2017 FIRST-HALF FINANCIAL REPORT

MICHELIN
A BETTER WAY FORWARD

CONTENTS

1 / PRESS RELEASE

PRESS RELEASE

Clermont-Ferrand – July 25, 2017

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS 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	11,059	10,292
Operating income from recurring activities	1,393	1,405
Operating margin on recurring activities	12.6%	13.7%
Passenger car/Light truck tires and related distribution	12.8%	13.8%
Truck tires and related distribution	7.5%	9.9%
Specialty businesses	20.8%	20.6%
Operating income/(loss) from non-recurring activities	27	(51)
Operating income	1,420	1,354
Net income	863	769
Earnings per share[1] *(in €)*	4.76	4.24
Capital expenditure	585	623
Net debt	1,685	1,719
Gearing	16%	18%
Employee benefit obligations	4,570	5,273
Free cash flow[2]	(305)	8
Employees on payroll[3]	112,800	112,400

(1) Attributable to shareholders of the Company.
(2) Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.
(3) 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 tiremakers, 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.
- 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%

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	+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

- 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.
- After dropping 19% in 2016, the North American market enjoyed a sharp rebound in the second quarter, led by demand for freight services.
- 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.
- 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

- 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.
- 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

	Net sales		Operating income from recurring activities		Operating margin on recurring activities	
(in € millions)	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Passenger car/Light truck tires and related distribution	6,263	5,916	800	814	12.8%	13.8%
Truck tires & related distribution	3,041	2,907	229	288	7.5%	9.9%
Specialty businesses	1,755	1,469	364	303	20.8%	20.6%
GROUP	**11,059**	**10,292**	**1,393**	**1,405**	**12.6%**	**13.7%**

/ 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® FORCE™ 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™ 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 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).
- 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

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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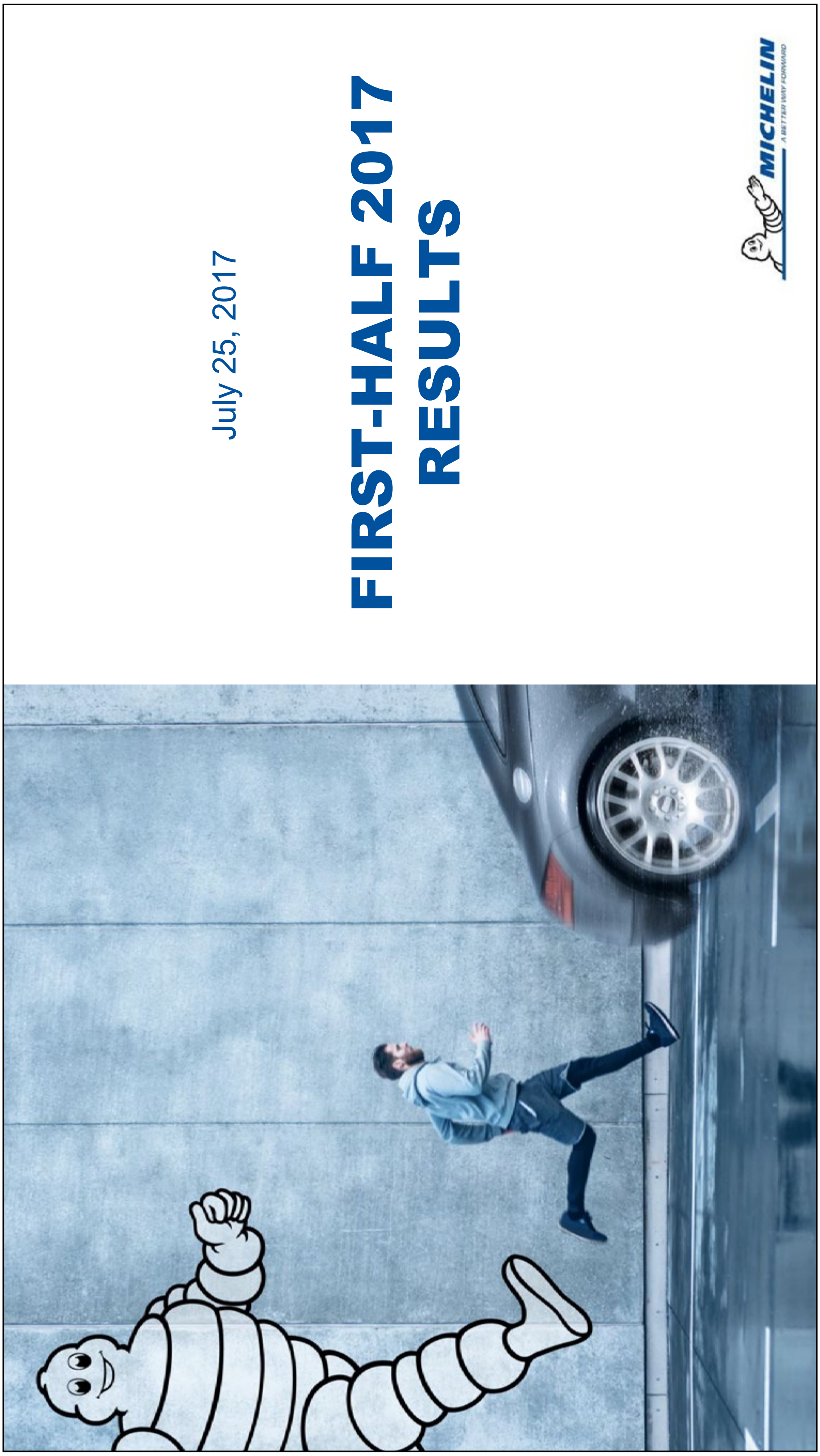
2 SLIDESHOW


FIRST-HALF 2017
RESULTS
July 25, 2017
MICHELIN
A BETTER WAY FORWARD

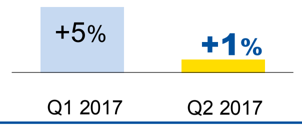
Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap

- Volumes up 4.1% (3.6% at constant scope of consolidation) 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 Truck tire volumes
  - Sustained rebound in Earthmover tire demand and much faster growth in OE Agricultural tire sales,
  - Acquisition of Brazilian two-wheel tiremaker Levorin in December 2016.
- Price-mix effect positive, at 1.4%, 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
- Competitiveness plan gains offset inflation, as expected
- Net income of €863 million, up 12%
- Free cash flow stable, (-€29 million), before acquisitions and capitalized interest on OCEANE bonds, despite the impact of higher raw materials costs
- 2017 guidance confirmed

2 First-Half 2017 Results – July 25, 2017

Expanding markets in H1, dampened in Q2 by Q1 early buying

PASSENGER CAR: +3%



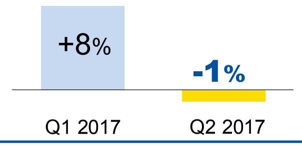
Global OE: +3%

- Growth led by the new markets. Europe, North America and China up over the first half but down in Q2

Global RT: +4%

- Sustained growth in China and the new markets. Europe and North America up, with a decline in Q2 after the Q1 surge in early buying

TRUCK: +3%



Global OE: +9%

- Strong growth in China, Europe and India; rebound in North America in Q2

Global RT: +1%

- Sudden slowdown in Q2 (especially in North America and China) after the Q1 buying ahead of price increases

SPECIALTY: +8%/+10%

- Mining tires: demand lifted by the end of destocking and rising production
- OE Earthmover tires: upturn
- OE Agricultural tires: signs of a rebound in Q2
- RT Agricultural and Infrastructure tires: markets supported by price hikes
- Aircraft* and Two-Wheel** tires: continued growth

* *Commercial aircraft*

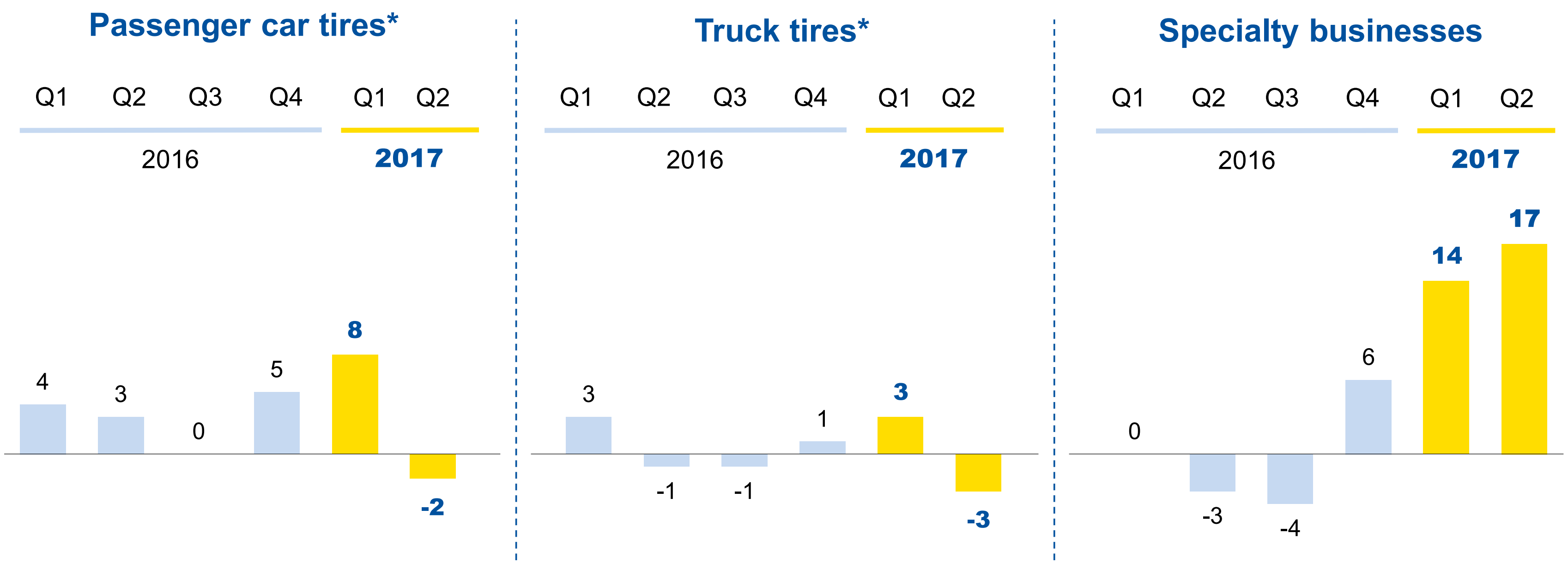
** *Motorcycle tires in Europe, the United States and Japan*

Source: Michelin

3 First-Half 2017 Results – July 25, 2017

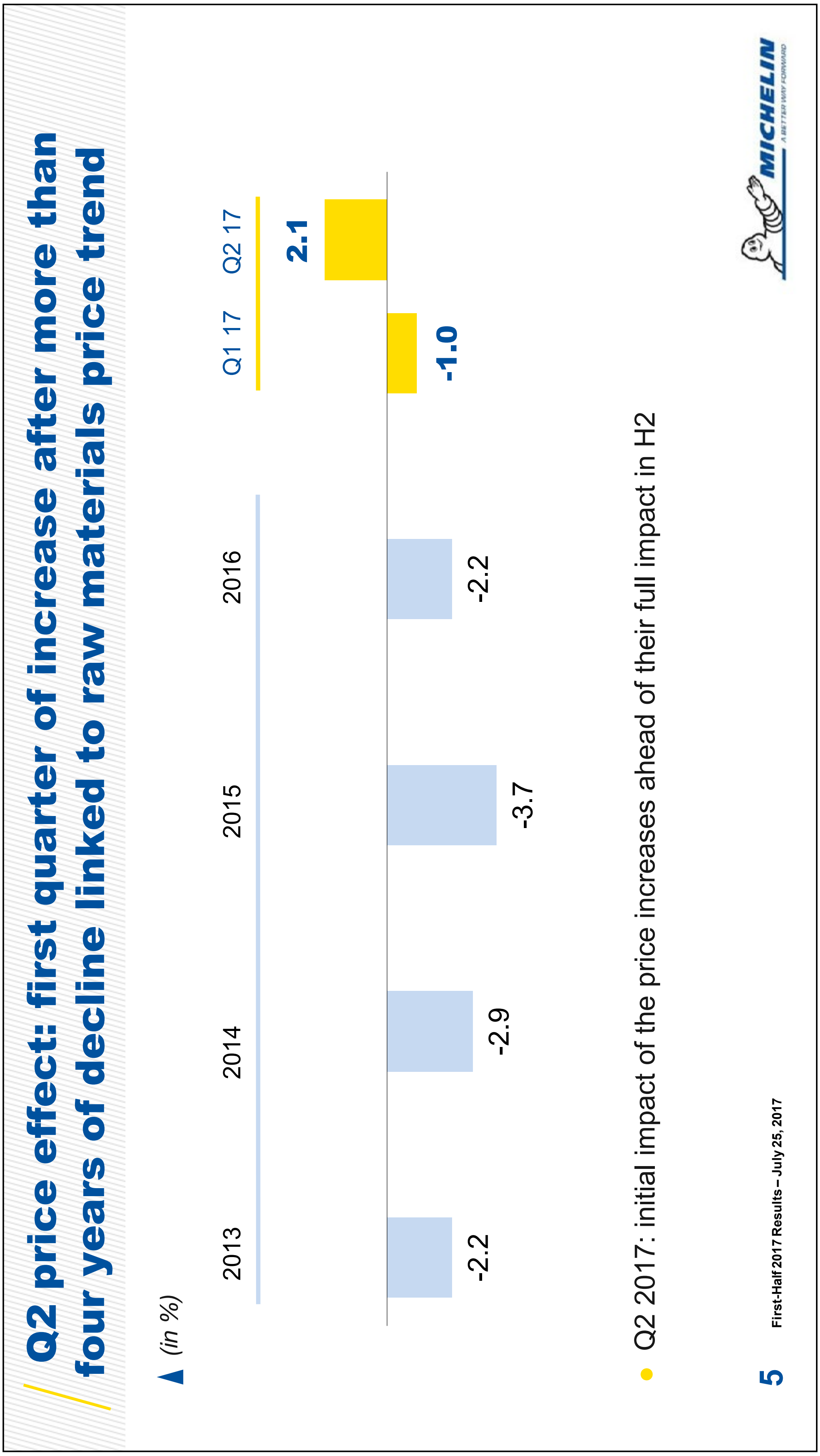
Q2 volumes dampened by early buying in PC and Truck tires; strong growth in Specialty businesses

▲ YoY quarterly change
(in %)



* & related distribution

4 First-Half 2017 Results – July 25, 2017


Q2 price effect: first quarter of increase after more than four years of decline linked to raw materials price trend
(in %)
2013
2014
2015
2016
Q1 17
Q2 17
-2.2
-2.9
-3.7
-2.2
-1.0
2.1
Q2 2017: initial impact of the price increases ahead of their full impact in H2
5
First-Half 2017 Results – July 25, 2017
MICHELIN
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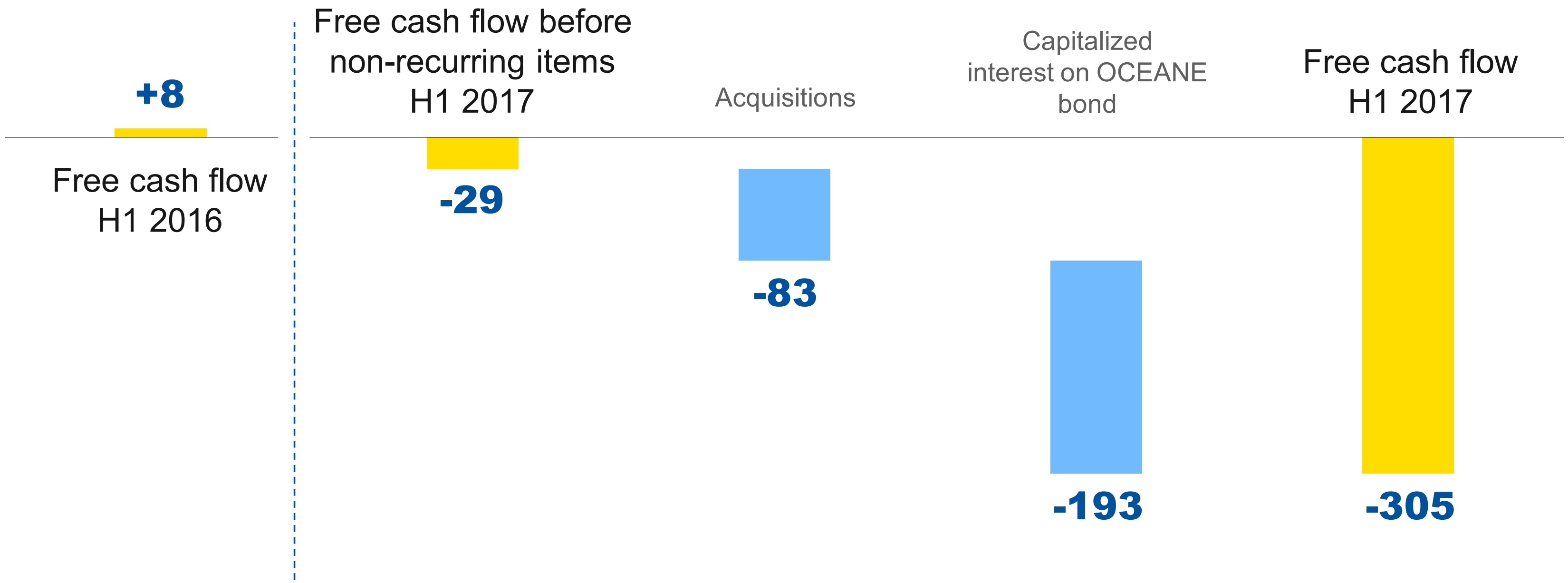
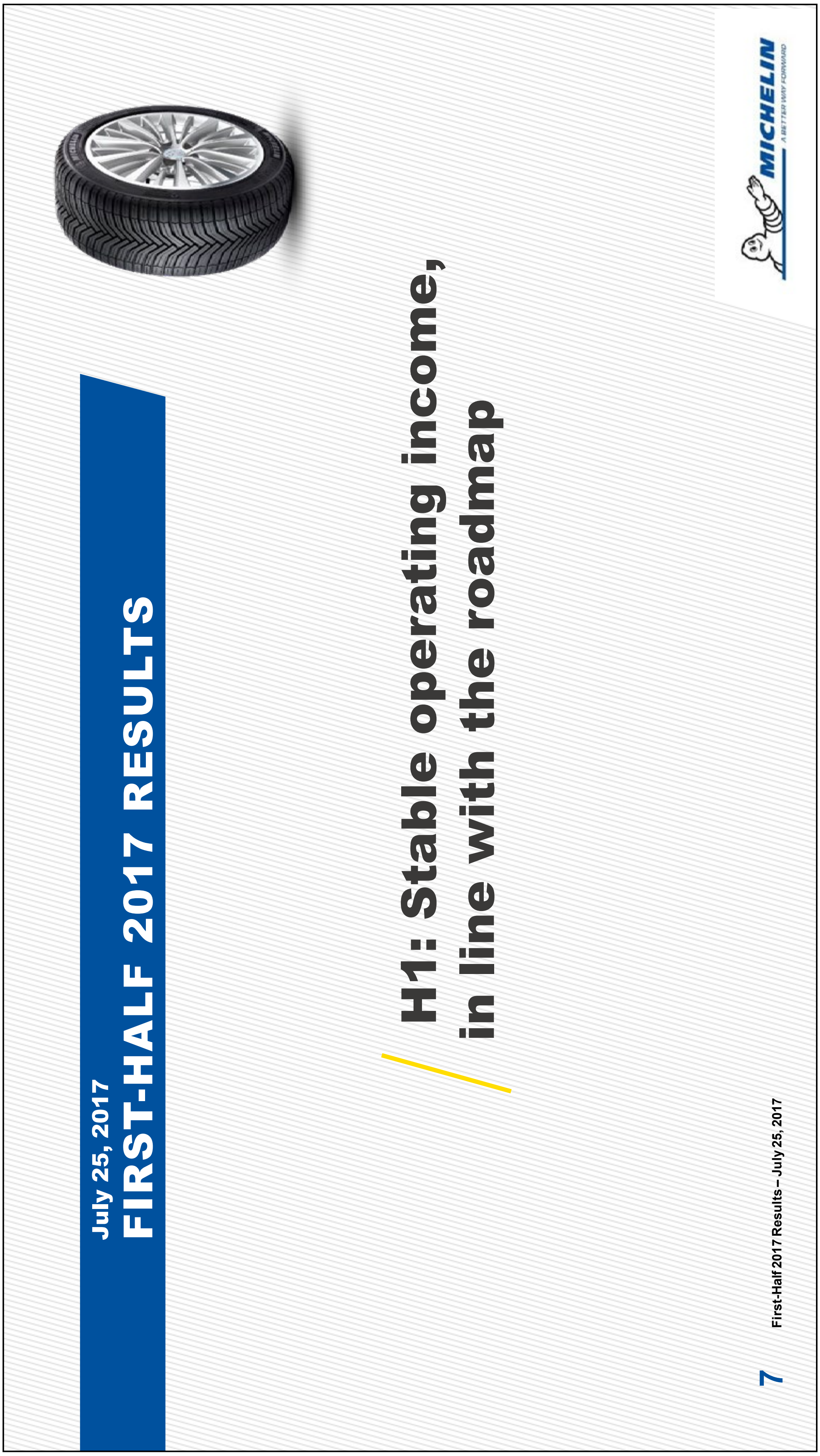
Solid free cash flow performance at a time of rising raw materials prices

- Free cash flow stable before non-recurring items:

(in € millions)



6 First-Half 2017 Results – July 25, 2017


July 25, 2017
FIRST-HALF 2017 RESULTS
H1: Stable operating income,
in line with the roadmap
MICHELIN
A BETTER WAY FORWARD
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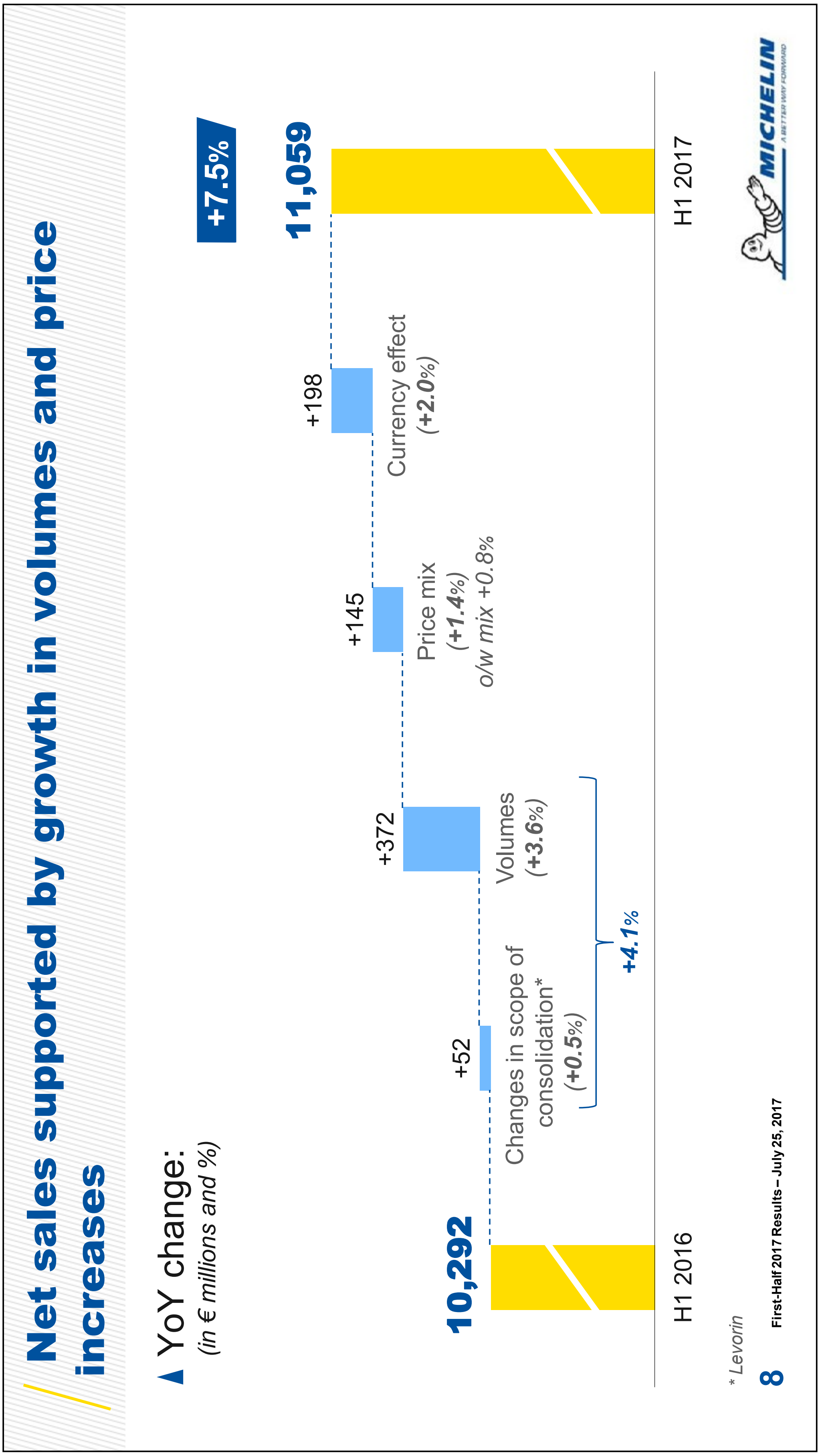
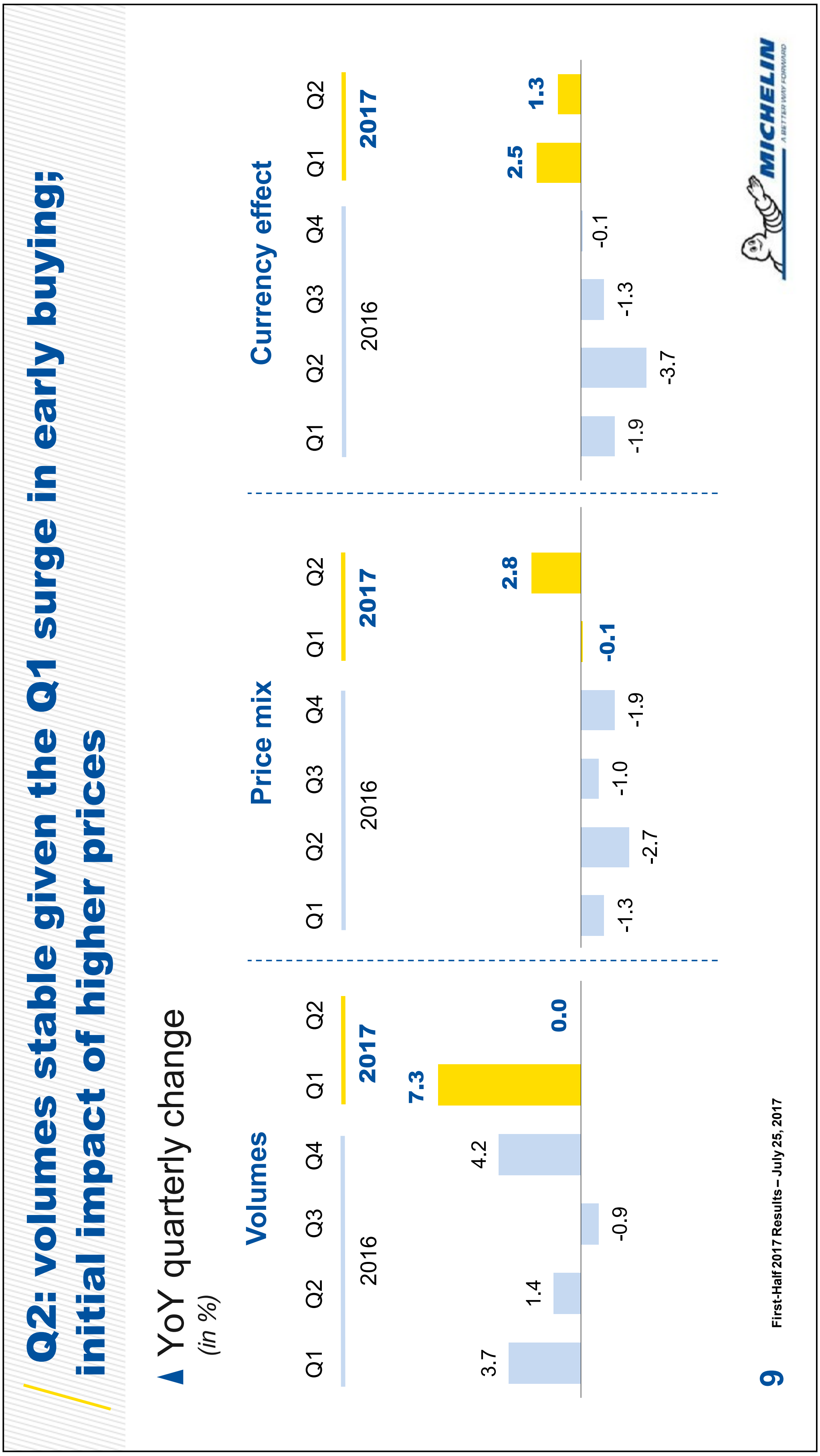
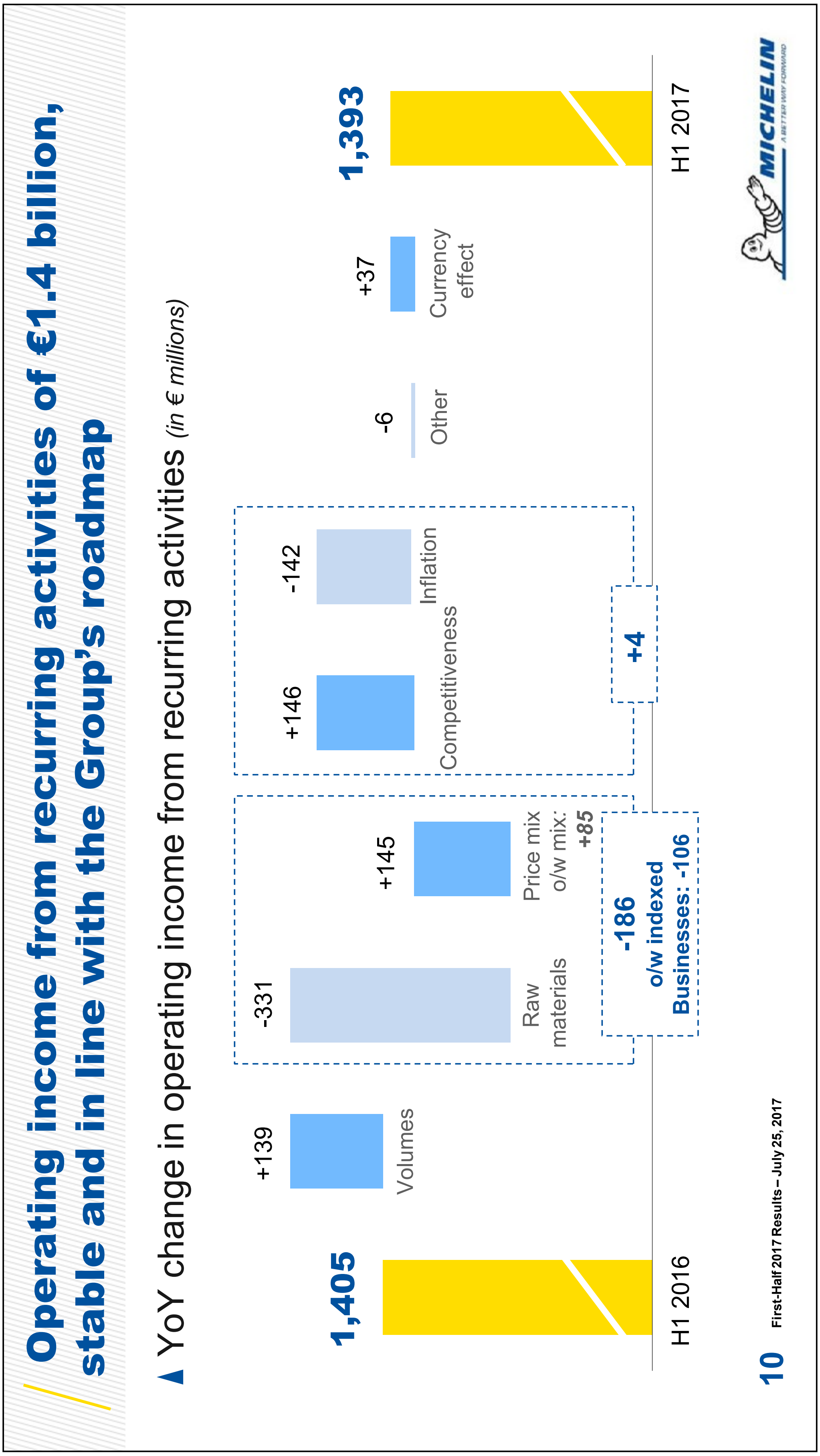
First-Half 2017 Results – July 25, 2017


