

Clermont-Ferrand, April 22, 2015

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
Financial information for the three months ended March 31, 2015

Michelin reports first-quarter 2015 net sales of €5 billion,
with above-market unit sales growth of 1.5%

- **Unit sales up 1.5% versus high prior-period comparatives, despite narrower markets**
 - **Above-market growth in Passenger car/Light truck tire sales**
 - **Truck tire and Specialty business volumes in line with the markets**
- **Unfavorable change in price mix, in an environment shaped by persistently low raw materials prices, reflecting:**
 - **the impact of applying raw materials-based price indexation clauses**
 - **the added effect of price cuts introduced during 2014 and in early 2015**

NET SALES (IN € MILLIONS)	First quarter 2015	First quarter 2014	% change
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	2,777	2,520	+10.2%
TRUCK TIRES AND RELATED DISTRIBUTION	1,474	1,462	+0.8%
SPECIALTY BUSINESSES ¹	771	775	-0.6%
GROUP TOTAL	5,022	4,758	+5.6%

¹Specialty businesses: Earthmover, Agricultural, Two-Wheel and Aviation tires; Michelin Travel Partner and Michelin Lifestyle Ltd.

- **2015 guidance confirmed, with additional details**
 - **Lower raw materials prices are now expected to have a favorable impact of around €600 million over the year, the aim being to ensure that changes in price mix and raw materials prices have a net positive effect in 2015, with the second half offsetting the negative first-half effect.**
 - **The currency effect is now expected to add more than €350 million to operating income for the year.**
 - **Michelin confirms its objectives of growing unit sales in line with global trends in its markets, delivering an increase in operating income before non-recurring items beyond the currency effect, reporting a return on capital employed in excess of 11%, and generating structural free cash flow of approximately €700 million, with around €1.8 billion in capital expenditure.**
- **Uses of cash:**
 - **Michelin will pursue its policy of value-creating investment, focusing on the growing Passenger car/Light truck tire businesses, as well as on innovation, Truck fleet operator services, the digital strategy, raw materials and semi-finished products and customer service.**
 - **A €750 million share buyback program will be carried out over a period of 18 to 24 months.**



Market Review

□ PASSENGER CAR AND LIGHT TRUCK TIRES

First quarter 2015 vs. 2014 (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+2%	+2%	+0%	-13%	+9%	+1%
Replacement	-1%	-6%	-2%	+2%	+4%	-2%

* Including Russia and Turkey

• ORIGINAL EQUIPMENT

- The European original equipment market grew by 2% overall, with an increase of 4% in Western Europe led by higher new vehicle registrations and a 19% fall in Eastern Europe in a difficult economic and monetary environment.
- The North American market expanded by 2% despite severe winter weather conditions that held back sales in February.
- Demand in Asia (excluding India) was stable overall. In China, the market trend remained favorable with demand up 8%, while the markets in Southeast Asia, Japan and South Korea contracted by 9% in total. The negative trend in Japan was due to buying ahead of the April 1, 2014 increase in VAT, which created a high basis of comparison in first-quarter 2014.
- In South America, the market fell by 13% in the first quarter, reflecting the region's unstable economic environment and the difficulties experienced by the local auto industry.

• REPLACEMENT

- The European replacement tire market narrowed by 1% overall compared with the very strong prior-year period. Demand rose by 2% in Western Europe, with declines in the United Kingdom and Germany and a strong recovery in Turkey, but fell by 15% in Eastern Europe due to the political and economic situation in Russia and Ukraine.
- In North America, demand slowed by 6%, reflecting the knock-on effect of mass entry-level tire imports by US dealers in 2014. Demand in Canada and Mexico was more favorable.
- In Asia (excluding India), demand contracted by 2% overall. In China, total sales were up 5% with the population's demand for mobility driving a strong dynamic in both the sell-in and sell-out segments. The region's other markets declined by 7% overall, with growth in Southeast Asia and Australia continuing at the same rate as in 2014, while demand in Japan was depressed by weak consumer spending and very mild winter weather conditions.
- In South America, the 2% growth in demand was led by the markets in Central America and the Caribbean, while the Brazilian market stabilized – a trend mirrored in highway toll receipts and bio-fuel sales for the period – and demand narrowed in Argentina.



