

PRESS INFORMATION

Clermont-Ferrand – April 23, 2012

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN Financial Information for the Three Months Ended March 31, 2012

Michelin Announces Net Sales of €5,304 Million, up 5% on First-Quarter 2011

- **Tire markets down overall, with a contrast between:**
 - **Passenger Car, Light Truck and Truck tires, where demand weakened as expected.**
 - **Specialty businesses, which remain buoyant.**

- **Sales volumes down 9.6%, as expected, due to:**
 - **A high basis of comparison with first-quarter 2011, when volumes were boosted by sales ahead of price increases, for which Michelin was the forerunner.**
 - **Ongoing dealer destocking over the quarter.**

- **A sharp 13.8% improvement in the price mix, primarily reflecting the impact of the 2011 price increases and contractual price adjustments, as well as the favorable shift in the sales mix.**

NET SALES (IN € MILLIONS)	1 st Quarter 2012	1 st Quarter 2011	% Change
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	2,760	2,683	+ 2.9%
TRUCK TIRES AND RELATED DISTRIBUTION	1,604	1,606	- 0.1%
SPECIALTY BUSINESSES ¹	940	759	+ 23.8%
GROUP TOTAL	5,304	5,047	+ 5.1%

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

□ **Outlook for full-year 2012**

Michelin confirms its objective of stable sales volumes over the full year, in a market environment that is more uncertain in Europe, resilient in North America and more vigorous in the growth regions.

Capital expenditure, in a projected amount of €1.9 billion, is focusing on the MICHELIN brand premium segments (mining tires, 17-inch and over tires, etc.), as well as on production capacity in the new markets.

Sustained price management in response to rising raw materials should amply offset their additional cost impact, which is still estimated at €300-350 million for the year.

Lastly, Michelin reaffirms its 2012 objective of reporting a clear increase in operating income and positive free cash flow, before the impact of the sale of the Paris building.



Market Review

□ PASSENGER CAR AND LIGHT TRUCK TIRES

First Quarter % change YoY (In number of tires)	EUROPE*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment	+ 1%	+ 22%	+ 12%	- 3%	+ 10%	+ 10%
Replacement	- 10%	- 7%	- 1%	+ 2%	+ 6%	- 5%

*Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- The European OE market rose slightly over the quarter, lifted by demand from specialty automakers but dampened by falling sales and tighter inventory management at broadline carmakers.
- The surge in the North American market was driven by demand for light vehicles, reflecting the high average age of local car fleets.
- In Asia (excluding India), the Chinese market was stable (up 0.1%) due to slowing demand for new cars as the economy glides into a soft landing. In Japan and South Korea, demand was up 32% compared with first-quarter 2011, which was impacted by the Japanese earthquake and tsunami. The Thai market has turned upwards after the floods in the final quarter of 2011.
- In South America, demand tracked vehicle registrations, according to the usual season trend shaped by the Carnival in Brazil.

▪ REPLACEMENT

- Growth in the European market suffered by comparison with a historically high first-quarter 2011, when sales rose sharply ahead of the announced price increases on April 1. It was also dragged down by sustained dealer destocking. Sell-out showed a more positive trend. Demand fell sharply in Spain (by 20%) and Italy (by 28%), but remained buoyant in Russia (up 8%), shaped by strong growth in the premium segments in a more favorable economic environment.
- Despite the recent upturn in average miles travelled, the North American market retreated over the period, in particular in the United States (down 8%) due to more hesitant demand and dealer inventory drawdowns.
- In Asia (excluding India), the Chinese market was stable (up 0.8%), reflecting temporary factors such as dealer inventory drawdowns and the traditional falloff in consumer spending after the New Year. Despite strong demand for winter tires, the Japanese market contracted by 5% in a highly export-driven economy.
- In South America, demand continued to trend upwards in Brazil (by 5%) despite the Carnival-related slowdown, but declined in Argentina.



□ TRUCK TIRES

First Quarter % change YoY (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original Equipment*	+ 0%	+ 22%	- 9%	- 25%	+ 35%	- 1%
Replacement*	- 27%	- 10%	- 6%	+ 3%	+ 11%	- 8%

*Radial market only

**Including Russia and Turkey

▪ ORIGINAL EQUIPMENT

- After rebounding sharply in 2011, the European market was stable in first-quarter 2012 despite the uncertain economic environment, reflecting the trend in new truck orders.
- The improvement in North American demand corresponded to the upturn in the truck market and the aging truck fleet.
- In Asia (excluding India), demand fell 16% in China, in line with the decline in truck and bus sales.
- In South America, the Brazilian market plummeted 28%, as expected after the sharp, late 2011 run-up in truck sales ahead of the introduction of Euro IV emissions standards.
- The surge in demand in the Africa-India-Middle East region was led by the growing shift to radials.

▪ REPLACEMENT

- Demand in Europe fell off sharply due the high basis of comparison with first-quarter 2011, when dealers built up inventory ahead of price increases. The steepest declines were in Germany (35%), Spain (35%) and Italy (40%). Dealers are taking advantage of the less drastic decline in sell-out to trucking companies to continue drawing down inventory. However, trucking companies remain hesitant in the face of economic uncertainty, as seen in the decrease in freight tonnages. The retread market did not decline as fast.
- In North America, the new tire market contracted as dealers tightened inventory management, but retread demand rose over the period. Freight tonnage returned to its historic highs.
- In Asia (excluding India), the Chinese market declined by 5% due to temporary factors. Demand dropped 23% in Japan compared with first-quarter 2011, which saw a surge in buying ahead of announced price increases, and was lifted in Southeast Asia by the post-flood upturn in economic activity and by the growth in Australia.
- Markets across South America rose over the period, albeit less strongly than in 2011 due in particular to the less buoyant economic environment and a certain leveling off in the Brazilian truck fleet.
- Markets remained dynamic in the Africa-India-Middle East region, despite less favorable conditions around the Caspian Sea, and demand continued to shift to radials.