Net sales supported by growth in volumes and price increases
YoY change:
(in € millions and %)
+7.5%
10,292
+52
Changes in scope of consolidation*
(+0.5%)
+372
Volumes
(+3.6%)
+4.1%
+145
Price mix
(+1.4%)
o/w mix +0.8%
+198
Currency effect
(+2.0%)
11,059
H1 2016
H1 2017
* Levorin
8
First-Half 2017 Results – July 25, 2017


Q2: volumes stable given the Q1 surge in early buying; initial impact of higher prices
YoY quarterly change
(in %)
Volumes
Q1 Q2 Q3 Q4 Q1 Q2
2016
2017
3.7
1.4
-0.9
4.2
7.3
0.0
Price mix
Q1 Q2 Q3 Q4 Q1 Q2
2016
2017
-1.3
-2.7
-1.0
-1.9
-0.1
2.8
Currency effect
Q1 Q2 Q3 Q4 Q1 Q2
2016
2017
-1.9
-3.7
-1.3
-0.1
2.5
1.3
9
First-Half 2017 Results – July 25, 2017
MICHELIN
A BETTER WAY FORWARD


Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap
YoY change in operating income from recurring activities (in € millions)
1,405
H1 2016
+139
Volumes
-331
Raw materials
+145
Price mix
o/w mix:
+85
-186
o/w indexed
Businesses: -106
+146
Competitiveness
-142
Inflation
+4
-6
Other
+37
Currency effect
1,393
H1 2017
MICHELIN
A BETTER WAY FORWARD
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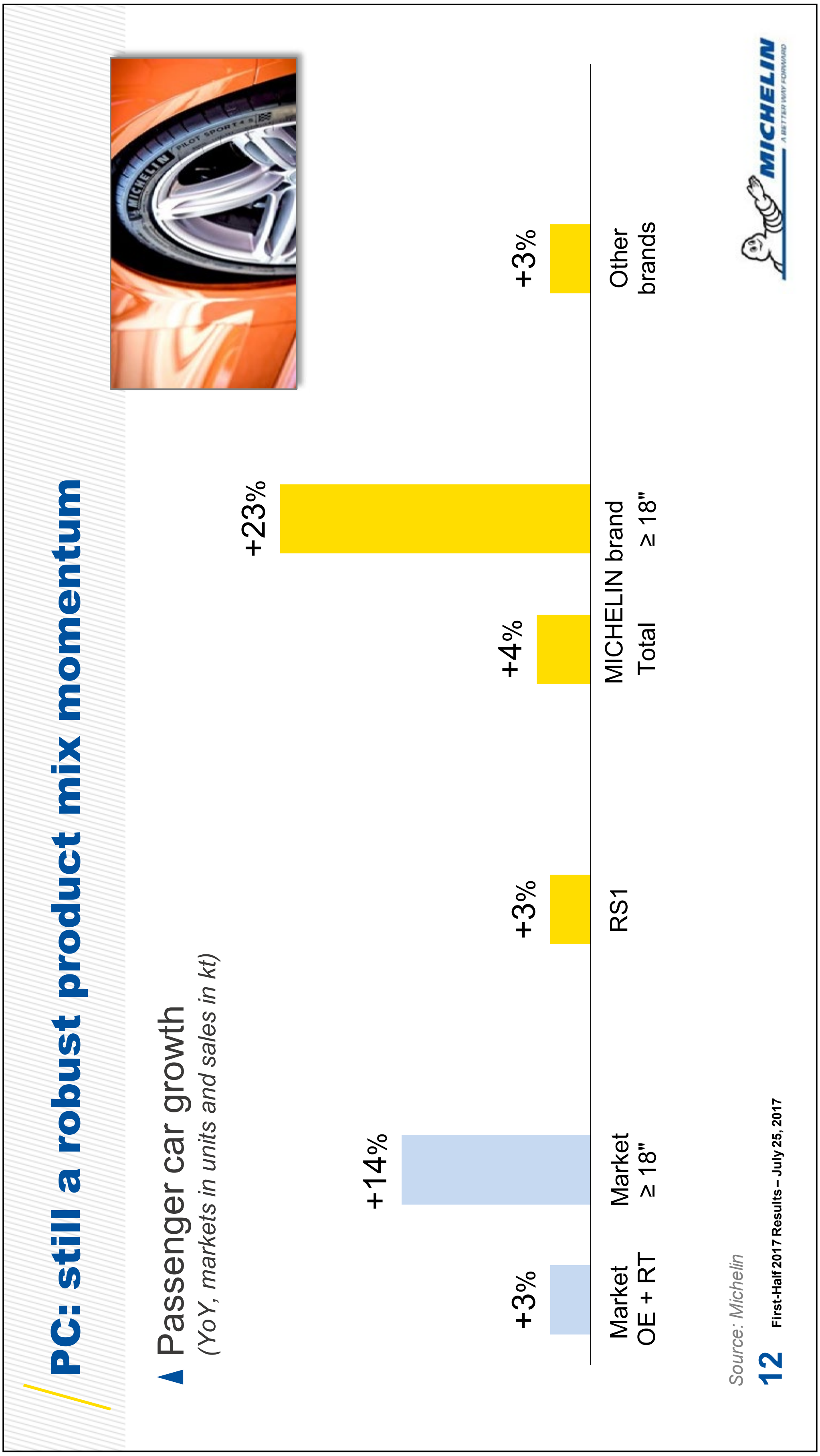
First-Half 2017 Results – July 25, 2017

PC: Firm margin resistance in the face of rising raw materials costs, from a high basis of comparison

(in € millions)	**H1 2017**	H1 2016	*% change*
RS1 net sales	**6,263**	5,916	+6%
Operating profit*	***800***	*814*	-2%
Operating margin*	12.8%	13.8%	-1pt

- Volumes up 3%
- RT price increases as early as Q2
- Still robust product mix effect
- Successful sales of the MICHELIN CrossClimate+ and MICHELIN Pilot Sport 4S lines

* On recurring activities


PC: still a robust product mix momentum
Passenger car growth
(YoY, markets in units and sales in kt)
+3%
+14%
+3%
+4%
+23%
+3%
Market OE + RT
Market ≥ 18"
RS1
MICHELIN brand
Total
≥ 18"
Other brands
Source: Michelin
12 First-Half 2017 Results – July 25, 2017
MICHELIN
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Truck: from a high basis of comparison, hit by the sharp increase in natural rubber prices

(in € millions)	**H1 2017**	H1 2016	*% change*
RS2 net sales	**3,041**	2,907	*+5%*
Operating income*	***229***	*288*	*-20%*
Operating margin*	*7.5%*	9.9%	*-2.4pts*

- Volumes stable, reflecting the priority focus on raising prices to deliver higher margins in the second half
- An aggressive product and services plan, led by the success of the MICHELIN X Multi, MICHELIN X Works, *Intermediate* tire lines and the Tire Care solution

*On recurring activities.

13 First-Half 2017 Results – July 25, 2017

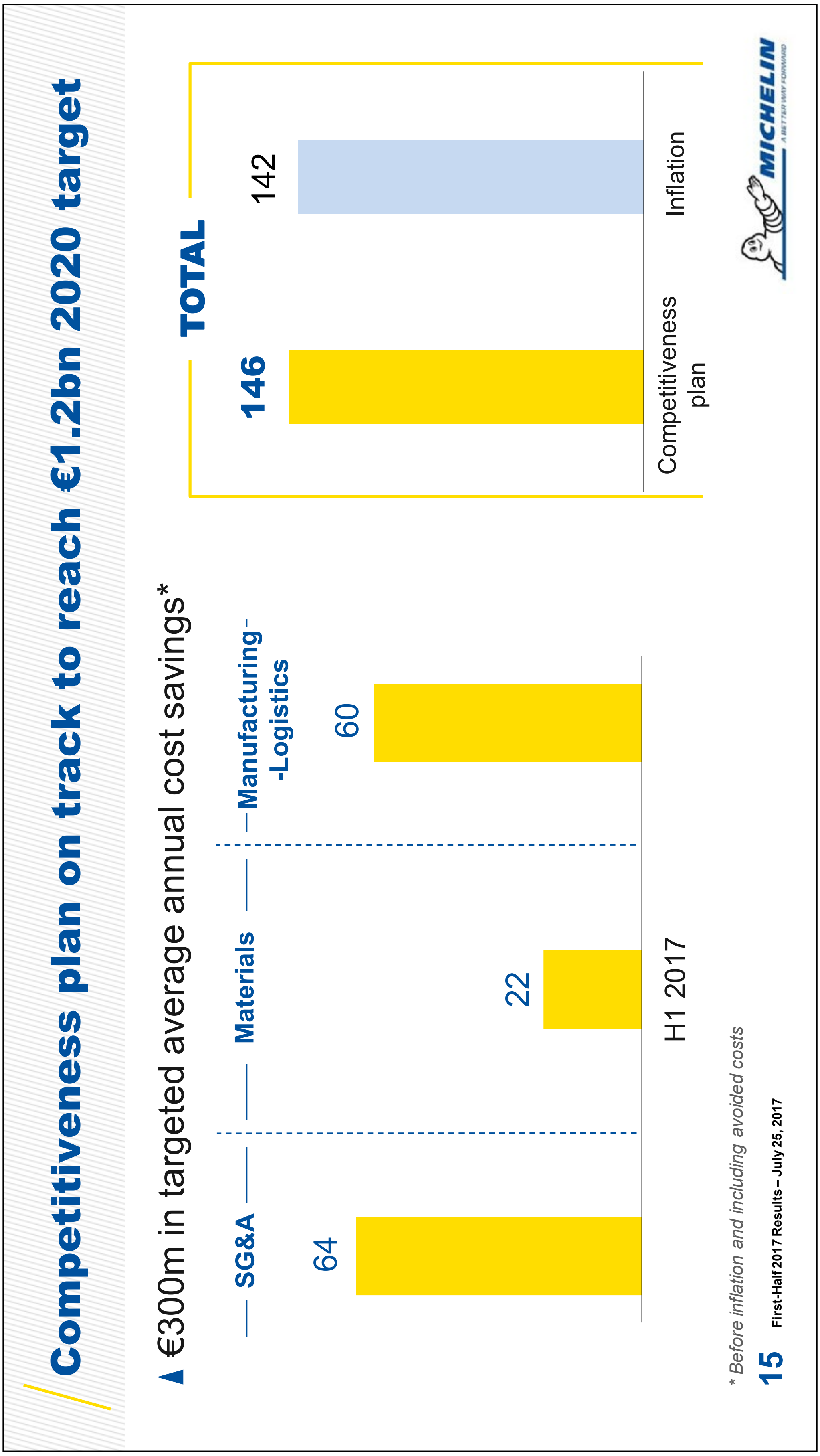
Specialty businesses: higher earnings boosted by volumes

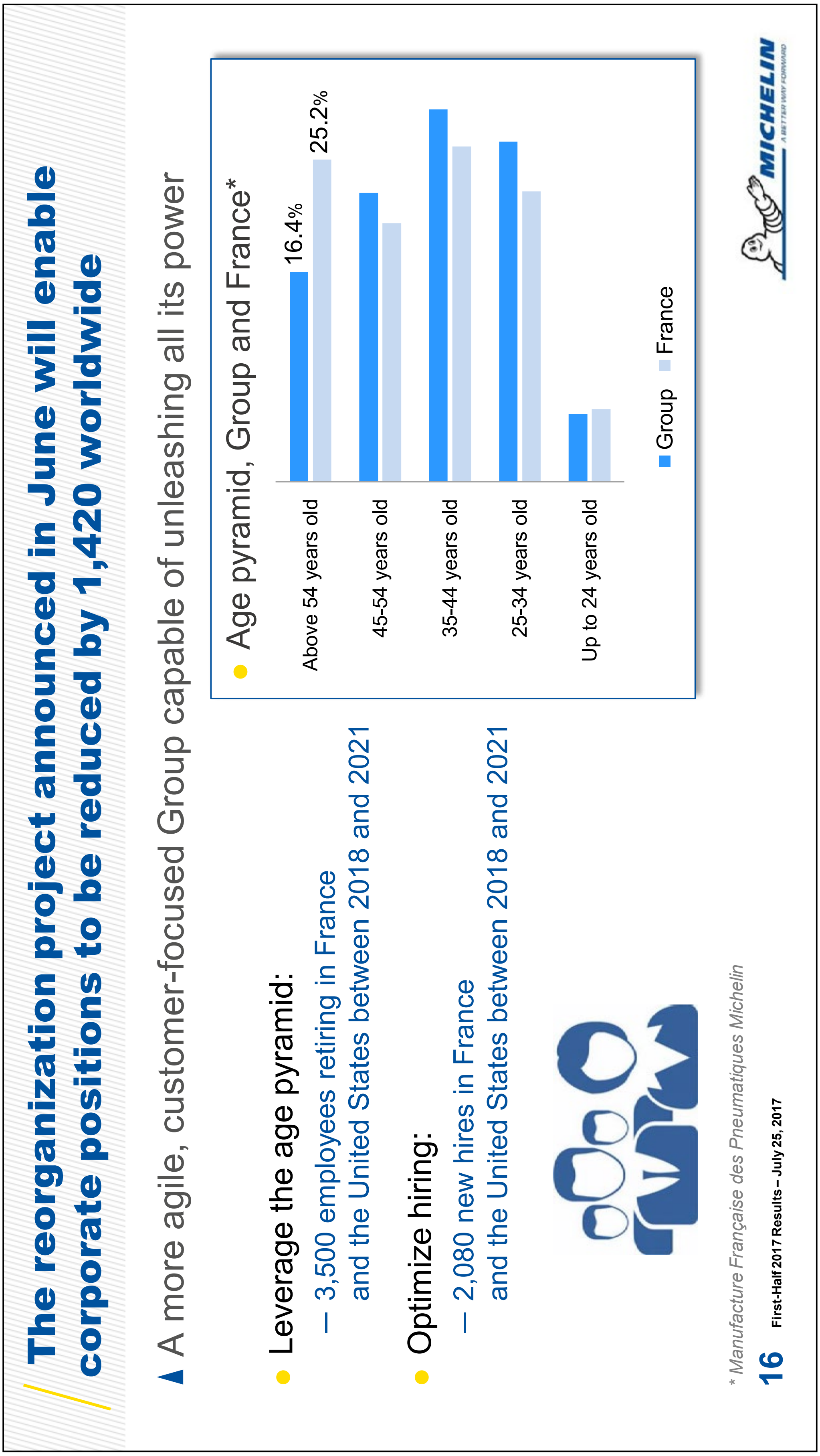
(in € millions)	H1 2017	H1 2016	% change
RS3 net sales	**1,755**	1,469	+19%
Operating profit*	***364***	*303*	+20%
Operating margin*	20.8%	20.6%	+0.2pts

- Volumes up a steep 16%, driven by the Mining tire business and OE Earthmover and Agricultural tire sales
- After the price cuts in January, the indexation clauses will trigger increases in July
- Successful sales of new Infrastructure tires, the MICHELIN XDR 3 mining tire and the MICHELIN Power RS motorcycle tire. Launch of the EvoBib innovations in Agricultural tires and the PresSense-equipped e-tire in Aircraft tires

* On recurring activities

14 First-Half 2017 Results – July 25, 2017


Competitiveness plan on track to reach €1.2bn 2020 target
€300m in targeted average annual cost savings*
SG&A
Materials
Manufacturing
-Logistics
64
22
60
H1 2017
TOTAL
146
142
Competitiveness
plan
Inflation
* Before inflation and including avoided costs
15
First-Half 2017 Results – July 25, 2017


The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide
A more agile, customer-focused Group capable of unleashing all its power
Leverage the age pyramid:
– 3,500 employees retiring in France and the United States between 2018 and 2021
Optimize hiring:
– 2,080 new hires in France and the United States between 2018 and 2021
Age pyramid, Group and France*
Above 54 years old
45-54 years old
35-44 years old
25-34 years old
Up to 24 years old
16.4%
25.2%
Group
France
* Manufacture Française des Pneumatiques Michelin
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July 25, 2017
FIRST-HALF 2017 RESULTS
2017 guidance confirmed,
in line with our 2020 objectives
MICHELIN
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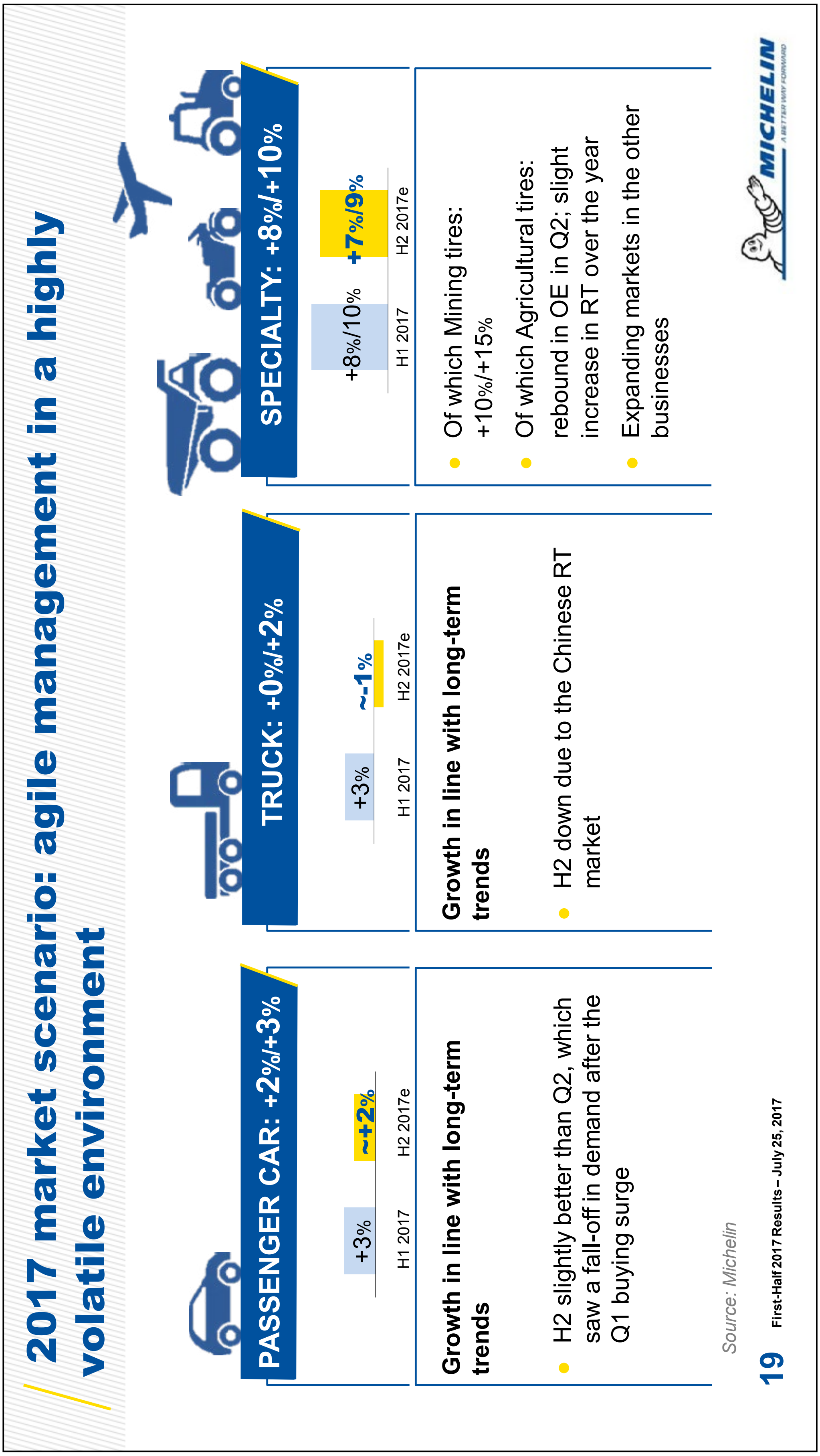
2017 guidance confirmed: on the road to our 2020 objectives

	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2016
Net price-mix/raw materials effect	Non-indexed businesses: neutral
Structural FCF*	> €900m

** Adjusted for the payment in January 2017 of the €193m capitalized interest on OCEANE bonds*

18 First-Half 2017 Results – July 25, 2017


2017 market scenario: agile management in a highly volatile environment
PASSENGER CAR: +2%/+3%
+3%
~+2%
H1 2017
H2 2017e
Growth in line with long-term trends
H2 slightly better than Q2, which saw a fall-off in demand after the Q1 buying surge
TRUCK: +0%/+2%
+3%
~-1%
H1 2017
H2 2017e
Growth in line with long-term trends
H2 down due to the Chinese RT market
SPECIALTY: +8%/+10%
+8%/10%
+7%/9%
H1 2017
H2 2017e
Of which Mining tires: +10%/+15%
Of which Agricultural tires: rebound in OE in Q2; slight increase in RT over the year
Expanding markets in the other businesses
Source: Michelin
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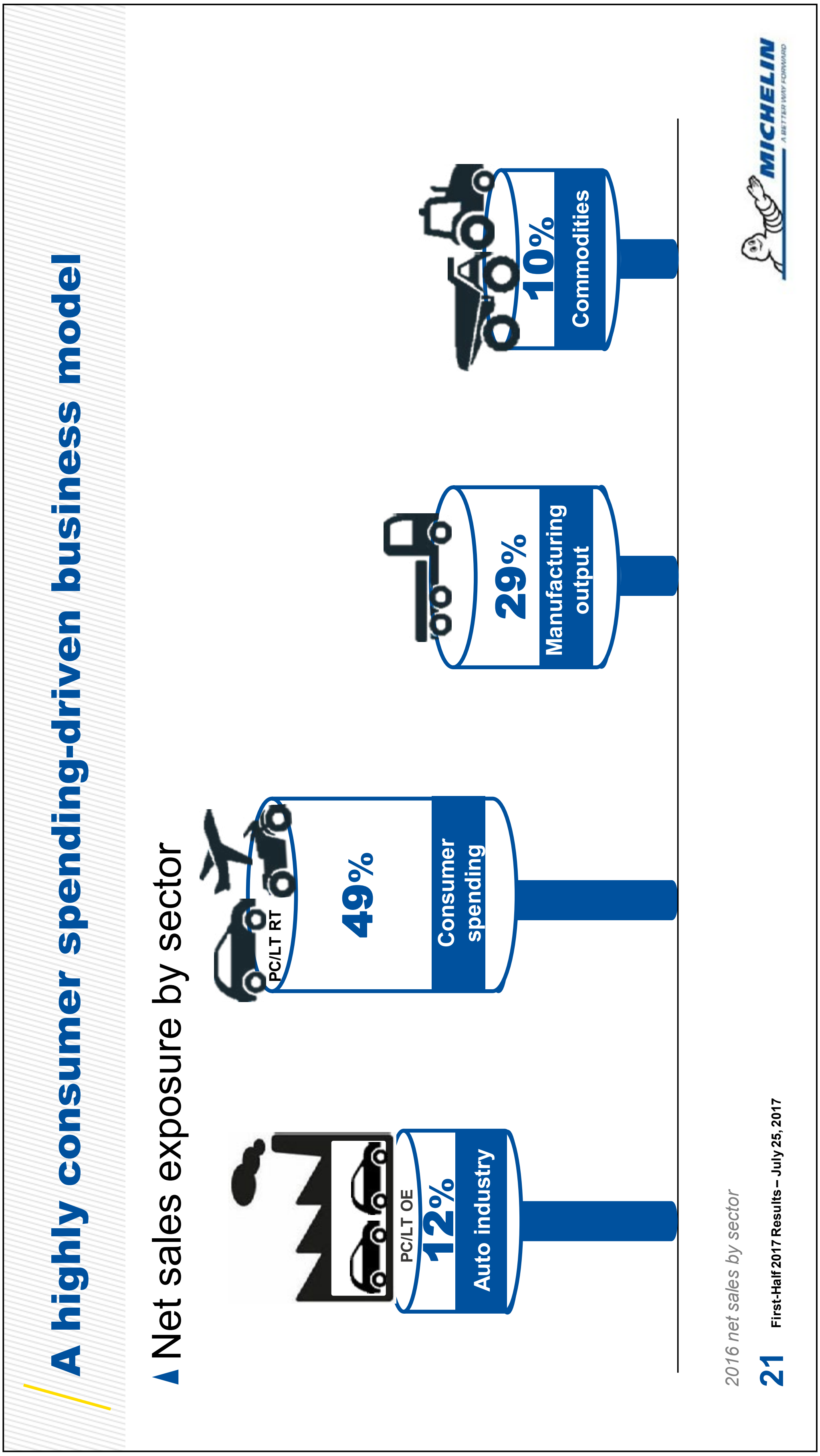
2017 scenario: agile management in a highly volatile environment

	H1 2017 as reported	H2 2017	2017
Impact of raw materials costs	-€331m	Around €450m headwind	Around €800m headwind
Currency effect	+€37m	Around €40m headwind	Neutral
Net price-mix/ raw materials effect	Indexed -€106m Non-indexed -€80m	Positive	Indexed businesses: negative Non-indexed: neutral
Competitiveness plan gains vs. inflation	+€4m	Neutral	Slightly positive

20 First-Half 2017 Results – July 25, 2017


A highly consumer spending-driven business model
Net sales exposure by sector
PC/LT OE
12%
Auto industry
PC/LT RT
49%
Consumer spending
29%
Manufacturing output
10%
Commodities
2016 net sales by sector
21
First-Half 2017 Results – July 25, 2017
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MICHELIN PILOT SPORT 4 S

1st in (the largest number of) essential performances:

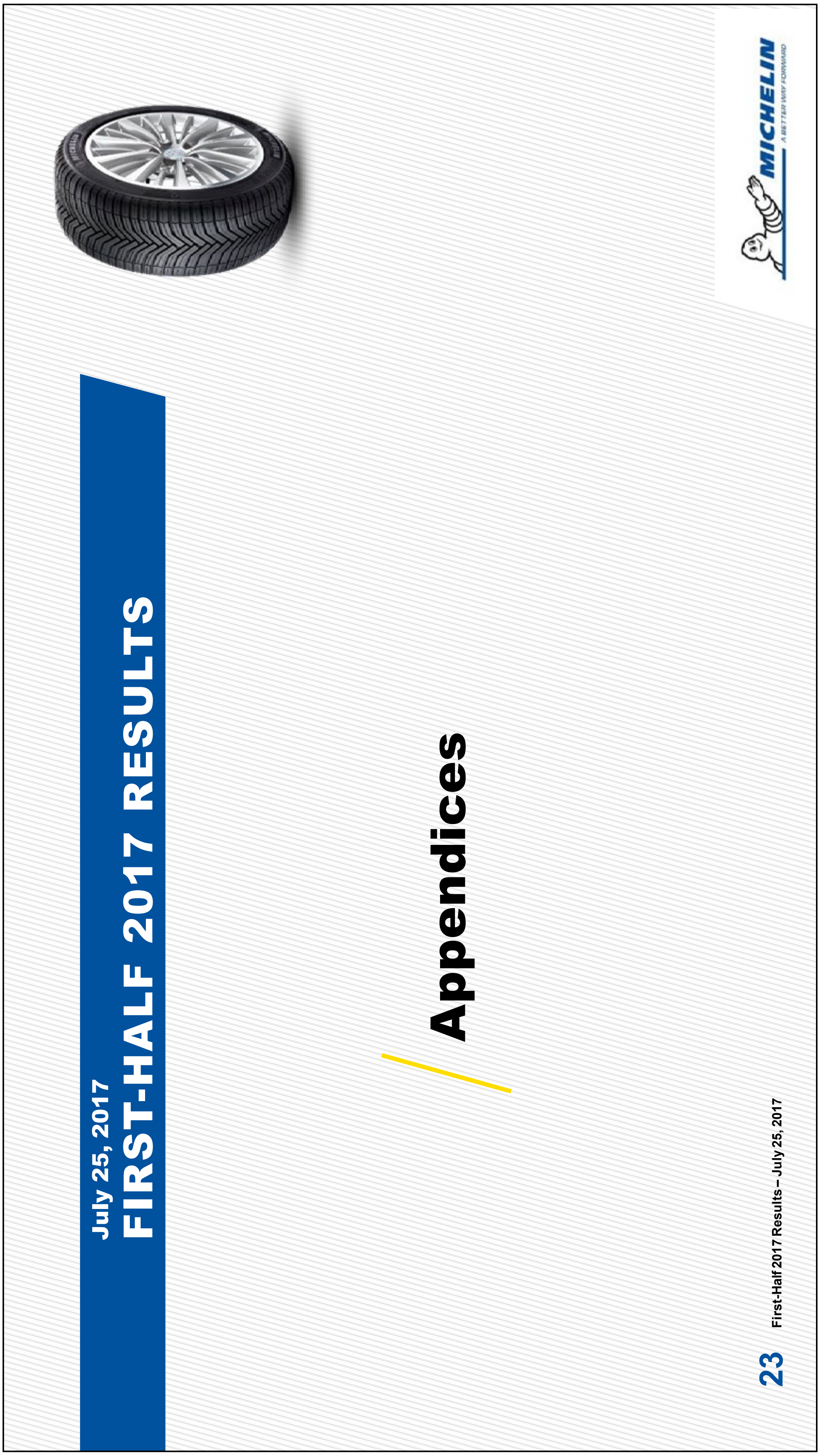
- 1st in DRY braking (1)
- 1st in WET braking (1)
- 1st in DRY laptime (1)
- 1st in longevity (2)

LEGAL MENTIONS

(1): Thanks to external tests realized by TÜV SÜD in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.

