

North America Roadshow

Bank of America Merrill Lynch



March 2010



2009: Tightened Management and Steady Improvement

■ Exceptional drop in tire demand

- Sharp decline in sales volumes
- Idle production capacity

■ Tightened management of operations

■ Disciplined management of WCR and capex

■ Improvement in the main financial metrics

- Limited decline in net sales
- Firm prices and a resilient MICHELIN brand
- Improved operating margin
- Improved competitiveness

■ Strongly positive free cash flow

■ Record low gearing



2009 Financial Highlights

In € millions

Change YoY

Net sales	14,807	-9.8%
Operating income before non-recurring items	862	-6.3%
Operating margin before non-recurring items	5.8%	+0.2 pts
Net income	104	-70.9%
Investments	672	-€599 million
Gearing	55%	-29 pt improvement
Free cash flow*	1,387	+€1,746 million

*Free cash flow equals cash flow from operating activities less cash flow used in investing activities



OUTLINE



**■ Responding to the Record Drop
In Demand**

■ Tightly Managing Performance

**■ Improving Major
Financial Metrics**

**■ Enhancing Growth Potential
In 2010**



Responding to the Record Drop in Demand



Record Decline in Global Markets



Markets as of December 31, 2009
% change YoY

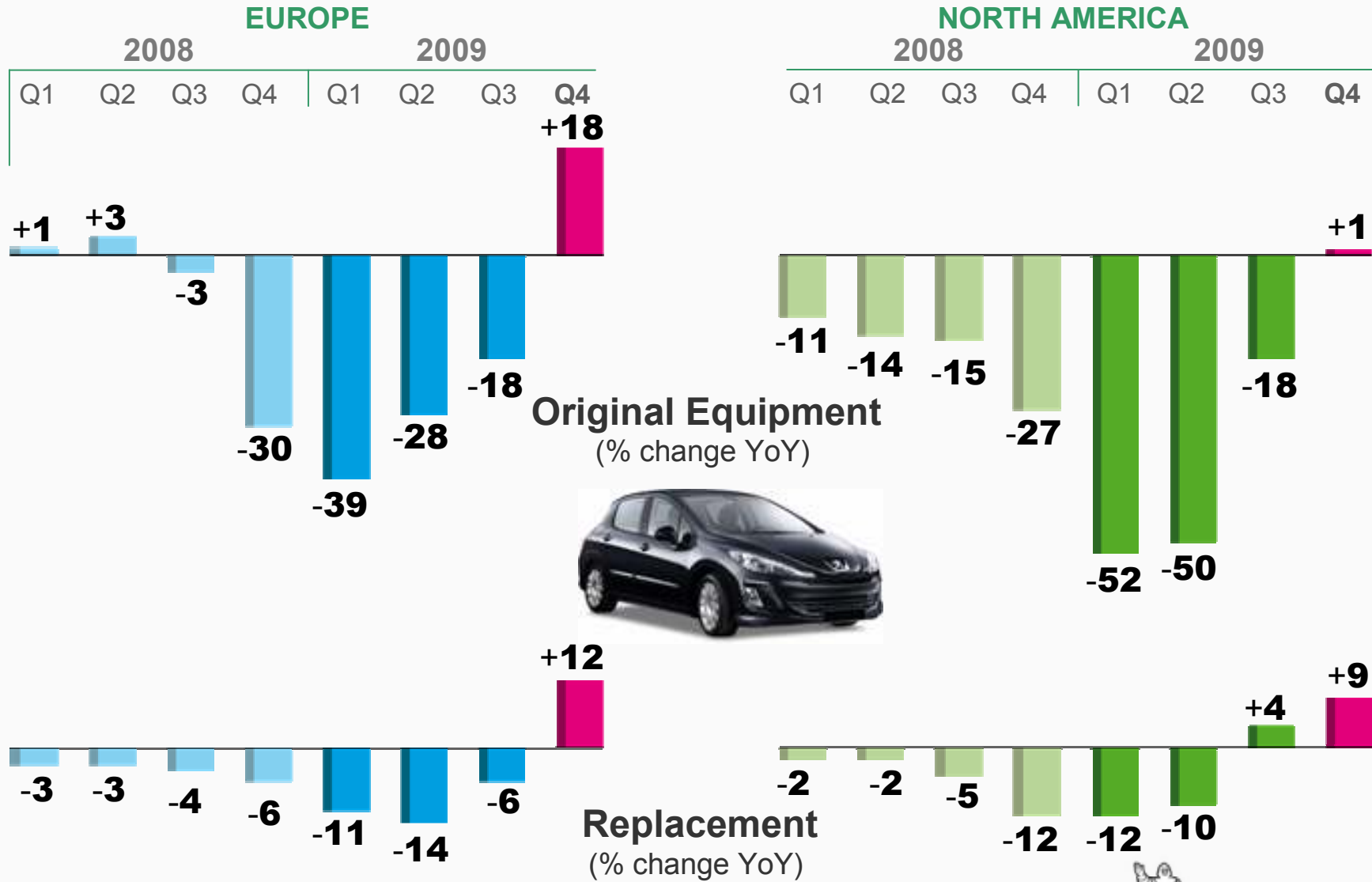
PASSENGER CAR/LIGHT TRUCK

	Europe Incl. CIS	North America	Asia	South America	Africa Middle East	Total
Original Equipment	-19.9	-32.3	+3.1	-7.9	-16.9	-11.9
Replacement	-5.2*	-2.3	-0.8	-4.4	-4.1	-3.2

*Europe excluding CIS: -1.1%

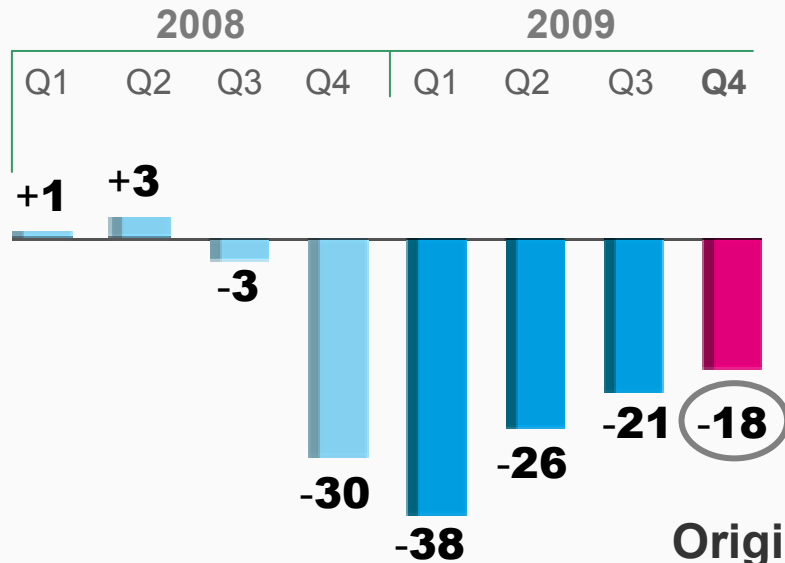


Slight Improvement in Passenger Car and Light Truck Markets in Q4

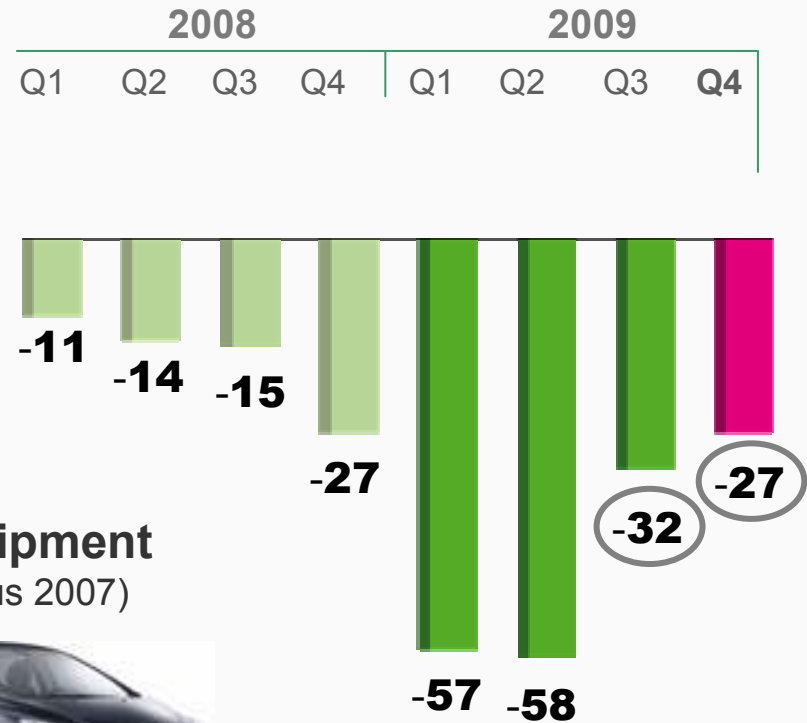


Passenger Car and Light Truck Markets Still Down Versus 2007

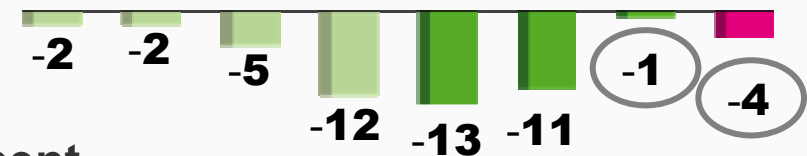
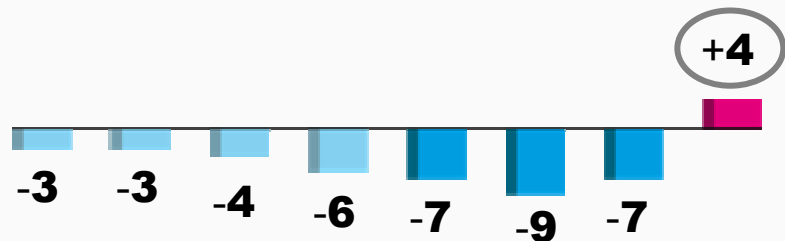
EUROPE



NORTH AMERICA



Original Equipment
(% change versus 2007)

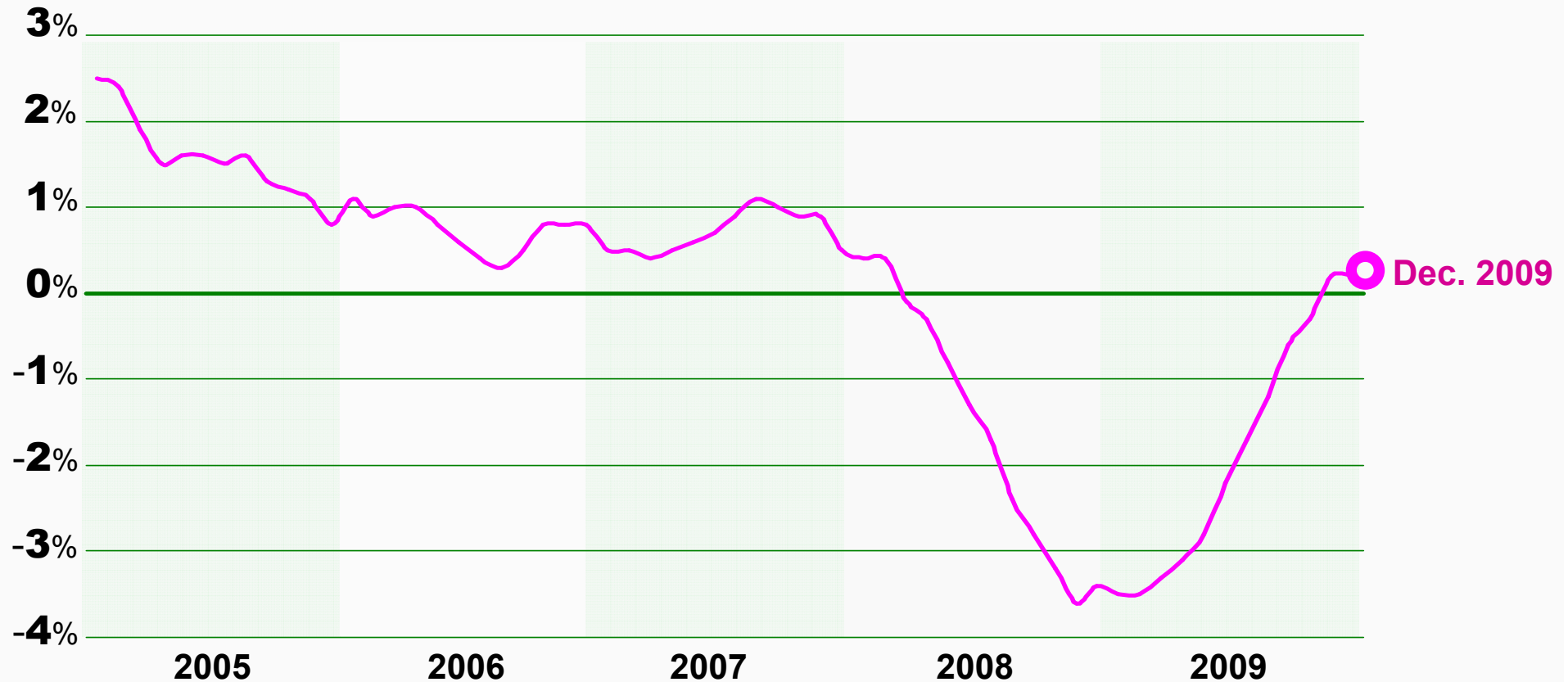


Replacement
(% change versus 2007)



