



FIRST-HALF RESULTS

JULY 27, 2012





High Profitability Supported by the Group's Global Strategy

- €1,320m in **operating income before non-recurring items**, up 36% vs. 2011, reflecting:
 - *The Group's strategy and competitive advantages*
 - **Global footprint**
 - **High margins in the Specialty businesses**
 - **Premium positioning**
 - *Quality of management*
 - **Favorable combination of a strong price effect and a less negative impact from raw materials costs**
 - **Improved margins in Truck tires**
- **Volumes** down 8.3%, at a time of weak demand in Europe
- **Free cash flow** at breakeven





Financial Highlights

2012 & 2011 figures as reported

In € millions	H1 2012	H1 2011
Net Sales	10,706	10,105
Operating Income before non-recurring items	1,320	971
Operating Margin before non-recurring items	12.3%	9.6%
Net Income	915	667
Investment	660	554
Net Debt-to-Equity Ratio	26%	27%
Free Cash Flow*	7	(634)

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



OUTLINE



01

Markets: an unfavorable first half

02

Structurally sound performance

03

A solid financial profile

04

An environment that plays to
Michelin's strengths

05

Outlook





01

Markets: an unfavorable first half



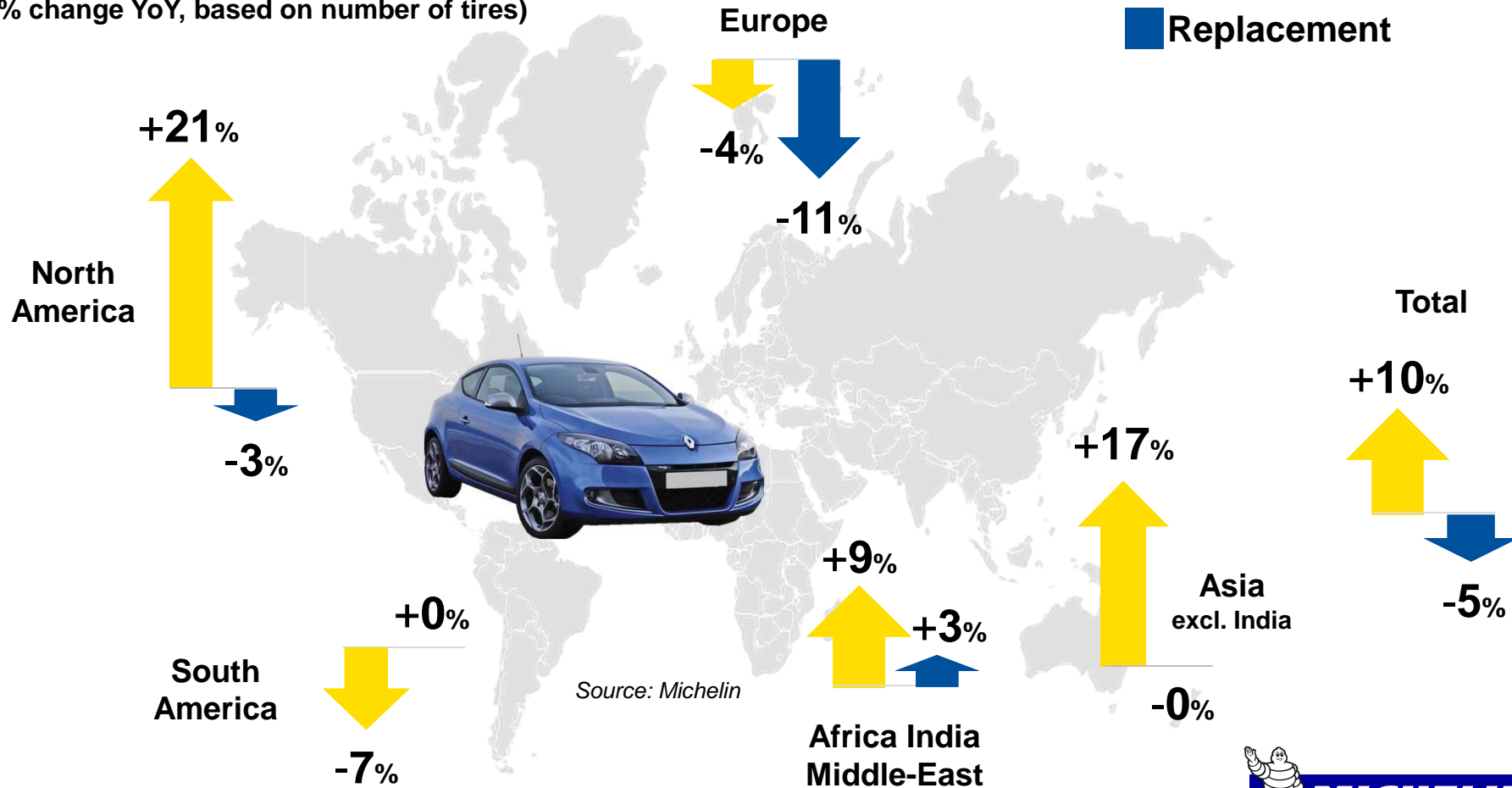


Passenger Car and Light Truck Tires: Unfavorable Comparatives; Uncertainties in Europe

Markets at June 30, 2012

(% change YoY, based on number of tires)