(2): Thanks to external tests realized on Michelin request by DEKRA Test Center in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.

22 First-Half 2017 Results – July 25, 2017


July 25, 2017
FIRST-HALF 2017 RESULTS
Appendices
MICHELIN
A BETTER WAY FORWARD
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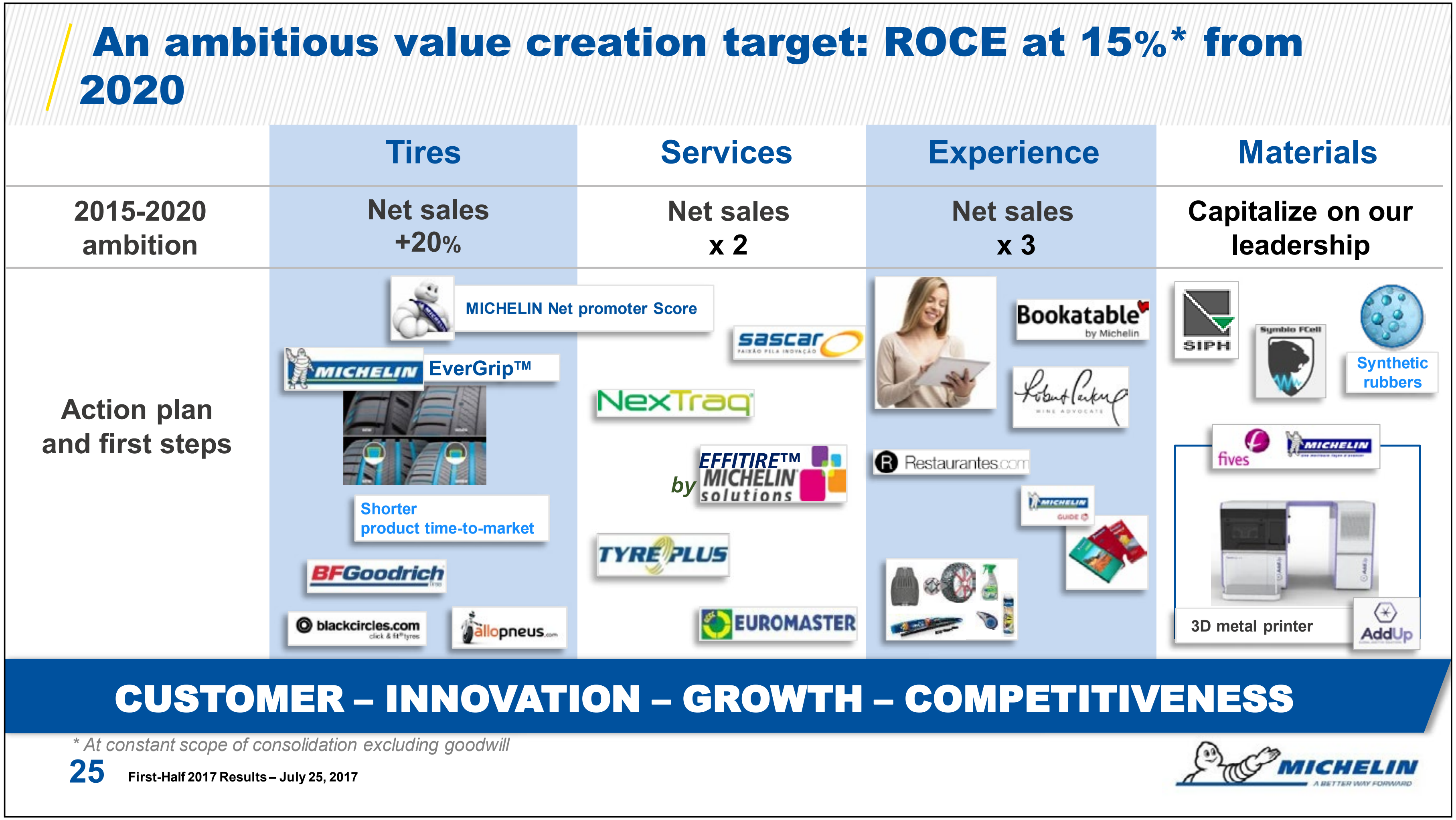
First-Half 2017 Results – July 25, 2017

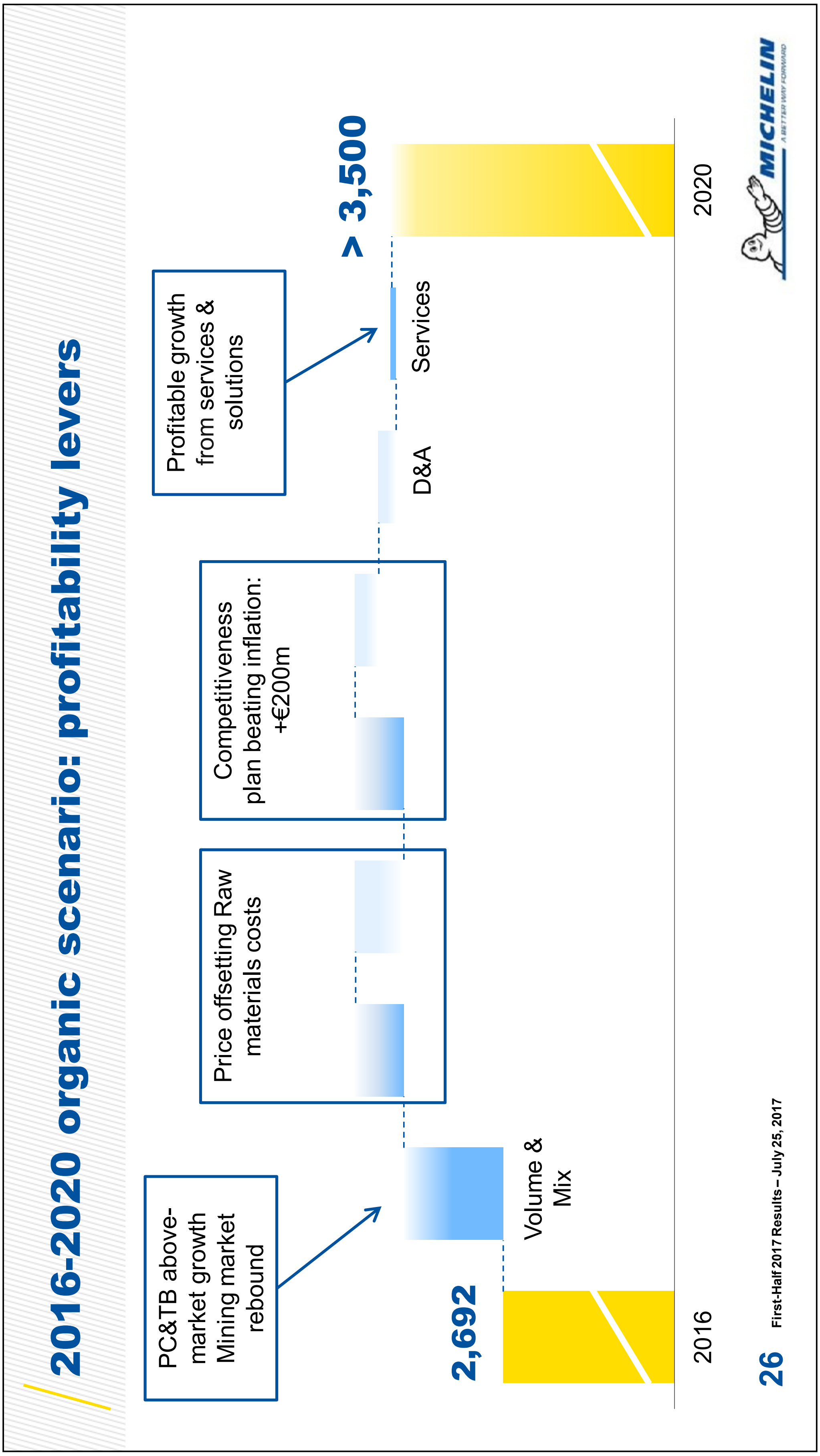
H1 2017 and H1 2016 financial highlights

(in € millions)	H1 2017	H1 2016
Net sales	11,059	10,292
Operating income from recurring activities	1,393	1,405
Operating margin on recurring activities	12.6%	13.7%
Operating income/(loss) from non-recurring activities	27	(51)
Net income	863	769
Earnings per share (attributable to shareholders of the Company, in €)	4.76	4.24
Capital expenditure (excluding acquisitions)	585	623
Free cash flow*	(305)	+8
Gearing	16%	18%

** Free cash flow: net cash from operating activities less net cash from investing activities less net cash from other current financial assets, before distributions.*

24 First-Half 2017 Results – July 25, 2017


An ambitious value creation target: ROCE at 15%* from 2020
Tires
Services
Experience
Materials
2015-2020 ambition
Net sales +20%
Net sales x 2
Net sales x 3
Capitalize on our leadership
Action plan and first steps
MICHELIN Net promoter Score
MICHELIN EverGrip™
Shorter product time-to-market
BFGoodrich
blackcircles.com
allopneus
sascar
NexTraq
EFFITIRE™ by MICHELIN solutions
TYREPLUS
EUROMASTER
Bookatable by Michelin
Restaurantes.com
SIPH
Symbio FCell
Synthetic rubbers
fives
3D metal printer
AddUp
CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS
* At constant scope of consolidation excluding goodwill
25 First-Half 2017 Results – July 25, 2017
MICHELIN A BETTER WAY FORWARD


2016-2020 organic scenario: profitability levers
PC&TB above-market growth
Mining market rebound
2,692
Volume & Mix
Price offsetting Raw materials costs
Competitiveness plan beating inflation: +€200m
D&A
Services
Profitable growth from services & solutions
> 3,500
2016
2020
26
First-Half 2017 Results – July 25, 2017
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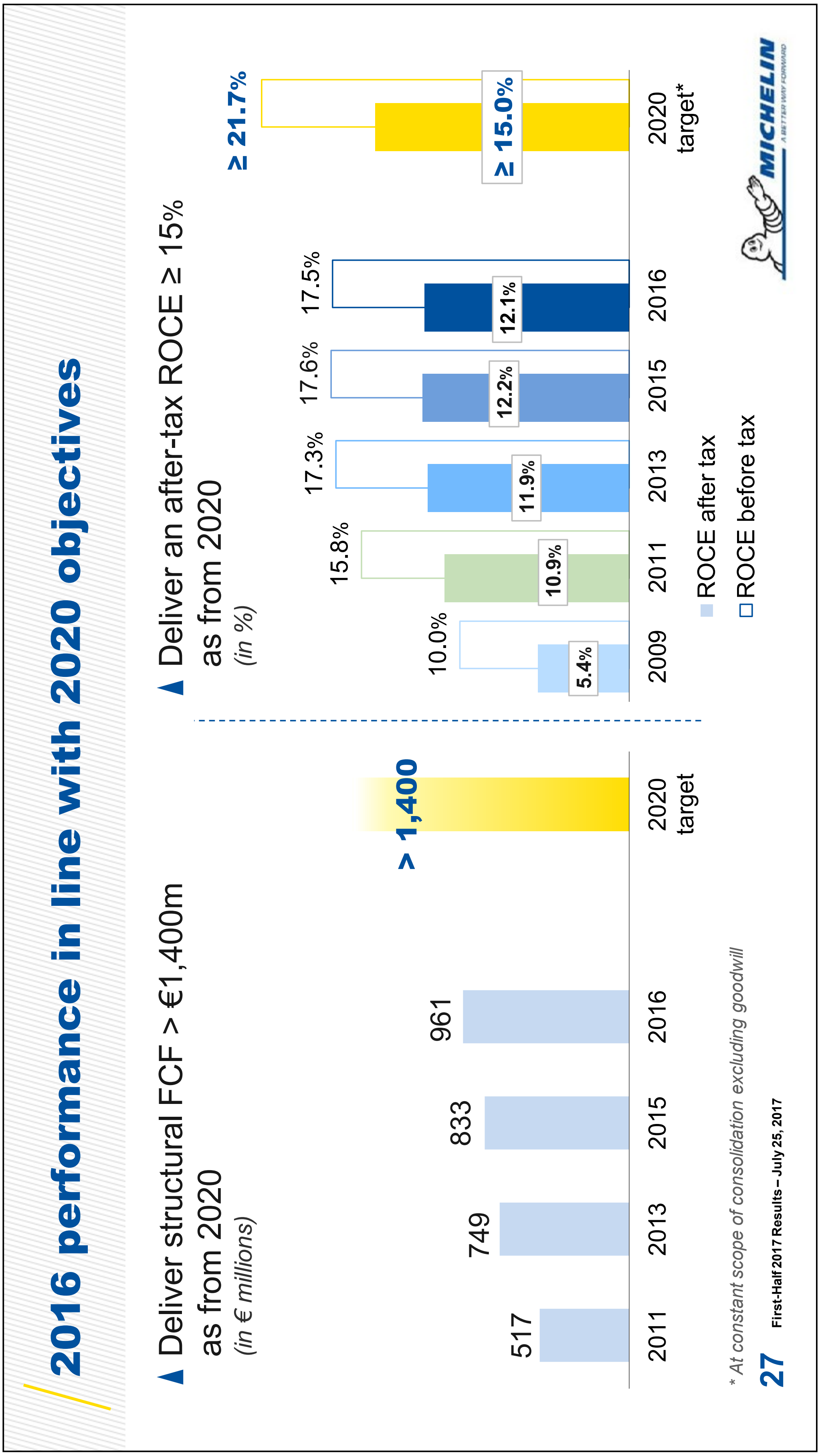
2016 performance in line with 2020 objectives
Deliver structural FCF > €1,400m as from 2020
(in € millions)
517
749
833
961
> 1,400
2011
2013
2015
2016
2020 target
Deliver an after-tax ROCE ≥ 15% as from 2020
(in %)
10.0%
5.4%
15.8%
10.9%
17.3%
11.9%
17.6%
12.2%
17.5%
12.1%
≥ 21.7%
≥ 15.0%
2009
2011
2013
2015
2016
2020 target*
ROCE after tax
ROCE before tax
* At constant scope of consolidation excluding goodwill
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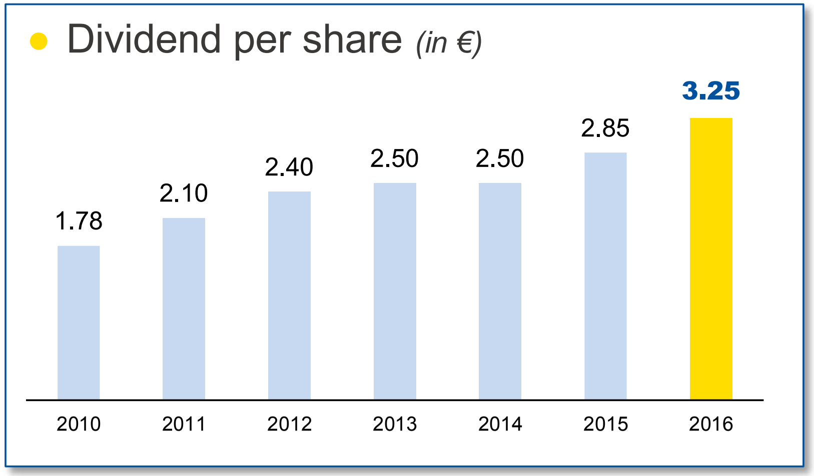
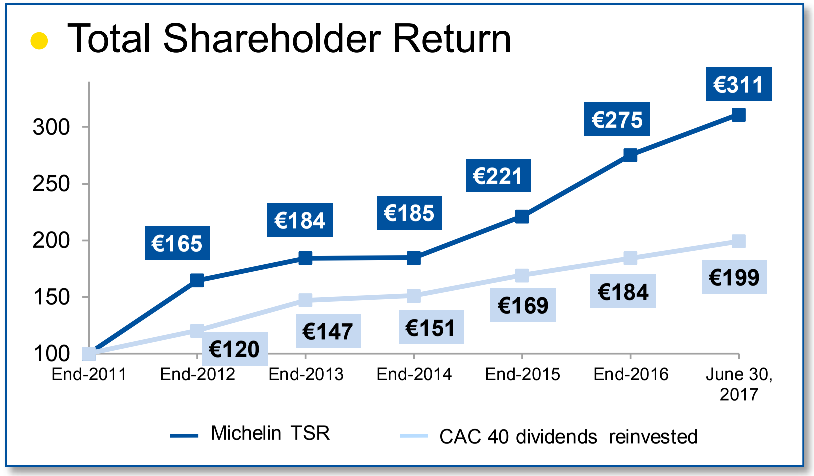
Sustained shareholder return policy: dividends and share buybacks

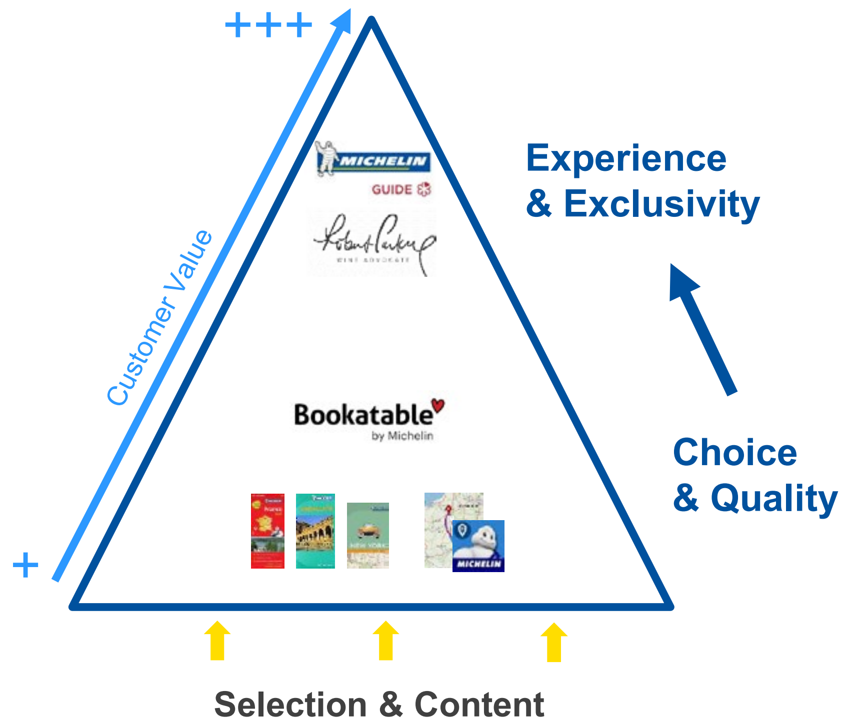
- 2016 dividend: €3.25 per share, representing a payout ratio of 36.5%
- Share buyback programs
  - €750m committed in 2015-2016 and cancellation of 4.5% of outstanding shares
  - 2017: €44m delivered out of a €100m program to offset the dilution from share-based compensation





28 First-Half 2017 Results – July 25, 2017

Michelin Experiences: Become the global "Selection" benchmark in the world of gourmet dining and travel services



- Capitalize on the **MICHELIN Guide**'s worldwide reputation in the field of fine dining
- Expand the **geographic and segment footprint** with **aligned brands/solutions** for our customers
  - Destinations
  - Professionals (chefs, winemakers, hoteliers, etc.)
  - Advertisers
  - High-income consumers
- Create and engage a broad, qualified, committed audience in the **digital** world to benefit all of our businesses

29 First-Half 2017 Results – July 25, 2017

Acquisition of a 40% stake in Robert Parker's Wine Advocate, the world leader in wine events and ratings

- International authority on wine
- Independent ratings
- Expertise in fine wine and gourmet dining events
- Michelin partner since 2016
- Michelin's objectives
  - Strengthen our presence in gourmet dining
  - Offer customers very high value-added selections
  - Initially deploy in Asia and North America

30 First-Half 2017 Results – July 25, 2017

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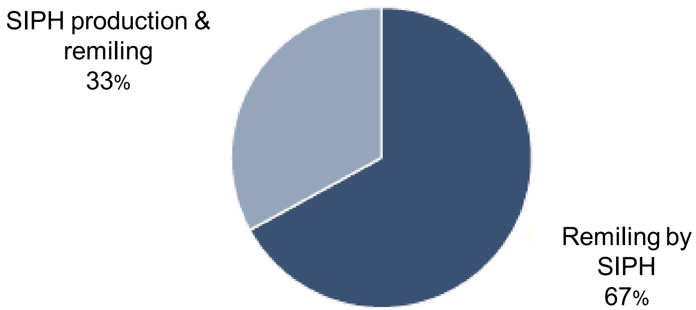
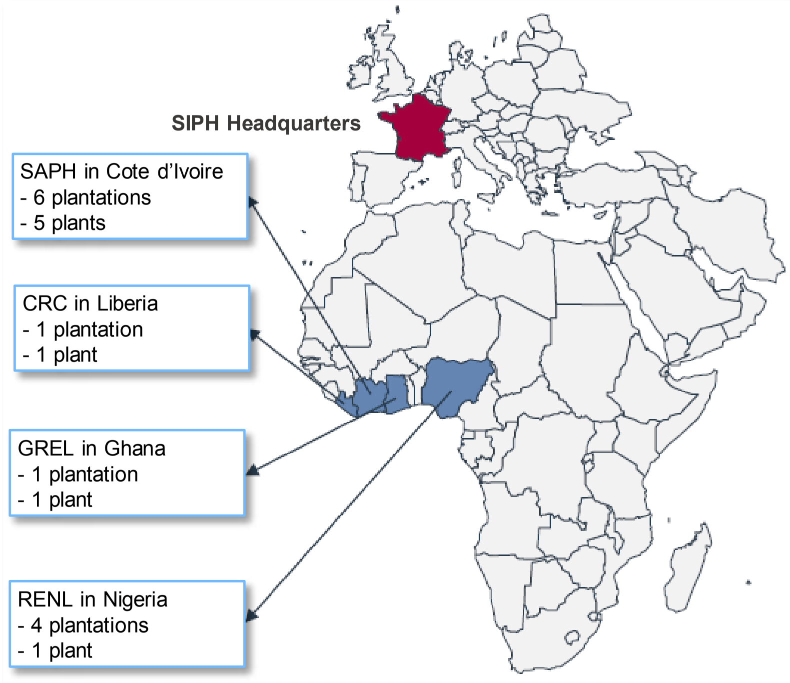
Stake rise in SIPH up to 33,56%

- Acquisition of 493,452 SIPH shares
- At a price of €85 per share
- Total 89.15% stake held in concert with our Côte d'Ivoire partner SIFCA
- 220kT production, o/w 70kT from SIPH-owned plantations





31 First-Half 2017 Results – July 25, 2017

Acquisition of NexTraq, a US industry leader in the field of commercial-fleet telematics

- Leader in SaaS fleet management for small-to medium-size businesses (Class 3-5 fleets ranging from 2 to 50 vehicles)
- NexTraq helps customers with driver behavior, scheduling, route optimization, vehicle trip history, fuel card integration, vehicle maintenance, and data integration enhancing fleet productivity
- Significant synergies expected with the Michelin Group through:
  - Service and solutions platform in North America
  - Technology expertise cross-fertilization between Sascar, Michelin solutions and NexTraq
  - Volume growth thanks to the strategic fit between Michelin and NexTraq customer bases;

KEY FIGURES

- Turnover: **~$50m**
- EBITDA: **~50%**
- **110,000** subscribers in 2016 (67,000 in 2010)
- **100** employees

