

Exane BNP Paribas European Seminar Paris

JUNE 10, 2011



Agenda

- *2010: a Group ready for growth*
- *2011: Start of a new phase of dynamic growth*



2010:
a Group ready for growth





Historically high operating income, at €1,695 million

<i>In € millions</i>	2010
Net Sales	17,891
Operating Income (before non-recurring items)	1,695
Operating Margin (before non-recurring items)	9.5%
Net Income	1,049
Investments	1,100
Net Debt-to-Equity Ratio	20%
Free Cash Flow*	426

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



Competitive strengths

- ▶ **Technological leadership**
- ▶ **Powerful brand & premium pricing power**
- ▶ **Flexible and responsive manufacturing tool**
- ▶ **Unprecedented investment program**
- ▶ **Robust balance sheet**

→ Conditions are in place to successfully drive a new phase of dynamic growth for Michelin

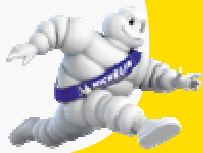
2011: Start of a new phase of dynamic growth





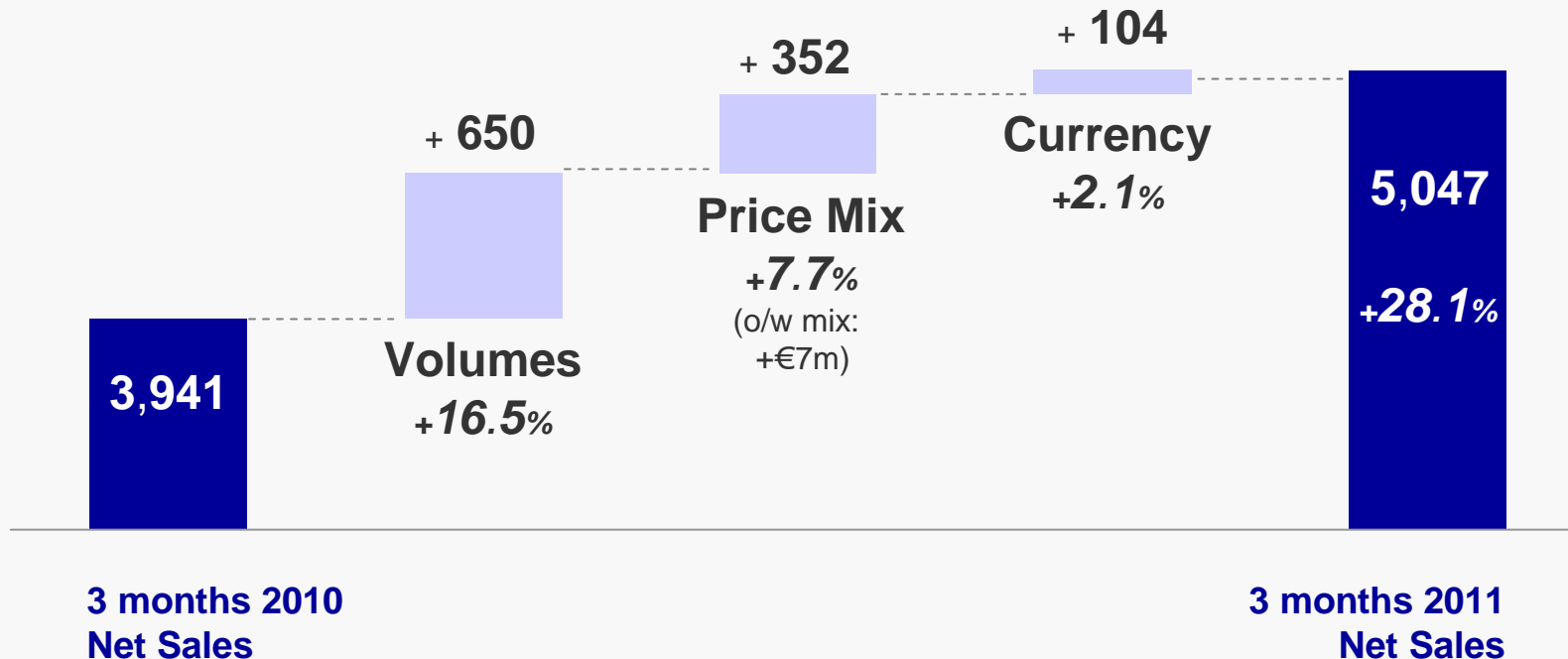
2011 targets confirmed

- ▶ **Volumes: growth of at least 6.5%**
 - If sell-out remains as strong as in March, volume guidance could be raised
- ▶ **Sustained firm pricing policy**
- ▶ **Higher operating income**
 - Despite the €150-million cost of driving faster growth in new markets
- ▶ **Free Cash Flow temporarily negative in 2011 due to**
 - the estimated €400-500 million impact of higher raw materials prices on WCR
 - the faster growth in capex



