2016 FIRST-HALF FINANCIAL REPORT

MICHELIN
A better way forward

CONTENTS

1 PRESS RELEASE

PRESS RELEASE

Clermont-Ferrand – July 26, 2016

COMPAGNIE GENERALE DES ÉTABLISSEMENTS MICHELIN

Financial Information for the Six Months Ended June 30, 2016

Operating income from recurring activities rises in first-half 2016, to €1,405 million, or 13.7% of net sales
Volumes up 2.5%, outpacing the markets
2016 guidance confirmed

- Passenger car and Light truck tire markets rose over the period, with replacement sales leveling off in the second quarter; Truck tire markets were less dynamic and Earthmover markets contracted further.
- Volumes up 2.5%, beating the market in every segment, rising 4% in Passenger car and Light truck tires and 1% in Truck tires, and declining by 2% in the Specialty businesses.
- Strong growth in operating income from recurring activities of €241 million at constant exchange rates to 13.7% of net sales, representing a 1.7 points improvement led by:
  - the €115 million positive impact of changes in the price mix and raw materials costs, thanks to effective management and a favorable basis of comparison;
  - the €155 million in gains from the competitiveness plan, which offset, as expected, the increase in production costs and overheads.
- Positive free cash flow of €8 million, representing a €108 million improvement from first-half 2015 before acquisitions.
- Share buybacks: €150 million tranche completed in the first half; new €150 million tranche scheduled for launch in the second half.

Jean-Dominique Senard, Chief Executive Officer, said: "In the first half, Michelin delivered a strong business performance driven by the quality of its tires and services, the effective management of the balance among growth and pricing, as well as by cost competitiveness. In a highly competitive marketplace, our company is focused more than ever on the four areas of improvement designed to fulfill our strategic vision: enhancing the quality of customer service, streamlining our operating procedures, deploying digital solutions and increasing the empowerment of our teams."

Outlook

Over the rest of the year, the Passenger car/Light truck and Truck tire markets are expected to lose some momentum in North America and Europe, but to remain buoyant in China's Passenger car/Light truck segment. The Specialty tire market is expected to continue to be impacted as mining companies complete their inventory drawdowns.

In this environment, margin management in the second half should help to deliver a positive price mix/raw materials effect over the full year.

As a result, Michelin is confirming its full-year targets of volume growth exceeding global trends in its markets, an increase in operating income from recurring activities at constant exchange rates, and structural free cash flow of more than €800 million.

(in € million)	First-Half 2016	First-Half 2015
Net sales	10,292	10,497
EBITDA from recurring activities	2,085	1,913
EBITDA margin on recurring activities	20.3%	18.2%
Operating income from recurring activities*	1,405	1,262
Operating margin on recurring activities	13.7%	12.0%
Passenger car/Light truck tires and related distribution	13.8%	10.8%
Truck tires and related distribution	9.9%	9.6%
Specialty businesses	20.6%	21.5%
Operating income/(loss) from non-recurring activities	(51)	(17)
Operating income	1,354	1,245
Net income	769	707
Earnings per share [(1)] *(in €)*	4.24	3.79
Capital expenditure	623	632
Net debt	1,719	1,798
Gearing	18%	18%
Employee benefit obligations	5,273	4,780
Free cash flow [(2)]	8	(219)
Employees on payroll [(3)]	112,400	112,600

(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.
** To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.*

MARKET REVIEW

PASSENGER CAR AND LIGHT TRUCK TIRES

First-Half 2016 % 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	+5%	+7%	+3%	+2%	-19%	+7%	+2%
Replacement	+2%	+3%	+2%	+5%	-1%	+4%	+3%

Second-Quarter 2016 % 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	+8%	+9%	+2%	+3%	-16%	+6%	+3%
Replacement	-0%	+2%	-2%	+4%	-1%	+4%	+0%

** Including Turkey.*

In the first half of 2016, the global original equipment and replacement Passenger car and Light truck tire market rose by 2% in number of tires sold.

Original equipment

- Demand remained robust in Western Europe, North America, China (up 6%) and the Africa/India/Middle East region.
- Markets continued to contract to historic lows in South America (down 19%), Japan and South Korea (down 3%) and Eastern Europe (down 21%).

Replacement

- Demand expanded in every geography, except South America (down 4% in Brazil) and Eastern Europe (down 4%), where the local economies remained mired in recession.
- The market was still brisk in China, rising 8%.
- Demand leveled off late in the first half in North America and Europe due to a high basis of comparison and built-up tire inventory.

TRUCK TIRES (RADIAL AND BIAS)

First-Half 2016 % 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	+5%	+6%	-12%	+1%	-25%	+13%	+0%
Replacement	+5%	+5%	+2%	-5%	-1%	+0%	-2%

Second-Quarter 2016 % 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	+5%	+5%	-12%	+3%	-12%	+11%	+1%
Replacement	+5%	+4%	-1%	-5%	+1%	+0%	-2%

* *Including Turkey.*

Global demand for new original equipment and replacement Truck tires declined by 1% in number of tires sold in the first six months of 2016, with retread markets also declining, particularly in Europe.

Original equipment

- Demand remained buoyant in Western Europe.
- The market continued to retreat in North America, as expected given the extensive renewal of the local truck fleet observed in recent years.
- Demand rose by 3% in China and surged 21% in India.

Replacement

- Demand was as robust as ever in Europe, while the retread segment suffered from competition from low-cost Asian imports.
- Despite a surge in Chinese tire imports ahead of the introduction of tariffs by the United States, the North American market stabilized at a high level in the second quarter, against a backdrop of strong dealer inventory.
- In the new markets, demand contracted 8% in China and 11% in Thailand, while leveling off in Brazil and India.

SPECIALTY TIRES

- **Earthmover tires:** The mining tire market fell back sharply for the third year in a row, dragged down by the steep reduction in mine inventory at a time of flat growth in mining output.

  Original equipment markets declined in the mature regions due to weak demand and high mining machine inventory. The Chinese market is also cooling after dropping significantly in 2015.

  Dealer hesitation is weighing on demand for infrastructure and quarry tires.
- **Agricultural tires:** After declining sharply in 2015, original equipment markets have rebounded in the mature markets, led by demand for small tractors. The outlook for the coming months nevertheless remains unfavorable.

  After retreating in 2015, replacement markets were unchanged overall in the mature geographies over the period. South American markets continued to be significantly challenged by the economic environment.
- **Two-Wheel tires:** Motorcycle and scooter tire markets rose in Europe for the fourth straight year, on an increase in dealer purchases, but dropped sharply in North America. Demand continued to trend upwards in the new markets, however, driven by the commuting segment.
- **Aircraft tires:** Demand in the commercial aircraft segment continued to grow, led by the rise in passenger traffic.

FIRST-HALF 2016 NET SALES AND EARNINGS

NET SALES

Net sales for the first six months of 2016 totaled €10,292 million, a decline of 2.0% from the year-earlier period that was attributable to the net impact of the following factors:

- the 2.5% increase in volumes, which outpaced the market in every division thanks to the performance of the MICHELIN brand and the robust growth in the other brands;
- the 2.1% negative impact of changes in price-mix. Half of the overall €163 million in price reductions stemmed from the application of indexation clauses, while the €61 million negative mix effect reflected the increase in sales of the other brands, the relative growth rates of OE and replacement tire sales and the contraction in the Earthmover tire business, which more than offset the favorable impact of the continued success of the MICHELIN brand's premium strategy;
- a 0.5% increase from the consolidation of German wholesaler Meyer Lissendorf, of Blackcircles, the UK's leading online tire retailer, and of BookaTable, Europe's number one online restaurant reservation service;
- the 2.8% negative currency effect.

RESULTS

Consolidated operating income from recurring activities amounted to €1,405 million or 13.7% of net sales versus €1,262 million and 12.0% in first-half 2015.

To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.

The improvement reflected the net impact of (i) the €159 million increase from the growth in volumes and (ii) the €115 million net increase from changes in prices and the product mix, itself the net result of effective replacement tire pricing management and the impact of indexation clauses which was more than offset by the €339 million gain from the decline in raw materials costs. The €155 million in savings from the ongoing competitiveness plan helped to absorb, as expected, the €142 million increase in production costs and overheads. Excluding the negative €98 million currency effect, operating income from recurring activities ended the first half up a sharp €241 million. Lastly, among the other factors, which added €3 million to the total, depreciation and amortization expense rose by €49 million.

The €51 million net operating loss from non-recurring activities primarily corresponded to restructuring costs related to projects to align the organization of operations in Clermont-Ferrand.

In all, net income for the period came to €769 million.

NET FINANCIAL POSITION

Free cash flow ended the first half at a positive €8 million, a €108 million improvement on the prior-year period before acquisitions. Capital expenditure totaled €623 million for the period.

Taking into account the positive free cash flow, the payment of €515 million in dividends and the €150 million in share buybacks, **gearing stood at 18%** at June 30, 2016, unchanged from a year earlier and corresponding to net debt of €1,719 million, compared with gearing of 11% and net debt of €1,008 million at December 31, 2015.

SEGMENT INFORMATION

	Net sales		Operating income from recurring activities*		Operating margin on recurring activities	
(in € million)	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Passenger car/Light truck tires and related distribution	5,916	5,860	814	632	13.8%	10.8%
Truck tires and related distribution	2,907	3,068	288	293	9.9%	9.6%
Specialty businesses	1,469	1,569	303	337	20.6%	21.5%
GROUP	**10,292**	**10,497**	**1,405**	**1,262**	**13.7%**	**12.0%**

Passenger car/Light truck tires and related distribution

Net sales in the Passenger car/Light truck tires and related distribution segment rose by 1.0% in the first half of 2016, to €5,916 million from €5,860 million the year before.

Operating income from recurring activities came to €814 million or 13.8% of net sales versus €632 million and 10.8% in first-half 2015.

This three-point improvement in operating margin on recurring activities reflected a robust business performance, led by a sharp decline in raw materials costs versus prior-year comparatives that was only partly attenuated by price reductions. The improvement in operating income also reflected a 4% increase in volumes that outpaced the market's 2% growth and the improvement in industrial competitiveness.

Truck tires and related distribution

Net sales in the Truck tires and related distribution segment declined to €2,907 million from €3,068 million in first-half 2015.

Operating income from recurring activities amounted to €288 million or 9.9% of net sales, compared with €293 million and 9.6% in first-half 2015.

The slight improvement in margin at a time of unfavorable exchange rates and declining demand primarily reflected the resilient volume performance, with a 1% gain driven by the success of OE business and the new intermediate ranges introduced in the emerging regions and North America. Effective management of the business, particularly in the areas of price positioning, supplying growth markets and cost control, also contributed to the sustained improvement in margin performance.

Specialty businesses

Net sales by the Specialty businesses stood at €1,469 million for the period, compared with €1,569 million a year earlier.

Operating income from recurring activities came to €303 million or 20.6% of net sales versus €337 million and 21.5% in first-half 2015.

In addition to a limited currency effect, this firm operating margin resistance primarily reflected the impact of price adjustments related to indexation clauses at a time of lower raw materials prices and to the 2% contraction in volumes in a market that is expected to decline by 2% to 5% over the year.

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin ended the first half with net income of €1,338 million, up sharply from the €541 million reported in the first six months of 2015.

The financial statements were presented to the Supervisory Board at its meeting on July 22, 2016. A review was performed by the statutory auditors, who issued their related report on July 25, 2016.

FIRST-HALF 2016 HIGHLIGHTS

- With the acquisition of BookaTable, Michelin becomes the European online restaurant reservation leader (January 11, 2016).
- MICHELIN Pilot Sport4, the new generation tire for premium and sports saloons (January 12, 2016).
- The MICHELIN® Pilot® Sport All-Season 3+™ is unveiled in Detroit (January 15, 2016).
- Michelin receives the Gold Class Sustainability Award 2016, the highest honor awarded by the Dow Jones Sustainability World Index (DJSI) (February 15, 2016).
- Michelin launches the latest version of its MICHELIN X LINE ENERGY Z Truck tire range in North America (February 28, 2016).
- Michelin confirms the transparency of its tire testing policy (February 26, 2016).
- Michelin adapts the organization of its activities in Clermont-Ferrand (March 1, 2016).
- The 2016 Reputation Institute corporate reputation worldwide ranking places Michelin 15th overall, No. 1 in France and No. 1 in the automotive equipment category (March 24, 2016).
- MICHELIN X® WORKS™ construction tire range launched to improve productivity and secure the future across every building industry application (April 18, 2016).
- PSA presents its first Corporate Social Responsibility Award to Michelin (June 2, 2016).
- At an Investor Day event held at its Technology Center in Ladoux, France, Michelin presented its strategic vision, growth objectives and competitiveness plan, designed to drive €1.2 billion in cost savings by 2020 (June 6, 2016).
- Michelin and Harley-Davidson expand their prestigious partnership, with MICHELIN Scorcher tires now sold across the global Harley-Davidson dealer network (June 8, 2016).
- A new premium tire plant to be built in Mexico (July 4, 2016).
- Strategic collaboration agreement signed with Boeing subsidiary Aviall (July 12, 2016).

A full description of first-half 2016 highlights may be found on the Michelin website: http://www.michelin.com/eng.

PRESENTATION AND CONFERENCE CALL

First-half 2016 results will be reviewed with analysts and investors during a presentation today, Tuesday July 26, at 11:00 a.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 10:50 a.m. CEST:

- In France 01 70 77 09 20 (French)
- In France 01 70 77 09 46 (English)
- In the United Kingdom 0203 367 9454 (English)
- In North America (855) 402 7762 (English)
- From anywhere else +44 (0) 203 367 9454 (English)

The presentation of financial information for the six months ended June 30, 2016 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 ended September 30, 2016:** Wednesday, October 19, 2016 after close of trading
- **2016 net sales and results:** Tuesday, February 14, 2017 before start of trading

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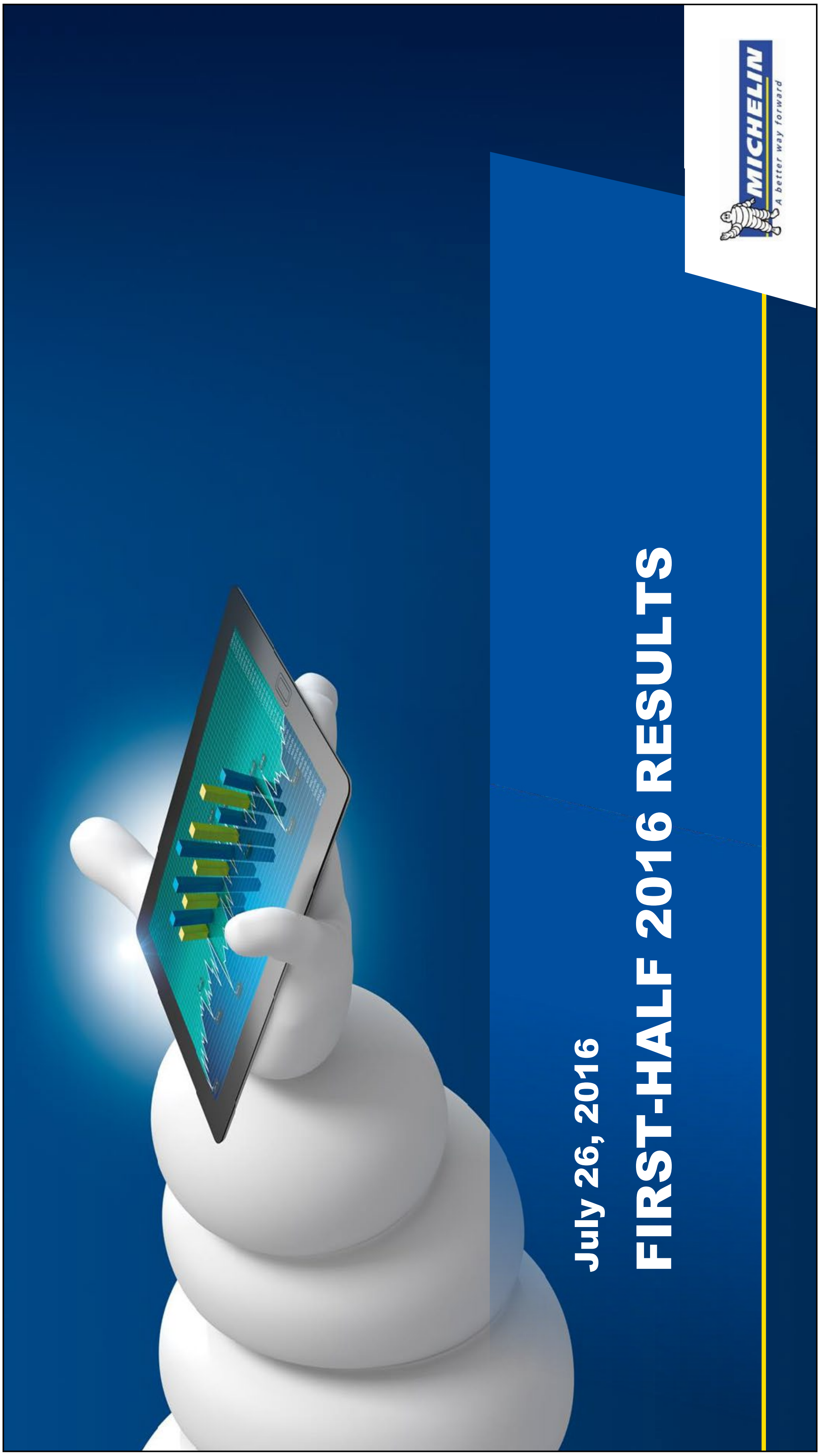
Disclaimer

This press release 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 documents filed in France with *Autorité des marchés financiers,* which are also available from the www.michelin.com/eng website.

This press release may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as at the time of publishing 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 inferred by these statements.

2 SLIDESHOW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FIRST-HALF 2016 RESULTS
July 26, 2016

Operating income from recurring activities of €1.4bn, up €241m at constant exchange rates

- Passenger car and Light truck tire markets rose over the period, but leveled off in the second quarter; Truck tire markets less dynamic and Earthmover markets still decreasing
- Volumes up 2.5%, beating the market in every segment
- 13.7% operating margin on recurring activities, up 1.7 points
- Changes in the price mix / raw materials effect had a positive impact of €115m, thanks to effective management and a favorable basis of comparison
- €155m in gains from the competitiveness plan offset inflation
- Positive free cash flow of €8m, representing a €108m improvement from First-Half 2015 before acquisitions
- Share buybacks: a €150m tranche was completed in the first half; a new €150m tranche is scheduled for launch in the second half
- 2016 guidance confirmed

2 First-Half 2016 Results – July 26, 2016

Above-market growth in every business segment

Volumes variation	H1 2016
Passenger car* Markets	***+4%*** +2%
Truck* Markets	***+1%*** -1%
Specialty Markets	***-2%*** -2%/ -5%**

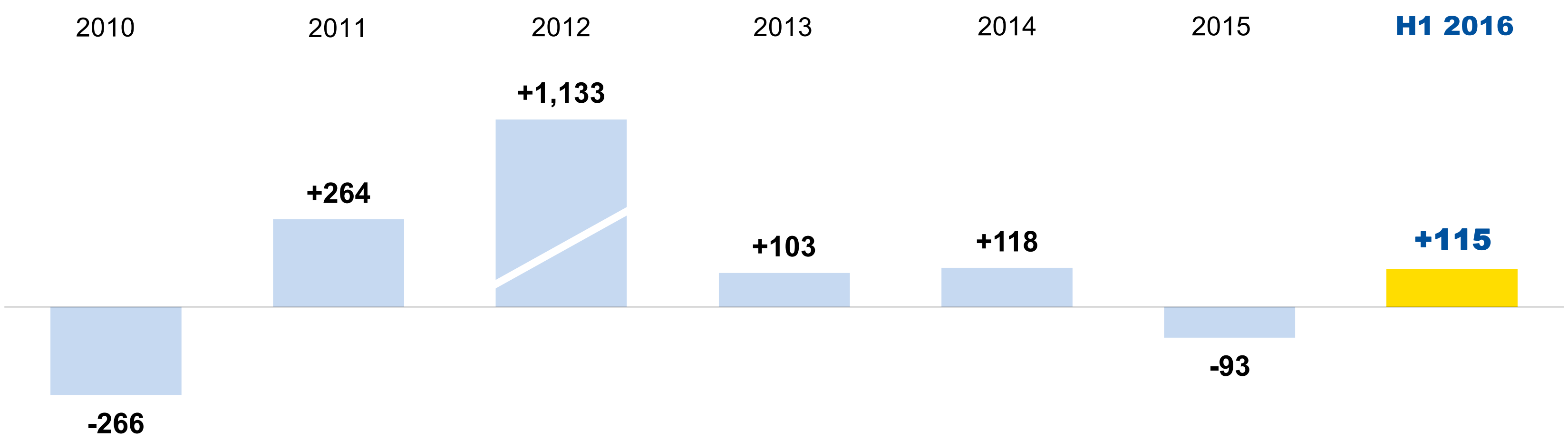
* *And related distribution*
** *Annual markets estimate*
Source: Michelin

3 **First-Half 2016 Results – July 26, 2016**

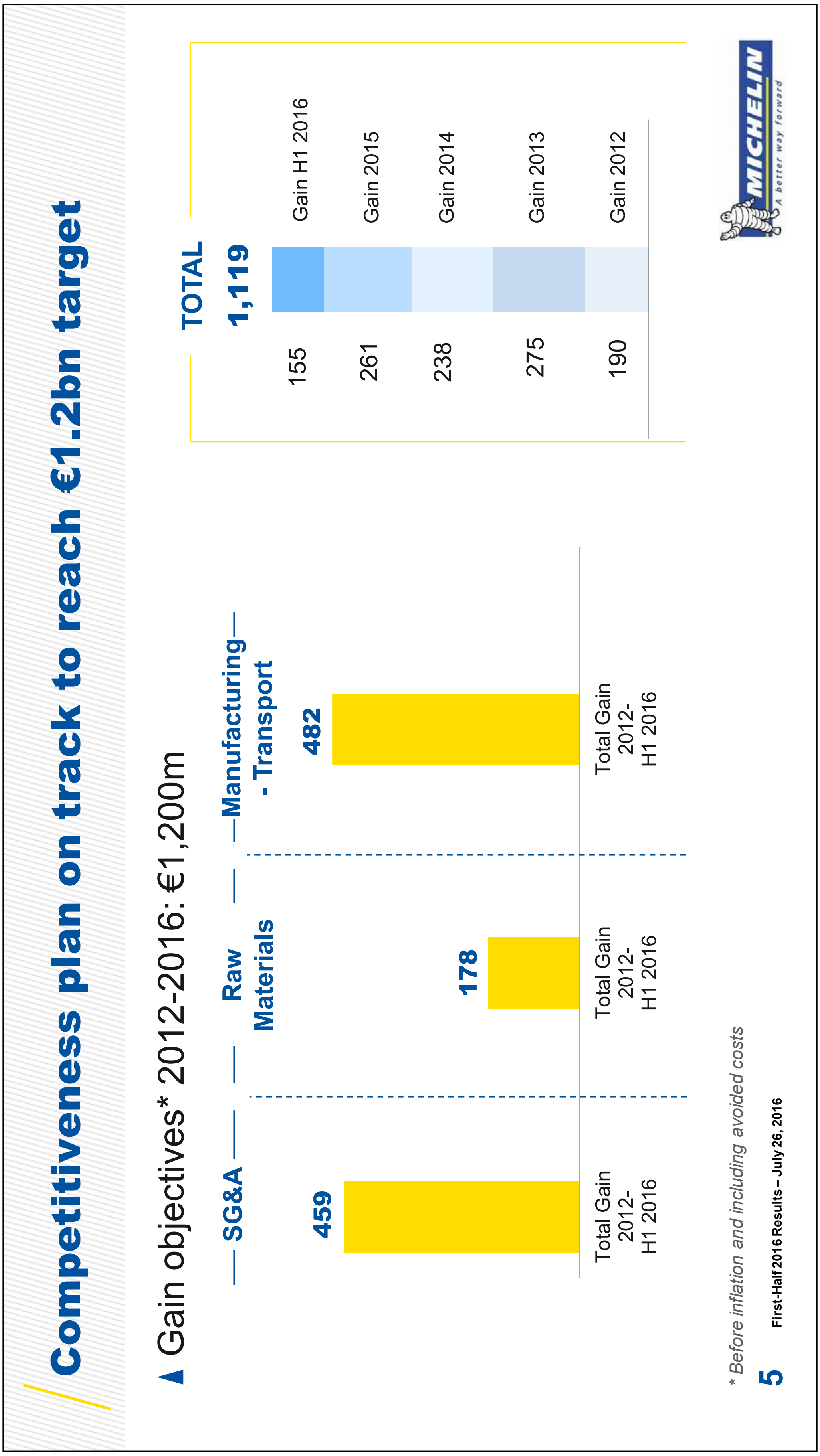
Improvement in unit margin due to effective pricing management over time

- Net effect of price mix / raw materials on operating income

(in € millions)



4 First-Half 2016 Results – July 26, 2016


Competitiveness plan on track to reach €1.2bn target
Gain objectives* 2012-2016: €1,200m
SG&A
459
Total Gain 2012-H1 2016
Raw Materials
178
Total Gain 2012-H1 2016
Manufacturing - Transport
482
Total Gain 2012-H1 2016
TOTAL
1,119
155
Gain H1 2016
261
Gain 2015
238
Gain 2014
275
Gain 2013
190
Gain 2012
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* Before inflation and including avoided costs
5
First-Half 2016 Results – July 26, 2016


2016 guidance confirmed
2016
Volumes
Above-market growth
Operating income from recurring activities at constant exchange rates
> 2015
Structural FCF
> €800m
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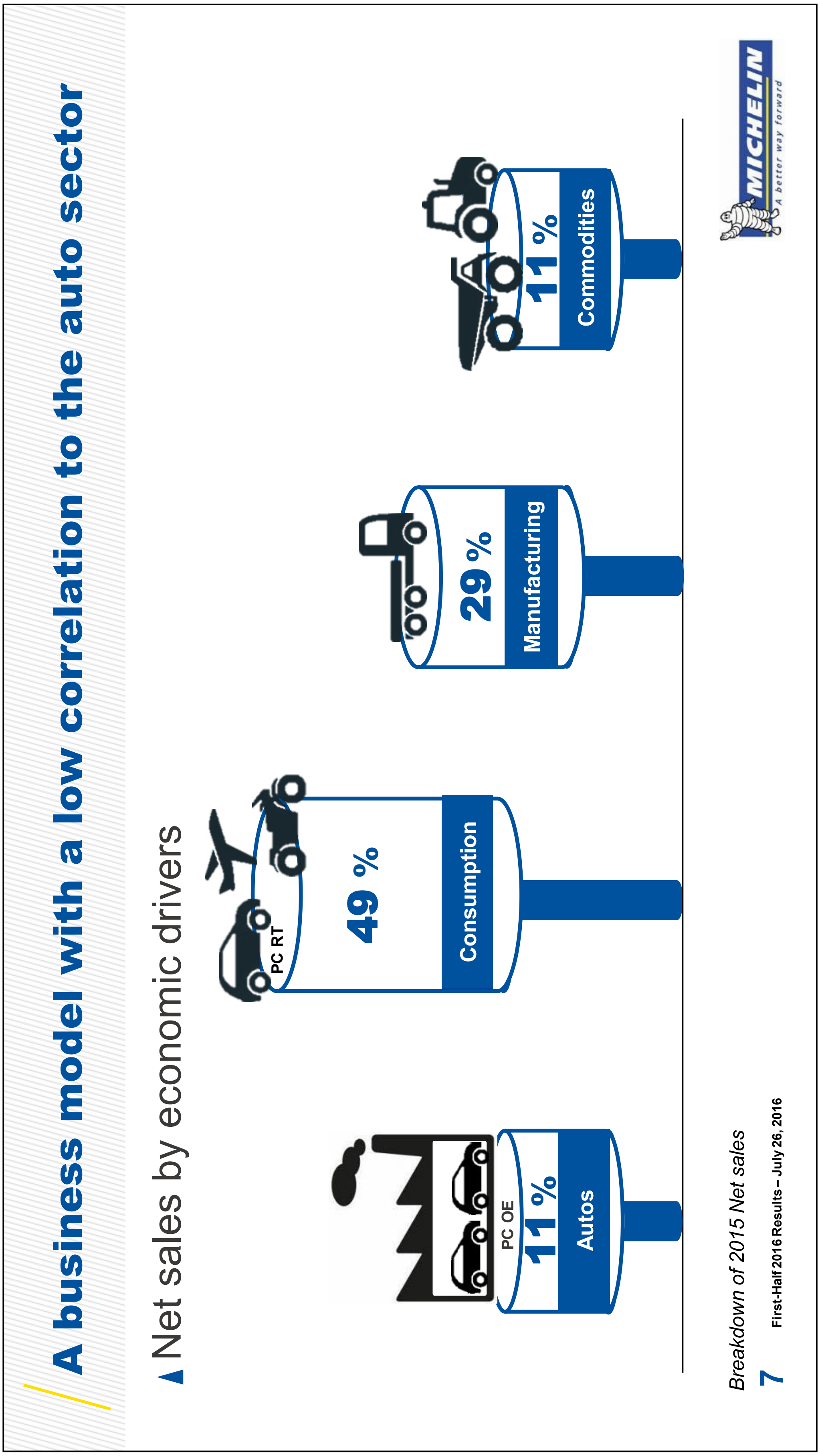
6
First-Half 2016 Results – July 26, 2016