Original Equipment
Replacement



Source: Michelin



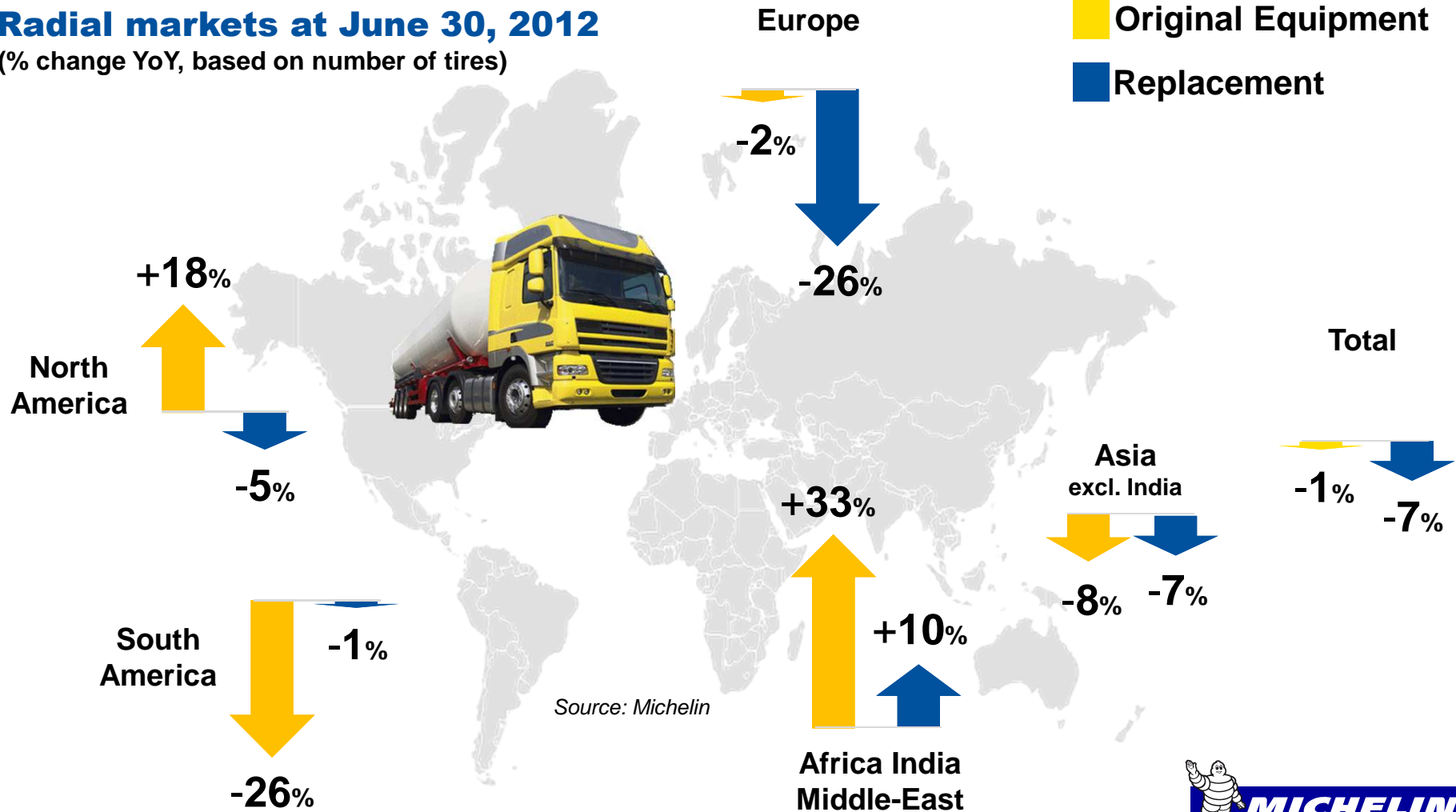


Truck Tires: Demand Down in Most markets

Radial markets at June 30, 2012

(% change YoY, based on number of tires)

Original Equipment
 Replacement



Source: Michelin

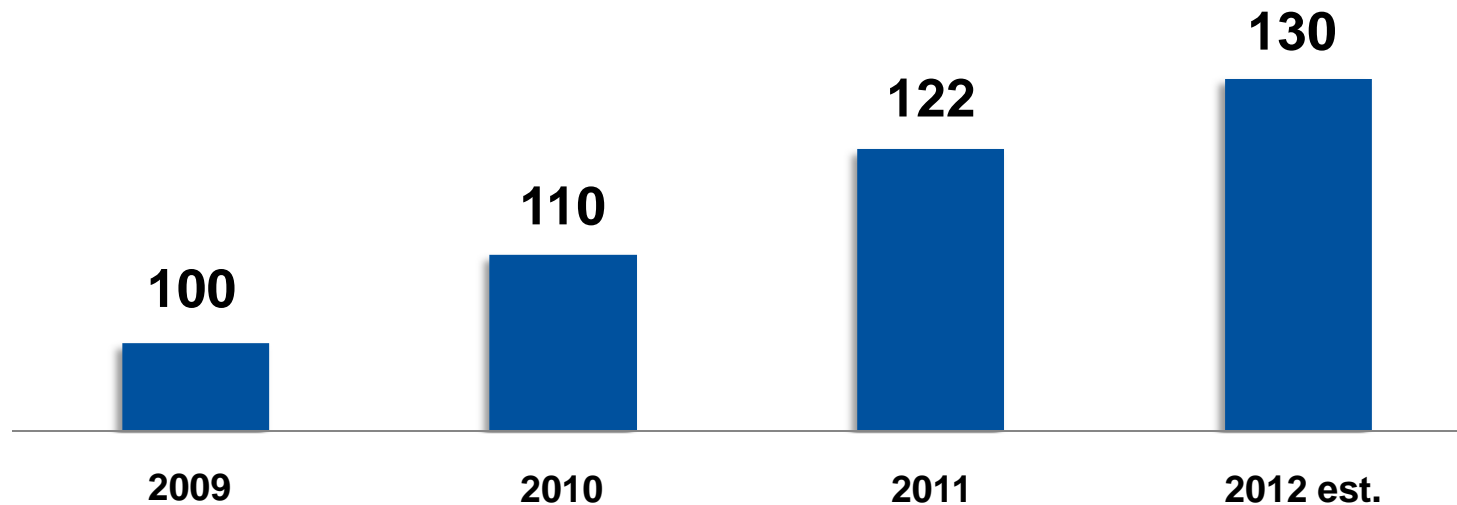




Specialty Tires: Robust Mining Demand

Mining Tire Market

(In tonnes, base 100 = 2009)



