

Cheuvreux Paris Autumn Conference

September 26, 2011



Outline

- *Medium-Term Market Outlook is Confirmed*
- *Investment Geared towards Growth Opportunities*





First-half 2011 financial highlights

<i>In € millions</i>	H1 2011
Net Sales	10,105
Operating Income (before non-recurring items)	971
Operating Margin (before non-recurring items)	9.6%
Net Income	667
Investments	554
Net Debt-to-Equity Ratio	27%
Free Cash Flow*	- 634

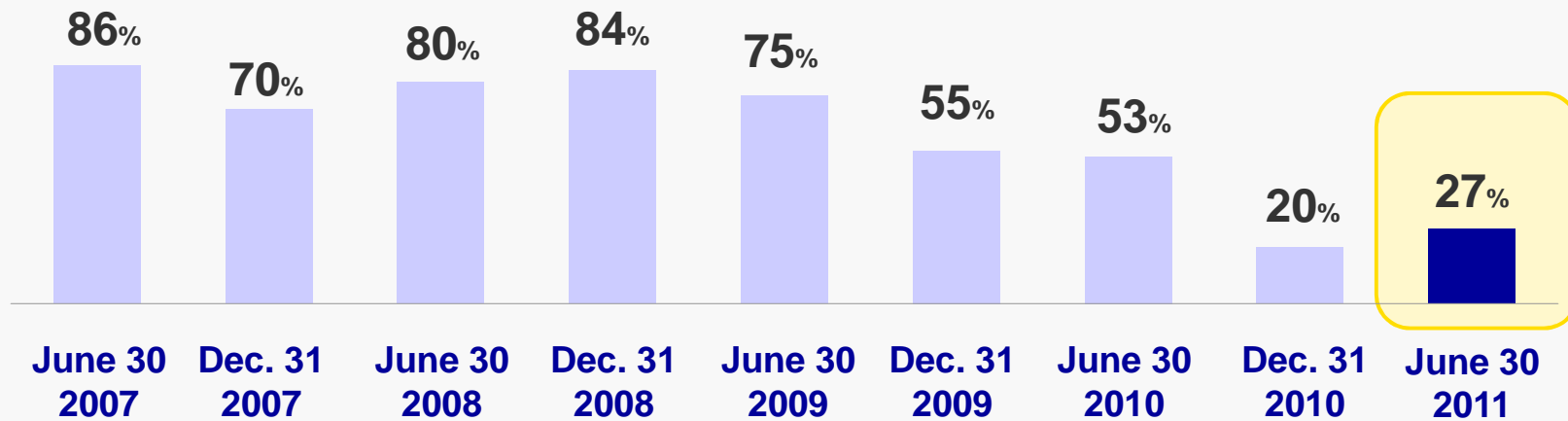
*Free cash flow: Cash flow from operations less gross capex and other



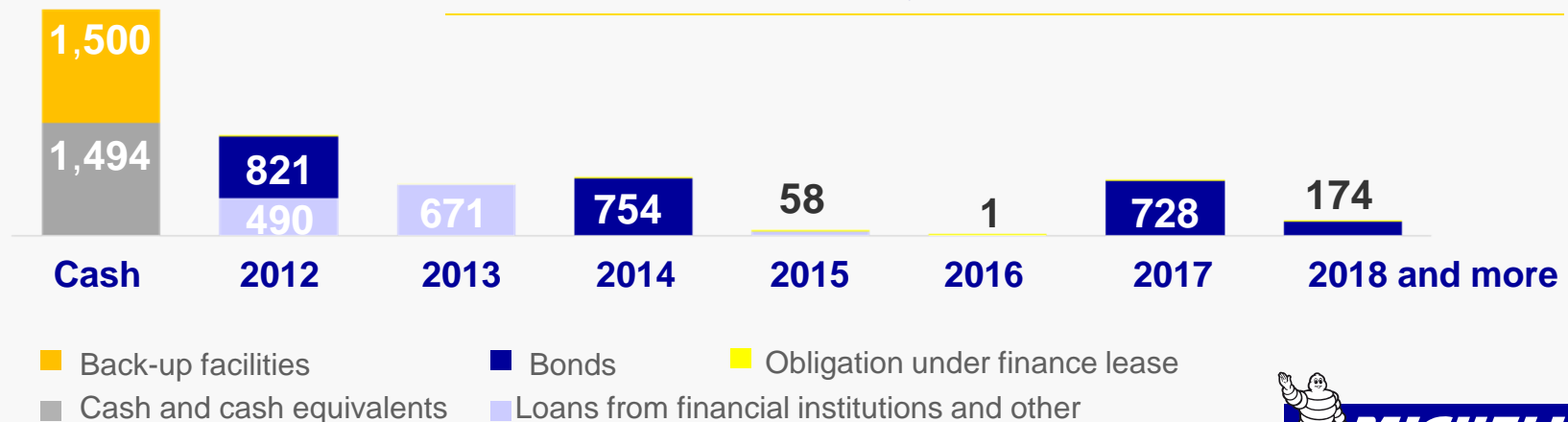


Robust financial structure: flexibility and room to manoeuvre

Gearing – Net Debt / Equity Ratio



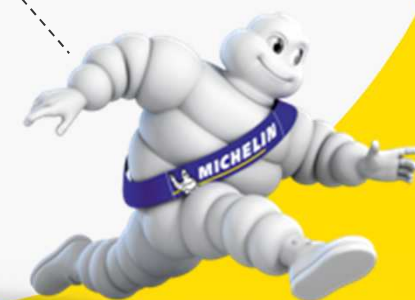
Debt Maturity as at June 30, 2011 (in € million)



