

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Quarter Ended March 31, 2011

**Michelin Announces Net Sales of €5,047 Million,
 up 28% on First-Quarter 2010**

- ❑ **Historically high sales in first-quarter 2011, with volumes gaining 16.5% on the sustained rebound in demand**
- ❑ **MICHELIN brand positions strengthened, thanks to its excellent product plan**
- ❑ **Price-mix improved by 7.7%, primarily reflecting price increases to pass on the sharp, across-the-board run-up in raw materials costs**

NET SALES (IN € MILLIONS)	1 st Quarter 2011	1 st Quarter 2010	% Change
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	2,683	2,213	+21.2%
TRUCK TIRES AND RELATED DISTRIBUTION	1,606	1,211	+32.5%
SPECIALTY BUSINESSES ¹	759	517	+46.8%
GROUP TOTAL	5,047	3,941	+28.1%

¹Earthmover, Agricultural, Two-Wheel and Aircraft tires; Maps and Guides; ViaMichelin and Michelin Lifestyle.

❑ **2011 Guidance**

In first-quarter 2011, the sharp growth in volumes which compares with a prior-year period when demand was still recovering in mature markets, was amplified by early buying ahead of rolling price increases.

Over the full year, Michelin aims to drive volume growth of at least 6.5%. This objective may be raised if end-customer sales volumes remain at current levels over the coming months.

At a time of rising raw materials costs, Michelin is pursuing its firm pricing policy. Together, the price increases announced or implemented to date are expected to offset nearly 80% of the estimated additional full-year costs of around €1,800 million.

Given the impact of these additional costs on working capital requirement and the faster deployment of capital expenditure programs, free cash flow is expected to be temporarily negative in 2011.

Michelin reaffirms its objective of reporting higher operating income in 2011.



Market Review

□ PASSENGER CAR AND LIGHT TRUCK TIRES

% year-on-year change	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/MIDDLE EAST	TOTAL
Original Equipment	+ 10%	+ 12%	- 0%	+ 1%	+ 14%	+ 5%
Replacement	+ 12%	+ 7%	+ 14%	+ 8%	+ 4%	+ 10%

*Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- European OE markets rose faster than expected, lifted by sustained carmaker output and firm exports. In Russia, demand grew in line with sales of new vehicles and winter tire fitments. As a result, markets had almost returned to pre-recession levels by the end of March.
- Robust growth in the North American market was driven by an upturn in light vehicle demand, supported by rebates and easier credit.
- In Asia, the Chinese market expanded by 9% and remains buoyant despite the termination of government-sponsored carbuying incentives. Demand fell by 15% in Japan and South Korea.
- Markets slowed growth pace in South America, in line with the usual seasonal trends.

▪ REPLACEMENT

- The market in Europe continued to trend upwards, supported by partial dealer inventory building ahead of announced price increases and by demand for winter tires. Demand was especially strong in Central Europe (up 52%), reflecting domestic sales and a favorable economy.
- The North American market continued to recover, notably in the United States (up 7.2%), with increased sales in the recreational and high speed rating segments helping to further enhance the product mix. The robust growth also reflected partial dealer restocking ahead of price increases.
- In Asia, Chinese demand rose by another 26% during the quarter, with gains in both dealer and end-customer sales, while in Japan, the market increased by 12% overall, led by early-year demand for winter tires, but growth slowed considerably after the tsunami.
- In South American markets continued to trend upwards, both in Brazil (up 6% despite inflationary pressure) and in Argentina.



□ TRUCK TIRES

% year-on-year change	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/MIDDLE EAST	TOTAL
Original Equipment*	+ 80%	+ 66%	- 16%	+ 21%	+ 115%	+ 15%
Replacement*	+ 26%	+ 25%	+ 14 %	+ 19%	+ 11%	+ 18%

*Radial market only

**Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- In Europe, demand rebounded sharply on the increase in new truck orders, but remained 17% below 2007 levels.
- The upturn in North America gained momentum during the quarter, in line with the recovery in the truck market, but demand nevertheless remained 25% short of 2007 levels.
- In Asia, the shift to radials quickened during the period. Demand in China contracted by 19% as credit tightened and dealers rightsized their inventory.
- Demand in South America, which traditionally slows in the first quarter, was lifted in Brazil (up 21%) by early truck purchases ahead of the planned change in heavy truck technical standards in 2012.
- The surge in demand in the Africa-India-Middle East region was led by the growing shift to radials, notably in India.

▪ REPLACEMENT

- In Europe, replacement markets rose even as freight demand edged up by a weak 4% during the period. Growth varied widely between the northern countries, stimulated by exports and the recovery in Russia, and the southern countries, where markets were flat. Overall growth also reflected extensive dealer restocking in response to major price increases by every competitor. The retread market continued to enjoy fast growth.
- In North America, the new tire market benefited from a more favorable environment, with freight tonnages approaching pre-recession levels and trucking companies feeling more optimistic after raising freight rates to pass on higher costs.
- In Asia, the Chinese market slowed to a more modest 12% compared with first-quarter 2010, when it benefited from high export volumes. Japanese demand surged 31% over the quarter, but the pace has slowed from early-year levels since the earthquake.
- All of the markets in South America experienced growth during the quarter, led by dealer inventory rebuilding. The stronger Brazilian real helped to drive an increase in imports, notably from Asia.
- Demand in the Africa-India-Middle East region hit a historical high, amplified by early buying ahead of price increases.



