

Paris

MAY 10, 2012





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*





OUTLINE

01

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

02

**Markets:
Mixed but Down Overall**

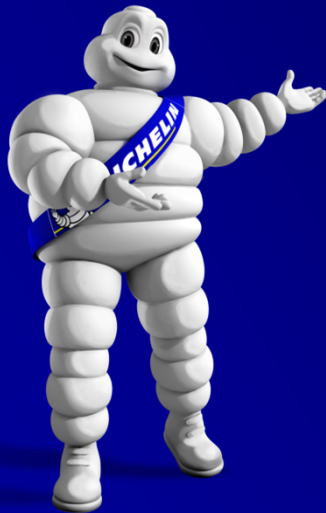
03

**Reporting Segments:
Impact of the Pricing Policy**

04

Guidance





01

Net Sales: Impact of the 2011 Pricing Policy

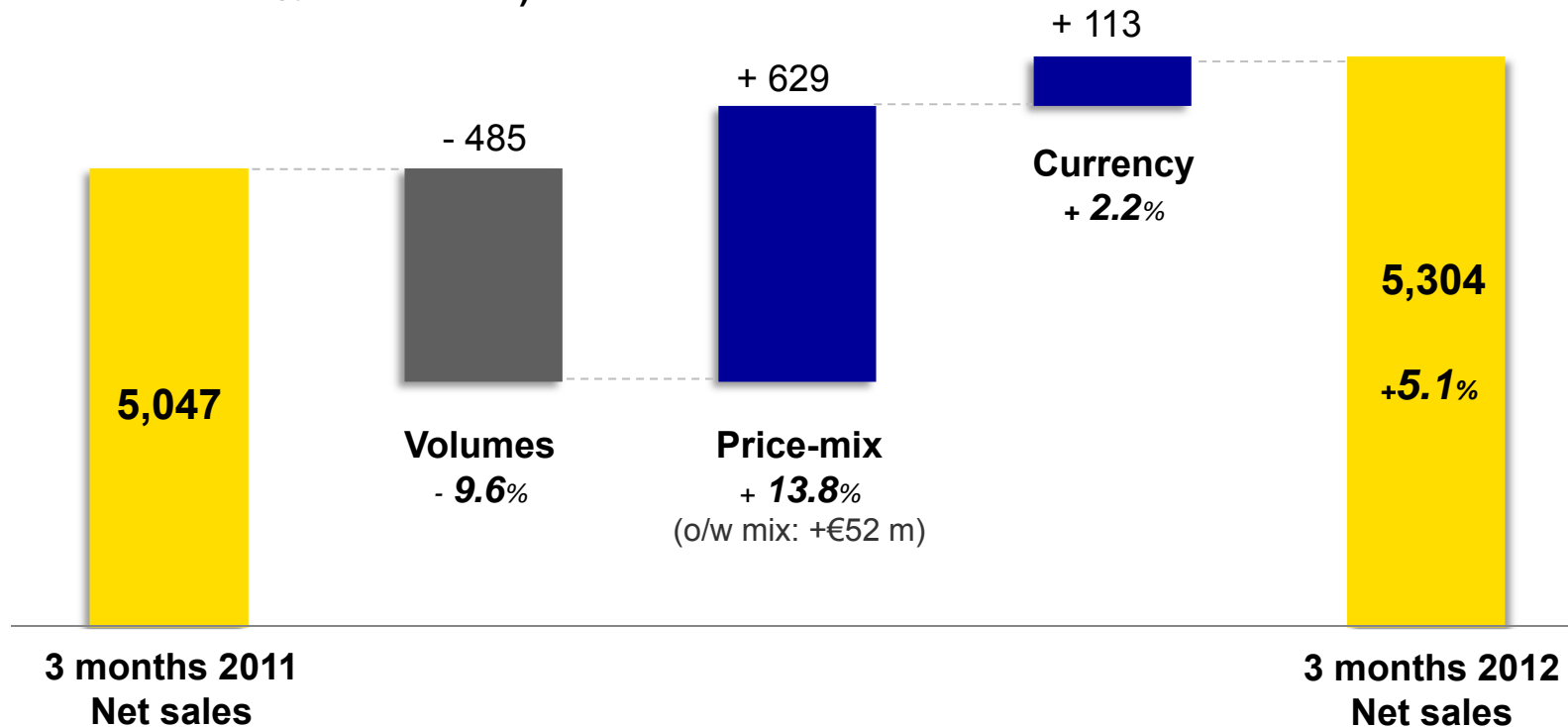




Growth in Net Sales with the Price Mix Amply Offsetting the Decline in Volumes

YoY change

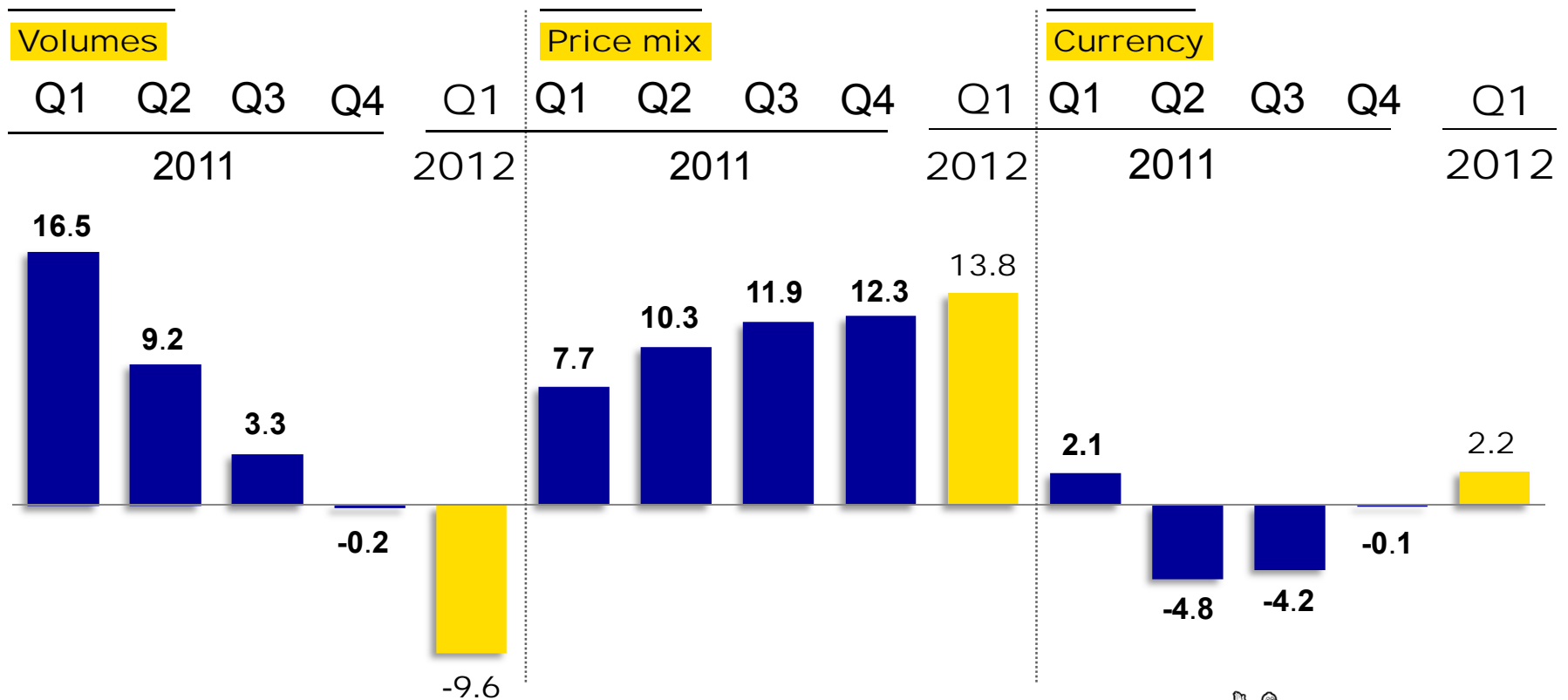
(in € millions and % of net sales)





Volumes: Prior-Year Comparatives and Destocking Price Mix: Impact of 2011 Increases and Clauses

