



Credit Suisse
Geneva
Autos Conference 2013

March 06, 2013

Strong Earnings - over €1 billion in Free Cash Flow Sluggish Markets

- ▶ €2,423m in Operating Income before non-recurring items, up 25%:
 - An efficient pricing policy.
 - A global footprint at a time of weak demand, particularly in Europe.
 - Structurally high margins in Specialty tires.
 - Rebound in operating margin in the Truck tire business, despite a sharp market contraction.

- ▶ Volumes down 6.4%, with demand remaining flat in the second half.

- ▶ Free cash flow of more than €1 billion, demonstrating:
 - The Group's ability to structurally generate cash.
 - The effective integration of value creation into every unit's objectives.

Financial Highlights

2012 & 2011 figures as reported

<i>In € millions</i>	2012	2011
Net Sales	21,474	20,719
Operating Income <i>before non recurring items</i>	2,423	1,945
Operating Margin <i>before non recurring items</i>	11.3%	9.4%
Net Income	1,571	1,462
Investment	1,996	1,711
Net Debt-to-Equity Ratio	12%	22%
Free Cash Flow *	1,075	-19
ROCE	12.8%	10.9%
Dividend	2.40€ **	2.10€

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

**Subject to approval by the Annual Shareholders Meeting of May 17, 2013



February 12, 2013

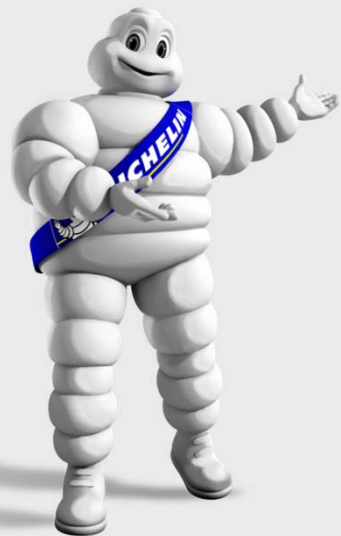
ANNUAL RESULTS



- 1 **SLUGGISH MARKETS**
- 2 **A SOLID PERFORMANCE**
- 3 **A ROBUST BALANCE SHEET**
- 4 **RESULTS OF THE COMPETITIVENESS PLAN**
- 5 **WIDE-RANGING PRODUCT PORTFOLIO AND GEOGRAPHIC EXPOSURE**
- 6 **OUTLOOK**

February 12, 2013

ANNUAL RESULTS



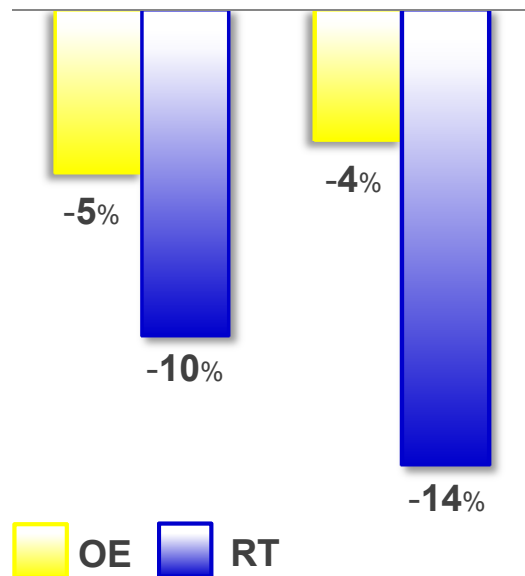
SLUGGISH MARKETS

Europe: Sharp Fall-off in Demand, especially in Replacement Markets



Markets at December 31, 2012/2011

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



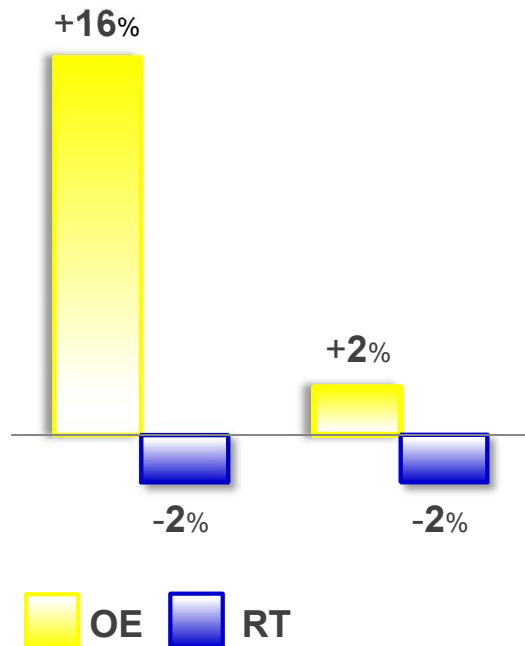
- ▶ An unfavorable economic environment
- ▶ Demand down in every segment
 - Truck tire market excluding Russia lower than in 2009
- ▶ Dealer destocking
 - Dealer inventory levels
 - Normal for Truck tires and summer Car and Light truck tires
 - Still high for winter Car and Light truck tires
- ▶ Sell-out contracted around 50% less than sell-in

North America: Original Equipment Market Trending Upwards



Markets at December 31, 2012/2011

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



► Growth in OE demand

- Aging car, van and truck fleets need to be replaced
- Truck tire market abruptly turned downwards, by 15%, in the fourth quarter

► Replacement market below 2007 levels

► Dealers

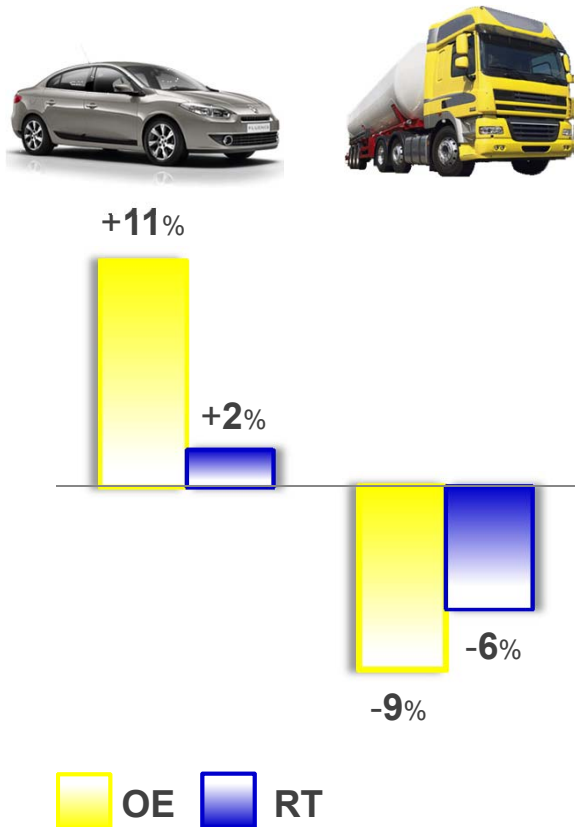
- Truck tire inventory drawdowns in the first half
- Inventories unchanged in the second half compared with the first

Asia excluding India: a Year of Transition in China and the Impact of Slower Growth in Exports



Markets at December 31, 2012/2011

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



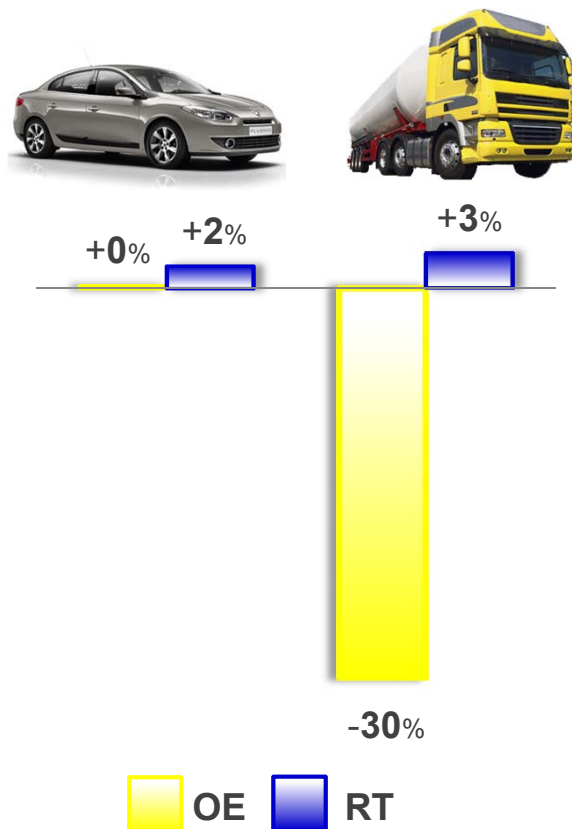
- ▶ Economic growth in the region has started to cool
 - Truck tire market in China down sharply
 - Demand in ASEAN countries holds firm
- ▶ Technical rebound in Car and Light Truck OE sales due to 2011 natural disasters in Japan and Thailand
- ▶ Dealer inventory drawdowns following the build-up in 2011

South America: Limited Growth



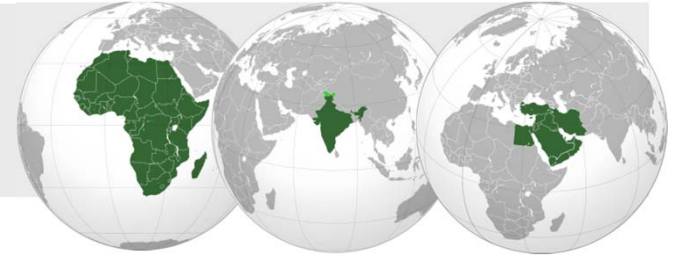
Markets at December 31, 2012/2011

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



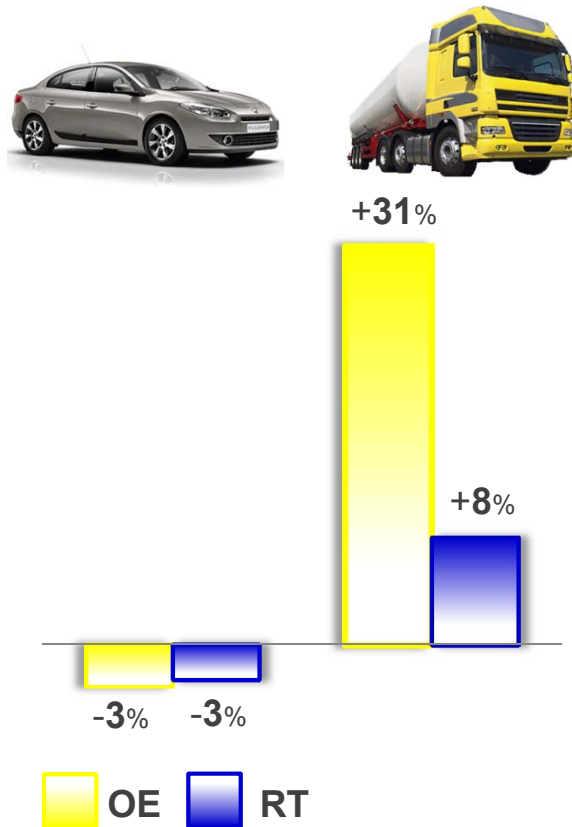
- ▶ Demand up slightly, except for OE Truck tires, which suffered a technical decline following the introduction of Euro V emissions standards
- ▶ Brazil: market upturn in the second half
- ▶ Argentina and Venezuela: growth slowed by customs barriers

Africa India Middle-East: Weak Car and Light Truck Markets in 2012



Markets at December 31, 2012/2011

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



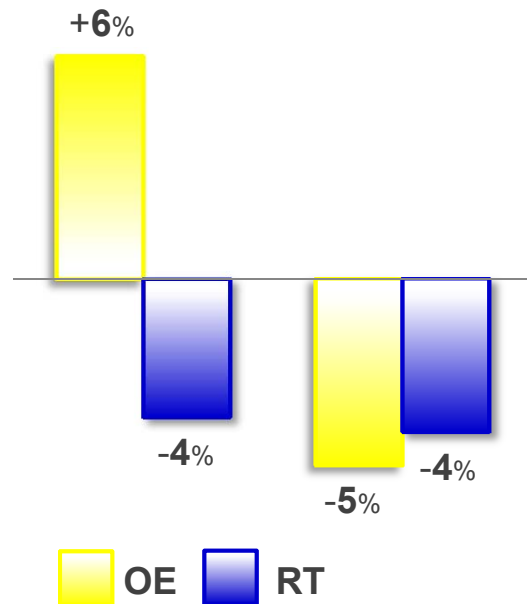
- ▶ Demand dampened by geopolitical situations in the region
- ▶ Continued shift to radials in India

A Declining Global Market



Markets at December 31, 2012/2011

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

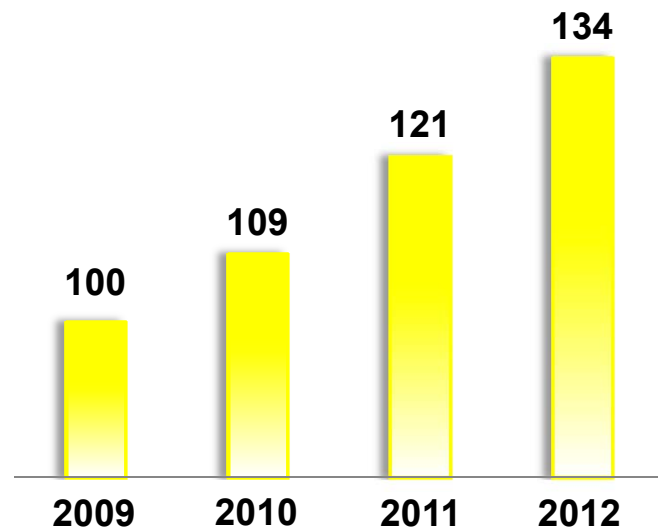


- ▶ Unfavorable OE/RT sales mix
- ▶ Replacement market has fallen back to 2010 levels
- ▶ Continued growth in the new markets, unlike in mature ones

Earthmover Tires: Sustained Growth in Mining Demand

Markets at december 31

(% change YoY, based on number of tires)

