

3rd Annual Global Automotive Conference Goldman Sachs

London, December 8, 2011



Outline

- **Net sales:** Sustained firm growth
- **Markets:** Slowing momentum
- **Reporting segments:** Varying growth
- **Guidance:** Vigilance and measured optimism
- **2015 Manufacturing:** A strategic advantage for the Company
- **Investment strategy:** Geared towards growth opportunities



*Nine-month Net sales:
Sustained firm growth*





Nine-month Net Sales up 17.3% to €15,246 million

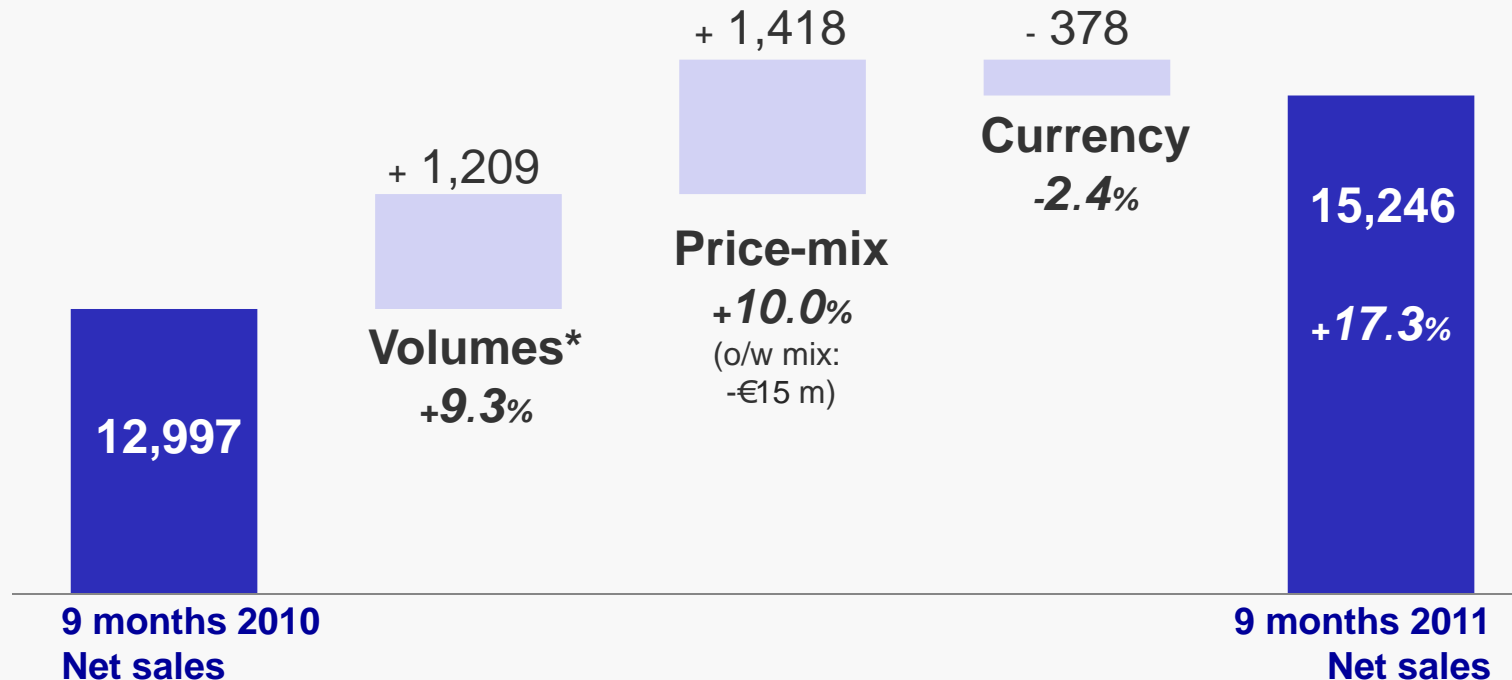
- ▶ **Sales volumes up 9.3%**
- ▶ **Markets expanding, despite slower momentum in the third quarter**
- ▶ **Solid performance by the MICHELIN brand**
- ▶ **Pricing policy added 10.0% to nine-month sales growth and, as announced, will offset the full-year impact of the raw materials headwind**