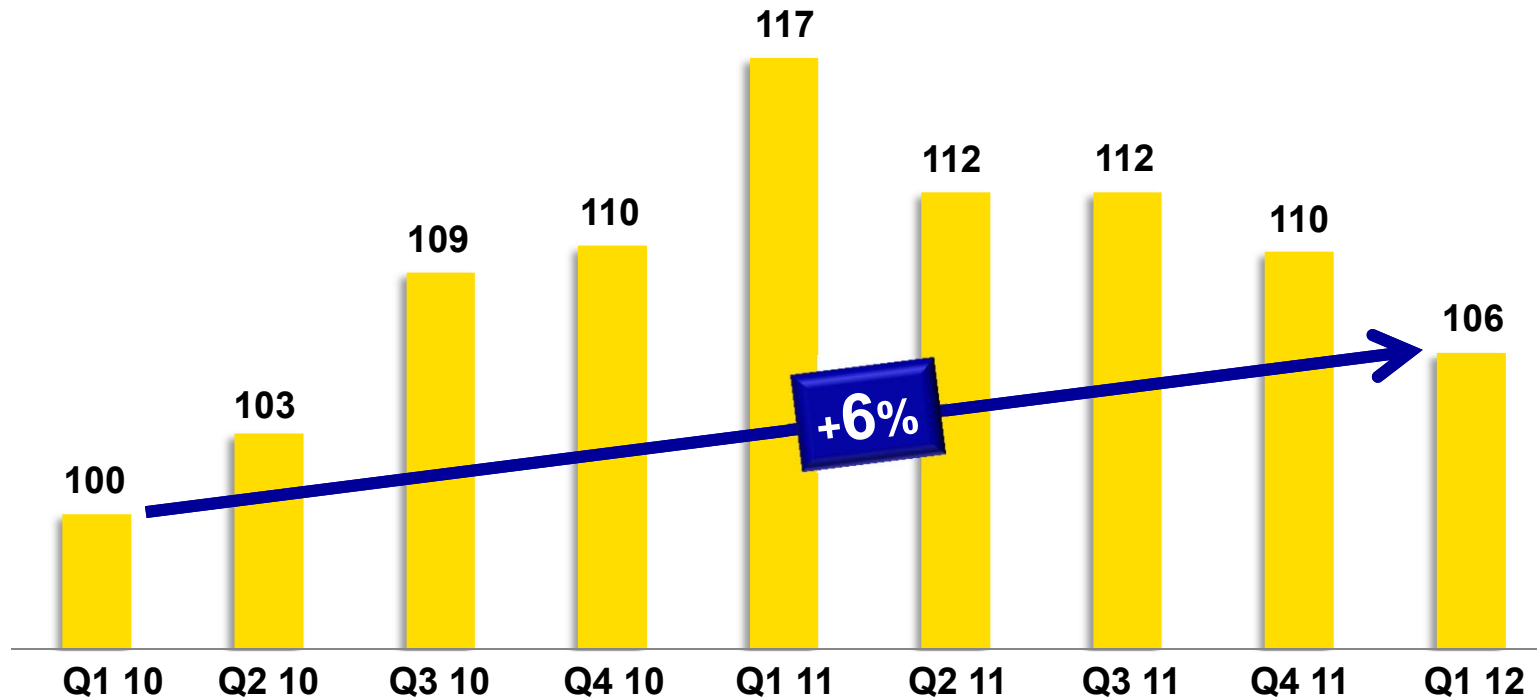
YoY change
(in %)





High Prior-Year Comparatives and Dealer Inventory Drawdowns

Tonnages sold
(Base 100 = Q1 2010)





02

Markets: Mixed but Down Overall

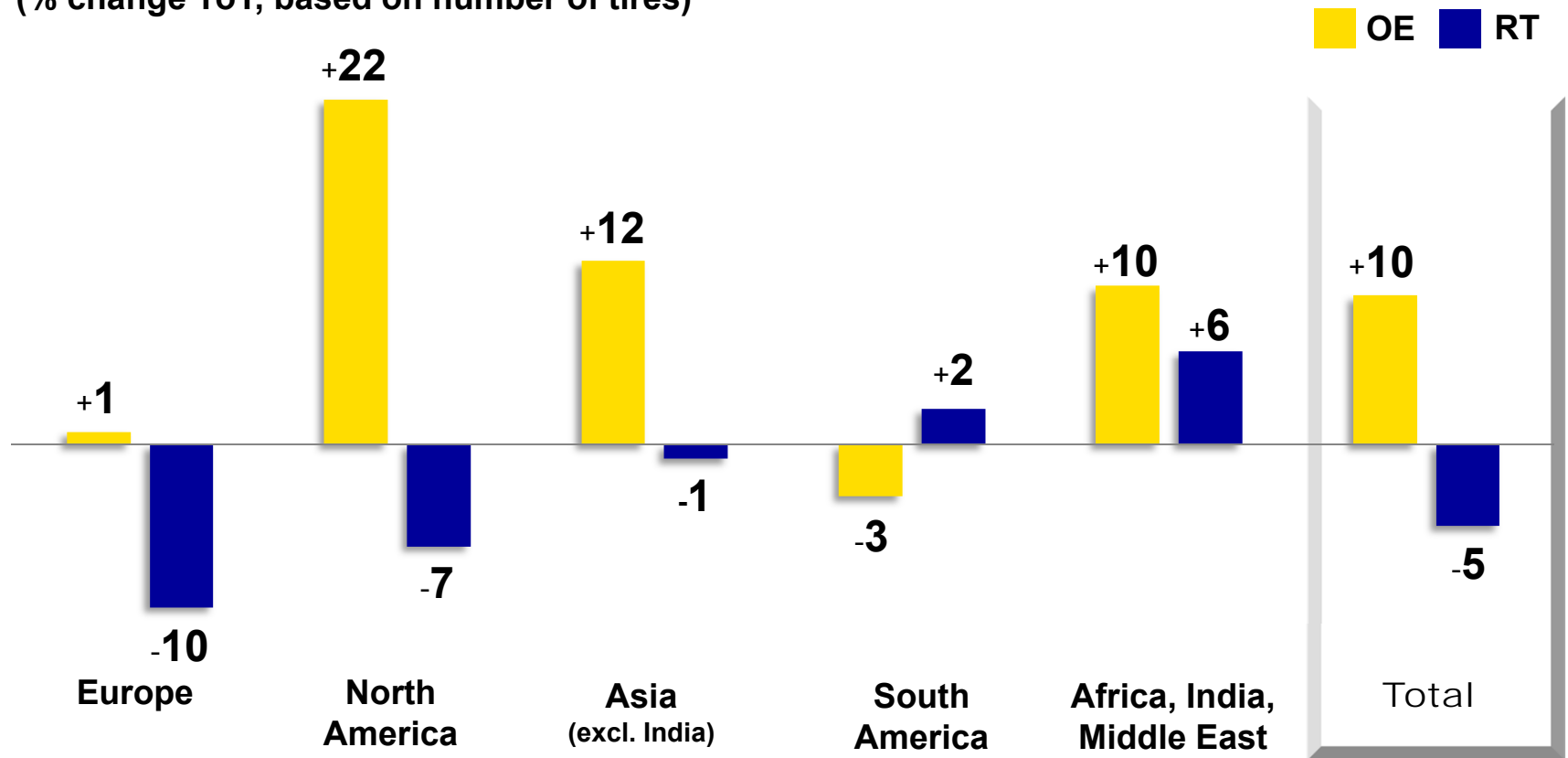




PCLT: RT Sales Dampened by Inventory in Q1 2012 Drawdowns Compared with Buildup in Q1-2011

Markets at March 31, 2012

(% change YoY, based on number of tires)



