COMPAGNIE GENERALE DES ÉTABLISSEMENTS MICHELIN Financial Information for the Nine Months Ended September 30, 2017

Nine Months 2017 €16.4 billion in net sales, up 6.0%, led by volume gains and efficient pricing management

2017 guidance confirmed, in line with the Ambitions 2020 plan

- Tire market environment in line with the second quarter
 - o Original equipment demand trending upwards in every segment,
 - o Replacement markets down slightly in the mature regions,
 - Sustained rebound in mining tire demand.
- Nine-month volumes up 2.8%, lifted by early dealer buying in the first quarter, the recovery in mining tire sales throughout the nine months and a return to normal dealer inventory levels.
- Acquisitions added 0.6% to growth.
- Faster improvement in the price-mix effect in the third quarter, to a positive 5%, for a total 2.6% impact over the first nine months, reflecting:
 - o The implementation of all of the announced price increases,
 - The favorable mix effect, primarily reflecting 21% growth in volumes in the premium 18-inch and larger segment
- The currency effect reduced net sales by 3.7% in the third quarter and was neutral over the full nine months.

NET SALES (IN € MILLIONS)	Third Quarter			Nine Months			
	2017	2016	% change	2017	2016	% change	
PASSENGER CAR/LIGHT TRUCK TIRES & RELATED DISTRIBUTION	2,979	2,964	+0.5%	9,242	8,880	+4.1%	
TRUCK TIRES & RELATED DISTRIBUTION	1,564	1,533	+2.0%	4,605	4,440	+3.7%	
SPECIALTY BUSINESSES ¹	792	682	+16.1%	2,547	2,151	+18.4%	
GROUP TOTAL	5,335	5,179	+3.0%	16,394	15,471	+6.0%	

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

• 2017 quidance confirmed

In the final months of 2017, regardless of prevailing winter weather conditions, replacement markets are expected to gradually move back in line with their long-term trend. Demand for original equipment tires should continue to expand in the Truck, Earthmover and Agricultural segments, with slower growth in the Passenger car and Light truck business. Sales of mining tires, which have been rebounding since late 2016, should also continue to enjoy strong growth.

In the second half, changes in the price mix and raw materials costs are expected to have a net positive impact, as announced. For the full year, the impact of higher raw materials costs is currently estimated at approximately $\mathcal{E}(800)$ million.

For the full year, Michelin confirms its targets of volume growth in line with global market trends, operating income from recurring activities exceeding the 2016 figure, excluding the currency effect currently estimated at between €(110) million and €(120) million, and structural free cash flow of more than €900 million.



Market Review

PASSENGER CAR AND LIGHT TRUCK TIRES

Nine months 2017 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	South America	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment	+2%	+1%	-3%	+3%	+19%	+8%	+3%
Replacement	+3%	+1%	-1%	+5%	+5%	+2%	+3%

Third-quarter 2017 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	Asia (excluding India)	South America	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment Replacement	+3%	+2%	-9%	+4%	+22%	+6%	+2%
	+1%	-1%	-2%	+4%	-1%	+2%	+1%

^{*}Including Turkey.

In the first nine months of 2017, the global original equipment and replacement Passenger car and Light truck tire market grew by 3% in number of tires sold.

ORIGINAL EQUIPMENT

- The European market returned to growth in the third quarter after an extremely mixed first half. The recovery underway in Eastern Europe has gained momentum quarter after quarter, with demand rising 11% over the first nine months.
- The slowdown in North America is deepening, with a 9% contraction in the third quarter leading to a 3% decline over the first nine months.
- Demand in Asia (excluding India) ended the nine-month period up 3% overall, with the Chinese market also gaining 3% after a recovery in the third quarter (up 2%) offset a lackluster second quarter.
- In South America, despite a tire-buying environment shaped by gloomy consumer confidence and unfavorable exchange rates, demand rebounded 19%, as automobiles were seen almost as a safe haven in Argentina or an investment that could no longer be postponed in Brazil.

REPLACEMENT

- After a very strong start to the year ahead of the announced price increases, the European market cooled in the following two quarters. The winter, all-season, 18-inch and larger and budget segments are continuing to enjoy robust demand. In Eastern Europe, growth remained firm throughout the period, with an 18% increase off of favorable prior-year comparatives. Budget imports are continuing to pour into both Western and Eastern Europe at a sustained pace.
- In North America, the market ended the first nine months down 1%, shaped by early buying in the first quarter, the impact of the hurricanes that devastated the southern United States in the third quarter, and the sustained rise in tire imports over the entire period.
- Demand in Asia (excluding India) ended the first nine months up 5% overall. The Chinese market remained robust, gaining 7% over the period, supported by strong demand for mobility in the Tier 5 cities. While expanding 6% over the first nine



months, demand in Japan turned downwards in September following the build-up in dealer winter tire inventory. The ASEAN markets have been expanding slowly but surely since the beginning of the year, with periodic buying spurts ahead of price increases.

o Markets in South America slowed in the third quarter, particularly in Brazil, where demand had surged in the first half on the back of Asian imports.

