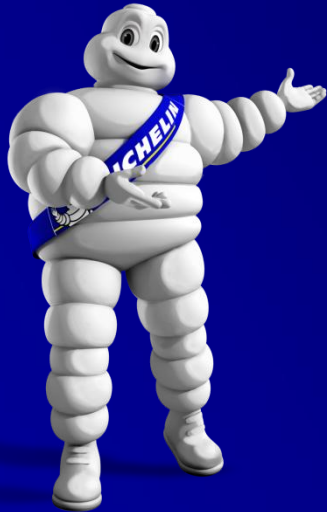




London Pan-Euro Forum Cheuvreux

MAY 21, 2012

OUTLINE



01

**Q1 Net Sales:
Impact of the 2011 Pricing Policy**

02

**Markets as at April 2012:
Mixed but Still Down Overall**

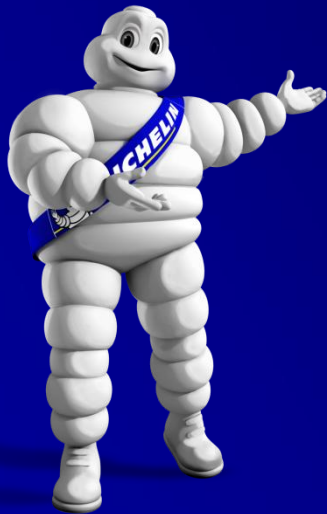
03

Michelin's Competitive advantages

04

Outlook





01

Q1 Net Sales: Impact of the 2011 Pricing Policy





Q1 Volumes Confirm the Seasonal Trends Expected in 2012

- **Markets down overall, with a contrast between:**
 - *Passenger car & light truck and truck tires, where demand weakened as expected, especially in truck tires and in Europe*
 - *Specialty businesses, which remain buoyant*

- **Sales volumes particularly impacted by:**
 - *A high basis of comparison with first-quarter 2011, when volumes were boosted by sales ahead of price increases, for which Michelin was the forerunner*

- **Sharp improvement in the price-mix:**
 - *Impact of 2011 price hikes and raw materials indexing clauses*
 - *Positive mix*

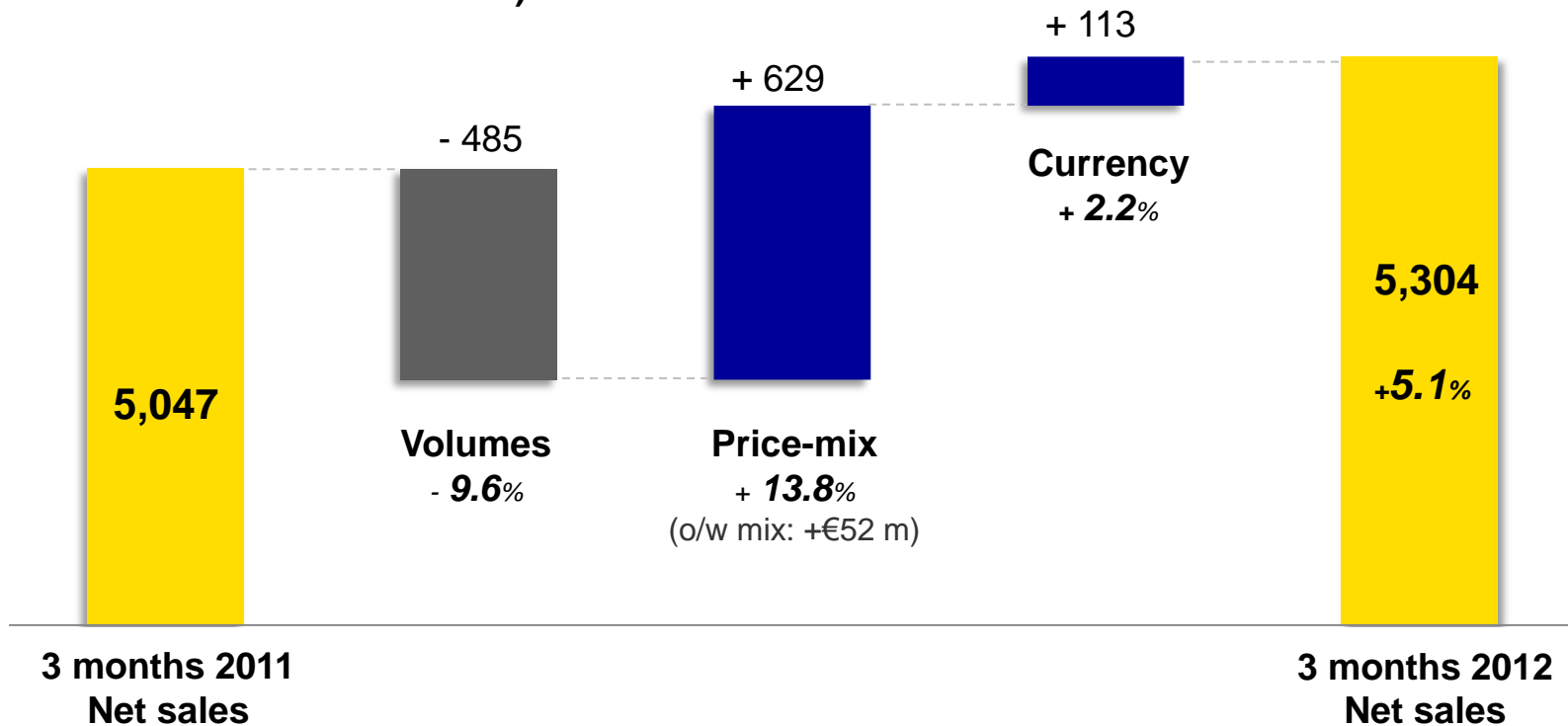


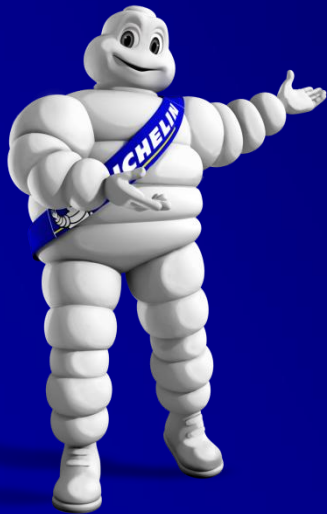


Growth in Net Sales with the Price Mix Amply Offsetting the Decline in Volumes

YoY change

(in € millions and % of net sales)





02

Markets as at April 2012: Mixed but Still Down Overall



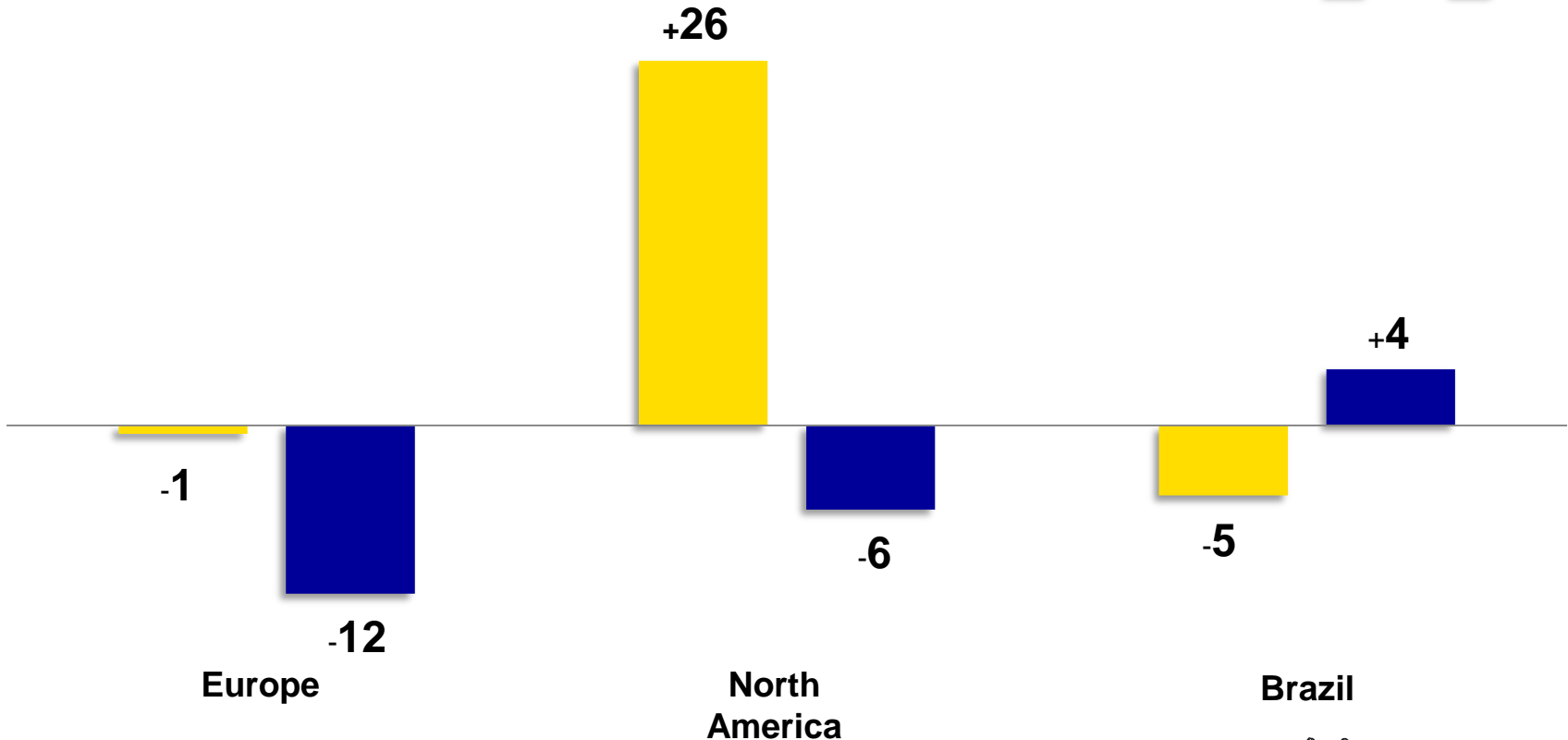


PCLT: RT Sales Dampened by Inventory in Q1 2012 Drawdowns Compared with Buildup in Q1-2011

Markets at April 30, 2012

(% change YoY, based on number of tires)