Source: Michelin





02

Structurally sound performance

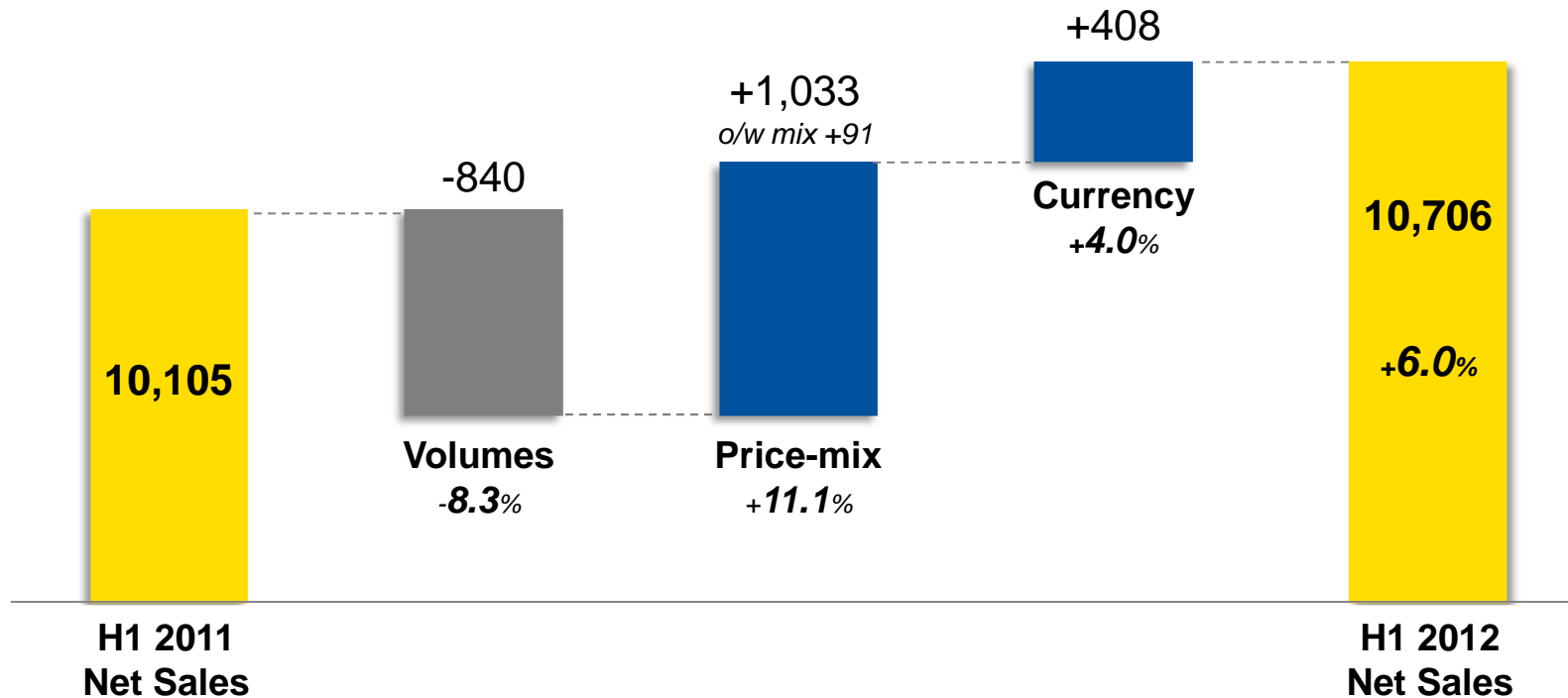




Higher Net Sales: Largely Positive Price Mix Dampened by Lower Volumes

YoY Change

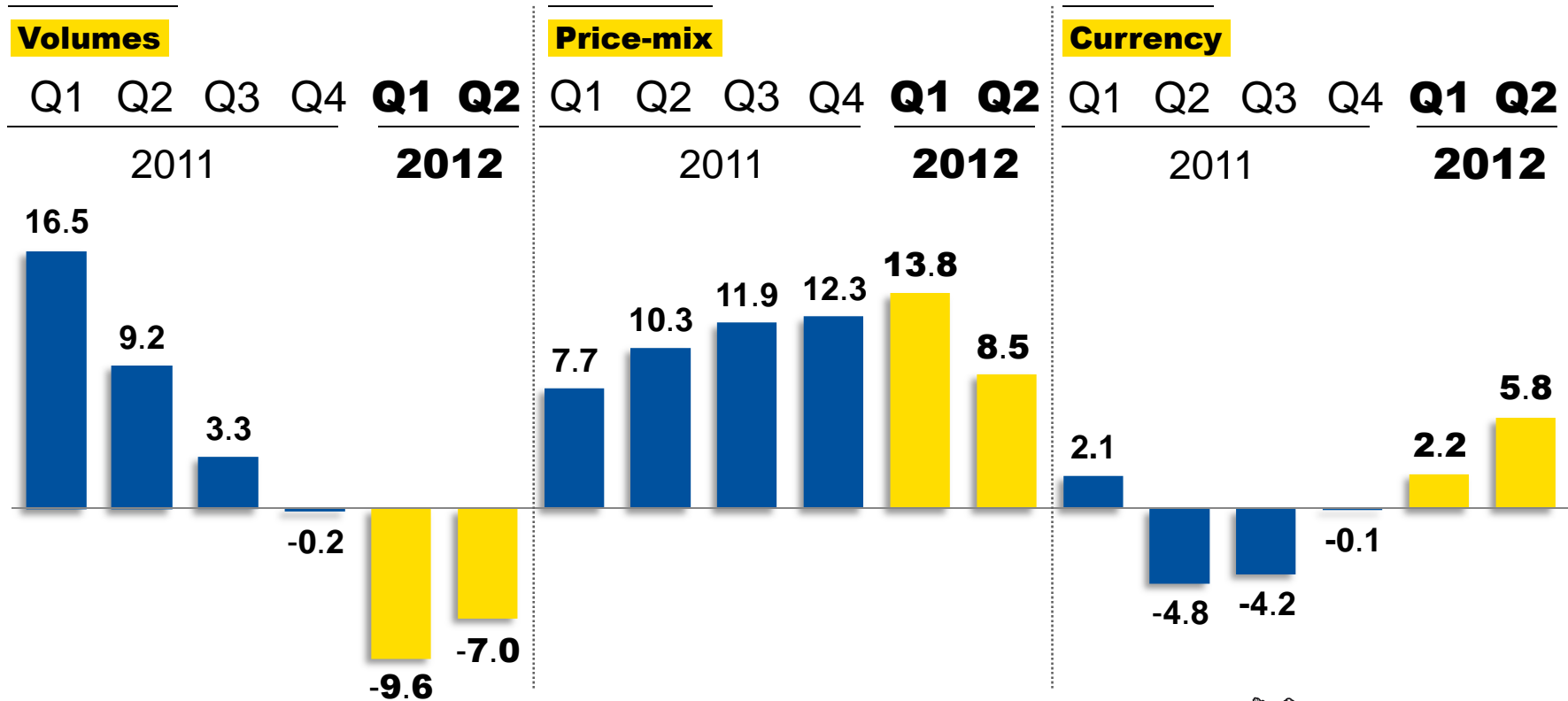
(in € millions and as a % of net sales)





Volumes: Impact of Dealers Inventory Policy Price-mix: Impact of 2011 Increases and Clauses