A business model with a low correlation to the auto sector
Net sales by economic drivers
PC OE
11 %
Autos
PC RT
49 %
Consumption
29 %
Manufacturing
11 %
Commodities
Breakdown of 2015 Net sales
7
First-Half 2016 Results – July 26, 2016
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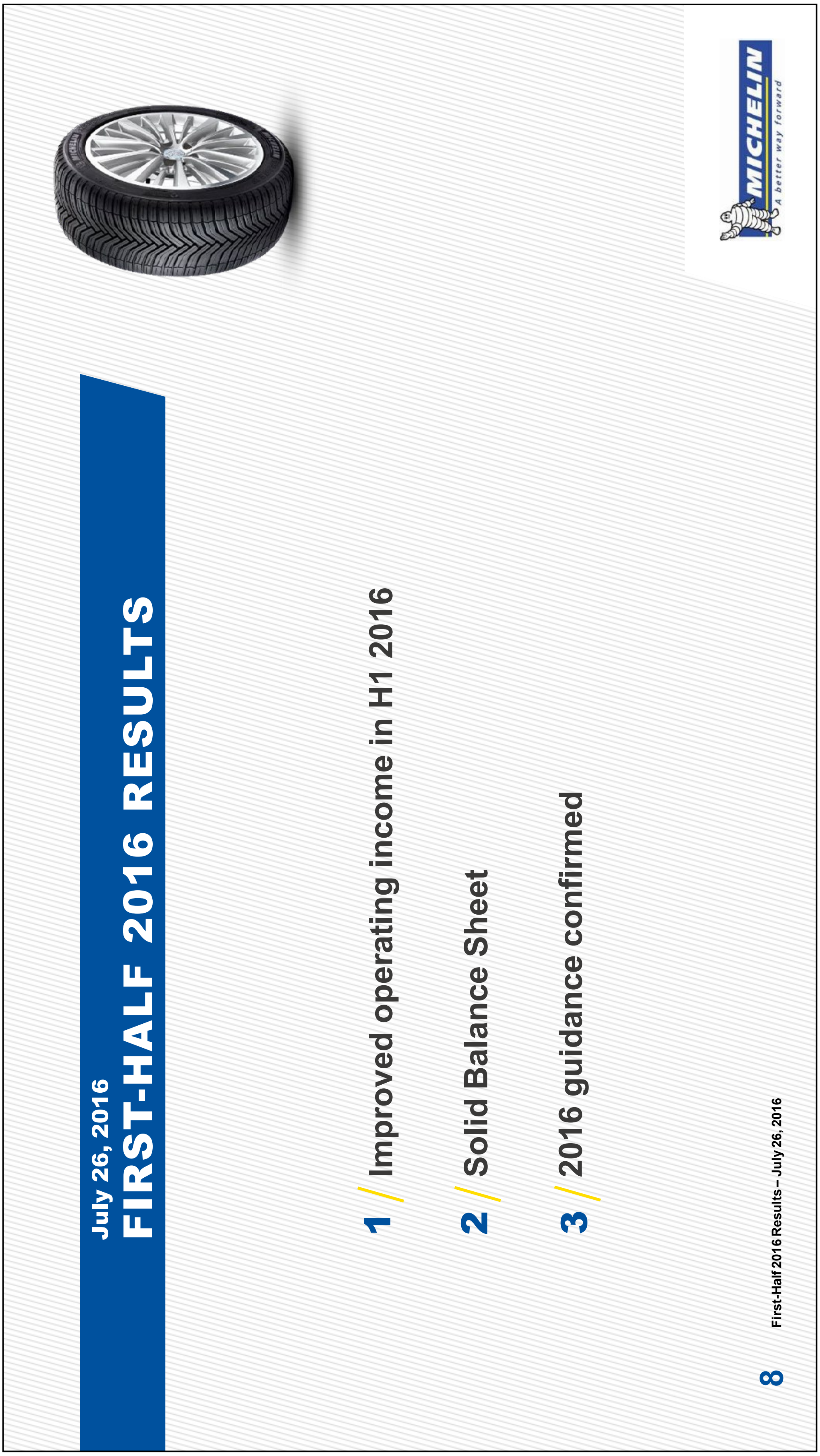
July 26, 2016
FIRST-HALF 2016 RESULTS
1 Improved operating income in H1 2016
2 Solid Balance Sheet
3 2016 guidance confirmed
MICHELIN
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8
First-Half 2016 Results – July 26, 2016


July 26, 2016
FIRST-HALF 2016 RESULTS
1
Improved operating income in H1 2016
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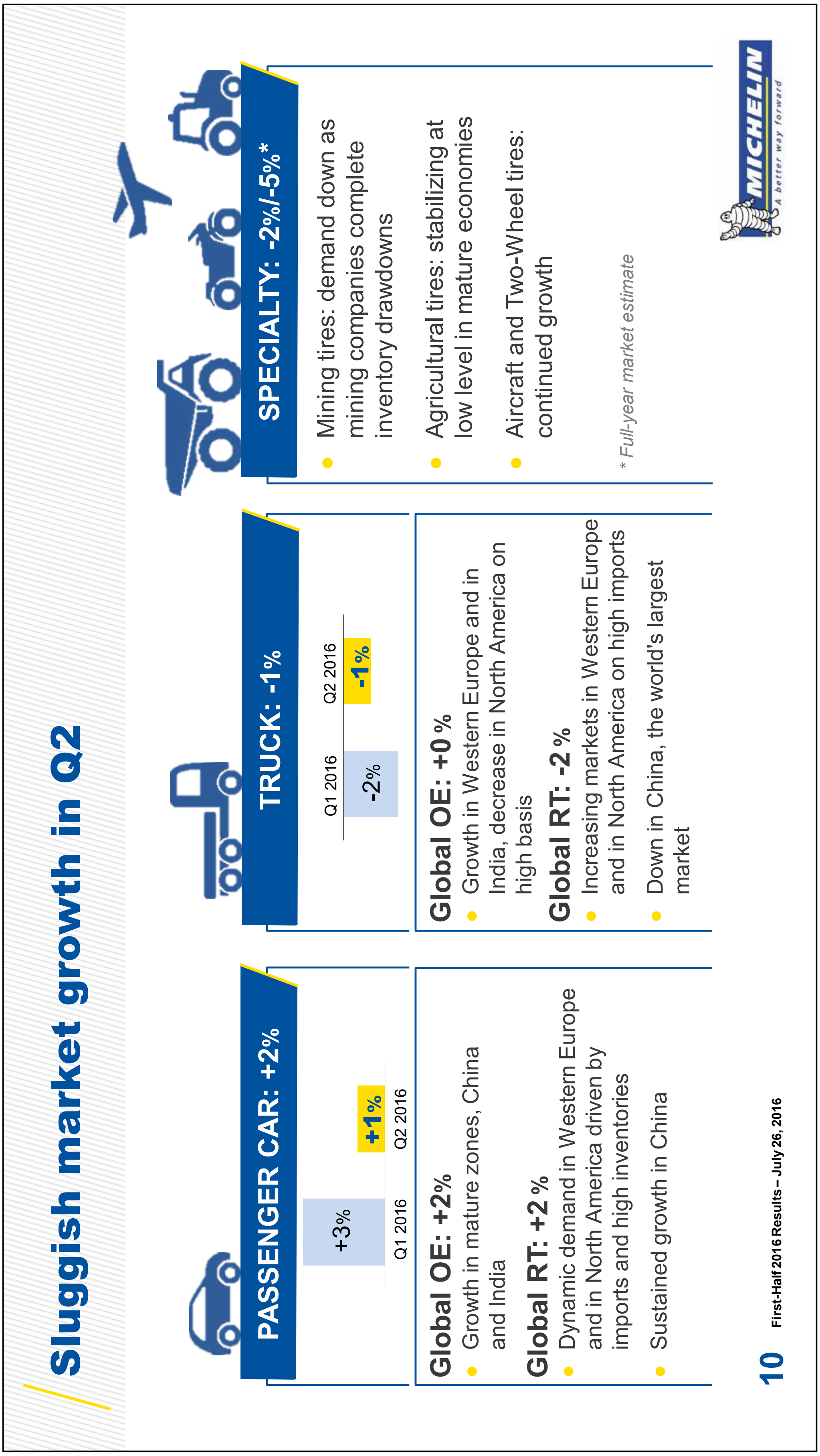
9
First-Half 2016 Results – July 26, 2016


Sluggish market growth in Q2
PASSENGER CAR: +2%
+3%
+1%
Q1 2016
Q2 2016
Global OE: +2%
Growth in mature zones, China and India
Global RT: +2 %
Dynamic demand in Western Europe and in North America driven by imports and high inventories
Sustained growth in China
TRUCK: -1%
Q1 2016
Q2 2016
-2%
-1%
Global OE: +0 %
Growth in Western Europe and in India, decrease in North America on high basis
Global RT: -2 %
Increasing markets in Western Europe and in North America on high imports
Down in China, the world's largest market
SPECIALTY: -2%/-5%*
Mining tires: demand down as mining companies complete inventory drawdowns
Agricultural tires: stabilizing at low level in mature economies
Aircraft and Two-Wheel tires: continued growth
* Full-year market estimate
10
First-Half 2016 Results – July 26, 2016
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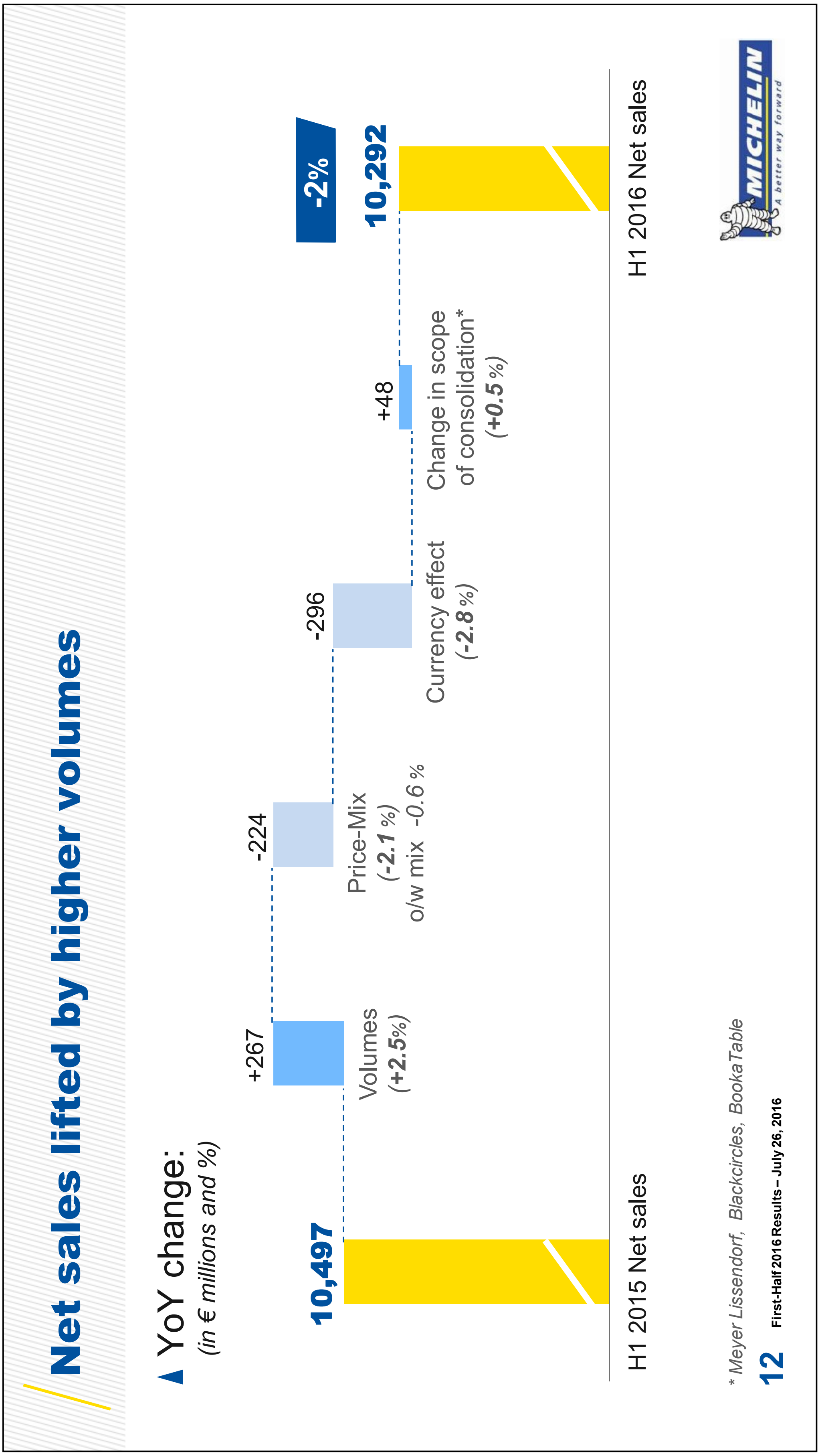
Keeping up with dynamic products launches
Passenger car
MICHELIN Defender LTX
MICHELIN Pilot Sport 4
MICHELIN CrossClimate
MICHELIN XCD2
Cavity Foam « Acoustic »
Truck & Bus
MICHELIN X-One Urban bus
MICHELIN X Multi3D
MICHELIN XWorks
Convoi TripleA
MICHELIN X Line Energy Z
Specialty
MICHELIN Anakee Wild
MICHELIN XDR250
Brazil: first tire produced locally
11
First-Half 2016 Results – July 26, 2016


Net sales lifted by higher volumes
YoY change:
(in € millions and %)
10,497
+267
Volumes
(+2.5%)
-224
Price-Mix
(-2.1 %)
o/w mix -0.6 %
-296
Currency effect
(-2.8 %)
+48
Change in scope
of consolidation*
(+0.5 %)
-2%
10,292
H1 2015 Net sales
H1 2016 Net sales
* Meyer Lissendorf, Blackcircles, BookaTable
12
First-Half 2016 Results – July 26, 2016
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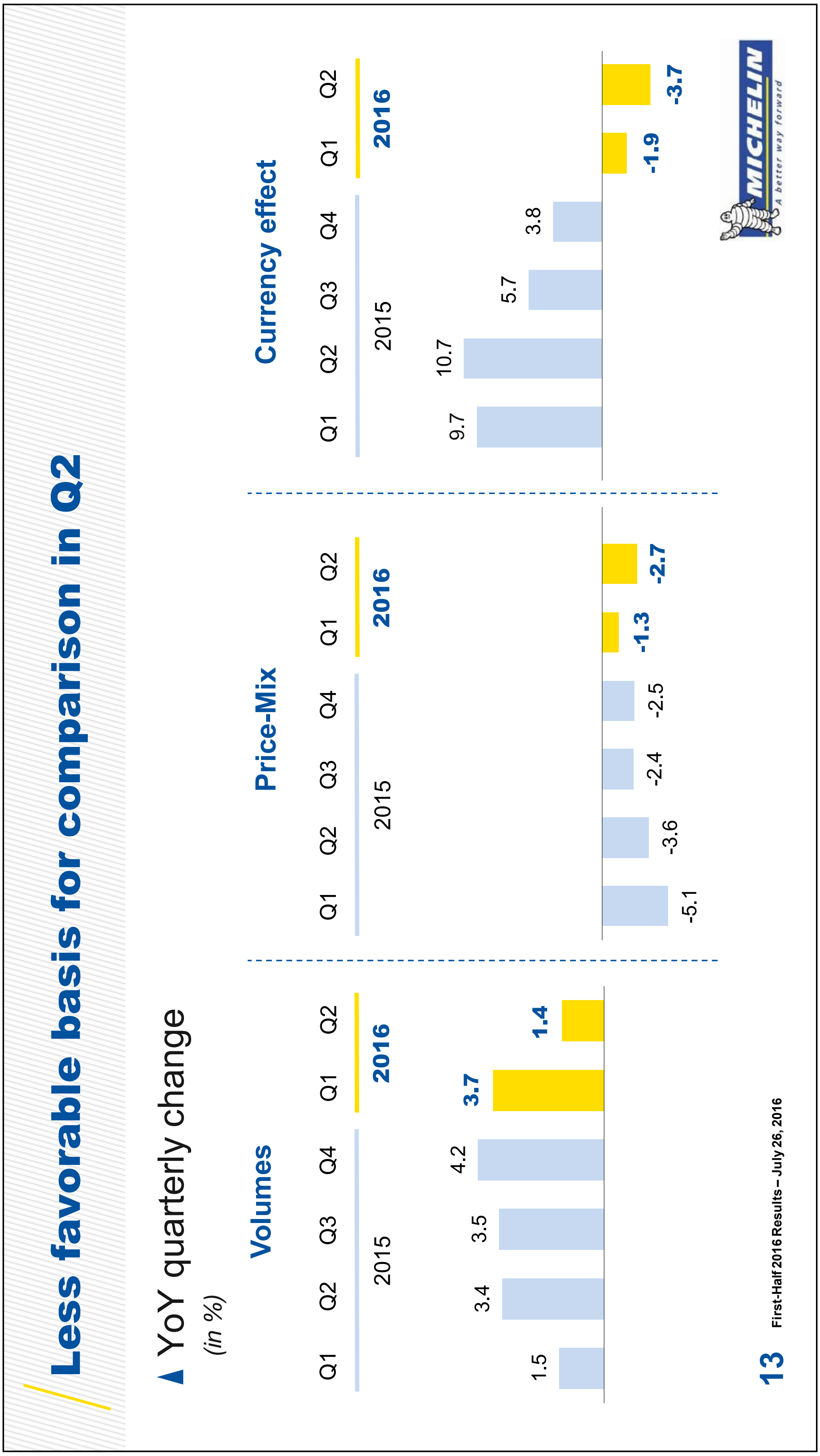
Less favorable basis for comparison in Q2
YoY quarterly change
(in %)
Volumes
Q1 Q2 Q3 Q4 Q1 Q2
2015 2016
1.5
3.4
3.5
4.2
3.7
1.4
Price-Mix
Q1 Q2 Q3 Q4 Q1 Q2
2015 2016
-5.1
-3.6
-2.4
-2.5
-1.3
-2.7
Currency effect
Q1 Q2 Q3 Q4 Q1 Q2
2015 2016
9.7
10.7
5.7
3.8
-1.9
-3.7
13
First-Half 2016 Results – July 26, 2016
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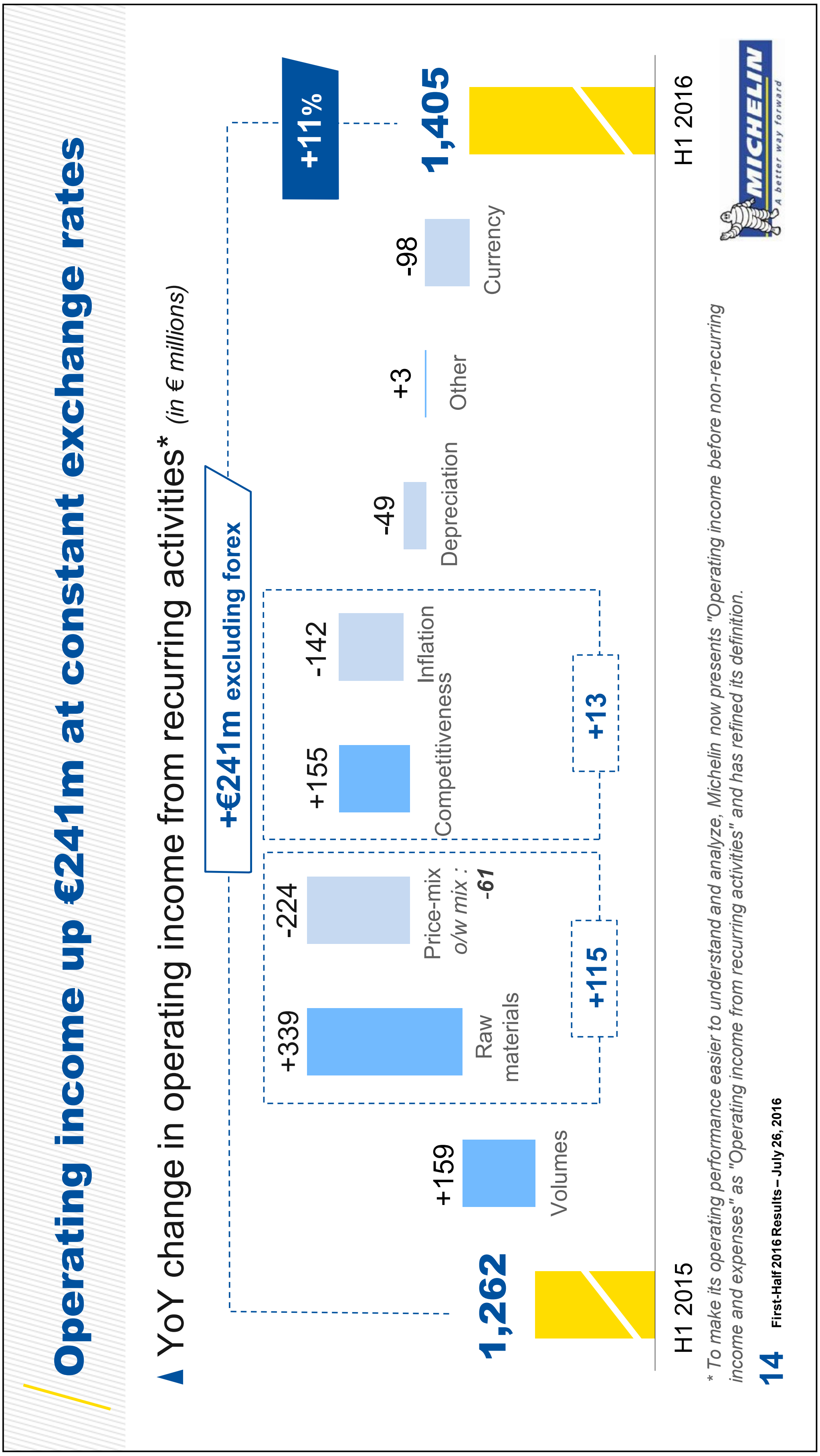
Operating income up €241m at constant exchange rates
YoY change in operating income from recurring activities* (in € millions)
+€241m excluding forex
+11%
1,262
H1 2015
+159
Volumes
+339
Raw materials
-224
Price-mix
o/w mix :
-61
+115
+155
Competitiveness
-142
Inflation
+13
-49
Depreciation
+3
Other
-98
Currency
1,405
H1 2016
* To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.
14
First-Half 2016 Results – July 26, 2016
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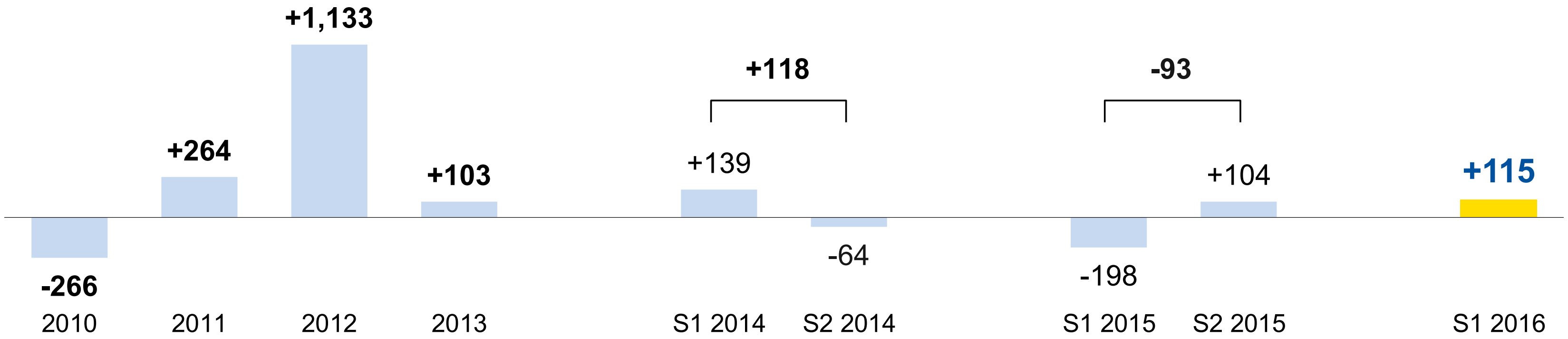
Improvement in unit margin due to effective pricing management over time

- Net effect of price mix / raw materials on operating income

(in € millions)



- H1 2016: price mix / raw material effect was a negative €20m for indexed businesses and a positive €135m for the non indexed businesses

15 First-Half 2016 Results – July 26, 2016

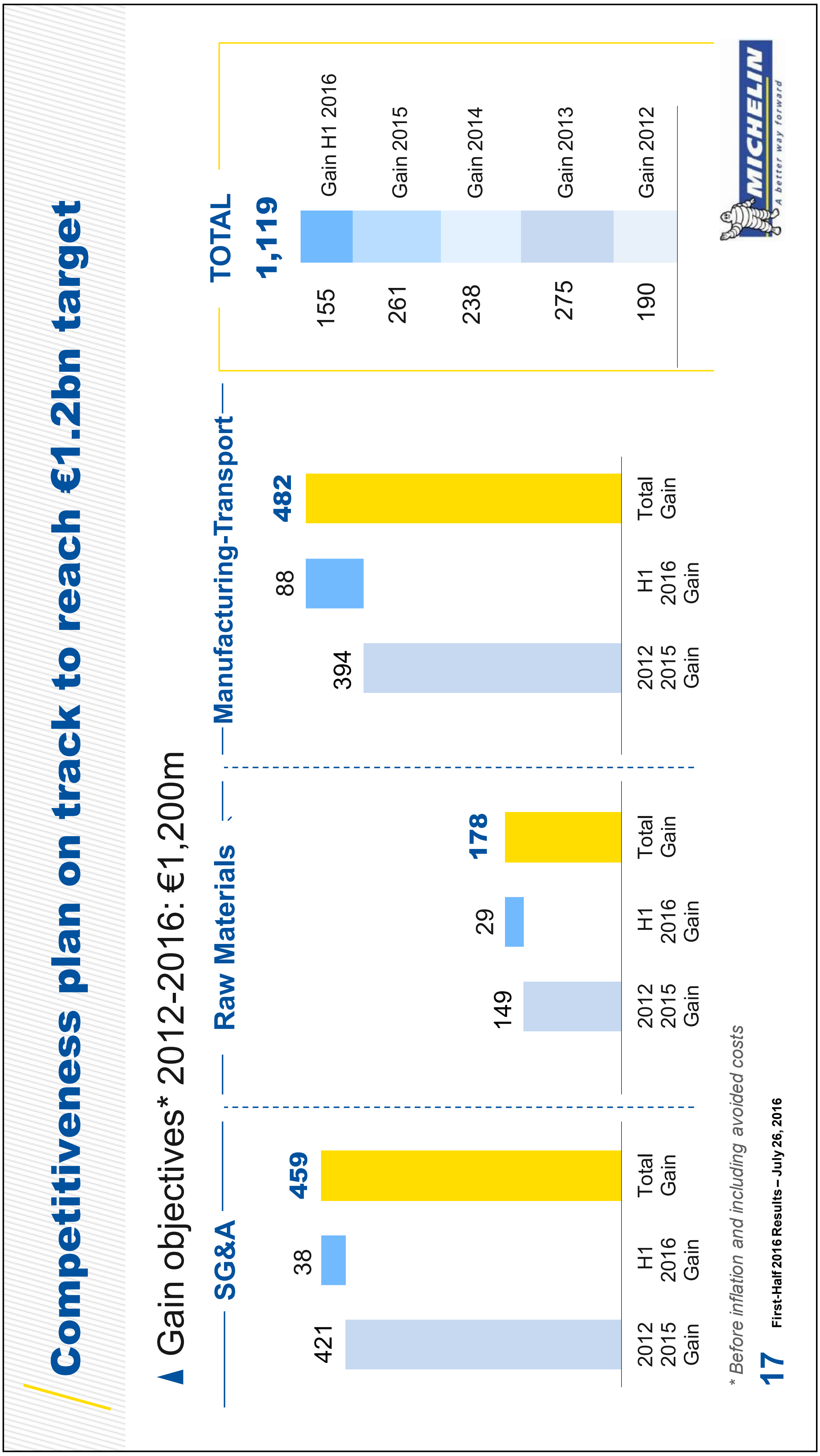
MICHELIN A better way forward

High margins for RS1 and RS2 and firm resilience in RS3

(in € millions)	H1 2016	H1 2015	% change
RS1 Net sales	**5,916**	5,860	+1 %
Operating profit*	***814***	*632*	+29 %
Operating margin*	13.8 %	10.8 %	+3 pts
RS2 Net sales	**2,907**	3,068	-5 %
Operating profit*	***288***	*293*	-2 %
Operating margin*	9.9 %	9.6 %	+0.3 pts
RS3 Net sales	**1,469**	1,569	-6 %
Operating profit*	***303***	*337*	-10 %
Operating margin*	20.6 %	21.5 %	-0.9 pts