OE RT



Source: Michelin



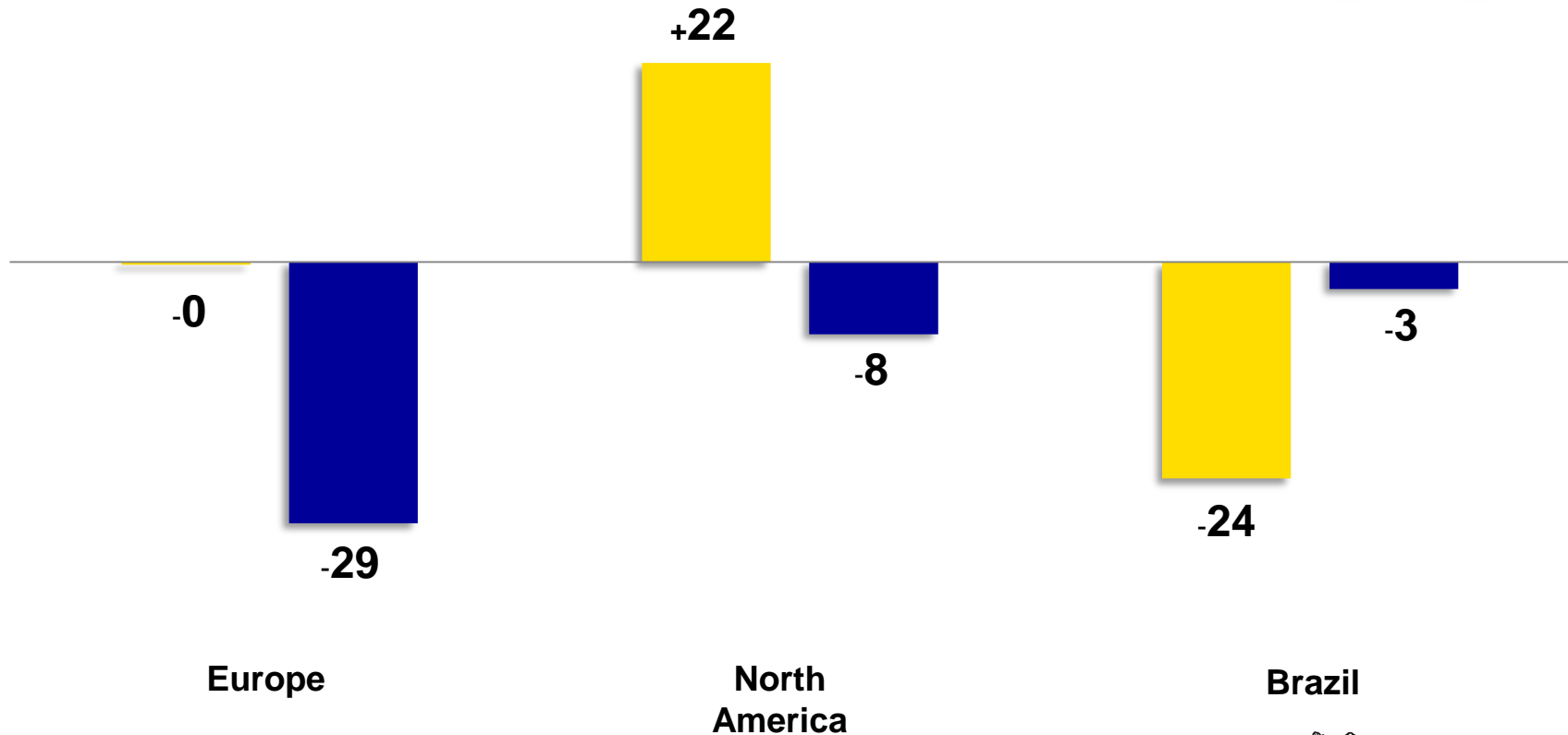


Truck Tires: Steep Fall-Off in Europe

Markets at April 30, 2012

(% change YoY, based on number of tires)

OE RT



Source: Michelin

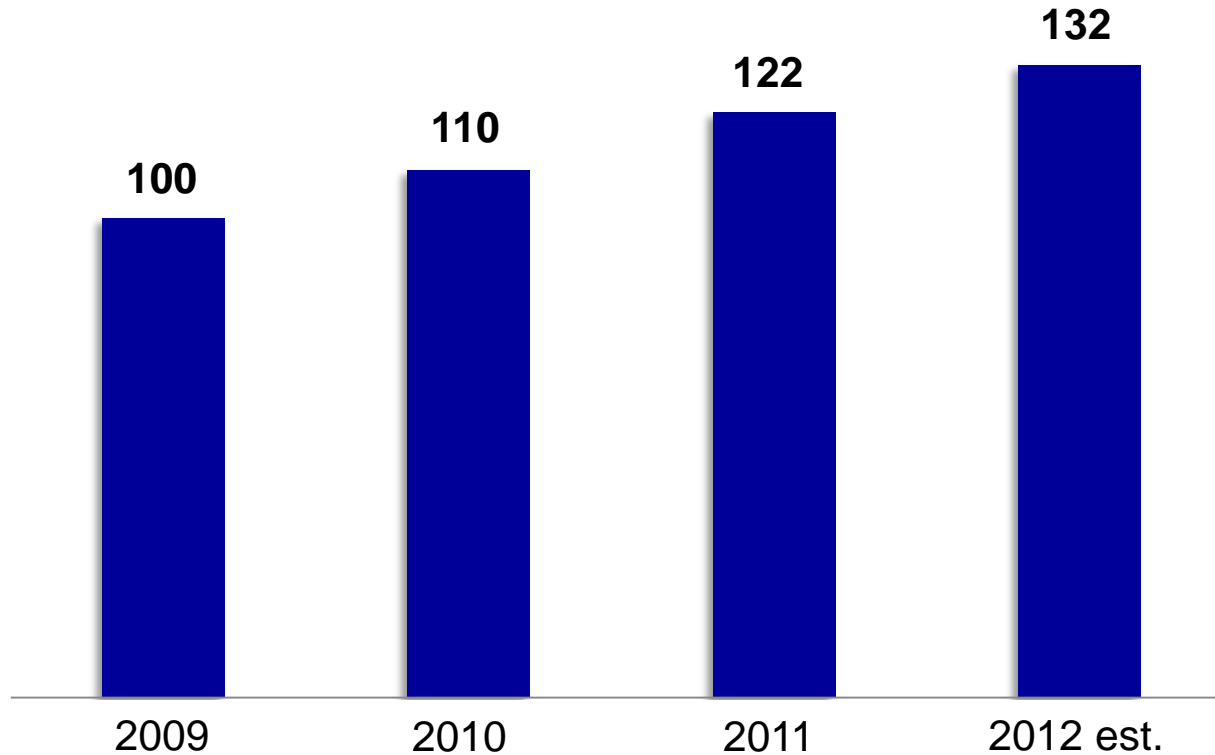




Specialty Businesses: Sustained Growth

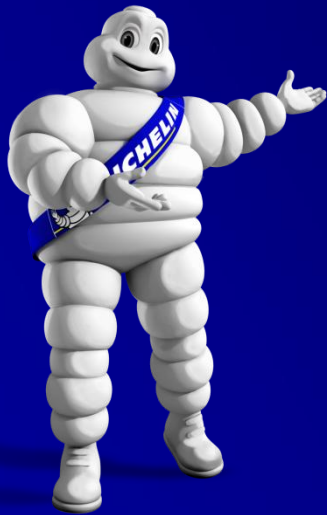
Mining Tire Market

(In tonnes, base 100 = 2009)



Source: Michelin





03

Michelin's Competitive Advantages





Two Core Competitive Advantages

Specialty Businesses

Leadership in the Premium Segment





Michelin is the Market Leader in Every Specialty Tire Business

| Business | Leading tiremakers | Market leader |
|-----------------------------|--------------------------------------------------|---------------|
| Earthmover | | in radials |
| Mines | Bridgestone | (co-leader) |
| OE | Bridgestone | (co-leader) |
| Infrastructure | Bridgestone, Goodyear Yokohama, Chinese | |
| Agricultural | | in Europe |
| OE | Firestone | in Europe |
| RT | Firestone, Titan / Goodyear, Trelleborg, BKT | in Europe |
| Two-Wheel Mature markets | Pirelli/Metzeler, Bridgestone, Dunlop | (co-leader) |
| Aircraft | Goodyear, Bridgestone , Dunlop | |





Earthmover Tires: Clear Sales Growth and Margin Visibility

- **Technological barriers to entry**
- **Multi-year contracts offer clear visibility for:**
 - *Sales trends: sustained growth in mining markets*
 - *Margin trends: long term contracts with raw materials indexation clauses*
- **Steadily increasing capacity, keeping pace with demand**
 - *Adding marginal capacity*
 - *Earthmover tire facility at the Indian plant*
 - *New plant in South Carolina*





Two Core Competitive Advantages

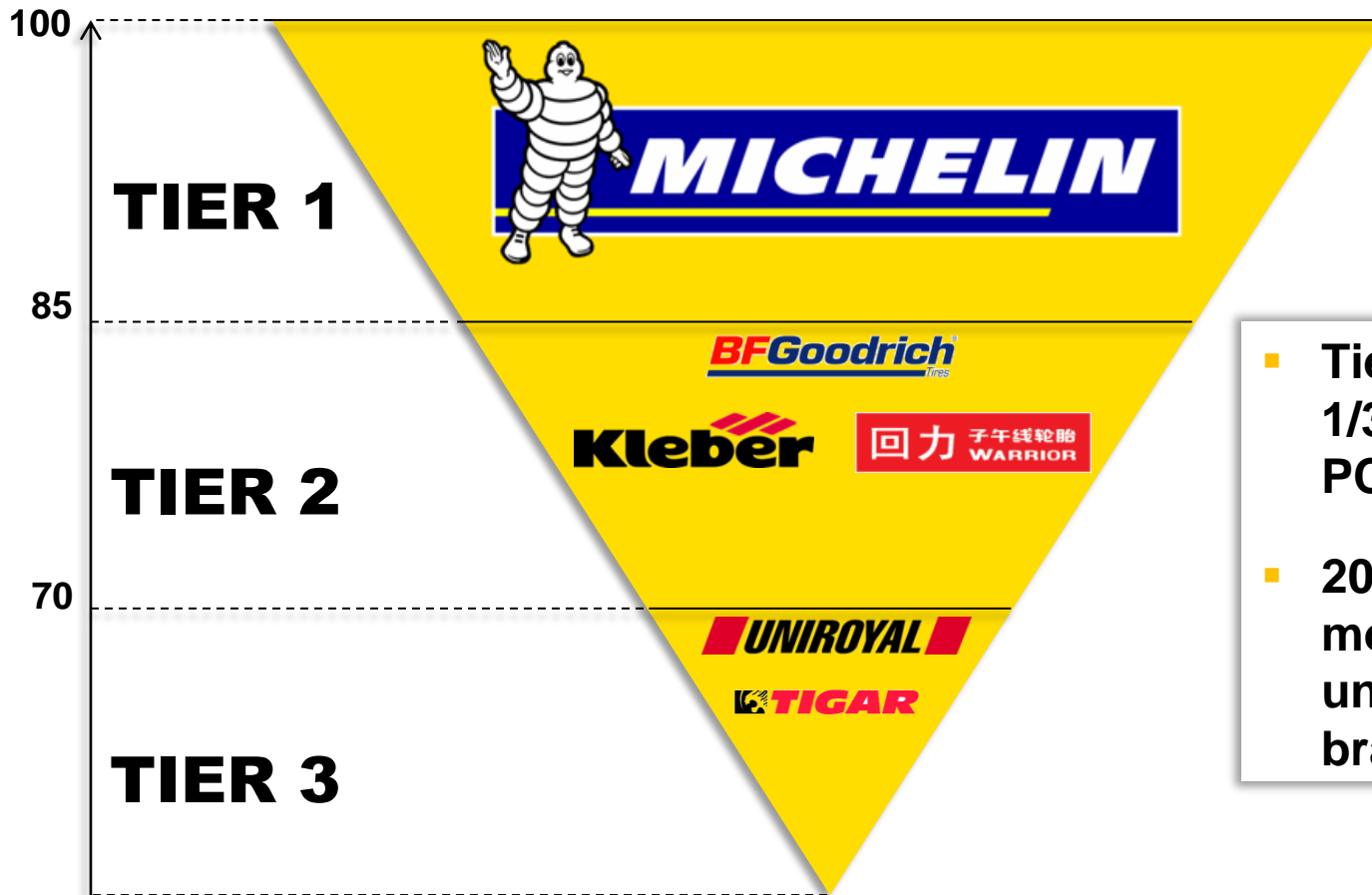
Specialty Businesses

Leadership in the Premium Segment





MICHELIN: a 100% Premium Brand in Every Market



- Tier 1 segment: 1/3 of the global PC/LT tire market
- 2011 sales: more than 70% under the MICHELIN brand

