FIRST-HALF FINANCIAL REPORT 2014

MICHELIN
A better way forward

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PRESS RELEASE

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PRESS RELEASE

Clermont-Ferrand – July 29, 2014

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Financial Information for the Six Months Ended June 30, 2014

First-half 2014

Robust operating income before non-recurring items of €1,159 million at constant scope of consolidation and exchange rates up 16%, 12% operating margin before non-recurring items

Net income of €624 million, up 23%

- Improved operating performance in line with objectives:
  - At mid-point, the competitiveness plan delivered 60% of target.
- Carefully managed price positioning:
  - better-than-expected impact from the price-mix/raw materials, at €182 million;
  - volumes up 1.9% while demand started to slow in the second quarter, particularly in Truck tires and, as announced, Earthmover tires.
- Free cash flow in line with the usual seasonal trends:
  - €703 million in capital expenditure.

Jean-Dominique Senard said: "In a competitive environment that persisted through the first half, Michelin met its objective of delivering a further improvement in its performance, with a nearly €200-million increase in operating income at constant scope of consolidation and exchange rates. A continuous flow of innovations praised by vehicle manufacturers and a responsible, ambitious industrial strategy enabled the MICHELIN brand to maintain its global positions in the forefront of mobility."

2014 guidance confirmed

In the second half, global demand for Car and Light truck and Truck tires should remain supportive in the mature markets and China. On the other hand, the other new markets are seeing a slowdown, especially in the original equipment segment. At the same time, original equipment demand for Earthmover tires should continue to significantly improve, while mining companies are expecting to continue drawing down inventory through the end of the year, although fourth-quarter growth will benefit from favorable prior-year comparatives.

For the full year, the Group aims to improve its gross unit margin, while preserving a positive balance between pricing policy, product mix and raw materials costs. The competitiveness plan is being deployed on schedule.

In this environment, Michelin is maintaining its view that volumes will increase by around 3%, in line with projected 2014 market growth. The Group is confirming its objectives of i) higher operating income before non-recurring items (at constant exchange rates); ii) a more than 11% return on capital employed; and iii) structural free cash flow of more than €500 million along with a capital expenditure program maintained at around €2 billion.

(in € million)	**1st-Half 2014**	**1st-Half 2013**
Net sales	9,673	10,159
Operating income before non-recurring items	1,159	1,153
Operating margin before non-recurring items	12.0%	11.3%
▶ Passenger car/Light truck tires and related distribution	11.4%	10.3%
▶ Truck tires and related distribution	7.7%	6.5%
▶ Specialty businesses	21.8%	23.3%
Operating income after non-recurring items	1,072	903
Net income	624	507
Earnings per share *(in €)*	3.34	2.76
Capital expenditure	703	762
Net debt	892	1,114
Gearing	9%	12%
Employee benefit obligations	4,025	4,110
Free cash flow(1)	(243)	147
Employees on payroll(2)	111,700	113,200

(1) Cash flow from operating activities less cash flow used in investing activities.
(2) At period-end.

MARKET REVIEW

Passenger car and light truck tires

First-Half 2014 % change year-on-year *(in number of tires)*	Europe*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original Equipment	+6%	+3%	+7%	-18%	-3%	+4%
Replacement	+4%	+6%	+6%	+4%	+4%	+5%

Second-quarter 2014 % change year-on-year *(in number of tires)*	Europe*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original Equipment	+3%	+2%	+6%	-24%	+5%	+3%
Replacement	+2%	+4%	+1%	+3%	+5%	+2%

* *Including Russia and Turkey.*

_Original Equipment

- In Europe, the 6% rise in demand reflected both 7% growth in Western Europe off of low early-2013 comparatives, and a 5% contraction in Eastern Europe due to geopolitical tensions.
- The still buoyant North American market advanced by 3%, underpinned by the steady rise in vehicle sales since 2012.
- In Asia (excluding India), demand rose by 7% overall and continued to trend upwards in China, gaining 10% over the period. The Japanese market was stimulated by buying ahead of the April 1 increase in VAT, with limited repercussions in the second quarter. Down 8%, the Southeast Asian market remained affected by the political situation in Thailand.
- In South America, the steep 18% drop in demand reflected the slowdown in vehicle sales attributable to the "World Cup Effect", with a particularly sharp decrease in Argentina in an environment shaped by tax hikes, import restrictions and the peso's devaluation.

_Replacement

- In Europe, the replacement market expanded by 4% in the first half. It rose 7% in Western Europe, with a favorable basis of comparison and normal dealer inventory levels, in line with market volumes. In June alone, all of the market growth was driven by the strong sales of winter tires ahead of the season, to which the Group did not contribute. The Eastern European market contracted by 10% due to the political and economic situations in Russia and Ukraine.
- In North America, the market expanded by 6%, led by rising sales of imported tires. However, tire demand is still being supported by moderate fuel prices and consumer confidence in a still positive economy.
- In Asia (excluding India), demand rose by 6% overall. The Chinese market gained 9%, with growth slowing to 5% in the second quarter. The Japanese market grew 5%, with first-quarter sales benefiting from early purchases ahead of the VAT hike. Demand in Southeast Asia was led by strong growth in both Indonesia (7%) and Thailand (up 6% following the government's First Car Owner program).
- The South American market rose by 4%, lifted by demand in Brazil, Colombia and the Central American countries.

Truck tires (radial and cross-ply)

First-Half 2014 % change year-on-year *(in number of tires)*	Europe*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original Equipment	-7%	+10%	+4%	-9%	-3%	+1%
Replacement	+6%	+9%	+2%	-3%	+1%	+3%

Second-quarter 2014 % change year-on-year *(in number of tires)*	Europe*	North America	Asia (excluding India)	South America	Africa/India/ Middle East	Total
Original Equipment	-10%	+13%	-5%	-21%	-4%	-4%
Replacement	+2%	+9%	+0%	-6%	-3%	+0%

* *Including Russia and Turkey.*

_Original Equipment

- The European market shrank 7% over the first half, with a sharper contraction in the second quarter. In Western Europe, original equipment demand gained a robust 8% in the first three months, boosted by truck purchases ahead of the introduction of Euro VI emissions standards, but fell back 4% in the second quarter despite sustained strong growth in trailer sales. The Ukrainian crisis and slowing economy dragged down new truck sales in Russia, causing a 36% drop in OE tire demand.
- The North American market surged 10%, with even stronger growth in the Class 8 segment and record high trailer orders.
- Demand for radial and cross-ply tires in Asia (excluding India) rose by 4% overall. In a cooling economy, the Chinese market ended the first half up 6%, but with a sharp slowdown in the second quarter. In Southeast Asia, the original equipment market plummeted 23% due to comparison with the very strong growth in first-half 2013 and the political crisis in Thailand. In Japan, the strong yen-driven growth in truck exports helped to fuel a 21% increase in original equipment demand.
- The South American market fell back 9% overall, following on from the strong growth in first-half 2013 on brisk demand for heavy-duty trucks in the farming industry.

_Replacement

- In Europe, replacement markets rose by 6% overall. The 9% gain in Western Europe reflected ongoing growth off of prior-year comparatives that were lower in the first quarter (up 16%) than in the second (up 3%). On the other hand, demand is becoming increasingly weaker in Eastern Europe (up 2%) and Turkey (down 6%).
- The North American market ended the first half up 9% overall, with strong freight demand that has returned to pre-recession levels and is focused on import tires.
- Asian markets (excluding India) were up 2%, but demand trends were uneven across the region. The slight slowdown in the Chinese economy held the market flat, with a 1% increase in the first quarter and 0 growth in the second, whereas in Southeast Asia, brisk demand in Indonesia offset the instability in the Thai market. In Japan, demand fell off in the second quarter following the surge in buying ahead of the VAT hike.
- In South America, the radial and cross-ply market contracted by 3%. The 6% decline in the second quarter presages a more difficult market in the second half, due to i) the economic and labor environment and ii) the favorable outlook for the retread segment as the large number of new radials sold in 2013 wear down their casings.

Specialty tires

- **Earthmover tires:** The mining industry is continuing to expand, in general, but since fourth-quarter 2013, the mining tire market has been declining year-on-year as mining companies steadily draw down their tire inventory. Original equipment demand recovered in mature markets during the period, lifted by increased earthmover production at a time of low manufacturer and dealer inventory. Demand for tires used in infrastructure and quarries rose in mature markets, thanks in particular to lower dealer inventory.
- **Agricultural tires:** Global OE demand ended the first half down in mature markets, penalized by the extensive replacement sales of farm machinery in recent years and by the reduction in agricultural tax incentives in the United States. The replacement market has recovered in Europe but remains down in North America, impacted by user hesitation at a time of uncertain future revenues.
- **Two-Wheel tires:** Motorcycle markets rose in Europe but declined in North America, where they suffered from unfavorable weather conditions in the first quarter.
- **Aircraft tires:** The commercial aviation market improved over the period.

FIRST-HALF 2014 NET SALES AND EARNINGS

Net sales

Given the €457-million negative currency effect and the €58-million adverse impact from changes in the scope of consolidation, **reported net sales stood at €9,673 million** for the period, versus €10,159 million in first-half 2013.

At a time of uncertain raw materials prices, the Group strove to maintain price discipline while driving a slight 1.9% increase in tonnages.

As a result, the price-mix was negative, reducing net sales by €169 million or 1.6%. It reflected the negative €244 million combined impact of contractual price reductions under raw materials indexation clauses and targeted price repositionings, all in an environment shaped by declining raw materials prices. It also comprised the €75-million positive impact from the ongoing improvements in the product mix, led by the premium strategy in the 17" and larger segment.

Results

Consolidated operating income before non-recurring items came to €1,159 million or 12% of net sales, versus €1,153 million and 11.3% in first-half 2013. The €87 million in net non-recurring expenses primarily corresponded to restructuring costs incurred in the projects to improve manufacturing competitiveness in Canada and Hungary.

Excluding the €173-million negative currency effect, operating income before non-recurring items reflected the better-than-expected €182-million impact of the favorable balance between the €169-million negative price-mix and the €351-million favorable impact of lower raw materials costs. It also included the €68-million impact from the slight increase in volumes, the €127-million in gains from the competitiveness plan, in line with the implementation schedule, the €126-million increase in production and other costs, as well as the increase in expenses concerning the new business process management system, start-up costs and costs in the new markets.

In all, net income for the period came to €624 million.

Net financial position

Free cash flow ended the first half at a negative €243 million, in line with the Group's full-year objectives, given the seasonal variations. Capital expenditure totaled €703 million for the period.

Taking into account the negative free cash flow and the dividend payout, **gearing stood at 9%** at June 30, 2014, corresponding to net debt of €892 million, compared with 2% and €142 million at December 31, 2013.

Segment information

	Net sales		Operating income before non-recurring items		Operating margin before non-recurring items	
(in € million)	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
Passenger car/Light truck tires and related distribution	5,167	5,321	588	550	11.4%	10.3%
Truck tires and related distribution	2,927	3,121	226	203	7.7%	6.5%
Specialty businesses	1,579	1,717	345	400	21.8%	23.3%
GROUP	**9,673**	**10,159**	**1,159**	**1,153**	**12.0%**	**11.3%**

_Passenger car/Light truck tires and related distribution

Net sales in the Passenger car and Light truck tires and related distribution segment declined to €5,167 million from €5,321 million in first-half 2013, but rose by 1.1% year-on-year excluding the 4% negative currency effect.

As a result, operating income before non-recurring items amounted to €588 million or 11.4% of net sales, compared with €550 million and 10.3% in first-half 2013.

The improvement was led by the positive price-mix effect compared with the decline in raw materials costs, in line with the disciplined pricing policy, which overcame the currency effect. The continuous improvement in the product-mix is being supported by the success of the strategy in the 17" and larger segment and the 2.4% increase in tonnages.

_Truck tires and related distribution

Net sales in the Truck tires and related distribution segment stood at €2,927 million, versus €3,121 million in the first six months of 2013. They were reduced by 5.4% by the unfavorable exchange rate movements.

Operating income before non-recurring items amounted to €226 million or 7.7% of net sales, compared with €203 million and 6.5% in first-half 2013.

In line with the ongoing recovery in margins, the improvement reflected the currency effect, the 2.4% increase in tonnages sold, the strict management of production costs and SG&A expenses, and the firm price resistance in a competitive environment shaped by the decline in raw materials prices.

_Specialty businesses

Including the negative 4.6% currency effect, net sales by the Specialty businesses retreated 8.0% year-on-year, to €1,579 million.

Operating income before non-recurring items remained structurally high, at €345 million or 21.8% of net sales, compared with €400 million and 23.3% in the prior-year period and €245 million and 17.3% in second-half 2013.

The decline stemmed from price adjustments under indexation clauses at a time of lower raw materials prices, movements in exchange rates and the 1.8% decline in volumes, as the contraction in the mining segment was not fully offset by growth in the other segments.

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin reported a profit of €540 million in first-half 2014.

The financial statements were presented to the Supervisory Board at its meeting on July 24, 2014. An audit was performed and the auditors' report was issued on July 28, 2014.

FIRST-HALF 2014 HIGHLIGHTS

- Presentation of the MICHELIN® Premier® A/S, with its unique EverGrip™ technology, a self-regenerating tire that is always safe, even when worn (January 15).
- Launch of the new MICHELIN Alpin 5 winter car tire (February 4).
- The MICHELIN Pilot Road 4, the latest motorcycle tire from the Two-Wheel Product Line (February).
- Michelin Canada to reduce production of small-size tires at its Pictou County plant in Nova Scotia between now and July 2015. Michelin also to invest CAD 66.5 million to strengthen manufacturing resources in its three Canadian plants (March 3).
- Michelin awarded Boeing 737 MAX 7 & 8 original equipment tire supply contract (March 10).
- The new lineup of MICHELIN X® LINE™ Energy™ 80 and 65 series delivers more performance in the same truck tire (March 21).
- Through its North American network of service providers, Michelin offers consistent quality fleet maintenance with Michelin Truck Care (April 4).
- Michelin's first rubber composite processing plant comes on stream in Hat Yai, Thailand (April).
- Michelin plans to reconfigure its production base in Hungary and announces a project to close its truck tire plant in Budapest (May 6).

- The new MICHELIN X-STRADDLE 2 tire: delivering even more safety and productivity for port equipment operators (May 14).
- Corporate social responsibility: 20 stakeholders playing an influential role in French civil society invited by Michelin to Clermont-Ferrand (May 13-14).
- Michelin announces its intention to acquire Sascar, Brazil's leading digital fleet management company (June 9).
- Michelin and Audi win the 82nd Le Mans 24 Hours (June 14-15).

A full description of first-half 2014 highlights may be found on the Michelin website: http://www.michelin.com/eng/

Presentation and Conference call

First-half 2014 results will be reviewed with analysts and investors during a conference call in English – with simultaneous interpreting in French – today, Tuesday July 29, at 11:00 a.m. CEST (9:00 a.m. UT). If you wish to participate, please dial-in one of the following numbers from 10:50 a.m. CEST:

- In France 01 70 77 09 23 (Français)
- In France 01 70 77 09 43 (English)
- In the UK 0203 367 9457 (English)
- In North America (866) 907 5928 (English)
- From anywhere else +44 (0) 203 367 9457 (English)

The presentation of first-half 2014 results may be viewed at http://www.michelin.com/eng/.

The website also contains practical information concerning the conference call.

Investor Calendar

Quarterly information for the nine months ended September 30, 2014:

Wednesday, October 22, 2014 after close of trading.

2014 net sales and results:

Tuesday, February 10, 2015 before start of trading.

2014 Interim Financial Report

The interim financial report for the six months ended June 30, 2014 may be downloaded from http://www.michelin.com/eng.

It has also been filed with the *Autorité des marchés financiers* (AMF).

In particular, it contains:

- the business review for the six months ended June 30, 2014;
- the consolidated financial statements and notes;
- the auditor's report on the financial information for the six months ended June 30, 2014.

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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.

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SLIDESHOW

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Expanding markets, slower Growth in Q2	12
Solid performance	15
Results by reporting segment	20
Robust financial Position	25
Further progress on the competitiveness plan	26
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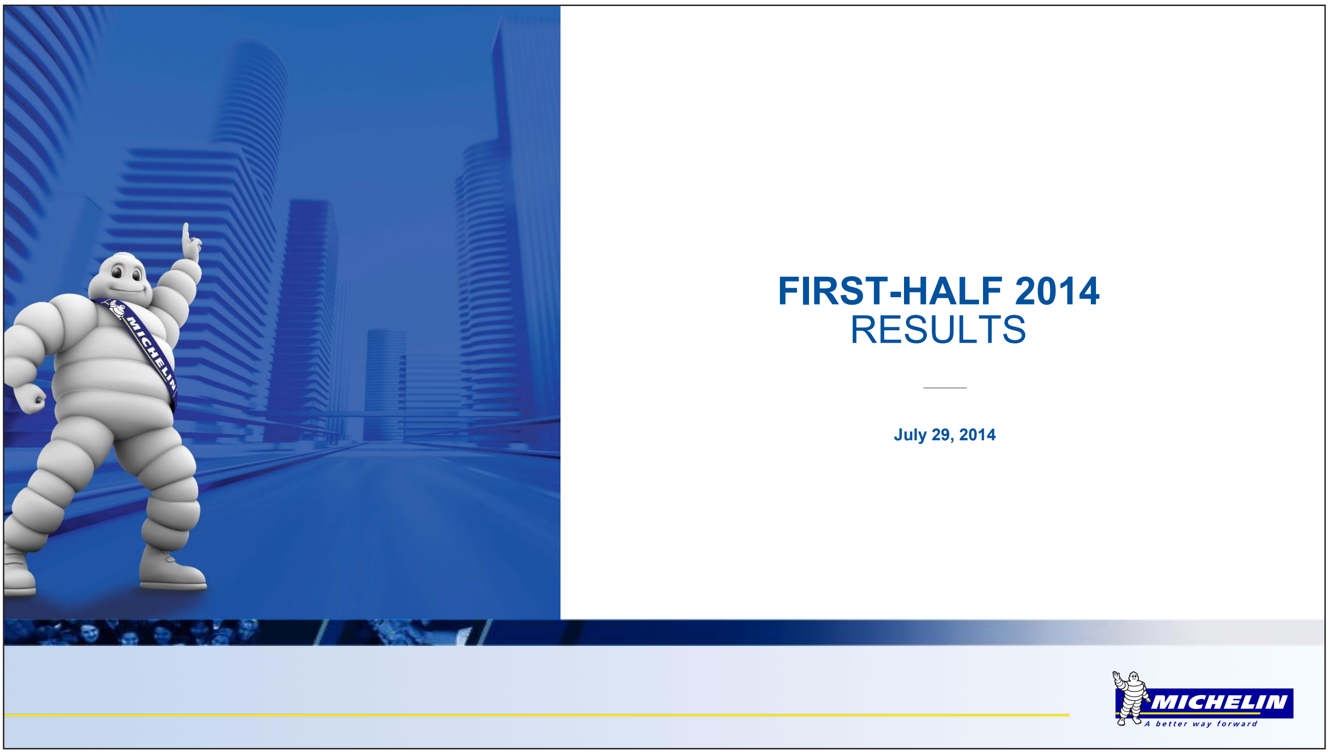
FIRST-HALF 2014
RESULTS
July 29, 2014
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Robust operating income before non-recurring items, up 16% at constant scope of consolidation and exchange rates

- Improved Group operating performance in line with objectives
  - Operating margin before non-recurring items: 12% of net sales
  - Competitiveness plan: at mid-point, 60% of target delivered
- Carefully managed price positioning
  - Better-than-expected impact from the price-mix/raw materials balance
  - Volume up 1.9%, while demand started to slow in the second quarter
- Net income of €624 million, up 23%
- Free cash flow in line with the usual seasonal trends: €(243) million
  - €703 million in capital expenditure

MICHELIN A better way forward

2 FIRST-HALF 2014 RESULTS – July 29, 2014

Financial Highlights

H1 2014 and H1 2013 figures as reported

In € millions	**H1 2014**	H1 2013
Net sales	**9,673**	10,159
Operating income *(before non-recurring items)*	**1,159**	1,153
Operating margin *(before non-recurring items)*	**12.0%**	11.3%
Non-recurring items	**(87)**	(250)
Operating income *(after non-recurring items)*	**1,072**	903
Net income	**624**	507
Earnings per share*	**3.34**	2.76
Capital expenditure	**703**	762
Gearing	**9%**	12%
Employee benefit obligations	**4,025**	4,110
Free cash flow**	**(243)**	147

*Basic, in euros per share
**Cash flows from operating activities less cash flows used in investing activities

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July 29, 2014
FIRST-HALF 2014 RESULTS
1 EXPANDING MARKETS, SLOWER GROWTH IN Q2
2 SOLID PERFORMANCE
3 RESULTS BY REPORTING SEGMENT
4 ROBUST FINANCIAL POSITION
5 FURTHER PROGRESS ON THE COMPETITIVENESS PLAN
6 OUTLOOK
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4 FIRST-HALF 2014 RESULTS – July 29, 2014


July 29, 2014
FIRST-HALF 2014 RESULTS
1
EXPANDING MARKETS,
SLOWER GROWTH IN Q2
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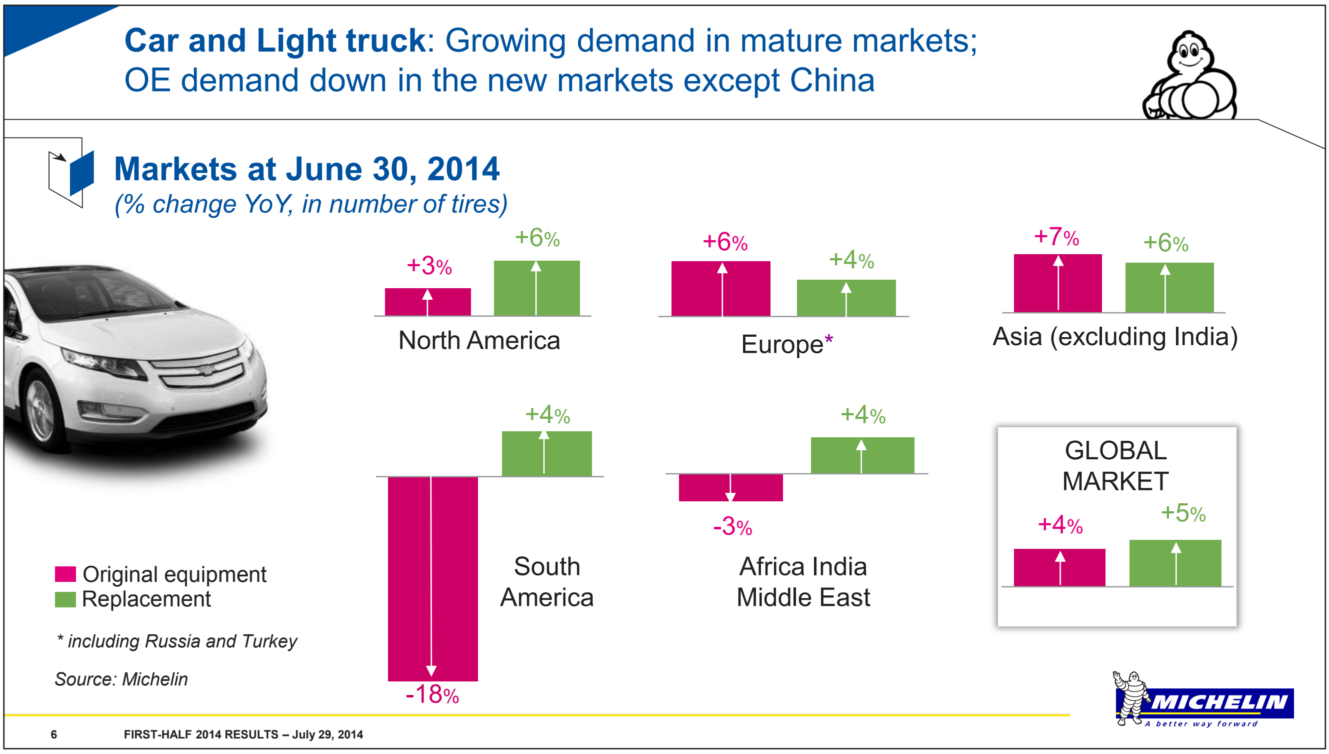
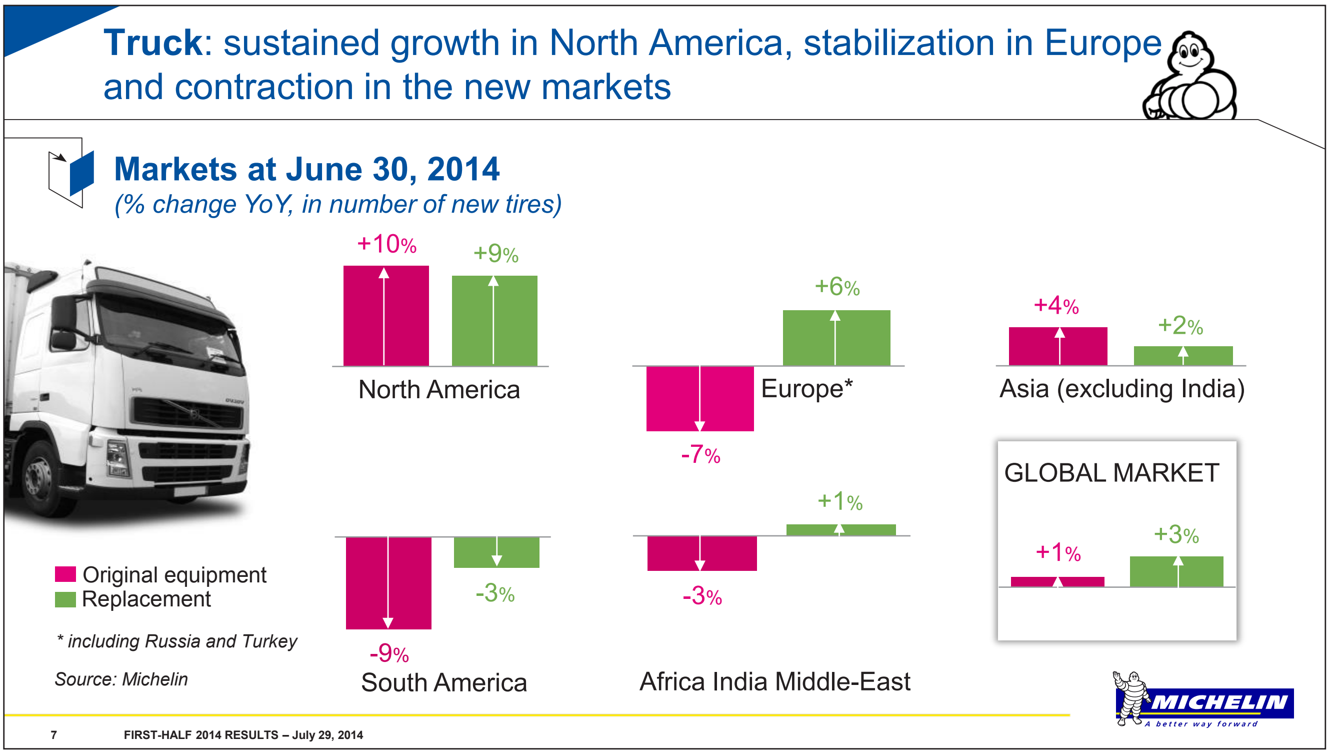
5 FIRST-HALF 2014 RESULTS – July 29, 2014