* from recurring activities

16 First-Half 2016 Results – July 26, 2016


Competitiveness plan on track to reach €1.2bn target
Gain objectives* 2012-2016: €1,200m
SG&A
421
38
459
2012 2015 Gain
H1 2016 Gain
Total Gain
Raw Materials
149
29
178
2012 2015 Gain
H1 2016 Gain
Total Gain
Manufacturing-Transport
394
88
482
2012 2015 Gain
H1 2016 Gain
Total Gain
TOTAL
1,119
155
Gain H1 2016
261
Gain 2015
238
Gain 2014
275
Gain 2013
190
Gain 2012
* Before inflation and including avoided costs
17
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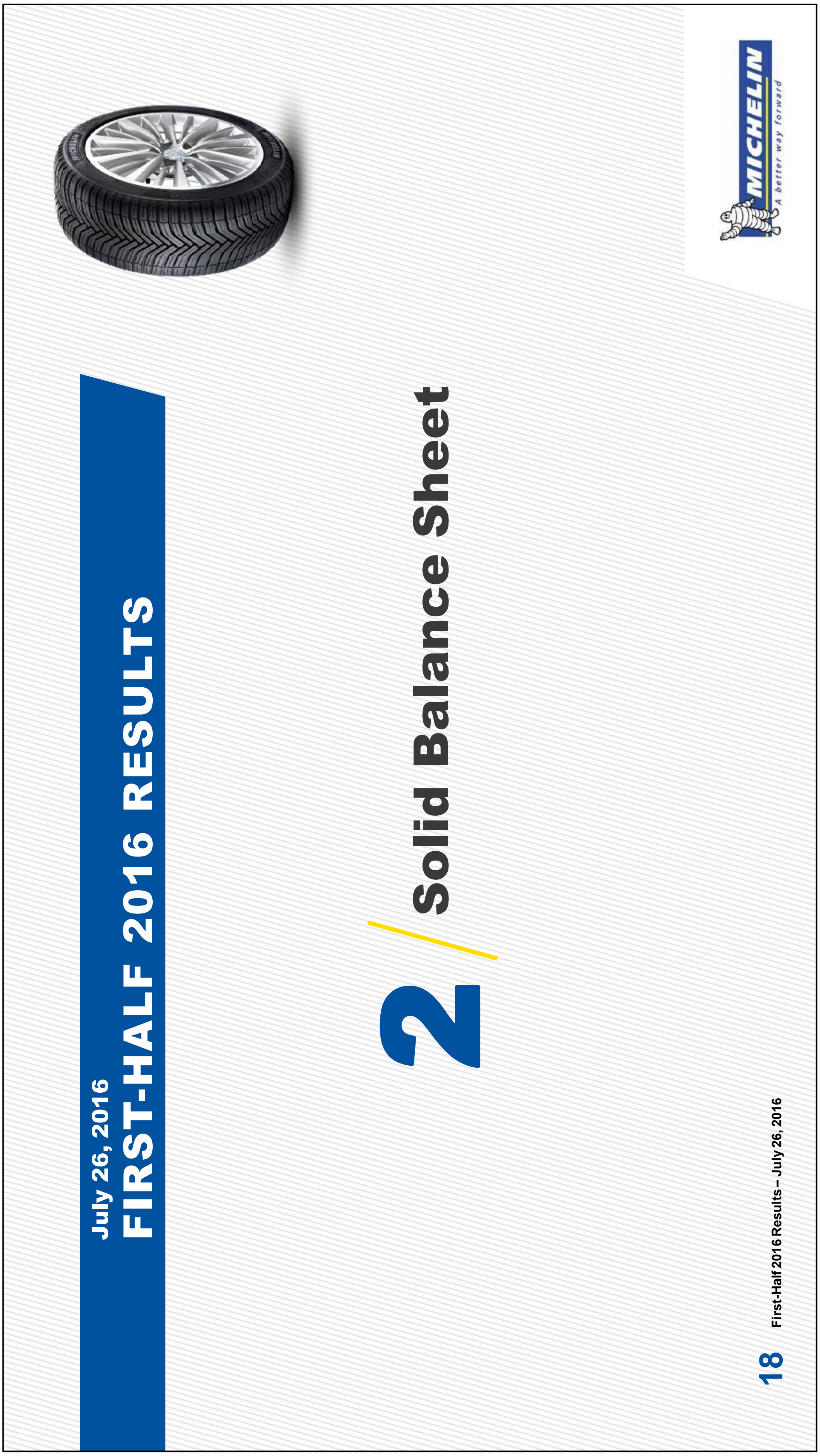
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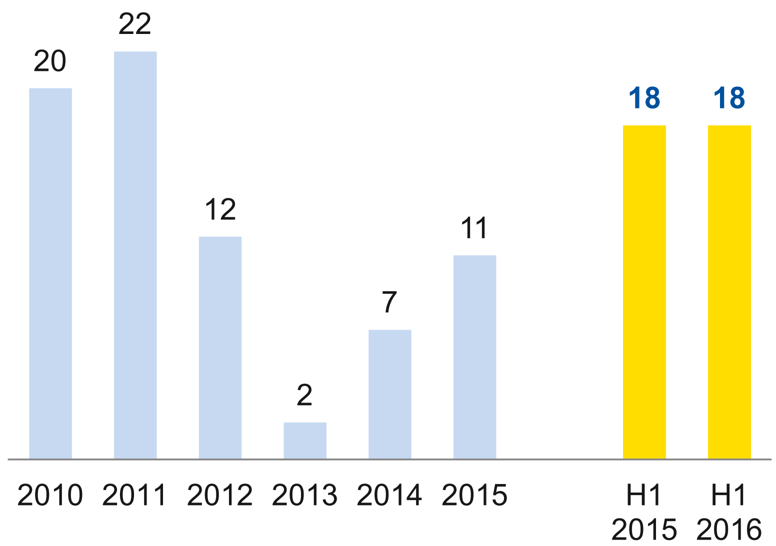
July 26, 2016
FIRST-HALF 2016 RESULTS
2
Solid Balance Sheet
18
First-Half 2016 Results – July 26, 2016

Balance sheet still robust after share buybacks, greeted by the rating agencies

Gearing
Net debt/Equity, in %



S&P raised our Long term Debt rating

Short term	S&P Moody's	**A-2** **P-2**
Long term	S&P Moody's	**A-** **A3**
Outlook	S&P Moody's	**Stable** **Stable**

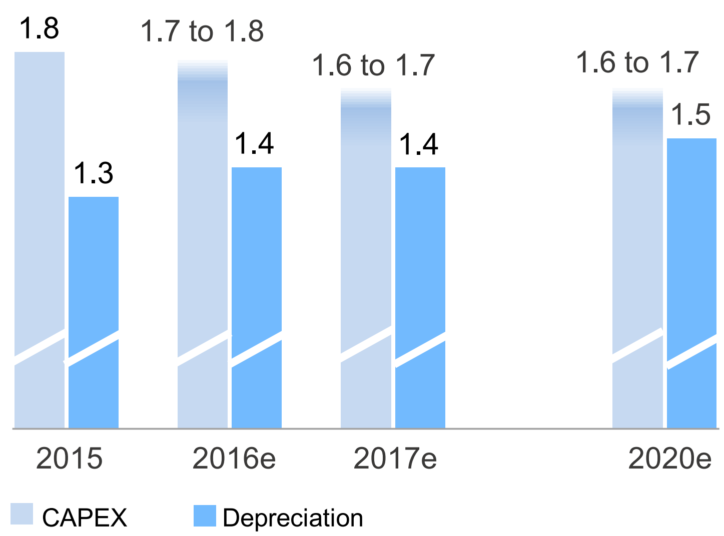
19 First-Half 2016 Results – July 26, 2016

Investing to create value

- Succeed in our priority Capex and M&A investment to capture growth
  - In the supply chain, to improve customer services (IS, logistics centers)
  - In growing markets: PC premium tires, Mexico and Asia
  - In Digital services
  - In raw materials and semi-finished products

- Reducing the gap between capital expenditure and depreciation

(in € bn, at current exchange rates)



20 First-Half 2016 Results – July 26, 2016

New plant in Léon, Mexico to produce premium Passenger car and Light truck tires

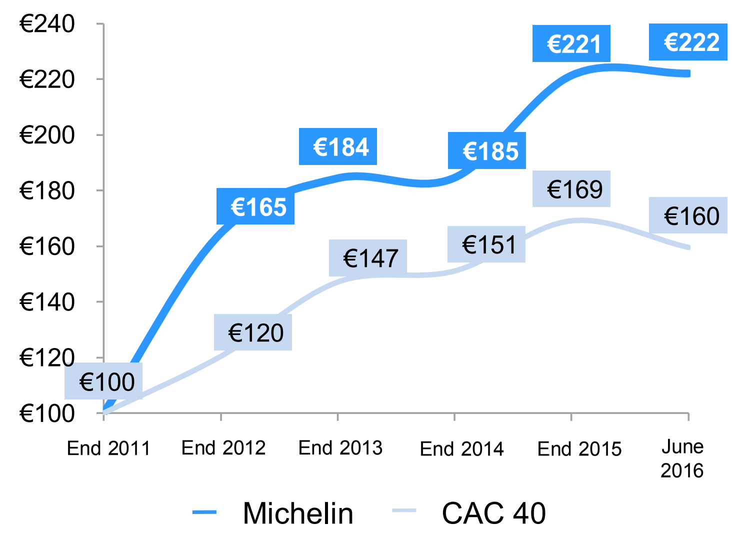
- Capacity:
  - First tranche: 4 to 5 million MICHELIN PC tires
  - Approx. 60,000 tonnes
  - 80% of tires produced are 18' and more
- Investment:
  - €450m including semi-finished
- Target:
  - Automakers in Mexico
  - North American premium market
- First tire to roll off the production line at the end of 2018

21 First-Half 2016 Results – July 26, 2016

2015-2016 shareholder return: €978m in dividends and €750m in share buybacks

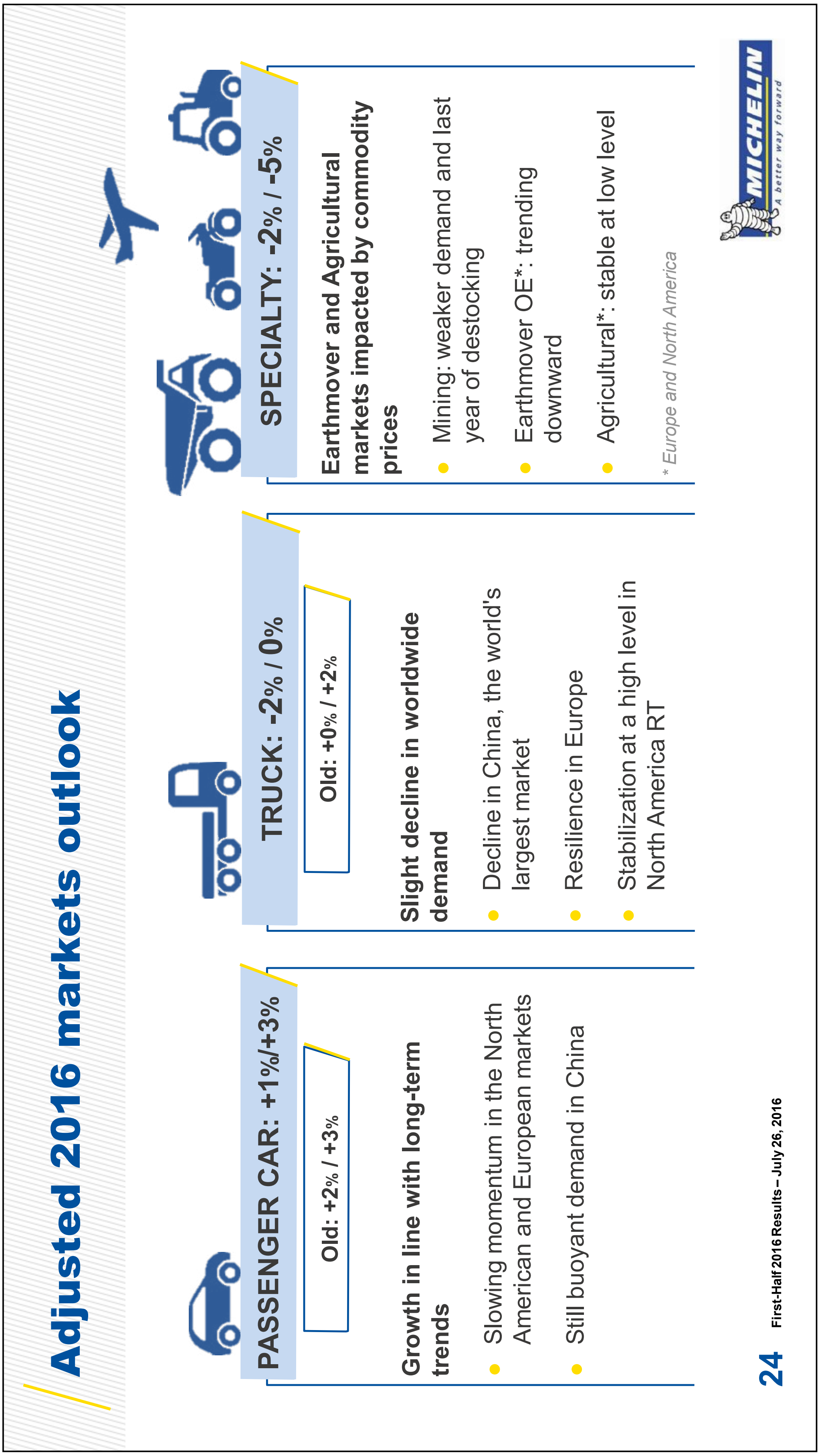
- Share buyback program
  - €451m committed in 2015
  - €150m committed in H1 2016
    - 1,757,440 shares bought back at an average price of €85.35
  - A new €150m tranche to be launched in H2 2016

- Total Shareholder Return



22 First-Half 2016 Results – July 26, 2016


July 26, 2016
FIRST-HALF 2016 RESULTS
3 / 2016 guidance confirmed
MICHELIN
A better way forward
23
First-Half 2016 Results – July 26, 2016


Adjusted 2016 markets outlook
PASSENGER CAR: +1%/+3%
Old: +2% / +3%
Growth in line with long-term trends
Slowing momentum in the North American and European markets
Still buoyant demand in China
TRUCK: -2% / 0%
Old: +0% / +2%
Slight decline in worldwide demand
Decline in China, the world's largest market
Resilience in Europe
Stabilization at a high level in North America RT
SPECIALTY: -2% / -5%
Earthmover and Agricultural markets impacted by commodity prices
Mining: weaker demand and last year of destocking
Earthmover OE*: trending downward
Agricultural*: stable at low level
* Europe and North America
24
First-Half 2016 Results – July 26, 2016
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2016 guidance confirmed

	2016
Volumes	Above-market growth
Operating income from recurring activities at constant exchange rates	> 2015
Structural FCF	> €800m

25 First-Half 2016 Results – July 26, 2016

H2 2016 scenario based on June rates

	H2 2016	FY 2016
Raw materials	Around +€100m	Around +€450m
Net price-mix vs. raw materials	Indexed businesses: negative Non-indexed businesses: neutral	Positive
Competitiveness plan vs. inflation		Neutral
Currency effect		Around -€200m

26 First-Half 2016 Results – July 26, 2016


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July 26, 2016
FIRST-HALF 2016 RESULTS
Appendices
MICHELIN
A better way forward
28
First-Half 2016 Results – July 26, 2016

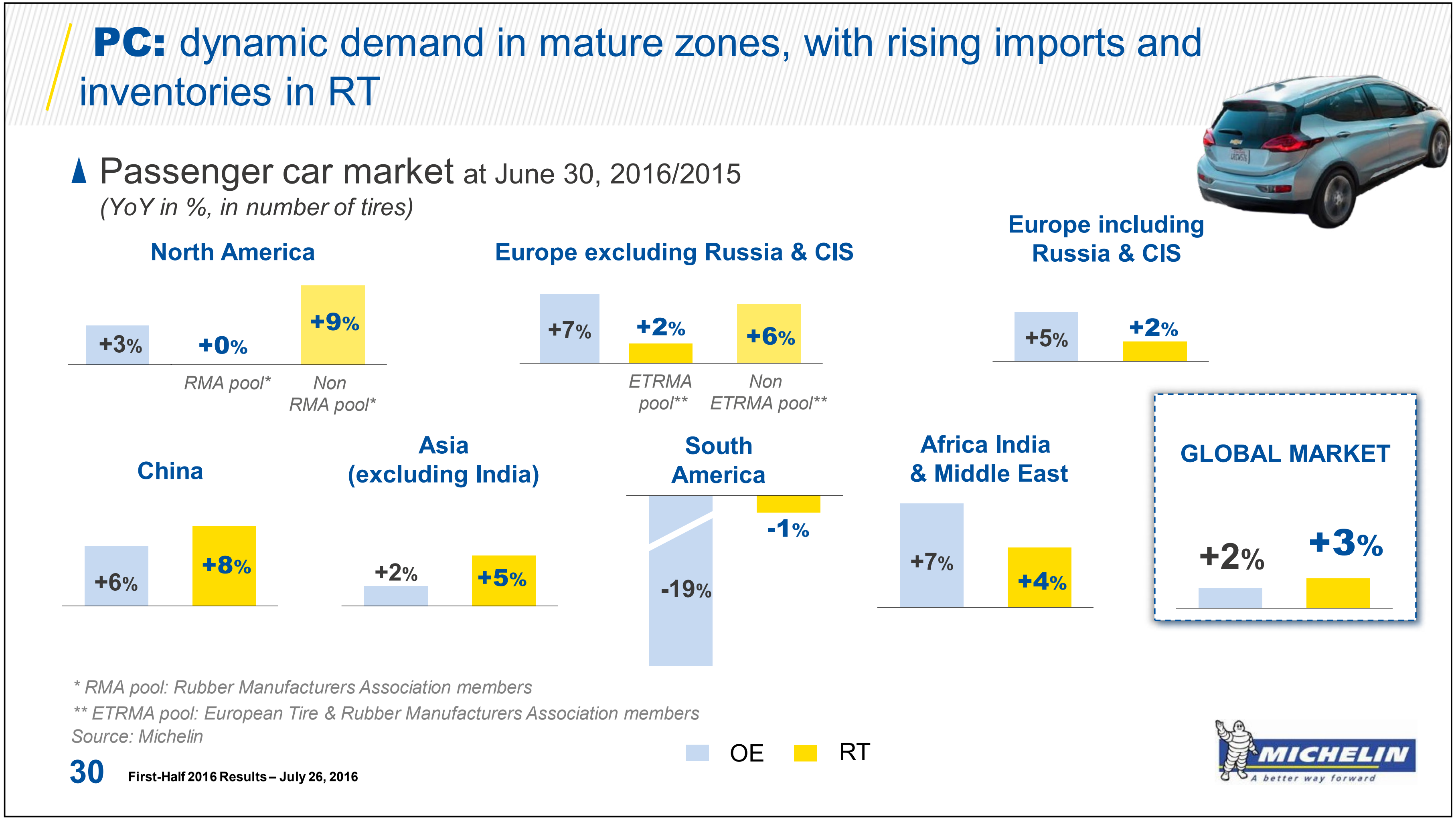
H1 2016 and H1 2015 financial highlights as reported

(in € millions)	**H1 2016**	H1 2015
Net sales	**10,292**	10,497
EBITDA from recurring activities	**2,085**	1,913
EBITDA margin on recurring activities	**20.3%**	18.2%
Operating income from recurring activities*	**1,405**	1,262
Operating margin on recurring activities	**13.7%**	12.0%
Operating income/(loss) from non-recurring activities	**-51**	-17
Net income	**769**	707
Earnings per share (attributable to shareholders of the Company, in €)	**4.24**	3.79
Capital expenditure (excluding acquisitions)	**623**	632
Free Cash flow**	**+8**	-219
Gearing	**18%**	18%

** To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities" and has refined its definition.*

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

29 First-Half 2016 Results – July 26, 2016


PC: dynamic demand in mature zones, with rising imports and inventories in RT
Passenger car market at June 30, 2016/2015
(YoY in %, in number of tires)
North America
+3%
+0%
+9%
RMA pool*
Non RMA pool*
Europe excluding Russia & CIS
+7%
+2%
+6%
ETRMA pool**
Non ETRMA pool**
Europe including Russia & CIS
+5%
+2%
China
+6%
+8%
Asia (excluding India)
+2%
+5%
South America
-19%
-1%
Africa India & Middle East
+7%
+4%
GLOBAL MARKET
+2%
+3%
* RMA pool: Rubber Manufacturers Association members
** ETRMA pool: European Tire & Rubber Manufacturers Association members
Source: Michelin
OE
RT
30
First-Half 2016 Results – July 26, 2016
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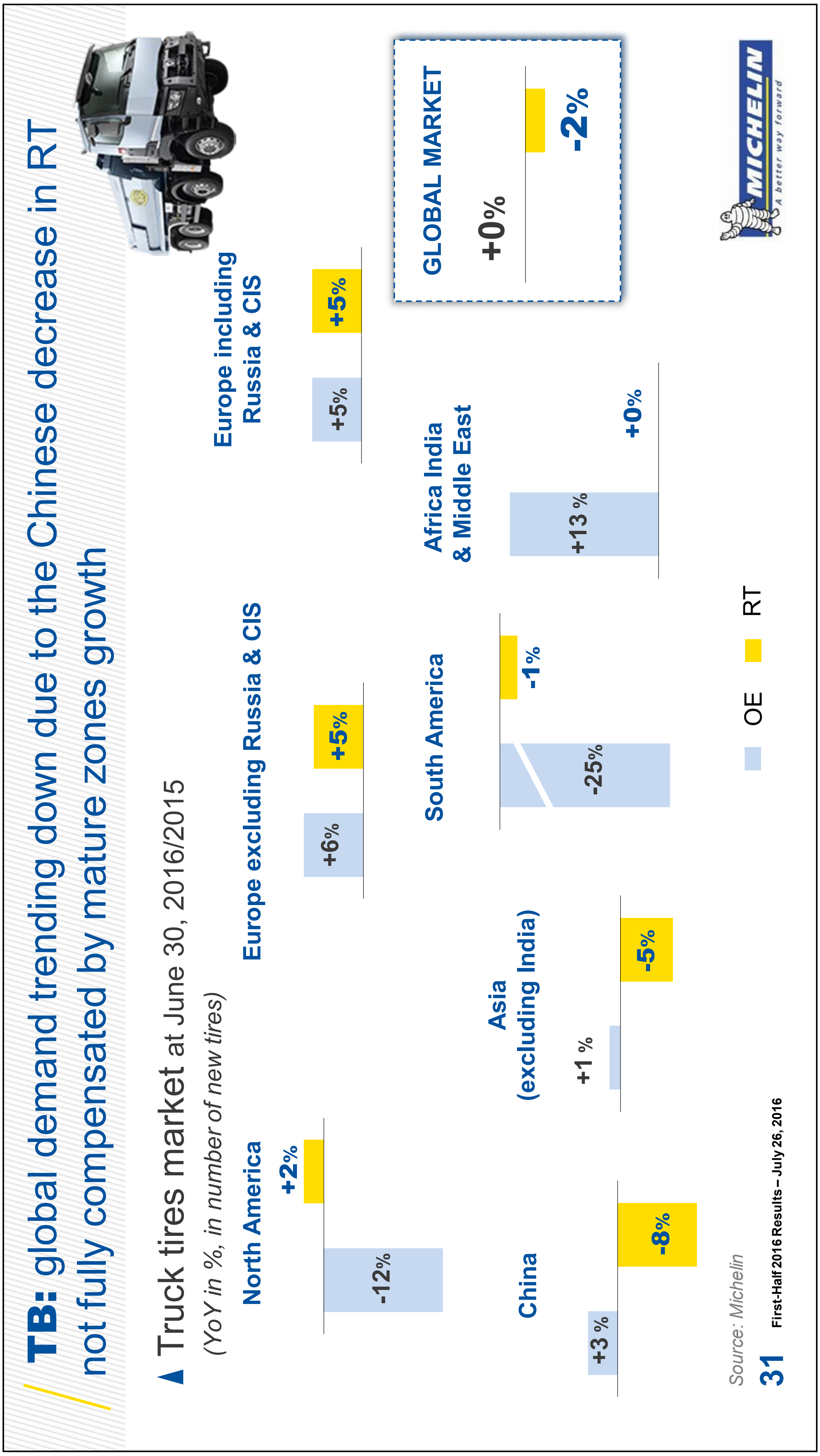
TB: global demand trending down due to the Chinese decrease in RT
not fully compensated by mature zones growth
Truck tires market at June 30, 2016/2015
(YoY in %, in number of new tires)
North America
-12%
+2%
Europe excluding Russia & CIS
+6%
+5%
Europe including Russia & CIS
+5%
+5%
China
+3 %
-8%
Asia (excluding India)
+1 %
-5%
South America
-25%
-1 %
Africa India & Middle East
+13 %
+0%
GLOBAL MARKET
+0%
-2%
OE
RT
Source: Michelin
31
First-Half 2016 Results – July 26, 2016
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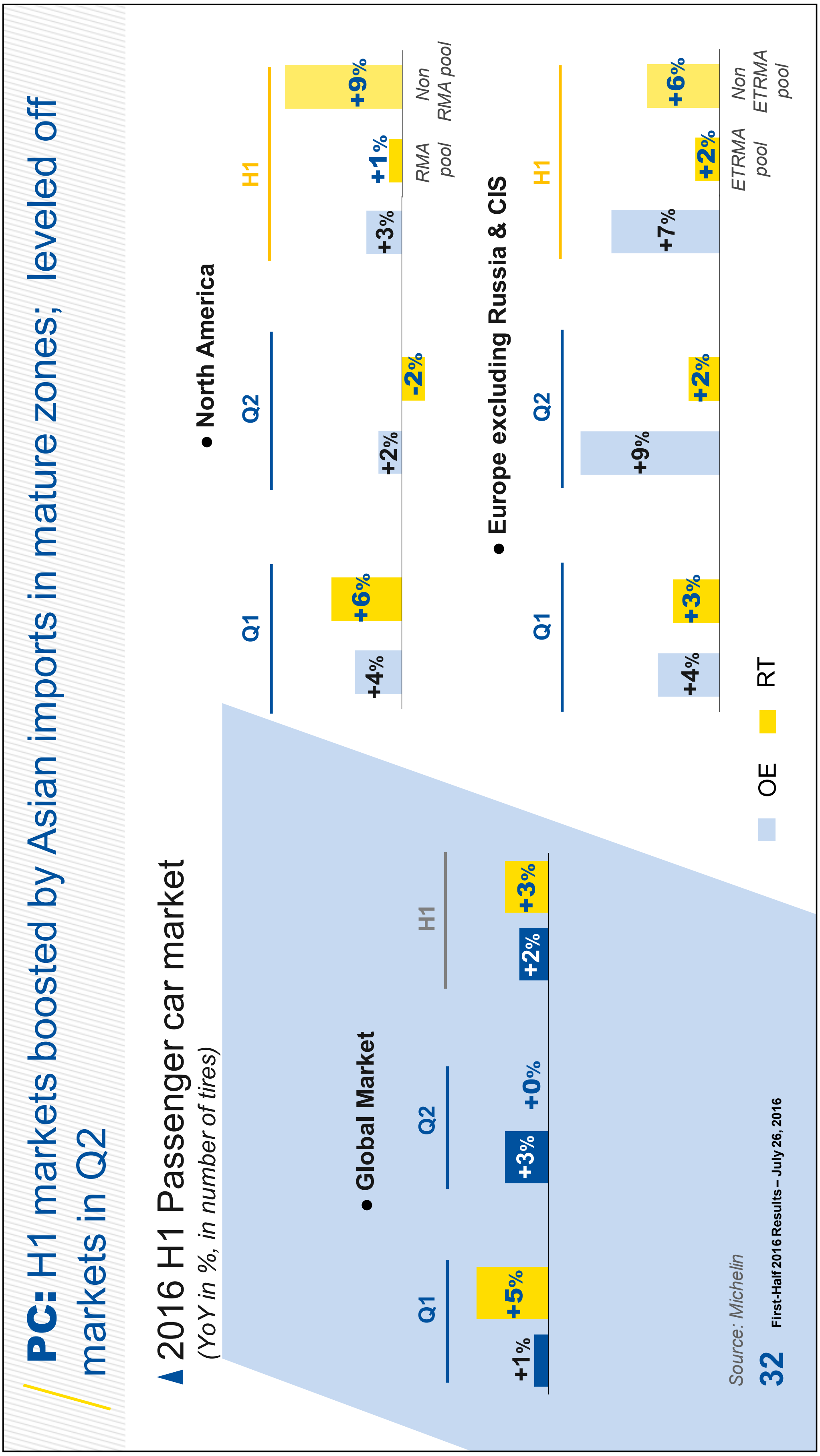
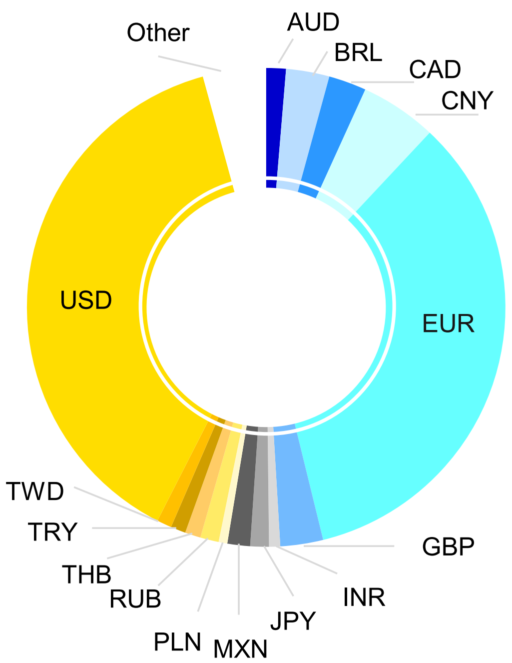

