PRESS RELEASE
Clermont-Ferrand – July 25, 2013

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Six Months Ended June 30, 2013

First-Half 2013 Business Performance in Line with Full-Year Objectives

€1,153 million in operating income before non-recurring items

11.3% operating margin before non-recurring items

€147 million in free cash flow

2013 guidance confirmed

- **€1,153 million in operating income before non-recurring items, reflecting as expected:**
  - **A 1.5% decline in volumes, in markets that were weak in the first quarter and showing signs of improvement in the second.**
  - **Firm unit margins.**
  - **Improving manufacturing performance.**
- **€507 million in net income for the period, after a €250-million provision on projects to improve the competitiveness of manufacturing operations.**
- **Robust financial structure maintained:**
  - **€147 million in free cash flow at a time of ambitious capital expenditure**
- **2013 guidance confirmed**

In a market environment that should continue to improve in mature markets off of low prior-year comparatives and to expand in the new markets, Michelin expects to see modest growth in volumes in the second half. As a result, thanks to its comprehensive range of products and services and its balanced global footprint, the Group confirms its objective stable volumes over the full year.

In the second half, the impact of lower raw materials prices will gain momentum, adding around €350 million to operating income for the year. As a result, and given that prices are likely to remain stable at first-half levels, the second-half consolidated operating margin should benefit from the impact of lower raw materials costs, which are expected to offset the price-mix effect.

As indicated, the capital expenditure program, totaling some €2 billion, will support Michelin's ambitious growth objectives by adding new production capacity in the new markets. It will also improve competitiveness in mature markets and drive technological innovation.

Jean Dominique Senard, Chief Executive Officer, said: "Michelin's first-half performance was in line with the 2013 objectives and attests to the Group's continuous improvement as it moves forward in its New Phase of Dynamic Growth. The Group confirms its objectives for 2013, with the target of reporting stable operating income before non-recurring items, a more than 10% return on capital employed and positive free cash flow."

(IN € MILLIONS)	First-Half 2013	First-Half 2012 reported
NET SALES	**10,159**	**10,706**
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**1,153**	**1,320**
OPERATING MARGIN BEFORE NON-RECURRING ITEMS	**11.3%**	**12.3%**
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10.3%**	**10.6%**
TRUCK TIRES AND RELATED DISTRIBUTION	**6.5%**	**6.4%**
SPECIALTY BUSINESSES	**23.3%**	**27.4%**
OPERATING INCOME AFTER NON-RECURRING ITEMS	**903**	**1,417**
NET INCOME	**507**	**915**
CAPITAL EXPENDITURE	**762**	**660**
NET DEBT	**1,114**	**2,177**
GEARING	**12%**	**26%**
FREE CASH FLOW[1]	**147**	**7**
EMPLOYEES ON PAYROLL[2]	**113,200**	**114,700**

[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

First-Half 2013 % change year-on-year (in number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment	- 3%	+ 4%	+ 3%	+ 14%	- 9%	+ 1%
Replacement	- 4%	+ 0%	+ 6%	+ 8%	+ 6%	+ 1%

Second-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	+ 4%	+ 7%	+ 3%	+ 20%	- 9%	+ 4%
Replacement	+ 3%	+ 1%	+ 5%	+ 9%	+ 8%	+ 4%

*Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - The European market retreated by 3%, as the end of inventory destocking by volume carmakers pushed tire demand up 4% in the second quarter and attenuated the first quarter's sharp 11% contraction. Demand in the non-EU Eastern European countries contracted by 4%.
  - The North American market rose by 4% over the first-half, lifted by rising demand as carmakers introduced new models and buyers replaced their aging cars.
  - In Asia (excluding India), demand rose by 3% overall. The Chinese market remained buoyant, gaining 13% despite the cooling economic outlook, while the Japanese market plunged 16% on some offshoring of production and the fall-off in domestic demand after the end of the eco-car subsidy program. The Southeast Asian market rose by 17%, pursuing its solid growth.
  - The South American market climbed 14% over the period. Demand in Brazil rose by 3%, lifted by the government measures introduced in autumn 2012.

- **REPLACEMENT**
  - In Europe, in a still uncertain economy, demand declined by 4% year-on-year. The winter tire segment fell by 20%, as expected given the weather conditions in late 2012 and early 2013. However, the weather turned wintery again in the spring, helping to reduce dealer winter tire inventory. The summer segment is slowly improving off of weak prior-year comparatives. The high performance tire segment (17-inch and larger) expanded by 6% over the period.
  - Demand in North America ended the first half unchanged, as an improving trend in the second quarter (up 1%) helped to offset the 2% decline in the first three months. High fuel prices weighed somewhat on average miles traveled, which fell back slightly. The US market, impacted by the significant increase in Chinese imports after customs duties were lifted, was stable for the period.
  - In Asia (excluding India), demand rose by 6% overall, with a 9% gain in China despite slowing economic growth, and a 1% increase in Japan, moving back in line with the long-term trend.
  - The South American market increased by 8%, with significant growth in every country. In Brazil, for example, tire demand surged 12% in an inflationary environment.