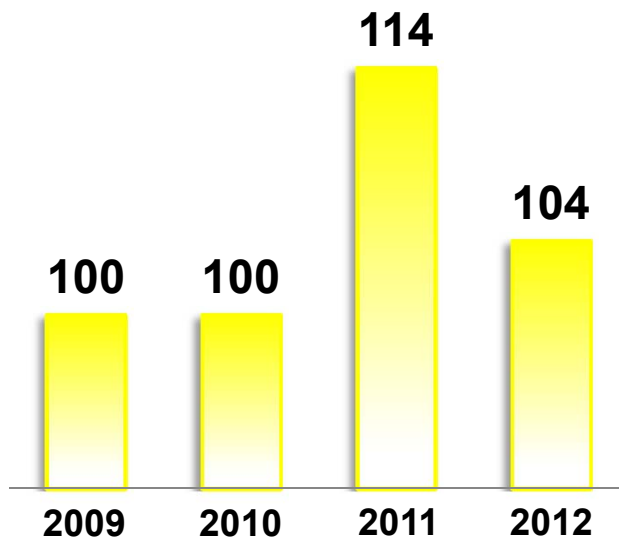


- ▶ Continued growth in mining markets:
 - Led by demand for ore, oil and gas
 - Buoyant market for large tires
- ▶ OE: adjustment in equipment manufacturer inventories
- ▶ Decline in demand for tires used in infrastructure, especially in Europe

Agricultural Tires: Mature Replacement Markets Hurt by Economic Uncertainty

Markets at December 31

(% change YoY, based on number of tires)



- ▶ Slow-down in replacement
 - Drought in the United States
 - Hesitation in Europe
- ▶ Firm resistance in OE markets



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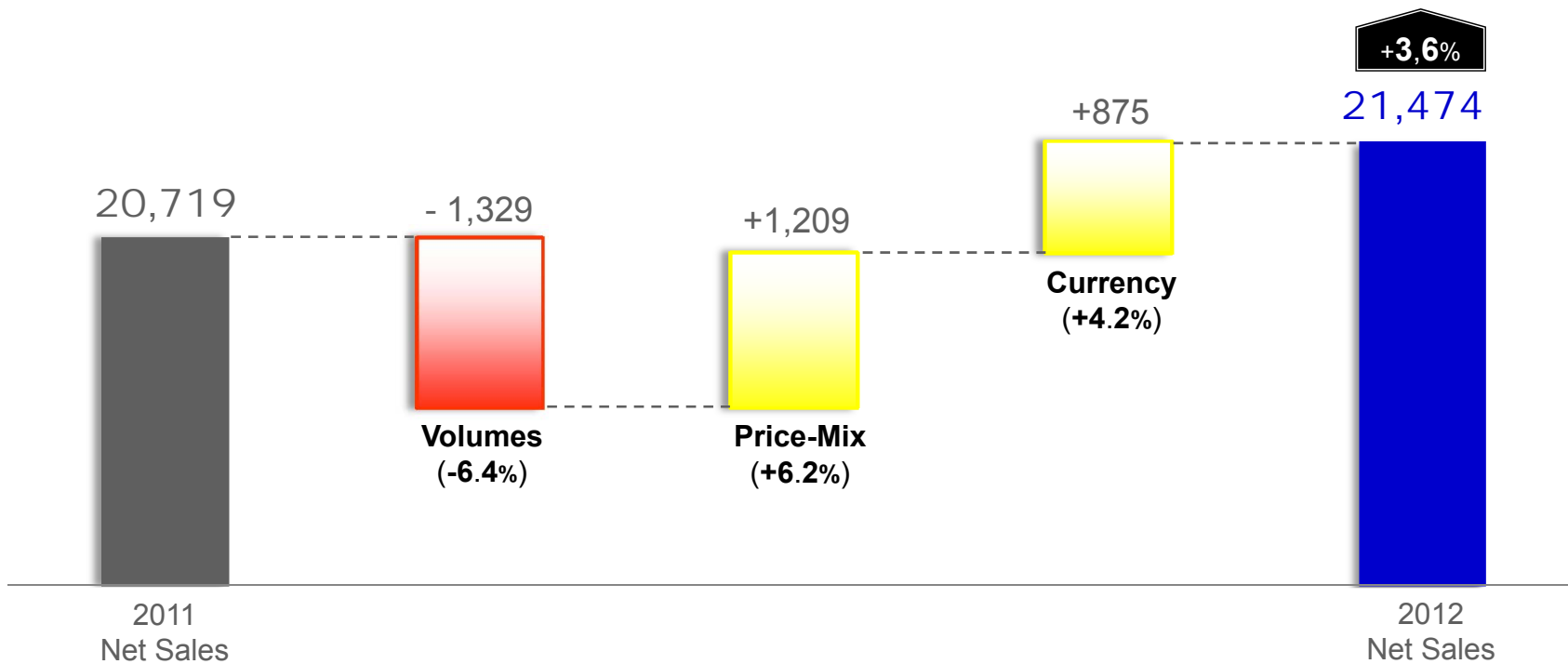
ANNUAL RESULTS



2 A SOLID PERFORMANCE

Growth in Net Sales Led by Significantly Higher Prices and an Improved Mix

YoY change (in € millions)

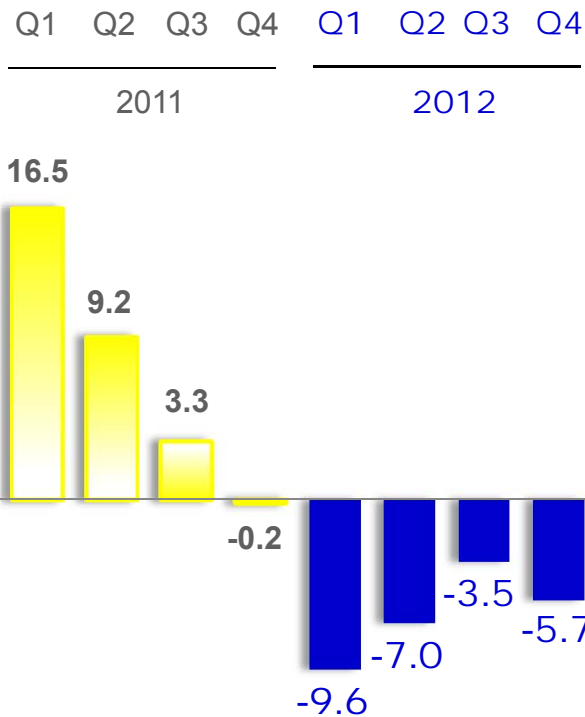


Q4 Volumes: in Line with Markets

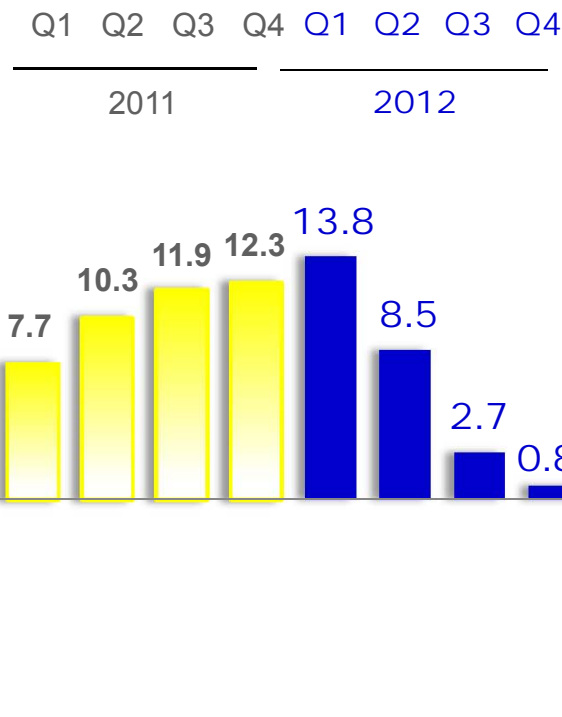
Q4 Price-Mix: Ongoing Positive Effect despite Clauses

Change YoY (in %)

► Volumes



► Price-mix

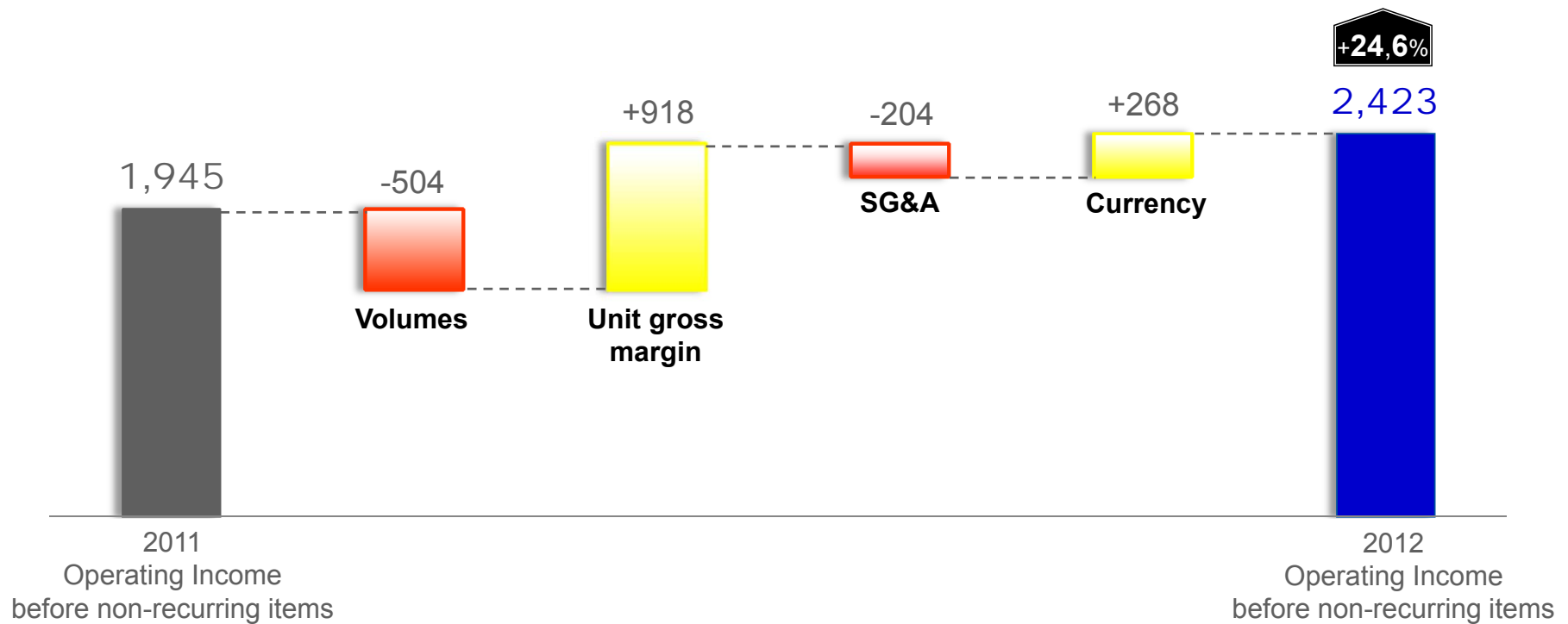


► Currency



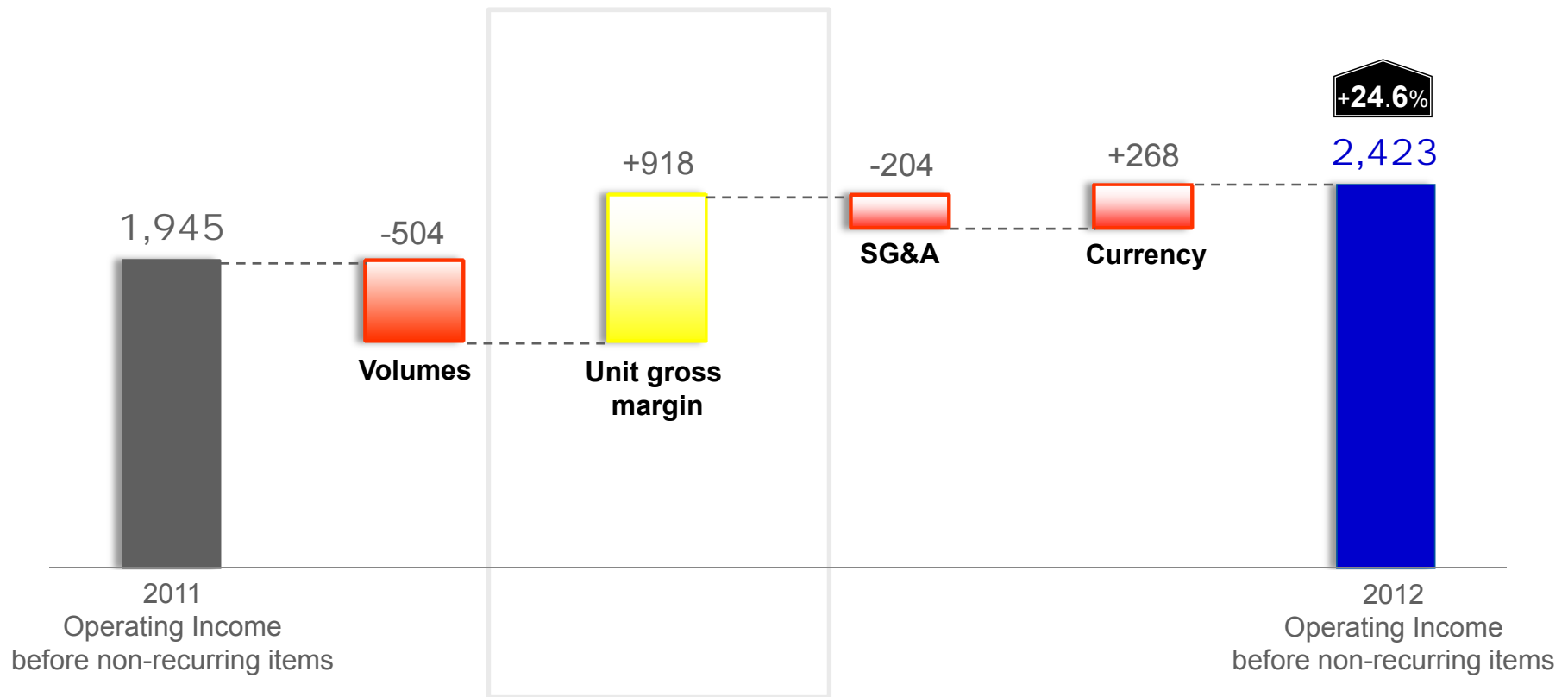
Operating Income Lifted by the Improvement in Unit Gross Margin