PC: H1 markets boosted by Asian imports in mature zones; leveled off markets in Q2
2016 H1 Passenger car market
(YoY in %, in number of tires)
Global Market
Q1
Q2
H1
+1%
+5%
+3%
+0%
+2%
+3%
North America
Q1
Q2
H1
+4%
+6%
+2%
-2%
+3%
+1%
+9%
RMA pool
Non RMA pool
Europe excluding Russia & CIS
Q1
Q2
H1
+4%
+3%
+9%
+2%
+7%
+2%
+6%
ETRMA pool
Non ETRMA pool
OE
RT
Source: Michelin
32
First-Half 2016 Results – July 26, 2016

Capital expenditure in line with the 2015-2016 timetable to capture growth: +50KT in 2016

- **Brazil** (Premium MICHELIN brand Car and Light truck tires)
  - Production ramp-up from **29KT** at end-2015 to **36KT** at end-2016
- **China** (Premium MICHELIN brand Car and Light truck tires and MICHELIN radial Truck tires)
  - Production ramp-up from **86KT** at end-2015 to **125KT** at end-2016
- **India** (MICHELIN radial Truck tires)
  - Production ramp-up from **15KT** at end-2015 to **18KT** at end-2016
- **Mexico** (Premium MICHELIN brand Car and Light truck tires)
  - First tire at end-2018

33 First-Half 2016 Results – July 26, 2016

H1 2016 net sales by currency

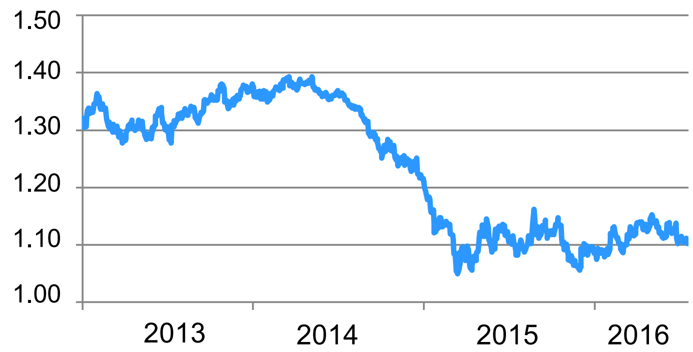


		% of net sales
	AUD	1%
	BRL	3%
	CAD	3%
	CNY	5%
	EUR	34%
	GBP	3%
	INR	1%
	JPY	1%
	MXN	2%
	PLN	1%
	RUB	1%
	THB	1%
	TRY	1%
	TWD	1%
	USD	38%
	Other	4%

EBIT sensitivity to €/$ exchange rate:

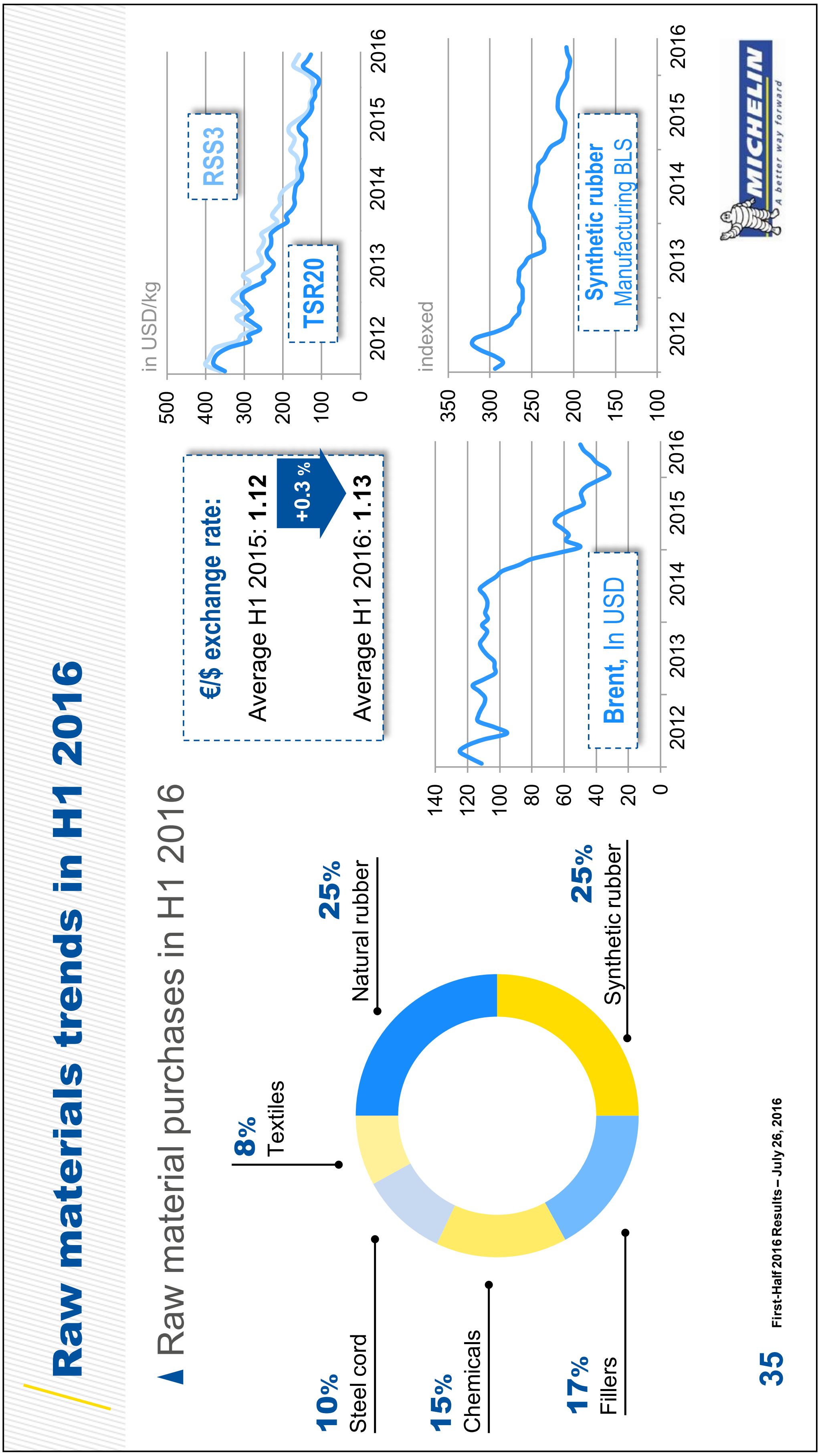
A one cent change in the average annual €/$ exchange rate would lead to a € 15-20 million change in EBIT for the year.

€/$ exchange rate – 2013-2016



Source : Thomson One

34 First-Half 2016 Results – July 26, 2016


Raw materials trends in H1 2016
Raw material purchases in H1 2016
10% Steel cord
15% Chemicals
17% Fillers
8% Textiles
25% Natural rubber
25% Synthetic rubber
€/$ exchange rate:
Average H1 2015: 1.12
+0.3 %
Average H1 2016: 1.13
Brent, In USD
in USD/kg
RSS3
TSR20
indexed
Synthetic rubber
Manufacturing BLS
2012 2013 2014 2015 2016
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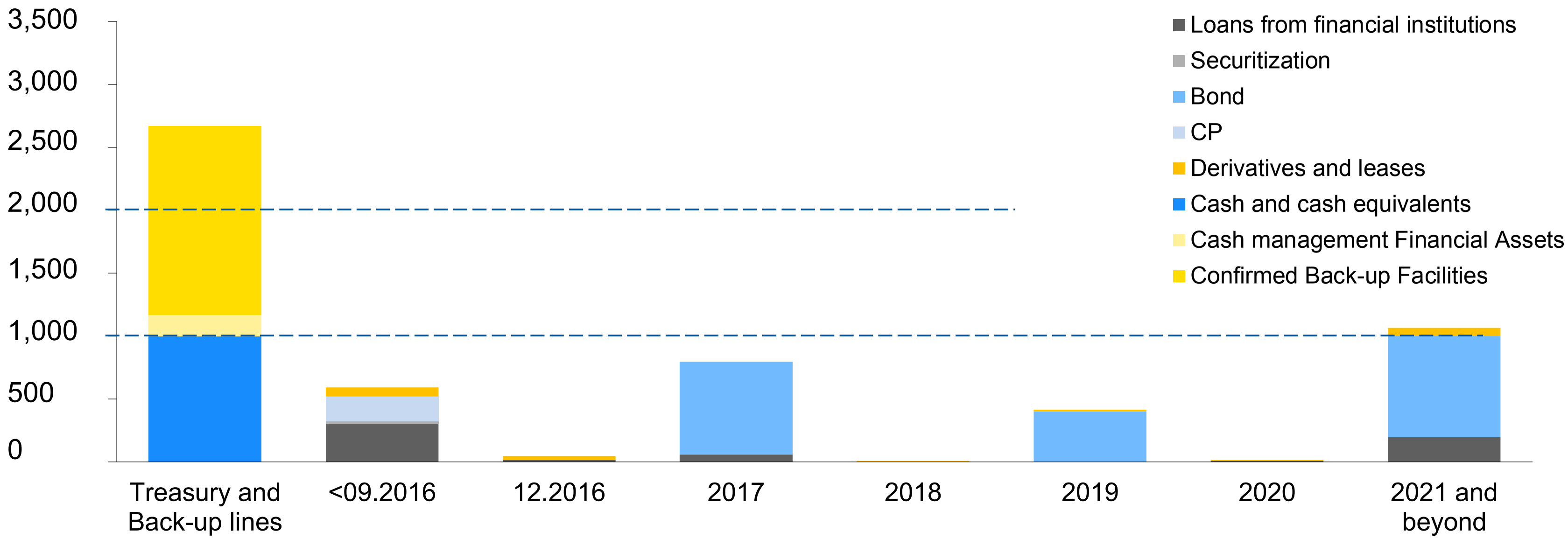
35
First-Half 2016 Results – July 26, 2016

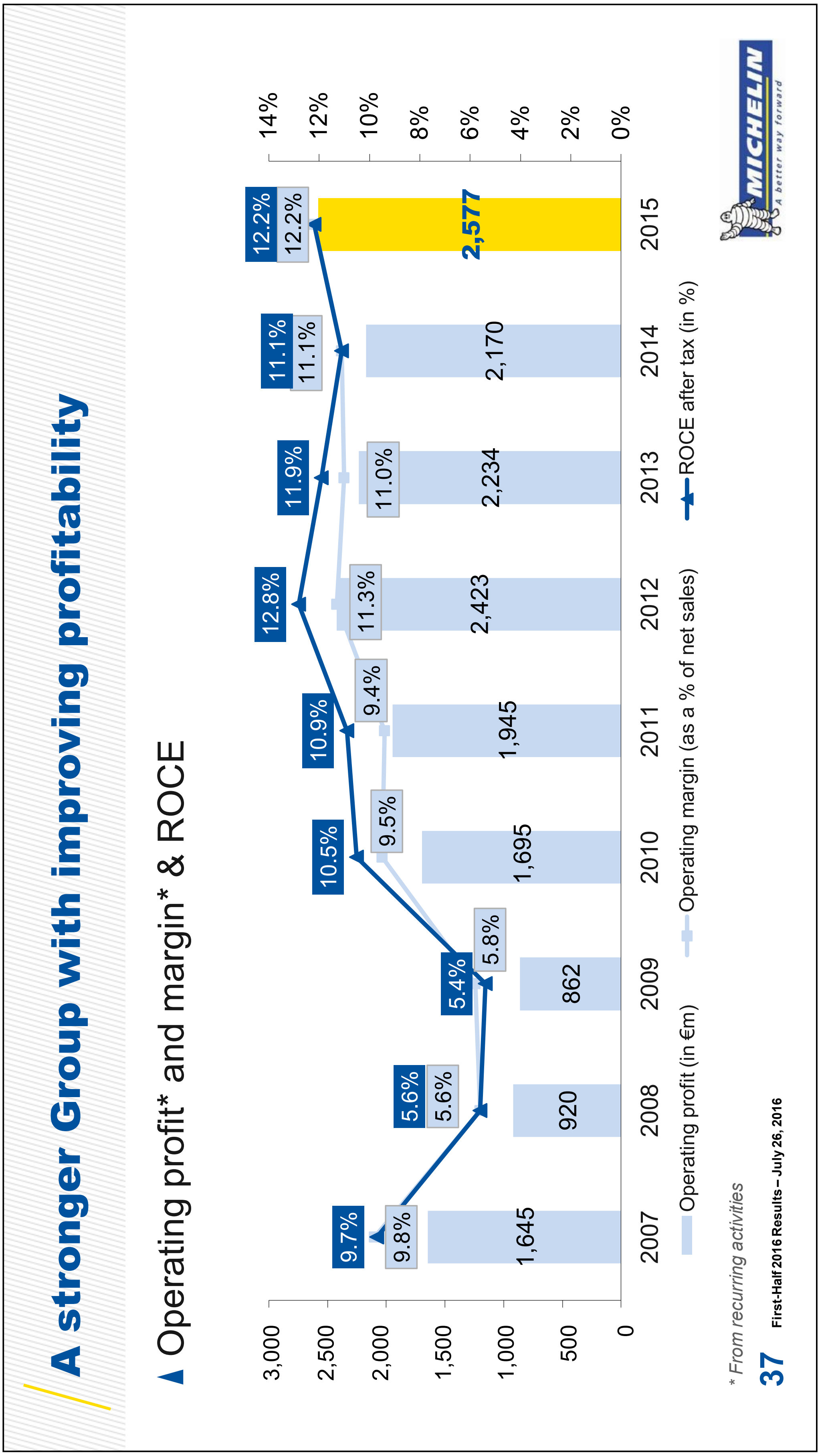
A confortable cash position

Debt* maturities at June 30, 2016 *(nominal value, in € millions)*



** Excluding accrued interests*

36 First-Half 2016 Results – July 26, 2016


A stronger Group with improving profitability
Operating profit* and margin* & ROCE
3,000
2,500
2,000
1,500
1,000
500
0
14%
12%
10%
8%
6%
4%
2%
0%
2007
2008
2009
2010
2011
2012
2013
2014
2015
1,645
920
862
1,695
1,945
2,423
2,234
2,170
2,577
9.7%
9.8%
5.6%
5.6%
5.4%
5.8%
10.5%
9.5%
10.9%
9.4%
12.8%
11.3%
11.9%
11.0%
11.1%
11.1%
12.2%
12.2%
Operating profit (in €m)
Operating margin (as a % of net sales)
ROCE after tax (in %)
* From recurring activities
37
First-Half 2016 Results – July 26, 2016
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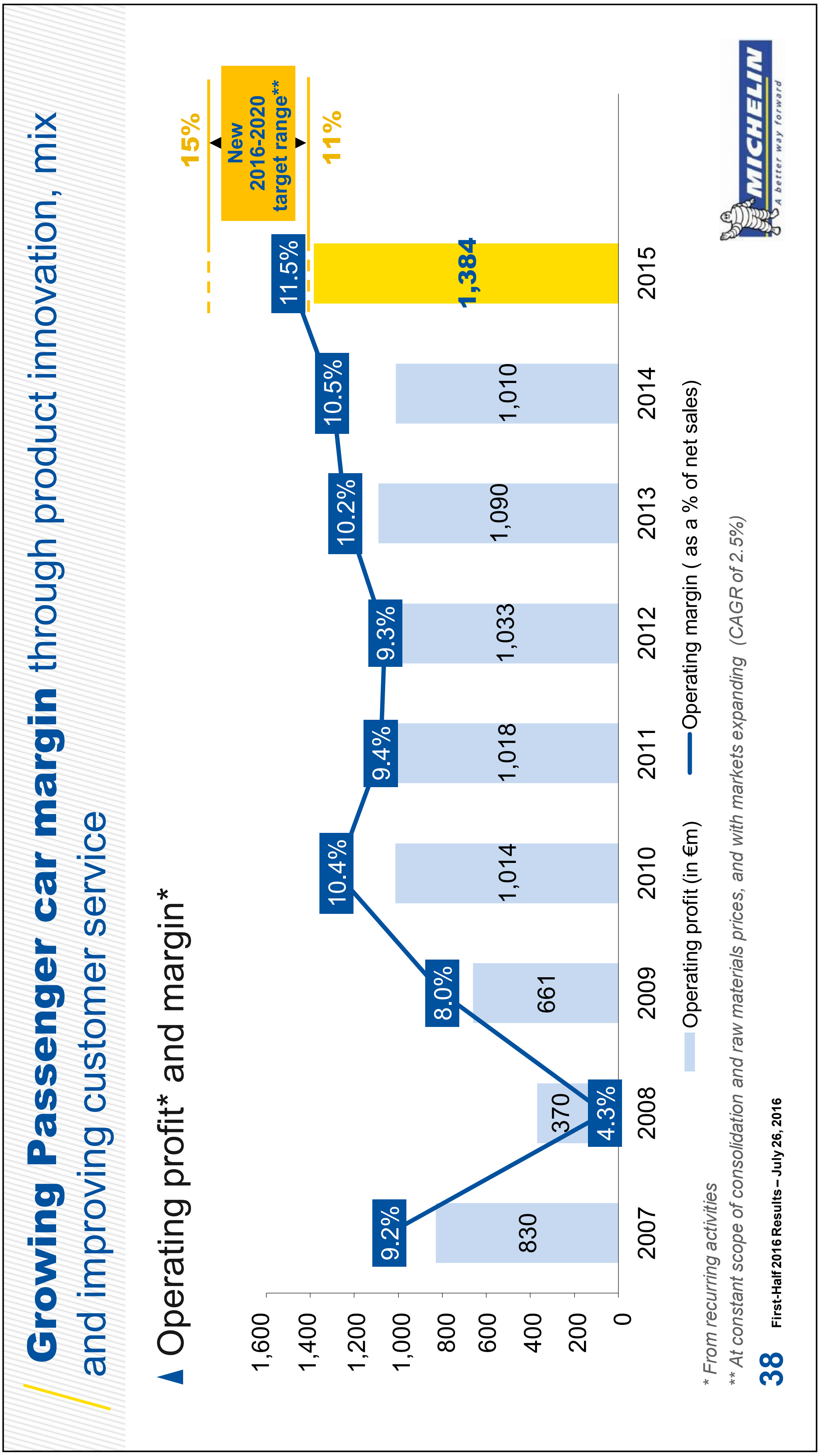
Growing Passenger car margin through product innovation, mix and improving customer service
Operating profit* and margin*
1,600
1,400
1,200
1,000
800
600
400
200
0
830
370
661
1,014
1,018
1,033
1,090
1,010
1,384
9.2%
4.3%
8.0%
10.4%
9.4%
9.3%
10.2%
10.5%
11.5%
15%
11%
New 2016-2020 target range**
2007
2008
2009
2010
2011
2012
2013
2014
2015
Operating profit (in €m)
Operating margin (as a % of net sales)
* From recurring activities
** At constant scope of consolidation and raw materials prices, and with markets expanding (CAGR of 2.5%)
38
First-Half 2016 Results – July 26, 2016
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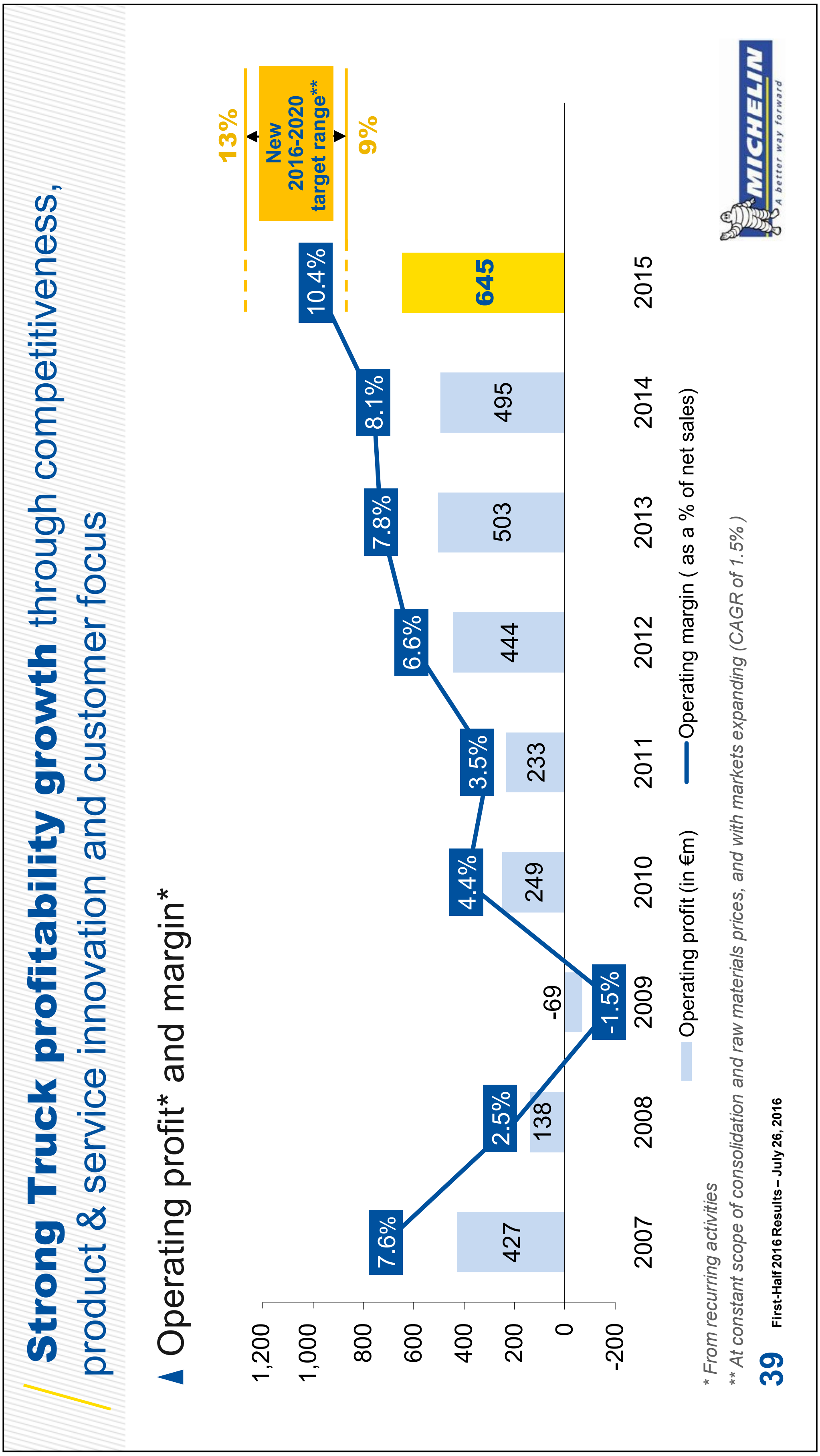
Strong Truck profitability growth through competitiveness, product & service innovation and customer focus
Operating profit* and margin*
1,200
1,000
800
600
400
200
0
-200
427
138
-69
249
233
444
503
495
645
7.6%
2.5%
-1.5%
4.4%
3.5%
6.6%
7.8%
8.1%
10.4%
13%
New 2016-2020 target range**
9%
2007
2008
2009
2010
2011
2012
2013
2014
2015
Operating profit (in €m)
Operating margin (as a % of net sales)
* From recurring activities
** At constant scope of consolidation and raw materials prices, and with markets expanding (CAGR of 1.5%)
39
First-Half 2016 Results – July 26, 2016
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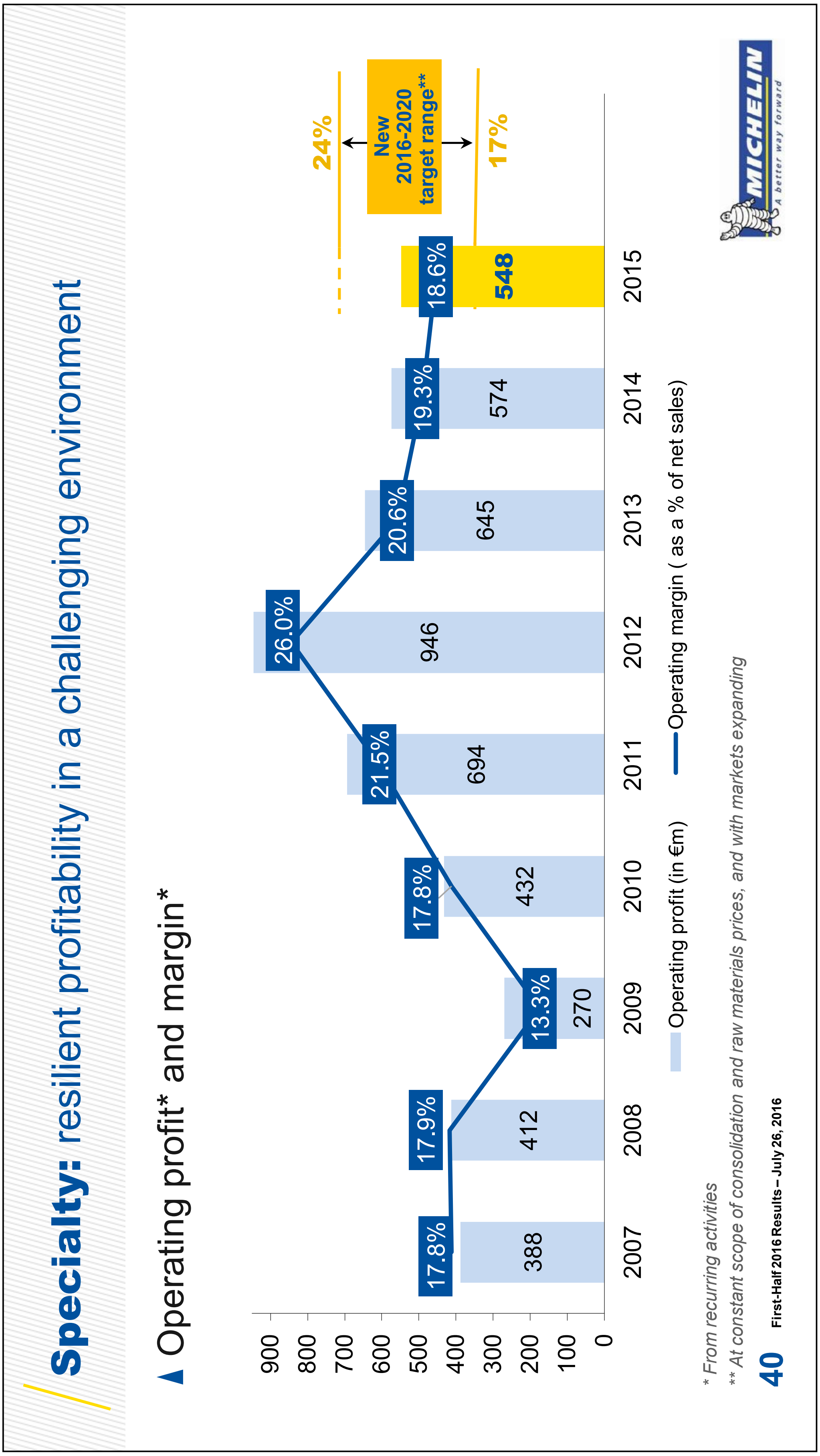
Specialty: resilient profitability in a challenging environment
Operating profit* and margin*
900
800
700
600
500
400
300
200
100
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
388
412
270
432
694
946
645
574
548
17.8%
17.9%
13.3%
17.8%
21.5%
26.0%
20.6%
19.3%
18.6%
24%
New 2016-2020 target range**
17%
Operating profit (in €m)
Operating margin (as a % of net sales)
* From recurring activities
** At constant scope of consolidation and raw materials prices, and with markets expanding
40
First-Half 2016 Results – July 26, 2016
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Scenario of net Price-mix vs Raw Material effect (based on June rates)

(in € millions)	H1 2016	H2(e) 2016	FY(e) 2016
Raw Material tailwind	+339	~ +110	~ +450
Net Price-mix / Raw Material	+115	~ -70	~ +50
o/w indexed businesses	-20	~ -70	
o/w non-indexed businesses	+135	~ 0	

41 First-Half 2016 Results – July 26, 2016

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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."

