

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN

**Financial Information for the Nine Months
Ended September 30, 2009**

**2009 nine-month net sales
down 12.5% to €10.9 billion**

- ❑ **Unit sales down 20.1% over the first nine months and 14.0% in the third quarter, in line with the decline in global tire markets**
- ❑ **Price-mix significantly positive at 7.6% for the first nine months, led by the MICHELIN brand's solid performance and the Group's pricing policy**
- ❑ **Tire market conditions expected to vary by business and geography over the final quarter:**
 - **Passenger car and light truck tires: positive impact of i) automobile industry stimulus programs and ii) a technical rebound as dealer destocking fades and winter tire demand rises**
 - **Truck tires: original equipment demand has bottomed out at very low levels. In the replacement segment, the trucking market is still hesitant, but dealers and fleets are no longer drawing down inventory**
 - **Specialty tires: original equipment markets are extremely weak while awaiting, in particular, the initial impact of government stimulus packages. The Mining segment remains on an upward trend**
- ❑ **Second-half 2009: improved profitability versus the first half, thanks to the raw materials tailwind (full-year costs down €550 million at constant exchange rates). A further reduction in inventory and capital expenditure confirmed at €700 million for the year**

Based on these factors, Michelin maintains its objective of generating positive free cash flow in the second half of 2009

Net Sales by Reporting Segment

NET SALES (IN € MILLIONS)	3 rd Quarter			Nine Months		
	2009	2008	% Change	2009	2008	% Change
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	2,093	2,194	- 4.6%	6,042	6,551	- 7.8%
TRUCK TIRES AND RELATED DISTRIBUTION	1,206	1,464	- 17.6%	3,277	4,160	- 21.2%
SPECIALTY BUSINESSES ¹	455	554	- 17.8%	1,570	1,740	- 9.8%
GROUP TOTAL	3,754	4,212	- 10.9%	10,888	12,451	- 12.5%

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

Analysis of Net Sales

(IN € MILLIONS)	3 rd Quarter 2009		Nine Months 2009	
NET SALES	3,754		10,888	
	YOY CHANGE		YOY CHANGE	
TOTAL CHANGE	(458)	- 10.9%	(1,563)	- 12.5%
OF WHICH VOLUMES	(590)	- 14.0%	(2,507)	- 20.1%
PRICE-MIX	+ 144	+ 4.0%	+ 752	+ 7.6%
CURRENCY EFFECT	(12)	- 0.3%	+ 192	+ 1.8%



Market Review

Nine months 2009 % change YoY	EUROPE incl. CIS	NORTH AMERICA	ASIA	SOUTH AMERICA	AFRICA/ MIDDLE EAST	TOTAL
PASSENGER CAR AND LIGHT TRUCK TIRES Original Equipment	- 28.8%	- 41.1%	- 11.6%	- 17.0%	- 25.0%	- 23.3%
Replacement	-10.0%**	- 5.8%	- 2.5%	- 5.8%	- 5.2%	- 6.6%
TRUCK TIRES* Original Equipment	- 66.8%	- 44.2%	- 17.5%	- 31.7%	- 25.1%	- 41.4%
Replacement	- 25.9%	- 15.9%	- 7.4%	- 20.6%	- 7.1%	- 14.0%

*Radial market only

**Down 4.3% excluding the CIS

Third quarter 2009 % change YoY	EUROPE incl. CIS	NORTH AMERICA	ASIA	SOUTH AMERICA	AFRICA/ MIDDLE EAST
PASSENGER CAR AND LIGHT TRUCK TIRES Original Equipment	- 18.2%	- 18.1%	+ 0.6%	- 10.2%	- 25.0%
Replacement	-5.8%**	+ 3.8%	+ 1.5%	- 2.3%	- 5.2%
TRUCK TIRES* Original Equipment	- 65.3%	- 36.2%	- 9.6%	- 33.4%	- 25.1%
Replacement	- 16.4%	- 11.9%	+ 1.1%	- 16.4%	- 7.1%

*Radial market only

**Down 0.1% excluding the CIS

❑ PASSENGER CAR AND LIGHT TRUCK TIRES

▪ ORIGINAL EQUIPMENT

- While tire markets remained weak over the first nine months of the year, the trend line showed some sequential improvement in the third quarter compared with the first two. The Chinese market continued to expand, gaining 34.9%, while demand in Europe, North America and other mature markets was buoyed by automotive industry support programs.

▪ REPLACEMENT

- In Europe and North America, the market saw a technical rebound as dealers stopped drawing down inventory, while demand firmed somewhat with the upturn in kilometers driven.
- Over the third quarter, the European market contracted by 5.8% year-on-year, after falling 10.6% in the first quarter and 13.7% in the second. As winter approaches, dealers are rebuilding their winter tire inventory. Excluding



the CIS, which is still being impacted by the collapse in Russian demand, the European market declined 0.1% in the third quarter.

- Led by an upturn in miles driven in the US, demand in North America recovered in the third quarter, rising 3.8% year-on-year after falling 11.8% in the first quarter and 9.7% in the second.
- Markets in Asia rose by 1.5% in the third quarter, compared with a 9.2% decline in the first quarter and stable growth in the second. Nine-month performance varied by country, with a strong 14.8% increase in the aggressively competitive Chinese market and declines in Japan, Thailand, India and Malaysia.
- The sell-in price structure held firm overall, except during promotional campaigns focused on certain types of tires or regions.

