

12th European Seminar Exane BNP Paribas



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**

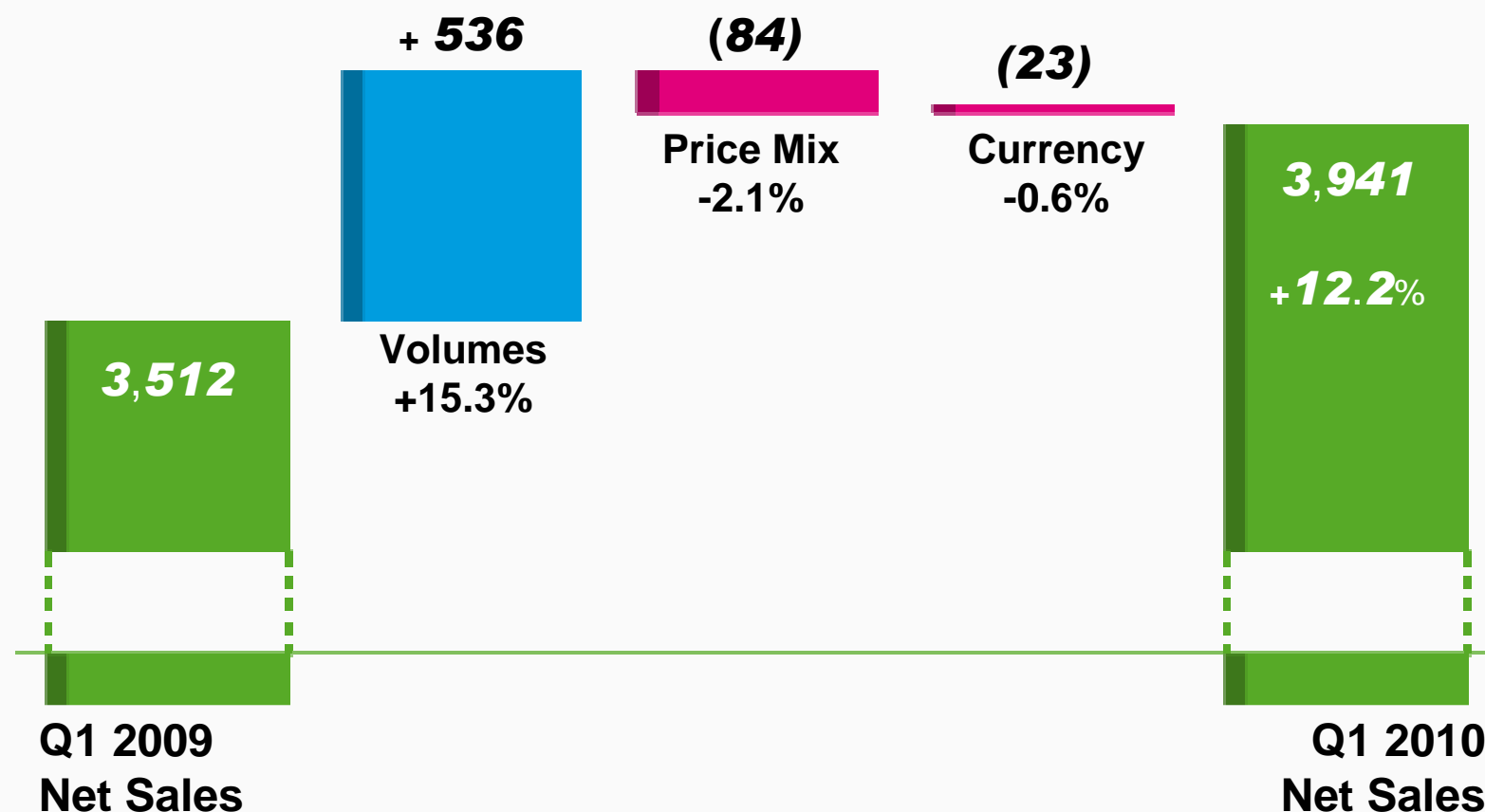


Analysis of Q1 Net Sales



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

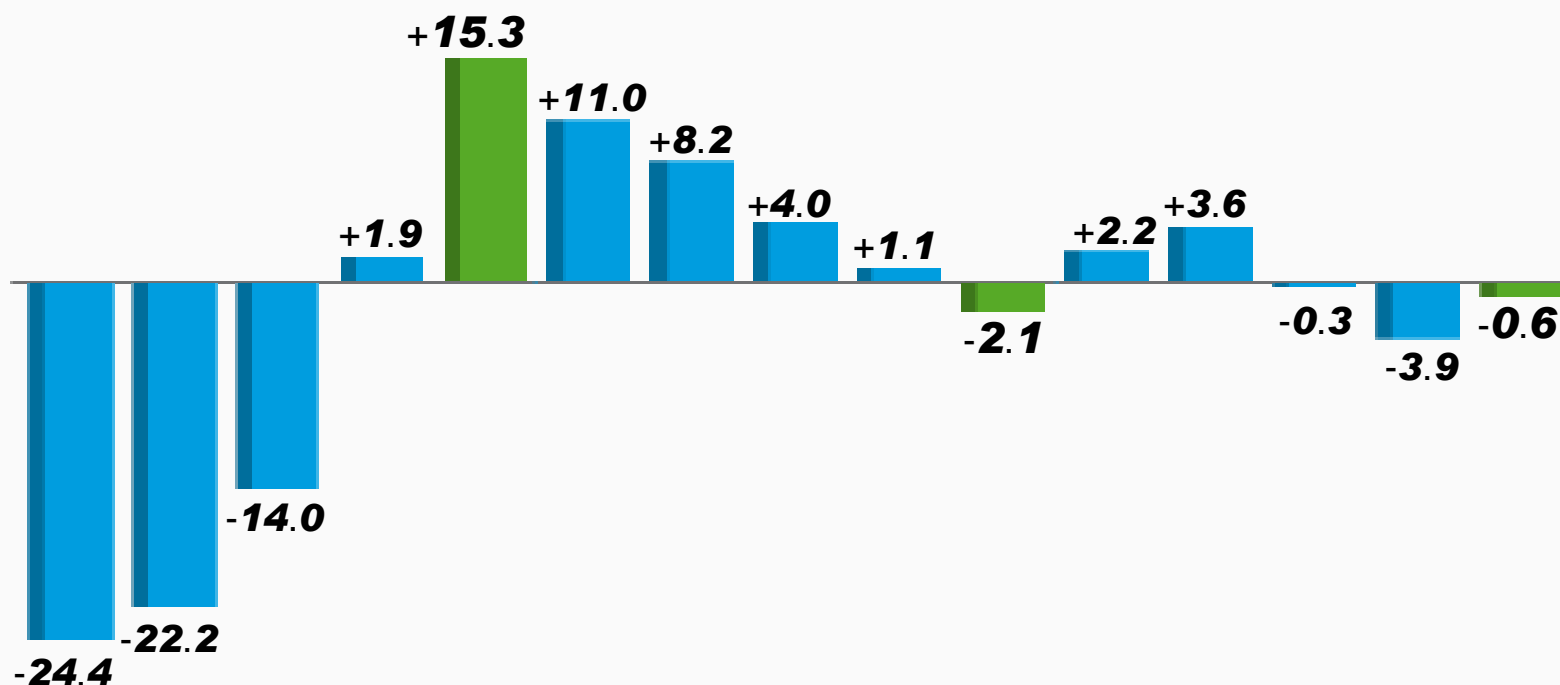
Q1 09	Q2 09	Q3 09	Q4 09	Q1 10

Price Mix

Q1 09	Q2 09	Q3 09	Q4 09	Q1 10

