

# First Half 2007 Results



Paris – July 27, 2007

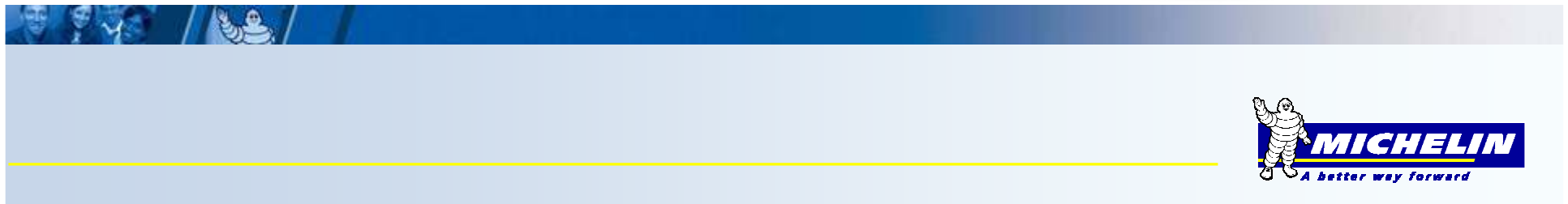


# First Half 2007 Key figures

<b>Net Sales</b>	<b>EUR 8,402 m</b>	<b>+4.7%</b>
<b>Operating income</b> before non-recurring items	<b>EUR 861 m</b>	<b>+33.5%</b>
<b>Operating margin</b> before non-recurring items	<b>10.2%</b>	<b>Up 2.2 points</b>
<b>Net income</b>	<b>EUR 436 m</b>	<b>+57.6%</b>
<b>Gearing</b>	<b>86%</b>	<b>Up 18 points</b>
<b>Free Cash Flow</b>	<b>EUR -31m</b>	<b>Improvement: + EUR 382m</b>



## First Half 2007 Operating Performance



# H1 2007 markets trended up except in North America

## PASSENGER CAR/LIGHT TRUCK



	Europe	North America	Asia	South America	Africa & Middle East
Original Equipment	+2.8%	-5.8%	+6.4%	+9.9%	+3.0%
Replacement	+0.2%	+2.1%	+2.7%	+1.8%	+3.0%

