

# Financial Information for the 3 Months Ended

**March 31,  
2010**



April 29, 2010



# First-Quarter 2010: 12.2% Increase in Net Sales

- Clear rebound in tire demand off of favorable prior-year comparatives, except in the European OE truck market
- Increase in Michelin 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 Net Sales***

***Global Market Trends***

***Performance by Reporting Segment***

***Outlook***

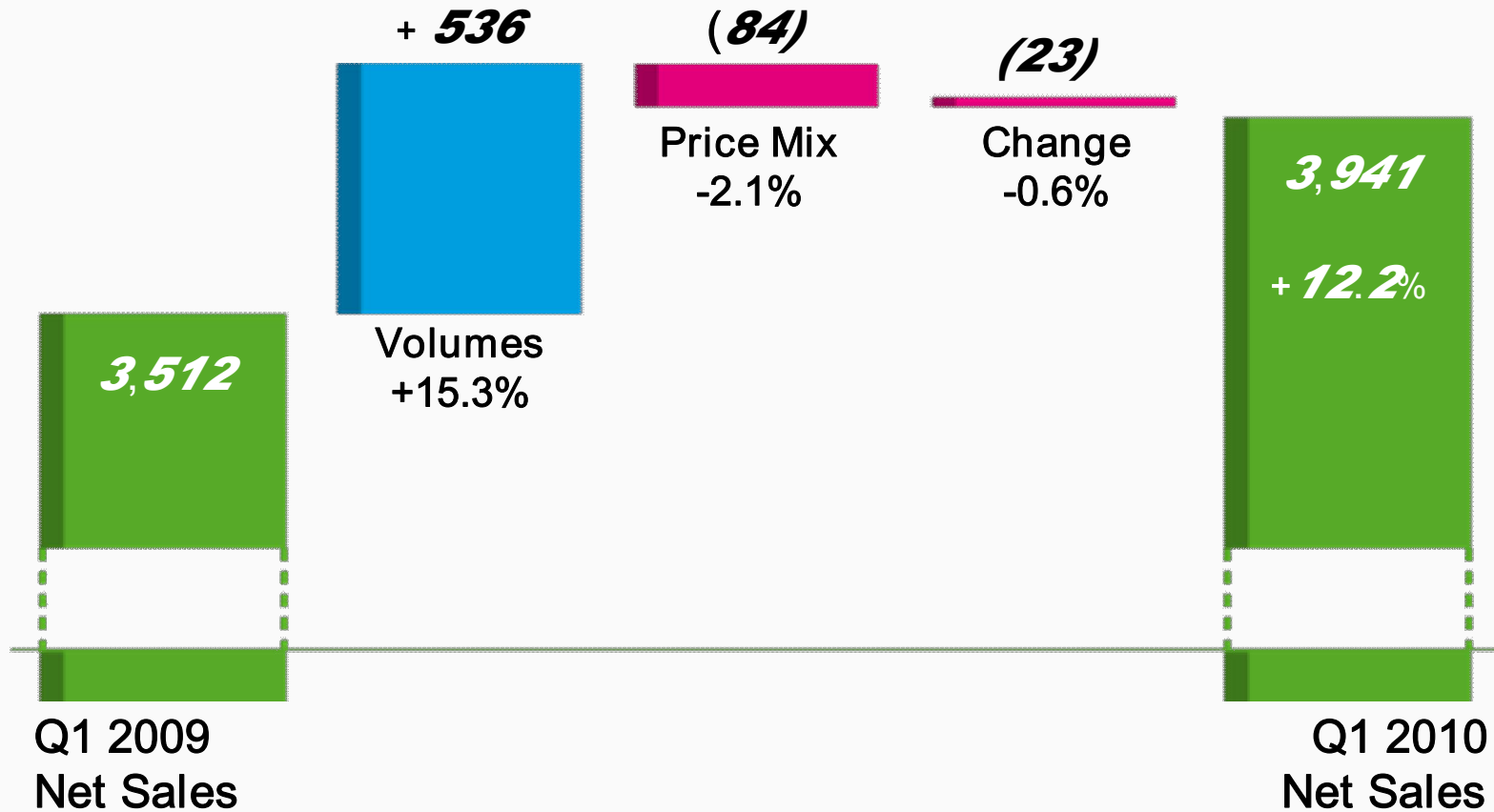


# *Analysis of Net Sales*



# 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

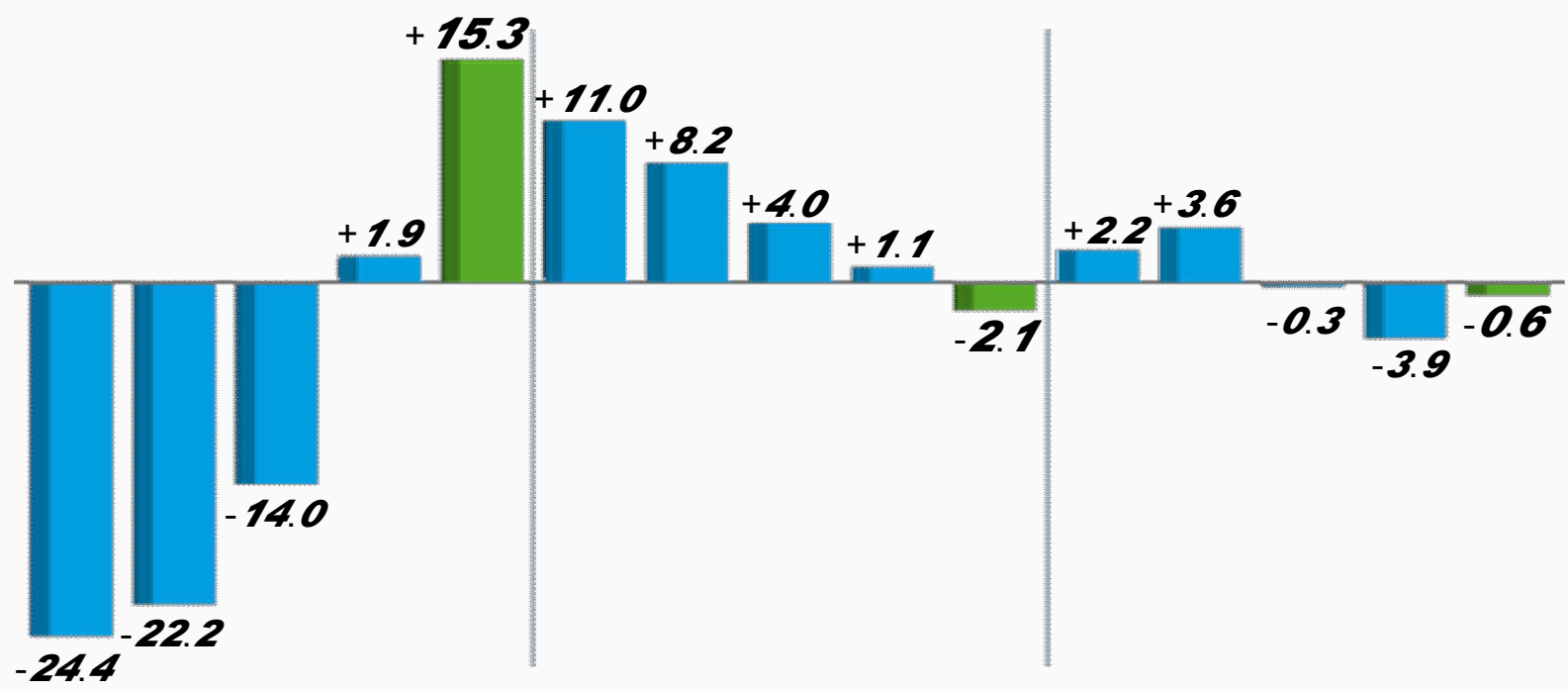
YoY change as a % of net sales

## Volumes

## Price Mix

## Currency

Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
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# *Global Market Trends*