□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** the OE market maintained its vigorous upswing, notably in Europe and North America, with demand approaching the record levels seen in 2008. The trend in infrastructure markets was favorable, stimulated in part by price increases, while demand in the mining segment continued to rise on mining company concerns about their long-term tire supply.
- **AGRICULTURAL TIRES:** buoyed by high farm commodity prices, worldwide OE demand remains very strong, in particular for low-pressure radial tires and tires for high-powered farm machinery. Replacement demand also remains robust in every market.
- **TWO-WHEEL TIRES:** motorcycle markets are trending upwards in Europe and continuing to expand in growth regions, particularly Brazil.
- **AVIATION TIRES:** markets are continuing to rise overall, with strong demand in the General Aviation segment.

Michelin Net Sales

□ OVERVIEW

(IN € MILLIONS)	1 st Quarter 2011	
NET SALES	5,047	
YEAR-ON-YEAR CHANGE		
TOTAL CHANGE	+ 1,106	+ 28.1%
OF WHICH VOLUMES	+ 650	+ 16.5%
PRICE-MIX	+ 352	+ 7.7%
CURRENCY EFFECT	+ 104	+ 2.1%

Net sales totaled €5,047 million in the first three months of 2011, up 28.1% over the year-earlier period due to the combined impact of the following factors:

- **The positive 16.5% impact of higher volumes**, reflecting the solid market share performance as tire demand rebounded sharply.
- **The positive 7.7% price mix**, corresponding almost entirely to the impact of i) the sustained firm pricing policy and ii) contractual price adjustments, which had been unfavorable in first-half 2010. The mix effect was not material, as the sharper upturn in OE sales was offset by the improvement in the segment, geographic and brand mixes.
- **The positive 2.1% currency effect** primarily reflected the appreciation of the Brazilian real, the US dollar and the Canadian dollar against the euro.



□ NET SALES BY REPORTING SEGMENT

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales climbed 21.2% to €2,683 million in the first quarter.

- Sales volumes climbed 11.3% thanks to a firm performance by the MICHELIN brand, improved positions in the winter segment and the successful launch of the MICHELIN Pilot Super Sport. In every market, volume growth was also impelled by early purchases ahead of announced price increases.
- Net sales for the quarter were led by the Group's robust pricing dynamic.
- The slight improvement in the mix effect reflected the impact of the relative growth in OE and replacement sales and of the sustained improvement in the segment/speed rating mix.

▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales for the first quarter amounted to €1,606 million, up 32.5% from the year-earlier period.

- Sales volumes rebounded 17.8% off of 2010 comparatives that remained low, particularly in the OE segment. Growth was led by early purchases ahead of the announced price increases and by global market share gains.
- At a time of rising raw materials costs and tighter tire supply, the Group is passing on price increases in every market.

▪ SPECIALTY BUSINESSES

Net sales by the Specialty Businesses soared 46.8% to €759 million in first-quarter 2011.

- **Earthmover tires:** net sales rose significantly, reflecting both the sharp increase in volumes and the favorable application of raw materials-based price indexation clauses. Net sales more than doubled off of low prior-year comparatives in the OE segment and rose steeply in both the infrastructure and mining segments. During the quarter, Michelin further strengthened its positions in every market.
- **Agricultural tires:** net sales were up significantly, lifted by strong volume growth and by share gains in both OE and replacement markets. Higher raw materials costs were passed along in prices.
- **Two-wheel tires:** net sales rose significantly, buoyed by improved positions in Europe and Brazil, as well as by the successful launch of the Pilot Road 3, the first line of siped motorcycle tires in the sport touring radial segment.
- **Aircraft tires:** sales were up slightly, with a growing percentage of radials in the sales mix.



First-Quarter 2011 Highlights

- ❑ **Michelin continues to raise prices in response to sharply rising raw materials costs**
- ❑ **Michel Rollier is preparing his succession and will ask shareholders at the Annual Meeting in May to adjust the Group's corporate governance**
- ❑ **Major Technology Center upgrade project launched**
- ❑ **MICHELIN Brand well-known the world over according to *Fortune Magazine* ranking**
- ❑ **TyrePlus network extended in Belarus**
- ❑ **Launch of the new MICHELIN Pilot Super Sport tire, engineered for sports sedans**
- ❑ **Launch of the new MICHELIN LATITUDE X-Ice North, the market's most extensive line of 4x4 and SUV winter tires**
- ❑ **Launch of the MICHELIN Pilot Road 3, the first line of siped motorcycle tires in the sport touring radial segment**
- ❑ **Michelin to supply tires for China's first commercial airliner, the COMAC C919**

A full description of first-quarter 2011 highlights
may be found on the Michelin website:
www.michelin.com/corporate



CONFERENCE CALL

The quarterly information for the period ended March 31, 2011 will be reviewed during a conference call in English later today (Thursday April 21, 2011) at 7:00 pm CEST (6:00 UT). If you wish to participate, please dial-in one of the following numbers from 6:50 pm CEST:

- In France 01 70 77 09 37
- In the UK 0203 367 9458
- In the United States (866) 907 5923
- From anywhere else +44 203 367 9458

Please refer to the www.michelin.com/corporate website for practical information concerning the conference call.

INVESTOR CALENDAR

2011 interim net sales and earnings:

Friday, July 29, 2011 before start of trading

Quarterly information for the nine months ended September 30, 2011:

Wednesday, October 26, 2011 after close of trading

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