Net sales growth led by volumes and a dynamic price effect

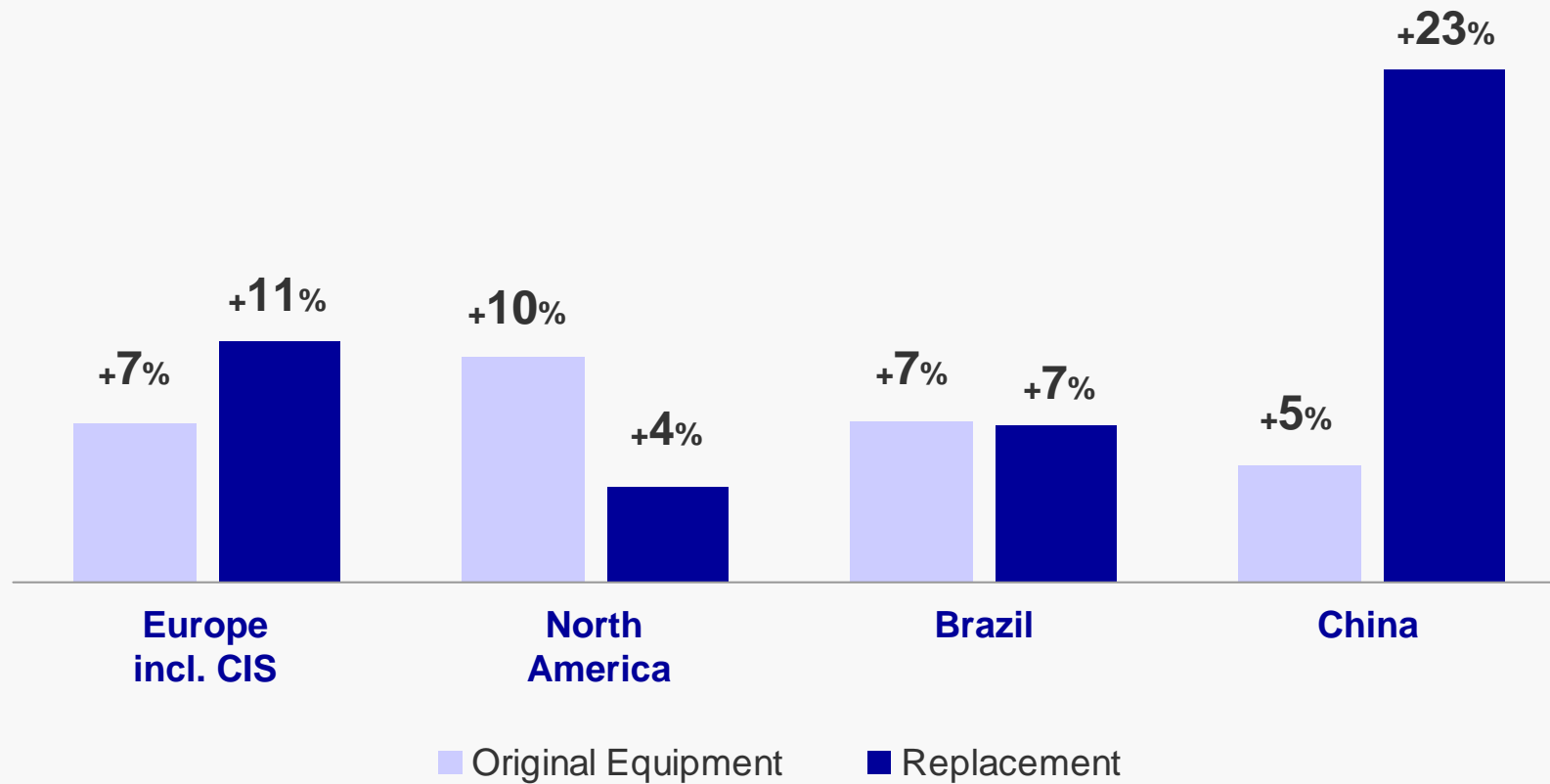
YoY change in € million and as a % of net sales





Passenger car and light truck tires: strong growth, particularly in mature markets

