PRESS RELEASE
Clermont-Ferrand – February 12, 2013

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Year Ended December 31, 2012

<u>Strong 2012 earnings in lackluster markets</u>

More than €1 billion in free cash flow

€2,423 million in operating income before non-recurring items, up 25%

Operating margin up 2 points, to 11.3% of net sales

- **Operating income before non-recurring items up 25% to €2,423 million, reflecting:**
  - **An efficient pricing policy.**
  - **A global footprint.**
  - **Structurally high margins in specialty tires.**
  - **Restored profitability in the Truck tire business, despite a sharp market contraction.**

- **Volumes down 6.4%, with demand remaining flat in the second half.**

- **More than €1 billion in free cash flow, demonstrating:**
  - **The Group's ability to structurally generate cash**
  - **The effective integration of value creation into every unit's objectives**

- **12.8% return on capital employed.**

- **Proposed dividend of €2.40 per share, subject to approval at the Annual Shareholders Meeting of May 17, 2013.**

- **<u>Outlook for 2013</u>**

Given its global footprint, Michelin expects to hold volumes steady in 2013, in a market environment that is uncertain in mature markets but still expanding in the new ones.

Raw materials prices are expected to remain stable in the first half, adding a further €350-400 million to operating income. This will be partly offset, however, by the impact of indexation clauses on the original equipment and earthmover businesses.

The capital expenditure program totaling around €2 billion will support Michelin's growth ambitions by bringing new production capacity on stream in the growth regions, whose start-up will weigh on costs. The program is also designed to improve competitiveness in mature markets and drive technological innovation.
Confident in its competitive strengths and thanks to the launch of an ambitious project to improve its management systems, Michelin confirms its 2015 objectives and for 2013 expects to report stable operating income before non-recurring items at constant exchange rates, a more than 10% return on capital employed and positive free cash flow.

(In € millions)	2012	2011
Net sales	**21,474**	**20,719**
Operating income before non-recurring items	**2,423**	**1,945**
Operating margin before non-recurring items	**11.3%**	**9.4%**
Passenger Car and Light Truck Tires and Related Distribution	**9.3%**	**9.4%**
Truck Tires and Related Distribution	**6.6%**	**3.5%**
Specialty Businesses	**26.0%**	**21.5%**
Operating income after non-recurring items	**2,469**	**1,945**
Net income	**1,571**	**1,462**
Capital expenditure	**1,996**	**1,711**
Net debt	**1,053**	**1,814**
Gearing	**12%**	**22%**
Free cash flow[1]	**1,075**	**(19)**
Return on capital employed	**12.8%**	**10.9%**
Employees on payroll[2]	**113,400**	**115,000**

[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

2012 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA-INDIA-MIDDLE EAST	TOTAL
Original Equipment	**- 5%**	**+ 16%**	**+ 11%**	**+ 0%**	**- 3%**	**+ 6%**
Replacement	**- 10%**	**- 2%**	**+ 2%**	**+ 2%**	**- 3%**	**- 4%**

Fourth-Quarter 2012 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA-INDIA-MIDDLE EAST	TOTAL
Original Equipment	**- 8%**	**+ 10%**	**+ 5%**	**+ 12%**	**- 12%**	**+ 2%**
Replacement	**- 9%**	**- 1%**	**+ 4%**	**+ 4%**	**- 5%**	**- 2%**

*Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In Europe, tire demand contracted by 5% in 2012. The collapse in new car registrations, which fell to a 17-year low in the European Union, masked a contrast between the decline in broadline carmaker sales and the firmer resistance of specialty and export-driven brands. Markets in Eastern Europe continued to expand, increasing by 11% over the year.
  - The North American tire market grew by 16% in 2012, returning to 2007 levels thanks to strong new car sales as buyers replaced aging models.
  - In Asia (excluding India), demand rose by 11% overall. While still buoyant, the Chinese market cooled somewhat, ending the year up 6%. Demand in Japan (up 11%) and Southeast Asia (up 38%) rebounded off of a 2011 impacted by natural disasters.
  - The South American market was stable overall, with a brisk 7% gain in the second half offsetting the 7% decline in the first. Demand in Brazil rose by 3%, lifted by the government measures introduced in the autumn.

- **REPLACEMENT**
  - In Europe, replacement demand dropped 10% year-on-year in a highly uncertain economic environment. Western Europe saw a record decline, steeper even than in 2008, that was accentuated by dealer inventory drawdowns. The winter tire market dropped 16%, as expected, and the high-performance tire segment (17" and bigger) slowed to a lesser extent than the European market average, reflecting the sustained improvement in the mix.
  - Demand in North America retreated 2% as consumer confidence weakened, despite the relative stability of average miles traveled and fuel prices. After an upturn in 2010, the market has returned to 2009 levels, with volumes sold noticeably lower than in 2007. Impacted by the significant increase in Chinese imports after customs duties were lifted, the US market declined by 3%.