Increase in US Vehicle Miles Driven

VEHICLE MILES DRIVEN IN THE UNITED STATES (MOVING 12-MONTH)
JANUARY 2005 – DECEMBER 2009

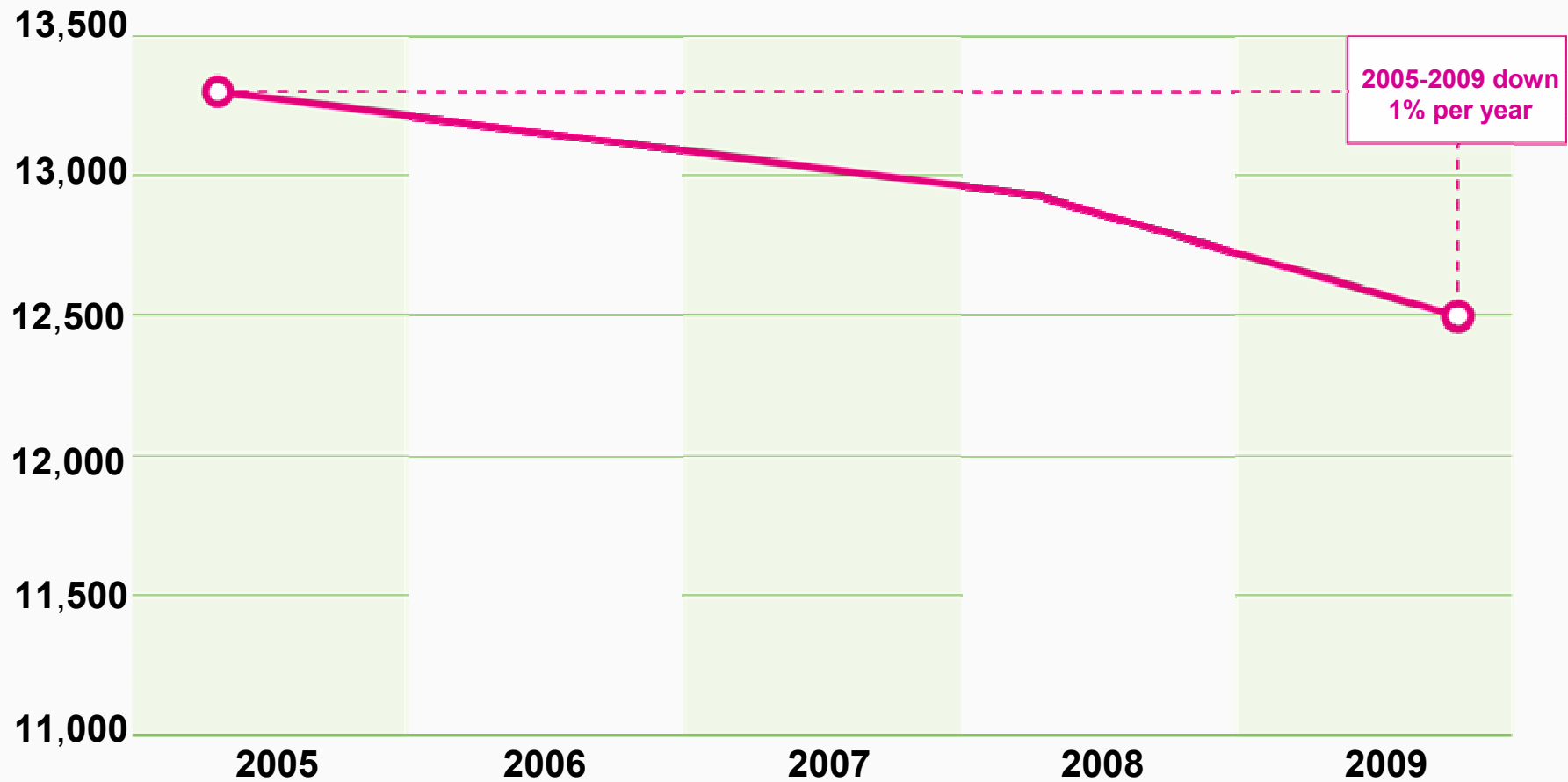


Source: US Department of Transportation / Federal Highway Administration



Decline in Kilometers Driven in France

AVERAGE ANNUAL VEHICLE KILOMETERS DRIVEN IN FRANCE



Source: French Carmakers Association (CCFA), Bipe



Record Decline in Global Markets



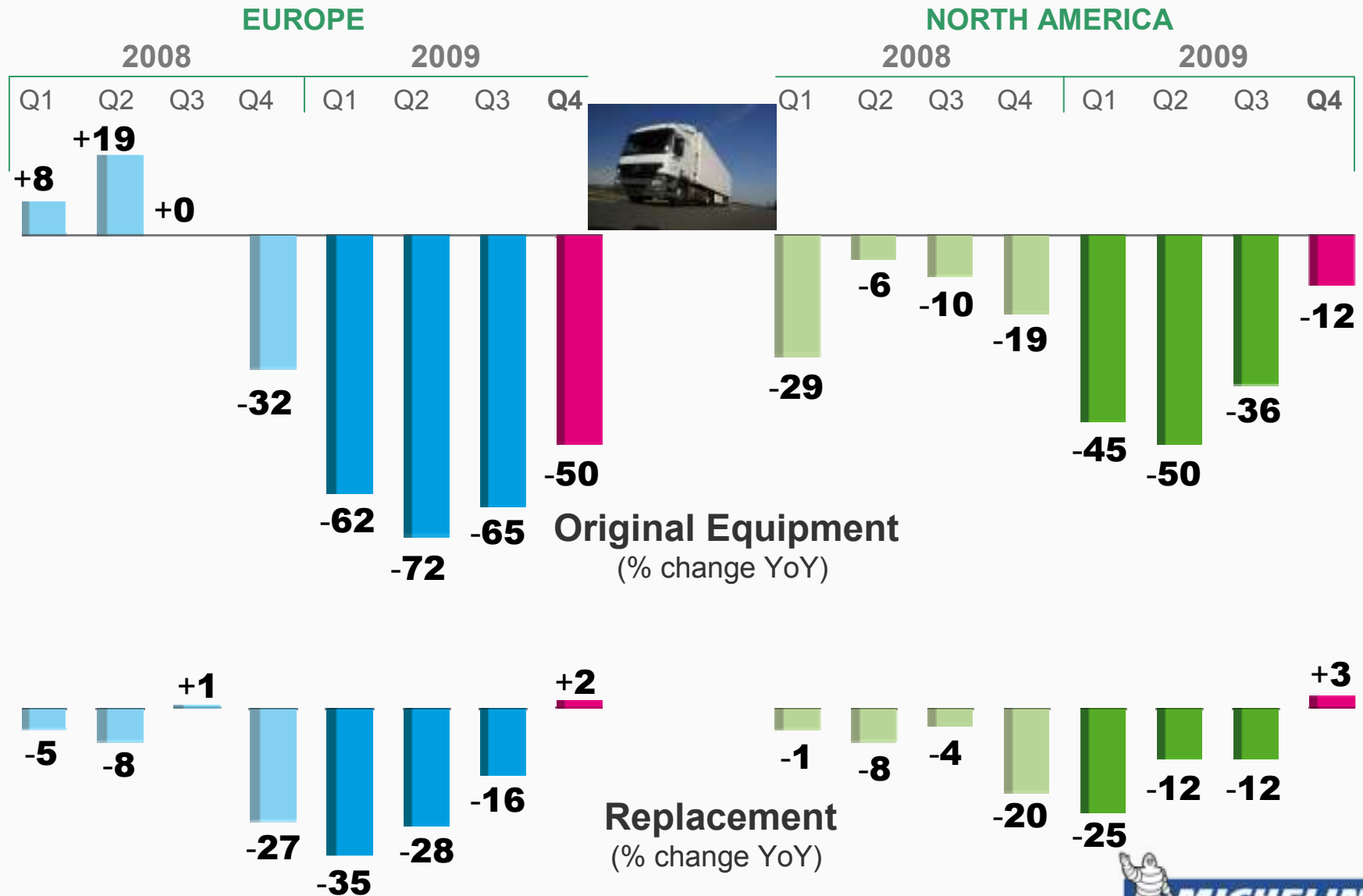
Markets as of December 31, 2009
% change YoY

TRUCK (RADIAL MARKET)

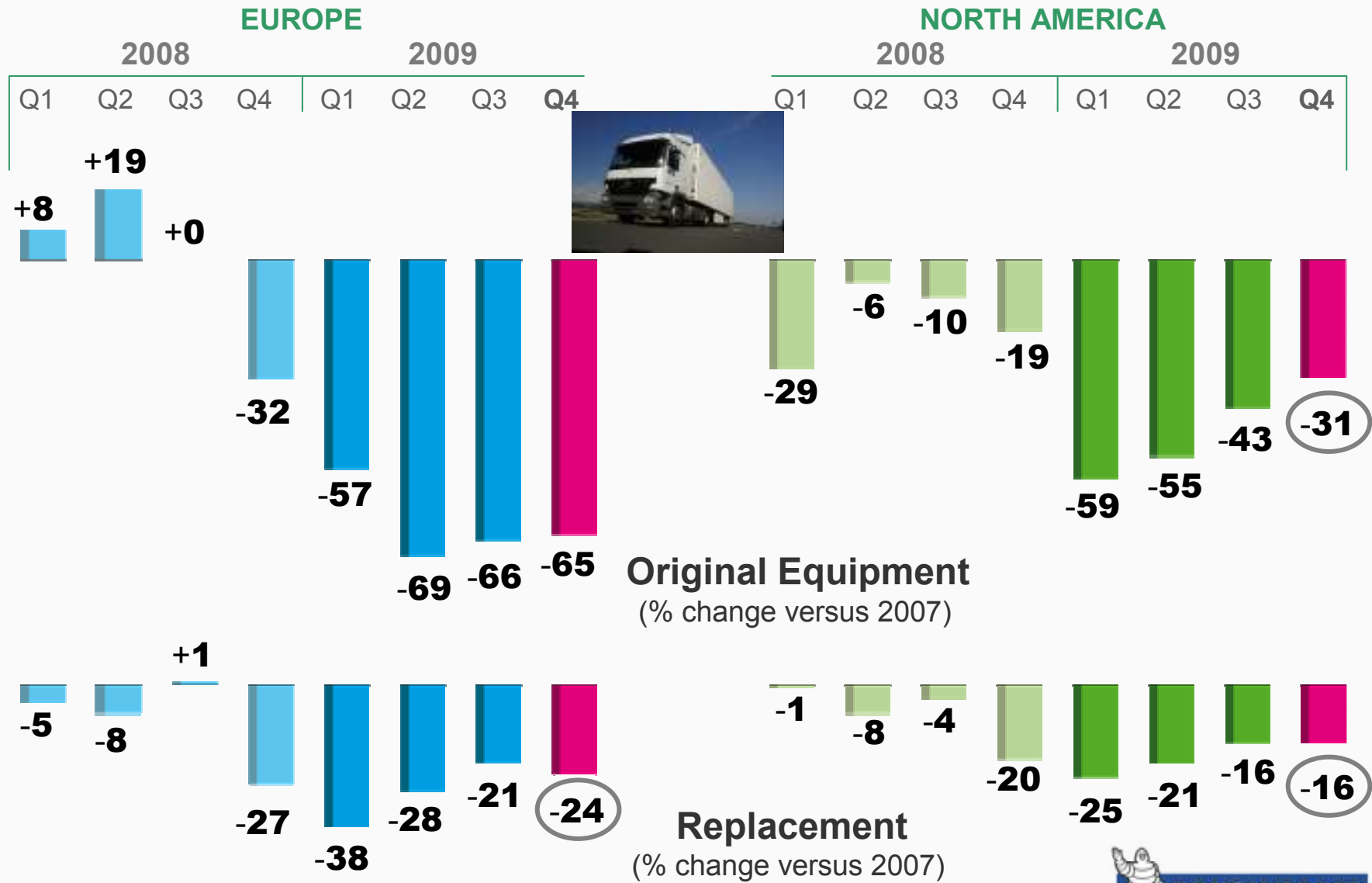
	Europe Incl. CIS	North America	Asia	South America	Africa Middle East	Total
Original Equipment	-63.7	-37.9	-15.4	-22.4	-62.5	-39.2
Replacement	-19.8	-11.6	-2.9	-18.6	-4.5	-9.6



Truck Markets Stabilized at Very Low Levels



Truck Markets Still Below 2007 Levels



Freight Kilometers in Germany Down 11.8% in 2009

KILOMETERS DRIVEN IN GERMANY ('000s)
(MOVING 3-MONTH – TOLL-COMMITTED TRUCKS > 15 TONS)