Tangible Growth in Sales Volumes Efficient Pricing Policy

YoY Change in € Millions and as a % of Net Sales



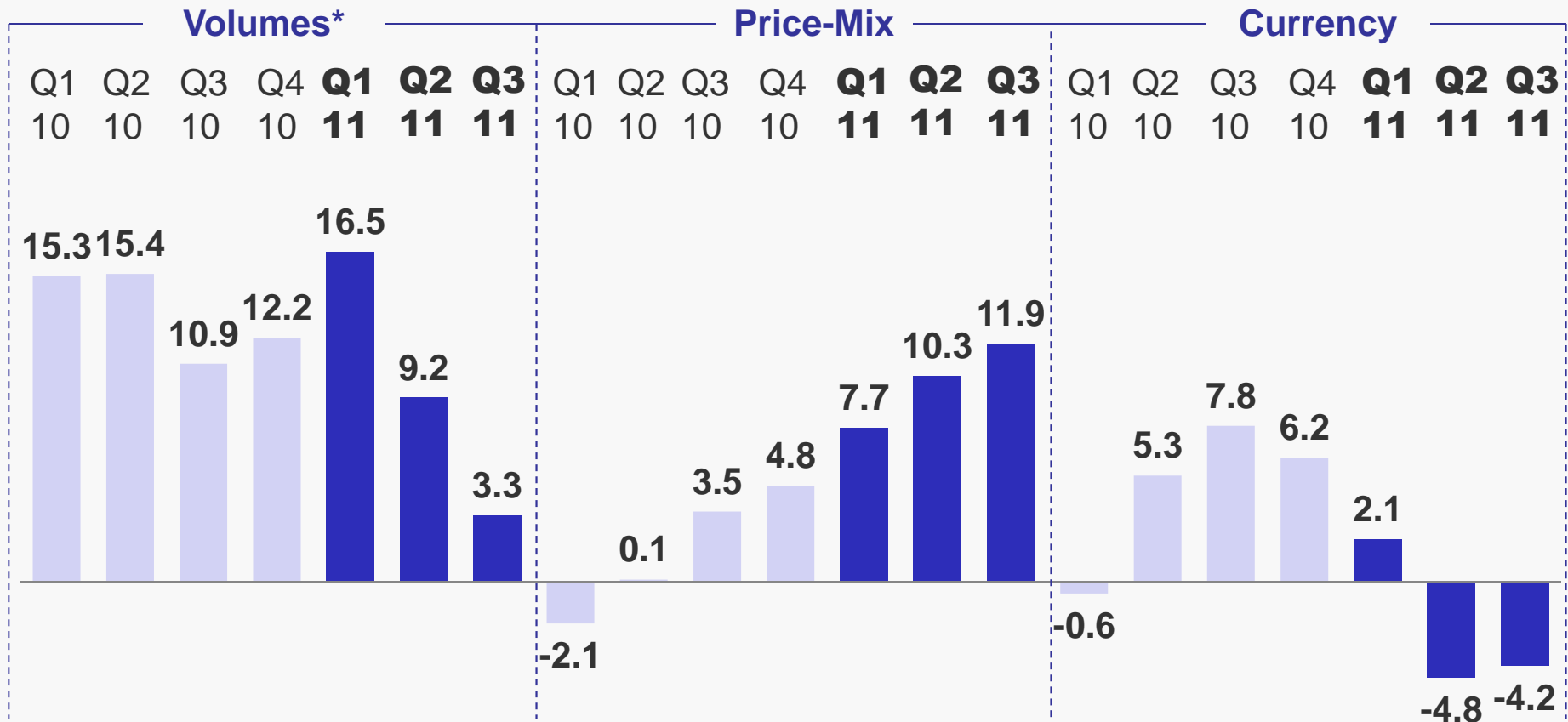
* Volumes in tonnes





A Sharply Rising Price Effect

% Change YoY



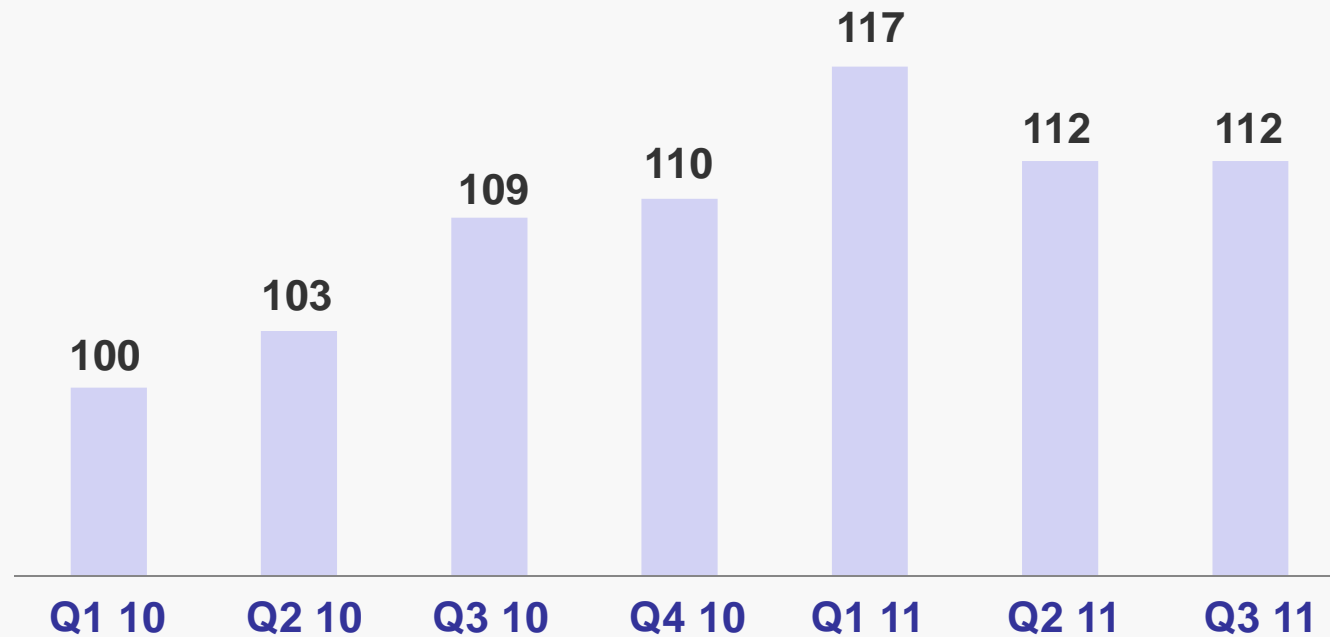
* Volumes in tonnes





Robust Volume Growth off of High Prior-year Comparatives

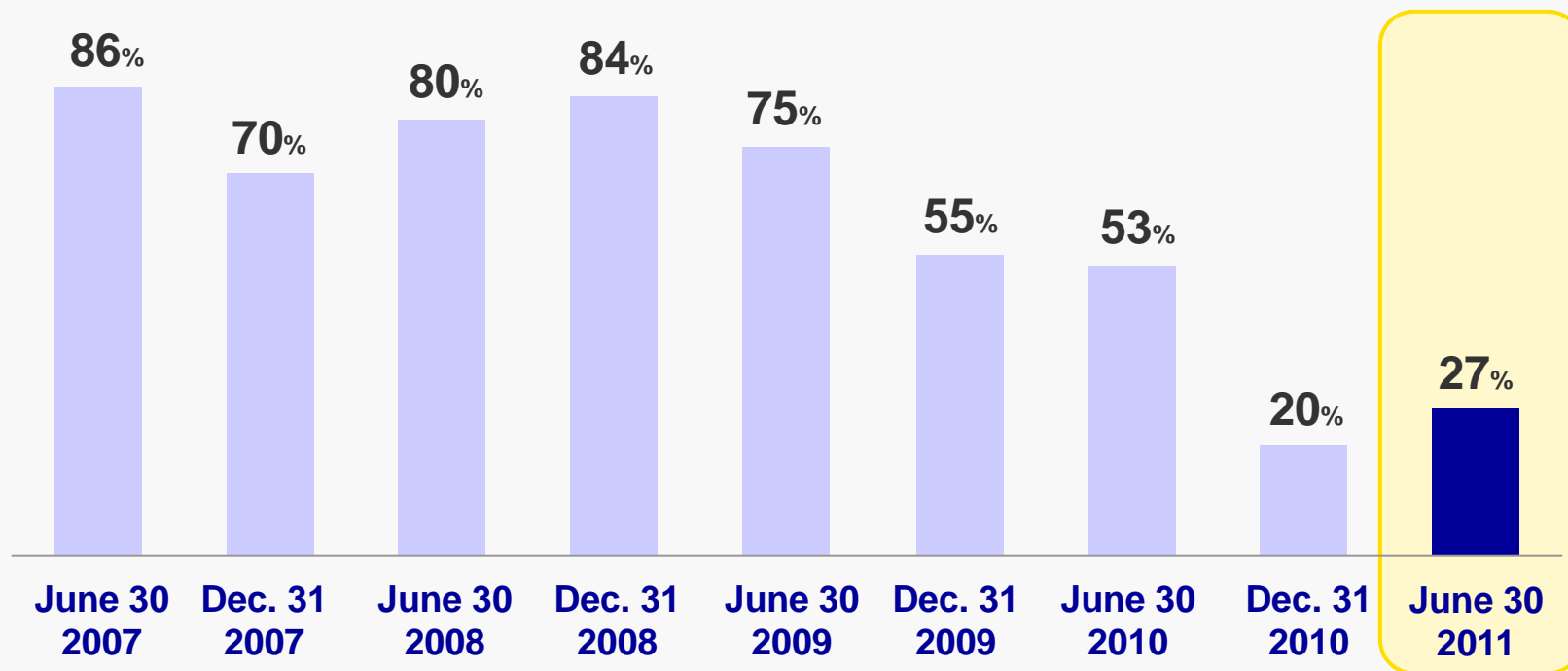
Tonnage (Base 100 = Q1 2010)



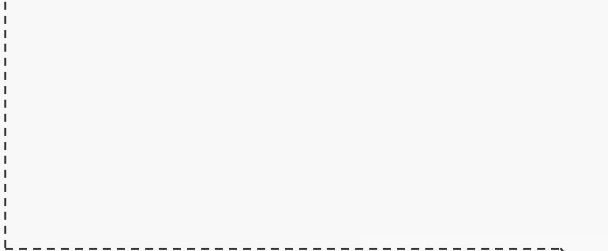


Robust Financial Structure: Flexibility and Room to Manoeuvre

Gearing – Net Debt / Equity Ratio



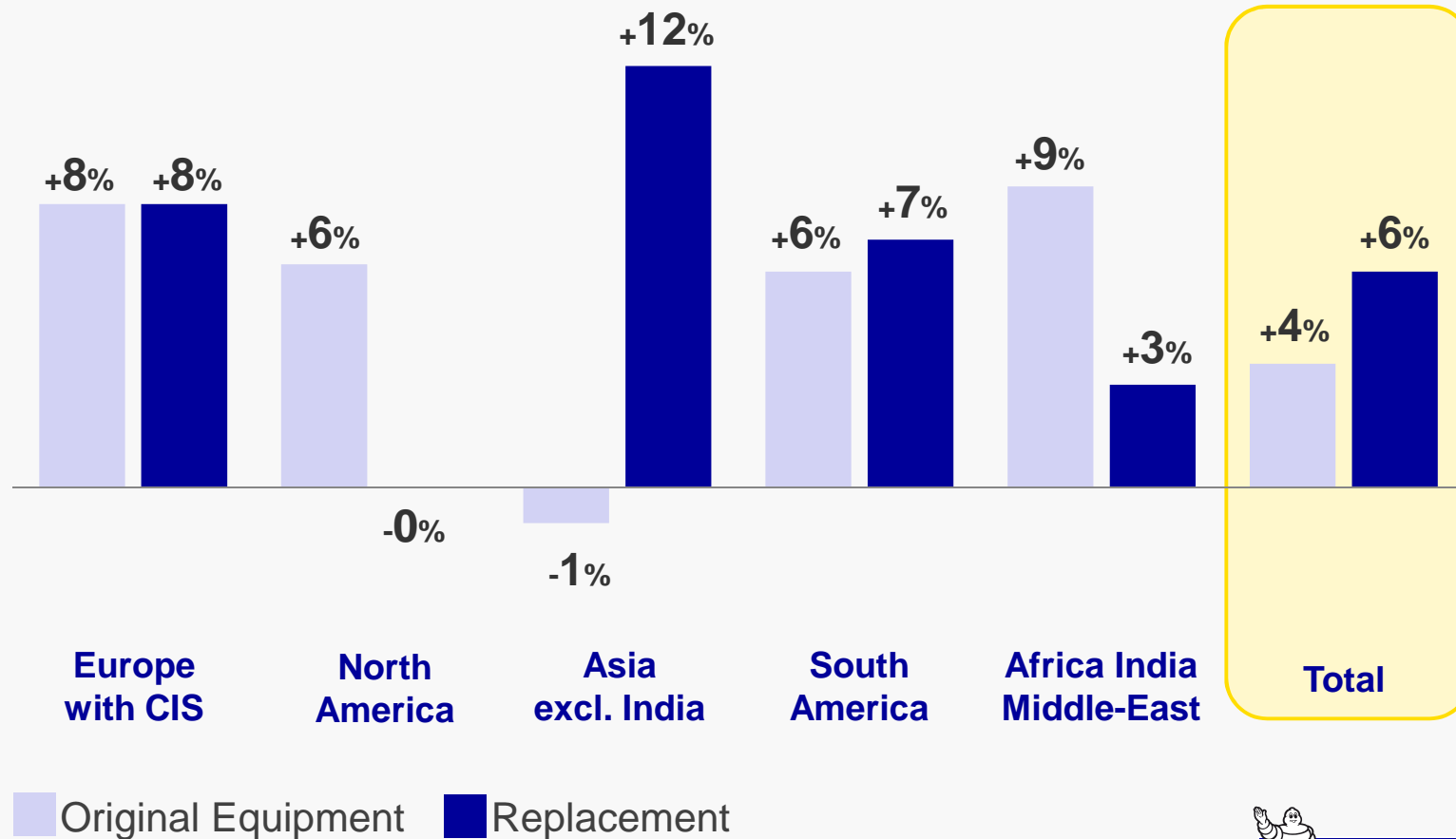
Markets:
Slowing momentum





Car and Light Truck Tires: Sustained Growth, Strong OE except Japan

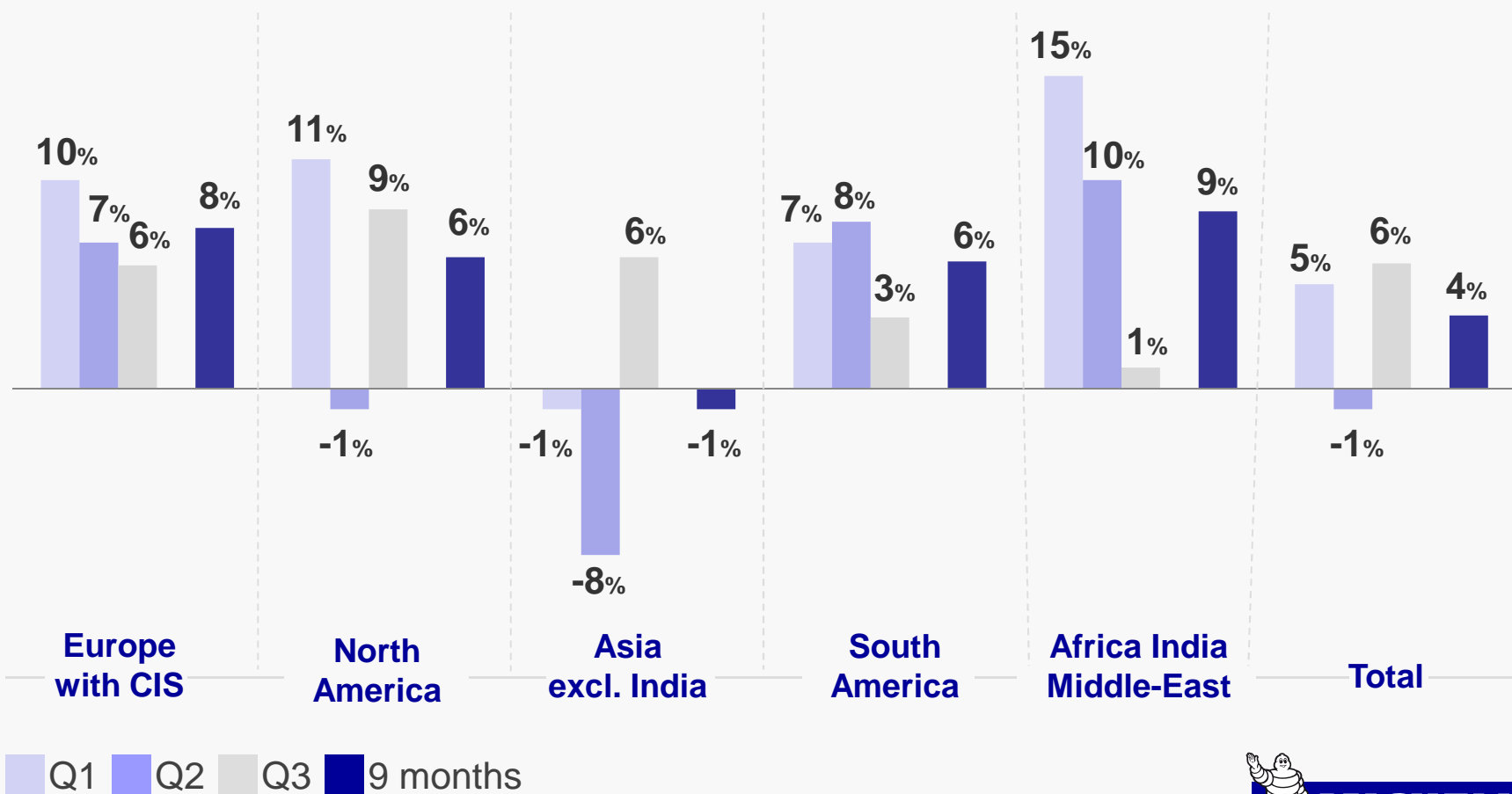
Markets at Sept. 30, 2011 (change in number of tires)