Currency

Q1 09	Q2 09	Q3 09	Q4 09	Q1 10



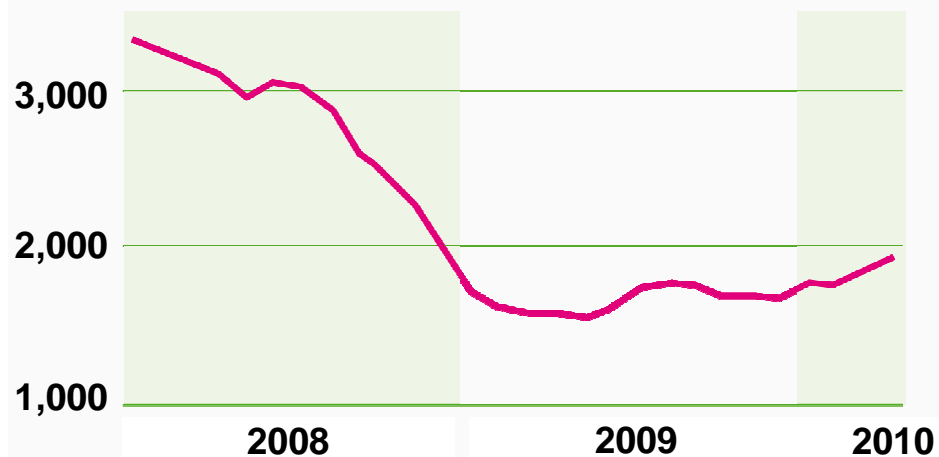
Global Market Trends



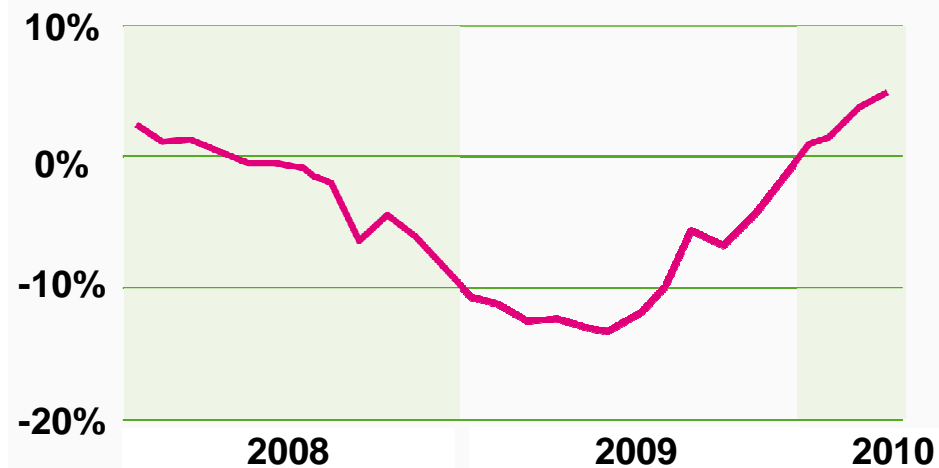
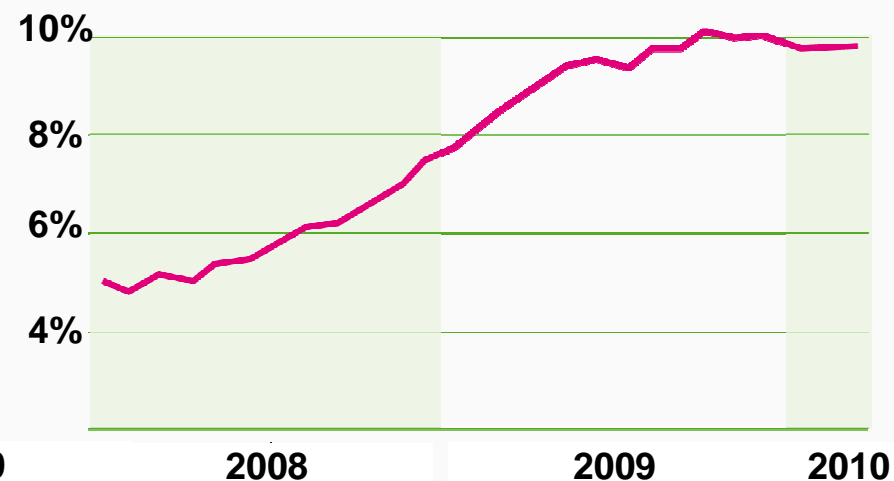
Better Economic Environment outlook in the US

HOUSING STARTS

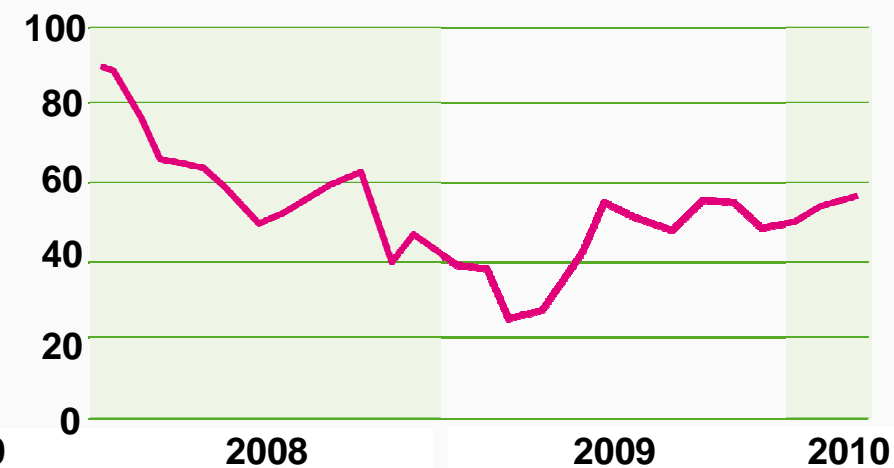
('000s units – moving 3 months)