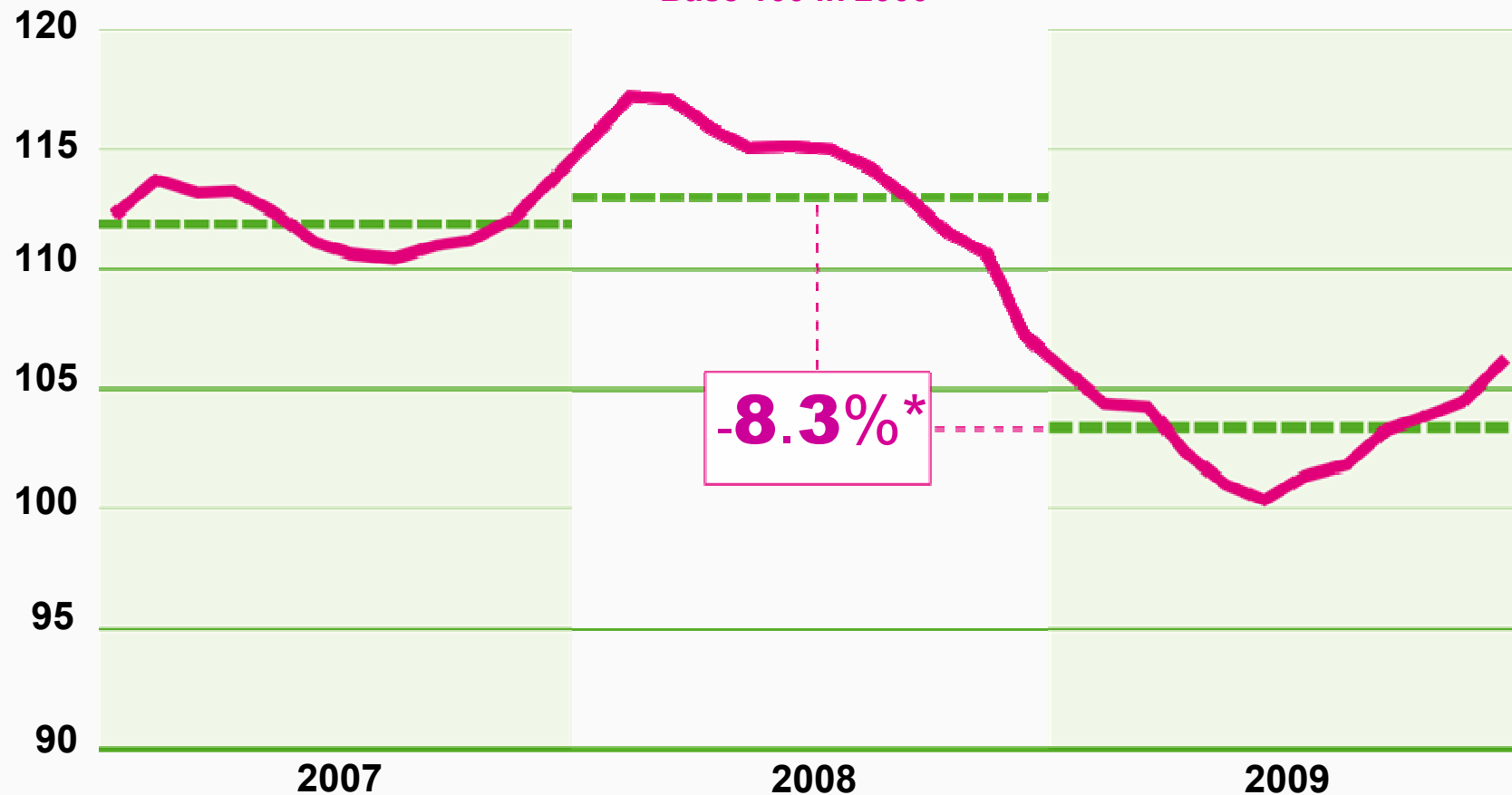
Source: Bundesamt für Güterverkehr

*Yearly average



US Freight Tonnage Down 8.3% in 2009

TRUCK TONNAGE IN THE UNITED STATES (MOVING 3-MONTH)
Base 100 in 2000

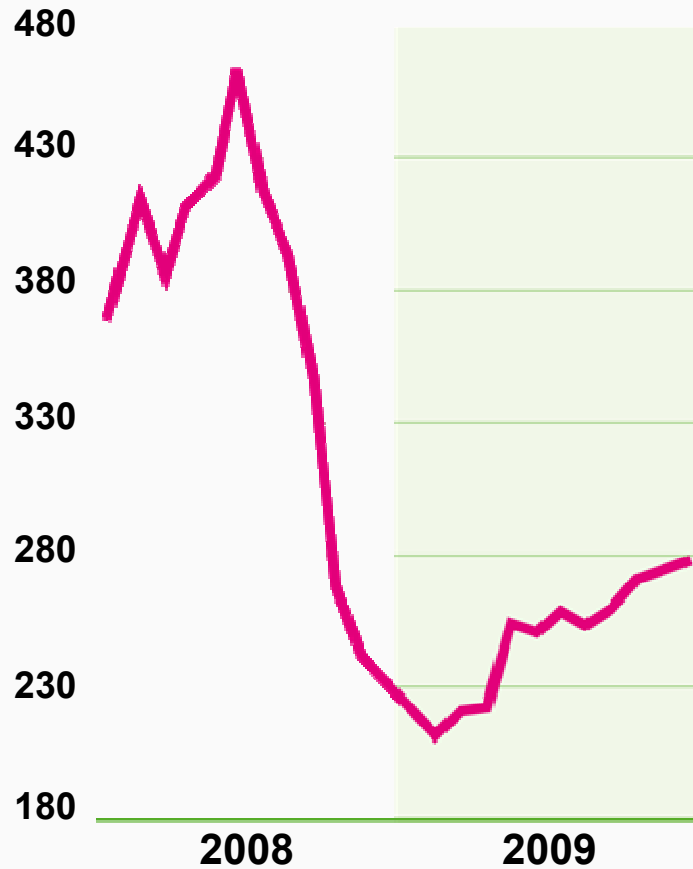


*Yearly average



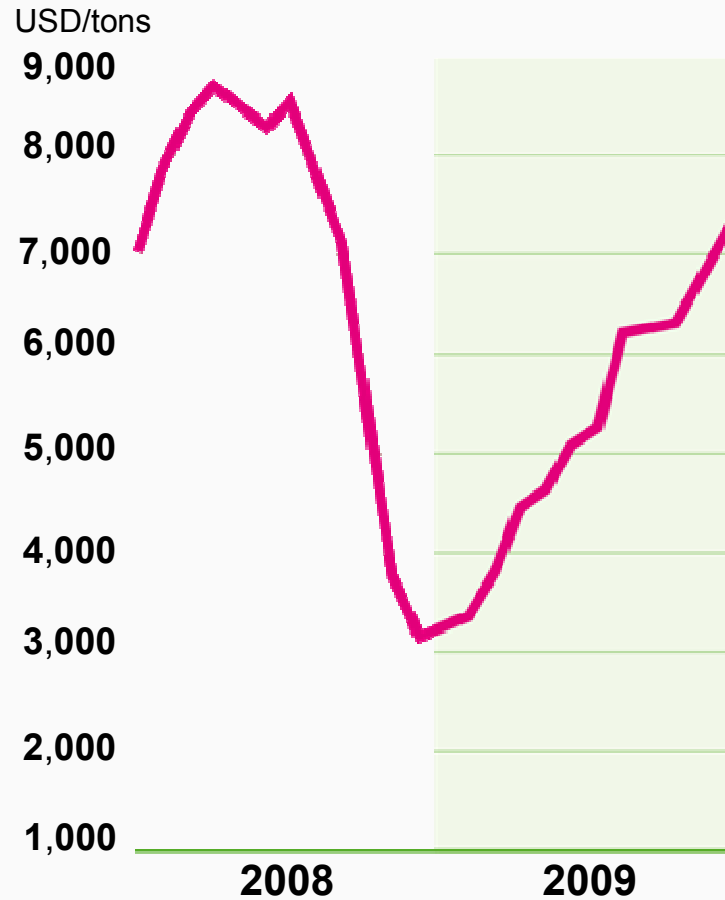
Mining Segment Underpinned by Strong Demand for Raw Materials

**CRB COMPOSITE INDEX HAS REBOUNDED
30% OFF ITS LOWS**



Source: CRB traders

**COPPER PRICES
RECOVERED IN 2009**

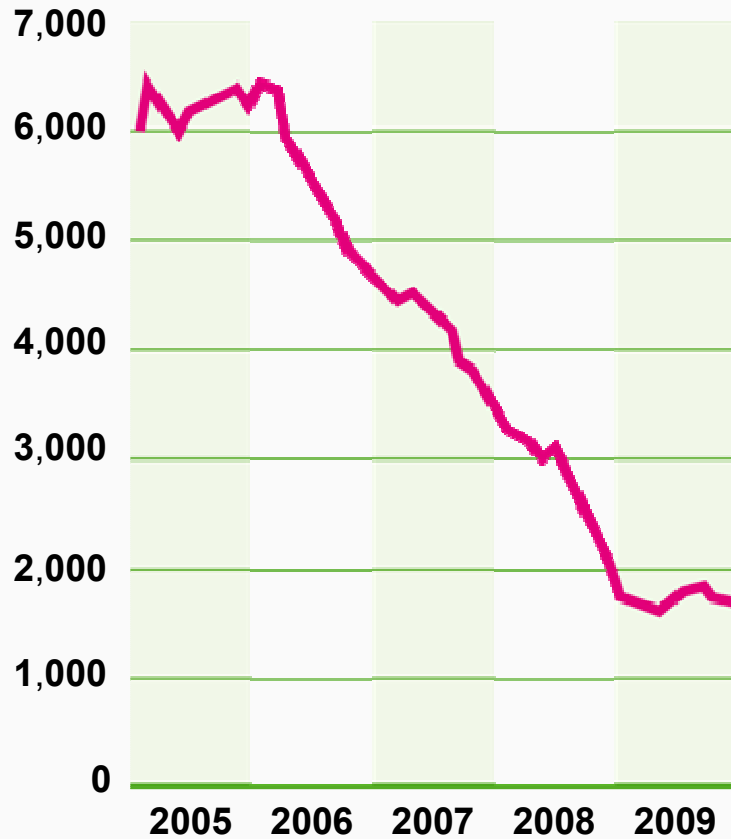


Source: LME



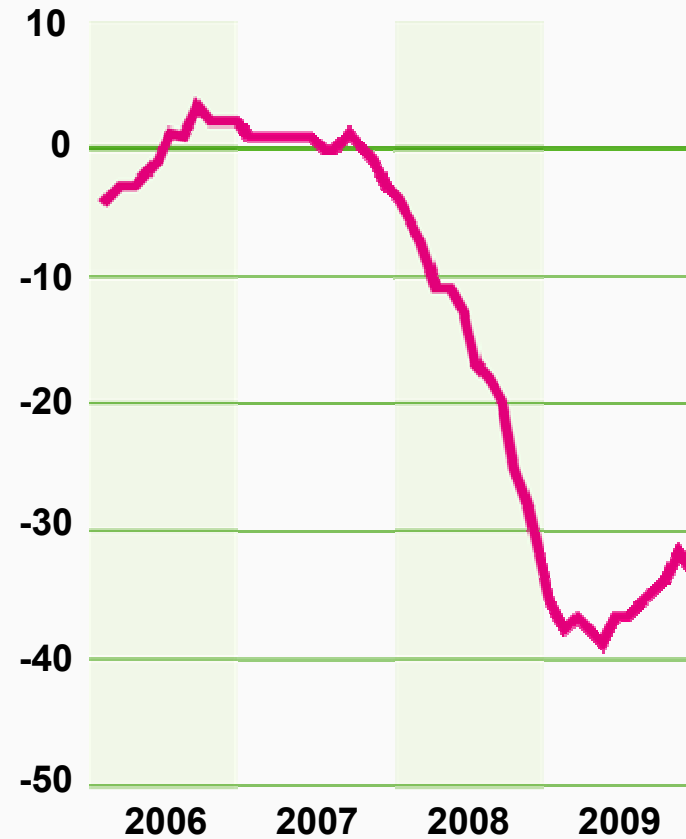
Infrastructure Markets Still Depressed

**US HOUSING STARTS
STABILIZED AT VERY LOW LEVEL**
Thousand of units – moving 3-month



Source: <http://www.census.gov>

**EU CONSTRUCTION CONFIDENCE INDEX
IS STILL LOW**



Source: Eurostat



January 2010: Markets Benefit from a Weaker Basis

Markets as of January 31, 2010
% change YoY

PASSENGER CAR/LIGHT TRUCK

	Europe excl. CIS	North America	China
Original Equipment	+38.7	+109.9	+60.0
Replacement	+6.5	+0.2	+48.7

*Europe excluding CIS: -1.1%

TRUCK (RADIAL MARKET)

	Europe excl. CIS	North America	Brazil	Japan	China
Original Equipment	-21.8	+4.5	+43.2	+60.4	+10.0
Replacement	+23.7	+8.9	+47.5	+4.4	+9.0