YoY Change (in € millions)



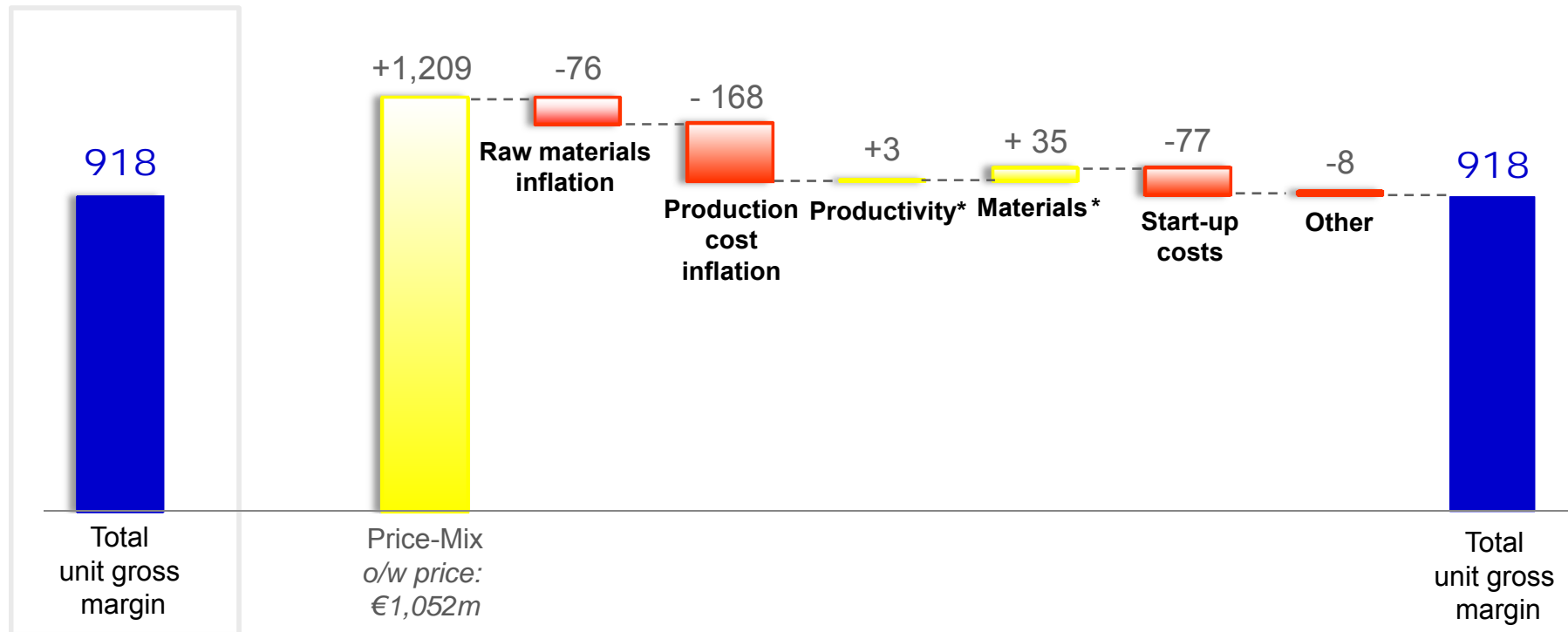
Operating Income Lifted by the Improvement in Unit Gross Margin

YoY Change (in € millions)



Unit Gross Margin Supported by the Efficient Pricing Policy and Premium Positioning

YoY change in components of unit gross margin (in € millions)

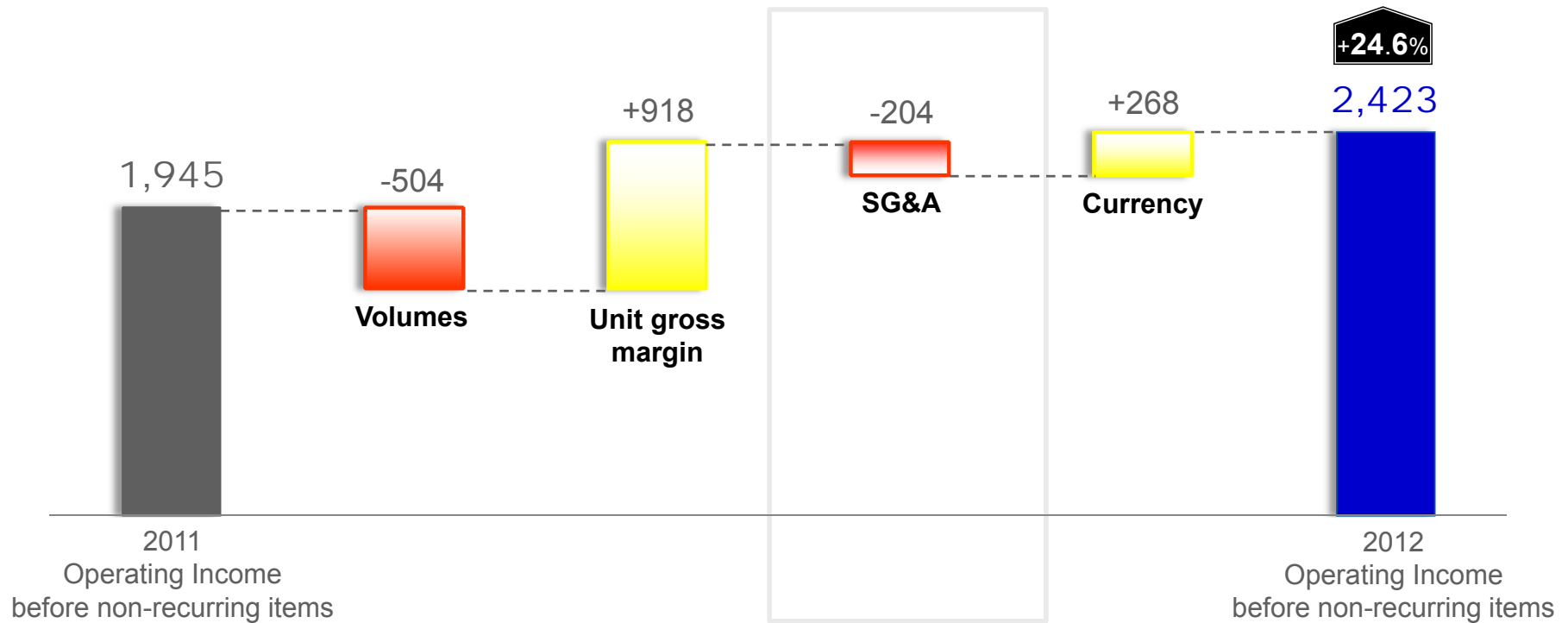


* Part of the competitiveness plan



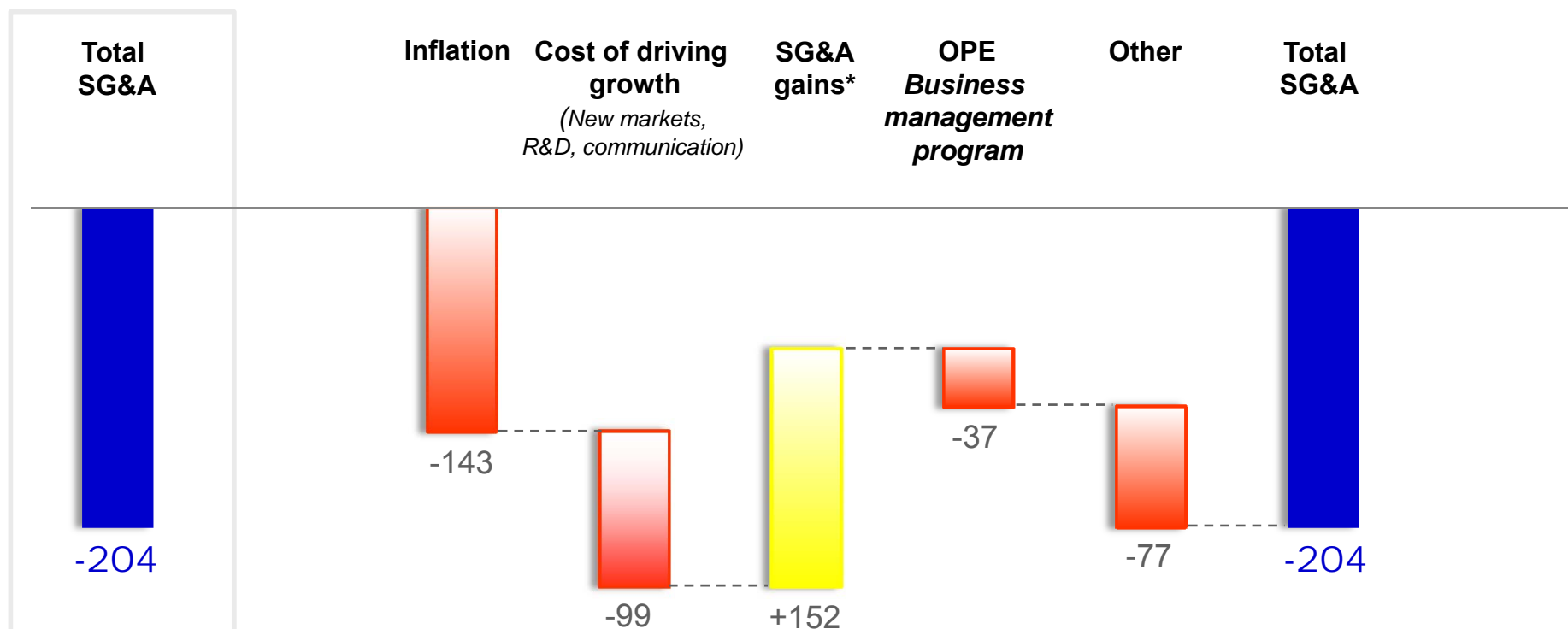
Operating Income Lifted by the Improvement in Unit Gross Margin

YoY Change (in € millions)



SG&A Expense: Initial Impact of the Competitiveness Plan

YoY change in SG&A (in € millions)

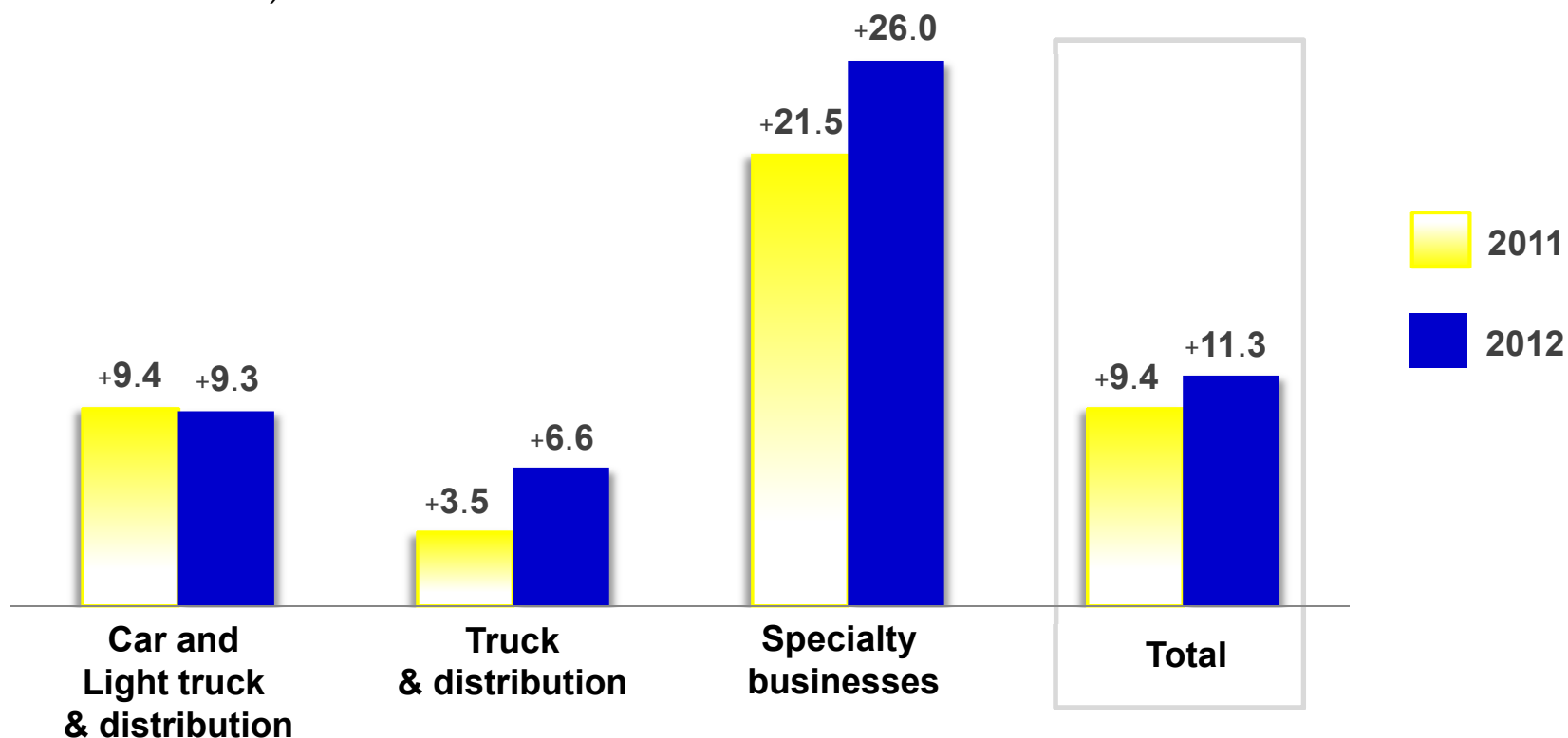


* Part of the competitiveness plan

Solid Results

Operating margin before non-recurring items

(as a % of net sales)



Solid Margins in Passenger Car and Light Truck Tires and Related Distribution

Passenger car and Light truck

(in € millions)

	2012	2011	Change
 Net Sales	11,098	10,780	+2.9%
Volume growth	-5.5%		
 Operating Income (before non-recurring items)	1,033	1,018	+1.5%
Operating Margin (before non-recurring items)	9.3%	9.4%	-0.1 pt

