

FIRST-HALF 2011 RESULTS

July 29, 2011





A first-half in line with the Group road map

- ▶ **Sustained growth in markets during the half**
- ▶ **Sales volumes up 12.6% reflecting market growth and the Group's solid sales performance**
- ▶ **Pricing policy that totally offset the increase in raw material prices in the first half**
- ▶ **Operating income up 18% to €971 million**
- ▶ **Investment plan moving forward as scheduled**
- ▶ **Free cash flow reflecting the impact of higher raw material prices on working capital requirement and seasonal trends**



First-half 2011 financial highlights

<i>In € millions</i>	H1 2011
Net Sales	10,105
Operating Income (before non-recurring items)	971
Operating Margin (before non-recurring items)	9.6%
Net Income	667
Investments	554
Net Debt-to-Equity Ratio	27%
Free Cash Flow*	- 634

*Free cash flow: Cash flow from operations less gross capex and other

Outline

- **Markets:**
Sustained growth for the half
- **Performance:**
In line with the road map
- **Financial structure:**
Sustained robustness
- **Outlook:**
Sales volumes revised upwards
and profitability confirmed



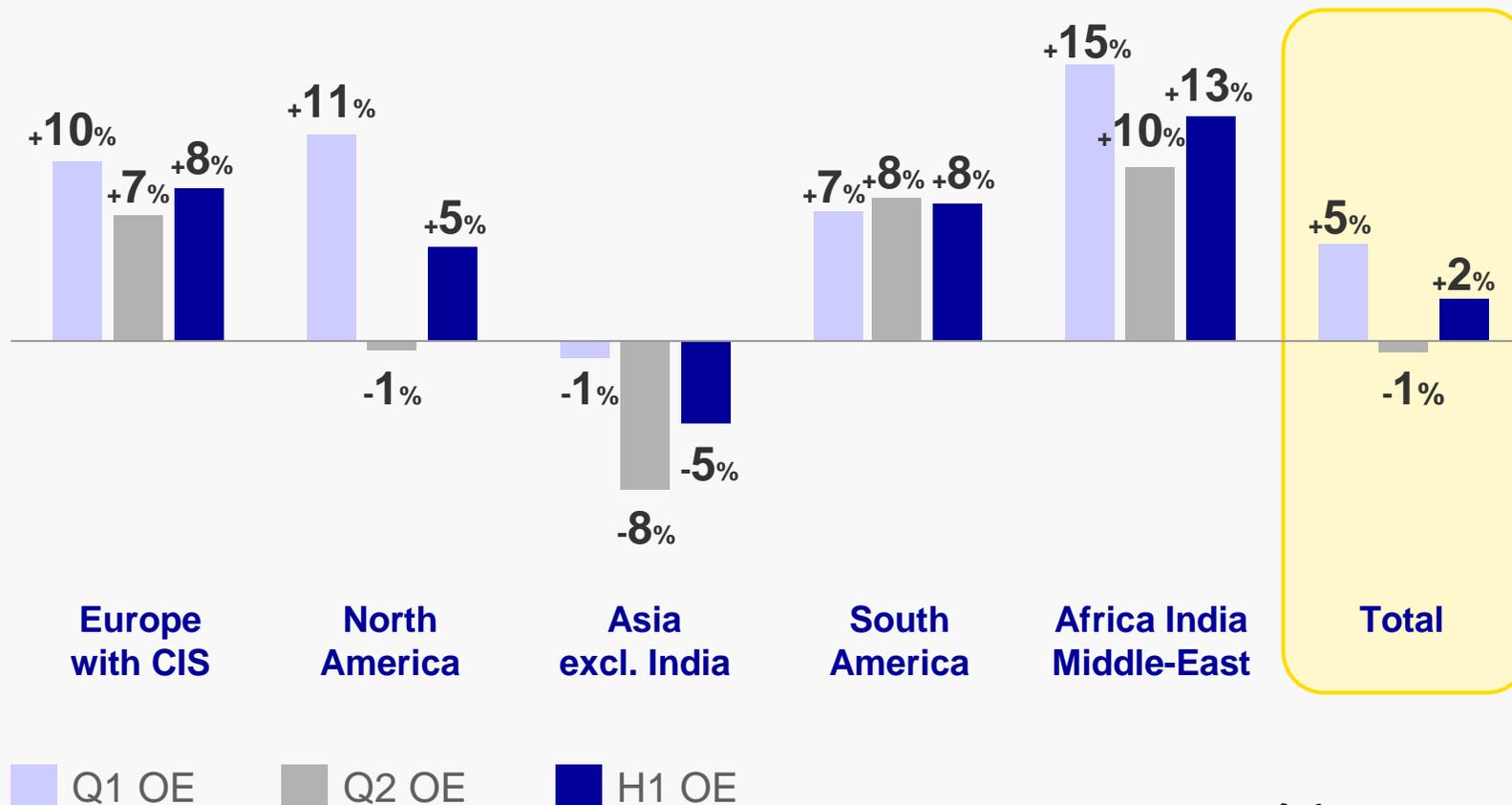
Markets: Sustained growth for the half





OE Car and Light Truck markets: impact of the tsunami in the second quarter

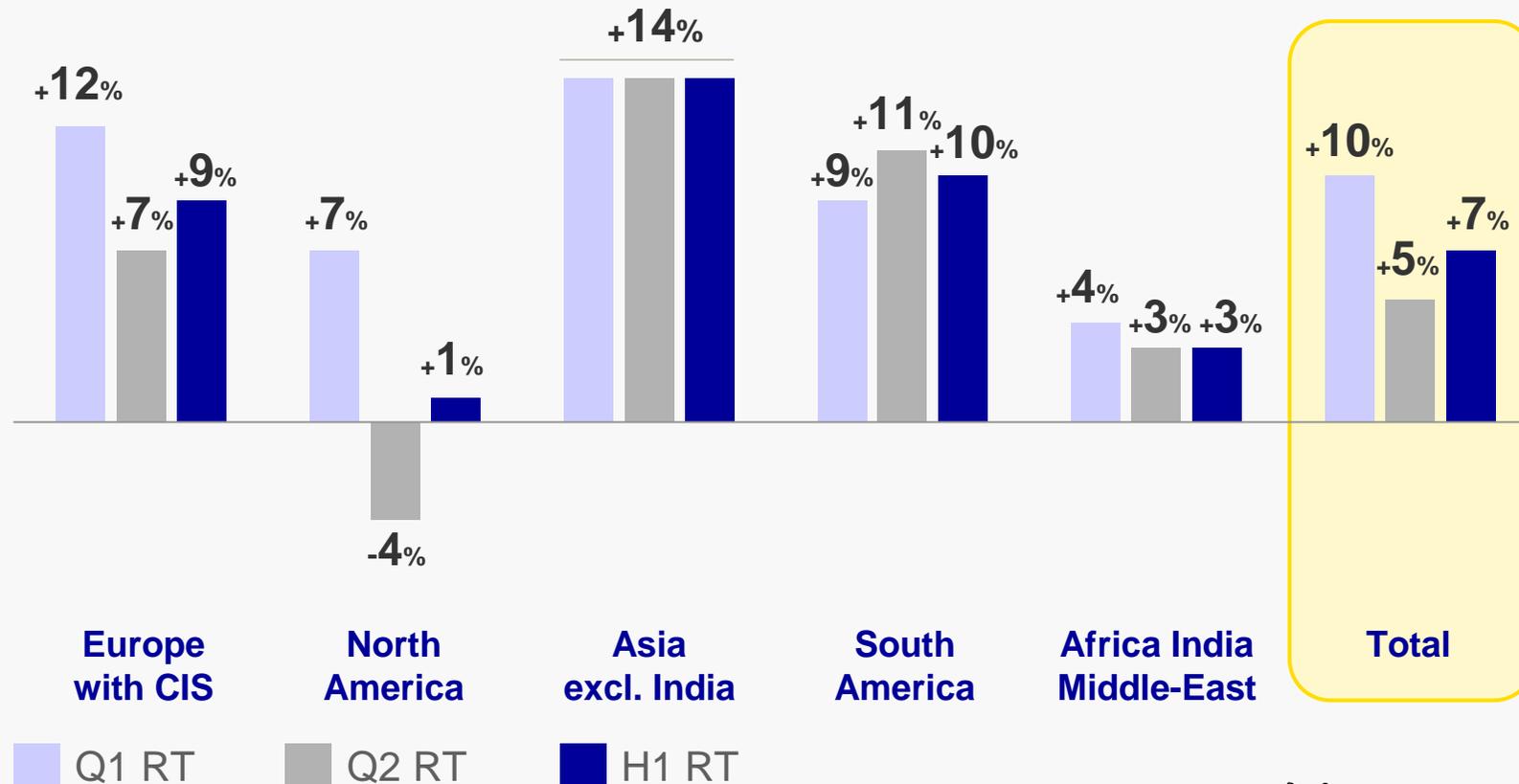
OE Car and Light Truck Tire markets - 2011 vs. 2010





Replacement PC< markets: strong growth in Q1, return to long-term trend in Q2

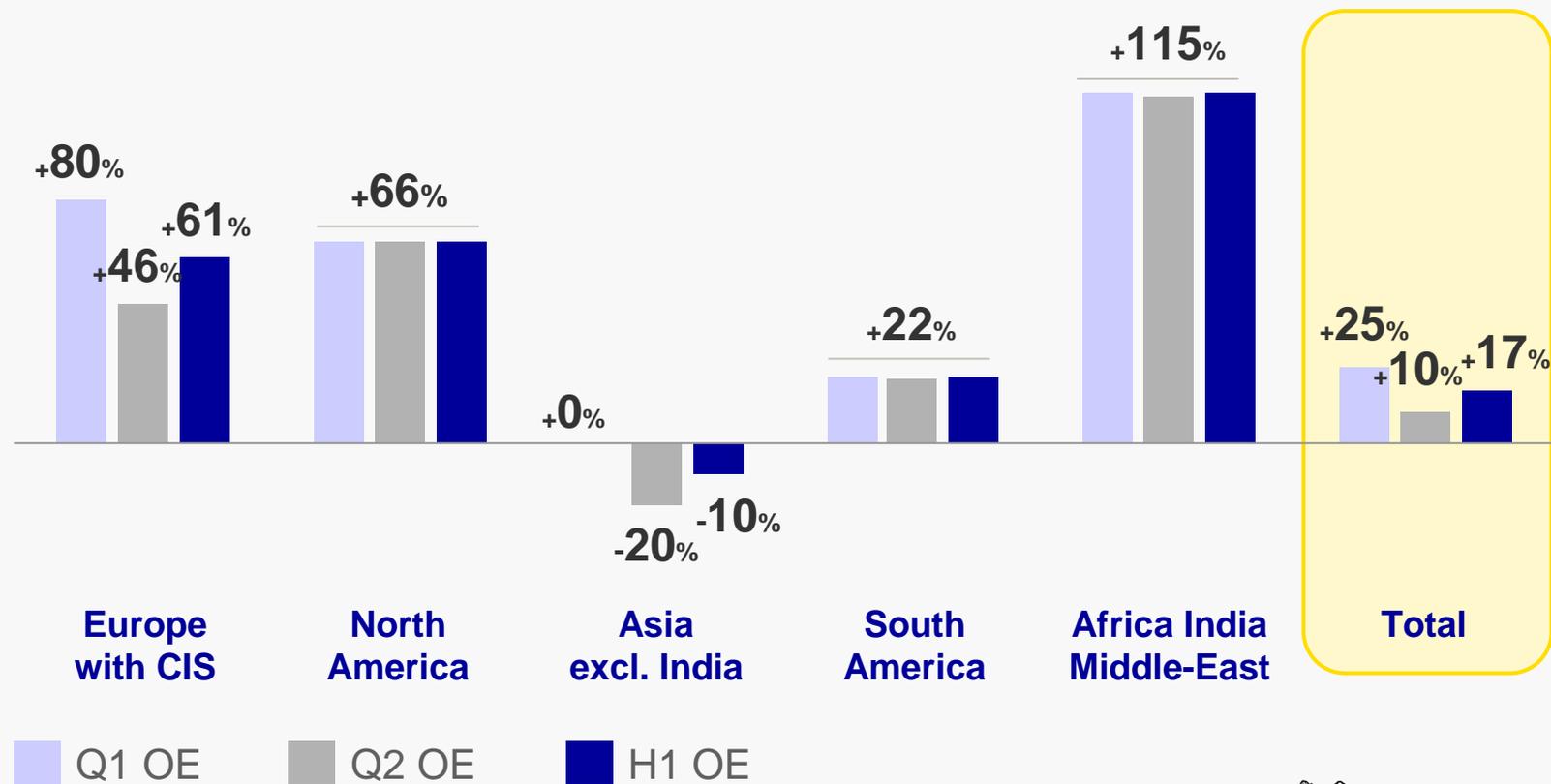
RT Car and Light Truck Tire markets - 2011 vs. 2010