Car and Light truck: Growing demand in mature markets;
OE demand down in the new markets except China
Markets at June 30, 2014
(% change YoY, in number of tires)
+3%
+6%
North America
+6%
+4%
Europe*
+7%
+6%
Asia (excluding India)
+4%
-18%
South America
+4%
-3%
Africa India Middle East
GLOBAL MARKET
+4%
+5%
Original equipment
Replacement
* including Russia and Turkey
Source: Michelin
6
FIRST-HALF 2014 RESULTS – July 29, 2014


Truck: sustained growth in North America, stabilization in Europe and contraction in the new markets
Markets at June 30, 2014
(% change YoY, in number of new tires)
+10%
+9%
North America
+6%
-7%
Europe*
+4%
+2%
Asia (excluding India)
-9%
-3%
South America
+1%
-3%
Africa India Middle-East
GLOBAL MARKET
+1%
+3%
Original equipment
Replacement
* including Russia and Turkey
Source: Michelin
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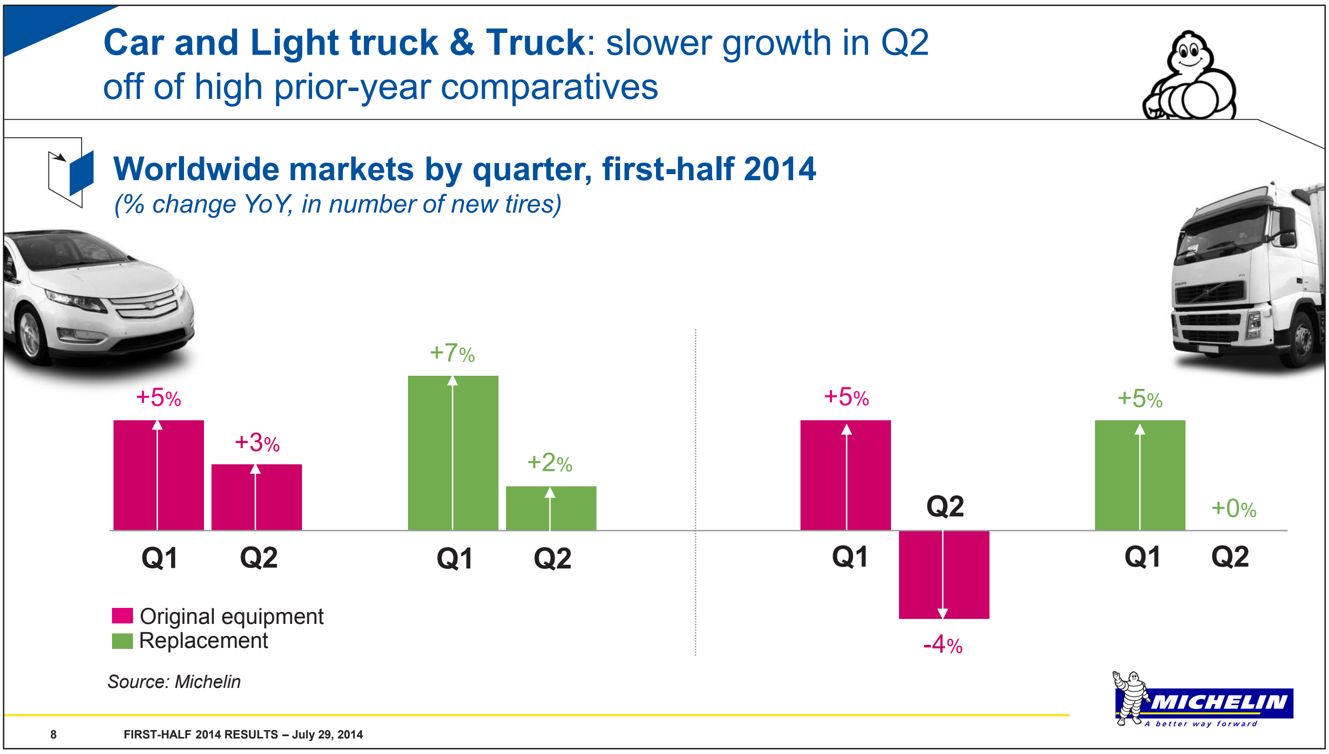
FIRST-HALF 2014 RESULTS – July 29, 2014


Car and Light truck & Truck: slower growth in Q2 off of high prior-year comparatives
Worldwide markets by quarter, first-half 2014
(% change YoY, in number of new tires)
+5%
+3%
+7%
+2%
Q1
Q2
Q1
Q2
+5%
Q2
-4%
Q1
+5%
+0%
Q1
Q2
Original equipment
Replacement
Source: Michelin
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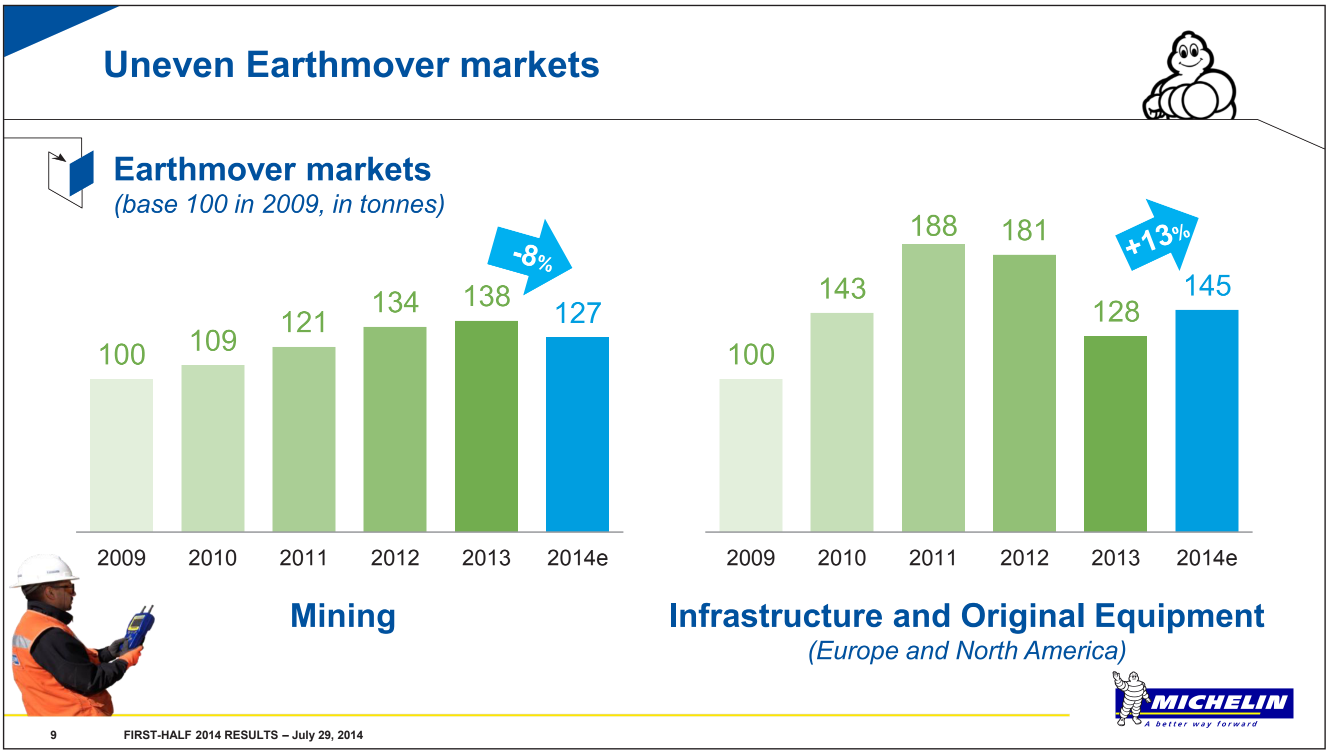
FIRST-HALF 2014 RESULTS – July 29, 2014


Uneven Earthmover markets
Earthmover markets
(base 100 in 2009, in tonnes)
100
109
121
134
138
127
-8%
2009
2010
2011
2012
2013
2014e
Mining
100
143
188
181
128
145
+13%
2009
2010
2011
2012
2013
2014e
Infrastructure and Original Equipment
(Europe and North America)
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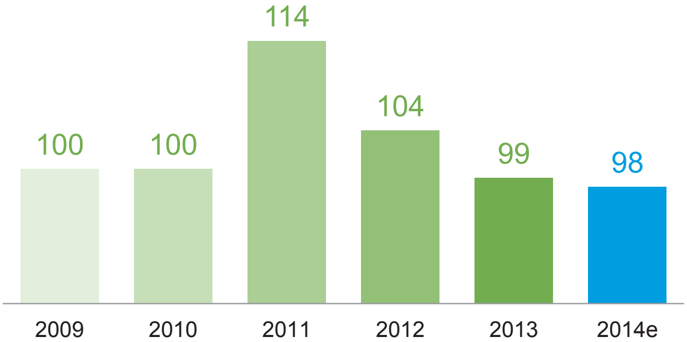
9
FIRST-HALF 2014 RESULTS – July 29, 2014

Agricultural: stable overall but with fast growing demand for technical tires

Agricultural tire markets – Europe and North America

(in number of tires, base 100 in 2009)



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FIRST-HALF 2014 RESULTS

2 SOLID PERFORMANCE

11 FIRST-HALF 2014 RESULTS – July 29, 2014

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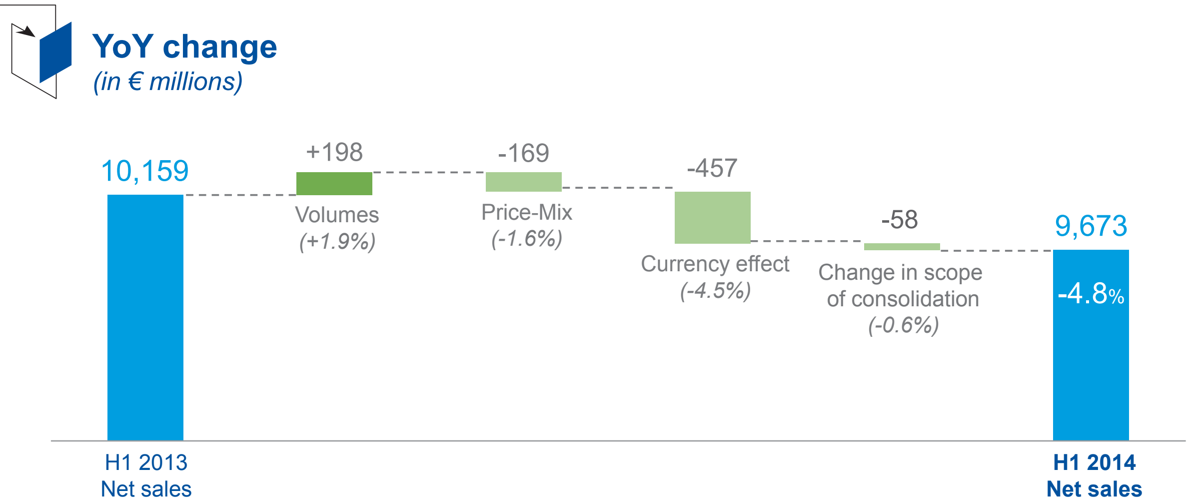
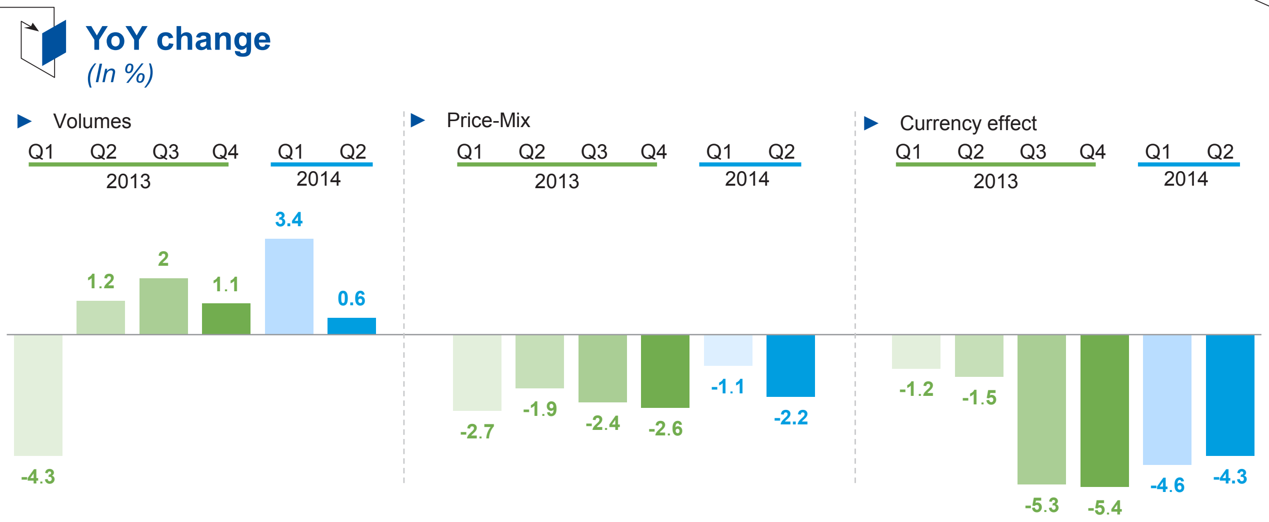
Net sales: agile management of the price/volumes balance in an uncertain raw materials environment



12 FIRST-HALF 2014 RESULTS – July 29, 2014

Q2: slight growth in volumes, a tighter price environment and a strong currency effect



13 FIRST-HALF 2014 RESULTS – July 29, 2014

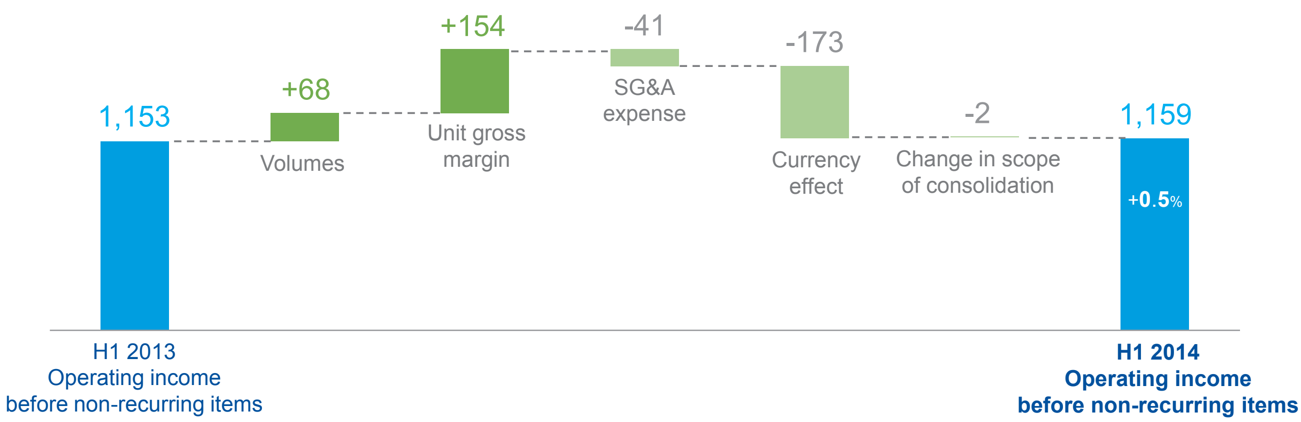
Volumes: RS1 in line with the market in Q2, RS2 up over the first half, RS3 held back by the mining segment

YoY change
(in %)

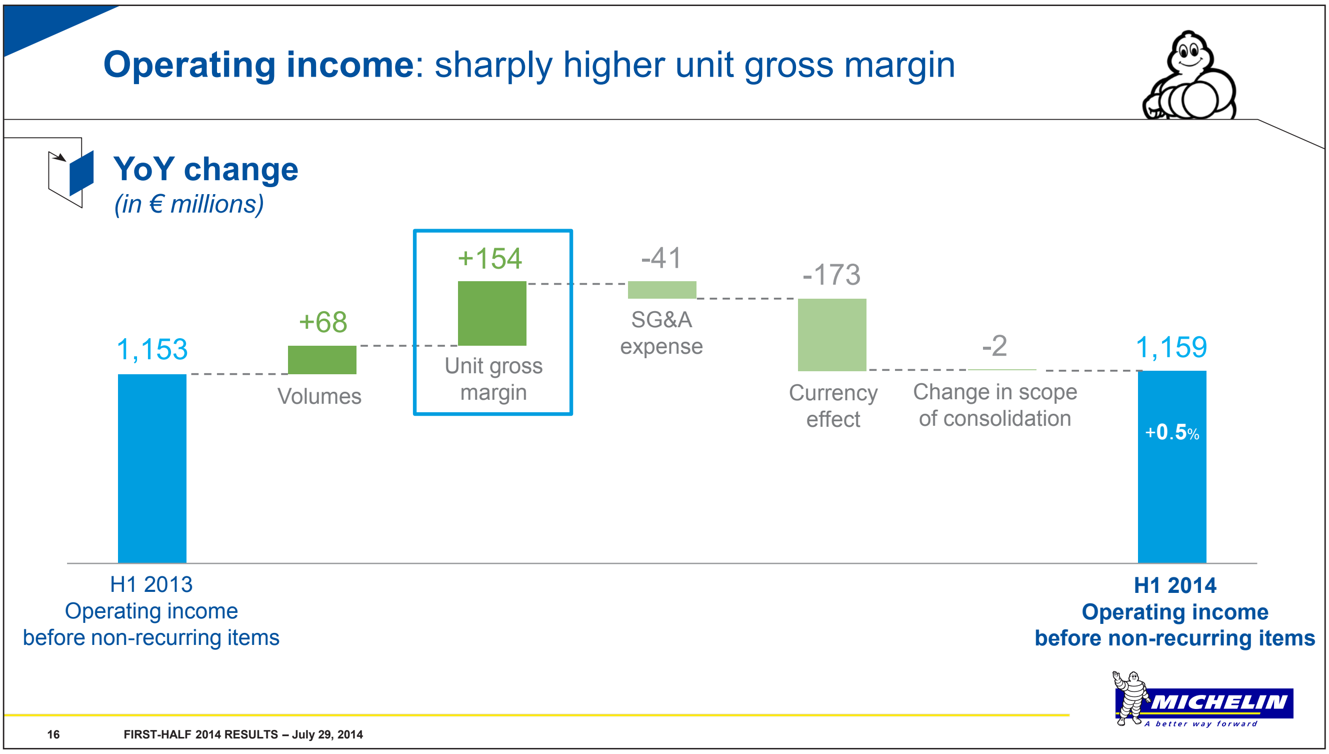
14 FIRST-HALF 2014 RESULTS – July 29, 2014

Operating income up €181 million at constant scope of consolidation and exchange rates, thanks to strict management of unit gross margin and SG&A expense

YoY change
(in € millions)



15 FIRST-HALF 2014 RESULTS – July 29, 2014


Operating income: sharply higher unit gross margin
YoY change
(in € millions)
1,153
+68
Volumes
+154
Unit gross margin
-41
SG&A expense
-173
Currency effect
-2
Change in scope of consolidation
1,159
+0.5%
H1 2013 Operating income before non-recurring items
H1 2014 Operating income before non-recurring items
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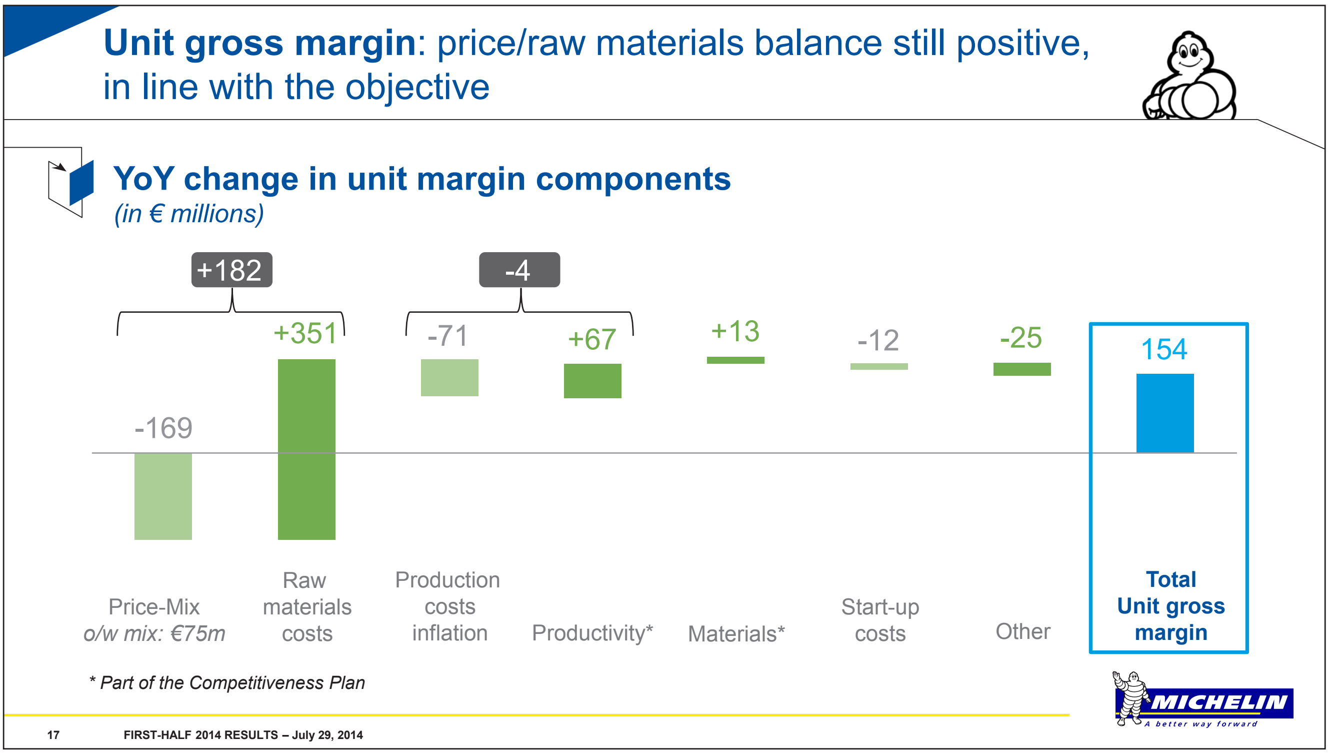
FIRST-HALF 2014 RESULTS – July 29, 2014