42 First-Half 2016 Results – July 26, 2016

3 / FIRST-HALF BUSINESS REVIEW


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MICHELIN

3.1 TIRE MARKETS

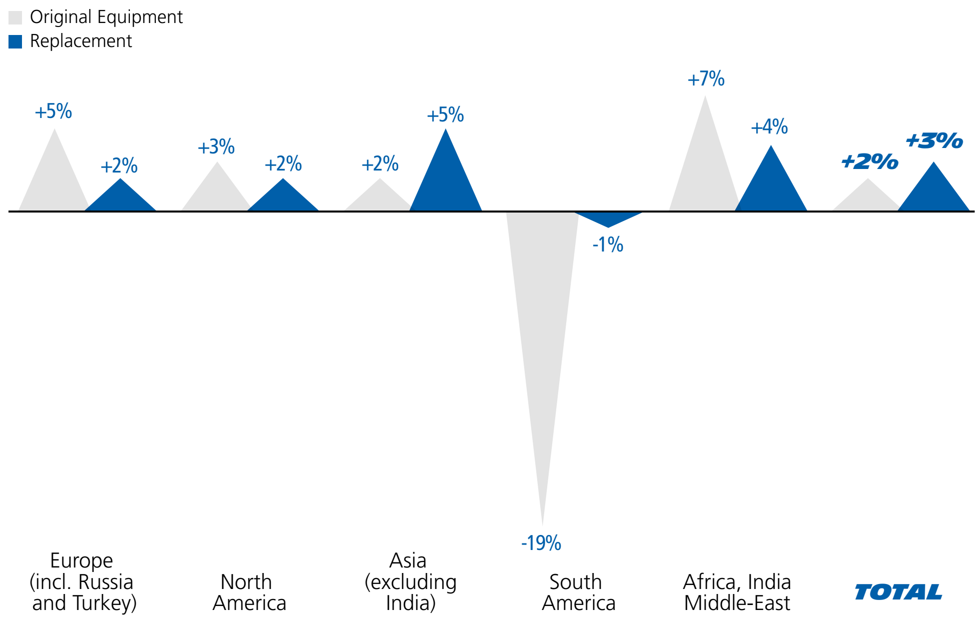
In the first six months of 2016, demand for Passenger car, Light truck and Truck tires continued to expand in the mature markets, albeit with a slowdown in the second quarter in the Passenger car/Light truck segment, and was mixed in the new markets, with sustained growth in the Passenger car/Light truck segment in China, robust gains in India and a steep decline in South America. The Specialty markets continued to suffer as mining companies completed their inventory drawdowns.

Methodological note: Tire market estimates reflect sell-in 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.

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

In the first half of 2016, the global Passenger car and Light truck tire market rose by 2% overall in number of tires sold, with gains of 2% in the original equipment segment and of 3% in the replacement segment. Growth slowed in the second quarter, however, due to weakening import sales in Europe and North America.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2016 VS. FIRST-HALF 2015



Michelin estimates.

3.1.1 a) Original equipment

Global demand for original equipment tires rose by 2% in number of tires sold in first-half 2016, with sustained growth in Western Europe, China and North America and further declines in South America and Eastern Europe.

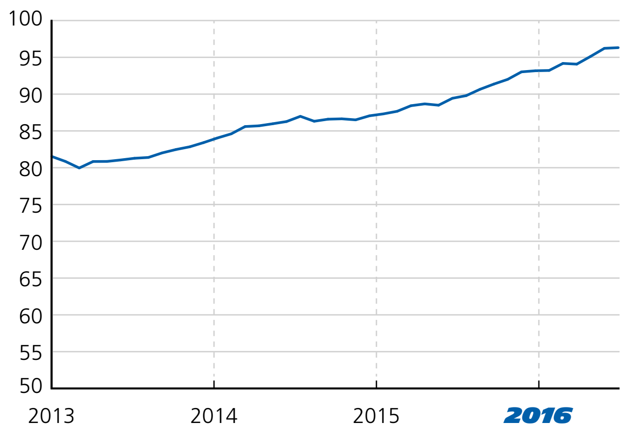
Passenger car and Light truck tire markets Original equipment *(in millions of tires)*	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY	Second-Quarter 2016, % change YoY	First-Quarter 2016, % change YoY
Europe [1]	54.2	51.4	+5%	+8%	+2%
North America [2]	44.8	43.5	+3%	+2%	+5%
Asia (excluding India)	100.2	97.1	+2%	+3%	+1%
South America	6.4	8.0	-19%	-16%	-23%
Africa/India/Middle East	14.9	14.0	+7%	+6%	+8%
TOTAL	**220.4**	**214.0**	**+2%**	**+3%**	**+2%**

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

The **European** original equipment market grew by 5% overall during the first half, reflecting a 7% increase in Western Europe led by an upturn in carmaker output and a 21% fall-off in Eastern Europe in a still difficult economic environment.

THE OE PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

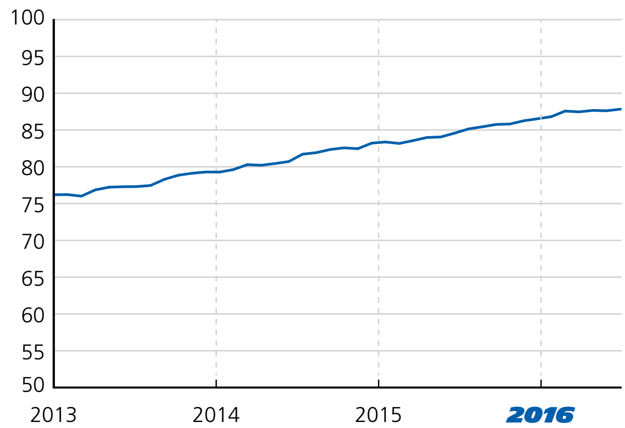


Michelin estimates.

The **North American** OE market rose by 3% over the first half, in line with automobile demand in a favorable economic environment.

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

(in millions of tires – moving 12 months)



Michelin estimates.

Demand in **Asia (excluding India)** as a whole ended the first six months of the year up 2%. The Chinese market rose by 6%, lifted by the government's compact car purchase incentives and the popularity of SUV models. Other markets in the region contracted by an aggregate 3% over the period.

The **South American** OE market retreated 19% in the first half, dragged down by the collapse in automobile output and sales, particularly in Brazil, where demand is being dampened by political uncertainty, tight credit and waning consumer confidence.

In the **Africa/India/Middle East** region, the market rose by 7% overall, led by an increase in new vehicle sales in India.

3.1.1 b) Replacement

The worldwide replacement market ended the first half up 3%, with gains in every geography except South America, Brazil and Eastern Europe, where the local economies remained mired in recession.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	First-half 2016	First-Half 2015	First-Half 2016, % change YoY	Second-Quarter 2016, % change YoY	First-Quarter 2016, % change YoY
Europe [1]	174.0	170.9	+2%	-0%	-1%
North America [2]	136.8	134.4	+2%	-2%	-6%
Asia (excluding India)	128.7	123.2	+5%	+4%	-2%
South America	36.6	36.9	-1%	+0%	+2%
Africa/India/Middle East	53.1	51.2	+4%	+4%	+4%
TOTAL	**529.2**	**516.5**	**+3%**	**+0%**	**-2%**

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

The **European** replacement tire market expanded by 2% overall year-on-year.

Demand rose by 3% in the still competitive Western European market, although most of the growth occurred in the value and intermediate segments. After hitting 4% in the first quarter thanks to late sales of winter and all-season tires, momentum slowed to 2% in the second quarter due to unfavorable weather conditions, leaving dealer inventories high at period-end.

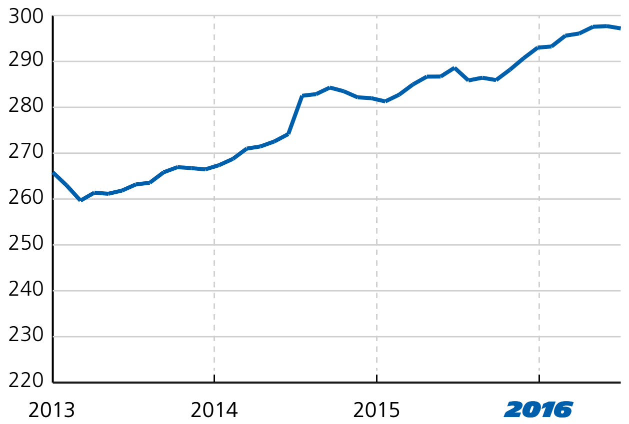
Demand continued to contract in Eastern Europe, by 4% over the first half, as the economic situation remained depressed in Russia and Ukraine.

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	**UP 3%**
▶ of which France	down 1%
▶ of which Spain	up 3%
▶ of which Italy	up 1%
▶ of which United Kingdom	up 7%
▶ of which Germany	up 3%
▶ of which Poland	up 16%
▶ of which Turkey	down 2%
EASTERN EUROPE	**DOWN 4%**
▶ of which Russia	down 5%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

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

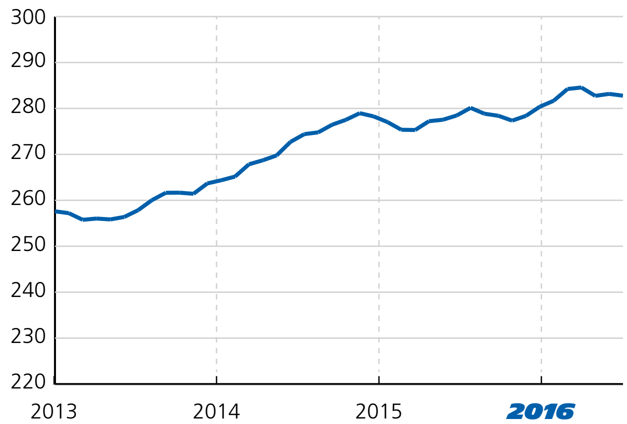


Michelin estimates.

In North America, demand rose by 2% over the first half as Asian imports rebounded. After surging 7% off of low prior-year comparatives in the first three months of the year, sales dropped precipitously in the second quarter, ending the period down 2% as dealer inventories soared. The Mexican market climbed a steep 8%, with demand holding firm at high levels following almost across-the-board price increases by local tiremakers, which supported demand in the first quarter.

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

(in millions of tires – moving 12 months)



Michelin estimates.

In Asia (excluding India), markets rose by 5% overall, with an 8% gain in China in a still favorable economic environment. Demand contracted by 1% in Japan, where the return of unsold winter tires weighed on sell-in and segment momentum slowed in the second quarter. The Southeast Asian market continued to trend upwards, especially in Indonesia and Thailand.

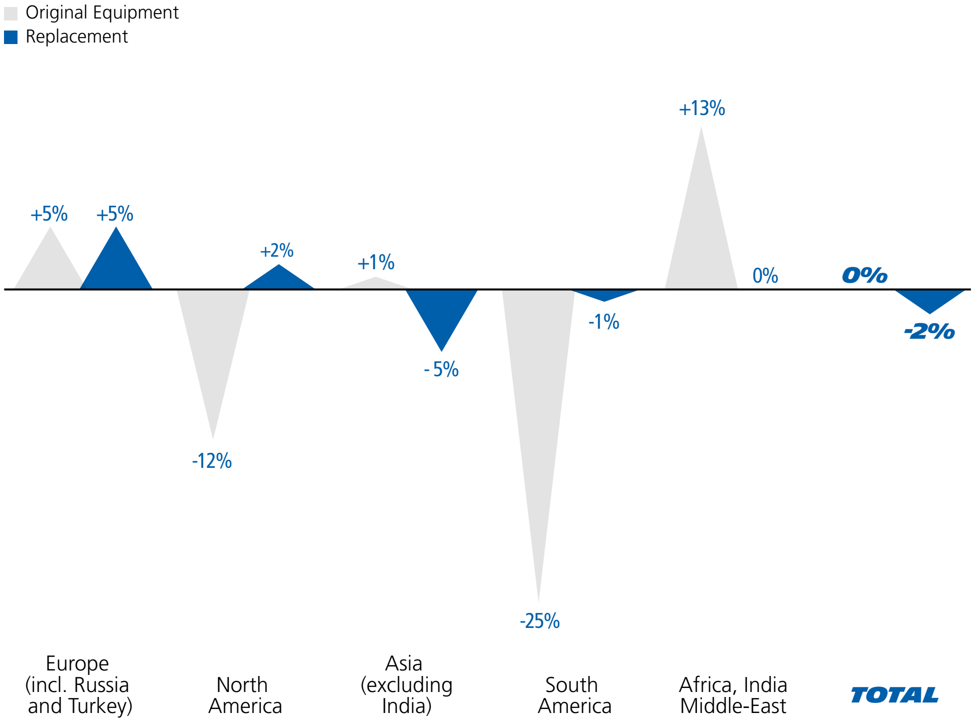
South American demand declined by 1% overall in a mixed economic and political environment, with a sharp fall-off in imports. Markets improved in Colombia, Chile, Central America and the Caribbean, but leveled off in Argentina and declined in Brazil (by 4%) and in Venezuela. In the sluggish Brazilian economy, the premium tire segment is holding up well and the market as a whole seemed to show some signs of leveling off at period-end.

Unit tire sales in the **Africa/India/Middle East** region rose by 4%, with a steep 10% climb in India on the back of consumer spending. Markets were more lackluster in Africa and the Middle East, especially in South Africa due to the depressed rand, in Saudi Arabia as a result of the fall in oil prices and, more recently, in Algeria with the rationalization of vehicle imports.

3.1.2 TRUCK TIRE MARKETS

Global demand for new original equipment and replacement **Truck** tires declined by 1% in number of tires sold in the first six months of 2016, with flat growth (down 0%) in the first segment and a 2% decline in the second. Both quarters saw a similar performance. Retread markets were also in decline, especially in Europe.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2016 VS. FIRST-HALF 2015



Michelin estimates – Radial and Bias.

3.1.2 a) Original equipment

The **worldwide** original equipment market was stable in the first half, buoyed by Chinese demand, which rose off of low prior-year comparatives, and by Europe and India. On the other hand, demand fell sharply in North America, after several half-year periods of growth, as well as in Brazil and Southeast Asia.

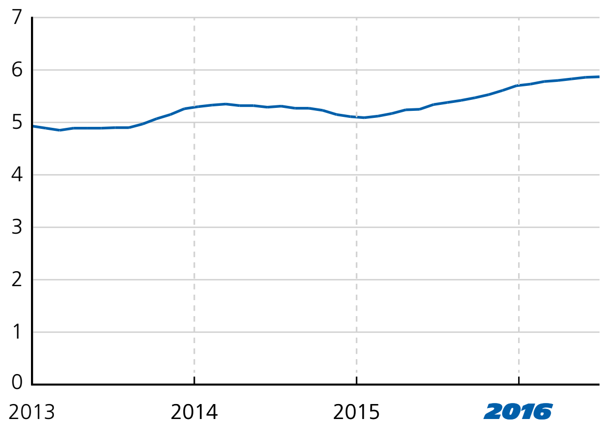
Truck tire markets* **Original equipment** *(in millions of tires)*	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY	Second-Quarter 2016, % change YoY	First-Quarter 2016, % change YoY
Europe [(1)]	3.4	3.2	+5%	+5%	+6%
North America [(2)]	2.9	3.3	-12%	-12%	-12%
Asia (excluding India)	11.4	11.3	+1%	+3%	-1%
South America	0.5	0.7	-25%	-12%	-36%
Africa/India/Middle East	2.8	2.5	+13%	+11%	+16%
TOTAL	**21.0**	**21.0**	**+0%**	**+1%**	**-1%**

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

The **European** market rose by 5% in the first half, thanks primarily to the 6% upsurge in demand in the West fueled by an increase in freight tonnages, the need to replace a relatively aging truck fleet and favorable capex conditions. In the East, however, the market edged back 1% and bottomed out at a low level.

THE OE TRUCK TIRE MARKET IN EUROPE

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

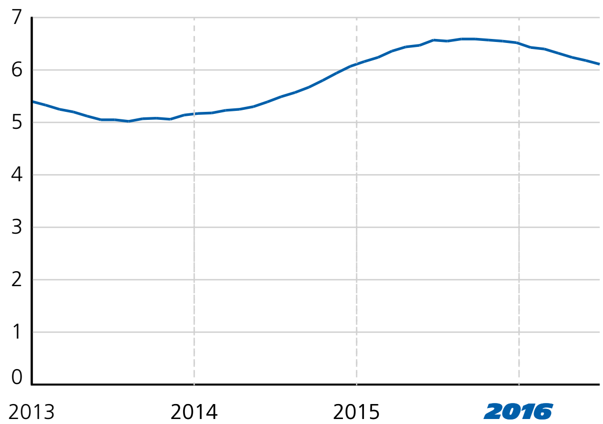


Michelin estimates.

In North America, demand fell back 12% over the period but remained high after four straight half-years of strong growth. There is a contrasting trend between the larger Class 8 trucks, whose production is in steep decline, and the other categories, where output is more stable.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

In Asia (excluding India), demand ended the period up 1% overall, led by the Chinese market's return to growth in the second quarter after several quarters of decline. The rest of the region was down 7%, reflecting, in particular, the sluggish economy in Japan and a certain amount of buyer hesitation in Thailand.

The **South American** market plummeted 25% over the first half in a still very difficult economic environment.

The **Africa/India/Middle East** market continued to expand, rising by 13% on the back of a 21% surge in India, in light of new emissions standards requiring customers to renew their fleets.

3.1.2 b) Replacement

The **global replacement market** contracted by 2% as growth in Europe and, to a lesser degree, North America failed to offset the steep 7% drop in Chinese demand.

Truck tire markets* Replacement *(in millions of tires)*	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY	Second-Quarter 2016, % change YoY	First-Quarter 2016, % change YoY
Europe [(1)]	10.7	10.2	+5%	+5%	+4%
North America [(2)]	11.6	11.4	+2%	-1%	+5%
Asia (excluding India)	35.6	37.6	-5%	-5%	-6%
South America	3.2	3.2	-1%	+1%	-4%
Africa/India/Middle East	15.9	15.9	+0%	+0%	+0%
TOTAL	**76.9**	**78.2**	**-2%**	**-2%**	**-2%**

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

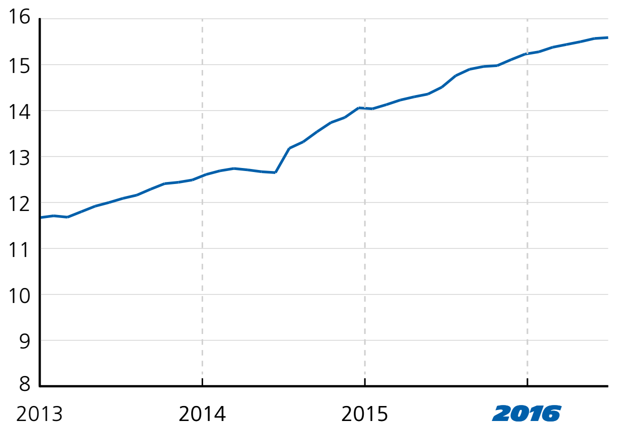
In Europe, the market rose by 5% over the first six months of the year, with a slight slowdown in the second quarter in Western Europe.

Nevertheless, growth in that part of the region ended the period at 5%, lifted by the increase in tonnes carried per km and the rising sales of low-cost tires from Asia, which are depressing retread demand. Growth in Western Europe slowed slightly in the second quarter.

In Eastern Europe, on the other hand, the market rebounded by 8% in the second quarter off of very low prior-year comparatives.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

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

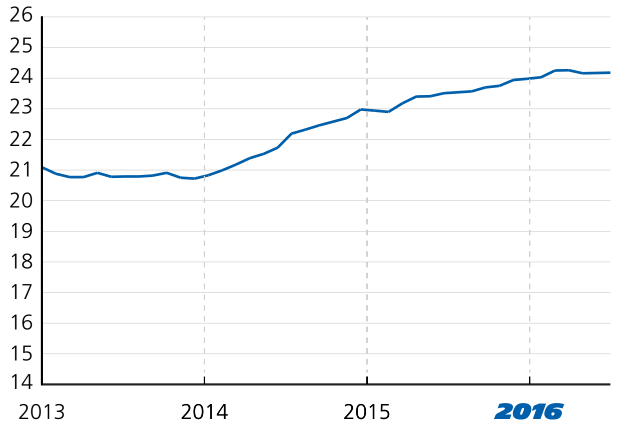


Michelin estimates.

The **North American market** turned in a mixed performance, with a 6% increase in the first quarter and a 1% decline in the second, at a time of high dealer inventory. Demand nevertheless remains robust, thanks to the strong economy, but is being buffeted by spurts of buying ahead of the introduction of a tariff of around 20% on Chinese imports as of July 5.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

Demand for replacement radial and bias tires in **Asia (excluding India)** was down by 5% over the period, with the Chinese market losing 7% as the cooling economy weighed on freight demand.

Markets were unchanged overall in the rest of the region, notably in Japan, but there was a significant decline in Thailand.

Demand retreated just 1% in **South America** and showed signs of bottoming out after several quarters of steady decline in a challenging economy.

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

3.1.3 SPECIALTY TIRE MARKETS

Earthmover tires: The mining tire market fell back sharply for the third year in a row, dragged down by the steep reduction in mine inventory at a time of flat growth in mining output. Original equipment markets declined in the mature regions due to weak demand and high mining machine inventory. The Chinese market is also cooling after dropping precipitously in 2015. Dealer hesitation is weighing on demand for infrastructure and quarry tires.

Agricultural tires: After declining sharply in 2015, original equipment markets have rebounded in the mature economies, led by demand for small tractors. However, the outlook for the coming months remains unfavorable.

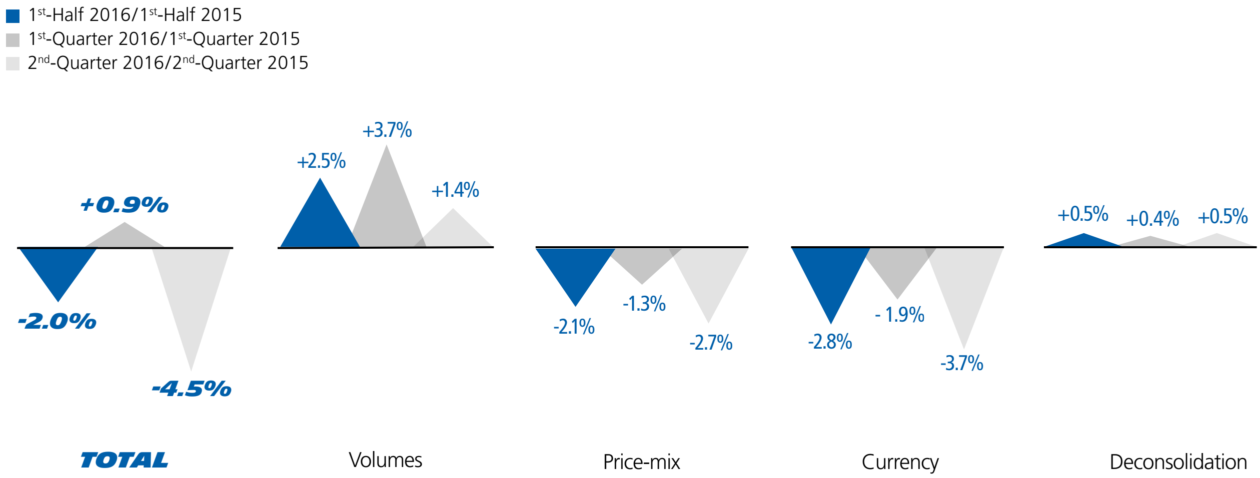
After also retreating in 2015, replacement markets were unchanged overall in the mature geographies over the period. South American markets remained severely penalized by the economic environment.

Two-wheel tires: Motorcycle and scooter tire markets rose in Europe for the fourth straight year, on an increase in dealer purchases, but dropped sharply in North America over the period. Demand continued to trend upwards in the new markets, however, led by the commuting segment.