# Significant Rebound in Passenger Car and Light Truck Tire Markets



*Markets as of March 31, 2010  
% change YoY*

## PASSENGER CAR / LIGHT TRUCK

	Europe *	North America	Asia	South America	Africa Middle East	
Original equipment	<b>+30.2</b>	<b>+72.2</b>	<b>+60.2</b>	<b>+26.5</b>	<b>-0.7</b>	<b>+49.0</b>
Replacement	<b>+12.0</b>	<b>+8.0</b>	<b>+13.9</b>	<b>+15.7</b>	<b>+3.7</b>	<b>+10.7</b>

*\*Including Russia and Turkey*





# Sharp Recovery in the Group's Traditional Markets

## EUROPE

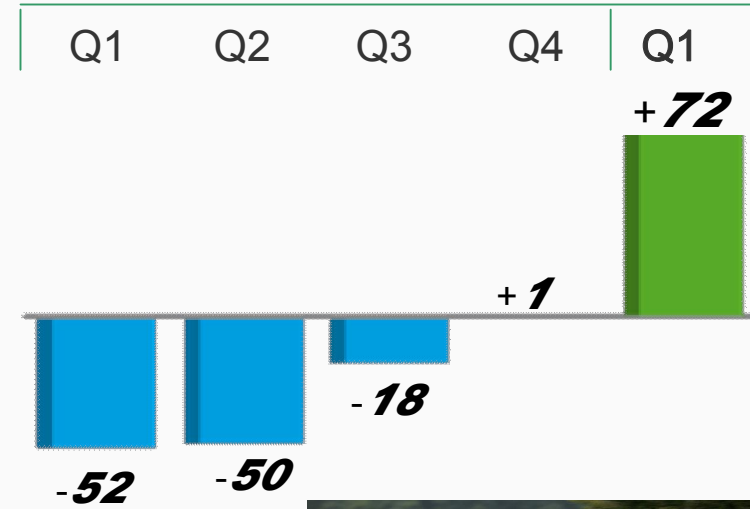
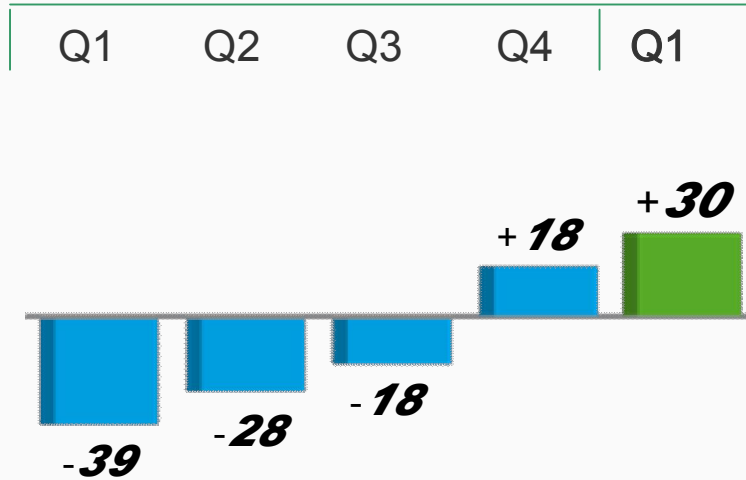
2009

2010

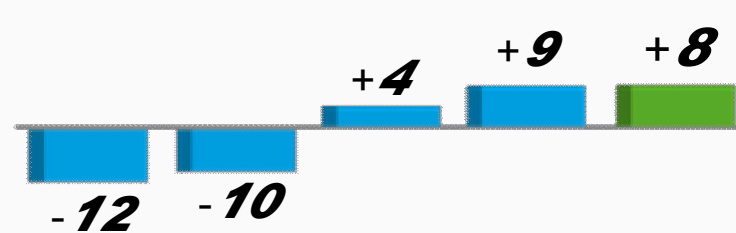
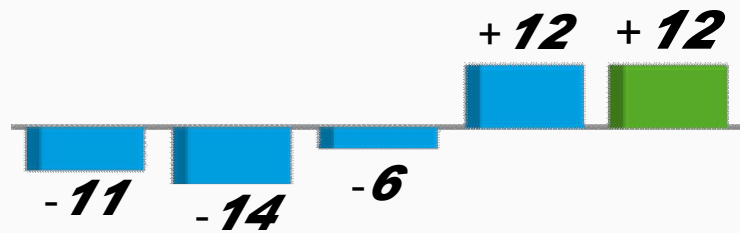
## NORTH AMERICA

2009

2010



Original equipment  
(% change YoY)



Replacement  
(% change YoY)



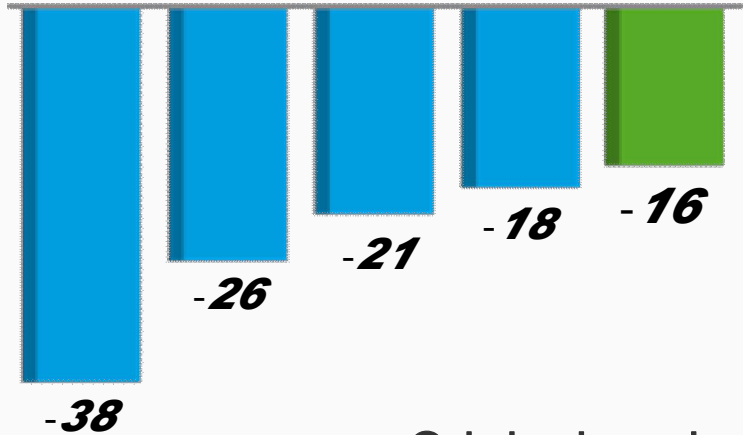
# 2010 vs. 2007: Markets Generally Lower but Better Trend Line in Europe

## EUROPE

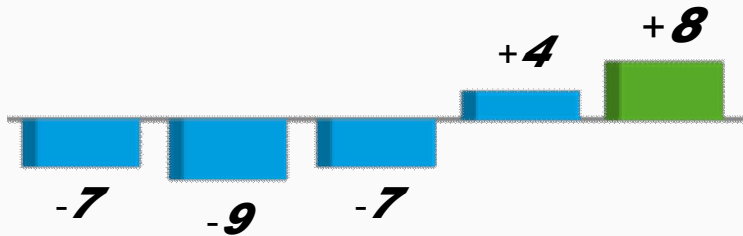
2009

2010

Q1	Q2	Q3	Q4	Q1
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Original equipment  
(% change versus 2007)



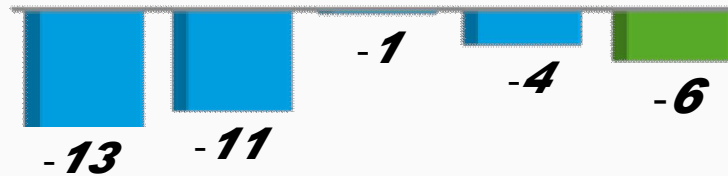
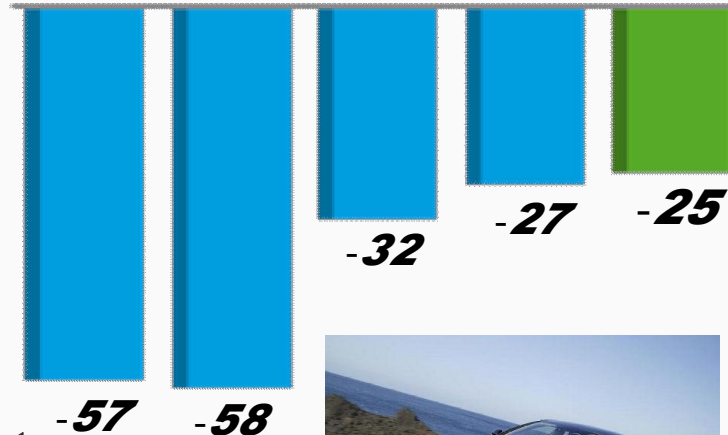
Replacement  
(% change versus 2007)