UNEMPLOYMENT



INDUSTRIAL PRODUCTION GROWTH

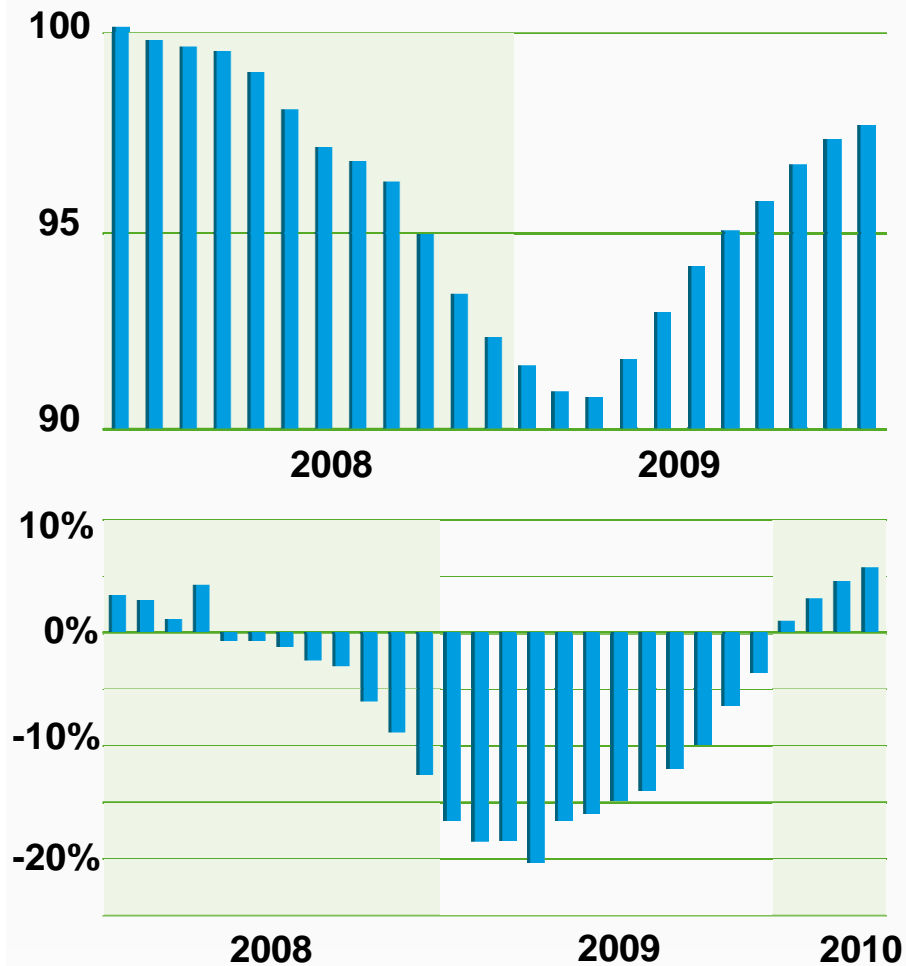


CONSUMER CONFIDENCE



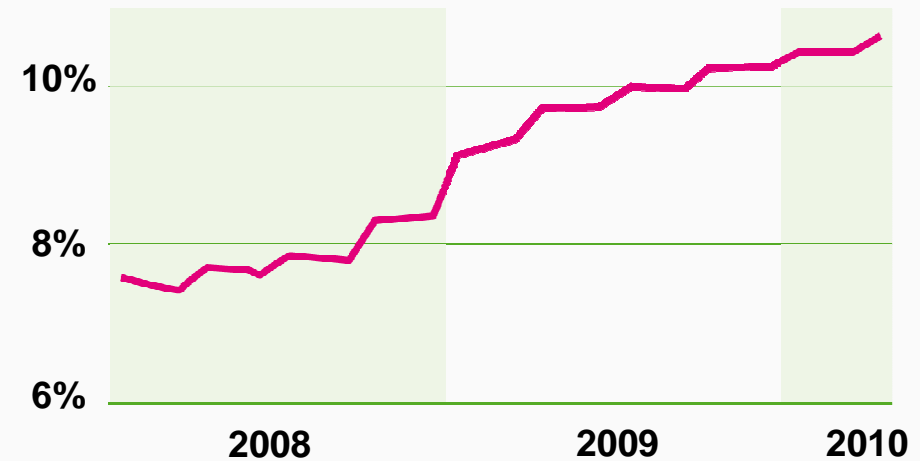
Cautiously optimistic in Europe

CONSUMER CONFIDENCE EUROZONE



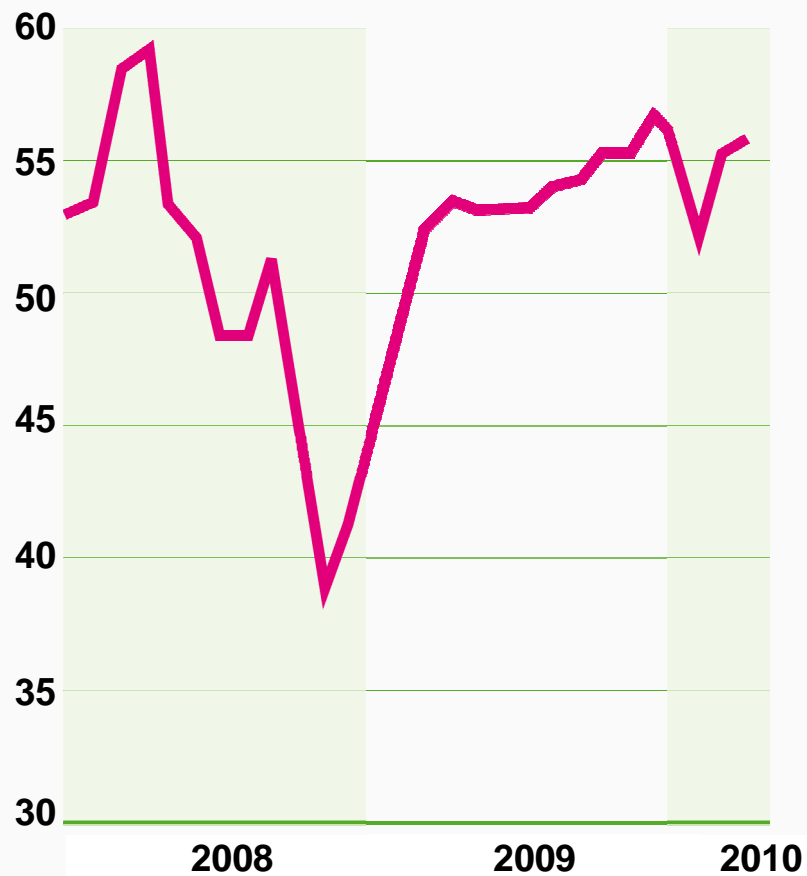
INDUSTRIAL PRODUCTION GROWTH

UNEMPLOYMENT

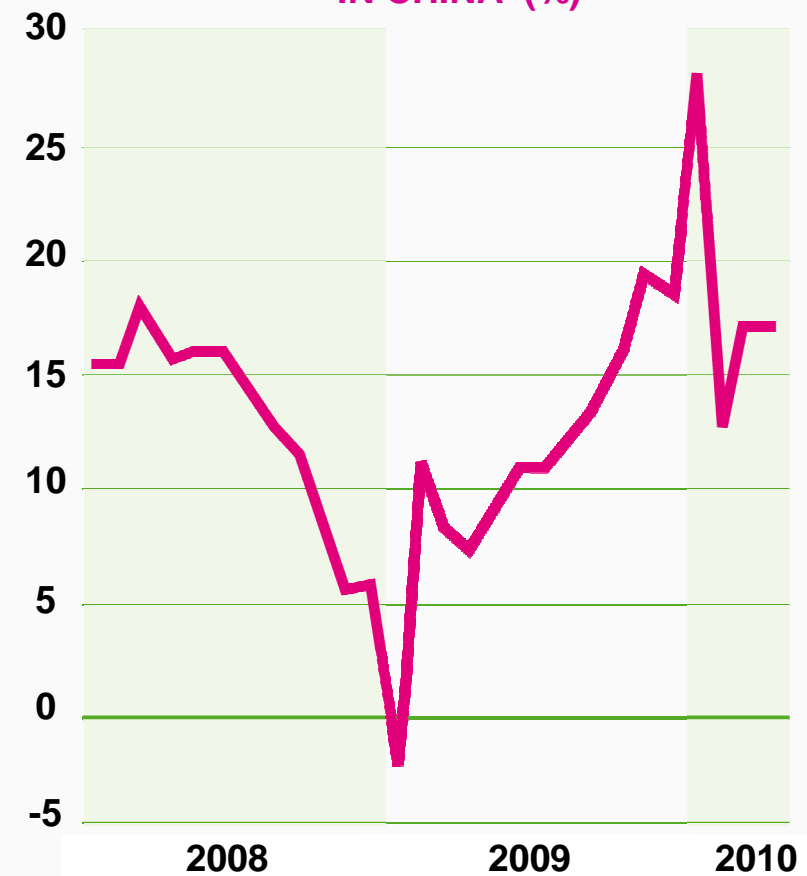


Strong Growth in the Chinese Economy

PMI CHINA



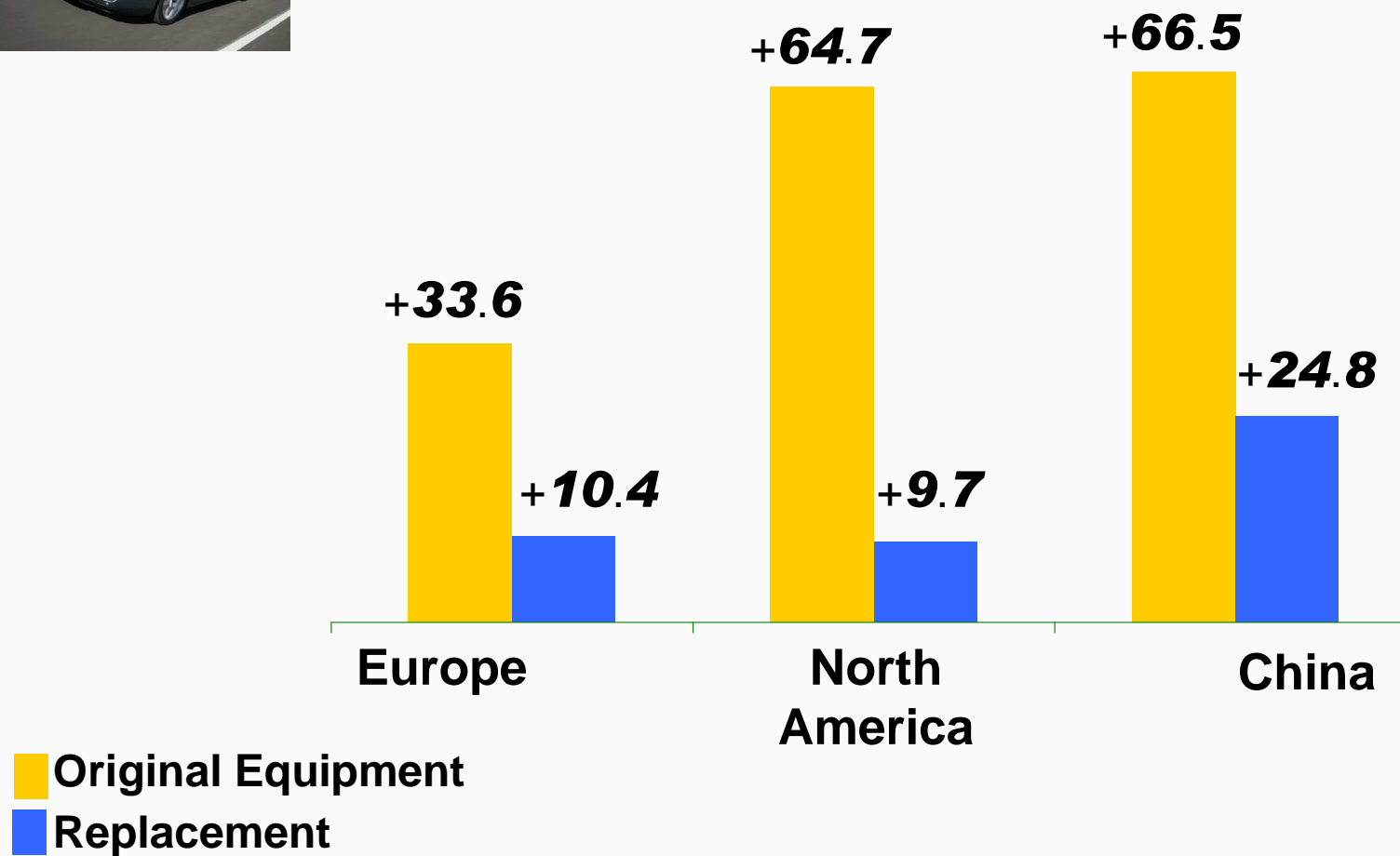
INDUSTRIAL PRODUCTION GROWTH IN CHINA (%)