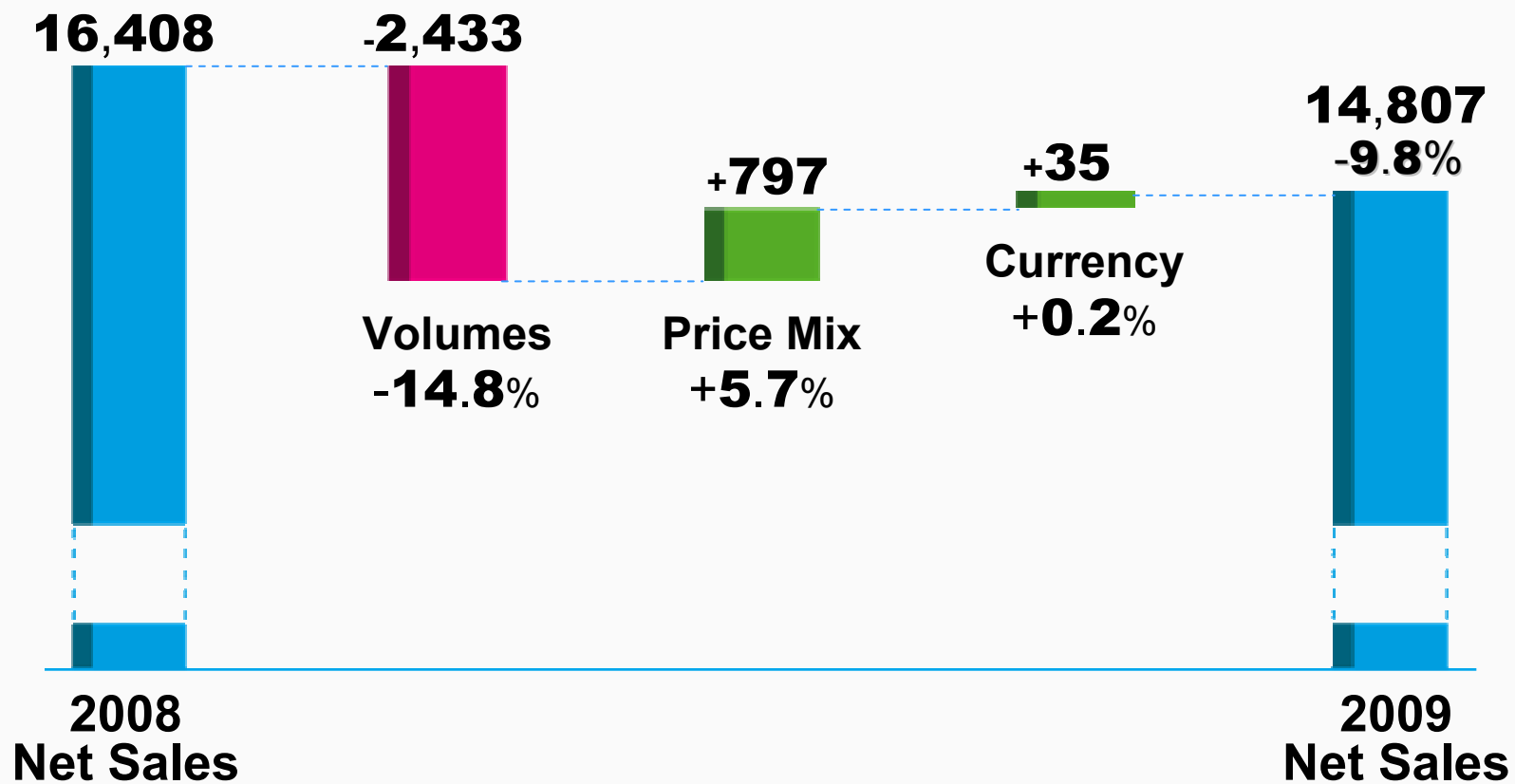


Tightly Managing Performance



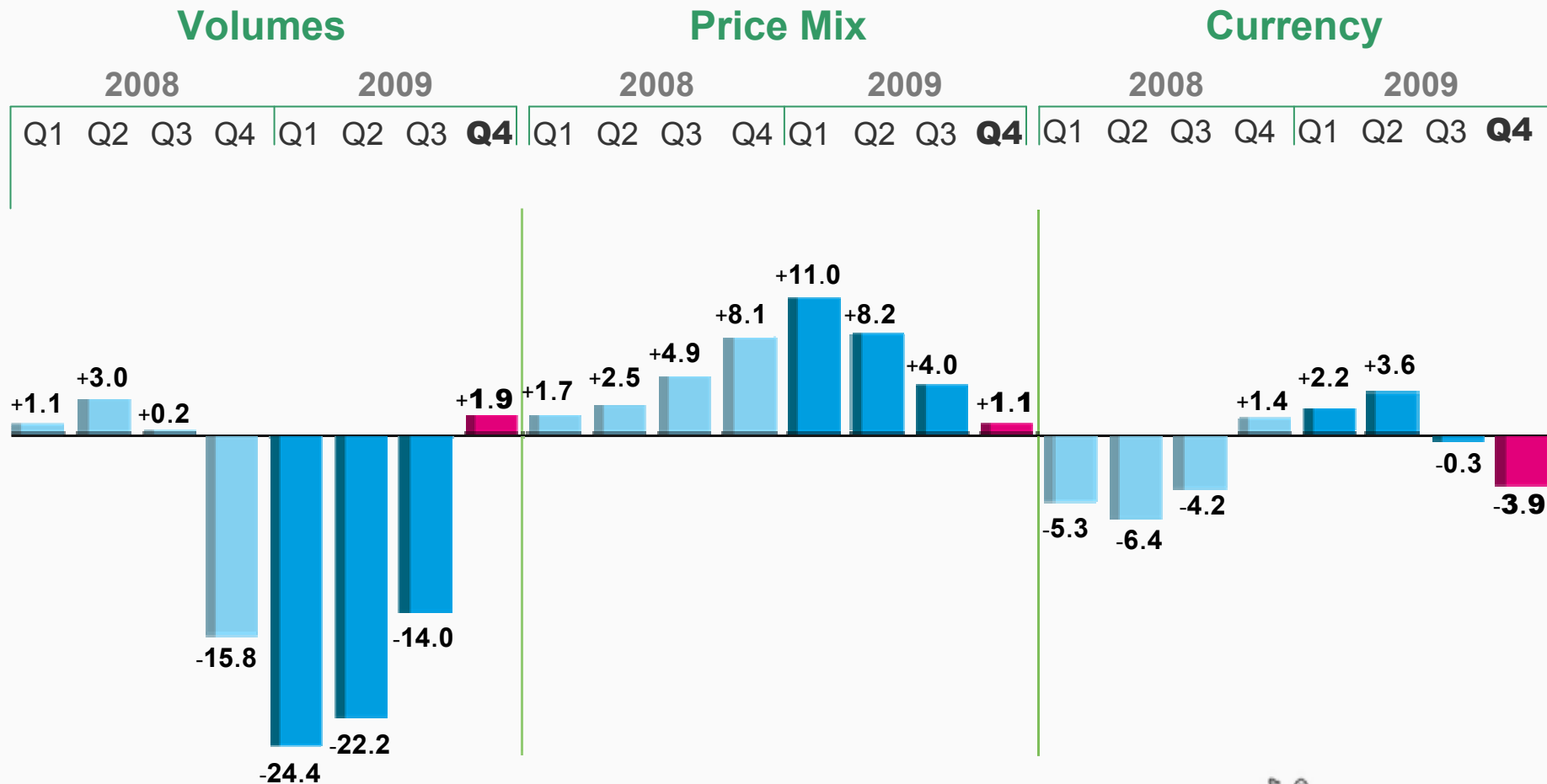
Decline in Net Sales Limited to 9.8%

YOY CHANGE IN € MILLIONS AS A % OF NET SALES



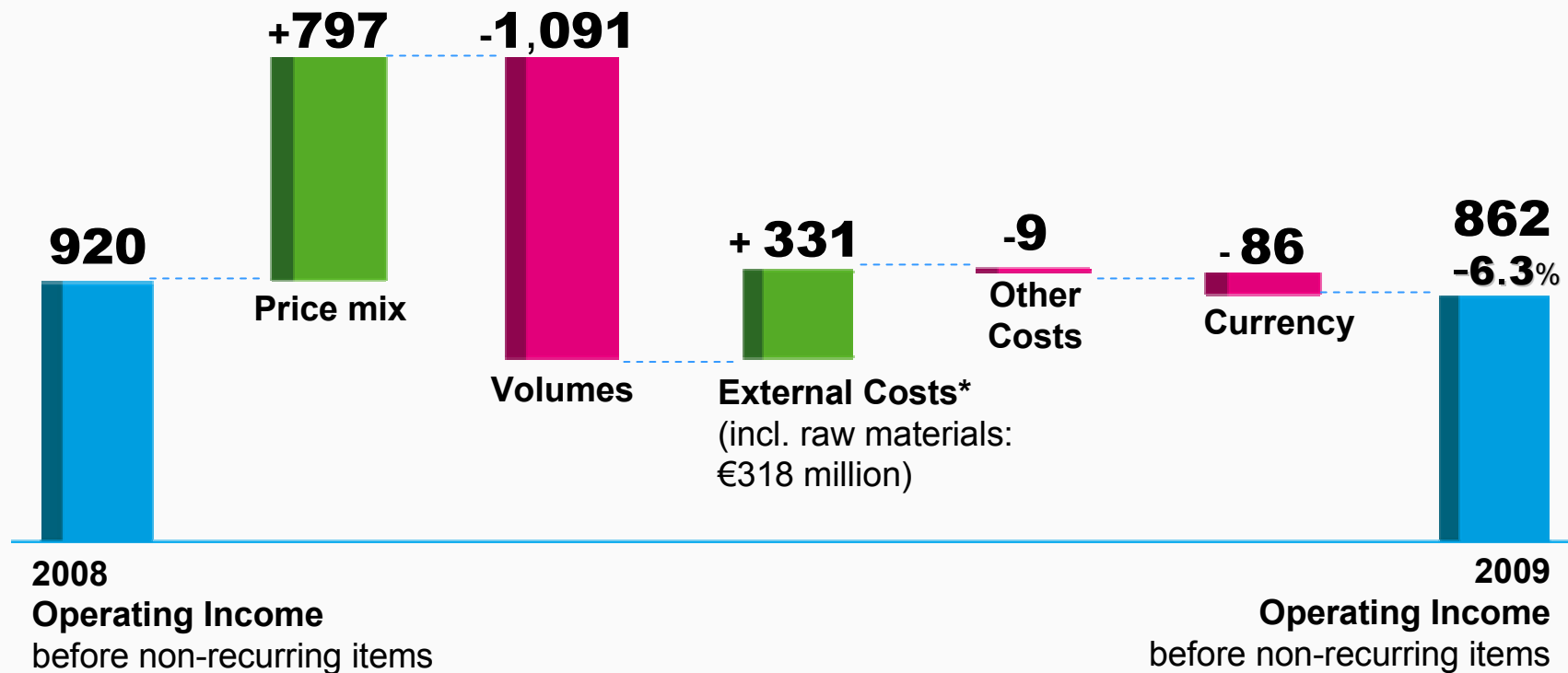
Growth in Volumes and Positive Price Mix in Q4

YOY CHANGE AS A % OF NET SALES



Limited Decline in Operating Income

YOY CHANGE IN € MILLIONS

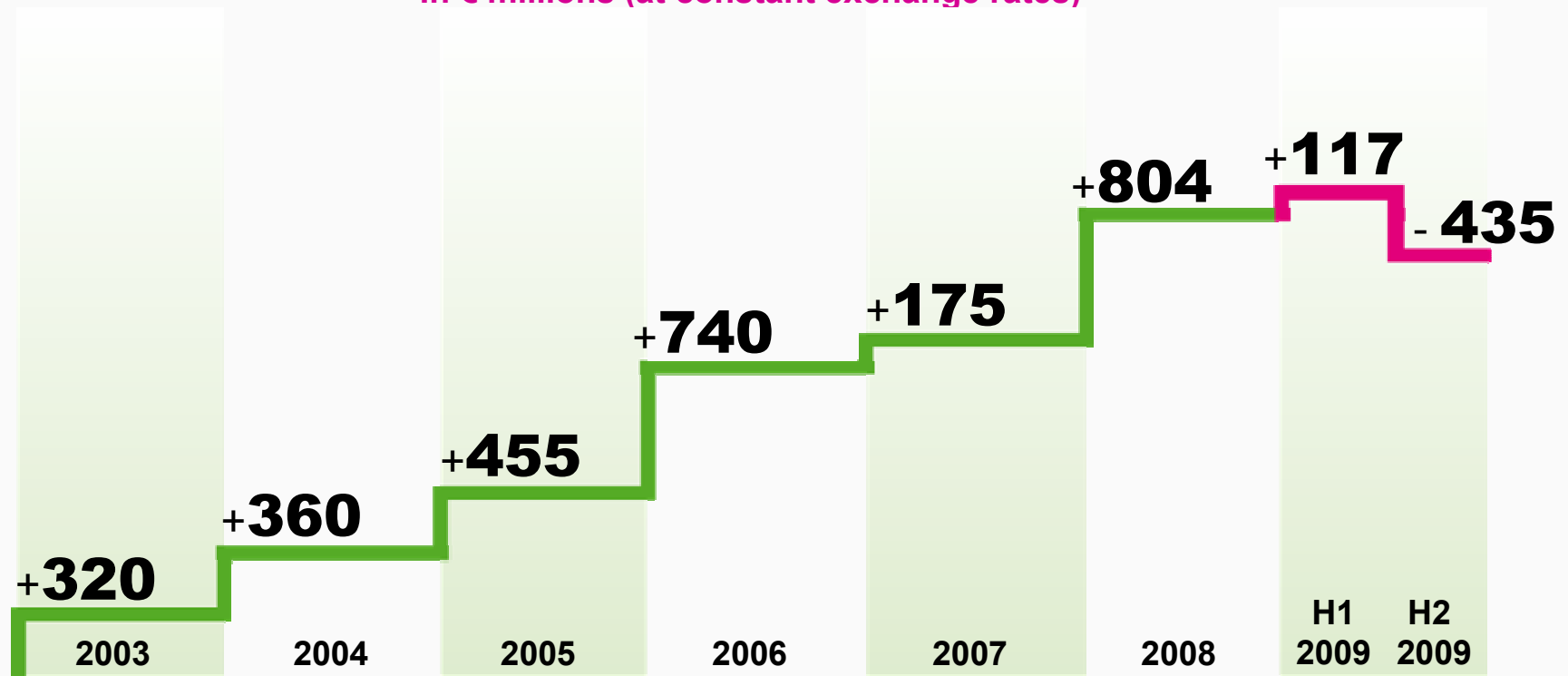


*External costs: raw materials, energy, logistics at constant exchange rates



Raw Materials Costs Down €318 Million

ADDITIONAL RAW MATERIALS COSTS
In € millions (at constant exchange rates)

