



2015 UPDATE

September 19, 2012



OUTLINE



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High profitability in first-half 2012

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Updated Prospects for 2015





01

High profitability in first-half 2012





High Profitability Supported by the Group's Global Strategy

- €1,320m in **operating income before non-recurring items**, up 36% vs. H1 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

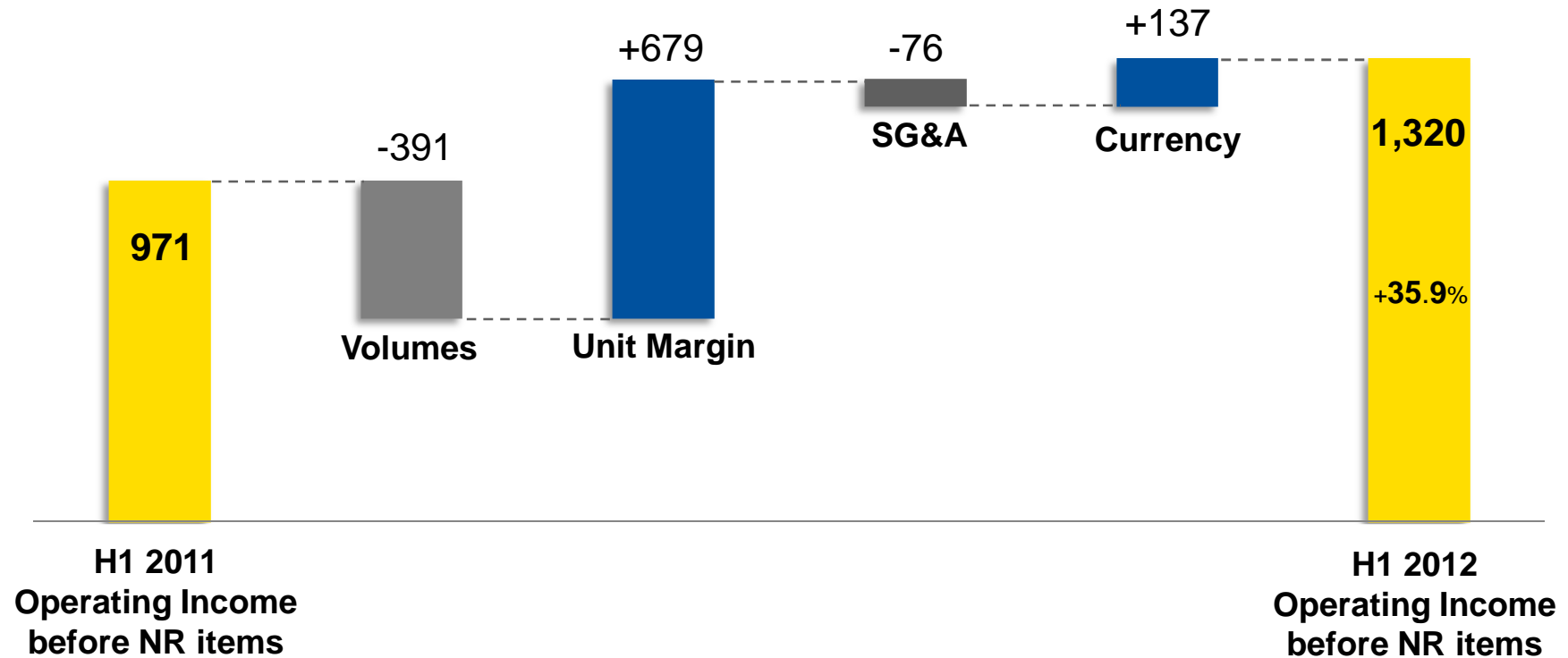




Growth in Operating Income Led by an Improved Unit Margin

YoY change

(in € millions)

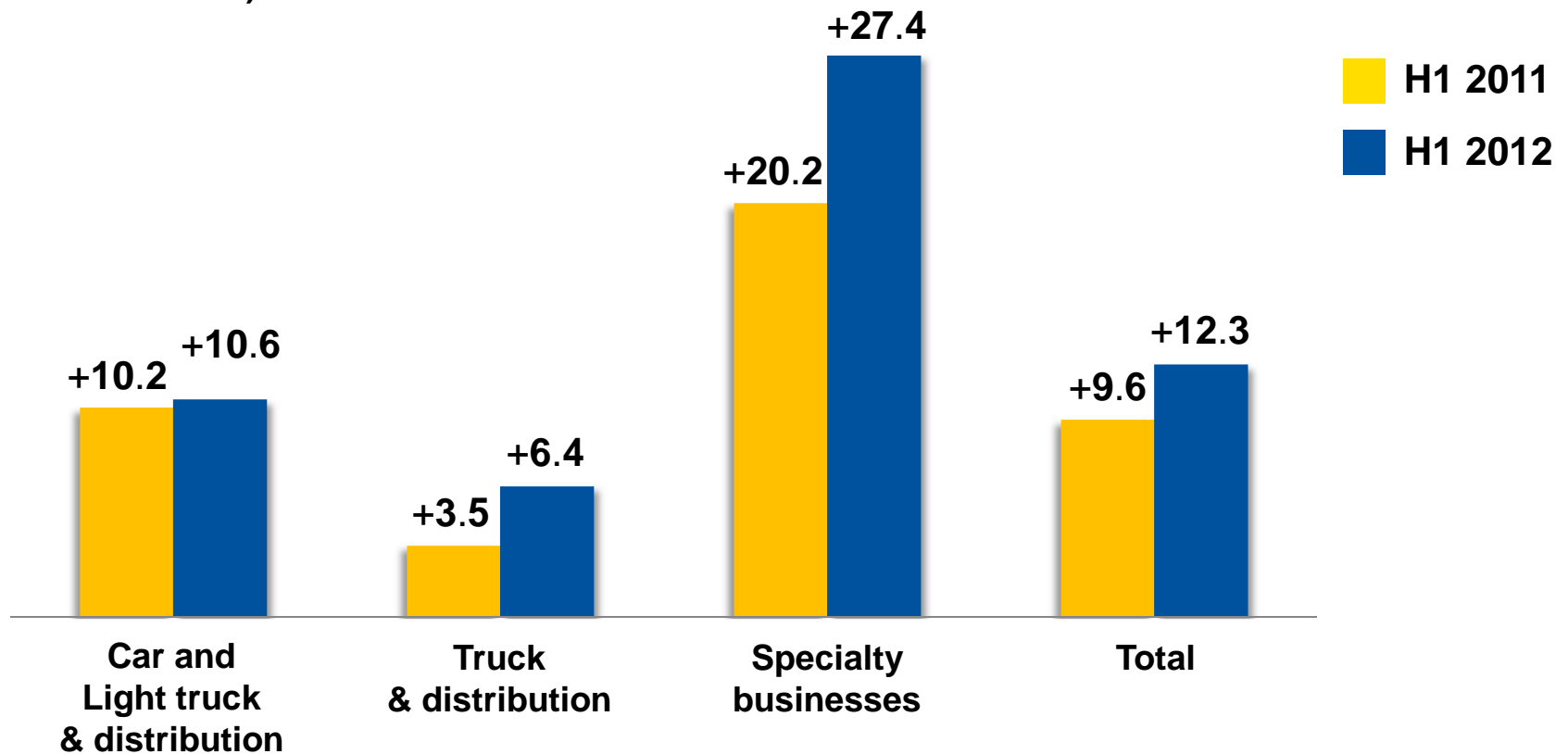




Operating Margin Up in Every Business

Operating margin before non-recurring items

(as a % of net sales)