Unit gross margin: price/raw materials balance still positive, in line with the objective
YoY change in unit margin components
(in € millions)
+182
-4
-169
+351
-71
+67
+13
-12
-25
154
Price-Mix
o/w mix: €75m
Raw materials costs
Production costs inflation
Productivity*
Materials*
Start-up costs
Other
Total Unit gross margin
* Part of the Competitiveness Plan
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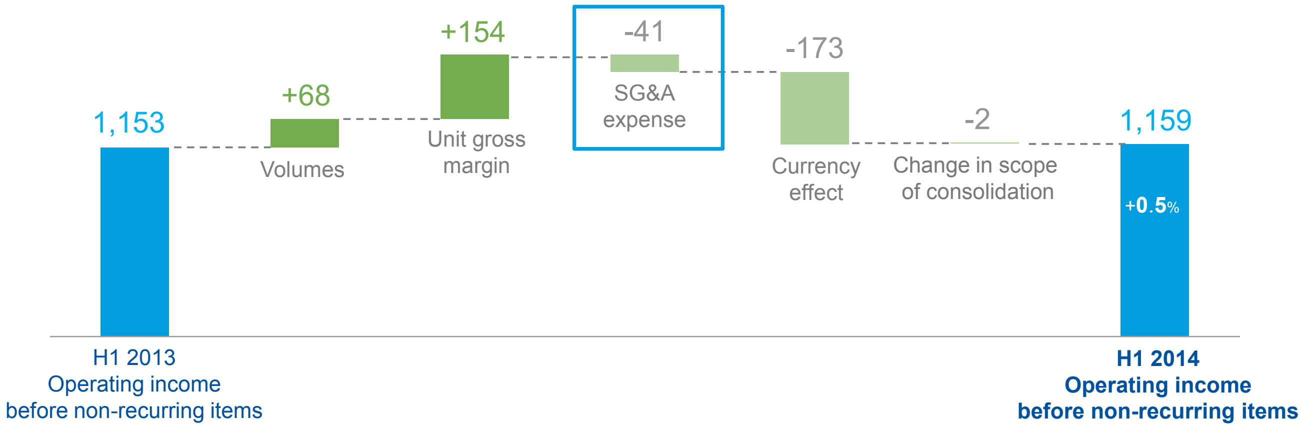
FIRST-HALF 2014 RESULTS – July 29, 2014

Operating income: disciplined SG&A expense management

YoY change
(in € millions)



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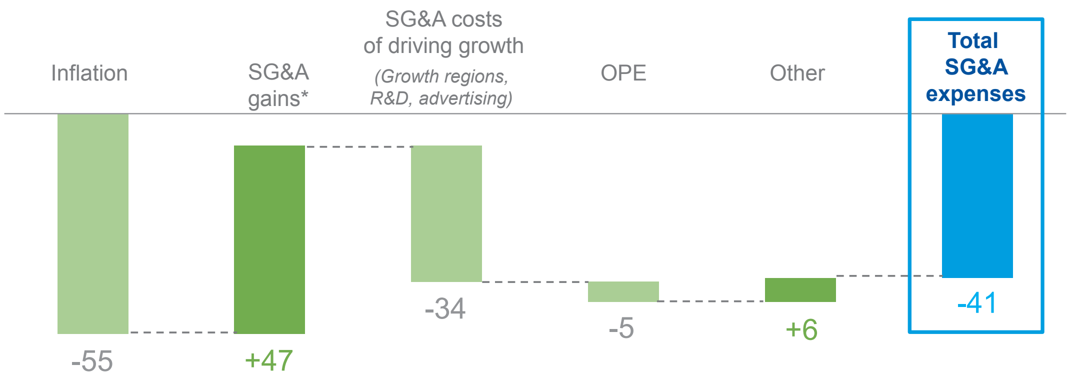
Disciplined SG&A expense management

YoY change in SG&A
(in € millions)



* Part of the Competitiveness Plan

19 FIRST-HALF 2014 RESULTS – July 29, 2014

July 29, 2014

FIRST-HALF 2014 RESULTS

3 RESULTS BY REPORTING SEGMENT

20 FIRST-HALF 2014 RESULTS – July 29, 2014

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Car and Light truck tires & related distribution: significant improvement in operating margin, in line with the full-year target

Car and Light truck tires
(in € millions)

	H1 2014	H1 2013	% change
Net sales *Volume growth*	**5,167** +2.4%	5,321	-2.9%
Operating income *(before non-recurring items)*	**588**	550	+6.9%
Operating margin *(before non-recurring items)*	**11.4%**	10.3%	+1.1 pt

- Unfavorable **Currency effect** on net sales (-4.0%)
- **Volumes**
  - MICHELIN brand grew in line with the market over the first half
  - BFGoodrich and Kleber brands leveled out in Q2
- **Price-Mix**
  - Application of raw materials clauses in OE and repositionings in RT
  - Continued improvement in the mix

21 FIRST-HALF 2014 RESULTS – July 29, 2014

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Innovation: MICHELIN Premier A/S exceeded initial sales forecasts by 35%

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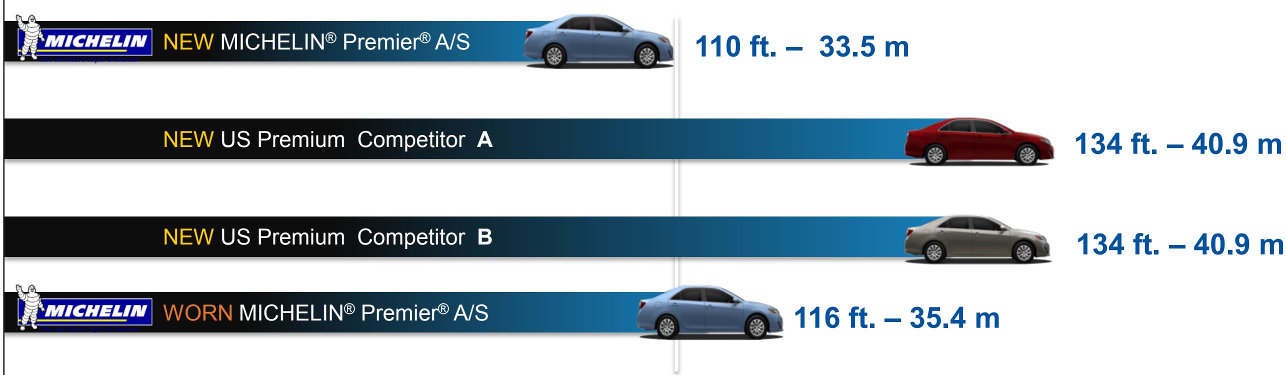
22 FIRST-HALF 2014 RESULTS – July 29, 2014

Safe when New, Safe when Worn, Safe when Worn vs. Competition

WET BRAKING DISTANCE



OVER A CAR LENGTH SHORTER WET BRAKING, WHEN WORN

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23 FIRST-HALF 2014 RESULTS – July 29, 2014

Truck tires and related distribution: sustained improvement in margins

Truck tires
(in € millions)

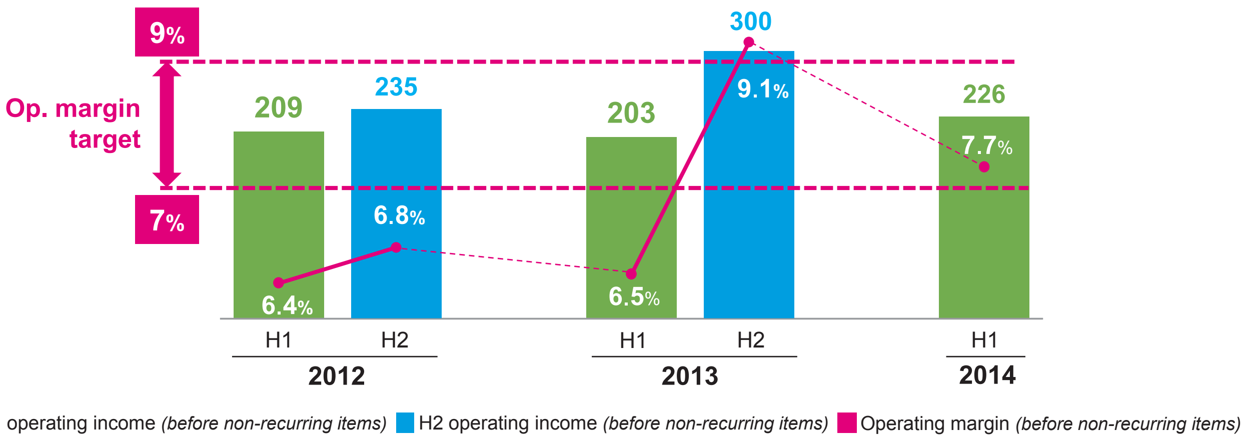
	H1 2014	H1 2013	*% change*
Net sales *Volume growth*	**2,927** *+2.4%*	3,121	*-6.2%*
Operating income *(before non-recurring items)*	**226**	203	*+11.3%*
Operating margin *(before non-recurring items)*	**7.7%**	6.5%	*+1.2 pt*

- Unfavorable **Currency effect** on net sales (-5.4%)
- **Volumes**
  - Performance in line with global market growth
- **Price-Mix**
  - Impact of indexation clauses in OE and price resistance in RT

24 FIRST-HALF 2014 RESULTS – July 29, 2014

Truck tires: full-year operating margin target confirmed at the top of the 7-9% range

Operating income



25 FIRST-HALF 2014 RESULTS – July 29, 2014

Specialty businesses: margins still structurally high

Specialty businesses
(in € millions)

	H1 2014	H1 2013	% change
Net sales *Volume growth*	**1,579** *-1.8%*	1,717	*-8.0%*
Operating income *(before non-recurring items)*	**345**	400	*-13.8%*
Operating margin *(before non-recurring items)*	**21.8%**	23.3%	*-1.5 pt*

- Unfavorable **Currency effect** on net sales (-4.6%)
- **Volumes**: growth across every segment except mining
  - Mining volumes up QoQ after remaining flat in Q4 2013 and Q1 2014
  - OE Earthmover and Infrastructure improving
  - Strong growth in Agriculture, Two-Wheel and Aircraft volumes
- **Price**: application of raw materials indexation clauses

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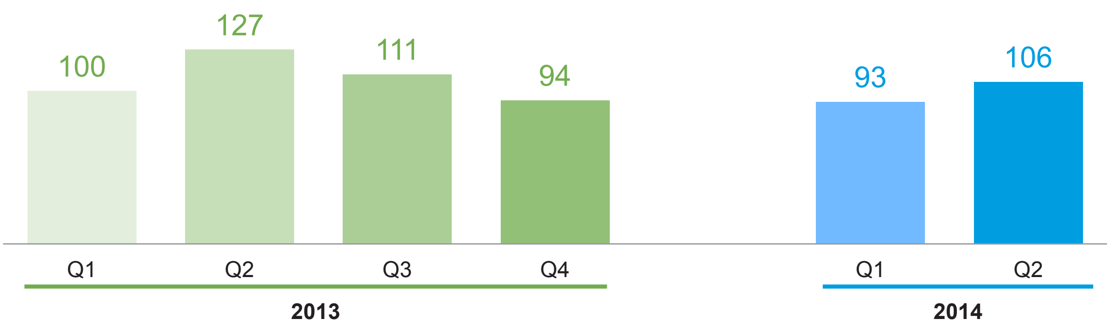
Mining tire volumes up slightly QoQ

Mining tire sales volumes
(base 100 = Q1 2013)



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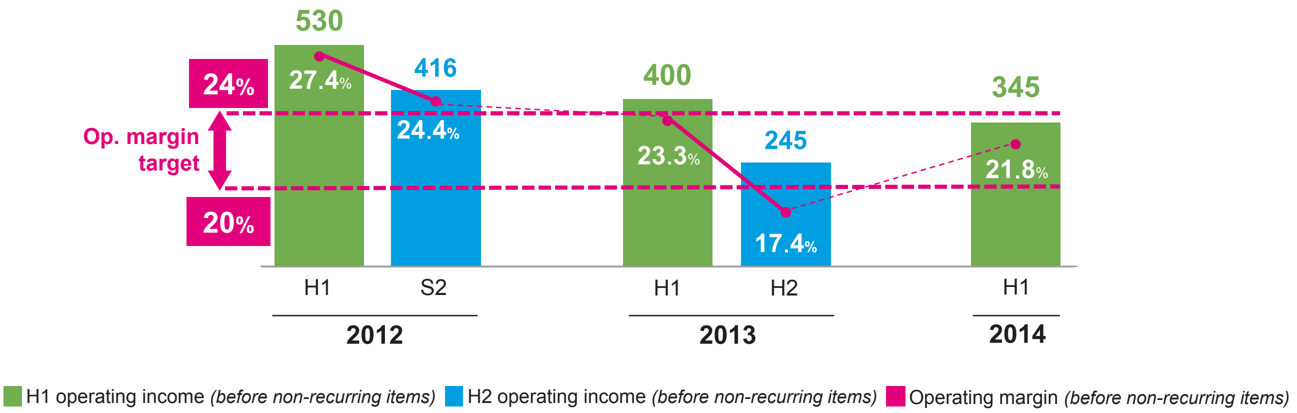
Specialty businesses: H1 operating margin led by seasonal market trends

Operating income



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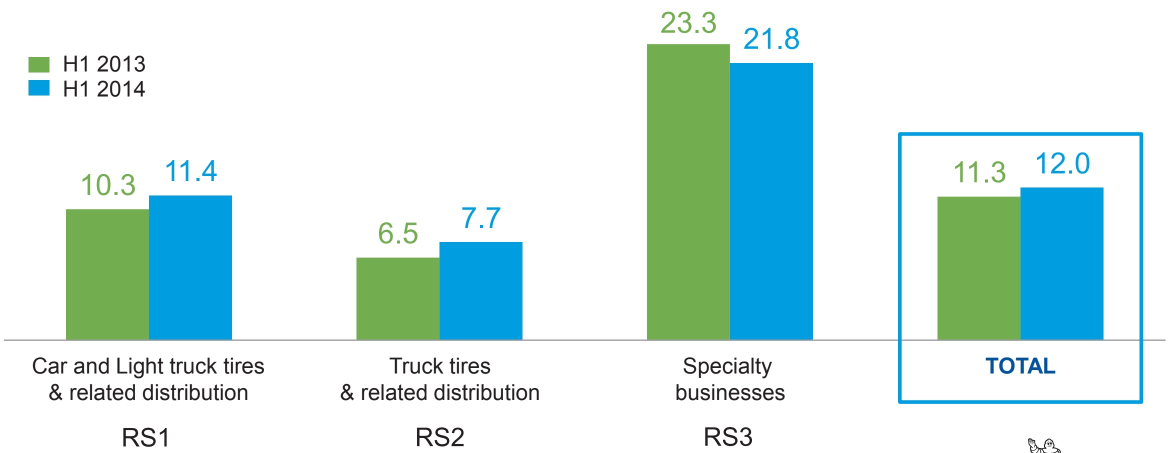
Operating margin: in line with seasonal market trends and full-year targets

Operating margin before non-recurring items

(as a % of net sales)



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July 29, 2014

FIRST-HALF 2014 RESULTS

4 A ROBUST FINANCIAL POSITION

30 FIRST-HALF 2014 RESULTS – July 29, 2014

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Free cash flow in line with full-year targets, given seasonal trends

In € millions	**H1 2014**	H1 2013
EBITDA	**1,687**	1,675
Change in working capital requirement	(581)	(157)
Change in provisions	(85)	(109)
Cash flow from operations	**1,021**	1,409
Taxes and interest paid	(385)	(317)
Routine capital expenditure *(Maintenance, IS/IT, Dealerships)*	(312)	(290)
Available cash flow	**324**	802
Growth investments	(391)	(472)
Other cash flow used in investing activities	(176)	(183)
Free cash flow after capital expenditure	**(243)**	147

31 FIRST-HALF 2014 RESULTS – July 29, 2014

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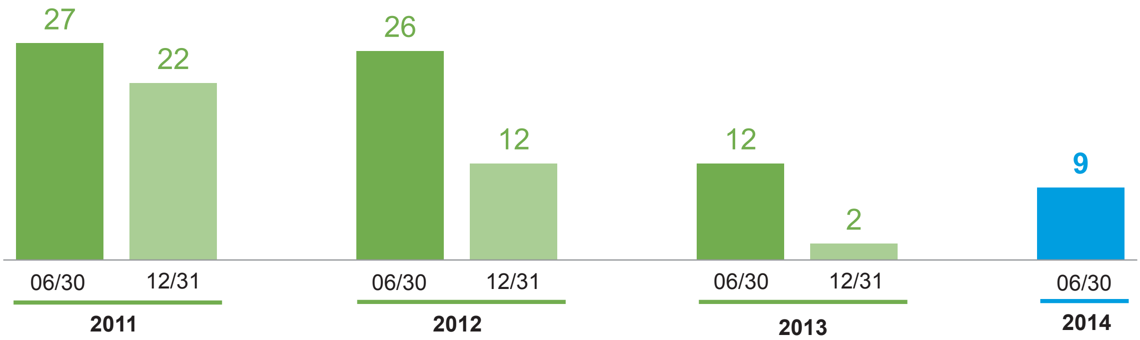
A robust financial position: historically low gearing

Gearing – Net debt / Equity

(in %)



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FIRST-HALF 2014 RESULTS

5 FURTHER PROGRESS ON THE COMPETITIVENESS PLAN

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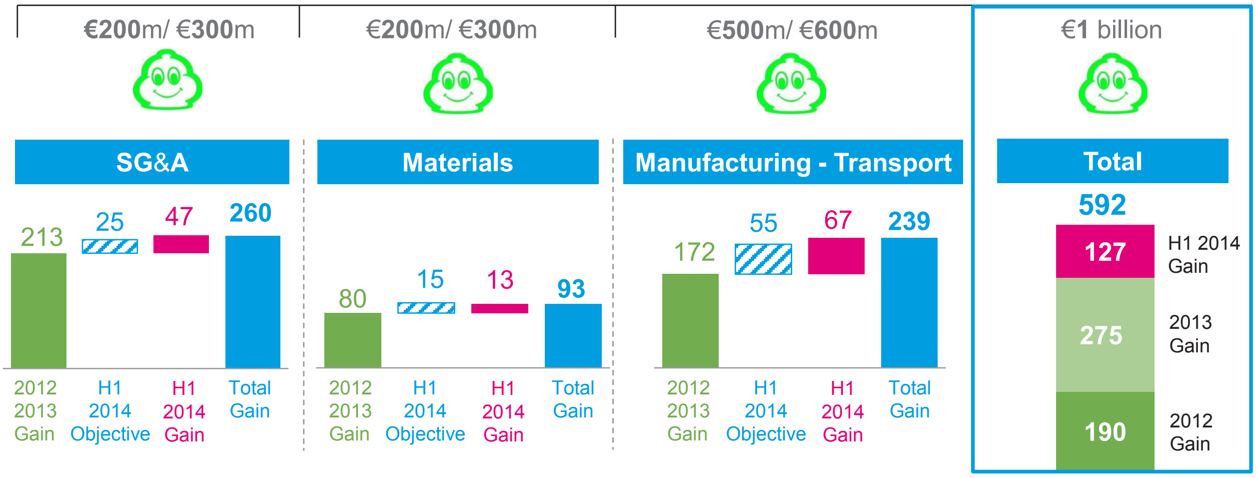
2012-2016 Competitiveness Plan: at mid-point, 60% of target delivered at a time of slow growth

GAIN OBJECTIVES 2012 – 2016*



*Before inflation and including avoided costs

Projects deployed in 2013 and 2014 to optimize the production base will deliver more than €100 million in annual gains

In € millions	2013	2014e	2015e	2016e	2017e	Total
Non recurring expense	(250)	(87)				(337)
of which cash out	(42)	(90)	(64)	(25)	0	(221)
Cash in (asset sales)			23			
						Annual gains after 2017
Productivity gains	0	54	71	110	114	114

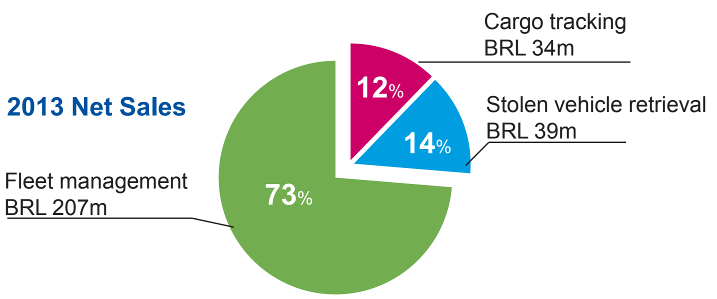
July 29, 2014

FIRST-HALF 2014 RESULTS

6 OUTLOOK

Proposed Sascar acquisition would be accretive to consolidated earnings

Sascar: an emerging market champion with leading technology



- 2013 Net Sales: BRL 280m
- 2013 Net Sales Growth: 24%
- 2013 EBITDA Margin: 37% of net sales
- Vehicle Base: 230K (TB & PC)
- Employees: 870 as of June 1, 2014

Outlook	2014e	5-year horizon
Revenue growth	up 14%	up 15% - 20% per annum
EBIT *(in % of net sales)*	23%	20% - 25%

2014 guidance confirmed

	2014 GUIDANCE	
Volumes	Up by around 3%	confirmed
Impact of raw materials prices	Tailwind	confirmed
Price-mix / raw materials	Positive	confirmed
Competitiveness / production costs	Neutral	confirmed
Increase in SG&A expense	Slightly higher	confirmed
Operating income before non-recurring items	Lifted by growth, excluding any currency effects	confirmed
Operating margin before non-recurring items – Passenger car tires (RS1)	Middle of the 10-12% range	confirmed
Operating margin before non-recurring items – Truck tires (RS2)	Top of the 7-9% range	confirmed
Operating margin before non-recurring items – Specialty businesses (RS3)	Bottom of the 20-24% range	confirmed
ROCE	More than 11%	confirmed
CAPEX	Around €2,000m	confirmed
Structural free cash flow	More than €500m	confirmed

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2014 investor calendar

- **October 22, 2014**: Third-quarter 2014 net sales
- **November 10, 2014**: Investor Day in Shenyang, China
- **February 10, 2015**: 2014 results
- **May 22, 2015**: Annual Shareholders Meeting

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July 29, 2014

FIRST-HALF 2014 RESULTS

APPENDICES

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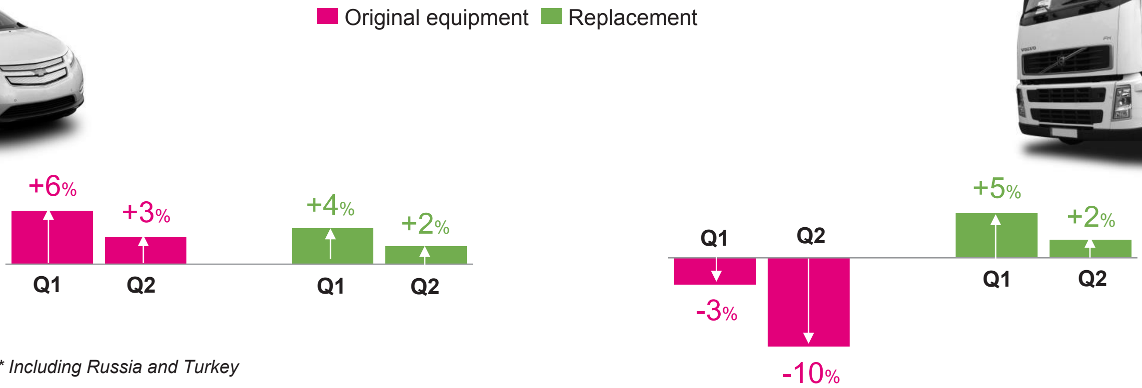
Car and Light truck & Truck - Europe: sustained strong growth excluding the CIS and Ukrain in Car and Light truck and a stable Q2 in Truck

2014 markets, quarter by quarter – Europe*

(% change YoY, in number of new tires)



** Including Russia and Turkey*

Source: Michelin

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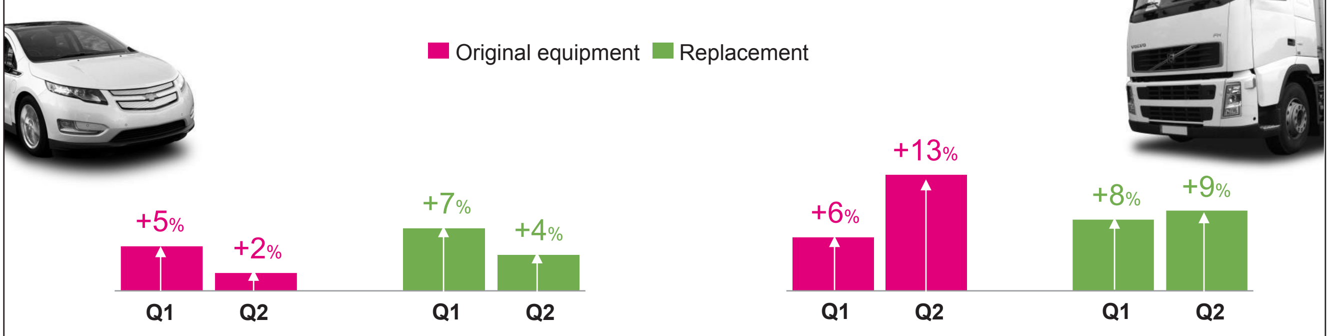
Car and Light truck & Truck - North America: still buoyant demand led by the Tier 3 segment

2014 markets, quarter by quarter - North America

(% change YoY, in number of new tires)