% change YoY

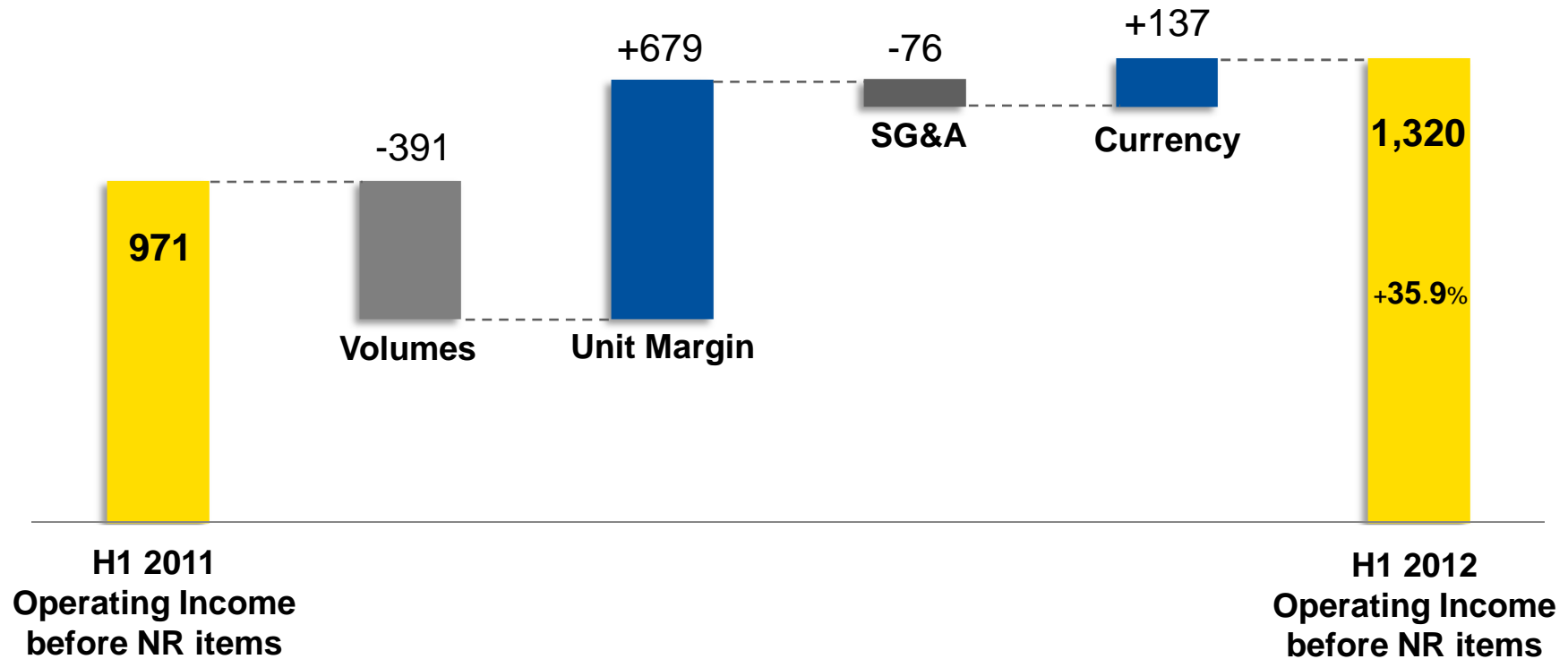




Growth in Operating Income Led by an Improved Unit Margin

YoY change

(in € millions)

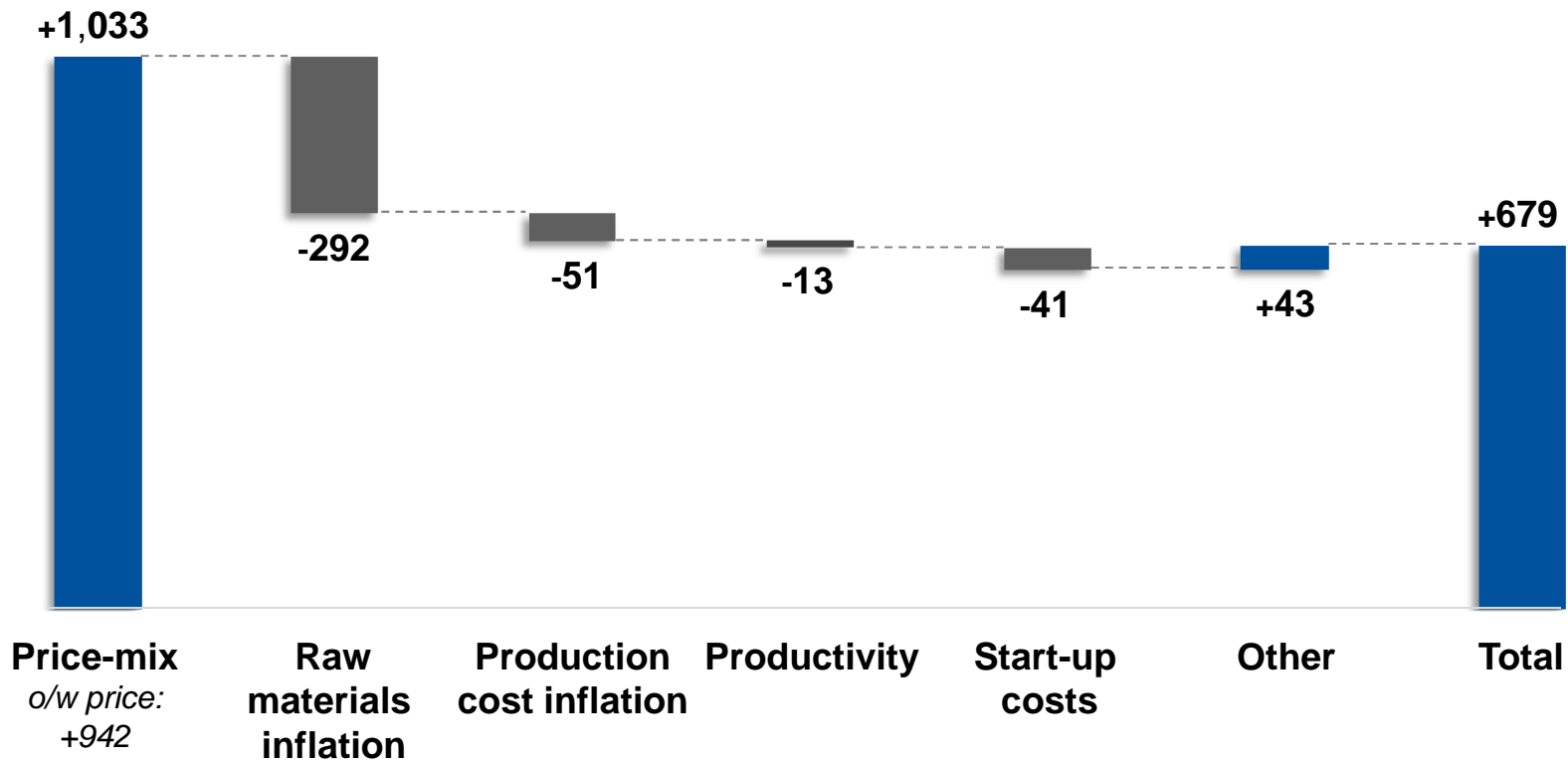




Favorable Combination of a Strong Price Effect and a Less Negative Impact from Raw Materials

YoY change in unit margin components

(in € millions)