02

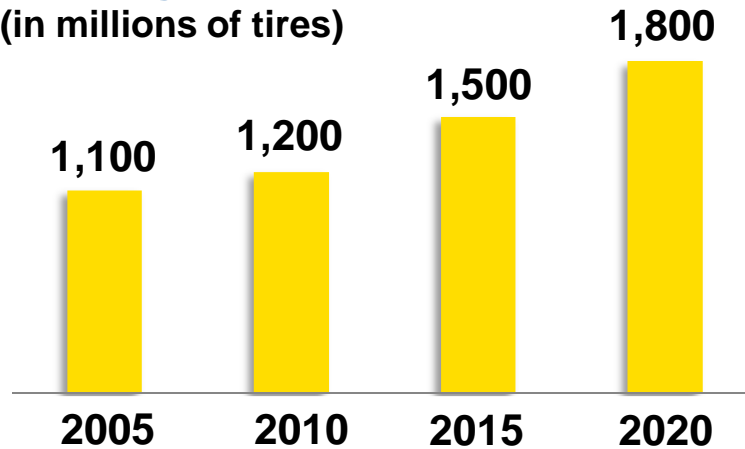
Structurally expanding markets



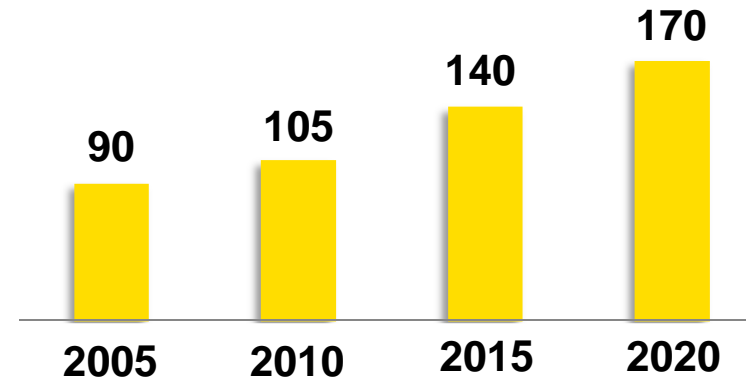


Tire Markets are Structurally Expanding Over the Mid and Long Terms

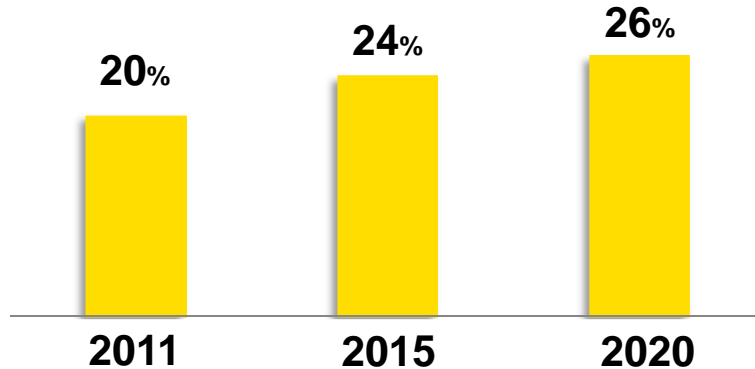
Car & Light truck tire market
(in millions of tires)



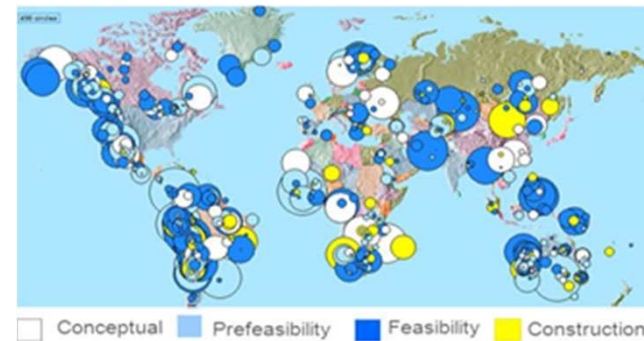
New radial Truck tire market
(in millions of tires)



% of 17" and over in the total market



Mine Greenfield projects (sized by Mt/yr)



