PRESS RELEASE
Clermont-Ferrand - February 10, 2015

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Year Ended December 31, 2014

2014: Strong free cash flow generation before acquisitions, at €722 million

Solid operating income before non-recurring items, at €2,170 million, up €81 million at constant scope of consolidation and exchange rates

2015: Growth in line with the markets

- **Sluggish markets, except in North America and China**
  - **Weaker demand for Passenger Car/Light Truck and Truck tires, in the winter segments in Europe, and for original equipment (OE) in the new markets, except for China.**
  - **Decline in the Agricultural and Mining sectors, softened by a recovery in the OE and Infrastructure market in the Earthmover tire segment.**
  - **Continued robust growth in North America and China.**

- **In this environment, volumes up by a slight 0.7%**
  - **Sales of MICHELIN brand in line with market trends.**
  - **Specialty tire volumes nearly stable despite the narrower Mining tire and Agricultural segments.**

- **Changes in price mix and raw materials prices had a €118 positive million impact, as expected.**

- **Competitiveness plan's gain once again absorbing the effects of inflation on production costs and overheads.**

- **Strong free cash flow generation at a high €722 million, before the €400-million investment in Sascar but after €1,883 million of capital expenditure.**

- **Dividend of €2.50 per share, unchanged from last year, to be recommended at the Annual Shareholders Meeting of May 22, 2015, reflecting confidence in the Group's future.**

Jean-Dominique Senard, Chief Executive Officer, said: "Last year's results provide further confirmation of the Group's strong fundamentals. This year, we will focus on stepping up our growth drivers, including the launch of new MICHELIN brand ranges and a revamped line-up of our other brands, a significant improvement in the quality of our customer service, and more assertive distribution. The competitiveness plan will also be accelerated and now aims to achieve cumulative savings of €1,200 million over the period 2012-2016, versus €1,000 previously."

- **Outlook for 2015**

In 2015, demand in the Passenger car/Light Truck and Truck segments should continue to grow in North America and China, and also in Europe albeit at a modest rate, while holding firm to last year's trend in the new markets and rebounding in Southeast Asia.

Mining tire customers are likely to make further inventory drawdowns and OE sales in the Agricultural tire segment are expected to be lower, while in the Earthmover segment, OE and Infrastructure business should continue to grow at a modest rate.

In this environment, Michelin is aiming to grow unit sales in line with with global trends in the markets in which it operates. In addition, the Group has set a 2015 target of delivering an increase in operating income before non-recurring income, beyond exchange rate effect, a return on capital employed in excess of 11%, and structural free cash flow of approximately €700 million, with €1.7 – 1.8 billion in capital expenditure.

(In € millions)	2014	2013
Net sales	**19,553**	**20,247**
Operating income before non-recurring items of which: currency effect	**2,170** -145	**2,234**
Operating margin before non-recurring items	**11.1%**	**11.0%**
Passenger car/Light truck tires and related distribution	**10.5%**	**10.2%**
Truck tires and related distribution	**8.1%**	**7.8%**
Specialty Businesses	**19.3%**	**20.6%**
Operating income after non-recurring items	**1,991**	**1,974**
Net income	**1,031**	**1,127**
Capital expenditure	**1,883**	**1,980**
Net debt	**707**	**142**
Gearing	**7%**	**2%**
Employee benefit obligations	**4,612**	**3,895**
Free cash flow[1]	**322**	**1,154**
Return on capital employed	**11.1%**	**11.9%**
Number of employees[2]	**112,300**	**111,200**

[1] Free cash flow: Net cash from operating activities - Net cash from investing activities
[2] At December 31

Market Review

❑ PASSENGER CAR AND LIGHT TRUCK TIRES

2014 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 3%	+ 5%	+ 4%	- 16%	+ 2%	+ 3%
Replacement	+ 1%	+ 6%	+ 4%	+ 5%	+ 4%	+ 4%

Fourth 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%	+ 4%	- 0%	- 9%	+ 12%	+ 1%
Replacement	- 7%	+ 6%	+ 3%	+ 5%	+ 4%	+ 1%

* Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In Europe, the 3% increase in demand reflected the combined effects of 5% growth in Western Europe on the back of a weak market in early 2013, and a 12% decline in Eastern Europe (including a 25% drop in the fourth quarter) in a difficult geopolitical and economic environment.
  - In North America, the market remained buoyant, expanding by 5% over the year. Growth was led by robust demand in the vehicle market and by the favorable economic conditions.
  - In Asia (excluding India), the market grew by 4% overall. In China, the market continued to grow rapidly, expanding by 9% over the year, although the region's economic climate caused a loss of momentum in the second half. The Japanese market was up 1%, with the pace of growth slowing in the second half in line with the long-term trend, after being stimulated in the early part of the year by buying ahead of the April 1 increase in VAT. The Southeast Asian market continued to decline, contracting by 8% over the year due mainly to the political and economic environment in Thailand.
  - In South America, the 16% drop in demand compared with 2013 was due to the economic situation in Brazil and Argentina.

