

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Year Ended December 31, 2010

Net Sales Up 20.8% to €17.9 Billion
Operating income of €1,695 million for a 9.5% operating margin
Conditions are in place to successfully drive
a new phase of dynamic growth for Michelin

- ❑ **13.4% increase in sales volumes, led by the Group's global presence and the rebound in mature markets.**
- ❑ **Responsive pricing policy in the face of rising raw materials costs.**
- ❑ **Sustained productivity gains and cost discipline.**
- ❑ **Strong growth in net income, to €1,049 million.**
- ❑ **Robust free cash flow at a time of:**
 - **Sharply rebounding demand**
 - **Rising raw materials prices**
 - **Revitalized capital expenditure**
 - **Prepaid contribution to pension plans**
- ❑ **Robust return on capital employed, at 10.5%.**
- ❑ **Proposed 2010 dividend of €1.78, subject to approval at the Annual Shareholders Meeting of May 13, 2011**

Commenting on the Group's performance, **Michel Rollier, Managing Partner**, said: "For Michelin, 2010 was a year of strong growth, enhanced manufacturing flexibility and historically high margins. In recent years, we have laid the foundations for a new phase of dynamic growth, built on the dedication and professionalism of our teams, the value of our brands and a clearly strengthened balance sheet.

"Leveraging these improvements, Michelin has embarked on a new phase of faster growth, supported by an unprecedented capital expenditure program, and aims to increase its sales volumes by at least 6.5% in 2011.

"In response to the sharp increase in raw materials costs, the Group will maintain its dynamic pricing policy and, barring any major change in the economic environment, expects to see an increase in operating income in 2011.

In light of our capital expenditure commitments and the increase in raw materials costs, free cash flow is expected to be temporarily negative in 2011. Nevertheless, Michelin confirms its objective of generating positive free cash flow over the entire 2011-2015 period."



(€MILLIONS)	2010	2009
NET SALES	17,891	14,807
OPERATING INCOME BEFORE NON-RECURRING INCOME AND EXPENSES	1,695	862
OPERATING MARGIN BEFORE NON-RECURRING INCOME AND EXPENSES	9.5%	5.8%
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	10.4%	8.0%
TRUCK TIRES AND RELATED DISTRIBUTION	4.4%	-1.5%
SPECIALTY BUSINESSES	17.8%	13.3%
OPERATING INCOME AFTER NON-RECURRING INCOME AND EXPENSES	1,695	450
NET INCOME	1,049	104
CAPITAL EXPENDITURE	1,100	672
NET DEBT	1,629	2,931
GEARING	20%	53%
FREE CASH FLOW ¹	426	1,507
EMPLOYEES ON PAYROLL ²	111,100	109,200

¹Cash flow from operating activities less cash flow used in investing activities

²At year-end



Market Review

□ PASSENGER CAR AND LIGHT TRUCK TIRES

2010/2009 % change YoY	EUROPE incl. CIS	NORTH AMERICA	ASIA	SOUTH AMERICA	AFRICA/ MIDDLE EAST	TOTAL
Original Equipment	+15%	+39%	+29%	+13%	+21%	+25%
Replacement	+9%*	+4%	+14%	+23%	+4%	+9%

*Europe up 8% excluding the CIS

▪ ORIGINAL EQUIPMENT

- Overall, original equipment markets rebounded more quickly than expected but remained below 2007 levels in Europe and North America.
- In Europe, tire markets continued to recover in line with automobile output, which was lifted, depending on the market, by auto industry support programs, resurgent demand for premium models or strong export sales. Demand was also boosted by rising inventories, which had been drastically cut during the crisis.
- In North America, demand rose sharply off of very low prior-year comparatives, led by inventory rebuilding after 2009's excessive destocking and market share gains for US carmakers.
- In Asia, the 33% expansion in the Chinese market was sustained by ongoing strong demand for motor vehicles, while growth in the Japanese and South Korean markets was export-driven.

▪ REPLACEMENT

- Overall, replacement markets increased by 9% for the year, with demand close to 2007 levels in mature markets.
- In Europe, demand rebounded faster than expected, gaining 9%. The market benefited from strong demand for winter tires (up 22%) during the harsh winter weather in the first and fourth quarters, as well as from dealer inventory rebuilding, following the extensive recession-driven drawdowns in 2009 and ahead of the announced price increases.
- In North America, demand turned up more sharply than expected, rising 4% back to 2008 levels. In the United States, demand gained 6%, thanks to a rebuilding of dealer inventories and an increase in the number of miles driven. The Canadian market declined by 13% after two years of growth supported by new winter tire regulations. In Mexico, the market expanded by 7%.
- In Asia, markets rose by 14% overall and demand remained strong in China, up 24%.
- In South America, replacement tire markets enjoyed a strong upward trend in a more favorable economic environment, particularly in Brazil.



