

# 2nd Annual Global Automotive Conference

**Goldman  
Sachs**



London  
December 10, 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	<b>8.2</b>	<b>6.1</b>
Germany	<b>7.4</b>	<b>7.1</b>
United Kingdom	<b>6.8</b>	<b>6.4</b>
Italy	<b>7.7</b>	<b>7.2</b>
Spain	<b>8.3</b>	<b>6.9</b>
Russia	<b>7.7</b>	<b>6.9</b>
Turkey	<b>8,1</b>	<b>7.1</b>
United States	<b>7,4</b>	<b>7.1</b>
Brazil	<b>3.5</b>	<b>6.2</b>
Japan	<b>5.4</b>	<b>8.6</b>
China	<b>8.4</b>	<b>5.7</b>

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



# The Group has been relentlessly innovative



**X One**

**MICHELIN  
ENERGY™ SAVER**



**Ultraflex Range**

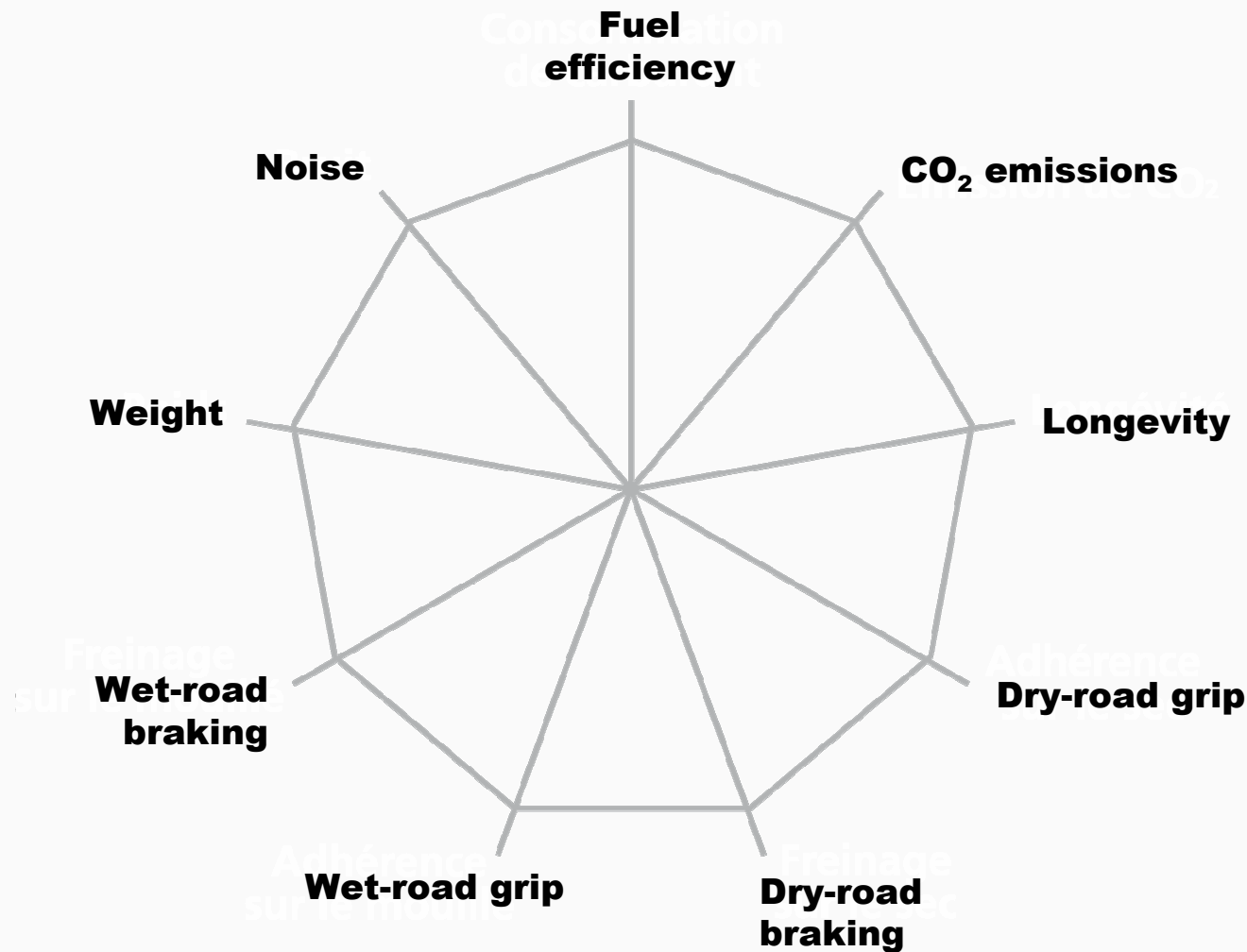


**XDA 2  
ENERGY**





# 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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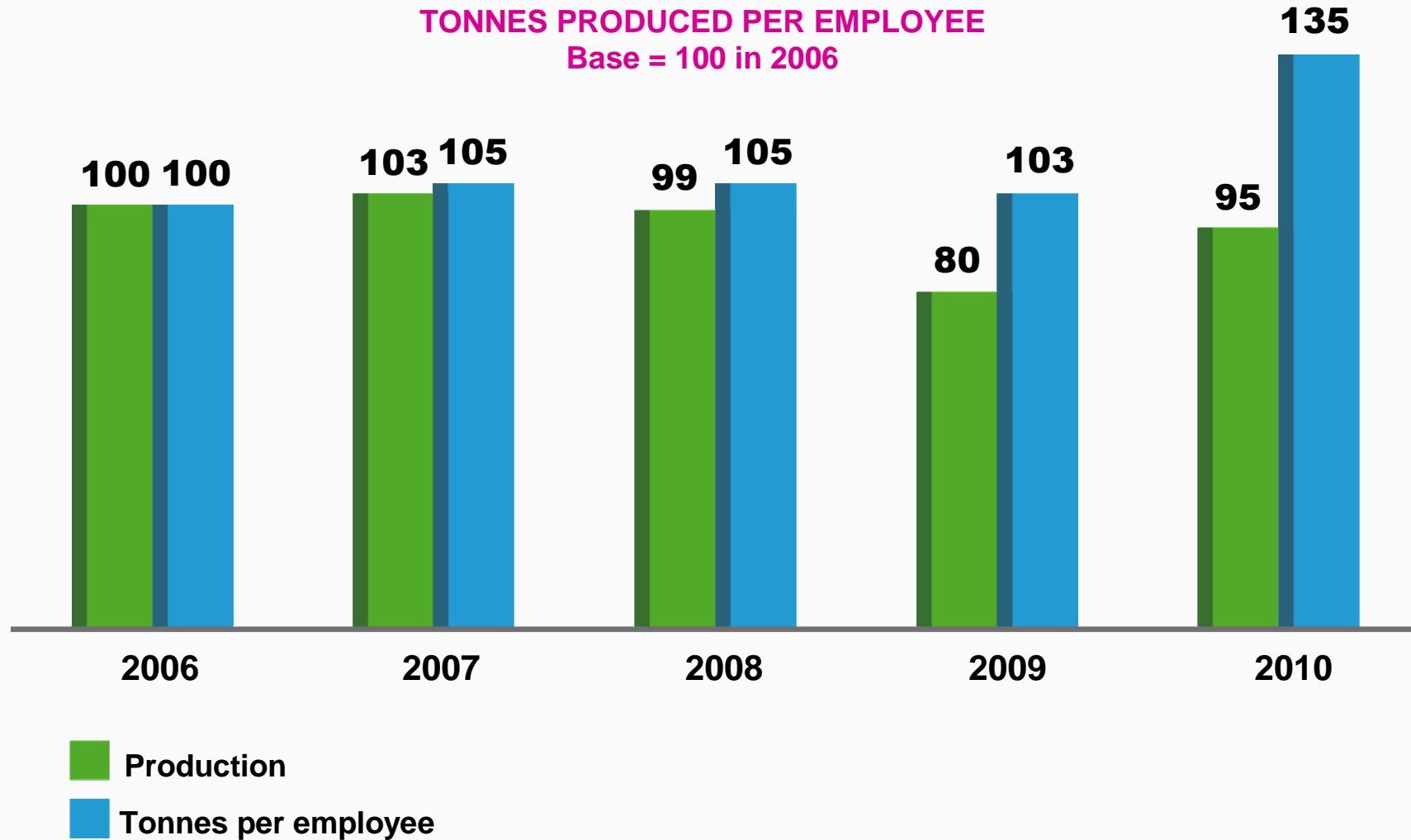


# The Group has deployed numerous transformation programs

- **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
  - ...