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

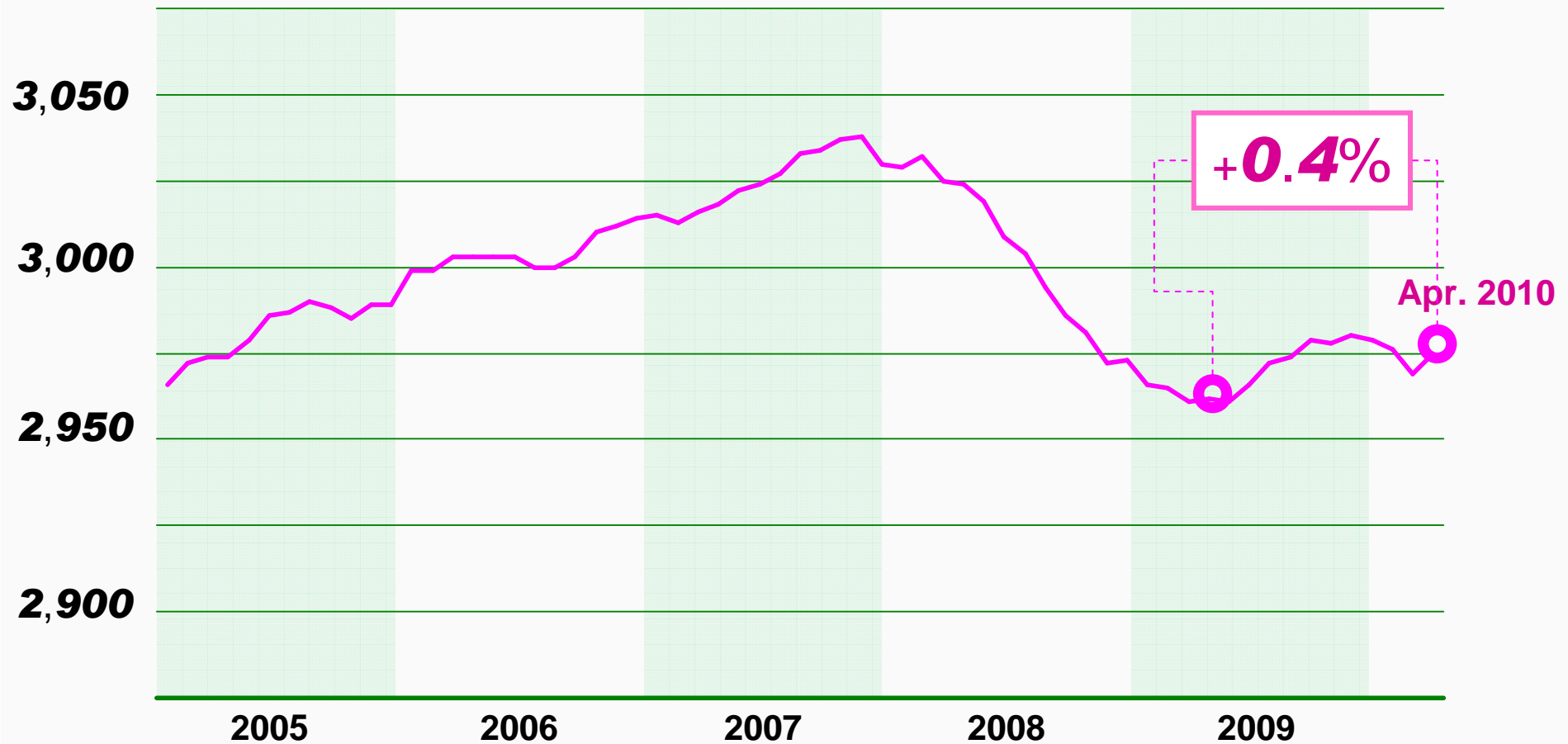


*Markets from January to April 2010 –
% change YoY*



Recovery in US Vehicle Miles Driven Still Hesitant

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



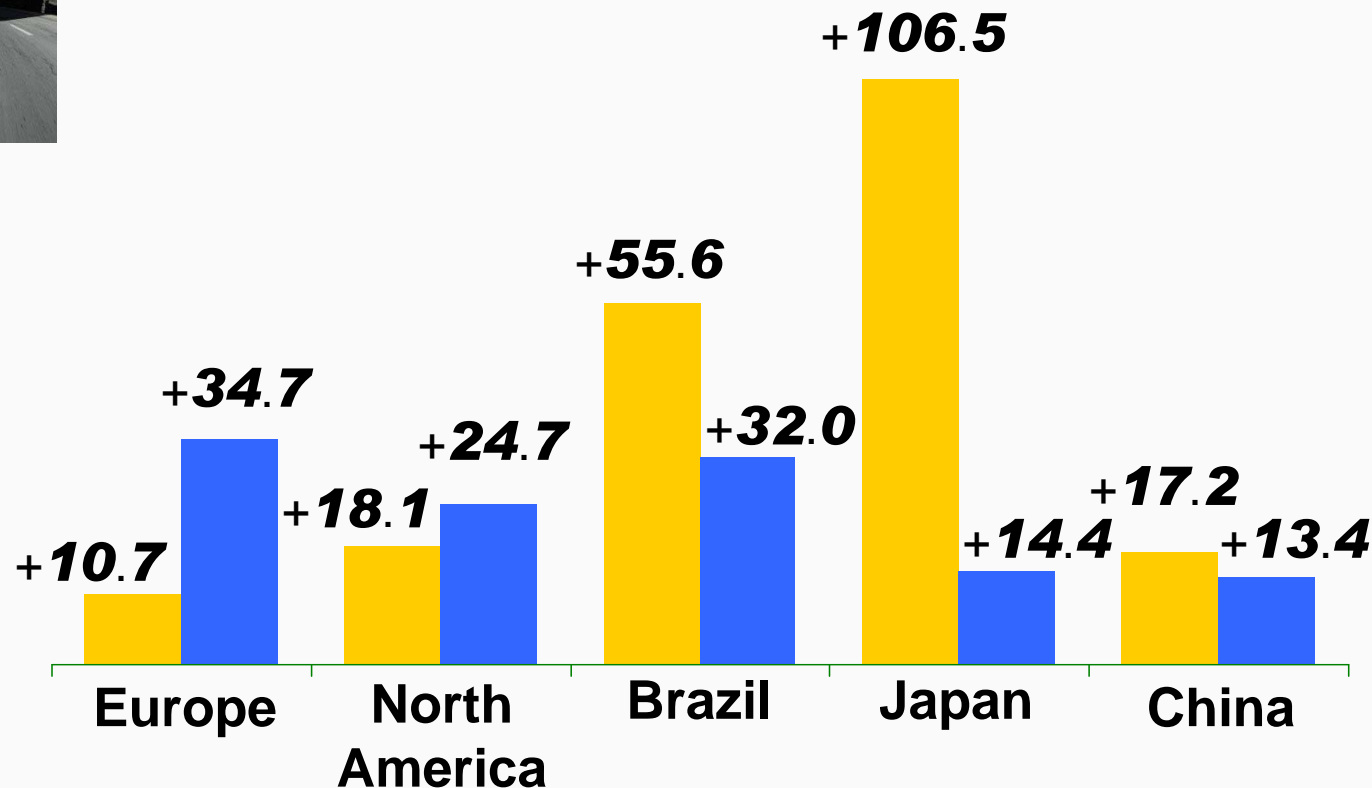
Source: US Department of Transportation / Federal Highway Administration