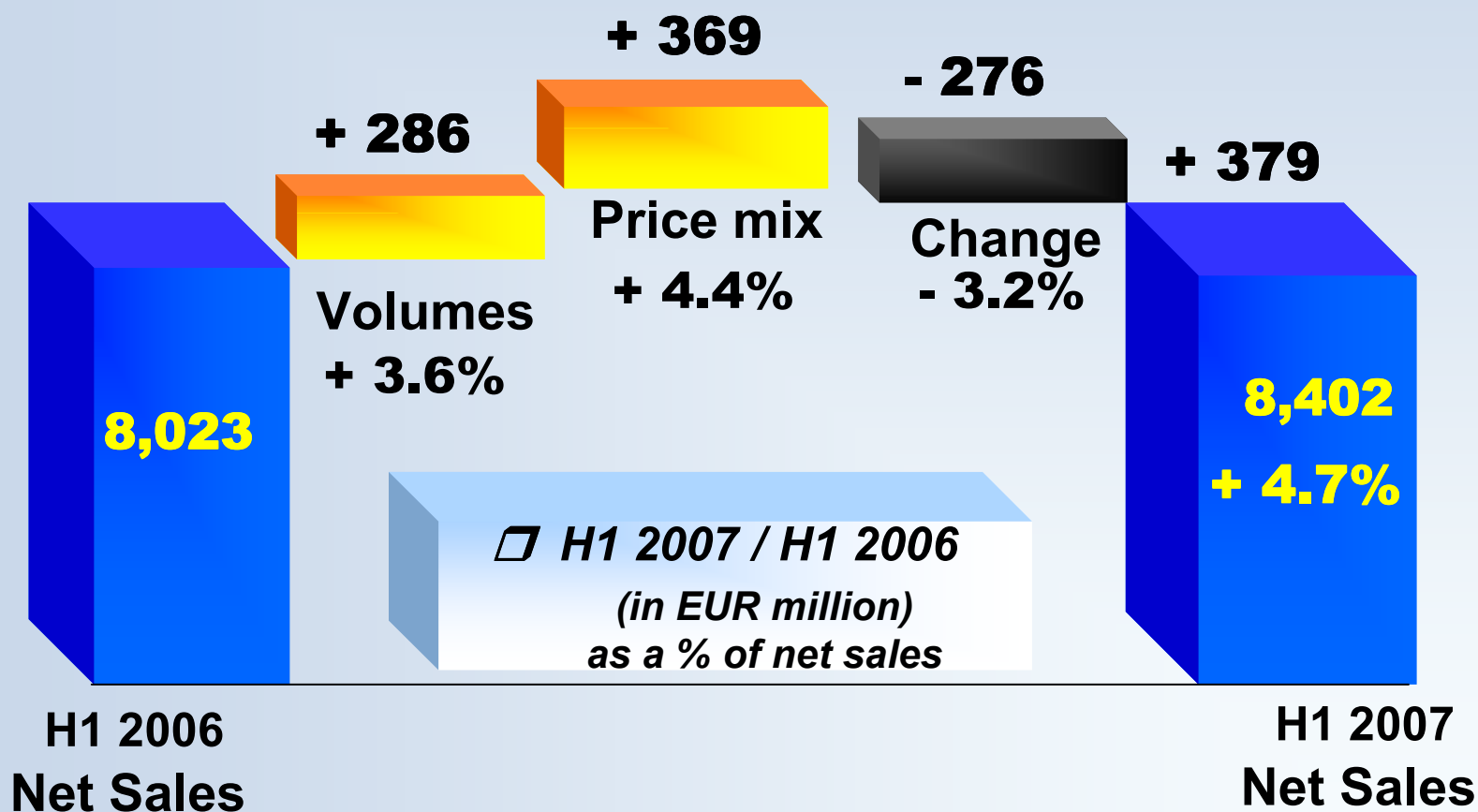
## TRUCK



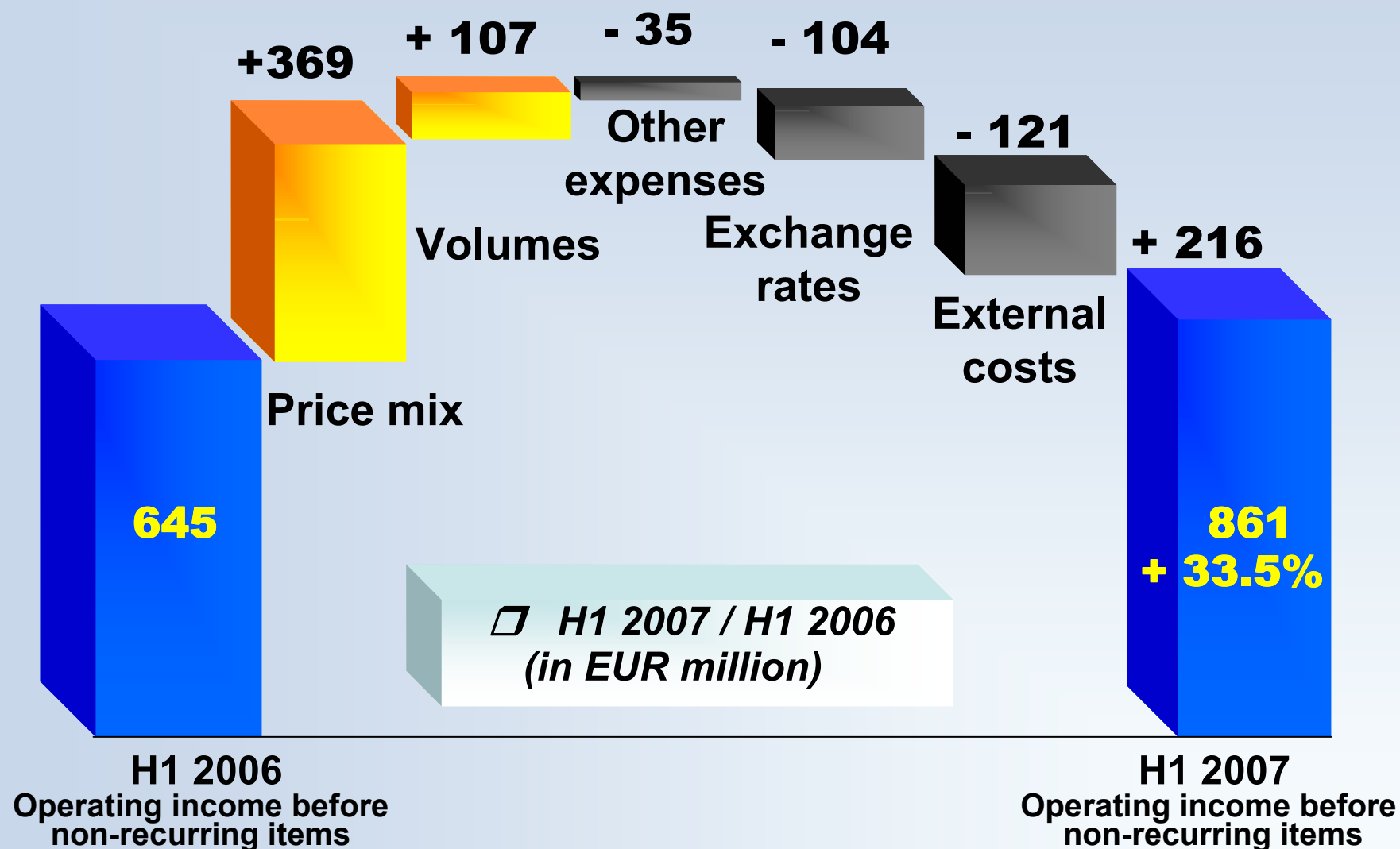
	Europe	North America	Asia	South America	Africa & Middle East
Original Equipment	+13.4%	-24.6%	+10.2%	+29.2%	+6.0%
Replacement	+6.3%	-4.5%	+8.7%	+10.4%	+3.3%