- ▶ Firm pricing policy maintained
 - Application of contractual clauses indexing prices to raw material costs in OE had an unfavorable impact in the fourth quarter
- ▶ Sustained improvement in the mix, due to technology and the Michelin brand's premium positioning
 - Success of the Michelin Pilot Super Sport, Alpin 4, Defender and other product lines



Restored Margins in Truck Tires and Related Distribution

Truck

(in € millions)

	2012	2011	Change
Net Sales	6,736	6,718	+0.3%
Volume growth	-10.8%		
Operating Income (before non-recurring items)	444	233	+90.6%
Operating Margin (before non-recurring items)	6.6%	3.5%	+3.1 pt

- ▶ Priority focus on turning around the Truck tire business and restoring its margins
- ▶ Volumes reflect lackluster demand
- ▶ 39 product launches and success of the MultiWay product line
- ▶ Favorable impact of raw materials costs

Specialty Businesses: Structurally High Margins

Specialty Businesses

(in € millions)

	2012	2011	Change
  Net Sales Volume growth	3,640 +1.7%	3,221	+13.0%
Operating Income (before non-recurring items)	946	694	+36.3%
Operating Margin (before non-recurring items)	26.0%	21.5%	+4.5 pts

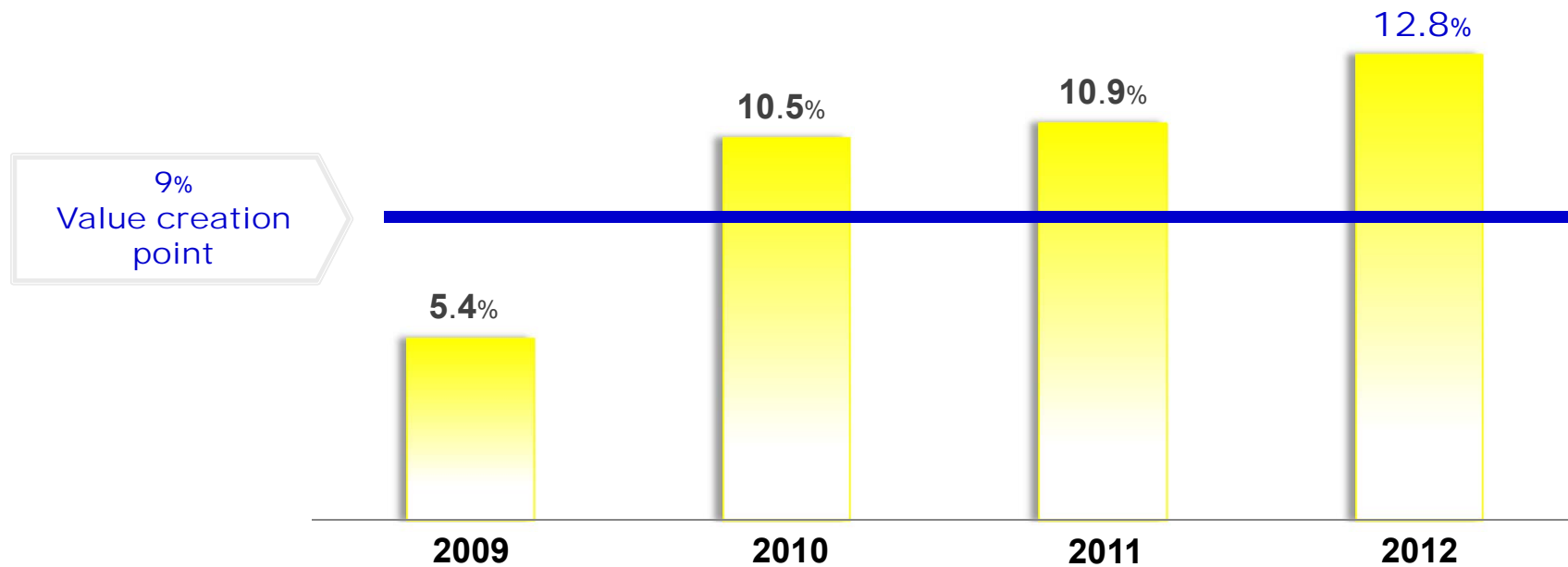
- ▶ Still buoyant mining market
- ▶ Sharp slowdown in Q4 in infrastructure, OE and RT Agricultural tires
- ▶ Rising impact of higher prices throughout the year
 - Price effect slightly negative in Q4 following contractual adjustments for lower raw materials costs
- ▶ Highly favorable currency effect

Strong Growth in Net Income

<i>In € millions</i>	2012	2011
Net Sales	21,474	20,719
Operating Income <i>(before non-recurring items as a % of net sales)</i>	2,423 11.3%	1,945 9,4%
Non-Recurring Items	46	-
Operating Income	2,469	1,945
Cost of Net Debt	(155)	(206)
Other Financial Income & Expenses	(22)	236
Tax	(736)	(534)
Share of Profit from Associates	15	21
Net Income	1,571	1,462
Earnings per share	8.62	8.14

Value Created: Sustained Improvement in ROCE despite Faster Deployment of the Capex Program

Return on capital employed (ROCE)



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ANNUAL RESULTS



ROBUST BALANCE SHEET

A Business that Structurally Generates Free Cash Flow

<i>In € millions</i>	2012	2011
EBITDA	3,445	2,878
Change in operating WCR	276	(912)
Restructuration Cash Costs	(93)	(145)
Other (Increase)/Decrease in Provisions	(124)	13
Other Operating WCR	271	(5)
Cash Flow from Operations	3,775	1,829
Taxes and Interest Paid	(849)	(632)
Routine Capital Expenditure <i>(Maintenance, IS/IT, Dealerships)</i>	(659)	(671)
Available Cash Flow	2,267	526
Growth Investments	(1,337)	(1,040)
Other Cash Flow from Investing Activities	145	495
Free Cash Flow after Capital Expenditure	1,075	(19)

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

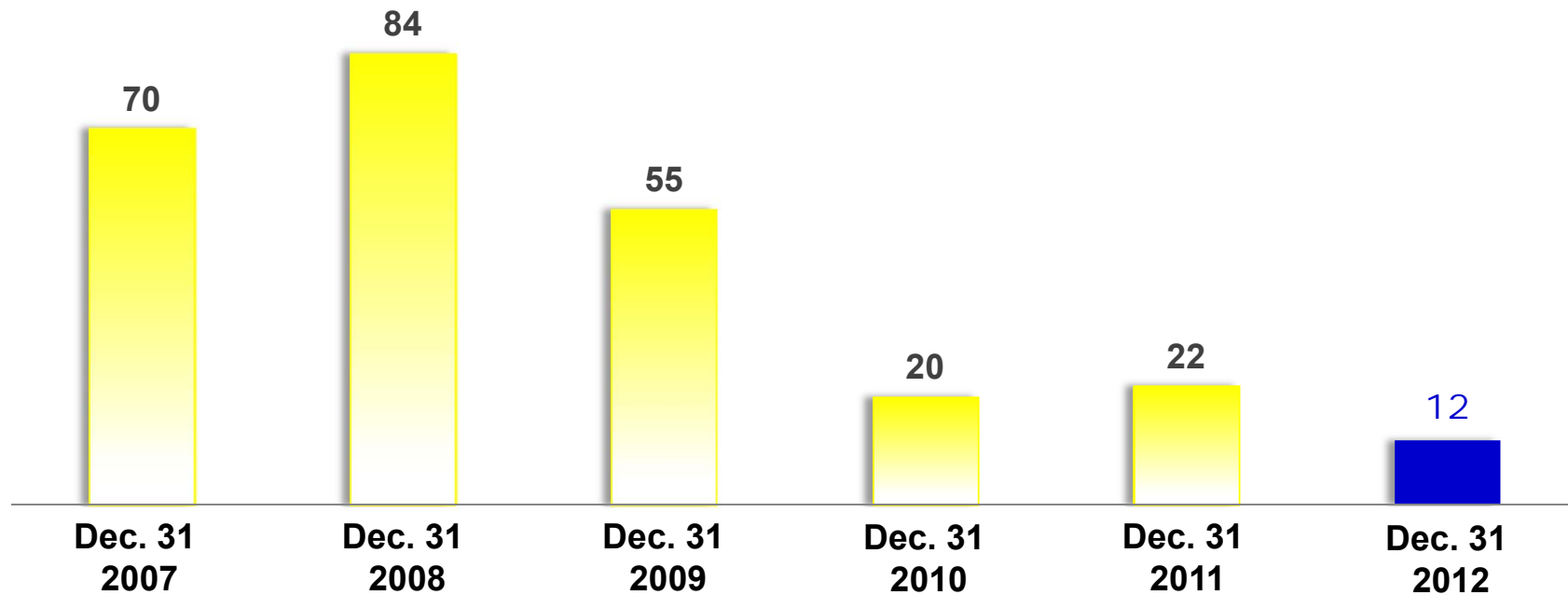
▶ Clear improvement in EBITDA

■ Structurally high profitability

▶ High capex

Robust Balance Sheet

Gearing – Net debt/equity (in %)



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

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RESULTS OF THE COMPETITIVENESS PLAN

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

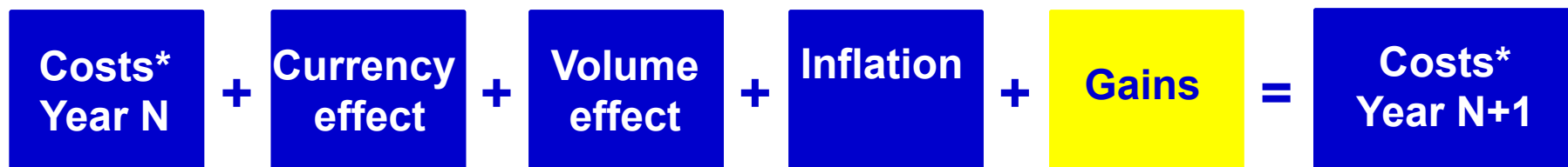
A Disciplined Method for Valuing Gains

► Calculating productivity gains

■ Principle:

- Highlight productivity gains before inflation, non-recurring items, the OPE program, depreciation and amortization
- Volume effect based on growth in unit gross margin before start-up costs and at constant exchange rates.

■ Method for valuing gains:

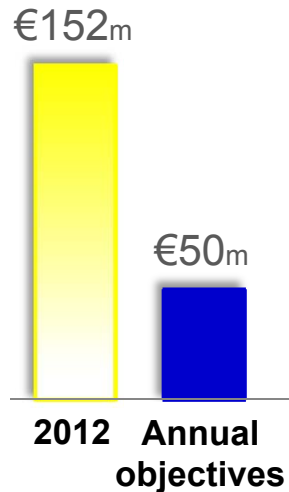


* Before depreciation and amortization charges

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



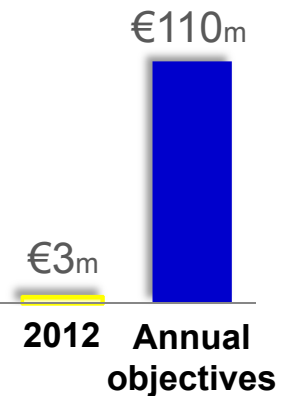
SG&A



Materials

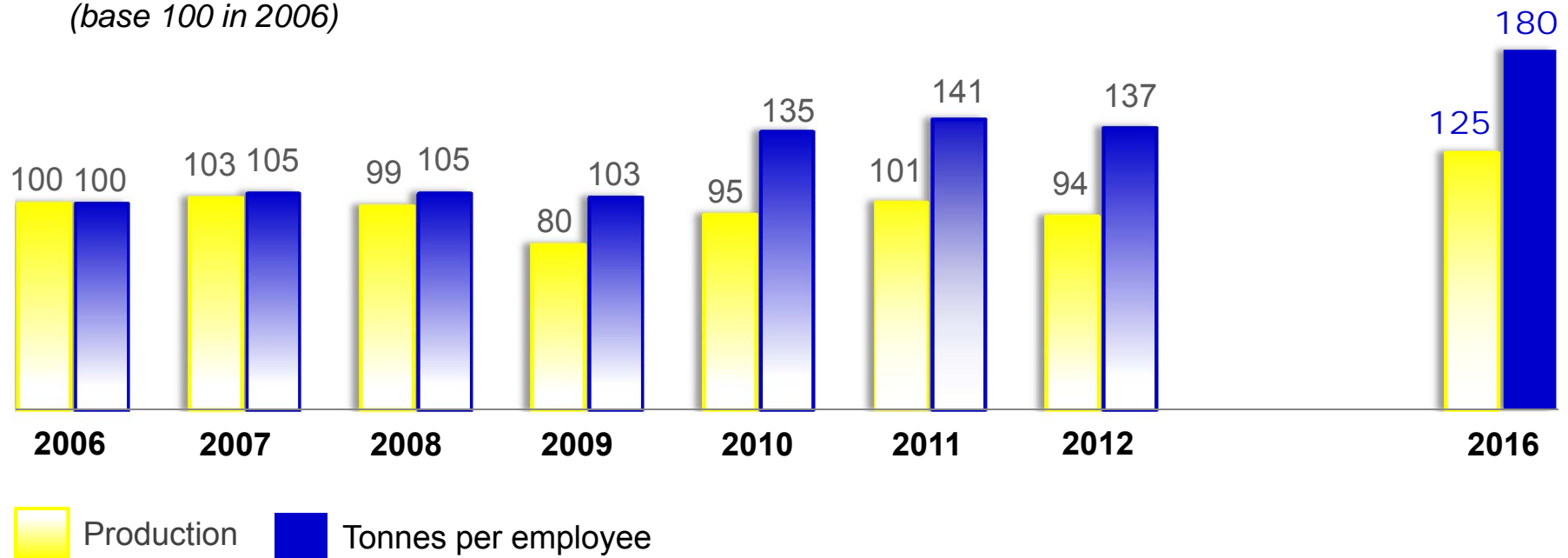


**Manufacturing –
transport**



Improving Output per Employee

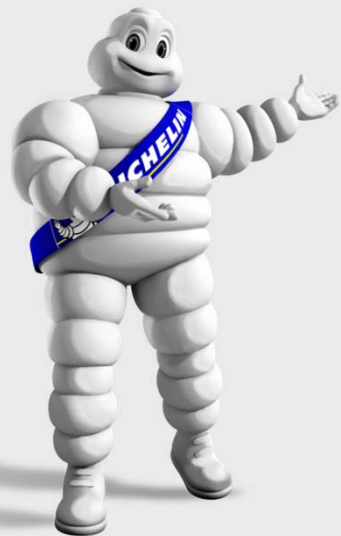
Tonnes per employee
(base 100 in 2006)