OE Car and Light Truck Markets: Cloudy Economic Outlook had Little Impact in Q3

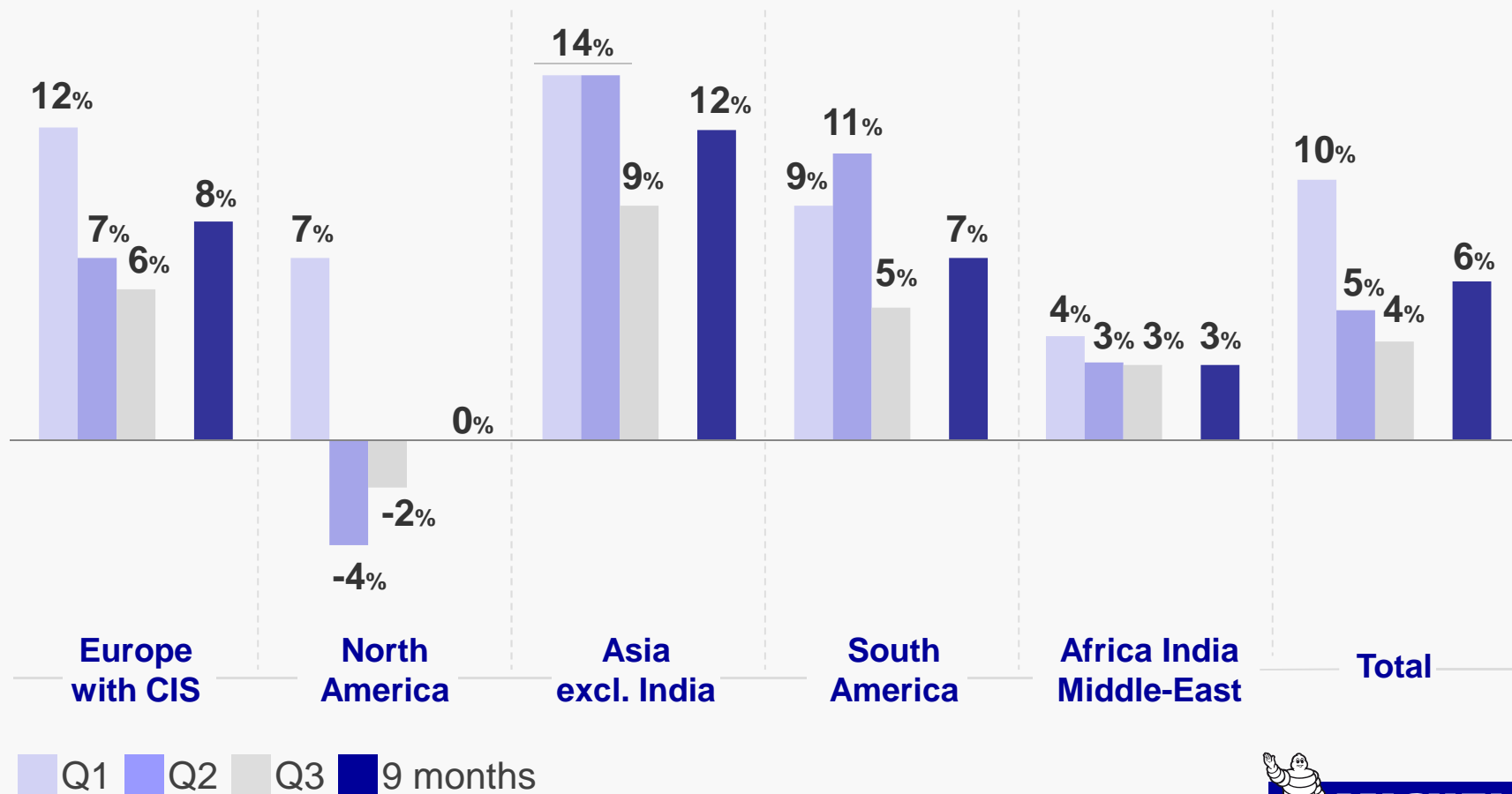
OE Car & Light Truck Markets 2011 / 2010
(change in number of tires)





Replacement Car and Light Truck Markets: a Return to Long-term Trends

Replacement Car & Light Truck Markets 2011 / 2010
(change in number of tires)





October PCLT Tire Markets: North American Reflecting Miles Driven

Markets at Oct. 31, 2011 (change in number of tires)

Market	Europe*	North America	Brazil
Original Equipment	▲ +2,5%	▲ +11,2%	▼ -5,6%
Replacement	▲ +3,8%	▼ -3,5%	▲ +13,4%

YTD (From January to October 2011)

Market	Europe*	North America	Brazil
Original Equipment	▲ +7,6%	▲ +6,8%	▲ +4,9%
Replacement	▲ +7,9%	▼ -0,6%	▲ +5,1%

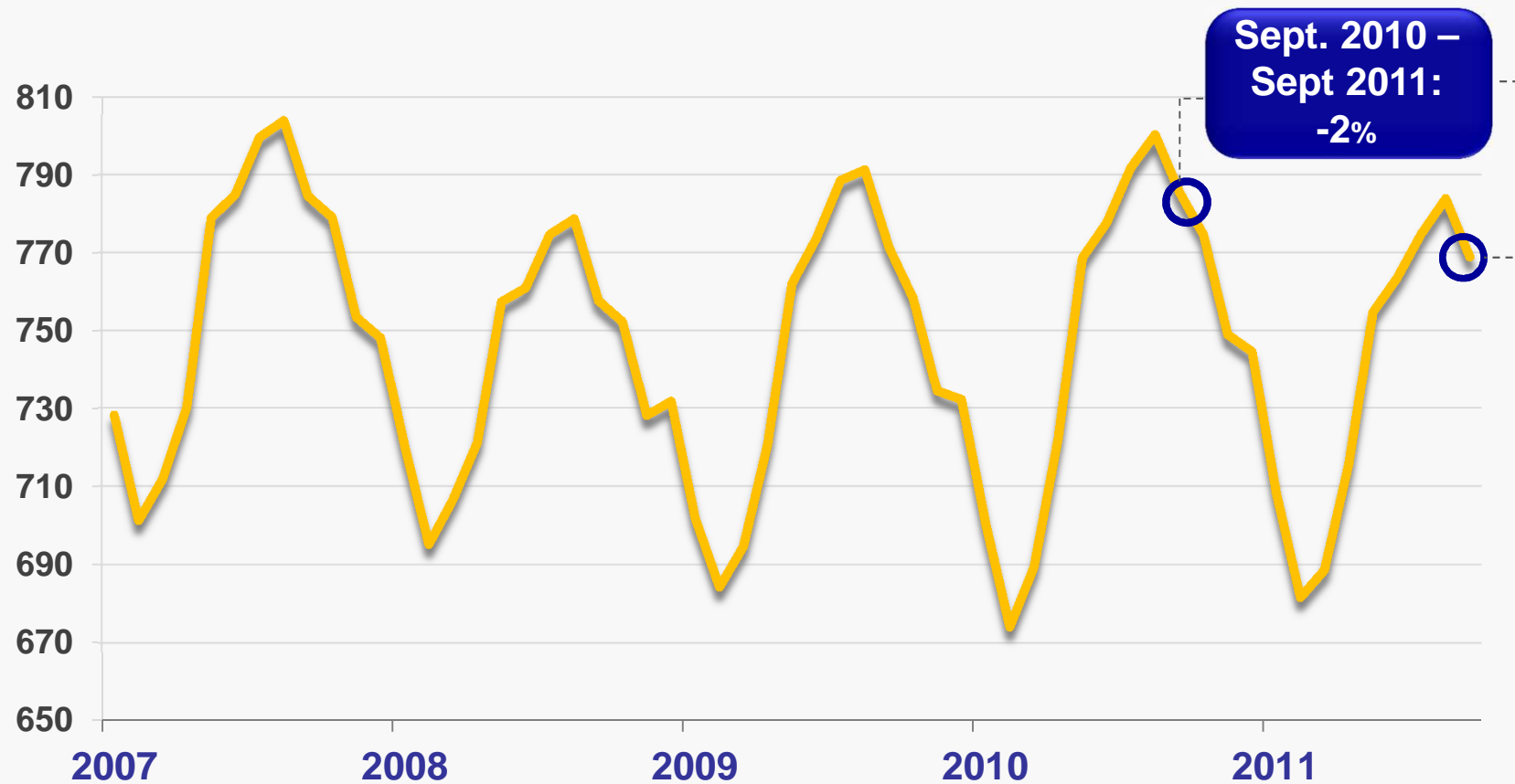
** Including Russia et Turkey*





US Vehicle Miles Driven Eroding

US Miles Driven (rolling 3 months)



