



NORTH AMERICA CITI

April, 2013



Key Takeaways

- ▶ 1st quarter in line with the annual outlook presented in February
- ▶ Carefully managed pricing policy
- ▶ Demand seems to be firming up in April
- ▶ 2013 guidance confirmed

Net Sales of €4,877 million

- ▶ **Demand** weak in the Passenger Car & Light Truck markets in Europe, disappointing in North America, expanding quickly in the new markets
- ▶ **Volumes** down 4.3%, reflecting:
 - The different market trends between the mature and the growth regions
 - The decline in OE business, particularly in earthmover tires
 - The two or three fewer business days, depending on the region, which account for more than 3%
- ▶ **Price-Mix** shifted to a negative 2.7%, reflecting:
 - The impact of indexation clauses as raw materials costs declined
 - The carefully managed price repositioning, targeted on certain tire sizes

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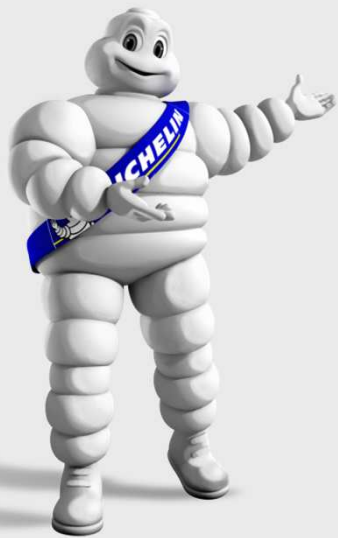
NET SALES



- 1 CONTRASTED, LACKLUSTER MARKETS
- 2 NET SALES IN LINE WITH ANNUAL OUTLOOK
- 3 REPORTING SEGMENTS
- 4 2013 GUIDANCE

April 22, 2013

NET SALES



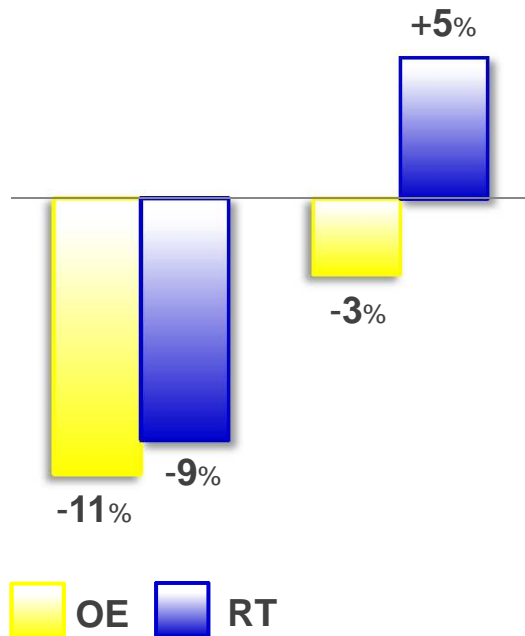
CONTRASTED, LACKLUSTER MARKETS

Europe: Softer Demand, and a Weak March



Markets at March 31, 2013

(% change YoY, based on number of radial tires)



Passenger Car & Light Truck:

► Impact of winter weather in March

- Winter to summer tire changeover postponed until April
- Germany: down 23% in March
- Nordic countries: down 11% in March

► Dealer inventory:

- **Summer:** no excess inventory
- **Winter:** still high despite a decline from end 2012

Truck:

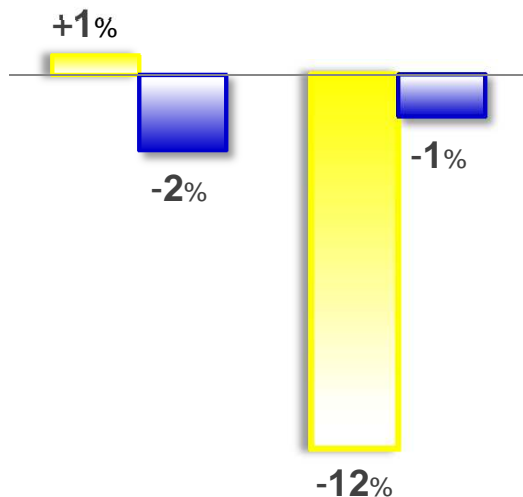
- Stable at a low level in Western Europe
- As a result, dealer inventory is edging back up

North America: Disappointing Markets



Markets at March 31, 2013

(% change YoY, based on number of radial tires)



■ OE ■ RT

Passenger Car & Light Truck:

- ▶ Dealers carefully managing inventory
 - Sell in < Sell out
 - Low dealer inventory

Truck:

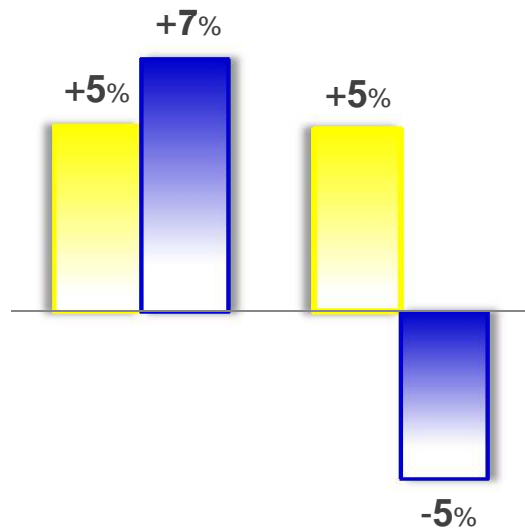
- ▶ Dealer inventory stable
- ▶ OE impacted by slowing truckmaker output and comparison with the upturn in 1Q-2012

Asia excluding India: as Expected, Demand is Generally Trending Upwards



Markets at March 31, 2013

(% change YoY, based on number of radial tires)



■ OE ■ RT

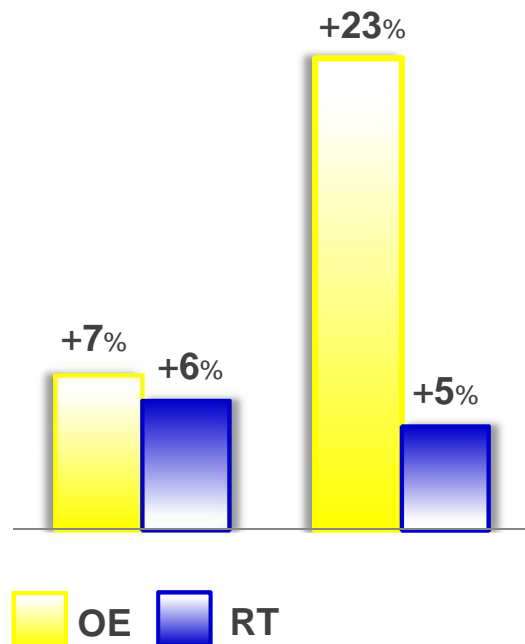
- ▶ Return to long-term growth trends
- ▶ Replacement Truck tires in China:
 - Demand low during the New Year; improvement in March

South America: Robust Market Growth



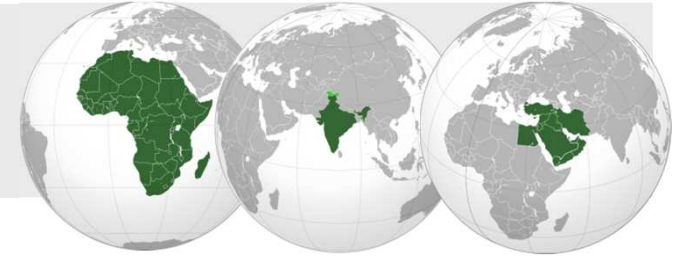
Markets at March 31, 2013

(% change YoY, based on number of radial tires)