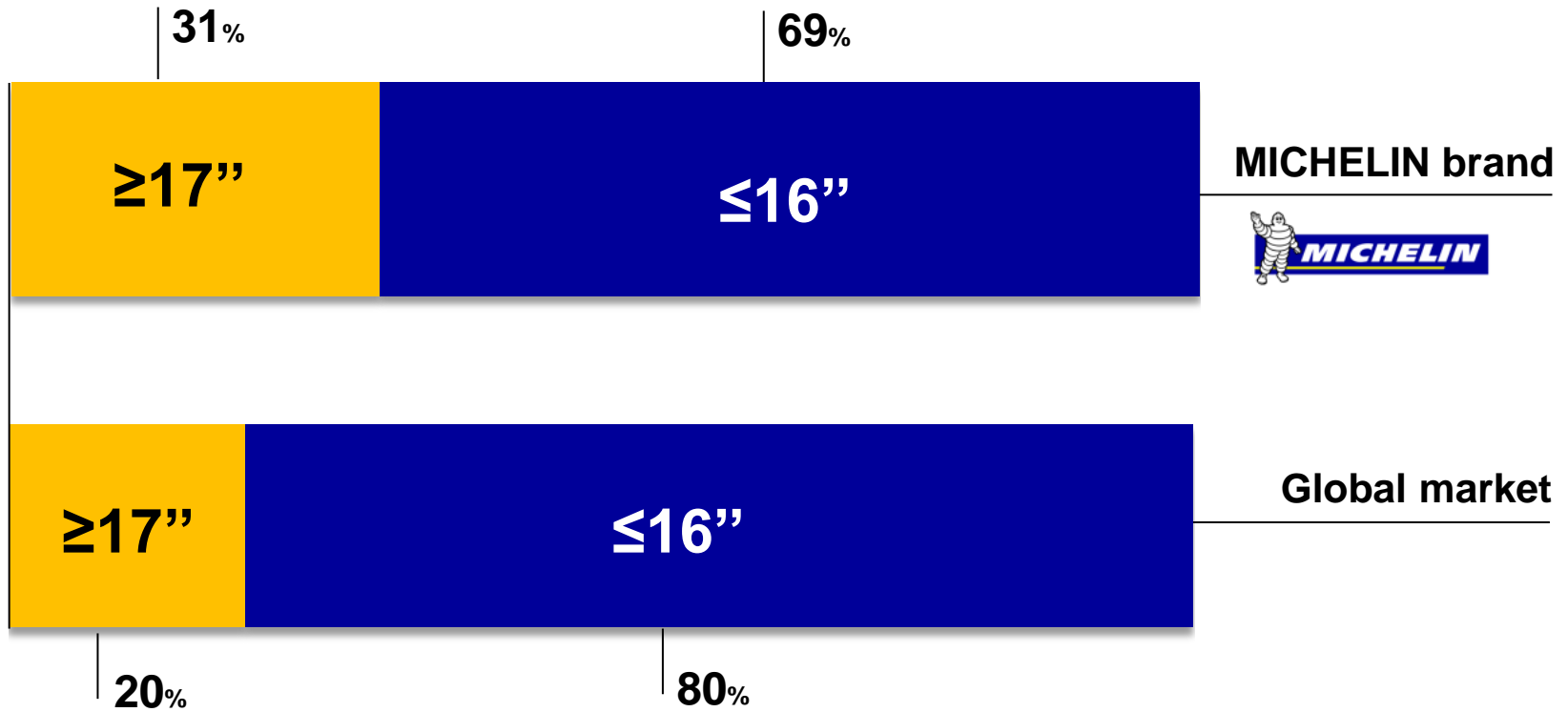
Price positioning
(100 = Michelin)





MICHELIN is the Benchmark Leader in Premium Tier 1 Segments

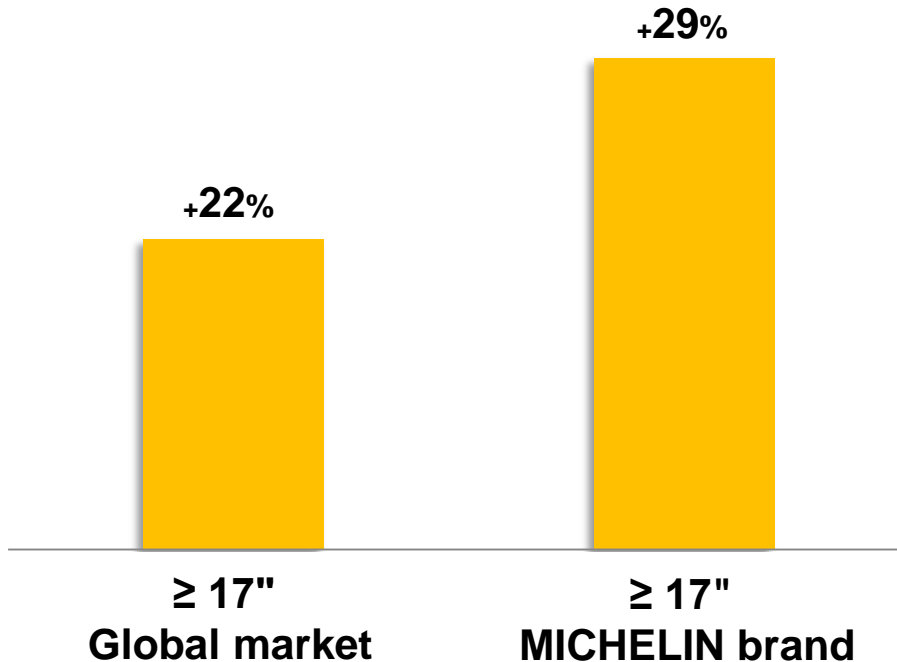
Share by PC/LT tire seat size



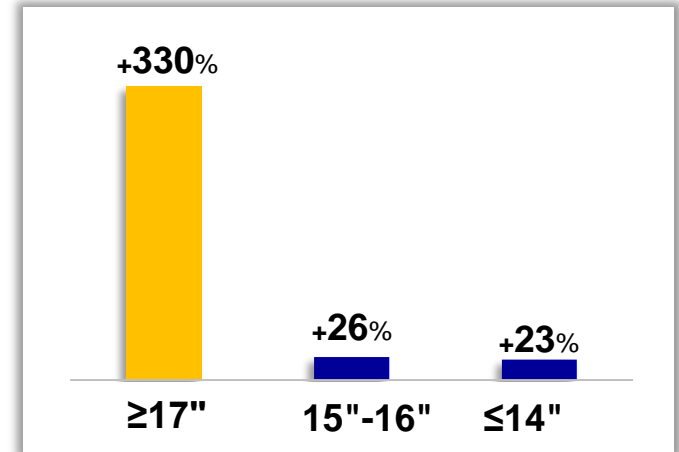


MICHELIN is the Benchmark Leader in Premium Tier 1 Segments

2009 – 2011 CAGR by seat size



Chinese market



Source: Michelin



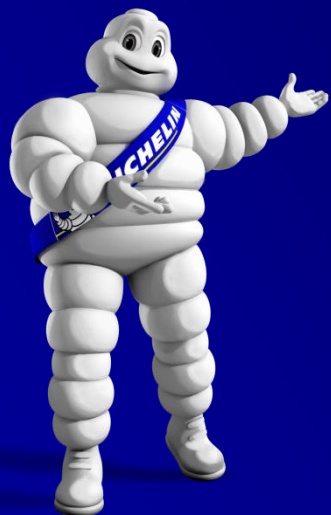


Solid Drivers to Support Sustainable Leadership

- **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





04

Outlook

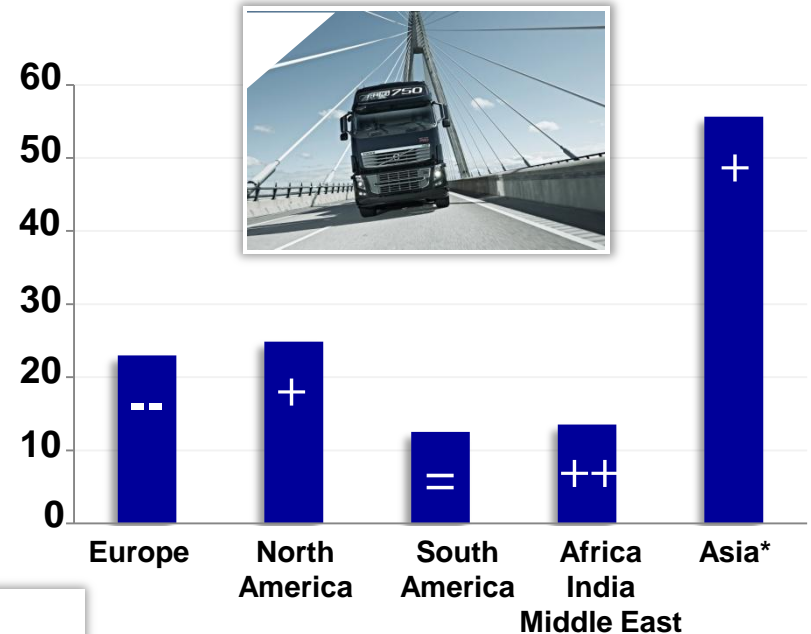
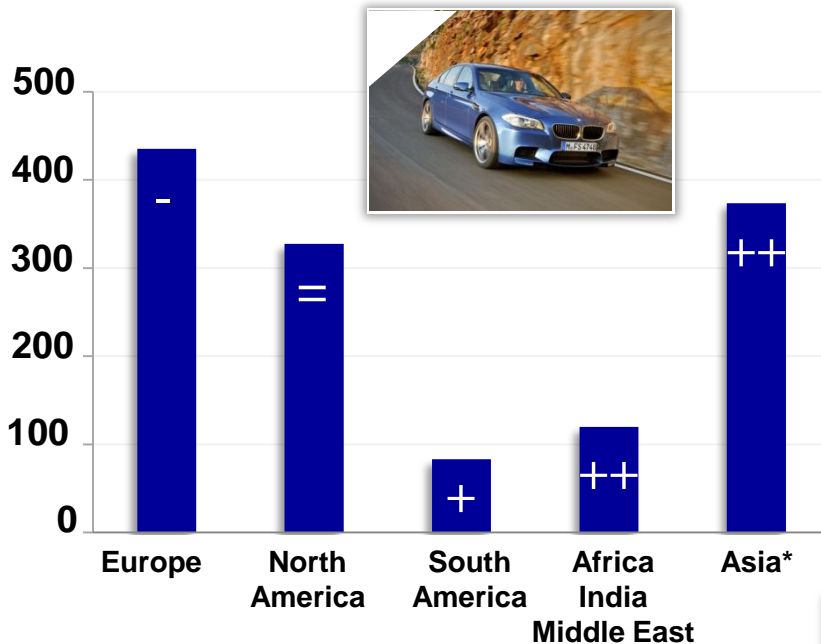