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



Net sales for the first six months of 2016 totaled €10,292 million, a decline of 2.0% from the year-earlier period that was attributable to the net impact of the following factors:

- The 2.5% increase in volumes, which outpaced the market in every division thanks to the performance of the MICHELIN brand and the robust growth in the other brands.
- The 2.1% negative impact of changes in price-mix. Of the total €163 million in price reductions, €105 million stemmed from the application of indexation clauses, while the €61 million negative mix effect reflected the increase in sales of the other brands, the relative growth rates of OE and replacement tire sales and the contraction in the Earthmover tire business, which more than offset the favorable impact of the continued success of the MICHELIN brand's premium strategy.
- A 0.5% increase from the consolidation of German wholesaler Meyer Lissendorf, of Blackcircles, the UK's leading online tire retailer, and of BookaTable, Europe's number one online restaurant reservation service.
- The negative 2.8% currency effect, resulting primarily from the euro's unfavorable moves against the Brazilian real, the Mexican peso, the Russian ruble, the Chinese yuan, the Argentine peso, the Canadian dollar and other currencies, with the moves against the US dollar having only a marginally favorable impact.

Note that net sales of tire-related services and solutions totaled €539 million in first-half 2016.

(in € million and %)	First-Half 2016	Second-Quarter 2016	First-Quarter 2016
NET SALES	**10,292**	**5,227**	**5,065**
***Versus* the same period in 2015**	**(205)**	**(248)**	**+43**
Volumes	+267	+79	+188
Price mix	(224)	(156)	(68)
Currency	(296)	(200)	(96)
Changes in scope of consolidation	+48	+29	+19
***Versus* the same period in 2015**	**-2.0%**	**-4.5%**	**+0.9%**
Volumes	+2.5%	+1.4%	+3.7%
Price mix	-2.1%	-2.7%	-1.3%
Currency	-2.8%	-3.7%	-1.9%
Changes in scope of consolidation	+0.5%	+0.5%	+0.4%

3.2.2 NET SALES BY REPORTING SEGMENT

(in € million)	First-Half 2016	Second-Quarter 2016	First-Quarter 2016
CONSOLIDATED TOTAL	**10,292**	**5,227**	**5,065**
Passenger car/Light truck tires and related distribution	5,916	3,019	2,897
Truck tires and related distribution	2,907	1,477	1,430
Specialty businesses (1)	1,469	731	738
***Versus* the same period in 2015**	**-2.0%**	**-4.5%**	**+0.9%**
Passenger car/Light truck tires and related distribution	+1.0%	-2.1%	+4.3%
Truck tires and related distribution	-5.2%	-7.3%	-3.0%
Specialty businesses (1)	-6.4%	-8.4%	-4.3%

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

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

The sales performance of the Passenger car and Light truck tire business drove a further 4% increase in volumes, outpacing the market's 2% gain.

Sales in **Europe** suffered from the slowdown in the second quarter, the Group's focus on margins and the faster reorganization of its dealership network and supply chain. In the premium segment, the MICHELIN brand benefited from the recent product launches and the extension of the Cross Climate line-up. Sales in Eastern Europe were hurt by Russia's economic difficulties and the ruble's collapse.

In North America, where the pool market was virtually unchanged over the period, net sales were boosted by the growth in such recently launched flagship lines as the MICHELIN Premier LTX, the BFGoodrich KO2 and the BFGoodrich Comp 2 AS, as well as by deliveries from the Group's other production regions.

Sales rose **in South America,** supported by the firm resilience of the premium segment.

In Asia (excluding India), Michelin sales held firm in China thanks to the development of the original equipment business with local carmakers, the effective positioning of the Michelin range and the deployment of the TirePlus dealership network. Positions in Southeast Asia were strengthened by optimizing the Group's product positioning, supply chain and dealership network.

In the **Africa/India/Middle East** region, net sales climbed sharply in India and Africa thanks to enhancements to the supply chain and expansion of the dealership network.

In all, net sales in the Passenger car and Light truck tires and related distribution segment stood at €5,916 million, *versus* €5,860 million in first-half 2015. Volumes rose by 4% over the period, exceeding the market's 2% increase. Prices declined overall, reflecting the application of raw materials indexation clauses in the OE segment and the impact of selected repositionings. The success of the new MICHELIN CrossClimate, MICHELIN Premier LTX, BFGoodrich KO2 and BFGoodrich g-Force Comp 2 A/S lines drove growth in sales of the MICHELIN brand (up 3%) and the other Group brands (up 6%). The steady shift upmarket in the product mix was almost entirely offset by the gains in the other brands, the OE/Replacement sales mix and the geographic mix. The scope of consolidation now includes the net sales from Ihle, Meyer Lissendorf and Blackcircles, which were acquired in 2015.

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

In Western **Europe,** sales of new MICHELIN-brand tires generally tracked market dynamics, with a good performance in the OE segment driven by the popularity among manufacturers of the Group's low-rolling resistance tires and resilient retread sales in a market experiencing a significant decline. In Russia and the CIS, in light of the rebound of the tire market from a very low base and the introduction of customs duties on tires imported from China, the Group has been able to grow faster than the replacement market.

In North America, OE sales were aligned with a market trending downwards after several half-year periods of strong growth, while MICHELIN-brand replacement sales tracked the weak growth of the pool market and replacements sales of other brands increased sharply. The development of fleet services is ongoing.

In South America, the Group's replacement tire sales held up well despite a steep decline in the market, thanks in particular to the growth of the intermediate brand offering.

In Asia (excluding India), sales in China advanced in the OE segment, supported by consolidation in the freight industry where Michelin has a solid reputation for product performance, and held firm in the replacement segment in a falling market shaped by strong price competition, which has been exacerbated by increased customs barriers for exports to the United States, Russia and India. In Southeast Asia, sales were up and growth accelerated quarter-on-quarter for MICHELIN-brand tires, reflecting a ramp-up in Indonesia and the success of the BFGoodrich intermediate brand.

In the Africa/India/Middle East region, sales were down in an unfavorable market environment, where currency volatility made it necessary to increase prices, a move not strongly followed by the competition. In India, the Group nonetheless benefited from the upturn in the OE market thanks to a partnership with one of the local leaders. As in Southeast Asia and as part of a global strategy to position it as an intermediate brand, BFGoodrich will replace Kormoran.

In all, net sales in the Truck tires and related distribution segment amounted to €2,907 million in the first six months of the year, down 5.2% from first-half 2015. The decline was primarily attributable to the unfavorable currency impact and to price cuts related to the application of raw materials-based indexation clauses, while sales volumes rose by 1%, slightly outperforming the global Truck tire market, which contracted over the period.

3.2.2 c) Specialty businesses – Analysis of net sales

Earthmover tires: Net sales declined, weighed down by price cuts related to raw materials-based indexation clauses and by lower sales volumes.

Agricultural tires: Net sales dipped slightly, with an increase in volumes that d offset the negative impact of raw materials-based indexation clauses and exchange rates.

Two-wheel tires: Net sales increased thanks to higher volumes, which offset the unfavorable impact of the geographic mix and exchange rates.

Aircraft tires: Net sales increased, driven by growth in volumes.

Michelin Travel Partner net sales, up sharply, primarily reflected (i) further gains in Print market share in markets that were more challenging this year, (ii) an increase in revenue from the Digital business where performances were mixed, and (iii) growth at Michelin Restaurants, which is undergoing a transformation following the acquisition of BookaTable. The Group also decided to create a "Michelin Experiences" business line, which brings together all of the businesses that offer customers an outstanding mobility experience. Michelin Travel Partner will be one of the key components.

In all, net sales by the Specialty Businesses stood at €1,469 million for the period, virtually unchanged from the €1,569 million reported for first-half 2015. Apart from the currency impact, the change reflects the impact of price adjustments related to raw materials-based indexation clauses and to the 2% decline in volumes in a market that is expected to be down 2-5% over the year, while mining companies continued to draw down inventory.

3.2.3 CURRENCY RATES AND THE CURRENCY EFFECT

At current exchange rates, consolidated net sales declined by 2% in the first half.

This performance reflected a €296-million negative currency effect resulting primarily from the euro's unfavorable moves against the Brazilian real, the Mexican peso, the Russian ruble, the Chinese yuan, the Argentine peso, the Canadian dollar and other currencies, with the moves against the US dollar having only a marginally favorable impact.

Average exchange rate	First-Half 2016	First-Half 2015	Change
Euro/USD	1.116	1.118	-0.2%
Euro/CAD	1.485	1.378	+7.7%
Euro/MXN	20.128	16.905	+19.1%
Euro/BRL	4.127	3.297	+25.2%
Euro/GBP	0.778	0.734	+6.0%
Euro/JPY	124.595	134.364	-7.3%
Euro/CNY	7.295	6.955	+4.9%
Euro/THB	39.588	36.824	+7.5%
Euro/RUB	78.125	63.849	+22.4%
Euro/AUD	1.521	1.427	+6.5%
Euro/ZAR	17.200	13.312	+29.2%
Euro/ARS	15.927	9.852	+61.7%
Euro/TRY	3.261	2.857	+14.1%
Euro/INR	74.982	70.259	+6.7%

First-half 2016 net sales by currency were as follows:

Currency	%
AUD	1%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
TWD	1%
USD	38%
Other	4%
TOTAL	**100%**

3.2.4 NET SALES BY REGION

(in € million)	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY
CONSOLIDATED TOTAL	**10,292**	**10,497**	**-2.0%**
Europe	4,028	4,018	0.2%
of which France	*954*	*976*	*-2.3%*
North America (including Mexico)	3,829	3,956	-3.2%
Other regions	2,435	2,523	-3.5%

(in € million)	First-Half 2016	% of total	First-Half 2015	% of total
GROUP	**10,292**		**10,497**	
Europe	4,028	39.1%	4,018	38.3%
of which France	*954*	*9.3%*	*976*	*9.3%*
North America (including Mexico)	3,829	37.2%	3,956	37.7%
Other regions	2,435	23.7%	2,523	24.0%

At a time of unfavorable exchange rates and falling raw materials costs, net sales edged back slightly in most geographies.

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

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

To make its operating performance easier to understand and analyze, Michelin now presents "Operating income before non-recurring income and expenses" as "Operating income from recurring activities".

Similarly, "Other operating income and expenses" is now "Other operating income and expenses from recurring activities" and "Non-recurring income and expenses" has been replaced by "Operating income/(loss) from non-recurring activities".

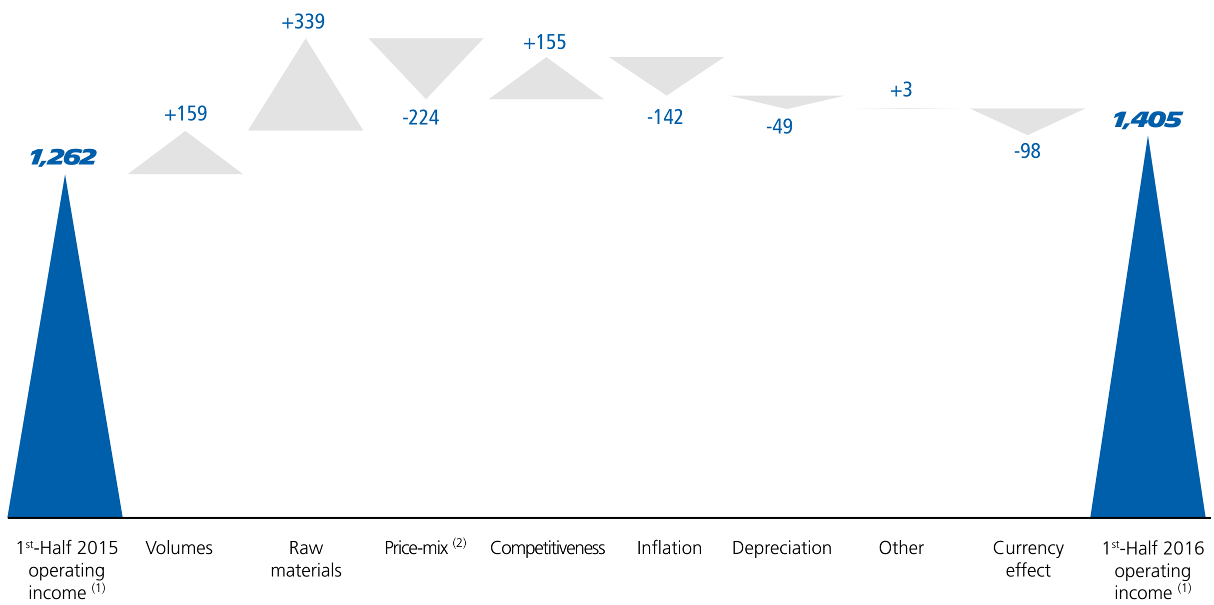
In addition, sale proceeds and impairment losses on intangible assets and property, plant and equipment as well as the cost of benefits for retired personnel are now included in "Operating income/(loss) from non-recurring activities" in the consolidated income statement instead of in "Other operating income and expenses from recurring activities".

This change has no material impact on the presentation of the consolidated financial statements for the six months ended June 30, 2015 ("Operating income from recurring activities" would have been €1,266 million).

(in € million, except per-share data)	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY	First-Half 2016 *(as a % of net sales)*	First-Half 2015 *(as a % of net sales)*
Net sales	**10,292**	**10,497**	**-2.0%**		
Cost of sales	(6,640)	(7,035)	-5.6%	64.5%	67.0%
Gross income	**3,652**	**3,462**	**+5.5%**	**35.5%**	**33.0%**
Sales and marketing expenses	(933)	(936)	-0.3%	9.1%	8.9%
Research and development expenses	(361)	(349)	+3.4%	3.5%	3.3%
General and administrative expenses	(919)	(888)	+3.5%	8.9%	8.5%
Other operating income and expenses from recurring activities	(34)	(27)	N/M	0.3%	0.3%
Operating income from recurring activities	**1,405**	**1,262**	**+11.3%**	**13.7%**	**12.0%**
Operating income/(loss) from non-recurring activities	(51)	(17)	N/M	-	-
Operating income	**1,354**	**1,245**	**+8.7%**	**13.2%**	**11.9%**
Cost of net debt	(123)	(100)	+22.4%	1.2%	1.0%
Other financial income and expenses	16	(23)	N/M	0.2%	0.2%
Net interest on employee benefit obligations	(73)	(70)	+3.7%	0.7%	0.7%
Share of profits and losses from associates	(4)	6	N/M	0.0%	0.1%
Income before taxes	**1,170**	**1,058**	**+10.6%**	**11.4%**	**10.1%**
Income tax	(401)	(351)	+14.1%	3.9%	3.3%
Net income	**769**	**707**	**+8.8%**	**7.5%**	**6.7%**
▶ Attributable to shareholders of the Company	773	709	+9.0%	7.5%	6.8%
▶ Attributable to non-controlling interests	(4)	(2)			
Earnings per share *(in €)*					
▶ Basic	4.24	3.79	+11.9%		
▶ Diluted	4.17	3.72	+12.1%		

3.3.1 ANALYSIS OF OPERATING INCOME FROM RECURRING ACTIVITIES

(in € millions)



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

In first-half 2016, **consolidated operating income from recurring activities** amounted to €1,405 million or 13.7% of net sales *versus* €1,262 million and 12.0% in first-half 2015. At constant exchange rates, it increased by a sharp €241 million. The €51 million net operating loss from non-recurring activities primarily corresponded to restructuring costs related to projects to align the organization of operations in Clermont-Ferrand.

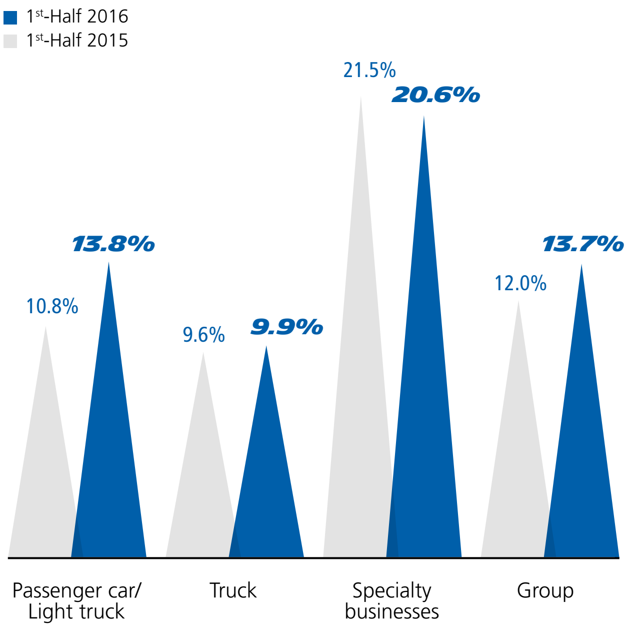
The increase may be analyzed as follows:

- a €159 million increase from the 2.5% growth in sales volumes;
- a €115 million net decrease corresponding to the €-224 million negative impact of changes in the price mix (of which €-163 million due to price reductions), partly offset by the €339 million positive impact of lower raw materials costs. This resulted in a net negative impact of €20 million for businesses whose prices are indexed to raw materials prices, and a net positive impact of €135 million, as expected, for non-indexed businesses thanks to effective pricing management, particularly after higher prices were introduced in Europe in 2015;
- a €155 million increase corresponding to the benefits from the competitivenes plan, in line with the implementation schedule, (of which €38 million in general cost savings, €29 million in materials cost savings and €88 million in productivity gains), offset the €-142 million negative impact of inflation;
- a €49 million increase in depreciation and amortization charges;
- a €3 million increase from other factors, of which a €13 million reduction in start-up costs;
- a €98 million decrease from the currency effect;

3.3.2 OPERATING INCOME FROM RECURRING ACTIVITIES BY OPERATING SEGMENT

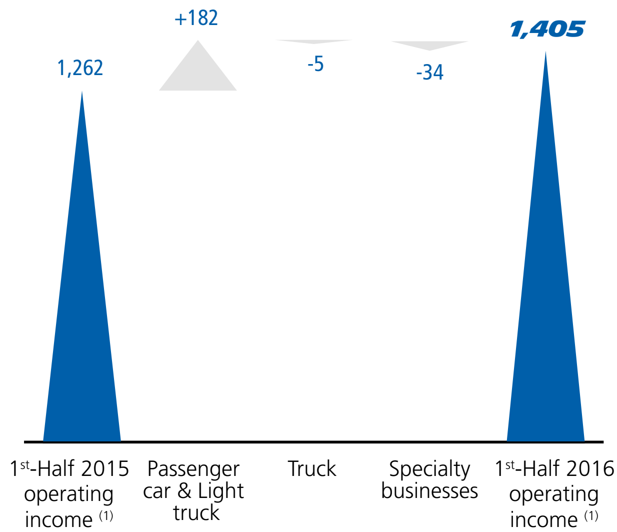
(in € million)	First-Half 2016	First-Half 2015
Passenger car/Light truck tires and related distribution		
Net sales	5,916	5,860
Operating income from recurring activities	814	632
Operating margin on recurring activities	**13.8%**	**10.8%**
Truck tires and related distribution		
Net sales	2,907	3,068
Operating income from recurring activities	288	293
Operating margin on recurring activities	**9.9%**	**9.6%**
Specialty businesses		
Net sales	1,469	1,569
Operating income from recurring activities	303	337
Operating margin on recurring activities	**20.6%**	**21.5%**
Group		
Net sales	10,292	10,497
Operating income from recurring activities	1,405	1,262
Operating margin on recurring activities	**13.7%**	**12.0%**

3.3.2 a) Operating margin on recurring activities by operating segment



- 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.

(in € million)



(1) From recurring activities.

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

Passenger car/Light truck tires & related distribution *(in € million)*	**First-Half 2016**	**First-Half 2015**	**First-Half 2016, % change YoY**	**First-Half 2016** *(% of consolidated total)*	**First-Half 2015** *(% of consolidated total)*
Net sales	5,916	5,860	+1.0%	57%	56%
Change in volume	*+4%*				
Operating income from recurring activities	814	632	+28.8%	58%	50%
Operating margin on recurring activities	13.8%	10.8%	+3.0pt		

Operating income from recurring activities came to €814 million or 13.8% of net sales *versus* €632 million and 10.8% in first-half 2015.

This three-point improvement in operating margin on recurring activities reflected a robust business performance, led by a sharp decline in raw materials costs versus prior-year comparatives that was only partly attenuated by price reductions. The improvement in operating income also reflected a 4% increase in volumes that outpaced the market's 2% growth and the improvement in industrial competitiveness.

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

Truck tires & related distribution *(in € million)*	**First-Half 2016**	**First-Half 2015**	**First-Half 2016, % change YoY**	**First-Half 2016** *(% of consolidated total)*	**First-Half 2015** *(% of consolidated total)*
Net sales	2,907	3,068	-5.2%	28%	29%
Change in volume	*+1%*				
Operating income from recurring activities	288	293	-1.7%	20%	23%
Operating margin on recurring activities	9.9%	9.6%	+0.3 pt		

Operating income from recurring activities amounted to €288 million or 9.9% of net sales, compared with €293 million and 9.6% in first-half 2015.

The slight improvement in margin at a time of unfavorable exchange rates and declining demand primarily reflected the resilient volume performance, with a slight 1% gain driven by the success of OE business and the new intermediate ranges introduced in the emerging regions and North America. Effective management of the business, particularly in the areas of price positioning, supplying growth markets and cost control, also contributed to the sustained improvement in margin performance.

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

Specialty businesses *(in € million)*	**First-Half 2016**	**First-Half 2015**	**First-Half 2016, % change YoY**	**First-Half 2016** *(% of consolidated total)*	**First-Half 2015** *(% of consolidated total)*
Net sales	1,469	1,569	-6.4%	14%	15%
Change in volume	*-2%*				
Operating income from recurring activities	303	337	-10.1%	22%	27%
Operating margin on recurring activities	20.6%	21.5%	-0.9 pt		

Operating income from recurring activities came to €303 million or 20.6% of net sales *versus* €337 million and 21.5% in first-half 2015.

In addition to a limited currency effect, this firm operating margin resistance primarily reflected the impact of price adjustments related to indexation clauses at a time of lower raw materials prices and to the 2% contraction in volumes in a market that is expected to decline by 2% to 5% over the year.

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 (€2.2 billion in first-half 2016 *versus* €2.4 billion in first-half 2015).

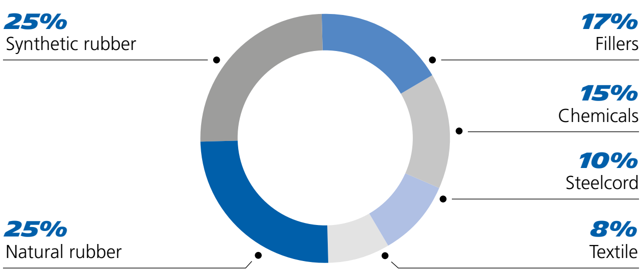
This cost reflects:

- 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 2016, the raw materials costs recognized in cost of sales included the €339 million effect of lower prices, as well as the residual currency effect.

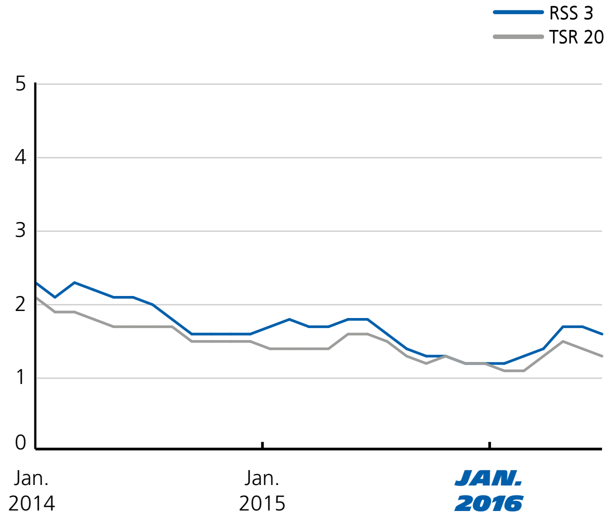
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene. As a result, raw materials prices are expected to continue having a favorable impact in the second half of the year.

RAW MATERIALS RECOGNIZED IN FIRST-HALF 2016 COST OF SALES

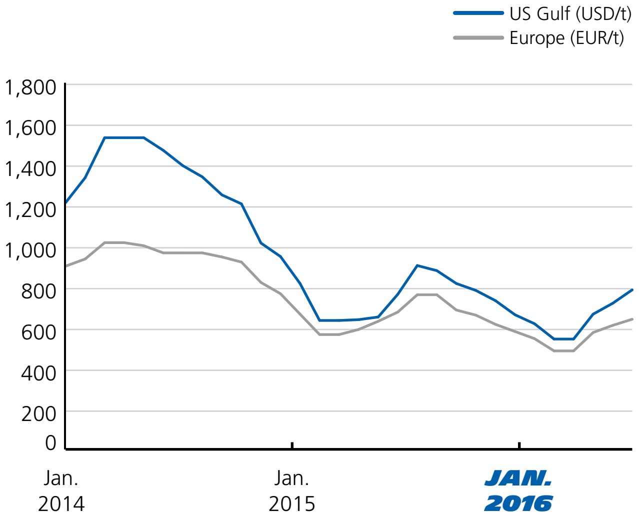


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

(in € million and number of people)	First-half 2016	First-Half 2015	Change
Total employee benefit costs	2,991	2,975	+0.5%
As a % of net sales	*29.1%*	*28.3%*	*+0.8pt*
Total number of employees at June 30	112,400	112,600	-0.2%
Number of full-time equivalent employees at June 30	106,600	107,100	-0.5%
Average number of full time equivalent employees over the period	106,200	106,800	-0.6%

At €2,991 million, **employee benefit costs** represented 29.1% of net sales in first-half 2016, *versus* 28.3% in the year-earlier period. The increase reflected the combined impact of the integration of new digital operations and dealerships as well as inflation in North America and emerging economies, which offset the decline in the workforce in mature markets.

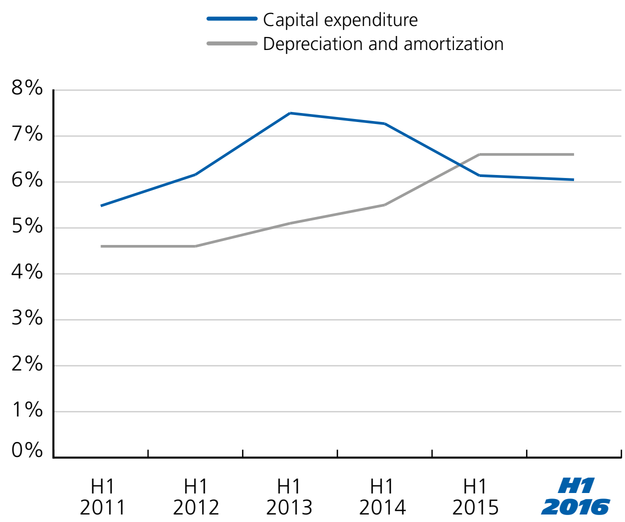
3.3.3 c) Depreciation and amortization

(in € million)	First-Half 2016	First-Half 2015	Change
Depreciation and amortization charges for the period	680	648	+5.0%
As a % of additions to intangible assets and property, plant and equipment	*109%*	*103%*	

Depreciation and amortization charges rose by €32 million to €680 million. This is in line with expectations and reflects the temporary increase in capital expenditure in recent years to drive growth.

Given the projects currently underway, depreciation and amortization charges are expected to continue to increase in the coming years.

(as a % of net sales)



3.3.3 d) Transportation costs

Transportation and logistics costs came to €563 million or 5.5% of net sales for the period. The €9 million increase is attributable to an increase in sales volumes, a favorable change in fuel and maritime transportation costs, and more particularly to the temporary costs related to the Group's logistics transformation projects in Europe and North America.

(in € million)	First-Half 2016	First-Half 2015	Change
Transportation costs	563	554	+1.8%
As a % of net sales	*5.5%*	*5.3%*	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 9.1% of first-half net sales in 2016, *versus* 8.9% the year before. In value, they were stable at €933 million. This reflects efforts to optimize spending on sales and marketing, which also offset inflation.

3.3.3 f) Research and development expenses

(in € million)	First-Half 2016	First-Half 2015	Change
Research and development expenses	361	349	+3.5%
As a % of net sales	*3.5%*	*3.3%*	

Research and development expenses stood at €361 million, an increase of €12 million year on year that reflected the Group's strategy of increasing the pace of new product launches, aligning innovation with real market needs and extending its technological leadership.

As a percentage of net sales, R&D expenses were unchanged compared with first-half 2015.

