PRESS RELEASE
Clermont-Ferrand – February 11, 2014

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Year Ended December 31, 2013

2013: Very strong free cash flow, at €1,154 million

Fourth straight year of value creation, with an ROCE of 11.9%

High operating income before non-recurring items, at €2,234 million, up €41 million at constant scope of consolidation and exchange rates

2014: A milestone in line with our 2015 objectives*

- **€1,154 million in free cash flow, resulting from:**
  - **The Group's ability to structurally generate cash.**
  - **The value creation target assigned to every unit.**

- **Fourth straight year of value creation, with an 11.9% return on capital employed.**

- **Volumes stable, as expected.**

- **Operating income before non-recurring items structurally high at €2,234 million, up €41 million at constant scope of consolidation and exchange rates and representing an operating margin before non-recurring items of 11.0% of net sales**
  - **Margin discipline thanks to the positive €69 million impact of raw materials prices.**
  - **An effective Competitiveness Plan.**
  - **A better balance among the contributions from each business, especially in the case of Truck tires.**

- **Net Debt lowered to €142 million.**

Recommended dividend of €2.50 a share, submitted to shareholder approval at the Annual Meeting on May 16, 2014 and representing an increase in payout to 35% of net income before non-recurring items.

Jean-Dominique Senard, Chief Executive Officer, said: "Michelin's good results in 2013, achieved in an uneven market environment, confirm our objective of delivering a business performance in line with our 2015 ambition*."

- **Outlook for 2014**

During the year, tire demand is expected to continue expanding quickly in the new markets, while moving back in line with economic activity in the mature regions.

In this environment, Michelin is committed to increasing its sales volumes by around 3% over the year, in line with growth in the global tire market. This performance will be driven by the successful launch of products like the MICHELIN Premier All Season or the MICHELIN X Multi range, the ongoing deployment of the premium strategy, the structural robustness of the Specialty businesses, the MICHELIN brand's stronger positions and the ramp-up of the new production plants.

Michelin is maintaining its margin discipline, which preserves a positive balance between pricing policy and raw materials costs. The benefits of the Competitiveness Plan should be strengthened by the growth in net sales.

As a result, Michelin's objective for 2014 is to achieve a more than 11% ROCE and generate structural free cash flow exceeding €500 million, all while maintaining its capital expenditure program at around €2 billion.

Based on average 2012 exchange rates

(IN € MILLIONS)	2013	2012 REPORTED
NET SALES	**20,247**	**21,474**
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**2,234**	**2,423**
OPERATING MARGIN BEFORE NON-RECURRING ITEMS	**11.0%**	**11.3%**
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10.2%**	**9.3%**
TRUCK TIRES AND RELATED DISTRIBUTION	**7.8%**	**6.6%**
SPECIALTY BUSINESSES	**20.6%**	**26.0%**
OPERATING INCOME AFTER NON-RECURRING ITEMS	**1,974**	**2,469**
NET INCOME	**1,127**	**1,571**
CAPITAL EXPENDITURE	**1,980**	**1,996**
NET DEBT	**142**	**1,053**
GEARING	**2%**	**12%**
EMPLOYEE BENEFIT OBLIGATIONS	**3,895**	**4,679**
FREE CASH FLOW[1]	**1,154**	**1,075**
RETURN ON CAPITAL EMPLOYED	**11.9%**	**12.8%**
EMPLOYEES ON PAYROLL[2]	**111,200**	**113,400**

[1] Cash flow from operating activities less cash flow used in investing activities
[2] At period-end

Market Review

❑ PASSENGER CAR AND LIGHT TRUCK TIRES

2013 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 1%	+ 5%	+ 5%	+ 5%	- 6%	+ 3%
Replacement	- 0%	+ 5%	+ 6%	+ 10%	+ 4%	+ 3%

Fourth Quarter 2013 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 6%	+ 6%	+ 10%	- 8%	- 7%	+ 6%
Replacement	+ 1%	+ 4%	+ 5%	+ 8%	- 1%	+ 3%

*Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In Europe, OE tire demand edged up just 1% over the year, with an improvement in the second half, in line with the overall increase in vehicle output. This increase varied, however, between the broadline carmakers and the better performance by specialty and export-driven brands. Demand in the Eastern European countries contracted by 4%.
  - The North American market gained 5% over the year, returning to pre-recession levels as buyers continued to replace their aging cars.
  - In Asia (excluding India), demand rose by 5% overall but growth varied by market. In China, it surged by a strong 15%, with new momentum in the final quarter (up 21%). In all, the Chinese market has tripled over the past five years.
  - Demand in South America rose by 5% over the year, shaped by the increasing percentage of vehicles produced locally and a slowdown in the second-half.

- **REPLACEMENT**
  - The European replacement market ended the year unchanged, with a more favorable trend in the second half. In Western Europe, the flat growth reflected the increase in the summer segment and the expected contraction in the winter segment (down 4%), which was exacerbated by prevailing weather conditions. Demand for high-performance (17’ and larger) tires remained robust, gaining a further 7% over the year. Retail inventories returned to normal levels in summer tires but are still a little high in winter tires due to the lack of snow. In the Eastern European countries, the market was also stable for the year, despite wide swings in demand from one month to the next.
  - The 5% increase in North American demand was led by the rebound in Chinese imports after US customs duties were lifted and by sustained sales of winter tires in Canada.
  - In Asia (excluding India), demand rose by 6% overall, with an 8% gain in China despite slowing economic growth, and a 3% increase in Japan, in line with long-term market trends.
  - In South America, demand expanded by 10%, with significant growth in each market. In particular, Brazil saw an 14% increase in an inflationary environment.

❑ TRUCK TIRES

2013 % change year-on-year (in number of new tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment*	**+ 4%**	**- 7%**	**+ 12%**	**+ 40%**	**- 13%**	**+ 6%**
Replacement*	**+ 8%**	**- 2%**	**+ 5%**	**+ 10%**	**+ 8%**	**+ 5%**

Fourth Quarter 2013 % change year-on-year (in number of new tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment*	**+ 17%**	**- 2%**	**+ 17%**	**+ 36%**	**- 18%**	**+ 11%**
Replacement*	**+ 6%**	**- 2%**	**+ 7%**	**+ 17%**	**+ 9%**	**+ 6%**

*Radial market only
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - Demand in Europe was lifted at year-end by truck purchases ahead of the introduction of Euro VI emissions standards on January 1, 2014.
  - In North America, the market was flat for most of the year but showed some signs of improvement in the fourth quarter. The increase in truck orders during those final three months could support demand in early 2014.
  - Demand in Asia (excluding India) rose by 12% overall. The market grew by 14% in China, with a sharp gain in the heavy-duty truck and coach segments. In Southeast Asia, demand for radial tires jumped 28% in the first half but ended the year down 4%, with a steep fall-off in Thailand in particular. The Japanese original equipment market rebounded by 5% over the year and by 27% in the final quarter, lifted by the upturn in exports and truck buying ahead of an increase in the VAT rate.
  - The market climbed a steep 40% in South America, with a sustained upward trend driven by strong demand for heavy-duty trucks in the farming industry and by comparison with low prior-year figures impacted by the introduction of Euro V emissions standards in 2012.

- **REPLACEMENT**
  - The European replacement market ended the year up 8%, but remains weak. Demand in Western Europe (up 7%) reflected the firm sell-out to fleets, the lack of retreadable casings and the decline in dealer inventory. In the Eastern European countries, replacement demand increased by 13% over the year, but slowed in the fourth quarter due to the 4% contraction in Russia.
  - The North American market declined by 2% over the year, reflecting both dealer inventory drawdowns and more optimized trucking fleet management.
  - Asian markets (excluding India) rose by 5% overall in 2013. The Chinese market grew 5% over the year and 7% in the final quarter, in line with the slight improvement in the economy. Demand in Southeast Asia, up 4% overall, is still being driven by the sustained shift to radial technology. The Japanese market saw another year of growth, up 7%.
  - In South America, demand rose 10% overall, with a speed-up in the fourth quarter to 17%. All of the leading country markets experienced similar growth, with faster expansion in Brazil thanks to the buoyant farming industry.