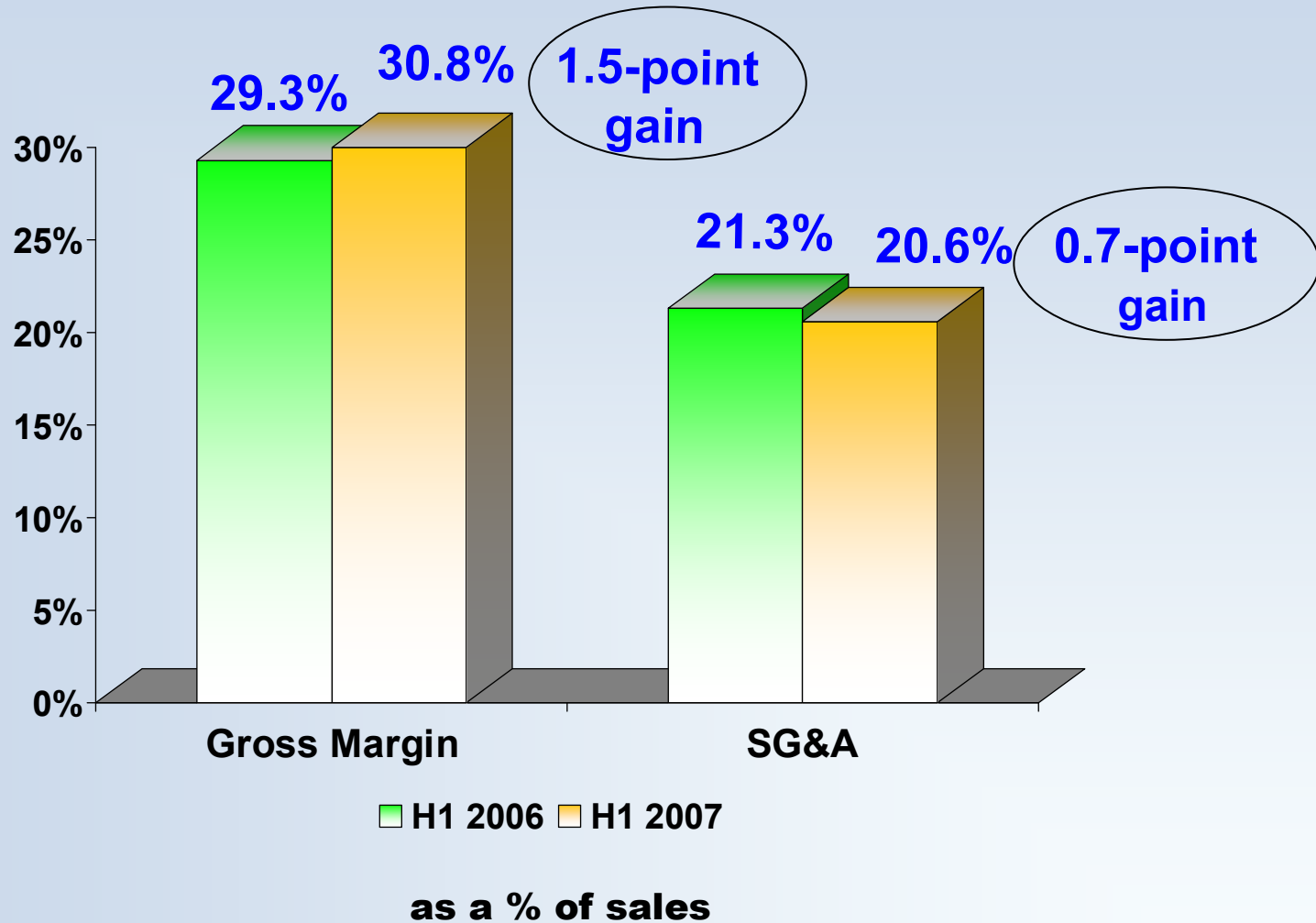
# Price mix remained strong and sales volume increased...