Source: Michelin

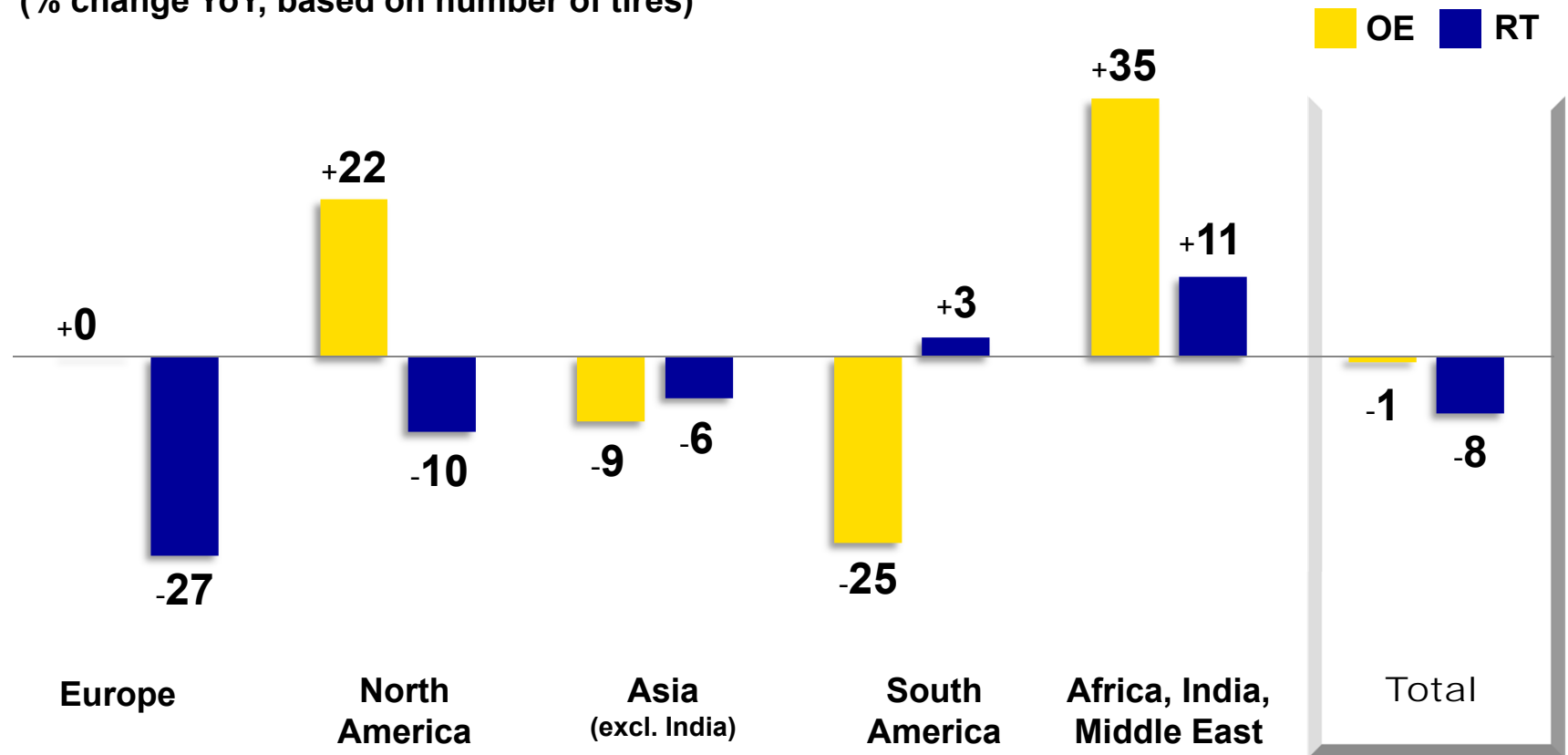




Truck Tires: Steep Fall-Off in Europe

Radial markets at March 31, 2012

(% change YoY, based on number of tires)



Source: Michelin

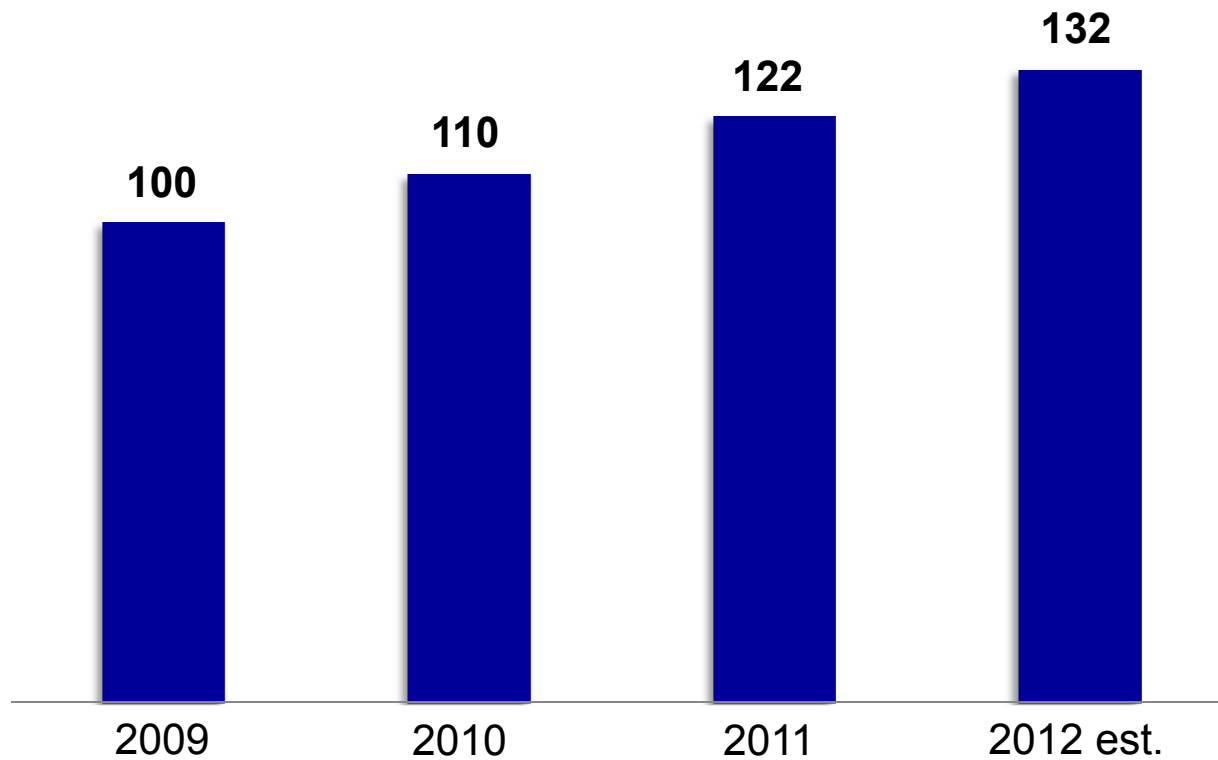




Specialty Businesses: Sustained Growth

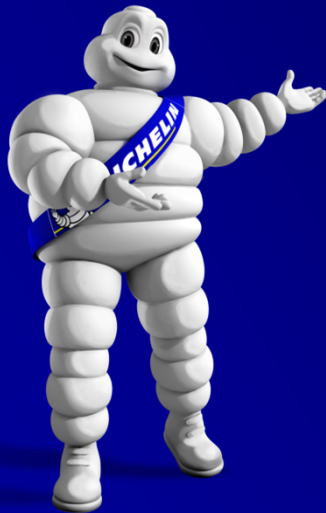
Mining Tire Market

(In tonnes, base 100 = 2009)



Source: Michelin





03

Reporting Segments: Impact of the Pricing Policy





PC< Tires and Distribution: Dealer Destocking and Hesitant Customers



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: 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 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





04

Guidance





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**



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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