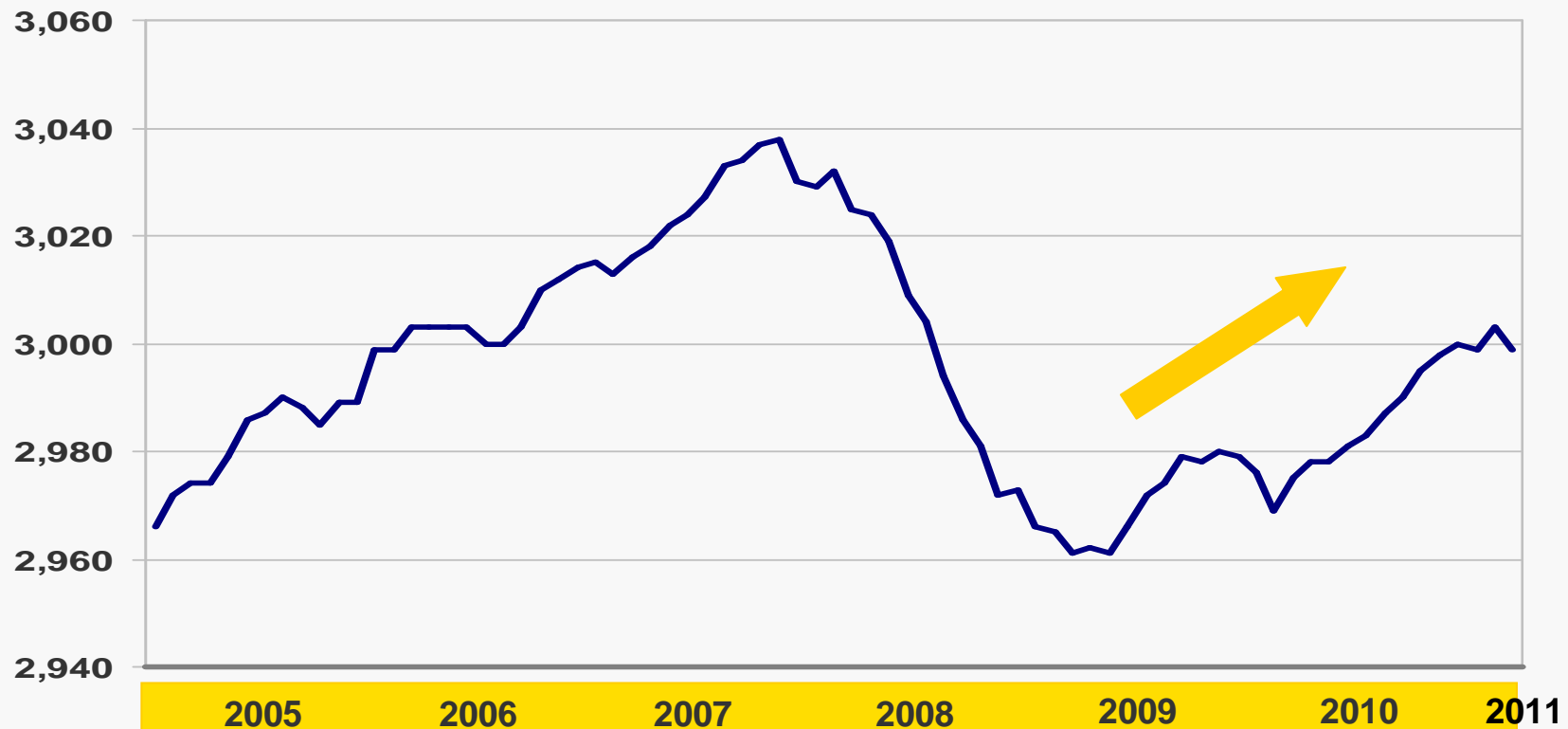
Markets at April 30, 2011 – % change YoY





US miles driven : still a positive trend

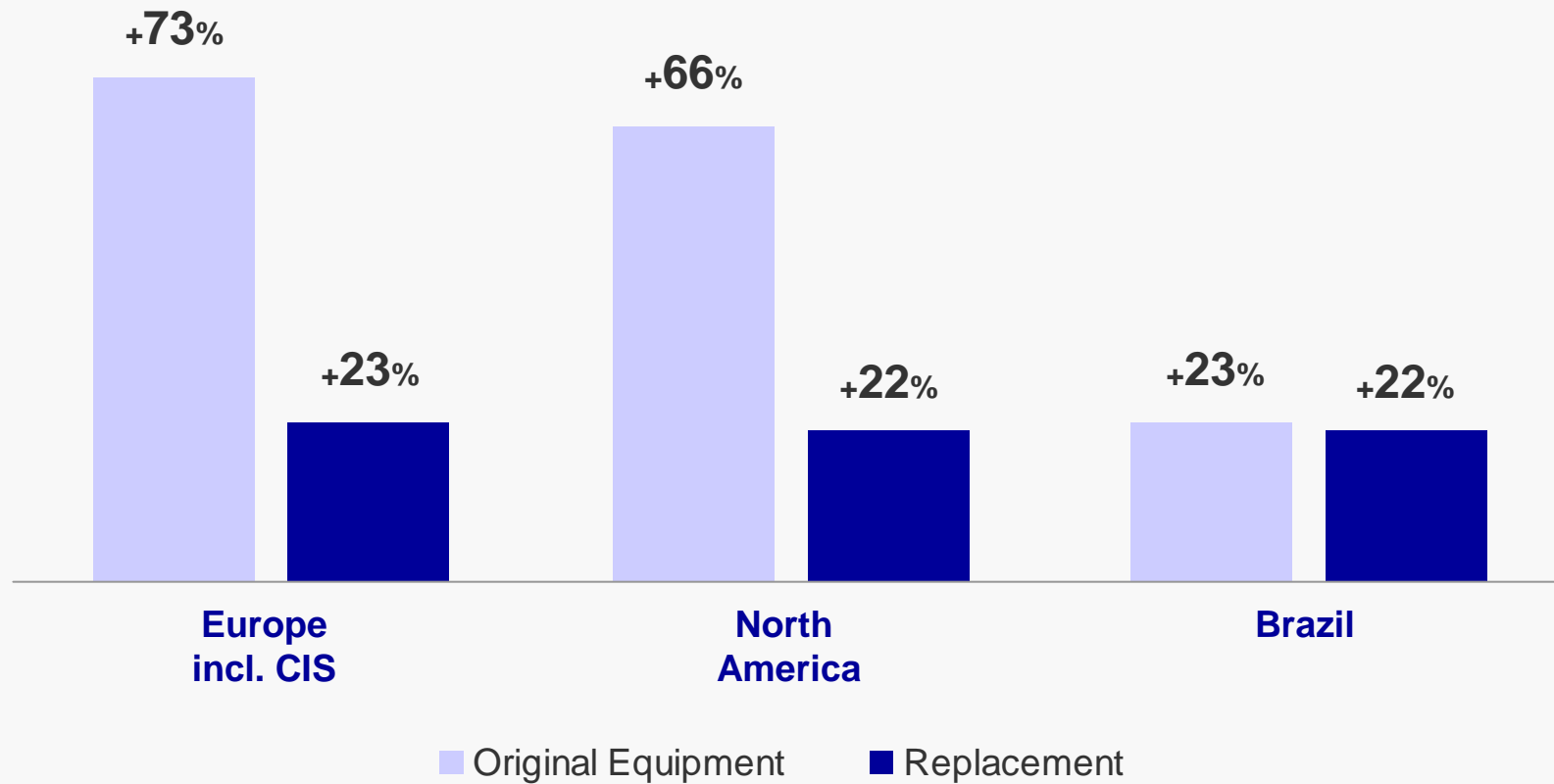
*Change in Number of Miles Driven (rolling 12-months)
January 2005 – March 2011*





