PRESS RELEASE
Clermont-Ferrand – October 22, 2014

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Nine Months
Ended September 30, 2014

Michelin Announces €14.6 Billion in Net Sales

and a 1% Increase in Volumes for the First Nine Months of 2014

- **The market slowdown observed since the second quarter continued into the third:**
  - **Weakening demand in Europe, especially in Truck tires.**
  - **Contraction in original equipment demand in new markets, except China.**
  - **Sustained solid growth in North America.**
- **Sales volume rose by 1% over the period, reflecting:**
  - **Firm resilience of the MICHELIN brand's market share in the Passenger car and Light truck and Truck segments.**
  - **Growth in the OE Earthmover and Infrastructure businesses, which cushioned the impact of sustained inventory drawdowns in mining tires.**
- **The price-mix effect was a negative 2%.**
  - **Application of contractual indexation clauses and price repositionings, at a time of declining raw materials costs.**
  - **Favorable mix effect thanks to sustained execution of the premium strategy.**
- **The currency effect was negative over the nine months, but turned positive in September.**

Full-year outlook

In a global environment shaped by economic uncertainty and geopolitical difficulties, demand for Passenger car and Light truck and Truck tires should remain buoyant in North America and China and stable in Europe. In the new markets other than China, the slowdown observed, particularly in the original equipment segment, is expected to continue, while replacement tire demand should remain robust in the Passenger car and Light truck segment and ease back somewhat in the Truck segment.

Given this environment, Michelin has lowered its outlook for volume growth, in line with the market, to a range of 1% to 2% for the entire year. Specialty tire tonnages should end the year on a par with 2013, with favorable prior-year comparatives in the fourth quarter for mining tires.

In the final quarter, Michelin expects to adjust its cost management process in response to changing market conditions, while enjoying a more favorable currency environment. Michelin's competitiveness plan, with €169 million in savings over nine months, attests to its industrial efficiency. The Group confirms its objective of reporting higher operating income before non-recurring items and at constant exchange rates.

Michelin also confirms its objective of delivering a more than 11% return on capital employed and generating structural free cash flow of more than €500 million. The capital expenditure program is maintained at around €2 billion in 2014 and will be revised downwards in 2015 and 2016.

Net sales (in € millions)	Third quarter			Nine months		
	2014	2013	% Change	2014	2013	% Change
Passenger car/Light truck tires and related distribution	**2,592**	**2,702**	**- 4.1%**	**7,759**	**8,023**	**- 3.3%**
Truck tires and related distribution	**1,576**	**1,660**	**- 5.1%**	**4,503**	**4,781**	**- 5.8%**
Specialty businesses[1]	**717**	**761**	**- 5.8%**	**2,296**	**2,478**	**- 7.3%**
Group total	**4,885**	**5,123**	**- 4.6%**	**14,558**	**15,282**	**- 4.7%**

[1]Earthmover, Agricultural, Two-Wheel and Aircraft tires; Michelin Travel Partner and Michelin Lifestyle Limited.

Market Review

- PASSENGER CAR AND LIGHT TRUCK TIRES

9 months 2014 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 4%	+ 5%	+ 6%	- 18%	- 2%	+ 3%
Replacement	+ 3%	+ 5%	+ 5%	+ 5%	+ 4%	+ 4%

Third-quarter 2014 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 0%	+ 7%	+ 3%	- 18%	+ 4%	+ 2%
Replacement	+ 1%	+ 3%	+ 3%	+ 6%	+ 4%	+ 3%

*Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - Growth in the European OE market slowed to a halt in the third quarter, reflecting tighter inventory management and production cutbacks at volume carmakers. In Eastern Europe, the difficult geopolitical situation caused demand to decline by 8% over the first nine months and by 13% in the third quarter.
  - The still buoyant North American market expanded by 5% over the nine-month period, lifted by carbuyer demand.
  - In Asia (excluding India), demand rose by 6% overall, with a 10% gain in China over the first nine months. While up 5% for the nine months, the Japanese market is starting to soften under the impact of the higher VAT rate introduced last April 1. The 8% contraction in Southeast Asian demand reflected the fact that vehicle inventories have remained high due to the political situation in Thailand.
  - In South America, demand plummeted 18%, with tighter credit conditions and a falloff in consumer confidence in Brazil and the passage of economic and tax measures in Argentina.

- **REPLACEMENT**
  - In Europe, the market ended the first nine months up 3% overall. Demand edged up 1% in Western Europe, led by the brisk 8% growth in winter tire sales, and was flat in Eastern Europe compared with the steep decline observed in third-quarter 2013.
  - Demand remained robust in North America, gaining 5% over the first nine months on the back of affordable fuel prices and consumer confidence as the economy continues to improve. The market is also being driven by the increase in Asian tire imports and the sharp growth in the winter segment in Canada.
  - In Asia (excluding India), markets rose by 5% overall in the first nine months. Chinese demand climbed 5% in the third quarter to end the nine-month period up 7%, even as dealers deploy more conservative inventory management

policies. After being lifted by first-quarter buying ahead of the VAT rate hike, the Japanese market saw a sharp upturn in winter tire sales, to end the nine months up 4%. Growth in Southeast Asia was steady (up 4% at end-September) despite signs of pre-election buyer hesitation in Indonesia.