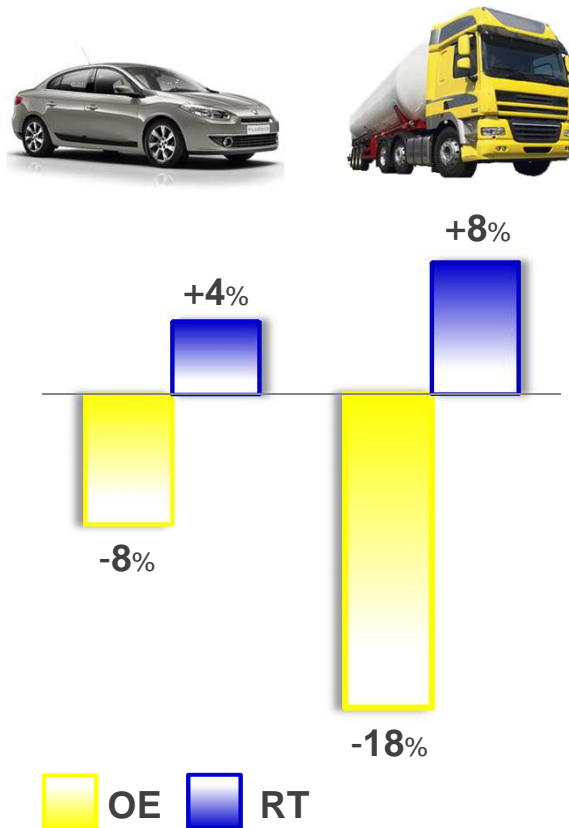
- ▶ More favorable economic environment
- ▶ Demand trending upwards across the region
- ▶ OE Truck boosted by prior-year comparatives impacted by the introduction of Euro V standards

Africa India Middle East: Markets Generally Expanding



Markets at March 31, 2013

(% change YoY, based on number of radial tires)



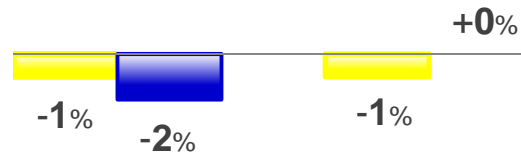
- ▶ Demand volatile in India, especially in OE Truck; more buoyant in the rest of the region
- ▶ Markets impacted by geopolitical conditions in certain countries in the region

A Contracting Global Market



Markets at March 31, 2013

(% change YoY, based on number of radial tires)



■ OE ■ RT

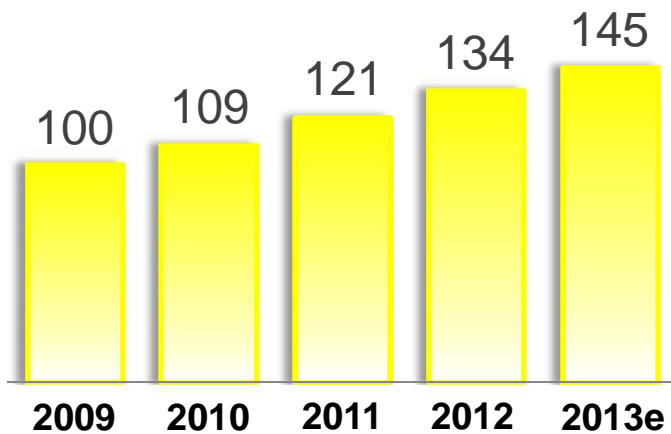
► Demand varied by region:

- Weak in Europe in Passenger Car & Light Truck
- Disappointing in North America
- Growing in the new markets, without fully offsetting the weakness in mature regions

Earthmover Tires: Mining Sector still Buoyant, Other Markets more Sensitive to the Business Cycle

Mining tire market

(in tonnes, base 100 in 2009)

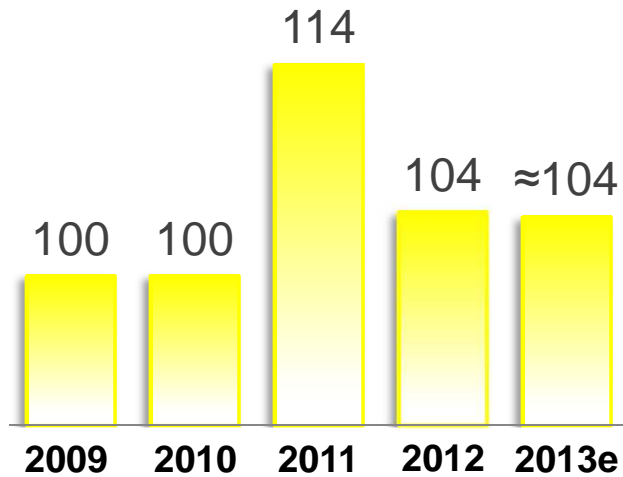


- ▶ Mining: still buoyant demand for giant tires
- ▶ Other earthmover segments: difficult markets
 - OE: sharp drop
 - Infrastructure: lackluster demand in mature regions

Agricultural Tires: Market almost Flat

Agricultural tire market

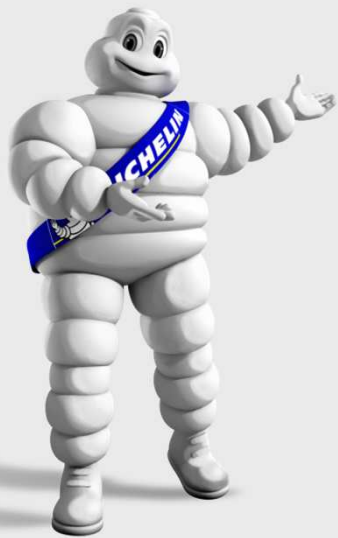
(in tonnes, base 100 in 2009)



- ▶ OE still firm
- ▶ Replacement down slightly while awaiting more favorable weather conditions
- ▶ Growing demand for technical tires

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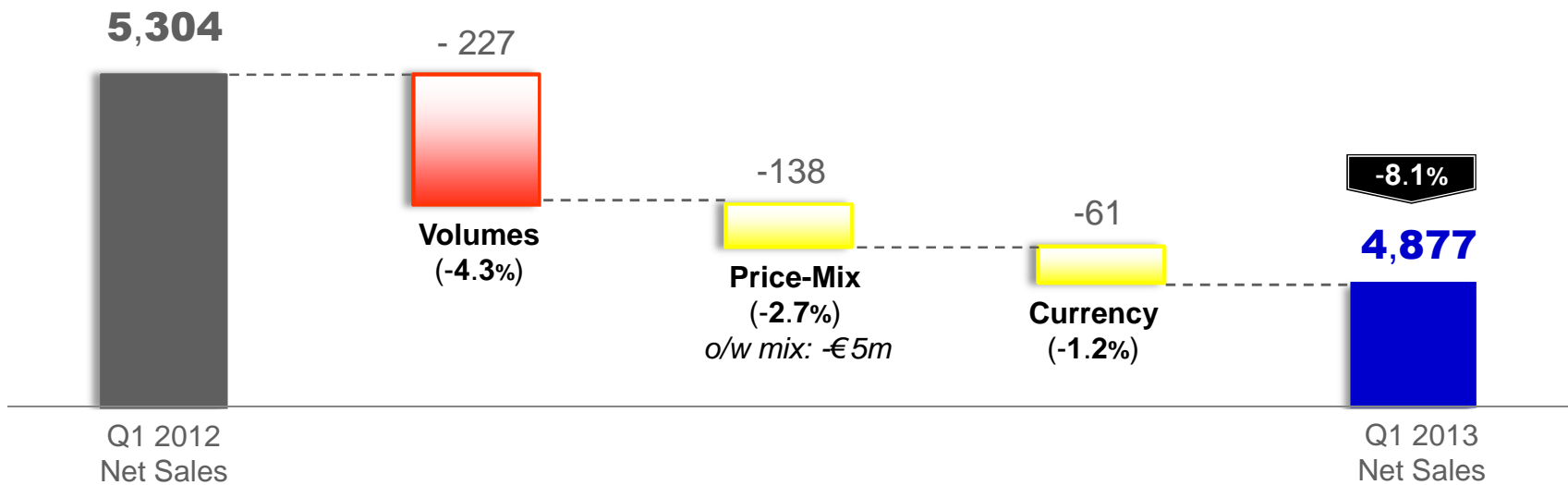
NET SALES