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PC: expanding markets, especially in the new economies
PC market at June 30, 2017/2016
(YoY in %, in number of tires)
North America
+1%
+1%
Europe excluding Russia & CIS
+1%
+2%
Europe including Russia & CIS
+1%
+4%
China
+3%
+7%
Asia*
(excluding India)
+3%
+5%
South America
13%
+7%
Africa India
& Middle East
+8%
+2%
GLOBAL MARKET
+3%
+4%
OE
RT
* including China
Source: Michelin
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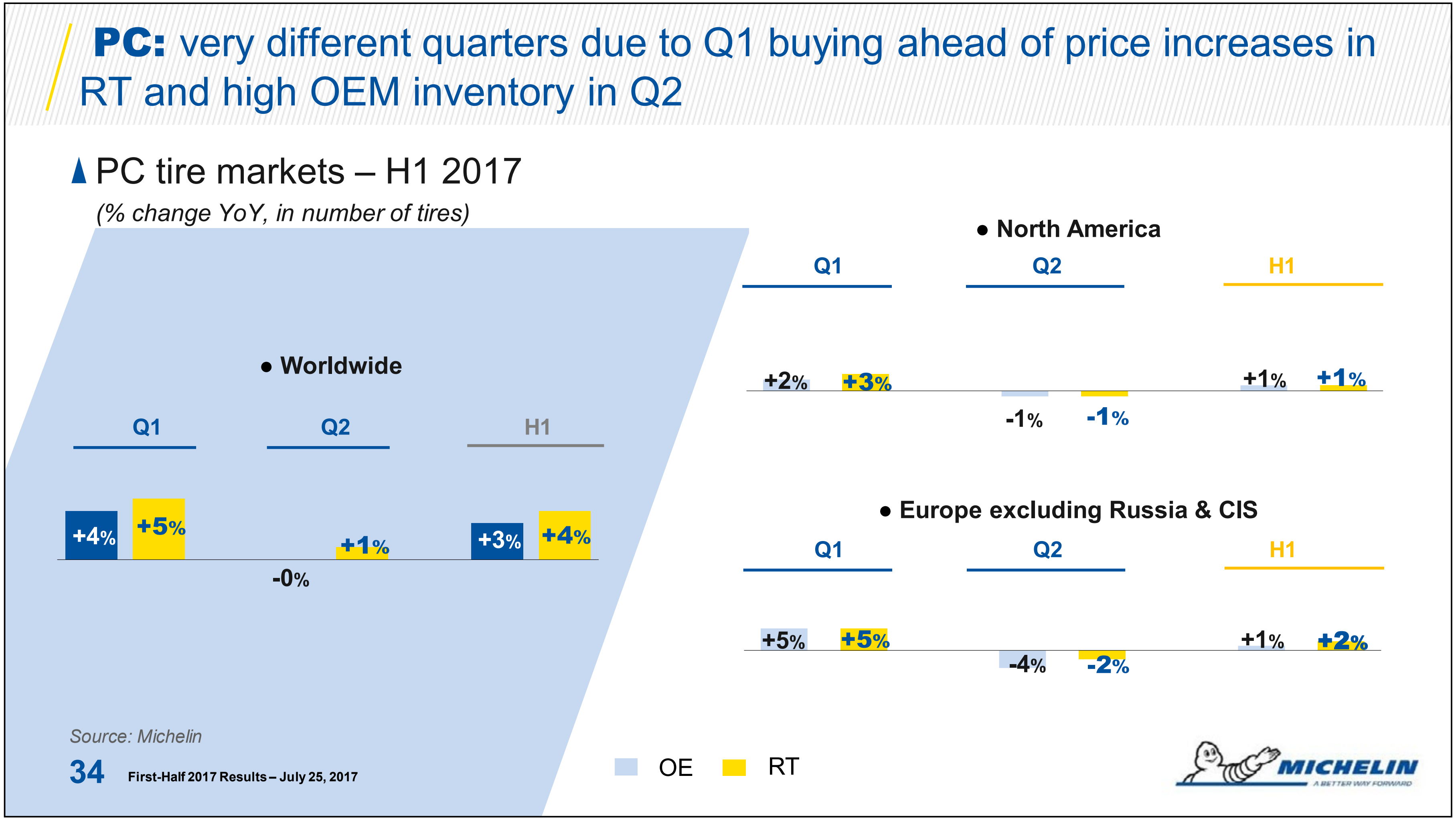
PC: very different quarters due to Q1 buying ahead of price increases in RT and high OEM inventory in Q2
PC tire markets – H1 2017
(% change YoY, in number of tires)
Worldwide
Q1
Q2
H1
+4%
+5%
-0%
+1%
+3%
+4%
North America
Q1
Q2
H1
+2%
+3%
-1%
-1%
+1%
+1%
Europe excluding Russia & CIS
Q1
Q2
H1
+5%
+5%
-4%
-2%
+1%
+2%
OE
RT
Source: Michelin
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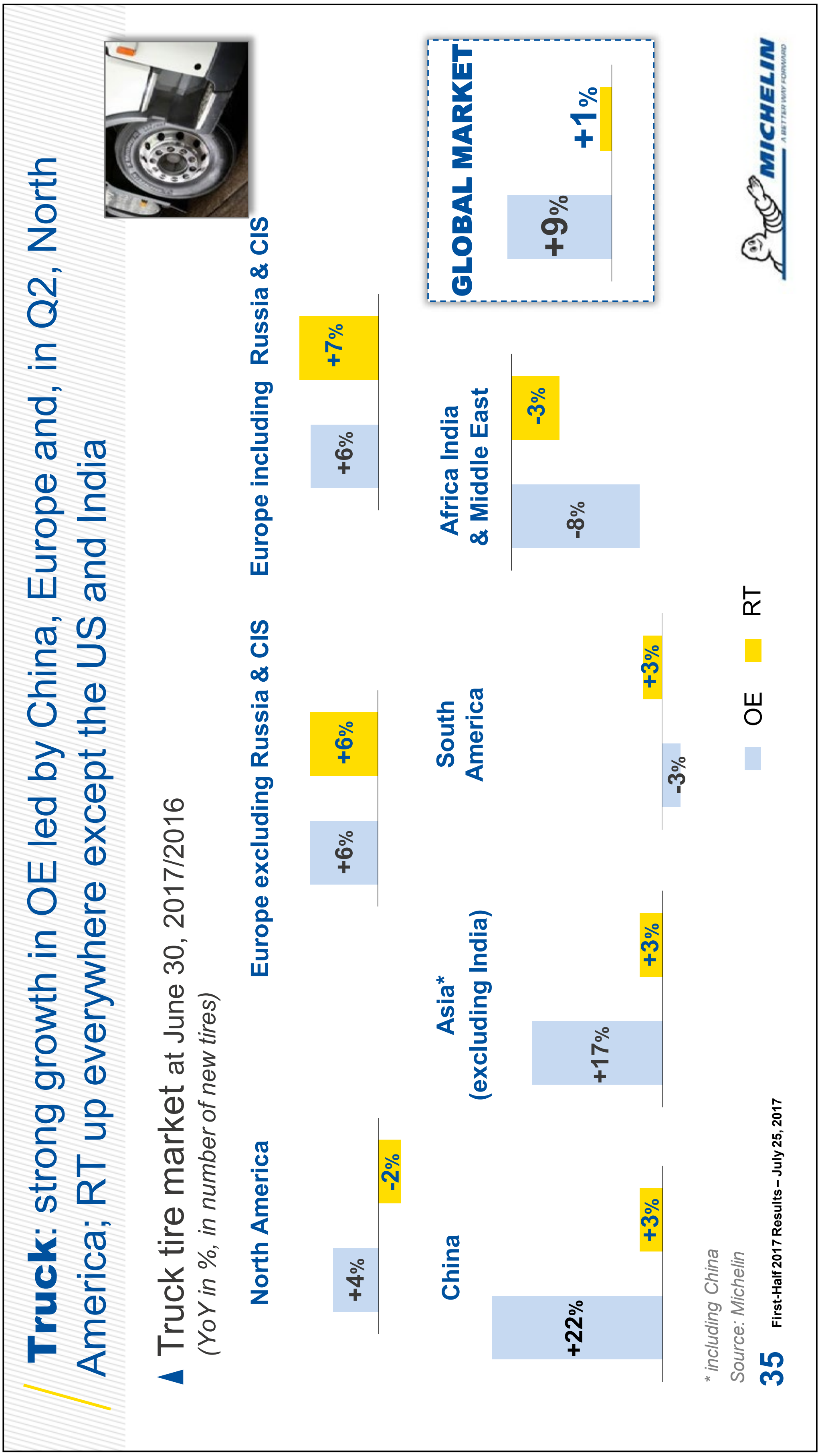
First-Half 2017 Results – July 25, 2017


Truck: strong growth in OE led by China, Europe and, in Q2, North America; RT up everywhere except the US and India
Truck tire market at June 30, 2017/2016
(YoY in %, in number of new tires)
North America
+4%
-2%
Europe excluding Russia & CIS
+6%
+6%
Europe including Russia & CIS
+6%
+7%
China
+22%
+3%
Asia*
(excluding India)
+17%
+3%
South
America
-3%
+3%
Africa India
& Middle East
-8%
-3%
GLOBAL MARKET
+9%
+1%
OE
RT
* including China
Source: Michelin
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First-Half 2017 Results – July 25, 2017
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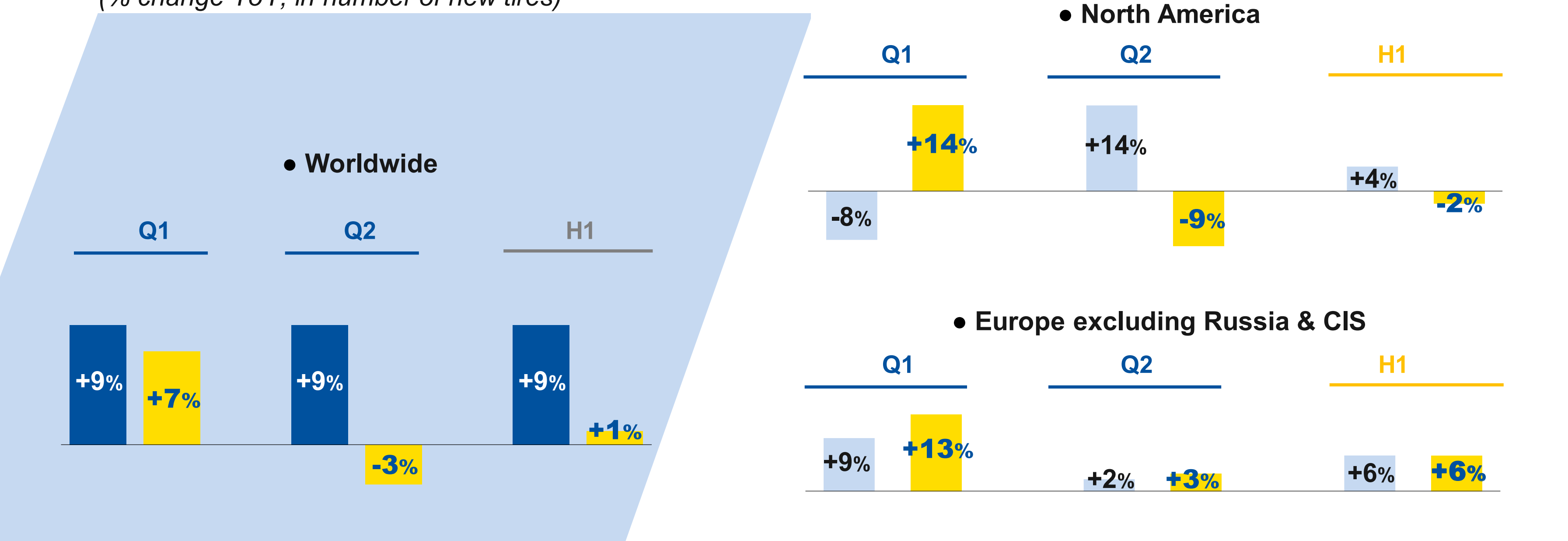
Truck: very different quarters in RT due to Q1 buying ahead of price increases and in North American OE, which rebounded in Q2

Truck tire markets – H1 2017

(% change YoY, in number of new tires)



Source: Michelin

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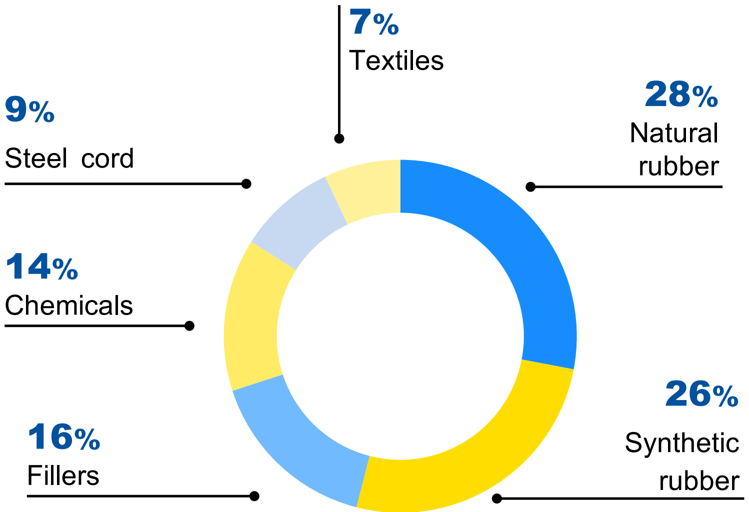
Raw materials in H1 2017

- Raw material purchases in H1 2017 *(€2.6bn)*

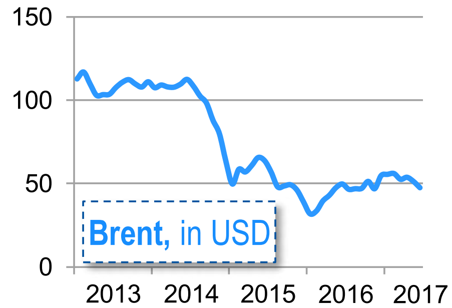


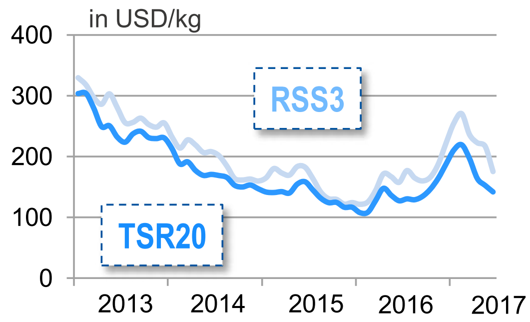
€/$ exchange rate:

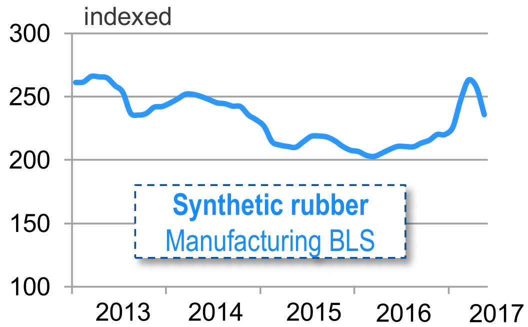
Average H1'16: **1.12**

-3.1%

Average H1'17: **1.08**







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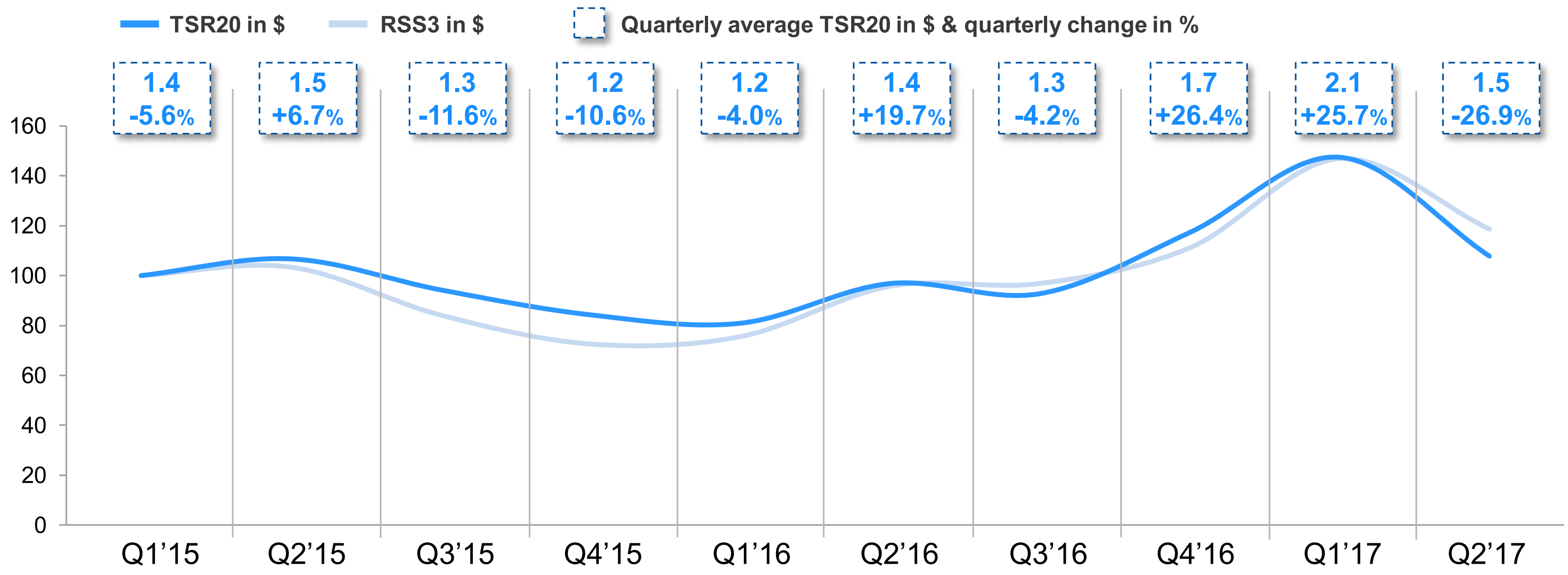
Natural rubber price trend

- At end-June 2017 *(per kg, base 100 in Q1'15)*



Source: SICOM

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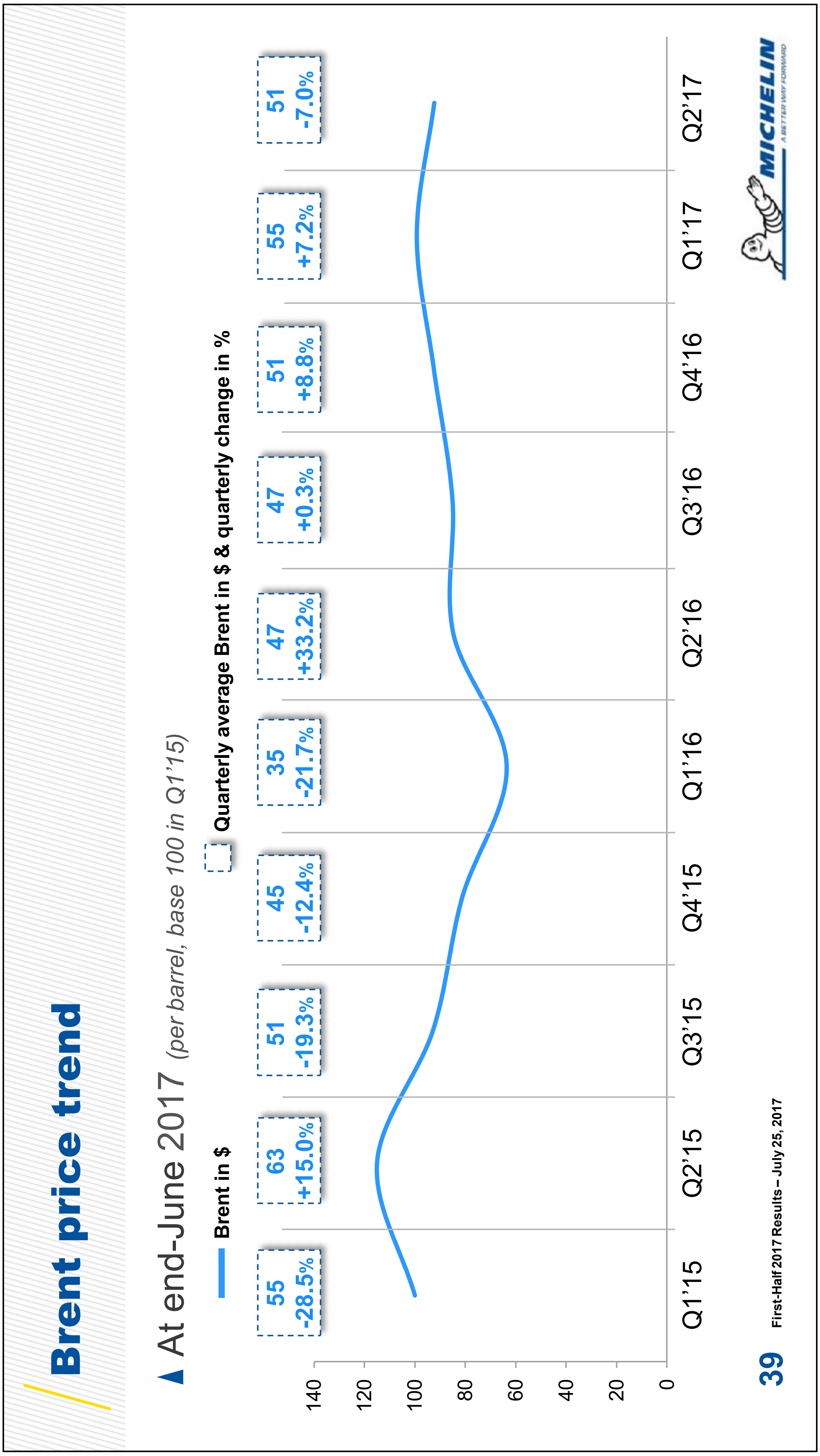
Brent price trend
At end-June 2017 (per barrel, base 100 in Q1'15)
Brent in $
Quarterly average Brent in $ & quarterly change in %
55
-28.5%
63
+15.0%
51
-19.3%
45
-12.4%
35
-21.7%
47
+33.2%
47
+0.3%
51
+8.8%
55
+7.2%
51
-7.0%
140
120
100
80
60
40
20
0
Q1'15
Q2'15
Q3'15
Q4'15
Q1'16
Q2'16
Q3'16
Q4'16
Q1'17
Q2'17
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First-Half 2017 Results – July 25, 2017


Butadiene price trend
At end-June 2017 (per ton, base 100 in Q1'15)
Butadiene Europe
Quarterly average Butadiene in € & quarterly change in %
608 -28%
642 +6%
745 +16%
628 -16%
515 -18%
618 +20%
670 +8%
773 +15%
1,363 +76%
1,500 +10%
300
250
200
150
100
50
0
Q1'15
Q2'15
Q3'15
Q4'15
Q1'16
Q2'16
Q3'16
Q4'16
Q1'17
Q2'17
Source: IHS
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"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des Marchés Financiers available from the http://www.michelin.com/eng/ website.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."

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92100 Boulogne-Billancourt - France

investor-relations@michelin.com

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3 / FIRST-HALF BUSINESS REVIEW

3.1 TIRE MARKETS

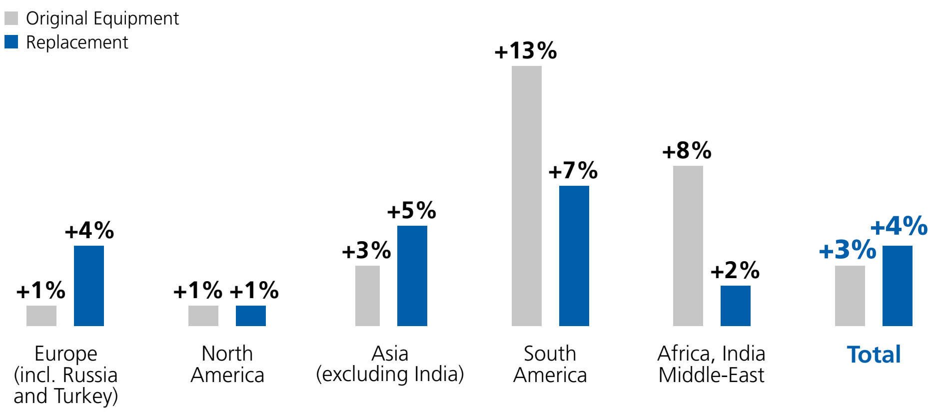
In the first half of 2017, the Passenger car, Light truck and Truck tire markets in Europe, North America and China were shaped by an upsurge in buying in the first quarter, ahead of price increases rolled out in response to rising raw materials costs, followed by a significant fall-off in the second three months of the year. Emerging markets, on the other hand, enjoyed robust demand throughout the period. The specialty tire markets sustained the rebound that began in the final quarter of 2016 and are experiencing strong growth led by the mining businesses.

Methodological note: Tire market estimates reflect sell-in (sales from manufacturers to dealers) data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and are expressed in the number of tires sold. They are regularly adjusted and may be updated following their initial publication.

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

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 tiremakers, and by 1% in the second quarter as demand cooled.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2017 VS. FIRST-HALF 2016



Michelin estimates.

3.1.1 a) Original equipment

Global demand for original equipment Passenger car and Light truck tires rose by 3% in number of tires sold in first-half 2017. Markets continued to enjoy sustained growth in the emerging economies, with a clear rebound, particularly in South America, while demand slowed but remained robust in the mature geographies.

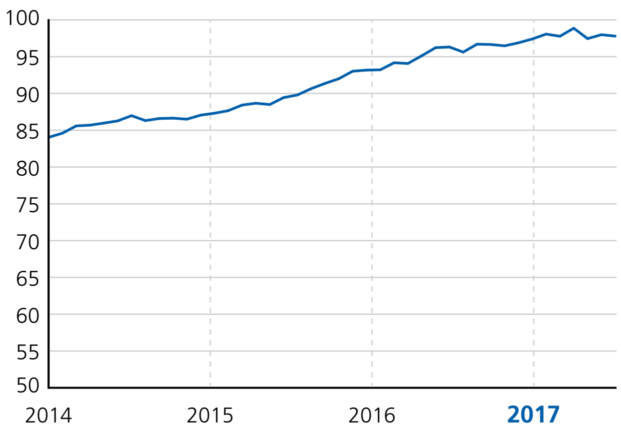
Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	First-half 2017	First-half 2016	First-half 2017, % change YoY	Second-quarter 2017, % change YoY	First-quarter 2017, % change YoY
Europe[1]	55.0	54.5	+1%	-4%	+6%
North America[2]	44.6	44.4	+1%	-1%	+2%
Asia (excluding India)	103.1	100.2	+3%	+1%	+5%
South America	7.3	6.5	+13%	+8%	+19%
Africa/India/Middle East	17.2	15.9	+8%	+4%	+12%
TOTAL	**227.3**	**221.3**	**+3%**	**-0%**	**+5%**

(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

In **Europe,** after expanding by a buoyant 6% in the first quarter, demand fell off 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.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

(in millions of tires – moving 12 months – excluding Russia)

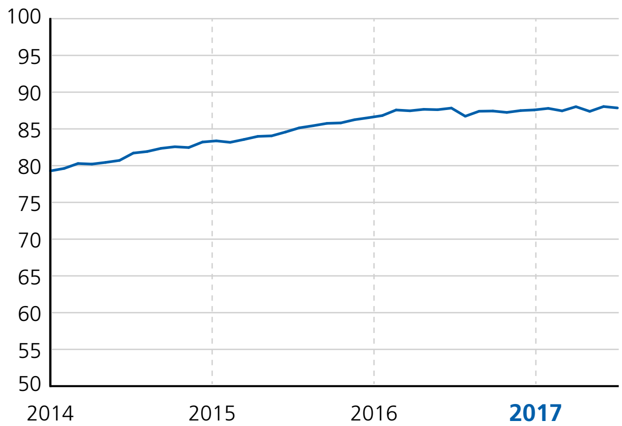


Michelin estimates.

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.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

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.

In the **Africa/India/Middle East** region, demand climbed 8% on the back of expansion in the Indian market, where vehicle sales surged as the economy rebounded sharply in the wake of the government's demonetization drive in the fourth quarter. In Africa and the Middle East, carmakers are suffering from the commodity market environment and geopolitical conditions.

3.1.1 b) Replacement

The worldwide replacement Passenger car and Light truck tire market ended the first half up 4%. Demand rose in every geography, with a clear slowdown in the second quarter in the European, North American and Chinese markets following significant first-quarter buying ahead of the announced price increases.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	First-half 2017	First-half 2016	First-half 2017, % change YoY	Second-quarter 2017, % change YoY	First-quarter 2017, % change YoY
Europe(1)	177.1	170.4	+4%	+0%	+8%
North America(2)	137.3	136.0	+1%	-1%	+3%
Asia (excluding India)	135.5	128.7	+5%	+3%	+7%
South America	38.9	36.6	+6%	+7%	+6%
Africa/India/Middle East	54.3	53.1	+2%	+3%	+2%
TOTAL	**543.1**	**524.7**	**+4%**	**+1%**	**+6%**

(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.
Michelin estimates.

The **European** replacement tire market expanded by 4% overall year-on-year.

Demand in Western Europe contracted by 2% in the second quarter after gaining a very healthy 6% 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.

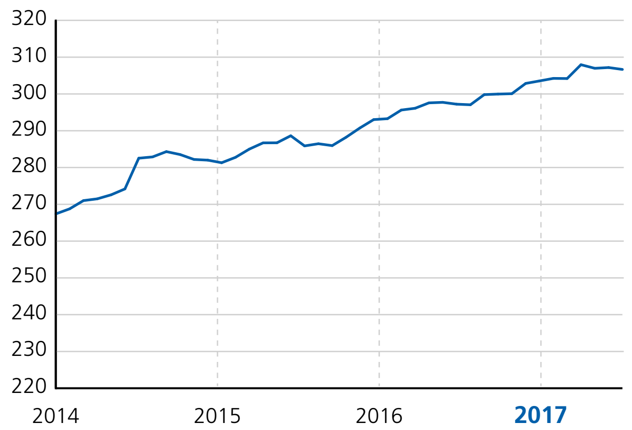
Growth remained firm throughout the first half in Eastern Europe, with a 16% increase off of favorable prior-year comparatives. Budget imports are continuing to pour into both Western and Eastern Europe at a sustained pace.

The main country markets rose or declined as follows during the first half:

Passenger car and Light truck tires – Replacement	Year-on-year change
Western Europe	**2%**
▶ France	1%
▶ Spain	6%
▶ Italy	-3%
▶ United Kingdom	-3%
▶ Germany	0%
▶ Poland	17%
▶ Turkey	7%
Eastern Europe	**16%**
▶ Russia	20%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

(in millions of tires – moving 12 months – excluding Russia)

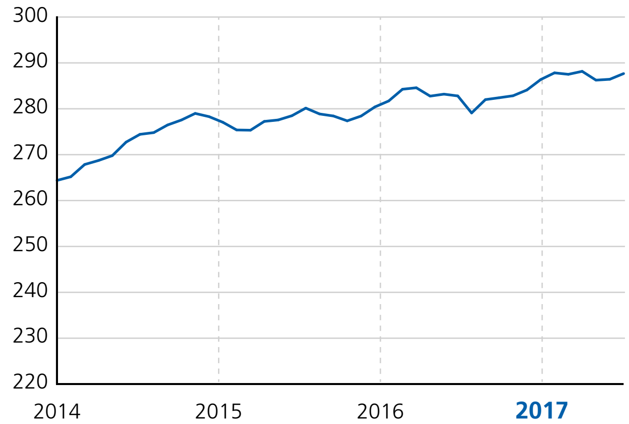


Michelin estimates.

