



# Net Sales for the Three Months Ended March 31, 2012

**APRIL 23, 2012**





## Q1 Volumes Confirm the Seasonal Trends Expected in 2012

- **Markets down overall, with a contrast between:**
  - *Passenger car & light truck and truck tires, where demand weakened as expected, especially in truck tires and in Europe*
  - *Specialty businesses, which remain buoyant*
  
- **Sales volumes particularly impacted by:**
  - *A high basis of comparison with first-quarter 2011, when volumes were boosted by sales ahead of price increases, for which Michelin was the forerunner*
  
- **Sharp improvement in the price-mix:**
  - *Impact of 2011 price hikes and raw materials indexing clauses*
  - *Positive mix*





# OUTLINE

01

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**Net Sales:  
Impact of the 2011 Pricing Policy**

02

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**Markets:  
Mixed but Down Overall**

03

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**Reporting Segments:  
Impact of the Pricing Policy**

04

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**Guidance**





01

# Net Sales: Impact of the 2011 Pricing Policy

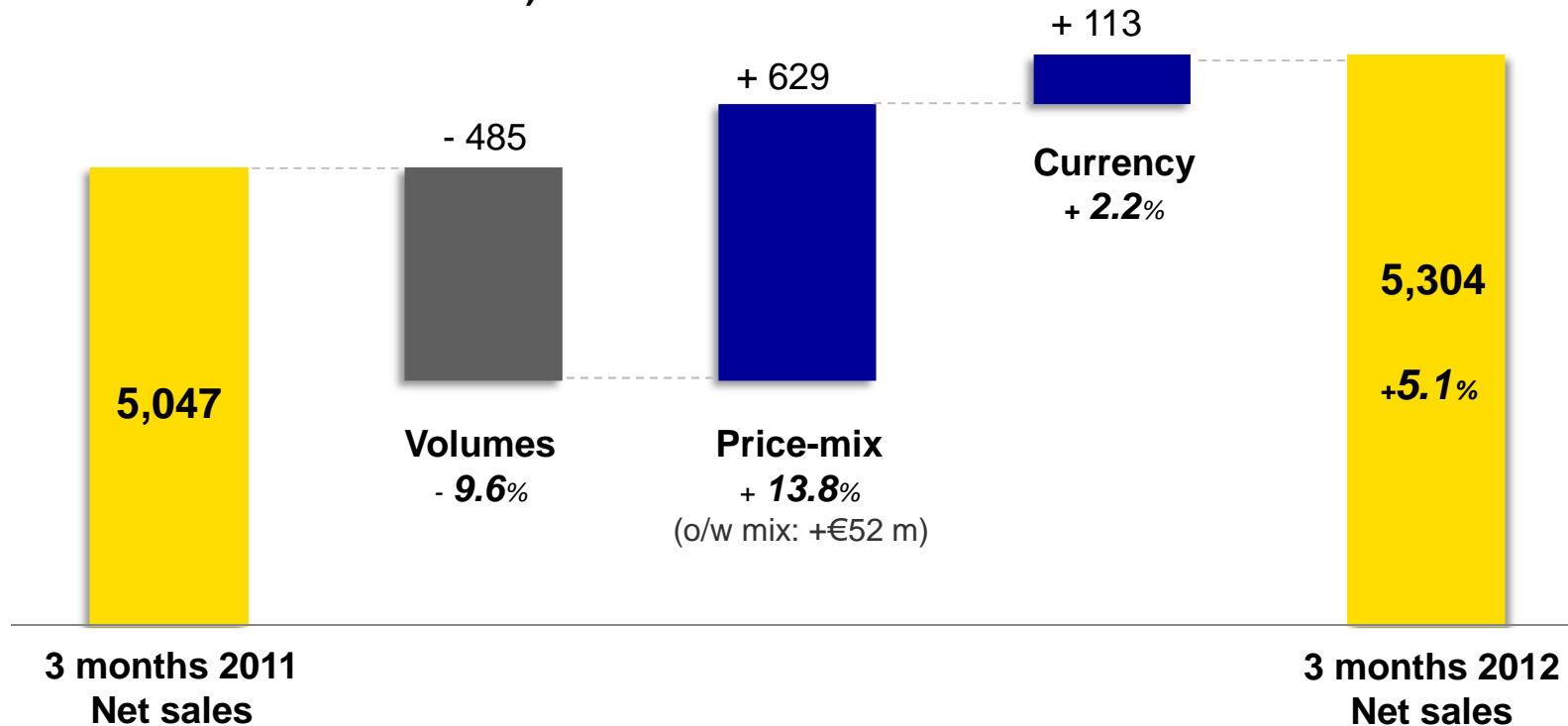




# Growth in Net Sales with the Price Mix Amply Offsetting the Decline in Volumes

## YoY change

(in € millions and % of net sales)