## NORTH AMERICA

2009

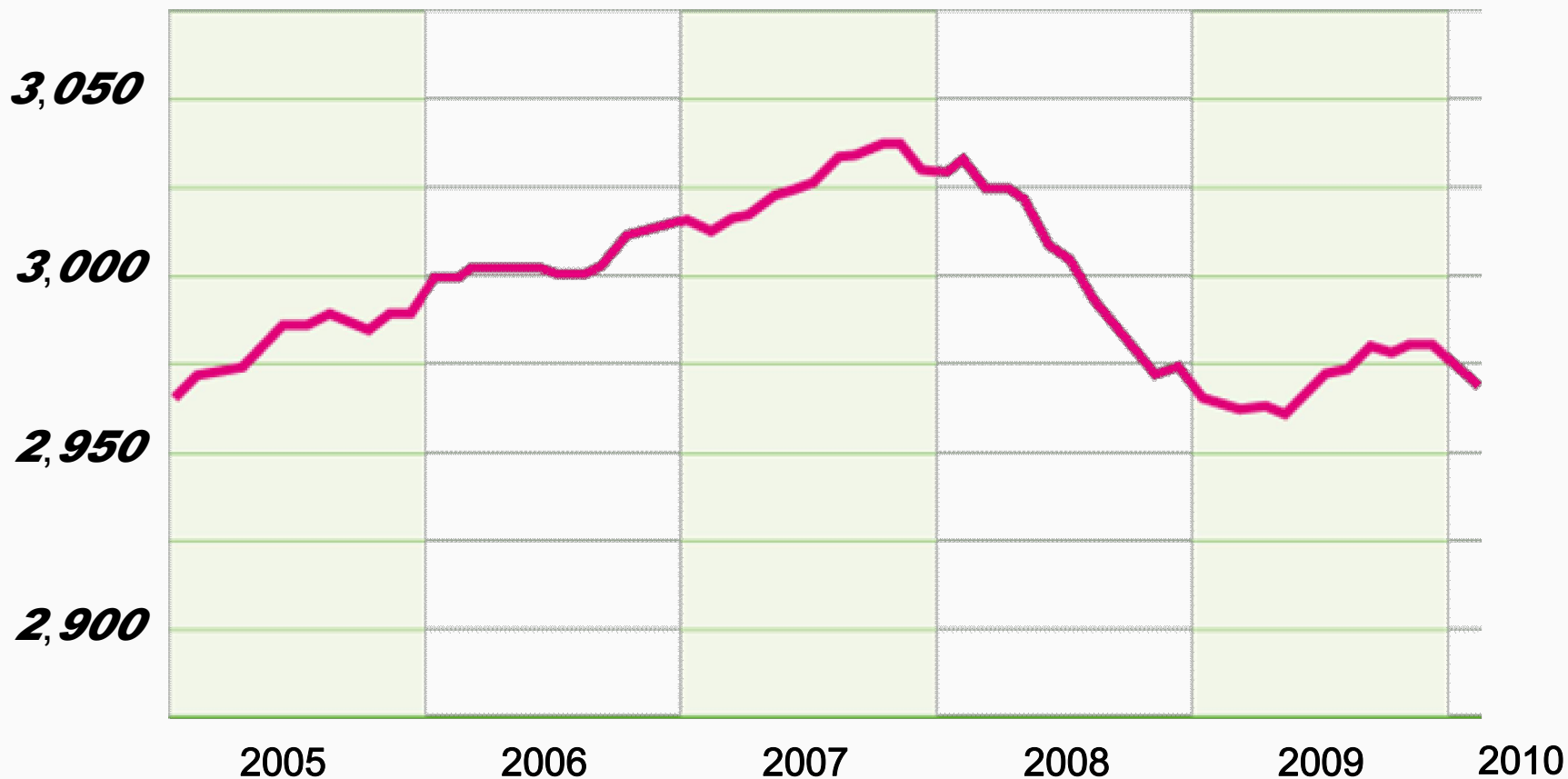
2010

Q1	Q2	Q3	Q4	Q1
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# Recovery in US Vehicle Miles Driven Still Hesitant

VEHICLE MILES DRIVEN IN THE UNITED-STATES (BILLIONS, MOVING 12 MONTHS)  
January 2005 - February 2010



Source: US Department of Transportation / Federal Highway Administration



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



*Markets as of March 31, 2010  
% change YoY*

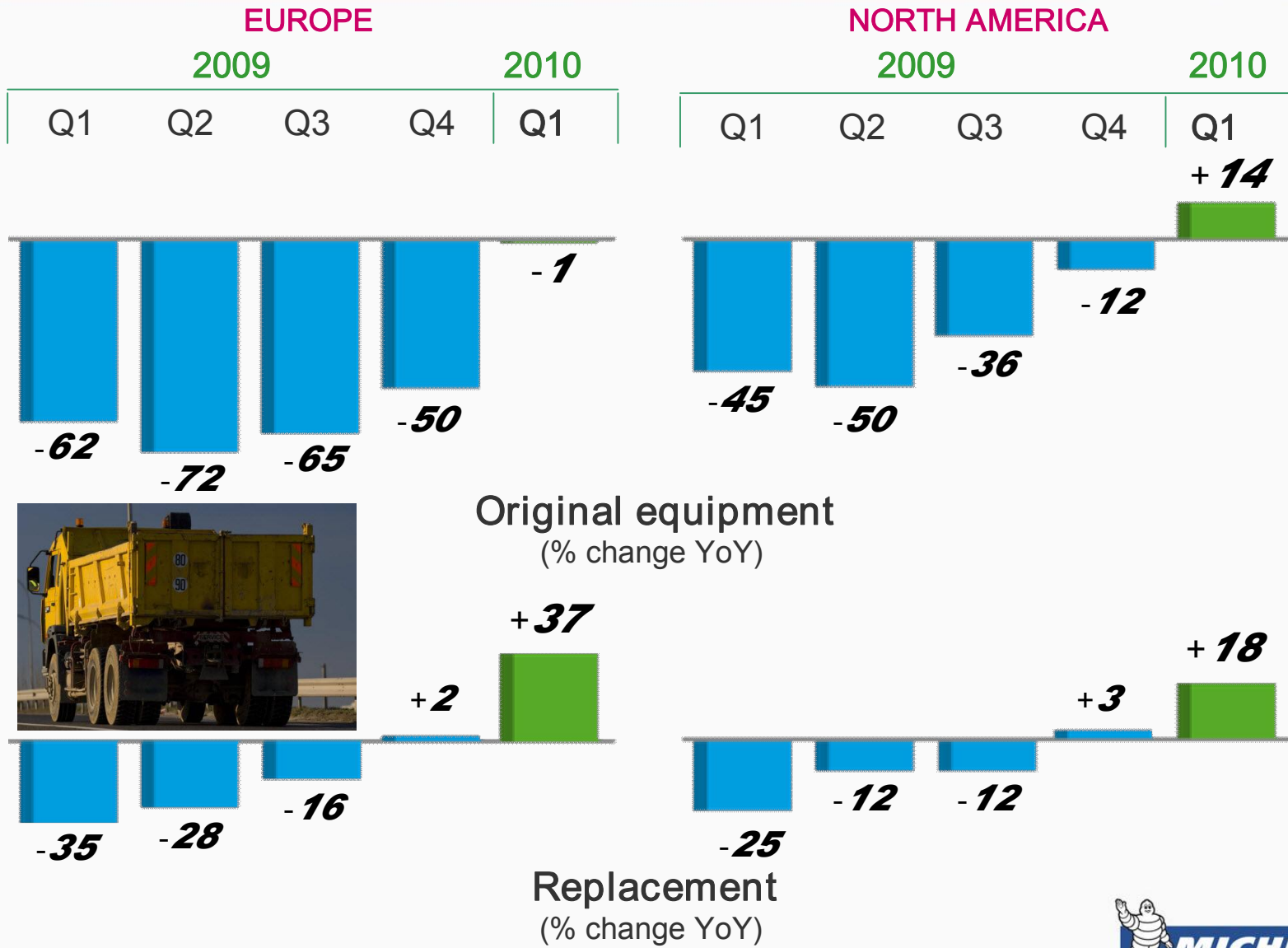
## TRUCK (RADIAL MARKET)