Source: RMG





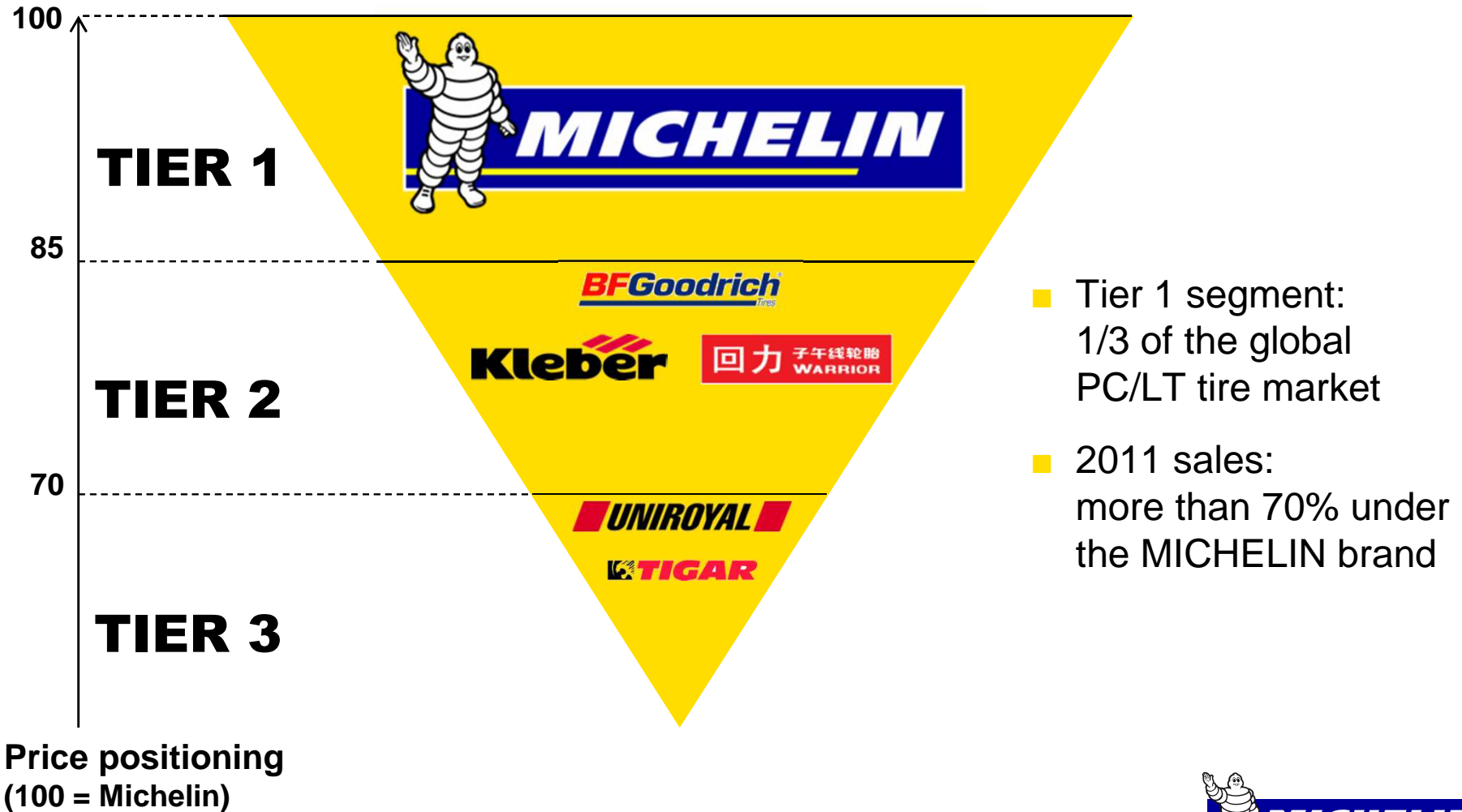
03

Widening our leadership in the premium segment





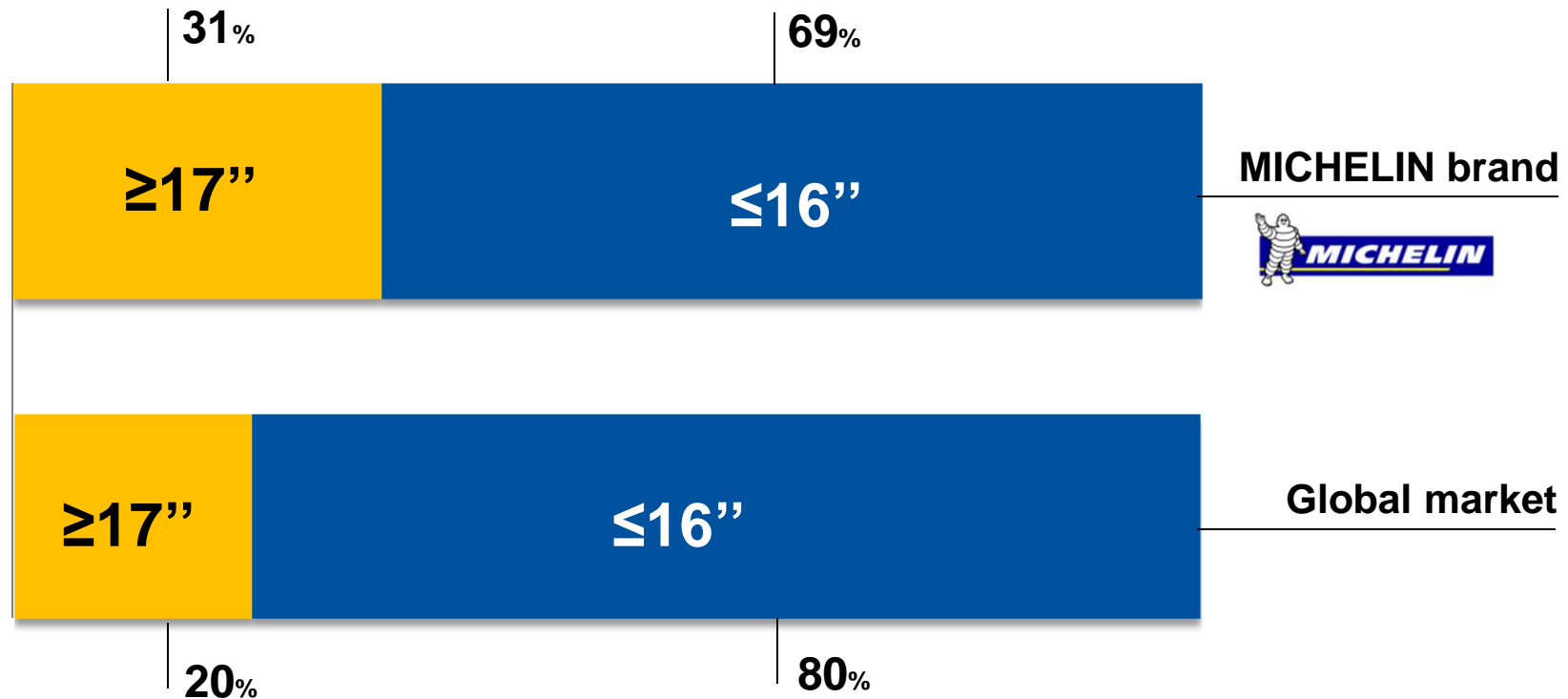
MICHELIN: a 100% Premium Brand in Every Market





MICHELIN is the Benchmark Leader in Premium Tier 1 Segments

Share by PC/LT tire seat size

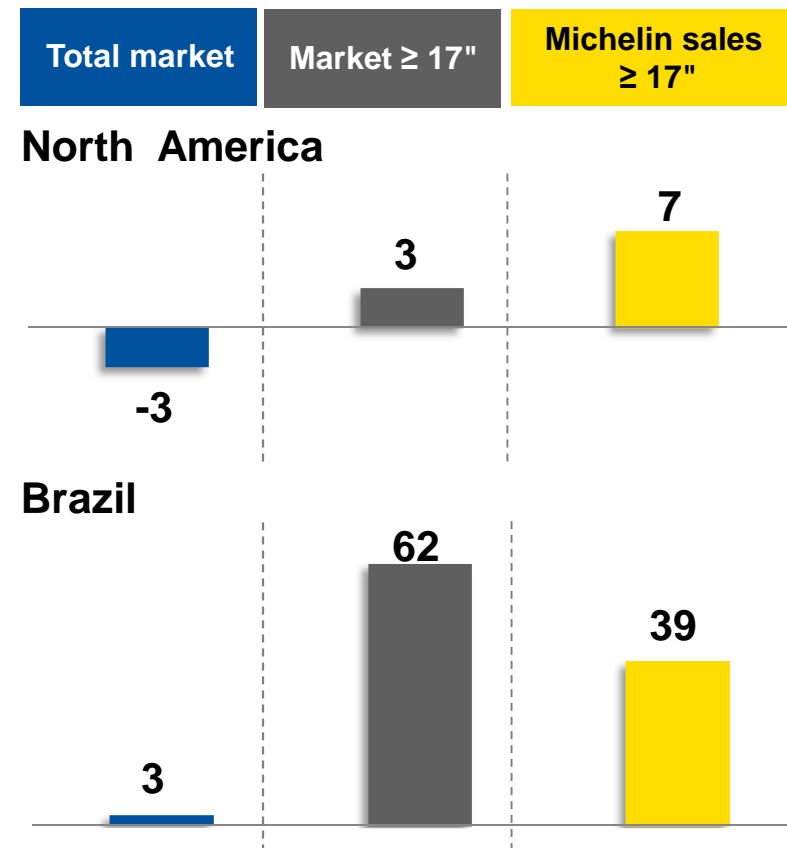
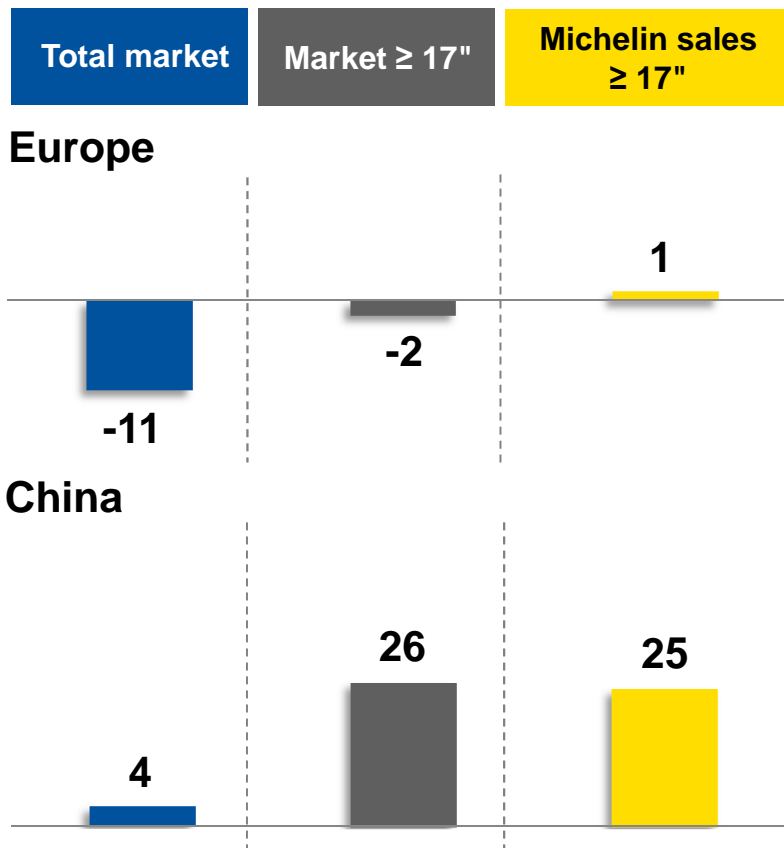