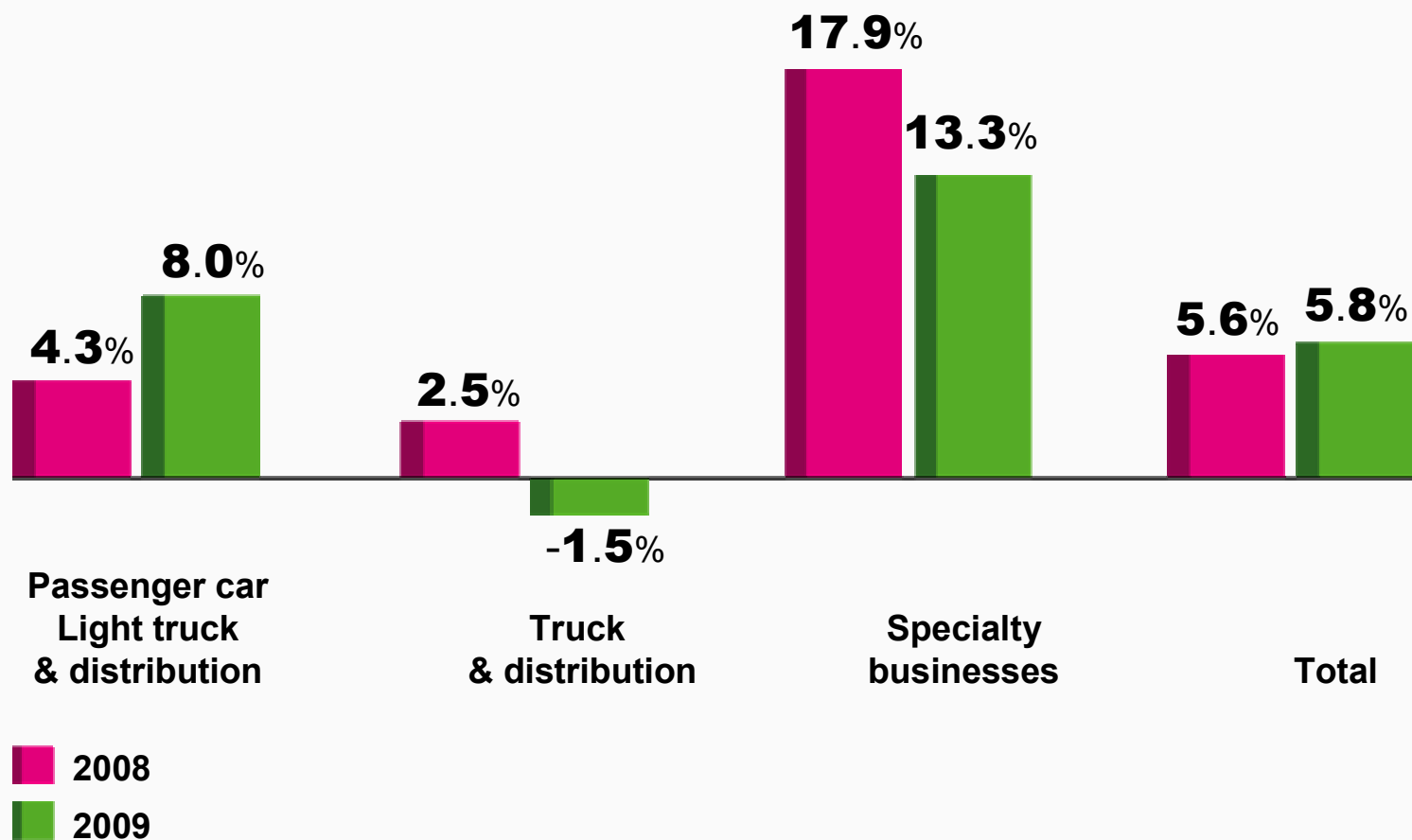


Impact on operating income, after processing lead-times and changes in currency rates



Improvement in Passenger Car and Light Truck – Robustness in Specialty Businesses – Decline in Truck

OPERATING MARGIN BEFORE NON-RECURRING ITEMS - AS A % OF NET SALES



Sharp Improvement in Operating Margin Despite the Decline in Volumes



PASSENGER CAR & LIGHT TRUCK

	2009 <i>(in € millions)</i>	2009 / 2008 <i>(year-on-year)</i>
Net Sales	8,280	-4.5%
Operating Income <i>(before non-recurring items)</i>	661	+78.6%
Operating Margin <i>(before non-recurring items)</i>	8.0%	+3.7 pts



Operating Margin Highly Volume Sensitive



TRUCK

	2009 <i>(in € millions)</i>	2009 / 2008 <i>(year-on-year)</i>
Net Sales	4,496	-17.2%
Operating Income <i>(before non-recurring items)</i>	(69)	nm*
Operating Margin <i>(before non-recurring items)</i>	(1.5%)	-4.0 pts

*not material



Margin Narrowed But Remains High



SPECIALTY BUSINESSES

	2009 <i>(in € millions)</i>	2009 / 2008 <i>(year-on-year)</i>
Net Sales	2,031	-12.0%
Operating Income <i>(before non-recurring items)</i>	270	-34.5%
Operating Margin <i>(before non-recurring items)</i>	13.3%	-4.6 pts



Major Impact From Non-Recurring Expenses

In € millions	2009	2008	Change YoY
Net Sales	14,807	16,408	-9.8%
Operating Income (before non-recurring items) % of net sales	862 5.8%	920 5.6%	-6.3% +0.2pt
Non-Recurring Items	(412)	(77)	-
Operating Income	450	843	-46.6%
Cost of Net Debt Other Financial Income and Expenses	(252)	(333)	-
Tax	(103)	(163)	-
Share of Profit from Associates	9	10	-
Net Income	104	357	-70.9%



Improving Major Financial Metrics



Free Cash Flow of Nearly €1.4 Billion

In € millions	2009	2008	Change
EBITDA* (before non-recurring items)	1,802	1,848	-46
Change in Inventory	759	(419)	+1,178
Change in Trade Receivables	176	537	-361
Change in Trade Payables	(190)	(97)	-93
Taxes and Interests Paid	(226)	(541)	+315
Change in Operating Provisions	(372)	(268)	-104
Other WCR	174	(145)	+319
CASH FLOW FROM OPERATIONS	2,123	915	+1,208
Gross Investments	(672)	(1,271)	+599
Other	(64)	(3)	-61
FREE CASH FLOW**	1,387	(359)	+1,746

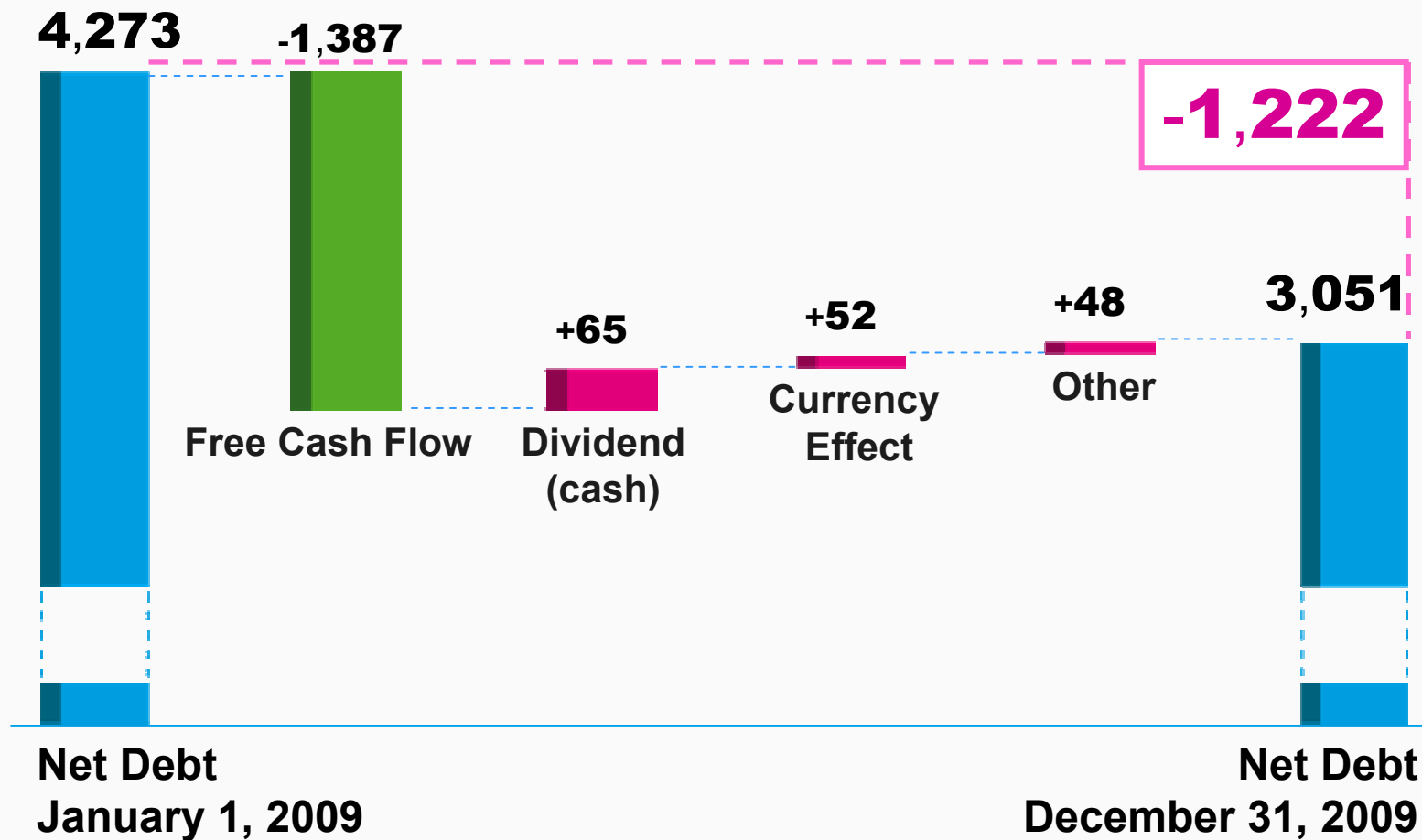
*EBITDA before non-recurring items: operating income excluding depreciation, amortization and impairment of PP&E and intangibles

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



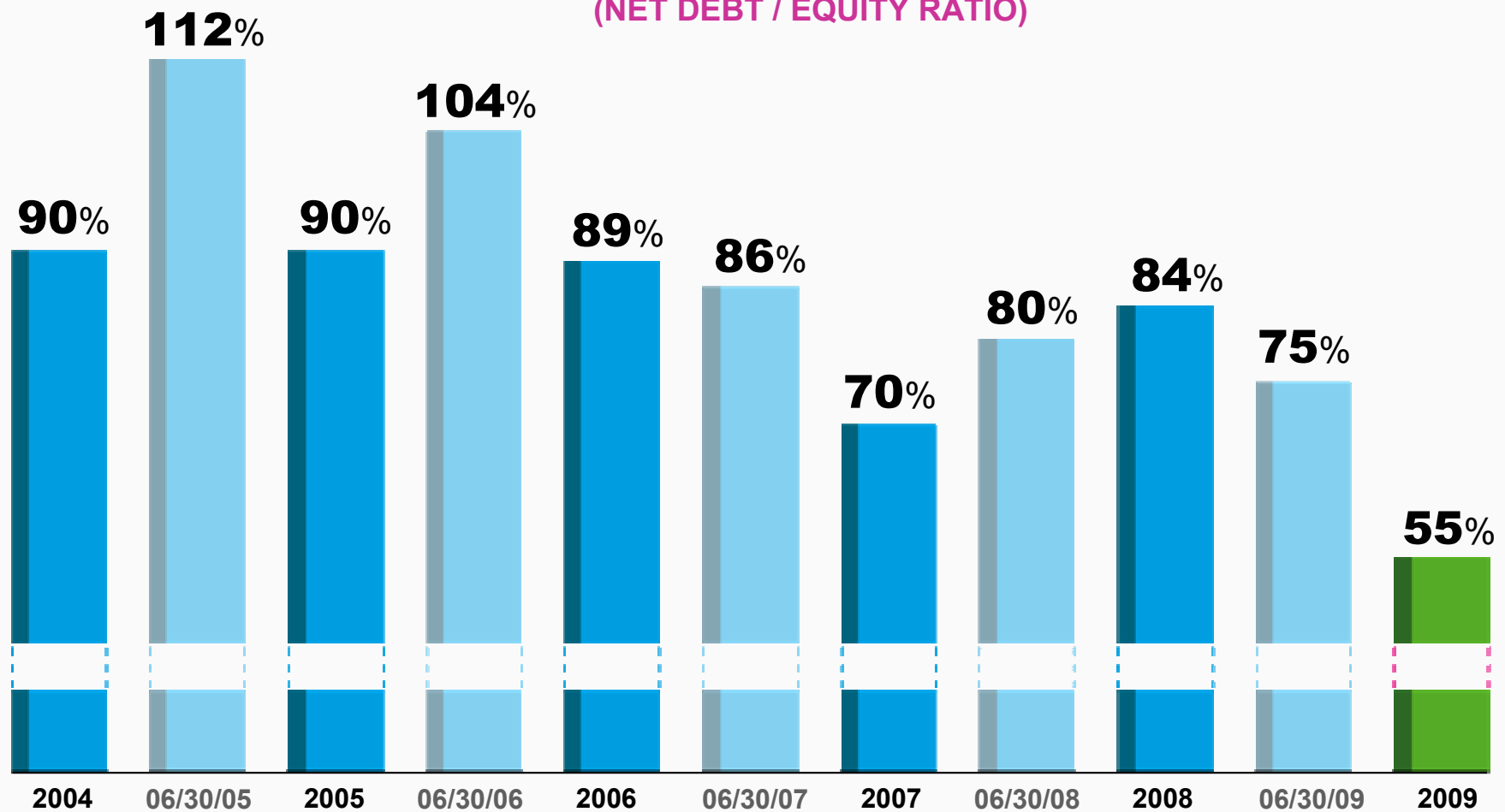
Sharp Reduction in Net Debt

IN € MILLIONS



Strengthened Financial Structure

GEARING (NET DEBT / EQUITY RATIO)



Enhancing Growth Potential in 2010



2010: The Need For Vigilance

RISKS

- **Poor Market Visibility**
- **Rising Raw Materials Costs**
- **Uncertain Economic Environment**
- **Lack of Consumer Confidence in Mature Markets**

OPPORTUNITIES

- **Sustained Tight Management and Improving Competitiveness**
- **Firm Pricing Policy**
- **Record Low Customer Inventory**
- **Demand in Fast Growth Markets**