NET SALES IN LINE WITH ANNUAL OUTLOOK

Net sales in Line with Annual Outlook

YoY change
(in € millions)

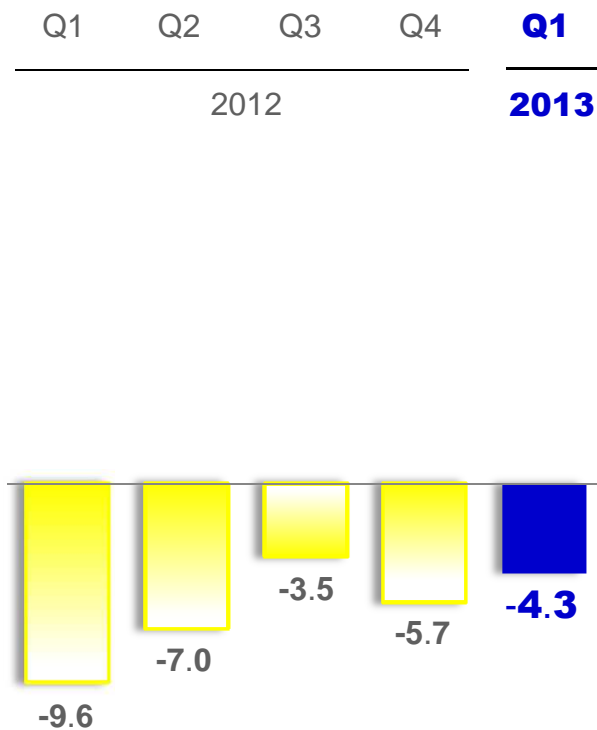


Volumes: in Line with Demand

Prices: Flexibility thanks to Raw Materials Costs

Change YoY (in %)

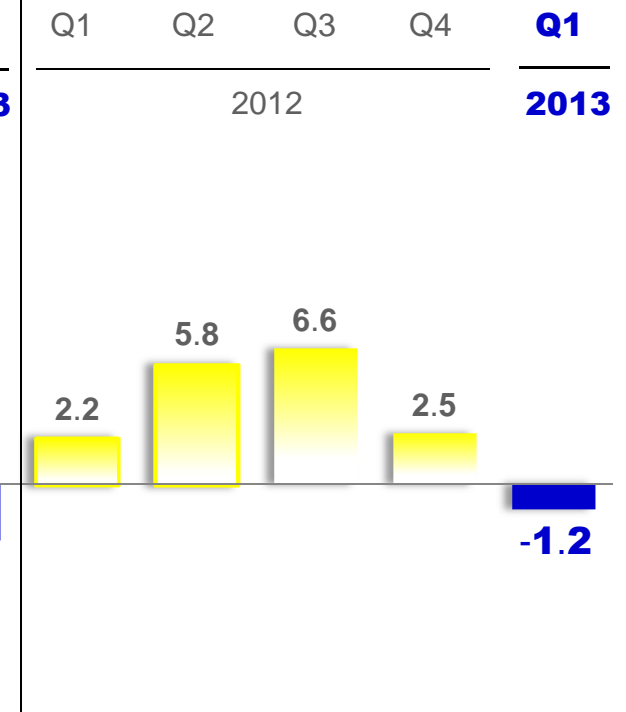
► Volumes



► Price-mix

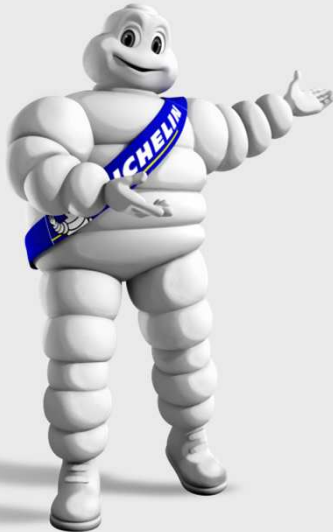


► Currency



April 22, 2013

NET SALES



3 REPORTING SEGMENTS



Passenger Car & LT and Related Distribution: Weak Mature Markets and Carefully Managed Price Repositioning

Passenger car and Light truck (in € millions)



	Q1 2013	Q1 2012	Change
Net Sales	2,582	2,760	-6.5%
Volume growth	-2.8%		

► Volumes

- The new markets are not completely offsetting weakening demand in mature markets
- Integrated dealer sell-out slowed by weather conditions in March, in Europe

► Price-Mix

- Price: carefully managed repositioning
- Mix: favorable, led by the 17" & + segment

Truck and Associated Distribution: Stabilizing over Q4 2012

Truck

(in € millions)



	Q1 2013	Q1 2012	Change
Net Sales	1,477	1,604	-7.9%
Volume growth	-5.6%		

- ▶ Priority focus on turning around the Truck tire business and restoring its margins
- ▶ Integrated dealer sell-out slowed by the economic environment, notably in Europe
- ▶ Unfavorable currency effect

Specialty: Mining still Buoyant but Other Segments more Sensitive to the Business Cycle

Specialty Businesses (in € millions)



	Q1 2013	Q1 2012	Change
Net Sales	818	940	-13.0%
Volume growth	-6.9%		

- ▶ Weak demand in OE Earthmover and the infrastructure segment
- ▶ Contractual price adjustments in the mining segment and in Earthmover and Agricultural OE
- ▶ Unfavorable currency effect

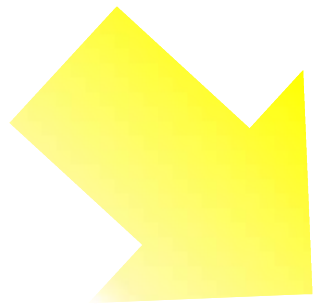
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NET SALES



