

The Premium Review Conference

**Société
Générale**



Paris
December 2, 2010



Disclaimer

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Reasons for a rights issue

- **Capture a larger share of the fast growing mobility market**
- **Strengthen global leadership position in high-tech tire**
- **Increase manufacturing capacity**
- **While maintaining a healthy balance sheet**



OUTLINE



Pursue a strategy that has proven successful

Speed up growth

9-month net sales

Outlook & new medium-term goals



Stepping up implementation of a proven strategy

**Strengthening our
technological
leadership**

**Enhancing our
competitiveness**

**Increasing our
presence in new
markets**



Michelin is supported by a powerful brand

A brand recognized worldwide for:

- High quality and reliability
- Innovation and high performance
- Balanced performance:
safety, longevity and fuel efficiency



The brand's reputation and perceived quality ratings are exceptional worldwide

PERCEPTION OF THE MICHELIN BRAND IN 2009

	MICHELIN	No. 1 competitor
France	8.2	6.1
Germany	7.4	7.1
United Kingdom	6.8	6.4
Italy	7.7	7.2
Spain	8.3	6.9
Russia	7.7	6.9
Turkey	8,1	7.1
United States	7,4	7.1
Brazil	3.5	6.2
Japan	5.4	8.6
China	8.4	5.7

Reputation and perceived quality, on a scale of 0 to 10



The Group has been relentlessly innovative



X One

**MICHELIN
ENERGY™ SAVER**



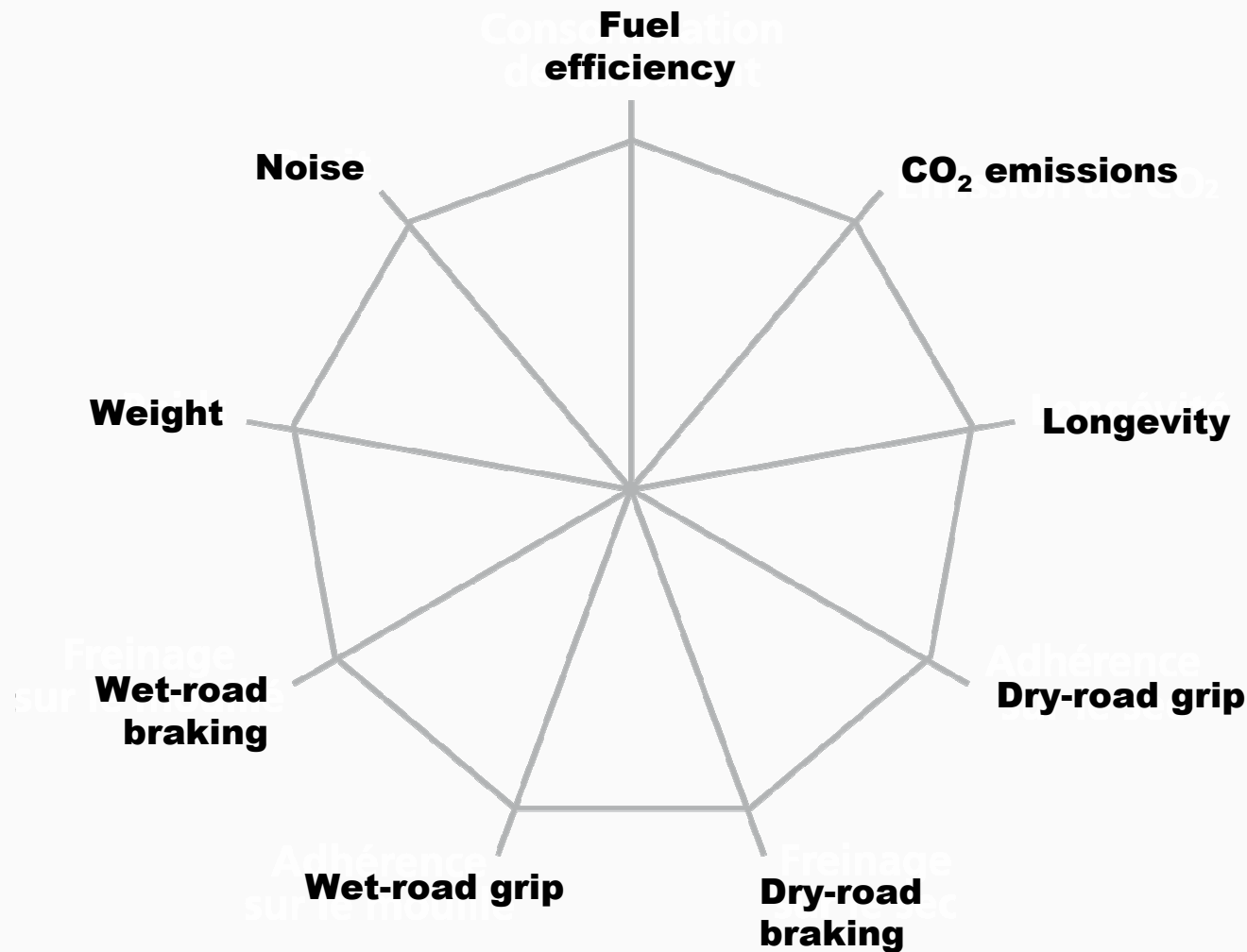
Ultraflex Range



**XDA 2
ENERGY**



Michelin innovations stand out for their balanced performance features



Independent analyses confirm the importance of balanced performance



Source: **WHATCAR?** - September 2010

BUYING AND OWNING

Why budget tyres could cost your life

Cheap rubber might be easy on your wallet, but is it really worth the saving? We tested a selection of budget tyres against three premium brands to find out

Photography: Will Williams
132 | SEPTEMBER 2010 | whatcar.com

TEST 2 Wet braking

The same GPS-based timing gear was used to measure how long it took each tyre to stop the Meriva from 70mph on our test track's purpose-built straight-line wet grip facility.

DISTANCE TO STOP (METRES)	50					60					70					80					90				
Michelin Pilot Sport 3	59.5																								
Goodyear Optigrip	62.1																								
Continental ContiPremium Contact 2	64.3																								
Arrowspeed CP661	68.2																								
Ovation VI-182	76.0																								
Sunew YS112	82.4																								

<http://www.whatcar.com/car-news/tyre-test-why-budget-tyres-could-kill/introduction/251766>