- The South American market is continuing to expand, with a 5% gain over the nine-month period and a decline in imported tire sales.

❑ TRUCK TIRES

9 months 2014 % change year-on-year (in number of tires)	**EUROPE****	**NORTH AMERICA**	**ASIA (EXCLUDING INDIA)**	**SOUTH AMERICA**	**AFRICA/INDIA/ MIDDLE EAST**	**TOTAL**
Original Equipment*	**- 8%**	**+ 12%**	**+ 2%**	**- 17%**	**+ 4%**	**+ 1%**
Replacement*	**+ 3%**	**+ 9%**	**+ 3%**	**- 3%**	**- 0%**	**+ 3%**

Third-quarter 2014 % change year-on-year (in number of tires)	**EUROPE****	**NORTH AMERICA**	**ASIA (EXCLUDING INDIA)**	**SOUTH AMERICA**	**AFRICA/INDIA/ MIDDLE EAST**	**TOTAL**
Original Equipment*	**- 10%**	**+ 19%**	**- 1%**	**- 27%**	**+ 16%**	**+ 0%**
Replacement*	**- 3%**	**+ 7%**	**+ 4%**	**- 5%**	**- 1%**	**+ 2%**

*Radial market only
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In a lackluster economic environment, the European market contracted by 8% over the first nine months, with a slight 1% decline in Western Europe and a 35% drop in Eastern Europe.
  - The North American market is continuing to see strong growth, with a 12% gain in the first nine months supported by an upturn in trailer sales and an especially steep increase in the Class 8 segment.
  - Demand for radial and cross-ply tires in Asia (excluding India) rose by 2% overall in the nine-month period. Growth in China came to 4%, reflecting the slowdown in truck sales after the run-up ahead of the introduction of new emissions standards. Demand in Southeast Asia fell 25% following production cutbacks due to the political situation in Thailand.
  - In the less buoyant South American economy, demand fell sharply, by 17% in the first nine months and by 27% in the third quarter, after the strong growth in 2013 on brisk demand for heavy-duty trucks in the farming industry.

- **REPLACEMENT**
  - The European replacement market ended the first nine months up 3% and remained far below its 2007 levels. Despite the faster increase in sales of Asian tire imports in Central Europe, demand in Western Europe retreated 5% overall in the third quarter after sharply trending downwards in July and August. Eastern European demand was virtually stable over the first nine months, despite a 6% contraction in the third quarter.
  - The North American market is continuing to expand, with a 9% gain over the first nine months lifting it to pre-recession levels as freight demand steadily

improves and fuel prices decline.

- Asian markets (excluding India) were up 3% for the nine-month period, but demand trends were uneven across the region. In China, the market is still growing (up 3% at end-September), with nevertheless a slowdown in freight demand. The Japanese market remains on a solid upward trend, growing 13% over the first nine months, without any repercussions from the purchases ahead of the VAT rate hike. Southeast Asian markets ended the nine months up 1%, as brisk demand in Indonesia offset the contraction in the Thai market.
- South American demand was down 3% for the first nine months, but growth varied by country depending on the local economic and business environment.

Specialty Tires

- **Earthmover tires**: since fourth-quarter 2013, the mining tire market has been declining year-on-year as mining companies steadily draw down their tire inventory. The downward trend in prices of certain mineral commodities like iron and coal is having an impact on the mining business.

  Since the beginning of the year, OE markets have rebounded in the mature regions following the drawdowns of OE inventory in 2013.

  Demand for tires used in infrastructure and quarries rose in mature markets, thanks in particular to the year-on-year reduction in dealer inventory, but declined in emerging markets.
- **Agricultural tires**: global OE demand ended the first nine months down in mature markets, due to the extensive replacement sales of farm machinery in recent years and the reduction in agricultural tax incentives in the United States.

  In the replacement markets, demand declined in Europe in the third quarter, after rising in the first half, and ended the nine months down in North America.
- **Two-Wheel tires**: motorcycle markets ended the first nine months up in Europe, despite signs of weakness in the third quarter, but declined in North America.
- **Aircraft tires**: demand for commercial aviation tires is rising.

Michelin Net Sales

- CONSOLIDATED NET SALES

(IN € MILLIONS AND %)	Third Quarter 2014		Nine Months 2014	
NET SALES	**4,885**		**14,558**	
	YEAR-ON-YEAR CHANGE		YEAR-ON-YEAR CHANGE	
TOTAL CHANGE	**- 238**	**- 4.6%**	**- 724**	**- 4.7%**
OF WHICH VOLUMES*	**- 62**	**- 1.2%**	**+ 136**	**+ 0.9%**
PRICE-MIX	**- 115**	**- 2.2%**	**- 284**	**- 1.9%**
CURRENCY EFFECT	**- 27**	**- 0.6%**	**- 484**	**- 3.2%**
CHANGE IN SCOPE OF CONSOLIDATION	**- 34**	**- 0.6%**	**- 92**	**- 0.6%**

*In tonnes

Net sales totaled €14,558 million in the first nine months of 2014, down 4.7% year-on-year due to the combined impact of the following factors:

- **The 1% growth in volumes** over the period, shaped by the firm resilience of the MICHELIN brand's market share in the Passenger car and Light truck and Truck segments and, in the Earthmover tire segment, the increase in OE and Infrastructure business and the sustained drawdown of mining tire inventory.

