

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN
Financial Information for the Three Months Ended March 31, 2013

**Michelin announces €4.9 billion in first-quarter 2013 sales,
in line with its full-year outlook**

- **Market environment was weak in Europe in Passenger car & Light truck tires, disappointing in North America and expanding in the new markets.**
- **Volume performance reflected:**
 - **The two fewer business days.**
 - **The difference in market trends between the mature and the growth regions.**
 - **The decline in original equipment demand, notably in the Earthmover segment.**
- **A negative price-mix, due to:**
 - **The impact of indexation clauses as raw materials costs decline.**
 - **The carefully managed price repositioning, targeted on certain tire sizes.**

NET SALES (IN € MILLIONS)	First Quarter 2013	First Quarter 2012	% Change
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	2,582	2,760	- 6.5%
TRUCK TIRES AND RELATED DISTRIBUTION	1,477	1,604	- 7.9%
SPECIALTY BUSINESSES ¹	818	940	- 13.0%
GROUP TOTAL	4,877	5,304	- 8.1%

¹Earthmover, Agricultural, Two-Wheel and Aircraft tires; Michelin Travel Partner and Michelin Lifestyle Ltd.

□ **Outlook for 2013**

In a market environment that is weak in mature regions and expanding in the new markets, Michelin confirms its objective of stable volumes in 2013, taking advantage of its global footprint.

The decline in raw materials prices should have around a €550 million favorable impact on full-year operating income. If so, this would amply exceed the around €300 million price-mix impact.

As indicated in February, 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 is also designed to improve competitiveness in mature markets and drive technological innovation.

In this environment, Michelin confirms its objectives for 2013, when it expects to report stable operating income before non-recurring items, a more than 10% return on capital employed and positive free cash flow.



Market Review

□ CAR & LIGHT TRUCK TIRES

First-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	- 11%	+ 1%	+ 5%	+ 7%	- 8%	- 1%
Replacement	- 9%	- 2%	+ 7%	+ 6%	+ 4%	- 2%

*Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- In Europe, OE tire demand contracted by 11%, with a contrast between the decline at broadline carmakers who are drawing down inventory and a better performance by the specialty and export-driven brands. Markets in Eastern Europe continued to expand, by 6% over the period.
- The North American market grew by 1%, in line with new car production.
- In Asia (excluding India), demand rose by 5% overall, with strong gains in China (up 15%) and Southeast Asia (up 29%). On the other hand, the Japanese market dropped 18% following the late 2012 termination of government carbuying incentives.
- In South America, the strong growth trend observed since autumn 2012 remained in effect, with demand rising by 7% over the period.

▪ REPLACEMENT

- In Europe, in a persistently lackluster economic environment, replacement markets fell back 9% overall. A prolonged winter, which delayed the changeover to summer tires from March to April, had a particularly adverse impact on late first-quarter sales, without however prompting a significant drawdown in still high dealer winter tire inventories. In March, for example, the market retreated 23% in Germany and 11% in the Nordic countries.
- Demand in North America eased back for the third year in a row, by a slight 2%. Dealers are carefully managing their inventory in an environment shaped by an uncertain tax outlook and declining raw materials prices. The US market has seen a steep increase in Asian imports since customs duties were lifted last autumn.
- In Asia (excluding India), demand rose by 7% overall, with very fast momentum in China (up 11%) and the rest of the region moving back in line with long-term, export-driven growth trends (Japan up 3%, South Korea up 9% and ASEAN up 4%).
- The South American market increased by 6%, led by Brazil and Colombia in a more favorable economic environment.



□ TRUCK TIRES

First-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%	- 12%	+ 5%	+ 23%	- 18%	- 1%
Replacement	+ 5%	- 1%	- 5%	+ 5%	+ 8%	+ 0%

*Radial market only

**Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- The market remained weak in Europe, retreating by 3% under the combined impact of declining truck registrations in the Western Europe and more buoyant demand in Eastern Europe.
- The North American market pursued its sharp slowdown, losing 12% over the period as economic and tax uncertainties weighed on new truck orders, particularly in the Class 8 segment.
- In Asia (excluding India), demand rose by 5%, with an 8% gain in China, a 14% decline in Japan and sustained strong growth in Southeast Asia (up 29%).
- The South American OE market rebounded by a brisk 23% compared with first-quarter 2012, when demand was dampened by the introduction of Euro V emissions standards in Brazil.

▪ REPLACEMENT

- In Europe, replacement demand rose by 5% overall. In Western Europe, where transportation activity is still weak, it stabilized at a low level (up 1%), but it continued to surge ahead, by 24%, in Eastern Europe.
- The North American market edged back just 1%, primarily due to demand in the United States, where the freight business nevertheless continues to trend slightly upwards, with fewer casings available for retreading.
- Markets in Asia (excluding India) contracted by 5% overall. Demand in China slowed during the New Year period, then improved in March to end the quarter down 6%. Markets retreated 2% in Japan, as dealers tightened inventory, and 4% in South Korea, impacted by the slowdown in transportation activity.
- In a more favorable economy, the South American market increased by 5% overall, with demand lifted by rising sell-out and the easing of customs barriers across the region.

