

London Roadshow CA Cheuvreux

MAY 16, 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**

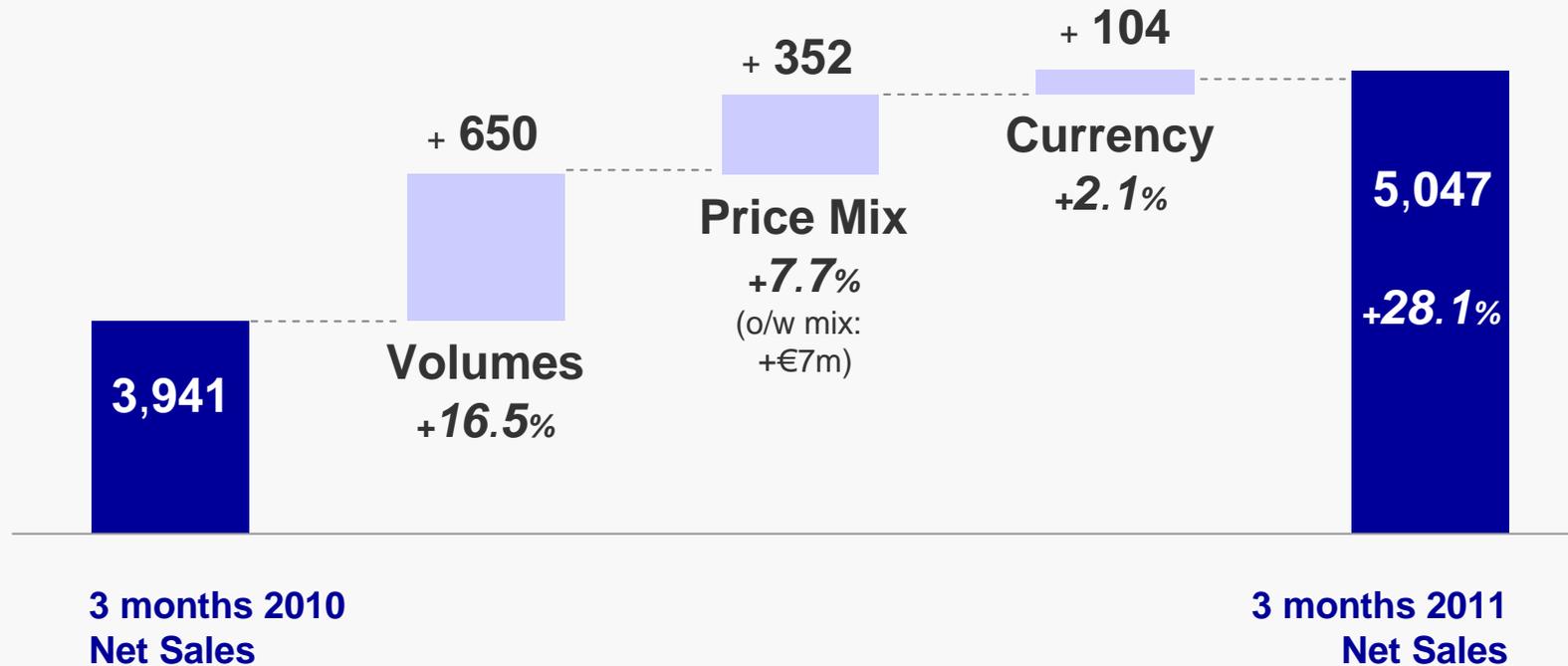
- ▶ **Higher operating income**
 - Despite the €150-million cost of driving faster growth in new markets

