

**COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN**  
**Financial Information for the Six Months Ended June 30, 2017**

**Net income of €863 million, up 12%**  
**Volumes up 4.1% (3.6% at constant scope of consolidation)**  
**Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap**  
**2017 guidance confirmed**

- **Volumes up 4.1% (3.6% at constant scope of consolidation) over the first half, dampened in Q2 by heavy buying in Q1 ahead of price increases**
  - **Growth in Passenger car and Light truck tire volumes (up 3%) and stable volumes in Truck tires,**
  - **Sustained rebound in mining tire demand and sharp upturn in OE Earthmover and Agricultural tire sales,**
  - **Acquisition of Brazilian two-wheel tiremaker Levorin in December 2016.**
- **Price-mix effect positive, at 1.4% in the first half, accelerating to 2.8% in Q2, reflecting the initial impact of price increases and resulting, as announced, in a €186 million net negative price-mix/raw materials effect over the period.**
- **Competitiveness plan gains offset inflation, as expected.**
- **Free cash flow of a negative €305 million, in line with annual objectives**
  - **Stable, excluding acquisitions and capitalized interest on the OCEANE bonds,**
  - **Working capital management in response to the unfavorable impact of higher raw materials prices.**

**Jean-Dominique Senard, Chief Executive Officer, said: "Michelin's good performance, compared with a strong first-half 2016, is in line with our 2020 roadmap. The main drivers of the period include an increase in volumes, tight pricing policy management, further improvements in our competitiveness and the commitment of our employees to serving customers. Today, we are confirming our guidance for 2017, with a second half that will benefit from the improved margins resulting from the price increases."**

□ **Outlook**

**Over the second half of the year, regardless of prevailing winter weather conditions, replacement markets are expected to recover from their decline after the surge in early buying. Demand for original equipment tires should remain on an upward trend in the Truck, Earthmover and Agricultural segments, with growth slowing in the Passenger car and Light truck segment. Sales of mining tires are expected to remain buoyant.**

**Given the full-year impact of higher raw materials costs, which are currently estimated at €800 million, Michelin will continue to agilely manage prices, holding unit margins firm in businesses not subject to indexation clauses and applying those clauses in businesses that are. As a result, changes in the price mix and raw materials costs are expected to have a net positive impact in the second half of the year.**

**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 at constant exchange rates, and structural free cash flow of more than €900 million.**

(IN € MILLIONS )	First-Half 2017	First-Half 2016
NET SALES	<b>11,059</b>	<b>10,292</b>
OPERATING INCOME FROM RECURRING ACTIVITIES	<b>1,393</b>	<b>1,405</b>
OPERATING MARGIN ON RECURRING ACTIVITIES	<b>12.6%</b>	<b>13.7%</b>
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	<b>12.8%</b>	<b>13.8%</b>
TRUCK TIRES AND RELATED DISTRIBUTION	<b>7.5%</b>	<b>9.9%</b>
SPECIALTY BUSINESSES	<b>20.8%</b>	<b>20.6%</b>
OPERATING INCOME/(LOSS) FROM NON-RECURRING ACTIVITIES	<b>27</b>	<b>(51)</b>
OPERATING INCOME	<b>1,420</b>	<b>1,354</b>
NET INCOME	<b>863</b>	<b>769</b>
EARNINGS PER SHARE <sup>1</sup> (IN €)	<b>4.76</b>	<b>4.24</b>
CAPITAL EXPENDITURE	<b>585</b>	<b>623</b>
NET DEBT	<b>1,685</b>	<b>1,719</b>
GEARING	<b>16%</b>	<b>18%</b>
EMPLOYEE BENEFIT OBLIGATIONS	<b>4,570</b>	<b>5,273</b>
FREE CASH FLOW <sup>2</sup>	<b>(305)</b>	<b>8</b>
EMPLOYEES ON PAYROLL <sup>3</sup>	<b>112,800</b>	<b>112,400</b>

<sup>1</sup> Attributable to shareholders of the Company.

<sup>2</sup> Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.

<sup>3</sup> At period-end.

## Market Review

### • PASSENGER CAR AND LIGHT TRUCK TIRES

First-Half 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	+1%	+1%	+1%	+3%	+13%	+8%	+3%
Replacement	+4%	+2%	+1%	+5%	+7%	+2%	+4%

Second-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	-4%	-4%	-1%	+1%	+8%	+4%	-0%
Replacement	+0%	-2%	-1%	+3%	+7%	+3%	+1%

\*Including Turkey.

