



# Goldman Sachs Roadshow in London



June 2010



## Early 2010: demand trending upwards

- **Clear rebound in tire demand off of favorable prior-year comparatives**
- **Increase in Michelin Q1 volumes, gaining momentum late in the quarter as market share held firm**
- **First-quarter mix reflected growth in OE sales**
- **Impact of price increases expected over the coming quarters**



# OUTLINE



■ **Analysis of Q1 Net Sales**

■ **Global Market Trends**

■ **Outlook**

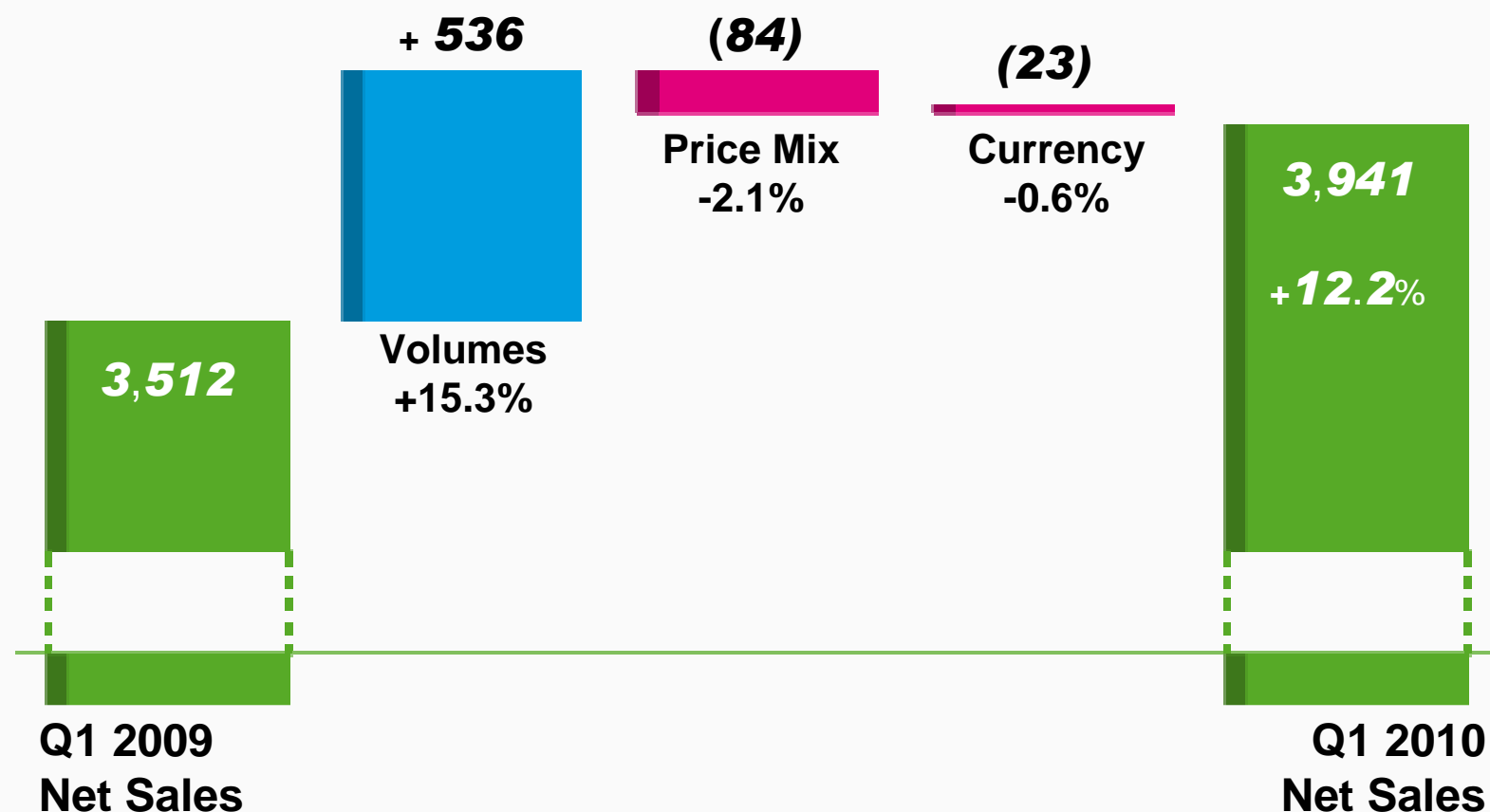


# *Analysis of Q1 Net Sales*



# Growth in Net Sales Led by Volumes

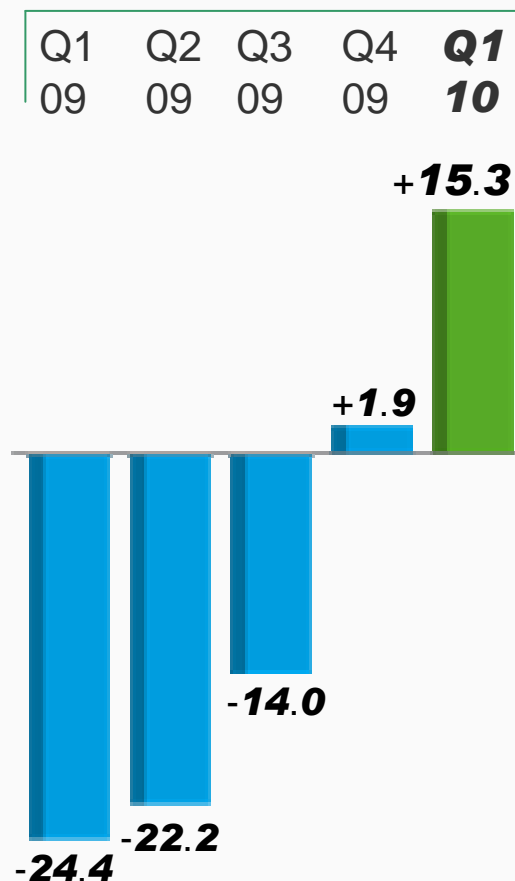
YoY change in € millions and as a % of net sales



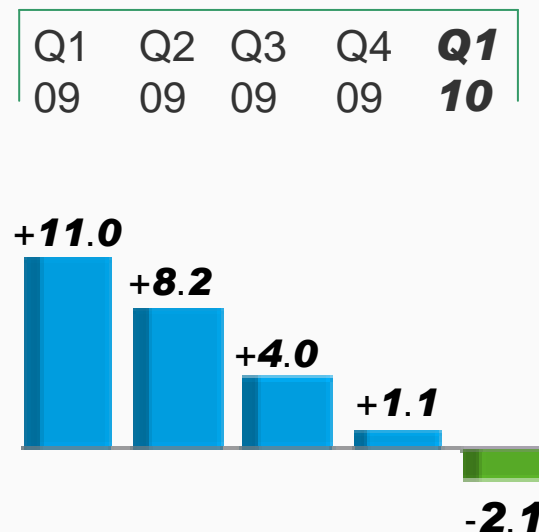
# Higher Volumes: Growing Contribution from the OE Segment