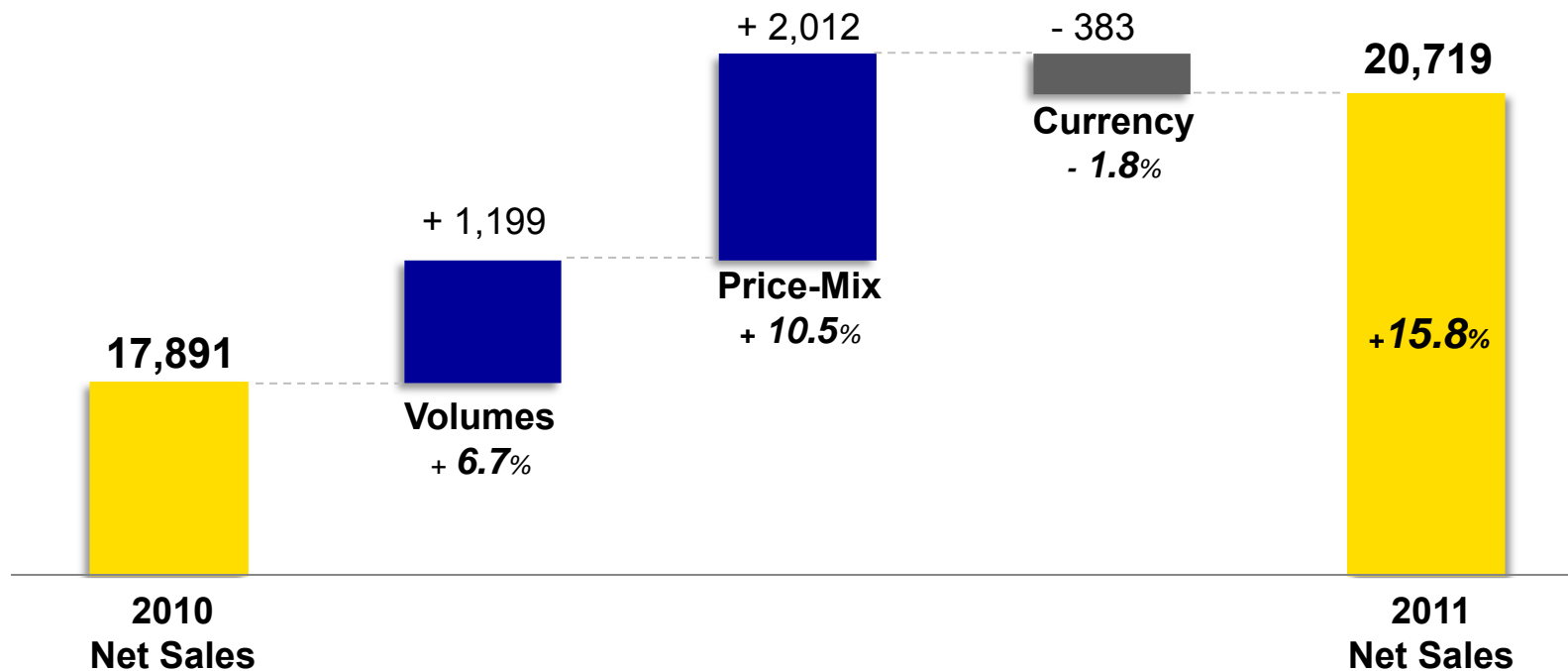




Higher Net Sales, Led by Pricing Power and Sales Performance

YoY change

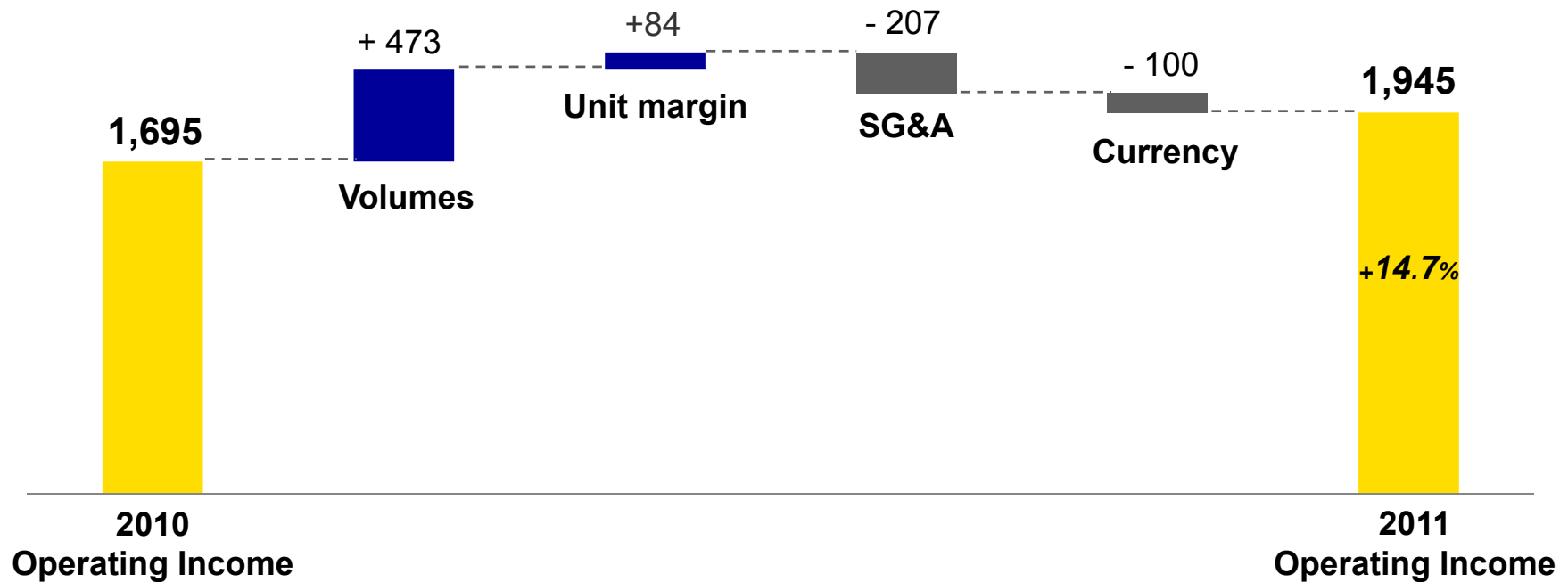
(in € millions and as a % of net sales)





Operating Income Up as Targeted

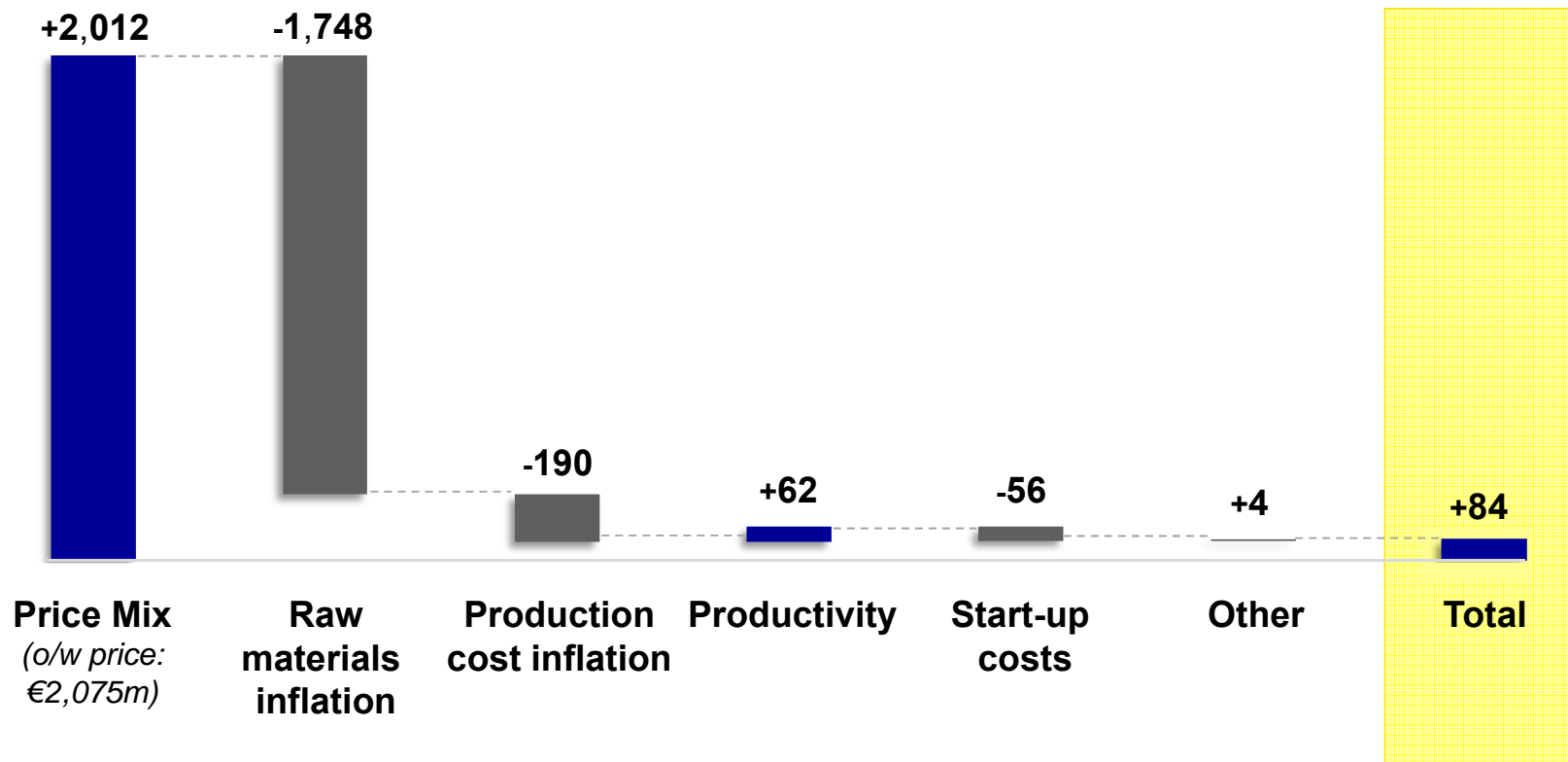
YoY change
(in € millions)