Market Trends: Michelin will Benefit from its Global Exposure

2011 PC/LT & truck markets and 2012 outlook

(in millions of tires)



++ : > +3%
 + :] +1%; +3%]
 = : [-1%; +1%]
 - : [-3%; -1%[
 -- : < -3%

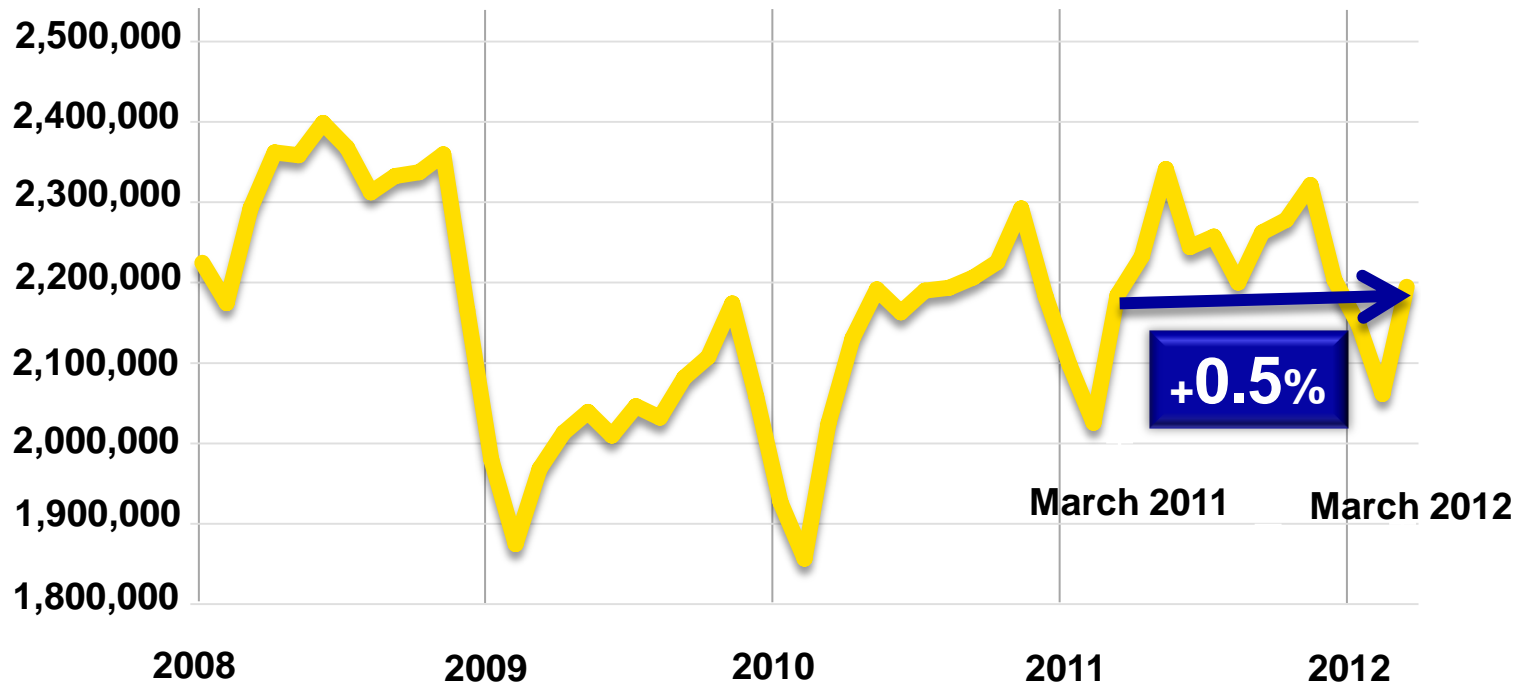
* Excl. Japan





German Freight Tonnage runs ahead of 2010 & 2011 levels

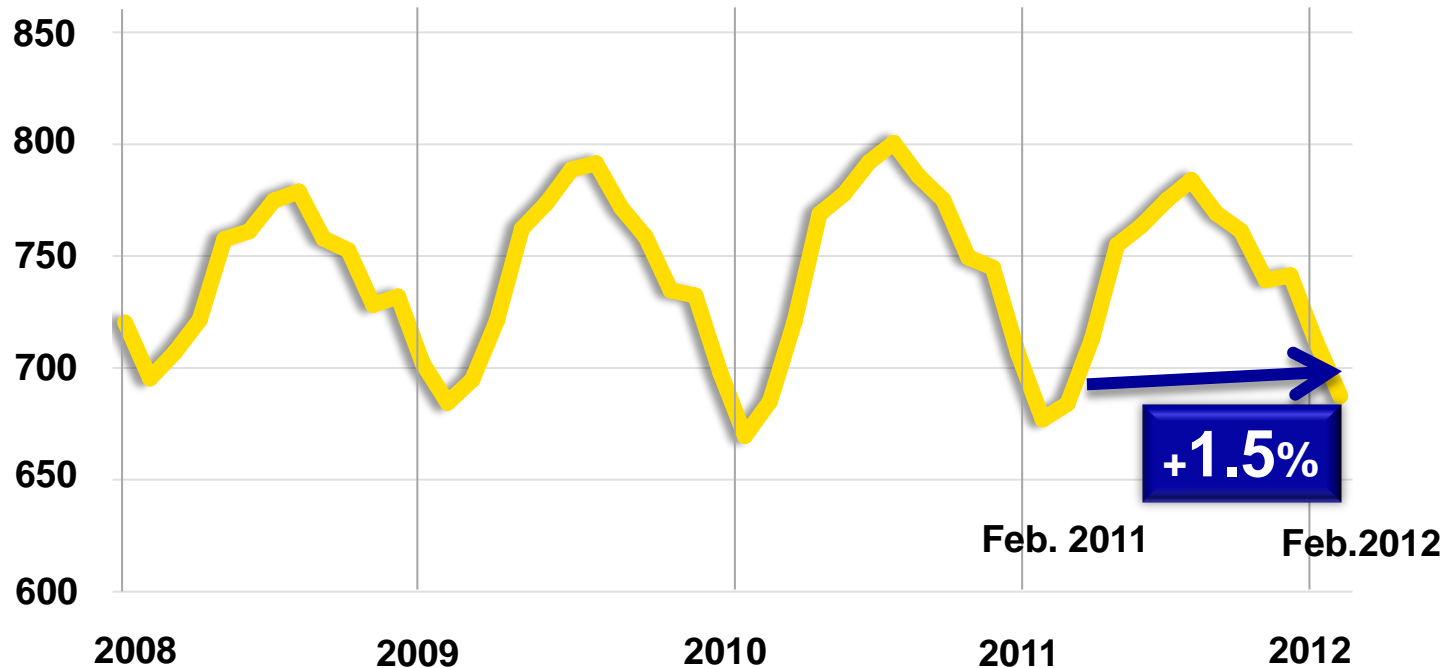
Number of Miles Driven (rolling 3-months) January 2007 – March 2012





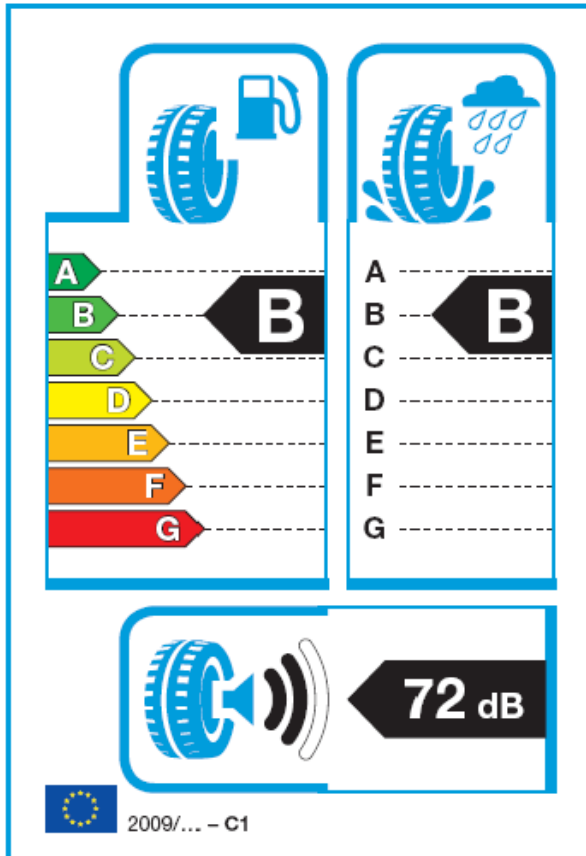
US miles driven more supportive

Number of Miles Driven (rolling 3-months) January 2007 – February 2012





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 > 2012**
- **Thresholds scheduled to be lowered > 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*





2012 Guidance Confirmed

■ Stable volumes

- *The 2nd half will benefit from a more favorable basis of comparison and the phase-out of inventory drawdowns*
- *Passenger Car & Light Truck and Truck markets will be weak in Europe, resilient in North America and more vigorous in the growth regions*
- *Specialty markets will continue to trend upwards*

■ Favorable price effect despite the contractual adjustments coming in July, expected to be downwards

■ Clear increase in operating income

■ Ambitious €1,900-million capex program, focused on the technological segments

■ Positive free cash flow* after capex and before the impact of the Paris property disposal

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





Key Takeaways

- **Stable volumes in 2012 confirmed**
- **Firm prices**
- **Ambitious capex programs focused on the technological segments**
- **Positive 2012 FCF before the property disposal**
- **Premium positioning and Specialty tires are 2 competitive advantages**





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This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."





