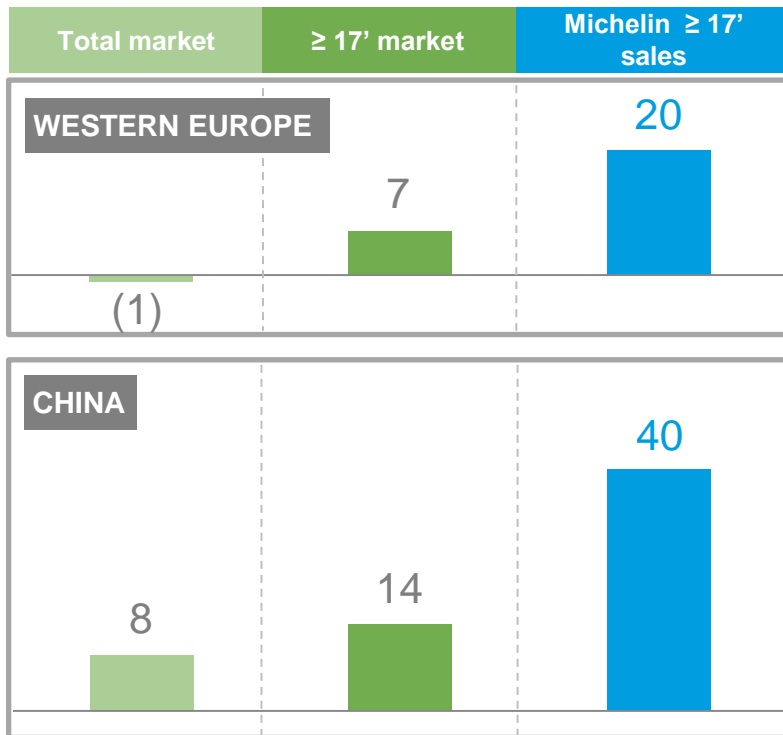
# Premium Car and Light truck: technological leadership and the MICHELIN brand



- ▶ **Original equipment:** 67% of 2013  $\geq 17'$  certifications
- ▶ **Replacement:** 39% of 2013  $\geq 17'$  sales

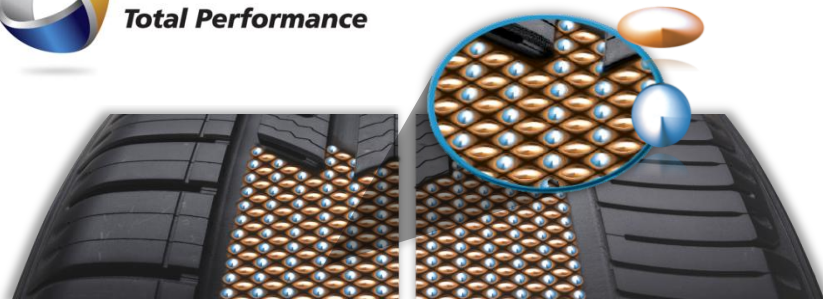
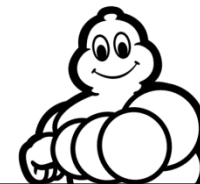


## Replacement Car and Light truck markets (% YoY change in 2013)





# Innovation: MICHELIN EverGrip™ technology makes even worn tires safe

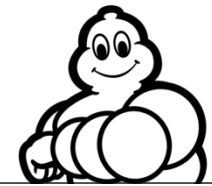


- ▶ Revolutionary compounds
- ▶ Self-regenerating tread patterns

**PREMIER® line launch**  
in April 2014, in North America



# Truck tires and related distribution: sustained margin improvement



## Truck tires (In € millions)



	2013	2012	% change
<b>Net sales</b> <i>Volume growth</i>	<b>6,425</b> +1%	6,736	-4.6%
<b>Operating income</b> <i>(before non-recurring items)</i>	<b>503</b>	444	+13.3%
<b>Operating margin</b> <i>(before non-recurring items)</i>	<b>7.8%</b>	6.6%	+1.2 pt

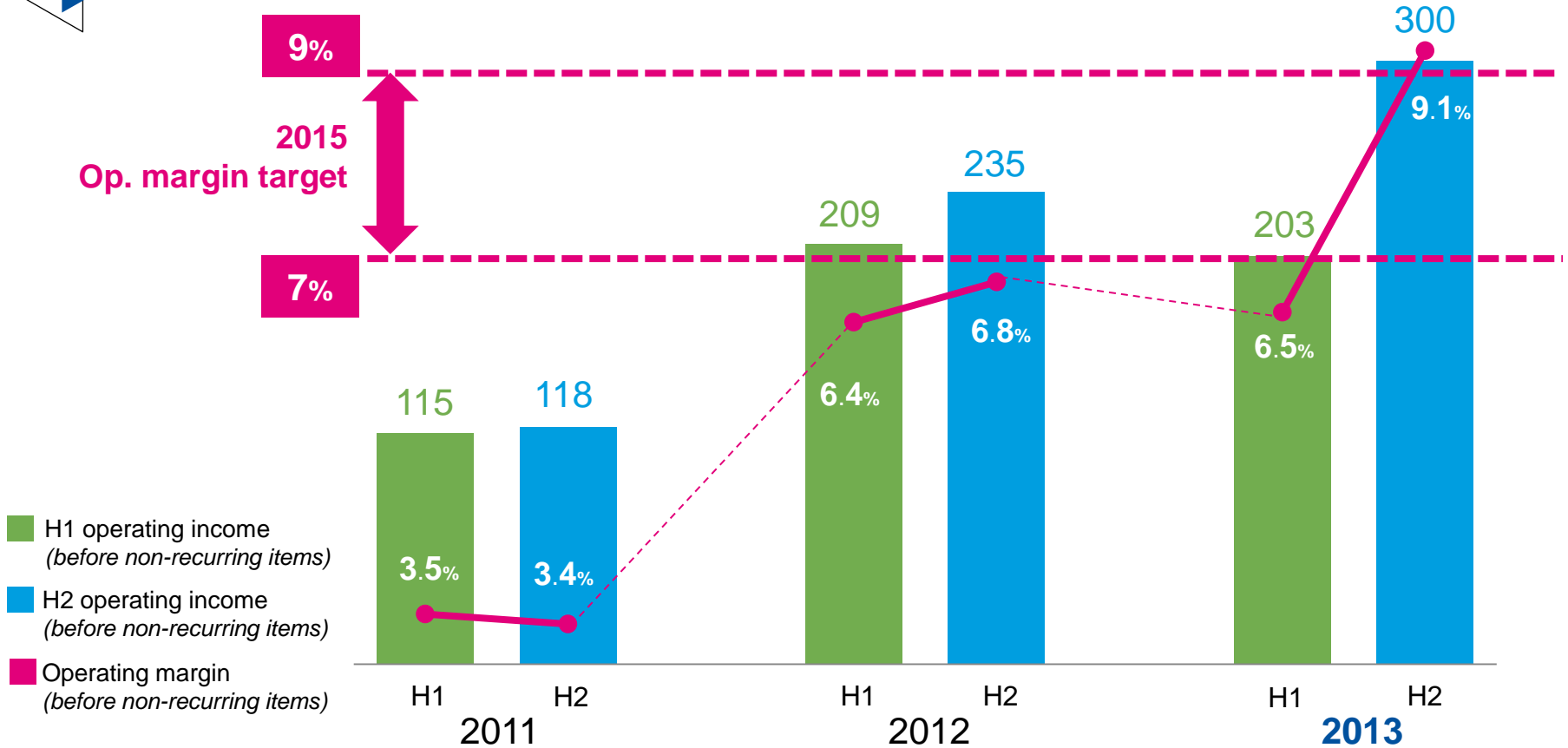
- ▶ Priority focus on margins
- ▶ Volumes up 5% in the fourth quarter
- ▶ Stepped up pace of market introductions and successful sales of the MICHELIN MultiWay range
- ▶ Implementation of the plan to optimize the production base