Truck tires: sharp rebound in mature markets

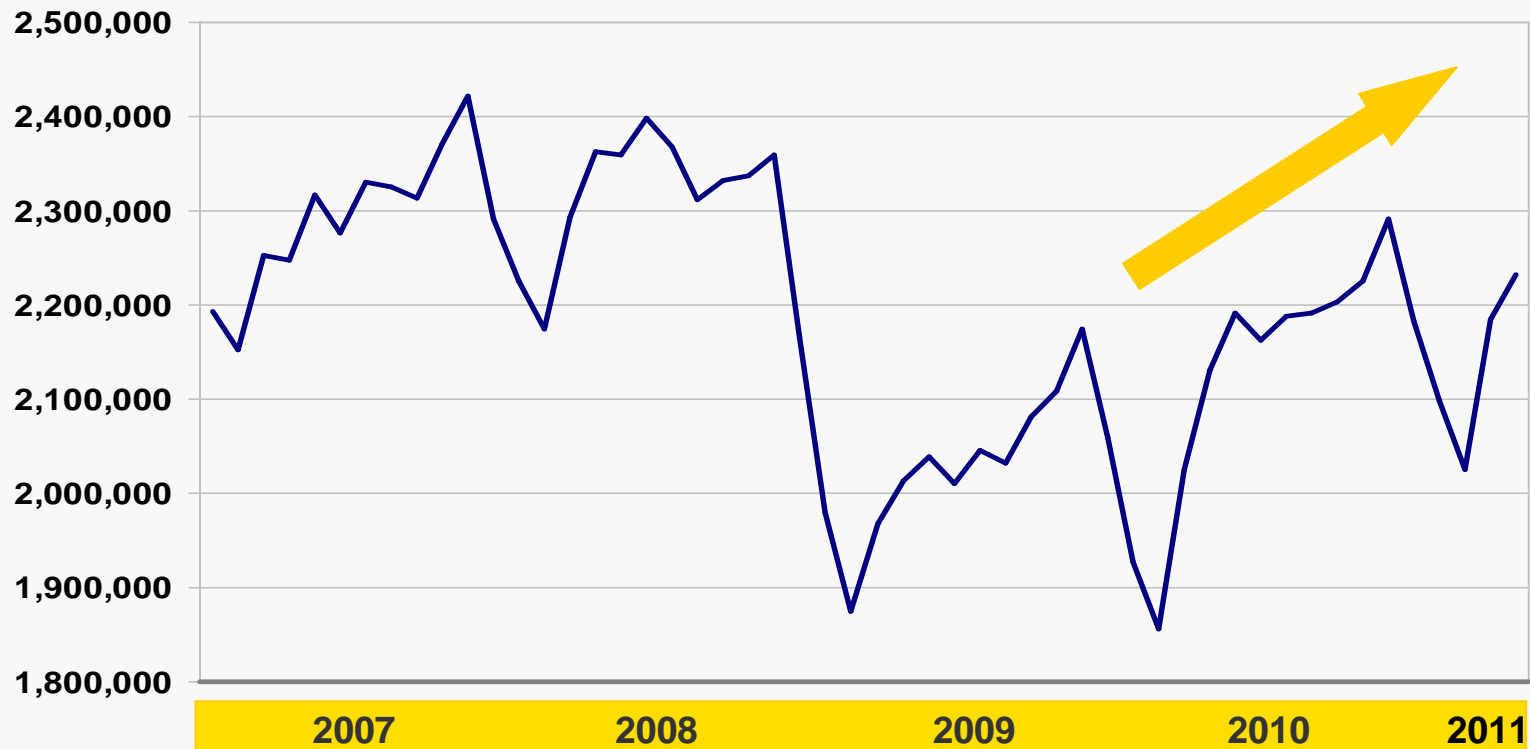
Markets at April 30, 2011 – % change YoY