OE Truck markets: strong recovery in mature markets

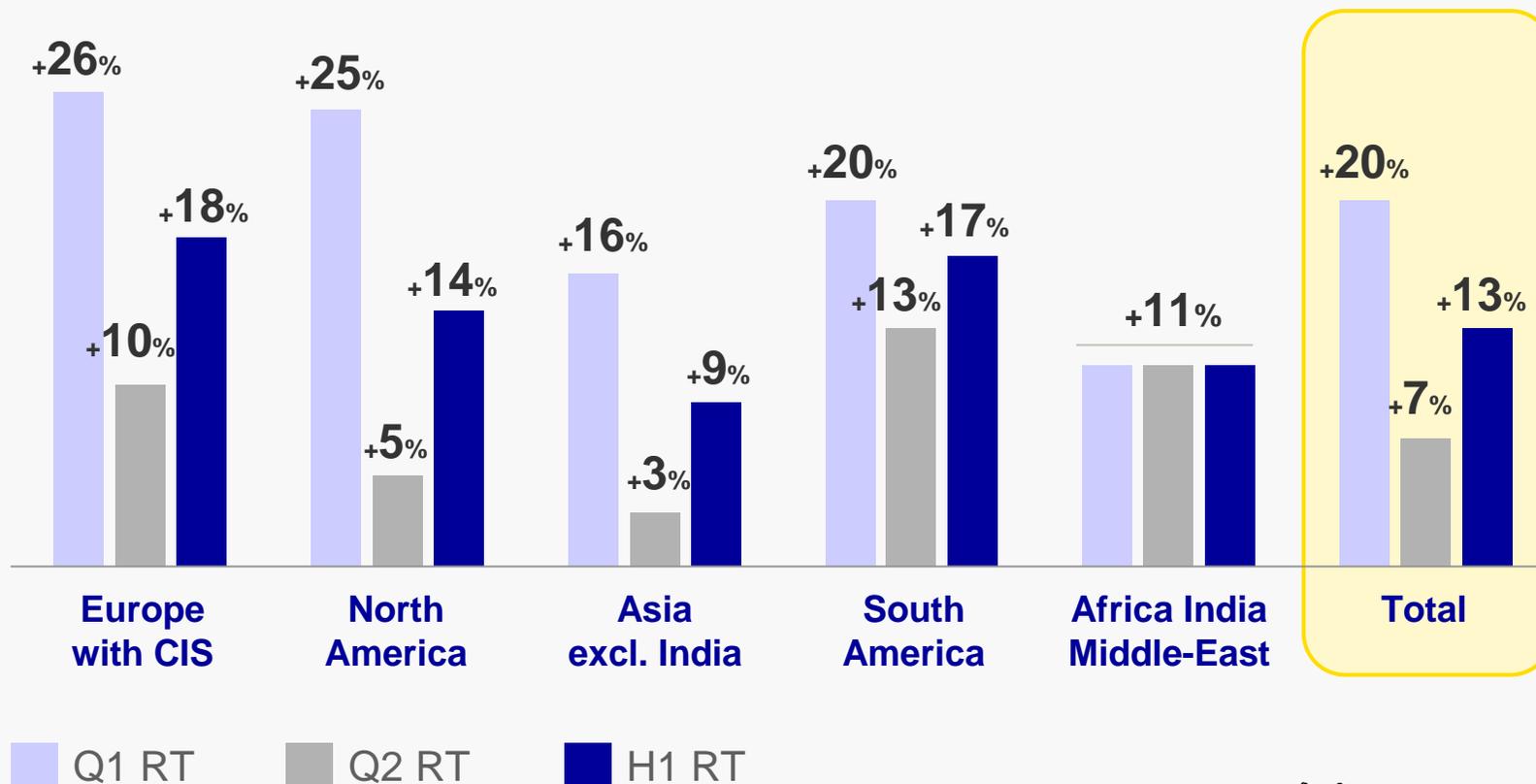
OE Radial Truck Tire markets - 2011 vs. 2010





Replacement Truck markets: sustained growth

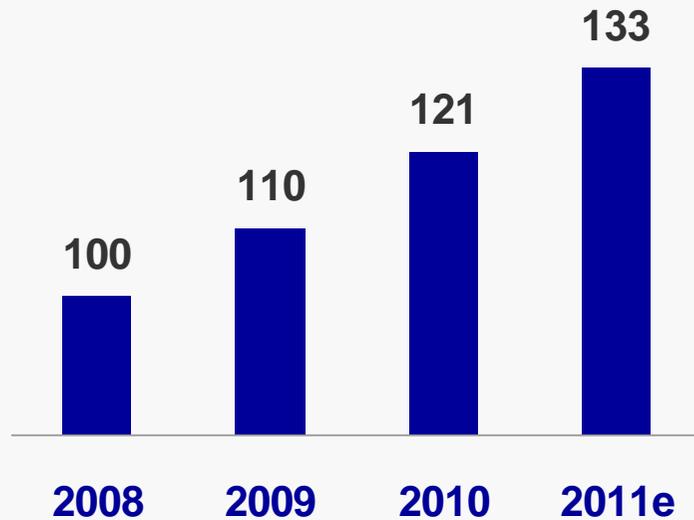
RT Radial Truck Tire markets - 2011 vs. 2010





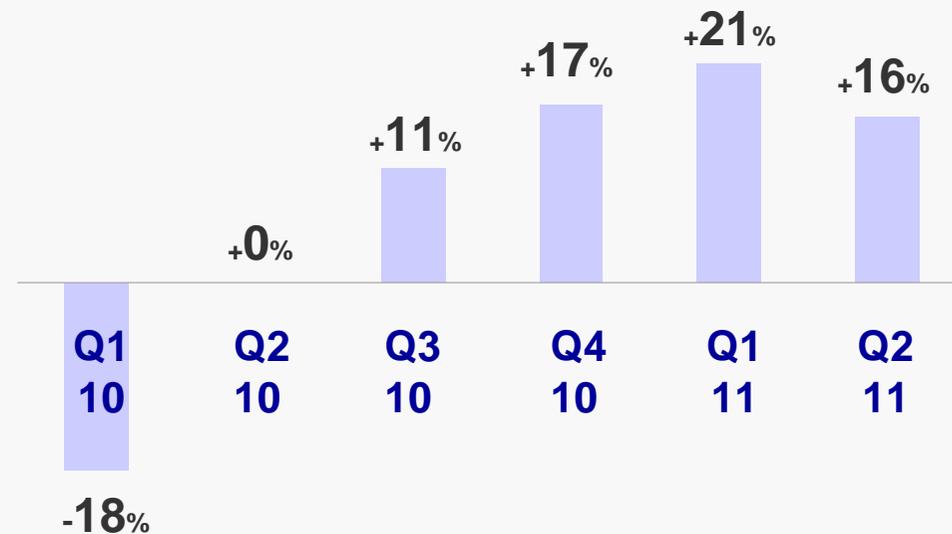
Earthmover: still trending upwards Agricultural: faster growth in demand