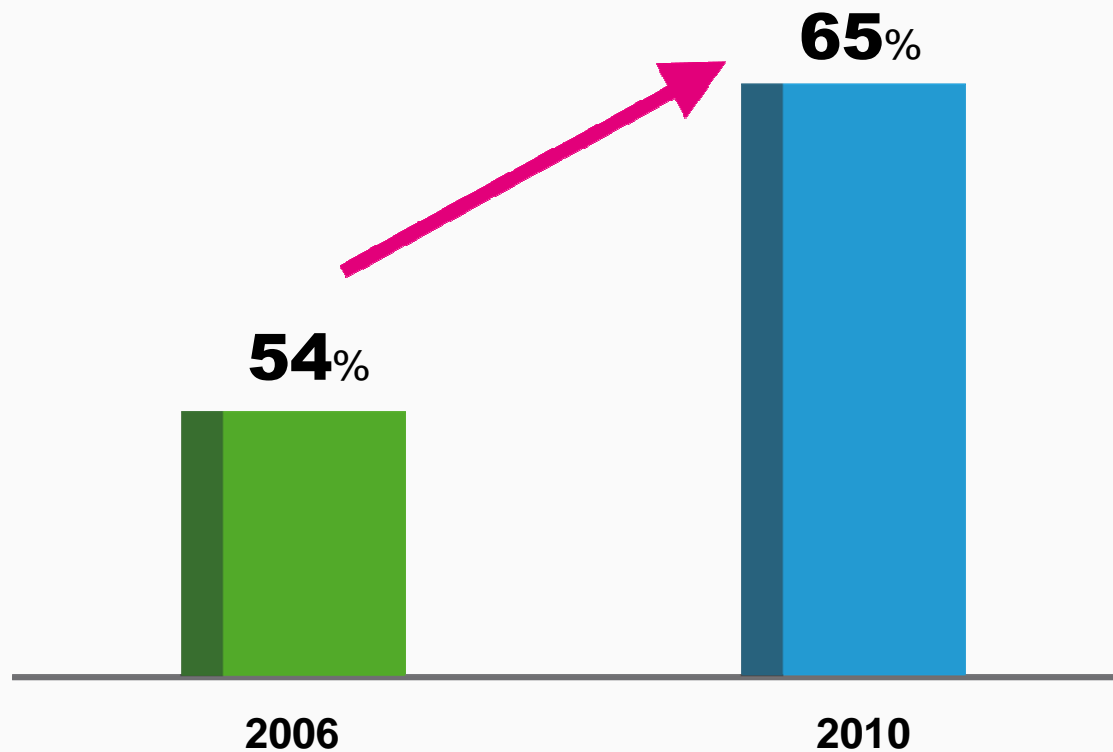


# Group productivity has improved by more than 35% since 2006

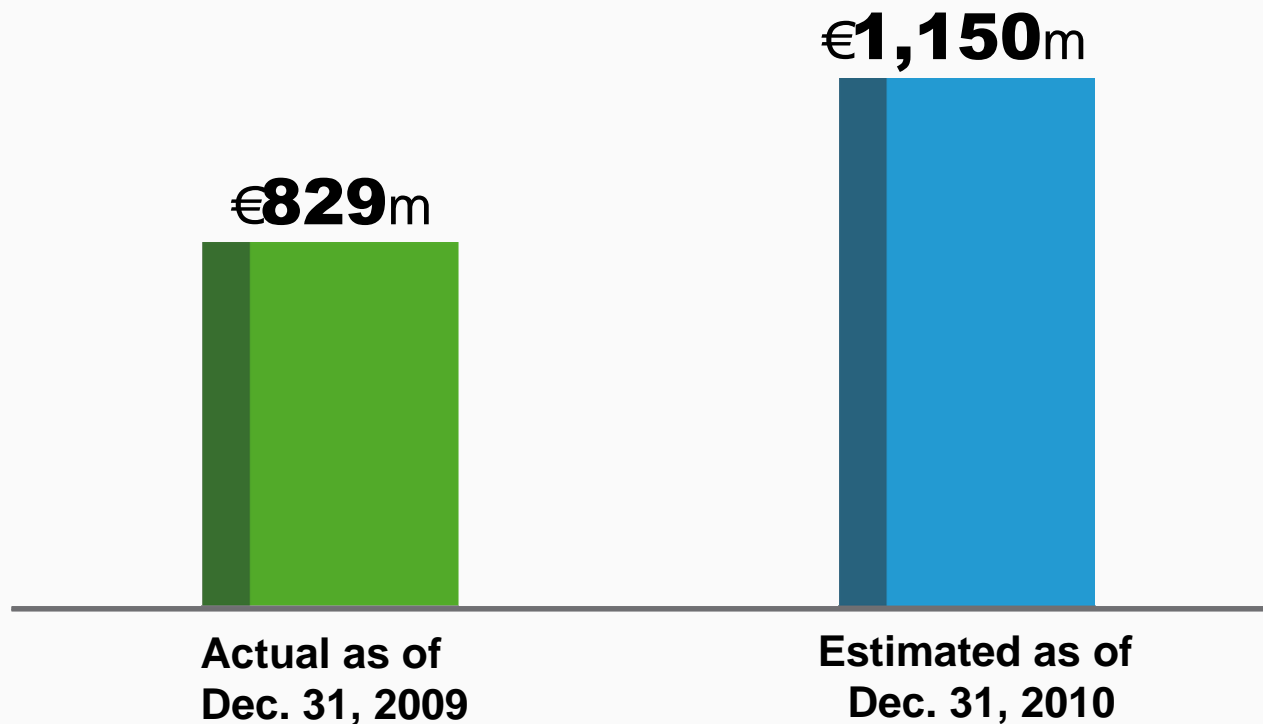


# Plant average size in mature markets has grown

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	<b>8,349</b>	<b>14,807</b>	<b>16,408</b>	<b>16,867</b>	<b>16,384</b>
Operating income Before non-recurring items	<b>822</b>	<b>862</b>	<b>920</b>	<b>1,645</b>	<b>1,338</b>
Operating margin Before non-recurring items	<b>9.8%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>9.8%</b>	<b>8.2%</b>