German freight : stronger growth in Germany than in Southern Europe

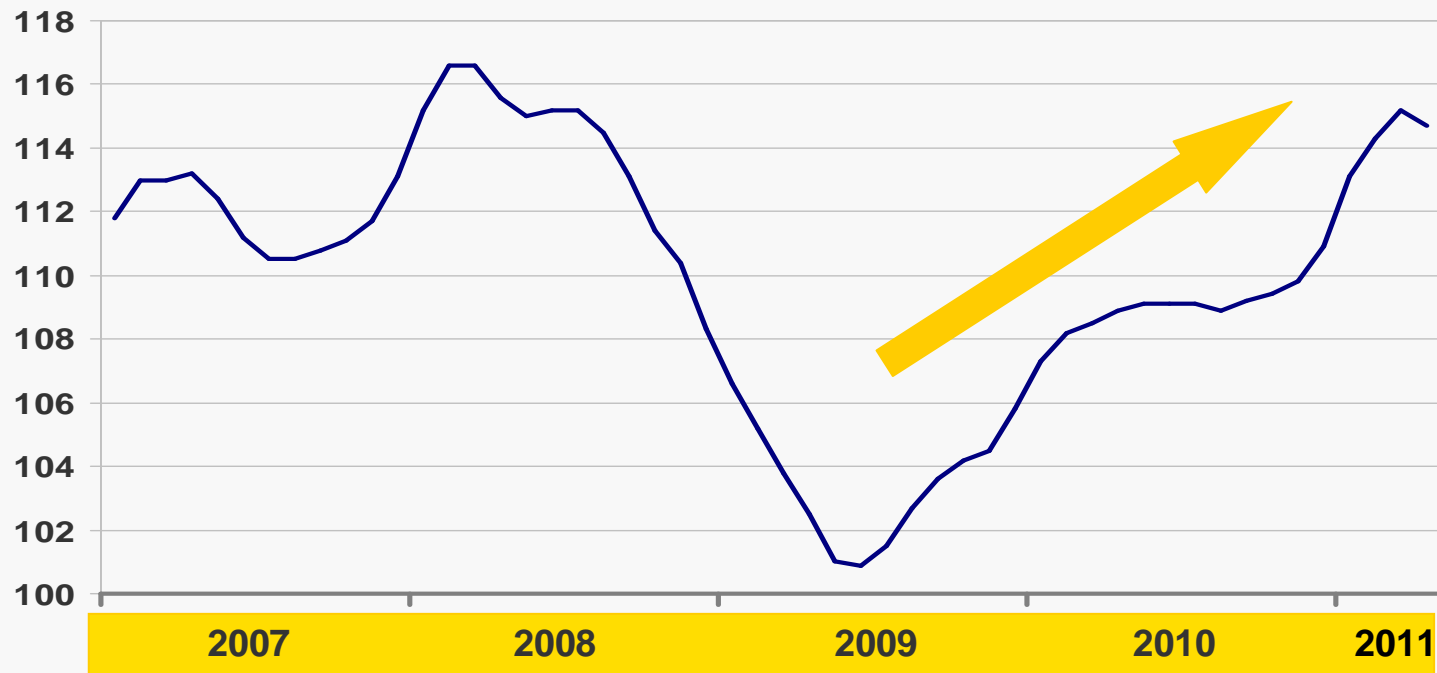
*Kilometers driven in Germany ('000s)
(Moving three month – Toll-committed trucks > 15 tonnes)*





US freight: fluctuating at high level

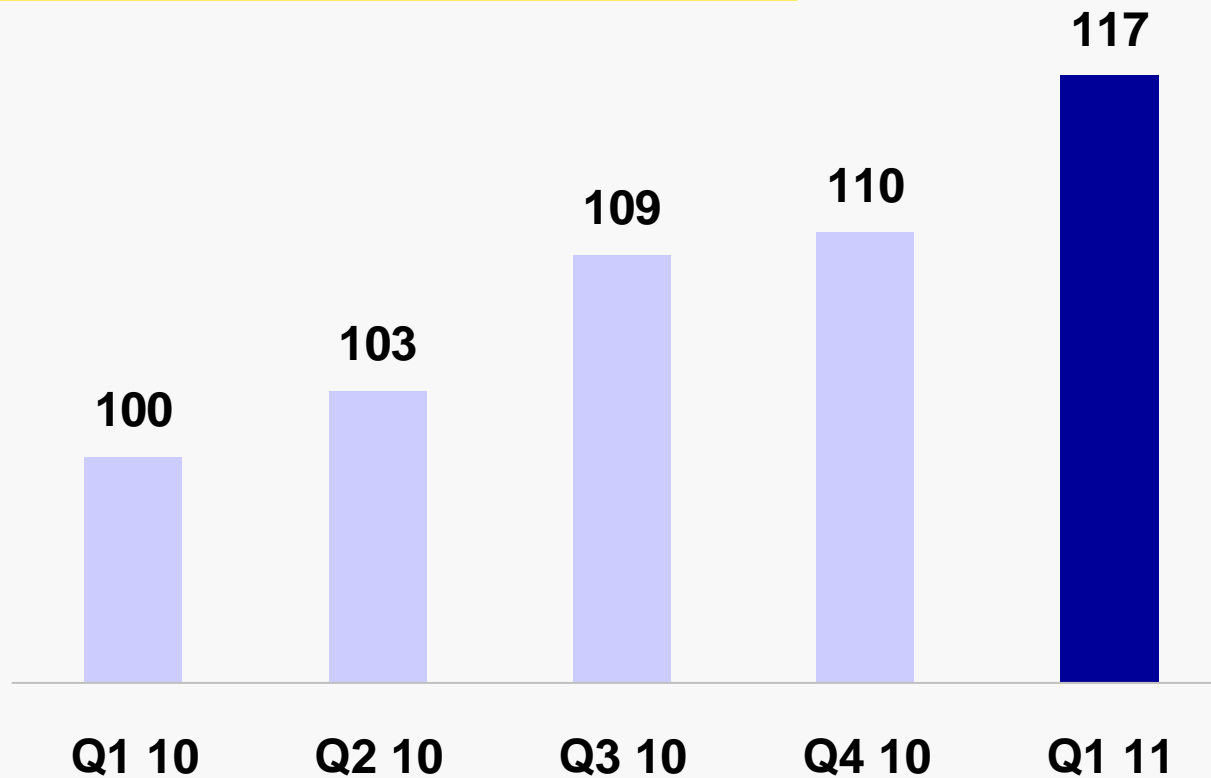
*Truck Tonnage in the United States
(Moving three month) Base 100 in 2000*