# ...which offset external cost hikes and the negative impact of currency exchange rates.

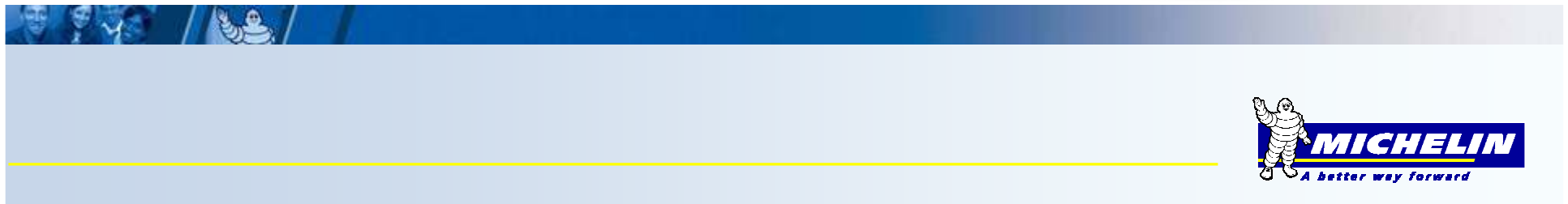


# Gross Margin Improvement and SG&A Reduction



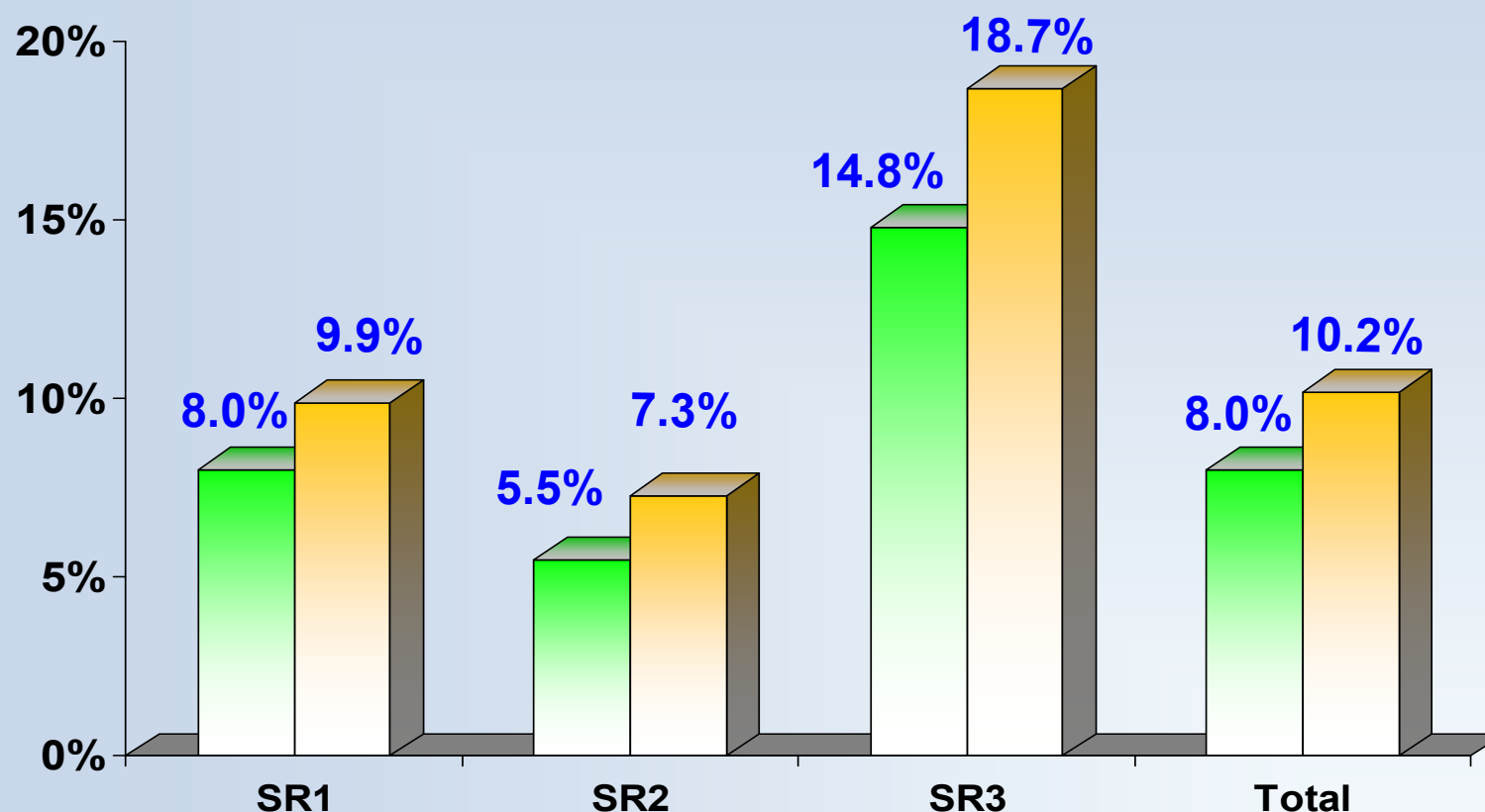


## First Half 2007 Performance by Reporting Segment





# All reporting segments reported improved profitability.

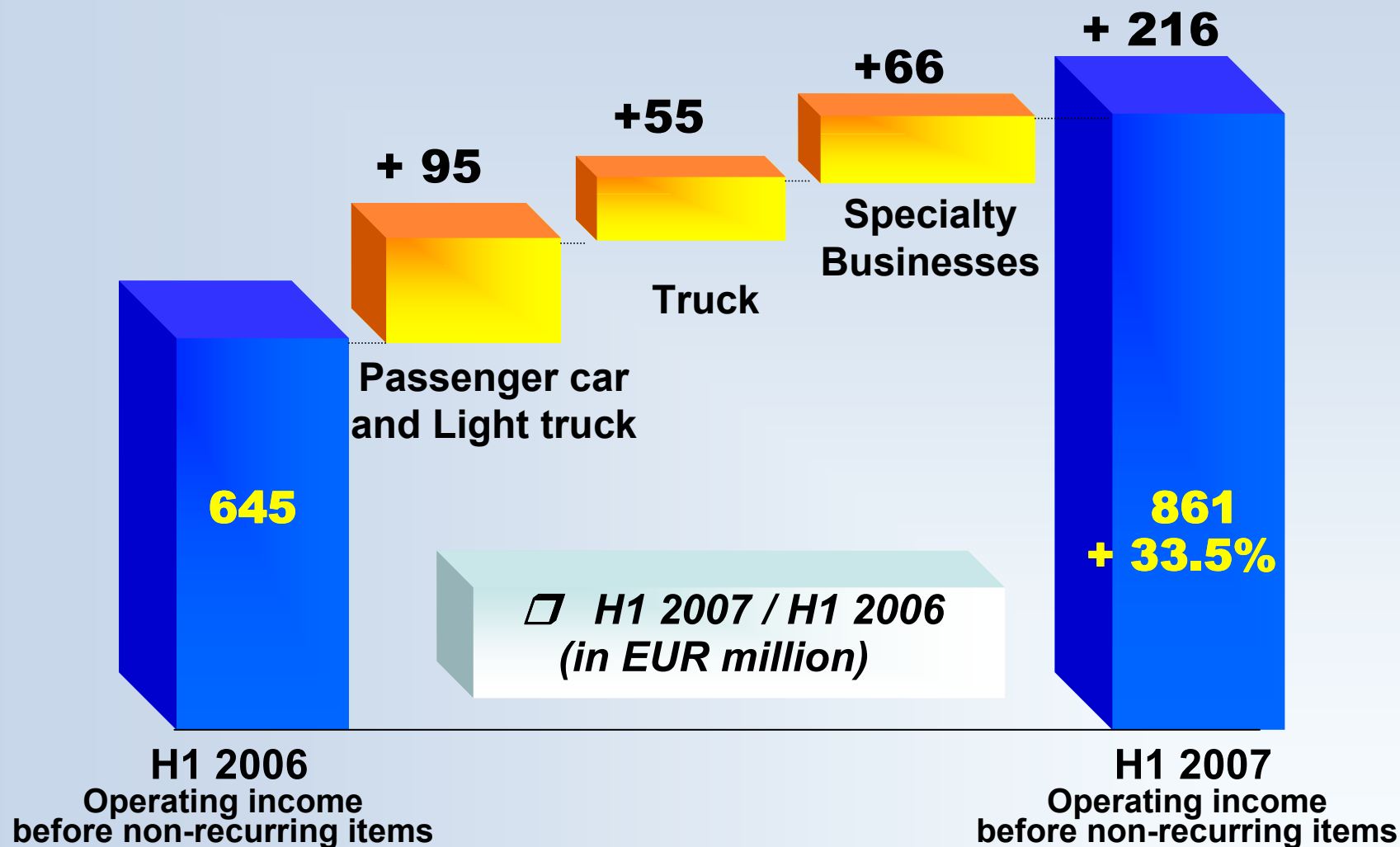


■ H1 2006 ■ H1 2007

Operating margin before non-recurring items as a % of net sales



# Positive Contribution by all Businesses



# Passenger Car / Light Truck & Related Distribution

**Mix Improvement Combined with Positive Price Effect**



	Eur m	H1 07/ H1 06	Group %
<b>Sales</b>	<b>4,489</b>	<b>+2.8%</b>	<b>53%</b>
<b>Operating Income</b> before non-recurring items	<b>443</b>	<b>+27.4%</b>	<b>51%</b>
<b>Operating Margin</b> before non-recurring items	<b>9.9%</b>	<b>+1.9 pt</b>	



# Passenger Car / Light Truck & Related Distribution

## First Half 2007 Highlights

- Productivity investment at the Bridgewater (Canada) plant



- Michelin brand led JD Power customer satisfaction surveys in Japan and South Africa

- New Michelin Latitude SUV tire range