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



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

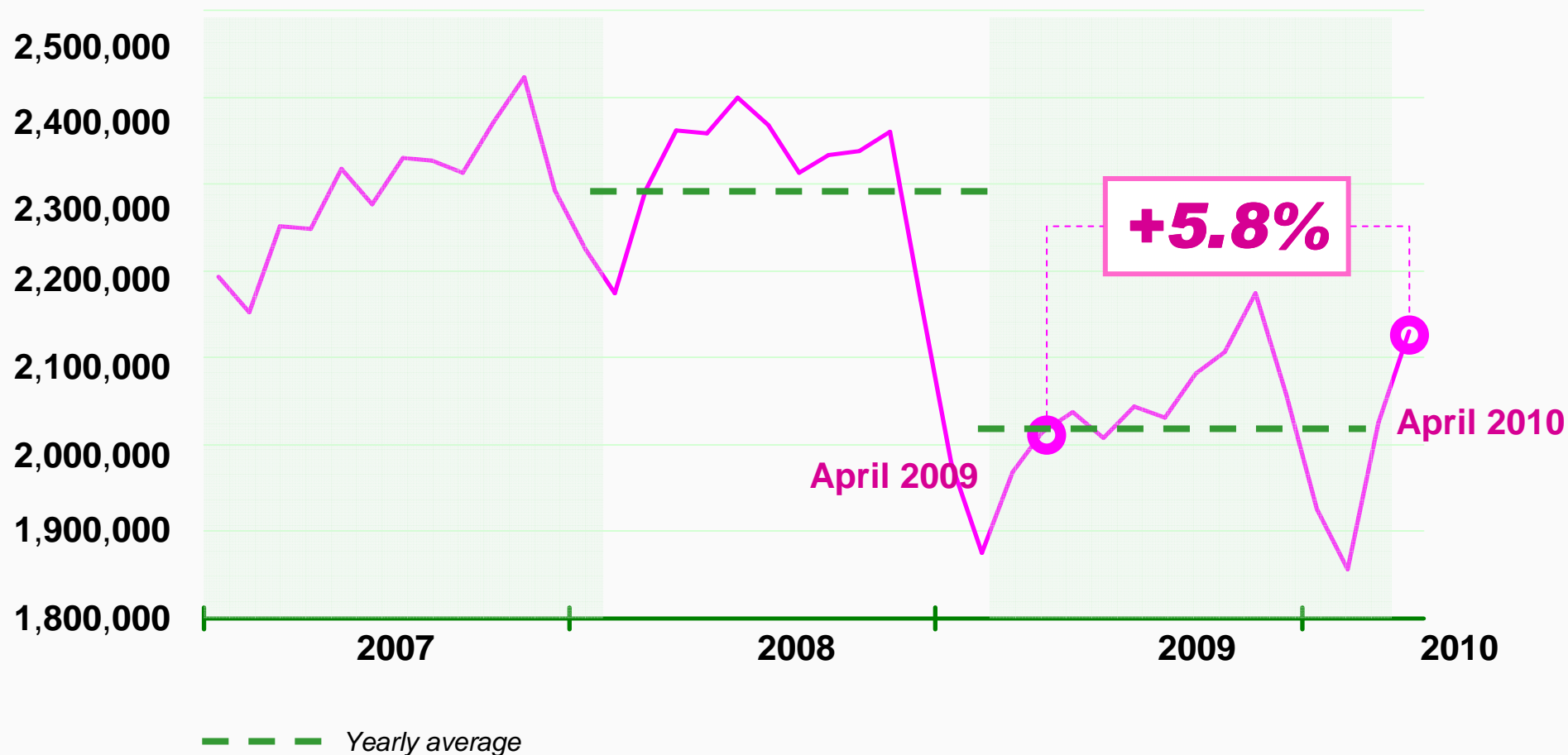


 Original Equipment
 Replacement



Freight Kilometers in Germany up 5.8% in April 2010

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

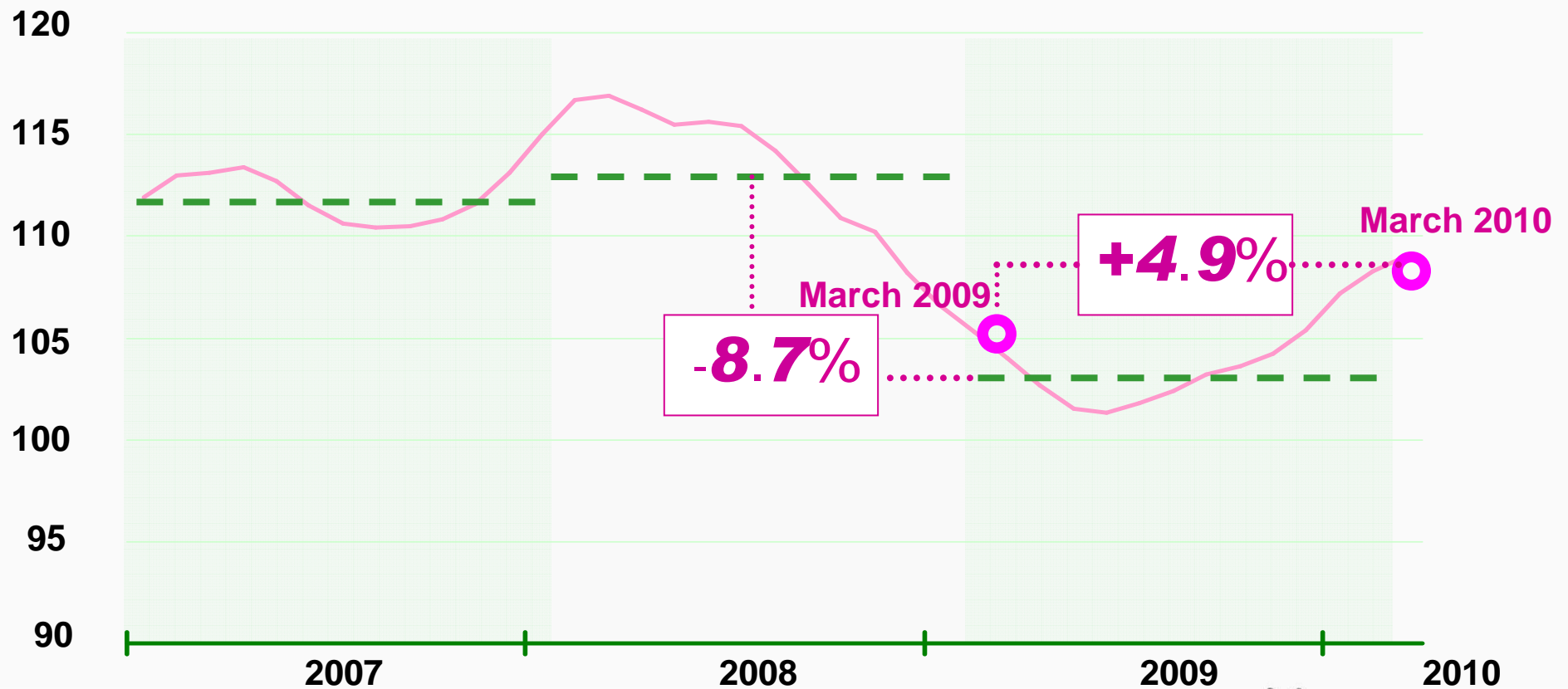


Source: Bundesamt für Güterverkehr



Increase in US Freight Tonnage

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