Premium: Strong Growth Opportunity Seized by Michelin

Growth in the replacement Car & Light truck market

(H1 2012 vs. H1 2011 in %)



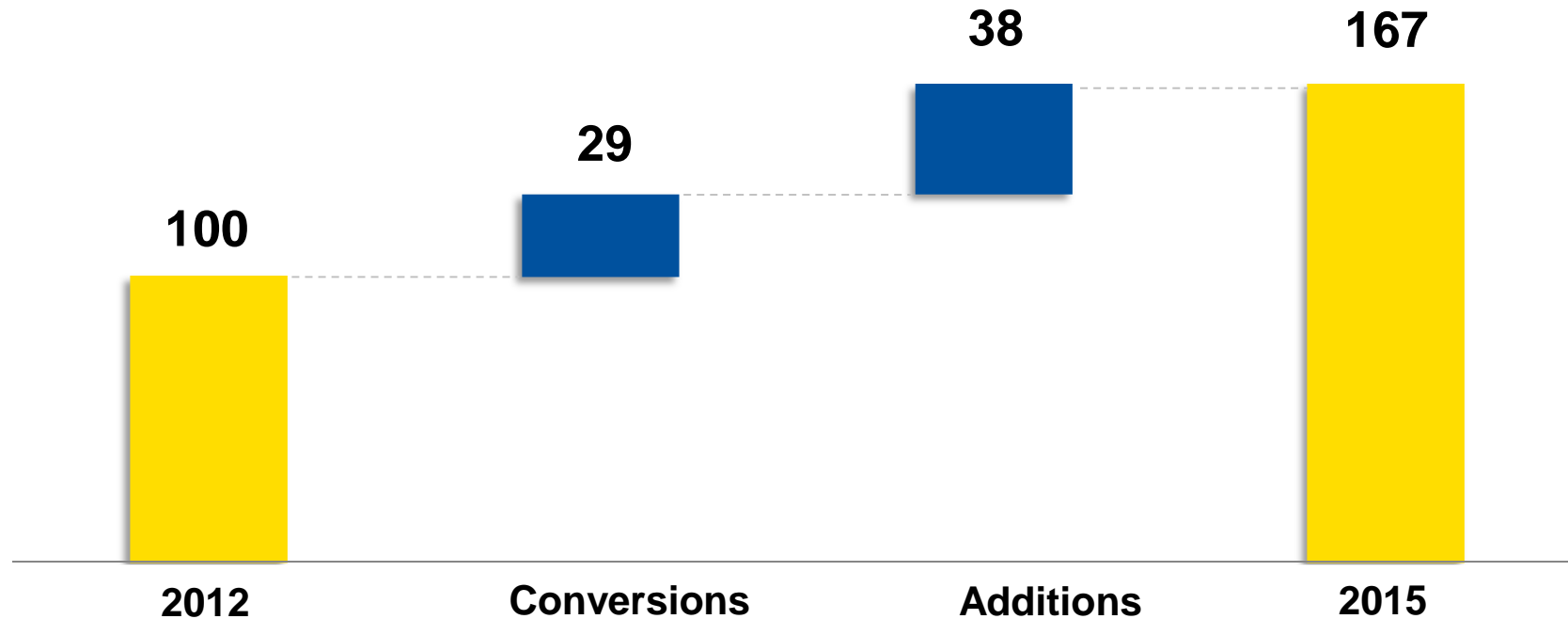
Source: Michelin





More Capacity to Keep Up with Growing Demand and Widen our Leadership

Group 17" & above capacity
(base 100 in millions of tires, all brands)