# Truck tires: priority focus on restoring margins



## Operating income



# Specialty businesses: structurally high margins maintained over the year



## Specialty businesses (In € millions)

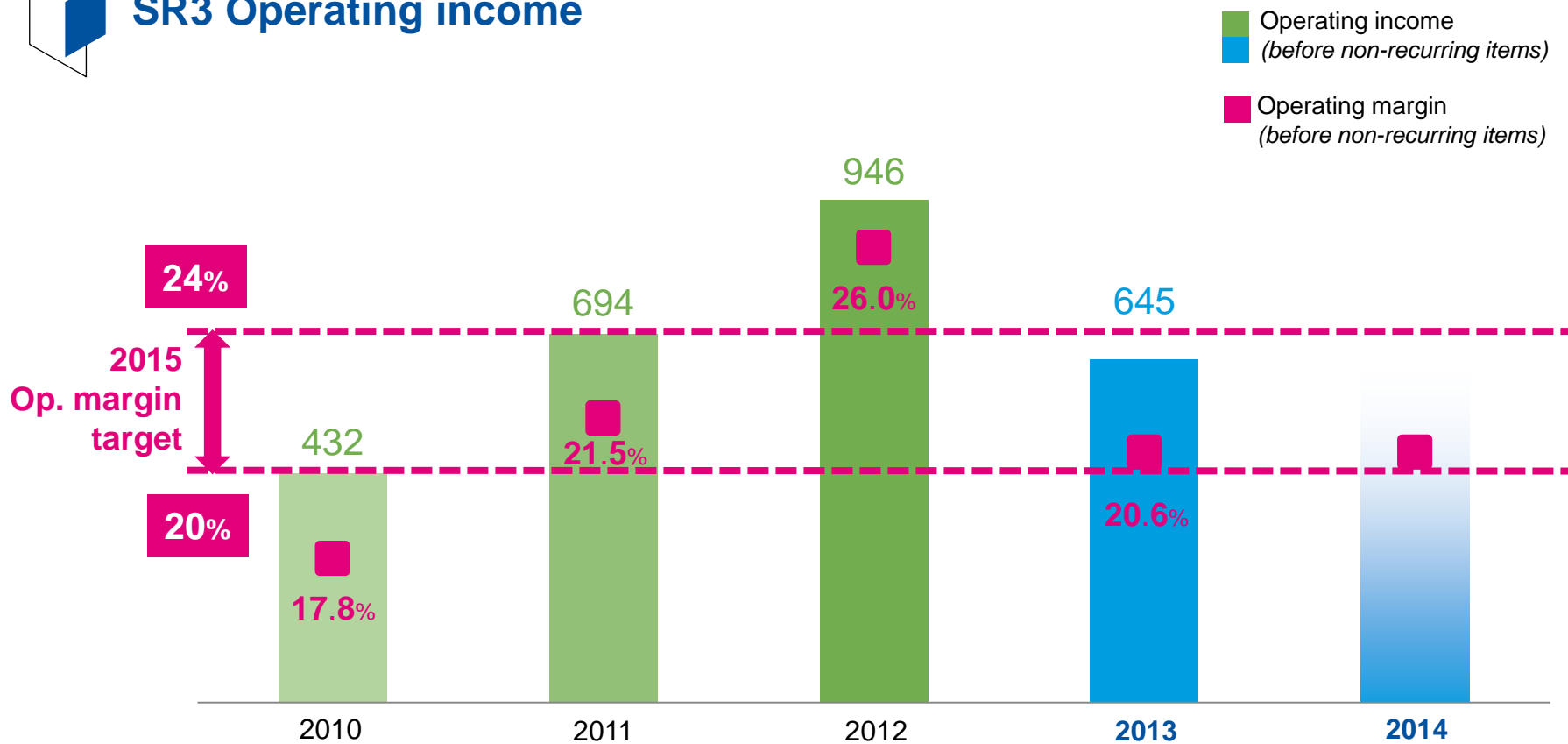
	2013	2012	% change
 <b>Net sales</b> <i>Volume growth</i>	<b>3,129</b> -7%	3,640	-14.0%
 <b>Operating income</b> <i>(before non-recurring items)</i>	<b>645</b>	946	-31.7%
 <b>Operating margin</b> <i>(before non-recurring items)</i>	<b>20.6%</b>	26.0%	-5.4 pts

- ▶ Q4: inventory drawdowns by mining customers and stable sales of OE Earthmover and Infrastructure tires
- ▶ Strong growth in OE Agricultural tire sales
- ▶ Impact of the stronger dollar against the euro

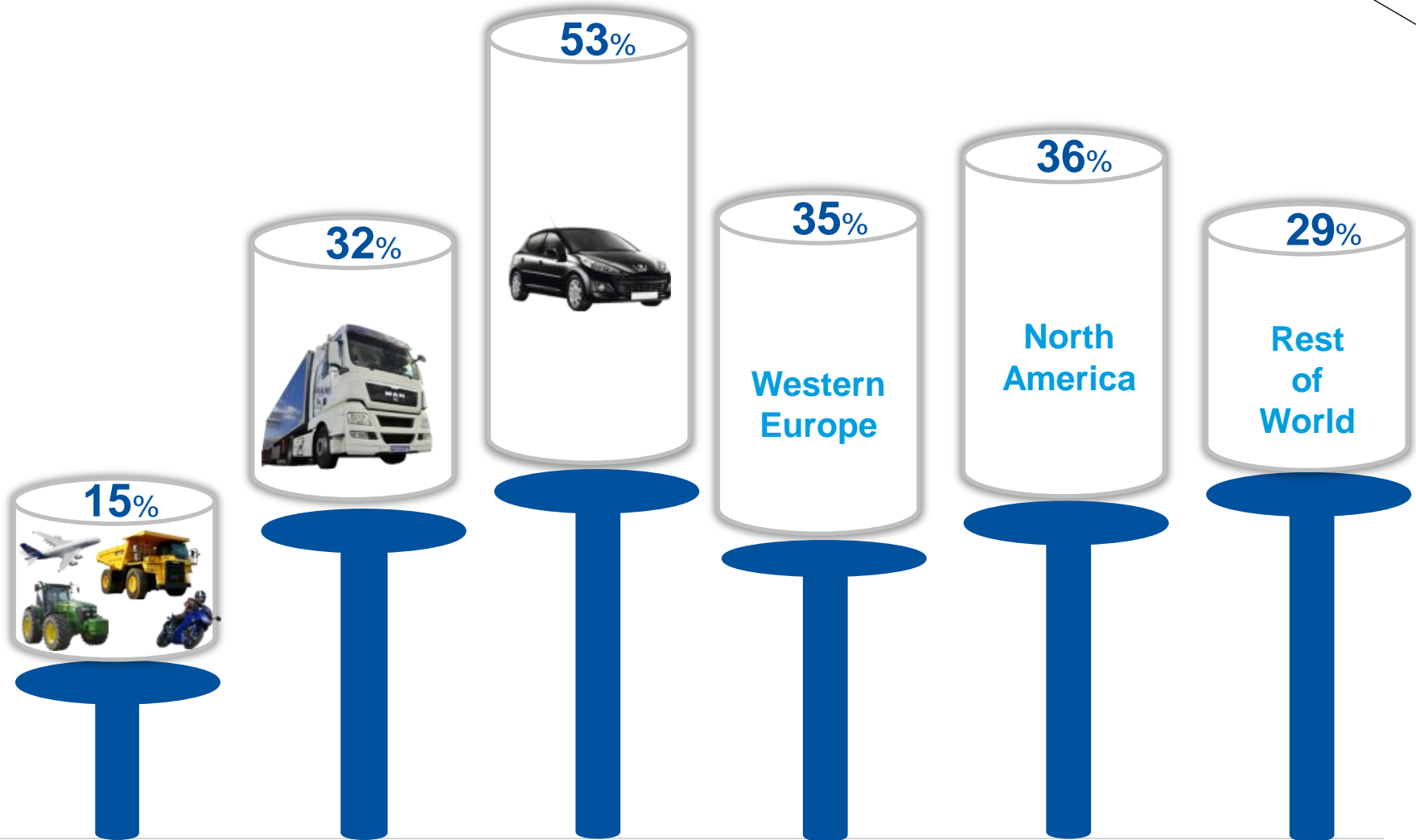
# The specialty businesses are structurally robust



## SR3 Operating income



# Natural hedging through a balanced geographic and product mix



Percentage contribution of each segment/region to total 2013 consolidated net sales



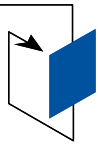
# Net income: restructuring costs, financial expense and tax rates



## 2013 and 2012 figures as reported

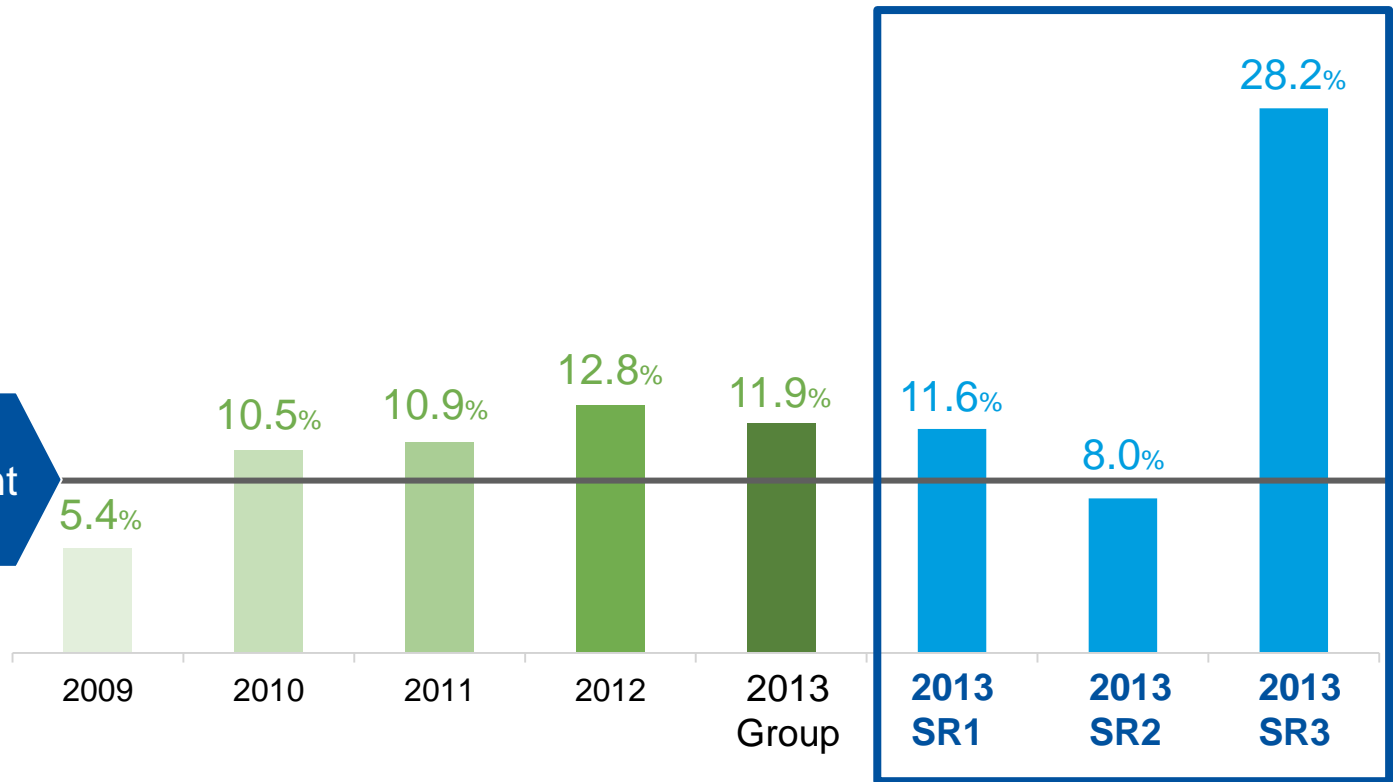
<i>In € millions</i>	<b>2013</b>	2012
<b>Net sales</b>	<b>20,247</b>	21,474
<b>Operating income</b> <i>(before non-recurring items, as a % of net sales)</i>	<b>2,234</b> 11.0%	2,423 11.3%
<b>Non-recurring items</b>	<b>(260)</b>	46
<b>Operating income</b>	<b>1,974</b>	2,469
<b>Cost of net debt</b>	<b>(94)</b>	(155)
<b>Other financial income &amp; expenses</b>	<b>(177)</b>	(22)
<b>Tax</b>	<b>(575)</b>	(736)
<b>Share of profit from associates</b>	<b>(1)</b>	15
<b>Net income</b>	<b>1,127</b>	1,571
<b>Earnings per share</b>	<b>6.08</b>	8.62
<b>Net debt</b>	<b>142</b>	1,053