3.3.3 g) General and administrative expenses

General and administrative expenses amounted to €919 million, a year-on-year increase of €31 million that mainly stems from the integration of recently acquired companies and an increase in employee benefit costs.

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 €34 million, compared with an expense of €27 million in first-half 2015, representing a year-on-year increase of €7 million excluding the currency effect. The increase is primarily attributable to taxes.

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

Operating income/(loss) from non-recurring activities amounted to a net loss of €51 million and primarily corresponded to restructuring costs related to projects to align the organization of operations in Clermont-Ferrand.

3.3.3 j) Cost of net debt

(in € million)	First-Half 2016	First-Half 2015	Change
Cost of net debt	123	100	+23

At €123 million, the **cost of net debt** was up €23 million compared with first-half 2015, primarily as a result of the following factors:

- a €2 million reduction in net interest expense, reflecting the net impact of:
  - a €6 million increase due to the change in average net debt to €2,760 million in first-half 2016 from €2,607 million in the year-earlier period,
  - a €10 million decrease from the lower average gross interest rate on borrowings, at 7.4% *versus* 8.2% in first-half 2015,
  - a €2 million net increase from a variety of factors, including the negative carry, corresponding to the effect of investing cash and cash equivalents at a rate below the Group's average borrowing cost;
- a €24 million negative impact from exchange rate derivatives due mainly to the decline in the euro against the Brazilian real and the Chinese yuan;
- an aggregate €1 million net increase from other factors.

3.3.3 k) Other financial income and expenses

(in € million)	First-Half 2016	First-Half 2015	Change
Other financial income and expenses	16	(23)	+39

Other financial income and expenses represented net income of €16 million, a €39 million improvement driven by the renegotiation of pension insurance contracts.

3.3.3 l) Income tax

(in € million)	First-Half 2016	First-Half 2015	Change
Income before taxes	1,170	1,058	+112
Income tax	**(401)**	**(351)**	**+50**
Current tax	(373)	(335)	+38
Withholding tax	(36)	(20)	+16
Deferred tax	8	4	+4

Income tax expense rose by €50 million year-on-year to €401 million in the first half of 2016, primarily due to an improvement in taxable income. The effective tax rate was 34.3%, *versus* 33.2% the year before.

3.3.3 m) Consolidated net income and earnings per share

(in € million)	First-Half 2016	First-Half 2015	Change
Net income	769	707	+62
As a % of net sales	*7.5%*	*6.7%*	*+0.8 pt*
▶ Attributable to shareholders of the Company	773	709	+64
▶ Attributable to non-controlling interests	(4)	(2)	
Earnings per share *(in €)*			
▶ Basic	4.24	3.79	+0.45
▶ Diluted	4.17	3.72	+0.45

Net income came to €769 million, or 7.5% of net sales, compared with €707 million reported in first-half 2015. The €62 million improvement reflected the following factors:

- Favorable factors:
  - the €143 million increase in operating income from recurring activities,
  - the €39 million improvement in other financial income and expenses, net;
- Unfavorable factors:
  - the €34 million increase in the impact of the operating loss from recurring activities, which rose to €51 million from €17 million in first-half 2015,
  - the €23 million increase in the cost of net debt,
  - the €3 million increase in net interest on employee benefit obligations,
  - the negative €10 million impact from the decline in income from investments in associates and joint ventures, from a €6 million gain in first-half 2015 to a €4 million loss in first-half 2016,
  - the €50 million increase in income tax expense, in line with the improvement in net income.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

ASSETS

(in € million)	June 30, 2016	December 31, 2015	Total change	Currency effect	Movement
Goodwill	947	803	+144	+27	+117
Other intangible assets	621	621	-0	+3	-3
Property, plant and equipment	10,456	10,532	-77	+22	-99
Non-current financial assets and other assets	248	410	-161	+1	-162
Investments in associates and joint ventures	306	309	-3	+0	-2
Deferred tax assets	1,388	1,259	+129	-9	+137
Non-current assets	**13,966**	**13,934**	**+32**	**+45**	**-12**
Inventories	4,603	4,289	+313	+1	+312
Trade receivables	3,102	2,743	+360	+1	+359
Current financial assets	279	363	-84	+2	-86
Other current assets	1,031	1,012	+19	+17	+2
Cash and cash equivalents	994	1,552	-558	-3	-555
Current assets	**10,009**	**9,959**	**+50**	**+18**	**+32**
TOTAL ASSETS	**23,975**	**23,893**	**+82**	**+63**	**+19**

LIABILITIES AND EQUITY

(in € million)	June 30, 2016	December 31, 2015	Total change	Currency effect	Movement
Share capital	365	364	+1		+1
Share premiums	3,251	3,222	+29		+29
Reserves	5,720	5,903	-184	+107	-290
Non-controlling interests	47	53	-6	-1	-5
Equity	**9,383**	**9,542**	**-160**	**+106**	**-266**
Non-current financial liabilities	1,645	2,444	-799	+23	-822
Employee benefit obligations	5,273	4,888	+384	-59	+444
Provisions and other non-current liabilities	1,701	1,681	+20	-10	+30
Deferred tax liabilities	131	118	+13	+5	+8
Non-current liabilities	**8,750**	**9,131**	**-382**	**-41**	**-341**
Current financial liabilities	1,359	548	+812	+12	+800
Trade payables	1,898	2,260	-362	-12	-349
Reverse factoring contracts	244	94	+150	+0	+149
Other current liabilities	2,341	2,318	+23	-5	+28
Current liabilities	**5,842**	**5,220**	**+623**	**-5**	**+628**
TOTAL EQUITY AND LIABILITIES	**23,975**	**23,893**	**+82**	**+61**	**+20**

3.4.1 GOODWILL

Goodwill before translation adjustments increased by €117 million over the period to €947 million at June 30, 2016, reflecting the recognition of goodwill arising on the BookaTable acquisition.

3.4.2 INTANGIBLE ASSETS

Intangible assets amounted to €621 million, unchanged from December 31, 2015.

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €10,456 million, a €99 million decrease from December 31, 2015 before the positive €22 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 exceeded purchases of new property, plant and equipment over the period.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other assets ended the period at €248 million, a €162 million decrease (before the €1 million positive translation adjustment) that primarily reflected the consolidation of BookaTable.

3.4.5 DEFERRED TAX ASSETS AND LIABILITIES

Excluding the €9 million negative translation adjustment, **deferred tax assets** rose by €137 million compared with December 31, 2015, mainly reflecting actuarial gains and losses recognized during the year on employee benefit obligations, particularly in Europe and the United States.

3.4.6 TRADE WORKING CAPITAL REQUIREMENT

(in € million)	June 30, 2016	June 30, 2015	Change	June 30, 2016 *(as a % of net sales, moving 12 months)*	June 30, 2015 *(as a % of net sales, moving 12 months)*
Inventories	4,603	4,510	+93	21.9%	22.1%
Trade receivables	3,102	3,190	-88	14.8%	15.7%
Trade payables	(1,898)	(1,872)	-27	-9.0%	-9.2%
Reverse factoring contracts	(244)	(96)	-148	-1.2%	-0.5%
TRADE WORKING CAPITAL REQUIREMENT	**5,562**	**5,732**	**-170**	**26.5%**	**28.1%**

Trade working capital requirement decreased by €170 million year-on-year, reflecting the increase in trade payables, particularly those covered by reverse factoring contracts, and a decline in trade receivables, which more than offset the increase in inventories. It represented 26.5% of trailing 12-month net sales, up 1.6 points from June 30, 2015.

At €4,603 million, **inventories** ended the period up €93 million year-on-year, primarily as a result of an increase in finished goods tonnage due to the growth in output and the inclusion of Meyer Lissendorf inventories, whose impact was partially offset by the decline in raw materials prices.

Trade receivables decreased by €88 million year-on-year to €3,102 million at June 30, 2016.

Trade payables, including those **covered by reverse factoring contracts**, rose by €175 million year-on-year to €2,143 million, tracking the growth in net sales.

3.4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €994 million at June 30, 2016, a €554 million decline from December 31, 2015 (before the €3 million negative translation adjustment) that mainly reflected the following factors:

- increases from:
  - the €8 million in free cash flow,
  - the €41 million in new debt,
  - the sale of cash management instruments and the decline in borrowing collaterals, in an amount of €58 million,
  - other favorable factors in an amount of €26 million;
- decreases from:
  - the payment of €538 million in dividends and other distributions,
  - share buybacks, in an amount of €150 million.

3.4.8 EQUITY

Consolidated equity decreased by €266 million (before the €106 million positive translation adjustment) to €9,383 million at June 30, 2016 from the €9,542 million reported at December 31, 2015, primarily as a result of the following factors:

- increases:
  - the €494 million in comprehensive income for the period, including:
    - €769 million in net income,
    - €510 million in post-employment obligations,
    - a €122 million reduction in taxes payable on these obligations,
    - €16 million in unrealized losses on available-for-sale financial assets,
    - €106 million in favorable translation adjustments,
    - other unfavorable factors in an amount of €9 million,
  - €30 million in proceeds from the issue of 371,941 new shares on the exercise of stock options,
  - €5 million in service costs on performance share plans;
- decreases:
  - the payment of €538 million in dividends and other distributions,
  - the commitment of €150 million to buy back 1,757,440 Michelin shares (1% of the share capital) under the shareholder-approved authorization.

At June 30, 2016, the **share capital** of Compagnie Générale des Établissements Michelin stood at €364,548,137, comprising 182,274,137 shares corresponding to 242,428,597 voting rights.

3.4.9 NET DEBT

Net debt stood at €1,719 million at June 30, 2016, up €711 million from December 31, 2015, mainly as a result of the following factors:

- the net use of €653 million in cash, reflecting:
  - the €8 million in free cash flow for the period,
  - the payment of €522 million in dividends, distributions and other changes in equity,
  - €150 million in share buybacks or commitments to purchase;
- €58 million in other factors increasing net debt, of which:
  - €35 million in negative translation adjustments,
  - €17 million in interest expense on the zero-coupon convertible bonds,
  - other unfavorable factors in an amount of €5 million.

CHANGES IN NET DEBT

(in € million)	First-Half 2016	First-Half 2015
At January 1	**1,008**	**707**
Free cash flow [(1)]	-8	+219
Distributions and other	+511	+397
Purchases of Michelin shares (actual and commitments)	+150	+251
Interest expense on the zero-coupon convertible bonds	+17	+16
Translation adjustment	+35	+162
Other	+6	+46
AT JUNE 30	**1,719**	**1,798**
CHANGE	**+711**	**+1,091**

(1) Free cash flow corresponds to cash flows from operating activities less cash flows used in investing activities (excluding net cash flows from cash management financial assets and borrowing collaterals).

3.4.9 a) Gearing

Gearing stood at 18% at June 30, 2016, unchanged from a year earlier.

3.4.9 b) Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière du groupe Michelin "Senard et Cie" (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.

3.4.10 PROVISIONS

Provisions and other non-current liabilities rose to €1,701 million from €1,681 million at December 31, 2015, a €30 million increase (before the €10 million negative currency effect) that was led by the 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 € million)	Pension plans	Other defined benefit plans	First-Half 2016	First-Half 2015
At January 1	**2,617**	**2,271**	**4,888**	**4,612**
Contribution paid to the funds	(54)	-	(54)	(79)
Benefits paid directly to the beneficiaries	(16)	(70)	(86)	(84)
Other movements	-	(40)	(40)	-
Items recognized in operating income				
Current service cost	30	30	60	69
Actuarial (gains) or losses recognized in other comprehensive income	-	-	-	-
Past service cost resulting from plan amendments	1	(3)	(2)	-
Effect of any plan curtailments or settlements	(5)	(13)	(18)	-
Other items	2	-	2	2
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	36	36	72	70
Items recognized in other comprehensive income				
Translation adjustments	(65)	6	(59)	205
Actuarial (gains) or losses	508	185	693	(88)
Portion of unrecognized asset due to the application of the asset ceiling	(183)	-	(183)	73
AT JUNE 30	**2,871**	**2,402**	**5,273**	**4,780**

The net obligation recognized in the balance sheet at June 30, 2016 amounted to €5,273 million, up €493 million year-on-year, primarily due to the €693 million in actuarial losses on defined benefit obligations and the estimated €(183) million in adjustments resulting from application of asset ceiling rules.

The expense recognized in the income statement in respect of defined benefit plans came to €114 million, slightly under Group forecasts. Of this amount, €42 million was recognized in operating income and €72 million outside operating income.

Total payments in respect of defined benefit plans during first-half 2016 amounted to €140 million, *versus* €163 million in first-half 2015. They included:

- €54 million in contributions paid to fund management institutions (June 30, 2015: €79 million). The €25 million decrease primarily came from the reduction in payments into the Canadian pension fund during the period;
- €86 million in benefits paid directly to employees (June 30, 2015: €84 million).

Contributions paid by the Group for defined contribution plans totaled €109 million in first-half 2016 (June 30, 2015: €93 million).

Actuarial losses recognized in equity at June 30, 2016 stood at €693 million, which may be analyzed as follows:

- €1,115 million in actuarial losses, mainly resulting from the use of lower discount rates in every region;
- €422 million in actuarial gains on plan assets, stemming from the high real return on the assets over the period, particularly in North America and the United Kingdom.

An amount of €(183) million was recognized in the statement of comprehensive income following application of the asset ceiling rule to the Canadian pension plan, in line with the new valuation of the minimum funding requirement.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOWS FROM OPERATING ACTIVITIES

(in € million)	First-Half 2016	First-Half 2015	Change
EBITDA from recurring activities	**2,085**	**1,913**	**+172**
Change in inventory	(314)	(69)	-245
Change in trade receivables	(473)	(556)	+83
Change in trade payables	104	(29)	+133
Restructuring cash costs	(48)	(47)	-1
Tax and interest paid	(420)	(361)	-59
Other	(41)	(41)	0
CASH FLOWS FROM OPERATING ACTIVITIES	**893**	**810**	**+83**

At €2,085 million, **EBITDA** from recurring activities was up €172 million year-on-year. The improvement was attributable to the €143 million increase in operating income from recurring activities to €1,405 million from €1,262 million in first-half 2015, which offset the €32 million increase in depreciation and amortization charges over the period.

Cash flows from operating activities climbed €83 million, to €810 million from €893 million, primarily as a result of:

- the sharp €172 million increase in EBITDA;
- the limited €29 million increase in the negative impact of the higher working capital requirement, to a negative €683 million from a negative €654 million in first-half 2015, primarily due to:
  - the smaller increase in trade receivables and prepayments, whose negative impact declined to €473 million from €556 million from June 30, 2015,
  - the positive impact from the change in trade payables, which increased by €104 million (of which a €150 million increase in payables covered by reverse factoring contracts), compared with a €29 million decrease in first-half 2015,
  - these two positive factors were more than offset by the €245 million increase in the negative impact from the change in inventories, which rose to a negative €314 million from a negative €69 million in first-half 2015;
- the stability in provisions for restructuring cash costs, which remained unchanged at €48 million;
- the €59 million increase in taxes and interests paid, to €420 million from €361 million in first-half 2015.

3.5.2 CAPITAL EXPENDITURE

(in € million)	First-Half 2016	First-Half 2015	First-Half 2016, % change YoY	First-Half 2016 *(as a % of net sales)*	First-Half 2015 *(as a % of net sales)*
Gross purchases of intangible assets and PP&E	**623**	**632**	**-9**	**6.1%**	**6.0%**
Investment grants received and change in capital expenditure payables	284	274	+10	2.8%	2.6%
Proceeds from sale of intangible assets and PP&E	(19)	(7)	-12	-0.2%	-0.1%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**888**	**899**	**-11**	**8.6%**	**8.6%**

Gross purchases of intangible assets and property, plant and equipment came to €623 million for the period, compared to €632 million in first-half 2015, and therefore represented 6.1% of net sales *versus* 6.0% before.

Of the total, growth investments stood at €174 million, committed primarily in Indonesia, China, Mexico, Brazil 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 € million)	First-Half 2016	First-Half 2015	Change
Cash flows from operating activities	**893**	**810**	**+83**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(449)	(404)	-45
AVAILABLE CASH FLOW	**444**	**406**	**+38**
Growth investments	(174)	(228)	+54
Other cash flows from investing activities	(262)	(397)	+135
FREE CASH FLOW	**8**	**(219)**	**+227**

After subtracting €449 million in routine capital expenditure, available cash flow stood at €444 million for first-half 2016.

Note that in first-half 2015, the Group invested €119 million in acquisitions.

Free cash flow amounted to €8 million, after the €174 million in growth investments.

3.6 OUTLOOK

Over the rest of the year, the Passenger Car/Light Truck and Truck tire markets are expected to lose some momentum in North America and Europe, but to remain buoyant in China's Passenger Car/Light Truck segment. The Specialty tire market is expected to continue to be impacted as mining companies complete their inventory drawdowns.

In this environment, margin management in the second half should help to deliver a positive price mix/raw materials effect over the full year.

As a result, Michelin is confirming its full-year targets of volume growth exceeding global trends in its markets, an increase in operating income from recurring activities at constant exchange rates, and structural free cash flow of more than €800 million.

3.7 RELATED PARTIES

There were no new material related party transactions during the first half of 2016, nor any material changes in the related party transactions described in the 2015 Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group's principal risks have been identified and are described in the 2015 Registration Document.

3.9 FINANCIAL HIGHLIGHTS

(in € million)	First-Half 2016	First-Half 2015	2015	2014	2013	2012	2011
Net sales	10,292	10,497	21,199	19,553	20,247	21,474	20,719
% change	*-2.0%*	*+8.5%*	*+8.4%*	*-3.4%*	*-5.7%*	*+3.6%*	*+15.8%*
Total employee benefit costs	2,991	2,975	5,785	5,292	5,292	5,377	5,021
as a % of net sales	*29.1%*	*28.3%*	*27.3%*	*27.1%*	*26.1%*	*25.0%*	*24.2%*
Number of full time equivalent employees at period-end	106,200	106,800	105,800	106,700	105,700	107,300	108,300
Research and development expenses	361	349	689	656	643	622	592
as a % of net sales	*3.5%*	*3.3%*	*3.3%*	*3.4%*	*3.2%*	*2.9%*	*2.9%*
EBITDA from recurring activities (1)	2,085	1,913	3,934	3,286	3,285	3,445	2,878
Operating income from recurring activities	1,405	1,262	2,577	2,170	2,234	2,423	1,945
Operating margin on recurring activities	13.7%	12.0%	12.2%	11.1%	11.0%	11.3%	9.4%
Operating income	1,354	1,245	2,207	1,991	1,974	2,469	1,945
Operating margin	13.2%	11.9%	10.4%	10.2%	9.7%	11.5%	9.4%
Cost of net debt	123	100	184	130	94	155	206
Other financial income and expenses	16	(23)	(30)	(43)	(15)	(22)	236
Income before taxes	1,170	1,058	1,869	1,651	1,702	2,307	1,996
Income tax	401	351	706	620	575	736	534
Effective tax rate	34.3%	33.2%	37.8%	37.5%	33.8%	31.9%	26.8%
Net income	769	707	1,163	1,031	1,127	1,571	1,462
as a % of net sales	*7.5%*	*6.7%*	*5.5%*	*5.3%*	*5.6%*	*7.3%*	*7.1%*
Dividends (2)	522	464	463	464	438	378	314
Cash flows from operating activities	893	810	2,695	2,522	3,089	2,926	1,196
as a % of net sales	*8.7%*	*7.7%*	*12.7%*	*12.9%*	*15.3%*	*13.6%*	*5.8%*
Gross purchases of intangible assets and PP&E	623	632	1,804	1,883	1,980	1,996	1,711
as a % of net sales	*6.1%*	*6.0%*	*8.5%*	*9.6%*	*9.8%*	*9.3%*	*8.3%*
Net debt (3)	1,719	1,798	1,008	707	142	1,053	1,814
Equity	9,383	9,803	9,542	9,523	9,256	8,501	8,101
Gearing	18%	18%	11%	7%	2%	12%	22%
Net debt (3)/EBITDA (1)	0.82	0.94	0.26	0.22	0.04	0.31	0.63
Cash flows from operating activities/Net debt (3)	52.0%	45.1%	N/M	N/M	N/M	277.9%	65.9%

(in € million)	First-Half 2016	First-Half 2015	2015	2014	2013	2012	2011
Operating income from recurring activities/ Net interest charge [(4)]	14.0	12.4	12.8	16.0	15.7	14.2	9.2
Free cash flow [(5)]	8	(219)	653	322	1,154	1,075	(19)
ROE [(6)]	N/A	N/A	12.2%	10.8%	12.2%	18.5%	18.1%
ROCE [(7)]	N/A	N/A	12.2%	11.1%	11.9%	12.8%	10.9%
Per share data *(in €)*							
Net assets per share [(8)]	51.5	52.8	52.5	51.3	49.8	46.6	45.9
Basic earnings per share	4.24	3.79	6.28	5.52	6.08	8.62	8.14
Diluted earnings per share	4.17	3.72	6.19	5.45	5.98	8.41	7.97
Price-earnings ratio [(9)]	N/A	N/A	14.0	13.6	12.7	8.3	5.6
Dividend for the year	N/A	N/A	2.85	2.50	2.50	2.40	2.10
Pay-out ratio [(10)]	N/A	N/A	37.0%	40.6%	35.0%	28.7%	30.0%
Yield [(11)]	N/A	N/A	3.2%	3.3%	3.2%	3.4%	4.6%
Share turnover rate [(12)]	87%	122%	99%	91%	99%	129%	180%

(1) As defined in note 3.7.2 to the 2015 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 2015 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 2.7 of the 2015 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;
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1.

Market capitalization

- €15.532 billion at June 30, 2016.

Average daily trading volume

- 916,320 shares in first-half 2016.

Indices

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

As of June 30, 2016, it represented:

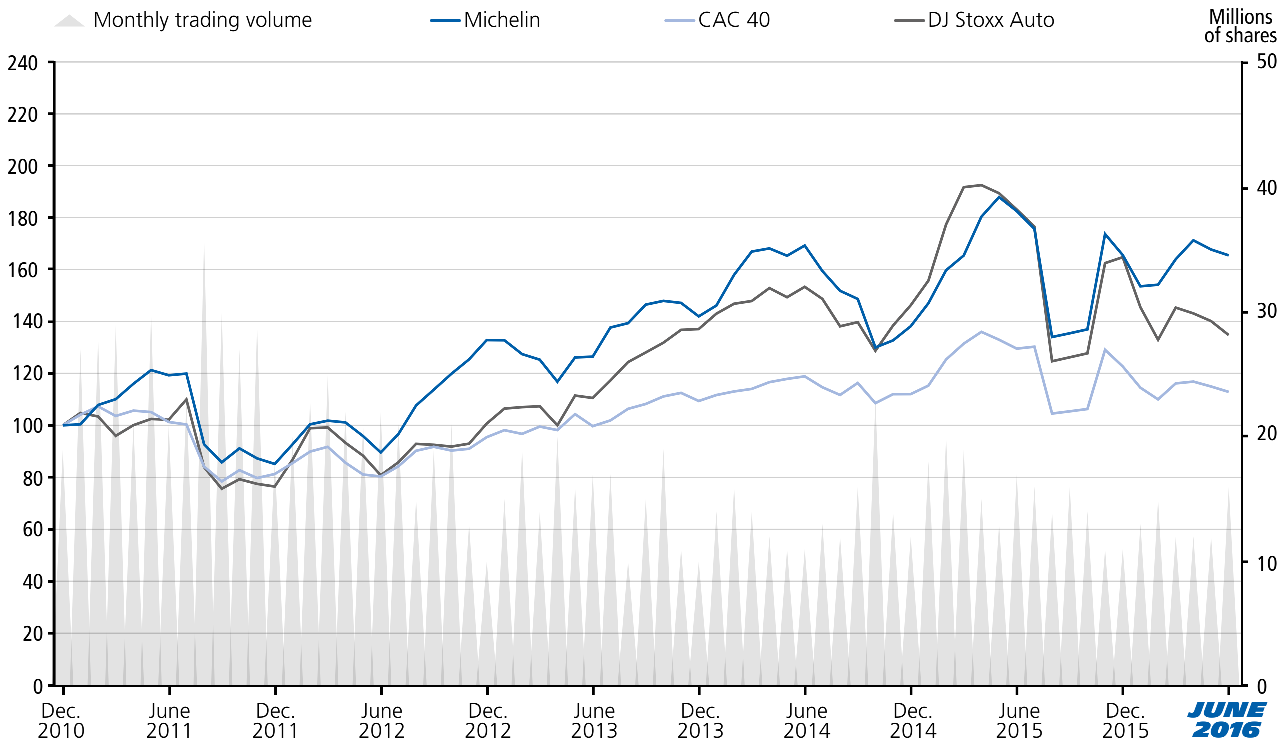
- 1.74% of the CAC 40 Index;
- 0.73% of the Euronext 100 Index.

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, 2016)



3.10.2 SHARE DATA

Share price *(in €)*	**First-Half 2016**	**2015**	**2014**	**2013**	**2012**	**2011**
High	99.80	103.90	94.33	84.71	72.58	68.54
Low	77.40	71.60	65.10	57.23	45.32	40.20
High/Low ratio	1.29	1.45	1.45	1.48	1.60	1.70
Closing price, end of period	85.21	87.90	75.27	77.25	71.59	45.68
Average share price over the period	88.33	90.28	82.10	72.28	57.15	55.34
Change over the period	-3.06%	16.78%	-2.56%	+7.91%	+56.74%	-14.93%
Change in the CAC 40 index over the period	*-8.62%*	*8.53%*	*-0.54%*	*+17.99%*	*+15.23%*	*-20.45%*
Market value at end of period *(in € billions)*	**15.53**	**15.98**	**13.98**	**14.35**	**13.07**	**8.22**
Average daily trading volume over the period	916,320	719,709	662,063	719,464	913,167	1,246,389
Average shares outstanding	182,079,546	185,960,394	185,954,390	184,901,269	181,099,501	178,446,812
Volume of shares traded over the period	79,079,229	184,245,619	168,826,055	183,463,371	233,770,814	320,321,901
Share turnover ratio	**87%***	**99%**	**91%**	**99%**	**129%**	**180%**

* *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 2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Net assets per share	51.5	52.5	51.3	49.8	46.6	45.9
Basic earnings per share	4.24	6.28	5.52	6.08	8.62	8.14
Diluted earnings per share (1)	4.17	6.19	5.45	5.98	8.41	7.97
Price-earnings ratio	**N.App.**	**14.0**	**13.6**	**12.7**	**8.3**	**5.6**
Dividend for the year	N.App.	2.85	2.50	2.50	2.40	2.10
Pay-out ratio	N.App.	37.0%	40.6%	35.0%	28.7%	30.0%
Yield (2)	N.App.	3.2%	3.3%	3.2%	3.4%	4.6%

(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, 2016, Michelin's share capital amounted to €364,548,137.

	At June 30, 2016		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**
French institutional investors	5,258	22,6%	25,4%
Non-resident institutional investors		61.3%	60.5%
Individual shareholders	121,171	13.3%	11.7%
Employee Shareholder Plan	67,295	1.8%	2.4%
Treasury shares	0	1.0%	-
TOTAL	**199,724**	**182,274,137 SHARES (1)**	**242,428,597 VOTING RIGHTS**

(1) All fully paid-up.

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

3.11 FIRST-HALF 2016 OPERATING HIGHLIGHTS

3.11.1 STRATEGY – PARTNERSHIPS – INVESTMENTS

A new high-end tire production plant in Mexico

(July 4, 2016) – To meet our commitment to manufacture tires near to the markets where they are sold, we will soon open our 21st production site in North America. It will be in León in central Mexico, in a region surrounded by the 18 major vehicle manufacturers.

A strategic partnership for Michelin's Plane product line

(July 4, 2016) – Boeing subsidiary and spare part supplier Aviall will join forces with Michelin to provide solutions to airlines and airport service providers. During this partnership, our Plane product line will benefit from Aviall's international distribution network.

Michelin: a four-year competitiveness plan

(June 6, 2016) – The Michelin Group held an Investor and Analyst Day at its Technology Center in Ladoux. To achieve our objective of €1.2 billion profits by 2020, we are going to focus our efforts on four key matters: tires, tire services, mobility services and high-tech materials.