04











Increasing the contribution of the specialty businesses





Michelin is the Market Leader in Every Specialty Tire Business

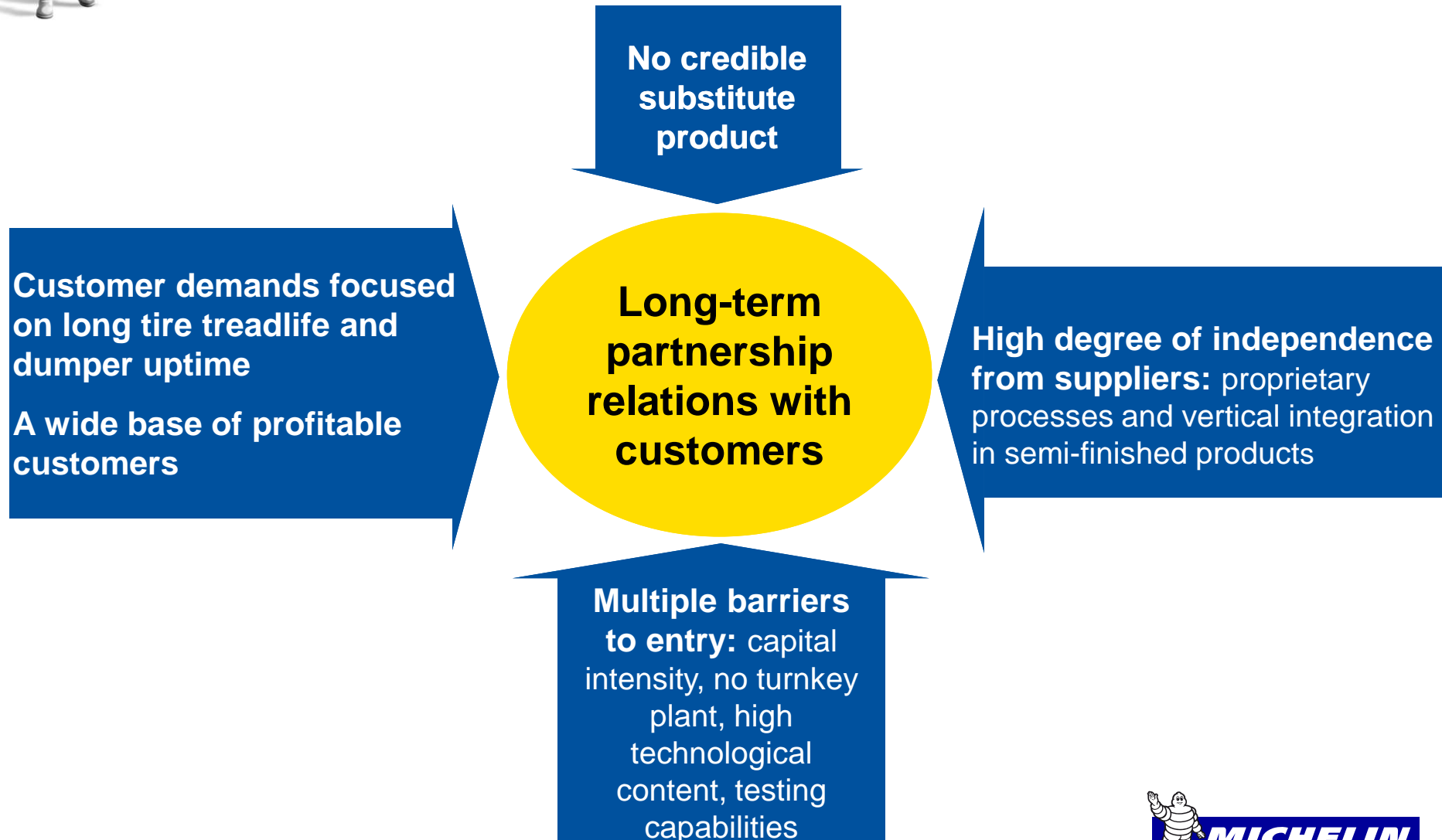
Market leader

Earthmover	 MICHELIN in radials
Mines	 MICHELIN (co-leader)
Original Equipment	 MICHELIN (co-leader)
Infrastructure	 MICHELIN
Agricultural	 MICHELIN in Europe
Original Equipment	 MICHELIN in Europe
Replacement	 MICHELIN  in Europe
Two-Wheel	 MICHELIN (co-leader) in mature markets
Aircraft	 MICHELIN





Mining Business: Favorable, Enduring Market Structure





Mining Business: Favorable Growth and Profitability Outlook

- **Clear visibility thanks to multi-year contracts:**
 - **Sales trends:**
sustained growth in mining markets
 - **Margin trends:**
long-term contracts with raw materials indexing clauses

- **Favorable customer mix**





Investing to Enhance our Competitive Advantage

■ Faster investment in Earthmover Tires

- *Capital projects of giant tires (57" & 63") in the United States: \$750 million*
 - Anderson: new plant, first tire in late 2013
 - Lexington: fifth and final phase of the extension
- *Indian project to be finalized*

**Higher capital intensisty
with a HIGHER ROI**





Proprietary Production Processes: a Barrier to Entry





05

Strengthening our presence in the growth regions

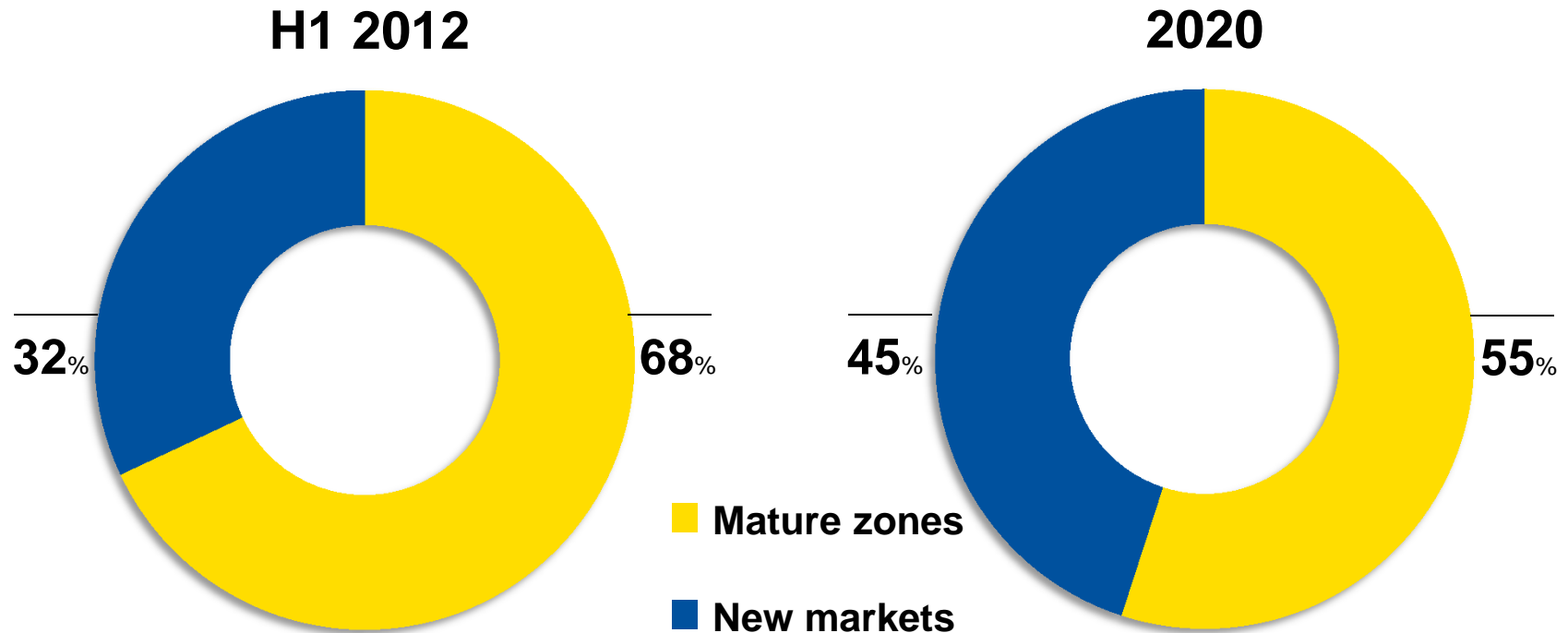




A Balanced Global Presence, Increasingly Oriented Towards the New Markets

H1 2012 net sales by region

(% of total net sales in €)