□ TRUCK TIRES

First quarter 2015 vs. 2014 (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment*	+0%	+21%	-17%	-37%	+12%	-7%
Replacement*	-10%	+3%	-4%	-3%	+2%	-2%

*Radial and bias market

**Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- The European original equipment market remained stable. Demand in Western Europe grew by 4% in a sluggish economy, while in Eastern Europe, the troubled geopolitical and economic environment caused a 24% drop in the market.
- In North America, the market expanded by 21%, reflecting high vehicle production volumes led by still favorable economic conditions.
- In Asia (excluding India) demand for radial and cross-ply tires was down 17%. The Chinese market contracted by 24%, reflecting lower manufacturing output. In the other countries of the region, demand rose by 12% overall, led by a sharp upturn in Thailand in particular.
- In South America, the market fell by 37% due to truck-maker production stoppages and a sharp decline in truck registrations in a difficult socio-economic environment.

• REPLACEMENT

- The European replacement market contracted by 10%. The 1% period-on-period decline in Western Europe was due to the high basis of comparison in first-quarter 2014 when tire dealers built up inventories in anticipation of an economic recovery. In Eastern Europe, the difficult situation in Russia led to a further drop in demand, with the market down 24%.
- In North America, the market remained strong, rising by 3%, reflecting sustained demand for freight services in a vibrant economy.
- Demand for replacement radial and bias tires in Asia (excluding India) was down by 4%. In China, the market remained stable, with freight markets still quiet after the New Year celebrations and signs of inventory drawdowns among dealers wary of pricing pressures. In the rest of the region, the markets in Southeast Asia generally held up better than those in Australia, South Korea and Japan where replacement tire demand was down on the prior-year period. In Japan, the steep period-on-period decline was due to the high basis of comparison created in first-quarter 2014 by buying ahead of the April 1, 2014 VAT increase.
- The South American radial and bias replacement market contracted by 3% overall and to a greater extent in Brazil, in a more challenging socio-economic environment.

□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** the market for mining tires contracted compared with first-quarter 2014, as mining companies continued to reduce their tire inventories and operations at some mines were scaled back in response to lower commodity prices.

OE demand continued to grow in mature markets.

Demand for tires used in infrastructure and quarries rose slightly in mature markets as activity levels picked up.



- **AGRICULTURAL TIRES:** global OE demand reflected continued severe weakness in mature markets, as well as the effects of lower agricultural commodity prices and extensive replacement sales of farm machinery in recent years.

The replacement market contracted in both Europe and North America, due to lower farming revenues.

- **TWO-WHEEL TIRES:** the motorcycle tire market expanded in Europe and North America, reflecting increased dealer optimism.
- **AVIATION TIRES:** demand in the commercial aviation segment continued to grow, led by the increase in passenger traffic.

Michelin Net Sales

□ NET SALES

(IN € MILLIONS)	First Quarter 2015	
NET SALES	5,022	
CHANGE, Q1 2015 VS. Q1 2014		
TOTAL CHANGE	+264	+5.6%
OF WHICH VOLUMES*	+69	+1.5%
PRICE MIX	-245	-5.1%
CURRENCY EFFECT	+443	+9.7%
CHANGES IN SCOPE OF CONSOLIDATION	-2	-0%

*In tonnes

Net sales for the first quarter of 2015 totaled €5,022 million, an increase of 5.6% over the year-earlier period that was attributable to the following factors:

- The **1.5% growth in volumes** vs. first-quarter 2014, which represented a high basis of comparison.
- The **5.1% negative change in price mix**, corresponding to:
 - the 5.4% (€261 million) negative price effect, of which 2.4% was due to price cuts introduced in 2014 and the application of indexation clauses;
 - the 0.3% (€16 million) favorable change in product mix, led by the success of the MICHELIN brand's premium strategy and a strong upturn in sales volumes for the Group's other brands.
- The **9.7% favorable currency effect**, reflecting the euro's decline against the Group's main operating currencies.

□ NET SALES BY REPORTING SEGMENT

- **PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION**

Net sales in the Passenger car and Light truck tires and Related Distribution segment totaled €2,777 million in first-quarter 2015, up 10.2% compared with €2,520 million in the year-earlier period.



- Sales volumes of passenger car and light truck tires rose by 6%, outperforming the market. Growth was led by a 5% increase in MICHELIN brand sales, advances in customer service, and the BFGoodrich brand's success in North America with the launch of All Terrain KO2 tires.
- Prices declined due to the application of raw materials-based indexation clauses in contracts with OE manufacturers and price repositioning in the Replacement market in 2014 and 2015, taking into account lower oil prices.
- The mix effect remained favorable, thanks to a further 12% increase in MICHELIN brand sales in the 17-inches and over segment.

