PRESS RELEASE
Clermont-Ferrand – February 12, 2018

COMPAGNIE GENERALE DES ÉTABLISSEMENTS MICHELIN
Financial information for the year ended December 31, 2017

2017: Another year of progress, in line with the 2020 objectives
Strong structural free cash flow, at €1.5 billion for the year
€2,742 million in operating income from recurring activities,
up €145 million at constant exchange rates
Net income higher year on year, at €1,693 million

2018: Sustained progress, on track to achieve the ambitions set for 2020

- **Strong structural free cash flow, at €1.5 billion for the year.**
- **Operating income from recurring activities of €2,742 million, or 12.5% of net sales, up €145 million at constant exchange rates.**
  - **Determined Group strategy to offset the more than €700 million increase in raw materials costs, resulting in a neutral impact versus raw materials headwind on the non-indexed businesses.**
  - **Sustained market share gains in 18-inch and larger tires (MICHELIN brand sales up 19% in a segment up 13%), with a price positioning in line with the brand reputation.**
  - **Competitiveness plan gains exceeded inflation by €36 million, in line with objectives.**
  - **Highly competitive markets, especially in Europe, which are weighing on the dealership operations.**
- **Specialty businesses: operating income from recurring activities up more than 30% and strong growth across every division.**
- **Proposed dividend of €3.55 per share, representing a payout of 36% of consolidated net income excluding non-recurring items in line with the Group's commitment to shareholders, to be submitted to shareholders at the Annual Meeting on May 18, 2018.**

Jean-Dominique Senard, Chief Executive Officer, said: "In 2017, the Michelin Group performed in line with its 2020 roadmap. The strength of its brand and its technological leadership helped to drive 2.6% growth and deliver historically high net income of €1,693 million, demonstrating the Group's agility in a more challenging business environment. Michelin is pursuing the acquisitions that will support its ambitions for growth and value creation. The introduction of the new organization in early 2018 will deepen employee engagement to enhance customer service, while enabling us to meet our competitiveness objectives. In this way, the Group is confidently moving into another year of progress in 2018 while pursuing its strategy in tires, services, experiences and materials."

Outlook

In 2018, the Passenger car/Light truck and Truck tire markets are expected to experience modest growth over the year, while the mining tire, agricultural original equipment and earthmover original equipment markets should remain buoyant.

Given the market conditions, price management will make it possible to generate a net positive effect from changes in the price mix and raw materials costs, assuming an estimated €50-€100 million increase in raw materials prices. Based on January 2018 exchange rates, the currency effect would reduce full-year operating income from recurring activities by around €300 million.

In this environment, Michelin's objectives for 2018 are volume growth in line with global market trends, operating income from recurring activities exceeding the 2017 figure at constant exchange rates, and structural free cash flow of more than €1.1 billion.

MICHELIN
A BETTER WAY FORWARD

(IN € MILLIONS)	2017	2016
NET SALES	**21,960**	**20,907**
OPERATING INCOME FROM RECURRING ACTIVITIES	**2,742**	**2,692**
OPERATING MARGIN ON RECURRING ACTIVITIES	**12.5%**	**12.9%**
PASSENGER CAR/LIGHT TRUCK TIRES & RELATED DISTRIBUTION	**12.4%**	**13.1%**
TRUCK TIRES & RELATED DISTRIBUTION	**8.1%**	**9.7%**
SPECIALTY BUSINESSES	**20.6%**	**18.6%**
OPERATING INCOME/(LOSS) FROM NON-RECURRING ACTIVITIES	**(111)**	**99**
OPERATING INCOME	**2,631**	**2,791**
NET INCOME	**1,693**	**1,667**
EBITDA FROM RECURRING ACTIVITIES	**4,087**	**4,084**
CAPITAL EXPENDITURE	**1,771**	**1,811**
NET DEBT	**716**	**944**
GEARING	**6%**	**9%**
EMPLOYEE BENEFIT OBLIGATIONS	**3,969**	**4,763**
FREE CASH FLOW[1]	**+662**	**+1,024**
STRUCTURAL FREE CASH FLOW[2]	**+1,509**	**+961**
ROCE	**11.9%**	**12.1%**
EMPLOYEES ON PAYROLL[3]	**114,069**	**111,708**
EARNINGS PER SHARE	**€9.39**	**€9.21**
DIVIDEND PER SHARE[4]	**€3.55**	**€3.25**

[1] Free cash flow: net cash from operating activities less net cash used in investing activities less net cash from other current financial assets, before distributions.