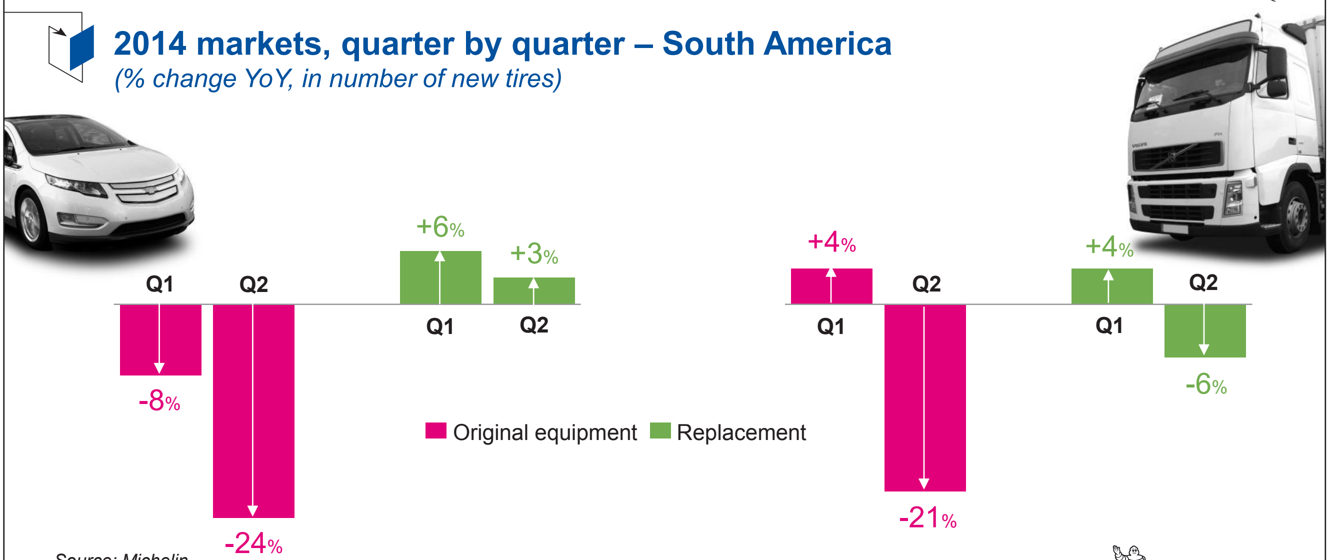


Source: Michelin

Car and Light truck & Truck - South America: slowing growth in the second quarter

2014 markets, quarter by quarter – South America

(% change YoY, in number of new tires)

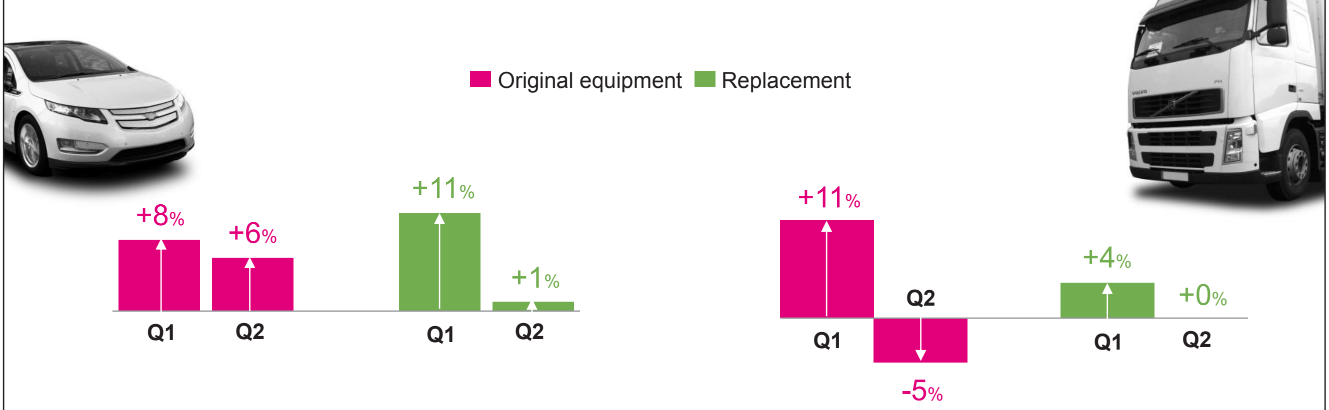


Source: Michelin

Car and Light truck & Truck - Asia (excluding India): slowdown in Q2, still buoyant demand for Car and Light truck tires in China

2014 markets, quarter by quarter - Asia (excluding India)

(% change YoY, in number of new tires)



Source: Michelin

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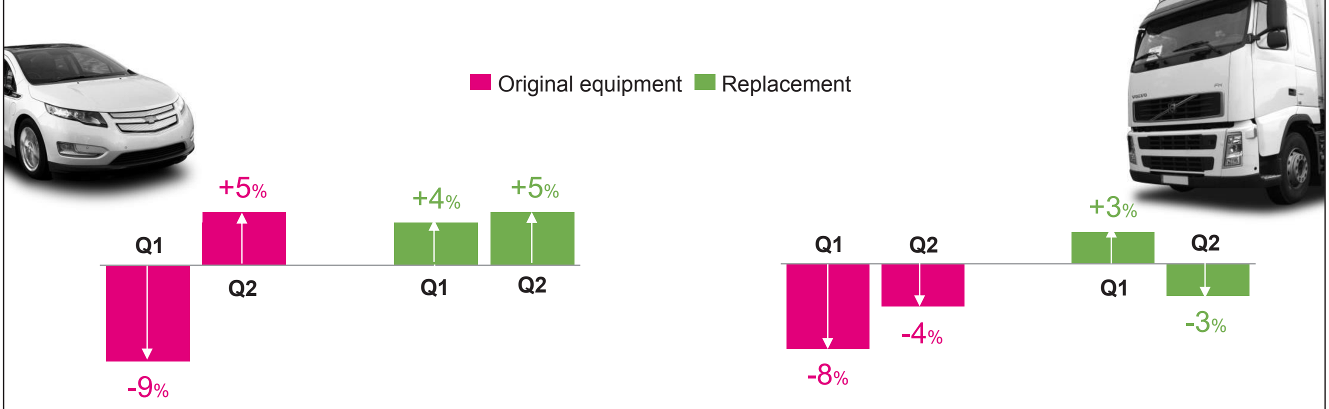
Car and Light truck & Truck - Africa, India, Middle-East: uneven markets

2014 markets, quarter by quarter – Africa, India, Middle-East

(% change YoY, in number of new tires)



Source: Michelin

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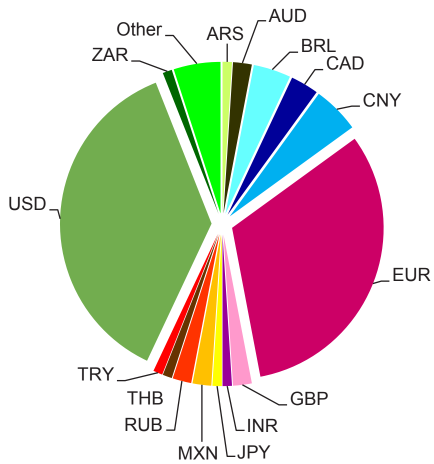
High currency exposure given the Group's global footprint

H1 2014 net sales by currency



	% of net sales
ARS	1%
AUD	2%
BRL	4%
CAD	3%
CNY	5%
EUR	32%
GBP	2%
INR	1%
JPY	1%
MXN	2%
RUB	2%
THB	1%
TRY	1%
USD	37%
ZAR	1%
Other	5%

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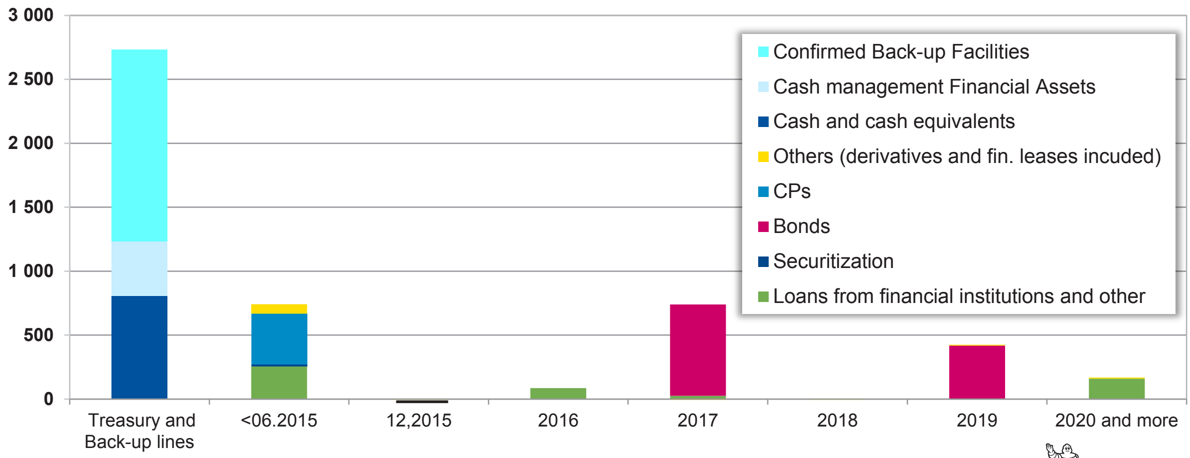
A comfortable cash position

Debt maturities at June 30, 2014

(Nominal value, in € millions)



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

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3

FIRST-HALF BUSINESS REVIEW

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3.1 TIRE MARKETS

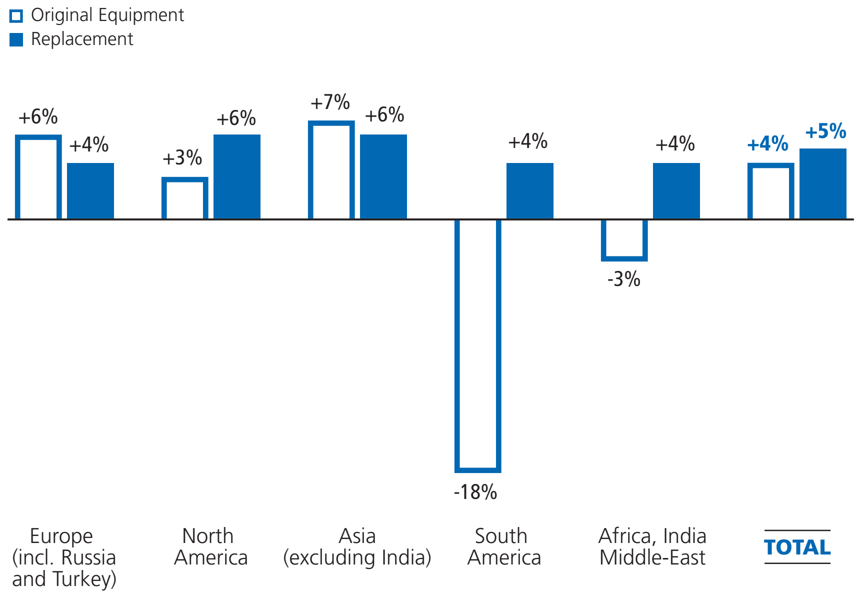
In the first six months of 2014, the global tire market was shaped by market conditions that varied between regions and, above all, by a second-quarter slowdown that mainly reflected more favorable prior-year comparatives in the first three months of the year.

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 expressed in the number of tires sold.

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

The number of **Passenger car and Light truck** tires sold worldwide rose by 4% over the first half in the original equipment segment and by 5% in the replacement segment compared with the year-earlier period. Growth was stronger in the first quarter than the second due to a more favorable basis of comparison.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2014 VS. FIRST-HALF 2013



Michelin estimates.

3.1.1 a) Original equipment

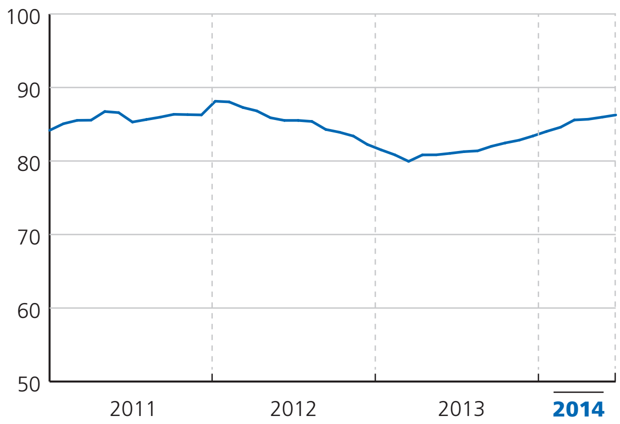
Original equipment demand ended the period up 4% overall, with growth slowing to 3% in the second quarter from 5% in the first due to the effect of 2013 comparatives. Regional market performances were uneven, with strong growth in China, still vigorous demand in North America and a recovery in Europe offsetting the decline in South America, Southeast Asia and Eastern Europe.

Passenger car and Light truck markets Original equipment *(in millions of tires)*	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	2nd-Quarter 2014/ 2nd-Quarter 2013	1st-Quarter 2014/ 1st-Quarter 2013
Europe[1]	49.9	47.3	+6%	+3%	+6%
North America[2]	42.0	40.5	+3%	+2%	+5%
Asia (excluding India)	98.0	92.3	+7%	+6%	+8%
South America	9.3	11.4	-18%	-24%	-8%
Africa India Middle-East	13.7	14.2	-3%	+5%	-9%
TOTAL	**212.9**	**205.7**	**+4%**	**+3%**	**+5%**

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

In Europe, the 6% rise in demand reflected both 7% growth in Western Europe off of low early-2013 comparatives, and an 5% decline in Eastern Europe relating to geopolitical tensions in Russia and Ukraine.

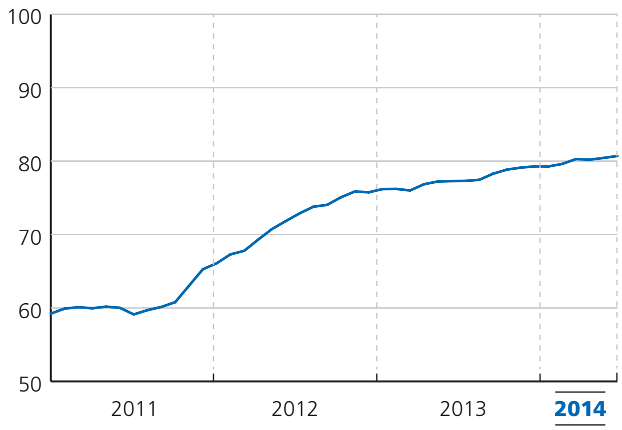
THE EUROPEAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

The **North American** market advanced by 3% over the first half, underpinned by the steady rise in vehicle sales since 2012 and the trend among buyers to replace their aging cars.

THE NORTH AMERICAN ORIGINAL EQUIPMENT CAR AND LIGHT TRUCK TIRE MARKET
(in millions of tires – moving 12 months)



Michelin estimates.

In Asia (excluding India), demand rose by 7% overall. The Chinese market remained buoyant, gaining 10% over the period. The Japanese market was stimulated by a purchasing surge ahead of the April 1 increase in VAT, with limited repercussions on the second quarter. Down 8%, the Southeast Asian market remained affected by Thailand's political situation.

In South America, the large 18% drop in demand reflected the slowdown in vehicle sales attributable to the "World Cup Effect" in the second quarter, with a particularly sharp decrease occurring in Argentina in an environment shaped by tax hikes, import restrictions and the peso's devaluation.

In Africa India Middle East, the original equipment market was down 3%, mainly due to difficulties in the Indian market relating to the decline in the rupee and higher interest rates.

3.1.1 b) Replacement

The global replacement market rose by 5% over the first half, advancing by 7% in the first quarter off of record-low prior-year comparatives, and by 2% in the second quarter against a less favorable basis of comparison. All regions enjoyed growth over the first half, except for Eastern Europe.

Passenger car and Light truck markets Replacement *(in millions of tires)*	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	2nd-Quarter 2014/ 2nd-Quarter 2013	1st-Quarter 2014/ 1st-Quarter 2013
Europe(1)	160.8	156.1	+4%	+2%	+4%
North America(2)	134.0	124.9	+6%	+4%	+7%
Asia (excluding India)	118.6	111.3	+6%	+1%	+11%
South America	36.4	33.1	+4%	+3%	+6%
Africa India Middle-East	46.4	44.9	+4%	+5%	+4%
TOTAL	**496.2**	**470.3**	**+5%**	**+2%**	**+7%**

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

In Europe, the market was up 4% in the first half.

The Western European market grew by 7%, including 7% in the first quarter and 6% in the second, reflecting a favorable basis of comparison. Sell out increased by 2% over the first half, lifted by favorable comparatives and weather in the first quarter, while dealer inventories stood at normal levels in line with market trends. Up 18% over the six-month period, the winter tire segment was entirely responsible for the European market's expansion in June, due to strong sales ahead of the winter season to which the Group did not contribute.

The Eastern European market contracted by 10% due to the political and economic situation in Russia and Ukraine.

First-half sales evolved as follows in the main markets:

- Western Europe **+7%**
  Of which:
  - France +7%
  - Spain -1%
  - Italy +4%
  - United Kingdom -2%
  - Germany +16%
  - Poland +9%
  - Turkey -7%
- Eastern Europe **-10%**
  - Of which Russia -11%

THE EUROPEAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET
(in millions of tires – moving 12 months – excluding Russia)

Michelin estimates.

In North America, the market expanded by 6%, primarily reflecting the rise in sales of imported tires. In a competitive environment, especially in the mid-market, tire demand in the United States (up 4%) remained supported by moderate fuel prices and consumer confidence in a still positive economic climate. The market advanced by 16% in Canada, lifted by demand for winter tires in the beginning of the year, and by 10% in Mexico, with markedly strong growth in Asian import tires. The high-speed rating (V&Z) segment enjoyed swifter growth than the market as a whole.

THE NORTH AMERICAN REPLACEMENT CAR AND LIGHT TRUCK TIRE MARKET
(in millions of tires – moving 12 months)

Michelin estimates.

In Asia (excluding India), demand rose by 6% overall. The Chinese market gained 9%, with growth in sales slowing to 5% in the second quarter. The Japanese market grew 5%, with first-quarter sales benefiting from early purchases ahead of the VAT hike. Demand in Southeast Asia was led by strong growth in both Indonesia (7%) and Thailand (up 6% following the government's First Car Owner program).

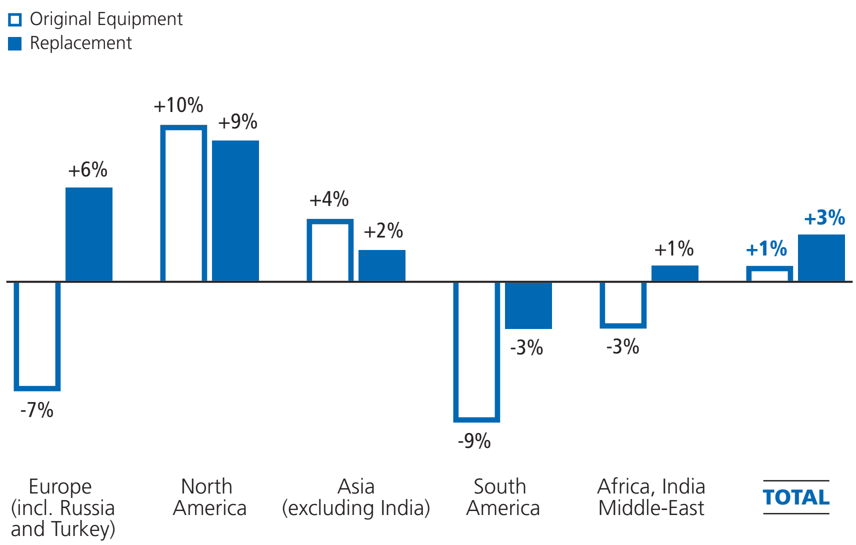
In South America, the market rose by 4%, driven by demand in Brazil, Colombia and the Central American countries.

In Africa India Middle East, the market was up 4%, reflecting 7% growth in India and less vigorous demand in South Africa and Saudi Arabia.

3.1.2 TRUCK TIRE MARKETS

In the **Truck** tire markets, demand for bias tires and radials ended the first half up both in original equipment (by 1%) and in the replacement segment (by 3%), with a slowdown in the second quarter.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2014 VS. FIRST-HALF 2013



Michelin estimates. Radial & Bias.

3.1.2 a) Original equipment

In original equipment, the **global market** edged up by a slight 1%. Following on early-year gains, the second quarter was affected by declining demand in both Europe and the emerging markets.

Truck markets* **Original Equipment** *(in millions of tires)*	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	2nd-Quarter 2014/ 2nd-Quarter 2013	1st-Quarter 2014/ 1st-Quarter 2013
Europe(1)	3.0	3.2	-7%	-10%	-3%
North America(2)	2.9	2.6	+10%	+13%	+6%
Asia (excluding India)	8.4	8.1	+4%	-5%	+13%
South America	1.2	1.3	-9%	-21%	+10%
Africa India Middle-East	2.1	2.2	-3%	-4%	-8%
TOTAL	**17.6**	**17.4**	**+1%**	**-4%**	**+5%**

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

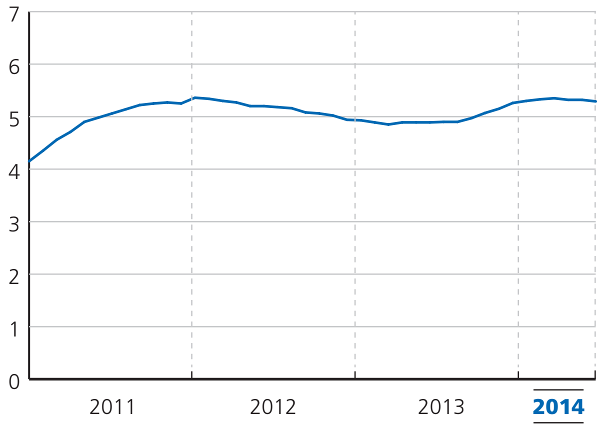
The European market shrank over the full six months, contracting more sharply in the second quarter than in the first.

In Western Europe, the introduction of Euro VI emissions standards in January 2014 prompted a wave of late-2013 purchases for which deliveries were spread over the first quarter of 2014, thereby artificially boosting the market before a second-quarter decline.

Impacted by the Ukrainian crisis and a less vibrant economy, new vehicle sales plummeted in Russia over the six-month period, driving the tire market down 36%.

THE EUROPEAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

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

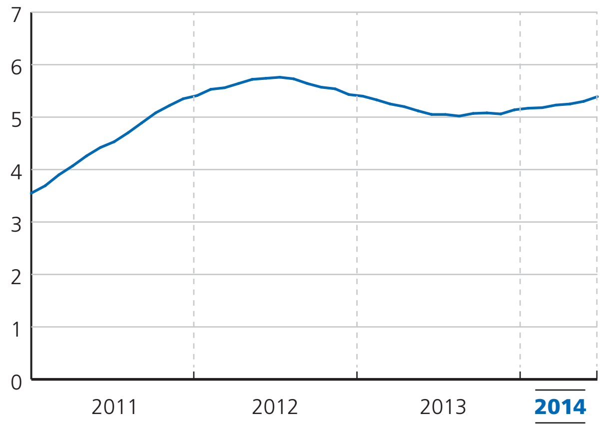


MIchelin estimates.

In North America, where buyers remained hesitant in 2013 despite the economic recovery and relatively old truck fleet on the roads, the original equipment market delivered robust first-half 2014 growth of 10% that gathered pace from quarter to quarter, in alignment with available production capacity at OEMs.

THE NORTH AMERICAN ORIGINAL EQUIPMENT TRUCK TIRE MARKET

(in millions of radial tires – moving 12 months)



Michelin estimates.

Demand **in Asia (excluding India)** rose by 4% overall.

The market gained 6% in China, with a sharp deceleration in the second quarter. In Southeast Asia, the original equipment market fell by 23% in light of very strong growth in first-half 2013 and the political crisis in Thailand. Buoyed by a strong yen, truck exports in Japan rose significantly over the period, leading to a sharp 21% increase in original equipment sales.

In South America, the first-quarter 2014 original equipment market performed in line with 2013 trends, advancing 10% in the first three months before retreating 21% in the second quarter. The decline was due to economic difficulties in Argentina and Venezuela that dampened exports of Brazil's locally manufactured trucks, combined with reduced domestic demand in Brazil.

In Africa India Middle East, the original equipment market contracted by 3%, nevertheless showing an improvement in June that was attributable to more favorable prior-year comparatives and vibrant demand in India following the national elections.

3.1.2 b) Replacement

The **global replacement market** gained 3% over the first half, with 5% growth in the first quarter contrasting sharply with a stable performance in the second. Stable in the world's largest tire markets, China and India, demand increased in the mature markets and decreased in South America.