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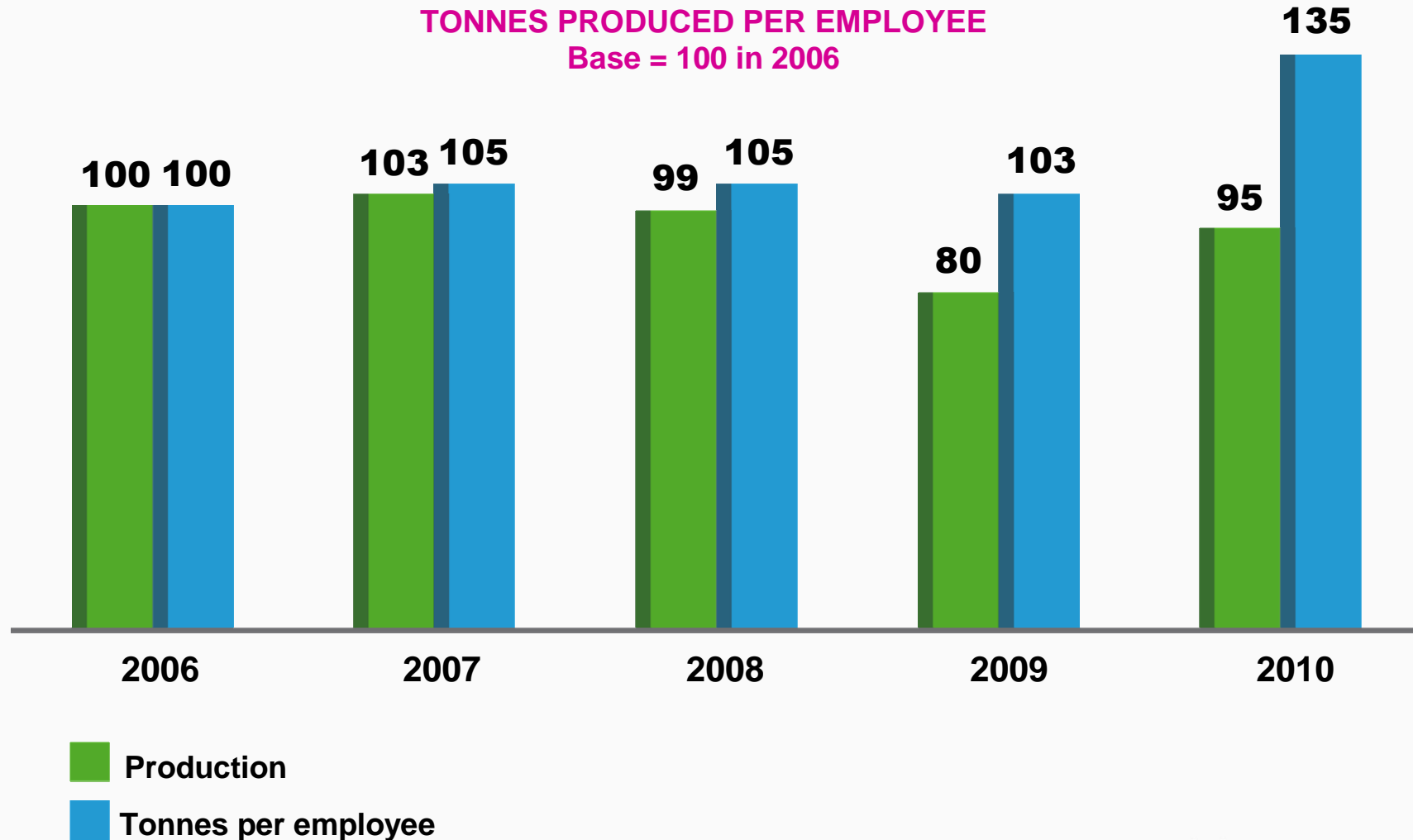


The Group has deployed numerous transformation programs

- **Alignment of business and performance indicators with broader Group objectives**
- **Operational excellence**
- **Transformation programs that bring deep change to the business**
 - Research and Development
 - Michelin Manufacturing Way
 - Marketing
 - ...

