PRESS RELEASE
Clermont-Ferrand – July 28, 2015

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Six Months Ended June 30, 2015

First-half 2015: Robust growth and improved free cash flow
Revenue up 8.5% to €10,497 million
Operating income up 9% to €1,262 million (12% of net sales)
Full-year outlook: Guidance confirmed

- **Volumes rose 2.4%, outperforming the markets**
  - **Passenger car/Light truck tire sales clearly outpaced the market**
  - **Truck tire and Specialty business volumes were slightly better than their markets**
  - **Faster growth from quarter to quarter, in uneven markets that were strong in mature economies and sluggish in the majority of the new markets.**

- **A quarter-on-quarter improvement in the price mix**
  - **As expected, changes in price mix and raw materials prices had a net negative effect, reflecting in particular the contractual price adjustments under raw materials-based indexation clauses, and managed price repositionings.**

- **A €132 million improvement in free cash flow, excluding the Blackcircles.com acquisition and the investment in an Indonesian rubber plantation.**

Jean-Dominique Senard, Chief Executive Officer, said: "Michelin achieved strong growth in the first half of the year by leveraging its broader portfolio of solutions, by expanding access to customers and by capturing the rising demand in its traditional markets. The success of our most recent lines, like the MICHELIN CrossClimate and the new BFGoodrich tires, as well as our strengthened positions in the original equipment segment, confirm the importance of innovation for the Group's growth. Combined with the expected deployment of the competitiveness plan, Michelin can confirm its full-year guidance."

- **Outlook for 2015**

With tire demand expected to remain on an upward trend in mature regions but more challenging in new markets, Michelin's objective for the second half is to pursue the growth trends observed in the first six months of the year. Changes in price mix and raw materials prices are expected to have over the full year a net negative effect on the businesses subject to contractual raw materials indexation clauses and a net neutral effect on the remaining businesses. The sustained deployment of the competitiveness plan will help to offset cost inflation over the year.

The Group confirms its target of delivering an increase in operating income before non-recurring income excluding the currency effect, a return on capital employed in excess of 11%, and structural free cash flow of more than €700 million, while pursuing a capital expenditure program totaling around €1.8 billion.

(IN € MILLIONS)	First-Half 2015	First-Half 2014 reported
NET SALES	**10,497**	**9,673**
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**1,262**	**1,159**
OPERATING MARGIN BEFORE NON-RECURRING ITEMS	**12.0%**	**12.0%**
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10.8%**	**11.4%**
TRUCK TIRES AND RELATED DISTRIBUTION	**9.6%**	**7.7%**
SPECIALTY BUSINESSES	**21.5%**	**21.8%**
OPERATING INCOME AFTER NON-RECURRING ITEMS	**1,245**	**1,072**
NET INCOME	**707**	**624**
EARNINGS PER SHARE (in €)	**3.79**	**3.34**
CAPITAL EXPENDITURE (excluding acquisitions)	**632**	**703**
NET DEBT	**1,798**	**892**
GEARING	**18%**	**9%**
EMPLOYEE BENEFIT OBLIGATIONS	**4,780**	**4,025**
FREE CASH FLOW[1] (excluding acquisitions)	**(100)**	**(232)**
EMPLOYEES ON PAYROLL[2]	**112,600**	**111,700**

[1] Free cash flow: net cash from operating activities less net cash from investing activities
[2] At period end

Market Review

❑ PASSENGER CAR AND LIGHT TRUCK TIRES

First-Half 2015 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	+3%	+3%	-1%	-14%	+4%	+0%
Replacement	+3%	+0%	+3%	+3%	+4%	+2%

Second-Quarter 2015 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	+2%	+5%	-4%	-16%	-1%	-1%
Replacement	+4%	+5%	+7%	+4%	+4%	+5%

* Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - The European original equipment market grew by 3% overall during the first half, reflecting a 5% increase in Western Europe led by an upturn in carmaker output and a 22% falloff in Eastern Europe in a persistently difficult economic and monetary environment.
  - The North American market expanded by 3% over the period, in line with the rising vehicle demand driven by low fuel prices, attractive financing terms and aggressive promotional campaigns.
  - In Asia (excluding India), overall demand was virtually flat over the first six months of the year. Despite slowing in June, the Chinese market ended the period up 5%, with a decline in the sedan tire segment and sustained growth in the SUV segment. The other regional markets remained on a downward track, losing 8% over the period, primarily due to the fall-off in demand in Thailand, but also because the Japanese market has moved back in line with long-term trends. In addition, the Japanese figure reflected the comparison with first-half 2014, when growth was lifted by sales ahead of an increase in the VAT rate.
  - In South America, the market retreated 14% in the first half, dragged down by the steep decline in auto output in a mixed economic environment.