Mining tire market
(base 100 = 2008)



Source: Michelin

Agricultural tire market
% change YoY



Source: Michelin



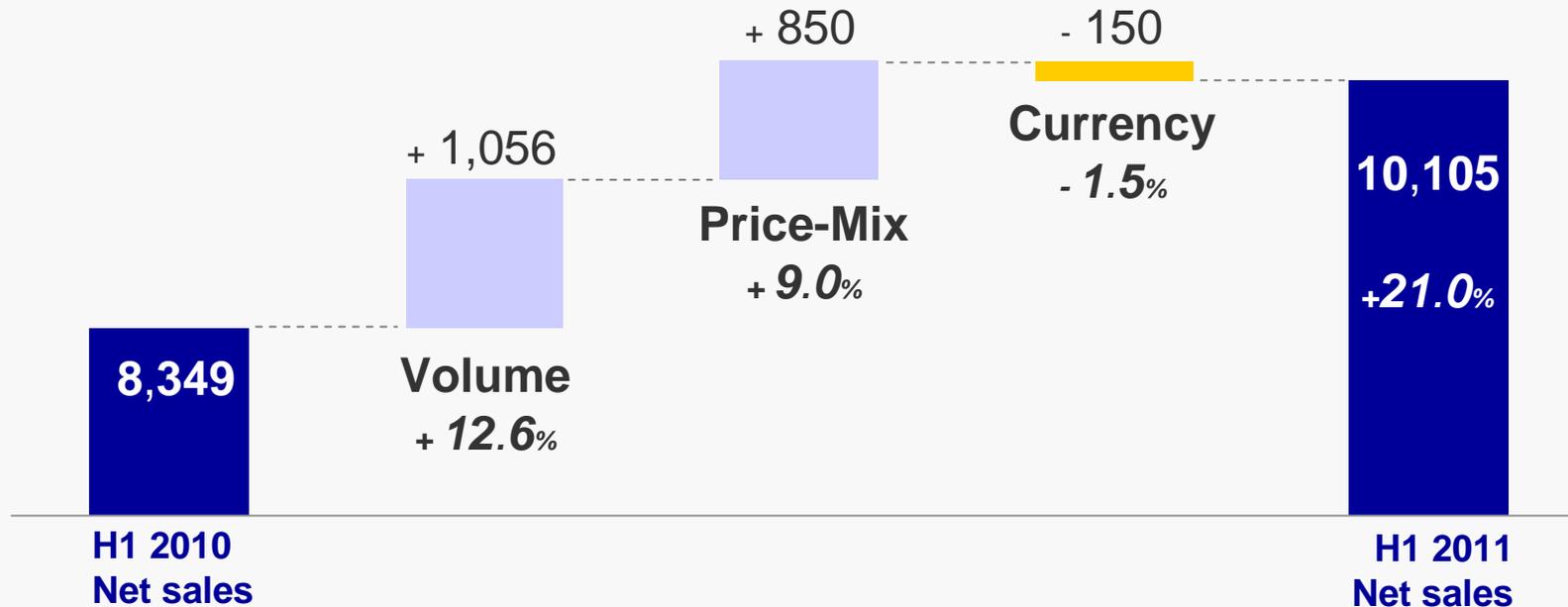
Performance: in line with
the road map





Growth in net sales led by volumes and faster improvement in price

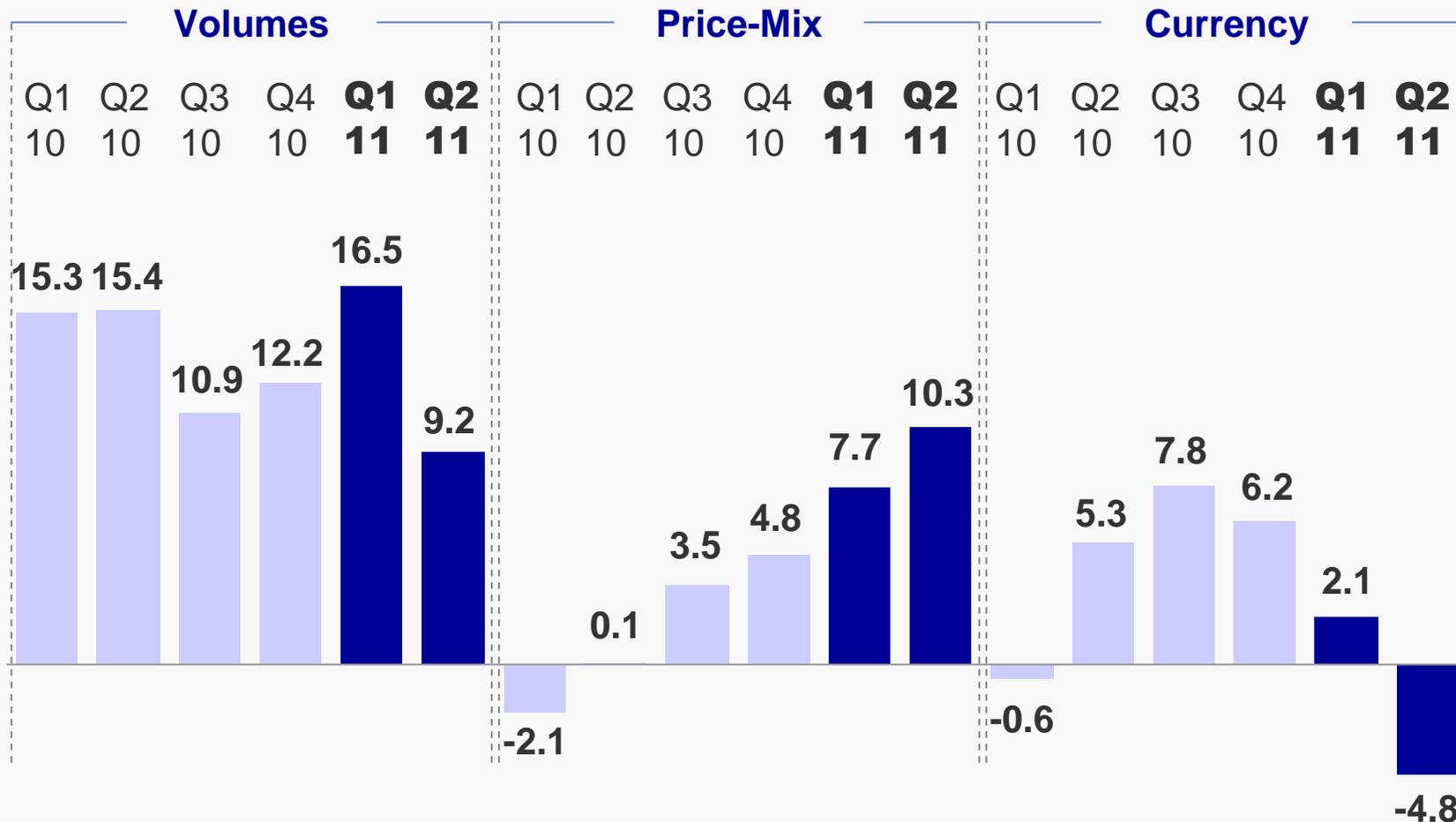
YoY change in € millions and as a % of net sales





