



CREDIT INVESTOR UPDATE

JUNE 11, 2012





Credit Highlights

- **Strong balance sheet with sustainable operating margins & credit metrics**
- **S&P & Moody's ratings upgraded: BBB+/Baa1, stable outlook**
- **Solid liquidity profile with prudent and diversified funding strategy**
- **A global presence and a balanced business portfolio**
- **Strong brand and unrivalled technological leadership**
- **A leader in the premium segment and specialty businesses**
- **Proven resilience in 2009/2010, remarkable 2011 demonstrating pricing power and growth**
- **Competitiveness program towards operational excellence**



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A Strong Financial Profile

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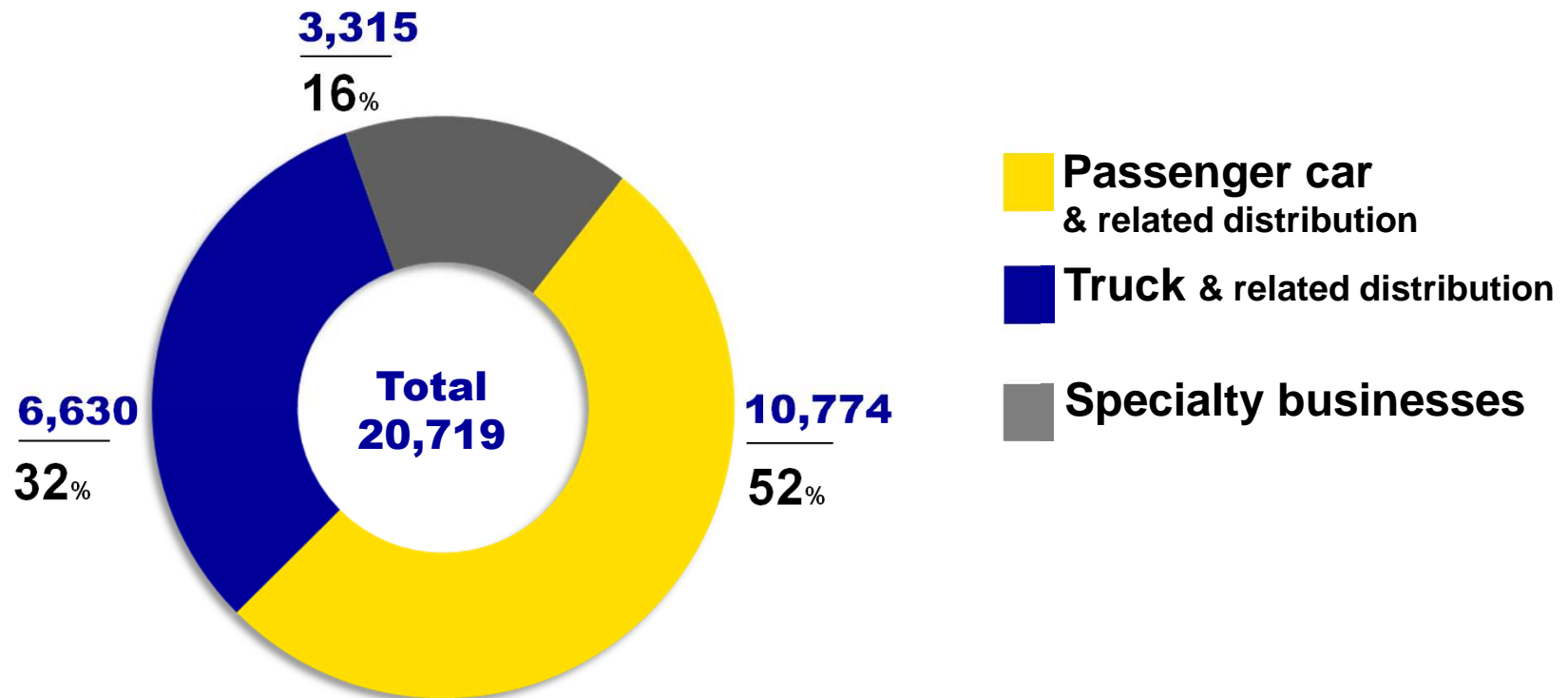