■ Back-up facilities
 ■ Bonds
 ■ Obligation under finance lease
■ Cash and cash equivalents
 ■ Loans from financial institutions and other



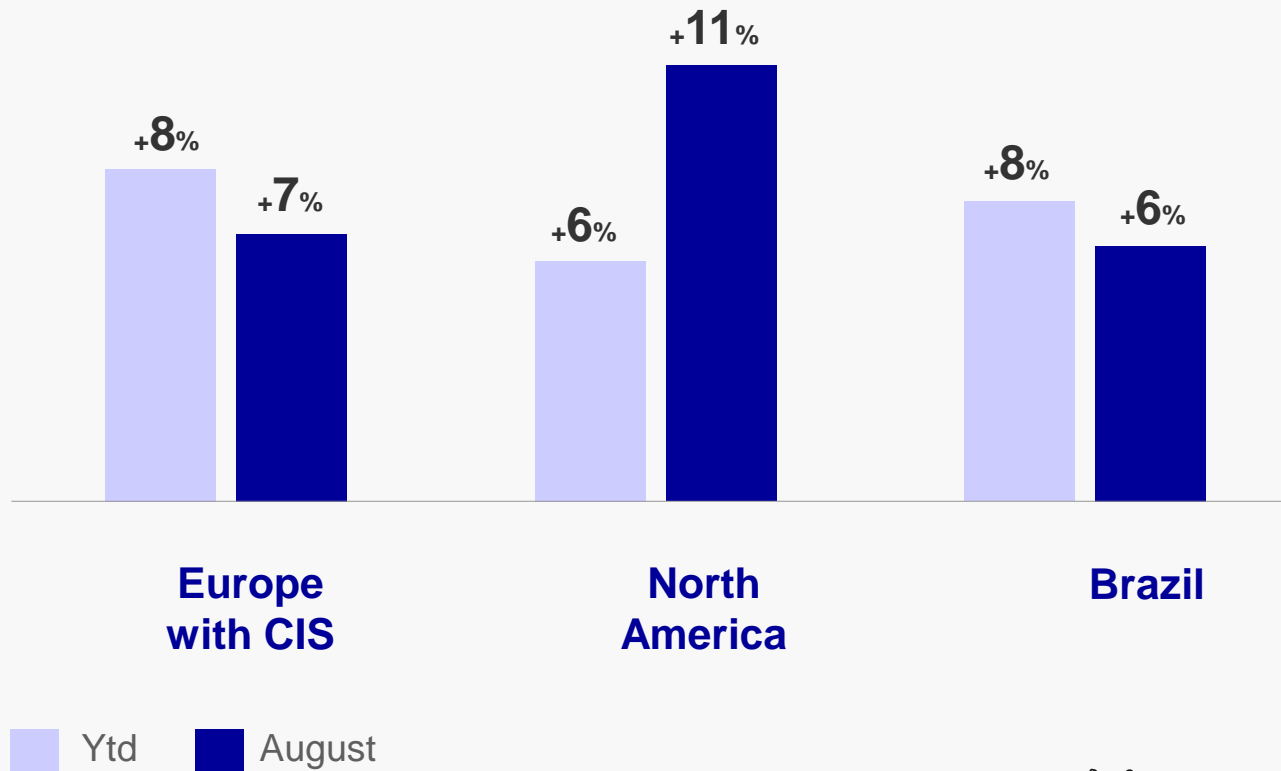
Medium-Term Market Outlook is Confirmed





Passenger Car OE Markets: August ytd Still on a Positive Trend