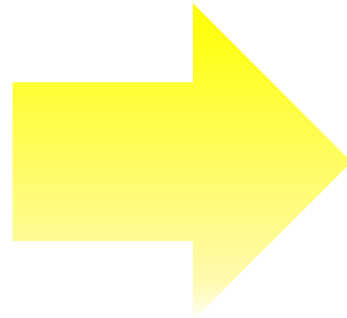
4 2013 GUIDANCE

2013 Markets: Outlook Presented in February Confirmed



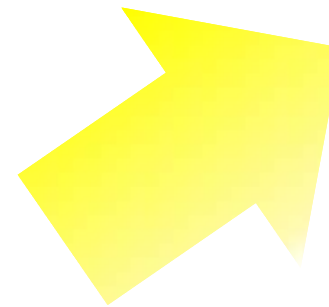
Europe

Car &
Light truck
+
Truck



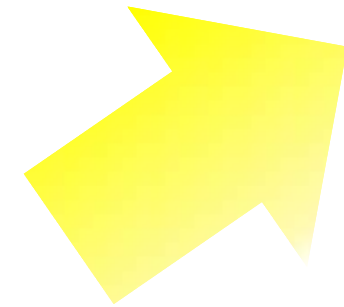
North America

Car &
Light truck
+
Truck



New markets

Car &
Light truck
+
Truck



Mining markets

2013 Guidance Confirmed

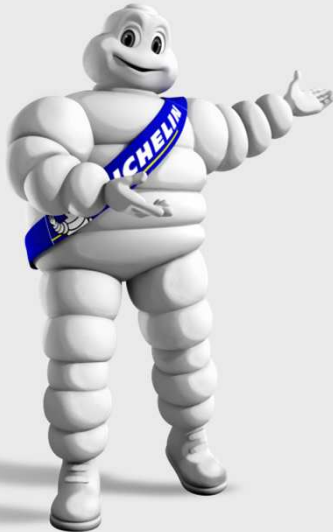
- ▶ Stable volumes
- ▶ Disciplined margin: still favorable price-mix/raw materials combo, at around €250-€300 million
 - Unfavorable price-mix mainly due to raw materials clauses and carefully managed strategic price repositioning
 - Around €550-million favorable impact from raw materials
- ▶ Stable operating income before non-recurring items
- ▶ Positive FCF
 - Around €2 billion in capex
- ▶ > 10% ROCE

Key Takeaways

- ▶ 1st quarter in line with the annual outlook presented in February
- ▶ Carefully managed pricing policy
- ▶ Demand seems to be firming up in April
- ▶ 2013 guidance confirmed
- ▶ October 2, 2013: Investor Day in the United States

April 22, 2013

NET SALES



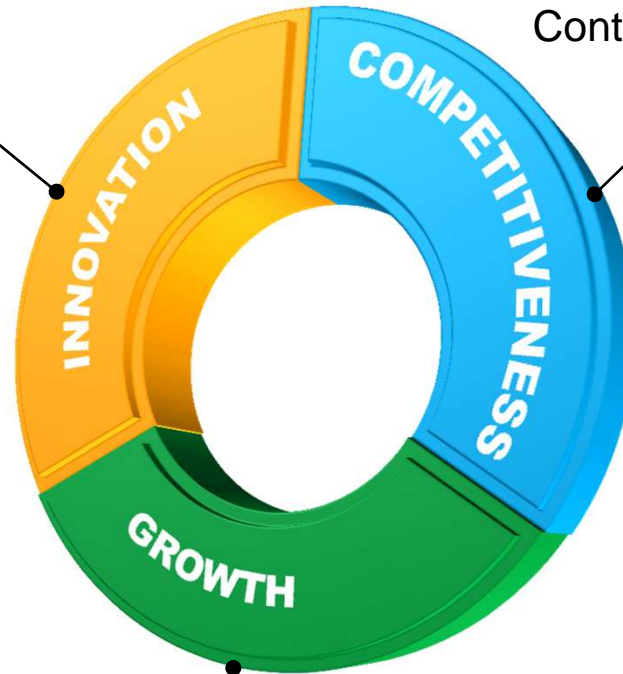
APPENDICES



The Three Strategic Pillars

1 Innovate to drive differentiation and loyalty

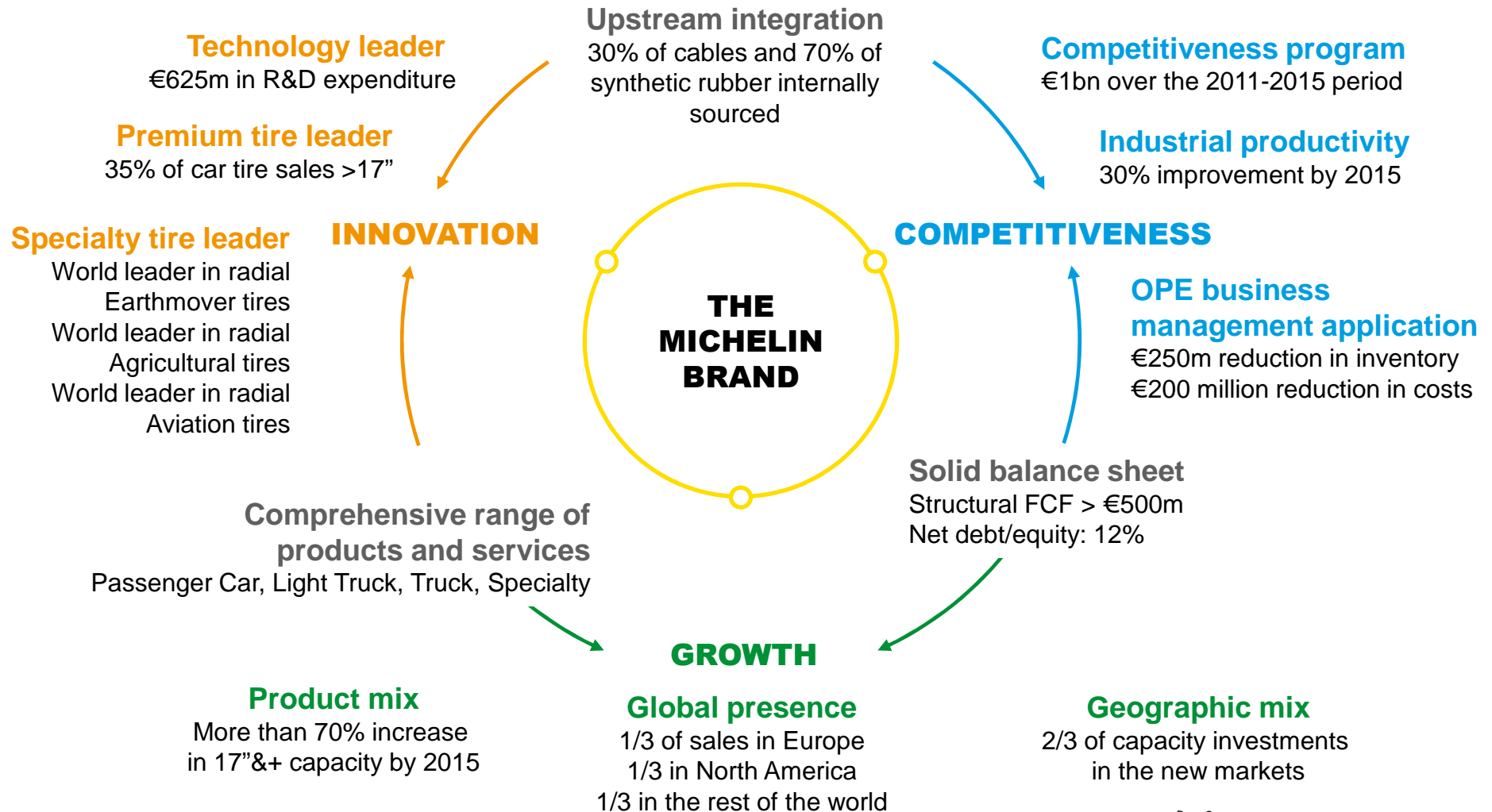
Continuously become more competitive **2**