- **REPLACEMENT**
  - In Europe, the market expanded by a slight 1% over the year. Demand in Western Europe rose 2%, despite an 8% decline in the fourth quarter that was mainly due to weak demand for winter tires. The winter tire market was stable over the year, with some competitors starting to make deliveries to dealers in June, but with warm weather during the fall causing a sharp drop in demand that left dealers with large inventories of certain brands. In Eastern Europe, the market was hit by the political and economic problems in Russia and ended the year down 3%.
  - In North America, the market grew 6%, lifted by higher inventory building in tire imports from China ahead of the introduction of customs duties, as well as by sustained demand for winter tires in Canada and by the vibrant Mexican market.
  - In Asia (excluding India), demand rose by 4 % overall. A further improvement in mix shaped the markets in China, where demand rose by 8% over the year but growth slowed in the second half in the less buoyant economic environment. The Japanese market grew by 2%, led by demand for winter tires. The Southeast Asian market

expanded by 4%, reflecting growth in Indonesia and Vietnam in particular.

- In South America, demand rose 5%, led by Brazil and by the artificial stimulus provided by cut-price deals on unsold tires originally intended for the OE market.

❑ TRUCK TIRES

2014 % change year-on-year (number of new tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment*	**- 9%**	**+ 16%**	**+ 1%**	**- 21%**	**+ 3%**	**- 1%**
Replacement*	**+ 1%**	**+ 8%**	**+ 1%**	**- 4%**	**- 1%**	**+ 1%**

Fourth Quarter 2014 % change year-on-year (number of new tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment*	**- 15%**	**+ 25%**	**- 4%**	**- 34%**	**- 0%**	**- 4%**
Replacement*	**- 4%**	**+ 5%**	**- 2%**	**- 10%**	**- 1%**	**- 2%**

*Radial & bias
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In Europe, the market contracted by a significant 9%. This included a 4% decline in Western Europe, where sales were adversely affected by weaker export demand and the introduction of new Euro VI standards, and a 35% drop in Eastern Europe, in an unfavorable geopolitical and economic environment.
  - In North America, the market continued to expand rapidly (up 16%), led by demand from OEMs operating at full capacity and by an especially steep increase in the Class 8 segment.
  - In Asia (excluding India), demand for radial and bias tires was up 1%. In China, the 1% increase in the market reflected the net impact of the transport industry's efficiency improvement drive and softer demand in the Coach & Bus segment due to competition from train operators. In Southeast Asia, demand was down 16% due to the economic slowdown and unstable political situation in Thailand. In Japan, the OE tire market grew by a strong 19% over the year, led by vibrant demand in the Construction segment and by a recovery in export volumes.
  - In the less buoyant South American economy, demand fell sharply, by 21% over the year and 34% in the fourth quarter alone, after growing strongly in 2013 on brisk demand for heavy-duty trucks in the farming industry.

- **REPLACEMENT**
  - In Europe, the replacement market edged up 1% over the year. In Western Europe, 4% market growth was led by the transport segment, inventory building among dealers and a shortage of casings for re-treads. In Eastern Europe, the replacement tire market contracted by 2% over the year, with demand falling more sharply in the fourth quarter; the year also saw a sharp rise in demand for entry-level tires.
  - The North American market continued to expand rapidly, growing 8% over the year, with the period-on-period decline in the fourth quarter being due to high prior period comparatives. Macro-economic factors and transport industry trends remained favorable, while the market share of imported tires increased, particularly in Mexico.
  - The Asian markets (excluding India) grew a slight 1%. In China, the market was up 1%, despite a slowdown in the freight segment and a stable passenger transport

segment. The market gained 6% in Japan, where growth was led by demand for winter tires at the end of the year, after being stimulated in the early part of the year by buying ahead of the April 1 increase in VAT. In Southeast Asia, the market was stable overall despite a steep 18% drop in Thailand.

- The South American market contracted by 4% in a more challenging socio-economic environment. In Brazil, the year-on-year 1% decline was amplified by high prior-year comparatives that were due to the flourishing farming sector in 2013.

❑ Specialty Tires

- **Earthmover Tires**: the market for mining tires contracted sharply compared with 2013, as mining companies reduced their tire inventories and operations at certain mines were scaled back in response to sharply lower commodity prices.