PC< Tires and Distribution: Dealer Destocking and Hesitant Customers in Q1 2012



Passenger Car and Light Truck

| In € millions | Q1 2012 | Q1 2011 | % Change |
|---------------|---------|---------|----------|
| Net Sales | 2,760 | 2,683 | +2.9% |
| Volume growth | -8.9% | | |

■ Volume growth dampened by:

- *High prior-year comparatives due to the price increases starting as early as April 2011*
- *Sustained dealer inventory drawdowns*
- *Hesitant markets*

■ Full impact of the 2011 pricing policy and the premium strategy





Truck Tires and Distribution: in Q1 2012, Firm Prices, Volumes in Line with Market Trends



Truck

| In € millions | Q1 2012 | Q1 2011 | % Change |
|------------------|--------------|---------|--------------|
| Net Sales | 1,604 | 1,606 | -0.1% |
| Volume growth | -16.3% | | |

- **Volume performance varied by market:**
 - *Europe down, especially in Southern Europe*
 - *Firmer performance in North America*
- **Dealers are drawing down inventory**
- **Assertive strategy of increasing profitability, in particular by improving price positioning**
- **Product plan now being refreshed**





Specialty Businesses: Sustained Growth, Held Back in Q1 2012 by Lack of Capacity



Specialty Businesses

| In € millions | Q1 2012 | Q1 2011 | % Change |
|------------------|------------|---------|---------------|
| Net Sales | 940 | 759 | +23.8% |
| Volume growth | +6.2% | | |

- Firm demand and volumes
- Prices holding steady and still positive impact from raw materials clauses

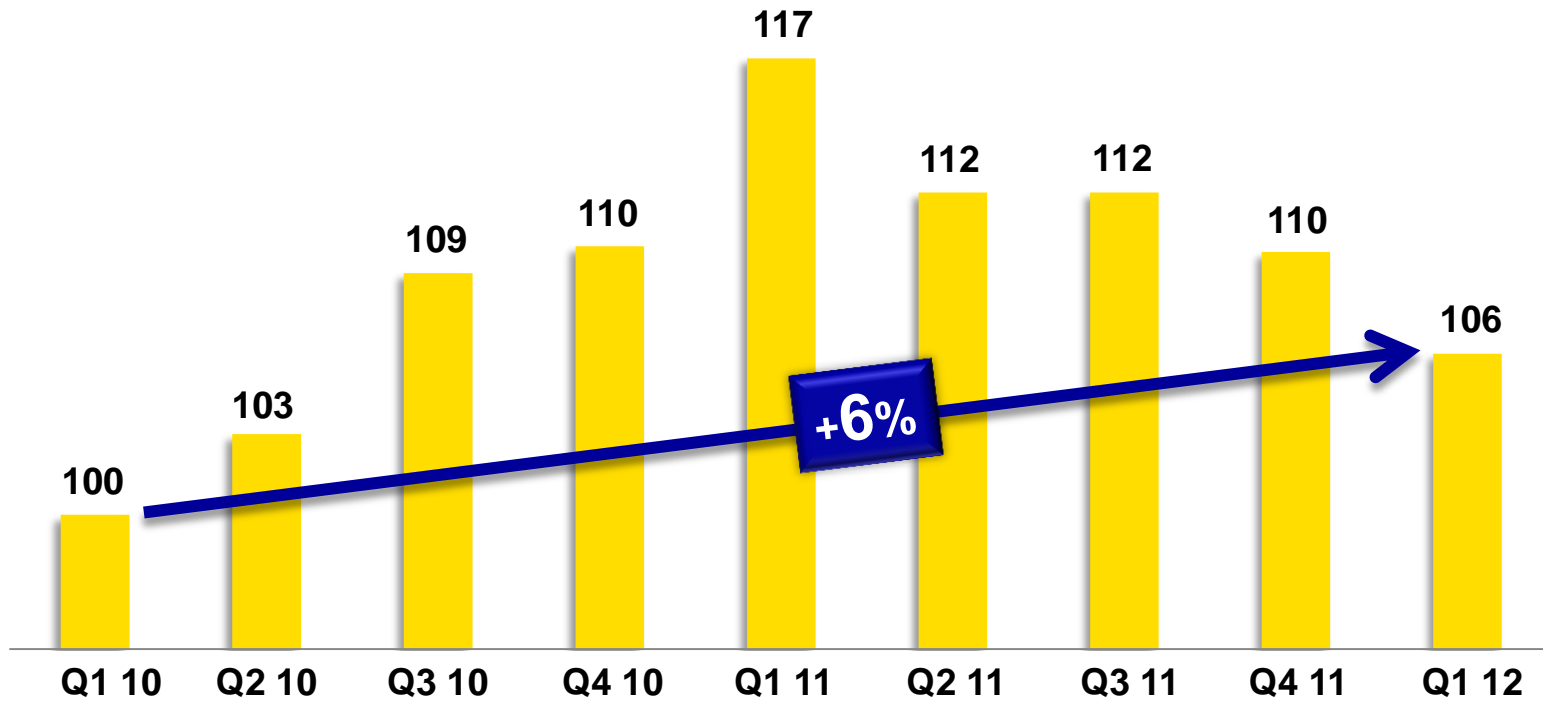




High Prior-Year Comparatives and Dealer Inventory Drawdowns

Tonnages sold

(Base 100 = Q1 2010)





2011 Financial Highlights

2011 & 2010 figures as reported

| In € millions | 2011 | 2010 |
|--------------------------|--------|--------|
| Net Sales | 20,719 | 17,891 |
| Operating Income | 1,945 | 1,695 |
| Operating Margin | 9.4% | 9.5% |
| Net Income | 1,462 | 1,049 |
| Investment | 1,711 | 1,100 |
| Net Debt-to-Equity Ratio | 22% | 20% |
| Free Cash Flow* | (19) | 426 |
| ROCE | 10.9% | 10.5% |

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

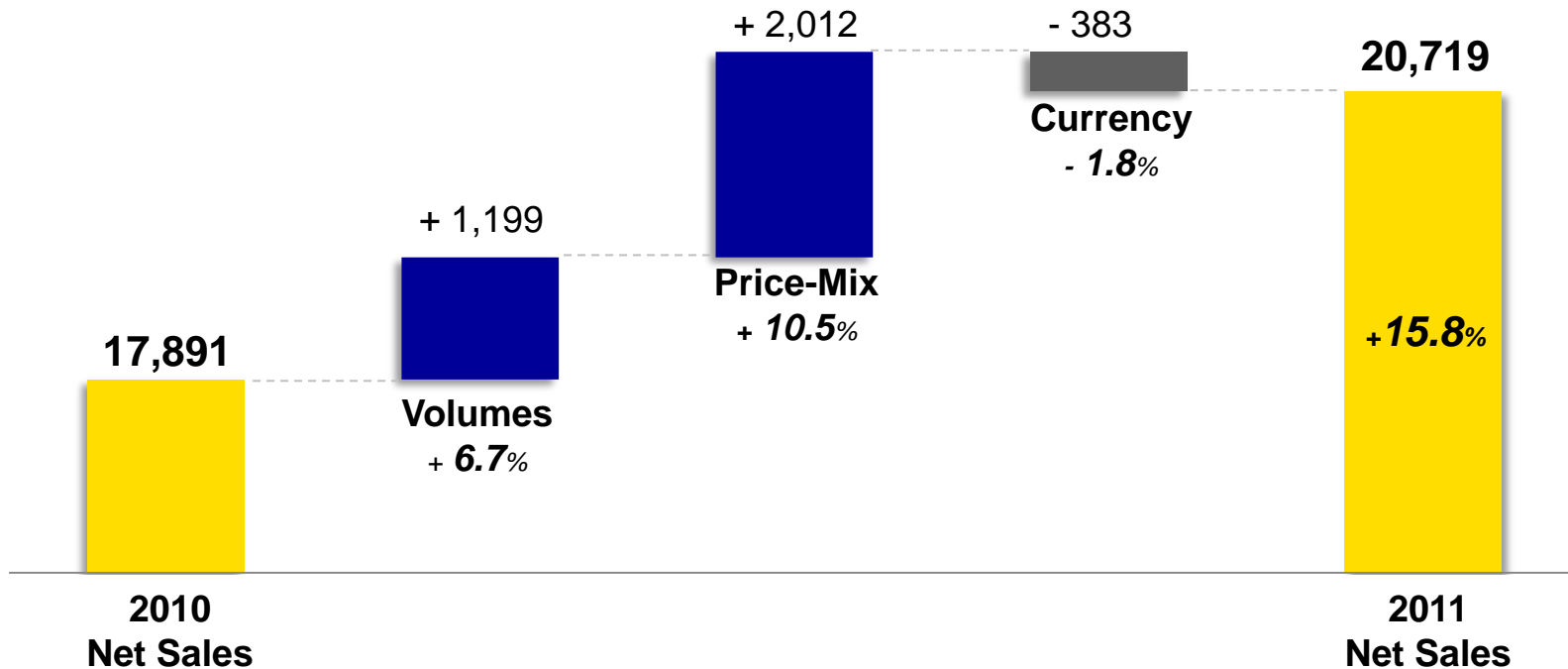




Higher 2011 Net Sales, Led by Pricing Power and Sales Performance

YoY change

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

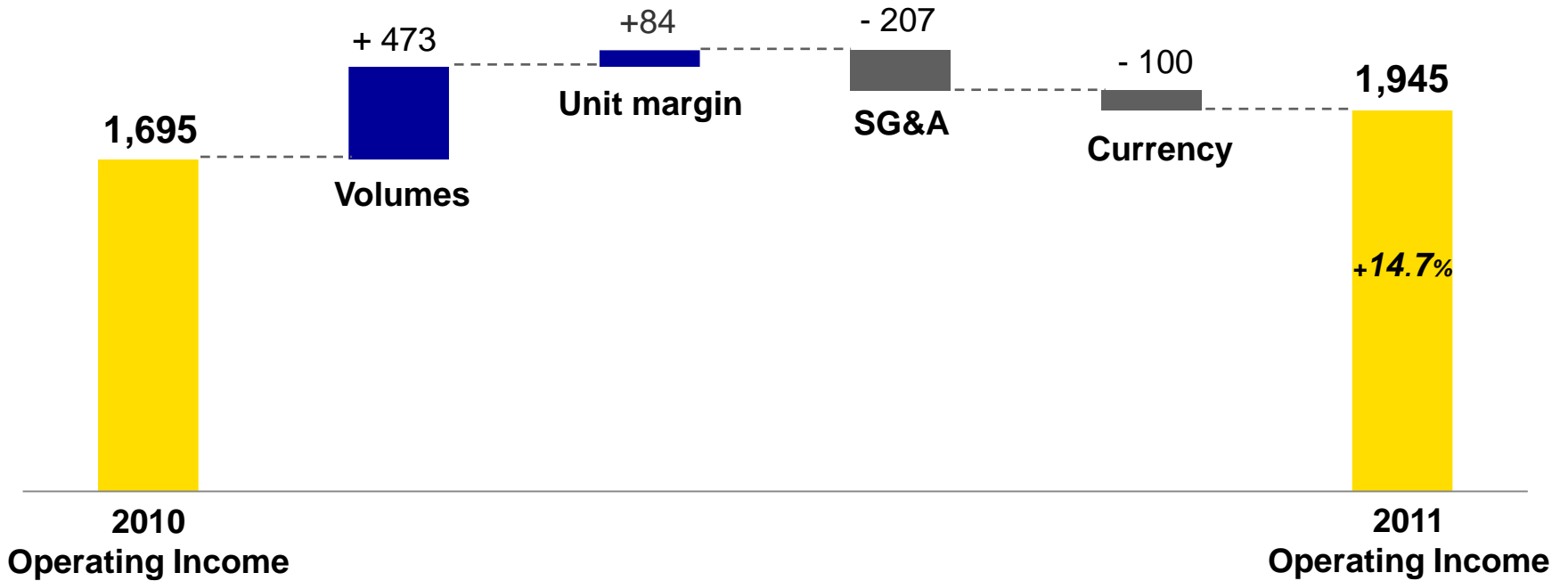




2011 Operating Income Up as Targeted

YoY change

(in € millions)