[2] Structural free cash flow: free cash flow before acquisitions, adjusted for i) the impact of changes in raw materials costs on trade payables, trade receivables and inventories; and ii) the payment of interest on the zero-coupon 2017 OCEANE convertible bonds at maturity.

[3] At period-end.

[4] 2017 dividend to be submitted to shareholder approval at the Annual Meeting on May 18, 2018.

Market Review

- PASSENGER CAR AND LIGHT TRUCK TIRES

2017/2016 (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%**	**-4%**	**+2%**	**+20%**	**+7%**	**+2%**
Replacement	**+4%**	**+2%**	**0%**	**+4%**	**+9%**	**+2%**	**+3%**

Fourth quarter 2017/2016 (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	**+5%**	**+4%**	**-6%**	**-1%**	**+15%**	**+2%**	**0%**
Replacement	**+2%**	**+2%**	**+1%**	**0%**	**+10%**	**+3%**	**+2%**

*Including Turkey.

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

- **ORIGINAL EQUIPMENT**
  - Demand in Europe rose by 2% overall during the year, reflecting the combined impact of a 1% increase in Western Europe (lifted by a 4% gain in the final quarter) and a robust 14% upsurge in the Eastern European countries.
  - The North American market ended the year down 4%, as demand tumbled 8% in the second half after holding firm in the first, in line with the decline in automobile production.
  - Demand in Asia (excluding India) rose by 2% overall in 2017. Growth in China cooled to 2% as a result of both rising SUV and luxury car sales and declining demand for compact cars following a reduction in government incentives. Demand was up 5% in Japan and stable in South Korea.
  - South American markets delivered a sharp 20% upturn, driven by both domestic and export sales.
- **REPLACEMENT**
  - The European market saw a 4% overall increase during the year. Demand in Western Europe edged back 1%, as gains in Spain (up 5%), France (up 3%) and Germany (up 1%) were offset by declines in the United Kingdom (down 8%) and, to a lesser extent, the Nordic countries (down 4%). Markets in Central Europe and Eastern Europe reported robust growth, ending the year up 12% and 16% respectively. Sales of all-season tires remained firm throughout the year, with strong growth in Europe. Winter tire demand was boosted by year-end weather conditions.
  - The North American market was flat for the year, although after two straight quarters of decline, demand picked up 1% in the final three months. The 5% contraction in Mexico was offset by the 7% gain in Canada, while in the United States, the favorable economic environment failed to move the market off of last year’s levels.
  - Demand in Asia (excluding India) rose by 4%, as sustained growth in China (up 7%) made up for the tepid 1% increase in Japan.
  - The South American market rebounded 9%, with a 15% gain in Brazil led by a significant, exchange rate-driven increase in Asian imports.

- TRUCK TIRES (radial and bias)

2017/2016 (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	**+8%**	**+7%**	**+10%**	**+26%**	**+18%**	**-3%**	**+17%**
Replacement	**+4%**	**+2%**	**+4%**	**0%**	**+8%**	**-3%**	**+1%**

Fourth quarter 2017/2016 (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	**+12%**	**+12%**	**+9%**	**+26%**	**+65%**	**+11%**	**+20%**
Replacement	**-3%**	**-3%**	**+2%**	**-3%**	**+12%**	**0%**	**-1%**

*Including Turkey.