  OE demand rebounded in mature markets, following the previous year's inventory drawdowns by manufacturers.

  Demand for tires used in infrastructure and quarries rose in mature markets, thanks in particular to the year-on-year reduction in dealer inventories.
- **Agricultural Tires:** global OE demand ended the year down sharply in mature markets, due to the extensive replacement sales of farm machinery in recent years, falling grain prices and the reduction in agricultural tax incentives in the United States.

  The replacement market in Europe was stable in 2014, although demand declined in the second half. The North American replacement market was significantly lower.
- **Two-Wheel Tires:** the motorcycle tire market expanded in Europe, helped by last year's good weather, while in North America demand was down year-on-year.
- **Aircraft Tires:** demand in the commercial aircraft segment rose compared with the previous year, led by the increase in passenger traffic.

2014 Net Sales and Results

❑ Net sales

Net sales for 2014 amounted to €19,553 million compared with €20,247 million the previous year. The 2014 figure is stated net of a €304 million negative currency effect and the €75 million negative effect of changes in the scope of consolidation.

Unit sales were up 0.7% in sluggish markets, attesting to a resilient performance by the MICHELIN brand, in line with markets.

Changes in the price mix had a negative impact of €449 million or 2.2%. Price adjustments trimmed €596 million from net sales, of which around 35% concerned the effect of applying indexation clauses based on raw materials prices. This was partly offset by the €147 million favorable impact of improvements in the product mix, linked notably to the MICHELIN brand's premium strategy in the Passenger Car/Light Truck segment.

The currency effect was a negative €304 million or 1.5%. The euro/dollar exchange rate was highly unfavorable in the first eight months, although it was positive during the rest of the year. Added to this, the euro's strength against the Brazilian real, the Russian ruble, the Argentine peso, the Canadian dollar and certain other currencies also had a negative impact.

❑ RESULTS

Operating income before non-recurring items amounted to €2,170 million compared with €2,234 million in 2013. Non-recurring items, in the amount of €179 million, consisted mainly of restructuring costs related to the Group's competitiveness improvement projects.

Excluding the €145 million negative currency effect, operating income before non-recurring items reflects the €118 million net positive effect of actively managing the price mix, with the €449 million negative mix effect offset by the €567 million positive effect from lower raw materials costs. It also reflects the modest increase in unit sales (€51 million positive impact), the benefits of the competitiveness plan (€238 million positive impact), in line with the target for the year, production and other cost inflation (€256 million negative impact), the change in spending on the new OPE business process management system and the stabilization of start-up costs and costs incurred in new markets.

Net income came in at €1,031 million.

❑ NET FINANCIAL POSITION

During the year, the Group generated **free cash flow of €722 million**, excluding the Sascar acquisition but after capital expenditure of €1,883 million.

At December 31, 2014, **gearing stood at 7%**, with net debt at €707 million. At the previous year-end, the ratio was 2% and net debt was €142 million.

❑ SEGMENT INFORMATION

In € millions	NET SALES		OPERATING INCOME BEFORE NON-RECURRING ITEMS		OPERATING MARGIN BEFORE NON-RECURRING ITEMS	
	2014	2013	2014	2013	2014	2013
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10,498**	**10,693**	**1,101**	**1,086**	**10.5%**	**10.2%**
TRUCK TIRES AND RELATED DISTRIBUTION	**6,082**	**6,425**	**495**	**503**	**8.1%**	**7.8%**
SPECIALTY BUSINESSES	**2,973**	**3,129**	**574**	**645**	**19.3%**	**20.6%**
GROUP	**19,553**	**20,247**	**2,170**	**2,234**	**11.1%**	**11.0%**

- **Passenger Car/Light Truck Tires and Related Distribution**

Net sales in the Passenger Car/Light Truck Tires and Related Distribution segment stood at €10,498 million, including a negative currency effect of 1.3%, compared with €10,693 million in 2013.

Operating income before non-recurring items amounted to €1,101 million or 10.5% of net sales, compared with €1,086 million and 10.2% in 2013.

Excluding the negative currency effect, the year-on-year increase primarily reflects the 2% growth in unit sales, despite the disappointing performance of mid-range brands, and a positive change in the price mix that was achieved on the back of lower raw materials prices, thanks to the Group's price management strategy. The steady improvement in the mix was supported by the successful strategy in the 17-inches and over segment, and by well-received new products such as the MICHELIN Premier A/S, MICHELIN Alpin 5, MICHELIN Pilot Sport Cup 2 and, at the end of the year, the BFGoodrich KO2.