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 the first half saw a 5% rise in import sales as well as a strong demand for tires with high speed ratings.

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

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.

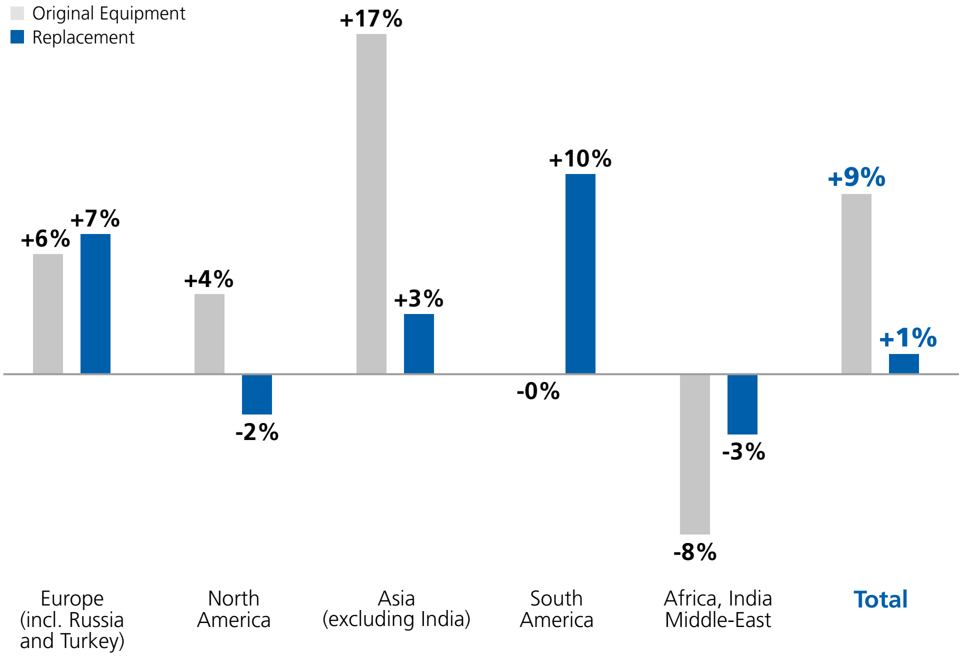
Demand in **South America** rose by 7% overall, with the Brazilian market gaining 10% on a 70% increase in imports from Asia.

Unit tire sales in the **Africa/India/Middle East** region rose by 2%, with a steep 8% climb in India on the back of rising consumer spending. Markets in Africa and the Middle East are suffering from political instability and the weakness of the oil-dependent economies in the region.

3.1.2 TRUCK TIRE MARKETS

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. Increases in sell-in prices triggered in replacement segment a 7% gain in the first quarter and a 3% decline in the second. Original equipement segment enjoyed a robust 9% growth over the full period.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2017 VS. FIRST-HALF 2016



Michelin estimates – New tires, radial and bias.

3.1.2 a) Original equipment

The **worldwide original equipment market** rose sharply in the first half, led by growth in Chinese demand off of low prior-year comparatives, by sales in Europe and by the rebound in North America after a year of steep decline. Demand in Brazil, India and Southeast Asia contracted over the period.

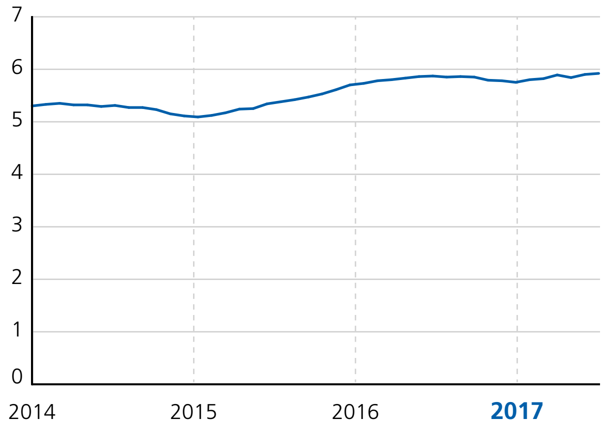
Truck tire markets* **Original equipment** *(in millions of tires)*	First-half 2017	First-half 2016	First-half 2017, % change YoY	Second-quarter 2017, % change YoY	First-quarter 2017, % change YoY
Europe(1)	3.5	3.4	+6%	+3%	+10%
North America(2)	2.9	2.8	+4%	+14%	-5%
Asia (excluding India)	13.5	11.6	+17%	+16%	+18%
South America	0.5	0.5	-3%	-0%	-4%
Africa/India/Middle East	2.7	2.9	-8%	-14%	-3%
TOTAL	**23.2**	**21.2**	**+9%**	**+9%**	**+10%**

** New tires, radial and bias.*
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.

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.

THE OE TRUCK TIRE MARKET IN EUROPE

(in millions of new tires – moving 12 months – excluding Russia)

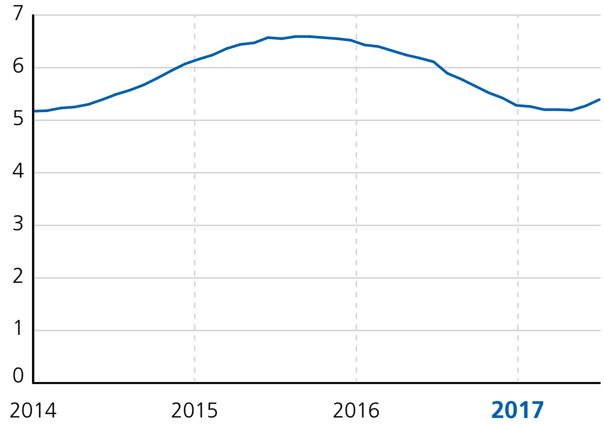


Michelin estimates.

After dropping 19% in 2016, the **North American** market enjoyed a sharp rebound in the second quarter, led by demand for freight services.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

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.

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.

In the **Africa/India/Middle East** region, demand retreated by 8%, pulled down by the 12% decline in India in an uncertain economic environment for trucking companies.

3.1.2 b) Replacement

The **global replacement market** rose by 1% on buoyant gains in the first quarter, led by early buying ahead of price increases. However, demand fell in the second quarter, in particular in North America and China.

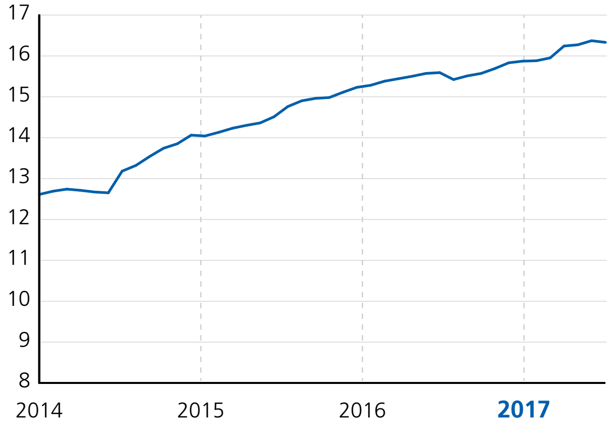
Truck tire markets* Replacement *(in millions of tires)*	First-half 2017	First-half 2016	First-half 2017, % change YoY	Second-quarter 2017, % change YoY	First-quarter 2017, % change YoY
Europe(1)	11.5	10.7	+7%	+2%	+11%
North America(2)	11.9	12.1	-2%	-9%	+6%
Asia (excluding India)	36.5	35.5	+3%	-3%	+9%
South America	6.7	6.5	+3%	-0%	+7%
Africa/India/Middle East	16.0	16.5	-3%	-3%	-4%
TOTAL	**82.6**	**81.4**	**+1%**	**-3%**	**+7%**

** New tires, radial and bias.*
(1) Including Russia and Turkey.
(2) United States, Canada and Mexico.

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.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

(in millions of new tires – moving 12 months – excluding Russia)

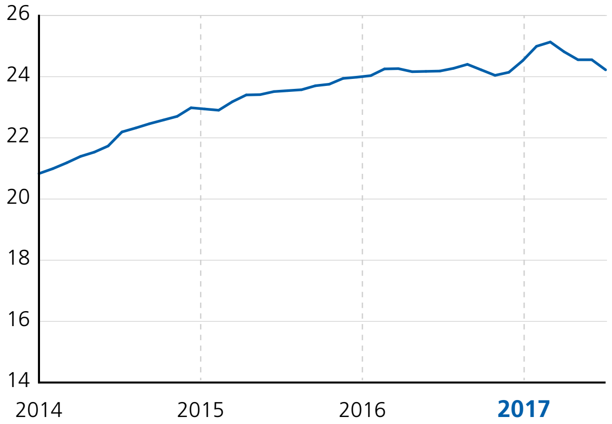


Michelin estimates.

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.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of new tires – moving 12 months)



Michelin estimates.

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.

Markets were down across the **Africa/India/Middle East** region in both the first and second quarters, despite the sustained growth in sales of intermediate-range tires and Chinese imports, particularly in India.

3.1.3 SPECIALTY TIRE MARKETS

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.

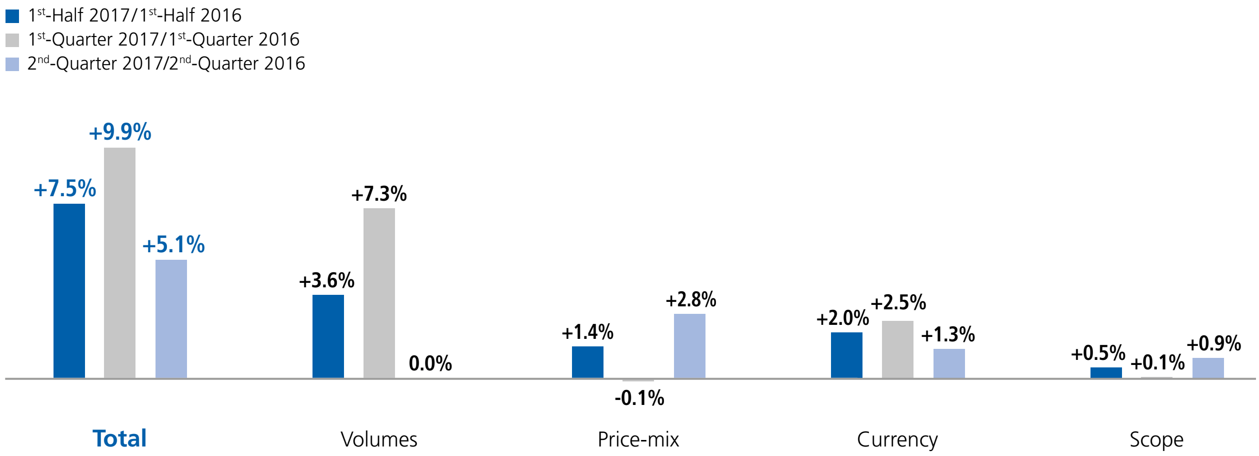
Despite low farm commodity prices, replacement markets expanded over the period, led by dealer purchases ahead of announced price increases.

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.

3.2 NET SALES

3.2.1 ANALYSIS OF NET SALES



Michelin estimates.

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:

- the 3.6% increase in volumes, led by the strong rebound in the mining business and early buying in the first quarter ahead of the price increases announced in response to higher raw materials prices;
- the 1.4% positive impact of changes in price-mix (reflecting a 0.1% unfavorable effect in the first quarter and a 2.8% favorable effect in the second). Higher prices 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 marginal reduction in prices in the businesses subject to raw materials indexation clauses. The €85 million positive mix effect reflected the sustained success of the MICHELIN brand's premium strategy and the rebound in the mining businesses, partially offset by the unfavorable impact of the relative growth rates of OE and replacement tire sales;
- the positive 2.0% currency effect, primarily stemming from the euro's rise against the US and Canadian dollars, the Russian ruble, the South African rand, the Brazilian real, the Australian dollar and the Indian rupee;
- the 0.5% gain from the consolidation in the second quarter of first-half net sales from Levorin, a Brazilian manufacturer of two-wheel tires, acquired in December 2016.

Note that net sales of tire-related services and solutions totaled €546 million in first-half 2017, compared with €539 million in the year-earlier period.

(in € millions and %)	First-half 2017	Second-quarter 2017	First-quarter 2017
NET SALES	**11,059**	**5,492**	**5,567**
Year-on-year change	**+767**	**+265**	**+502**
Volumes	+372	+1	+371
Price-mix	+145	+148	-3
Currency effect	+198	+70	+128
Changes in scope of consolidation	+52	+46	+6
Year-on-year change	**+7.5%**	**+5.1%**	**+9.9%**
Volumes	+3.6%	+0.0%	+7.3%
Price-mix	+1.4%	+2.8%	-0.1%
Currency effect	+2.0%	+1.3%	+2.5%
Changes in scope of consolidation	+0.5%	+0.9%	+0.1%

3.2.2 NET SALES BY REPORTING SEGMENT

(in € millions and %)	First-half 2017	Second-quarter 2017	First-quarter 2017
CONSOLIDATED TOTAL	**11,059**	**5,492**	**5,567**
Passenger car/Light truck tires and related distribution	6,263	3,062	3,201
Truck tires and related distribution	3,041	1,523	1,518
Specialty businesses(1)	1,755	907	848
Year-on-year change	**+7.5%**	**+5.1%**	**+9.9%**
Passenger car/Light truck tires and related distribution	+5.9%	+1.4%	+10.5%
Truck tires and related distribution	+4.6%	+3.1%	+6.2%
Specialty businesses(1)	+19.5%	+24.1%	+14.9%

(1) Specialty businesses: Earthmover, Agricultural, Two-Wheel and Aircraft tires; Michelin Travel Partner, BookaTable and Michelin Lifestyle Ltd.

3.2.2 a) Passenger car/Light truck tires and related distribution – Analysis of net sales

The Passenger car/Light truck tires and related distribution business delivered a 4% increase in volumes in the first half, reflecting a very strong 8% gain in the first quarter driven by buying ahead of the price increases announced by the Group in every geography, followed by a 2% decline in the second quarter.

In **Europe,** demand cooled in the second quarter after the price hikes and as budget tire imports continued to pour into the market. Sales rose solidly in the OE segment, while replacement volumes, which felt the impact of higher prices, were nevertheless lifted by the growing proportion of 18-inch and larger tires in the mix and the success of the most recent lines (MICHELIN CrossClimate+ and MICHELIN Pilot Sport 4S). Sales in Eastern Europe rebounded sharply.

In the import-driven **North America** market, net sales edged up somewhat overall in the first half, following first-quarter gains ahead of the announced price increases. The Group consolidated its positions, in both the original equipment and replacement segments, with the MICHELIN and UNIROYAL brands.

Sales in **South America** reflected the broadening of the OE customer portfolio to the MICHELIN brand and the fact that replacement volumes are still shaky in an uncertain economic environment.

In **Asia (excluding India),** net sales in China are expanding with local OEMs and benefiting from the strong sales performance of the MICHELIN brand in the replacement segment. Positions in Southeast Asia are being consolidated by enhancing the product offering and continuing to optimize the dealership network.

Net sales are increasing in the **Africa/India/Middle East** region, which continues to be impacted by local geopolitical and economic difficulties.

In all, 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 first-half 2016. Volumes gained 3% over the period, in line with the market's 3% increase. Prices generally ended the period higher, lifted by the increases introduced in response to rising raw materials costs. 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.

3.2.2 b) Truck tires and related distribution – Analysis of net sales

Volumes in the Truck tires and related distribution business held steady in the first half, with a robust 3% gain in the first quarter driven by buying ahead of the price increases announced by the Group in every geography, followed by a 3% contraction in the second quarter, reflecting the priority focus on raising prices to deliver higher margins in the second half.

In **Western Europe,** given the price increases introduced to offset the rise in raw materials costs, MICHELIN brand replacement new tire sales had a mixed first half, with a very strong first quarter driven by dealer buying ahead of the increases, and a more lackluster second quarter as higher dealer inventories weighed on demand. OE sales generally tracked the fast expanding markets, thanks to the popularity among truckmakers of the Group's low-rolling resistance tires. Sales also rose in line with demand in Russia and the CIS, reflecting a tire market rebound off of very low prior-year comparatives and the success of the Group's intermediate brands.

In **North America,** where the replacement market declined and imports leveled off, net sales were lifted by (i) volume gains in both the MICHELIN brand and the BFGoodrich and UNIROYAL brands, which enjoyed continuing growth; and (ii) price increases introduced to offset the rise in raw materials costs in the second half. In the OE segment, the sudden upturn in demand put pressure on the Group's supply chain. The development of fleet services continued apace.

In **South America,** where growth in the replacement market is import-driven, Michelin is focusing on maintaining margin integrity by continuing to raise prices in light of higher raw materials costs. Demand for the intermediate lines remains strong.

In **Asia (excluding India),** OE sales in China advanced in line with the markets, supported by the trend of consolidating certain fleets focused on product performance. Replacement sales benefited from the upturn in demand despite strong price competition enhanced by rising protectionism in importing countries. In Southeast Asia, sales were higher for MICHELIN brand tires and BFGoodrich's intermediate lines, which continue to be successful with customers.

In the **Africa/India/Middle East region,** sales retreated in an unfavorable market environment, where currency volatility and rising raw materials costs made it necessary to raise prices, a move not strongly followed by the competition. In India, the Group nonetheless captured the upturn in the OE market thanks notably to the popularity of the MICHELIN X Guard tire. As in Southeast Asia, the global strategy has positioned BFGoodrich as an intermediate brand.

In all, 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. With volumes holding steady over the period, growth was led by the favorable currency effect and the price increases introduced to offset, particularly in the second half, the rise in raw materials costs.

3.2.2 c) Specialty businesses – Analysis of net sales

Earthmover tires: Net sales climbed sharply over the period, led by the rebound in the mining business.

Agricultural tires: Net sales rose in an environment shaped by price increases and renewed demand for machinery.

Two-Wheel tires: Net sales continued to improve in buoyant markets.

Aircraft tires: Net sales eased back slightly, hurt by an unfavorable segment mix.

Michelin Travel Partner's net sales performance was mainly shaped by (i) further market share gains in the persistently difficult print B2C markets; (ii) sustained growth in B2B revenue thanks to the monetization of Michelin Guide launches; (iii) stable revenue in the digital segment where the online business has slowed; and (iv) the alliance between Michelin Restaurants and BookaTable. Lastly, Michelin Travel Partner is sharpening its strategic focus on dining and travel as part of the Michelin Experiences line, which brings together all of the businesses that offer customers an outstanding mobility experience.

In all, net sales by the Specialty businesses stood at €1,755 million for the period, compared with €1,469 million in first-half 2016. In addition to the favorable currency effect, the increase reflected robust 16% growth in volumes, led by the continued rebound in demand for the Group's mining tires and the sharp upturn in Earthmover and Agricultural original equipment sales. Indexation clauses, which were still resulting in price reductions in the first half, will lead to price increases as from July.

3.2.3 CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales rose by 7.5% in the first six months of 2017.

The gain included €198 million from the positive currency effect, primarily stemming from the euro's rise against the US and Canadian dollars, the Russian ruble, the South African rand, the Brazilian real, the Australian dollar and the Indian rupee.

Average exchange rate	First-half 2017	First-half 2016	Change
EUR/USD	1.082	1.116	-3.1%
EUR/CAD	1.444	1.485	-2.7%
EUR/MXN	21.014	20.128	+4.4%
EUR/BRL	3.435	4.127	-16.8%
EUR/GBP	0.860	0.778	+10.6%
EUR/JPY	121.589	124.595	-2.4%
EUR/CNY	7.441	7.295	+2.0%
EUR/THB	37.580	39.588	-5.1%
EUR/RUB	62.718	78.125	-19.7%
EUR/AUD	1.435	1.521	-5.6%
EUR/ZAR	14.295	17.200	-16.9%
EUR/ARS	16.974	15.927	+6.6%
EUR/TRY	3.936	3.261	+20.7%
EUR/INR	71.114	74.982	-5.2%

First-half 2017 net sales by currency were as follows:

Currency	%
AUD	2%
BRL	4%
CAD	3%
CNY	6%
EUR	32%
GBP	3%
INR	1%
JPY	1%
MXN	1%
RUB	2%
THB	1%
TRY	1%
TWD	1%
USD	38%
ZAR	1%
Other	5%
TOTAL	**100%**

3.2.4 NET SALES BY REGION

(in € millions)	First-half 2017	First-half 2016	First-half 2017, % change YoY
CONSOLIDATED TOTAL	**11,059**	**10,292**	**+7.5%**
Europe	4,106	4,027	+1.9%
France	*980*	*954*	*+2.8%*
North America (including Mexico)	4,100	3,829	+7.1%
Other	2,853	2,435	+17.2%

(in € millions)	First-half 2017	% of total	First-half 2016	% of total
GROUP	**11,059**		**10,292**	
Europe	4,106	37.1%	4,027	39.1%
France	*980*	*8.9%*	*954*	*9.3%*
North America (including Mexico)	4,100	37.1%	3,829	37.2%
Other	2,853	25.8%	2,435	23.7%

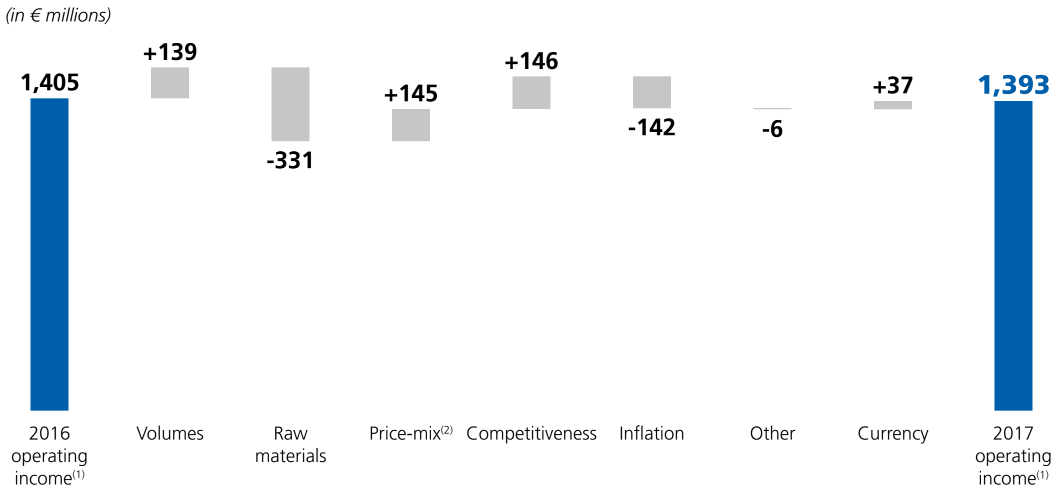
Consolidated net sales increased in every geography during the first half, lifted by price increases in response to rising raw materials costs and by favorable exchange rate movements.

More than 60% of consolidated net sales were generated outside Europe and more than 90% outside France.

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per-share data)	First-half 2017	First-half 2016	First-half 2017, % change YoY	First-half 2017 *(as a % of net sales)*	First-half 2016 *(as a % of net sales)*
Net sales	**11,059**	**10,292**	**+7.5%**		
Cost of sales	(7,387)	(6,640)	+11.3%	66.8%	64.5%
Gross income	**3,672**	**3,652**	**+0.5%**	**33.2%**	**35.5%**
Sales and marketing expenses	(948)	(933)	+1.6%	8.6%	9.1%
Research and development expenses	(327)	(361)	-9.4%	3.0%	3.5%
General and administrative expenses	(990)	(919)	+7.7%	9.0%	8.9%
Other operating income and expenses from recurring activities	(14)	(34)	N/M	0.1%	0.3%
Operating income from recurring activities	**1,393**	**1,405**	**-0.9%**	**12.6%**	**13.7%**
Operating income/(loss) from non-recurring activities	27	(51)	N/M	-	-
Operating income	**1,420**	**1,354**	**+4.9%**	**12.8%**	**13.2%**
Cost of net debt	(95)	(123)	-22.8%	0.9%	1.2%
Other financial income and expenses	(10)	16	N/M	0.1%	0.2%
Net interest on employee benefit obligations	(59)	(73)	-18.8%	0.5%	0.7%
Share of profits and losses from associates	4	(4)	N/M	0.0%	0.0%
Income before taxes	**1,260**	**1,170**	**+7.7%**	**11.4%**	**11.4%**
Income tax	(397)	(401)	-1.0%	3.6%	3.9%
Net income	**863**	**769**	**+12.2%**	**7.8%**	**7.5%**
▶ Attributable to shareholders of the Company	863	773	+11.6%	7.8%	7.5%
▶ Attributable to non-controlling interests	0	(4)			
Earnings per share *(in €)*					
▶ Basic	4.76	4.24	+12.3%		
▶ Diluted	4.73	4.17	+13.4%		

3.3.1 ANALYSIS OF OPERATING INCOME FROM RECURRING ACTIVITIES



(1) From recurring activities.
(2) Mix = product, brand, customer, geographic, OE/RT, division mix.

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 primarily corresponded to gains on changes to retiree medical benefits plans in the United States and pension plans in the United Kingdom, which were partially offset by the costs of reorganizing and aligning the Group's business operations (asset disposals).

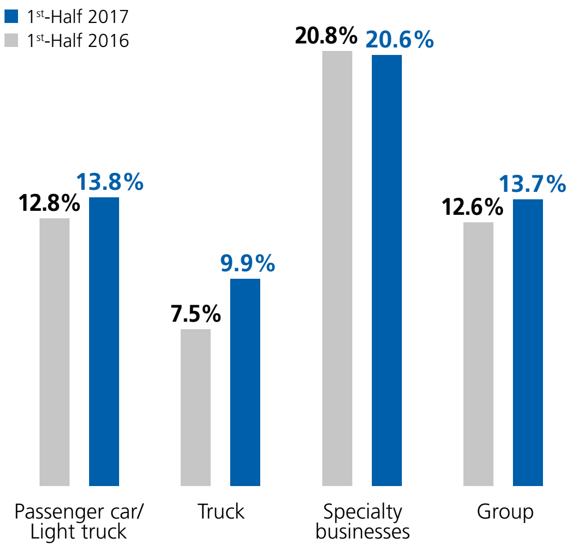
First-half 2017 operating income was impacted by the following factors:

- a €139 million increase from the 3.6% growth in sales volumes;
- a €186 million net decrease from changes in the price mix and raw materials costs. Changes in the price mix added €145 million to operating income for the period, of which €60 million due to the initial impact of price increases in response to higher raw materials costs, which in turn had a €331 million adverse impact. The net decrease from changes in the price mix and raw materials costs came to €106 million for businesses whose prices are indexed to raw materials costs and €80 million for non-indexed businesses;
- €146 million in gains from the competitiveness plan, in line with the implementation schedule. These included €64 million in general cost savings, €22 million in materials cost savings and €60 million in manufacturing and logistics productivity gains, which offset the €142 million adverse impact of inflation on production costs and overheads;
- €5 million in other unfavorable cost factors;
- a €37 million increase from the currency effect.

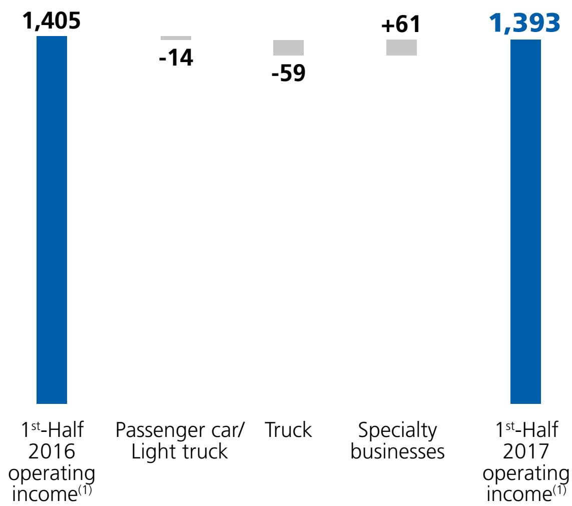
3.3.2 OPERATING INCOME FROM RECURRING ACTIVITIES BY OPERATING SEGMENT

(in € millions)	First-half 2017	First-half 2016
Passenger car/Light truck tires and related distribution		
Net sales	6,263	5,916
Operating income from recurring activities	800	814
Operating margin on recurring activities	**12.8%**	**13.8%**
Truck tires and related distribution		
Net sales	3,041	2,907
Operating income from recurring activities	229	288
Operating margin on recurring activities	**7.5%**	**9.9%**
Specialty businesses		
Net sales	1,755	1,469
Operating income from recurring activities	364	303
Operating margin on recurring activities	**20.8%**	**20.6%**
Group		
Net sales	11,059	10,292
Operating income from recurring activities	1,393	1,405
Operating margin on recurring activities	**12.6%**	**13.7%**

3.3.2 a) Operating margin on recurring activities by operating segment



(in € millions)



(1) From recurring activities.

- Passenger car/Light truck tires and related distribution.
- Truck tires and related distribution.
- Specialty businesses: Earthmover, Agricultural, Two-wheel and Aircraft tires; Michelin Travel Partner and Michelin Lifestyle.

3.3.2 b) Passenger car/Light truck tires and related distribution – Analysis of operating income from recurring activities

Passenger car/Light truck tires and related distribution *(in € millions)*	**First-half 2017**	**First-half 2016**	**First-half 2017, % change YoY**	**First-half 2017** *(% of consolidated total)*	**First-half 2016** *(% of consolidated total)*
Net sales	6,263	5,916	+5.9%	57%	57%
Change in volumes	*+3%*				
Operating income from recurring activities	800	814	-1.7%	57%	58%
Operating margin on recurring activities	12.8%	13.8%	-1.0pt		

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 margin change was primarily attributable to the 4% growth in 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.

