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Michelin sales 'much stronger'

First-half net sales up 17 percent in recovering worldwide market

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Michelin Group reported first-half net sales were up 17 percent during the first half of the year, with the rebound in the tire markets expected to continue throughout the second six months of 2010, the company said.

Net sales for the global tire manufacturer were 8.4 billion euros at the end of June, up from 7.1 billion euros a year earlier. Operating income soared to 822 million euros during the period, up from 282 million euros in the comparable period in 2009.

Operating margin before non-recurring income and expense was historically high at 9.8 percent, up from 4 percent in the first half of last year.

"Michelin's production and sales volumes for the first half of 2010, in North America and globally, are much stronger than for the same period in 2009; however, they have not yet returned to 2007 levels," said Dick Wilkerson, chairman and president of Greenville-based Michelin North America.

"As we look at the gains we have made year-to-date, we must keep in the mind the extraordinary market drops that we experienced in late 2008 and 2009."

He said the company's North America plants are running full schedules, 24/7, "to meet the demand for Michelin products. In several plants, we've reduced or eliminated the traditional summer shutdowns. The economic context, however, remains unsettled, and we are keeping a close eye at some clouds on the horizon."

Rising raw materials prices are expected to hurt second-half results, but Michelin said it would benefit from price increases introduced in the first half of the year as well as average 3 percent increases in its European market passenger/light truck tires in September.

The company reaffirmed its 2010 target of growth of more than 10 percent in sales volume. It also said it expects to end the year with an operating margin before non-recurring items of about 9 percent.

Although the worldwide original equipment tire market collapsed in the first half of 2009, nearly every market experienced "robust" growth in the first half of this year. The growth was spurred by auto industry support programs implementing in most leading markets.

Replacement tire demand rebounded faster than anticipated in North America and Europe, boosted by dealer inventory rebuilding and an increase in miles traveled, the company said. South American growth was robust in Brazil, Argentina and Colombia. China, with demand up 17 percent, led growth in Asian markets.

The North American original equipment truck tire market "turned sharply upward" but remained far below historic highs while the European truck market rebounded in the second quarter but was weaker than in 2007. South American demand rose by 53 percent while the Chinese market grew by 63 percent.