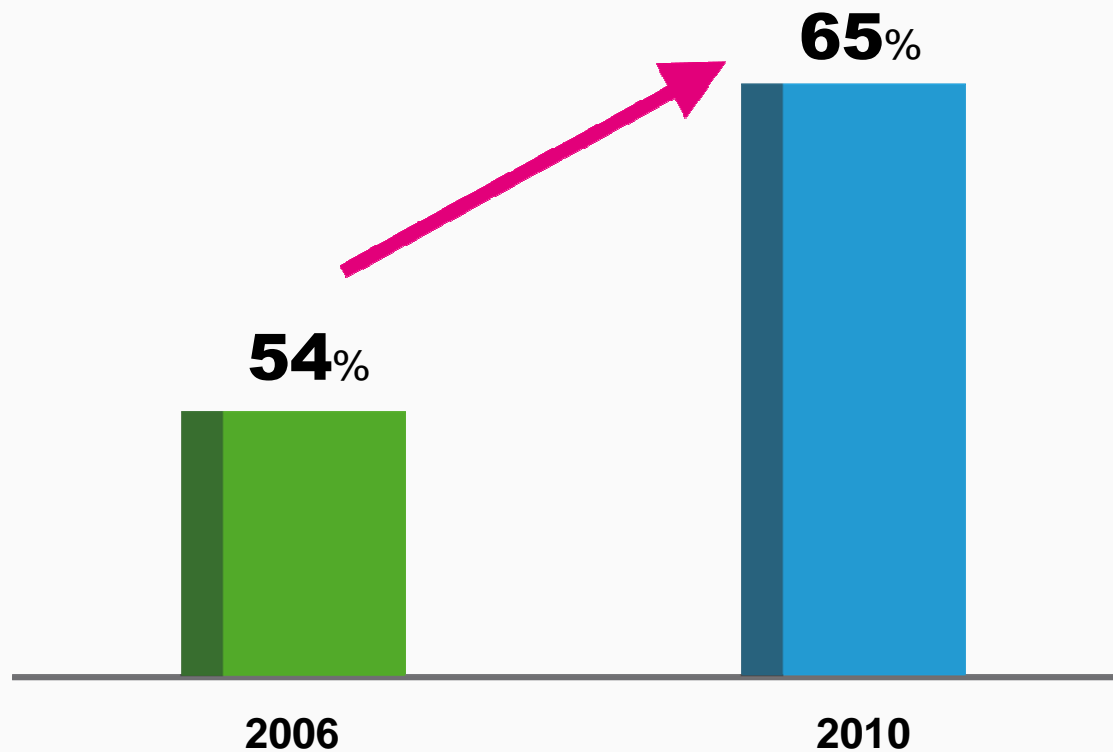


Group productivity has improved by more than 35% since 2006

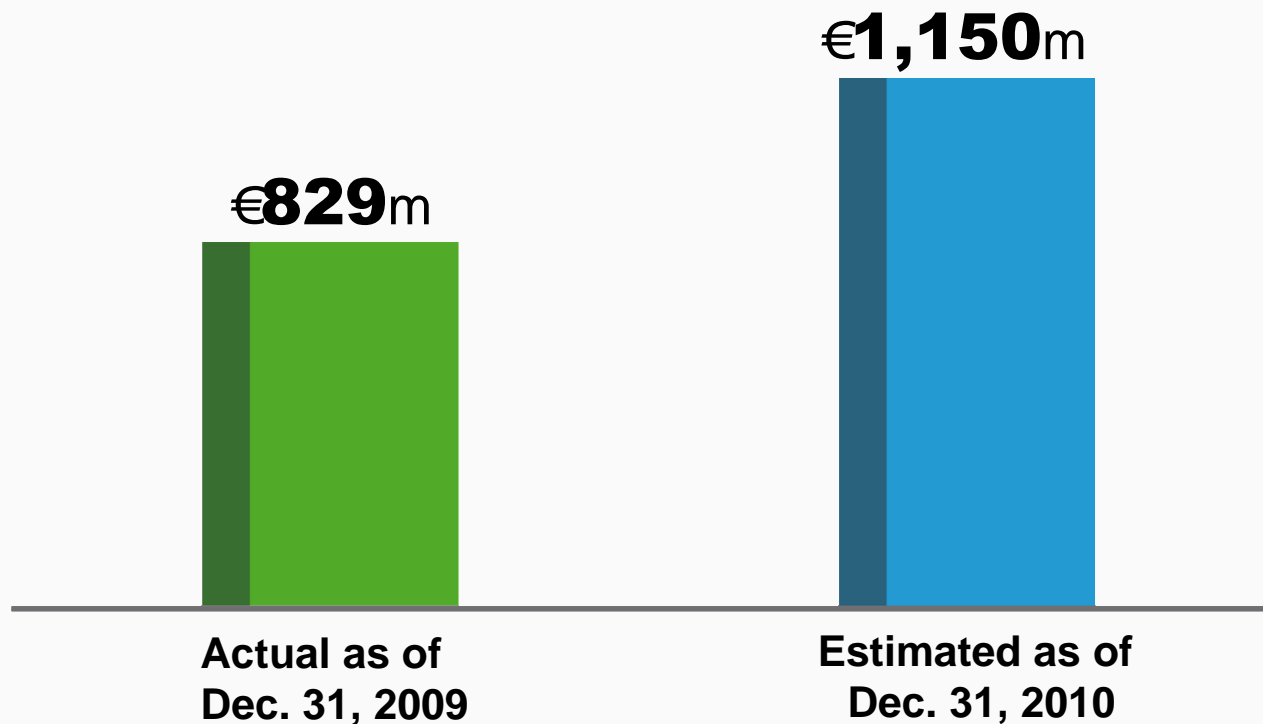


Plant average size in mature markets has grown

SHARE OF PASSENGER CAR AND LIGHT TRUCK TIRE PRODUCTION
IN EUROPE AND NORTH AMERICA AT MICHELIN PLANTS
WITH A CAPACITY OF MORE THAN 100,000 TONNES



Over €1 billion in efficiency gains since 2006 despite the crisis




CUMULATIVE SAVINGS ON:

- Corporate overheads and logistics costs
- Production costs
- Raw materials costs



The break-even point was lowered in 2009

In € millions	H1 2010	2009	2008	2007	2006
Net sales	8,349	14,807	16,408	16,867	16,384
Operating income Before non-recurring items	822	862	920	1,645	1,338
Operating margin Before non-recurring items	9.8%	5.8%	5.6%	9.8%	8.2%
Net income	504	104	357	772	573
Investments	251	672	1,271	1,340	1,414
Net debt / Total equity	53%	55%	84%	70%	89%
Free cash flow* Cumulative total	 1,392				

*Free cash flow: Cash flows from operating activities less cash flows used in investing activities



Stepping up implementation of a proven strategy

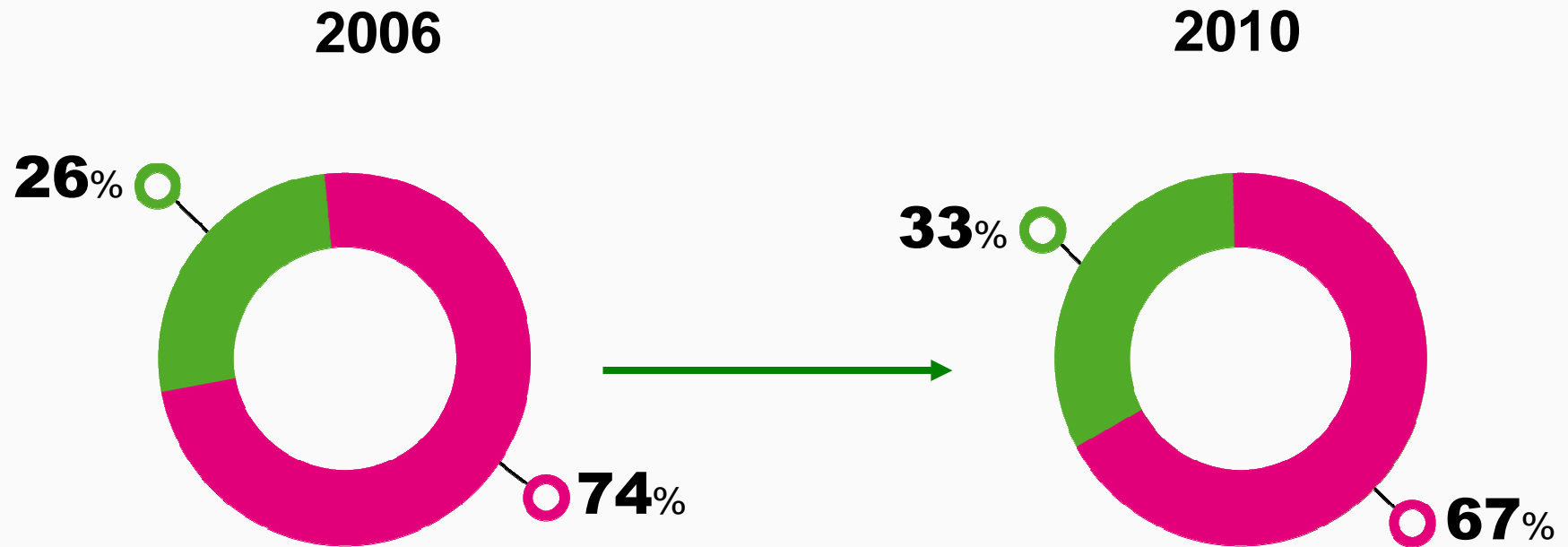
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The contribution from new markets is growing