YoY change as a % of net sales

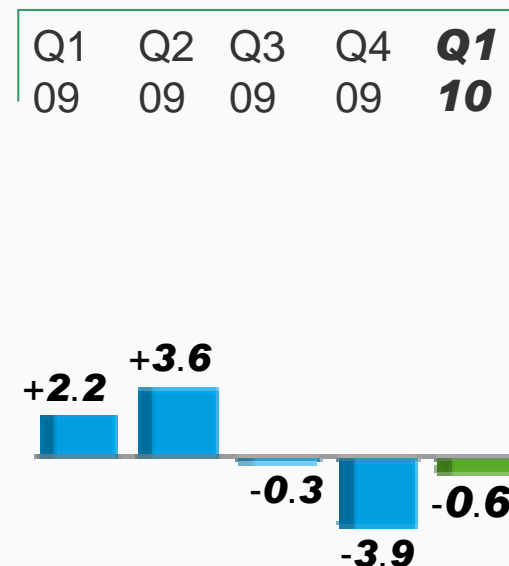
## Volumes



## Price Mix



## Currency



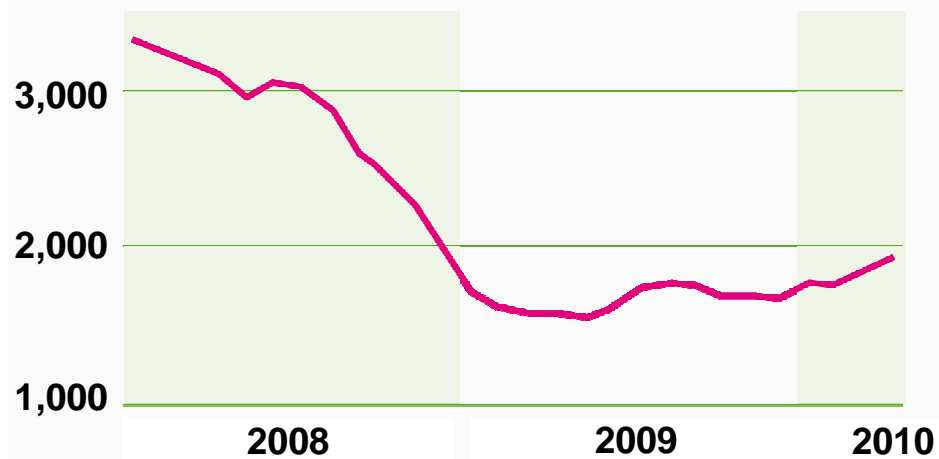
# *Global Market Trends*



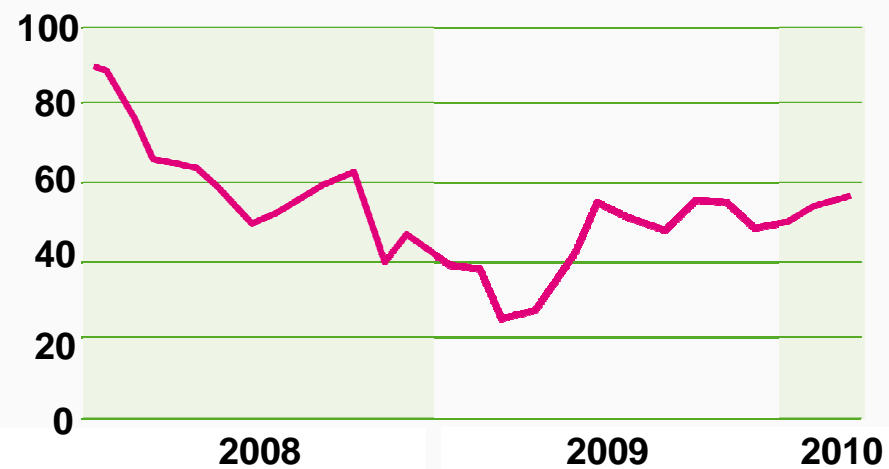
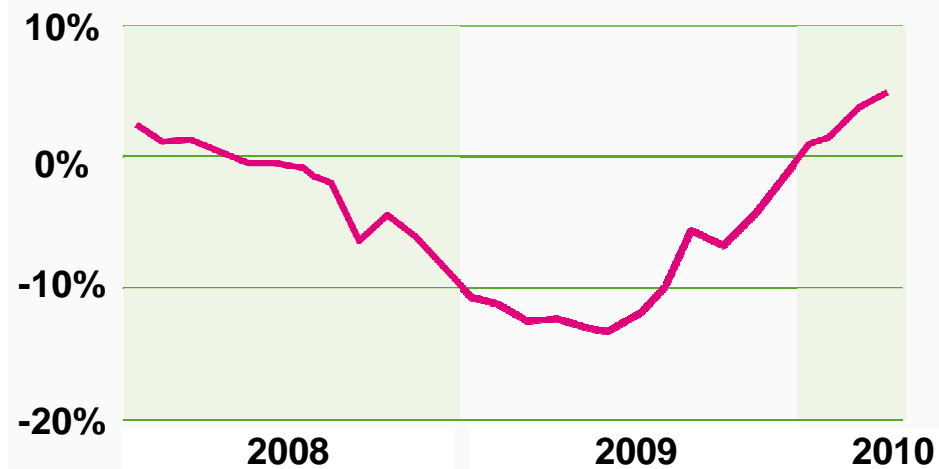
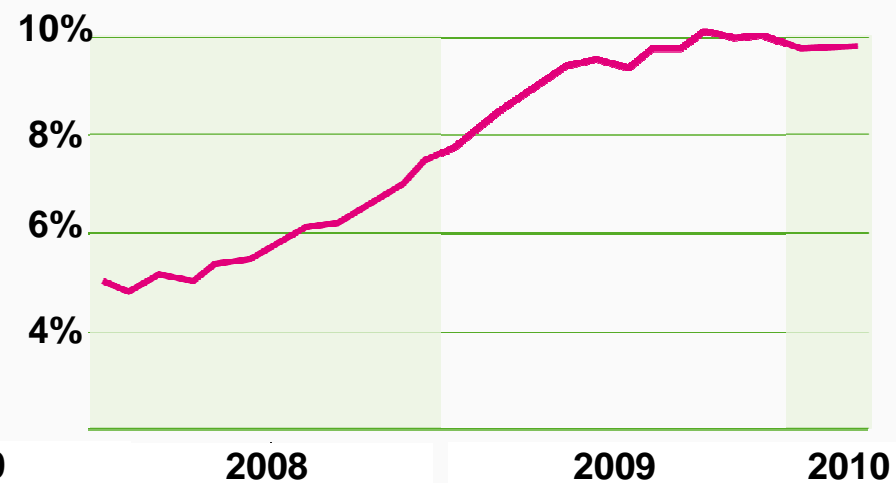
# Better Economic Environment outlook in the US

## HOUSING STARTS

('000s units – moving 3 months)