- ▶ **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

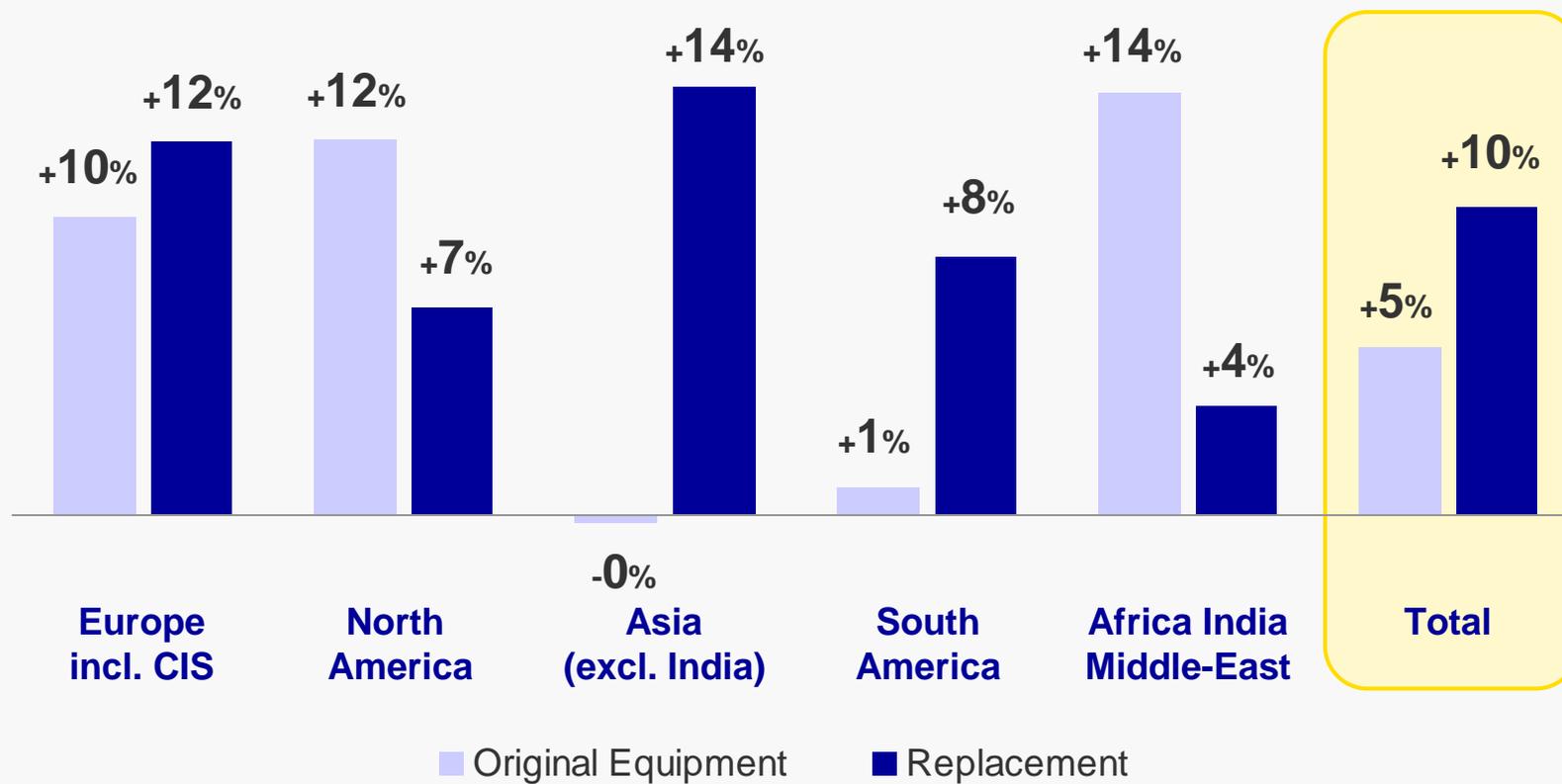
YoY change in € million and as a % of net sales