• TRUCK TIRES AND RELATED DISTRIBUTION

Net sales in the Truck tires and Related Distribution segment came to €1,474 million in first-quarter 2015 versus €1,462 million in the same period of 2014.

- In a contracting market, sales volumes were down 4% on high prior-period comparatives, with good performances recorded in the OE segment in mature markets and higher exports from Europe to meet North American demand.
- Prices were down due to the application of raw materials-based indexation clauses and the price adjustments decided in 2014.
- The new MICHELIN X® WORKS™ free damage guarantee managed and activated on-line to improve peace of mind for worksite supply activities in Europe has been well received by truck operators.

• SPECIALTY BUSINESSES

Net sales by the Specialty Businesses stood at €771 million in first-quarter 2015 versus €775 million in the prior-year period. The change reflected the price effect of applying raw materials-based indexation clauses and a 4% contraction in volumes, partly offset by the favorable currency effect.

- **Earthmover Tires:** net sales contracted slightly despite the favorable currency effect, as a result of lower volumes and the negative price effect of applying raw materials-based indexation clauses. Sales volumes rose in the OE and Infrastructure segments. Michelin launched the XDR 250 tire which allows mining companies to increase their productivity by up to 25%.
- **Agricultural Tires:** the decrease in net sales was due to a market-led decline in volumes, with the favorable currency effect offsetting the negative impact of raw materials-based indexation clauses.
- **Two-Wheel Tires:** net sales increased, lifted by higher volumes in mature and emerging markets.
- **Aviation Tires:** net sales increased as a result of the favorable currency effect. Sales volumes were down slightly, due to the decline in defense business.



First-Quarter 2015 Highlights

- Michelin implements a share buyback program authorized by the Annual Shareholders' Meeting of May 16, 2014 (January 9, 2015)
- Michelin's Total Performance strategy is demonstrated during the 2015 Dakar, with very strong showings by MICHELIN Latitude C and MICHELIN D15 car tires, MICHELIN Desert Race bike tires with MICHELIN Bibmousse inserts and MICHELIN XZL+ truck tires (January 21, 2015)
- Michelin and Air Liquide join SNCF, Orange and Total by investing in Ecomobility Ventures, a European investment fund dedicated to innovation in sustainable mobility (January 27, 2015)
- In its quest for high performance, Michelin announces plans to launch new "hypersport" and "track" bike tires in 2015 (February 11, 2015)
- At the SIMA 2015 trade fair, Michelin demonstrates its wide-ranging innovation capabilities in such diverse areas as connected services and the invention of new agricultural tires (February 22-26, 2015)
- MICHELIN CrossClimate, the first summer tire certified for winter use, to be introduced in European markets in May 2015 (March 2, 2015)
- Michelin earns "Supplier of the Year" and "Innovation of the Year" awards from Deere & Company (March 10, 2015)
- Michelin launches MICHELIN X® WORKS™ free damage guarantee managed and activated on-line for truck operators' worksite supply activities in Europe (March 2015)
- Michelin acquires a 40% stake in Pression SAS for €60 million (April 14, 2015)
- Michelin is named "Supplier of the Year" by Boeing (April 16, 2015)

A full description of first-quarter 2015 highlights may be found on the Michelin website <http://www.michelin.com/eng>



PRESENTATION AND CONFERENCE CALL

The quarterly information for the three months ended March 31, 2015 will be reviewed during a conference call in English later today (Wednesday, April 22, 2015) at 6:30 pm, CEST. If you wish to participate, please dial-in one of the following numbers from 6:20 pm CEST:

- In France 01 70 77 09 39
- In the UK 0203 367 9453
- In North America (866) 907 5928
- From anywhere else +44 (0) 203 367 9453

The presentation of financial information for first-quarter 2015 may be viewed at <http://www.michelin.com/eng>, along with practical information concerning the conference call.

INVESTOR CALENDAR

- **First-half 2015 net sales and results**
Tuesday, July 28, 2015 before start of trading
- **Financial information for the nine months ended September 30, 2015**
Wednesday, October 22, 2015 after close of trading

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This press release may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as at the time of publishing this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or inferred by these statements.