- Opening of the 400<sup>th</sup> and largest TyrePlus tire distribution center in China

# Truck & Related Distribution

**Currency exchange rates and raw material cost increases negatively impacted profitability.**



	Eur m	H1 07/ H1 06	Group %
<b>Sales</b>	<b>2,746</b>	<b>+4.5%</b>	<b>33%</b>
<b>Operating Income</b> before non-recurring items	<b>200</b>	<b>+38.0%</b>	<b>23%</b>
<b>Operating Margin</b> before non-recurring items	<b>7.3%</b>	<b>+1.8 pt</b>	



# Truck & Related Distribution

## First Half 2007 Highlights

- The U.S. Department of Defense awarded Michelin a USD 1.7 bn 10-year logistics contract to equip all of its ground vehicles throughout the world.
- The Waterville (Canada) plant manufactured its first MICHELIN X One tire.
- Launch of MICHELIN X Energy 315/60 R 22.5 XF



- Strong growth of Michelin Fleet Solutions in Eastern Europe



# Specialty Businesses

**Sales volume growth and price increases had a positive impact.**



	Eur m	H1 07/ H1 06	Group %
<b>Sales</b>	<b>1,167</b>	<b>+13.4%</b>	<b>14%</b>
<b>Operating income</b> before non-recurring items	<b>218</b>	<b>+43.5%</b>	<b>26%</b>
<b>Operating margin</b> before non-recurring items	<b>18.7%</b>	<b>+3.9 pts</b>	