A Global Presence in All Tire Businesses

2011 Net sales by business

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

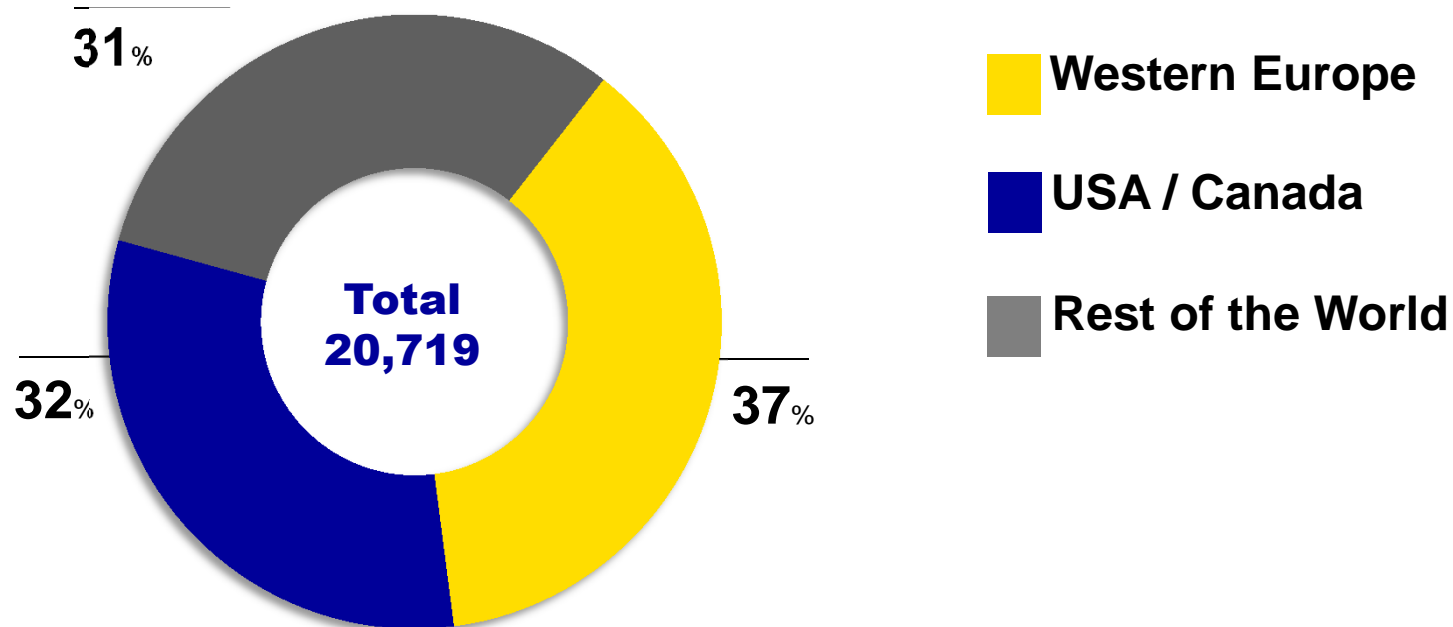




A Balanced Regional Presence

2011 Net sales by region

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



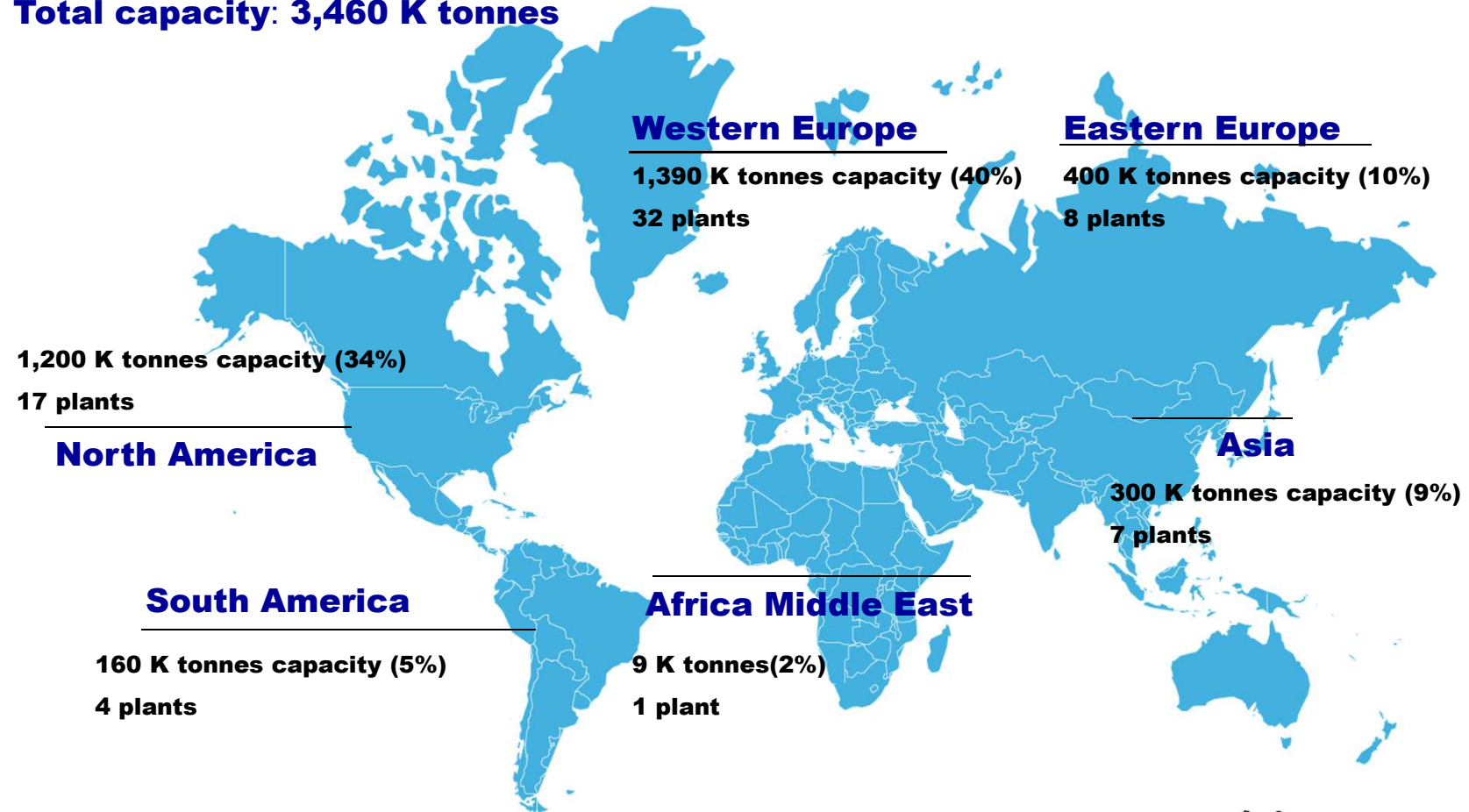


A Global Manufacturing Footprint

69 Production Facilities in 18 Countries

2011

Total capacity: 3,460 K tonnes



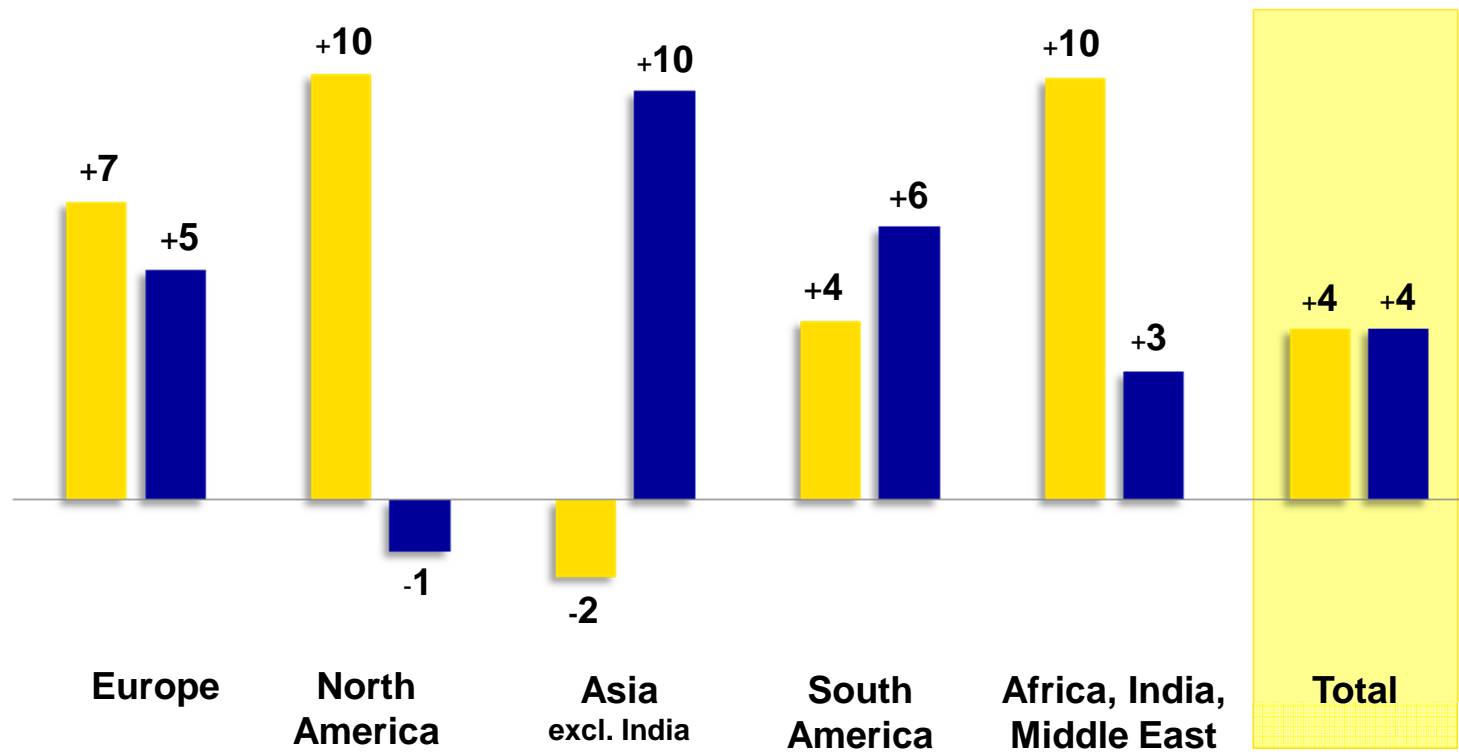


Car and Light Truck Tires: Annual Growth that Moved back in Line with Long Term Trends in H2

Markets at December 31, 2011

(% change YoY, in number of tires)

Original Equipment Replacement



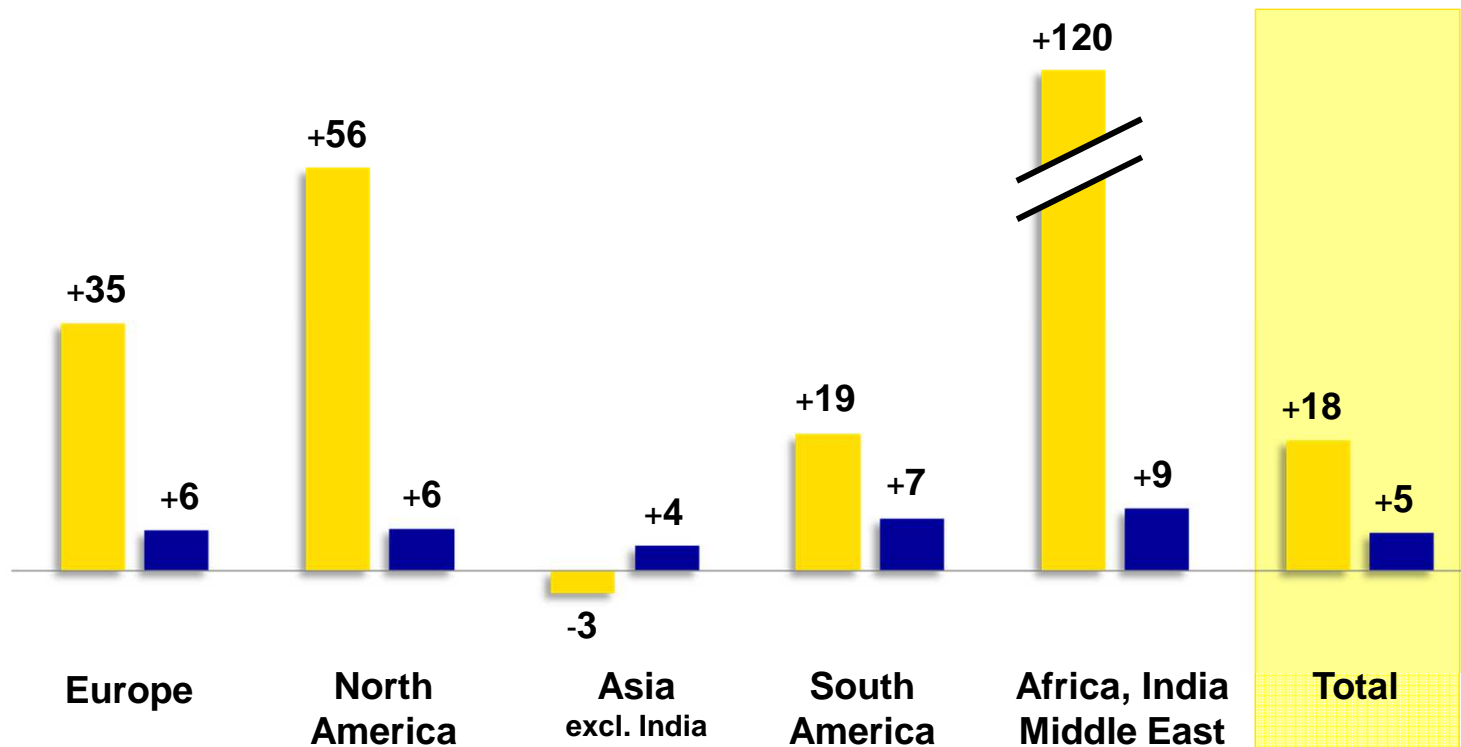


Truck Tires: OE Demand Brisk all Year Long, Steep Fall-off in Replacement Sales in H2