## UNEMPLOYMENT



## INDUSTRIAL PRODUCTION GROWTH

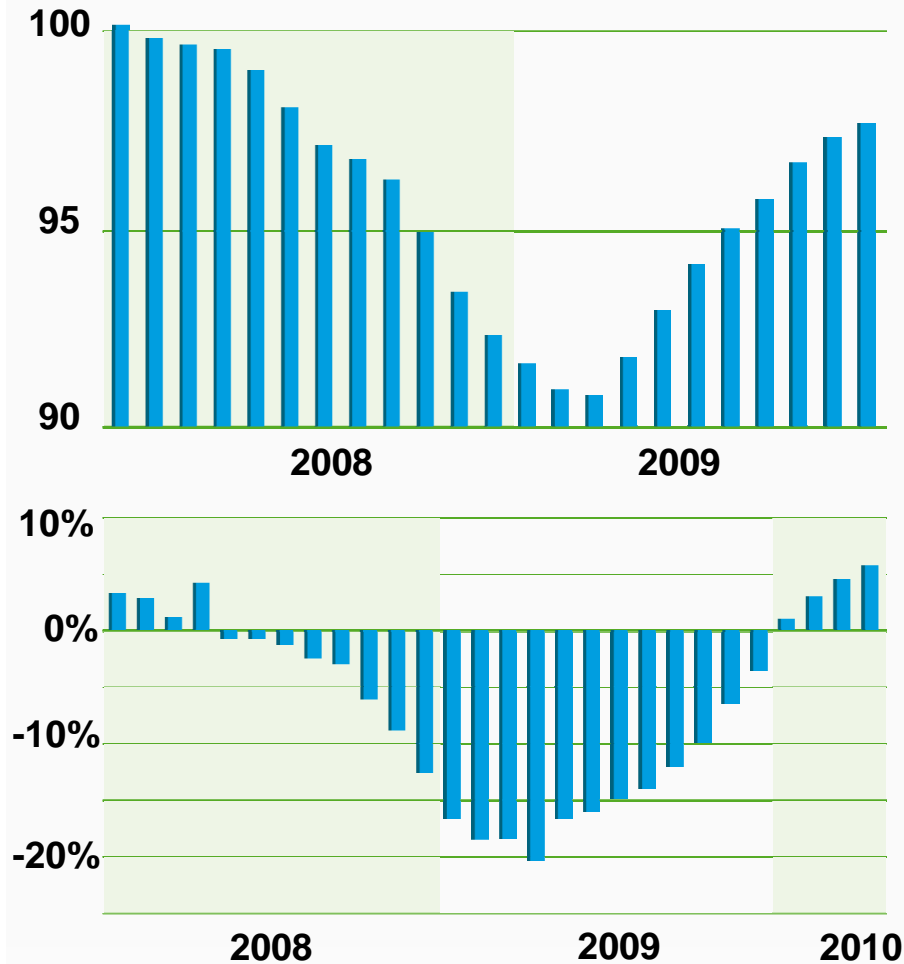
## CONSUMER CONFIDENCE



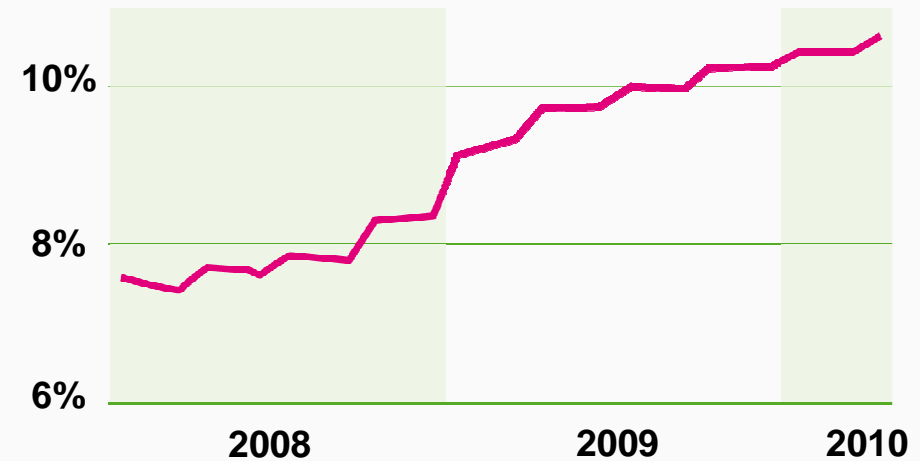


# Cautiously Optimistic in Europe

## CONSUMER CONFIDENCE EUROZONE

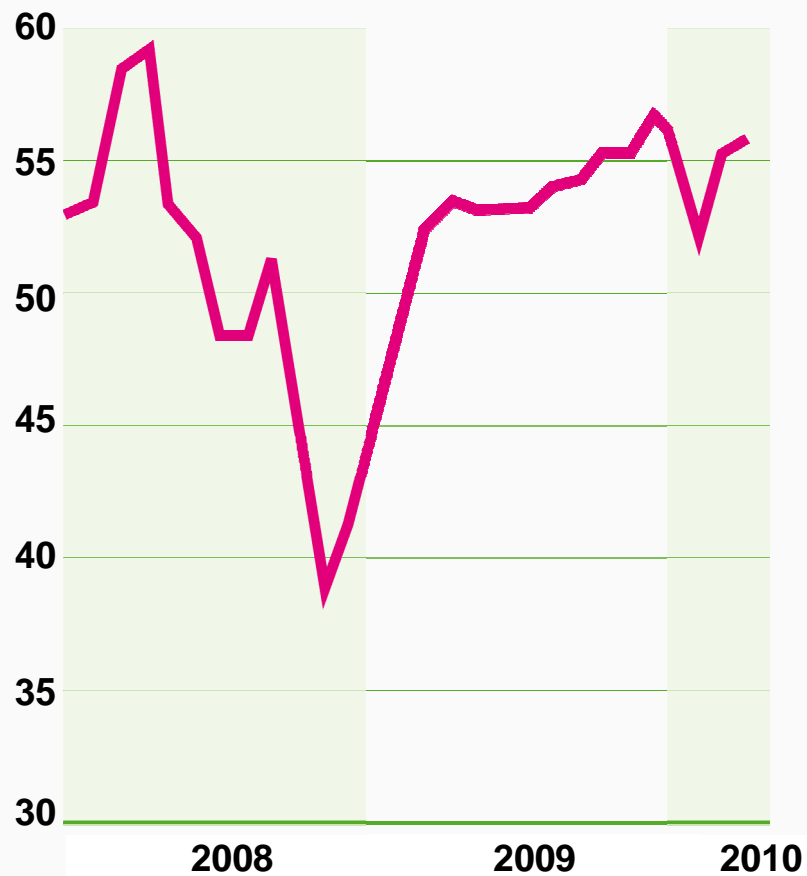


## UNEMPLOYMENT

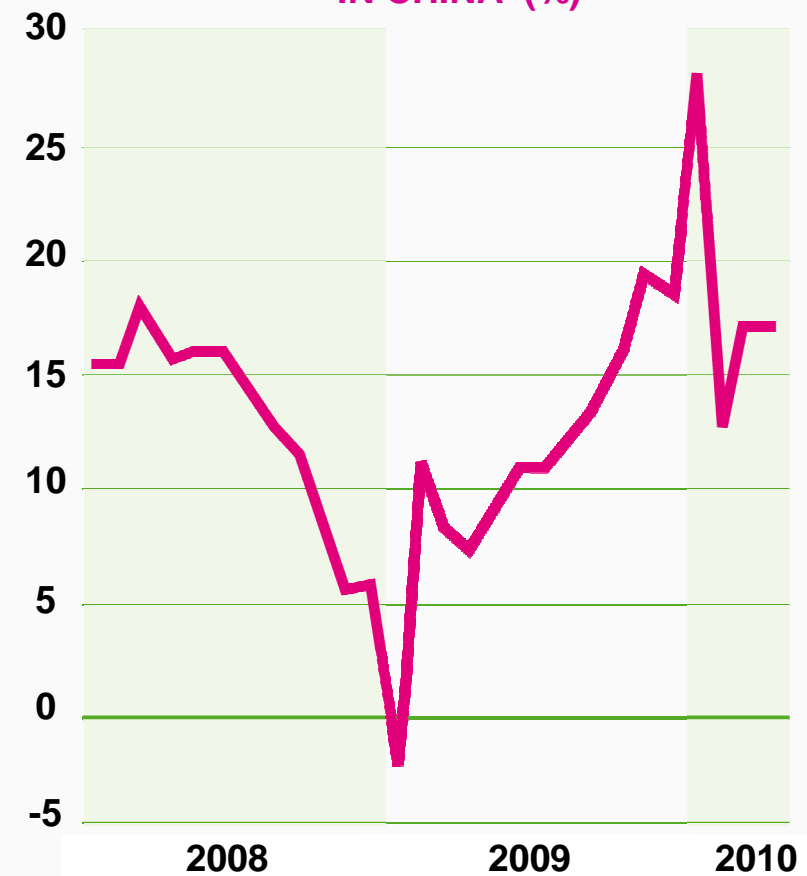


# Strong Growth in the Chinese Economy

PMI CHINA



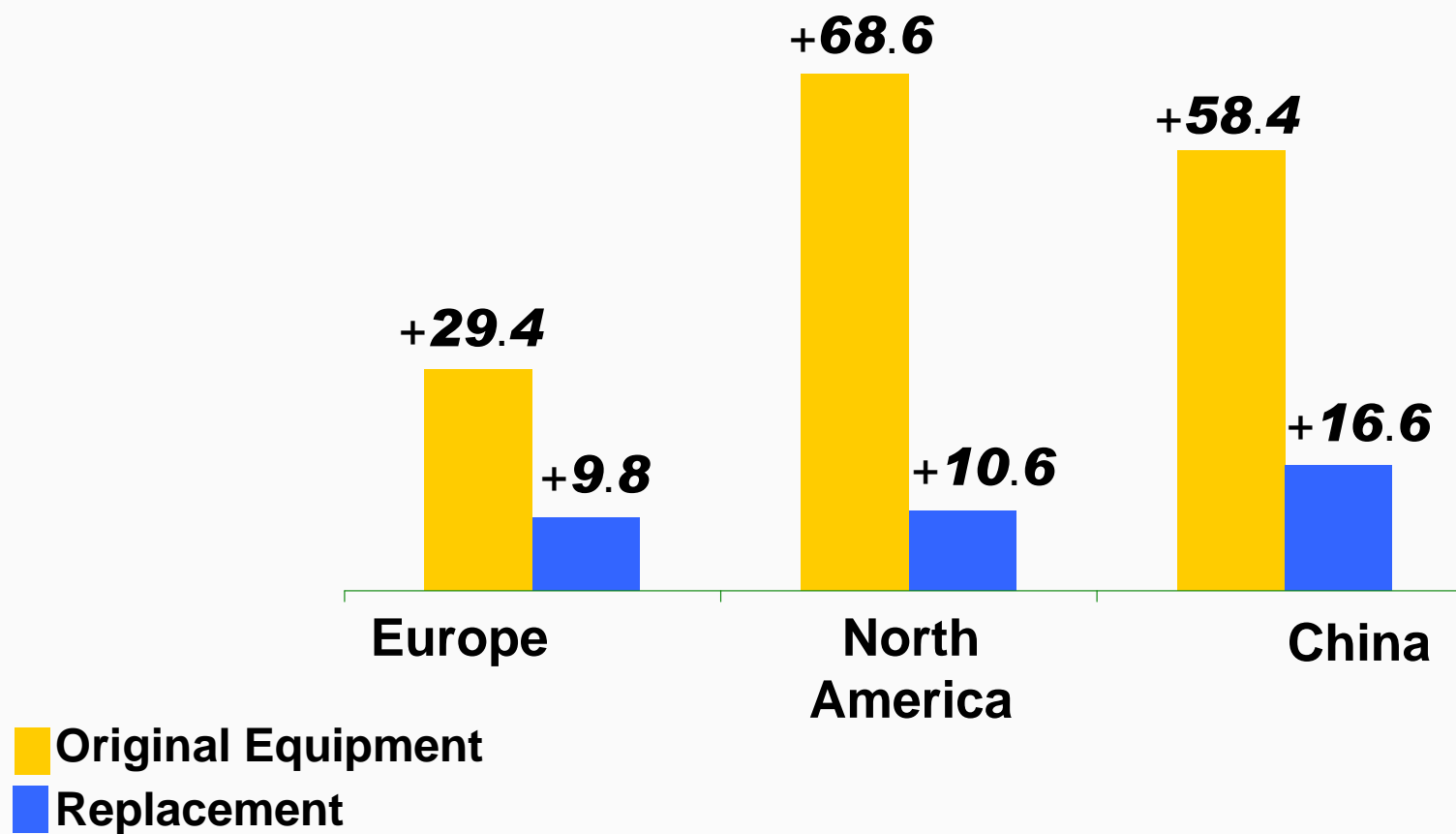
INDUSTRIAL PRODUCTION GROWTH IN CHINA (%)