Truck markets* Replacement *(in millions of tires)*	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	2nd-Quarter 2014/ 2nd-Quarter 2013	1st-Quarter 2014/ 1st-Quarter 2013
Europe(1)	9.6	9.0	+6%	+2%	+9%
North America(2)	10.8	9.9	+9%	+9%	+8%
Asia (excluding India)	28.0	27.4	+2%	+0%	+4%
South America	7.1	7.3	-3%	-6%	+4%
Africa India Middle-East	14.2	14.1	+1%	-3%	+3%
TOTAL	**69.7**	**67.8**	**+3%**	**+0%**	**+5%**

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

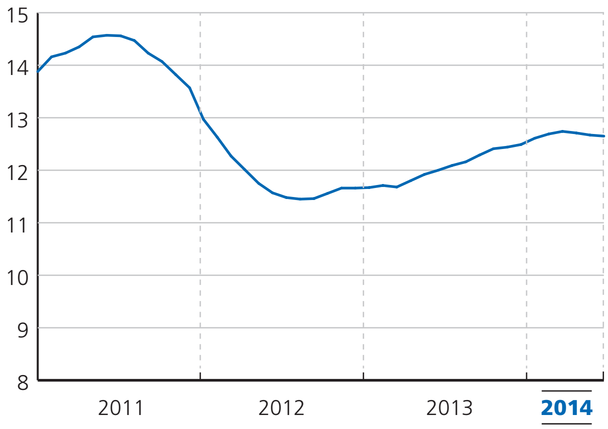
In Europe, replacement markets rose by 6% overall. After a strong first quarter aligned with trends for the last nine months of 2013, growth slowed in the second quarter against high prior-year comparatives.

The Western European market benefited from the reduced number of tire casings available for retreading, while the Central European and Turkish markets saw weaker demand.

The Ukrainian crisis held back the Eastern Europe markets, which expanded slightly over the first half but stabilized in the second quarter. Growth seemed to be led by imports of tires manufactured in China.

THE EUROPEAN REPLACEMENT TRUCK TIRE MARKET

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

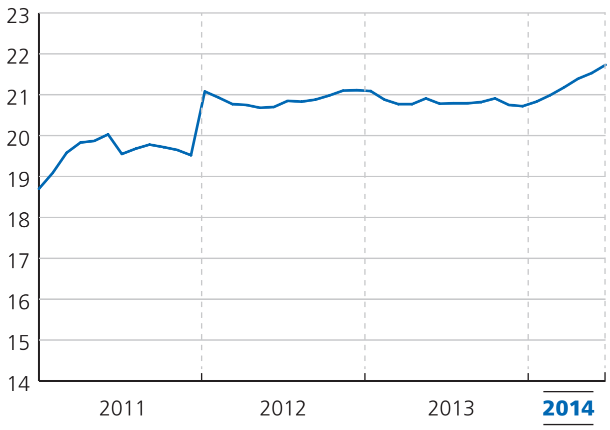


Michelin estimates.

In North America, the market expanded by a robust 9% throughout the first half, despite strong original equipment sales. In March, the number of trucks on the road exceeded the pre-recession level for the first time. This strong performance, in an environment characterized by relatively high freight rates, attests to the transportation sector's improved health.

THE NORTH AMERICAN REPLACEMENT TRUCK TIRE MARKET

(in millions of radial tires – moving 12 months)



Michelin estimates.

Markets **in Asia (excluding India)** were up 2% thanks to a buoyant first quarter followed by a stable second quarter.

The Chinese market was stable, reflecting the slightly slower pace of economic growth. Markets in Southeast Asia grew by 2% against a backdrop of political crisis in Thailand. In Japan, the market gained 17% over the first six months, lifted in the first quarter by early purchases ahead of the announced increase in VAT before falling 10% in the second.

In South America, the market retreated 3% overall after a 6% decline in the second quarter due to record-high prior-year comparatives and the economic crisis in Argentina and Venezuela.

The **Africa India Middle East** markets saw stable 1% growth, with demand slowing in the second quarter. The entire region participated in this performance, with India showing signs of a rebound following the June elections.

3.1.3 SPECIALTY TIRE MARKETS

Earthmover tires: The mining industry is continuing to expand, in general, but since fourth-quarter 2013, the mining tire market has been declining year-on-year as mining companies steadily draw down their tire inventory. Original equipment demand recovered in mature markets during the period, lifted by increased earthmover production at a time of low manufacturer and dealer inventory. Demand for tires used in infrastructure and quarries rose in mature markets, thanks in particular to lower dealer inventory.

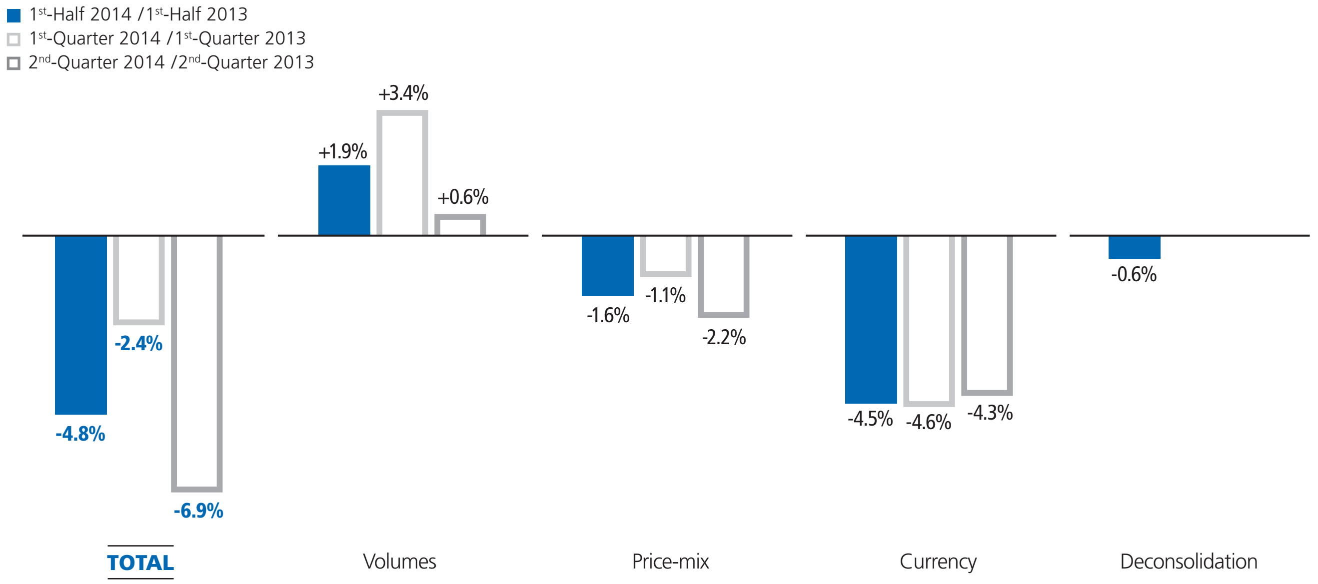
Agricultural tires: Global OE demand ended the first half down in mature markets, penalized by the extensive replacement sales of farm machinery in recent years and by the reduction in agricultural tax incentives in the United States. The replacement market has recovered in Europe but remains down in North America, impacted by user hesitation at a time of uncertain future revenues.

Two-Wheel tires: The motorcycle market rose in Europe but declined in North America, where it suffered from unfavorable weather conditions in the first quarter.

Aircraft tires: The commercial aviation market improved over the period.

3.2 NET SALES

3.2.1 ANALYSIS OF NET SALES



Net sales amounted to €9,673 million in first-half 2014, down 4.8% at current exchange rates from €10,159 million in the year-earlier period. At constant scope of consolidation and exchange rates, net sales were stable year-on-year.

At a time of uncertain raw materials prices, the Group strove to maintain a tight pricing policy while driving a slight increase in tonnages.

As a result, the decrease stemmed from the combined impact of the following main factors:

- the unfavorable €58-million (0.6%) impact from the deconsolidation of Snider, a US truck tire dealer. Data as published for the first quarter remained unchanged in the present document and the impact of the deconsolidation effect from January 1, 2014 is recognized in the half-yearly figures;
- the favorable €198-million impact from the 1.9% increase in volumes, at a time of generally improving demand;
- the negative 1.6% price-mix effect, which reduced net sales by €169 million. It reflected the negative €244 million combined impact of contractual price reductions under raw materials indexation clauses and targeted price repositionings, all in an environment shaped by declining raw materials prices. It also comprised the €75-million positive impact from the ongoing improvements in the product mix, led by the premium strategy in the 17" and larger segment;
- the negative 4.5% currency effect, which reduced net sales by €457 million. This resulted primarily from the euro's rise against the US dollar, and to a lesser extent, against the Brazilian real, the Canadian dollar and the Argentine peso.

(in € million and %)	1st-Half 2014	2nd-Quarter 2014	1st-Quarter 2014
NET SALES	**9,673**	**4,915**	**4,758**
vs. the same period in 2013	**-486**	**-367**	**-119**
Volumes	+198	+32	+166
Price-mix	-169	-116	-53
Currency	-457	-225	-232
Deconsolidation	-58	pm	pm
vs. the same period in 2013	**-4.8%**	**-6.9%**	**-2.4%**
Volumes	+1.9%	+0.6%	+3.4%
Price-mix	-1.6%	-2.2%	-1.1%
Currency	-4.5%	-4.3%	-4.6%
Deconsolidation	-0.6%	pm	pm

3.2.2 NET SALES BY REPORTING SEGMENT

(in € million)	1st-Half 2014	2nd-Quarter 2014	1st-Quarter 2014
GROUP	**9,673**	**4,915**	**4,758**
Passenger car / Light truck and related distribution	5,167	2,647	2,520
Truck and related distribution	2,927	1,465	1,462
Specialty businesses(1)	1,579	804	775
vs. the same period in 2013	**-4.8%**	**-6.9%**	**-2.4%**
Passenger car / Light truck and related distribution	-2.9%	-3.4%	-2.4%
Truck and related distribution	-6.2%	-10.9%	-1.0%
Specialty businesses(1)	-8.0%	-10.6%	-5.3%

(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

In Western Europe, net sales in the original equipment segment tracked the market, while in the replacement segment, MICHELIN brand sales were stable overall, with a sustained improvement in the product mix led by sales of 17" and larger tires and higher winter tire pre-orders. For the Kleber and BFGoodrich brands, the focus was on maintaining margin integrity. **In Eastern Europe,** net sales suffered from the geopolitical situation in Russia and Ukraine.

In North America, original equipment net sales were lifted by new carmaker certifications and a positive vehicle mix as carmakers continued to refresh their model lineups. In the replacement segment, net sales were shaped by the faster-than-expected ramp-up of MICHELIN Premier A/S sales and a contraction in the mid-range brands caused by the competitive price environment.

The Group improved its positions **in South America,** where sales of 17" or larger tires rose sharply during the period.

In Asia (excluding India), net sales rose in China, in line with the ramp-up at the Shenyang 2 plant and the expansion of the Warrior brand, but slowed in Thailand and tracked the market in Japan.

Net sales **in Africa India Middle East** rose in the OE segment but were dampened in replacement by the more difficult market conditions, particularly in South Africa and Saudi Arabia.

In all, net sales in the Passenger car and Light truck tires and related distribution segment stood at €5,167 million, versus €5,321 million in first-half 2013. Excluding the 4% negative currency effect, net sales ended the period up 1.1%. Volumes rose by 2.4% over the period, lifted by growth in MICHELIN brand sales in line with the market and the fact that BFGoodrich and Kleber brand sales stabilized in the second quarter in a competitive price environment. Price variations reflected the application of raw materials indexation clauses in the OEM segment and repositionings. The product-mix was favorable, supported by the success of the strategy in the 17" and larger segment.

3.2.2 b) Truck Tires and Related Distribution – Analysis of net sales

In Europe, despite the sharp growth in Chinese tire imports, which are impacting the premium segment and demand in Central Europe, both the Group and the MICHELIN brand are continuing to improve their performance, with a favorable geographic mix and local gains, particularly in the intermediate brands.

In North America, the Group strengthened its positions in the original equipment segment, while sales of MICHELIN brand replacement tires held firm at a time of rising Chinese imports.

In South America, OE sales were strong, with momentum picking up in the second quarter, while Group positions in the replacement segment remained robust, in both Brazil and the Spanish speaking countries.

In Asia (excluding India), net sales in China were lifted by the Group's positioning in the long-haul and passenger transportation segments. In Southeast Asia, in a context of uneven market, the Group strengthened its positions in Thailand, Malaysia and Australia. The first SIAM-branded radial tire was successfully launched In May in Thailand.

In Africa India Middle East, net sales are well oriented in the Indian market, which is recovering after the elections. The Group's positions in Africa Middle East are impacted by the economic slowdown in South Africa and geopolitical tensions. The recent launch of the Kormoran intermediate brand in Saudi Arabia was welcomed and is expected to meet the changing demand in the fleet segment.

In all, net sales in the Truck tires and related distribution segment amounted to €2,927 million, down 6.2% from first-half 2013 primarily due to the 5.4% unfavorable currency effect. Otherwise, tonnages sold rose by 2.4% over the period, in line with growth in the global Truck tire market, and excluding the impact of indexation clauses in the OE segment, prices held firm, in accordance with the strategy to improve margins.

3.2.2 c) Specialty businesses – Analysis of net sales

Earthmover tires: Net sales contracted over the period under the impact of lower volumes and the unfavorable currency effect. Only the OE segment showed a gain, led by the growth in volumes.

Agricultural tires: Net sales were stable for the period, as higher volumes in mature and growth markets offset price adjustments stemming from raw materials clauses and the unfavorable currency effect.

Two-Wheel tires: Growth in net sales was led by the increase in volumes, which more than offset the negative currency effect.

Aircraft tires: Net sales rose on the back of higher volumes.

Michelin Travel Partner's business was shaped by market share resilience in maps and travel guides, the sustained migration to mobile screens, which accounted for 30% of online visits, and the launch of a new version of the Michelin Restaurants website, with a focus on online bookings.

In all, net sales by the Specialty Businesses declined by 8.0% year-on-year to €1,579 million, primarily due to the negative 4,6% currency effect, as well as to the impact of price adjustments stemming from raw materials-based indexation clauses. Volumes eased back a slight 1.8% over the period. While down for the first-half as a whole, sales in the mining segment turned upwards in the second quarter after remaining flat quarter-on-quarter in the first. Earthmover original equipment and Infrastructure volumes improved, while sales rose sharply in the Agricultural, Two-Wheel and Aircraft segments.

3.2.3 CURRENCY RATES AND THE CURRENCY EFFECT

Net sales were hard hit by the highly unfavorable currency effect, totaling a negative €457 million and primarily stemming from the euro's rise against the US dollar, the Brazilian real, the Canadian dollar and the Argentine peso.

Average exchange rate	1st-Half 2014	1st-Half 2013	% change
EUR / USD	1.371	1.313	+4.4%
EUR / CAD	1.503	1.333	+12.8%
EUR / MXN	17.987	16.471	+9.2%
EUR / BRL	3.148	2.664	+18.1%
EUR / GBP	0.822	0.850	-3.3%
EUR / JPY	140.573	124.911	+12.5%
EUR / CNY	8.452	8.127	+4.0%
EUR / THB	44.644	39.162	+14.0%
EUR / RUB	47.947	40.705	+17.8%
EUR / AUD	1.500	1.291	+16.1%
EUR / ZAR	14.673	12.057	+21.7%
EUR / ARS	10.650	6.717	+58.5%
EUR / TRY	2.966	2.377	+24.8%
EUR / INR	83.322	72.095	+15.6%

Half Year 2014 Net Sales by Currency

Currency	%
ARS	1%
AUD	2%
BRL	4%
CAD	3%
CNY	5%
EUR	32%
GBP	2%
INR	1%
JPY	1%
MXN	2%
RUB	2%
THB	1%
TRY	1%
USD	37%
ZAR	1%
Others	5%
TOTAL	**100%**

3.2.4 NET SALES BY REGION

(in € million)	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013
GROUP	**9,673**	**10,159**	**-4.8%**
Europe	4,052	4,023	+0.7%
o/w France	*978*	*967*	*+1.1%*
North America (incl. Mexico)	3,298	3,520	-6.3%
Other	2,323	2,616	-11.2%

(in € million)	1st-Half 2014	% of total	1st-Half 2013	% of total
GROUP	**9,673**		**10,159**	
Europe	4,052	41.9%	4,023	39.6%
o/w France	*978*	*10.1%*	*967*	*9.5%*
North America (incl. Mexico)	3,298	34.1%	3,520	34.6%
Other	2,323	24.0%	2,616	25.8%

At a time of declining raw materials prices, price adjustments and unfavorable currency movements, net sales held steady in France and the rest of Europe, but declined in other geographies. Close to 60% of net sales were generated outside Europe and approximately 90% outside France.

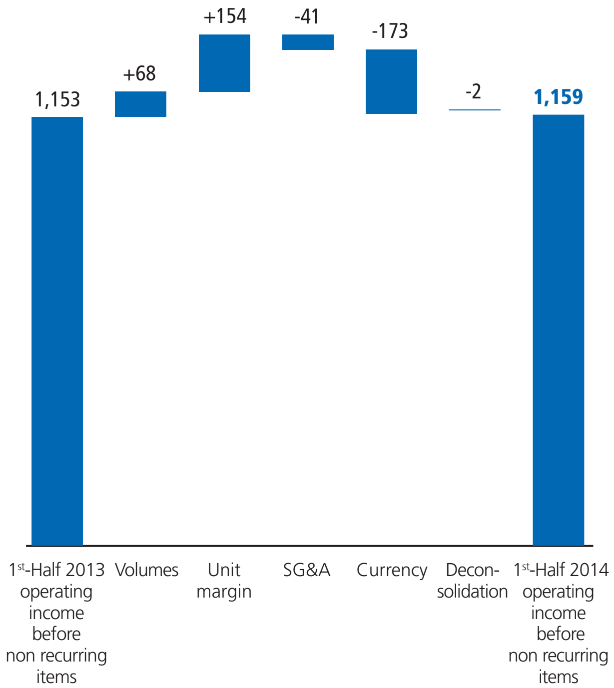
3.3 CONSOLIDATED INCOME STATEMENT REVIEW

The following comments refer to the interim 2014 consolidated financial statements as reported.

(in € million, except per share data)	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	1st-Half 2014 *(% of net sales)*	1st-Half 2013 *(% of net sales)*
Net sales	**9,673**	**10,159**	**-4.8%**		
Cost of sales	(6,505)	(6,966)	-6.6%	67.2%	68.6%
Gross income	**3,168**	**3,193**	**-0.8%**	**32.8%**	**31.4%**
Sales and marketing expenses	(875)	(939)	-6.8%	9.0%	9.2%
Research and development expenses	(319)	(313)	+1.9%	3.3%	3.1%
General and administrative expenses	(812)	(776)	+4.6%	8.4%	7.6%
Other operating income and expenses	(3)	(12)	-75.0%	0.0%	0.1%
Operating income before non-recurring income and expenses	**1,159**	**1,153**	**+0.5%**	**12.0%**	**11.3%**
Non-recurring income and expenses	(87)	(250)	NM	-	-
Operating income	**1,072**	**903**	**+18.7%**	**11.1%**	**8.9%**
Cost of net debt	(65)	(50)	+30.0%	0.7%	0.5%
Other financial income and expenses	12	(10)	NM	0.1%	0.1%
Net interest on employee benefit obligations	(76)	(82)	-7.3%	0.8%	0.8%
Share of profit from associates	(6)	2	NM	0.1%	0.0%
Income before taxes	**937**	**763**	**+22.8%**	**9.7%**	**7.5%**
Income tax	(313)	(256)	+22.3%	3.2%	2.5%
Net income	**624**	**507**	**+23.1%**	**6.5%**	**5.0%**
▶ Attributable to the shareholders of the Company	624	507	+23.1%	6.5%	5.0%
▶ Attributable to non-controlling interests	-	-	-	-	-
Earnings per share *(in €)*					
▶ Basic	3.34	2.76	+21.0%		
▶ Diluted	3.28	2.72	+20.6%		

3.3.1 ANALYSIS OF CONSOLIDATED OPERATING INCOME BEFORE NON-RECURRING ITEMS

(in € million)



Consolidated operating income before non-recurring items amounted to €1,159 million or 12.0% of net sales in the first six months of 2014, compared with €1,153 million and 11.3% in first-half 2013.

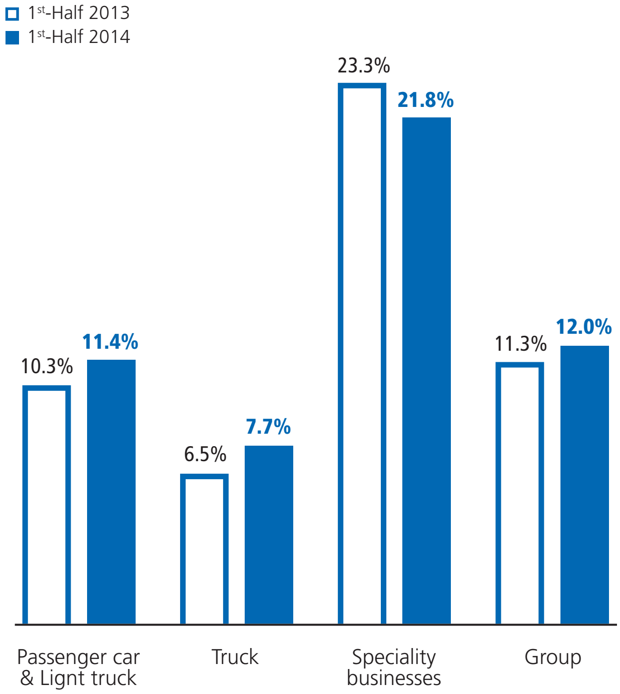
The €6-million increase reflected the net impact of:

- a €68-million increase from the 1.9% growth in sales volumes;
- a €154-million increase from the improvement in unit margin, reflecting:
  - the negative €169-million impact from the price-mix, of which a negative €244 million from prices alone,
  - the favorable €351-million impact from lower raw materials prices,
  - the €13-million gain on materials costs, thanks to the competitiveness plan,
  - the €67-million in productivity gains delivered by the competitiveness plan,
  - the negative €71-million impact of higher labor, energy and other production costs,
  - the negative €12-million impact of start-up costs,
  - other unfavorable factors, in an aggregate amount of €25 million;
- a €41-million decrease related to SG&A that included:
  - the negative €55-million impact of inflation,
  - the negative impact of the €34 million increase in research, development & process engineering, advertising and other expenditures to drive growth in new markets,
  - the €47-million gain on general and administrative expenses, thanks to the competitiveness plan,
  - the €5-million cost of implementing the new OPE business process management system,
  - €6 million in other favorable cost factors;
- a €173-million negative currency effect;
- a negative €2-million impact from scope of consolidation.

3.3.2 OPERATING INCOME BEFORE NON-RECURRING ITEMS BY REPORTING SEGMENT

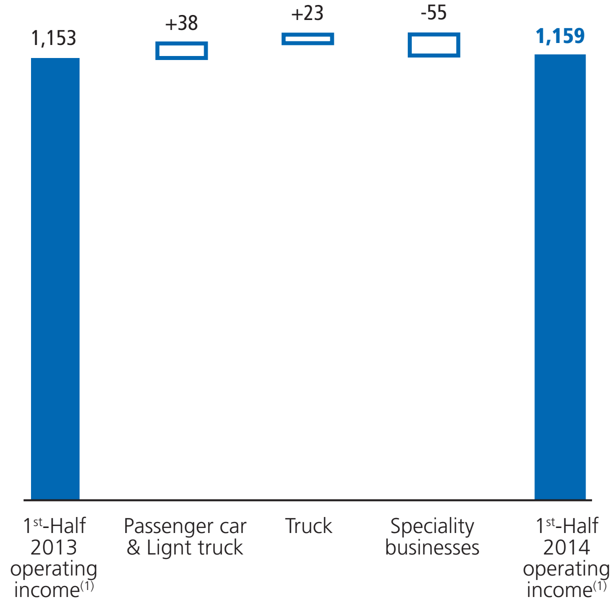
(in € million)	1st-Half 2014	1st-Half 2013
Passenger car / Light truck and related distribution		
Net sales	5,167	5,321
Operating income before non-recurring items	588	550
Operating margin before non-recurring items	**11.4%**	**10.3%**
Truck and related distribution		
Net sales	2,927	3,121
Operating income before non-recurring items	226	203
Operating margin before non-recurring items	**7.7%**	**6.5%**
Specialty businesses		
Net sales	1,579	1,717
Operating income before non-recurring items	345	400
Operating margin before non-recurring items	**21.8%**	**23.3%**
Group		
Net sales	9,673	10,159
Operating income before non-recurring items	1,159	1,153
Operating margin before non-recurring items	**12.0%**	**11.3%**

3.3.2 a) Operating margin before non-recurring items by reporting 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 € millions)



(1) *Before non-recurring items.*

3.3.2 b) Passenger car/Light truck tires and related distribution – Analysis of operating income before non-recurring items

Passenger car / Light truck and related distribution *(in € million)*	**1st-Half 2014**	**1st-Half 2013**	**1st-Half 2014/ 1st-Half 2013**	**1st-Half 2014** *(% of Group total)*	**1st-Half 2013** *(% of Group total)*
Net sales	5,167	5,321	-2.9%	54%	52%
Change in volume	*2.4%*	*-0,5 %*			
Operating income before non-recurring items	588	550	+6.9%	51%	48%
Operating margin before non-recurring items	11.4%	10.3%	+1.1pt		

Operating income before non-recurring items from the Passenger car and Light truck tires and related distribution business amounted to €588 million or 11.4% of net sales, compared with €550 million and 10.3% in first-half 2013.