Source: US Department of Transportation / Federal Highway Administration



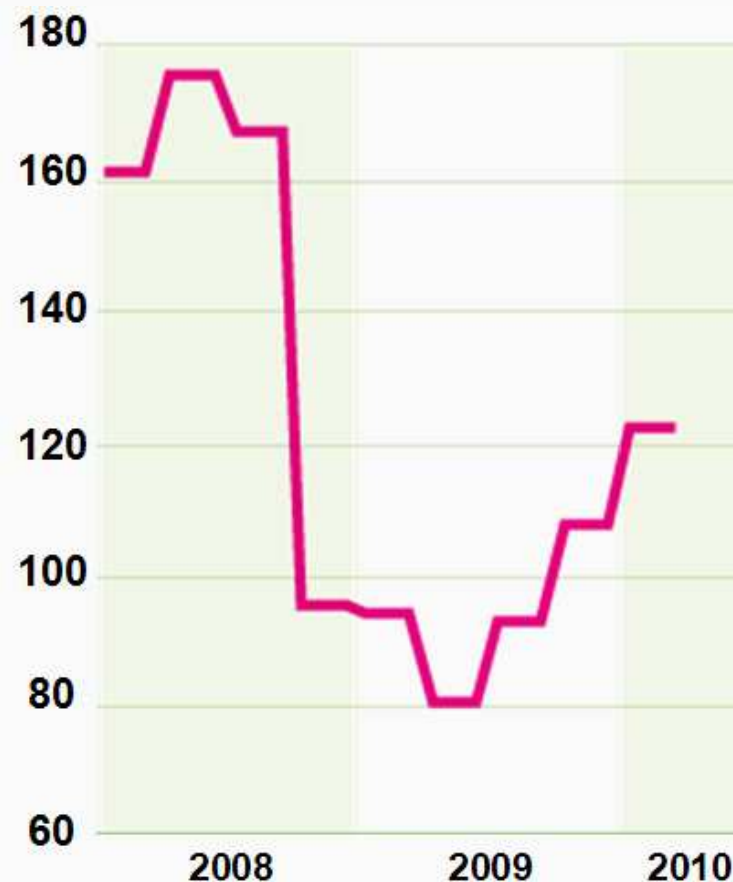
Mining Operations Underpinned by Strong Demand for Raw Materials

OIL SANDS PRODUCTION
(‘000 of barrels per day)



Source: Canadian Association of Petroleum Producers

IRON ORE PRICES
(USD / Dry Metric Ton)

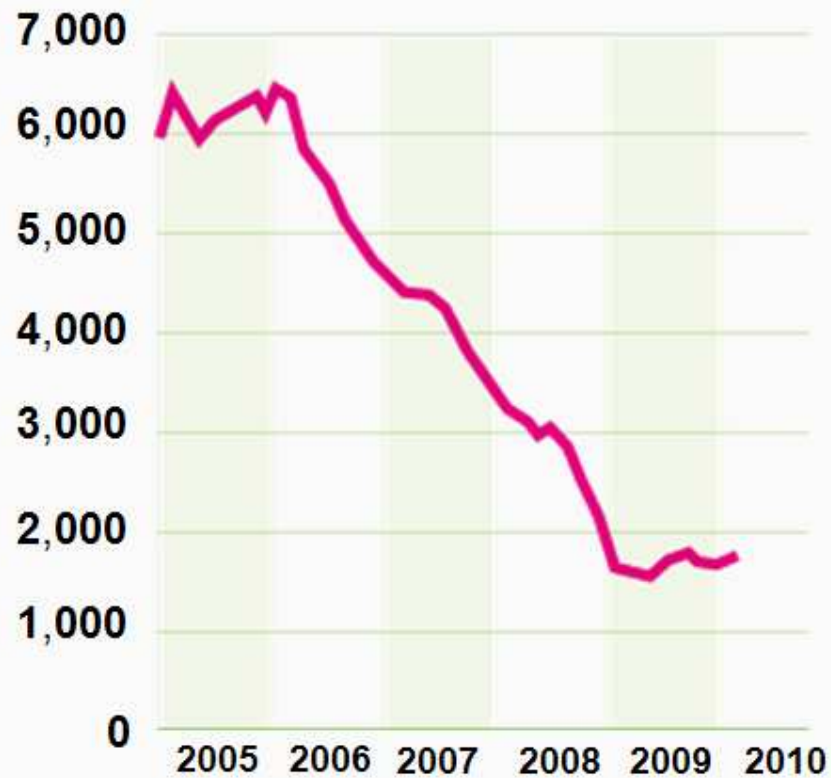


Source: SBB



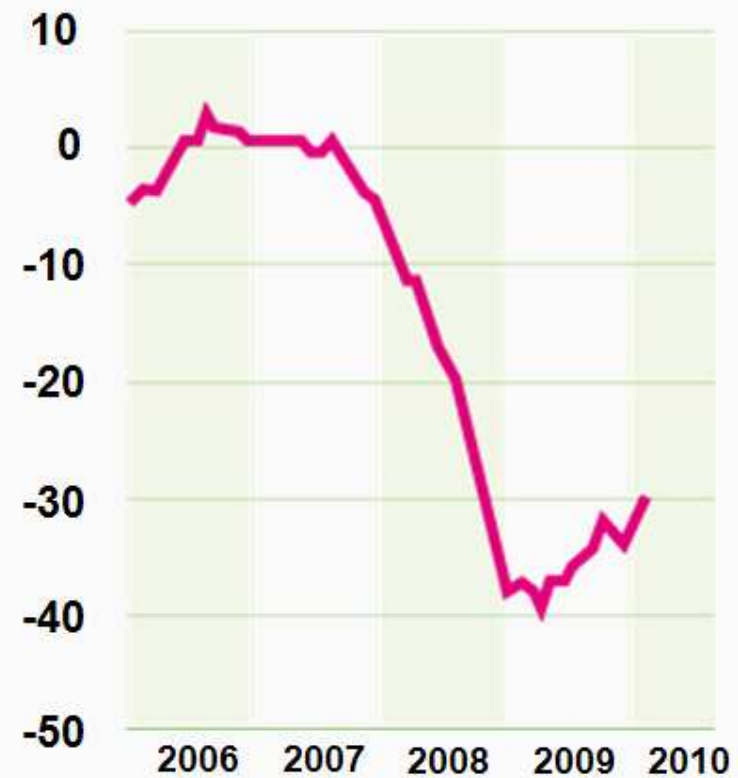
Infrastructure Market: Signs of Recovery in North America and Western Europe