Supported by rising demand for overland transport in a favorable economic environment, the number of new radial and bias **Truck** tires sold worldwide rose by 4% in 2017. The year was shaped by a sharp 17% surge in original equipment sales and, in the replacement segment, by heavy buying in the first quarter ahead of the price increases announced across the industry and the subsequent easing of demand in the following quarters (for a 1% increase overall).

- **ORIGINAL EQUIPMENT**
  - The European market delivered an 8% increase for the year, benefiting from low interest rates and truck purchases in response to the sustained demand for overland transport. In the Eastern European countries, an improving economy helped to drive a 14% rebound in the market.
  - In North America, the market enjoyed a rebound during the year, gaining 10% as the favorable economic environment encouraged trucking companies to upgrade their fleets.
  - Demand for radial and bias tires in Asia (excluding India) jumped 26% overall, led by the very robust 32% growth in China, where legislation limiting truck size and weight drove higher demand over the first three quarters. Sustained growth in the Thai market offset softer demand in Japan.
  - The South American market bounced back in the second half, surging 40% and ending the year up 18%, supported by the first signs of an economic recovery in Brazil and by export sales.

- **REPLACEMENT**
  - The European market rose by 4% over the year, led by demand from the freight and construction industries. The overall gain reflected growth in France (up 7%), Turkey (up 9%) and Russia (up 10%), flat demand in Germany and declines in Italy (down 2%) and Spain (down 3%).
  - Demand in North America ended the year up 4%, as a slight decline in the first half was offset by a return to sustained growth in the second, led by the favorable economic environment. Growth slowed to 2% in the fourth quarter, due to comparison with year-earlier demand, which was boosted by early buying of Chinese tires ahead of proposed import duties.
  - Replacement radial and bias tire markets in Asia (excluding India) leveled off during the year. Demand edged up just 1% in China, held back by the robust OE market and by the impact of emissions controls. It also improved by 3% in Japan, but declined by 3% in Thailand. Radial technology enjoyed another period of strong growth in the ASEAN markets.
  - The South American radial and bias tire market rebounded by a strong 8% in 2017, thanks in particular to the improving economy in Brazil.

- Specialty tires

- **Earthmover tires**: after three straight years of decline, the mining tire markets rebounded by 15% in 2017, as inventory drawdowns bottomed out, production at both multinational and mid-sized mining companies recovered, and demand for outsourcing reappeared.

  Original equipment markets turned sharply upwards, by 25% excluding China, 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 ended 2017 up 10%, as the early-year slowdown gave way to a sharp, unexpected upturn in OEM demand in the second quarter.

  Replacement markets fell back slightly in the second half after expanding in the first six months 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 increase in passenger traffic.

2017 Net Sales and Results

- Net sales

Net sales stood at €21,960 million for the year, up 5.0% from 2016 due to the combined impact of the following factors:

- a €543 million increase from the 2.6% growth in volumes;
- a €668 million or 3.2% increase from the favorable price-mix effect. As announced, the positive price effect (2.5%) had a rapidly increasing impact over the year, from a negative 1.0% in the first quarter to a positive 2.1% in the second, a positive 4.4% in the third and a positive 4.4% in the fourth, reflecting both the price increases in the replacement segment and the contractual adjustments following application of raw materials indexation clauses in the indexed businesses. The mix effect added 0.7% to growth, thanks to the still highly positive product mix and the favorable impact of the rebound in the mining tire business, which were somewhat dampened by the unfavorable impact of the relative growth rates of OE and replacement tire sales;
- a €261 million decrease from the currency effect;
- a €103 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.

- Results

Consolidated operating income from recurring activities amounted to €2,742 million or 12.5% of net sales, compared with the €2,692 million and 12.9% reported in 2016. Operating income/(loss) from non-recurring activities represented a loss of €111 million, corresponding primarily to costs related to the reorganization and alignment of Group operations, which were partially offset by gains on changes to the health coverage plan in the United States and to the pension plan in the United Kingdom.