- In Asia (excluding India), markets ended the year up 2% overall. Demand rose 4% in China despite slowing economic growth, but eased back 1% in Japan, where winter tire sales were stable and volumes moved back in line with recurring trends after the run-up in replacement buying in 2011 following the natural disasters. In South Korea, the market fell 6% in an export-driven economy hit hard by global economic uncertainty.
- The South American market gained a slight 2% overall, but with wide variations among countries. Demand expanded by 3% in Brazil as sell-out held firm at 2011 levels.

TRUCK TIRES

2012 % change year-on-year (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA-INDIA-MIDDLE EAST	TOTAL
Original Equipment*	**- 4%**	**+ 2%**	**- 9%**	**- 30%**	**+ 31%**	**- 5%**
Replacement*	**- 14%**	**- 2%**	**- 6%**	**+ 3%**	**+ 8%**	**- 4%**

Fourth-Quarter 2012 % change year-on-year (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA-INDIA-MIDDLE EAST	TOTAL
Original Equipment	**- 7%**	**- 15%**	**- 10%**	**- 27%**	**+ 31%**	**- 9%**
Replacement	**+ 2%**	**+ 2%**	**+ 2%**	**+ 6%**	**+ 6%**	**+ 3%**

*Radial market only
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - Demand in Europe declined by 4%, to below 2007 and 2008 levels. Although the fall-off was a relatively limited 2% in the first half, it gained momentum in the second, to 5%, under the impact of the worsening economic situation in the region.
  - After surging 17% in the first half, the North American market slowed precipitously in the second half, to end the year with just a 2% gain. Economic uncertainty caused by tax issues in the United States weighed on new truck orders during the year.
  - In Asia (excluding India), demand retreated by 9% overall, with a fairly steep 15% drop in China as growth in the economy (particularly exports) cooled over the year. The Southeast Asian market, which continues to shift to radials, was highly active, up 42%, while the Japanese market rebounded 12%. In both cases, growth was lifted by prior-year comparatives shaped by, respectively, flooding and the tsunami.
  - The South American market plunged 30% after Brazil introduced Euro V emissions standards during the year. However, the Brazilian government's introduction of more favorable financing terms helped the market to turn around, with an upturn in the final quarter.

- **REPLACEMENT**
  - Demand in Europe dropped 14%, with a 25% plunge in the first half due to inventory drawdowns and high bases of comparison. In the second half, the

market continued to shrink on weak transportation activity and the lackluster economic outlook. In Eastern Europe, the market declined by 3%, primarily due to dealer destocking.

- The North American market ended the year down just 2%, reflecting fleet manager caution in the face of economic uncertainty, despite relative robust freight demand. The contraction may also be explained by the sharp growth in original equipment sales and the availability of retreadable casings.
- In Asia (excluding India), markets declined by 6% overall during the year. The Chinese market ended 2012 down by 7%, reflecting the slower growth in the economy and in exports. The Japanese market was down 6% off of a high prior-year comparative, which was lifted by last year's price increases and inventory rebuilding after the tsunami. Demand in South Korea also declined as the global economic slowdown weighed on exports and transportation demand.
- The South American market gained 3% during the year. In Brazil, the stricter application of customs inspections reduced imports and dampened demand in general, although the first signs of a recovery appeared in the final quarter.

❑ SPECIALTY TIRES

- **EARTHMOVER TIRES**: The mining sector is continuing to expand, led by sustained demand for ore, oil and gas, and the market for large tires remains buoyant. After rising in the first half, the original equipment market contracted in the final quarter, with a particularly steep fall-off in Europe. Demand for tires used in infrastructure and quarries is shrinking in Western Europe and, after increasing in the first half, turned downwards in the final quarter in North America.

- **AGRICULTURAL TIRES**: After climbing in the first half, worldwide original equipment demand declined in the fourth quarter, particularly in Europe. The replacement market dropped significantly in mature markets during the year, dragged down by the prevailing economic uncertainty.

- **TWO-WHEEL TIRES**: Impacted by the lackluster economy, the motorized segments declined in mature geographies, except North America, but continued to expand in emerging markets.

- **AVIATION TIRES**: Passenger load factors are continuing to improve in the commercial aviation segment, on both domestic and intercontinental routes, but the cargo market was down for the year.

2012 Net Sales and Results

❑ NET SALES

Consolidated net sales amounted to €21,474 million for the year, up 3.6% at current exchange rates compared with €20,719 million in 2011.

Of the total price mix effect, which added 6.2% to growth, €1,052 million corresponded to the net impact of the price increases introduced in 2011 and the contractual price reductions due to the raw materials indexation clauses applicable on nearly 30% of consolidated sales volumes. It also included the €157 million impact of a further improvement in the sales mix, led by the premium strategy and the expanding specialty businesses.

Weak demand, particularly in European markets, dragged sales volumes down by 6.4% over the year.

The positive 4.2% currency effect primarily resulted from gains in the euro against the US dollar.

❑ Earnings

Consolidated operating income before non-recurring items amounted to €2,423 million or 11.3% of net sales, compared with €1,945 million and 9.4% in 2011.