3.3.2 c) Truck tires and related distribution – Analysis of operating income from recurring activities

Truck tires and related distribution *(in € millions)*	**First-half 2017**	**First-half 2016**	**First-half 2017, % change YoY**	**First-half 2017** *(% of consolidated total)*	**First-half 2016** *(% of consolidated total)*
Net sales	3,041	2,907	+4.6%	27%	28%
Change in volumes	*+0%*				
Operating income from recurring activities	229	288	-20.5%	16%	19%
Operating margin on recurring activities	7.5%	9.9%	-2.4pts		

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.

3.3.2 d) Specialty businesses – Analysis of operating income from recurring activities

Specialty businesses *(in € millions)*	**First-half 2017**	**First-half 2016**	**First-half 2017, % change YoY**	**First-half 2017** *(% of consolidated total)*	**First-half 2016** *(% of consolidated total)*
Net sales	1,755	1,469	+19.5%	16%	14%
Change in volumes	*+16%*				
Operating income from recurring activities	364	303	+20.1%	26%	22%
Operating margin on recurring activities	20.8%	20.6%	+0.2pt		

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 income 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.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials** is reported in the income statement under cost of sales (estimated at €2.6 billion in first-half 2017 versus €2.2 billion in first-half 2016).

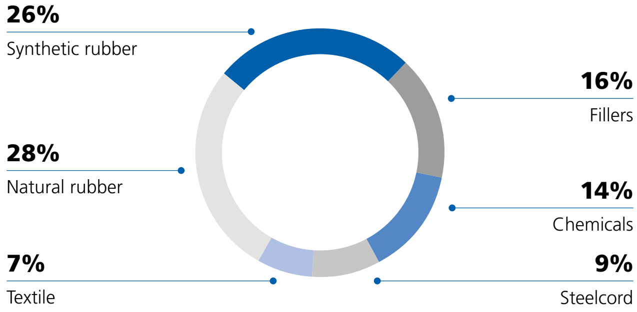
This cost reflects:

- the price and mix of the Group's raw materials purchases;
- production and sales volumes;
- the valuation of raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product;
- exchange rate movements. These correspond to (i) the impact of converting the cost of purchases made in local currencies into the consolidation currency and (ii) an untracked residual currency effect resulting from the difference between the purchasing companies' local currency and the currency used to purchase their raw materials.

In first-half 2017, the raw materials costs recognized in cost of sales included the €331 million effect of higher prices, as well as the residual currency effect.

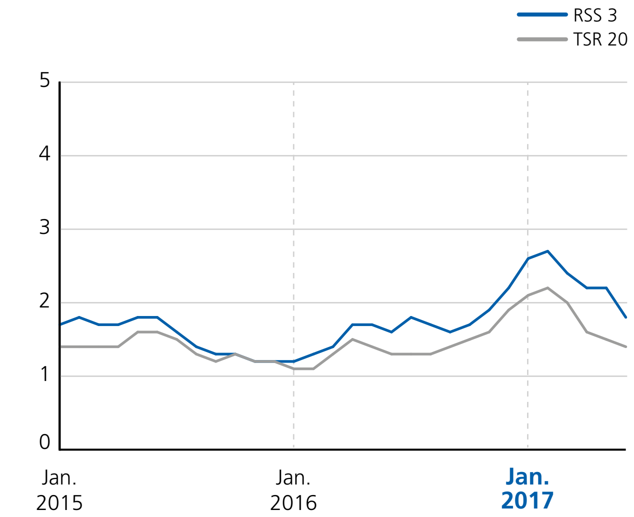
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene. As a result, given the very sharp spike in raw materials prices in the first quarter, these costs are expected to have an even more unfavorable impact in the second half of the year.

RAW MATERIALS RECOGNIZED IN FIRST-HALF 2017 COST OF SALES

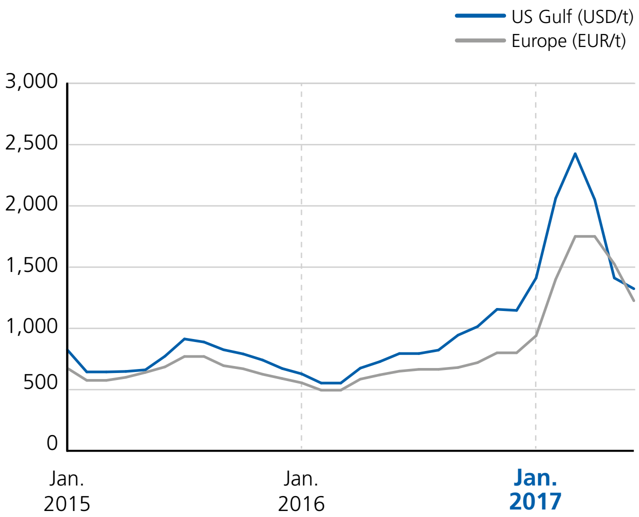


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

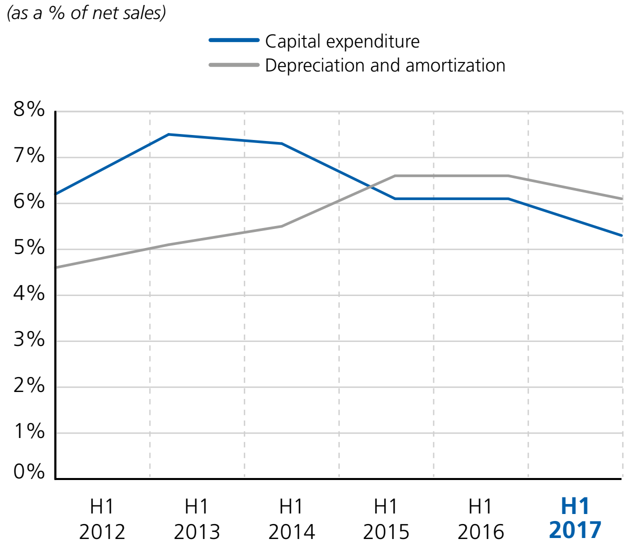
(in € millions and number of people)	First-half 2017	First-half 2016	Change
Total employee benefit costs	3,080	2,991	+3.0%
As a % of net sales	*27.9%*	*29.1%*	*-1.2pts*
Employees on payroll at June 30	112,800	112,400	+0.4%
Number of full-time equivalent employees at June 30	106,800	106,600	+0.2%
Average number of full-time equivalent employees over the period	106,100	106,200	-0.1%

At €3,080 million, **employee benefit costs** represented 27.9% of first-half net sales, versus 29.1% in the year-earlier period. The increase reflected the combined impact of the integration of new digital operations as well as inflation in North America and emerging economies, which offset the decline in the workforce in mature markets.

3.3.3 c) Depreciation and amortization

(in € millions)	First-half 2017	First-half 2016	Change
Depreciation and amortization charges for the period	677	680	-0.4%
As a % of additions to intangible assets and property, plant and equipment	*116%*	*109%*	

Depreciation and amortization came unchanged to €677 million.



3.3.3 d) Transportation costs

Transportation and logistics costs came to €609 million or 5.5% of interim net sales. The €46 million increase resulted from the combined net effect of the growth in sales volumes, especially in the mining businesses, and the adverse impact of higher fuel prices.

(in € millions)	First-half 2017	First-half 2016	Change
Transportation costs	609	563	+8.2%
As a % of net sales	*5.5%*	*5.5%*	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 8.6% of first-half net sales, versus 9.1% the year before. In value, they rose to €948 million over the period, led by the cost of launch campaigns for new flagship products, as well as the unfavorable currency effect and changes in the scope of consolidation.

3.3.3 f) Research and development expenses

(in € millions)	First-half 2017	First-half 2016	Change
Research and development expenses	327	361	-9.4%
As a % of net sales	*3.0%*	*3.5%*	

Research and development expenses stood at €327 million, down €34 million from first-half 2016 thanks to the sustained commitment to improving the efficiency of the Group's R&D operations by optimizing the R&D and engineering teams.

As a percentage of net sales, R&D expenses declined compared with first-half 2016.

3.3.3 g) General and administrative expenses

General and administrative expenses amounted to €990 million, a year-on-year increase of €71 million that stemmed from the adverse currency effect and the costs of organizing the global Movin'On sustainable mobility summit and of deploying the project to reorganize the Group's worldwide operations.

3.3.3 h) Other operating income and expenses from recurring activities

Other operating income and expenses from recurring activities amounted to an expense of €14 million, down €20 million from the €34 million expense reported in first-half 2016. The decrease was primarily attributable to taxes.

3.3.3 i) Operating income/(loss) from non-recurring activities

The €27 million in **net operating income from non-recurring activities** primarily corresponded to gains on changes to retiree medical benefits plans in the United States and pension plans in the United Kingdom, which were partially offset by the costs of reorganizing and aligning the Group's business operations (asset disposals).

3.3.3 j) Cost of net debt

(in € millions)	First-half 2017	First-half 2016	Change
Cost of net debt	95	123	-28

At €95 million, the **cost of net debt** was down €28 million compared with first-half 2016, primarily as a result of the following factors:

- a €10 million decline in net interest expense, reflecting the net impact of:
  - a €1 million decrease due to the reduction in average gross debt, to €2,737 million in first-half 2017 from €2,760 million in the year-earlier period,
  - a €9 million decrease from the lower average gross interest rate on borrowings, at 6.94% versus 7.27% in first-half 2016;
- a €13 million improvement in losses on exchange rate derivatives (to €11 million for the period), due mainly to the increase in euro interest rates against the Brazilian real and the Chinese yuan;
- a €5 million decrease from capitalizing borrowing costs.

3.3.3 k) Other financial income and expenses

(in € millions)	First-half 2017	First-half 2016	Change
Other financial income and expenses	(10)	16	-26

Other financial income and expenses represented a net expense of €10 million, corresponding mainly to exchange rate losses and derivatives. The €26 million decline over the period stemmed from the recognition in first-half 2016 of a gain on the renegotiation of a pension insurance contract in Spain.

3.3.3 l) Income tax

(in € millions)	First-half 2017	First-half 2016	Change
Income before taxes	1,260	1,170	+90
INCOME TAX	**(397)**	**(401)**	**-4**
Current tax	(324)	(373)	-49
Withholding tax	(36)	(36)	+1
Deferred tax	(37)	7	-44

Despite the improvement in taxable income, **income tax expense** declined by €4 million year-on-year to €397 million in the first half of 2017. The movement mainly reflected the reduction in corporate income tax rates in certain host countries, as well as a decrease in deferred tax liabilities (witholding taxes) and the impact of tax-free transactions. The effective tax rate was 31.5%, versus 34.3% the year before.

3.3.3 m) Consolidated net income and earnings per share

(in € millions)	First-half 2017	First-half 2016	Change
Net income	863	769	+94
As a % of net sales	*7.8%*	*7.5%*	*+0.3pt*
▶ Attributable to shareholders of the Company	863	773	+90
▶ Attributable to non-controlling interests	0	(4)	
Earnings per share *(in €)*			
▶ Basic	4.76	4.24	+0.52
▶ Diluted	4.73	4.17	+0.56

Net income came to €863 million, or 7.8% of net sales, compared with the €769 million reported in first-half 2016. The €94 million improvement was driven by the following factors:

- favorable factors:
  - the €78 million increase in operating income from non-recurring activities,
  - the €28 million reduction in the cost of net debt,
  - the €14 million decrease in net interest on employee benefit obligations,
  - the €8 million increase in the Group's share of net profit from associates,
  - the €4 million reduction in income tax expense;
- unfavorable factors:
  - the €26 million decrease in other financial income and expenses,
  - the €12 million decrease in operating income from recurring activities.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

(in € millions)	June 30, 2017	December 31, 2016	Total change	Currency effect	Movement
Goodwill	985	963	22	-53	+75
Intangible assets	631	630	1	-15	+16
Property, plant and equipment	10,612	11,053	-441	-419	-22
Non-current financial assets and other assets	399	323	76	-10	+86
Investments in associates and joint ventures	357	309	48	-11	+59
Deferred tax assets	1,120	1,191	-71	-38	-33
Non-current assets	**14,104**	**14,469**	**-365**	**-546**	**+181**
Inventories	4,766	4,480	286	-199	+485
Trade receivables	3,214	3,042	172	-112	+284
Current financial assets	667	633	34	-1	+35
Other current assets	1,060	1,202	-142	-11	-131
Cash and cash equivalents	827	1,496	-669	-7	-662
Current assets	**10,534**	**10,853**	**-319**	**-331**	**+12**
TOTAL ASSETS	**24,638**	**25,322**	**-684**	**-877**	**+193**

LIABILITIES AND EQUITY

(in € millions)	June 30, 2017	December 31, 2016	Total change	Currency effect	Movement
Share capital	361	360	1		+1
Share premiums	3,036	3,024	12		+12
Reserves	7,021	7,215	-194	-323	+129
Non-controlling interests	43	47	-4	-3	-1
Equity	**10,461**	**10,646**	**-185**	**-326**	**+141**
Non-current financial liabilities	2,342	1,773	569	-202	+771
Employee benefit obligations	4,570	4,763	-193	-134	-59
Provisions and other non-current liabilities	1,547	1,604	-57	-51	-6
Deferred tax liabilities	107	117	-10	-3	-7
Non-current liabilities	**8,566**	**8,257**	**309**	**-390**	**+699**
Current financial liabilities	915	1,320	-405	15	-420
Trade payables	1,985	2,364	-379	-63	-316
Reverse factoring contracts	489	339	150	-33	+183
Other current liabilities	2,222	2,396	-174	-76	-98
Current liabilities	**5,611**	**6,419**	**-808**	**-157**	**-651**
TOTAL EQUITY AND LIABILITIES	**24,638**	**25,322**	**-684**	**-873**	**+189**

3.4.1 GOODWILL

Goodwill before translation adjustments increased by €75 million over the period to €985 million at June 30, 2017, reflecting the recognition of goodwill arising on the purchases of Levorin, Alliance Réseaux, Restaurantes.com and Copiloto Satelital.

3.4.2 INTANGIBLE ASSETS

Intangible assets amounted to €631 million, unchanged from December 31, 2016.

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €10,612 million, a €22 million decrease from December 31, 2016 before the negative €419 million translation adjustment. The decline reflected the slowdown in growth investments committed in recent years in the new markets and the corresponding ramp-up of the related depreciation and amortization charges.

In all, depreciation and amortization charges (€677 million) exceeded purchases of new property, plant and equipment (€585 million) over the period.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets ended the period at €399 million, an €86 million increase (before the negative €10 million translation adjustment) that primarily reflected premium payments and fair value adjustments to the derivatives on the non-dilutive, cash-settled convertible bonds issued in the first quarter, as well as fair value adjustments to exchange rate derivatives.

3.4.5 DEFERRED TAX ASSETS AND LIABILITIES

Excluding the €41 million negative translation adjustment, **net deferred tax assets** declined by €27 million compared with December 31, 2016, mainly due to the actuarial gains and losses recognized during the year on employee benefit obligations, particularly in Europe and the United States, as well as the use of deferred tax losses and the recognition of deferred tax liabilities arising on timing differences.

3.4.6 TRADE WORKING CAPITAL REQUIREMENT

(in € millions)	June 30, 2017	June 30, 2016	Change	June 30, 2017 *(as a % of net sales, moving 12 months)*	June 30, 2016 *(as a % of net sales, moving 12 months)*
Inventories	4,766	4,603	+163	22.0%	21.9%
Trade receivables	3,214	3,102	+112	14.8%	14.8%
Trade payables	(1,985)	(1,898)	-87	-9.2%	-9.0%
Reverse factoring contracts	(489)	(244)	-245	-2.3%	-1.2%
TRADE WORKING CAPITAL REQUIREMENT	**5,506**	**5,562**	**-56**	**25.4%**	**26.5%**

Trade working capital requirement decreased by €56 million year-on-year, as the increase in inventories and trade receivables was offset by the growth in trade payables, particularly those covered by reverse factoring contracts. It represented 25.4% of moving 12 month net sales, a 1.1 point improvement on June 30, 2016.

At €4,766 million, **inventories** ended the period up €163 million year-on-year, due to rising raw materials costs partially offset by the impact of a reduction in volumes thanks to effective management.

Trade receivables stood at €3,214 million at June 30, 2017, a €112 million increase that tracked the growth in net sales.

Trade payables, including those covered by **reverse factoring contracts,** rose by €322 million year-on-year to €2,474 million, as a result of longer payment periods, the growth in net sales and the increase in raw materials prices.

3.4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €827 million at June 30, 2017, a €662 million decline from December 31, 2016 (before the €7 million negative translation adjustment) that mainly reflected the following factors:

- increases from:
  - the €304 million in new debt,
  - the €13 million in proceeds from new share issues,
  - other favorable factors in an amount of €51 million;
- decreases from:
  - the negative €305 million in free cash flow,
  - the payment of €613 million in dividends and other distributions,
  - the buyback of Company shares for €44 million,
  - the purchase of cash management instruments in an amount of €68 million.

3.4.8 EQUITY

Consolidated equity decreased by €185 million to €10,461 million at June 30, 2017 from the €10,646 million reported at December 31, 2016.

This change was primarily a result of the following factors:

- increases:
  - €511 million in comprehensive income for the period, including:
    - €863 million in net income,
    - €28 million in post-employment obligations,
    - the €3 million increase in taxes payable on these obligations,
    - €10 million in unrealized gains on available-for-sale financial assets,
    - €326 million in unfavorable translation adjustments,
    - other unfavorable factors in an amount of €5 million,
  - €13 million in proceeds from the issue of 226,269 new shares on the exercise of stock options and the conversion of bonds,
  - €3 million in service costs on performance share plans,
  - €2 million in other increases;
- decreases:
  - the payment of €613 million in dividends and other distributions,
  - the reclassification of the share buyback program as debt, in an amount of €101 million.

As a result, at June 30, 2017, the **share capital** of Compagnie Générale des Établissements Michelin stood at €360,584,780, comprising 180,292,390 shares corresponding to 245,370,297 voting rights.

3.4.9 NET DEBT

Net debt stood at €1,685 million at June 30, 2017, up €741 million from December 31, 2016, mainly as a result of the following factors:

- the net use of €935 million in cash, reflecting:
  - the €305 million in negative free cash flow for the period,
  - the payment of €585 million in dividends,
  - the outlay of €44 million for share buybacks during the period;
- the €182 million in other factors increasing net debt, of which:
  - €84 million in new finance leases,
  - a €42 million increase from the first-time consolidation of Levorin and other changes in scope,
  - €56 million in commitments to buy back Michelin shares over the rest of the year;
- €376 million in items leading to a net reduction in net debt:
  - €193 million in interest expense on the OCEANE zero-coupon convertible bonds,
  - €177 million in translation adjustments,
  - other factors in an amount of €6 million.

CHANGE IN NET DEBT

(in € millions)	First-half 2017	First-half 2016
At January 1	**944**	**1,008**
Free cash flow[1]	+305	-8
Distributions and other	+585	+511
Purchases of Michelin shares (actual and commitments)	+101	+150
Interest expense on the zero-coupon convertible bonds	-193	+17
Translation adjustment	-177	+35
Other	+120	+6
AT JUNE 30	**1,685**	**1,719**
CHANGE	**+741**	**+711**

(1) Free cash flow corresponds to cash flows from operating activities less cash flows used in investing activities, adjusted for net cash flows used in cash management instruments and loan guarantees.

3.4.9 a) Gearing

Gearing stood at 16% at June 30, 2017, versus 9% a year earlier.

3.4.9 b) Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin SCmA (CFM) are as follows:

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Moody's	P-2	P-2
Long term	Standard & Poor's	A-	A-
	Moody's	A3	A3
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Stable	Stable

- On January 29, 2016, Standard & Poor's upgraded Michelin's long-term credit rating to A- from BBB+, while affirming its A-2 short-term rating and stable outlook.
- On March 20, 2015, Moody's upgraded Michelin's long-term credit rating to A3 from Baa1, with a stable outlook, while affirming its P-2 short-term rating.

Note that CGEM and CFM have also been issued unsolicited credit ratings by Fitch Ratings:

	CGEM	CFM
Short term	F2	F2
Long term	A-	A-
Outlook	Stable	Stable

3.4.10 PROVISIONS

Provisions and other non-current liabilities stood at €1,547 million versus €1,604 million at December 31, 2016, a €6 million decrease (before the €51 million negative currency effect) that was led by the reversal of provisions on projects to improve the competitiveness of the Group's manufacturing operations.

3.4.11 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other defined benefit plans	First-half 2017	First-half 2016
At January 1	**2,742**	**2,021**	**4,763**	**4,888**
Contribution paid to the funds	(54)	-	(54)	(54)
Benefits paid directly to the beneficiaries	(16)	(73)	(89)	(86)
Other movements	-	-	-	(40)
Items recognized in operating income				
Current service cost	22	30	52	60
Actuarial (gains) or losses recognized in other comprehensive income	-	-	-	-
Past service cost resulting from plan amendments or curtailments	(26)	(36)	(62)	(19)
Effect of any plan settlements	-	-	-	(1)
Other items	7	-	7	2
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	31	28	59	72
Items recognized in other comprehensive income				
Translation adjustments	(62)	(72)	(134)	(59)
Actuarial (gains) or losses	(1)	43	42	693
Portion of unrecognized asset due to the application of the asset ceiling	(14)	-	(14)	(183)
AT JUNE 30	**2,629**	**1,941**	**4,570**	**5,273**

The net obligation recognized in the balance sheet at June 30, 2017 amounted to €4,570 million, down €193 million over first half, primarily due to the estimated €62 million decline in past service costs resulting from amendments to defined benefit plans and the €134 million positive impact of translation adjustments.

The expense recognized in the income statement in respect of defined benefit plans came in under Group forecasts, at €56 million instead of the estimated €116 million. Of this amount, a gain of €3 million was recognized in operating income and an expense of €59 million outside operating income. The €60 million decrease was led by:

- the estimated €26 million reduction in past service costs following amendments to the UK pension plan;
- the estimated €36 million reduction in past service costs following amendments to the US healthcare plan.

Total payments under defined benefit plans during first-half 2017 amounted to €143 million, versus €140 million in first-half 2016. They included:

- €54 million in contributions paid to fund management institutions, versus €54 million in first-half 2016;
- €89 million in benefits paid directly to employees, versus €86 million in first-half 2016.

Contributions paid by the Group for defined contribution plans totaled €114 million in first-half 2017, up from €109 million in first-half 2016.

Actuarial losses recognized in equity at June 30, 2017 totaled €42 million, which may be analyzed as follows:

- €270 million in actuarial losses, mainly resulting from lower discount rates;
- €228 million in actuarial gains on plan assets, stemming from the very high real return on the assets over the period in North America.

A negative amount of €14 million was recognized in the statement of comprehensive income following application of the asset ceiling rule to the Canadian pension plan.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOWS FROM OPERATING ACTIVITIES

(in € millions)	First-half 2017	First-half 2016	Change
EBITDA from recurring activities	**2,070**	**2,085**	**-15**
Change in inventories	(475)	(314)	-161
Change in trade receivables	(464)	(473)	+9
Change in trade payables	192	104	+88
Restructuring cash costs	(48)	(48)	+0
Tax and interest paid	(629)	(420)	-209
Other	(26)	(41)	+15
CASH FLOWS FROM OPERATING ACTIVITIES	**620**	**893**	**-273**

At €2,070 million, **EBITDA** from recurring activities was more or less unchanged year-on-year, reflecting the stability of both operating income from recurring activities (€1,393 million versus €1,405 million in first-half 2016) and the depreciation and amortization charges for the period.

Cash flows from operating activities declined by €273 million, to €620 million from €893 million in first-half 2016, primarily as a result of:

- the firm EBITDA performance (down €15 million);
- the limited €64 million increase in the adverse impact of the higher working capital requirement, despite the sharp rise in raw materials prices. The increase, to a negative €747 million from a negative €683 million in first-half 2016, mainly stemmed from:
  - the less negative impact from the increase in trade receivables and prepayments, which stood at €464 million compared with €473 million at June 30, 2016,
  - the more positive impact from the change in trade payables, which rose to €192 million versus €104 million in first-half 2016,
  - these two positive factors were more than offset by the €161 million increase in the negative impact from the change in inventories, which came to a negative €475 million, versus a negative €314 million in first-half 2016, primarily due to their increase in value following the steep rise in raw materials prices;
- the stability in provisions for restructuring cash costs, which remained unchanged at €48 million;
- the €209 million increase in tax and interest paid, to €629 million from €420 million in first-half 2016, mainly as a result of the payment in January 2017 of €193 million in capitalized interest on the OCEANE zero-coupon convertible bonds.

3.5.2 CAPITAL EXPENDITURE

(in € millions)	First-half 2017	First-half 2016	First-half 2017, change YoY	First-half 2017 *(as a % of net sales)*	First-half 2016 *(as a % of net sales)*
Gross purchases of intangible assets and PP&E	**585**	**623**	**-38**	**5.3%**	**6.1%**
Investment grants received and change in capital expenditure payables	260	284	-24	2.4%	2.8%
Proceeds from sale of intangible assets and PP&E	(27)	(19)	-8	0.2%	0.2%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**818**	**888**	**-70**	**7.4%**	**8.6%**

Gross purchases of intangible assets and property, plant and equipment came to €585 million for the period, compared with €623 million in first-half 2016, and therefore represented 5.3% of net sales versus 6.1% before.

Of the total, growth investments stood at €165 million, committed primarily in Indonesia, China, Mexico, Brazil, the United States and France.

Note that the Group's financing depends on its ability to generate cash flow as well as on market opportunities. As a result, there is generally no direct link between financing sources and investment projects.

3.5.3 AVAILABLE CASH FLOW AND FREE CASH FLOW

Available cash flow corresponds to cash flow from recurring operations, i.e., after routine capital expenditure but before growth investments.

Free cash flow, which is stated before dividend payments and financing transactions, corresponds to cash flows from operating activities less cash flows used in investing activities (adjusted for net cash flows used in cash management instruments and borrowing collaterals).

(in € millions)	First-half 2017	First-half 2016	Change
Cash flows from operating activities	**620**	**893**	**-273**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(420)	(449)	+29
AVAILABLE CASH FLOW	**200**	**444**	**-244**
Growth investments	(165)	(174)	+9
Other cash flows from investing activities	(340)	(262)	-78
FREE CASH FLOW	**(305)**	**8**	**-313**

After subtracting €420 million in routine capital expenditure, available cash flow stood at €200 million for first-half 2017.

During the period, the Group invested €83 million in acquisitions, primarily in the areas of materials (SIPH), solutions (Copiloto assets in Mexico) and Experience (particularly Robert Parker).

Free cash flow amounted to a negative €305 million, after the €165 million in growth investments.

3.6 OUTLOOK FOR FULL-YEAR 2017

Over the second half of the year, regardless of prevailing winter weather conditions, replacement markets are expected to recover from their decline after the first-quarter 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 Passenger car and light truck segment. Sales of mining tires should also continue to enjoy strong growth.

Given the full-year unfavorable 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 these 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 equal to or exceeding the 2016 figure at constant exchange rates, and structural free cash flow of more than €900 million.

3.7 RELATED PARTIES

There were no new material related party transactions during the first half of 2017, nor any material changes in the related party transactions described in the 2016 Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group's principal risks have been identified and are described in the 2016 Registration Document.