# Passenger Car/Light Truck Tire Markets: Significant Rebound in the First-Quarter

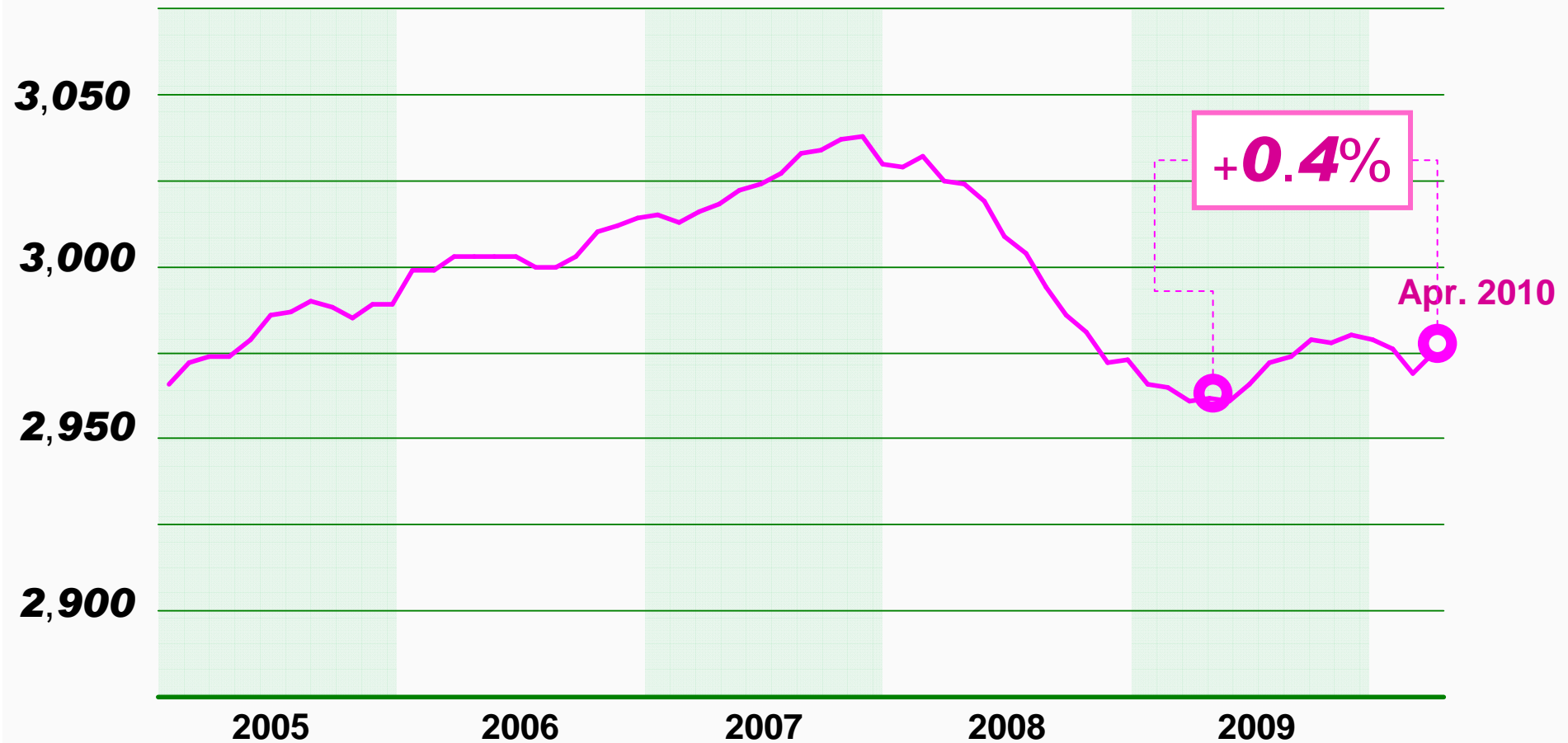


*Markets from January to May 2010 –  
% change YoY*



# Recovery in US Vehicle Miles Driven Still Hesitant

VEHICLE MILES DRIVEN IN THE UNITED STATES (MOVING 12-MONTH)  
JANUARY 2005 – APRIL 2010



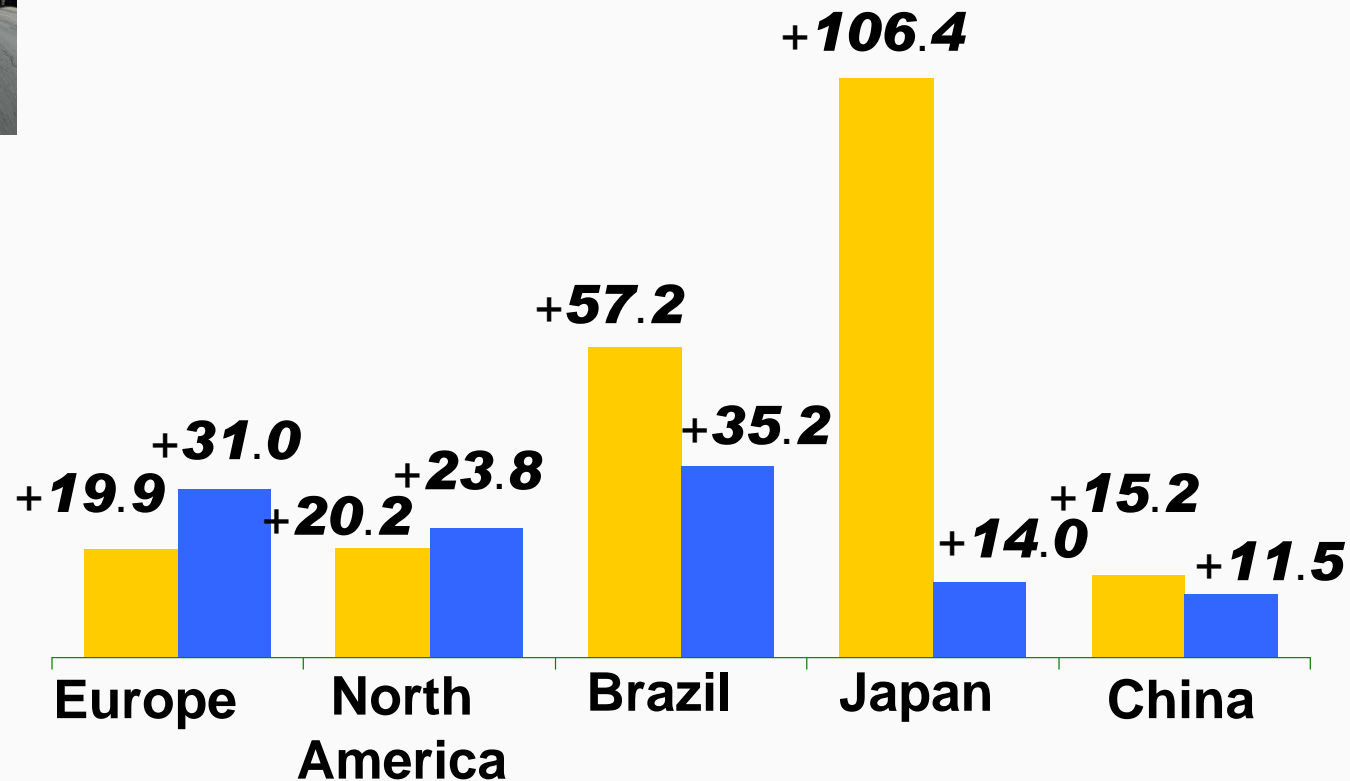
Source: US Department of Transportation / Federal Highway Administration