❑ SPECIALTY TIRES

- **EARTHMOVER TIRES:** demand for large mining tires rose slightly over the year, but fell sharply in the fourth quarter following inventory drawdowns by mining companies.

  Original equipment markets dropped precipitously in Europe and North America, dragged down by weak demand and deep manufacturer destocking, which is now coming to an end.

  Demand for tires used in Infrastructure and quarries contracted noticeably in mature markets, particularly North America, due to lower equipment sales and sustained high dealer inventories (albeit tapering down at year-end).
- **AGRICULTURAL TIRES**: Global demand for OE tires softened in mature markets, but is continuing to trend upwards for technical tires.

  The replacement market is recovering in Europe, but remains down in North America.
- **TWO-WHEEL TIRES**: The motorcycle market was flat in Europe but down in North America, where it suffered from unfavorable weather conditions. Demand rose in the emerging markets.
- **AIRCRAFT TIRES**: The commercial aviation market was stable, while defense markets are being dampened by government budget restrictions.

2013 Net Sales and Results

❑ NET SALES

Net sales totaled €20,247 million for the year, versus €21,474 million in 2012.

The stable volume performance reflected demand that was weak in the first half and more robust in the second, despite the slowdown in Earthmover tire markets over the year.

The negative price-mix reduced net sales by €516 million or 2.4%. This figure included the €550 million negative impact from contractual price reductions based on raw materials indexation clauses and the carefully managed price repositionings targeted on certain tire sizes, as well as the €34-million positive impact from improvements in the product mix, led by the premium strategy in the Passenger car and Light truck tire business.

The very unfavorable currency effect, which reduced reported net sales by €716 million or 3.4%, primarily resulted from the stronger euro.

❑ EARNINGS

Consolidated operating income before non-recurring items came to €2,234 million or 11.0% of net sales, versus €2,423 million and 11.3% as reported in 2012. The €260 million in non-recurring expense primarily correspond to the restructuring costs incurred in the projects to improve manufacturing competitiveness.

Operating income for the year was mainly impacted by the sharply negative €230-million currency effect arising from the euro’s appreciation after the summer.

As expected, volumes were stable year-on-year.

Tight pricing policy management helped to maintain a favorable balance between the negative €516 million price-mix effect and the positive €619-million impact from lower raw materials costs. The €275 million in gains from the competitiveness plan exceeded annual objectives and absorbed much of the €205-million increase in production and other costs and the €168 million in outlays to drive growth (start-up costs, the new business process management program and expenses in the new markets).

In all, net income for the period came to €1,127 million.

❑ NET FINANCIAL POSITION

During the year, Michelin generated **consolidated free cash flow of €1,154 million**, while maintaining a strong capital expenditure program.

At year-end, the Group was almost entirely debt-free, with **gearing of just 2%**, corresponding to net debt of €142 million, compared with 12% and €1,053 million at December 31, 2012.

❑ SEGMENT INFORMATION

in € millions	NET SALES		OPERATING INCOME BEFORE NON-RECURRING ITEMS		OPERATING MARGIN BEFORE NON-RECURRING ITEMS	
	2013	2012	2013	2012	2013	2012
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10,693**	**11,098**	**1,086**	**1,033**	**10.2%**	**9.3%**
TRUCK TIRES AND RELATED DISTRIBUTION	**6,425**	**6,736**	**503**	**444**	**7.8%**	**6.6%**
SPECIALTY BUSINESSES	**3,129**	**3,640**	**645**	**946**	**20.6%**	**26.0%**
GROUP	**20,247**	**21,474**	**2,234**	**2,423**	**11.0%**	**11.3%**

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

Net sales in the Passenger Car and Light truck tires and related distribution segment declined to €10,693 million from €11,098 million in 2012, due to the combined net impact of the pricing policy, the sustained improvement in the product mix and the slight 1% increase in volumes, all in an unfavorable currency environment.