# Fourth straight year of value creation while investing in the growth regions



## Return on capital employed (ROCE) *(after tax)*

9%  
Value creation point

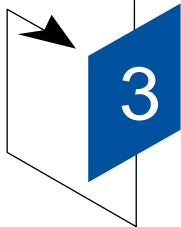






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## 2013 ANNUAL RESULTS



# A ROBUST FINANCIAL POSITION

# A business that structurally generates free cash flow

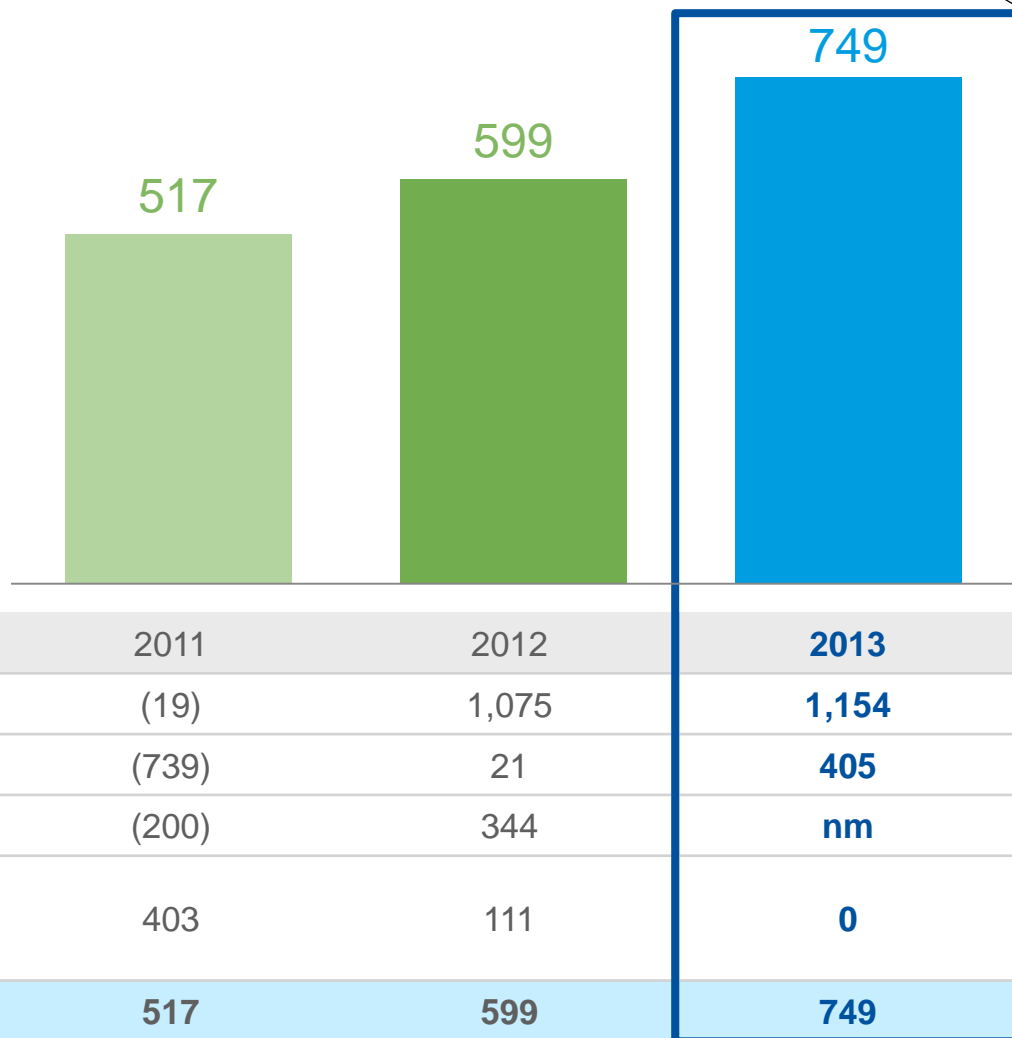


<i>In € millions</i>	<b>2013</b>	2012
<b>EBITDA</b>	<b>3,285</b>	3,445
Change in working capital requirement	818	276
Restructuring cash costs	(119)	(93)
Contributions paid to pension funds	(185)	(269)
Taxes and interest paid	(586)	(849)
Other	(124)	416
<b>Cash flows from operating activities</b>	<b>3,089</b>	2,926
Routine capital expenditure ( <i>maintenance, IS/IT, dealerships</i> )	(772)	(659)
<b>Available cash flow</b>	<b>2,317</b>	2,267
Growth investments	(1,208)	(1,337)
Others	45	145
<b>Free cash flow after capital expenditure</b>	<b>1,154</b>	1,075

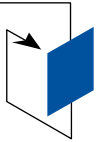
# A business that structurally generates Free Cash Flow



## Structural free cash flow



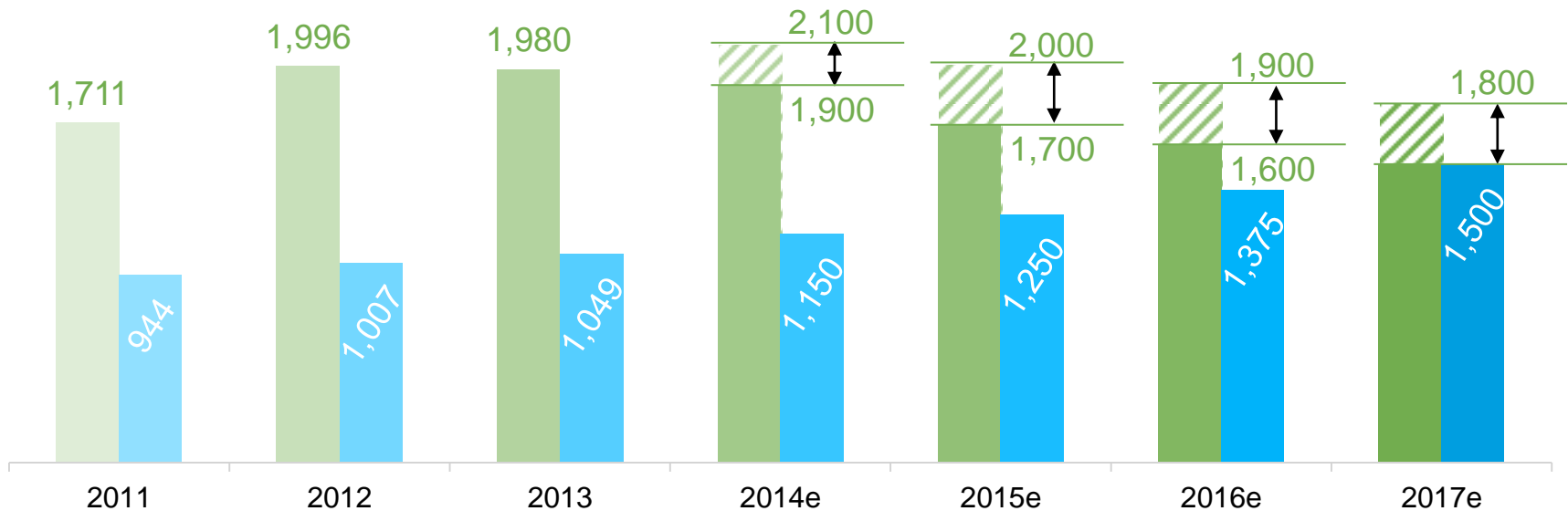
# Capex will peak in 2014



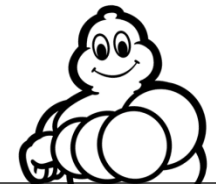
## Capital expenditure and depreciation

(In € millions)