Sustained strong volume gains, faster improvement in price, unfavorable currencies

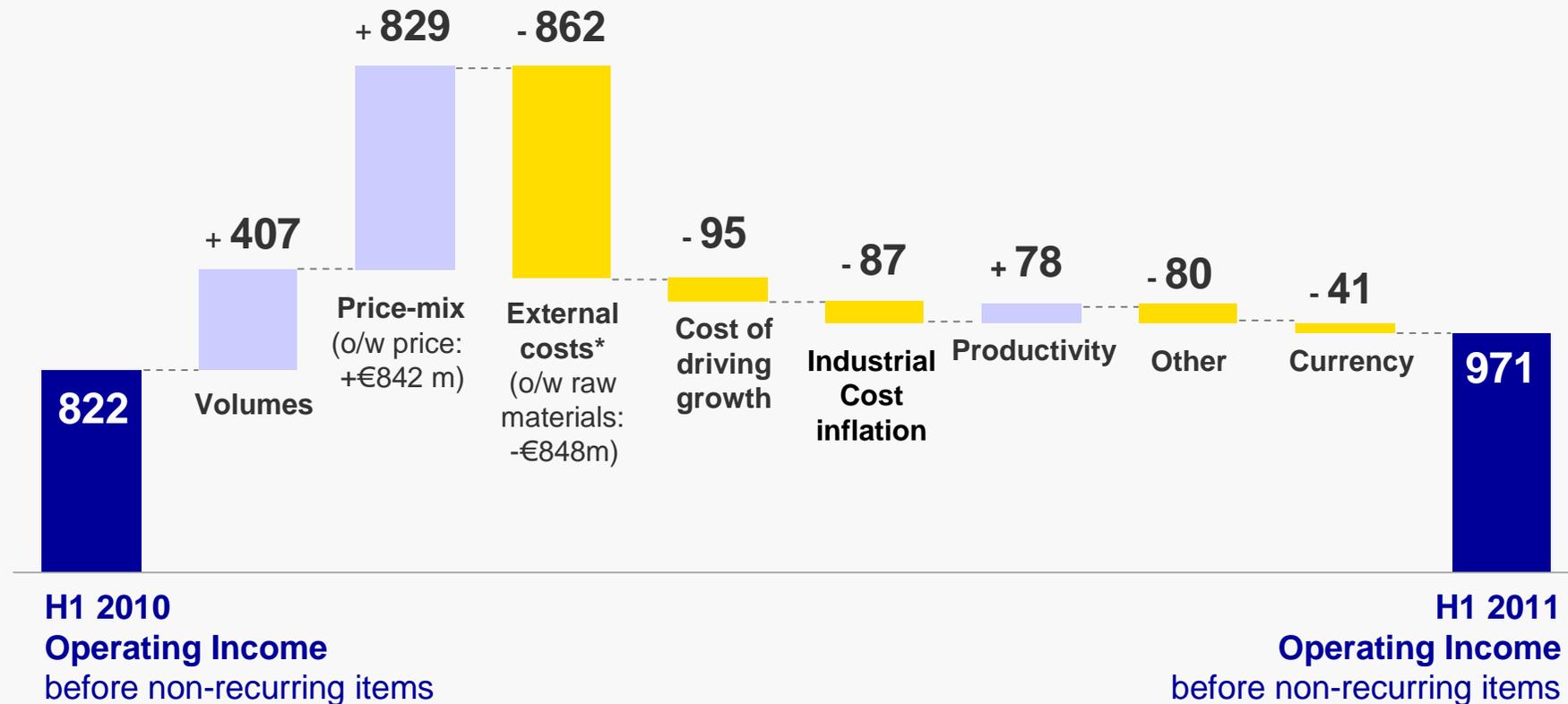
% Change YoY





Operating income up 18%

YoY Change in € Millions



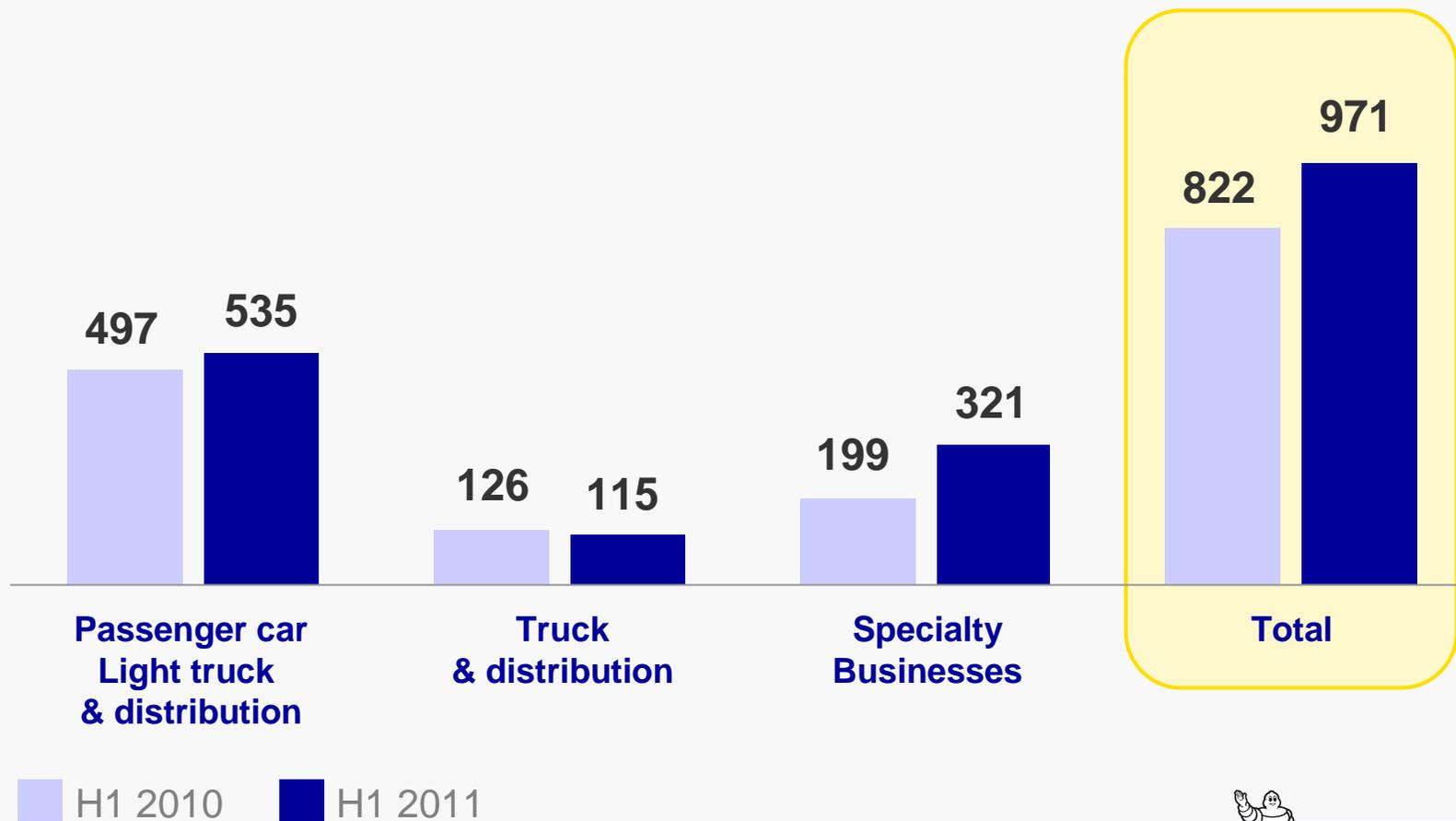
*External costs: raw materials and logistics at constant exchange rates