- **Truck Tires and Related Distribution**

Net sales in the Truck Tires and Related Distribution segment amounted to €6,082 million compared with €6,425 million in 2013. Unfavorable exchange rates had a negative impact of 2.2%.

Operating income before non-recurring items came in at €495 million, representing 8.1% of net sales, compared with €503 million and 7.8% the previous year.

This performance, which was in line with the target of improving profitability, reflected effective price management in a highly competitive environment linked to the decline in raw materials prices. It also reflected a modest 1% increase in unit sales, tight management of production costs and overheads, and the currency effect.

- **Specialty Businesses**

Net sales in the Specialty Businesses amounted to €2,973 million versus €3,129 million in 2013, after taking into account the negative currency effect (-1.7%) and the decline in unit sales, which was limited to 1% despite tire inventory drawdowns by mining companies and lower demand in the Agricultural tire segment.

Operating income before non-recurring items amounted to €574 million or 19.3% of net sales compared with €645 million or 20.6% in 2013.

The decline was due in part to negative volume and currency effects, and it also reflected price adjustments designed to pass on to customers the benefits of lower raw materials prices through the application of indexation clauses.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin ended the year with net income of €555 million, compared with €303 million in 2013.

The financial statements were presented to the Supervisory Board for approval at its meeting of February 5, 2015. An audit was performed and the auditors' report was issued on February 9, 2015.

The Chief Executive Officer will call an Annual Shareholders Meeting on Friday, May 22, 2015 at 9:00 a.m. in Clermont-Ferrand.

The Chief Executive Officer will ask shareholders to approve the payment of a dividend of €2.50 per share, unchanged from the previous year.

2014 Highlights

- **MICHELIN® Premier® A/S, a self-regenerating tire – always safe, even when worn (January 15, 2014)**
- **The French Alternative Energies and Atomic Energy Commission (CEA), Michelin, Protéus (PCAS Group) and SDTech join forces to develop two innovative uses for scrap tires (January 28, 2014)**
- **Michelin Canada announces it will reduce the production of small-size tires at its Pictou County plant in Nova Scotia between now and July 2015.**
  Michelin also announces that it will invest C$66.5 million to strengthen manufacturing resources in its three Canadian plants (March 3, 2014)
- **Michelin awarded Boeing 737 MAX 7 & 8 Original Equipment tire supply contract (March 10, 2014)**
- **The new lineup of MICHELIN X® LINE™ Energy™ 80 and 65 series tires: more performance in the same tire (March 21, 2014)**
- **Michelin plans to reconfigure production base in Hungary and Michelin announces a project to close its truck tire plant in Budapest (May 6, 2014)**
- **Engaging with stakeholders in mobility and sustainable development issues (May 13-14, 2014)**
- **The MICHELIN X-STRADDLE 2 tire: enhanced safety and productivity for port equipment operators (May 14, 2014)**
- **Michelin completes the acquisition of Sascar, Brazil's leading fleet management and freight security company (September 1, 2014)**
- **Dealerships: 1000th TYREPLUS Unit Opens in China (September 8, 2014)**
- **The first race in the FIA Formula E Championship was run on the grounds of the Beijing Olympic Stadium. Michelin is an official partner of the Championship (September 13, 2014)**
- **MICHELIN Ultraflex Technologies – Improving Crop Yields by Up to 4%**
  2004-2014: a decade of low-pressure tires improving crop yields, productivity and soil protection (September 30, 2014)
- **MICHELIN X® MULTI™ line launched in Asia (October 7, 2014)**
- **Michelin scores industry best in innovation management and five other sustainable development categories (October 23, 2014)**
- **Renewal of the term of office of Jean-Dominique Senard, the Managing General Partner (November 3, 2014)**
- **Michelin Challenge Bibendum "Think and Action Tank" dedicated to tomorrow's mobility (November 11-14, 2014)**
- **Michelin opens world's first manufacturing plant to build revolutionary Airless Radial Tire: the MICHELIN® TWEEL® (November 20, 2014)**

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

Presentation and Conference call

The 2014 results will be reviewed with analysts and investors during a conference call today, Tuesday, February 10, at 11:00 am CET (10:00 am UT). 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 CET:

• In France	01 70 77 09 36 (in English)
• In the UK	0207 107 1613 (in English)
• In North America	+1 866 907 5923 (in English)
• From anywhere else	+44 207 107 1613 (in English)

The presentation of financial information for 2014 may be viewed at http://www.michelin.com/eng, along with practical information concerning the conference call.

Investor Calendar

- **Quarterly information for the three months ended March 31, 2015:**
  Wednesday, April 22, 2015 after close of trading
- **First-half 2015 net sales and results:**
  Tuesday, July 28, 2015 before start of trading

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