3 Drive faster growth



A Strategy Built on Solid Competitive Strengths



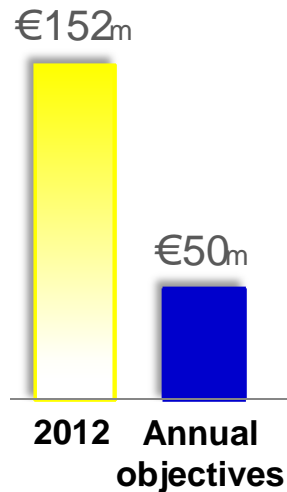
2012-2016 competitiveness plan: €1 billion (before inflation and including avoided costs)

	SG&A	Materials used	Manufacturing and Transport
Objective:	-€200m/ -€300m	-€200m	-€500m/ -€600m
Impacts operating income in:	SG&A	Unit gross margin	Unit gross margin / Productivity
Enablers	<ul style="list-style-type: none"> ▶ Efficiency program ▶ OPE ▶ Shared Service Centers, etc. 	<ul style="list-style-type: none"> ▶ New lines ▶ New materials ▶ Scrap process materials, etc. 	<ul style="list-style-type: none"> ▶ Best practices (MMW) ▶ Standardization ▶ Flexibility

Competitiveness Plan: €190 million in Gains in 2012, Held Back by Weak Volumes



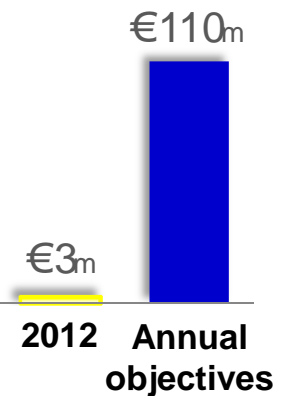