❑ TRUCK TIRES

First-Half 2013 % change year-on-year (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment*	+ 0%	- 13%	+ 4%	+ 41%	- 9%	+ 1%
Replacement*	+ 8%	- 2%	+ 2%	+ 6%	+ 7%	+ 3%

Second-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*	+ 3%	- 13%	+ 10%	+ 55%	- 6%	+ 5%
Replacement*	+ 10%	+ 2%	+ 10%	+ 9%	+ 12%	+ 8%

*Radial market only
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**

  - In a lackluster economy, the European market was stable over the first half, with a technical upturn off of low comparatives in the second quarter.
  - In North America, economic uncertainty and the increase in new truck prices following application of a large number of new standards and regulations caused the original equipment market to drop 13% compared with a strong first-half 2012.
  - In Asia (excluding India), original equipment demand increased by 4% overall. It rose 6% in China, despite the cooling economy, and soared 28% in the highly active Southeast Asian market, which is continuing to shift to radials. In Japan, on the other hand, it fell a steep 11% off of the post-tsunami rebound in first-half 2012.
  - In South America, original equipment demand climbed a sharp 41%, returning to normal growth trends after the wide swings caused by the introduction of Euro V emissions standards.

- **REPLACEMENT**
  - Following a strong June, the European replacement market ended the first half up 8%, but remains at historically low levels. It was buoyed by initial inventory rebuilding in the second quarter and a reduction in the number of casings available for retreading. In the non-EU Eastern European countries, demand rose 12% on the back of still strong domestic spending.
  - In North America, demand eased back 2% over the period, albeit with a 2% upturn in the second quarter led by the improvement in the freight market.
  - Markets in Asia (excluding India) rose by 2% thanks to the second quarter's strong 10% gain. Demand improved by 2% both in China, despite the country's slowing economic growth, and in Southeast Asia, where the shift to radials is gaining speed. The Japanese market increased by 5%, lifted by the upturn in exports fueled by the weaker yen.
  - In South America, the market rose 6% overall, reflecting i) the fast growth in domestic road transport in Brazil and ii) inventory rebuilding across the region, particularly by importers.

❑ SPECIALTY TIRES

- **EARTHMOVER TIRES**: In the mining sector, demand for large radial tires remains buoyant. Original equipment demand dropped precipitously in Europe and North America, dragged down in particular by manufacturer destocking. The infrastructure and quarry tire segment also contracted sharply in mature markets. The fall-off was severe in North America, hurt by persistently high dealer inventory.
- **AGRICULTURAL TIRES**: Global OE demand edged back somewhat over the first half, but sales of technical tires continued to expand. Replacement markets were down in North America and rose slightly in Europe.
- **TWO-WHEEL TIRES**: Motorcycle markets declined in the mature regions for the second year in a row. In Europe, economic uncertainties and weather conditions are weighing on dealer buying decisions.
- **AIRCRAFT TIRES**: Civil aviation markets were stable over the period, while defense markets are being dampened by government budget restrictions.

Net Sales and Results

❑ NET SALES

Net sales amounted to €10,159 million in first-half 2013, versus €10,706 million in the year-earlier period.

Volumes eased back 1.5% in markets that were weak in the first quarter and showing signs of improvement in the second.

The price-mix reduced net sales by €242 million or 2.3%. This reflected the €281 million negative impact from contractual price reductions based on raw materials indexation clauses and the targeted price repositionings in certain tire sizes. It also comprised a positive €39 million impact from the further improvement in the sales mix led by the premium strategy in the 17-inch and larger segment.

The negative 1.4% currency effect, which reduced net sales by €143 million, resulted from the stronger euro.

❑ EARNINGS

Consolidated operating income before non-recurring items amounted to €1,153 million or 11.3% of net sales in the first six months of 2013, compared with €1,320 million and 12.3% in first-half 2012. Non-recurring expenses stood at €250 million for the period, corresponding to the restructuring costs generated by the projects underway to improve the competitiveness of manufacturing operations.

As expected, the unfavorable €242-million impact of the price-mix was almost entirely offset by the €206-million decline in raw materials costs. The €127 million in gains from the competitiveness plan were in line with annual objectives and absorbed much of the €146-million increase in production and other costs. Operating income also reflected the €59-million negative impact of the decline in volumes, the €37 million in outlays to drive growth (start-up costs, the new business process management program and expenses in the new markets) and the €49-million negative currency effect.

In all, net income for the period came to €507 million.

❑ NET FINANCIAL POSITION

In first-half 2013, the Group generated **€147 million in free cash flow**, against a backdrop of rising capital expenditure and the usual seasonal increase in inventory in the second quarter.

Thanks to the generation of free cash flow and the decline in employee benefit obligations, **gearing stood at 12%** at June 30, 2013, corresponding to net debt of €1,114 million, compared with 12% and €1,053 million at December 31, 2012.