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



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

EU CONSTRUCTION CONFIDENCE INDEX

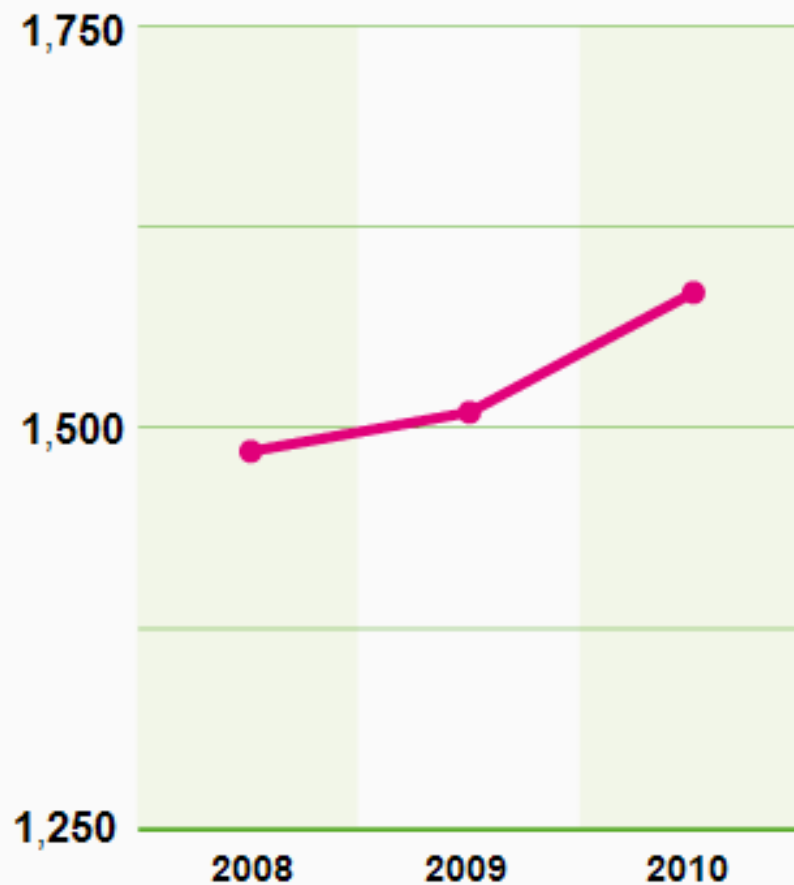


Source: Eurostat



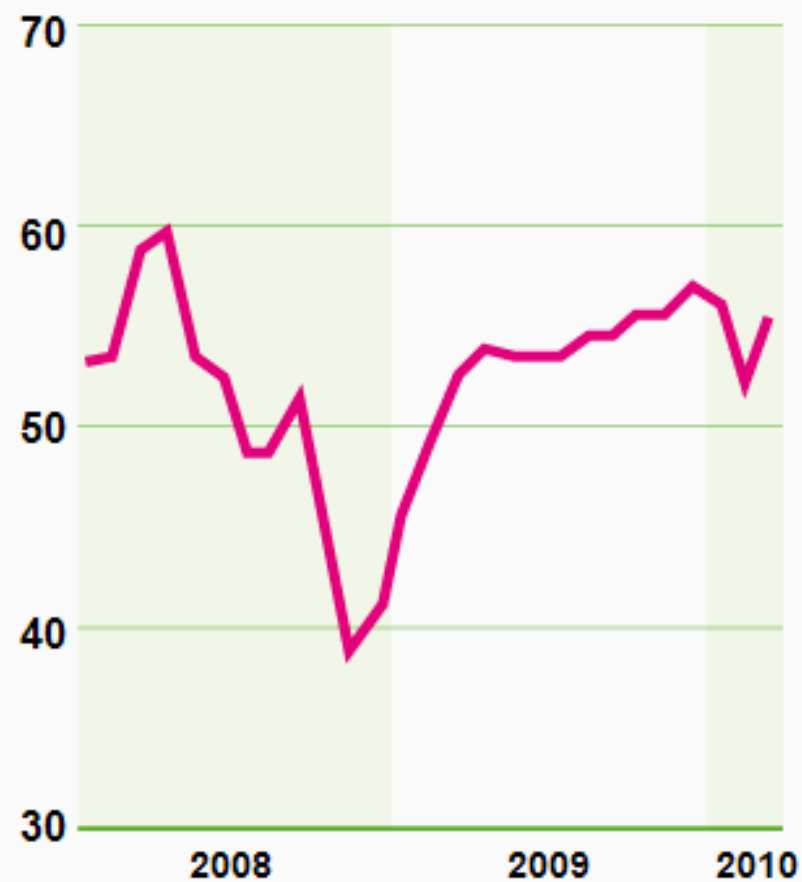
Sustained Demand in Asian Infrastructure Markets

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

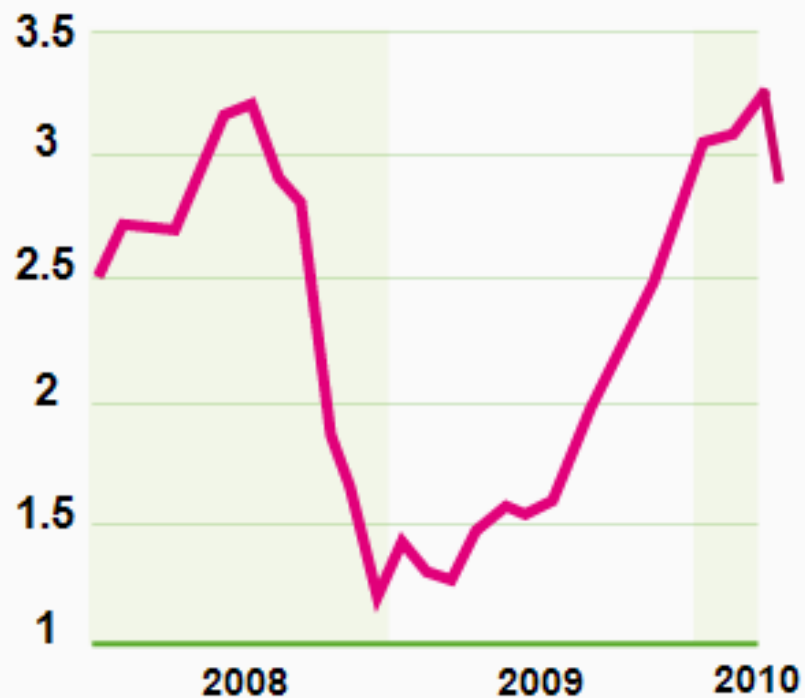
■ Specialty Tires

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

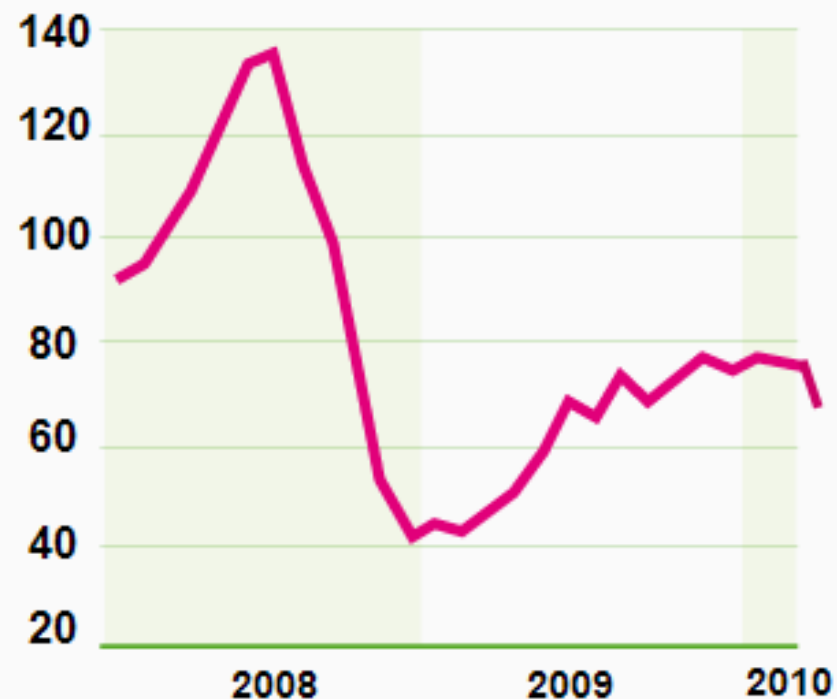


Increase in Raw Material Prices, Especially Natural Rubber

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

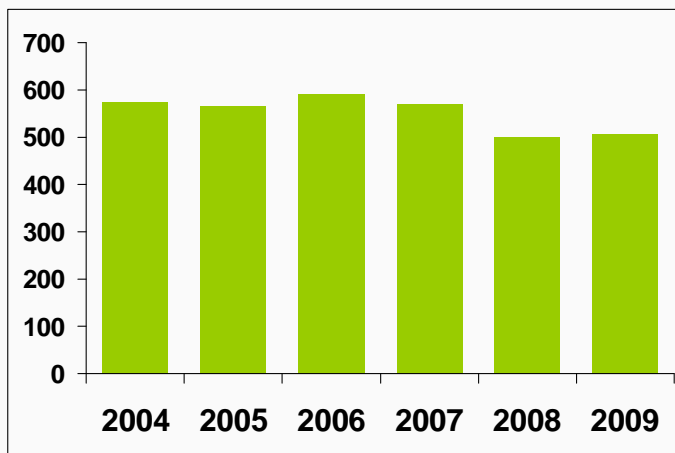
■ Continuing to Tightly Manage Operations

➔ Objective: Generate Positive Free Cash Flow






Enhancing Technological Leadership

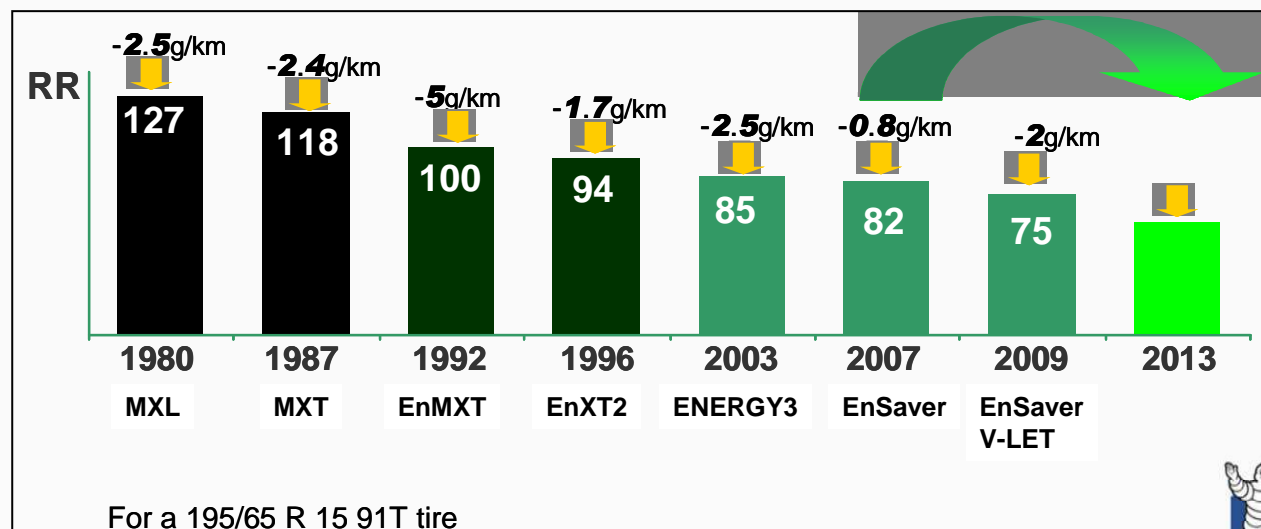
R&D Expense (in million €)