Radial markets at December 31, 2011

(% change YoY, in number of tires)

Original Equipment Replacement





Sustained Growth in Specialty Tires, with Clear Visibility

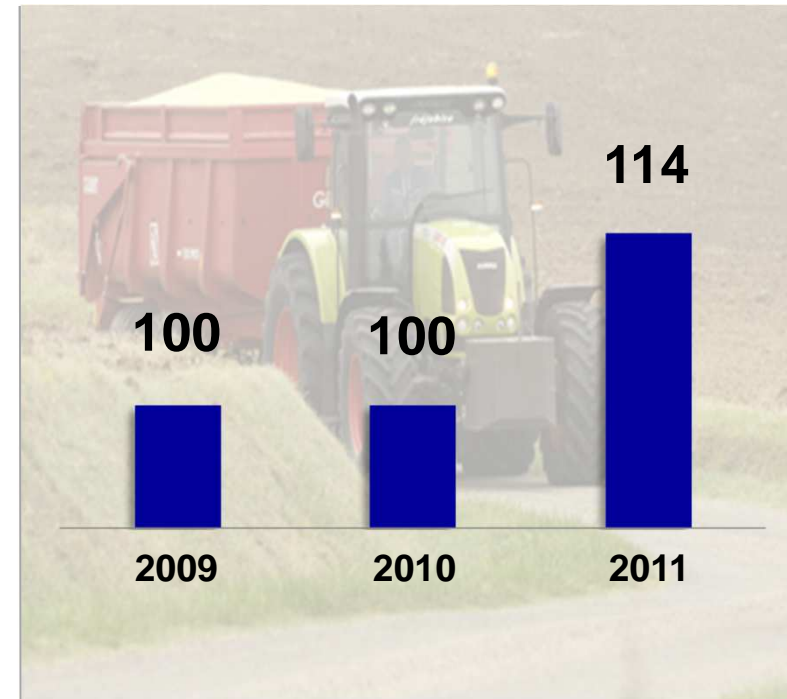
Mining Tire Market

(In tonnes, base 100 = 2009)



Agricultural Tire Market (Europe – North America)

(In number of tires, base 100 = 2009)



Source: Michelin





2011 - A Year that Fully Validated the Group's Strategic Vision

- Higher sales volumes, thanks to a very strong first half
- Robust earnings
- Sustained high margins in the Specialty businesses
- Higher raw materials costs offset thanks to the Group's leadership
- Free cash flow at breakeven
- Strong balance sheet

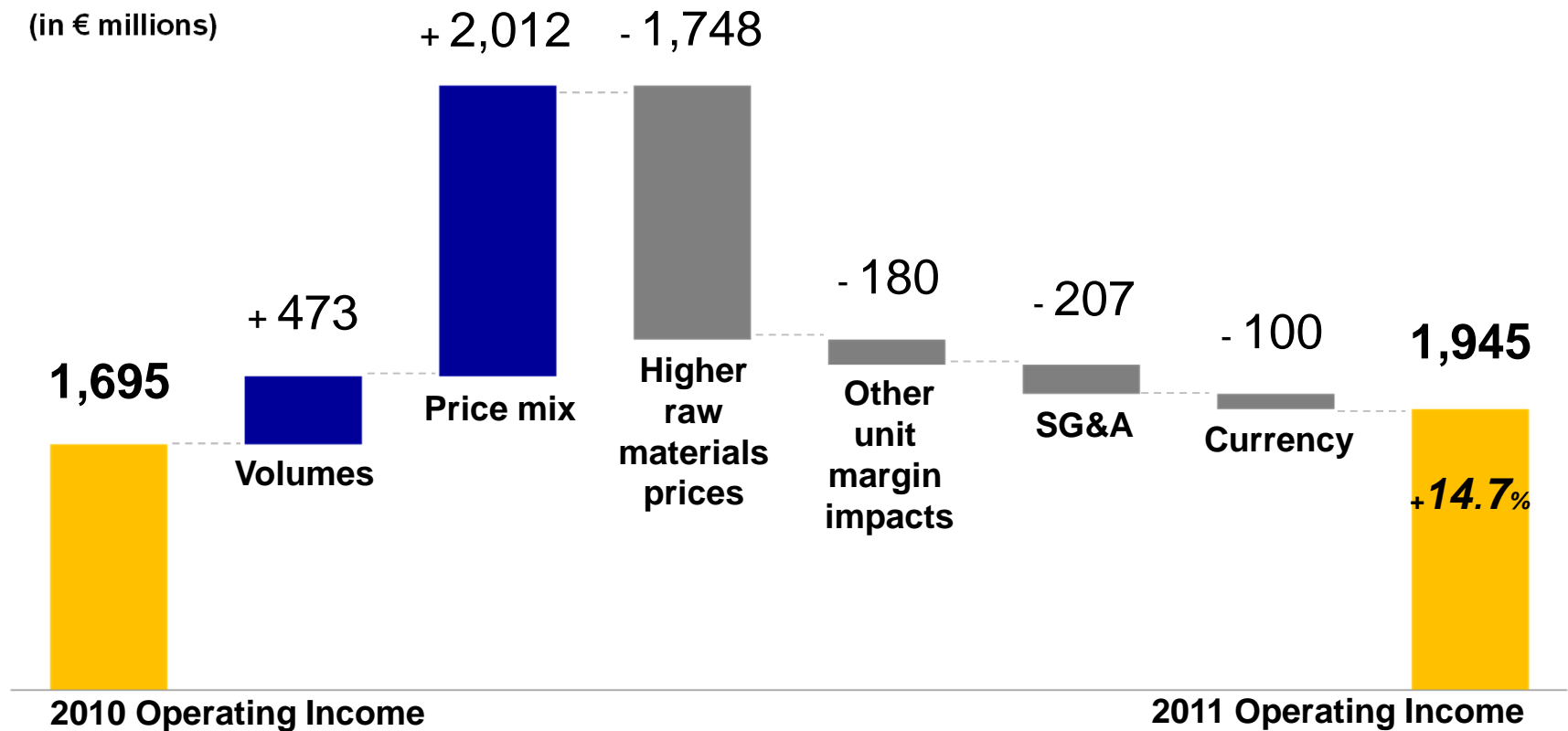




Clear Increase in Group 2011 Operating Income

YoY change

(in € millions)