# Sharp Upturn in Truck Tire Markets Off of Low Prior-Year Comparatives



*Markets from January to May 2010 –  
% change YoY*

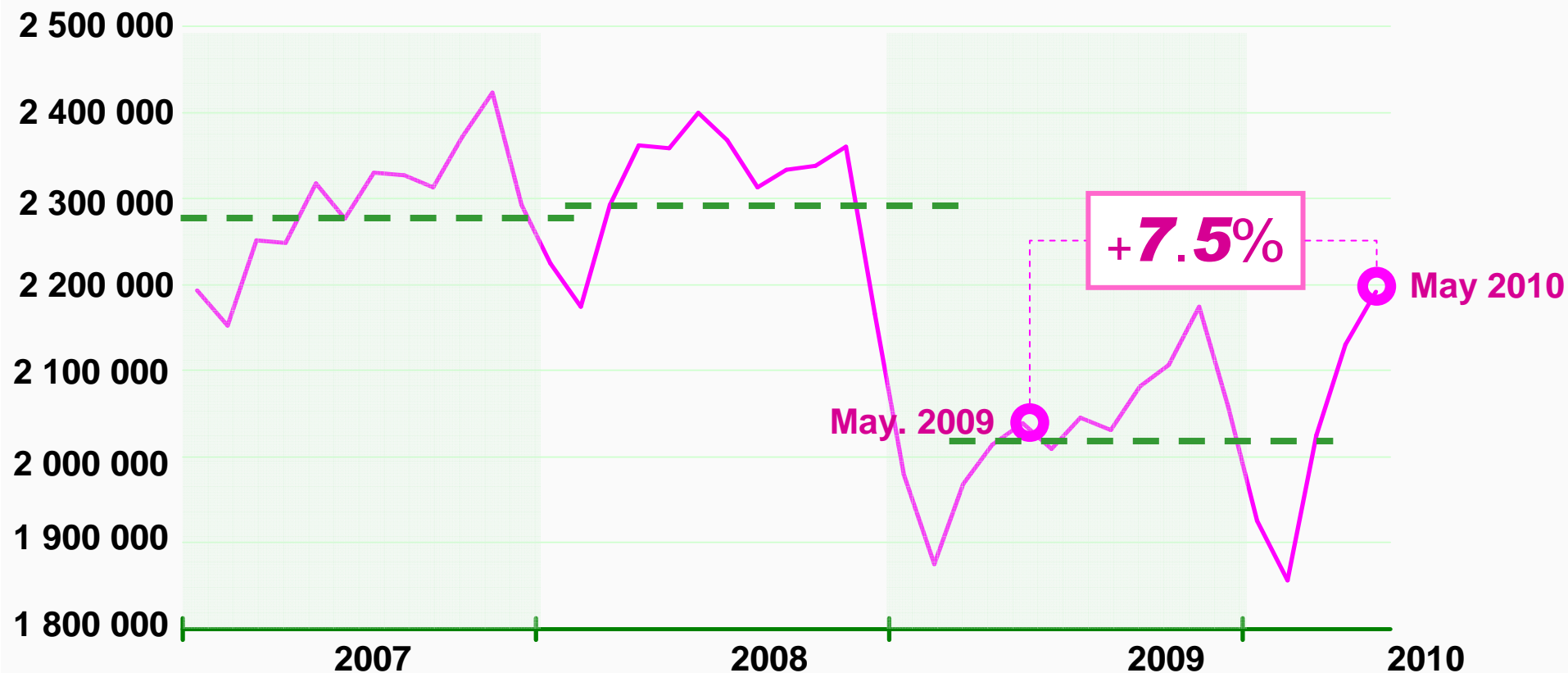


 Original Equipment  
 Replacement



# Freight Kilometers in Germany up 7.5% in May 2009 (Moving 3-Month)

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



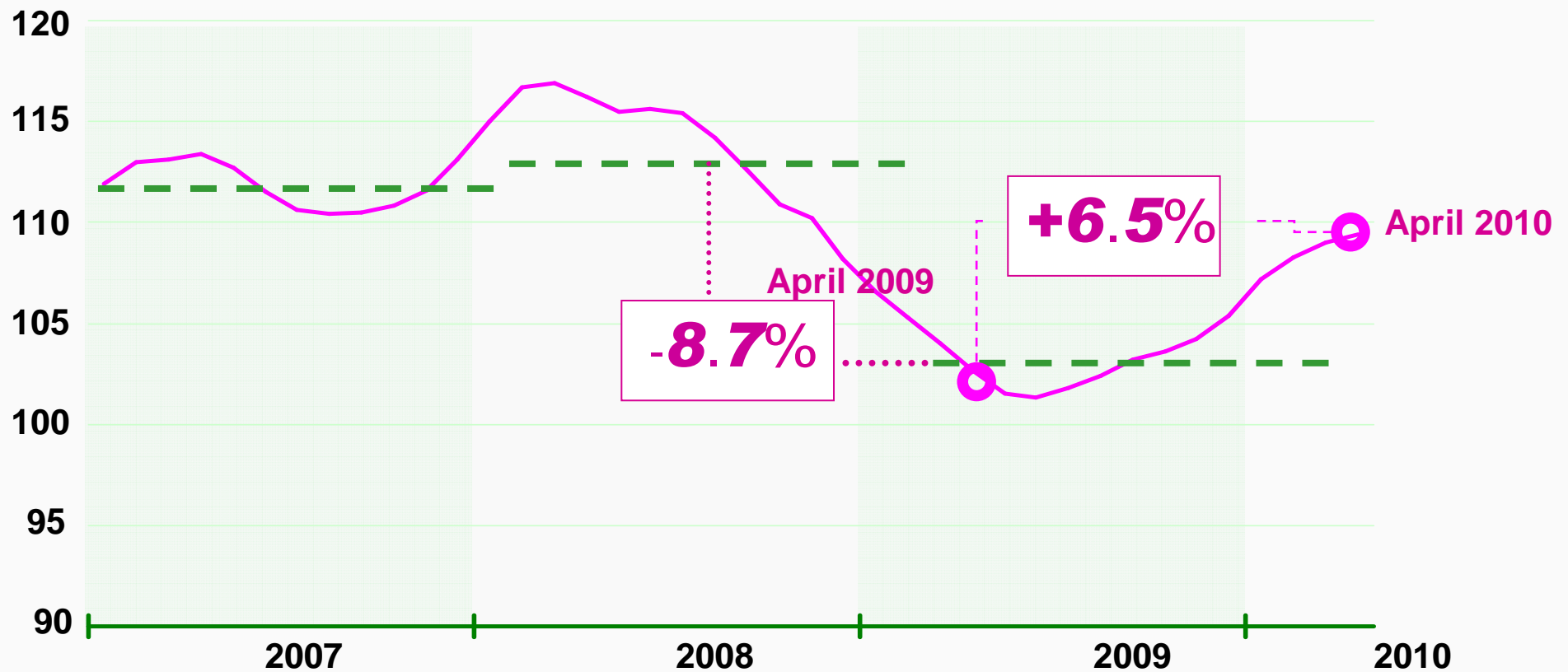
Source : Bundesamt für Güterverkehr

Yearly average



# Increase in US Freight Tonnage

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



Source: US Department of Transportation / Federal Highway Administration



# Mining Operations Underpinned by Strong Demand for Raw Materials

**OIL SANDS PRODUCTION**  
(‘000 of barrels per day)



Source: Canadian Association of Petroleum Producers

**IRON ORE PRICES**  
(USD / Dry Metric Ton)