Volumes: higher prior-year comparatives in coming quarters

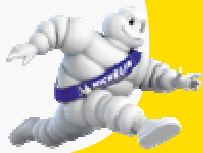
Tonnages sold
Base 100 – first-quarter 2010





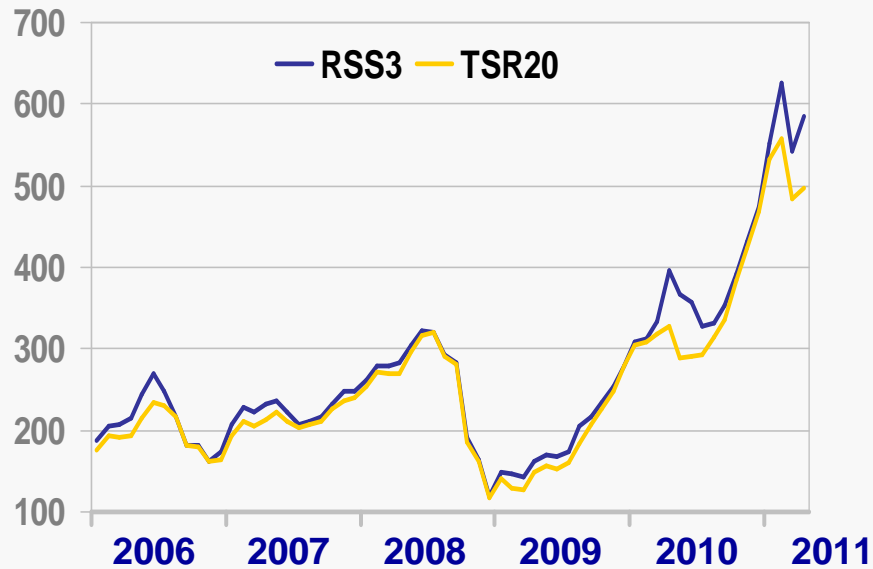
Challenges

- ▶ **Raw materials and pricing policy**
- ▶ **Growth and unprecedented investment program**

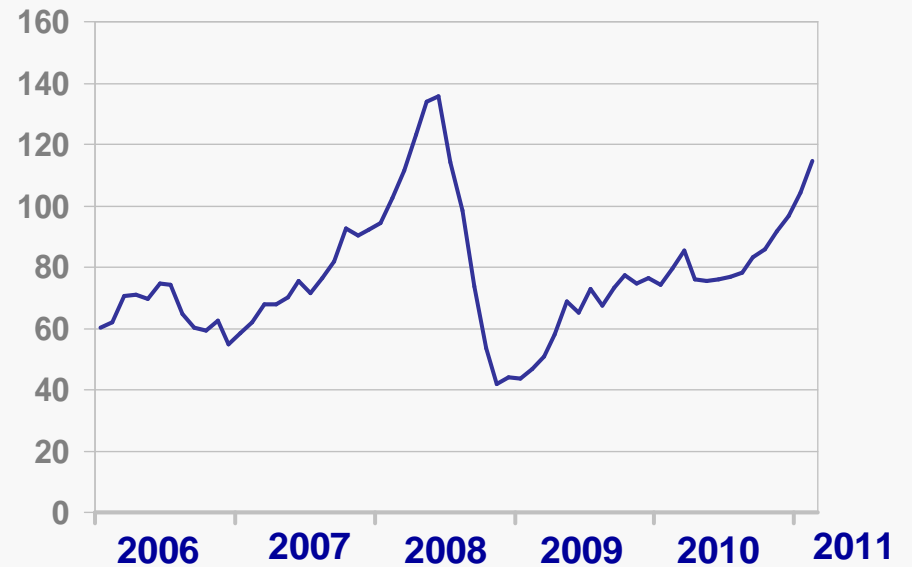


Raw materials inflation

Natural Rubber price (\$/T)



Brent price (\$/barrel)





Additional raw materials costs: approx. 80% offset

- ▶ **Negative impact on income of raw materials costs:
around €1.8 billion**
 - **Underlying assumptions**
 - Average annual price of natural rubber: \$5.0/kg
 - Average annual price of oil (Brent): \$104/barrel

- ▶ **Impact of price increases already implemented or announced as
of April 21, 2011: €1.4 billion or 80% of headwind**

- ▶ **Further price increases have been announced :**
 - **July 1, 2011: average 12% price increase - US Replacement Truck
Tires**
 - **July 1, 2011 : up 7% to 13% price increase – Europe Replacement
Truck Tires**





