PRESS RELEASE
Clermont-Ferrand – July 26, 2016

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Six Months Ended June 30, 2016

Operating income from recurring activities rises in first-half 2016, to €1,405 million, or 13.7% of net sales
Volumes up 2.5%, outpacing the markets
2016 guidance confirmed

- **Passenger car and Light truck tire markets rose over the period, with replacement sales leveling off in the second quarter; Truck tire markets were less dynamic and Earthmover markets contracted further.**
- **Volumes up 2.5%, beating the market in every segment, rising 4% in Passenger car and Light truck tires and 1% in Truck tires, and declining by 2% in the Specialty businesses.**
- **Strong growth in operating income from recurring activities of €241 million at constant exchange rates to 13.7% of net sales, representing a 1.7 point improvement led by:**
  - **The €115 million positive impact of changes in the price mix and raw materials costs, thanks to effective management and a favorable basis of comparison.**
  - **The €155 million in gains from the competitiveness plan, which offset, as expected, the increase in production costs and overheads.**
- **Positive free cash flow of €8 million, representing a €108 million improvement from first-half 2015 before acquisitions.**
- **Share buybacks: €150 million tranche completed in the first half; new €150 million tranche scheduled for launch in the second half.**

Jean-Dominique Senard, Chief Executive Officer, said: "In the first half, Michelin delivered a strong business performance driven by the quality of its tires and services, the effective management of the balance among growth and pricing, as well as by cost competitiveness. In a highly competitive marketplace, our company is focused more than ever on the four areas of improvement designed to fulfill our strategic vision: enhancing the quality of customer service, streamlining our operating procedures, deploying digital solutions and increasing the empowerment of our teams."

- **Outlook**

Over the rest of the year, the Passenger car/Light truck and Truck tire markets are expected to lose some momentum in North America and Europe, but to remain buoyant in China's Passenger car/Light truck segment. The Specialty tire market is expected to continue to be impacted as mining companies complete their inventory drawdowns.

In this environment, margin management in the second half should help to deliver a positive price mix/raw materials effect over the full year.

As a result, Michelin is confirming its full-year targets of volume growth exceeding global trends in its markets, an increase in operating income from recurring activities at constant exchange rates, and structural free cash flow of more than €800 million.

(In € millions)	First-Half 2016	First-Half 2015
Net sales	**10,292**	**10,497**
EBITDA from recurring activities	**2,085**	**1,913**
EBITDA margin on recurring activities	**20.3%**	**18.2%**
Operating income from recurring activities*	**1,405**	**1,262**
Operating margin on recurring activities	**13.7%**	**12.0%**
Passenger car/Light truck tires and related distribution	**13.8%**	**10.8%**
Truck tires and related distribution	**9.9%**	**9.6%**
Specialty businesses	**20.6%**	**21.5%**
Operating income/(loss) from non-recurring activities	**(51)**	**(17)**
Operating income	**1,354**	**1,245**
Net income	**769**	**707**
Earnings per share[1] (in €)	**4.24**	**3.79**
Capital expenditure	**623**	**632**
Net debt	**1,719**	**1,798**
Gearing	**18%**	**18%**
Employee benefit obligations	**5,273**	**4,780**
Free cash flow[2]	**8**	**(219)**
Employees on payroll[3]	**112,400**	**112,600**

[1]Attributable to shareholders of the Company
[2]Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions
[3]At period-end
* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

Market Review

❑ PASSENGER CAR AND LIGHT TRUCK TIRES

First-Half 2016 % change YoY **(in number of tires)**	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+5%**	**+7%**	**+3%**	**+2%**	**-19%**	**+7%**	**+2%**
Replacement	**+2%**	**+3%**	**+2%**	**+5%**	**-1%**	**+4%**	**+3%**

Second-Quarter 2016 % change YoY **(in number of tires)**	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+8%**	**+9%**	**+2%**	**+3%**	**-16%**	**+6%**	**+3%**
Replacement	**-0%**	**+2%**	**-2%**	**+4%**	**-1%**	**+4%**	**+0%**

*Including Turkey

In the first half of 2016, the global original equipment and replacement Passenger car and Light Truck tire market rose by 2% in number of tires sold.

- **ORIGINAL EQUIPMENT**
  - Demand remained robust in Western Europe, North America, China (up 6%) and the Africa/India/Middle East region.
  - Markets continued to contract to historic lows in South America (down 19%), Japan and South Korea (down 3%) and Eastern Europe (down 21%).

- **REPLACEMENT**
  - Demand expanded in every geography, except South America (down 4% in Brazil) and Eastern Europe (down 4%), where the local economies remained mired in recession.
  - The market was still brisk in China, rising 8%.
  - Demand leveled off late in the first half in North America and Europe due to a high basis of comparison and built-up tire inventory.