	Europe *	North America	Asia	South America	Africa Middle East	Total
Original equipment	<b>- 1.2</b>	<b>+ 13.7</b>	<b>+ 24.2</b>	<b>+ 56.9</b>	<b>+ 8.0</b>	<b>+ 19.0</b>
Replacement	<b>+ 36.9</b>	<b>+ 18.3</b>	<b>+ 16.0</b>	<b>+ 26.0</b>	<b>+ 2.1</b>	<b>+ 18.9</b>

*\*Including Russia and Turkey*



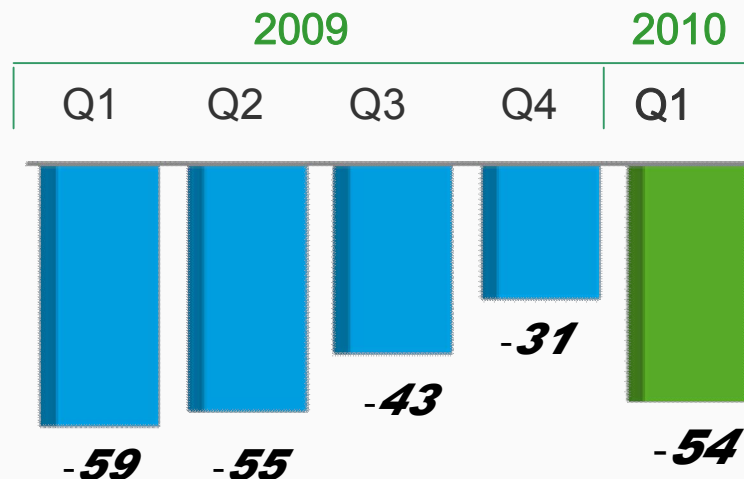
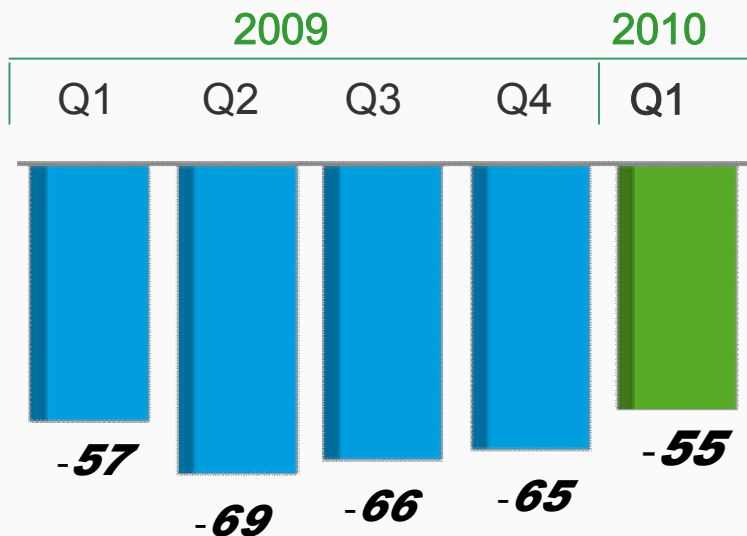
# Flat Demand in the European OE Market Dealers More Optimistic



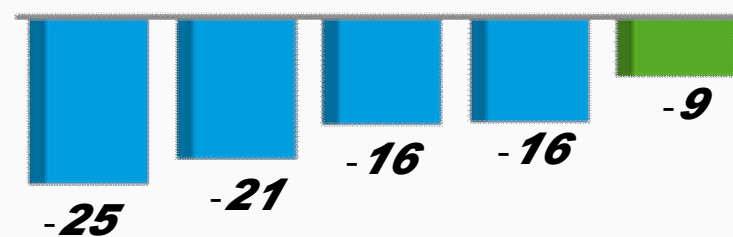
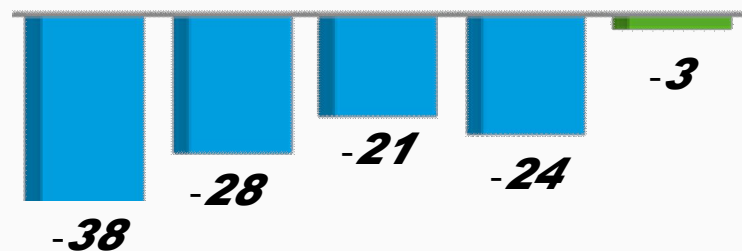
# 2010 vs. 2007: OE Segment Still Down, Positive Signs in the Replacement Market

## EUROPE

## NORTH AMERICA



Original equipment  
(% change versus 2007)

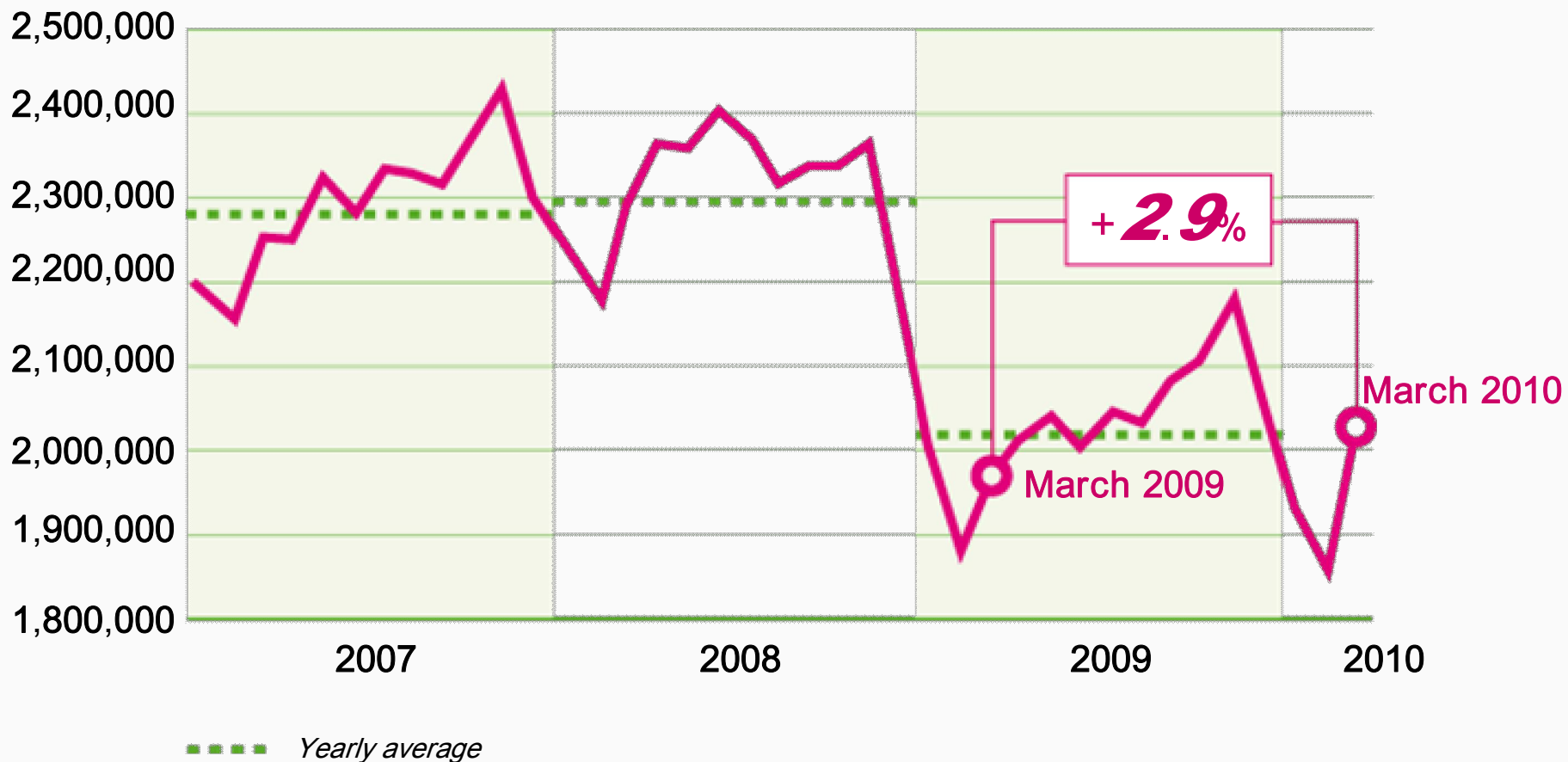


Replacement  
(% change versus 2007)