Price-mix Gains Exceeded the Increase in Raw Materials Costs

YoY change in unit margin components
(in € millions)





Spending to Build Future Growth

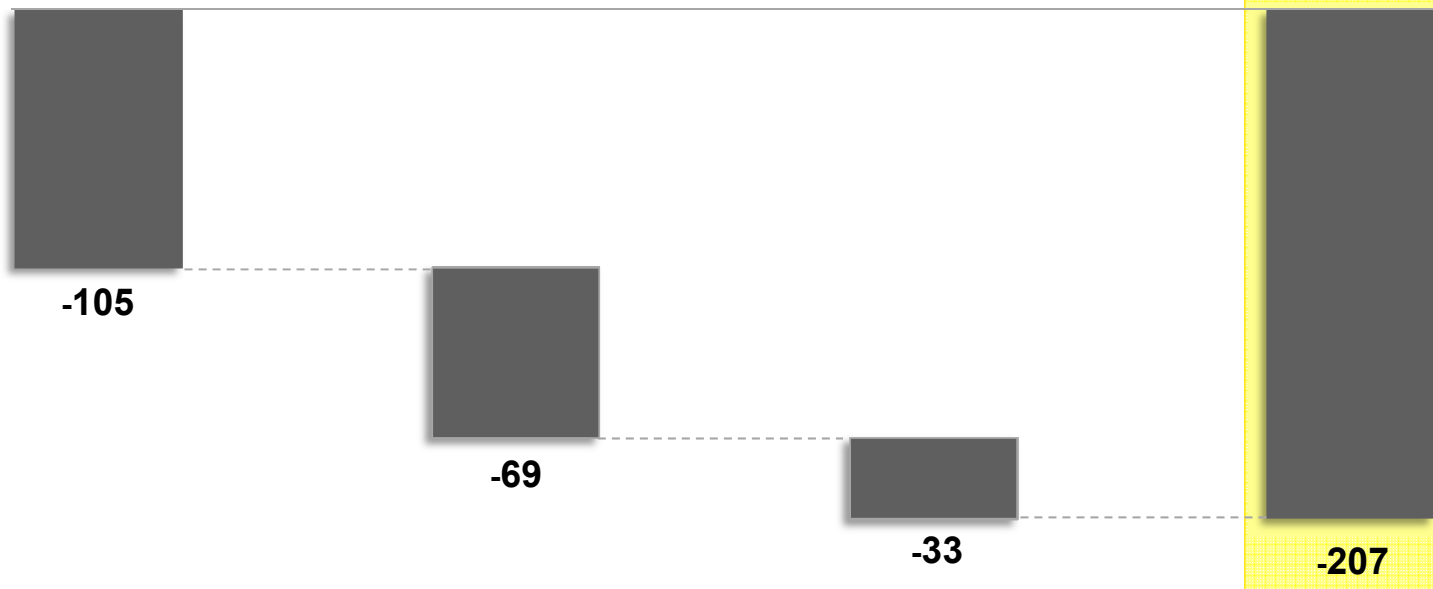
YoY change in SG&A
(in € millions)

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

Inflation

Other

Total





Recurring Business Structurally Generates Free Cash Flow

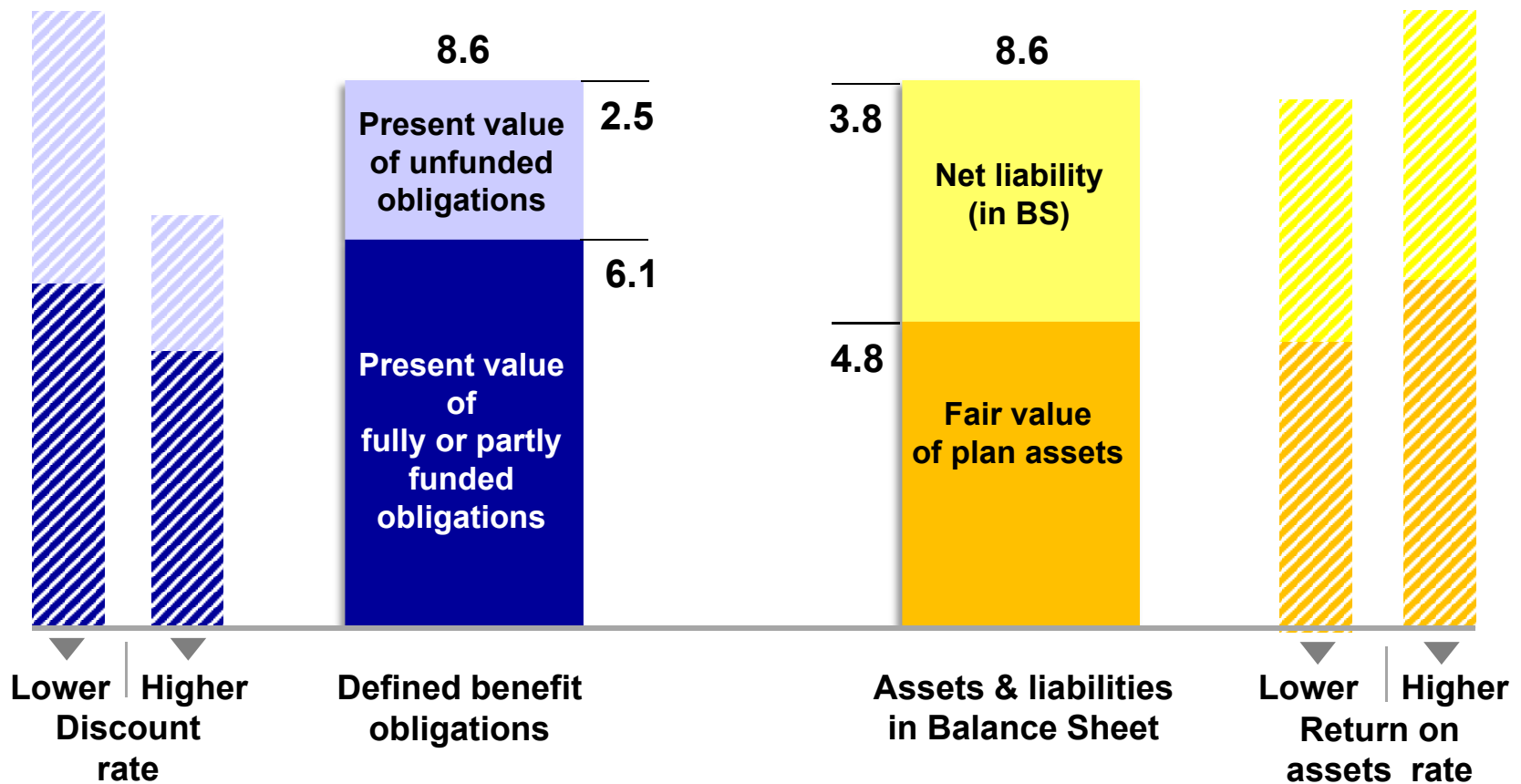
In € millions	2011	2010
EBITDA	2,878	2,660
Change in WCR	(912)	(461)
Restructuring Cash Costs	(145)	(229)
Change in Operating Provisions	13	(194)
Other Operating WCR	(5)	20
Cash Flow from Operations	1,829	1,796
Taxes and Interest Paid	(632)	(474)
Routine Capital Expenditure (Maintenance, IS/IT, Dealerships)	(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*