Outlays to Drive New Growth

YoY change in SG&A

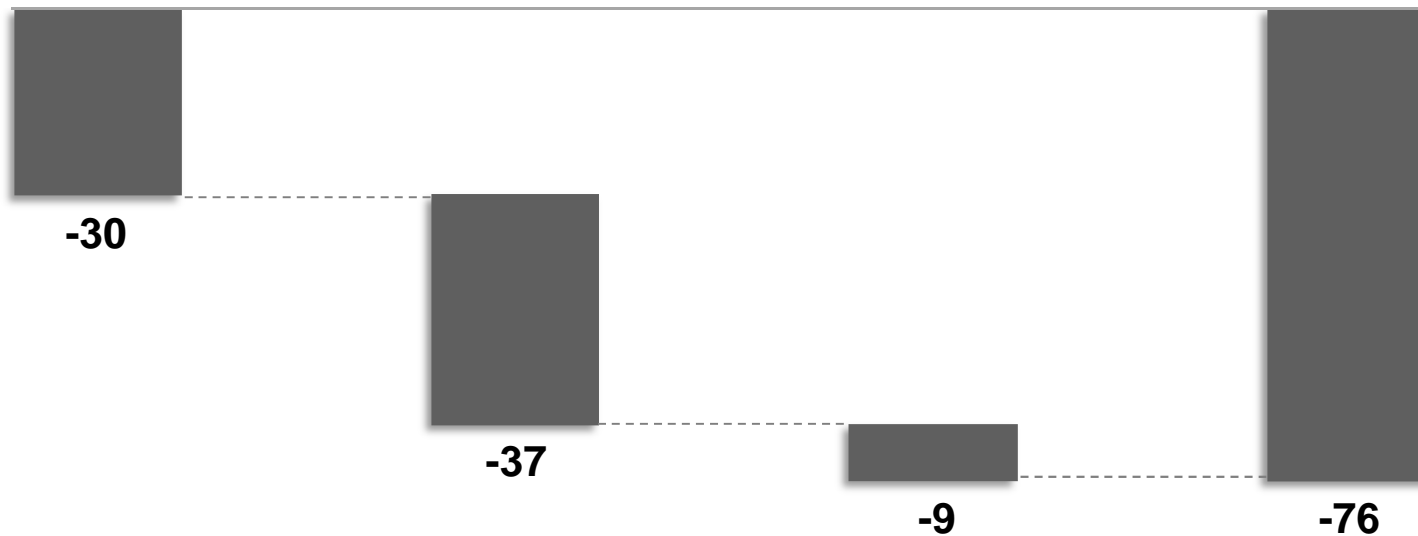
(in € millions)

Cost of driving growth
*(New markets,
R&D, communication)*

Inflation

Other

Total

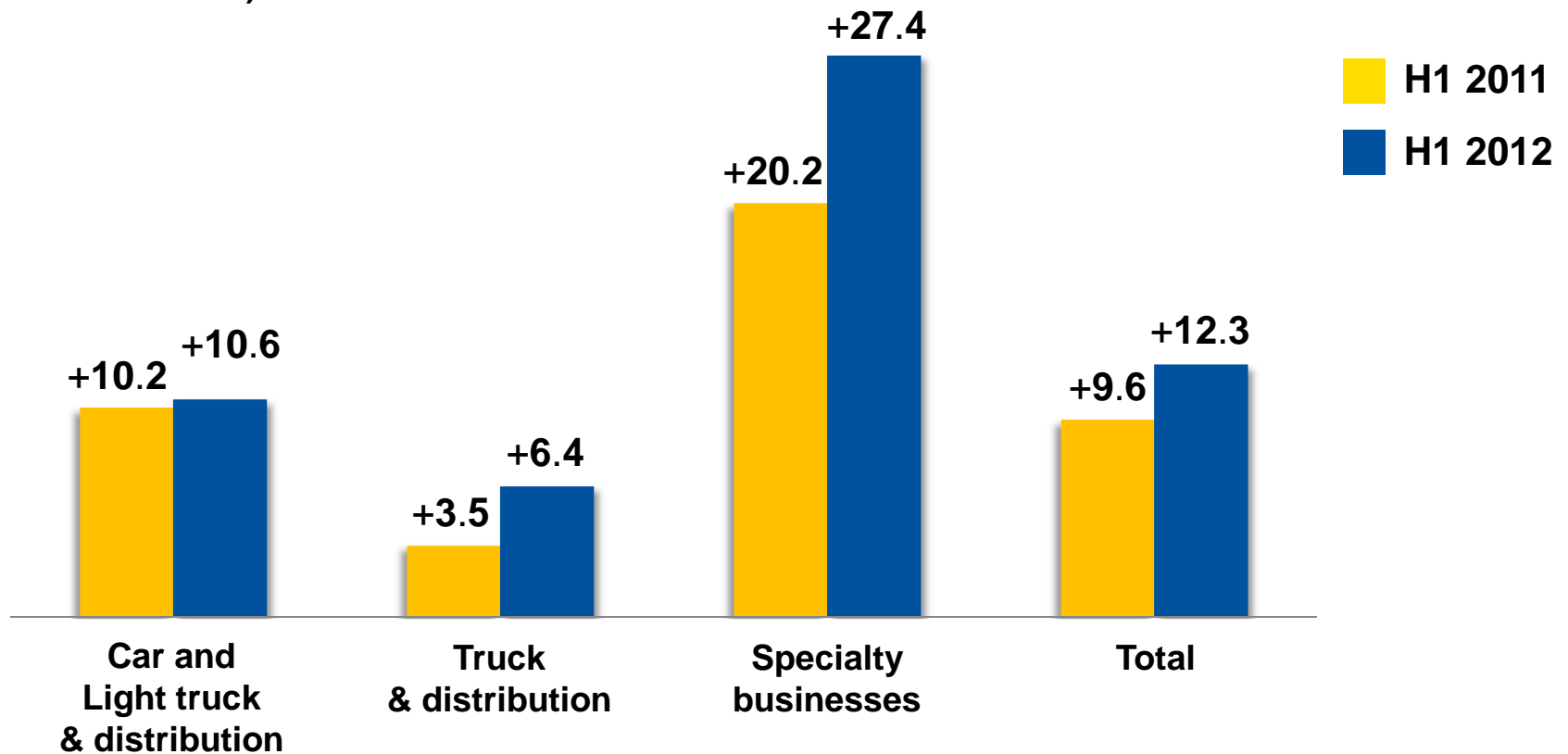




Operating Margin up in Every Business

Operating margin before non-recurring items

(as a % of net sales)





Passenger Car and Light Truck Tires and Related Distribution: Robust Margins

Passenger car and Light truck



In € millions	H1 2012	H1 2011	% Change
Net Sales	5,501	5,252	+4.7%
Volume Change	-6.4%		
Operating Income (before non-recurring items)	581	535	+8.6%
Operating Margin (before non-recurring items)	10.6%	10.2%	+0.4 pts

- High prior-year volume comparatives given the timing of Group price increases in 2011
- Demonstrating the Group's technological strengths to carmaker partners





Truck Tires and Related Distribution: Improving Margins

Truck



In € millions	H1 2012	H1 2011	% Change
Net Sales	3,269	3,266	+0.1%
Volume Change	-15.5%		
Operating Income (before non-recurring items)	209	115	+81.7%
Operating Margin (before non-recurring items)	6.4%	3.5%	+2.9 pts