The improvement was led by the net positive effect from price-mix versus the decline in raw materials costs, in line with the tight pricing policy, which overcame the unfavorable currency effect. The product-mix was favorable, supported by the success of the strategy in the 17" and larger segment and the 2.4% increase in tonnages.

3.3.2 c) Truck tires and related distribution – Analysis of operating income before non-recurring items

Truck and related distribution *(in € million)*	**1st-Half 2014**	**1st-Half 2013**	**1st-Half 2014/ 1st-Half 2013**	**1st-Half 2014** *(% of Group total)*	**1st-Half 2013** *(% of Group total)*
Net sales	2,927	3,121	-6.2%	30%	31%
Change in volume	*2.4%*	*-1,8 %*			
Operating income before non-recurring items	226	203	+11.3%	19%	17%
Operating margin before non-recurring items	7.7%	6.5%	+1.2pt		

Operating income before non-recurring items from the Truck tires and related distribution business amounted to €226 million or 7.7% of net sales, up from €203 million and 6.5% in first-half 2013.

In line with the focus on sustainably restoring margins, the 1.2 pt improvement reflected the unfavorable currency effect, the 2.4% increase in tonnages sold, the tight control on manufacturing and SG&A costs and, most importantly, the firm price resistance in a competitive environment shaped by lower raw materials costs.

3.3.2 d) Specialty businesses – Analysis of operating income before non-recurring items

Specialty businesses *(in € million)*	**1st-Half 2014**	**1st-Half 2013**	**1st-Half 2014/ 1st-Half 2013**	**1st-Half 2014** *(% of Group total)*	**1st-Half 2013** *(% of Group total)*
Net sales	1,579	1,717	-8.0%	16%	17%
Change in volume	*-1.8%*	*-4,6 %*			
Operating income before non-recurring items	345	400	-13.8%	30%	35%
Operating margin before non-recurring items	21.8%	23.3%	-1.5pt		

Operating income before non-recurring items from the Specialty businesses remained structurally high in first-half 2014, at €345 million or 21.8% of net sales, compared with €400 million and 23.3% in the prior-year period.

The decline stemmed from price adjustments under indexation clauses at a time of lower raw materials prices, movements in exchange rates and the 1.8% decline in volumes, as the contraction in the mining segment was not fully offset by growth in the other segments.

3.3.3 OTHER INCOME STATEMENT ITEMS

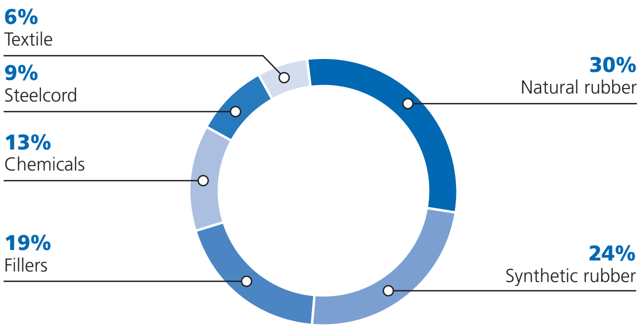
3.3.3.a) Raw materials

The cost of **raw materials** reported in the income statement under "cost of sales" (€2,522 million in first-half 2014 *versus* €2,877 million in first-half 2013) is determined by valuing 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.

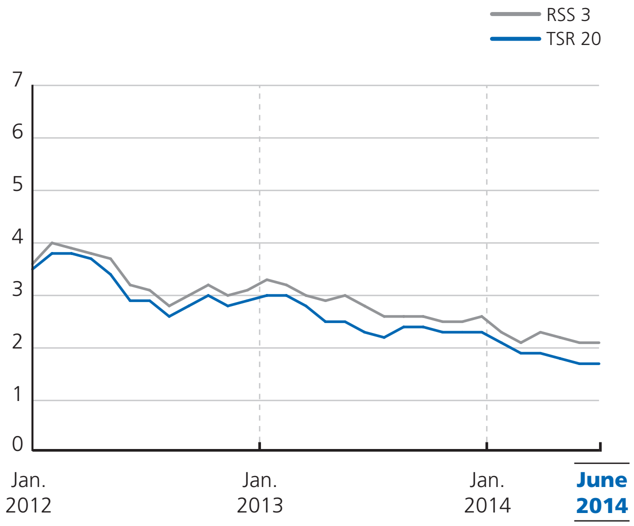
Changes in spot prices feed through to the income statement five to six months later for natural rubber and three months later for butadiene. As a result, raw materials prices are expected to continue having a favorable impact in the second half of the year.

In first-half 2014, the raw materials costs recognized in cost of sales included the €351 million effect of lower prices, as well as the volume and currency effects.

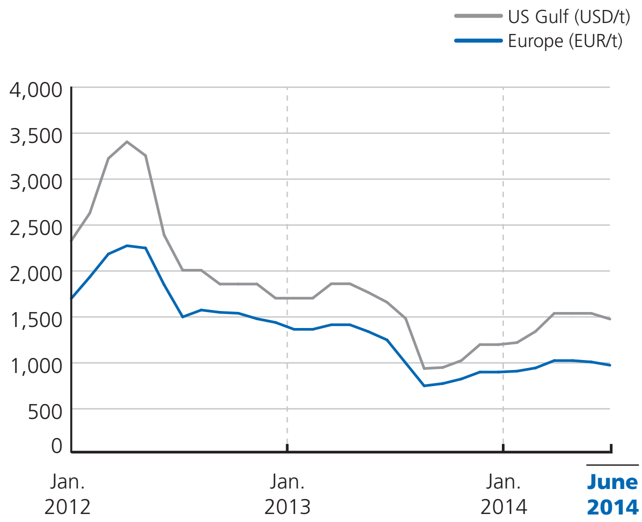
RAW MATERIALS RECOGNIZED IN FIRST-HALF 2014 COST OF SALES (€2,522 MILLION)



NATURAL RUBBER PRICES (SICOM)
(USD/kg)



BUTADIENE PRICES



3.3.3.b) Employee benefit costs and number of employees

(in € million and in number of people)	1st-Half 2014	1st-Half 2013	% change
Employee benefit costs	2,697	2,710	-0.5%
As a % of net sales	*27.9%*	*26.7%*	*+1.2 pt*
Total number of employees at June 30	111,600	113,200	-1.4%
Number of full time equivalent employees at June 30	106,500	107,600	-1.0%
Average number of full time equivalent employees	106,300	107,400	-1.0%

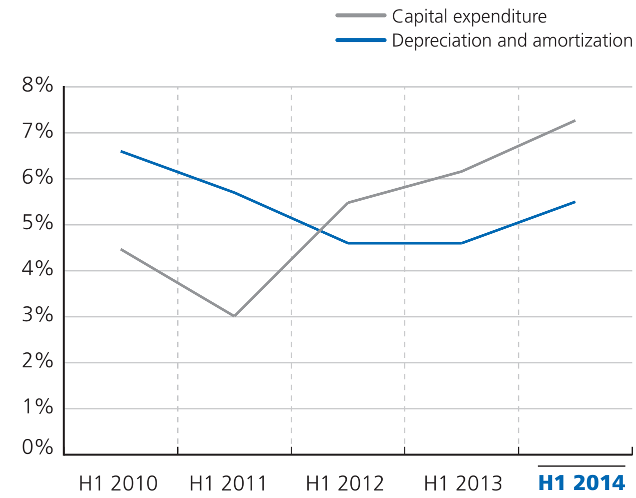
At €2,697 million, **employee benefit costs** represented 27.9% of net sales in first-half 2014, versus 26.7% in the year-earlier period. Despite the slight increase in relative terms, in absolute value costs remained almost unchanged over the period, as the 3.3% increase in payroll was offset by the implementation of the competitiveness plan and a favorable currency effect.

3.3.3.c) Depreciation and amortization

(in € million)	1st-Half 2014	1st-Half 2013	% change
Depreciation and amortization	533	522	+2.1%
As a % of capital expenditure	*76%*	*69%*	

Depreciation and amortization charges rose by €11 million to €533 million, in line with capital expenditure. Given the capital expenditure already committed, these charges are expected to continue to increase in coming years.

(as a % of net sales)



3.3.3.d) Transportation costs

Transportation costs stood at €513 million or 5.3% of net sales, unchanged from the prior-year period as exchange rate movements offset inflation and the impact of the slight growth in volumes.

(in € million)	1st-Half 2014	1st-Half 2013	% change
Transportation of goods	513	514	-0.2%
As a % of sales	*5.3%*	*5.1%*	

3.3.3.e) Sales and marketing expenses

Sales and marketing expenses represented 9.0% of first-half net sales, versus 9.2% the year before. In value, they declined by €64 million to €875 million, led by the more efficient commitment of these expenditures, combined with the favorable currency effect, which cancelled out the impact of inflation and the outlays committed to drive growth in new markets.

3.3.3.f) Research and development expenses

(in € million)	1st-Half 2014	1st-Half 2013	% change
Research and development expense	319	313	+1.9%
As a % of sales	*3.3%*	*3.1%*	

Research and development expenses amounted to €319 million, virtually unchanged from first-half 2013, attesting to the Group's commitment to making its innovation process more efficient, while benefiting from favorable exchange rate movements.

As a percentage of net sales, R&D expenses stood at 3.3% versus 3.1% in first-half 2013.

3.3.3.g) General and administrative expenses

At €812 million, **general and administrative expenses** represented 8.4% of net sales, versus 7.6% in first-half 2013. The €36 million growth in value corresponded to the increase in costs related to the new OPE business process management system and wage inflation, which had a greater impact in the new markets despite the favorable currency effect.

3.3.3.h) Other operating income and expenses

Other **operating income and expenses** amounted to income of €3 million, compared with income of €12 million in first-half 2013.

3.3.3.i) Non-recurring income and expenses

Non-recurring expenses stood at €87 million for the period, reflecting the projects to reduce production capacity at the Pictou plant in Canada and close the truck tire production unit at the Budapest plant in Hungary.

3.3.3.j) Cost of net debt

(in € million)	1st-Half 2014	1st-Half 2013	Value change
Cost of net debt	65	50	+15

At €65 million, the **cost of net debt** ended the period up €15 million compared with first-half 2013, primarily as a result of the following factors:

- a €9 million increase in net interest expense, reflecting the combined impact of:
  - a €14 million decrease attributable to the reduction in average net debt to €682 billion from €1,126 million in first-half 2013,
  - a €6 million increase from the rise in the average gross interest rate on borrowings, to 6.3% from 5.2% in first-half 2013,
  - a €1 million net decrease from other factors;
- a €6 million net increase from other factors.

3.3.3.k) Other financial income and expenses

(in € million)	1st-Half 2014	1st-Half 2013	Value change
Other financial income and expenses	12	(10)	+22

Other **financial income and expenses** represented net income of €12 million, primarily derived from financial assets.

3.3.3.l) Income tax

(in € million)	1st-Half 2014	1st-Half 2013	Value change
Income before taxes	937	763	+174
Income tax	**(313)**	**(256)**	**+57**
Current tax	(299)	(277)	+22
Withholding tax	(31)	(20)	+11
Deferred tax	17	41	-24

Income tax expense rose by €57 million year-on-year to €313 million in the first half of 2014, corresponding to an effective tax rate of 33.4%, compared with 33.5% the year before.

3.3.3.m) Consolidated net income and earnings per share

(in € million)	1st-Half 2014	1st-Half 2013	Value change
Net income	624	507	+117
As a % of net sales	*6.5%*	*5.0%*	*+1.5 pt*
▶ Attributable to the shareholders of the Company	624	507	+117
▶ Attributable to non-controlling interests	-	-	-
Earnings per share *(in €)*			
▶ Basic	3.34	2.76	+0.58
▶ Diluted	3.28	2.72	+0.56

Net income came to €624 million, or 6.5% of net sales, compared with €507 million in first-half 2013. The increase stemmed from the combined impact of the following main factors:

- favorable factors:
  - the slight €6-million increase in operating income before non-recurring items,
  - the €163-million decrease in non-recurring expenses incurred in projects to improve the competitiveness of manufacturing operations, to €87 million from €250 million in first-half 2013,
  - the €22-million improvement in other financial income and expenses over the period,
  - the €6-million decrease in net interest expense on employee benefits;
- unfavorable factors:
  - the €15-million increase in the cost of net debt,
  - the €57-million increase in income tax expense,
  - the €8-million decrease in the Group's share of profit from associates.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

The following comments refer to the interim 2014 consolidated financial statements as reported.

ASSETS

(in € million)	June 30, 2014	December 31, 2013	Total change	Currency effect	Movement
Goodwill	404	388	+16	+4	+12
Other intangible assets	473	451	+22	-	+22
Property, plant and equipment (PP&E)	9,173	8,955	+218	+95	+123
Non-current financial assets and other assets	302	309	(7)	+3	(10)
Investments in associates and joint ventures	192	195	(3)	(1)	(2)
Deferred tax assets	1,082	1,054	+28	+14	+14
Non-current assets	**11,626**	**11,352**	**+274**	**+115**	**+159**
Inventories	4,229	3,979	+250	+37	+213
Trade receivables	2,939	2,517	+422	+20	+402
Current financial assets	478	564	(86)	-	(86)
Other current assets	698	707	(9)	+2	(11)
Cash and cash equivalents	807	1,563	(756)	+1	(757)
Current assets	**9,151**	**9,330**	**(179)**	**+60**	**(239)**
TOTAL ASSETS	**20,777**	**20,682**	**95**	**+175**	**(80)**

LIABILITIES AND EQUITY

(in € million)	June 30, 2014	December 31, 2013	Total change	Currency effect	Movement
Share capital	373	372	+1	-	+1
Share premiums	3,678	3,641	+37	-	+37
Reserves	5,374	5,237	+137	+78	+59
Non-controlling interests	11	6	+5	-	+5
Equity	**9,436**	**9,256**	**+180**	**+78**	**+102**
Non-current financial liabilities	1,476	1,447	+29	+28	+1
Employee benefit obligations	4,025	3,895	+130	+29	+101
Provisions and other non-current liabilities	1,287	1,184	+103	+9	+94
Deferred tax liabilities	28	43	(15)	-	(15)
Non-current liabilities	**6,816**	**6,569**	**+247**	**+66**	**+181**
Current financial liabilities	758	856	(98)	+7	(105)
Trade payables	1,777	1,970	(193)	+10	(203)
Other current liabilities	1,990	2,031	(41)	+13	(54)
Current liabilities	**4,525**	**4,857**	**(332)**	**+30**	**(362)**
TOTAL EQUITY AND LIABILITIES	**20,777**	**20,682**	**+95**	**+174**	**(79)**

3.4.1 GOODWILL

Goodwill increased by €16 million in the six months ended June 30, 2014, primarily due to the acquisition of shares in a tire retailer.

3.4.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment stood at €9,173 million at June 30, 2014, a €218 million increase from the end of 2013 that was primarily led by the ongoing deployment of capacity investments in the new markets and product investments for the premium segments and the specialty businesses. Over the period, purchases of new property, plant and equipment exceeded depreciation charges, with a quarter of the outlays concerning the new plants in Brazil, China, India and the United States.

3.4.3 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other non-current assets were nearly unchanged for the period, decreasing by €7 million to €302 million at June 30, 2014.

This near-stability reflected the net impact of the following factors:

- a €22-million decrease from fair value adjustments to available-for-sale financial assets;
- a €15-million increase from fair value adjustments to derivative instruments.

3.4.4 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets rose by €28 million compared with December 31, 2013, mainly as a result of net actuarial losses recognized on employee benefit obligations, particularly in Europe.

3.4.5 WORKING CAPITAL REQUIREMENT

(in € million)	June 30, 2014	June 30, 2013	Value change	June 30, 2014 *(as a % of net sales, 12-month rolling)*	June 30, 2013 *(as a % of net sales, 12-month rolling)*
Inventories	4,229	4,428	-199	21.4%	21.2%
Trade receivables	2,939	3,053	-114	14.9%	14.6%
Trade payables	(1,777)	(1,767)	-10	9.0%	8.4%
WORKING CAPITAL REQUIREMENT	**5,391**	**5,714**	**-323**	**27.3%**	**27.5%**

Working capital requirement decreased by €323 million compared with June 30, 2013, chiefly due to the reduction in inventory and decline in trade receivables. It represented 27.3% of net sales for the year.

Inventories stood at €4,229 million, down €199 million compared with June 30, 2013, essentially as a result of the decline in raw materials prices.

Trade receivables decreased by €114 million year-on-year to €2,939 million at June 30, 2014, reflecting selling price adjustments and the unfavorable currency effect.

At €1,777 million, **trade payables** were stable compared with June 30, 2013.

3.4.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents declined by €756 million year-on-year to €807 million, primarily due to the following factors:

- increases from:
  - the sale of cash management instruments, in an amount of €60 million,
  - the exercise of stock options, in an amount of €38 million,
  - €2 million in other payments;
- decreases from:
  - the negative €243 million in free cash flow generated during the period,
  - the payment of €486 million in dividends,
  - the €105-million in debt repayments,
  - the buyback of Company shares for €22 million.

3.4.7 EQUITY

Consolidated **equity** increased by €180 million to €9,436 million at June 30, 2014 from €9,256 million at December 31, 2013, primarily as a result of the following factors:

- increases from:
  - the €641 million in comprehensive income for the year, including:
    - €624 million in net income,
    - €41 million in net actuarial losses on employee benefit obligations, under the combined impact of rising interest rates and the outperformance of the funds compared with expected returns,
    - €19 million in unrealized losses on available-for-sale financial assets,
    - €76 million in favorable translation adjustments,
  - the €38 million in proceeds from the issue of new shares corresponding to the 698,259 shares issued on the exercise of stock options,
  - the €2 million in proceeds from the sale of performance shares awarded as compensation;
- decreases from:
  - the €486 million in dividends and other distributions,
  - the €24 million committed to buy back 269,220 Michelin S.A. shares under the shareholder approved authorization.

As a result, at June 30, 2014, the **share capital** of Compagnie Générale des Établissements Michelin stood at €372,975,952, comprising 186,487,976 shares corresponding to 239,448,399 voting rights.

3.4.8 NET DEBT

Net debt stood at €892 million at June 30, 2014, up €750 million from December 31, 2013, primarily as a result of the following factors:

- the net use of €714 million in cash, reflecting:
  - the €243 million in negative free cash flow for the period,
  - the payment of €470 million in dividends, distributions and change in equity;
- €36 million in other factors increasing net debt, of which:
  - €16 million in interest expense on the zero-coupon convertible bonds,
  - €32 million in negative translation adjustments.

NET DEBT

(in € million)	1st-Half 2014	1st-Half 2013
At January 1	**142**	**1,053**
Free cash flow[1]	+243	-147
Distributions and other	+470	+218
Interest expense on the zero-coupon convertible bonds	+16	+16
Translation adjustment	+32	-17
Other	-11	-9
AT JUNE 30	**892**	**1,114**
CHANGE	**+750**	**+61**

(1) Free cash flow equals cash flows from operating activities less cash flows used in investing activities (excluding cash flows from cash management instruments and loan guarantees).

3.4.8.a) Gearing

Gearing stood at 9% at June 30, 2014, versus 2% at year-end 2013, attesting to the strength of the consolidated balance sheet.

3.4.8.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	BBB+	BBB+
	Moody's	Baa1	Baa1
Outlook	Standard & Poor's	Stable	Stable
	Moody's	Stable	Stable

- On March 23, 2012, Standard & Poor's upgraded Michelin's long-term credit rating to BBB+ from BBB, while affirming its A-2 short-term rating and stable outlook.
- On April 24, 2012, Moody's upgraded Michelin's long-term credit rating to Baa1 from Baa2, with a stable outlook, while affirming its P-2 short-term rating and stable outlook.

3.4.9 PROVISIONS

Provisions and other non-current liabilities rose to €1,287 million from €1,184 million at December 31, 2013, primarily due to the projects to improve the competitiveness of the Group's manufacturing operations.

3.4.10 EMPLOYEE BENEFITS

CHANGE IN FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € million)	Pension plans	Other defined benefit plans	2014	2013
At January 1	**1,902**	**1,993**	**3,895**	**4,623**
Contribution paid to the funds	-26	-	-26	-11
Benefits paid directly to the beneficiaries	-13	-58	-71	-68
Other movements	-	-	-	-
Items recognized in the operating income				
Current service cost	30	27	57	65
Actuarial (gains) or losses recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from plan amendments	6	-	6	-
Effect of any plan curtailments or settlements	8	-	8	-16
Other items	2	-	2	3
Items recognized outside the operating income				
Net interest on the net defined benefit liability (asset)	37	39	76	82
Items recognized in other comprehensive income				
Translation adjustments	19	10	29	-10
Actuarial (gains) or losses	-42	91	49	-558
Unrecognized asset due to application of the asset ceiling	-	-	-	-
AT JUNE 30	**1,923**	**2,102**	**4,025**	**4,110**

The net obligation recognized in the balance sheet at June 30, 2014 amounted to €4,025 million, up €130 million compared with January 1, 2014.

The expense recognized in operating income in first-half 2014 in respect of defined benefit plans amounted to €73 million, of which €14 million in non-recurring expense incurred due to changes in the Canadian pension plan as part of the restructuring of the Pictou plant in Canada.

The expense recognized outside operating income in first-half 2014 in respect of defined benefit plans was €76 million, on a par with first-half 2013.

Total payments in respect to defined benefit plans during first-half 2014 came to €97 million, versus €79 million in first-half 2013. They included:

- €26 million in contributions paid to fund management institutions, up €15 million from €11 million in first-half 2013, primarily due to the increase in contributions paid in respect to the Canadian pension plan;
- €71 million in benefits paid directly to employees, compared with €68 million in first-half 2013.

Contributions paid by the Group for defined contribution plans amounted to €69 million in first-half 2014, compared with €66 million in the year-earlier period.

Actuarial losses recognized in equity at June 30, 2014 totaled €49 million, which may be analyzed as follows:

- €333 million in actuarial losses, mainly resulting from the use of lower discount rates in the euro-zone and North America;
- €284 million in actuarial gains on plan assets, stemming from the high real return on the assets over the period, especially in North America.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOW FROM OPERATING ACTIVITIES

(in € million)	1st-Half 2014	1st-Half 2013	Value change
EBITDA before non-recurring income and expenses	**1,687**	**1,675**	**+12**
Change in inventory	(245)	(39)	-206
Change in trade receivables	(391)	(364)	-27
Change in trade payables	19	(8)	+27
Restructuring cash costs	(37)	(58)	+21
Income tax and interest paid	(385)	(317)	-68
Other	(12)	203	-215
CASH FLOWS FROM OPERATING ACTIVITIES	**636**	**1,092**	**-456**

At €1,687 million, **EBITDA** before non-recurring income and expense was stable for the period, reflecting the similar stability in operating income before non-recurring items, at €1,159 million versus €1,153 million in first-half 2013.

Cash flow from operating activities fell sharply, to €636 million from €1,092 million, primarily as a result of:

- the €581-million decrease in working capital requirement, compared with a €178-million decrease in first-half 2013;
- the decline in restructuring cash costs, which fell to €37 million from €58 million in first-half 2013;
- the increase in taxes and interests paid, to €321 million from €256 million in first-half 2013.

3.5.2 CAPITAL EXPENDITURE

(in € million)	1st-Half 2014	1st-Half 2013	1st-Half 2014/ 1st-Half 2013	1st-Half 2014 *(as a % of sales)*	1st-Half 2013 *(as a % of sales)*
Gross purchases of intangible assets and PP&E	**703**	**762**	**-59**	**7.3%**	**7.5%**
Investment grants received and change in capital expenditures payables	185	200	-15	1.9%	2.0%
Proceeds from sale of intangible assets and PP&E	(13)	(25)	+12	(0.1%)	-0.2%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**875**	**937**	**-62**	**9%**	**9.2%**

Gross purchases of intangible assets and property, plant and equipment came to €703 million for the period, compared to €762 million in first-half 2013, and represented 7.3% of net sales versus 7.5% before.

Growth investments amounted to €391 million, more than half of which was related to the new facilities in Brazil, China, India and the United States.

The main capital projects by Product Line were as follows:

Passenger car and light truck tires:

- Projects to increase capacity, improve productivity or refresh product lines in:
  - Itatiaia, Brazil,
  - Columbia, SC in the United States,
  - Shenyang, China for the new plant now ramping up,
  - Olsztyn, Poland,
  - Cuneo, Italy,
  - Pirot, Serbia,
  - Thailand.

Truck tires:

- Projects to increase capacity, improve productivity or refresh product lines in:
  - Shenyang, China,
  - Chennai, India for the new plant now ramping up,
  - Campo Grande, Brazil.

Specialty products:

- to build a new mining tire facility at the Anderson, SC plant in the United States;
- to increase agricultural tire capacity at the Olsztyn plant in Poland.

In addition, the Group is continuing to invest in semi-finished product capacity.

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 loan guarantees).