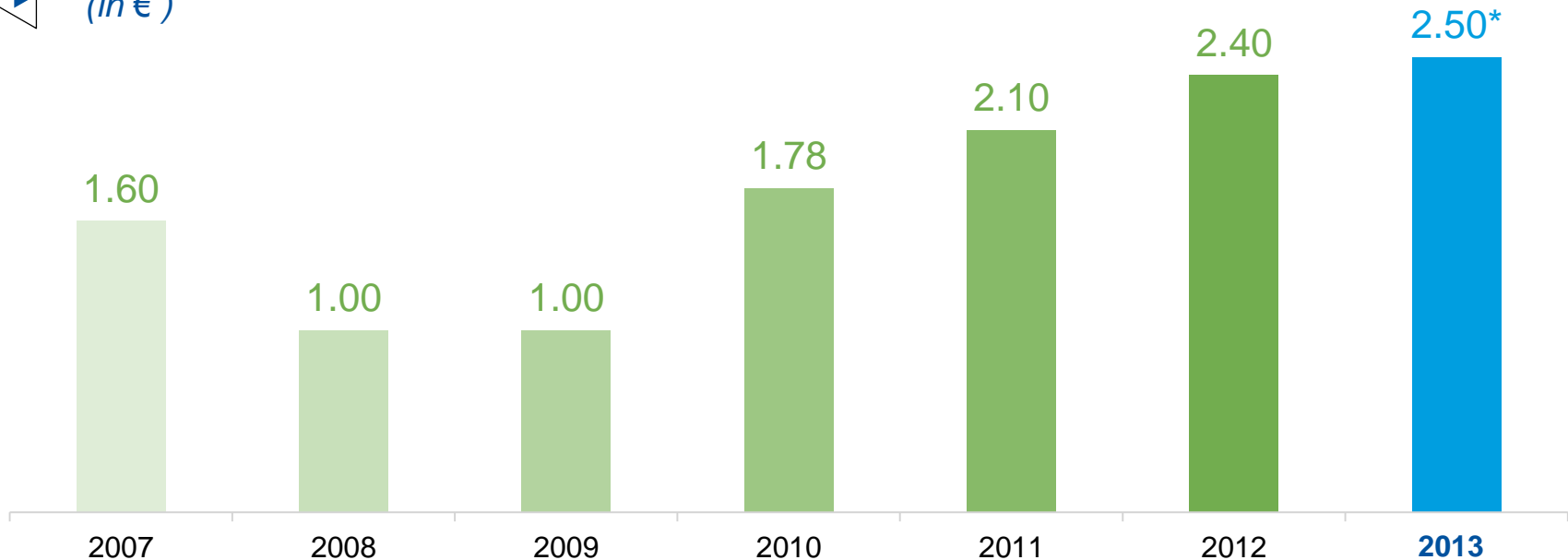
- Capital expenditure
- Depreciation



# Shareholder commitment and cash redeployment: payout increased to 35%



 **Dividend per share**  
(in €)

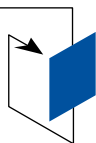


**New payout ratio, 2013-2020:**  
**35% of consolidated net income** (before non-recurring items)

\* Submitted to shareholder approval at the May 16, 2014 Annual Meeting



# Shareholder commitment and cash redeployment: share repurchases



## Transactions in Michelin shares

*(under the authorization to buy back up to 10% of outstanding shares granted by shareholders at the May 17, 2013 Annual Meeting)*

	Number of shares	€m
<b>Shares bought back</b>	2,685,194	206
<b>Shares issued to employees</b>	845,934	68
<b>Shares cancelled</b>	1,809,260	136

<b>Shares outstanding at December 31, 2012</b>	<b>182,556,713</b>
New shares issued on the reinvestment of dividends	4,467,601
Shares cancelled	- 1,809,260
New shares issued on the exercise of stock options	574,583
New shares issued on the conversion of OCEANE bonds	6
<b>Shares outstanding at December 31, 2013</b>	<b>185,789,643</b>
<b>Average shares outstanding in 2013</b>	<b>184,179,000</b>





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## 2013 ANNUAL RESULTS

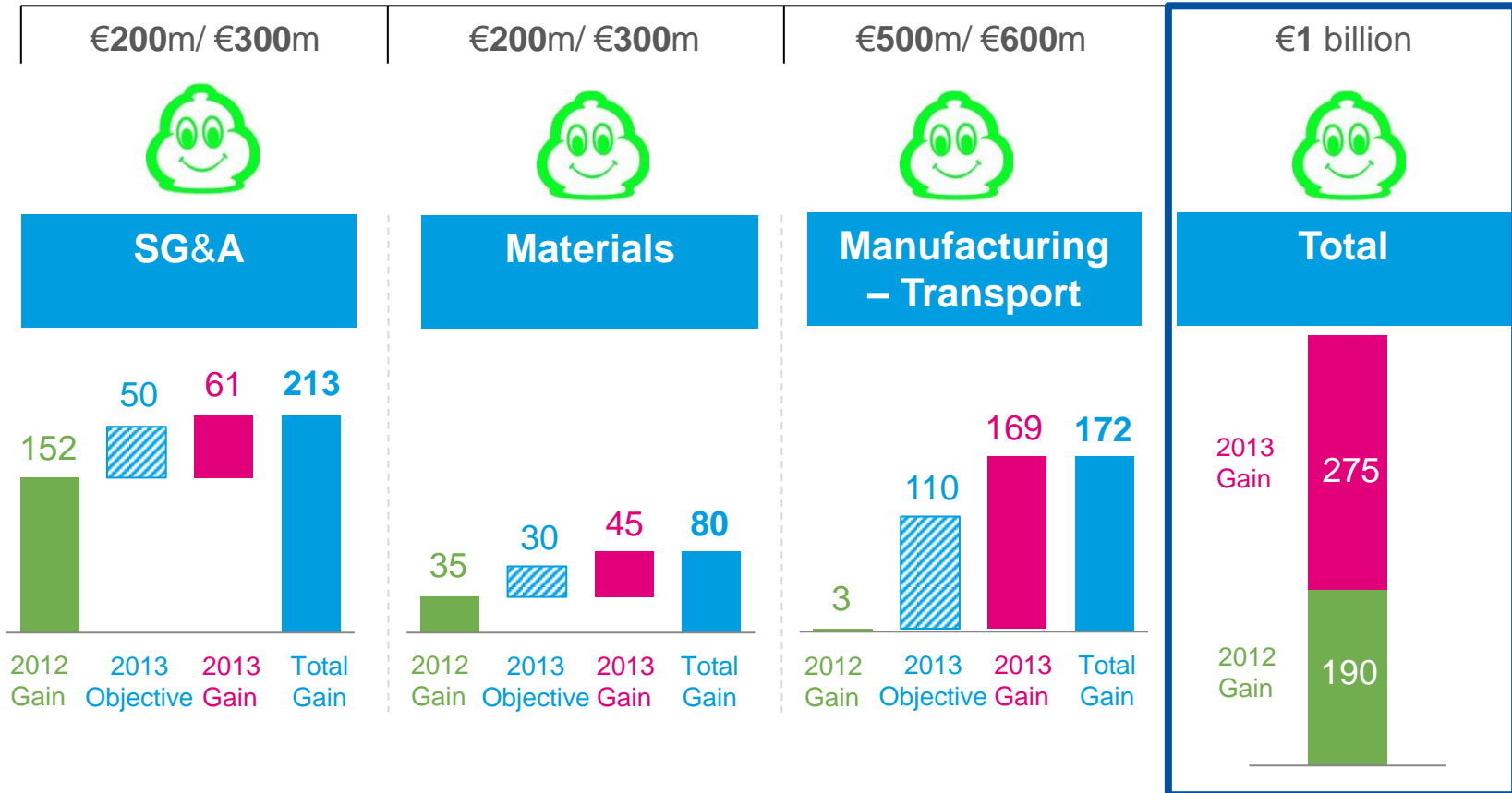


# FURTHER PROGRESS ON THE COMPETITIVENESS PLAN

# 2012-2016 Competitiveness Plan: €465 million in gains in two years despite weak volumes



## GAIN OBJECTIVES 2012 – 2016\*

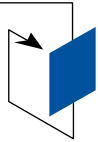


\*Before inflation and including avoided costs



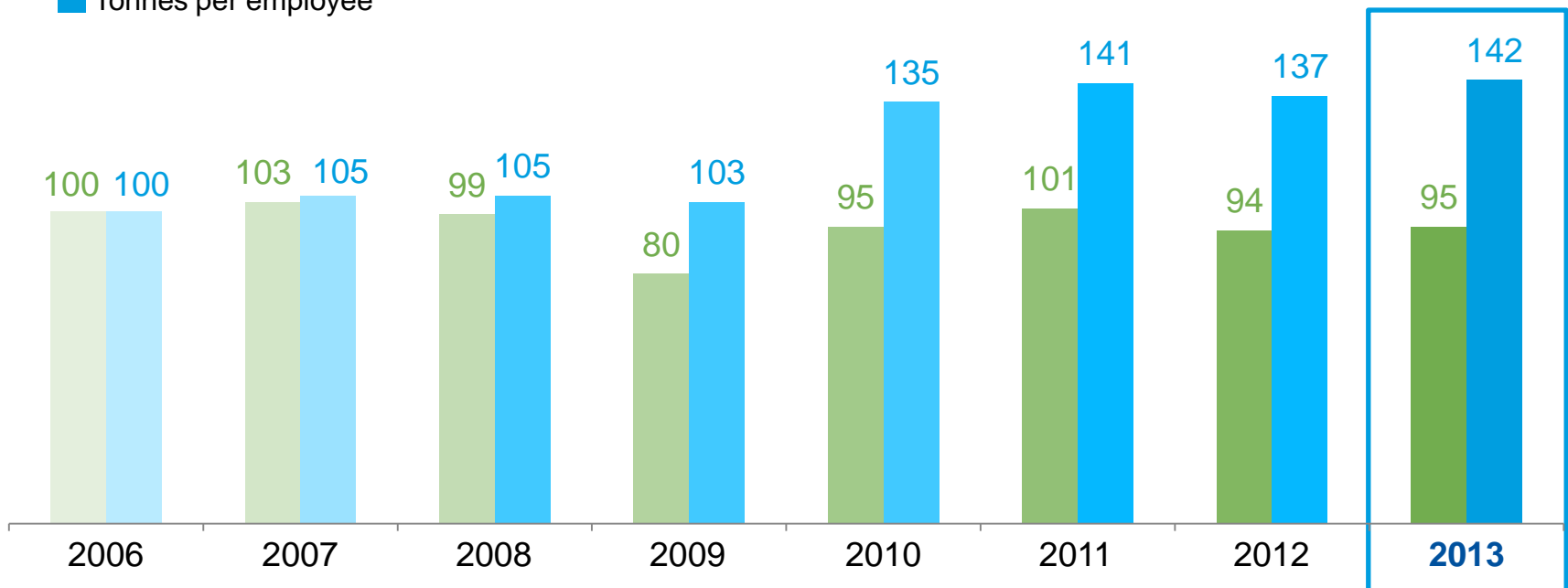


# Competitiveness: improving our manufacturing efficiency



## Tonnes per employee (base 100 in 2006)

- Output
- Tonnes per employee



# OPE: new, standardized, cross-functional operating procedures and information systems



Raw materials  
Semi-finished products

Activities:

- R&D
- Industry
- Purchasing
- Supply chain
- Logistics



## FINANCE - PURCHASING

All value flows

Activities:

- Finance
- Accounting
- Purchasing



Finished products

Activities:

- Supply chain
- Logistics
- Commerce

Expected outcomes in 2017:

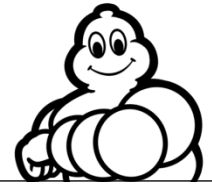
- ▶ At least a €200m reduction in annual SG&A and supply chain costs
- ▶ At least a €250m reduction in inventory

■ Annual program costs: around €100m over the next four years

# OPE program on-time, on-budget:

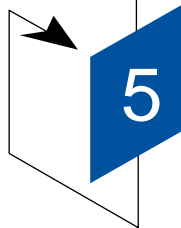


- ▶ 2013 deployment plan effectively implemented
- ▶ 2013 cash-out in line with the budget
- ▶ Deployment of Finance/Purchasing OPE
  - End-2013: up and running in companies representing ~40% of consolidated net sales
  - 2014 objective: 65% after deployment in Western Europe
- ▶ Deployment of Downstream OPE: responsive, agile CRM
  - Example of a quick win: launch of a new make-to-order delivery service, for a >90% satisfaction rate
  - Example of a quick win: introduction of a centralized inventory management system to drive faster turnover of  $\geq 17'$  and Agricultural tires
  - Opening of an online dealer ordering portal



February 11, 2014

## 2013 ANNUAL RESULTS



### OUTLOOK

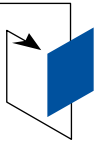
# Guidance: 2014 operating income in line with our 2015 objective\*



- ▶ **Increase in volumes** of around 3%
- ▶ **Positive** price / raw materials ratio
- ▶ Manufacturing: **balance between:**
  - Sustained deployment of the 2012-2016 Competitiveness Plan
  - Annual growth in production costs
  - Flat start-up costs
- ▶ **Slight increase** in SG&A expense:
  - Sustained deployment of the 2012-2016 Competitiveness Plan
  - Investing in growth drivers
  - Sustained deployment of the OPE system
- ▶ Structural free cash flow > **€500 million**
- ▶ ROCE: >**11%**

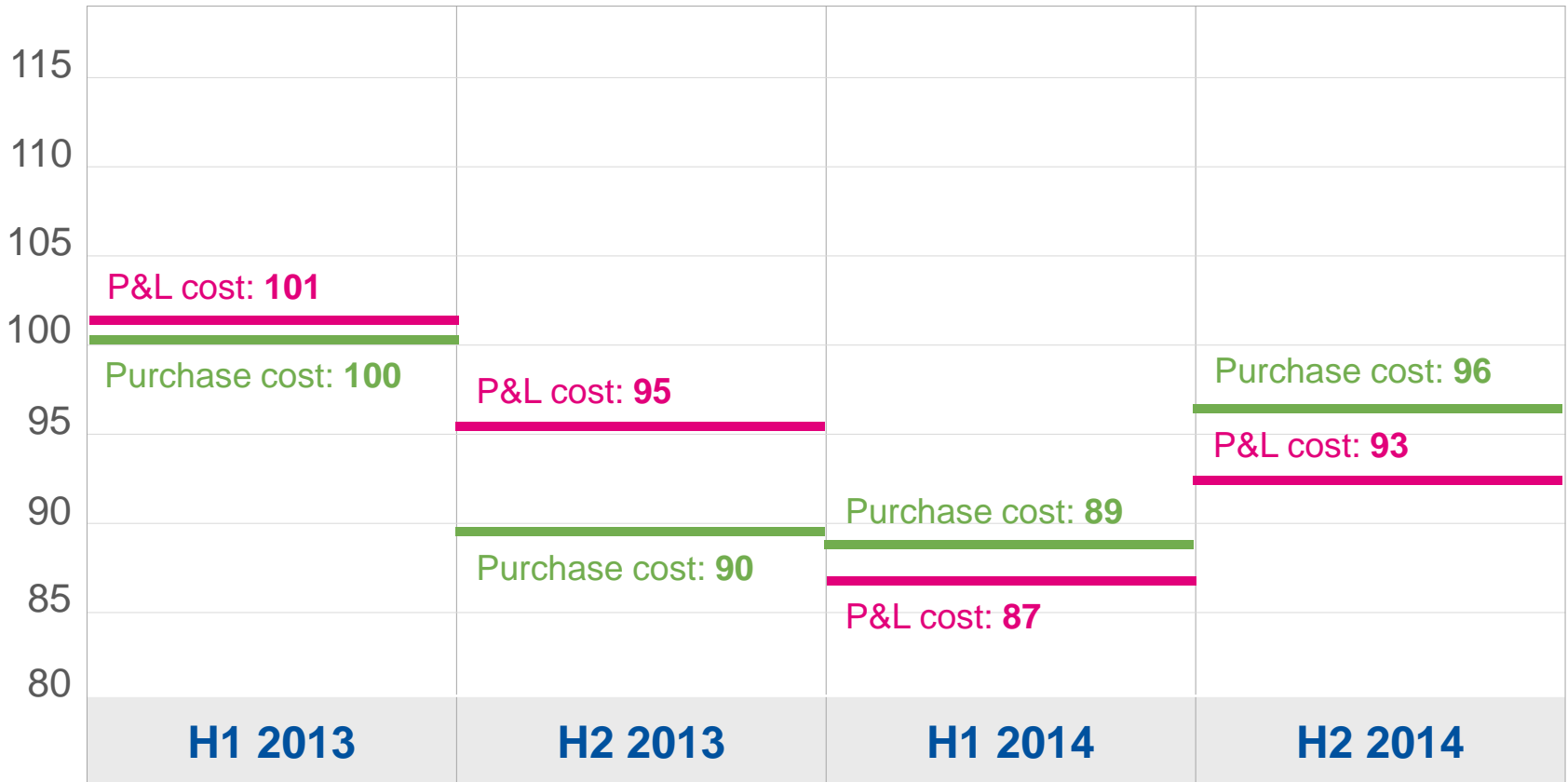
\* Based on 2012 average exchange rates

# Raw materials: around a €300 million favorable impact in the first half



## Michelin assumptions for 2014

(With €1 = \$1.369)



# Guidance: 2014 operating income in line with our 2015 objective\*



	2013	Guidance 2014
Volumes	+ 0%	Increase in volumes of around 3%
Impact of raw material price	+ €619m	Tailwind (due to the measurement of raw materials inventory at weighted average cost)
Price / raw materials	+ €69m	Positive
Competitiveness / production costs	+ €30m	Neutral
Increase in SG&A expense	- €1m	Slightly higher
Operating income before non-recurring items	€2,234m	Lifted by growth, excluding any currency effects
Operating margin before non-recurring items – RS1	10.2%	Middle of the 10-12% range
Operating margin before non-recurring items – RS2	7.8%	Top of the 7-9% range
Operating margin before non-recurring items – RS3	20.6%	Bottom of the 20-24% range
ROCE	11.9%	More than 11%
CAPEX	€1,980m	Around €2,000m
Structural free cash flow	€749m	More than €500m

\* Based on 2012 average exchange rates



# 2014 investor calendar



- ▶ **Between the 15<sup>th</sup> and 20<sup>th</sup> of the month:** monthly market data
- ▶ **February 11, 2014:** 2013 results
- ▶ **April 23, 2014:** first-quarter 2014 net sales
- ▶ **May 16, 2014:** Annual General Meeting of Shareholders
- ▶ **May 23, 2014:** Dividend payment\*
- ▶ **July 29, 2014:** first-half 2014 results
- ▶ **October 22, 2014:** third-quarter 2014 net sales
- ▶ **November 10, 2014:** Investor Day in Shenyang (China)
- ▶ **February 10, 2015:** 2014 results

\* Submitted to shareholder approval at the May 16, 2014 Annual Meeting

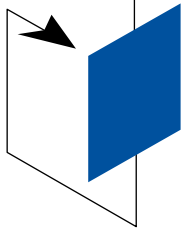






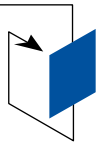
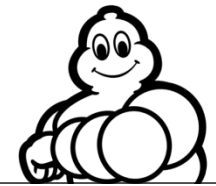
February 11, 2014

## 2013 ANNUAL RESULTS



## APPENDICES

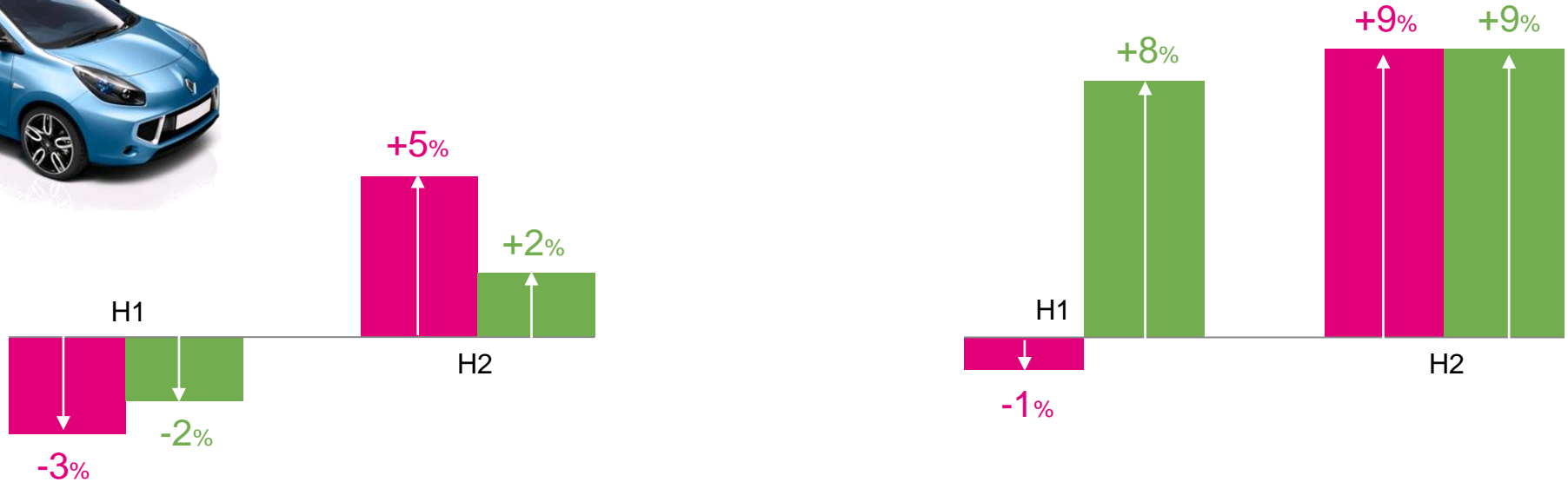
# Car and Light truck & Truck – Europe: more positive trends in the second half