# Specialty Businesses

## First Half 2007 Highlights

**Earthmover:** The Lexington (USA) plant expansion produced its first tire



**Agricultural:** Two new tires for Compact line tractors: Michelin XMCL and Power CL

**Two-Wheel:** Launch of Michelin Pilot Road 2 for touring segment



**Aircraft:** Michelin's radial tire technology certified for Embraer EMB 190 Jet





## First Half 2007

### Net Income and Balance Sheet

# Net Result Up 58%

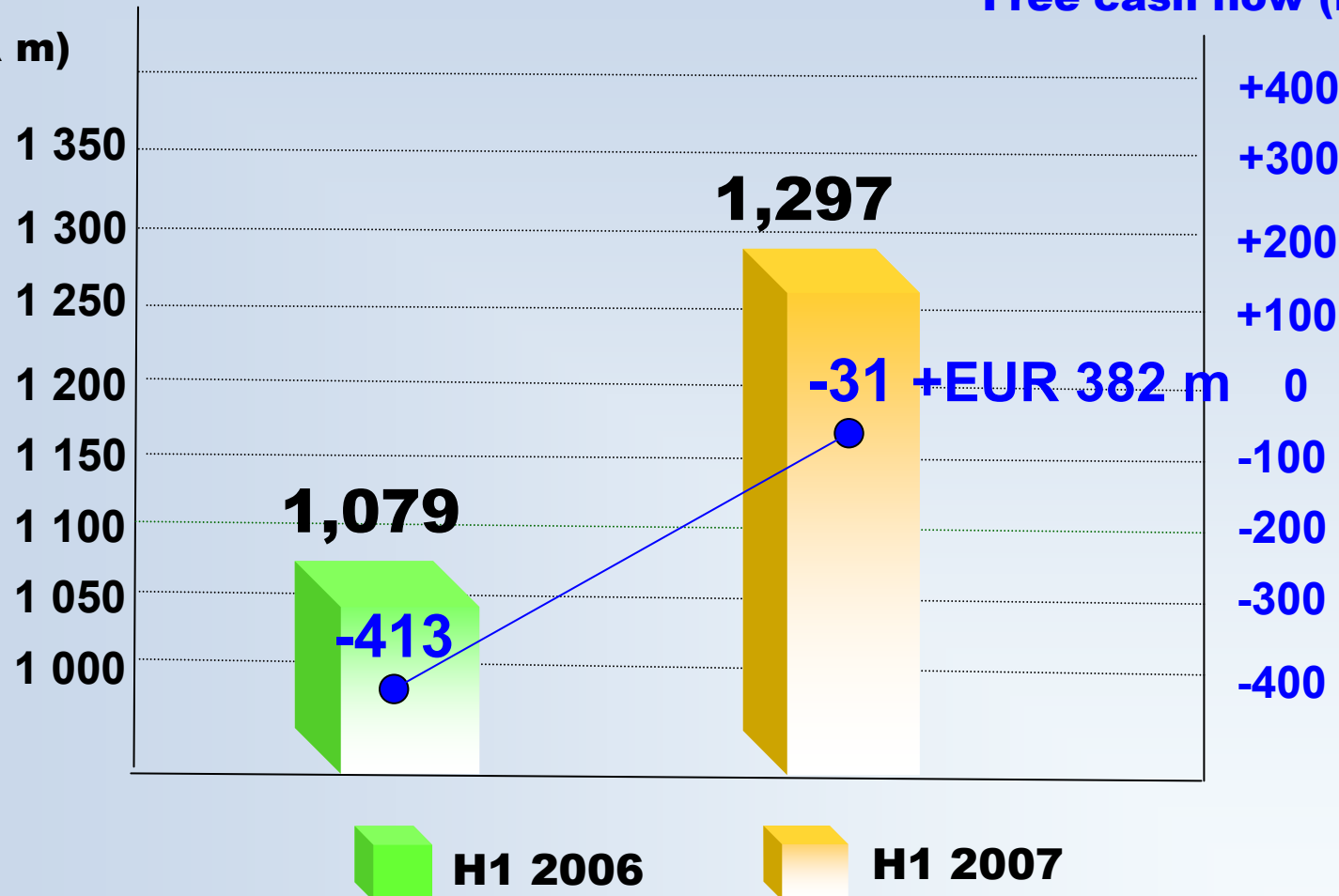
In EUR million	H1 2007	H1 2006	% change
<b>Sales</b>	<b>8,402</b>	<b>8,023</b>	<b>+4.7%</b>
<b>Operating Income</b> Before non-recurring items <i>% of Net Sales</i>	<b>861</b> <b>10.2%</b>	<b>645</b> <b>8.0%</b>	<b>+33.4%</b>
<b>Non-Recurring Items</b>	<b>-63</b>	<b>-160</b>	
<b>Operating Income</b>	<b>798</b>	<b>485</b>	<b>+64.5%</b>
<b>Net Interest Charges</b>	<b>-125</b>	<b>-35</b>	
<b>Tax</b>	<b>-240</b>	<b>-177</b>	
<b>Result of Companies</b> accounted for by the equity method	<b>4</b>	<b>4</b>	
<b>Net Income</b>	<b>436</b>	<b>277</b>	<b>+57.6%</b>



