PRESS RELEASE
Clermont-Ferrand – July 27, 2012

COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN
Financial Information for the Six Months Ended June 30, 2012

First-Half 2012

High profitability lifted by the Group's global strategy

Operating income before non-recurring items of €1,320 million and 12.3% of net sales

Free cash flow at breakeven

2012 Guidance

Clear increase in operating income before non-recurring items

Positive free cash flow

- **€1,320 million in operating income before non-recurring items, up 36% on 2011, reflecting:**
  - **The Group's strategy and competitive advantages:**
    - **Global footprint**
    - **High margins in the Specialty businesses**
    - **Premium positioning**
  - **The quality of its management**
    - **Favorable combination over the period of a strong price effect and a limited negative impact from raw materials costs**
    - **Improved margins in Truck tires**

- **Volumes down 8.3%, at a time of weak demand in Europe**

- **Free cash flow at breakeven**

- **Outlook for full-year 2012**

In a still uncertain market environment, mainly in Europe, Michelin's global presence across every market segment represents a competitive advantage. To strengthen it, the Group is pursuing an ambitious capital expenditure plan that is expected to total around €2 billion over the full year. The outlays are focused on building new capacity in growing markets, improving industrial productivity in mature markets and driving sustained technological innovation.

Confident in its strengths, Michelin confirms its full-year objective of reporting a clear increase in operating income before non-recurring items. Following the decline in demand in the first half, sales volumes are now expected to end the year down by 3% to 5%. However, this should be offset mainly by more favorable raw materials costs and a positive currency effect. Michelin also confirms its objective of generating positive free cash flow, before the impact of the sale of a property complex in Paris.

(IN € MILLIONS)	First-Half 2012	First-Half 2011
NET SALES	**10,706**	**10,105**
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**1,320**	**971**
OPERATING MARGIN BEFORE NON-RECURRING ITEMS	**12.3%**	**9.6%**
PASSENGER CAR AND LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	**10.6%**	**10.2%**
TRUCK TIRES AND RELATED DISTRIBUTION	**6.4%**	**3.5%**
SPECIALTY BUSINESSES	**27.4%**	**20.2%**
OPERATING INCOME AFTER NON-RECURRING ITEMS	**1,417**	**971**
NET INCOME	**915**	**667**
CAPITAL EXPENDITURE	**660**	**554**
NET DEBT	**2,177**	**2,319**
GEARING	**26%**	**27%**
FREE CASH FLOW[1]	**7**	**(634)**
EMPLOYEES ON PAYROLL[2]	**114,700**	**114,200**

[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 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%**	**+ 21%**	**+ 17%**	**- 7%**	**+ 9%**	**+ 10%**
Replacement	**- 11%**	**- 3%**	**- 0%**	**+ 0%**	**+ 3%**	**- 5%**

Second-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	**- 6%**	**+ 26%**	**+ 23%**	**- 9%**	**+ 8%**	**+ 12%**
Replacement	**- 11%**	**+ 0%**	**+ 0%**	**- 1%**	**- 1%**	**- 4%**

*Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - Dampened by the decline in output at volume carmakers, demand in Europe was down 4% despite sustained strong growth in Russia and the rest of Eastern Europe (up 17% overall).
  - The North American market was lifted by record new car sales as buyers replaced aging models, driving a 21% gain over the period.
  - In Asia (excluding India), demand rose by 17% overall. The market remained buoyant in China, up 7%, in line with passenger car sales, particularly of SUVs and executive sedans. Demand in Japan rose in comparison with a prior-year period that was severely impacted by the tsunami, while in the highly export-driven Southeast Asian countries, the market continued to expand (by 20%) despite the economic uncertainty.
  - South American markets ended the period down 7% overall. Demand in Brazil continued to slow after peaking in summer 2011.

- **REPLACEMENT**
  - In Europe, the replacement market fell back 11% from first-half 2011's high comparatives and is trending towards its 2009 levels, in an uncertain environment shaped by dealer inventory drawdowns and the expected decline in winter tire demand.
  - Demand in North America declined by 3%, in a mixed environment shaped by lower fuel prices, relatively stable average miles traveled and waning consumer confidence. Prior-year comparatives were high and growth was impacted by dealer destocking in the first quarter.
  - Markets in Asia (excluding India) were stable overall. Demand rose 4% in China despite slowing economic growth and declined in Japan (by 6%) and South Korea, two highly export driven economies penalized by the weak euro and economic uncertainty.

- The South American market was unchanged overall, but with wide variations among countries. In Brazil, demand was up a slight 3% thanks to steady sell-out.