## 2013 markets, H1 vs. H2 – Europe (% change YoY, in number of new tires)



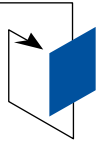
■ Original equipment ■ Replacement



Source: Michelin

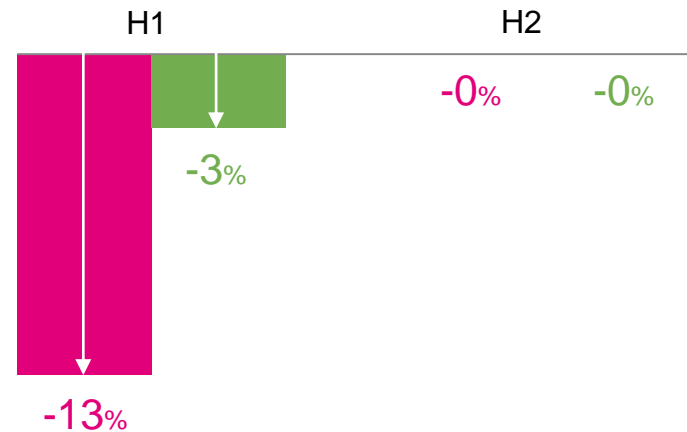
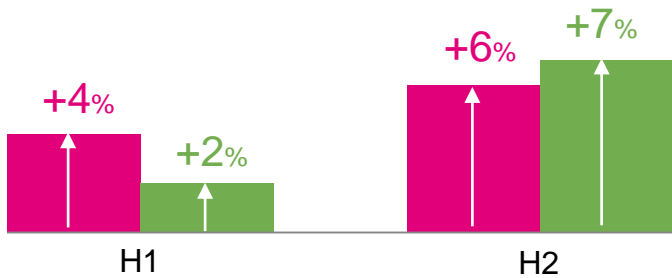


# Car and Light truck & Truck – North America: more positive trends in the second half



## 2013 markets, H1 vs. H2 – North America (% change YoY, in number of new tires)

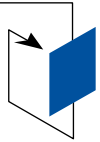
■ Original equipment ■ Replacement



Source: Michelin



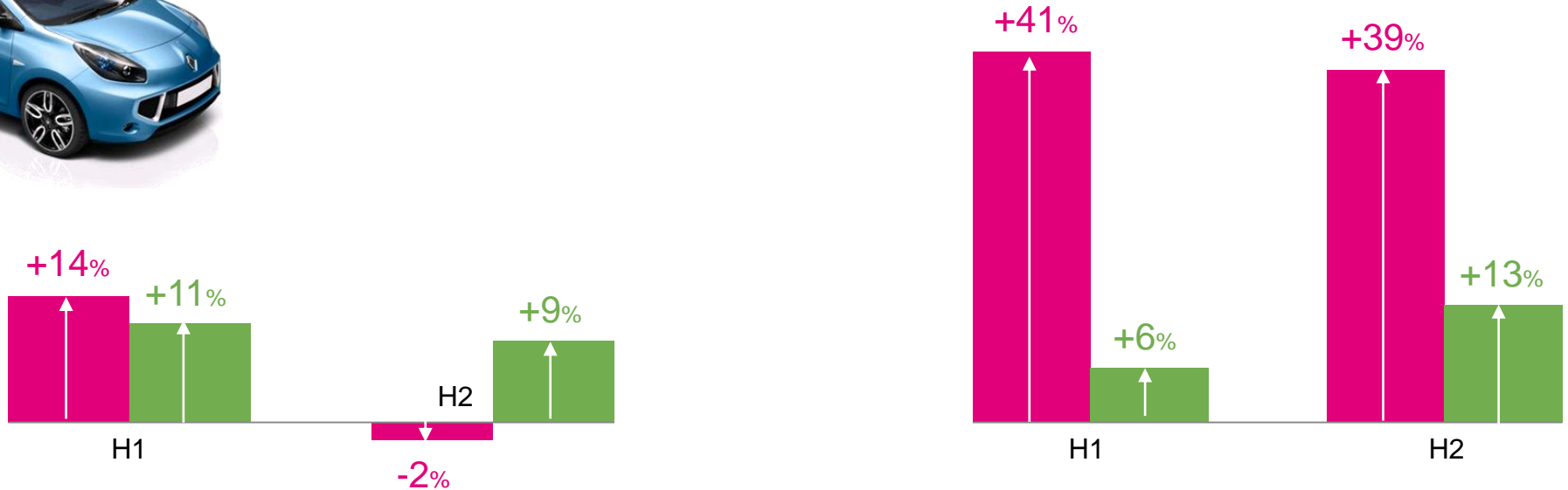
# Car and Light truck & Truck – South America: more positive trends in the second half



## 2013 markets, H1 vs. H2 – South America (% change YoY, in number of new tires)



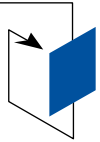
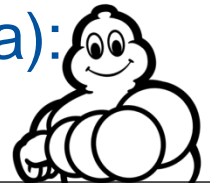
■ Original equipment ■ Replacement



Source: Michelin



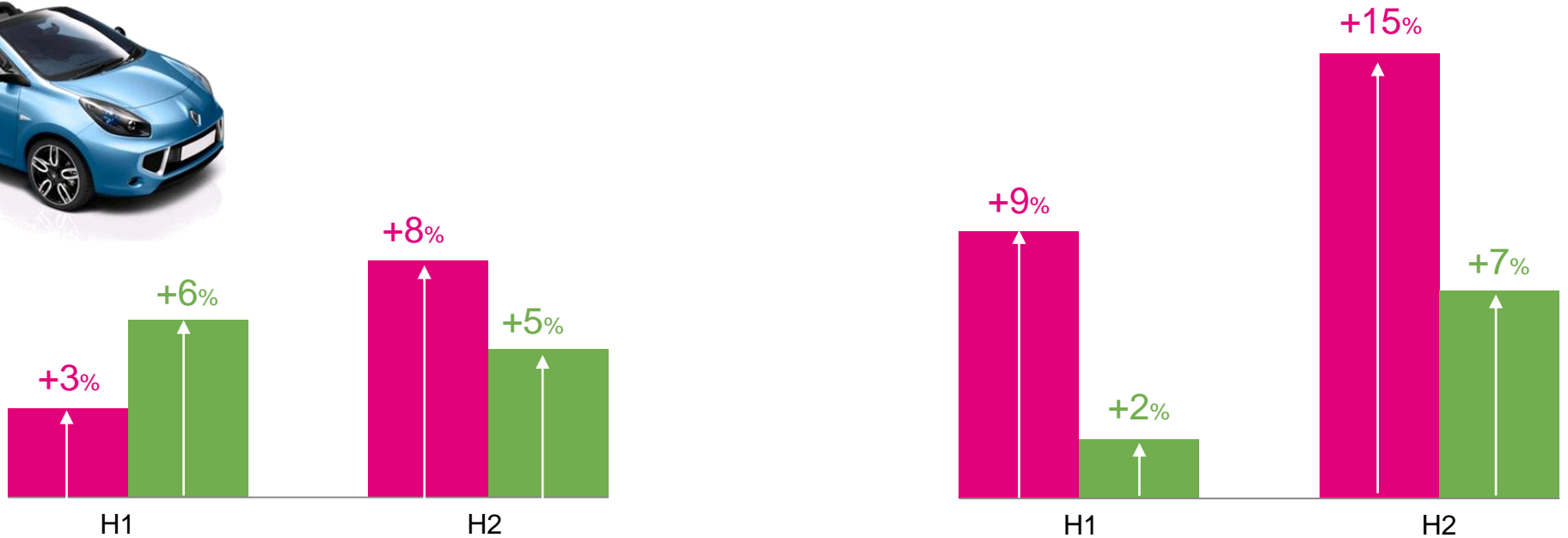
# Car and Light truck & Truck – Asia (excluding India): more positive trends in the second half



## 2013 markets, H1 vs. H2 – Asia (excluding India) (% change YoY, in number of new tires)



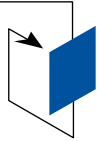
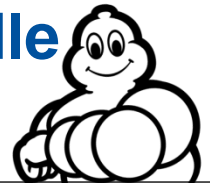
■ Original equipment ■ Replacement