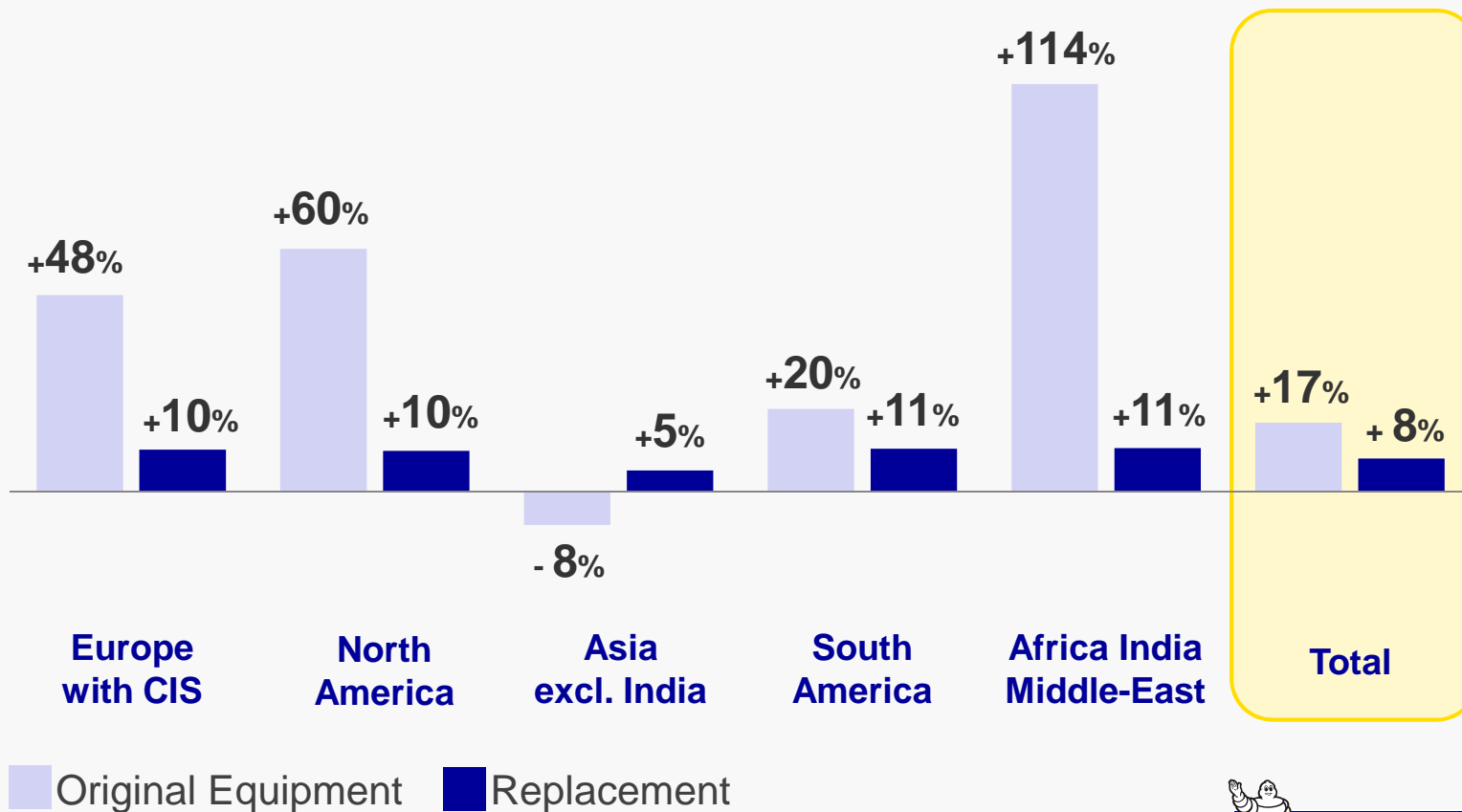
Source: US department of transportation / Federal Highway Administration





Truck Tires: Sharp Rebound in OE Sales

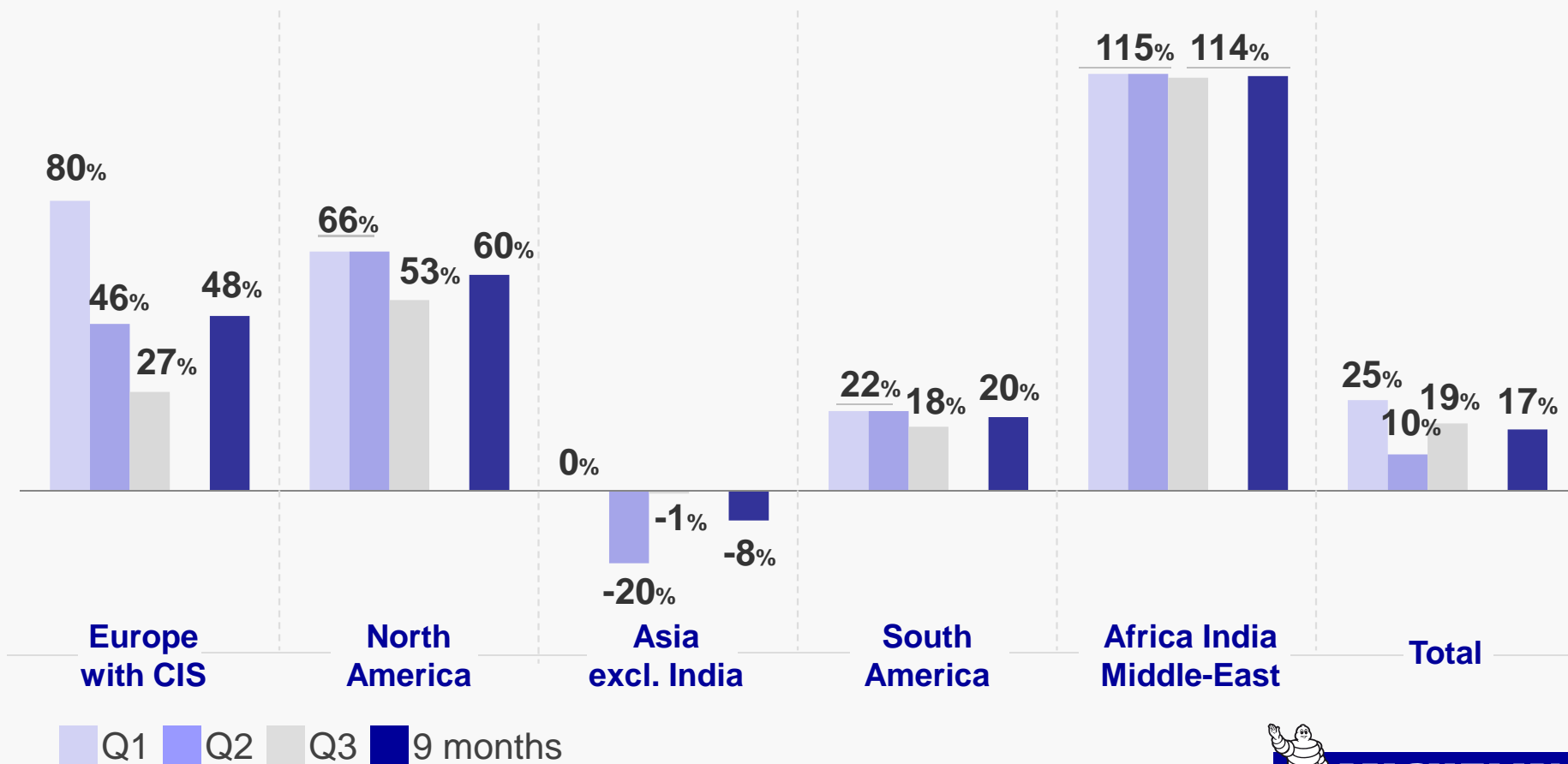
*Radial Truck Market as at September 30, 2011 / 2010
(change in number of tires)*





OE Truck Markets: Still Strong Rebound in Mature Markets

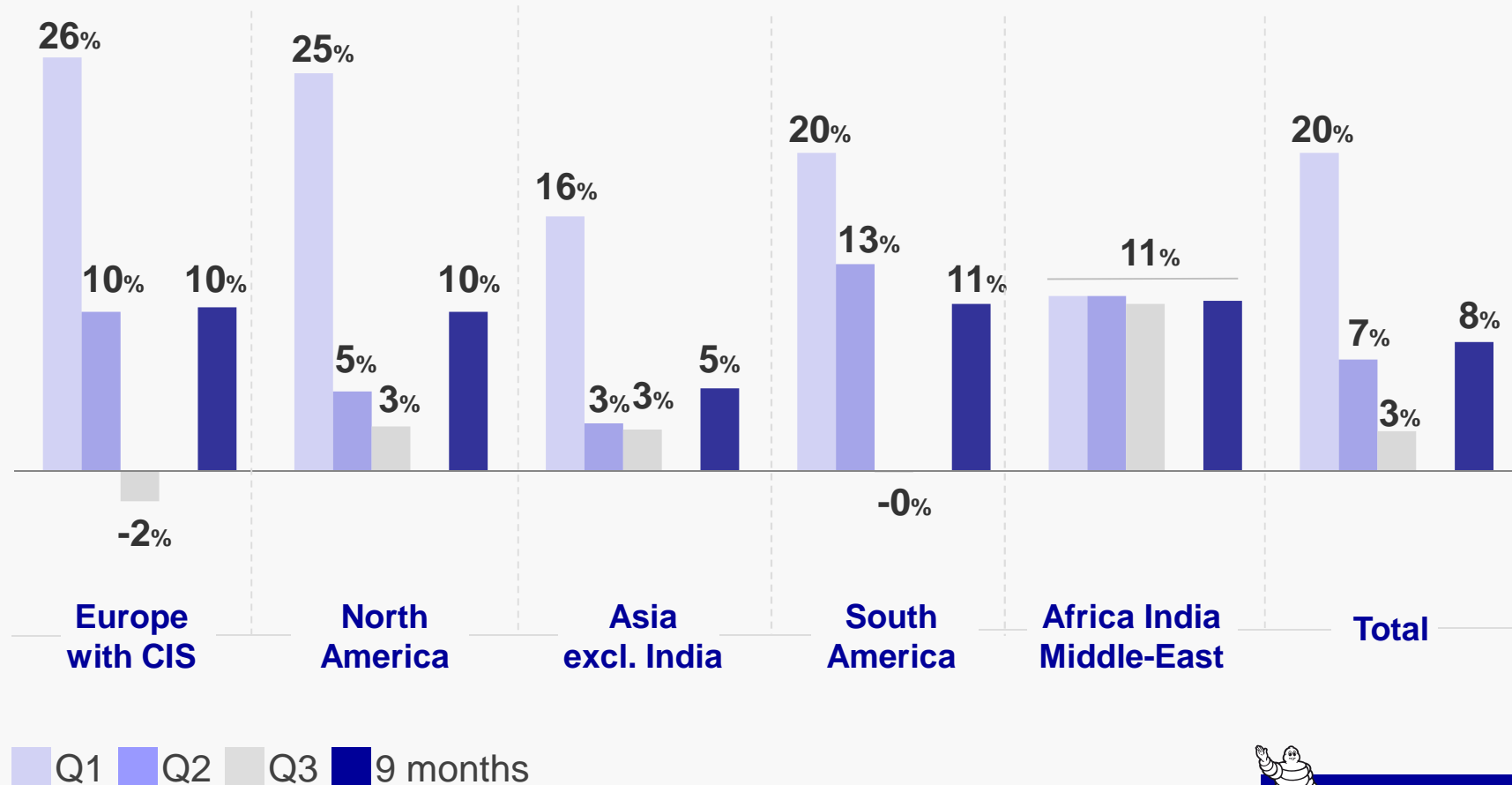
OE Radial Truck Market 2011 / 2010
(change in number of tires)