# Volumes: Prior-Year Comparatives and Destocking Price Mix: Impact of 2011 Increases and Clauses

## YoY change

(in %)

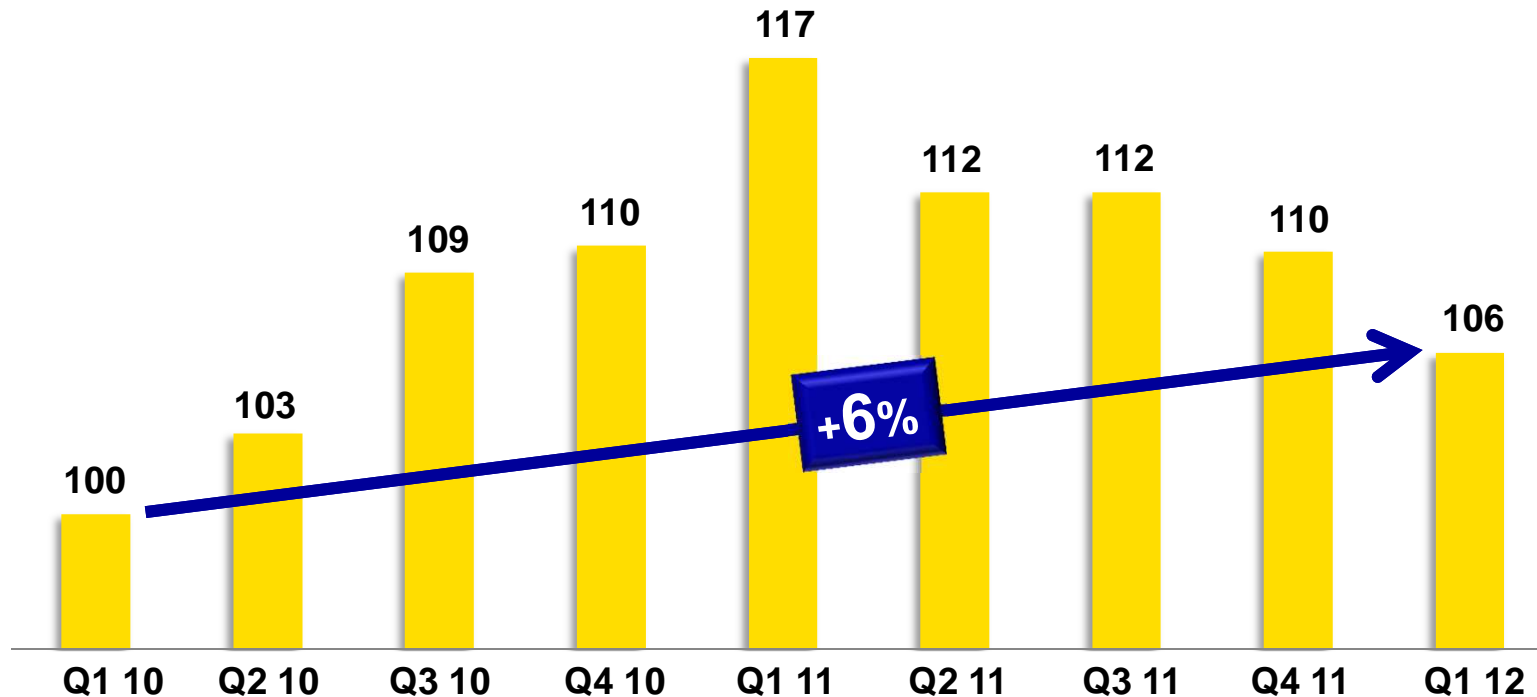




# High Prior-Year Comparatives and Dealer Inventory Drawdowns

## Tonnages sold

(Base 100 = Q1 2010)





02

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## Markets: Mixed but Down Overall