- Improving margins, particularly in North America
- Margins lifted in the first half by:
 - Lower raw materials costs
 - The full impact of last year's price increases





Specialty Tires: Confirmed Structural Profitability; Favorable Raw Materials Price Environment

Specialty businesses



In € millions	H1 2012	H1 2011	% Change
Net Sales	1,936	1,587	+22.0%
Volume Change	+3.5%		
Operating Income (before non-recurring items)	530	321	+65.1%
Operating Margin (before non-recurring items)	27.4%	20.2%	+7.2 pts

- Structurally high margins
- A particularly favorable environment, shaped by:
 - Application of raw materials clauses that still resulted in price increases in the first half
 - Raw materials costs





03

A solid financial profile





Free Cash Flow at Breakeven despite the Usual Seasonal Effects

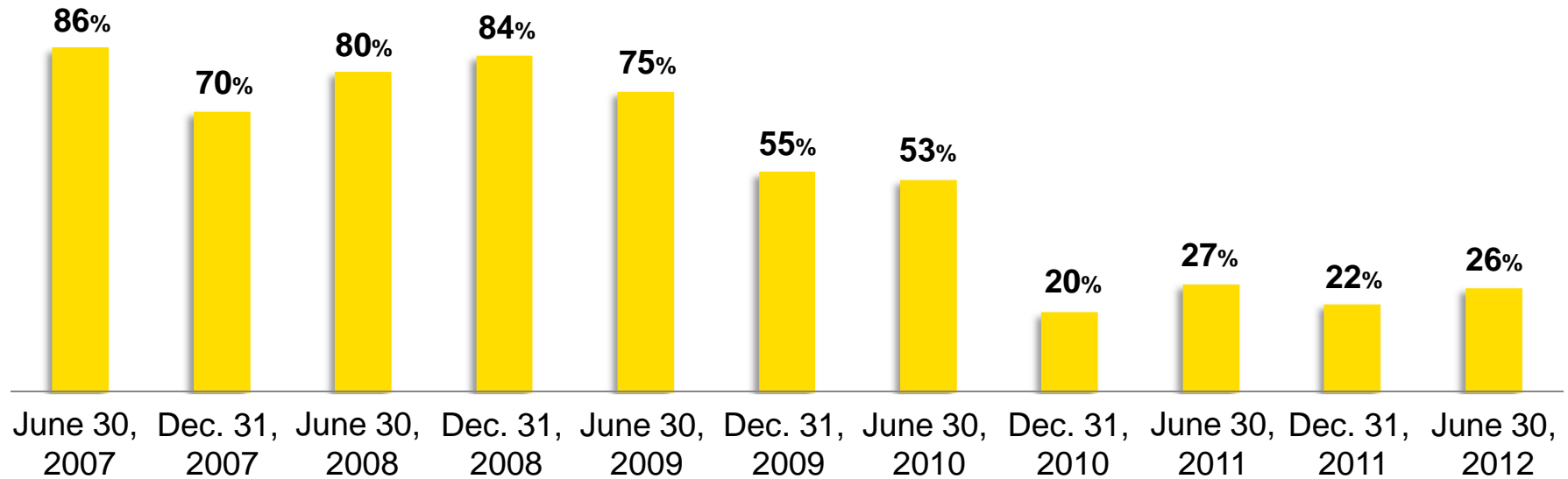
In € millions	H1 2012	H1 2011
EBITDA	1,823	1,440
Change in WCR	(740)	(1,136)
Restructuring Cash Costs	(45)	(70)
Change in Operating Provisions	29	36
Other Operating WCR	60	58
Cash Flow from Operations	1,127	328
Taxes and Interest Paid	(384)	(286)
Routine Capital Expenditure (Maintenance, IS/IT, Dealerships)	(225)	(234)
Available Cash Flow	518	(192)
Growth Investments	(435)	(320)
Other Cash Flow from Investing Activities	(76)	(122)
Free Cash Flow after capital expenditure	7	(634)





A Robust Balance Sheet

Gearing – Net debt/equity



S&P and Moody's have upgraded their ratings to respectively BBB+ and Baa1





04

An environment that plays to Michelin's strengths





MICHELIN Lines: the Best Balance of Performance Recognized by EU Gradings

■ Gradings of the summer tire lines

- **A** in wet grip
 - *Energy Saver,*
 - *Primacy 3, Pilot Super Sport,*
 - *Pilot Sport 3*
- **B** or **C** in energy efficiency
 - *Energy Saver,*
 - *Primacy 3*



■ Relevant criteria for assessing a tire's grading

- *Approval as original equipment*
- *Availability as a replacement in the market's main sizes*
- *Consistent performance*

Note that most of the Sport lines have been graded E, reflecting a specific performance balance by combining high total mileage and strong grip, even in extreme driving conditions.





Michelin Welcomes the Regulation and Delivers more than just the Graded Performance

■ MICHELIN Total Performance



Showcasing all of the tire's technology

MICHELIN tires deliver more than just the graded performance:
dry braking, cornering grip, comfortable ride, high mileage, etc.



An Ambitious New Capacity Program

- **4 new plants being built**
 - *Brazil: Passenger car and Light truck tires*
 - *China: Truck tires, Passenger car and Light truck tires*
 - *India: Truck tires*
 - *United States: Mining tires*

- **Future teams now being trained in the Group**

- **First tires will have rolled off all of the lines by end-2013**

- **On budget, in local currency costs**





Brazil: Passenger Car and Light Truck Tire Plant

- First tire produced on schedule: February 9, 2012
- Training and ramp-up on schedule





China: 2 Plants – Truck and Passenger Car & Light Truck Tires

- New machines being tested in the existing plant
- First Truck tire in Q3 2012
- First Passenger car and Light truck tire in H1 2013





India: Truck Tire Plant

- First tire to roll out in 2013





USA: Increasing Earthmover Tire Capacity in Line with Demand

■ New capacity in the United States

- *New plant in Anderson*
- *Marginal capacity upgrade in Lexington*
- *Capex: \$750m*



■ Good visibility

- *Technological barrier to entry*
- *Favorable customer mix*
- *Multi-year contracts*





05

Outlook





2012 Guidance

- **Clear increase in operating income**
- **Positive free cash flow after capital expenditure**
 - *Around €2,000 million in capex*
- **Slight decline in volumes**
 - *Still uncertain environment, mainly in Europe*
 - *Annual tonnages down around 3% to 5%*
- **Raw materials tailwind of around €100m in the second half**





Key Takeaways

- **Benefits from the Group's global presence in every market segment**
- **Confidence in the quality of management in 2012**
- **Sustained priority focus on investing in technology**