- **The price-mix effect, which was a negative 1.9%** over the nine months, primarily reflecting the reduction in prices (a negative €397 million impact), of which around 45% corresponded to adjustments stemming from raw materials-based indexation clauses. The mix effect, which was a positive €113 million over the nine months, was led by the success of the MICHELIN brand's premium strategy.

- **The currency effect**, which was a **negative 3.2%** for the period and a negative 0.6% in the third quarter alone, reflected the increase in the euro, particularly against the US dollar, the Brazilian real, the Canadian dollar and the Argentine peso. It swung to positive in September with the decline in the euro against the US dollar.

- NET SALES BY REPORTING SEGMENT

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

Given the unfavorable 3% currency effect, net sales in the Passenger car and Light truck Tires and Related Distribution segment stood at €7,759 million, down 3.3% from €8,023 million in the first nine months of 2013.

- Passenger car and Light truck volumes gained 2% over the period, led by the 3% growth in MICHELIN brand sales and the leveling off of other brand sales in the third quarter.
- Price adjustments corresponded to the application of raw materials-based indexation clauses in the OE business and to repositionings in the replacement segment.
- The mix effect remains favorable, supported by the 12% growth in MICHELIN brand sales in the premium Passenger car and Light truck segment.

TRUCK TIRES AND RELATED DISTRIBUTION

Nine-month net sales in the Truck Tires and Related Distribution business amounted to €4,503 million, down 5.8% from €4,781 million in the year-earlier period. This reflected:

- The 1% increase in volumes sold, shaped by the priority focus on improving margins in the Truck tire business.
- The firm resistance of replacement prices, excluding the impact of indexation clauses in the OE segment.
- The unfavorable currency effect, which reduced reported net sales by around 4%.

SPECIALTY BUSINESSES

Net sales by the Specialty Businesses stood at €2,296 million for the first nine months of 2014, compared with €2,478 million for the year-earlier period. In addition to price adjustments stemming from raw materials-based indexation clauses and the negative 3% currency effect, the decline was caused by the fall-off in volumes, which after rising 1% in the first quarter, eased back 5% in the second and by 2% in the third, to end the period down 2% overall. For the full year, they are expected to remain on a par with 2013 levels.

- **Earthmover tires**: net sales declined, dragged down by the fall-off in volumes and the unfavorable impact of raw-materials indexation clauses and the currency effect. Sales volumes rose in the OE and Infrastructure segments.
- **Agricultural tires**: net sales eased back over the period, as volume growth in mature and emerging markets mostly offset the unfavorable application of raw materials-based indexation clauses and the negative currency effect.
- **Two-wheel tires**: net sales rose, as the increase in volumes in the mature and growth regions more than offset the negative currency effect.
- **Aircraft tires**: net sales increased on the growth in volumes and the continued shift to radials.

Third-Quarter 2014 Highlights

- **Sascar acquisition finalized (September 1)**
- **Dealerships: 1000th TYREPLUS unit opens in China (September 8)**
- **Braskem joins Amyris and Michelin to accelerate the industrialization and commercialization of renewable isoprene (September 9)**
- **First race in the FIA Formula E Championship run on the grounds of the Beijing Olympic Stadium (September 13)**
- **2014 24 Heures Moto: MICHELIN and Team Yamaha France GMT 94 clinch world championship crown (September 22)**
- **MICHELIN® Solutions at the IAA Trade Show (Hanover – Germany): EFFIFUEL™ from MICHELIN® solutions delivers fuel savings (September 23 – October 2)**
- **Michelin, official partner on the A320neo: first flight equipped with MICHELIN® AIR X® radial tires (September 25)**
- **MICHELIN Ultraflex Technologies – improving crop yields by up to 4% (September 30)**
- **MICHELIN X® MULTI™ truck tire line launched in Asia: several sizes and positions to meet the different needs of every customer (October 7)**

A full description of third-quarter 2014 highlights
may be found on the Michelin website: http://www.michelin.com/eng/

PRESENTATION AND CONFERENCE CALL

The quarterly information for the period ended September 30, 2014 will be reviewed during a conference call in English later today (Wednesday, October 22, 2014) at 6:30 pm, CEST. If you wish to participate, please dial-in one of the following numbers from 6:15 pm CEST:

- In France 01 70 77 09 34
- 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 the three months ended September 30, 2014 may be viewed at http://www.michelin.com/eng/, along with practical information concerning the conference call.

INVESTOR CALENDAR

- **2014 net sales and results**
  Tuesday, February 10, 2015 before start of trading

- **Quarterly information for the three months ended March 31, 2015:**
  Wednesday, April 22, 2015 after close of trading

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