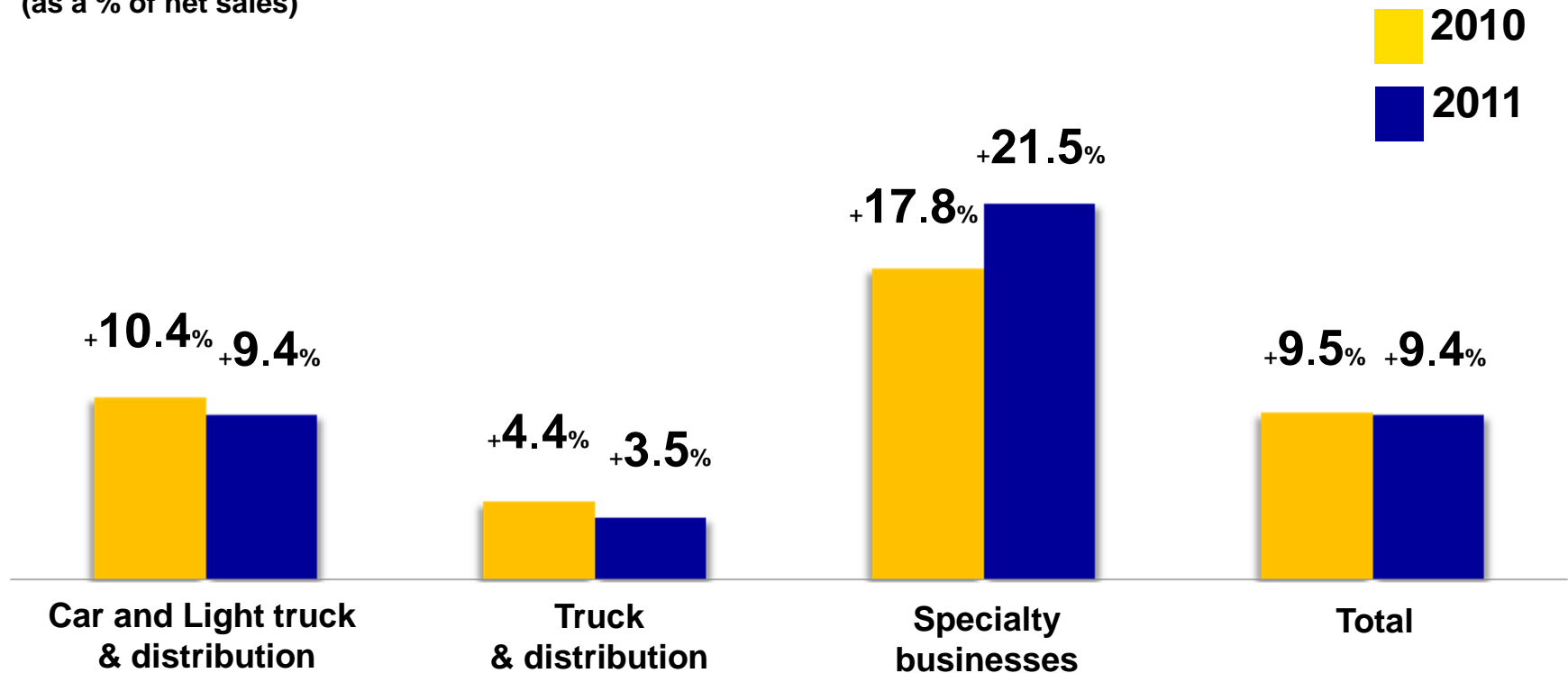




Operating Margin Remains High in the Car and Light Truck Tires and Specialty Businesses

Operating margin before non-recurring items

(as a % of net sales)





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Strong Improvement in Group 2011 Net Income

In € millions	2011	2010
Net Sales	20,719	17,891
Operating Income (before non-recurring items and as a % of Net Sales)	1,945 9.4%	1,695 9.5%
Non-Recurring Items	-	-
Operating Income	1,945	1,695
Cost of Net Debt	(206)	(236)
Other Financial Income and Expenses	236	10
Tax	(534)	(449)
Share of Profit from Associates	21	29
Net Income	1,462	1,049





Recurring Business Structurally Generates Free Cash Flow

In € millions	2011	2010
EBITDA	2,878	2,660
Change in WCR	(912)	(461)
Restructuring Cash Costs	(145)	(229)
Change in Operating Provisions	13	(194)
Other Operating WCR	(5)	20
Cash Flow from Operations	1,829	1,796
Taxes and Interest Paid	(632)	(474)
Routine Capital Expenditure (Maintenance, IS/IT, Dealerships)	(671)	(565)
Available Cash Flow	526	757
Growth Investments	(1,040)	(535)
Other Cash Flow from Investing Activities (o/w disposal of Hankook shares)	495	204
Free Cash Flow	(19)	426

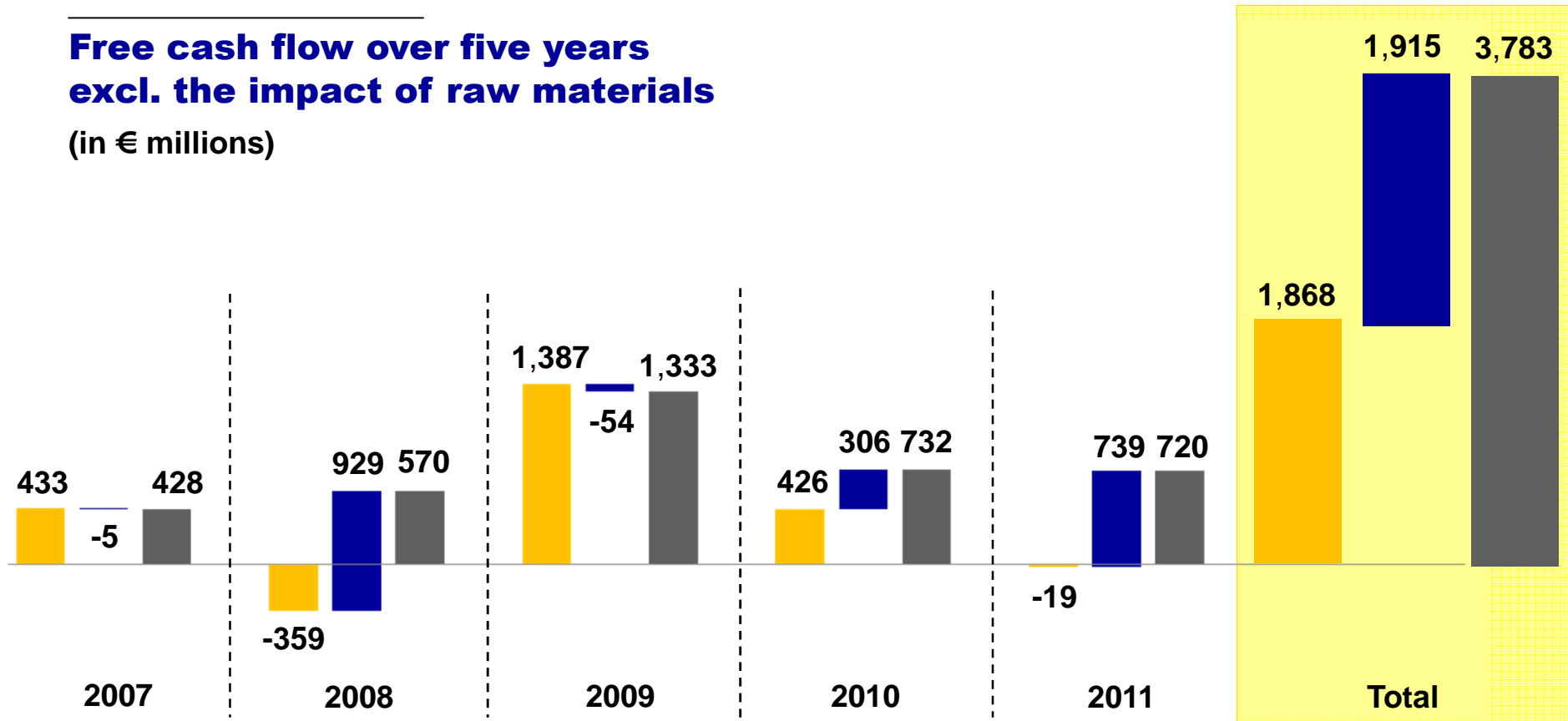




Free Cash Flow Structurally Positive Excluding the Impact of Raw Materials

Free cash flow over five years excl. the impact of raw materials

(in € millions)



■ Reported free cash flow

■ Impact of raw materials on WCR

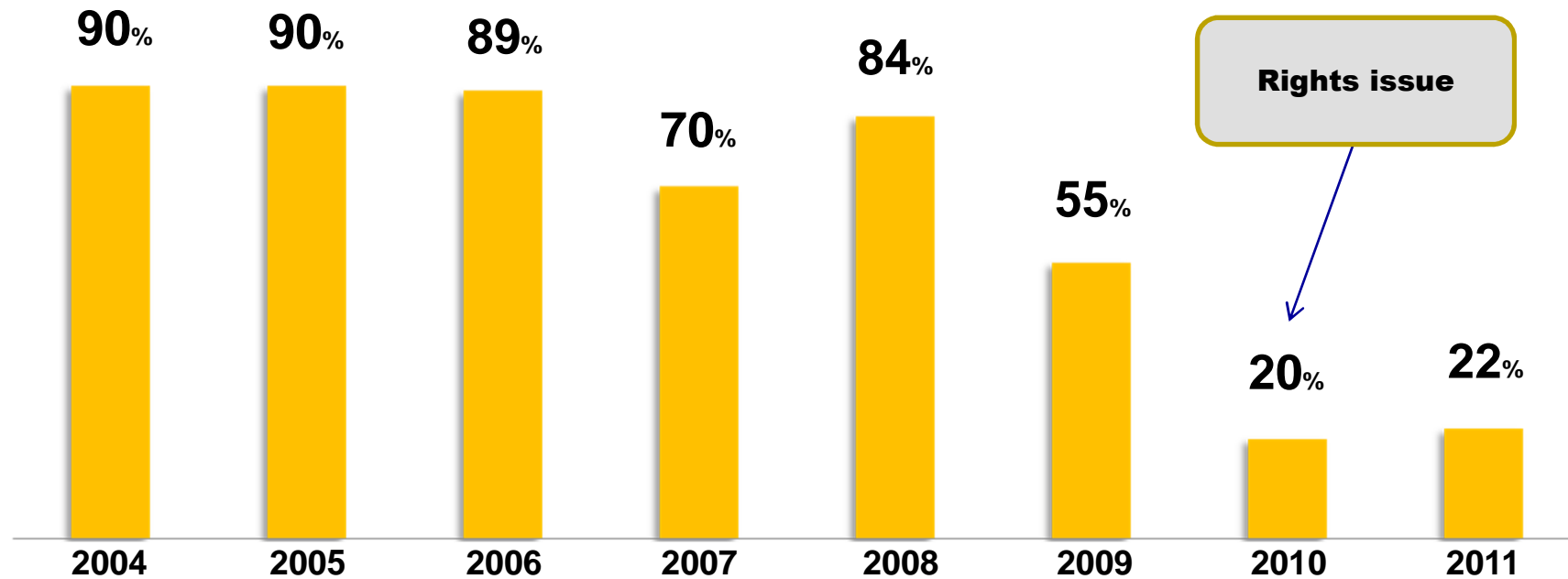
■ Free cash flow excluding the impact of raw materials