- % of sales in new markets
- % of sales in mature markets



Three new plants will fuel growth

CHINA

Passenger car & Light truck and Truck tire plant

Investment: €**1,000** million

First tire: **2012**

BRAZIL

Passenger car & Light truck
tire plant

Investment: €**750** million

First tire: **2012**

INDIA

Truck and Earthmover tire plant

Investment: €**1,000** million

First tire: **2012**



OUTLINE



Pursue a strategy that has proven successful

Speed up growth

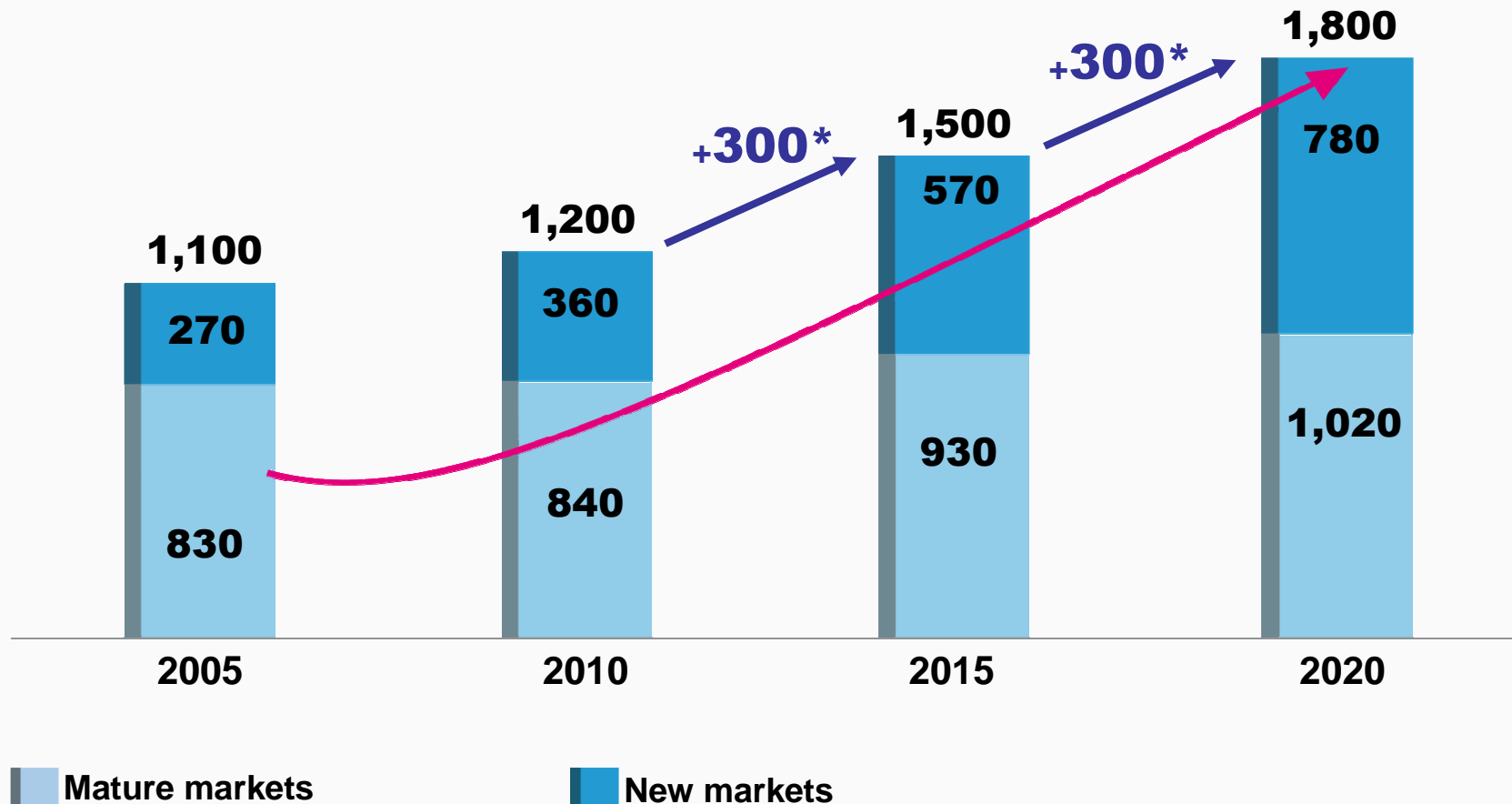
9-month net sales

Outlook & new medium-term goals



Growth is gaining stronger momentum worldwide

PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS (in millions of tires)



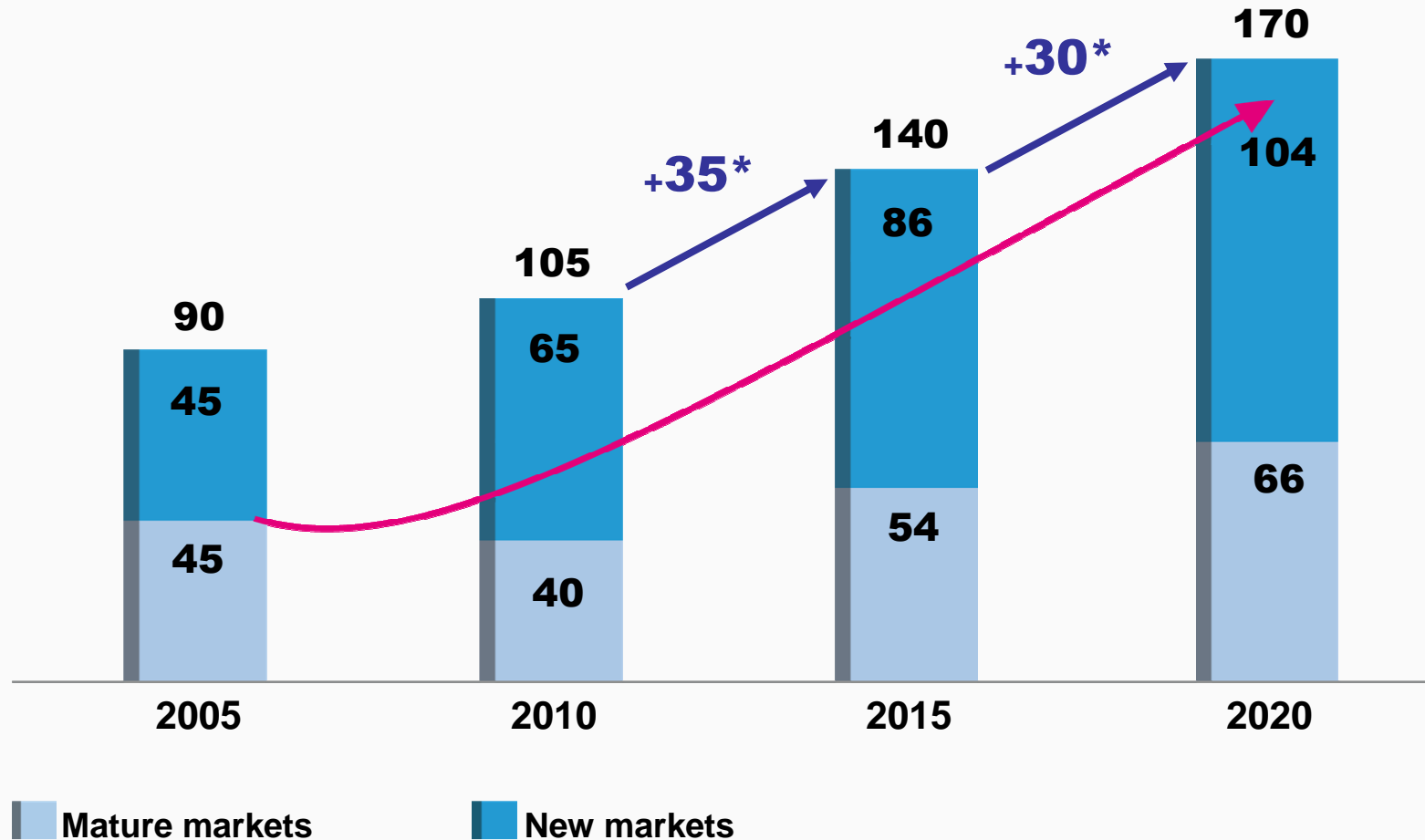
* Of which 70% in new markets

Michelin estimates



Growth will also be robust across every truck tire market

RADIAL TRUCK TIRE MARKETS (in millions of tires)