SG&A



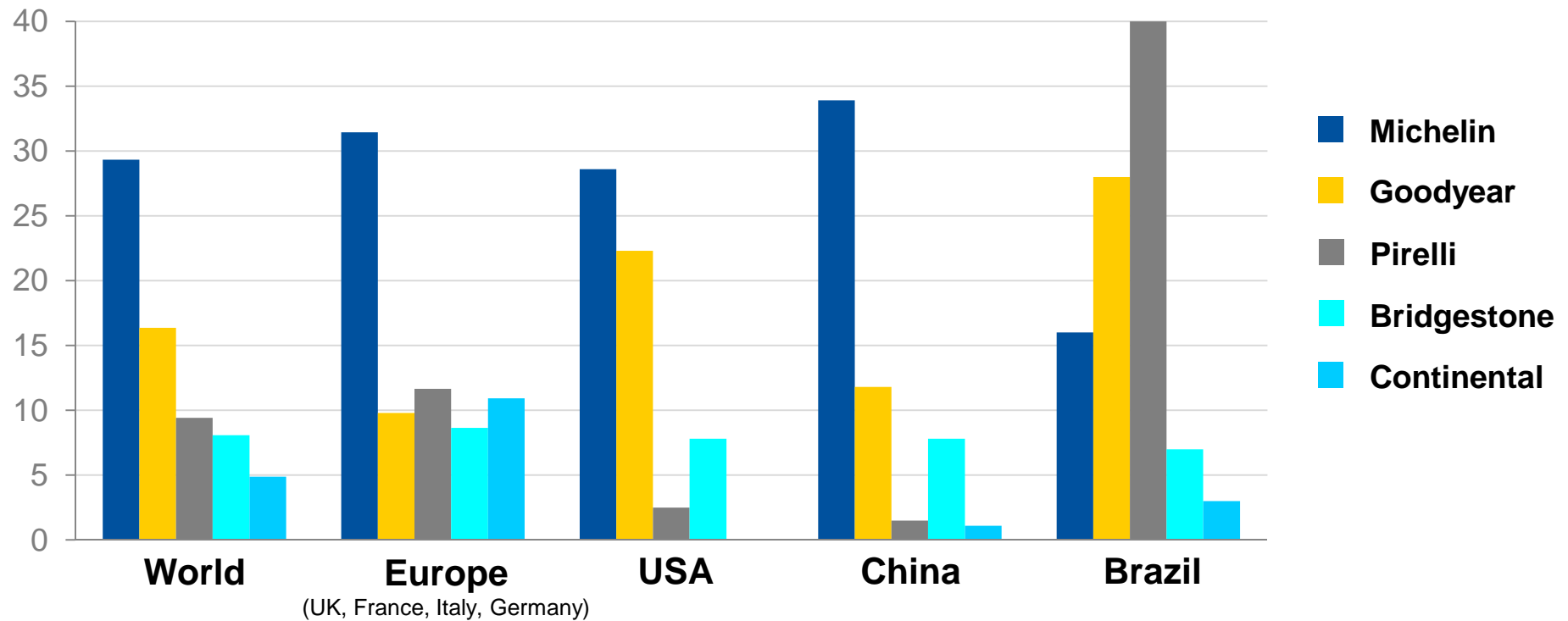
Materials



Manufacturing –
transport

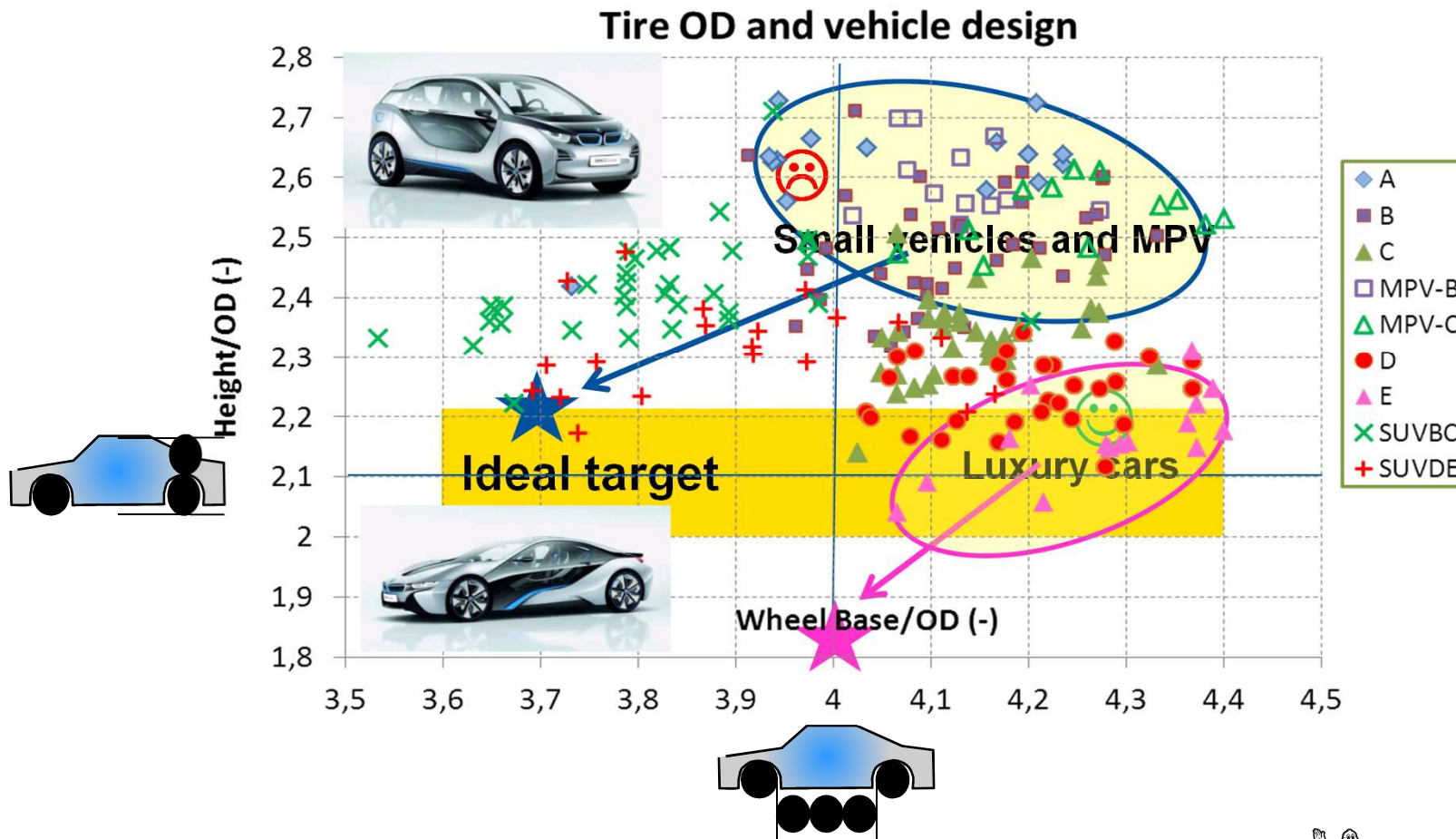


The Brand Preferred by Premium Consumers with Strong Equity across Key Geographies



Source: 2011 Results Brand Health Research, TNS, Lieberman and Nielsen

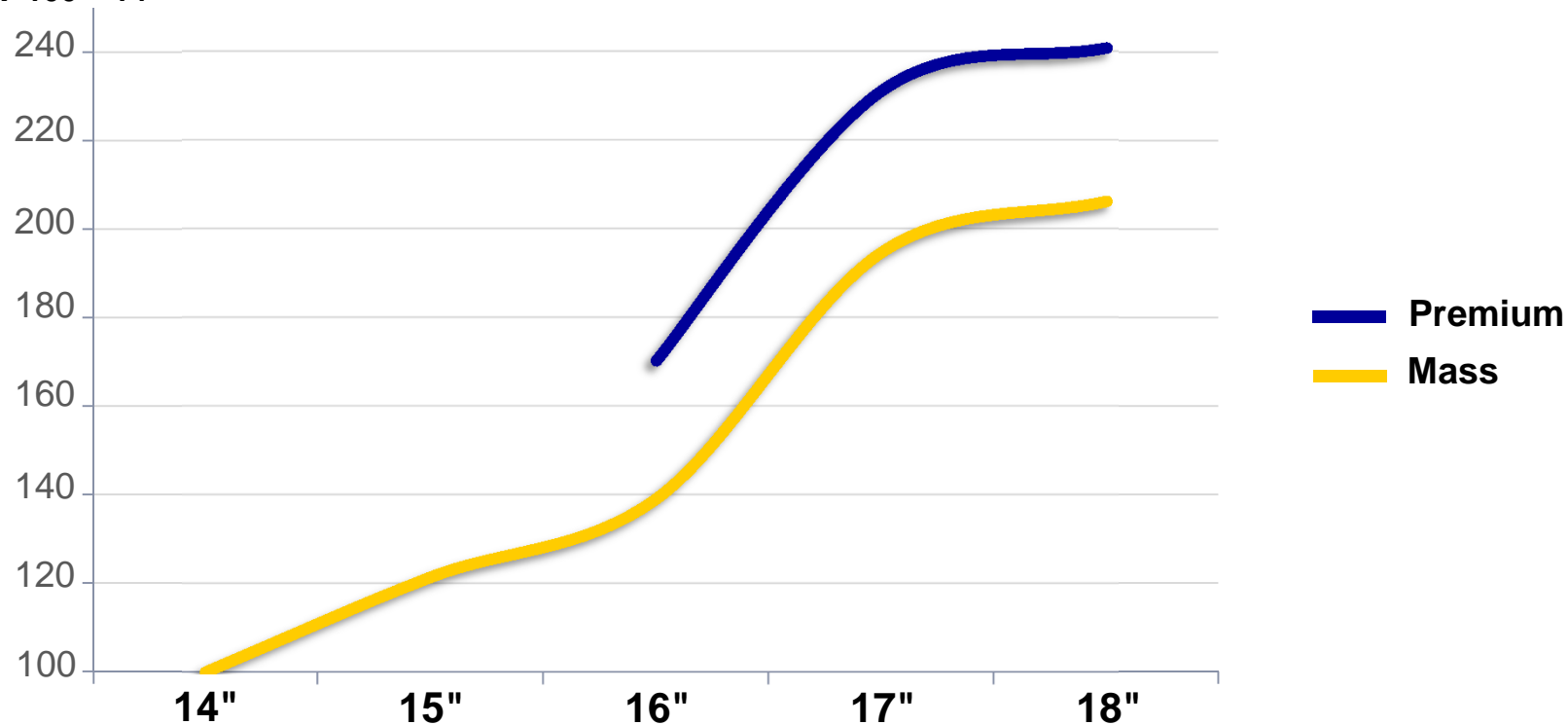
Car Design Drives Tire Premiumization: Trend for Bigger Wheel Diameter



Consumers are Ready to Premiumize Price Expectations Reflect Market Upgrading

Question: On average, what price would you be prepared to pay for a tyre?
We are talking about the tyre alone, not including fitting, balancing or valve-fitting.

Price expectation
Index 100 = 14"

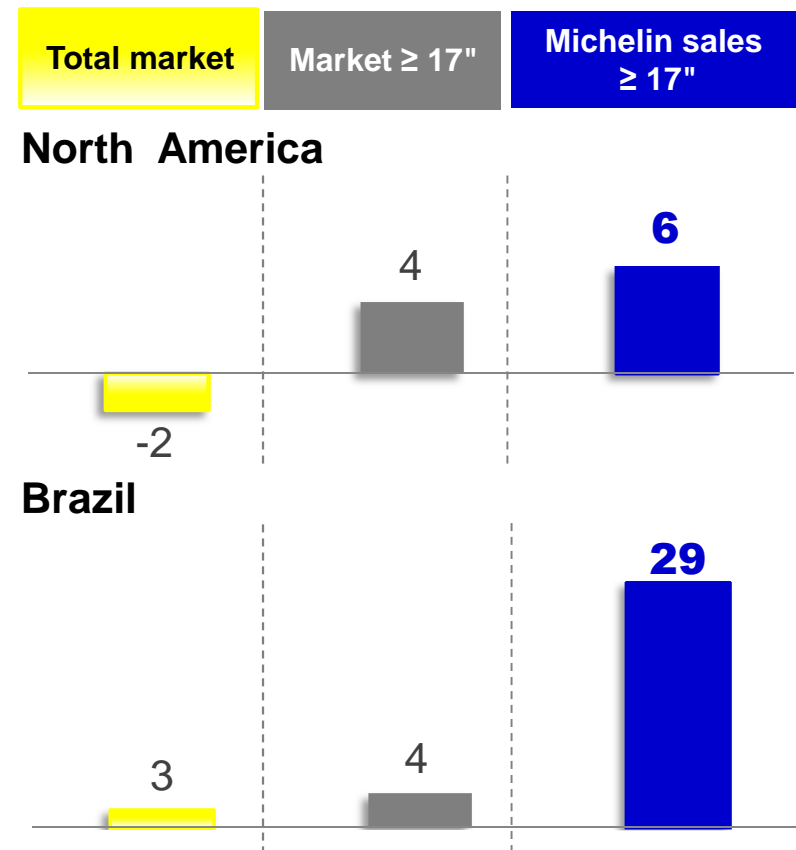
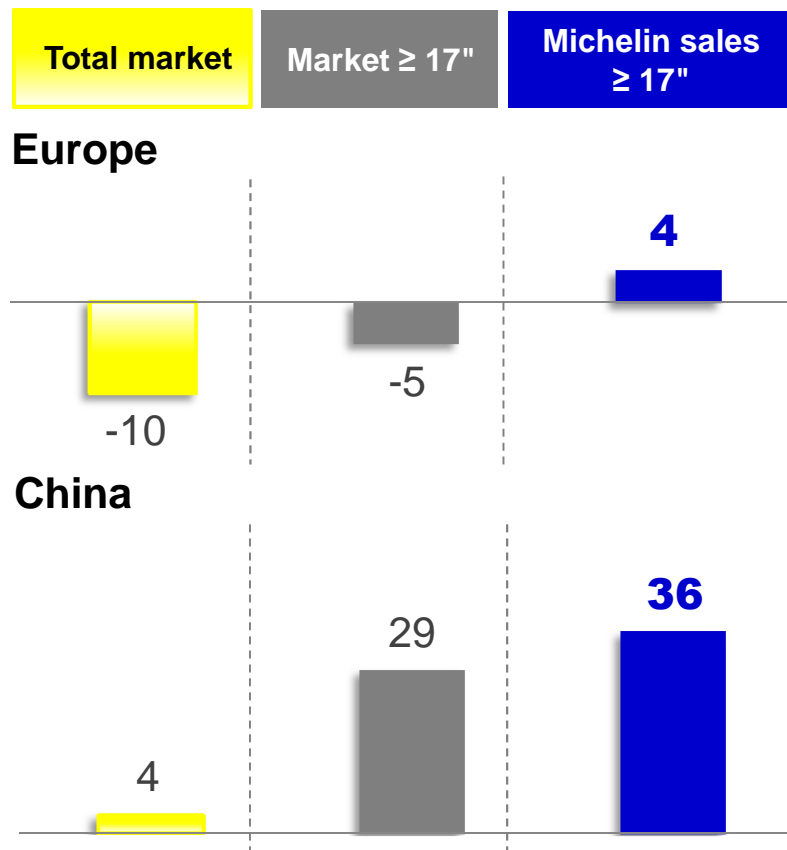