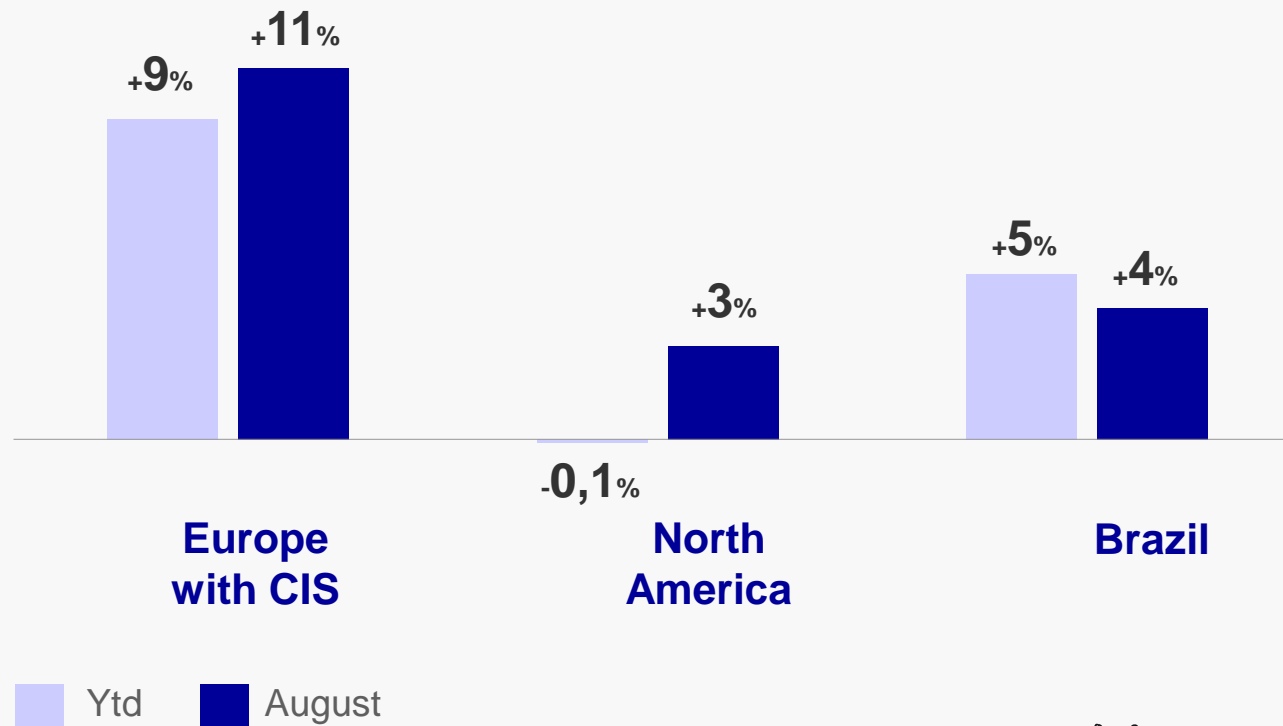
OE Car and Light Truck Tire markets as at August 31- 2011 vs. 2010





Passenger Car Replacement Markets: Still Showing Some Momentum in August

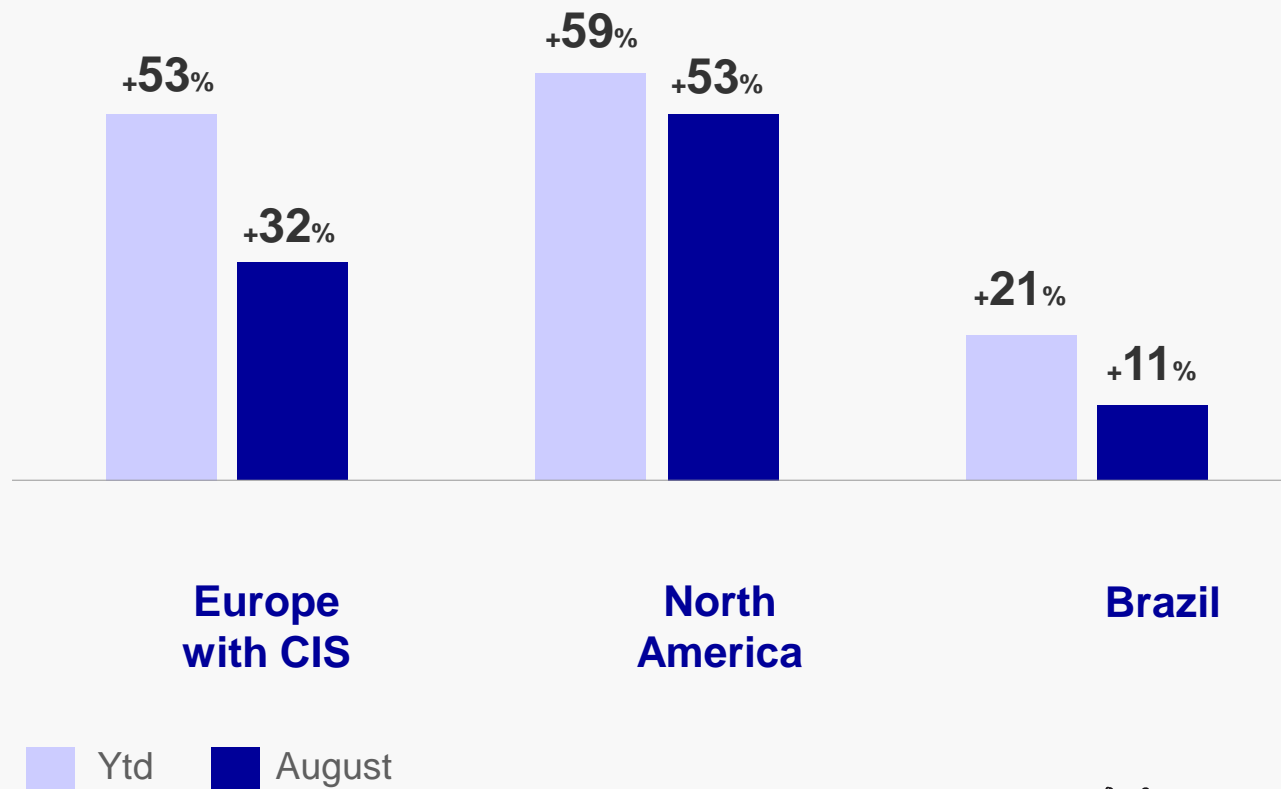
RT Car and Light Truck Tire markets as at August 31- 2011 vs. 2010