Source: Michelin



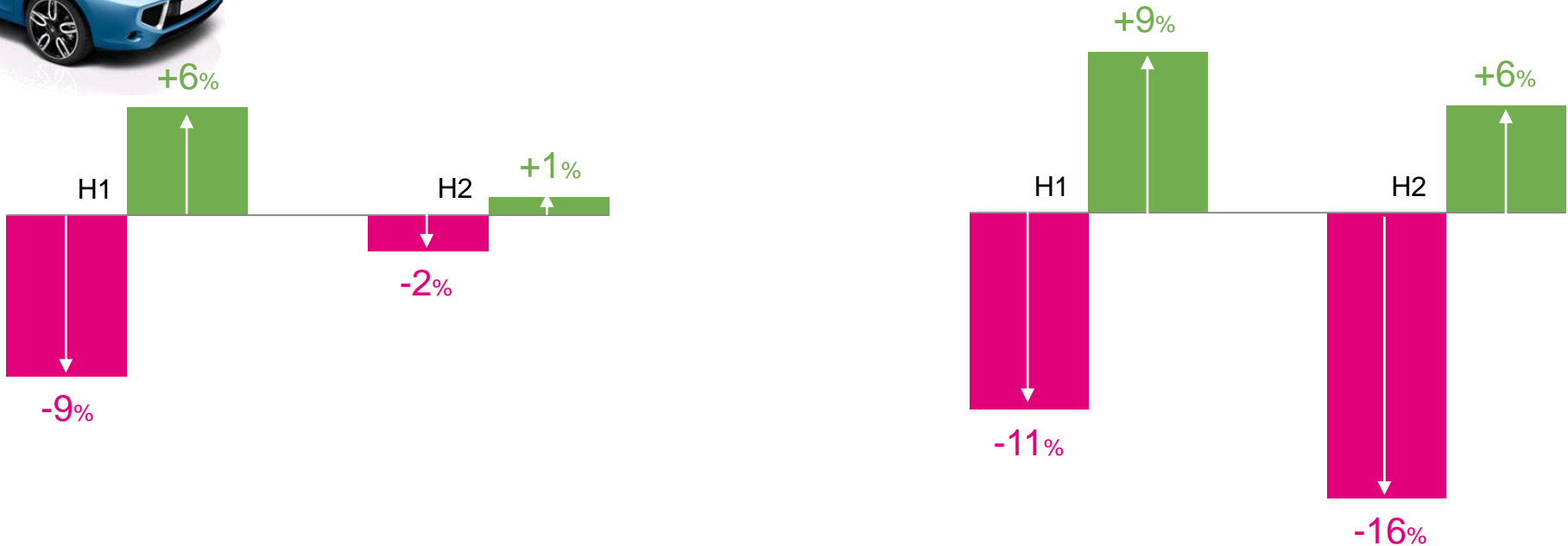
# Car and Light truck & Truck – Africa-India- Middle East: more positive trends in the second half



## 2013 markets, H1 vs. H2 – Africa-India-Middle East (% change YoY, in number of new tires)



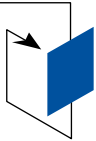
■ Original equipment ■ Replacement



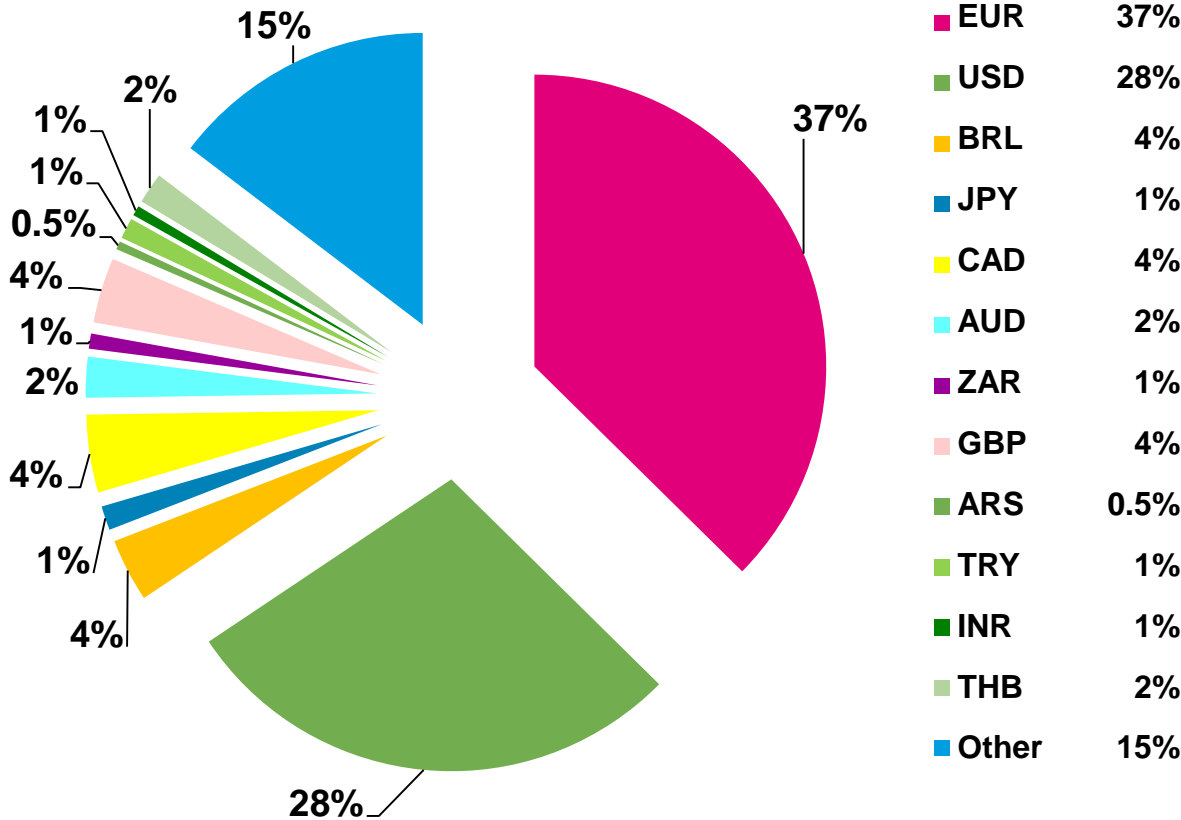
Source: Michelin



# High currency exposure given the Group's global footprint



## 2013 net sales by currency



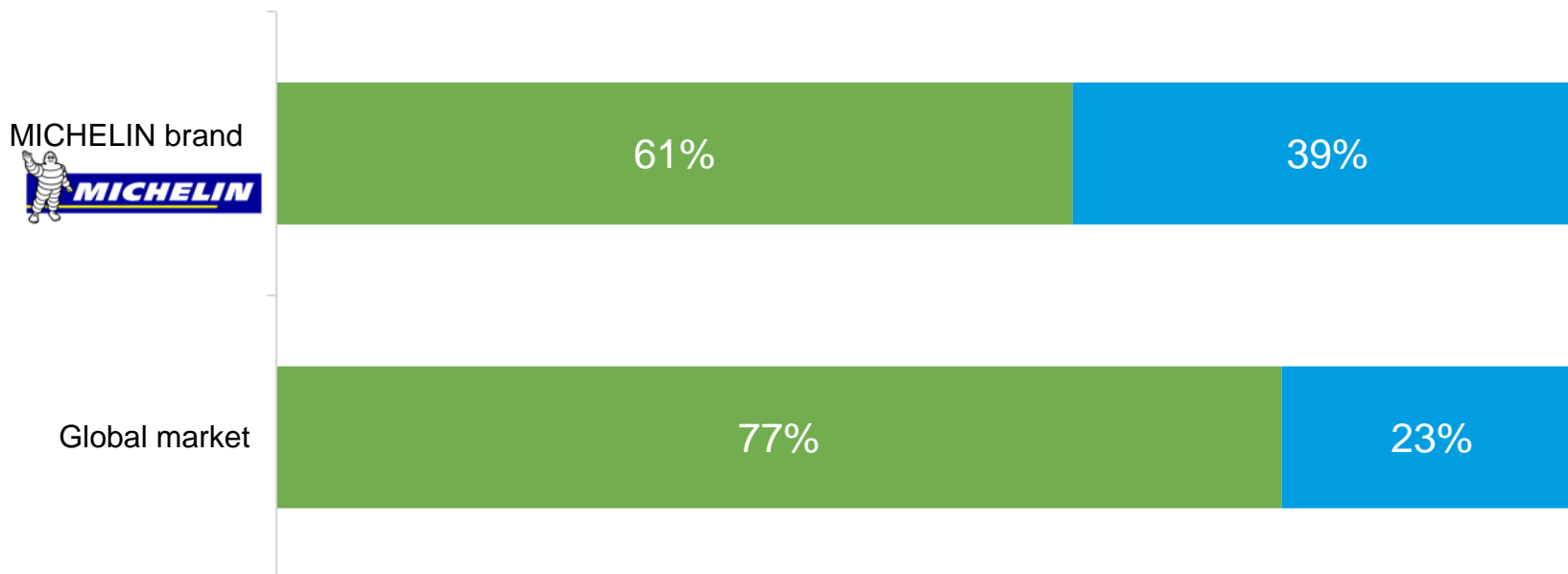
# MICHELIN:

clearly positioned as the premium brand



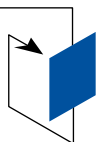
## 2013 Car and Light truck market by size (in number of tires)

■ ≤16'   ■ ≥17'