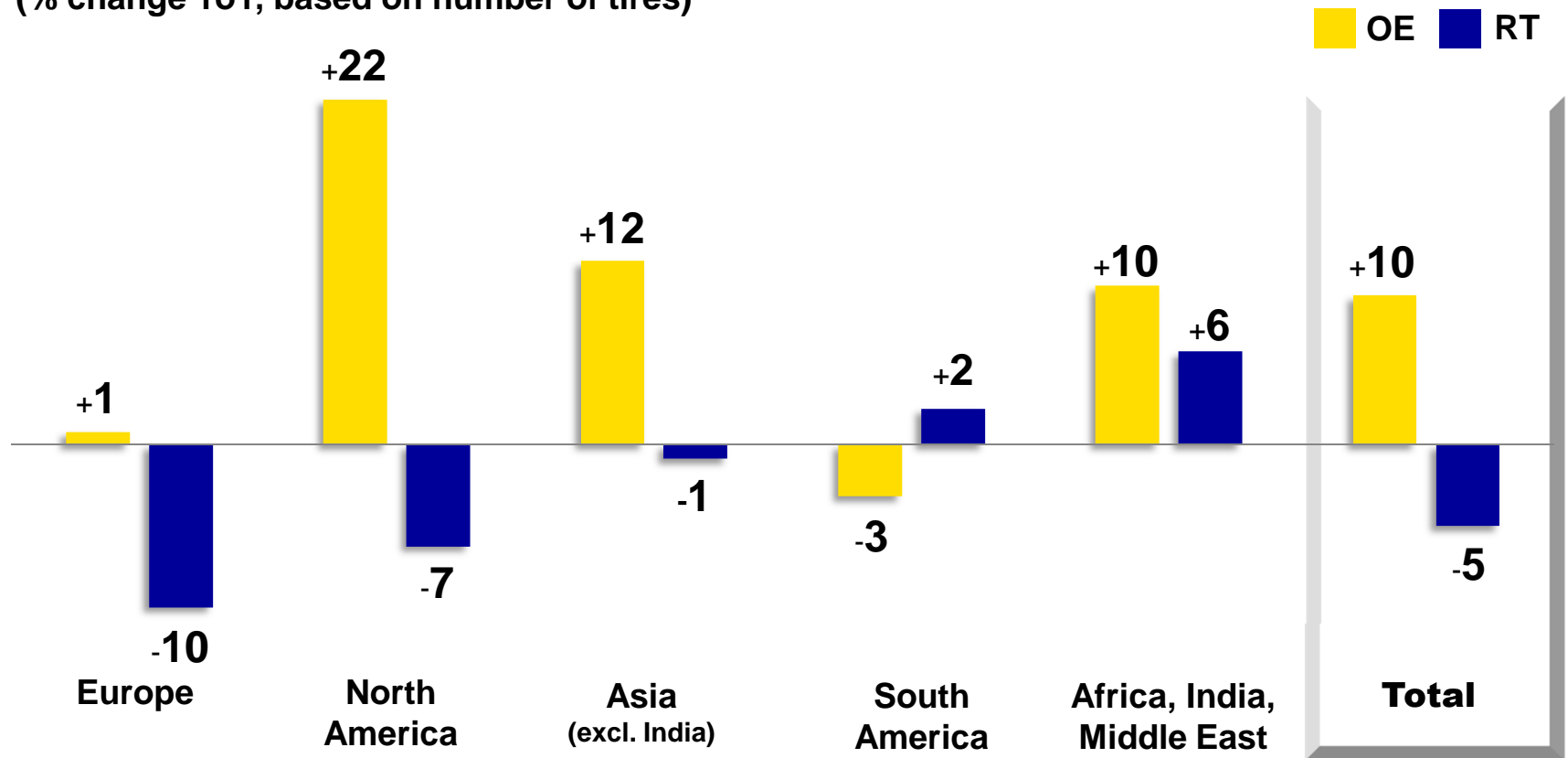




# PCLT: RT Sales Dampened by Inventory in Q1 2012 Drawdowns Compared with Buildup in Q1-2011

## Markets at March 31, 2012

(% change YoY, based on number of tires)