Uncertain Economic Environment in the US

Economic environment

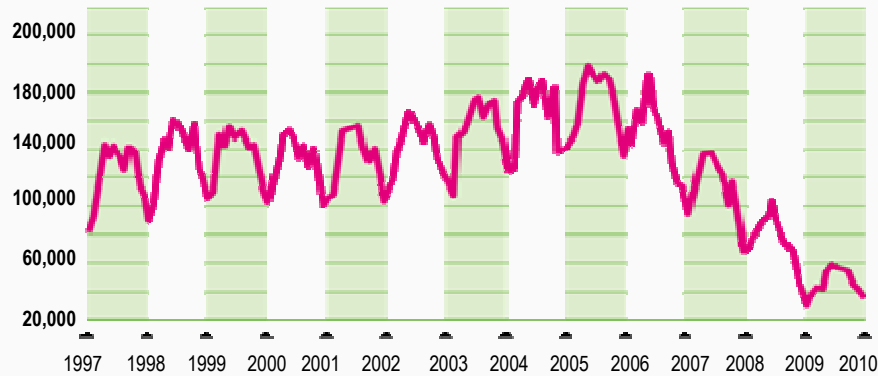
Raw materials

Competitiveness

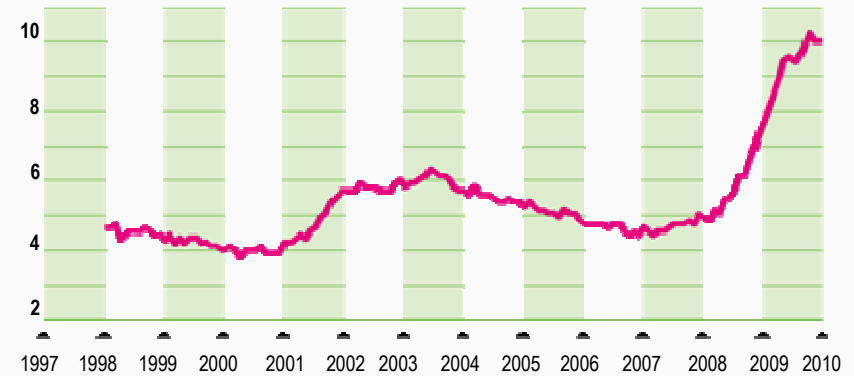
Growth regions

CONSTRUCTION

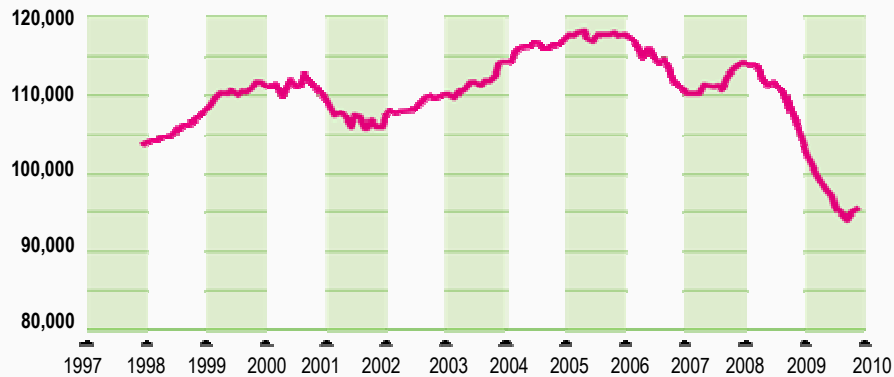
(MONTHLY, NON-SEASONALLY ADJUSTED)