In the first half of 2017, the global original equipment and replacement Passenger car and Light truck tire market grew by 3% in number of tires sold. It rose by 5% in the first quarter, driven by purchases ahead of the price hikes announced by most tire makers, and by 1% in the second quarter as demand cooled.

#### ▪ ORIGINAL EQUIPMENT

- In Europe, after expanding by a very brisk 6% in the first quarter, demand fell off sharply in the second, losing 4%, with a decline in vehicle sales in the United Kingdom and Germany. The recovery underway in Eastern Europe is gaining momentum quarter after quarter.
- Demand continued to show signs of slowing in North America, with a 1% decline in the second quarter following on from a 2% increase in the first.
- Demand in Asia (excluding India) ended the first half up 3% overall. The Chinese market held firm, gaining a further 3%, despite adjustments to the government's compact car purchase incentives.
- Markets also rose in South America, more robustly in the first quarter thanks to the recovery in automobile production and sales in Argentina and Brazil, but they remain vulnerable to the region's political uncertainties.

#### ▪ REPLACEMENT

- Demand in Western Europe contracted by 2% in the second quarter after gaining a very healthy 5% in the first due to early buying ahead of price increases. This was against a backdrop of slower sales to end customers and high dealer inventory levels. Sales in the 18-inch and over and all-season segments rose sharply over the period. Growth remained firm throughout the first half in Eastern Europe, with a 16% 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 announcement of forthcoming price hikes caused the market to swing from a 3% increase in the first quarter to a 1% decline in the second. Note as well that import sales rose by 5% over the full period, which also saw strong demand for tires with high speed ratings.
- Demand in Asia (excluding India) ended the first half up 5% overall. In China, the announced price increases drove a 12% gain in the market in the first quarter, which slowed to 2% in the second, leaving dealers with high inventory amid relatively sluggish sell-out. Markets in Japan (up 6%) and South Korea rose sharply until May, lifted by early buying ahead of the price

hikes, but fell back suddenly in June. Growth continued apace throughout the first half in the ASEAN countries, except in Thailand, where early buying had an impact.

- o Demand in South America rose by 7% overall, with the Brazilian market gaining 10% on a 70% increase in imports from Asia.

- **TRUCK TIRES (radial and bias)**

First-Half 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	+6%	+6%	+4%	+17%	-3%	-8%	+9%
Replacement	+7%	+6%	-2%	+3%	+3%	-3%	+1%

Second-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	+3%	+2%	+14%	+16%	-0%	-14%	+9%
Replacement	+2%	+3%	-9%	-3%	-0%	-3%	-3%

\*Including Turkey.

Global demand for new original equipment and replacement Truck tires rose by 3% in number of tires sold in the first six months of 2017, with increases in replacement sell-in prices spurring a 7% gain in the first quarter followed by a 3% contraction in the second and with robust 9% growth in the OE segment over the full period.

- **ORIGINAL EQUIPMENT**

- o The Western European market expanded by 6%, buoyed by low interest rates, sustained demand for freight services and renewed truck sales in the recovering construction industry. In Eastern Europe, the rebound that began in late 2016 continued, driving an 11% gain.
- o After dropping 19% in 2016, the North American market enjoyed a sharp rebound in the second quarter, led by demand for freight services.
- o Demand for radial and bias tires in Asia (excluding India) climbed 17% overall. The Chinese market rebounded by a very strong 22%, thanks to the legislation banning over-loaded trucks and the government's infrastructure investment plan. Demand rose by a robust 10% in Thailand, helping to offset the 5% slowdown in truck production in Japan due to weakening export sales.
- o The South American market fell back 3% in a still hesitant economic environment, both across the entire region and in Brazil, where demand has leveled off.

- **REPLACEMENT**

- o In a more favorable Western European freight and construction environment, high dealer inventory levels following the price increases are weighing on sell-in demand, whose increase is being partially driven by imports. In Eastern Europe, where markets are led by the intermediate and budget segments, demand bounced back by 7% over the first half, but with a sharp slowdown to 1% in the second quarter.
- o In North America, the steep 9% drop in the second quarter reflected a prior-year basis of comparison that had been boosted by Chinese tire imports ahead of the expected introduction of new customs duties. In addition, sales of new trucks to replace aging models, which drove the second-quarter rebound in the OE market, also dampened demand for replacement tires.

- Replacement radial and bias tire markets in Asia (excluding India) ended the first half down by 3%. In China, demand increased by 3% overall, but contracted by 6% in the second quarter due to the decline in the freight market, the restructuring of certain dealers and, in June, heavy rains in the South. In Southeast Asia, where the market gained 3% overall, the robust 11% rebound in Japan helped to offset the 3% decline in Thailand, where demand was dampened by price increases.
- Radial and bias tire markets in South America edged up 3% over the first half, despite a slowdown at period-end caused by price increases and high dealer inventory levels. In Brazil, demand rose by 10% in an improving economy.