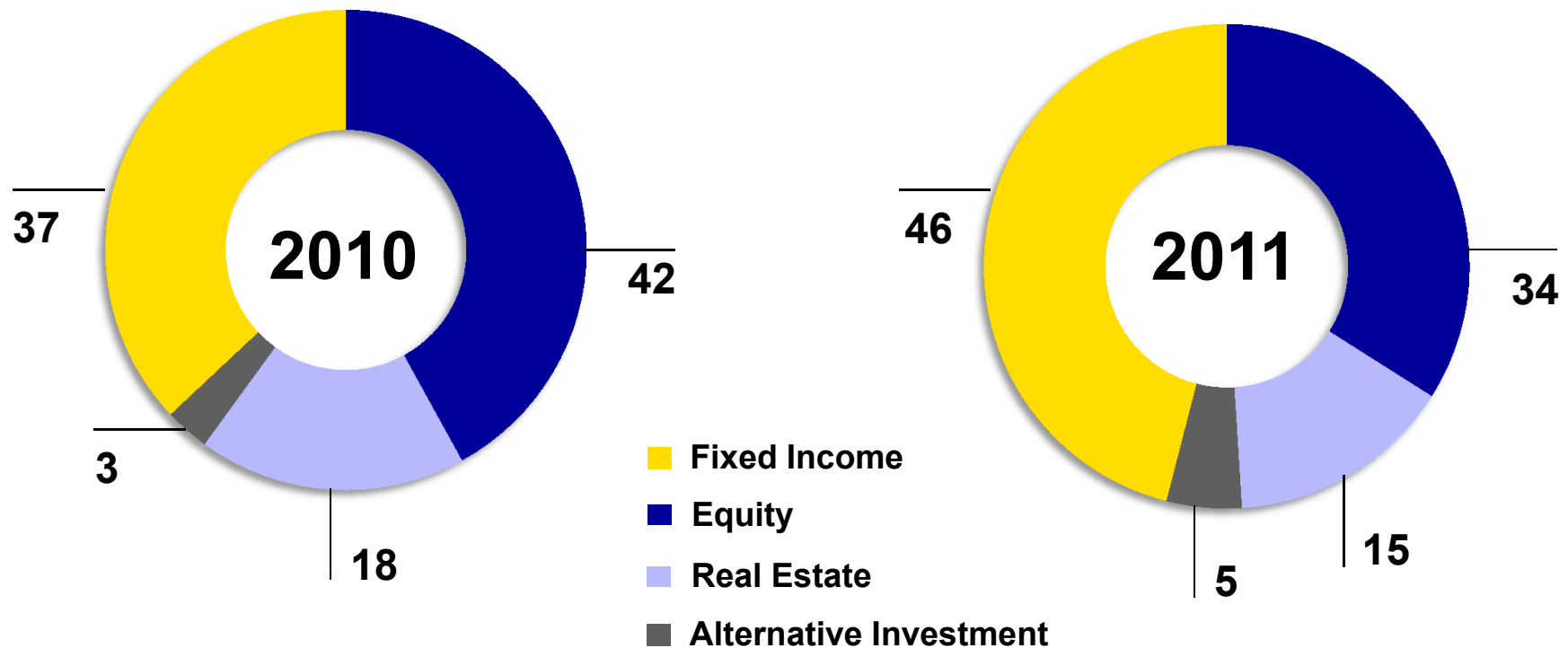
- **P&L**
 - *Net service cost*
 - *Any change in the benefit plans*





Asset Management of the plans: aimed at reducing volatility

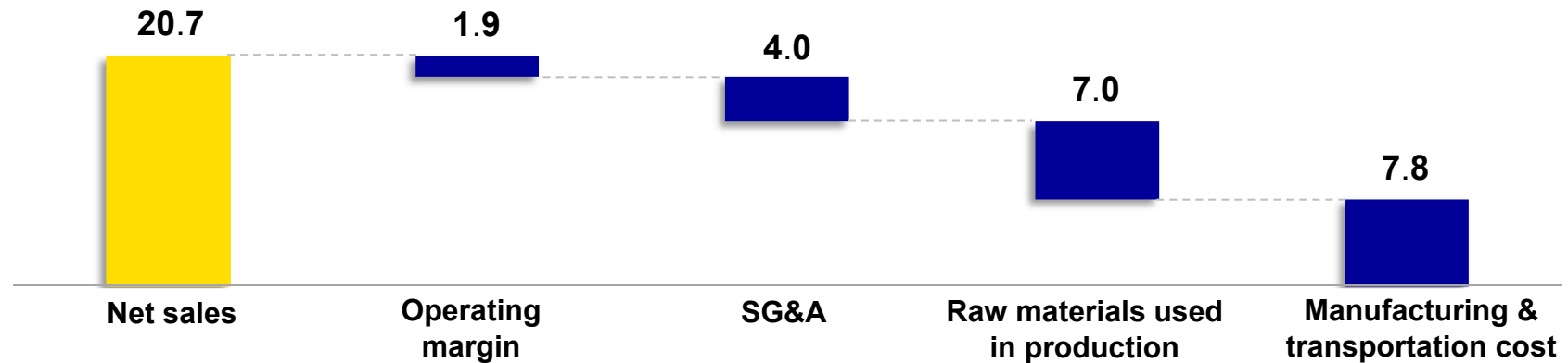
Asset Allocation of fully and partly funded US pension plans
(in % of total portfolio)



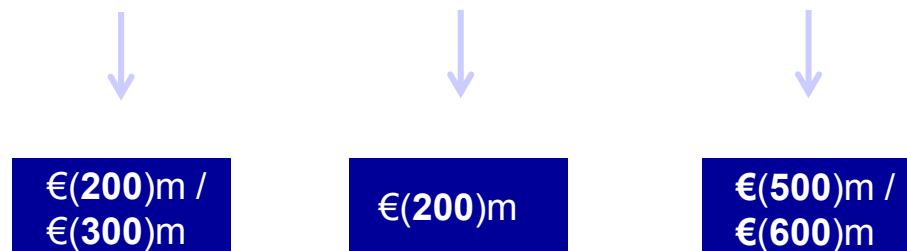


A Competitiveness Program to Drive Growth

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

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

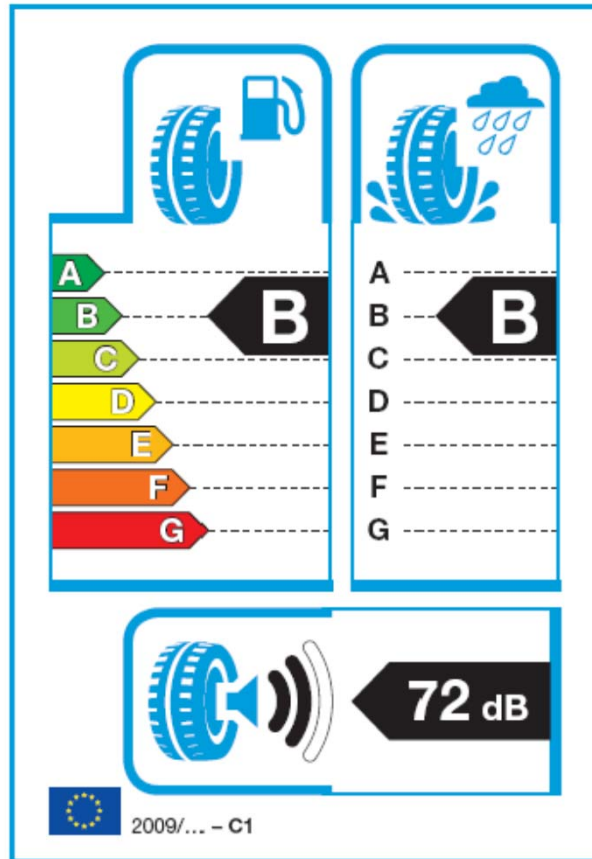
Program		2011	2015
Durable	T+	626	1,150
	MTC/MBA	824	1,400
Advocate	MCR	1,975	2,800
Transactional	MSD	2,292	2,750
Total		5,717	8,100

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





The Performance Evaluation System : A Tire Market Revolution



Label

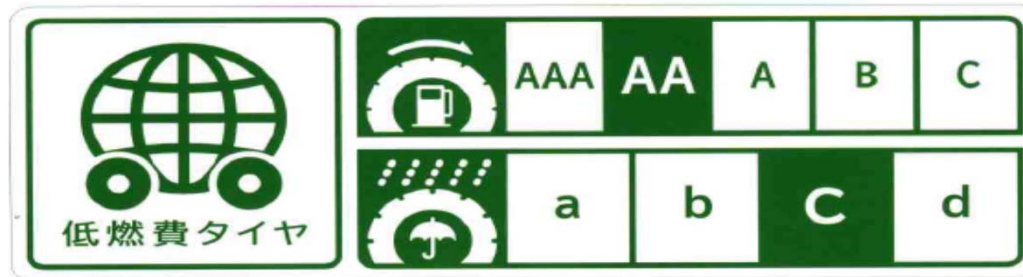
- **Performance thresholds in 3 areas:**
 - Rolling resistance
 - Wet grip
 - Noise
- **Classes**
 - A-B-C-E-F-G
 - Current Excellent class = C
- **Implementation > 2012**
- **Thresholds scheduled to be lowered > 2016**