A Solid Balance Sheet

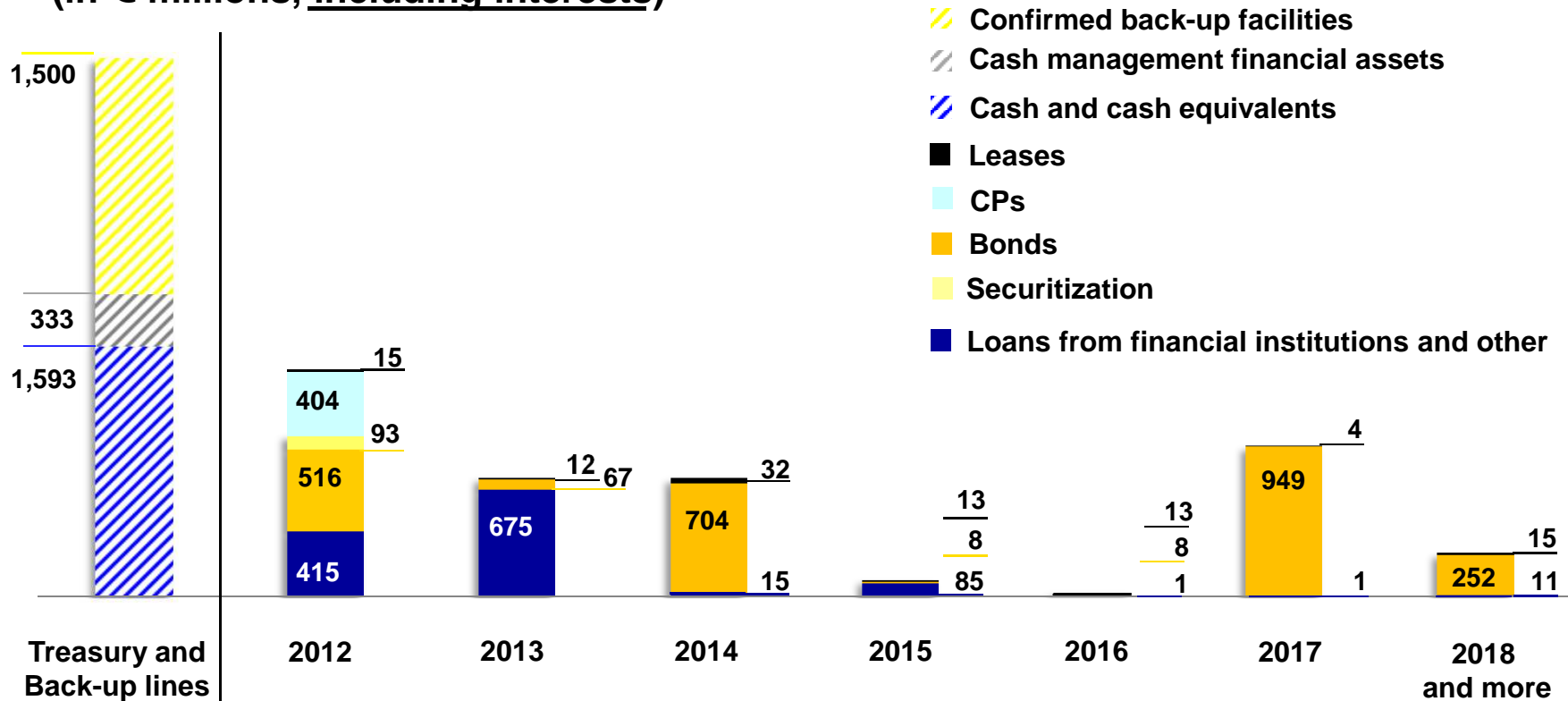
Gearing – Net Debt / Equity Ratio





A Comfortable Cash Position

Debt maturity as of December 31, 2011 (in € millions, including interests)





Cash and liquidity reserve

- **€1.6 bn of cash & cash equivalents at Dec 31, 2011 aimed at:**
 - Covering part of our refinancing needs
 - Hedging against volatility of the economic environment

- **€1.5 bn of an undrawn committed syndicated credit facility successfully refinanced in July 2011 with 19 banks for 5 years plus 2 extension options of 1 year each (5+1+1)**
 - Back-up facility
 - EUR and/or USD
 - No covenants





Main short-term debt programs

- French Commercial Papers (BT): maximum size €1.5 bn
- USCP program launched in April 2012: maximum \$700 m
- Pan-european receivables securitization program : €300 m total capacity
- US receivables securitization program: \$200 m total capacity

➔ *Ample flexibility to cover seasonality*

Solid short term ratings of Michelin: A2 / P2





Funding strategy

- Diversified sources and currencies (EUR, USD, CNY, THB, BRL)
- Extended maturities: average maturity > 4 years
- €450 m 2012 Bond fully repaid in Cash
- Refinancing of 2013 & 2014 maturing debt (€1.4 bn) envisaged via early Debt Capital Markets issue.





Group Rating: a Strong Momentum

S&P March 23, 2012: upgrade to BBB+, stable outlook

- *French tire maker Michelin has significantly improved its credit metrics in the past two years through its October 2010 capital increase and subsequent solid performance.*
- *We anticipate that Michelin will be able to withstand any softness in the auto and truck market in Europe and maintain its credit metrics.*
- *The stable outlook reflects our expectation that Michelin will be able to sustain its operating margins and credit metrics in a challenging macroeconomic environment, despite the company's large planned capital expenditures.*

Moody's April 26, 2012: upgrade to Baa1, stable outlook

- *One of the top 3 tire manufacturers worldwide, with good geographical diversification and a strong profit contribution from its specialty tires business which accounted for one third of operating profit in 2011 but represents only 16% of revenues.*
- *Strong pricing position due to the group's technological leadership and strong brand value of the Michelin brand.*
- *Around 80% of volumes are driven by replacement tire demand which is more stable than tire sales to the OEMs (Original Equipment Manufacturers) and generates higher margins.*
- *Expectation that declining volumes in Europe can be offset by positive demand growth in North America and emerging markets in 2012.*
- *Limited free cash flow generation in the light of rising investments in emerging markets, material working capital swings and an increase in dividend payments, but solid liquidity profile.*