- **SPECIALTY TIRES**

- **EARTHMOVER TIRES:** after three straight years of decline, the mining tire markets rebounded in first-half 2017, as inventory drawdowns bottomed out and production recovered. Original equipment markets have turned upwards at a time of low inventory and rising demand for mining machines. Infrastructure and quarry tire markets also rose over the period, partly in response to the announced price increases by tiremakers.
- **AGRICULTURAL TIRES:** original equipment markets declined in the mature geographies, but have seen an unexpected upturn in OEM demand since the second quarter. Despite low farm commodity prices, replacement markets expanded over the period, led by dealer purchases ahead of announced price increases.
- **TWO-WHEEL TIRES:** demand for motorcycle tires rose in the mature markets, while emerging markets also remained on an upward trend.
- **AIRCRAFT TIRES:** demand in the commercial aircraft segment continued to grow, led by the increase in passenger traffic.

## First-Half 2017 Net Sales and Earnings

- **NET SALES**

Net sales for the first six months of 2017 totaled €11,059 million, an increase of 7.5% from the year-earlier period that was attributable to the net impact of the following factors:

- a €372 million increase from the 3.6% growth in volumes, along with a €52 million gain from the first-time consolidation of Brazilian two-wheel tiremaker Levorin;
- a €145 million increase from the favorable 1.4% price-mix effect (of which a negative 0.1% in the first quarter and a positive 2.8% in the second). The price effect added a net €60 million, comprising €67 million in price increases in non-indexed businesses to offset the impact of higher raw materials costs, less the €7 million in price adjustments in the businesses subject to raw materials indexation clauses. The positive mix effect added another net €85 million, reflecting the still highly positive product mix and the favorable impact of the rebound in the mining tire business, partially offset by the unfavorable impact of the relative growth rates of OE and replacement tire sales;
- a €198 million increase from the favorable currency effect, primarily stemming from the US dollar.

- **RESULTS**

**Consolidated operating income from recurring activities** amounted to €1,393 million or 12.6% of net sales in the first six months of 2017, compared with €1,405 million and 13.7% in first-half 2016. The €27 million in net operating income from non-recurring activities corresponded to gains on amendments to the US post-retirement healthcare plan and the UK pension plan, which were partially offset by changes in the fair value of non-current assets.

Operating income from recurring activities was first shaped by growth in volumes, which contributed €139 million. As announced, the €145 million positive price-mix effect partially offset the full-period €331 million negative impact of higher raw materials costs. In line with the implementation schedule, the competitiveness plan delivered €146 million in gains that helped to absorb the €142 million increase in production costs and overheads. Lastly, the currency effect added €37 million to the reported figure.

**In all, net income for the period came to €863 million, an increase of 12%.**

- NET FINANCIAL POSITION

Taking into account the negative free cash flow, the payment of €585 million in dividends and the €101 million in share buybacks, gearing stood at 16% at June 30, 2017, unchanged from a year earlier and corresponding to net debt of €1,685 million, compared with gearing of 9% and net debt of €944 million at December 31, 2016.

- SEGMENT INFORMATION

In € millions	NET SALES		OPERATING INCOME FROM RECURRING ACTIVITIES		OPERATING MARGIN ON RECURRING ACTIVITIES	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION	<b>6,263</b>	<b>5,916</b>	<b>800</b>	<b>814</b>	<b>12.8%</b>	<b>13.8%</b>
TRUCK TIRES & RELATED DISTRIBUTION	<b>3,041</b>	<b>2,907</b>	<b>229</b>	<b>288</b>	<b>7.5%</b>	<b>9.9%</b>
SPECIALTY BUSINESSES	<b>1,755</b>	<b>1,469</b>	<b>364</b>	<b>303</b>	<b>20.8%</b>	<b>20.6%</b>
GROUP	<b>11,059</b>	<b>10,292</b>	<b>1,393</b>	<b>1,405</b>	<b>12.6%</b>	<b>13.7%</b>

- PASSENGER CAR/LIGHT TRUCK TIRES AND RELATED DISTRIBUTION

Net sales in the Passenger car/Light truck tires and related distribution segment rose by 5.9% to €6,263 million, from €5,916 million in the prior-year period.

Operating income from recurring activities came to €800 million or 12.8% of net sales, versus €814 million and 13.8% in first-half 2016.