❑ TRUCK TIRES (radial and bias)

First-Half 2016 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+5%**	**+6%**	**-12%**	**+1%**	**-25%**	**+13%**	**+0%**
Replacement	**+5%**	**+5%**	**+2%**	**-5%**	**-1%**	**+0%**	**-2%**

Second-Quarter 2016 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	**+5%**	**+5%**	**-12%**	**+3%**	**-12%**	**+11%**	**+1%**
Replacement	**+5%**	**+4%**	**-1%**	**-5%**	**+1%**	**+0%**	**-2%**

*Including Turkey

Global demand for new original equipment and replacement Truck tires declined by 1% in number of tires sold in the first six months of 2016, with retread markets also declining, particularly in Europe.

- **ORIGINAL EQUIPMENT**
  - Demand remained buoyant in Western Europe.
  - The market continued to retreat in North America, as expected given the extensive renewal of the local truck fleet observed in recent years.
  - Demand rose by 3% in China and surged 21% in India.

- **REPLACEMENT**
  - Demand was as robust as ever in Europe, while the retread segment suffered from competition from low-cost Asian imports.
  - Despite a surge in Chinese tire imports ahead of the introduction of tariffs by the United States, the North American market stabilized at a high level in the second quarter, against a backdrop of strong dealer inventory.
  - In the new markets, demand contracted 8% in China and 11% in Thailand, while leveling off in Brazil and India.

❑ SPECIALTY TIRES

- **EARTHMOVER TIRES:** The mining tire market fell back sharply for the third year in a row, dragged down by the steep reduction in mine inventory at a time of flat growth in mining output.

  Original equipment markets declined in the mature regions due to weak demand and high mining machine inventory. The Chinese market is also cooling after dropping significantly in 2015.

  Dealer hesitation is weighing on demand for infrastructure and quarry tires.
- **AGRICULTURAL TIRES:** After declining sharply in 2015, original equipment markets have rebounded in the mature markets, led by demand for small tractors. The outlook for the coming months nevertheless remains unfavorable.

  After retreating in 2015, replacement markets were unchanged overall in the mature geographies over the period. South American markets continued to be significantly challenged by the economic environment.
- **TWO-WHEEL TIRES:** Motorcycle and scooter tire markets rose in Europe for the fourth straight year, on an increase in dealer purchases, but dropped sharply in North America. Demand continued to trend upwards in the new markets, however, driven by the commuting segment.

- **AIRCRAFT TIRES:** Demand in the commercial aircraft segment continued to grow, led by the rise in passenger traffic.

First-Half 2016 Net Sales and Earnings

❑ NET SALES

Net sales for the first six months of 2016 totaled €10,292 million, a decline of 2.0% from the year-earlier period that was attributable to the net impact of the following factors:

- The 2.5% increase in volumes, which outpaced the market in every division thanks to the performance of the MICHELIN brand and the robust growth in the other brands.
- The 2.1% negative impact of changes in price-mix. Half of the overall €163 million in price reductions stemmed from the application of indexation clauses, while the €61 million negative mix effect reflected the increase in sales of the other brands, the relative growth rates of OE and replacement tire sales and the contraction in the Earthmover tire business, which more than offset the favorable impact of the continued success of the MICHELIN brand's premium strategy.
- A 0.5% increase from the consolidation of German wholesaler Meyer Lissendorf, of Blackcircles, the UK's leading online tire retailer, and of BookaTable, Europe's number one online restaurant reservation service.
- The 2.8% negative currency effect.

❑ RESULTS

Consolidated operating income from recurring activities amounted to €1,405 million or 13.7% of net sales versus €1,262 million and 12.0% in first-half 2015.

To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

The improvement reflected the net impact of i) the €159 million increase from the growth in volumes and ii) the €115 million net increase from changes in prices and the product mix, itself the net result of effective replacement tire pricing management and the impact of indexation clauses which was more than offset by the €339 million gain from the decline in raw materials costs. The €155 million in savings from the ongoing competitiveness plan helped to absorb, as expected, the €142 million increase in production costs and overheads. Excluding the negative €98 million currency effect, operating income from recurring activities ended the first half up a sharp €241 million. Lastly, among the other factors, which added €3 million to the total, depreciation and amortization expense rose by €49 million.

The €51 million net operating loss from non-recurring activities primarily corresponded to restructuring costs related to projects to align the organization of operations in Clermont-Ferrand.

In all, net income for the period came to €769 million.

❑ NET FINANCIAL POSITION

Free cash flow ended the first half at a positive €8 million, a €108 million improvement on the prior-year period before acquisitions. Capital expenditure totaled €623 million for the period.

Taking into account the positive free cash flow, the payment of €515 million in dividends and the €150 million in share buybacks, **gearing stood at 18%** at June 30, 2016, unchanged from a year earlier and corresponding to net debt of €1,719 million, compared with gearing of 11% and net debt of €1,008 million at December 31, 2015.