Replacement Truck Markets: Inventory Drawdowns in Q3, especially in Europe

Replacement Radial Truck Market 2011 / 2010
(change in number of tires)





October Truck Markets: Slowdown in Replacement

Markets at Oct. 31, 2011 (change in number of tires)

Market (radial)	Europe*	North America	Brazil
Original Equipment	▲ +9,8%	▲ +63,8%	▲ +10,0%
Replacement	▼ -6,8%	▼ -7,4%	▼ -8,1%

YTD (From January to October 2011)

Market (radial)	Europe*	North America	Brazil
Original Equipment	▲ +43,0%	▲ +59,7%	▲ +19,5%
Replacement	▲ +8,8%	▲ +8,0%	▲ +7,5%

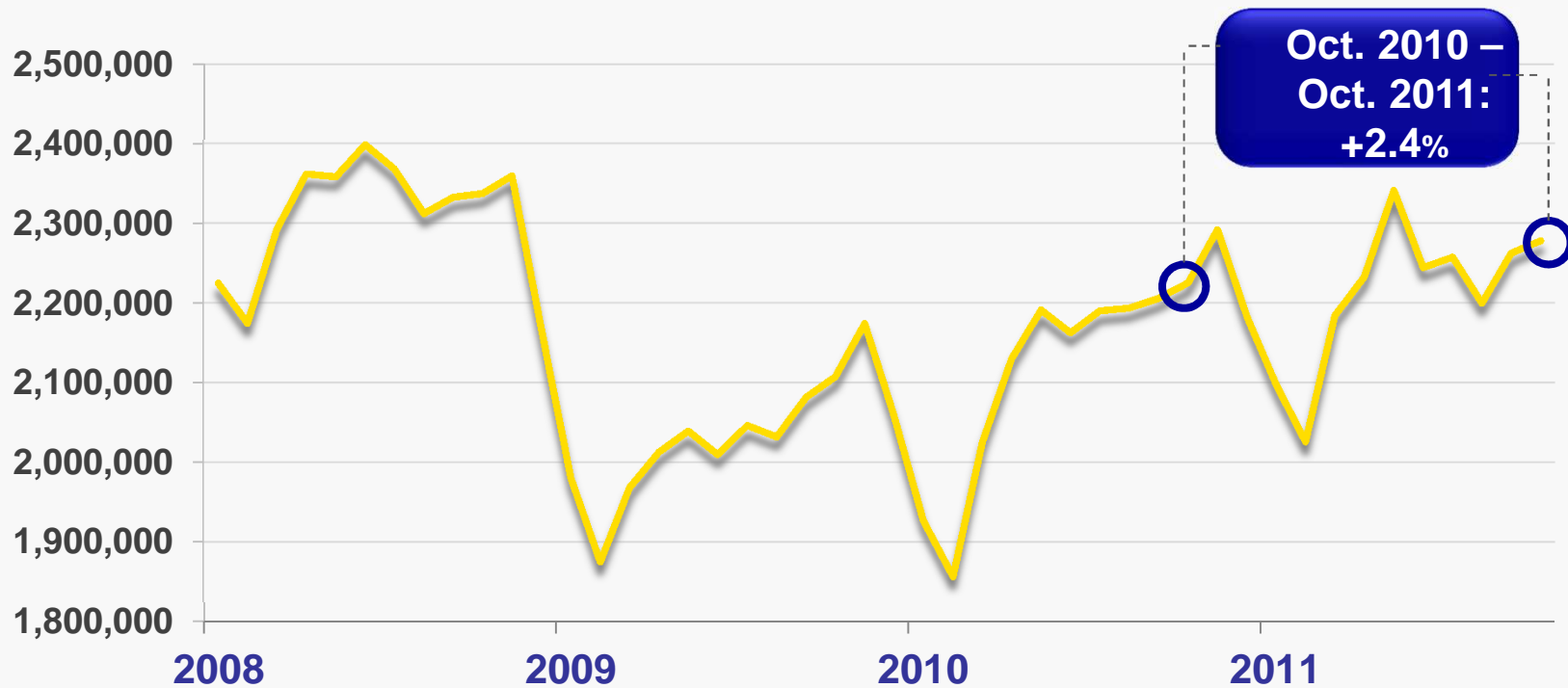
** Including Russia et Turkey*





Freight Kilometers Driven in Germany at 2010 Levels

German Freight (rolling 3 months)



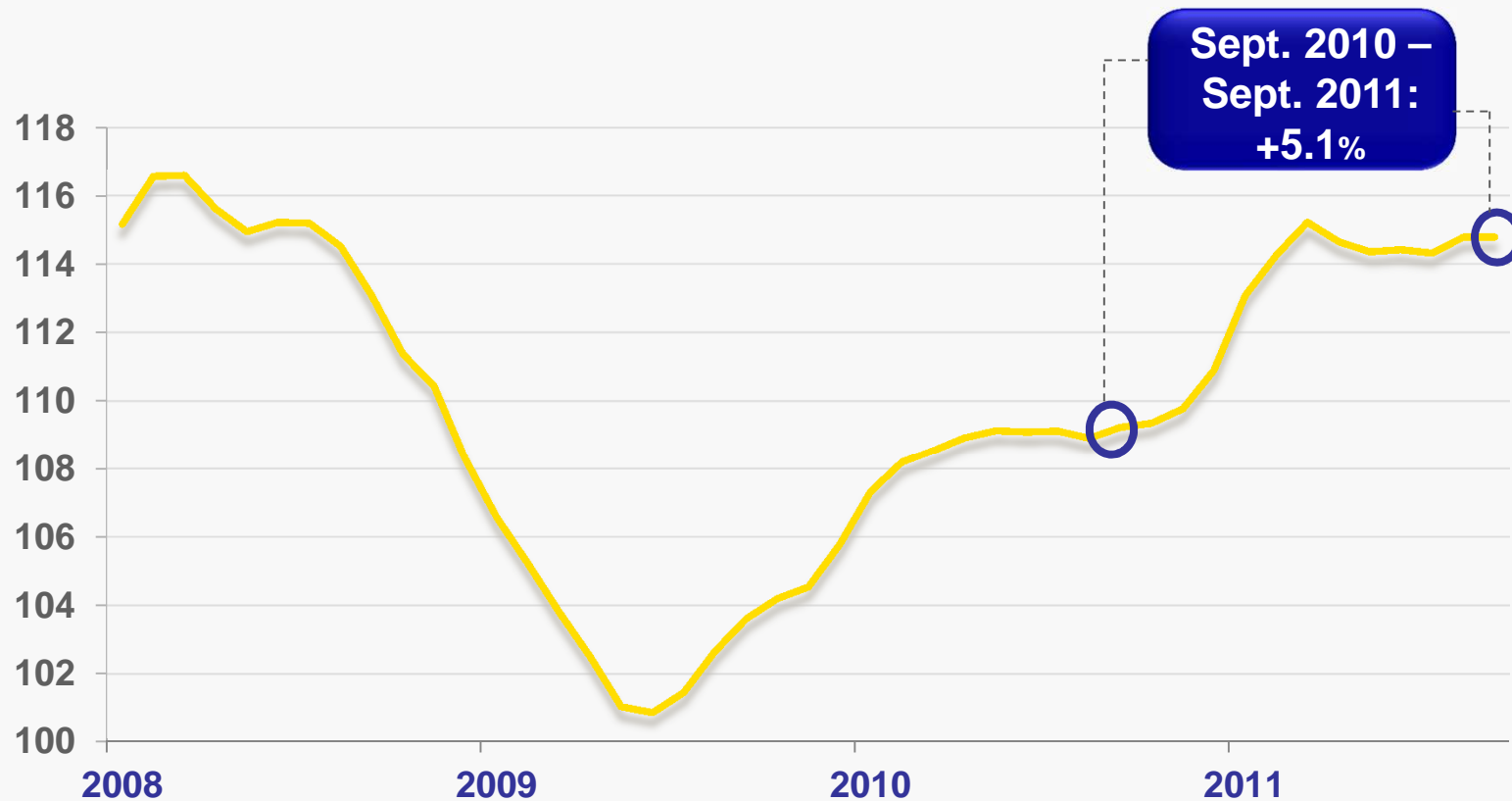
Source: Bundesamt für Güterverkehr





US Freight Tonnage: Still Moving Back up to Pre-recession Levels

US Freight (rolling 3 months)



Source: ATA – American Trucking Associations



Reporting segments: Varying growth





Passenger Car and Light Truck Tires: Robust Growth

% change in net sales (in € millions)

9 months 2010	9 months 2011	% Change
7,136	7,916	+10.9%

Tonnages up 5.6%

- Winter tire sell-in at record highs
- Successful launch of the MICHELIN Energy XM2, especially designed for the new markets
- Successful launch of the MICHELIN Pilot Super Sport

▶ **Powerful price dynamic**

▶ **Full use of production capacity**





Truck Tires: Growth Dampened by the Uncertain Economic Outlook

% change in net sales (in € millions)

9 months 2010	9 months 2011	% Change
4,096	4,995	+22.0%

- ▶ **Tonnages up 10.5%**
 - New MICHELIN X® Works™ product-services solution
 - Sustained success of the MICHELIN X One
- ▶ **Price increases**



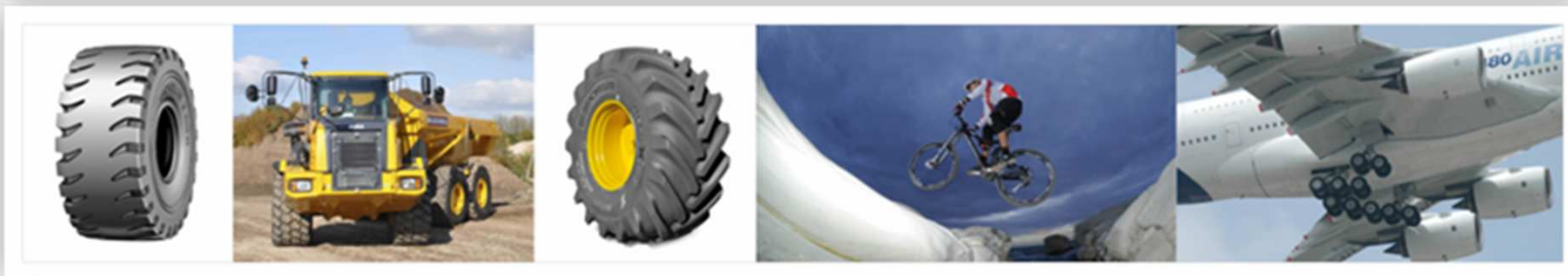


Specialty Tires: Strong Growth

% change in net sales (in € millions)