Truck OE Markets: Mature Markets still in a Recovery Mood

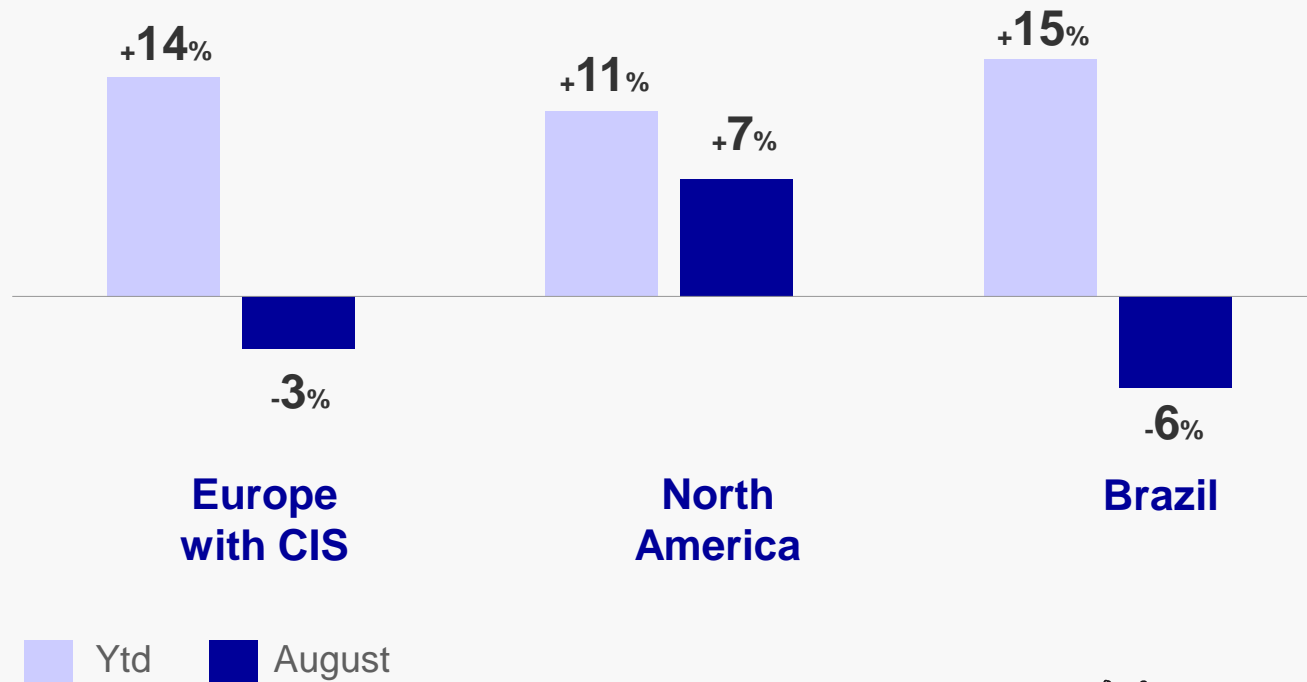
OE Truck Tire markets as at August 31- 2011 vs. 2010





Truck Replacement Markets: Fluctuating amidst Economic Uncertainties

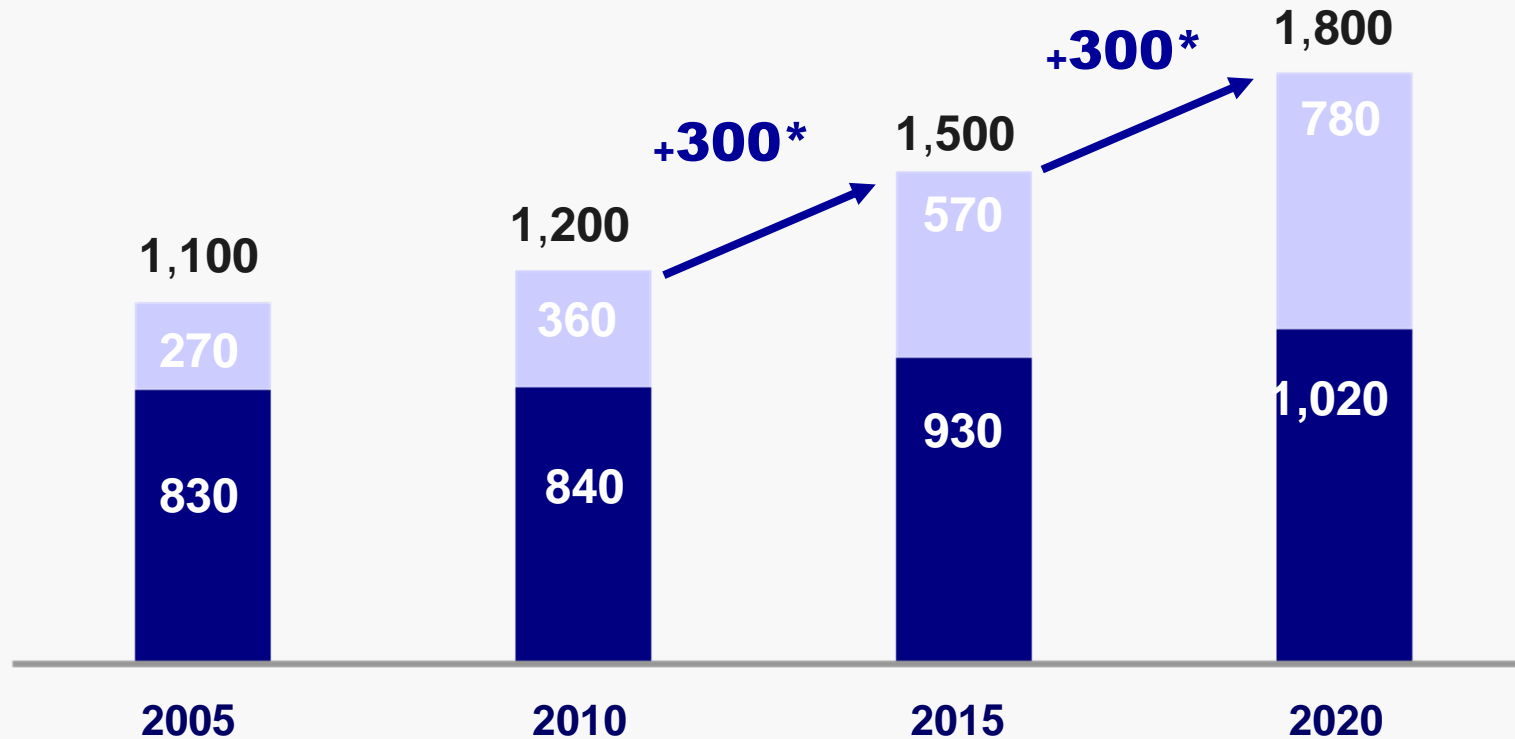
RT Car and Light Truck Tire markets as at August 31- 2011 vs. 2010