❑ Segment Information

In € millions	Net sales		Operating income from recurring activities		Operating margin on recurring activities	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Passenger car/Light truck tires and related distribution	**5,916**	**5,860**	**814**	**632**	**13.8%**	**10.8%**
Truck tires and related distribution	**2,907**	**3,068**	**288**	**293**	**9.9%**	**9.6%**
Specialty businesses	**1,469**	**1,569**	**303**	**337**	**20.6%**	**21.5%**
Group	**10,292**	**10,497**	**1,405**	**1,262**	**13.7%**	**12.0%**

- **Passenger car/Light truck tires and related distribution**

Net sales in the Passenger car/Light truck tires and related distribution segment rose by 1.0% in the first half of 2016, to €5,916 million from €5,860 million the year before.

Operating income from recurring activities came to €814 million or 13.8% of net sales versus €632 million and 10.8% in first-half 2015.

This three-point improvement in operating margin on recurring activities reflected a robust business performance, led by a sharp decline in raw materials costs versus prior-year comparatives that was only partly attenuated by price reductions. The improvement in operating income also reflected a 4% increase in volumes that outpaced the market's 2% growth and the improvement in industrial competitiveness.

- **Truck tires and related distribution**

Net sales in the Truck tires and related distribution segment declined to €2,907 million from €3,068 million in first-half 2015.

Operating income from recurring activities amounted to €288 million or 9.9% of net sales, compared with €293 million and 9.6% in first-half 2015.

The slight improvement in margin at a time of unfavorable exchange rates and declining demand primarily reflected the resilient volume performance, with a 1% gain driven by the success of OE business and the new intermediate ranges introduced in the emerging regions and North America. 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.

- **Specialty businesses**

Net sales by the Specialty businesses stood at €1,469 million for the period, compared with €1,569 million a year earlier.

Operating income from recurring activities came to €303 million or 20.6% of net sales versus €337 million and 21.5% in first-half 2015.

In addition to a limited currency effect, this firm operating margin resistance primarily reflected the impact of price adjustments related to indexation clauses at a time of lower raw materials prices and to the 2% contraction in volumes in a market that is expected to decline by 2% to 5% over the year.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin ended the first half with net income of €1,338 million, up sharply from the €541 million reported in the first six months of 2015.

The financial statements were presented to the Supervisory Board at its meeting on July 22, 2016. A review was performed by the statutory auditors, who issued their related report on July 25, 2016.

First-Half 2016 Highlights

- **With the acquisition of BookaTable, Michelin becomes the European online restaurant reservation leader (January 11, 2016)**
- **MICHELIN Pilot Sport4, the new generation tire for premium and sports saloons (January 12, 2016)**
- **The MICHELIN® Pilot® Sport All-Season 3+™ is unveiled in Detroit (January 15, 2016)**
- **Michelin receives the Gold Class Sustainability Award 2016, the highest honor awarded by the Dow Jones Sustainability World Index (DJSI) (February 15, 2016)**
- **Michelin launches the latest version of its MICHELIN X LINE ENERGY Z Truck tire range in North America (February 28, 2016)**
- **Michelin confirms the transparency of its tire testing policy (February 26, 2016)**
- **Michelin adapts the organization of its activities in Clermont-Ferrand (March 1, 2016)**
- **The 2016 Reputation Institute corporate reputation worldwide ranking places Michelin 15th overall, No. 1 in France and No. 1 in the automotive equipment category (March 24, 2016)**
- **MICHELIN X® WORKS™ construction tire range launched to improve productivity and secure the future across every building industry application (April 18, 2016)**
- **PSA presents its first Corporate Social Responsibility Award to Michelin (June 2, 2016)**
- **At an Investor Day event held at its Technology Center in Ladoux, France, Michelin presented its strategic vision, growth objectives and competitiveness plan, designed to drive €1.2 billion in cost savings by 2020 (June 6, 2016)**
- **Michelin and Harley-Davidson expand their prestigious partnership, with MICHELIN Scorcher tires now sold across the global Harley-Davidson dealer network (June 8, 2016)**
- **A new premium tire plant to be built in Mexico (July 4, 2016)**
- **Strategic collaboration agreement signed with Boeing subsidiary Aviall (July 12, 2016)**

A full description of first-half 2016 highlights
may be found on the Michelin website: http://www.michelin.com/eng

PRESENTATION AND CONFERENCE CALL

First-half 2016 results will be reviewed with analysts and investors during a presentation today, Tuesday July 26, at 11:00 am CEST. The event will be in English, with simultaneous interpreting in French.

Webcast

The presentation will be webcast live on www.michelin.com/eng

Conference call

Please dial-in on one of the following numbers from 10:50 am CEST:

- In France 01 70 77 09 20 (French)
- In France 01 70 77 09 46 (English)
- In the United Kingdom 0203 367 9454 (English)
- In North America + 1 855 402 7762 (English)
- From anywhere else +44 (0) 203 367 9454 (English)

The presentation of financial information for the six months ended June 30, 2016 may also be viewed at http://www.michelin.com/eng, along with practical information concerning the conference call.

INVESTOR CALENDAR

- **Financial information for the nine months ended September 30, 2016:**
  Wednesday, October 19, 2016 after close of trading
- **2016 net sales and results:**
  Tuesday, February 14, 2017 before start of trading

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