- **REPLACEMENT**
  - The European replacement tire market expanded by 3% overall compared with the already strong prior-year period. In Western Europe, robust sales in June ahead of announced industry-wide price increases drove a 5% gain over the first half, with declines in the United Kingdom and Germany and a rebound in Turkey and the southern Central European countries. The Eastern European market continued to contract, losing 6% due to the political and economic situation in Russia and Ukraine.
  - In North America, US demand has been steadily expanding since the beginning of the year for tires sold by members of the Rubber Manufacturers Association (up 4%), while Chinese imports leveled off in the second quarter as dealers reduced inventory.
  - Demand in Asia (excluding India) contracted a slight 1% overall. The Chinese market enjoyed further momentum, gaining 9% over the first half. However, growth was slower year-on-year in the first quarter than in previous years, coming in at 5% before

surging 11% in the second quarter, lifted by favorable prior-year comparatives in a climate of deep uncertainty exacerbated by current stock market conditions. Demand in the rest of the region declined by a still limited 2%, although the Indonesian and Malaysian markets fared better. Japan saw a 6% contraction due to comparison with first-half 2014, which benefited from purchases ahead of the increase in VAT on April 1.

- South American demand rose 3% in a mixed economic and political environment. Markets improved in Colombia, Chile, Central America and the Caribbean, but leveled off in Brazil with fewer kilometers traveled and lower imports. Demand contracted in Argentina and Venezuela.

❑ TRUCK TIRES (radial and bias)

First-Half 2015 YoY (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+4%**	**+17%**	**-23%**	**-42%**	**+15%**	**-8%**
Replacement	**-3%**	**+5%**	**-4%**	**-5%**	**+2%**	**-2%**

Second-Quarter 2015 YoY (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+7%**	**+14%**	**-22%**	**-45%**	**+11%**	**-8%**
Replacement	**-0%**	**+6%**	**-3%**	**-7%**	**+1%**	**-1%**

* Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - The European market rose by 4% in the first half, boosted by a speed-up in Western Europe, to 9%. However, demand continued to fall in Eastern Europe, where the troubled geopolitical and economic situation caused a 24% drop.
  - In North America, the market expanded by 17% over the period, as truck output continued to surge in a still favorable economic environment.
  - Demand for radial and bias tires in Asia (excluding India) declined by 23% overall. The Chinese market plunged 25%, reflecting the slowdown in manufacturing output. In the rest of the region, demand slid 14% overall, with steep declines in Indonesia and South Korea partly offset by an upturn in Thailand off of very low prior-year comparatives.
  - In a very difficult economic environment, the South American market plummeted 42%, dragged down by the 44% fall-off in Brazil, where economic conditions led to massive shutdowns of truck and bus production and a collapse in registrations.

- **REPLACEMENT**
  - The European market declined by 3% overall during the first six months of the year. Demand rose 7% in Western Europe, lifted by the increase in tons carried/km (which has not yet impacted freight rates), the sharp decline in the retread segment and, at period-end, the announcement of price increases by certain tiremakers. The market continued its decline in Eastern Europe, falling 24%, due to the difficult situation in Russia.
  - In North America, the market remained strong, rising by 5% thanks to sustained demand for freight services in a vibrant economy.
  - Demand for replacement radial and bias tires in Asia (excluding India) was down by 4% over the period. The Chinese market retreated 4% as the cooling economy weighed on

freight demand. Markets in the rest of the region also waned, with in particular a significant decline in Thailand and Japan, where demand fell off sharply from the heights reached in first-half 2014 ahead of the increase in the VAT rate.

- The South American radial and bias replacement market contracted by 5% overall and to a greater extent in Brazil, in a more challenging economic environment.

❑ Specialty Tires

- **Earthmover Tires:** the mining tire market fell back from first-half 2014 levels, as mining companies continued to adjust their tire inventories and operations at some mines were scaled back in response to weakening commodity prices.

  OE demand continued to trend marginally upward in mature markets.

  Demand for tires used in infrastructure and quarries rose slightly in mature markets, led by North America.
- **Agricultural Tires:** global OE demand reflected continued severe weakness in mature markets, as well as the effects of lower farm commodity prices and extensive replacement sales of farm machinery in recent years.

  The replacement market retreated somewhat in Europe and more aggressively in North America, due to declining farming incomes.
- **Two-Wheel Tires:** motorcycle tire markets rose in the mature geographies, supported by dealer optimism, especially in Europe.
- **Aircraft Tires:** demand in the commercial aircraft segment continued to grow, led by the increase in passenger traffic.