TRUCK TIRES (RADIAL AND BIAS)

9 months 2017 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	South America	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment Replacement	+7%	+6%	+10%	+19%	+8%	-7%	+12%
	+6%	+5%	+3%	+1%	+5%	-3%	+2%

Third-quarter 2017 % change YoY (in number of tires)	EUROPE INCLUDING RUSSIA & CIS*	EUROPE EXCLUDING RUSSIA & CIS*	NORTH AMERICA	ASIA (EXCLUDING INDIA)	South America	AFRICA/INDIA/ MIDDLE EAST	TOTAL
Original equipment Replacement	+7%	+6%	+23%	+20%	+23%	+8%	+17%
	+4%	+2%	+12%	-1%	+5%	-2%	+2%

^{*}Including Turkey.

Global demand for new original equipment and replacement Truck tires rose by 4% in number of tires sold in the first nine months of 2017, while retread markets contracted over the period, particularly in Europe.

ORIGINAL EQUIPMENT

- The Western European market expanded by 6%, buoyed by truck purchases in response to low interest rates and sustained demand for overland transport. In Eastern Europe, the rebound that began in late 2016 continued apace, driving a 16% gain over the period.
- The upturn in the North American market picked up steam, led by demand for freight services in a favorable economy.
- Demand for radial and bias tires in Asia (excluding India) climbed 19% overall. Growth remained as robust as ever in China, as the legislation limiting truck size and weight spurred a 23% increase in the market. Demand rose by a solid 7% in Thailand, while truck production continued to slow in Japan, leading to a 3% decline in the market.
- The South American market has rebounded, gaining 8% since the beginning of the year and 23% in the third quarter alone, lifted by exports from Brazil-based manufacturers despite the continued slowdown in truck registrations.

REPLACEMENT

o In the highly competitive Western European market, where dealer inventory remains high, demand ended the first nine months up 5%, but the pace of growth slackened somewhat in the third quarter, to just 2% in a market driven by the intermediate and



- budget segments and by Asian imports. In Eastern Europe, the market rose by 10%, as the rebound that began in late 2016 continued apace.
- Demand in North America, which ended the first nine months up 3%, gained momentum in the third quarter, when it jumped 12% in response to the logistics and freight transport needs of a still robust economy.
- The markets for replacement radial and bias tires in Asia (excluding India) have risen by 1% overall since the beginning of the year. Demand in China was flat over the period, held back by the robust OE market and by the impact of emissions controls. In Southeast Asia, where demand rose by 4% overall, the market climbed by a brisk 17% in Japan thanks to dealer winter tire buying, but continued to soften, by 4%, in Thailand. Radial technology enjoyed another period of strong growth in the ASEAN markets.
- The South American radial and bias tire market has expanded by 5% since the beginning of the year, thanks to the 13% upturn in demand in Brazil in an improving economy.

SPECIALTY TIRES

- **EARTHMOVER TIRES:** after three straight years of decline, mining tire markets are rebounding as inventory drawdowns bottom out and mine production recovers.
 - Original equipment markets have turned sharply upwards at a time of low inventory and rising demand for mining machines.
 - Demand for infrastructure and quarry tires is improving, lifted by the favorable economic environment.
- AGRICULTURAL TIRES: original equipment markets have cooled since the beginning of the year, but have enjoyed a sharp, unexpected upturn in OEM demand since the end of the second quarter.
 - Replacement markets fell back in the third quarter after expanding in the first half on early dealer buying ahead of price increases.
- **Two-Wheel tires:** motorcycle tire markets are expanding in the mature regions and are also trending upwards in the emerging economies.
- **AIRCRAFT TIRES:** Demand in the commercial aircraft segment continued to grow, led by the rise in passenger traffic.



Michelin Net Sales

Consolidated Net Sales

(In € MILLIONS AND %)	Third Qu	Third Quarter 2017		Nine Months 2017		
NET SALES	5,	5,335		,394		
		ANGE ON-YEAR		ANGE ON-YEAR		
TOTAL CHANGE	+156	+3.0%	+923	+6.0%		
OF WHICH VOLUMES*	+52	+1.0%	+424	+2.8%		
PRICE MIX	+259	+5.0%	+404	+2.6%		
CURRENCY EFFECT	-193	-3.7%	+5	+0.0%		
CHANGES IN SCOPE OF CONSOLIDATION	+38	+0.7%	+90	+0.6%		

^{*}In tonnes.

Net sales for the first nine months of 2017 totaled \leq 16,394 million, an increase of 6.0% from the \leq 15,471 million reported a year earlier. This was attributable to the net impact of the following factors:

- A €424 million increase from the 2.8% growth in volumes, reflecting, as announced, the first-quarter surge in early buying and the subsequent easing of demand over the rest of the period.
- A €404 million increase from the favorable 2.6% price-mix effect. As announced, the price effect advanced rapidly over the period, from a negative 1.0% in the first quarter to a positive 2.1% in the second and a positive 4.4% in the third, to end the nine months at a positive 1.8%, reflecting both price increases in the replacement business and contractual adjustments following application of raw materials indexation clauses. The mix effect added 0.8% to growth, thanks to the still highly positive product mix and the favorable impact of the rebound in the mining tire business, which was somewhat dampened by the unfavorable impact of the relative growth rates of OE and replacement tire sales.
- A €90 million increase from changes in the scope of consolidation, particularly the first-time consolidation of Levorin, a Brazilian two-wheel tiremaker, and NexTraq, a US telematics solutions provider.