(in € million)	1st-Half 2014	1st-Half 2013	Change
Cash flows from operating activities	**636**	**1,092**	**-456**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(312)	(290)	-22
AVAILABLE CASH FLOW	**324**	**802**	**-478**
Growth investments	(391)	(472)	+81
Other cash flows from investing activities	(176)	(183)	+7
FREE CASH FLOW	**(243)**	**147**	**-390**

After subtracting €312 million in routine capital expenditure, available cash flow stood at €324 million for first-half 2014.

Free cash flow ended the period at a negative €243 million, in particular after the €391 million in growth investments.

3.6 OUTLOOK FOR FULL-YEAR 2014

In the second half, global demand for Car and Light truck and Truck tires should remain supportive in the mature markets and China. On the other hand, the other new markets are seeing a slowdown, especially in the original equipment segment. At the same time, original equipment demand for Earthmover tires should continue to significantly improve, while mining companies are expecting to continue drawing down inventory through the end of the year, although fourth-quarter growth will benefit from favorable prior-year comparatives.

For the full year, the Group aims to improve its gross unit margin, while preserving a positive balance between pricing policy, product mix and raw materials costs.

In this environment, Michelin is maintaining its view that volumes will increase by around 3%, in line with projected 2014 market growth. The Group is confirming its objectives of i) higher operating income before non-recurring items (at constant exchange rates); ii) a more than 11% return on capital employed; and iii) structural free cash flow of more than €500 million along with a capital expenditure program maintained at around €2 billion.

3.7 RELATED PARTIES

There were no new material related party transactions during the first half of 2014, nor any material changes in the related party transactions described in the 2013 Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group's principal risks have been identified and are described in the 2013 Registration Document.

3.9 FINANCIAL HIGHLIGHTS

(in € million)	**1st-Half 2014**	**1st-Half 2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Net sales	9,673	10,159	20,247	21,474	20,719	17,891	14,807
% change	-4.8%	-5.1%	-5.7%	+3.6%	+15.8%	+20.8%	-9.8%
Total employee benefit costs	2,697	2,710	5,292	5,377	5,021	4,836	4,515
as a % of sales	27.9%	26.7%	26.1%	25.0%	24.2%	27.0%	30.5%
Number of employees *(full time equivalent)*	106,500	107,600	105,700	107,300	108,300	105,100	102,700
Research and development expenses	319	313	643	622	592	545	506
as a % of sales	3.3%	3.1%	3.2%	2.9%	2.9%	3.0%	3.4%
EBITDA before non-recurring income and expenses[1]	1,687	1,675	3,285	3,445	2,878	2,660	1,802
Operating income before non-recurring income and expenses	1,159	1,153	2,234	2,423	1,945	1,695	862
Operating margin before non-recurring income and expenses	12.0%	11.3%	11.0%	11.3%	9.4%	9.5%	5.8%
Operating income	1,072	903	1,974	2,469	1,945	1,945	450
Operating margin	11.1%	8.9%	9.7%	11.5%	9.4%	9.5%	3.0%

(in € million)	1st-Half 2014	1st-Half 2013	2013	2012	2011	2010	2009
Cost of net debt	65	50	94	155	206	236	262
Other financial income and expenses	12	(10)	(15)	(22)	236	10	10
Income before taxes	937	763	1,702	2,307	1,996	1,498	207
Income tax	313	256	575	736	534	449	103
Effective tax rate	33.4%	33.6%	33.8%	31.9%	26.8%	30.0%	49.8%
Net income	624	507	1,127	1,571	1,462	1,049	104
as a % of sales	6.5%	5.0%	5.6%	7.3%	7.1%	5.9%	0.7%
Dividends[2]	464	438	438	378	314	147	145
Cash flows from operating activities	636	1,092	3,089	2,926	1,196	1,322	2,123
as a % of sales	6.6%	10.7%	15.3%	13.6%	5.8%	7.4%	14.3%
Gross purchases of intangible assets and PP&E	703	762	1,980	1,996	1,711	1,100	672
as a % of sales	7.3%	7.5%	9.8%	9.3%	8.3%	6.1%	4.5%
Net debt[3]	892	1,114	142	1,053	1,814	1,629	2,931
Equity	9,436	9,134	9,256	8,501	8,101	8,127	5,495
Gearing	9%	12%	2%	12%	22%	20%	55%
Net debt[3] / EBITDA[1]	0.53	0.67	0.04	0.31	0.63	0.61	1.63
Cash flows from operating activities / Net debt[3]	71.3%	98.0%	NS	277.9%	65.9%	81.2%	72.4%
Net interest charge average rate[4]	NS	12.5%	NS	11.0%	9.6%	6.3%	6.2%
Operating income before non-recurring items / Net interest charge[4]	17.6	15.4	15.7	14.2	9.2	9.1	3.5
Free cash flow[5]	(243)	147	1,154	1,075	(19)	426	1,507
ROE[6]	N. App.	N. App.	12.2%	18.5%	18.1%	12.9%	1.9%
ROCE[7]	N. App.	N. App.	11.9%	12.8%	10.9%	10.5%	5.4%
Per share data *(in €)*							
Net assets per share[8]	50.7	48.8	49.8	46.6	45.9	46.0	37.2
Basic earnings per share[9]	3.34	2.76	6.08	8.62	8.14	6.78	0.69
Diluted earnings per share[9]	3.28	2.72	5.98	8.41	7.97	6.64	0.69
Price-earnings ratio[10]	N. App.	N. App.	12.7	8.3	5.6	7.9	77.7
Dividend for the year	N. App.	N. App.	2.50	2.40	2.10	1.78	1.00
Pay-out ratio[11]	N. App.	N. App.	35.0%	28.7%	30.0%	30.0%	140.8%
Yield[12]	N. App.	N. App.	3.2%	3.4%	4.6%	3.3%	1.9%
Share turnover rate[13]	85%	110%	99%	129%	180%	188%	199%

(1) As defined in note 3.7.2 to the 2013 consolidated financial statements.
(2) Including the dividends reinvested in new shares.
(3) Net debt: financial liabilities less cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) plus/less derivative assets, as defined in note 26 to the 2013 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 (excluding net cash flows from cash management financial assets 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 2013 Registration Document.
(8) Net assets per share: net assets/number of shares outstanding at the end of the period.
(9) 2009 earnings have been restated to take into account the impact of the October 2010 rights issue.
(10) PER: Share price at the end of the period/basic earnings per share.
(11) Payout ratio: Dividend/Net income.
(12) Yield: dividend per share/share price at December 31.
(13) Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.

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

- €16.273 billion at June 30, 2014.

Average daily trading volume

- 630,075 shares in first-half 2014.

Indices

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

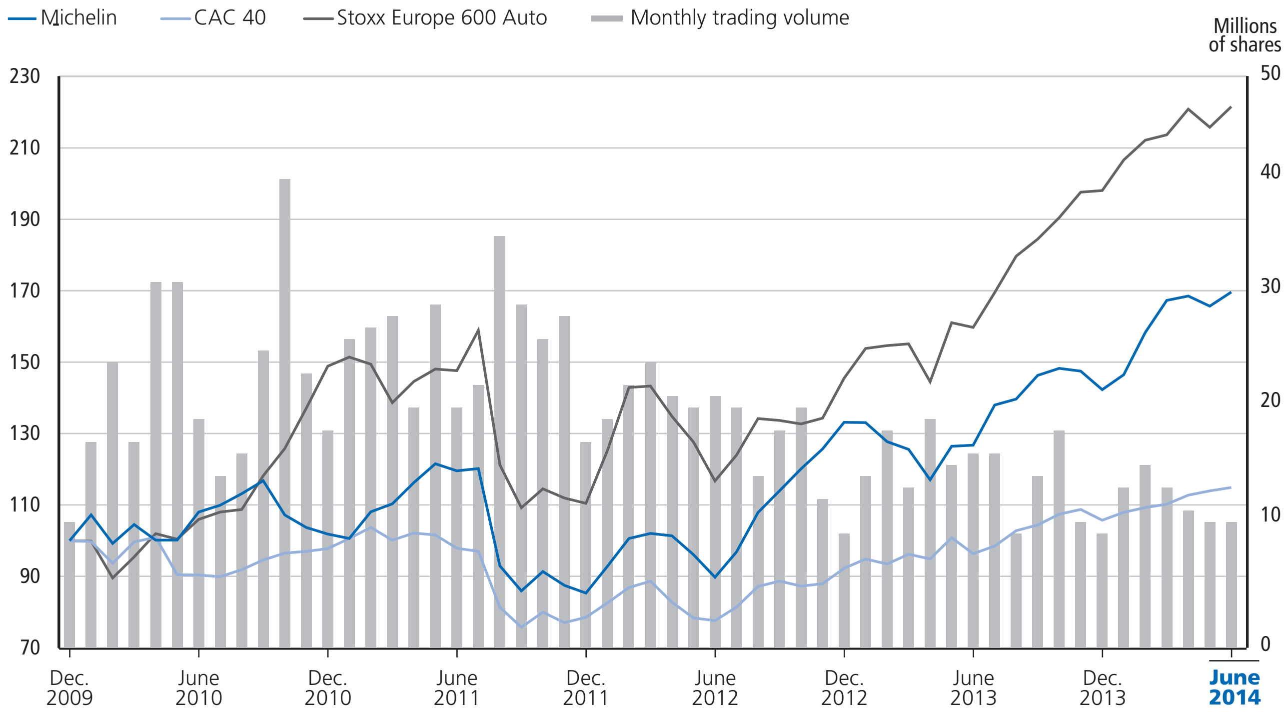
As of June 30, 2014, it represented:

- 1.86% of the CAC 40 index;
- 0.81% 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;
- Advanced Sustainable Performance Index (ASPI) Eurozone.

SHARE PERFORMANCE
(closing price at June 30, 2014)



3.10.2 SHARE DATA

Share price *(in €)*	**1st-Half 2014**	**2013**	**2012**	**2011**	**2010**	**2009**
High	94.33	84.71	72.58	68.54	64.51	58.67
Low	75.28	57.23	45.32	40.2	48.13	22.69
High/Low ratio	1.25	1.48	1.6	1.7	1.34	2.59
Closing price, end of period	87.26	77.25	71.59	45.68	53.7	53.58
Change over the period	12.96%	7.91%	56.7%	-14,9%	0.2%	42.6%
Change in the CAC 40 index over the period	*2.95%*	*18.0%*	*15.2%*	*-17.0%*	*-3.3%*	*22.3%*
Market value at end of period *(in € billion)*	**16.27**	**14.35**	**13.07**	**8.22**	**9.48**	**7.9**
Average daily trading volume over the period	630,075	719,464	913,167	1,246,389	1,116,722	1,138,691
Average shares outstanding	186,207,433	184,901,269	181099501	178,446,812	153,672,558	146,184,080
Volume of shares traded over the period	78,759,437	183,463,371	233,770,814	320,321,901	288,114,287	291,504,866
Share turnover ratio	**85%**	**99%**	**129%**	**180%**	**187%**	**199%**

Sources: NYSE Euronext, Michelin.

3.10.3 PER-SHARE DATA

(in € per share, except ratios)	**1st-Half 2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Net assets per share	50.7	49.8	46.6	45.9	46.0	37.2
Basic earnings per share	3.34	6.08	8.62	8.14	6.78	0.69(1)
Diluted earnings per share(2)	3.28	5.98	8.41	7.97	6.64	0.69(1)
Price-earnings ratio	**N. App.**	**12.7**	**8.3**	**5.6**	**7.9**	**77.7**
Dividend for the year	N. App.	2.50	2.40	2.10	1.78	1.00
Pay-out ratio	N. App.	35.0%	28.7%	30.0%	30.0%	140.8%
Yield(3)	N. App.	3.2%	3.4%	4.6%	3.3%	1.9%

(1) 2009 earnings per share have been restated to take into account the impact of the October 2010 rights issue.
(2) Earnings per share adjusted for the effect on net income and on the average number of shares of the exercise of outstanding dilutive instruments.
(3) 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, 2014, Michelin's share capital amounted to €372,975,952.

	At June 30, 2014		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**
French institutional investors	3,610	26.5%	27.8%
Non-resident institutional investors		61.5%	57.4%
Individual shareholders	133,600	10.2%	12.4%
Employee Shareholder Plan	75,000	1.6%	2.4%
Treasury shares	0	0.2%	-
TOTAL	**212,210**	**186,487,976 SHARES(1)**	**239,448,399 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 2014 OPERATING HIGHLIGHTS

3.11.1 STRATEGY – PARTNERSHIPS – INVESTMENTS

Michelin announced intention to acquire Sascar, Brazil's leading digital fleet management company

(June 9, 2014) – Michelin announced that it intends to acquire all outstanding shares of Sascar, the leading Brazilian digital fleet management and freight security company.

The São Paulo-based company, which has 870 employees, generated revenue of R$280 million (around €91 million) in 2013 and has enjoyed robust average growth of 16% over the past three years, with solid and consistent performances (EBITDA of 37% in 2013). The innovative and dynamic company has developed a strong presence in the independent trucker and small truck fleet segment in Brazil, which underpins the country's land transportation market.

"Michelin will benefit from the client base and technical and marketing skills built up by Sascar in the rapidly expanding telematics market for professional truck fleets and thereby accelerate the development of services for its customers worldwide", explains Jean-Dominique Senard, Chief Executive Officer of the Michelin Group. "This will help us strengthen an important area of growth for the Group."

The acquisition of this company, whose business model has proved its worth in Brazil (33,000 fleets managed, 190,000 trucks), will enable Michelin to expand its service offering for truckers and to speed the growth of its truck tire business in Brazil.

By joining the Michelin Group, Sascar will gain access to its major customers in South America.

The enterprise value, which stands at R$1,600 million (around €520 million), includes the purchase price of R$1,353 million (around €440 million) and R$247 million (around €80 million) in debt. These amounts will be adjusted when the acquisition closes.

The acquisition is subject to approval from the Brazilian competition authorities.

Michelin Canada announced it will reduce the production of small-size tires at its Pictou County plant in Nova Scotia between now and July 2015

Michelin also announced that it will invest C$66.5 million to strengthen manufacturing resources in its three Canadian plants

(March 3, 2014) – Michelin is pursuing its operations at the Pictou County site and continuing to invest in Nova Scotia. Given declining demand for small-size car tires in North America, Michelin announced its plans to reduce production at its Pictou County Nova Scotia car and light truck tire plant over the next 18 months, between now and June 30, 2015.

Production to continue at Pictou County site

Michelin has a long history of production at Pictou Country and will continue to be a significant manufacturing employer. Approximately 500 employees will continue to work at the Pictou County plant after July 1, 2015.

The reduction of tire manufacturing at Michelin Pictou County will not affect Michelin's other two Canadian tire plants in Bridgewater and Waterville, Nova Scotia.

All impacted employees will have the opportunity to continue working for Michelin

All impacted employees will have the possibility of:

- transferring to another position at the Pictou County site or to another Michelin plant in Nova Scotia;
- working in the Group's other two Canadian plants, both of which are located in the same province;
- taking early retirement.

Continued investment in Canada

Michelin remains the largest private manufacturer in Nova Scotia and has invested almost C$2 billion in its operations since its arrival in 1969. In the last eight years, from 2005 to 2013, Michelin invested C$587 million in its Nova Scotian manufacturing operations. In 2014, Michelin is investing C$66.5 million in its three Canadian plants. Michelin thus remains solidly anchored in Canada.

Accounting impact

To finance the project, the Michelin Group will book a provision of C$87 million in non-recurring expenses in its first-half 2014 accounts.

Michelin plans to reconfigure production base in Hungary

Michelin announced a project to close its truck tire plant in Budapest

(May 6, 2014) – In response to the adverse trends and aggressive competition in the European truck tire market, which remains volatile and 23% down on its historic peak in 2007, Michelin has announced its intention to close its truck tire production plant in Budapest. The decision reflects the fact that extending the facility is no longer possible, due to its location in an urban setting, and that improving its competitiveness would require excessive upgrading with new equipment.

The plant's production of tires sold under the Taurus, Riken and Kormoran brands would be terminated in mid-2015. As part of the information and consultation process, Michelin's priority will be to offer individual support measures to each of the 512 concerned employees.

Michelin will also meet with local authorities to discuss possibilities of reconverting the site in accordance with their urban development projects and intends to help develop business activities likely to create jobs in the region.

The Budapest plant's production will be mainly reallocated to the Michelin facilities in Olsztyn, Poland; Zalau, Romania; and Karlsruhe and Homburg, Germany.

Michelin will retain a presence in Hungary with its facilities in Nyíregyháza, Vác and Tuzsér

Michelin maintains a strong presence in Hungary and will continue to produce very high performance car tires at its Nyíregyháza plant, which is playing a major role in Europe in this segment. Michelin is also maintaining the operations of its logistics center in Vác, which serves countries in Central and Southern Europe, and its strategic raw materials marketing unit in Tuzsér.

In addition, Michelin will continue to manage its entry-level car tire operations from Budapest, while maintaining all of its Hungarian sales operations.

Accounting impact

To finance the project, Michelin will book a €39 million provision for non-recurring expenses in its first-half 2014 accounts.

Michelin's Sustainable Development Policy – 20 influential members of civil society hosted by Michelin in Clermont-Ferrand

(May 13-14, 2014) – As part of the Michelin Performance and Responsibility approach, the Group is organizing a series of meetings with all of its stakeholders worldwide.

Twenty people from seven countries, representing organizations that influence or are influenced by the Group's activities (including investors, suppliers, customers and representatives of government bodies, international organizations, NGOs, trade unions and academic institutions) participated in the event, with a day dedicated to discussing Michelin's role and responsibilities in the area of sustainable development.

In his opening remarks on the following day, Jean-Dominique Senard, Managing General Partner of the Michelin Group, emphasized the importance of these meetings for the Group.

The participants then discussed three issues of strategic significance for Michelin:

- "What it means to be a sustainable mobility leader";
- "How Michelin can contribute to sustainable mobility in large cities";
- "How to achieve sustainable mobility with limited natural resources".

A report will be drawn up based on the conclusions of these discussions, and the Group will explore the possibility of implementing some of the recommendations that were expressed.

Hat Yai plant cuts the ribbon

(April 2014) – Michelin has officially opened its fifth facility in Thailand. Located in Hat Yai, in the Songkla province, it is the Group's first rubber composite processing plant, and should make a real contribution to improving the performance of MICHELIN tires.

"Today, it's both the end of one adventure, which included building and developing a technology, and the beginning of a new adventure, the start-up of this plant, which will make a brand new product that will contribute to the performance of Michelin tires. It's the confirmation of the importance of Thailand to the Michelin Group. We're now firmly implanted here, and it's one of our main suppliers of natural rubber," said Jean-Christophe Guerin, Director, Materials Product Line.

The ramp-up of the Hat Yai plant should last until the third quarter of 2014. The new site will ultimately employ close to two hundred people.

3.11.2 PRODUCTS – INNOVATIONS – SERVICES

3.11.2 a) Passenger Car and Light Truck Tires and Related Distribution

MICHELIN® Premier® A/S, a self-regenerating tire – A significant technological advance – Always safe, even when worn!

(January 15, 2014) – At the North American International Auto Show in Detroit, the Group debuted the MICHELIN® Premier® A/S tire, which features unique EverGrip™ technology.

Even when worn, the tire has a shorter braking distance on wet roads than new tires from most competing brands, thanks to hidden grooves that appear as the tire wears, expanding rain grooves that get wider over time, and a unique high-traction rubber compound that improves grip on wet surfaces. As a result, the tire provides motorists with a real improvement in safety performance. This new product is fully in line with the MICHELIN Total Performance strategy.

The MICHELIN® Premier® A/S is produced and sold in North America, a market with its own unique driving and weather conditions. Given the strong potential of EverGrip™, Michelin may well use this technology to enhance the performance of products sold in other markets.

The new MICHELIN Alpin 5

(February 4, 2014) – The MICHELIN Alpin 5. As its name indicates, it is the fifth generation of winter tire designed for European countries in which winter roads are "black", meaning not covered with snow and ice for several months during the season. In the case of the new MICHELIN Alpin 5, the MICHELIN Total Performance strategy means delivering excellent performance on all surfaces, from October to April[(1)].

The new MICHELIN Alpin 5 integrates two highly advanced technologies:

1) the new tread design, namely the patterned blocks that comprise the part of the tire in contact with the road. Compared with its predecessor, the tread band on the MICHELIN Alpin 5 provides:
   - a "rack-and-pinion" effect that grips the snow and enhances resistance to aquaplaning,
   - a "claw" effect for better traction on snow,
   - a "footprint" effect for more precise steering;

(1) *On average, compared to its predecessor, the MICHELIN Alpin 5 (205/55 R16 91 H) tire brakes 5% shorter on wet pavement and 3% shorter on snowy roads. Outside tests commissioned by Michelin, conducted by TÜV Süd and IDIADA between November 2013 and January 2014.*

2) the composition of the rubber compound: to ensure grip on cold, wet roads, the rubber compound must contain a high proportion of silica. Michelin has for the first time added functional elastomers to the tread compound of a winter tire. This new process is called "Innovative Tread Compound Technology".

The new rubber is based on Michelin's fourth-generation "Helio Compound technology". It contains sunflower oil that allows the tire to function effectively at low temperatures.

3.11.2 b) Truck Tires and Related Distribution

Launch of the new MICHELIN X® LINE™ Energy™ Series 80 & 65 tires – More performance in the same tire

(April 14, 2014) – For the launch of its new MICHELIN X® LINE™ Energy™ Series 80 & 65 tires, Michelin is calling on social networks so that its tires can be tested in real conditions of use: "Energise the Road" with Michelin.

Join #TeamEnergy

From April 1 through May 31, Michelin organized a game called Energise the Road and invited long-haul truckers to become an Energy Driver (France, Germany, Netherlands, Poland, Spain).

An Energy Driver is a professional driver concerned about fuel savings and connected to social networks and who wants to share his experience with the trucking community.

Real-life #DrivewithEnergy testers

Since for Michelin, tire performance is only meaningful if it can be demonstrated in real life, the Energy Drivers will test tires as part of their day-to-day operations.

And since their experience is relevant only if shared, Michelin will invite everyone to support the Energy Driver of their choice by sending a tweet via Twitter or posting a photograph on Instagram, adding the hashtag of their favorite Energy Driver.

With **#EnergiseTheRoad,** Michelin is reaffirming its close ties to truckers in a way that is fun-filled, connected, innovative and interactive while also allowing them to express themselves. After all, they know the road better than anyone.

Michelin launched MICHELIN® TRUCK CARE™, a national network to offer consistent quality fleet maintenance through a network of service providers

(April 4, 2014) – Following the Michelin Group Truck Division strategy to extend its fleet service offerings, Michelin Americas Truck Tires launched MICHELIN® TRUCK CARE™, a national network of mechanical service providers with dedicated technicians, along with standardized services that are audited by Michelin.

The new service provides fleet managers the tools to expertly manage their maintenance, improve uptime and control costs. Whether fleets need help when equipment is away from their terminal or to supplement current workloads at home, MICHELIN® TRUCK CARE™ is the right solution.

Over 100 MICHELIN® TRUCK CARE™ service locations will be available in the U.S. by the end of the year.

3.11.2 c) Specialty Businesses

_Earthmover Tires

The MICHELIN X-STRADDLE 2 tire: enhanced safety and productivity[(1)] for port equipment operators

(May 14, 2014) – 60% of world trade transits through ports and the total value of goods shipped in the world's 17 million containers exceeds $4.1 trillion a year. Independently of the economic environment, business in ports is constantly growing. The new MICHELIN X-STRADDLE 2 tire increases the productivity of port operations machinery by more than 30% without sacrificing Michelin's values of enhanced safety, longevity, comfort and environmental protection.

_Two-Wheel Tires

The Michelin Pilot Road 4 is the latest addition to the lineup of motorcycle tires

(February 2014) – The Two-Wheel Product Line is continuing to deploy a winning strategy based on the launch of dynamic products that enhance user safety and enjoyment.

The new MICHELIN Pilot Road 4 lasts 20% longer and brakes 17% shorter on wet roads than its closest competitor, while delivering even better grip at low temperatures and on slippery surfaces.

An impressive mix of innovations and technologies

Thanks to MICHELIN Total Performance, Michelin can offer more technologies and more performance in the same tire, including:

- MICHELIN 2CT (Dual Compound Technology);
- sipes that proved their worth on the MICHELIN Pilot Road 3 (MICHELIN X-Sipe Technology). Michelin is still the only tiremaker to offer this feature on a motorcycle tire;
- the MICHELIN XST+, which enables front-tire sipes to last significantly longer;
- MICHELIN Dual Angle Technology (2AT), a patented technology that features a revolutionary architecture combining the advantages of cross-ply and radial tires, for big GT-type motorcycles.

The MICHELIN Pilot Road 4 endorsed by BMW

The MICHELIN Pilot Road 4 tire's excellent performance has also proved irresistible to motorcycle manufacturers, including BMW, which has certified the GT version for its new R1200RT touring bike.

Available in standard, GT and trail versions, the Michelin Pilot Road 4 is the latest addition to the lineup of motorcycle tires

(1) Compared with the prior-generation MICHELIN X-STRADDLE.