Medium-term prospects will be revised in September



Appendix

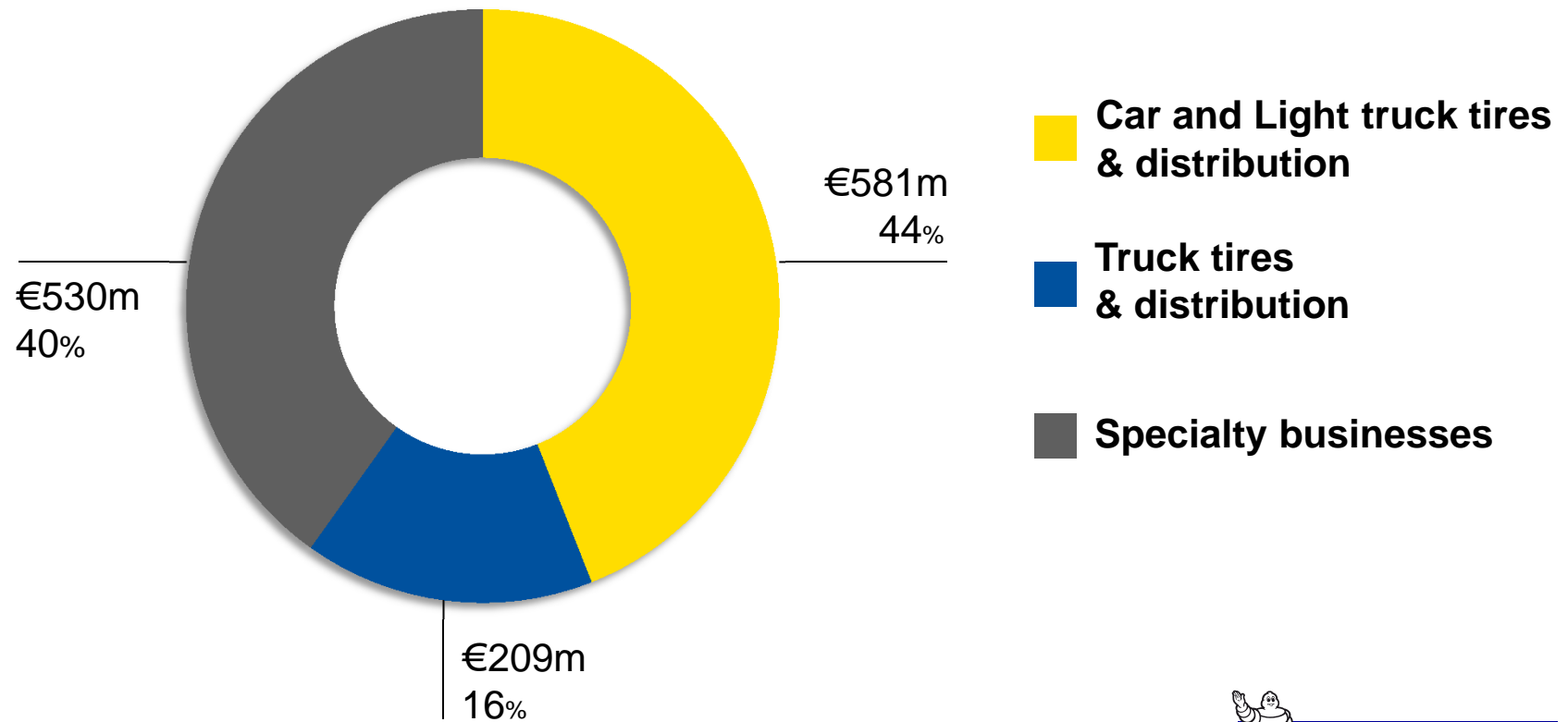




A Balanced Business Base

Share of operating income, by reporting segment

(in € millions and as a % of H1 2012 consolidated operating income)





Net Income up Sharply

Summary reported 2012 and 2011 income statements

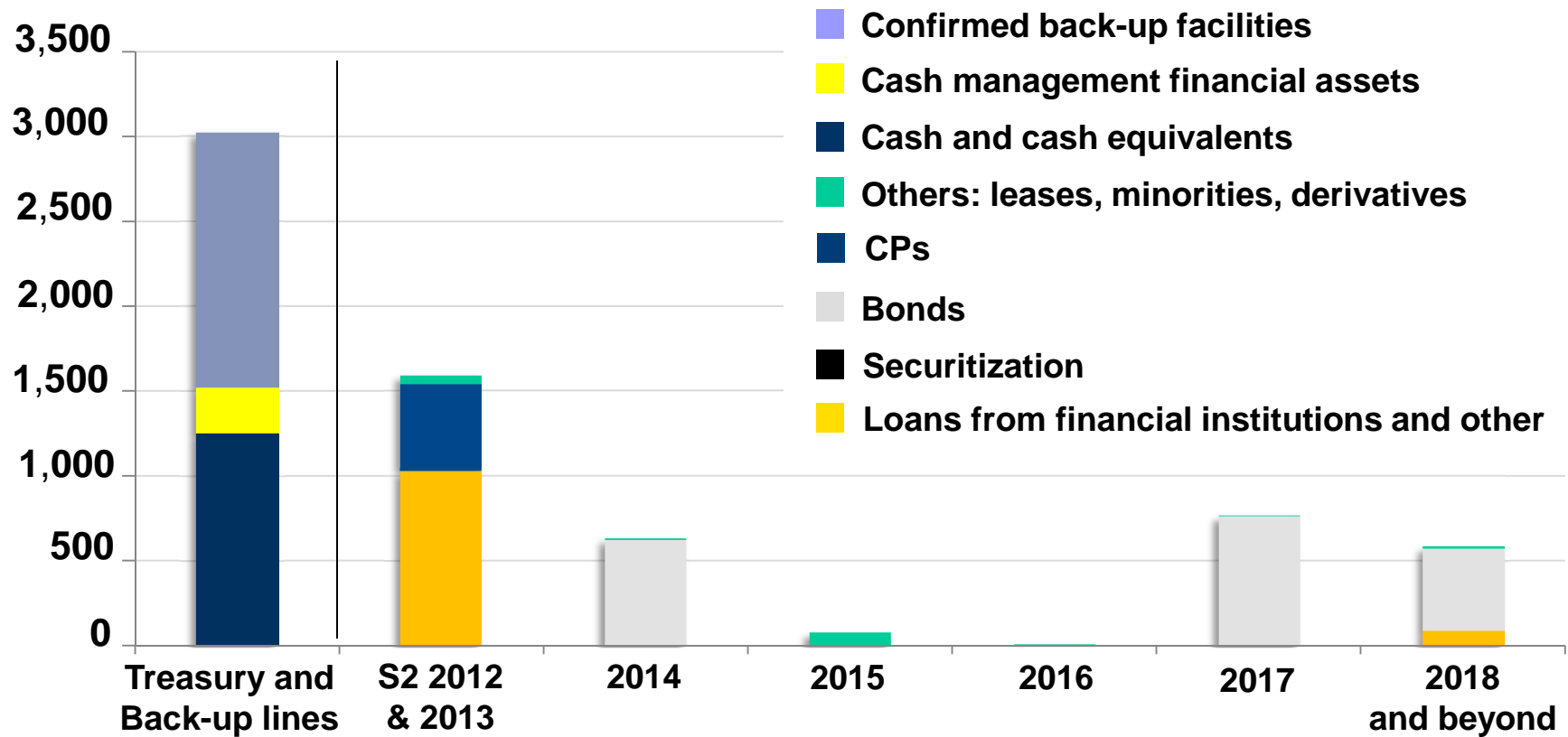
In € millions	H1 2012	H1 2011
Net Sales	10,706	10,105
Operating Income before Non-Recurring Items	1,320	971
% of net sales	12.3%	9.6%
Non-Recurring Items	97	-
Operating Income	1,417	971
Cost of Net Debt	(83)	(88)
Other Financial Income and Expenses	(9)	8
Share of Profit from Associates	4	8
Tax	(414)	(232)
Net Income	915	667