□ TRUCK TIRES

▪ ORIGINAL EQUIPMENT

- Tire demand remains very weak, particularly in Europe, North America and South America, in line with the truckmakers' low production output.
- The Asian OE market did not decline as fast as in the first half, while the Chinese market was stable over the first nine months of the year.

▪ REPLACEMENT

- In general, replacement truck tire markets are no longer declining in the mature economies. Both dealers and fleets have stopped destocking, as demonstrated by the slight upturn in retreading demand. Beyond this technical rebound, however, the markets will truly recover only when there is renewed demand for freight and international trucking services.
- The Chinese market was generally stable over the first nine months, but seems to be showing signs of recovery.
- Truck tire prices have remained particularly firm.

□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** except for China and India, original equipment and Infrastructure markets remained very weak in the third quarter. Only the Mining market remains on an upward trend, lifted by sustained strong demand for ore and energy, particularly from Asia, and by tire inventory rebuilding on mine sites.
- **AGRICULTURAL TIRES:** all of the markets were down for the first nine months, with the decline worsening in the third quarter, even for the tires fitted on high-powered farm machinery that had previously fared better in the downturn. Without any visibility of where farm markets are going, original equipment and replacement customers are hesitant to invest.
- **TWO-WHEEL TIRES:** the motorized segments were down over the first nine months, with a steeper decline in North America, but showed signs of revival in the third quarter, with a slight improvement in Europe.



- **AVIATION TIRES:** in an environment shaped by falling markets, especially in the general aviation segment, the percentage of aircraft equipped with radials rose as older planes were retired more quickly.

Michelin Net Sales

□ OVERVIEW

Net sales ended the first nine months of the year down 12.5% at current exchange rates, impacted by the following factors:

- **A 20.1% fall in unit sales,** caused by the drop in tire demand in every market except China. The volume impact eased somewhat in the third quarter, with a 14% contraction in tonnages sold.
- **The price mix effect was still significantly positive, at 7.6%.** Pricing policies were held firm over the period, although prices contractually indexed to raw materials prices were lowered in July. Bear in mind that prices of Passenger Car and Light Truck tires and Specialty tires had been raised in third-quarter 2008. The product mix continued to move upmarket, thanks to the Michelin brand's solid resilience and a favorable replacement/OE market mix. The price-mix effect was a positive 4.0% in the third quarter.
- **The positive 1.8% currency effect** stemmed from the combination of the rise of the US dollar and the decline of the British pound against the euro. The recent weakness in the US dollar caused the currency effect to swing to a negative 0.3% in the third quarter.

□ NET SALES BY REPORTING SEGMENT

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales for the first nine months of the year amounted to €6,042 million, down 7.8% from the year-earlier period.

- The volume effect remained negative for the first nine months, although it has sequentially improved with each quarter since the beginning of the year.
- The price effect was positive, reflecting the price increases passed along in 2008.
- The mix effect continued to benefit from the value of the MICHELIN brand and the improvement in the segment/speed rating mix. In the third quarter, however, the favorable impact was dampened by the increase in OE sales compared with replacement sales.



▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales for the first nine months of the year amounted to €3,277 million, down 21.2% from the year-earlier period.

- Unit sales remained sharply down on the prior-year period, in line with truck tire markets in general. OE sales have bottomed out at a low level, while replacement sales are gradually reducing their year-on-year shortfall with each quarter.
- The price effect is still positive, with the lack of any sequential decline reflecting the stickiness of previously implemented price increases.

▪ SPECIALTY TIRE BUSINESSES

Net sales of the Specialty Tire businesses declined by 9.8% to €1,570 million in the first nine months of 2009. Price schedules were contractually adjusted to reflect the decline in raw materials costs.

- **Earthmover tires:** Business held up well in the Mining sector, where the Group reported gains in market share, tonnage and net sales. Thanks to market share gains in every region, net sales in the Infrastructure segment outperformed the market. The OE business saw a steeper decline in the third quarter than in the first half.
- **Agricultural tires:** Despite OE market share gains, both OE and replacement sales were down sharply for the period.
- **Two-wheel tires:** Sales of motorcycle and scooter tires turned upwards in the third quarter in Europe, Brazil and the ASEAN countries, led by a refreshed model line-up and the success of the Michelin Power One range. They continued to decline in North America, however.
- **Aircraft tires:** Sales continued to improve over the period and will enjoy a favorable price environment over the full year. The USAF delivery contracts are proceeding as planned.

Third-Quarter 2009 Highlights

- ❑ **Global advertising campaign launched, reflecting the MICHELIN brand's new global communication strategy**
- ❑ **Two new winter tires for vans: the MICHELIN Agilis Alpin and MICHELIN Agilis X-Ice North**
- ❑ **Michelin to buy out minority interests in Shanghai Michelin Warrior Tire Co. Ltd (SMWT)**
- ❑ **European Union agrees to introduce an energy performance tire labeling system in 2012**

A full description of third-quarter 2009 highlights
may be found on the Michelin website:
www.michelin.com/corporate



CONFERENCE CALL

The quarterly information for the period ended September 30, 2009 will be reviewed during a conference call in English later today (Monday, October 26, 2009) at 6:30 pm, CET (5:30 UT). If you wish to participate, please dial one of the following numbers from 6:20 pm CET:

- In France 01 72 00 13 69
- In the UK 0203 367 9453
- In the United States 1 866 907 5923
- From anywhere else +44 203 367 9453

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

INVESTOR CALENDAR

2009 net sales and earnings:

Friday, February 12, 2010 before start of trading

Quarterly information for the three months ending March 31, 2010:

Monday, April 29, 2010 after close of trading

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