□ SPECIALTY TIRES

- **EARTHMOVER TIRES:** original equipment and mining markets continued to expand, led by robust demand. Infrastructure markets rose only slightly over the period, primarily due to a slowdown in European demand.
- **AGRICULTURAL TIRES:** driven by high farm commodity prices, global OE demand was strong, notably for technical tires. Replacement demand was also sustained in the United States and emerging markets, but declined in Europe due to the uncertain economic outlook.
- **TWO-WHEEL TIRES:** motorcycle markets declined in Europe and North America.
- **AIRCRAFT TIRES:** demand trended upwards in general, lifted by higher passenger load factors.

Michelin Net Sales

□ OVERVIEW

(IN € MILLIONS)	1 st Quarter 2012	
NET SALES	5,304	
FIRST-QUARTER 2012 YOY CHANGE IN €M AND %		
TOTAL CHANGE	+ 257	+ 5.1%
OF WHICH VOLUMES	- 485	- 9.6%
PRICE MIX	+ 629	+ 13.8%
CURRENCY EFFECT	+ 113	+ 2.2%

Net sales totaled €5,304 million in the first three months of 2012, up 5.1% over the year-earlier period due to the combined impact of the following factors:

- **The expected decline (by 9.6%) in volumes**, given the high prior-year comparatives and ongoing dealer inventory drawdowns.
- **The sharp 13.8% improvement in the price mix**, reflecting both the €577-million impact of the 2011 price increases and the indexation clauses designed to offset higher raw materials costs and the €52-million impact of the improved sales mix. In all, the price mix amply offset the decline in volumes.
- **The positive 2.2% currency effect** from the gains in the US dollar, the Chinese yuan and other currencies against the euro.



□ NET SALES BY REPORTING SEGMENT

▪ PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales rose by 2.9% to €2,760 million in the first quarter,

- Sales volumes declined by 8.9%, as expected given the high prior-year comparatives due to the price increases introduced beginning as early as April 2011. They were also dampened by buyer hesitation in certain large markets and by ongoing dealer destocking.
- Over the quarter, net sales benefited from the full impact of the 2011 pricing policy and the favorable shift in the sales mix driven by the Group's premium strategy.

▪ TRUCK TIRES AND RELATED DISTRIBUTION

Net sales for the first quarter amounted to €1,604 million, virtually unchanged from the €1,606 million reported a year earlier.

- Sales volumes fell back 16.3%, dragged down by the collapse in European demand, notably in Southern Europe where Group holds historically strong positions. Volumes demonstrated better resistance in North America. Tire dealers continued to pursue the inventory drawdown policies introduced in second-half 2011.
- Net sales also reflected a favorable price effect due to an improved price positioning and the assertive strategy designed to improve the profitability of the Truck tire business.

▪ SPECIALTY BUSINESSES

Net sales by the Specialty Businesses rose 23.8% to €940 million in first-quarter 2012, led by both a 6.2% increase in tonnages sold and the favorable application of contract clauses indexing prices to raw materials costs. Capital projects have been announced to bring additional Earthmover production capacity on stream. In the meantime, volumes are expected to expand at the same pace throughout the rest of the year.

- **Earthmover tires:** consolidated net sales rose significantly, reflecting both the sharp increase in volumes and the favorable application of raw materials-based price indexation clauses. Net sales increased across every segment.
- **Agricultural tires:** sales climbed steeply, led by strong growth in OE volumes, while higher raw materials costs were passed along in prices.
- **Two-Wheel tires:** net sales were up for the period, in line with the increase in sales volumes and prices.
- **Aircraft tires:** consolidated sales rose on the price increases introduced to pass on higher raw materials costs.



First-Quarter 2012 Highlights

- ❑ **Standard & Poor's upgrades Michelin's credit rating to BBB+ (March 23, 2012)**
- ❑ **Global leadership in Earthmover tires strengthened with the construction of a new plant and the extension of another in North America (April 10, 2012)**
- ❑ **J.D. Power and Associates Reports: vehicle tire satisfaction influences vehicle brand and dealership service loyalty (March 29, 2012)**
- ❑ **First tire produced at Pau-Brasil plant (February 9, 2012)**
- ❑ **Detroit Auto Show - a major event for the MICHELIN brand (January 2012)**
- ❑ **Building at 46 Avenue de Breteuil in Paris sold for around €110 Million (March 30, 2012)**
- ❑ **New MICHELIN Pilot Alpin, MICHELIN Latitude Alpin and MICHELIN X-Ice Xi3 winter tires premiered (February 29, 2012)**
- ❑ **Latest Michelin technological innovations for the farming industry presented at the FIMA International Farm Machinery Fair in Spain (February 14-18, 2012)**
- ❑ **New Michelin Restaurants website launched in France**
- ❑ **Michel Rollier announces that Jean-Dominique Senard will succeed him at the Annual Shareholders Meeting on May 11, 2012**

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



CONFERENCE CALL

The quarterly information for the period ended March 31, 2012 will be reviewed during a conference call in English later today (Monday April 23, 2012) 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 37
- In the UK 0203 367 9461
- In the United States (866) 907 5925
- From anywhere else +44 203 367 9461

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

INVESTOR CALENDAR

2012 interim net sales and earnings:

Friday, July 27, 2012 before start of trading

Quarterly information for the nine months ended September 30, 2012:

Monday, 22 October 2012 after close of trading

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