MICHELIN Alpin 4

MICHELIN Pilot Super Sport



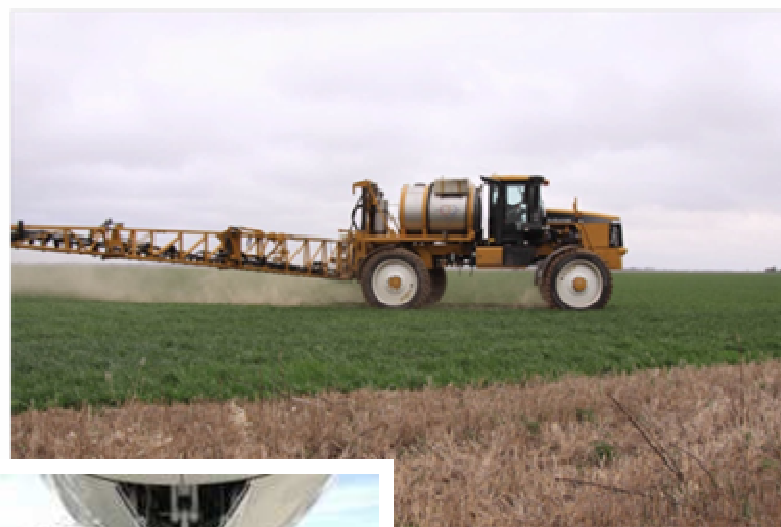


MICHELIN X Energy Saver Green MICHELIN X Multiway 3D, MICHELIN X One





MICHELIN City grip, MICHELIN X-Traction, MICHELIN SprayBib, MICHELIN CerexBib





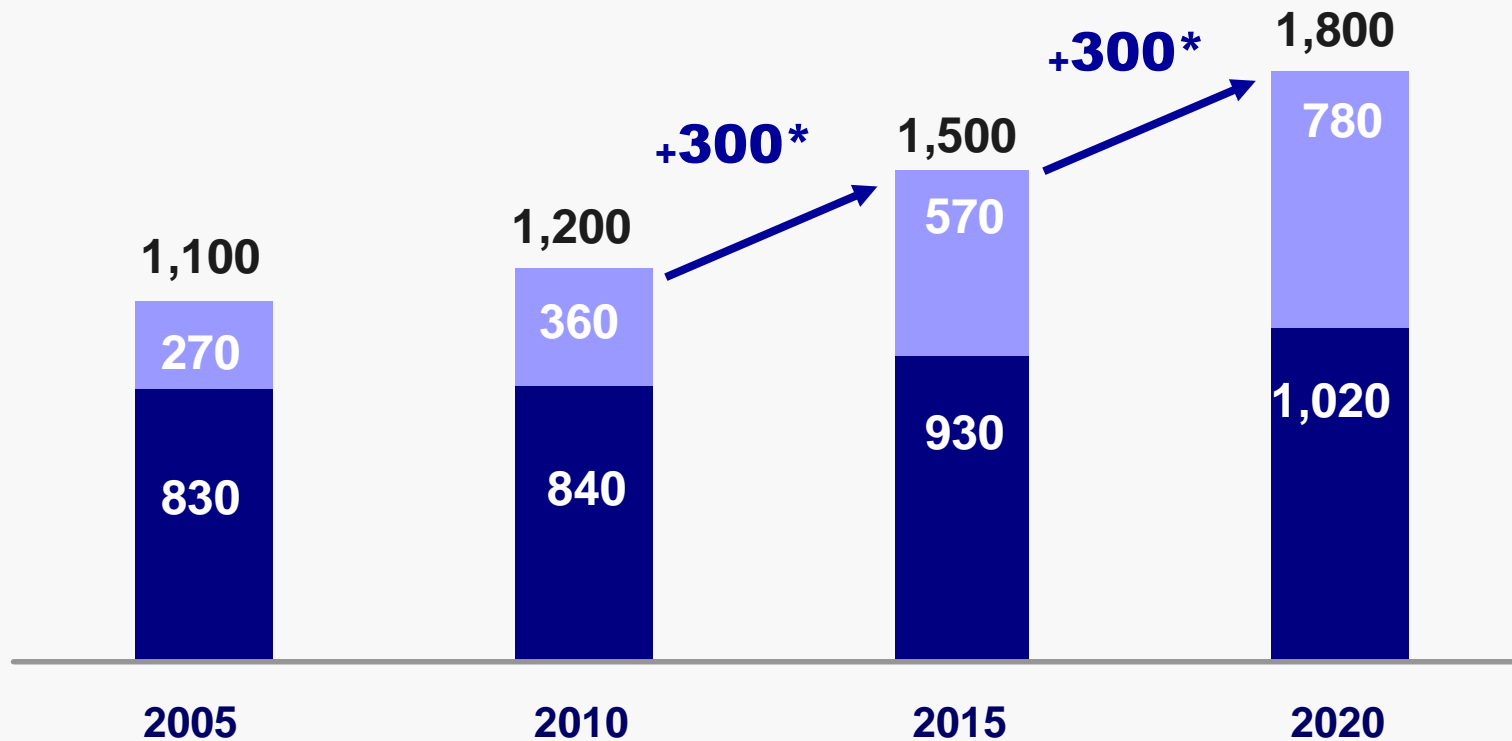
Challenges

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Growth is gaining stronger momentum worldwide