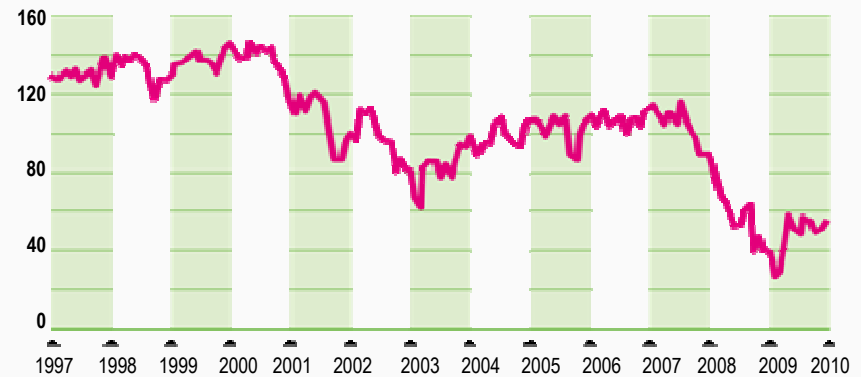
UNEMPLOYMENT



MANUFACTURING



CONSUMER CONFIDENCE



Uncertain Economic Environment in Europe

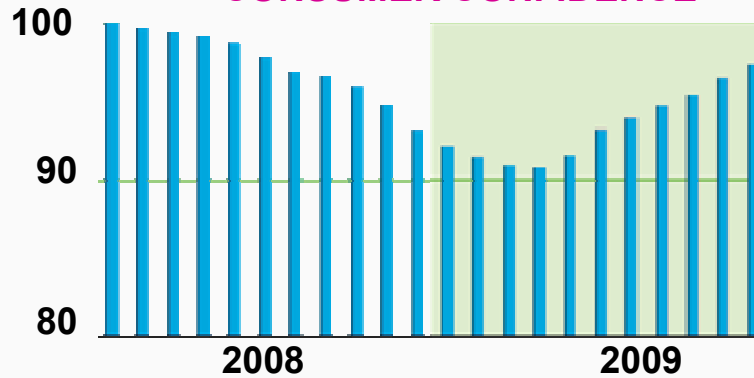
Economic environment

Raw materials

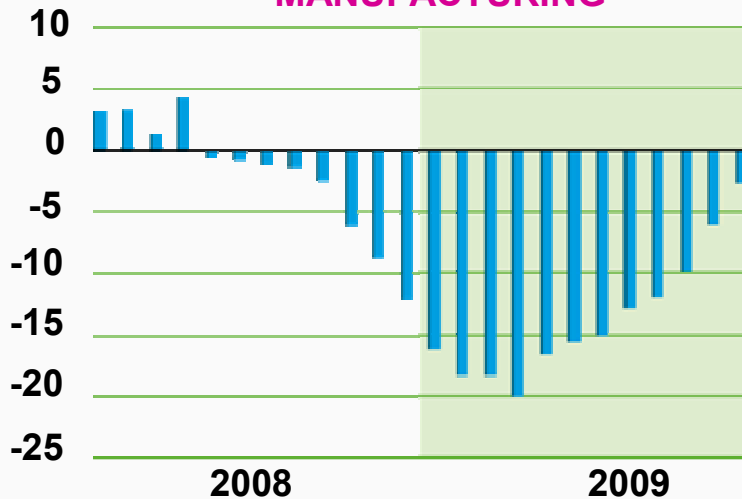
Competitiveness

Growth regions

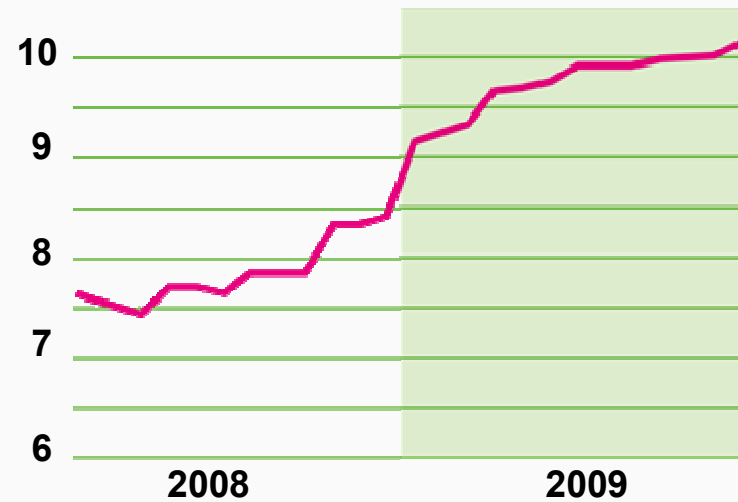
CONSUMER CONFIDENCE



MANUFACTURING



UNEMPLOYMENT



Strong Growth in the Chinese Economy

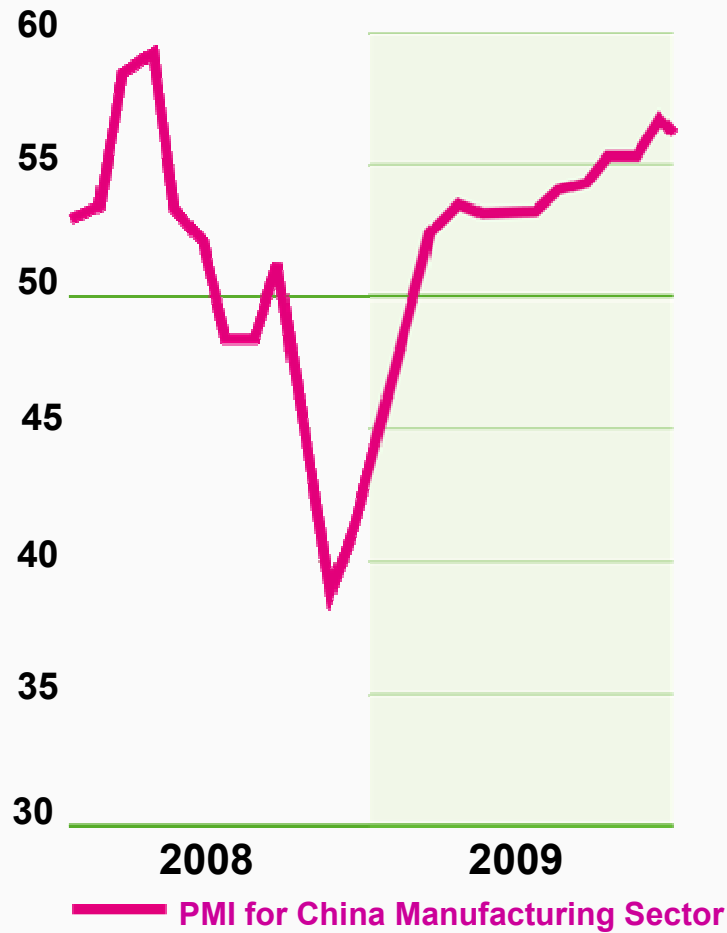
Economic environment

Raw materials

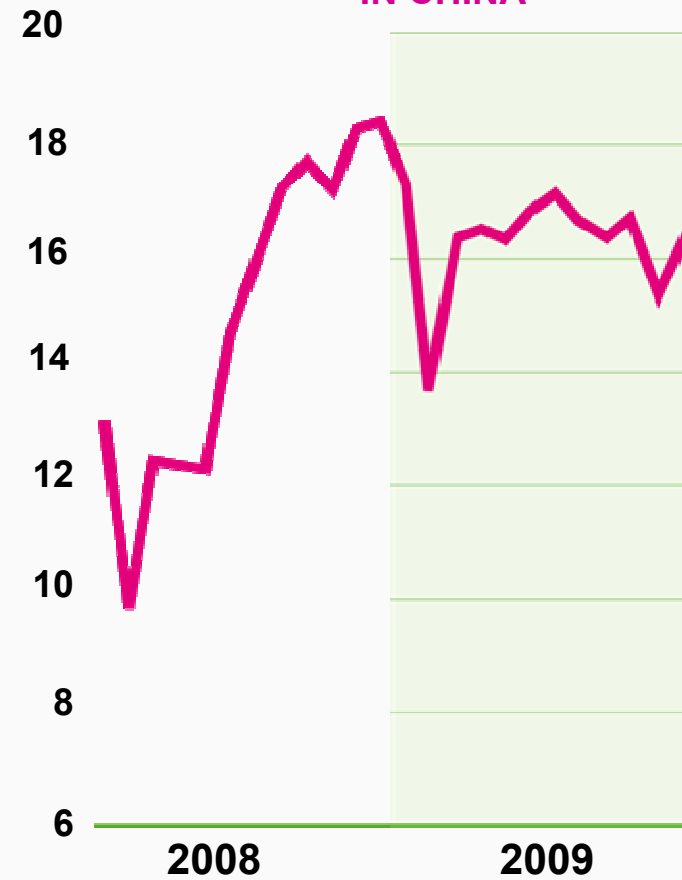
Competitiveness

Growth regions

PMI CHINA



MANUFACTURING GROWTH IN CHINA



Rising Raw Materials Prices, Particularly for Natural Rubber

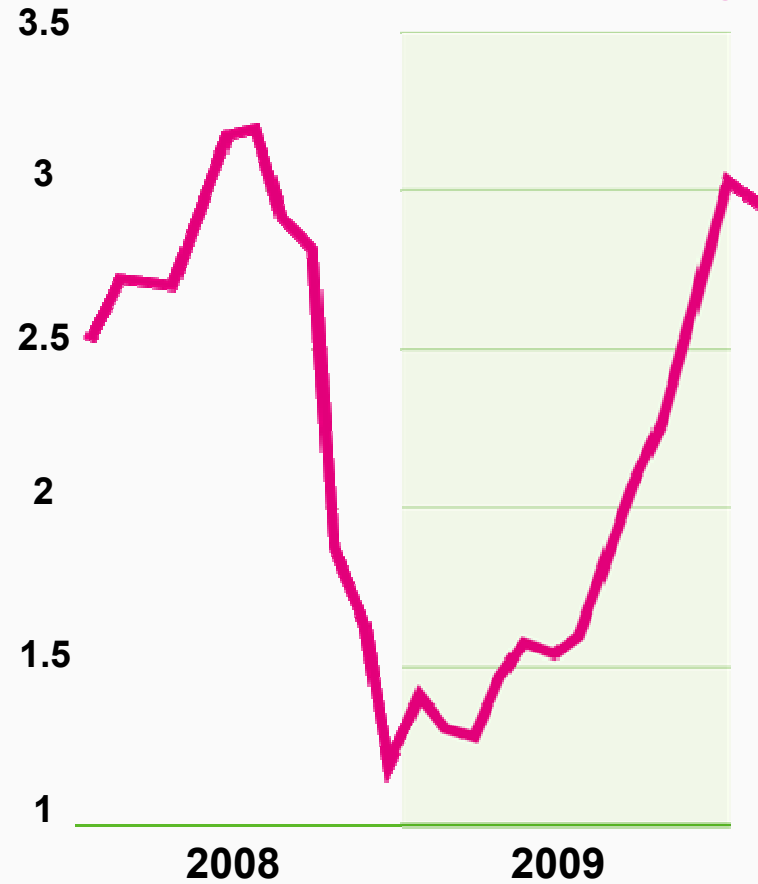
Economic environment

Raw materials

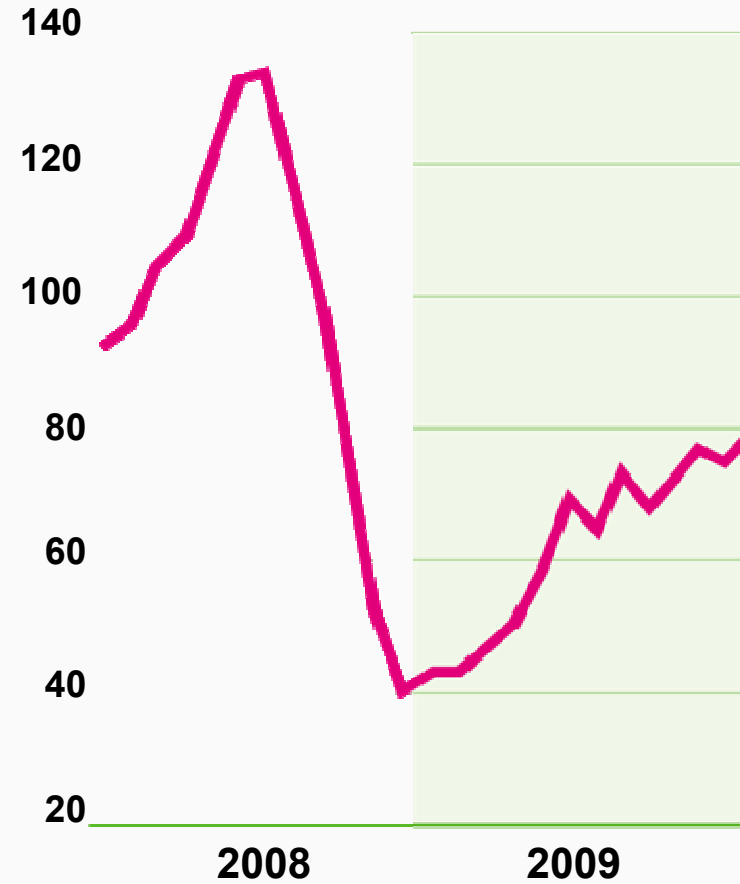
Competitiveness

Growth regions

**SUSTAINED INCREASE
IN NATURAL RUBBER PRICES (USD/kg)**



**85% INCREASE IN BRENT PRICES
IN 2009 (USD/Barrel)**



— **TSR20**

Source: Michelin



Raw Materials: Favorable Impact on Operating Income

Economic environment

Raw materials

Competitiveness

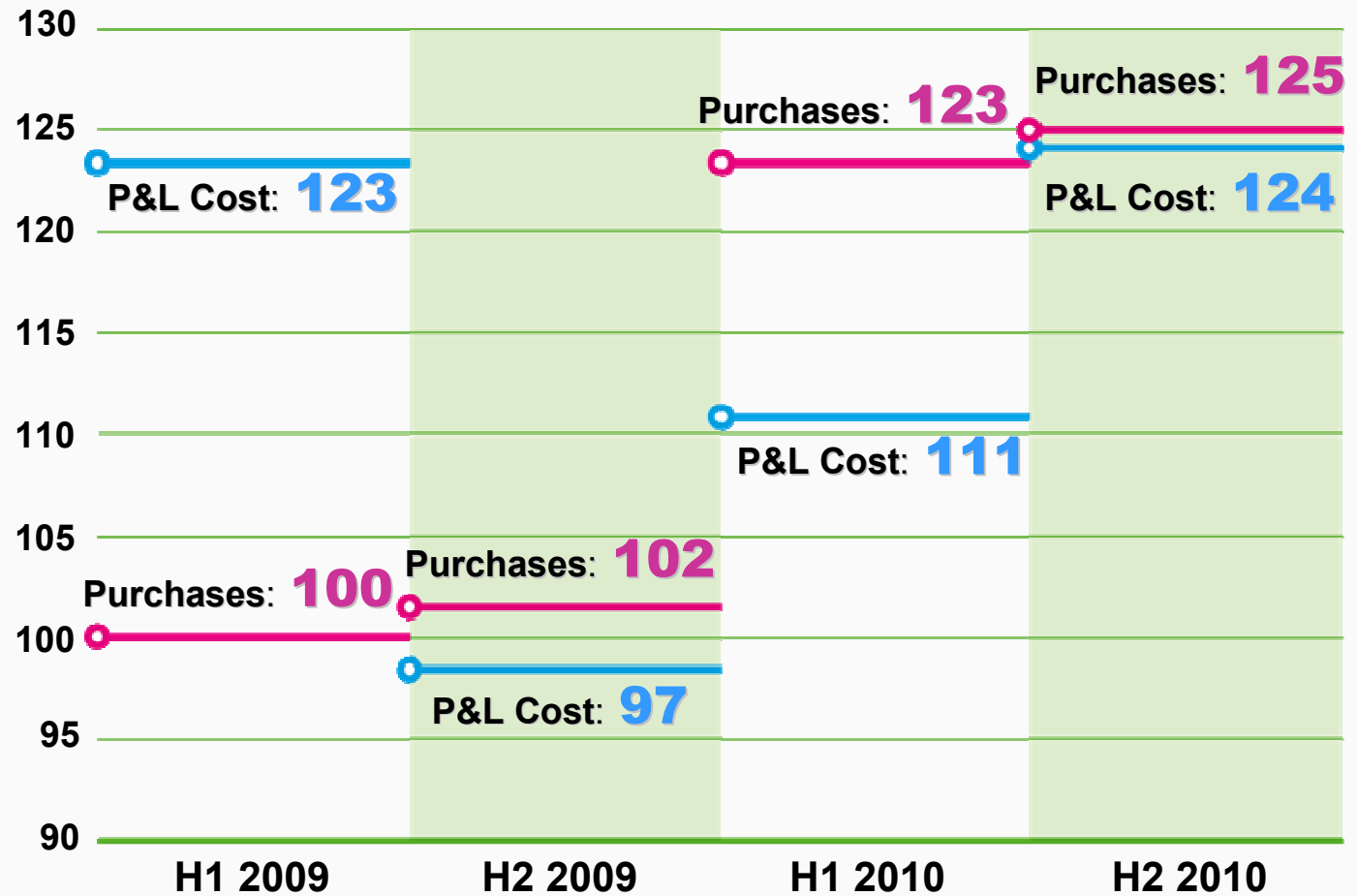
Growth regions

2010 SIMULATION
based on:

€1 = \$1.46

Natural Rubber:
\$2,90/kg

Oil:
\$80/barrel



Raw Materials: A Challenge for Pricing Policy

Economic environment

Raw materials

Competitiveness

Growth regions

Sensitivity over a full year:

■ Natural rubber:

+/- \$**0.10** change in price \Rightarrow \$**70** to **80** million in purchase costs

■ Oil:

+/- \$**1** change in price \Rightarrow \$**15** to **20** million in purchase costs

Announced 2010 price increases:

■ North America (February 1):

- Replacement Truck: **+7%**
- Passenger car/Light truck: various increases depending on the range
- Replacement Earthmover: **+4%**

■ Europe:

- April 1: Replacement Truck: **+4%**
- 2nd Quarter: Replacement Passenger car & Light truck: **+3% to 4%** depending on the countries



€1 Billion in Gains Since 2006 Despite the Crisis

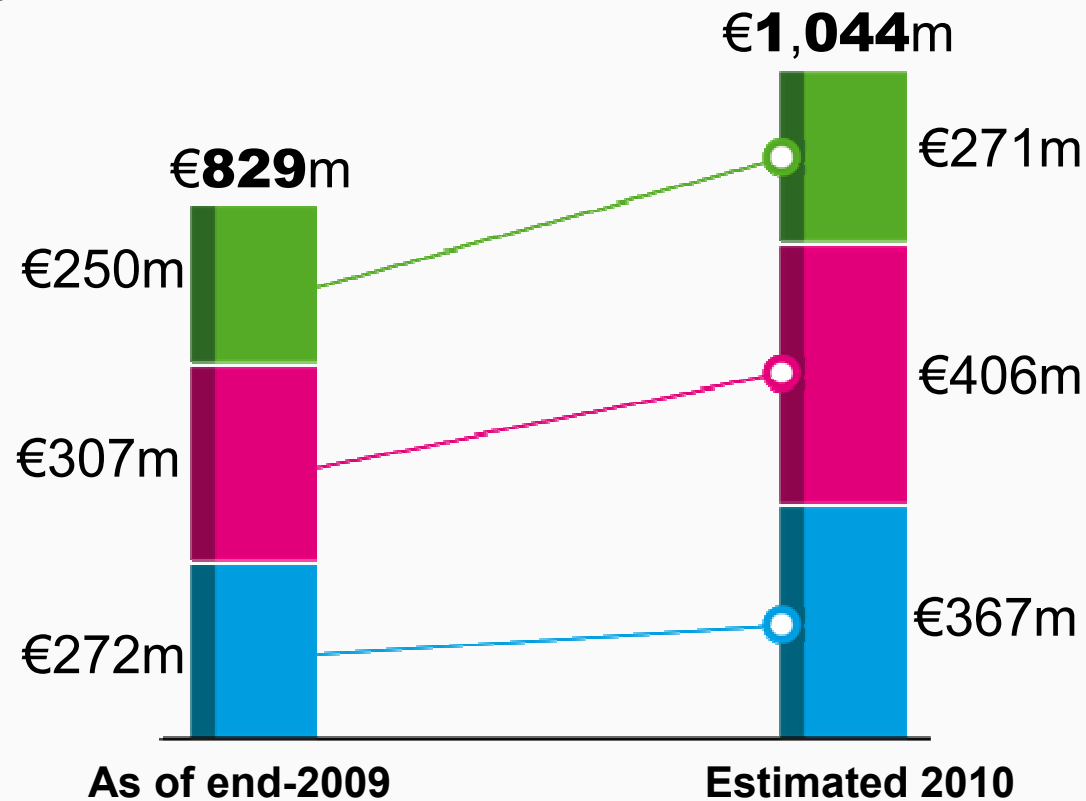
Economic environment

Raw materials

Competitiveness

Growth regions

- SG&A + Logistics
- Production Costs
- Raw Materials



An Estimated €1.3 Billion in Gains Since 2006, Excluding the Impact of the Crisis