Net income	<b>504</b>	<b>104</b>	<b>357</b>	<b>772</b>	<b>573</b>
Investments	<b>251</b>	<b>672</b>	<b>1,271</b>	<b>1,340</b>	<b>1,414</b>
Net debt / Total equity	<b>53%</b>	<b>55%</b>	<b>84%</b>	<b>70%</b>	<b>89%</b>
Free cash flow* Cumulative total					

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





# Stepping up implementation of a proven strategy

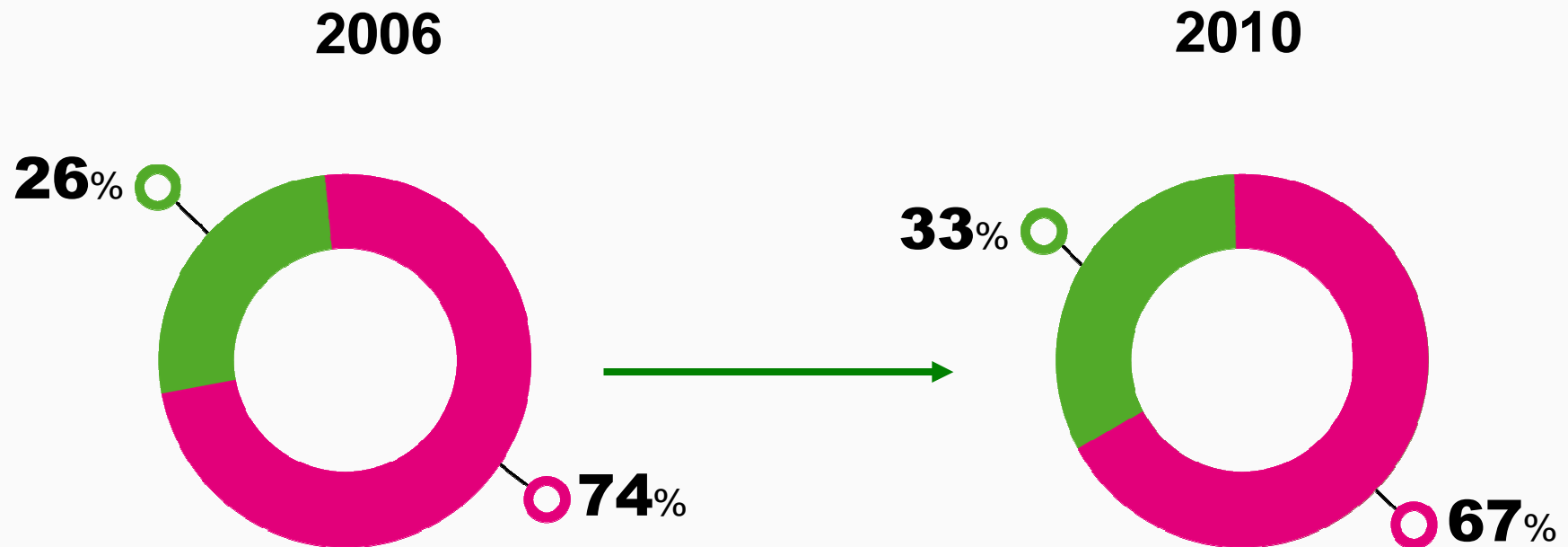
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# The contribution from new markets is growing