Confirmed Growth Outlook

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



** Of which 70% in new markets*

■ Mature markets ■ New markets

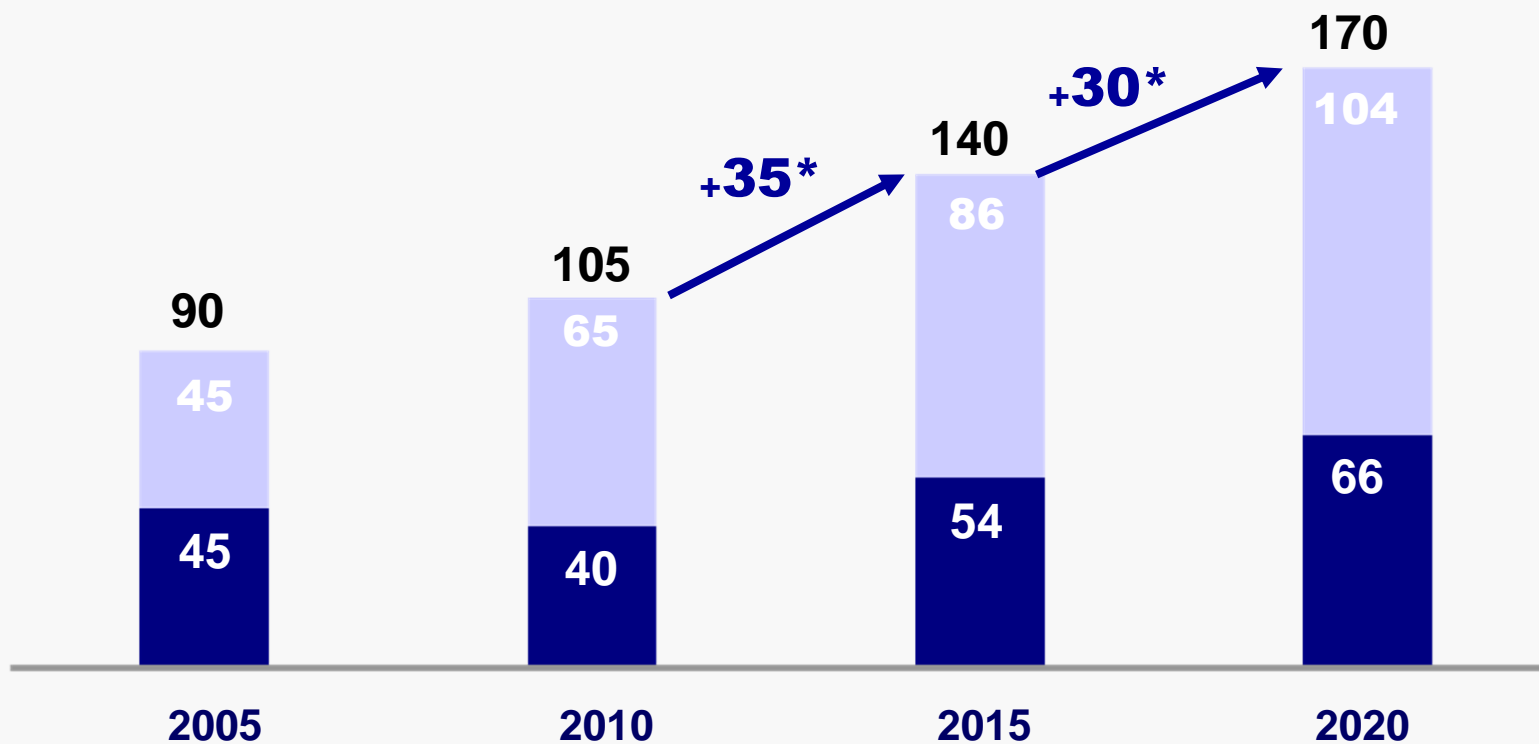
Michelin estimates





Confirmed Growth Outlook

Radial Truck Tire Markets (in millions of tires)