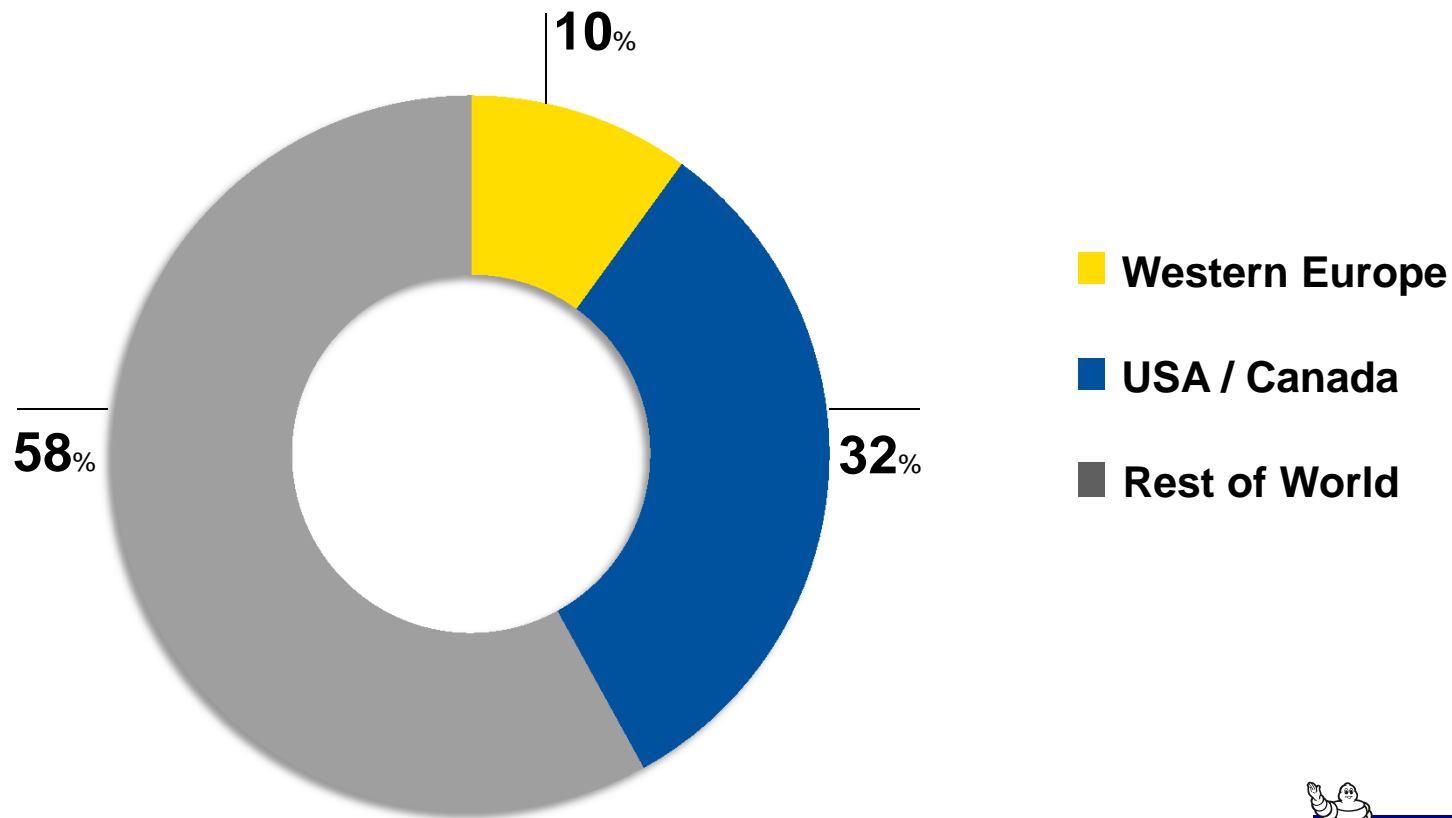




Investing to Seize Opportunities in New Markets

2012-2015 capacity investments by region

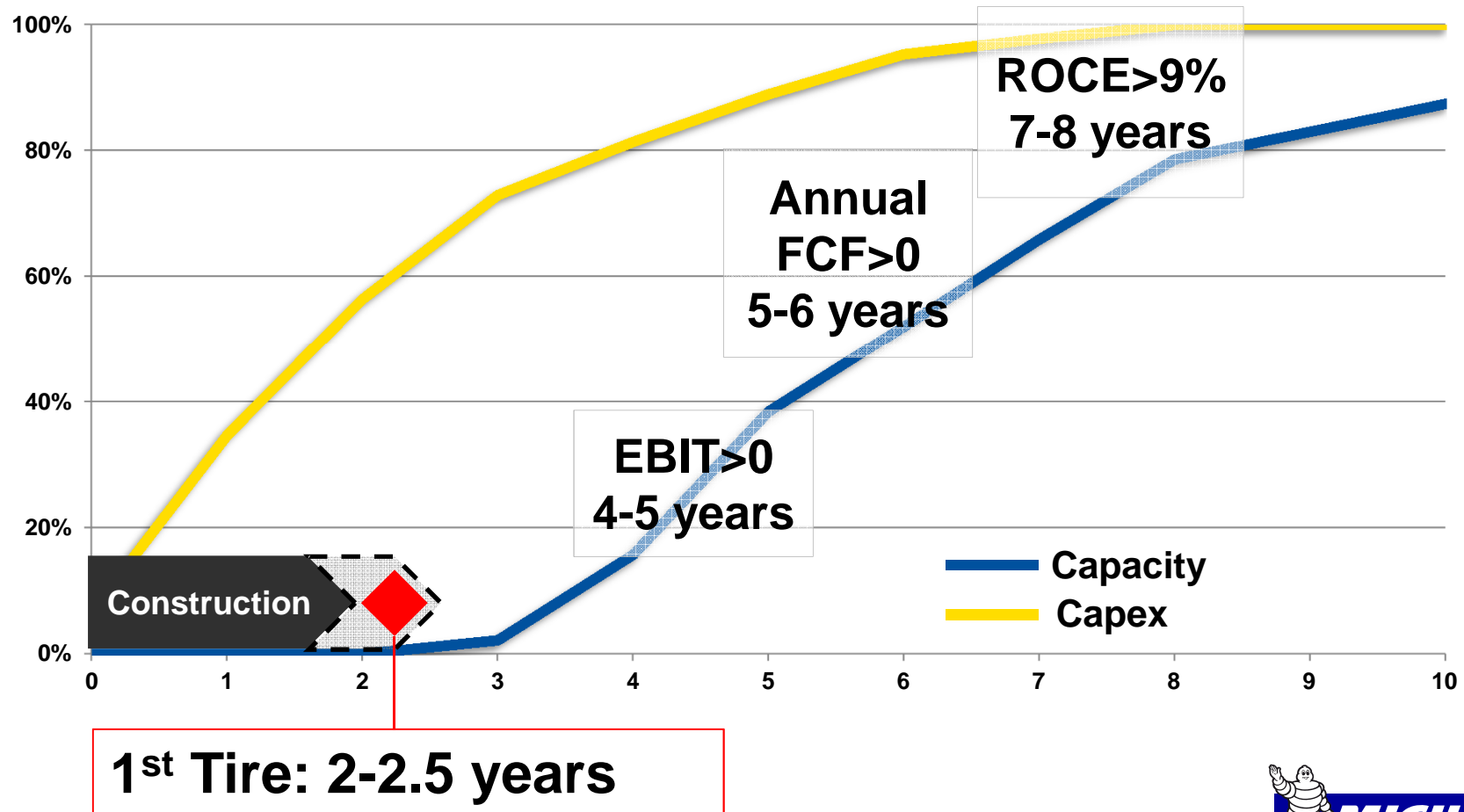
(in % of total expenditure in €)