□ TRUCK TIRES

2010/2009 % change YoY	EUROPE incl. CIS	NORTH AMERICA	ASIA	SOUTH AMERICA	AFRICA/ MIDDLE EAST	TOTAL
Original Equipment*	+54%	+25%	+26%	+47%	+8%	+33%
Replacement*	+24%	+20%	+13%	+41%	+2%	+17%

*Radial market only

▪ ORIGINAL EQUIPMENT

- The European market experienced a strong rebound off of low prior-year comparatives, led by the end of destocking and by new truck exports. Nonetheless, the market remains depressed, at around 40% below its 2007 level.
- In North America, demand increased by 25% year-on-year but was still substantially below its 2007 level. The upswing in 2010 marked the end of truck fleet aging.
- In Asia, demand expanded by a solid 23% in China, but slowed in the second half due to higher prior-period comparatives.
- In South America, the market rose by 47% thanks to a buoyant economy and incentives to stimulate new truck purchases.

▪ REPLACEMENT

- In Europe, the market surged 24% and returned to 2008 levels, even as freight demand rose by a moderate 2% or so. The retread business grew by 15%, rising nearly to its pre-recession level.
- In North America, demand rose steadily throughout the year for a 20% gain that outpaced the recovery in freight transport, reflecting inventory rebuilding after the destocking in 2009. Growth was also supported by the continuing shift to radial tires in Mexico.
- In Asia, the Chinese market continued to expand, although at a slower pace because of higher prior-year comparatives, while the Japanese market was still nearly 15% below its pre-crisis level, despite recovering strongly in 2010.
- In South America, the market rose sharply, led by demand in Brazil, Argentina, Chile and Colombia, in a favorable economic environment.

□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** After dodging the recession, the mining segment continued to expand on healthy demand for ore and energy in fast growing markets. The OE market practically doubled in the mature economies, although volumes failed to reach pre-recession levels. Despite strong growth in every region, the infrastructure market also lagged behind 2008 levels.
- **AGRICULTURAL TIRES:** Though lower than in 2008, global OE sales rose sharply during the year, with a more pronounced upturn in the high-powered farm machinery segment. In the overall agricultural tire market, the recovery picked up steam in the fourth quarter as a result of robust grain prices and a favorable outlook for 2011.



- **TWO-WHEEL TIRES:** The motorized segments made gains in all the mature markets except Japan. Growth remained strong in emerging markets.
- **AIRCRAFT TIRES:** All of the markets returned to growth in 2010, with the uptrend particularly noticeable in the Commercial Aviation segment. Demand for radial technology tires continued to grow.

2010 Net Sales and Results

□ NET SALES

Consolidated net sales amounted to €17,891 million, up 20.8% at current exchange rates compared with 2009.

The increase was led by a 13.4% improvement in sales volumes and a 1.7% gain from the price mix, as higher prices amply offset the impact of an unfavorable product mix throughout the year. The latter reflected the faster growth in original equipment volumes than in the replacement segment. The favorable 2.6% price effect gathered momentum on price increases in every region and the application of contractual clauses indexing prices to raw materials costs.

The 4.8% positive currency effect resulted mainly from increases in the US dollar, Brazilian real, Canadian dollar and Australian dollar against the euro.

□ RESULTS

Operating income before non-recurring income and expenses amounted to €1,695 million or 9.5% of net sales, compared with €862 million and 5.8% in 2009. There were no non-recurring items recognized for the year.

The €833-million increase in operating income and 3.7-point improvement in operating margin, before non-recurring income and expenses, mainly reflected the favorable impact of higher volumes (€914 million), the price mix (€278 million, including €391 million from higher prices) and the currency effect (€184 million). Higher raw materials prices reduced operating income by €544 million.

Net income for the year came to €1,049 million.

□ NET FINANCIAL POSITION

Free cash flow stood at a positive €426 million for the year, despite a strong rebound in business, higher raw materials costs, an upswing in capital expenditure to €1.1 billion and a prepaid contribution to pension plans totaling €270 million.

Following the success of the €1.2 billion rights issue, **gearing declined to 20%** at December 31, 2010, while net debt was reduced to €1,629 million, from €2,931 million at year-end 2009.



□ SEGMENT INFORMATION

€ millions	NET SALES		OPERATING INCOME BEFORE NON-RECURRING INCOME AND EXPENSES		OPERATING MARGIN BEFORE NON-RECURRING INCOME AND EXPENSES	
	2010	2009	2010	2009	2010	2009
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	9,790	8,280	1,014	661	10.4%	8.0%
TRUCK TIRES AND RELATED DISTRIBUTION	5,680	4,496	249	(69)	4.4%	-1.5%
SPECIALTY BUSINESSES	2,421	2,031	432	270	17.8%	13.3%
CONSOLIDATED TOTAL	17,891	14,807	1,695	862	9.5%	5.8%

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

In all, net sales in the Passenger Car and Light Truck Tires and Related Distribution segment stood at €9,790 million for the year, up 18.2% on 2009. Unit sales were sustained throughout the year by firm demand for winter tires and the strength of the MICHELIN brand. The price mix remained favorable despite the OE/replacement market mix, reflecting price increases implemented throughout the year to help offset higher raw materials prices and ongoing improvements in the segment/speed rating mix.