# EBITDA\* and free cash flow \*\* improved significantly

**EBITDA  
(EUR m)**

**Free cash flow (EUR m)**

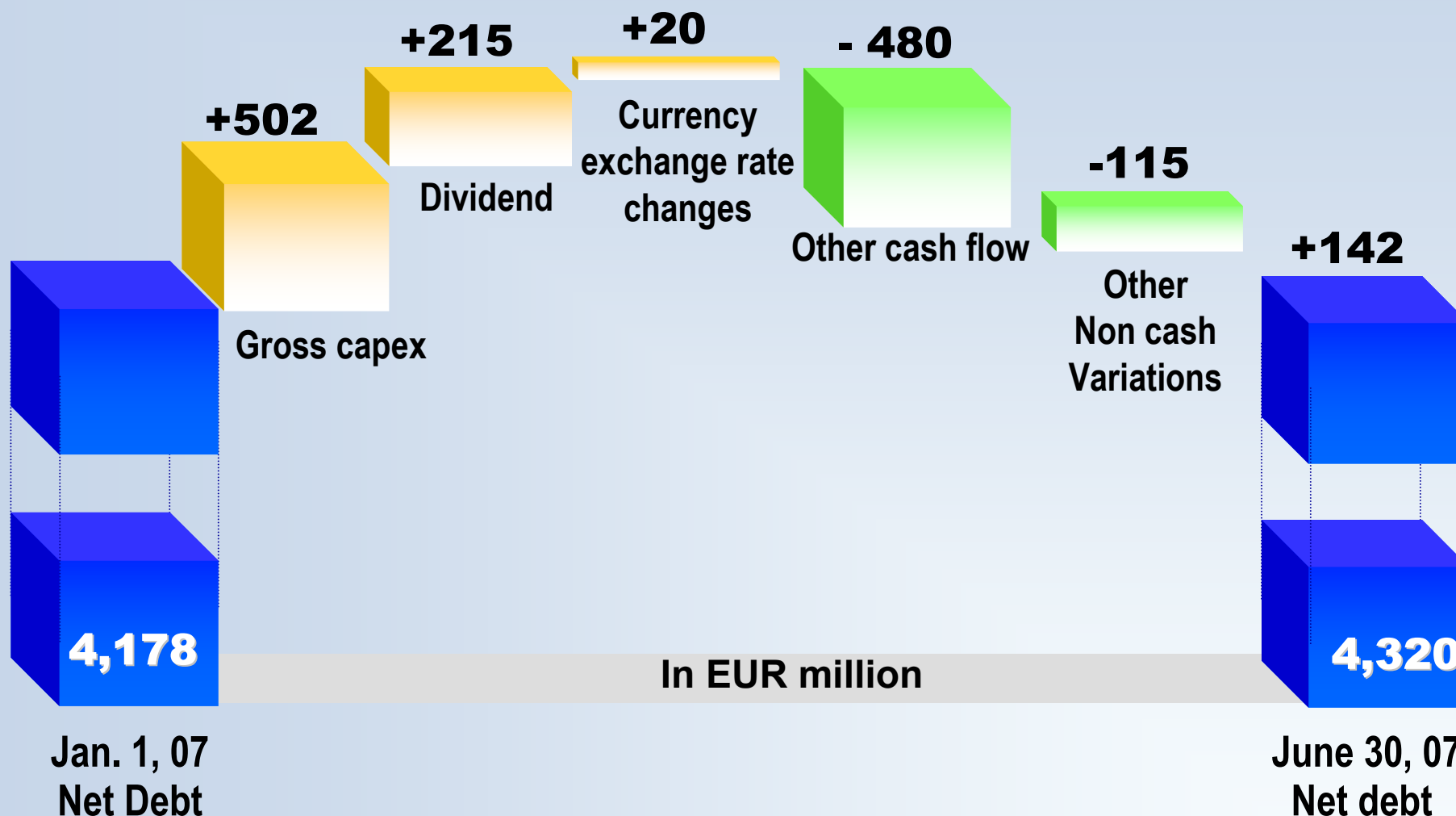


\***EBITDA** before non-recurring items: Operating income excluding depreciation and PP&E value impairment

\*\***Free Cash Flow**: Cash from operations – investment expenses

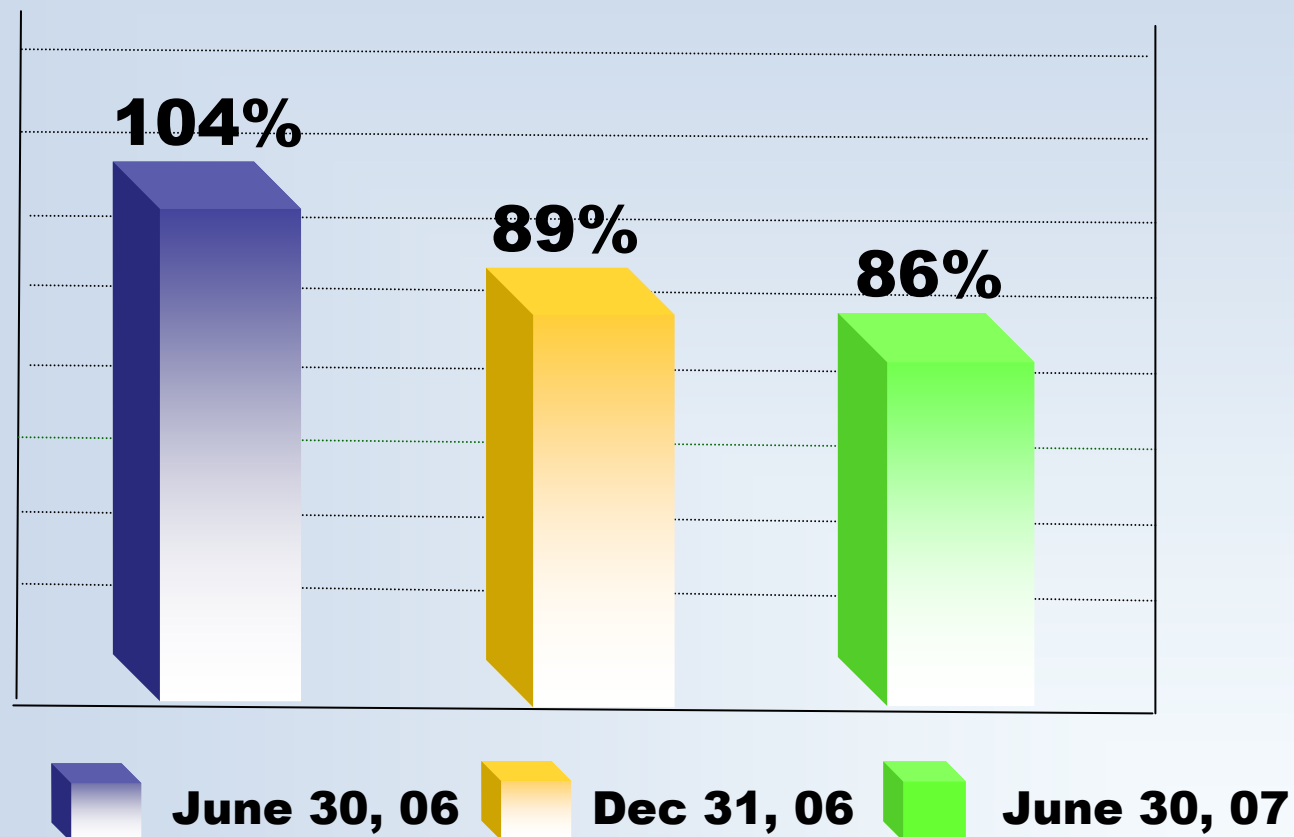


## Controlled debt increase...



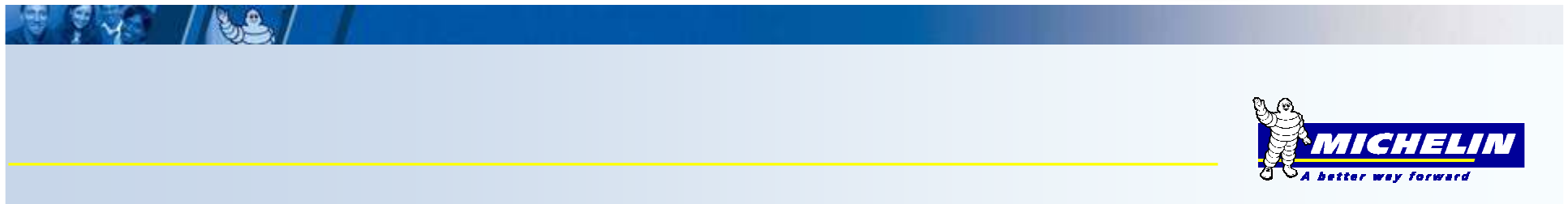
## ...translated into further gearing improvement.