2005 / 2010: continuous improvement + industrial footprint
2011 / 2015: continuous improvement + growth

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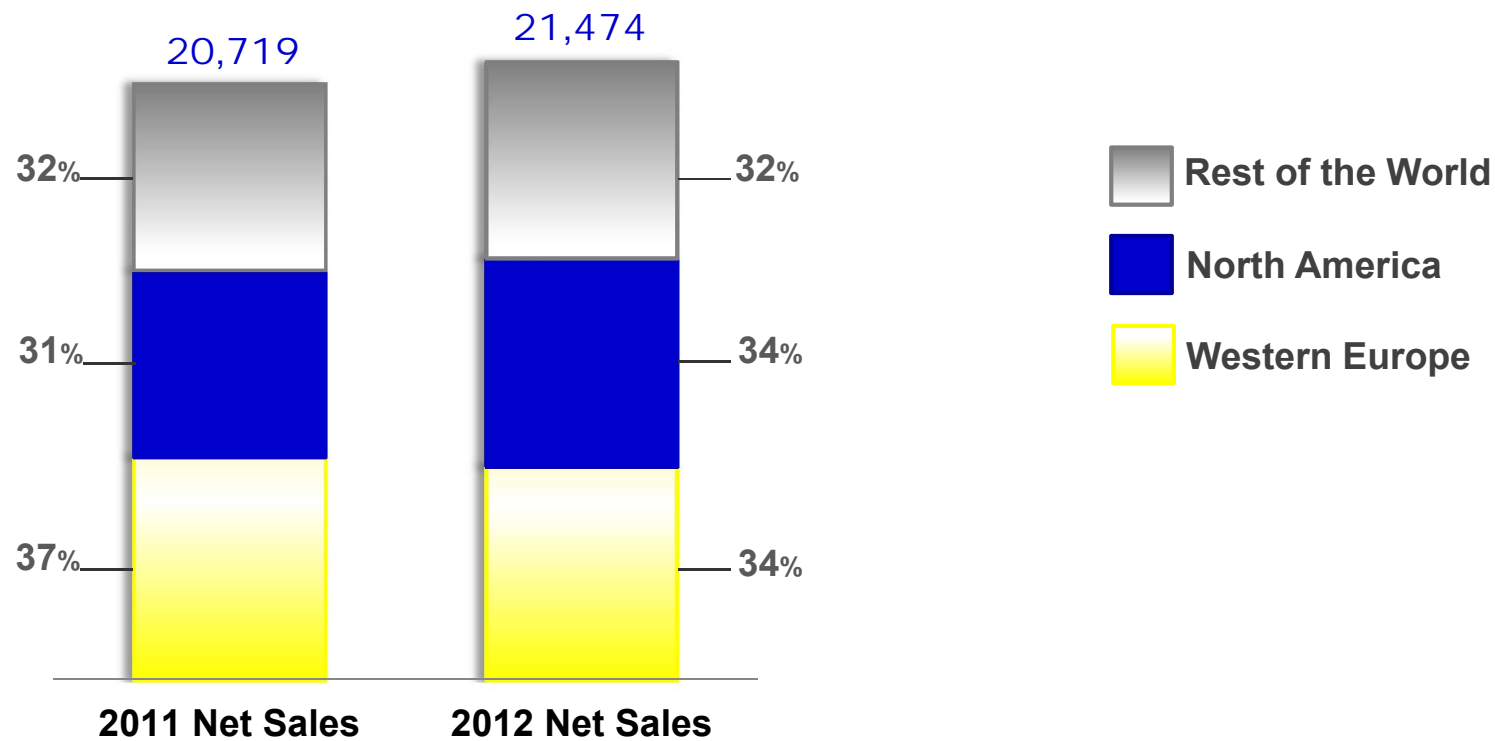
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WIDE-RANGING PRODUCT PORTFOLIO AND GEOGRAPHIC EXPOSURE

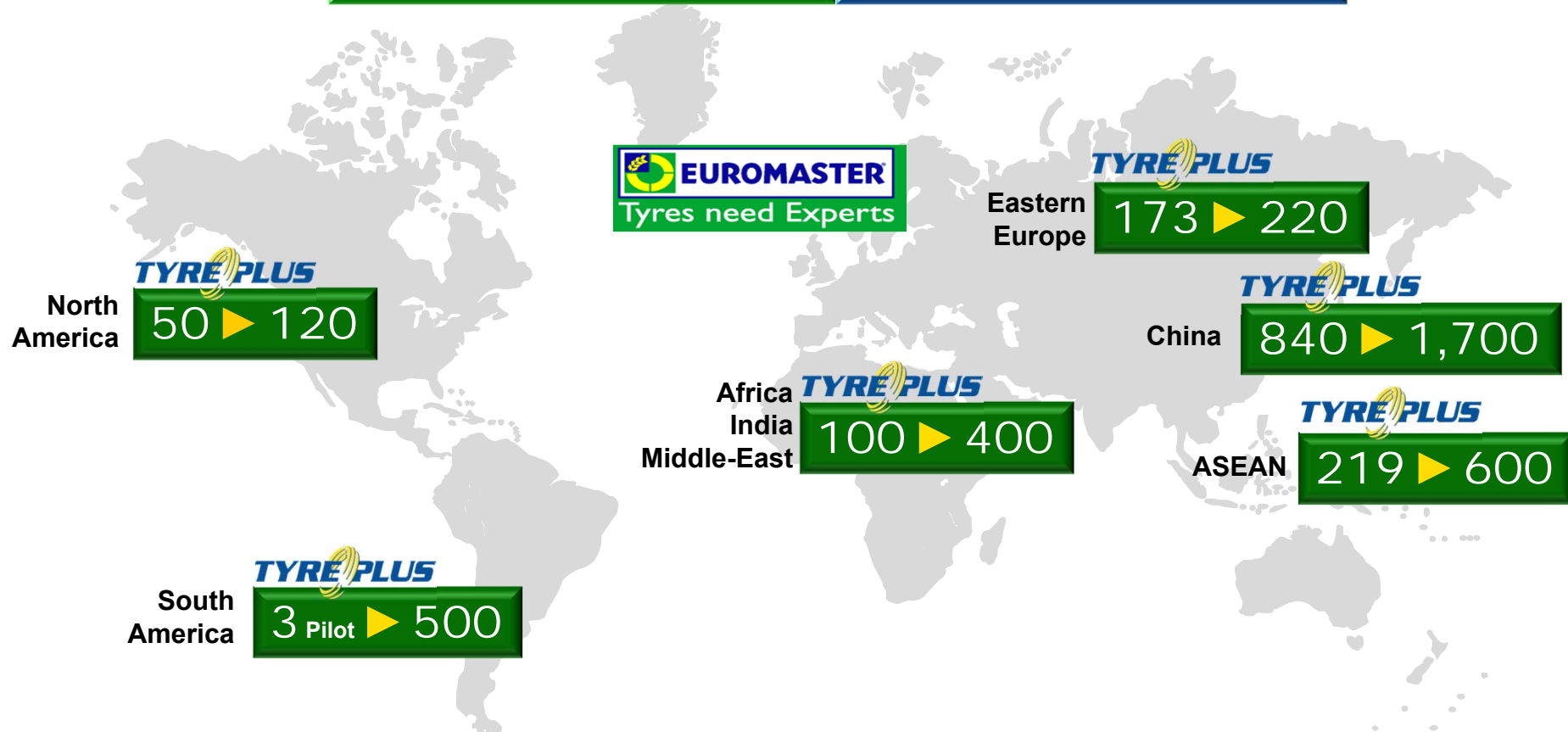
Balanced Geographic Exposure

Net sales by region

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

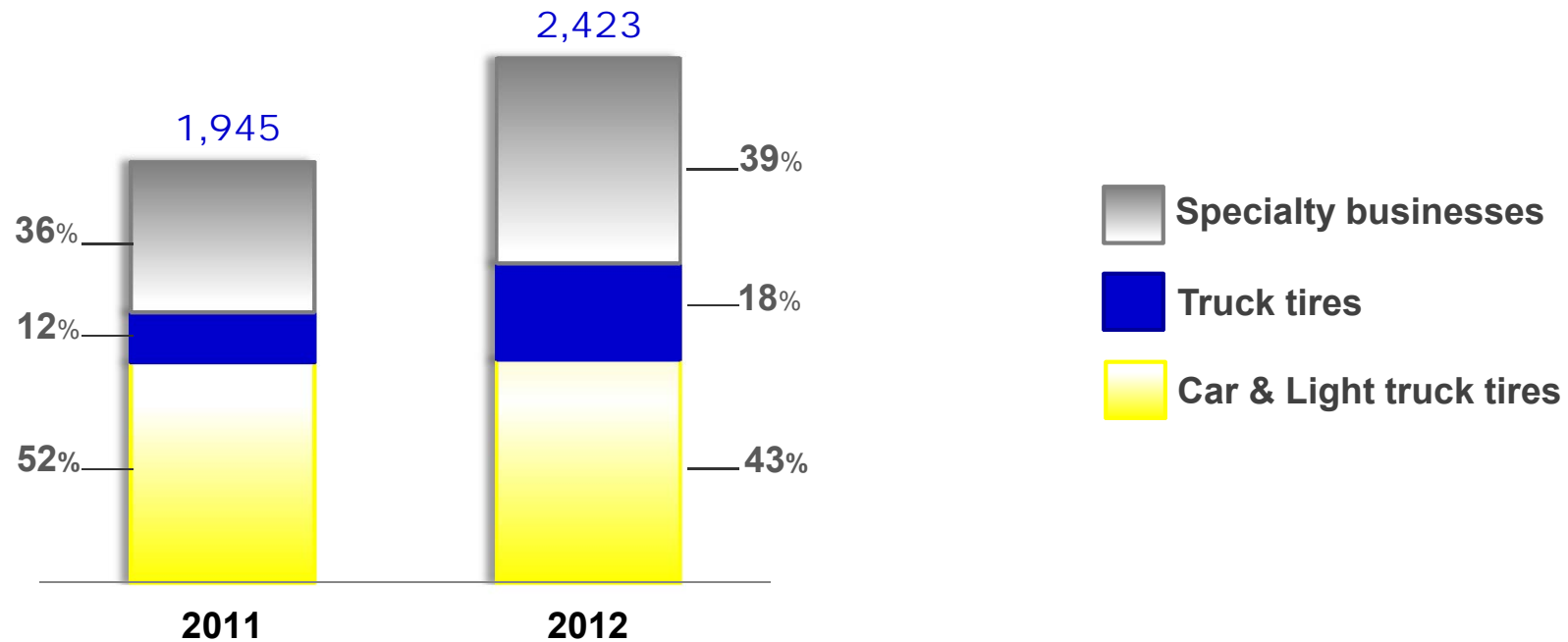


A Vast Network of Franchised Dealers: 2,000 Points of Sale Today to 5,000 by 2017



A Balanced Business Portfolio

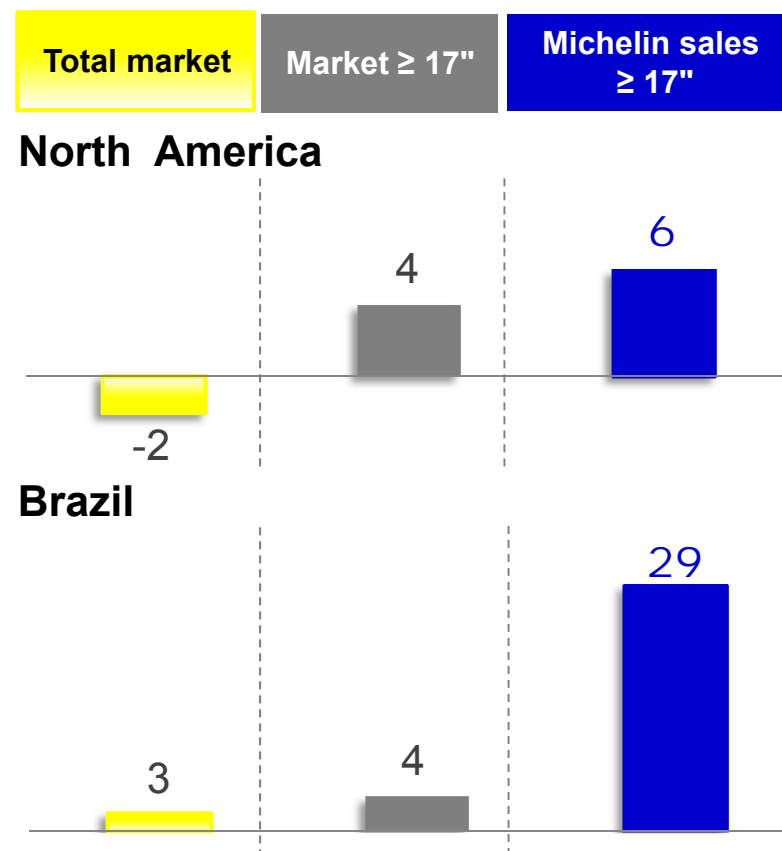
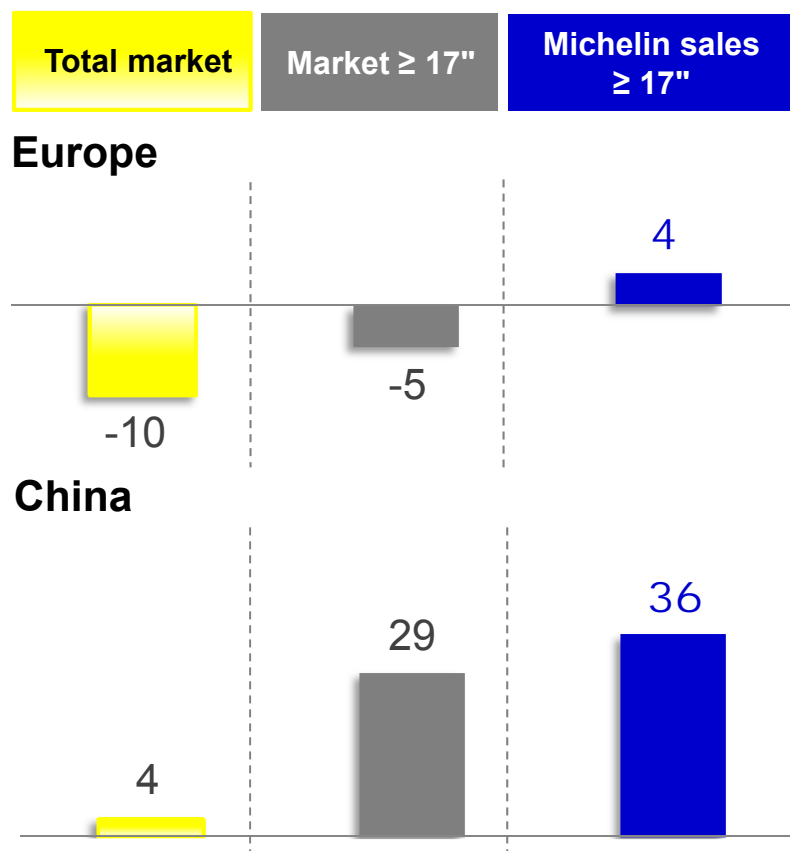
Operating income by business *(as a % of € million operating income)*