# Direction of Freight Kilometers in Germany Still Uncertain

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

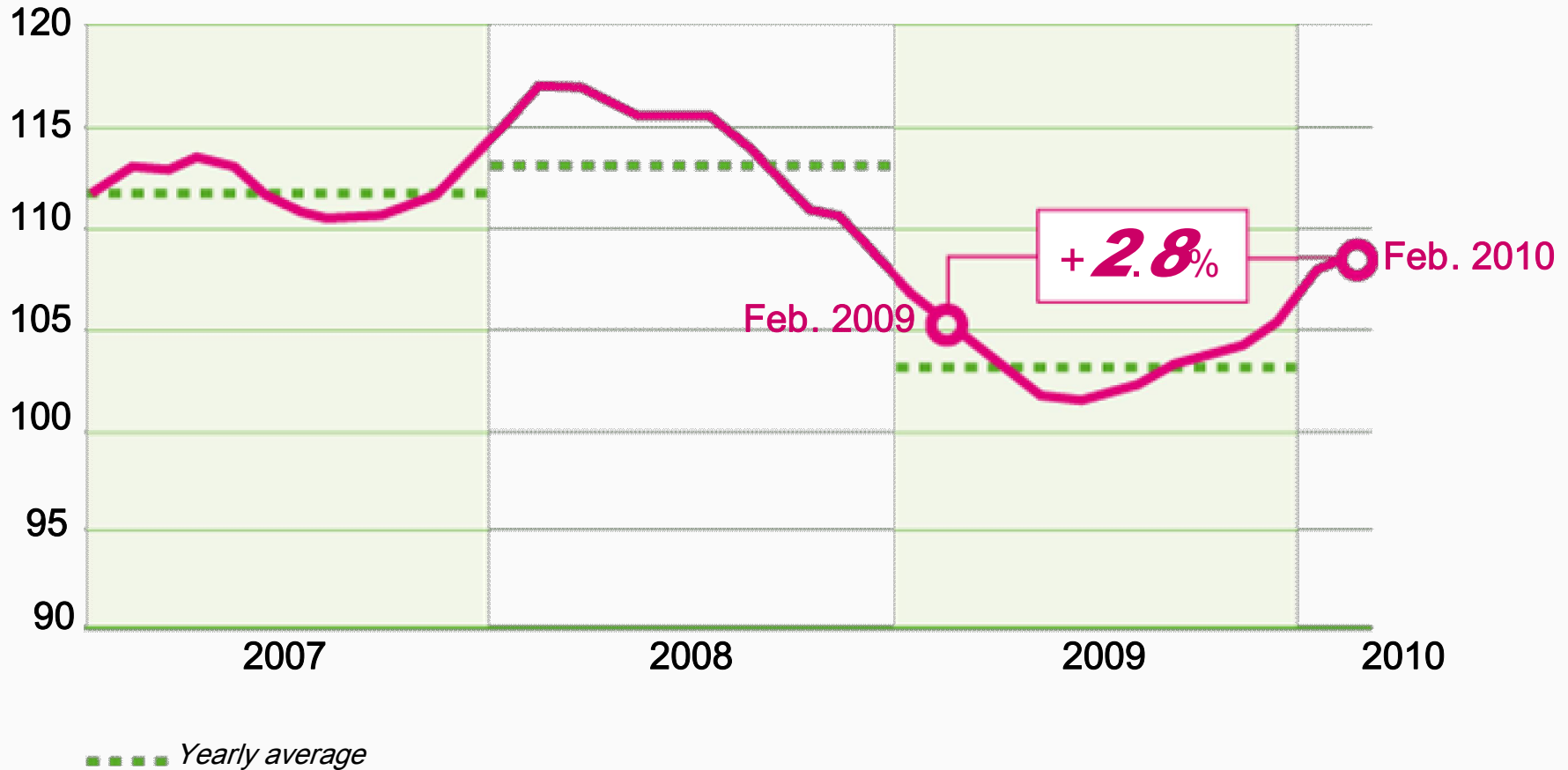


Source: Bundesamt für Güterverkehr



# Increase in US Freight Tonnage

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



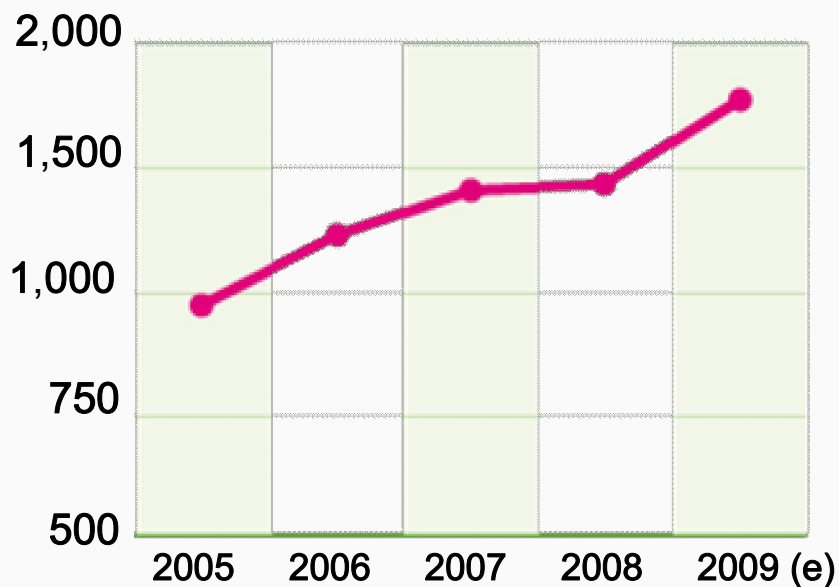
Source: US Department of Transportation / Federal Highway Administration





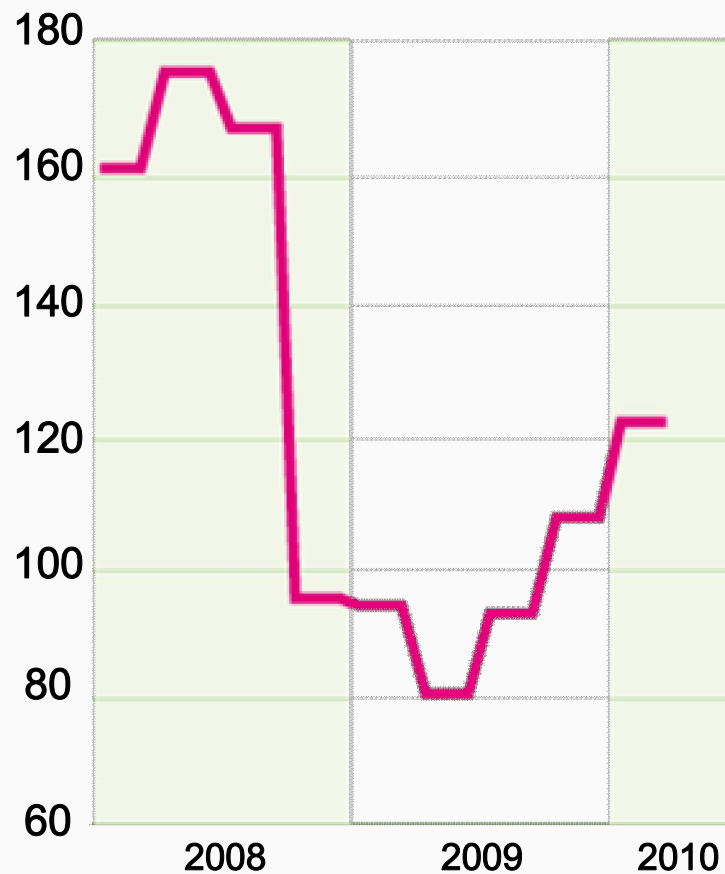
# Mining Operations Underpinned by Strong Demand for Raw Materials