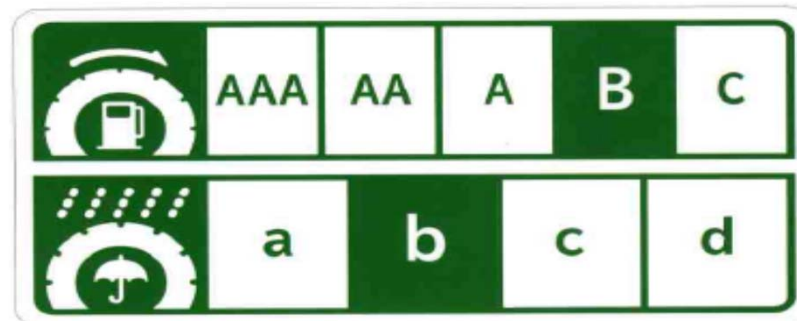
Japan Regulation: Rating and Labelling

For fuel efficient tires



Minimum A en RR (RRC ≤ 9.0 kg/t) et C en Wet Grip ($G \geq 1.10$)

For non fuel efficient tires(=normal tires)





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

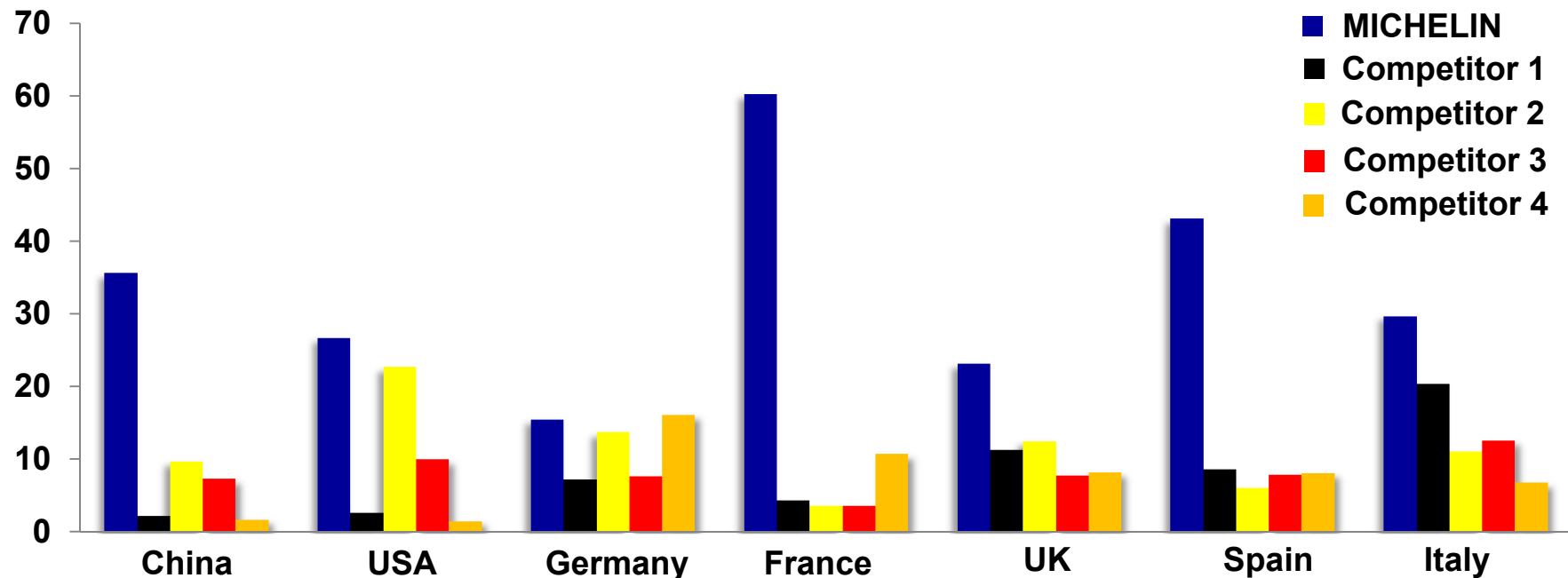
- **Technological barriers to entry**
- **Multi-year contracts offer clear visibility for:**
 - *Sales trends: sustained growth in mining markets*
 - *Margin trends: long term contracts with raw materials indexation clauses*
- **Steadily increasing capacity, keeping pace with demand**
 - *Adding marginal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





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?"



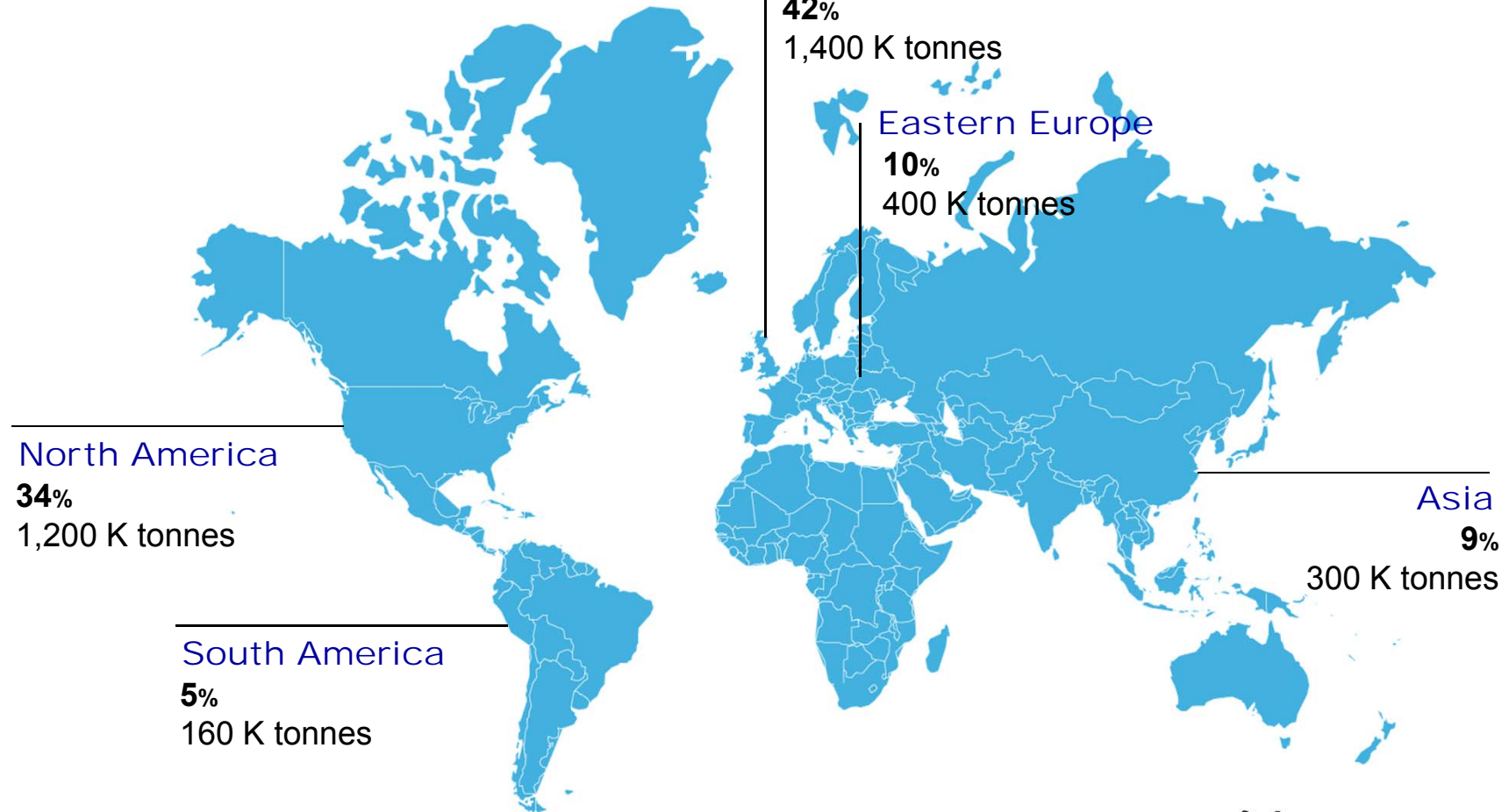
Sources: Europe = TNS Sofres, USA = Lieberman Research, China = Nielsen