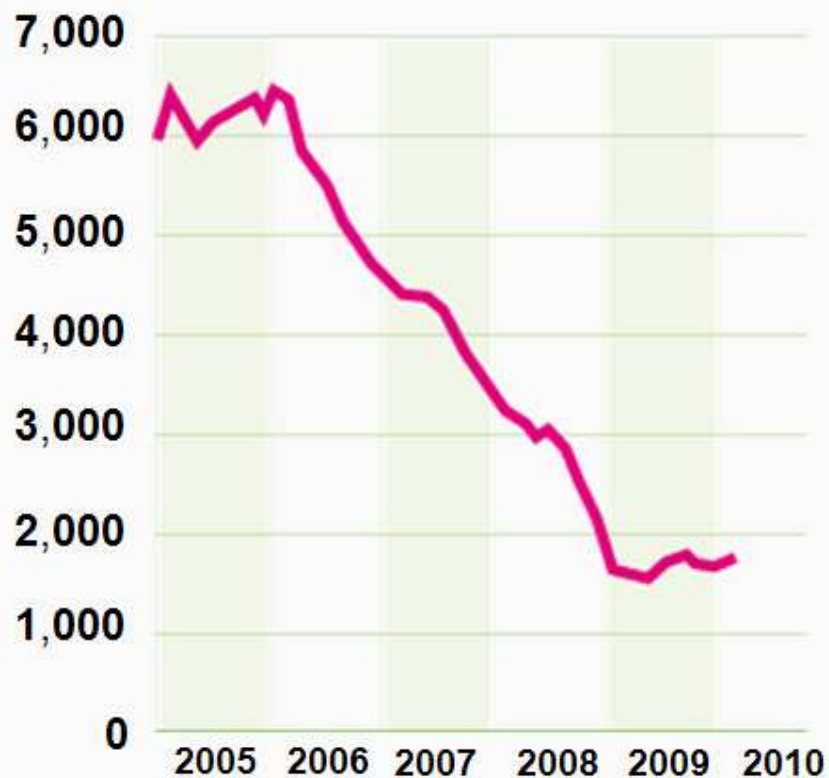
Source: SBB





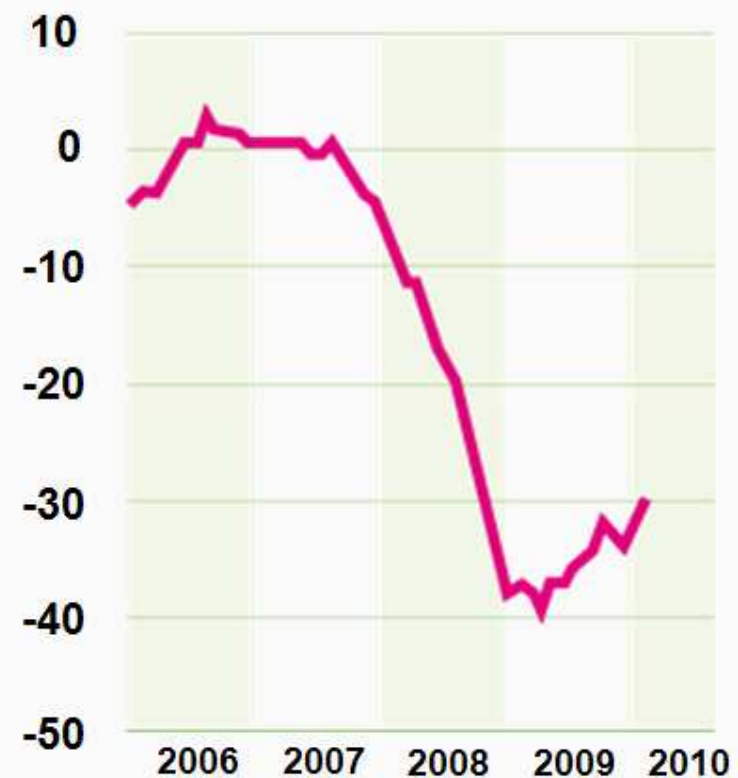
# Infrastructure Market: Signs of Recovery in North America and Western Europe

**US HOUSING STARTS**  
(‘000s units – moving 3 months)



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

**EU CONSTRUCTION CONFIDENCE INDEX**

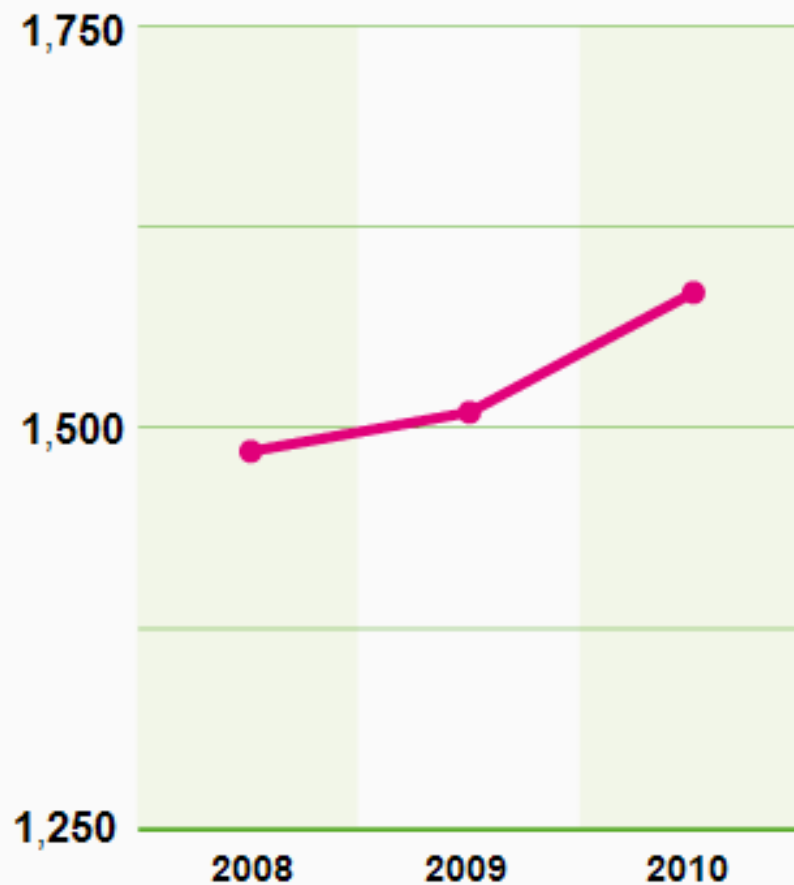


Source: Eurostat



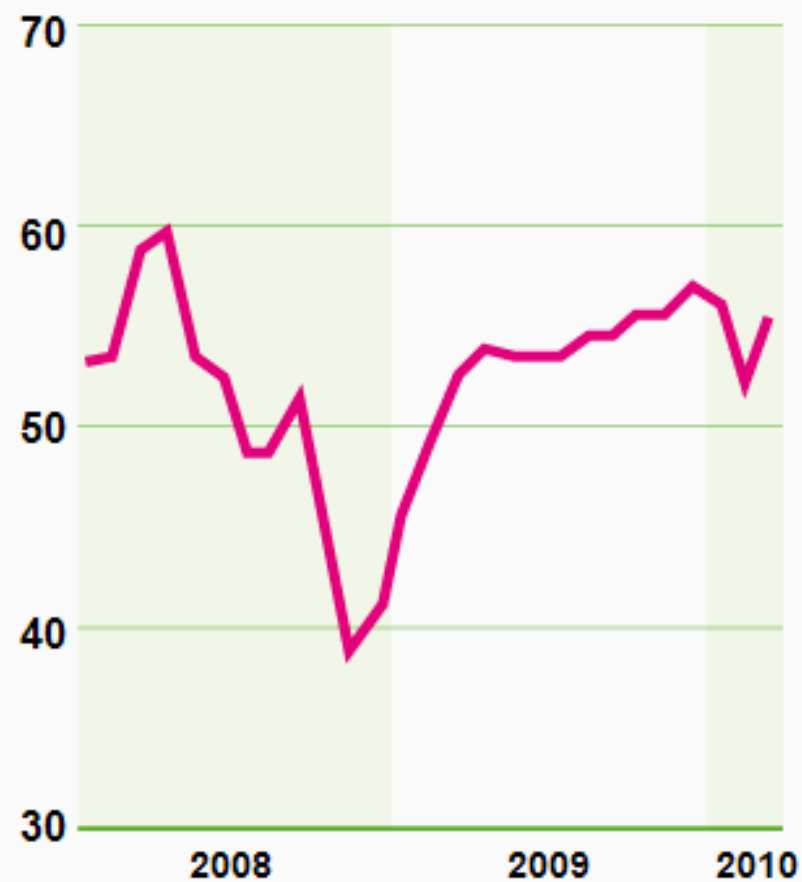
# Sustained Demand in Asian Infrastructure Markets

ASIAN CONSTRUCTION SPENDING  
(€ billions)



Source: IHS Global Insight

CHINA PURCHASING MANAGERS RATIO



Source: ISM



# Outlook



# Tire Demand Expected to Increase

## ■ Passenger Car and Light Truck Tires

- Further growth in the replacement market, as postponed orders are fulfilled
- Possible slowdown in the European original equipment segment