Source: Perceived value Survey Europe G5



PC/LT Premium: Strong Growth Opportunity Seized by Michelin

Growth in the replacement Car & Light truck market
(2012 vs. 2011 in %)

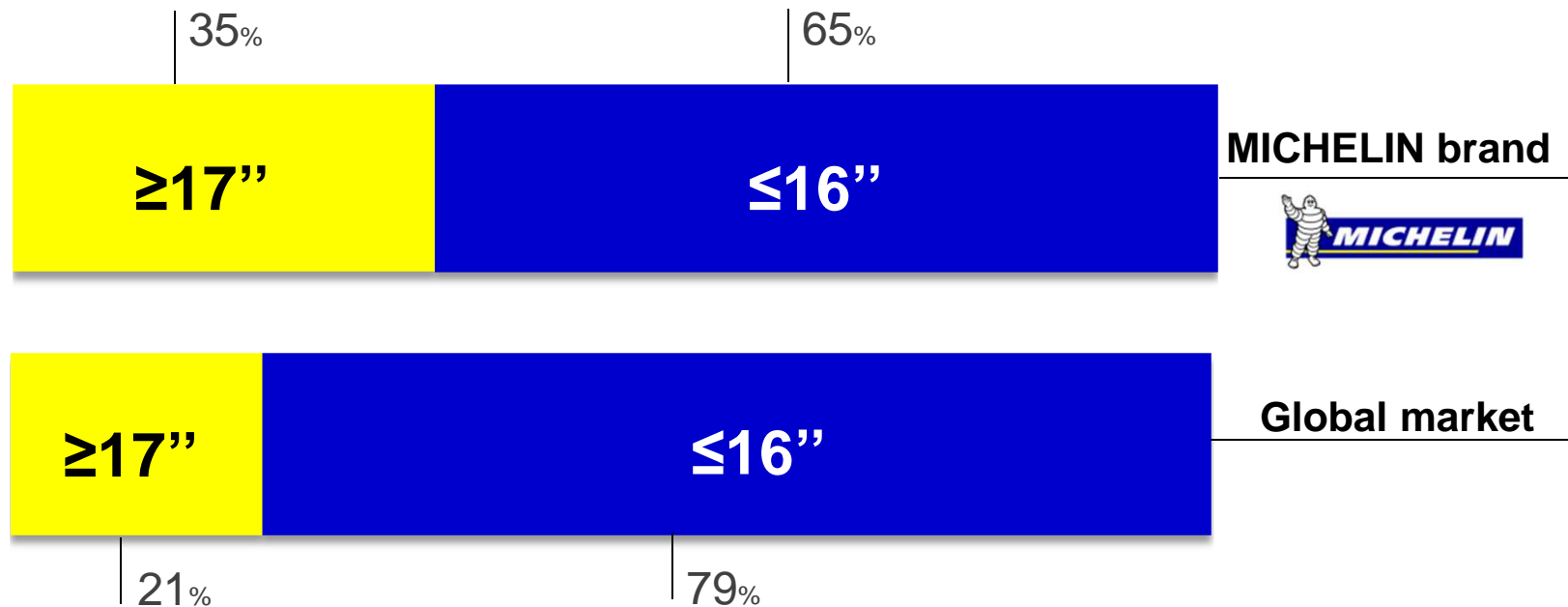


Source: Michelin

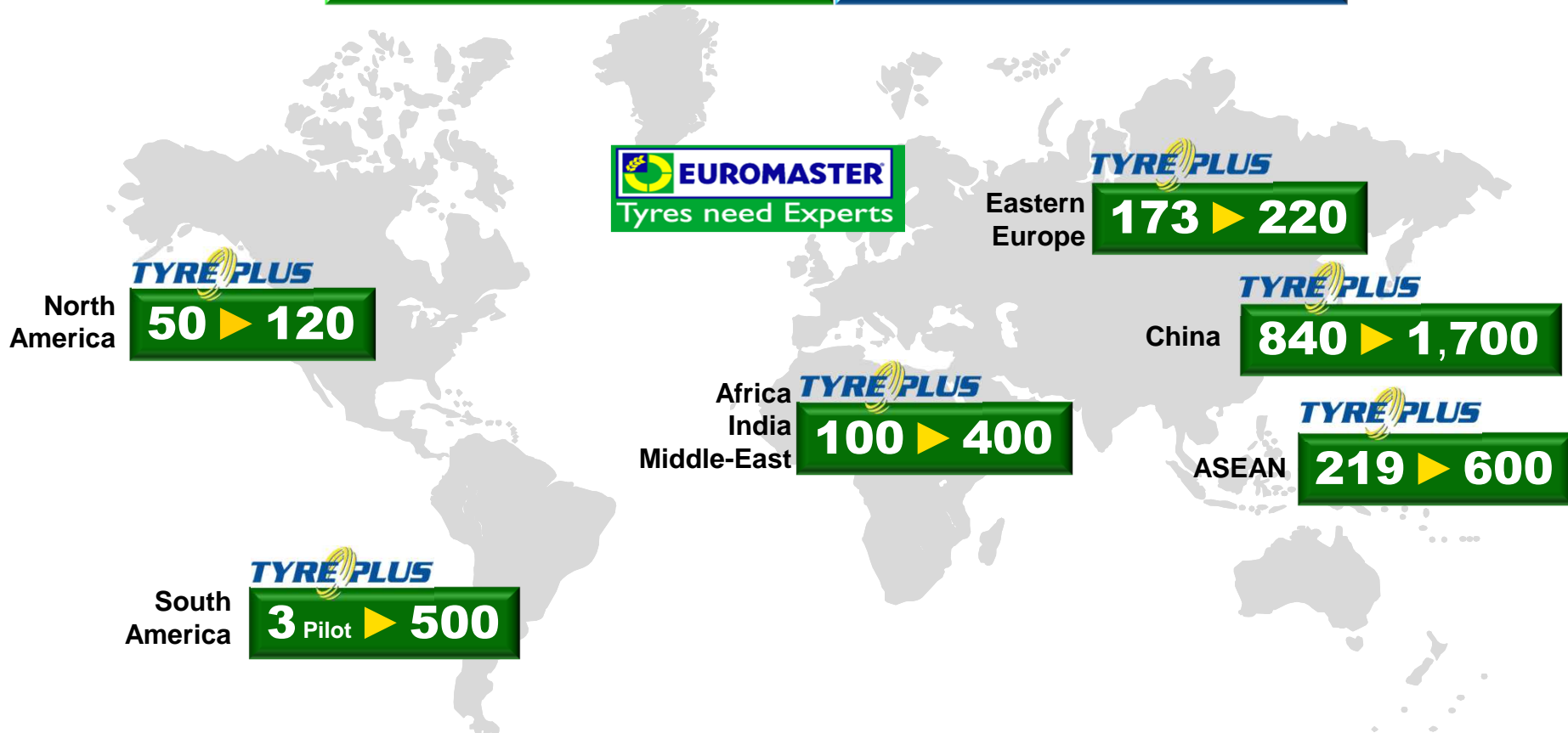


MICHELIN: Leading the Market in Premium Tires

2012 Passenger Car and Light Truck tire market by size
(in number of tires)



A Vast Network of Franchised Dealers: 2,000 Points of Sale Today to 5,000 by 2017



Itatiaia - Brazil Car & Light Truck

- ▶ 1st tire: February 9, 2012
- ▶ Capacity late 2013: 17,000 tonnes



Shenyang 2 - China

Truck and Car & Light Truck

- ▶ 1st Truck tire: January 26, 2013
- ▶ 1st Car & Light Truck tire: mid-2013
- ▶ 2013 capacity: 25,000 tonnes



Chennai – India Truck



► 1st Truck tire:
2nd half 2013



Anderson, SC – USA Earthmover



▶ Anderson

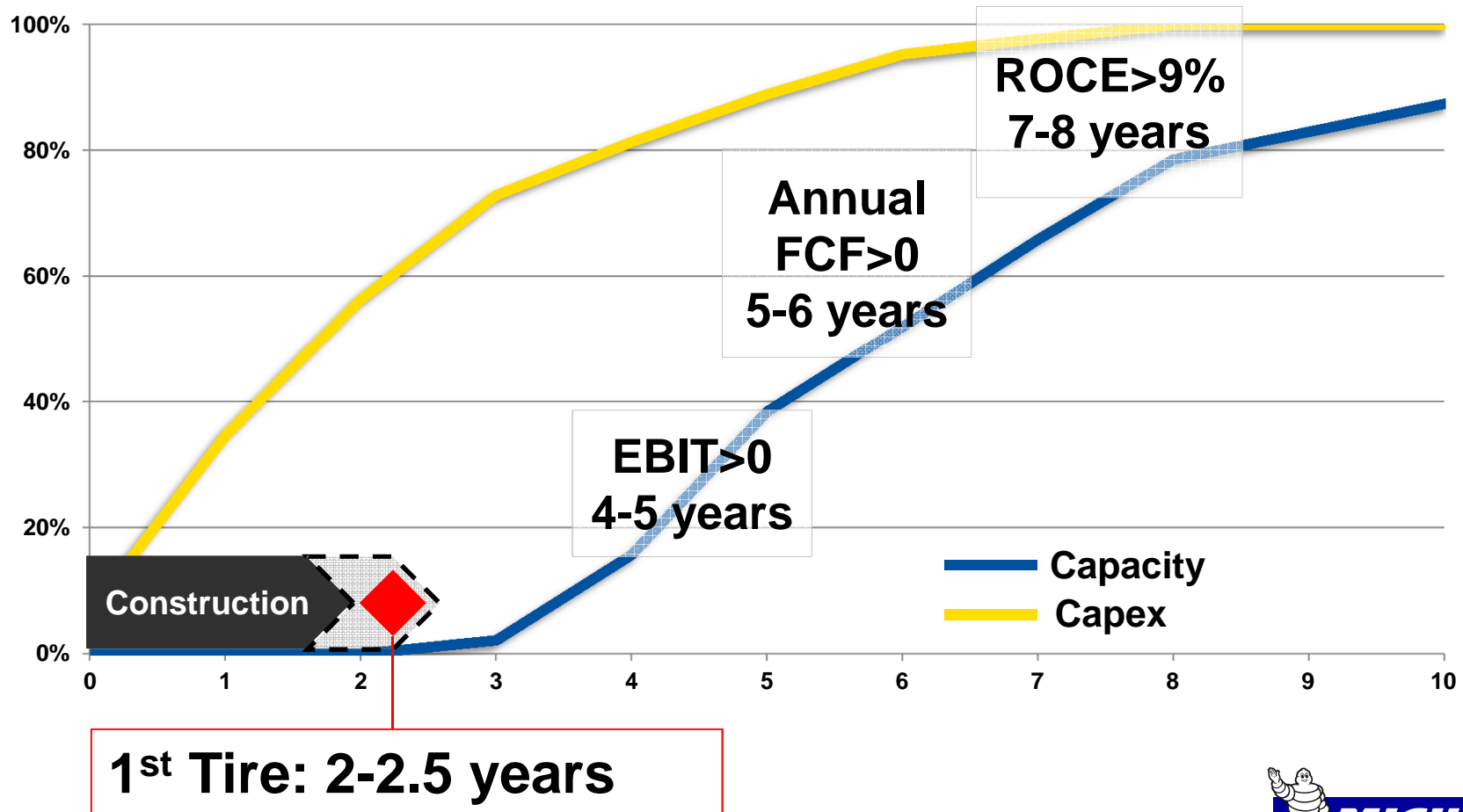
- 1st tire: late 2013

▶ Lexington

- 1st tire: late 2013
- Increasing capacity in line with market growth

Towards a profitable growth

Return on a 200 KT greenfield project



A Business that Structurally Generates Free Cash Flow

<i>In € millions</i>	2012	2011
Reported free cash flow ⁽¹⁾	1,075	- 19
WCR impact of raw materials costs ⁽²⁾	+ 21	- 739
WCR year-end volume effect ⁽³⁾	+ 344	- 200
One off ⁽⁴⁾ <i>(Sales of Hankook shares in 2011, sale of the Parisian building in 2012)</i>	+ 111	+ 403
Structural free cash flow ^{(1) – (2) – (3) – (4)}	599	517

▶ Clear improvement in EBITDA

■ Structurally high profitability

▶ High capex

2015 Outlook Confirmed

- ▶ 2015 Operating Income before non-recurring items: around €2.9bn
- ▶ Normalized Segment performance:
 - Car & Light truck operating margin before NR items: 10% -12%
 - Truck operating margin before NR items: 7% - 9%
 - Specialty operating margin before NR items: 20% - 24%
- ▶ 2013-2015 capex: €1.8bn - €2.2bn per year
- ▶ Positive free cash flow every year
- ▶ ROCE > 10% each year

Contacts

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