The change was primarily attributable to the 3% growth in sales volumes and the improvement in the price mix, which offset almost all of the impact of higher raw materials prices. The still favorable mix effect reflected the success of the MICHELIN CrossClimate+ and MICHELIN Pilot Sport 4S lines, which drove strong growth in sales of MICHELIN brand tires (up 4%) and 18-inch and larger tires (up 23%). Sales of other Group brands grew 3 % over the period.

- TRUCK TIRES & RELATED DISTRIBUTION

Net sales in the Truck tires and related distribution segment amounted to €3,041 million in the first half of 2017, a 4.6% increase from the €2,907 million reported a year earlier.

Operating income from recurring activities amounted to €229 million or 7.5% of net sales, compared with €288 million and 9.9% in first-half 2016.

The change primarily reflected the stable volume performance, stemming from the priority focus on raising prices to deliver higher margins in the second half. New products and services continued

to be introduced over the period, which was shaped by the success of the MICHELIN X Multi, MICHELIN X Works, intermediate tire lines and Tire Care services.

- **SPECIALTY BUSINESSES**

Net sales by the Specialty businesses stood at €1,755 million for the period, compared with €1,469 million a year earlier.

Operating income from recurring activities stood at €364 million or 20.8% of net sales, versus €303 million and 20.6% in first-half 2016.

The increase stemmed from the robust 16% growth in volumes, led by the sustained rebound in demand for the Group's mining tires and the sharp upturn in Earthmover and Agricultural original equipment sales. This amply offset the impact of higher raw materials costs and continued price reductions over the period in application of contractual indexation clauses.

## **COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN**

Compagnie Générale des Établissements Michelin ended the first half with net income of €906 million, compared with €1,338 million in the first six months of 2016.

The financial statements were presented to the Supervisory Board at its meeting on July 24, 2017. A review was performed by the statutory auditors, who issued their related report on July 25, 2017.

## First-Half 2017 Highlights

- **Successful issue of non-dilutive, cash-settled convertible bonds (January 5, 2017)**
- **MICHELIN PILOT SPORT 4S, the new ultra high performance tire, is among the first tires in its category to be rated A in wet grip (for the 19-inch model) (January 2017)**
- **Michelin North America announces broad price increase (January 31, 2017)**
- **Michelin raises tire prices in Europe in response to rising raw materials costs (February 3, 2017)**
- **MICHELIN X<sup>®</sup> FORCE<sup>™</sup> ZL: the new genuinely tough all-terrain tire for small civilian and military trucks (February 14, 2017)**
- **Launch of a €100 million share buyback program (February 17, 2017)**
- **MICHELIN CrossClimate+: better, longer lasting performance in every season (February 27, 2017)**
- **Four new MICHELIN mountain bike tire ranges (March 13, 2017)**
- **The new Alpine A110 fitted with MICHELIN Pilot Sport 4 tires (March 21, 2017)**
- **Harley-Davidson selects MICHELIN for its new Street Rod<sup>™</sup> model (March 30, 2017)**
- **General Motors and Michelin, a shared vision of sustainable rubber tree farming (May 18, 2017)**
- **MICHELIN Vision concept tire: an expression of mobility for the future (June 13, 2017)**
- **Movin'On: it's time to take action for sustainable mobility (June 13, 2017)**
- **Michelin acquires NexTraq, a telematics provider, to expand fleet management capabilities for commercial trucks in the United States (June 14, 2017)**
- **24 Hours of Le Mans: Michelin notches up its 20<sup>th</sup> 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)**
- **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 and SIFCA own 89.15% of outstanding SIPH shares (July 12, 2017)**

A full description of first-half 2017 highlights  
may be found on the Michelin website: <http://www.michelin.com/eng>



## PRESENTATION AND CONFERENCE CALL

First-half 2017 results will be reviewed with analysts and investors during a presentation today, Tuesday July 25, at 6:30 p.m. CEST. The event will be in English, with simultaneous interpreting in French.

## Webcast

The presentation will be webcast live on [www.michelin.com/eng](http://www.michelin.com/eng)

### Conference call

Please dial-in on one of the following numbers from 6:20 p.m. CEST:

- In France 01 70 77 09 29 (French)
- In France 01 70 77 09 44 (English)
- In the United Kingdom 0203 367 9462 (English)
- In North America (855) 402 7763 (English)
- From anywhere else +44 (0) 203 367 9462 (English)

The presentation of financial information for the six months ended June 30, 2017 (press release, presentation, interim financial report) may also be viewed at <http://www.michelin.com/eng>, along with practical information concerning the conference call.

## INVESTOR CALENDAR

- **Financial information for the nine months ending September 30, 2017:**  
Thursday, October 19, 2017 after close of trading

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