First-Half 2015 Net Sales and Earnings

❑ Net Sales

Net sales for the first six months of 2015 totaled €10,497 million, an increase of 8.5% over the year-earlier period that was attributable to the net impact of the following factors:

- The over-market 2.4% increase in volumes, led by the expected speed-up in quarter-on-quarter growth, the performance of the MICHELIN brand and the rebound in the other brands.
- The 4.3% decline in the price mix following application of indexation clauses and carefully managed price repositionings. As expected, however, this effect improved over the second quarter.
- The strong 10.2% favorable currency effect, reflecting the euro's decline against the Group's main operating currencies.
- The 0.5% increase from changes in the scope of consolidation.

❑ Results

Consolidated operating income before non-recurring items came to €1,262 million or 12.0% of net sales, up €103 million from the €1,159 million and 12.0% reported in first-half 2014. Net non-recurring expense, in an amount of €17 million, corresponded to the ongoing cost of aligning Group organizations with the prevailing market environment.

Excluding the €302 million positive currency effect, operating income before non-recurring items primarily reflects the €86 million increase from volume growth and the €426 million net negative impact of actively managing the price mix, given the €228 million gain from lower raw materials prices. It also reflects the expected €74 million increase in depreciation and amortization charges, and the €90 million increase in production costs and other expenses, as well as the €64 million gain from the continued deployment of the competitiveness plan and the announced €49 million reduction in start-up costs.

In all, net income for the period came to €707 million.

NET FINANCIAL POSITION

Free cash flow ended the first half at a negative €100 million, before acquisitions, a €132 million improvement in line with the full-year target. The Group carried out acquisitions in a total amount of €119 million for the period, notably forming a joint venture with Barito Pacific Group to produce eco-responsible natural rubber in Indonesia, and acquiring all outstanding shares of Blackcircles.com. In addition to these acquisitions, capital expenditure totaled €632 million for the period.

Taking into account the negative free cash flow, acquisitions, share buybacks and the €600 million bond issue comprising 7-year and 12-year tranches, **gearing stood at 18%** at June 30, 2015, corresponding to net debt of €1,798 million, compared with 7% and €707 million at December 31, 2014.

SEGMENT INFORMATION

in € millions	NET SALES		OPERATING INCOME BEFORE NON-RECURRING ITEMS		OPERATING MARGIN BEFORE NON-RECURRING ITEMS	
	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**5,860**	**5,167**	**632**	**588**	**10.8%**	**11.4%**
TRUCK TIRES AND RELATED DISTRIBUTION	**3,068**	**2,927**	**293**	**226**	**9.6%**	**7.7%**
SPECIALTY BUSINESSES	**1,569**	**1,579**	**337**	**345**	**21.5%**	**21.8%**
GROUP	**10,497**	**9,673**	**1,262**	**1,159**	**12.0%**	**12.0%**

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

Net sales in the Passenger Car and Light Truck Tires and Related Distribution segment rose by 13.4% in first-half 2015, to €5,860 million from €5,167 million a year earlier.

As a result, operating income before non-recurring items amounted to €632 million or 10.8% of net sales, compared with the €588 million and 11.4% reported in first-half 2014.

Tonnages rose by 7%, far outpacing the market thanks to the success of the new MICHELIN CrossClimate, MICHELIN Premier All-Season, BFGoodrich KO2 and BFGoodrich COMP-2 in replacement markets and the equally over-market 4% gain in the original equipment segment. Price variations reflected the application of raw materials indexation clauses in the OE segment and the increasingly aggressive competitive environment, especially in China. The highly favorable impact from the product mix was dampened by the shift in the brand mix driven by the strong sales growth in the Tier 2 and Tier 3 segments. In Europe, price increases were announced in the second half to offset the impact of the euro's decline against the dollar on raw materials prices.

- **Truck tires and related distribution**

Net sales in the Truck Tires and Related Distribution segment stood at €3,068 million, versus €2,927 million in the first six months of 2014.

Operating income before non-recurring items came to €293 million or 9.6% of net sales, compared with the €226 million and 7.7% reported a year earlier.

The margin improvement was primarily led by the resilient volumes, which beat the market with just a slight 1% decline on high prior-year comparatives. The strong growth in OE sales in mature regions was supported by resilient retread sales in a market experiencing a significant decline, while the new intermediate lines introduced in North America, South America, the Africa/Middle East region and Southeast Asia got off to a favorable start. Effective management of the business, particularly in the areas of price positioning, supplying growth markets and cost control, also contributed to the sustained improvement in margin performance. In addition, price increases were announced in Europe in the second half.

- **Specialty businesses**

Net sales by the Specialty Businesses stood at €1,569 million for the period, virtually unchanged from the €1,579 million reported a year earlier.