9 months 2010	9 months 2011	% Change
1,765	2,335	+32.3%

- ▶ Tonnages up 24.1%
- ▶ Fast rebound in demand
- ▶ High capacity utilization
- ▶ Favorable impact from price indexing clauses



Guidance:
Vigilance and measured optimism





2011 Guidance

- ▶ **Markets in Q4 2011**
 - **Passenger Car and Light Truck Tires:**
 - Europe replacement demand will depend on winter tire sell-out
 - New markets demand still trending upwards
 - **Truck Tires: uncertain outlook, particularly in Europe**
 - **Specialty Tires: very buoyant**
- ▶ **Growth in sales volumes trending towards 8% by year end**
 - **Barring any significant worsening of the current economic environment**
- ▶ **Price increases to fully offset raw materials headwind**
- ▶ **Free cash flow temporarily negative in 2011**
- ▶ **Increase in operating income**



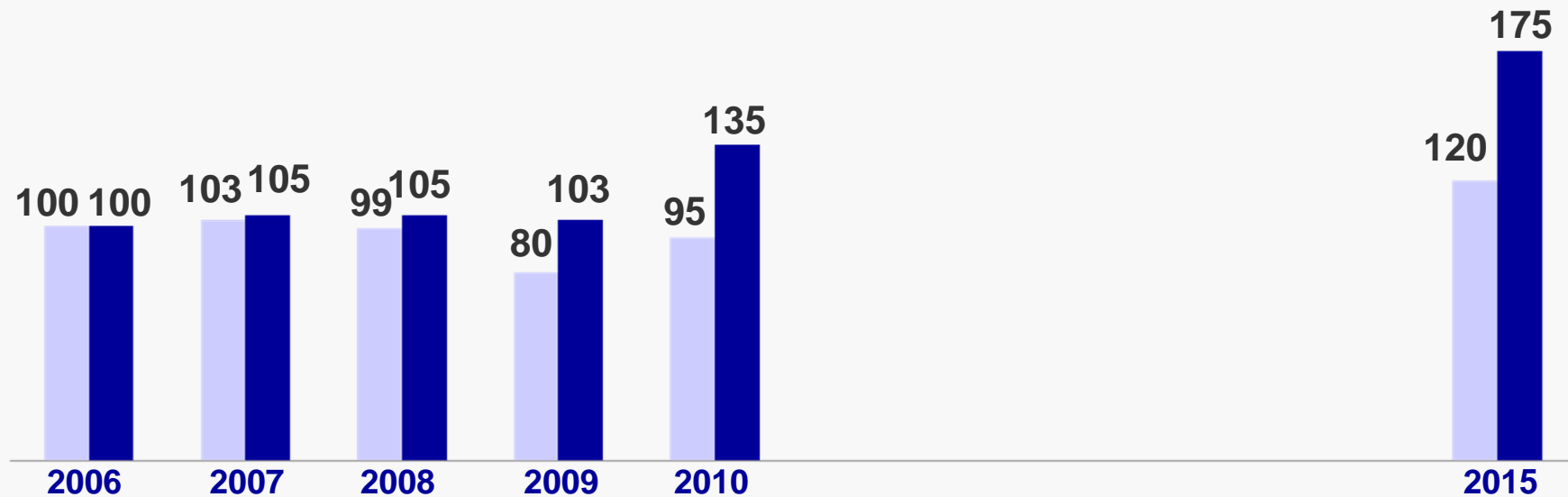
2015 Manufacturing: A strategic advantage for the Company





Optimizing Production Costs

*Focus maintained on productivity
Productivity gains since 2006 (Base 100 in 2006)*



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

■ Production ■ Tons per employee



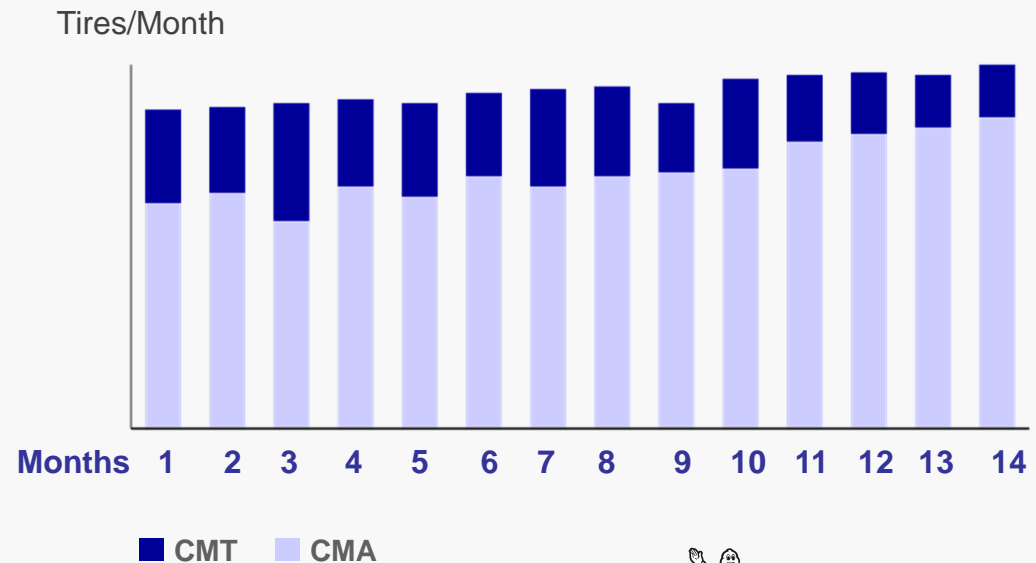


New Improvement Levers: Maximized Use of Existing Assets

- ▶ **Maximum theoretical capacity (CMT):** No shutdowns, no scrapping, no breakdowns during the year.
- ▶ **Maximum available capacity (CMA):** Actual annual capacity.
- ▶ **Objective for 2015:** increase by 10% CMA/CMT ratio for existing assets. This means more than 300 KT of new production capacity with existing assets.

- ▶ **Levers:**

- Open days
- Scrapping
- Breakdowns
- Bottleneck management
- Debottlenecking

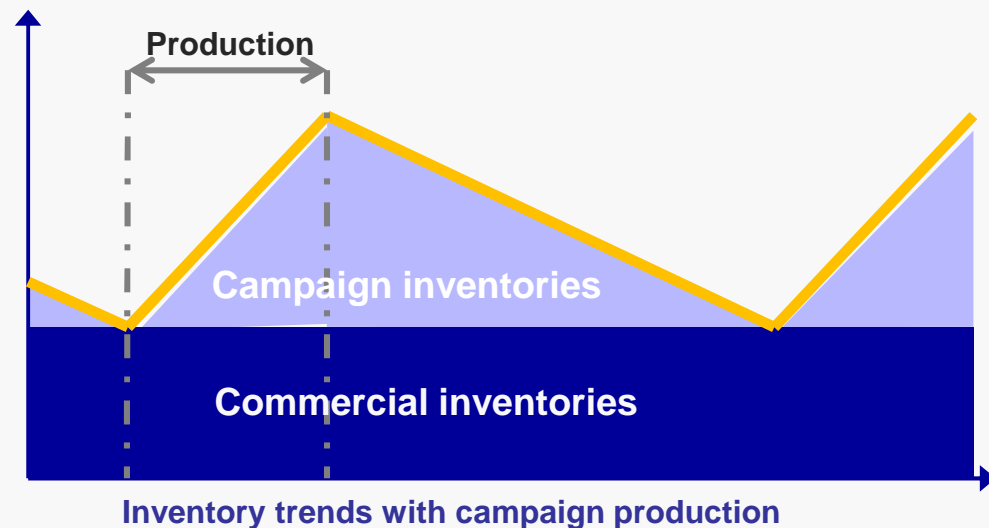




New Improvement Levers: Flexibility

- ▶ Ability to produce exactly what's needed.
- ▶ Some tires are produced continuously.
- ▶ Others are produced in “campaigns” (e.g.: twice a year), due to a lack of manufacturing flexibility. This results in a need for “campaign inventories”.

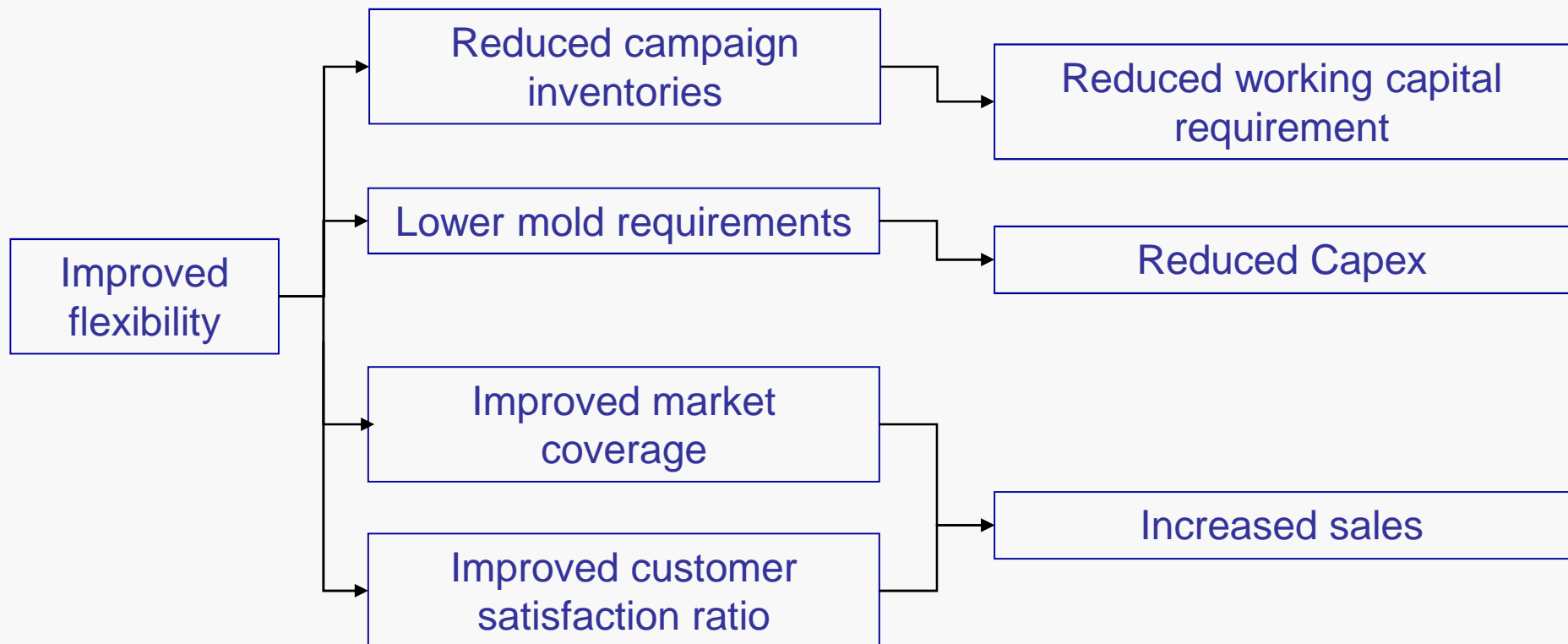
Objective for 2015:
Reduce the need for
“campaign inventories”
by 50%
(i.e ~€300M working
capital at iso portfolio)