Contributions reflect the speed in passing the raw materials headwind on

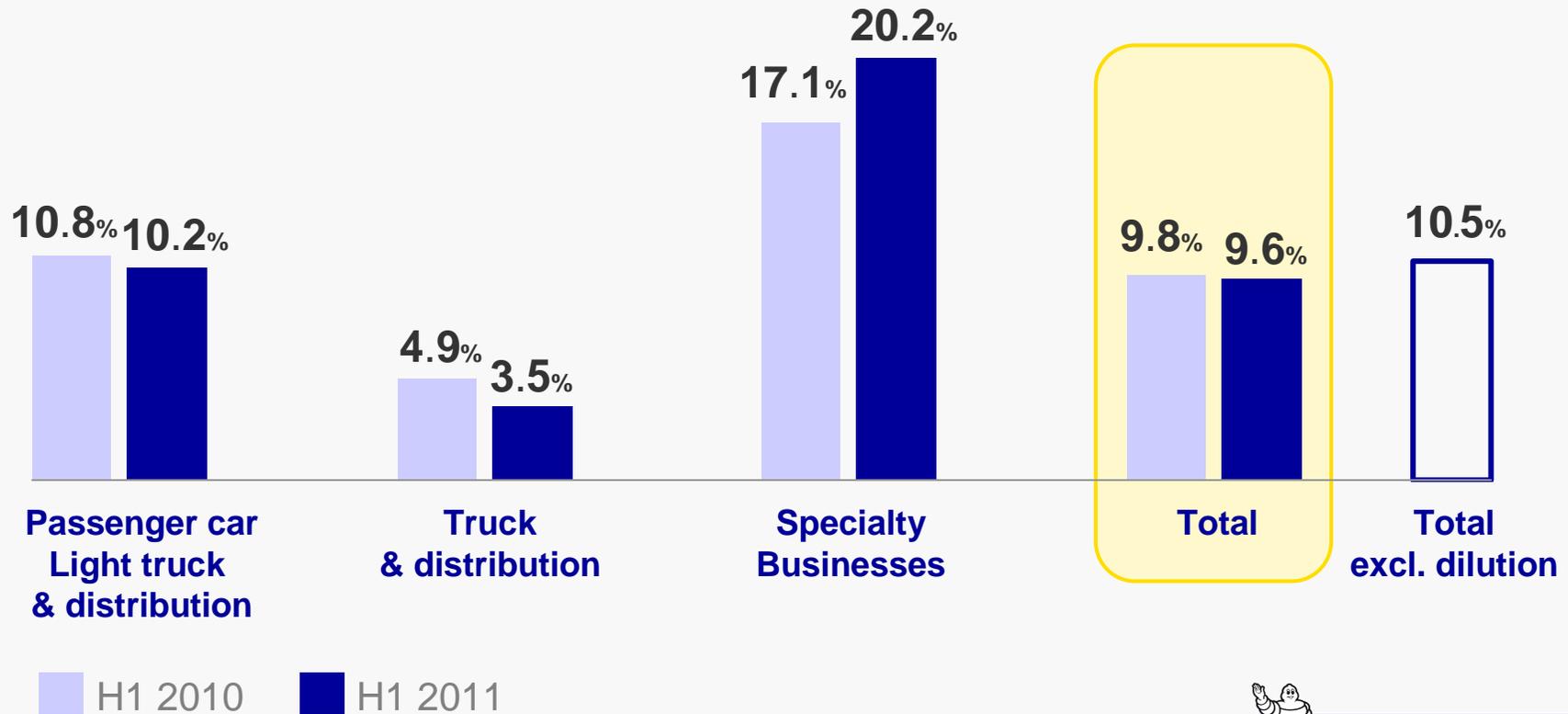
*Operating income before non-recurring items
in € millions*





Margins reflect the pace in passing the raw materials headwind on

*Operating margin before non-recurring items
as a % of net sales*





Historically high financial performance

Passenger car & Light truck



<i>In € millions</i>	H1 2011	H1 2010
Net Sales volume growth	5,252 +7.2%	4,621
Operating Income (before non-recurring items)	535	497
Operating Margin (before non-recurring items)	10.2%	10.8%

- ▶ **Solid marketing performance**
- ▶ **Price mix that entirely offset the impact of higher raw material costs**
- ▶ **High production capacity utilization rates**
- ▶ **Successful launch of the MICHELIN Pilot Super Sport and BFGoodrich® Rugged Terrain and Advantage T/A lineups**





Impact of raw material costs and faster growth in the OE segment

Truck



<i>In € millions</i>	H1 2011	H1 2010
Net Sales volume growth	3,266 +15.6%	2,566
Operating Income (before non-recurring items)	115	126
Operating Margin (before non-recurring items)	3.5%	4.9%

- ▶ **Negative impact of OE/replacement mix**
- ▶ **Impact of natural rubber prices**
- ▶ **Delayed effect of contractual price adjustments in the OE segment**
- ▶ **Unfavorable currency effect**
- ▶ **Ongoing demand for the X-One tire range**