□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** The mining sector is continuing to expand, with sustained demand for large radial tires. The OE market in Europe and North America is falling sharply, while demand for tires used in infrastructure and quarries is shrinking in mature markets, dragged down by economic uncertainty and dealer hesitation.
- **AGRICULTURAL TIRES:** The global original equipment market eased back somewhat in the first quarter, but still remains robust. Demand for technical tires is rising, but replacement demand is down slightly in mature markets.



- **TWO-WHEEL TIRES:** Motorcycle markets are down 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 rose slightly over the period, while defense markets are being dampened by government budget restrictions.

Michelin Net Sales

□ OVERVIEW

(IN € MILLIONS)	First Quarter 2013	
NET SALES	4,877	
FIRST-QUARTER 2013 YOY CHANGE IN €M AND %		
TOTAL CHANGE	- 427	- 8.1%
OF WHICH VOLUMES	- 227	- 4.3%
PRICE-MIX	- 138	- 2.7%
CURRENCY EFFECT	- 61	- 1.2%

Net sales totaled €4,877 million in the first three months of 2013, down 8.1% over the year-earlier period due to the combined impact of the following factors:

- **The 4.3% contraction in volumes**, at a time of weakening demand in mature markets.
- **The shift in the price-mix effect to a negative 2.7%**, corresponding to:
 - The €133-million price effect, reflecting the impact of contractual indexation clauses and the targeted price repositionings in Europe and, to a lesser extent, in North America. This latter process was facilitated by the more favorable trend in raw materials costs over the period.
 - The mix effect was nearly unchanged, at a negative €5 million, despite a favorable segment mix.
- **The negative 1.2% currency effect**, primarily resulting from the appreciation of the euro. This particularly affected the Truck tire segment and, to a lesser extent, the Specialty businesses.



□ NET SALES BY REPORTING SEGMENT

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales stood at €2,582 million for the first quarter of 2013, down 6.5% from the year-earlier period.

- Sales volumes retreated by 2.8% as gains in the new markets failed to fully offset the fall-off in mature markets.
- The price-mix effect reflected the carefully managed price repositionings and the favorable mix effect, led by the 17" and larger segment.

▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales amounted to €1,477 million in first-quarter 2013, compared with €1,604 million a year earlier.

- Sales volumes, which were down 5.6% year-on-year but showed a slight upturn quarter-on-quarter, reflected the focus on turning around the Truck tire business and restoring it to profit.
- Net sales were also impacted by weak integrated dealer sell-out due to the sluggish economic environment, particularly in Europe.
- To a lesser extent, they were dampened by the unfavorable currency effect.

▪ SPECIALTY BUSINESSES

Net sales by the Specialty Businesses declined by 13.0% year-on-year to €818 million in the first three months of 2013.

They primarily reflected the 6.9% fall-off in volumes caused by weaker demand in the Infrastructure and the OE Earthmover and Agricultural segments, as well as the early-year contractual price adjustments in the mining segment and the OE business.

- **Earthmover tires:** Net sales were down sharply on the decline in volumes in the OE and Infrastructure segments, the unfavorable application of raw materials-based price indexation clauses, and the gain in the euro against the US dollar.
- **Agricultural tires:** Sales edged back under the impact of volume weakness, the application of raw materials-based price indexation clauses, and the gain in the euro against the US dollar.
- **Two-Wheel tires:** net sales retreated somewhat, primarily reflecting the unfavorable geographic mix and currency effect. The decline in demand was amply offset by significant market share gains.
- **Aircraft tires:** Penalized by the decline in the defense business, net sales were down compared with the exceptionally high prior-year period.



First-Quarter 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)**
- ❑ **Cooperation agreement signed with Chinese loader manufacturer XCMG (March 28)**
- ❑ **Six new Two-Wheel tires launched in international markets, all demonstrating the MICHELIN Total Performance strategy (March 28)**
- ❑ **Michelin innovates to help improve the energy efficiency of Citroën's Hybrid Air demonstrator (March 5)**
- ❑ **Road safety: Michelin and the FIA jointly warn of the dangers of talking on the phone while driving (February 19)**
- ❑ **Michelin confirmed as FIA Formula E Championship's official tire supplier (March 29)**

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



CONFERENCE CALL

The quarterly information for the period ended March 31, 2013 will be reviewed during a conference call in English later today (Monday April 22, 2013) at 6:30 pm CEST (5:30 UT). If you wish to participate, please dial-in one of the following numbers from 6:20 pm CEST:

- In France 01 70 77 09 34
- In the UK 0203 367 9453
- In the United States (866) 907 5923
- From anywhere else +44 203 367 9453

You may also listen to the conference call in the Finance section of www.michelin.com/corporate, where the presentation of first-quarter 2013 net sales is available for download.

INVESTOR CALENDAR

2013 interim net sales and earnings:

Wednesday, July 25, 2013 before start of trading

Quarterly information for the nine months ended September 30, 2013:

Monday, 28 October 2013 after close of trading

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