- — % 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***

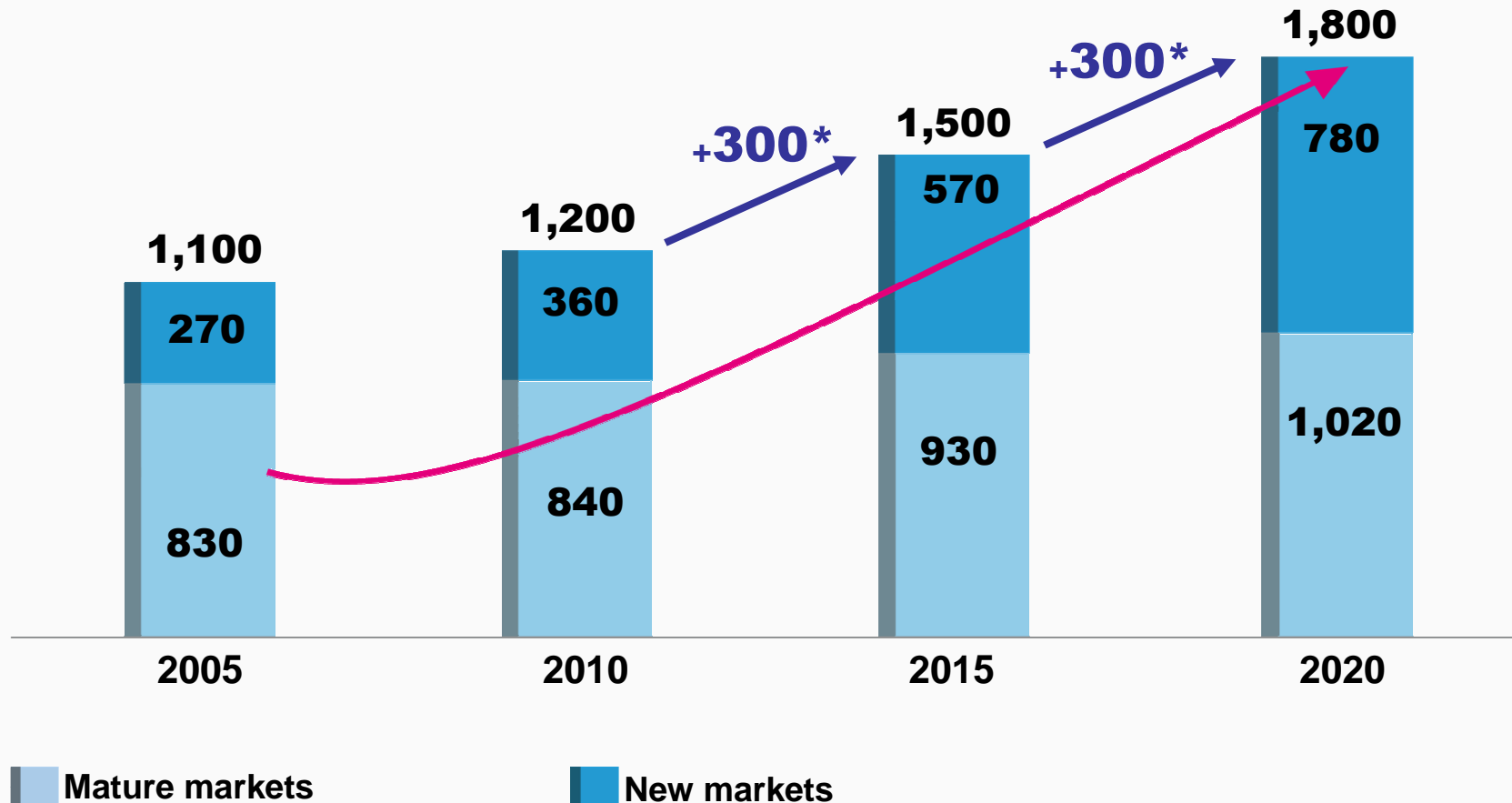
***9-month net sales***

***Outlook & new medium-term goals***



# Growth is gaining stronger momentum worldwide

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



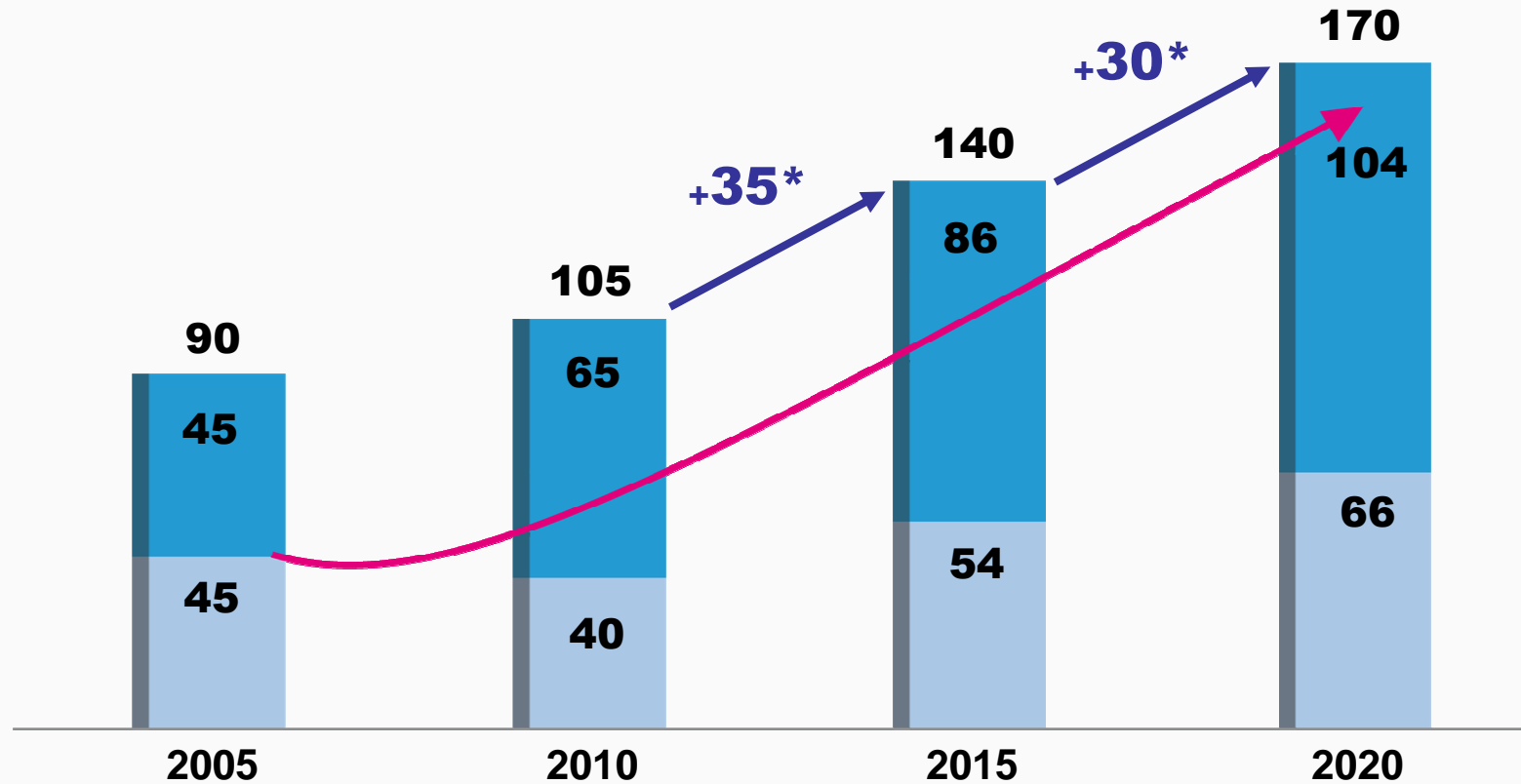
\* Of which 70% in new markets

Michelin estimates



# Growth will also be robust across every truck tire market

RADIAL TRUCK TIRE MARKETS (in millions of tires)