The sharp rise in volumes, especially in winter tires, the amply positive price-mix in the face of higher raw materials costs and the improvement in manufacturing costs at a time of high capacity utilization helped to lift operating income before non-recurring income and expenses to €1,014 million or 10.4% of net sales, compared with €661 million and 8.0% in 2009.

▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales in the Truck Tires and Related Distribution segment amounted to €5,680 million for the year, up 26.3% on 2009. Sales volumes rose sharply against low prior-year comparatives, with faster growth at the end of the year causing certain supply issues in mature markets. Despite an unfavorable OE/replacement market mix, the price-mix improved quarter after quarter, thanks to the gradual application of price increases to pass on rising raw materials prices.

At a time of sharply rising raw materials costs, operating income before non-recurring income and expenses came to €249 million, thanks to higher volumes, the segment's improved competitiveness and the responsive pricing policy.



▪ SPECIALTY BUSINESSES

Net sales from the Specialty Businesses came to €2,421 million, a gain of 19.2% on 2009. Growth was led by Michelin's powerful momentum in every tire market, as well as by the application of contractual clauses indexing prices to raw materials costs.

Operating margin before non-recurring income and expenses stood at a structurally high 17.8%, compared with 13.3% in 2009. The improvement was due to i) the increase in tonnages sold in each of the Specialty tire businesses, with a significant contribution from the Earthmover segment and ii) the favorable impact in the second half of the increase in prices indexed to raw materials costs.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin reported a profit of €185 million in 2010.

The financial statements were presented to the Supervisory Board at its meeting on February 7, 2011. The audit was performed and the auditors' report was issued the same day.

The Managing Partners will call an Annual Shareholders Meeting on Friday, May 13 at 9:00 am in Clermont-Ferrand.

Shareholders will be asked to approve the payment of a dividend of €1.78 a share, with a dividend reinvestment option.

Outlook for 2011

Michelin is committed to driving a new phase of faster, more dynamic growth, at a time of steadily increasing global tire demand and rising raw materials prices.

In this environment, Michelin enjoys a number of differentiating competitive strengths, including a powerful brand and the premium pricing power it confers; the technological leadership and balanced performance delivered by its tires, which are aligned with customer expectations; the competitiveness and flexibility of its manufacturing base, which has been considerably enhanced through the commitment of its teams; and a robust balance sheet capable of supporting its growth ambitions and weathering the ups and downs of the business cycle.

Backed by these strengths, and barring any major change in the economic environment, Michelin has set ambitious objectives for 2011.

Michelin aims to drive at least a 6.5% increase in unit sales, in line with the 2011-2015 growth targets.

Michelin will maintain a highly responsive pricing policy in the face of rising raw materials costs:

- The full-year impact of raw materials costs on operating income is estimated at €1,500 million, assuming Michelin's cost of natural rubber averages \$4.8/kg.



- €850 million of this additional raw materials cost has already been offset by the full-year impact of the 2010 price increases and the 2011 implementation of the raw materials-based price indexation clauses.
- The new price increases already announced in 2011 are designed to cover €300 million.
- Therefore, 75% of the additional raw materials cost is already covered.
- The Group will continue to manage prices so as to pass along all of the additional raw materials costs.

Michelin expects to report higher operating income in 2011, despite the cost of stepping up its presence in new markets (around €150 million in temporary outlays for production start-ups, sales and marketing operations and advertising).

In light of the increase in raw materials costs and the unprecedented €1.6 billion capital expenditure program, free cash flow is expected to be temporarily negative in 2011. Nevertheless, Michelin confirms its objective of generating positive free *cash flow* over the entire 2011-2015 period.



2010 Operating Highlights

- ❑ **Michelin booth at 2010 Paris Auto Show showcased global ad campaign**
- ❑ **MICHELIN Alpin 4 takes top score in ADAC test and earns highest 3-star rating**
- ❑ **On-road, environmental and technological performance: A winning trio with the new MICHELIN Pilot Sport 3**
- ❑ **Sales of MICHELIN X One super singles top one million**
- ❑ **Distribution: Michelin and Rodi sign partnership agreement in Spain's Catalonia-Aragon region**
- ❑ **Earthmover tires: MICHELIN X-TRACTION, a new solution to improve worksite productivity**
- ❑ **Michelin Group tops the podium at Dakar 2011**
- ❑ **€1.2 billion rights issue successfully completed**

A full description of 2010 highlights
may be found on the Michelin website: www.michelin.com/corporate/finance



PRESENTATION AND CONFERENCE CALL

Full-year 2010 results will be reviewed with analysts and investors during a conference call – with simultaneous interpreting in English – today, Friday February 11, at 11:00 am CET (10:00 am UT). If you wish to participate, please dial one of the following numbers from 10:50 am CET:

- In France: 01 72 00 13 68
- In the UK: 0203 367 9461
- In the United States: +1 866 907 5923
- From anywhere else: +44 203 367 9461

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

INVESTOR CALENDAR

- **Quarterly information for the three months ended March 31, 2011:**
Thursday, April 21, 2011 after close of trading
- **First-half 2011 net sales and results:**
Friday, July 29, 2011 before start of trading

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