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

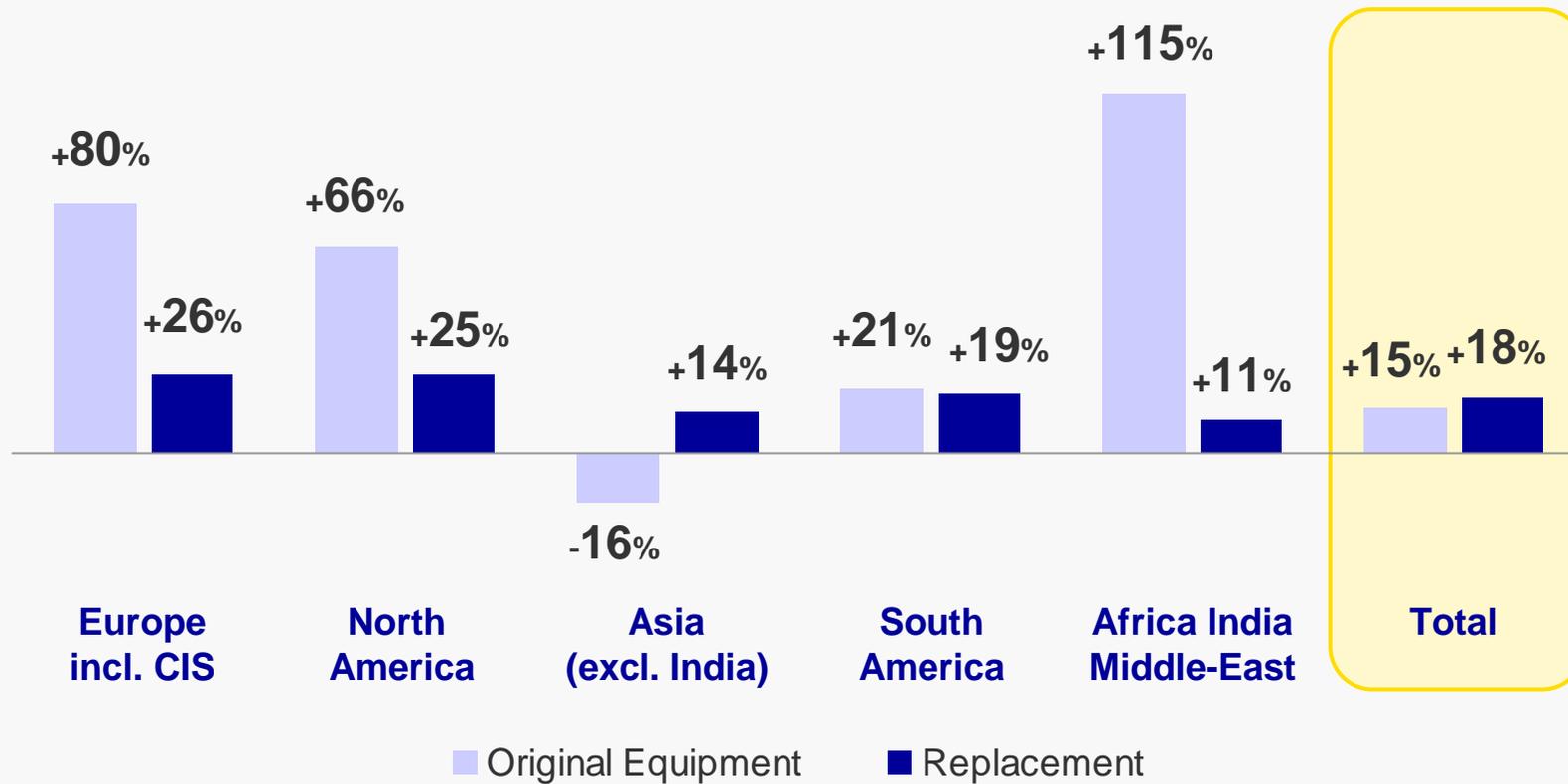
Markets at March 31, 2011 – % change YoY





Truck tires: sharp rebound in mature markets

Markets at March 31, 2011 – % change YoY





2011 challenges

▶ Raw materials

- Maintain a firm pricing policy
- Enhance the technological leadership

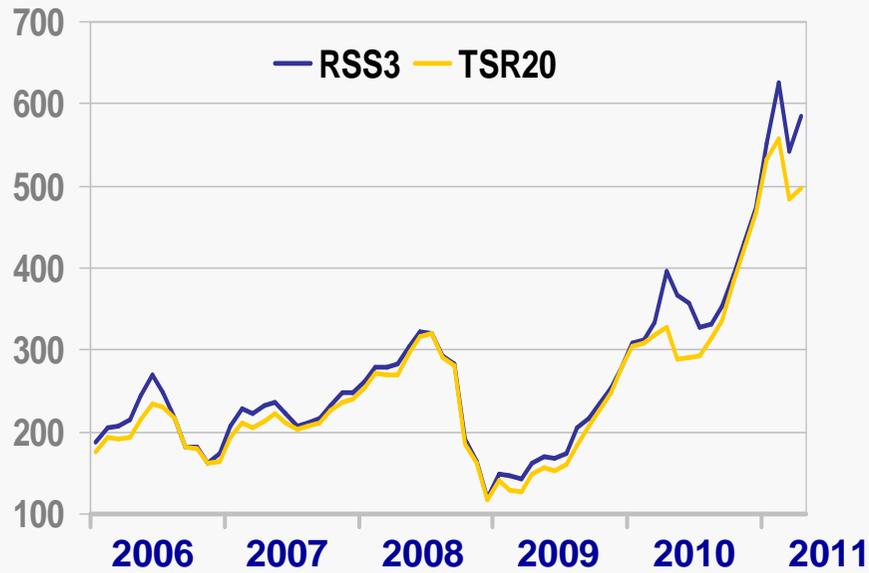
▶ Growth

- Product portfolio matching customers expectations
- Accelerate 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 €1.8billion**
 - **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:
€1.4 billion or 80% of headwind**