## ■ Truck Tires

- Demand supported by sharp dealer and fleet inventory drawdowns in 2009
- Ongoing rebound already apparent in Europe
- Miles driven on the rise and a tighter retread market in North America

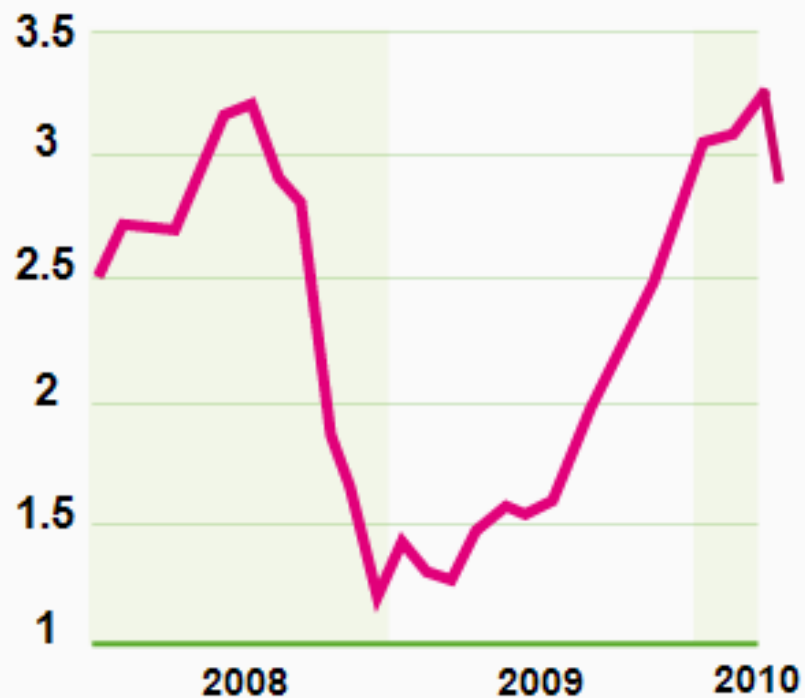
## ■ Specialty Tires

- Demand trending upward in mining operations and growth regions
- Infrastructure and original equipment: replenishing inventory in expectation of an increase in end-user demand

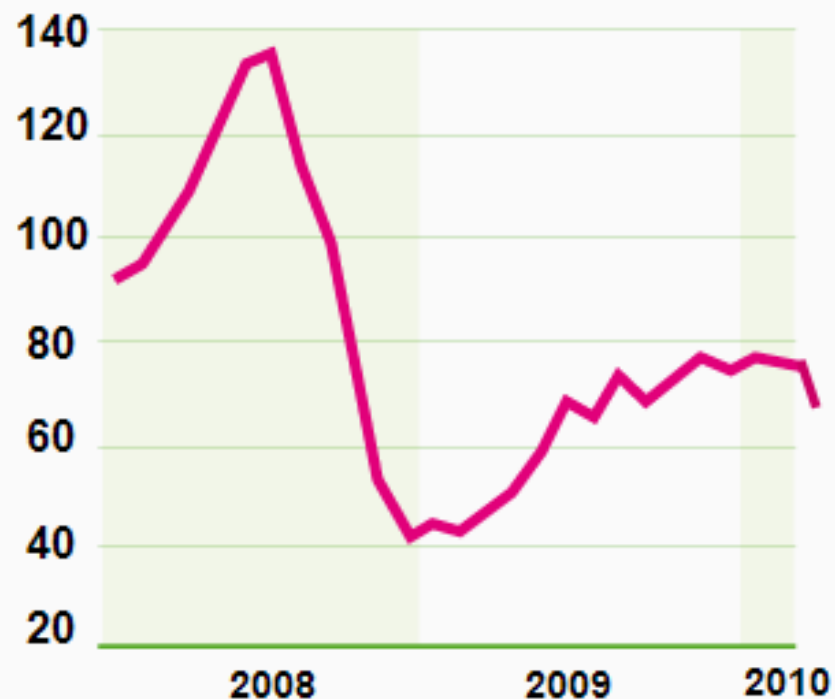


# Increase in Raw Material Prices, Especially Natural Rubber

**NATURAL RUBBER PRICES**  
TSR20- USD/kg



**BRENT PRICES**  
(USD/Barrel)



# Responsive Pricing Policy to Pass on Higher Raw Material Prices

## ■ North America (Effective February 1)

Truck tire replacement market: **from +3% to +7%**

Passenger car & Light truck tires: depending on the range

Earthmover tire replacement market: **+4%**

## ■ North America (Effective June 1)

Passenger car & Light truck tires: **up to 6%**

## ■ Europe

April 1: Truck tire replacement market: **+4%**

2nd Quarter: Passenger car & Light truck replacement tires: **+3% to +4%**

## ■ Other regions

Price increases scheduled in the second quarter

## ■ Contractual indexation clauses

Prices to be revised upwards in the second half



# 2010 Outlook

## **Confirm Rebounding Demand**

➔ Volumes up 10%

## **Rising Raw Materials Prices**

➔ Responsive Pricing Policy

## **To Drive New Growth**

➔ Restoring Capital Expenditure

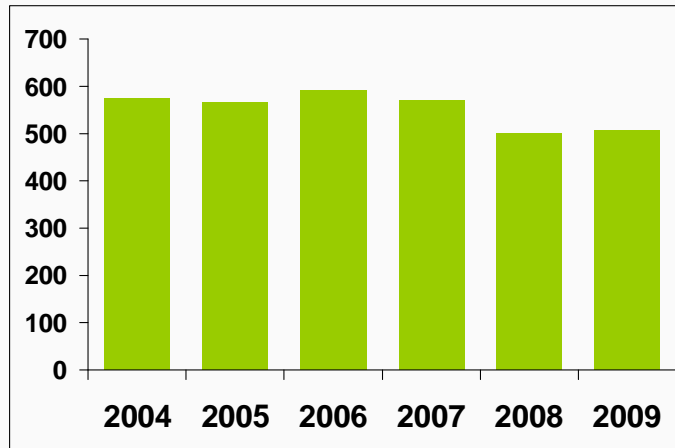
## **Continuing to Tightly Manage Operations**

➔ Objective: Generate Positive Free Cash Flow



# Enhancing Technological Leadership

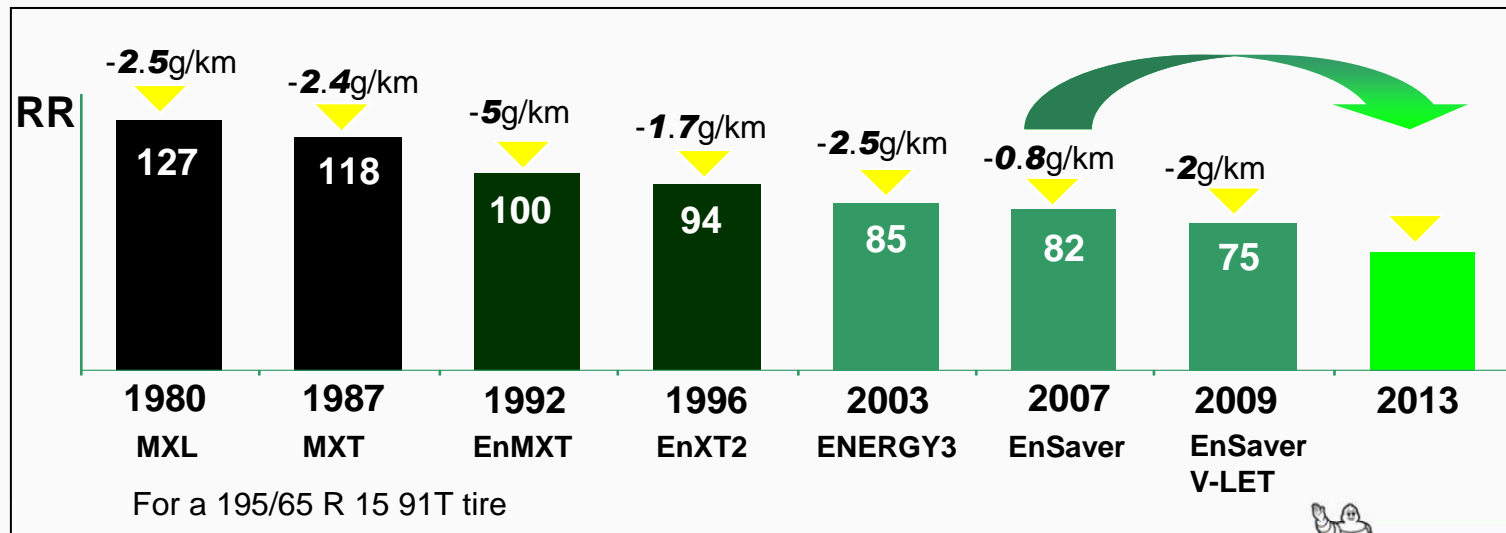
## R&D Expense (in million €)