Lifted by the stronger performance by the MICHELIN brand, operating income before non-recurring items edged up to €1,086 million or 10.2% of net sales, compared with €1,033 million and 9.3% in 2012.

- **TRUCK TIRES AND RELATED DISTRIBUTION**

Net sales in the Truck tires and related distribution segment stood at €6,425 million, versus €6,736 million in 2012. The decline primarily reflected tight pricing management and the unfavorable currency effect at a time of modest volume growth (up 1%). Note, however, that volumes picked up in the final quarter, with a 5% gain.

The focus on margins led to a significant improvement in operating income before non-recurring items, which rose to €503 million or 7.8% of net sales from €444 million or 6.6% the year before.

- **SPECIALTY BUSINESSES**

Net sales by the Specialty businesses declined to €3,129 million from €3,640 million in 2012, due to price adjustments stemming from raw materials-based indexation clauses, the negative currency effect and the 7% fall-off in volumes caused by the contraction in the Infrastructure and OE Earthmover markets.

Operating income before non-recurring items came to €645 million or 20.6% of net sales, compared with €946 million and 26.0% in 2012.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin reported a profit of €303 million in 2013.

The financial statements were presented to the Supervisory Board at its meeting on February 6, 2014. An audit was performed and the auditors' report was issued on February 10, 2014.

The Chief Executive Officer will call an Annual Shareholders Meeting on Friday, May 16, 2014 at 9:00 am in Clermont-Ferrand.

The Chief Executive Officer will ask shareholders to approve the payment of a dividend of €2.50 a share, representing the payout of 35% of consolidated net income before non-recurring items.

2013 Highlights

- **Michelin sets six major sustainable development objectives for 2020 (September 18)**
- **Michelin is committed to maintaining a competitive manufacturing base and to upgrading its research and development facilities (June 10)**
- **New tire plant opened in Shenyang, China (January 26)**
- **Michelin helps to deliver real savings with its fifth-generation fuel-efficient Truck tire range, MICHELIN X® Line™ Energy™ (April 4)**
- **Agreement signed with Petrokimia Butadiene Indonesia to produce synthetic rubber (June 17)**
- **First prototype Truck tire in Chennai, India (July 19)**
- **Michelin announces that it is actively participating in the FIA Formula E Championship (September 10)**
- **Michelin extends its Earthmover tire lineup, adding four new 25' tire sizes (September 16)**
- **Launch of the MICHELIN Primacy 3ST in Southeast Asia and Australia (October 13)**
- **Michelin presents the world's largest tractor tire (October 22)**
- **Compagnie Générale des Etablissements Michelin carries out employee share issue (October 31)**

A full description of 2013 highlights
may be found on the Michelin website: www.michelin.com/corporate/finance

PRESENTATION AND CONFERENCE CALL

Full-year 2013 results will be reviewed with analysts and investors during a conference call today, Tuesday February 11, 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 25 (Français)
- In France 01 70 77 09 46 (English)
- In the UK 0203 367 9456 (English)
- In North America (866) 907 5924 (English)
- From anywhere else +44 (0) 203 367 9456 (English)

The presentation of financial information for the year ended December 31, 2013 may be viewed at www.michelin.com/corporate. The website also contains practical information concerning the conference call.

INVESTOR CALENDAR

- **Quarterly information for the three months ended March 31, 2014:**
  Wednesday, April 23, 2014 after close of trading
- **First-half 2014 net sales and results:**
  Tuesday, July 29, 2014 before start of trading

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