3.9 FINANCIAL HIGHLIGHTS

(in € millions)	First-half 2017	First-half 2016	2016	2015	2014	2013	2012
Net sales	11,059	10,292	20,907	21,199	19,553	20,247	21,474
% change	*+7.5%*	*-2.0%*	*-1.4%*	*+8.4%*	*-3.4%*	*-5.7%*	*+3.6%*
Total employee benefit costs	3,080	2,991	5,542	5,785	5,292	5,292	5,377
As a % of net sales	*27.9%*	*29.1%*	*26.5%*	*27.3%*	*27.1%*	*26.1%*	*25.0%*
Average number of full-time equivalent employees	106,100	106,200	105,700	105,800	106,700	105,700	107,300
Research and development expenses	327	361	718	689	656	643	622
As a % of net sales	*3.0%*	*3.5%*	*3.4%*	*3.3%*	*3.4%*	*3.2%*	*2.9%*
EBITDA from recurring activities(1)	2,070	2,085	4,084	3,934	3,286	3,285	3,445
Operating income from recurring activities	1,393	1,405	2,692	2,577	2,170	2,234	2,423
Operating margin on recurring activities	12.6%	13.7%	12.9%	12.2%	11.1%	11.0%	11.3%
Operating income	1,420	1,354	2,791	2,207	1,991	1,974	2,469
Operating margin	12.8%	13.2%	13.3%	10.4%	10.2%	9.7%	11.5%
Cost of net debt	95	123	203	184	130	94	155
Other financial income and expenses	(10)	16	20	(30)	(43)	(15)	(22)
Income before taxes	1,260	1,170	2,464	1,869	1,651	1,702	2,307
Income tax	397	401	797	706	620	575	736
Effective tax rate	31.5%	34.3%	32.3%	37.8%	37.5%	33.8%	31.9%
Net income	863	769	1,667	1,163	1,031	1,127	1,571
As a % of net sales	*7.8%*	*7.5%*	*8.0%*	*5.5%*	*5.3%*	*5.6%*	*7.3%*
Dividends(2)	596	522	522	463	464	438	378
Cash flows from operating activities	620	893	2,764	2,695	2,522	3,089	2,926
As a % of net sales	*5.6%*	*8.7%*	*13.2%*	*12.7%*	*12.9%*	*15.3%*	*13.6%*
Gross purchases of intangible assets and PP&E	585	623	1,811	1,804	1,883	1,980	1,996
As a % of net sales	*5.3%*	*6.1%*	*8.7%*	*8.5%*	*9.6%*	*9.8%*	*9.3%*
Net debt(3)	1,685	1,719	944	1,008	707	142	1,053
Equity	10,461	9,803	10,646	9,542	9,523	9,256	8,501
Net debt(3)/Equity	16%	18%	9%	11%	7%	2%	12%
Net debt(3)/EBITDA(1)	0.81	0.82	0.23	0.26	0.22	0.04	0.31
Cash flows from operating activities/Net debt(3)	36.8%	52.0%	N/M	N/M	N/M	N/M	N/M
Operating income from recurring activities/Net interest expense(4)	15.3	14.0	13.3	12.8	16.0	15.7	14.2
Free cash flow(5)	(305)	8	1,024	653	322	1,154	1,075
ROE(6)	N/A	N/A	15.7%	12.2%	10.8%	12.2%	18.5%
ROCE(7)	N/A	N/A	12.1%	12.2%	11.1%	11.9%	12.8%
Per-share data *(in €)*							
Net assets per share(8)	58.0	51.5	59.1	52.5	51.3	49.8	46.6
Basic earnings per share	4.76	4.24	9.21	6.28	5.52	6.08	8.62
Diluted earnings per share	4.73	4.17	9.03	6.19	5.45	5.98	8.41
Price-earnings ratio(9)	N/A	N/A	11.5	14.0	13.6	12.7	8.3
Dividend for the year	N/A	N/A	3.25	2.85	2.50	2.50	2.40
Payout ratio(10)	N/A	N/A	36.5%	37.0%	40.6%	35.0%	28.7%
Yield per share(11)	N/A	N/A	3.1%	3.2%	3.3%	3.2%	3.4%
Share turnover rate(12)	79%	87%	78%	99%	91%	99%	129%

(1) As defined in note 3.7.2 to the 2016 consolidated financial statements.
(2) Including the dividends reinvested in new shares.
(3) Net debt: financial liabilities less cash and cash equivalents (adjusted for cash flows used In cash management instruments and borrowing collaterals) plus/less derivative assets, as defined in note 26 to the 2016 consolidated financial statements.
(4) Net interest charge: interest expense less interest income from cash and equivalents.
(5) Free cash flow: cash flows from operating activities less cash flows used in investing activities (adjusted for net cash flows used in cash management instruments and borrowing collaterals), as defined in section 3.5.3.
(6) ROE: net income attributable to shareholders/shareholders' equity excluding non-controlling interests.
(7) ROCE: Net operating profit after tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital requirement), as defined in section 2.6 of the 2016 Registration Document.
(8) Net assets per share: net assets/number of shares outstanding at the end of the period.
(9) PER: Share price at the end of the period/basic earnings per share.
(10) Payout ratio: dividend/net income before non-recurring items.
(11) Yield: dividend per share/share price at December 31.
(12) Share turnover rate: number of shares traded during the period/average number of shares outstanding during the period.

3.10 SHARE INFORMATION

3.10.1 THE MICHELIN SHARE

Traded on the NYSE Euronext Paris Stock Exchange

- Compartment A;
- ligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1.

Market capitalization

- €20.986 billion at June 30, 2017.

Average daily trading volume

- 563,290 shares in first-half 2017.

Indices

The Michelin share is included in two leading stock market indices.

As of June 30, 2017, it represented:

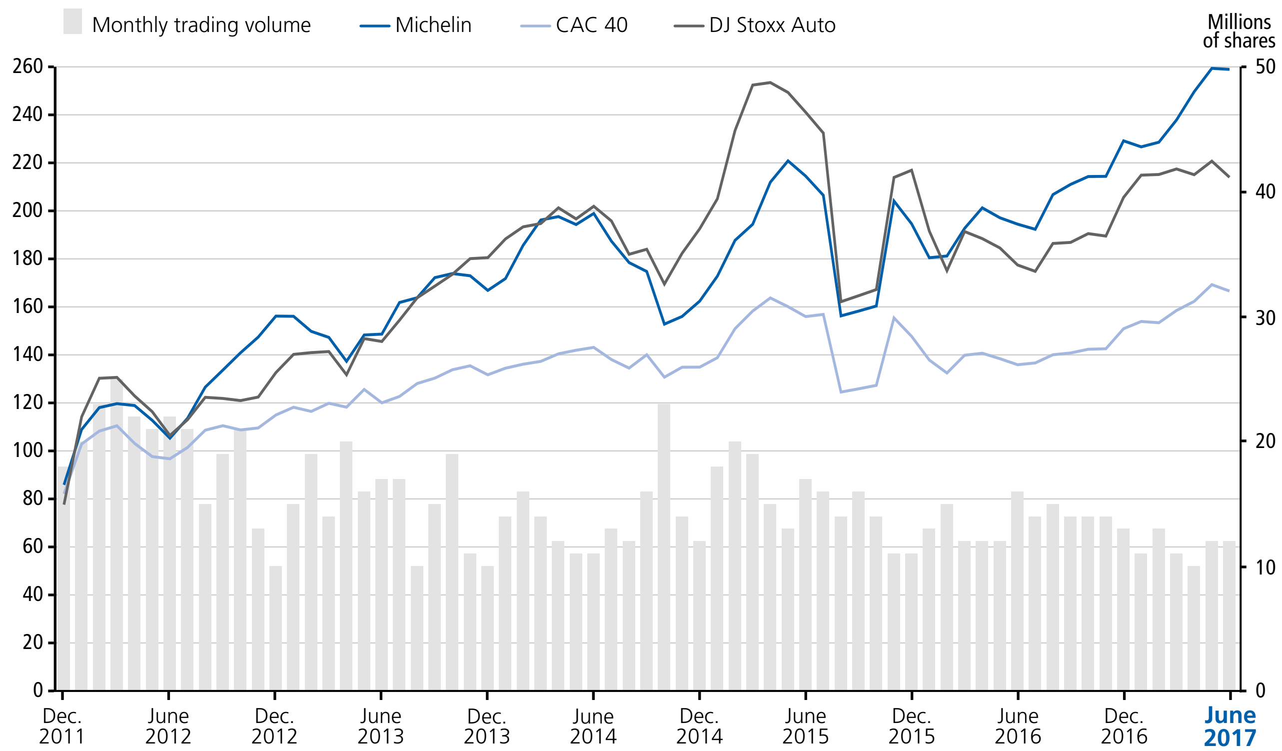
- 1.88% of the CAC 40 Index;
- 0.84% of the Euronext 100 Index.

Michelin is also included in the main Socially Responsible Investing (SRI) indices:

- Dow Jones Sustainability Index (DJSI) Stoxx for European sustainability leaders and DJSI World for global sustainability leaders;
- Ethibel Sustainability Index (ESI) Europe.

Share performance

(closing price at June 30, 2017)



3.10.2 SHARE DATA

Share price *(in €)*	First-Half 2017	2016	2015	2014	2013	2012
High	123.10	106.80	103.90	94.33	84.71	72.58
Low	98.93	77.40	71.60	65.10	57.23	45.32
High/Low ratio	1.24	1.38	1.45	1.45	1.48	1.60
Closing price, end of period	116.40	105.70	87.90	75.27	77.25	71.59
Average share price over the period	88.33	91.97	90.28	82.10	72.28	57.15
Change over the period	+10.12%	+20.30	+16.78%	-2.56%	+7.91%	+56.74%
Change in the CAC 40 index over the period	*+5.31%*	*+4.90%*	*+8.53%*	*-0.54%*	*+17.99%*	*+15.23%*
Market value at end of period *(in € billions)*	**20.99**	**19.03**	**15.98**	**13.98**	**14.35**	**13.07**
Average daily trading volume over the period	563,290	554,262	719,709	662,063	719,464	913,167
Average shares outstanding	180,213,209	182,122,667	185,960,394	185,954,390	184,901,269	181,099,501
Volume of shares traded over the period	71,537,804	142,445,218	184,245,619	168,826,055	183,463,371	233,770,814
Share turnover ratio[(1)]	**79%**	**78%**	**99%**	**91%**	**99%**	**129%**

(1) The full-year 2016 figure is estimated based on the actual number of shares traded in the first six months of 2016.

3.10.3 PER-SHARE DATA

(in € per share, except ratios)	First-Half 2017	2016	2015	2014	2013	2012
Net assets per share	58.0	59.1	52.5	51.3	49.8	46.6
Basic earnings per share	4.76	9.21	6.28	5.52	6.08	8.62
Diluted earnings per share[(1)]	4.73	9.03	6.19	5.45	5.98	8.41
Price-earnings ratio	**N. App.**	**11.48**	**14.00**	**13.64**	**12.71**	**8.31**
Dividend for the year	N. App.	3.25	2.85	2.50	2.50	2.40
Pay-out ratio	N. App.	36.5%	37.0%	40.6%	35.0%	28.7%
Yield[(2)]	N. App.	3.1%	3.2%	3.3%	3.2%	3.4%

(1) Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.
(2) Dividend / Share price at December 31.

The goal of the Group's dividend policy is to pay out approximately 35% of consolidated net income before exceptional items.

3.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2017, Michelin's share capital amounted to €360,584,780.

	At June 30, 2017		
	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors	4,424	25.1%	26.9%
Non-resident institutional investors		62.1%	61.0%
Individual shareholders	106,645	10.6%	9.7%
Employee Shareholder Plan	76,834	2.0%	2.4%
Treasury shares		0.2%	-
TOTAL	**187,903**	**180,292,390**[(1)]	**245,370,297 VOTING RIGHTS**

(1) All fully paid-up.

Shares held in the same name for at least four years carry double voting rights.

3.11 HIGHLIGHTS: 1ST HALF 2017

3.11.1 PERFORMANCE

A global reorganization project to better serve our customers

(June 22, 2017) – On March 16, 2017 Michelin launched a new organization project to reinforce its growth. The objective is to meet new customer expectations, improve satisfaction, simplify our operating methods and accelerate the Group's digital technology. This new organization will encourage close relations with our customers all over the world and will focus on recruiting highly skilled professionals in high tech and digital equipment.

Success for the extra non-dilutive convertible bond issue

(April 25, 2017) – Michelin announced the launch of another non-dilutive convertible bond issue refundable only in cash maturing January 10, 2022 for a nominal sum of 100 million US$. These new bonds will be issued under the same conditions as the non-dilutive convertible bonds issued by Michelin on January 10, 2017 for a sum of 500 million US$.

The Group announced a price increase for Michelin tires from April 2017

(February 3, 2017) – Michelin announced a price increase for its replacement tires in Europe and North America due to a rise in the cost of raw materials. This increase could reach 8% depending on the tires, for the Touring and light truck, Heavy truck, Civil engineering, Farming and Motorbike ranges. It will take effect before the end of April 2017. Depending on the change in raw material prices, the Group may revise the price positioning of its products.

Launch of the share buyback program for €100 million

(February 17, 2017) – In 2017, Michelin is continuing its share buyback program. An investment service provider will sell a certain amount of shares to the Compagnie Générale des Établissements Michelin from February 20, 2017 to November 24, 2017 up to a threshold figure of €100 million for the year. The shares bought will be canceled.

Reputation Institute: Michelin continues to climb the ranks

(March 16, 2017) – The Global RepTrack annual survey carried out by the Reputation Institute asks over 60,000 people all over the world to score companies on four criteria: confidence, respect, admiration and proximity. Good news for our Group... as it continues to climb the ranks. In 2017, we are 13th in the world (15th last year) and the leading automotive OEM. In France we are number 1 and the only company to score over 80 out of 100.

The truth about worn tires

(May 15, 2017) – Tire performance changes throughout a tire's life. At Michelin, we believe that a quality tire performs well until the legal wear limit and replacing it early provides no extra safety guarantees. For greater transparency, we are inviting test organizations to better inform people about the performances of worn tires. Replacing one's tires as late as possible benefits both the environment and the consumer.

Michelin and SIFCA join forces for a friendly takeover bid on SIPH

(June 6, 2017) – Through its subsidiary CFM, Michelin and the Ivoirian Company SIFCA, which until now owned 79.4% of the capital of Société Internationale de Plantation d'Hévéas (SIPH), made a friendly takeover bid to buy shares representing the company's remaining capital. This operation strengthens our presence in natural rubber production in West Africa.

Michelin has purchased NexTraq, a telematics solution for utility vehicles

(June 14, 2017) – Michelin has purchased NexTraq, a subsidiary of FLEETCOR Technologies. NexTraq provides solutions which improve driver safety, fuel management and fleet productivity. It has around 7,000 fleet management customers and 116,000 private subscribers in North America. This purchase bolsters our presence in fleet services, currently a flourishing market.

Michelin and Robert Parker's Wine Advocate join forces

(July 5, 2017) – Michelin purchased 40% of Robert Parker's Wine Advocate (RPWA), world leader in wine tasting and scoring. Founded by American Robert Parker in 1978, RPWA is today the international reference for wine reviews with its famous scoring system from 50 to 100 points. With this purchase, Michelin is bolstering its position on the fine food market, beginning with the Asian and North American markets.

3.11.2 INNOVATION

MICHELIN's Vision concept: the future of the wheel

(June 13, 2017) – We presented our concept tire for the future at Movin'On in Montreal: Vision MICHELIN. It is a completely recyclable airless tire with a biodegradable and "rechargeable" tread. The tread was created on demand by 3D printing to meet road conditions. It is also smart, so its development and change can be permanently monitored. It is only made with recycled materials and creates no waste, completely in line with the concept of the circular economy.

MICHELIN Pilot Sport4S: a premium tire in every sense

(January 19, 2017) – Designed on the back of our competition experience and partnerships with manufacturers, the MICHELIN Pilot Sport range is now a benchmark for sports sedans. Today it is joined by a new model, the MICHELIN Pilot Sport4S, which is ahead of all its rivals in track trials. This is a premium tire right down to its look and is available in 35 different sizes.

MICHELIN CrossClimate+: better performance every season, for longer

(February 27, 2017) – Like its predecessor, the new MICHELIN CrossClimate+ tire provides the qualities of a summer tire plus greater traction on snow-covered ground thanks to innovative rubber, a unique tread and high performance siping. But is its performance consistent from the first to the last kilometer? The answer is yes!

The new Alpine A110 with MICHELIN Pilot Sport 4

(March 21, 2017) – Initiated in 1973, the collaboration between Michelin and Alpine continues today with the development of the unique MICHELIN Pilot Sport 4 tire which will be used by all 1,955 First Edition Alpine A110s produced.

SimatLab: a joint lab for modeling materials of the future

(May 24, 2017) – The Michelin Group and the Clermont-Ferrand Chemical Institute, which regroups the CNRS and its local university partners, are creating a joint research lab dedicated to modeling polymer materials: SimatLab. It is the third joint lab between the Group and the CNRS. SimatLab will provide reliable simulations to discover the properties of new materials and identify brand new, innovative solutions for our future products.

MICHELIN X® FORCE™ ZL: the new genuinely tough all-terrain tire

(February 14, 2017) – Designed for light civilian and military vehicles (fire trucks, tactical vehicles, etc.), the new MICHELIN X® FORCE™ ZL 335/80R20 tire is the toughest of its kind. More damage-resistant, it can drive flat over 100 km and can support up to 3,350 kg of load per tire, or 775 kg more than its predecessor at identical performance levels!

MICHELIN X® MULTI™: a new generation of heavy truck tires to go even further

(May 22, 2017) – The MICHELIN X® MULTI™ range of heavy truck tires offers short and medium haul transport contractors tires with exceptional grip in all weather conditions, a 15 to 20% increase in lifespan and the lowest cost per mile on the market. This performance was made possible by the integration of many innovations. Equipped with an RFID chip, MICHELIN X® MULTI™ tires provide access to a range of digital services for tracking operations carried out on each tire.

Michelin TIRE CARE honored by Netexplo!

(June 16, 2017) – Netexplo, an independent observatory that studies the impact of digital technology on society and businesses, honored Michelin at a Change Conference held on June 16, 2017. This event recognizes the most innovative digital initiatives by big businesses in France and Michelin came first with its Michelin My Account offer, TIRE CARE. Well done to all the winners!

MICHELIN ROADBIB: the farming tire that makes sense

(June 13, 2017) – Michelin has co-designed its new farming tire with entrepreneurs to better meet their requirements. The new MICHELIN ROADBIB tire takes into account the fact that tractors travel on the road 50% of the time. Its revolutionary tread means that more of the rubber's surface is in contact with the road, 60% more than a traditional farming tire. This tire provides more comfort and 25% more lifespan.

Four new MICHELIN mountain bike tire ranges

(March 13, 2017) – In terms of mountain bike tires, our philosophy of "one use, one terrain, one tire" has led us to design four new ranges, two dedicated to cross-country and two to all mountain. Developed with competition riders, these two ranges use cutting-edge technology and make sure that everyone can find the best performing and most suitable tire for how they ride their mountain bike.

MICHELIN Power RS: a motorbike tire that will go down in history

(April 3, 2017) – MICHELIN motorbike tires have always been recognized for their performances on wet surfaces. With the new MICHELIN Power RS range, they now stand out on dry surfaces too. Designed for sports use, they use the MICHELIN Act+ technology, one of the most important innovations since the arrival of the radial motorbike tire in 1987. Available in 13 sizes for every use, the MICHELIN Power RS is ahead of all its competitors in tests.

Michelin and Safran develop the first smart tire for planes

(June 20, 2017) – Inspection operations for plane tires have always been complex. PresSense, a pressure sensor integrated in the tire developed by Michelin and Safran, is changing everything. The tire's pressure information can now be seen on a reader connected to a smartphone and a database. PresSense helps accelerate and simplify all the necessary maintenance operations.

MICHELIN travel guides: a sound investment

With its four collections of Le Guide Vert, Le Guide Vert weekend, Le Carnet and En un coup d'œil, MICHELIN is the number one travel guide publisher in France in volume. The MICHELIN Guide Vert changed its layout this year and is focusing on contributor favorites, great deals and trips, hikes and rambles...

The "En un coup d'œil" collection enjoyed the greatest growth in sales of all publishers at the end of May (+12.6%) followed by the "Guide Vert weekend" collection (+10%). Finally, MICHELIN travel guides have won 0.61 points of market share...the biggest increase in the sector.

3.11.3 SUSTAINABLE DEVELOPMENT

MOVIN'ON: a time to act for sustainable mobility

(June 13, 2017) – From June 13 to 15, 2017 Michelin invited visionaries, entrepreneurs and ecological militants to Montreal for MOVIN'ON, a world forum dedicated to sustainable mobility. Everyone present had come together to propose a real vision of tomorrow's mobility, resolutely innovative, collaborative and intelligent, safer, more efficient and of course more respectful to the environment.

SIAM: sustainable mobility is a priority

(February 16, 2017) – The Monaco International Motor Show (SIAM) is highlighting ecology and innovation. An opportunity to showcase our many initiatives in this field: energy efficiency of our tires, consistent performance from first to last kilometer, our Formula-E commitment, and our support for the hydrogen sector.

General Motors and Michelin: a shared vision of sustainable rubber cultivation

(May 18, 2017) – General Motors has published guidelines to make sure that tire suppliers privilege responsible rubber cultivation. We praise this decision which reflects our own commitments: implementation of a responsible and natural rubber policy, assessment of our suppliers' CSR performance, mapping operators in the sector's value chain, reforestation project in partnership with the WWF... Our approaches converge to lead all of the industry towards virtuous practices.

Michelin and its suppliers: a high-performing, responsible and sustainable relationship

(June 7, 2017) – We have demanding relationships with our suppliers who must share our standards in terms of quality and responsibility. But the demands are not only one-way, as proved by the "Responsible Supplier Relations" label the Group has been awarded since 2013. It testifies to the healthy and balanced relationships we have with our suppliers. The label was renewed for 2017 by a unanimous decision from the jury.

3.11.4 COMPETITION

Roborace: a race for intelligence

(January 25, 2017) – This year there will be autonomous electric vehicle races in parallel with the Formula-E championship. Michelin is one of the three official partners to the competition called "Roborace". Competition vehicles must use tires that can be fitted to mass-produced vehicles, making this new championship a laboratory for vehicles of the future.

24 Hours of Le Mans: 20/20

(June 19, 2017) – With its victory in the 2017 edition of 24 Hours of Le Mans, the n°2 Hybrid Porsche 919 gave Michelin its 20th consecutive win in Sarthe. 20 years of victories testifying to our Motorpsorts teams' ability to adapt to the constant changes in regulations and vehicles. As it is every year, the 24 Hours of Le Mans race was a forum for successfully testing the latest tire innovations which will be transferred from track to road over the coming years.

4/ CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

DETAILED SUMMARY OF THE NOTES OF THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Six months ended June 30, 2017	Six months ended June 30, 2016
Net sales	3	11,059	10,292
Cost of sales		(7,387)	(6,640)
Gross income		**3,672**	**3,652**
Sales and marketing expenses		(948)	(933)
Research and development expenses		(327)	(361)
General and administrative expenses		(990)	(919)
Other operating income and expenses from recurring activities		(14)	(34)
Operating income from recurring activities	3	**1,393**	**1,405**
Operating income/(loss) from non recurring activities	4	27	(51)
Operating income/(loss)		**1,420**	**1,354**
Cost of net debt	5	(95)	(123)
Other financial income and expenses	5	(10)	16
Net interest on employee benefit obligations	11	(59)	(73)
Share of profit/(loss) from associates		4	(4)
Income/(loss) before taxes		**1,260**	**1,170**
Income tax		(397)	(401)
NET INCOME/(LOSS)		**863**	**769**
▶ Attributable to the shareholders of the Company		863	773
▶ Attributable to the non-controlling interests		-	(4)
Earnings per share *(in €)*			
▶ Basic	6	4.76	4.24
▶ Diluted		4.73	4.17

The notes 1 to 16 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Six months ended June 30, 2017	Six months ended June 30, 2016
Net income/(loss)		**863**	**769**
Post-employment benefits	11	(28)	(510)
Tax effect – Post-employment benefits		(3)	122
Other items of comprehensive income that will not be reclassified to income statement		**(31)**	**(388)**
Available-for-sale financial assets – change in fair values		10	16
Tax effect – available-for-sale financial assets – change in fair values		(7)	-
Available-for-sale financial assets – (gain)/loss recognized in income statement		5	-
Currency translation differences		(326)	107
Other		(3)	(10)
Other items of comprehensive income that may be reclassified to income statement		**(321)**	**113**
Other comprehensive income		**(352)**	**(275)**
COMPREHENSIVE INCOME		**511**	**494**
▶ Attributable to the shareholders of the Company		515	500
▶ Attributable to the non-controlling interests		(4)	(6)

The notes 1 to 16 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	June 30, 2017	December 31, 2016	June 30, 2016
Goodwill		985	963	947
Intangible assets		631	630	621
Property, plant and equipment (PP&E)		10,612	11,053	10,456
Non-current financial assets and other assets		399	323	248
Investments in associates		357	309	306
Deferred tax assets		1,120	1,191	1,388
Non-current assets		**14,104**	**14,469**	**13,966**
Inventories		4,766	4,480	4,603
Trade receivables		3,214	3,042	3,102
Current financial assets		667	633	279
Other current assets		1,060	1,202	1,031
Cash and cash equivalents		827	1,496	994
Current assets		**10,534**	**10,853**	**10,009**
TOTAL ASSETS		**24,638**	**25,322**	**23,975**
Share capital	7	361	360	365
Share premiums	7	3,036	3,024	3,251
Reserves	8	7,021	7,215	5,720
Non-controlling interests		43	47	47
Equity		**10,461**	**10,646**	**9,383**
Non-current financial liabilities	9	2,342	1,773	1,645
Employee benefit obligations	11	4,570	4,763	5,273
Provisions and other non-current liabilities	12	1,547	1,604	1,701
Deferred tax liabilities		107	117	131
Non-current liabilities		**8,566**	**8,257**	**8,750**
Current financial liabilities	9	915	1,320	1,359
Trade payables		1,985	2,364	1,898
Trade payables under factoring contracts		489	339	244
Other current liabilities		2,222	2,396	2,341
Current liabilities		**5,611**	**6,419**	**5,842**
TOTAL EQUITY AND LIABILITIES		**24,638**	**25,322**	**23,975**

The notes 1 to 16 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	**Share capital** *(note 7)*	**Share premiums** *(note 7)*	**Reserves** *(note 8)*	**Non-controlling interests**	**Total**
At January 1, 2016	**364**	**3,222**	**5,903**	**53**	**9,542**
Net income/(loss)	-	-	773	(4)	769
Other comprehensive income	-	-	(273)	(2)	(275)
Comprehensive income	**-**	**-**	**500**	**(6)**	**494**
Issuance of shares	1	29	-	-	30
Reduction in capital	-	-	-	-	-
Dividends and other allocations	-	-	(538)	-	(538)
Share-based payments – cost of services rendered	-	-	5	-	5
Purchase of shares	-	-	(150)	-	(150)
Disposal of shares	-	-	-	-	-
Other	-	-	-	-	-
At June 30, 2016	**365**	**3,251**	**5,720**	**47**	**9,383**
Net income/(loss)	-	-	903	(5)	898
Other comprehensive income	-	-	435	3	438
Comprehensive income	**-**	**-**	**1,338**	**(2)**	**1,336**
Issuance of shares	2	67	-	-	69
Reduction in capital	(7)	(294)	301	-	-
Dividends and other allocations	-	-	-	-	-
Share-based payments – cost of services rendered	-	-	-	-	-
Purchase of shares	-	-	(151)	-	(151)
Disposal of shares	-	-	-	-	-
Other	-	-	7	2	9
At December 31, 2016	**360**	**3,024**	**7,215**	**47**	**10,646**
Net income/(loss)	-	-	863	-	863
Other comprehensive income	-	-	(348)	(4)	(352)
Comprehensive income	**-**	**-**	**515**	**(4)**	**511**
Issuance of shares	1	12	-	-	13
Reduction in capital	-	-	-	-	-
Dividends and other allocations	-	-	(613)	-	(613)
Share-based payments – cost of services rendered	-	-	3	-	3
Purchase of shares	-	-	(101)	-	(101)
Disposal of shares	-	-	-	-	-
Other	-	-	2	-	2
AT JUNE 30, 2017	**361**	**3,036**	**7,021**	**43**	**10,461**

The notes 1 to 16 are an integral part of the consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Six months ended June 30, 2017	Six months ended June 30, 2016
Net income		863	769
Adjustments			
▶ Cost of net debt	5	95	123
▶ Other financial income and expenses	5	10	(16)
▶ Net interest on benefits	11	59	73
▶ Income tax		397	401
▶ Amortization and depreciation of intangible assets and PP&E		677	680
▶ Operating income/(loss) from non recurring activities	4	(27)	51
▶ Share of loss/(profit) from associates		(4)	4
EBITDA from recurring activities		**2,070**	**2,085**
Operating income and expenses from non recurring activities (cash) and change in provisions	13	(132)	(114)
Cost of net debt and other financial income and expenses paid	13	(311)	(101)
Income tax paid		(318)	(319)
Change in working capital, net of impairments	13	(689)	(658)
Cash flows from operating activities		**620**	**893**
Purchases of intangible assets and PP&E	13	(845)	(907)
Proceeds from sale of intangible assets and PP&E		27	19
Equity investments in consolidated companies, net of cash acquired		(78)	3
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(10)	(3)
Proceeds from sale of available-for-sale financial assets		4	-
Cash flows from other financial assets	13	(54)	60
Cash flows from investing activities		**(956)**	**(828)**
Proceeds from issuances of shares	7	13	30
Dividends paid to the shareholders of the Company	7	(585)	(515)
Cash flows from financial liabilities	13	304	41
Purchase of shares	8	(44)	(150)
Other cash flows from financing activities		(14)	(26)
Cash flows from financing activities		**(326)**	**(620)**
Effect of changes in exchange rates		**(7)**	**(3)**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(669)**	**(558)**
Cash and cash equivalents at January 1		**1,496**	**1,552**
Cash and cash equivalents at June 30		**827**	**994**

The notes 1 to 16 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Compagnie Générale des Établissements Michelin (CGEM or the "Company") and its subsidiaries (together "the Group") manufacture, distribute and sell tires throughout the world.

The Company is a *société en commandite par actions* (Partnership Limited by Shares) incorporated in Clermont-Ferrand (France).

The Company is listed on Euronext Paris (Eurolist Compartment A).

After a review by the Supervisory Board, these condensed consolidated interim financial statements were authorized for issue by the Managing Chairman on July 24, 2017.

Except as otherwise stated, all amounts are presented in € million.

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the Group consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as adopted by the European Union at closing date with a mandatory application.

2.2 Accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended December 31, 2016.

Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The net liability for post-retirement benefits and the related net provision are measured based on the latest actuarial valuations available at the previous period closing date. For the main benefit plans (United States of America, Canada, United Kingdom, Germany and France), the actuarial assumptions have been updated. The main assumptions are adjusted provided that the change during the six-month period is deemed to be significant. The market value of the plans assets is measured at the interim closing date.