Aircraft Tires

Michelin awarded Boeing 737 MAX 7 & 8 Original Equipment tire supply contract

(March 10, 2014) – Michelin has been selected as an original equipment tire supplier for the Boeing 737 MAX, the new version of the world's top selling commercial airplane. Michelin will equip the 737 MAX 7 and 737 MAX 8 with its industry leading radial aircraft tires with NZG (Near Zero Growth) technology.

The 737 MAX 8 is scheduled to enter service in 2017 and the 737 MAX 7 will follow in 2019.

Under this contract, Michelin will develop and certify its latest generation radial tires with NZG technology for exclusive supply to 737 MAX final assembly lines. The tires will also be certified for sale to airline operators in the aftermarket. Current combined orders for the 737 MAX 7 and 8 stand at more than 1,300 airplanes.

Proven in service, the NZG radial technology promises the following competitive advantages to operators of the Boeing 737 MAX 7 and 8:

- up to 50% more FOD (Foreign Object Damage) resistance through NZG patented technology;
- more than 20% reduction in weight compared with a Bias cross-ply tire, which translates into significant fuel savings for airlines;
- up to a 100% increase in the number of landings compared with a Bias cross-ply tire, which means less maintenance downtime for aircraft operators.

3.11.3 RACING

Michelin and Audi win the 82nd 24 Hours of Le Mans

(June 14-15, 2014) – The 2014 24 Hours of Le Mans provided 263,300 spectators with an action-packed weekend that included to the return of Porsche to endurance racing and an early part of the race marked by changeable weather conditions. The drama-filled competition ultimately saw Audi Sport Team Joest claim a one-two triumph with the No.2 Audi R18 e-tron quattro driven by Fässler, Lotterer and Tréluyer (1st) followed by the No.1 sister car of Di Grassi, Kristensen and Gene. They were joigned on the podium by the No.8 Toyota TS040 Hybrid driven by Davidson, Lapierre and Buemi.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(in € million, except per share data)	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Net sales	3	9,673	10,159
Cost of sales		(6,505)	(6,966)
Gross income		**3,168**	**3,193**
Sales and marketing expenses		(875)	(939)
Research and development expenses		(319)	(313)
General and administrative expenses		(812)	(776)
Other operating income and expenses		(3)	(12)
Operating income before non-recurring income and expenses	3	**1,159**	**1,153**
Non-recurring income and expenses	4	(87)	(250)
Operating income/(loss)		**1,072**	**903**
Cost of net debt	5	(65)	(50)
Other financial income and expenses	5	12	(10)
Net interest on employee benefit obligations	11	(76)	(82)
Share of profit/(loss) from associates		(6)	2
Income/(loss) before taxes		**937**	**763**
Income tax		(313)	(256)
NET INCOME/(LOSS)		**624**	**507**
▶ Attributable to the shareholders of the Company		624	507
▶ Attributable to the non-controlling interests		-	-
Earnings per share *(in €)*			
▶ Basic	6	3.34	2.76
▶ Diluted		3.28	2.72

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Net income/(loss)		**624**	**507**
Post-employment benefits	11	(49)	558
Tax effect – Post-employment benefits		8	(217)
Other items of comprehensive income that will not be reclassified to income statement		**(41)**	**341**
Available-for-sale financial assets – change in fair values		(19)	19
Tax effect – available-for-sale financial assets – change in fair values		4	-
Available-for-sale financial assets – (gain)/loss recognized in income statement		-	-
Currency translation differences		76	(68)
Other		(3)	4
Other items of comprehensive income that may be reclassified to income statement		**58**	**(45)**
Other comprehensive income		**17**	**296**
COMPREHENSIVE INCOME		**641**	**803**
▶ Attributable to the shareholders of the Company		641	803
▶ Attributable to the non-controlling interests		-	-

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

CONSOLIDATED BALANCE SHEET

(in € million)	Note	June 30, 2014	December 31, 2013
Goodwill		404	388
Other intangible assets		473	451
Property, plant and equipment (PP&E)		9,173	8,955
Non-current financial assets and other assets		302	309
Investments in associates		192	195
Deferred tax assets		1,082	1,054
Non-current assets		**11,626**	**11,352**
Inventories		4,229	3,979
Trade receivables		2,939	2,517
Current financial assets		478	564
Other current assets		698	707
Cash and cash equivalents		807	1,563
Current assets		**9,151**	**9,330**
TOTAL ASSETS		**20,777**	**20,682**
Share capital	7	373	372
Share premiums	7	3,678	3,641
Reserves	8	5,374	5,237
Non-controlling interests		11	6
Equity		**9,436**	**9,256**
Non-current financial liabilities	9	1,476	1,447
Employee benefit obligations	11	4,025	3,895
Provisions and other non-current liabilities		1,287	1,184
Deferred tax liabilities		28	43
Non-current liabilities		**6,816**	**6,569**
Current financial liabilities	9	758	856
Trade payables		1,777	1,970
Other current liabilities		1,990	2,031
Current liabilities		**4,525**	**4,857**
TOTAL EQUITY AND LIABILITIES		**20,777**	**20,682**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	Share capital *(note 7)*	Share premiums *(note 7)*	Reserves *(note 8)*	Non-controlling interests	Total
At January 1, 2013	**365**	**3,508**	**4,660**	**2**	**8,535**
Net income/(loss)	-	-	507	-	507
Other comprehensive income	-	-	296	-	296
Comprehensive income	**-**	**-**	**803**	**-**	**803**
Issuance of shares	9	246	-	-	255
Dividends and other allocations	-	-	(455)	-	(455)
Share-based payments - cost of services rendered	-	-	6	-	6
Repurchase of shares assigned to remuneration plans	-	-	(10)	-	(10)
Other	-	-	-	-	-
At June 30, 2013	**374**	**3,754**	**5,004**	**2**	**9,134**
Net income/(loss)	-	-	620	-	620
Other comprehensive income	-	-	(381)	-	(381)
Comprehensive income	**-**	**-**	**239**	**-**	**239**
Issuance of shares	1	20	-	-	21
Disposal/cancellation of shares	(3)	(133)	185	-	49
Dividends and other allocations	-	-	-	-	-
Share-based payments - cost of services rendered	-	-	5	-	5
Repurchase of shares assigned to remuneration plans	-	-	(196)	-	(196)
Other	-	-	-	4	4
At December 31, 2013	**372**	**3,641**	**5,237**	**6**	**9,256**
Net income/(loss)	-	-	624	-	624
Other comprehensive income	-	-	17	-	17
Comprehensive income	**-**	**-**	**641**	**-**	**641**
Issuance of shares	1	37	-	-	38
Disposal/cancellation of shares	-	-	-	-	-
Dividends and other allocations	-	-	(486)	-	(486)
Share-based payments - cost of services rendered	-	-	4	-	4
Repurchase of shares	-	-	(24)	-	(24)
Disposal of shares assigned to remuneration plans	-	-	2	-	2
Other	-	-	-	5	5
AT JUNE 30, 2014	**373**	**3,678**	**5,374**	**11**	**9,436**

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

CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Net income		624	507
Adjustments			
▶ Cost of net debt	5	65	50
▶ Other financial income and expenses	5	(12)	10
▶ Net interest on benefits	11	76	82
▶ Income tax		313	256
▶ Amortization, depreciation and impairment of intangible assets and PP&E		528	522
▶ Non-recurring income and expenses	4	87	250
▶ Share of loss/(profit) from associates		6	(2)
EBITDA before non-recurring income and expenses		**1,687**	**1,675**
Other non-cash income and expenses	13	(4)	(11)
Change in provisions, including employee benefit obligations	13	(81)	(77)
Cost of net debt and other financial income and expenses paid	13	(64)	(61)
Income tax paid		(321)	(256)
Change in working capital, net of impairments	13	(581)	(178)
Cash flows from operating activities		**636**	**1,092**
Purchases of intangible assets and PP&E	13	(888)	(962)
Proceeds from sale of intangible assets and PP&E		13	25
Equity investments in consolidated companies, net of cash acquired		(3)	1
Disposals of equity investments in consolidated companies, net of cash sold		-	-
Purchases of available-for-sale financial assets		(8)	(12)
Proceeds from sale of available-for-sale financial assets		-	1
Cash flows from other financial assets	13	69	(66)
Cash flows from investing activities		**(817)**	**(1,013)**
Proceeds from issuances of shares	7	38	6
Dividends paid to the shareholders of the Company	7	(464)	(189)
Cash flows from financial liabilities	13	(105)	(546)
Other cash flows from financing activities		(44)	(35)
Cash flows from financing activities		**(575)**	**(764)**
Effect of changes in exchange rates		**-**	**(7)**
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		**(756)**	**(692)**
Cash and cash equivalents at January 1		**1,563**	**1,858**
Cash and cash equivalents at June 30		**807**	**1,166**

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

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

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

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

After a review by the Supervisory Board, these condensed consolidated interim financial statements were authorized for issue by the Managing Chairman on July 24, 2014.

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, 2013, 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, 2013.

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, 2014

The new standards, major amendments and interpretations to existing standards, which are applicable for the accounting periods beginning on January 1, 2014 and which could have an impact for the Group, are described below:

- IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
  The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard was applied retrospectively and did not have an impact on the Group consolidated financial statements.
- IFRS 11, "Joint arrangements", establishes the principles for financial reporting by entities that have interests in arrangements that are controlled jointly. The entity must determine the type of joint arrangement in which it is involved by classifying its joint arrangement as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. Arrangements that are joint ventures must be accounted for using the equity method in accordance with the requirements of revised IAS 28.
  The Group's joint arrangements are joint ventures as defined by IFRS 11. The standard was applied retrospectively and did not have an impact on the Group consolidated financial statements.
- IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will accordingly disclose this information at year-end.

The Group has not anticipated the implementation of any standards or interpretations which will become mandatory after June 30, 2014.

2.4 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 balance sheet date and the amount of income and expenses for the reporting period. The actual results could differ from those estimates.

2.5 Change in the scope of consolidation

The acquisitions or divestments of the period did not have any significant effect on the condensed consolidated interim financial statements.

2.6 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 before non-recurring income and expenses, consistently with that of the consolidated income statement.

This measurement basis excludes the effects of non-recurring income and expenses from the operating segments. 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, 2014				Six months ended June 30, 2013			
(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	5,167	2,927	1,579	**9,673**	5,321	3,121	1,717	**10,159**
Operating income before non-recurring income and expenses	588	226	345	**1,159**	550	203	400	**1,153**
In percentage of net sales	*11.4%*	*7.7%*	*21.8%*	***12.0%***	*10.3%*	*6.5%*	*23.3%*	***11.3%***

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, 2014				December 31, 2013			
(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	8,135	4,722	2,800	**15,657**	7,334	4,925	2,578	**14,837**

Segment assets consist of goodwill and other 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:

	Six months ended June 30, 2014				Six months ended June 30, 2013			
(in € million)	Europe	North America	Other	Total	Europe	North America	Other	Total
Net sales	4,052	3,298	2,323	**9,673**	4,023	3,520	2,616	**10,159**

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, 2014 amounted to €978 million (2013: €967 million).

NOTE 4 NON-RECURRING INCOME AND EXPENSES

4.1 Six months ended June 30, 2014

In a demanding international environment, the Group announced two restructuring programs during the first half of the year.

4.1.1 Canada

The Group announced in March 2014 a significant reduction of tire manufacturing capacity at its Pictou, Canada car and light truck tire plant. The move was in response to a continuing shift in the North American car tire market to larger size tires and the limits of the existing plant (14-, 15-, and 16-inch tires) that would have required investment costs deemed to be too important to adapt its production equipment for the manufacturing of larger size tires.

The global charge corresponding to this operation has been recorded in non-recurring expenses, in the amount of €47 million, which includes costs of the social elements of the reorganization as well as adjustments to the value of employee defined benefits and to the fixed assets of the Company.

4.1.2 Hungary

In June 2014, the Group announced the closure of its truck tire production unit in Budapest. The plant will discontinue its operations in the course of 2015. Despite the efforts made and the productivity gains achieved in recent years, the site has reached its limits in terms of development and competiveness because its urban location is preventing any expansion and because of the excessive amounts of investments required to adapt its machinery.

A provision amounting to €38 million has been recognized in non-recurring expenses corresponding to the social costs of the restructuring, the equipment impairments and the cost necessary to deploy the revitalization plan implemented to help the impacted region.

4.2 Six months ended June 30, 2013

4.2.1 France

A provision amounting to €116 million was recognized in relation to the shutdown of the truck tire manufacturing site in Joué-lès-Tours, covering essentially the social costs, impairment of unusable equipment and costs to deploy a job revitalization plan for the affected region.

4.2.2 Colombia

At the announcement in 2013 that the Group would cease the industrial activities of its Columbian subsidiary, a provision amounting to €103 million was recognized to cover primarily the social costs and the impairment of unusable equipment.

4.2.3 Algeria

The Group had announced that it would cease the production of truck tires at the Algeria plant at the end of the year 2013.

This operation led to the recognition of a provision amounting to €31 million covering mainly the social costs, the dismantling and environmental clean-up costs of the site, the impairment of equipment and the net result of the disposal.

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, 2014	Six months ended June 30, 2013
Interest expenses	(73)	(80)
Interest income	7	5
Interest rate derivatives	(8)	10
Fees on credit lines	(4)	(4)
Capitalized borrowing costs	13	19
COST OF NET DEBT	**(65)**	**(50)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	25	2
Currency remeasurement (including currency derivatives)	(6)	1
Other	(7)	(13)
OTHER FINANCIAL INCOME AND EXPENSES	**12**	**(10)**

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, 2014	Six months ended June 30, 2013
Net income/(loss) *(in € million)*, excluding the non-controlling interests	624	507
▶ Less, estimated grants to the General Partners	(3)	(4)
Net income/(loss) attributable to the Shareholders of the Company used in the calculation of basic earnings per share	**621**	**503**
▶ 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	**635**	**517**
Weighted average number of shares *(thousands of shares)* **outstanding used in the calculation of basic earnings per share**	**185,740**	**182,557**
▶ Plus, adjustment for share option plans	840	641
▶ Plus, adjustment for convertible bonds	6,019	6,244
▶ Plus, adjustment for performance shares	732	507
Weighted average number of shares used in the calculation of diluted earnings per share	**193,331**	**189,949**
Earnings per share *(in €)*		
▶ Basic	3.34	2.76
▶ Diluted	3.28	2.72

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, 2013: 182,556,713 shares outstanding	**365**	**3,508**	**3,873**
Issuance of 4,467,601 shares from the partial payment of dividend in shares	9	240	249
Issuance of 160,002 shares from the exercise of share options and performance shares	-	6	6
Repurchase of 140,000 shares assigned to remuneration plans (note 8)	-	-	-
Other (issuance of 4 shares)	-	-	-
At June 30, 2013: 187,044,320 shares outstanding	**374**	**3,754**	**4,128**
Issuance of 414,581 shares from the exercise of share options and performance shares	1	20	21
Repurchase of 735,934 shares assigned to remuneration plans (note 8)	-	-	-
Disposal of 845,934 shares assigned to remuneration plans (note 8)	-	-	-
Repurchase and cancellation of 1,809,260 shares	(3)	(133)	(136)
Other (issuance of 2 shares)	-	-	-
At December 31, 2013: 185,759,643 shares outstanding	**372**	**3,641**	**4,013**
Issuance of 698,331 shares from the exercise of share options and performance shares	1	37	38
Repurchase of 269,220 shares (note 8)	-	-	-
Disposal of 19,664 shares assigned to remuneration plans (note 8)	-	-	-
Other (issuance of 2 shares)	-	-	-
AT JUNE 30, 2014: 186,208,420 SHARES OUTSTANDING	**373**	**3,678**	**4,051**

The dividend granted to the shareholders during the period was €2.50 per share (2013: €2.40 per share).

It has been fully paid in cash for a net amount of €464 million.

In 2013, the settlement was as follows:

- payment in cash for €189 million;
- issuance of new shares for a net amount of €249 million.

NOTE 8 RESERVES

(in € million)	Translation reserve	Other reserves	Retained earnings	Total
At January 1, 2013	**(62)**	**192**	**4,530**	**4,660**
Dividends and other allocations	-	-	(455)	(455)
Share-based payments – cost of services rendered	-	-	6	6
Repurchase of shares assigned to remuneration plans (note 7)	-	(10)	-	(10)
Transactions with the Shareholders of the Company	**-**	**(10)**	**(449)**	**(459)**
Net income/(loss) attributable to the shareholders of the Company	-	-	507	507
Post-employment benefits	-	-	*558*	*558*
Tax effect – Post-employment benefits	-	-	*(217)*	*(217)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	341	341
Available-for-sale financial assets – change in fair values	-	*19*	-	*19*
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	*(68)*	-	-	*(68)*
Other	-	*(1)*	*5*	*4*
Other items of comprehensive income that may be reclassified to income statement	(68)	18	5	(45)
Comprehensive income	**(68)**	**18**	**853**	**803**
At June 30, 2013	**(130)**	**200**	**4,934**	**5,004**
Dividends and other allocations	-	-	-	-
Share-based payments – cost of services rendered	-	-	5	5
Repurchase of shares assigned to remuneration plans (note 7)	-	(196)	-	(196)
Disposal/cancellation of shares (note 7)	-	204	(19)	185
Transactions with the Shareholders of the Company	**-**	**8**	**(14)**	**(6)**
Net income/(loss) attributable to the shareholders of the Company	-	-	620	620
Post-employment benefits	-	-	*15*	*15*
Tax effect – Post-employment benefits	-	-	*(77)*	*(77)*
Other items of comprehensive income that will not be reclassified to income statement	-	-	(62)	(62)
Available-for-sale financial assets – change in fair values	-	*(40)*	-	*(40)*
Tax effect – available-for-sale financial assets – change in fair values	-	*(4)*	-	*(4)*
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-
Currency translation differences	*(273)*	-	-	*(273)*
Other	-	*(3)*	*1*	*(2)*
Other items of comprehensive income that may be reclassified to income statement	(273)	(47)	1	(319)
Comprehensive income	**(273)**	**(47)**	**559**	**239**
At December 31, 2013	**(403)**	**161**	**5,479**	**5,237**
Dividends and other allocations	-	-	(486)	(486)
Share-based payments – cost of services rendered	-	-	4	4
Repurchase of shares (note 7)	-	(24)	-	(24)
Disposal of shares assigned to remuneration plans (note 7)	-	2	-	2
Transactions with the Shareholders of the Company	**-**	**(22)**	**(482)**	**(504)**
Net income/(loss) attributable to the shareholders of the Company	-	-	624	624
Post-employment benefits	-	-	*(49)*	*(49)*
Tax effect – Post-employment benefits	-	-	*8*	*8*
Other items of comprehensive income that will not be reclassified to income statement	-	-	(41)	(41)
Available-for-sale financial assets – change in fair values	-	*(19)*	-	*(19)*
Tax effect – available-for-sale financial assets – change in fair values	-	*4*	-	*4*
Available-for-sale financial assets – (gain)/loss recognized in income statement	-	-	-	-
Currency translation differences	*76*	-	-	*76*
Other	-	*(4)*	*1*	*(3)*
Other items of comprehensive income that may be reclassified to income statement	76	(19)	1	58
Comprehensive income	**76**	**(19)**	**584**	**641**
AT JUNE 30, 2014	**(327)**	**120**	**5,581**	**5,374**

NOTE 9 FINANCIAL LIABILITIES

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

(in € million)	June 30, 2014	December 31, 2013
Bonds	1,132	1,118
Loans from financial institutions and other	270	273
Finance lease liabilities	46	49
Derivative instruments	28	7
Non-current financial liabilities	**1,476**	**1,447**
Bonds and commercial paper	398	598
Loans from financial institutions and other	335	231
Finance lease liabilities	8	10
Derivative instruments	17	17
Current financial liabilities	**758**	**856**
FINANCIAL LIABILITIES	**2,234**	**2,303**

The Group net debt is analyzed in the table below:

(in € million)	June 30, 2014	December 31, 2013
Financial liabilities	2,234	2,303
Derivatives recognized as assets	(99)	(100)
Borrowing collaterals – non-current portion	-	-
Borrowing collaterals – current portion	(10)	(12)
Cash management financial assets	(426)	(486)
Cash and cash equivalents	(807)	(1,563)
NET DEBT	**892**	**142**

In April 2014, the Group fully repaid at maturity, for a total amount of €404 million, its 2009 bond issue.

NOTE 10 SHARE-BASED PAYMENTS

No share-based payments were done during the first six-month period of 2014.

NOTE 11 EMPLOYEE BENEFIT OBLIGATIONS

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

(in € million)	Pension plans	Other plans	2014	2013
At January 1	**1,902**	**1,993**	**3,895**	**4,623**
Contributions paid to the funds	(26)	-	(26)	(11)
Benefits paid directly to the beneficiaries	(13)	(58)	(71)	(68)
Other movements	-	-	-	-
Items recognized in operating income				
Current service cost	30	27	57	65
Actuarial (gains) or losses recognized on other long term benefit plans	-	-	-	-
Past service cost resulting from plan amendments	6	-	6	-
Effect of any plan curtailments or settlements	8	-	8	(16)
Other items	2	-	2	3
Items recognized outside operating income				
Net interest on employee benefit obligations	37	39	76	82
Items recognized in other comprehensive income				
Translation adjustments	19	10	29	(10)
Actuarial (gains) or losses	(42)	91	49	(558)
Portion of unrecognized asset due to the application of the asset ceiling	-	-	-	-
AT JUNE 30	**1,923**	**2,102**	**4,025**	**4,110**

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, 2014	2.57%	4.50%	4.30%	4.00%	n/a
Discount rate at December 31, 2013	3.29%	4.50%	4.60%	4.50%	n/a
Actuarial (gains)/losses on change in assumptions	149	-	130	73	352
Experience (gains)/losses on plan assets	-	(44)	(176)	(83)	(303)
ACTUARIAL (GAINS) OR LOSSES	**149**	**(44)**	**(46)**	**(10)**	**49**

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, 2014	**188**	**193**	**63**	**444**
Additional provisions	56	56	12	124
Provisions utilized during the year	(37)	(64)	(15)	(116)
Unused provisions reversed during the year	(4)	-	-	(4)
Translation adjustments	1	1	-	2
AT JUNE 30, 2014	**204**	**186**	**60**	**450**

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, 2014	Six months ended June 30, 2013
(Gains)/losses on disposal of non-financial assets	(2)	(9)
Other	(2)	(2)
Other non-cash income and expenses	**(4)**	**(11)**
Change in employee benefit obligations	(38)	(14)
Change in restructuring provisions	(31)	(56)
Change in litigation and other provisions	(12)	(7)
Change in provisions, including employee benefit obligations	**(81)**	**(77)**
Interest and other financial expenses paid	(99)	(80)
Interest and other financial income received	10	12
Dividends received	25	7
Cost of net debt and other financial income and expenses paid	**(64)**	**(61)**
Change in inventories	(245)	(39)
Change in trade receivables and advances	(391)	(161)
Change in trade payables and advances	19	(8)
Change in other receivables and payables	36	30
Change in working capital, net of impairments	**(581)**	**(178)**
Purchases of intangible assets	(62)	(47)
Purchases of PP&E	(641)	(715)
Government grants received	2	3
Change in capital expenditure payables	(187)	(203)
Purchases of intangible assets and PP&E	**(888)**	**(962)**
Increase in other non-current financial assets	(4)	(3)
Decrease in other non-current financial assets	7	6
Net cash flows from cash management financial assets	60	(67)
Net cash flows from borrowing collaterals	2	(1)
Net cash flows from other current financial assets	4	(1)
Cash flows from other financial assets	**69**	**(66)**
Increase in non-current financial liabilities	70	64
Decrease in non-current financial liabilities	(19)	(88)
Repayment of finance lease liabilities	(5)	(5)
Net cash flows from current financial liabilities	(172)	(506)
Derivatives	21	(11)
Cash flows from financial liabilities	**(105)**	**(546)**
Details of non cash transactions:		
▶ New finance leases	-	-
▶ Decrease of liabilities to minority shareholders	(5)	(5)
▶ New emission rights	7	1
▶ Dividends paid in shares (note 7)	-	249

NOTE 14 RELATED PARTY TRANSACTIONS

There were no new significant related party transactions during the first half of 2014, as well as no significant changes in the related party transactions described in the 2013 Annual Report.

NOTE 15 ACQUISITION TRANSACTION IN PROGRESS

Michelin announced in June that it intends to acquire all outstanding shares of Sascar, the leading Brazilian digital fleet management and freight security company.

The acquisition of this company will enable Michelin to expand its service offering for truckers and to speed the growth of its truck tire business in Brazil. It will enable Sascar to gain access to the Group's major customers in Brazil and then in all of South America.

The purchase price of the acquisition is estimated at €440 million.

The transaction is expected to close in the coming months, being subject to approval by the Brazilian competition authorities.

NOTE 16 EVENTS AFTER THE BALANCE SHEET DATE

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

5 STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 INTERIM FINANCIAL INFORMATION 86

STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 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 Établissements Michelin, for the six months ended June 30, 2014;
- 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 28, 2014

PricewaterhouseCoopers Audit	Deloitte & Associés
Éric Bulle	Dominique Descours

6 STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST-HALF 2014 FINANCIAL REPORT 88

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST-HALF 2014 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 36 to 67 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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