### Gearing





## Outlook for 2007



# 2007 estimated markets: recovery in Europe and healthy emerging markets, but declining North American truck markets.

## PASSENGER CAR/LIGHT TRUCK



	Europe	North America	Asia	South America	Africa Mid. East
Original Equipment	+1.4%	-1.3%	+5.8%	+9.9%	+3.0%
Replacement	+2.0%	+2.0%	+3.4%	+1.3%	+3.0%

## TRUCK

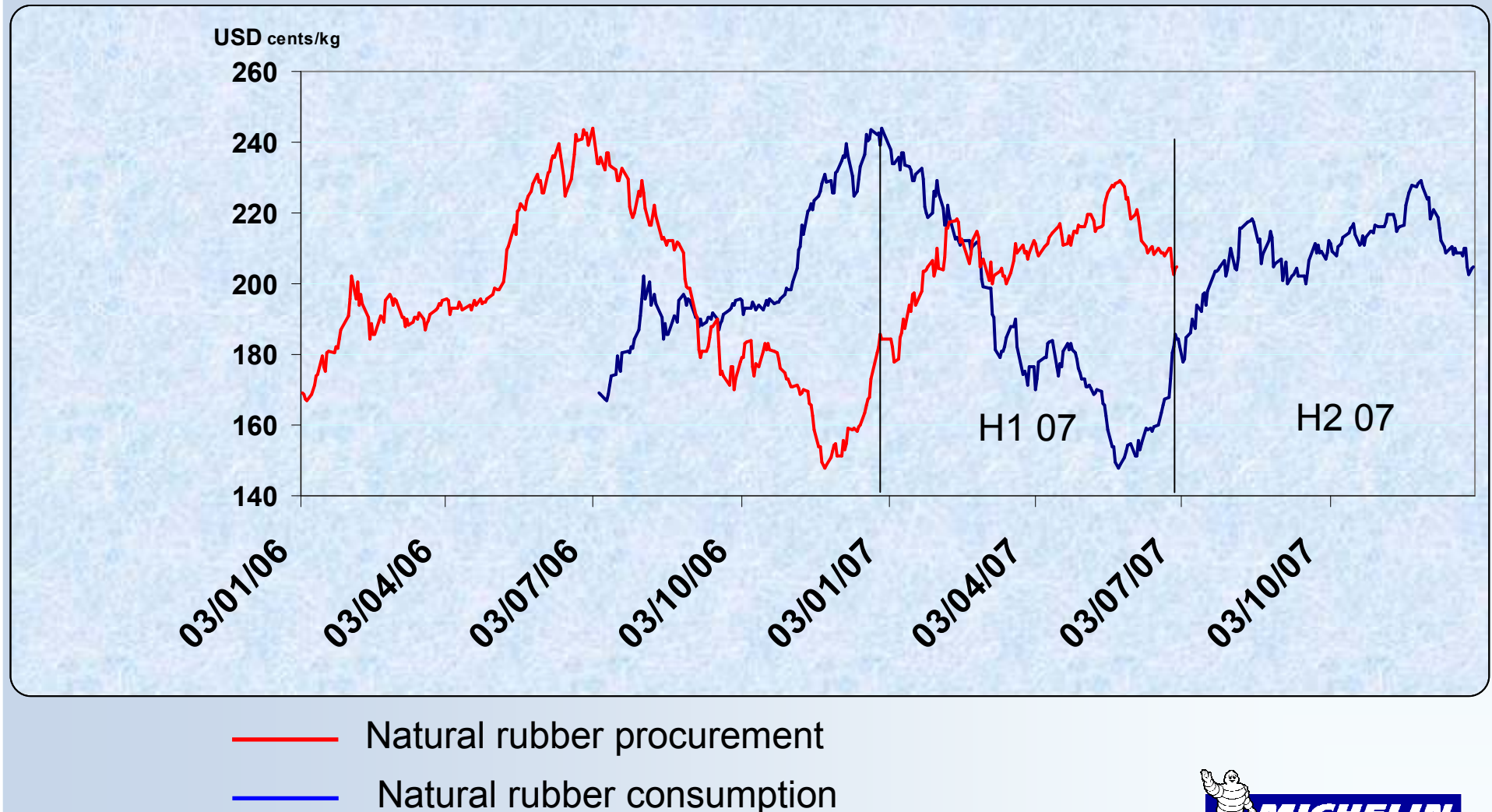


	Europe	North America	Asia	South America	Africa Mid. East
Original Equipment	+15.0%	-27.7%	+13.9%	+22.3%	+2.2%
Replacement	+3.4%	-2.3%	+8.2%	+8.0%	+3.3%





## Average Raw Material Costs Higher in H2 Because of Natural Rubber Price Increases Early in 07





# Outlook for 2007

**Markets generally  
trending up except in  
North America**

**Further  
internal  
progress**

**Average raw  
material costs  
higher in H2 / H1**

**Full-year Operating Margin  
Expected to approach H1 07 level**

**In line with  
2010 objectives**

# Agenda



**-September 12, 2007:  
Frankfurt Motor Show**

**-October 29, 2007:  
Q3 Financial Information**

**- November 14 - 17, 2007:  
Challenge Bibendum &  
Investors Days in Shanghai**



Thank you  
for your attention

# First Half 2007 Results



Paris - July 27, 2007