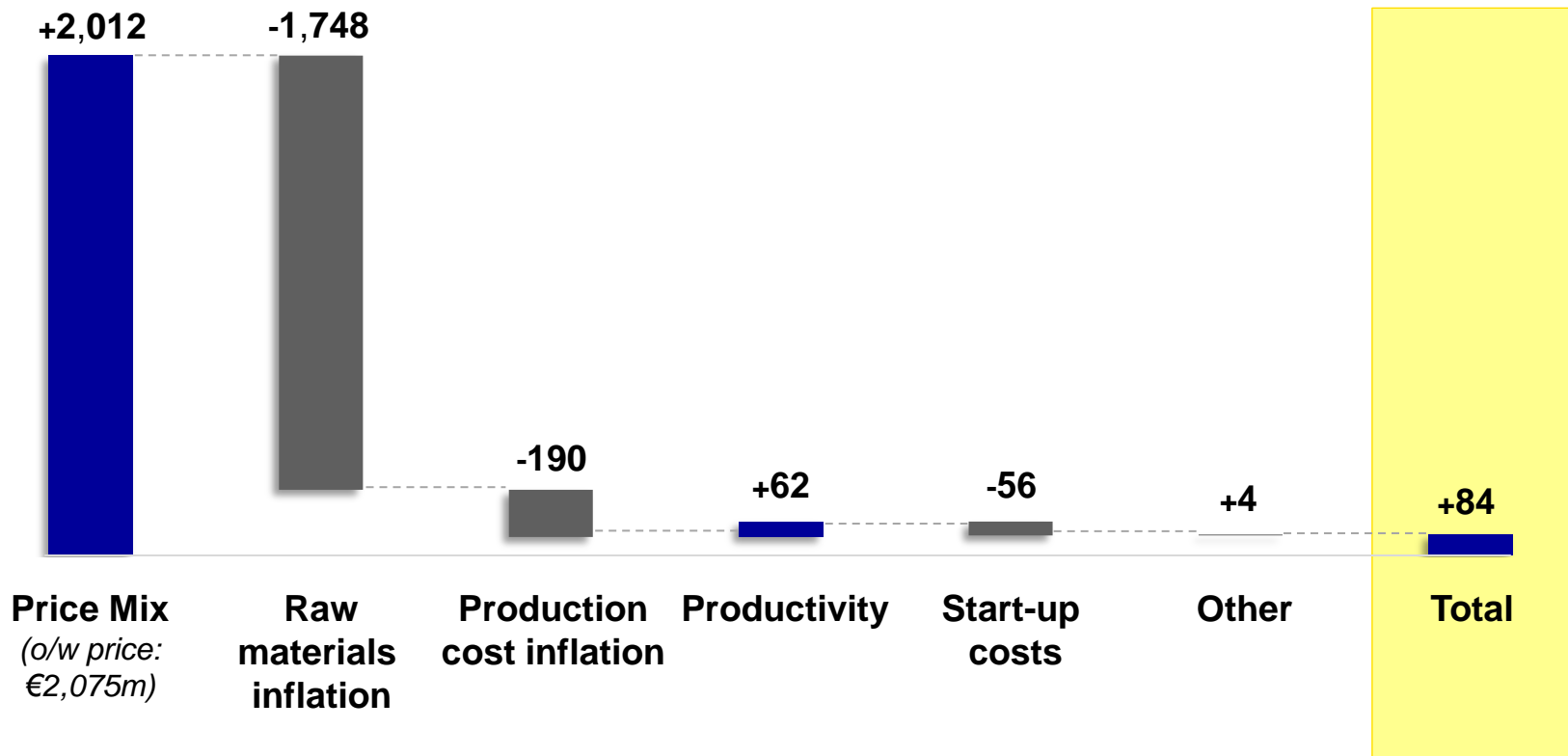




2011 Price-mix Gains Exceeded the Increase in Raw Materials Costs

YoY change in unit margin components

(in € millions)





2011: Spending to Build Future Growth

YoY change in SG&A

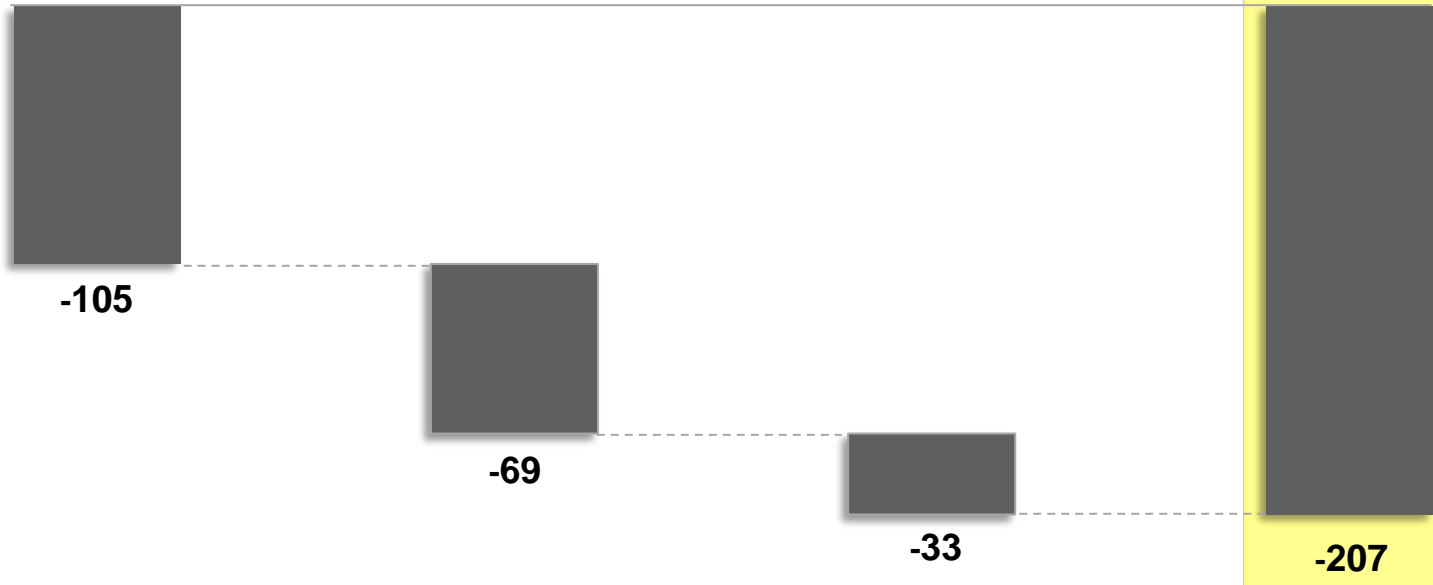
(in € millions)

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

Inflation

Other

Total





2011: Recurring Business Structurally Generates Free Cash Flow

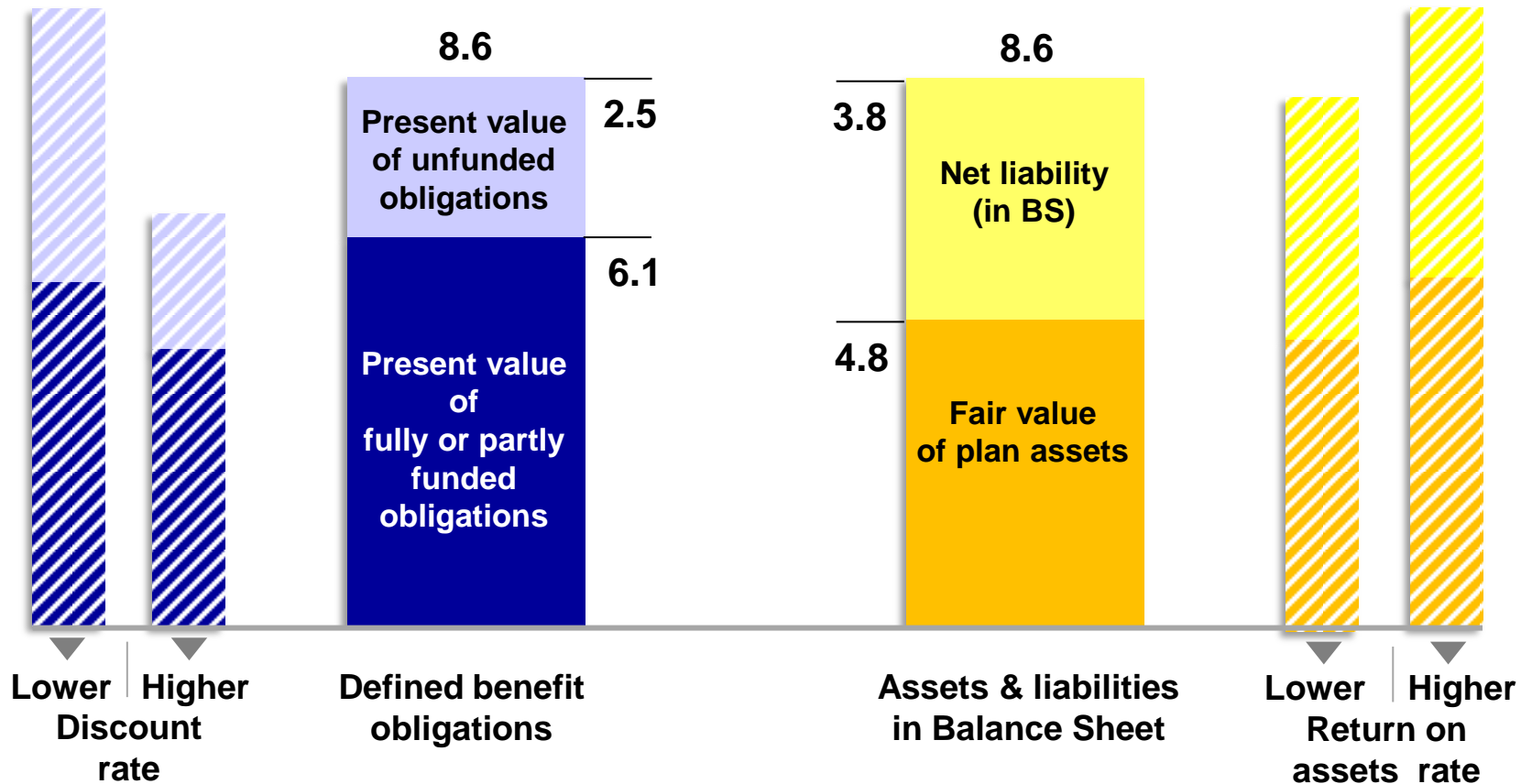
| In € millions | 2011 | 2010 |
|-------------------------------------------------------------------------------|--------------|--------------|
| EBITDA | 2,878 | 2,660 |
| Change in WCR | (912) | (461) |
| Restructuring Cash Costs | (145) | (229) |
| Change in Operating Provisions | 13 | (194) |
| Other 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 |





Higher interest rates decrease the obligation Lower interest rates increase the obligation

December 2011 Financial position of Defined Benefits plans
(in € billions)





Benefits: impact in P&L and Balance Sheet

- **Funding requirements based on local regulations**
 - *US: 100% funding over 7 years*
 - *UK: 100% funding over 15 years*

- **Obligation and discount rate are steadily reviewed**
 - *US: Every year*
 - *UK: every 3 years*

- ➔ **Amount of annual contribution (refer to Financial report page 123)**

- **Balance Sheet**
 - *Net defined benefit obligation recognized as a defined benefit liability*
 - *Any actuarial gains and losses recognized in Other Comprehensive Income*