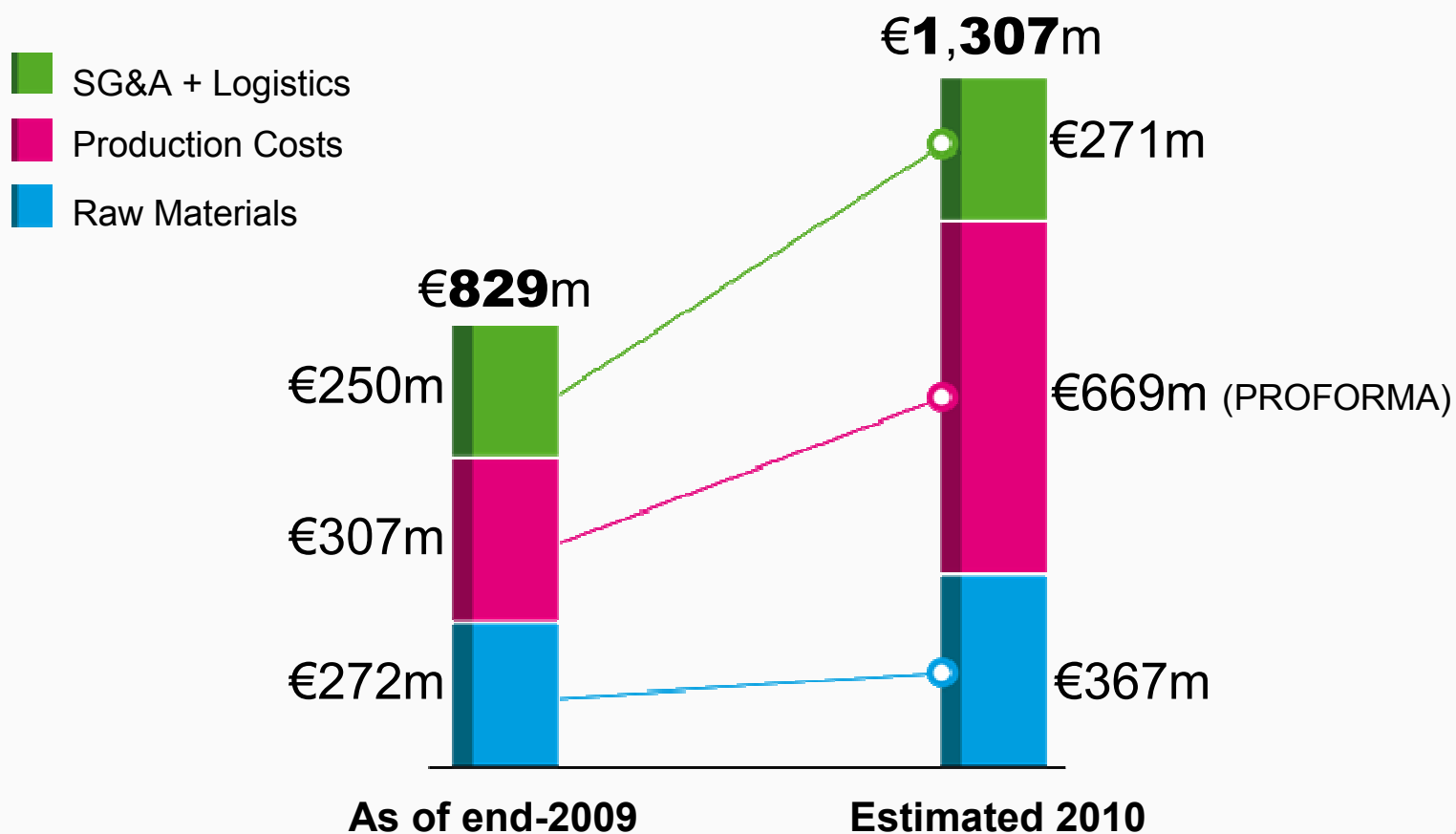
Economic environment

Raw materials

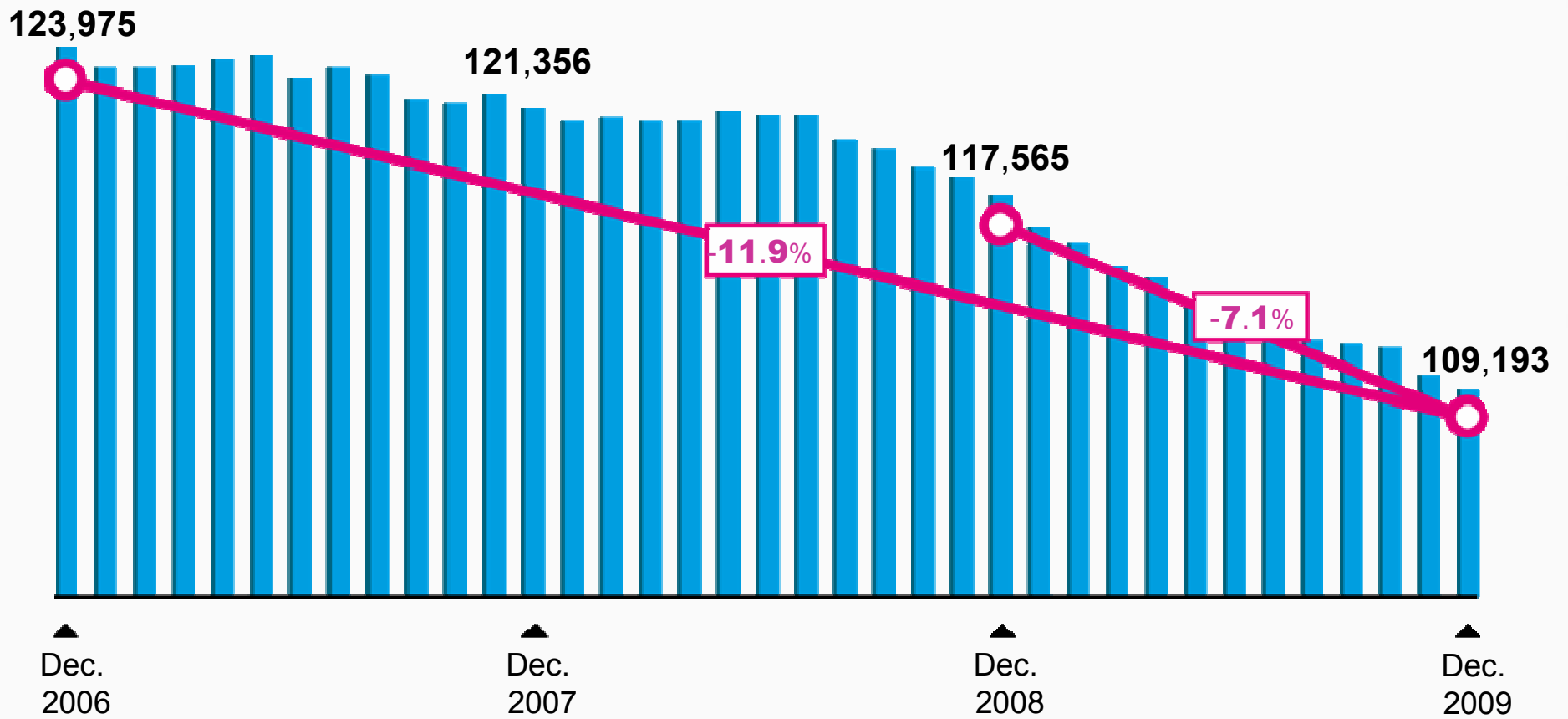
Competitiveness

Growth regions

PROFORMA ASSUMING VOLUME GROWTH OF 3.5% A YEAR



A Steady Decline in the Workforce



Increasing Capacity in Growth Regions

Economic environment

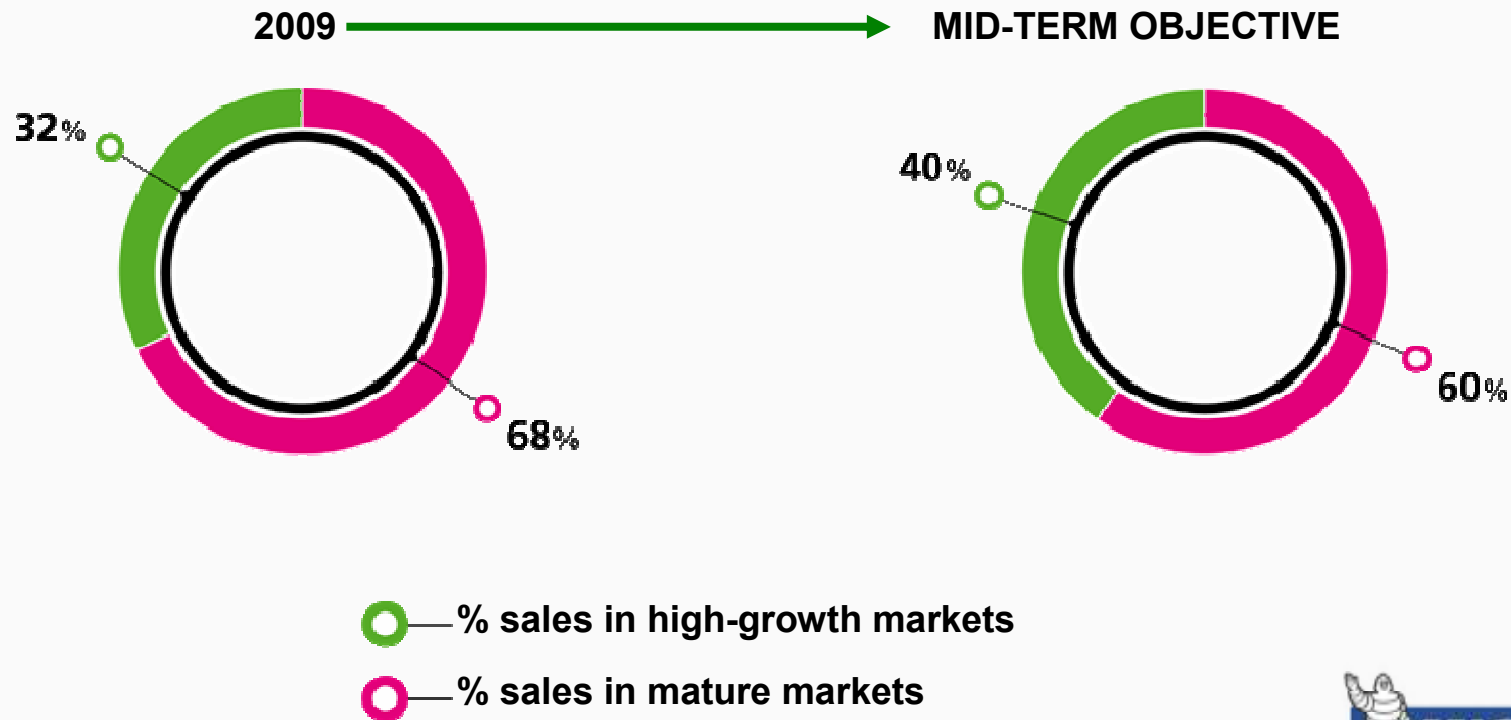
Raw materials

Competitiveness

Growth regions

OBJECTIVE

- ⇒ Double Passenger car & Light truck capacity by 2012
- ⇒ Increase Truck capacity by 40% by 2012



Develop Business in Growth Regions

Economic environment

Raw materials

Competitiveness

Growth regions

Brazil:

⇒ **New Passenger Car & Light Truck Plant**

India:

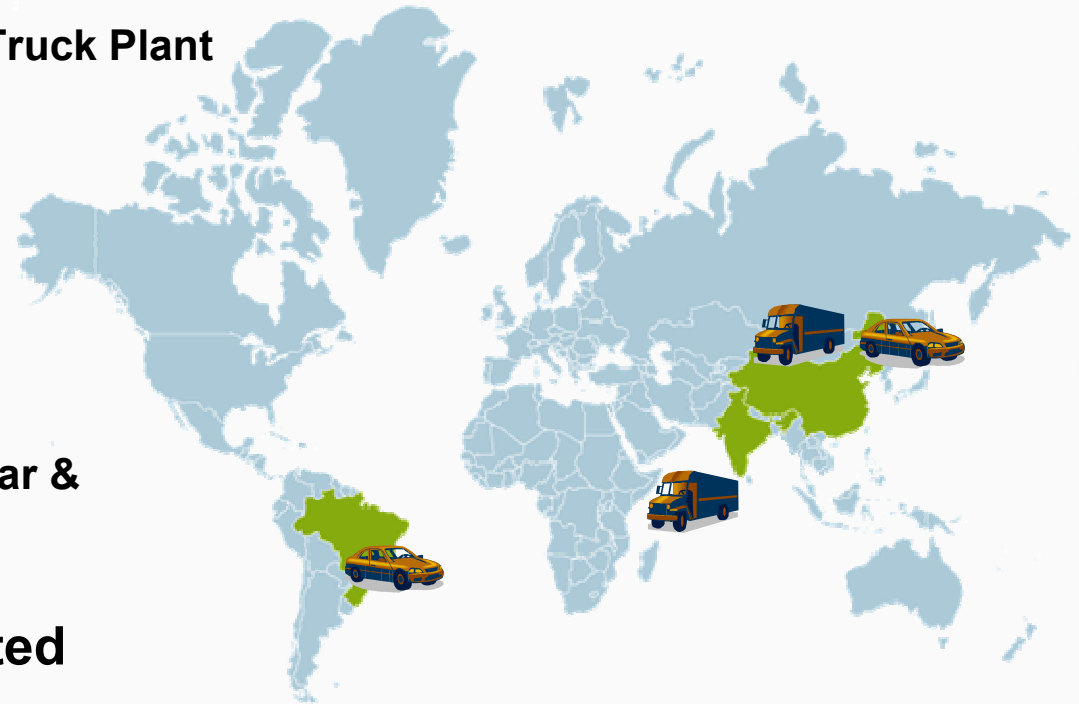
⇒ **New Truck Tire Plant**

China:

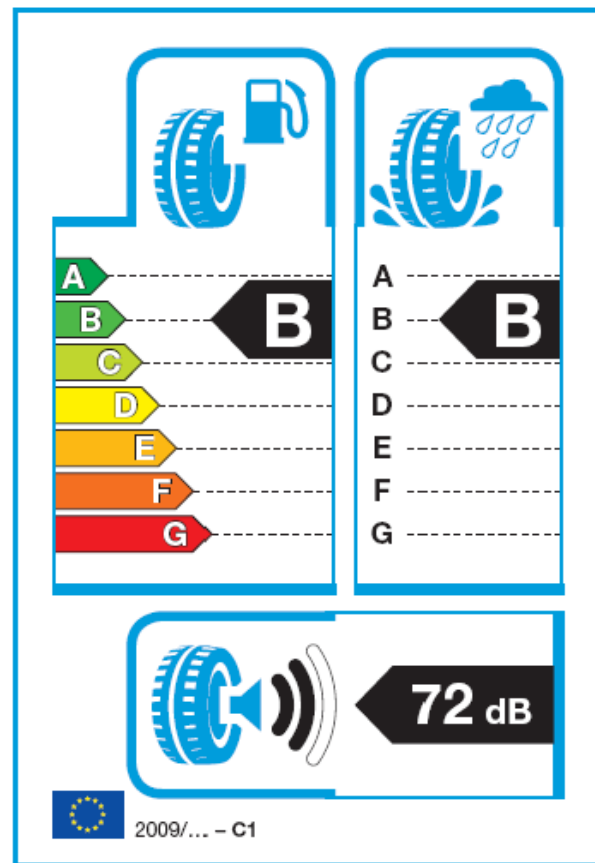
⇒ **Double Truck & Passenger Car & Light Truck Capacity**

Production Capacity Dedicated to Local Markets

Growth in MICHELIN Brand Sales



Europe: Car, Light Truck and Truck Tire Ratings by 2012



Label

Performance thresholds in three areas

- Rolling resistance
- Wet grip
- Noise

Classes

- A-B-C-E-F-G
- Current Excellent class = C

Implementation > 2012

Thresholds scheduled to be lowered > 2016



United States: Car and Light Truck Tire Ratings by 2011



Label

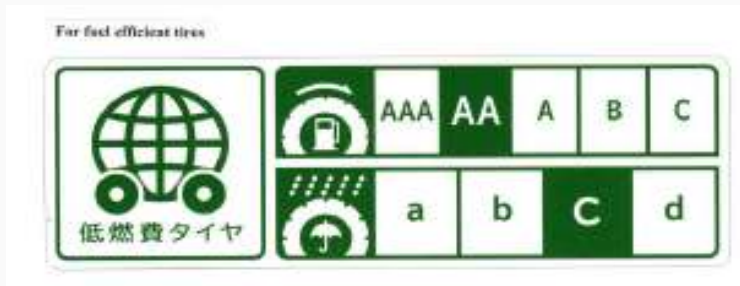
3 Performance Ratings

- Rolling resistance
- Wet grip
- Wear

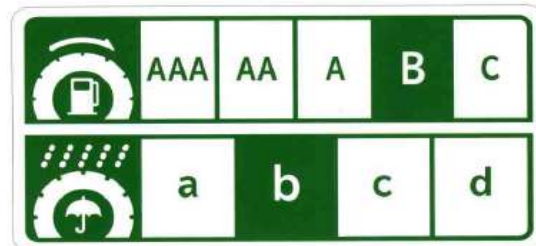
Applicable in 2011



Japan: Voluntary Rating Starts in 2010 for Car and Light Truck Tires



For non fuel efficient tires(=normal tires)



Label

Voluntary rating in 3 performance areas

- Rolling Resistance
- Wet grip
- Wear

2010-2011 Implementation limited to JATMA Members

>2012: All tires



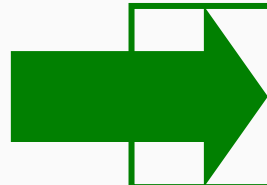
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OPPORTUNITIES

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- Firm Pricing Policy
- Record Low Customer Inventory
- Demand in Fast Growth Markets



2010 Objective:
Generate Positive Free Cash Flow



Michelin is Starting 2010 With Confidence

Employee Commitment

Brand Equity

Technology Leader

Global Player

Price Leader

Integrated Service
Business Model



North America Roadshow

Bank of America Merrill Lynch



March 2010



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