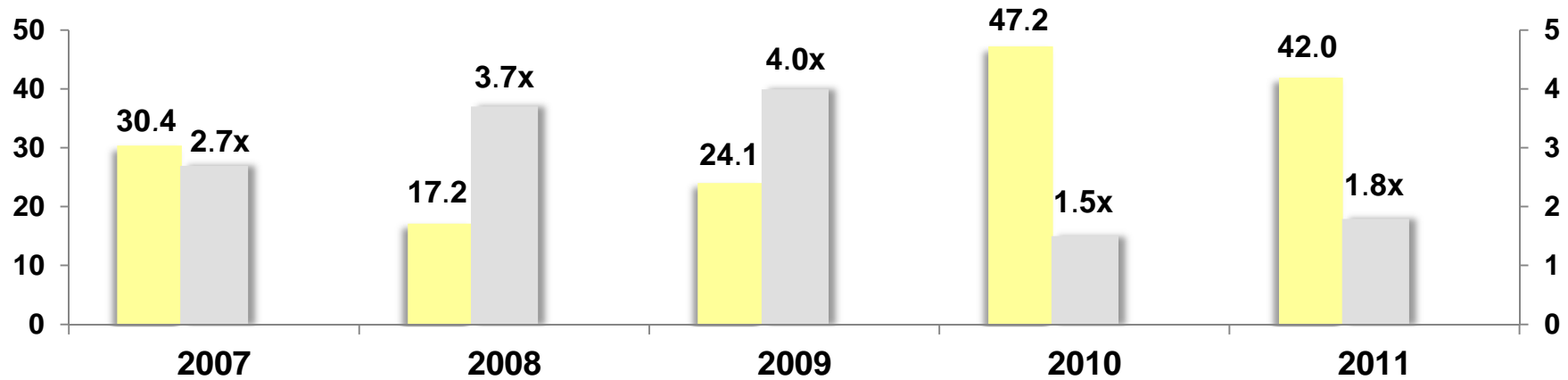




Rating agencies: credit metrics

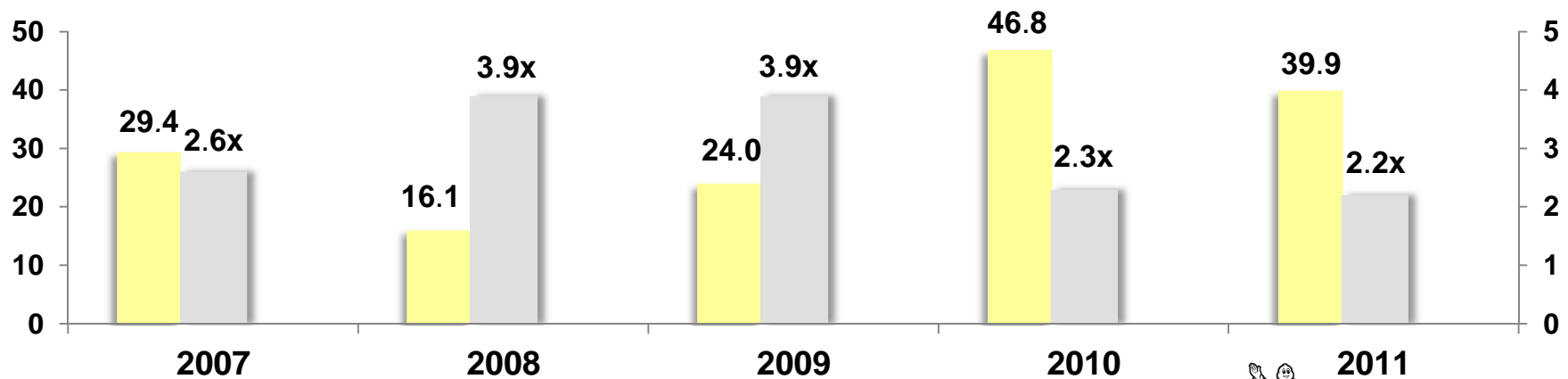
S&P

FFO / Debt Debt / EBITDA



Moody's

RCF / Net Debt Debt / EBITDA





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Three Core Competitive Advantages

Geographic Footprint

Specialty Businesses




Leadership in the Premium Segment





Michelin is the Market Leader in Every Specialty Tire Business

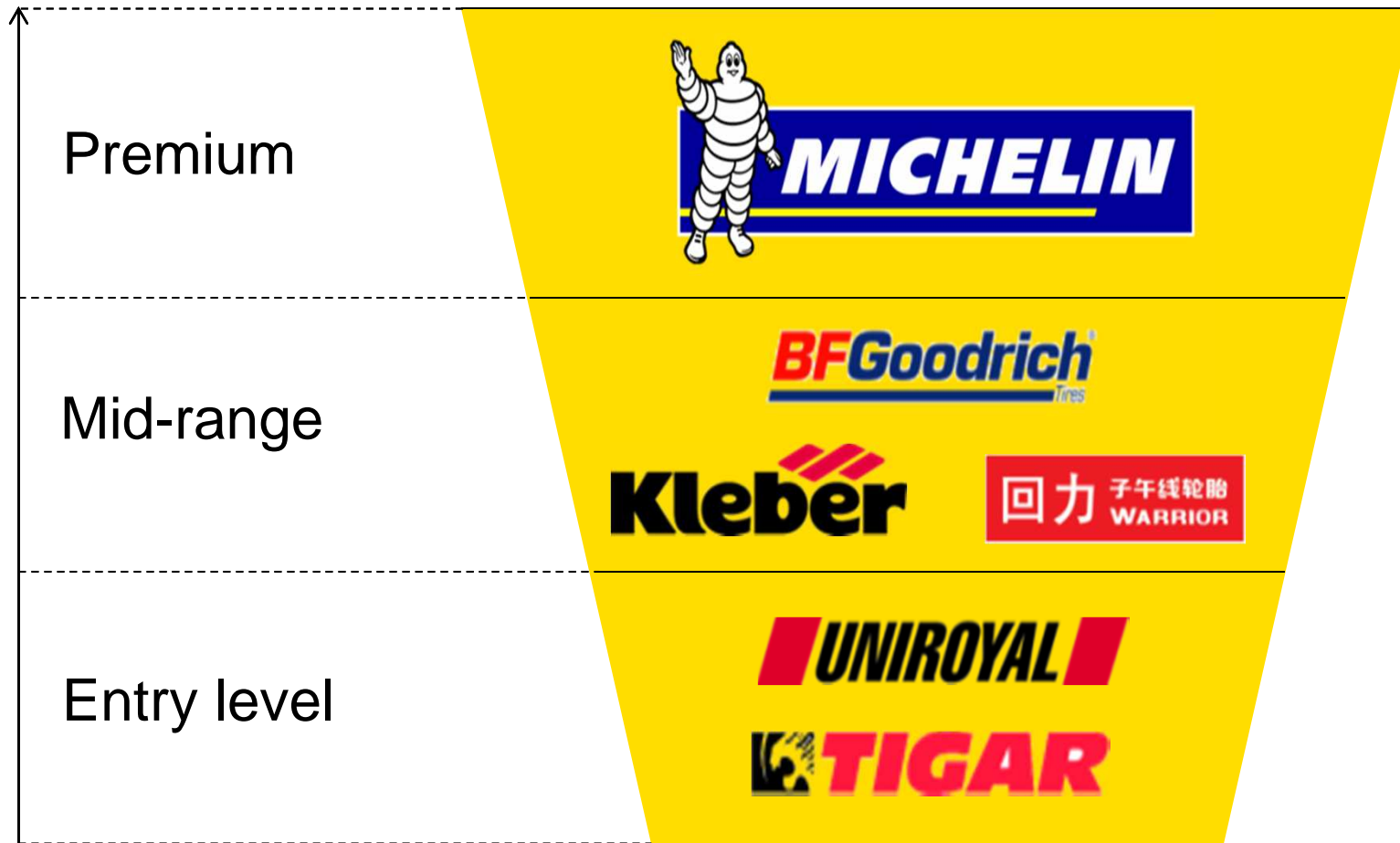
Market leader

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





Michelin: a 100% Premium Brand in Every Market



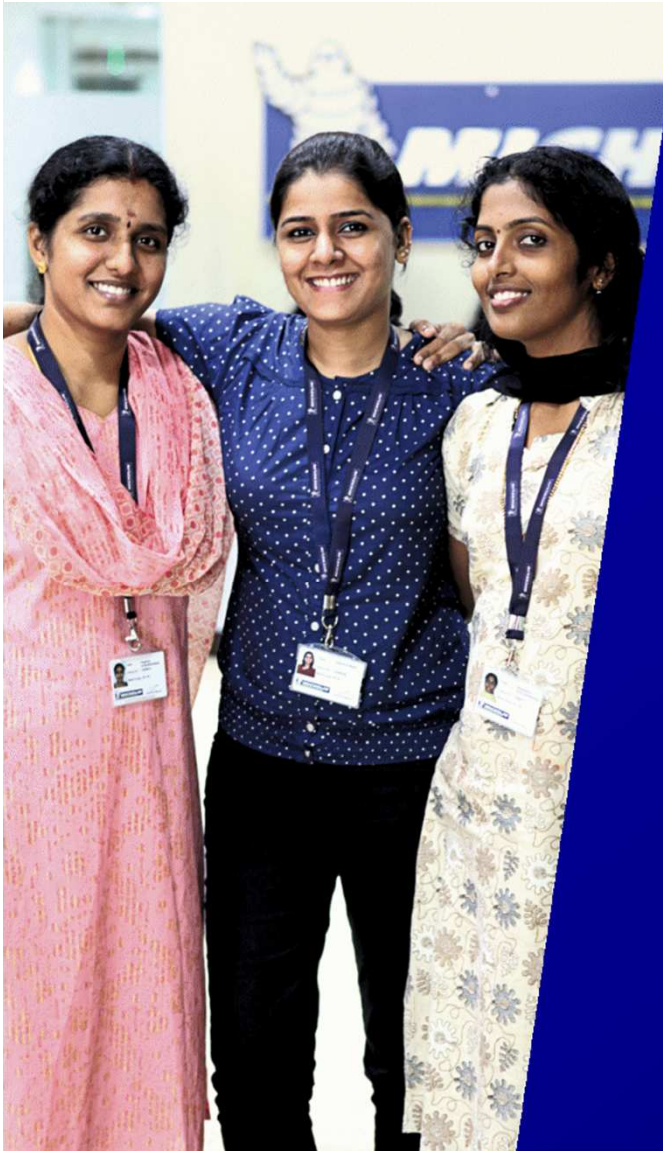


Solid Drivers to Support Sustainable Leadership

- **The preferred brand of premium tirebuyers**
 - *According to surveys of customer perceptions and purchase intentions*
- **Technology carmakers want**
 - *Approved for use on premium brands and models*
- **Performance recognized by specifiers**
 - *Example: 66th JD Power Award since 1989*
- **Leading-edge product plan**