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



Source: Canadian Association of Petroleum Producers

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

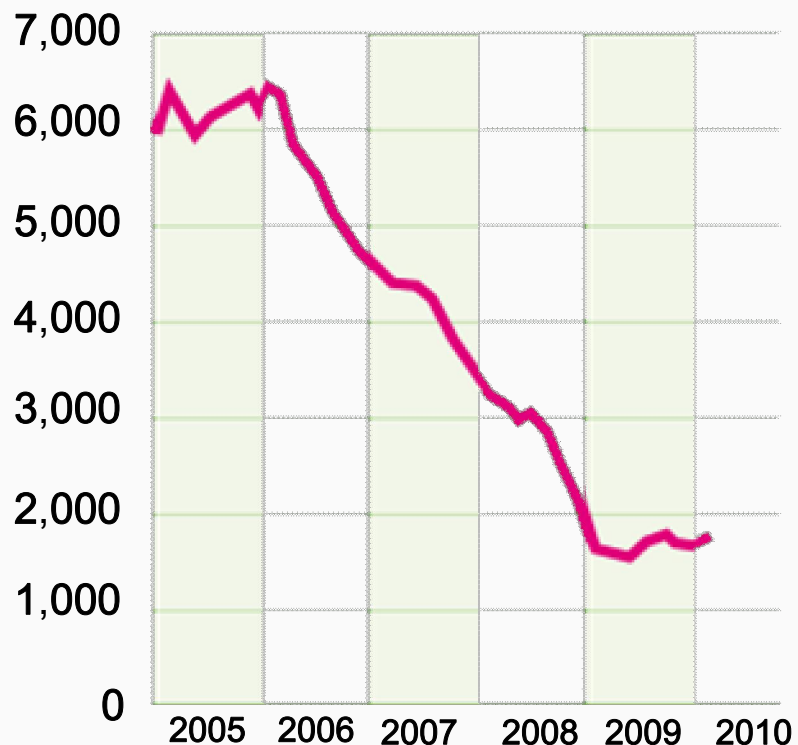


Source: SBB



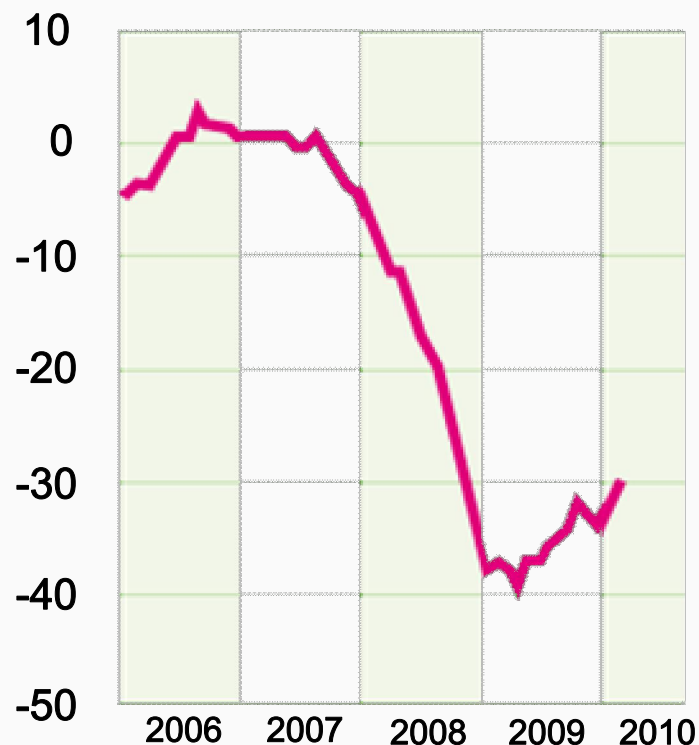
# Infrastructure Market: Signs of Recovery in North America and Western Europe