❑ SEGMENT INFORMATION

€ MILLIONS	NET SALES		OPERATING INCOME BEFORE NON-RECURRING INCOME AND EXPENSES		OPERATING MARGIN BEFORE NON-RECURRING INCOME AND EXPENSES	
	H1-2013	H1-2012	H1-2013	H1-2012	H1-2013	H1-2012
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**5,321**	**5,501**	**550**	**581**	**10.3%**	**10.6%**
TRUCK TIRES AND RELATED DISTRIBUTION	**3,121**	**3,269**	**203**	**209**	**6.5%**	**6.4%**
SPECIALTY BUSINESSES	**1,717**	**1,936**	**400**	**530**	**23.3%**	**27.4%**
GROUP	**10,159**	**10,706**	**1,153**	**1,320**	**11.3%**	**12.3%**

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales in the Passenger car and Light truck tires and related distribution segment stood at €5,321 million, versus €5,501 million in first-half 2012. This decline primarily reflected the impact of the targeted price repositionings and, to a lesser extent, the contractual price adjustments and the 0.5% decline in volumes.

Lower raw materials costs and the sustained improvement in the product mix, led by the MICHELIN brand's premium positioning, offset the decline in prices. As a result, operating income before non-recurring items amounted to €550 million or 10.3% of net sales, compared with €581 million and 10.6% in first-half 2012.

▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales in the Truck tires and related distribution segment stood at €3,121 million, versus €3,269 million in first-half 2012. The decline reflected price reductions stemming primarily from contractual indexation clauses based on raw materials prices, the unfavorable currency effect and OE/replacement sales mix, and the 1.8% contraction in volumes.

Operating income before non-recurring items amounted to €203 million or 6.5% of net sales, compared with €209 million and 6.4% in first-half 2012. The temporary impact of lower raw materials costs and the disciplined management of operating costs balanced out all of the negative factors.

▪ SPECIALTY BUSINESSES

Net sales by the Specialty businesses declined by 11.3% to €1,717 million due to price adjustments stemming from raw materials-based indexation clauses, the 4.6% fall-off in volumes and the negative currency effect.

Operating income before non-recurring items remained structurally high, at €400 million or 23.3% of net sales, compared with €530 million and 27.4% in the prior-year period and €416 million and 24.4% in second-half 2012.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin reported a profit of €245 million in first-half 2013.

The financial statements were presented to the Supervisory Board at its meeting on July 22, 2013. The audit was completed and the auditors' report was issued on July 24, 2013.

First-Half 2013 Highlights

- New tire plant opened in Shenyang, China (January 26)
- New MICHELIN Pilot Sport Cup 2 to premier on the Mercedes-Benz SLS AMG Coupé Black Series (March 5)
- Market launch of the MICHELIN X® LINE™ Energy™ line of Truck tires (April 4)
- Michelin Earthmover launches MICHELIN® OperTrak in North America (January 11)
- Michelin confirmed as FIA Formula E Championship's official tire supplier (March 29)
- C$73 million (more than €56 million) invested in the Waterville plant (June)
- Michelin is committed to maintaining a competitive manufacturing base in France and to upgrading its research and development facilities (June 10)
- Agreement signed with Petrokimia Butadiene Indonesia to produce synthetic rubber (June 17)
- Nearly 60% of shareholders opt to reinvest their 2012 dividend (June 24)
- Loeb, Peugeot & Michelin set new record at Pikes Peak, Colorado USA (June 30)
- Michelin opens up its patents to promote the adoption of a global standard for RFID chips used in tires (July 15)

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

MICHELIN
A better way forward

Presentation and Conference call

First-half 2013 results will be reviewed with analysts and investors during a conference call in English – with simultaneous interpreting in French – today, Friday July 25, at 11:00 am CEST (10:00 am UT). If you wish to participate, please dial-in one of the following numbers from 10:50 am CEST:

• In France	01 70 77 09 21 (Français)
• In France	01 70 77 09 42 (English)
• In the UK	0203 367 9453 (English)
• In North America	(866) 907 5923 (English)
• From anywhere else	+44 203 367 9453 (English)

The presentation of first-half 2013 results may be viewed at www.michelin.com/corporate. The website also contains practical information concerning the conference call.

Investor Calendar

- **Quarterly information for the nine months ended September 30, 2013:**
  Monday, 28 October 2013 after close of trading
- **2013 net sales and results:**
  Tuesday, February 11, 2014 before start of trading

2013 Interim Financial Report

The interim financial report for the six months ended June 30, 2013 may be downloaded from http://www.michelin.com/corporate/EN/finance/regulated-information.

It has also been filed with the Autorité des Marchés Financiers (AMF).
The report contains:
- The business review for the six months ended June 30, 2013.
- The consolidated financial statements and notes for the period.
- The statutory auditors' review report on the interim financial information for 2013.

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