2011 Production Capacity: a Global Footprint

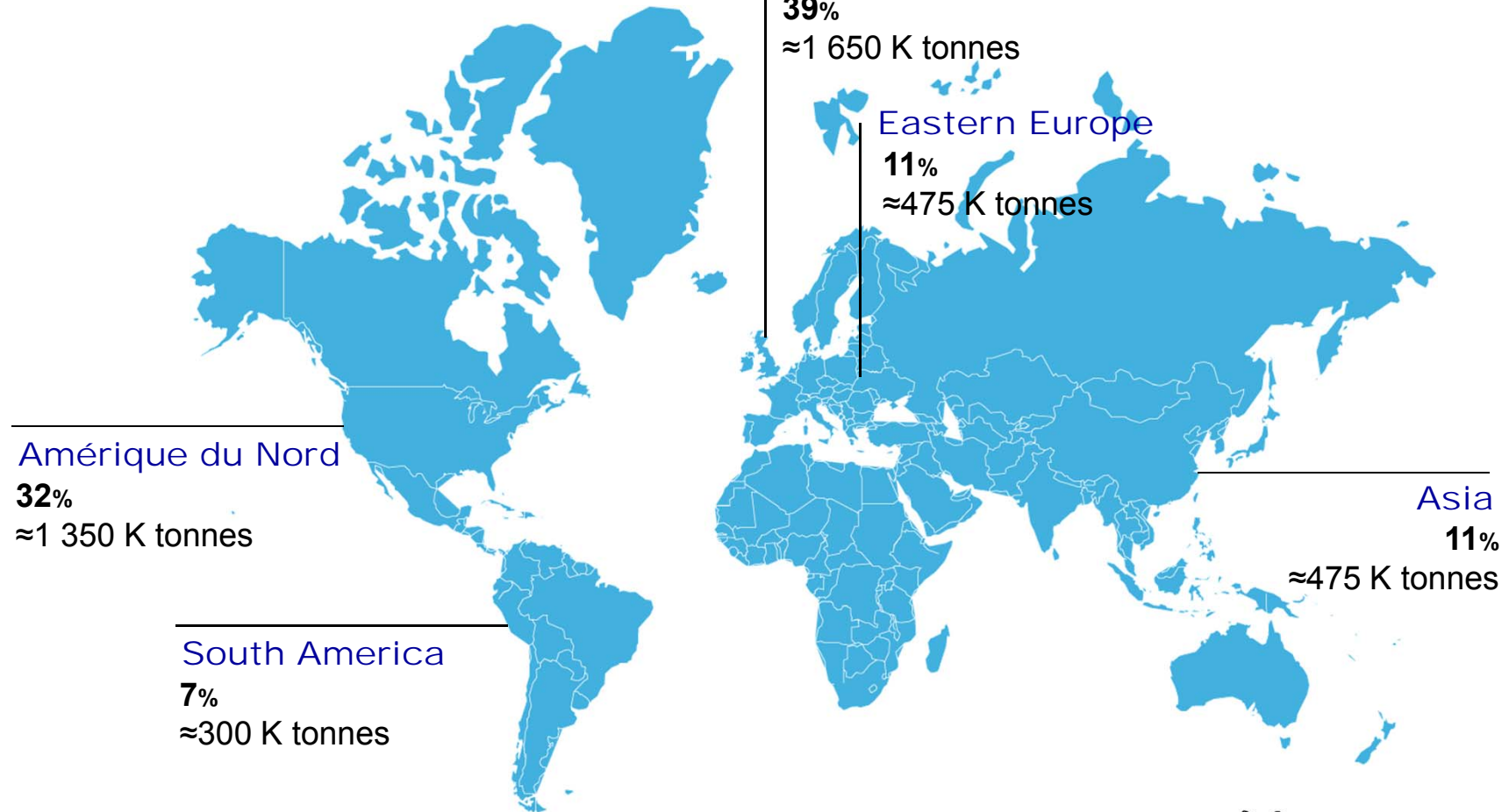
2011





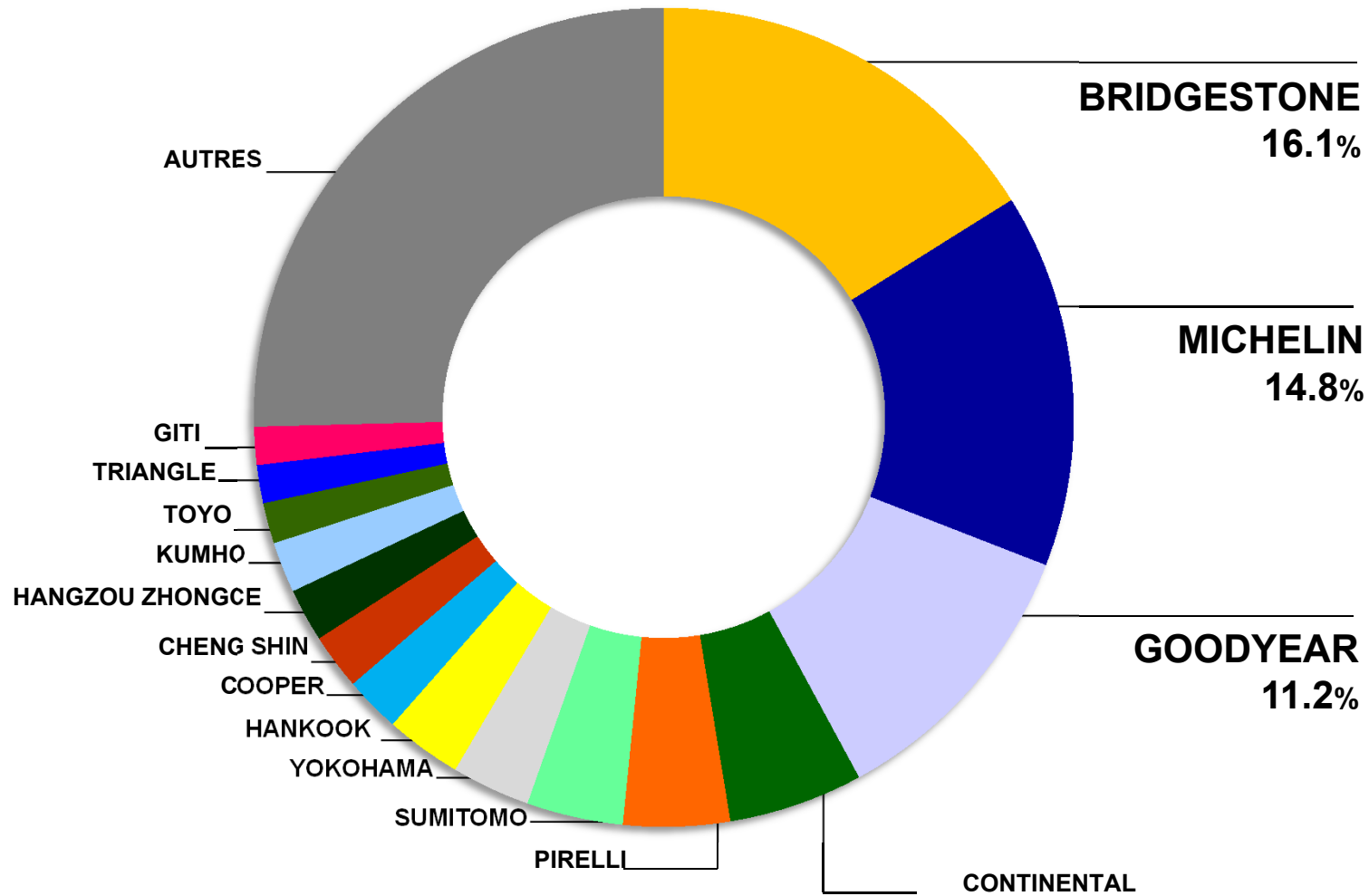
2015 Production Capacity: a Global Footprint

2015





Tire Business Ranking 2011



Source : Tire Business – Août 2011





A Comprehensive Brand Portfolio