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2017

There are no new standards, major amendments and interpretations to existing standards, which are applicable for the accounting periods beginning on January 1, 2017 and which could have a material impact on the Group.

The Group has not anticipated the implementation of any standards or interpretations which will become mandatory after June 30, 2017.

2.4 Newly published standards, amendments and interpretations to existing standards that are not yet effective

/ 2.4.1 IFRS 9 "Financial Instruments"

IFRS 9, "Financial instruments", issued in July 2014 and endorsed by the European Union in November 2016, replaces IAS 39. The standard contains requirements for the classification and measurement of financial assets, including the introduction of a new expected loss impairment model for financial assets. For financial liabilities, the standard retains most of the requirements of IAS 39. IFRS 9 also sets new principles for the use of hedge accounting. For the Group the changes will impact mainly the accounting of Equity instruments and the evaluation of the trade receivable impairments. The Group is continuing its work to assess the full impact of this new IFRS 9 standard. The standard will be adopted as of the financial year beginning on January 1, 2018.

/ 2.4.2 IFRS 15 "Revenue from Contracts with Customers"

The Group is preparing to apply the standard from January 1, 2018 and keeps following the structured approach started in 2016 with the objective of assessing the potential impacts of the standard on the consolidated financial statements. Based on 2016 net sales total amount, a typology of activities and contracts with customers has been drawn up. The analysis has allowed to split the contracts contributing to the Group net sales into several categories with common characteristics for the purpose of this standard. For each category, a representative sample of contracts has been defined and each contract is being analysed using a tool that reflects the five steps of the comprehensive model outlined by the standard. Potential differences with the current accounting policies are identified and new accounting principles are defined.

The vast majority of the Group's revenues are generated by sales of tires, without any additional performance obligation, for which revenue is recognized when the goods are leaving the warehouses. For this type of sales, the analysis is ongoing and is focusing in particular on management of the deferred rebates granted to tire dealers on the replacement market.

Work on all types of sales is currently underway and it is not possible at this stage of completion to provide quantitative information.

The transition method that will be applied for the first application of the standard has not been chosen yet but the Group might elect to use the "modified approach" and recognize the cumulative impacts on the opening balance of equity at January 1, 2018.

/ 2.4.3 IFRS 16 "Leases"

IFRS 16 "Leases", published in January 2016, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.

The standard applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting model are introduced as the current distinction between operating and finance leases will disappear. The lessee must recognise an asset, corresponding to the right of use, and a liability corresponding to the lease commitment. Limited exceptions for short-term leases and/or leases of low value assets are allowed. The Group will adopt it from the accounting period beginning on January 1, 2019, providing its endorsement by the European Union.

The project launched in 2016 to assess the impacts of this standard and manage all aspects of the transition will continue until the end of 2018. The Group is progressing with the identification and analysis of its contracts in order to collect the necessary information, to be ready to comply with the requirements of the new standard.

2.5 Critical accounting estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires that management uses assumptions and estimates to determine the value of assets and liabilities at the date of the consolidated statement of financial position and the amount of income and expenses for the reporting period. The actual results could differ from those estimates.

2.6 Change in the scope of consolidation and in the percentage of interest

/ 2.6.1 Change in the scope of consolidation

On December 15, 2016 the Group acquired Levneo, the holding of a group of Brazilian companies producing and commercializing motorbike and bicycle tires under the Levorin trademark. The company is specialized in the "commuting" segment and operates in the Brazilian market. The acquisition generated a cash outflow of €8 million. At December 31, 2016, this acquisition was temporarily presented as "Non-current financial assets and other assets" in the consolidated statement of financial position. As at June 30, 2017, the purchase price allocation is still ongoing and the excess of purchase consideration over the book value of net asset acquired, before allocation to identifiable assets and liabilities assumed, has been recognised as goodwill for an amount of €64 million.

On December 20, 2016, the Group acquired for a consideration of €4 million, the Spanish company "Reservas de Restaurantes, S.L.", operating in the online restaurant reservation business through its internet site "Restaurantes.com". The accounting treatment for this transaction, on December 31, 2016 and on June 30, 2017, is similar to the one applied for Levorin and described above.

On May 2, 2017, the Group acquired tangible and intangible assets and assumed liabilities, the whole constituting a service activity, from a company engaged in the tracking and fleet management industry in Mexico. The Group analyses the transaction as a business acquisition, falling within the scope of IFRS 3 "Business Combinations".

For these two last acquisitions, the excess of purchase consideration over the book value of net asset acquired has been recognized as preliminary goodwill and does not have a material impact on the Group's interim consolidated financial statements at June 30, 2017.

On June 27, 2017, a 40% stake was acquired in the Wine Advocate company of which the internet site "Robert Parker.com" is the world's most widely read independent consumers' guide to fine wine. The Group concluded that it has a significant influence over the company and the investment is initially recognized at cost as at June 30, 2017, using the equity method.

/ 2.6.2 Change in the percentage of interest

On June 6, 2017, the Group, through its subsidiary Compagnie Financière Michelin SCmA, has filed a draft simplified cash public tender offer with the French securities regulator (*Autorité des marchés financiers* – AMF), acting in concert with the Ivory Coast company SIFCA, the majority shareholder of SIPH, to acquire the 1,042,324 shares (i.e., 20.60% of the capital) in Société Internationale de Plantations d'Hévéas (SIPH) not currently held by the concert parties, at a price of €85 per share. The amount of the operation, corresponding to the expected total repurchase of the shares, is €89 million and was deposited with the financial broker on a blocked account until the closing of the tender offer. Before launching this offer, the Group owned 23.81% of the capital of SIPH, recognized as "Investments in associates" in the consolidated statement of financial position.

The shareholders' agreement entered into by the Group and SIPH at the date of the launch of this operation states that the Group undertakes to sell forward to SIFCA, in the 5 coming years, 25% of the shares acquired by the Group under the public tender or the squeeze out of any remaining minority shareholders of SIPH, in order to reach the targeted ownership structure as follows:

- Michelin 40% of the share capital;
- SIFCA 60% of the share capital.

At June 30, 2017, 248,732 shares have been taken up and paid by the Group under the public tender for an amount of €21 million. Remaining shares will be contributed after the closure of the public tender on July 12, 2017. As a result, a cash amount of €68 million, which is the balance of the blocked account at June 30, 2017, is not freely available for the Group at that date. Shares acquired until the last day of the half year period have been taken into account in the percentage of interest held by the Group as at June 30, 2017 for the equity method. Those transactions, as well as provisions of the shareholders' agreement, do not change the significant influence the Group has over SIPH at June 30, 2017 and after the closure of the public tender.

2.7 Change in accounting estimates

The Group has changed the expected useful life of the curing molds. These pieces of equipment are used in the final stage of production, during which the tires acquire their final shape and technical properties.

Recent and gradual technological improvements in the design and manufacturing process of the curing molds have contributed to increasing the useful life of this type of equipment. Conversely, economic life of tires ranges, in particular for Passenger Car tires, is becoming shorter. Consequently, cycle of life of the different ranges of tire products is becoming a key factor in assessing the useful life of curing molds assets.

From January 1, 2017, based on the studies carried out in light of economic factors described above, the useful life of the curing molds has been increased from two to three, five or seven years, depending on the type of tires to which they are destined.

The Group assesses this change as a change in accounting estimate, as defined by IAS 8, and therefore recognizes its impacts prospectively.

The effect, on the first semester 2017, represents a reduction in depreciation costs of around €45 million.

The estimated impact on the second half of the year 2017 is a decrease of the depreciation expense by €28 million.

2.8 Seasonality

Usually cash flows during the first half of the year are mainly impacted by higher working capital needs and dividend payments.

NOTE 3 CONDENSED SEGMENT REPORTING

The Group is organized into Product Lines, each one dedicated to an area of activity, with its own marketing, development, production and sales resources. The Group has three operating segments as follows:

- Passenger car and Light truck tires and related distribution;
- Truck tires and related distribution; and
- Specialty businesses.

Specialty businesses include the Specialty tire business activities (Earthmover, Agricultural, Two-wheel and Aircraft tires) and the activities Michelin Travel Partner, Michelin Lifestyle, BookaTable and Michelin Restaurants.

The operating segment performance is evaluated based on operating income from recurring activities, in a manner consistent with that of the consolidated income statement.

This measurement basis excludes from the operating segments the effects of income and expenses from non-recurring activities. Group financing (including the cost of net debt and other financial income and expenses), result sharing from associates and income tax are managed on a Group basis and are not allocated to operating segments.

The information by operating segment is as follows:

	Six months ended June 30, 2017				Six months ended June 30, 2016			
(in € million)	Passenger car and Light truck tires and related distribution	Truck tires and related distribution	Specialty businesses	Total	Passenger car and Light truck tires and related distribution	Truck tires and related distribution	Specialty businesses	Total
Net sales	6,263	3,041	1,755	**11,059**	5,916	2,907	1,469	**10,292**
Operating income from recurring activities	800	229	364	**1,393**	814	288	303	**1,405**
In percentage of net sales	*12.8%*	*7.5%*	*20.8%*	***12.6%***	*13.8%*	*9.9%*	*20.6%*	***13.7%***

Sales between segments are carried out at arm's length. The sales to external parties reported to the Managing Chairman are measured in a manner consistent with that in the consolidated income statement.

Segment reporting assets are as follows:

	June 30, 2017				December 31, 2016			
(in € million)	Passenger car and Light truck tires and related distribution	Truck tires and related distribution	Specialty businesses	Total	Passenger car and Light truck tires and related distribution	Truck tires and related distribution	Specialty businesses	Total
Segment assets	10,081	5,423	2,942	**18,446**	10,109	5,535	2,868	**18,512**

Segment assets consist of goodwill and intangible assets, property, plant and equipment, finished products inventories and trade receivables. Corporate intangible assets and property, plant and equipment are allocated to each segment in proportion of directly attributed assets. The amounts provided to the Managing Chairman with respect to segment assets are measured in a manner consistent with that of the consolidated financial statements.

No operating liabilities are allocated to the segments in the Group internal reporting.

The geographic information is broken down by zone hereunder:

(in € million)	Six months ended June 30, 2017				Six months ended June 30, 2016			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	4,106	4,100	2,853	**11,059**	4,028	3,829	2,435	**10,292**

Europe includes western and eastern European countries. North America includes Mexico. Asian, South-American, Middle-Eastern, Oceanic and African countries are included in Other.

The Group sales information is based on the location of the customer.

The net sales in France for the six months ended June 30, 2017 amounted to €980 million (2016: €954 million).

NOTE 4 OPERATING INCOME AND EXPENSES FROM NON-RECURRING ACTIVITIES

(in € million)	Six months ended June 30, 2017	Six months ended June 30, 2016
Reorganizations and adaptation of activities	(3)	(52)
Impairment of fixed assets	(10)	10
Retiree benefit costs	52	(7)
Other operating income/(expense)	(12)	(2)
OPERATIONAL INCOME/(LOSS) FROM NON-RECURRING ACTIVITIES	**27**	**(51)**

4.1 Six months ended June 30, 2017

An income amounting to €62 million is generated by evolution of provisions for employee benefits and is related to the pension plans in the United Kingdom and the healthcare plan in the United States of America.

Additional disclosure on this topic is provided in note 11.

4.2 Six months ended June 30, 2016

After the announcement of a reorganization of the manufacturing engineering and the closure, by the end of 2017, of a truck tire retreading facility in Clermont-Ferrand, a provision covering the social costs of both plans as well as the impairment of non-reusable equipment had been recorded for a total amount of €47 million.

NOTE 5 COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Cost of net debt and other financial income and expenses are broken down in the table below:

(in € million)	Six months ended June 30, 2017	Six months ended June 30, 2016
Interest expenses	(93)	(103)
Interest income	2	3
Interest rate derivatives	(11)	(24)
Fees on credit lines	(2)	(3)
Capitalized borrowing costs	9	4
COST OF NET DEBT	**(95)**	**(123)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	7	7
Currency remeasurement (including currency derivatives)	(12)	(10)
Other	(5)	19
OTHER FINANCIAL INCOME AND EXPENSES	**(10)**	**16**

NOTE 6 EARNINGS PER SHARE

Components of the basic and diluted earnings per share calculations are presented in the table below:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Net income/(loss) *(in € million)*, excluding the non-controlling interests	863	773
▶ Less, estimated grants to the General Partners	(6)	(4)
Net income/(loss) attributable to the shareholders of the Company used in the calculation of basic earnings per share	**857**	**769**
▶ Plus, interest expenses on convertible bonds	-	14
Net income/(loss) attributable to the shareholders of the Company used in the calculation of diluted earnings per share	**857**	**783**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**180,081**	**181,263**
▶ Plus, adjustment for share option plans	288	419
▶ Plus, adjustment for convertible bonds	-	5,598
▶ Plus, adjustment for performance shares	670	647
Weighted average number of shares used in the calculation of diluted earnings per share	**181,039**	**187,927**
EARNINGS PER SHARE *(in €)*		
▶ Basic	4.76	4.24
▶ Diluted	4.73	4.17

Diluted earnings per share is calculated by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. At June 30, 2017 the Company has two types of financial instruments which are potentially dilutive: stock options and performance shares.

NOTE 7 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2016	**364**	**3,222**	**3,586**
Issuance of shares from the exercise of share options and performance shares	1	29	30
Reduction in capital	-	-	-
Other	-	-	-
At June 30, 2016	**365**	**3,251**	**3,616**
Issuance of shares from the exercise of share options and performance shares	2	67	69
Reduction in capital	(7)	(294)	(301)
Other	-	-	-
At December 31, 2016	**360**	**3,024**	**3,384**
Issuance of shares from the exercise of share options and performance shares	1	12	13
Reduction in capital	-	-	-
Other	-	-	-
AT JUNE 30, 2017	**361**	**3,036**	**3,397**

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2016	**181,902,182**	**-**	**181,902,182**
Issuance of shares from the exercise of share options and performance shares	371,941	-	371,941
Purchase of shares	-	(1,757,440)	(1,757,440)
Disposal of shares	-	-	-
Reduction in capital	-	-	-
Other	14	-	14
At June 30, 2016	**182,274,137**	**(1,757,440)**	**180,516,697**
Issuance of shares from the exercise of share options and performance shares	1,131,808	-	1,131,808
Purchase of shares	-	(1,589,600)	(1,589,600)
Disposal of shares	-	-	-
Reduction in capital	(3,347,040)	3,347,040	-
Other	7,216	-	7,216
At December 31, 2016	**180,066,121**	**-**	**180,066,121**
Issuance of shares from the exercise of share options and performance shares	226,269	-	226,269
Purchase of shares	-	(400,286)	(400,286)
Disposal of shares	-	-	-
Reduction in capital	-	-	-
Other	-	-	-
AT JUNE 30, 2017	**180,292,390**	**(400,286)**	**179,892,104**

The dividend granted to the shareholders during the period was €3.25 per share (2016: €2.85 per share). It has been fully paid in cash for a net amount of €585 million (2016: €515 million).

NOTE 8 RESERVES

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2016	**(308)**	**-**	**120**	**6,091**	**5,903**
Dividends and other allocations	-	-	-	(538)	(538)
Share-based payments – cost of services rendered	-	-	-	5	5
Purchase of shares	-	(150)	-	-	(150)
Disposal/cancellation of shares	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**(150)**	**-**	**(533)**	**(683)**
Net income/(loss) attributable to the shareholders of the Company	***-***	***-***	***-***	***773***	***773***
Post-employment benefits	-	-	-	(510)	(510)
Tax effect – Post-employment benefits	-	-	-	122	122
Other items of comprehensive income that will not be reclassified to income statement	***-***	***-***	***-***	***(388)***	***(388)***
Available-for-sale financial assets – change in fair values	-	-	16	-	16
Tax effect – available-for-sale financial assets – change in fair values	-	-	-	-	-
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-	-
Currency translation differences	109	-	-	-	109
Other	-	-	(8)	(2)	(10)
Other items of comprehensive income that may be reclassified to income statement	***109***	***-***	***8***	***(2)***	***115***
Comprehensive income	**109**	**-**	**8**	**383**	**500**
At June 30, 2016 – carried forward	**(199)**	**(150)**	**128**	**5,941**	**5,720**

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At June 30, 2016 – brought forward	**(199)**	**(150)**	**128**	**5,941**	**5,720**
Dividends and other allocations	-	-	-	-	-
Share-based payments – cost of services rendered	-	-	-	-	-
Purchase of shares	-	(151)	-	-	(151)
Disposal/cancellation of shares	-	301	-	-	301
Other	3	-	(1)	5	7
Transactions with the shareholders of the Company	**3**	**150**	**(1)**	**5**	**157**
Net income/(loss) attributable to the shareholders of the Company	**-**	**-**	**-**	***903***	***903***
Post-employment benefits	-	-	-	316	316
Tax effect – Post-employment benefits	-	-	-	(130)	(130)
Other items of comprehensive income that will not be reclassified to income statement	**-**	**-**	**-**	***186***	***186***
Available-for-sale financial assets – change in fair values	-	-	41	-	41
Tax effect – available-for-sale financial assets – change in fair values	-	-	(9)	-	(9)
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-	-
Currency translation differences	205	-	2	-	207
Other	-	-	11	(1)	10
Other items of comprehensive income that may be reclassified to income statement	***205***	**-**	***45***	***(1)***	***249***
Comprehensive income	**205**	**-**	**45**	**1,088**	**1,338**
At December 31, 2016	**9**	**-**	**172**	**7,034**	**7,215**
Dividends and other allocations	-	-	-	(613)	(613)
Share-based payments – cost of services rendered	-	-	-	3	3
Purchase of shares	-	(101)	-	-	(101)
Disposal/cancellation of shares	-	-	-	-	-
Other	-	-	-	2	2
Transactions with the shareholders of the Company	**-**	**(101)**	**-**	**(608)**	**(709)**
Net income/(loss) attributable to the shareholders of the Company	**-**	**-**	**-**	***863***	***863***
Post-employment benefits	-	-	-	(28)	(28)
Tax effect – Post-employment benefits	-	-	-	(3)	(3)
Other items of comprehensive income that will not be reclassified to income statement	**-**	**-**	**-**	***(31)***	***(31)***
Available-for-sale financial assets – change in fair values	-	-	10	-	10
Tax effect – available-for-sale financial assets – change in fair values	-	-	(7)	-	(7)
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	5	-	5
Currency translation differences	(319)	-	(3)	-	(322)
Other	-	-	-	(3)	(3)
Other items of comprehensive income that may be reclassified to income statement	***(319)***	**-**	***5***	***(3)***	***(317)***
Comprehensive income	**(319)**	**-**	**5**	**829**	**515**
AT JUNE 30, 2017	**(310)**	**(101)**	**177**	**7,255**	**7,021**

Under the share buyback program authorized at the May 13, 2016 Annual Shareholders' Meeting, an agreement was signed in February 2017 by which the Group undertook to buy back from an investment services provider a variable number of shares before November 24, 2017, for a maximum amount of €100 million. An amount of €100 million has been reclassified as current financial liabilities in the consolidated statement of financial position at the date the agreement was concluded. The debt is then reduced by the amount of effective buy back of shares from the provider, totaling €44 million as at June 30, 2017. The average unit price of the 400,286 shares acquired as at June 30, 2017 was €109.06.

NOTE 9 FINANCIAL LIABILITIES

The carrying amount of financial liabilities is presented in the table below:

(in € million)	June 30, 2017	December 31, 2016
Bonds	1,788	1,310
Loans from financial institutions and other	241	232
Finance lease liabilities	192	131
Derivative instruments	121	100
Non-current financial liabilities	**2,342**	**1,773**
Bonds and commercial paper	446	903
Loans from financial institutions and other	416	320
Finance lease liabilities	20	16
Derivative instruments	33	81
Current financial liabilities	**915**	**1,320**
FINANCIAL LIABILITIES	**3,257**	**3,093**

The Group net debt is analyzed in the table below:

(in € million)	June 30, 2017	December 31, 2016
Financial liabilities	3,257	3,093
Derivatives recognized as assets	(144)	(84)
Borrowing collaterals	(41)	(77)
Cash management financial assets	(560)	(492)
Cash and cash equivalents	(827)	(1,496)
NET DEBT	**1,685**	**944**

The zero coupon convertible bonds (OCEANES) issued on March 21, 2007 became due on January 1, 2017. 5,396,099 outstanding OCEANES for which the option of conversion into shares was not exercised were reimbursed on January 2, 2017, first working day after the due date, at €139.57 per OCEANE. The total amount reimbursed amounts to €753 million.

In January 2017, the Group issued exclusively cash-settled five year convertible bonds with a total face value of 500 million US dollars. These bonds were issued at par.

In April 2017, the Group issued additional convertible bonds with a total face value of 100 million US dollars. These bonds were issued at 103.50% of their face value.

Those bonds are redeemable at par (if they are not converted) and do not bear interest.

In addition to these issues, the Group subscribed to financial instruments with the same maturity, enabling it to fully cover its exposure to any positive or negative changes in the share price. This set of transactions, which were covered by euro-denominated swaps, provides the Group with the equivalent of classic euro-denominated bond financing at an advantageous cost.

These operations have been accounted for in accordance with the accounting policies described in sections 3.4 to 3.6 of note 3 of the consolidated financial statements as at December 31, 2016. The optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Non-current financial assets and other assets" and "Non-current financial liabilities".

Other significant items for explaining the change in net debt are the dividend paid to the shareholders and the buyback of shares carried out in the first half of 2017 as detailed in note 8.

NOTE 10 SHARE-BASED PAYMENTS

No share-based payments were done during the first six-month period of 2017.

NOTE 11 EMPLOYEE BENEFIT OBLIGATIONS

Movements of provisions included in employee benefit obligations are as follows:

(in € million)	Pension plans	Other plans	2017	2016
At January 1	**2,742**	**2,021**	**4,763**	**4,888**
Contributions paid to the funds	(54)	-	(54)	(54)
Benefits paid directly to the beneficiaries	(16)	(73)	(89)	(86)
Other movements	-	-	-	(40)
Items recognized in operating income				
Current service cost	22	30	52	60
Actuarial (gains) or losses recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from a plan amendment or curtailment	(26)	(36)	(62)	(19)
Effect of any plan settlements	-	-	-	(1)
Other items	7	-	7	2
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	31	28	59	72
Items recognized in other comprehensive income				
Translation adjustments	(62)	(72)	(134)	(59)
Actuarial (gains) or losses	(1)	43	42	693
Portion of unrecognized asset due to the application of the asset ceiling	(14)	-	(14)	(183)
AT JUNE 30	**2,629**	**1,941**	**4,570**	**5,273**

During the first half-year of 2017, a €62 million profit resulting from a negative past service cost has been assessed and accounted for. It is related to the events presented hereafter:

- In the United Kingdom, the pension plan implemented a pension increase exchange (PIE) exercise whereby pensioner members were offered an immediate uplift in their pension in return for giving up their future pension increases.
- In the United States of America, the Postretirement Welfare plan has been amended for a specific category of retiree members introducing a new structure of the annual subsidy provided by the Company for medical coverage.
- In the United States of America, the Group has remeasured the impact of Postretirement Welfare plan amendment in the light of the actual data. The initial measurement carried out in 2016 resulted in a negative past service cost amounting to €271 million. The remeasurement of the impact made in the first quarter of 2017 led the Group to recognize an additional negative past service cost.

Actuarial gains and losses recorded in equity are primarily explained by changes in discount rates applied to plans and by the experience adjustments on plan assets located in the following countries:

(in € million)	Euro zone	United Kingdom	United States	Canada	Total
Discount rate at June 30, 2017	1.69%	2.55%	3.78%	3.40%	n/a
Discount rate at December 31, 2016	1.55%	2.80%	4.10%	3.80%	n/a
Inflation rate at June 30, 2017	1.80%	3.30%	2.50%	2.00%	n/a
Inflation rate at December 31, 2016	1.77%	3.40%	2.50%	2.00%	n/a
Actuarial (gains)/losses on change in assumptions	(38)	87	147	74	270
Experience (gains)/losses on plan assets	-	(30)	(153)	(45)	(228)
ACTUARIAL (GAINS) OR LOSSES	**(38)**	**57**	**(6)**	**29**	**42**

Rates and amounts shown in the above table relate to benefit plans for which an actuarial valuation has been carried out for the interim period.

NOTE 12 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Movements of provisions included in "Provisions and other non-current liabilities" are as follows:

(in € million)	Reorganizations and adaptation of activities	Litigation	Other provisions	Total
At January 1, 2017	**274**	**253**	**110**	**637**
Additional provisions	5	44	1	50
Provisions utilized during the year	(47)	(27)	(9)	(83)
Unused provisions reversed during the year	(3)	(6)	(3)	(12)
Translation adjustments	(3)	(10)	(4)	(17)
Other effects (reclassification between short- and long-term)	-	83	-	83
AT JUNE 30, 2017	**226**	**337**	**95**	**658**

NOTE 13 DETAILS OF THE CASH FLOW STATEMENT

Details of the cash flows are presented in the table below:

(in € million)	Six months ended June 30, 2017	Six months ended June 30, 2016
Investment grants	(6)	(5)
Change in employee benefit obligations	(95)	(80)
Change in litigation and other provisions	8	23
Restructuring costs	(48)	(48)
Other	9	(4)
Operating income and expenses from non recurring activities (cash) and change in provisions	**(132)**	**(114)**
Interest and other financial expenses paid	(326)	(139)
Interest and other financial income received	11	35
Dividends received	4	3
Cost of net debt and other financial income and expenses paid	**(311)**	**(101)**
Change in inventories	(475)	(314)
Change in trade receivables and advances	(464)	(473)
Change in trade payables and advances	(1)	(46)
Change in trade payables under factoring contracts	193	150
Change in other receivables and payables	58	25
Change in working capital, net of impairments	**(689)**	**(658)**
Purchases of intangible assets	(75)	(63)
Purchases of PP&E	(510)	(560)
Government grants received	19	11
Change in capital expenditure payables	(279)	(295)
Purchases of intangible assets and PP&E	**(845)**	**(907)**
Increase in other non-current financial assets	(16)	(4)
Decrease in other non-current financial assets	4	7
Net cash flows from cash management financial assets	(68)	30
Net cash flows from borrowing collaterals	37	28
Net cash flows from other current financial assets	(11)	(1)
Cash flows from other financial assets	**(54)**	**60**
Increase in non-current financial liabilities	510	12
Decrease in non-current financial liabilities	(31)	(44)
Repayment of finance lease liabilities	(13)	(7)
Net cash flows from current financial liabilities	(76)	(11)
Derivatives	(86)	91
Cash flows from financial liabilities	**304**	**41**
Details of non cash transactions:		
▶ New finance leases	84	-
▶ New emission rights	4	3

NOTE 14 RELATED PARTY TRANSACTIONS

There were no new significant related party transactions during the first half of 2017, as well as no significant changes in the related party transactions described in the 2016 Annual Report.

NOTE 15 CONTINGENCIES

15.1 Legal claims

No significant events have occurred during the first semester 2017 with regard to the legal claims disclosed in section 32.2.2 to 32.2.4 of the notes to the consolidated financial statements as at December 31, 2016.

No new legal claim that may have a significant impact on the cash or on the financial position of the Group occurred during the first semester of 2017.

15.2 Global reorganization project announced on June 22, 2017

In June 2017, the Group has communicated the outlines of a global reorganization project aimed to better serve the customers. The project will have an impact on the Group's headcount, which will decrease mainly in the United States of America and in France at the Clermont-Ferrand site.

At the Clermont-Ferrand site, among the measures planned, a voluntary pre-retirement plan would be offered to the salaried employees and managers. Opening of the legal information of the personnel's representative bodies and consultation procedure period took place on July 6, 2017.

Due to the early stage of information and completion of the project, conditions to recognize a provision are not met as at June 30, 2017.

In the United States of America, the projected headcount reduction will be achieved mainly through natural turnover (normal attritions and retirements) without having to propose any incentives or pre-retirement plans.

NOTE 16 EVENTS AFTER THE REPORTING DATE

The reported amounts of assets and liabilities at the date of the consolidated statement of financial position were adjusted, if needed, up to the date when the Managing Chairman authorized for issue the interim financial statements.

16.1 Acquisition of Nextraq

Having obtained the official approval from the Authorities, the Group completed on July 17, 2017 the acquisition of Nextraq, a U.S. provider of commercial fleet telematics located in the Atlanta area, for a cash consideration of USD 320 million.

16.2 Simplified cash public tender offer on SIPH shares

The simplified public tender initiated by the Group was closed on July 12, 2017. The Group acquired through this tender 493,452 shares, of which 248,732 were taken up and paid as at June 30, 2017, for a total amount of €41 million. The targeted number of shares was 1,042,234.

The percentage of share capital held by the Group in SIPH after this operation is 33.56%, compared to the 23.81% previously held.

5/ STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE 2017 INTERIM FINANCIAL INFORMATION

This is a free translation into English of the Statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Compagnie Générale des Établissements Michelin, for the six months ended June 30, 2017;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Managing Chairman. Our role is to express a conclusion on these financial statements based on our review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists primarily of making inquiries of persons responsible for financial and accounting matters, and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of IFRS as adopted by the European Union applicable to interim financial information.

II. SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine, July 25, 2017

PricewaterhouseCoopers Audit
Éric Bulle

Deloitte & Associés
Pascale Chastaing-Doblin

Statutory auditors

6 / STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST HALF 2017 FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, i) the condensed financial statements for the past six-month period have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and ii) the first-half business review on pages 54 to 86 presents a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

Jean-Dominique Senard

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