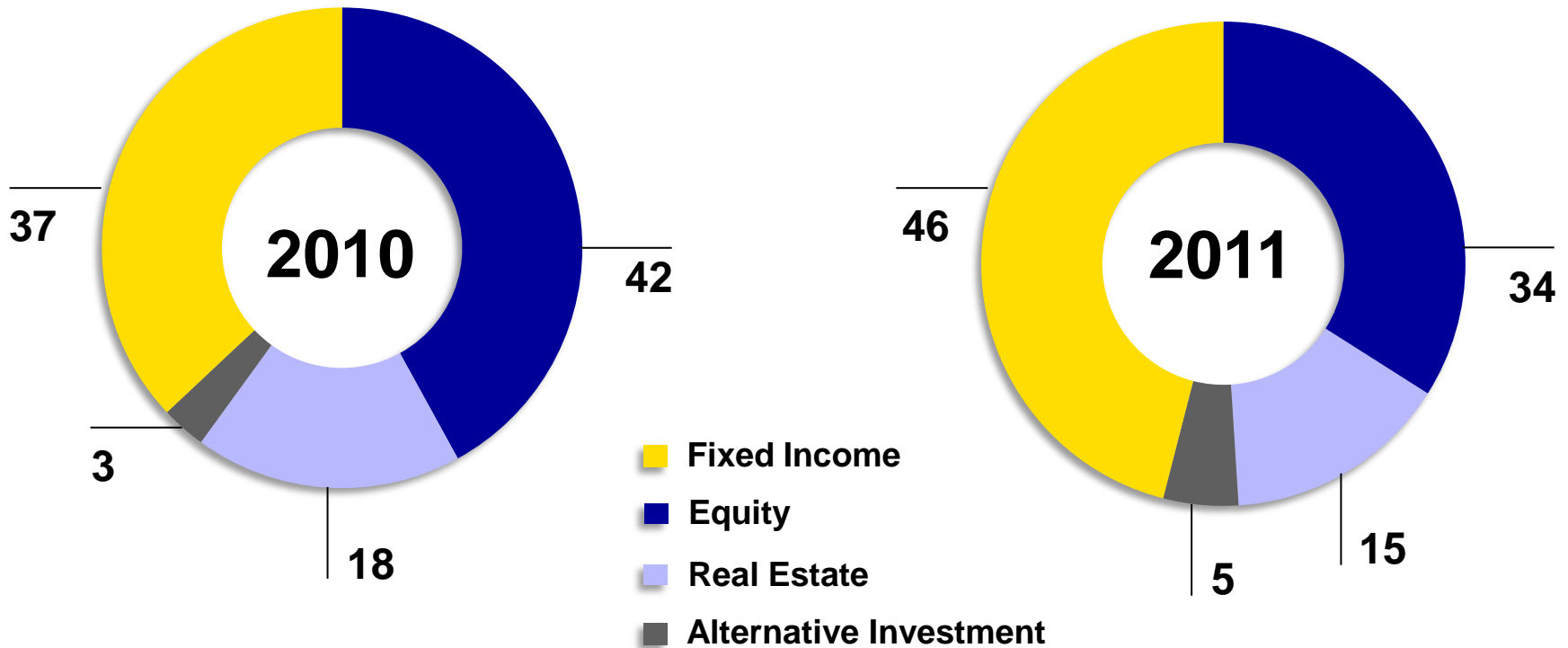
- **P&L**
 - *Net service cost*
 - *Any change in the benefit plans*





Asset Management of the plans: aimed at reducing volatility

Asset Allocation of fully and partly funded US pension plans (in % of total portfolio)

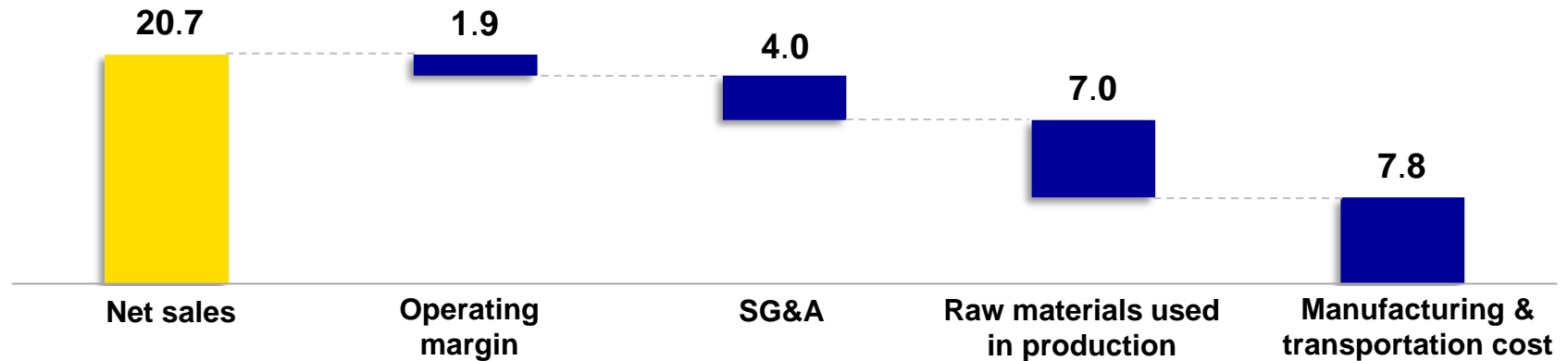




A Competitiveness Program to Drive Growth

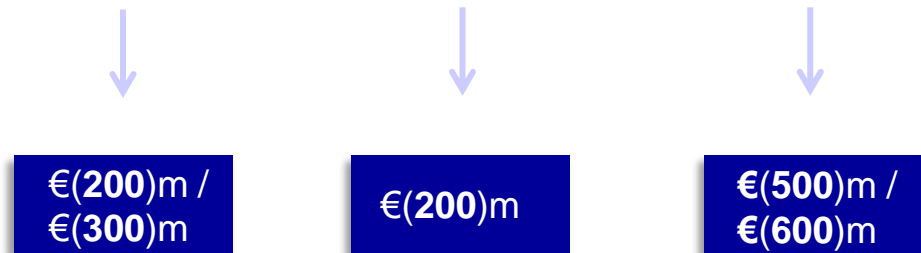
2011 cost structure

(in € billions)



2012 – 2016 competitiveness program

Excl. Inflation and incl. avoided costs



≈ €1 billion in competitiveness gains over five years





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**





The Widest and Most Aligned Distribution Network

2011 Distribution networks – number of points of sale

| Brand | Durable | Advocate | Transactional | Total |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------|
| Michelin | T+ (Tyreplus) MTC (Michelin Tyre Service Center) MBA (Michelin Business Acceleration) 1,450 | MCR (Michelin Certified Retailer) 1,975 | MSD (Michelin Selected Dealer) 2,292 | 5,717 |
| Goodyear | Flagship 110 | Service Center 800 | Image Shop 700 | 1,610 |
| Bridgestone | WOC (Wing Of Car) 235 | BTS (Bridgestone Tyre Shops) BTS+ (Bridgestone Tyre Shops Plus) 836 | BOSS 3,575 | 4,646 |
| Continental | Best Drive 30 | CCS 450 | CAR 900 | 1,380 |
| Hankook | T-Station 64 | Tire Town 525 | Image Shop 1,434 | 2,023 |





Enhanced Distribution Leadership

| Program | | 2011 | 2015 |
|---------------|---------|-------|-------|
| Durable | T+ | 626 | 1,150 |
| | MTC/MBA | 824 | 1,400 |
| Advocate | MCR | 1,975 | 2,800 |
| Transactional | MSD | 2,292 | 2,750 |
| Total | | 5,717 | 8,100 |

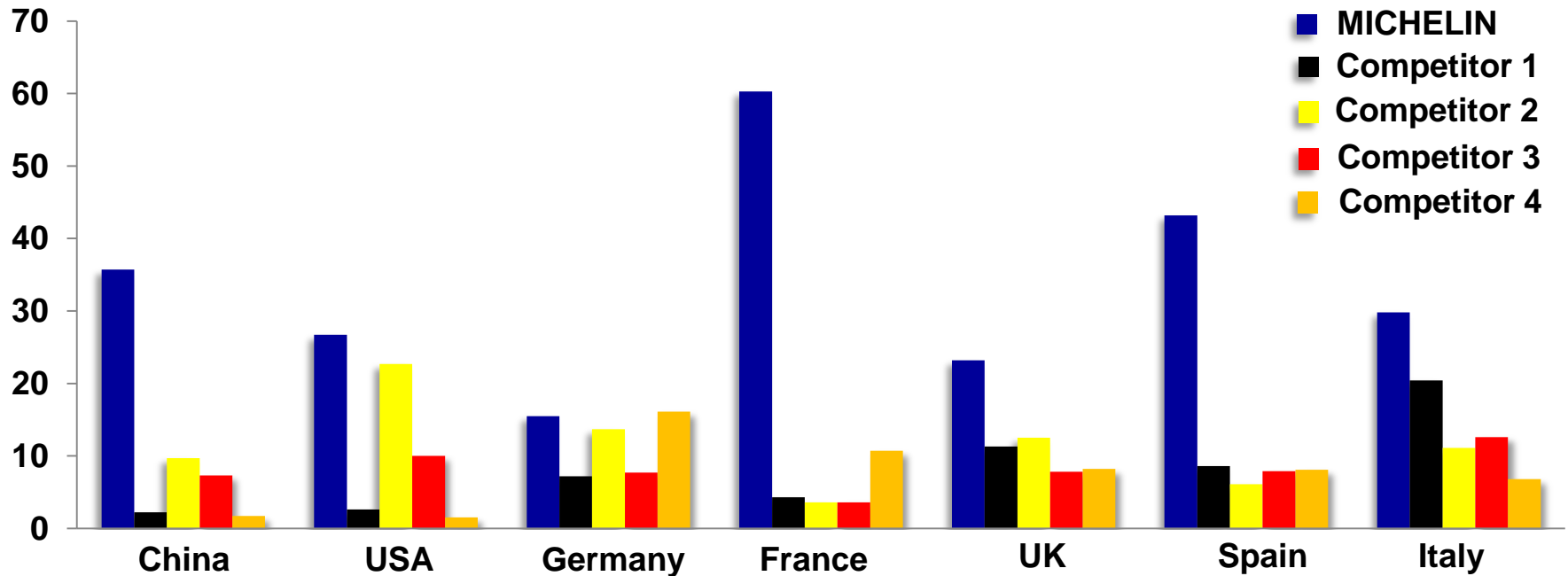
- Tyre Plus was transformed in 2010 into a franchise looking to provide basic car maintenance services and a premium consumer experience.





The Preferred Brand of Premium Tirebuyers

"Which brands among the following would you seriously consider if you were going to buy tires for your car tomorrow?"