Towards a profitable growth

Return on a 200 KT greenfield project





Brazil: a New Car & Light Truck Plant Already Up and Running



Brazil project	2012	2013	2014	2015	In the end
Capacity (K Tonnes)	2,000	17,000	46,000	51,000	
Capex including upstream costs (€m)	188	71	7	0 Total by end 2015: 480	
ROCE					> 12%





China: an Ambitious Car & Light Truck and Truck Project, On-Time and On-Budget



China (Shenyang 2)	2012	2013	2014	2015	2018
Car & Light truck and Truck capacity (K Tonnes)	0	25,000	64,000	105,000	210,000
Capex including upstream costs (€m)	270	210	185	85 Total by end-2015 : 1,100	Total project cost: 1,200
ROCE					>12%





Truck Tire Plant in India Now Under Construction



- **First truck tire expected end of H1 2013**
- **Capacity will eventually reach 100,000 tonnes**
- **Total capex: €560m**



Investing Upstream to Enhance Our Competitive Strengths and Drive New Growth

■ Support growth:

- *Mixing facilities*
- *Cable capacity*
- *Elastomer capacity*

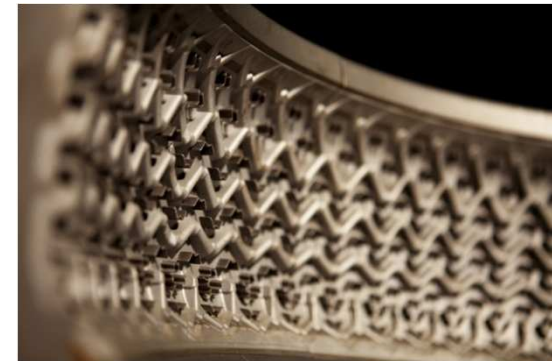




Investing Upstream to Enhance Our Competitive Strengths and Drive New Growth

■ Improve Michelin Total Performance: ~€150m per year

- *Materials = primary innovation vector*
- *New synthetic rubber grades*
 - Improve the balance of performance
 - Optimize process productivity
- *Metals:*
 - Improve the endurance of Truck and Earthmover tire casings
- *Molds:*
 - Manufacture complex-design tread



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





Upstream Vertical Integration: a Key Driver of the Premium Strategy

■ Make or buy criteria

- *Maximize innovation-driven value for the Group & enhance the Group's expertise and technological leadership*
 - **Synthetic rubbers (~35% internally sourced)**
 - **Truck and Earthmover tire cables (~70% internally sourced)**
- *Secure procurement*
 - **By controlling the competitiveness of internal costs vs. prices offered by our major suppliers**
- *Secure ROI*
 - **Tire performance enabled by vertical integration is a key lever for Michelin tire value**





06

Updated Prospects for 2015

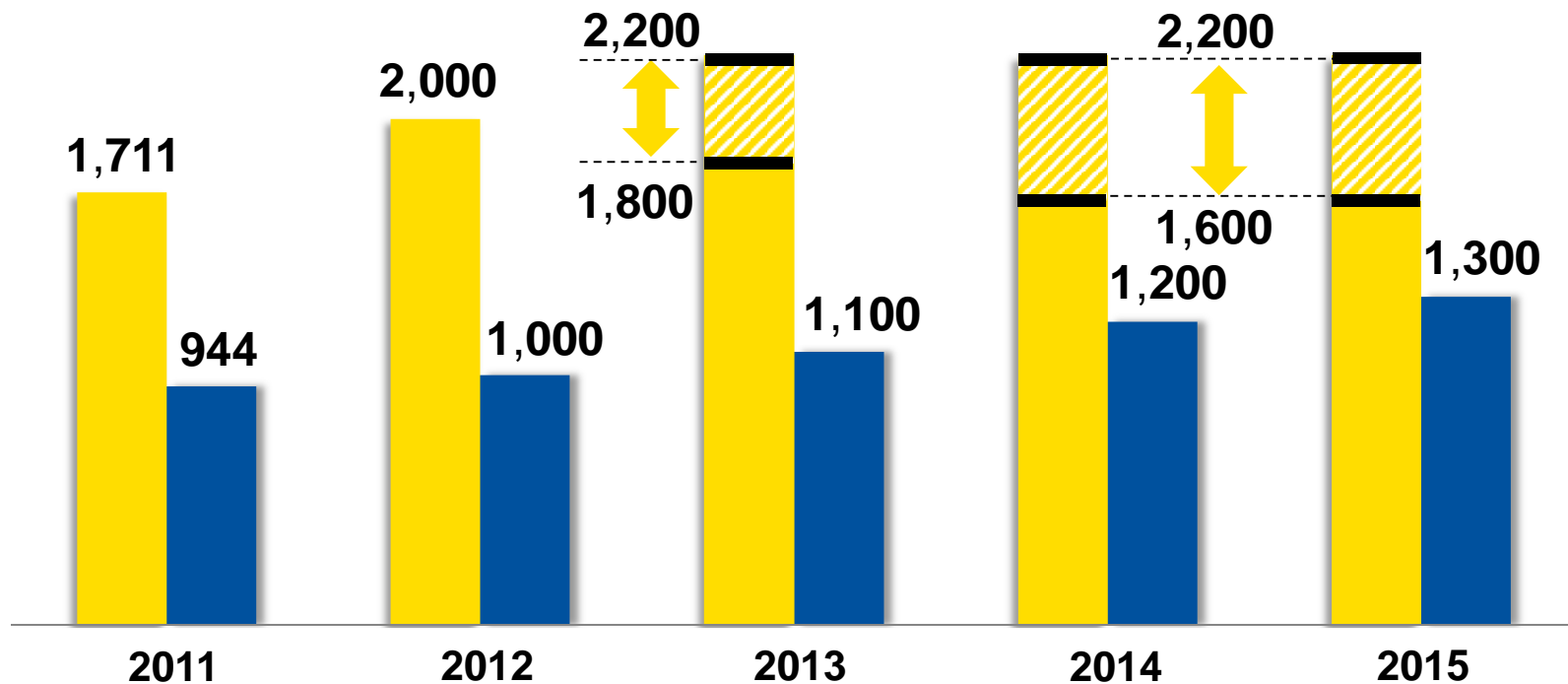




Investing to Enhance our Competitive Strengths and Drive New Growth

Capex and depreciation
(in € millions)