Balanced performance

-  Total cost of ownership
-  CO2 emissions
-  Safety

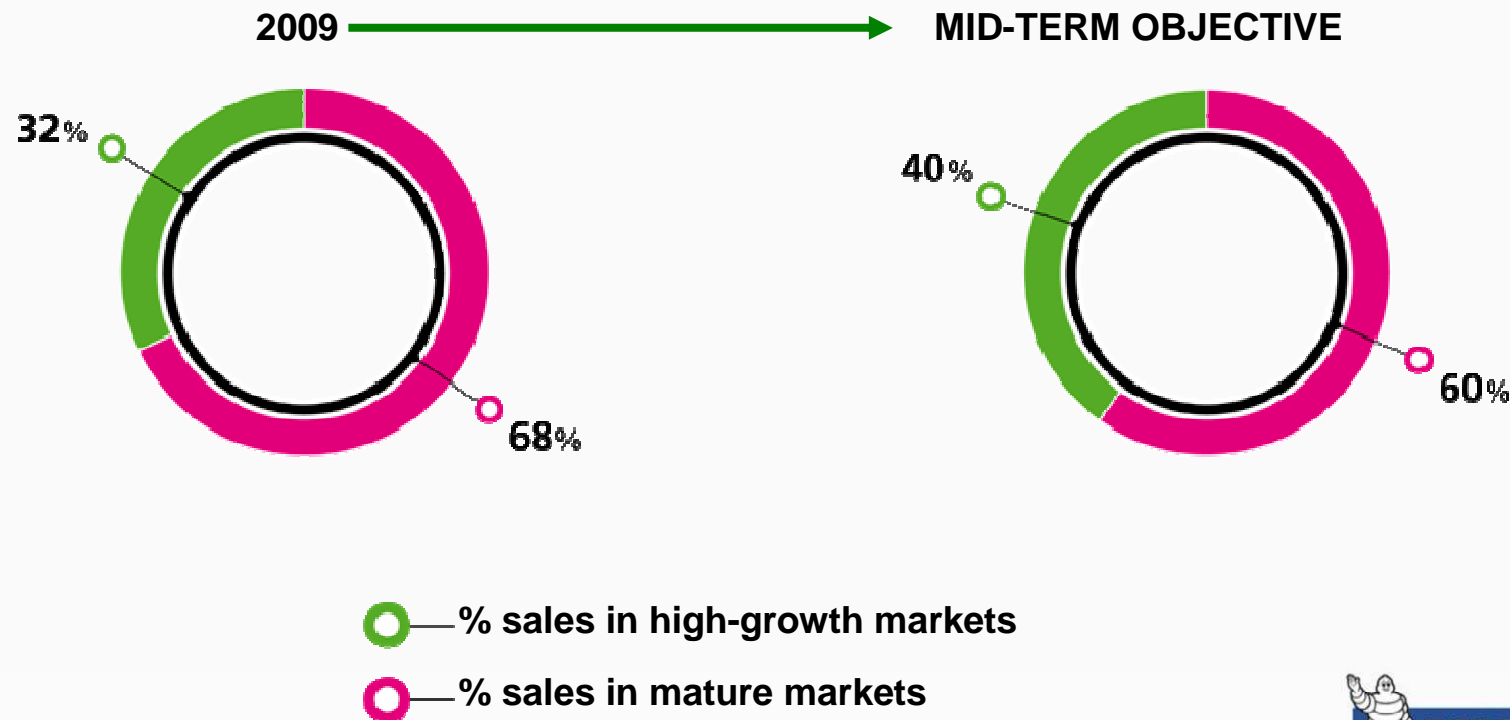
Improving rolling resistance in passenger car tires



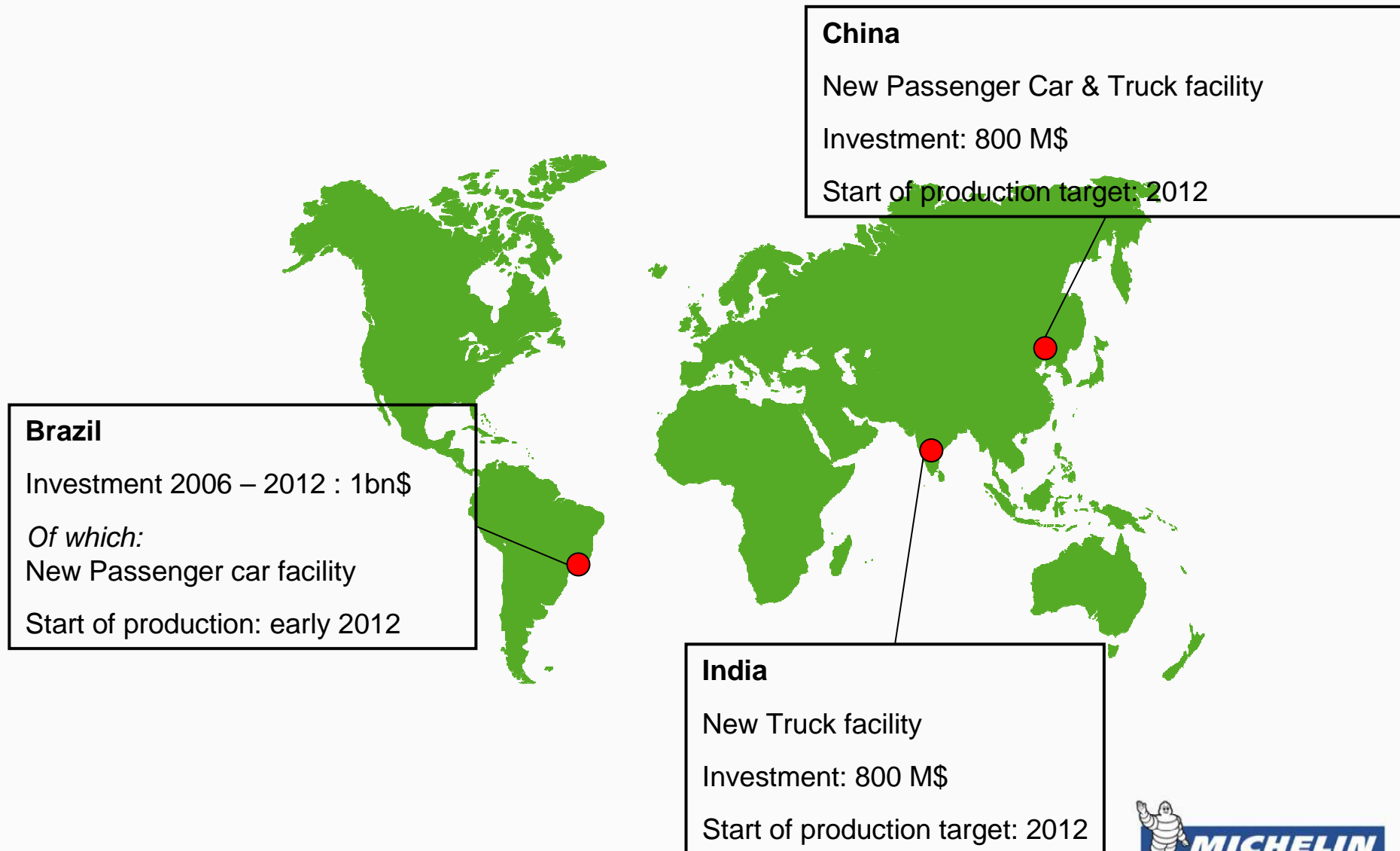
Increasing Capacity in Growth Regions: USD 2bn capital expenses 2010 - 2012

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



12th European Seminar Exane BNP Paribas



June 2010

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