TRUCK TIRES

First-Half 2012 2012/2011 (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment*	**- 2%**	**+ 18%**	**- 8%**	**- 26%**	**+ 33%**	**- 1%**
Replacement*	**- 26%**	**- 5%**	**- 7%**	**- 1%**	**+ 10%**	**- 7%**

Second-Quarter 2012 2012/2011 (in number of tires)	EUROPE**	NORTH AMERICA	ASIA (EXCLUDING INDIA)	SOUTH AMERICA	AFRICA INDIA MIDDLE EAST	TOTAL
Original Equipment	**- 3%**	**+ 16%**	**- 6%**	**- 27%**	**+ 31%**	**- 1%**
Replacement	**- 24%**	**- 2%**	**- 11%**	**- 2%**	**+ 9%**	**- 8%**

*Radial market only
**Including Russia and Turkey

- **ORIGINAL EQUIPMENT**
  - In Europe, the market ended the period down a limited 2%, with demand remaining almost unchanged month after month.
  - The North American market saw robust 18% growth, as new truck output exceeded orders during the period in an effort to shorten delivery times.
  - In Asia (excluding India), demand retreated by 8% overall. Following the decline in registrations, Chinese demand fell by a steep 15%, while the Southeast Asian market remained very active throughout the period, rising 36%. In Japan, OE demand rebounded by a strong 49% off of fairly low prior-year comparatives, which were impacted by the tsunami.
  - In South America, as expected, the OE market dropped 26% after Brazil introduced EURO V emissions standards. In addition, there are still large numbers of unsold EURO III-compliant trucks in inventory.

- **REPLACEMENT**
  - Even though transport demand eased back only slightly to 2009 levels during the first half, the European replacement market fell 26% over the period, primarily due to i) dealer inventory drawdowns in first-half 2012 in the face of an uncertain economy and ii) comparison with first-half 2011, when dealers stocked up ahead of announced price increases.
  - Freight demand remained high in North America, despite a slight slowdown in recent months. In this generally favorable environment, replacement markets contracted by 5%, impacted by the strong growth in OE sales, the availability of casings for retreading and the purchases by large accounts in 2011 ahead of price increases.
  - In Asia (excluding India), markets declined by 7% overall during the period. Demand in China softened by 8%, reflecting the slowdown in economic growth and decline in kilometers traveled. In the ASEAN countries, transportation demand remained as active as ever and tire markets expanded by 3% over

the period. The Japanese market was down 14% off of a high prior-year comparative, which was lifted by last year's price increases.

- The South American market eased back a slight 1%. In Brazil, the stricter application of customs inspections reduced imports and weighed on demand in general, which declined by 4%. In the rest of the region, the continued shift to radials helped to drive sustained market growth.

❑ SPECIALTY TIRES

- **EARTHMOVER TIRES**: The mining sector is continuing to expand, led by sustained demand for ore, oil and gas, and the market remains tight, especially for large tires. The original equipment market rose over the first half in mature markets, albeit to a lesser extent in Europe due to the prevailing economic uncertainty. Demand for tires used in infrastructure projects and quarries is still growing in every market except Western Europe.

- **AGRICULTURAL TIRES**: Worldwide OE demand is rising, especially in the high-powered farm machinery segment. On the other hand, the replacement market fell sharply in Europe due to the economic situation and in North America for weather reasons.

- **TWO-WHEEL TIRES**: Dragged down 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. The cargo market declined over the period.

First-Half 2012 Net Sales and Earnings

❑ NET SALES

Consolidated net sales amounted to €10,706 million, up 6.0% at current exchange rates compared with first-half 2011.

The favorable price-mix added 11.1% to reported sales. €942 million corresponded to the price increases implemented primarily in 2011 and the still positive impact from the contractual indexation clauses based on raw materials prices. It also comprised the €91 million sales-mix effect, which improved despite the relative growth in original equipment and replacement volumes.

The 8.3% fall-off in volumes reflected the weak market environment, particularly in the mature markets of Europe and North America.

The positive 4.0% currency effect resulted from the gains in the US dollar, the Chinese yuan and other currencies against the euro.

❑ Earnings

Consolidated operating income before non-recurring items amounted to €1,320 million or 12.3% of net sales in the first six months of 2012, compared with the €971 million and 9.6% reported in first-half 2011. The €97-million capital gain on the sale of a property complex in Paris was recognized in non-recurring income.