PC/LT Premium: Strong Growth Opportunity Seized by Michelin

Growth in the replacement Car & Light truck market

(2012 vs. 2011 in %)



Source: Michelin



Michelin is Well Positioned to Capture Global Market Growth

► Factors driving demand

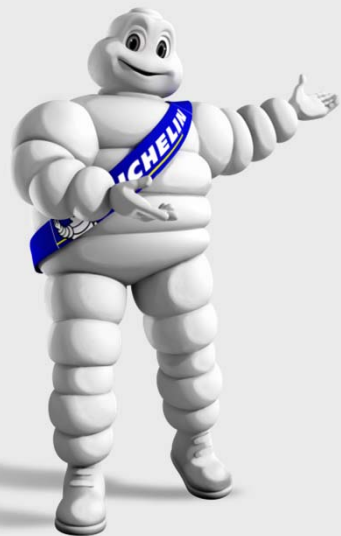
- Markets: growth in world population
- Michelin strengths: balanced geographic exposure and wide-ranging product portfolio

► Improving profitability

- Margin improvement targets for the Truck tires business
- Growing contribution from the Specialty Businesses
- The highest prices the market will bare
- 2015 target: €2.9 billion

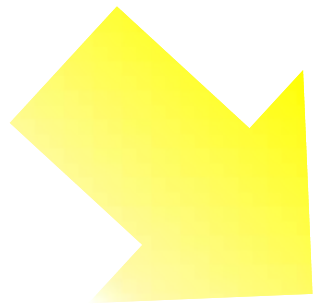
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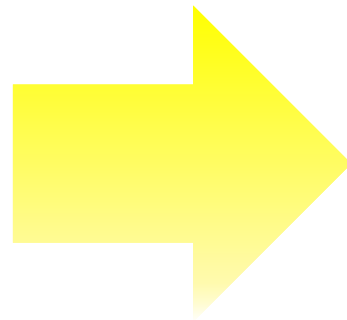
6 OUTLOOK

2013 Demand: Uncertain in Mature Markets, Rising in the New Markets



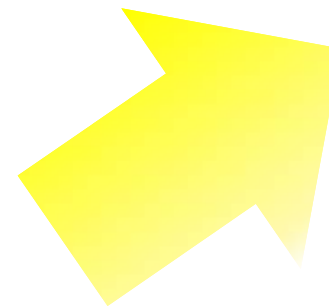
Europe

Car &
Light truck
+
Truck



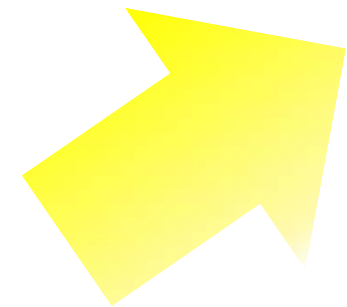
North America

Car &
Light truck
+
Truck



New markets

Car &
Light truck
+
Truck

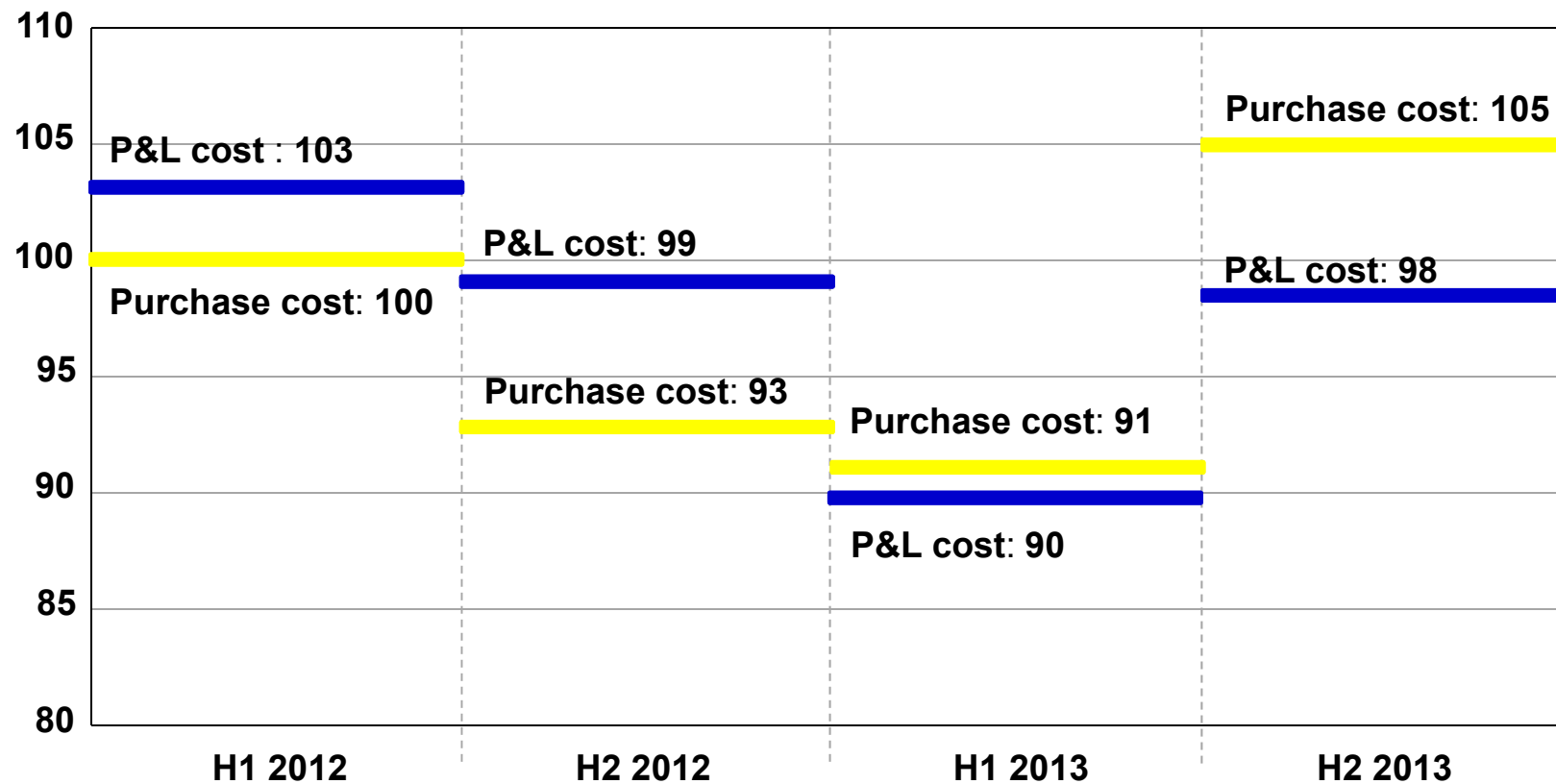


Mining markets

Raw Materials: €350 – 400 million Favorable Impact, mainly in the First Half

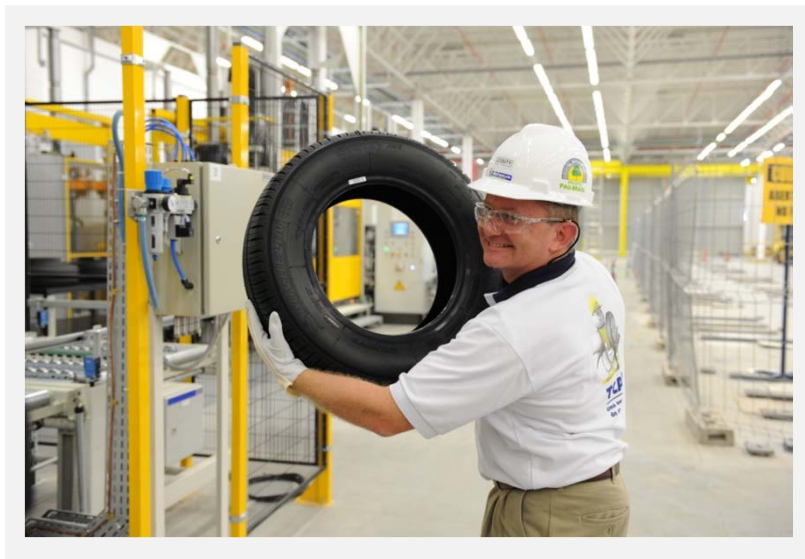
Michelin assumptions for 2013

with €1 = 1.311 USD



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



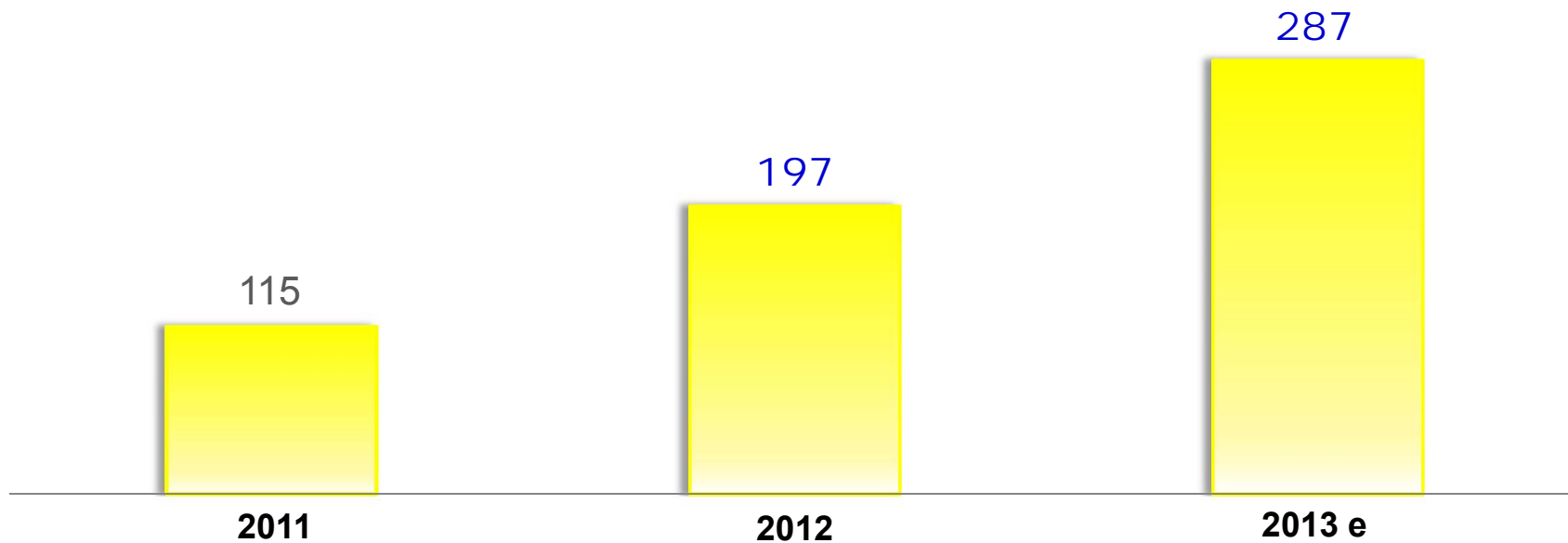
▶ Lexington

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

Start-up Costs on the Rise as the New Plants Come on Stream

Start-up costs

(in € millions, at current exchange rates)



Managing the Business: Becoming more Agile and Competitive

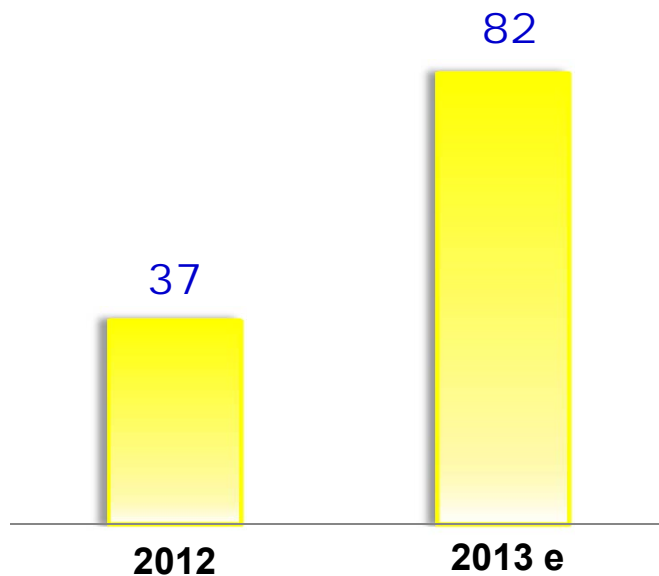
Deploying new, standardized, cross-functional operating procedures and information systems

- ▶ Increase sales and market share by offering customers differentiating services
- ▶ Increase the efficiency of accounting & finance, purchasing and sales administration processes
- ▶ Significantly improve supply chain responsiveness and reduce inventory
- ▶ Manage margins more precisely and reduce production costs

Managing the Business: Becoming more Agile and Competitive

Costs of deploying the new OPE business management program

(in € millions)



- ▶ Annual program costs: around €100 million over the next five years
- ▶ Expected outcomes in 2017:
 - At least a €250 million reduction in inventory
 - At least a €200 million reduction in annual SG&A and supply chain costs