The Michelin share buyback programme continues

(January 1, 2016) – After buying back and then cancelling its own shares worth €450 million in 2015, Compagnie Générale des Établissements Michelin (CGEM), with the support of an Investment Service Provider, has achieved a new phase of its share buyback programme representing a total of €150 million over the first six months of 2016.

R&D and high-tech activities bolstered at Clermont-Ferrand

(March 1, 2016) – Michelin is adapting its industrial and tertiary activities at Clermont-Ferrand. New investments of €90 million are planned by 2020 to speed up the transformation of our Clermont-Ferrand sites into industrial and technological centres of excellence.

Michelin buys BookaTable

(January 11, 2016) – Thanks to the acquisition of BookaTable, Michelin has become number one in Europe for online restaurant reservations. The expertise of our teams combined with that of BookaTable simplifies the customer journey, while helping restaurant owners develop their appeal with new services.

Michelin: 1st French company ranked by Reputation Institute

(March 12, 2016) – Reputation Institute puts Michelin 15th in the general 2016 rankings, the first French company and the first car parts manufacturer. The results of this survey which measures the trust, esteem, admiration and feeling about a company, encourages us to be even more attentive to the quality of our products and services, for better, more sustainable mobility, accessible to all.

3.11.2 PRODUCTS – INNOVATIONS – SERVICES

3.11.2 a) Passenger car and Light truck tires and related distribution

Michelin tires on the new Ford Focus RS

(January 20, 2016) – Sporty and demanding, the new Ford Focus RS will be fitted with MICHELIN Pilot Super Sport tires as standard. Ford customers can choose the MICHELIN Pilot Sport Cup 2 tires as an option. Both tire models were developed together with the American car manufacturer teams

MICHELIN Pilot Sport4: a new generation of tire

(February 12, 2016) – The result of analysis of data collected from 3,000 privately owned vehicles all over Europe, partnerships with leading manufacturers and our experience in competitions, the MICHELIN Pilot Sport4 tire is the new benchmark for premium and sport saloons. It is also the first MICHELIN tire to be sold online directly by Michelin itself.

MICHELIN® Pilot® Sport All-Season 3+™: high performance for every season

(January 15, 2016) – At the Detroit Motor Show in the USA, we presented the latest product in our range of high-performance tires: the MICHELIN® Pilot® Sport All-Season 3+™. This tire incorporates improved rubber technology, which guarantees excellent traction on snow and very short stopping distances on dry and wet surfaces.

3.11.2 b) Truck tires and related distribution

MICHELIN X® LINE ENERGY™ Z: even more miles for HGVs

(February 28, 2016) – We have just launched a new HGV tire in the USA, the MICHELIN X® ENERGY® LINE Z™, which promises 20% more miles than its main competitors on this market, whilst reducing fuel consumption by 5%.

MICHELIN X® WORKS™: an offer to build the future

(April 18, 2016) – For construction professionals, Michelin has three new MICHELIN X® WORKS™ tires which can help improve productivity. This offer also comes with services like retreading and damage warranty, for greater peace of mind.

3.11.2 c) Specialty businesses

MICHELIN Anakee Wild: a new genuinely all-terrain tire

(February 22, 2016) – For bikers who like to get off the beaten track but also want to ride on the roads, our two-wheel enthusiast engineers have designed the MICHELIN Anakee Wild. A truly multi-purpose tire that can tackle all terrains, the MICHELIN Anakee Wild is now available worldwide.

MICHELIN POWER: performance without compromise

(May 24, 2016) – If you are cyclist, you have obviously asked yourself how you could go faster, further for the same effort... Michelin asked itself the same question. The answer is with the new range of MICHELIN Power cycle tires. They give the most demanding cyclists better energy performance, better grip on wet surfaces, better tire resistance and a longer lifespan.

MICHELIN Pilot Power 3 MotoGP™ Limited Edition: an exclusive series

(May 9, 2016) – To celebrate its return as an official MotoGP™ sponsor, Michelin revealed its new MICHELIN Pilot Power 3 MotoGP™ Limited Edition tire at the French Grand Prix. Available in Europe since June 1, this limited edition tire, only 5,000, is available in several sizes to adapt to different car models.

Michelin and Harley-Davidson: a prestigious success

(June 8, 2016) – Eight years of fruitful collaboration have resulted in great success for the MICHELIN Scorcher developed exclusively for and with Harley-Davidson. This year, the two brands celebrated production of the millionth MICHELIN Scorcher tire. In 2016, Harley-Davidson decided to open up distribution of MICHELIN Scorcher tires to its entire network.

MICHELIN's NZG radial technology chosen by Boeing

(February 8, 2016) – In July 2016, Michelin becomes the exclusive supplier of tires for the main landing gear on several Boeing 777s. The long-haul B777-300ER plane is now fitted with MICHELIN's latest generation tires with NZG radial technology.

3.11.3 RACING

Michelin: exclusive equipment manufacturer for all the teams in the 2016 MotoGP championship

(March 8, 2016) – The 2016 MotoGP season got off to a flying start in Doha in Qatar, from March 17 to 20, with the grand prix which saw Jorge Lorenzo triumph on his Yamaha. Throughout the championship, MICHELIN tires are fitted not only on all of the competing bikes, but also on the safety car, as a result of our partnership with BMW.

Formula-E: MICHELIN Pilot Sport EV tire at the first Paris e-Prix

(April 22, 2016) – April 23, the first Paris e-Prix, a race which combines Michelin's passion for car racing and the importance of alternative fuels, was a fabulous day for all the teams in Formula-E. With dry weather and cool temperatures, the MICHELIN Pilot Sport EV tires rose to the occasion.

2016 World Endurance Championship: new Michelin tires

(March 24, 2016) – The prologue to the 2016 World Endurance Championship season was held on March 25 and 26 (FIA WEC). It served as a test for the three new tire types (Slick, Hybrid and Rain) which Michelin had made available to the teams. Developed during the winter break to match developments in the cars, they offer notable innovations in their structure and tire tread composition.

24 Hours of Le Mans: a laboratory for extreme conditions

(June 16, 2016) – The 84th edition of the 24 Hours of Le Mans race was held on Saturday, June 18 and Sunday, June 19, 2016. This legendary test, one of a kind in the world, sees drivers and technicians pushed to the absolute edge. A philosophy which every year turns this feat of endurance into a genuine laboratory for innovating future cars, and for Michelin too.

3.11.4 SUSTAINABLE MOBILITY

The PSA Group chooses Michelin for its first "Social and Environmental Responsibility" award

(June 2, 2016) – On May 24, the PSA Group awarded Michelin the Social and Environmental Responsibility award at its 12th Supplier Trophies ceremony. This prize recognises environmental and safety performance in MICHELIN products and services and strengthens the relationship between our two groups, in their commitment to sustainable mobility.

Dow Jones Sustainability World Index: Michelin's commitment recognised

(February 15, 2016) – We have just received the 2016 Gold Class Sustainability Award, the highest honour given by the Dow Jones Sustainability World Index (DJSI). They awarded Michelin worldwide for its contribution to reduce greenhouse gas emissions.

4 CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Six months ended June 30, 2016	Six months ended June 30, 2015
Net sales	3	10,292	10,497
Cost of sales		(6,640)	(7,035)
Gross income		**3,652**	**3,462**
Sales and marketing expenses		(933)	(936)
Research and development expenses		(361)	(349)
General and administrative expenses		(919)	(888)
Other operating income and expenses from recurring activities		(34)	(27)
Operating income from recurring activities	3	**1,405**	**1,262**
Operating income/(loss) from non-recurring activities	4	(51)	(17)
Operating income/(loss)		**1,354**	**1,245**
Cost of net debt	5	(123)	(100)
Other financial income and expenses	5	16	(23)
Net interest on employee benefit obligations	11	(73)	(70)
Share of profit/(loss) from associates		(4)	6
Income/(loss) before taxes		**1,170**	**1,058**
Income tax		(401)	(351)
NET INCOME/(LOSS)		**769**	**707**
▶ Attributable to the shareholders of the Company		773	709
▶ Attributable to the non-controlling interests		(4)	(2)
Earnings per share *(in €)*			
▶ Basic	6	4.24	3.79
▶ Diluted		4.17	3.72

The notes 1 to 15 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income/(loss)		**769**	**707**
Post-employment benefits	11	(510)	15
Tax effect – Post-employment benefits		122	(8)
Other items of comprehensive income that will not be reclassified to income statement		**(388)**	**7**
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		107	212
Other		(10)	-
Other items of comprehensive income that may be reclassified to income statement		**113**	**196**
Other comprehensive income		**(275)**	**203**
COMPREHENSIVE INCOME		**494**	**910**
▶ Attributable to the shareholders of the Company		500	910
▶ Attributable to the non-controlling interests		(6)	-

The notes 1 to 15 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	Note	June 30, 2016	December 31, 2015	June 30, 2015
Goodwill	2.6	947	803	837
Intangible assets		621	621	665
Property, plant and equipment (PP&E)		10,456	10,532	10,469
Non-current financial assets and other assets	2.6	248	410	348
Investments in associates		306	309	253
Deferred tax assets		1,388	1,259	1,219
Non-current assets		**13,966**	**13,934**	**13,791**
Inventories		4,603	4,289	4,510
Trade receivables		3,102	2,743	3,190
Current financial assets		279	363	377
Other current assets		1,031	1,012	882
Cash and cash equivalents		994	1,552	1,153
Current assets		**10,009**	**9,959**	**10,112**
TOTAL ASSETS		**23,975**	**23,893**	**23,903**
Share capital	7	365	364	373
Share premiums	7	3,251	3,222	3,658
Reserves	8	5,720	5,903	5,716
Non-controlling interests		47	53	56
Equity		**9,383**	**9,542**	**9,803**
Non-current financial liabilities	9	1,645	2,444	2,279
Employee benefit obligations	11	5,273	4,888	4,780
Provisions and other non-current liabilities	12	1,701	1,681	1,564
Deferred tax liabilities		131	118	107
Non-current liabilities		**8,750**	**9,131**	**8,730**
Current financial liabilities	9	1,359	548	1,075
Trade payables		1,898	2,260	1,872
Trade payables under factoring contracts		244	94	96
Other current liabilities		2,341	2,318	2,327
Current liabilities		**5,842**	**5,220**	**5,370**
TOTAL EQUITY AND LIABILITIES		**23,975**	**23,893**	**23,903**

The notes 1 to 15 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, 2015	**371**	**3,601**	**5,534**	**12**	**9,518**
Net income/(loss)	-	-	709	(2)	707
Other comprehensive income	-	-	201	2	203
Comprehensive income	**-**	**-**	**910**	**-**	**910**
Issuance of shares	2	57	-	-	59
Reduction in capital	-	-	-	-	-
Dividends and other allocations	-	-	(482)	(1)	(483)
Share-based payments – cost of services rendered	-	-	5	-	5
Purchase of shares	-	-	(251)	-	(251)
Disposal of shares	-	-	-	-	-
Non-controlling interests in share capital increases	-	-	-	45	45
At June 30, 2015	**373**	**3,658**	**5,716**	**56**	**9,803**
Net income/(loss)	-	-	459	(3)	456
Other comprehensive income	-	-	(526)	-	(526)
Comprehensive income	**-**	**-**	**(67)**	**(3)**	**(70)**
Issuance of shares	-	5	-	-	5
Reduction in capital	(10)	(441)	451	-	-
Dividends and other allocations	-	-	(1)	1	-
Share-based payments – cost of services rendered	-	-	4	-	4
Purchase of shares	-	-	(200)	-	(200)
Disposal of shares	-	-	-	-	-
Other	1	-	-	(1)	-
At December 31, 2015	**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**

The notes 1 to 15 are an integral part of the consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income		769	707
Adjustments			
▶ Cost of net debt	5	123	100
▶ Other financial income and expenses	5	(16)	23
▶ Net interest on benefits	11	73	70
▶ Income tax		401	351
▶ Amortization and depreciation of intangible assets and PP&E		680	647
▶ Operating income/(loss) from non-recurring activities	4	51	21
▶ Share of loss/(profit) from associates		4	(6)
EBITDA from recurring activities		**2,085**	**1,913**
Operating income and expenses from non-recurring activities (cash) and change in provisions	13	(114)	(134)
Cost of net debt and other financial income and expenses paid	13	(101)	(94)
Income tax paid		(319)	(267)
Change in working capital, net of impairments	13	(658)	(608)
Cash flows from operating activities		**893**	**810**
Purchases of intangible assets and PP&E	13	(907)	(906)
Proceeds from sale of intangible assets and PP&E		19	7
Equity investments in consolidated companies, net of cash acquired		3	(46)
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(3)	(74)
Proceeds from sale of available-for-sale financial assets		-	1
Cash flows from other financial assets	13	60	55
Cash flows from investing activities		**(828)**	**(963)**
Proceeds from issuances of shares	7	30	59
Dividends paid to the shareholders of the Company	7	(515)	(463)
Cash flows from financial liabilities	13	41	642
Purchase of shares	8	(150)	(113)
Other cash flows from financing activities		(26)	8
Cash flows from financing activities		**(620)**	**133**
Effect of changes in exchange rates		**(3)**	**6**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(558)**	**(14)**
Cash and cash equivalents at January 1		**1,552**	**1,167**
Cash and cash equivalents at June 30		**994**	**1,153**

Some items of the "Cash flows from operating activities" section in the consolidated cash flow statement for the six months ended June 30, 2015 have been reclassified to conform with the current period's presentation.

The notes 1 to 15 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 22, 2016.

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, 2015, 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, 2015.

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 plan assets is measured at the interim closing date.

2.3 New standards, amendments and interpretations to existing standards effective from January 1, 2016

The are no new standards, major amendments and interpretations to existing standards, which are applicable for the accounting periods beginning on January 1, 2016 and which could have a material an impact on the Group.

The Group has not anticipated the implementation of any standards or interpretations which will become mandatory after June 30, 2016.

2.4 Concept of Operating income from recurring activities

In order to improve the understanding and the analysis of its operational performance, the Group has decided to change the wording of the "Operating income before non-recurring income and expenses" management measure to "Operating income from recurring activities". Likewise, "Other operating income and expenses" is renamed "Other operating income and expenses from recurring activities" and "Non-recurring income and expenses" becomes "Operating income/(loss) from non-recurring activities".

Furthermore, the gain/loss on disposal of tangible and intangible assets, the change in impairment of tangible and intangible assets, as well as the cost of benefits for retired personnel are now included in the balance "Operating income/(loss) from non-recurring activities" of the consolidated income statement instead of "Other operating income and expenses from recurring activities".

These changes do not have any significant impact on the presentation of the consolidated income statement as at June 30, 2015 (the "Operating income from recurring activities" would have amounted to € 1,266 million).

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

On December 29, 2015, the Group took control over Livebookings Holdings Limited, the European leader in the online restaurant reservation market with headquarters in London. The Group, who was previously holding a 8.2% stake in the company, acquired at transaction date all the outstanding shares, becoming the sole shareholder of the company. This acquisition was temporarily presented as "Non-current financial assets and other assets" in the consolidated statement of financial position at December 31, 2015.

As part of this step acquisition, the previously held equity interest was remeasured to fair value at acquisition date, generating a €4 million gain recognised in the consolidated income statement as "Other financial income and expenses". The fair value of the consideration transferred to the other shareholders amounts to €106 million. It was paid in cash, with the exception of 2% of Livebooking Holding Limited's shares held by two Managers of the company that were exchanged, on a one-for-one basis, for shares of a Group's affiliate. As at June 30, 2016, 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 €117 million.

2.7 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 and Michelin Lifestyle.

The operating segment performance is evaluated based on operating income from recurring activities, consistently 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 segment information is as follows:

	Six months ended June 30, 2016				Six months ended June 30, 2015			
(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	5,916	2,907	1,469	**10,292**	5,860	3,068	1,569	**10,497**
Operating income from recurring activities	814	288	303	**1,405**	632	293	337	**1,262**
In percentage of net sales	*13.8%*	*9.9%*	*20.6%*	***13.7%***	*10.8%*	*9.6%*	*21.5%*	***12.0%***

Sales between segments are carried 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, 2016				December 31, 2015			
(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	9,838	5,390	2,913	**18,141**	9,374	5,267	2,797	**17,438**

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, 2016				Six months ended June 30, 2015			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	4,028	3,829	2,435	**10,292**	4,018	3,956	2,523	**10,497**

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, 2016 amounted to €954 million (2015: €976 million).

NOTE 4 OPERATING INCOME AND EXPENSES FROM NON-RECURRING ACTIVITIES

4.1 Six months ended June 30, 2016

The Group announced a reorganization of its 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 has been recorded for a total amount of €47 million.

4.2 Six months ended June 30, 2015

Pursuing the reorganization of its industrial, logistic and distribution activities, the Group had announced the implementation of several restructuring plans, mainly in Europe, for a total cost amounting to €17 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, 2016	Six months ended June 30, 2015
Interest expenses	(103)	(107)
Interest income	3	5
Interest rate derivatives	(24)	-
Fees on credit lines	(3)	(4)
Capitalized borrowing costs	4	6
COST OF NET DEBT	**(123)**	**(100)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	7	5
Currency remeasurement (including currency derivatives)	(10)	(11)
Other	19	(17)
OTHER FINANCIAL INCOME AND EXPENSES	**16**	**(23)**

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, 2016	Six months ended June 30, 2015
Net income/(loss) *(in € million)*, excluding the non-controlling interests	773	709
▶ Less, estimated grants to the General Partners	(4)	(5)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	**769**	**704**
▶ Plus, interest expenses on convertible bonds	14	14
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of diluted earnings per share	**783**	**718**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**181,263**	**185,755**
▶ Plus, adjustment for share option plans	419	658
▶ Plus, adjustment for convertible bonds	5,598	5,598
▶ Plus, adjustment for performance shares	647	1,005
Weighted average number of shares used in the calculation of diluted earnings per share	**187,927**	**193,016**
EARNINGS PER SHARE *(in €)*		
▶ Basic	4.24	3.79
▶ Diluted	4.17	3.72

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. The Company has three types of dilutive potential shares: convertible bonds, stock options and performance shares.

NOTE 7 SHARE CAPITAL AND SHARE PREMIUMS

(in € million)	Share capital	Share premiums	Total
At January 1, 2015	**371**	**3,601**	**3,972**
Issuance of shares from the exercise of share options and performance shares	2	57	59
Reduction in capital	-	-	-
Other	-	-	-
At June 30, 2015	**373**	**3,658**	**4,031**
Issuance of shares from the exercise of share options and performance shares	-	5	5
Reduction in capital	(10)	(441)	(451)
Other	1	-	1
At December 31, 2015	**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**

(number of shares)	Share issued	Treasury shares	Shares outstanding
At January 1, 2015	**185,726,200**	**-**	**185,726,200**
Issuance of shares from the exercise of share options and performance shares	826,321	-	826,321
Purchase of shares	-	(1,192,662)	(1,192,662)
Disposal of shares	-	-	-
Reduction in capital	-	-	-
Other	28	-	28
At June 30, 2015	**186,552,549**	**(1,192,662)**	**185,359,887**
Issuance of shares from the exercise of share options and performance shares	311,167	-	311,167
Purchase of shares	-	(3,768,872)	(3,768,872)
Disposal of shares	-	-	-
Reduction in capital	(4,961,534)	4,961,534	-
Other	-	-	-
At December 31, 2015	**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**

The dividend granted to the shareholders during the period was €2.85 per share (2015: €2.50 per share). It has been fully paid in cash for a net amount of €515 million (2015: €463 million).

NOTE 8 RESERVES

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2015	**(236)**	**-**	**138**	**5,632**	**5,534**
Dividends and other allocations	-	-	-	(482)	(482)
Share-based payments – cost of services rendered	-	-	-	5	5
Purchase of shares	-	(251)	-	-	(251)
Disposal/cancellation of shares	-	-	-	-	-
Transactions with the Shareholders of the Company	**-**	**(251)**	**-**	**(477)**	**(728)**
Net income/(loss) attributable to the shareholders of the Company	***-***	***-***	***-***	***709***	***709***
Post-employment benefits	-	-	-	15	15
Tax effect – Post-employment benefits	-	-	-	(8)	(8)
Other items of comprehensive income that will not be reclassified to income statement	***-***	***-***	***-***	***7***	***7***
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	210	-	-	-	210
Other	-	-	1	(1)	-
Other items of comprehensive income that may be reclassified to income statement	***210***	***-***	***(15)***	***(1)***	***194***
Comprehensive income	**210**	**-**	**(15)**	**715**	**910**
At June 30, 2015 – carried forward	**(26)**	**(251)**	**123**	**5,870**	**5,716**

(in € million)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At June 30, 2015 – brought forward	**(26)**	**(251)**	**123**	**5,870**	**5,716**
Dividends and other allocations	-	-	-	(1)	(1)
Share-based payments – cost of services rendered	-	-	-	4	4
Purchase of shares	-	(200)	-	-	(200)
Disposal/cancellation of shares	-	451	-	-	451
Other	-	-	-	-	-
Transactions with the Shareholders of the Company	**-**	**251**	**-**	**3**	**254**
Net income/(loss) attributable to the shareholders of the Company	***-***	***-***	***-***	***459***	***459***
Post-employment benefits	-	-	-	(332)	(332)
Tax effect – Post-employment benefits	-	-	-	90	90
Other items of comprehensive income that will not be reclassified to income statement	***-***	***-***	***-***	***(242)***	***(242)***
Available-for-sale financial assets – change in fair values	-	-	(9)	-	(9)
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	(282)	-	-	-	(282)
Other	-	-	6	1	7
Other items of comprehensive income that may be reclassified to income statement	***(282)***	***-***	***(3)***	***1***	***(284)***
Comprehensive income	**(282)**	**-**	**(3)**	**218**	**(67)**
At December 31, 2015	**(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	-	-	-	-	-
Non-controlling interests in share capital increases	-	-	-	-	-
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	**(199)**	**(150)**	**128**	**5,941**	**5,720**

Under the share buyback program authorized at the May 22, 2015 Annual Shareholders meeting, an agreement was signed in January 2016 by which the Group undertook to buy back from an investment services provider a variable number of shares before June 15, 2016, for a maximum amount of €150 million. An amount of €150 million have been reclassified as current financial liabilities in the consolidated statement of financial position at the date the agreement was concluded. The debt was then reduced by the amount of effective buy back of shares from the provider, totaling €150 million as at June 15, 2016. The average unit price of the 1,757,440 shares acquired as at June 15, 2016 was €85.35.

NOTE 9 FINANCIAL LIABILITIES

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

(in € million)	June 30, 2016	December 31, 2015
Bonds	1,204	1,940
Loans from financial institutions and other	279	300
Finance lease liabilities	94	101
Derivative instruments	68	103
Non-current financial liabilities	**1,645**	**2,444**
Bonds and commercial paper	936	212
Loans from financial institutions and other	321	282
Finance lease liabilities	15	16
Derivative instruments	87	38
Current financial liabilities	**1,359**	**548**
FINANCIAL LIABILITIES	**3,004**	**2,992**

The Group net debt is analyzed in the table below:

(in € million)	June 30, 2016	December 31, 2015
Financial liabilities	3,004	2,992
Derivatives recognized as assets	(64)	(147)
Borrowing collaterals	(52)	(80)
Cash management financial assets	(175)	(205)
Cash and cash equivalents	(994)	(1,552)
NET DEBT	**1,719**	**1,008**

The change in net debt is due mainly to the dividend paid to the shareholders and to the buyback of shares carried out in the first half of 2016.

On January 29, 2016, Standard & Poor's upgraded Michelin's long-term credit rating from BBB+ to A-, while affirming its A-2 short term rating and stable outlook.

NOTE 10 SHARE-BASED PAYMENTS

No share-based payments were done during the first six-month period of 2016.

NOTE 11 EMPLOYEE BENEFIT OBLIGATIONS

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

(In € million)	Pension plans	Other plans	2016	2015
At January 1	**2,617**	**2,271**	**4,888**	**4,612**
Contributions paid to the funds	(54)	-	(54)	(79)
Benefits paid directly to the beneficiaries	(16)	(70)	(86)	(84)
Other movements	-	(40)	(40)	-
Items recognized in operating income				
Current service cost	30	30	60	69
Actuarial (gains) or losses recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from plan amendments	1	(3)	(2)	-
Effect of any plan curtailments or settlements	(5)	(13)	(18)	-
Other items	2	-	2	2
Items recognized outside operating income				
Net interest of the net defined benefit liability (asset)	36	36	72	70
Items recognized in other comprehensive income				
Translation adjustments	(65)	6	(59)	205
Actuarial (gains) or losses	508	185	693	(88)
Portion of unrecognized asset due to the application of the asset ceiling	(183)	-	(183)	73
AT JUNE 30	**2,871**	**2,402**	**5,273**	**4,780**

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, 2016	1.25%	2.75%	3.60%	3.30%	n/a
Discount rate at December 31, 2015	1.93%	3.80%	4.30%	4.00%	n/a
Inflation rate at June 30, 2016	1.77%	2.75%	2.50%	2.00%	n/a
Inflation rate at December 31, 2015	1.76%	3.05%	2.50%	2.00%	n/a
Actuarial (gains)/losses on change in assumptions	210	378	396	131	1,115
Experience (gains)/losses on plan assets	-	(159)	(220)	(43)	(422)
ACTUARIAL (GAINS) OR LOSSES	**210**	**219**	**176**	**88**	**693**

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)	Restructuring	Litigation	Other provisions	Total
At January 1, 2016	**316**	**252**	**105**	**673**
Additional provisions	43	54	21	118
Provisions utilized during the year	(48)	(26)	(10)	(84)
Unused provisions reversed during the year	(4)	(2)	(6)	(12)
Translation adjustments	(11)	3	2	(6)
Other effects	-	-	-	-
AT JUNE 30, 2016	**296**	**281**	**112**	**689**

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, 2016	Six months ended June 30, 2015
Investment grants	(5)	(4)
Change in employee benefit obligations	(80)	(93)
Change in litigation and other provisions	23	10
Restructuring costs	(48)	(47)
Other	(4)	-
Operating income and expenses from non-recurring activities (cash) and change in provisions	**(114)**	**(134)**
Interest and other financial expenses paid	(139)	(116)
Interest and other financial income received	35	16
Dividends received	3	6
Cost of net debt and other financial income and expenses paid	**(101)**	**(94)**
Change in inventories	(314)	(69)
Change in trade receivables and advances	(473)	(556)
Change in trade payables and advances	(46)	(115)
Change in trade payables under factoring contracts	150	86
Change in other receivables and payables	25	46
Change in working capital, net of impairments	**(658)**	**(608)**
Purchases of intangible assets	(63)	(104)
Purchases of PP&E	(560)	(528)
Government grants received	11	4
Change in capital expenditure payables	(295)	(278)
Purchases of intangible assets and PP&E	**(907)**	**(906)**
Increase in other non-current financial assets	(4)	(15)
Decrease in other non-current financial assets	7	5
Net cash flows from cash management financial assets	30	92
Net cash flows from borrowing collaterals	28	(26)
Net cash flows from other current financial assets	(1)	(1)
Cash flows from other financial assets	**60**	**55**
Increase in non-current financial liabilities	12	608
Decrease in non-current financial liabilities	(44)	(18)
Repayment of finance lease liabilities	(7)	(2)
Net cash flows from current financial liabilities	(11)	(36)
Derivatives	91	90
Cash flows from financial liabilities	**41**	**642**
Details of non cash transactions:		
▶ New finance leases	-	26
▶ Decrease of liabilities to minority shareholders	-	-
▶ New emission rights	3	4

Some items of the "Cash flows from operating activities" section in the consolidated cash flow statement for the six months ended June 30, 2015 have been reclassified to conform with the current period's presentation.

NOTE 14 RELATED PARTY TRANSACTIONS

There were no new significant related party transactions during the first half of 2016, as well as no significant changes in the related party transactions described in the 2015 Annual Report.

NOTE 15 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.

5 STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 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 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 Etablissements Michelin, for the six months ended June 30, 2016;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Managing Partner. 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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review 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 IFRSs 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, 2016

PricewaterhouseCoopers Audit
Eric Bulle

Deloitte & Associés
Pascale Chastaing-Doblin

Statutory auditors

6 STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST-HALF 2016 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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