Mature markets
  New markets

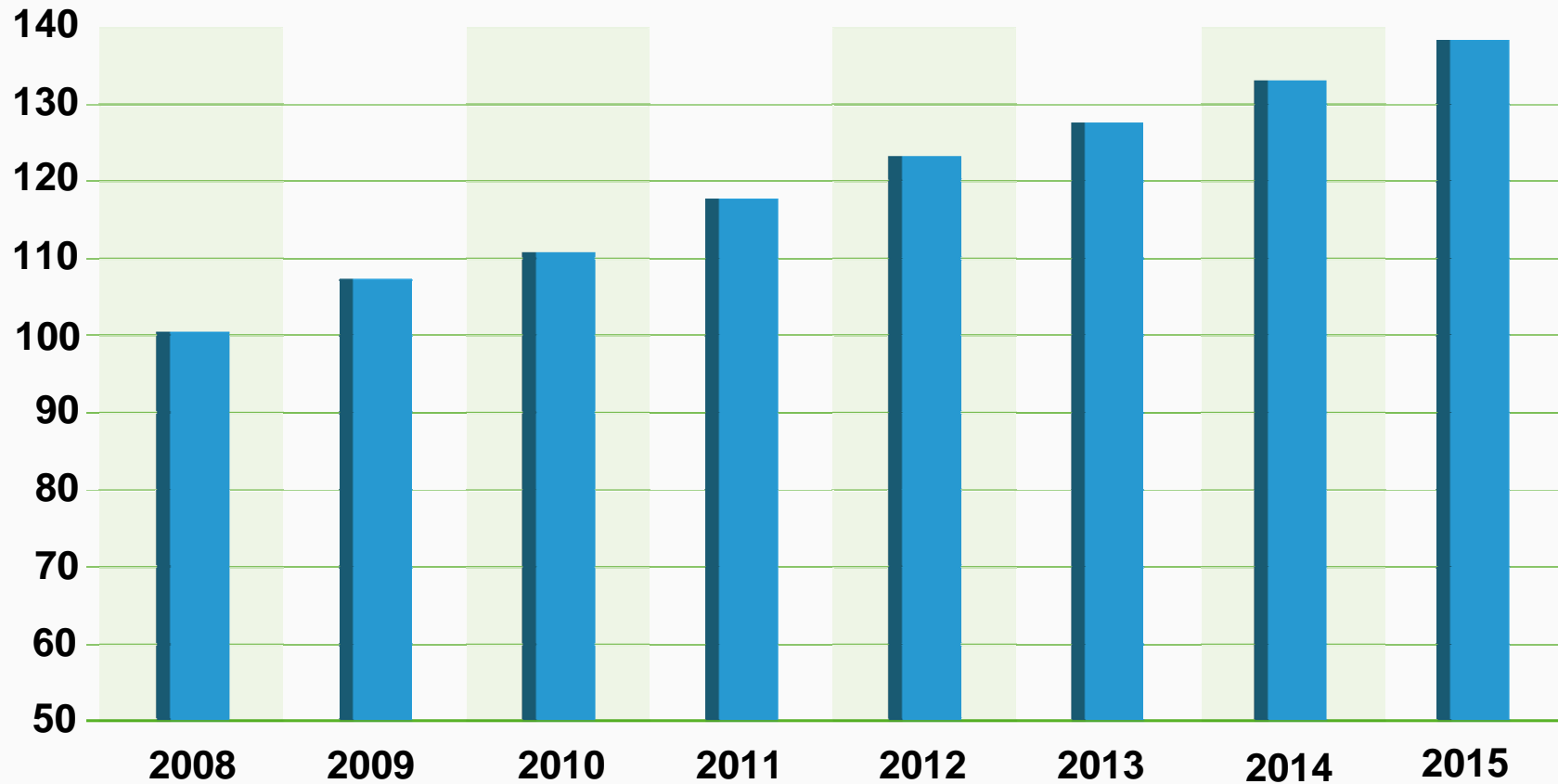
\* Of which 60% in new markets

Michelin estimates



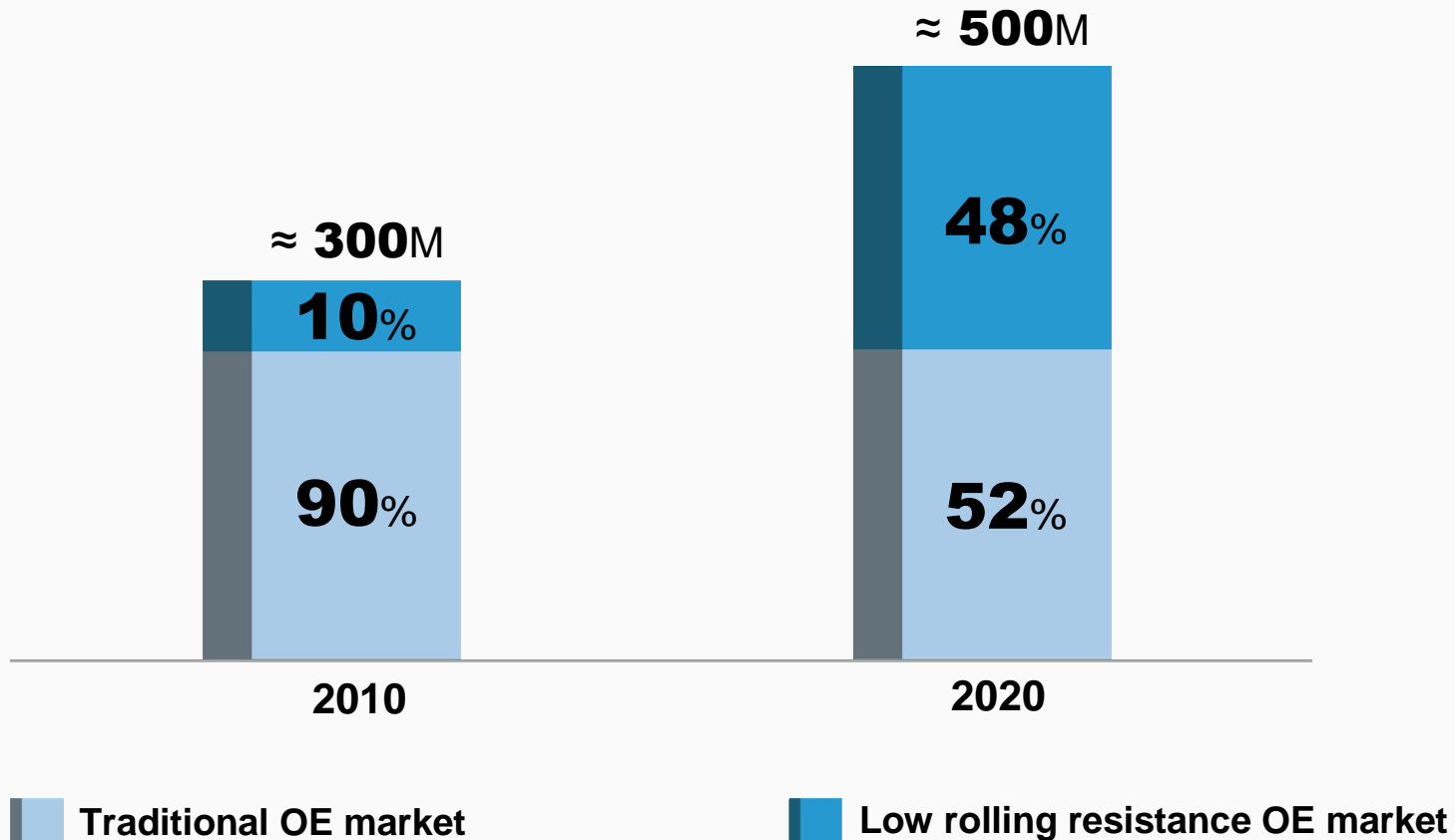
# The mining segment was not hit by the crisis and will continue to expand rapidly