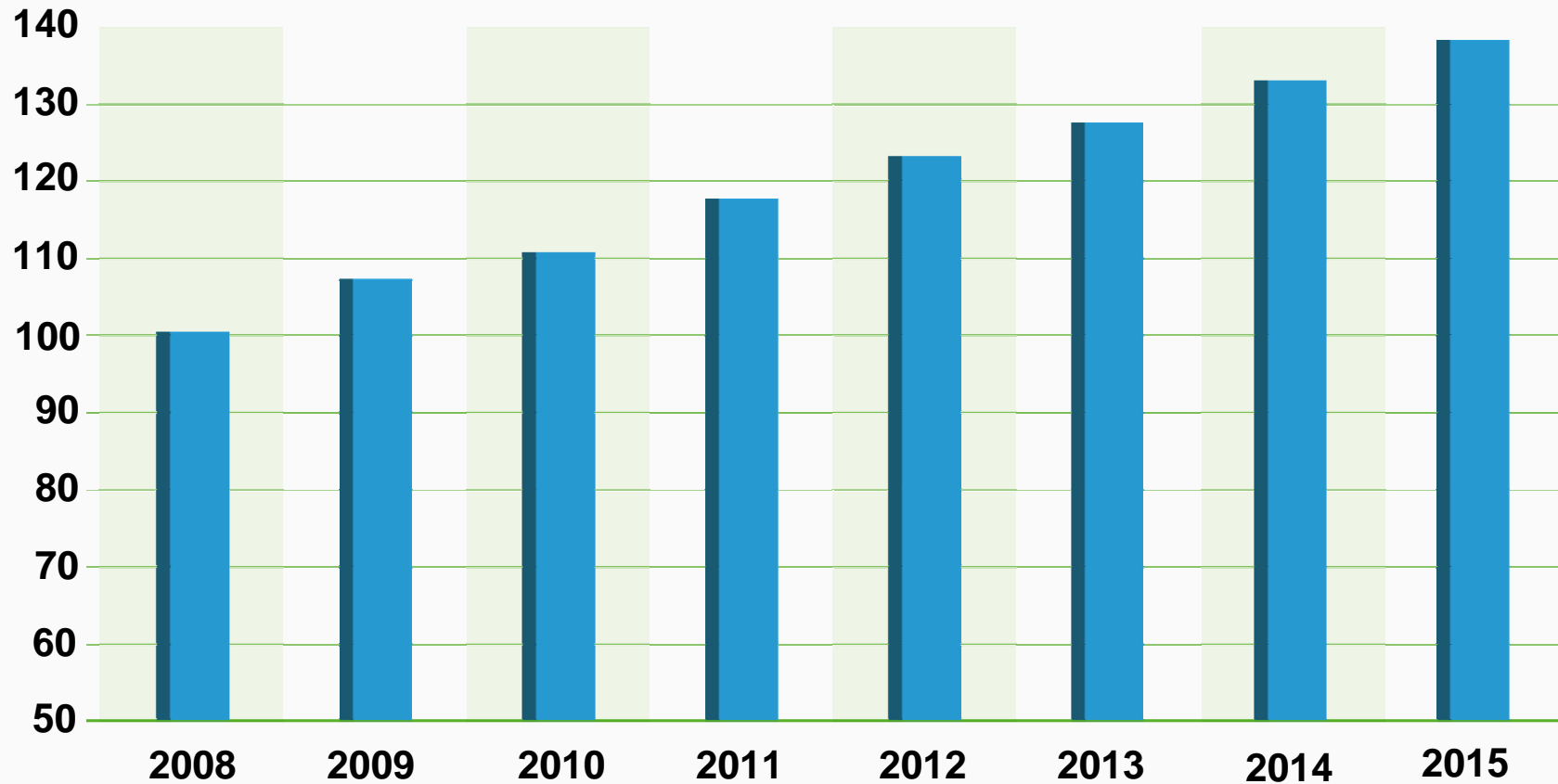
Michelin estimates

* Of which 60% in new markets



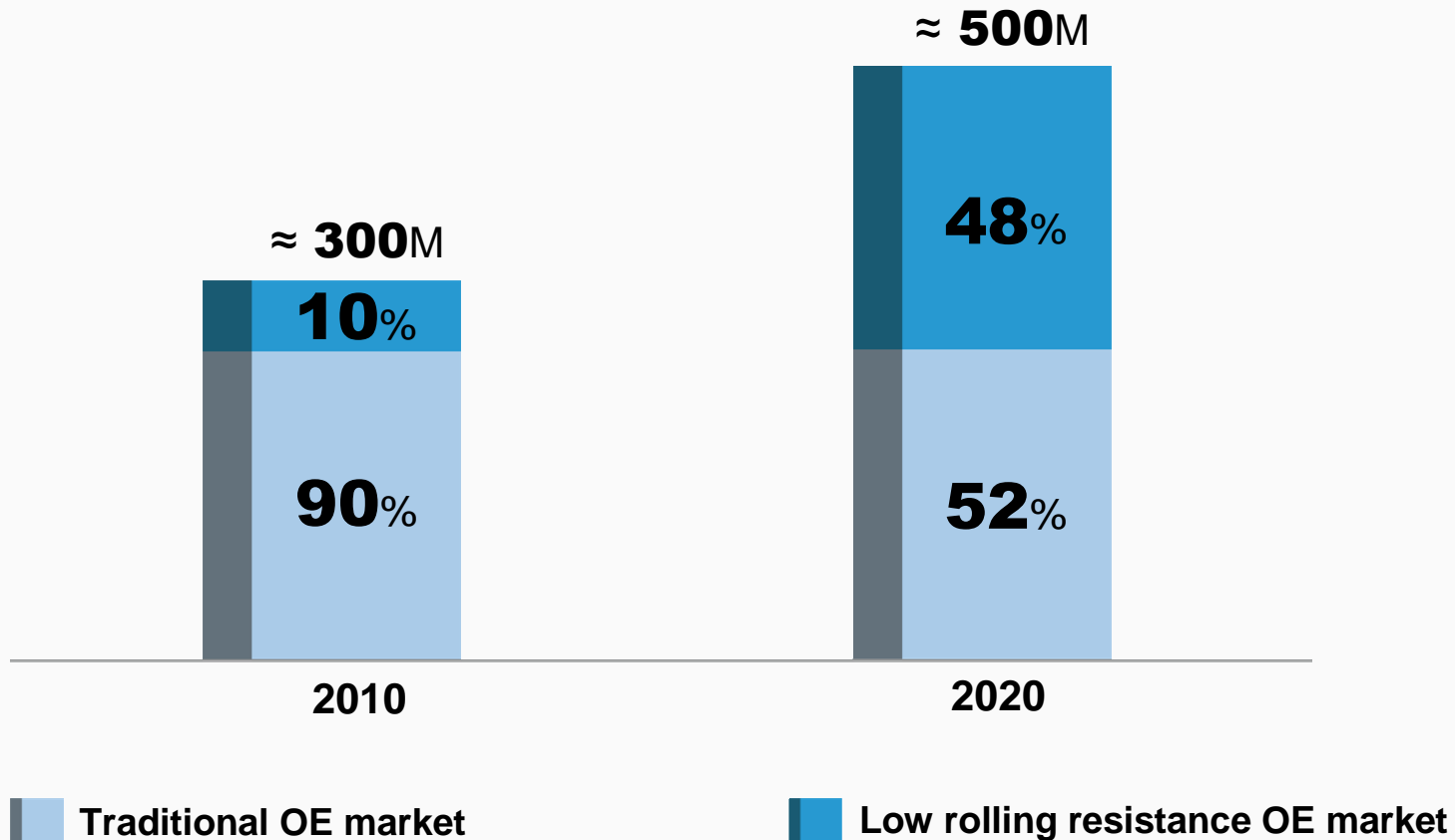
The mining segment was not hit by the crisis and will continue to expand rapidly