** Of which 60% in new markets*

■ Mature markets ■ New markets

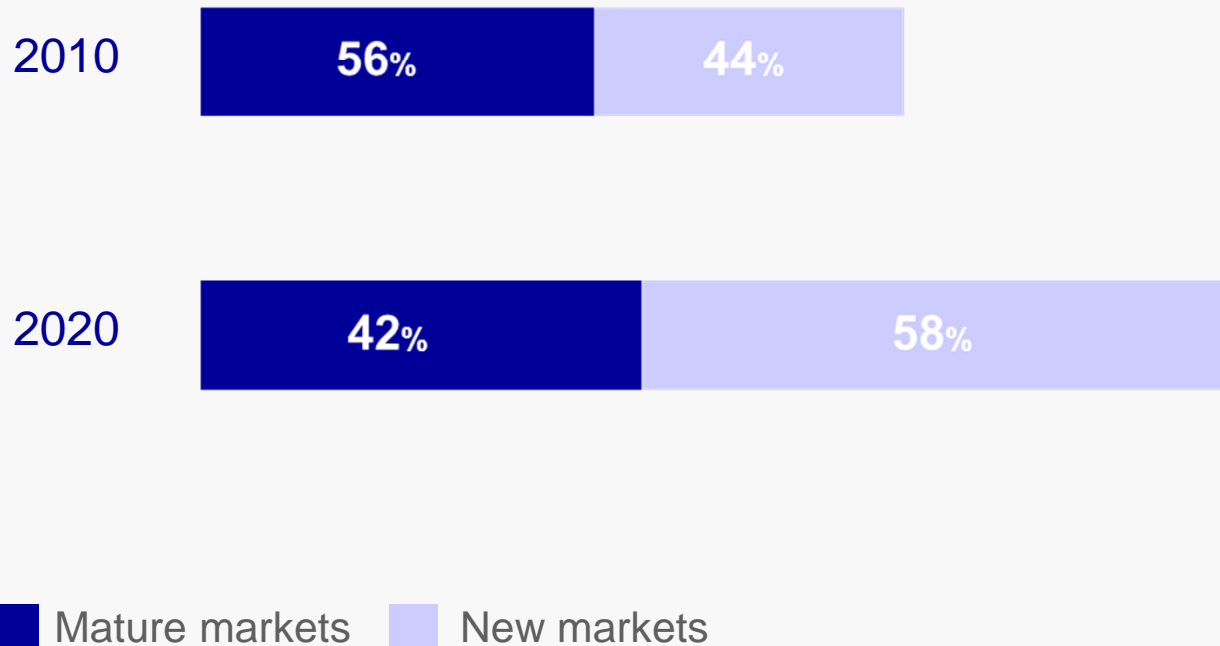
Michelin estimates





In the longer term, growth will be robust and differentiated

World tire Market Growth (Passenger Car and Radial Truck)