→ Solid competitive advantages to capture faster growth in the premium segment





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2012 Outlook

- **Objective: stable volumes**
- **Favorable price effect despite the contractual adjustments coming in July, expected to be downwards**
- **Raw Materials : tailwind expected in H2 after a headwind in H1**
- **Ambitious €1,900-million capex program**
 - On schedule
 - Focused on the technological segments
- **Guidance:**
 - Clear increase in operating income
 - Positive free cash flow* after capex and before the impact of the Paris property disposal

** Based on the raw materials headwind assumption (€300-350m)*

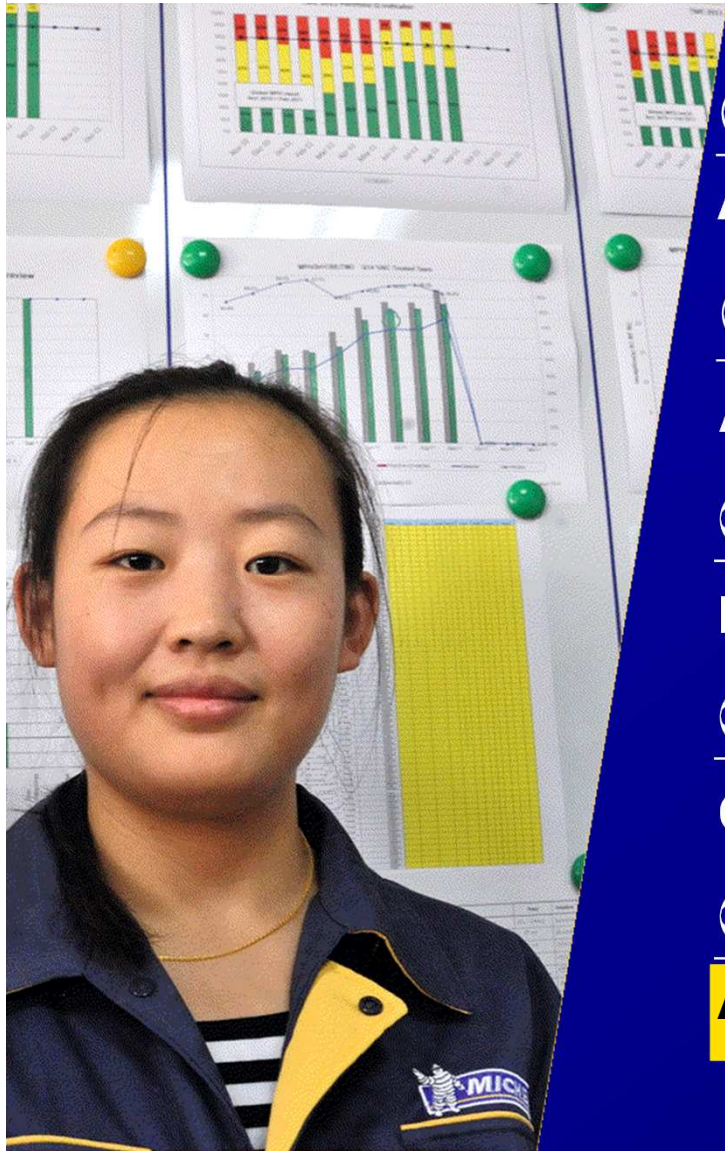




2015 Objectives

- **Volume growth: at least 25% over the 2011-2015 period**
- **Annual capex: around €2 billion**
- **2015 operating income: around €2.5 billion**
- **Free cash flow: positive over the 2011-2015 period**
- **2011-2015 ROCE: > 9% each year**





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Corporate Structure

**Compagnie Générale des
Etablissements Michelin (CGEM)
France**

▼100%

▼100%

**Compagnie Financière
Michelin (CFM)
Switzerland**

**Manufacture Française
des Pneumatiques
Michelin (MFPM) France**



**- Michelin Luxembourg (100%)
- Manufacturing, sales &
research companies outside
France**

**Manufacturing and sales
companies in France**





Highly Experienced Management Team

Group Executive Committee



JEAN-DOMINIQUE SENARD
Managing General Partner



FRANCOIS CORBIN
President, Growth Regions



TERRY GETTYS
Executive Vice President,
Research & Development



MARC HENRY
Chief Financial Officer



LAURENT NOUAL
Executive Vice President,
Corporate Development



ERIC DE CROMIERES
Executive Vice President,
Sales & Marketing Performance



JEAN-CHRISTOPHE GUERIN
President, Materials
Product Line



SERGE LAFON
President, Truck Product Line



BERNARD VASDEBOCOEUR
President,
Specialty Product Lines



CLAIRE DORLAND-CLAUZEL
Executive Vice President,
Communication & Brands



JEAN-MICHEL GUILLON
Executive Vice President,
Personnel & Organization



FLORENT MENEGAUX
President, Passenger Car &
Light Truck Product Line





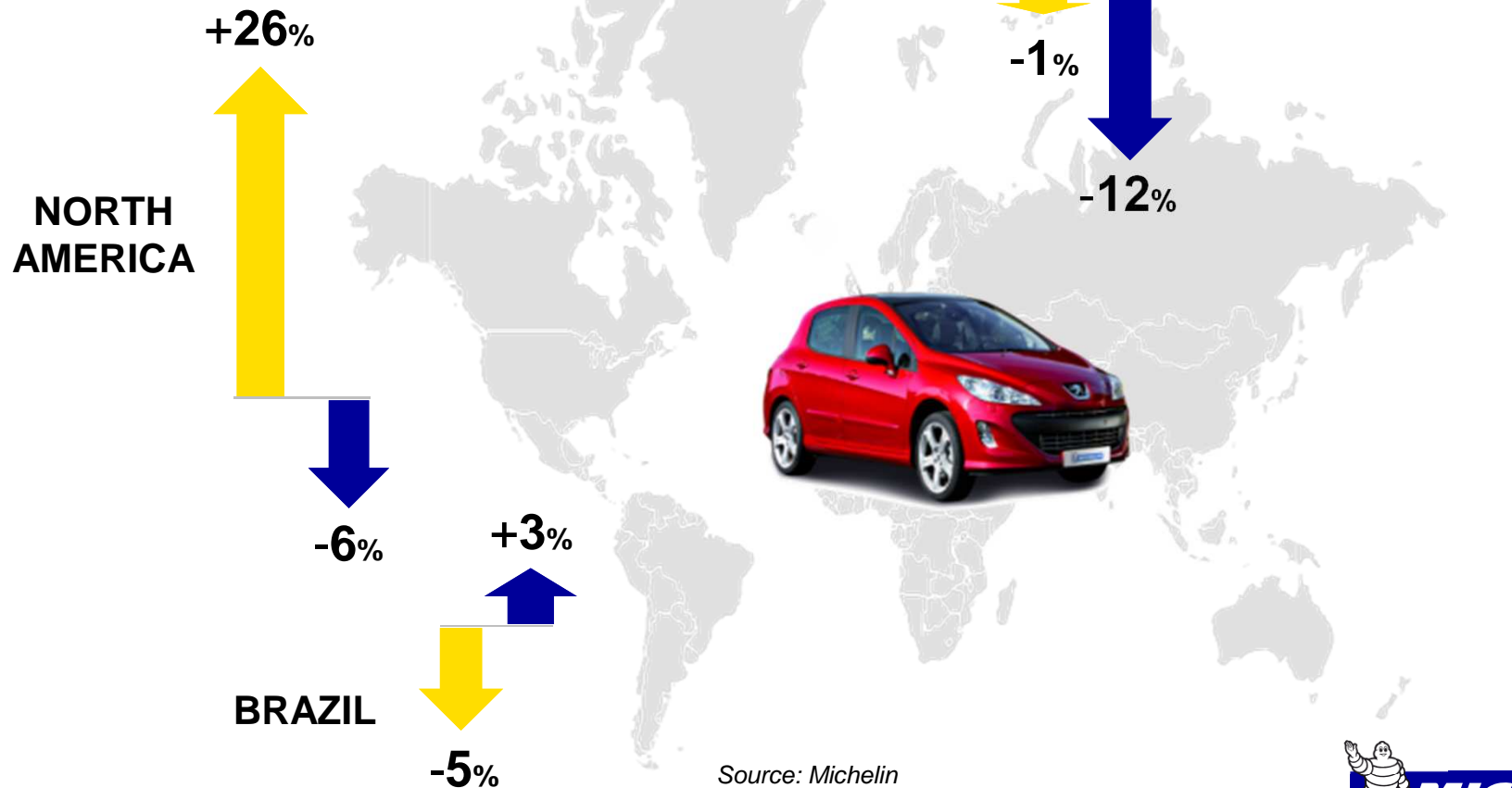
PCLT: RT Sales Dampened by Inventory in Q1 2012 Drawdowns Compared with Buildup in Q1-2011