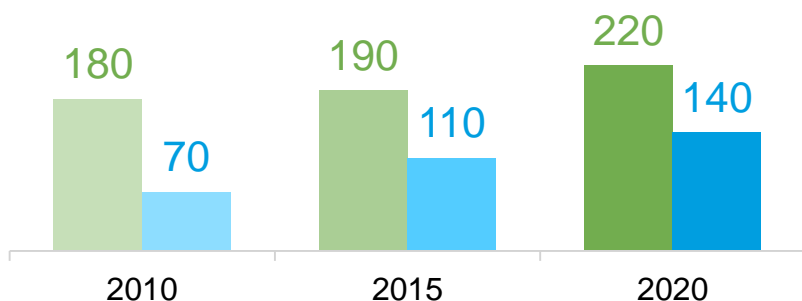


# Premium OE and replacement markets: growing much faster than the global market

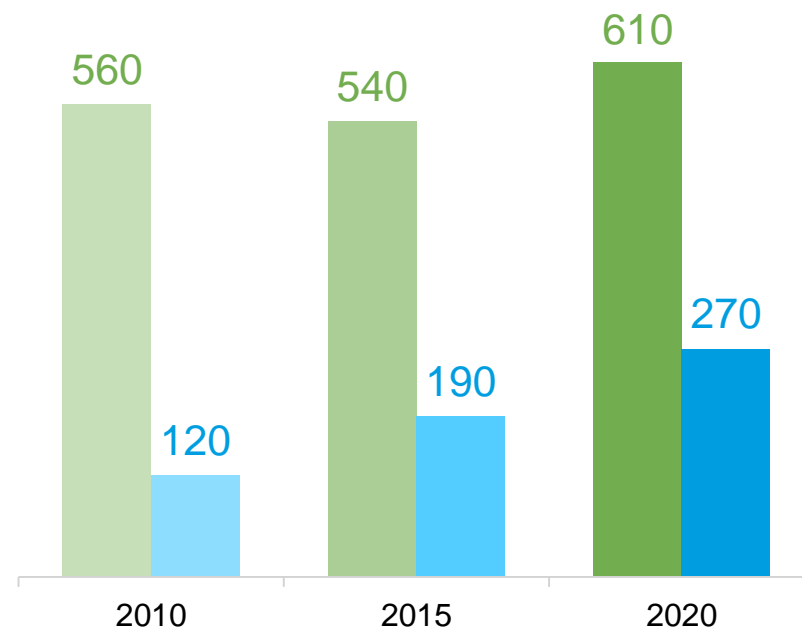


## Original equipment markets\* (in millions of tires)

- ≤16"
- ≥17"



## Replacement markets\* (in millions of tires)



► The 17" and larger market is expected to almost double in 10 years

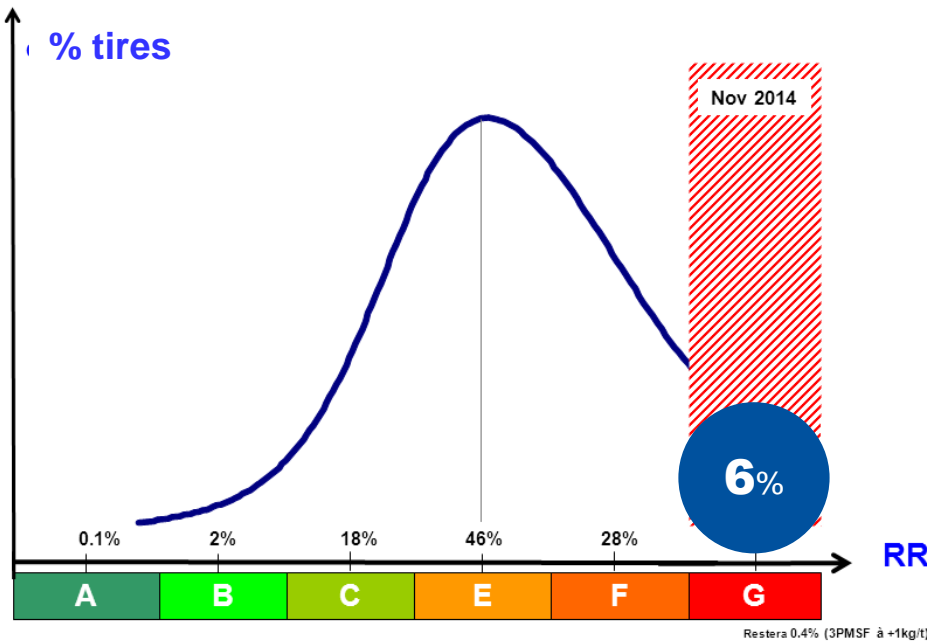
\*Europe, North America, China, South America



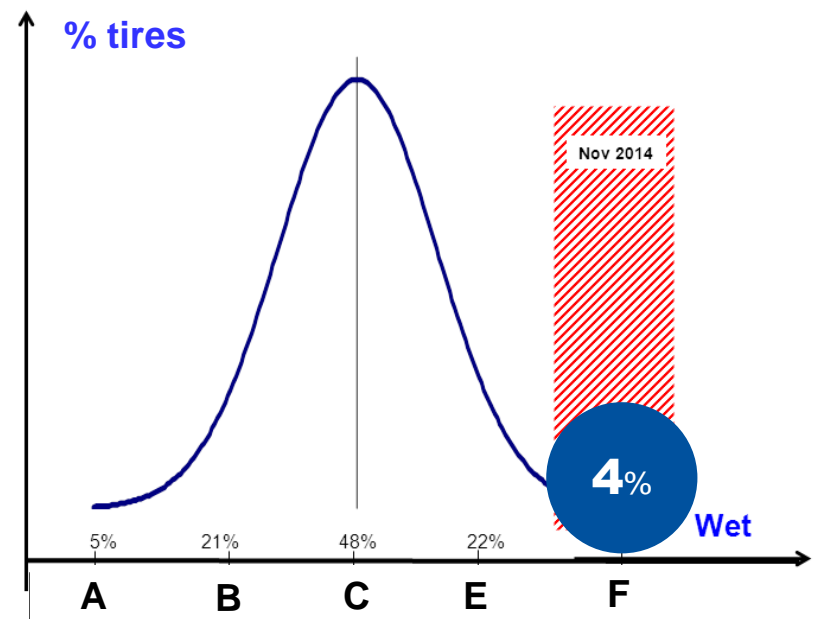
# EU Car and Light truck tire regulations: 6 to 10% of currently marketed tires banned from sale in Nov. 2014



## Tire rating bands, November 2014 (EU Car and Light truck tire labeling)



Rolling resistance



Wet grip

Source: LIZEO



# Capital expenditure in line with the 2013-2014 timetable to capture growth



▶ **Brazil** (*Premium MICHELIN brand Car and Light truck tires*)

- Production ramp-up from **17KT** at end-2013 to **30KT** end-2014

▶ **China** (*Premium MICHELIN brand Car and Light truck tires and MICHELIN radial Truck tires*)

- Production ramp-up from **25KT** at end-2013 to **57KT** at end-2014

▶ **India** (*MICHELIN radial Truck tires*)

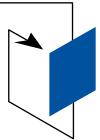
- **First tire** in July 2013, production ramp-up to **12KT** in 2014

▶ **USA** (*giant mining tires*)

- **First tire** in late 2013

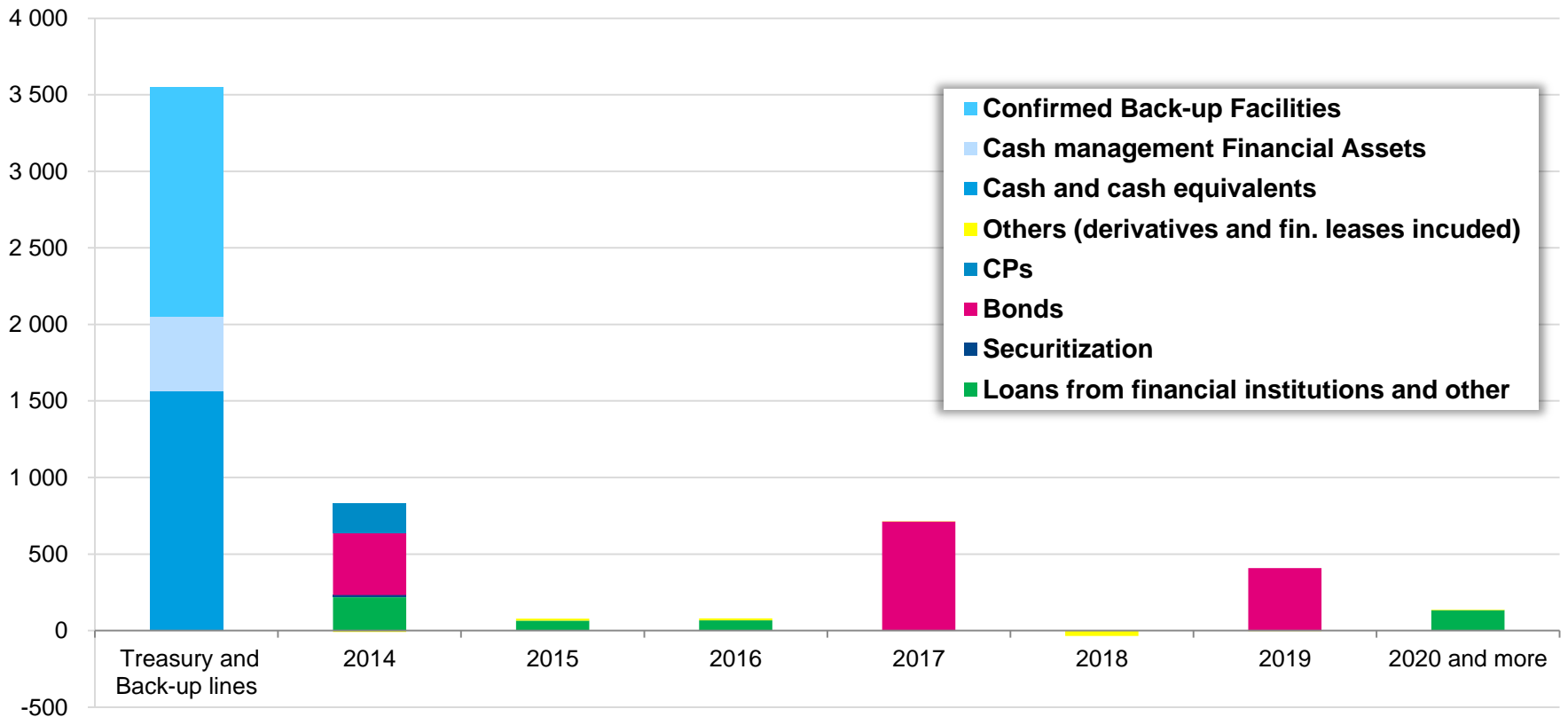


# An exceptional cash position



## Debt maturities at December 2013

(Nominal value, in € millions)

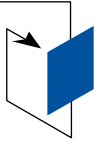


# Disclaimer



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