NET SALES BY REPORTING SEGMENT

Passenger car and Light truck tires & related distribution

Given an unfavorable currency effect, net sales in the Passenger car and Light truck tires & related distribution business stood at €9,242 million for the first nine months of 2017, up 4.1% from €8,880 million the year before.

 Volumes ended the period up 2.2%, following the sharp rise in the first quarter due to early buying ahead of price increases and the subsequent easing in the second quarter.



- The positive price effect reflected the impact of price increases at a time of rising raw materials costs and the impact of indexation clauses in the OE business, which has been positive since July.
- The mix effect remains favorable, thanks to the success of the MICHELIN CrossClimate+ and MICHELIN Pilot Sport 4S lines, which in particular helped to drive strong 21% growth in sales of 18-inch and larger MICHELIN-brand tires.

■ TRUCK TIRES & RELATED DISTRIBUTION

Taking into account the unfavorable currency effect, nine-month net sales in the Truck tires & related distribution business amounted to €4,605 million, up 3.7% from the €4,440 million reported in the year-earlier period.

- Volumes edged back a slight 1.1%, reflecting the priority focus on raising prices and improving margins in the third quarter, in line with the target of achieving operating margin on recurring activities of 9% to 13% by 2020.
- The more favorable price effect stemmed from the price increases implemented to offset rising raw materials costs and the application of raw materials indexation clauses.

SPECIALTY BUSINESSES

Net sales by the Specialty businesses stood at €2,547 million in the first nine months of 2017, up 18.4% from €2,151 million the year before.

This increase was attributable to the robust 14.6% growth in volumes related to the continued rebound in demand for the Group's mining tires and the clear upturn in Earthmover and Agricultural tire sales. Indexation clauses, which were still resulting in price cuts in the first half, began yielding price increases in July.

- Earthmover tires: net sales rose over the period, lifted by growth in sales volumes and the application of raw materials indexation clauses.
- Agricultural tires: net sales increased, led by growth in volumes. The sudden upturn in the OE market is having an adverse impact on service levels in the replacement segment.
- Two-Wheel tires: the increase in net sales (excluding Levorin) was driven by growth in volumes, which was evenly spread between the recreational and commuting segments. The consolidation of Levorin is supporting the growth strategy in South America.
- o Aircraft tires: net sales were stable, with gains in the commercial radial segment thanks to demand for NZG technology.



Third-Quarter 2017 Highlights

- MICHELIN ROADBIB, the agricultural tire that holds the road (June 13, 2017)
- Michelin acquires NexTraq, a telematics solutions provider, to expand its commercial fleet management capabilities in the United States (June 14, 2017)
- 24 Hours of Le Mans: Michelin notches up its 20th consecutive success (June 19, 2017)
- Michelin and Safran develop the first connected aircraft tire (June 20, 2017)
- A new global reorganization project to better serve Michelin customers (June 22, 2017)
- MICHELIN[®] X[®]TRA LOAD: record productivity for rigid dump trucks (July 3, 2017)
- Acquisition of a 40% stake in Robert Parker Wine Advocate, the world's most widely read independent consumers' guide to fine wine (July 5, 2017)
- Michelin Enduro: a new line delivering more grip (August 28, 2017)
- Michelin acquires a 40% minority stake in restaurant guide Fooding[®] (September 1, 2017)
- Michelin presents the Vision wheel, its concept for the tire of the future (September 6, 2017)
- Rubberway: an application that charts best practices in the natural rubber supply chain (September 7, 2017)
- Michelin at the 67th Frankfurt International Motor Show (September 14, 2017)
- Michelin is included in the FTSE4Good index (September 18, 2017)
- MICHELIN ACORUS, a wheel that bends but won't break (September 27, 2017)
- MICHELIN, a brand denoting trust and progress, according to the Reputation Institute for the third year in a row (September 27, 2017)
- Michelin signs an agreement with Ashok Leyland (AL) to supply the new X Guard range for AL's Captain line of trucks and other medium commercial vehicles (October 10, 2017)

A full description of third-quarter 2017 highlights may be found on the Michelin website: http://www.michelin.com/eng



PRESENTATION AND CONFERENCE CALL

The quarterly information for the period ended September 30, 2017 will be reviewed during a conference call in English later today (Thursday, October 19, 2017) at 6:30 pm, CEST. Practical information concerning the call may be found at http://www.michelin.com/eng.

You may follow the presentation with slideshow synchronization at http://www.michelin.com/eng

If you would like to participate in the conference call, please phone one of the following numbers:

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 In the United Kingdom
 In North America
 From anywhere else
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 (855) 402 7761
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INVESTOR CALENDAR

• 2017 net sales and results:

February 12, 2018 after close of trading

Quarterly information for the three months ending March 31, 2018:

April 23, 2018 after close of trading

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