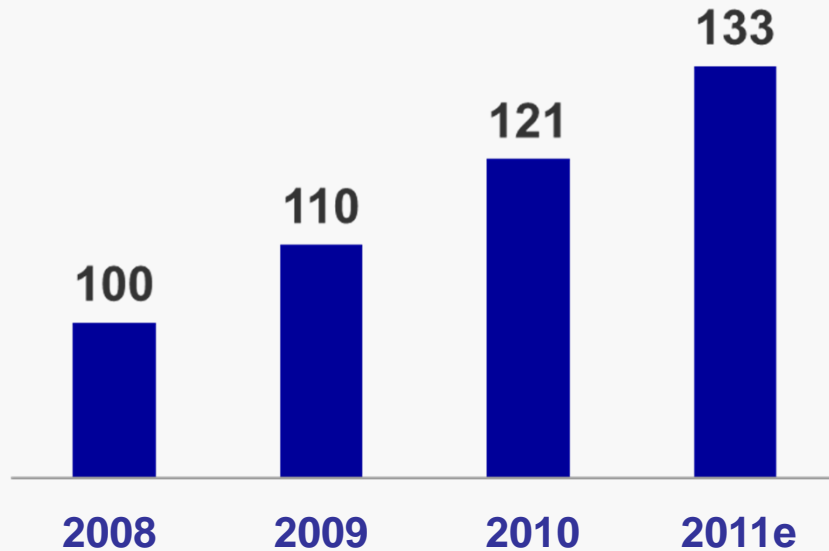




Mining Tires: Structurally Trending Upwards

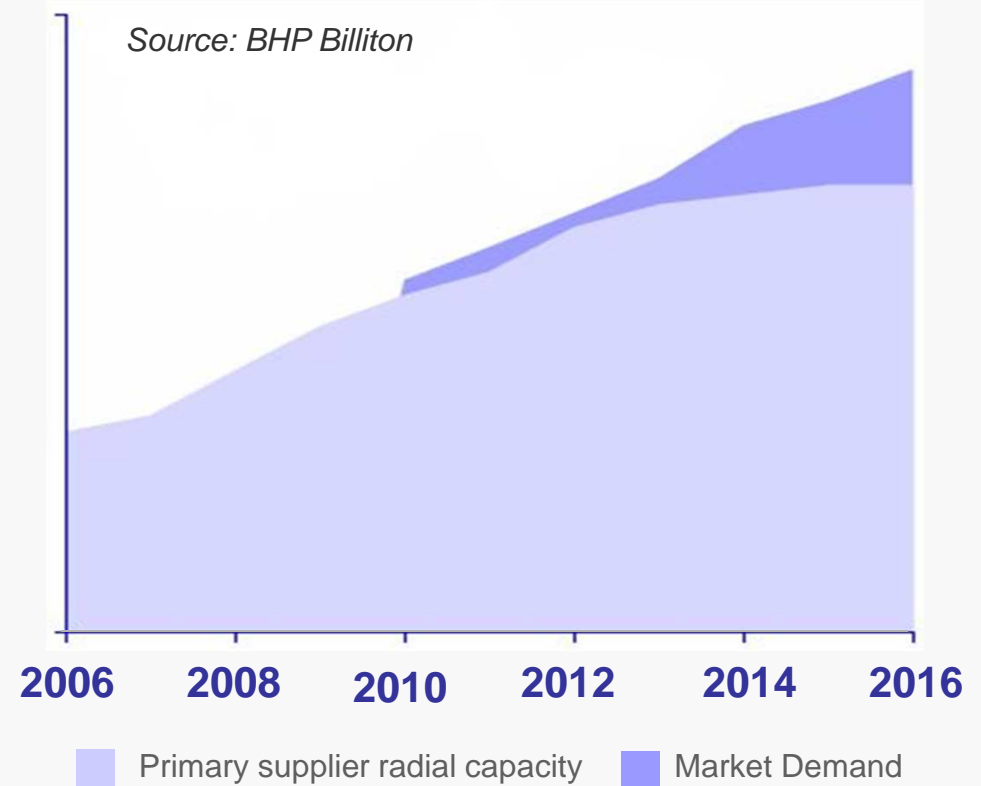
*Mining tire market
(base 100 = 2008)*

Source: Michelin



*Large mining tyres
(market supply and demand)*

Source: BHP Billiton



Investment Geared towards Growth Opportunities





Group Volume Target Confirmed

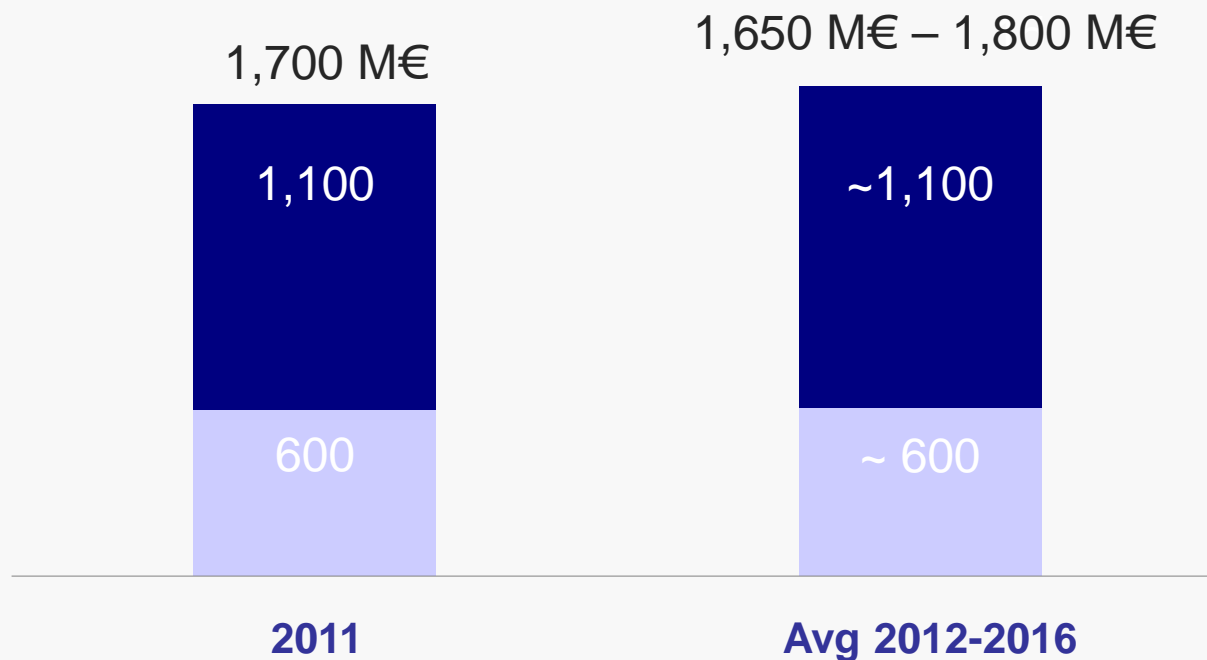
	2015	2020
Group	25%	50%
Mature markets	15%	25%
New markets	50%	100%