The €349-million increase in operating income before non-recurring items mainly reflected the positive price mix (€1,033 million, of which €942 million from price increases), which favorably combined with the less negative impact from raw materials costs (€292 million). Unfavorable factors included the decline in volumes (€391 million), the Group's extensive growth investments (start-up costs and expenditures in the new markets – €71 million), higher production costs and expenses (€88 million) and the adverse impact on productivity of production slowdowns in the second quarter (€13 million). The currency effect was a positive €137 million.

In all, net income for the year came to €915 million.

❑ Net Financial Position

Free cash flow ended the period at **breakeven (€7 million)**, with the increase in growth investments offset by available cash flow and the proceeds from the sale of a property complex in Paris.

At June 30, 2012, **gearing stood at 26% while net debt** amounted to €2,177 million.

❑ Segment Information

€ millions	Net sales		Operating income before non-recurring income and expenses		Operating margin before non-recurring income and expenses	
	H1-2012	H1-2011	H1-2012	H1-2011	H1-2012	H1-2011
Passenger Car and Light Truck Tires and Related Distribution	**5,501**	**5,252**	**581**	**535**	**10.6%**	**10.2%**
Truck Tires and Related Distribution	**3,269**	**3,266**	**209**	**115**	**6.4%**	**3.5%**
Specialty Businesses	**1,936**	**1,587**	**530**	**321**	**27.4%**	**20.2%**
Group	**10,706**	**10,105**	**1,320**	**971**	**12.3%**	**9.6%**

- **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 €5,501 million, up 4.7% compared with the first six months of 2011.

The amply favorable price mix, which offset the impact of higher raw materials costs and the 6.4% decline in volumes, and the demonstration of the Group's technological advantages to its carmaker partners helped to lift operating income before non-recurring items to €581 million, or 10.6% of net sales, from €533 million and 10.2% as reported in first-half 2011.

- **TRUCK TIRES AND RELATED DISTRIBUTION**

Net sales in the Truck Tires and Related Distribution segment stood at €3,269 million, steady compared with first-half 2011, while operating income before non-recurring items came to €209 million, or 6.4% of net sales, versus €115 million and 3.5% as reported in the year-earlier period. Margins improved, notably in North America, and benefited in the first half from declining raw materials costs and the full impact of previously introduced price increases, despite the 15.5% decrease in volumes.

- **SPECIALTY BUSINESSES**

Net sales by the Specialty Businesses rose by 22.0% to €1,936 million in the first six months of 2012.

At €530 million or 27.4% of net sales, operating income before non-recurring income and expenses confirmed these businesses' structurally high profitability. The 3.5% increase in tonnages sold and the significant contribution from the Earthmover Tires business were amplified by the impact of contractual pricing clauses, which remained favorable ahead of the significant reduction scheduled for July 1 due to the decline in raw materials costs. In addition, the euro/US dollar exchange rate had a favorable impact, albeit to a lesser extent.

Compagnie Générale des Etablissements Michelin

Compagnie Générale des Etablissements Michelin reported a profit of €351 million in first-half 2012.

The financial statements were presented to the Supervisory Board at its meeting on July 23, 2012. The audit was completed and the auditors' report was issued on the same date.

First-Half 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)**

- **Moody's upgrades Michelin's credit rating to Baa1 (April 24, 2012)**

- **First Passenger Car and Light Truck tire produced at Pau-Brasil plant (February 9, 2012)**

- **Building at 46 Avenue de Breteuil in Paris sold for around €110 Million (March 30, 2012)**

- **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, 2012)**

- **New MICHELIN Restaurants website launched in France (May 25, 2012)**

- **Michelin successfully places €400 million seven-year notes issue**

- **Michelin supports safer bus transportation during the London Olympic games: "communicating" MICHELIN tires equipped with RFID chips to enable safer, more efficient mobility (June 21, 2012)**

- **Michel Rollier hands over the reins to Jean-Dominique Senard at the Annual Shareholders Meeting on May 11, 2012**

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

PRESENTATION AND CONFERENCE CALL

First-half 2012 results will be reviewed with analysts and investors during a conference call in English – with simultaneous interpreting in French – today, Friday July 27, 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 29 (Français)
• In France	01 70 77 09 43 (English)
• In the UK	0203 367 9455 (English)
• In the United States	(866) 907 5925 (English)
• From anywhere else	+44 203 367 9455 (English)

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

INVESTOR CALENDAR

- **Quarterly information for the nine months ended September 30, 2012:**
  Monday, 22 October 2012 after close of trading
- **2012 net sales and results:**
  Tuesday, February 12, 2013 before start of trading

2012 INTERIM FINANCIAL REPORT

The interim financial report for the six months ended June 30, 2012 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, 2012.
- The consolidated financial statements and notes for the period.
- The statutory auditors' review report on the interim financial information for 2012.

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