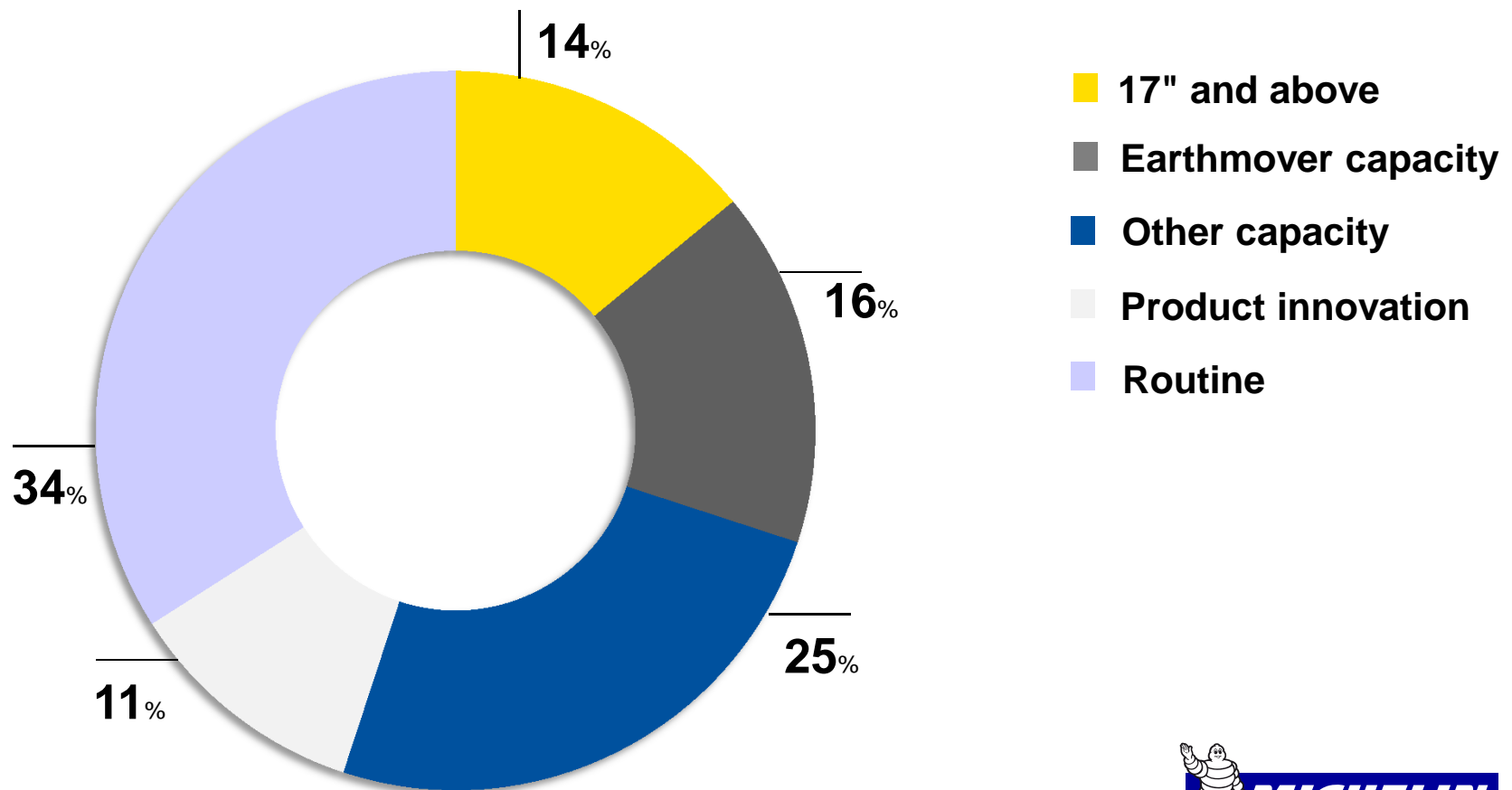
■ Capex
■ Depreciation





Innovation and Growth are Driving the 2012-2015 Capacity Capex Program

2012 – 2015 capital projects by type
(in € millions)

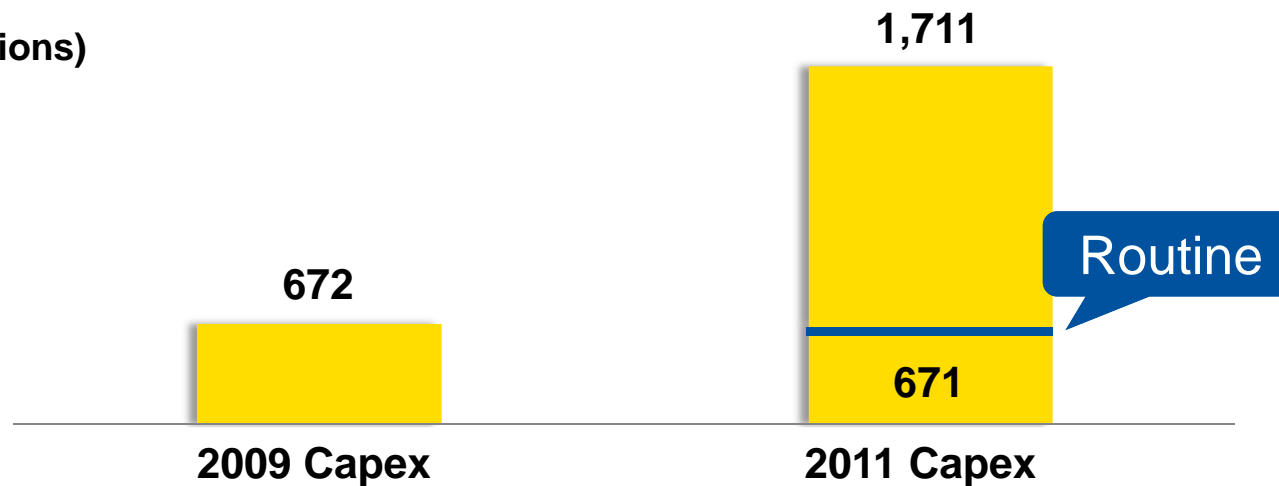




Demonstrated Ability to Manage Capex

- Routine capex = ~ €700m/€750m
- Sustained careful management of growth capex according to market outlook
 - 2009 demonstrated this capability

Capex
(in € millions)





2012 Guidance Confirmed

- **Clear increase in operating income before non-recurring items**
- **Positive free cash flow after capital expenditure increased by around €300m to €400m, before the impact of the Pais Breteuil disposal**
 - *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**





2015: Assumptions

■ Market environment:

- *Markets growing by 4 to 5% a year, after a year of transition in 2013*
- *Raw materials prices tracking market growth*
- *No sudden sharp spike in raw materials prices*

■ Michelin volumes:

- *Growth in line with the market*
- *Faster, sustained improvement in the mix*
- *Higher growth in specialty segments*





2015 outlook

Based on the previous slide assumptions:

- **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: €1.6bn - €2.2bn per year**
- **Positive free cash flow every year**
- **ROCE > 10% each year**





Key Takeaways

- **Confidence in the strategy**
- **Capex focused on our competitive strengths and on Michelin Total Performance**
- **Ability to effectively steer the business in line with the prevailing market environment**
- **Focus on ROCE & generating free cash flow**

Michelin, a unique profile in the auto & tire business with key differentiating factors:

- **Strongest global brand name**
- **Global footprint**
- **Technology leader**
- **Very robust Specialty tire business**





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