Guidance: 2013, a Year of Transition

- ▶ Stable volumes
- ▶ Still favorable impact from prices and raw materials
 - Slightly unfavorable impact from prices, primarily due to the application of raw-materials related indexation clauses
 - 30% of net sales are covered by raw materials clauses
 - Clauses triggered a further downward adjustment in prices in early 2013
 - Selected tactical repositionings in replacement markets
 - Lower raw materials costs will save €350-400 million
- ▶ Stable operating income before non-recurring items, based on today's exchange rates
- ▶ Positive free cash flow
 - Capex of between €1.8 billion and €2.2 billion
- ▶ ROCE exceeding 10%

2015 Outlook Confirmed

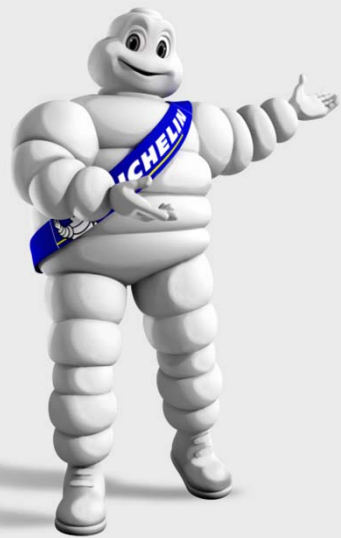
- ▶ 2015 Operating Income before non-recurring items: around €2.9bn
- ▶ Normalized Segment performance:
 - Car & Light truck operating margin before NR items: 10% -12%
 - Truck operating margin before NR items: 7% - 9%
 - Specialty operating margin before NR items: 20% - 24%
- ▶ 2013-2015 capex: €1.8bn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

Key Takeaways

- ▶ Benefits of the global, multi-business strategy
- ▶ Benefits of the positioning in the Specialty and Premium markets
- ▶ Solid year
- ▶ Structural generation of free cash flow
- ▶ 2013, a year of transition
- ▶ Further improvements in operational efficiency in the pipeline

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ANNUAL RESULTS

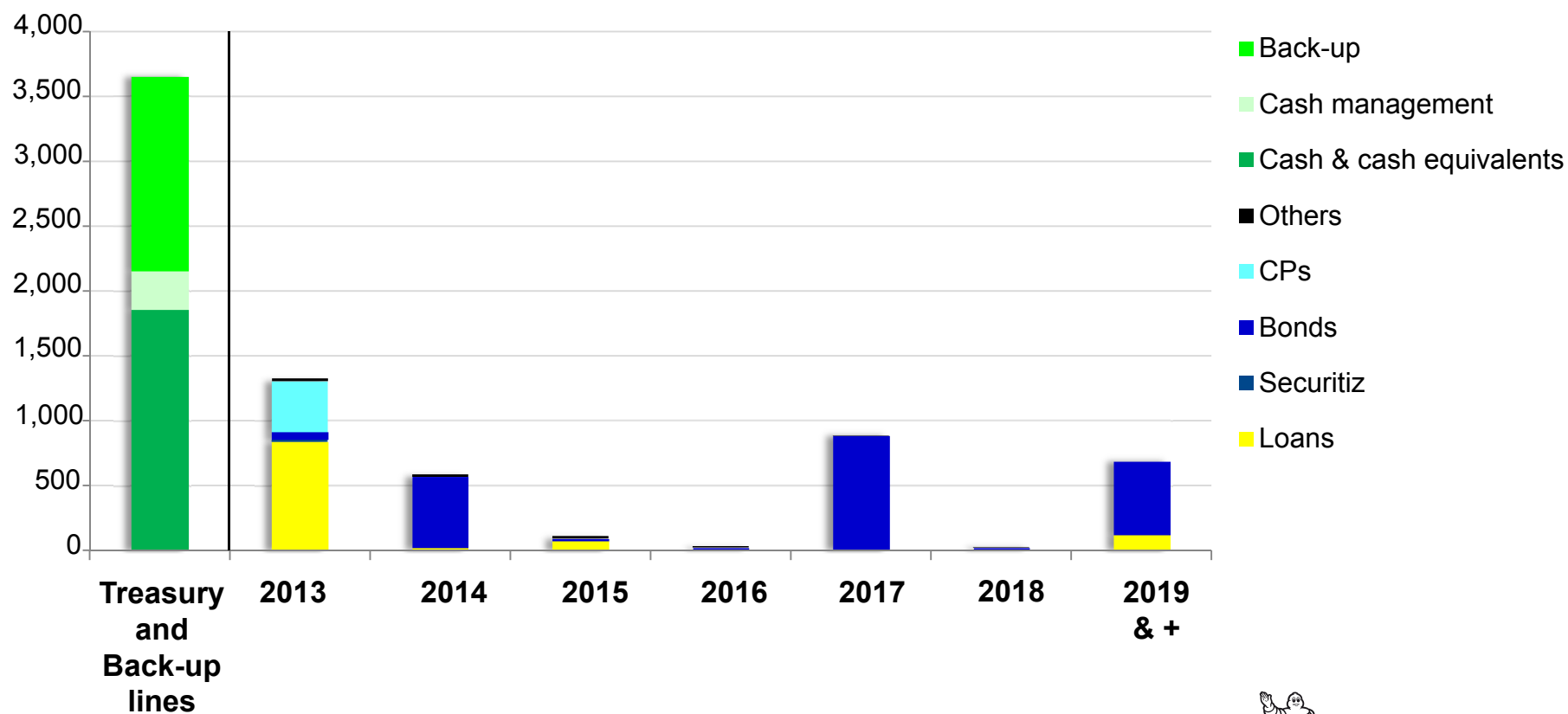


APPENDICES

A Comfortable Cash Position

Debt maturities at December 31, 2012

(Nominal value, in € millions)



Impact on the 2012 Income Statement of the Change in Accounting for Employee Benefits (IAS19)

<i>In € millions</i>	2012 reported	Accounting change	2012 adjusted for IAS19
Net Sales	21,474	-	21,474
Operating Income <i>before non-recurring items</i>	2,423	+55	2,478
Operating Income	2,469	+55	2,524
Interest Costs ⁽¹⁾	(162)	-175	(337)
Income before Taxes	2,307	-120	2,187
Income Tax	(736)	+40	(696)
Net Income	1,571	-80	1,491

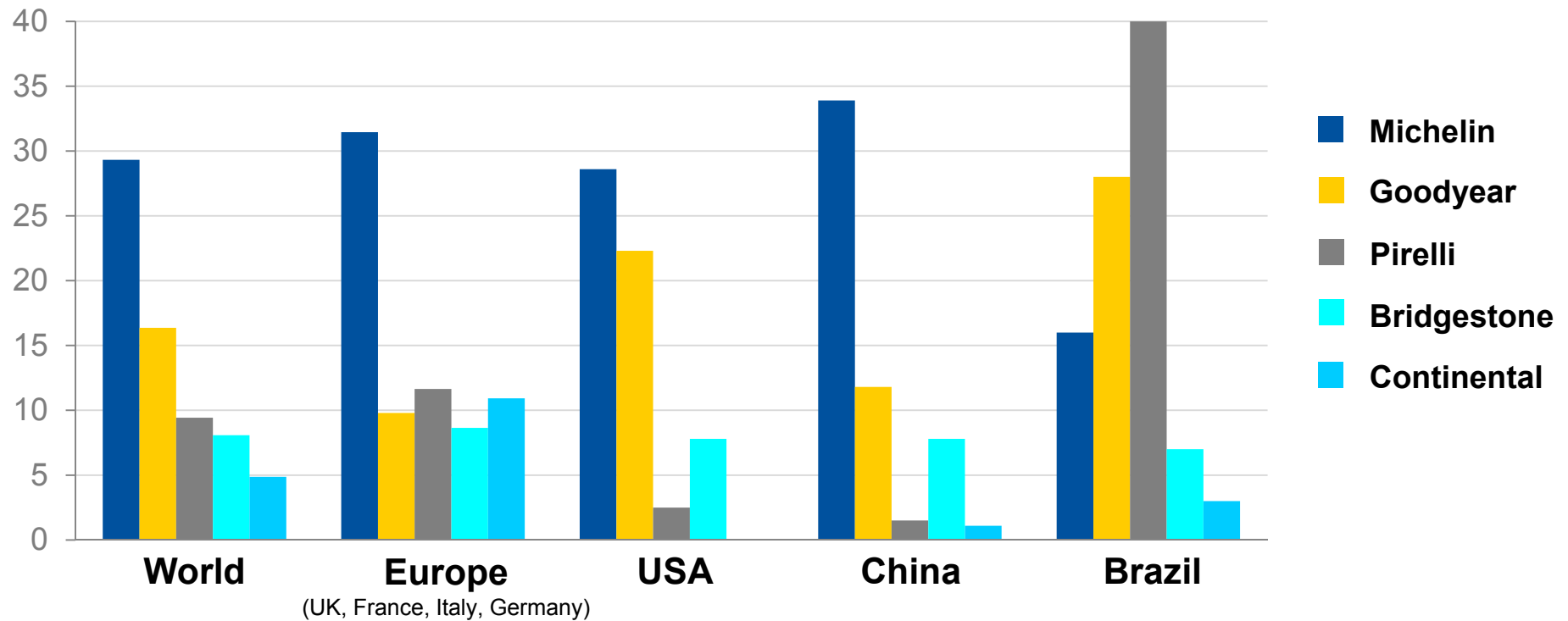
⁽¹⁾ Including associates

Impact on the 2012 Balance Sheet of the Change in Accounting for Employee Benefits (IAS19)

<i>In € millions</i>	2012 reported	Accounting change	2012 adjusted for IAS19
Non-current assets	11,428	- 22	11,406
of which deferred tax assets	1,530	- 22	1,508
Current assets	10,154	-	10,154
Total assets	21,582	- 22	21,560

Equity	8,501	+34	8,535
Non-current liabilities	7,644	- 56	7,588
of which employee benefit obligations	4,679	- 56	4,623
Current liabilities	5,437	-	5,437
Total Equity and Liabilities	21,582	- 22	21,560

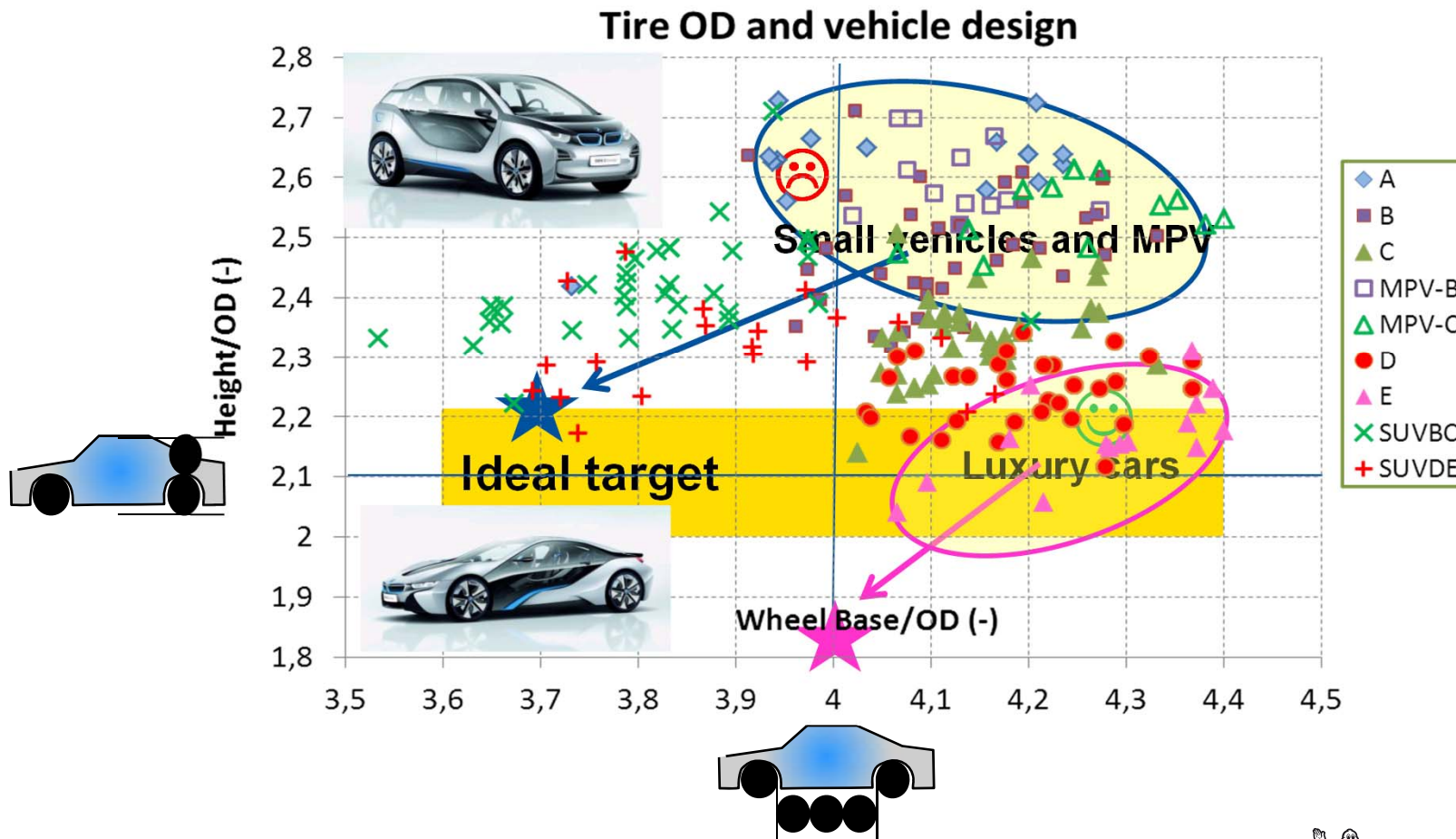
The Brand Preferred by Premium Consumers with Strong Equity across Key Geographies