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)

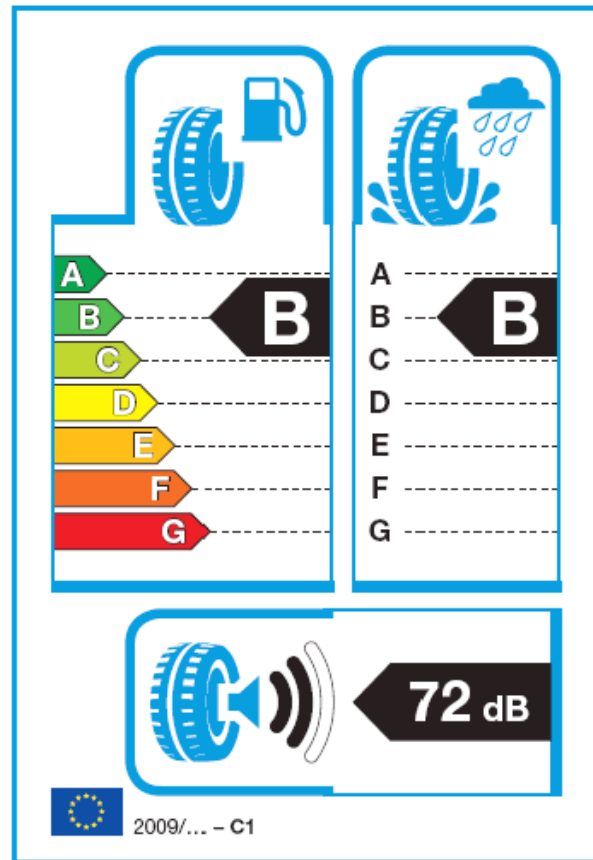


Michelin estimates





# 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
- ...

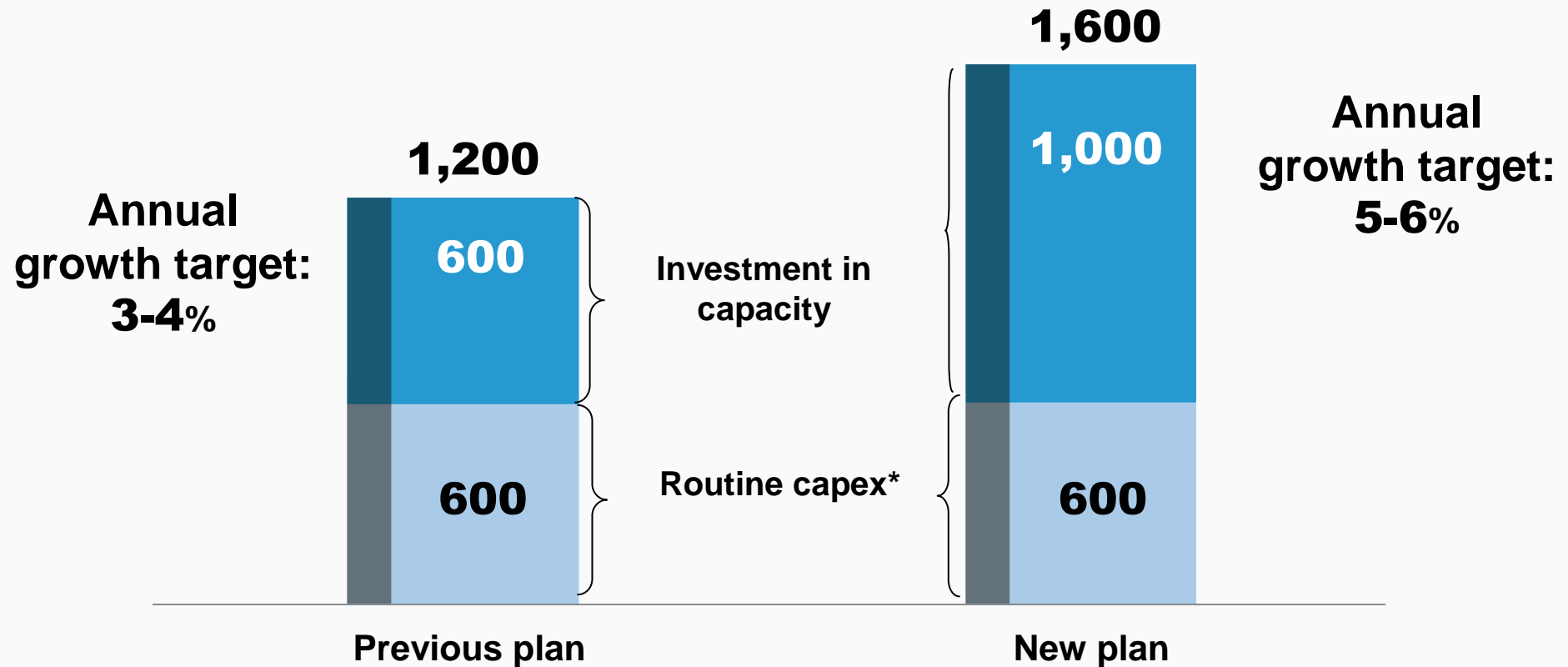