Operating income from recurring activities was first shaped by growth in volumes, which contributed €207 million. Higher raw materials prices had a €738 million negative impact, which was almost entirely covered by effective management of the price mix. The residual impact was limited to a negative €70 million for the year, stemming mainly from the delayed application of raw materials clauses in the indexed businesses. The €315 million in savings from the ongoing competitiveness plan amply absorbed the €279 million increase in production costs and overheads. Lastly, unfavorable movements in exchange rates reduced operating income from recurring activities by €95 million over the year.

Net income came in at a historically high **€1,693 million**.

- NET FINANCIAL POSITION

Free cash flow ended the year at **€662 million**, a decrease of €362 million that reflected the €476 million in acquisition outlays.

Based primarily on this free cash flow, less the payment of €585 million in dividends and the €101 million in share buybacks, consolidated **gearing stood at 6%** at December 31, 2017, corresponding to net debt of €716 million, compared with gearing of 9% and net debt of €944 million at December 31, 2016.

When compared with the weighted average cost of capital for the year, the 11.9% after-tax return on capital employed attests that Michelin created value in 2017.

- SEGMENT INFORMATION

In € millions	NET SALES		OPERATING INCOME FROM RECURRING ACTIVITIES		OPERATING MARGIN ON RECURRING ACTIVITIES	
	2017	2016	2017	2016	2017	2016
PASSENGER CAR/LIGHT TRUCK TIRES & RELATED DISTRIBUTION	**12,479**	**12,105**	**1,552**	**1,585**	**12.4%**	**13.1%**
TRUCK TIRES & RELATED DISTRIBUTION	**6,123**	**5,966**	**497**	**580**	**8.1%**	**9.7%**
SPECIALTY BUSINESSES	**3,358**	**2,836**	**693**	**527**	**20.6%**	**18.6%**
GROUP	**21,960**	**20,907**	**2,742**	**2,692**	**12.5%**	**12.9%**

- **PASSENGER CAR/LIGHT TRUCK TIRES & RELATED DISTRIBUTION**

  Net sales in the Passenger car/Light truck tires & related distribution segment rose by 3.1% in 2017, to €12,479 million from €12,105 million in 2016.

  Operating income from recurring activities came to €1,552 million or 12.4% of net sales versus the €1,585 million and 13.1% reported in 2016.

  In addition to the unfavorable currency effect, the change in operating margin on recurring activities was primarily attributable to the 2% growth in volumes and the impact of higher prices and the positive product mix, which offset the increase in raw materials costs. Part of the margin contraction was also caused by the dilutive impact of the price increases and unfavorable exchange rate movements.

- **TRUCK TIRES & RELATED DISTRIBUTION**

  Net sales in the Truck tires & related distribution segment amounted to €6,123 million in 2017, versus €5,966 million a year earlier.

  Operating income from recurring activities amounted to €497 million or 8.1% of net sales, compared with €580 million and 9.7% the year before.

  In addition to the adverse currency effect, the margin erosion reflects the priority focus on preserving unit margins and the 2% decrease in volumes over the year, with the increase in raw materials costs being offset by the favorable impact of higher prices and the improved product mix. Part of the margin contraction was also caused by the dilutive impact of the price increases and unfavorable exchange rate movements.

- **SPECIALTY BUSINESSES**

  In all, net sales by the Specialty Businesses increased by 18.4% year-on-year, to €3,358 million from €2,836 million in 2016.

  Operating income from recurring activities amounted to €693 million, versus a reported €527 million in 2016, for a margin of 20.6% of net sales.

  The improvement corresponded to 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 factor and the price increases introduced in both the indexed and non-indexed businesses amply outweighed the impact of higher raw materials costs and the negative currency effect.

Compagnie Générale des Établissements Michelin

Compagnie Générale des Établissements Michelin ended the year with net income of €1,029 million, compared with net income of €1,416 million in 2016.

The financial statements were presented to the Supervisory Board at its meeting on February 9, 2018. An audit was performed and the auditors' reports on the consolidated and company financial statements were issued on February 12, 2018.

The Chief Executive Officer will call an Annual Shareholders Meeting on Friday, May 18, 2018 at 9:00 am in Clermont-Ferrand.