- ▶ **Still to be covered: €0.4 billion**
 - **By further price increases over the next 9 months**
 - Replacement passenger car and light truck: **+2.5%**
 - Replacement truck: **+5.0%**



MICHELIN Alpin 4

MICHELIN Pilot Super Sport





MICHELIN X Energy Saver Green MICHELIN X Multiway 3D





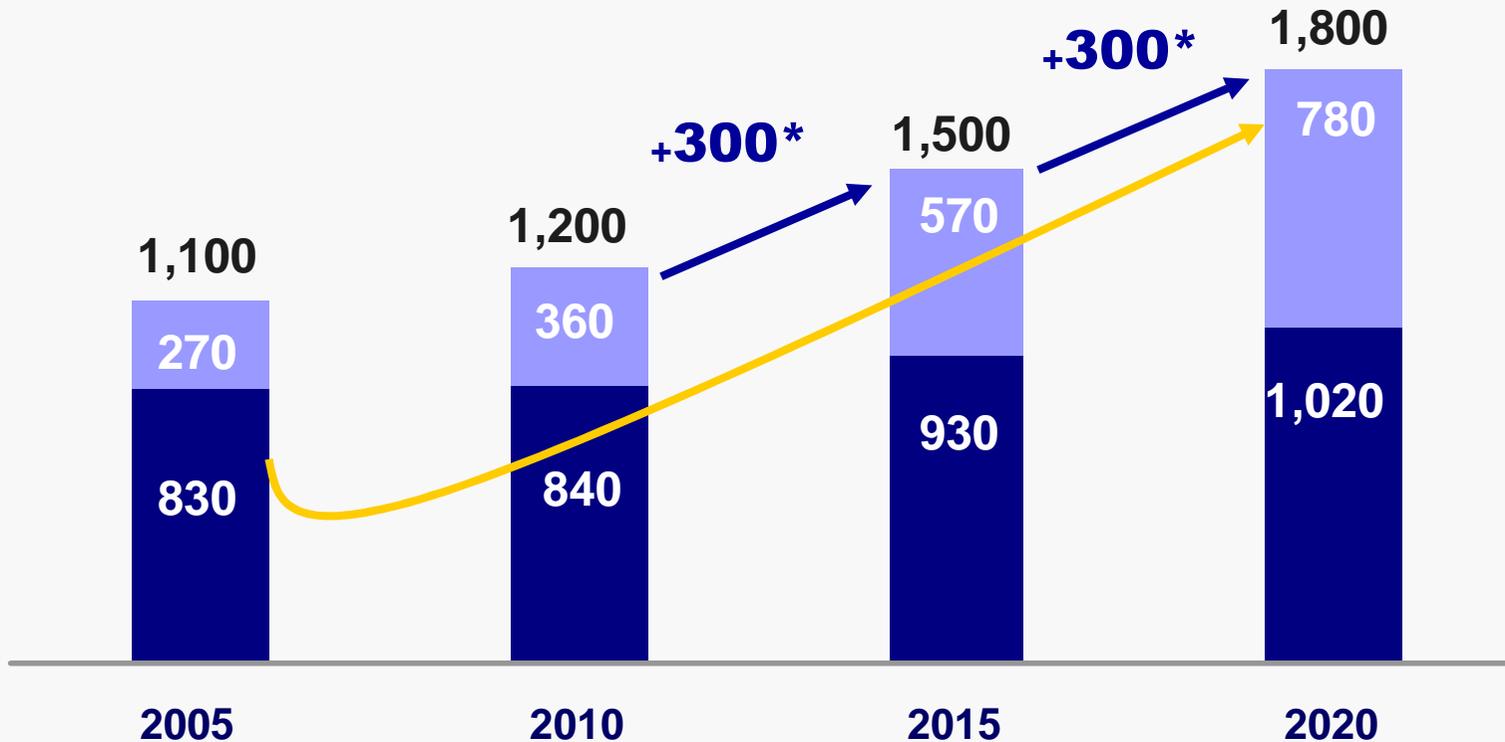
MICHELIN City grip, MICHELIN X-Traction, MICHELIN SprayBib, MICHELIN CerexBib