Source: Michelin

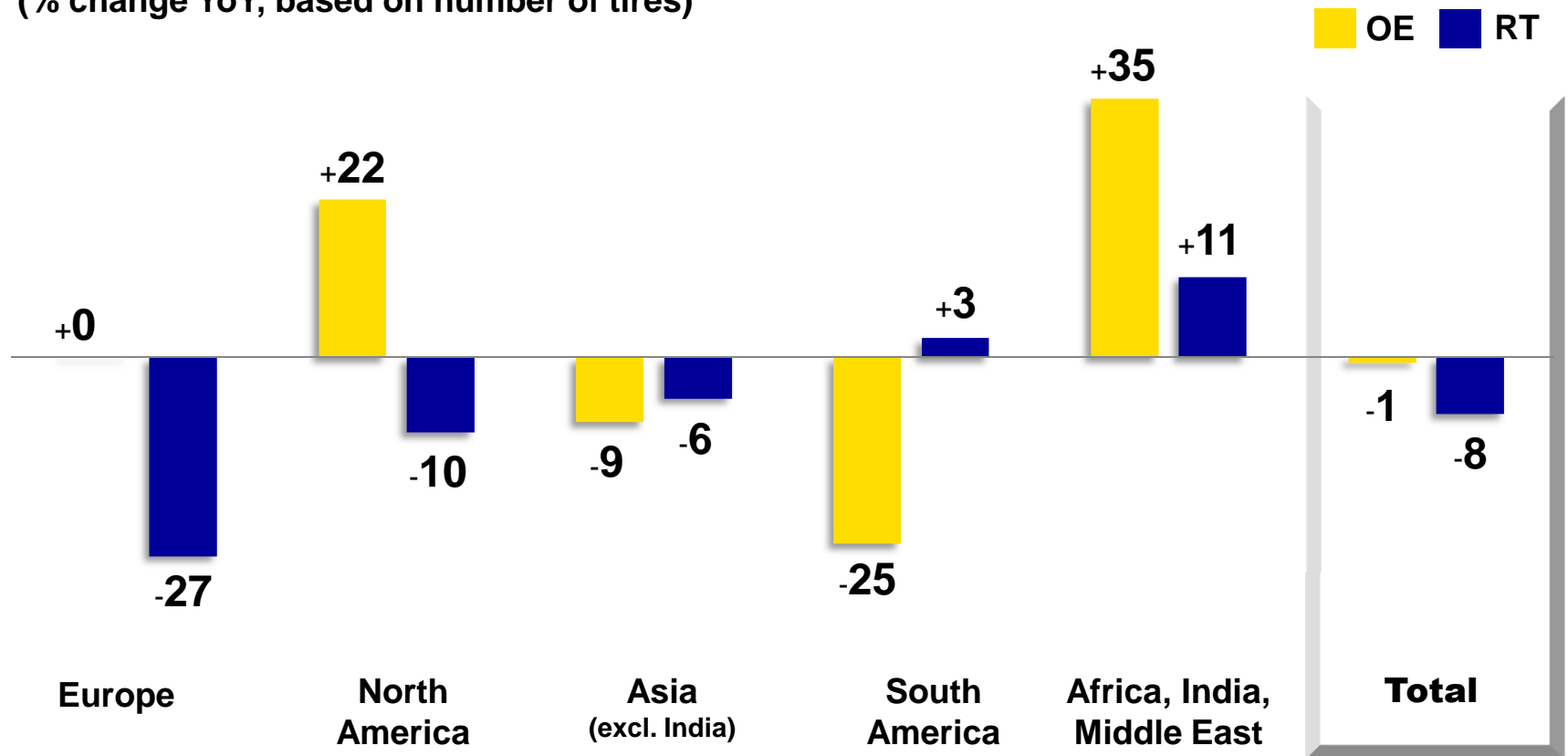




# Truck Tires: Steep Fall-Off in Europe

## Radial markets at March 31, 2012

(% change YoY, based on number of tires)