He will ask shareholders to approve the payment of a dividend of €3.55 per share, compared with €3.25 in respect of the previous year.

2017 Highlights

- **Michelin introduces the Pilot Sport 4S, the industry-leading sports sedan tire that outperforms all its rivals in track trials. (January 19, 2017)**
- **Michelin Sascar expands its fleet services portfolio in Mexico by acquiring the business assets of Copiloto Satelital. (March 2017)**
- **At the Movin'On summit, Michelin presents the Vision wheel, its concept for future tires designed using its latest innovations (metal 3D printing, bio-materials and smart solutions). (June 13, 2017)**
- **Michelin acquires NexTraq, a North American provider of commercial fleet telematics. (June 14, 2017)**
- **With Porsche, Michelin notches up its 20th consecutive victory at the 24 Hours of Le Mans. (June 19, 2017)**
- **Michelin and Safran develop the first connected aircraft tire. (June 20, 2017)**
- **Michelin announces a global reorganization project to address the emerging expectations of its customers, improve their satisfaction, simplify its operating procedures and speed up its digitalization. (June 22, 2017)**
- **Michelin acquires a 40% stake in restaurant guide Le Fooding, whose quirky approach to fine dining fits well with the Michelin Guide. (September 1, 2017)**
- **In partnership with Maxion, Michelin presents its ACORUS technology that makes tires safer and more durable. (September 27, 2017)**
- **Michelin signs agreement with Ashok Leyland to supply the new X Guard range of truck radials for the Captain line of long and medium-distance commercial vehicles. (October 10, 2017)**
- **XPO Logistics awards pan-European tire management contract to MICHELIN solutions. (October 10, 2017)**
- **Michelin, a brand denoting trust and progress, according to the Reputation Institute for the third year in a row. (September 27, 2017)**
- **Acquisition of PTG and Téléflow, both industry leaders in tire pressure control and inflation systems for the agricultural market. (November 13, 2017)**
- **Michelin sells its stake in Double Coin Warrior Tire Co., its joint-venture with Huayi Group. (November 20, 2017)**
- **MICHELIN solutions launches four digital services revolutionizing fleet management. (November 23, 2017)**
- **MICHELIN guide Bangkok released. (December 6, 2017)**
- **Issued capital reduced by €100 million through the cancellation of shares acquired under the buyback program. (December 14, 2017)**
- **Michelin and Sumitomo Corporation agree to form a 50-50 joint venture that will be the second largest wholesale tire dealer in the United States. (January 3, 2018)**
- **Successful issue of $600 million in non-dilutive, cash-settled convertible bonds due 2023. (January 5, 2018)**

A full description of 2018 highlights
may be found on the Michelin website: http://www.michelin.com/eng

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A BETTER WAY FORWARD

PRESENTATION AND CONFERENCE CALL
Full-year 2017 results will be reviewed with analysts and investors during a presentation today, Monday, February 12, at 6:30 pm CET. The event will be in English, with simultaneous interpreting in French.

Webcast

The presentation will be webcast live on www.michelin.com/eng

Conference call
Please dial-in on one of the following numbers from 6:20 pm CET:

- In France — 01 70 71 01 59 (French), access code: 161 690 67#
- In France — 01 72 72 74 03 (English), access code: 150 572 81#
- In the United Kingdom — (0) 207 194 3759 (English), access code: 150 572 81#
- In North America — (844) 286 0643 (English), access code: 150 572 81#
- From anywhere else — +44 (0)207 194 3759 (English), access code: 150 572 81#

The presentation of financial information for 2017 (press release, presentation, annual report, financial highlights and consolidated financial statements for the year) may be viewed at http://www.michelin.com/eng, along with practical information concerning the conference call.

INVESTOR CALENDAR

- **Quarterly information for the three months ending March 31, 2018:**
  Monday, April 23, 2018 after close of trading
- **First-half 2018 net sales and results:**
  Tuesday, July 23, 2018 after close of trading

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