Markets at April 30, 2012

(% change YoY, based on number of tires)

Original Equipment

Replacement



Source: Michelin





Truck Tires: Steep Fall-Off in Europe

Radial markets at April 30, 2012

(% change YoY, based on number of tires)

Original Equipment
Replacement

NORTH AMERICA
+22%

-8%

BRAZIL

-22%

+1%

EUROPE

-0%

-29%



Source: Michelin

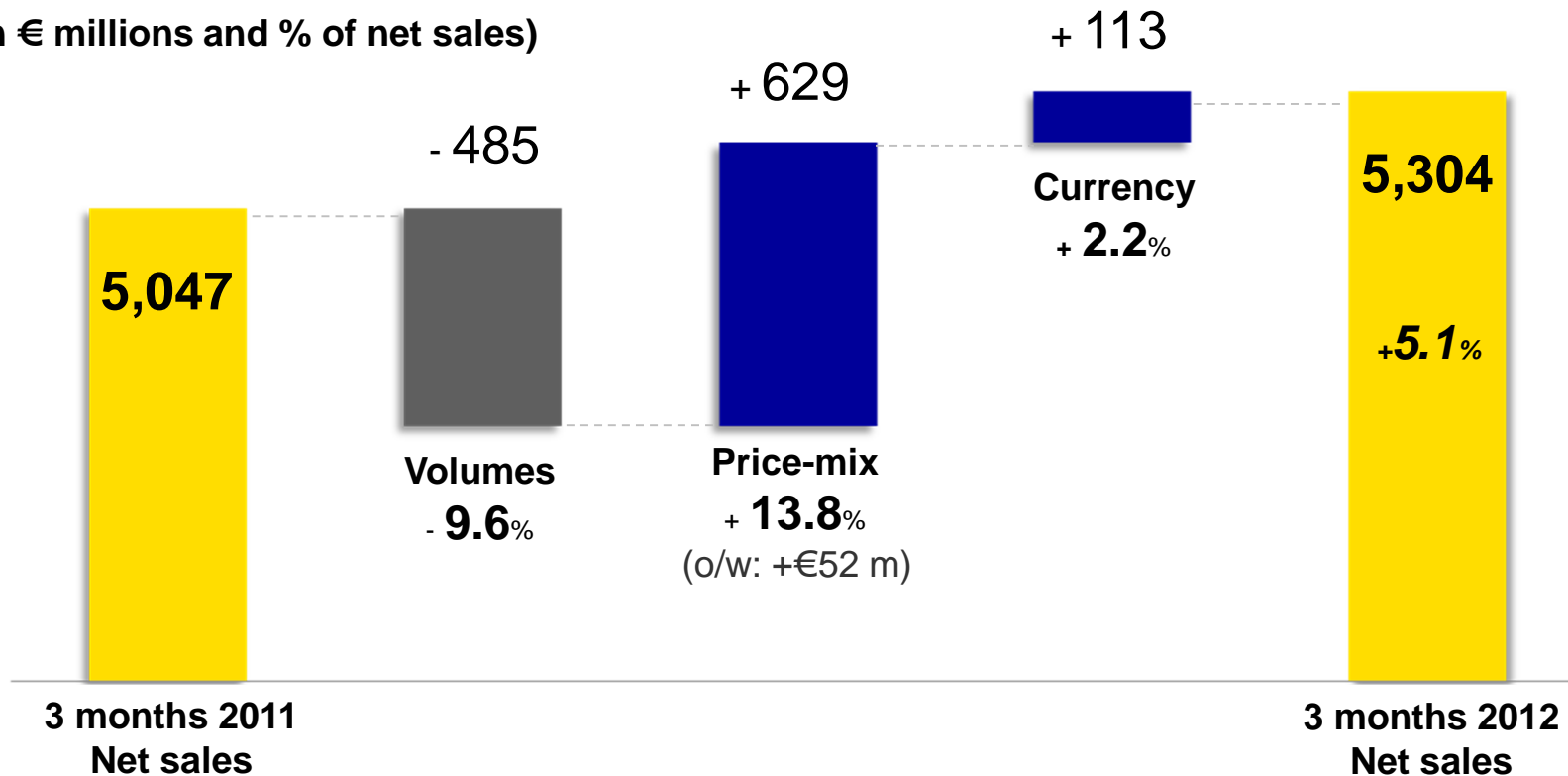




Q1 2012 Growth in Net Sales with the Price Mix Amply Offsetting the Decline in Volumes

YoY change

(in € millions and % of net sales)





2015 Production Capacity: a Global Footprint

2015

Total capacity: 4,310 K tonnes
Up 25% vs 2011

North America

32%
≈1 350 K tonnes
Up 13% vs 2011

South America

7%
≈300 K tonnes
Up 88% vs 2011

Western Europe

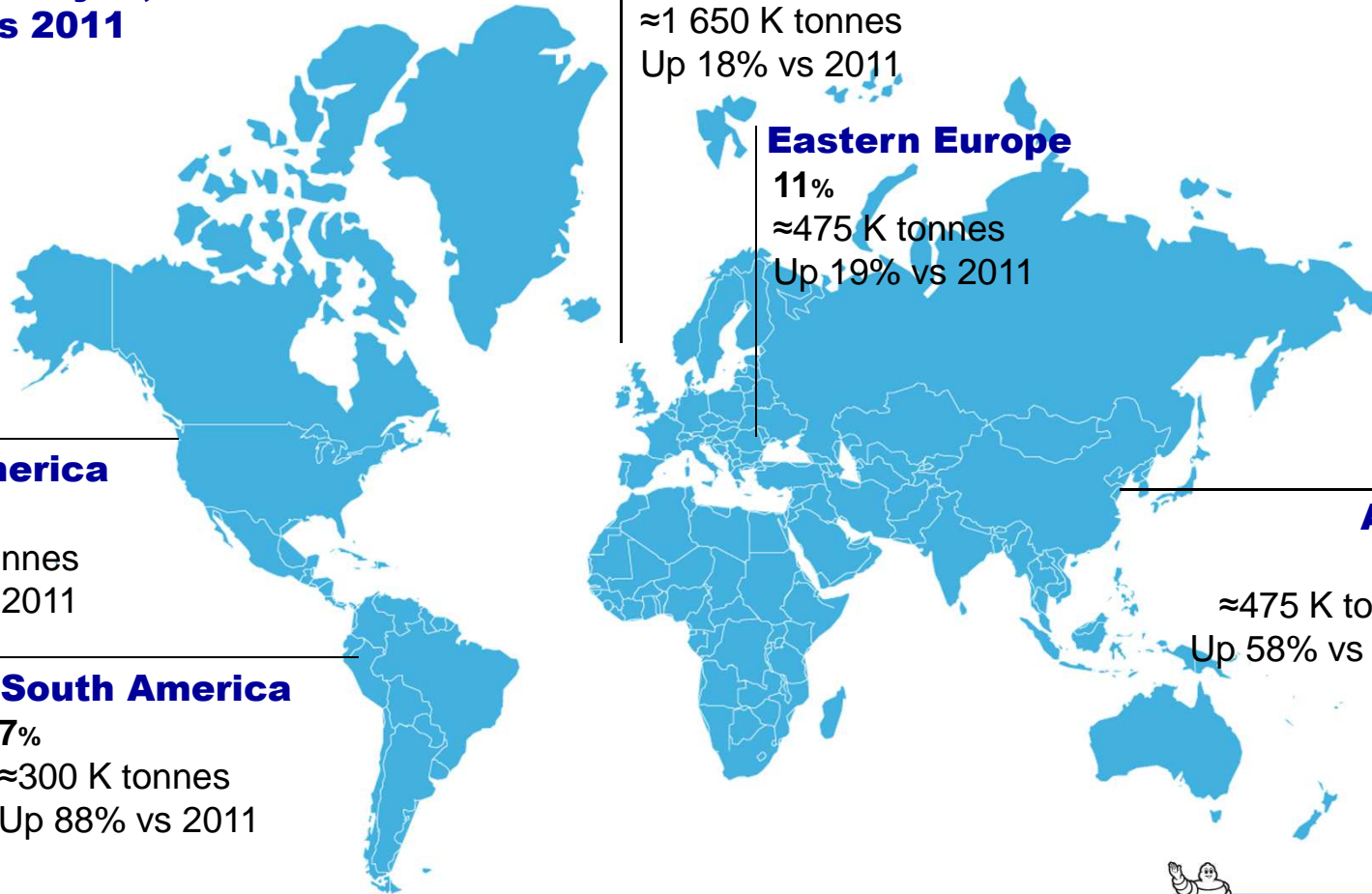
39%
≈1 650 K tonnes
Up 18% vs 2011

Eastern Europe

11%
≈475 K tonnes
Up 19% vs 2011

Asia

11%
≈475 K tonnes
Up 58% vs 2011





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