SIZE OF THE MINING SEGMENT TIRE MARKET
(base 100 = 2008)



Market growth will be led by low rolling resistance tires

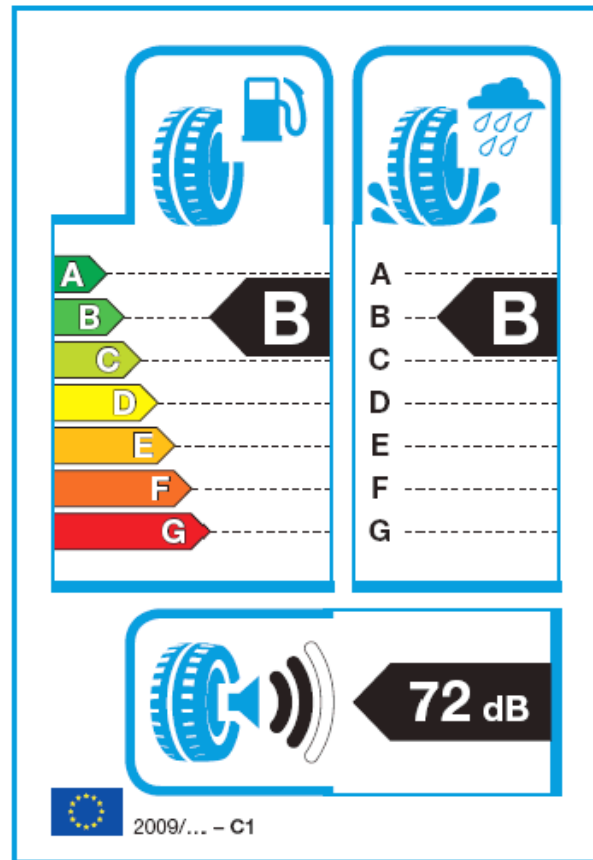
ESTIMATED OE MARKET, AND CONTRIBUTION OF LOW ROLLING RESISTANCE TIRES (in millions of tires)



Michelin estimates



Thresholds will give the best-performing players a competitive advantage



European grading

From 2012, thresholds for 3 performance criteria:

- Rolling resistance
- Wet grip
- Noise

Thresholds to be raised in 2016



Michelin will speed up implementation of its current projects

Brazil, India, China:

- First tire: 2012
- 2013 capacity: 300k tonnes
- 2015 capacity: 480k tonnes

Faster implementation of new projects

- Truck tire capacity extension in Brazil
- Passenger car & Light truck tire capacity extension in Thailand
- ...

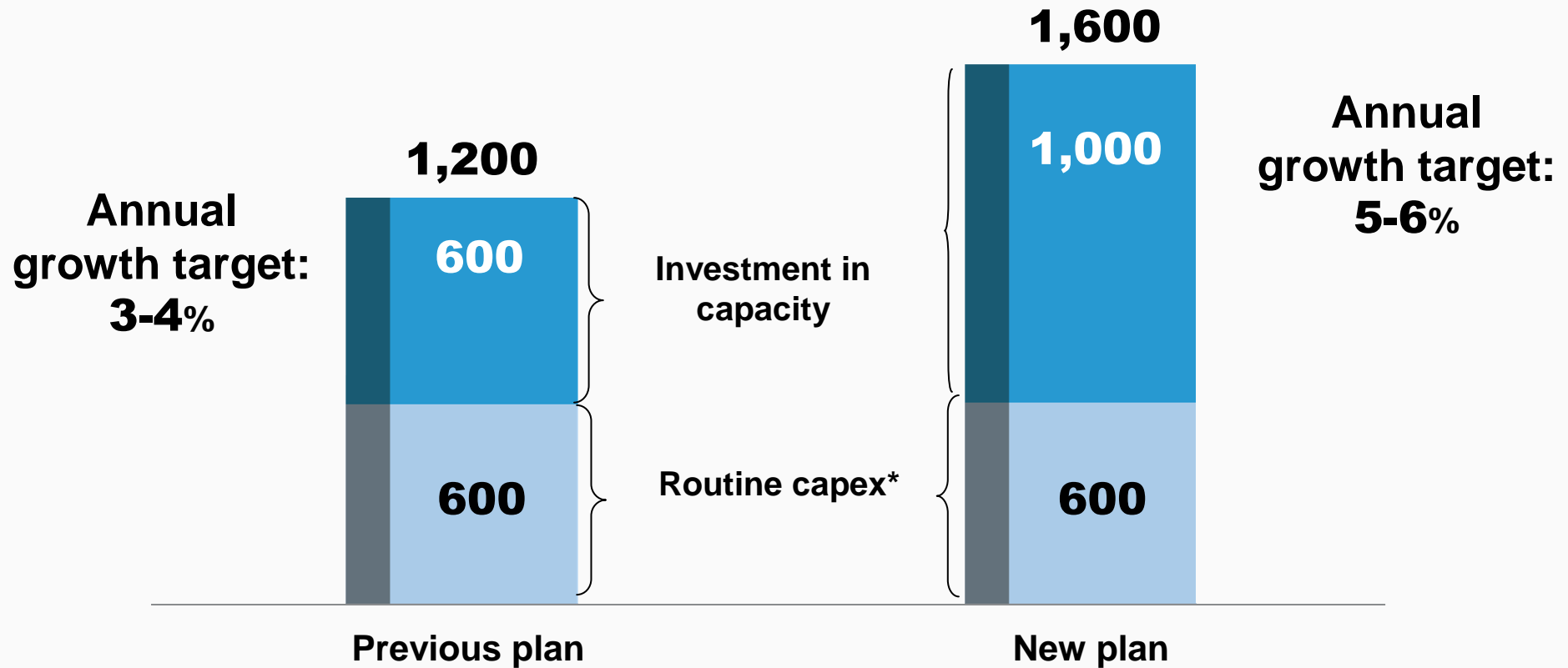
Mature markets

- Increased marginal capacity
- Ongoing productivity gains
- Investment in technological tires