Operating income before non-recurring items from the Specialty businesses remained structurally high in first-half 2015, at €337 million or 21.5% of net sales, compared with €345 million and 21.8% in the prior-year period.

Overall, the 5% decline in volumes is slightly better than the market, while mining companies continued to draw down inventory as commodity markets remained flat. At the same time, unit margins were squeezed by the timelag impact of price adjustments under raw materials indexation clauses. Price increases for agricultural tires will be introduced in Europe in the second half.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin ended the first half with net income of €541 million, compared with €540 million in the first six months of 2014.

The financial statements were presented to the Supervisory Board at its meeting on July 23, 2015. An audit was performed and the auditors' report was issued on July 27, 2015.

First-Half 2015 Highlights

- **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)**
- **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)**
- **In its quest for high performance, Michelin announces plans to launch new "hypersport" and "track" bike tires in 2015 (February 11)**
- **At the SIMA 2015 trade fair, Michelin demonstrates its wide-ranging innovation capabilities to meet the challenges of today's farming industry, in such diverse areas as connected services and the invention of new agricultural tires (February 22-26)**
- **Michelin North America releases 16 new sizes of the BFGoodrich All-Terrain T/A KO2 tire (March 2)**
- **Michelin earns "Supplier of the Year" and "Innovation of the Year" awards from Deere & Company (March 10)**
- **Michelin launches MICHELIN X® WORKS™ free damage guarantee managed and activated on-line for truck operators' worksite supply activities in Europe (March)**
- **Michelin acquires a 40% stake in Allopneus SAS for €60 million (April 14)**
- **Michelin is named "Supplier of the Year" by Boeing (April 16)**
- **A €750 million share buyback program will be carried out over a period of 18 to 24 months (April 22)**
- **MICHELIN CrossClimate, the first summer tire certified for winter use, is introduced in European markets (May)**
- **Michelin acquires all outstanding shares of Blackcircles.com for £50 million (May 6)**
- **Michelin and Barito Pacific Group create a joint venture to produce eco-responsible natural rubber. At the same time, Michelin joins with the WWF to promote sustainable natural rubber industry practices and to carry out several projects aimed at protecting and restoring the fauna and flora in the regions concerned (May 18)**
- **Michelin successfully places a bond issue comprising a €300 million 7-year tranche and a €300 million 12-year tranche (May 19)**
- **Michelin launches MEMS (Michelin Earthmover Management System) Evolution3, an advanced tire-related data sensing and transmission system (June 15)**
- **At the Paris Air Show, Michelin presents its new range of MICHELIN Air X tires (June 15)**

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

PRESENTATION AND CONFERENCE CALL

First-half 2015 results will be reviewed with analysts and investors during a conference call today, Tuesday July 28, at 11:00 am CEST. The conference will be in English, with simultaneous interpreting in French. If you wish to participate, please dial-in one of the following numbers from 10:50 am CEST:

- In France — 01 70 77 09 30 (Français)
- In France — 01 70 77 09 41 (English)
- In the United Kingdom — (0) 207 107 1613 (English)
- In North America — +1 (877) 642 3018 (English)
- From anywhere else — +44 (0) 207 107 1613 (English)

The presentation of first-half 2015 results may be viewed at http://www.michelin.com/eng. The website also contains practical information concerning the conference call.

INVESTOR CALENDAR

- **Financial information for the nine months ended September 30, 2015:**
  Thursday, October 22, 2015 after close of trading.
- **2015 net sales and results:**
  Tuesday, February 16, 2016 before start of trading.

2015 INTERIM FINANCIAL REPORT

The interim financial report for the six months ended June 30, 2015 may be downloaded from: http://www.michelin.com/eng

It has also been filed with the Autorité des marchés financiers (AMF).

In particular, it contains:

The business review for the six months ended June 30, 2015.

The consolidated financial statements and notes.

The auditor's report on the financial information for the six months ended June 30, 2015.

Investor Relations	Media Relations
Valérie Magloire +33 (0) 1 78 76 45 37 +33 (0) 6 76 21 88 12 (cell) valerie.magloire@fr.michelin.com Matthieu Dewavrin +33 (0) 4 73 32 18 02 +33 (0) 6 71 14 17 05 (cell) matthieu.dewavrin@fr.michelin.com Humbert de Feydeau +33 (0) 4 73 32 68 39 +33 (0) 6 82 22 39 78 (cell) humbert.de_feydeau@fr.michelin.com	Corinne Meutey +33 (0) 1 78 76 45 27 +33 (0) 6 08 00 13 85 (cell) corinne.meutey@fr.michelin.com **Individual Shareholders** Jacques Engasser +33 (0) 4 73 98 59 08 jacques.engasser@fr.michelin.com

DISCLAIMER

MICHELIN
A better way forward