## **Mature markets**

- 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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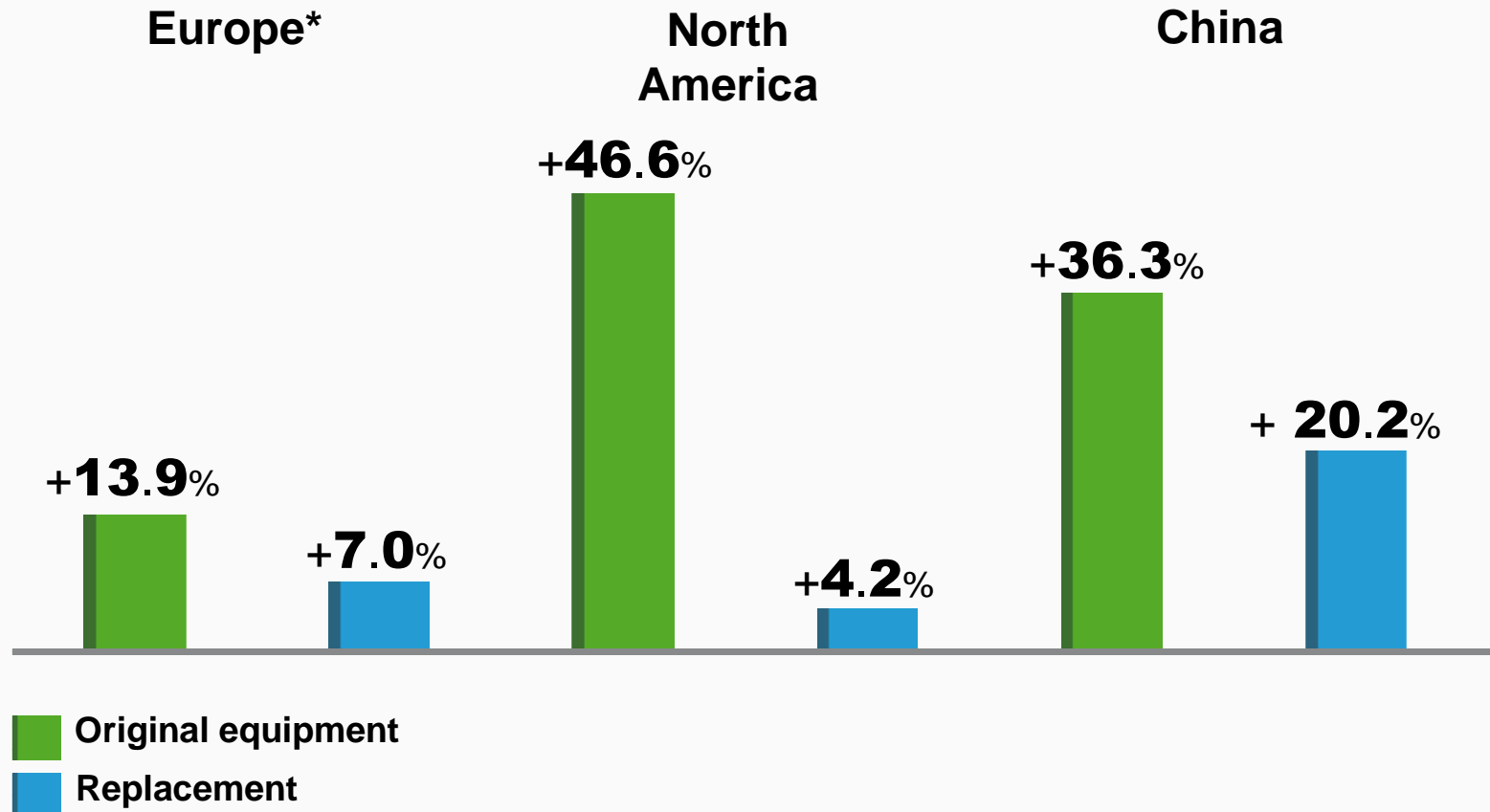
## 2010 nine-month net sales up 19.4%