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



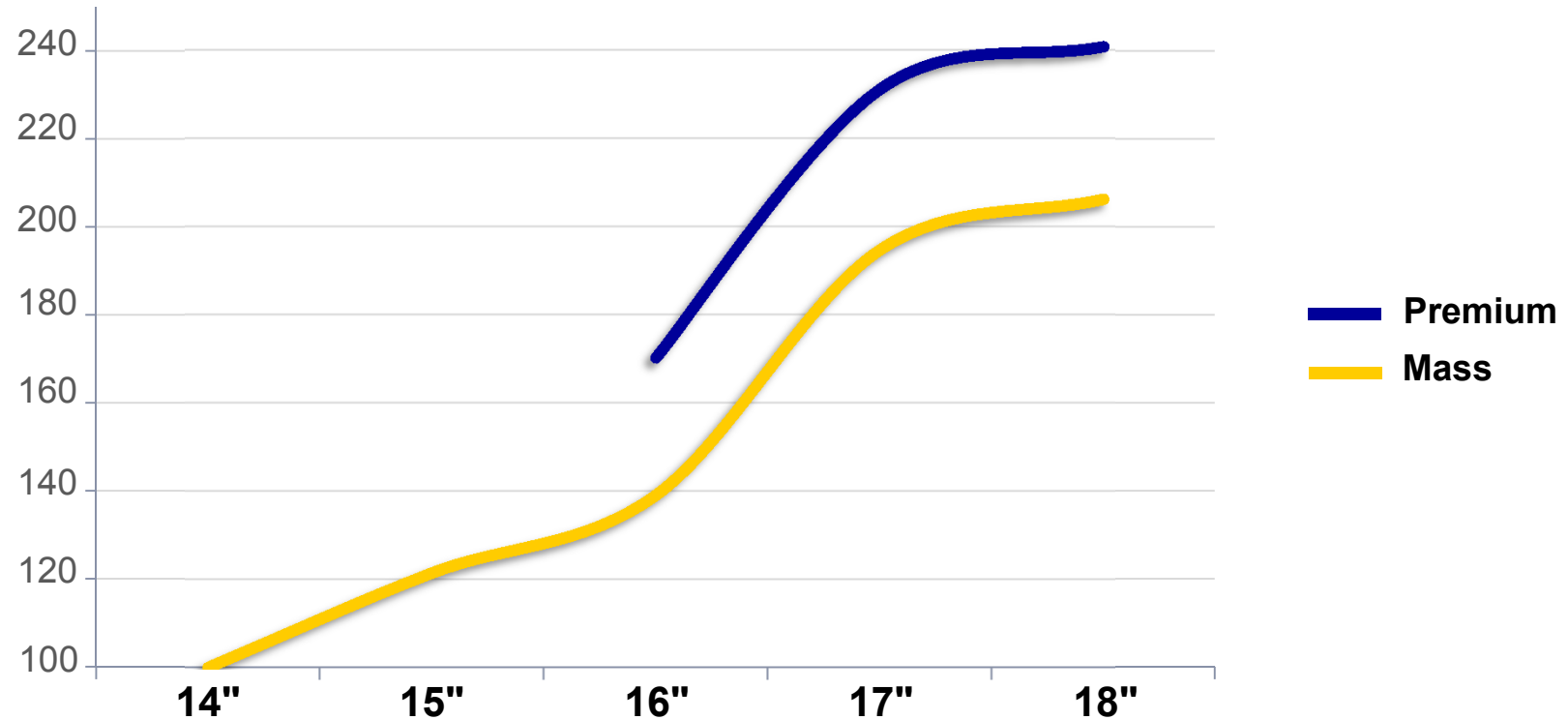
Car Design Drives Tire Premiumization: Trend for Bigger Wheel Diameter



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"



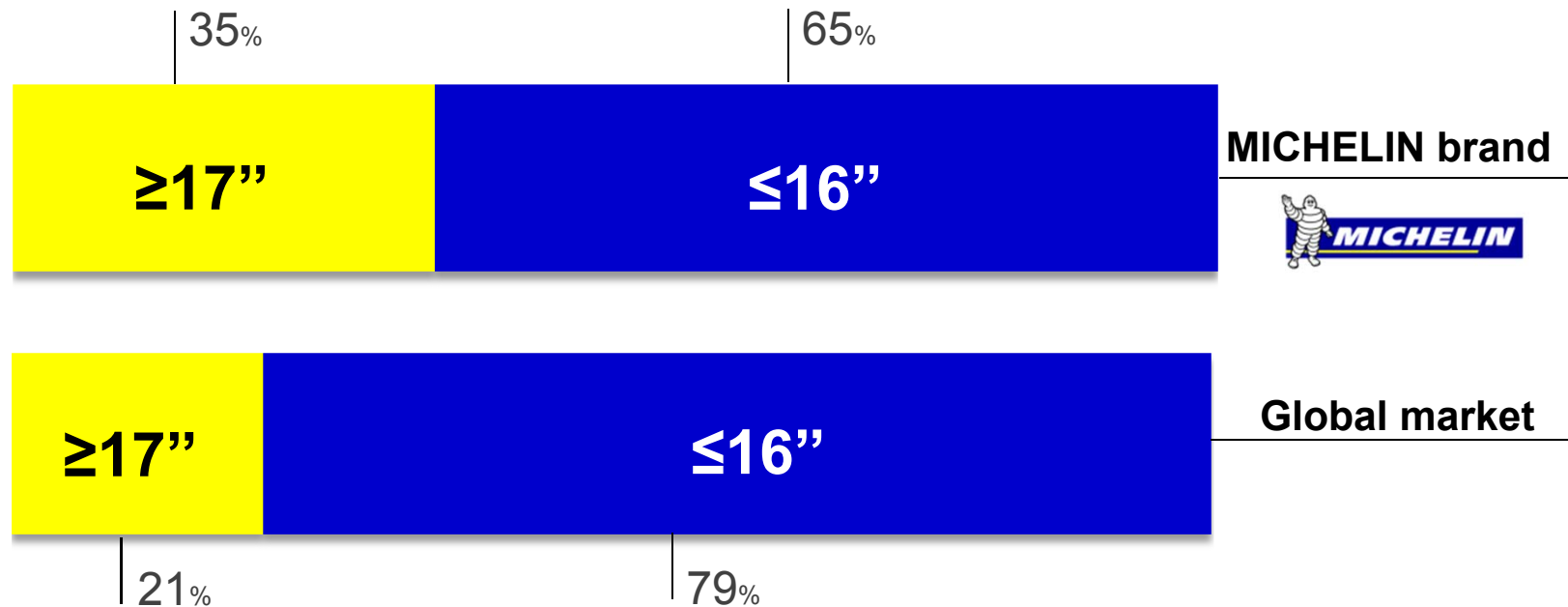
Source: Perceived value Survey Europe G5



MICHELIN: Leading the Market in Premium Tires

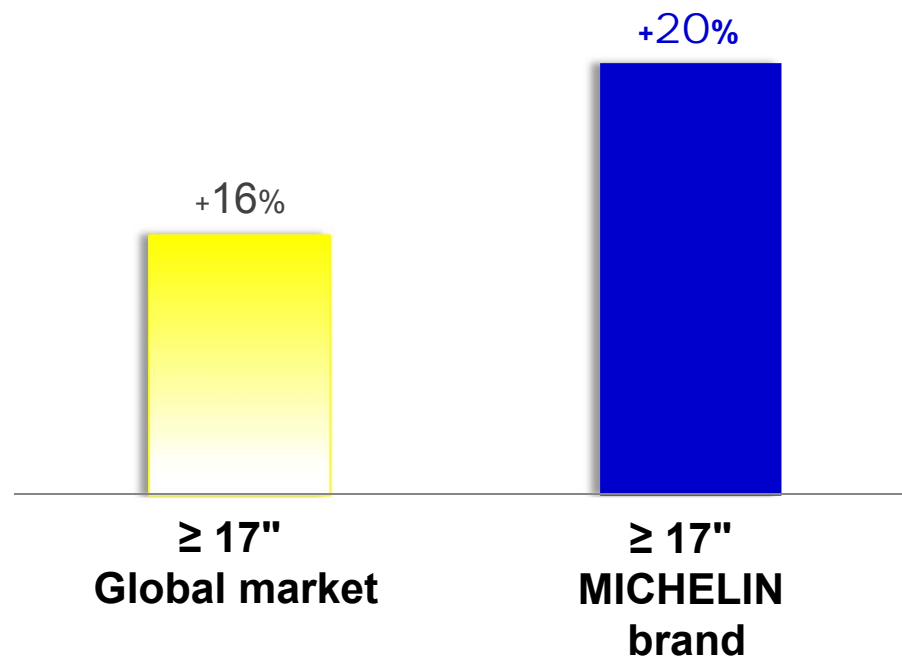
2012 Passenger Car and Light Truck tire market by size

(in number of tires)

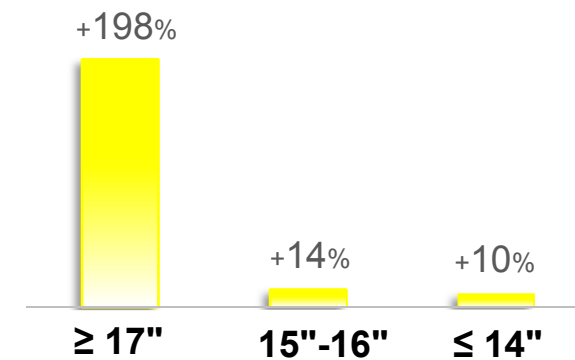


MICHELIN: Leading the Market in Premium Tires

Average annual growth (2009 – 2012)



Chinese market



Source: Michelin



Investing Upstream to Enhance Our Competitive Strengths and Drive New Growth

► Support growth:

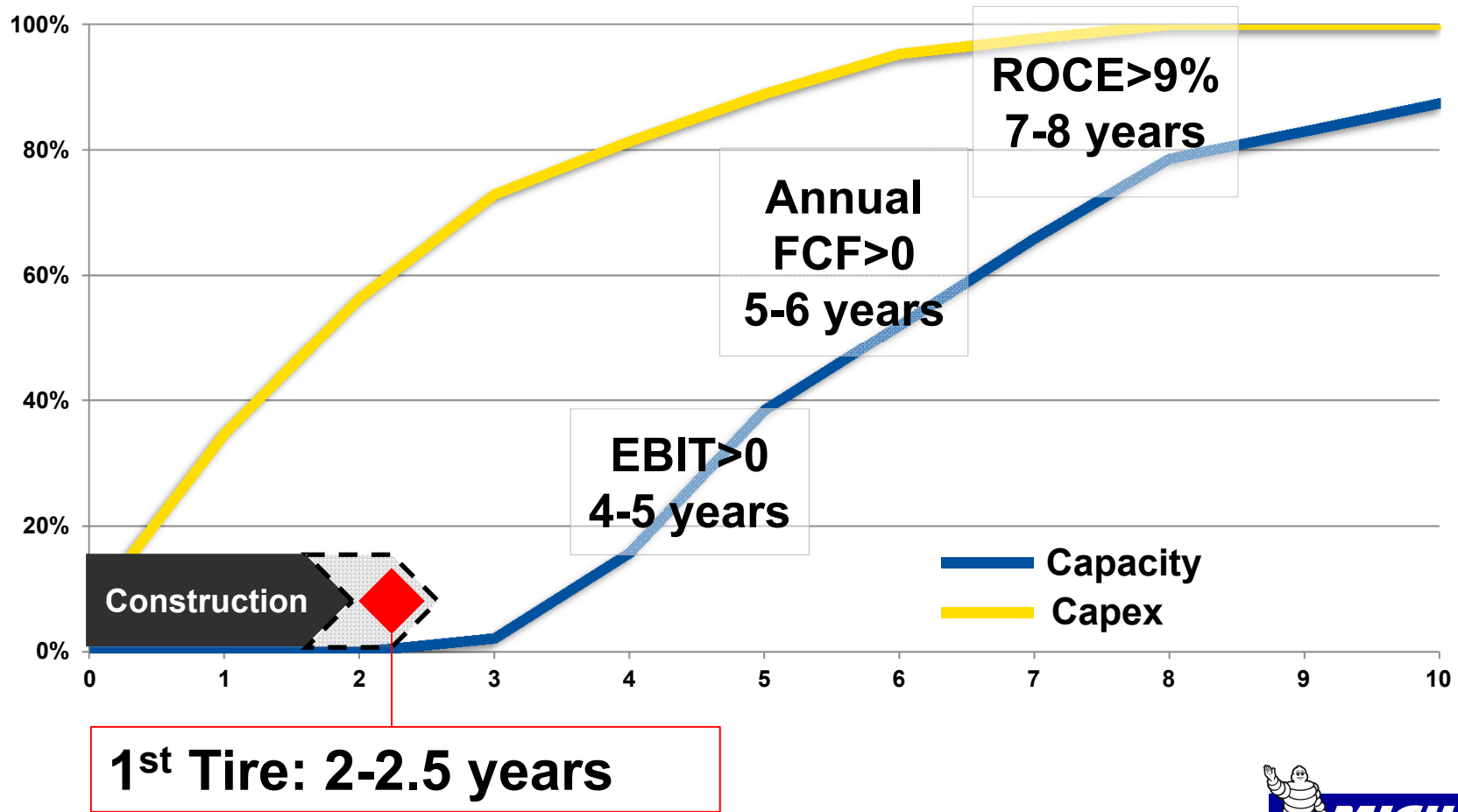
- Mixing facilities
- Cable capacity
- Elastomer capacity

► **2012-2015 capex** : €500m to €550m per year



Towards a profitable growth

Return on a 200 KT greenfield project



Passenger car and light truck tires markets

Markets at January 31, 2013
(% change YoY, based on number of tires)

January 2013 / 2012

Market	Europe*	North America	Brazil	China
Original Equipment	▼ -14%	▲ +8%	▲ +21%	▲ +50%
Replacement	▼ -4%	▲ +6%	▲ +9%	▲ +28%

YTD (January 2013)

Market	Europe*	North America	Brazil	China
Original Equipment	▼ -14%	▲ +8%	▲ +21%	▲ +50%
Replacement	▼ -4%	▲ +6%	▲ +9%	▲ +28%

* Russia and Turkey included



Truck tires markets

Markets at January 31, 2013
 (% change YoY, based on number of tires)

January 2013 / 2012

Market (Radial)	Europe*	North America	Brazil
Original Equipment	▲ +5%	▼ -4%	▲ +80%
Replacement	▲ +13%	▼ -15%	▲ +12%

YTD (January 2013)

Market (Radial)	Europe*	North America	Brazil
Original Equipment	▲ +5%	▼ -4%	▲ +80%
Replacement	▲ +13%	▼ -15%	▲ +12%

* Russia and Turkey included



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