Sources: Europe = TNS Sofres, USA = Lieberman Research, China = Nielsen, 2011

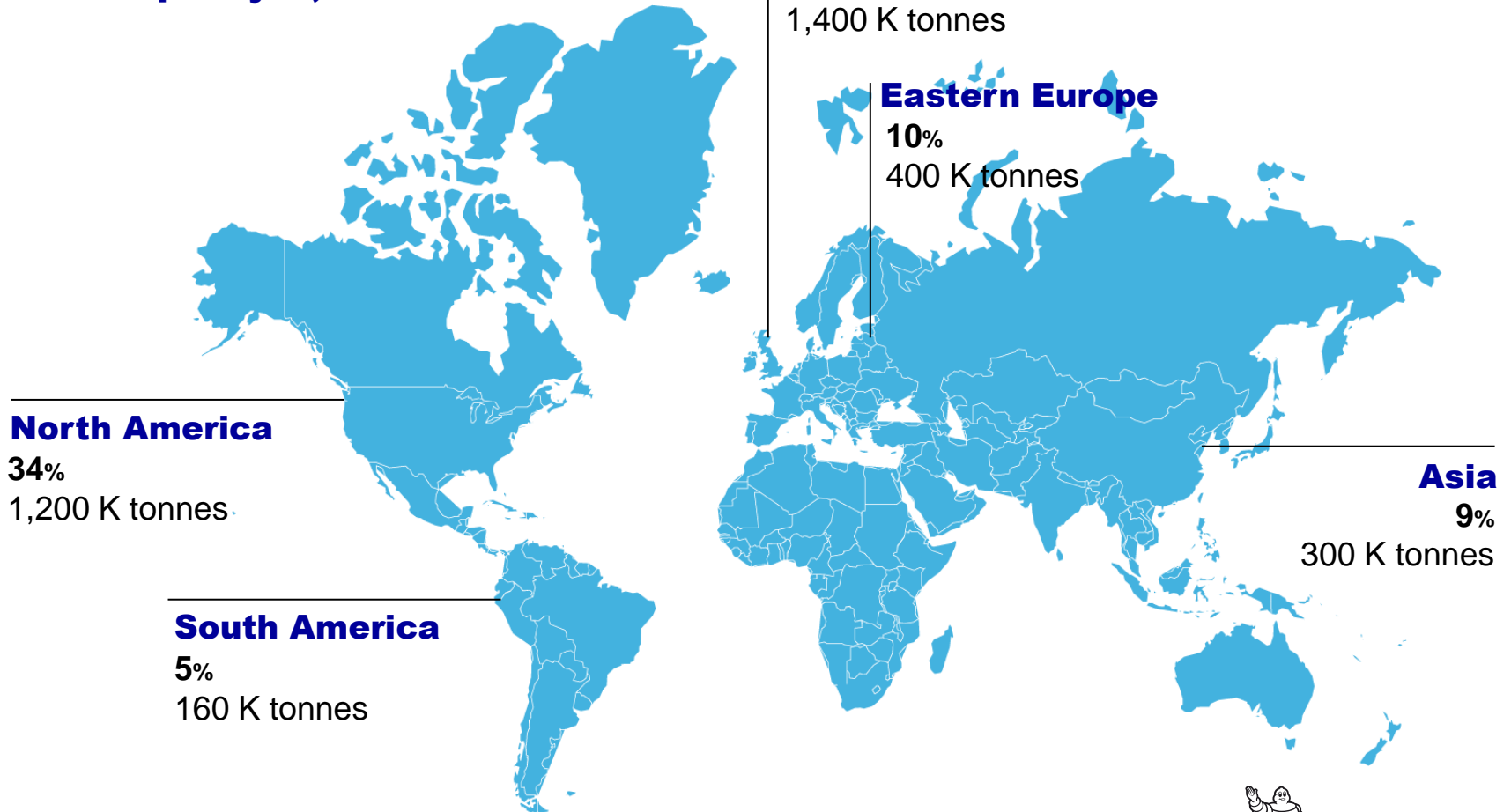




2011 Production Capacity: a Global Footprint

2011

Total capacity: 3,460 K tonnes



Western Europe

42%

1,400 K tonnes

Eastern Europe

10%

400 K tonnes

North America

34%

1,200 K tonnes

South America

5%

160 K tonnes

Asia

9%

300 K tonnes





2015 Production Capacity: a Global Footprint

2015

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

Western Europe

39%
≈1 650 K tonnes
Up 18% vs 2011

Eastern Europe

11%
≈475 K tonnes
Up 19% vs 2011

North America

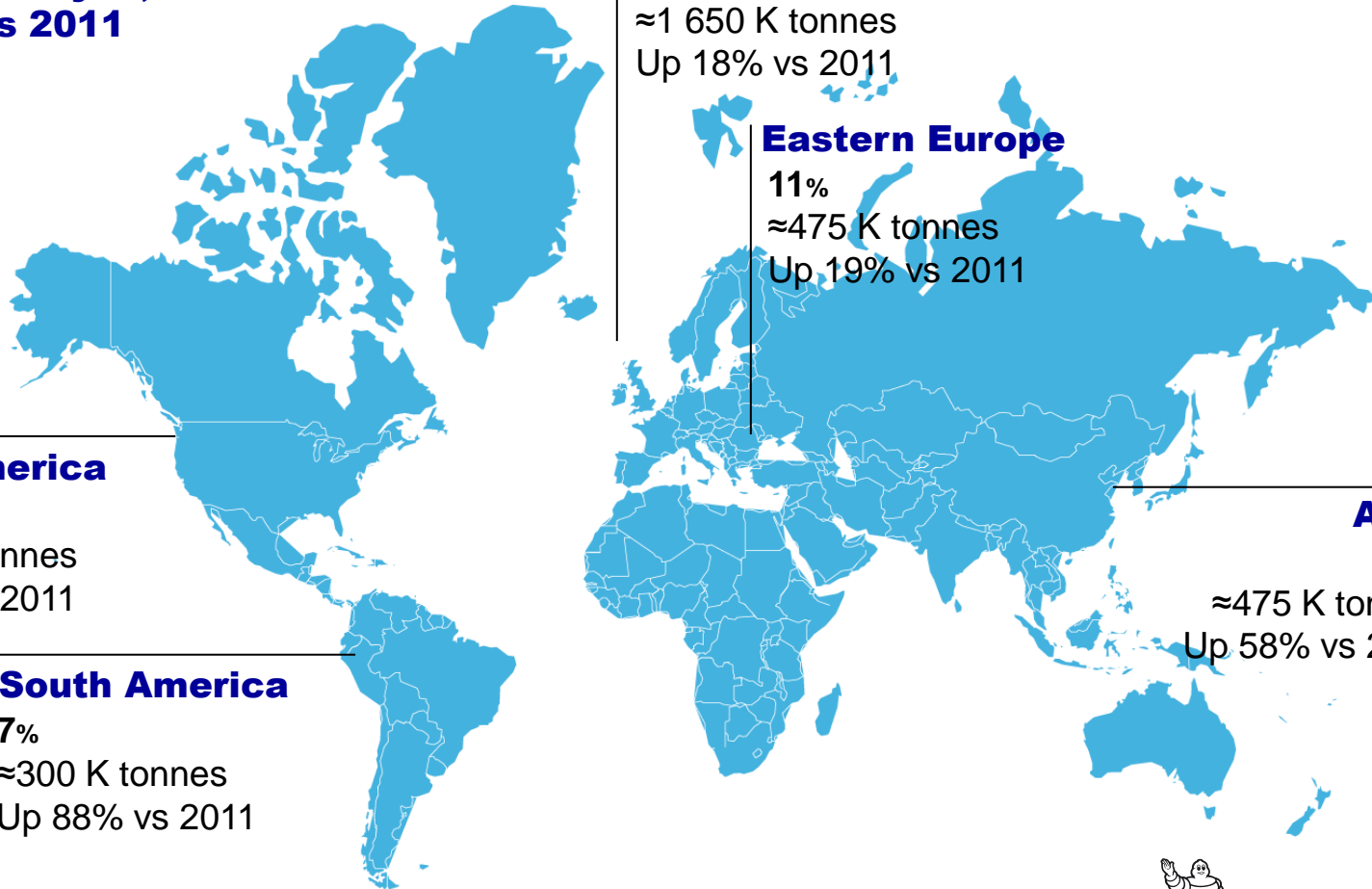
32%
≈1 350 K tonnes
Up 13% vs 2011

South America

7%
≈300 K tonnes
Up 88% vs 2011

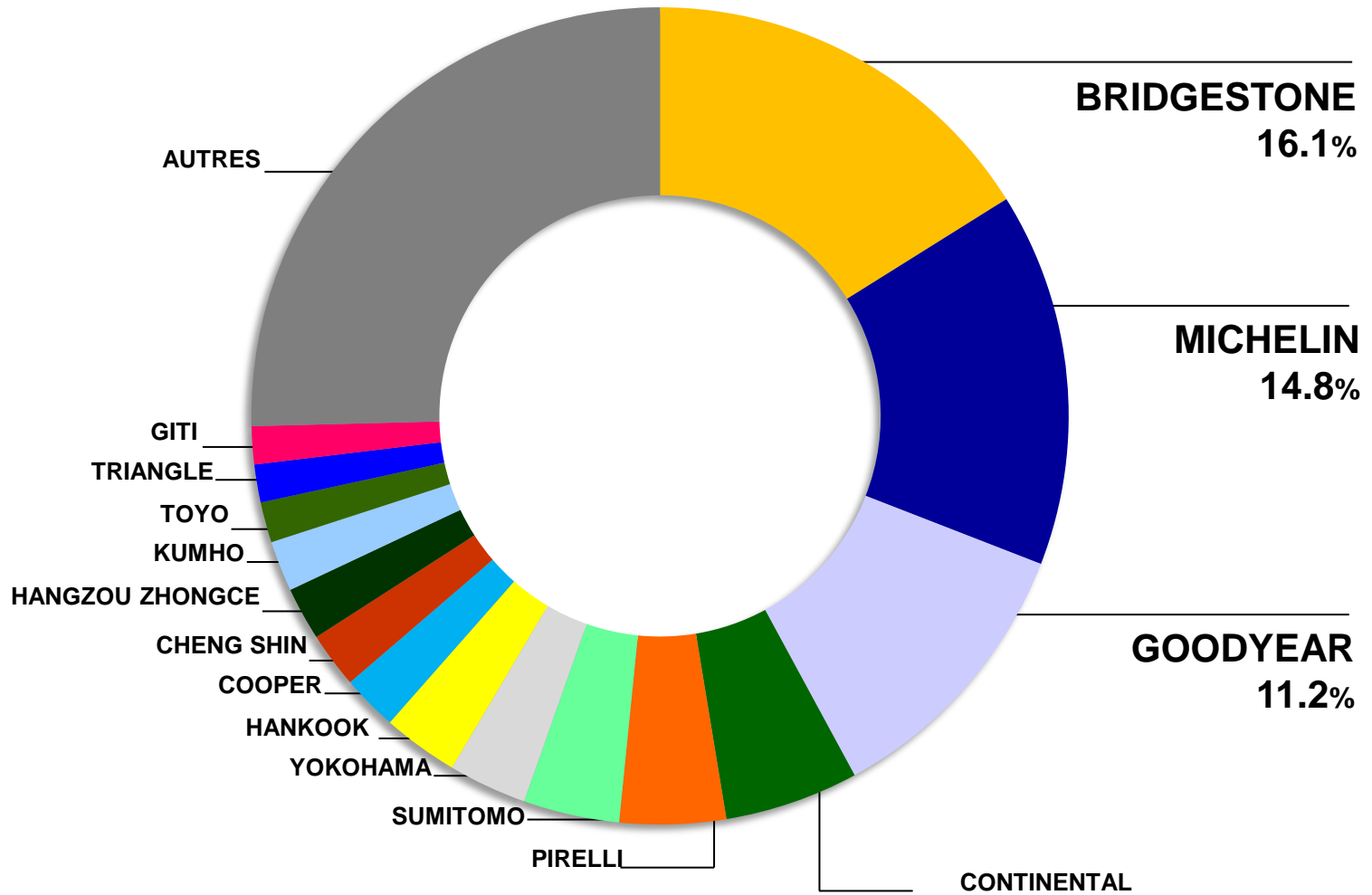
Asia

11%
≈475 K tonnes
Up 58% vs 2011





Tire Business Ranking 2011



Source: Tire Business – Août 2011





A Comprehensive Brand Portfolio