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



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

EU CONSTRUCTION CONFIDENCE INDEX

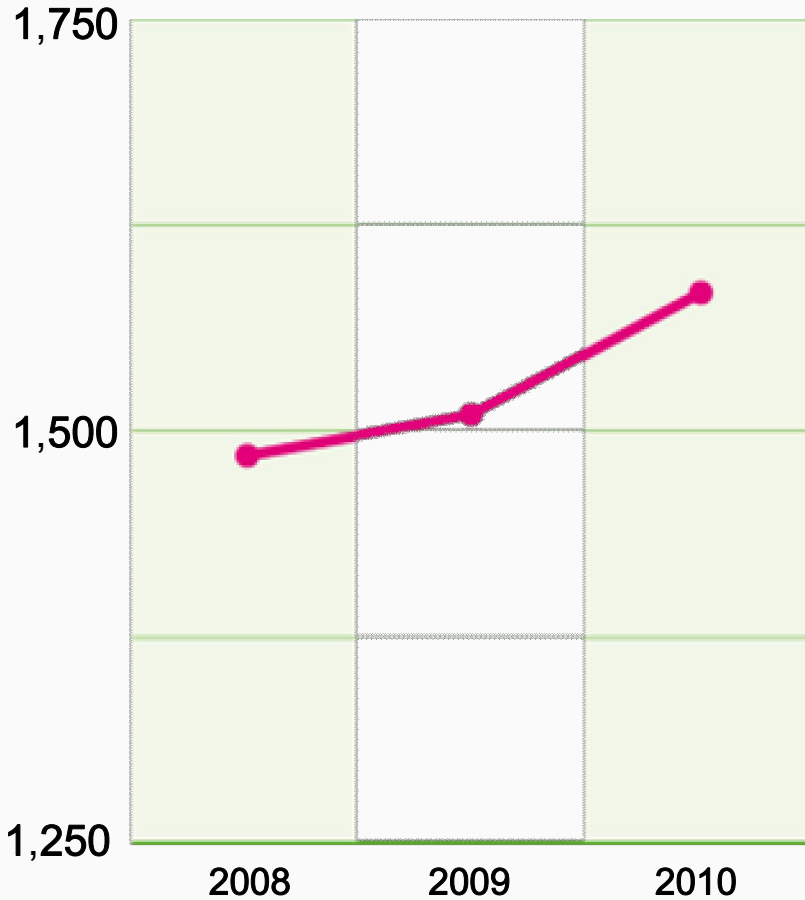


Source: Eurostat



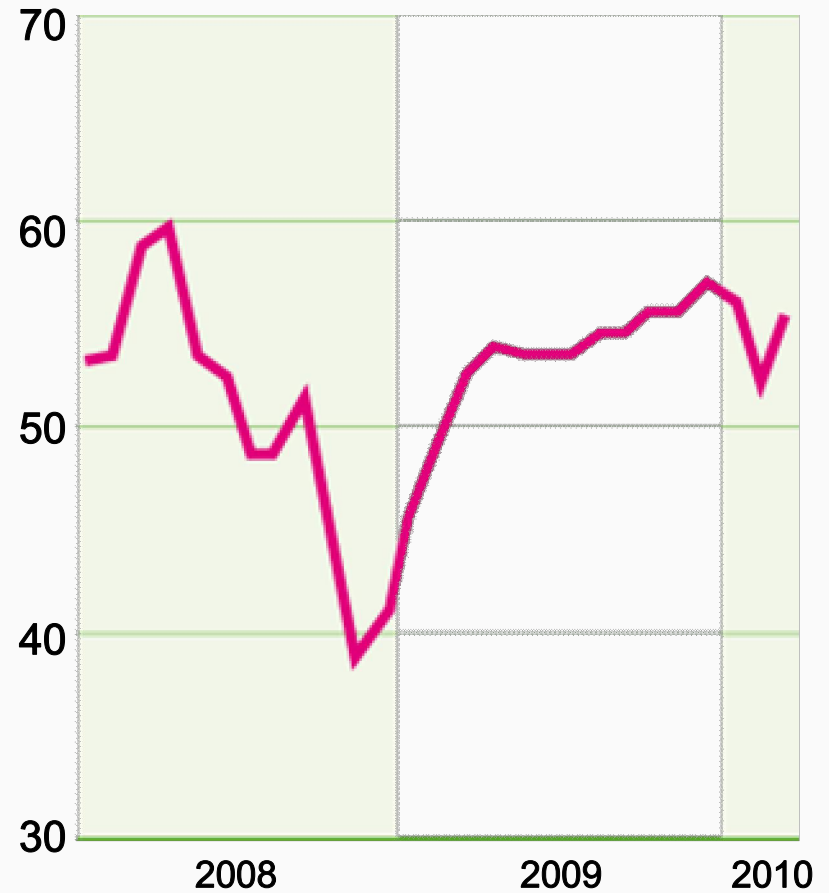
# Sustained Demand in Asian Infrastructure Markets

## ASIAN CONSTRUCTION SPENDING (€ billions)



Source: IHS Global Insight

## CHINA PURCHASING MANAGERS RATIO



Source: ISM

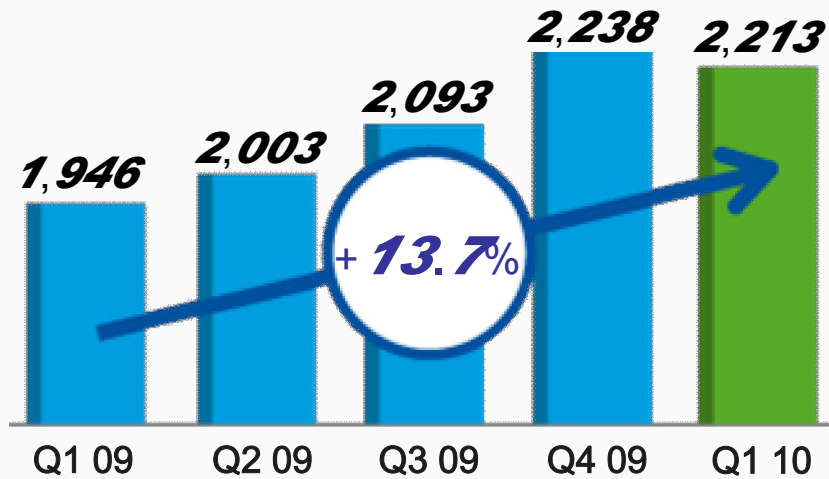


# *Performance by Reporting Segment*



# Passenger Car and Light Truck Tires: Strong Growth in Volumes

NET SALES – € MILLIONS

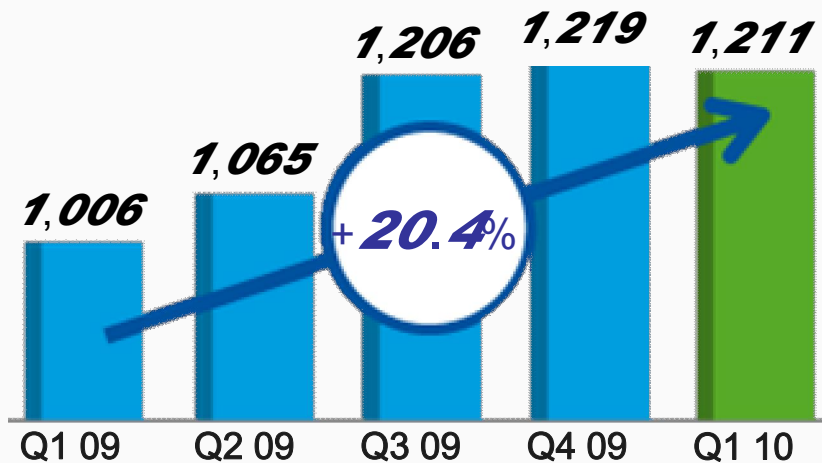


- MICHELIN brand holds firm
- Strong growth in OE sales
- Further improvement in the segment mix
- High capacity utilization in most regions



# Truck Tires: Rebound in Volumes Off of Low Prior-Year Comparatives

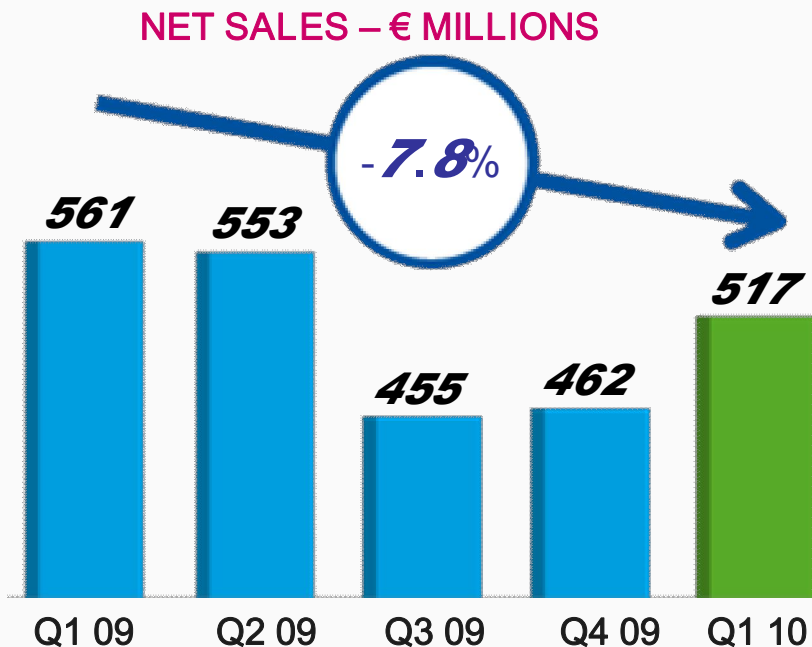
NET SALES – € MILLIONS



- Volume lifted by a favorable market mix
- Market share gains for the MICHELIN brand, especially in Europe
- Improvement in OE volumes, despite still weak signs of a recovery
- Higher capacity utilization rates



# Specialty Businesses: Continued Growth in the Mining Sector



- Negative impact of a contractual indexing to raw material prices
- Mining operations: stable volumes
- Original equipment / Infrastructure: slight increase in volumes
- Agriculture: sharp decline in OE sales