Over €5bn Capital Expense in Capacity Expansion by 2015

Annual Investments, in € million



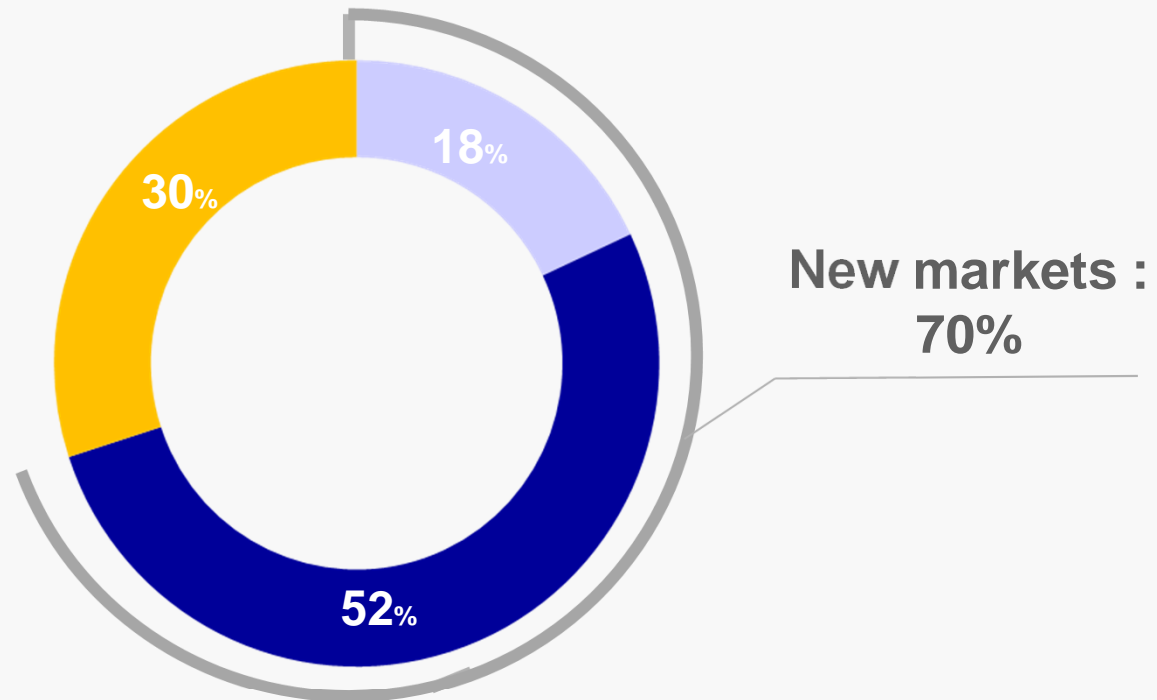
■ Capacity ■ Routine Capex (Maintenance, Molds, IT, R&D, Logistics, Distribution)





Capacity Expansion Aligned With Potential Market Growth

2011-2015 Investment by Type and Region



■ Mature Market Brownfields ■ New Market Greenfield ■ New Market Brownfields





Competitive Capex Costs China – Shenyang 2 plant

- ▶ **Capacity increase and transfer of Shenyang 1 operations**
- ▶ **Capex 2011-2015: \$1,350 million**
- ▶ **Truck tires**
 - 1.8 million tires and 295,000 retreads per year
 - First tire due in mid-2012
- ▶ **Car and Light Truck tires**
 - 10 million tires per year
 - First tire in 2013





Investment Projects Moving Forward as Scheduled



China





Investment Projects Moving Forward as Scheduled



India





Investment Projects Moving Forward as Scheduled



Brazil





Mature Market Brownfield Projects: Capacity, Productivity and Technology

- ▶ **Projects to add marginal capacity and boost productivity in plants located in mature market**

- ▶ **Investment in technological tires**

- ▶ **Examples:**
 - **Lexington (United States): \$200m for Passenger Car and Light Truck tires**
 - **Lexington (United States): Mining tire capacity**
 - **Cuneo (Italy): new tire assembly equipments for technological tires**
 - **Cholet (France): new tire assembly equipments for technological tires**
 - **Homburg (Germany)**
 - **...**





Strong Michelin Footprint in China





JV in China to Widen Offer for the Local Market

- ▶ **Signing of a joint venture agreement in China with Double Coin and Huayi**
- ▶ **Warrior brand passenger car and light truck tires for the local market**
- ▶ **Double Coin Group (Anhui) Warrior Tires Co**
 - **Capital: CNY 1,667 million, owned 40% by Michelin and 60% by its Chinese partners.**
 - **Michelin Equity contribution: CNY 667 million (EUR 75 million)**
- ▶ **Plant location: Wuwei, Anhui province, around 400 kilometers west of Shanghai**
- ▶ **Total investment: CNY 3.5 billion (approximately €390 million)**
- ▶ **Capacity target: 15 million car and light truck tires**
- ▶ **Agreement subject to approval by the appropriate Chinese authorities**



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