Increased capital expenditure will boost annual growth

IN € MILLIONS



****Maintenance, Molds, Production Lines, IT, R&D, Logistics, Distribution***



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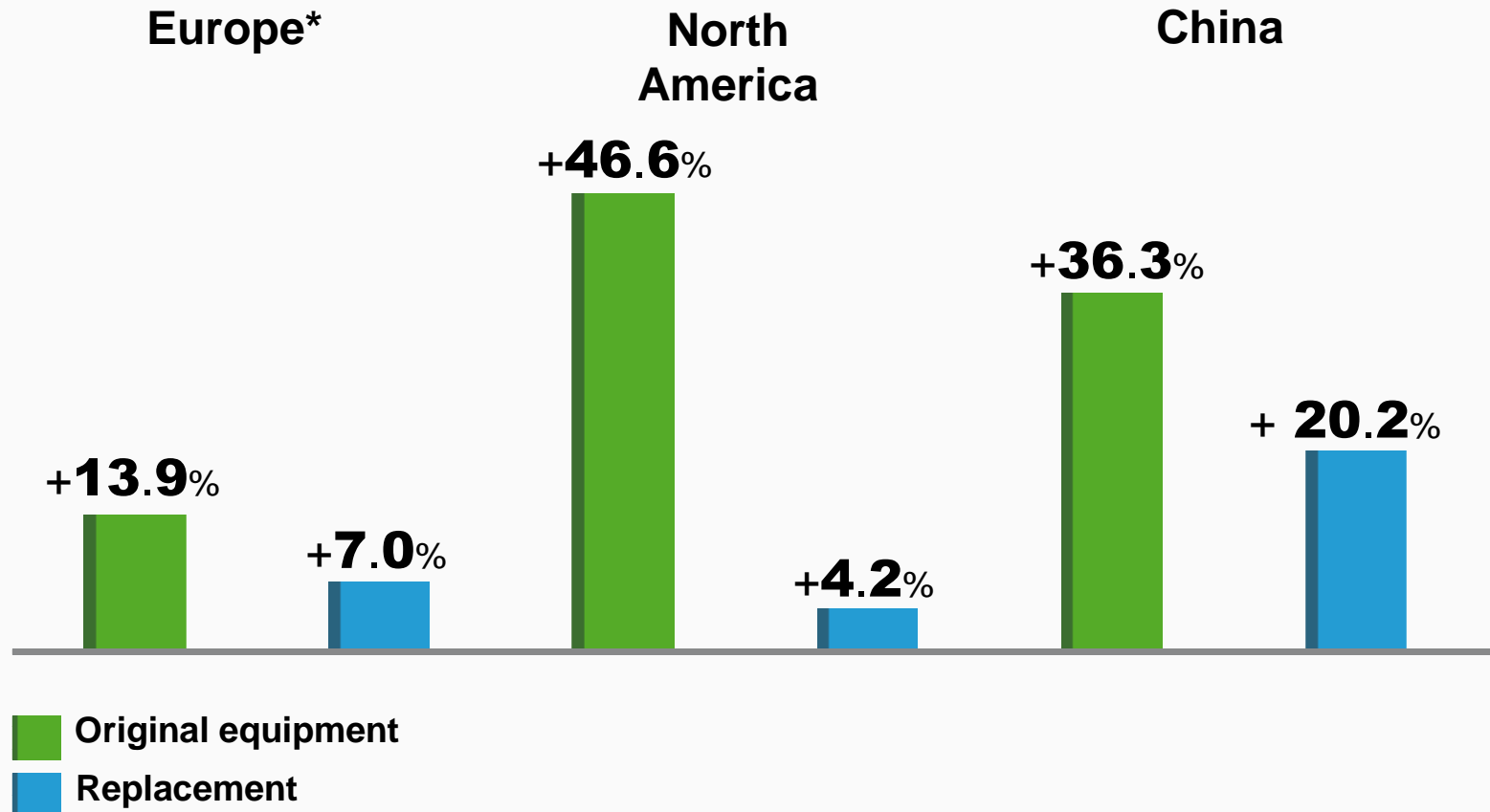
2010 nine-month net sales up 19.4%

- **Continued growth in demand, at a faster than expected pace**
- **Higher unit sales, in line with the full-year target and sustained by gains across all operating segments**
- **Favorable impact of price increases implemented since the start of the year**