New Improvement Levers: Flexibility

The overall stakes of manufacturing flexibility



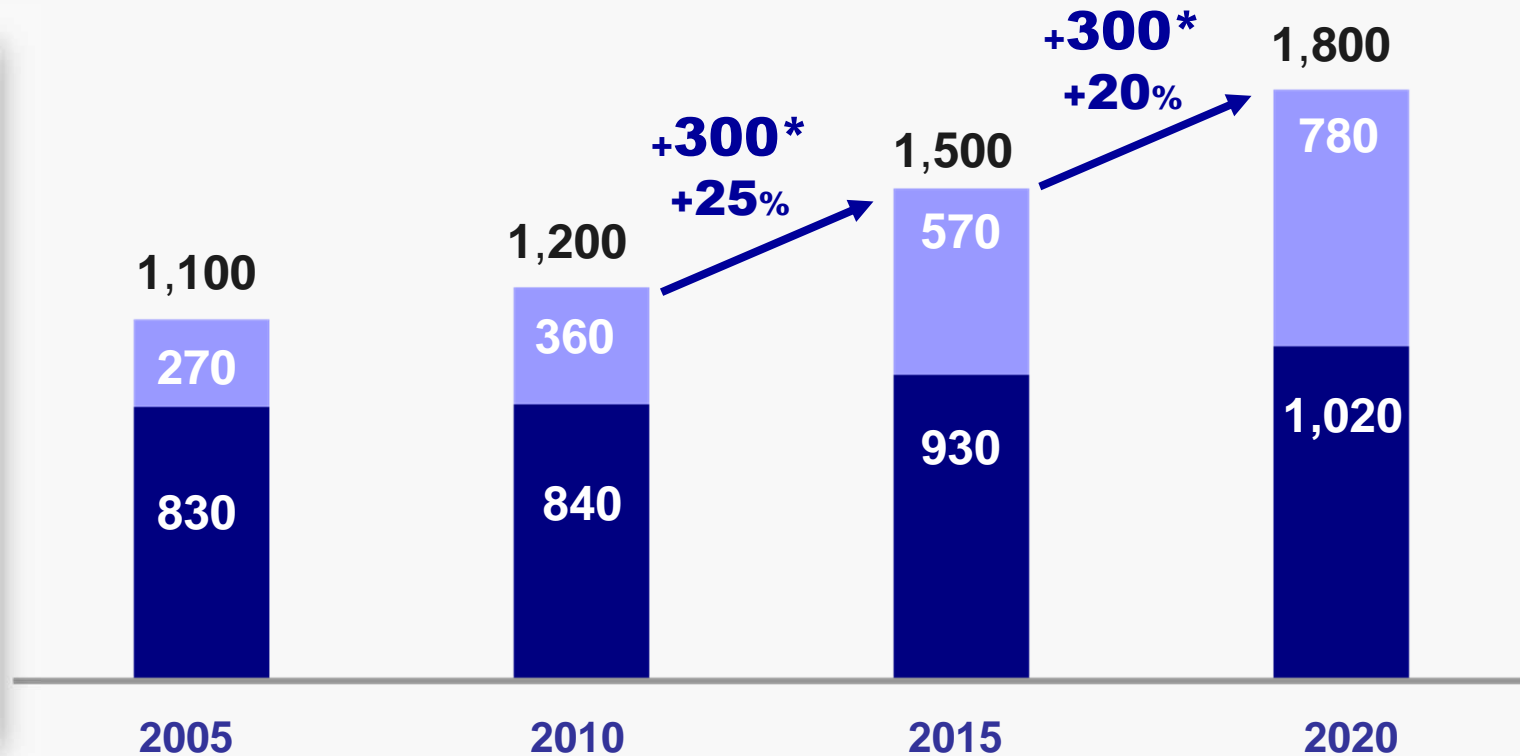
*Investment strategy:
Geared towards growth opportunities*





Confirmed Growth Outlook for Tires

Passenger Car and Light Truck Tire Markets (in millions of tires)



** Of which 70% in new markets*

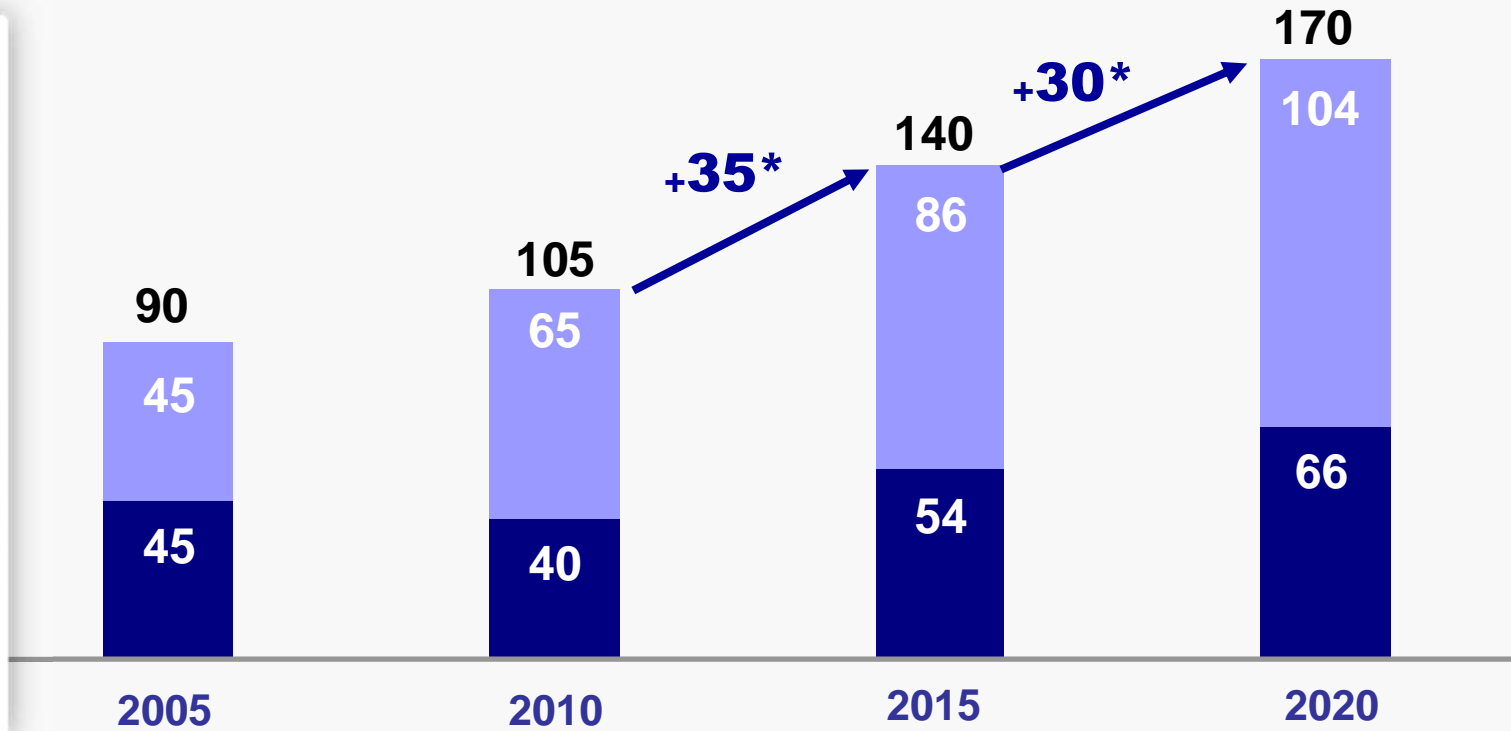
■ Mature markets ■ New markets *Michelin estimates*





Confirmed Growth Outlook for Tires

Radial Truck Tire Markets (in millions of tires)