Source: Michelin

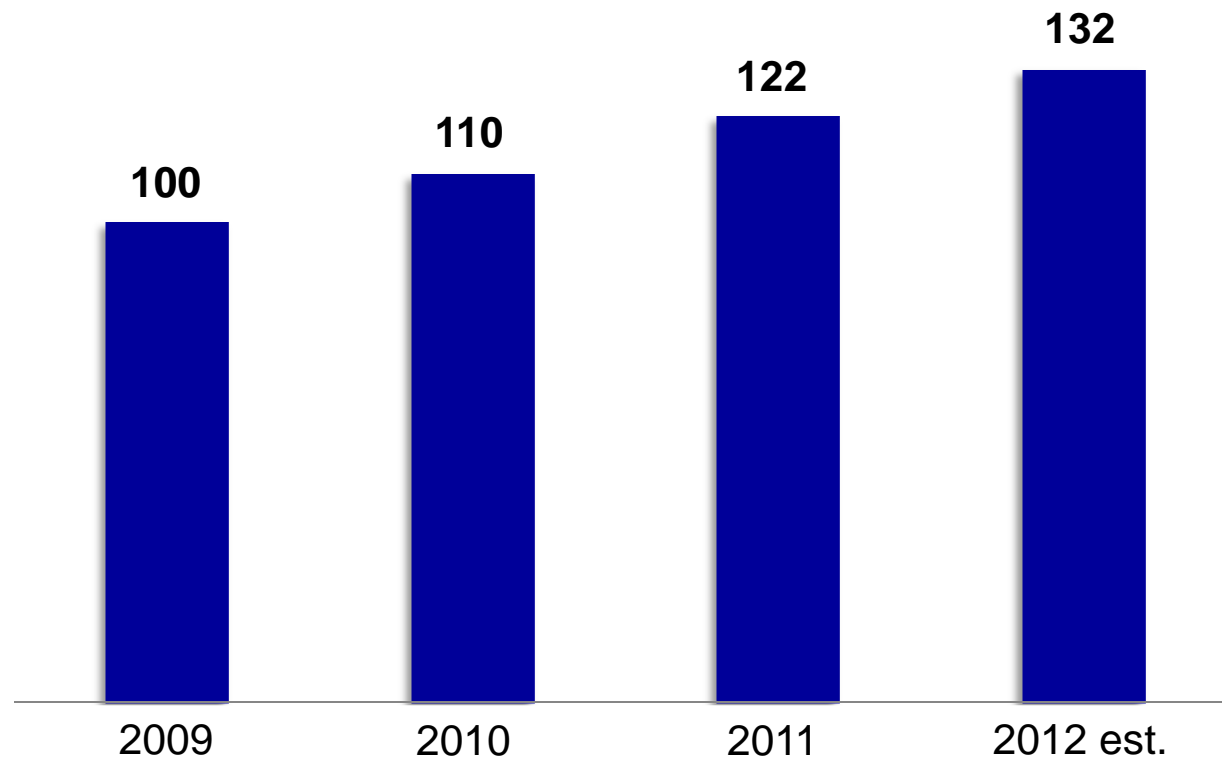




# Specialty Businesses: Sustained Growth

## Mining Tire Market

(In tonnes, base 100 = 2009)



Source: Michelin





03

# Reporting Segments: Impact of the Pricing Policy





# PC&LT Tires and Distribution: Dealer Destocking and Hesitant Customers



## Passenger Car and Light Truck

In € millions	Q1 2012	Q1 2011	% Change
<b>Net Sales</b>	<b>2,760</b>	2,683	<b>+2.9%</b>
Volume growth	-8.9%		

- **Volume growth dampened by:**
  - *High prior-year comparatives due to the price increases starting as early as April 2011*
  - *Sustained dealer inventory drawdowns*
  - *Hesitant markets*
- **Full impact of the 2011 pricing policy and the premium strategy**





# Truck Tires and Distribution: Firm Prices, Volumes in Line with Market Trends



## Truck

In € millions	Q1 2012	Q1 2011	% Change
<b>Net Sales</b>	<b>1,604</b>	1,606	<b>-0.1%</b>
Volume growth	-16.3%		

- **Volume performance varied by market:**
  - *Europe down, especially in Southern Europe*
  - *Firmer performance in North America*
- **Dealers are drawing down inventory**
- **Assertive strategy of increasing profitability, in particular by improving price positioning**
- **Product plan now being refreshed**





# Specialty Businesses: Sustained Growth, Held Back in 2012 by Lack of Capacity



## Specialty Businesses

In € millions	Q1 2012	Q1 2011	% Change
<b>Net Sales</b>	<b>940</b>	759	<b>+23.8%</b>
Volume growth	+6.2%		

- Firm demand and volumes
- Prices holding steady and still positive impact from raw materials clauses





04

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# Guidance







## 2012 Guidance Confirmed

- **Stable volumes**
  - *The 2<sup>nd</sup> half will benefit from a more favorable basis of comparison and the phase-out of inventory drawdowns*
  - *Passenger Car & Light Truck and Truck markets will be weak in Europe, resilient in North America and more vigorous in the growth regions*
  - *Specialty markets will continue to trend upwards*
- **Favorable price effect despite the contractual adjustments coming in July, expected to be downwards**
- **Clear increase in operating income**
- **Ambitious €1,900-million capex program, focused on the technological segments**
- **Positive free cash flow\* after capex and before the impact of the Paris property disposal**

\* Based on the raw materials headwind assumption (€300-350m)





## Key Takeaways

- **Stable volumes in 2012 confirmed**
- **Firm prices**
- **Ambitious capex programs focused on the technological segments**
- **Positive 2012 FCF before the property disposal**





# Contacts

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