Sustained strong rebound in Passenger Car and Light Truck markets

Markets at October 31, 2010
% change YoY

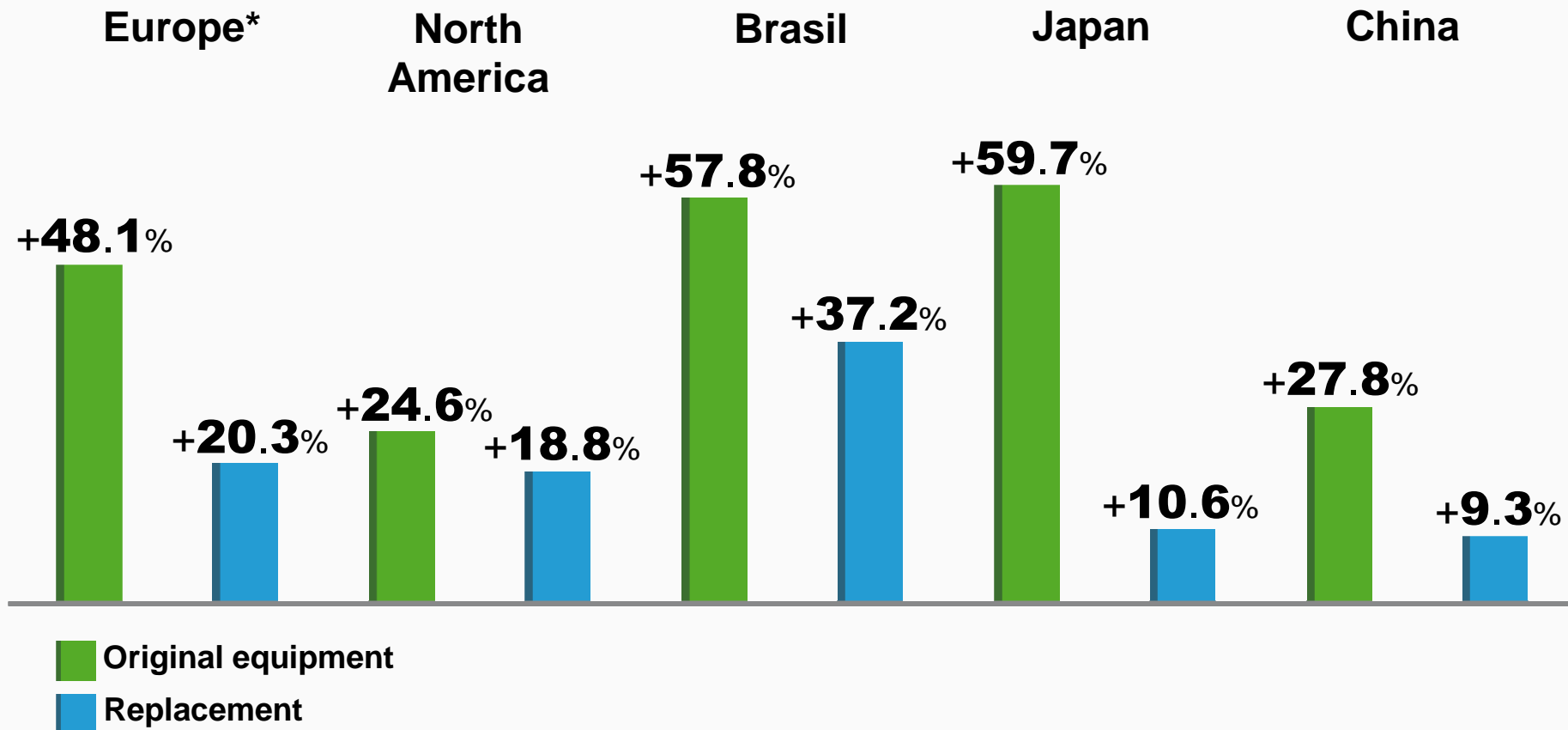


*Including Turkey, excluding Russia



Clear upturn in Truck tire markets off of low prior-year comparatives

Markets at October 31, 2010
% change YoY

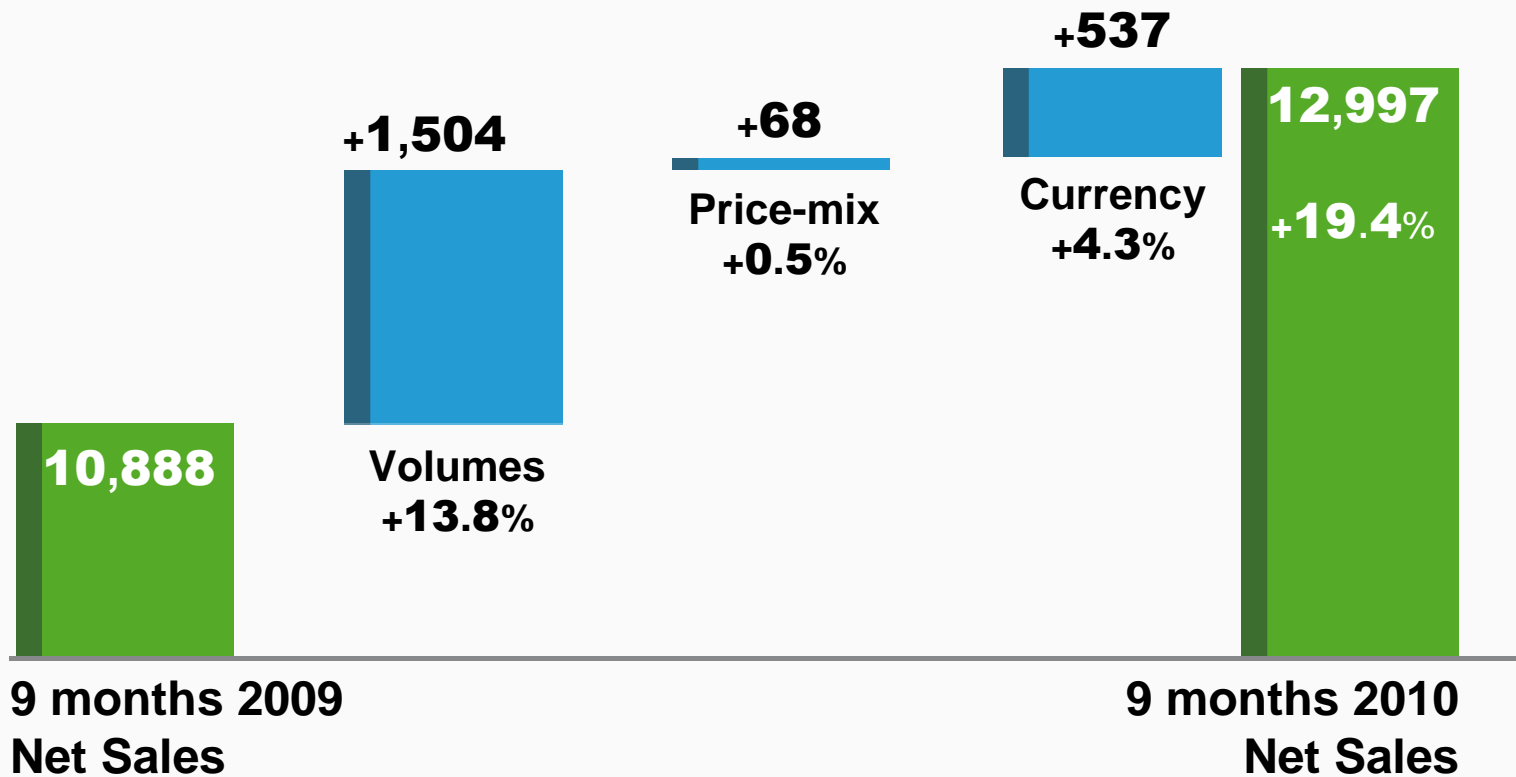


*Including Turkey, excluding Russia



Growth in net sales still volume-driven

YoY CHANGE IN € MILLIONS AND AS A % OF NET SALES



Passenger Car and Light Truck Tires: Strong Growth in unit sales

NET SALES – € MILLIONS

	€ millions	% change YoY
Q3 2010	2,515	+20.2%
9 months 2010	7,136	+18.1%

- Strong growth in both OE and Replacement sales
- Firm winter tire sales, led by dealer inventory rebuilding
- Favorable impact of price increases partly offset by the OE-RT mix



Truck Tires: higher unit sales off of low prior-year comparatives

NET SALES – € MILLIONS

	€ millions	% Change YoY
Q3 2010	1,530	+26.9%
9 months 2010	4,096	+25.0%

Unit sales rebounded off of low comparatives, particularly in OE

Gradual impact of price increases

Healthy manufacturing performance



Specialty Businesses: favorable impact of prices and higher volumes

NET SALES – € MILLIONS

	€ millions	% change YoY
Q3 2010	603	+32.5%
9 months 2010	1,765	+12.4%

- Sustained firm demand in the Mining segment
- Upturn in the Infrastructure & OE segments
- Rebound in Agricultural tire sales
- Favorable impact of raw materials indexing clauses in the 3rd quarter



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The Group has set ambitious growth acceleration targets

Volume growth

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



The Group has set ambitious targets for strong, profitable growth

- Lift operating income before non-recurring items to well above €2bn by 2015
- Deliver return on capital employed (ROCE) in excess of 9%
- Generate significant positive free cash flow over the 2010-2015 period

Michelin confidently confirms its 2010 guidance



Michelin confidently reaffirms its objectives for 2010

- Around **12%** growth in unit sales, with a higher basis of comparison in the 4th quarter
- Confirmed **€600-650** million increase in full-year expenses due to raw materials costs
- Close to **9%** operating margin before non-recurring items
- Positive free cash flow for the year



Rights issue: confidence in the Group's strategy and growth prospects

- **Successful rights issue**
- **Subscription rate: 350%**
- **Final gross proceeds: €1,222 million**
- **Creation of 27 million new shares**
- **Shares outstanding now total 176.5 million**



The Michelin brand is a powerful asset!



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