- **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

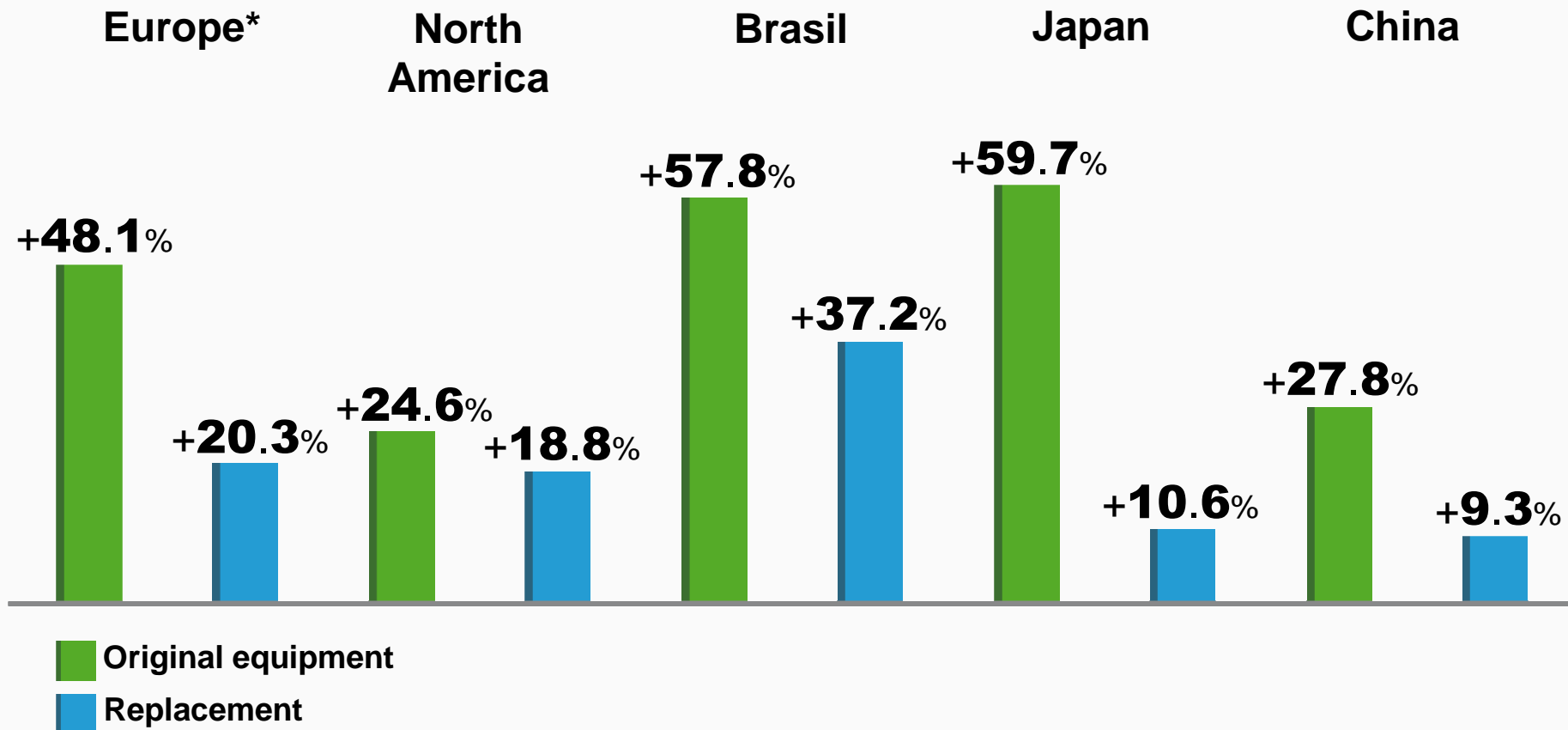


\*Including Turkey, excluding Russia



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

Markets at October 31, 2010  
% change YoY

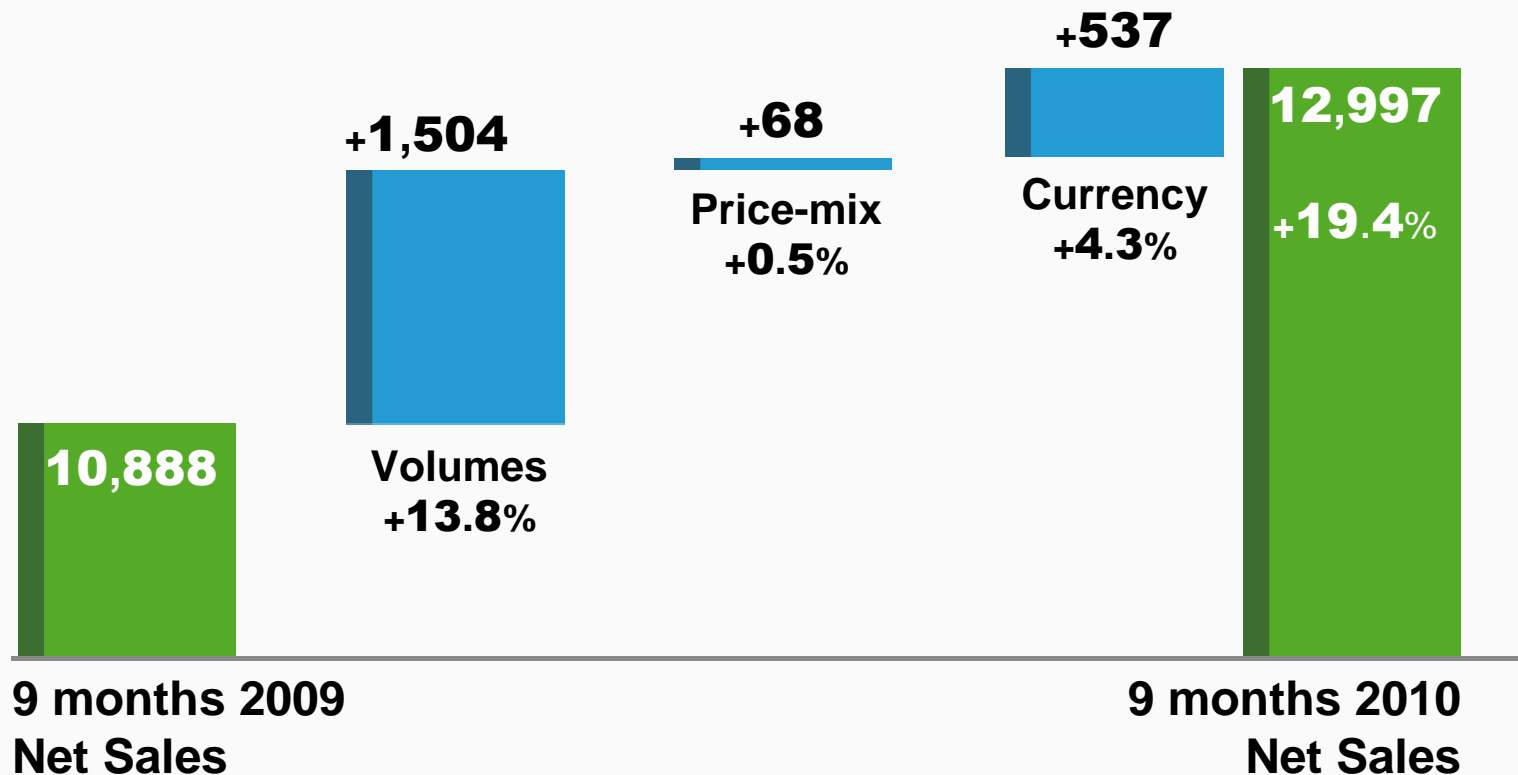


\*Including Turkey, excluding Russia



# 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	<b>2,515</b>	<b>+20.2%</b>
9 months 2010	<b>7,136</b>	<b>+18.1%</b>

- 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	<b>1,530</b>	<b>+26.9%</b>
9 months 2010	<b>4,096</b>	<b>+25.0%</b>

- 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	<b>603</b>	<b>+32.5%</b>
9 months 2010	<b>1,765</b>	<b>+12.4%</b>

- 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 3<sup>rd</sup> 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 4<sup>th</sup> 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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