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



** Of which 70% in new markets*

■ Mature markets ■ New markets

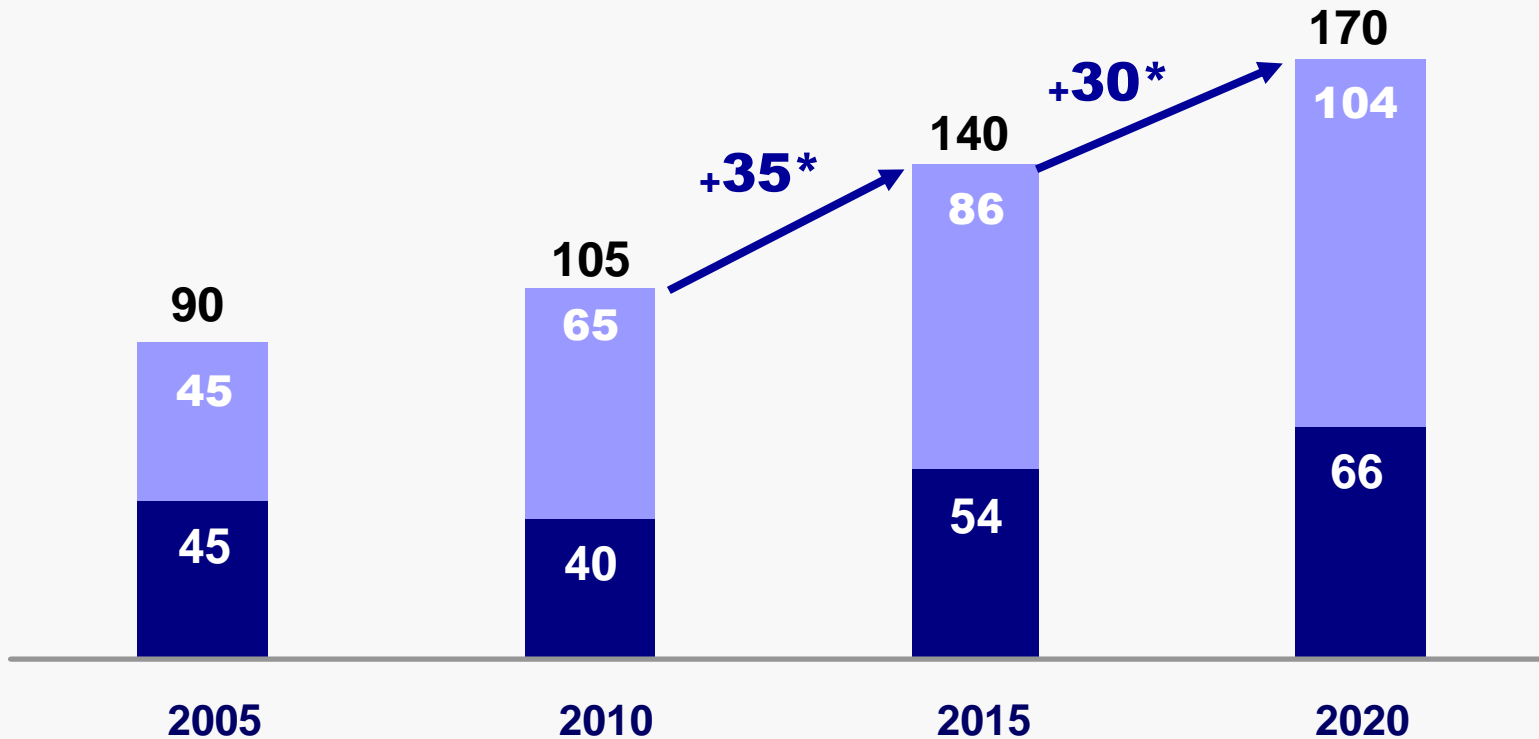
Michelin estimates





Growth will also be robust across every truck tire market

Radial Truck Tire Markets (in millions of tires)



** Of which 60% in new markets*

■ Mature markets ■ New markets

Michelin estimates





New plants in Brazil, China and India

Brazil



China



India





More efficient production facilities in mature markets

- ▶ Projects to add marginal capacity and boost productivity in plants located in mature market
- ▶ Examples:
 - Lexington (United States): \$200m for Passenger Car and Light Truck tires
 - Cholet (France)
 - Cuneo (Italy)
 - Valladolid (Spain)
 - Etc.





Proposed partnership in China: a new plant in Wuwei





2010-2015: ambitious growth objectives

- ▶ **Increase volumes by:**
 - 25% by 2015
 - 50% by 2020

- ▶ **By 2015, deliver:**
 - Operating income well above €2 billion
 - A more than 9% return on capital employed
 - Significantly positive free cash flow over the 2010-2015 period

- ▶ **Pay out around 30% of net income in dividends over the 2010-2015 period**



A new phase of dynamic growth





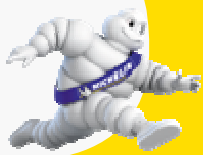
Contacts

Investor Relations

Valérie Magloire
Alban de Saint Martin
+33 (0) 1 45 66 16 15
46, avenue de Breteuil
75324 Paris Cedex 07 – France
investor-relations@fr.michelin.com

Website

<http://www.michelin.com/corporate/EN/finance>



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