** Of which 60% in new markets*

■ Mature markets ■ New markets

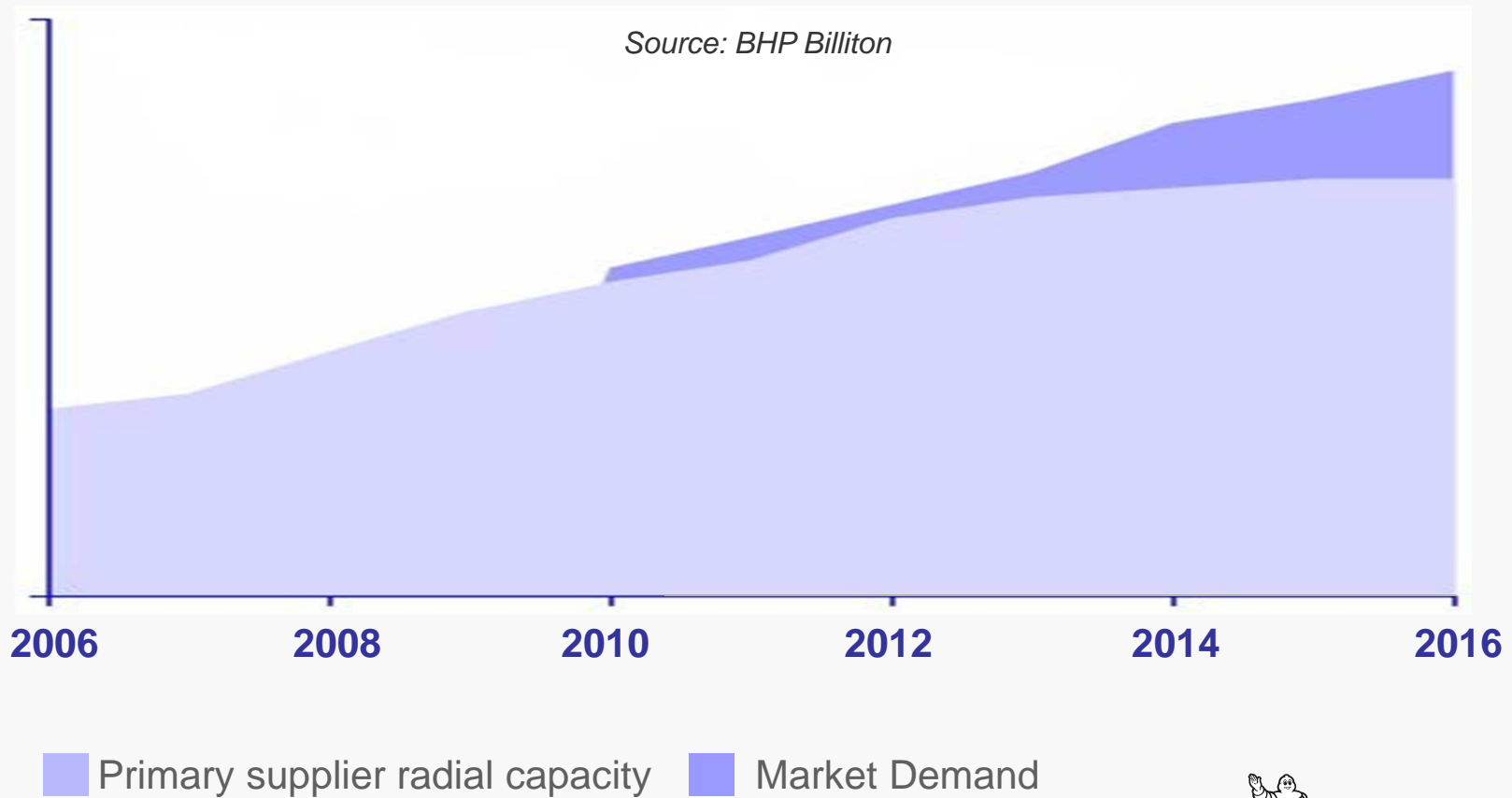
Michelin estimates





Mining Tires: Structural Upward Trend in Demand

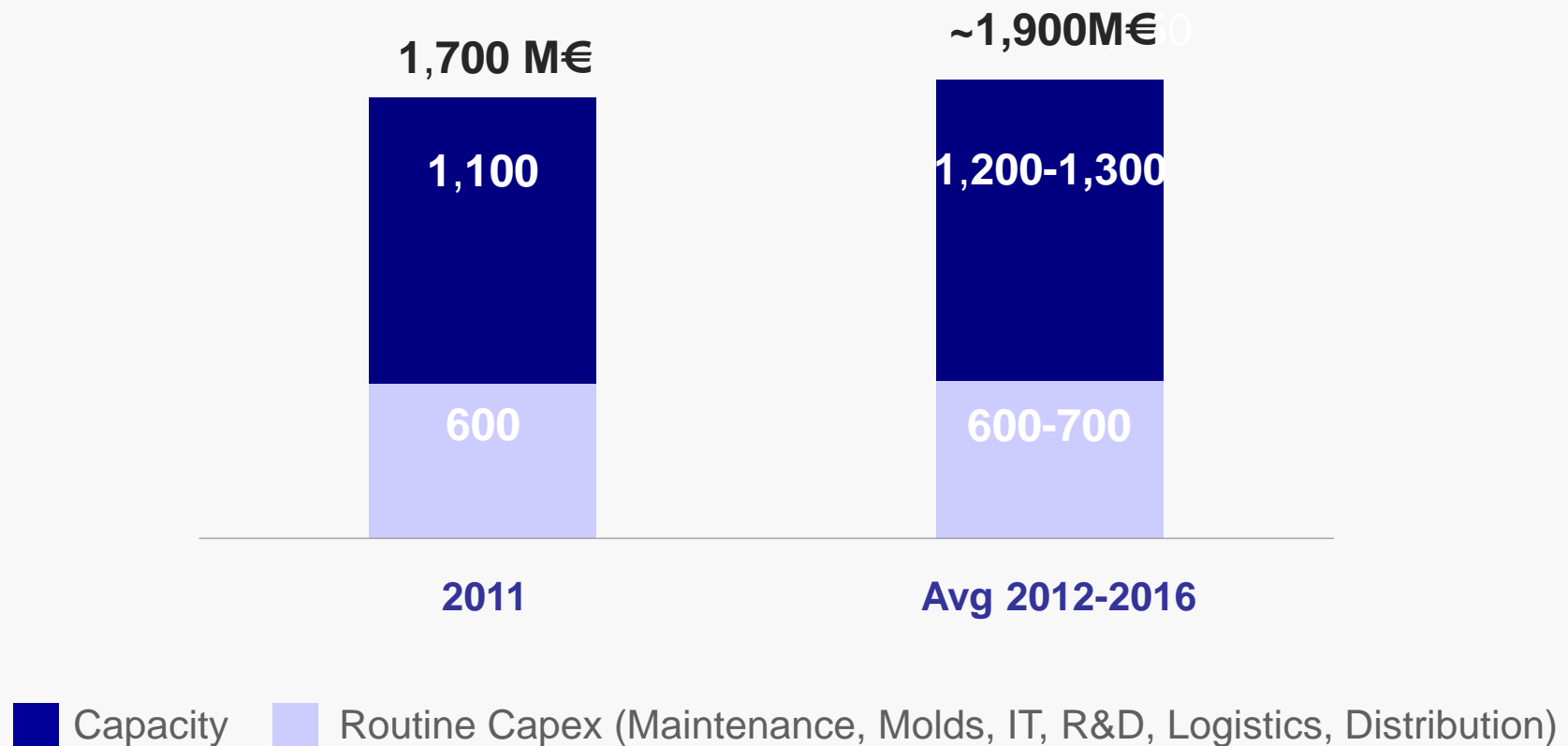
Large mining tires (market supply and demand)





Almost €6bn Capital Expense in Capacity Expansion by 2016

Annual Investments, in € million

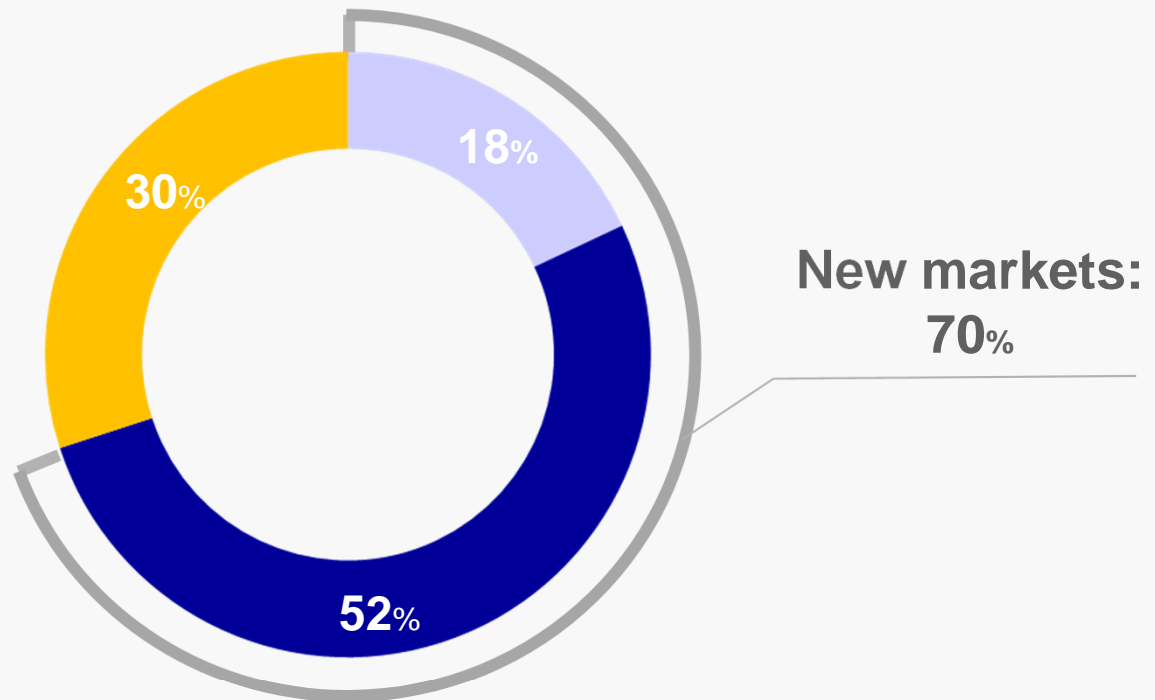




Capacity Expansion Aligned with Potential Market Growth

2011-2015 Capacity Investment by Type and Region

- ▶ Additional capacity: 150KT per year
- ▶ Michelin brand: organic growth



■ Mature Market Brownfields ■ New Market Greenfields ■ New Market Brownfields





Capacity Expansion: Michelin is Consistent with its Business Model

Example: Capacity Expansion in China

	Cost of investment	RT price positioning	Assumptions
Michelin brand	100	100	Cost: \$1,350m 10m car tires, 1.8m truck tires, 295,000 retread → \$6.36/kg
Competitor 1	99	90	Cost: \$253m 4m car tires → \$6.33/kg
Competitor 2	91	70	Cost: \$954m 10.5m car tires, 1m truck tires → \$5.78/kg

Sources: Company information, Michelin estimates

Tire weight assumption - Car = 10kg/ tire, Truck = 60kg/tire, Retread = 15kg/tire





Successful Private Placement of Michelin Stake in Hankook

- ▶ **Portfolio optimization in line with the Group Strategy**
- ▶ **Benefit from the operation:**
 - Improved liquidity
 - Accelerate industrial strategy in high-growth markets, in particular by optimizing and strengthening plants dedicated to the production of Tier 2 and Tier 3 products in the PCLT and Truck tire markets
- ▶ **Gross proceeds: est. €405M**
- ▶ **Capital Gain: est. €250M**





Tier 3 Presence: a Necessary Move for Global Leadership

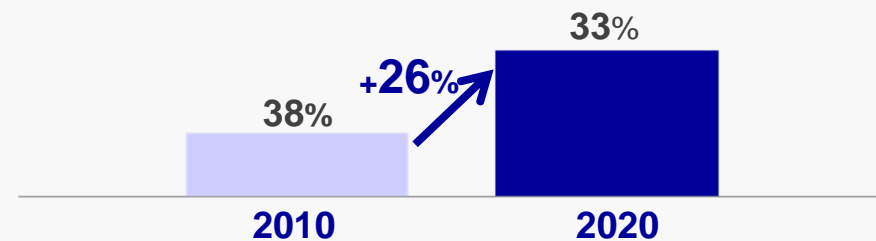
T1 + strategy



T3 stand-alone strategy



Tier 3 worldwide segment - share and growth





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