Results that are structurally high and lifted by expanding markets

Specialty Businesses



<i>In € millions</i>	H1 2011	H1 2010
Net Sales volume growth	1,587 +29.1%	1,162
Operating Income (before non-recurring items)	321	199
Operating Margin (before non-recurring items)	20.2%	17.1%

- ▶ Contractual price adjustments
- ▶ Unfavorable currency effect





Net income up 32%

<i>In € millions</i>	H1 2011	H1 2010
Net Sales	10,105	8,349
Operating Income (before non-recurring items) <i>% of Net Sales</i>	971 9.6%	822 9.8%
Non-Recurring Items	-	-
Operating Income	971	822
Cost of Net Debt Other Financial Income and Expenses	(80)	(132)
Tax	(232)	(199)
Share of Profit from Associates	8	13
Net Income	667	504



*Financial structure:
sustained robustness*





€610 million impact on WCR due to higher raw material costs

<i>In € millions</i>	H1 2011	H1 2010
EBITDA (before non-recurring items)	1,440	1,305
<i>Change in Inventory</i>	<i>(749)</i>	<i>(527)</i>
<i>Change in Trade Receivables</i>	<i>(417)</i>	<i>(259)</i>
<i>Change in Trade Payables</i>	<i>30</i>	<i>87</i>
<i>Taxes and Interests Paid</i>	<i>(286)</i>	<i>(319)</i>
<i>Change in Operating Provisions</i>	<i>(55)</i>	<i>(45)</i>
<i>Other WCR</i>	<i>79</i>	<i>37</i>
Cash Flow from Operations	42	279
<i>Gross Investments</i>	<i>(554)</i>	<i>(251)</i>
<i>Other</i>	<i>(122)</i>	<i>(58)</i>
Free Cash Flow*	(634)	(30)

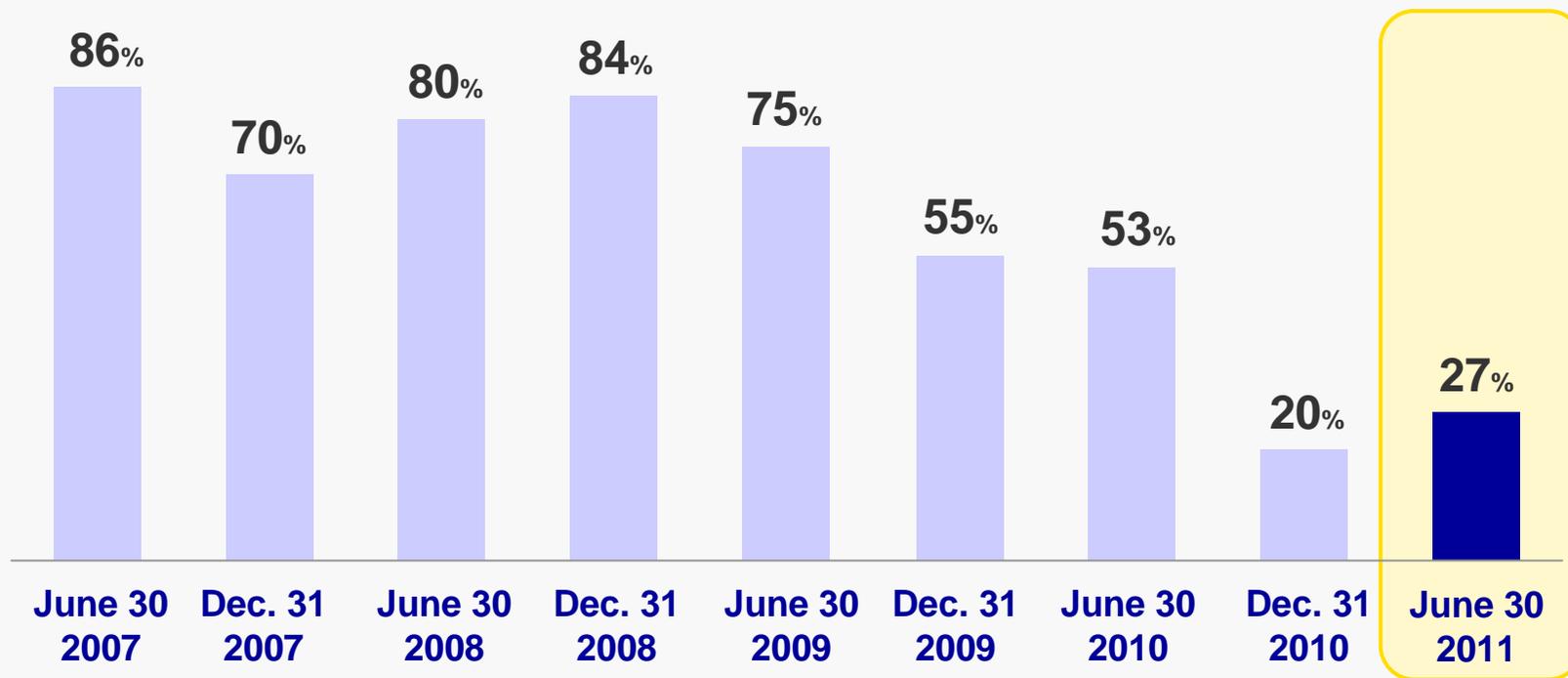
*Free cash flow: Cash flow from operations less gross capex and other





Robust financial structure: flexibility and room to manoeuvre

Gearing – Net Debt / Equity Ratio



Outlook:

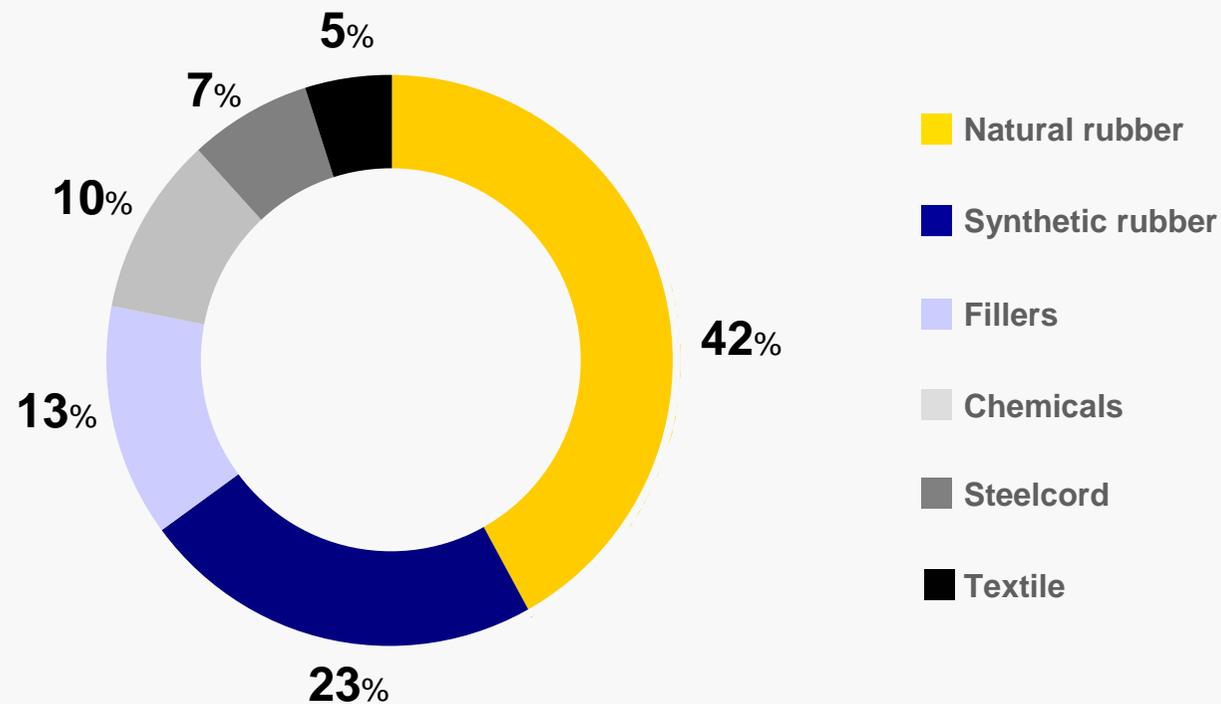
Sales volumes revised upwards
and profitability confirmed





Natural rubber is not the only raw materials that impacts Michelin

Cost breakdown of raw materials consumed (H1 2011)



Cost of raw materials consumed in H1 2011: €3,244 million



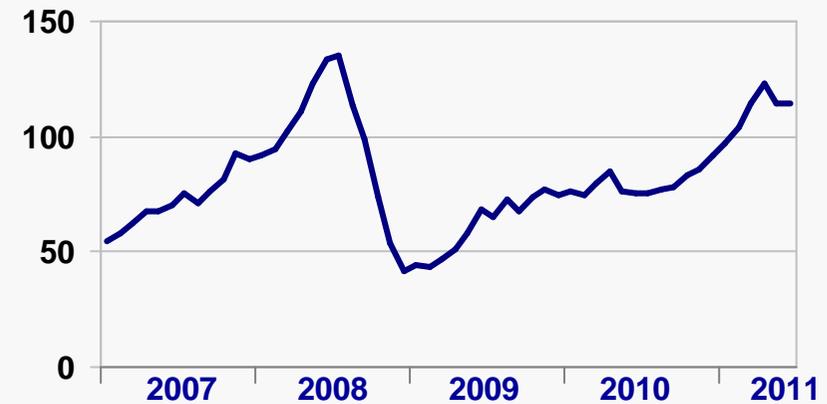


Prices of raw materials other than natural rubber are also rising

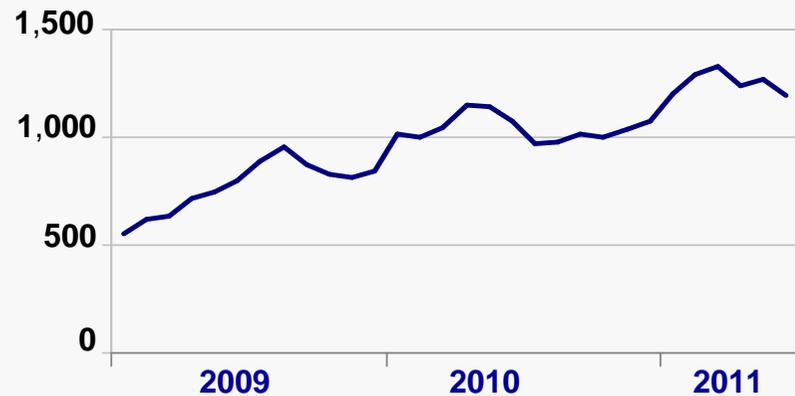
Natural rubber prices (TSR20 - \$/ton)



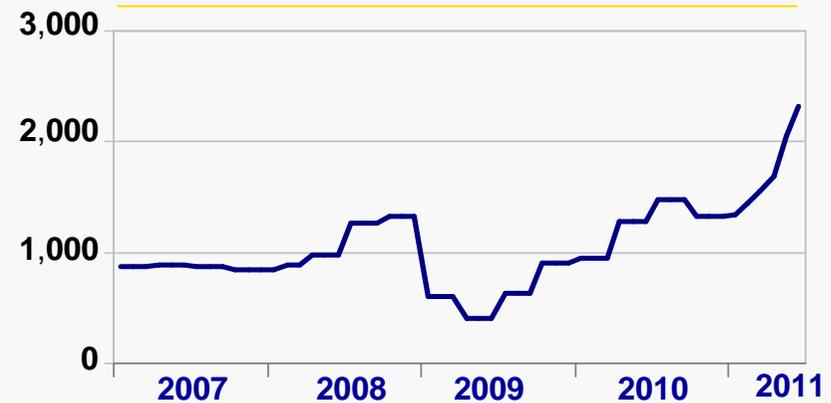
Brent oil prices (\$/bbl)



Styrene prices (€/ton)



Butadiene prices (Europe - €/ton)





Raw materials: nearly 100% of the full year headwind offset

- ▶ **Negative impact of raw material prices amounting to approximately €1.8 billion**
 - Impact varies from one reporting segment to another depending on their raw materials mix
 - Underlying assumptions
 - Average annual price of natural rubber: **\$4.84 per kg**
 - Average annual price of oil (Brent) : **\$110 per barrel**

- ▶ **Impact of price increases already implemented or announced: approximately €1.8 billion or nearly 100% of cost increases**

The Group is determined to offset increases in raw material costs



Investment projects moving forward as scheduled



China





Investment projects moving forward as scheduled



India





Investment projects moving forward as scheduled



Brazil



FY outlook: sales volumes revised upwards and profitability confirmed

- ▶ **Volumes: growth of around 8%**
- ▶ **Maintaining a dynamic pricing policy in the face of a negative impact related to higher raw material costs estimated at approximately €1.8 billion**
- ▶ **Negative impact of the rise in the euro**
 - Estimated negative impact of approximately €150 million for the full year at current exchange rates
- ▶ **Operating income higher**
- ▶ **Free cash flow temporarily negative in 2011 because of the impact of raw material costs on WCR (estimated at €400-500 million for the year) and accelerated investment program**



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