This €478-million improvement mainly reflected the positive price mix (€1,209 million, of which €1,052 million from price increases), which favorably combined with the limited negative impact from raw materials costs (€76 million). It also reflected the €504-million negative impact of the decline in volumes, the €176 million in outlays to drive growth (start-up and other costs in the new markets), the €311 million increase in production costs and other expenses and the €3-million positive impact on productivity of production slowdowns. The currency effect was a positive €268 million. Lastly, the improvement also included the initial impact of the competitiveness plan launched in early 2012.

In all, net income for the year came to €1,571 million.

❑ Net financial position

Free cash flow ended the year at €1,075 million, as available cash flow and the sale of a property complex in Paris helped to offset the faster deployment of growth investments.

At December 31, 2012, **gearing** stood at 12% while net debt amounted to €1,053 million.

❑ Segment Information

€ millions	Net sales		Operating income before non-recurring items		Operating margin before non-recurring items	
	2012	2011	2012	2011	2012	2011
Passenger Car and Light Truck Tires and Related Distribution	**11,098**	**10,780**	**1,033**	**1,018**	**9.3%**	**9.4%**
Truck Tires and Related Distribution	**6,736**	**6,718**	**444**	**233**	**6.6%**	**3.5%**
Specialty Businesses	**3,640**	**3,221**	**946**	**694**	**26.0%**	**21.5%**
Group	**21,474**	**20,719**	**2,423**	**1,945**	**11.3%**	**9.4%**

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

  In all, net sales in the Passenger car and Light truck tires and related distribution segment stood at €11,098 million, up 2.9% on 2011.

  The sustained firm pricing policy and ongoing improvement in the product mix, led by the MICHELIN brand's premium positioning, helped to offset the 5.5% decline in volumes. As a result, operating income before non-recurring items stood at €1,033 million or 9.3% of net sales, compared with €1,018 million and 9.4% in 2011.

- **TRUCK TIRES AND RELATED DISTRIBUTION**

  Net sales in the Truck tires and related distribution segment amounted to €6,736 million, unchanged from 2011.

  In a depressed market, volumes fell 10.8% as the Group focused on turning the Truck tire business around and restoring its margins. This strategy, along with the wide array of market launches and the decline in raw materials costs, drove a sharp increase in operating income before non-recurring items, to €444 million or 6.6% of net sales from €233 million and 3.5% in 2011.

- **SPECIALTY BUSINESSES**

  Net sales by the Specialty businesses rose by 13.0% to €3,640 million in 2012.

  At €946 million or 26.0% of net sales, operating income before non-recurring items confirmed these businesses' structurally high profitability. In a particularly favorable currency environment, they benefitted from the still positive impact of contractual indexation clauses based on raw materials prices, as well as from the 1.7% increase in volumes.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin reported a profit of €465 million in 2012.

The financial statements were presented to the Supervisory Board at its meeting on February 7, 2013. The audit was completed and the auditors' report was issued on the same date.

The Managing Partner will call an Annual Shareholders Meeting on Friday, May 17 at 9:00 am in Clermont-Ferrand.

Shareholders will be asked to approve the payment of a dividend of €2.40 a share, with a dividend reinvestment option.

2012 Highlights

- **Standard & Poor's upgrades Michelin's credit rating to BBB+ (March 23)**
- **Global leadership in Earthmover tires strengthened with the construction of a new plant and the extension of another in North America (April 10)**
- **Moody's upgrades Michelin's credit rating to Baa1 (April 24)**
- **First Passenger Car and Light truck tire produced at Pau-Brasil plant (February 9)**
- **In addition to sticker information, the MICHELIN Total Performance strategy is showcasing all of the benefits of tire technology with the slogan: "Michelin sells performance, not rubber". (June 29)**
- **New MICHELIN Restaurants website launched in France (May 25)**
- **The Group celebrates 10 years of Michelin Performance and Responsibility (June 18)**
- **Michelin successfully places €400 million seven-year notes issue (June 19)**
- **Michel Rollier hands over the reins to Jean-Dominique Senard at the Annual Shareholders Meeting on May 11**
- **2015 guidance updated (September 19)**
- **First Truck tire produced at the new Shenyang 2 plant in China (September 18)**
- **New Truck tire lineup presented at the IAA Show in Hanover (September 20)**
- **New Earthmover product lineup for 2012 unveiled at the MINExpo Trade Show in Las Vegas (September 24)**
- **FIA World Rally Championship: a 20th Drivers' Title and a 22nd Manufacturers Crown for Michelin (October 9)**
- **Investor Day organized at the Technology Center in Ladoux, France (November 5)**

A full description of 2012 highlights
may be found on the Michelin website: www.michelin.com/corporate/finance

PRESENTATION AND CONFERENCE CALL

Full-year 2012 results will be reviewed with analysts and investors during a conference call today, Tuesday February 12, 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 19 (Français)
- In France 01 70 77 09 39 (English)
- In the UK 0203 367 9462 (English)
- In the United States +1 866 907 5924 (English)
- From anywhere else +44 203 367 9462 (English)

Please refer to the website www.michelin.com/corporate for practical information concerning the conference call.

INVESTOR CALENDAR

- **Quarterly information for the three months ended March 31, 2013:**
  Monday, April 22, 2013 after close of trading
- **First-half 2013 net sales and results:**
  Thursday, July 25, 2013 before start of trading

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