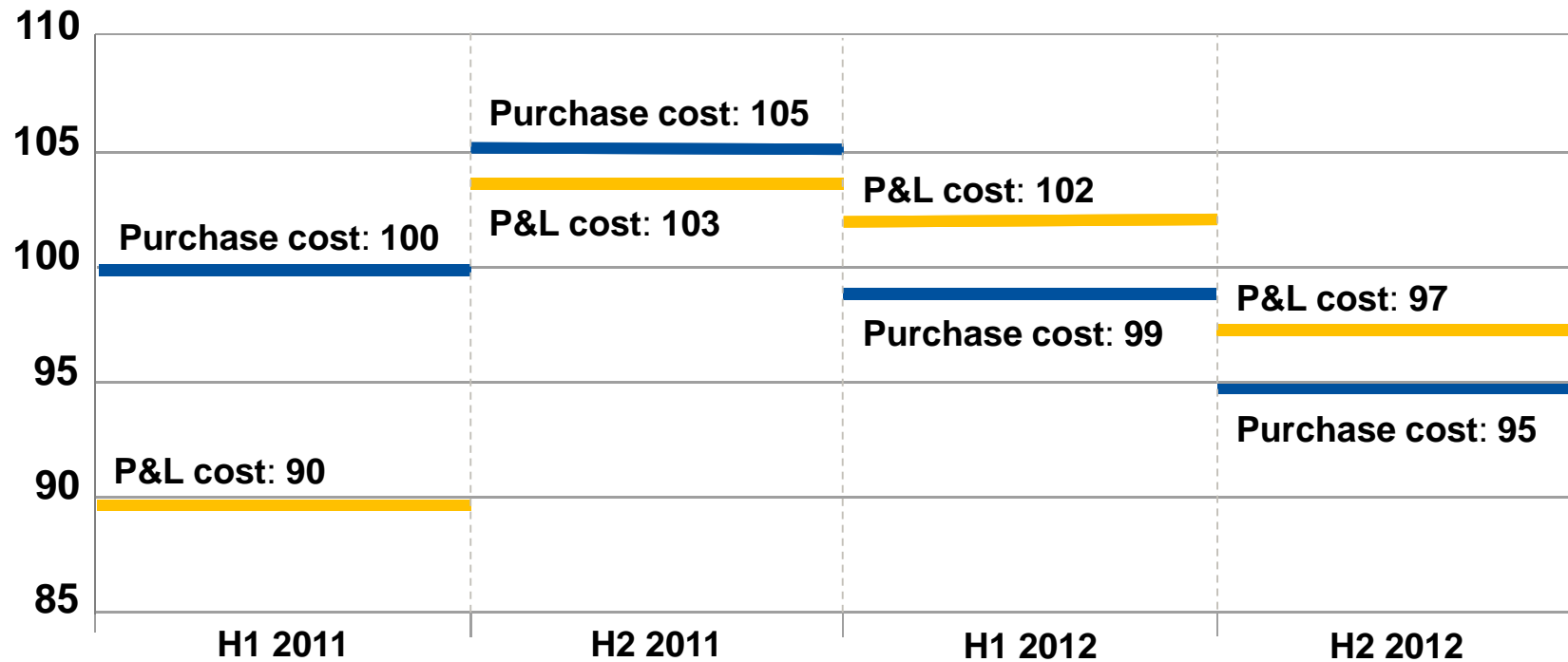
A Comfortable Cash Position

Debt maturity as of June 30, 2012 (nominal value, in € millions)



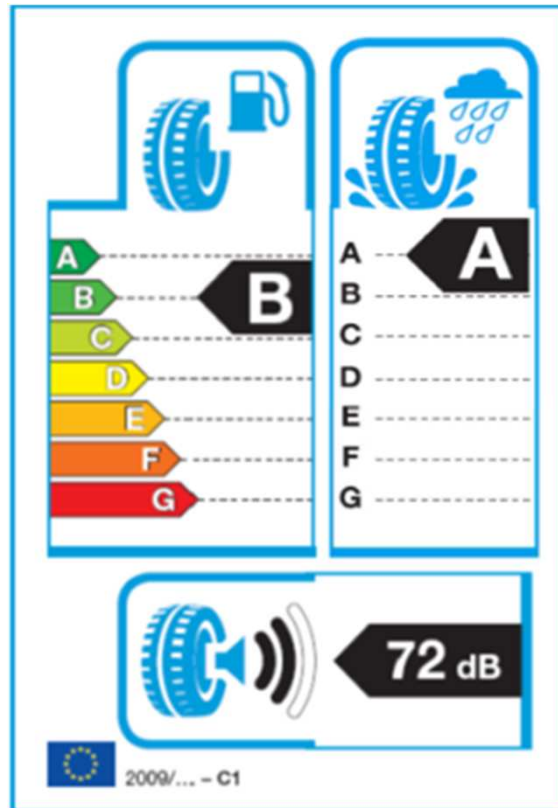


Raw Materials Tailwind in the Second Half





Tire Performance Evaluation System in Europe



Label

- Performance thresholds in 3 areas
 - *Rolling resistance*
 - *Wet grip*
 - *Noise*
- Classes
 - *A-B-C-E-F-G*
 - *Current excellent class = C*
- Implementation in 2012
- Thresholds scheduled to be lowered from 2016





Regulation to be Gradually Introduced

■ Agenda

- *Grading*

- *Nov 1, 2012: mandatory grading on all tires*

- *Threshold*

- *Nov 1, 2012: new tire lines*

- *Nov 1, 2013: new tire lines + tires on new cars*

- *Nov 1, 2014: all tires*

■ Initial impacts

- *Better education of end-user*

- *Marketing tool*





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