## Balanced performance

- Total cost of ownership
- CO2 emissions
- Safety

## Improving rolling resistance in passenger car tires

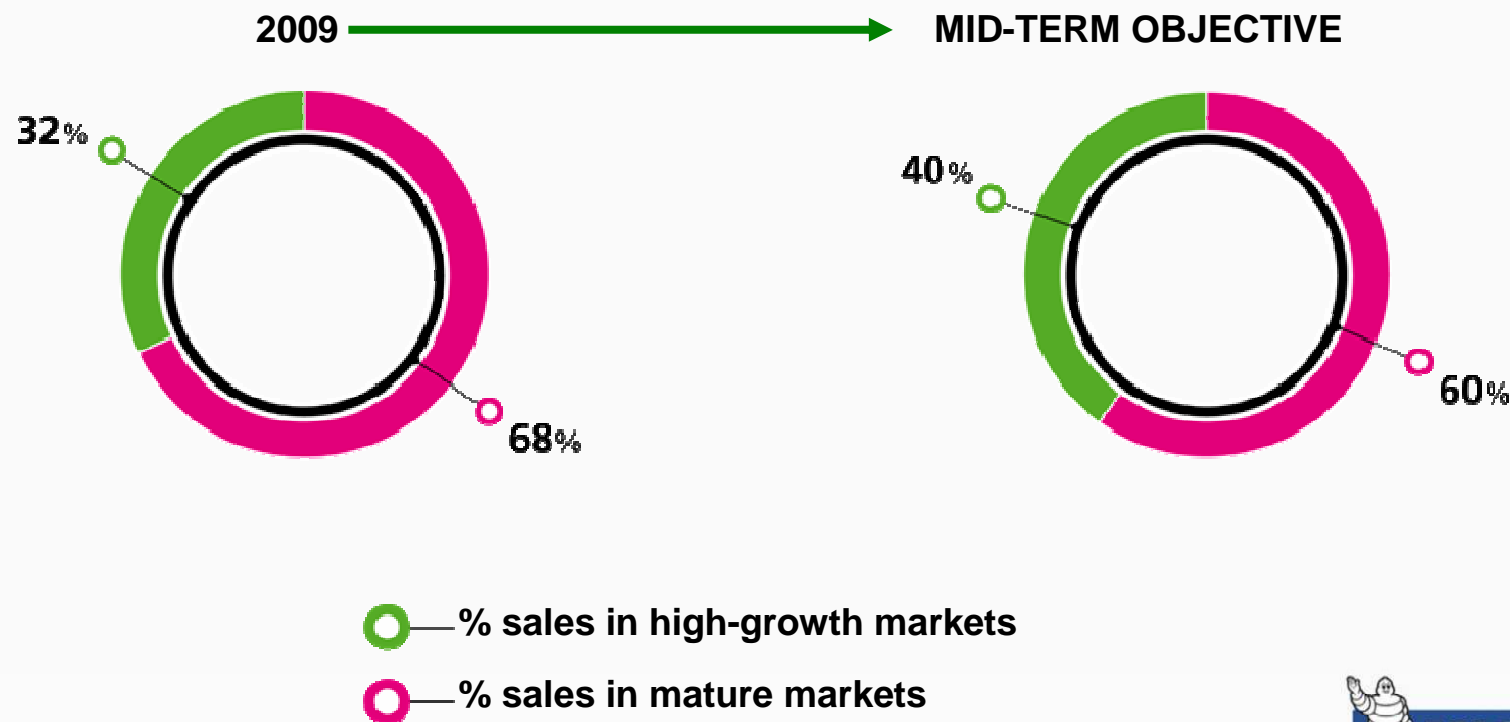




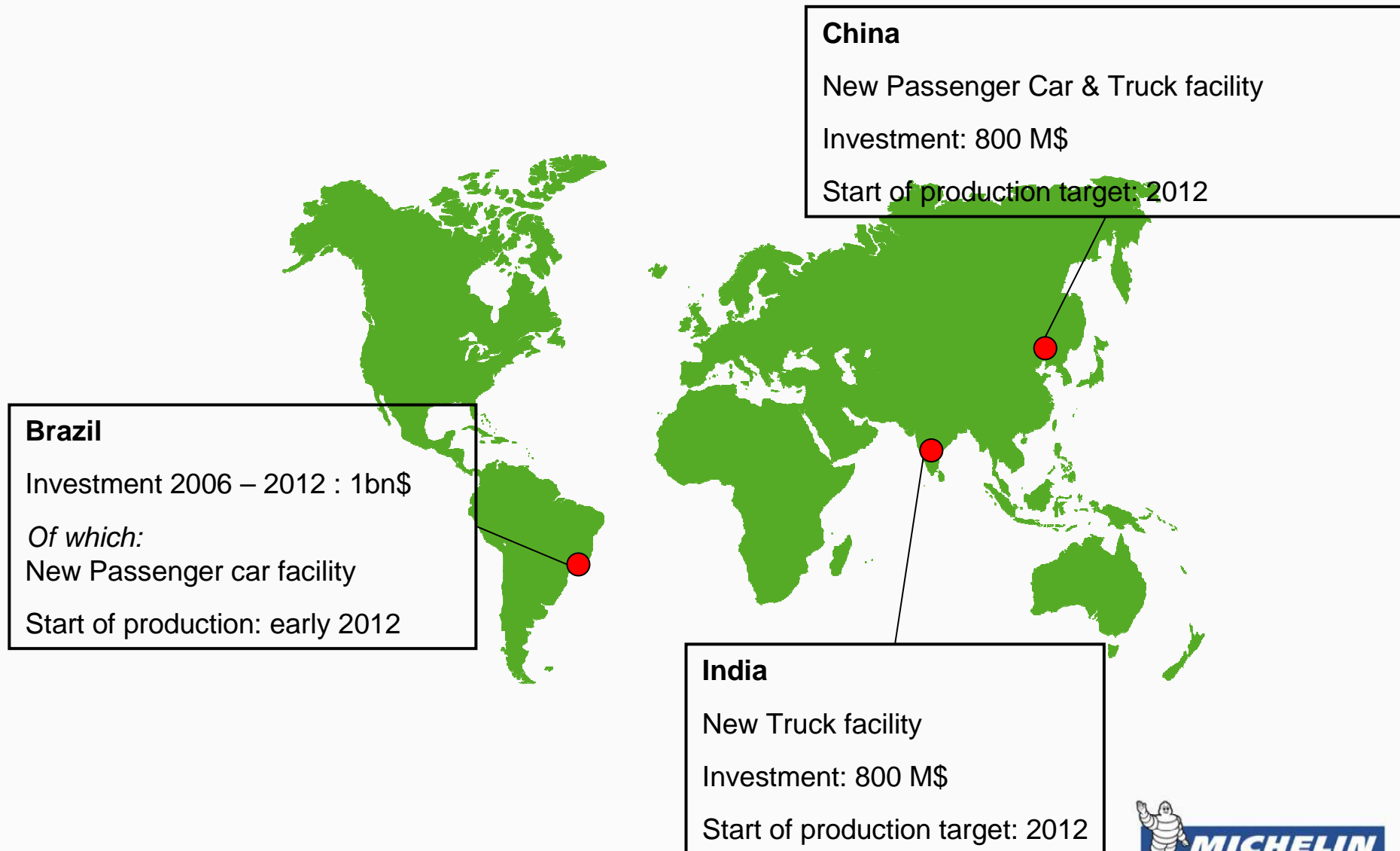
# Increasing Capacity in Growth Regions: USD 2bn capital expenses 2010 - 2012

## GROWTH REGION OBJECTIVE

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



# Internal Growth: 3 Greenfield Projects in Brazil, China and India.



# Challenge Bibendum – Rio 2010





# Goldman Sachs Roadshow in London

June 2010



## Investor Relations

**Valérie Magloire**  
**Alban de Saint Martin**

**+33 (0) 1 45 66 16 15**

**46, avenue de Breteuil**  
**75324 Paris Cedex 07 – France**

**[investor-relations@fr.michelin.com](mailto:investor-relations@fr.michelin.com)**



# Disclaimer

*This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des marchés financiers available from the [www.michelin.com](http://www.michelin.com) website.*

*This presentation could contain a number of provisional statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements.*