# *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

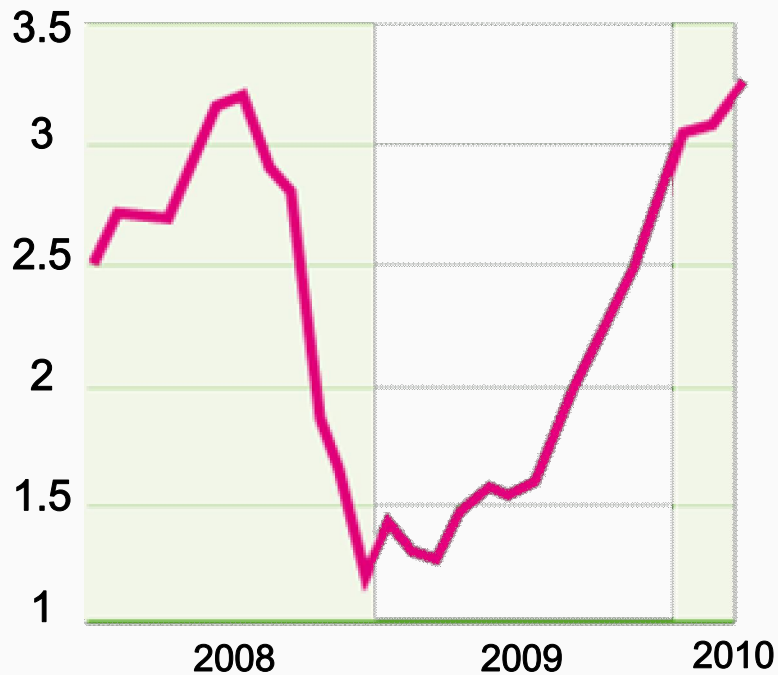
## ■ Specialty Tires

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

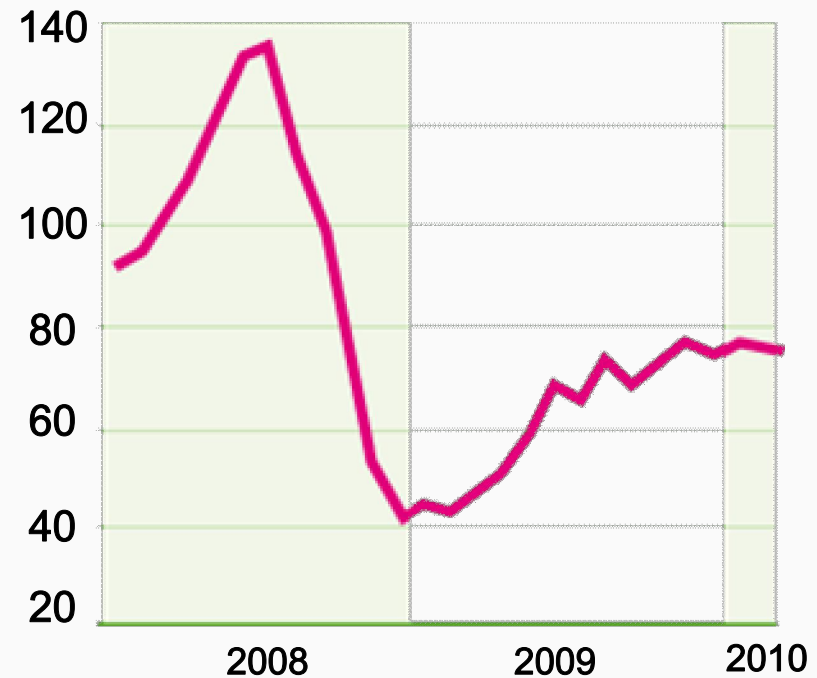


# Increase in Raw Material Prices, Especially Natural Rubber

NATURAL RUBBER PRICES  
TSR20- USD/kg



BRENT PRICES  
(USD/Barrel)



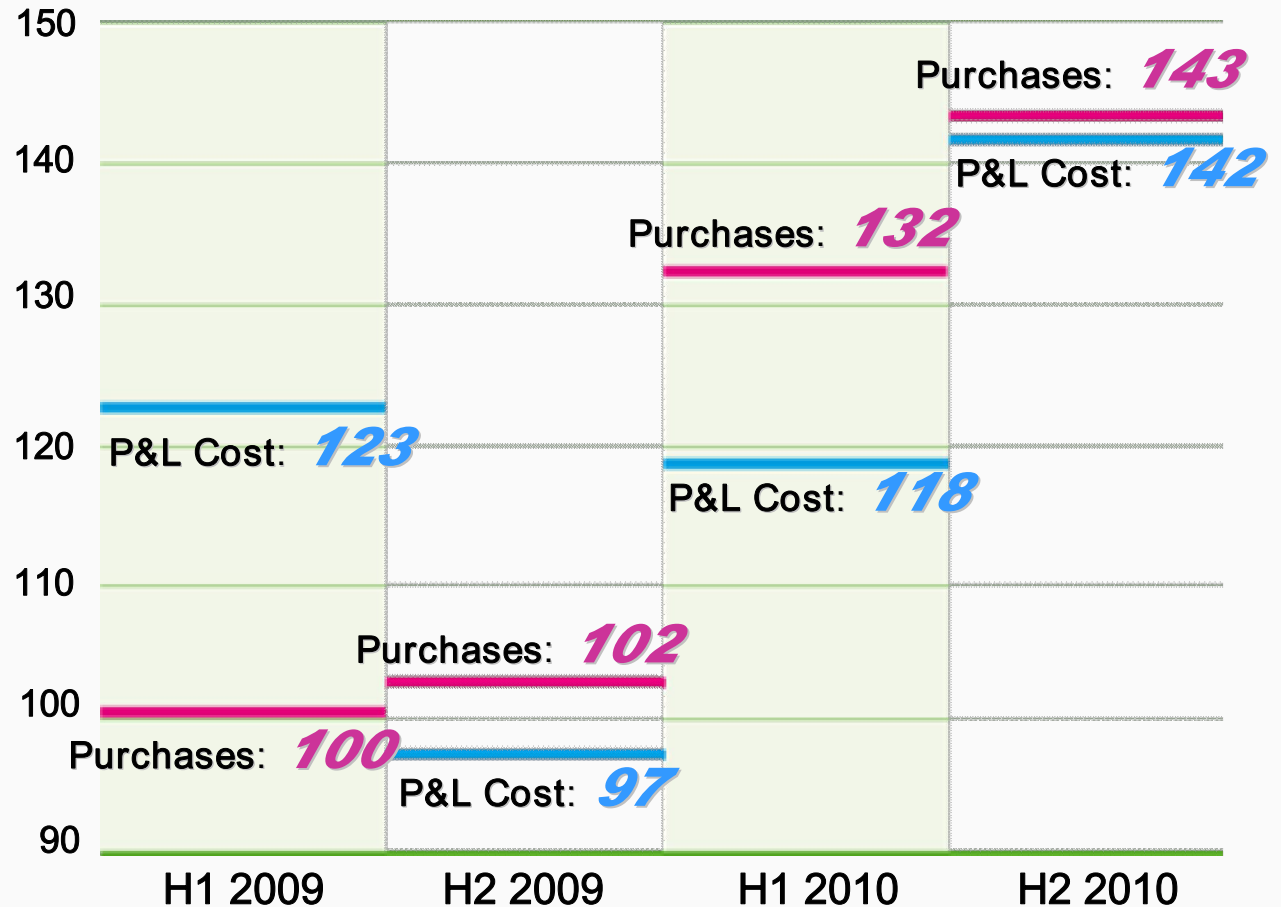
# Raw Materials: a Major Impact if Current Prices Hold Firm

## 2010 SIMULATION:

€ **1** = \$ **1.36**

Natural rubber:  
\$ **3.42**/kg

Oil:  
\$ **82**/barrel



# Raw Materials Price Sensitivity

Matières premières

## ■ Sensitivity to purchasing costs on an annual basis:

- Natural rubber:

+/- \$ **0.10** change in price ⇒ \$ **70** to **80** million

- Oil:

+/- \$ **1** change in price ⇒ \$ **15** to **20** million



# Responsive Pricing Policy to Pass on Higher Raw Material Prices

## ■ North America (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 (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



# Continuing to Tightly Manage Operations

- Volumes expected to increase by around 10%
- Higher working capital requirement as demand recovers and raw material prices increase
- Capex: €1 – 1.2 billion
  - Start-up of spending on projects in Brazil, China and India
  - Ongoing tight management of other capital projects
- Objective: generate positive free cash flow



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