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

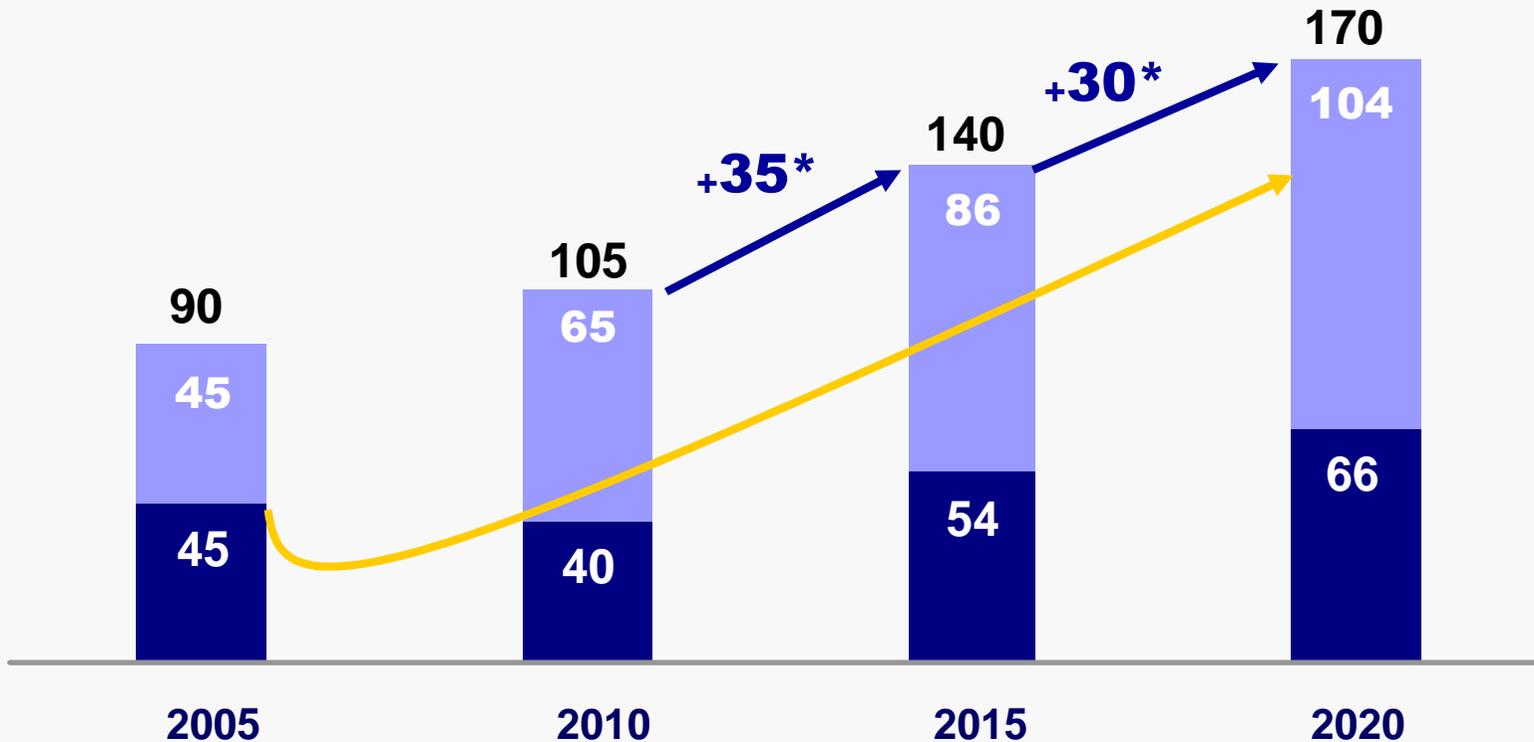
Michelin estimates





Growth will also be robust across every truck tire market

Radial Truck Tire Markets (in millions of tires)



* Of which 70% 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





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